Capital and Risk Management Pillar 3 Disclosures

for the year ended 31 March 2025

C. Hoare & Co.
PRIVATE BANKERS SINCE 1672

Contents

Introduction

This document presents the consolidated Pillar 3 disclosures of C. Hoare & Co. ("the bank") and its subsidiaries, Hoares Trustees Limited and Hoare's Bank Pension Trustees Limited ("the Group"), as at 31 March 2025.

The bank is an unlimited company with share capital, which is incorporated and domiciled in the United Kingdom and has its registered office and principal place of business at 37 Fleet Street, London, EC4P 4DQ. The bank's principal activity, together with its subsidiaries, is the provision of banking and ancillary services to a predominantly high net worth customer base.

On 19th April 2024, the bank sold its shares in Messrs Hoares Trustees Limited, and the subsidiary was derecognised from the balance sheet of the bank and the Group.

In November 2024, the bank completed a pension scheme buyout to enhance beneficiary security, leading to trustees' resignation in March 2025. The subsidiary will commence the closure process in the upcoming year, aiming to complete by the 2025/26 fiscal year.

1. Disclosure Policy

The following sets out a summary of the policy applied to the Pillar 3 disclosures, including the basis of disclosure, frequency, media, location and verification.

2. Basis of Disclosure

This document sets out the consolidated Pillar 3 disclosures of the Group as at 31 March 2025 and has been prepared in accordance with the requirements of the BOE Prudential Regulation Authority Rulebook – Disclosure (CRR), that contains rules which were onshored from Part Eight of the Capital Requirements Regulation (575/2013) ("CRR").

The level of disclosure on remuneration matters is subject to the proportionality rules set out in PRA PS16/23 "Remuneration: Enhancing proportionality for small firms". In accordance with the regulations published by the PRA in December 2023, the bank meets the small CRR firms' criteria and for non-listed institutions, and therefore is exempted from making remuneration disclosures. The required disclosure on Board Recruitment and Diversity Policies continues to be disclosed and is covered in section 5.3.

No material disclosures have been omitted, nor have any disclosures been omitted from this document for confidentiality purposes. The bank provides certain disclosures as part of the bank's Annual Report and Consolidated Financial Statements. The risk management approach, governance structure, and principal risks for the bank are presented in the Strategic Report, with additional detail also provided in Note 31 'Financial Risk Management'.

2.1 Frequency, Media and Location

The Pillar 3 Disclosures are prepared annually based upon the financial information prepared for the financial statements to the 31 March of each year and are available on the bank's website: www.hoaresbank.co.uk.

2.2 Verification

The Pillar 3 disclosures were reviewed and approved by the bank's Board of Directors on 18 June 2025. These disclosures have not been externally audited; however, some of the information contained within the disclosures also appears in the bank's Annual Report.

3. Scope of Consolidation

The bank is authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and the Financial Conduct Authority ("FCA") (together, the "Regulators"). The bank continues to solo consolidate under Article 9 of the CRR (individual consolidation method). Solo consolidation enables the reserves of the solo subsidiaries to be aggregated to the parent when calculating capital resources. Hoares Trustees Limited is included under solo consolidation and is subject to PRA approval. There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or the repayment of liabilities within the bank.

4. The Regulatory Capital Framework

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 bank submits quarterly capital adequacy returns to the PRA.

The regulatory capital framework is categorised under three pillars.

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

  As per CRR article 92, the bank must at all times satisfy the following own fund requirements:

  - Common Equity Tier 1 capital ratio of 4.5%;

  - Tier 1 capital ratio of 6%; and
  - Total Capital Ratio of 8%.

