Belmont Green

ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2020

Company Registration No. 09837692

CONTENTS

WHO ARE WE AND WHAT DO WE DO?

The Belmont Green Finance Limited group of companies ("BGFL" or "Belmont Green") is a specialist mortgage lender with a clear focus on helping more customers to find a safe place to call home. We do that by taking more complex customer requirements and finding positive workable mortgage solutions. Working exclusively with expert intermediary partners under the brand name of Vida Homeloans ("Vida"), we combine cutting edge technology & data analytics with skilled and caring people to solve complex customer needs.

Life. It's constantly changing. Moving forward. And so are our customers. Growing. Outgrowing. Living. Learning. Aiming. Achieving. At Vida we believe everybody deserves the chance to get on. That's why our mortgage specialists look beyond the figures. And focus on what really matters. Creating a smarter, simpler process for our intermediary partners. Using forward-thinking technology. But putting people first. Making lending more inclusive. So that everybody can move forward in life.

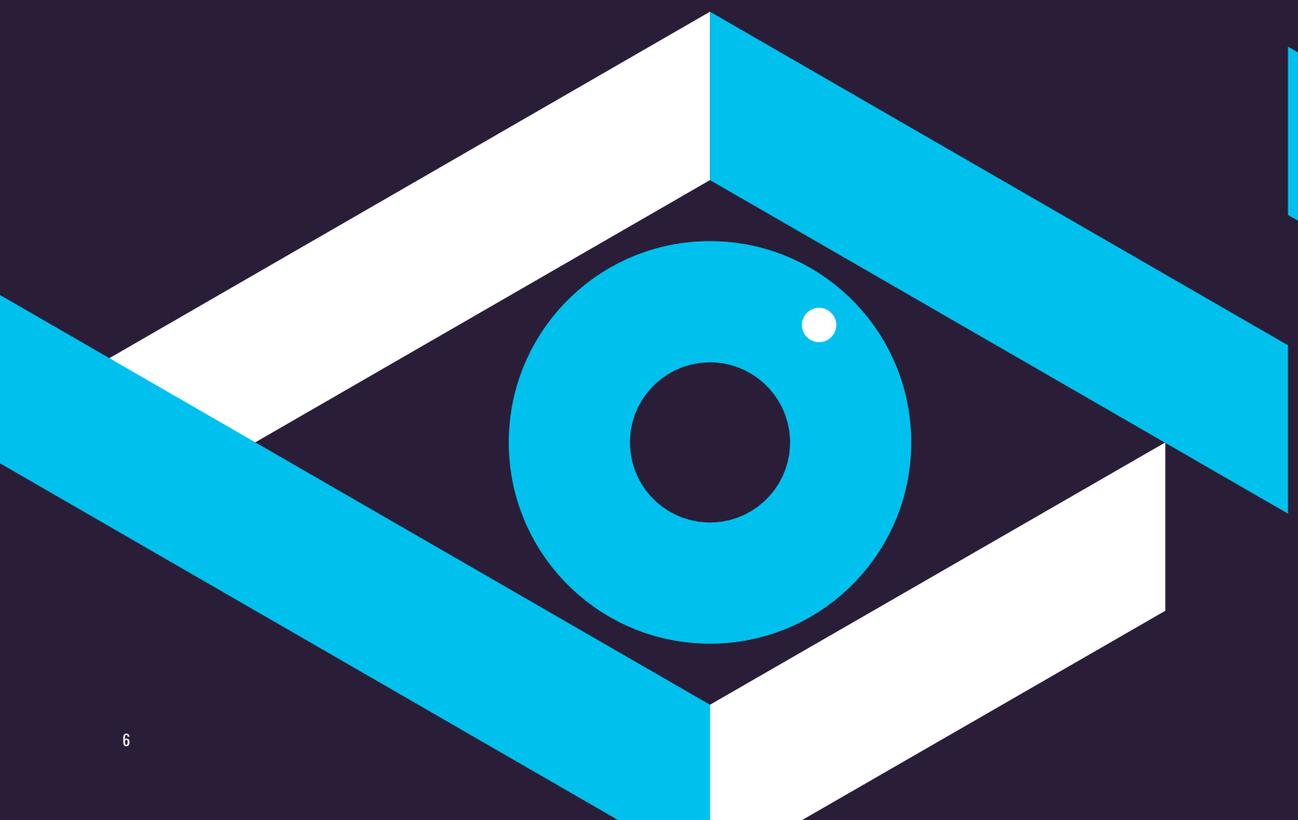
Specialist lenders like Vida provide an absolutely critical service for borrowers looking to move forward with their lives. At Vida, we believe that a stable place to live is one of the most crucial elements in building a happy and successful life, which is why our mission is 'to help everyone find a safe place to call home'.

Anth Mooney
CEO, Belmont Green

"Considering everything that has been thrown at us during 2020, the determination of our people to help their customers when they most needed us has never faltered. While keeping those customer values at our heart, we are completely focused on achieving break-even profitability for the first time and then over time, building out from that platform to become the UK's most trusted specialist mortgage business."

OUR STRATEGIC VISION

TO BECOME THE UK'S MOST TRUSTED MORTGAGE BANK



OUR MISSION

TO HELP EVERYONE FIND A SAFE PLACE TO CALL HOME

OUR NUMBERS[1]

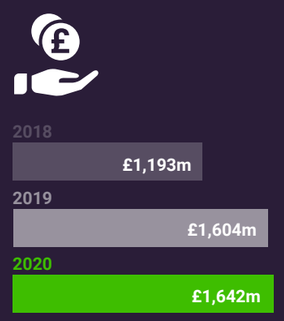
FULL TIME EMPLOYEES

2018
178

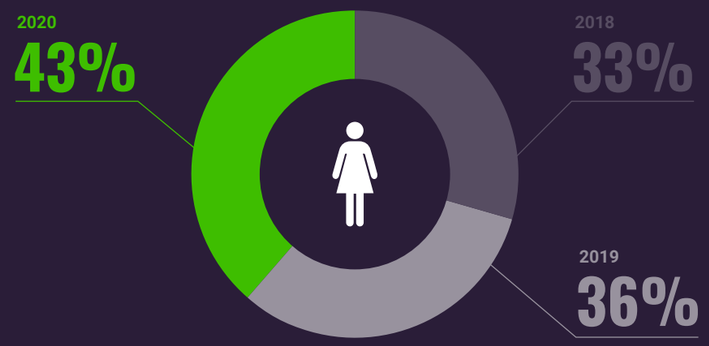
2019
177

2020
161

GROSS LOANS TO CUSTOMERS (£M)

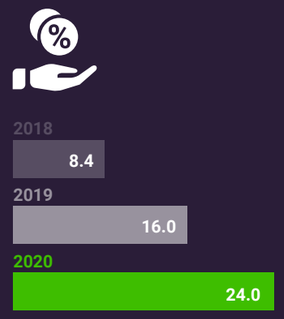


% WOMEN IN SENIOR MANAGEMENT

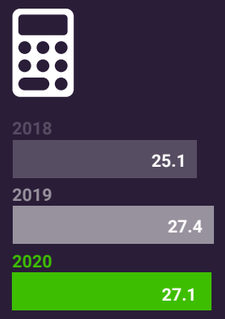


CULTURAL DIVERSITY IN SENIOR MANAGEMENT (% NON-WHITE BRITISH)

CORE NET INTEREST INCOME (£M)

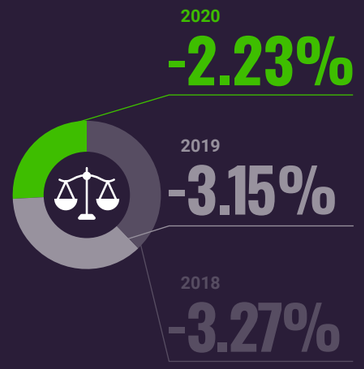


CORE EXPENSES (£M)

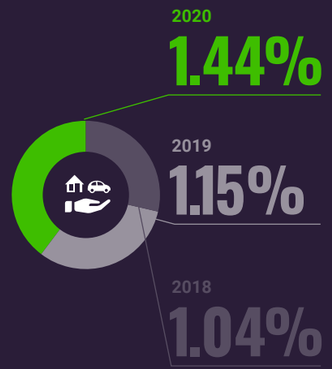


CORE OPERATING LOSS (M)

WEIGHTED AVERAGE CORE COST OF FUNDS



CORE NIM



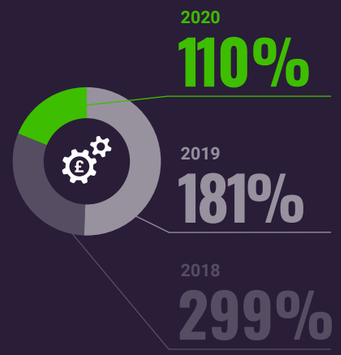
SECURITISATION FUNDING (£M)

2018
1,026

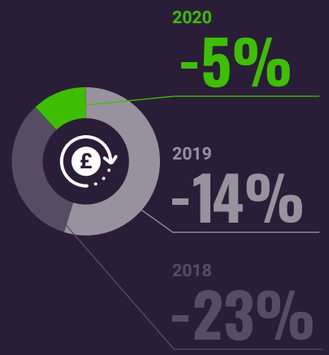
2019
1,396

2020
1,395

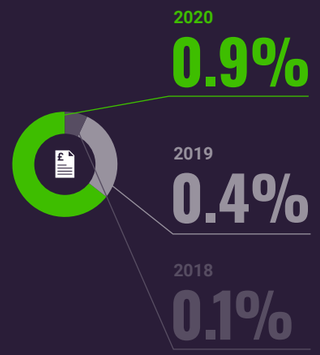
CORE COST/INCOME RATIO



CORE ROE



3 MONTH+ ARREARS



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

CHAIRMAN'S STATEMENT

STEVE HAGGERTY
CHAIRMAN

"With a new CEO and executive team in place, we have made significant progress in reorienting the business towards an ever more stable and profitable future."

WELCOME TO BELMONT GREEN

In 2020 our executive team succeeded in delivering a nimble response to the rapidly changing external environment in support of our customers, whilst having to reinvent the way we work as a business. They took immediate action to prioritise the health and well-being of colleagues along with the necessary steps to preserve the stability of the business as funding markets closed around us.

Although the global pandemic has brought with it significant challenges, it has also provided an opportunity for reflection, perhaps providing a fresh perspective on what will be important for our business success as we emerge from a crisis that is likely to change the way we live and work for ever.

I would like to pay tribute to the resilience and dedication of all our people who have worked to ensure that the business can emerge from the challenges of COVID-19 in great shape and ready to take full advantage of the opportunities that will undoubtedly come.

The role of every board is to support its business in preparing for, and then dealing with, unforeseen stress events. Our Board has been actively involved from the beginning in our management of the COVID-19 crisis.

In addition to protecting our business from the pandemic, these last 12 months at Belmont Green have been largely focussed on renewal. With a new CEO and executive team in place, we have made significant progress in reorienting the business towards an ever more stable and profitable future.

The Board has been enormously reassured by the ability of the business to make a rapid and seamless transition to home working. The team has been able to run every aspect of our business remotely, having been one of the very first lenders to make that switch. Systems and process integrity have been maintained throughout, with no perceptible impact on operational stability.

OUR CUSTOMERS

As a non-bank lender, our inability to access any of the liquidity support facilities put in place for banks and building societies by UK Treasury and the Bank of England was frustrating, and this lay behind our decision to close our doors to new lending in April, needing to protect our liquidity position and long-term viability. Having taken that decision, we focussed our energies towards our existing customers, responding to their many questions and quickly establishing the machinery to service the huge volume of payment deferral requests received during the first wave of lockdown. I was delighted to see that by the end of the year, less than two percent of our customers were making use of the payment deferral concession, whilst arrears levels had remained at a safe and stable level with only 69 customers behind by 3 or more payments.

Having made a positive return to new lending in September, following our latest successful securitisation issuance, we experienced incredibly high customer demand for our products, leading to record lending volumes and a period of significant strain on our service performance. That spike in business has now been managed through our pipeline, with a return to normal service levels. We look forward to a more stable year ahead, where we can focus on delivering a competitive mortgage offering and a more consistent service for our intermediary partners. We are open for business and very much looking forward to building on the work we have done to strengthen our foundations, so that we can meet the high standards we set ourselves.

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OUR SHAREHOLDERS

Looking forward, 2021 is sure to be another challenging year. The changes we have made to our business over the past year should stand us in good stead as we continue our journey. We enjoy the full and continued support of our shareholders, Pine Brook, and have the capital commitments we need to achieve the important milestone of break-even profitability. We will continue to work with our stakeholders and business partners to support the achievement of this fundamental objective. Pine Brook Partners has invested almost £200m since the inception of the business in 2015, and we value their continued support and expert guidance, providing us with the confidence to grow the business as our going concern statement attests.

In due course, it seems likely that we will seek to raise additional growth capital, in order to meet our scale objectives and our medium term aspirations to seek approval as a bank. We will explore this with our advisors and with Pine Brook during the course of the coming year.

OUR BANKING PARTNERS

Over the course of 2020 we received strong support from the banks who provide funding facilities to Belmont Green. We have four warehouse facilities in place, including a new facility signed in December. The depth of funding capacity allowed us to repay the bond holders of Tower Bridge Funding No.1 on its first call date. This was a significant step for Belmont Green as we demonstrate the maturity of the business to investors. The ongoing support of our banking partners allows us to look forward to our plans in 2021 continue to provide new loans to customers.

OUR PEOPLE

The addition of Carol Sergeant and Robin Churchouse to our Board in 2019 as Chairs of Board Risk Committee and Board Audit Committee respectively, has significantly strengthened the experience and level of challenge around the top table. The addition of our new CEO has seen a further step-change in the quality of our work as a board, with continued improvement in the effectiveness and operation of our governance framework. We have also sharpened the focus and content of Board meetings and sub-committees, a reflection of our growing maturity as a business and our desire to push for the standards in everything we do that one would expect to see in a bank.

We have continued to strengthen our executive team, most notably with the appointment of John Rowan, our new Chief Financial Officer and Amanda Robinson as our General Counsel and Company Secretary, both of whom bring significant banking experience and capability. Equally pleasing has been the development of senior talent from within the business, three internal appointments having been made to the new Executive Team.

We work hard as a business to improve diversity across our management population, and to encourage women into the most senior roles, raising awareness of the opportunities in financial services so that our leadership teams better reflect the customers and communities we seek to serve. Through our business scorecard, we monitor at Board level how women are being promoted and how diversity is being supported. I am delighted to note that there is an even split of men and women in the make-up of the executive team reporting to our CEO. I am also pleased to note that over 40% of our senior management pool is now made up of women, representing exceptional progress towards our target of 50%.

CONCLUSION

The past twelve months have forced us all to take stock of the way we live and work, and in many ways the crisis has accelerated the adoption of new technologies and behaviours. As a business, we have also taken the opportunity to reaffirm our strategic objectives and to set a clear course to build a safe and sustainable business which can make a meaningful contribution to meeting the home ownership aspirations of customers too often excluded by the standardised approach of larger mortgage lenders.

As we emerge into a post-COVID world and a much changed mortgage market, we are confident that our business model leaves us well placed to meet the challenges and opportunities to come. In an increasingly digital world, with complex individual circumstances requiring deep underwriting expertise as well as enhanced data driven decisioning, we can provide the solutions our customers need to support their own aspirations to find a safe place to call home for themselves and their families.

Steve Haggerty
Chairman

"I am delighted to note that there is an even split of men and women in the make-up of the executive team reporting to our CEO. I am also pleased to note that over 40% of our senior management pool is now made up of women, representing exceptional progress towards our target of 50%."

CHIEF EXECUTIVE REVIEW

"At the heart of our strategy is a deep-rooted belief that we should work to help more people to realise the benefits of having a stable home life – be that by enabling greater levels of home ownership, or by supporting landlords who want to invest in providing accommodation in the private rented sector."

ANTH MOONEY
CHIEF EXECUTIVE OFFICER

A BAPTISM OF FIRE

Having joined Belmont Green in February of 2020, the advent of COVID-19 has certainly presented a comprehensive set of challenges during my first year in the business, a period in which every aspect of our operating model has been put to the test. As the pandemic unfolded, during what were my first weeks in the business, we managed to maintain a calm but focussed response, acting decisively to protect our people by moving early in March to full home working. Soon thereafter, we took the difficult decision to temporarily close to new lending, in order to preserve liquidity, as funding markets began to tighten around us. None of this had been in my 100 day plan.

Our focus immediately switched to providing additional help and support to our existing customers, implementing Government backed payment deferral almost overnight, whilst deploying a variety of forbearance tools to support those many customers impacted by the virus. At one stage, almost one third of our customer base had taken advantage of payment deferrals, the overwhelming majority of whom have now returned to making their full monthly payments.

Considering everything that has been thrown at us during 2020, the determination of our people to help their customers when they most needed us has never faltered. With those values at our heart, we are completely focused on achieving break-even profitability for the first time and then building out from that platform to become the UK's most trusted specialist mortgage bank.

We continue to work hard to support all of our customers, as they come to terms with the impact of the crisis, and we will do everything in our power to help them stay safe and secure in their homes.

RESETTING OUR STRATEGY

The turmoil of 2020 has added a further incentive for us to review and realign the strategic direction of the business. Having to close our doors to new business emphasised very clearly the need for a more diversified funding capability in the longer term, whilst the significant levels of demand we experienced following our return to the market in September, underlined the opportunity we have for growth.

To that end, we will set a course towards becoming a bank over the next 2-3 years, a move that will open the door to sustainable growth in the medium to long term, whilst also affording our customers the confidence and reassurance that comes with an institution approved and regulated by both the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

With that future ambition in mind, it is important to ensure that the business is on a strong footing with our regulators and to that end, it was gratifying to close out some historical issues with loans that had been sold to customers whose loan terms extended beyond their retirement age. Having undertaken a thorough review of our mortgage book, we identified a cohort of 146 customers where we lacked sufficient evidence to fully confirm affordability of repayments in retirement. We have communicated with all of these customers and where necessary, remediation arrangements have been put in place to safeguard the customer against any potential future issues. The FCA have confirmed that this issue has now been resolved satisfactorily. As at 31 December 2020, a total provision of £1.6m has been made against these loans.

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CHIEF EXECUTIVE REVIEW CONTINUED >>>

Intermediary and customer expectations continue to change at pace, with everyone expecting faster decisions and greater automation, delivered through intuitive digital applications. The recent crisis has only served to further underline the need for flexible modern technology and a deep operational resilience.

We have continued to invest in our core platform, creating a flexible and scalable capability that we can leverage to drive innovation and growth in our business. Combining cloud-native platform solutions with customised business systems, we can connect via application programming interfaces (APIs) to new and constantly evolving data sources and services, allowing us to quickly and dynamically support the needs of our customers, whilst providing a highly resilient and secure virtual operating model.

