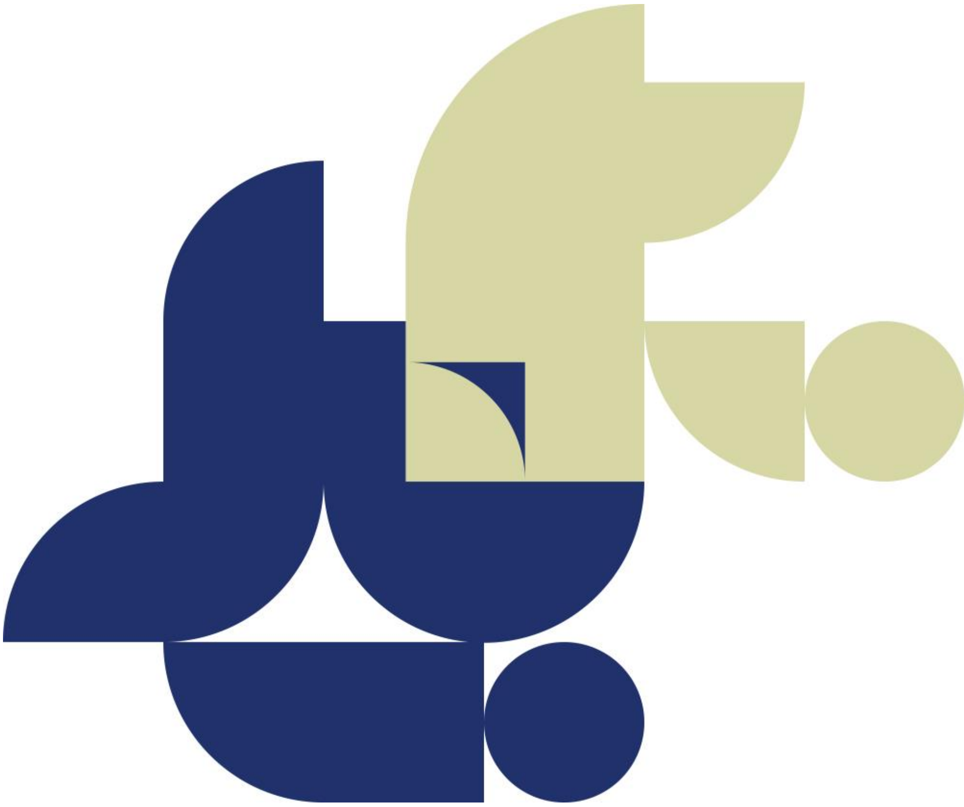
Rathbone Brothers Plc

# Pillar 3 disclosures

## For the year ended 31 December 2019



# 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 |
| S&J | Speirs & Jeffrey 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 Disclosure

This document sets out the consolidated Pillar 3 disclosure requirements that are required by CRR and the regulator.  It is intended to compliment the minimum capital requirement (Pillar 1) and the supervisory review process (Pillar 2) and provides key information on our risk management and control process, remuneration and capital position.

Rathbone Brothers Plc is subject to consolidated supervision by the regulator. The group's principal operating subsidiaries are detailed more fully in section 2. 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.

## 1.1 Scope of application

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.

## 1.2 Frequency

Pillar 3 disclosures are made on an annual basis.

## 1.3 Location

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

## 1.4 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 has 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 other than that for which they are intended.

## 1.5 Reference to annual report and accounts.

The document is to be read in conjunction with the annual report and accounts with specific reference to the following sections included within this document:

| Section | Pages |
|---|---|
| Financial position | 35 – 38 |
| Risk management report | 40 – 45 |
| Corporate governance report | 68 – 79 |
| Board and committee structure | 72 – 74 |
| Group risk committee report | 80 – 82 |
| Nomination committee report | 88 – 89 |
| Consolidated financial statements | 124 - 127 |

# 2 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. Our services include discretionary investment management, unit trusts, financial planning, banking and loan services, unitised portfolio services, and UK trust, legal, estate and tax advice.**

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

## 2.1 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 £6.1bn for charities and Rathbone Greenbank Investments manages £1.6bn in ethical and socially responsible investment portfolios.

On 31 August 2018, Rathbones completed the acquisition of Speirs & Jeffrey. Founded in 1906, Speirs & Jeffrey is one of the largest independent private client investment managers in Scotland with a total of £6.7bn of funds under management and administration at the time of the acquisition. The S&J clients were migrated across to RIM during 2019 which was supported by a further investment by Plc in RIM of £92m.

Our offshore discretionary investment services are provided by Rathbone Investment Management International Limited ('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: our in-house financial planning team provides whole-of-market advice to clients. The planners work closely with investment managers to help clients create a bespoke financial plan. We have long-standing experience and can act on a one-off basis or as part of an ongoing service;
- 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. This is designed for clients who do not require a fully bespoke investment solution, but still want access to an investment manager to ensure investment needs are selected and monitored to suit their individual circumstance;
- 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. The service is delivered via an advisor at a price that reflects the competitive nature of our sector, but to a standard that clients have come to expect from Rathbones;
- Rathbone Select Portfolio: an attractive and cost-effective investment solution for clients with £15,000 or more to invest for at least three years. Providing access to the Rathbone Multi-Asset Portfolio funds on a self-select basis, this service is designed for clients who are comfortable choosing an investment strategy to meet their investment objectives and risk profile;
- Rathbone Trust Company: we provide UK trust and some legal, estate and tax advice to larger clients; and
- Vision Independent Financial Planning: an independent IFA network providing financial advisory solutions to UK private clients. Acquired in 2015, it has grown from £845 million of assets on its discretionary fund manager panel and 81 advisers to £1.9 billion and over 130 independent financial advisers.

Investment management clients are generally 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 RIM client portfolios is held by RIM, an authorised banking institution. At 31 December 2019, funds under management were £38.5bn. 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.

## 2.2 Unit Trusts

Rathbone Unit Trust Management ('RUTM') is an active UK fund manager providing a range of specialist and multi asset funds 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 our Rathbone Luxembourg Funds SICAV (Société d'Investisement à Capital Variable) which allows access to a similar range of actively managed master funds.

At 31 December 2019 funds under management were £7.1bn.

## 2.3 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 is regulated by the Solicitors Regulation Authority and, together with RTC, they are subject to HMRC regulations for money laundering purposes. RIMI is subject to regulation by the Jersey Financial Services Commission.

## 2.4 Corporate governance

The board meets at least six times a year with one meeting devoted entirely to strategy. 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.

# 3 Risk management objectives and policies

During the year, we have continued to evolve and strengthen our risk management framework in support of our ‘three lines of defence’ model. Our approach to risk governance, risk processes and risk infrastructure ensures that risk management across the group considers both existing and emerging challenges to our purpose, values and strategic objectives. Going forward into 2020, we will continue our approach and focus on managing risk effectively in accordance with out risk appetite and over the long term for all of our stakeholders.

## 3.1 Key ratios summary

A summary of the group’s key ratios is shown in the following table:

| | Group 31 Dec 2019 | Group 31 Dec 2018 |
|---|---|---|
| CET1 ratio | 22.0% | 20.6% |
| Total own funds ratio | 23.3% | 22.0% |
| Leverage ratio | 8.3% | 8.9% |
| LCR ratio | 559.3% | 634.9% |

## 3.2 Risk management

The group risk management report on pages 40 to 45 of the 2019 annual report and accounts, and the group risk committee report on page 80 to 82 of the 2019 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 2019 annual report and accounts (Strategic report – risk management):**

### Risk culture

We believe an embedded risk culture enhances the effectiveness of risk management and decision making across the group. The board is responsible for setting the right tone, which supports a strong risk culture and, through our senior management team, encouraging appropriate behaviours and collaboration on managing risk across the business. Risk management is accepted as being part of everyone’s day-to-day responsibilities and activities; it is linked to performance and development, as well as to the group’s remuneration and reward schemes. Our approach through 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

### Risk appetite

We define risk appetite as both the amount and type of risk the group is prepared to take or accept in pursuit of our long-term strategic objectives.