- **Pillar 2** Supervisory review process includes requirement for the bank to undertake an Internal Capital Adequacy Process ("ICAAP"). The ICAAP represents an internal aggregated view of the risks faced by the bank which are not covered by the Pillar 1 framework.
  - Pillar 2A sets out the additional regulatory capital as determined by the PRA, through the issuance of a firm specific Total Capital Requirement ("TCR"), following review of the ICAAP, as part of the Supervisory Review and Evaluation Process ("SREP"). Supervisory Statement 31/15 requires firms to disclose the amount and quality of its TCR. The bank's TCR is 13.8% of RWAs, which includes Pillar 1 and Pillar 2A, and at least 56.25% of Pillar 2A must be met with CET1 capital.
  - Pillar 2B is the PRA Buffer where the PRA may impose a firm specific buffer incremental to Pillar 1, Pillar 2A and the CRD IV buffers and replaces the Capital Planning Buffer. This buffer is not disclosed; and
  - Other Capital buffers required to be met from CET 1 capital:
    - Capital Conservation Buffer (CCoB) is a standard buffer and is calculated as 2.5% of RWAs, designed to provide for losses in the event of a severe but plausible stress; and
    - Countercyclical buffer (CCyB) is expressed as a percentage of RWAs for a specific jurisdiction, in accordance with Regulation (EU) 1152/2014, as foreign credit exposure does not exceed 2% of the aggregate of general credit and securitisation exposures may be allocated to bank's UK exposures. The Financial Policy Committee is responsible for setting the UK countercyclical capital buffer rate, which for the UK, is currently set at 2%.
- **Pillar 3** complements Pillar 1 and Pillar 2 and aims to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess the scope of application of Basel III, capital, risk exposures and risk assessment processes, and hence the capital adequacy of the firm.

5. Risk Management Framework & Board Declaration on Adequacy of Risk Management Arrangements

The Board is ultimately responsible for the bank's systems and controls and for reviewing effectiveness of those arrangements. However, such arrangements are designed to mitigate, not eliminate, risk and therefore can provide only reasonable, but not absolute, assurance against fraud, material losses or financial misstatements.

The bank has developed a Risk Management Framework ("RMF"), which is reviewed and approved at least annually by the Board, to provide an overview of the bank's risk management systems and controls and that these are adequate. The purpose of RMF is to provide a principles-based structure for managing the bank's risks in line with its risk appetite to enable it to achieve its strategic objectives. The bank's RMF describes the risk governance structures, risk appetite, frameworks, and policies that support the bank in achieving its strategy and objectives through risk-based decisions supported by tools/techniques to minimise impacts on the bank, customers and colleagues. It also ensures that the bank meets the regulatory expectations in managing risk in pursuit of its strategy and objectives.

<u>Board declaration on the Adequacy of Risk Management Arrangements</u>

The Board regularly reviews and discusses its risk management arrangements, including its risk management systems and controls, to ensure that they are adequate with regards to the bank's profile and strategy.

The bank's approach to risk management is to support the achievement of its strategic objectives and maintain the bank's purpose to be Good Bankers and Good Citizens, whilst operating within its Board approved risk appetite

5.1 Strategy & Risk Appetite

The Hoare family's vision is "to continue to be the preeminent private bank in the UK". With this in mind, the bank's strategic objective is to build profitable long-term relationships with its customers and to offer an exceptional and personalised service.

<u>Board Approved Risk Appetite Statement and Key Risk Indicators</u>

It is both necessary and desirable for the bank to accept, tolerate or be exposed to a level of risk in the pursuit of achieving its strategy. However, it is also necessary to ensure that the amount of risk taken is within acceptable boundaries that are commensurate with the financial and operational strength of the bank, align with its purpose, meet customer and regulatory commitments and align with strategy.

The level of risk within which the business can operate to deliver the strategy is defined in the Risk Appetite Statement ("RAS"). It is recognised that risk appetite is not constant, and the RAS is updated on at least an annual basis to ensure that it reflects the bank's strategy and is reviewed and approved by the Board.

The bank's risk appetite is structured through a set of four principal risks and through an underlying structure of further sub-risk categories which make up the bank's risk taxonomy.

The RAS defines the level of acceptable risk for each sub-risk category through overall qualitative appetite levels ('Very Low', 'Low', 'Moderate' and 'High') and supporting statements which articulate the appetite. These are complemented with associated key risk indicators ("KRIs") which are used as the basis for regular reporting to the Board.

Risk Taxonomy

The risks to which the bank is exposed in the delivery of its strategic objectives are documented within the Risk Taxonomy. The risk taxonomy is based on four principal risks as summarised below. Underlying these principal risks are a further structure of sub-risk categories.

The taxonomy is reviewed on at least an annual basis to ensure it remains reflective of the internal and external risk profile of the bank.

