ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2022

Company Registration No. 09837692

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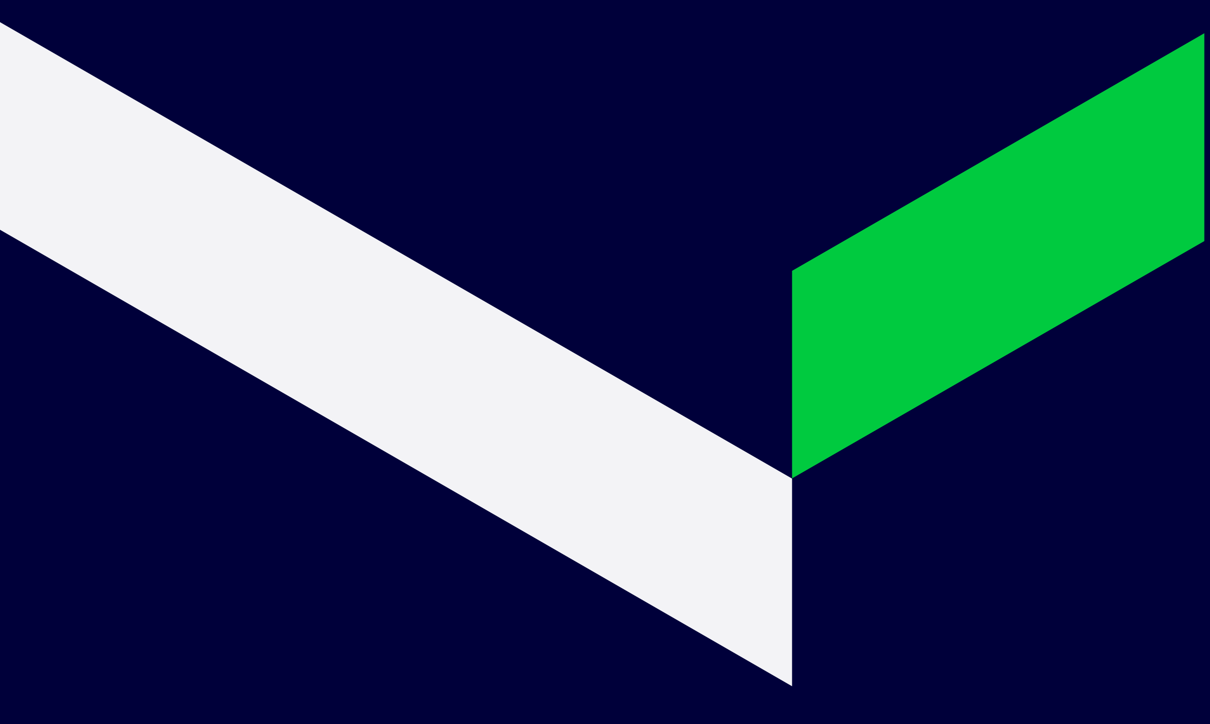

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WHO ARE WE AND WHAT DO WE DO?

At Belmont Green (the Belmont Green Finance Limited group of companies, or "BGFL"), we are a buy-to-let (BTL) and residential owner-occupied (ROO) mortgage lending specialist, meeting the needs of underserved customers who typically fall outside the underwriting parameters of mainstream mortgage lenders. Over the past seven years we have lent over £3.3 billion serving more than 10,400 customer accounts, but we have the belief that we can do much more.

Our purpose as a business is to
"help more people find a place to call home."

We are passionate about the role we can play in improving the lives of our customers and our excellent bad debt record serves to reinforce our belief that we lend very responsibly, whilst aiming to support a broad range of people in accessing good quality and affordable housing, whether as homeowners or as tenants in a home funded through a buy-to-let mortgage.

Our well-established customer facing mortgage brand is Vida Homeloans.

Vida is a leading challenger brand in the professional buy-to-let and specialist residential market segments. Demand in our core target markets is underpinned by a structural shortage of affordable housing in the UK. Mortgage market lending again proved to be resilient in 2022, despite an uncertain economic environment characterised by increasing interest rates and a worsening cost of living crisis.

The owner of our business is Pine Brook Partners, a private equity manager established in 2006 with a specialist investment focus in financial services and energy industries. The firm has $3.7bn of assets under management, having invested in 54 financial services and energy companies. Pine Brook works closely with management to provide strategic, operational, and financial guidance, whilst adding capital as the company matures. Over its history, Pine Brook has successfully demonstrated its ability to invest in capital-intensive industries and to be a patient, long-term partner.

WHAT WE DO

SPECIALIST LENDING

Through our mortgage lending programme, we help more people find a place to call home, especially when they have more complex personal circumstances. We are here to serve the underserved. Those who, for example, have complex income patterns, are self-employed, have thin credit histories or are a foreign national or an expat looking to invest in UK property. They could be a landlord with a BTL business set up through a Limited Company or looking to mortgage a multi-use property or a home with a multiple occupancy set up. It is very often a combination of these types of circumstances which means our customers are unable to access a mortgage from a mainstream lender.

Less than 10% of our borrowers have experienced any sort of historical credit issues, and by using a combination of digitally accessible data and human underwriting expertise, we are able to help our customers access the borrowing they need at a level that is both affordable and sustainable.

We have a strong track record of meeting customer needs whilst at the same time managing risk effectively, based on detailed credit and affordability assessments. While modern technology and external data sources are utilised to automate certain operational tasks, every application received is subject to human underwriting to ensure that we appropriately meet the needs of our customers. Our record to date of low arrears, low defaults and low mortgage credit losses together demonstrate the effectiveness of our approach to understanding and assessing the credit risk of our target customers.

Our mortgages are distributed exclusively through a network of c. 15,000 FCA-authorised mortgage intermediaries, meaning that every customer receives independent mortgage advice before submitting an application to us. Our distribution strategy is based on building best-in-class broker advocacy, through a dedicated service proposition providing our intermediary partners with direct access to our team of experienced underwriters.

We combine modern technology and data analytics with skilled & caring people to create mortgage products which empower our customers to safely take the next step on their property journey. Our origination eco-system enables our broker partners to digitally submit applications and manage the end-to-end mortgage application process on behalf of their clients.

Once a loan has completed, we work in partnership with Computershare, the UK's largest third-party mortgage servicing company, to manage the ongoing customer relationship, leveraging their deep experience in dealing sensitively with any payment difficulties which may arise over time.

Upon maturity of their initial mortgage loan, all of our customers have the opportunity to switch to a new product through our digital retention portal. Having introduced a re-engineered, technology-driven switching process to make it quick and easy for mortgage customers and intermediaries to review and renew their mortgage, switches can now be completed with minimal data capture in under 15 minutes.

Our approach to customer retention is based on the fundamental belief that the practice of cross subsidisation of 'front-book' customers by 'back-book' customers is inherently unfair and fails to ensure that good outcomes are provided to all customers. To that end, we guarantee that those customers maturing from an existing mortgage deal with Vida will always have access to products that are at least as good as those available to our new borrowers.

BELMONT GREEN AT A GLANCE

HOW WE DO IT

AGILE FUNDING MODEL

Our £1.7bn mortgage book has been funded through a successful and now well-seasoned programme of securitisations, backed with £900m of warehouse funding facilities and over £200m of equity from our shareholder, Pine Brook.

Our mature Tower Bridge securitisation platform continues to attract a broad range of tier one investors to a franchise which has issued c.£3.3bn of residential mortgage-backed securities since inception.

Wholesale funding programmes are supported by robust treasury systems and capital markets expertise and have established a strong reputation in the wholesale markets, evidenced with the call of our first four issuances on their earliest optional call date; this has led to reduced wholesale funding costs despite the challenging market environment during the pandemic. As evidence of our continued success in this market and despite a somewhat weaker economic context our latest £350m RMBS (Residential mortgage-backed securities) issuance successfully priced in January 2023, with the transaction enjoying significant demand.

A new forward flow agreement with Barclays provided further flexibility for funding and liquidity whilst giving the option to monetise a portion of our increased origination capacity.

STATE-OF-THE-ART OPERATING PLATFORM

Our investment in highly scalable and secure technology has allowed us to adapt quickly to opportunities in our operating environment.

Our approach to mortgage underwriting is based on the belief that each application is different and therefore we combine modern credit scoring and data driven decisioning techniques with the judgement of experienced human underwriters, meaning that we can take an informed lending decision leveraging the expertise we have developed within the business.

Through seven years of trading and £3.3bn of gross lending, we have experienced just 22 possessions, of which 15 have been sold. On these, sales have realised actual credit losses of only c. £0.4m.

Based on extensive feedback and dialogue with our intermediary partners, in 2022 we have centralised our intermediary facing activities into one single processing 'Hub'. We have learned through working closely with our intermediary partners that one of the most important factors in placing a more complex mortgage application is certainty of outcome. To that end, we provide direct access to our underwriting team so that brokers are able to speak with decision makers so that they can understand up-front the drivers of the decision and requirements for any supporting documentation. As a consequence of the investment, we have made in the experience we provide, our Net Promoter Score (NPS) now sits at +35 compared to +31 in the previous year.

From an application perspective, our proposition is digital-first with an immediate decision in principle returned real time and our end-to-end application process is delivered digitally right through to completion of the loan.

Our future-proofed technology platform, using an integrated Application Programming Interface (API) and cloud-based decision engine, provides a high quality and intuitive service to our customers and intermediary partners. This provides us with the capacity to provide our customer centric product solutions to an ever-widening range of customers.

We believe our proposition provides good outcomes for customers throughout the whole of their lifecycle with us, with our approach to underwriting and pricing ensuring the delivery of fair value to everyone. Our approach to arrears management, including pre-arrears strategies, ensures that customers, particularly vulnerable customers, get the support they need. Our mortgage proposition has been informed by, and fully supports the objectives of the Consumer Duty.

> "In 2022 we have centralised our intermediary facing activities into one single processing 'V-Hub', through which we provide direct access to our underwriting team. Brokers now are able to speak with decision makers and understand up-front the drivers of the decision and requirements for any supporting documentation."

"Excellent service and support from Vida enabled us to swiftly help our customer obtain their new mortgage. Very impressed with the direct communication offered by staff."

by Chris Thorne

Rated 4.2 / 5 | 539 reviews — Trustpilot

BELMONT GREEN AT A GLANCE

OUR VISION & PURPOSE GUIDE
OUR STRATEGIC PRIORITIES

OUR VISION

To be recognised as the leading challenger brand in the UK specialist mortgage market, driven by our commitment to decisioning excellence, innovative propositions and trusted intermediary relationships

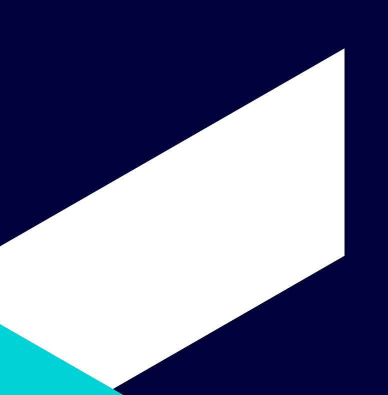
OUR PURPOSE

To help more people find a place to call home

OUR STRATEGIC PRIORITIES

Our strategic priorities are simple, fully aligned and completely consistent with our business purpose

For more details on the progress made last year and forward look, please see the Strategic Progress section on page 24.



DESIGN COMPELLING PRODUCTS AND SERVICES FOR OUR CUSTOMERS

DELIVER DECISIONING EXCELLENCE AND A FIRST CLASS SERVICE

DEEPEN OUR KEY INTERMEDIARY DISTRIBUTION RELATIONSHIPS

OPTIMISE FUNDING TO UNLOCK ASSET GROWTH AMBITIONS

CREATE A CULTURE WHICH EMPOWERS ALL COLLEAGUES TO DO THEIR BEST WORK

SUCCESSFULLY TRANSITION TOWARDS A SUSTAINABLE BANK OPERATING MODEL

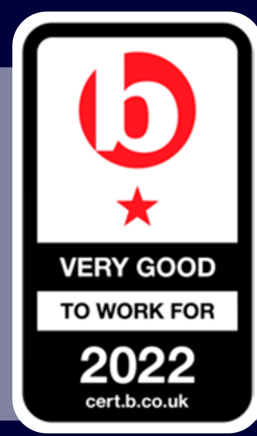
BELMONT GREEN AT A GLANCE

HIGHLIGHTS [1]

NUMBER OF ACTIVE ACCOUNTS

>10,400

2021: > 9,000



COLLEAGUE ENGAGEMENT

A 1 Star accreditation from Best Companies is a significant achievement that shows an organisation is taking workplace engagement seriously.

GROSS NEW LENDING (£m)

795

2021: 463

NUMBER OF EMPLOYEES

175

2021: 194

OPERATING COSTS (£m)

34.4

2021: 30.1

CORE OPERATING PROFIT/LOSS (£m)

11.6

2021: 4.5

WOMEN IN SENIOR MANAGEMENT

50%

2021: 44%

FUNDING RAISED THROUGH SECURITISATIONS (£m)

400

2021: 651

NET INTEREST INCOME (£m)

42.0

2021: 34.6

CULTURAL DIVERSITY (% non-white)

30%

2021: 35%

BROKER NPS

+35

2021: 31

COST INCOME RATIO

82%

2021: 87%

NET INTEREST MARGIN

2.19%

2021: 2.01%

[1] All figures on a core profit basis, consistent with the core operating profit table included in the Financial Results section.

CHAIRMAN'S STATEMENT

STEVE HAGGERTY
CHAIRMAN

During 2022 Belmont Green again demonstrated its resilience and adaptability in the face of some of the most challenging market conditions experienced since its inception.

A combination of a rapidly worsening economic outlook, driven by the global geopolitical uncertainty as a result of the conflict in Eastern Europe and the fallout from the UK's "mini budget", which unsettled the financial markets, meant that we had to draw deep on our experience and creativity and be fleet of foot.

During a year of significant challenge, I am pleased to report that we continued to make progress, delivering business momentum and a consistent level of financial performance. In so doing, we were able to demonstrate that our low risk and robust operating model is capable of delivering long-term sustainable growth.

The backdrop to the second half of the year was particularly difficult and the Board was very mindful of its responsibility in assessing and responding to specific risks and challenges that it faced. When adjusting our strategy and reshaping our business to navigate the uncertain operating environment, we ensured that we never lost sight of the long-term interests of our customers, colleagues and other key stakeholders. As a small business we are nimble and have been able to adapt but we have also had to make some difficult decisions which included withdrawing our mortgage products for a period, pausing our capital raising activity that had begun earlier in the year as well as right sizing our future operating base, which sadly impacted on a number of colleagues.

Pine Brook Partners, our primary shareholder, continues to be very supportive and their relationship with the Board and Executive Team remains strong. Their continued support and trust mean that the business remains well capitalised as we look ahead and continue to make preparations for a future as a bank. Following a slight pause, we have recommenced the process of making our banking licence application and we continue to proactively engage with the regulatory authorities on all aspects of our business operations and future strategic direction.

CONTINUED >>>

We are very aware of the challenges and downside risks related to the "cost of living crisis" and the increasing interest rate environment. Our vision remains to be recognised as the leading challenger brand in the UK specialist mortgage market, by offering innovative products, backed up by service excellence and a dedication to respond to customers with more complex borrowing needs. Although we are not currently seeing signs of financial distress in our book, we continue to closely monitor customer behaviours and will maintain a focus on supporting our customers and intermediary partners through what will be a difficult period in 2023.

Our desire to build a strong culture within our business is fundamental and we are confident that we have an excellent management team and a committed and engaged group of colleagues, focusing on delivering to the needs of our customers and stakeholders. Belmont Green is dedicated to encouraging a supportive and inclusive culture and as a Board we believe that promoting diversity within the workplace is simply the right thing to do. As a result, our commitment to increasing diversity at all levels is reflected in our EDI Charter and we strive to ensure that those who work within our business reflect the customers and communities we serve. We have set targets to enable us to measure our progress in this regard and we have enabled flexible working and invested in the development of colleagues to ensure they feel both respected and valued and can grow with the company.

The Board has spent significant time this year discussing the wider Environmental, Social and Governance (ESG) agenda and considered our ESG framework following engagement with our stakeholders to ensure we continue to meet their expectations as well as delivering our strategic objectives. Our updated ESG strategy and refreshed principles align with our strategic goals and focus on building a safe and sustainable business, and these are an integral part of achieving our purpose "to help more people find a place to call home". We have made good progress embedding sustainability considerations into our business and our decision-making processes, and the Board will remain highly engaged as we enhance our reporting and disclosure.

We remain committed to being a socially responsible business, empowering our customers to take the next step on their home ownership or landlord journey, providing support for vulnerable customers and delivering fair and appropriate outcomes for all customers. Our customer focused business model and strategy, underpinned by our values, culture and strong governance, position us well to face whatever further uncertainties 2023 may have in store.

In conclusion, I would like to record my thanks to my fellow Board members, the Executive Team and all colleagues for their hard work and contribution to everything we achieved in 2022. They responded with creativity and vigour to the challenges we all faced, and we remain steadfast in ensuring that our business is in the best possible shape to be able to deliver long-term success through continued growth and sustainable profitability.

Steve Haggerty,
Chairman

> "We responded well to the challenges of the market and continued unabated in our push towards building and embedding a bank standard operating model and supporting infrastructure. I am confident that we have an excellent team in place to face whatever further uncertainties 2023 may have in store."
>
> Steve Haggerty – Chairman

CHIEF EXECUTIVE'S REVIEW

ANTH MOONEY
CHIEF EXECUTIVE OFFICER

Despite continued market headwinds and economic uncertainty, the business has maintained the positive progress of 2020 and 2021, delivering our second year of profitability, which reflects the ability of our management team to adapt to changing market circumstances, whilst maintaining a clear focus on our longer- term strategic objectives and taking the responsible steps required to maintain a sound financial position.

CHIEF EXECUTIVE'S REVIEW

Vida is now a stable and profitable mortgage lender, with the business having generated an operating profit in every month since March 2021.

Trading was tough going at times during 2022, but a combination of continued loan growth, widening net interest margins and tight cost control have resulted in a statutory profit before tax of £1.4m for 2022 (2021: £2.7m profit), with a healthy underlying core operating profit of £11.6m (2021: £4.5m profit) before tax, showing a significant increase on the £4.5m number reported in 2021.

Having continued to invest in our people, our platform and our technology, we once again delivered a strong operational performance. The 2022 outturn demonstrates the effectiveness of our approach, with the business achieving gross new mortgage lending of £795m (2021: £463m), representing a 72% growth year-on-year and giving us real confidence in the potential of our franchise.

Alongside this strong financial and operational delivery, we have continued to implement our digitalisation plans, with a number of front and back-office developments being delivered during the year, making immediate tangible progress in intermediary experience, customer journey and operational efficiency.

The mortgage portfolio has grown to £1.7bn and we now service more than 10,400 customer accounts. Careful management of our cost base in recent years has ensured that it remains the right size to support the business in a financially sustainable way, with our cost to income ratio continuing on a downward trend to 82%.

Our strong wholesale funding franchise meant that we could hold our weighted average cost of funds to 2.93% against the backdrop of rising interest rates. This, together with a focus on loan yields, enabled us to improve our core net interest margin by 18 basis points, delivering an improved margin of 2.19%.

CONTINUED >>>

CUSTOMER FOCUS

Our success is dependent on delivering good outcomes for our customers, which is contingent upon our ability to creatively manage the proposition we offer, guided by our expertise in understanding the specialist mortgage market and demonstrating an ability to adapt to fast evolving trends. The shifting economic landscape, the pace of technological advances in risk decisioning and customer service, heightened regulatory standards and a requirement to take greater account of environmental impacts, are all critical factors impacting our customer agenda.

We have a strong track record of supporting our customers on their lending journey, whilst managing credit risk very effectively by deploying detailed credit and affordability assessments. Modern technology and external data sources are increasingly utilised in the business to automate certain operational tasks, however every application we receive remains subject to human underwriting to ensure that we appropriately meet the needs of our customers.

Our track record of low arrears, low defaults and low mortgage credit losses continues to demonstrate the effectiveness of our approach. Risk taking is an inherent part of our business model, but it is carefully managed and controlled to ensure good outcomes for our customers and to support the viability of our business model and long-term sustainability.

STRONG CREDIT AND RISK MANAGEMENT

With the macroeconomic outlook deteriorating over the course of the year, concerns remain over the impact of high inflation on the ability of our customers to meet their monthly payments.

With that in mind, we have continued to take a pro-active approach to customer management, making early contact whenever we can see any early signs of payment stress.

This pre-arrears strategy has served us well, resulting in a strong credit performance during the year, with balances at or above 3 months in arrears remaining broadly stable year-on-year at just over 1.0%, which is well within our credit risk tolerances.

The weighted average LTV of the mortgage book also remained stable, with equity coverage in the book further boosted by house price inflation, lowering the indexed book LTV to 61% (2021: 65%).

We have recorded an impairment credit of £0.5m for the year, reducing the loan loss coverage to 34 basis points compared to the 42 basis points recorded for 2021. We will continue to adopt a cautious economic outlook in our IFRS modelling but this reduction reflects our view that, despite macroeconomic forecasts predicting potentially significant falls in house prices, we retain a conservative approach to loss provisioning.

BECOMING A BANK

We believe that as a bank, Vida can bring a greater level of competition to both mortgage and savings markets, enhancing choice and value for customers in our chosen segments.

The extension of our regulatory permissions to accept retail deposits will be a key enabler of our business strategy, as it provides diversified and reliable funding that will enable the business to compete more effectively with less potential risk of market interruption.

Our application to become authorised as a bank is in train, with a detailed work programme fully mobilised in the business.

PEOPLE & CULTURE

The strong results for the year would not have been possible without the continued hard work, dedication and performance of our people.

At times this year, we have needed to face into some difficult decisions. In order to ensure that the structure of our business remained as efficient as possible, whilst also taking into consideration our plans to seek authorisation as a retail deposit taking bank, we undertook a restructuring programme which impacted a number of colleagues.

Inevitably this created some uncertainty for colleagues, and we therefore aimed to be as open and transparent as possible with all those affected. All of the organisational changes were made in consultation with elected employee representatives and a period of collective and individual consultation was undertaken. Losing talent is never an easy process and we have ensured that all colleagues were supported as much as possible through the process.

We have made it a strategic priority to build a caring and supportive culture in our business where our people feel able to express themselves and share their point of view without fear of recrimination. This is the ethos that underpins our operating model and I believe the strength of that culture continues to benefit our business.

With a clear and simple strategy in place, our people remain fully engaged in the vision we have set for the business, and we remain confident that we can deliver successfully on our plans to become a mortgage and savings bank.

> "I am delighted that Vida has been named one of the best financial services companies to work for in the latest Best Companies results. This is a wonderful testament to the hard work of all colleagues here at Belmont Green and we look forward to building on these positive results throughout 2023."

> "We have made it a strategic priority to build a caring and supportive culture in our business where our people feel able to express themselves and share their point of view without fear of recrimination."

SUSTAINABILITY

In its first full year of operation, our Customer & Culture Committee has made much progress in fostering a strategic approach to a range of environmental and social issues and identifying the related risks and opportunities. We made significant progress against our ESG Plan during 2022 and achieved a Silver rating from sustainability ratings provider EcoVadis. We continue to develop our approach to Environmental, Social and Governance matters and received Board approval for a new ESG strategy during the year, giving us the tools to achieve good outcomes for our customers, empower our colleagues, as well as support our community charity partners and our wider business community.

We are committed to fostering a diverse and inclusive workplace, with the activities of our Equality, Diversity and Inclusion ('EDI') group gathering momentum during the year. During 2022 we launched our EDI Charter and, through our EDI Forum, implemented a calendar of initiatives raising awareness of different perspectives supporting International Women's Day, Pride, Black History Month, Diwali and Mental Health Awareness. We have also trained a group of Mental Health First Aiders from across the business who will be able to share information and support colleagues. Further facilitating a diverse workforce is our agile working model which continues to embed, enabling recruitment from diverse geographical locations and trusting colleagues to balance work and home lives in the way which suits their needs as well as the needs of the business.

Two years ago, we signed up to the HM Treasury Women in Finance Charter, committing to the progression of women in senior roles within financial services and have substantially met the targets set. We have also committed to diversifying our Board composition by end of 2024.

Our aspirations therefore go beyond what is required by law or regulation because we believe we can have a genuine and positive impact and by implementing our ESG Strategy we will have the best chance of becoming the sustainable mortgage bank which we strive to be.

"OUR SILVER SUSTAINABILITY RATING FROM ECOVADIS PUT US IN THE TOP 25% OF COMPANIES WHICH THEY HAVE ASSESSED"

OUTLOOK

Specialist mortgage lenders play an increasingly critical role in servicing borrowers overlooked by the larger lenders. We have established a successful, sustainable, and responsible lending business by working hard to understand and respond to the needs of our customers.

The prevailing economic environment creates an uncertain operating environment, with cost of living increases and rising interest rates potentially impacting demand, affordability and ultimately potentially leading to an increase in customer arrears. As a management team, we have a proven track record for reacting swiftly and decisively to meet the challenges posed by an ever changing environment and the close contact we maintain with our customers, will allow us to identify those customers who are most in need.

We enter 2023 in a confident position, with committed funding capacity in place, a high quality loan book, a strong capital base, cautious provisioning and a well-established distribution franchise – we are well placed to execute on our plans for the year ahead.

As a team, we remain fully committed to creating the leading challenger brand in the UK specialist mortgage market, so that we can help many more people find a place to call home.

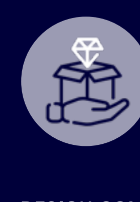
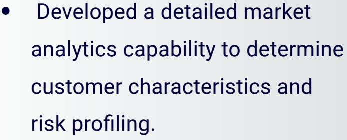
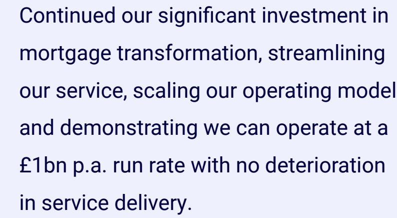
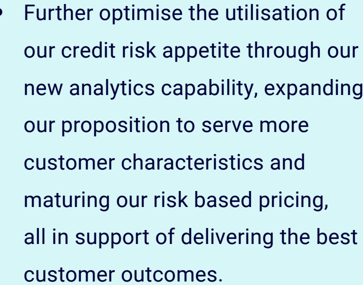
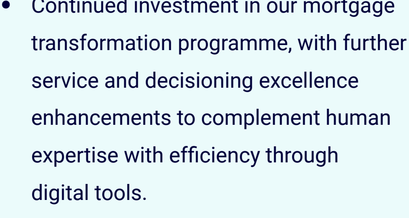
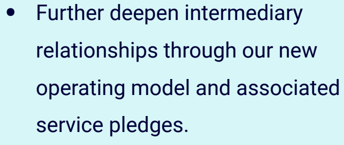
Anth Mooney
Chief Executive Officer

"We enter 2023 in a confident position, with committed funding capacity in place, a high quality loan book, a strong capital base, cautious provisioning and a well-established distribution franchise – we are well placed to execute on our plans for the year ahead."

STRATEGIC PROGRESS

2022 represented a year of further progress for Belmont Green in delivering against our business strategy and positioning the business for sustained profitable growth.

	DESIGN COMPELLING PRODUCTS AND SERVICES FOR OUR CUSTOMERS	DELIVER DECISIONING EXCELLENCE AND FIRST-CLASS SERVICE	DEEPEN OUR KEY INTERMEDIARY DISTRIBUTION RELATIONSHIPS	OPTIMISE FUNDING TO UNLOCK ASSET GROWTH AMBITIONS	CREATE A CULTURE WHICH EMPOWERS ALL COLLEAGUES TO DO THEIR BEST WORK	SUCCESSFULLY TRANSITION TOWARDS A SUSTAINABLE BANK OPERATING MODEL
GOALS	• Design innovative propositions to help more people find a place to call home. • Use deep market insight and data analytics to identify customer segments and key characteristics. • Rapid proposition development to support customer outcomes and fully leverage Board approved risk appetite, supporting organic originations growth. • Utilise risk-based pricing to reflect risk tiering while ensuring fair pricing. • Strong retentions proposition, including an efficient process and competitive products.	• Combine human expertise with digital tools to optimise the decisioning journey. • Provide an excellent experience. • Leverage an underwriting approach that can flex to meet customer circumstances and case complexity. • Empower skilled underwriters to apply qualified discretion whilst operating within their lending mandate. • Utilise technology and data to remove friction from the journey.	• Build advocacy through a singular focus on proposition and experience. • Provide direct access to experts. • Tailor marketing and distribution engagement to key, high potential partners, working with them to design and refine our proposition. • Be proactive and visible with our key partners – investing time to understand their business and helping them to build their business as we build ours. • Utilise creative brand marketing to amplify our messaging across multiple channels.	• Maintain access to stable, high-quality diversified funding. • Fully leverage a securitisation funding programme and balance sheet management to minimise liquidity risk. • Use forward-flow alliances to fully exploit operational capacity whilst optimising capital usage. • Gain access to retail deposit and central bank funding either through a banking licence approval or strategic partnership. • Access diversified and cost-effective sources of capital to support balance sheet scale and minimise capital risk.	• Create a caring and supportive environment where individuals feel able to express themselves with confidence. • Actively seek to create a diverse and inclusive workplace where equality and fairness form part of our business DNA. • Create opportunities for our people to develop new skills, gain new experiences and have a positive impact on the world. • Celebrate those moments when colleagues find a way to truly uphold the values and behaviours we aspire to. • Embed and deliver against our Equality, Diversity and Inclusion Charter. • Embed an agile working model that fully trusts our people to own their agenda and balance their work and home lives.	• Embed a unified enterprise-wide control framework, delivering bank standard oversight and monitoring. • Maintain a Board and Executive team with the skills and experience required in a Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) regulated environment. • Adhere to governance processes with strong conduct and fair customer outcomes at their heart. • Approved risk appetite appropriate to the strategy of the business and which avoids any unrewarded risk. • Design resilience into the operating model ensuring data security, systems integrity and business continuity in our owned and outsourced business processes.

	 DESIGN COMPELLING PRODUCTS AND SERVICES FOR OUR CUSTOMERS	DELIVER DECISIONING EXCELLENCE AND FIRST-CLASS SERVICE	DEEPEN OUR KEY INTERMEDIARY DISTRIBUTION RELATIONSHIPS	OPTIMISE FUNDING TO UNLOCK ASSET GROWTH AMBITIONS	CREATE A CULTURE WHICH EMPOWERS ALL COLLEAGUES TO DO THEIR BEST WORK	SUCCESSFULLY TRANSITION TOWARDS A SUSTAINABLE BANK OPERATING MODEL
2022	 • Developed a detailed market analytics capability to determine customer characteristics and risk profiling. • Completed £0.80bn of organic originations, up 72% on 2021 despite continued challenges and uncertainty in the trading environment. • Enhancements to our retentions proposition enabled us to retain £113m of business in 2022.	 • Continued our significant investment in mortgage transformation, streamlining our service, scaling our operating model and demonstrating we can operate at a £1bn p.a. run rate with no deterioration in service delivery. • Boosted our NPS to +35. • Trustpilot ratings are now at record highs.	• Launched a new intermediary-first operating model, shifting away from the traditional field-sales approach. V-Hub provides a single point of contact for all queries, including direct access to underwriters. • Our award-winning brand and creative has driven stronger market recognition and engagement.	• The business reported its second full year operating profit of £11.6m in 2022. • Our RMBS platform remains a well-recognised and respected franchise. In 2022, we completed a securitisation of £400m of loans via Tower Bridge Funding 2022-1 PLC. • We aided capital and capacity management through a forward flow agreement and an asset sale.	• Agile working model was successfully embedded. • Board approved ESG Strategy in place • Enhanced Employee Value Proposition launched. • E,D&I Charter in place and operational . • New Long Term Management Incentive established.	• Continued strong credit performance during the year, with balances at or above 3 months in arrears remaining broadly stable at just over 1.0%, well within our credit risk tolerances. • Risk Management Framework upgraded following appointment of new CRO. • Strengthened the support we can provide to our customers who are in financial difficulty, particularly important given the current macro-economic climate.
FORWARD LOOK	 • Further optimise the utilisation of our credit risk appetite through our new analytics capability, expanding our proposition to serve more customer characteristics and maturing our risk based pricing, all in support of delivering the best customer outcomes.	 • Continued investment in our mortgage transformation programme, with further service and decisioning excellence enhancements to complement human expertise with efficiency through digital tools.	 • Further deepen intermediary relationships through our new operating model and associated service pledges. • Continue to grow a content-led marketing strategy, providing insight, analysis and commentary.	• We have the capital needed to support our short-medium term planned lending growth. • With longer-term growth ambitions in mind, it remains our intention to seek PRA approval as a deposit taker to gain access to bank funding.	• Our people work in a caring and supportive environment. They are able to express themselves and share their point of view without fear of recrimination. This is an ethos that underpins our culture. • With a clear and simple strategy in place, our people are fully engaged in the mission we have embarked upon and the culture we have defined.	• The prevailing economic environment creates an uncertain operating environment, with cost of living increases and rising interest rates potentially impacting demand, affordability and ultimately leading to an increase in customer arrears.

STRATEGIC REPORT

	DESIGN COMPELLING PRODUCTS AND SERVICES FOR OUR CUSTOMERS	DELIVER DECISIONING EXCELLENCE AND FIRST-CLASS SERVICE	DEEPEN OUR KEY INTERMEDIARY DISTRIBUTION RELATIONSHIPS	OPTIMISE FUNDING TO UNLOCK ASSET GROWTH AMBITIONS	CREATE A CULTURE WHICH EMPOWERS ALL COLLEAGUES TO DO THEIR BEST WORK	SUCCESSFULLY TRANSITION TOWARDS A SUSTAINABLE BANK OPERATING MODEL
PRINCIPAL RISKS[2]	• Political and economic uncertainty affecting long-term demand for specialist buy-to-let and residential mortgages. • Potential regulatory and tax changes including a continued legislative focus on Buy-to-Let. • New specialist lenders, including larger banks, entering the specialist market. • Failure to ensure that innovative products provide good customer outcomes which reflect changing customer needs and meet the expectations of Consumer Duty. • Continued rising interest rate environment and ongoing cost of living increases may lead to increased defaults and credit losses. • Lack of access to retail funding restricts ability to offer competitively priced products.	• A tightening of regulation for specialist underwriting introducing further cost and complexity into the model. • Demands around cyber-security and operational resilience. • New technology from competitors resulting in faster decisioning and increasing intermediary service expectations. • Failure of processes, people or systems results in adverse impact to customer service or a financial loss. • Failure to protect and appropriately process our customers' data.	• A loss of key broker relationships due to reputational damage from poor service, poor products or ineffective strategic moves. • Lack of investment in technology solutions meaning we fail to keep pace with market trends and developments. • Exclusive deals may create conflicts of interest. • Failure to provide a consistent service to build intermediary relationships.	• Continued rising interest rates and higher cost of funds place ongoing pressure on mortgage product margins. • Volatility of capital markets and availability and price of wholesale funding and new capital. • Inability or a delay in securing banking licence approval and access to retail funding. • Lack of access to any new Bank of England funding programmes prior to banking licence approval. • Increased burden of regulatory compliance. • Business constraints arising as part of any strategic partnership. • Complexity of managing a range of funding Programmes. • Maintaining products suitable for funding through warehouse and RBMS programmes.	• Increasing competition for talent making recruitment and retention of diverse workforce increasingly challenging. • Failure or delay in delivering strategic goals could result in increased staff turnover. • Failure to reflect a diverse workforce in business decision making resulting in poor customer and business outcomes. • Interaction between different change initiatives creates resource conflicts and adds pressure to staff.	• Operating to bank standard regulatory requirements brings unforeseen cost and complexity. • Level of global cyber-attacks places undue pressure on our operational resilience capabilities. • Failure to maintain and enhance financial crime framework that reflects the additional requirements associated with becoming a bank. • Failure to manage the physical and transitional risks arising from climate risk. • Staff turnover and key person dependencies cause operating weaknesses. • Outsourcing partners fail to deliver an appropriate service. • Failure to recruit the key skills and experience necessary to meet banking standards.

