unitytrust bank

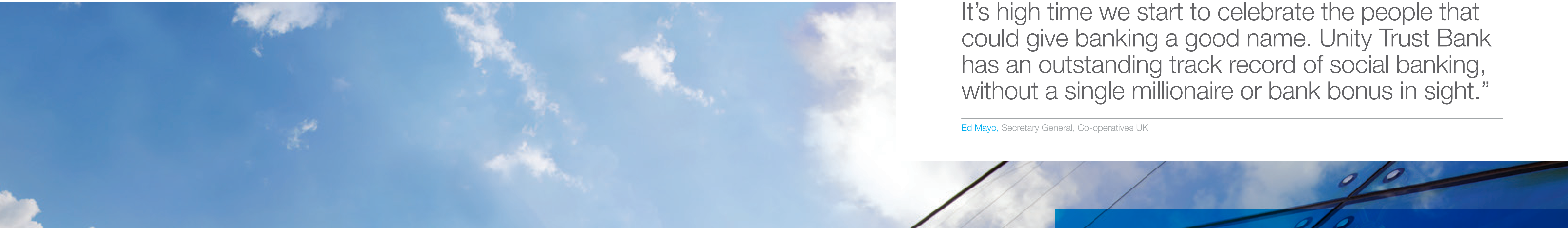
Summary Report and Accounts **2014**

UNITY TRUST BANK CELEBRATING 30 YEARS 1984 - 2014

Contents

"It's high time we start to celebrate the people that could give banking a good name. Unity Trust Bank has an outstanding track record of social banking, without a single millionaire or bank bonus in sight."

Ed Mayo, Secretary General, Co-operatives UK



Front cover image:
Unity Trust Bank Headquarters,
Nine Brindleyplace, Birmingham

Unity Trust Bank plc

Registered Head Office and Customer Service Centre

Nine Brindleyplace
Birmingham B1 2HB

Tel: 0345 140 1000
Fax: 0345 113 0003

Registered in England and Wales
No 1713124
FCA firm reference No 204570

Board of Directors

Those serving at 8 April 2015 are:

Dave Prentis (President)
Graham Bennett (Chair)
Roderick Chamberlain (Independent Director)
Clare Gosling
Billy Hayes
Peter Kelly
Ian Morrison
Paul Noon OBE
Mike Osborne
Ed Sabisky
Richard Wilcox
Allan Wylie

Executive Management

Richard Wilcox, Chief Executive Officer
Kate Eldridge, Company Secretary
Kay Gossage, Head of Human Resources
Peter Kelly, Director, Business Development and Marketing
Ian Morrison, Director, Operations
Mike Osborne, Finance Director

Auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Shareholders

ACCORD
Associated Society of Locomotive Engineers and Firemen
Association of Teachers and Lecturers
BALPA
Broadcasting, Entertainment, Cinematograph and Theatre Union
Communication Workers' Union
Community
Educational Institute of Scotland
FDA
Fire Brigades Union
General Federation of Trade Unions
GMB
Musicians' Union
National Association of Colliery Overmen, Deputies and Shotfirers
National Association of Schoolmasters Union of Women Teachers
National Union of Rail, Maritime and Transport Workers
Nautilus International
National Union of Mineworkers
National Union of Teachers
Nationwide Group Staff Union
Northern Ireland Public Service Alliance
Prison Officers Association
Prospect
Public and Commercial Services Union
The Co-operative Bank plc
The Society of Chiropodists and Podiatrists
Trades Union Congress
Transport Salaried Staffs' Association
UCU
UNISON
Unite the Union
Unity
USDAW

Shareholders and Capital

Individual trades unions and trade union federations own 73.14% of the total equity capital of Unity Trust Bank plc (14.64% in 'A' shares and 58.50% in 'C' shares). The Co-operative Bank plc, through its subsidiary Co-operative Commercial Limited, owns 26.66% (14.64% in 'B' shares and 12.02% in 'C' shares).

Certain individuals, including staff members, between them own 0.20% of the equity capital, all in 'C' shares. Total equity capital at 31 December 2014 was £16,429,301.

The 'A' shares owned by trades unions and the 'B' shares owned by The Co-operative Bank plc have certain class rights attached to them concerning the election of Directors and certain other matters referred to in the Articles of Association.

Strategic Report with Supplementary Material

The Strategic Report is only part of the Bank's annual Report and Accounts for 2014. A full copy of the Bank's annual Report and Accounts is available on the website (www.unity.co.uk). The auditor's report on the annual accounts is unqualified.

President's Statement 2014

2014 was a momentous year in the history of Unity Trust Bank. We celebrated thirty successful years and prepared ourselves for the next stage of our history with a governance structure and operation that is independent of The Co-operative Bank.

Dave Prentis

Back in 1984, the Bank's founding principles set out to establish a unique sort of bank, one that would not be motivated solely by the maximisation of profit but would embrace a philosophy of common good. It was the brainchild of the Trades Unions who wanted to create a bank that was truly good for society as a whole. Today those founding principles still hold firm with Unity. Its purpose remains to achieve sustainable financial performance and positive social impact. We call this our 'double bottom line'. In our view, this is how all banks should be: a belief that events of the last decade seem to support.

As President, I'm tremendously proud of what we've achieved and that our founding principles appear even more relevant today than they were thirty years ago. They will continue to guide us, with the benefit of the strong foundations that we have in place at the end of 2014:

- **Loyal and expanding customer base**
  Over 20,000 organisations bank with us, ones that pursue social good as well as sustainable returns. Our customers tell us that they choose to bank with us for our service and because our values are aligned with theirs. For example, they include most of the UK's: police federations; TUC affiliated unions; Community Development Finance Institutions (CDFIs); credit unions; and a high proportion of Citizens Advice Bureaux;
- **Financially strong**
  We have a strong Core Tier 1 capital ratio and liquidity. Our lending is all funded by customer deposits, we are not reliant on the inter-bank money markets. Unity has never traded in sub-prime investments or the complex financial instruments that have resulted in difficulties for many organisations. We are unaffected by events in these markets;
- **Positive social impact**
  Our loan decisions include a requirement to demonstrate positive social impact as well as financial sustainability. We measure and report on all our lending impacts and publish information on our website;
- **Customer driven**
  We listen to our customers to enable us to develop products and services which meet their needs. It is important to us to have high levels of customer satisfaction, consistently achieving 85% or over;
- **A fair approach to remuneration**
  We have adopted the recommendation of the High Pay Centre to maintain a maximum ratio of 20 between our highest and lowest paid. We operate a modest profit share scheme where all staff, from the Chief Executive Officer to the most junior, receive the same percentage. Last year's distribution was 3.45% of salary and is 1.7% for 2014. We believe this drives the right staff behaviours and to many customers these pay principles are an important characteristic that differentiates Unity. Our Employee Share Ownership Scheme (ESOP) benefits all staff based on the success of the Bank in achieving its objectives;
- **Ethical business practices**
  We show leadership in our own business practices, evidenced through our Living Wage accreditation and awards, pioneering Fair Tax practices and our successful apprenticeship and volunteering schemes;
- **Experienced and motivated team**
  We have loyal and motivated people at Unity who are proud to represent the Bank and what it stands for.

