Belmont Green

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2021

Company Registration No. 09837692

CONTENTS

BELMONT GREEN AT A GLANCE

WHO ARE WE AND WHAT DO WE DO?

At Belmont Green (The Belmont Green Finance Limited group of companies, or "BGFL"), we are mortgage lending specialists. We have a clear focus on finding innovative solutions for those customers with more complex borrowing needs. Over the past 5 years we have lent over £2.5 billion but have the belief that we can do much more.

Our customer facing brand is Vida Homeloans.

Vida Homeloans is a leading challenger brand in professional Buy-to-Let and specialist Residential market segments. Customer demand in our core target markets in underpinned by a structural shortage of affordable housing in the UK. The owner-occupied and private rental housing markets have demonstrated incredible resilience during 2021, with customer demand stimulated by targeted government support, including the Stamp Duty Land Tax holiday.

WHAT WE DO

SPECIALIST LENDING

Operating since 2015, we have established a successful, sustainable and responsible specialist mortgage lending business, through understanding, respecting and responding to the needs of our customers and intermediary partners.

Under the Vida Homeloans brand, we lend to customers who fall outside the criteria of mainstream lenders due largely to some complexity in their employment status or in the property they wish to buy.

Securing all of our mortgages against a residential property, we serve both owner occupied and Buy to Let customer segments, distributing exclusively through regulated mortgage intermediaries who can provide independent support for the borrower throughout the application process.

We combine modern technology & data analytics with skilled & caring people to create mortgage products which can empower our customers to safely take the next step on their home-owning and landlord 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. All mortgage applications are assessed by our expert team of underwriters and are processed on a paperless basis through to completion by our in-house mortgage operations team.

Once a loan has completed, we work in partnership with the UK's largest third-party mortgage servicing company to manage the ongoing customer relationship, leveraging their deep experience in dealing sensitively with any 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. Switches can be completed with minimal data capture and completed in 15 easy clicks in under 15 minutes.

HOW WE DO IT

AGILE FUNDING MODEL

We have built a mature wholesale funding capability, with a range of warehousing facilities provided by high-quality banks, which gives us ample liquidity and funding capacity to grow our business.

Further diversification of funding is provided by our sophisticated securitisation platform, which continues to attract a broad range of tier one investors to a franchise which has issued £2.9bn of retail mortgage backed securities since inception. Our funding programme is supported by bank-standard treasury systems and capital markets expertise.

This year we established our first forward flow agreement. This will provide additional flexibility for our funding and liquidity whilst giving us the option to monetise a portion of our increased origination capacity.

STATE-OF-THE-ART OPERATING PLATFORM

Our continued investment in highly scalable and secure technology has allowed us to adapt quickly to opportunities in our operating environment and weather successfully the challenges of the Covid-19 pandemic with a seamless transition to home workingfor all our people.

Our future-proofed technology platform, leveraging 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 an opportunity to provide our customer centric product solutions to an ever-widening range of customers.

As a well-capitalised and profitable business our aim is to deliver long-term sustainable growth through a low risk, robust operating model. We now have an established mortgage business with a track record of providing competitive products that meet the needs of our customers.

OUR AMBITION & PURPOSE
GUIDE OUR STRATEGIC PRIORITIES:

OUR AMBITION

For Vida to be recognised as the leading challenger brand in the UK specialist mortgage market, driven by our commitment to service excellence, innovative proposition development and deep intermediary relationships

OUR MISSION

To help people move forward in life

BELMONT GREEN AT A GLANCE

OUR STRATEGIC PRIORITIES

TARGET DEFINED CUSTOMER SEGMENTS WITH A SMART & DIFFERENTIATED PROPOSITION

Design innovative customer propositions supporting strong risk adjusted returns

- Use deep market insight and data analytics to identify underserved segments and drive new product pipeline
- Agile proposition development using rapid prototyping and customer outcome centred design
- Risk adjusted pricing methodology fully aligned to Board approved risk appetite to drive enhanced risk adjusted returns and mitigate against any changes in market pricing
- Utilise creative brand marketing to amplify our intermediary and customer messaging across digital and social channels

COMBINE DIGITAL AUTOMATION WITH BESPOKE HUMAN UNDERWRITING

Make high quality lending decisions which protect our business & our customers

- Combine credit scoring, deep credit expertise and technology to deliver high quality lending decisions and an excellent customer experience
- Deliver a graduated underwriting approach driven by the complexity of the borrowers needs and circumstances
- Automate and triage tasks and data acquisition to simplify and streamline the intermediary experience, removing process friction
- Empower skilled underwriters to apply expert judgement whilst operating within their lending mandate

DEEPEN INTERMEDIARY RELATIONSHIPS THROUGH FOCUSED SEGMENTATION

Build broker advocacy through a singular focus on the intermediary proposition & experience

- Use market data and insight to target all sales development activity at high potential relationships
- Design bespoke customer propositions by listening to and responding to the needs of our partners
- Deliver dedicated service and underwriting access for our most productive partners
- Be proactive and visible with our key intermediary relationships – investing time to understand their business drivers

DIVERSIFY SOURCES OF SUSTAINABLE FUNDING TO UNLOCK ASSET GROWTH AMBITIONS

Maintain access to stable, high-quality diversified funding platforms

- Fully leverage our securitisation funding programme and balance sheet management capability 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 flow 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 CULTURE WHERE DIFFERENCE IS VALUED AND WE ARE EACH SUPPORTED TO DO OUR BEST WORK

Create a caring and supportive environment where individuals feel able to express themselves and share their point of view

- 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 an agile working model that fully trusts our people to own their agenda and balance their work and home lives

OPERATE WITHIN A BANK STANDARD RISK AND CONTROL FRAMEWORK

Set a Board approved risk appetite appropriate to the strategy of the business and avoid any unrewarded risk

- Maintain a Board and Executive team with the skills and experience required in Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) regulated environment
- Embed a unified enterprise-wide control framework delivering bank standard oversight and monitoring
- Adhere to governance processes with strong conduct and fair customer outcomes at their heart
- Design resilience into the operating model ensuring data security, systems integrity and business continuity in our owned and outsourced business processes

HIGHLIGHTS [1]

NUMBER OF ACTIVE ACCOUNTS

>9,000

ONE TO WATCH
GOOD
TO WORK FOR
2022
cert.b.co.uk

COLLEAGUE ENGAGEMENT

One to Watch is a special status awarded to organisations where workplace engagement shows continued positive progress and promising signs for the future. Achieving a One to Watch status takes a BCI score of at least 600 and reflects organisations with 'good' levels of workplace engagement.

GROSS NEW LENDING (£m)
463
2020: 257

NUMBER OF EMPLOYEES
194
2020: 161

OPERATING COSTS (£m)
30.1
2020: 27.1

CORE OPERATING PROFIT/LOSS (£m)
4.5
2020: (5.8)

WOMEN IN SENIOR MANAGEMENT
44%
2020: 43%

FUNDING RAISED THROUGH SECURITISATIONS (£m)
651
2020: 343

NET INTEREST INCOME (£m)
34.6
2020: 24.0

CULTURAL DIVERSITY (% non-white British)
35%

CUSTOMER NPS
+31

COST INCOME RATIO
87%
2020: 113%

NET INTEREST MARGIN
2.02%
2020: 1.44%

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

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

STEVE HAGGERTY
CHAIRMAN

In 2021, our team have successfully adapted to a challenging operating environment, delivering our first year of operating profit, whilst continuing to invest in building a scalable platform capable of supporting our future growth plans.

I am pleased to introduce our 2021 Annual Report and Accounts. I am very happy to report a strong set of financial results and excellent progress against our strategic plan. Despite the continued uncertainty of the Covid pandemic, as a business we have demonstrated great resilience to post our first break-even year with core profit of £4.5m.

Our people have worked hard to provide the high levels of service and support that our customers and intermediary partners expect – both at the beginning of their journey and importantly when things don't go as planned. I would like to extend my thanks to the whole team for their flexibility and commitment during what has been another unprecedented year for all of us.

We are proud of the proactive help and support we have been able to give our customers throughout the pandemic, something that is central to our culture as a business. We saw around one third of our customers take advantage of a payment deferrals or other support at some point in the last two years. It is especially satisfying then to see that the levels of mortgage arrears in our book have remained low by comparison with our peers and that 97% of all those customers taking a payment deferral have now returned to a normal footing.

Despite this testing back-drop, Belmont Green has achieved profitability at the operating level for the first time in 2021. Having created this strong base, we are now fully confident of generating the sustainable retained earnings needed to support our future growth plans.

Central to our culture as a business is a desire to have open and honest conversations with all of our stakeholders. Through this approach we build trusted relationships and deep alliances.

The Board and Executive Team continue to enjoy a supportive working relationship with our primary shareholder, Pine Brook Partners. Their continued trust and support mean that the business remains well capitalised as we look ahead to a period of planned acceleration in our level of mortgage asset origination.

Our regulatory relationships have been further strengthened during the year, with the team enjoying a proactive, positive, and fully transparent dialogue with the FCA on all aspects of our business operations and future strategic plans.

CONTINUED >>>

As we continue to make preparations for a future as a bank, our continued strengthening of the senior management group means that we have assembled a highly talented leadership team, with vast experience of operating in a PRA regulated environment. This broad talent pool will stand us in good stead as the business continues to mature.

As a small business, we actively seek to ensure that we embed equality, diversity and inclusion as cornerstones of our culture. As a business, the successful execution of our strategy depends on us being able to recognise the needs and differences of our customers. It is important to us that our workforce reflects that same diversity, and that we select and grow colleagues with the empathy to understand and engage with the human being behind the account number. The creation of a new Equality, Diversity and Inclusion (EDI) Group formed by volunteer representatives from across the business, was an especially important step in bringing a practical focus to our work in this space.

The Board have also spent time this year discussing the wider Environmental, Social, and Governance (ESG) agenda and the business now has a clear plan setting out the shape and future direction of our work in this evolving area, something which will become increasingly important to key stakeholders as the footprint of our business grows.

Our ESG Framework is set out in the Strategic Report on pages 60-65.

Continued investment in our technology and operating platform means that we are more confident than ever that our intermediary partners will enjoy the service we deliver. Our expertise in understanding in detail the customer segments we serve, allows us to design product solutions which can help an increasing number of customers, whilst also allowing the business to generate attractive and sustainable returns. Our modern technology allows us to adapt quickly in uncertain or changing environments, our digital first capability and mindset giving us both agility and resilience, which will be important as we scale.

With ongoing geopolitical and economic uncertainty as we enter 2022, it remains difficult to predict with any certainty the macro-environment within which we will operate in the year ahead. That said, it is clear inflationary pressures will place increasing pressure on the cost of living for many mortgage customers, and so we will retain a keen focus on making sure that we help both new and existing customers to continue their home owning and landlord journey with real confidence.

Steve Haggerty
Chairman

> "With an eye to our strategic ambitions, the Board has been especially focussed on continuing our drive towards embedding a bank standard operating model and governance framework."
>
> Steve Haggerty – Chairman

CHIEF EXECUTIVE'S REVIEW

ANTH MOONEY
CHIEF EXECUTIVE OFFICER

When reflecting on 2021, I am incredibly proud of the operational and financial progress we have made as a business. Having invested in our people, our platform and our technology, 2021 has been a transformational year in which we have laid the foundations to successfully support our long-term ambition to be recognised as the leading challenger brand in the UK specialist mortgage market.

CHIEF EXECUTIVE'S REVIEW

2021 has been another challenging year for all of us personally, but also a transformational year for the team at Belmont Green. The COVID-19 pandemic has had deep and far-reaching consequences for the physical, emotional, and financial wellbeing of the UK and many of our customers and colleagues have been directly impacted.

We are proud of the work that we have done to support them throughout the year and remain guided by our simple mission to help people move forward in life.

During 2021, the business made material progress in transforming our operational capabilities and creating the platform required to emerge as the key challenger brand in the UK specialist mortgage market.

This progress has been achieved in an environment still beset by the ongoing uncertainty and distractions caused by a global pandemic. The Ukrainian conflict has added a further geo-political dimension to the emerging inflationary pressures already at play in the UK economy.

However, our modern technology and flexible operating model have allowed us to remain nimble and adapt very successfully to the environmental challenges faced. The many lessons learned from the experience of 100% remote working over the past two years, have led to the design of a new agile working model which has been implemented across our business. In seeking to turn Belmont Green into the leading challenger in the specialist mortgage market, we have attracted some exciting managerial talent into the business, giving us a leadership team with the experience, vision and energy to build on the forward momentum we have created.

With a clear and simple strategy in place, our people are fully engaged in the mission we have embarked upon, and we emerge from the pandemic as a stronger, better equipped and more resilient organisation than when it began two years ago.

TRADING PERFORMANCE

Our singular focus on serving customers with more complex borrowing needs allows us to organise our resources efficiently in support of that aim, an approach which is beginning to pay real dividends. Gross new lending increased by 80% year on year to £463m as we recovered momentum post the covid impacts experienced in the prior year. Total income, excluding fair value losses, increased by 44% to £35.5m, whilst core cost growth was held to 11.1%, creating positive and widening income jaws.

The robust credit quality of our lending means that arrears have remained low by comparison with peers, with our customer base recovering quickly from any payment deferrals they sensibly accessed during the uncertainty of Covid. With a provision charge of £0.7m in 2021, the business was able to report its first full year profit of £4.5m on a core basis, a significant milestone.

Set against the context of continued low interest rates, the weighted average interest rate charged on our mortgage book improved by 30 basis points to 4.61%. On the other side of the balance sheet, our maturing wholesale funding franchise meant that we could hold our weighted average cost of funds to 1.94%. This focussed approach to margin management underpinned an increase in our underlying net interest margin of 57 basis points, exceeding 2.0% for the first time.

With our cost income ratio falling by a further 26 basis points year on year to 0.87%, we finished the year with all key underlying performance indicators demonstrating a positive trend. Having ended 2021 with a strong new business pipeline of £370m and a material uplift in our new business applications run-rate during quarter 4, we begin 2022 with the confidence that we will exceed £1bn of gross new lending for the first time in the year ahead.

CONTINUED >>>

OPERATIONAL LEVERAGE

In order to sustain our forward momentum, we recognise that as an intermediary focused lender, we need to be able to deliver a service experience that is consistent, reliable and straightforward. To that end, we have established an in-house transformation programme which is focused on delivering service excellence across our operational and technology platforms.

By digitising our decision processes, and automating simple administrative tasks, we have been able to remove a significant amount of unnecessary activity, reducing the burden on our intermediary partners when submitting a new application whilst increasing the speed with which we can take a lending decision. We have also invested heavily in enhancing our underwriting capability, focusing the time and effort of our highly skilled underwriting team on making value add decisions, by allowing them the flexibility to operate with greater discretion within their lending mandates.

As a consequence of the transformational programme, we have doubled the lending capacity of our operations, at limited cost and moved our service delivery to another level, something already being acknowledged by our intermediary partners through their feedback and in the strengthening of our net promoter scores.

Appointment to the lender panel operated by The Openwork Partnership gave us access to an additional 4,500 regulated mortgage advisors and effectively completed our journey to enjoying distribution partnerships with every major UK intermediary mortgage business.

FUNDING OUR GROWTH AMBITIONS

We have continued to build on our track record of success in efficiently funding the business through the wholesale markets. In 2021 we successfully issued two RMBS transactions generating £651m. The high quality, low risk assets included in those securitisation deals meant we were able to further expand our investor base and achieve our best ever transaction pricing.

Our capital markets team also successfully negotiated and implemented a forward flow arrangement with Barclays, further proving our capability to fund and originate mortgage assets flexibly and efficiently.

With the ongoing support of our majority shareholders Pine Brook Partners, we have the capital available to us to support our planned lending growth in the year ahead. With our longer-term growth ambitions in mind, we anticipate running a formal capital raise process during the first half of 2022, the objective being to secure a new long-term partner to invest alongside Pine Brook.

> "As a profitable maturing business, we are now well placed to gain market share and realise the ambitions laid down when Belmont Green was originally founded."

STRONG CREDIT AND RISK MANAGEMENT

The high quality of our loan book was reflected in a continued strong credit performance during the year, with balances at or above 3 months in arrears remaining broadly stable at c. 1.0%, well within our credit risk tolerances. Loan balances in 1 months arrears also remained low at c. 2.5%.

The weighted average LTV of the mortgage book also remained stable with equity coverage in the book further supported by house price inflation, lowering the indexed book LTV to 65%.

The concerns for the economy identified at the beginning of the pandemic have not generally materialised, with the macroeconomic outlook improving over the course of the year, albeit that the more recent concerns over inflation and the rising cost of living have moderated any positivity somewhat.

We have reflected that more cautious economic outlook in our IFRS models and recorded an impairment charge of £0.7m for the year, giving a loan loss coverage of 42 basis points compared to the 46 basis points recorded for 2020.

PEOPLE & CULTURE

We have made it a strategic priority to create a caring and supportive environment 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 purpose driven culture.

In giving our people the freedom to act, we in turn expect them to take responsibility for organising their time and ensuring that we always deliver an excellent service for our customers, intermediary partners and all our key business stakeholders.

Our Customer & Culture Committee is chaired by our Chief Culture officer and provides a formal governance forum to monitor, support and guide our work in this space.

In addition, a number of colleagues from across the business work in the voluntary role of Culture Champions, each acting as representatives and conduits for their own teams. The Champions meet regularly and have been instrumental in maintaining connectivity and continuity across the business, in a period when all colleagues continued to work remotely.

We have also continued to develop our working relationship with the national homelessness charity Crisis. We share their ambition to end homelessness in the UK and our people support their important work through a variety of volunteering and fundraising activities. We are proud to have contributed £68,000 so far.

It was extremely pleasing then to see that despite the distractions of COVID-19 and our continued homeworking policy, we achieved a further positive improvement in our engagement scores this year, something we will seek to build on further in the year ahead, as we formally embed a permanent agile working model into the business.