STRATEGIC REPORT

OUR MARKET

THE UK MORTGAGE MARKET

Despite the ongoing political uncertainty stemming from the war in Ukraine, the after-effects of the Covid pandemic, rapidly rising interest rates, inflation and a cost-of-living crisis, the UK housing and mortgage markets remained resilient through most of 2022.

Housing remains core to the political and societal agenda. We believe that everyone should have the right to a safe and affordable home and this topic is a critical component of the UK Government's Levelling Up Agenda, as well as representing a key tenet of the United Nations Sustainable Development Goals[1].

However, there continues to be a structural shortage of property in the UK which underpins the economic fundamentals of the housing market. Demand for housing is driven by population growth and structural changes in household formation. Government forecasts suggest 300,000 net new homes are required each year, and with less than 175,000 delivered in 2021-2022[2], there remains a very significant supply - demand imbalance.

This imbalance, alongside fiscal and monetary injections, led to house prices continuing to grow. They peaked at £296,000 in November 2022, a 28% rise since February 2020[3].

For 2022 to the end of November, the total number of UK property sale transactions was 1,151,000, representing a 16% decrease on the levels seen in the same 11-month period in 2021, a year of significant Government stimulus[4], including the extended stamp duty holiday, but 7% up on the same 11-month period in 2019. This demonstrates that the level of transactions in 2022 were surprisingly strong especially given the backdrop of soaring energy prices and weak economic growth, particularly in the second half of the year.

These housing demands, which continued to be influenced by the 'race for space' post Covid, drove another strong year for the UK mortgage market, albeit there was a small decline year on year in the number and value of house purchase mortgage advances. This reduction was more than offset by a surge in remortgage activity, as borrowers became concerned about future interest rate rises with remortgages reaching an estimated £107bn[5], the best performance since 2008. As a consequence, gross lending reached £314bn, slightly above the strong level of lending achieved in the prior year[5].

The UK mortgage market continues to be led by an intermediary-based distribution model. Continued growth in 2022 sees intermediaries now serving 84% of the market[6]. The structural features of the UK mortgage market and the costs associated with providing regulated mortgage advice, mean that intermediaries will remain the go-to source for independent mortgage advice for the foreseeable future.

Financial market dislocation following the failed government economic interventions, triggered a significant slow-down in the final quarter of the year.

These economic interventions saw increased swap rate volatility, on top of the rises already driven by the after-effects of the Covid crisis and the war in Ukraine. 2-year and 5-year swap rates rose from 1.00% and 1.05% at the start of the year to highs of 5.87% and 5.39% respectively. This dramatic increase meant that mortgage margins were placed under intense pressure.

Consequently, and triggered further by the governments' mini-budget and a Bank of England announcement that it would start selling government bonds to unwind quantitative easing, there was a sharp negative shift in market sentiment in Q4. Fixed-rate mortgage costs increased dramatically, with the average 2-year fixed-rate increasing from 3.60% to 6.00% in just two months. Unsurprisingly, despite a steady rise in mortgage rates from late 2021, the speed of rate increases in the latter part of 2022 shook buyer confidence.

Looking forwards to 2023, given the increased interest rate environment and continued inflation and cost-of-living challenges, mortgage affordability will continue to be stretched. We expect this to contribute to a 15% fall in gross mortgage lending volumes in 2023, to £275bn. It's anticipated the greatest fall will be within the house purchase segment leading to lower housing turnover.

We also foresee a shift in customers towards product transfers, in an environment where affordability pressures could reduce what many customers will be able to borrow when a full affordability assessment is performed for a remortgage.

There is now a consensus that UK house prices will fall during 2023 and 2024 due to the rise in mortgage rates and corresponding deterioration in buyer affordability. The OBR projects that between the fourth quarter of 2022 and the same period of 2024 house prices will fall 9%[7].

Conversely, we expect demand for specialist mortgage products to remain more robust as high street lenders tighten their credit risk appetite in the face of a recession, which will result in more customers falling outside of the mainstream. In 2023, we would expect the specialist segment to shrink moderately, however, we then expect it to continue growing at a rapid pace for several years to come.

1. HM Government (2022), Levelling up the United Kingdom & United Nations (2022), Goal 11 Sustainable Cities and Communities.
2. Housing supply: indicators of new supply, June 2022, Department for Levelling Up, Housing and Communities.
3. UK Finance, House Prices UK Countries and Regions, Table HP16M, March 2023
4. UK Finance, Property sale transactions, Table PT2M, March 2023. Not seasonally adjusted
5. UK Finance, New mortgage lending by purpose of loan, Table MM23A, March 2023
6. IMLA, The New Normal – prospects for 2023 & 2024, Dec 2022
7. Office for Budget Responsibility, Housing Market Forecasts, Dec 2022

STRATEGIC REPORT

BUY-TO-LET PROPERTY MARKET

The Private Rented Sector (PRS) remains an essential component of the UK's housing market, providing affordable and stable homes for people who cannot afford to buy. It is made up of 4.6 million households, accounting for 19% of homes. This makes the PRS the second most common housing tenure after owner-occupation which represents 64% of all households[8].

Tenant demand for privately rented homes has again accelerated and the sector is expected to grow further as housing provision increases across all tenures to meet the projected UK housing requirement for 1.8 million additional homes over the next ten years[9].

With only 240,000 purpose built "build to rent" rental homes currently in planning, under construction or completed, landlord owned property will continue to be the primary supplier to the private rented sector[10].

Much like the housing market as a whole, supply constraints in the PRS have continued amidst increasing tenant demand leading to upwards pressure on rents. This includes continued demand from prospective first-time buyers, who look to postpone house purchase given the current interest rate and house price environment. As a result, contributors to the RICS Residential Market Survey in December 2022 reported a rental growth projection of 3% over the next 12 months, with rental growth expected to average approximately 5% over the next five years[11].

According to UK Finance, buy-to-let gross advances reached a record level of £56bn in 2022, a 17% increase from £47bn in 2021. This growth was primarily driven by a 33% rise in remortgaging to £37bn, as stamp duty relief on house purchases introduced during the pandemic ended and the first wave of five-year fixed rate mortgages, which became more popular with landlords in 2017, approached the end of their initial term. Lending for house purchase was down 5% to £17bn[12].

We would expect gross buy-to-let lending to reduce somewhat from the highs of 2022, and settle at around £47bn, with remortgage still the dominant driver at c.£30bn, with the balance from property purchase.

Portfolio landlords will likely be best placed to mitigate potential affordability challenges in a higher interest rate environment as it's more likely all their properties won't require refinancing at the same time. Limited Companies have continued to grow in popularity in 2022, and the trend is set to continue.

In the purchase market, we would expect Landlords to seek more cost effective and energy efficient properties as margins get squeezed with higher interest rates and the deadline nears for meeting the EPC C rating or above.

8. English Housing Survey, Headline Report, 2021-22, Dec 2022
9. UK Housing supply – Capital Economics, 'Challenges and opportunities for the private rented sector' February 2022
10. Build to Rent Q2 2022, prepared by Savills for the British Property Federation, July 2022
11. December 2022 UK Residential Market Survey, RICS

RESIDENTIAL PROPERTY MARKET

Despite the cost-of-living crisis and increasing interest rates impacting borrower affordability and buyer sentiment, 2022 saw a robust year for the Residential mortgage market, with total new lending of £251bn, only a 2% decrease from 2021[13].

Remortgage activity was strong, with £82bn of lending in 2022, an increase of 27% from 202113. As mentioned previously, this is driven largely by customers concerned about future interest rate rises. Given affordability challenges, 2022 also saw a 40% increase in the volume of remortgaging customers who will be aged over 69 at the end of their term, who now account for more than one in ten remortgagers[14]. Extending their term further aids customers in reducing their monthly repayments, although clearly means they will hold their loan into later life.

According to UK Finance, purchase activity was 31% down in H1 2022 in comparison to the same period a year earlier, which was influenced by the 2021 spike in completions related to the end of the Stamp Duty holiday. However, H2 showed a stronger performance, with a 16% year on year increase between 2021 and 2022[13].

Despite house price, interest rate and affordability challenges, the first-time buyer market remained buoyant in 2022, with £76bn of new lending, only down 2% on 2021[15]. House builder incentives, coupled with the end of the Government's Help to Buy (HTB) scheme encouraged customers to take their first step onto the property ladder. However, with the HTB scheme now closed to new applications in England and the market being at the peak of house prices, interest rates and inflation, it's likely there will be a reduction in the size of the first-time buyer market in the first part of 2023.

We would expect the residential mortgage market to reduce to £220bn in 2023, with the greatest reduction being in the house purchase space, particularly during the first half of the year. As house prices start to normalise and interest rates likely peak, we expect to see a return to growth in the purchase segment towards the latter part of 2023. Meanwhile, we expect remortgage and product transfer activity to remain robust, likely growing from 2022.

We estimate mortgage lending in the residential specialist market to be £6bn in 2022. Given the complex customer characteristics such as credit history (including an anticipated rise in adverse credit given cost-of-living pressures), income composition and non-standard property types, we expect the specialist market to play an increasingly key role in the UK residential market.

12. UK Finance, Buy-to-let new mortgages and affordability, Table BTL22, March 2023
13. UK Finance, House Purchase (Table RL3UK) and Remortgage (Table RL4UK) data, March 2023
14. UK Finance, Age mortgage ends for new regulated mortgages, Table S21, March 2023
15. UK Finance, First Time Buyers new mortgages and affordability, Table RL1UK, March 2023

OUR STAKEHOLDERS & SECTION 172 STATEMENT

We recognise the importance of having regard for the interests of all Belmont Green's stakeholders in our decision making. Strong and balanced relationships with all our stakeholders are central to our strategy and culture and are embedded in the Board's responsibilities.

In accordance with their obligations under section 172 of the Companies Act 2006, Belmont Green and its Directors work in the way which they consider, in good faith, will be most likely to promote the long-term success of the company for the benefit of its members as a whole. This section sets out how Belmont Green and its Directors have complied with the requirements of section 172 during the year.

CUSTOMERS

Our customers are at the centre of our business. We offer products which help people with complex borrowing needs to meet their financial objectives by providing access to borrowing at a price they can afford, and understanding our customers is naturally at the heart of our organisation. Providing customers with a good service, supporting them on their lending journey, striving to deliver good outcomes, as well as meeting regulatory obligations are factored in all decisions made at Board and at Committees. Customer outcomes are reviewed and monitored through metrics and discussed monthly at the Customer Committee and Risk Committees at both an Executive and Board level.

Whilst all our loans are originated via intermediaries, we understand the importance of listening to our retail customers direct. We run quarterly engagement surveys seeking feedback directly from our customers, the results of which are reviewed via our Customer Committee and reported to the Board. In 2022 our customer NPS scores have improved by 8 points from 31 in 2021.
Mortgage servicing is undertaken on our behalf by Computershare Loan Services. Service provision is closely monitored and discussed monthly within the governance framework, with any issues quickly identified and escalated to the highest level.

The Company Scorecard, which is reported to Board every month, and against which our performance as an organisation is measured, is based on the four key areas of Culture, Customer, Company, and Risk. The Customer section measures a broad spectrum of customer touch points and sets targets in all areas.

COLLEAGUES

Our colleagues are our key asset, and our success depends on each of the talented individuals we employ. We have always favoured interactive communication between management and our employees through regular town hall meetings, weekly business update calls and informal sessions with management and the Chief Executive Officer (CEO). These methods of engagement proved popular with employees and have contributed to many initiatives that were undertaken by the business during the year. The Board receives monthly updates from our Chief Culture Officer on various measures relating to colleagues. We subscribe to an independent employee opinion survey (Best Companies) which is repeated twice a year in order to ensure colleagues are engaged and their needs are identified and acted upon.

The progression of our colleague engagement can be seen from the result of the May 2022 survey where we achieved a 'one star' accreditation, which signifies 'very good' levels of workplace engagement. Insights from the survey have been used to identify areas for further development and to establish integrated action plans with our Culture Champions.

Our Culture Champions Group, made up of individuals from across the business, play a key role in understanding any concerns from colleagues and in formulating and delivering action plans to address these. The Group meets with the Board twice per year to update them on the progress of the cultural initiatives that are being rolled out. Strong Colleague Engagement is a key measure in the Culture section of the Company Scorecard.

For more details, please see the "Culture & Sustainability" section on page 74.

INTERMEDIARIES

Our mortgage distribution strategy is centred upon the independent mortgage intermediary sector, which accounts for over 80% of all new lending in the UK.

Our unique engagement led proposition drives growth through establishing, developing, and optimising intermediary partnerships across the market. We do this by leveraging a combination of strategic corporate relationships and digital engagement alongside an enhanced support model.

Through a single engagement hub for all operational broker contact, supported by both telephone-based business development managers and mandated underwriters, we focus on cultivating strong relationships with the brokers who we know regularly support mortgage borrowers with complex needs.

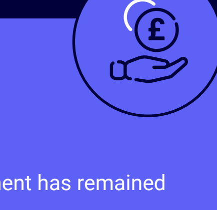
We aim to provide a streamlined underwriting and decisioning process, which results in a seamless journey whilst providing high-quality service to our intermediary partners and their borrowers. All intermediary sales activity is monitored, through conversion from initial decision in principle, to application, offer and then completion, via a fully controlled and documented governance process. Every new intermediary registration undergoes thorough due diligence and receives a detailed 'welcome call' including a fact find to ensure appropriate processes are in place to support a safe and successful distribution relationship.

Performance and feedback are reviewed regularly via the Intermediary Oversight Panel and our intermediary facing teams maintain a constant dialogue with brokers. Quarterly NPS surveys are also in place to directly canvass feedback from intermediaries and provide a trackable measure of our engagement effectiveness.

Where appropriate, we consult directly with intermediaries regarding the ongoing development of our proposition and enhancements to our overall customer journey and service model.

STRATEGIC REPORT

OUR STAKEHOLDERS & SECTION 172 STATEMENT CONTINUED >>>



INVESTORS

Our approach to investor engagement has remained straightforward as we favour an open dialogue. Belmont Green works closely with its debt investor base speaking regularly to both existing and prospective investors through a combination of transaction related and non-deal marketing. Overall Investor feedback is positive and recognises the strengthening position of the business. Further enhancements from an investor perspective have included improvements in reporting, securitisation transaction design and our general product proposition. 2022 was a year of dynamic engagement, with 24 investors participating in the TBF 22-1 RMBS transaction. Since the platform was established in 2017 over 50 different investors have purchased TBF securities

REGULATOR

Belmont Green acts within the law and regulation and in the interests of its customers – and we consider this a core, non-negotiable competency. We react swiftly to customer issues and act with transparency and integrity. Throughout 2022, we have maintained regular direct engagement with our Regulator through our Compliance team, via both written correspondence and face to face interactions.

COMMUNITY

We are committed to supporting the communities it serves and in 2020 established a three-year partnership with Crisis. We have committed to donating at least £150,000 to Crisis and colleagues of all levels have engaged in fundraising activities throughout the year. So far, we have donated £83,835 to Crisis. In addition, we support Midas Plus, a local charity near our now closed office in Staines, which looks after local individuals with physical or learning difficulties who demonstrate a need that cannot be fulfilled elsewhere. In addition to the partnerships that we have in place, some one-off donations were made in the year to charities such as Coventry Haven.

All of our colleagues are encouraged to participate in voluntary work and are provided with a day per year to enable participation during working hours. 2022 saw a record 20% of all colleagues make use of their volunteering day.

SHAREHOLDER

As Belmont Green's majority shareholder, with 99.5% of preferred and A shares held as at 31 December 2022, the Board has a strong relationship with Pine Brook. Pine Brook is represented on Belmont Green's Board and all Board Committees. Through their Board attendance Pine Brook receives regular updates on performance and strategy. All other non-executive directors, including the Chairman, are independent. This balance helps to ensure that Belmont Green's shareholder has representation at the Board, but the Board has the ability to form its own views on all matters and to ensure that decisions are made in the best interests of all stakeholders, including customers and colleagues.

THIRD-PARTY PARTNERS

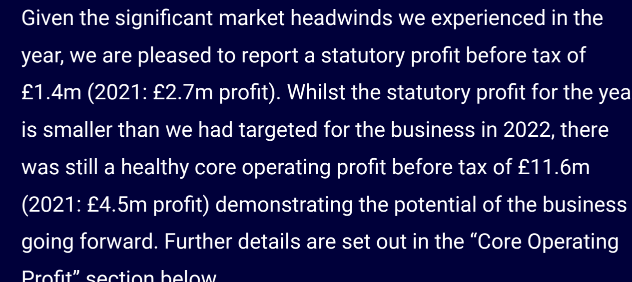
Maintaining open and effective relationships with our third-party business partners is an integral part of our business model.

We have identified our key suppliers, principally relating to mortgage servicing and technology services. Management is responsible for the day-to-day success of the supplier relationships, with a robust governance and oversight model in place to ensure that key service levels and metrics are constantly monitored and reviewed. The Board Risk Committee receives periodic updates regarding our material outsource service providers to ensure it retains oversight and is satisfied that the relationships continue to add strategic value to the business. In addition to this, as part of the cost review that was carried out in 2022, all suppliers were reviewed by the cost action group for their value and importance.

FINANCIAL REVIEW

JOHN ROWAN
CHIEF FINANCIAL OFFICER

We are pleased to report a statutory profit before tax of £1.4m (2021: £2.7m) against a backdrop of significant market disruption. The core profit before tax, after excluding exceptional items, was £11.6m (2021: £4.5m), an improvement of £7.1m over 2021, further details being set out in the "Core Operating Profit" section.



Given the significant market headwinds we experienced in the year, we are pleased to report a statutory profit before tax of £1.4m (2021: £2.7m profit). Whilst the statutory profit for the year is smaller than we had targeted for the business in 2022, there was still a healthy core operating profit before tax of £11.6m (2021: £4.5m profit) demonstrating the potential of the business going forward. Further details are set out in the "Core Operating Profit" section below.

In the early part of the year, the business demonstrated its operational capabilities with a loan completion run rate of c. £1.6 billion per annum being achieved. At this time, large volumes of applications were handled without disruption, thus proving the effectiveness of the origination platform following the investment made since 2020. From the second quarter, given the macroeconomic backdrop, the business faced headwinds in market conditions. The two primary challenges were extremely volatile swap rates and disrupted, more expensive funding markets for residential mortgage-backed securities (RMBS) issuance.

The extreme volatility of swap rates saw 2-year and 5-year rates rise from 1.00% and 1.05% at the start of the year to highs of 5.87% and 5.39% respectively. The increase in swap rates from February onwards meant that margins were eroded significantly. At the same time, we witnessed a significant amount of market re-pricing inertia with Belmont Green, out of a desire to avoid writing loss-making business, being one of the first to reprice following swap rate increases. Our high relative pricing from this point onwards affected our ability to generate the planned lending volumes, but protected the margin being earned on the loan book. By the end of 2022, although swap rates remained high, they had reduced to 4.47% and 4.10% respectively. This trend has continued into 2023 so that there should be an opportunity for us to price more competitively looking ahead.

In spite of these market conditions, Belmont Green still achieved gross lending of £795m (2021: £463m) for the year. This represents 72% growth year-on-year. Gross lending of £795m comprised new on balance sheet lending of £683m (2021: £423m) and sales through forward flow arrangements of £112m (2021: £40m).

On the liabilities side of the balance sheet, the experienced treasury team built on our successes in 2021. Several projects were carried out by the team to upgrade the treasury control environment, hedging methodology and liquidity forecasting capabilities. On the capital markets side, efforts to refine the existing funding parameters and assumptions continued alongside incremental enhancements being made to investor reporting.

> "We have experienced strong support from our investors and banking partners throughout 2022. Our RMBS platform, Tower Bridge Funding, remains a well-recognised and respected funding franchise in the UK."

In spite of the difficult market conditions of 2022, our RMBS platform, Tower Bridge Funding, remains a well-recognised and respected funding franchise in the UK. By the end of 2022, the business had executed eight public transactions and successfully called the fourth of those in December. In a stable market environment, Belmont Green employs RMBS funding to create capacity in the warehouses and to improve the leverage of the business over time.

In January 2022, we successfully completed our most efficient and first equity accretive RMBS deal to date, Tower Bridge Funding 2022–1 PLC. Through the use of X notes, which are secured against the future excess spread of the secured loans, the deal resulted in the release of equity from the loans equal in value to 1.5% of the deal. It was a fully syndicated transaction which saw strong demand from investors, attracting demand of over £1.1 billion on a deal size of £400m. The success of this transaction demonstrates our extended reach and the broadening of our investor base.

From April onwards, barring short periods which saw sporadic securitisations in the market at heightened spreads, the RMBS market remained effectively closed. This unexpected development forced the business to rework its funding plan on multiple occasions throughout the year.

The absence of a functioning RMBS market gave added importance to Belmont Green's ability to effectively leverage its other funding streams. Considering this, the strong relationships that the capital markets team have fostered with our principal lending banks have been vital. Usually, our warehouse funding provides initial liquidity to allow us to fund mortgage offers and provide sufficient headroom to build a pipeline of applications. However throughout much of the year, the relative cost of the RMBS market has resulted in warehouse funding being used on a much larger scale.

We continued to have access to four committed warehouse facilities throughout 2022 and we have experienced strong support from our banking partners over the course of the year. We succeeded in negotiating with our warehouse providers to make improvements to advance rates, costs, facility sizes and negotiated flexibility on warehouse conditions. Collectively, these improvements allowed the business to continue lending and to continue growing the balance sheet despite having limited access to the RMBS market. Our constant efforts to further enhance warehouse efficiency has also helped to minimise the business' cost of funds.

In late 2021 we agreed our first forward flow transaction which provided the business with a further diversification of liquidity. In 2022, £112m of assets were sold as part of this arrangement. The success of this deal was a key contributor towards the business's profitability in 2021. Unfortunately, the effect of rising swap rates on asset margins, combined with a reduced appetite for loans from our partner organisation in this, resulted in the arrangement being suspended in the middle of the year. The cessation of this arrangement meant that the business had to revert to the pre-existing funding arrangements on all further lending. Given the early success of this arrangement and the experience gained from the first deal, we continue to see forward flow as an important liquidity source and key to the growth of the business as we build towards a banking licence.

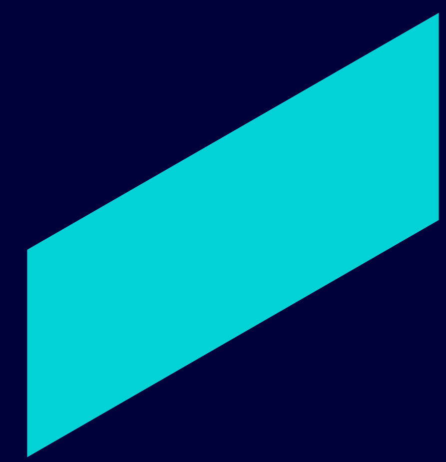
In September, the Board then approved the sale of a loan book of £482m. The rationale for the sale was that the equity released could be deployed for lending that would deliver a better return, after accounting for the loss on sale and associated transaction fees. The deal released cash that has since helped fund warehousing for higher-yielding loans and facilitated the Tower Bridge Funding No.4 PLC securitisation call.

Despite the one-off negative impact on profit of this transaction, it will have a long-term positive impact on the core operating profit of the business.

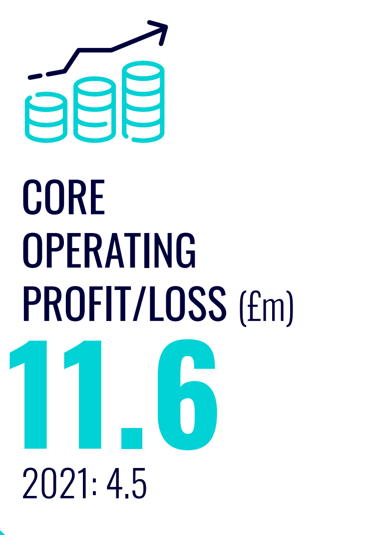
In the light of market conditions and the reduced expectations for revenue in the short term, management took the decision to reduce the operating cost base of the business. The benefit of this action will be realised in 2023. Further details are set out in the "Administrative Expenses" section below.

In summary, this year we have managed to achieve a statutory profit in an extremely challenging macroeconomic environment by responding dynamically to shifting market conditions. Belmont Green has demonstrated its origination capabilities which will hold the business in good stead once swap rates stabilise and the RMBS market returns to a normalised environment. The success of the securitisation early in the year demonstrated the improvements to the business's funding capabilities in a normal market. However, subsequent market conditions have also highlighted the importance of having access to diverse funding streams and, most prominently, retail deposit funding.

The business has proved its ability to manage liquidity and preserve capital despite the RMBS markets closing for the majority of the year and will look to take this disciplined approach into 2023 and beyond when the market is expected to settle. Immediately post-year end, RMBS markets had recovered sufficiently for Belmont Green to successfully transact its ninth securitisation, TBF2023-1, for £350m.



> "We have managed to achieve a statutory profit in an extremely challenging macroeconomic environment by responding dynamically to shifting market conditions."



CORE OPERATING PROFIT/LOSS (£m)

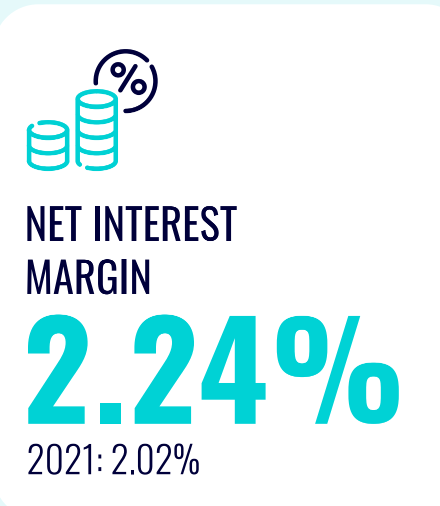
11.6

2021: 4.5

INCOME STATEMENT

NET INTEREST INCOME

Net interest income increased to £42.9m from £34.5m in 2021, with net interest margin (NIM) also increasing to 2.24% in 2022 (2021: 2.02%). The increase in net interest income was primarily driven by the higher average book size ahead of the September loan book sale. NIM increases resulted from a small increase in average loan yields, minor changes to EIR methodology and rising interest rate benefits.



Funding costs increased to 2.93% compared to 1.94% in 2021[1] reflecting the higher interest rate environment. A reduction in funding margin was largely driven by the completion of Tower Bridge Funding 2022-1 which was priced lower than both 2021 deals, with AAA note spreads of SONIA+72bps (TBF21-1: SONIA+90bps, TBF21-2: SONIA+78bps).

OTHER OPERATING INCOME

Belmont Green successfully implemented a forward flow arrangement towards the end of 2021. In early 2022, this provided a significant revenue source for the business that leveraged and helped to demonstrate the business' distribution and origination capability. Unfortunately, as a result of reduced market appetite for forward flow, we were unable to continue with the arrangement.

In total, this forward flow income totalled £2.9m in 2022. This consisted of forward flow premiums and the net fees received on loans that were sold. Talks are underway to implement a new forward flow arrangement which will profit further liquidity and contribute to profits in 2023.

The loss on the loan portfolio sale has been included in other operating income offsetting this revenue stream.

FAIR VALUE MOVEMENTS

Fair value movements reflect the impact of changing interest rates on financial instruments held at fair value, primarily interest rate derivatives and the offsetting impact on the change in fair value of the underlying assets and floating rate liabilities, allowed due to the application of macro fair value and macro cash flow hedge accounting.

Belmont Green intends to hold its loans and financial instruments to maturity and these movements will unwind over the lifetime of the loans and are not viewed as part of the core performance of the business. In 2022, a loss of £0.7m was recorded from fair value movements compared to a loss of £1.4m in 2021. For further details on fair value movements, please refer to note 7 to the financial statements.

During the year, the introduction of pipeline hedging led to the implementation of cash flow hedging. As the loans that we intend to hedge are not yet on the balance sheet a hedging relationship is formed between the floating interest rate on funding and the financial instruments. The ability to hedge loans at application stage, allows us to mitigate our exposure to swap rate fluctuations in the period between application and completion.

ADMINISTRATIVE EXPENSES

In the face of lower than planned income in the year, cost control was a key focus in the second half of 2022. As a result of planned investment early in the year, which facilitated the growth of our origination capacity, acquired bank level systems and brought in experienced staff, total administrative expenses for the year increased to £35.5m in 2022 compared to £30.9m in 2021. After excluding the one-off items highlighted in the Core Operating Profit section below, the comparison becomes £34.4m in 2022 versus £30.1m in 2021. This represents a 14% increase.

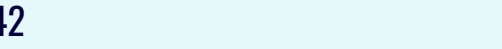
As part of ongoing efforts by management to maintain an efficient cost base it put in place strategic and cultural initiatives to reduce operating costs by the end of the year. One of these initiatives involved a review of headcount levels and hiring policy. This initiative facilitated an annualised reduction in administrative expenses of c. £3 m against the cost run rate at that time.

IMPAIRMENT PROVISIONS

In 2022, the impairment in the income statement was a credit of £0.5m compared to a charge of £0.7m in 2021. The credit reflects management's view that, despite macroeconomic forecasts predicting significant falls in the house price index, some of the significant post-model adjustments (PMA) applied in previous years to the core IFRS 9 model could be reduced or were no longer required. This included removal of a COVID-pandemic related PMA for the London buy-to-let cohort of the book and significant reduction in the cladding PMA for flats as this exposure within the book has become clearer. An affordability PMA has been added to cater for the impact of cost-of-living increases that are not covered by the core model.

Arrears levels remained relatively low throughout the year. At the end of 2022, loan balances at or above 3 months in arrears made up 1.3% of the total loan book against 1.2% in 2021.

[1] Funding costs are defined as interest expense divided by total warehouse and securitisation funding on a 13-point average basis.



CORE OPERATING PROFIT

The statutory profit before tax for 2022 was

£1.4m (2021: £2.7m profit)

whilst the core operating profit was

£11.6m (2021: £4.5m)

The table below sets out the derivation of core operating profits in 2022 and 2021, as well as the individual net interest income and administrative expenses components.

Items which were not considered core operating items included the one-off loan portfolio sale which we do not consider to be a regular part of our business model and the fair value volatility on financial instruments which will unwind over the lifetime of the loans and are therefore not part of the core performance of the business. Provisions made in prior years for potential customer remediation were reduced in the year and, consistent with prior years, were removed from core operating profit.

Other exceptional items included costs that were incurred as a result of the restructure of the business and costs incurred as part of the early termination of the Staines office lease. Both of these costs are deemed to be one-off expenses and not considered to be part of the core operations of the business.

	2022			2021		
	Net interest income £m	Admin expenses £m	Profit before taxation £m	Net interest income £m	Admin expenses £m	Loss before taxation £m
Per Consolidated Statement of Comprehensive Income	42.9	(35.5)	1.4	34.5	(30.9)	(2.7)
Adjustments						
Loan portfolio sale			9.6			
Fair value volatility			0.7			1.4
Remediation provisions	(0.9)		(1.2)	0.1		(0.3)
Restructure		1.0	1.0			
Lease termination		0.1	0.1			
Project costs					0.6	0.6
Banking licence one-off costs					0.2	0.2
Core income/expenses/profit/(loss)	42.0	(34.4)	11.6	34.0	(30.1)	(4.5)

BALANCE SHEET

Despite the £795m of total new lending in 2022, outstanding total net loans to customers fell by 7.0% in 2022 to £1,686m (2021: £1,812m). BTL loans made up 72% of the loan book at 31 December 2022 (2021: 74%).

This small decrease in the size of the loan book is largely a result of the £482m loan book sale executed in September.

Wholesale funding totalled £1,749m at the end of 2022 (2021: £1,809m), of which £1,118m related to securitisation funding (2021: £1,278m). The TBF4 securitisation was successfully called in December 2022, temporarily reducing the total amount of securitisation funding, with the bulk of the loans from that deal being held in warehouses at the end of the year.

Total share capital, of which 99.5% has been provided by Belmont Green's private equity investor, Pine Brook, stood at £204m (2021: £204m). The business will continue to benefit from the support of its existing shareholder for the foreseeable future.

The three key drivers for increases in future profitability will be the business's potential to access deposit funding, Belmont Green's ability to increase lending volumes and our ability to maintain an efficient cost base. With this in mind, management has taken steps to preserve equity wherever possible. This will allow us to focus resources towards obtaining a banking licence as soon as possible and growing lending volumes thereafter.

STRATEGIC REPORT

RISK REPORT

APPROACH TO RISK MANAGEMENT

Belmont Green manages the risks inherent in its business activities and operations through establishing and maintaining robust and disciplined risk management. This aims to quantify the risks taken, manage and mitigate them as far as possible and then price appropriately for the residual level of risk in order to secure an appropriate commercial return through the cycle.

Risk taking is an inherent part of our business but must be managed and controlled to ensure good outcomes for customers, alignment with our strategic objectives, and long-term financial security and sustainability. This is achieved through the Enterprise Risk Management Framework (ERMF), which takes a top-down approach to risk identification and management within the Risk Governance structure using a Three Lines of Defence model.

The Board is ultimately responsible for establishing and ensuring maintenance of a sound system of risk management and internal controls and approving Belmont Green's overall risk appetite.

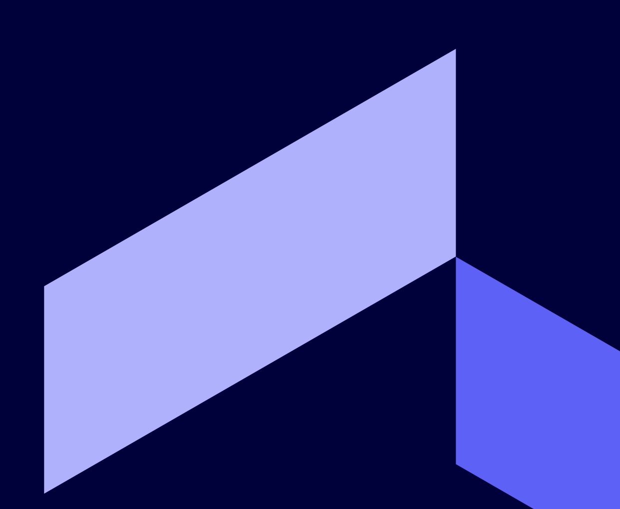
Belmont Green's approach to effective risk management continued to evolve during 2022, with further investment in key areas such as operational resiliency, information security, technology, outsourcing and third-party management, financial crime, and model risk.

NOTABLE ACTIVITIES AND CHANGES IN RELATION TO RISK MANAGEMENT DURING THE YEAR ARE SUMMARISED BELOW:

- The Risk Management Framework (RMF) was further enhanced and evolved into an Enterprise Risk Management Framework (ERMF) providing greater clarity on the role and expectations of the 1st and 2nd line and enhanced definitions of the risk appetite for a number of principal risks. The ERMF will be subject to further enhancements as part of the move to becoming a bank.
- As part of the move to an ERMF, the Credit Risk Management Framework has been reviewed resulting in an enhanced articulation of the credit risk appetite and the underlying key risk indicators (KRIs) relating to the mortgage portfolio.
- Further improvements have been made to our operational resilience strategy and supporting framework and its outsourcing and third-party risk management framework as part of moving towards becoming a bank.
- Enhancements to the existing risk governance framework including the separation of the previous Culture and Customer Committee into separate Culture and Customer Committees enabling even more focus on these important matters, particularly in light of the implementation of the FCA's Consumer Duty requirements.
- A comprehensive implementation plan, approved by the Board in October 2022, has been established to ensure Belmont Green meets the FCA's Consumer Duty requirements as outlined in PS22/9.

