BROWN SHIPLEY & CO. LIMITED

PILLAR 3 DISCLOSURES

FOR THE YEAR ENDED 31 DECEMBER 2022

Registered number: 00398426

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DIRECTORS AND PROFESSIONAL ADVISERS

Directors	Kathleen Cates – Non-Executive Chair Calum Brewster – Chief Executive Officer Marcia Cantor-Grable – Non-Executive Board Risk, Compliance and Legal Committee Chair Andrew Curran – Chief Financial Officer Tim Gillbanks – Non-Executive Audit Committee Chairman and Senior Independent Director Nicholas Harvey – Non-Executive
Registered office	2 Moorgate London EC2R 6AG Company registered number: 00398426
Registered Auditors	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY

Declaration by the Management Body

Brown Shipley's Management attests that the disclosures provided in accordance with Part Eight of the CRR (i.e. the Pillar 3 Disclosure report) have been prepared in accordance with its internal control processes.

The Pillar 3 Disclosure Report has been subject to a robust internal review and approval process. It was validated by the Chief Risk Officer / Chief Finance Officer for approval by the Executive Committee and by the Board Risk, Compliance and Legal Committee. The respective approvals were granted on 29 November 2023 and 10 January 2024 respectively.

BSCo's Management also declares that the risk management arrangements of Brown Shipley are adequate with regard to the Bank's risk profile and strategy.

1. INTRODUCTION

This document presents the Pillar 3 Disclosures of Brown Shipley & Co Limited, as at 31 December 2022. This report has been prepared on a consolidated basis for the Brown Shipley Group and references to “Brown Shipley”, “BSCo” or “the Bank” mean Brown Shipley & Co Limited and all its subsidiaries.

BSCo is a private limited company, which is incorporated and domiciled in the United Kingdom, authorised to undertake regulated activities by the Prudential Regulation Authority (“PRA”). The Bank is a dual-regulated business with the PRA as its lead regulator, and the Financial Conduct Authority (“FCA”), the Bank’s conduct regulator.

The Bank’s principal activity is to provide wealth management services comprising investment management, wealth planning, lending, and other private banking services to its clients, which mainly consist of private individuals.

The objective of the Pillar 3 Disclosures report is to provide a clear view of the risks faced by the Bank and how these are assessed and managed internally, supported by relevant datasets, as prescribed by the PRA.

The information presented in this report is not required to be, and has not been, subject to external audit.

This document should be read in conjunction with BSCo’s 2022 annual report and financial statements.

1.1 Key Prudential Risk Ratios

The table below provides a summary of key prudential metrics covering the Bank’s capital and liquidity position as at year end.

	2022	2021
Common Equity Tier 1 (CET1)	**20.3%**	**19.6%**
Leverage Ratio	**9.1%**	**6.8%**
Liquidity Coverage Ratio (LCR)	**218%**	**253%**
Net Stable Funding Ratio (NSFR)	**165%**	**121%**

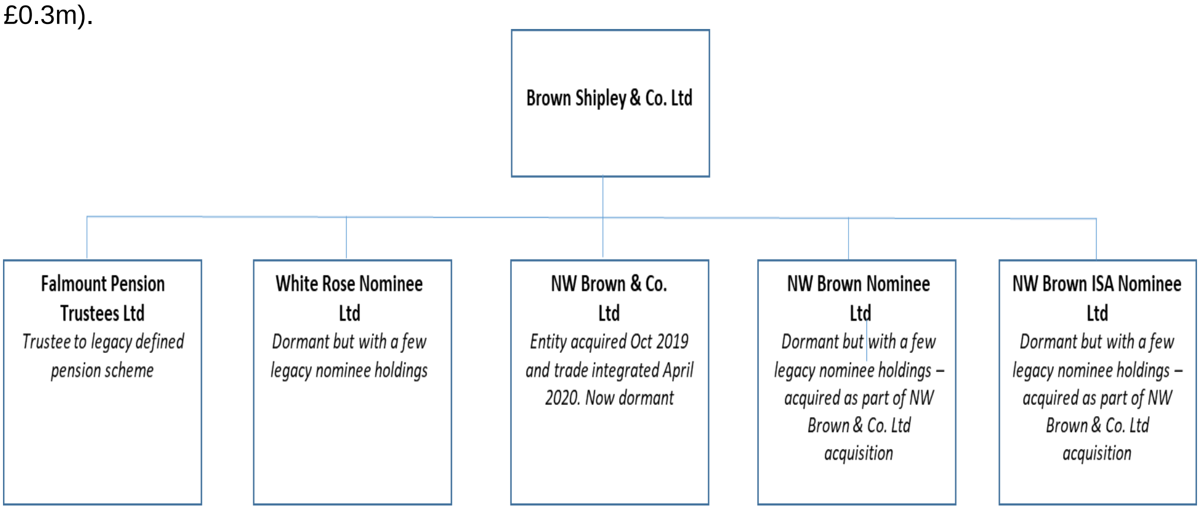
Details of disclosure template UK KM1 are presented in section 15.1.

2. STRUCTURE OF BROWN SHIPLEY

This report has been prepared on a consolidated basis for Brown Shipley as all its subsidiaries were dormant in the year and all actual figures are as at 31 December 2022.

Brown Shipley is the holding company of the Group and as at the end of 2022 had five (2021 – five) wholly owned subsidiaries, all of which were dormant in the year ending December 2022.

The total value of investment in subsidiaries (equivalent to their net asset value) amounts to £0.3m (2021 - £0.3m).



Following the full integration of NW Brown & Co. Ltd ('NWB'), it is expected that the NW Brown & Co. Ltd legal entity will be dissolved when appropriate.

Ownership

Brown Shipley & Co. Limited is a wholly owned subsidiary of Quintet Private Bank (Europe) SA, a company incorporated in Luxembourg and the parent of the smallest group into which the results of BSCo are consolidated.

As a significant European banking institution, Quintet is under direct prudential supervision by the European Central Bank (ECB).

Since July 2012, Quintet Group is more than 99.9% owned by Precision Capital LLC, the ultimate holding company, a Qatari-based company governed by Qatar law representing the interests of a group of Qatari private investors. In December 2021, Precision Capital was transferred from Luxembourg to Qatar via a transfer of legal personality. Precision Capital, as a strong and committed shareholder, continues to fully support the long-term strategy of Quintet.

Brown Shipley's services

Brown Shipley provides wealth management services comprising investment management, wealth planning, lending and other private banking services to its client base, which mainly consists of private individuals.

Managing clients' funds on a discretionary basis is at the heart of the Bank's offering. Having full discretion with securities held by our nominee and cash held by us as an authorised bank, allows our investment managers maximum flexibility and enables us to provide quality services efficiently and at a reasonable cost. Increasingly the service provided to clients is that of Wealth Management, a combination of Investment Management along with ongoing Wealth Planning. These services enable the Bank to provide clients with advice on all aspects of their financial affairs. The Bank also provides advisory management and execution only investment management services.

Brown Shipley is an authorised bank providing a range of banking services to its clients. Current accounts are offered alongside term deposit facilities. In recent years the Bank has focused on developing its lending business as a complementary service to wealth management. Loans are offered to enhance the service provided to existing customers or to establish new private banking relationships. Loans are made on a secured basis, for a maximum of five years and at conservative loan to value ratios. Security held for loans comprises mainly investment management portfolios and UK residential property assets.

3. CORPORATE GOVERNANCE

Board of Directors

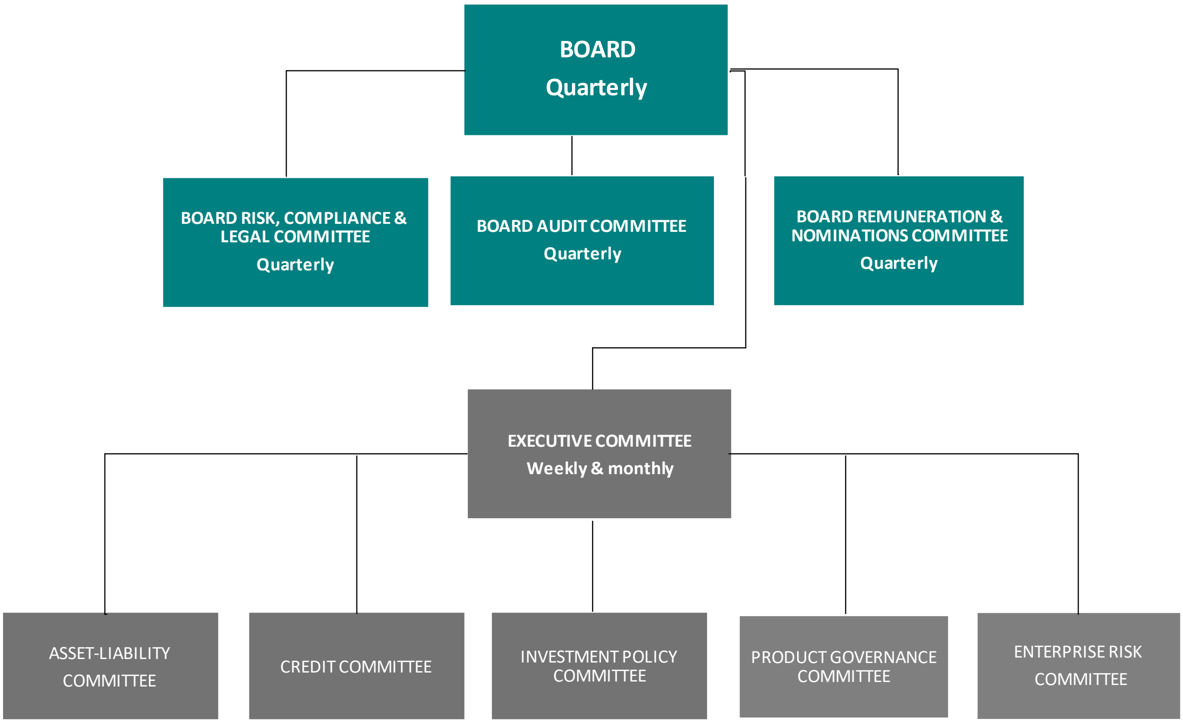
The Board sets the overall strategy for the Bank. The Board is composed of two executive directors, the Chief Executive Officer, Chief Finance Officer, three independent non-executive directors, and one shareholder representative (non-executive director).

The Board is supported by three sub-committees: a Risk, Compliance & Legal, an Audit, and a Remuneration & Nomination Committee, each of them being composed of a sub-set of the Board. Each committee is chaired by a non-executive director and assisted by the occasional / permanent presence of executive management and external advisors when relevant.

The BSCo Board has the ultimate accountability for the Bank's risk and related internal control environment. The Board Risk, Compliance and Legal Committee provides leadership, direction and oversight regarding risk governance and management, whilst the Board Audit Committee supervises the integrity, efficiency and effectiveness of the internal control measures and the risk management in place.

The Board meets at least on a quarterly basis and on an ad hoc basis whenever required. The different sub-committees meet formally with the same frequency.

The Bank's risk governance structure is illustrated below:



Board Risk, Compliance & Legal Committee (“BRCLC”)

The BRCLC is tasked with providing leadership, direction, and oversight regarding risk governance and management. It assists the Board in fostering a culture that emphasises and demonstrates the benefits of a risk-based approach to risk management and internal controls. The BRCLC is responsible for reviewing the Bank’s risk appetite and associated KRIs at least annually and reviewing the effectiveness of the Enterprise Risk Management Framework. The Committee comprises all independent Non-Executive Directors and Quintet representatives and is attended by the Chief Executive Officer (CEO), Chief Finance Officer (CFO), Chief Risk Officer (CRO) and other relevant parties.