In the current economic environment, the support that the Bank provides for credit unions and CDFIs is vital to help the financially disadvantaged or excluded, whether they be individuals or small businesses.

£30million

lent to 57 organisations creating and protecting 3,423 jobs

Business Performance

2014 pre-tax profit was £0.97 million, £1.3 million lower than 2013 for the reasons explained below. Income was broadly consistent with 2013, but costs increased due to the work for Unity to achieve complete operational independence from The Co-operative Bank. Operating profit before impairment credit and fair value movement in derivatives was £0.8 million. The Bank has continued to grow, our loans are covered almost four times by deposits and we have funds to lend.

In 2014 we committed £30 million of loans right across the UK. One loan in particular was to The Neighbourhood Services Company, an organisation that has a record of rejuvenating and increasing employment locally. Our investment helped them to purchase a number of buildings and land for development in a deprived area of the North West. This area will be turned into a community hub, with a strategy that focuses particularly on young people. We also financed Phases, a South London based charity, to allow them to purchase and refurbish empty homes to bring them back into use. They provided construction training for marginalised people and housed homeless people.

In conjunction with the Department for Business Innovation and Skills we provide much needed finance to small firms via CDFIs. In South Yorkshire we support Finance For Enterprise (formerly Donbac) that provides funding to SMEs who have been declined by the banks. In 2014 we lent £330,000 to this CDFI and helped create 133 jobs in the area. This loan also helped leverage an additional £500,000 in funds as part of the Regional Growth Fund (RGF) match-funding programme.

We are proud to be a leading provider of bank finance to CDFIs to whom we currently lend around £20 million. In 2014 alone this helped create over 3,176 jobs.

Changes to the Board

There have been a number of changes, as well as retirements, on the Board during 2014. I am particularly sorry that, as a result of some recent ill health, our CEO Richard Wilcox has announced his intention to retire from the Bank in 2015. Richard has led Unity with a powerful social conscience over the last three years and steadily built the solid foundations without which we could not contemplate our current growth plans. On behalf of the Board and shareholders we wish Richard all the very best in his forthcoming retirement.

At the start of Richard's tenure he embedded our new 'double bottom line' strategy. Unity's profile as a socially responsible and different kind of bank has grown during his term, with initiatives such as Living Wage accreditation and our pioneering stance on fair and transparent tax practices gaining valuable profile for the Bank. Unity was recognised as an Investors in People (IIP) Gold Standard business and participated in the independent Best Companies survey for the sixth consecutive year. We achieved a 'One Star' rating in 2014, improving on the 'one to watch' status the Bank held the previous year.

Delivering a high quality service and treating customers fairly is of the utmost importance to Unity and under Richard's leadership I am proud of the high customer satisfaction and advocacy we have achieved. Our own monitoring consistently reports over 85% customer satisfaction. Unity outperformed all the main high street banks in an independent survey, undertaken by Charity Finance.

Our Chair, Graham Bennett, has also indicated his intention to retire from the Board in 2015. During his tenure, Graham ensured the Bank combined its dual mission of financial prudence and positive social impact to great effect. I and everyone at Unity are very grateful for his wise stewardship and support over the last five years.

In addition, I would like to take this opportunity to thank four Board members who also left in 2014 – Vicky Bryce from RMT and Paul Allton, Richard France and Steve Watts appointed by The Co-operative Bank. They brought valuable experience and knowledge to the Board. We welcomed Ed Sabisky to the Board; he was nominated by Unite and brings with him considerable financial expertise.

At the start of 2015 we welcomed Alan Hughes to the Bank on his selection as our first independent Chair. Alan comes with a proven ability to run retail banks with integrity. He places particular value on probity, respect and trust in banking. In all his leadership roles he delivered successful growth and innovation. Alan spent 35 years with HSBC where he was a UK General Manager, Executive Board member and member of the Bank's ALCO treasury control committee. Since then he has had non-executive roles, served in higher education, the public sector and twice led initiatives to start new banks. As Chief Executive of First Direct, Alan trebled the bank's size and profits and increased its lead as the UK's most recommended bank.

The Future

There is a real and urgent need in the UK for a bank that truly demonstrates social principles in everything that it does and where the aims of the shareholders are fully aligned with those of its customers.

Throughout the first 30 years of its existence Unity has aspired to this and I look forward to seeing the next phase of its development, where those principles can be aligned to a bank that has real growth potential.

2015 will see Unity embark on its next 30 years as an independent bank with a very strong platform from which to grow and do more for its customers, and those very many enterprises and people that share our 'double bottom line' ethos.

Whilst the banking industry as a whole comes under scrutiny after a series of scandals and malpractices, I am proud that Unity has shown itself to be a force for good. We are committed to enabling social development and supporting community involvement for our customers and the people they support. The values we place on creating an open and supportive culture, means our people work together to make Unity a success.

Unity is in a unique position to attract new customers by offering the banking services and lending expertise they should expect from a bank. We will do this in a way that delivers value above and beyond the commercial impact. I would like to thank all of you – our customers, shareholders and friends across the wider society – for your ongoing support of Unity and I look forward positively to the next 30 years.

Dave Prentis
President of Unity Trust Bank plc

Strategic Report

Business Model

The Bank's core business model is the provision of banking services for businesses, organisations or individuals that pursue a social benefit as well as commercial sustainability. The Bank's strategic plan is built on growing a customer base that comprises transactional deposit and current accounts, loans and advances.

The Bank has no branch network. It provides customers with telephone support from its customer service centre in Birmingham, digitally and from dedicated relationship managers for larger customers.

Strategy and Objectives

The Bank has the following strategic priorities:

- Be a sustainable, profitable bank supporting growth in the wider economy;
- Increased lending to its core business sectors;
- Maintain a quality asset base supported by a strong capital position and strong management of risks and controls; and
- Work with customers to build lasting relationships with positive social impacts and sustainable financial returns.

Principal Risks and Governance

The Board is responsible for the level of acceptable risks articulated through its risk appetite statements. These help to ensure that there are adequate systems of risk management and that the level of capital held is consistent with the risk profile of the Bank. The overall risk governance and risk management framework is set out in the Risk Management Report on pages 22 to 34 and the Directors' Report on pages 11 to 18 of the 2014 Full Report and Accounts.

Principal risks that the Bank is exposed to are:

- Credit risk; the risk that a borrower fails to repay a loan or interest due or counterparty fails to repay the capital on a financial security. The Credit Risk Management Committee manages this risk;
- Market risk; the risk that the value of, or net income arising from, the Bank's assets and liabilities change as a result of interest rate changes. The Asset and Liability Committee manage this risk;
- Liquidity risk; the risk that the Bank is unable to meet its financial obligations when they are due. The Finance department, guided by Asset and Liability Committee, manages this risk; and
- Operational risk; the risk that a loss occurs resulting from a failure of systems, people or processes or external events. The Executive Risk Review Committee manages this risk.

At the beginning of 2014, the Bank produced its first solo Internal Capital Adequacy Assessment Process (ICAAP) that considered the Bank's risks and capital adequacy. The assessment confirmed the Board's view that the Bank currently maintains available capital, above regulatory requirements and for the forthcoming three year planning term. The ICAAP was submitted to the Prudential Regulation Authority (PRA) in February 2014 and following review, the PRA issued the Bank with regulatory capital adequacy requirement (ICG), which the Bank exceeds, and that is part of its capital and business planning processes.