Our appetite is subject to regular review and, at least annually, the board, group executive committee and group risk committee formally review and approve the group’s risk appetite statement, ensuring it remains consistent with our strategy. In 2019, our appetite framework has developed in line with the group’s overall prudential requirements for financial and non-financial risk (conduct and operational). Alongside this, specific appetite measures for each prudential risk continue to be set. Risks which have triggered key risk indicators or risk appetite measures are reported to the executive committee, the group risk committee and the board so that risk mitigation can be reviewed ad strengthened if appropriate.

Following the strategic update this year, and with consideration to the evolving and future regulatory landscape within the sector, the board remains committed to having a relatively low overall appetite for risk and ensuring that out internal controls mitigate risk to appropriate levels. The board recognises that our performance is susceptible to fluctuations in investment markets and has the potential to bear losses from financial and operation risks from time to time, either as reductions in income or increases in operating costs.

## Managing risk

The board is ultimately accountable for risk management and regularly considers the most significant risks and emerging threats to the group's strategy. In addition, the audit and group risk committees exercise further oversight and challenge of existing risk management and internal control. Day-to-day, the group chief executive and executive committee are responsible for managing risk and the regular review of key risks facing the group. Our executive risk committee provides further challenge and oversight of non-financial risk (conduct and operational risk) complementing the banking committee that oversees financial risk management. Both committees meet monthly, reporting into both the executive committee and the group risk committee.

Throughout the group, all employees have a responsibility for managing risk and adhering to our control framework.

## Three lines of defence

Our three lines of defence model operates across the group in support of the risk management framework and outlines our requirements across all employees, with responsibility and accountability for risk management broken down as follows.

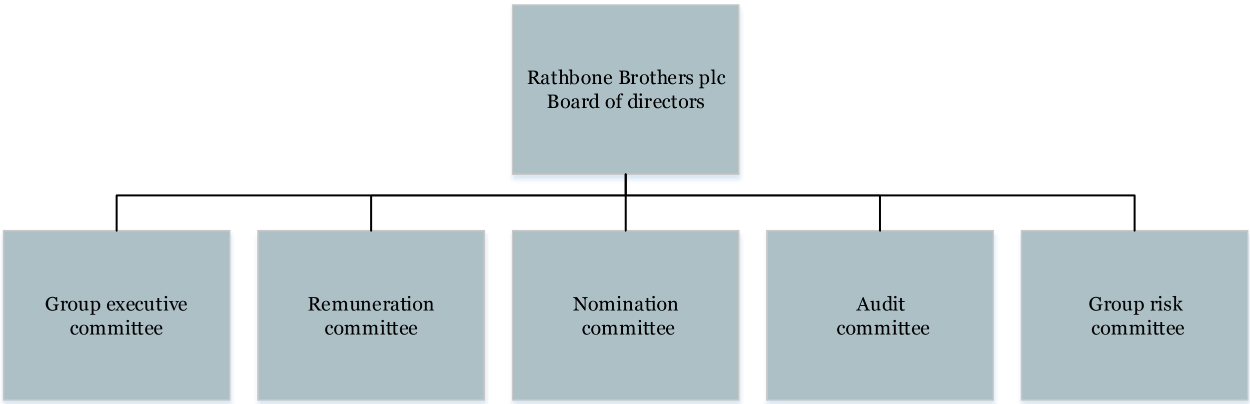
First line: Senior management, business operations and support functions are responsible for managing risks, by developing and maintaining effective internal controls to mitigate risk in line with risk appetite.

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

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

Outside of our internal lines of defence, external independent assurance is obtained, primarily the annual statutory audit along with other ad hoc engagements which may be required during the year.

## Governance



## Other areas covered within the 2019 report and accounts

| 2019 report & accounts | Pages | Areas covered |
|---|---|---|
| Risk management and control | 40-45 | Identification and profiling of principal risks<br>Risk assessment process<br>Profile and mitigation of principal risks<br>Key changes to risk profile<br>Emerging risks and threats<br>Principal risks |
| Corporate responsibility report | 48 - 66 | Diversity policy |
| Corporate governance report | 68 - 79 | Board development |
| Group risk committee | 80 - 82 | Committee roles and responsibilities<br>Committee meetings<br>Committee effectiveness |
| Nomination committee | 88 - 89 | Committee roles and responsibilities<br>Succession planning<br>Talent development |

# 4 Own funds disclosures

## 4.1 Own funds

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

| | Group 31 Dec 2019 | Group 31 Dec 2018 | RIM 31 Dec 2019 | RIM 31 Dec 2018 |
|---|---|---|---|---|
| Permanent ordinary share capital | 2,818 | 2,760 | 4,408 | 3,380 |
| Share premium | 210,939 | 205,273 | 248,654 | 157,130 |
| Retained earnings | 241,851 | 232,059 | 106,382 | 114,890 |
| Other Tier 1 reserves | 71,756 | 56,785 | - | - |
| Deductions | (260,961) | (262,098) | (188,451) | (113,110) |
| **Common Equity Tier 1 capital after deductions** | **266,404** | **234,779** | **170,993** | **162,290** |
| | | | | |
| Tier 2 subordinated loan notes | 15,683 | 16,473 | 20,000 | 20,000 |
| | | | | |
| **Own funds** | **282,087** | **251,252** | **190,993** | **182,290** |

This should be read in conjunction with the capital resources section on page 35 of the 2019 annual report and accounts. Article 437 of the CRR requires disclosure of own funds at 31 December 2019 in accordance with a prescribed own funds disclosure template introduced in ITS1423/2013. 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 2019 and 2018.

Article 437 of the CRR requires disclosure of the main features of own funds instruments in accordance with a prescribed capital instruments' main features template introduced in ITS1423/2013. 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 30 on page 159 of the 2019 annual report and accounts.

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

## 4.2 Reconciliation of own funds items to audited financial statements

A reconciliation of the group's 2019 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 | 2,818 | - | - | 2,818 |
| Share premium | 210,939 | - | - | 210,939 |
| Merger reserve | 71,756 | - | - | 71,756 |
| Own shares | (41,971) | - | - | (41,971) |
| Retained earnings | 241,851 | - | - | 241,851 |
| **Total equity** | **485,393** | **-** | **-** | **485,393** |
| | | | | |
| Intangible assets | (227,807) | 8,923 (1) | - | (218,884) |
| Subordinated loan notes | 19,927 | **-** | (4,244) (2) | 15,683 |
| Prudent valuation adjustment | | | (105) (3) | (105) |
| **Total regulatory own funds** | | | | **282,087** |

(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) This represents the prudent valuation of non-trading assets held at fair value under CRR article 34.

A reconciliation of RIM's 2019 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 | 4,408 | - | - | 4,408 |
| Share premium | 248,654 | - | - | 248,654 |
| Retained earnings | 106,382 | - | - | 106,382 |
| **Total equity** | **359,444** | **-** | **-** | **359,444** |
| | | | | |
| Intangible assets | (184,339) | 8,411 (1) | - | (175,928) |
| Significant investment in subsidiary | (30,798) | **-** | 18,345 (2) | (12,453) |
| Subordinated loan notes | 19,927 | **-** | 73 (3) | 20,000 |
| Prudent valuation adjustment | | | (70) (4) | (70) |
| **Total regulatory own funds** | | | | **190,993** |

(1) The deferred tax liability associated with the intangible asset.
(2) This represents the proportion of the asset subject to credit risk
(3) This represents the difference in values for accounting and own funds eligibility purposes.
(4) This represents the prudent valuation of non-trading assets held at fair value under CRR article 34.

