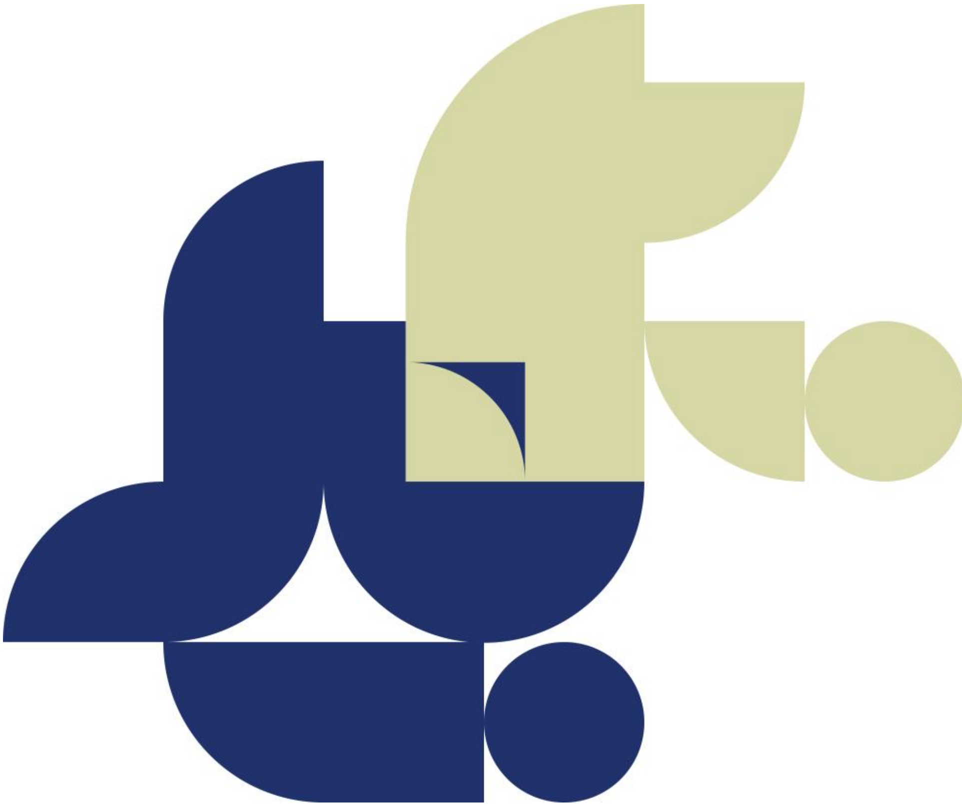
Rathbone Brothers Plc

Pillar 3 disclosures

For the year ended 31 December 2017



Rathbones
Look forward

Contents

Definition of key terms:	
Rathbones	the trading name for the group of companies owned by Rathbone Brothers Plc
Board	the board of directors of Rathbone Brothers Plc
Executive directors	directors on the group executive committee
FUM	funds under management
RIM	Rathbone Investment Management Limited
RIMI	Rathbone Investment Management International Limited
investment management business	services provided by Rathbone Investment Management Limited ('RIM') and Rathbone Investment Management International Limited ('RIMI')
The Group	Rathbone Brothers Plc and all its subsidiaries
Regulator	Prudential Regulation Authority ('PRA') or Financial Conduct Authority ('FCA') or European Banking Authority ('EBA'), as appropriate
trading book	positions in financial instruments and commodities held either with trading intent or in order to hedge such positions
trust & taxation business	services provided by Rathbone Trust Legal Services Limited and Rathbone Trust Company Limited
CRR or CRD IV	Capital Requirements Regulation (EU) No 575/2013

1 Corporate background

Rathbone Brothers Plc, through its subsidiaries, is a leading provider of high-quality, personalised investment and wealth management services for private clients, charities and trustees. This includes discretionary investment management, unit trusts, tax planning, trust and company management, pension advice and banking services.

The Group is organised into two operating segments: Investment Management (including Rathbone Private Office and the other complementary services outlined below) and Unit Trusts.

1.1 Investment Management

Through Rathbone Investment Management Limited ('RIM'), we provide personal discretionary investment management solutions to private clients with investible assets of £100,000 upwards. We also manage £4.7bn for charities and Rathbone Greenbank Investments manages £1.1bn in ethical and socially responsible investment portfolios.

We have recently established the Rathbone Private Office to help larger clients with more complex needs to protect, enhance and organise their wealth across multiple managers, asset classes and investment markets. Our offshore discretionary investment services are provided by Rathbone Investment Management International ('RIMI'), which is registered in Jersey.

Complementary services include:

- banking and loan services: we offer loans to our existing clients secured against their investment portfolios and, in some cases, other assets. As a licenced deposit taker, we are also able to offer our clients a range of banking services including currency and payment services, and fixed interest term deposits;
- financial planning: we offer in-house financial planning, which provides whole of market advice to clients;
- Unitised Portfolio Service: using Rathbone Multi Asset Portfolio Funds, we offer clients with investible assets of £25,000 or more our model-based discretionary investment management services;
- Managed Portfolio Service: a simple and straightforward execution-only investment service which gives clients with £15,000 or more the ability to access high-quality investments;
- Rathbone Trust Company: we provide UK trust and some legal, estate and tax advice to clients; and
- Vision Independent Financial Planning: an independent IFA network providing financial advisory solutions to UK private clients.

Investment management clients are charged using either a fee and commission-based, or a fee-based tariff with securities held in a Rathbone Nominee company. The cash component of client portfolios is held by RIM, an authorised banking institution. At 31 December 2017, funds under management were £33.8bn. All of the funds held for clients are considered to be held for long-term investment purposes and do not represent 'transactional' accounts used for day-to-day banking services.

1.2 Unit Trusts

Rathbone Unit Trust Management ('RUTM') provides a range of actively-managed specialist and multi asset unit trusts that are designed to meet core investment needs in the retail client market. These funds are distributed primarily through financial advisers in the UK.

Funds can also be accessed by international clients through a Rathbone Luxembourg Funds SICAV (Société d'Investisement à Capital Variable) which allows access to a similar range of actively managed master funds, through a master-feeder structure.

At 31 December 2017 funds under management were £5.3bn.

1.3 Regulation

Within the UK, RUTM and Vision are regulated by the FCA, RIM is regulated jointly by the PRA and the FCA and the Group is subject to consolidated supervision by the PRA. Rathbone Trust Legal Services Limited ('RTLS') is regulated by the Solicitors Regulation Authority and together with Rathbone Trust Company they are subject to HMRC regulations for money laundering purposes. RIMI is subject to regulation by the Jersey Financial Services Commission.

1.4 Corporate governance

The board meets at least six times a year with one meeting devoted entirely to strategic issues. In months where no formal board meeting is scheduled an informal meeting of the non-executive directors, the chairman and Group chief executive is ordinarily held.

The five principal Rathbone Brothers Plc board committees are the executive committee, audit committee, remuneration committee, group risk committee and nomination committee.

The principal RIM committees are the management committee, client and investment committees as well as the banking committee. All of these committees have executive director representation.

1.5 Scope of disclosures

Rathbone Brothers Plc is the parent company of the Group and is required to produce consolidated returns to assess its regulatory own funds, own funds requirements and liquidity management. These are prepared on the same consolidation basis as the statutory financial statements produced for its annual report & accounts.

2 Risk management objectives and policies

2.1 Risk management

The Group risk management report on pages 21 to 28 of the 2017 annual report and accounts, and the Group risk committee report on page 68 to 69 of the 2017 annual report and accounts, include details of our risk management objectives, and provide declarations approved by the Board on the adequacy of risk management arrangements and our overall risk profile. It also includes the composition of the Group risk committee and the number of meetings held during the year, as well as information on the communication of risk information to the Board.

Extract from 2017 annual report and accounts (Strategic report – risk management):

Risk management

During 2017, we have continued to evolve our risk management approach in support of our 'three lines of defence' model. Our risk governance, risk processes and risk infrastructure have continued to mature to ensure our management of risk considers existing and emerging challenges. In 2018, we will maintain our approach and ensure that appropriate risk management is applied across the group to protect our stakeholders.

Risk culture

We believe that an appropriate risk culture enhances the effectiveness of risk management. The board is responsible for setting the right tone and, through our senior management team, encouraging characteristics and behaviours which support a strong risk culture. The consideration of risk is therefore accepted as being part of everyone's day-to-day responsibilities and activities. Risk management is linked to performance and development, as well as to the group's remuneration and reward schemes. The purpose of this is to create an open and transparent working environment, encouraging employees to engage positively in risk management and support the effective achievement of our strategic objectives.

Three lines of defence

We continue to apply a 'three lines of defence' model to support our risk management framework, with responsibility and accountability for risk management broken down as follows:

First line: Senior management and operational business units are responsible for managing risks, by developing and maintaining effective internal controls to mitigate risk.

Second line: The risk, compliance and anti-money laundering functions maintain a level of independence from the first line. They are responsible for providing oversight and challenge of the first line's day-to-day management, monitoring and reporting of risks to both senior management and governing bodies.

Third line: The internal audit function is responsible for providing independent assurance to both senior management and governing bodies as to the effectiveness of the group's governance, risk management and internal controls.

Risk appetite

We define risk appetite as both the amount and type of risk the group is prepared to accept or retain in pursuit of our strategy. Our appetite is subject to regular review to ensure it remains aligned to our strategic goals. Our risk appetite framework contains some overarching parameters, alongside specific primary and secondary measures for each principal risk. At least annually, the board, executive committee and group risk committee will formally review and approve the group's risk appetite statement and assess whether the firm has operated in accordance with the stated risk appetite measures during the year.

Notwithstanding the continued expectations for business growth, along with a strategic and regulatory change programme for 2018, the board remains committed to having a relatively low overall appetite for risk, ensuring that our internal controls mitigate risk to appropriate levels. The board recognises that the business is susceptible to fluctuations in investment markets and has the potential to bear losses from financial and operational risks from time to time, either as reductions in income or increases in operating costs.

Identification and profiling of principal risks

Our risks are classified using a hierarchical approach. The highest level (Level 1) comprises financial, conduct and operational risks. The next level (Level 2) contains 16 risk categories, each allocated to a Level 1 risk. Detailed risks (Level 3) are then identified as sub-sets of Level 2 risks. Level 3 risks are captured and maintained within our group risk register, which is the principal tool for monitoring risks. We recognise that some Level 2 and Level 3 risks have features which need to be considered under more than one Level 1 risk, and this is facilitated in our framework through a system of primary and secondary considerations. Our risk classification is regularly reviewed and takes a structured approach to the identification of all known material risks to the business and those emerging risks which may impact future performance.

Our risk exposures and overall risk profile are reviewed and monitored regularly, considering the potential impact, existing internal controls and management actions required to mitigate the impact of emerging issues and likelihood of future events. To ensure we identify and manage our principal risks, reviews take place with risk owners, senior management and business units across the group. The risk function conducts these reviews and risk workshops regularly during the year.

A watch list is maintained to record any current, emerging or future issues, threats, business developments and regulatory or legislative change, which will or could have the potential to impact the firm's current or future risk profile and therefore may require active risk management, usually through process changes or systems development. The group's risk profile, risk register and watch list are regularly reviewed by the executive committee, senior management, board and group risk committee.

We assess risks using a 1—4 scoring system. Each Level 3 risk is rated by assessing the inherent likelihood of its occurrence in a five-year period and the associated impact. A residual risk score and overall risk rating of high, medium, low or very low is then derived for the five-year period by taking into account an assessment of the internal control environment or insurance mitigation. The assessment of our control environment, carried out by senior management within the firm, includes contributions from first, second and third line data, monitoring and/or assurance activity.

