

Target Market Assessment

1. Target Market – Customer Demographics and Property Specificities

Customer Demographics	Description												
Non Complex SME Borrowers	<ul style="list-style-type: none"> Recognise defines SMEs in the same way as the UK government: <table border="1" data-bbox="515 566 1908 726"> <thead> <tr> <th><u>Turnover or balance sheet total</u></th> <th><u>Headcount</u></th> <th><u>Business size</u></th> </tr> </thead> <tbody> <tr> <td>○ less than or equal to €50 million or €43 million</td> <td>less than 250</td> <td>Medium sized</td> </tr> <tr> <td>○ less than or equal to €10 million or €10 million</td> <td>less than 50</td> <td>Small</td> </tr> <tr> <td>○ less than or equal to €2 million or €2 million</td> <td>less than 10</td> <td>Micro</td> </tr> </tbody> </table> 	<u>Turnover or balance sheet total</u>	<u>Headcount</u>	<u>Business size</u>	○ less than or equal to €50 million or €43 million	less than 250	Medium sized	○ less than or equal to €10 million or €10 million	less than 50	Small	○ less than or equal to €2 million or €2 million	less than 10	Micro
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Borrower Type	<ul style="list-style-type: none"> Individuals, Partnerships, Limited Companies, LLPs, SIPP, SSASs 												
Borrower Location	<ul style="list-style-type: none"> Borrower must be domiciled and registered (if corporate) in the UK, Isle of Man or Channel Islands. The Centre of Main Interest must be in the UK 												
Borrower Age / Capacity	<ul style="list-style-type: none"> Minimum age 18 years old plus legal ability and/or capacity to sign There is no maximum age limit however dependent on sponsor age we will review business succession plans as part of the application process 												
Personal recourse to business	<ul style="list-style-type: none"> Customers who can demonstrate sufficient and appropriate personal recourse to the business via personal guarantees where applicable 												
Property Location	<ul style="list-style-type: none"> England and Wales or Scotland 												
Property Quality	<ul style="list-style-type: none"> Properties that are fit for purpose and well located that can demonstrate sustainability of occupier and tenant demand through property valuations. 												
Broker (Distribution Channel)	<ul style="list-style-type: none"> Brokers onboarded as distributors who specialise in the SME customer segments and meet Recognise Onboarding criteria. 												

Consumer Duty – Lending Customers Target Market

2. Target Market – Customers Knowledge and Experience

Customer Knowledge	Description
Broker (Distribution Channel)	<ul style="list-style-type: none"> • Distributor can demonstrate that they have made the customer aware of the product offering including features, benefits and associated risks
Financial Acumen	<ul style="list-style-type: none"> • Customer demonstrates sufficient financial acumen to make informed financial decisions • Customer demonstrates a good understanding of products including features, benefits and risks
Trading Performance	<ul style="list-style-type: none"> • Customers must have a minimum 2 years trading performance demonstrating an ability to meet debt serviceability over the term of the loan.
Property Specific	<ul style="list-style-type: none"> • Sponsor capability and experience to manage property investment portfolios and adheres to good standards in respect of tenancy arrangements.
Customer Track Record	<ul style="list-style-type: none"> • Operating Businesses with cashflow which demonstrates strong, sustainable debt service coverage
Affordability	<ul style="list-style-type: none"> • All borrowers must be able to evidence affordability (as assessed by Recognise Bank), in line with the amortising profile and term of the loan • The affordability assessment may include an interest rate stress test.

Consumer Duty – Lending Customers Target Market

3. Target Market – Customers Financial Situation

Customer Financial Situation	Description
Borrower Quality	<ul style="list-style-type: none"> • Business Owners/Directors/Sponsors of sufficient financial standing in terms of income and tangible net worth and with a satisfactory credit history
Credit Quality	<ul style="list-style-type: none"> • Borrower / Sponsor must demonstrate sufficient track record with regards to previous credit, including: <ul style="list-style-type: none"> ○ Maximum 5 satisfied CCJs within last 3 years ○ No missed secured loan repayments within last 12 months ○ No bankruptcy event or IVA within last 3 years and must be discharged
Loan Amount	<ul style="list-style-type: none"> • Customers wishing to borrow in line with the Minimum and Maximum Loan Amounts applicable for each product as set out in the Product Guide
Maximum Exposure	<ul style="list-style-type: none"> • The maximum exposure to any counterparty group of borrowers must not exceed £10m
Bank Account Conduct	<ul style="list-style-type: none"> • Customers must be able to demonstrate satisfactory bank account conduct

