



**BROWN SHIPLEY**  
A QUINTET PRIVATE BANK

**BROWN SHIPLEY & CO. LIMITED**

PILLAR 3 DISCLOSURES

FOR THE YEAR ENDED 31 DECEMBER 2023

Registered number: 00398426

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## DIRECTORS AND PROFESSIONAL ADVISERS

<b>Directors</b>	Kathleen Cates – Non-Executive Chair  Calum Brewster – Chief Executive Officer  Marcia Cantor-Grable – Non-Executive Board Risk and Compliance Committee Chair  Andrew Curran – Chief Financial Officer  Tim Gillbanks – Non-Executive Audit Committee Chairman and Senior Independent Director  Nicholas Harvey – Non-Executive  Christopher Allen - Non-Executive
<b>Registered office</b>	2 Moorgate London EC2R 6AG Company registered number: 00398426
<b>Registered Auditors</b>	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 and Compliance Committee. The respective approvals were granted on 14 August 2024 and 20 August 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 2023. 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”) as 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 2023 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.

	2023	2022	2021
<b>Common Equity Tier 1 (CET1)</b>	<b>22.2%</b>	<b>20.3%</b>	<b>19.6%</b>
<b>Leverage Ratio</b>	<b>10.0%</b>	<b>9.1%</b>	<b>8.6%</b>
<b>Liquidity Coverage Ratio (LCR)</b>	<b>274%</b>	<b>218%</b>	<b>253%</b>
<b>Net Stable Funding Ratio (NSFR)</b>	<b>181%</b>	<b>165%</b>	<b>121%</b>

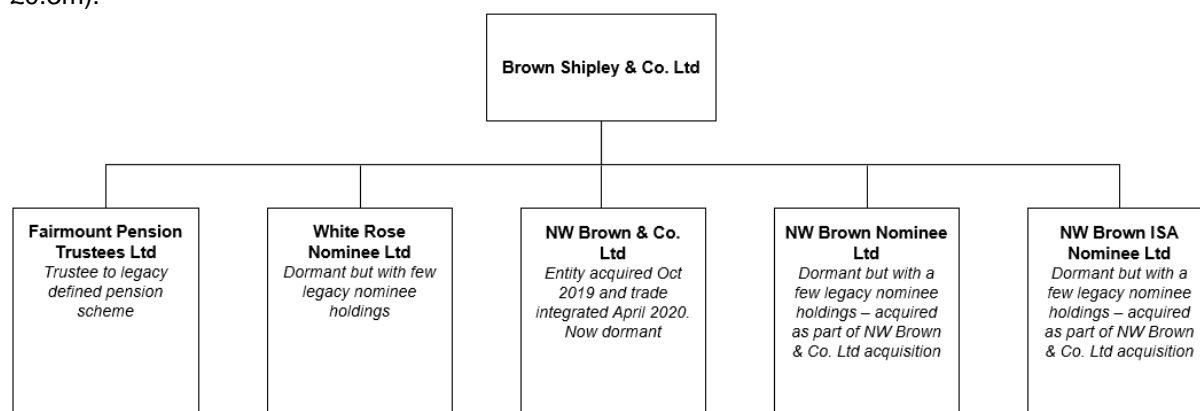
Details of disclosure template UK KM1 are presented in [Appendix 15.1](#).

## 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 2023.

Brown Shipley is the holding company of the Group and as at the end of 2023 had five (2022 – five) wholly owned subsidiaries, all of which were dormant in the year ending December 2023.

The total value of investment in subsidiaries (equivalent to their net asset value) amounts to £0.3m (2022 - £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) and the Commission de Surveillance du Secteur Financier (CSSF).

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 of securities held by our nominee and cash held internally as an authorised bank, allows our investment managers maximum flexibility and enables BSCo to provide quality services efficiently and at a reasonable cost.

Over the years the main 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 which provides 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

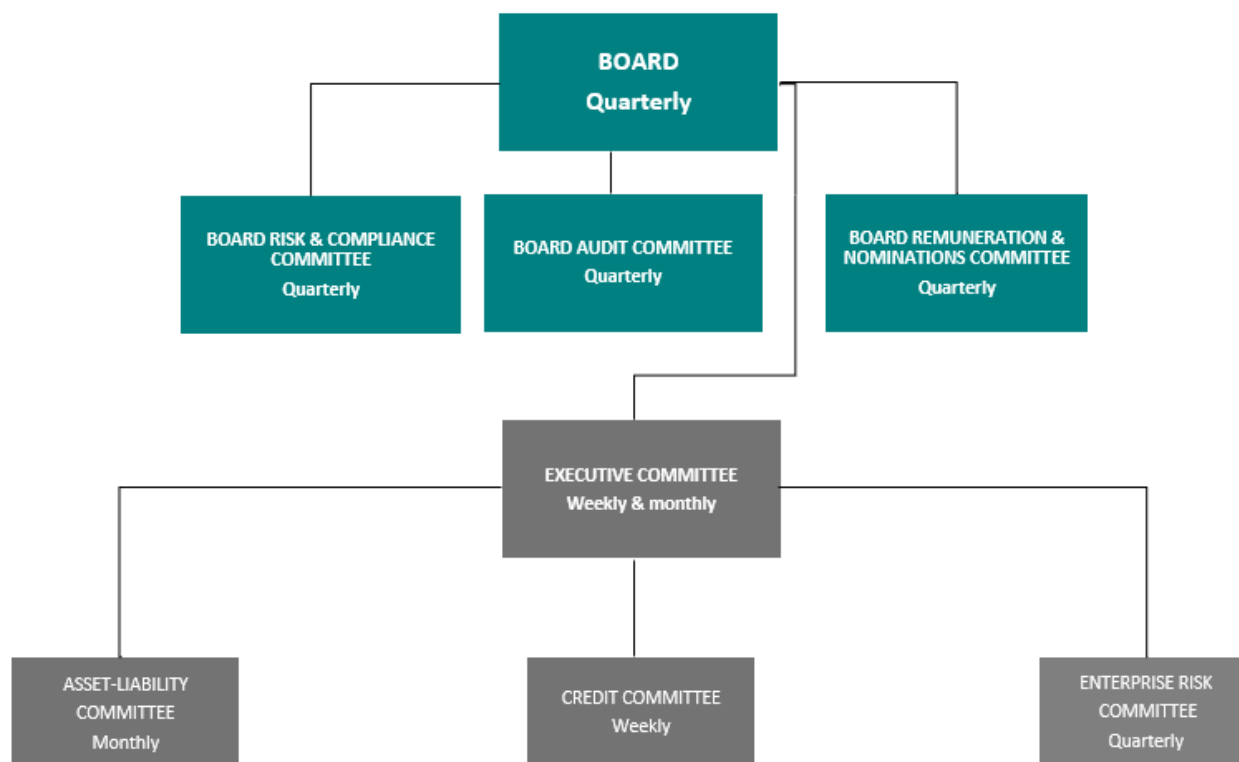
The Board sets the overall strategy for the Bank. The Board is composed of two executive directors, the Chief Executive Officer, Chief Finance Officer, three independent non-executive directors, and two shareholder representatives (non-executive director).