Our people remain our most valuable asset and we are blessed with an incredible team of talented individuals. As a business we make it our mission to ensure we create the best possible environment for them to be challenged, develop their careers and enjoy the work they do – growing as human beings not just as colleagues.

We have started to welcome colleagues back into our offices at the beginning of 2022, and whatever the many benefits of flexibility, it has been fantastic to see friends and colleagues back together after a two year break.

We will continue to work hard on our employee work experience. In our agile working model, we can keep the best of remote working and solve the less appealing aspects, especially the lack of social and team interaction. At the same time, we will reimagine the role of our office spaces and further cut down on our carbon footprint.

> "I am delighted that Belmont Green (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 2022."

SECTOR RANKING

#11

BEST COMPANY TO WORK FOR IN THE UK

CHIEF EXECUTIVE'S REVIEW

A LOOK AHEAD

As we all look forward to moving beyond the impacts of Covid, our key business focus is to further scale our position in the buy-to-let and in particular, the owner-occupied market, capitalising on the growing demand for specialist mortgage loans in the UK.

We will do this by leveraging our strong distribution relationships, deep underwriting capabilities and ability to build and price innovative product solutions for our customers.

Specialist lending brands like Vida continue to provide an absolutely critical service for borrowers looking to progress and grow in their lives. Since 2015 we have established a successful, sustainable, and responsible specialist mortgage lending business by understanding, respecting and responding to the needs of our customers and stakeholders.

We are now profitable, having built a critical mass of customers whilst retaining a very disciplined approach to cost management and a considered approach to the underwriting of credit risk.

We are fully committed to building out from that strong base, to become the leading challenger brand in the UK specialist mortgage market.

In support of our scale ambitions, we will continue to find ways to augment our well established wholesale funding franchise and it remains our intention to seek authorisation by the UK Prudential Regulatory Authority (PRA) as a deposit taking bank.

In order to realise our true growth potential, access to long-term access to retail savings remains the key that will unlock our ability to compete effectively and help more and more customers to move forward in life.

Anth Mooney
Chief Executive Officer

OUR STRATEGY
6 PILLARS TO SUPPORT US ON OUR JOURNEY

2021 was a transformational year for Belmont Green in progressing our business strategy and positioning the business for continued growth and sustainable profitability

	PRIORITY ONE	PRIORITY TWO	PRIORITY THREE	PRIORITY FOUR	PRIORITY FIVE	PRIORITY SIX
	Target defined customer segments with a smart and differentiated proposition	Deliver expert decisioning to both customers and intermediary partners	Deepen intermediary relationships through focused segmentation strategies	Diversify sources of sustainable funding to unlock asset growth ambitions	Create a culture where difference is valued, and we are each supported to do our best work	Operate within bank standard risk and control framework
GOALS	Design innovative customer propositions supporting strong risk adjusted returns	Combine digital automation with human underwriting to make high quality lending decisions and support service excellence	Build broker advocacy through a singular focus on the intermediary proposition and experience	Maintain access to stable, high-quality diversified funding platforms	Create a caring and supportive environment where individuals feel able to express themselves and share their point of view	Set a Board approved risk appetite appropriate to the strategy of the business and avoid any unrewarded risk
	Use deep market insight and data analytics to identify underserved segments and drive new product development	Combine credit scoring, deep credit expertise and technology to deliver high quality lending decisions and an excellent customer experience	Use market data and insight to target all sales development activity at high potential relationships	Fully leverage our securitisation funding programme and balance sheet management capability to minimise liquidity risk	Actively seek to create a diverse and inclusive workplace where equality and fairness form part of our business DNA	Maintain a Board and Executive team with the skills and experience required in Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) regulated environment
	Agile proposition development using rapid prototyping and customer outcome centred design	Deliver a graduated underwriting approach driven by the complexity of the borrowers needs and circumstances	Design bespoke customer propositions by listening to and responding to the needs of our partners and their clients	Use forward-flow alliances to fully exploit operational capacity whilst optimising capital usage	Create opportunities for our people to develop new skills, gain new experiences and have a positive impact on the world	Embed a unified enterprise-wide control framework delivering bank standard oversight and monitoring
	Risk adjusted pricing methodology fully aligned to Board approved risk appetite to drive enhanced risk adjusted returns and mitigate against any changes in market pricing	Automate and triage tasks and data acquisition to simplify and streamline the intermediary experience, removing process friction	Deliver dedicated service and underwriting access for our most productive partners	Gain access to retail deposit and central bank funding flow either through a banking licence approval or strategic partnership	Celebrate those moments when colleagues find a way to truly uphold the values and behaviours we aspire to	Adhere to governance processes with strong conduct and fair customer outcomes at their heart
	Utilise creative brand marketing to amplify our intermediary and customer messaging across digital and social channels	Empower skilled underwriters to apply qualified discretion whilst operating within their lending mandate	Be proactive and visible with our key intermediary relationships – investing time to understand their business drivers and help them to build their business as we build ours	Access diversified and cost-effective sources of capital to support balance sheet scale and minimise capital risk	Embed and deliver against our Equality, Diversity and Inclusion Charter	Design resilience into the operating model ensuring data security, systems integrity and business continuity in our owned and outsourced business processes
					Embed an agile working model that fully trusts our people to own their agenda and balance their work and home lives	

STRATEGIC REPORT

	PRIORITY ONE	PRIORITY TWO	PRIORITY THREE	PRIORITY FOUR	PRIORITY FIVE	PRIORITY SIX
	Target defined customer segments with a smart and differentiated proposition	Deliver service excellence to both customers and intermediary partners	Deepen intermediary relationships through focused segmentation	Diversify sources of sustainable funding to unlock asset growth ambitions	Create a culture where difference is valued, and we are each supported to do our best work	Operate within bank standard risk and control framework
2021	The business was able to report its first full year profit of £4.5m on a core basis, a significant milestone achieved	As a consequence of our internal transformation programme, we have doubled the lending capacity of our operations, at limited cost and moved our service delivery to a position of consistency	Appointment to the lender panel operated by The Openwork Partnership, gave us access to an additional 4,500 regulated mortgage advisors and effectively completed our plan to partner with every major UK intermediary mortgage business	Issued two RMBS transactions generating £651m of funding. The high quality, low risk assets included in those securitisation deals meant we were able to further expand our investor base and achieve our best ever transaction pricing	The many lessons learned from the experience of 100% remote working over the past two years have led to the design of a new agile working model which will need to be fully embedded in our business	The high quality of our loan book was reflected in a continued strong credit performance during the year, with balances at or above 3 months in arrears remaining broadly stable at c. 1.0%, well within our credit risk tolerances. Loan balances in 1-month arrears also remained low at c. 2.5%
	Organic originations were £0.46bn, up 80% on 2020 after returning to pre-pandemic funding levels and our natural application run-rates	Increased underwriting efficiency to better serve borrower needs by enhancing our automated decisioning algorithms and streamlining our verification processes	Having recruited a new and highly experienced leadership team, our intermediary distribution strategy has been refreshed and our field sales team re-organised to focus on and reward those broker relationships with the highest potential	Our capital markets team successfully negotiated and implemented a forward flow arrangement with Barclays, further proving our capability to fund and originate mortgage assets flexibly and efficiently	We have attracted some exciting managerial talent into the business, giving us a leadership team with the experience, vision and energy to build on the forward momentum we have created	The Board have spent time this year discussing the wider Environmental, Social, and Governance (ESG) agenda and the business now has a clear plan setting out the shape and future direction of our work in this evolving area, something which will become increasingly important to key stakeholders as the footprint of our business grows
		Use of enhanced data and workflow to reduced points of friction across the end-to-end application journey				
FORWARD LOOK	Maintain strong credit and return requirements and assess the attractiveness of new customer segments. Having ended 2021 with a strong new business pipeline of £370m and a material uplift in our new business applications run-rate during quarter 4, we begin 2022 with the confidence that we can achieve a run-rate equivalent to £1bn of gross new lending per annum during the year ahead	Our key focus in the year ahead is to further scale our position in the buy-to-let and in particular, the owner occupied markets, capitalising on the growing demand for specialist mortgage loans in the UK. We will do this by leveraging our strong distribution relationships, deep underwriting capabilities and ability to create and price innovative product solutions for our target customers	Leverage differentiated but complementary underwriting capabilities to enhance customer propositions. Further deepen intermediary relationships through targeted segmentation. Dedicated service provision for key intermediary partnerships supported by service guarantees	With the ongoing support of our majority shareholders Pine Brook Partners, we have the capital available to us to support our planned lending growth in the year ahead. With our longer-term growth ambitions in mind, it remains our intention to seek PRA approval as a deposit taker in order to provide access to bank standard funding	With a clear and simple strategy in place, our people are fully engaged in the mission we have embarked upon, and we emerge from the pandemic as a stronger, better equipped and more resilient organisation than when it began two years ago. Our employee brand will be an area of keen focus	The concerns for the economy identified at the beginning of the pandemic have not generally materialised, with the macroeconomic outlook improving over the course of the year, albeit that the more recent concerns over inflation and the rising cost of living have moderated any positivity somewhat
	Enhanced data analytics and insight to help identify and target key niche underserved market segments	Continued investment in technology to drive further automation and data-led decisioning that complements our human-led underwriting approach				

	PRIORITY ONE	PRIORITY TWO	PRIORITY THREE	PRIORITY FOUR	PRIORITY FIVE	PRIORITY SIX
	Target defined customer segments with a smart and differentiated proposition	Deliver service excellence to both customers and intermediary partners	Deepen intermediary relationships through focused segmentation	Diversify sources of sustainable funding to unlock asset growth ambitions	Create a culture where difference is valued, and we are each supported to do our best work	Operate within bank standard risk and control framework
KEY RISKS [2]	Rising interest rates and higher cost of funds place ongoing pressure on mortgage product margins	A tightening of regulation for specialist underwriting introducing further cost and complexity into the model	A loss of key broker relationships due to reputational damage from poor service or poor products or strategic moves	Volatility of capital markets and availability, and price of wholesale funding and new capital	Agile working model fails to yield anticipated results and makes it difficult to build a unified culture and sense of a shared mission	Operating to bank standard regulatory standards brings unforeseen cost and complexity
	Political and economic uncertainty affecting long-term demand for specialist Buy to Let and Residential mortgages	Difficulty in recruiting and retaining experienced employees	More complex underwriting requirements slowing the process	Inability to gain or a delay in banking licence approval and access to retail funding	Increasing competition for talent making recruitment and retention of diverse workforce becomes increasingly challenging	Level of global cyber-attacks places undue pressure on our operational resilience capabilities
	Potential regulatory and tax changes including a continued legislative focus on Buy-to-Let	Demands around cyber-security and operational resilience	Lack of investment in technology solutions meaning the we fail to keep pace with market trends and developments	Lack of access to any new Bank of England funding programmes prior to banking licence approval	Failure or delay in delivering strategic goals could result in increased staff turnover	Staff turnover and key person dependencies cause operating weaknesses
	New specialist lenders, including larger banks, entering the specialist market	New technology from competitors resulting in faster decisioning and increasing intermediary	Lack of access to retail funding restricts ability to offer competitive products	Increased burden of regulatory compliance	Failure to reflect a diverse workforce in business decision making resulting in poor customer and business outcomes	Outsourcing partners fail to deliver an appropriate service
	Innovative products must be suitable and give good customer outcomes reflecting changing customer needs and expectations	Post-COVID economic changes may make underwriting more complex and lengthier	Exclusive deals may create conflicts of interest	Business constraints arising as part of any strategic partnership	Interaction between different change initiatives creates resource conflicts and adds pressure to staff	Failure to recruit the key skills and experience necessary to meet banking standards
	COVID-19 impact, the Ukraine crisis and cost of living increases may lead to increased defaults and losses	Failure of processes, people or systems results in impact to customer service or a financial loss	Failure to develop the brand sufficiently to deliver strong segmented relationships	Complexity of managing a range of funding programmes		
		Failure to protect and appropriately process our customers' data	Incorrect segmentation of brokers	Maintaining products suitable for funding through warehouse and RBMS programmes		

[2] More information on our risk management framework and principal risks can be found in the Risk Management section of the Strategic report on pages 42-51.

STRATEGIC REPORT

OUR MARKET

THE UK MORTGAGE MARKET

Despite the ongoing disruption as a result of the Covid pandemic, the total value of UK housing transactions reached a record of £370bn in 2021, representing a 43% increase on 2020.[3]

Similarly, UK gross mortgage lending reached £313bn in 2021, representing an annual increase of 27% on the £246bn of lending completed in the prior year.[4]

In both cases, the level of activity reported in 2021 was higher than the level of activity reported in 2019, prior to the pandemic. This release of pent-up demand was driven by several key factors, including changing buyer preferences with a desire for space suitable for home working, the Government sponsored Stamp Duty Land Tax (SDLT) holiday, as well as mortgage interest rates remaining at historic lows.

We would expect gross mortgage lending volumes to moderate in 2022, falling by around 8-10% to around £280bn. Conversely, we would expect demand for specialist mortgage products to increase as changing work patterns and lifestyle choices mean that an increasing number of people will fall outside the narrow credit risk criteria of the high street lenders.

Intermediaries remained the dominant distribution channel in the UK mortgage market, serving almost 80% of the market.[5] Although this position may weaken a little over time, the structural features of the UK mortgage market and the costs associated with providing regulated mortgage advice, mean that brokers will remain the go-to source for independent mortgage advice for the foreseeable future.

2022 began with the third national lockdown, however housing market disruption was significantly less severe than during the first lockdown in March 2020, as the industry swiftly adapted their working practices and processes to accommodate the need for social distancing and other measures.

The removal of Covid restrictions from July 2021 enabled property transactions to progress with physical valuations operating as normal, leading to rising demand. Lenders responded by continuing to expand lending and product criteria, with research published by Twenty7Tec showing that the number of available mortgage products rose continually throughout the year, from fewer than 10,000 in January 2021 to more than 16,000 by the end of the year.[6]

The SDLT holiday that was implemented in July 2020, continued to generate increased purchase activity into 2021 as buyers sought to benefit from the temporary increase in the 'nil-rate' band. This measure was initially due to end in March 2021, but was extended to June 2021 with a further temporary relief period in effect until September 2021. It resulted in purchase completions increasing by 44% year on year to represent 70% of new mortgage lending by value (2020: 62%).[7]

This increase in borrowers' demand, combined with continued low mortgage interest rates and a lack of supply, led to upwards pressure on house prices during the year. The ONS reported that house prices rose by an average of 10.8% in 2021 (2020: 8.5%)[8] with growth expected to continue into 2022.

3. UK Finance, Property sale transactions, PT2M, Feb 2022
4. UK Finance, New mortgage lending by purpose of loan, MM23M, Feb 2022
5. IMLA. The New Normal – prospects for 2022 & 2023, Feb 2022
6. Twenty7Tec Mortgage Market Research, Dec 2021
7. UK Finance, New mortgage lending by purpose of loan, MM23, Feb 2022
8. UK Finance, New and outstanding Buy-to-Let mortgages, MM17M, Feb 2022

BUY-TO-LET PROPERTY MARKET

The long-term trend of strong demand for privately rented homes has again accelerated over the past year, as the Covid pandemic has continued to reshape the way we live and work. According to UK Finance, Buy-to-Let gross advances reached £45.9bn in 2021[8], a 15% increase from £38.3bn in 2020, despite the lingering effects of the pandemic.

Demand for buy-to-let mortgages will continue to be driven by a fundamental scarcity of affordable housing in the UK and the need for private landlords to make the investment needed to ensure housing supply can meet consumer demand.

The Private Rented Sector (PRS) is an essential component of the UK's housing market, providing affordable and stable homes for people that cannot afford to buy or those that desire greater flexibility and choose to rent.

These aspects, combined with a series of economic, social and demographic changes, have driven considerable expansion of the PRS since the turn of the millennium. The UK PRS is made up of almost five million households today, accounting for just under 20% of homes. This makes the PRS the second most common housing tenure after owner-occupation.

Buy to Let property purchase volumes were significantly impacted in the early months of 2020, however the Government's stamp duty holiday supported a strong recovery in house purchase activity, which continued throughout 2021. According to UK Finance, Buy-to-Let purchases reached £17.5bn in 2021, a 73% increase from £10.1bn in 2020.[8]

Within this market, the professionalisation of borrowers continued due to the increased tax liability for private landlords and sustained regulatory change that has occurred over a number of years, which might have deterred new amateur entrants who would otherwise be tempted by robust rental yields and strong capital gains.

UK Finance data demonstrates that remortgage activity in the Buy-to-Let sector reached £27.0bn in 2021, a 1% decrease from £27.4bn in 2020.[8] This decrease reflected the market's focus on purchases fuelled by the temporary SDLT holiday. In the Private Rented Sector (PRS), much like the housing market as a whole, supply constraints have continued amidst increasing tenant demand leading to upwards pressure on rents. As a result, contributors to the RICS Residential Market Survey in November 2021 reported a rental growth projection of almost 4% over the next 12 months, with rental growth expected to average approximately 5% over the next five years.

The fundamentals underpinning the PRS remained strong throughout 2021, with growth in house prices outpacing wage growth to stretch affordability even further and the reduced availability of high loan to value mortgages generated strong demand for rental properties, particularly as individuals returned to office-based working in central city locations.

We would expect gross Buy to Let lending to reduce somewhat from the highs of 2021, and settle at around £40bn, with remortgage still the dominant driver at c. £27bn with the balance from property purchase.

STRATEGIC REPORT

RESIDENTIAL PROPERTY MARKET

The UK residential mortgage market was equally affected by the SDLT holiday as buyers sought to complete purchases while they could benefit from lower transactional costs. This resulted in a large spike in purchase completions in March, June and September aligned with the relief withdrawal periods. According to UK Finance, purchase completions exceeded £200bn[9] in 2021, a 45% increase year on year, as home movers sought more space and first-time buyers took their first step onto the property ladder, as the availability of high loan to value mortgages increased.