## 4.3 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 2019 was 22.0% (2018: 20.6%)
RIM Common Equity Tier 1 ratio as at 31 December 2019 was 16.5% (2018: 17.1%)

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

## 4.4 Leverage ratio

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

| | Group 31 Dec 2019 | Group 31 Dec 2018 |
|---|---|---|
| Capital measure | 266,404 | 234,779 |
| Exposure measure | 3,193,235 | 2,647,563 |
| **Leverage ratio** | **8.3%** | **8.9%** |

Both the capital measure and exposure measures are calculated as prescribed within 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 4.1. 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.

During the disclosure period, Tier 1 own funds were raised increasing the capital measure which supported the increased exposure measure as a consequence of the migration of former Speirs & Jeffrey Limited clients across to RIM. The leverage ratio is calculated on a monthly basis and included in capital forecasting. The group does not seek to maximise balance sheet leverage.

Article 451 of the CRR requires disclosure of the leverage calculation at 31 December 2019 in accordance with a prescribed series of templates, primarily focused on breaking down the exposure measure. This template is attached as Appendix 10.

# 5 Own funds requirements

## 5.1 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.

## 5.2 Total capital requirement

The total capital requirement is the sum of the Pillar 1 (see section 5.3 of this document) and Pillar 2A requirement (see section 5.9 of this document) (£'000):

| | Group 31 Dec 2019 | Group 31 Dec 2018 | RIM 31 Dec 2019 | RIM 31 Dec 2018 |
|---|---|---|---|---|
| Pillar 1 requirement | 96,723 | 91,344 | 82,802 | 76,110 |
| Pillar 2A requirement | 39,830 | 48,404 | 38,473 | 46,921 |
| **Total capital requirement** | **136,553** | **139,748** | **121,275** | **123,031** |

## 5.3 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 2019 | Group 31 Dec 2018 | RIM 31 Dec 2019 | RIM 31 Dec 2018 |
|---|---|---|---|---|
| Credit & counterparty credit risk | 46,228 | 44,583 | 41,871 | 42,060 |
| Settlement risk | 268 | 17 | 95 | 17 |
| Market risk | 443 | 414 | - | - |
| Operational risk | 49,784 | 46,330 | 40,836 | 34,033 |
| **Total own funds requirement** | **96,723** | **91,344** | **82,802** | **76,110** |

## 5.4 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 group finance director. The committee meets each month and has additional meetings at other times when required.

The group has no exposure to securitisation.

Analysis of group's own funds requirement for credit & counterparty credit risk (1) at 31 December 2019 (£'000):

| | Exposure value | Risk weighted | Own funds requirement |
|---|---|---|---|
| Central government or central banks | 1,933,496 | - | - |
| Institutions | 569,248 | 220,815 | 17,665 |
| Retail | 169,385 | 121,949 | 9,756 |
| Exposures in default | 311 | 467 | 37 |
| Claims on institutions with a short-term credit assessment | 237,201 | 47,440 | 3,795 |
| Collective investment undertakings | 104,912 | 24,703 | 1,976 |
| Equity exposure | 1,186 | 1,186 | 95 |
| Other items(2) | 161,294 | 161,293 | 12,904 |
| **Own funds requirement for credit & counterparty credit risk** | **3,177,033** | **577,853** | **46,228** |

(1) Only exposure classes under CRR article 112 to which an exposure is held are reported.

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

Analysis of group's own funds requirement for credit & counterparty credit risk (1) at 31 December 2018 (£'000):

| | Exposure value | Risk weighted | Own funds requirement |
|---|---|---|---|
| Central government or central banks | 1,198,773 | - | - |
| Institutions | 835,528 | 266,109 | 21,290 |
| Retail | 172,137 | 120,531 | 9,643 |
| Exposures in default | 193 | 289 | 23 |
| Claims on institutions with a short-term credit assessment | 253,860 | 50,772 | 4,062 |
| Collective investment undertakings | 78,675 | 18,342 | 1,467 |
| Equity exposure | 1,259 | 1,259 | 101 |
| Other items(2) | 99,961 | 99,959 | 7,997 |
| **Own funds requirement for credit & counterparty credit risk** | **2,640,386** | **557,261** | **44,583** |

(1) Only exposure classes under CRR article 112 to which an exposure is held are reported.

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

Analysis of RIM's own funds requirement for credit & counterparty credit risk (1) at 31 December 2019 (£'000):

| | Exposure value | Risk weighted | Own funds requirement |
|---|---|---|---|
| Central government or central banks | 1,933,496 | - | - |
| Institutions | 546,061 | 259,127 | 20,730 |
| Retail | 168,685 | 121,423 | 9,714 |
| Exposures in default | 72 | 109 | 9 |
| Claims on institutions with a short-term credit assessment | 237,201 | 47,440 | 3,795 |
| Collective investment undertakings | 70,262 | 14,052 | 1,124 |
| Equity exposure | 1,186 | 1,186 | 95 |
| Other items(2) | 80,053 | 80,053 | 6,404 |
| **Own funds requirement for credit & counterparty credit risk** | **3,037,016** | **523,390** | **41,871** |

(1) Only exposure classes under CRR article 112 to which an exposure is held are reported.

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

Analysis of RIM's own funds requirement for credit & counterparty credit risk (1) at 31 December 2018 (£'000):

| | Exposure value | Risk weighted | Own funds requirement |
|---|---|---|---|
| Central government or central banks | 1,198,773 | - | - |
| Institutions | 800,138 | 279,446 | 22,356 |
| Retail | 171,246 | 119,863 | 9,589 |
| Exposures in default | 8 | 13 | 1 |
| Claims on institutions with a short-term credit assessment | 253,860 | 50,772 | 4,062 |
| Collective investment undertakings | 40,415 | 8,083 | 647 |
| Other items(2) | 67,568 | 67,568 | 5,405 |
| **Own funds requirement for credit & counterparty credit risk** | **2,532,008** | **525,745** | **42,060** |

(1) Only exposure classes under CRR article 112 to which an exposure is held are reported.

(2) 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 2019 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 2019, 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) | 17,134 | 531 | 16,283 | 4,447 |
| Corporates | - | - | - | - |
| Retail | - | 9,756 | - | 9,714 |
| Exposures in default | - | 37 | - | 9 |
| Claims on institutions with a short-term credit assessment | 3,795 | - | 3,795 | - |
| Collective investment undertakings | 1,604 | 372 | 1,124 | - |
| Equity exposure | - | 95 | - | 95 |
| Other items (2) | - | 12,904 | - | 6.404 |
| **Own funds requirement on credit and counterparty risk** | **22,533** | **23,695** | **21,202** | **20,669** |

(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 49% of the total credit risk capital component for group and 51% 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 21% of the total credit risk capital component for group and 23% for RIM, arising primarily from RIM's client lending activity. This activity is a service offered to assist investment management clients who may 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.

### 5.4.1 Counterparty credit risk

The own funds requirement for counterparty credit risk is included within credit risk under the 'institutions' exposure class.