The Board is supported by three sub-committees: a Risk & Compliance, 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 and Compliance 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 and Compliance Committee (“BRCC”)

The BRCC 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 BRCC 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. The Committee comprises all independent Non-Executive Directors and Quintet representatives, and is attended by the CEO, CFO, CRO and other relevant executive management.

### 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. The Committee comprises all independent Non-Executive Directors and Quintet representatives, and is attended by the CEO, CFO, and other relevant executive management.

### 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 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.

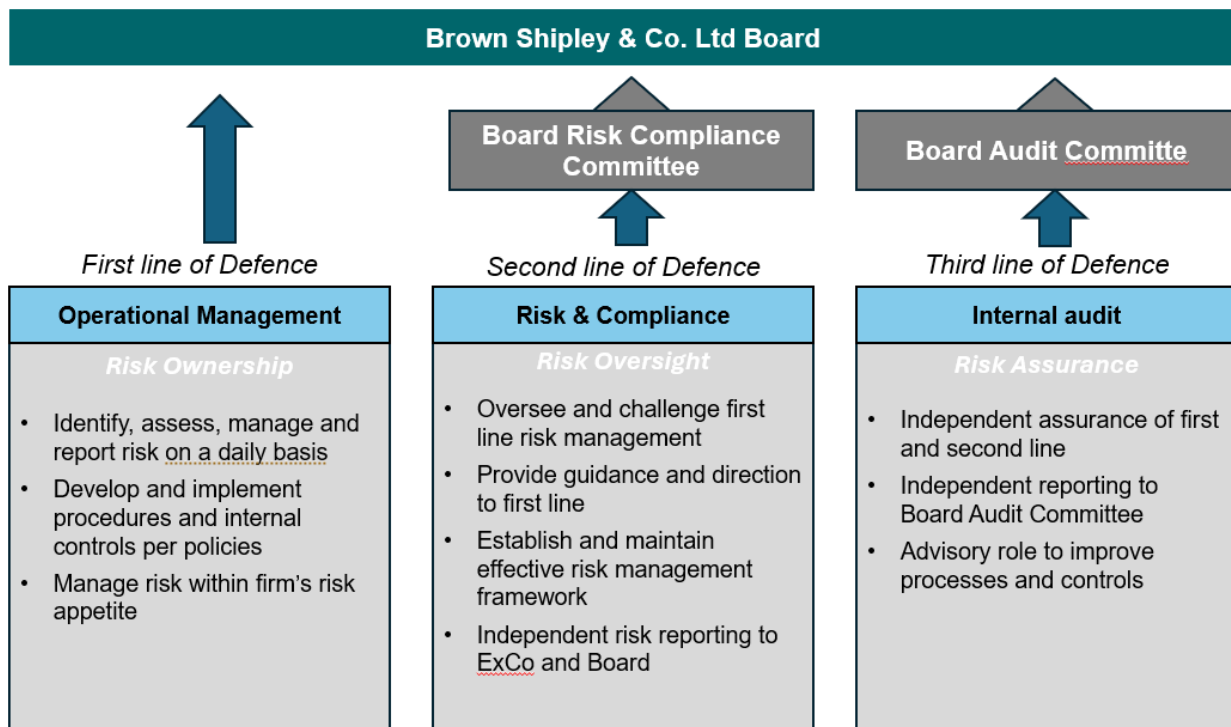
Appointed Senior Managers, via their delegated reports, are accountable for identifying and managing the risks generated from the business activities for which they are responsible.

## 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 appointed a 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 re-evaluate appropriateness of the Bank's RAS, and whether limits and triggers remain aligned to the Bank's 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 impacts. As such, embedding and maintaining a sound risk culture across the business is a key focus for Brown Shipley Board and ExCo.

Consumer Duty is a new regulation which sets out higher standards for financial services firms to deliver good outcomes for their clients. Its intention is to fundamentally improve how clients are served. At Brown Shipley, everything the firm does is done with the clients' best interests at heart and BSCo sees Consumer Duty as an opportunity to continue to elevate our standards in delivering good outcomes to its clients. At a Board level BSCo has appointed the Chair of Board Risk and Compliance Committee to be the Board champion for Consumer Duty.

### 4.4 Risk Control Function

Overseen by the CRO, the Risk Control function comprises 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 BRCC, 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. As illustrated in the graph on page 5, 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 Enterprise Risk Committee ("ERC") is responsible for reviewing and approving Enterprise Risk Management ("ERM") policies, with delegated responsibility from the BRCC 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 BRCC.