Buyers also had an additional deadline to consider this year as changes to the Government's popular Help to Buy scheme were introduced at the end of March 2021; these changes restricted the scheme to first-time buyers only while also introducing new regional property price caps. As the Help to Buy scheme falls away, this will further limit the ability of those currently renting to make that first step on the property ladder.

For the UK residential mortgage market, one legacy outcome from Covid has been a further widening of the gap between household incomes and the price of property. Wider inflationary pressures and additional pressures on the cost of living, further exacerbated by rising energy costs means that the prospect for many of getting on to or climbing the property ladder, have further diminished.

This trend is one of the reasons why the Bank of England FPC has decided to consult on the removal of the stress requirement underpinning the calculation of customer affordability at the point of applying for a new mortgage. If enacted, this legislative change could provide much needed flexibility for those lenders looking to help borrowers find a way to buy a home of their own.

We would expect the residential mortgage market to moderate by around 10% in 2022, to around £240bn, with home purchase accounting for c. £175bn and remortgaging at around £65bn.

We would expect the specialist residential mortgage segment to continue to exhibit real resilience, growing by around 10% year on year to an estimated £15bn, equivalent to around 6% of the total market.

9. UK Finance, RL1UK and RL2UK, Feb 2022

UK GROSS MORTGAGE LENDING REACHED
£313BN
IN 2021

OUR FORECAST FOR GROSS MORTGAGE LENDING
£280BN
IN 2022

BUY-TO-LET GROSS ADVANCES REACHED
£45.9BN
IN 2021

OUR FORECAST FOR GROSS BUY-TO-LET MORTGAGE LENDING
£40BN
IN 2022

RESIDENTIAL PURCHASE COMPLETIONS EXCEEDED
£200BN
IN 2021

OUR FORECAST FOR THE RESIDENTIAL MORTGAGE LENDING
£240BN
IN 2022

OUR STAKEHOLDERS & SECTION 172 STATEMENT

We recognise the importance of having regard to 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 customers with complex borrowing needs to access 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, treating them fairly, as well as meeting regulatory obligations are factored in all decisions made at Board and at Committees, conduct metrics are reviewed and discussed monthly at the Customer and Culture Committee, and at the Board Risk Committee.

Whilst all of our loans are originated via intermediaries, we understand the importance of hearing from our end customers direct. We run quarterly engagement surveys seeking feedback directly from our customers, the results of which are reviewed via our Customer and Culture Committee and reported to the Board and discussed. 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 4 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

The Board receives monthly updates from our Chief Culture Officer on various measures relating to colleagues. We subscribe to an independent employee opinion survey which is repeated at least annually in order to ensure colleagues are engaged and needs are identified and acted upon.

In 2020, we adopted the Best Companies model for measuring employee engagement under eight key factors: Leadership, Personal Growth, My Team, My Manager, My Company, Wellbeing, Fair Deal and Giving Something Back.

In our first survey, we achieved a 'One to Watch' status which recognises us a 'Good employer' to work for. Our annual survey held in December 2021 showed good progress has been made as the overall score improved, and we are currently working towards achieving 1 Star accreditation for next year. Insights from the survey have been used to identify areas for improvement and develop 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. Colleague Engagement is a key measure in the Culture section of the Company Scorecard. For more details please see "Culture & Sustainability" section on pages 53-59.

During 2021, an Agile Working model was defined to address how colleagues will work in the post pandemic environment. Mindful of the longer-term impact of any decisions regarding working practices, two surveys were run specifically on this topic to understand colleagues' preferences and the Board had dedicated agenda items to discuss the principles and implementation of Agile Working throughout 2021.

INTERMEDIARIES

NPS SCORE: +17

Our mortgage distribution strategy is entirely geared towards the independent mortgage intermediary sector, which accounts for an estimated 80% of all new lending in the UK market. We have over 13,000 individual brokers registered to deal with us, providing us with whole of market access across all of the major mortgage networks, clubs and packagers.

Through a mix of key account management, supported by both field and telephone based business development managers, we focus our time and energy on cultivating strong relationships with the brokers who we know regularly support mortgage borrowers with complex needs.

Our products are designed for those customers, and we aim to streamline the underwriting and decisioning process, providing a frictionless journey and high-quality service to our intermediary partners. We use a data-led approach to monitoring lending quality and process execution aligned to risk appetite and a suite of operational KPIs.

All intermediary sales activity is captured and monitored daily, from contact activity, through conversion to initial decision in principle, application, offer and then completion. We ensure ongoing quality of that business pipeline, through a fully controlled and documented governance process, which enables us to manage our broker relationships closely and swiftly take any remedial action required to improve the quality of the applications submitted to us. 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 monthly via the Broker Governance Forum and the Sales and Marketing teams maintain a constant 2-way dialogue with brokers. Quarterly NPS surveys are also run to directly canvass feedback from intermediaries.

Where appropriate, we consult directly with intermediaries regarding developments within the business, an example of this being the building our platform through which to offer retentions products, where we discussed and consulted with a number of intermediaries regarding the intermediary and customer journey.

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 capital and liquidity position of the business. Further enhancements from an investor perspective have included improvements in reporting, securitisation transaction design and our general product proposition. 2021 was a year of dynamic and active engagement, with 27 investors participated in RMBS transactions, of which 8 were new to us. 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 as a core competency. We react swiftly to customer issues and act with transparency and integrity. Throughout 2021, we have maintained regular direct engagement with our Regulator through our Compliance team, via both written correspondence and face to face interactions.

COMMUNITY

Belmont Green is committed to supporting the communities it serves and in 2020 established a three-year partnership with Crisis. Belmont Green has 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 donated £68,000 to Crisis. In addition, we support Midas Plus, a local charity near our head office in Staines, which looks after local individuals with physical or learning difficulties who demonstrate a need that cannot be fulfilled elsewhere.

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.

Crisis Together we will end homelessness

SHAREHOLDER

As Belmont Green's majority shareholder, with 99.5% of preferred and A shares held as at 31 December 2021, 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 challenges and the management of risk, as well as the strategic direction of the organisation and ensures that decisions are made in the best interests of all stakeholders, including customers and colleagues.

PINE BROOK

THIRD-PARTY PARTNERS

Maintaining open and effective relationships with the third-party business partners with whom we work forms 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. These are reported to the Board to ensure it retains oversight and is satisfied that the relationships continue to add strategic value to the business. In addition to this, during the period the Board Risk Committee undertook a deep dive review into the performance of our mortgage servicer.

FINANCIAL REVIEW

JOHN ROWAN
CHIEF FINANCIAL OFFICER

We are pleased to report a statutory profit before tax of £2.7m in 2021 (2020: £7.1m loss), an improvement of £9.8m over 2020's result. This is a significant milestone for the business and a positive step forward in the company's progress. The core profit before tax, after excluding exceptional items, was £4.5m (2020: £5.8m loss), further details being set out in the "Core Operating Profit" section.

As the business emerged from the COVID-19 pandemic and its return to lending late in 2020 we have steadily grown the loan book, with 10.8% growth year-on-year. Overall lending exceeded £450m for the year split between an increase in new lending to £423m for the year (2020: £257m), with a further £40m (2020: Nil) being sold through a new forward flow arrangement.

Belmont Green continued to be conservative in its credit risk appetite and core asset margins improved. The introduction of our retention product in mid-2021 should help the business to offer customers a further option to remain with Belmont Green as their lender. Overall, the business has moved onto a profitable footing through the growth in the loan book, good progress on managing our funding and continued control of the cost base.

The growth of the overall scale of the business has provided the opportunity to enhance the capabilities of the Finance and Treasury teams. The finance team have made good progress with respect to enhancing the overall control environment and the regular financial disciplines expected in a business of our relative maturity. A key area of progress has been the implementation of a new financial planning software platform that provides much greater flexibility for the team to respond to a changing external environment.

We have made a number of key appointments in the Treasury team bringing on board an array of broader experience which has benefited the business. 2021 has been a successful year in the management of the liability side of the Belmont Green's balance sheet. A key focus of the newly appointed Treasurer and Capital Markets team was to challenge and reassess the existing funding parameters and assumptions with a view to delivering better value through our funding lines.

> "The new team members brought significant experience of structuring and executing debt capital markets transactions."

The new team members brought significant experience of structuring and executing debt capital markets transactions. They also carry strong relationships with our principal lending banks. We have been able to leverage these strengths into a more efficient base for funding the business. These efficiencies crystalised across advance rates, costs and sought to optimise the required equity to support our business.

Our warehouse funding provides initial liquidity to allow us to fund mortgage offers and provide sufficient headroom to build a pipeline of applications. We undertook an exercise to simplify our requirements and provide appropriate flexibility for our plans. The result is a set of warehouse parameters which are broadly in line across all four warehouses with greater operational and funding efficiency. A further benefit of the review exercise allowed us to increase overall warehouse capacity and improve terms, in particular, for the costs for drawn and undrawn elements of these facilities.

Our Residential mortgage-backed securities (RMBS) platform, Tower Bridge Funding, is a well-recognised and respected funding franchise in the UK. The business has executed seven public transactions and called its third deal in December. We employ RMBS funding to create capacity in the warehouses and to improve the leverage of the business over time. In 2021 we issued in excess of £650m of bonds to fund the business.

A fresh look at the structure and approach of the Tower Bridge platform was undertaken to deliver better value for stakeholders. The result is an improvement in the effectiveness of the structure for new RMBS transactions. This was evidenced by strong investor demand for our 2021 transactions. Our investor reach has improved with a broadening of the investor base over the financial year supported by a programme of investor engagement. At the year-end preparations were well progressed for our inaugural 144a transaction which provides greater flexibility for US investors to participate. This was evidenced by the subsequent success of the transaction in January 2022.

In 2021 we agreed our first forward flow transaction which provides the business with a further diversification of liquidity. This was an important development for the business and allows us to continue to build our origination capacity beyond pre-existing funding arrangements. We see forward flow as a helpful facility which will support the business develop and grow as we prepare for a banking licence.

> "Net interest income increased to £34.5m from £23.9m in 2020 feeding through to a substantial increase in net interest margin in 2021 to 2.01% from 1.44% in 2020. Notably, interest expense fell year-on-year to £34.0m from £37.2m in 2020 as the business refinanced maturing and more expensive debt."

We continue to nurture the capital resources available to the business and over the course of 2021 we have been able to support the growth in the balance sheet through releasing trapped capital in historic funding structures. This has been achieved through the improvements in RMBS structures and warehouse arrangements discussed above.

In summary we have made good progress on a number of fronts in terms of our funding, liquidity and capital management. We had already made the appropriate preparations in 2020 to transition away from Libor to Sonia based facilities and this occurred smoothly during the course of 2021. We believe that the advances achieved on funding and capital in this financial year will provide a sound basis for the business to continue to grow in the future.

INCOME STATEMENT

NET INTEREST INCOME

Net interest income increased to £34.5m from £23.9m in 2020 feeding through to a substantial increase in net interest margin in 2021 to 2.01% from 1.44% in 2020. Notably, interest expense fell year-on-year to £34.0m from £37.2m in 2020 as the business refinanced maturing and more expensive debt.

A change in the basis of calculation of the effective interest rate adjustment on loan income was implemented to give a more equitable phasing of revenue over the life of a loan. This uplifted loan margins in the year with further detail provided in Note 3ii of the financial statements.

Funding costs were substantially improved during the year at 1.94% compared to 2.22% in 2020[10]. Belmont Green successfully completed its sixth and seventh securitisations, Tower Bridge Funding 2021-1 PLC in March and Tower Bridge Funding 2021-2 PLC in June. The deals raised £651m of wholesale funding, saw increased investor engagement and priced significantly lower than the 2020 deal. As Belmont Green's earliest and more costly deals have been called, funding costs have fallen.

We continued to have access to three committed warehouse facilities and a fourth facility contracted on an uncommitted basis throughout 2021. We have experienced strong support from our banking partners over the course of the year.

> "Funding costs were substantially improved during the year at 1.94% compared to 2.22% in 2020. Belmont Green successfully completed its sixth and seventh securitisations, Tower Bridge Funding 2021-1 PLC in March and Tower Bridge Funding 2021-2 PLC in June."

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

OTHER OPERATING INCOME

Belmont Green successfully implemented a forward flow arrangement towards the end of 2021. This provides an additional liquidity and revenue source for the business, leveraging the business' distribution and origination capability. The arrangement added £1.0m of income in 2021.

FAIR VALUE MOVEMENTS

Fair value movements reflect the notional impact of changes in underlying interest rates on the assets and financial instruments held at fair value. As Belmont Green intends holding these assets and financial instruments to maturity these movements will unwind in future years and therefore are not viewed as part of the core performance of the business. In 2021 a loss of £1.4m was recorded from fair value movements compared to a loss of less than £0.1m in 2020.

ADMINISTRATIVE EXPENSES

Cost control has been key in moving the business to being profitable. Total administrative expenses increased to £30.9m in 2021 compared to £28.0m in 2020. After excluding the one-off items highlighted in the Core Operating Profit section below, the comparison becomes £30.1m in 2021 versus £27.1m in 2020. This represents a 11.1% increase compared to the pandemic year of 2020 where operating activity was low.

Management has continued to maintain a focus on costs following the action taken in 2020 to reduce the cost base. In 2021, the focus has been on recruiting experienced staff to key areas that has moved the business forward in 2021 and has set it up for growth from 2022 onwards. The cost base of the business, therefore, grew in a controlled manner over the year.

IMPAIRMENT PROVISIONS

The charge for impairment decreased to £0.7m in 2021 from £3.4m in 2020. This reduction reflected the adoption of more benign macroeconomic forecast scenarios as the impact of the COVID-19 pandemic has been less severe than previously anticipated.

The high level of payment deferrals experienced in 2020 did not lead to a noticeable deterioration in the performance of the book during 2021. Arrears levels increased gradually, but remained low, through year.

Consideration has been given to the extent to which the Belmont Green core expected credit loss (ECL) model, based upon historic data, is able to predict future losses in the current environment. After thorough research, adjustments have been made to the ECLs calculated by the core model to allow for aspects of the current economic environment and property market that cannot be fully reflected in the model's assumptions.

CORE OPERATING PROFIT

The statutory profit before tax for 2021 was

£2.7m (2020: £7.1m loss)

whilst the core operating profit was

£4.5m (2020: £5.8m)

The table opposite sets out the derivation of core operating profit/loss in 2021 and 2020, as well as the individual net interest income and administrative expenses components.

	2021			2020		
	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	34.5	(30.9)	2.7	23.9	(28.0)	(7.1)
Adjustments						
Fair value volatility			1.4			0.0
Remediation provisions	0.1		(0.4)	0.1		0.4
Exceptional item - management restructure						
- management restructure					0.9	0.9
- project costs		0.6	0.6			
Banking licence one-off costs		0.2	0.2			
Core income/expenses/profit/(loss)	34.6	(30.1)	4.5	24.0	(27.1)	(5.8)

The adjustment for remediation provisions reflects the net release (2020: charge) to profit in relation to later life lending remediation and the FCA affordability case review (refer to note 3iii).

BALANCE SHEET

Net loans to customers grew by 10.8% in 2021 to £1,812m (2020: £1,636m). BTL loans made up 74% of the loan book at 31 December 2021 (2020: 74%).

The key drivers for future increases in profitability will be Belmont Green's lending volumes and mix of Buy to Let and owner-occupied lending. The segments that the company focuses on, including portfolio landlords, specialist BTL properties, first-time buyers and borrowers with complex credit histories, continue to be forecast to grow in the medium term. Belmont Green is well-placed with an established brand and reputation in the intermediary channels where these segments are largely served. Our market share of the specialist lending market will remain relatively modest as it continues to grow.

Wholesale funding totalled £1,809m at the end of 2021 (2020: £1,629m), of which £1,278m related to securitisation funding (2020: £1,395m). The Tower Bridge Funding No.3 PLC securitisation was successfully called in December 2021, temporarily reducing the total amount of securitisation funding, with the bulk of the loans from that deal being resecuritised in January 2022.

Total share capital, of which 99.5% has been provided by Belmont Green's private equity investor, Pine Brook, stood at £204m (2020: £196m). Strong capital management meant that the business drew down only £8m from Pine Brook's line of equity during the year (2020: £28m).

RISK MANAGEMENT

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 our Risk Management Framework (RMF), which takes a top-down approach to risk identification and management within the Risk Governance structure using a Three Lines of Defence model.

Belmont Green's Risk Management Framework and Three Lines of Defence model are explained in this section.

RISK MANAGEMENT FRAMEWORK

RISK MANAGEMENT FRAMEWORK

Belmont Green's Risk Management Framework (RMF) can be visualised as a pyramid with the identification and management of risks done using both a 'top-down' and 'bottom-up' approach. It provides 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. Board approves the business strategy (including the Business Plan), consistent with our Mission, Values and Risk Appetite. As part of the FCA's Senior Managers and Certification Regime (SMCR) the management responsibilities map details accountability for risk at the Board and Executive Committee.

A key part of the RMF is its alignment with our Values and appreciation by employees that they are all responsible for risk management and ensuring good customer outcomes. 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.

THREE LINES OF DEFENCE

Belmont Green has implemented a 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"). 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 education throughout Belmont Green to create desired outcomes for the business and its customers.

> "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."

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 Risk Management Framework 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, where necessary, through the Risk Governance Structure. The First Line of Defence works with the Risk Function to implement remedial actions to investigate Internal Risk Events and Near Misses and 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.

SECOND LINE OF DEFENCE – RISK FUNCTION

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

- monitoring the effectiveness of the Risk Management Framework, 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;
- working with the First Line of Defence to identify, assess, manage and control all of Belmont Green's risks;
- providing risk management advice and support to all departments within Belmont Green, particularly to the owners of Belmont Green's policies, processes, controls and procedures;
- 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 and Model Risk Committee, and is a member of ALCO (Assets & Liabilities Committee) and the Customer & Culture Committee. Credit Committee is chaired by the Director of Credit, who reports into the CRO. The CRO is approved by the FCA as an SMF3 (Senior Management Function under the FCA's Senior Managers & Certification Regime) – Executive Director and 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, led by the Director of Internal Audit assisted by a co-sourcing arrangement with PwC. Internal Audit provides the Board with independent assurance regarding the suitability, operation and effectiveness of Belmont Green's Risk Management Framework, its Risk Governance Structure and the First and Second Lines of the Three Lines of Defence model. The Director of Internal Audit attends Board Audit Committee meetings and Board Risk Committee meetings and reports 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 Committee.