2021 will see us launch our new retention proposition, delivering a fully digitised user experience for all those customers maturing from an existing fixed rate deal. We have also established our virtual process improvement programme, V-LAB, employing agile working methods and design thinking to support a significant step-change in the service experience we provide to our intermediary partners. Combining our underwriting expertise with slicker and more consistent decisioning processes, should materially enhance the experience we deliver, further strengthening the relationships we enjoy with the mortgage broker community.

> "We have continued to invest in our core platform, creating a flexible and scalable capability that we can leverage to drive innovation and growth in our business."

HELPING OUR CUSTOMERS

At the heart of our strategy is a deep-rooted belief that we should work to help more people to realise the benefits of having a stable home life – be that by enabling greater levels of home ownership, or by supporting landlords who want to invest in providing accommodation in the private rented sector.

Our culture is founded on that simple belief, giving our people a clear frame of reference in the work that they do, an ambition and purpose that goes beyond just achieving simple financial metrics. And we want our workforce to reflect the diversity and lived experiences of our customer base – we do not believe we can truly help if we do not genuinely understand our customers.

There are millions of people across Britain who face challenges in obtaining a mortgage because of their personal circumstances. This includes the self-employed and part-time employees, but also key workers, many of whom can afford to service a mortgage, but have been unable to satisfy traditional lending criteria or raise a large deposit. The number of these so-called 'non-standard borrowers' is growing, with our own research showing, for example, that one in five renters have had to put their housing plans on hold because of the economic impact of COVID-19.

Solving the challenge facing those stuck in Generation Rent is about more than building new homes or offering high loan-to-value mortgages. The mortgage market needs to step up its support for these underserved borrowers by innovating new products that give everyone a real opportunity to find a place to call home. As Generation Rent continues to grow in size, now more than ever we need a strong specialist lending sector which understands that real-life circumstances shouldn't keep these individuals locked out of the housing market now or in the future. Through Vida, we intend to play a key role in finding safe and affordable solutions that can unlock home ownership.

FINANCIAL PERFORMANCE

With a trading hiatus of six months caused by the pandemic, our mortgage book grew very modestly in the year to exceed £1.6bn. Our lending book is funded by a seasoned securitisation programme and expanded roster of bank warehousing lines. The £350m securitisation deal completed in July was one of the first to be announced in Europe during the crisis, attracting significant new investors and achieving materially better pricing than anticipated.

We have made substantial progress during 2020 in repositioning the business so that it can deliver growing and sustainable profits going forward. Restructuring our funding lines has allowed us to reduce our weighted average cost of funds by 19% and increase net interest income by 57% to £23.9m[2]. Increased sophistication in our pricing model has improved new business spreads on our mortgages by 50 basis points to 3.80%. NIM has consequently advanced by 32% to 1.44%. Administrative expenses have also been brought under disciplined control, with a reduction in core expenses of £0.2m year-on-year. 76 colleagues from across the business were placed on furlough (46% of the total workforce) at various times between April and October, during the period in which the virus prevented any lending to new customers. As a consequence, we received £779k of Government support in relation to furloughed staff under the coronavirus job retention scheme, preventing the need for any unplanned redundancies. All staff had returned from furlough by the end of October, as soon as lending to new customers had resumed.

Continued economic uncertainty notwithstanding, we expect the positive progress made in 2020 to continue in the year ahead and support delivery of break-even profitability for the first time. Anticipating further economic stress in the year ahead, as the implications of COVID-19 potentially begin to manifest higher unemployment and lower house prices, we have taken a cautious view of the macroeconomic environment, setting all forecasting at a sensibly conservative level, and taking a prudent approach to stress testing.

LOOKING TO THE FUTURE

With a new and highly experienced leadership team now in place, it is our intention to seek authorisation as a bank from the PRA. This will significantly improve our resilience and durability as an organisation by diversifying our sources of funding to reduce our reliance on wholesale markets such that we can safely support our growth ambitions. Many of the building blocks required for this transition are already in place, as we have continued to invest in our core capabilities such as the successful build of our new treasury system.

We will continue to strengthen all aspects of our governance model and control environment in the coming year, ensuring we are becoming bank-standard in all that we do. Our long-term ambition is to create the most trusted mortgage bank in the UK.

THANK YOU

I would like to finish by thanking all of my colleagues for their support and incredible dedication in what has been a year of uncertainty and change. Thanks also to our shareholders Pine Brook, for their continued support and encouragement as we faced the many unprecedented challenges of 2020, and to our intermediary partners and customers whose ongoing faith and patience have sustained us through this most unusual of years.

On behalf of our whole business, I would like to offer our deepest sympathy to all those who have lost loved ones to COVID-19, and we hope for brighter times ahead for all of those we know and serve.

Anth Mooney
Chief Executive Officer

[2] On a normalised basis consistent with the core operating profit table included in the Financial Results section.

STRATEGIC REPORT

OUR BUSINESS MODEL

We are combining a broad range of capabilities into one scalable platform. Fusing traditional underwriting expertise with a modern cloud-based technology platform, to deliver an efficient and differentiated customer experience.

Beyond COVID-19, we intend to continue to operate a flexible working model with a limited physical footprint, leveraging the many economic and environmental benefits.

We have invested in a highly scalable and secure technology platform which allows us to adapt quickly to opportunities in our operating environment and build on our core capability of assessing complex credit risk using increasingly automated sources of data, to enhance the effectiveness of our decision making.

Our technology ecosystem leverages the latest cloud platforms and services, in time capable of supporting a wide range of borrowing, savings and payments products as we transition to becoming a bank.

We have a mature funding capability, having completed a series of successful securitisation issuances supported by a range of warehousing facilities. Our proven capital markets driven funding franchise is supported by bank-standard treasury systems and reporting capability.

Vida's commercial model is focussed on offering specialist residential and buy to let mortgage products to customers with more complex borrowing needs, through a national network of professional independent mortgage advisors, meaning that every one of our customers receives independent regulated advice on the best deal available to them.

All mortgage applications are assessed by our expert team of underwriters and processed through to completion by our in-house mortgage operations team.

Once a loan has completed, we work in partnership with Computershare to manage the ongoing customer relationship leveraging their deep experience in dealing sensitively with any payment difficulties or other issues which might arise over time.

When a customers' mortgage deal comes to an end, we contact all maturing customers directly and offer the chance to select one of our bespoke retention products. Our retention service is also available to the customer's mortgage advisor if they would prefer the added security that comes with independent advice.

In the coming years, we will seek authorisation from the PRA to become authorised as a deposit taking mortgage bank. The full transition to bank status will take us some time, as we seek to give Vida the capacity and strength to grow safely, protecting our business and all our customers. However, there is no rush, as our existing non-bank operating model can sustain our scale ambitions well into the medium term.

Using technology to underpin our customer proposition will allow us to grow customer engagement, build trust, and efficiently service many more customer who need the help of a lender who understands and can make sense of their more complicated circumstances.

OUR STRATEGY

Driving every aspect of our strategy is our mission to help everyone find a safe place to call home. By delivering against that mission in the longer term, we will gradually realise our long term vision of becoming the UK's most trusted mortgage bank.

These twin drivers provide us with a clear and focused strategic agenda: to build a safe and sustainable mortgage bank, focused on using technology to enhance our ability to help customers with more complex needs, to access the solutions they need to move forward in life.

We combine human expertise in credit underwriting with a technology enabled customer experience, building trust by helping more of those customers who are typically ignored by the high street banks. As the business grows and transitions to becoming a bank, so we increase the resilience and sustainability of our model.

Belmont Green's vision and mission are underpinned by three strategic pillars, the 3 Cs:

CUSTOMER EXPERIENCE, RELATIONSHIP, BRAND & ADVOCACY

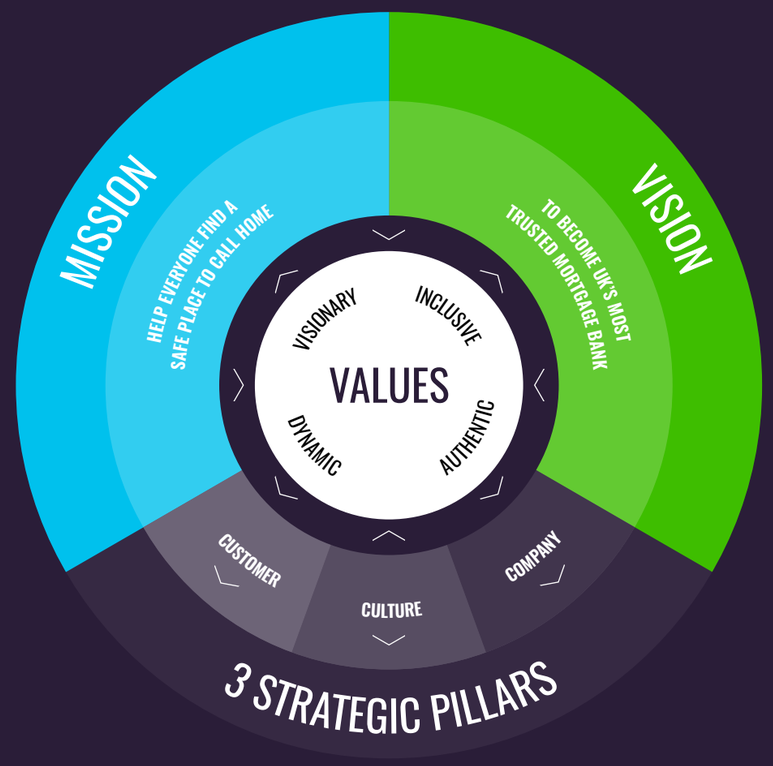
CULTURE ENGAGEMENT, DIVERSITY, CONDUCT & LEGACY

COMPANY GROWTH, QUALITY, EFFICIENCY & RETURNS

Underpinning the delivery of our strategy is our balanced business scorecard, which sets out 18 core metrics across Customer, Culture & Company which we use to monitor the performance, health and impact of our business. These results are shared monthly with all colleagues in a CEO update session.

Bonus schemes at all levels of the organisation are guided by performance against this one business scorecard, with all objectives aligned to the delivery of our strategy. Performance and ultimately the award of any bonus payments are assessed and awarded at the discretion of the Board Remuneration and Nominations Committee.

OUR STRATEGIC DIAGRAM



OUR MARKET

Ongoing lockdowns across the UK, as a result of continued COVID-19 infection levels have delayed the pace of economic recovery and therefore the outlook for the UK housing market remains somewhat uncertain. However, given the extension of Government support measures through the first half of 2021, it will be later in the year before we would expect to see a clear picture emerge.

Early in the lockdown, lending to higher risk borrowers was restricted by the closure of the securitisation markets, temporarily restricting the lending activity of non-bank operators. The Bank of England introduced the Term Funding Scheme with additional incentives for SMEs (TFSME), providing access to cheap liquidity for the banks. Consequently, wholesale markets recovered more quickly than expected, allowing non-deposit taking lenders to resume activity in H2 of 2020. Higher LTV products have remained scarce, reflecting the lower appetite for risk and the focus of lenders on servicing their existing customers whilst managing the operational challenges of remote working.

The improved stability achieved from a UK-EU trade agreement and the acceleration of the UK's COVID-19 vaccination programme should support a strong economic recovery. Ongoing fiscal support, together with the housing-specific measures announced in the Chancellor's March 2021 Budget, should further mitigate against more significant impacts on the UK housing market.

The mortgage payment deferral schemes, which were in place for most of last year and will now only taper away by summer 2021, have helped millions of customers directly impacted by the virus.

With recent months seeing an extension to the Government's stamp duty land tax incentives in England, Wales and Northern Ireland, the continuation of the furlough scheme and the announcement of a mortgage guarantee scheme to help lenders provide 95% loans to homebuyers, we expect all of this stimulus to support housing demand and potentially ward off the much heralded fall in house prices.

UK average house prices rose 8.0% in the year to December 2020, according to the ONS (Office for National Statistics). Within that, the pandemic may have caused homebuyers to reassess their housing preferences. A shift in consumer demand for larger properties with more indoor and outdoor space, has led to the outperformance of prices of larger homes as more families adapt to remote working. Equally, lower demand for private rented accommodation in city centres, has put some downward pressure on rental yields and potentially on the value of flats and certain new build properties, creating property price variations by region and property type. ONS data shows that the average price of detached properties increased by 8.6% in the year to January 2021, whilst flats and maisonettes increased by only 2.6% over the same period.

If the UK vaccination programme continues to follow the Government timeline and allows the economy to reopen during the summer months, then the anticipated economic bounce might sustain housing and mortgage market momentum through into 2022. With no market expectation for a rise in the Bank of England Base Rate from its current level of 0.10%, a continued low interest rate environment should further bolster mortgage affordability and work to sustain continued mortgage demand.

Overall, the UK housing market remained incredibly resilient in 2020 with strong home mover activity and resilient first-time buyer demand helping gross mortgage lending recover to £243bn by the year end, down only 9.3% on 2019, a significant bounce back after the lock-down induced slump experienced in Q2 2020.

The final quarter of the year was even more robust, pushing mortgage lending up to its highest level since the 2007 financial crisis. And new commitments, being mortgage loans agreed and due to complete in the coming months, were up 24% on 2019, suggesting a very strong start to 2021.

Home purchase lending was the real driving force in Q4 of 2020, with December levels 31% higher than a year earlier. We would expect this positive momentum to carry through the first half of 2021 before moderating in the second half as Government interventions recede and COVID-19 restrictions are gradually removed.

We forecast a gross mortgage market of £265bn in 2021, representing 9% growth on 2020 and a return to the levels enjoyed in 2019.

Belmont Green operates in the specialist sector of the residential mortgage market, lending primarily to three customer types; those with complex income like the self-employed or contractors, first time buyers who have struggled to secure a large deposit and those who have experienced a minor credit issue in the past, typically caused by an unforeseen life event such as divorce.

We estimate the specialist owner occupied market to have reached £13bn of mortgages in 2020 and believe that two key factors will drive further growth in this sector as we emerge from the pandemic; first, the Chancellor's announcement of a mortgage guarantee scheme, targeted at helping more customers get access to 95% LTV mortgages and delivering against the Prime Minister's ambition to change Generation Rent into Generation Buy; second, the impact of COVID-19 and the advent of the Government's furlough scheme, will likely mean that many customers have experienced minor credit issues for the first time, leaving them unable to access borrowing from the high street lenders.

Of particular note, is the continued strength of the Buy to Let market where lending has also held up very well in 2020, reaching £36bn, albeit 12% lower than 2019. Q4 of 2020 saw the highest levels of Buy to Let home purchase activity in 5 years.

We would expect the Buy to Let segment to continue to deliver robust numbers and show some positive growth in 2021, landlords having been able to adapt to the regulatory and tax headwinds of recent years.

Around 75% of Belmont Green's lending is to Buy to Let customers, an even mix of portfolio (>4 rental properties) and non-portfolio landlords, typically seeking to acquire a specialist property type, e.g. multiple unit blocks or those using Limited Companies or Special Purpose Vehicles to hold legal title of the property.

A healthy private rented sector remains critical to the UK housing market. Successive governments have tried to curb Buy to Let volumes in an attempt to address the issue of affordable home ownership. But the market has weathered the adverse tax and regulatory environment of the last five years and seems to have found a stable level. With the continued structural undersupply of new housing stock in the UK, we would expect demand for rental in the UK to grow in the medium term.

The make-up of the private rental market has changed. The culmination of multiple regulatory and tax changes has deterred smaller 'amateur' landlords from entering the market, being replaced with more 'professional' landlords, holding five or more properties, who have adjusted their approach by diversifying portfolios to the benefit of the more specialist aspects of the market such as limited company Buy to Let or higher yielding property types like multi-unit blocks.

It is argued that this continued professionalisation will support an improvement in housing standards, but clearly a shift towards commercial property investment could potentially limit consumer choice and drive higher rental costs over time.

OUR MARKET CONTINUED >>>

During the pandemic we have seen some pressure on demand for rented property, with rental yields falling in major city centres like London and Birmingham as migrant workers return home and demand for flats and smaller city centre properties falls in line with shifting work patterns.

The fundamental drivers of demand in the UK private rental sector hold true; a lack of availability of social housing, unemployment trends, population growth including in students and immigrant workers and the important fact that home ownership remains less accessible due to rising prices, tightening affordability criteria, and the continued scarcity of high LTV products meaning that the average first time buyer will still struggle to secure that initial deposit. Barring a major structural change in the provision of affordable new homes, current trends still suggest that a majority of UK households will be renting by the end of the decade.

However, a risk remains that the continued tax and regulatory interventions designed to dampen the Buy to Let market in favour of home ownership will lead to a fall in the supply of private rented property as landlords withdraw from the market. If demand then continues to rise due to the structural lack of affordable housing and access to owner occupation, this potential under-supply will increase the risk of rising rents, disadvantaging the end tenants – certainly not the intended outcome of policy intervention in recent years.

Additionally, increasing focus on the green agenda will also have repercussions for the Buy to Let sector, as the government pushes towards its 2050 zero-carbon goal. Current proposals would require rental properties to achieve an EPC rating of C for any new tenancies from 2025, and for all tenancies by 2028. Currently, less than half of the UKs rented properties meet that standard, so the heat will be on landlords to upgrade existing stock, and on lenders to adapt policies and pricing to encourage greater energy efficiency.

All told, we would expect a slight recovery in the BTL market in 2021, to around £40bn, supported primarily by increased house purchase activity which will continue to enjoy the halo effect from the extension of the stamp duty incentive through into the autumn.

While there is some evidence that arrears in the private rental market have increased and demand has declined during the pandemic, the more stringent affordability standards required by the PRA which calculate a rental coverage ratio based on stressed interest rates, have built in some protection for landlords against economic shocks like those currently being experienced.

Over 1.5 million customers switched to a new mortgage deal in 2020, equating to 1 in 6 of all homeowners in the UK. 1.2 million of these took advantage of an internal product switch, i.e. taking a new deal with their existing lender. This represents £168bn of mortgage borrowing refinanced by customers with their existing lenders. The share of internal product transfers as a proportion of total remortgaging has grown steadily in recent years, now routinely exceeding 70% of all refinancing, as lenders fight harder to keep the customers they already have and invest in ever more effective digital retention platforms. This trend will continue to drag on remortgage volumes and consequently the size of the wider gross lending market – underling the importance of a well-oiled retention machine.