The Bank's liquidity risk position is set out in the Individual Liquidity Adequacy Assessment (ILAA), which confirms the strength of its liquidity position. The Board's approved liquidity buffer is above regulatory requirements. In December 2014, the Bank received approval from the Bank of England to participate in its Open Market Operations and opened a Bank of England Reserves Account to support its liquidity requirements. The account approval marks an important step along the way to the Bank's independent status.

A Core Tier 1 Ratio of 22.2%

Review of the Year

2014 has been the year the Bank celebrated its 30th anniversary. In 2013 the Bank had reported that, for the first time, the value of its core social loan portfolio outweighed that of the legacy non-core loans. As at 31 December 2014, successful focus has increased the core lending business to the extent that it is now three times the size of the non-core loan book. There was a £29 million reduction in the non-core book.

The continued focus on the retention and development of core customer deposits has again been successful with new customers adding £45.6 million to the deposit base and by year end, with total customer account balances increasing by £114.2 million to £782.8 million (2013: £668.6 million).

During 2014 the Bank has maintained its commitment to contributing to initiatives aimed at the common good of society. This report includes social impact measurement.

The Bank reported a profit before tax of £0.97 million, compared with £2.3 million in 2013. At an operating level, the Bank reported a profit before impairment credit and fair value movement in derivatives of £0.8 million, 63.4% lower than achieved in 2013. In 2014 operating expenses have increased as the Bank established its operational independence and positioned itself for growth. This activity included expenditure of £0.4 million specifically to enable it to function separately from The Co-operative Bank. Whilst the Bank of England's Base Rate remains low, so do interest margins on customer liabilities. Loan interest margins have increased slightly, supported by a modest increase in the minimum interest rate on new business.

The Bank continues to focus on Community Development Finance Institutions (CDFIs) and through the partnership with the Community Development Finance Association (CDFA) and Regional Growth Fund (RGF), has established a leading position in lending to this sector.

The treasury portfolio continues to generate low net interest returns due to the low interest rate environment. A modest increase in treasury returns has been evidenced in the last quarter of the year as the Bank widens the range of low risk instruments applied in its treasury operation. During the year, the Bank appointed Insight Investments in order to support the Bank's treasury operational plan and manage an element of the treasury assets with the aim of enhancing the yield on assets that are not required for liquidity purposes.

The final steps to Unity's independence from The Co-operative Bank will be completed in 2015, notably with the transition of clearing services to NatWest mid-year. Great care will be taken to minimise customer disruption and risks during the migration exercise.

Strong Capital Base

The Bank has maintained a strong capital base which provides shareholders, customers and the market with confidence and sustains the future development of the business. A Core Tier 1 Ratio of 22.2% at 31 December 2014 (2013: 20.3%) demonstrates the Board's commitment to maintaining its capital strength.

Liquidity

The Bank's liquidity position is monitored on a daily basis. At 31 December 2014, the Bank held a pool of liquid assets of more than £415 million including reverse gilt repo holdings of £315 million (2013: £274 million) and other liquidity qualifying assets of £100 million (2013: £0).

Additionally, £145 million (2013: £235 million) of liquidity is held in short dated Certificates of Deposit (CDs) with Floating Rate Notes and Covered Bonds totalling £95 million (2013: £20 million). The retail lending/deposit ratio remains below 30%.

Lending

The Bank has a stable, loyal and growing customer deposit base which enables it to achieve its targeted lending to organisations within its core market. All lending applications have to demonstrate clear social impacts. The core loan portfolio grew by £14 million in 2014, amounting to 70% of all customer lending as at 31 December 2014.

Hayweight House in Edinburgh, which is now a workplace hub for charities to share resources and reduce overheads, was part-purchased by the Scottish Council for Voluntary Organisations and Scottish Association for Mental Health with a loan from Unity Trust Bank.

New customers added £45.6 million to the deposit base

The customer loan portfolio totalled £175.0 million (2013: £184.7 million), a net 5.3% reduction over the course of the year after the reduction in the non-core loan book of £29 million as the Bank focused on business growth in its core sectors.

The majority of the Bank's problem debt arose in the legacy non-core business portfolio and as this continues to reduce, the level of new loan impairment provisions have also fallen. At 31 December 2014, loan impairment provisions total £2.9 million (2013: £6.5 million) and represent 1.7% (2013: 3.4%) of total lending. A reduction in provisions of £2.4 million was due to the realisation of a single historical non-core loan. The Bank continues to adopt a cautious approach to stress in the loan portfolio when assessing the requirement for changes in the level of provisions.

During the year, specific provisions totalling £0.6 million were raised in line with the Bank's Provisioning Policy. Over the same period, the Bank has realised, or is due to realise, property security where changes in valuation have resulted in £0.9 million of impairment provision releases. Accordingly, the overall impact on the Income Statement has been a net credit for the year of £0.4 million (2013: credit £0.4 million). A collective impairment provision amounting to £0.6 million (2013: £0.8 million) is maintained in line with the Bank's Provisioning Policy. Treasury lending activity with other banks is carefully managed. No treasury borrowing was undertaken and a strict no own-account trading policy is in operation.

Economic Environment

The economy has shown signs of recovery in the latter part of 2014 and the inflation rate of 0.5% in December 2014 was below the Monetary Policy Committee's target, primarily due to the recent lowering of oil prices. Economic improvement is suggested in 2015 and there seems to be a more optimistic mood for investment and growth. The Bank of England interest rate predictions refreshed in the Inflation Report February 2015 are not forecast to change until 2016.

There has been an increase in banking regulatory requirements in the year including the introduction of a more complex, Europe wide Capital Requirements Directive. The impact of increased regulation is the requirement to hold additional quality capital and liquidity and adds costs for training, systems and reporting. As reported above, the Bank is well capitalised and has surplus liquidity.

Social Impact

As reported in the President's statement, the Bank has continued its commitment to delivering a 'double bottom line' strategy for social impacts and financial returns. Unity aims to create positive benefit for its customers, shareholders, staff and society.

The Bank enables social development by investing customer deposits to fund lending for businesses that pursue social good, to charities, voluntary and other organisations. In 2014, £30 million (2013: £38 million) was lent to 57 organisations (2013: 51). This lending helped to create and protect 3,423 jobs (2013: 2,143). 176 bed spaces (2013: 612) were created in accommodation meeting a range of social, physical and economic needs as a result of the Bank's lending. Seven borrowers (12%) are Living Wage accredited organisations (2013: 0).

Driven by the needs of its customers

As a specialist in its sector, the Bank has a responsibility to support its customers with specialised funding and expert service. The Bank remains a leading provider of finance to CDFIs. In 2014 the Bank lent almost £7.5 million (2013: £3.2 million) to CDFIs, both through the RGF and other schemes. The lending helped to create and protect 3,176 jobs. The Bank is customer-driven and feedback is used for continuous improvement. Strong emphasis is placed on maintaining high levels of customer service and the Bank continues to monitor satisfaction closely. The average scores for 2014 across 600 individual surveys covering both new and existing customers, were 86.9% for customer satisfaction and 85.5% for customer advocacy. In the annual Charity Finance Banking Survey, the Bank was rated top in four out of nine categories. This independent survey compared Unity to nine other banks – many of which are high street names.