Board Audit Committee (“BAC”)

The BAC assists the Board by supervising the integrity, efficiency and effectiveness of the internal control measures and risk management in place. The BAC has oversight over and tests the integrity of the financial statements, internal controls, internal and external audit.

Board Remuneration and Nomination Committee (“BRNC”)

The BRNC reviews and approves the overall remuneration policy and practices for the Bank, as well as individual nominations, remuneration packages and evaluation for the most critical roles, including the firm’s Material Risk Takers. The BRNC is guided by the overall principles of the BSCo Remuneration Policy but applies local regulatory requirements where appropriate.

Executive Committee (“ExCo”)

The ExCo operates under delegated authority of the BSCo Board to implement the strategy and objectives set by the Bank. It is composed of members of the senior management team and currently comprises of the CEO, CFO, CRO, Chief Operating Officer, Head of HR, Head of Private Banking and Head of Client Solutions. The ExCo meets on a regular weekly basis, with a formal monthly meeting, and has responsibility for the day-to-day management of BSCo and its subsidiary companies.

Senior Managers and Certification Regime (“SMCR”)

Senior management within BSCo are responsible for identifying, measuring, and monitoring the key risks for the business function or office location that they are responsible for.

BSCo has implemented the requirements of the FCA/PRA SMCR to include the management and governance arrangements specifically required by SYSC3 to maintain appropriate systems and controls.

Senior Manager Functions ("SMFs") are determined by the regulator, as are the areas of specific responsibility known as 'prescribed responsibilities'. The appropriate appointment of individuals to senior manager functions and the allocation of prescribed and other responsibilities to these individuals is the responsibility of the CEO, as SMF1. All prescribed responsibilities and responsibilities for other key activities are allocated to relevant Senior Managers, which includes executives, non-executive directors (NEDs) and other key roles. The details of the SMF appointments and their allocated responsibilities are recorded in the Management Responsibilities Map. The Board Remuneration and Nomination Committee reviews the Management Responsibilities Map at least annually to ensure that the allocation of responsibilities is still appropriate.

All SMFs maintain a Statement of Responsibilities which documents the prescribed and other responsibilities for which they are the accountable senior manager.

Appointed Senior Managers, via their delegated reports, are accountable for identifying and managing the risks generated from the business activities for which they are responsible.

4. RISK MANAGEMENT APPROACH

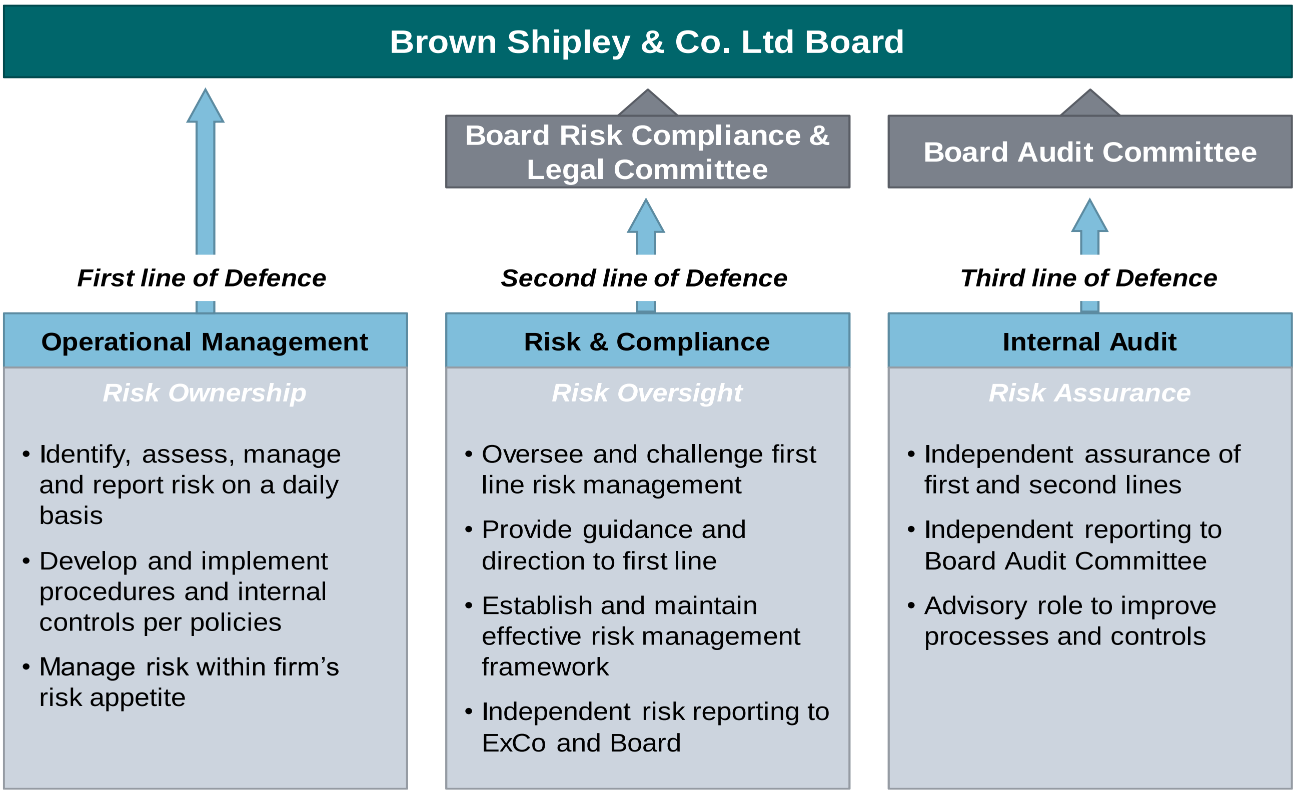
4.1 Risk Philosophy and Risk Management Framework

The philosophy of the Bank is that all members of staff have a responsibility for risk. The Board carries the ultimate responsibility, as stated in the Enterprise Risk Management Framework, and is supported by the Risk Control function. The Framework also describes the "Three Lines of Defence" model operated by the Bank and the responsibilities at the various levels within the organisation:

- The first line of defence consists of business line management and staff who are responsible for the risks inherent in their business area activities and who, supported by the first line Business Risk Management (BRM) function, ensure that appropriate systems and controls are in place to effectively mitigate the day-to-day risks in the business. BRM are also responsible for monitoring compliance with policies and procedures, and for the escalation of issues to senior management and risk governance functions, where relevant.

- The second line of defence is provided by the Bank's Risk and Compliance functions. These functions set the overarching risk and compliance frameworks, monitor adherence to the firm's approved risk appetite, and are responsible for providing support and challenge to the first line in their risk management activities.

- The third line of defence is the independent assurance provided by Internal Audit.



Many risks have cross-functional and cross-business impacts. Consequently, an enterprise-wide perspective on risk is considered essential to understand broader implications of risks and any risk events. A comprehensive, consistent, and integrated view of risk is necessary to allocate capital efficiently and conduct business in a safe and sound manner.

4.2 Risk Appetite Statement ("RAS") and Risk Taxonomy

Risk appetite defines the amount and type of risk, both financial and non-financial, that the Bank is able and willing to accept in the pursuit of its business objectives and strategies. The overall objective is to protect the Bank from unacceptable levels of risk, while supporting and enabling the firm's overall business strategy (including the assessment of new business opportunities).

The risk appetite is based upon the Risk Taxonomy, which documents the risk types to which the Bank is or could be exposed, to ensure that all material risks are defined and are addressed in the risk governance framework.

Brown Shipley has approved first and second line owners for each of its material risks, as determined by the Risk Taxonomy. First line risk owners have clear responsibility for their assigned risks, the management of those risks and associated reporting. Second line owners are responsible for ensuring appropriate oversight procedures are in place to support and challenge the first line owners.

Brown Shipley has developed individual risk appetite statements for all material risks. The individual risk appetites define the risk boundaries for the Bank's services and operating parameters. These risk appetites are typically articulated via Key Risk Indicator ("KRI") metrics. These metrics have risk appetite limits and triggers for management action to address any causes of heightened risk that threaten the stated appetite.

By setting explicit thresholds for the key risk areas the Board can clearly document what level of risk it is prepared to accept in normal business activities, and conversely, what level of risk is unacceptable. The setting of both a limit and trigger provides more granular guidance for management, with the limit being a hard stop but the trigger being an early warning notification prompting corrective action.

Management is required at all times to manage their areas of responsibility within the Board's risk appetite and should this be unintentionally breached, then immediate and corrective action should be taken to remedy the situation, with the Board being notified of any limit breaches. All risk appetite breaches require a clear action plan, with defined responsibilities and delivery dates.

Risk appetite KRIs are tracked regularly and reported by the Risk function to the relevant risk governance forums.

At least annually the Board will consider whether the RAS remains appropriate, and that the limits / triggers are aligned to the strategic business plan.

4.3 Risk Culture

An effective risk culture is one that enables and rewards individuals and teams for taking the right risks in an informed manner to deliver against the business' objectives. Businesses with inappropriate risk cultures may inadvertently find themselves allowing activities which are at odds with policies and procedures or operating outside of these procedures. Such activity will hamper the achievement of strategic, tactical, and operational goals, but may also lead to reputational and financial impact. As such, embedding and maintaining a sound risk culture across the business is a key focus of the Brown Shipley Board and ExCo.

4.4 Risk Control Function

Overseen by the CRO, the Risk Control function comprises of Financial, Operational, Information Security and Credit Risk teams. The Risk Control teams provide advice and challenge to the first line business areas and monitor risks, providing regular independent reporting to the ERC and BRCLC, including adherence to approved risk appetite.

The Risk Control teams have a close working relationship with Finance, especially through the management and oversight of financial risks. The teams work closely together in the production and review of the annual capital and liquidity regulatory assessment processes.

4.5 Risk Governance Committees

ExCo is responsible for the day-to-day management of the Bank. ExCo is supported in its duties by a series of sub committees that have been created and empowered to be responsible for specific types of risks, namely:

- The Asset and Liability Management Committee ("ALCo") is the owner and decision maker regarding ALM matters including (i) managing the balance sheet and related financial risks of the Bank within guidelines / constraints set by the Group and regulatory guidelines, and (ii) centrally monitoring investments made by the Treasury function.
- The Credit Committee ("CC") deals with new credit proposals for lending to clients (accompanied by a mandatory opinion from the Credit Risk function). This committee also makes proposals about credit risk related issues such as credit policy, watch list management, credit provisions, etc.
- The Investment Policy Committee ("IPC") deals with the development, oversight and governance of investment policies, and performance and risk oversight of the Bank's investment strategies.
- The Product Governance Committee ("PGC") oversees the approval of the launch of each new product/service as well as the periodic review of such products and services (whether manufactured and/or distributed). The objective is to ensure that the new product or service complies with risk appetite, strategy and with laws and regulation applicable, that it can be operated efficiently from an operational perspective, and that adequate risk management processes / internal controls have been implemented to mitigate the implied risks.
- The Enterprise Risk Committee ("ERC") is responsible for reviewing and approving Enterprise Risk Management ("ERM") policies, with delegated responsibility from the BRCLC and the Board, and for implementing and overseeing the risk management framework governance process. The ERC monitors the risk profile of the Bank and is responsible for working with management to ensure that risk policies exist and are complied with for the risks faced by Brown Shipley.