## 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
<u>At 31 December 2023</u>	
81,824,000 Ordinary shares of £1 each	<u>81,824</u>
<u>At 31 December 2022</u>	
81,824,000 Ordinary shares of £1 each	<u>81,824</u>

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

#### Additional Tier 1 ('AT1') Equity Instrument

	2023 £000	2022 £000
Total AT1 Equity as at 31 December	<u>10,000</u>	<u>10,000</u>

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

	2023 £000	2022 £000
<b>Tier One Capital</b>		
Permanent Share Capital	81,824	81,824
Reserves - Retained earnings	38,196	38,580
Reserves - Accumulated other comprehensive income	(881)	(834)
Less: Goodwill and other intangible assets	(28,205)	(34,538)
Less: Deferred tax	-	(5)
Less: Defined benefit pension fund assets	(440)	(140)
Less: Investment in subsidiaries	(293)	(293)
<b>Total Common Equity Tier One Capital</b>	<u>90,201</u>	<u>84,594</u>
Additional Tier One Capital	<u>10,000</u>	<u>10,000</u>
<b>Total Tier One Capital</b>	<u>100,201</u>	<u>94,594</u>

The main difference between the Bank's total equity of £129.1m 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 2023 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
		31/12/2023	31/12/2022	31/12/2023
		£000	£000	£000
1	Credit risk (excluding CCR)	273,142	297,986	21,851
2	Of which the standardised approach	273,142	297,986	21,851
6	Counterparty credit risk - CCR	419	365	33
7	Of which the standardised approach	419	365	33
23	Operational risk	131,964	118,725	10,557
UK 23b	Of which standardised approach	131,964	118,725	10,557
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	201	638	16
<b>29</b>	<b>Total</b>	<b>405,524</b>	<b>417,077</b>	<b>32,442</b>

## 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 ICAAP of the PRA Rulebook.

The ICAAP is submitted to the Board at least annually. The 2023 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 10% as at 31 December 2023 shown below. Details of disclosure templates UK LR1 and UK LR3 are presented in [Appendix 15.2](#).

UK LR2 - LRCom: Leverage ratio common disclosure		Leverage ratio exposures	
		2023	2022
		£000	£000
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>			
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	1,525,608	1,501,814
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(28,939)	(34,976)
7	<b>Total on-balance sheet exposures (excluding derivatives and SFTs)</b>	<b>1,496,669</b>	<b>1,466,838</b>
<b>Derivative exposures</b>			
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	464	(322)
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach		
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	1,486	1,205
13	<b>Total derivatives exposures</b>	<b>1,950</b>	<b>883</b>
<b>Other off-balance sheet exposures</b>			
19	Off-balance sheet exposures at gross notional amount	266,791	164,943
20	(Adjustments for conversion to credit equivalent amounts)	(230,875)	(140,145)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	(4)	(3)
22	<b>Off-balance sheet exposures</b>	<b>35,912</b>	<b>24,795</b>
<b>Capital and total exposure measure</b>			
23	<b>Tier 1 capital (leverage)</b>	100,200	94,594
24	Total exposure measure including claims on central banks	1,534,531	1,492,516
UK-24a	(-) Claims on central banks excluded	(528,338)	(455,784)
UK-24b	<b>Total exposure measure excluding claims on central banks</b>	<b>1,006,193</b>	<b>1,036,732</b>
<b>Leverage ratio</b>			
25	Leverage ratio excluding claims on central banks (%)	9.96%	9.12%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	9.96%	9.12%
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 (%)	9.96%	9.12%
UK-25c	Leverage ratio including claims on central banks (%)	6.53%	6.34%

## 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 the aggregate growth in credit is judged to be associated with an accumulation of system wide risk and then drawn-down during a stressed period.

Brown Shipley's countercyclical capital buffer rate stands at 1.82% as at 31 December 2023.

UK CCyB2 - Amount of institution-specific countercyclical capital buffer		31/12/2023
		£000
1	Total risk exposure amount	405,524
2	Institution specific countercyclical capital buffer rate	1.82%
3	Institution specific countercyclical capital buffer requirement	7,371

Details of disclosure template concerning the geographical distribution of credit risk exposures (UK CCyB1) are presented in [Appendix 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 16 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). The Bank uses Moody's and Standard & Poor's as ECAs for its credit assessments. Where the ECAs' credit assessments differ, the Bank selects the lower of the two to determine the respective risk weight.

A breakdown of the Bank's risk weights is provided below as at 31 December 2023, by exposure class.

## UK CR5 – standardised approach

Exposure classes	Risk weight								Total £000	Of which unrated £000	
	0%	20%	35%	50%	75%	100%	150%	250%			1250%
	£000	£000	£000	£000	£000	£000	£000	£000			£000
Central governments or central banks	536,403	-	-	-	-	-	-	80	-	536,483	-
Regional government or local authorities	10,279	-	-	-	-	-	-	-	-	10,279	-
Public sector entities	37,930	-	-	-	-	-	-	-	-	37,930	-
Multilateral development banks	59,745	-	-	-	-	-	-	-	-	59,745	-
International organisations	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	89,985	-	-	-	-	-	-	-	89,985	89,985
Corporates	-	-	-	-	-	7,410	-	-	-	7,410	7,410
Retail exposures	-	-	-	-	4,741	-	-	-	-	4,741	4,741
Exposures secured by mortgages on immovable property	-	-	351,174	-	-	30,460	-	-	-	381,635	381,635
Exposures in default	-	-	-	-	-	10,100	1,952	-	-	12,052	12,052
Exposures associated with particularly high risk	-	-	-	-	-	-	153	-	-	153	153
Covered bonds	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	117,902	-	71,584	-	-	-	-	-	189,486	-
Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	2	2	2
Equity exposures	-	-	-	-	-	403	-	-	-	403	403
Other items	-	-	-	-	-	17,706	-	-	-	17,706	17,706
<b>TOTAL</b>	<b>644,357</b>	<b>207,887</b>	<b>351,174</b>	<b>71,584</b>	<b>4,741</b>	<b>66,079</b>	<b>2,105</b>	<b>80</b>	<b>2</b>	<b>1,348,010</b>	<b>514,086</b>

## 8.2.1 Maturity of Exposures

As at end of 2023, the Bank continued to show a relatively short-term profile of its exposures with 78% maturing in less than 5 years.