The counterparty credit risk charge is based on the mark-to-market exposure calculated in accordance with CRR article 274 for of any trades undertaken on behalf of investment management clients which are outside of normal settlement terms (T+2 for stock trades processed through a central securities depository and generally T+5 for trades not processed through a central securities depository), any client foreign exchange transactions which are outside of the usual T+2 settlement terms, and any trades funded by the Rathbones in advance of settlement ('free deliveries'). There are no other derivatives.

All exposures are due to mature in less than 3 months. Exposure to rated counterparties are risk weighted using the appropriate credit quality step. Non-rated exposures are risk weighted according to the counterparty's corresponding sovereign.

Analysis of exposure value and own funds requirement for counterparty credit risk at 31 December 2019 (£'000):

| | Group 31 Dec 2019 | | RIM 31 Dec 2019 | |
|---|---|---|---|---|
| | Exposure value | Own funds requirement | Exposure value | Own funds requirement |
| Long settlement transactions | 15,119 | 281 | 12,333 | 214 |
| Forward FX transactions | 105 | 4 | 71 | 3 |
| Free deliveries | 3,076 | 246 | 3,076 | 246 |
| **Total** | **18,300** | **531** | **15,480** | **463** |

Analysis of exposure value and own funds requirement for counterparty credit risk at 31 December 2018 (£'000):

| | Group 31 Dec 2018 | | RIM 31 Dec 2018 | |
|---|---|---|---|---|
| | Exposure value | Own funds requirement | Exposure value | Own funds requirement |
| Long settlement transactions | 7,773 | 173 | 7,668 | 169 |
| Forward FX transactions | 303 | 12 | 303 | 12 |
| Free deliveries | 614 | 49 | 614 | 49 |
| **Total** | **8,690** | **234** | **8,585** | **230** |

The charge for counterparty credit risk at 31 December 2019 represents 1.15% of the total credit risk capital component for group and 1.11% for RIM.

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.

## 5.5 Credit Valuation Adjustment risk

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

## 5.6 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 2019 | Group 31 Dec 2018 | RIM 31 Dec 2019 | RIM 31 Dec 2018 |
|---|---|---|---|---|
| **Own funds requirement for settlement risk** | **268** | **17** | **95** | **17** |

## 5.7 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 in section 5.4 of this document) 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 2019 | Group 31 Dec 2018 | RIM 31 Dec 2019 | RIM 31 Dec 2018 |
|---|---|---|---|---|
| Foreign currency position risk requirement | 443 | 414 | - | - |
| **Own funds requirement for market risk** | **443** | **414** | **-** | **-** |

## 5.8 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. The material increase in the requirement for RIM between 2018 and 2019 results from the operating income associated with the migration of former S&J clients to RIM during 2019.

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

| | Group 31 Dec 2019 | Group 31 Dec 2018 | RIM 31 Dec 2019 | RIM 31 Dec 2018 |
|---|---|---|---|---|
| Basic indicator approach | 49,784 | 46,330 | 40.836 | 34,033 |
| **Own funds requirement for operational risk** | **49,784** | **46,330** | **40,836** | **34,033** |

## 5.9 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 the Pillar 1 charge. 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 2019 | Group 31 Dec 2018 | RIM 31 Dec 2019 | RIM 31 Dec 2018 |
|---|---|---|---|---|
| Aggregate Pillar 2A charge | 39,830 | 48,404 | 38,473 | 46,921 |

The countercyclical capital buffer is intended to protect institutions against losses caused by cyclical systemic risks.

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

| Country | General credit exposures[1] | Trading book exposures | Securitisation exposures | Own funds requirement: General | Own funds requirements weights | Countercyclical buffer rate |
|---|---|---|---|---|---|---|
| United Kingdom | 273,675 | - | - | 21,890 | 79.88% | 1.00% |
| Republic of Ireland | 25,791 | - | - | 2,063 | 7.53% | 1.00% |
| Norway | 6,967 | - | - | 553 | 2.02% | 2.00% |
| Sweden | 3,030 | - | - | 242 | 0.88% | 2.50% |
| **Total** | | | | | | **0.94%** |

(1) General credit exposures are measured using the standardised approach.

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

| Country | General credit exposures[1] | Trading book exposures | Securitisation exposures | Own funds requirement: General | Own funds requirements weights | Countercyclical buffer rate |
|---|---|---|---|---|---|---|
| United Kingdom | 185,468 | - | - | 14,837 | 75.89% | 1.00% |
| Republic of Ireland | 15,791 | - | - | 1,263 | 6.46% | 1.00% |
| Norway | 6,907 | - | - | 553 | 2.83% | 2.00% |
| Sweden | 3,030 | - | - | 242 | 1.24% | 2.50% |
| **Total** | | | | | | **0.91%** |

(1) General credit exposures are measured using the standardised approach.

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

| | Group 31 Dec 2019 | Group 31 Dec 2018 | RIM 31 Dec 2019 | RIM 31 Dec 2018 |
|---|---|---|---|---|
| Total risk exposure amount[1] | 1,209,038 | 1,141,773 | 1,035,025 | 951,375 |
| Institution-specific countercyclical capital buffer rate | 0.94% | 0.78% | 0.91% | 0.78% |
| **Institution-specific countercyclical capital buffer** | **11,334** | **8,906** | **9,443** | **7,421** |

(1) 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 2019 | Group 31 Dec 2018 | RIM 31 Dec 2019 | RIM 31 Dec 2018 |
|---|---|---|---|---|
| Total risk exposure amount[1] | 1,209,038 | 1,141,773 | 1,035,025 | 951,375 |
| Capital conservation buffer rate | 2.500% | 2.500% | 2.500% | 2.500% |
| **Capital conservation buffer** | **30,226** | **28,544** | **25,876** | **23,784** |

(1) Total risk exposure amount is more fully detailed in Appendices 2 and 4 (for group and RIM respectively).

# 6 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.

## 6.1 Credit exposures by exposure class

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

| | | | Month end average over 2019 | |
|---|---|---|---|---|
| Exposure Class | Group 31 Dec 2019 | RIM 31 Dec 2019 | Group | RIM |
| Central government or central banks | 1,933,496 | 1,933,496 | 1,548,356 | 1,548,356 |
| Institutions | 569,248 | 546,061 | 760,749 | 739,384 |
| Retail | 169,385 | 168,685 | 174,795 | 173,898 |
| Exposures in default | 311 | 72 | 269 | 21 |
| Claims on institutions with a short-term credit assessment | 237,201 | 237,201 | 221,429 | 221,429 |
| Collective investment undertakings | 104,912 | 70,262 | 121,565 | 71,659 |
| Equity exposure | 1,186 | 1,186 | 1,014 | 1,186 |
| Other items [(1)] | 161,294 | 80,053 | 140,456 | 58,052 |
| **Total exposures** | **3,177,033** | **3,037,016** | | |

(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 2019 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.

IFRS9 was adopted at the start of the 2018 financial year with expected credit losses as at 31 December 2019 being £148k against financial assets. No transitional capital relief has been applied and there are no provisions held against financial liabilities.