Any specific areas of concern identified in these risk forums are escalated into either ExCo or the BRCLC.

5. OWN FUNDS, CAPITAL ADEQUACY AND SOLVENCY

5.1 Regulatory Capital Adequacy

5.1.1 Own Funds Instruments

Called up share capital

	Issued, allotted and fully paid £000
At 31 December 2022	
81,824,000 Ordinary shares of £1 each	**81,824**
At 31 December 2021	
81,824,000 Ordinary shares of £1 each	**81,824**

The Bank has one class of ordinary share which carries no right to fixed income.

Additional Tier 1 ('AT1') Equity Instrument

	2022 £000	2021 £000
Total AT1 Equity as at 31 December	**10,000**	**10,000**

The Bank has in issue £10m of variable rate AT1 perpetual subordinated contingent convertible securities. The securities have a defined rate of interest payable on 30 April annually, although the payment is at the discretion of BSCo and is not cumulative.

Unaudited Regulatory Capital at 31 December

	2022 £000	2021 £000
Tier One Capital		
Permanent Share Capital	81,824	81,824
Reserves – Retained earnings	38,580	36,322
Reserves – Accumulated other comprehensive income	(834)	(6,037)
Less: Goodwill and other intangible assets	(34,538)	(42,785)
Less: Deferred tax	(5)	(1,385)
Less: Defined benefit pension fund assets	(140)	-
Less: Investment in subsidiaries	(293)	(294)
Total Common Equity Tier One Capital	**84,594**	**67,645**
Additional Tier 1 Capital	10,000	10,000
Total Tier One Capital	**94,594**	**77,645**

The main difference between the Bank's total equity of £130.68m as stated in the annual reporting accounts and regulatory capital is the deduction of goodwill and other intangible assets.

5.1.2 Capital Requirements

The Bank's regulatory capital framework is defined by the Capital Requirements Directive (2013/36/EU) (CRD) and CRR (together referred to as CRD IV) as implemented in the United Kingdom by the PRA, under Policy Statement PS7/13 Strengthening capital standards: implementing CRD IV, feedback and final rules in December 2013.

The regulatory capital framework is categorised under 3 pillars.

- Pillar 1 sets out the minimum regulatory capital requirements for credit, market, and operational risk.

- Pillar 2 sets out the additional capital requirement for all material risks faced by the Bank. This requirement is based upon the Bank's Internal Capital Adequacy Assessment Process ("ICAAP") but subject to the PRA's Supervisory Review and Evaluation Process ("SREP"), which sets a firm's specific Total Capital Requirement ("TCR"). Brown Shipley's TCR is currently 10.51% of RWAs, which is met by at least 56.25% CET1 capital, and no more than 43.75% Additional Tier 1 capital.

- Pillar 3's objective is to improve market discipline through effective public disclosure to complement requirements for Pillar 1 and Pillar 2.

5.1.3 Pillar 1 Capital Requirements

The Bank calculates its capital using the 'standardised' approach to credit risk and operational risk under the Basel III framework. The Bank does not have a Pillar 1 market risk requirement as it does not take proprietary positions in a trading book for capital purposes.

The regulatory minimum of total capital is calculated at the rate of 8% of the risk weighted assets ("RWAs").

The table below shows as at 31 December 2022 the Pillar 1 capital requirement and RWAs by exposure class as per Article 112 of the CRR.

UK OV1 – Overview of risk weighted exposure amounts

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		2022	2021	2022
		£000	£000	£000
1	Credit risk (excluding CCR)	**297,986**	**230,604**	**23,839**
2	Of which the standardised approach	297,986	230,604	23,839
6	Counterparty credit risk - CCR	**365**		**29**
7	Of which the standardised approach	365		29
23	Operational risk			
UK 23b	Of which standardised approach	**118,725**	**115,030**	**9,498**
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	638	830	51
29	**Total**	**417,077**	**345,634**	**33,366**

5.2 Internal Own Funds Adequacy Evaluation

To assess its internal capital adequacy and produce the ICAAP, the Bank has developed Pillar 2a assessment methodologies, which have been approved by the Board and submitted to the PRA. These consider material risks to which the Bank is or might be exposed, as stated by section ICAA of the PRA Rulebook.

The ICAAP is submitted to the Board at least annually. The 2022 ICAAP demonstrates that the firm has sufficient capital to support its current risk exposure and those exposures arising from the strategic objectives set out in the Board approved business plan.

6. LEVERAGE

6.1 Leverage Ratio

The Basel III leverage ratio is defined as the capital measure divided by the exposure measure, with this ratio expressed as a percentage and having to exceed a minimum of 3%.

While the capital measure for the leverage ratio is the Tier 1 capital, the total exposure measure corresponds to the sum of the following exposures: on-balance sheet exposures, derivative exposures, and off-balance sheet items.

Brown Shipley's leverage ratio stands at 9.12% as at 31 December 2022 shown below. Details of disclosure templates UK LR1 and UK LR3 are presented in section 15.2.

UK LR2 - LRCom: Leverage ratio common disclosure		Leverage ratio exposures	
		2022	2021
		£000	£000
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	1,501,814	1,151,866
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(34,976)	(44,432)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**1,466,838**	**1,107,434**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	(322)	
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1,205	
13	**Total derivatives exposures**	**883**	**1,263**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	164,943	104,253
20	(Adjustments for conversion to credit equivalent amounts)	(140,145)	(74,091)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated associated with off-balance sheet exposures)	(3)	(6)
22	**Off-balance sheet exposures**	**24,795**	**30,155**
Capital and total exposure measure			
23	**Tier 1 capital (leverage)**	94,594	77,586
24	Total exposure measure including claims on central banks	1,492,516	1,138,853
UK-24a	(-) Claims on central banks excluded	(455,784)	(235,058)
UK-24b	**Total exposure measure excluding claims on central banks**	**1,036,732**	**903,795**
Leverage ratio			
25	Leverage ratio excluding claims on central banks (%)	9.12%	8.58%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	9.12%	8.58%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	9.12%	8.58%
UK-25c	Leverage ratio including claims on central banks (%)	6.34%	6.81%

7. COUNTERCYCLICAL BUFFER

7.1 Countercyclical Buffer

Credit institutions are required to hold, in addition to other own funds requirements, a countercyclical capital buffer to ensure that they accumulate, during periods of economic growth, a sufficient capital base to absorb losses in stressed periods.

The countercyclical capital buffer should be built up when aggregate growth in credit is judged to be associated with a build-up of system wide risk and drawn down during a stressed period.

Brown Shipley's countercyclical capital buffer rate stands at 0.92% as at 31 December 2022.

UK CCyB2 - Amount of institution-specific countercyclical capital buffer		2022
		£000
1	Total risk exposure amount	417,077
2	Institution specific countercyclical capital buffer rate	0.92%
3	Institution specific countercyclical capital buffer requirement	**3,851**

Details of disclosure template concerning the geographical distribution of credit risk exposures (UK CCyB1) are presented in section 15.3.

8. CREDIT RISK

8.1 Credit Risk Management

Business model and credit risk profile

Credit risk is the risk of loss caused by the failure of a counterparty to meet its obligations. BSCo's business model has two main sources of credit risk; the customer loan book and its treasury assets.

As a Private Bank, the Bank's lending philosophy is to grant loans to maintain and/or develop a Wealth Management relationship with its (new) clients. The loan portfolio is subject to conservative lending criteria, whereby loans are typically secured on residential property and/or managed portfolios, subject to low loan to value ("LtV") ratios. The Bank's lending criteria together with its procedures and controls are defined in the Credit Risk Policy.

All credit proposals are subject to an independent assessment from the Credit Risk function before being presented to the Bank's Credit Committee for approval.

BSCo is not exposed to wrong way risk. It does not accept collateral that is positively correlated to a borrower's credit worthiness.

In addition to these private banking activities, credit risk also originates from:

- uncommitted lines covering deposits placed with Central Banks;
- uncommitted lines covering counterparty exposures with banks, e.g., foreign exchange transactions, money markets, Certificates of Deposits, swaps, reverse repurchase agreements; and from
- bond positions in ALM portfolios in the form of liquid floating/fixed rate securities.

The Bank employs a conservative treasury strategy. The criteria for counterparty credit risk and high-quality security investments undertaken by the ALM/Treasury Function are based upon the institution's credit rating, as defined in the Bank's Asset and Liability Management policy.

It should be noted that the Bank does not use credit derivatives.

8.2 Standardised Approach to Credit Risk

This section presents the methodology and the data related to the Bank's value of exposures arising from credit risk.

Brown Shipley applies the 'standardised' approach for weighting exposures to credit risk. This method uses a combination of exposure segregation by type of debtor/transaction (i.e. exposure classes) and a differentiation by creditworthiness to weight the exposure value that is used to compute the required corresponding own funds.

As stated under the CRR, the Bank allocates its banking book credit risk and counterparty credit risk into 17 predefined exposure classes. The risk weights assigned to exposures within certain classes depend on the obligor/issuer's credit assessment, published by an External Credit Assessment Institution (ECAI). ECAIs providing the Bank's credit assessments are Moody's and Standard & Poor's. Where the ECAIs' credit assessments differ, the Bank selects the lower of two when determining the respective risk weight.

A breakdown of the Bank's risk weights is provided below as at 31 December 2022, by exposure class.

UK CR5 – standardised approach

Exposure classes	Risk weight									Total	Of which unrated
	0%	20%	35%	50%	75%	100%	150%	250%	1250%		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Central governments or central banks	464,127							255		**464,382**	
Regional government or local authorities	14,438									**14,438**	
Public sector entities	34,345									**34,345**	
Multilateral development banks	63,466									**63,466**	
International organisations											
Institutions		61,590								**61,590**	61,590
Corporates						17,859				**17,859**	17,859
Retail exposures					10,062					**10,062**	10,062
Exposures secured by mortgages on immovable property			384,141			56,612				**440,753**	440,753
Exposures in default						871				**871**	871
Exposures associated with particularly high risk							171			**171**	171
Covered bonds											
Exposures to institutions and corporates with a short-term credit assessment		116,454		40,567		4,208				**161,228**	
Units or shares in collective investment undertakings									3	**3**	3
Equity exposures						356				**356**	356
Other items						54,213			293	**54,506**	54,506
TOTAL	**576,375**	**178,043**	**384,141**	**40,567**	**10,062**	**134,119**	**171**	**255**	**296**	**1,324,028**	586,170

8.2.1 Maturity of Exposures

As at end of 2022, the Bank continued to show a relatively short-term profile of its exposures with 98% maturing in less than 5 years.

UK CR1-A: Maturity of exposures

		Net exposure value				
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	Total
		£000	£000	£000	£000	£000
1	Loans and advances	329,090	183,259	370,087	27,866	910,303
2	Debt securities		137,591	96,286		233,877
3	***Total***	329,090	320,850	466,374	27,866	1,144,180

8.2.2 Exposures in Default

The Bank regularly monitors its credit exposures to identify any loans where the borrower's credit worthiness has deteriorated. Any exposures that have encountered difficulties are added to the Bank's 'Watch List'.

The timely identification of 'Watch Events' is a key element in the monitoring of client creditworthiness and for the adequate classification of the loans in the Watch list. In addition to the occurrence of any actual default, arrears or event of default, and forbearance, the Bank employs other Watch Events that should lead to the re-evaluation of the risk classification.