## UK CR1-A: Maturity of exposures

		Net exposure value					Total £000
		On demand £000	<= 1 year £000	> 1 year <= 5 years £000	> 5 years £000	No stated maturity £000	
1	Loans and advances	192,750	168,088	313,346	15,350	243,126	932,660
2	Debt securities	-	172,369	93,033	-	-	265,402
3	<b>Total</b>	<b>192,750</b>	<b>340,457</b>	<b>406,379</b>	<b>15,350</b>	<b>243,126</b>	<b>1,198,062</b>

## 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 2023, £17.3m of exposures were considered as non-performing, representing around 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, accumulated negative changes in fair value due to credit risk and provisions			On performing exposures	On non-performing exposures
	£000	Of which stage 1	Of which stage 2	£000	£000	£000	Of which stage 1	Of which stage 2	£000	Of which stage 1	Of which stage 2	£000		
		£000	£000				£000	£000		£000	£000		£000	£000
<b>Cash balances at central banks and other demand deposits</b>	<b>547,948</b>	<b>547,948</b>	-	-	-	<b>140</b>	<b>140</b>	-	-	-	-	-	-	-
<b>Loans and advances</b>	<b>645,470</b>	<b>633,090</b>	<b>8,968</b>	<b>16,209</b>	<b>16,183</b>	<b>371</b>	<b>364</b>	<b>7</b>	<b>478</b>	<b>478</b>	<b>533,628</b>	<b>15,670</b>		
<i>Credit institutions</i>	106,486	106,486	-	-	-	304	304	-	-	-	-	-	-	-
<i>Other financial corporations</i>	54,249	54,249	-	15	-	7	7	-	-	-	52,844	-	-	-
<i>Non-financial corporations</i>	112,252	106,884	5,368	2,365	2,365	11	11	0	9	9	109,818	2,327		
<i>Of which SMEs</i>	98,418	93,050	5,368	2,361	2,361	8	8	0	6	6	96,052	2,327		
<i>Households</i>	372,484	365,472	3,600	13,829	13,818	49	43	7	469	469	370,966	13,344		
<b>Debt securities</b>	<b>265,471</b>	<b>256,917</b>	-	-	-	<b>69</b>	<b>69</b>	-	-	-	<b>41,808</b>	-		
<i>General governments</i>	48,215	48,215	-	-	-	6	6	-	-	-	37,930	-		
<i>Credit institutions</i>	217,257	208,702	-	-	-	64	63	-	-	-	3,879	-		
<b>Off-balance-sheet exposures</b>	<b>270,691</b>	<b>270,691</b>	-	<b>1,138</b>	-	<b>3</b>	<b>3</b>	-	<b>1</b>	-	-	-		
<i>Other financial corporations</i>	40,597	40,597	-	-	-	0	0	-	-	-	-	-		
<i>Non-financial corporations</i>	50,894	50,894	-	-	-	0	0	-	-	-	-	-		
<i>Households</i>	179,200	179,200	-	1,138	-	2	2	-	1	-	-	-		
<b>Total</b>	<b>1,729,581</b>	<b>1,708,647</b>	<b>8,968</b>	<b>17,347</b>	<b>16,183</b>	<b>577</b>	<b>569</b>	<b>7</b>	<b>477</b>	<b>478</b>	<b>575,436</b>	<b>15,670</b>		

### 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							Of which defaulted
	£000	Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days	£000	Unlikely to pay that are not past due or are past due ≤ 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	£000	
<b>Cash balances at central banks and other demand deposits</b>	<b>547,948</b>	<b>547,948</b>	-	-	-	-	-	-	-	-	-
<b>Loans and advances</b>	<b>645,470</b>	<b>643,943</b>	<b>1,528</b>	<b>16,209</b>	<b>0</b>	<b>15,177</b>	<b>28</b>	<b>55</b>	<b>948</b>	<b>16,209</b>	
<i>Credit institutions</i>	106,486	106,486	-	-	-	-	-	-	-	-	
<i>Other financial corporations</i>	54,249	54,249	-	15	-	-	-	15	-	15	
<i>Non-financial corporations</i>	112,252	110,724	1,528	2,365	0	2,361	-	3	-	2,365	
<i>Of which SMEs</i>	98,418	96,890	1,528	2,361	0	2,361	-	-	-	2,361	
<i>Households</i>	372,484	372,484	-	13,829	0	12,816	13	51	948	13,829	
<b>Debt securities</b>	<b>265,471</b>	<b>265,471</b>	-	-	-	-	-	-	-	-	
<i>General governments</i>	48,215	48,215	-	-	-	-	-	-	-	-	
<i>Credit institutions</i>	217,257	217,257	-	-	-	-	-	-	-	-	
<b>Off-balance-sheet exposures</b>	<b>270,691</b>	-	-	<b>1,138</b>	-	-	-	-	-	-	
<i>Other financial corporations</i>	40,597	-	-	-	-	-	-	-	-	-	
<i>Non-financial corporations</i>	50,894	-	-	-	-	-	-	-	-	-	
<i>Households</i>	179,200	-	-	1,138	-	-	-	-	-	-	
<b>Total</b>	<b>1,729,581</b>	<b>1,457,362</b>	<b>1,528</b>	<b>17,347</b>	<b>0</b>	<b>15,177</b>	<b>28</b>	<b>55</b>	<b>948</b>	<b>16,209</b>	

### 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 [Appendix 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

Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
	£000	£000	£000	£000	£000	£000
Central governments or central banks	532,605	-	536,483	-	201	0%
Regional government or local authorities	10,279	-	10,279	-	-	0%
Public sector entities	37,930	-	37,930	-	-	0%
Multilateral development banks	59,745	-	59,745	-	-	0%
International organisations	-	-	-	-	-	0%
Institutions	93,864	-	89,985	-	17,997	20%
Corporates	99,282	91,083	6,919	490	7,345	99%
Retail	38,293	150,073	4,127	613	3,463	73%
Secured by mortgages on immovable property	396,479	29,234	371,090	10,545	153,371	40%
Exposures in default	15,731	-	12,052	-	13,028	108%
Exposures associated with particularly high risk	4,863	1,436	153	-	230	150%
Covered bonds	-	-	-	-	-	0%
Institutions and corporates with a short-term credit assessment	189,486	-	189,486	-	59,372	31%
Collective investment undertakings	2	-	2	-	25	1250%
Equity	403	-	403	-	403	100%
Other items	17,706	-	17,706	-	17,706	100%
<b>TOTAL</b>	<b>1,496,669</b>	<b>271,825</b>	<b>1,336,362</b>	<b>11,648</b>	<b>273,142</b>	<b>20%</b>

#### 8.3.2 Use of CRM techniques

Figures relating to the Bank's use of CRM techniques in 2023 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 carrying amount		Secured carrying amount	
	£000	£000	Of which secured by collateral	Of which secured by financial guarantees
			£000	£000
Loans and advances	659,342	549,298	549,298	-
Debt securities	223,593	41,808	-	41,808
<b>Total</b>	<b>880,848</b>	<b>591,106</b>	<b>549,298</b>	<b>41,808</b>
<i>Of which non-performing exposures</i>	61	15,670	15,670	-
<i>Of which defaulted</i>	61	15,670		



As at 31 December 2023, BSCo achieved a reduction of £165m 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 [Appendix 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 2023, the Counterparty Credit Risk prudential exposure amounts to £2.1m. 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)	433	1,062	1.4	2,093	419

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 the Asset and Liability Management Policy, such that the Bank is not materially exposed to interest rate risk. As per the Bank's policy 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 BRCC (quarterly).

The following table provides 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 the changes in the net interest income calculated under the two supervisory shock scenarios referred to in the same article.

Shock scenarios	a	b	c	d
	Changes of the economic value of equity (£m)		Changes of the net interest income (£m)	
	Current period	Last period	Current period	Last period
1 Parallel shock up	-5.0	-4.9	1.4	1.4
2 Parallel shock down	2.6	2.7	-1.4	-1.5
3 Steepener shock	-0.4	-1.0	-0.8	-0.5
4 Flattener shock	-0.5	0.0	1.0	0.7
5 Short rates shock up	-2.0	-1.6	1.3	1.0
6 Short rates shock down	1.1	1.0	-1.4	-1.1

- 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 appropriately to the risks identified and to 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 2023, the risk-weighted exposure amount for the operational risk amounts to £132m.

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)	76,387	78,302	89,446	10,557	131,964

### 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 as a first line of defence (“1LoD”) function and by the Operational Risk team as a second line of defence (“2LoD”) function.

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

### 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 these thresholds.

Regular management information is reported to the ERC and BRCC, including trend analysis. KRI breaches and adverse trends are analysed by the 1LoD and the analysis is challenged by the 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, at least on 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 fact that 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 of 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 potentially change under 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. The Treasury team monitors 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 BRCC.

### 11.3 Liquidity Coverage Ratio (LCR)

Brown Shipley's LCR stands at 278% as at 31 December 2023, details of disclosure template UK LIQ1 are presented in [Appendix 15.5](#).

### 11.4 Net Stable Funding Ratio (NSFR)

Brown Shipley's NSFR stands at 181% as at 31 December 2023, details of disclosure template UK LIQ2 are presented in [Appendix 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 2023, 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	
	of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA	
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Assets of the reporting institution</b>	2,041				1,515,189	618,949		
Equity instruments					385	-	385	-
Debt securities					236,451	114,540	232,084	108,613
of which: covered bonds					-	-	-	-
of which: securitisations					-	-	-	-
of which: issued by general governments					48,424	48,424	46,586	46,586
of which: issued by financial corporations					188,027	66,116	185,498	62,027
of which: issued by non-financial corporations					-	-	-	-
Other assets	2,041				1,278,353	504,409		

Details of disclosure template UK AE2 is presented in [Appendix 15.6](#).

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

During the financial year ended 31 December 2023, the Bank has complied with the Task Force on Climate Related Financial Disclosure (TCFD) requirements as stated in the FCA ESG Sourcebook. Consistent with the recommendations, BSCo includes details of how it incorporates climate-related risk and opportunities into governance, strategy, risk management, and metrics and targets in the annual reporting accounts. BSCo is committed to further develop its approach in this regard over the coming years as its sustainability strategy matures.

The focus of subsequent developments will be to improve the Bank's understanding of climate-related risks at a granular level under various pathway scenarios. The Bank will evaluate how these risks are managed for specific products / investment strategies, by exploring relevant measurements including the weighted average carbon intensity (WACI).

The Bank acknowledges the potential threat from climate change and is committed to employ appropriate responses to mitigate this. 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 to risk level increases 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 the Bank, it is accepted that climate change remains primarily an emerging risk as of now, and therefore there is no financial statement impact for the Bank at this point; however 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.

The Bank's approach on C&E risk is guided by the Quintet Sustainability strategy, as well as relevant industry developments, as 'best practice' continues to evolve, particularly the Climate Financial Risk Forum ("CFRF") and their publications.

The Bank also introduced a climate related stress test scenario in this year ICAAP where combined physical and transitional risks stress assumptions were applied to BSCo real estate collateral to examine the potential impact on RWAs (capital requirements) and ECLs (capital).

Further information regarding how BSCo satisfies the TCFD requirements can be located in the Bank's annual reporting accounts.