EFFECTIVE RISK MANAGEMENT IS KEY TO THE SUCCESSFUL EXECUTION OF OUR STRATEGY, AND OUR APPROACH IS UNDERPINNED BY THE FOLLOWING FIVE ELEMENTS, FURTHER DETAILS OF WHICH ARE PROVIDED BELOW:

- Risk Strategy
- Risk Appetite
- Enterprise Risk Management Framework
- Risk Governance
- Risk Culture



RISK APPETITE

The level of risk that Belmont Green is willing to accept in the various elements of its business are defined in our Risk Appetite Statements which articulate both qualitative and quantitative measures of risk that are cascaded across the business, calibrated by reference to our risk appetite and absolute capacity for risk absorption.

Belmont Green's risk appetite is not static and continues to evolve to support our overall business objectives, the operating environment and risk outlook. The risk appetite is reviewed periodically by the Board Risk Committee and agreed with the Board on an annual basis, or more frequently if required. A dashboard with the status of each risk metric is monitored on a monthly basis and reported to each Executive Risk Committee and Board Risk Committee and where appropriate to the Board. The Board Risk Committee and Board exercise their judgement as to the appropriate action required in relation to any risk appetite breach dependent on the situation at the time.

During the year Belmont Green completed the annual review, together with a number of interim reviews, of its risk appetites. This included a review and enhancement of the articulation of its credit risk appetite and supporting KRIs. Whilst this did not result in a fundamental change in Belmont Green's overall credit risk appetite, it has resulted in an improved understanding, assessment, articulation and reporting of the key credit risk drivers and the associated level of required return / reward. The details of the risk appetite statements for each principal risk are provided below in the Principal Risks section on page 68.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

All of Belmont Green's business and support service activities, including those outsourced to third-party providers or originated via brokers and other intermediaries must be risk managed within the requirements of the ERMF. The ERMF sets out minimum requirements and the standards and processes that are expected to be applied to meet regulatory and in-house requirements and expectations. Risks are identified, measured, managed, monitored, and reported using the ERMF. The design and effectiveness of the ERMF is overseen and reviewed by the Board Risk Committee with the ERMF being subject to annual review and approval by the Board.

Responsibility for risk management sits at all levels within Belmont Green. The Board sets the 'tone from the top' and all colleagues are expected to adopt the role of risk manager in all aspects of their role.

The ERMF describes the activities, techniques and tools that are mandated to support the identification, measurement, control, management, monitoring, reporting and challenge of risk across Belmont Green. It is designed to provide an integrated, comprehensive, consistent, and scalable structure that is capable of being communicated to and clearly understood by all of Belmont Green's employees.

The ERMF also incorporates the organisational arrangements for managing risk with specific responsibilities allocated to certain functions in accordance with a well-established Three Lines of Defence Model. This ensure that there is clear accountability, responsibility, and engagement at appropriate levels within Belmont Green which can provide robust review and challenge, as well as be challenged.

A key part of the ERMF is its alignment with our Values and appreciation by employees that they are all responsible for risk management. This is achieved through a programme of training for the Board and all employees, led by the HR Function, working closely with the Risk Function.

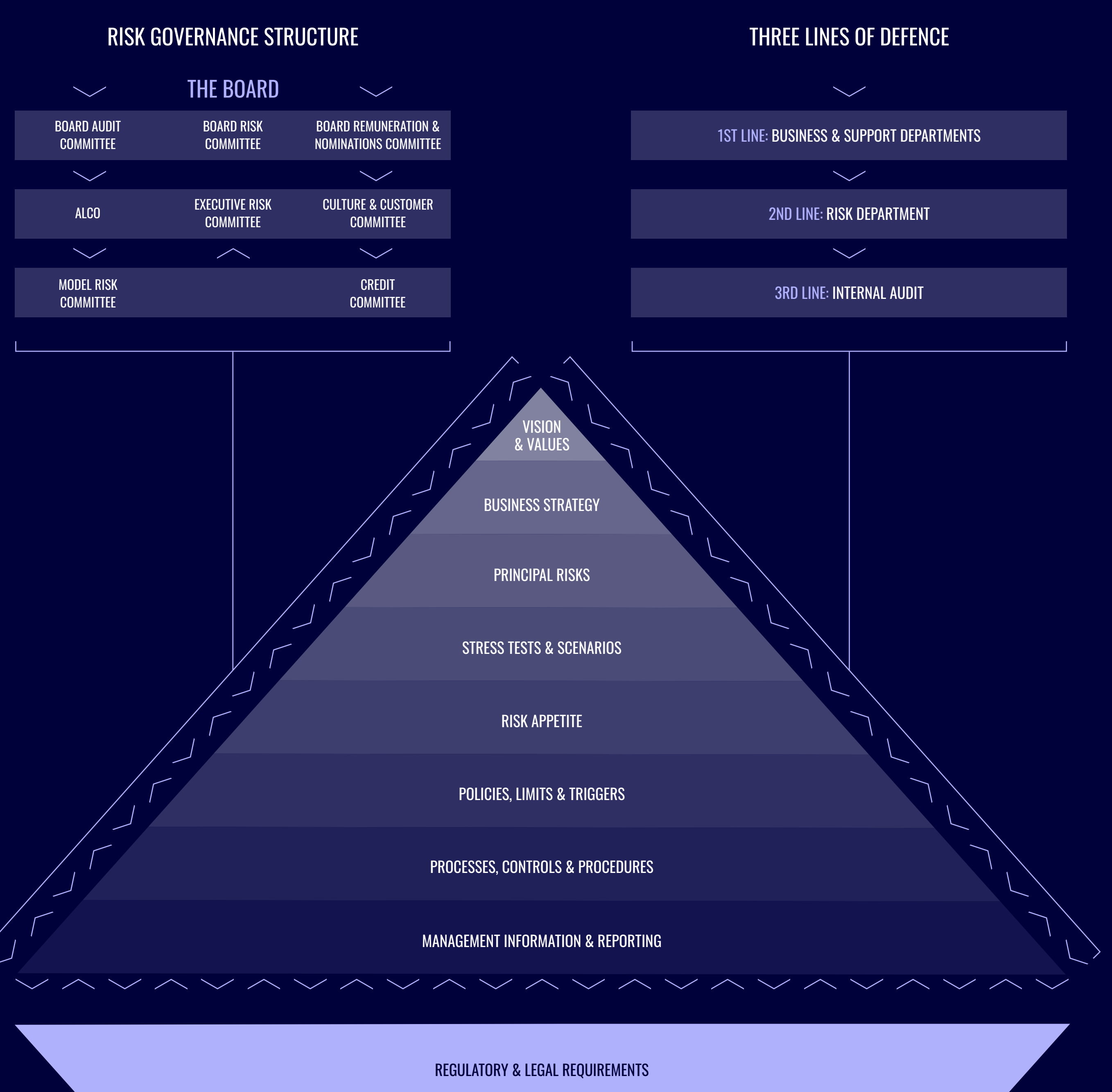
Belmont Green's ERMF can be visualised as a pyramid with the identification and management of risks done using both a 'top-down' and 'bottom-up' approach. It incorporates robust policies, controls, processes, procedures, and reporting for effective risk management, delivered through appropriate risk escalation and governance in a Three Lines of Defence model.

The Board is responsible for setting Belmont Green's Mission and Values. It reviews and approves the overall risk appetite on the advice of Board Risk Committee which also approves key risk policies. The Board approves the business strategy , consistent with our Mission, Values and Risk Appetite.

Operationally, the ERMF is organised around a number of principal risks (see page 68) and a well-established and embedded Three Lines of Defence Model (see page 54).

The ERMF, including the Risk Governance Structure and Three Lines of Defence is visually summarised in the diagram on the next page.

ENTERPRISE RISK MANAGEMENT FRAMEWORK



All of Belmont Green's risk activities are subject to detailed and comprehensive governance arrangements that detail how risk-based authority is delegated from the Board to the Board Risk Committee and to the various risk management committees and individuals in accordance with the corporate governance and ERMF requirements. Risk governance and oversight is detailed further below.

RISK CULTURE

The risk culture derives from Belmont Green's vision, mission, strategic priorities and values and is defined as the normal attitudes and behaviours exhibited by staff at all levels, with regard to risk awareness, risk taking and risk management. Belmont Green's risk culture is built upon the four following elements:

- Tone from the top:
  the Board and Executive Management in their behaviour and attitude set the expectation and requirements of an effective risk culture and this is reinforced through the application of Board approved policies and frameworks. Staff are encouraged by the Board and Executive Management to act with integrity, especially in the fair treatment of customers and to escalate observed and suspected non-compliance.
- Accountability:
  employees understand the core values of Belmont Green and how this impacts its approach to risk management. Where individuals have specific responsibilities with regard to risk, these are included in the role profiles and staff objectives, and staff understand that they will be held accountable for their actions and risk-taking behaviours. This is also supported by a no-blame culture which prevents discrimination and harassment.
- Effective communication and challenge:
  a sound risk culture should promote an environment of open communication and effective challenge in which decision-making processes encourage a broad range of views, allow for testing of current practices, stimulate a constructive critical attitude among staff, and promote an environment of open and constructive engagement throughout Belmont Green. This is also supported by an effective and well-embedded whistleblowing framework.
- Incentives:
  Belmont Green's performance management arrangements promote the desired risk management behaviours and attitudes.

The effective application and embedding of a strong risk culture is assessed on a regular basis through a range of activities, including the annual Employee Survey, annual Whistleblowing Report to the Board and the annual review of the effectiveness of the ERMF and its application.

RISK GOVERNANCE AND OVERSIGHT

Risk governance describes the structure through which the Board allocates and delegates primary accountability, responsibility, and authority for risk management across Belmont Green.

Responsibility for risk oversight is delegated from the Board to the Board Risk Committee and Board Audit Committee.

The Board receives regular and detailed updates on the work of these committees. Ultimately responsibility for risk management and oversight rests with the Board.

Belmont Green's principal risks are detailed on page 68. Responsibility for oversight of these principal risks is illustrated below.

OVERSIGHT / PRINCIPAL RISK	BOARD			
	BOARD RISK COMMITTEE			BOARD AUDIT COMMITTEE
	FIRST LINE	SECOND LINE		THIRD LINE
BUSINESS RISK	Executive Directors & Management Body	CRO & Risk Leadership Team	Executive Risk Committee	Internal Audit
CAPITAL RISK	CFO, Finance & Treasury / ALCO	CRO & Prudential Risk		
CONDUCT RISK	All colleagues / Customer Committee / Culture Committee	CRO & Compliance		
CREDIT RISK	Lending & Underwriting / Credit Committee	CRO & Credit Risk		
CREDIT CONCENTRATION RISK	Lending & Underwriting / Credit Committee & ALCO	CRO, Credit Risk & Prudential Risk		
FUNDING RISK	CFO, Finance & Treasury / ALCO	CRO & Prudential Risk		
LEGAL & REGULATORY RISK	All colleagues	CRO, Operational Risk & Compliance		
LIQUIDITY RISK	CFO & Treasury / ALCO	CRO & Prudential Risk		
MARKET RISK	CFO & Treasury / ALCO	CRO & Prudential Risk		
OPERATIONAL RISK	All colleagues / Model Risk	CRO & Prudential Risk		

The committees, functions and individuals listed in the above table are accountable and responsible for ensuring that the day-to-day risks are appropriately managed within the agreed risk appetite and in accordance with the requirements of the ERMF.

Individuals are encouraged and expected to adopt an open and independent culture of challenge, which is important in ensuring risk issues are surfaced and debated, with views and decisions recorded. Risk governance and culture is reinforced through the provisions of the Senior Managers and Certification Regime.

Formal risk escalation and reporting requirements are set out in risk policies, individual committee terms of reference and the approved risk appetite thresholds and limits.

> "A key part of the Enterprise Risk Management Framework (ERMF) is its alignment with our Values and appreciation by employees that they are all responsible for risk management."

THREE LINES OF DEFENCE

Belmont Green has implemented the Three Lines of Defence model to ensure clear separation of risk management responsibilities between operational management which owns, manages and controls risks in Belmont Green (the "First Line"); oversight, testing and challenge of those operations and controls, together with Compliance oversight (the "Second Line"); and independent assurance of the first two lines (the "Third Line") by Internal Audit. This provides consistent, coherent, and complete coverage of all the risks to which Belmont Green is, or potentially could be, exposed. All three lines of defence are tasked with supporting and developing a culture of risk awareness throughout Belmont Green to create the desired outcomes for the business and its customers.

FIRST LINE OF DEFENCE – BUSINESS AND SUPPORT FUNCTIONS

The First Line of Defence comprises Belmont Green's business and support units (and their individual staff) who are responsible for day-to-day identification, mitigation, management, and monitoring of all risks arising within their functions. In addition, the First Line of Defence is responsible for developing and communicating appropriate processes, controls, and procedures for managing risks in accordance with the ERMF and Belmont Green's approved risk appetite.

Risks, Internal Risk Events (whether a loss was incurred or not) and Near Misses are included in management information reporting and escalated, according to materiality, through the Risk Governance Structure. The First Line of Defence works, with oversight and challenge from the Risk Function, to implement actions to investigate control weaknesses, Internal Risk Events and Near Misses, and implement remedial activity to stop them happening again. They also work together to identify, assess and mitigate risks on proposed new products, with approval being obtained through the Risk Governance Structure.

> "A key part of the Risk Management Framework is its alignment with the Values and appreciation by employees that they are all responsible for risk management and ensuring good customer outcomes."

> "Belmont Green's risk appetite is not static and continues to evolve to support our overall business objectives, the operating environment and risk outlook"

SECOND LINE OF DEFENCE – RISK FUNCTION

Belmont Green's Second Line of Defence is provided by the Risk Function (which includes Compliance) whose primary responsibilities are as follows:

- Monitoring the effectiveness of the ERMF, Risk Governance Structure and Three Lines of Defence model, reporting findings/recommendations to the Executive Risk Committee and the Board Risk Committee, as required;
- Monitoring Belmont Green's exposures against approved risk appetite via the KRIs for each Risk Type and reporting these to Executive Risk Committee, Board Risk Committee and the Board;
- Delivering the annual Risk Plan of 2nd line activities that delivers effective oversight and challenge of 1st line risk management activities on a risk basis;
- Working with, and providing oversight and challenge to, the First Line of Defence to identify, assess, manage and control all of Belmont Green's risks;
- Providing risk management and compliance advice and support to all departments within Belmont Green, particularly to the owners of Belmont Green's policies, processes, controls and procedures (including in relation to the product development and approvals process);
- Working with the HR Department regarding risk management training for the Board and all employees;
- Ensuring awareness of existing and new regulations; and
- Assessment and thematic reviews of the First Line of Defence's performance and effectiveness at managing risks.

The Risk Function is headed by the Chief Risk Officer (CRO), who is a member of the Board, attends Board Risk Committee and Board Audit Committee, chairs the Executive Risk Committee, Credit Committee and Model Risk Committee, and is a member of ALCO (Assets & Liabilities Committee) and the Customer Committee and the Culture Committee. The CRO is approved by the FCA as an SMF3 (Senior management function under the FCA Senior Managers & Certification Regime) Executive Director and is responsible for monitoring, overseeing and challenging risk management performance on an operational level. The Director of Compliance, who reports to the CRO, is approved as the SMF16 – Compliance Oversight and SMF17 – Money Laundering Reporting Officer.

THIRD LINE OF DEFENCE – INTERNAL AUDIT

Belmont Green's Third Line of Defence is its Internal Audit Function, which is currently outsourced to PwC. Internal Audit provides the Board with independent assurance regarding the suitability, operation, and effectiveness of our ERMF, Risk Governance Structure and First and Second Lines of the Three Lines of Defence model. Representatives from PwC attend Board Audit Committee meetings and Board Risk Committee meetings and report directly to the Audit Committee's Chairman. Internal Audit's annual audit plan is approved by the Board Audit Committee and completed audit work is reported to the Board Audit Committee and resolution of identified issues and actions tracked. During 2023, Belmont Green intend to appoint a permanent Head of Internal Audit at which point a co-sourced relationship with PwC will be adopted.

Based on our vision and strategy, we have identified ten material types of risk ("Principal Risks") to which we are exposed. For each of these Principal Risks we have a board-approved definition and a risk appetite that articulates our approach to accepting, mitigating, managing, or avoiding the risk.

Certain risk types are an inherent part of our business model. Where this is the case, a key principle is that the risk must be adequately measured, monitored, and compensated in order for the business model to be sustainable. Where risks are not explicitly taken and adequately compensated, they are avoided, or where this is not practical, measured, monitored, and minimised.

The range of risks faced by Belmont Green and our appetite for these risks is reviewed annually, or more frequently if required, by the Executive Risk Committee ("ERC") before being presented to Board Risk Committee ("BRC") for review, challenge, and final approval by the Board in its annual review and approval of the ERMF. Our appetite for each of the identified principal risks is described qualitatively below and described quantitatively through a series of Key Risk Indicators ("KRIs") which are used to track risks at a granular level.

KEY AND EMERGING RISKS

Belmont Green's key and emerging risks are identified and are reviewed regularly by the Executive Risk Committee, the Board Risk Committee, and the Board.

Key risks are those existing and identified risks that could cause the delivery of Belmont Green's strategy, results of operations, financial condition and / or prospects to differ materially from expectations. They could also result in adverse customer outcomes, reputational damage and regulatory breaches / sanctions.

Emerging risks are those risks that are new, or may have unknown components, the impact of which could crystallise over a longer period.

Belmont Green sees eight themes as its key and emerging risks:

GEOPOLITICAL RISK	ECONOMIC AND COMPETITIVE ENVIRONMENT	CREDIT IMPAIRMENT	GEOPOLITICAL RISK
INFORMATION AND CYBER SECURITY RISK	SCALE AND PACE OF REGULATORY CHANGE RISK	FINANCIAL CRIME	CLIMATE RISK

A review of each of these themes is provided on the following pages.

GEOPOLITICAL RISK (WITHIN BUSINESS RISK)

OVERVIEW

Geopolitical risk, such as the Ukraine war and / or the significant UK political uncertainty seen during 2022, can present a risk to the business, its financials and earnings volatility, as well as its customers.

How could this impact our strategy or business model?

- Significant adverse movements in geopolitical risk could lead to material increases in inflation and interest rates, along with increasing impairments on our mortgage portfolio and / or driving down demand, business volumes and growth.
- Such adverse movements could also have a material impact on our funding and our critical suppliers and the services that they provide.

How we manage this risk?

- We undertake a comprehensive assessment of our risk appetite and stress test our business model (including our mortgage portfolio) to ensure that we can meet our objectives in severe but plausible economic conditions.
- We regularly engage with our critical suppliers to foresee and mitigate any impact on services provided to us, relating to adverse movements in geopolitical risk.
- We are pursuing a diversified funding structure including planned access to retail deposits as part of securing a banking licence.

Focus areas for 2023

- We will continue to monitor the situation in Ukraine, the global economic situation and the UK economic / political situation and the impact that this could have on interest rates, rising energy prices, cost of living, inflation, borrowers' affordability and house prices.
- Accordingly, we will continue to update our affordability policy and underwriting criteria to ensure it remains appropriate and continue to manage and support vulnerable customers in this challenging environment.
- We will continue to update our mitigating actions as and when appropriate, including the use of updated stress tests to reflect material changes in external and internal conditions.
- We will continue to oversee our outsourcers and third parties to ensure that they remain operationally resilient in the event of geopolitical uncertainty.
- We will continue to move towards successfully securing a banking licence.

ECONOMIC AND COMPETITIVE ENVIRONMENT (WITHIN BUSINESS RISK)

OVERVIEW

Significant adverse macro-economic conditions (either pro-longed or short-term) can present a risk to the business, its financials and earnings volatility, as well as its customers.

The trading environment during 2022 remained very challenging with several specialist lenders withdrawing temporarily from the market, although all re-commenced lending shortly afterwards.

How could this impact our strategy or business model?

- A prolonged economic downturn could lead to material increases in inflation and interest rates, along with increasing impairments on our mortgage portfolio.
- Rising competition may compress business margins and impact on target returns, as well as driving down demand, business volumes and growth.

How we manage this risk?

- We undertake a comprehensive assessment of our risk appetite under baseline and stress economic scenarios to ensure that we can meet our objectives in severe but plausible conditions.
- Our risk appetite is calibrated to help achieve the business strategy and is modified as required to reflect the uncertainty in economic and competitive landscape.
- We carefully consider our risk appetite in its selected markets and prioritise the needs of existing customers over new origination.

Focus areas for 2023

- Targeted and controlled expansion of our risk appetite in our selected markets to align with the economic outlook as it emerges.

CREDIT IMPAIRMENT (WITHIN CREDIT RISK)

OVERVIEW

As at 31 December 2022, Belmont Green's mortgage portfolio was £1.7bn and is exposed to credit impairment if customers are unable to repay loans and any outstanding interest and fees,

The shape of the prevailing economic conditions (largely increasing interest rates, future falls in house prices, continued cost of living challenges) will play a key role in driving the impairment profile in the foreseeable future.

How could this impact our strategy or business model?

- Increases in credit impairment could lead to a material reduction in profitability and retained earnings and our ability to meet our objectives.

How we manage this risk?

- We undertake a comprehensive assessment of our risk appetite under baseline and |stress economic scenarios to ensure that we can meet our objectives in severe but plausible conditions.
- Our credit risk appetite is modified as required to reflect the uncertainty in economic conditions.
- We have undertaken a comprehensive review of the suite of existing credit risk KRIs resulting in an enhanced articulation and definition of our credit risk appetite.
- We have continued to apply robust underwriting, affordability and lending criteria and where appropriate have enhanced these, contributing to a continued experience of low repossessions and credit losses
- We have continued to maintain a pro-active approach to identify and support vulnerable customers.
- The impact on IFRS9 models and post-model adjustments (PMAs) are regularly monitored and reported to internal committees and approved by the Board Audit Committee.

Focus areas for 2023

- Continue to enhance our stress testing capability.
- Continued regular review of the evidence supporting all key areas of judgement used in support of the model-based ECLs.
- Develop further strategic credit risk management information to ensure timely and accurate reflection of risk in our lending segments, thereby enhancing our ability to make proactive decisions.

SCALE AND PACE OF CHANGE (WITHIN BUSINESS, OPERATIONAL & CONDUCT RISK)

OVERVIEW

The scale and pace of change could create delivery challenges and could lead to disruption of Belmont Green's plans and impact the delivery of our objectives.

Belmont Green needs to deliver a number of significant projects (e.g. Banking licence application, Consumer Duty) over the plan to deliver its objectives.

How could this impact our strategy or business model?

- Failing to deliver changes to products, services and systems could result in our inability to meet customer expectations and our other strategic objectives.

How we manage this risk?

- We have organised our strategic priorities into a clear roadmap through which we prioritise and manage the required resources, both from a project and business unit perspective. Delivery of the roadmap is critical to the achievement of our objectives.

Focus areas for 2023

- Our key change priorities include progressing with our banking licence application, delivery of the FCA's Consumer Duty requirements and enhancement to our lending proposition and decisioning process.

INFORMATION AND CYBER SECURITY RISK (WITHIN OPERATIONAL RISK)

OVERVIEW

The cyber threat remains significant and high profile across all industries.

Cyber security and information risk continues to be a focus area for regulators and is increasingly assessed as an integral part of operational resilience.

This is coupled with an increase in public awareness and regulatory focus specifically on cyber resilience in the face of increasingly targeted, destructive ransomware attacks experienced in the market.

How could this impact our strategy or business model?

- The evolving nature and scale of criminal activity could increase the likelihood and severity of attacks on our business and supporting systems, resulting in loss of confidence, reputational damage, data loss/theft and financial loss.

How we manage this risk?

- We continually review our information security control environment to reflect the evolving nature of the threats to which we are exposed.
- Our strategy for managing information security risk is comprehensive, including a documented information security strategy, on-going threat assessments, penetration testing, deployment of preventative and detective controls and a programme of cyber awareness education and training.
- We have implemented policies and procedures in order to ensure colleagues are aware of potential threats and the importance of Cyber & Information Security.
- We have an outsourced Chief Information Security Office who reports into the Chief Risk Officer, providing 2nd line assurance on security services.
- An annual training programme for data privacy and protection and Cyber and Information Security awareness is provided to all colleagues annually.
- We have an established incident management plan and procedures including disaster recovery and business continuity. Incidents relating to breaches of the IT infrastructure are reported and discussed at Executive Risk Committee and reported to BRC and the Board in accordance with the requirements of the ERMF.
- We have continued to enhance our technology and operational resilience layer, including the controls applied to our critical service providers.
- InfoSec DD is carried out on all suppliers aligned to recognised industry best practise and standards.

Focus areas for 2023

- We will continue to invest in our information security risk management framework alongside delivering further enhancements in our operational resilience capability.
- We will continue to oversee our outsourcers and third parties to ensure that they remain operationally resilient.
- We will continue to embed our new Security SOC/SIEM solution and alignment to the NIST framework.
- We will enhance our current Data Loss Prevention (DLP) strategy, focussing on continued evolution of the underlying control framework

SCALE AND PACE OF REGULATORY CHANGE (WITHIN CREDIT, OPERATIONAL, CONDUCT, LEGAL & REGULATORY RISK)

OVERVIEW

The prudential and conduct regulatory regimes continue to be subject to change and could lead to either increases in the required level and quality of financial resources or change in policies and processes to meet additional regulatory requirements.

In our transition to becoming a bank, Belmont Green will implement a suite of new prudential regulatory requirements.

In relation to non-financial risks, implementation / embedding of operational resilience and third party and outsourcing regulations will continue, along with implementation of high priority regulatory initiatives as published by the FCA.

How could this impact our strategy or business model?

- A material change in existing regulatory requirements and the addition of unexpected future regulatory change could lead to either increases in the level and quality of required financial resources or material updates in policies and processes. This could lead to both additional capital / cost / investment and adversely impact our ability to execute existing objectives.

How we manage this risk?

- We actively review regulatory publications to assess their implications for the business and oversee the impact analysis and subsequent delivery through relevant committees and forums.
- We actively engage with regulators, industry bodies (e.g. UK Finance) and advisors in relevant consultation processes.
- We actively manage and monitor compliance with regulatory requirements through our established and embedded risk governance framework.

Focus areas for 2023

- We will continue to maintain a robust approach to both identifying new / proposed regulatory changes (i.e. regulatory horizon scanning) and providing effective oversight over the delivery of such changes.
- We will continue to move towards successfully securing a banking licence which will include ensuring all related processes, systems and practices align to the prudential regulatory requirements.
- We will continue to execute our implementation plan to meet the FCA's Consumer Duty requirements.
- We will continue to oversee our outsourcers and third parties to ensure that our overarching framework meets regulatory requirements.
- We will continue to enhance our approach to operational resilience to ensure that this meets regulatory requirements.

STRATEGIC REPORT

FINANCIAL CRIME (WITHIN OPERATIONAL, LEGAL & REGULATORY RISK)

OVERVIEW

Financial crime is any kind of criminal conduct relating to money or to financial services or markets. This includes any offence involving:

- Fraud or dishonesty;
- Misconduct in, or misuse of information relating to, a financial market;
- Handling the proceeds of crime; or the financing of terrorism.

Although the risk has always been present in financial services, the increased use of digital channels and our planned move to becoming a bank has elevated the risk profile. With the development of technology, the type and impact of financial crime activities is likely to increase over the coming years.

How could this impact our strategy or business model?

- An inadequate control environment for financial crime could lead to increased operational losses, credit impairment and potentially regulatory enforcement, penalties and / or censure.
- The reputational damage associated with financial crime could cause loss of business (both customers and intermediaries), impacting our revenues and financial position, as well as our regulatory standing.

How we manage this risk?

- We continue to enhance our control environment with respect to financial crime, including recruiting additional skilled and experienced resources into the 2nd line.
- The control environment and associated risks are monitored via our well-established and embedded risk governance framework.
- We conduct a firm-wide financial crime risk assessment, at least annually, to assess compliance with relevant policies. This focuses on: money laundering and terrorist financing risk, anti-bribery and corruption risk, sanctions risk, tax evasion risk and fraud risk.
- An annual programme of financial crime awareness education and training is provided to all colleagues.
- We have a dedicated Money Laundering Reporting Officer (MLRO) who reports into the CRO with an annual MLRO report provided to the Board.
- Whistleblowing arrangements are in place so colleagues can report any activity which they consider to be inappropriate without fear of retaliation or detrimental action.
- We restrict the giving and receiving of gifts and hospitality, and they must be declared to management whether accepted or declined.

Focus areas for 2023

- We will continue to invest in resources and risk identification, prevention, and control mechanisms to protect our customers and business from the facilitation of financial crime. This will be delivered in conjunction with the enhancement of existing policies, procedures, systems, and practices as part of our banking licence application.

CLIMATE RISK (WITHIN CREDIT RISK)

OVERVIEW

Climate change and society's response to it, presents financial risks which impact Belmont Green's objectives. The risks arise through two primary channels: the physical effects of climate change and the impact of changes associated with the transition to a lower carbon economy.

How could this impact our strategy or business model?

- Physical risks, such as flooding or subsidence could lead to damage to mortgaged properties, which could become temporarily or permanently uninhabitable, affecting rental income, or leading to a permanent drop in value. This could lead to increased defaults and/or losses on mortgage loans.
- Transition risks, such as stringent requirements for energy efficiency on rented or owner-occupied properties, could impose a significant financial cost on borrowers for retrofitting, or leave them unable to rent or sell their property or permanently reducing the value of their property. This could lead to increased defaults and/or losses on mortgage loans.
- Reputational risks could arise if we are seen to be taking inadequate steps to understand, monitor and mitigate our own impact on the climate. This can arise through our RMBS and warehouse investors, our equity investors, our broker partners or our customers. The impact could be reduced investment demand, increased cost of investment or reduced business.

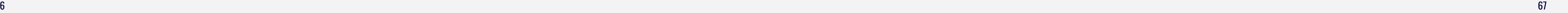
How we manage this risk?

- Belmont Green has embedded the management of climate risk as a subset of one of its principal risks, credit risk.
- Belmont Green considers the embedding of climate related matters and the wider ESG measures to be key initiatives. It is a key part of our broader ESG Strategy.
- At present the most material impact is judged to be from EPC requirements on BTL properties. We have tightened our lending policy to ensure we only consider lending when properties meet, amongst other criteria, the minimum energy efficiency regulations by law.
- We actively monitor our portfolio, via the measurement of new completion volumes across each EPC rating. For each EPC grade, we further consider the available levers and controls at our disposal, to appropriately manage the inherent risk on the back-book. Exposure levels are also benchmarked against the market – this ensures that we minimise the risk of over-exposure. Developments in regulation are also closely monitored, so that we proactively anticipate future changes and understand their impact on our customers.
- We have analysed the potential impact of physical risks on our portfolio and report this in our annual climate risk report to Board Risk Committee.
- We report on our carbon emissions annually, including a voluntary disclosure of scope three emissions. We make loan level EPC data available to our RMBS investors to aid their portfolio analysis.

CLIMATE RISK (WITHIN CREDIT RISK)

Focus areas for 2023

- We will continue to monitor developments in EPC requirements, both for rented and owner-occupied properties and will respond with any required changes in lending policy or product design.
- We will continue to explore opportunities and initiatives that will support our customers in addressing climate impact.
- We are enhancing our analysis of potential physical risks to better understand where and when this exposure could materialise.
- We will continue to expand our climate disclosures, starting to align with TCFD and the forthcoming ISSB Sustainability Standards.



STRATEGIC REPORT

PRINCIPAL RISKS

Based on our vision and strategy, we have identified ten material types of risk ("Principal Risks") to which we are exposed. For each of these Principal Risks we have a board-approved definition and a risk appetite that articulates our approach to accepting, mitigating, managing, or avoiding the risk.

Certain risk types are an inherent part of our business model. Where this is the case, a key principle is that the risk must be adequately measured, monitored, and compensated in order for the business model to be sustainable. Where risks are not explicitly taken and adequately compensated, they are avoided, or where this is not practical, measured, monitored, and minimised.

The range of risks faced by Belmont Green and our appetite for these risks is reviewed annually, or more frequently if required, by the Executive Risk Committee ("ERC") before being presented to Board Risk Committee ("BRC") for review, challenge, and final approval by the Board in its annual review and approval of the ERMF. Our appetite for each of the identified principal risks is described qualitatively below and described quantitatively through a series of Key Risk Indicators ("KRIs") which are used to track risks at a granular level.

PRINCIPAL RISK	DEFINITION	RISK APPETITE	RISK MITIGATION
Business Risk	The risk that we do not achieve our strategic objectives or business plan, including financial forecasts.	The business has clear strategic targets and clear risk appetites to ensure that these targets are achieved in a risk controlled and sustainable manner.	Executive Committee are responsible for executing the business plan according to strategic objectives and within approved risk appetite. The extent, if any, to which this is not achieved is monitored using appropriate KRIs and reported to the Board for discussion.
Conduct Risk	The risk of customer harm or poor outcomes through unsuitable products, poor service, or process failures.	We have no appetite for offering products or services to our customers which are unsuited to their needs, or which may cause the customer harm. We have no appetite for systemic conduct risk and poor outcomes resulting from products or actions which impact on its customers or the integrity of the market. We seek to minimise these risks (as far as possible) and where instances of potential or actual harm are identified we will provide appropriate remediation. Whilst we recognise that minor operational or service issues may occur which could affect customers, these must not result in poor customer outcomes or harm for those customers.	We seek to minimise these risks as far as possible through process design and monitoring; where instances of potential or actual harm are identified we will provide appropriate remediation. Where conduct issues arise, these are mitigated and reported in accordance with the requirements of the ERMF, including where appropriate oversight by the Board Risk Committee and ultimately the Board.
Capital Risk	The risk that we have insufficient capital to cover stressed conditions, regulatory requirements or growth plans.	We have no appetite for breaching internal limits or regulatory capital requirements and no appetite for having insufficient capital to deliver our financial plans over the next 12 months.	We prepare financial forecasts and draw down equity as required. This ensures we always remain within appetite.

PRINCIPAL RISK	DEFINITION	RISK APPETITE	RISK MITIGATION
Liquidity Risk	The risk that we are not able to meet our obligations as they fall due or can only do so at excessive cost.	We have no appetite for not meeting our obligations as they fall due including under a severe but plausible stress lasting three months and without any reliance upon future planned equity injections within 30 days of stress conditions. It is accepted that we will include reliance on future planned equity injections after 30 days.	We prepare liquidity forecasts, plan our funding transactions, and draw down equity to ensure that we remain within appetite at all times.
Funding Risk	The risk that we do not have access to stable funding markets and a range of funding sources.	We have no appetite for committed funding requirements which are not covered by committed funding capacity and we have no appetite for funding requirements due to optional debt calls that are not covered by total funding capacity. It is accepted that we will be reliant on future planned equity injections after 30 days. Funding coverage will be maintained over the next 12 months without reliance on any new funding that is unlikely to be achievable.	We maintain sufficient committed and uncommitted facilities to ensure we always remain within appetite. We plan new funding transactions that ensure we maintain sufficient funding coverage and assess our plans against internal and market capacity.