There are three different monitoring levels, as follows.

- Level 1 includes loans which have encountered difficulties but where no risk mitigation measures are currently deemed necessary. These loans are classified IFRS9 Stage 1.

- Level 2 items are loans where there has been a material impact on the creditworthiness of the debtor and where the need to initiate mitigation actions should be evaluated to protect the firm's position. These loans are classified IFRS9 Stage 2.

- Level 3 items are loans which are considered defaulted/non-performing and where mitigation actions have been or are being taken to minimise the risk of loss. These loans are classified IFRS9 Stage 3.

Defaulted exposures are recognised across the Bank in the following cases:

- The exposure is more than 90 days past due; and/or
- The obligor is considered "unlikely to pay" its obligation(s) towards the Bank without taking actions such as the realisation of his collateral.

The need for impairment is justified on a case-by-case analysis, ratified by Credit Committee.

Credit Quality of Performing and Non-performing Exposures

In 2022, £0.9m of exposures were considered as non-performing, representing less than 1% of the total exposures.

Further details of the performing and non-performing exposures are provided in the two tables below.

UK CR1: Performing and non-performing exposures and related provisions.	Gross carrying amount/nominal amount				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures	Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment	On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2	Of which stage 3		
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cash balances at central banks and other demand deposits	**470,223**	**470,223**			**-117**	**-117**				
Loans and advances	**739,241**	**727,413**	**11,829**	**883**	**-271**	**-266**	**-4**	**-13**	**635,730**	**871**
Credit institutions	93,256	93,256			-212	-212				
Other financial corporations	40,812	40,734	78	2	-7	-7		-2	40,805	
Non-financial corporations	136,507	132,382	4,125		-4	-4			126,307	
Of which SMEs	108,336	108,336			-3	-3			108,333	
Households	468,666	461,040	7,626	881	-48	-44	-4	-11	468,618	871
Debt securities	**233,912**	**233,912**			**-35**	**-35**				
General governments	48,789	48,789			-7	-7				
Credit institutions	185,123	185,123			-28	-28				
Off-balance-sheet exposures	**170,461**	**170,461**			**-3**	**-3**			**170,458**	
Other financial corporations	35,987	35,987							35,987	
Non-financial corporations	34,021	34,021			-1	-1			34,021	
Households	100,453	100,453			-3	-3			100,450	
Total	**1,613,838**	**1,602,009**	**11,829**	**883**	**-426**	**-422**	**-4**	**-13**	**806,188**	**871**

Credit Quality of Performing and Non-performing Exposures by past due days

UK CQ3: Credit quality of performing and non-performing exposures by past due days	Gross carrying amount/nominal amount								
	Performing exposures			Non-performing exposures					
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Of which defaulted
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cash balances at central banks and other demand deposits	**470,223**	**470,223**							
Loans and advances	**739,241**	**727,490**	**11,751**	**883**		**1**	**1**	**881**	**883**
Credit institutions	93,256	93,256							
Other financial corporations	40,812	36,687	4,125	2				2	2
Non-financial corporations	136,507	136,507							
Of which SMEs	108,336	108,336							
Households	468,666	461,040	7,626	881			1	879	881
Debt securities	**233,912**	**233,912**							
General governments	48,789	48,789							
Credit institutions	185,123	185,123							
Off-balance-sheet exposures	**170,461**								
Other financial corporations	35,987								
Non-financial corporations	34,021								
Households	100,453								
Total	**1,613,838**	**1,431,626**	**11,751**	**883**		**1**	**1**	**881**	**883**

Forborne Exposures

According to the EBA definition: “Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting their financial commitments (“financial difficulties”).”

The Bank takes all reasonable steps to ensure the fair treatment of the client and considers all viable options in restructuring such lending cases, as outlined in the Credit policy. These processes will meet FCA Regulation and comply with UK Finance Mortgage Lenders Handbook.

Details of disclosure template UK CQ1 are presented in section 15.4.

8.3 Credit Risk Mitigation

8.3.1 Standardised approach – Credit risk exposures and CRM effect

The following template shows the credit risk exposure before credit conversion factor (CCF) and credit risk mitigation (CRM). The exposure is broken down by exposure class with a split of on and off-balance sheet items. The RWA density expresses the ratio between the Risk Weighted Exposure Amounts of the respective exposure class by the amount of the respective exposures after considering CRM and CCF.

UK CR4 – standardised approach – Credit risk exposure and CRM effects	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
Exposure classes	On-balance-sheet	Off-balance-sheet	On-balance-sheet	Off-balance-sheet	RWAs	RWAs density (%)
	£000	£000	£000	£000	£000	%
Central governments or central banks	459,297		464,382		638	0%
Regional government or local authorities	14,438		14,438			0%
Public sector entities	34,345		34,345			0%
Multilateral development banks	63,466		63,466			0%
International organisations						0%
Institutions	65,673		61,590		12,318	20%
Corporates	142,111	76,163	17,483	376	17,815	100%
Retail	44,858	72,797	7,631	2,431	7,328	73%
Secured by mortgages on immovable property	456,473	19,187	432,614	8,138	191,061	43%
Exposures in default	871		871		871	100%
Exposures associated with particularly high risk	3,188	2,312	171		256	150%
Covered bonds						0%
Institutions and corporates with a short-term credit assessment	162,231		161,228		47,782	30%
Collective investment undertakings	3		3		32	1250%
Equity	356		356		356	100%
Other items	54,506		54,506		57,879	106%
TOTAL	**1,501,814**	**170,458**	**1,313,083**	**10,945**	**336,336**	**25%**

8.3.2 Use of CRM techniques

Figures relating to the Bank's use of CRM techniques in 2022 are presented below. These figures correspond to two different regulatory approaches, the substitution method, and the financial comprehensive method. The first technique is the substitution method for guaranteed exposures, occurring when exposures towards counterparties receive a guarantee from a third party. Under this technique, the risk weight applied to the exposure is the one assigned to the guarantor as if it was the original bearer of the debt. The second technique is the financial collateral comprehensive method (FCCM). Under this method, the exposure value towards counterparties is diminished by the prudentially corrected amount of the financial collateral (e.g., securities) received under each transaction.

UK CR3 – CRM techniques overview: Disclosure of the use of credit risk mitigation techniques	Unsecured	Secured carrying amount		
			Of which secured by collateral	Of which secured by financial
	£000	£000	£000	£000
Loans and advances	104,112	635,730	635,730	
Debt securities	228,792	5,085		5,085
Total	332,904	640,815	635,730	5,085
Of which non-performing exposures		871		
Of which defaulted		871		

As at 31 December 2022, BSCo achieved a reduction of £194m of its credit risk exposure (on and off balance sheet), corresponding to the amount of eligible financial securities pledged by debtors after the application of prudential volatility haircuts.

Details of disclosure template UK CQ6 are presented in section 15.4.

8.4 Counterparty Credit Risk

The relevant counterparty credit risk for the Bank is the risk of loss arising from the default of a counterparty to a derivatives trade. The Bank uses derivative instruments to hedge its exposure to interest rate risk. Derivatives are not used for trading or speculative purposes.

All derivative transactions are subject to daily revaluation and margining, and collateral movements in the form of cash to/from the counterparty.

The Bank trades forward foreign currency deals primarily to match customer requirements.

As at year-end 2022, the Counterparty Credit Risk prudential exposure amounts to £1.8m. This total CCR exposure is the basis for derivative RWA calculation, which reached the total value of £0.4m.

UK CCR1 – Analysis of CCR exposure by approach	Replacement cost (RC)	Potential future exposure (PFE)	Alpha used for computing regulatory exposure value	Exposure value	RWEA
	£000	£000		£000	£000
SA-CCR (for derivatives)	444	861	1.4	1,826	365

Table UK CCR3 shows the counterparty credit risk exposures under the standardised approach broken down by risk weights has not been included as all the Bank's derivatives transactions are undertaken by the parent company, Quintet. All exposures are subject to a 20% risk weight.

The Bank uses derivative instruments only in limited circumstances and for economic hedging purposes, but it has not adopted hedge accounting in accordance with IFRS 9. This approach is currently under review.

9. MARKET RISK

The Bank does not actively take positions with trading intent. Its foreign exchange activity is typically undertaken on a hedged basis to service its clients' needs, subject to conservative limits. Therefore, market risk is not considered a material risk to the Bank.

9.1 Interest Rate Risk

Interest Rate Risk in the Banking Book (IRRBB) measures the sensitivity of the Bank's economic value to changing interest rate market conditions. In line with the regulatory requirements, this risk is measured both in terms of Economic Value (EVE), reflecting the fair value of the assets and liabilities, and in terms of Net Interest Income (NII), reflecting the impact of future net cash flows.

IRRBB is an inherent risk, but appropriate strategies are employed to manage this risk, as determined by Asset and Liability Management Policy, such that the Bank is not materially exposed to interest rate risk. The Bank's policy that any fixed rate loans >12mths are hedged on a micro basis with Interest Rate Swaps (IRS).

The Bank uses different risk measures to assess and limit its exposure to IRRBB, which are regularly reported to the ALCo, with the risk appetite indicators reported to BRCLC (quarterly).

The following table provides, i/. the changes in economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU as well as, ii/. the changes in the net interest income calculated under the two supervisory shock scenarios referred to in the same article.

		a	b	c	d
		Changes of the economic value of equity (£m)		Changes of the net interest income (£m)	
	Shock scenarios	Current period	Last period	Current period	Last period
1	Parallel shock up	-4.9	-7.9	0.7	*In development*
2	Parallel shock down	2.7	3.1	-0.7	*In development*
3	Steepener shock	-1.0	0.2		
4	Flattener shock	0.0	-2.3		
5	Short rates shock up	-1.6	-4.6		
6	Short rates shock down	1.0	2.0		

- Key modelling assumptions

Non-maturity deposits (NMDs): At present, all NMDs, or Call account deposits are positioned with an overnight tenor in the IRRBB calculations, which is a prudent approach. The Bank does not apply a behavioural adjustment to these NMDs.

Prepayment: Early prepayment of fixed rate lending is not considered a material risk, based upon empirical information. Therefore, the Bank does not currently apply a conditional prepayment rate in its IRRBB calculations. The effective maturity of any fixed rate loans is set as the product’s contractual maturity.

9.2 Foreign Exchange Risk

The Bank is not subject to FX risk through its own book holdings. Assets are funded in the same currency or by FX swaps. The firm does not undertake proprietary trading and is therefore only exposed to minimal FX risk arising from intercompany transactions.

10. OPERATIONAL RISK

The Basel Committee on Banking Supervision defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. In practical terms, operational risk covers the broad risk of failures in the day-to-day operating activities of the firm, which can then result in financial loss. Operational risk is inherent in all activities that BSCo conducts and is mitigated through the maintenance of a robust control environment, with controls designed and applied which are appropriate to the risks identified and maintain compliance with the firm’s risk appetite.

10.1 Standardised Approach to Operational Risk Management

Capital requirements for operational risk are calculated under the regulatory standardised approach as the 3-year average of a percentage of the gross income that depends on the business lines that have generated this gross income.

As at end of 2022, the risk-weighted exposure amount for the operational risk amounts to £118.7m.

UK OR1 - Operational risk own funds requirements and risk-weighted exposure amounts	Relevant indicator			Own funds requirements	Risk weighted exposure
	Year-3	Year-2	Last year		
	£000	£000	£000	£000	£000
Banking activities subject to standardised (TSA)	72,647	76,381	78,301	9,498	118,725

10.2 Operational Risk Management

The framework, methodologies, and procedures in place to manage operational risk are outlined within the Bank’s Operational Risk Policy.