SPECIALIST OWNER OCCUPIED MARKET SHOULD REACH
£13BN
OF MORTGAGES IN 2020

WE FORECAST A GROSS MORTGAGE MARKET OF
£265BN
IN 2021 (9% GROWTH ON 2020)

IN 2020
1.5M
CUSTOMERS SWITCHED TO A NEW MORTGAGE DEAL

IN 2020
1 IN 6
HOMEOWNERS SWITCHED TO A NEW MORTGAGE DEAL

WE EXPECT A SLIGHT RECOVERY OF
£40BN
IN THE BTL MARKET IN 2021

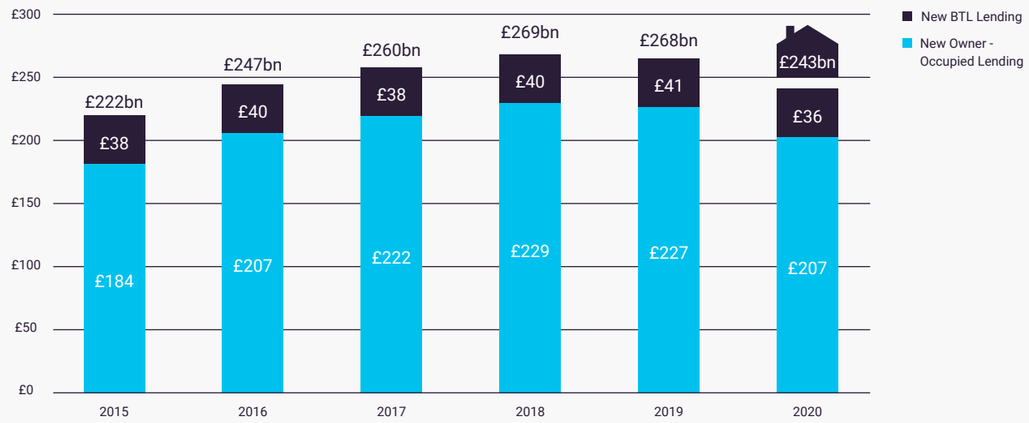
BUY TO LET CUSTOMERS MAKE UP AROUND
75%
OF BELMONT GREEN'S LENDING

OUR MARKET CONTINUED >>>

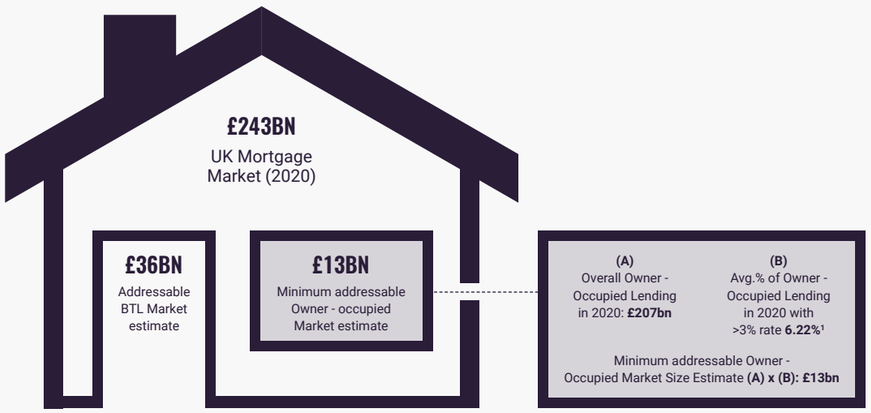
UK SPECIALIST MORTGAGE MARKET

UK NEW MORTGAGE LENDING (£BN)

(Source: UK Finance)



ESTIMATED ADDRESSABLE MARKET OF £49BN



Note 1: House purchase and re-mortgage lending totals reported by UK finance are not directly comparable with those reported by the Bank of England. There are technical differences relating to sample size and grossing methodologies and the two sets of figures are reported based on different definitions. [1]Bank of England MLAR Statistics Table 1.22. Release dated 8th December 2020. Specialist lenders now offer <3% rates so £12bn market size could be much bigger.

OUR BROKER PARTNERS

Our mortgage distribution strategy is entirely geared towards the independent mortgage intermediary sector, which accounts for an estimated 79% 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 4,500 brokers who we know regularly support mortgage borrowers who have requirements that are not being met by high street lenders. This has the twin benefit of providing access to a predictable flow of suitable customers, whilst ensuring that each of those customers has received independent mortgage advice from a regulated intermediary before their application is submitted to us.

Our products are designed with customers who have complex needs in mind, and we aim to simplify the underwriting and decisioning process so that we provide a consistent and reliable service to our intermediary partners.

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.

Mortgage intermediaries were able to weather the pandemic successfully, their market share actually increasing in the year, as they demonstrated an ability to switch their meetings from face to face to video conferencing, a development which will inevitably shape the working patterns of the sector going forward, as the mortgage industry emerges from the constraints of COVID-19.

FINANCIAL RESULTS

BGFL reported a statutory loss of £7.1m in 2020 (2019: £35.3m), an improvement of £28.2m over 2019's result, a significant achievement given the wider context. The core loss before tax, after excluding exceptional items, was £5.8m (2019: £13.3m). The adjustments, which were one-off in nature, made to core accounting assumptions that affected the 2019 result were not repeated in 2020 (refer to "Core Operating Profit" section).

Management of the impacts of the COVID-19 pandemic in 2020 meant that the loan book grew by only 4% on a year-on-year basis. With the effective closure of wholesale funding markets from March, management took the decision to withdraw Vida's products from the mortgage market. This withdrawal lasted until August. As a result, new lending was restricted to £258m for the year, £299m lower than the £557m of new lending in 2019.

Belmont Green remained conservative in its credit risk appetite and underlying asset margins were maintained. Whilst tighter control of the cost base was achieved early in the year, the overall result was a loss and moving to profitability is rightly expected as the loan book grows.

INCOME STATEMENT

NET INTEREST INCOME

Net interest income increased to £23.9m from £2.5m in 2019, although it should be noted that 2019 income was reduced by the one-off adjustments of £12.7m (refer to "Core Operating Profit" section). Mortgage yields were improved by 9 basis points to 4.20% and with the weighted average cost of funds falling from 3.15% to 2.23%, NIM improved by 29 basis points to 1.44%. Despite significant limitations on new lending in year, the average loan book grew 19% year-on-year.

Belmont Green had access to three committed warehouse facilities for most of 2020, with a fourth facility, contracted on an uncommitted basis, being added in December. With the effective closure of capital markets from March through to July, the three warehouse facilities were utilised at close to full capacity for most of this period, with a year-on-year saving of £1.9m in warehouse non-utilisation fees.

Belmont Green successfully completed its fifth securitisation, Tower Bridge Funding 2020-1 PLC (TBF2020-1), in July. The securitisation of £349m allowed the business to re-establish the availability of capacity within its warehouse funding lines and return to lending in August. Due to the increase in spreads in the wholesale funding markets, this deal was priced higher than its predecessors.

BGFL REPORTED A STATUTORY LOSS OF
£7.1M
IN 2020 (2019: £35.3M)

NET INTEREST INCOME INCREASED TO
£23.9M
FROM £2.5M IN 2019

THE AVERAGE LOAN BOOK GREW
19%
YEAR-ON-YEAR

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 2020 a loss of less than £0.1m was recorded from fair value movements compared to a loss of £3.9m in 2019.

ADMINISTRATIVE EXPENSES

Cost control is key to moving the business to a profitable footing and action was taken in late 2019/early 2020 to reduce the cost base of the business. Total administrative expenses were £28.0m in 2020 compared to £31.3m in 2019. After excluding the one-off items highlighted in the Core Operating Profit section below, the comparison becomes £27.1m in 2020 versus £27.4m in 2019.

Management took action in early 2020 to reduce the cost base, which included bringing staffing levels below those of 2019. This has established the cost base of the business for future growth. The events of 2020 prevented lending volumes hitting the levels that are needed to move the business to profitability.

A direct comparison of year-on-year costs highlights the £2.5m cost of the initial build of Belmont Green's banking capability in 2019. As the banking licence application was paused in 2020, further costs were not incurred. However, Belmont Green has benefitted from the investment in experienced staff and systems that will enable the business to grow from 2021 onward.

IMPAIRMENT PROVISIONS

The charge for impairment increased to £3.4m in 2020 from £2.4m in 2019. This charge reflected the adoption of more severe macroeconomic forecast scenarios that followed from the COVID-19 pandemic and the continuing uncertainty surrounding Brexit.

Belmont Green experienced a high level of payment deferrals in 2020, with 38% of customers, by value, having a payment deferral approved. Less than 2% of the loan book remained subject to a payment deferral arrangement at the end of the year and there had been no significant deterioration in the performance of the book by the end of the 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 and detailed research, adjustments have been made to the modelled ECLs to allow for aspects of the current economic environment and property market that cannot be fully reflected in the modelled assumptions.

THE CHARGE FOR IMPAIRMENT INCREASED TO
£3.4M
IN 2020 (2019: £2.4M)

TOTAL ADMINISTRATIVE EXPENSES WERE
£28.0M
IN 2020 (2019: £31.3M)

MORTGAGE YIELD INCREASED TO
4.20%
(9 BASIS POINTS)

CORE OPERATING PROFIT

The statutory loss before tax for 2020 was

£7.1m (2019 - £35.3m)

whilst the core operating loss was

£5.8m (2019 - £13.3m)

The table below sets out the derivation of core operating loss in 2020 and 2019, as well as the individual net interest income and administrative expenses components.

	2020			2019		
	Net interest income £m	Admin expenses £m	Loss before taxation £m	Net interest income £m	Admin expenses £m	Loss before taxation £m
Per Consolidated Statement of Comprehensive Income	23.9	(28.0)	(7.1)	2.5	(31.3)	(35.3)
Adjustments						
Re-allocation of revenue adjustments to make financial periods comparable						
- expected loan lives	-		-	7.7		7.7
- warehouse facility amortisation periods	-		-	5.0		5.0
Fair value volatility			0.0			3.9
Remediation provisions	0.1		0.4	0.8		1.5
Exceptional item - management restructure		0.9	0.9		1.4	1.4
Banking licence one-off costs		-	-		2.5	2.5
Core income/expenses/loss	**24.0**	**(27.1)**	**(5.8)**	**16.0**	**(27.4)**	**(13.3)**

BALANCE SHEET

Net loans to customers grew by 2.2% in 2020 to

£1,636m (2019: £1,600m)

BTL loans made up

74% of the loan book

at 31 December 2020 (2019: 73%)

As noted earlier, Belmont Green's forward-looking margins and costs mean that the key driver for future profitability will be lending volumes. 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. Vida is well-placed with an established brand and reputation in the intermediary channels where these segments are largely served. Vida's market share of the specialist lending market will remain relatively modest even as it grows.

Wholesale funding totalled

£1,629m (end of 2020)

(2019: £1,604m),

of which

£1,395m

related to securitisation funding

(2019: £1,396m).

Total share capital, 99.4% provided by Belmont Green private equity investor, Pine Brook, stood at

£196m (2019: £168m)

MAJOR DEVELOPMENTS AND INITIATIVES

Aside from protecting our business from the global pandemic, 2020 was a year of transformation for Belmont Green, as we looked to put the business on a firmer footing and set it up for future success.

A new and highly experienced Executive Team has been brought into the business, with CEO, CFO and CRO roles all now refreshed. The new leadership team has set a very clear strategy for the business, focussed on delivering sustainable profitable growth and setting a course towards becoming a PRA authorised mortgage bank.

A project was executed early in the year to re-shape the structure of the business and remove excess costs. The savings to staff costs after the implementation of the changes were £3.1m and the H2 2020 run rate savings were £4.1m.

Significant investment was approved by the Board in a new cloud native technology platform that brings together a diverse set of interconnected FinTech solutions to create a flexible and scalable capability that we can leverage to drive innovation and growth across our business.

The first deliverable from that technology programme will be a new digital mortgage retention capability, fully launched to customers and intermediary partners in the early part of 2021.

NEW AND HIGHLY EXPERIENCED LEADERSHIP TEAM

Anthony Mooney - Chief Executive Officer

John Rowan - Chief Finance Officer

Stephen Roughton Smith - Chief Risk Officer

A new cloud-based Treasury Management and ALM platform was successfully implemented, providing the business with bank grade control and risk management functionality.

We have further developed our funding capability during 2020, finalising a £350m securitisation deal in July, the fifth issuance in our Tower Bridge Funding Programme and one of the first deals in Europe to complete post COVID-19. We also called and repaid our first securitisation deal in December 2020. Our warehousing capacity has been extended, improving the stability and resilience of our platform.

We successfully started a phased transition away from LIBOR of existing mortgage accounts which have an interest rate linked to LIBOR, adopting an adjusted Bank of England Base Rate. The first phase of accounts were transitioned in December 2020 and all remaining accounts with loans linked to LIBOR will be transitioned during 2021 in line with regulatory deadlines.

The Compliance & Finance Crime function was strengthened with several new hires and enhancements.

We have initiated 3 strategic programmes aligned to the delivery of our key business objectives:

- We have established a new virtual innovation programme, focussed on using agile development techniques to improve the customer experience and enhance efficiency through every stage of our mortgage application process. The V-Lab allows cross functional teams to work virtually using a range of digital collaboration tools.
- A programme focussed on building out our banking capability has been initiated. Solid progress has been made with the completion of our new treasury platform and the significant upgrading of our risk and control framework as we continually raise the bar towards bank standard in all that we do.
- Our culture programme is focussed on ensuring that we build and engage a diverse and inclusive team, who are able to understand the needs of our customers and are motivated to leave a positive footprint. We aim to attract and grow talented individuals, equipping them for success in our flexible operating model.

PEOPLE AND CULTURE

JENNIE WALTON
CHIEF CULTURE OFFICER

People remain at the heart of Belmont Green's business and our vision, mission and values underpins everything that we do. We work hard to create a positive and engaging working environment and everything we do supports our mission, always with our customers in mind.

TALENT DEVELOPMENT

2020 has been unprecedented and our team have demonstrated the skills and ability to respond and navigate through these uncertain times. Having successfully completed a restructuring programme early in 2020, our team now consists of 170 colleagues.

In the last year we have improved our capability in key areas, there have been a number of successful internal promotions and we have welcomed 29 new starters. As a result of adopting agile working during 2020 (which will remain in place), this has enabled us greater access to broader talent pools and this has further strengthened our employee base and enriched our diversity

% CULTURAL DIVERSITY IN SENIOR MANAGEMENT
15%
IN 2020.

ONE TO WATCH
BEST COMPANY
2020

INVESTING IN OUR PEOPLE

Investing in developing the skills and expertise of our people and supporting their health and well-being has been a focus throughout 2020 and this will continue throughout 2021. In recognition of agile working, we have developed several e learning solutions to complement a number of self-select courses available via our online Learning Management Solution. Our employees have access to an Employee Assistance Programme and through our healthcare provision with Vitality, a range of health and wellbeing activities is supported both virtually and onsite.

Achievements and successes are celebrated through our quarterly and annual reward and recognition scheme.

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.

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 entirely free from any form of bias or discrimination. We will continue to work hard to address the well documented diversity issues in the financial services industry and aim to make Belmont Green a leading example of what is possible if diversity is designed into the culture of an organisation from the outset.

EMPLOYEE ENGAGEMENT

Switching to home working for all colleagues during the year has allowed us to learn a huge amount about the needs and preferences of our people when working remotely, insight which will inform the design of our permanent operating model, as we look to maintain a more agile and flexible approach.

The frequency of internal communications has been significantly increased during the pandemic, in order to make sure that everyone is kept up to date, and that the senior team remain visible and accessible. We have held weekly CEO briefings for the whole business, as well as more detailed quarterly strategy updates.

A real focus on mental health and colleague wellbeing has also been maintained throughout the year, with many colleagues taking time to adapt to the particular challenges of home working, and the loss of physical interaction and informal emotional support that occurs more naturally in a traditional office environment.

Achievements and successes have been formally celebrated across the year through our quarterly values awards. We received 190 nominations across the year leading to the recognition of 20 different winners.

For the first time this year we have adopted the Best Companies model for measuring colleague engagement. Our first survey results returned a classification of 'one to watch' meaning we achieved a good score when benchmarked against similar organisations, but more importantly providing us with valuable insights into key areas where we can improve the level of engagement across our teams. Our objective is to work towards achieving and then maintaining the coveted 3 Star BCI rating which denotes a 'world class' level of engagement.

SUSTAINABILITY

The events of 2020 have only served to emphasise the moral and commercial imperative for creating a sustainable business. As we begin to understand and adapt to the realities of a post-COVID world, we have an opportunity to play a key role in helping many of those customers who have been financially impacted by the crisis, to navigate the uncertain road ahead.

From designing more inclusive mortgage products to maintaining a more flexible operating model from forming strategic partnerships in support of the disadvantaged to achieving gender balance in our senior leadership team – we will be working hard to create a positive legacy in the communities we serve.

We have a clear focus on minimising the carbon footprint of our business by permanently migrating to a more flexible operating model which is less reliant on fixed office space, actively encouraging our people to work from home on a permanent basis, coming together primarily to build and maintain healthy working relationships with each other.

Further work is underway to understand and assess the environmental impact of our lending policies, our intention being to hard code incentives into our customer proposition in order to reward and encourage environmentally friendly property by greater use of the energy efficiency rating available through Energy Performance Certificates (EPC).

Our sustainability agenda will become an integral part of delivering our mission to 'help everyone find a safe place to call home' and is being embedded in everything we do. We are at the beginning of our journey to define how best to do that and plan to seek Board approval this year for our inaugural ESG strategy, setting out exactly how we will seek to contribute to both the global issues facing our planet and the local issues facing the communities we serve.

OUR PARTNERSHIP WITH CRISIS

During the year we formed a strategic partnership with the charity Crisis. Their mission is to end homelessness in the UK for good and their work is founded on the belief that everyone should have, and is ready for, a safe, stable place to live.

At Belmont Green, we share the same belief and have committed to contributing a minimum of £150,000 to Crisis over the next three years to support them in their work.

Our people raised almost £10,000 through their own fundraising efforts in support of the Crisis Christmas campaign, just at a time when some of the most vulnerable people in our society needed help and protection more than ever. Those efforts alone provided the funding to support an additional 450 homeless people over the Christmas period, providing access to accommodation, food and housing advice which really could lead to life changing moments.

For us, this is a strategic partnership which is about much more than just fundraising – we are determined to do all we can to help Crisis achieve their ambition to end homelessness for good

Crisis

Together we will end homelessness

WE HAVE COMMITTED TO CONTRIBUTING A MINIMUM OF

£150,000

TO CRISIS OVER THE NEXT 3 YEARS

OUR PEOPLE RAISED ALMOST

£10,000

FOR THE CRISIS CHRISTMAS CAMPAIGN

SUPPORTED

450

HOMELESS PEOPLE OVER CHRISTMAS PERIOD

OUR VALUES

Our values lie at the heart of everything we do and provide a frame of reference for the behaviours we expect to see in our people every day. Designed with customer impact in mind, we look for these qualities when we are hiring new talent into the organisation, and they underpin our approach to personal development and performance management for all our people.

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.

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
22 April 2021

CORPORATE GOVERNANCE

The Board of Directors of BGFL (the Board) is responsible for the governance of the business, setting strategic goals, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their conclusions. Embedding good corporate governance practice is fundamental to Belmont Green in creating and building an internal structure supporting the governance and decision making across the business and in creating internal and external stakeholder value. BGFL's Board ensures that the business has sufficient resources to meet its objectives and to comply with all legal, regulatory and contractual requirements.

BOARD OF DIRECTORS

BGFL's Board consists of high calibre individuals with deep and extensive financial services knowledge. The Board is chaired by an independent Chair. The Board meets monthly (except for August and December), or more frequently if required. A minimum of 6 Board meetings take place each year, with an additional 4 CEO Board Update Meetings.