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 risk appetite. Our appetite for each of the identified Risk Types 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 detriment 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. 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.
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.	We prepare financial forecasts and draw down equity as required that ensures we remain within appetite at all times.
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 future planned equity injections within 30 days of stress conditions.	We prepare liquidity forecasts, plan our funding transactions and draw down equity to ensure that we remain within appetite at all times.

PRINCIPAL RISK	DEFINITION	RISK APPETITE	RISK MITIGATION
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, without any reliance on future planned equity injections within 30 days of stress conditions. 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 that ensures we remain within appetite at all times. We plan new funding transactions that ensure we maintain sufficient funding coverage and assess our plans against internal and market capacity.
Credit Risk	The risk of loss arising from default on mortgage lending, or from the default of a wholesale counterparty.	We have appetite for credit risk arising from our mortgage lending, but the risk must be adequately compensated through the economic cycle.	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.
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 specifically managed.	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 exposures after hedging with 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.

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 or for concentrations to particular 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.	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.	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.	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 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.
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.

STRATEGIC REPORT

CULTURE & SUSTAINABILITY

JENNIE WALTON
CHIEF CULTURE OFFICER

People are at the heart of our business, and our ambition, mission and values underpin and guide everything we do.

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.

We work hard to create a caring and inclusive working environment, where each individual has a voice and the freedom to make a positive difference to the world around them.

Everything we do as a business supports our mission which is to

'HELP PEOPLE MOVE FORWARD IN LIFE'

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 mission, we have a set of values which attempt encapsulate the important behaviours that we encourage and celebrate in our people.

Our values also provide a frame of reference for good decision-making and the standards of behaviour which we expect from the Board, down through senior management and onwards to the rest of the business.

OUR VALUES

VISIONARY

WE INNOVATE AND BREAK OLD HABITS.
WE THINK BIG AND PUSH BOUNDARIES
TOGETHER AS ONE TEAM.

INCLUSIVE

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

DYNAMIC

WE ARE FLEXIBLE AND FAST.
WE CUT THROUGH COMPLEXITY
AND NEVER ACCEPT SECOND BEST.

AUTHENTIC

WE ARE HONEST AND GENUINE.
WE KEEP OUR PROMISES.
WHAT YOU SEE IS WHAT YOU GET.

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.

Our Values place an emphasis on being progressive as an organisation and trying to find ways to break old conventions, especially those which cause exclusion or customer harm.

We embrace 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.

A one size fits all approach to life can often leave certain people excluded or isolated, even when they have something fantastic to offer.

In trying to meet the needs of a wider variety of customers, we aim to be fair and open in all our communications and processes, with the objective of ensuring that people get the very best deal they possibly can.

Led by our Chief Culture Officer, developing a purpose driven culture is seen as one of the key pillars of our business strategy.

NEW WAYS OF WORKING

The pandemic has created a once-in-a-lifetime opportunity to reassess working patterns and to provide employees with a better work-life balance. The COVID-19 crisis has catapulted us forward into new ways of working that would possibly have taken many decades to achieve.

Like many businesses we have taken the opportunity to review our ways of working and developed an agile working model that supports both home and office working. We have been careful in the development of the working structures to ensure that we keep the right balance between working from home and being in the office together.

We re-opened our offices at the end of September 2021 for team meetings and used the remainder of 2021 to support our people with the transition to agile working which we adopted from February 2022. Wherever our employees 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 whilst protecting data.

73%

OF COLLEAGUES ARE HAPPY WITH THE BALANCE BETWEEN WORK AND HOMELIFE

RECRUITMENT

During 2021, we employed a dedicated in-house recruiter to support our day to recruitment with a focus on hiring new roles to build our capability and capacity in key areas.

As a growing business, there is the opportunity for our people to grow and develop, and during 2021 we had 21% of our people apply for internal positions with 20% successful promotions.

As a result of adopting agile working this has enabled us greater access to broader talent pools and this has further strengthened our employee base and enriched our diversity. Throughout 2021 we welcomed 69 new people to our business.

TALENT DEVELOPMENT

With the continuation of everyone working from home throughout 2021, our training activity has evolved and been adapted to support a virtual workforce over the last two years. We have achieved this through moving our traditional methods of face-to-face training to online Team sessions, expanding the use of e-learning platforms and developed a number of online videos.

In support of diversifying our talent, we ran 3 Graduate Assessment Centres during the summer of 2021 and hired 3 Graduates to join our teams within finance. Running this type of programme has provided a great opportunity to diversify our teams through hiring a diverse group of people with very different backgrounds and experiences.

EMPLOYEE WELLBEING

In recognition of the ongoing challenges of health and wellbeing during the pandemic with the loss of physical interaction and informal emotional support that occurs more naturally in a traditional office environment, we have continued to focus on and support the health wellbeing of our people.

Throughout 2021, we have dedicated a day each week to wellbeing and focussed a range of themes to improve awareness and provide guidance on a range of different subjects.

We recognise that not everyone needs the same support at the same time, so we provide employees with access to an Employee Assistance Programme (EAP) which offers our people a wide range of support on any of life's issues or challenges. Their support is confidential and available 24 hours a day. In addition, and through our healthcare provision with Vitality, our people have access to wide range of health and wellbeing activities that is supported both virtually and onsite.

79%

AGREED PEOPLE IN THEIR TEAM WENT OUT OF THEIR WAY TO HELP THEM

86%

AGREED THAT THEIR MANAGER SHARED IMPORTANT KNOWLEDGE AND INFORMATION WITH THEM

DIVERSITY AND INCLUSION

Belmont Green is an inclusive employer, with the make-up of our business reflecting the customers and communities we aim to serve. Our team is made up of colleagues from a wide variety of cultures and backgrounds which is fundamental to our ability to empathise with our customers, and fully understand the types of problems we are trying to solve. 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 have an Equality, Diversity and Inclusion group that is made up of people from around the business who share a diverse set of views and together they have developed a focused agenda that encourages discussion, engagement, and improved awareness. We have Culture Scorecard that enables us to capture and monitor the makeup of our business including any specific areas that we would like to focus on. This is shared regularly with the Board on a monthly basis.

Our aim is to ensure that all employees and job applicants are given equal opportunities and that Belmont Green is representative of all sections of society. We want every employee to feel respected and valued and able to give their best as a result.

Whilst we have policies in place to ensure we deliver on our obligations around equal opportunities and a very clear focus on achieving a better gender balance and cultural mix in our senior management population, our main priority is to create a work environment which is truly inclusive and a leading example of what is possible if diversity is designed into the culture of Belmont Green from the outset.

Our gender diversity statistics already demonstrate the importance of this within our organisation and in 2021 we became signatories to the Women in Finance Charter under which we have committed to a target of 50% for gender diversity at the level of senior management by December 2023.

RECOGNITION

We have learnt a huge amount over the last 2 years about the needs and preferences of our people when working remotely, and from this insight we have developed an agile working structure and supporting polices that look to maintain an agile and flexible approach.

Our frequency of internal communications has been maintained in 2021, in order to make sure that everyone is kept up to date while continuing to work remotely, and that the senior team remain visible and accessible. We have held weekly CEO briefings for the whole business, as well as more detailed bi-annual strategy updates.

Aligned to our plans for agile working, we launched a new internal communications hub called 'Workspace' which provides our people with easy access to all the essential information they need on a daily basis and reduces the reliance on the use of email. With its social media style it encourages interaction, collaboration, and engagement and has a recognition platform called 'Applause' embedded within it.

An important part of our culture is recognising colleagues for their contribution and Applause works like social media and is a tool that encourages peer to peer recognition. Everyone at Belmont Green is able to see each other's posts and can like it, share it and add comments to each post. Line managers also have access to their team feed and a suite of additional data that can be used for team celebrations, 121s and performance reviews.

Running alongside this and to celebrate achievements, we have our quarterly and annual reward and recognition scheme where employees are invited to recognise their peers for demonstrating our values and twelve winners are awarded. A similar annual awards process takes place in December celebrating individuals who have gone above and beyond. We received 355 nominations across the year leading to the recognition of 53 different winners.

EMPLOYEE ENGAGEMENT

At a company level, employee engagement is measured through our annual engagement survey. This has been run every year since 2017, with positive results ranging from 76% (November 2017) to 88% (September 2019). In 2020, we adopted the Best Companies model for measuring employee engagement under eight key factors: Leadership, Personal Growth, My Team, My Manager, My Company, Wellbeing, Fair Deal and Giving Something Back. In our first survey, we achieved a 'One to Watch' status, which recognises us a 'Good employer' to work for. Our annual survey held in December 2021 showed good progress has been made as the overall score improved, and we are currently working towards achieving 1 Star accreditation for next year. Insights from the survey have been used to identify areas for improvement and develop integrated action plans with our Culture Champions.

CULTURE CHAMPIONS

To support with embedding our values and creating a culture where people feel a sense of belonging, we introduced the role of Culture Champion. Our champions network is made up passionate individuals, with representatives in all departments.

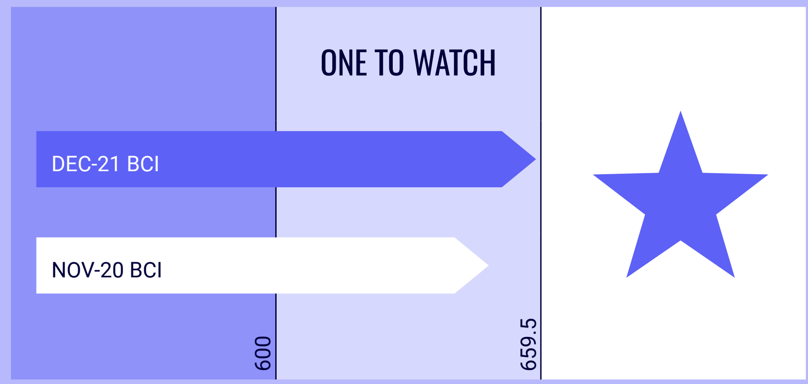
In line with the refresh of our values in 2020, the role of our Culture Champions evolved, and key responsibilities include:

- 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 which is heard on Champions monthly meetings.
- Helping us to plan, facilitate and promote social activities.
- Encouraging teams to complete our annual engagement survey, pulse survey and colleague NPS.

89%

OF COLLEAGUES RESPONDED TO THE SURVEY

Our overall engagement score has increased from **645.9 to 659.4** keeping us as the **One to Watch**



STRATEGIC REPORT

SUSTAINABLE DEVELOPMENT

As a lender offering products to underserved borrowers, we have always been conscious of our wider social impact. Consideration of Environmental, Social and Governance (ESG) issues is embedded in the work we do and the way in which we operate on a daily basis throughout our business. We judge our success as an organisation not only by our commercial performance but by how we act for the common good and the long term. Our ESG plan forms an integral part of successfully delivering the overall strategic agenda of the business.

Our ESG plan was developed through 2021 and approved by the Board in September. Progress is regularly monitored through the monthly ESG Forum and the Customer and Culture Committee, with updates to the Board. We approach our ESG responsibilities through a focus on six key priorities where we can have most impact and will be able to actively drive positive change, whilst building on our existing values:

1. Achieving Net Zero Operations, primarily through our actions to reduce emissions but acknowledging that initially we will need to use carbon credits to offset residual emissions.
2. Helping customers to become more "green", initially by improving the Energy Performance Certificates (EPC) ratings of their property.
3. Partnering with the community and fostering a culture in our organisation which reflects the Company Values.
4. Being a socially responsible business.
5. Effecting responsible decision making across the business.
6. Being diverse and inclusive within our organisation.

With this in mind, we have designed an ESG Scorecard which identifies the measures we will use to track progress against each of these priorities. We want to ensure that the targets which we set ourselves are considered and ambitious – one of our key values is authenticity and this applies to our approach to ESG. In certain key areas therefore, our plan sets out that we will gather and analyse data for 2021 and 2022. Where it is appropriate to set targets, these will be agreed, to apply from 2023 and beyond. This is reflected in the Scorecard which will be updated to reflect the targets set. Supported by effective governance and oversight from our Board and Executive management structure, we will aim to improve our performance against measures year on year and, where relevant, achieve the targets we set ourselves, increasing our contribution to environmental sustainability and having a positive impact on society.

"Since moving to a paperless model in 2020, we have strengthened our governance practice in 2021, with all Board and Committee papers being now shared and viewed via Diligent software"

ESG VISION

The ESG plan was approved by the Board in September but throughout 2021 we have factored ESG considerations into our decision making and have made progress in all areas.

ENVIRONMENT

NET ZERO OPERATIONS
Cut emissions from own operations from 2019 baseline by 2025, through adoption of agile working, and offset all our emissions to net zero.

HELPING CUSTOMERS BECOME MORE GREEN
Play our part as a responsible lender helping customers have a safe warm home by setting targets for a reduction in the average EPC rating of our book against the 2021 baseline.

OFFSET EMISSIONS
Purchase TIST Carbon Credits to net emissions to be climate net zero.

CONTROLS
Tighter controls & data to ensure landlords comply with rules.

AGILE WORKING
Introduce Agile Working Policy in 2021.

INFORMATION
Signpost customers to grants, energy information, regulations.

CUT EMISSIONS
Per FTE: including buildings, staff travel, paper, waste, water & outsource emissions.

PRODUCT DESIGN
Use product design to support borrower's energy efficiency gains.

SOCIAL

COMMUNITY & CULTURE
Engage with partners and colleagues so that we can make a real difference in the commuity and workplace.

BEING A SOCIALLY RESPONSIBLE BUSINESS
Understand our impact across society and take action to minimise harms and maximise benefits for our borrowers and their tennants.

GIVING BACK
Work with Crisis and other partners to improve lives through voluntary work and donations.

ACCESS TO RENT
Ensure access to rental properties for social tenants and other underserved groups

EDUCATION & DEVELOPMENT
Providing opportunities in education and careers.

LANDLORD STANDARDS
Encourage our BTL borrowers to raise rental standards through sharing information.

CULTURE
Foster a positive culture which reflects the Vida values.

ACCESS TO LENDING
Offer mortgages for underserved customers.

GOVERNANCE

RESPONSIBLE DECISION MAKING
Establish responsive and effective governance that promotes the success of the company and has regard to he impact on the community and other stakeholders.

DIVERSE AND INCLUSIVE
Customers and staff have confidence that we value eachothers' differences and represent full diversity of today's Britain.

STRONG GOVERNANCE
Robust structure of decision making with three lines of defense.

GENDER
Women make up at least 50% of Senior Management positions by Deverber 2023

ADVISORY FORUM
Panel of borrowers, brokers staff & Crisis providing board with insights & challenge.

CULTURE
Non-white British make >20% of Senior Management positions by 2023

ESG REPORTING
Develop a suite of key ESG metrics tracked at executive committees and board.

PUBLIC PLEDGES
Sign up to Women in Finance Charter in 2021

ENVIRONMENTAL

We established an agile working model for the organisation which was implemented in early 2022. This is less reliant on fixed office space and involves much reduced commuting for our colleagues, thus reducing our overall carbon footprint. We aim to achieve net zero operations for our business and, in order to achieve this in 2021, we purchased carbon credits to offset residual emissions.

We also recognise that the properties on which we lend have an environmental impact. We have made significant progress in gathering and analysing data in respect of the EPC ratings of our book of properties and during 2021, we were able to publish full EPC data for our mortgage pool for investors in connection with our residential mortgage backed securities transactions.

SOCIAL

We have committed to donate £150k to Crisis over a 3 year period and many colleagues have been actively involved in fundraising during 2021, resulting in donations totalling £68,000 so far. All colleagues are entitled to a day's paid leave to undertake volunteer work and are actively encouraged to take this, particularly where colleagues have particular expertise which they can share.

Equality, Diversity and Inclusion is core to our culture and our Equality, Diversity and Inclusion Group was established in 2021. Our gender diversity statistics already demonstrate the importance of this within our organisation and in 2021 we became signatories to the Women in Finance Charter under which we have committed to a target of 50% for gender diversity at the level of senior management by December 2023. Under our ESG plan, we have the target of ensuring that by the end of 2023, we have >20% of Senior Management made up of colleagues who identify as 'non-white British'.

GOVERNANCE

Our Chief Executive Officer is the Senior Manager with accountability for Belmont Green's ESG responsibilities under the Senior Manager and Certification Regime. During 2021, the terms of reference of relevant Executive Committees, the Board Risk Committee and Board were updated to reflect specific responsibility for the relevant aspects of ESG. Full details of our governance structure can be found on page 72 (Corporate Governance section). Our Board Risk Committee reviewed a detailed environmental report addressing physical and transition risks, as well as receiving metrics regarding the EPC rating of our mortgage portfolio at each meeting.

67%

OF COLLEAGUES AGREED BELMONT GREEN ORGANISATION HAS A STRONG SOCIAL CONSCIENCE.

"EMPLOYEE AND COMPANY DONATIONS TO CRISIS SINCE 2020 - £68,000"

Crisis

Together we will end homelessness

SUMMARY CARBON FOOTPRINT REPORTING

The table below shows energy use and associated greenhouse gas (GHG) emissions from Belmont Green's activities does not include mortgage properties as this data is not available.

Energy performance results

Energy use by source	Units	2021	2020
Total	MWh	219	333

GHG emission results

Emission by category	Units	2021	2020
Total	T CO2 eq	40,624	40,162

Intensity Ratio

Emissions per employee (operational emissions)	T CO2 eq	0.15	0.24
Emissions per employee (scope 1, 2 & 3)	T CO2 eq	203	222

For more detailed Streamlined Energy and Carbon Reporting (SECR) please see page 88 of the Directors' 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
22nd April 2022

CORPORATE GOVERNANCE

OUR BOARD

STEVE HAGGERTY – CHAIRMAN

Steve joined Belmont Green in March 2016 as 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 independent NED since 2010 during which time he has held numerous positions including Vice Chair of Melton Mowbray Building Society, Chair of Target Loan Servicing Ltd, Chair of Rockstead Ltd and Board member of Legal & General Home Finance Ltd.