Risk assessment process

The board and senior management are actively involved in a continuous risk assessment process as part of our risk management framework, supported by the annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) work, which assesses the principal risks facing the group.

Stress tests include consideration of the impact of a number of severe but plausible events that could impact the business. The work also takes account of the availability and likely effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks.

Day to day, our risk assessment process considers both the impact and likelihood of risk events which could materialise, affecting the delivery of strategic goals and annual business plans. A top-down and bottom-up approach ensures that our assessment of key risks is challenged and reviewed on a regular basis. The board and executive committee receive regular reports and information from senior management, operational business units, risk oversight functions and specific risk committees.

The executive committee, group risk committee and other key risk-focused committees consider the risk assessments and provide challenge, which is reported through the governance framework and ultimately considered by the board.

Profile and mitigation of principal risks

As explained above, our risks are classified hierarchically in a three-level model. There are three Level 1 risks, 16 Level 2 risks and at Level 3 there are 44 risks, which form the basis of the group's risk register.

Our approach to managing risk continues to be underpinned by an understanding of our current risk exposures and consideration of how risks change over time.

The underlying risk profile and ratings for the majority of Level 2 risks have remained consistent during 2017. However, there have been some changes to risk ratings and the following table summarises the most important.

Based upon the risk assessment processes identified above, the board believes that the principal risks and uncertainties facing the group have been identified. These reflect the impact of strategic and regulatory change in the year including, for example MiFID II (Markets in Financial Instruments Directive) and the General Data Protection Regulation (GDPR). The board remains vigilant to the risks associated with the pension schemes' deficit and the sub-letting of vacant office space in London. Otherwise, the board continues to believe that the other key risks to the business are operational risks that arise from growth and regulatory risks that may arise from continual changes to rules and standards in our sector.

Our overall risk profile and control environment are described below. The board receives assurance from first line senior management that the systems of internal control are operating effectively and from the activities of the second line and third line that there are no material control issues which would affect the board's view of its principal risks and uncertainties.

In line with current guidance, we also include in the tables the potential impacts (I) the firm might face and our assessment of the likelihood (L) of each principal risk crystallising in the event it materialises. These assessments take into account the controls in place to mitigate the risks. However, as is always the case, should a risk materialise, a range of outcomes (both in scale and type) might be experienced. This is particularly relevant for firms such as Rathbones where the outcome of a risk event can be influenced by market conditions as well as internal control factors.

We have used ratings of high, medium and low in this risk assessment. We perceive as high-risk items those which have the potential to impact the delivery of strategic objectives, with medium- and low-rated items having proportionately less impact on the firm. Likelihood is similarly based on a qualitative assessment.

Ref	Risk	Description of change	Risk change in 2017
D	Pension	The schemes' valuation and funding deficit decreased materially due to the closure of the schemes during the year with a significant number of members transferring benefits out of the schemes. However, this still remains an important risk for the firm to manage.	▼
F	Performance and advice	Our forward-looking risk assessment increased during the year, largely reflecting regulatory drivers. In addition to changes delivered in 2017, we plan to improve our processes further in 2018 including how we take on clients and our approach to assessing suitability.	▲
G	Regulatory	Our risk assessment recognises the extent of regulatory change implemented in 2017, which continues into 2018, including, for example, MiFID II optimisation and the General Data Protection Regulation.	▲
K	Data Integrity and Security	We have increased our risk rating in this area based on our assessment of the increasing external threat profile, despite continuing investment in technology improvements.	▲
O	People	Although still regarded as a medium risk, our forward-looking risk assessment increased during the year, reflecting industry-wide trends. We also recognise the importance of addressing the drivers behind our gender pay gap over the coming years.	▲

Emerging risks and threats

Emerging risks, including legislative and regulatory change, have the potential to impact the group and its strategy. These risk factors are monitored through our watch list. During the year, the executive committee continued to recognise a number of emerging risks and threats to the financial services sector as a whole and to our business. We also recognise that the risk profile associated with outsourced activities can change over time and this will be an area of continued focus in 2018.

In addition to the group's view that we can reasonably expect current market conditions and uncertainties to remain throughout 2018, other developing risks include, for example, cyber threats, regulatory change and scenarios potentially arising from geopolitical developments, including Brexit.
We are monitoring the potential consequences of Brexit very closely. Our current assessment is that the direct impacts of Brexit are manageable given our largely UK based business model. However, we are conscious that the position might change and could raise unexpected challenges and also that second order effects might have broader impacts on the UK economy as a whole.

Financial risks

Ref	Level 2 Risk	Residual rating		How the risk arises	Control environment
		I	L		
A	**Credit** The risk that one or more counterparties fail to fulfil contractual obligations, including stock settlement	Low	Low	This risk can arise from placing funds with other banks and holding interest-bearing securities. There is also a limited level of lending to clients	- Banking committee oversight - Counterparty limits and credit reviews - Treasury policy and procedures - Active monitoring of exposures - Client loan policy and procedures - Annual ICAAP
B	**Liquidity** The risk of having insufficient financial resources to meet obligations as they fall due, or that to secure access to such resources would be at an excessive cost	Low	Low	This risk can arise through day-to-day operations in so far as a significant proportion of client funds could be withdrawn in a short time period and marketable assets may not be realised in time and at the value required	- Banking committee oversight - Daily treasury procedures, reconciliations and reporting to senior management - Cash flow forecasting - Contingency funding plan - Annual ILAAP (including stress testing)
C	**Market** The risk that regulatory own funds will be adversely affected by changes in the level or volatility of interest rates, foreign currency exchange rates or market prices	Low	Low	This risk can arise through two primary areas: the exposure to mismatch between repricing of the firm's own financial assets and liabilities and, to a lesser extent, transactional foreign exchange risk	- Banking committee oversight - Documented policies and procedures - Daily monitoring of interest rates, exchange rates, maturity mismatch and extent of marketable assets - Robust application of policy and investment limits
D	**Pension** The risk that funding our defined benefit pension schemes increases, or its valuation affects dividends, reserves and capital	High	High	This risk can arise through a sustained deficit between the schemes' assets and liabilities. A number of factors impact a deficit including increased life expectancy, falling interest rates and falling equity prices	- Board, senior management and trustee oversight - Monthly valuation estimates - Triennial independent actuarial valuations - Investment policy - Senior management review and defined management actions - Annual ICAAP

Further detailed discussion of the group's exposures to financial risks is included in note 31 to the consolidated financial statements.

Conduct risks

Ref	Level 2 Risk	Residual rating I	Residual rating L	How the risk arises	Control environment
E	**Business Model** The risk that the business model does not respond in an optimal manner to changing market conditions such that sustainable growth, market share or profitability is adversely affected	Med	Med	This risk can arise from both strategic decisions which fail to consider the current operating environment or can be influenced by external factors such as material changes in regulation or legislation within the financial services sector	- Board and executive oversight - A documented strategy - Annual business targets, subject to regular review and challenge - Regular reviews of pricing structure - Continued investment in the investment process, service standards and marketing - Trade body participation - Regular competitor benchmarking and analysis
F	**Performance and advice** The risk that clients receive inappropriate financial, trust or investment advice, inadequate documentation or unsuitable portfolios, resulting in a failure to meet clients' investment and/or other objectives or expectations	Med	Med	This risk can arise through a failure to appropriately understand the wealth management needs of our clients and a failure to apply suitable advice or investment strategies, along with having inadequate tools and systems in place to support our client-facing financial professionals	- Investment governance and structured committee oversight - Management oversight and segregated quality assurance and performance teams - Performance measurement and attribution analysis - Know your client (KYC) suitability process - Weekly investment management meetings - Investment manager reviews through supervisor sampling - Compliance monitoring
G	**Regulatory** The risk of failure by the group or a subsidiary to fulfil regulatory requirements and comply with the introduction of new, or changes to existing, regulation	High	Med	This risk can arise from failures by the business to comply with existing regulation or failure to identify and react to regulatory change	- Board and executive oversight - Active involvement with industry bodies - Compliance monitoring programme to examine the control of key regulatory risks - Separate anti-money laundering role with specific responsibility - Oversight of industry and regulatory developments - Documented policy and procedures - Staff training and development
H	**Reputational** The risk of reputational damage from financial and non-financial events or failing to meet stakeholders' expectations	Med	Low	This risk can arise due to a variety of reasons, primarily within Rathbones. This could be from the conduct of the company or its employees, or the service or products provided to clients	- Staff training and development - Board and executive oversight - Strong corporate values and approach to governance - Positive culture regarding risk and regulation, supported by appropriate remuneration practices - Appropriate emphasis on the control environment through the three lines of defence - Proactive and positive communications with key stakeholders - Crisis response plan - Monitoring of company performance relative to competitors

Operational risks

Ref	Level 2 Risk	Residual rating I	Residual rating L	How the risk arises	Control environment
I	**Business change** The risk that the planning or implementation of change is ineffective or fails to deliver desired outcomes, the impact of which may lead to unmitigated financial exposures	Med	Low	This risk can arise if the business is too aggressive and unstructured with its change programme to manage project risks, resource capacity and capabilities to deliver business benefits. The firm also recognises the risks associated with its office move in London, which will lead to the subletting of some premises	- Executive and board oversight of material change programmes - Group project programme board - Dedicated project office function, use of internal and, where required, external subject matter experts - Documented business plans and IT strategy - Two-stage assessment, challenge and approval of project plans - Documented project and change procedures - Active marketing of vacant space
J	**Business continuity** The risk that an internal or external event results in either failure of, or detriment to, core business processes or services	Med	Low	This risk can arise from the business failing to effectively control and administer its core operating systems, manage current and future resource requirements or maintain appropriate security of its infrastructure	- Group business continuity committee oversight - Documented crisis/incident management and disaster recovery plans - Regular disaster recovery testing - Continuous monitoring of IT systems availability - Off-site data centre
K	**Data integrity and security** The risk of a lack of integrity of, inappropriate access to or disclosure of client or company-sensitive information	Med	Med	This risk can arise from the firm failing to maintain and keep secure at all times sensitive and confidential data through its operating infrastructure, including the activities of employees and cyber threats	- Data security committee oversight - Data protection policy and procedures - System access controls and encryption - Penetration testing and multi-layer network security - Training and employee awareness programmes - Physical security
L	**Fraud** The risk of fraudulent action, either internal or external, being taken against the group or a subsidiary	Med	Low	This risk can arise from failures to implement appropriate management controls to detect or mitigate impropriety either within or external to the business and services provided	- Executive oversight - Documented policies and procedures - Segregation of duties between front and back office - System authority and payment limits - System access controls - Training and employee awareness programmes
M	**Legal** The risk of legal action being taken against the group or a subsidiary or failure to comply with legislative requirements resulting in financial loss and reputational damage	Med	Low	This risk can arise from inappropriate behaviour of individuals or from the inadequate drafting of the firm's contractual documentation	- Executive oversight - Retained specialist legal advisers - Routine control of risks which might lead to litigation if adverse outcomes are experienced by clients or other third parties - Documented policies and procedures - Training and employee awareness programmes
N	**Outsourcing** The risk of one or more third parties failing to provide or perform outsourced services to standards expected by the Group, impacting the ability to deliver core services	Med	Low	This risk can arise due to significant unknown operational changes at key outsourced relationships or a material change to their business model which affects their ability to provide the required services for Rathbones	- Executive oversight - Supplier due diligence and regular financial reviews - Active relationship management, including regular service review meetings - Service level agreements and monitoring of key performance indicators - Compliance monitoring over regulated activities

Ref	Level 2 Risk	Residual rating		How the risk arises	Control environment
		I	L		
O	**People** The risk of loss of key staff, lack of skilled resources and inappropriate behaviour or actions. This could lead to lack of capacity or capability threatening the delivery of business objectives or behaviour leading to complaints, regulatory action or litigation	Med	Med	This risk can arise across all areas of the business as a result of resource management failures or from external factors such as increased competition or material changes in regulation	- Executive oversight - Succession and contingency planning - Transparent, consistent and competitive remuneration schemes - Contractual clauses with restrictive covenants - Continual investment in staff training and development - Employee engagement survey - Appropriate balanced performance measurement system
P	**Processing** The risk that the design or execution of client/financial /settlement transaction processes (including dealing activity) are inadequate or fail to deliver an appropriate level of service and protection to client or company assets	Low	Med	This risk can arise from the failure of management to implement and control operational processes and systems to support the volumes of transactions processed on a daily basis	- Authorisation limits and management oversight - Dealing limits and supporting system controls - Active investment in automated processes - Counter review/"four-eyes" processes - Segregation of duties - Documented procedures - Annual controls assessment (ISAE3402 report)

Extract from 2017 annual report and accounts (Group risk committee report):

Committee meetings

Our current members are the independent non-executive directors, who met on four occasions in 2017 (2016: four). Jim Pettigrew was appointed to the committee following David Harrel's retirement as a director in May 2017.