Principal Risk	Description
Strategic	The risk that the bank fails to achieve its strategic goals, impacting earnings or capital, due to adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to the changing business and its environment.
Customer & Conduct	The risk that the bank's behaviours, products, or services may result in poor outcomes or harm to customers leading to regulatory sanction, financial loss or reputational damage.
Financial	The risk that the bank fails to manage its regulatory and business financial obligations and exposures, resulting in losses or regulatory sanction.
Operational	The risk of loss from inadequate or failed internal processes, people, system, third parties and/or external events.

5.2 Risk Policies & Frameworks

To support the embedding of the RMF and the RAS, the bank has established policies, frameworks, procedures, and limits that must be adhered to. The bank has policies and procedures to manage each risk type. For example:

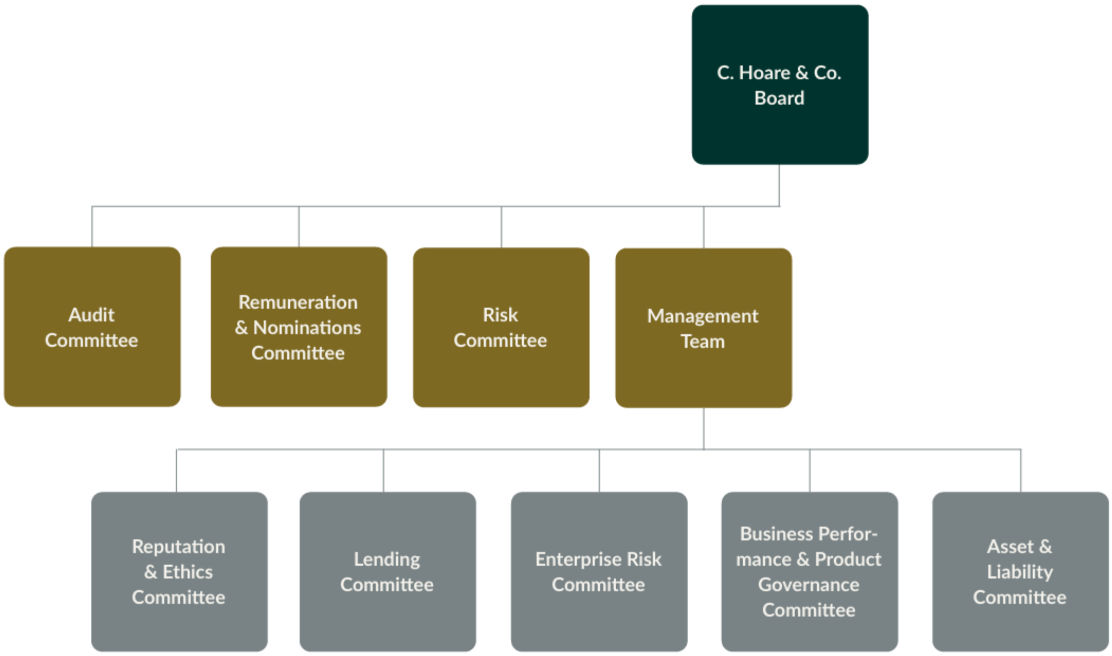
- Capital Policy supported by the Internal Capital Adequacy Assessment Process (ICAAP);
- Liquidity Policy supported by the Internal Liquidity Adequacy Assessment Process (ILAAP);
- Liquidity Contingency Plan;
- Recovery Plan & Resolution Pack;
- Credit risk policies for customers and counterparties;
- Policies to manage market risk, in particular interest rate risks; and,
- A framework to manage the bank's operational risks

5.3 Overview of Risk Governance Structure

The Board of Directors ("the Board"), its committees and sub-committees, together with the three lines of defence model, form the bank's risk management governance structure.

The governance structure is summarised below. Please refer to the Annual Accounts Section 9.2(b) for more information.

Table 1: UK CRA (c) - Governance Structure



Board of Directors

The Board is the key governance body and is ultimately responsible for the bank's business strategy and financial soundness, organisation and governance, and risk management and compliance arrangements. It comprises independent non-executive directors, the Chief Executive Officer (CEO) and the bank's partners. The Board undertakes these responsibilities by:

- Establishing the strategic objectives for the bank and monitoring their implementation by the appointed Management Team
- Establishing the bank's culture and values
- Establishing and overseeing the bank's risk appetite and implementation of the Risk Management Framework and compliance with all relevant regulation
- Overseeing the allocation, maintenance and stress testing of the bank's capital, funding and liquidity
- Overseeing the governance framework, policies and procedures at the bank.