## 6.2 Exposures in default

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

| | Group 31 Dec 2019 | RIM 31 Dec 2019 |
|---|---|---|
| 90 to 180 days | 178 | 56 |
| 180 to 270 days | 77 | 14 |
| 270 to 365 days | 12 | 2 |
| Over 365 days | 44 | - |
| **Total exposures in default** | **311** | **72** |

## 6.3 Impaired exposures

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

| | Group 2019 | RIM 2019 |
|---|---|---|
| **Balance at 1 January** | **92** | **-** |
| Amounts written off | (4) | - |
| Amounts recovered | - | - |
| Credit to profit or loss | 15 | - |
| **Balance at 31 December** | **103** | **-** |

## 6.4 Reconciliation of credit exposures to IFRS7 disclosures

Note 35 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 2019 | RIM 31 Dec 2019 |
|---|---|---|
| **IFRS7 credit risk exposures** | **3,085,793** | **2,964,131** |
| Counterparty credit risk and free delivery exposure | 18,300 | 15,480 |
| Significant investment in financial sector entity(1) | - | 18,345 |
| Non-trading book equity exposures | 5,773 | - |
| Undrawn loan facilities granted | 31,284 | 31,284 |
| Tangible fixed assets | 64,912 | 15,501 |
| Cash | 1 | - |
| Deferred tax asset | 11,561 | 5,022 |
| Other financial assets | 11,812 | 4,614 |
| Off-balance sheet guarantees | 117 | 117 |
| Settlement balances | (52,520) | (17,478) |
| **Pillar III credit risk exposures** | **3,177,033** | **3,037,016** |

(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 2018 the cost of the investment was lower than the 10% limit.

## 6.5 Unencumbered assets

The group does not offer its assets as collateral nor does it hold pledged collateral on its balance sheet. The only asset which is classified as encumbered is the Cash Ratio Deposit held by RIM at the Bank of England of £3,218,181 (2018: £1,600,489). This amount does not qualify as a high quality liquid asset for the purposes of liquidity coverage ratio calculations.

Disclosure of encumbered and unencumbered positions according to RTS 2017/2295 for group is presented in Appendix 11.

## 6.6 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 2019 |
|---|---|---|---|---|
| Central government or central banks | 1,933,496 | - | - | **1,933,496** |
| Institutions | 376,990 | 98,459 | 93,799 | **569,248** |
| Retail | 157,117 | 545 | 11,723 | **169,385** |
| Exposures in default | 311 | - | - | **311** |
| Claims on institutions with a short-term credit assessment | - | 95,936 | 141,265 | **237,201** |
| Collective investment undertakings | 14,650 | 90,262 | - | **104,912** |
| Equity exposure | 1,186 | - | - | **1,186** |
| Other items (1) | 158,347 | 390 | 2,557 | **161,294** |
| **Total exposures** | **2,642,097** | **285,592** | **249,344** | **3,177,033** |

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 2019 |
|---|---|---|---|---|---|
| Central government or central banks | 1,933,496 | - | - | - | **1,933,496** |
| Institutions | - | 569,248 | - | - | **569,248** |
| Retail | - | - | 14,590 | 154,795 | **169,385** |
| Exposures in default | - | - | - | 311 | **311** |
| Claims on institutions with a short-term credit assessment | - | 237,201 | - | - | **237,201** |
| Collective investment undertakings | - | 104,912 | - | - | **104,912** |
| Equity exposure | - | 1,186 | - | - | **1,186** |
| Other items (1) | - | 1,579 | - | 159,715 | **161,294** |
| **Total exposures** | **1,933,496** | **914,126** | **14,590** | **314,821** | **3,177,033** |

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 2019 |
|---|---|---|---|---|---|
| Central government or central banks | 1,930,278 | 3,218 | - | - | **1,933,496** |
| Institutions | 182,318 | 386,930 | - | - | **569,248** |
| Retail | 56,955 | 54,389 | 58,041 | - | **169,385** |
| Exposures in default | 311 | - | - | - | **311** |
| Claims on institutions with a short-term credit assessment | 237,201 | - | - | - | **237,201** |
| Collective investment undertakings | 100,262 | - | - | 4,650 | **104,912** |
| Equity exposure | - | - | - | 1,186 | **1,186** |
| Other items (1) | 67,980 | - | 5,539 | 87,775 | **161,294** |
| **Total exposures** | **2,575,305** | **444,537** | **63,580** | **93,611** | **3,177,033** |

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

(2) Micro, small & medium-sized enterprises.

## 6.7 Analysis of RIM exposures

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

| | UK | Eurozone | Rest of World | 31 December 2019 |
|---|---|---|---|---|
| Central government or central banks | 1,933,496 | - | - | **1,933,496** |
| Institutions | 349,239 | 96,660 | 100,162 | **546,061** |
| Retail | 156,429 | 545 | 11,711 | **168,685** |
| Exposures in default | 72 | - | - | **72** |
| Claims on institutions with a short-term credit assessment | - | 95,936 | 141,265 | **237,201** |
| Collective investment undertakings | - | 70,262 | - | **70,262** |
| Equity exposures | 1,186 | - | - | **1,186** |
| Other items (1) | 80,004 | - | 49 | **80,053** |
| **Total exposures** | **2,520,426** | **263,403** | **253,187** | **3,037,016** |

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 2019 |
|---|---|---|---|---|---|
| Central government or central banks | 1,933,496 | - | - | - | **1,933,496** |
| Institutions | - | 546,061 | - | - | **546,061** |
| Retail | - | - | 14,590 | 154,095 | **168,685** |
| Exposures in default | - | - | - | 72 | **72** |
| Claims on institutions with a short-term credit assessment | - | 237,201 | - | - | **237,201** |
| Collective investment undertakings | - | 70,262 | - | - | **70,262** |
| Equity exposures | - | 1,186 | - | - | **1,186** |
| Other items (1) | - | 1,361 | - | 78,692 | **80,053** |
| **Total exposures** | **1,933,496** | **856,071** | **14,590** | **232,859** | **3,037,016** |

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 2019 |
|---|---|---|---|---|---|
| Central government or central banks | 1,930,278 | 3,218 | - | - | **1,933,496** |
| Institutions | 126,311 | 386,930 | - | 32,820 | **546,061** |
| Retail | 56,255 | 54,389 | 58,041 | - | **168,685** |
| Exposures in default | 72 | - | - | - | **72** |
| Claims on institutions with a short-term credit assessment | 237,201 | - | - | - | **237,201** |
| Collective investment undertakings | 70,262 | - | - | - | **70,262** |
| Equity exposures | - | - | - | 1,186 | **1,186** |
| Other items (1) | 52,964 | - | - | 27,089 | **80,053** |
| **Total exposures** | **2,473,343** | **444,537** | **58,041** | **61,095** | **3,037,016** |

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

(2) Micro, small & medium-sized enterprises.

## 6.8 Non-performing and forborne exposures

EBA Guidelines EBS/GL/2018/10 include annual disclosure requirements on non-performing exposures, forborne exposures and foreclosed assets.

Neither group nor RIM fall into the definitions of significant credit institutions, nor do they have a gross non-performing loan ratio of 5% or greater, which would require additional specific disclosures.

As at 31 December 2019, neither group nor RIM had any exposures defined as non-performing or forborne. Gross non-performing loan ratios are therefore 0% at both group and RIM level.

# 7 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.

## 7.1 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<br>Institutions<br>Corporates<br>Claims on institutions with a short-term credit assessment |
| Moody's Investor Service<br>Standard & Poor's | Collective investment undertakings |

## 7.2 Mapping of ECAI long term 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 | Unrated | 31 December 2019 |
|---|---|---|---|---|
| **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 | 1,933,496 | - | - | **1,933,496** |
| Institutions (1) | 85,296 | 465,652 | 18,300 | **569,248** |
| Retail (2) | - | - | 169,385 | **169,385** |
| Exposures in default | - | - | 311 | **311** |
| Claims on institutions with a short-term credit assessment | 166,542 | 70,659 | - | **237,201** |
| Collective investment undertakings (3) | 100,262 | - | 4,650 | **104,912** |
| Equity exposure | - | - | 1,186 | **1,186** |
| Other items (4) | - | - | 161,294 | **161,294** |
| **Total exposures** | **2,285,596** | **536,311** | **355,126** | **3,177,033** |

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

(2) Retail exposures represent primarily loans advanced (plus £31m 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.