In addition to the members of the committee, standing invitations are extended to the chairman, the executive directors, the chief risk officer and the head of internal audit. All attend committee meetings as a matter of course and inform the committee's discussions. Other executive committee members and risk team members advisers are invited to attend the committee from time to time as required to present and advise on reports commissioned.

I regularly meet with the chief risk officer and her risk team in a combination of formal and informal sessions and with senior management across all divisions of the group to discuss the business environment and to gather their views of emerging risks.

The committee has an agreed annual standing agenda to cover key risk events in the year and are required to be addressed in accordance with the terms of reference. Prior to each meeting, I agree the agenda with the chief risk officer and the company secretary to identify key issues impacting on the firm that may require the committee's attention.

At each meeting, the committee reviews and considers the risk and compliance dashboards which highlight monitoring changes in key risks impacting on the firm. These dashboards are designed to enable the committee to monitor and focus on ongoing or emerging risks. In addition, the committee receives reports and presentations on compliance and anti-money laundering matters, including any regulatory changes impacting on the firm. Finally, the committee conducted 'deep dive' reviews on key risks such as the General Data Protection Regulation (GDPR), internal investment processes and Internal Liquidity Adequacy Assessment Process (ILAAP).

Role and responsibilities of the committee

The key activities of the committee are to provide oversight on the firm's risk appetite and framework. To do this we:

- review reports from the risk team on risk appetite issues including any early warning signals and advise the board accordingly
- discuss any loss events and near misses, the lessons learned and management action taken
- review end-to-end process risk assessments undertaken and any resulting internal control enhancements
- advise the board on the risk aspects of proposed major strategic change
- review risk weightings on performance objectives for executive remuneration
- review (prior to board approval) key regulatory submissions including the Group Internal Capital Adequacy Assessment Process (ICAAP) document

Full terms of reference for the committee are available on the company's website.

Committee effectiveness

A formal and rigorous evaluation of the committee's effectiveness was undertaken during the year as part of the external board effectiveness review. The review found that the committee operated well and ensured that the firm's risks were sufficiently analysed during the year.

In addition, the committee is satisfied that it has access to sufficient resources to enable it to carry out its duties and continue to perform effectively.

2.2 Directors: Recruitment policy, training & external directorships

The nomination committee report on page 76 to 77 of the 2017 annual report and accounts includes details of the recruitment policy for directors. The corporate governance report on pages 58 to 67 of the 2017 annual report and accounts includes a section on board development. The directors' biographies on pages 62 to 63 of the 2017 annual report and accounts summarise the knowledge, skills and expertise of the management committee, as well as provide details of external directorships held.

Extract from 2017 annual report and accounts (nomination committee report):

Roles and responsibilities

The responsibilities of the committee include reviewing the composition (including the skills, knowledge, experience and diversity) of the board and making recommendations to the board for the appointment of directors. The board as a whole then decides on any such appointment.

The committee also has wider responsibilities for succession planning and the leadership needs of the organisation, both executive and non- executive, to ensure the continued ability of the firm to implement its strategy and compete effectively in the marketplace. Full terms of reference for the committee are reviewed annually and are available on the company's website.

Succession planning and talent development

As mentioned above, a key responsibility of the committee is to ensure that the board maintains a balance of skills, knowledge and experience appropriate to the operation for the business and required to deliver the strategy. During 2017, the committee reviewed the composition of the board and considered (a) the core skills and experience of each director; (b) the independence of each director and (c) the diversity, including age and gender, of the board as a whole. This was used to develop a skills matrix which will underpin the evolution of the board.

Following this review the committee was satisfied that the board continues to have an appropriate mix of skills, knowledge and experience to operate effectively. In addition to their professional skills, the directors have collectively many years of experience gained in a wide range of businesses and excellent track records in a range of sectors. During this process, the committee assessed areas which require further development or skills and experience that could be addressed through the recruitment of a new non-executive director.

The committee also takes a keen interest in executive succession plans, which include executive directors across the business. Potential successors have been identified for many senior management positions and non-executive directors have met key individuals as part of normal board interactions and their visits to various teams in London and offices across the country.

The committee continues to receive reports on the talent pipeline which identifies high-caliber individuals with management potential. The committee acknowledges that, in a company the size of Rathbones, there may not always be successors for every senior role. The committee will continue to focus on this issue as a key part of its remit.

Extract from 2017 annual report and accounts (corporate governance report):

Board development

The firm is committed to the training and development of all staff to ensure professional standards are maintained and enhanced. All directors are encouraged to update their skills and any training needs are assessed as part of the board evaluation process. Their knowledge and the non-executive directors familiarity with the firm is facilitated by access to senior management and visits to teams in London and offices across the country. The company secretary assists with professional development requirements of the board. In addition, the board receives mandatory annual training on the following areas:

— CASS
— SEC obligations
— ICAAP and ILAAP

During the year, the board received presentation on the impact of the General Data Protection Regulation (GDPR) and MiFID II (Markets in Financial Instruments Directive) on the firm including the associated change programmes that will be involved. Finally, committee members also receive regular updates on technical developments at scheduled meetings.

2.3 Diversity policy

Information on diversity and inclusion of the management committee is provided in the corporate responsibility report on pages 43 to 56 of the 2017 annual report and accounts.

Extract from 2017 annual report and accounts (corporate responsibility report):

Diversity and inclusion

Rathbones is an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of their race, sex, marital/civil partnership status, age, disability, religious belief, pregnancy, maternity, gender reassignment or sexual orientation.

We have two female directors out of seven and has thus achieved our commitment to meet Lord Davies' target of 25% female board representation. We are working towards achieving the adjusted target of 33% of female board representation for FTSE350 companies by 2020 and are developing a policy aligned to the recommendations published in the Hampton-Alexander review in November 2017.

Historically, women have been less well represented in the investment management industry and addressing this imbalance is a key priority. We are working hard to bring in more women in graduate trainee positions (our graduate and apprentice programmes currently comprise broadly equal numbers of men and women) and by encouraging more applications from women to our work experience and financial career programmes.

We continue to target the progression and development of existing female employees with opportunities for leadership and management programmes. After engaging with our recently returned maternity leavers in 2016, we undertook a comprehensive review of our family leave policies. In 2017, we implemented significant improvements to our maternity, adoption and paternity policies. We also introduced group coaching and online support for working parents.

We have started a training programme covering diversity inclusion and unconscious bias. Our executive committee were amongst the first to participate and are actively supporting the roll-out the all managers across the firm.

Rathbones prides itself on being a ‘real Living Wage’ employer and pays Living Wage Foundation rates of pay to sub-contractor staff and internal employees.

3 Own funds disclosures

3.1 Own funds

A summary of the Group's and RIM's own funds is shown in the following table (£'000):

	Group 31 Dec 2017	Group 31 Dec 2016	RIM 31 Dec 2017	RIM 31 Dec 2016
Permanent ordinary share capital	2,566	2,535	3,380	2,935
Share premium	143,089	139,991	157,130	117,575
Retained earnings	190,402	156,545	108,988	98,038
Other Tier 1 reserves	32,085	31,985	-	-
Deductions	(166,150)	(172,668)	(115,939)	(119,708)
Common Equity Tier 1 capital after deductions	**201,992**	**158,388**	**153,559**	**98,840**
Tier 2 subordinated loan notes	14,846	15,804	20,000	20,000
Own funds	**216,838**	**174,192**	**173,559**	**118,840**

This should be read in conjunction with the capital resources section on page 38 of the 2017 annual report and accounts. Article 437(1)(d) & (e) of the CRR requires disclosure of own funds at 31 December 2017 in accordance with a prescribed own funds disclosure template. This template is attached as Appendix 8 (for the Group) and Appendix 9 (for RIM solo).

Tier 1 capital

Our common equity tier 1 capital comprises:
- ordinary share capital and its associated share premium;
- retained earnings, including audited reserves for the year ended 31 December;
- other reserves, comprising merger and available for sale reserves; and
- deductions comprising intangible assets (representing goodwill on consolidation, software costs and acquired client relationships to the extent not amortised) and treasury shares.

No innovative tier 1 capital was held at, or in the financial years ending, 31 December 2017 and 2016.

Article 437(1)(b) of the CRR requires disclosure of the main features of own funds instruments in accordance with a prescribed capital instruments' main features template. These templates are attached as Appendix 5 (for Rathbone Brothers Plc ordinary shares) and Appendix 6 (for RIM ordinary shares).

Tier 2 capital

Our tier 2 capital comprises qualifying subordinated loan notes, more details of which are provided in note 26 on page 143 of the 2017 annual report and accounts.

The main features template for the Tier 2 instruments is attached as Appendix 7.

3.2 Reconciliation of own funds items to audited financial statements

A reconciliation of the Group's 2017 audited financial statements to regulatory own funds is shown in the following table (£'000):

	Financial statements	Reclassification of deferred tax	Adjustments	Regulatory own funds
Share capital	2,566	-	-	2,566
Share premium	143,089	-	-	143,089
Merger reserve	31,835	-	-	31,835
Available for sale reserve	250	-	-	250
Own shares	(4,864)	-	-	(4,864)
Retained earnings	190,402	-	-	190,402
Total equity	**363,278**	**-**	**-**	**363,278**
Intangible assets	(161,977)	691(1)	-	(161,286)
Subordinated loan notes	19,695	-	(4,849)(2)	14,846
Total regulatory own funds				**216,838**

(1) The deferred tax liability associated with the intangible asset
(2) This represents the difference in values for accounting and own funds eligibility purposes

A reconciliation of RIM's 2017 audited financial statements to regulatory own funds is shown in the following table (£'000):

	Financial statements	Reclassification of deferred tax	Adjustments	Regulatory own funds
Share capital	3,380	-	-	3,380
Share premium	157,130	-	-	157,130
Retained earnings	108,988	-	-	108,988
Total equity	**269,498**	**-**	**-**	**269,498**
Intangible assets	(115,948)	9(1)	-	(115,939)
Subordinated loan notes	19,696	**-**	304 (2)	20,000
Total regulatory own funds				**173,559**

(1) The deferred tax liability associated with the intangible asset
(2) This represents the difference in values for accounting and own funds eligibility purposes

3.3 Common Equity Tier 1 ratio

The Common Equity Tier 1 ratio is calculated in line with CRD IV regulations for banks, and makes reference to a total risk exposure amount. The total risk exposure amount includes the risk-weighted exposure amount in relation to the foreign exchange position risk requirement for market risk and the operational risk capital component, in line with other credit institutions. Risk-weighted assets in relation to credit risk are more fully detailed in Appendices 1 and 3 for Group and RIM respectively.