The Board has established the following committees to provide support in discharging its responsibilities:

- Board Audit Committee ("BAC"/ "Audit Committee");
- Board Risk Committee ("BRC"/ "Risk Committee");
- Remuneration & Nominations Committee ("RemCo"); and
- The Management Team ("MT").

More details of the roles and responsibilities of the Board, the Management Team and other bank committees can be found in section 9.2(d) of Annual Accounts.

Directorships held by Members of the Board

On 31 March 2025, the Board comprises twelve board members, four of whom are Non-Executive Directors ("NEDs"). The table below sets out the number of external directorships and partnerships held by the Executive and Non-Executive Directors of the Board in addition to their roles within the bank (by reference to the bank's latest internal Register of Directors' Potential Conflicts).

Table 2: UK OVB (a) - Directorships[1]

Name	Position	Commercial directorships	
		Total positions	No. separate groups
The Lord Macpherson of Earl's Court GCB	Chair	3	3
Mr A. S. Hoare*	Executive Director	2	2
Mrs V. E. Hoare*	Executive Director	0	0
Mr S. M. Hoare*	Executive Director	0	0
Mrs A. S. Hoare*	Executive Director	2	2
Mr A. R. Q. Hoare*	Executive Director	2	2
Mr R. R. Hoare*	Executive Director	0	0
Mrs D. S. Brightmore - Armour	Chief Executive Officer	2	1
Ms I. M. Gary-Martin	Non-Executive Director	0	0
Mr G. Andrews	Non-Executive Director	6	4
Ms M. R. King (appointed 2nd April 2024)	Non-Executive Director	5	4
Mr R Keers (appointed 1st February 2025)	Non-Executive Director	0	0

At 31 March 2025, the Board includes six Executive Directors (those marked with an asterisk in the list above) who are descendants of the bank's founder. They, and two other Hoare family members, are the bank's only shareholders and each has unlimited liability. They are known as 'Partners'. All work in the business to ensure the continuation of the bank's long-held culture, values, and approach to business.

Remuneration & Nominations Committee

Remuneration & Nominations Committee ("RemCo") is responsible for providing leadership in:

- The appointment of directors and MT members to the Board, ensuring robust succession planning. with the aim of achieving an appropriate balance of skills and experience.
- A formal, transparent and rigorous process for selection and oversight of partner directors and non-executive directors; and
- The setting of principles, parameters and governance over the bank's remuneration policy, including the review and approval of senior management remuneration and that of non-executive directors and material risk takers (colleagues whose actions are deemed to have material impact on the bank's risk profile).

Board Recruitment and Diversity Policies

The RemCo periodically reviews the composition of the Board and its Committees to identify and recommend for approval candidates to fill Board vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the Board. The RemCo may also recommend a target for the representation of gender on the Board and prepare a policy on how to increase representation, taking into account the bank's strategy.

While the Board does not have a specific diversity target, it always seeks to improve on the current level of gender diversity.

As at 31 March 2025:

- Five of the twelve Board members are female;
- Two of four Non-Executive Directors are female;
- Four of eight family related Shareholders (Partners) are female;
- Two of six family related Directors are female; and
- Four of the eight MT members are female, including Head of Product EO.

Board Audit Committee

The Board Audit Committee is responsible for supporting and advising the Board in its oversight of the following areas:

- External audit and preparation of the annual financial statements;
- Overseeing the performance of Internal Audit and safeguarding its independence, which includes ensuring that it has sufficient budget and resources;
- The effectiveness of the Compliance Monitoring Plan and associated reporting;
- The adequacy and effectiveness of the bank's internal controls;

[1] Table excludes: (i) directorships with C. Hoare & Co. (ii) non-commercial directorships

- The effectiveness of Consumer Duty practices and controls;
- Fraud prevention; and
- Whistleblowing.

Board Risk Committee

The Board Risk Committee is responsible for supporting and advising the Board in its oversight of the following areas:

- The effectiveness of the Risk Management Framework, ensuring that the bank operates in a manner consistent with its risk appetite and risk strategy;
- Capital, liquidity and funding planning and strategy, including regulatory prudential deliverables (such as ICAAP, ILAAP, Recovery Plan and Resolution Pack);
- The bank's data strategy;
- Operational resilience; and
- Oversight of Risk, Compliance, Financial Crime Prevention, Information Security, and Data Protection.