Supporting community involvement

The Unity in the Community staff programme coordinates staff volunteering and fundraising activities. Staff are given five paid volunteer days a year, donating time to help local charities and good causes. In 2014 there was greater focus on skills-based volunteering, encouraging staff to use their personal and professional skills to help others. During 2014, staff completed 175 volunteer days (2013: 113.5), 45% of which were skills-based; 36 charitable and community organisations benefitted from the Bank's volunteers. 72% of staff were engaged with the Unity in the Community programme, completing at least one volunteer day. The value of staff time was equivalent to donating £24,000.

Developing an experienced and loyal team

The Bank believes that growing an experienced and loyal team is good for the future success of the business. The Bank invests time, money and resource in its staff. This is evidenced through the Bank's Investors in People (IIP) Gold accreditation in 2014. The Bank was awarded Gold status for its commitment to business improvement, people management and continuous investment in staff. This puts the Bank in the top 7% of UK accredited businesses.

The Bank participated in the independent Best Companies survey for the sixth consecutive year. A 'One Star' rating was achieved, improving on the 'one to watch' status the Bank held for the previous five years. The Best Companies survey collects feedback directly from staff and 93% of surveys were completed.

Responsible business practices

The Bank was proud to be the first Living Wage accredited bank and in 2014 the Bank became Living Wage Champion in the West Midlands. The award recognises organisations that have made significant contributions to communities and industries by implementing and celebrating the Living Wage. In February 2014, the Bank became one of three companies pioneering the Fair Tax Mark and now is one of seven UK organisations to hold the Mark. It recognises companies that make a genuine effort to be open and transparent about their tax affairs.

To read the Bank's full Social Impact Report, visit www.unity.co.uk/impact

The Bank is in the top 7% of UK IIP Gold accredited businesses

Living Wage Champion 2014 West Midlands

Bootstrap Company in Hackney – a loan from the Bank has helped this charity and social enterprise in its aims to increase education and enterprise within the local community, and helped sustain jobs.

The value of staff time spent volunteering was equivalent to donating

£24,000

to good causes

Results Summary		Restated		
£000	2014	2013	Change	% Change
Net interest income	8,003	8,034	(31)	0.4%
Net fee and commission income	1,552	1,543	9	0.6%
Operating expenses	(8,610)	(7,206)	(1,404)	19.5%
Financial services compensation scheme levy	(119)	(113)	(6)	5.3%
Operating profit before impairment credit and fair value movement in derivatives	826	2,258	(1,432)	63.4%
Impairment credit on loans and advances	357	433	(76)	17.6%
Profit before fair value movement in derivatives	1,183	2,691	(1,508)	56.0%
Fair value movement in derivatives	(212)	(354)	142	40.1%
Profit before taxation	971	2,337	(1,366)	58.5%

Financial Highlights

The Bank reported a profit after tax of £0.97 million for the year (2013 restated: £2.1 million) (Fig 01).

At an operating level, the Bank reported a profit before impairment credit and fair value movement in derivatives of £0.8 million, 63.4% lower than achieved in 2013. In 2014, operating expenses have increased to position the Bank for growth; this includes additional costs of £0.4 million to enable it to function independently of The Co-operative Bank.

Net interest income arises from a combination of customer accounts and treasury wholesale instruments placed with other financial institutions. Total interest earnings in 2014 are marginally lower, as yields on the treasury portfolio fell.

Net fee and commission income amounted to £1.6 million (2013: £1.5 million), driven mainly from transmission and account fees. The small increase was a combination of: collection of foreign transfer fees, bullion charges and lending non-utilisation charges totalling £0.12 million.

Operating expenses totalled £8.6 million (2013: £7.2 million), 19.5% higher than last year, due to increased contract staff costs, legal and professional fees and the one off costs incurred in separating the Bank's operational activities from The Co-operative Bank.

Earnings and dividends

2014 pre-tax profitability has decreased by 59% compared to last year and earnings per share have reduced to 5.9 pence per share (2013 restated: 12.8 pence per share). As a result total shareholders' equity has increased from £46.6 million (restated) to £47.2 million (Fig 02).

The Board is recommending a dividend of 1.00 pence per share for the financial year to 31 December 2014. A dividend of 1.85 pence per share was paid in respect of 2013.

Net interest income and margins

The interest earned during 2014 is marginally lower than the previous year due to margin pressures as a consequence of the continuing low bank Base Rate.

The Bank earns interest in respect of its treasury activities which, until recently, have been derived from a combination of gilt repos held for liquidity purposes and a range of treasury loans to other financial institutions. These asset types have a low risk profile, but the interest earnings are lower and at times have been below bank Base Rate. In January 2015, the Bank was approved for a Bank of England Reserves Account and transferred into the account the sum of £250 million from funds previously held by way of gilt repos, earning interest on those funds at Base Rate (0.5%).

The Bank's CDFI customers benefited by £0.21 million (2013: £0.19 million) from reductions in interest payable to the Bank in accordance with the Community Interest Tax Relief (CITR) scheme. The Bank receives relief on these rebates in the form of taxation credits against its corporation tax payable for the year.

Net interest income for the year totalled £8.0 million, slightly lower than in 2013. Treasury interest margins are lower, as the demand for short term inter-bank lending has decreased. Net interest contribution derived from the Bank's deposit book remains low whilst bank Base Rate remains at 0.5%. The overall net interest margin for the year calculated using average monthly balances, was 1.0% (2013: 1.2%).

Non-interest earnings

Gross fees and commission income amounted to £2.5 million (2013: £2.5 million), a similar level to last year.

Operating expenses

Operating expenses for the year totalled £8.6 million (2013: £7.2 million), which includes £0.4 million costs relating to disengagement from The Co-operative Bank. The cost income ratio for 2014 including disengagement costs was 90.1% compared with 75.2% in the previous year. The comparative figure without those additional costs would be 85.6%. The ratio is measured before swap fair value adjustments and before provisions for the Financial Services Compensation Scheme (FSCS). The increase in the cost income ratio is a combination of low interest income and expenditure relating to the separation process from The Co-operative Bank.

Staff

Staff costs in 2014 amounted to £4.1 million (2013: £4.0 million), a 3.6% increase on 2013, as staffing levels changed to support the business development structure. The average number of staff employed during the year was 90 (2013: 88).

Pension Scheme funding cost

The Bank is a participating employer in The Co-operative Group Pace Pension Scheme. An actuarial valuation undertaken during 2013 identified an increase in the scheme deficit. As a participating employer in the scheme, and in accordance with the pension scheme rules, the Bank is required to contribute towards that deficit.

The deficit is being settled by way of annual contributions over a six year period and the Income Statement includes a charge of £125,000 representing the Bank's share of the 2014 deficit contribution. The cost is included in staff costs for the year.

Other costs

Total expenditure in respect of all other costs was £4.5 million (2013: £3.2 million). The increase is mostly explained by additional legal and professional costs of £0.5 million for regulatory change and £0.5 million for contract staff.

Financial Services Compensation Scheme levy

As reported in previous Report and Accounts, a number of banking failures in earlier years have led to customers of those banks making claims for deposit losses suffered and the banking industry has been obliged to provide supportive funding to the FSCS. Having reviewed the requirements for scheme funding, the Bank has made provision in the Income Statement to cover levy costs in the sum of £0.12 million (2013 restated: £0.11 million). The Bank adopted IFRIC 21 in the year and as a consequence, the 2013 provision reduced from £0.13 million to £0.11 million.