PRINCIPAL RISK	DEFINITION	RISK APPETITE	RISK MITIGATION
Credit Risk	The risk of loss arising from default on mortgage lending, or from the default of a wholesale money market counterparty.	We have appetite for credit risk arising from our mortgage lending, but the risk must be adequately compensated for (i.e. on a risk adjusted basis and through the economic cycle). We have developed a series of severe and plausible stress tests and scenarios to assess our through-the-cycle mortgage lending credit losses and resulting impact on our capital, liquidity and profitability. Our mortgage lending credit risk appetite is then set using KRI's based on the results of these stress tests and scenarios. We have very limited appetite for wholesale credit risk. Surplus funds must be invested in UK government securities or deposited with banks rated at least P-1/A-1 by at least one of S&P, Moody's or Fitch.	Material risk factors are identified and quantified through product design and incorporated into our Price for Risk approach. Exposures are managed through risk limits and underwriting standards which are checked through first line Quality Control and second line Quality Assurance. Losses are managed through the Arrears Management process and reported to the relevant committee in accordance with the requirements of the ERMF
Climate Risk (subset of Credit Risk)	The physical and transition risks that may affect us due to climate change.	We have no appetite for material climate risks, whether through transition or physical risks, that are not appropriately monitored, mitigated, avoided (e.g. declining new business with an EPC F rating) or explicitly accepted.	Material risks are identified and avoided or addressed through specific product features.
Market Risk	The financial impact from movements in market prices or interest rates on the value of assets and liabilities.	The only market risk to which we are exposed is interest rate risk. We only have appetite for residual risk exposures after vanilla hedges with derivative counterparties rated BBB or higher by at least one of S&P, Moody's or Fitch.	Fixed rate mortgages are hedged through interest rate swaps, with the residual exposure quantified and managed within board limits and the supporting control environment.

PRINCIPAL RISK	DEFINITION	RISK APPETITE	RISK MITIGATION
Credit Concentration Risk	The increased risk of loss because of the size of a single exposure or correlated exposures.	We have an inherent level of sector concentration risk as our lending is focussed on UK specialist residential and buy-to-let mortgage lending and our funding is currently solely sourced from wholesale markets. This inherent risk is accepted as a strategic choice for the business. We have very limited appetite for individual name concentration risk on mortgages. Concentration to specific lines of business is managed through caps on specific product types.	Concentrations are restricted through board limits on the sizes of individual mortgages, portfolio lending and concentrations to particular geographies and product types.
Operational Risk	The risk of loss resulting from inadequacy or a failure in internal processes, people and systems, or from external events. (Model Risk is a sub-category of Operational Risk).	We have no appetite for systemic operational losses. Whilst we have very limited appetite for one-off operational losses, we recognise that they are an inherent risk of operating our business and are managed via applying the measures referenced under 'Risk Mitigation'.	Operational Risk is minimised through policies, controls, processes and procedures (including reporting, escalation and prompt action) and their impact mitigated, where appropriate, through insurance arrangements.
Outsourcing and Third-Party Risk (subset of Operational Risk)	The risk of failure by a third-party acting on our behalf causing disruption or a systemic impact to our operational capability or the ability to deliver the service expected by our customers and other key stakeholders.	Whilst we adopt outsourcing to support our business model and strategic objectives, we have no appetite for outsourcing risk, where this will increase the overall business and operational risks. We have no appetite for systemic impacts to customers, or for operational losses arising from outsourced services. We have very limited appetite for one-off outsourcing issues and minimise this risk through applying the measures referenced under 'Risk Mitigation'.	We adopt outsourcing to support our business model and strategic objectives where we can achieve a more robust and cost-effective service compared to insourcing. Once a decision has been made to outsource, the risk is minimised by agreeing service levels, performing due diligence and regular performance reviews

PRINCIPAL RISK	DEFINITION	RISK APPETITE	RISK MITIGATION
Legal and Regulatory Risk	The risk of losses or reputational damage arising from legal, regulatory or financial crime compliance failures, or that regulatory and legislative changes significantly impact our business model.	We have no appetite for non-compliance with any law, including tax law. We have no appetite for losses from regulatory breaches or financial crime or for systemic or material regulatory breaches.	We seek advice from external counsel regarding legal and regulatory requirements where appropriate. Where infrequent minor regulatory breaches and risk events may occur, they must be rectified without delay, ensuring no detriment for customers and policies, systems, controls, processes and procedures reviewed, and improvements made to avoid any repetition.

CULTURE & SUSTAINABILITY

PEOPLE AND CULTURE

Our people's continued input and commitment to our purpose and values is instrumental to the success of Belmont Green for the benefit of all of its stakeholders. One of our strategic priorities is to create a culture where difference is valued. This applies equally to our own people and to the customers we serve – all of whom have their own individual needs and motivations.

Everything we do as a business supports our stated purpose: To help more people find a place to call home.

That simple statement comes to life in many ways – big and small. It can be through the innovative product solutions we design, the volunteering work our people undertake, the advice and support we provide when customers may be having some payment difficulties or in the working partnership we have with Crisis, the UK national charity for people experiencing homelessness.

Aligned to our purpose, we have a set of values which encapsulate the important behaviours that we encourage and celebrate in our people. Our values are the foundation of our culture, they ensure we go about things in the right way and provide a frame of reference for good decision-making from the Board, down through senior management and onwards to the rest of the business.

OUR VALUES

Our values lie at the heart of everything we do. We specifically look for these qualities when hiring new talent into the organisation, and they underpin our approach to personal development and performance management for all of our people.

89%

OF PEOPLE AT VIDA WOULD GO OUT OF THEIR WAY TO HELP ME[1]

Our values place an emphasis on being progressive as an organisation and learning by challenging the old ways of doing things.

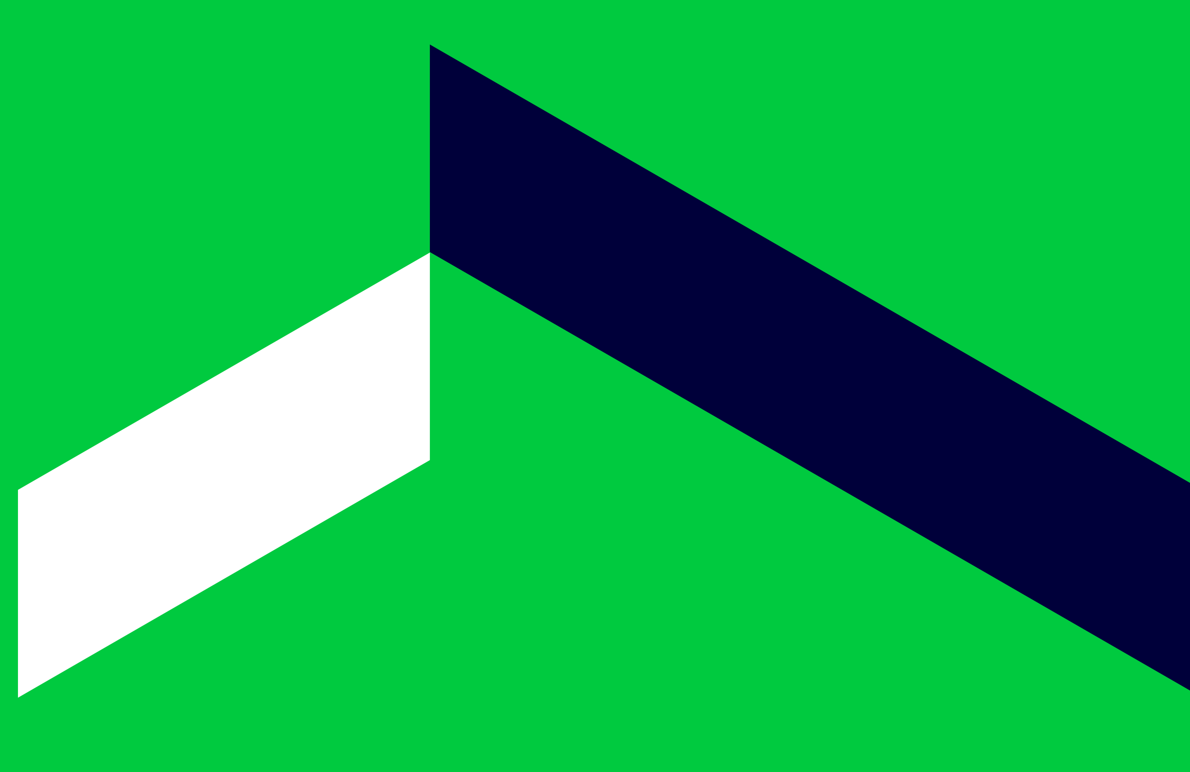
We look for a diversity of backgrounds and experiences in our people, in the deeply held belief that better outcomes will be achieved for our customers if employees are well equipped to understand and empathise with their unique circumstances.

We embrace change and understand that life in a small business will never be straightforward. We ask our people to take ownership and make sure that they find a way to solve the problem in-front of them.

In meeting the needs of all our stakeholders, we aim to build trust by being ourselves and keeping our promises.

[1] Data from Best Companies survey conducted in February 2023.

OUR VALUES



VISIONARY

WE LEARN BY BREAKING OLD HABITS AND INNOVATING TO FIND CREATIVE SOLUTIONS TO PROBLEMS.

INCLUSIVE

WE VALUE EACH OTHER'S DIFFERENCES AND WORK HARD TO SEE PEOPLE FOR WHO THEY REALLY ARE.

DYNAMIC

WE EMBRACE CHANGE AND GET RESULTS BY TAKING DECISIVE ACTION.

AUTHENTIC

WE BUILD TRUST BY BEING HONEST, STRAIGHTFORWARD AND BY KEEPING OUR PROMISES.

EMPLOYEE VALUE PROPOSITION

We recognise the importance of investing in our people and ensuring that our colleague proposition is relevant to the differing needs of a diverse workforce. During 2022 therefore we undertook a review of the benefits package which we offer to all colleagues. A number of enhancements were identified which will be implemented at the start of 2023.

Key changes included:

- The introduction of 'V-Time'. In recognition of the fact that life can be unpredictable, and needs of all colleagues differ, rather than having separate policies for specific events such as compassionate leave, family emergencies, certain health and wellbeing requirements, we have created the concept of 'V-Time' which does not impose set times and days which are appropriate to take. Instead, we trust colleagues to give them the space and time they need to deal with issues when they need it.
- Enhancement of our maternity, paternity and shared parental leave benefits.
- Increase in the number of annual days leave for all colleagues and formalisation of birthdays and Christmas Eve as additional days leave.

[1] Data from Best Companies survey conducted in February 2023.

AGILE WORKING AND OFFICE STRATEGY

Our agile working model was introduced in 2021 and has continued to embed through 2022. The model enables colleagues to balance work and home lives in the way which suits their needs as well as the needs of the business.

However, wherever colleagues are working, we recognise the need to create a safe environment which best ensures their wellbeing, supports our culture, keeps our people connected and enables creativity and collaboration whilst continuing to effectively serve our customers We undertook a review of our property strategy in light of the increased ability of colleagues to work and collaborate remotely and took the decision to exit our premises in Staines at the end of 2022. Our London premises have become our primary hub for in person collaboration, with smaller satellite offices in Egham and Skipton. Throughout 2023 we will continue to monitor use of the offices and employee feedback to ensure the balance supports our culture and facilitates an environment in which colleagues feel enabled to live out our values.

CULTURE STRATEGY

During 2022, our Chief Executive Officer and Chief Culture Officer facilitated a number of discussions and off-site sessions with the Senior Leadership Team reflecting on our core culture. The output of these sessions, together with information from our employee engagement channels will be drawn together to develop a Culture Strategy for Board approval in early 2023. The Culture Strategy will bring to life how our culture reflects our purpose, what it means to work at Belmont Green and how we live the values to support and empower our people particularly as we seek to transition towards becoming a bank.

> "In recognition of the fact that life can be unpredictable, we have created the concept of 'V-Time' to replace separate policies for specific events such as compassionate leave, family emergencies, certain health and wellbeing requirements. "V-Time" does not impose set times and days which are appropriate to take. Instead, we trust colleagues to give them the space and time they need to deal with issues when they need it."

SUSTAINABLE DEVELOPMENT

OUR COMMITMENT TO SUSTAINABILITY

At Belmont Green we believe that ESG is integral to our purpose and that our values are at the core of all that we do; they will continue to inform and drive our sustainability activities and programs and we will judge our success not only by our commercial performance but by how we act for the common good.

We are committed to acting responsibly across all the activities we undertake and in all the decisions we make. We want to build a sustainable business which understands the impact it has, from the global issues facing our planet to the local issues facing the communities we serve.

To reinforce this commitment, we look to support the United Nations Sustainable Development Goals (UN SDGs) through integrating sustainability in the way we operate our business; supporting the underserved borrower, nurturing a diverse and committed workforce and ensuring we make a positive contribution to society.

In 2022 a review of the UN SDGs identified those where we believe we can make a difference and have the most positive impact. In line with recommended practice, we selected three goals which align with our strategy and have set aspirations and targets.

PROGRESSING OUR ESG PRIORITIES

Our ESG Plan was initially approved by the Board in September 2021 and during 2022 we have gathered information and data in a number of areas and progressed initiatives which have helped form the foundations of our ESG Strategy.

Additionally, we completed an assessment through the sustainability ratings provider EcoVadis to further understand the areas in which we had made progress and to help inform areas of focus for 2023. Our Silver ('Good') rating put us in the top 25% of companies which EcoVadis have assessed and an action plan has been developed, to support a potential ratings improvement.

While we have made good progress in driving our sustainability programme across the business, we are committed to pushing ahead with setting even more ambitious targets, enhancing reporting and empowering teams to deliver against them.

"Building strong and balanced relationships with all our stakeholders is central to our strategy and culture and we regularly seek stakeholder views on business priorities and our role within financial services and specialist lending"

"OUR SILVER SUSTAINABILITY RATING FROM ECOVADIS PUT US IN THE TOP 25% OF COMPANIES WHICH THEY HAVE ASSESSED"

MATERIALITY ASSESSMENT

Building strong and balanced relationships with all our stakeholders is central to our strategy and culture and we regularly seek stakeholder views on business priorities and our role within financial services and specialist lending.

In 2022 we sought views from colleagues, intermediary partners, investors and key suppliers on topics related to economic, environmental, social and governance practices, performance and impacts and this materiality assessment helped us to identify the topics most significant to our business and stakeholders.

The topics in the assessment were short listed by the ESG Forum and the process was led by the General Counsel and Company Secretary. Output was shared with the ESG Forum, Culture Committee and Board and helped shape our ESG Strategy and priorities where we can have most impact and drive positive change.

OUR ESG STRATEGY

Our purpose is to help more people find a place to call home.

Through the mortgages we provide, we want to support more people to find affordable homes to own, to support more landlords to provide good quality accommodation for their tenants and, through our partnership with the charity Crisis, work together to end homelessness.

Throughout 2022 we have made progress on our ESG commitments and priorities and to help inform the development of an ESG Strategy, we asked key stakeholders for their views on topics related to ESG and sustainability, to help us identify the issues that matter most to them and our business.

These findings have helped influence our sustainability agenda and led to the development of our ESG Strategy which was approved by the Board in December 2022. The Strategy recognises the importance of ESG and reinforces our priorities as we strive to foster a sustainable mindset across our business

Our ESG Strategy consists of a simple Vision aligning to 4 Pillars, which take into account the interests and priorities of our stakeholders.

PURPOSE

To help more people find a place to call home

VISION

To be recognised as the leading challenger brand in the UK specialist mortgage market, driven by our commitment to decisioning excellence, innovative propositions and trusted intermediary relationships

ESG PILLARS

CUSTOMERS	COLLEAGUES	COMPANY	COMMUNITY
Support customers to achieve their housing and financial objectives and help when times are challenging	**Provide an enabling and supportive workplace where colleagues enjoy working at Vida**	**Operate transparently and responsibly in all that we do**	**Have a positive impact on the wider community and environment**
ESG PRIORITIES			
• **Being a socially responsible business:** Understand our impact across society and take action to minimise harms and maximise benefits for all our stakeholders	• **Supporting personal growth:** Create an environment where colleagues develop, thrive and feel valued	• **Effecting responsible decision making:** Establish responsive and effective governance that supports our purpose and achieves our strategic aims	• **Partnering with the community:** Engage with our stakeholders and community partners so that we can make a real difference
• **Ensuring good customer outcomes:** Help customers to make informed decisions which enable them to be financially resilient, supporting them throughout their journey with Vida	• **Creating an inclusive workplace:** Promote a culture of trust and openness where all colleagues feel empowered to make a difference	• **Being diverse:** Enable customers and colleagues to have confidence that we value each other's differences and represent the full diversity of today's society	• **Achieving net zero operations:** Cut emissions from our own operations from the 2019 baseline and offset all our own emissions to net zero

CUSTOMERS

Since 2015 Belmont Green has established a successful, sustainable, and responsible specialist mortgage lending business by understanding, respecting and responding to the needs of our customers.

In 2022 our customer centric products were offered to an ever-widening range of customers. This included creating a bespoke mortgage product for key workers (including the NHS, Teachers, Armed Forces, Police and Firefighters) and we commissioned an independent research project, talking to 2,000 key workers, to understand how they are being impacted by the rising cost of living and economic climate and the challenges they face with regards home-ownership. Our New Build Hub now offers customers information, top tips, and guides on how to get on the housing ladder, and we continue to support applications through the Help to Buy Scheme.

An established governance framework, policies and procedures are in place to ensure we lend responsibly within our credit risk framework and risk appetite and that we observe best practice in looking after our customers. Such policies include Responsible Lending Policy, Credit Lending Policy, Consumer Vulnerability Policy and Arrears Management Policy.

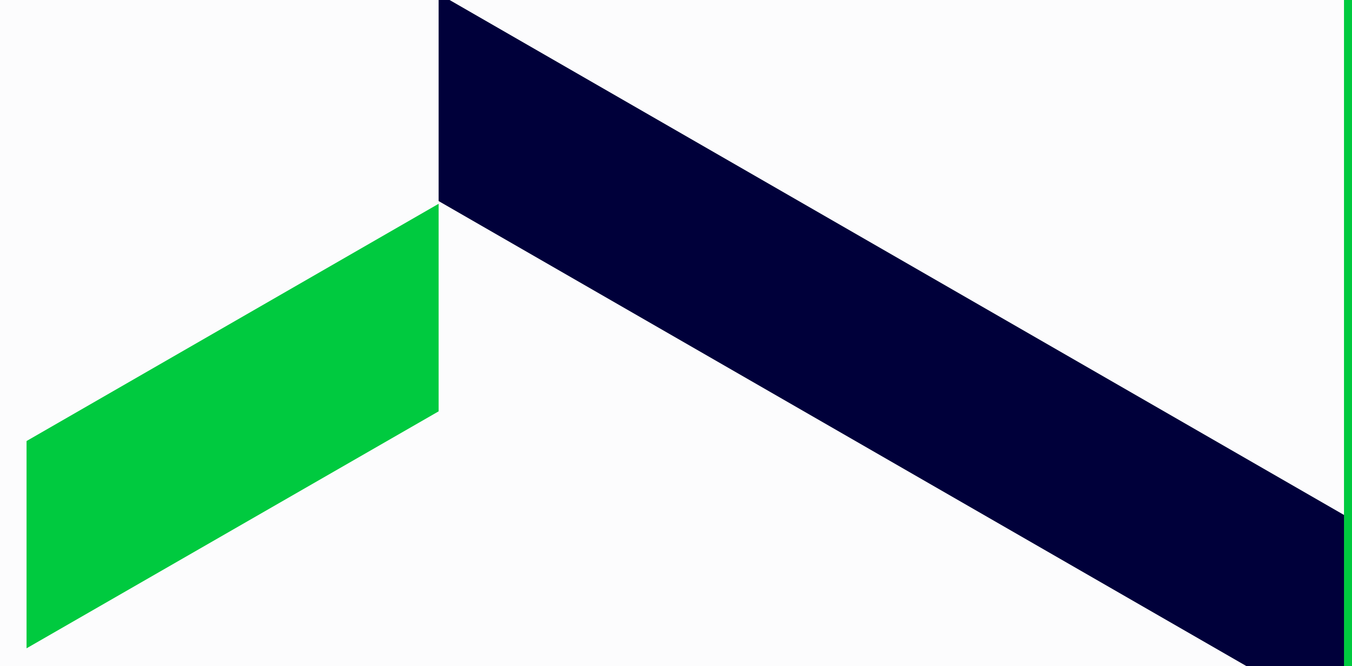
We are committed to the highest standards of customer care and aim to provide an excellent service. Ensuring good customer outcomes, as well as treating customers fairly, and meeting regulatory obligations are factored into all decisions made at Board and at Committees and customer service is closely monitored and discussed monthly at the Customer Committee and Board.

However, it is recognised that we do not always get things right and our Complaints Management Policy outlines the way in which we deal with complaints to deliver fair outcomes for customers. We seek to manage complaints fairly and to resolve them at the earliest opportunity. Our volume of complaints is low, and we seek to learn from them by identifying and mitigating the underlying root causes. Management information relating to complaints handling is included in operational dashboards and reported to Board Risk Committee and discussed monthly at the Customer Committee.

We also recognise that some customers accessing our products may become vulnerable due to personal or unforeseen circumstances. We aim to provide a proactive approach to the handling of such customers to ensure fair treatment and good customer outcomes by exploring and agreeing reasonable measures of support. Customer vulnerability is monitored by the Compliance department and monthly KRIs are reported to the Customer Committee and, where appropriate the Executive Risk Committee and Board Risk Committee.

As part of a broader strategic review, a project was undertaken to review our approach to decisioning and our lending criteria to identify where there are opportunities to remove restrictions on the type of properties on which we lend and borrower characteristics which may present unnecessary barriers to securing a loan from Vida.

> “Building strong and balanced relationships with all our stakeholders is central to our strategy and culture and we regularly seek stakeholder views on business priorities and our role within financial services and specialist lending”



COLLEAGUES

Our people are our most asset, and as a business we want to create the best possible environment for our colleagues to be challenged, develop their careers and enjoy the work they do. In 2023 an enhanced employee proposition has been implemented, that reaches out to and benefits everyone, further strengthening the support that Belmont Green can offer its colleagues.

At Belmont Green, culture is measured in various ways

At an individual level, people managers are expected to drive conversations about our values and behaviours with their teams. An online performance management tool, Appraisd, is used and specifically prompts discussion and feedback on each employee's alignment to our values and culture. Conversations are prompted at all mid-year and end-of-year reviews, and there is a requirement for all employees to have a Personal Development Plan ("PDP") within Appraisd and to actively work on this throughout the year.

An important part of the culture is to recognise colleagues for their contribution. Through a quarterly awards process, employees are invited to recognise their peers for demonstrating our values and twelve winners are awarded. A similar end of year annual awards process takes place in December celebrating individuals who have gone above and beyond. The introduction of a new recognition platform, Applause, has helped us to improve our existing processes and has encouraged more peer-to-peer recognition with 'shouts' being given by colleagues on a daily basis. Applause makes it easy for people to say 'thank you', encourages greater interaction from all areas of the business and has grown organically to be a big part of our culture.

At a company level, culture and employee engagement is measured through our annual engagement survey. This has been run every year since 2017 and in 2022 achieved a Best Companies 1 Star accreditation and we were recognised as one of the best financial services companies to work for in the Best Companies Q4 survey. Our objective is to work towards achieving the coveted 3 Star rating which denotes a 'world class' level of engagement.

Belmont Green is committed to creating a culture of wellbeing where people feel valued, cared for and supported. All colleagues are offered a comprehensive benefits package to support their professional and personal needs. As set out in section 47 (People and Culture), we reviewed our benefits package during 2022, and a number of enhancements have been made, which will be effective from the start of 2023. A confidential Employee Assistance Programme is in place to help colleagues and their families, and we have 14 Mental Health First Aiders across the business who help raise the understanding of mental health in the workplace and provide initial support and signposting to colleagues.

> "We are committed to creating a culture of wellbeing where people feel valued, cared for and supported."

COMPANY

We are dedicated to encouraging a supportive and inclusive culture and believe that promoting diversity within the workplace is simply the right thing to do.

We want Equality, Diversity and Inclusion to run through everything we do as a business. In 2022 we launched our EDI Charter which outlines our commitments and responsibilities, while our Equality, Diversity and Inclusion Forum developed a focused agenda that encourage discussion, engagement, and improve awareness.

We acknowledge that workforce diversity, including amongst the senior decision makers of the organisation, is key to facilitating robust decision making. We aim to have not only balanced gender and ethnic diversity, but to embrace all aspects of diversity, whether that is age, background, education, sexuality, or beliefs.

Progress has been made in supporting gender balance within the business and financial services, and we met our 2023 target a year early, with 50% of our senior leadership population (which consists of the Executive Team, Management Board and Heads of Function) consisting of women.

We voluntarily produce a gender pay gap report each year which is discussed by our Remuneration and Nominations Committee, and actions agreed where appropriate.

In 2021 we set the ethnicity targets; aligned with the launch of our EDI Charter, we asked colleagues to complete a diversity questionnaire. Approximately 74% of colleagues completed the survey. Currently, we estimate that non-white colleagues make up 30% within Belmont Green, exceeding our internal target for 2022. We will continue to encourage completion of diversity profiles, to ensure we have verified diversity data.

COMMUNITY

Belmont Green is committed to supporting the communities in which we serve, in line with our Vision and Purpose.

In 2022 our colleagues engaged in fundraising activities throughout the year and in September and October colleagues from across the business along with friends and family participated in the 'Vida Alternative Marathon' raising money for Crisis. In recognition of our work and commitment we were very proud to have been nominated for the Best Corporate Social Responsibility Campaign Award at the Mortgage Industry Marketing Awards 2022.

Helping our local community is something we continue to endorse and following the closure of our office in Staines we donated a number of furniture items to the Princess Alice Hospice.

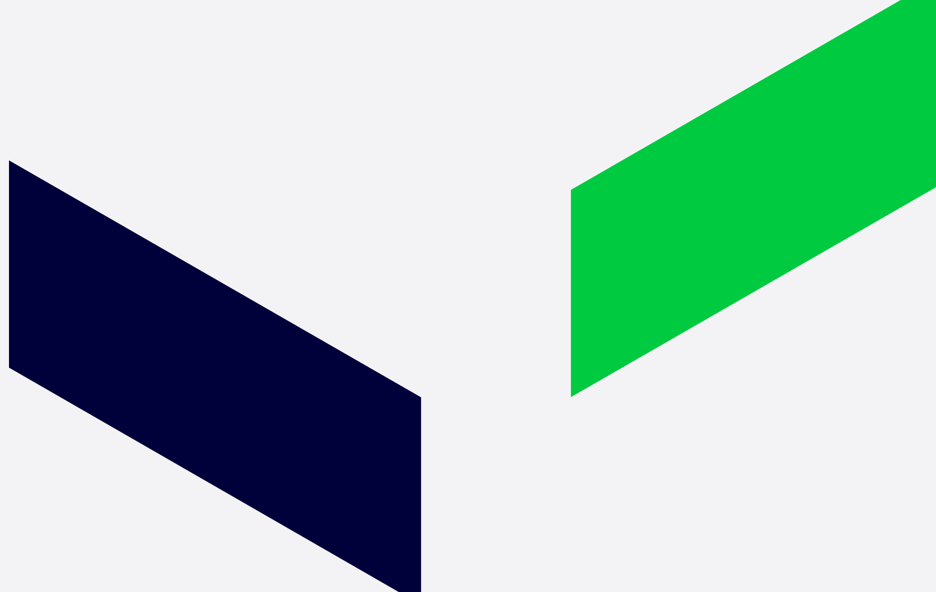
In 2023 we intend to broaden our range of community programmes to further support local initiatives and will continue to encourage colleagues to take their volunteering allowance, increasing our annual target to 50%.

Our community extends beyond our charity partners to our wider business community stakeholders, and we are committed to undertaking sustainable procurement wherever possible and to developing this area as part of our ESG strategy.

We expect our suppliers to perform to the same standards of performance, values and conduct as we expect of ourselves and having updated the Outsourcing and Supplier Policy in 2022, we will collaborate with our suppliers to develop a Code of Conduct in 2023.

During supplier selection and due diligence process we consider whether the supplier has a good reputation, acts in an ethical manner and is a socially responsible consistent with our values. As part of the due diligence process, we will consider if the supplier has an ESG plan or strategy, including its carbon emissions strategy, reporting and reduction targets and will request information on the suppliers' approach to equality, diversity and inclusion, modern slavery, labour practices and health and safety. Monthly relationship management meetings and quarterly reviews are conducted for our material and high-risk Suppliers.

To further support our intermediary partners, we changed our operating model in 2022, establishing the V-Hub providing direct access to our underwriters and we will continue to maintain strong 2-way dialogue as we develop our product proposition and the customer journey



ENVIRONMENT

We recognise that, even as a small business, as a responsible lender and as individuals, we have an impact on the environment around us and it is important that we act where we can, to minimise our contribution to climate change.

The Board is responsible for the management of risks relating to climate change. Climate and transition risks are monitored through Board Risk Committee and the Credit Risk Committee receives monthly reporting on the EPC ratings of our loan portfolio.

We continue to monitor the Department for Business, Energy and Industrial Strategy's consultations concerning the energy efficiency of domestic and non-domestic properties and we recognise that we need to support our customers in meeting the minimum energy efficiency standards and to ensure that our customers and tenants have a safe, warm home.

Scope 1, 2 and 3 carbon emissions are monitored and reported and have committed to purchase carbon credits to offset any residual emissions on an annual basis. We did this in 2022 and will continue to do so. Our Culture Committee received an update on H1 2022 emissions in September 2022, which included working from home emissions for the first time.

In 2022 following the successful adoption of our agile working model we took the opportunity to reassess our office space and made the decision to relocate from Staines to Egham creating a new Operational Hub which offers a great flexible working environment for our colleagues and will help reduce our operational footprint.

During 2023 and beyond we will look more broadly at how we as an organisation can reduce our environmental impact and we will investigate further initiatives that will reduce our emissions and help offset our carbon footprint.

ESG GOVERNANCE

Operating within a robust governance and risk framework helps ensure that the decisions and actions we take are ethical, support good customer outcomes and align with our purpose and the delivery of our strategic objectives in a way which is consistent with our values.

The Chief Executive Officer (CEO) has overall accountability to the Board to ensure that sustainable and responsible practices are embedded within the business including those associated with environment / climate. He is the senior manager responsible for ensuring the identification and management of financial risks arising from climate change under the Senior Managers Regime.

In 2021, we updated the Terms of Reference of our Board, Board Committees and Executive Committees to incorporate responsibilities for aspects of decision making around ESG matters.

In relation to sustainability the Board is specifically responsible for:

- Establishing our purpose, values, and strategy, and ensuring proper implementation thereof, including our ESG strategy.
- Approval of the ESG Strategy
- Developing, reviewing, and monitoring of the application of our culture and values.
- Reviewing our compliance with relevant corporate governance codes.
- Overseeing and managing of our overall framework of risk management.
- Overseeing of financial reporting and controls.
- Setting our Remuneration Policy.
- Approving material outsourcing operations and arrangements.

The Board Risk Committee is responsible for the monitoring and oversight of climate and transition risks.

The Board receives periodic updates on our ESG progress and ESG considerations and metrics are set out in an ESG Scorecard and aspects within divisional scorecards. These are aggregated into our overall Company Scorecard which is reported to the Board monthly and is taken into account in determining directors' remuneration, bonus, and performance levels.

Other Executive Committees play a significant role in developing and overseeing the delivery of our ESG strategy. The Customer Committee focuses on customer and conduct matters and the Culture Committee people and culture matters including ESG and EDI. The ESG Forum and EDI Forum have cross functional representation and directly report into the Culture Committee. To further support creating a culture where people feel a sense of belonging, we have a number of Culture Champions with representatives in all departments.

The role of our Culture Champions evolved, and key responsibilities include:

- Acting as a role model for our values.
- Helping us to embed and bring to life our updated vision, mission and values.
- Encouraging peer-to-peer recognition at all levels.
- Supporting our partnership with Crisis.
- Ensuring our people know they have a voice and that is heard by representing their teams at monthly meetings.

Our Culture Champions meet periodically with our Board members to provide an opportunity for an open 2-way dialogue.

STRATEGIC REPORT

This Strategic Report has been drafted and presented in accordance with, and in reliance upon, applicable English company law, in particular Chapter 4A of the Companies Act 2006, and the liabilities of the directors in connection with this report shall be subject to the limitations and restrictions provided by such law.

It should be noted that the Strategic Report has been prepared for the Group as a whole, and therefore gives greater emphasis to those matters which are significant to the Company and its subsidiaries when viewed as a whole.

Approved by the Board of Directors and signed on behalf of the Board

Anthony Mooney
Director
4th April 2023

CORPORATE GOVERNANCE

OUR BOARD

STEVE HAGGERTY – CHAIRMAN

Steve is a Non-Executive Director and Chairman of the Board of Directors. He qualified as being Independent when he was appointed as Chairman. He has been continuously involved in the UK mortgage market for more than 45 years, starting with the Bristol & West Building Society in 1973. In 1990 he joined Homeloan Management ("HML") and as CEO and later Chairman, was responsible for creating the largest mortgage servicer in Europe. Following spells as Managing Director of Skipton Building Society and Commercial Director of Northern Rock Asset Management ("NRAM") on behalf of UKFI, Steve set up his own consultancy business, Hawkesbury Mortgage Services – specialising in mortgage portfolio trading and servicing.

He has been an INED since 2010 during which time he has held numerous positions including Vice Chair of Melton Mowbray Building Society and Chair of Target Loan Servicing Ltd, Chair of Rockstead Ltd and has sat on the Board of Legal & General Home Finance Ltd.

CAROL SERGEANT CBE – SENIOR INED

Carol is the Senior INED and Chair of the Board Risk Committee. She has held senior positions in the Bank of England, including Head of Major Banks Supervision, and she has also been Managing Director on the Board on the UK FSA , Chief Risk Officer of Lloyds Banking Group and Chair of the UK Whistleblowing Charity Protect. She has held non-executive director positions on the boards of several companies including TPICAP, Secure Trust Bank, BNY Mellon SA/NV (Brussels) and Martin Currie Holdings. In the charity sector she has been a trustee of the Lloyds Register Foundation, an ambassador for the Money Advice Trust , Chair of the Global Women's Leadership Programme at Bayes Business School (formerly Cass) and a member of the Advisory board and Governance Committee at Newnham College, Cambridge.

She has also chaired and participated in several projects and reviews for the UK government and EU Commission on financial services regulation, pensions and internal audit.

She is currently Chair of the Board Risk Committee of Danske bank A/S (Copenhagen).

ROBIN CHURCHOUSE – INED

Robin is an Independent Non-Executive Director and Chair of the Board Audit Committee. After gaining a law degree from Cambridge University, Robin qualified as a chartered accountant with Price Waterhouse in London since when he has gathered 30 years of experience in financial services in the UK working as a regulator, management consultant, corporate finance advisor, and in a range of executive roles including finance, treasury, audit, risk and operations. He has extensive experience of financial services accounting, financial control and audit requirements, and of ICAAPs and ILAAPs including underlying modelling and over-arching stress testing elements.

His most recent executive role was with the Yorkshire Building Society where he was Chief Financial Officer. Over 13 years, he held roles that involved leading the Group's finance, treasury, audit, strategy and planning, legal and risk functions as well as a number of operational areas including underwriting. He obtained extensive exposure to all areas of Executive and Board committees and governance including main Board and Board Audit and Risk committees. He was heavily involved in seeing the Society (and those that merged with it) through the global financial crisis including extensive interaction with the regulatory team.

Robin is also an Independent Non-Executive Director at Lookers plc and Lookers Motor Limited (a motor dealership and service group) and has recently been appointed Chair (Designate) of Ethos Bank, a start-up ethical and Sharia compliant bank.

ALAN NEWTON – INED

Alan was an Independent Non-Executive Director in 2022. He is a Senior Adviser Resolution Directorate Bank of England, a governor of the University for the Creative Arts, Europe's largest specialist creative art and design university, and a member of its Audit and Risk Committee and a trustee of Reach South Academy Trust, a multi-academy trust focused on Southwest England.