Management Team ("MT")

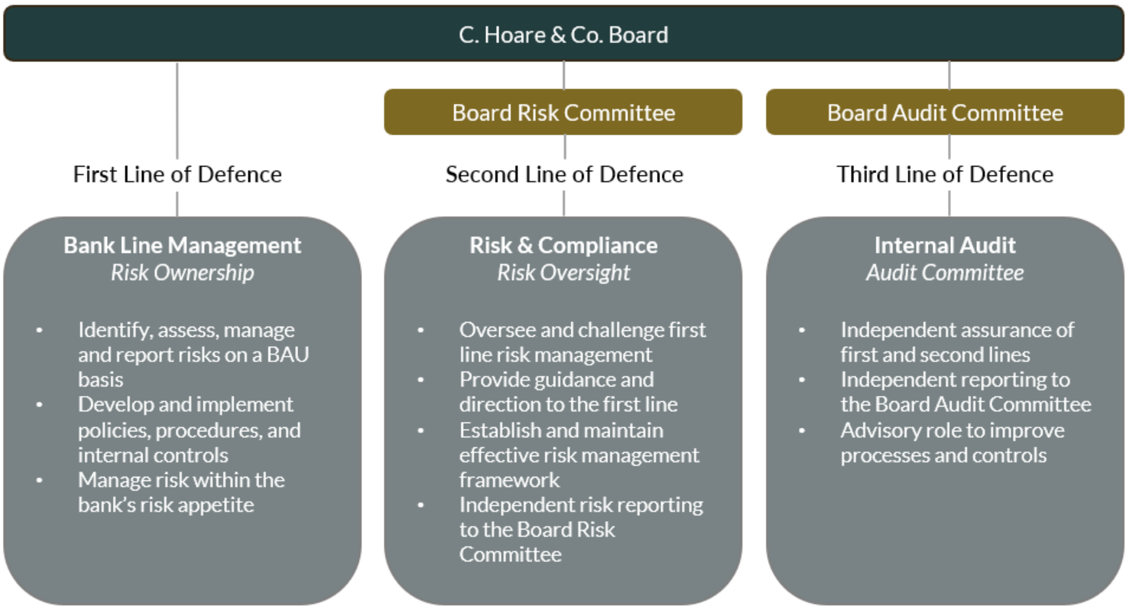
The Board appoints a Chief Executive Officer (CEO) who is responsible for the day-to-day management of the bank and directs the MT to deliver in line with the bank's strategy.

The MT has, in turn, established the following sub-committees to support its responsibilities:

- Assets & Liability Committee (ALCo);
- Lending Committee;
- Business Performance and Product Governance Committee;
- Enterprise Risk Committee and
- Reputation and Ethics Committee.

Three Lines of Defence model

A Three Lines of Defence model has been adopted by the bank to embed the Risk Management Framework (**RMF**) and support clarity of understanding and application of risk roles and responsibilities for all colleagues.



1LoD – Business line management and colleagues are responsible for day-to-day risk management and control and complying with the RMF. Each department owns the management of the individual risks directly linked to its business activities and is required to operate within the bank's risk appetite. This includes identifying, mitigating, monitoring and reporting risks.

2LoD – The Risk and Compliance function is responsible for providing oversight, insight and challenge to the risk management processes implemented by the 1LoD. The 2LOD supports the 1LOD through the creation of policies, standards and guidance designed to ensure that appropriate risk management processes can be established by the 1LOD. The 2LOD will oversee and challenge the 1LOD to ensure that risk management practices are in place and effective.

3LoD - The purpose of Internal Audit is to help the Board and management protect the assets, reputation and sustainability of the bank through providing independent objective assurance over both 1LOD and 2LOD to help sustain a strong risk and control environment and culture.