BSCo uses several tools to proactively identify, measure, manage, monitor and report the Bank’s operational risk on an ongoing basis. Identification of risks is driven by the Risk and Control Self-Assessment (RCSA) process, the Risk Event Management process, risk reviews, horizon scanning, change initiatives and through BAU operations.

The key principle is that operational risk management is the responsibility of the business line management and is supported by the Business Risk Management team a first line of defence (“1LoD”) function and by the Operational Risk team a second line of defence (“2LoD”) function.

The ERC monitors and oversees operational risk issues of the Bank, with oversight provided by the BRCLC.

10.3 Operational Risk Mitigation Techniques

Once risks are identified and measured, the Bank will determine whether to treat, transfer, accept or avoid the risks.

Segregation of duties / clear roles and responsibilities

The Bank has a clear, effective, and robust governance structure with well-defined, transparent, and consistent lines of responsibility. These responsibilities are documented and subject to regular review.

Policies

The policy framework sets out requirements for the preparation, validation, formal adoption and on-going maintenance of the Bank’s policies and procedures.

The adoption and regular update of the Bank’s policies and procedures are crucial for ensuring not only compliance with all legal requirements, but also that all staff members are aware of the controls in place, the process flows and the documentation used in each respective process.

Policies and procedures are reviewed on an annual basis or when required by major changes in the organisation or operational processes of the Bank.

2LoD Check and Challenge Methodology

This includes conducting spot checks and challenge on the RCSA control testing performed by the 1LoD to ensure it is appropriate and consistent with the sampling methodology.

Risk Event Management

BSCo tracks, monitors, and reports all risk events and complaints. The firm operates an open and collaborative culture which requires the clear, simple, quick, and consistent communication of risk incidents which meet defined threshold criteria to those members of the firm’s senior management and group colleagues who need to have visibility and awareness of material events and emerging issues.

Operational risk events are identified, recorded, and analysed to ensure that the business can accurately report the risk event impacts and, through root cause analysis, identify potential control failures or missing controls, for which appropriate action plans can then be raised and tracked to completion. This process supports continual improvement through accepting that risk events will occur in the course of business, but ensuring that they are minimised and, when they do occur, that appropriate lessons are learnt from them.

Key Risk Indicators (KRIs)

The KRIs are designed to provide an early warning of emerging risks, and to trigger remedial actions when they reach a predefined level. Each key indicator is assigned to two thresholds linked to action requirements, a limit, and a trigger threshold. The Board of Directors as part of the Bank’s risk appetite validates thresholds.

Regular management information is reported to the ERC and BRCLC, including trend analysis. KRI breaches and adverse trends are analysed by 1LoD and the analysis is challenged by 2LoD.

The design and effectiveness of the Bank’s KRIs are regularly reviewed and updated where necessary.

Risk awareness

Risk culture is the set of values, beliefs, knowledge and understanding about risk shared by Brown Shipley employees.

Day to day operational risk management generates remediation actions to mitigate risks. Likewise, BRM and 2LoD assist the business in implementing process improvements to solve the risk issues.

Insurance

As part of its risk management approach, Brown Shipley also uses insurance to mitigate the potential impact of some material operational risks.

Assurance

In their role as third line of defence, Internal Audit review the whole of the Bank's activities and functions as part of their three-year audit plan, which is reassessed and adjusted, if needed, on at least an annual basis to factor in any change of circumstances (internal or external) or risk profile in any areas within the audit universe.

The work in progress and the audit outcomes are presented to the BAC on a quarterly basis and monthly to ERC. The regular reporting also includes updates on management remediation and closure of audit actions to address the gaps raised in the audit reports.

11. LIQUIDITY RISK

Liquidity risk is the risk that the Bank is unable to meet payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to repay depositors and fulfil commitments to lend. BSCo manages liquidity in line with its Liquidity Risk Management Policy and the requirements set by the PRA. It does so independently of the Quintet Group.

Liquidity risk is induced by the natural activity of the Bank: collection of deposits (funding) and reinvestment of these deposits in assets such as loans and bond portfolios.

11.1 Liquidity Risk Management

The private client deposit book is considered stable, based upon historical data, and the Bank generally has prior knowledge of any large withdrawals. The Bank has sought to diversify its funding sources and implemented controls for any funding concentrations.

The main liquidity risk in the Bank's business model is a large-scale demand by clients for repayment of their deposits, resulting from a firm-specific stress event or a broader event that could cause doubt as to the safety the Bank.

To mitigate liquidity risks the Bank employs policies and procedures to identify, measure, manage and monitor threats to its liquidity and monitors the behaviour of its depositors, whilst at the same time maintaining high levels of unencumbered high quality liquid assets.

Liquidity risk is fully considered in the Individual Liquidity Adequacy Assessment Process (ILAAP), which includes detailed analysis of the Bank's liquidity and funding risks in both normal and stressed conditions, together with the Bank's strategic growth initiatives. This analysis considers how the behaviour of the Bank's liquidity risk and funding sources potential changes in stressed conditions and examines the capacity of the Bank to resist a potential liquidity crisis given a range of stressed scenarios. Results from this analysis are used to set risk appetite, define policy and/or test the effectiveness of mitigating controls.

The Bank operates within a strict systems and controls framework with a number of limits, metrics and early warning indicators consistent with the Board's liquidity risk appetite. Treasury monitor adherence to these daily and Risk Management offer second line oversight, with regular reporting provided to the ExCo and the Board.

BSCo's Liquidity Risk Management policy limits maturity transformation via a Board approved Customer Loan to Customer Deposit ("LtD") ratio, and sets a minimum level of liquid resources, maintained as Call account deposits and/or High Quality Liquidity Assets, as determined by the ILAAP, to mitigate liquidity risk.

11.2 Liquidity Risk Governance

ALCo is the principal forum for identifying, measuring, managing, and monitoring financial risks to the firm. The Chair of the ALCo is the CFO. The ALCo reviews the firm's liquidity position at every meeting.

ALCo's responsibilities include:

- Identifying, measuring, managing and monitoring threats to the firm maintaining adequate liquidity;
- Monitoring and directing the Bank's treasury management activity within the parameters established by the Board;
- Reviewing the adequacy of the process to be undertaken to carry out the liquidity assessment; and
- Taking an active role in the stress testing programme and in scenario selection and in interpreting the results of the analysis undertaken.

This committee is overseen by ExCo and the BRCLC.

11.3 Liquidity Coverage Ratio (LCR)

Brown Shipley's LCR stands at 218% as at 31 December 2022 shown below. Details of disclosure template UK LIQ1 are presented in section 15.4.

11.4 Net Stable Funding Ratio (NSFR)

Brown Shipley's NSFR stands at 165% as at 31 December 2022 shown below. Details of disclosure template UK LIQ2 are presented in section 15.5.

11.5 Encumbered Assets

An asset is considered as encumbered if it is pledged or subject to any form of arrangement to secure, collateralise or credit-enhance any on-balance or off-balance sheet transaction from which it cannot be freely withdrawn (for instance, to be pledged for funding purposes). Assets pledged that are subject to any restrictions in withdrawal – e.g. requiring prior approval before withdrawal or replacement by other assets are considered encumbered.

Throughout 2022, Brown Shipley did not undertake any repurchase (repo) or securities financing transactions that required the pledge of assets to be considered as encumbered. Encumbered assets reported in the table below are the Cash Ratio Deposit at the Bank of England and the margin account balance in relation to derivative transactions.

UK AE1 - Encumbered and unencumbered assets	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	£000	£000	£000	£000
Assets of the reporting institution	1,368		1,412,600	
Equity instruments			704	704
Debt securities			213,050	207,318
of which: issued by general governments			41,936	39,853
of which: issued by financial corporations			171,114	167,465
of which: issued by non-financial corporations				
Other assets	1,368		1,198,845	

Details of disclosure template UK AE2 are presented in section 15.6.

12. CLIMATE AND ENVIRONMENTAL ("C&E") RISK

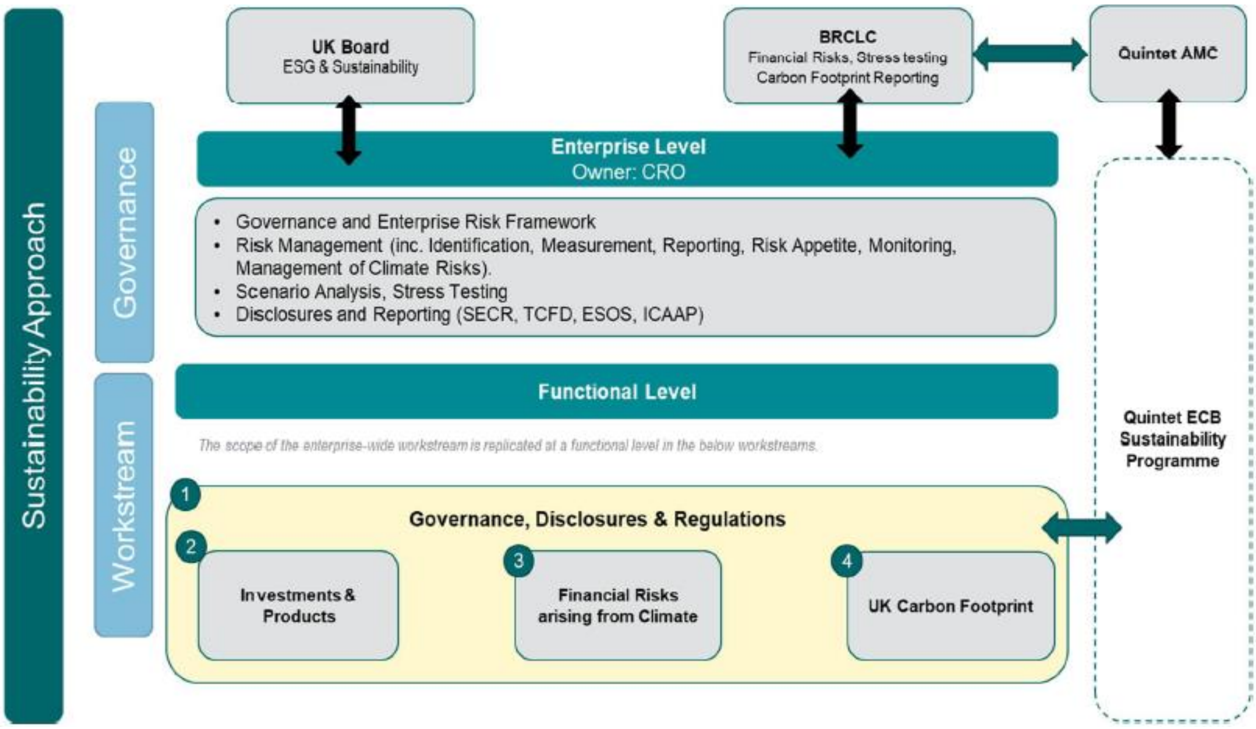
The Bank acknowledges the potential threat from climate change and is committed to employing appropriate responses to mitigate this threat. A high-level assessment of the potential impact of climate change on the firm's risks has been undertaken, which highlights that the risks associated with climate change do not tend to manifest as discreet events in themselves, but are drivers which potentially increase risk levels for other risk categories, namely increased credit risk (from property and asset security values), operational risk (business interruption and outsourcing) and reputational risk.