BGFL ensures that INEDs remain independent through oversight from the Chairman and audits of the Board culture and Board effectiveness.

Specific matters are reserved for decision by the Board and are documented in a formal schedule. The matters reserved for the Board are set out in a detailed Matters Reserved for the Board schedule which has been approved by the Board.

It includes matters relating to:

1.1 Establishing BGFL's purpose, values and strategy, and ensuring proper implementation thereof.

1.2 Developing, reviewing, and monitoring of the application of BGFL's culture and values, setting a 'tone from the top' to ensure that the desired values and behaviours are Board led.

1.3 Reviewing BGFL's 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.

1.4 Oversight of financial reporting and controls, including approval of the Annual Report and Accounts.

1.5 Approval of material contractual arrangements including the approval, oversight and review of BGFL's material outsourcing operations and arrangements.

1.6 Overall oversight and management of BGLF within a framework of risk management which supports and directs financial security and fair outcomes.

1.7 Setting BGFL's Remuneration Policy and the remuneration for Directors and other members of senior management.

1.8 Appointment and removal of the Chair, Executive Directors, Non-Executive Directors and Company Secretary.

1.9 Approving recommendations and reports from any of the Board Committees.

1.10 Receiving reports from the Chief Executive Officer on BGFL performance and material updates from the Executive level Committees, day-to-day decisions taken between regular Board meetings and the effectiveness of BGFL's systems and controls.

BOARD CULTURE

The Board of BGFL recognises that its culture is a pre-requisite to good corporate governance. A key output from the working relationship between the Board Chairman and the CEO is clarity about the definition and measurement of the Board culture. An environment of debate and challenge underpins the Board and Board Committee meetings.

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 best interests of customers, employees, regulators and other key stakeholders. The Board works consciously to ensure that the shareholder does not have undue influence. All Committee Chairs are independent and have conversations with Executives, and in some cases intermediaries and suppliers, to understand other perspectives in detail.

As part of developing a healthy Board culture, the Directors rely on the independence of Internal Audit, currently provided by PwC on an outsourced basis. Board Audit Committee ensures that the Internal Audit Function is effective and delivers independent and competent challenge to the business.

The Chairman and CEO are mindful of the need for the Executive and Board to maintain mutual respect and trust. Management shares information openly, recognising that if all have the same information then challenge can be made coherently with spirited debate becoming the norm. Respect and trust do not lead to 'endless affability' or absence of disagreement but creates bonds that allow different viewpoints and challenging questions as evidenced in Board minutes.

Board performance reviews are recognised as a valuable tool and the Board completed an effectiveness review in H2 2019 with an independent Board assessor. The review included an evaluation of the understanding and development of strategy, Board composition, Board access to information, and levels of openness, challenge and energy. Following the effectiveness review, a number of changes have been made to the frequency and scheduling of Board and Board Committee meetings and the format of Board and Board Committee reporting, including increased use of 'deep dive' reporting. In line with the section 172 obligations of Board members, time was dedicated in Board meetings during 2020 to defining and agreeing the strategy for the business and this was reviewed at various points through the year.

The importance of an on-going programme of training for Board members is acknowledged. A Director Training Framework has been approved by the Remuneration and Nominations Committee which sets out the training expectations for all Directors, through a combination of individual and whole Board training. Directors are also required to complete on-line training throughout the year.

Communications with stakeholders, and in particular colleagues across the business, also has a high priority, with weekly All Staff updates hosted by the Chief Executive Officer and quarterly detailed updates regarding BGFL's progress against strategy. A number of employee surveys were also run during 2020, with Belmont Green subscribing for the first time to an independent survey to measure colleague engagement. Colleague engagement was extremely high, in excess of 90%, and work has been undertaken working across the business to define an action plan to address areas for improvement, with progress tracked against a newly designed Culture Scorecard which is reported to the Board on a monthly basis. Board members are also being asked to consider the use of their own skills, their knowledge of the company and the mortgage industry to develop their general level of contribution.

"The Chairman and CEO are mindful of the need for the Executive and Board to maintain mutual respect and trust."

"Respect and trust do not lead to 'endless affability' or absence of disagreement but creates bonds that allow different viewpoints and challenging questions as evidenced in Board minutes."

DIRECTORS

The Board of BGFL is made up of ten Directors, including three Executive Directors, two Non-Executive Directors representing the shareholder, Pine Brook, and five Independent Non-Executive Directors, including the independent Chairman. There were a number of changes of Directors which took place during 2020:

- The former Chief Executive Officer, David Tweedy, resigned in January 2020 and was replaced by the current Chief Executive Officer, Anth Mooney. Anth Mooney took up the role subject to FCA approval (which was received on 22 May 2020) in January 2020.
- The former Chief Financial Officer, David Basra, resigned on 31 July 2020 and was replaced by the current Chief Financial Officer, John Rowan, who took up the role in October 2020 and received FCA approval to be appointed as an Executive Director on 18 November 2020.
- A non-executive director representing Pine Brook, Oliver Goldstein, resigned on 23 September 2020 and was replaced on the same day by W. Dana LaForge, also representing Pine Brook.

BOARD

STEVE HAGGERERTY CHAIRMAN	CAROL SERGEANT INED	ROBIN CHURCHOUSE INED	PETER WILLIAMS INED	ALAN NEWTON INED
DANA LAFORGE NED	ETHAN WANG NED	ANTH MOONEY CHIEF EXECUTIVE OFFICER	JOHN ROWAN CHIEF FINANCIAL OFFICER	STEPHEN ROUGHTON - SMITH CHIEF RISK OFFICER

STEVE HAGGERTY

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

He has been an INED since 2010 during which time he has held numerous positions including Vice Chair of Melton Mowbray Building Society and Chair of Target Loan Servicing Ltd. Currently, in addition to his Chairmanship of Belmont Green (BGFL) he is Chairman of Rockstead Ltd and sits on the Board of Legal & General Home Finance Ltd.

CAROL SERGEANT CBE

Carol is an 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, she was also Managing Director on the Board of the UK Financial Services Authority, Chief Risk Officer of Lloyds Banking Group and positions on the boards of several charities and companies. She is currently Deputy Chairman of Danske Bank A/S (Copenhagen) and also Chair of the Global Women's Leadership Programme at Cass 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 Trustee and 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 CHURCHOUSE

Robin is an Independent Non-Executive Director and Chair of the Board Audit Committee. After gaining a law degree from Cambridge University, Robin qualified as a chartered accountant with Price Waterhouse in London since which 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 ICAA/ILAAP 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 and over 13 years 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 is currently also a non-executive director of Commercial & Northern (a start-up SME lender) and Lookers plc.

ALAN NEWTON

Alan is an Independent Non-Executive Director. He is a senior adviser at the Bank of England, a governor of the University for the Creative Arts, Europe's largest specialist creative art and design university, and a member of its Audit and Risk Committee and a trustee of Reach South Academy Trust, a multi-academy trust 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.

PETER WILLIAMS

Peter is an Independent Non-Executive Director and Chair of the Board Remuneration and Nominations Committee. He has worked in and on the UK housing and mortgage market issues for over forty years both as a senior executive in mortgage trade bodies (BSA, CML and IMLA) 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

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

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

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

ETHAN WANG

Ethan is a Non-Executive Director representing the interests of the shareholder, Pine Brook. He is a board director of BGFL, Fair Square Financial Holdings LLC, TRIA Capital Partners, and is an observer on the board of Better Mortgage.

Mr. Wang is currently a co-founder and Partner at BharCap, a private investment firm investing in businesses across the financial services sector. Prior to co-founding BharCap, Mr. Wang spent six years as a member of Pine Brook's financial services investment team. Before joining Pine Brook, Mr. Wang was with JLL Partners, where he spent two years focusing on specialty finance, healthcare and business services opportunities. Prior to that, he was an analyst with Milestone Advisors, which was later acquired by Houlihan Lokey. Mr. Wang holds a B.S. in Business Administration and Chemistry from the University of North Carolina at Chapel Hill, and an M.B.A. from the Booth School of Business at the University of Chicago (with high honors).

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 is the Chief Risk Officer of BGFL. He has 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').

EXECUTIVE TEAM

The Executive Committee is made up of the three Executive Directors shown above and five further leaders across the business:

TOMMY WIGHT

Tommy is the Chief Information 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 BGFL 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.

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 BGFL 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 BGFL 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.

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. ffShe joined Vida 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.

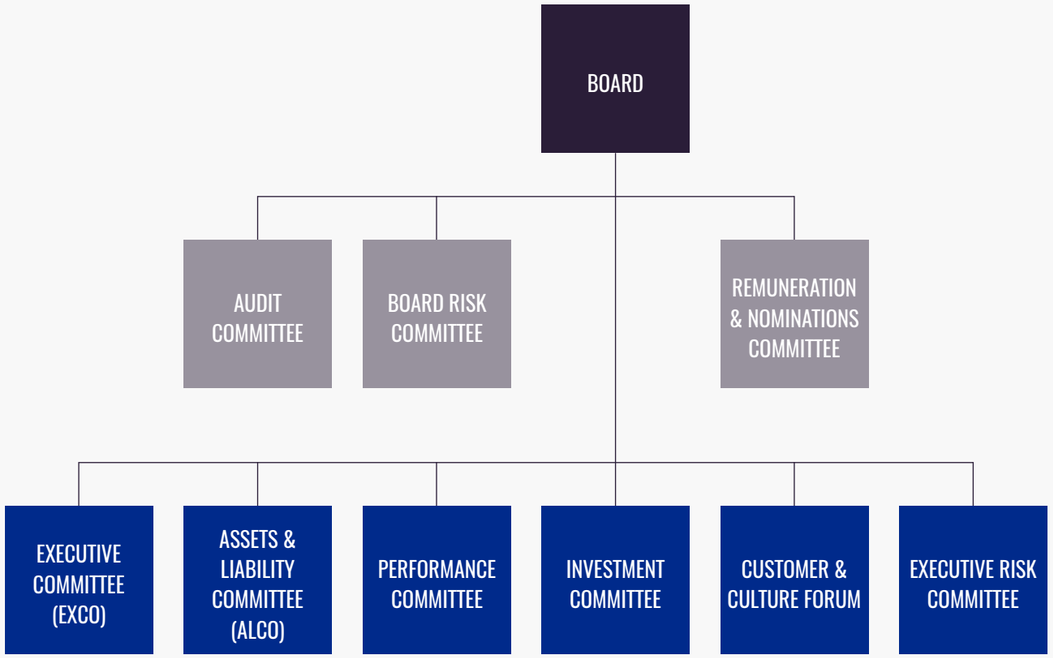
LOUISA SEDGWICK

Louisa is the Managing Director of Mortgages. She began her career in financial services in 1992 and has worked across many aspects of the mortgage industry since then, including branch-based customer service, administration and intermediary distribution. She joined BGFL as Director of Sales, prior to the launch of the business in 2016. Louisa left the business as of March 2021.

COMMITTEE STRUCTURE

The Board recognises that an appropriate governance framework and the implementation of effective management practices are integral to ensuring the proper functioning of BGFL. The governance framework is based on the principles of UK best practice, for example, the Corporate Governance Code, the Walker Report and as expressed by the UK Regulatory Authorities from time to time. The effectiveness of the governance structure is subject to periodic reviews and the structure of the Executive Committees was updated during the period.

BGFL's governance structure consists of the Board of Directors, an Executive Committee with defined roles and responsibilities and other committees with roles and responsibilities delegated by the Board or by the Executive Committee. This structure helps ensure there is effective oversight of the activities undertaken by the business.



BOARD AUDIT COMMITTEE

("BAC")

The BAC is chaired by an INED. Committee membership consists of 4 Non-Executive Directors and in attendance the CRO, CEO, CFO, Director of Finance, External and Internal Auditors. Meetings are held a minimum of 4 times per year, or more frequently if required.

The BAC's primary objectives are to be satisfied with the financial stability of the business, to ensure the robustness of the company's financial control systems and to guarantee the integrity of any published documents and statements relating to financial performance and judgment, including the annual report and accounts.

The BAC also focuses on providing Third Line oversight of BGFL's compliance arrangements and control environment and monitors inspection reports submitted by the Internal Auditors and External Auditors.

THE BAC'S KEY RESPONSIBILITIES ARE:

- Providing independent review and oversight of BGFL's financial reporting processes, internal controls and independent auditors;
- Oversight of BGFL's compliance with legal and regulatory requirements and relevant accounting standards;
- Assisting the Board in overseeing the integrity of BGFL's financial statements, financial reports and other financial information, recommending approval of the Annual Accounts to the Board;
- Advising the Board on whether it is appropriate for Belmont Green to adopt the going concern basis of accounting and whether there are any material uncertainties to BGFL's ability to continue to do so over the next 12 months;
- Approving and reviewing the appointment and removal of the BGFL's Internal Auditor;
- Receiving reports from the Internal Auditor, together with findings and recommendations for improvement on work carried out to ensure the Board is made aware of significant issues; monitoring management's responsiveness to findings and recommendations of the Internal Auditor;
- Reviewing and approving the internal audit plan and ensuring the Internal Auditor has appropriate access to information to enable them to perform the function effectively;
- Review and make recommendations to the Board in relation to the appointment, reappointment and/or removal of External Auditors.
- Review and approve the annual audit plan including and ensure it is consistent with the scope of the audit engagement.
- Review the findings of each audit with the External Auditor including a discussion about any major issues which arose during the audit.
- Agree and monitor BGFL's policy on the supply of non-audit services by the External Auditor.
- Review and monitor the external auditor's independence and objectivity, and the effectiveness of the audit process.

BOARD RISK COMMITTEE

("BRC")

The BRC is chaired by an INED. Committee membership consists of 4 Non-Executive Directors (including the Chair of the Board Audit Committee) and in attendance the CRO, CEO, CFO and Internal Auditor. Meetings are held a minimum of 5 times per year, or more frequently if required.

The BRC's primary objective is to oversee and monitor operational, regulatory and conduct risks across the business.

THE KEY RESPONSIBILITIES ARE:

- Advising the Board on the overall risk appetite and policies for Belmont Green and assisting the Board in providing oversight of the risk management framework, governance structure and Three Lines of Defence model;
- Determining the effectiveness of BGFL's Risk Management Framework ("RMF"), regularly reviewing:
  - The nature and extent of risks facing the company (strategic, credit, financial, prudential, operational, compliance, legal and regulatory, including conduct);
  - The risk profile, understanding future changes and threats, and agreeing on areas of highest priority and mitigation for Belmont Green;
  - Risks which may arise from regulatory, economic, political or climate changes and proactively managing them;
  - The likelihood and impact should the identified risks materialise and the effectiveness of the control environment;
  - BGFL's ability to manage and reduce incidents and mitigate the impact on the business of the risks that do materialise;
  - The interaction with and outputs from the FCA, PRA and External Agencies;
  - The adequacy of internal systems and controls in respect of Anti-Money Laundering and/ Fraud through the review of the annual MLRO report; and
  - The effectiveness of BGFL's systems of internal control, as they relate to operational, financial, credit, regulatory and conduct risk, compliance, and financial crime prevention;
- Review and challenge the risk culture of the organisation, including the way decisions are made, how breaches and incidents are responded to;
- In conjunction with the Remuneration & Nominations Committee, reviewing and inputting into how staff are rewarded, promoted and recognised;
- Reviewing, at least annually, all limits, policies and appetite statements;
- Reviewing the change management processes involving business practices and products to ensure that operational, regulatory and conduct risk, and applicable controls are given sufficient consideration;
- Reviewing the operational resilience of BGFL, including specific focus on information technology risks and the risks associated with BGFL's outsourcing arrangements;
- Reviewing the risk and compliance monitoring plans;
- Monitoring the training and development requirements for BRC members, senior management, audit, operational, regulatory and conduct risk to ensure the requisite skills are available to monitor and control Risk exposure in accordance with the responsibilities of the BRC;
- Monitoring and reviewing the integrity of control reports, management information, committee and Board reporting;
- Reviewing the Company's whistleblowing policy and fraud detection procedures and ensure that arrangements are in place so that colleagues can raise concerns in confidence about matters of possible impropriety regarding financial control and reporting or any other matters;
- Reviewing BGFL's systems and controls for the prevention of bribery and receiving reports in relation to non-compliance;
- Reviewing, challenging and making recommendations for Board approval of BGFL's ICAAP and ILAAP in preparation for the banking application; and reviewing BGFL's compliance with agreed asset and liability policies, limits and exposures.

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. Non-Executive Directors, who are not members, are also invited to attend all meetings. 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 submit these to the Board, as well as ensuring their proper implementation.
- 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 BGFL's benefits and incentive plans.
- Reviewing consistency in remuneration practice across BGFL including ensuring legal requirements in relation to gender pay are adhered to.

NOMINATION

- Identifying, attracting and nominating highly qualified individuals to serve as Directors and Board level positions of Belmont Green.
- Establishing a succession plan for Board members and Executives.
- Promoting diversity in the composition of the Board and ensuring that any gender, or other under-representation is addressed.
- Reviewing the structure, size, composition and performance of the Board at least annually.
- Administering the process of nominating and approving key senior appointments, including administering the process of nominating and approving Directors holding Senior Management Functions.

EXECUTIVE COMMITTEE

("EXCO")

ExCo is chaired by the CEO. Committee membership consists of the CEO, CFO, CRO, Managing Director – Mortgages, Chief of Mortgage Operations, Chief Information Officer, Chief Culture Officer and the General Counsel. Meetings are held weekly, or more frequently if required.

ExCo has delegated authority from the Board to take whatever steps are necessary to oversee and manage the business of Belmont Green on a day-to-day basis. The ExCo will ensure 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.

Exco is responsible for the day-to-day decision making in connection with the operation and management of the Belmont Green business, as well as for the identification and recommendation of matters required to be discussed at the relevant Executive Committees (Executive Risk Committee, Assets & Liabilities Committee, Performance Committee, Investment Committee and the Customer and Culture Forum).