Group Common Equity Tier 1 ratio as at 31 December 2017 was 20.7% (2016: 17.7%)
RIM Common Equity Tier 1 ratio as at 31 December 2017 was 17.6% (2016: 12.3%)

See Appendices 2 and 4, for Group and RIM respectively, for a breakdown of the calculation of the total risk exposure amount.

3.4 Leverage ratio

A summary of the Group's leverage requirement is shown in the following table (£'000):

	Group 31 Dec 2017	Group 31 Dec 2016
Capital Measure	201,992	158,388
Exposure Measure	2,594,784	2,416,276
Leverage Ratio	**7.8%**	**6.6%**

Both the capital measure and exposure measures are calculated as prescribed within both Part Seven of the CRR and the EU Commission Delegated Regulation 2015/62.

The capital measure comprises tier 1 own funds after deductions as described in section 3.1. The exposure measure consists of on and off balance sheet assets (including additional exposure to counterparty credit risk) excluding those assets already deducted from tier 1 own funds.

More detail is provided in the capital resources section on page 38 of the 2017 annual report and accounts. Article 451 of the CRR requires disclosure of the leverage calculation at 31 December 2017 in accordance with a prescribed series of templates, primarily focused on breaking down the exposure measure. This template is attached as Appendix 10.

The leverage ratio is managed alongside capital as detailed in note 32 of the 2017 annual report and accounts.

4 Own funds requirements

4.1 Internal Capital Adequacy Assessment Process ('ICAAP')

As required under PRA rules and the CRR the Group performs an ICAAP annually, which includes performing a range of stress tests to determine the appropriate level of regulatory capital that the Group needs to hold. In addition, a wide range of capital statistics are monitored on a daily, monthly or less frequent basis as required. Surplus capital levels are forecast on a monthly basis, taking account of proposed dividends and investment requirements, to ensure that appropriate buffers are maintained. Investment of proprietary funds is controlled by the treasury department.

4.2 Pillar 1: Own funds requirements

The Pillar 1 own funds requirement is the sum of the own funds requirements for credit and counterparty credit risk, settlement risk, market risk and operational risk (£'000):

	Group 31 Dec 2017	Group 31 Dec 2016	RIM 31 Dec 2017	RIM 31 Dec 2016
Credit & counterparty credit risk	39,226	36,815	38,135	35,868
Settlement risk	231	44	231	44
Market risk	353	389	-	227
Operational risk	38,370	34,164	31,381	27,966
Total own funds requirement	**78,180**	**71,412**	**69,747**	**64,105**

4.3 Credit & counterparty credit risk

Credit risk is the risk that unexpected losses may arise as a result of the Group's market counterparties or borrowers failing to meet their obligations to repay outstanding balances.

The banking committee has primary responsibility for the management of credit risk. It is a sub-committee of RIM and is chaired by the finance director. The committee meets each month and has additional meetings at other times when required.

Analysis of own funds requirement for credit & counterparty credit risk (£'000):

	Group 31 Dec 2017	Group 31 Dec 2016	RIM 31 Dec 2017	RIM 31 Dec 2016
Central government or central banks	-	-	-	-
Institutions	18,602	17,933	19,983	19,423
Corporates	-	-	-	-
Retail	8,593	7,491	8,546	7,458
Exposures in default	26	41	1	1
Claims on institutions with a short-term credit assessment	2,603	2,654	2,603	2,654
Collective investment undertakings	1,919	1,810	1,309	1,257
Other items[(1)]	7,483	6,886	5,693	5,075
Own funds requirement for credit & counterparty credit risk	**39,226**	**36,815**	**38,135**	**35,868**

[(1)] Other items include tangible fixed assets, off-balance sheet guarantees, prepayments & accrued income and deferred tax assets.

See Appendices 1 and 3 (for Group and RIM respectively) for a reconciliation of the 2017 report and accounts to the Pillar 3 credit risk exposures.

The principal source of credit risk to Rathbones arises from placing funds with, and holding interest-bearing securities issued by, a range of high quality financial institutions and money market funds. Investments are spread to avoid excessive exposure to any individual counterparty.

Analysis of own funds requirement for total credit and counterparty credit risk as at 31 December 2017, split between Treasury book and other assets (£'000):

	Group Treasury book	Group Other	RIM Treasury book	RIM Other
Central government or central banks	-	-	-	-
Institutions (1)	17,956	646	17,360	2,623
Corporates	-	-	-	-
Retail	-	8,593	-	8,546
Exposures in default	-	26	-	1
Claims on institutions with a short-term credit assessment	2,603	-	2,603	-
Collective investment undertakings	1,708	211	1,309	-
Other items (2)	-	7,483	-	5,693
Own funds requirement on credit and counterparty risk	**22,267**	**16,959**	**21,272**	**16,863**

(1) Non-Treasury book balances for Institutions represent balances at brokers and intragroup balances

(1) Other items include tangible fixed assets, off-balance sheet guarantees, prepayments & accrued income and deferred tax assets.

The charge for the Treasury book represents 57% of the total credit risk capital component for Group and 56% for RIM. Significant balances are held at the Bank of England which attracts a 0% credit risk charge.

The charge for retail exposures represents a further 22% of the total credit risk capital component and arises primarily from RIM's client lending activity. This activity is a service offered to assist investment management clients who may be asset rich but have short to medium term cash requirements. Loans are made on a fully secured basis, generally against diversified portfolios held in Rathbones' nominee name. For the purpose of the credit risk calculation no mitigation has been taken on the value of any security held against the loans. The charge for other items relates to exposures in the form of tangible fixed assets, off-balance sheet guarantees, prepayments & accrued income and deferred tax assets.

4.3.1 Counterparty credit risk

The own funds requirement for counterparty credit risk is included within the total for claims on institutions in the table above.

The counterparty credit risk charge is based on the mark-to-market exposure of any trades undertaken on behalf of investment management clients which are outside of normal settlement terms (T+2 for stock trades and generally T+3 for unit trust trades), any client foreign exchange transactions which are outside of the usual T+2 settlement terms, and any free deliveries. There are no other derivatives.

Analysis of exposure value and own funds requirement for counterparty credit risk (£'000):

	Group 31 Dec 2017		RIM 31 Dec 2017	
	Exposure value	Own funds requirement	Exposure value	Own funds requirement
Forward rate agreements	-	-	-	-
Long settlement transactions	10,750	227	10,504	220
Forward FX transactions	726	29	701	28
Free deliveries	4,867	389	4,867	389
Total	**16,343**	**645**	**16,072**	**637**

Rathbones does not have any collateral positions, margin lending transactions or repo transactions, nor does it have a credit rating the downgrading of which could impact the above values.

4.4 Credit Valuation Adjustment risk

The own funds requirement for credit valuation adjustment risk is not material.

4.5 Settlement risk

An own funds requirement for settlement risk is taken in respect of trades undertaken on behalf of investment management clients which have gone beyond their agreed settlement terms.

Analysis of own funds requirement for settlement risk (£'000):

	Group 31 Dec 2017	Group 31 Dec 2016	RIM 31 Dec 2017	RIM 31 Dec 2016
Own funds requirement for settlement risk	**231**	**44**	**231**	**44**

4.6 Market risk

Market risk is the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates.

The Group has no trading book, undertakes no proprietary trading (other than the treasury assets referred to above) and generally does not provide or use derivative products. Foreign currency settlements for investment management clients are converted to the base currency of their portfolio at the time of booking the transaction. Foreign currency income and non-Rathbones initiated transactions are converted to the base currency of the client's portfolio as soon as possible after identification of the transaction. As a result, a Pillar 1 charge only arises from incidental foreign currency positions held as a consequence of normal settlement activity.

Analysis of own funds requirement for market risk (£'000):

	Group 31 Dec 2017	Group 31 Dec 2016	RIM 31 Dec 2017	RIM 31 Dec 2016
Foreign currency position risk requirement	353	389	-	227
Own funds requirement for market risk	**353**	**389**	**-**	**227**

4.7 Operational risk

Operational risk is the risk of loss or negative impact to the Group resulting from inadequate or failed internal processes, people and systems, or from external factors such as regulation and key suppliers; it includes legal and financial crime risks, but does not include strategic, reputation or business risks. The Group and RIM have adopted the Basic Indicator Approach (BIA) under Pillar 1 which produces a capital charge of 15% of its audited average net operating income for the three preceding financial years.

Analysis of own funds requirement for operational risk (£'000):

	Group 31 Dec 2017	Group 31 Dec 2016	RIM 31 Dec 2017	RIM 31 Dec 2016
Basic indicator approach	38,370	34,164	31,381	27,966
Own funds requirement for operational risk	**38,370**	**34,164**	**31,381**	**27,966**

4.8 Pillar 2 & buffers

The Pillar 2A charge is agreed with the regulator as part of their regular Supervisory Review and Evaluation Process ('SREP') visit and covers additional risks not deemed to be included in either the Pillar 1 charge or the add-on. Its basis of calculation is confidential, although disclosure of the aggregate charge is permitted.

Analysis of own funds requirement for Pillar 2A (£'000):

	Group 31 Dec 2017	Group 31 Dec 2016	RIM 31 Dec 2017	RIM 31 Dec 2016
Aggregate Pillar 2A charge	46,123	27,898	45,300	26,875

Geographical distribution of Group credit exposures relevant for the calculation of the countercyclical capital buffer (£'000):

Country	General credit exposures	Trading book exposures	Securitisation exposures	Own funds requirement: General	Own funds requirements weights	Countercyclical buffer rate
Hong Kong	33	-	-	3	0.01%	1.250%
Norway	9	-	-	1	0.00%	2.000%
Sweden	1,492	-	-	119	0.58%	2.000%
Total						**0.010%**

Geographical distribution of RIM credit exposures relevant for the calculation of the countercyclical capital buffer (£'000):

Country	General credit exposures	Trading book exposures	Securitisation exposures	Own funds requirement: General	Own funds requirements weights	Countercyclical buffer rate
Hong Kong	33	-	-	3	0.01%	1.250%
Norway	9	-	-	1	0.00%	2.000%
Sweden	1,492	-	-	119	0.66%	2.000%
Total						**0.010%**

Amount of institution-specific countercyclical capital buffer (£'000):

	Group 31 Dec 2017	Group 31 Dec 2016	RIM 31 Dec 2017	RIM 31 Dec 2016
Total risk exposure amount*	977,250	892,657	871,838	801,321
Institution-specific countercyclical capital buffer rate	0.01%	0.04%	0.01%	0.05%
Institution-specific countercyclical capital buffer	**98**	**357**	**87**	**401**

* Total risk exposure amount is more fully detailed in Appendices 2 and 4 (for Group and RIM respectively)

Amount of capital conservation buffer (£'000):

	Group 31 Dec 2017	Group 31 Dec 2016	RIM 31 Dec 2017	RIM 31 Dec 2016
Total risk exposure amount*	977,250	892,657	871,838	801,321
Capital conservation buffer rate	1.875%	0.625%	1.875%	0.625%
Capital conservation buffer	**18,323**	**5,579**	**16,347**	**5,008**

* Total risk exposure amount is more fully detailed in Appendices 2 and 4 (for Group and RIM respectively)

5 Credit risk

Outstanding settlement balances do not represent a credit risk to Rathbones under the principles of matched principal broking and have therefore been excluded from any credit risk calculations.