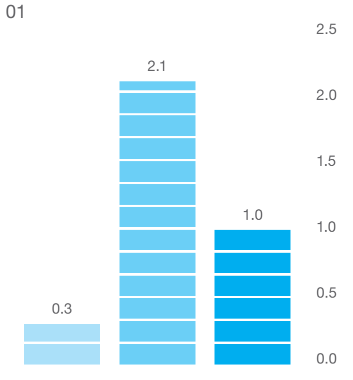
Fair value movement in derivatives

The Bank holds two non-trading interest rate swap contracts with The Co-operative Bank, as cash flow hedges. As at 31 December 2014, the notional value of these amounted to £15 million (2013: £20 million). They expire in November 2015 and April 2016.

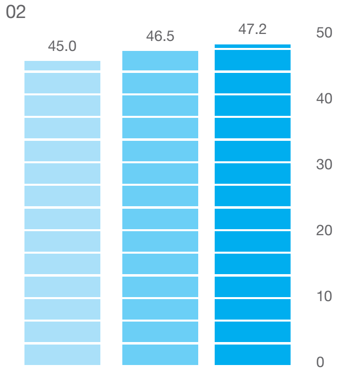
The market value of the Bank's interest rate swap contracts at 31 December 2014 was £0.3 million above the contract price and in line with the Bank's accounting policies, the decrease in individual market values totalling £0.2 million (2013: £0.4 million) is reflected in the Bank's Income Statement as 'fair value movement in derivatives'.

Total shareholders' equity has increased from £46.5 million to £47.2 million

Profit after taxation (£million)
Fig 01



Total equity (£million)
Fig 02



The Bank will continue to lend to organisations that generate social value

The business development structure is supported by increased staffing levels

A Unity loan helped Govan Workspace to invest in the upgrade of some of their existing premises

Balance Sheet

Customer accounts

Deposit balances as at 31 December 2014 were £782.8 million, (2013: £668.6 million), representing a net increase of £114.2 million across the year (Fig 03).

Growth in new retail customer deposits for the year amounted to more than £45.6 million (2013: £39.7 million) and was predominantly derived from the charity and voluntary sectors.

Loans and advances to customers

The total of customer loans and advances at the end of the year amounted to £175.0 million (2013: £184.7 million) (Fig 04). Loans and advances new to the Bank totalled £32.6 million (2013: £44.3 million).

Bad debt provisions

Loan growth during the year has been focused on the Bank's core business sectors. Monitoring the loan portfolio for signs of customer stress and identifying potential loan impairment remains a priority for the Bank's credit risk and underwriting teams.

The Bank continues to take a cautious approach to credit and the risk of loan impairment. As a consequence, further specific provisions have been raised in respect of customer loans and advances although the write back of provisions on historical connections has led to a net specific provision credit of £0.2 million (2013: £0.3 million).

The majority of the impairment provisioning relates to customers operating within the commercial enterprise loans.

In addition, the Bank has reviewed the grade assessment for the overall portfolio and decreased the collective impairment provision by £0.2 million in respect of certain business types.

The overall impairment provisioning credit in the Income Statement amounts to £0.4 million (2013: credit £0.4 million).

Provisions at 31 December 2014, stood at £2.9 million (2013 : £6.5 million) (Fig 05).

A reduction of £2.4 million resulted from the realisation of a single historic commercial connection.

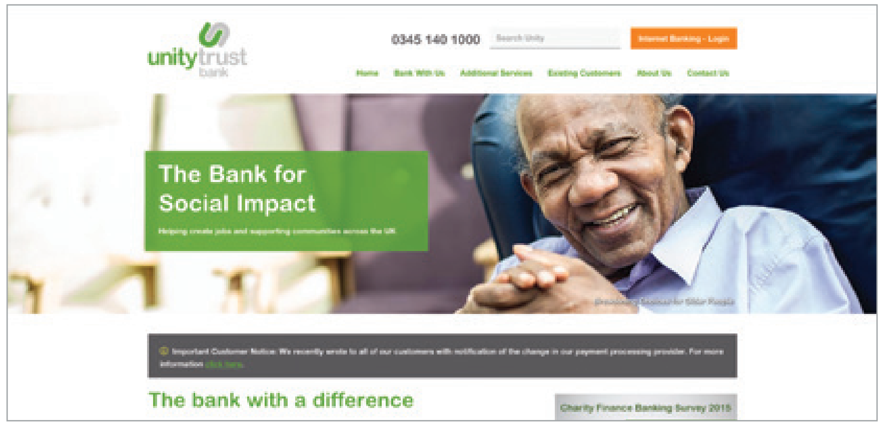
Regulatory capital

At the start of the year, the Bank's regulatory capital amounted to £44.8 million and included retained earnings of £27.7 million. After the inclusion of the 2013 post-tax earnings the overall level of regulatory capital increased by 4.0% to £46.6 million, with retained earnings at £29.5 million.

Information technology

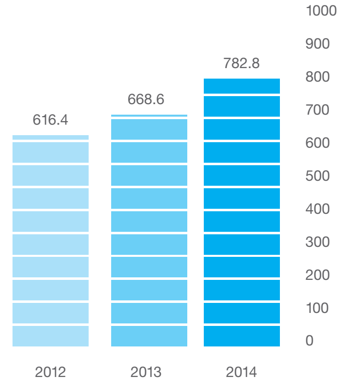
Customer data security and supporting customer needs remain at the centre of the Bank's system development plans. In 2014 the Bank successfully completed major upgrades of its core and internet banking systems as well as the corporate website, www.unity.co.uk

Further developments to internet banking are planned for the coming year.



The Bank relaunched its corporate website in November 2014

Customer accounts (£million)
Fig 03



Summary and Future Outlook

2014 has seen numerous developments for the Bank: solo ICAAP, enhanced governance framework and a new risk function including a Chief Risk Officer role. 2015 will see a reconstituted Board with a greater number of Independent Directors. Shareholders have agreed the need for the Bank's Articles of Association to be revised in due course to accord with current regulatory and UK Corporate Governance Code standards.

In February 2015, the Board approved an updated business plan that demonstrates growth potential and capability. It may seek additional capital to take best advantage of the opportunities before it. The Bank has a loyal customer base and aims to improve awareness of it using its ability to lend. The Bank will continue to judge its success both in terms of capital returns and positive social impact.

A number of variables impact the Bank's net interest income and some of these are starting to move in a more favourable direction that should increase operating income. The Bank expects to see a gradual improvement in its operating income over the next few years.

The Bank has continued to make positive progress in the management of the legacy non-core problem debt that has impacted the retained earnings over the last few years. Overall, levels of impaired debt have reduced and a number of provisions that were raised in previous years have now been realised at a value better than previous estimates.

We must thank the shareholders for their support over the first thirty years, whether financial or, in the case of The Co-operative Bank, operational. The Bank will complete its transition to be operationally independent of The Co-operative Bank in 2015 with the change in clearing services provider. Our customers have been fantastically supportive. Over 20,000 organisations, including the vast majority of Trades Unions, trust us with their day to day banking and this number increases year on year.