### 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, as 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.

**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 client relationships. Like liquidity, this is considered a consequential risk, caused by failures elsewhere. The Bank is concerned about the impact of reputational risk, and is committed to mitigate this risk by fostering a working environment based on delivering outcomes aligned to its consumer duties. The Bank is also aware of media coverage and 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 of the same group, including reputational contagion. In addition, Quintet, as a group, has continued to promote its programme of greater integration and consistency, following its EU based entities consolidation into one 'Eurobank' entity. This consolidation is focused on improving service, process, and increasing control efficiency to support the group's overall objectives and stability. However the Bank recognises that this increased consolidation will increase 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. Associated service level agreements ("SLAs") and appropriate performance indicators for the monitoring of services were implemented together with a 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 Board and Executives are engaged on group-wide strategic developments to ensure 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 the liabilities as they fall due. The Bank of England recognises 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.

The Bank is subject to pension obligation risk due to its commitment to fund the Staff Pension Scheme, a defined benefit scheme, which is closed to future benefits accrual. The principal risk to the Bank is an increase in the scheme's funding requirement which could be a drain on its capital position. Additional capital is considered under the Pillar 2 assessment as 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 to align long-term shareholder's interests and long-term group-wide profitability while considering 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)

As referenced in Section 3, the BRNC is a sub-committee of the BSCo Board.

#### Role and responsibilities:

The role and responsibilities of the BRNC are defined by the regulations approved by the Board. The BRNC is expected to ensure that the remuneration policies, procedures and practices being applied are appropriate for the Bank. Their key areas of focus include:

#### 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”) and in line with 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 2023. 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;

- Members of the BSCO Board of Directors, BSCO Executive Committee - including CEO;
- Heads of control functions (i.e. Risk Control, Audit, Compliance);
- Heads of function responsible at BSCO for Legal Affairs, Soundness of Accounting Policies and Procedures, Finance (including taxation and budgeting), Prevention of money-laundering and terrorist Financing, Human Resources, Information Technology.
- Members of the Enterprise Risk Committee, BSCO Credit Committee, Assets and Liabilities Committee, Group Investment and Product Committee.
- Some staff members of the credit and trading departments.
- 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<sup>1</sup> for 2023:

Material Risk Taker category	Number of employees
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<sup>1</sup> As assessed and approved by the Board.



Total number of identified MRTs based on qualitative and quantitative criteria (Group-wide):	21 <sup>2</sup>
o/w ExCo	5

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, 60% of the CEO's 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).

The other ExCo members are remunerated as per BSCo's Remuneration Policy for MRTs.

##### 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.

<sup>2</sup> Apart from independent non-executive Board members.

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<sup>3</sup> 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 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<sup>4</sup> (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), also evaluating adherence to internal controls and risk management. Each individual will have defined measures of success for their role.

The BRNC has discretion to recommend to the Board a revision of the performance assessment for specific individuals in 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 certain level of the fixed remuneration, depending on the nature of the function:

Function	Maximum variable-to-fixed remuneration ratio
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<sup>3</sup> 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).

<sup>4</sup>Or any lower threshold if applicable according to local regulation.

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<sup>5</sup> 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 2023 is presented in the table below.

<sup>5</sup> 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		Number of identified staff	3	5	13
2		Total fixed remuneration	305,000	1,980,044	2,500,747
3		Of which: cash-based	305,000	1,980,044	2,500,747
4		(Not applicable in the UK)			
UK-4a	Fixed remuneration	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		Number of identified staff	3	5	13
10		Total variable remuneration	-	1,082,670	1,092,043
11		Of which: cash-based	-	541,335	928,543
12		Of which: deferred	-	249,716	298,451
UK-13a	Variable remuneration	Of which: shares or equivalent ownership interests	-	541,335	163,500
UK-14a		Of which: deferred	-	249,716	65,400
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	305,000	3,062,714		3,592,790

Details of disclosure template UK REM3 - 5 are presented in [Appendix 15.7](#).

**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 2023;
- MRT headcount and FTE are assessed end of 2023.

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

		31/12/2023
		£000
	<b>Available own funds (amounts)</b>	
1	Common Equity Tier 1 (CET1) capital	90,200
2	Tier 1 capital	100,200
3	Total capital	100,200
	<b>Risk-weighted exposure amounts</b>	
4	Total risk-weighted exposure amount	405,524
	<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>	
5	Common Equity Tier 1 ratio (%)	22.24%
6	Tier 1 ratio (%)	24.71%
7	Total capital ratio (%)	24.71%
	<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>	
UK 7a	Additional CET1 SREP requirements (%)	1.13%
UK 7b	Additional AT1 SREP requirements (%)	0.64%
UK 7c	Additional T2 SREP requirements (%)	0.85%
UK 7d	Total SREP own funds requirements (%)	9.13%
	<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>	
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 (%)	1.82%
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 (%)	4.32%
UK 11a	Overall capital requirements (%)	13.45%
12	CET1 available after meeting the total SREP own funds requirements (%)	11.38%
	<b>Leverage ratio</b>	
13	Leverage ratio total exposure measure	1,006,193
14	Leverage ratio	9.96%
	<b>Liquidity Coverage Ratio</b>	
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	631,011
UK 16a	Cash outflows - Total weighted value	269,069
UK 16b	Cash inflows - Total weighted value	38,514
16	Total net cash outflows (adjusted value)	230,555
17	Liquidity coverage ratio (%)	273.69%
	<b>Net Stable Funding Ratio</b>	
18	Total available stable funding	1,027,781
19	Total required stable funding	567,629
20	NSFR ratio (%)	181.07%

## 15.2 Leverage templates

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

		<b>Applicable amount</b>
		<b>2023</b>
		£000
1	Total assets as per published financial statements	1,529,171
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)	(528,338)
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	(2,198)
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)	35,912
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)	
12	Other adjustments	(28,354)
13	<b>Total exposure measure</b>	<b>1,006,193</b>