THE EXCO'S MAIN ROLES AND RESPONSIBILITIES INCLUDE:

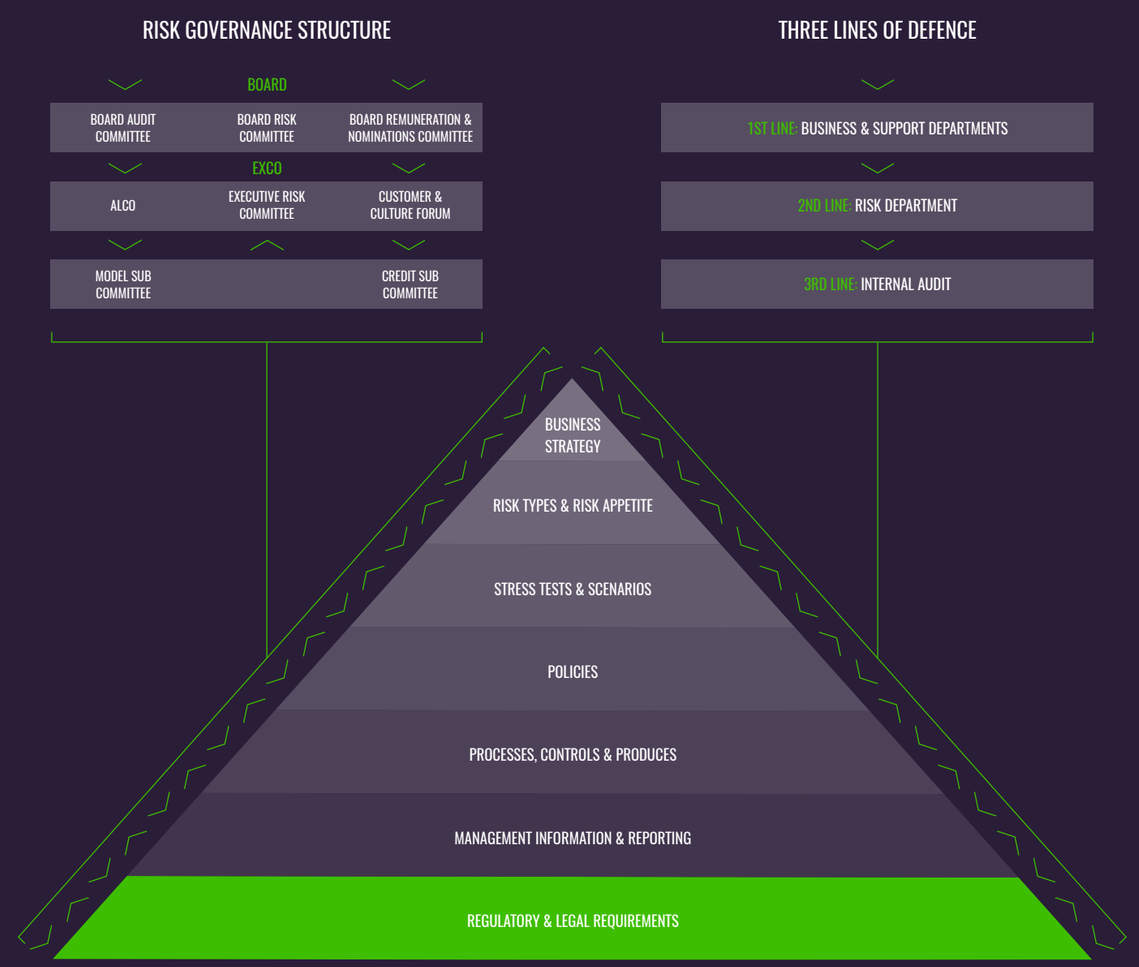
- The day-to-day decision making to ensure the efficient and effective operation of Belmont Green taking into account credit, market, financial, operational, legal, regulatory and conduct risks.
- Implementation of the business strategy as approved by the Belmont Green Board, ensuring that BGFL is being managed in accordance with the agreed strategy in a sound, prudent and ethical manner, including full consideration of potential outcomes for Belmont Green customers.
- Developing budgets and, following their approval, ensuring the achievement of budgets and financial plans.
- Approving new roles and determining the prioritisation and allocation of resources.
- Oversight and approval of HR initiatives and activities, particularly as they relate to defining and embedding the mission, culture and values of Belmont Green.
- Approval of policies and initiatives which fall outside of the remit of the Executive Committees.
- Identification of matters to be discussed or approved at the Executive Committees or the Board or Board Committees.
- Monitoring the effectiveness of the Executive Committees.
- Consideration of matters arising from internal and external audit reports and interactions with BGFL's Regulator.

RISK MANAGEMENT

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

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

RISK MANAGEMENT FRAMEWORK



RISK MANAGEMENT FRAMEWORK

BGFL's Risk Management Framework can be visualised as a pyramid with a top-down approach being taken to the identification and management of risks to which Belmont Green is, or may potentially be, exposed. 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 BGFL's Vision and risk appetite, together with approval of a business plan (including financial forecasts) which is consistent with that Vision and risk appetite. The business plan takes into account a wide range of exogenous factors such as macroeconomics, market conditions and competition, internal operational constraints/ efficiencies and outsourcing.

It is then the responsibility of the Executive Committee to execute against that business plan in line with the Vision, risk appetite, and BGFL's Values. 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 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. This is achieved through an extensive programme of regular training for the Board and all employees, led by the HR Department, working closely with the Risk and Compliance Function.

The starting point for Belmont Green's top-down Risk Management Framework is its Board approved Vision:

TO BECOME THE UK'S MOST TRUSTED MORTGAGE BANK

The execution of this vision and achievement of the financial targets whilst remaining within approved risk appetite is the responsibility of ExCo, with enterprise-wide management of the resulting risks being controlled by BGFL's Risk Management Framework. Belmont Green achieves its Vision by:

- Providing products to customers which meet their specific needs and provide competition in the marketplace using an efficient operating model, enabling Belmont Green to grow and generate a fair and sustainable profit;
- Having sufficient capital and liquidity at all times, supported by a sound control environment; and
- Ensuring that Belmont Green activities and culture are consistent with the fundamental requirements of a positive customer experience in a manner that is compliant with regulations and the law.

"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"

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.

FIRST LINE OF DEFENCE – BUSINESS AND SUPPORT FUNCTIONS

The First Line of Defence comprises Belmont Green 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 policies, processes, controls and procedures for managing risks in accordance with the Risk Management Framework and Belmont Green approved risk appetite.
To assist operational management in these tasks Belmont Green has developed RACI (Responsible, Accountable, Consulted and Informed) charts to clarify and define roles across Belmont Green, identifying the accountable individual who is ultimately answerable for the activity or decision, and the individual(s) who are accountable for completing the task.

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 Second Line of Defence is provided by the Risk 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 and reporting Belmont Green exposures against approved risk appetite via the KRIs for each Risk Type;
- Working with the First Line of Defence to identify, assess, manage and control all of BGFL's risks;
- Reporting risk exposures to the Executive Risk Committee and Board Risk Committee;
- Providing risk management advice and support to all departments within Belmont Green, particularly to the owners of Belmont Green 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.

The Risk Function is headed by the CRO, who is a member of the Board and ExCo, attends Board Risk Committee and Board Audit Committee, chairs the Executive Risk Committee, Model Governance Committee and Credit Committee, and is a member of ALCo and the Customer & Culture Forum. The CRO is approved by the FCA (SMF3 – Executive Director; SMF16 – Compliance Oversight; and SMF17 – Money Laundering Reporting Officer).

THIRD LINE OF DEFENCE – INTERNAL AUDIT

Belmont Green Third Line of Defence is its Internal Audit Function, outsourced to PwC, which provides the Board with independent assurance regarding the suitability, operation and effectiveness of Belmont Green Risk Management Framework, its Risk Governance Structure and the First and Second Lines of the Three Lines of Defence model. The Internal Auditor attends of Board Audit Committee meetings and reports directly to the Committee's chairman. Internal Audit's annual audit plan is approved by the Committee and completed audit work is reported to the Committee.

PRINCIPAL RISKS

Based on the Risk Management Framework and Vision set out above, Belmont Green identified the types of risk ("Risk Types") to which it is exposed. Belmont Green definition of each Risk Type together with its risk appetite, as approved by the Board, is set out below. A key driver for the Board when setting risk appetite is alignment with Belmont Green strategic objectives. Risk appetite was reviewed and reconfirmed by the Board in January 2020 and was reviewed and updated in January 2021.

PRINCIPAL RISK	DEFINITION	HOW WE MITIGATE THE RISK
Business Risk	The risk that BGFL does not achieve its strategic objectives or business plan, including financial forecasts.	• The responsibility of the Executive Committee on behalf of the Board is to execute the business plan according to strategic objectives and within approved risk appetite. The extent, if any, to which the Executive Committee fails in this responsibility is tracked using appropriate KRIs and reported to the Board Risk Committee for discussion. For example, this may be due to other risks types, e.g., credit or operational losses, or exogenous risks such as macroeconomics or market changes. • During 2020, COVID-19 caused the securitisation markets to close. Belmont Green business model is based on using warehouse funding and periodic securitisations to fund mortgage lending. As a result, the business ceased new lending until a new securitisation was possible in July. • As at 31 December 2020, Belmont Green remained within its risk appetite, despite the ongoing COVID-19 pandemic and the resulting heightened credit risk.
Conduct Risk	The risk of customer harm or poor outcomes through unsuitable products, poor service or process failures.	• Belmont Green has no appetite for offering products or services to its customers which are unsuited to their needs, or which may cause the customer harm. The business has 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. Belmont Green seeks to minimise these risks (as far as possible) and where instances of potential or actual harm are identified it will provide appropriate remediation. Whilst BGFL recognises 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. • As at 31 December 2020, Belmont Green was within its risk appetite, having significantly strengthened its conduct risk framework during 2020, putting the customer at the centre of everything we do.
Capital Risk	The risk that the business has insufficient capital to cover stressed conditions, regulatory requirements or growth plans.	• Belmont Green has no appetite for breaching internal limits or regulatory capital requirements. • As at 31 December 2020 and throughout 2020, Belmont Green was well within its capital risk appetite, with levels significantly exceeding regulatory capital requirements.

PRINCIPAL RISK	DEFINITION	HOW WE MITIGATE THE RISK
Liquidity Risk	The risk that the business is not able to meet its obligations as they fall due, or can only do so at excessive cost.	• Belmont Green has no appetite for not meeting its obligations as they fall due including under a severe but plausible stress lasting three months. It is accepted that BGFL will be reliant on future planned equity injections after 30 days. • Throughout 2020, Belmont Green took action to ensure it maintained sufficient cash to meet its obligations as they fell due. • As at 31 December 2020, Belmont Green was within its liquidity risk appetite, with liquidity levels exceeding requirements.
Funding Risk	The risk arising from the business not having access to stable funding markets and a range of funding sources.	• Belmont Green has no appetite for committed funding requirements which are not covered by committed funding capacity, or for funding requirements due to optional debt calls that are not covered by total funding capacity. It is accepted that BGFL will be reliant on future planned equity injections after 30 days. Funding coverage will be maintained over the next 12 months without reliance on any new funding that is unlikely to be achievable. • During 2020, COVID-19 caused the closure of the securitisation markets, which Belmont Green relies upon to fund its mortgage lending. In response, the Contingency Funding Plan was invoked and lending was slowed and then ceased entirely. Following the successful issuance of Tower Bridge Funding 2020-1 in July 2020, the business re-opened to new lending and the Tower Bridge Funding No 1 securitisation was successfully called in December 2020. • The short-term funding appetite was met throughout the year, although the risk was outside appetite over longer time horizons while the markets were closed and while there was material uncertainty over future planned funding capacity. • In December 2020, the Board approved a change in the funding policy. Under a new Committed Funding Coverage Ratio, committed warehouse funding capacity is maintained that covers 120% of mortgage pipeline; this is complemented by a Total Funding Coverage Ratio, under which committed and uncommitted warehouse funding capacity is maintained that covers 120% of mortgage pipeline plus any securitisation calls. • As at 31 December 2020, Belmont Green was within its risk appetite, with funding capacity at 171% of current requirements.

PRINCIPAL RISK	DEFINITION	HOW WE MITIGATE THE RISK
Credit Risk	The risk of loss arising from default on mortgage lending, or from the default of a wholesale money market counterparty.	• Belmont Green has appetite for credit risk arising from its mortgage lending, but it must be adequately compensated for taking this credit risk, i.e., on a risk-adjusted basis and through the economic cycle. Therefore, BGFL has developed a series of severe but plausible stress tests and scenarios to assess its through-the-cycle mortgage lending credit losses and resulting impact on its capital, liquidity and profitability. Belmont Green mortgage lending credit risk appetite is then set using KRIs based on the results of these stress tests and scenarios. • Belmont Green has very limited appetite for wholesale credit risk. Surplus funds must be invested in UK government securities or deposited with banks rated at least P-1/A-1 by at least one of S&P, Moody's or Fitch. • During 2020, COVID-19 has caused a significant rise in unemployment and a decrease in income as businesses failed and workers were furloughed across the country. Much of the immediate credit impact was mitigated through support measures, including the mortgage payment deferral scheme and furlough. Nonetheless, Belmont Green experienced a limited increase in arrears and expects this to continue through 2021 as the support measures are withdrawn. To help support our customers we implemented new credit management processes, enhancing the contact process both for customers experiencing difficulty paying and those coming off payment deferrals. After Belmont Green re-opened for new business in September, we put in place additional checks to assess how applicants had been impacted by COVID-19 and support schemes to help our customers and control credit risk. • As at 31 December 2020, Belmont Green was still within its credit risk appetite, despite the risk of house price falls and unemployment increases in 2021 as a result of the COVID-19 pandemic.

PRINCIPAL RISK	DEFINITION	HOW WE MITIGATE THE RISK
Market Risk	The financial impact from movements in market prices or interest rates on the value of assets and liabilities.	• Given the nature of its strategic objectives and business model, the only market risk to which Belmont Green is exposed is interest rate risk. The business only has appetite for residual exposures after vanilla hedges with derivative counterparties rated BBB or higher by at least one of S&P, Moody's or Fitch. • During 2020, the measurement of interest rate risk was enhanced with the introduction of a bank-standard ALM system, which has allowed for more sophisticated reporting of residual exposures. This has shown some exposures to be outside the agreed Board limits, although overall risk remains small and this is being addressed. • As at 31 December 2020, Belmont Green was within its risk appetite, subject to a minor adjustment approved by the Board in January 2021 to account for increased interest rate gaps as a result of the switch from balanced guaranteed swaps to vanilla swaps.
Credit Concentration Risk	The increased risk of loss because of the size of a single exposure or correlated exposures.	• Belmont Green has very limited appetite for individual name concentration risk. Its business model means that inherently it already has very low levels of concentration risk, because it does not offer commercial mortgages. • This low level of inherent concentration risk is further restricted by capping the sizes of individual mortgages, portfolio lending and geographical concentrations. Belmont Green has an inherent level of sector concentration risk because its lending is focussed on UK specialist residential and buy-to-let mortgage lending and its funding is currently solely sources from wholesale markets. This inherent risk is accepted as a strategic choice for the business. Concentration to specific lines of business is managed through caps on specific product types and geographies. • During 2020, there was no significant change in credit concentration risk which remained within risk appetite throughout the year.

PRINCIPAL RISK	DEFINITION	HOW WE MITIGATE THE RISK
Operational Risk	The risk of loss resulting from inadequacy or a failure in internal processes, people and systems, or from external events. The business has identified a number of specific risks to which it is exposed given the nature of its business and which are broadly aligned to the Basel II operational risk categories: • Failure by a material outsourced third-party partner to deliver as contracted, or failure to meet expected belmont green standards; • Business disruption and system failures; • Poor quality of management information (system and reporting); • Failure to maintain appropriate, or breach of, internal policies and procedures; • Failure to manage conflicts of interest; • Inadequate staffing levels or key person dependency; • Failure to appropriately monitor the activities of material third-party service partners leading to poor outcomes for customers; • It and data security breach – loss/misuse of client, employee or commercial information; • Cyber security threat; • Fraud – internal or external; and • Failure to deliver appropriate hr processes to ensure employee welfare.	• Belmont Green has no appetite for systemic operational losses. Whilst it has very limited appetite for one-off operational losses, Belmont Green recognises that they are an inherent risk of operating its business, but their likelihood and impact must be minimised through policies, controls, processes, procedures (including reporting/escalation/prompt action) and their impact mitigated, where appropriate, through insurance arrangements. • Belmont Green has robust systems and controls in place to manage operational risks, including periodic testing of key controls and completion of risk and control assessments for all areas of the business. • During 2020, COVID-19 created a number of operational risk challenges, in particular staff wellbeing, service availability, information security and performance of outsourcers. The business has performed well, transitioning to fully remote working in March, with enhanced monitoring throughout the period and no material risk issues arising. This was testimony to the strength of the systems and processes now in place. • The systems and controls of Belmont Green and its outsourced partners have ensured that operational resilience has remained strong throughout the pandemic, and this remains a key area of focus. • As at 31 December 2020, Belmont Green was within its risk appetite, with no systemic operational losses and the value of one-off operational losses well below trigger levels.

PRINCIPAL RISK	DEFINITION	HOW WE MITIGATE THE RISK
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 BGFL's business model.	• Belmont Green has no appetite for breaking any law, including tax law. • Belmont Green has no appetite for losses from regulatory breaches or financial crime or for systemic or material regulatory breaches. The business accepts that infrequent minor regulatory breaches and risk events may occur. These must be rectified without delay, ensuring no detriment for customers and policies/systems/controls/processes/procedures reviewed, and improvements made to avoid any repetition. • In response to COVID-19, the FCA introduced new rules on mortgage payment deferrals at unprecedented speed. Our mortgages do not include contractual payment deferrals, so the implementation of these regulations caused particular challenges. Nonetheless we remained compliant throughout, with low levels of complaints and our simple and straightforward process for mortgage payment deferral applications enabled our borrowers to get the payment holiday relief that they required. • Industry-wide and firm-specific reviews in relation to arrears, collections and forbearance practices remain a key regulatory focus, both as a result of COVID-19 and previously published thematic priorities e.g., vulnerable customers. Belmont Green policies and procedures in these areas are designed to comply with these requirements, regularly updated and allow flexibility where appropriate. These policies ensure that customers individual needs and circumstances remain at the centre of what we do and are treated fairly, including those which are vulnerable or experiencing financial difficulty. • In June 2020 the FCA formally approved our remediation plan for legacy mortgages to certain later life customers and lending into retirement customers whose post retirement income had either not been assessed sufficiently or documented sufficiently. Mortgages are no longer provided to these borrower groups. A provision of £1.5 million was included in the 2019 accounts.

PRINCIPAL RISK	DEFINITION	HOW WE MITIGATE THE RISK
Legal and Regulatory Risk (continued)	The risk of losses or reputational damage arising from legal, regulatory or financial crime compliance failures, or that regulatory and legislative changes significantly impact BGFL's business model.	• In October 2020, the FCA delivered the results of a legacy affordability review which they had conducted on 18 mortgages originated in 2017/18. They acknowledged that Belmont Green has undergone significant improvements since then, but asked that we: - Review those 18 loans and remediate where required; - Review and update, where required, our systems and controls to ensure these affordability failings could not happen again; - Carry out a broader review of legacy mortgages and remediate, where required. - The first two actions have been completed, whilst the third is on track for completion in Q4 2021 with a provision of £350k included in the financial statements at 31 December 2020. - There have been no other material changes in legal or regulatory risk during the year. - As at 31 December 2020, Belmont Green was within its risk appetite.

DIRECTORS' REPORT

The directors of BGFL present their annual report, together with the consolidated audited financial statements and Auditor's Report, for the year ended 31 December 2020. 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 BGFL.

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. BGFL 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 BGFL 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.

SECTION 172 STATEMENT

As required under section 172 of the Companies Act 2006, the directors of BGFL work in the way which they consider, in good faith, will be most likely to promote the success of the company for the benefit of its members as a whole.