He held a number of senior leadership roles in Freshfields Bruckhaus Deringer where he was a partner for over 25 years. From 2008 to 2012 he was Global Head of the Freshfields Bruckhaus Deringer Finance Practice, Managing Partner of the London Finance Department, a member of the firm's Practice Committee (executive committee) and a member of its London Management Group; from 2005 to 2008 he was a member of the Partnership Council (the firm's global supervisory body) and was involved in a major strategic review of the firm; between 2001 and 2008 he headed the firm's Structured Finance Practice worldwide and between 1997 and 2001 established its international finance practice in Milan. He is a leading specialist in capital markets, structured finance, bank restructuring and bank regulation and during his professional career has acted on a wide range of ground-breaking transactions.

*Alan Newton tendered his resignation from the Board with effect from 28 February 2023.

CORPORATE GOVERNANCE

CONTINUED...

PETER WILLIAMS – INED

Peter is an Independent Non-Executive Director and Chair of the Board Remuneration and Nominations Committee. He has worked in and on the UK housing and mortgage market issues for over forty years both as a senior executive in mortgage trade bodies (Building Societies Association, Council for Mortgage Lenders and the Intermediary Mortgage Lenders Association) and as an academic and policy adviser to governments. He is currently attached to the Department of Land Economy at the University of Cambridge working on a variety of housing and mortgage issues including most recently research into mortgage prisoners and affordable housing policy across the UK. As part of the Acadata research team he contributes to a monthly England and Wales house price report for E.surv.

He is Chair of First Affordable, a 'for profit' housing association, a Trustee of the Housing Studies Charitable Trust and co-editor and contributor to the annual UK Housing Review. He was previously Deputy Director General of the Council of Mortgage Lenders and Executive Director of the Intermediary Mortgage Lenders Association, and Professor of Housing at Cardiff University and Director of the Cambridge Centre for Housing and Planning Research.

DANA LAFORGE – NED

Dana is a Non-Executive Director representing the interests of the shareholder, Pine Brook. He joined Pine Brook in June 2020 as a partner and member on the Pine Brook investment committee. He represents Pine Brook as a board director of Belmont Green, Amedeo Capital Limited, Fair Square Financial Holdings LLC and Talcott Resolution.

He has more than 20 years of private equity investment and management experience. He was a managing director and head of the North American financial institutions' investment banking groups at Bankers Trust, Alex Brown, and Deutsche Bank. Thereafter, he served as a partner of several entrepreneurial investment businesses and private equity funds focused on financial services where he was a member of the investment committee, invested capital and worked closely with portfolio companies. These included Brera Capital Partners and Colonnade Financial Group, a spin out from Deutsche Bank created to manage a private equity portfolio.

He is active in cancer research as a Director of the Multiple Myeloma Research Foundation and as Chairman of the Board of the Myeloma Investment Fund. He received an MBA from Harvard Business School, and a B.S. from Washington & Lee University.

ANTH MOONEY

Anth joined Belmont Green as Chief Executive Officer in January 2020. He is a financial services expert who has deep experience in the mortgage and savings market. He has more than 25 years' experience in financial services, the last 15 at an executive level in Retail Banking, Marketing, Strategy, Financial Services and Retail Operations, including as Director of Financial Services at Virgin Money, Retail Banking Director at Northern Rock, Managing Director of Thomas Cook Money, and CEO of Caversham Finance.

JOHN ROWAN

John joined Belmont Green as Chief Financial Officer in October 2020. He is a chartered accountant and a fellow of the Association of Corporate Treasurers.

John has extensive knowledge in financial services garnered over 30 years. Over this period, he has held positions in corporate banking, risk, finance and treasury. His recent experience with Virgin Money and Provident Financial Group has provided John insight into the prime and complex credit segments of retail financial services.

FRASER MCNEILL

Fraser joined Belmont Green as Chief Risk Officer in April 2022. He was previously CRO for Coventry Building Society and Saffron Building Society. Fraser is a senior risk management specialist with more than 20 years of experience working in senior risk management positions within the financial services sector. He has held senior management positions in risk, assurance, and finance for a number of banks, insurers and building societies including the Yorkshire/Clydesdale Bank, MetLife, the Skipton Group, the Co-Operative Banks and Coventry Building Society. Fraser is also a qualified Chartered Accountant.

CORPORATE GOVERNANCE

SENIOR LEADERSHIP TEAM

The senior leadership team includes the Executive Directors shown above and four further leaders across the business:

TOMMY WIGHT

Tommy is the Chief Operating Officer. He is a strategic change expert and technology leader with 20 years' experience in financial services. He has a proven track record in delivering business value and growth through combining progressive technology with smart operating model design and creating a dynamic change environment. He joined Belmont Green in 2017 from Shawbrook Bank, where he was Director of Change and played a leading role in building the business ahead of a successful IPO in 2015. Prior to this he held various senior programme deliver roles at Deutsche Bank, NBNK Investments and RBS.

DEB SMITH

Deb is the Chief of Mortgage Operations. She has led large scale multi-functional operations for a number of national organisations. With over 30 years' experience in financial services, she has a track record of delivering quality customer service.

She joined Belmont Green in 2018 from The Mortgage Works, the specialist lending area of Nationwide Building Society, where she led a high-volume operation, which included underwriting, contact centres and servicing teams. Prior to that, she led a multi-sited function, covering all back-office disciplines, for The Co-op Bank.

AMANDA ROBINSON

Amanda is the General Counsel and Company Secretary. She has over 20 years of legal experience gained in private practice and in-house, specialising in consumer finance, wealth management and asset finance.

She joined Belmont Green in April 2020 from the Coventry Building Society where she was Head of Legal and responsible for savings, mortgages, data protection, commercial contracts, outsourcing and corporate governance. Prior to that she worked as Senior Legal Counsel at Citigroup and as a Senior Associate at Norton Rose (now Norton Rose Fulbright).

JENNIE WALTON

Jennie is the Chief Culture Officer. She is a Fellow of the Chartered Institute of Personnel and Development with over 20 years' HR experience in change management, organisation design, formulating reward strategies and implementing pay and grading structures. She joined Belmont Green in 2016 from Acenden where she was HR Director for 2 years. Prior to this she was Director of HR at the Performing Rights Society and has held previous Head of HR positions at Thomas Cook and Virgin Retail.

CORPORATE GOVERNANCE REPORT

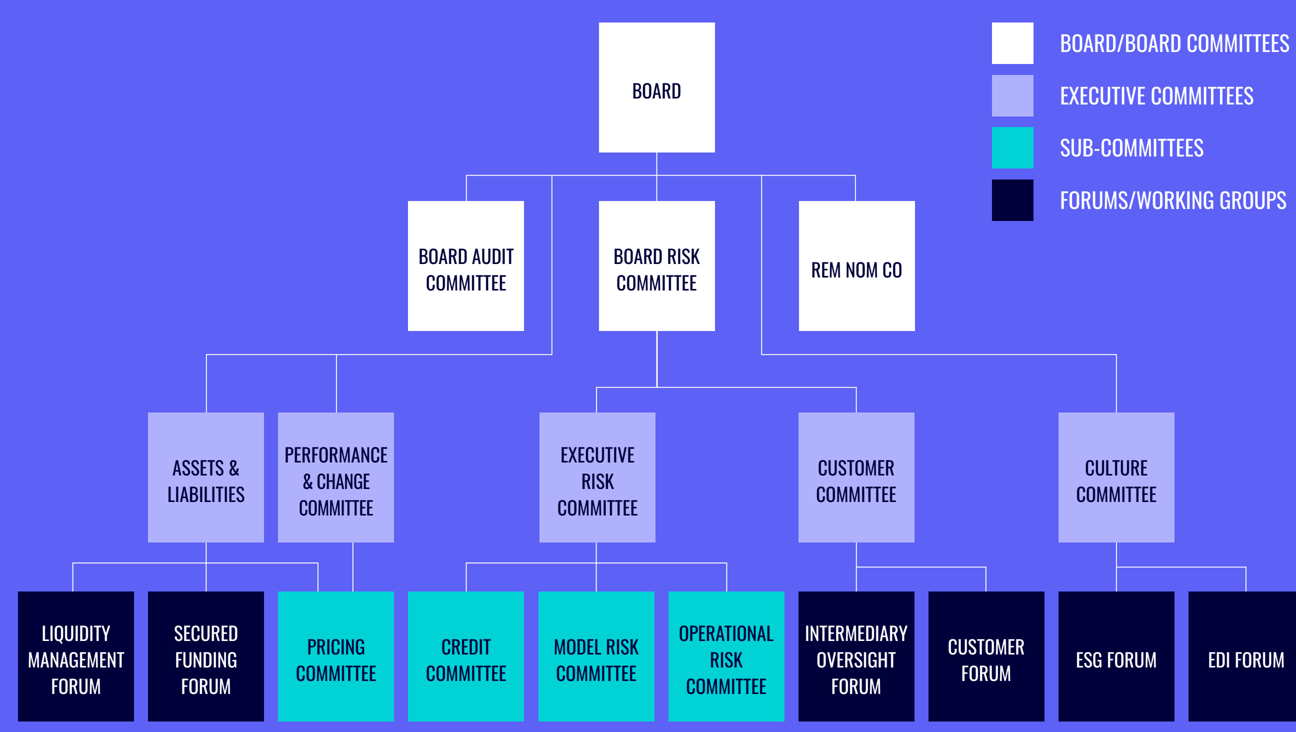
The Board of Directors of Belmont Green (The Belmont Green Finance Limited group of companies or "BGFL") is responsible for the governance of the business, setting strategic goals, providing the leadership to put them into effect and supervising the management of the business. It ensures that the business has sufficient resources to meet its objectives and to comply with all legal, regulatory and contractual requirements. The Board is committed to rigorous standards of governance and recognises that a robust governance framework with effective controls and clear accountability is essential to effectively discharge its responsibilities for safeguarding the prudent and sustainable operation of the business. Our corporate governance structure is based on the FRC's UK Corporate Governance Code, and the Wates Corporate Governance Principles for Large Private Companies and we voluntarily comply with these in relevant areas.

BOARD AND COMMITTEE STRUCTURE

Our governance structure consists of the Board of Directors, Board Committees with responsibilities delegated by the Board, six Executive Committees, and a small number of Sub-Committees and forums each with defined roles and responsibilities. There are a number of Working Groups which discuss matters relevant to the day to day running of the business, and report to the Committees and Sub-Committees as appropriate, but which are not decision-making bodies.

This structure ensures there is effective oversight of the entire spectrum of activities undertaken by the business. The Legal and Company Secretarial Function is responsible for ensuring that the governance framework is adhered to and that the responsibilities and accountabilities of each Committee are clearly documented and understood. It ensures that governance obligations are effectively discharged, and that there is transparent and timely reporting from, and communication between, the Sub-Committees, Executive Committees and Board Committees and on to the Board.

COMMITTEE STRUCTURE CHART



THE BOARD

The Board is required under its Terms of Reference to meet at least six times each year. In practice, the Board meets monthly, (other than in August and December) with four CEO Update meetings taking place in addition to the six Board meetings. Board and Board Committee attendance rates are excellent, as demonstrated by the table below showing attendance at Board and Board Committees of each member during 2022.

2022 BOARD AND COMMITTEE ATTENDANCE

Name	Title	Board	Board Risk	Board Audit	Remuneration & Nominations
Stephen Haggerty	Chairman	10/10			5/5
Anth Mooney	Chief Executive	10/10			
John Rowan	Chief Financial Officer	10/10			
Fraser McNeill	Chief Risk Officer	7/10[1]			
Alan Newton	Independent Non-Executive Director	9/10	6/6		5/5
Carol Sergeant	Independent Non-Executive Director	9/10	6/6	5/5	
Dr Peter Williams	Independent Non-Executive Director	10/10		5/5	5/5
Robin Churchouse	Independent Non-Executive Director	10/10	6/6	5/5	
Dana LaForge	Non-Executive Director	10/10	6/6	5/5	5/5

[1] The three meetings not attended took place before Fraser joined the business

BOARD COMPOSITION

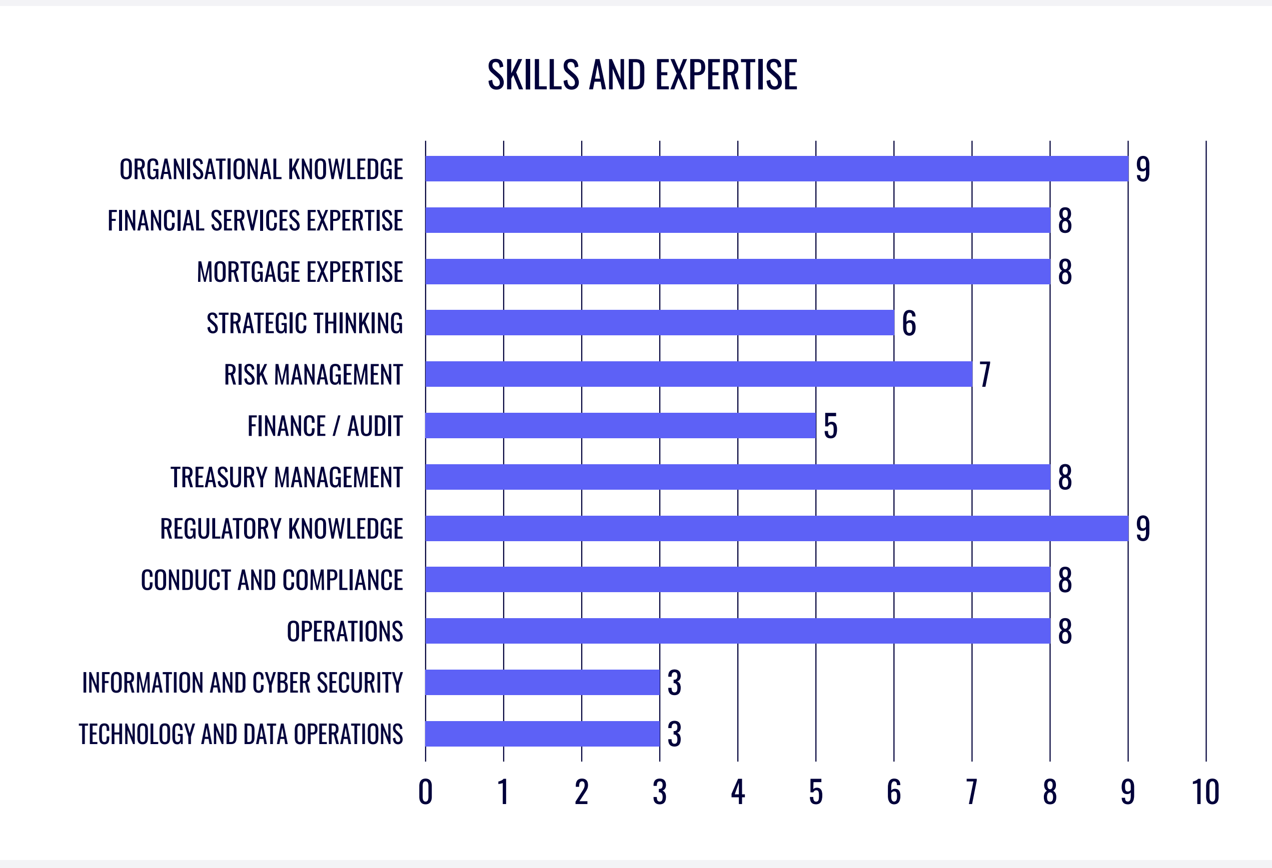
Our Board consists of individuals with a broad range of financial services knowledge and experience in both mortgage lending and banking. The Board currently has nine members. Membership consists of three Executive Directors (the CEO, the CFO and the CRO), an independent Chair, four other independent Non-Executive Directors and one Shareholder Non-Executive Director. This aligns with best practice under the UK Corporate Governance Code and PRA expectations for mature banks as, excluding the Chair, half of the Board is independent[2].

An effective Board must comprise individuals with the right mix of knowledge, skills and experience. We engaged an independent third party to conduct a skills assessment of the Board's collective capabilities in respect of each of the core attributes required of our Board. The matrix below[5] demonstrates that our Board collectively has the right balance of skills and experience and indicates which capabilities should be prioritised in future appointments to the Board[3].

[2] The Securityholders Deed governing the relationship between Belmont Green Finance Limited, and the shareholder does not require an independent Board and grants the shareholder certain approval rights.

[3] Individual directors may fall into one or more categories. The number indicates directors who are expert or have a good level of experience and experience and knowledge in these areas but have not been included in the numbers .

BOARD SKILLS



RESPONSIBILITIES OF THE BOARD

In line with the UK Corporate Governance Code, specific matters are reserved for decision by the Board and are documented in a formal Matters Reserved for the Board schedule which is reviewed on an annual basis.

- Culture, values and strategy
  - Approval of Belmont Green's values and culture strategy.
  - Challenge and approval of Belmont Green's strategic plan.
  - Oversight of any strategic elements relating to ESG including approval of the ESG Strategy.
  - Appointment of Consumer Duty Champion and approval of the Framework for implementation of Consumer Duty regulations.
  - Approval of any acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture.

- Corporate Governance
  - Approval of the Terms of Reference of the Board, including the schedule of Matters Reserved to the Board.
  - Establishing Board Committees and approving their Terms of Reference following review by the relevant Board Committee.
  - Approval of membership and chairing of Board Committees.
  - Oversight and review of policies and practices on corporate governance.
  - Review of compliance with relevant corporate governance codes the Board considers appropriate from time to time and the disclosures on corporate governance made in the annual report and accounts.
  - Approval of the annual Modern Slavery and Human Trafficking Statement.

- Financial reporting and controls
  - Oversight of the integrity of Belmont Green's financial statements, financial reports and other financial information.
  - Approval of the annual report and accounts of Belmont Green following recommendation of the Board Audit Committee.
  - Approval of any material change in the policies established from time to time by the Board for balance sheet management.
  - Appointment, reappointment, or removal of the external auditor following recommendation of the Board Audit Committee.

- Contractual arrangements, Outsourcing and Operational Resilience
  - Approval of material outsourcing of operations and arrangements (Class 1 Suppliers), including approval of contracts with Class 1 Suppliers.
  - Approval of termination of any material outsourcing arrangements.
  - Approval of any material third-party contracts (Class 2 Suppliers) above a prescribed financial threshold.
  - Approval of any borrowing/facility agreements which fall outside of the usual course of business, and approval of subsequent amendments.
  - Approval of any securitisation, forward flow or other funding transactions.

CONTINUED...

- Risk Management and Internal Controls
  - Establishment of effective procedures for monitoring and control of operations including internal procedures for audit, risk, and compliance.
  - Approval of the Enterprise Risk Management Framework following recommendation from the Board Risk Committee.
  - Approval of the overall Risk Appetite and limits, ensuring the mission, vision and strategy of Belmont Green are consistent with the Risk Appetite, following recommendation by the Board Risk Committee.
  - Authority or delegation of authority to approve credit and market risk limits.
  - Reviewing overall levels of insurances for Belmont Green and approving Directors and Officers Liability insurance following recommendation by the Board Risk Committee.
  - Approval of commencement or settlement of material litigation or proceedings in relation to potential claims over £250,000 or where there is reasonable expectation of significant reputational or financial impact.
  - Approval of the settlement of material regulatory proceedings.
  - Approval of any Director conflict of interest.
  - Financial Crime, Information Security and Data Protection
  - Approval of relevant Policies and management of AML risk.

- Whistleblowing
  - Approval of Whistleblowing Policy and review of reports from the Director of Compliance.

- Remuneration
  - Approval of Belmont Green's Remuneration Policy and material changes to Belmont Green's benefits and incentive plans following recommendation of the Remuneration and Nominations Committee.
  - Authorising the remuneration of the Executive and Non-Executive Directors.

- Board Membership and Other Appointments
  - Following recommendation by the Board Remuneration and Nominations Committee, appointment and removal of the Chair, Executive Directors, Non-Executive Directors and members of the Executive, including the Company Secretary.
  - Appointment, reappointment, or removal of the external auditor following recommendation of the Board Audit Committee.

BOARD ACTIVITIES DURING 2022

At each meeting the Board receives and discusses reports from the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, and Chief Operations Officer. A Business Performance Report is provided at every meeting which includes financial and non-financial management information together with Scorecards against which progress against key performance indicators is measured. A Trading Update regarding the commercial trading, sales and distribution and marketing activity during the month as well as a People and Culture Update is provided monthly to the Board for noting. The Chairs of the Board Risk Committee, Board Audit Committee and Board Remuneration and Nominations Committee provide updates to and receive questions from Board members regarding the activities of those Committees.

During 2022, key topics considered by the Board have included:

- Consideration of strategy during Board Strategy Away Day.
- Consideration of performance and BGFL's reactions to volatile external market conditions
- The banking programme and related key areas such as approach to ICAAP and ILAAP
- Consideration and approval of the 2022 Business Performance Scorecard
- Approval of Belmont Green's overarching Risk Management Framework and Risk Appetite Statements
- Approval of the Consumer Duty Implementation Plan
- Approval of a new Management Incentive Scheme
- Approval of the property strategy
- Approval of Information Security Strategy
- Approval of Belmont Green's Environmental, Social and Governance Strategy
- Approval of Belmont Green's Modern Slavery Statement
- Debate of the results of an internal Board Effectiveness Review
- Debate of the introduction of the new intermediary-first operating model

EFFECTIVE OPERATION OF THE BOARD AND COMMITTEES

We recognise Board and Committee Effectiveness Reviews are a valuable tool to ensure high performance standards and these form part of the regular governance cycle, led by the General Counsel.

The Effectiveness Reviews examine a range of issues including an evaluation of the understanding and development of strategy, Board and Committee composition, access to information, levels of openness, challenge and energy and understanding of specific areas which fall within the responsibility of each Committee. The most recent Effectiveness Reviews conducted in September 2022 concluded that the Board and each of the Board Committees and Executive Committees were functioning efficiently with no material concerns raised. However, there were a number of actions agreed for each to ensure continuous improvement. Actions arising from each of the reviews are tracked by the Legal and Company Secretarial Function and progress on the Board and Board Committee actions is reported to the Board Remuneration and Nominations Committee.

Consistent themes across Effectiveness Reviews which resulted in actions for the Board and Board Committees included the composition of the Board in terms of gender and ethnic diversity in particular, the need for appropriate succession planning for Board and Board Committee members and engagement of the Non-Executive Directors with colleagues across the wider organisation.

As a result of the Executive Committee Effectiveness Reviews, and in light of the FCA's Consumer Duty requirements, the decision was taken to split our Customer and Culture Committee into two separate Executive level Committees; a Customer Committee, focussed on customer and conduct matters (chaired by the CEO who also has SMF responsibility for the Consumer Duty) and a Culture Committee focussed on culture and people matters. This will ensure that matters affecting customers and colleagues can be reviewed and discussed with a sufficient level of granularity, monitoring outcomes and helping to embed Consumer Duty principles and defining and embedding our values across the organisation.

BOARD CULTURE

The Board recognises that its culture and 'tone from the top' is a pre-requisite to good corporate governance and is fundamental in setting the tone and culture for the organisation as a whole. The culture of Belmont Green as an organisation is discussed in detail in the Culture & Sustainability section on page 74. The Board actively seeks to be visible to, and engage with, colleagues at all levels of the organisation. As a small business, the Executive Directors are in regular contact with colleagues from all functions and across all levels of seniority. In addition to day-to-day interactions, weekly All Staff updates are hosted by the CEO as well as quarterly detailed updates regarding Belmont Green's progress against strategy. During 2022, the Non-Executive Directors had face to face meetings with the Culture Champions, the Equality, Diversity & Inclusion Forum and the ESG Forum, all of which consist of representatives from all areas of the business. Our Senior Independent Non-Executive Director was also involved in International Women's Day. As a result of the Board Effectiveness Review undertaken in 2022, a review is underway to build upon these communications to ensure that Board members, and Non-Executive Directors in particular, are visible to and communicating effectively with colleagues across Belmont Green.

Employee surveys are an important tool used by the Board to understand and monitor issues impacting colleagues. Belmont Green subscribes to an independent survey to measure colleague engagement. Colleague engagement is extremely high, with the surveys undertaken in 2022 showing engagement levels in excess of 90%. The results are reported to the Board with the Chief Culture Officer providing Board updates on progress with implementing actions identified as a result of the surveys.

As part of maintaining a healthy Board culture, including ensuring appropriate challenge at Board and Board Committee level, the Directors rely on the independence of the Internal Audit Function. Internal Audit is provided by PwC through an outsourced arrangement and, as set out in the Committee Activities section on page 110, Internal Audit reports directly to the Chair of the Board Audit Committee and the Board, with a dotted reporting line to the CEO. Internal Audit is invited to attend every Board Risk Committee meeting and the Board Audit Committee ensures that the Internal Audit Function is effective and delivers independent and competent challenge to the business.

AUDIT COMMITTEE REPORT

ROBIN CHURCHOUSE
CHAIR OF THE AUDIT COMMITTEE

This section looks at the role, responsibilities, and activities of the Board Audit Committee (“the Committee”) during 2022, including how we have looked to react to developments within the business and the continued volatility in the wider environment.

CORPORATE GOVERNANCE

ROLE AND RESPONSIBILITIES

The Committee is a core part of the Group’s governance framework. Its fundamental purpose is to oversee and to advise the Board on the Group’s financial reporting, internal audit and internal controls.

The Committee is specifically responsible for:

1. Reviewing, and challenging, the Group’s accounting and financial reporting processes;
2. Providing independent oversight of the company’s financial statements, including ensuring they present a fair, balanced and understandable view of the Group’s performance and position;
3. Reviewing and challenging material accounting judgements, estimates and issues;
4. Reviewing and challenging the Group’s going concern and viability statements;
5. Monitoring the scope, adequacy and effectiveness of the Group’s internal control systems, including through the review of all reports by the internal audit function;
6. Reviewing the role and effectiveness of the Group’s internal audit function, including the adequacy of the resources available to the function;
7. Reviewing the annual workplan for the Group’s internal audit function, as well as the results of the function’s work and resolution of any identified issues;
8. Reviewing the role, effectiveness and independence of the Group’s external audit arrangements.

On all of these areas the Committee’s role is to support, and report to, the main Board.

The Committee’s terms of reference were reviewed and updated by the Board Audit Committee and approved by the Board on 29 September 2022.

COMPOSITION AND ATTENDANCE

The Committee’s membership is composed solely of three independent Non-Executive Directors and one shareholder appointed Non-Executive Director. During 2022 membership was unchanged and consisted of:

Robin Churchouse (Chair, appointed April 2019)
Carol Sergeant (appointed September 2019)
Dana LaForge (appointed September 2020)
Peter Williams (appointed March 2019)

The Committee members have, through their current and previous business activities, broad experience in financial, risk and commercial matters. Biographies of all members are shown on pages 92 - 95.

The Committee met six times during the year. Attendance of individual members is shown on page 100. Through the year a broad range of management and other parties attended the Committee including the CEO, CFO, CRO, Head of Internal Audit, External Audit partner, Internal Audit Co-Source partner, General Counsel & Company Secretary and Group Chair.

A review of the effectiveness of the Committee was undertaken during the year. The General Counsel & Company Secretary surveyed all Committee members, and feedback was sought from external observers. The assessment looked at how the Committee fulfilled its objectives both in terms of covering all areas, but also in terms of meetings being both collaborative and challenging, the quality and clarity of papers, the quality of members’ input and of the chairing of the meeting. The results of the survey were reported to and debated by the Committee, leading to identification of a small number of actions aimed at building on the current quality of the Committee to ensure its ongoing development towards being “bank ready”.

CORPORATE GOVERNANCE

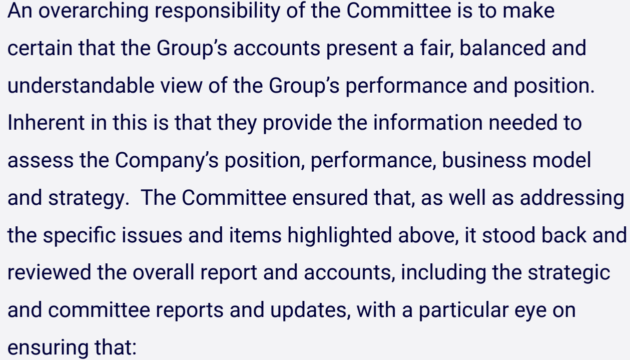
BOARD AUDIT COMMITTEE ACTIVITIES

During 2022 the Committee's activities covered the following issues:

1. FINANCIAL REPORTING

Alongside monitoring progress on our financial reporting and account publication, the Committee undertook detailed consideration of our key accounting judgements or areas of complexity including:

- Expected Credit Losses – involving reviewing and agreeing the economic assumptions and scenarios underlying loan loss provisions, and the need and methodologies for model overlays reflecting areas not, in our view, adequately covered by the core model. The Committee was satisfied with the assumptions and scenarios, and that individual and overall levels of provisioning were adequate;
- Expected Loan Lives and Effective Interest Methodology – involving reviewing the impact of changing borrower behaviours on loan lives and hence on interest accounting. The Committee was satisfied that the proposed expected lives prudently reflected trends in our customer behaviours and the likely impact of changing external conditions;
- Derivatives and hedge accounting – including reviewing the movements during the period and changes to our underlying approach to hedge accounting. The Committee monitored the impact of changes to our underlying approach approved in 2021, as well as reviewing further modifications identified and implemented as the new approach was bedded in. The Committee reviewed the impact on the Income Statement during 2022, and the position at the end of 2022;
- Regulatory/conduct issues and customer remediation – reviewing the adequacy of provisions required for known issues involving customer detriment and redress programmes. The Committee remained satisfied that the level of provisions was adequate;
- Deferred taxation – reviewing the recoverability of our deferred tax assets in the light of changing external conditions and projected earnings for the Group, and satisfying ourselves that the asset remained valid;
- Accounting for transactions – reviewing the accounting for a number of transactions during the year including a loan book sale, forward flow arrangements and re-structuring of financing arrangements. In all cases the Committee was satisfied with the treatments adopted;
- Going concern and viability statements – the Committee's considerations continue to be significantly complicated by the impact of the external environment within which we operate (including factors such as Covid 19, the Ukraine and broader economic and political uncertainties). The Committee reviewed the Group's management of impacts, its forecasts, and its funding arrangements, including the continued funding support of its majority shareholder. With all of these elements in mind, and taking into account discussions with and challenges from our external auditors, the Committee remained satisfied that it is appropriate to adopt the going concern basis;
- External auditor reports – reviewing and debating the findings, challenges and recommendations of our external auditors as presented to the Committee



An overarching responsibility of the Committee is to make certain that the Group's accounts present a fair, balanced and understandable view of the Group's performance and position. Inherent in this is that they provide the information needed to assess the Company's position, performance, business model and strategy. The Committee ensured that, as well as addressing the specific issues and items highlighted above, it stood back and reviewed the overall report and accounts, including the strategic and committee reports and updates, with a particular eye on ensuring that:

- key events during the year were fairly reported, as well as any significant post balance-sheet date events; and that,
- key messages and judgements within the financial and narrative sections are consistent.

The Committee was satisfied that the Group's accounts achieve all of these, and that they therefore do present a fair, balanced, and understandable view of the Group's performance and position.

CONTINUED...

2. INTERNAL CONTROL SYSTEMS

Whilst the Board has overall responsibility for the Group's internal control environment and for assessing its effectiveness, the Committee plays a critical role in helping it to fulfil this responsibility. It does this through more detailed review and challenge. The review of reports by Internal Audit, alongside work undertaken internally by, amongst others, the Finance function and by our external auditors, and our review of ad hoc issues and reports, allowed the Committee to satisfy itself as to the adequacy of our internal systems of control, in particular as they relate to our financial reporting. That is not to say that improvements cannot be made, and during the year a number of these were identified and addressed, in particular as our revised approach to hedge accounting was implemented.

Whilst we are satisfied that our systems and controls are adequate, as the Company moves towards becoming a fully authorised bank, we are committed to a programme of further and continuous enhancement and embedding across all areas to ensure that we are fully "bank ready".

3. INTERNAL AUDIT

During 2022 our Internal Audit was principally delivered through a co-sourcing arrangement with PwC, following the appointment, in quarter four 2021 of a new Director of Internal Audit. Good progress was made during 2022, but unfortunately in Q3 2022 our Director of Internal Audit chose to leave the business and as a result we have returned to an outsourcing arrangement with PwC. This arrangement will remain in place whilst we re-start the process of moving to a co-sourced arrangement as a part of our preparations for becoming a bank. Throughout this the Committee will retain a focus on the adequacy of our internal audit function, including its approach and resourcing. We are satisfied that this shift does not reduce the effectiveness of the internal audit programme, although it does require a different focus.

During 2022, the Committee approved and continuously reviewed the forward-looking audit plan, as well as a broad range of internal audit reports and their associated actions. Areas covered included our Change Management, SM&CR, IT Risk Management, Product Governance and Broker Management as well as planning for further reviews around areas such as Operational Resilience. All of the issues and actions identified during these audits are reviewed by the Committee, and their resolution by management and to the satisfaction of Internal Audit monitored.

4. EXTERNAL AUDIT ARRANGEMENTS

The Board Audit Committee is responsible for assessing the effectiveness of Deloitte's audit including their independence and objectivity.

These matters were considered on an ongoing basis and during NED only discussions, and in more detail in September 2021 through the Board Audit Committee effectiveness review and discussion of the results. The Committee concluded that we were satisfied with the robustness and diligence of Deloitte's approach and conclusions.

In specifically considering Deloitte's independence and objectivity in the context of our financial reporting, the Board Audit Committee has taken into account:

- Deloitte's annual independence statement, and their compliance with relevant laws, regulations and other professional and ethical statements;
- The business's feedback on Deloitte's approach and performance;
- The upcoming change of lead partner initiated by Deloitte;
- The Board Audit Committee's own interactions with Deloitte.

Taking all of these into account, the Committee is satisfied with Deloitte's independence and level of challenge.

Deloitte received £nil non audit fees (2021: £253k).

LOOKING FORWARD

Moving forward into 2022, the focus of the Board Audit Committee will be on:

- Embedding our in-house co-sourced internal audit function whilst maintaining and effective internal audit programme;
- Ensuring that our financial reporting remains timely, comprehensive and focussed on providing stakeholders with a clear view of our performance and financial position;
- Monitoring the business's drive towards "bank-ready" systems of control, including obtaining assurance of any material change programmes that result.

RISK COMMITTEE REPORT

CAROL SERGEANT
CHAIR OF BOARD RISK COMMITTEE

This section looks at the role, responsibilities, and activities of the Board Risk Committee during 2022, including how internal and external risks have been reviewed and managed. Please refer to the Risk Management section of this report for the principal risks to which Belmont Green is exposed and an explanation of how risk is managed across the organisation.

ROLE AND RESPONSIBILITIES

The Board Risk Committee is a sub-committee of the Board. It has delegated authority from the Board and assists the Board in fulfilling its responsibilities for the effective management and oversight of risk across the organisation.

The Board Risk Committee's key responsibilities during 2022 included:

1. Review and recommendation to the Board of Belmont Green's risk appetite and limits.
2. Oversight of the risk management strategy including the review and challenge of the effectiveness of Belmont Green's ERMF.
3. Review and challenge of the adequacy of Belmont Green's internal systems, controls, and capability to manage risks.
4. Review and challenge of the risk culture within Belmont Green.
5. Review and approval of material risk policies and frameworks.
6. Review of change management processes involving business practices and products.
7. Review and approval of the 2nd Line Risk Plan and oversight of the effectiveness of the plan's implementation.
8. Oversight, review and challenge of Belmont Green's regulatory, compliance and fraud risks, including updates on the delivery of the Operational Resilience requirements.

The Board Risk Committee's terms of reference were reviewed and updated by the Board Risk Committee and approved by the Board on 29 September 2022. The review resulted in the removal of the review and oversight of Whistleblowing, Anti-Money Laundering and Data Protection Policies and transfer of these responsibilities directly to the Board. The review also led to the addition of a responsibility of the Board Risk Committee for oversight of the implementation of the Consumer Duty Framework and on-going compliance with requirements of the Consumer Duty.