Whilst some aspects of climate change are already impacting Brown Shipley, it is accepted that climate change remains primarily an emerging risk and therefore there is no financial statement impact for the Bank at this point; this will be kept under review. As defined in the PRA's Supervisory Statement 3/19 (SS3/19) the financial risks from climate change are typically classified as physical or transition risks.

- **Physical risks** from climate change arise from a number of factors and relate to specific weather events (such as heatwaves, floods, wildfires and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures).

- **Transition risks** may arise from the process of adjustment towards a net-zero carbon economy. The UK Government has set a target of achieving net zero greenhouse gas emissions by 2050 to respond to the challenge climate change poses.

In response to the potential impact of climate change on the Bank, the framework illustrated below has been established, with the CRO having dedicated / overall SMF responsibilities.



The Bank's approach is guided by relevant industry developments, as 'best practice' continues to evolve, particularly the Climate Financial Risk Forum ("CFRF") and their publications, as well as the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD").

A high-level assessment of the potential impact of climate change on the Bank's financial risks has been produced, particularly in respect of the 'balance sheet and P&L' work stream. This concludes that the impact from climate change could affect the Bank's credit, operational and market risks; the latter could primarily be reflected via Business risk (i.e. income volatility).

- **Credit Risk**

C&E risk can potentially increase the firm's credit risk by adversely impacting 'probability of defaults' (PD) &/or the 'loss given default' (LGD) rates, although the transition and physical factors will likely lead to material impacts occurring in the medium or long-term. As a Private Bank, Brown Shipley does not typically lend to corporate clients that operate in industrial sectors considered sensitive to C&E risk. The Bank's borrowers are typically private individuals or the vehicles for these individuals' wealth, although it is indirectly exposed to C&E risk via its real estate lending (i.e. collateral for mortgages) or from the financial investments securing its Lombard lending.

Processes have been established to review and monitor Energy Performance Certificate (EPC) data for all property assets securing the mortgage lending, with processes established to maintain both this data and the data required for new loans. In addition, analysis has been undertaken to consider the flood risk for individual properties. The analysis considers different types of flood risk, over various return periods, or predicted severities (ranging from '1 in 30yr' to '1 in 1000yr' events) to provide a 'present day' risk exposure.

The flood risk analysis also assesses how this risk potential evolves by considering four climate scenarios, over three time epochs. This analysis draws upon data that climate scientists have probabilistically modelled for the UK's future climate for time epochs (i.e. short, medium and long term). These models comprise a considerable number of future weather simulations, stochastically generating predictions under future climate scenarios, to give a range of estimates. Probabilistic projections are available for four transitional Representative Concentration Pathways ("RCPs"):

- RCP 2.6 (aka. ‘Low Emissions’)
- RCP 4.5 and RCP 6.0 (aka. ‘Medium Emissions)
- RCP 8.5 (aka. ‘High Emissions’)

This analysis shows that only a small proportion of properties securing the firm’s lending are considered to be high risk or above, from a flood risk perspective, and this does not materially increase in the scenario analysis.

Lombard loans are indirectly exposed to C&E risk, materialising in the depreciation in value of financial collateral. Reporting will be developed that presents concentrations of climate sensitive stocks in clients’ investment portfolios that are charged as lending collateral.

- **Operational Risk**

Outsourcing risk arises essentially from business continuity management risk materialising and disrupting the activities of the Bank’s service providers. Given the centralisation of services provided to Brown Shipley by Quintet, C&E risks have been considered for Quintet and its key outsource partners. These would be subject to similar risks, mostly physical risk, mainly driven by floods.

The inability to provide key services could result in client dissatisfaction, the potential loss of business and/or losses from operational errors.

C&E risk can be linked to legal claims and reputational losses if an institution is associated with adverse environmental impacts by counterparties and clients. This would be the case if the Bank were associated with, or financed, environmentally controversial activities, which is not the case.

Reputational risks from C&E factors can arise if the Bank is not perceived to take due consideration of environmental aspects in its business activities, own investment as well as those managed on behalf of clients. Reputational risk is considered material in the short, medium, and long-term by default, notably with regards to ‘greenwashing’ scandals and the development and suitability of new products and services. Regulatory and governance risk is considered material for the same reason.

The consequences from these risks materialising is potentially regulatory fines, litigation losses, the loss of business, and reputational damage which impacts the Bank’s ability to attract new business.

- **Business / Profitability Risk**

As a private bank, a large part of Brown Shipley’s profitability depends upon the Bank’s ability to maintain and increase the value of assets under management. A significant proportion of the firm’s income is derived from funds under management, the value of which are linked to market movements. Consequently, any negative change in asset prices would eventually lead to a decrease in fees.

Brown Shipley might suffer losses of clients (or be unable to attract new clients), should the product and service offering not meet clients’ needs (or follow evolutions in those needs). This risk type is not directly impacted by physical risk but might theoretically be affected by transition risk.

Despite the Quintet Group putting Environmental, Social and Governance (“ESG”) and sustainable investing at the core of its investment strategy, with a clear willingness to keep innovating in its product offering, the risk is deemed material in the long term assuming that clients’ sentiments and expectations become more demanding from a C&E perspective, in line with the evolution of the business environment and competitive landscape.

13. OTHER MATERIAL RISKS

Besides the main risk categories described above, the Bank identified its exposure to several other significant risks. These are managed through a set of sound risk management frameworks and procedures:

Profitability risk (or business and strategic risk) is an inherent risk in any commercial activity, and particularly so for Brown Shipley, operating in the highly competitive financial services industry. The Bank is exposed to:

- The risk that it will make inappropriate strategic choices, or is unable to successfully implement selected strategies or related plans; and

- The risk of loss due to variances in volumes, pricing/revenue and costs caused by competitive forces, regulatory changes, or macroeconomic, market and country issues.

The strategic direction for the Bank is set by the Board and by way of the five year Business Plan, which is updated and agreed on annual basis with the shareholder, Quintet. Adherence to the plan is monitored monthly and prompt follow-up is used to take corrective action if needed. Reporting in respect of this risk is provided to ExCo, the Board and to Quintet.

Compliance risks are prevalent through its core service offering, given the Bank operates in a highly regulated industry. Brown Shipley aims to minimise these risks through a strong and established control framework involving all three LoD, together with robust regulatory horizon scanning processes, ensuring both awareness and adherence to new and/or changing regulatory requirements, such as Consumer Duty.

Reputational risk is of significant importance for a firm such as Brown Shipley, whose appeal to its clients is based on its values of trust, security and the quality of its relationships with them. Like liquidity, this is considered a consequential risk, caused by failures elsewhere. The Bank is concerned about the impact of Reputational risk, and it is committed to mitigating this risk by fostering a working environment based upon delivering outcomes aligned to its consumer duties. The Bank is also aware of media coverage. A strong and experienced corporate communications team is in place to manage this risk.

Group risk is the risk that one entity within a group may be adversely affected by its relationships (financial or non-financial) with other entities in the same group, including reputational contagion. In addition, Quintet as a group has also continued its programme of greater integration and consistency, following its consolidation of the EU based entities into one ‘Eurobank’ entity. This consolidation is focused on improved service, process, and control with increased efficiency, which will support the group’s overall objectives and stability, although it increases Group Risk as entities become more interlinked and reliant for services and activities.

The independent UK subsidiary nature of Brown Shipley means that it must maintain appropriate structures, systems, and controls to meet UK regulatory requirements. Formal intragroup services agreements have been implemented in all functional business lines to formalise the receipt of group services by the Bank, with associated service level agreements (“SLAs”) and appropriate performance indicators for the monitoring of services, and a resultant transfer pricing mechanism to reflect appropriate service charges. The individual functional SLAs and metrics are formally reviewed on an annual basis with quarterly reviews of service performance.

As a material subsidiary of the Quintet Group, the Bank’s Executive and Board are engaged with group-wide strategic developments, ensuring that any potential impacts to the UK business are identified and addressed appropriately.

Pension Obligation risk is the risk that the assets within the Bank’s defined benefit pension scheme cannot meet its liabilities when they fall due. The Bank of England recognise the following common risks to which most schemes are subject to; a fall in equity values, a fall in property values, long term interest rate fall, credit spread changes, price and salary inflation and longevity improvement.

Pension Obligation Risk arises to the Bank because of its commitment to fund the Staff Pension Scheme, a defined benefit scheme, which is closed to the future accrual of benefits. The principal risk to the Bank is that an increase in the scheme’s funding requirement could be a drain on its capital position. Additional capital is considered under the Pillar 2 assessment as a part of the annual ICAAP process.

14. REMUNERATION POLICY

14.1 Context and Principles

Compensation schemes are designed to take into account competences required, evaluations, skills and performance. These schemes aim at aligning long-term shareholder's interests and long-term group-wide profitability while taking account into the Bank's Risk Framework (including the Solvency ratio). Moreover, they should be compatible with the relevant stakeholders' interests and the Bank's Corporate Social Responsibility Policy. The subsequent paragraphs provide information on decision-making for remuneration and links between pay and performance.

14.2 BSCo Board Remuneration & Nomination Committee (BRNC)

Role and responsibilities:

The role and responsibilities of the BRNC are defined by the regulations approved by the Board. The main tasks of the BRNC are the following (non-exhaustive list).

Remuneration Responsibilities:

- Advise ExCo on any material exemption or change to the principles of the Remuneration Policy;
- Approve the allocation of annual and long-term bonus arrangements;
- Consider and approve the remuneration of the ExCo, SMFs, Material Risk Takers and other senior employees within BSCo;
- Advise on retention/incentive bonuses in exceptional circumstances;
- Monitor the implementation of the remuneration-related matters delegated to the ExCo to ensure that policies and principles are being consistently and effectively applied across the Group, seeking support and input from Control Functions (Human Resources);
- Ensure that all provisions regarding disclosure of remuneration are fulfilled and approve the contents of the annual Remuneration Policy Statement for Pillar 3 disclosures;
- Review major changes in remuneration and/or governance regulations when deemed necessary; and
- Approving all occupational pension plans of the Bank and any change in the terms and conditions of any current pension plan, including any winding up in whole or in part.

Nomination Responsibilities:

- Review and recommend to the Board any change in the principles stated in the Governance Charter relating to the structure, size and composition of the Board, the Board sub-Committees, ExCo and other relevant bodies;
- Assess and approve the rationale behind SMF/NED/ExCo appointments and removals and assess the wider business impacts/potential implications regarding organisational structure changes;
- Review as necessary, subject to approval by the Board, the succession plan for the Board and ExCo to ensure the leadership needs of the organisation are met;
- Ensure that the documents detailed in the SMCR Framework and Management Control document are produced and provided to Regulator; and
- To review annually, the time required from Independent Non-executive Directors. Performance evaluation should be used to assess whether the Independent Non-Executive Directors are spending enough time to fulfil their duties.

Frequency:

The BRNC meets a minimum of once a quarter, with additional out of cycle meetings scheduled as/when required, this is particularly common during the year-end cycle. Decisions of the BRNC are also taken via circular resolution which are then ratified by the BRNC at the following session.