## 7.3 Mapping of ECAI long term 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 | Unrated | 31 December 2019 |
|---|---|---|---|---|
| **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 | 1,933,496 | - | - | **1,933,496** |
| Institutions (1) | 60,751 | 437,009 | 48,301 | **546,061** |
| Retail (2) | - | - | 168,685 | **168,685** |
| Exposures in default | - | - | 72 | **72** |
| Claims on institutions with a short-term credit assessment | 166,542 | 70,659 | - | **237,201** |
| Collective investment undertakings | 70,262 | - | - | **70,262** |
| Equity exposure | | | 1,186 | **1,186** |
| Other items (3) | - | - | 80,053 | **80,053** |
| **Total exposures** | **2,231,051** | **507,668** | **298,297** | **3,037,016** |

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

(2) Retail exposures represent primarily loans advanced (plus £31m 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.

# 8 Liquidity risk

## 8.1 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 167 to 182 within note 35 of the annual report and accounts.

## 8.2 Summary of the liquidity coverage ratio ('LCR')

A summary of the group's LCR during 2019 is shown in the following table (£'000):

| | 31 Dec 2019 | 30 Sept 2019 | 30 June 2019 | 31 Mar 2019 |
|---|---|---|---|---|
| Total High Quality Liquid Assets | 1,937,549 | 1,958,116 | 1,277,858 | 1,237,676 |
| Total net cash outflow | 346,431 | 350,565 | 181,343 | 163,091 |
| **Liquidity coverage ratio** | **559.3%** | **558.6%** | **704.7%** | **758.9%** |

A summary of RIM's LCR during 2019 is shown on the following table (£'000):

| | 31 Dec 2019 | 30 Sept 2019 | 30 June 2019 | 31 Mar 2019 |
|---|---|---|---|---|
| Total High Quality Liquid Assets | 1,937,549 | 1,958,115 | 1,277,857 | 1,237,674 |
| Total net cash outflow | 467,465 | 412,873 | 244,499 | 258,669 |
| **Liquidity coverage ratio** | **414.5%** | **474.3%** | **522.6%** | **478.5%** |

# 9 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.

RIM's published client interest rate schedules explicitly link the rate paid on client deposits to the UK base rate. 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.

## 9.1 Effect of 2% rate movement

| £'000 | Group 31 Dec 2019 | Group 31 Dec 2018 | RIM 31 Dec 2019 | RIM 31 Dec 2018 |
|---|---|---|---|---|
| GBP – upward shift | (3,141) | (6,318) | (3,216) | (6,068) |
| GBP – downward shift | 3,234 | 6,506 | 3,326 | 6,256 |

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

# 10 Non-trading book exposures in equities

Equity securities represent both listed units held by the group in unit trusts managed by Rathbone Unit Trust Management Limited and unlisted Euroclear shares held by Rathbone Investment Management Limited. All equities are measured at fair value through profit and loss.

## 10.1 Valuation of exposures

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

| | Group<br>31 Dec 2019 | Group<br>31 Dec 2018 | RIM<br>31 Dec 2019 | RIM<br>31 Dec 2018 |
|---|---|---|---|---|
| Listed | 4,650 | 3,205 | - | - |
| Unlisted | 1,186 | 1,259 | 1,186 | - |
| **Total exposures** | **5,836** | **4,464** | **1,186** | **-** |

The group realised no losses on disposal of assets measured at fair value through profit and loss securities during 2019 (2018: £nil)

Total unrealised losses from changes in fair value as at 31 December 2019 were £73,000 (2018: £18,000 gain).

# 11 Remuneration code

Our remuneration policy is agreed 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.

## 11.1 Remuneration committee

The remuneration committee report on pages 92 to 107 of the 2019 annual report & accounts includes details on directors' remuneration policy. The committee, which comprises the six independent non-executive directors, met on four occasions in 2019. The remuneration committee was advised by PricewaterhouseCoopers (PWC), who provided external market data and advice on current best practice on remuneration policies and arrangements.

## 11.2 Overview of 2019 remuneration system

Full details of the executive incentive schemes are set out in the 2019 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. There are also non-financial considerations in determining the level of award. 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. Awards are allocated on a discretionary basis, taking individual performance and non-financial factors into consideration.

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

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

All awards are subject to Rathbones Risk Adjustment to Variable Remuneration Policy

## 11.3 Link between pay & performance

Employee total reward typically comprised a salary, and benefits including pension scheme, life assurance, private medical cover and income protection insurance together with a number of bonus or profit sharing arrangements. Salaries were set in the context of affordability, external market considerations as well as internal relativities and equal pay factors. The remuneration of senior management and Material Risk Takers ('MRTs') is reviewed annually by the remuneration committee.

## 11.4 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 35 staff classified as MRTs during the 2019 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 2019 was £164.7m, of which £24.2m was paid to MRTs.

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

| Business unit | |
|---|---|
| Senior management (including Management body) qualitative MRTs (SMF) | 8.8 |
| Other qualitative MRTs | 15.4 |
| **Total** | **24.2** |

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

| Business unit | |
|---|---|
| Management body | 3.1 |
| Investment management | 14.3 |
| Unit trusts | 5.7 |
| Independent control functions | 1.1 |
| **Total** | **24.2** |

The figures above include deferred, contingent awards, the value of which is estimated based on 31 December 2019 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.

# 12 Appendices

# Appendix 1

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

As at 31 December 2019:

| 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 | 1,932,997 | | 500[1] | 1,933,497 | 1,933,496 | | | | 1 | | | | 1,933,497 |
| Settlement balances | 52,520 | (52,520) | - | - | | | | | | | | | - |
| Loans and advances to banks | 177,832 | | 450 [1]<br>5,727 [2] | 184,009 | | 123,669 | 60,340 | | | | | | 184,009 |
| Loans and advances to customers | 138,412 | | 31,284 [4] | 169,696 | 31,284 | | | 64,610 | 73,491 | 311 | | | 169,696 |
| Investment securities | | | | | | | | | | | | | |
| - Fair value through profit or loss | 105,967 | | 68[1] | 106,035 | | 100,262 | | | 5,773 | | | | 106,035 |
| - Amortised cost | 600,261 | | 3,879[1] | 604,140 | | 317,843 | 286,297 | | | | | | 604,140 |
| Intangible assets | 227,807 | (227,807) | - | - | | | | | | | | | - |
| Property, plant and equipment | 64,912 | | - | 64,912 | | | | | 64,912 | | | | 64,912 |
| Deferred tax asset | 2,636 | | 8,925 [3] | 11,561 | | | | | 11,561 | | | | 11,561 |
| Prepayments, accrued income and other assets | 95,390 | | 18,300 [5]<br>(5,727) [2]<br>(4,897) [1] | 103,066 | - | 13,522 | 1,696 | | 87,848 | | | | 103,066 |
| Off-Balance sheet guarantees | - | | 117 | 117 | | | | | 117 | | | | 117 |
| **Total assets** | **3,398,734** | **(280,327)** | **58,626** | **3,177,033** | **1,964,780** | **555,296** | **348,333** | **64,610** | **243,703** | **311** | **-** | **-** | **3,177,033** |
| **Total risk-weighted assets** | | | | | **-** | **111,059** | **174,167** | **48,458** | **243,703** | **467** | **-** | **-** | **577,854** |
| **Total own funds requirement for credit risk (at 8%)** | | | | | **-** | **8,885** | **13,933** | **3,877** | **19,496** | **37** | **-** | **-** | **46,228** |

[1] reclassification of accrued interest.