CAROL SERGEANT CBE – SENIOR INED

Carol joined Belmont Green in September 2019 as the Senior Independent Non-Executive Director 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 of the UK Financial Services Authority, Chief Risk Officer of Lloyds Banking Group and has held positions on the boards of several charities and companies. She is currently Chair of the Board Risk Committee at Danske Bank A/S (Copenhagen) and also Chair of the Global Women's Leadership Programme at Bayes Business School and an Ambassador for the Money Advice Trust.

In the charity sector she is currently a Trustee of the Lloyds Register Foundation (which owns the Lloyds Register Group) and a Member of the Governing Council of the Centre for the Study of Financial Innovation. She has led and participated in projects and reviews for UK Government and the EU Commission on financial services and regulation and has been on the Boards of a number of universities.

ROBIN CHURCHHOUSE – INED

Robin joined Belmont Green in April 2019 as 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 (and acts variously as the Senior Independent Director, Chair of the Risk Committee and Chair of the Audit and Risk Committee) at Bank North (a start up commercial bank) and Lookers plc (a motor dealership and service group).

ALAN NEWTON – INED

Alan joined Belmont Green in May 2016 as an Independent Non-Executive Director. He is a senior adviser in the Resolution Directorate at the Bank of England, a governor of the University for the Creative Arts, Europe's largest specialist creative art and design university, and Chair of its Audit and Risk Committee and a trustee of Reach South Academy Trust, a multi-academy trust focussed on the South West of 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.

CONTINUED...

PETER WILLIAMS – INED

Peter joined Belmont Green in March 2016 as an Independent Non-Executive Director and is 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 has been a Non-Executive Director of Belmont Green since September 2020 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 also represents Pine Brook as a board director of Fidelis Insurance Holdings Limited, Amedeo Capital Limited and Clear Blue Insurance Group.

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 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, 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.

STEPHEN ROUGHTON-SMITH

Stephen was the Chief Risk Officer of Belmont Green from April 2019 until December 2021. He had over 30 years' financial services experience in a variety of senior roles across a wide range of financial services organisations, initially qualifying as a chartered accountant. In his risk roles Stephen co-headed Moody's EMEA structured finance business; was UK CRO at ABN Amro; deputy CRO and Group Credit Director at Lloyds Banking Group; and, most recently, Head of Credit Risk and interim CRO at the Abu Dhabi Investment Authority ('ADIA'). Stephen left the business in December 2021.

Fraser McNeill will join the business in Q2 2022 from Coventry Building Society where he has been the CRO for almost seven years.

SENIOR LEADERSHIP TEAM

The senior leadership team includes the Executive Directors shown above and five 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

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.

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 Fulbright.

ZACHARY HOCKING

Zack is the Commercial Director. He joined Belmont Green in November 2021. He is a financial services expert with more than 15 years' experience in senior banking roles including successfully leading and growing retail deposit businesses.

He initially qualified as a chartered accountant and his career has included working as an equity investment manager and as an independent consultant, with his most recent experience being as a commercial director with Virgin Money and Clydesdale Yorkshire Banking Group, where he led the £80bn retail funding business.

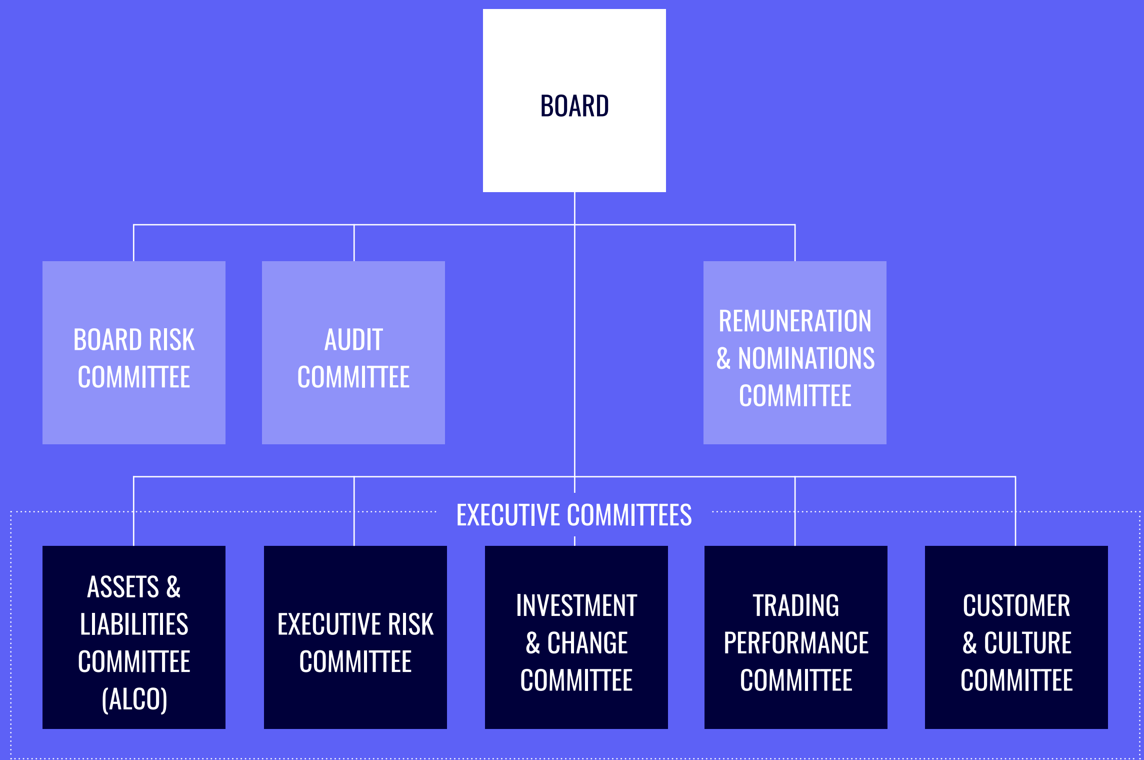
CORPORATE GOVERNANCE REPORT

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, five Executive Committees, each with defined roles and responsibilities, and a small number of sub-committees. There are also a number of Forums and 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 Company Secretariat 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 Executive Committees and Board Committees and on to the Board.



THE BOARD

The Board is required 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 during 2021 are set out in the table below.

2021 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			
Stephen Roughton-Smith	Chief Risk Officer	8/10			
Alan Newton	Independent Non-Executive Director	9/10	6/6		5/5
Carol Sergeant	Independent Non-Executive Director	10/10	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	
Ethan Wang (resigned)	Non-Executive Director	2/5			
Dana LaForge	Non-Executive Director	10/10	6/6	5/5	5/5

BOARD COMPOSITION

Our Board consists of individuals with a broad range of financial services knowledge and experience in both mortgage lending and banking. Details of the members of the Board and their experience are set out on pages 66-67 (Board Members section).

Independence: The Board currently has eight members[11]. Membership consists of two Executive Directors (the CEO and the CFO) 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 as, excluding the Chair, more than half of the Board is independent.

Capability: Collectively, the Board has extensive knowledge and experience of working in the financial services sector and of mortgage lending and retail banking. The experience and expertise of the independent Non-Executive Directors means that they have a sufficient breadth of understanding of our existing business to provide effective challenge to the Executive Directors and Executive Team.

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.

These matters are:

- 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.

[11] From January 2021 until 10 December 2021, the Board consisted of 9 members, including the Chief Risk Officer who left the business on 10 December 2021.

CONTINUED...

- Culture, values and strategy
  - Setting Belmont Green's values and culture.
  - Challenge and approval of Belmont Green's strategic plan.
  - Oversight of any strategic elements relating to ESG including approval of the ESG Vision and Strategy.
  - Approval of any acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture.

- 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), defined as commitments proposed to be entered into with a third-party with a total value of £250,000 or more, inclusive of VAT, and framework agreements where it is envisaged that the annual expenditure will be over £250,000, inclusive of VAT.
  - 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.

CORPORATE GOVERNANCE

- 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 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 above £250,000.
  - Approval of any Director conflict of interest.

- Remuneration and Nominations
  - 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. With respect to appointments, any approval will be given only following confirmation that the proposed candidate has complied with our policies regarding compliance with the Senior Managers & Certification Regime and other applicable rules or requirements.

BOARD ACTIVITIES DURING 2021

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 2021, key topics considered by the Board have included:

- Review of Belmont Green's strategy, growth plans and mobilisation of the banking programme
- Consideration and approval of the 2021 Business Performance Scorecard
- Approval of Belmont Green's overarching Risk Management Framework and Risk Appetite Statements
- Review of product proposition and operational productivity
- Discussion of the principles and implementation of Agile Working for all employees following the end of the pandemic restrictions
- Approval of Belmont Green's approach to Environmental, Social and Governance, including an ESG plan and scorecard
- Approval of Belmont Green's Modern Slavery Statement
- Debate of the results of an internal Board Effectiveness Review.

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 on pages 52 - 59 (Culture & Sustainability section). The Board spends time reviewing and understanding the results of employee surveys and regularly hears direct from members of the senior leadership team at Board and Board Committee meetings. As a result of the Board Effectiveness Review undertaken in 2021, a review is underway of how board members can most effectively communicate with colleagues in Belmont Green outside of the senior leadership team.

Communications with stakeholders, in particular colleagues across the business, has a high priority, with weekly All Colleagues updates hosted by the CEO and quarterly detailed updates regarding Belmont Green's progress against strategy. This also creates the opportunity for colleagues to hear from the Non-Executive Directors, with communications from the Board Chair and the Shareholder Non-Executive Director being included in past updates. 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. 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.

With regards to the culture of the Board itself, an environment of open debate and constructive challenge is encouraged at the Board and Board Committee meetings. The Chair of the Board and all Committee Chairs are independent and have frequent conversations with members of the Executive Management Team and others within the organisation to understand other perspectives in detail. The Chair of the Board and Chairs of each of the Board Committees also hold regular Independent Non-Executive Director meetings to ensure any issues and concerns can be openly discussed and addressed.

Given Pine Brook's majority shareholding, the Board is careful to form its own views of the challenges, risks and issues that the business faces, ensuring that strategy and decisions are in the long-term interests of customers, employees, regulators and other key stakeholders. The Board works consciously to ensure that the shareholder does not have undue influence.

Board effectiveness reviews are recognised as a valuable tool to ensure high performance standards. An internal effectiveness review of the Board, Board Committees and each of the Executive Committees was completed by our General Counsel & Company Secretary in 2021 and this review now forms part of the annual review cycle.

The effectiveness reviews highlighted that the Chairman and CEO foster a relationship of mutual respect and trust between the Executive Management Team and the Board. Management shares information openly, facilitating challenge and debate, and is very responsive to requests for further information or analysis from the Board. Overall the effectiveness reviews concluded that the Board and each of the Board Committees are functioning efficiently, with no material concerns raised. There were a number of actions arising from each of the reviews which are tracked by the Company Secretarial Function and progress reported to the Board Remuneration and Nominations Committee. Consistent themes across all effectiveness reviews included the importance of ongoing training for all Directors, the need for appropriate succession planning and the need for gender diversity at Board level.

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 reports directly to the Chair of the Board Audit Committee and the Board, with a dotted reporting line to the Chief Executive Officer[12]. The Board Audit Committee ensures that the Internal Audit Function is effective and delivers independent and competent challenge to the business.

> "The Board is committed to ensuring that Belmont Green achieves its growth plans in a manner which supports long term success and sustainability and in 2021 agreed an ESG plan to help achieve this. The plan recognises both the opportunities and risks which ESG factors pose to the business and building on this this will be a key area of focus in 2022, with the tone from the top and rigorous standards of governance central to achieving this."

[12] Internal Audit was provided by PwC through an outsourced arrangement until October 2021, when a Director of Internal Audit was appointed to transition to a co-source Internal Audit model, with PwC continuing to provide audit and monitoring support alongside the new in-house function.

AUDIT COMMITTEE REPORT

ROBIN CHURCHOUSE
CHAIR OF THE AUDIT COMMITTEE

This section looks at the role, responsibilities and activities of the Board Audit Committee during 2021, including how we have looked to manage developments in the business and the wider environment.

ROLE AND RESPONSIBILITIES

The Board Audit 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 Board Audit 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 Board Audit Committee's role is to support, and report to, the main Board.

The Board Audit Committee's terms of reference were reviewed and updated by the Board Audit Committee, and approved by the Board on 2 December 2021.

COMPOSITION AND ATTENDANCE

The Board Audit Committee's membership is composed solely of 3 independent Non-Executive Directors and one shareholder appointed Non-Executive Director.

During 2021 membership consisted of:
Robin Churchouse (Chair, appointed April 2019)
Carol Sergeant (appointed September 2019)
Dana LaForge (appointed September 2020)
Peter Williams (appointed March 2019)

The Board Audit 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 66 - 67.

The Board Audit Committee met five times during the year. Attendance of individual members is shown on page 74. Through the year a broad range of management attended the Committee including the CEO, CFO, CRO, Head of Internal Audit, 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 Board Audit 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 an action plan to build on the current quality of the Committee to ensure its ongoing development.

BOARD AUDIT COMMITTEE ACTIVITIES

During 2021 the Board Audit Committee's activities covered the following issues:

1. FINANCIAL REPORTING

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

- Expected Credit Losses – including the economic assumptions and scenarios underlying loan loss provisions, as well as a number of model overlays reflecting areas not, in our view, adequately covered by the core model. The Committee was satisfied that the assumptions and scenarios were sensible, and the individual and overall levels of provision adequate;
- Expected Loan Lives and Effective Interest Methodology – including the impact of changing borrower behaviours on loan lives and hence on interest accounting. The Committee was happy with the proposed expected lives given customer trends, and hence with the adopted methodology;
- Regulatory/conduct issues and customer remediation – reviewing the adequacy of provisions required for known issues and customer detriment and redress programmes. The Committee remained satisfied that the level of provisions was adequate;
- Derivatives and hedge accounting – including reviewing the movements during the period and proposed changes to our underlying approach to hedge accounting. The Committee approved the proposed changes to our underlying approach, which will have an impact in 2022 as well as the position at the end of 2021;
- Going concern and viability statements – the Committee's considerations were significantly complicated by the impact of Covid-19, and its stage of development. The Committee reviewed the Group's management of impacts, its forecasts and its funding arrangements, including the continued funding support of its majority shareholder. The Committee was satisfied that the assumptions used were appropriate, and, taking into account discussions with and challenges from our external auditors, were satisfied that it is appropriate to adopt the going concern basis.

An overarching responsibility of the Committee is to make certain that the Group's accounts present a fair, balanced and understandable view of the Company'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.

In doing this the Committee specifically considered, alongside the broader picture the following:

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

During the year the Board Audit Committee also oversaw a number of reviews of specific accounting treatments and methodologies including effective interest rates, forward flow transactions and hedge accounting.

2. INTERNAL CONTROL SYSTEMS

Whilst the Board has overall responsibility for the Group's internal control environment and for assessing its effectiveness, the Board Audit 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 Board Audit Committee to satisfy itself as to the adequacy of our internal systems of control, in particular as they relate to our financial reporting.

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 improvement and embedding across all areas to ensure that we are fully "bank ready".

3. INTERNAL AUDIT

During 2021 our Internal Audit was delivered through an outsourcing arrangement with PwC. Whilst this approach has worked well for the Company as it builds its business, during 2021, and as a part of working towards bank status, the decision was taken to transition to a co-sourced arrangement. Co-sourcing was selected, rather than a full in-house arrangement, to reflect the difficulty for an organisation of our size to attract and retain in-house the full range and depth of audit expertise that is needed.

In quarter 4 a new Director of Internal Audit was recruited, and the transition to a co-sourced arrangement was completed. The internal function will grow and develop during 2022, with ongoing work supported by PwC as co-source partners. The Board Audit Committee will retain a focus on the adequacy of our internal audit function, including its approach and resourcing.

During 2021, the Board Audit 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:

- Reviewing our reaction to the Covid crisis across a range of areas including governance, operational resilience, treasury and liquidity management and broader risk management;
- Financial crime processes and structures across the business;
- Our end-to-end customer lending journey, as well as specifically reviewing any control impacts of efficiency based changes to our underwriting processes in 2021;
- Our oversight of our key lending outsourcing partner, CLS, and our management of their service.

All of the issues and actions identified during these audits are reviewed by the Board Audit 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 £253k non audit fees (2020: £75k).

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 2021, including how internal and external risks have been reviewed and managed. Please refer to the Risk Management section of this report for the principal types of risk 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 of risk across the organisation.

The Board Risk Committee's key responsibilities during 2021 included:

1. Review and recommendation to 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 Risk Management Framework.
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. Oversight of Belmont Green's whistleblowing arrangements.
8. Oversight, review and challenge of Belmont Green's regulatory, compliance and fraud risks.

The Board Risk Committee's terms of reference were reviewed and updated by the Board Risk Committee and approved by the Board on 2 December 2021. The review did not result in any significant changes to the Board Risk Committee's responsibilities.

COMPOSITION AND ATTENDANCE

The Board Risk Committee's membership is composed solely of 3 independent Non-Executive Directors and one shareholder appointed Non-Executive Director. During 2021 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 66 - 67.

The Board Risk Committee met six times during the year. Attendance of individual members is shown on page 74.

Throughout the year a broad range of management routinely attended the Committee including the CEO, CFO, CRO, COO, General Counsel & Company Secretary and members of the Risk Leadership Team. First Line Business Owners also attended meetings where appropriate to discuss and receive challenge on management of risks in their area. In particular, the Director of Technology attended to discuss management of information security risk, the Chief Culture Officer attended meetings to discuss people risk including the impact of the pandemic on colleagues, and the Chief of Mortgage Operations provided an update regarding complaints. In addition, the Chair of the Committee holds regular NED only meetings to ensure that issues can be raised confidentially if necessary.