The directors have regard, amongst other matters, to:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

The Mission, Vision and Values of Belmont Green guide how the directors apply the requirements of section 172 in their decision making. BGFL's Mission is 'to help everyone find a safe place to call home'. Decisions made by Directors are made to support this Mission, always with customers at the forefront of considerations. In particular:

- Consideration of the impact of decisions on employees and other stakeholders is central to the way the business is run. In the past year, we have run several employee surveys along with our annual engagement survey, each with participation rates exceeding 90%. Employee representatives make up the 'Culture Champions' forum which is chaired by Belmont Green Chief Culture Officer. The forum hears feedback from across the business and works to embed the cultural values.

  High standards of conduct are critical in directors' decision making at Belmont Green. A Customer and Culture Forum was established during 2020, chaired by the Chief Executive Officer, to discuss conduct considerations and ensure compliance with both the letter and spirit of regulation.

- The directors consider BGFL's key stakeholders to be its customers, colleagues, third parties including intermediary partners and key outsourced suppliers, its investors, its shareholders and its regulator, the Financial Conduct Authority. The Board recognises that some decisions will not necessarily result in a positive outcome for all BGFL's stakeholders. However, engaging BGFL's stakeholders to understand the impact of decisions on the different stakeholders is an important consideration for the Board when making decisions.

STAKEHOLDER ENGAGEMENT

Engagement with stakeholders takes place primarily in the following ways:

CUSTOMERS

Belmont Green customers are at the centre of its business. BGFL's mission is to 'help everyone find a safe place to call home'. As such Belmont Green offers products which help customers with complex borrowing needs to access borrowing at a price they can afford. Belmont Green offers support to customers through both the Right to Buy Scheme and the Help to Buy Scheme.

Service provision and feedback from both customers and intermediaries, is reviewed monthly via BGFL's Customer and Culture Forum to monitor the service provided to customers and ensure any issues are identified and resolved quickly.

Belmont Green Sales & Marketing team maintains frequent contact with intermediaries, including via quarterly surveys, which provide insight into the needs of BGFL's customers as well as the intermediaries themselves.

COLLEAGUES

The Board receives monthly updates from senior management on various measures relating to colleagues. Regular internal surveys give the Board and management vital feedback on colleague engagement and this year Belmont Green subscribed to an independent employee opinion survey which will be repeated at least annually in order to ensure colleagues are engaged and needs are identified and acted upon.

THIRD PARTIES

The third parties with whom Belmont Green works form an integral part of its business model. Belmont Green considers its key third party partners to be its intermediary customers, its suppliers and its investors.

- **Intermediaries:** All of Belmont Green mortgages are originated via brokers and BGFL considers its intermediary partners to be its customers, alongside its end customers. Performance and feedback is reviewed monthly via the Broker Governance Committee and the Sales and Marketing team maintain a constant 2-way dialogue with brokers. The Board receives monthly updates relating to new business operations which include key metrics relating to customer service and any complaints from both intermediaries and end customers.
- **Suppliers:** Belmont Green has identified its 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.
- **Investors:** Belmont Green is transparent in all dealings with its investors with a programme of regular investor engagements.

SHAREHOLDERS

As BGFL's majority shareholder, with 99.4% of preferred and A shares held at 31 December 2020, the Board has a strong relationship with Pine Brook. As part of being represented on the Board, Pine Brook receives regular updates on performance and strategy.

The Directors are aware of their obligation under section 172 the Companies Act 2006 to act fairly as between members of the company. Of the 10 Board Directors, 2 are non-executive directors of Pine Brook. All other non-executive directors, including the Chairman, are independent. This balance helps to ensure that BGFL'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 so that decisions are made in the best interests of all stakeholders, including customers and colleagues.

"Belmont Green is committed to supporting the communities it serves and in 2020 established a three-year partnership with Crisis."

REGULATOR

Belmont Green has maintained regular contact with the FCA, its regulator, in particular with regard to the small tranche of loans that had extended beyond the borrower's retirement age. The Board has received regular updates of the interaction with the FCA over this issue.

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. 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.

WE HAVE COMMITTED TO CONTRIBUTING A MINIMUM OF

£150,000

TO CRISIS OVER THE NEXT 3 YEARS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Belmont Green is committed to moving to a permanent Environmental, Social and Governance ('ESG') framework and the Board's recent decision making and strategy setting of the organisation has been undertaken with this in mind:

- **Environmental:** COVID-19 crisis has catapulted us into new ways of working, however, this has had a positive impact on Belmont Green environmental impact. Agile working has provided Belmont Green with an opportunity to reduce its environmental footprint on a permanent basis. The Chief Culture Officer is leading an initiative in collaboration with the Board and colleagues across the business to develop a permanent solution to agile working as an organisation.

Under the new 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 2020 and covers Belmont Green and its subsidiaries. Calculations have been made for the reporting of:

- Electricity use within buildings (scope 2)
- Fuel use for transport for business travel (scope 1)
- Energy consumed by properties subject to our mortgages (scope 3)

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 latest Energy Performance Certificate. Note that this information is only available for 80% of 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.

Own energy use and associated GHG emissions fell substantially in 2020, as the COVID-19 pandemic required our staff to move to working from home. However, 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.

Energy performance results

Energy use by source	Units	2020	2019[3]
Electricity	MWh	129	134
Transportation	MWh	204	945
Total		**333**	**1,079**

GHG emission results

Emission by category	Units	2020	2019
Scope 1 - Combustion of fuel for transport	T $CO_{2\,eq}$	13	65
Scope 2 - Purchased electricity	T $CO_{2\,eq}$	30	34
Scope 3 - Transport (staff commuting)	T $CO_{2\,eq}$	38	178
Scope 3 - Mortgage properties	T $CO_{2\,eq}$	40,000	n/a
Total		**40,082**	**278**

Intensity Ratio

Emissions per employee (scope 1 & 2)	T $CO_{2\,eq}$	0.2	0.5
Emissions per employee (scope 1, 2 & 3)	T $CO_{2\,eq}$	221.4	n/a

[3] Comparative figures have been provided voluntarily for 2019 where these are available

Social: In addition to the Community work with Crisis, in recognition of the challenges that 2020 has placed on the wellbeing of individuals, Belmont Green has increased support to staff during this time. People managers have received additional training from an external provider in supporting staff mental health and wellness during these uncertain times. The company has also launched 'Wellness Wednesday' which dedicates one day per week focussing on improving staff wellbeing. 2020, Belmont Green completed the Best Companies Survey (workplace engagement specialists in the UK known for their published list each year in The Sunday Times) to measure engagement with employees. An action plan has been developed to ensure progress against areas identified for improvement, with key metrics reported to the Board on a monthly basis.

Belmont Green is committed to promoting equal opportunities for all across the organisation. Overall, the gender balance is 50:50 and within the leadership population (Heads of Departments up to and including Exco), the balance is 54% male and 46% female.

Governance: As noted earlier, Belmont Green's Risk Management Framework takes a top-down approach to risk identification and management within BGFL's Risk Governance Structure using a Three Lines of Defence model. The model ensures clear separation of risk management responsibilities providing complete coverage of all the risks to which Belmont Green is, or potentially could be exposed. The Board of Belmont Green consists of 10 Directors, including an independent Chairman and 4 other independent non-executive directors. All Board Committees are chaired by independent non-executive directors. The full Board meets 10 times per year, Board Risk Committee and Board Audit Committee a minimum of 5 time per year each and the Remuneration and Nominations Committee meets a minimum of twice a year but in 2020 met 4 times. This ensures a high standard of governance and reporting is consistently adhered to.

The framework within which the Board operates and makes its decisions is set out under "Belmont Green Board" and "Board Culture" in the Corporate Governance section on pages 40 to 43.

"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"

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 (appointed 22 May 2020)
Carol Sergeant
Dana LaForge (appointed 23 September 2020)
David Basra (resigned 31 July 2020)
David Tweedy (resigned 31 January 2020)
Dr Peter Williams
Ethan Wang
John Rowan (appointed 18 November 2020)
Oliver Goldstein (resigned 23 September 2020)
Robin Churchouse
Stephen Roughton-Smith
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 Finance Limited 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

22 April 2021
Company registration: 09837692

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 of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- 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 26; and
- the related parent company notes 27 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union.

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law.

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

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

3. SUMMARY OF OUR AUDIT APPROACH

KEY AUDIT MATTERS	**The key audit matters that we identified in the current year were:** • Expected Credit Losses on Loans to Customers; • Valuation of Derivatives and Related Hedge Accounting; and • Going Concern. **Within this report, key audit matters are identified as follows:** ! Newly identified Increased level of risk Similar level of risk Decreased level of risk
MATERIALITY	The materiality that we used for the group financial statements was £1.18m 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 a key audit matter in relation to the expected lives used to determine payment profiles of the mortgages. The expected lives calculation was refreshed by management at the 2019 year end, and therefore the level of judgement and estimation uncertainty in the current year was considered to be less than in the prior year.

4. CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.3.

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 2020 were £7.4m (2019: £4.1m) against total loans to customers of £1,641m (2019: £1,604m). The Income Statement charge for the year was £3.4m (2019: £2.4m).

The group applies four macroeconomic scenarios when determining the ECL calculation: a base case, an upside, a downside and a stress 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 £2.0m have been made to the ECL, to reflect additional exposures not captured by the core ECL models, including the impacts of Covid-19.

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

- the selection and probability weighting of relevant macroeconomic scenarios and assumptions. There exists a risk of management bias in selecting the weightings and assumptions applied in the IFRS model. As the provision is highly sensitive to the expectation of future house prices and unemployment, which are inherently uncertain at the year-end, there is a risk of management bias in selecting the probability weightings of macroeconomic assumptions; and
- the completeness and accuracy of post model adjustments to address risks that may not be reflected in the IFRS 9 models. Management has recognised post model adjustments that increase the provision in order to mitigate: the uncertainty relating to customers that have taken mortgage payment deferrals; the uncertainty relating to the London buy-to-let market; as well as the impact of recent and forecast economic uncertainty on the model outputs.

We also considered the potential for fraud through possible manipulation of this balance.

The group's expected credit loss provision balances are detailed within note 13 to the financial statements. Management's associated accounting policies are detailed in note 1(l), with detail about judgements in applying accounting policies and critical accounting estimates in note 3, including management's consideration of the effect of the future economic environment.

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 Covid-19 and 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 have transacted balance guarantee swaps ("BGSs") in order to economically hedge the fixed interest rate position arising from the mortgage portfolio. There are 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 2020, the net fair value of derivative liabilities equated to £28.6m (2019: £10.9m), and hedge adjustments totalled £26.6m (£11.0m). 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 in note 1(m).

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 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, we identified that the valuation of derivatives was within a reasonable threshold, and the that hedge accounting adjustments were complete and accurate.

5.3 GOING CONCERN

KEY AUDIT MATTER DESCRIPTION	The group is funded through equity from Pine Brook, warehouse facilities and securitisations. The group requires continued equity support from Pine Brook to fund its operating losses. The warehouse facilities include covenants relating to levels of loans in arrears, whilst in the securitisation SPVs an event of default can occur if certain loan notes are not serviced. There is a likelihood of increased arrears levels once the UK government ceases the furlough scheme which increases the risk of default events occurring in the securitisation SPVs and/or the risk that loans need to be repurchased from the warehouses using equity funding. Management have produced base case and downside forecasts to model the potential impact of this risk. The requirement for equity funding is dependent on Pine Brook having the intent and ability to continue to provide that funding, which inherently impacts the ability of the entity to continue as a going concern. The financial statements have been prepared on a going concern basis, and management have disclosed their assessment of the ability of the business to continue as a going concern within the Directors' Report and in note 2(b).
HOW THE SCOPE OF OUR AUDIT RESPONDED TO THE KEY AUDIT MATTER	We obtained management's base case and downside forecasts and assessed the impact of arrears levels in on the securitisation vehicles and warehouse entities. We assessed the ability to obtain further funding through the warehouse facilities. We assessed the intent and ability of Pine Brook to continue to provide the capital required under management's forecasts, taking into account documentary evidence and enquiries of both management and Pine Brook. We assessed the appropriateness of the going concern disclosures within the financial statements.
KEY OBSERVATIONS	Based on our procedures performed and the information present at the date of this report, we conclude that the preparation of the financial statements on a going concern basis and the related disclosures are appropriate.

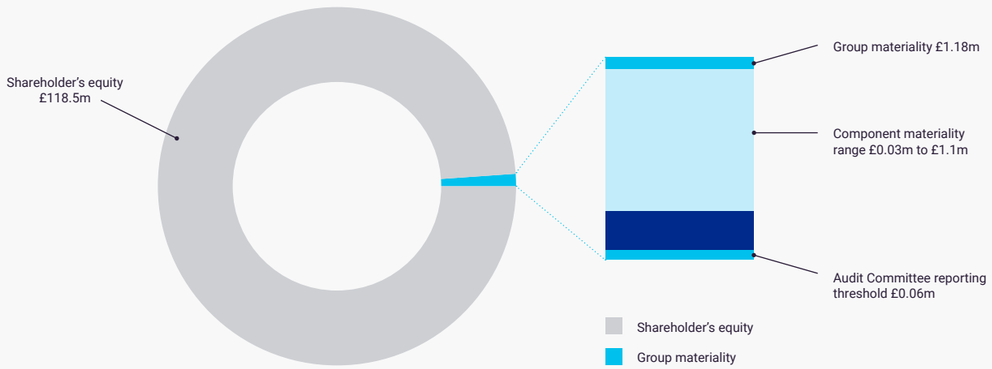
6. OUR APPLICATION OF MATERIALITY

6.1 MATERIALITY

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

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

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
MATERIALITY	£1.18m (2019: £1.0m)	£1.16m (2019: £0.99m)
BASIS FOR DETERMINING MATERIALITY	1% of shareholder's equity (2019: 1% of shareholder's equity)	1% of shareholder's equity (2019: 1% of shareholder's equity)
RATIONALE FOR THE BENCHMARK APPLIED	The shareholder's 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 shareholder's 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% (2019: 70%) of group materiality	70% (2019: 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. the impact of Covid-19 on the control environment; 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 (2019: £0.05m), 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 IDENTIFICATION AND SCOPING OF COMPONENTS

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 company and material subsidiaries. This provided 100% coverage of revenue, profit before tax and net assets of the Group, executed at levels of materiality applicable to each individual entity which were lower than Group materiality and in the range of £0.3m to £1.1m (2019: £0.6m to £0.99m).

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.

8. OTHER INFORMATION

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

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

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

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

We have nothing to report in this regard.

9. RESPONSIBILITIES OF DIRECTORS

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

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

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

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

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

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

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

11.1 IDENTIFYING AND ASSESSING POTENTIAL RISKS RELATED TO IRREGULARITIES

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

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, 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, financial instruments, IT, credit risk and conduct risk 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 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 and tax legislation.

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

11.2 AUDIT RESPONSE TO RISKS IDENTIFIED

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

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;
- determining how sensitive management's forecasts are to reasonable changes in key assumptions and assessing the related impact on the deferred tax asset;
- assessing management's ability to forecast by comparing historical forecasts to actual results;
- recalculating management's manual effective interest rate adjustments for a sample of customers, agreeing the key inputs to the calculation through to supporting audit evidence, and comparing to management's values; 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 the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

13.1 ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

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

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

We have nothing to report in respect of these matters.

13.2 DIRECTORS' REMUNERATION

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

We have nothing to report in respect of this matter.

14. OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

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 year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the years ending 31 December 2017 to 31 December 2020.

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
22 April 2021

FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Interest income and similar income	4	61,142	46,821
Interest expense and similar charges	5	(37,205)	(44,306)
Net interest income		**23,937**	**2,515**
Other operating income	6	779	-
Portfolio fair value adjustments	7	(50)	(3,900)
Total income		**24,666**	**(1,385)**
Administrative expenses	8	(28,043)	(31,284)
Operating loss		**(3,377)**	**(32,669)**
Provisions	20	(350)	(254)
Impairment losses	13	(3,371)	(2,402)
Loss before taxation		**(7,098)**	**(35,325)**
Loss before taxation and exceptional item		(6,161)	(33,948)
Exceptional item	8	(937)	(1,377)
Tax credit for the period	9	762	4,241
Loss after taxation		**(6,336)**	**(31,084)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(6,336)**	**(31,084)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2020

Assets	Notes	2020 £'000	2019 £'000
Cash and cash equivalents		114,652	104,505
Loans to customers	12, 13	1,635,572	1,599,800
Derivative financial instruments	10	-	473
Financial assets held at fair value	11	26,652	7,344
Other receivables	14	9,157	10,979
Deferred taxation	15	11,007	10,245
Property, plant and equipment	16	3,795	5,334
Intangible assets	17	1,117	317
Total assets		**1,801,952**	**1,738,997**
Liabilities			
Deposits from banks		14,190	14,190
Debt securities in issue	18	1,629,216	1,603,961
Derivative financial instruments	10	28,655	10,892
Other liabilities	19	10,101	12,023
Provisions	20	604	254
Corporation tax		6	11
Total liabilities		**1,682,772**	**1,641,331**
Shareholders' Equity			
Share capital	21	196,162	168,312
Retained losses		(76,982)	(70,646)
Total shareholders' equity		**119,180**	**97,666**
Total liabilities and equity		**1,801,952**	**1,738,997**

The notes on pages 103 to 144 form part of these financial statements.

The financial statements were approved by the Board of Directors on 22 April 2021 and signed on behalf of the Board.

Anthony Mooney

Company registration: 09837692

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Called up share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2020		168,312	(70,646)	97,666
Share issuance	21	27,850	-	27,850
Loss for the year		-	(6,336)	(6,337)
At 31 December 2020		**196,162**	**(76,982)**	**119,180**
At 1 January 2019		**129,642**	**(39,562)**	**90,080**
Share issuance	21	38,670	-	38,670
Loss for the year		-	(31,084)	(31,084)
At 31 December 2019		**168,312**	**(70,646)**	**97,666**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Net cash in operating activities	24	**(40,651)**	**(431,634)**
Purchase of property, plant and equipment	16	(119)	(672)
Expenditure on software development	17	(994)	(311)
Net cash utilised in investing activities		**(1,113)**	**(983)**
Proceeds from loan note issuance		152,691	417,880
Proceeds from shares issued	21	27,850	38,670
Repayment of loan notes		(127,436)	-
Repayment of lease liabilities		(1,194)	(586)
Net cash generated by financing activities		**51,911**	**455,964**
Net increase in cash and cash equivalents		**10,147**	**23,347**
Cash and cash equivalents at the beginning of the year		104,505	81,158
Cash and cash equivalents at the end of the year		**114,652**	**104,505**

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 Company, its subsidiaries and other structured entities which are controlled by the Company (jointly referred to as the Group) and the nature of their operations are set out in the Strategic Report on pages 18 to 39.

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.