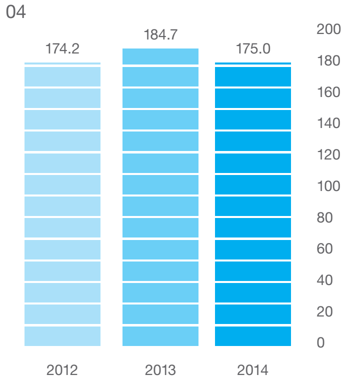
We expect 2015 to be a particularly exciting time for the Bank. Just as in 1984, we believe there is a real need in society for a bank that can act responsibly, with the trust of its customers, to provide first class service, with products developed around the specific needs of the customer

By Order of the Board

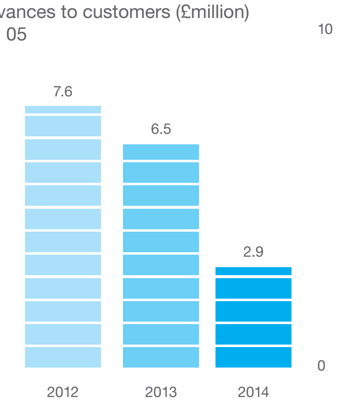
Richard Wilcox
Chief Executive Officer
of Unity Trust Bank plc

We continue to judge the success of our performance in terms of both capital returns and social impact measures

Loans and advances
to customers (£million)
Fig 04



Allowance for losses on loans and
advances to customers (£million)
Fig 05



Summary Directors' Report

Chair's Introduction

The Directors' Report includes the Corporate Governance Statement, which sets out how the Board operates, and how the significant changes taking place during the year have been through the governance process of the Bank.

This includes:

- The Nomination and Remuneration Committee's role in the recruitment of the new Independent Chair, and the robust appointment process it followed;
- The work of the Audit Committee and the assurance provided by the new Internal Auditor, PwC;
- The first year of the Board Risk Committee, which oversaw the establishment and embedding of the new Risk Management Framework, following Board approval of the independent ICAAP, and the operational risks arising from the separation from The Co-operative Bank;
- The Board's focus on the strategic implications of The Co-operative Bank announcement that it wished to sell its shares in Unity. These span operational, commercial, pensions and governance arrangements; and
- The Board Sanction Panel's consideration of treasury counterparty authorities in view of the transition away from The Co-operative Bank for treasury services and opening the Bank of England Reserves account.

Although the Bank is a public limited company it is not listed and is therefore not obliged to comply with the UK Corporate Governance Code (available from www.frc.org.uk). However, the following information is provided on a voluntary basis.

Results and Dividends

The results for the year, before taxation, amounted to a profit of £0.97 million (2013 restated: £2.3 million). The Directors recommend payment of a final dividend of £0.2 million (2013: £0.3 million).

Post Balance Sheet Events

On 9 January 2015, the Bank opened a Reserves Account with the Bank of England, and at that date transferred £250 million into the account, being funds held as loans at The Co-operative Bank at 31 December 2014.

Our shareholders

The Bank recognises the importance of keeping shareholders informed. The Chair and Chief Executive Officer have consulted with major shareholders regularly during 2014 on proposed changes to the Bank's governance arrangements and structure, in preparation for The Co-operative Bank's exit as a shareholder and provider of outsourced services. The Board is informed of these discussions, subject to the appropriate management of conflicts of interest. Significant developments are also notified to all shareholders in writing.

Shareholders are encouraged to attend the Annual General Meeting, to be held on 22 May 2015. In 2014 a round table format followed the formal proceedings to facilitate dialogue.

The Board

Role and responsibilities of the Board:

The Board is responsible for the long term success of the Bank within a framework of controls, which enables risk to be assessed and managed. It is responsible for setting strategy, maintaining the policy and decision making framework in which this strategy is implemented, ensuring that the necessary financial and human resources are in place to meet strategic aims, monitoring the Bank's performance against key financial and non-financial indicators, and overseeing the system of risk management and setting values and standards.

The following matters have been reserved for the Board to approve and cannot be delegated:

- the Bank's long-term objectives and commercial strategy;
- the annual budget and business plan;
- the annual report, financial statements and dividends;
- recommendation to shareholders of changes to the structure, size and composition of the Board;
- the ICAAP and ILAA;
- significant policies;
- any changes to the Bank's Executive Management structure;
- establishment of Board committees and their Terms of Reference;
- business acquisitions, disposals, investments (other than day to day operation of the Treasury portfolio) and all funding arrangements; and
- the delegated financial authorities, and any proposals in excess of those authorities.

The Chair:

- leads the Board in the determination of its strategy and in the achievement of its objectives;
- organises the business of the Board, ensuring its effectiveness and setting its agenda;
- facilitates the effective contribution of Non-Executive Directors and constructive relations between the Executive and Non-Executive Directors;
- ensures Directors receive accurate, timely and clear information;
- facilitates communication with shareholders;
- undertakes discussions with Directors regarding their individual performance;
- leads Board discussions regarding the performance of the Board at least once a year; and
- aims for decisions to be taken by consensus and for all Directors to contribute to Board debate.

The Chief Executive Officer:

- is responsible for the operation of the Bank on a day to day basis;
- is accountable to the Board for the financial and operational performance of the Bank;
- implements the strategic objectives as agreed by the Board; and
- manages and delegates to the other Executives.

The Role of Non-Executive Directors:

The role of the Bank's Non-Executive Directors, which includes setting strategy and monitoring the performance of the Executive, is documented in a role profile, which has been approved by the Nominations and Remuneration Committee.

Directors are subject to statutory duties to act in the best interests of the Bank, which includes avoiding conflicts of interests and declaring interests as appropriate. This is also included in the role profile, together with an estimate of the time commitment required. This applies to all Directors, be they shareholder-nominated or independent.

Time Commitment of Directors:

The Board has reviewed the outside Directorships of its Directors and considered the current position to be appropriate. It has been agreed that any Director taking on further Directorships would notify the Board in order for the position to be reviewed.

How the Board operates:

The Board met 13 times in 2014. Every two months, the Board receives reports on financial and sales performance, the Chief Risk Officer's report, and updates on people, customer service and technology. Additional meetings are convened to discuss or monitor specific strategic issues. If necessary, the Board holds private sessions in the absence of Executive Directors, such as, to hear the report back from the Nomination and Remuneration Committee for example.

The agenda for Board meetings is agreed between the Chair, the Chief Executive Officer and the Company Secretary based on an annual calendar of items and the actions requested by the Board. Board and Committee papers are normally distributed one week in advance of meetings. This provides the opportunity for Directors to prepare fully for meetings. The minutes of all committee meetings are circulated to all Directors, with the exception of the minutes of the Nomination and Remuneration Committee which are not sent to Executive Directors or any other individuals whose appointment or remuneration was discussed.