A review of the effectiveness of the Committee was undertaken during the year. The General Counsel & Company Secretary 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.

COMMITTEE ACTIVITIES

At each meeting, the Committee receives and discusses a report from the Chief Risk Officer summarising the risk profile of the organisation and highlighting any key areas for consideration. 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 credit risk, compliance and conduct risk, financial crime, operational risk, prudential risk, HR risk and information security risk.

In addition, during 2021 the Committee:

- Reviewed Belmont Green's Risk Management Framework and recommended it to the Board for approval.
- 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.
- Reviewed and approved a number of key policies and frameworks including the Credit Risk Management Framework and Credit Lending Policy, Stress Testing Framework, Treating Customers Fairly and Responsible Lending Policies
- Reviewed the Financial Crime Framework, Anti-money Laundering Policy, Anti-bribery & Corruption Policy and Fraud Policy, and discussed a deep dive analysis of Belmont Green's financial crime controls.
- Received the annual report from the Money Laundering Reporting Officer.
- Received the annual Whistleblowing Report and approved the Whistleblowing Policy.
- Received a detailed review and analysis of complaints over the period considering in particular mitigation of conduct risk.
- Discussed a number of deep dive analyses including in relation to Belmont Green's Buy-to-Let portfolio, the broker governance control framework, environmental risks facing the organisation and Belmont Green's change management processes involving business practices and products.
- Reviewed a detailed report and analysis regarding Belmont Green's outsourced mortgage servicing provider.
- Approved Belmont Green's approach to operational resilience, including the governance framework.
- Reviewed the results of Risk and Control Self Assessments which were conducted for every business area during the course of the year by the Director of Operational Risk.

LOOKING FORWARD

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

- Oversight of risks arising as a result of the business seeking to become 'bank ready' and the associated change programmes.
- Oversight of the effectiveness of the risk systems in supporting the safety and effectiveness of the growth plans.
- Monitoring the continued embedding of the outsourcing and operational resilience frameworks to ensure risks continue to be identified and appropriately managed.
- 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. In practice, 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

CONTINUED...

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 BGFL, 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 2021, matters considered by the Remuneration and Nominations Committee included:

- Annual review and recommendation for Board approval of the Remuneration Policy.
- Discussion and approval of bonus scheme principles.
- Initial discussions on a proposed Management Incentive plan.
- Discussion and approval of the role of the Remuneration and Nominations Committee in the process for recruitment of senior management.
- Discussion of results of an internal Effectiveness Review.
- 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 2021 including in relation to headcount, attrition, sickness absence and diversity.

EXECUTIVE COMMITTEES

The Executive Management Team ensures that at all times Belmont Green acts within the confines of the Board approved strategy, risk appetite, policies, operating plans, risk management and compliance frameworks, and budgets.

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 five Executive Committees (Executive Risk Committee, Assets & Liabilities Committee, Trading Performance Committee, Investment & Change Committee and the Customer 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

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 2021. 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.

STREAMLINED ENERGY AND CARBON REPORTING

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 2021 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)

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 indirect emissions that occur as a result of our supply chain. The accuracy of this information is constrained by the level of disclosures made by the suppliers; in particular not all suppliers have disclosed 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.

Note that 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. Energy use by source does not include mortgage properties as this data is not available.

Energy performance results

Energy use by source	Units	2021	2020
Electricity	MWh	132	129
Transportation	MWh	87	204
Total		219	333

GHG emission results

Emission by category	Units	2021	2020
Scope 1 - Combustion of fuel for transport	T CO2 eq	2	13
Scope 2 - Purchased electricity	T CO2 eq	28	30
Scope 3 - Transport (staff commuting)	T CO2 eq	19	38
Total operational emissions	T CO2 eq	50	82
Scope 3 – Suppliers	T CO2 eq	525	n/a
Scope 3 - Mortgage properties	T CO2 eq	40,000	40,000
Total	T CO2 eq	40,624	40,162

Intensity Ratio

Emissions per employee (operational emissions)	T CO2 eq	0.15	0.24
Emissions per employee (scope 1, 2 & 3)	T CO2 eq	203	222

Our own energy use and associated GHG emissions continued to fall in 2021, as the COVID-19 pandemic required our staff to continue working from home. We intend to continue with the reduced carbon footprint of our business by migrating to a virtual operating model which is less reliant on fixed office space, actively encouraging our people to work from home on a permanent basis and coming together primarily to build and maintain healthy working relationships with each other.

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.

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.

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, the potential impact of the economic environment upon the business and its operations, markets, liquidity, capital and profitability. All of these factors have been set out in Note 2(b) 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
Anthony Mooney
Carol Sergeant
Dana LaForge
Dr Peter Williams
Ethan Wang (resigned 23 June 2021)
John Rowan
Robin Churchouse
Stephen Roughton-Smith (resigned 10 December 2021)
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

22nd April 2022
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 of Belmont 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 parent company's affairs as at 31 December 2021 and of its 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 statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements;
- the related group notes 1 to 25; and
- the related parent company notes 26 to 34.

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

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

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 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; • Valuation of derivatives and related hedge accounting; and • Revenue recognition. 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 £1.23m which was determined on the basis of 1% of shareholder's equity.
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 prior year we identified going concern as a key audit matter. The Group has become profitable during the year, which has reduced the level of risk associated with going concern from prior year. During the year, the level of judgement involved in the estimation of revenue has also increased and we have therefore included revenue recognition as a key audit matter.

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 included:

- evaluating management's base and alternative forecasts using our knowledge of the business, the industry and the macroeconomic environment;
- assessing the ability to obtain further funding through warehouse facilities;
- assessing the impact of arrears levels on the securitisation vehicles and warehouse entities;
- assessing the intent and ability of Pine Brook to continue to provide the capital required under management's forecasts for business growth, taking into account enquiries of both management and Pine Brook; and
- assessing the appropriateness of the going concern disclosures made in the financial statements.

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.

5.1 EXPECTED CREDIT LOSSES ON LOANS TO CUSTOMERS

KEY AUDIT MATTER DESCRIPTION	Under IFRS 9 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. This is exacerbated for the group given its reliance on proxy data due to the business still being in its early stages. ECL provisions as at 31 December 2021 were £7.6m (2020: £7.5m) against total loans to customers of £1,812m (2020: £1,642m). The Income Statement charge for the year was £0.7m (2020: £3.4m). 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. In the current year, additional post model adjustments of £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. Management's associated accounting policies are detailed on page 111 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 – Financial Instruments. We challenged management's consideration of the future economic environment by involving our economic specialists to review management's approach, as well as comparing modelled assumptions to publicly available data from peer organisations, regulators and economic commentators. We involved credit risk specialists to evaluate the completeness and accuracy of post model adjustments made by management to address risks that may not be reflected in the IFRS 9 models, either due to model weaknesses, or due to additional risks associated with the current economic environment. We reconciled the loan book to the general ledger and substantively tested a sample of loans to assess whether the data used in the ECL calculation was complete and accurate, and we tested the key assumptions and data used in the calculation of post model adjustments.
KEY OBSERVATIONS	Based on the work performed, we concluded that the group's expected credit loss provision was within a reasonable range, and that all relevant risks were addressed within the core ECL model or through post model adjustments.

5.2 VALUATION OF DERIVATIVES AND RELATED HEDGE ACCOUNTING

KEY AUDIT MATTER DESCRIPTION	Management has transacted balance guarantee swaps ("BGSs") in order to economically hedge the fixed interest rate position arising from the mortgage portfolio. As at 31 December 2021, there was one (2020: five) macro portfolio fair value hedge accounting arrangements with the BGSs designated as the hedging instrument and the underlying mortgage portfolio being the hedged item in each case. As at 31 December 2021, the net fair value of derivative asset equated to £0.3m (2020: net fair value of derivative liabilities of £21.2m), and hedge adjustments totalled £1.7m (2020: £18.3m). Management uses a third party to value the derivatives based on the notional profile of the hedged portfolio, which is agreed with the counterparty. Hedge effectiveness testing is carried out on a monthly basis to ensure that the hedges remain effective. The valuation of these derivatives is inherently complex. Given the increasing size of the notional of the swaps over time the valuations are also volatile, meaning that the hedge accounting is complex. We have identified the following components that are considered to be key audit matters: • the appropriateness of the inputs, assumptions and methodology used in the derivative valuations; • the accuracy and completeness of the hedge effectiveness testing and the complex hedge accounting adjustments. The Group's policy for derivatives and hedge accounting is documented on pages 116 - 117.

HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	We obtained an understanding of management's processes for the valuation of derivatives and hedge accounting, and performed a walkthrough of relevant controls. We involved an internal complex valuations specialist to perform an independent valuation for each of the BGSs. This recalculated valuation has been compared to management's valuation to assess whether management's estimate is within a reasonable threshold. We involved a hedge accounting specialist to assess and challenge the assumptions and methodologies for each of the hedge relationships through recalculation of the hedge effectiveness tests and hedge adjustments, as well as assessing the input data and the amortisation methodology used by the group.
KEY OBSERVATIONS	Based on the procedures performed, consistent with prior year we recommended a number of control improvements in relation to hedge accounting that are in the process of being adopted by Management. Overall, we concluded that the valuation of derivatives and related hedge accounting is appropriate.

5.3 REVENUE RECOGNITION

KEY AUDIT MATTER DESCRIPTION	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 change, and could significantly impact the income recognised in any financial period. During the year, Management implemented a new EIR model and the complexity of the product set increased as a result of the introduction of a retention product. Accordingly, we have identified revenue recognition using EIR method to be the key audit matter. At the year-end, the financial statements included an EIR asset of £6.9m (2020: £1.5m). Changes in assumptions resulted in a credit to the income statement of £3.4m, which is disclosed in Note 3. Given the material impact of the significant judgements taken by Management in calculating the EIR adjustment, we consider that there is an inherent risk of fraud through manipulation of this balance. Management's associated accounting policies are detailed on page 111 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 an 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 reviewed to assess whether it is in compliance with the requirements of IFRS 9. We then evaluated Management's assessment of whether any overlays were required to historic payment rates to reflect regulatory headwinds and macro-economic factors. 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.

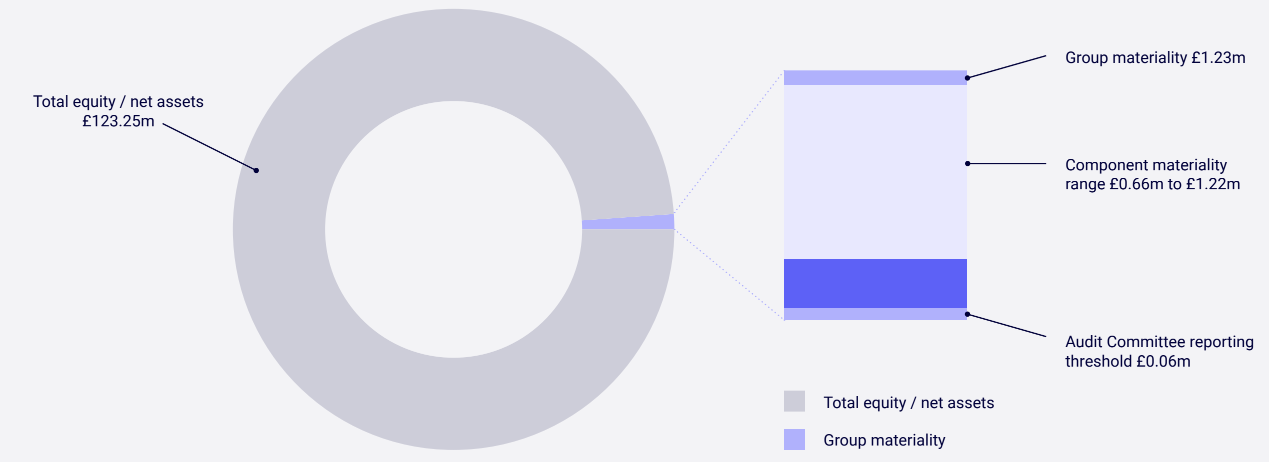
6. OUR APPLICATION OF MATERIALITY

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	£1.23m (2020: £1.18m)	£1.22m (2020: £1.16m)
BASIS FOR DETERMINING MATERIALITY	1% of shareholder's equity (2020: 1% of shareholder's equity)	1% of shareholder's equity (2020: 1% of shareholder's equity)
RATIONALE FOR THE BENCHMARK APPLIED	The shareholders' equity balance reflects both the preferred shares in the business and the losses to date. This balance best reflects the requirements of the users of the financial statements (the shareholders) and is also less volatile than other balance sheet metrics. Therefore we have deemed shareholders' equity to be the most reasonable metric to use to determine materiality.	



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% (2020: 70%) of group materiality	70% (2020: 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 we were not able to rely on controls; b. our understanding of the business; and c. the level of corrected and uncorrected misstatements identified in the prior periods.	

6.3 ERROR REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.06m (2020: £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 £0.54m to £1.22m (2020: £0.38m to £1.16m).

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. If, through the process of understanding the systems and controls, we identified deficiencies or 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 pages 75 - 78.

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 60 - 65.

As a part of our audit, we have obtained management's ESG plan approved by the Board of Directors in September to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's 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 36 to 38 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.

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

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 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 and 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 internal audit 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;
- • the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT, forensic 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: in expected credit losses on loans to customers, recoverability of deferred tax assets and manual effective interest rate adjustments. 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 customer 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;
- challenging management's forecasts used to support the recoverability of deferred tax assets through assessing the appropriateness of key assumptions, and performing relevant stress testing; 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 specialists, 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 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.

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

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 6 years, covering the periods ending 31 December 2016 to 31 December 2021.

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.

Peter Birch (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
27th April 2022

FINANCIAL STATEMENTS

CONTENTS

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

COMPANY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

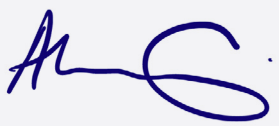
	Notes	2021 £'000	2020 £'000
Interest income and similar income	4	68,551	61,142
Interest expense and similar charges	5	(34,046)	(37,205)
Net interest income		34,505	23,937
Other operating income	6	987	779
Net fair value loss on financial instruments	7	(1,404)	(50)
Total income		34,088	24,666
Administrative expenses	8	(30,932)	(28,043)
Operating profit / (loss)		3,156	(3,377)
Provisions	20	223	(350)
Impairment losses	13	(725)	(3,371)
Profit / (loss) before taxation		2,654	(7,098)
Profit / (loss) before taxation and exceptional item		2,654	(6,161)
Exceptional item	8	-	(937)
Tax credit for the year	9	2,005	762
Profit / (loss) after taxation		4,659	(6,336)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the year		4,659	(6,336)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2021

Assets	Notes	2021 £'000	2020 £'000
Cash and cash equivalents		141,177	114,652
Loans to customers	12, 13	1,811,577	1,635,572
Derivative financial assets	10	8,676	-
Fair value adjustments on hedged assets	11	-	26,652
Other receivables	14	12,114	9,157
Deferred taxation asset	15	12,975	11,007
Property, plant and equipment	16	2,407	3,795
Intangible assets	17	2,408	1,117
Total assets		1,991,334	1,801,952
Liabilities			
Amounts owed to credit institutions		15,336	14,190
Debt securities in issue	18	1,808,666	1,629,216
Derivative financial liabilities	10	829	28,655
Fair value adjustments on hedged liabilities	11	12,954	-
Other liabilities	19	21,025	10,101
Provisions	20	374	604
Corporation tax		11	6
Total liabilities		1,859,195	1,682,772
Shareholders' Equity			
Share capital	21	204,462	196,162
Retained losses		(72,323)	(76,982)
Total shareholders' equity		132,139	119,180
Total liabilities and equity		1,991,334	1,801,952

The notes on pages 111 - 148 form part of these financial statements.

The financial statements were approved by the Board of Directors on 22nd April 2022 and signed on behalf of the Board.



Anthony Mooney

Company registration: 09837692

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Called up share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2021		196,162	(76,982)	119,180
Share issuance	21	8,300	-	8,300
Profit for the year		-	4,659	4,659
At 31 December 2021		204,462	(72,323)	132,139
At 1 January 2020		168,312	(70,646)	97,666
Share issuance	21	27,850	-	27,850
Loss for the year		-	(6,336)	(6,336)
At 31 December 2020		196,162	(76,982)	119,180

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Net cash utilised in operating activities	24	(158,061)	(40,651)
Purchase of property, plant and equipment	16	(190)	(119)
Expenditure on software development	17	(1,567)	(994)
Net cash utilised in investing activities		(1,757)	(1,113)
Proceeds from loan note issuance		722,862	152,691
Proceeds from shares issued	21	8,300	27,850
Repayment of loan notes		(543,412)	(127,436)
Repayment of lease liabilities		(1,407)	(1,194)
Net cash generated by financing activities		186,343	51,911
Net increase in cash and cash equivalents		26,525	10,147
Cash and cash equivalents at the beginning of the year		114,652	104,505
Cash and cash equivalents at the end of the year		141,177	114,652

1. GENERAL INFORMATION

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.

The principal activities of the Group and the nature of the Group's operations are set out in the Strategic Report on pages 22 - 65. 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. This has included the potential impact of the economic environment, including inflation and the crisis in Ukraine, 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.
- A review of the structural protection and forecast cashflows of the Group's securitisation and warehouse structures. These forecasts considered the potential impact of future arrears rates on the cashflows within the structures, on the funding position within those structures and the impact upon the operating cash position of the Group. In all cases the securitisation and warehouse structures were robust.
- 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 2022.
- Expected credit losses that result from a more pessimistic view on house price inflation than is the general consensus within the market. The impact of these is not material enough to prevent the Group operating as a going concern.
- The Group's capital position. As the Group has now moved into a profitable position, it is no longer dependent on capital contributions from Pine Brook, the Group's private equity investor, to be a going concern.

(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.