COMPOSITION AND ATTENDANCE

The Board Risk Committee's membership is composed of three independent Non-Executive Directors and one shareholder appointed Non-Executive Director. During 2022 membership consisted of:
Carol Sergeant (Chair, appointed September 2019)
Robin Churchouse (appointed April 2019)
Dana LaForge (appointed September 2020)
Alan Newton (appointed May 2019)

The Board Risk Committee members have, through their current and previous business activities, broad experience in financial, risk and commercial matters. Biographies of all members are shown on pages 92 - 95.

The Board Risk Committee met six times during the year. Attendance of individual members is shown on page 100.

Throughout the year a broad range of management routinely attended the Committee including the CEO, CFO, CRO, COO, General Counsel & Company Secretary, Internal Audit and members of the Risk Leadership Team. First Line Business Owners also attended meetings to discuss and receive challenge on management of risks in their area. In particular, the Chief Operating Officer provided regular updates on the key risks within operations, including the management of information security risk and the operational resilience strategy and supporting framework. In addition, the Commercial Director attended to discuss the effective application of risk management within the commercial function, and the Chief Culture Officer attended for discussions on organisational culture, succession planning , remuneration and incentive structures, staff turnover and training as well as the annual update on HR (People) Risk. The Chair of the Committee holds regular NED only meetings to ensure that issues can be raised confidentially if necessary and has regular meetings with the CRO and other executives outside of the Committee meetings.

CONTINUED...

A review of the effectiveness of the Committee was undertaken during the year. The General Counsel & Company Secretary assessed the Committee's performance against its terms of reference and surveyed all Committee members and regular attendees. The assessment reviewed the extent to which the Committee effectively discharged its obligations, the quality of papers, openness of debate and challenge within meetings, reporting to Board and the relationship of Committee with management. The results of the survey were reported to and debated by the Committee and a number of actions recorded. It was concluded that the Committee had operated effectively throughout the year.

The Board Risk Committee has unrestricted access to Executive Management and external advisors to help discharge it duties. It is satisfied that in 2022 it received sufficient, reliable, and timely information to perform its responsibilities effectively.

During the year, the Committee held a number of sessions with the CRO without Executive Management being present.

The Chair of the Board Risk Committee reports on matters dealt with at each Committee meeting at the subsequent Board meeting.

MAIN ACTIVITIES DURING THE YEAR

RISK MONITORING AND OVERSIGHT

During 2022, the Committee considered a wide range of risks facing Belmont Green, both existing and emerging, across all principal risks. At each scheduled meeting, the Committee received regular reports from the CRO summarising the risk profile of the organisation and highlighting any key areas for consideration, including any key risk events and associated lessons learned. This is supported by a detailed Risk Report comprising a summary of Belmont Green exposures against risk appetite, a Key Risk Indicators report and summary risk reports relating to all of Belmont Green's principal risks.
During the year The Committee supported and oversaw a fundamental review of the risk metrics reported at Board level and to the executive committees to ensure that they remained relevant and actionable in light of the current strategy, economic and social environment and regulatory requirements.

RISK MANAGEMENT AND CONTROLS RISK MANAGEMENT AND CONTROLS

Throughout the year, the Committee monitored the effectiveness of Belmont Green's risk management and internal control systems and reviewed and confirmed their effectiveness through the ERMF. The ERMF sits across the business with a particular focus on quality assurance and control.

TOP AND EMERGING RISKS

Belmont Green's top and emerging risks are considered regularly by the Committee. Further information about Belmont Green's top and emerging risks are provided in the Risk Report starting on page 46.

SIGNIFICANT RISKS AND PRIMARY AREAS OF FOCUS

During 2022, the following significant risks and primary areas of focus were considered by the Committee

SIGNIFICANT RISKS AND PRIMARY AREAS OF FOCUS	BOARD RISK COMMITTEE REVIEW
Enterprise Risk	• The Committee received regular summaries of the overall risk profile through the Chief Risk Officer's Report which covers all the principal risks faced by Belmont Green. • The Committee reviewed Belmont Green's Risk Management Framework and the proposal to evolve it into an ERMF and recommended that the ERMF be approved by the Board. • The Committee reviewed and approved the 2022 Annual Risk Plan which included the key areas of focus for the 2nd line risk function. • The Committee reviewed the effectiveness of the ERMF throughout the year through the Chief Risk Officer's Report. • The Committee reviewed the top and emerging risks prior to inclusion within the Annual Report and Accounts. • The Committee reviewed the results of Risk and Control Self Assessments (RCSAs) conducted for every business area during the course of the year which was overseen and reported by the Director of Operational Risk. • The Committee approved Belmont Green's annual insurance for all lines except for Directors and officers (D&O) liability insurance which is a matter reserved for the Board. • The Committee reviewed the risks associated with the programme to secure authorisation as a bank.
Board risk appetite	• The Committee reviewed Belmont Green's overall risk appetite and limits and undertook a detailed review of, and approved changes to, the Risk and Compliance Key Risk Indicators.
Business Risk	• The Committee reviewed regular reports on the externally and internally driven business risks associated with the challenging macro-economic environment and political uncertainty throughout the year. • The Committee reviewed regular reports outlining the impact of the Ukraine conflict on the external and internal risk environment and the associated remediation activity undertaken by Belmont Green.

SIGNIFICANT RISKS AND PRIMARY AREAS OF FOCUS	BOARD RISK COMMITTEE REVIEW
Capital Risk	• The Committee reviewed and regular reports on the capital risk profile of the business and the associated mitigation
Credit & Concentration Risk	• The Committee reviewed and approved a number of key policies and frameworks including the Credit Risk Management Framework, the Credit Lending Policy, the Wholesale Credit Risk Policy, the Responsible Lending Policy and Loan Provisioning Policy. • The Committee reviewed reports on the cost-of-living challenges and how these have been incorporated into Belmont Green's affordability assessment and potential impact on arrears levels. • The Committee received an update on the climate and transition risks facing Belmont Green.
Operational Risk	• The Committee reviewed updates on Belmont Green's approach to operational resilience. • The Committee reviewed the Financial Crime Framework, Anti-money Laundering Policy, Anti-bribery & Corruption Policy and Fraud Policy. • The Committee received the annual report from the Money Laundering Reporting Officer and the Data Protection Officer. • The Committee reviewed a number of deep dive analyses including a review of key person dependency risk along with the annual People / HR update, and a review of the Model Risk Framework. • The Committee reviewed the Material Outsourcing Bi-Annual updates outlining the process to ensure effective management and oversight of third parties in accordance with the requirements of Belmont Green's Outsourcing and Supplier Policy.
Conduct, Legal and Regulatory Risk	• The Committee reviewed and approved the Conduct Risk Policy, the SMCR Policy, the Customer Vulnerability Policy and Treating Customers Fairly Policy. • The Committee reviewed an update on the Consumer Duty rules as published in the FCA's Policy Statement 22/9 and the plans in place to ensure that Belmont Green meets the associated requirements. • The Committee reviewed and approved the annual Conflicts of Interest Register and Conflicts of Interest Policy.
Funding, Liquidity and Market Risk	• The Committee reviewed and approved the Funding Policy.
Stress Testing	• The Committee reviewed and approved Belmont Green's Stress Testing Framework.

LOOKING FORWARD

Moving forward into 2023, the focus of the Committee will be on:

- Oversight of the continued evolution of the ERMF in line with Belmont Green's plan to become a bank.
- Continued oversight of risks arising as a result of the business seeking to become 'bank ready' (including compliance with all relevant regulatory requirements) and the associated change programmes, including the effective implementation of the Consumer Duty requirements.
- Continued oversight of the business risks associated with the challenging macro-economic environment and political uncertainty.
- Continued oversight of Belmont Green's credit risk management framework in light of the continued macro-economic uncertainty and cost of living and affordability challenges.
- Monitoring the continued embedding of the outsourcing and operational resilience frameworks to ensure risks continue to be identified and appropriately managed in accordance with Belmont Green's risk appetite.
- Continued focus on organisational culture and people requirements.
- Direct discussions with, and challenge to, First Line Business Owners.

OTHER COMMITTEES

REMUNERATION & NOMINATIONS COMMITTEE ("REMNOM")

RemNom is chaired by an INED. Committee membership consists of 4 of the Non-Executive Directors and in attendance the CEO and the Chief Culture Officer. RemNom meets quarterly. RemNom has the primary aim of ensuring good governance over the appointment, promotion and remuneration of Directors, senior executives, and managers of Belmont Green.
RemNom's key responsibilities are set out below.

REMUNERATION

- Setting remuneration and reward structures (pay and bonus) for the Executives and submitting these to the Board, as well as ensuring their proper implementation.
- Reviewing any exceptions to the Remuneration Policy.
- Setting the measures and criteria by which the Board and Executives are to be assessed.
- Assessing the performance of Board members and Executives.
- Aligning rewards to both performance and promoting effective risk management.
- Reviewing major changes to Belmont Green's benefits and incentive plans.
- Reviewing consistency in remuneration practice across Belmont Green including ensuring legal requirements in relation to gender pay are adhered to.
- Oversight of Equality, Diversity and Inclusion as it relates to remuneration

NOMINATION

- Identifying and recommending to the Board for approval, candidates to fill Board level positions as well as suitable candidates to serve as members of the Executive.
- Establishing a succession plan for Board members and Executives.
- Oversight of Equality, Diversity and Inclusion and promotion of diversity in the composition of the Board and management of Belmont Green, ensuring that any gender, or other under-representation is addressed.
- Review the results of Board effectiveness assessments and track progress against agreed actions.
- Administering the process of nominating and approving appointments of individuals who will be certified role holders or holding Senior Manager Functions under the Senior Manager's and Certification Regime.

During 2022, matters considered by the Remuneration and Nominations Committee included:

- Annual review and recommendation for Board approval of the Remuneration Policy.
- Reviewing and recommending to the Board for approval a new Management Incentive Scheme.
- Review and approval of 2022 bonus scheme principles.
- Succession planning for the Executives and senior management.
- Update on Belmont Green's approach to Equality, Diversity and Inclusion including a detailed analysis of Belmont Green's gender pay figures.
- Analysis of key Human Resources metrics for 2022 including in relation to headcount, attrition, sickness absence and diversity.
- Discussion of results of an internal Effectiveness Review.

LOOKING FORWARD

Moving forward into 2023, the focus of the Committee will be on:

- Continuing to monitor gender pay and any remedial action necessary to address any identifies gaps.
- Identifying necessary changes to the Remuneration Policy and Management Incentive Plan necessary as Belmont Green transitions to become a bank.

Overseeing changes to the application of SMCR as Belmont Green transitions to become a bank.

EXECUTIVE COMMITTEES

The Executive Management Team is responsible for the day-to-day decision making in connection with the operation and management of the Belmont Green business. Governance around decisions is achieved via the six Executive Committees (Executive Risk Committee, Assets & Liabilities Committee, Performance Committee, Investment & Change Committee, Customer Committee and Culture Committee), each with clearly defined roles and responsibilities and made up of members of the Executive Management Team and senior leadership team.

Each of the Executive Committees report directly into the Board and/or Board Committees as appropriate. This governance structure ensures there is effective oversight of the entire spectrum of activities undertaken by the business with decisions made by the appropriate bodies and issues escalated as necessary.

DIRECTORS' REPORT

The directors of Belmont Green present their annual report, together with the consolidated audited financial statements and Auditor's Report, for the year ended 31 December 2022. Belmont Green has been established to lend in and service the UK mortgage market via the intermediary channel under the brand name of Vida Homeloans. Belmont Green is authorised to provide mortgage finance and administer mortgages. The directors do not expect any significant change to the activities of Belmont Green.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Belmont Green is committed to developing our climate-related reporting capabilities and disclosures in coming years. This year, Belmont Green has summarised our current approach to managing climate change risks and planned activities, across the four thematic areas set out by the Task Force on Climate-Related Financial Disclosures (TCFD), building on our previous disclosures under the "Streamlined Energy and Carbon Reporting". This does not comprise a full TCFD disclosure, and the intention is to assist our stakeholders in understanding the impact of climate change on our business in a more transparent and familiar way.

GOVERNANCE

Governance of climate-related matters occurs through two lenses: firstly, through our broader ESG Strategy and secondly through the management of climate-related financial risks, which is integrated into our Enterprise Risk Management Framework. The ESG Strategy was approved by the Board in December 2022 and built on the ESG Plan that was approved in 2021. It articulates what ESG means for Belmont Green and why it is important, how ESG fits within our wider business strategy and how we will achieve our ESG Vision. As the most senior decision makers in our organisation, our Board has received ESG training from an external provider.

Delivery of ESG activities is managed through the ESG Forum which reports into the Customer & Culture Committee. Further details of the ESG Strategy are set out in the Sustainable Development section on page 80.

The definition, taxonomy and risk appetite for climate risk was approved by the Board in 2021 and reviewed again in 2022. Climate risk is reported to and overseen by Board Risk Committee, Executive Risk Committee and Credit Committee.

STRATEGY

Climate considerations are becoming increasingly important factors in decision making. Regulators are developing tools, mechanisms and taxonomies to ensure it is integrated into the banking system, investment policies and risk management processes. However, the majority of climate reporting is not mandatory in the UK. For Belmont Green, as a small, unlisted, non-bank lender, currently the only mandatory reporting is the annual Streamlined Energy and Carbon Reporting (SECR) of scope 1 and scope 2 carbon emissions. Belmont Green does, and will continue to, comply with all mandatory reporting requirements and will continue to provide additional voluntary disclosures in a proportionate manner where we consider this is of value to our stakeholders.

Climate considerations are also embedded into our business strategy, culture and decision-making processes in order to support our purpose and deliver our strategic aims in a way which delivers the best outcomes for our stakeholders, our people and our company.

RISK MANAGEMENT

We have taken a proportionate approach to climate-related financial risks, recognising both the significant medium-term impact that this is expected to have on our business and the evolving nature of the risks. The most significant risks for Belmont Green are set out below with explanations of how they could result in losses for Belmont Green. In most cases, losses are through Credit Risk and therefore we have implemented Climate Risk within our Enterprise Risk Management Framework as a sub-set of Credit Risk.

The appetite for Climate Risk has been established by the Board as follows:

We have no appetite for material climate risks, whether through transition or physical risks, that are not appropriately monitored, mitigated, avoided or explicitly accepted.

Climate risks could affect the business through multiple different mechanisms. To ensure a proportionate approach, we have focussed on those mechanisms that we judge could result in material risk for our business in the short or medium term. We have assessed these to be as follows:

The **physical impact** of climate change is expected to be much less in the UK compared to other countries. However, it is expected to affect our business in two main ways:

1. **Flooding** from increased rainfall, including secondary impacts where houses become uninsurable
2. **Subsidence** increases in areas of SE England where rainfall will decrease and temperatures rise

Flooding and subsidence result in additional costs for our borrowers - repairing damage, lost rental income and increased insurance costs for higher-risk properties. This also results in a lower valuation of properties.

Additional costs and lower valuations could increase the likelihood of default and also increase the potential loss given default. As a result, this may result in increased credit losses for Belmont Green.

In addition, **transition risk** will arise from measures the government takes to encourage households to reduce energy consumption in particular:

1. Stricter **energy efficiency** (EPC) requirements on private rented properties
2. Introduction of energy efficiency requirements for **owner-occupied** properties

We expect increased costs for our borrowers to meet those requirements, loss of rental income if properties cannot be rented out and reduced property valuations or sale costs if such properties are repossessed. This could increase the likelihood of default and also increase the potential loss given default. As a result, this may also result in increased credit losses for Belmont Green.

There is also a **reputational risk** if Belmont Green is unable to show sufficient progress in reducing emissions, either own emissions or those of our financed properties, or cannot provide sufficient information about emissions to regulators, investors or customers.

There will also be secondary macroeconomic and fiscal impacts from slower growth due to physical climate impacts, the costs of climate transition, including the costs of the Loss and Damage mechanism agreed at the recent COP27 climate conference and an increase in migration from the worst affected countries.

RISK MITIGATION

Physical risk is managed at present through analysis and we are ready to adjust lending policy if the analysis shows that there is a material risk. We have analysed the risk of flooding in our present portfolio and this is not shown to be material. However, we are aware that the end of the FloodRe reinsurance scheme in 2035 may result in material costs for a number of our borrowers. We are also sourcing improved data on other physical risks including subsidence.

Transition risk is managed through lending policy and portfolio analysis. Belmont Green's lending policy does not permit properties that do not comply with current EPC requirements and we require borrowers to have a plan to meet new EPC requirements. We keep the regulatory position under close review and are ready to adjust our policies in line with any announced changes. We also monitor the EPC distribution of our portfolio to ensure it remains in line with the national average.

Reputational risk is managed by following developments in the market and ensuring we remain in line with, or ahead of, our peers and responsive to our stakeholders. At present the main areas of development are around disclosures, in particular our Scope 3 emissions, and loan level EPC data for our investors.

We completed the EcoVadis sustainability assessment in 2022. They awarded us a Silver ('Good') rating which puts us in the top 25% of companies which EcoVadis have assessed.

DIRECTORS' REPORT

METRICS AND TARGETS

Under the Streamlined Energy and Carbon Reporting (SECR) framework, Belmont Green is required to disclose energy use and associated greenhouse gas (GHG) emissions from its activities. The reporting period is aligned with the financial year ended 31 December 2022 and covers Belmont Green and its subsidiaries. The methodology has been based on the UK government's GHG Conversion Factors published on www.gov.uk and, for mortgage properties, the information included in the property's Energy Performance Certificate. Calculations have been made for the reporting of:

- Fuel use for transport for business travel (scope 1)
- Electricity use within buildings (scope 2)
- Fuel use for transport for staff commuting (scope 3)
- Energy consumed by properties subject to our mortgages (scope 3)
- Indirect emissions through our supply chain (scope 3)

As part of our environmental strategy, we are committed to voluntarily reporting on Scope 3 emissions and to improving the scope and accuracy of the data we publish each year, driving a better understanding of our emissions and informing the actions we are taking to reduce and mitigate their effects.
This year we have extended the reporting to also estimate the emissions that occur as a result of our staff working from home, based on the GHG conversion factors that have been published for the first time.

These figures are subject to a number of material estimates and uncertainties. In particular:

- GHG Conversion Factors provide a consistent approach to measuring emissions across different reporting firms; however, it is based on various averages that may not apply to our specific emissions.
- Staff commuting and working from home emissions have been calculated based on a sample approach.
- Supplier emissions is based on expensed cost during the year, excluding rent and rates. It does not include capitalised expenses.
- The accuracy of supplier information is constrained by the level of public disclosures made by them; not all suppliers disclose their scope 3 emissions, disclosures are often aggregated across disparate business lines and geographical regions of the world and there is a lag with the publication of their disclosures. Estimates have been made wherever possible to ensure we provide the most accurate figures we are able.
- Information on property emissions is only available for 85% of our properties and therefore it has only been possible provide a broad estimate for the overall portfolio.
- Property emissions only includes mortgages that have been financed by Belmont Green and excludes those that have been sold either through asset sales or forward flow but are still serviced by Belmont Green.
- Energy use by source does not include mortgage properties as this data is not available.

Energy performance results

Energy use by source	Units	2022	2021
Electricity	MWh	159	132
Transportation	MWh	158	87
Total		317	219

GHG emission results

Emission by category	Units	2022	2021
Scope 1 - Combustion of fuel for transport	T CO2 eq	23	2
Scope 2 - Purchased electricity	T CO2 eq	31	28
Scope 3 - Transport (staff commuting)	T CO2 eq	16	19
Scope 3 - Energy consumed by staff working from home	T CO2 eq	114	119
Total operational emissions	T CO2 eq	184	169
Scope 3 – Suppliers	T CO2 eq	564	525
Scope 3 - Mortgage properties	T CO2 eq	40,800	40,000
Total	T CO2 eq	41,548	40,624

Intensity Ratio			
Emissions per employee (operational emissions)	T CO2 eq	0.26	0.15
Emissions per employee (scope 1, 2 & 3)	T CO2 eq	204	203

Our own energy use and associated GHG emissions increased in 2022, as the restrictions of the COVID-19 pandemic lifted, and business travel reverted to more normal levels. However, overall emissions remained 33% lower than our pre-COVID baseline in 2019, driven by our Agile Working policy where we actively encourage our people to work from home on a permanent basis, coming together primarily to build and maintain healthy working relationships with each other. We expect our emissions to reduce further following the move to our new smaller office in Egham and the change of our intermediary support model from the traditional field-sales approach to the V-Hub.

We recognise that as a responsible lender we can have a material impact on the energy use from properties subject to our mortgages including through our lending policies, product development and pricing. We will explore different options for monitoring and improving this performance as part of our framework for managing their impact on climate change.

TARGETS

We have agreed a target to reduce our own emissions by 50% versus the 2019 benchmark by 2030. This reduction is broadly aligned with the required UK emissions reductions that are required to meet Net Zero by 2050 and therefore the 1.5°C maximum temperature increase as set out in the Paris Agreement. Our strategy to achieve this reduction is to embed our new Agile Working Policy, ensuing that our post-COVID business model uses the benefits of technology to enable effective communications without requiring significant travel.

In addition, we also target a stable average portfolio EPC rating in 2023 (against a 2021 baseline) with improvements from 2024. We are considering a range of options to achieve this, including lending policies, product design and customer information.

INFORMATION PRESENTED IN OTHER SECTIONS

Information relating to a review of the business, future developments, results, people, corporate governance and principal risks and uncertainties are described in the Strategic Report. Belmont Green uses financial instruments to manage certain types of risk, including liquidity and interest rate risk. Further information about derivative financial instruments can be found in Note 10 to the financial statements.

POLITICAL DONATIONS

Belmont Green does not make contributions to political parties, organisations or individuals engaged in politics, to support a political party, election candidate, political cause or as a way of influencing or gaining business advantage.

GOING CONCERN

The financial statements have been prepared on a going concern basis. In evaluating the appropriateness of this basis, the directors are satisfied that Belmont Green has the resources to continue in business for the foreseeable future, covering a period of at least 12 months from the date of approval of the financial statements. In making this assessment, the directors have considered a range of information relating to present and future, internal and external conditions and, in particular, key dependencies for the Group and its operations, markets, liquidity, capital and profitability. All of these factors have been set out in Note 2b to the financial statements.

DIRECTORS

The directors of the Company are set out below. All directors served throughout the period and to the date of this report unless otherwise stated.

Alan Newton (resigned 28th February 2023)
Anthony Mooney
Carol Sergeant
Dana LaForge
Dr Peter Williams
Fraser McNeill (appointed 25 April 2022)
John Rowan
Robin Churchouse
Stephen Haggerty

AUDITOR

The directors who held office at the date of approval of this directors' report confirm that:

- as far as each of the directors is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

This statement is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The re-appointment of Deloitte LLP as auditor of the company is a matter reserved to the Board, on the recommendation of the Board Audit Committee.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors of Belmont Green are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on behalf of the Board.

Anthony Mooney
Director

4th April 2023
Company registration: 0983769

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELMONT GREEN FINANCE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion:
- the financial statements Green Finance Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements;
- the related group notes 1 to 27; and
- the related parent company notes 28 to 35

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. SUMMARY OF OUR AUDIT APPROACH

KEY AUDIT MATTERS	The key audit matters that we identified in the current year were: • Expected credit losses on loans to customers; • Revenue recognition; • Hedge accounting; and • Going concern. Within this report, key audit matters are identified as follows: ! Newly identified Increased level of risk Similar level of risk Decreased level of risk
MATERIALITY	The materiality that we used for the group financial statements was £1.31m which was determined on the basis of 1% of shareholders' equity (excluding the cash flow hedge reserve).
SCOPING	All material entities in the group are within our audit scope. These entities accounted for 100% of the group's net assets, 100% of the group's revenue, and 100% of the group's profit before tax.
SIGNIFICANT CHANGES IN OUR APPROACH	In the light of current economic conditions the level of risk associated to going concern has increased from prior year, therefore, we included going concern as a key audit matter in the current year. Additionally, we have also excluded the valuation of derivatives from the hedge accounting key audit matter in the current year as the historic balance guaranteed swaps have been called during the year and replaced with vanilla derivatives which have less complex valuation. The rest of the key audit matters remain broadly consistent with the previous year.

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.4.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELMONT GREEN FINANCE LIMITED

5.1. EXPECTED CREDIT LOSSES ON LOANS TO CUSTOMERS

KEY AUDIT MATTER DESCRIPTION

Under IFRS 9 - Financial Instruments a provision is required for the expected credit loss (ECL) on loans measured at amortised cost. Estimating these expected losses requires judgement and estimation on assumptions relating to customer default rates, likelihood of repossession, future property values, forced sale discounts and indicators of significant increases in credit risk. These assumptions are informed using historical behaviour and experience through different economic cycles as well as credit bureau data. In the current economic environment there is an increasing level of model risk which is exacerbated for the group given its reliance on proxy data due to the business still being in its early stages.

The group applies four macroeconomic scenarios when determining the ECL calculation: a base case, an upside, a downside and a severe scenario. The selection and probability weighting of relevant macroeconomic scenarios is judgemental and has a significant impact on the ECL calculation.

ECL provisions as at 31 December 2022 were £5.9m (2021: £7.6m) against total loans to customers of £1,749m (2021: £1,812m). In the current year, additional post model adjustments of £2.3m (2021: £3.1m) have been made to the ECL, to reflect additional exposures not captured by the core ECL models, including the impacts of climate related risks and potential increased risk of default arising from the challenges facing borrowers in the current economic environment.

Our key audit matters in relation to ECL provisioning have been identified as:

- The selection and probability weighting of relevant macroeconomic scenarios and assumptions. There exists a risk of management bias in selecting the weightings and assumptions applied in the ECL model and a potential lack of consistency in approach when determining the weightings period on period; and
- The completeness and accuracy of post model adjustments to address risks that may not be reflected in the current ECL models.

Management's associated accounting policies are detailed in Note 2 with detail about the judgements in applying accounting policies and critical accounting estimates, including sensitivities, in Note 3.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	We obtained an understanding of management's processes for the determination of expected credit losses and performed a walkthrough of relevant controls. We involved our credit risk specialists, to assess the compliance of the modelling approach and methodology with the requirements of IFRS 9, including updates to the models that were made during the year, and to assess whether the documented modelled approach was compliant with IFRS 9 and implemented in practice. We challenged management's consideration of the future economic environment with the involvement of our economic specialists, by comparing modelled assumptions to publicly available data from peer organisations, regulators and economic commentators. We evaluated the completeness and accuracy of post model adjustments in light of relevant macroeconomic factors, to assess whether all relevant risks were represented by these adjustments. We did this through involvement of our economic and modelling specialists, and benchmarking against peer entities. We reconciled each book to the general ledger and tested a sample of loans to assess whether the data used in the provision calculation was complete and accurate. We also tested the accuracy and completeness of forecast data collated from third party sources. We validated that the underlying data feeding into management's calculations for post model adjustments was complete and accurate and challenged the key judgements and assumptions within the calculations using our credit modelling specialists where appropriate.
KEY OBSERVATIONS	Based on the work performed, we concluded that the group's ECL applied to loans to customers was within a reasonable range.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELMONT GREEN FINANCE LIMITED

5.2. REVENUE RECOGNITION

KEY AUDIT MATTER DESCRIPTION	In 2022, management has changed the Effective Interest Rate ("EIR") model platform from an excel spreadsheet to a code driven calculation in its forecasting tool whilst continuing to use the original set of its behavioural curves. The EIR methodology is consistent with prior year, calculating the EIR adjustment on a cohort level as opposed to a loan by loan basis for both interest and fees. The group recognised an EIR asset of £18.3m (2021: £6.9m). In accordance with IFRS 9, the revenue streams from financial products that are considered 'integral to the yield' must be recognised using the effective interest rate method (EIR) over the behavioural life of the financial products. The judgements taken in estimating the cash flows which drive the expected lives used in the calculation of the EIR can be sensitive to could significantly impact the income recognised in any financial period. We have identified revenue recognised using the EIR method to be a key audit matter. Changes in assumptions resulted in a credit to the income statement of £11.3m, which is disclosed in Note 13. Given the material impact of the significant judgements in calculating the EIR adjustment, we consider that there is an inherent risk of potential fraud through manipulations of this balance. Management's associated accounting policies are detailed in Note 2 with detail about the judgements in applying accounting policies and critical accounting estimates, including sensitivities, in Note 3.
HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	We obtained an understanding of, and assessed, relevant controls that the Group has established in relation to recognition of revenue using EIR. We engaged our analytics and modelling specialist to review the underlying code used to calculate the EIR adjustment and independently re-calculated the EIR model outputs. The methodology was also assessed for compliance with the requirements of IFRS 9. We then evaluated whether the existing behavioural curve remained to be appropriate through the retrospective analysis of the behavioural curve against actual performance. We tested the completeness and accuracy of the underlying data inputs into the model that is used to support the repayment rate assumptions and we tested the arithmetic accuracy of the EIR model.
KEY OBSERVATIONS	Based on the procedures performed, we concluded that the EIR adjustment was reasonably stated.

5.3. HEDGE ACCOUNTING

KEY AUDIT MATTER DESCRIPTION	The group has designated a number of fair value macro hedges in order to minimise fair value volatility through the income statement. Over the life of the hedge, hedged items (mortgages accounts) and instruments (derivatives) incept and de-designate from the hedge relationship. In the second half of the year, the Group implemented a cashflow hedge for the new mortgage pipeline. The group has taken the IFRS 9 accounting policy choice to continue to apply IAS 39 accounting with respect to all designated hedge relationships. Management's accounting policies are detailed in Note 2. In line with the requirements of IAS 39 management carries out prospective and retrospective effectiveness testing on a monthly basis. We have identified a key audit matter around the appropriateness of fair value adjustments for items designated and de-designated in the hedging relationship, including the subsequent amortisation of the adjustments. Given the implementation of the cash flow hedge for the new mortgage pipeline, there is also a risk that this hedge has not been accounted for appropriately.
HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	We have obtained an understanding of the relevant controls over the hedge accounting process, including the controls over the identification and recording of the designation and de-designation adjustments. We evaluated the methodology for assessing items that have de-designated from the hedge relationship. We then tested the accuracy of the amortisation adjustments through a full recalculation of the expected remaining amortisation as of 31 December 2022. We tested the valuation of the items which had been designated or de-designated from the macro hedge in the year through independent recalculation of the fair value of a sample of items as at their designation/de-designation date. We assessed management's prospective and retrospective effectiveness testing. We assessed management's effectiveness testing through reperformance of management's monthly designation and de-designation process. We assessed the accounting treatment for the mortgage pipeline cashflow hedge and its subsequent implementation and valuation as at 31 December 2022.
KEY OBSERVATIONS	Based on the work performed, we concluded that the overall hedge accounting treatment and valuations of the hedge accounting adjustments were appropriate.

5.4. GOING CONCERN

KEY AUDIT MATTER DESCRIPTION	The group is funded through equity from Pine Brook, warehouse facilities and securitisations. The group requires continued funding from Pine Brook to support its operations with a financial plan assuming the rollover and ultimate conversion into equity of the outstanding loans from Pine Brook as at 31December 2022, as well as an additional capital injection. The warehouse facilities include covenants relating to levels of loans in arrears as well as minimum operating loss, whilst in the securitisation SPVs an event of default can occur if certain loan notes are not serviced. The increase in base rate has increased funding costs which has the potential to create liquidity risk to support the group's operation. There is also a likelihood of increased arrears levels due to current macro economic condition which increases the risk of default events occuring in the securitisation SPVs and/or that loans need to be repuchased from the warehouses using equity funding. The requirement for funding support is dependent on Pine Brook having the intent and ability to continue to rollover its existing loan to the group and provide further equity funding within the next 12 months, which inherently impacts the ability of the group to continue as a going concern. The financial statements have been prepared on a going concern basis, and the group's assessment of the ability of the business to continue as a going concern is disclosed within the Directors' Report and in Note 2.
HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	We obtained management's forecasts and scenario analyses and assessed the multiple funding levels required in each scenario. We assessed the intent and ability of Pine Brook to continue to provide the capital required under management's forecasts. We assessed the group's ability to obtain further funding through the warehouse facilities and securitisation funding during the going concern period, including the group's ability to refinance securitisations at the relevant call dates and rollover the existing external loan into the warehouse funding. We evaluated group's ability to meet the covenants under the warehouse facilities and securitisation SPVs in a stressed scenario. We assessed the appropriateness of the going concern disclosures within the financial statements.
KEY OBSERVATIONS	Based on our procedures performed and the information present at the date of this report, we conclude that the preparation of the financial statements on a going concern basis and the related disclosures are appropriate.

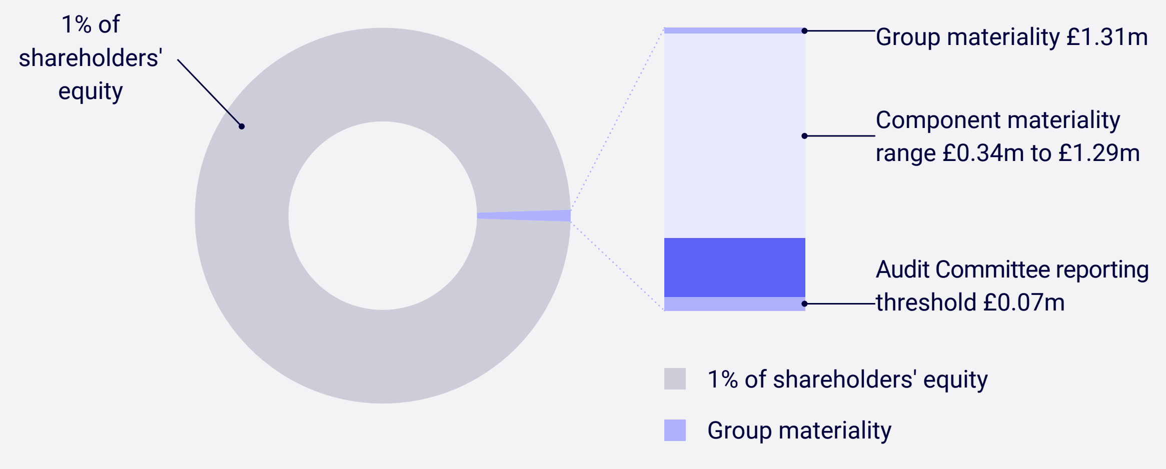
6. OUR APPLICATION OF MATERIALITY

6.1. MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
MATERIALITY	£1.31m (2021: £1.23m)	£1.00m (2021: £1.22m)
BASIS FOR DETERMINING MATERIALITY	1% of shareholders' equity (excluding the cash flow hedge reserve) (2021: 1% of shareholders' equity)	1% of shareholders' equity (2021: 1% of shareholders' equity)
RATIONALE FOR THE BENCHMARK APPLIED	The shareholders' equity balance reflects both the share capital in the business and the losses to date. This balance best reflects the requirements of the users of the financial statements (the shareholders). The cash flow hedge reserve has been excluded from shareholders' equity due to its volatile nature.	



6.2. PERFORMANCE MATERIALITY

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
PERFORMANCE MATERIALITY	70% (2021: 70%) of group materiality	70% (2021: 70%) of parent company materiality
BASIS AND RATIONALE FOR DETERMINING PERFORMANCE MATERIALITY	In determining performance materiality, we considered the following factors: a. the quality of the control environment and the fact that we were not able to rely on controls; b. our understanding of the business; and c. the nature, volume and size of corrected and uncorrected misstatements in the previous audit.	

6.3. ERROR REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.07m (2021: £0.06m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. SCOPING

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Audit work to respond to the risks of material misstatement was performed by the group audit engagement team.