5.1 Credit exposures by exposure class

Analysis of total exposures by exposure class (£'000):

			Month end average over 2017	
	Group 31 Dec 2017	RIM 31 Dec 2017	Group	RIM
Central government or central banks	1,375,726	1,375,726	1,351,978	1,351,978
Institutions	679,630	664,723	674,297	654,905
Corporates	-	-	-	-
Retail	166,521	165,725	158,403	157,789
Exposures in default	219	7	217	5
Claims on institutions with a short-term credit assessment	162,703	162,703	143,262	143,262
Collective investment undertakings	109,433	81,810	116,491	89,030
Other items (1)	93,535	71,165	74,867	53,807
Total exposures	**2,587,767**	**2,521,859**		

(1) Other items include tangible fixed assets, off-balance sheet guarantees, prepayments & accrued income and deferred tax assets.

For the purposes of regulatory own funds the Group has defined 'exposures in default' as those being 90 days or more past the due date for settlement, whereas for accounting purposes items are included when 30 days past their due settlement date. As at 31 December 2017 exposures in default have only been identified in fee debtors due to trust and pensions activities, however values are not material and no further breakdown of exposures by counterparty type or geographical area is therefore undertaken.

Impaired exposures have been classified as those where a provision has been taken against the book value of the exposure. These have historically arisen only in fee debtors due to trust and pensions activities. A credit risk charge has been taken against the net amount of the exposure after deduction of the provision. Values of provisions against trust and pensions debtors are dependent on the specific circumstances of the debt and the opinion of the case officer.

5.2 Exposures in default

Analysis of exposures in default by number of days past their due payment date (£'000):

	Group 31 Dec 2017	RIM 31 Dec 2017
90 to 180 days	75	7
180 to 270 days	53	-
270 to 365 days	28	-
Over 365 days	63	-
Total exposures in default	**219**	**7**

5.3 Impaired exposures

Analysis of movements in provision for impaired exposures (£'000):

	Group 2017	RIM 2017
Balance at 1 January	**91**	**29**
Transferred from fellow Group undertakings	-	-
Amounts written off	(26)	(-)
Amounts recovered	-	-
Credit to profit or loss	1	(29)
Balance at 31 December	**66**	**-**

5.4 Reconciliation of credit exposures to IFRS7 disclosures

Note 31 in the Group annual report & accounts presents information about credit risk exposures on an IFRS7 basis. A reconciliation between this IFRS7 basis and the basis used for Pillar 3 credit risk disclosure is presented below (£'000):

	Group 31 Dec 2017	RIM 31 Dec 2017
IFRS7 credit risk exposures	**2,540,042**	**2,448,304**
Counterparty credit risk and free delivery exposure	16,343	16,072
Significant investment in financial sector entity(1)	-	8,867
Non-trading book equity exposures	2,565	-
Undrawn loan facilities granted	40,527	40,527
Tangible fixed assets	16,457	16,252
Cash	2	1
Deferred tax asset	9,752	4,193
Other financial assets	8,746	2,543
Off-balance sheet guarantees	117	117
Settlement balances	(46,784)	(15,017)
Pillar III credit risk exposures	**2,587,767**	**2,521,859**

(1) This represents RIM's investment in its subsidiaries. If the cost of the investment is lower than 10% of Common Equity Tier 1 post deductions it is included in credit risk. If the investment exceeds this limit, the excess over 10% is deducted from capital. As at 31 December 2017 the cost of the investment was lower than the 10% limit.

5.5 Unencumbered assets

The only asset which is classified as encumbered is the Cash Ratio Deposit held by RIM at the Bank of England of £1,380,385 (2016: £670,117). The fair value of unencumbered assets is not materially different to the carrying value. This amount does not qualify as a high quality liquid asset for the purposes of liquidity coverage ratio calculations.

5.6 Analysis of Group exposures

Analysis of the Group's total exposures by exposure class and geographical distribution (£'000):

	UK	Eurozone	Rest of World	31 December 2017
Central government or central banks	1,375,726	-	-	**1,375,726**
Institutions	329,987	139,296	210,347	**679,630**
Corporates	-	-	-	**-**
Retail	157,585	337	8,599	**166,521**
Exposures in default	219	-	-	**219**
Claims on institutions with a short-term credit assessment	-	75,415	87,288	**162,703**
Collective investment undertakings	2,623	106,810	-	**109,433**
Other items (1)	92,158	338	1,039	**93,535**
Total exposures	**1,958,298**	**322,196**	**307,273**	**2,587,767**

Analysis of the Group's total exposures by exposure class and counterparty type (£'000):

	Public Sector	Financial Institutions	SME (2)	Clients and other corporate	31 December 2017
Central government or central banks	1,375,726	-	-	-	**1,375,726**
Institutions	-	679,630	-	-	**679,630**
Corporates	-	-	-	-	**-**
Retail	-	-	12,577	153,944	**166,521**
Exposures in default	-	-	-	219	**219**
Claims on institutions with a short-term credit assessment	-	162,703	-	-	**162,703**
Collective investment undertakings	-	109,433	-	-	**109,433**
Other items (1)	-	388	-	93,147	**93,535**
Total exposures	**1,375,726**	**952,154**	**12,577**	**247,310**	**2,587,767**

Analysis of the Group's total exposures by exposure class and residual maturity (£'000):

	Less than 3 months	3 months to 1 year	Over 1 year	Non-defined maturity	31 December 2017
Central government or central banks	1,374,346	1,380	-	-	**1,375,726**
Institutions	208,501	471,129	-	-	**679,630**
Corporates	-	-	-	-	**-**
Retail	52,986	43,148	70,387	-	**166,521**
Exposures in default	-	156	63	-	**219**
Claims on institutions with a short-term credit assessment	162,703	-	-	-	**162,703**
Collective investment undertakings	106,810	-	-	2,623	**109,433**
Other items (1)	64,570	2,006	10,502	16,457	**93,535**
Total exposures	**1,969,916**	**517,819**	**80,952**	**19,080**	**2,587,767**

(1) Other items include tangible fixed assets, off-balance sheet guarantees, prepayments & accrued income and deferred tax assets.

(2) Micro, small & medium-sized enterprises

5.7 Analysis of RIM exposures

Analysis of RIM's total exposures by exposure class and geographical distribution (£'000):

	UK	Eurozone	Rest of World	31 December 2017
Central government or central banks	1,375,726	-	-	**1,375,726**
Institutions	319,108	135,268	210,347	**664,723**
Corporates	-	-	-	**-**
Retail	156,804	336	8,585	**165,725**
Exposures in default	7	-	-	**7**
Claims on institutions with a short-term credit assessment	-	75,415	87,288	**162,703**
Collective investment undertakings	-	81,810	-	**81,810**
Other items (1)	70,978	10	177	**71,165**
Total exposures	**1,922,623**	**292,839**	**306,397**	**2,521,859**

Analysis of RIM's total exposures by exposure class and counterparty type (£'000):

	Public Sector	Financial Institutions	SME (2)	Clients and other corporate	31 December 2017
Central government or central banks	1,375,726	-	-	-	**1,375,726**
Institutions	-	664,723	-	-	**664,723**
Corporates	-	-	-	-	**-**
Retail	-	-	12,577	153,148	**165,725**
Exposures in default	-	-	-	7	**7**
Claims on institutions with a short-term credit assessment	-	162,703	-	-	**162,703**
Collective investment undertakings	-	81,810	-	-	**81,810**
Other items (1)	-	120	-	71,045	**71,165**
Total exposures	**1,375,726**	**909,356**	**12,577**	**224,200**	**2,521,859**

Analysis of RIM's total exposures by exposure class and residual maturity (£'000):

	Less than 3 months	3 months to 1 year	Over 1 year	Non-defined maturity	31 December 2017
Central government or central banks	1,374,346	1,380	-	-	**1,375,726**
Institutions	184,972	470,884	-	8,867	**664,723**
Corporates	-	-	-	-	**-**
Retail	51,971	43,304	70,450	-	**165,725**
Exposures in default	-	7	-	-	**7**
Claims on institutions with a short-term credit assessment	162,703	-	-	-	**162,703**
Collective investment undertakings	81,810	-	-	-	**81,810**
Other items (1)	49,275	843	4,795	16,252	**71,165**
Total exposures	**1,905,077**	**516,418**	**75,245**	**25,119**	**2,521,859**

(1) Other items include tangible fixed assets, off-balance sheet guarantees, prepayments & accrued income and deferred tax assets.

(2) Micro, small & medium-sized enterprises

6 Standardised approach to credit risk

The Group and RIM have adopted the standardised approach to credit risk, and it follows the standard mapping of the 6 credit quality steps in a credit quality assessment scale as set out in Part 1 of Annex VI of the Banking Consolidation Directive to ratings provided by Fitch, Moody's and Standard & Poor's. These standard mappings ensure that consistency between ratings provided by different External Credit Assessment Institutions ('ECAIs') is achieved.

For the purpose of the credit risk calculation no mitigation has been taken on the value of any security held against the loan book.

6.1 External Credit Assessment Institutions

The Group has nominated the following ECAIs to rate exposures under the standardised approach to credit risk, none of which have changed since the last disclosures:

ECAI	Exposure class
Fitch Ratings Limited	Central banks Institutions Corporates Claims on institutions with a short-term credit assessment
Moody's Investor Service Standard & Poor's	Collective investment undertakings

6.2 Mapping of ECAI rating to credit quality step

Analysis of the Group's total exposures by exposure class and credit quality step (£'000):

	Credit quality step 1	Credit quality step 2	Other	Unrated	31 December 2017
Fitch Ratings Limited	**AAA to AA-**	**A+ to A-**			
Moody's Investor Service	**Aaa to Aa3**	**A1 to A3**			
Standard & Poor's	**AAAm to AA-m**	**A+m to A-m**			
Central government or central banks	1,375,726	-	-	-	**1,375,726**
Institutions (1)	203,513	469,419	1,811	4,887	**679,630**
Corporates	-	-	-	-	**-**
Retail (2)	-	-	-	166,521	**166,521**
Exposures in default	-	-	-	219	**219**
Claims on institutions with a short-term credit assessment	99,974	62,729	-	-	**162,703**
Collective investment undertakings (3)	106,810	-	-	2,623	**109,433**
Other items (4)	-	-	-	93,535	**93,535**
Total exposures	**1,786,023**	**532,148**	**1,811**	**267,785**	**2,587,767**

(1) Unrated Institutions represent exposures to brokers for settlement and counterparty credit risk

(2) Retail exposures represent primarily loans advanced (plus £40m of undrawn proposals) to existing RIM clients, whom as individuals are unrated.

(3) Unrated CIUs represent holdings of RUTM units by the Group

(4) Other items include tangible fixed assets, off-balance sheet guarantees, prepayments & accrued income and deferred tax assets.