NOTES TO THE FINANCIAL STATEMENTS

(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.

The origination fees the Group receives and pays on loans to customers are amortised over the expected life of those assets using the EIR method.

(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, w hich 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:

- Land and buildings 5 years
- 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.

(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
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. The Group reassesses its business models each reporting period.

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.

(K) FINANCIAL INSTRUMENTS CONTINUED...

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.

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 but unobservable market data. As such these instruments fall within level 3 of the hierarchy.

(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 ("PDs") 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 3 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 inherent in 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 uses fair value hedge accounting for a portfolio hedge of interest rate risk.

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 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 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.

(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 1 or 2 years dependent upon the nature of the costs and any subsequent renewal costs over 1 year to reflect the rolling renewal nature of the facilities. These costs are included in deferred deal costs in Note 14.

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 2021, the Group had four securitisation structures: Tower Bridge Funding No. 4 PLC, Tower Bridge Funding 2020-1 PLC, Tower Bridge Funding 2021-1 PLC and Tower Bridge Funding 2021-2 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 No. 4 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 all notes being held externally and the Group holding 5% of all notes and 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 14.

(S) EXCEPTIONAL ITEM

Exceptional items are items that are unusual because of their size or nature and which the directors consider should be disclosed separately to enable a full understanding of the Group's underlying results.

(T) GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(U) 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.

(V) CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

(W) NEW AND REVISED IFRS STANDARDS IN ISSUE

During the year the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform —Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 which was issued in August 2020 and became mandatory for annual reporting periods beginning on or after 1 January 2021. Adopting these amendments enabled the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group continues to apply the Phase 1 amendments 'Interest Rate Benchmark reform: Amendments to IFRS 9/IAS 39 and IFRS 7' where relevant.

There has been no material impact on the financial statements of the Group from the adoption of these financial reporting standard amendments.

(X) NEW AND REVISED IFRS STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

There are a number of minor amendments to financial reporting standards that were in issue but have not been applied in the financial statements as they were not yet effective on 31 December 2021. The adoption of these amendments will not have a material impact on the financial statements of the Group in future periods.

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. As an indication a 2% absolute increase or decrease in the probability weighted assumption would decrease ECLs by approximately £290k or increase ECLs by approximately £300k respectively.

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 2021. However, given the uncertainty over the path of economic recovery from the COVID-19 pandemic and emerging economic risks, such as higher inflation, 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 they consider either a slow recovery from the pandemic in 2022 or, in the downside and severe scenarios, a mild recession in 2022 before an economic recovery begins in 2023. The Board has considered Belmont Green's weighting towards the London BTL market, in particular, and how potential movements in London house prices movements could remain below the UK average.

The Board has continued to allocate a broad distribution of weightings to the scenarios, with weightings of 40% base, 10% upside, 30% downside, 20% severe (2020: 40% base, 10% upside, 30% downside, 20% severe). These weightings continue to reflect the level of uncertainty in the economic outlook at the end of 2021.

The following table provides details of the forecast economic variables of the base case and the probability weighted forecasts across the four forecast scenarios.

		2022	2023	2024	2025
Variable	Scenario	%	%	%	%
GDP	Base	2.5	2.0	1.7	1.7
(year-on-year)	Weighted	0.4	2.7	2.2	2.0
HPI	Base	-0.3	-1.0	2.0	3.1
(year-on-year)	Weighted	-6.3	-2.2	3.1	3.5
Unemployment	Base	4.1	4.1	4.1	4.1
(end of year rate)	Weighted	5.3	5.4	5.3	4.6

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 £1,812,343k (2020: £1,641,528k).

The impact of applying multiple economic scenarios gives rise to a probability weighted ECL of £7,647k, 43.0% more than the provision of £5,347k calculated using the base scenario. By comparison, in 2020 the probability weighted ECL was 34.6% more than the base case ECL.

	2021			2020		
	Weight	ECL £'000	Prov'n Coverage	Weight	ECL £'000	Prov'n Coverage
Weighted	-	7,647	0.42%	-	7,471	0.46%
Base	40%	5,347	0.30%	40%	5,549	0.34%
Downside	30%	8,636	0.48%	30%	8,394	0.51%
Upside	10%	3,308	0.18%	10%	3,052	0.19%
Severe	20%	12,933	0.71%	20%	12,142	0.74%

Post-model adjustments (PMAs)
PMAs are adjustments made outside of models to correct known data or model limitations. PMAs can also be judgmental, especially when addressing new risks or uncertainties that were not designed to be captured by the model when it was developed. Given the continued economic uncertainty and other external factors affecting the loan book, PMAs have been applied in 2021, as they were in 2020, in the calculation of ECLs. In total £3,100k of PMAs have been applied at 31 December 2021 (2020: £2,060k).

Belmont Green has lent to customers that are affected by cladding regulations. Although measures have been introduced by the government to support people affected by cladding, it is unclear when these measures will compensate those affected. The PMA has been estimated by identifying properties at the highest risk of cladding issues principally through applying haircuts to property valuations. A range of £365k to £1,709k was considered and a PMA of £961k has been made (2020: £161k).

Consideration has also 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 property values for the BTL book with an EPC certificate higher than C, the forced sale discount assumption was stressed. This gave rise to a PMA of £637k (2020: Nil).

In 2020, COVID-19 payment relief was granted to a significant proportion of customers - £658 million of loans to customers were subject to COVID-19 payment relief at some point in the year. Management considered a PMA to be appropriate for those customers who were granted a payment deferral extension. Similarly, a PMA was made for London BTL customers due to the pressures within this segment of the market. For these two sets of customers, management's view was that the PD for these customers was higher than that modelled.

In 2021, there was no significant increase in default for those customers who had been granted payment deferral extensions and so this element of the PMA has been removed. However, management has maintained its view that the London BTL population has a higher level of risk than that modelled and a PMA of £558k has been made (2020: a combined PMA of £908k).

ii. Effective interest rate
Estimates are made when calculating the EIR for loans to customers. The critical estimates in the EIR calculation are the expected life of a loan and the assumed reversionary rate at the end of the fixed rate period. 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.

The Board has reviewed the expected loan lives of the Belmont Green book with a range of outcomes being considered. The range considered was to increase lives by up to 0.3 years. After consideration of the options the directors were satisfied that the lives remain appropriate.

Applying a six month extension in the expected weighted average life of the loan book would result in a gain of c. £0.8m recognised in net interest income.

In 2021 the EIR methodology has been revised by adopting a cohort view of the loan book rather than a loan-by-loan basis as used previously. This has resulted in an adjustment to the behavioural and reversionary rate assumptions for some cohorts and led to the recognition of £3.4m of income during the year.

iii. Remediation provisions
In 2019, some issues were identified with a previous 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 consequently is taking action that could involve a lower EIR from this cohort of loans. This action would be treated as an act of forbearance and so places each of these loans at stage 3 for ECL calculation purposes. At 31 December 2021, a total provision of £1,336k (2020: £1,564k) was made against these loans.

As there is a possibility that some of this cohort of loans will redeem before action is taken by Belmont Green, it is a matter of judgement as to whether the Group will incur a reduction in income to the extent of the provision. The Board is satisfied that the provision at 31 December 2021 is appropriate.

In addition, in 2020 a review of customer affordability in lending decisions performed by the FCA identified some issues that Belmont Green has reviewed and is responding to. This review is nearing its completion and a provision of £120k has been retained (2020: £350k) reflecting the remaining uncertainty in the final remediation outcome.

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 2021. 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.

The directors have recognised tax losses that are forecast to be recoverable within 3 years and this has led to a deferred tax asset at 31 December 2021 of £13.0m. If the recognition of tax losses were to be assessed against 4 years of forecast taxable profits, then all unused tax losses would be assessed as fully recoverable. The resulting deferred tax asset would increase in value from £13.0m to £21.0m.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021 £'000	2020 £'000
At amortised cost:		
Interest income on loans to customers	82,629	74,974[1]
At fair value through profit or loss:		
Net expense on financial instruments	(14,078)	(13,832)
	68,551	61,142

5. INTEREST EXPENSE AND SIMILAR CHARGES

	2021 £'000	2020 £'000
Interest expense and other charges	33,960	37,198
Interest on lease liabilities[2]	61	97
IFRS16 interest adjustment for variable lease components	25	(90)
	34,046	37,205

6. OTHER INCOME

	2021 £'000	2020 £'000
Forward flow income	987	-
Government grants	-	779
	987	779

In October 2021, BGFL entered into a commercial arrangement to sell mortgages via a forward flow arrangement. The income generated represents the sales price less associated set-up costs.

During 2020 income was received in the form of Government grants under the coronavirus job retention scheme. An average of 76 staff from the Business and Customers Operations teams were placed on furlough (46% of the total workforce). All staff returned from furlough by the end of October 2020, as such there were no staff on furlough throughout 2021.

[1] In 2020 the classification of procuration fees has moved to interest income from interest expense
[2] In 2020 the classification of interest on lease liabilities has moved to interest expense from administration expenses

NOTES TO THE FINANCIAL STATEMENTS

7. PORTFOLIO FAIR VALUE ADJUSTMENTS

	2021 £'000	2020 £'000
Net gain / (loss) on derivatives	38,201	(19,358)
Net (loss) / gain in fair value of hedged item assets held in fair value hedges	(39,605)	19,308
	(1,404)	(50)

8. ADMINISTRATIVE EXPENSES

	2021 £'000	2020 £'000
Staff costs	16,519	14,127
Auditor's remuneration:		
Audit of the company and consolidated financial statements	227	184
Audit of the company's subsidiaries financial statements	240	192
Audit fees incurred in respect of prior year	-	114
Other non-audit services not covered above	253	75
Audit related assurance services	387	299
Lease commitment under IFRS 16	1,128	1,171
Operating lease rentals	8	-
Other administrative costs	12,170	11,881
Total	30,932	28,043

Included in staff costs is an exceptional item of £nil (2020: £937k) 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:

	2021	2020
	£'000	£'000
Wages and salaries	13,982	11,932
Social security costs	1,691	1,458
Pension costs	846	737
Total	16,519	14,127

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

	2021	2020
Executive	11	10
Business and customer operations	112	91
Administration	43	50
Technology	13	16
Total	179	167

The total amount for directors' remuneration comprised:

	2021	2020
	£'000	£'000
Wages and salaries	1,712	981
Social security costs	233	133
Company contribution to defined contribution scheme	-	15
Compensation for loss of office	-	376
Total	1,945	1,505

There were no directors in the company's defined contribution pension scheme (2020: one) during the year. The total amount payable to the highest paid director in respect of emoluments was £932k (2020: £648k).

9. TAXATION

	2021	2020
Corporation tax	£'000	£'000
Current year	(25)	-
Adjustments in respect of prior year	61	-
Deferred tax		
Current year credit	1,247	(482)
Adjustment in respect of prior periods	4,264	34
Effect of changes in tax rate	4,481	1,210
Deferred tax asset not recognised	(8,023)	-
Total tax credit	2,005	762
Factors affecting the tax charge for the year		
(Profit) / loss on ordinary activities before taxation	(2,654)	7,098
Tax at UK corporation tax rate of 19% (2020:19%)	(504)	1,349
Effects of:		
Adjustments in respect of prior year	4,325	34
Non-deductible expenses	(148)	(35)
Effect of tax rate change	4,481	1,210
Exempt amounts	1,874	(1,796)
Deferred tax asset not recognised	(8,023)	-
Tax credit on (profit) / loss on ordinary activities	2,005	762

For an explanation of the deferred tax asset that has not been recognised refer to note 15.

10. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2021		
Instrument type	Notional amount £'000	Fair value assets £'000	Fair value liabilities £'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

	2020		
Instrument type	Notional amount £'000	Fair value assets £'000	Fair value liabilities £'000
Interest rate - not in hedging relationship	217,540	-	3,302
Interest rate - fair value hedges	1,255,942	-	25,353
Total recognised derivative assets/liabilities	1,473,482	-	28,655

At 31 December 2021, the total notional amount of derivative instruments was £1,757.4m (2020: £1,473.5m), of which £1,609.6m (2020: £1,255.9m) was designated in fair value hedge accounting relationships, where the hedged item notional amount was £1,609.6m (2020: £1,256.0m), thus maintaining a hedge ratio of 1:1.

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

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

31 December 2020	Contract/notional amount £'000	Assets £'000	Liabilities £'000	Changes in fair value used for calculating hedge ineffectiveness £'000
Fair value hedges				
Interest rate swaps	1,255,942	-	25,353	353

NOTES TO THE FINANCIAL STATEMENTS

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
31 December 2021	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	£'000
Fair value hedges					
Interest rate					
Fixed rate mortgages[1]	1,609,627	-	-	12,954	-
31 December 2020					
Fair value hedges					
Interest rate					
Fixed rate mortgages[1]	1,255,990	-	26,652	-	-

The hedged item represents the portfolio of fixed rate mortgages and in accordance with IAS 39:AG123 the change in fair value of the hedged item has been presented as fair value adjustments for hedged risk within assets.

The Group holds derivatives to manage and hedge the Group's risk arising from 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 balance guaranteed swaps, interest rate swaps and forward starting interest rate swaps to match its floating rate funding. 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.

Derivative instruments are classified as level 3 financial instruments in the fair value hierarchy.

[1] Included within loans to customers

10. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED >>>

The table below profiles the timing of notional amounts for interest rate risk hedging derivatives based on contractual maturity:

	Maturity				
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total notional
31 December 2021	£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

	Maturity				
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total notional
31 December 2020	£m	£m	£m	£m	£m
Derivative assets	-	-	-	-	-
Derivative liabilities	40.3	138.8	1,266.6	27.8	1,473.5
Notional	40.3	138.8	1,266.6	27.8	1,473.5

The Group has 75 (2020: 42) derivative contracts with an average fixed rate of 0.92% (2020: 1.09%).

IBOR REFORM

The Group has applied the amendments to IFRS9/IAS 39 for interest rate benchmark reforms. During 2021 all remaining LIBOR-linked derivatives with a maturity date after December 2021 were cancelled and new SONIA-linked derivatives entered into. At 31 December 2021 the Group had no remaining hedging exposures to GBP LIBOR (2020: £664.4m). Adopting these amendments allowed the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

11. FINANCIAL INSTRUMENTS

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

		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

		2020	
	£'000	£'000	£'000
Assets	FVTPL	Amortised cost	Total
Cash and cash equivalents	-	114,652	114,652
Loans to customers	-	1,635,572	1,635,572
Derivative financial assets	26,652	-	24,652
	26,652	1,750,224	1,776,876
Liabilities			
Amounts owed to credit institutions	-	14,190	14,190
Debt securities in issue	-	1,629,216	1,629,216
Derivative financial liabilities	28,655	-	28,655
	28,655	1,643,406	1,672,061

12. LOANS TO CUSTOMERS

	2021 £'000	2020 £'000
BTL loans	1,337,584	1,219,107
Owner-occupied loans	473,067	420,431
Second charge loans	1,692	1,990
	1,812,343	1,641,528
EIR asset	6,881	1,515
Provision for impairment losses	(7,647)	(7,471)
	1,811,577	1,635,572

Movements in loans to customers	2021 £'000	2020 £'000
At beginning of year	1,635,572	1,599,800
Loans originated	423,297	259,746
Effective interest rate adjustments	5,365	1,883
Interest, fees & charges on loans	74,525	71,835
Redemptions and repayments	(327,006)	(294,321)
Charge for impairment losses	(176)	(3,371)
	1,811,577	1,635,572

13. 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 – 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

13. EXPECTED CREDIT LOSSES CONTINUED >>>

Movement in loans to customers by stage - 2020	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross balance at 1 January 2020	1,390,442	183,204	30,621	1,604,267
Transfers between stages:				
To stage 1	55,370	(53,517)	(1,853)	-
To stage 2	(299,898)	303,193	(3,295)	-
To stage 3	(10,956)	(6,816)	17,772	-
Originations	206,227	53,519	-	259,746
Changes to carrying value	(4,436)	(538)	85	(4,889)
Loans to customers derecognised during the year	(186,264)	(23,696)	(7,636)	(217,596)
Gross balance at 31 December 2020	1,150,485	455,349	35,694	1,641,528

In addition, the mortgage offer pipeline of £154,774k at 31 December 2021 (2020: £57,652k) was classified at stage 1.

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	2,739	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	459	1,051	86	1,596
Changes to carrying value	(1,087)	455	(35)	(667)
Loans to customers derecognised during the year	(99)	(402)	(364)	(865)
Pipeline	112	-	-	112
Impairment provision at 31 December 2021	1,217	3,889	2,541	7,647

Movement in ECLs by stage - 2020	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Impairment provision at 1 January 2020	657	1,544	1,899	4,100
Transfers between stages:				
Transfers to stage 1	438	(386)	(52)	-
Transfers to stage 2	(201)	399	(198)	-
Transfers to stage 3	(5)	(131)	136	-
Originations	167	263	-	430
Changes to carrying value	(131)	2,229	1,283	3,381
Loans to customers derecognised during the year	(60)	(84)	(329)	(473)
Pipeline	33	-	-	33
Impairment provision at 31 December 2020	898	3,834	2,739	7,471

ARREARS PERFORMANCE

The Group's mortgage book has continued to experience relatively low arrears and limited defaults. At the end of December 2021 loans more than 1 month in arrears represented 2.6% of the portfolio balances (2020: 2.2%). This can be broken down to 4.2% of the owner-occupied book (2020: 3.0%) and 2.1% of the BTL book (2020: 1.9%). Those loans more than 3 months in arrears represented 1.15% of the total portfolio balances (2020: 0.94%).

There were no owner-occupied loans repossessed at the end of December 2021 (2020: nil) and 12 BTL loans had a Law of Property Act receiver in place (2020: 7). There were 4 repossession sales during the year (2020: 3).