[2] reclassification of Barclays Bank Plc client money account.

[3] deferred tax relating to intangible assets.

[4] undrawn loan proposals.

[5] counterparty & settlement risk exposures.

# Appendix 2

Group Common Equity Tier 1 ratio

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

| | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| | | |
| **Common Equity Tier 1 after deductions** | **266,404** | **234,779** |
| | | |
| **Risk Weighted assets** | | |
| Credit & counterparty credit risk (1) | 557,854 | 557,261 |
| Settlement risk (2) | 3,350 | 213 |
| Market risk (3) | 5,538 | 5,175 |
| Operational risk (4) | 622,296 | 579,124 |
| **Total risk exposure amount** | **1,209,038** | **1,141,773** |
| | | |
| **Common Equity Tier 1 ratio** | **22.0%** | **20.6%** |

(1) See Appendix 1 (page 30).

(2) Calculated as 12.5 times the own funds requirement for settlement risk (page 15).

(3) Calculated as 12.5 times the own funds requirement for market risk (page 15).

(4) Calculated as 12.5 times the own funds requirement for operational risk (page 15).

# Appendix 3

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

As at 31 December 2019:

| 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 | 1,932,996 | | 500[1] | 1,933,496 | 1,933,496 | | | | | | | | 1,933,496 |
| Settlement balances | 17,478 | (17,478) | | - | | | | | | | | | - |
| Loans and advances to banks | 124,644 | | 450 [1]<br>5,727 [2] | 130,821 | | 70,481 | 60,340 | | | | | | 130,821 |
| Loans and advances to customers | 151,949 | | 31,284 [4] | 183,233 | 31,284 | 13,174 | | 63,912 | 74,791 | 72 | | | 183,233 |
| Investment securities | | | | | | | | | | | | | |
| - Available for sale | 71,381 | | 67 [1] | 71,448 | | 70,262 | | | 1,186 | | | | 71,448 |
| - Held to maturity | 600,261 | | 3,879 [1] | 604,140 | | 317,843 | 286,297 | | | | | | 604,140 |
| Intangible assets | 184,339 | (184,339) | | - | | | | | | | | | - |
| Property, plant and equipment | 15,501 | | | 15,501 | | | | | 15,501 | | | | 15,502 |
| Deferred tax asset | (3,387) | | 8,409[3] | 5,022 | | | | | 5,022 | | | | 5,022 |
| Prepayments, accrued income and other assets | 70,036 | | (4,896)[1]<br>(5,727)[2]<br>15,480[5] | 74,893 | | 11,651 | 747 | | 62,495 | | | | 74,893 |
| Investment in subsidiary undertakings | 30,798 | (12,453) | | 18,345 | | | | | | | 18,345 | | 18,345 |
| Off-Balance sheet guarantees | - | | 117 | 117 | | | | | 117 | | | | 117 |
| **Total assets** | **3,195,996** | **(214,270)** | **55,290** | **3,037,016** | **1,964,780** | **483,411** | **347,384** | **63,912** | **159,112** | **72** | **18,345** | **-** | **3,037,016** |
| **Total risk-weighted assets** | | | | | **-** | **96,682** | **173,692** | **47,934** | **159,112** | **108** | **45,863** | **-** | **523,391** |
| **Total own funds requirement for credit risk (at 8%)** | | | | | **-** | **7,735** | **13,895** | **3,835** | **12,729** | **9** | **3,669** | **-** | **41,872** |

(1) reclassification of accrued interest.

(2) reclassification of Barclays Bank Plc client money account.

(3) deferred tax relating to intangible assets.

(4) undrawn loan proposals.

(5) counterparty & settlement risk exposures.

# Appendix 4

RIM Common Equity Tier 1 ratio

Calculation of RIM Common Equity Tier 1 ratio as at 31 December 2019 (£'000):

| | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| **Common Equity Tier 1 after deductions** | **170,993** | **162,290** |
| Risk Weighted assets | | |
| Credit & counterparty credit risk (1) | 523,391 | 525,745 |
| Settlement risk (2) | 1,188 | 213 |
| Market risk (3) | - | - |
| Operational risk (4) | 510,446 | 425,417 |
| **Total risk exposure amount** | **1,035,025** | **951,375** |
| **Common Equity Tier 1 ratio** | **16.5%** | **17.1%** |

(1) See Appendix 3 (page 32).
(2) Calculated as 12.5 times the own funds requirement for settlement risk (page 15).
(3) Calculated as 12.5 times the own funds requirement for market risk (page 15).
(4) Calculated as 12.5 times the own funds requirement for operational risk (page 15).

# 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 213,757,000 |
| 9a | Issue price | 5 pence |
| 9b | Redemption price | Not Applicable |
| 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 in liquidation | 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 and Tier 2 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 253,062,000 |
| 9a | Issue price | GBP 1.00 |
| 9b | Redemption price | Not Applicable |
| 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 in liquidation | 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 15,683,000 (group)<br>GBP 20,000,000 (solo) |
| 9a | Issue Price | GBP 20,000,000 |
| 9b | Redemption Price | Not Applicable |
| 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<br>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 in liquidation | 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 |
|---|---|---|---|
| Common Equity Tier 1 (CET1) capital: instruments and reserves | | | |
| 1 | Capital instruments and the related share premium accounts | 213,757,000 | 26(1), 27, 28, 29 EBA list 26(3) |
| | of which: ordinary shares | 213,757,000 | EBA list 26(3) |
| 2 | Retained earnings | 241,851,000 | 26(1)(c) |
| 3 | Accumulated and other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) | 71,756,000 | 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) |
| 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** | **527,364,000** | |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | | |
| 7 | Additional value adjustments (negative amount) | 105,000 | 34, 105 |
| 8 | Intangible assets (net of related tax liability)(negative amount) | 218,884,000 | 36(1)(b), 37 |
| 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 |
| 11 | Fair value reserves related to gains or losses on cash flow hedges | - | 33(1)(a) |
| 12 | Negative amounts resulting from the calculation of expected loss amounts | - | 36(1)(d), 40 159 |
| 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(1)(b) |
| 15 | Defined-benefit pension fund assets (negative amount) | - | 36(1)(e), 41 |
| 16 | Direct and indirect holdings by an institution of own CET1 instruments (negative amount) | 41,971,000 | 36(1)(f), 42 |
| 17 | Direct, indirect and synthetic 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 institution (negative amount) | - | 36(1)(g), 44 |
| 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 |
| 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 |
| 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)<br>89 to 91 |
| 20c | of which: securitisation positions (negative amount) | - | 36(1)(k)(ii)<br>243(1)(b)<br>244(1)(b), 258 |
| 20d | of which: free deliveries (negative amount) | - | 36(1)(k)(iii)<br>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<br>48(1)(a) |
| 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)<br>48(1)(b) |
| 24 | Empty set in the EU | - | |
| 25 | of which: deferred tax assets arising from temporary differences | - | 36(1)(c), 38<br>48(1)(a) |
| 25a | Losses for the current financial year (negative amount) | - | 36(1)(a) |
| 25b | Foreseeable tax charges relating to CET1 items (negative amount) | - | 36(1)(l) |
| 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)** | **260,960,000** | |
| **29** | **Common Equity Tier 1 (CET1) capital** | **266,404,000** | |
| 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) |
| 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 |
| 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)<br>57 |
| 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 |
| 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<br>79 |
| 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 |
| 41 | Empty set in the EU | - | |
| 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)** | **266,404,000** | |
| 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) |
| 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 | 15,683,000 | 87, 88 |
| 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** | **15,683,000** | |
| 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 |
| 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 |
| 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 |
| 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 |
| 56 | Empty set in the EU | - | |
| **57** | **Total regulatory adjustments to Tier 2 (T2) capital** | **-** | |
| **58** | **Tier 2 (T2) capital** | **15,683,000** | |
| **59** | **Total capital (TC = T1 + T2)** | **282,087,000** | |
| **60** | **Total risk weighted assets** | **1,209,038,000** | |
| Capital ratios and buffers | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk exposure amount) | 22.0% | 92(2)(a) |
| 62 | Tier 1 (as a percentage of risk exposure amount) | 22.0% | 92(2)(b) |
| 63 | Total capital (as a percentage of risk exposure amount) | 23.3% | 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 | 7.94% | CRD 128, 129, 130, 131, 133 |
| 65 | of which: capital conservation buffer requirement | 2.50% | |
| 66 | of which: countercyclical buffer requirement | 0.94% | |
| 67 | of which: systemic risk buffer requirement | - | |
| 67a | of which: Global Systemically Important institution (G-SII) or Other Systemically Important Institution (O-SII) buffer | - | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) | 12.19% | 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 |