6.3 Mapping of ECAI rating to credit quality step

Analysis of RIM's total exposures by exposure class and credit quality step (£'000):

	Credit quality step 1	Credit quality step 2	Other	Unrated	31 December 2017
Fitch Ratings Limited	**AAA to AA-**	**A+ to A-**			
Moody's Investor Service	**Aaa to Aa3**	**A1 to A3**			
Standard & Poor's	**AAAm to AA-m**	**A+m to A-m**			
Central government or central banks	1,375,726	-	-	-	**1,375,726**
Institutions (1)	184,276	453,451	-	26,996	**664,723**
Corporates	-	-	-	-	**-**
Retail (2)	-	-	-	165,725	**165,725**
Exposures in default	-	-	-	7	**7**
Claims on institutions with a short-term credit assessment	99,974	62,729	-	-	**162,703**
Collective investment undertakings	81,810	-	-	-	**81,810**
Other items (3)	-	-	-	71,165	**71,165**
Total exposures	**1,741,786**	**516,180**	**-**	**263,893**	**2,521,859**

(1) Unrated Institutions represent exposures to brokers for settlement and counterparty credit risk and intragroup balances

(2) Retail exposures represent primarily loans advanced (plus £40m of undrawn proposals) to existing RIM clients, whom as individuals are unrated.

(3) Other items include tangible fixed assets, off-balance sheet guarantees, prepayments & accrued income and deferred tax assets.

7 Liquidity risk

7.1 Internal Liquidity Adequacy Assessment Process ('ILAAP')

As required under PRA rules and the CRR the Group performs an ILAAP annually, which sets out how the group manages its liquidity risk and includes performing a range of stress tests to measure liquidity risk and ensure all controls and procedures in place are appropriate.

A series of liquidity statistics are monitored on a daily, monthly or less frequent basis and provide senior management and the Board with an overview of liquidity positions that address the following:

- intraday: management of liquidity on a day to day basis;
- operational: planning for operating liquidity requirements in the medium term; and
- strategic: incorporating long term strategic goals.

More detail on liquidity risk is included on pages 157 to 159 within note 31 of the annual report and accounts.

7.2 Summary of the liquidity coverage ratio ('LCR')

A summary of the Group's LCR during 2017 is shown in the following table (£'000):

	31 Dec 2017	30 Sept 2017	30 June 2017	31 Mar 2017
Total High Quality Liquid Assets	1,381,395	1,424,455	1,480,003	1,270,002
Total Net Cash Outflow	200,886	274,109	278,210	236,188
Liquidity Coverage Ratio	**687.7%**	**519.7%**	**532.0%**	**537.7%**

A summary of RIM's LCR during 2017 is shown on the following table (£'000):

	31 Dec 2017	30 Sept 2017	30 June 2017	31 Mar 2017
Total High Quality Liquid Assets	1,381,393	1,424,455	1,480,002	1,270,001
Total Net Cash Outflow	306,329	367,544	377,299	359,526
Liquidity Coverage Ratio	**450.9%**	**387.6%**	**392.3%**	**353.2%**

8 Interest rate risk in the banking book

Interest rate risk is the potential adverse impact on the Group's future cash flows and earnings from changes in interest rates and arises from the mismatch in the maturity profile of the Group's interest bearing assets and liabilities.

We place all interest-bearing assets and liabilities into maturity buckets according to their contractual maturity, in line with the FSA017 regulatory return, and we calculate the exposure for a theoretical unexpected 2% movement in interest rates on a daily basis.

The average maturity mismatch is controlled by the banking committee, which is a sub-committee of the RIM board. We control the overall risk exposure by a combination of treasury planning and the occasional purchase of Forward Rate Agreements ('FRA') on a fully matched basis. In periods of potential interest rate volatility the banking committee manages interest rate risk by shortening the maturity of interest bearing assets.

From 23 October 2009 RIM published new client interest rate schedules which explicitly link the rate paid on client deposits to the UK base rate (in compliance with the Payment Services Directive). A linear analysis of the effects of a 2% parallel shift, calculated in accordance with FSA017 returns, is shown in the table below. The current low interest rate environment means that this linear approach for a downward shift is unrealistic in practice.

8.1 Effect of 2% rate movement

£'000	Group 31 Dec 2017	Group 31 Dec 2016	RIM 31 Dec 2017	RIM 31 Dec 2016
GBP – upward shift	(4,779)	(3,925)	(4,622)	(3,788)
GBP – downward shift	4,887	4,046	4,731	3,909

Interest rate risk is calculated and monitored for US dollars and Euros; however these are not material.

9 Non-trading book exposures in equities

Listed equities represent units held by the Group in unit trusts managed by Rathbone Unit Trust Management Limited.

9.1 Valuation of exposures

Analysis of total non-trading book exposures in equities (£'000):

	Group 31 Dec 2017	Group 31 Dec 2016	RIM 31 Dec 2017	RIM 31 Dec 2016
Listed	2,623	1,864	-	-
Unlisted	-	-	-	-
Total exposures	**2,623**	**1,864**	**-**	**-**

Listed investments are shown at fair value, being equal to the market value.

Unlisted investments are shown at fair value, based on the net assets of the entity owned discounted for liquidity.

The Group realised net losses of £43,000 on disposal of available-for-sale securities during 2017 (2016: £nil)

Total unrealised gains from changes in fair value as at 31 December 2017 were £163,000 (2016: £93,000).

10 Remuneration code

Our remuneration policy is determined by the board's remuneration committee. The policy provides a framework to attract, retain and reward employees to achieve the strategic and business objectives of Rathbones within its risk appetite and risk management framework.

10.1 Remuneration committee

The remuneration committee report on pages 80 to 103 of the 2017 annual report & accounts includes details on directors' remuneration policy. The committee, which comprises the five independent non-executive directors, met on four occasions in 2017. The remuneration committee was advised by PricewaterhouseCoopers (PWC), who provided external market data and advice on current best practice on remuneration policies and arrangements.

10.2 Overview of 2017 remuneration system

Full details of the executive incentive schemes are set out in the 2017 annual report & accounts.

Investment managers within RIM participated in a profit sharing scheme which enabled them to benefit from a proportion of the profit they generated individually for the business. They were also rewarded for attracting and retaining new funds under management, such awards being subject to a deferral mechanism.

Fund managers and support staff within RUTM participated in a profit sharing scheme based on the profit earned by RUTM. The individual profit share for each fund manager is also dependent on the level of investment performance (measured over 1 and 3 years) of the funds managed by the individual.

Other employees within Rathbones were eligible for discretionary bonus awards which were based on both financial and non-financial criteria.

The balance between fixed and variable remuneration was focused on ensuring that there remains an appropriate link between overall remuneration and performance.

10.3 Link between pay & performance

Employee remuneration typically comprised a salary with benefits including pension scheme, life assurance, private medical insurance and permanent health insurance together with a number of bonus or profit sharing arrangements. Salaries were set in the context of affordability, market data and the knowledge and skills required for the particular role. The remuneration of senior management and Material Risk Takers (MRTs) is reviewed annually by the remuneration committee.

10.4 Aggregate information

RIM and RUTM, and consequently the Group, fall into proportionality level 3 under the Remuneration Code.

In accordance with Commission Delegated Regulation (EU) No 604/2014, identification of Material Risk Takers ('MRTs'), defined as those staff members who are deemed to have a material impact on an institution's risk profile, has included both the qualitative and quantitative testing. This population of MRTs forms the basis of the aggregate disclosures below.

Rathbones had 25 staff classified as MRTs during the 2017 performance year (excluding those identified under the quantitative rules for whom exclusion will be notified to, or sought from, the regulator).

Total aggregate remuneration paid for the Group for the year ended 31 December 2017 was £130.7m, of which £11.8m was paid to qualitative MRTs.

The total remuneration paid to qualitative MRTs can be further broken down by role as follows (£m):

Business unit	
Senior management (including Management body) qualitative MRTs (SMF)	7.1
Other qualitative MRTs	4.7
Total	**11.8**

The total remuneration paid to qualitative MRTs can be further broken down by business unit as follows (£m):

Business unit	
Management body	2.3
Investment management	4.6
Unit trusts	4.5
Independent control functions	0.4
Total	**11.8**

The figures above include deferred, contingent awards, the value of which is estimated based on 31 December 2017 market conditions. Where performance criteria exist, it has been assumed that these will be met in full. The figures are presented on an award basis for the year and do not equal the accrued charge in the financial statements.

11 Disclosure

This document includes the disclosure requirements that are required by CRR and the regulator.

Rathbone Brothers Plc is subject to consolidated supervision by the regulator. The Group's principal operating subsidiaries are detailed more fully in Section 1. All subsidiaries are limited by ordinary shares, and other than the requirements to hold regulatory capital there are no practical or legal impediments to the prompt transfer of capital between Rathbone Brothers Plc and its subsidiaries.

11.1 Frequency

Pillar 3 disclosures are made on an annual basis.

11.2 Location

The report is published in the investor relations section of the Rathbones website, and can also be available on request by writing to Paul Stockton, Group finance director, Rathbone Brothers Plc, 8 Finsbury Circus, London EC2M 7AZ.

11.3 Verification

Disclosures are unaudited but have been verified internally. They will only be subject to external verification to the extent they are equivalent to those made in published financial information prepared in accordance with International Accounting Standards. These disclosures explain how the board have calculated certain capital requirements and information about risk management generally. They do not constitute financial statements and should not be relied upon in making judgements about Rathbones or for any other purpose than that for which they are intended.

12 Appendices

Appendix 1

Group reconciliation of report & accounts to Pillar 3 credit risk exposures

As at 31 December 2017:

Reconciliation of report & accounts to Pillar 3 credit risk exposures (£'000)					Analysis of credit risk exposure by risk weighting (£'000)								
	Presented Balance Sheet	Excluded from credit risk	Other	Pillar III credit risk exposures	0%	20%	50%	75%	100%	150%	250%	1250%	Total
Cash and balances at central banks	1,375,382			1,375,382	1,375,382								1,375,382
Settlement balances	46,784	(46,784)		-									-
Loans and advances to banks	117,253		4,526 [(1)]	121,779		91,713	30,066						121.779
Loans and advances to customers	126,213		40,527 [(2)]	166,740	40,527			74,307	51,687	219			166,740
Investment securities													
- Available for sale	109,312			109,312		106,747			2,565				109,312
- Held to maturity	701,966			701,966		426,961	275,005						701,966
Investment in associate	-			-									-
Intangible assets	161,977	(161,977)		-									-
Property, plant and equipment	16,457			16,457					16,457				16,457
Deferred tax asset	9,061		691 [(3)]	9,752					9,752				9,752
Prepayments, accrued income and other assets	74,445		16,343 [(4)] (4,526)[(1)]	86,262	346	10,084	3,544		72,288				86,262
Intra-group balances	-			-									-
Off-Balance Sheet guarantees	-		117	117					117				117
Total assets	**2,738,850**	**(208,761)**	**57,678**	**2,587,767**	**1,416,255**	**635,505**	**308,615**	**74,307**	**152,866**	**219**	**-**	**-**	**2,587,767**
Total risk-weighted assets					**-**	**127,101**	**154,308**	**55,727**	**152,866**	**329**	**-**	**-**	**490,331**
Total own funds requirement for credit risk (at 8%)					**-**	**10,168**	**12,345**	**4,458**	**12,229**	**26**	**-**	**-**	**39,226**

[(1)] reclassification of Barclays Bank Plc client money account

[(2)] undrawn loan proposals

[(3)] deferred tax relating to intangible assets

[(4)] counterparty & settlement risk exposures

Appendix 2

Group Common Equity Tier 1 ratio

Calculation of Group Common Equity Tier 1 ratio (£'000):