Based on that assessment, we performed an audit of the parent company and material subsidiaries. This provided 100% coverage of revenue, profit before tax and net assets of the group, executed at levels of materiality applicable to each individual entity which were lower than group materiality and in the range of £0.3m to £1.0m (2021: £0.5m to £1.2m).

At the group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit.

7.2. OUR CONSIDERATION OF THE CONTROL ENVIRONMENT

We have identified the lending business cycle to be the most relevant to the audit, including the revenue recognition. With the support of our IT specialists, we have performed walkthroughs with management to gain an understanding of the underlying IT systems. The extent of controls work performed across the group varies depending on the maturity of the IT systems and controls. Through the process of understanding the systems and controls, we identified deficiencies within the IT systems, therefore have not taken controls reliance. Where we have found that previously identified deficiencies had not been remediated, we have not taken a controls reliance approach. We have shared observations from our procedures with management and the Audit & Risk Committee. The assessment of the group's internal control environment is set out on page 112.

7.3. OUR CONSIDERATION OF CLIMATE-RELATED RISKS

In planning our audit, we have considered the potential impact of climate change on the group's business and its financial statements. The group continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on pages 80 to 90.

As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with the Chief Risk Officer to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the group's financial statements. The group discloses their consideration of climate risk on significant judgements of post model adjustments in Note 3 to the financial statements.

We performed our own qualitative risk assessment of the potential impact of climate change on the group's account balances and classes of transactions and did not identify any additional risks of material misstatement. We also read the climate related disclosures on pages 80 to 90 to consider whether they are materially consistent with the financial statements and the knowledge obtained in our audit.

8. OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement and relevant internal specialists, including tax, financial instrument, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition specifically in relation to effective interest rate adjustments and expected credit losses on loans to customers. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, tax and pension legislations.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's regulatory requirements set by the Financial Conduct Authority.

11.2. AUDIT RESPONSE TO RISKS IDENTIFIED

As a result of performing the above, we identified expected credit losses on loans to customers and revenue recognition as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialist, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

- In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.
- In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

13.1. ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters

13.2. DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

14.1. AUDITOR TENURE

Following the recommendation of the Audit Committee, we were appointed by the Directors during 2016 to audit the financial statements for the period ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 7 years, covering the periods ending 31 December 2016 to 31 December 2022.

14.2. CONSISTENCY OF THE AUDIT REPORT WITH THE ADDITIONAL REPORT TO THE AUDIT COMMITTEE

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

15. USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report 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 audit work, for this report, or for the opinions we have formed.

K. J. Cooper

Kieren Cooper (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
4th April 2023

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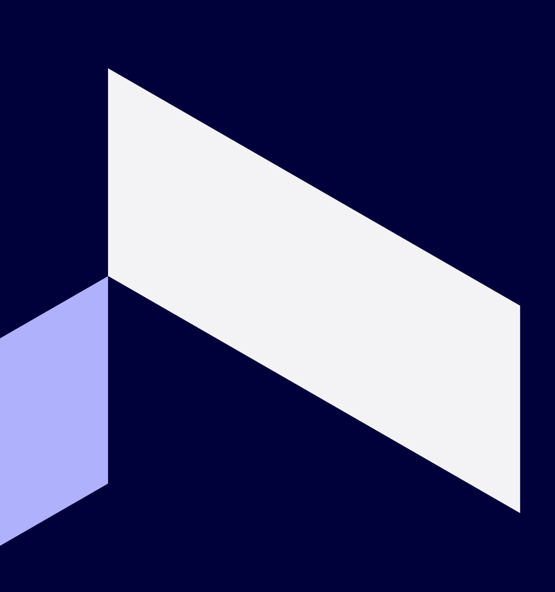

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CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Interest income and similar income	4	99,941	68,551
Interest expense and similar charges	5	(57,037)	(34,046)
Net interest income		42,904	34,505
Other operating income	6	(6,174)	987
Net fair value gain / (loss) on financial instruments	7	(706)	(1,404)
Net operating income		36,024	34,088
Administrative expenses	8	(35,502)	(30,932)
Operating profit		522	3,156
Provisions	21	310	223
Impairment releases / (losses)	14	543	(725)
Profit before taxation		1,375	2,654
Tax credit for the year	9	609	2,005
Profit after taxation		1,984	4,659
Other comprehensive income			
Cash flow hedge reserve gains	12	16,864	-
Total comprehensive profit for the year		18,848	4,659

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Assets			
Cash and cash equivalents		171,809	141,177
Loans to customers	13	1,685,600	1,811,577
Derivative financial assets	11	89,079	8,676
Other receivables	15	16,298	12,114
Deferred taxation asset	16	13,565	12,975
Property, plant and equipment	17	965	2,407
Intangible assets	18	2,837	2,408
Corporation tax		12	-
Total assets		1,980,165	1,991,334
Liabilities			
Amounts owed to credit institutions		15,188	15,336
Debt securities in issue	19	1,748,523	1,808,666
Derivative financial liabilities	11	233	829
Fair value liabilities held at fair value	11	-	12,954
Other liabilities	20	65,170	21,025
Provisions	21	64	374
Corporation tax		-	11
Total liabilities		1,829,178	1,859,195
Shareholders' Equity			
Share capital	22	204,462	204,462
Other reserves	12	16,864	-
Retained losses		(70,339)	(72,323)
Total shareholders' equity		150,987	132,139
Total liabilities and equity		1,980,165	1,991,334

The notes on pages 151 to 189 form part of these financial statements.

The financial statements were approved by the Board of Directors on 4th April 2023 and signed on behalf of the Board.

Anthony Mooney

Company registration: 09837692

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Called up share capital £'000	Retained earnings £'000	Other Reserves £'000	Total £'000
Balance at 1 January 2022		204,462	(72,323)		132,139
Profit for the year		-	1,984		1,984
Amounts deferred to cash flow hedge reserve		-	-	16,864	16,864
Balance at 31 December 2022		204,462	(70,339)	16,864	150,987
Balance at 1 January 2021		196,162	(76,982)	-	119,180
Share issuance	22	8,300	-	-	8,300
Profit for the year		-	4,659	-	4,659
Balance at 31 December 2021		204,462	(72,323)	-	132,139

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Net cash flows from operating activities	**25**	**68,307**	**(158,061)**
(Purchase) / Sale of property, plant and equipment	17	(131)	(190)
Expenditure on software development	18	(1,040)	(1,567)
Net cash flows from investing activities		**(1,171)**	**(1,757)**
Proceeds from loan note issuance		313,419	722,862
Proceeds from shares issued	22	-	8,300
Repayment of loan notes		(348,561)	(543,412)
Repayment of lease liabilities		(1,362)	(1,407)
Net cash flows from financing activities		**(36,504)**	**186,343**
Net (decrease) / increase in cash and cash equivalents		30,632	26,525
Cash and cash equivalents at 1 January		141,177	114,652
Cash and cash equivalents at 31 December		**171,809**	**141,177**

1. GENERAL INFORMATION

Belmont Green Finance Limited (the "Company") is a private limited company incorporated and registered in the United Kingdom. It is registered in England and Wales under the Companies Act 2006 with company number 09837692 and is limited by its shares. The company's registered address is 1 Battle Bridge Lane, London, United Kingdom, SE1 2HP.

The principal activities of the Group and the nature of the Group's operations are set out in the strategic report on pages 24 to 45.

The financial statements are presented in pounds sterling (£), the functional and presentational currency for the Group and are rounded to the nearest thousand (£'000) unless otherwise stated.

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements of the Group are set out below.

(A) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted by the United Kingdom (UK). The financial statements have been prepared under the historic cost basis except for certain financial instruments which is detailed in note (k) below.

(B) GOING CONCERN

The financial statements have been prepared on a going concern basis, the directors having made an assessment that this is appropriate. This assessment has been based upon a thorough review of a wide range of information relating to present and future, internal and external conditions and, in particular, the potential impact of the economic environment upon the Group and its operations, markets, liquidity, capital and profitability. More specifically, but not exhaustively, the directors have considered the matters set out below.

- The Group's funding and liquidity resources covering the 12 months from the approval of these financial statements. These have been considered in the light of conditions within wholesale funding markets. The directors are confident that Belmont Green is able to execute its funding plans for the foreseeable future within the wholesale funding markets. The Board is also confident, given its experience of those markets in recent years, that BGFL is able to react and adapt to changing conditions and continue operating in the event of an extended closure of the funding markets.
- Forecast arrears levels resulting from a more pessimistic view of the impact of higher interest rates and cost of living increases. The impact of these arrears levels on the forecast cash flows within the securitisation structures was assessed along with limits on warehouse facility arrears levels and other loan covenants.
- The Group's forecast profitability over the 12-month period from approval of the financial statements. The Group is forecast to continue to be profitable during 2023 and beyond and relevant covenants are complied with.
- All of the above considerations have been used to estimate the potential impact on capital contributions from Pine Brook, the Group's private equity investor. Pine Brook remains committed to its long term investment in the Group.
- The operational resilience of the Group's critical functions, including its outsourced customer servicing operations, its ability to handle increased levels of customer arrears and its IT systems.

(C) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the results of the Company, its subsidiaries and other structured entities which are controlled by the Company (jointly referred to as the Group). The Group assesses whether it controls its subsidiaries and structured entities and the requirement to consolidate them under the criteria of IFRS 10. These entities are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. Upon consolidation intercompany transactions and balances are eliminated. Accounting policies are applied consistently across the Group.

Control is achieved over subsidiaries and structured entities when the Company:

- has power over an entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- can use its power to affect returns.

If facts and circumstances indicate that there are changes to one or more of the three elements of control listed above, the Company re-assesses whether it still controls the entity. The Group manages the administration of its securitised assets and is exposed to the risks and rewards of the underlying mortgage assets through its continued subordinated investment in the securitisation structures. Where the Group does not retain a direct ownership interest in a securitisation entity, but it has been determined based on the above criteria that the Group controls those entities they are treated as subsidiaries and included in the basis of consolidation.

(D) OPERATING SEGMENTS

The Group is outside the scope of IFRS 8, Operating Segments, and accordingly does not disclose segment information in these financial statements.

(E) INTEREST INCOME AND EXPENSE

Interest income and interest expense for all interest-bearing financial instruments measured at amortised cost are recognised in the statement of comprehensive income using the effective interest rate (EIR) method, under IFRS 9 (Financial Instruments: recognition and measurement). This method calculates the amortised cost of the financial asset or liability and allocates the interest income or expense over the relevant period. The EIR is the rate which discounts the expected future cash flows, over the expected life of the financial instrument to the net carrying amount of a financial asset or liability.

In calculating the EIR, the Group estimates the cash flows considering all contractual terms of the instrument but not future credit losses. The calculation of EIR includes all amounts received or paid by the Group that are an integral part of the overall return, the incremental transaction costs to acquisition or issue of the financial instrument.

Interest income and expense on derivatives designed as hedging instruments are recognised as part of net interest income (not as part of the fair value movement of the derivatives) and are recorded as a reduction to gross interest derived using the effective EIR method on the related hedged asset or liability.

(F) FEES

Fee income is included in interest income and similar income and fee expense in interest expense and similar charges. Fees that are an integral part of the effective interest rate of a financial instrument are recognised using the EIR method. Fees that are not considered integral to the effective interest rate are generally recognised on an accruals basis when the service has been provided.

(G) TAXATION

Income tax on the profit or loss comprises current tax and deferred tax. Income tax is recognised in profit or loss, other comprehensive income or directly in equity, consistently with the recognition of items it relates to.

Current tax is the expected tax charge or credit on the taxable profit or loss for the year and any adjustments in respect of the previous years. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in future years and it further excludes items of income and expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

(H) CASH AND CASH EQUIVALENTS

Cash in the statement of financial position comprises cash at banks with a maturity of three months or less, which is subject to an insignificant risk of change in value.

(I) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are shown at cost less accumulated depreciation. Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life as follows:

- Leasehold improvements and furniture 5 years
- Computer equipment 3 years

All items of property, plant and equipment are reviewed for indications of impairment annually and if they are considered to be impaired are written down to their recoverable amounts. The cost of repairs and renewals is charged to profit or loss in the period in which the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS

(J) INTANGIBLE ASSETS

Purchased software and costs directly associated with the development of computer software are capitalised as intangible assets where the software is a unique and identifiable asset controlled by the Group and will generate future economic benefits.

Costs to establish technological feasibility or to maintain existing levels of performance are recognised as an expense. The Group only recognises internally generated intangible assets if all of the following conditions are met:

- an asset is being created that can be identified after establishing the technical and commercial feasibility of the resulting product;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Subsequent expenditure on an internally generated intangible asset, after its purchase or completion, is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets are reviewed for impairment annually, and if they are considered to be impaired, are written down immediately to their recoverable amounts.

Intangible assets are amortised on a straight-line basis over their estimated useful lives as follows:

- Core software systems 5 years
- Non-core software systems 3 years

For development costs that are under construction, no amortisation will be applied until the asset is available for use and is calculated using a full month when available for use.

The Group reviews the amortisation period on an annual basis. If the expected useful life of assets is different from previous assessments, the amortisation period is changed accordingly.

(K) FINANCIAL INSTRUMENTS

Classification and measurement
The Group classifies financial instruments based on the business model and the contractual cash flow characteristics of the financial instruments. Under IFRS9, financial assets are measured in the following way:

- **Amortised Cost** - Financial assets, predominantly mortgage loans to customers, that are held to collect contractual cash flows where the cash flows represent solely payments of principal and interest are measured at amortised cost.

- **Fair value through profit or loss (FVTPL)** - Financial assets are classified at fair value through profit or loss where they do not meet the criteria to be measured at amortised cost or where they are designated at fair value through profit or loss to reduce an accounting mismatch. All derivatives are carried at fair value through profit or loss.

The Group classifies non-derivative financial liabilities as measured at amortised cost. The Group has no financial assets or liabilities classified as held for trading.

Recognition
The Group initially recognises loans and advances to customers and debt securities in issue when the Group becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on trade date, being the date the Group is committed to purchase or sell an asset.

On initial recognition, financial assets and liabilities are classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, depending on the Group's business model for managing the financial assets and whether cash flows represent solely payments of principal and interest.

Derecognition
The Group derecognises financial assets when the contractual right to receive cash flows expires or is transferred, or the Group transfers substantially all the risks and rewards of ownership of the financial asset.

At the point at which the Group sells any mortgage loans under forward flow agreements it would expect to derecognise these financial assets.

Financial Liabilities are derecognised only when the obligation is discharged, cancelled or has expired.

Amortised cost measurement
Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to that asset. Subsequently, they are measured at amortised cost using the EIR method, less impairment losses. Borrowings, predominately debt securities in issue, are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. These instruments are subsequently stated at amortised cost using the EIR method.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is measured at a specific date and may be significantly different from the amount which will be paid or received on maturity or settlement date.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison to instruments with characteristics similar to those of the instruments held by the Group.

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the quality and reliability of information used to determine the fair values.

Level 1
Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets market for identical assets or liabilities. The Group does not hold any financial instruments falling within level 1 of the hierarchy.

Level 2
Level 2 valuations are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these valuation techniques use inputs that are based significantly on observable market data.

Level 3
Level 3 valuations are those where at least one input which could have a significant effect on the instruments' valuation is not based on observable market data. Such instruments would include the Group's loans to customers as their valuation uses unobservable inputs on collectability rates and redemption profiles.

The Group values loans to customers and debt securities in issue using level 3 valuation techniques. Loans to customers fair value is measured using modelled receipts of interest and principal which are discounted at market rates. The fair value of issued debt securities is calculated using modelled payments of interest and principal discounted at market rates for similar instrument.

The fair values of derivative financial instruments, interest rate swaps, are calculated by discounting cash flows using appropriate observable market data. As such these instruments fall within level 2 of the hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

(L) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses on a forward-looking basis the expected credit losses (ECLs) associated with its financial assets that are not measured at fair value through profit or loss.

For loans to customers, accounts are assigned to one of three stages which are intended to reflect the deterioration in credit quality.

- Stage 1 comprises loans that have shown no significant increase in credit risk (SICR) since origination. They carry an impairment provision equivalent to the ECL from those default events that are projected within 12 months of the reporting date (12-month ECL).
- Stage 2 comprises loans that have shown a SICR since origination together with loans that are subject to forbearance measures such as financial and non-financial arrangements. Probabilities of default (PD) are calculated by a statistical model that uses both internal data and external credit bureau data. The SICR is determined by relative quantitative PD thresholds. Additionally, loans that are more than 1 month past due are considered to have experienced a SICR regardless of these quantitative thresholds and are assigned to Stage 2. Stage 2 loans carry an impairment provision equivalent to the ECL over the contractual lifetime of the loan (lifetime ECL).
- Stage 3 comprises loans where there is objective evidence that the loan is credit impaired. The objective evidence that is used to determine whether a loan is impaired is whether it is more than 3 months past due, has been renegotiated for credit risk reasons or otherwise considered to be in default, including possession. These loans also carry an impairment provision equivalent to the lifetime ECL, but with the PD set to 100%.

ECLs are calculated at individual loan level, with the calculations having three main components: PD, loss given default (LGD) and exposure at default (EAD). The LGD represents losses expected on default, given the probability of a loan moving from default to possession, the estimated recovery in the event of possession, costs incurred in the possession and sale of security and discounting of recoveries to present value based on the time to sale. The EAD represents the expected balance at the time of default, using the contractual amortisation of the loan equivalent to the account balance at default with 3 months of non-payment and the associated accrued interest. IFRS 9 requires the estimates of PD and LGD to take into consideration the effects of variations in forward looking macroeconomic variables, which include house prices, unemployment and interest rates. The Group integrates probability-weighted macroeconomic forecasts into individual ECL calculations. The Group does not have an in-house economics function and sources economic forecasts from an appropriately qualified third party. The Group considers up to four macroeconomic forecast scenarios – base, downside, upside and severe.

Loans are written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is after receipt of any proceeds from the realisation of security.

(M) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments (interest rate swaps) to manage its exposure to interest rate risk. In accordance with its Treasury policy, the Group does not hold or issue derivative financial instruments for proprietary trading.

Derivative financial instruments are recognised at their fair value with changes in their fair value taken to profit or loss. Fair values are calculated by discounting cash flows at the prevailing interest rates. All derivatives are classified as assets when their fair value is positive and as liabilities when their fair value is negative. If a derivative is cancelled, it is derecognised from the Statement of Financial Position.

The Group also uses derivatives to hedge the interest rate risk that arises from the application pipeline and from irrevocable offers to lend. This exposes the Group to movements in the fair value of derivatives until the loan is drawn. The changes in fair value are recognised in profit or loss in the period.

(N) HEDGE ACCOUNTING

As permitted by IFRS 9, the Group continues to apply the requirements of IAS 39 to its hedging relationships. All derivatives are recognised at their fair value. The Group has applied fair value hedge accounting for a number of years and during the year has started applying cash flow hedging.

Hedge accounting allows one financial instrument, generally a derivative such as a swap, to be designated as a hedge of another financial instrument such as a loan or a portfolio of such instruments. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item, the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flows of the hedged risk. The effectiveness of the hedging relationship is tested both at inception and throughout its life at least at every reporting period and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with the change in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, changes in the fair value of the hedge item attributable to the hedged risk are no longer recognised in the income statement. The cumulative adjustment that has been made to the carrying amount of the hedged item is amortised to the income statement using the effective interest method over the period to maturity.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The Group considers the following as key sources of hedge ineffectiveness:

- the mismatch in maturity date of the swap and hedge item, as swaps with a given maturity date cover a portfolio of hedged items which may mature throughout the month; and
- the actual behaviour of the hedged item differing from expectations, such as early repayment.

(O) PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, which is reliably measurable and when it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date.

(P) EMPLOYEE BENEFITS – DEFINED CONTRIBUTION SCHEME

During the period the Group operated a defined contribution pension. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the statement of comprehensive income represents the contribution payable to the scheme in respect of the accounting period.

NOTES TO THE FINANCIAL STATEMENTS

(Q) SHORT-TERM EMPLOYEE BENEFITS

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(R) WAREHOUSE AND SECURITISATION STRUCTURES

Warehouse facilities
The Group has committed warehouse facilities to provide short-term funding for originated loans prior to transferring them to securitisation vehicles. The fees incurred in setting up and making amendments to these facilities are deferred and amortised over one or two years dependent upon the nature of the costs and any subsequent renewal costs over one year to reflect the rolling renewal nature of the facilities. These costs are included in deferred deal costs in note 15.

The Group has an uncommitted warehouse facility. Given the facility's nature the warehouse provider is not obliged to fund originations at any point. The set-up costs of the uncommitted facility have been written off when incurred rather than being amortised over the potential life of the facility agreement.

Securitisation structures
At 31 December 2022, the Group had four securitisation structures: Tower Bridge Funding 2020-1 PLC, Tower Bridge Funding 2021-1 PLC and Tower Bridge Funding 2021-2 PLC and Tower Bridge Funding 2022-1 PLC. The Group has retained the risks and rewards of ownership in respect of the loans transferred to these special purpose vehicles and they, therefore, fail the derecognition criteria and are included in the Group's financial statements.

Whilst the special purpose vehicles have been consolidated as 100% subsidiaries, the mortgage loans included within the deal structures are ring-fenced, with the cash flows being used to repay liabilities in line with the priority of payments set out in the relevant deal documentation. For all structures, with the exception of Tower Bridge Funding 2022-1 PLC, the senior debt is held externally with the junior debt and residual certificates retained by the Group. Tower Bridge Funding No. 4 PLC was structured with vertical risk retention with 95% of the notes being held externally and the Group holding 5% of the notes and 100% of the residual certificates. The Group statement of financial position shows externally held notes as debt securities in issue.

The amortisation period of set-up costs for the securitisation structures reflects the period to the term of the first call. These costs are included in deferred deal costs in note 15.

(S) LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the net present value of the future lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise: fixed lease payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that depend on an index or rate, the amount expected to be payable by the lessee under residual value guarantees; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the EIR method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability and makes a corresponding adjustment to the related right-of-use asset whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the shorter period of lease term and useful life of the right-of-use asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components and instead account for any lease and associated non-lease components as a single arrangement. The Group has applied this practical expedient.

(T) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to significant accounting policies during the year.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Group's accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out below.

i. Impairment of loans

Significant increase in credit risk for transfer to stage 2

The Group's criteria for transferring loans from stage 1 to stage 2 are set by reference to thresholds for relative changes in the PD of loans compared to the PD at their origination and by the application of qualitative measures which, if triggered, will move a loan from stage 1 to stage 2. Setting the thresholds for transferring loans to stage 2 is a key area of judgement.

LGD model

The Group's LGD model uses estimates including propensity to go to possession given default, time to sale, forced sale discount and costs of sale. The factor that has the largest impact on LGD is the house price index (HPI), with assumptions being set out in the table in the forward-looking macroeconomic scenarios section below.

Forward-looking macroeconomic scenarios

The calculation of PDs and LGDs requires the use of forward-looking estimates of macroeconomic conditions. The ECL calculations are sensitive to both the assumed forecast macroeconomic variables and the probability weightings assigned to the forecast scenarios. The ECLs calculated utilise economic forecasts that were considered to be appropriate at 31 December 2022. However, given the uncertainty over the path of the economy, the scenarios and their weightings are subject to a significant degree of estimation.

In setting the economic forecasts, the Board has had regard to the forecasts of its economic adviser as well as forecasts published by the Bank of England and Office for Budget Responsibility. Four forecast scenarios have been prepared and, aside from the upside scenario, they consider a recessionary environment in 2023 with a slow recovery from 2024. Inflation falls in all scenarios by the end of 2023, with higher interest rates leading to falls in house prices. In the base scenario, a peak-to-trough fall of 10% from the end of Q3 2022 to the end of Q2 2024 is forecast, including a fall of 7.5% in the 2023 year. This peak-to-trough fall increases to 25% to the end of Q4 2024 in the severe scenario, including a fall of 15% in the 2023 year and 10.4% in the 2024 year.

The Board has continued to allocate a broad distribution of weightings to the scenarios, but has reallocated 10% of the weighting from the severe to the downside to give weightings of 40% base, 40% downside, 10% upside, 10% severe (2021: 40% base, 30% downside, 10% upside, 20% severe).

These weightings continue to reflect the level of uncertainty in the economic outlook at the end of 2022.

The following table provides details of the forecast economic variables of each of the four forecast scenarios:

		2023	2024	2025
Variable	Scenario	%	%	%
GDP	Base	-0.4	2.9	3.3
(year-on-year)	Downside	-1.8	2.4	3.6
	Upside	2.2	3.1	3.0
	Severe	-3.6	1.1	4.4
Unemployment	Base	4.8	4.5	4.1
(end-of-year rate)	Downside	5.7	5.9	4.9
	Upside	3.5	3.7	3.9
	Severe	6.9	7.8	6.2
Inflation	Base	6.6	2.0	2.0
(year-on-year)	Downside	9.7	2.2	2.0
	Upside	3.8	2.0	2.0
	Severe	12.5	6.2	2.1
Bank Rate	Base	3.50	2.75	2.50
(end-of-year rate)	Downside	4.25	3.75	3.00
	Upside	3.25	2.50	2.25
	Severe	5.00	4.75	3.75
HPI	Base	-7.5	0.1	4.3
(year-on-year)	Downside	-10.2	-3.9	1.3
	Upside	2.8	4.3	5.5
	Severe	-15.0	-10.4	4.8

The table below illustrates the ECLs calculated using 100% weighting to each scenario compared to the ECL calculated using the scenario weightings. The provision coverage has been calculated as the total ECL provision as a percentage of gross loans to customers of £1,749,748k (2021: £1,812,343k).

	2022			2021		
	Weight	ECL £'000	Prov'n Coverage	Weight	ECL £'000	Prov'n Coverage
Weighted	-	5,925	0.34%	-	7,647	0.42%
Base	40%	4,598	0.26%	40%	5,347	0.30%
Downside	40%	6,868	0.39%	30%	8,636	0.48%
Upside	10%	2,212	0.13%	10%	3,308	0.18%
Severe	10%	11,176	0.64%	20%	12,933	0.71%

As an indication of sensitivity, a 2% absolute increase or decrease in the probability weighted HPI assumption would decrease ECLs by approximately £169k or increase ECLs by approximately £278k respectively.

The impact of applying multiple economic scenarios gives rise to a probability weighted ECL of £5,925k, 28.9% more than the provision of £4,598k calculated using the base scenario. By comparison, in 2021 the probability weighted ECL was 43.0% more than the base case ECL.

Post-model adjustments (PMAs)

PMAs are adjustments made outside of models to correct known data or model limitations. PMAs can also be judgemental, especially when addressing new risks or uncertainties that were not designed to be captured by the model when it was developed. Given continued economic uncertainty and other external factors affecting the loan book, PMAs have been applied in 2022, as they were in 2021, in the calculation of ECLs. In total, £2,349k of PMAs have been applied on a probability-weighted basis at 31 December 2022 (2021: £3,100k) and are included in the total provision of £5,925k (2021: £7,647k). A summary of the largest PMAs is set out in the paragraphs that follow.

Inflation has risen throughout 2022, increasing the cost-of-living and has put pressure on customers' ability to meet their mortgage payments. Whilst BGFL did not experience a significant rise in arrears in 2022, a PMA has been applied to cater for the risk that inflation has impacted the affordability of mortgage payments that has not been captured by the ECL model. The PMA has been applied to both the BTL and owner-occupied books and has considered affordability of payments when customers' fixed rate periods come to an end. Assumptions regarding customers' income, outgoings or, in the case of a BTL customer, interest coverage ratio have been made. As a result, a PMA of £1,018k has been made (2021: £nil).

Consideration has been given to the potential impact of the introduction of Energy Performance Certificates from 2025 on the BTL loan book. To account for the transition risk resulting from the costs of upgrading properties and a reduction in values for the BTL book with an EPC certificate higher than C, the forced sale discount assumption was stressed. In 2022, this has been extended to the owner-occupied book, giving rise to a total PMA of £751k (2021: £637k).

Belmont Green has lent to customers that are affected by cladding regulations. Measures have been introduced by the government with the Building Safety Act 2022 to support people affected by cladding and more data has become available in 2022 on properties affected by cladding issues. As a result, the PMA in 2022 has been applied to those purpose-built flats in mid-rise blocks of less than 11 metres in height that have not been identified as not being affected by cladding issues. The population at risk of cladding has been significantly reduced from 2021 as a result. The PMA has been estimated by applying haircuts to property valuations. A PMA of £394k has been made (2021: £961k).

In 2021, a PMA was made for London BTL customers due to the pressures within that segment of the market. For this set of customers, management's and the Board's view was that the PD for these customers was higher than that modelled. However, management no longer holds this view and a PMA has not been made in 2022 (2021: £558k).

ii. Effective interest rate

Estimates are made when calculating the EIR for loans to customers. The critical estimates in the EIR calculation are expected lives of loans and the assumed reversionary rates at the end of fixed rate periods. Bringing forward future reversionary rate income and spreading upfront fees received and paid creates assets and liabilities in the statement of financial position. These estimates are monitored to ensure their ongoing appropriateness.

Management and the Board have reviewed the prepayment behaviour of the individual cohorts within the Belmont Green book against that modelled in the EIR calculations. Overall, they were satisfied that modelled expected loan lives were appropriate.

iii. Remediation provisions

In 2019, some issues were identified with an earlier tranche of lending to a small proportion of borrowers whose loans ran beyond their retirement age. Belmont Green has sought to ensure that no customer harm results and takes action that could involve a lower EIR on this cohort of loans. As this action can be treated as an act of forbearance, each of these loans has also been categorised as Stage 3 for ECL calculation purposes.

There is a possibility that some of the loans redeem before action is taken by Belmont Green and it is a matter of judgement as to whether the Group will incur a reduction in income to the extent of the provision. At 31 December 2022, there was a total provision of £289k (2021: £1,336k), with the provision reducing as the cohort matures and redeems. The Board is satisfied that the provision at 31 December 2022 is appropriate.

In addition, in 2020 a review performed by the FCA of customer affordability in lending decisions identified some issues that Belmont Green subsequently reviewed and responded to. At 31 December 2021 a provision of £120k had been held reflecting the remaining uncertainty in the final remediation outcome. This provision has been released during 2022 with no further remediation being expected.

iv. Deferred tax asset recognition

The Group has unused tax losses that have been recognised as a deferred tax asset in the statement of financial position at 31 December 2022. This asset has been recognised on the basis that the directors believe it is probable that future taxable profits will be generated against which those tax losses can be utilised. The main assumption that the directors have placed reliance upon is the forecast growth of the Belmont Green business that will generate profits in future years. The directors have reviewed the forecast future profit performance of the Group, including the underlying assumptions of that forecast.

Given the macroeconomic conditions experienced in 2022 and that have continued into 2023, the Group has revised down its forecast profitability trajectory in the near term. The directors, therefore, have now recognised tax losses that are forecast to be recoverable within 5 years (2021: 3 years) which has led to a deferred tax asset at 31 December 2022 of £13.6m (2021: £13.0m).

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
	£'000	£'000
On financial assets held at amortised cost:		
Interest income on loans and advances to customers	94,539	82,629
On financial instruments held at FVTPL:		
Net income / (expense) on derivative financial instruments	5,402	(14,078)
	99,941	68,551

5. INTEREST EXPENSE AND SIMILAR CHARGES

	2022	2021
	£'000	£'000
Interest expense and other charges	56,893	33,960
Interest on lease liabilities	24	61
IFRS16 interest adjustment for variable lease components	120	25
	57,037	34,046

6. OTHER OPERATING INCOME

	2022	2021
	£'000	£'000
Loss on disposal of loan portfolio	(9,582)	-
Forward flow income	2,926	987
Income from servicing	482	-
	(6,174)	987

Income from servicing represents net servicing fees received from mortgages sold via forward flow arrangements as well net servicing fees received from a £482m mortgage portfolio that was sold in September 2022.

7. NET GAIN/(LOSS) FROM DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022	2021
	£'000	£'000
Net gain on derivative financial instruments	62,495	38,201
Net loss on assets held in fair value hedges	(63,201)	(39,605)
	(706)	(1,404)

8. ADMINISTRATIVE EXPENSES

	2022	2021
	£'000	£'000
Staff costs	20,224	16,519
Auditor's remuneration:		
Audit of the company and consolidated financial statements	360	227
Audit of the company's subsidiaries	240	240
Other non-audit services not covered above	-	253
Audit related assurance services	164	387
Lease commitment under IFRS 16	1,180	1,128
Operating lease rentals	92	8
Other administrative costs	13,242	12,170
Total	35,502	30,932

Included in staff costs is an exceptional item of £1,009k (2021: £nil) relating to a management restructure.

8. ADMINISTRATIVE EXPENSES CONTINUED >>>

STAFF COSTS

The aggregate remuneration of staff, including Executive Directors, for the Group and Company comprised:

	2022	2021
	£'000	£'000
Wages and salaries	16,075	13,982
Social security costs	2,139	1,691
Pension costs	1,001	846
Termination costs	1,009	-
Total	20,224	16,519

The average monthly number of people employed by the Group and Company (including Executive Directors) during the year is analysed below:

	2022	2021
Executive	8	11
Business and customer operations	128	112
Administration	52	43
Technology	19	13
Total	207	179

The total amount for directors' remuneration comprised:

	2022	2021
	£'000	£'000
Wages and salaries	1,713	1,712
Social security costs	259	233
Pension costs	3	-
Total	1,975	1,945

There was one director in the company's defined contribution pension scheme during the year (2021: nil). The total amount payable to the highest paid director in respect of emoluments was £970k (2021: £932k).

9. TAXATION

	2022	2021
Corporation tax	£'000	£'000
Current year (charge) / credit	(13)	(25)
Adjustments in respect of prior year	31	61
Deferred tax		
Current year (charge) / credit	4,950	1,247
Adjustment in respect of prior periods	(330)	4,264
Effect of changes in tax rate	836	4,481
Deferred tax asset not recognised	(4,865)	(8,023)
Total tax credit	609	2,005
Factors affecting the tax charge for the year		
(Profit) / loss on ordinary activities before taxation	(1,375)	(2,654)
Tax at UK corporation tax rate of 19% (2021:19%)	(261)	(504)
Effects of:		
Adjustments in respect of prior year	(299)	4,325
Non-deductible expenses	(3)	(148)
Effect of tax rate change	836	4,481
Exempt amounts	5,201	1,874
Deferred tax asset not recognised	(4,865)	(8,023)
Tax credit on loss on ordinary activities	609	2,005

For an explanation of the deferred tax asset that has not been recognised refer to note 16.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The fair values and notional amounts of derivative instruments held are set out in the following table:

2022 Instrument type	Notional contract amount £'000	Asset carrying value £'000	Liability carrying value £'000
Interest rate – fair value hedges	1,448,185	77,012	94
Interest rate – cash flow hedges	263,095	12,067	139
Total derivatives held for hedging purposes	1,711,280	89,079	233

2021 Instrument type	Notional contract amount £'000	Asset carrying value £'000	Liability carrying value £'000
Interest rate - not in hedging relationship	147,741	355	49
Interest rate - fair value hedges	1,609,627	8,321	780
Total recognised derivative assets/liabilities	1,757,368	8,676	829

£1,448m (2021: £1,610m) of derivative instruments were designated in fair value hedge accounting relationships, where the hedged item notional amount was £1,448m (2021: £1,610m), thus maintaining a hedge ratio of 1:1.