Directors

A full list of Directors at the date of signing the accounts is provided below. As mentioned in the President's Statement, the following changes to the Board took place during 2014:

Appointed	
Ed Sabisky	30 October 2014
Resigned	
Paul Allton	28 March 2014
Vicky Bryce	8 May 2014
Richard France	17 November 2014
Stephen Watts	9 November 2014
Non-Executive Directors	
Dave Prentis	President, appointed to the Board in 2000
Graham Bennett	Chair, appointed to the Board in 2000, appointed as Chair 2009
Roderick Chamberlain	Senior Independent Non-Executive Director, appointed to the Board in 2013
Clare Gosling	Non-Executive Director, appointed to the Board in 2013
Billy Hayes	Non-Executive Director, appointed to the Board in 2001
Paul Noon OBE	Non-Executive Director, appointed to the Board in 2012
Allan Wylie	Non-Executive Director, appointed to the Board in 2004
Executives	
Richard Wilcox	Chief Executive Officer, appointed to the Board in 2011
Peter Kelly	Business Development and Marketing Director, appointed to the Board in 2012
Ian Morrison	Operations Director, appointed to the Board in 2006
Mike Osborne	Finance Director, appointed to the Board in 1992

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs, as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The financial statements are prepared on a going concern basis as the Directors have a reasonable expectation that the Bank has adequate resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions including future projections of profitability, cash flows, capital resources and the future relationship with The Co-operative Bank. For this reason, they continue to adopt the going concern basis in preparing the Bank's financial statements.

Further information relevant to the assessment is provided within the basis of preparation of the financial statements on pages 40 to 43 of the 2014 Full Report and Accounts.

Financial statements

The Directors who held office at the date of the approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director, to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the necessary information to assess the company's position and performance, business model and strategy.

By Order of the Board

Kate Eldridge
Company Secretary

Registered Office:
Nine Brindleyplace
Birmingham B1 2HB

8 April 2015

Summary Directors' Remuneration Report

This report provides details of the remuneration of the Executive Directors and the Non-Executive Directors. The information is provided on a voluntary basis. The composition and terms of reference for the Nomination and Remuneration Committee (the 'Committee') is set out in the Report of the Directors on page 13 of the 2014 Full Report and Accounts.

Remuneration Policy

In determining the remuneration policy for Executive Directors, the Committee consider a number of factors including:

- the importance of attracting, retaining and motivating senior executives of the appropriate calibre to further the success of the Bank;
- the linking of reward to business and individual performance and the strengthening of the Bank's values which include a strong belief in stewardship of all the Bank's resources and, therefore, does not encourage or reward excessive risk taking;
- ensuring appropriate compliance with the PRA Remuneration Code, as applicable to the Bank; and
- ensuring equity between groups of staff and between individuals by considering the pay and conditions of all staff.

Policy on recruitment of Executives and exit payment policy

When a new Executive Director is recruited, the remuneration package will be determined in accordance with the policy table shown on the opposite page. It is the Committee's intention that no additional payments are made outside of this policy.

Executive Directors are covered by the same collective agreement as all staff under which termination payments are agreed to include enhanced redundancy and payment in lieu ofnotice where appropriate.

Executive Directors' service contracts

All existing Executive Directors are employed under service contracts, which have periods of notice of termination of 12 months or less. In the event of termination, any payments due to an Executive Director would be based on the terms of the service contract.

Appointments outside the Bank

Executive Directors can accept appointments from sources outside the Bank, with the consent of the Board, which will be forthcoming if it considers the appointment beneficial to the interests of the Bank. Payments received from such appointments are passed on to the Bank.

Consideration of pay and conditions elsewhere in the Bank

The pay and conditions of all staff are taken into account by the Committee when setting Executive Director remuneration policy, and when setting remuneration levels.

As evidence of this, the Board agreed to take up a recommendation of the High Pay Centre to maintain a maximum wage ratio of highest to lowest paid of 20. The ratio for 2014 was 10 (2013: 10).

In addition, the Bank has acknowledged the recommendations of the Living Wage Foundation and has confirmed that all staff are paid at least the Foundation's Living Wage calculation.

Remuneration policy for Non-Executive Directors' remuneration

The Chair of the Bank and the Independent Non-Executive Director (INED) receive remuneration in the form of a fee only and do not receive any benefits in kind or participate in the Profit Sharing Plan.

All other Non-Executive Directors receive no remuneration from the Bank of any form (no pension arrangements, incentive schemes or share option schemes) for their services to the Bank.

Policy table

The table below sets out the elements of Executive Director remuneration.
There have been no changes to the remuneration policy for the 2014 financial year.

	Element	Link to strategy	High level details and operation
Fixed pay	**Basic salary**	To attract and retain talented executives.	Basic salaries are reviewed annually by the Committee. The annual salary review date is 1 April. This salary increase percentage for Executive Directors will be no higher than the increase for all staff. The remuneration policy is designed to pay basic salaries at a level around the market median, when compared with other organisations of comparable size and complexity, and in the same business sector.
Fixed pay	**Benefits**	Benefits are provided in line with normal market practice.	Benefits include car or car allowance, mobile phone, health care cash plan and life assurance.
Fixed pay	**Pension** [i]	To provide competitive pension benefits to attract and retain talented executives.	All Executive Directors are members of The Co-operative Group Pension Scheme (Pace) which is a registered occupational pension scheme. All Executive Directors are members of the defined benefit section (Pace Complete). Further details are below.
Performance pay	**Profit Sharing Scheme**	Directly links reward to business performance by ensuring employees are focused on the success of the Bank, and incentivises performance and encourages retention.	Executive Directors are eligible to participate in the annual Profit Sharing Scheme on the same basis as all employees. The scheme is based on a distributable fund which is calculated as a proportion of eligible pre-tax profit, over a minimum level, from which all staff receive payments, on a pro-rata basis. Targets and eligibility are reviewed and approved each year by the Committee. Maximum distribution is 25% of salary in any financial year. The first part of any distribution (up to 10% of salary) is paid in cash with any excess paid in shares under the ESOP scheme. Employees can opt to take all or part of their entitlement in shares, in which case, one free share will be given for every five shares they are entitled to.
Other	**Employee Share Ownership Plan (ESOP)**	To encourage retention and promote employee share ownership.	Under the ESOP scheme, all staff with one or more years' service receive a gift of 100 shares each, plus an additional 100 shares for those with 10 or more years' service. Shares can be bought or sold during an annual trading window.

Notes: i. Pension Scheme

Pace Scheme

Pace Complete is available to all employees who have completed two years continuous service and provides pensions based on 1/60ths of average pensionable earnings, re-valued for inflation for each year of pensionable service from 6 April 2006. Accrued benefits as at 5 April 2006 continue to be linked to final pensionable salary at a member's date of leaving or retirement, whichever is earlier. Pensions are also payable on death. Members of the Pace Complete section currently contribute 8% of their pensionable salary towards the cost of providing pension benefits and the employer pays the balance.

Pace Extra is available to all employees with members contributing 4% of their pensionable salary and the employer pays 8%.

Under both sections of Pace, a lump sum is payable if death occurs in service.

The Pace Scheme maintains a competitive level of pension provision whilst controlling the future costs and risks of occupational pension provision.

Directors' Emoluments

Executive Directors' Remuneration

£	Date of service contract or appointment	Basic salary (1)	Benefits in kind (2)	Car allowance	Performance Pay (3)	2014 total emoluments	2013 total emoluments
R Wilcox	January 1, 2012	145,539	120	11,500	4,965	162,124	154,554
M Osborne	September 18, 1992	109,349	120	9,800	3,731	122,999	117,454
I Morrison	January 11, 2006	95,945	-	9,800	3,273	109,019	104,158
P Kelly	November 19, 2012	111,104	-	9,800	3,527	124,432	119,480
Total aggregate remuneration		**461,937**	**240**	**40,900**	**15,496**	**518,573**	**495,647**

Notes

1. Base salaries were increased by 1% which allowed a higher average increase for all employees.
2. Benefits in kind are in respect of health care cash plan.
3. Performance related pay relates to the financial year 2013 (and paid in 2014).