The following tables provide an analysis of loans in arrears:

	2021	2020
Ageing in arrears but not impaired mortgage loans	£'000	£'000
0 – 1 month	33,080	37,779
1 – 2 months	21,157	16,749
2 – 3 months	5,481	4,026
	59,718	58,554

	2021	2020
Ageing in arrears and impaired mortgage loans	£'000	£'000
≥ 3 months	20,772	15,011

	2021	2020
Movement in collective provision for impairment losses	£'000	£'000
At 1 January	7,471	4,100
Charge for the year	725	3,371
Written off in the year	(549)	-
At 31 December	7,647	7,471

Write-offs in the year arose from one loan advanced in 2019 that was a suspected fraud case. The outstanding balance from this loan and associated costs of recovery have been fully written off.

14. OTHER RECEIVABLES

	2021	2020
	£'000	£'000
Deferred deal costs	5,457	4,571
Prepayments	1,382	1,409
Other receivables	5,275	3,177
	12,114	9,157

15. DEFERRED TAX ASSET

The movement in the deferred tax asset is as follows:

	2021	2020
	£'000	£'000
At 1 January	11,007	10,245
Prior year effect	4,264	34
(Debit) / credit to income statement	1,247	(482)
Effect of change in tax rate	4,481	1,210
Deferred tax asset not recognised	(8,023)	-
At 31 December	12,975	11,007

The net deferred tax asset is analysed as follows:

	2021	2020
	£'000	£'000
Tax losses	12,639	10,685
Other timing differences	336	322
	12,975	11,007

At the reporting date, the Group has unused tax losses of £86m (2020: £58m) available for offset against future profits. A deferred tax asset has been recognised in respect of £54m (2020: £58m) 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 £32m (2020: nil) as the directors have assessed that it is reasonable to only recognise tax losses that are forecast to be recoverable within 3 years.

16. PROPERTY, PLANT AND EQUIPMENT

2021	Land and Buildings £'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

2020	Land and Buildings £'000	Leasehold Improvements £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 January 2020	4,811	1,774	664	7,249
Recognition of right-of-use asset on asset on initial application of IFRS 16	(67)	-	-	(67)
Additions	-	3	116	119
Disposals	-	(103)	(194)	(297)
At 31 December 2020	4,744	1,674	586	7,004
Depreciation/amortisation				
At 1 January 2020	946	566	403	1,915
Charge for the year	1,104	335	152	1,591
Disposals	-	(103)	(194)	(297)
At 31 December 2020	2,050	798	361	3,209
Net book value				
At 31 December 2020	2,694	876	225	3,795

17. INTANGIBLE ASSETS

	2021	2020
Cost	£'000	£'000
At 1 January	1,359	1,316
Additions	1,567	994
Disposals	-	(951)
At 31 December	2,926	1,359
Depreciation/amortisation		
At 1 January	242	999
Charge for the year	276	194
Disposals	-	(951)
At 31 December	518	242
Net book value		
At 31 December	2,408	1,117

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.

18. DEBT SECURITIES IN ISSUE

Residential and buy to let mortgage assets are secured on loan notes issued through the following vehicles:

	2021	2020
Warehouse Funding	£'000	£'000
Belmont Green Funding 1 Limited	56,204	10,089
Belmont Green Funding 3 Limited	64,612	34,000
Belmont Green Funding 4 Limited	193,724	79,548
Belmont Green Funding 5 Limited	216,450	110,686
Securitisation Funding		
Tower Bridge Funding No.2 PLC	-	195,674
Tower Bridge Funding No.3 PLC	-	386,864
Tower Bridge Funding No.4 PLC	352,240	472,925
Tower Bridge Funding 2020-1 PLC	293,733	339,430
Tower Bridge Funding 2021-1 PLC	336,446	-
Tower Bridge Funding 2021-2 PLC	295,257	-
Total debt securities in issues	1,808,666	1,629,216

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

Asset-backed loan notes may all be repurchased by the Group from the outstanding Tower Bridge securitisations at any interest payment date on or after their respective call dates, or at any interest payment date after the call date when the principal amount outstanding of the rated notes is less than or equal to 10% of the principal amount outstanding of the asset backed notes on the date they were issued.

Interest is payable at fixed margins above SONIA.

19. OTHER LIABILITIES

	2021 £'000	2020 £'000
Forward flow liabilities	10,266	-
Accruals & payables	7,441	6,859
Lease liability	1,908	3,229
Other liabilities	1,410	13
	21,025	10,101

20. PROVISIONS

	2020 £'000	2019 £'000
At 1 January	604	254
Utilised during year	(7)	-
(Credit) / charge for year	(223)	350
At 31 December	374	604

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. The movement during the year is due to a remediation provision (see note 3.iii).

21. SHARE CAPITAL

	Shares authorised and fully paid	Nominal value
Ordinary shares – par value £1	Number	£'000
At 1 January 2020	168,312,560	168,312
Shares issued during year	27,850,000	27,850
At 31 December 2020	196,162,560	196,162
Shares issues during year	8,300,000	8,300
At 31 December 2021	204,462,560	204,462

22. LEASE LIABILITIES

The Group has entered leases for office buildings. The weighted average incremental borrowing rate applied to lease liabilities at inception was 3% resulting in the recognition of a lease liability of £1,936k (2020: £3,229k).

	2021	2020
	£'000	£'000
Year 1	1,331	1,375
Year 2	427	1,325
Year 3	213	415
Year 4	-	208
Year 5 onwards	-	-
	1,971	3,323
Less: interest	(35)	(94)
At 31 December	1,936	3,229

Analysed as:		
Non-Current	628	1,914
Current	1,308	1,315
	1,936	3,229

NOTES TO THE FINANCIAL STATEMENTS

23. 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.

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED >>>

The following table provides a breakdown of loans to customers by indexed loan-to-value:

	2021				
	BTL	Owner-occupied	Second charge	Total	
	£'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

	2020				
	BTL	Owner-occupied	Second charge	Total	
	£'000	£'000	£'000	£'000	%
0% - 50%	64,249	76,508	308	141,065	8.6
50% - 60%	123,855	62,348	438	186,641	11.4
60% - 70%	368,937	79,286	594	448,817	27.3
70% - 80%	610,344	121,914	650	732,908	44.7
80% - 90%	50,189	77,838	-	128,027	7.8
> 90%	1,533	2,537	-	4,070	0.2
Total loans to customers	1,219,107	420,431	1,990	1,641,528	100.0

NOTES TO THE FINANCIAL STATEMENTS

An analysis of loans to customers by geographical region at 31 December is as follows:

	2021		2020	
	£'000	%	£'000	%
East of England	208,692	11.5	198,648	12.1
East Midlands	79,774	4.4	63,560	3.9
London	759,958	42.0	723,879	44.1
North East	25,970	1.4	21,956	1.3
North West	98,118	5.4	89,866	5.5
South East	279,783	15.4	249,257	15.2
South West	109,166	6.0	91,038	5.5
West Midlands	103,447	5.7	84,210	5.1
Yorkshire and the Humber	66,812	3.7	58,772	3.6
Total England	1,731,720	95.5	1,581,186	96.3
Scotland	41,536	2.3	26,283	1.6
Wales	39,087	2.2	34,059	2.1
Total loans to customers	1,812,343	100.0	1,641,528	100.0

The following table shows at year end, all gross loans to customers categorised by IFRS 9 stage together with the impairment provision held against each loan category:

	Gross loans		Impairment provision	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Stage 1				
Low risk	727,764	602,323	749	448
High risk	396,887	548,162	467	450
Stage 2				
Low risk	46,690	164,178	165	852
High risk	596,911	291,171	3,725	2,982
Stage 3				
Impaired	44,091	35,694	2,541	2,739
Total loans to customers	1,812,343	1,641,528	7,647	7,471

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.

	31 December 2021					
	AAA	A+	A-	AA-	BB+	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	16,400	79,730	-	44,917	130	141,177

	31 December 2020					
	AAA	A+	A-	AA-	BB+	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	20,400	35,166	-	59,008	78	114,652

Liquidity risk

The table below shows the timing of cash outflows payable up to a period of 10 years on an undiscounted basis for finance debt, trade and other payables and accruals. These 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 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
4 to 5 years	-	-	-	-
5 to 10 years	-	-	-	-
	101	5,501	1,824,002	53,697

	Trade and other payables	Accruals	Finance debt	Interest on finance debt
31 December 2020	£'000	£'000	£'000	£'000
Within one year	417	5,610	961,346	22,606
1 to 2 years	-	27	492,804	10,469
2 to 3 years	-	9	189,256	2,772
3 to 4 years	-	-	-	-
4 to 5 years	-	-	-	-
5 to 10 years	-	-	-	-
	417	5,646	1,643,406	35,847

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED >>>

CREDIT RISK (CONTINUED)

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.

Cash outflows for derivative financial instrument at 31 December:	2021 £'000	2020 £'000
Up to 1 month	172	27
1-3 months	1,978	3,740
3-12 months	6,301	10,640
1-5 years	13,041	24,139
Over 5 years	34	47
	21,526	38,593

INTEREST RATE RISK

The acceptable exposure to changes in interest rate is limited by Board defined risk appetite.

Fixed rate cashflows, whether assets or liabilities, are hedged to Sterling Over Night Index Average (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, where appropriate, 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 net interest income 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:

	2021 £'000
EV: Impact on increase in rates	5,637
EV: Impact on decrease in rates	6,484
NII: Impact on increase in rates	27
NII: Impact on decrease in rates	37

24. NET CASH FLOW FROM OPERATING ACTIVITIES

Group	2021 £'000	2020 £'000
Profit / (loss) for the year	4,659	(6,336)
Adjustments for non-cash items		
Taxation credit for the year	(2,005)	(762)
Depreciation of property, plant and equipment	489	487
Amortisation of intangible assets	276	194
Amortisation of right of use of asset	1,089	1,171
Net fair value loss on financial instruments	1,404	(1,072)
(Decrease) / increase in provision	(223)	350
	5,689	(5,968)
Changes in working capital		
Increase in loans to customers	(176,005)	(35,772)
Increase in amounts owed to credit institutions	1,146	-
Decrease / (increase) in receivables	(2,928)	1,822
Increase / (decrease) in accruals & payables	12,332	(728)
Net increase in derivatives and hedged items	1,700	-
Cash generated by operations	(158,066)	(40,646)
Income taxes paid	5	(5)
Net cash utilised in operating activities	(158,061)	(40,651)

25. 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 (apart from the Pine Brook entities, which are incorporated in the Cayman Islands):

SUBSIDIARIES

Company Name	Holding	Principal Activities	
Belmont Green Funding 2 Limited	100% ordinary shares	Dissolved[6]	1 Bridge Street, Staines-Upon-Thames, Surrey, United Kingdom, TW18 4TW
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, England, EC2N 2AX
Belmont Green Funding 3 Holdings Limited	*	Non-trading	1 Bartholomew Lane, London, England, 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 6 Limited	*	Dissolved[7]	10th Floor, 5 Churchill Place, London, England, E14 5HU
Belmont Green Funding 7 Limited	*	Mortgage Finance[8]	10th Floor, 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding No.1 PLC	*	In Liquidation	1 Bartholomew Lane, London, England, EC2N 2AX
Tower Bridge Funding No.1 Holdings Limited	*	In Liquidation	1 Bartholomew Lane, London, England, EC2N 2AX
Tower Bridge Funding No.2 PLC	*	In Liquidation	1 Bartholomew Lane, London, England, EC2N 2AX
Tower Bridge Funding No.2 Holdings Limited	*	In Liquidation	1 Bartholomew Lane, London, England, EC2N 2AX
Tower Bridge Funding No.3 PLC	*	In Liquidation	10th Floor 5 Churchill Place, London, England, E14 5HU
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, England, E14 5HU
Tower Bridge Funding 2021-1 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2021-2 PLC	*	Mortgage Finance	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2021-2 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2022-1 PLC	*	Mortgage Finance	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding 2022-1 Holdings Limited	*	Non-trading	10th Floor 5 Churchill Place, London, England, E14 5HU

[6] Company was officially dissolved 22 March 2022
[7] Company was officially dissolved 14 December 2021
[8] Company was officially incorporated on 11 March 2022

25. RELATED PARTIES CONTINUED >>>

Other related parties	
Pine Brook PD (Cayman) Intermediate, LP	Investment Fund
Pine Brook Capital Partners II (Cayman) AV, LP	Investment Fund
Belmont Green Ltd	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 England and Wales. The registered office is at 1 Bridge Street, Staines-Upon-Thames, Surrey, United Kingdom, TW18 4TW. 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.

COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
Assets	Notes	£'000	£'000
Cash and cash equivalents		13,500	18,108
Loans to customers	27	1,811,577	1,635,572
Other receivables	28	11,399	15,207
Deferred taxation asset	29	12,975	11,602
Investment in subsidiaries	30	-	9,000
Property, plant and equipment	16	2,407	3,795
Intangible assets	17	2,408	1,117
Total assets		1,854,266	1,694,401
Liabilities			
Amounts owed to credit institutions		15,336	-
Deemed loan due to Group undertakings	31	1,690,865	1,521,161
Other liabilities	32	21,050	48,390
Provisions	20	374	604
Total liabilities		1,727,625	1,570,155
Shareholders' Equity			
Share capital	21	204,462	196,162
Retained losses		(77,821)	(71,916)
Total shareholders' equity		126,641	124,246
Total liabilities and equity		1,854,266	1,694,401

The loss after tax for the year ended 31 December 2021 of Belmont Green Finance Limited as a Company was £5,905k (2020: £18,676k). 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 152 to 155 form part of these financial statements

The financial statements were approved by the Board of Directors on 22nd April 2022 and signed on behalf of the Board.

Anthony Mooney
Company registration: 09837692

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Called up share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021		196,162	(71,916)	124,246
Share issuance	21	8,300	-	8,300
Loss for the year		-	(5,905)	(5,905)
At 31 December 2021		204,462	(77,821)	126,641
Balance at 1 January 2020		168,312	(53,240)	115,072
Share issuance	21	27,850	-	27,850
Loss for the year		-	(18,676)	(18,676)
At 31 December 2020		196,162	(71,916)	124,246

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Net cash utilised in operating activities	33	(179,449)	(47,723)
Purchase of property, plant and equipment	16	(190)	(119)
Expenditure on software development	17	(1,567)	(994)
Net cash utilised in investing activities		(1,757)	(1,113)
Proceeds from shares issued	21	8,300	27,850
Movement of deemed loans due to Group undertakings		169,705	36,209
Repayment of lease liabilities		(1,407)	(1,194)
Net cash generated by financing activities		176,598	62,865
Net increase in cash and cash equivalents		(4,608)	14,029
Cash and cash equivalents at the beginning of the year		18,108	4,079
Cash and cash equivalents at the end of the year		13,500	18,108

26. 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.

27. LOANS TO CUSTOMERS

A detailed breakdown of the loans to customers can be found in Note 12 of the consolidated accounts. At 31 December 2021, loans to customers included £1,809k (2020: £1,629k) which were part of secured funding arrangements, resulting in beneficial interest in these loans being transferred to the SPVs.

28. OTHER RECEIVABLES

	2021 £'000	2020 £'000
Amounts owed by related parties	6,569	12,246
Deferred deal costs	660	647
Prepayments and other receivables	4,170	2,314
	11,399	15,207

29. DEFERRED TAX

The movement in the deferred tax asset is as follows:	2021 £'000	2020 £'000
At 1 January	11,602	10,283
Prior year effect	3,668	34
Credit to income statement	1,248	71
Effect of change in tax rate	4,481	1,214
Deferred tax asset not recognised	(8,023)	-
At 31 December	12,975	11,602

30. INVESTMENT IN SUBSIDIARIES

	2021 £'000	2020 £'000
Investment in subsidiary undertakings held at cost	-	9,000

31. DEEMED LOAN DUE TO GROUP UNDERTAKINGS

	2021 £'000	2020 £'000
Deemed loan due to Belmont Green Funding 1 Limited	45,370	409
Deemed loan due to Belmont Green Funding 3 Limited	55,790	30,199
Deemed loan due to Belmont Green Funding 4 Limited	194,762	79,551
Deemed loan due to Belmont Green Funding 5 Limited	205,536	109,834
Deemed loan due to Tower Bridge Funding No.1 PLC	-	1
Deemed loan due to Tower Bridge Funding No.2 PLC	-	182,859
Deemed loan due to Tower Bridge Funding No.3 PLC	-	356,605
Deemed loan due to Tower Bridge Funding No.4 PLC	330,014	442,610
Deemed loan due to Tower Bridge Funding 2020-1 PLC	269,622	319,093
Deemed loan due to Tower Bridge Funding 2021-1 PLC	311,868	-
Deemed loan due to Tower Bridge Funding 2021-2 PLC	277,902	-
	1,690,864	1,521,161

Interest payable on deemed loan is equivalent to the interest receivable on the underlying mortgages.

32. OTHER LIABILITIES

	2021 £'000	2020 £'000
Forward flow liabilities	10,266	-
Amounts owed to related parties	4,566	35,113
Accruals & payables	4,310	4,082
Lease liability	1,908	3,229
Deferred income	-	5,954
Other liabilities	-	12
	21,050	48,390

33. NET CASHFLOW FROM OPERATING ACTIVITIES

	2021	2020
	£ 000	£ 000
Loss for the year	(5,905)	(18,676)
Non-cash items		
Taxation credit for the year	(1,434)	(1,319)
Depreciation of property, plant and equipment	489	487
Amortisation of intangible assets	276	194
Amortisation of right of use of asset	1,089	1,171
(Decrease) / increase in provision	(223)	350
	(5,708)	(17,793)
Changes in working capital		
Increase in loans to customers	(176,005)	(35,772)
Increase in amounts owed to credit institutions	15,336	-
Decrease / (increase) in receivables	1,175	(398)
Increase / (decrease) in accruals & payables	10,623	(6,520)
Movement in loans (from) / to subsidiaries	(24,870)	12,760
Net cash utilised in operating activities	(179,449)	(47,723)

34. RELATED PARTIES

All of the Company's related parties can be found in note 25 of the consolidated accounts. Deemed loan undertakings due from related parties are disclosed in note 31. All are incorporated in Great Britain and 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

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.