4. Target Market – Customers’ Needs and Objectives

Needs / Objectives	Description
Overall purpose of Loan	<ul style="list-style-type: none"> • Provision of loans to borrowers with an appropriate track record in operating/owning a business and/or property investment and with demonstrable skills, knowledge and experience, where the underlying funding request supports the nature of its normal business and trading or investment activities. • The loan requested must support relevant business purposes
Customer support	<ul style="list-style-type: none"> • Customers who require access to speak with knowledgeable Recognise colleagues across multiple channels (Phone, Email, Written Communication)
Customer Service	<ul style="list-style-type: none"> • Customers who require access to express interest in applying for loan products direct via Website
Ongoing 'in life' support	<ul style="list-style-type: none"> • Customers who require ongoing 'In Life' support including Annual Reviews of loan facilities to ensure that the product continues to meet their needs
Early Settlement	<ul style="list-style-type: none"> • Customers who wish to enter into a loan agreement with the possibility of terminating before the maturity date without being adversely impacted
Property Loan to Value	<ul style="list-style-type: none"> • Loans that fall within the Loan to Value parameters detailed within the Recognise Bank Product Guides
Loan Amount	<ul style="list-style-type: none"> • Customers wishing to borrow in line with the Minimum and Maximum Loan Amounts applicable for each product as set out in the Recognise Bank Product Guides
Loan Term	<ul style="list-style-type: none"> • Loans terms detailed within the Recognise Bank Product Guides
Repayment Profiles	<ul style="list-style-type: none"> • Repayment Profiles detailed within the Recognise Bank Product Guides
Legal Advice	<ul style="list-style-type: none"> • Customers may be required to receive legal advice before entering into the financial commitment to confirm they understand the commitment they are taking on. This also includes individuals who are providing a personal guarantee

5. Negative Target Market

Negative Target Market Area	Description
Customer sectors	<ul style="list-style-type: none"> • Customers who operate in Ethical, Social or Environmental (ESE) sectors that are deemed outside of risk appetite as listed below; <ul style="list-style-type: none"> ○ Defence: Including arms dealing and/or distribution of such related products or services. ○ Private Security Companies: Including security firms that operate in countries/regions where there is a current conflict and/or links to an oppressive regime/poor human rights record. ○ Adult Entertainment: Including host & hostess, strip clubs and any associated online or offline retail or distribution of related products or services. ○ Modern slavery: Any businesses identified to have potential direct or indirect supply chain links to modern slavery. ○ Animal Welfare: To include hunting, testing and/or battery farming activities. Tobacco Producers, distributors and resellers including any such related products. ○ Hazardous Chemical and Explosives Manufacture: Including processing, storage and transportation of such products. ○ Mining & Materials: Including extraction, distribution, storage and transportation. ○ Forestry & Logging: Any such business where its activities are not part of a Green 'natural environment' project • Customers who form part of the restricted customer sectors list below will be assessed on a case by case basis with overall maximum exposure limited to 2.5% at any one time within the Recognise commercial loan book; <ul style="list-style-type: none"> ○ Pubs, Nightclubs ○ Self-Storage ○ Petrol Stations ○ Theme Parks / Leisure

Prohibited Lending	<ul style="list-style-type: none"> • <i>Prohibited lending includes the following in addition to the ESE list above;</i> <ul style="list-style-type: none"> ○ <i>Lending in Northern Ireland</i> ○ <i>Non-UK Lending</i> ○ <i>Subordinated/Mezzanine Debt Lending</i> ○ <i>Regulated Lending</i> ○ <i>Life Tenancy (Equity Release)/Freehold Reversion Schemes</i> ○ <i>Consumer Buy to Let Mortgages</i> ○ <i>Semi-commercial where the borrower is living in the residential element of the property as their main residence and represents >40% of the property</i>
Extended Loan Term	<ul style="list-style-type: none"> • Customers wishing to extend the term of the loan beyond the set parameters as defined in the Recognise Bank Product Guides
Insufficient Track Record	<ul style="list-style-type: none"> • Customers who have not been trading for a reasonable period to sufficiently demonstrate an ability to meet debt service repayments
Affordability	<ul style="list-style-type: none"> • Customers who cannot evidence affordability, in accordance with Recognise Bank's assessment.
Loan Amounts	<ul style="list-style-type: none"> • Customers wishing to borrow more or less than the set thresholds for each product as set out in the Recognise Bank Product Guides
Loan To Value	<ul style="list-style-type: none"> • Customers wishing to exceed the stated Loan to Value limits as detailed within the Recognise Bank Product Guides

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