For the year ended 31 December 2020 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies:

Company	Company registration
Belmont Green Midco Limited	09837594
Belmont Green Funding 2 Limited	10272644
Belmont Green Funding 1 Holdings Limited	10272535
Belmont Green Funding 3 Holdings Limited	10272604
Belmont Green Funding 4 Holdings Limited	11066453
Tower Bridge Funding No.1 PLC	10801292
Tower Bridge Funding No.1 Holdings Limited	10801300
Tower Bridge Funding No.2 Holdings Limited	11208422
Tower Bridge Funding No.3 Holdings Limited	11483652
Tower Bridge Funding No.4 Holdings Limited	11839695
Tower Bridge Funding 2020-1 Holdings Limited	12447659

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) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historic cost basis except for certain financial instruments which is detailed in note (k) below.

(B) GOING CONCERN

The financial statements have been prepared on a going concern basis, the directors having made an assessment that this is appropriate. This assessment has been based upon a thorough review of a wide range of information relating to present and future, internal and external conditions and, in particular, the potential impact of the economic and COVID-19 environment upon the Group and its operations, markets, liquidity, capital and profitability. More specifically, but not exhaustively, the directors have considered the matters set out below.

- The Group's funding and liquidity resources covering the 12 months from the approval of these financial statements. These have been considered in the light of conditions within wholesale funding markets. Belmont Green successfully transacted a securitisation in July 2020 and again in March 2021. It has three committed warehouse facilities in place that are either not due for renewal within the next 12 months or where management is confident that the facilities will be renewed before expiry. A fourth uncommitted facility is due for renewal in late 2021. 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 and payment deferrals on the cashflows within the structures, on the funding position within those structures and the impact upon the operating cash position of the Group. Payment deferrals reduced significantly from their peak in the second quarter of 2020 and by March 2021 were less than 2% of the loan book. 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, both on a core basis and in a downside scenario. The latter scenario considered lower forecast lending volumes. The Group is forecast to move into profitability during 2021, although this would be delayed in the downside scenario. The cost base of the Group remains under tight management.
- The profitability forecasts include projected charges for expected credit losses that result from a more pessimistic view on house price inflation than is the general consensus within the market.
- All of the above considerations have been used to estimate the potential impact on capital contributions from Pine Brook, the Group's private equity investor. Pine Brook remains committed to its long term investment in the Group.
- The operational resilience of the Group's critical functions, including its outsourced customer servicing operations, its ability to handle increased levels of customer arrears and its IT systems.

(C) BASIS OF CONSOLIDATION

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

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

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

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

(D) OPERATING SEGMENTS

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

(E) INTEREST INCOME AND EXPENSE

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

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

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

(F) FEES

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

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, which is subject to an insignificant risk of change in value.

(I) PROPERTY, PLANT AND EQUIPMENT

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

Leasehold improvements and furniture	5 years
Computer equipment	3 years

Depreciation on right of use assets recognised in accordance with IFRS16 is provided on a straight line basis over the term of the lease.

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.

Software is amortised on a straight-line basis over its estimated useful life, which is generally 3 years. Intangible assets are reviewed for impairment on an annual basis.

(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.
- **Fair value through other comprehensive income ('FVOCI') –** assets held in a business model which collects contractual cash flows and sells financial assets where the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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 or held to maturity.

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

Derecognition
The Group derecognises financial assets when the contractual right to receive cash flows expire or 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 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 all 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, upside, downside and stress.

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 movement 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 hedge 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

At 31 December 2020, the Group had three 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.

In 2020, the Group established an uncommitted warehouse facility (Belmont Green Funding 3 Ltd). 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 2020, the Group has four securitisation structures Tower Bridge Funding No. 2 PLC, Tower Bridge Funding No. 3 PLC and Tower Bridge Funding No. 4 PLC and Tower Bridge Funding 2020-1 PLC). The risks and rewards of ownership in the mortgage assets remain with the Group, therefore they 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 is 3 years to the first call.

(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 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.

(U) LEASES (CONTINUED)

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

There were no new or revised IFRS Standards applied to the Group's accounting and reporting in the year ended 31 December 2020.

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

On 26 September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) in response to the potential effects IBOR reform could have on financial reporting.

After further deliberations, during August 2020 Phase II was issued by the IASB, detailing replacement issues which might affect financial reporting when an existing rate benchmark is either reformed or replaced.

The amendments are effective for annual periods beginning on or after 1 January 2021, and therefore, the Group will adopt Phase II in the financial year ending 31 December 2021. Adopting these amendments allows the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

Other standards and interpretations in issue but not effective do not address matters relevant to the Group's accounting and reporting.

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 £350k or increase ECLs by approximately £400k 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 2020. However, given the economic uncertainty caused by both the COVID-19 pandemic and the Brexit deal, 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 each considers a worsening economic environment in 2021 as a result of the pandemic before an economic recovery begins. The downside and stress cases reflect deeper recessions and slower recovery as a result of both the pandemic and the Brexit deal. The Board has considered Belmont Green's weighting towards the London Buy to Let market, in particular, and how potential movements in London house prices movements could be below the UK average.

The Board has allocated a broader distribution of weightings to the scenarios compared to 2019. The weightings are 40% base, 10% upside, 30% downside, 20% stress (2019: 60% base, 10% upside, 20% downside, 10% stress). The change in weightings reflects the greater level of uncertainty in the economic outlook at the end of 2020.

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

		2021	2022	2023	2024	Peak/trough	
Variable	**Scenario**	**%**	**%**	**%**	**%**	**Timing**	**%**
GDP	Base	8.9	3.8	3.6	2.2	Q1 2021	(5.3)
(year-on-year)	Weighted	7.8	4.9	3.4	2.3	Q1 2021	(9.4)
HPI	Base	(8.7)	3.6	4.0	3.4	Q4 2021	(8.7)
(year-on-year)	Weighted	(12.4)	4.8	3.7	3.5	Q4 2021	(12.4)
Unemployment	Base	6.5	5.3	5.1	5.1	Q2 2021	7.5
(end of year rate)	Weighted	7.7	6.0	5.5	5.3	Q2 2021	8.7

The following table 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 £1,641,528k (2019: £1,604,267k).

The impact of applying multiple economic scenarios gives rise to a probability weighted ECL of £7,471k, 34.6% more than the provision of £5,549k calculated using the base scenario. By comparison, in 2019 the probability weighted ECL was 17.8% more than the base case ECL.

	2020			2019		
	Weight	**ECL £'000**	**Prov'n Coverage**	**Weight**	**ECL £'000**	**Prov'n Coverage**
Weighted	-	7,471	0.46%	-	4,100	0.26%
Base	40%	5,549	0.34%	60%	3,481	0.22%
Downside	30%	8,394	0.51%	20%	5,141	0.32%
Upside	10%	3,052	0.19%	10%	3,085	0.19%
Stress	20%	12,142	0.74%	10%	6,746	0.42%

POST-MODEL ADJUSTMENTS (PMAS)

£658m of loans to customers were subject to COVID-19 payment relief at some point in 2020. A proportion of customers successfully applied for an extension to the original payment deferral period. 89% of customers have subsequently returned to full paying status.

The Group applied the advice of the UK regulatory bodies that the grant of payment relief does not of itself, indicate a SICR. However, management's view was that the PD for those customers granted a payment deferral extension was higher than that modelled using historic data and an uplift has been applied to the PD for those customers. Similarly, management considered its London Buy to Let customers to have a higher PD than that modelled due to the pressures within this segment of the market.

For these two sets of customers, a range was considered for an appropriate PMA. Different uplifts to the modelled PD for these customers was applied and a range for the PMA between £670k and £1,050k was considered. A PMA of £908k was agreed.

During the payment relief period, credit bureau scores were observed to be more volatile and there has been some volatility in arrears for those customers who were granted an extension. A subset of accounts exhibited large month-on-month fluctuations in their DCM score between the onset of the COVID-19 pandemic and the end of the year. For this subset of accounts, the DCM scores were adjusted and losses were re-calculated. A range for a PMA was considered between £140k and £640k, with an adjustment of £428k being applied.

Belmont Green has lent to customers that are affected by the recently introduced cladding regulations. Although measures are being introduced by the government to support people affected by cladding, it is unclear when these measures will be implemented or which properties are currently affected. The PMA has been estimated by identifying properties at the highest risk of cladding issues applying haircuts to property valuations and making an allowance for remediation costs. A PMA of between £158k and £627k was considered. This range was reviewed together with the PMA for London Buy to Let properties and an adjustment of £162k, at the lower end of the range, was considered appropriate.

ii. Effective interest rate

A number of 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. A change of 0.1 year in the expected loan lives would have an impact of less than £100k in the net asset position at year end. After consideration of the options the directors were satisfied that the lives set in 2019 remain appropriate.

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 will take 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 2020, a total provision of £1,564k (2019: £1,546k) 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.

In addition, a review of customer affordability in lending decisions performed by the FCA identified some issues that Belmont Green is reviewing and responding to. This review is in its early stages and the directors have determined that a provision of £350k should be made for potential remediation. Until the review has been progressed further, there is a high degree of uncertainty about the final remediation outcome.

iv. Deferred tax asset recognition

The deferred tax asset in the statement of financial position at 31 December 2020 of £11.0m has been recognised on the basis that the directors believe it is probable that sufficient future taxable profits will be generated against which they can be utilised. The directors have reviewed the forecast future profit performance of the Group, including the underlying assumptions of that forecast, in arriving at this conclusion.

The main assumption that the directors have placed reliance upon is the forecast growth of the Belmont Green business, which includes some retail deposit funding in the medium term, that will generate profits in future years. For the deferred tax asset to not be assessed as fully recoverable, future book growth would need to be approximately one-third lower than the directors' base financial forecast in its 5-year financial strategy.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £'000	2019 £'000
At amortised cost:		
Interest income on loans to customers	74,974[4]	54,143
At fair value through profit or loss:		
Net expense on financial instruments	(13,832)	(7,322)
	61,142	**46,821**

As described in note 3(ii) Effective interest rate, the expected lives of loans to customers were reviewed during the year. On a net basis, the revised lives would have increased the net Effective Interest Rate balance by less than £0.1m as of 31 December 2020 and the revised lives were not adopted. As a result, there were no adjustments to interest income in 2020 (2019: £7,710k) for adjustments to the expected lives of loans.

5. INTEREST EXPENSE AND SIMILAR CHARGES

	2020 £'000	2019 £'000
Interest expense and other charges	37,198	44,202
Interest on lease liabilities[5]	97	104
IFRS16 interest adjustment for variable lease components	(90)	-
	37,205	**44,306**

As described in note 2(R) costs of warehouse facilities and securitisation, there was no change during the year in the amortisation periods for costs incurred in setting up warehouse facilities and securitisation structures, unlike in 2019 when they were re-assessed. On this basis there is no additional charge to interest expense in the year being incurred (2019: £9,239k).

[4] In 2020 the classification of procuration fees has moved to interest income from interest expense

[5] In 2020 the classification of interest on lease liabilities has moved to interest expense from administration expenses

6. OTHER INCOME

	2020 £'000	2019 £'000
Government grants	779	-
	779	-

Other income received during the year represents the value of receipts received for furloughed staff under the coronavirus job retention scheme. In 2020, 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.

7. PORTFOLIO FAIR VALUE ADJUSTMENTS

	2020 £'000	2019 £'000
Net loss on derivatives	(19,358)	(11,466)
Net gain in fair value of hedged item sets held in fair value hedges	19,308	7,566
	(50)	**(3,900)**

8. ADMINISTRATIVE EXPENSES

	2020 £'000	2019 £'000
Staff costs	14,127	15,892
Auditor's remuneration:		
Audit of the company and consolidated financial statements	184	97
Audit of the company's subsidiaries financial statements	192	130
Audit fees incurred in respect of prior year	114	-
Other non-audit services not covered above	75	114
Internal audit related assurance services	299	465
Lease commitment under IFRS 16	1,171	947
Other administrative costs	11,881	13,639
Total	**28,043**	**31,284**

Included in staff costs is an exceptional item of £937k (2019: £1,377k) relating to a management restructure.

8. ADMINISTRATIVE EXPENSES CONTINUED >>>

STAFF COSTS

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

	2020 £'000	2019 £'000
Wages and salaries	11,932	13,485
Social security costs	1,458	1,672
Pension costs	737	735
	14,127	**15,892**

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

	2020 Number	2019 Number
Executive	10	9
Business and customer operations	91	101
Administration	50	56
Technology	16	16
	167	**182**

The total amount for directors' remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	981	986
Social security costs	133	131
Company contribution to defined contribution scheme	15	23
Compensation for loss of office	376	165
	1,505	**1,305**

There was one director in the company's defined contribution pension scheme (2019: one) during the year.

The total amount payable to the highest paid director in respect of emoluments comprised:

	2020 £'000	2019 £'000
Wages and salaries	226	325
Social security costs	31	44
Company contribution to defined contribution scheme	15	-
Compensation for loss of office	376	165
	648	**534**

9. TAXATION

Deferred tax	2020 £'000	2019 £'000
Current year (charge)/credit	(482)	5,263
Adjustment in respect of prior periods	34	(468)
Effect of changes in tax rate	1,210	(554)
Total tax credit	**762**	**4,241**

Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	7,098	(35,325)
IFRS16 adoption for leases	-	162
	7,098	**(35,163)**
Tax at UK corporation tax rate of 19% (2019:19%)	1,349	6,681
Effects of:		
Adjustments in respect of prior year	34	(468)
Non-deductible expenses	(1,807)	(1,395)
Effect of tax rate change	1,210	(554)
Exempt amounts	(24)	(23)
Tax (charge) / credit on loss on ordinary activities	**762**	**4,241**

10. DERIVATIVE FINANCIAL INSTRUMENTS

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

		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**

		2019	
Instrument type	**Notional amount £'000**	**Fair value assets £'000**	**Fair value liabilities £'000**
Interest rate - not in hedging relationship	358,081	-	1,462
Interest rate - fair value hedges	1,149,472	473	9,430
Total recognised derivative assets/liabilities	**1,507,553**	**473**	**10,892**

At 31 December 2020, the total notional amount of derivative instruments was £1,473.5m (2019: £1,507.6m), of which £1,255.9m (2019: £1,149.5m) was designated in fair value hedge accounting relationships, where the hedged item notional amount was £1,256.0m (2019: £1,149.3m), thus maintaining a hedge ratio of 1:1.

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

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

31 December 2019	**Contract/notional amount £'000**	**Assets £'000**	**Liabilities £'000**	**Changes in fair value used for calculating hedge ineffectiveness £'000**
Fair value hedges				
Interest rate swaps	1,149,472	473	9,430	5

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 2020	**Assets £'000**	**Liabilities £'000**	**Assets £'000**	**Liabilities £'000**	**£'000**
Fair value hedges					
Interest rate					
Fixed rate mortgages[6]	1,255,990	-	26,652	-	-
31 December 2019					
Fair value hedges					
Interest rate					
Fixed rate mortgages[6]	1,149,305	-	9,161	1,817	-

[6] Included within loans to customers

The hedged item represents the portfolio of mortgages in fixed rate mortgages line item, 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 all classified as level 3 financial instruments in the fair value hierarchy.

10. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED >>>

IBOR REFORM

In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The application of the amendments impacts the Group's accounting in the following ways:

- The Group has fixed rate advances in the form of retail mortgage lending to customers which it includes in a portfolio fair value hedge of the GBP LIBOR risk component of those advances. The benchmark interest rate component was separately identifiable at the time of the initial designation, and as noted above, the amendments permit continuation of hedge accounting even if in the future the hedged benchmark rate, GBP LIBOR, may no longer be separately identifiable.
- The Group will not discontinue hedge accounting should the retrospective assessment of hedge effectiveness fall outside the 80-125 per cent range and the hedging relationship is subject to interest rate benchmark reforms. For those hedging relationships that are not subject to the interest rate benchmark reforms the entity continues to cease hedge accounting if retrospective effectiveness is outside the 80-125 per cent range.

The Group chose to apply the amendments to IFRS9/IAS 39 for the reporting period ended 31 December 2019, which are mandatory for annual reporting periods beginning on or after 1 January 2020. Adopting these amendments allows the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

UNCERTAINTY ARISING FROM IBOR REFORM

The Group's remaining hedging exposure to a GBP LIBOR benchmark rate impacted by the reform was a notional £654.4m (2019: £1,013.5m), of which £449.4m (2019: £704.9m) was designated in fair value hedge relationships.

The following table sets out the maturity profile and average interest rate of the hedging instrument used in the Group's hedging strategies:

	31 December 2020	
Derivatives – interest rate	**Notional £m**	**Average fixed interest rate %**
Maturity		
Less than 1 month	-	-
In more than 1 month, but not more than 3 months	-	-
In more than 3 months, but not more than 12 months	3	0.79%
In more than 12months, but not more than 5 years	637	1.25%
Over 5 years	25	0.20%
Total	**665**	

	31 December 2019	
Derivatives – interest rate	**Notional £m**	**Average fixed interest rate %**
Maturity		
Less than 1 month	40	1.24%
In more than 1 month, but not more than 3 months	46	1.28%
In more than 3 months, but not more than 12 months	156	1.34%
In more than 12months, but not more than 5 years	736	1.31%
Over 5 years	37	0.81%
Total	**1,015**	

11. FINANCIAL ASSETS AND LIABILITIES

The following table summarises the Group's financial assets and liabilities carried at fair value:

	2020	2019
Financial Assets	**£'000**	**£'000**
Financial instruments held at fair value	26,652	9,161
Financial Liabilities		
Financial instruments held at fair value	-	(1,817)
	26,652	**7,344**

The following table summarises the Group's financial assets and liabilities held at amortised cost:

	2020	2019
	£'000	**£'000**
Financial Assets	**Carrying value**	**Carrying value**
Cash	114,652	104,505
Derivative financial instruments	-	473
Loans to customers	1,635,572	1,599,800
Other receivables	9,157	10,979
Deferred taxation	11,007	10,245
Property, plant and equipment	3,795	5,334
Intangible assets	1,117	317
	1,775,300	**1,731,653**
Financial Liabilities		
Deposits from banks	14,190	14,190
Debt securities in issue	1,629,216	1,603,961
Derivative financial instruments	28,655	10,892
Other liabilities	10,101	12,023
Provision	604	254
Corporation tax	6	11
	1,682,772	**1,641,331**

12. LOANS TO CUSTOMERS

	2020	2019
	£'000	**£'000**
Buy to Let loans	1,219,107	1,173,351
Owner-occupied loans	420,431	428,658
Second charge loans	1,990	2,258
	1,641,528	**1,604,267**
EIR adjustments	1,515	(367)
Provision for impairment losses	(7,471)	(4,100)
	1,635,572	**1,599,800**

	2020	2019
Movements in loans to customers	**£'000**	**£'000**
At 1 January	1,599,800	1,197,842
Loans originated	257,469	556,616
Effective interest rate adjustments	1,883	(7,388)
Interest charged on loans	6,607	401
Redemptions and repayments	(226,816)	(145,269)
Charge for impairment losses	(3,371)	(2,402)
At 31 December	**1,635,572**	**1,599,800**

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:

	Stage 1	Stage 2	Stage 3	Total
Movement in loans to customers by stage – 2020	**£'000**	**£'000**	**£'000**	**£'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	203,968	53,435	-	257,403
Changes to carrying value	(4,132)	(454)	85	(4,501)
Loans to customers derecognised during the period	(184,309)	(23,696)	(7,636)	(215,641)
Gross balance at 31 December 2020	**1,150,485**	**455,349**	**35,694**	**1,641,528**

13. EXPECTED CREDIT LOSSES CONTINUED >>>

Movement in loans to customers by stage - 2019	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross balance at 1 January 2019	1,080,264	109,901	2,354	1,192,519
Transfers between stages				
To stage 1	52,846	(52,455)	(391)	-
To stage 2	(129,151)	129,741	(590)	-
To stage 3	(2,305)	(2,793)	5,098	-
Originations	478,716	62,350	1,536	542,602
Changes to carrying value	31,826	(55,257)	22,614	(817)
Loans to customers derecognised during the period	(121,754)	(8,283)	-	(130,037)
Gross balance at 31 December 2019	**1,390,442**	**183,204**	**30,621**	**1,604,267**

In addition, the mortgage offer pipeline of £57,652k at 31 December 2020 (2019: £119,382k) was classified at stage 1.