| | | | |
|---|---|---|---|
| 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 |
| 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 |
| 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 |
|---|---|---|---|
| Common Equity Tier 1 (CET1) capital: instruments and reserves | | | |
| 1 | Capital instruments and the related share premium accounts | 253,060,000 | 26(1), 27, 28, 29 EBA list 26(3) |
| | of which: ordinary shares | 253,060,000 | EBA list 26(3) |
| 2 | Retained earnings | 106,382,000 | 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) |
| 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** | **359,442,000** | |
| Common Equity Tier 1 (CET1) capital: regulatory adjustments | | | |
| 7 | Additional value adjustments (negative amount) | 70,000 | 34, 105 |
| 8 | Intangible assets (net of related tax liability)(negative amount) | 175,928,000 | 36(1)(b), 37 |
| 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 |
| 11 | Fair value reserves related to gains or losses on cash flow hedges | - | 33(1)(a) |
| 12 | Negative amounts resulting from the calculation of expected loss amounts | - | 36(1)(d), 40 159 |
| 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(1)(b) |
| 15 | Defined-benefit pension fund assets (negative amount) | - | 36(1)(e), 41 |
| 16 | Direct and indirect holdings by an institution of own CET1 instruments (negative amount) | - | 36(1)(f), 42 |
| 17 | Direct, indirect and synthetic 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 institution (negative amount) | - | 36(1)(g), 44 |
| 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 |
| 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) | 12,453,000 | 36(1)(i), 43, 45 47, 48(1)(b) 49(1) to (3), 79 |
| 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) |
| 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) |
| 24 | Empty set in the EU | - | |
| 25 | of which: deferred tax assets arising from temporary differences | - | 36(1)(c), 38 48(1)(a) |
| 25a | Losses for the current financial year (negative amount) | - | 36(1)(a) |
| 25b | Foreseeable tax charges relating to CET1 items (negative amount) | - | 36(1)(l) |
| 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)** | **188,451,000** | |
| **29** | **Common Equity Tier 1 (CET1) capital** | **170,991,000** | |
| 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) |
| 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 |
| 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 |
| 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 |
| 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 |
| 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 |
| 41 | Empty set in the EU | - | |
| 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)** | **170,991,000** | |
| 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) |
| 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 | 20,000,000 | 87, 88 |
| 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 |
| 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 |
| 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 |
| 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 |
| 56 | Empty set in the EU | - | |
| **57** | **Total regulatory adjustments to Tier 2 (T2) capital** | **-** | |
| **58** | **Tier 2 (T2) capital** | **20,000,000** | |
| **59** | **Total capital (TC = T1 + T2)** | **190,991,000** | |
| **60** | **Total risk weighted assets** | **1,035,025,000** | |
| Capital ratios and buffers | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk exposure amount) | 16.5% | 92(2)(a) |
| 62 | Tier 1 (as a percentage of risk exposure amount) | 16.5% | 92(2)(b) |
| 63 | Total capital (as a percentage of risk exposure amount) | 18.5% | 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 | 7.91% | CRD 128, 129, 130, 131, 133 |
| 65 | of which: capital conservation buffer requirement | 2.50% | |
| 66 | of which: countercyclical buffer requirement | 0.91% | |
| 67 | of which: systemic risk buffer requirement | - | |
| 67a | of which: Global Systemically Important institution (G-SII) or Other Systemically Important Institution (O-SII) buffer | - | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount) | 6.44% | 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 |

| | | | |
|---|---|---|---|
| 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 |
| 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 |
| 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 | 3,398,734 |
| 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") | (218,884) |
| 4 | Adjustments for derivative financial instruments | 105 |
| 5 | Adjustments for securities financing transactions "SFTs" | 10,034 |
| 6 | Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures) | 3,245 |
| 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** | **3,193,234** |

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) | 3,398,734 |
| 2 | (Asset amounts deducted in determining Tier 1 capital) | (218,884) |
| **3** | **Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)** | **3,179,850** |
| Derivative exposure | | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | 85 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method) | 20 |
| 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)** | **105** |
| 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 | 10,034 |
| 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)** | **10,034** |
| Other off-balance sheet exposures | | |
| 17 | Off-balance sheet exposures at gross notional amount | 31,401 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | (28,156) |
| **19** | **Other off-balance sheet exposures (sum of lines 17 to 18)** | **3,245** |
| 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** | **266,404** |
| **21** | **Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU19-a and EU-19b)** | **3,193,234** |
| Leverage ratio | | |
| **22** | **Leverage ratio** | **8.3%** |
| 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: | **3,179,850** |
| EU-2 | Trading book exposures | - |
| EU-3 | Bank book exposures, of which: | **3,179,850** |
| EU-4 | Covered bonds | - |
| EU-5 | Exposures treated as sovereign | 1,933,496 |
| EU-6 | Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns | - |
| EU-7 | Institutions | 806,449 |
| EU-8 | Secured by mortgages of immovable properties | - |
| EU-9 | Retail exposures | 138,101 |
| EU-10 | Corporate | - |
| EU-11 | Exposures in default | 311 |
| EU-12 | Other exposures (eg equity, securitisation, and other non-credit obligation assets) | 301,493 |

# Appendix 11

Disclosure of encumbered and unencumbered assets (group) £'000:

| | Carrying amount of encumbered assets | | Fair value of encumbered assets | | Carrying amount of unencumbered assets | | Fair value of unencumbered assets | |
|---|---|---|---|---|---|---|---|---|
| | | Of which notionally eligible EHQLA and HQLA | | Of which notionally eligible EHQLA and HQLA | | Of which notionally eligible EHQLA and HQLA | | Of which notionally eligible EHQLA and HQLA |
| Equity instruments | - | - | - | - | 105,967 | 7,548 | 105,967 | 7,548 |
| Debt securities | - | - | - | - | 600,261 | - | 600,261 | - |
| Of which: covered bonds | - | - | - | - | - | - | - | - |
| Of which: asset-backed securities | - | - | - | - | - | - | - | - |
| Of which: issued by general governments | - | - | - | - | - | - | - | - |
| Of which: issued by financial corporations | - | - | - | - | 600,261 | - | 600,261 | - |
| Of which: issued by non-financial corporations | - | - | - | - | - | - | - | - |
| Other assets | 3,218 | - | 3,218 | - | 2,689,288 | 1,929,778 | 2,689,288 | 1,929,778 |
| **Total** | **3,218** | **-** | **3,218** | **-** | **3,395,516** | **1,937,326** | **3,395,516** | **1,937,326** |