For 2014, the distributable pool is to be determined and individual payments to staff will be confirmed by the Committee in March 2015. For 2014, the Bank's Executive Directors intend to participate in the profit share.

Non-Executive Directors' Remuneration

£	Role	Date of appointment	2014 Remuneration	2013 Remuneration
Graham Bennett	Chair	June 8, 2009	41,710	39,581
Roderick Chamberlain	INED	March 24, 2013	30,450	23,077
Total aggregate remuneration			72,160	62,658

Note

Roderick Chamberlain's remuneration in 2014 comprises his fee as an INED and an additional fee as Chair of the Audit Committee.

Pension Entitlements

Pension details of the Executive Directors

At 31 December 2014, all of the Directors had benefits accruing under the defined benefit section of the Pace Scheme.

Name	Age at year end (1)	Years of company service (2)	Accumulated total accrued pension at year end (3)	Increase in accrued pension during the year (gross of inflation) (4)	Increase in accrued pension during the year (net of inflation) (5)	Value of column (5) calculated using a factor of 20 less director's contributions (6)
M Osborne	58	25	£50,326	£2,730	£1,445 (£1,925)	£20,145 (£30,700)
I Morrison	54	25	£45,998	£2,347	£1,168 (£2,481)	£15,692 (£42,783)
R Wilcox	56	26	£67,100	£3,671	£1,958 (£2,400)	£27,514 (£37,628)
P Kelly	54	2	£144	£144	£144	£2,191

Notes

I Morrison and R Wilcox includes service at The Co-operative Bank plc.

The pension entitlement shown in column (3) is the annual pension payable on retirement based on the service and pensionable salary at the end of the year.

The increase in accrued pension during the year, shown in column (5), is after discounting the effect of inflation (allowing for a CPI increase of 2.7%).

The age, service, and accrued pension shown in columns (1), (2) and (3) have been calculated as at 31 December 2014.

P Kelly joined the Pace Complete section of the Pace Scheme from 1 December 2014. His benefits in respect of this service are shown above. Before 1 December 2014, Mr Kelly was a defined contribution member of the Pace Extra section. The employer contribution for him to that section was £7,579 in 2014.

The values in column (6) have been calculated by multiplying the increase in accrued pension (net of inflation) shown in column (5) by 20, less contributions paid in year by the executive. These additional figures are shown to illustrate the additional pension disclosures applicable from October 2013 onwards.

Prior year equivalent figures are shown in brackets for column (5) and (6). The CPI increase for the previous year was 2.2%.

Income Statement

For the year ended 31 December 2014

All amounts are stated in £000s unless otherwise indicated	2014	Restated 2013
Interest receivable and similar income	**9,530**	9,529
Interest expense and similar charges	**(1,527)**	(1,495)
Net interest income	**8,003**	8,034
Fee and commission income	**2,507**	2,499
Fee and commission expense	**(955)**	(956)
Net fee and commission income	**1,552**	1,543
Operating income	**9,555**	9,577
Operating expenses	**(8,610)**	(7,206)
Financial services compensation scheme levies	**(119)**	(113)
Operating profit before impairment losses	**826**	2,258
Impairment gains on loans and advances	**357**	433
Fair value movement in derivatives	**(212)**	(354)
Profit before taxation	**971**	2,337
Income tax	**(1)**	(232)
Profit for the year attributable to shareholders	**970**	2,105
Earnings per share (basic and fully diluted)	**5.9 p**	12.8 p

Balance Sheet

As at 31 December 2014

All amounts are stated in £000s unless otherwise indicated	2014	Restated 2013
Assets		
Cash and balances at central banks	**138**	146
Loan and advances to banks	**316,108**	274,703
Loans and advances to customers	**175,005**	184,743
Investment securities - available for sale	**339,157**	255,252
Derivative financial instruments	**325**	533
Intangible fixed assets	**327**	455
Property, plant and equipment	**257**	217
Deferred tax assets	**60**	91
Other assets	**57**	49
Prepayments and accrued income	**544**	352
Current tax assets	**748**	914
Total assets	**832,726**	717,455
Liabilities		
Customer accounts	**782,761**	668,622
Derivative financial instruments	**12**	18
Other liabilities	**1,955**	1,575
Accruals and deferred income	**662**	528
Provisions for liabilities and charges	**130**	151
Total liabilities	**785,520**	670,894
Capital and reserves attributable to the Bank's equity holders		
Ordinary share capital	**16,429**	16,429
Share premium account	**250**	250
Retained earnings	**30,556**	29,890
Other reserves - available for sale	**(59)**	(14)
Other reserves - cashflow hedging reserve	**30**	6
Total equity	**47,206**	46,561
Total liabilities and equity	**832,726**	717,455

Approved by the Board on 8 April 2015 and signed on its behalf by:

Dave Prentis (President)
Graham Bennett (Chair)
Mike Osborne (Finance Director)

Independent Auditor's Report

to the Members of Unity Trust Bank plc

We have examined the summary financial statement for the year ended 31 December 2014 which compromises the Summary Strategic Report, the Summary Income Statement, Summary Balance Sheet, Summary Directors' Report and Summary Directors' Remuneration Report set out on pages 8 to 25.

This statement is made solely to the company's members, as a body, in accordance with section 427 of the Companies Act 2006. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our work, for this statement, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

The Directors are responsible for preparing the Summary Report and Accounts in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Report and Accounts with the full annual financial statements, the Strategic Report, the Directors' Report and the Directors' Remuneration Report, and its compliance with the relevant requirements of section 427 of the Companies Act 2006 and the regulations made there under.

We also read the other information contained in the Summary Report and Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of Opinion

We conducted our work in accordance with Bulletin 2008/3. The auditor's statement on the summary financial statement in the United Kingdom issued by the Auditing Practices Board. Our report on the Bank's full annual financial statements describes the basis of our opinion on those financial statements, the Strategic Report, the Directors' Report and the Directors' Remuneration Report.

Opinion on Summary Financial Statement

In our opinion the summary financial statement is consistent with the full annual financial statements, the Strategic Report, the Directors' Report and the Directors' Remuneration Report of Unity Trust Bank plc for the year ended 31 December 2014 and complies with the applicable requirements of section 427 of the Companies Act 2006 and the regulations made there under.

Simon Clark
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

8 April 2015

To find out how we can help your organisation achieve more, call us on 0345 140 1000

e: us@unity.co.uk
www.unity.co.uk
@unitytrustbank

INVESTORS IN PEOPLE | Gold

We are a Living Wage Employer

Fair Tax 2016-18

best company 2015

Unity Trust Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
Unity Trust Bank is entered in the Financial Services Register under number 204570. Registered Office: Nine Brindleyplace, Birmingham, B1 2HB.
Registered in England and Wales no. 1713124.
Calls are recorded and may be monitored for security, quality and monitoring purposes. UTB 463 / April 2015