	31 Dec 2017	31 Dec 2016
Common Equity Tier 1 after deductions	**201,992**	**158,388**
Risk Weighted assets		
Credit & counterparty credit risk (1)	490,331	460,194
Settlement risk (2)	2,888	550
Market risk (3)	4,413	4,863
Operational risk (4)	479,618	427,050
Total risk exposure amount	**977,250**	**892,657**
Common Equity Tier 1 ratio	**20.7%**	**17.7%**

(1) See Appendix 1 (page 34)
(2) Calculated as 12.5 times the own funds requirement for settlement risk (page 19)
(3) Calculated as 12.5 times the own funds requirement for market risk (page 19)
(4) Calculated as 12.5 times the own funds requirement for operational risk (page 19)

Appendix 3

RIM reconciliation of report & accounts to Pillar 3 credit risk exposures

As at 31 December 2017:

Reconciliation of report & accounts to Pillar 3 credit risk exposures (£'000)					Analysis of credit risk exposure by risk weighting (£'000)								
	Presented Balance Sheet	Excluded from credit risk	Other	Pillar 3 credit risk exposures	0%	20%	50%	75%	100%	150%	250%	1250%	Total
Cash and balances at central banks	1,375,381			1,375,381	1,375,381								1,375,381
Settlement balances	15,017	(15,017)		-									-
Loans and advances to banks	80,506		4,526 [1]	85,032		54,966	30,066						85,032
Loans and advances to customers	138,448		40,527 [2]	178,975	40,527	13,242		73,512	51,687	7			178,975
Investment securities													
- Available for sale	81,746			81,746		81,746							81,746
- Held to maturity	701,966			701,966		426,961	275,005						701,966
Intangible assets	115,948	(115,948)		-									-
Property, plant and equipment	16,252			16,252					16,252				16,252
Deferred tax asset	4,184		9 [3]	4,193					4,193				4,193
Prepayments, accrued income and other assets	57,784		16,072 [4] (4,526)[1]	69,330	346	10,121	3,372		55,491				69,330
Investment in subsidiary undertakings	8,867			8,867							8,867		8,867
Off-Balance Sheet guarantees	-		117	117					117				117
Total assets	**2,596,099**	**(130,965)**	**56,725**	**2,521,859**	**1,416,254**	**587,036**	**308,443**	**73,512**	**127,740**	**7**	**8,867**	**-**	**2,521,859**
Total risk-weighted assets					**-**	**117,407**	**154,222**	**55,134**	**127,740**	**11**	**22,173**	**-**	**476,687**
Total own funds requirement for credit risk (at 8%)					**-**	**9,393**	**12,338**	**4,411**	**10,219**	**1**	**1,773**	**-**	**38,135**

(1) reclassification of Barclays Bank Plc client money account

(2) undrawn loan proposals

(3) deferred tax relating to intangible assets

(4) exposures subject to counterparty credit & settlement risks

Appendix 4

RIM Common Equity Tier 1 ratio

Calculation of RIM Common Equity Tier 1 ratio as at 31 December (£'000):

	31 Dec 2017	31 Dec 2016
Common Equity Tier 1 after deductions	**153,559**	**98,840**
Risk Weighted assets		
Credit & counterparty credit risk (1)	476,687	448,359
Settlement risk (2)	2,888	550
Market risk (3)	-	2,837
Operational risk (4)	392,263	349,575
Total risk exposure amount	**871,838**	**801,321**
Common Equity Tier 1 ratio	**17.6%**	**12.3%**

(1) See Appendix 3 (page 36)

(2) Calculated as 12.5 times the own funds requirement for settlement risk (page 19)

(3) Calculated as 12.5 times the own funds requirement for market risk (page 19)

(4) Calculated as 12.5 times the own funds requirement for operational risk (page 19)

Appendix 5

Description of the main features of Common Equity Tier 1 instruments issued (Rathbone Brothers Plc)

1	Issuer	Rathbone Brothers Plc
2	Unique identifier (ISIN)	GB0002148343
3	Governing law	England & Wales
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo / (sub-)consolidated / solo & (sub-)consolidated	(sub-)consolidated
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital	GBP 145,655,000
9	Nominal amount of instrument	5 pence
10	Accounting classification	Shareholders equity
11	Original date of issuance	21 January 1971
12	Perpetual or dated	Perpetual
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates & redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Floating dividend
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (amount)	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy	Final
36	Non-compliant transitional features	No
37	If yes, specify non-compliant features	Not Applicable

Appendix 6

Description of the main features of Common equity Tier 1 instruments issued (RIM)

1	Issuer	Rathbone Investment Management Limited
2	Unique identifier (ISIN)	Company number 1448919
3	Governing law	England & Wales
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo / (sub-)consolidated / solo & (sub-)consolidated	Solo
7	Instrument type	Ordinary shares
8	Amount recognised in regulatory capital	GBP 160,510,000
9	Nominal amount of instrument	GBP 1.00
10	Accounting classification	Shareholders equity
11	Original date of issuance	17 September 1979
12	Perpetual or dated	Perpetual
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates & redemption amount	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Floating dividend
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (amount)	Fully discretionary
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy	Final
36	Non-compliant transitional features	No
37	If yes, specify non-compliant features	Not Applicable

Appendix 7

Description of the main features of Tier 2 instruments issued (RIM)

1	Issuer	Rathbone Investment Management Limited
2	Unique identifier	Company number 1448919
3	Governing law	England & Wales
	Regulatory treatment	
4	Transitional CRR rules	Tier 2
5	Post-transitional CRR rules	Tier 2
6	Eligible at solo / (sub-)consolidated / solo & (sub-)consolidated	Solo & (sub-)consolidated
7	Instrument type	Subordinated debt
8	Amount recognised in regulatory capital	GBP 14,846,000 (group) GBP 20,000,000 (solo)
9	Nominal amount of instrument	GBP 20,000,000
10	Accounting classification	Liability – amortised cost
11	Original date of issuance	3 August 2015
12	Perpetual or dated	Dated
13	Original maturity date	August 2025
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates & redemption amount	August 2020
16	Subsequent call dates, if applicable	Annually
	Coupons / dividends	
17	Fixed or floating dividend / coupon	Fixed until first call date Variable thereafter
18	Coupon rate and any related index	5.856% to 6mLIBOR+4.375%
19	Existence of a dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (amount)	Mandatory
21	Existence of step-up or other incentive to redeem	No
22	Non-cumulative or cumulative	Not Applicable
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
35	Position in subordination hierarchy	Subordinated to Senior Creditors
36	Non-compliant transitional features	No
37	If yes, specify non-compliant features	Not Applicable

Appendix 8

Transitional own funds disclosure template (Group)

		(a) Amount at disclosure date	(b) Regulation (EU) No 575/2013 article reference	(c) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	145,655,000	26(1), 27, 28, 29 EBA list 26(3)	-
	of which: ordinary shares	145,655,000	EBA list 26(3)	-
2	Retained earnings	190,402,000	26(1)(c)	-
3	Accumulated and other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	32,085,000	26(1)	-
3a	Funds for general banking risk	-	26(1)(f)	-
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	-	486(2)	-
	Public sector capital injections grandfathered until 1 January 2016	-	483(2)	-
5	Minority interests (amount allowed in consolidated CET1)	-	84, 479, 480	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26(2)	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**368,142,000**		**-**
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-	34, 105	-
8	Intangible assets (net of related tax liability)(negative amount)	161,286,000	36(1)(b), 37 472(4)	-
9	Empty set in the EU	-		-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met)(negative amount)	-	36(1)(c), 38 472(5)	-
11	Fair value reserves related to gains or losses on cash flow hedges	-	33(a)	-
12	Negative amounts resulting from the calculation of expected loss amounts	-	36(1)(d), 40 159, 472(6)	-
13	Any increase in equity that results from securitised assets (negative amount)	-	32(1)	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	33(b)	-
15	Defined-benefit pension fund assets (negative amount)	-	36(1)(e), 41 472(7)	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	4,864,000	36(1)(f), 42 472(8)	-
17	holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the	-	36(1)(g), 44 472(9)	-

	institution (negative amount)			
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions (negative amount)	-	36(1)(h), 43, 45 46, 49(2)(3), 79 472(10)	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36(1)(i), 43, 45 47, 48(1)(b) 49(1) to (3), 79 470, 472(11)	-
20	Empty set in the EU	-		-
2oa	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	36(1)(k)	-
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36(1)(k)(1) 89 to 91	-
20c	of which: securitisation positions (negative amount)	-	36(1)(k)(ii) 243(1)(b) 244(1)(b), 258	-
20d	of which: free deliveries (negative amount)	-	36(1)(k)(iii) 379(3)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38(3) are met)(negative amount)	-	36(1)(c), 38 48(1)(a), 470 472(5)	-
22	Amount exceeding the 15% threshold (negative amount)	-	48(1)	-
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36(1)(i) 48(1)(b), 470 472(11)	-
24	Empty set in the EU	-		-
25	of which: deferred tax assets arising from temporary differences	-	36(1)(c), 38 48(1)(a), 470 472(5)	-
25a	Losses for the current financial year (negative amount)	-	36(1)(a), 472(3)	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	36(1)(l)	-
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-		-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-	467, 468	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regards to additional filters and deductions required pre-CRR	-	481	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	36(1)(j)	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**166,150,000**		**-**
29	**Common Equity Tier 1 (CET1) capital**	**201,992,000**		**-**
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	-	51, 52	-
31	of which: classified as equity under applicable accounting standards	-		-
32	of which: classified as liabilities under applicable accounting standards	-		-

33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	-	486(3)	-
	Public sector capital injections grandfathered until 1 January 2018	-	483(3)	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	85, 86, 480	-
35	of which: instruments issued by subsidiaries subject to phase out	-	486(3)	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**		**-**
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52(1)(b), 56(a) 57, 475(2)	-
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56(b), 58, 475(3)	-
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	56(c), 59, 60 79, 475(4)	-
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold (net of eligible short positions) (negative amount)	-	56(d), 59, 79 475(4)	-
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (ie CRR residual amounts)	-		-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013	-	472, 472(3)(a) 472(4), 472(6) 472(8)(a) 472(9) 472(10)(a) 472(11)(a)	-
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of regulation (EU) No 575/2013	-	477, 477(3) 477(4)(a)	-
41c	Amount to be deducted from or added to Additional Tier 1 capital with regards to additional filters and deductions required pre-CRR	-	467, 468, 481	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56(e)	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**		**-**
44	**Additional Tier 1 (AT1) capital**	**-**		**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**201,992,000**		**-**
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	-	62, 63	-
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2	-	486(4)	-
	Public sector capital injections grandfathered until	-	483(4)	-

	1 January 2018			
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	14,846,000	87, 88, 480	-
49	of which: instruments issued by subsidiaries subject to phase out	-	486(4)	-
50	Credit risk adjustments	-	62(c) & (d)	-
51	**Tier 2 (T2) capital before regulatory adjustments**	**14,846,000**		**-**
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63(b)(i), 66(a) 67, 477(2)	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	66(b), 68, 477(3)	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	66(c), 69, 70 79, 477(4)	-
54a	of which new holdings not subject to transitional arrangements	-		-
54b	of which holdings existing before 1 January 2013 and subject to transitional arrangements	-		-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	66(d), 69, 79 477(4)	-
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (ie CRR residual amounts)	-		-
56a	Residual amounts deducted from tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 472(3)(a) 472(4), 472(6) 472(8)(a) 472(9) 472(10)(a) 472(11)(a)	-
56b	Residual amounts deducted from Tier 2 capital with regards to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	475, 475(2)(a) 475(3) 475(4)(a)	-
56c	Amount to be deducted from or added to Tier 2 capital with regards to additional filters and deductions required pre-CRR	-	467, 468, 481	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**		**-**
58	**Tier 2 (T2) capital**	**14,846,000**		**-**
59	**Total capital (TC = T1 + T2)**	**216,838,000**		**-**
Risk weighted assets				
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (ie CRR residual amounts)	-		-