The carrying amount of the Group's hedging instruments were as follows:

31 December 2022	Contract/notional amount £'000	Assets £'000	Liabilities £'000	Changes in fair value used for calculating hedge ineffectiveness £'000
Fair value hedges				
Interest rate swaps	1,448,185	77,012	94	69,545
Cash flow hedges				
Interest rate swaps	263,095	12,067	139	11,844

31 December 2021	Contract/notional amount £'000	Assets £'000	Liabilities £'000	Changes in fair value used for calculating hedge ineffectiveness £'000
Fair value hedges				
Interest rate swaps	1,609,627	8,321	780	1,222

The carrying amount of the Group's hedged items were as follows:

	Carrying amount of the hedged item		Accumulated amount of fair value adjustment on the hedged item		Changes in fair value of hedged item for ineffectiveness assessment
	Assets	Liabilities	Assets	Liabilities	
31 December 2022	£'000	£'000	£'000	£'000	£'000
Fair value hedges					
Interest rate					
Fixed rate mortgages[1]	1,448,185	-	(76,396)	-	(63,442)
31 December 2021					
Fair value hedges					
Interest rate					
Fixed rate mortgages[1]	1,609,627	-	-	12,954	-

The hedged item for fair value hedges represents the portfolio of fixed rate mortgages and the change in fair value of the hedged item has been presented as a fair value adjustment for hedged risk within assets.

	Changes in fair value of hedged item for ineffectiveness assessment	Cash flow hedge reserve	
	Assets	Continuing hedges	Discontinued Hedges
31 December 2022	£'000	£'000	£'000
Cash flow hedges			
Interest rate	(16,864)	4,964	11,900

The hedged items for the cash flow hedge are the highly probable cash flows on issued floating rate notes. The effective portion of the change in fair value is deferred to the cash flow hedge reserve. The table above shows the amounts transferred to the cash flow hedge reserve and the breakdown between the live and discontinued hedges in the cash flow hedge reserve.

The Group holds derivatives to manage and hedge the Group's risk arising from financial markets. The Group has entered into interest rate swaps to reduce the risk of loss from movements in interest rates. The Group manages this exposure by hedging 100% of its fixed rate mortgage loan exposure through a combination of balance guaranteed interest rate swaps, vanilla interest rate swaps and forward starting interest rate swaps. It has established hedge accounting relationships for interest rate risk using portfolio fair value hedges.

Hedge ineffectiveness arises during the management of interest rate risk due to residual unhedged risk. Sources of ineffectiveness, which the Group may decide to not fully mitigate, can include basis differences, timing differences and notional amount differences. The effectiveness of accounting hedge relationships is assessed between the hedging derivatives and the documented hedged item, which can differ from the underlying economically hedged item.

[1] Included within loans to customers

10. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED >>>

Interest rate swaps are classified as level 2 financial instruments in the fair value hierarchy.

No prior year figures are shown for cash flow hedges as 2022 is the first year that we have accounted for cash flow hedges in this manner.

The following tables show derivative notional amounts in the relevant maturity groupings in which they fall due.

31 December 2022	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total notional
Maturity	£m	£m	£m	£m	£m
Derivative assets	131.7	379.8	1,125.9	44.4	1,681.8
Derivative liabilities	-	-	26.0	3	29.4
Notional	131.7	379.8	1,151.9	47.4	1,711.2

31 December 2021	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total notional
Maturity	£m	£m	£m	£m	£m
Derivative assets	7.2	172.9	1,373.6	11.9	1,565.6
Derivative liabilities	-	-	183.8	8.0	191.8
Notional	7.2	172.9	1,557.4	19.9	1,757.4

The Group has 171 (2021: 75) derivative contracts with an average fixed rate of 1.98% (2021: 0.92%).

In accordance with IAS 32 Financial Instruments: Presentation, the Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set-off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group entered into a one-way collateral agreement with one of its swap counterparties such that when the derivatives are in asset positions for the Group, the swap counterparty will post collateral, but when the derivatives are in liability positions for the Group, no collateral will be posted by the Group to the swap counterparty. All collateral on outstanding swaps is therefore included in other liabilities and is detailed in the table below.

	Gross amounts	Amounts offset	Net amounts reported on balance sheet	Related amounts not offset: Cash collateral placed	Net amount
31 December 2022	£m	£m	£m	£m	£m
Derivative assets	9.6	-	9.6	8.8	0.8
Derivative liabilities	0.1	-	-	-	0.1

	Gross amounts	Amounts offset	Net amounts reported on balance sheet	Related amounts not offset: Cash collateral placed	Net amount
31 December 2021	£m	£m	£m	£m	£m
Derivative assets	1.4	-	1.4	1.4	-
Derivative liabilities	-	-	-	-	-

Separate to the above BGFL had also posted an initial margin with a swap counterparty to facilitate hedging activities prior to the assets being on the balance sheet. The balance of this initial margin posted was £8.5m (2021:£nil) and is included in other assets.

11. FINANCIAL INSTRUMENTS

The following table summarises the classification and carrying value of the Group's financial assets and liabilities:

	2022		
	£'000	£'000	£'000
Assets	FVTPL	Amortised cost	Total
Cash and cash equivalents	-	171,809	171,809
Loans and advances to customers	-	1,685,600	1,685,600
Derivative financial assets	89,079	-	89,079
	89,079	1,857,409	1,946,488
Liabilities			
Amounts owed to credit institutions	-	15,188	15,188
Debt securities in issue	-	1,748,523	1,748,523
Derivative financial liabilities	233	-	233
	233	1,763,711	1,763,944

	2021		
	£'000	£'000	£'000
Assets	FVTPL	Amortised cost	Total
Cash and cash equivalents	-	141,177	141,177
Loans to customers	-	1,811,577	1,811,577
Derivative financial assets	8,676	-	8,676
	8,676	1,952,754	1,961,430
Liabilities			
Amounts owed to credit institutions	-	15,336	15,336
Debt securities in issue	-	1,808,666	1,808,666
Derivative financial liabilities	829	-	829
Fair value liabilities held at fair value	12,954	-	12,954
	13,783	1,824,002	1,837,785

12. OTHER RESERVES

	2022	2021
	£'000	£'000
Balance at 1 January 2022	-	-
Cash flow hedge reserve gains	16,864	-
Balance at 31 December 2022	16,864	-

The cash flow hedge reserve is the cumulative net change in the fair value of the effective portion of the interest rate swaps entered into to hedge the mortgage pipeline. The ineffective portion is recognised in the statement of profit and loss and other comprehensive income.

13. LOANS TO CUSTOMERS

	2022	2021
	£'000	£'000
BTL loans	1,277,203	1,337,584
Owner-occupied loans	471,287	473,067
Second charge loans	1,257	1,692
	1,749,747	1,812,343
EIR asset	18,174	6,881
Provision for impairment losses	(5,925)	(7,647)
	1,761,996	1,811,577
Fair value adjustment for hedged risk	(76,396)	-
	1,685,600	1,811,577

	2022	2021
Movements in loans to customers	£'000	£'000
At beginning of year	1,811,577	1,635,572
Loans originated	682,732	423,297
Effective interest rate adjustments	11,293	5,365
Interest, fees & charges on loans	81,138	74,525
Redemptions and repayments	(344,643)	(327,006)
Sale of loans	(481,822)	-
Charge for impairment losses	1,721	(176)
Fair value adjustment for hedged risk	(76,396)	-
	1,685,600	1,811,577

In addition to the amounts disclosed in the table above, there were forward flow originations of £112.3m in 2022 (2021: £39.8m).

14. EXPECTED CREDIT LOSSES

The following tables show the movement in credit exposures by IFRS 9 stage and the corresponding movement in impairment provisions by IFRS 9 stage.

Movement in loans to customers by stage – 2022	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross balance at 1 January 2022	1,124,651	643,601	44,091	1,812,343
Transfers between stages				
To stage 1	289,470	(288,949)	(521)	-
To stage 2	(310,965)	315,876	(4,911)	-
To stage 3	(4,210)	(13,694)	17,904	-
Originations	171,458	103,579	188	275,225
Changes to carrying value	(6,866)	(7,761)	(173)	(14,800)
Loans to customers derecognised during the year	(221,903)	(89,669)	(11,449)	(323,021)
Gross balance at 31 December 2022	1,041,635	662,983	45,129	1,749,747

Movement in loans to customers by stage – 2021	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross balance at 1 January 2021	1,150,485	455,349	35,694	1,641,528
Transfers between stages				
To stage 1	92,919	(92,616)	(303)	-
To stage 2	(265,768)	266,873	(1,105)	-
To stage 3	(5,294)	(10,863)	16,157	-
Originations	319,805	102,528	964	423,297
Changes to carrying value	(8,753)	(4,391)	(630)	(13,774)
Loans to customers derecognised during the year	(158,738)	(73,283)	(6,687)	(237,708)
Gross balance at 31 December 2021	1,124,656	643,597	44,090	1,812,343

In addition, the mortgage offer pipeline of £12,811k at 31 December 2022 (2021: £154,774k) was classified at stage 1.

Movement in ECLs by stage – 2022	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Impairment provision at 1 January 2022	1,216	3,889	2,541	7,647
Transfers between stages:				
Transfers to stage 1	1,489	(1,450)	(39)	-
Transfers to stage 2	(354)	675	(321)	-
Transfers to stage 3	(9)	(189)	198	-
Originations (net of forward flow) + pipeline	269	1,335	18	1,621
Changes to carrying value	(1,631)	(466)	258	(1,839)
Loans to customers derecognised during the year	(333)	(351)	(820)	(1,504)
Impairment provision at 31 December 2022	647	3,443	1,835	5,925

Movement in ECLs by stage – 2021	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Impairment provision at 1 January 2021	898	3,834	2,793	7,471
Transfers between stages:				
Transfers to stage 1	1,117	(1,104)	(13)	-
Transfers to stage 2	(175)	268	(93)	-
Transfers to stage 3	(8)	(213)	221	-
Originations (net of forward flow) + pipeline	571	1,051	86	1,708
Changes to carrying value	(1,087)	455	(35)	(667)
Loans to customers derecognised during the year	(99)	(402)	(364)	(865)
Impairment provision at 31 December 2021	1,217	3,889	2,541	7,647

ARREARS PERFORMANCE

The Group's mortgage book has continued to experience relatively low arrears and limited defaults. At the end of December 2022 loans more than 1 month in arrears represented 3.0% of the portfolio balances (2021: 2.6%). This can be broken down to 5.5% of the owner-occupied book (2021: 4.2%) and 2.0% of the BTL book (2021: 2.1%). Those loans more than 3 months in arrears represented 1.3% of the total portfolio balances (2021: 1.2%).

At the end of December 2022, there was 1 owner-occupied loan in possession (2021: nil) and 7 BTL loans in possession (2021: 3). There were 7 repossession sales during the year (2021: 4).

Movement in expected credit losses	2022 £'000	2021 £'000
At 1 January	7,647	7,471
Charge for the year	(543)	725
Derecognition following September 2022 loan book sale	(872)	-
Written off in the year	(307)	(549)
At 31 December	5,925	7,647

15. OTHER RECEIVABLES

	2022 £'000	2021 £'000
Swap collateral	8,500	-
Deferred deal costs	4,649	5,457
Prepayments	1,301	1,382
Other receivables	1,848	5,275
	16,298	12,114

16. DEFERRED TAX ASSET

The movement in the deferred tax asset is as follows:

	2022 £'000	2021 £'000
At 1 January	12,975	11,007
Adjustments in respect of prior periods	(330)	4,264
(Debit) / credit to income statement	4,950	1,247
Effect of change in tax rate	835	4,480
Deferred tax asset not recognised	(4,865)	(8,023)
At 31 December	13,565	12,975

The net deferred tax asset is analysed as follows:

	2022 £'000	2021 £'000
Tax losses	13,445	12,639
Other timing differences	120	336
	13,565	12,975

At the reporting date, the Group has unused tax losses of £112m (2021: £86m) available for offset against future profits. A deferred tax asset has been recognised in respect of £54m (2021: £54m) of such losses which includes the impact of the corporate tax change from 19% to 25%, effective from 1 April 2023. No deferred tax asset has been recognised in respect of the remaining £58m (2021: £32m) as the directors have assessed that it is prudent to recognise tax losses on the same basis as the prior year.

17. PROPERTY, PLANT AND EQUIPMENT

2022	Right of Use Asset £'000	Leasehold Improvements £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 January 2022	4,764	1,674	776	7,214
IFRS16 interest adjustment for variable asset components	76	-	-	76
Additions	-	58	73	131
Disposals		(1,196)	(288)	(1,484)
At 31 December 2022	4,840	536	561	5,937
Depreciation/amortisation				
At 1 January 2022	3,159	1,132	516	4,807
Charge for the year	1,103	332	151	1,586
Disposals	-	(1,133)	(288)	(1,421)
At 31 December 2022	4,262	331	379	4,972
Net book value				
At 31 December 2022	578	205	182	965

2021	Right of Use Asset £'000	Leasehold Improvements £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 January 2021	4,744	1,674	586	7,004
IFRS16 interest adjustment for variable asset components	20	-	-	20
Additions	-	-	190	190
Disposals	-	-	-	-
At 31 December 2021	4,764	1,674	776	7,214
Depreciation/amortisation				
At 1 January 2021	2,050	798	361	3,209
Charge for the year	1,109	334	155	1,598
Disposals	-	-	-	-
At 31 December 2021	3,159	1,132	516	4,807
Net book value				
At 31 December 2021	1,605	542	260	2,407

18. INTANGIBLE ASSETS

	2022	2021
Cost	£'000	£'000
At 1 January	2,926	1,359
Additions	1,040	1,567
Disposals	(155)	-
At 31 December	3,811	2,926
Depreciation/amortisation		
At 1 January	518	242
Charge for the year	611	276
Disposals	(155)	-
At 31 December	974	518
Net book value		
At 31 December	2,837	2,408

Intangible assets comprise computer software, which consists of purchased software and other external costs directly associated with the development of software. The amortisation charge for the period is included in "Other administrative costs" as disclosed in note 8.

19. DEBT SECURITIES IN ISSUE

Residential and buy to let mortgage assets are used as security for loan notes issued through the following vehicles:

	2022	2021
Warehouse Funding	£'000	£'000
Belmont Green Funding 1 Limited	145,887	56,204
Belmont Green Funding 3 Limited	24,740	64,612
Belmont Green Funding 4 Limited	218,827	193,724
Belmont Green Funding 5 Limited	241,538	216,450
	630,992	530,990
Securitisation Funding		
Tower Bridge Funding No.4 PLC	-	352,240
Tower Bridge Funding 2020-1 PLC	211,323	293,733
Tower Bridge Funding 2021-1 PLC	280,600	336,446
Tower Bridge Funding 2021-2 PLC	261,722	295,257
Tower Bridge Funding 2022-1 PLC	363,886	-
	1,117,531	1,277,676
Total debt securities in issue	1,748,523	1,808,666

The asset-backed loan notes are secured on both fixed and variable rate mortgages and are redeemable in part from time-to-time, although such redemptions are limited to the net principal received from borrowers in respect of the underlying mortgages. It is likely that a large proportion of the underlying mortgages and, therefore, the notes will be repaid within five years.

Asset-backed loan notes are expected to be repurchased by the Group from the outstanding Tower Bridge securitisations at the first call date. There is also the ability to repurchase the notes at any interest payment date after the call date.

Interest is payable at fixed margins above SONIA.

NOTES TO THE FINANCIAL STATEMENTS

20. OTHER LIABILITIES

	2022	2021
	£'000	£'000
Term loans	49,000	-
Accruals & payables	8,052	7,441
Lease liability	688	1,908
Forward flow completion monies received in advance	16	10,266
Interest rate swap accrual	2,029	-
Other liabilities	5,385	1,410
	65,170	21,025

Term loans consist of a £25m secured term loan from a third-party provider and a £24m term loan from the majority shareholder. Further disclosure around the shareholder loan is made in note 27.

21. PROVISIONS

	2022	2021
	£'000	£'000
At 1 January	374	604
Utilised during year	-	(7)
Credit for year	(310)	(223)
At 31 December	64	374

Provisions include a dilapidations provision related to the anticipated costs of restoring leased assets to their original condition. Management expects that the provision will be utilised at the end of the lease terms, the longest of which is due to end in 2024.

22. SHARE CAPITAL

	Shares authorised and fully paid	Nominal value
Ordinary shares – par value £1	Number	£'000
At 1 January 2021	196,162,560	196,162
Shares issued during year	8,300,000	8,300
At 31 December 2021	204,462,560	204,462
At 31 December 2022	204,462,560	204,462

23. LEASE LIABILITIES

The Group has entered into leases for office space. The weighted average incremental borrowing rate applied to lease liabilities at inception was 3% resulting in the recognition of a lease liability of £698k (2021: £1,936k).

	2022	2021
	£'000	£'000
Year 1	453	1,331
Year 2	240	427
Year 3	20	213
	713	1,971
Less: interest	(15)	(35)
At 31 December	698	1,936

Analysed as:		
Current	441	1,308
Non-Current	257	628
	698	1,936

24. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

MARKET RISK

Market risk is the risk that unfavourable market movements lead to a reduction in earnings or the Group's economic value. The Group does not have a trading book nor foreign exchange exposures. All derivatives are entered into for the purposes of hedging.

The main source of market risk is exposure to changes in interest rates and liquidity risk. Market risk is managed and monitored by the Group's Treasury function with oversight by the Risk function.

CREDIT RISK

Credit risk is the risk that unexpected losses may arise as a result of the Group's borrowers or market counterparties failing to meet their obligations to repay. The classes of financial instruments to which the Group is most exposed are loans to customers and cash with other financial institutions. The maximum credit risk exposure equals the total carrying amount of these categories plus off-balance sheet undrawn mortgage facilities.

Credit Risk – Loans to Customers
Credit risk associated with mortgage lending is largely driven by the housing market and level of unemployment. A recession and/or high interest rates could cause pressure within the market, resulting in rising levels of arrears and repossessions.

All loan applications are assessed with reference to the Group's lending policy. Changes to the policy are approved by the Board Risk Committee (BRC), with mandates set for the approval of loan applications. BRC regularly monitors lending activity, taking appropriate actions to adjust lending criteria in order to control risk and manage exposure.

The following table provides a breakdown of loans to customers by indexed loan-to-value:

	BTL	Owner-occupied	Second charge	Total	
2022	£'000	£'000	£'000	£'000	%
0% - 50%	122,810	112,261	389	235,460	13.5
50% - 60%	305,495	129,466	550	435,511	24.9
60% - 70%	668,143	127,344	223	795,710	45.5
70% - 80%	173,155	58,396	94	231,645	13.2
80% - 90%	7,395	43,376	0	50,771	2.9
> 90%	0	650	0	650	0.0
Total loans to customers	1,276,998	471,493	1,256	1,749,747	100.0

	BTL	Owner-occupied	Second charge	Total	
2021	£'000	£'000	£'000	£'000	%
0% - 50%	90,211	94,420	289	184,920	10.2
50% - 60%	190,648	75,705	262	266,615	14.7
60% - 70%	585,613	163,904	1,000	750,517	41.4
70% - 80%	439,574	115,422	94	555,090	30.7
80% - 90%	29,635	23,616	47	53,298	2.9
> 90%	1,903	-	-	1,903	0.1
Total loans to customers	1,337,584	473,067	1,692	1,812,343	100.0

An analysis of loans to customers by geographical region at 31 December is as follows:

	2022		2021	
	£'000	%	£'000	%
East of England	193,972	11.1	208,692	11.5
East Midlands	81,059	4.6	79,774	4.4
London	725,467	41.5	759,958	42.0
North East	29,004	1.7	25,970	1.4
North West	95,622	5.5	98,118	5.4
South East	260,795	14.9	279,783	15.4
South West	104,888	6.0	109,166	6.0
West Midlands	100,968	5.7	103,447	5.7
Yorkshire and the Humber	68,247	3.9	66,812	3.7
Total England	1,660,022	94.9	1,731,720	95.5
Scotland	49,919	2.9	41,536	2.3
Wales	39,806	2.2	39,087	2.2
Total loans to customers	1,749,747	100.0	1,812,343	100.0

24. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED >>>

Credit Risk – Loans to Customers >>>

The following table shows at year end, all gross loans to customers as categorised by the applicable IFRS 9 staging together with the ECL provision held:

	Gross loans		Impairment provision	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Stage 1				
Low risk	1,031,490	727,764	619	749
High risk	10,145	396,887	28	467
Stage 2				
Low risk	593,732	46,690	2,597	165
High risk	69,251	596,911	846	3,725
Stage 3				
Impaired	45,129	44,091	1,835	2,541
Total loans to customers	1,749,747	1,812,343	5,925	7,647

Credit Risk – Cash at Financial Institutions

The Group holds cash at financial institutions as part of its management of liquidity. The table below provides a breakdown of cash held at financial institutions by rating of those institutions.

	AAA	AA-	A+	A-	BB+	Total
31 December 2022	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	67,045	104,602	-	162	171,809

	AAA	AA-	A+	A-	BB+	Total
31 December 2021	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	16,400	44,917	79,730	-	130	141,177

LIQUIDITY RISK

The table below shows the timing of future cash outflows payable on an undiscounted basis for finance debt (assuming securitisations are repaid at the first call date), trade and other payables and accruals. These amounts will differ from carrying value as they include future interest payments. The floating rate interest is estimated using the prevailing rate at the balance sheet date.

	Trade and other payables	Accruals	Finance debt	Interest on finance debt
31 December 2022	£'000	£'000	£'000	£'000
Within one year	442	1,782	1,077,080	51,749
1 to 2 years	-	39	300,191	25,223
2 to 3 years	-	24	205,878	14,047
3 to 4 years	-	7	205,561	1,955
	442	1,852	1,788,710	92,974

	Trade and other payables	Accruals	Finance debt	Interest on finance debt
31 December 2021	£'000	£'000	£'000	£'000
Within one year	101	5,444	1,031,260	27,743
1 to 2 years	-	32	405,523	16,935
2 to 3 years	-	17	240,514	6,703
3 to 4 years	-	8	146,705	2,316
	101	5,501	1,824,002	53,697

The table below shows the timing of contractual cash outflows for derivative financial instruments entered into for the purpose of managing interest rate risk, whether or not hedge accounting is applied. The amounts reflect the gross settlement amount where the pay leg of a derivative will be settled separately from the receive leg. The swaps are with high investment-grade counterparties and therefore the settlement-day risk exposure is considered to be negligible. For further information on derivative financial instruments, see note 10.

	2022	2021
Cash outflows for derivative financial instrument at 31 December:	£'000	£'000
Up to 1 month	1,223	172
1-3 months	8,303	1,978
3-12 months	28,855	6,301
1-5 years	57,764	13,041
Over 5 years	58	34
	96,203	21,526

24. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED >>>

INTEREST RATE RISK

The acceptable exposure to changes in interest rate is limited by Board defined risk appetite.

Fixed rate cash flows, whether assets or liabilities, are hedged to SONIA by means of interest rate swaps. SONIA is an overnight interest rate that correlates highly with the Bank of England's Base Rate during normal market conditions. Exposures to interest rate risk other than those based on BBR, SONIA and Vida Variable Rate are minimal.

Net exposures are hedged with external swap counterparties to mitigate the risk from interest rate movements.

The Group uses two primary methods to quantify interest rate risk exposure, Economic Value (EV) and net interest income (NII). EV sensitivity measures the change in net present value of the Group's asset, liability and derivative positions in response to an interest rate yield curve movement. NII sensitivity measures the change in NII over a 12-month time horizon following a change in the underlying interest rate yield curve. Each of these measures is stress tested in a variety of interest rate scenarios, using both parallel and non-parallel yield curve shifts.

Sensitivity analysis of EV and NII is performed on the Group balance sheet. The projected change in response to an immediate parallel shift of 200bps in all relevant interest rates for EV and 25bps for NII was:

	2022	2021
	£'000	£'000
EV: Impact on increase in rates	2,356	5,637
EV: Impact on decrease in rates	(2,643)	(6,484)
NII: Impact on increase in rates	70	27
NII: Impact on decrease in rates	(77)	(37)

25. NET CASH FLOW FROM OPERATING ACTIVITIES

	2022	2021
Group	£'000	£'000
Profit for the year	1,984	4,659
Adjustments for non-cash items		
Taxation credit for the year	(609)	(2,005)
Write down of disposed assets	62	-
Depreciation of property, plant and equipment	483	489
Amortisation of intangible assets	611	276
Amortisation of right of use of asset	1,027	1,089
Movement in fair value hedge	704	1,404
Movement in provisions	(310)	(223)
	3,952	5,689
Changes in working capital		
(Increase) / decrease in loans to customers	49,581	(176,005)
Increase / (decrease) in amounts owed to credit institutions	(148)	1,146
Decrease / (increase) in receivables	16,382	(2,928)
(Increase) / decrease in accruals & payables	612	1,990
(Increase) / decrease in other liabilities	(2,725)	10,342
Net increase in derivatives and hedged items	630	1,700
Decrease / (increase) in tax liability	23	5
Cash flows from operations	64,355	(163,750)
Net cash flows from operating activities	68,307	(158,061)

26. RELATED PARTIES

The Company has the following subsidiaries and other related parties, all of which are incorporated in Great Britain and are registered in England and Wales and operate throughout the United Kingdom (with the exception of the Pine Brook entities, which are incorporated in the Cayman Islands):

Subsidiaries	Holding 100% ordinary shares	Principal Activities	Registered Address
Belmont Green Funding 1 Limited	*	Mortgage Finance	1 Bartholomew Lane, London, England, EC2N 2AX
Belmont Green Funding 1 Holdings Limited	*	Non-trading	1 Bartholomew Lane, London, England, EC2N 2AX
Belmont Green Funding 3 Limited	*	Mortgage Finance	1 Bartholomew Lane, London, United Kingdom, EC2N 2AX
Belmont Green Funding 3 Holdings Limited	*	Non-trading	1 Bartholomew Lane, London, United Kingdom, EC2N 2AX
Belmont Green Funding 4 Limited	*	Mortgage Finance	1 Bartholomew Lane, London, England, EC2N 2AX
Belmont Green Funding 4 Holdings Limited	*	Non-trading	1 Bartholomew Lane, London, England, EC2N 2AX
Belmont Green Funding 5 Limited	*	Mortgage Finance	10th Floor 5 Churchill Place, London, England, E14 5HU
Belmont Green Funding 7 Limited	*	Non-trading	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding No.1 PLC[1]	*	Dissolved	40a Station Road, Upminster, Essex, RM14 2TR
Tower Bridge Funding No.1 Holdings Limited[2]	*	Dissolved	1 Bartholomew Lane, London, England, EC2N 2AX
Tower Bridge Funding No.2 PLC[3]	*	Dissolved	40a Station Road, Upminster, Essex, RM14 2TR
Tower Bridge Funding No.2 Holdings Limited[4]	*	Dissolved	1 Bartholomew Lane, London, England, EC2N 2AX
Tower Bridge Funding No.3 PLC	*	In Liquidation	40a Station Road, Upminster, Essex, RM14 2TR
Tower Bridge Funding No.3 Holdings Limited	*	In Liquidation	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding No.4 PLC	*	Mortgage Finance	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding No.4 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2020-1 PLC	*	Mortgage Finance	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2020-1 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2021-1 PLC	*	Mortgage Finance	10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2021-1 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2021-2 PLC	*	Mortgage Finance	10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2021-2 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2022-1 PLC	*	Mortgage Finance	10th Floor 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2022-1 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2023-1 PLC[5]	*	Non-trading	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU
Tower Bridge Funding 2023-1 Holdings Limited[6]	*	Non-trading	10th Floor, 5 Churchill Place, London, United Kingdom, E14 5HU

[1] Company was officially dissolved on 24 June 2022
[2] Company was officially dissolved on 13 December 2022
[3] Company was officially dissolved on 25 July 2022
[4] Company was officially dissolved on 13 December 2022

Other related parties	
Pine Brook PD (Cayman) Intermediate, LP	Investment Fund
Pine Brook Capital Partners II (Cayman) AV, LP	Investment Fund
Belmont Green Limited	Mortgage Finance
Belmont Green Midco Limited	Holding Company

The Group's immediate parent is Belmont Green Midco Limited. The ultimate parent undertaking, and ultimate controlling party, is Belmont Green Limited which is incorporated in the United Kingdom. The registered office is at 1 Battle Bridge Lane, London, United Kingdom, SE1 2HP. The smallest Group into which the company is consolidated is Belmont Green Finance Limited and the largest Group is Belmont Green Limited.

* The share capital of the warehouses and securitisation vehicles is not owned by the Group, but the vehicles are included in the consolidated financial statements as they are controlled by the Group. Please refer to note 2(c) for more information.

27. RELATED PARTY TRANSACTIONS

In 2022 Belmont Green Limited entered into agreements with Pine Brook PD (Cayman) Intermediate, LP in which a £24m shareholder interest-bearing term loan was provided to Belmont Green Limited.

[5] Company was previously named Tower Bridge Funding 2022-2 PLC.
[6] Company was previously named Tower Bridge Funding 2022-2 Holdings Limited

COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Assets			
Cash and cash equivalents		14,919	13,500
Loans to customers	29	1,761,996	1,811,577
Derivative financial instruments		731	-
Other receivables	30	13,982	11,399
Deferred taxation asset	31	13,565	12,975
Property, plant and equipment	17	965	2,407
Intangible assets	18	2,837	2,408
Corporation tax		25	-
Total assets		1,809,020	1,854,266
Liabilities			
Amounts owed to credit institutions		15,188	15,336
Deemed loan due to Group undertakings	32	1,635,997	1,690,865
Other liabilities	33	56,584	21,050
Provisions	21	64	374
Total liabilities		1,707,833	1,727,625
Shareholders' Equity			
Share capital	22	204,462	204,462
Retained loss		(103,275)	(77,821)
Total shareholders' equity		101,187	126,641
Total liabilities and equity		1,809,020	1,854,266

The loss after tax for the year ended 31 December 2022 of Belmont Green Finance Limited as a Company was £(25,453)k (2021: £(5,905)k). As permitted by section 408 of the Companies Act 2006, no separate statement of Comprehensive Income is presented in respect of the Company.

The notes on pages 192 to 195 form part of these financial statements

The financial statements were approved by the Board of Directors on 4th April 2023 and signed on behalf of the Board.

Anthony Mooney
Company registration: 09837692

COMPANY STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Called up share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022		204,462	(77,821)	126,641
Profit/(Loss) for the year		-	(25,454)	(25,454)
At 31 December 2022		204,462	(103,275)	101,187
Balance at 1 January 2021		196,162	(71,916)	124,246
Share issuance	22	8,300	-	8,300
Profit/(Loss) for the year		-	(5,905)	(5,905)
At 31 December 2021		204,462	(77,821)	126,641

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR

	Notes	2022 £'000	2021 £'000
Net cash utilised in operating activities	34	35,347	(179,449)
Purchase / (sale) of property, plant and equipment	17	(131)	(190)
Expenditure on software development	18	(1,040)	(1,567)
Net cash utilised in investing activities		(1,171)	(1,757)
Proceeds from shares issued	22	-	8,300
Movement of deemed loans due to Group undertakings		(31,392)	169,705
Repayment of lease liabilities		(1,365)	(1,407)
Net cash (utilised) / generated by financing activities		(32,755)	176,598
Net increase / (decrease) in cash and cash equivalents		1,419	(4,608)
Cash and cash equivalents at the beginning of the year		13,500	18,108
Cash and cash equivalents at the end of the year		14,919	13,500

28. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL JUDGEMENTS AND ESTIMATES

(a) Accounting basis

The separate financial statements of Belmont Green Finance Limited (the Company) are prepared and presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The significant accounting policies are the same as set out in note 2 of the consolidated financial statements except as noted below.

(b) Income statement

As permitted by section 408 of the Companies Act 2006 the company is not required to present its own Statement of Comprehensive Income.

(c) Securitisation vehicles

The sale of the beneficial ownership of the loans to customers to the special purpose vehicles (SPVs) fails the derecognition criteria and, hence, these loans remain on the statement of the financial position of the company. In accordance with IFRS 9, the Company recognises the securitised assets as loans and receivables and consequently also shows a deemed loan liability to the SPVs where the Company still holds an interest in the loans. An equivalent deemed loan asset is recognised on the SPV's statement of financial position. The deemed loans are repaid as and when principal repayments are made by customers against their loans. The Company substantially retains the risks and rewards of ownership and continues to bear the credit risk of these mortgage assets.

29. LOANS AND ADVANCES TO CUSTOMERS

A detailed breakdown of the loans to customers can be found in note 13 of the consolidated accounts. At 31 December 2022, loans to customers included £1,749k (2021: £1,809k) which were part of secured funding arrangements, resulting in beneficial interest in these loans being transferred to the SPVs.

30. OTHER RECEIVABLES

	2022 £'000	2021 £'000
Swap collateral	8,500	-
Prepayments and other receivables	2,941	4,170
Amounts owed by related parties	2,541	6,569
Deferred deal costs	-	660
	13,982	11,399

31. DEFERRED TAX

	2022 £'000	2021 £'000
At 1 January	12,975	11,602
Prior year effect	(330)	3,668
Credit to income statement	4,950	1,247
Effect of change in tax rate	835	4,481
Deferred tax asset not recognised	(4,865)	(8,023)
At 31 December	13,565	12,975

32. DEEMED LOANS DUE TO GROUP UNDERTAKINGS

	2022 £'000	2021 £'000
Deemed loan due to Belmont Green Funding 1 Limited	137,933	45,370
Deemed loan due to Belmont Green Funding 3 Limited	27,658	55,790
Deemed loan due to Belmont Green Funding 4 Limited	223,077	194,762
Deemed loan due to Belmont Green Funding 5 Limited	240,669	205,536
Deemed loan due to Tower Bridge Funding No.4 PLC	-	330,014
Deemed loan due to Tower Bridge Funding 2020-1 PLC	196,555	269,622
Deemed loan due to Tower Bridge Funding 2021-1 PLC	229,942	311,868
Deemed loan due to Tower Bridge Funding 2021-2 PLC	230,916	277,903
Deemed loan due to Tower Bridge Funding 2022-1 PLC	349,247	-
	1,635,997	1,690,865

The interest payable on deemed loans is equivalent to the interest receivable on the underlying mortgages.

33. OTHER LIABILITIES

	2022 £'000	2021 £'000
Amounts owed to related parties	24,237	4,566
Accruals & payables	4,129	4,310
Lease liability	688	1,908
Forward flow completion monies received in advance	16	10,266
Other liabilities	25,011	-
Deferred deal costs	2,503	-
	56,584	21,050

34. NET CASH FLOWS FROM OPERATING ACTIVITIES

	2022 £'000	2021 £'000
Loss for the year	(25,453)	(5,905)
Adjustments for non-cash items		
Taxation credit for the year	(615)	(1,434)
Write down of disposed assets	62	-
Depreciation of property, plant and equipment	483	489
Amortisation of intangible assets	611	276
Amortisation of right of use of asset	1,027	1,089
Movement in fair value hedge	(730)	-
Movement in provisions	(310)	(223)
	(24,925)	(5,708)
Changes in working capital		
(Increase) / decrease in loans to customers	49,581	(176,005)
Increase / (decrease) in amounts owed to credit institutions	(148)	15,336
Decrease in receivables	18,796	1,175
(Increase) / decrease in accruals & payables	(181)	5,726
(Increase) / decrease in other liabilities	(10,108)	4,897
Movement in loans to / (from) subsidiaries	2,332	(24,870)
Cash flows from operations	35,347	(179,449)

NOTES TO THE FINANCIAL STATEMENTS

35. RELATED PARTIES

All of the Company's related parties can be found in note 26 of the consolidated accounts. Deemed loan undertakings due from related parties are disclosed in note 32. All are incorporated in the United Kingdom, are registered in England and Wales and operate throughout the United Kingdom, with the exception of Pine Brook Capital Partners II (Cayman) AV, LP which is incorporated and registered in the Cayman Islands.

Belmont Green Finance Limited (the "Company") is a private limited company incorporated and domiciled in the United Kingdom.
It is registered in England and Wales under the Companies Act 2006 with company number 09837692 and is limited by its shares.
The company's registered address is 1 Bridge Street, Staines-Upon-Thames, Surrey, United Kingdom, TW18 4TW.