14.3 Identification of the Material Risk Takers (“MRTs”)

In accordance with criteria prescribed within the Regulatory Technical Standards (“RTS”) set-out by the European Banking Authority (“EBA”) in line with the Article 92 of the CRD (Directive 2013/36/EU), the population of MRTs has been determined based on the Group risk management self-assessment. The MRTs’ list was assessed against AIFMD/UCITS sectorial definition of MRTs in 2022. The Bank updates the list at least on an annual basis. The following categories of staff (non-exhaustive list) are considered to be MRTs based on qualitative criteria;

- Executive Members of the BSCo Board;
- Members of the ExCo, Credit Committee, ALCo, Group Investment and Product Committee;
- Heads of control functions (i.e. Risk Control, Audit, Compliance);
- Heads of function responsible at BSCo for Legal Affairs Prevention of money-laundering and terrorist Financing, Human Resources, Information Technology;
- Some staff members of the credit departments; and
- Some staff members as per the additional criteria set internally.

Apart from two individuals, staff members who were presumed to be MRTs based only on their remuneration level (quantitative criteria) were excluded from the final MRTs' list given their limited impact on Brown Shipley's risk profile. A thorough risk analysis led to the following figures[1] for 2022:

Material Risk Taker category	Number of employees
Total number of identified MRTs based on qualitative and quantitative criteria (Group-wide):	21[2]
o/w ExCo	7

Table 1 - Material Risk Takers

14.4 The remuneration process

An overall remuneration governance process is in place to cover all remuneration practices within BSCo. The approach, principles and objectives of compensation schemes are disclosed to the relevant stakeholders, Regulators and to the public, if requested and based upon the governance rules and codes in force.

Compensation of the Board members

The compensation of the non-executive Board members is solely fixed remuneration.

Employees of the Bank who hold a mandate in any board of directors of a subsidiary are not compensated for this specific role unless otherwise decided by the Board of Directors.

Compensation of the Members of the ExCo

The Board determines the remuneration of the members of the ExCo upon recommendation from the BRNC. In accordance with the Group Remuneration Policy, the total individual remuneration paid to the members of the Executive Committee comprises a fixed and a variable component (if any).

Fixed *compensation*

Decisions related to the fixed compensation of the members of the ExCo are taken by the Board based on a proposal made by the BRNC. This proposal is itself based on analysis related to market practice and compensations observed for similar functions and level of seniority in the industry.

Variable *compensation*

The principles determining the annual variable compensation of the members of the ExCo are based on the achievement of objectives that are set by the Board at the beginning of the year on the basis of the advice provided by the BRNC. Those pre-agreed objectives are balanced between economic and financial objectives (Quantitative Key Performance Indicators) and non-economic objectives (Qualitative Key Performance Indicators), in line with the Group's risk appetite statement. Those elements are based on the combination of "Firm-wide impact", "People/Continuous Improvement", "Risk/Control/Governance" and "Commercial" criteria, e.g.:

- Profitability (e.g., adjusted net profit-based measures);
- Risk measures: solvency (e.g., CET 1 ratio, total capital ratio);
- Individual performance-based measures such as: compliance with applicable rules and risk standards, managerial behaviours/skills, meeting of set objectives, ethical behaviour, management of incidents, internal audit results follow-up, planning and organization.

Currently, for the CEO a proportion of 60% of the annual variable compensation is deferred over a period of 5 years, the vesting of which is delayed proportionally and gradually over this period and subject to the achievement of performance objectives as well as risk adjustments. 50% of the annual variable compensation is awarded in Phantom Shares (or/and any other equity-like instruments as per regulation).

For the other members of the ExCo, they are remunerated as per BSCo's Remuneration Policy for MRTs.

[1] As assessed and approved by the Board mid-2022.
[2] Apart from independent non-executive Board members.

Control Functions Compensation

In order to prevent conflicts of interests, the variable compensation devoted to Control Functions and assimilated roles (i.e. Finance, Human Resources, Compliance, Risk) is not based on the specific financial results of the underlying businesses being controlled.

When profit-based variable compensation is being considered for Control Functions, the level of such compensation is based on the results of the Group, or on the results of an entity, which is at least one organisational level higher than the level of the control function entity.

The remuneration of the senior staff responsible for managing the Control Functions is not solely left to direct superiors; instead, it is directly overseen by the BRNC.

Unless the proportionality principle[3] applies, the variable compensation of these employees comprises at least 50% phantom shares and is partly (40%) deferred over a minimum of 3 years, the vesting of which is subject to ex-post risk adjustments.

Compensation of other MRTs

The total compensation follows the same principles as those followed for the ExCo members' compensation; however, quantitative and qualitative objectives only reflect their scope of responsibilities.

Unless the proportionality principle applies, the variable compensation of these employees comprises at least 50% phantom shares and is partly (40%) deferred over a minimum of 3 years, the vesting of which is subject to ex-post risk adjustments.

MRTs

The allocation mechanism and the acquisition rule of the variable remuneration of those defined as MRTs (risk taking employees, control functions and members of executive bodies) are determined primarily in accordance with the FCA's Remuneration Code for Dual Regulated firms SYSC 19D and the Remuneration chapter for the PRA's Rulebook, together referred as the "Remuneration Code" (including the Regulatory Technical Standard or RTS) or any prevailing local regulation. Where the variable compensation of these employees may exceed EUR 50,000 in gross terms[4] (proportionality principle), this variable remuneration is i) composed of 50% of shares or equivalent instruments (phantom-shares at Quintet), and ii) is partly (minimum 40%) deferred over a minimum of 3 years; the subsequent vesting of remuneration being thereafter subject to performance conditions and ex-post risk adjustments.

14.5 Remuneration, Performance and Risk Assessment

The total amount available for granting variable compensation is determined on the basis of a 'bonus pool', which is determined in accordance with the strategy of the Bank and the impact of such pool on both the solvency and the liquidity position of the Bank.

Brown Shipley's bonus pool is reviewed and validated by the Board upon recommendation of the BRNC.

The Board (upon recommendation of the BRNC) in consultation with AMC and ExCo may revise significantly the bonus pool in case the economic situation of the Group or macro-economic conditions justify such revision.

Individual performance is assessed annually based on an appropriate balance between quantitative and qualitative objectives (based on Group or/and Business entity or/and individual components).

The BRNC has discretion to recommend to the Board a revision of the performance assessment for specific individuals in the case they have not acted in compliance with the Bank's qualitative objective (especially on compliance and risk awareness objectives) and core values.

14.6 Level of Remuneration

For the members of the ExCo, the MRTs and the staff as a whole, the variable compensation is capped at a

[3] Proportionality principle may apply to staff members having less impact on the Banks' risk profile and whose variable remuneration may never exceed EUR 50,000 gross (or any lower threshold if applicable according to local regulation).

[4] Or any lower threshold if applicable according to local regulation.

certain level of the fixed remuneration, depending on the nature of the function:

Function	Maximum variable-to-fixed remuneration ratio
ExCo, other Material Risk Takers (excluding Control Functions)	100% each individual with a ratio above 100% must be specifically approved during the shareholders' annual meeting
Control Functions and assimilated roles	100%
All other roles	200%

Table 2 - Maximum variable-to-fixed remuneration ratio by function

14.7 Risk-Adjusted Remuneration, Malus and Clawback Provisions

The profit-based variable compensation paid out to MRTs is subject to ex-ante and to ex-post risk adjustment measures.

Ex-ante risk adjustments measures are based on two main criteria:

- Quantitative: solvency (CET1 and total capital ratios) and liquidity (LCR);
- Qualitative: risk and compliance awareness goal acting as a “circuit breaker”/“modifier”.

Ex-post risk adjustments can be operated either by reducing deferred (but not yet vested) amounts of compensation (malus) or by reclaiming ownership of upfront amounts or deferred amounts already vested (clawback).

A malus will be applied in particular:

- in case of evidence of serious misbehaviour or serious error by the staff member (e.g. breach of code of conduct and other internal rules, especially concerning risk and compliance);
- if Quintet Private Bank (Europe) or an underlying entity suffers a significant downturn in its financial performance;
- if Quintet Private Bank (Europe) or an underlying entity suffers a significant failure of risk management;
- in case of significant changes in the Bank's economic or regulatory capital base.

A clawback will be applied[5] for example in the case of:

- established and proven serious fraud by the staff member; dissemination or use of misleading information by the staff member;
- situations where the individual directly participated in actions that caused substantial losses for the Bank or did not comply with applicable rules in terms of reputability and competences;
- regulatory sanction of the Bank where the deliberate conduct of the staff member contributed directly to the sanction.

The BRNC has the sole discretion to recommend to the Board a malus/clawback on specific individual cases.

14.8 Remuneration figures

The remuneration awarded in 2022 is presented in the table below.

[5] Without prejudice to contract or labour laws.

Template UK REM1 - Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	3	7		14
2		Total fixed remuneration	305,000	2,345,285		3,054,917
3		Of which: cash-based	305,000	2,345,285		3,054,917
4		(Not applicable in the UK)				
UK-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
UK-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the UK)				
7		Of which: other forms	-	-	-	-
8		(Not applicable in the UK)				
9	Variable remuneration	Number of identified staff	3	7		14
10		Total variable remuneration	-	902,570		1,365,581
11		Of which: cash-based	-	451,285		806,048
12		Of which: deferred	-	213,696		223,813
UK-13a		Of which: shares or equivalent ownership interests	-	451,285		559,533
UK-14a		Of which: deferred	-	213,696		223,813
UK-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-		-
UK-14b		Of which: deferred	-	-		-
UK-14x		Of which: other instruments	-	-		-
UK-14y		Of which: deferred	-	-		-
15		Of which: other forms	-	-		-
16		Of which: deferred	-	-		-
17	Total remuneration (2 + 10)		305,000	3,247,855		4,420,498

Details of disclosure template UK REM3 - 5 are presented in section 15.10.

Notes:

- All amounts are expressed in EUR;
- Fixed and Variable Remuneration are defined as per the FCA and PRA's Remuneration Code and cover full year 2022;
- MRT headcount and FTE are assessed end of 2022.

Brown Shipley did not benefit from the derogation as listed in article 94(3) of CRD as per Article 450(1)(k) CRR

15. APPENDIX

15.1 Key Metrics

UK KM1 - Key metrics template		2022 £000
	Available own funds (amounts)	
1	Common Equity Tier 1 (CET1) capital	84,594
2	Tier 1 capital	94,594
3	Total capital	94,594
	Risk-weighted exposure amounts	
4	Total risk-weighted exposure amount	417,077
	Capital ratios (as a percentage of risk-weighted exposure amount)	
5	Common Equity Tier 1 ratio (%)	20.28%
6	Tier 1 ratio (%)	22.68%
7	Total capital ratio (%)	22.68%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)	
UK 7a	Additional CET1 SREP requirements (%)	1.41%
UK 7b	Additional AT1 SREP requirements (%)	0.47%
UK 7c	Additional T2 SREP requirements (%)	0.63%
UK 7d	Total SREP own funds requirements (%)	10.51%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)	
8	Capital conservation buffer (%)	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%
9	Institution specific countercyclical capital buffer (%)	0.00%
UK 9a	Systemic risk buffer (%)	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%
UK 10a	Other Systemically Important Institution buffer	0.00%
11	Combined buffer requirement (%)	2.50%
UK 11a	Overall capital requirements (%)	13.01%
12	CET1 available after meeting the total SREP own funds requirements (%)	35.85%
	Leverage ratio	
13	Total exposure measure excluding claims on central banks	1,036,732
14	Leverage ratio excluding claims on central banks (%)	9.12%
	Liquidity Coverage Ratio	
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	451,824
UK 16a	Cash outflows - Total weighted value	260,170
UK 16b	Cash inflows - Total weighted value	38,731
16	Total net cash outflows (adjusted value)	257,356
17	Liquidity coverage ratio (%)	217.54%
	Net Stable Funding Ratio	
18	Total available stable funding	947,477
19	Total required stable funding	573,324
20	NSFR ratio (%)	165.26%