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

		<b>Leverage ratio exposures</b>
		£000
<b>UK-1</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	1,525,608
UK-2	Trading book exposures	
UK-3	Banking book exposures, of which:	
UK-4	Covered bonds	
UK-5	Exposures treated as sovereigns	640,558
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	
UK-7	Institutions	93,864
UK-8	Secured by mortgages of immovable properties	396,479
UK-9	Retail exposures	38,293
UK-10	Corporates	99,282
UK-11	Exposures in default	15,731
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	241,399

## 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	Total			
	£000	£000	£000		
<b>Breakdown by country:</b>					
AE	8,847	252	3,156	1.24	0.00
AU	1	0	1	0.00	1.00
BE	0	0	0	0.00	0.00
BH	833	100	1,250	0.49	0.00
BM	2	0	2	0.00	0.00
CH	16,615	427	5,335	2.09	0.00
CY	0	0	0	0.00	0.50
FR	3,027	85	1,060	0.42	0.50
GB	549,837	18,505	231,311	90.73	2.00
GG	4	0	4	0.00	0.00
IE	219	18	219	0.09	1.00
IM	7,250	204	2,547	1.00	0.00
IN	0	0	0	0.00	0.00
JE	1,275	36	449	0.18	0.00
KE	46	3	34	0.01	0.00
KY	2,326	66	824	0.32	0.00
LB	4,835	137	1,711	0.67	0.00
LU	4	0	1	0.00	0.50
MC	10,208	286	3,573	1.40	0.00
MG	348	28	348	0.14	0.00
MT	1,100	31	385	0.15	0.00
MY	-	-	-	0.00	0.00
NZ	3,995	116	1,447	0.57	0.00
PT	-	-	-	0.00	0.00
SG	1,653	47	591	0.23	0.00
US	404	32	404	0.16	0.00
VG	755	23	291	0.11	0.00
<b>Total</b>	<b>613,587</b>	<b>20,396</b>	<b>254,944</b>	<b>100.00</b>	

## 15.4 Credit quality templates

## UK CQ1: Credit quality of forbore 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 forbore exposures	
	Performing forbore	Non-performing forbore	On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
	£000	£000	£000	£000	£000	£000
Cash balances at central banks and other demand deposits	-	-	-	-	-	-
Loans and advances	7,513	10,453	7	306	17,619	10,112
<i>Central banks</i>	-	-	-	-	-	-
<i>General governments</i>	-	-	-	-	-	-
<i>Credit institutions</i>	-	-	-	-	-	-
<i>Other financial corporations</i>	73	-	0	-	73	-
<i>Non-financial corporations</i>	3,840	2,361	0	6	6,167	2,327
<i>Households</i>	3,600	8,091	7	300	11,379	7,786
Debt Securities	-	-	-	-	-	-
Loan commitments given	-	-	-	-	-	-
<b>Total</b>	<b>7,513</b>	<b>10,453</b>	<b>7</b>	<b>306</b>	<b>17,619</b>	<b>10,112</b>

## Template UK CQ6: Collateral valuation - loans and advances

		Loans and advances											
		Performing			Non-performing								
		£000	£000	Of which past due > 30 days ≤ 90 days	£000	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
£000	£000						£000	£000	£000	£000	£000	£000	£000
					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	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years			
010	Gross carrying amount	661,679	645,470	1,528	16,209	0	16,209	15,177	28	55	948	-	-
020	Of which secured	550,146	533,999	2	16,148	-	16,148	15,173	26	-	948	-	-
030	Of which secured with immovable property	410,268	398,871	2	11,397	-	11,397	10,449	-	-	948	-	-
040	Of which instruments with LTV higher than 60% and lower or equal to 80%	133,616	124,576		9,040	-	9,040						
050	Of which instruments with LTV higher than 80% and lower or equal to 100%	11,902	11,902		-	-	-						
060	Of which instruments with LTV higher than 100%	12,171	12,171		-	-	-						
070	Accumulated impairment for secured assets	848	371	6	478	-	478	306	2	55	115	-	-
080	Collateral												
090	Of which value capped at the value of exposure	550,146	533,999	2	16,148	-	16,148	15,173	26	-	948	-	-
100	Of which immovable property	406,291	394,894	2	11,397	-	11,397	10,449	-	-	948	-	-
110	Of which value above the cap	1,434,275	474,094	800	5,518	-	5,518	5,113	-	-	405	-	-
120	Of which immovable property	479,612	474,094	800	5,518	-	5,518	5,113	-	-	405	-	-
130	Financial guarantees received												
140	Accumulated partial write-off												