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 period	(60)	(84)	(329)	(473)
Pipeline	33	-	-	33
Impairment provision at 31 December 2020	**898**	**3,834**	**2,739**	**7,471**

Movement in ECLs by stage - 2019	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Impairment provision at 1 January 2019	525	984	189	1,698
Transfers between stages				
Transfers to stage 1	471	(431)	(40)	-
Transfers to stage 2	(93)	146	(53)	-
Transfers to stage 3	(2)	(70)	72	-
Originations	328	587	708	1,623
Changes to carrying value	(553)	383	1,023	853
Loans to customers derecognised during the period	(45)	(55)	-	(100)
Pipeline	26	-	-	26
Impairment provision at 31 December 2019	**657**	**1,544**	**1,899**	**4,100**

ARREARS PERFORMANCE

The Group's mortgage book has continued to experience relatively low arrears and limited defaults. At the end of December 2020 loans more than 1 month in arrears represented 2.2% of the portfolio balances (2019: 1.6%). This can be broken down to 3.0% of the owner-occupied book (2019: 3.0%) and 1.9% of the Buy to Let book (2019: 1.0%). Those loans more than 3 months in arrears represented 0.9% of the total portfolio balances (2019: 0.4%).

There were no owner-occupied loans repossessed at the end of December 2020 (2019: 1) and 7 Buy to Let loans had a Law of Property Act receiver in place (2019: 5). There were 3 repossession sales during the year (2019: nil).

The following tables provide an analysis of loans in arrears:

Ageing in arrears but not impaired mortgage loans	2020 £'000	2019 £'000
0 – 1 month	37,779	16,006
1 – 2 months	16,749	13,260
2 – 3 months	4,026	4,813
	58,554	**34,079**

Ageing in arrears and impaired mortgage loans	2020 £'000	2019 £'000
≥ 3 months	15,011	7,076

Movement in collective provision for impairment losses	2020 £'000	2019 £'000
At 1 January	4,100	1,698
Charge for the period	3,371	2,402
At 31 December	**7,471**	**4,100**

14. OTHER RECEIVABLES

	2020 £'000	2019 £'000
Deferred deal costs	4,571	6,767
Prepayments	1,409	1,568
Other receivables	3,177	2,644
	9,157	**10,979**

15. DEFERRED TAX ASSET

The movement in the deferred tax asset is as follows:

	2020 £'000	2019 £'000
At 1 January	10,245	6,002
Prior year effect	34	(468)
(Debit) / credit to income statement	(482)	5,265
Effect of change in tax rate	1,210	(554)
At 31 December	**11,007**	**10,245**

The net deferred tax asset is analysed as follows:

	2020 £'000	2019 £'000
Tax losses	10,685	10,062
Other timing differences	322	183
	11,007	**10,245**

16. PROPERTY, PLANT AND EQUIPMENT

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
IFRS16 interest adjustment for variable asset components	(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**

2019	Land and Buildings £'000	Leasehold Improvements £'000	Computer Equipment £'000	Total £'000
Cost				
At 1 January 2019	-	1,315	451	1,766
Recognition of right-of-use asset on asset on initial application of IFRS 16	4,811	-	-	4,811
Additions	-	459	213	672
At 31 December 2019	**4,811**	**1,774**	**664**	**7,249**
Depreciation/amortisation				
At 1 January 2019	-	292	225	517
Charge for the year	946	274	178	1,398
At 31 December 2019	**946**	**566**	**403**	**1,915**
Net book value				
At 31 December 2019	**3,865**	**1,208**	**261**	**5,334**

The carrying value of land and buildings relates to right of use assets recognised under IFRS16 in respect of leases where the Group is the lessee.

17. INTANGIBLE ASSETS

	2020	2019
Cost	**£'000**	**£'000**
At 1 January	1,316	1,005
Additions	994	311
Disposals	(951)	-
At 31 December	**1,359**	**1,316**
Depreciation/amortisation		
At 1 January	999	744
Charge for the year	194	255
Disposals	(951)	-
At 31 December	**242**	**999**
Net book value		
At 31 December	**1,117**	**317**

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:

	2020	2019
Warehouse Funding	**£'000**	**£'000**
Belmont Green Funding 1 Limited	10,089	53,249
Belmont Green Funding 3 Limited	34,000	-
Belmont Green Funding 4 Limited	79,548	81,025
Belmont Green Funding 5 Limited	110,686	73,354
Securitisation Funding		
Tower Bridge Funding No.1 PLC	-	142,860
Tower Bridge Funding No.2 PLC	195,674	272,502
Tower Bridge Funding No.3 PLC	386,864	487,415
Tower Bridge Funding No.4 PLC	472,925	493,556
Tower Bridge Funding 2020-1PLC	339,430	-
Total debt securities in issues	**1,629,216**	**1,603,961**

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 LIBOR or SONIA.

19. OTHER LIABILITIES

	2020	2019
	£'000	£'000
Accruals & payables	6,859	6,915
Lease liability	3,229	4,436
Other liabilities	13	672
	10,101	**12,023**

20. PROVISIONS

	2020	2019
	£'000	£'000
At 1 January	254	-
Movement during year	350	254
At 31 December	**604**	**254**

The 1 January 2020 provision includes 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 2019	129,642,466	129,642
Shares issued during the year	38,670,094	38,670
At 31 December 2019	168,312,560	168,312
Shares issued during the year	27,850,000	27,850
At 31 December 2020	**196,162,560**	**196,162**

Subsequent to the year end, on 4 March 2021 the Company raised further share capital of £8.3m through the issue of £1 ordinary shares.

22. LEASE LIABILITIES

The Group has entered leases for office buildings in the previous years. The weighted average incremental borrowing rate applied to lease liabilities at inception was 3% resulting in the recognition of a lease liability of:

	2020	2019
	£'000	£'000
Year 1	1,375	1,253
Year 2	1,325	1,404
Year 3	415	1,352
Year 4	208	413
Onwards	-	208
	3,323	**4,630**
Less: interest	(94)	(194)
At 31 December	**3,229**	**4,436**

Analysed as:

Non-Current	1,914	2,342
Current	1,315	2,094
	3,229	**4,436**

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 derivative are conducted with the intent of hedging.

The main source of market risk is exposure to changes in interest rates and liquidity risk. Market risk is managed and monitored by the Group's Treasury function with oversight by the Risk function.

CREDIT RISK

Credit risk is the risk that unexpected losses may arise as a result of the Group's borrowers or market counterparties failing to meet their obligations to repay. The classes of financial instruments to which the Group is most exposed are loans to customers and cash with other financial institutions. The maximum credit risk exposure equals the total carrying amount of these categories plus off-balance sheet undrawn mortgage facilities.

Credit risk – loans to customers

Credit risk associated with mortgage lending is largely driven by the housing market and level of unemployment. A recession and/or high interest rates could cause pressure within the market, resulting in rising levels of arrears and repossessions.

All loan applications are assessed with reference to the Group's lending policy. Changes to the policy are approved by the Board Risk Committee (BRC), with mandates set for the approval of loan applications. BRC regularly monitors lending activity, taking appropriate actions to adjust lending criteria in order to control risk and manage exposure.

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

	Buy to Let	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**

	Buy to Let	Owner-occupied	Second charge	Total	
	£'000	£'000	£'000	£'000	%
0% - 50%	54,158	75,157	477	129,792	8.1
50% - 60%	93,845	56,408	274	150,527	9.4
60% - 70%	291,020	81,669	673	373,362	23.3
70% - 80%	632,624	103,908	834	737,366	45.9
80% - 90%	101,704	100,757	-	202,461	12.6
> 90%	-	10,759	-	10,759	0.7
Total loans to customers	**1,173,351**	**428,658**	**2,258**	**1,604,267**	**100.0**

23. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS CONTINUED >>>

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

	2020		2019	
	£'000	%	£'000	%
East of England	198,648	12.1	204,173	12.7
East Midlands	63,560	3.9	63,021	4.0
London	723,879	44.1	699,340	43.6
North East	21,956	1.3	22,463	1.4
North West	89,866	5.5	87,291	5.4
South East	249,257	15.2	248,801	15.5
South West	91,038	5.5	93,148	5.8
West Midlands	84,210	5.1	78,870	4.9
Yorkshire and the Humber	58,772	3.6	55,363	3.5
Total England	**1,581,186**	**96.3**	**1,552,470**	**96.8**
Scotland	26,283	1.6	16,127	1.0
Wales	34,059	2.1	35,670	2.2
Total loans to customers	**1,641,528**	**100.0**	**1,604,267**	**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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Stage 1				
Low risk	602,323	1,402,944	448	651
High risk[7]	548,162	8,712	450	10
Stage 2				
Low risk	164,178	143,095	852	864
High risk	291,171	41,862	2,982	686
Stage 3				
Impaired	35,694	7,654	2,739	1,889
Total loans to customers	**1,641,528**	**1,604,267**	**7,471**	**4,100**

[7] A high risk grade is where the DCM score is less than 750 or account in arrears; low risk grade otherwise.

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:

	At 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

	At 31 December 2019					
	AAA	A+	A-	AA-	BB+	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	-	9,301	15,518	79,624	62	104,505

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 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**

	Trade and other payables	Accruals	Finance debt	Interest on finance debt
31 December 2019	£'000	£'000	£'000	£'000
Within one year	629	4,648	392,081	31,009
1 to 2 years	-	-	860,155	20,105
2 to 3 years	-	-	365,912	9,087
3 to 4 years	190	-	-	-
4 to 5 years	-	-	-	-
5 to 10 years	723	-	-	-
	1,542	**4,648**	**1,618,148**	**60,201**

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:	2020 £'000	2019 £'000
Up to 1 month	27	7
1-3 months	3,740	2,082
3-12 months	10,640	5,739
1-5 years	24,139	15,340
Over 5 years	47	3
	38,593	**23,171**

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 either Sterling Over Night Index Average (SONIA) or London Inter-Bank Offered Rate (LIBOR) 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, LIBOR, 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:

	2020 £'000
EV: Impact on increase in rates	(10,562)
EV: Impact on decrease in rates	11,792
NII: Impact on increase in rates	(106)
NII: Impact on decrease in rates	318

24. NET CASH FLOW FROM OPERATING ACTIVITIES

Group	2020 £'000	2019 £'000
Loss for the period	(6,336)	(31,084)
IFRS 16 initial application adjustment	-	(162)
	(6,336)	**(31,246)**
Non-cash items		
Taxation credit for the period	(762)	(4,241)
Depreciation of property, plant and equipment	487	452
Amortisation of intangible assets	194	255
Amortisation of right of use of asset	1,171	946
Movement in fair value	(1,072)	3,900
Increase in provisions	350	254
	(5,968)	**(29,680)**
Changes in working capital		
Increase in loans to customers	(35,772)	(401,958)
Decrease in receivables	1,822	4,075
Decrease in accruals & payables	(728)	(4,071)
Cash generated by operations	**(41,840)**	**(432,220)**
Income taxes paid	(5)	-
Net cash utilised in operating activities	**(40,651)**	**(431,634)**

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	Registered Address
Belmont Green Funding 2 Limited	100% ordinary shares	Dormant	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
Tower Bridge Funding No.1 PLC	*	Mortgage Finance	1 Bartholomew Lane, London, England, EC2N 2AX
Tower Bridge Funding No.1 Holdings Limited	*	Non-trading	1 Bartholomew Lane, London, England, EC2N 2AX
Tower Bridge Funding No.2 PLC	*	Mortgage Finance	1 Bartholomew Lane, London, England, EC2N 2AX
Tower Bridge Funding No.2 Holdings Limited	*	Non-trading	1 Bartholomew Lane, London, England, EC2N 2AX
Tower Bridge Funding No.3 PLC	*	Mortgage Finance	10th Floor 5 Churchill Place, London, England, E14 5HU
Tower Bridge Funding No.3 Holdings Limited	*	Non-trading	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

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.

The Group had no other transactions with related parties other than the key management compensation disclosed in note 8.

26. EVENTS AFTER BALANCE SHEET DATE

DEFERRED TAX

The Finance Act 2016 had previously enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020 and accordingly the deferred tax at 31 December 2019 was calculated at this rate. However, following the Budget announcement on 11 March 2020 the UK corporation tax rate (from 1 April 2020) was maintained at 19% and was no longer reduced to 17% as previously enacted. The rate change was enacted in Finance Act 2020 on 22 July 2020 and the deferred tax balances have been re-calculated to 19% at the balance sheet date.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has not been substantively enacted at the balance sheet date and as a result, deferred tax balances as at 31 December 2020 continue to be measured at 19%. If the deferred tax balances were to reverse at the amended 25% rate the impact on the closing deferred tax position would be to increase the deferred tax asset by £3.5m.

COMPANY STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
Assets	**Notes**	**£'000**	**£'000**
Cash and cash equivalents		18,108	4,079
Loans to customers	28	1,635,572	1,599,800
Other receivables	29	15,207	21,900
Deferred taxation	30	11,602	10,283
Investment in subsidiaries	31	9,000	9,000
Property, plant and equipment	16	3,795	5,334
Intangible assets	17	1,117	317
Total assets		**1,694,401**	**1,650,713**
Liabilities			
Deemed loan due to Group undertakings	32	1,521,161	1,484,952
Other liabilities	33	48,390	50,435
Provisions	20	604	254
Total liabilities		**1,570,155**	**1,535,641**
Shareholders' Equity			
Share capital	21	196,162	168,312
Retained losses		(71,916)	(53,240)
Total shareholders' equity		**124,246**	**115,072**
Total liabilities and equity		**1,694,401**	**1,650,713**

The loss after tax for the year ended 31 December 2020 of Belmont Green Finance Limited as a Company was £18,676k (2019: £23,776k). 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 148 to 151 form part of these financial statements.

The financial statements were approved by the Board of Directors on 22 April 2021 and signed on behalf of the Board.

Anthony Mooney
Company registration: 09837692

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Called up share capital £'000	Retained earnings £'000	Total £'000
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**
At 1 January 2019		**129,642**	**(29,464)**	**100,178**
Share issuance	21	38,670	-	38,670
Loss for the year		-	(23,776)	(23,776)
At 31 December 2019		**168,312**	**(53,240)**	**115,072**

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £'000	2019 £'000
Net cash in operating activities	34	**(47,723)**	**(431,517)**
Purchase of property, plant and equipment	16	(119)	(672)
Expenditure on software development	17	(994)	(311)
Net cash generated in investing activities		**(1,113)**	**(983)**
Proceeds from shares issued	21	27,850	38,670
Movement of deemed loans due to Group undertakings		36,209	392,815
Repayment of lease liabilities		(1,194)	(586)
Net cash generated by financing activities		**62,865**	**430,899**
Net increase in cash and cash equivalents		**14,029**	**(1,601)**
Cash and cash equivalents at the beginning of the year		4,079	5,680
Cash and cash equivalents at the end of the year		**18,108**	**4,079**

27. 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 3 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.

28. LOANS TO CUSTOMERS

A detailed breakdown of the loans to customers can be found in Note 12 of the consolidated accounts. At 31 December 2020, loans to customers included £1,629,216k (2019: £1,603,961k) which were part of secured funding arrangements, resulting in beneficial interest in these loans being transferred to the SPVs.

29. OTHER RECEIVABLES

	2020	2019
	£'000	£'000
Amounts owed by related parties	12,246	18,869
Deferred deal costs	647	705
Prepayments and other receivables	2,314	2,326
	15,207	**21,900**

30. DEFERRED TAX

	2020	2019
The movement in the deferred tax asset is as follows:	£'000	£'000
At 1 January	10,283	6,007
Prior year effect	34	(468)
Credit to income statement	71	5,298
Effect of change in tax rate	1,214	(554)
At 31 December	**11,602**	**10,283**

	2020	2019
The net deferred tax asset is analysed as follows:	£'000	£'000
Tax losses	10,388	10,837
Effect of change in tax rate	1,214	(554)
	11,602	**10,283**

31. INVESTMENT IN SUBSIDIARIES

	2020	2019
	£'000	£'000
Investment in subsidiary undertakings held at cost	9,000	9,000

32. DEEMED LOAN DUE TO GROUP UNDERTAKINGS

	2020	2019
	£'000	£'000
Deemed loan due to Belmont Green Funding 1 Limited	409	42,017
Deemed loan due to Belmont Green Funding 3 Limited	30,199	322
Deemed loan due to Belmont Green Funding 4 Limited	79,551	80,030
Deemed loan due to Belmont Green Funding 5 Limited	109,834	72,117
Deemed loan due to Tower Bridge Funding No.1 PLC	1	125,588
Deemed loan due to Tower Bridge Funding No.2 PLC	182,859	243,789
Deemed loan due to Tower Bridge Funding No.3 PLC	356,605	454,064
Deemed loan due to Tower Bridge Funding No.4 PLC	442,610	467,025
Deemed loan due to Tower Bridge Funding 2020-1 PLC	319,093	-
	1,521,161	**1,484,952**

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

33. OTHER LIABILITIES

	2020	2019
	£'000	£'000
Amounts owed to related parties	35,113	29,444
Accruals & Payables	4,082	3,829
Lease liability	3,229	4,436
Deferred Income	5,954	12,717
Other liabilities	12	9
	48,390	**50,435**

34. NET CASHFLOW FROM OPERATING ACTIVITIES

	2020	2019
Company	**£ 000**	**£ 000**
Loss for the period	(18,676)	(25,711)
IFRS 16 initial application adjustment	-	(162)
	(18,676)	**(25,873)**
Non-cash items		
Taxation credit for the period	(1,319)	(2,179)
Depreciation of property, plant and equipment	487	452
Amortisation of intangible assets	194	255
Amortisation of right of use of asset	1,171	946
Increase in provisions	350	254
	(17,793)	**(26,145)**
Changes in working capital		
Increase in loans to customers	(35,772)	(401,937)
(Increase) / decrease in receivables	(398)	5,090
Decrease in accruals & payables	(6,520)	(4,170)
Movement in loans to / (from) subsidiaries	12,760	(4,355)
Net cash utilised in operating activities	**(47,723)**	**(431,517)**

35. 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 32. 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.