15.2 Leverage templates

UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		Applicable amount
		2022
		£000
1	Total assets as per published financial statements	1,507,100
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	
4	(Adjustment for exemption of exposures to central banks)	(455,784)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustment for derivative financial instruments	(4,912)
9	Adjustment for securities financing transactions (SFTs)	
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	24,795
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	(34,976)
12	Other adjustments	509
13	**Total exposure measure**	1,036,732

UK LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		Leverage ratio exposures
		£000
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**1,501,814**
UK-5	Exposures treated as sovereigns	571,545
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	
UK-7	Institutions	65,673
UK-8	Secured by mortgages of immovable properties	456,473
UK-9	Retail exposures	44,858
UK-10	Corporates	142,111
UK-11	Exposures in default	871
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	220,284

15.3 Counter-cyclical template

UK CCyB1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer		General credit exposures	Own fund requirements	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Relevant credit risk exposures - Credit risk			
		£000	£000	£000		
010	**Breakdown by country:**					
010-010	Australia	0	0	0	0.00%	0.00%
010-011	Bahrain	871	70	871	0.31%	0.00%
010-012	Belgium	9	1	9	0.00%	0.00%
010-013	Cayman Islands	2,590	73	913	0.32%	0.00%
010-014	Cyprus	0	0	0	0.00%	0.00%
010-015	Egypt	0	0	0	0.00%	0.00%
010-016	France	2,986	84	1,045	0.37%	0.00%
010-017	Greece	11	1	10	0.00%	0.00%
010-018	Guernsey	8	0	4	0.00%	0.00%
010-019	Ireland	64	5	64	0.02%	0.00%
010-020	Isle of Man	8,240	238	2,979	1.05%	0.00%
010-021	Jersey	0	0	0	0.00%	0.00%
010-022	Lebanon	4,473	127	1,583	0.56%	0.00%
010-023	Luxembourg	32	1	7	0.00%	0.50%
010-024	Madagascar	288	23	288	0.10%	0.00%
010-025	Malta	1,100	31	385	0.14%	0.00%
010-026	Mexico	0	0	0	0.00%	0.00%
010-027	Monaco	10,260	289	3,609	1.27%	0.00%
010-028	New Zealand	3,951	113	1,415	0.50%	0.00%
010-029	Singapore	1,599	45	559	0.20%	0.00%
010-030	Switzerland	18,316	463	5,790	2.03%	0.00%
010-031	United Arab Emirates	4,536	127	1,593	0.56%	0.00%
010-032	United Kingdom of Great Britain and Northern Ireland	590,137	21,052	263,149	92.32%	1.00%
010-033	United States of America	347	28	347	0.12%	0.00%
010-034	Virgin Islands (British)	1,013	33	410	0.14%	0.00%
020	Total	**650,832**	**22,802**	**285,031**	**100.00%**	

15.4 Credit quality templates

UK CQ1: Credit quality of forborne exposures	Gross carrying amount/nominal amount of exposures with forbearance measures		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne	On performing forborne exposures	On non-performing forborne exposures	On performing forborne exposures	On non-performing forborne exposures
	£000	£000	£000	£000	£000	£000
Loans and advances	78				78	
Households	78				78	
Total	**78**				**78**	

UK CQ6: Collateral valuation - loans and advances	Loans and advances									
		Performing		Non-performing						
					Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days				
			Of which past due > 30 days ≤ 90 days				Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Gross carrying amount	**740,125**	**739,241**	**12,522**	**883**		**883**		**1**	**1**	**881**
Of which secured	881			881		881				881
Of which secured with immovable property	461,978	461,097	12,113	881		881				881
Of which instruments with LTV higher than 60% and lower or equal to 80%	160,129	159,249		879		879				
Of which instruments with LTV higher than 80% and lower or equal to 100%	21,904	21,904								
Of which instruments with LTV higher than 100%	11,317	11,317								
Accumulated impairment for secured assets	(61)	(52)	0	(9)		(9)				(9)
Collateral										
Of which value capped at the value of exposure	1,094,921	1,094,050	12,113	871		871				871
Of which immovable property	459,191	458,320	12,113	871		871				871
Of which value above the cap	744,736	744,265	11,117	471		471				471
Of which immovable property	466,241	465,770	11,117	471		471				471

15.5 Liquidity templates

UK LIQ1 - Quantitative information of LCR		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on (DD Month YYY) (31 December 2022)	31/12/2022	30/09/2022	30/06/2022	31/03/2022	31/12/2022	30/09/2022	30/06/2022	31/03/2022
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
		£000	£000	£000	£000	£000	£000	£000	£000
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					451,824	434,479	429,458	467,078
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	357,596	345,716	340,480	341,060	43,396	40,606	39,372	39,503
3	*Stable deposits*	121,102	124,546	125,911	128,214	6,055	6,227	6,296	6,411
4	*Less stable deposits*	236,494	221,170	214,569	212,846	37,341	34,378	33,076	33,092
5	Unsecured wholesale funding								
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*								
7	*Non-operational deposits (all counterparties)*	417,859	393,573	360,072	343,523	200,108	187,301	170,824	166,373
8	*Unsecured debt*								
9	*Secured wholesale funding*								
10	Additional requirements	183,256	182,156	182,637	181,989	16,666	15,387	14,654	14,316
11	*Outflows related to derivative exposures and other collateral requirements*	6,271	5,120	3,658	2,529	6,271	5,120	3,658	2,529
12	*Outflows related to loss of funding on debt products*								
13	*Credit and liquidity facilities*	176,985	177,036	178,979	179,460	10,395	10,266	10,996	11,787
14	Other contractual funding obligations	6,840	6,754	7,347	6,809	-	-	-	-
15	Other contingent funding obligations								
16	TOTAL CASH OUTFLOWS					260,170	243,293	224,850	220,192
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)								
18	Inflows from fully performing exposures	542,125	558,511	588,360	588,132	38,731	39,534	41,173	39,836
19	Other cash inflows	-	2,263	4,295	6,212	-	189	358	518
20	TOTAL CASH INFLOWS	542,125	560,773	592,655	594,344	38,731	39,723	41,531	40,354
UK-20a	*Fully exempt inflows*								
UK-20b	*Inflows subject to 90% cap*								
UK-20c	*Inflows subject to 75% cap*	542,125	560,773	592,655	594,344	38,731	39,723	41,531	40,354
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER					451,824	434,479	429,458	467,078
22	TOTAL NET CASH OUTFLOWS					221,439	203,571	183,319	179,838
23	LIQUIDITY COVERAGE RATIO					204%	213%	234%	260%

UK LIQ2: Net Stable Funding Ratio		Unweighted value by residual maturity			Weighted value
		< 6 months	6 months to < 1yr	≥ 1yr	
		£000	£000	£000	£000
Available stable funding (ASF) Items					
1	Capital items and instruments			**131,054**	**131,054**
2	*Own funds*			131,054	131,054
4	Retail deposits	**506,712**	**37,472**	**23,678**	**519,064**
5	*Stable deposits*	112,415	-	-	106,794
6	*Less stable deposits*	394,297	37,472	23,678	412,270
7	Wholesale funding:	**690,399**	**63,635**	**9,057**	**275,070**
8	*Operational deposits*	-	-	-	-
9	*Other wholesale funding*	690,399	63,635	9,057	275,070
10	Interdependent liabilities				
11	Other liabilities:	**5,578**	**22,564**	**11,006**	**22,288**
13	*All other liabilities and capital instruments not included in the above categories*	5,578	22,564	11,006	22,288
14	**Total available stable funding (ASF)**				**947,477**
Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)				**-**
16	Deposits held at other financial institutions for operational purposes	81,117	35,428	359	58,631
17	Performing loans and securities:	146,768	88,369	516,655	457,506
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*	91,593	22,289	33,552	53,855
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*	34,808	23,492	244,614	217,154
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	8,745	10,607	99,586	74,407
22	*Performing residential mortgages, of which:*	20,367	42,589	238,490	186,496
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*	20,367	42,589	238,490	186,496
26	Other assets:	8,438	-	50,481	55,135
31	*All other assets not included in the above categories*	8,438	-	50,481	55,135
32	Off-balance sheet items	183,565	-	-	2,052
33	**Total RSF**				**573,324**
34	**Net Stable Funding Ratio (%)**				**165%**

15.9 Encumbrance templates

UK AE2 - Collateral received and own debt securities issued	Fair value of encumbered collateral received or own debt securities issued
	£000
Collateral received by the reporting institution	3,256
TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED	4,814

15.10 Remuneration templates

Template UK REM3 - Deferred remuneration

		a	b	c	d	e	f	UK - g	UK - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function	-	-	-	-	-	-	-	-
2	Cash-based	-	-	-	-	-	-	-	-
3	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
4	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
5	Other instruments	-	-	-	-	-	-	-	-
6	Other forms	-	-	-	-	-	-	-	-
7	MB Management function	1,334,963	425,494	909,469	-	-	425,494	-	-
8	Cash-based	735,630	227,649	507,981	-	-	227,649	-	-
9	Shares or equivalent ownership interests	599,333	197,845	401,488	-	-	197,845	-	-
10	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
11	Other instruments	-	-	-	-	-	-	-	-
12	Other forms	-	-	-	-	-	-	-	-
13	Other senior management	-	-	-	-	-	-	-	-
14	Cash-based	-	-	-	-	-	-	-	-
15	Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
16	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
17	Other instruments	-	-	-	-	-	-	-	-
18	Other forms	-	-	-	-	-	-	-	-
19	Other identified staff	1,028,813	489,574	539,239	-	-	489,574	-	-
20	Cash-based	573,967	278,857	295,110	-	-	278,857	-	-
21	Shares or equivalent ownership interests	454,845	210,716	244,129	-	-	210,716	-	-
22	Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
23	Other instruments	-	-	-	-	-	-	-	-
24	Other forms	-	-	-	-	-	-	-	-
25	Total amount	2,363,776	915,068	1,448,708	-	-	915,068	-	-

Template UK REM4 - Remuneration of 1 million EUR or more per year

	EUR	a Identified staff that are high earners as set out in Article 450(i) CRR
1	1 000 000 to below 1 500 000	1
2	1 500 000 to below 2 000 000	
3	2 000 000 to below 2 500 000	
4	2 500 000 to below 3 000 000	
5	3 000 000 to below 3 500 000	
6	3 500 000 to below 4 000 000	
7	4 000 000 to below 4 500 000	
8	4 500 000 to below 5 000 000	
9	5 000 000 to below 6 000 000	
10	6 000 000 to below 7 000 000	
11	7 000 000 to below 8 000 000	

Template UK REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

Effective from 1 January 2022

		a	b	c	d	e	f	g	h	i
		Management body remuneration			Business areas					
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other
1	Total number of identified staff									
2	Of which: members of the MB	3	7							
3	Of which: other senior management		1							
4	Of which: other identified staff		1			1	2	2	4.8	4
5	Total remuneration of identified staff	305,000	3,247,855			198,146	441,072	811,318	1,033,389	1,936,572
6	Of which: variable remuneration	-	902,570			-	110,800	272,100	163,481	819,200
7	Of which: fixed remuneration	305,000	2,345,285			198,146	330,272	539,218	869,908	1,117,372