## 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)	31/12/2023	30/09/2023	30/06/2023	31/03/2023	31/12/2023	30/09/2023	30/06/2023	31/03/2023
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
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA)					618,485	592,563	546,061	503,450
<b>CASH - OUTFLOWS</b>									
2	Retail deposits and deposits from small business customers, of which:	576,271	564,653	539,716	507,075	48,607	49,517	49,413	47,500
3	<i>Stable deposits</i>	101,515	106,913	111,957	117,490	5,076	5,346	5,598	5,875
4	<i>Less stable deposits</i>	269,505	272,116	270,293	259,543	43,531	44,171	43,815	41,625
5	Unsecured wholesale funding	415,752	435,482	439,194	440,549	199,593	215,622	217,821	216,307
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	415,752	435,482	439,194	440,549	199,593	215,622	217,821	216,307
8	<i>Unsecured debt</i>	-	-	-	-	-	-	-	-
9	<i>Secured wholesale funding</i>								
10	Additional requirements	273,183	247,808	219,377	194,117	22,455	21,856	20,294	18,113
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	7,558	7,749	7,402	6,599	7,558	7,749	7,402	6,599
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	265,625	240,058	211,975	187,518	14,897	14,107	12,891	11,514
14	Other contractual funding obligations	7,186	6,845	6,603	6,986	-	-	-	-
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	<b>TOTAL CASH OUTFLOWS</b>					270,655	286,995	287,528	281,919
<b>CASH - INFLOWS</b>									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	37,768	40,541	40,706	43,782	32,687	34,821	34,650	37,597
19	Other cash inflows	10,417	9,583	6,667	4,583	10,417	9,583	6,667	4,583
UK-19a	<i>(Difference between total weighted inflows and total weighted outflows arising from)</i>					-	-	-	-
UK-19b	<i>(Excess inflows from a related specialised credit institution)</i>					-	-	-	-
20	<b>TOTAL CASH INFLOWS</b>	48,184	50,124	47,373	48,365	43,104	44,404	41,316	42,180
UK-20a	<i>Fully exempt inflows</i>	-	-	-	-	-	-	-	-
UK-20b	<i>Inflows subject to 90% cap</i>	-	-	-	-	-	-	-	-
UK-20c	<i>Inflows subject to 75% cap</i>	48,184	50,124	47,373	48,365	43,104	44,404	41,316	42,180
<b>TOTAL ADJUSTED VALUE</b>									
UK-21	<b>LIQUIDITY BUFFER</b>					618,485	592,563	546,061	503,450
22	<b>TOTAL NET CASH OUTFLOWS</b>					227,551	242,591	246,212	239,739
23	<b>LIQUIDITY COVERAGE RATIO</b>					278%	250%	225%	212%

## UK LIQ2: Net Stable Funding Ratio

		Unweighted value by residual maturity (average)				Weighted value (average) £000
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
		£000	£000	£000	£000	
<b>Available stable funding (ASF) Items</b>						
1	Capital items and instruments	130,631,913				130,631,913
2	Own funds	130,631,913	-	-	-	130,631,913
3	Other capital instruments		-	-	-	-
4	Retail deposits		539,023,805	56,957,921	4,785,152	545,929,746
5	Stable deposits		95,220,803	-	-	90,459,763
6	Less stable deposits		443,803,001	56,957,921	4,785,152	455,469,982
7	Wholesale funding:		617,117,715	129,285,541	14,932,537	331,512,488
8	Operational deposits		-	-	-	-
9	Other wholesale funding		617,117,715	129,285,541	14,932,537	331,512,488
10	Interdependent liabilities					
11	Other liabilities:	2,978,909	5,434,801	21,200,599	9,106,702	19,707,002
12	NSFR derivative liabilities	2,978,909				
13	All other liabilities and capital instruments not included in the above categories		5,434,801	21,200,599	9,106,702	19,707,002
14	<b>Total available stable funding (ASF)</b>					<b>1,027,781,148</b>
<b>Required stable funding (RSF) Items</b>						
15	Total high-quality liquid assets (HQLA)					
UK-15a	Assets encumbered for more than 12m in cover pool					
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		165,805,695	180,427,305	469,876,885	501,088,984
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		-	-	-	-
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		66,244,051	40,100,143	58,768,994	85,443,470
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:		16,282,413	27,702,730	199,846,758	180,232,319
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		10,316,791	17,548,191	58,149,984	51,729,981
22	Performing residential mortgages, of which:		10,928,316	31,406,447	210,856,485	158,224,096
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		10,928,316	31,406,447	210,856,485	158,224,096
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		72,350,916	81,217,986	404,648	77,189,099
25	Interdependent assets					
26	Other assets:		72,375,514	106,313,732	106,313,732	64,270,654
27	Physical traded commodities					
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs					
29	NSFR derivative assets				-	-
30	NSFR derivative liabilities before deduction of variation margin posted					
31	All other assets not included in the above categories		30,332,436	-	42,043,078	64,270,654
32	Off-balance sheet items		288,534,014	-	-	2,269,612
33	<b>Total RSF</b>					<b>567,629,251</b>
34	<b>Net Stable Funding Ratio (%)</b>					<b>181%</b>

## 15.6 Encumbrance templates

## UK AE2 - Collateral received and own debt securities issued

	Fair value of encumbered collateral received or own debt securities issued	
		of which notionally eligible EHQLA and HQLA
	£000	£000
<b>Collateral received by the reporting institution</b>	4,665	
<b>TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED</b>	6,589	

## 15.7 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 explicit 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 amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
MB Supervisory function	-	-	-	-	-	-	-	-
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
MB Management function	1,251,760	863,175	388,584	-	-	259	879,326	365,599
Cash-based	710,210	497,576	212,634	-	-	-	497,576	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	541,549	365,599	175,950	-	-	259	381,750	365,599
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other senior management	-	-	-	-	-	-	-	-
Cash-based	-	-	-	-	-	-	-	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Other identified staff	1,307,778	722,218	585,560	-	-	17,710	768,302	204,883
Cash-based	912,128	517,335	394,793	-	-	-	517,335	-
Shares or equivalent ownership interests	-	-	-	-	-	-	-	-
Share-linked instruments or equivalent non-cash instruments	395,650	204,883	190,767	-	-	17,710	250,967	204,883
Other instruments	-	-	-	-	-	-	-	-
Other forms	-	-	-	-	-	-	-	-
Total amount	2,559,538	1,585,394	974,144	-	-	17,451	1,647,628	570,483

## 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	
x	To be extended as appropriate, if further payment bands are needed.	

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

	Management body remuneration			Business areas						Total
	a MB Supervisory function	b MB Management function	c Total MB	d Investment banking	e Retail banking	f Asset management	g Corporate functions	h Independent internal control functions	i All other	
1 Total number of identified staff										
2 Of which: members of the MB	3	5								
3 Of which: other senior management										
4 Of which: other identified staff						2	3	6	2	
5 Total remuneration of identified staff	305,000	3,062,714				719,882	517,885	974,974	1,380,049	
6 Of which: variable remuneration	-	1,082,670				250,000	32,000	110,415	699,628	
7 Of which: fixed remuneration	305,000	1,980,044				469,882	485,885	864,559	680,421	