	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, eg deferred tax assets that rely on future profitability net of related tax liability , indirect holdings of own CET1, etc)	-	472, 472(5) 472(8)(b) 472(10)(b) 472(11)(b)	-
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, eg reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)	-	475, 475(2)(b) 475(2)(c) 475(4)(b)	-
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, eg indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc)	-	477, 477(2)(b) 477(2)(c) 477(4)(b)	-
60	**Total risk weighted assets**	**977,250,000**		**-**
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.7%	92(2)(a), 465	--
62	Tier 1 (as a percentage of risk exposure amount)	20.7%	92(2)(b), 465	-
63	Total capital (as a percentage of risk exposure amount)	22.2%	92(2)(c)	-
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII), expressed as a percentage of the risk exposure amount	6.385%	CRD 128, 129, 130	-
65	of which: capital conservation buffer requirement	1.875%		-
66	of which: countercyclical buffer requirement	0.010%		-
67	of which: systemic risk buffer requirement	-		-
67a	of which: Global Systemically Important institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	CRD 131	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.315%	CRD 128	-
69	[non relevant in EU regulation]	-		-
70	[non relevant in EU regulation]	-		-
71	[non relevant in EU regulation]	-		-
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	36(1)(h), 45, 46 472(10), 56(c) 59, 60, 475(4) 66(c), 69, 70 477(4)	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	36(1)(i), 45, 48 470, 472(11)	-
74	Empty set in the EU	-		-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38(3) are met)	-	36(1)(c), 38, 48 470, 472(5)	-

Applicable caps on the inclusion of provisions in tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	62	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	62	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	62	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-	484(3), 486(2) & (5)	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484(3), 486(2) & (5)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	484(4), 486(3) & (5)	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484(4), 486(3) & (5)	-
84	Current cap on T2 instruments subject to phase out arrangements	-	484(5), 486(4) & (5)	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484(5), 486(4) & (5)	-

Appendix 9

Transitional own funds disclosure template (RIM)

		(a) Amount at disclosure date	(b) Regulation (EU) No 575/2013 article reference	(c) Amounts subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	160,510,000	26(1), 27, 28, 29 EBA list 26(3)	-
	of which: ordinary shares	160,510,000	EBA list 26(3)	-
2	Retained earnings	108.988,000	26(1)(c)	-
3	Accumulated and other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	26(1)	-
3a	Funds for general banking risk	-	26(1)(f)	-
4	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	-	486(2)	-
	Public sector capital injections grandfathered until 1 January 2016	-	483(2)	-
5	Minority interests (amount allowed in consolidated CET1)	-	84, 479, 480	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26(2)	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**269,498,000**		**-**
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-	34, 105	-
8	Intangible assets (net of related tax liability)(negative amount)	115,939,000	36(1)(b), 37 472(4)	-
9	Empty set in the EU	-		-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38(3) are met)(negative amount)	-	36(1)(c), 38 472(5)	-
11	Fair value reserves related to gains or losses on cash flow hedges	-	33(a)	-
12	Negative amounts resulting from the calculation of expected loss amounts	-	36(1)(d), 40 159, 472(6)	-
13	Any increase in equity that results from securitised assets (negative amount)	-	32(1)	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	33(b)	-
15	Defined-benefit pension fund assets (negative amount)	-	36(1)(e), 41 472(7)	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36(1)(f), 42 472(8)	-
17	holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the	-	36(1)(g), 44 472(9)	-

	institution (negative amount)			
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions (negative amount)	-	36(1)(h), 43, 45 46, 49(2)(3), 79 472(10)	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36(1)(i), 43, 45 47, 48(1)(b) 49(1) to (3), 79 470, 472(11)	-
20	Empty set in the EU	-		-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	36(1)(k)	-
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36(1)(k)(1) 89 to 91	-
20c	of which: securitisation positions (negative amount)	-	36(1)(k)(ii) 243(1)(b) 244(1)(b), 258	-
20d	of which: free deliveries (negative amount)	-	36(1)(k)(iii) 379(3)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38(3) are met)(negative amount)	-	36(1)(c), 38 48(1)(a), 470 472(5)	-
22	Amount exceeding the 15% threshold (negative amount)	-	48(1)	-
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36(1)(i) 48(1)(b), 470 472(11)	-
24	Empty set in the EU	-		-
25	of which: deferred tax assets arising from temporary differences	-	36(1)(c), 38 48(1)(a), 470 472(5)	-
25a	Losses for the current financial year (negative amount)	-	36(1)(a), 472(3)	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	36(1)(l)	-
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-		-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-	467, 468	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regards to additional filters and deductions required pre-CRR	-	481	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	36(1)(j)	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**115,939,000**		**-**
29	**Common Equity Tier 1 (CET1) capital**	**153,559,000**		**-**
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	-	51, 52	-
31	of which: classified as equity under applicable accounting standards	-		-
32	of which: classified as liabilities under applicable accounting standards	-		-

33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	-	486(3)	-
	Public sector capital injections grandfathered until 1 January 2018	-	483(3)	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	85, 86, 480	-
35	of which: instruments issued by subsidiaries subject to phase out	-	486(3)	-
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**		**-**
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52(1)(b), 56(a) 57, 475(2)	-
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56(b), 58, 475(3)	-
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	-	56(c), 59, 60 79, 475(4)	-
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold (net of eligible short positions) (negative amount)	-	56(d), 59, 79 475(4)	-
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (ie CRR residual amounts)	-		-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013	-	472, 472(3)(a) 472(4), 472(6) 472(8)(a) 472(9) 472(10)(a) 472(11)(a)	-
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of regulation (EU) No 575/2013	-	477, 477(3) 477(4)(a)	-
41c	Amount to be deducted from or added to Additional Tier 1 capital with regards to additional filters and deductions required pre-CRR	-	467, 468, 481	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56(e)	-
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**		**-**
44	**Additional Tier 1 (AT1) capital**	**-**		**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**153,559,000**		**-**
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	20,000,000	62, 63	-
47	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2	-	486(4)	-
	Public sector capital injections grandfathered until	-	483(4)	-

	1 January 2018			
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	87, 88, 480	-
49	of which: instruments issued by subsidiaries subject to phase out	-	486(4)	-
50	Credit risk adjustments	-	62(c) & (d)	-
51	**Tier 2 (T2) capital before regulatory adjustments**	**20,000,000**		**-**
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63(b)(i), 66(a) 67, 477(2)	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	66(b), 68, 477(3)	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	66(c), 69, 70 79, 477(4)	-
54a	of which new holdings not subject to transitional arrangements	-		-
54b	of which holdings existing before 1 January 2013 and subject to transitional arrangements	-		-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	66(d), 69, 79 477(4)	-
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (ie CRR residual amounts)	-		-
56a	Residual amounts deducted from tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 472(3)(a) 472(4), 472(6) 472(8)(a) 472(9) 472(10)(a) 472(11)(a)	-
56b	Residual amounts deducted from Tier 2 capital with regards to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	475, 475(2)(a) 475(3) 475(4)(a)	-
56c	Amount to be deducted from or added to Tier 2 capital with regards to additional filters and deductions required pre-CRR	-	467, 468, 481	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**		**-**
58	**Tier 2 (T2) capital**	**20,000,000**		**-**
59	**Total capital (TC = T1 + T2)**	**173,559,000**		**-**
Risk weighted assets				
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (ie CRR residual amounts)	-		-

	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, eg deferred tax assets that rely on future profitability net of related tax liability , indirect holdings of own CET1, etc)	-	472, 472(5) 472(8)(b) 472(10)(b) 472(11)(b)	-
	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, eg reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)	-	475, 475(2)(b) 475(2)(c) 475(4)(b)	-
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, eg indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc)	-	477, 477(2)(b) 477(2)(c) 477(4)(b)	-
60	**Total risk weighted assets**	**871,838,000**		**-**
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	17.6%	92(2)(a), 465	--
62	Tier 1 (as a percentage of risk exposure amount)	17.6%	92(2)(b), 465	-
63	Total capital (as a percentage of risk exposure amount)	19.9%	92(2)(c)	-
64	Institution-specific buffer requirement (CET1 requirement in accordance with Article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII), expressed as a percentage of the risk exposure amount	6.385%	CRD 128 129, 130	-
65	of which: capital conservation buffer requirement	1.875%		-
66	of which: countercyclical buffer requirement	0.010%		-
67	of which: systemic risk buffer requirement	-		-
67a	of which: Global Systemically Important institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	CRD 131	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.215%	CRD 128	-
69	[non relevant in EU regulation]	-		-
70	[non relevant in EU regulation]	-		-
71	[non relevant in EU regulation]	-		-
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	8,867,000	36(1)(h), 45, 46 472(10), 56(c) 59, 60, 475(4) 66(c), 69, 70 477(4)	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	36(1)(i), 45, 48 470, 472(11)	-
74	Empty set in the EU	-		-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38(3) are met)	-	36(1)(c), 38, 48 470, 472(5)	-

Applicable caps on the inclusion of provisions in tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	62	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	62	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	62	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-	484(3), 486(2) & (5)	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484(3), 486(2) & (5)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-	484(4), 486(3) & (5)	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484(4), 486(3) & (5)	-
84	Current cap on T2 instruments subject to phase out arrangements	-	484(5), 486(4) & (5)	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484(5), 486(4) & (5)	-

Appendix 10

Summary reconciliation of accounting assets and leverage ratio exposure (Group):

		Applicable Amount (£'000)
1	Total assets as per financial statements	2,738,850
2	Adjustments for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	(161,977)
4	Adjustments for derivative financial instruments	726
5	Adjustments for securities financing transactions "SFTs"	13,015
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	4,170
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
EU-6B	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	-
8	**Total leverage exposure measure**	**2,594,784**

Leverage ratio common disclosure (Group):

		CRR leverage ratio exposure (£'000)
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	2,738,850
2	(Asset amounts deducted in determining Tier 1 capital)	(161,977)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**2,576,873**
Derivative exposure		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	696
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	30
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**726**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	13,015
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-

EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**13,015**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	40,647
18	(Adjustments for conversion to credit equivalent amounts)	(36,477)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**4,170**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposures		
20	**Tier 1 capital**	**201,992**
21	**Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU19-a and EU-19b)**	**2,594,784**
Leverage ratio		
22	**Leverage ratio**	**7.8%**
Choice on transitional arrangement and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

Split-up of on-balance sheet exposure (excluding derivatives, SFTs and exempted exposure (Group):

		CRR leverage ratio exposure (£'000)
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	2,576,873
EU-2	Trading book exposures	-
EU-3	Bank book exposures, of which:	2,576,873
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereign	1,375,726
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	Institutions	678,905
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	125,994
EU-10	Corporate	-
EU-11	Exposures in default	219
EU-12	Other exposures (eg equity, securitisation, and other non-credit obligation assets)	396,029