5.4 Group Subsidiary Companies and Boards

The C. Hoare & Co. group includes two subsidiaries: Hoare's Bank Pension Trustees Limited (HBPT) and Hoares Trustees Limited. Hoares Trustees Limited now acts as the corporate trustee for The Master Charitable Trust, The Golden Bottle Trust and Henry Hoare's Charity, ensuring diligent management and oversight of charitable activities. Hoare's Bank Pension Trustees Limited, which previously acted as the trustee for the company's defined benefit pension scheme, saw the scheme undergo a complete buyout during 2024. Following this buyout, the trustees have resigned, and HBPT is set to wind down its operations, with the company scheduled for closure in 2025-2026. Each of these subsidiaries has its own board of directors, ensuring dedicated governance and oversight.

6. Risk Assessment, Monitoring and Policies

6.1 Financial Strength Assessment and Monitoring

In compliance with the bank's Capital Policy, the bank ordinarily conducts an ICAAP on an annual basis. In addition, the bank actively monitors its capital position in both normal and stressed conditions against established capital adequacy risk appetite metrics to ensure it stays within appetite.

In compliance with the bank's Liquidity Policy, the bank operates a suite of liquidity monitoring controls to ensure that it stays within appetite against established risk appetite metrics. The bank also conducts a series of liquidity stress tests as part of its ILAAP and simulates a liquidity stress event to ensure key stakeholders have working knowledge of the Liquidity Contingency Plan ("LCP"). If liquidity risk appetite metrics were to be breached, there is a recovery plan and liquidity contingency funding plan which set out the type and range of management actions available to the bank to restore liquidity.

Table 3: Key Metrics for performance and risk monitoring

Category	Metric	Measure as at 31-Mar-25
Capital	Common Equity Tier 1 Ratio	23.00%
	Total Capital Ratio	23.21%
	Leverage Ratio excluding claims on central banks	9.29%
Liquidity	Liquidity Coverage Ratio (LCR)	341%
	High quality liquid assets as a percentage of total assets	62%
Profitability & Growth	Cost: Income Ratio (fully loaded)	73.60%
	Profit Before Tax	£63.7m
Credit Risk	Non-performing loans as a percentage of gross lending	1.92%
	Specific impairment / non-performing loans	16.62%
	Total impairment as a percentage of gross total lending	0.32%
	Impaired treasury assets as percentage of total assets	0%
Market Risk	Interest Rate Gap Sensitivity (change in economic value, +/- 200 basis points)	-£2.74m/+£3.31m
	Treasury assets as a percentage of total customer deposits	73%

Risk Reporting

Regular reports are submitted to the Board, BAC, BRC, MT, and its sub-committees including:

- The overall strategic risk profile relative to risk appetite (including any breaches to risk appetite);
- New or significantly changed key risk exposures and key trends; and,
- Identified issues and actions to address these.

Any breaches of risk appetite are escalated to MT and actions are established and tracked to resolve issues identified.

7. Capital

7.1 Internal Capital and Liquidity Adequacy Assessment Processes

The bank's evaluation of capital and liquidity adequacy is primarily made through the ICAAP and the ILAAP, which are the processes by which the firm oversees and regularly assesses the:

- firm's strategies, processes, systems and controls;
- material risks to the firm's ability to meet its liabilities as they fall due;
- results of internal stress testing of these risks; and
- amounts and types of capital and liquidity resources available and whether they are adequate to cover the nature and level of risks to which the firm is exposed.

The ICAAP and ILAAP processes are owned on behalf of the business by the Finance department. The Risk function challenges these processes, in particular the development of the bank's key risks and scenarios, which underpin the capital and liquidity calculations.

The ICAAP and ILAAP documents are additionally challenged in turn by ALCo, MT, and BRC, eventually leading to challenge and approval by the Board at least annually, or more frequently if circumstances warrant. The ICAAP and ILAAP are subject to regular review by Internal Audit to confirm that the bank is compliant with regulatory requirements.

The ICAAP and ILAAP processes are integrated elements of the bank's RMF and as such are embedded in many aspects of the bank's business, risk management, and corporate governance activities. The ICAAP and ILAAP lead to an internal assessment of the capital and liquidity that the bank believes appropriate for it to hold to protect it and its customers' deposits from the impact of stress events.

7.2 Capital Resources

There have been no material changes to the bank's management of capital during the year. The primary source of new capital for the bank is retained profits. The Board is conscious of the need for retained profits to be sufficient to grow capital in line with business growth and to meet regulatory driven expectations of higher capital ratios across the industry.

The Board oversees the bank's capital management. The Board, MT and ALCo, all receive regular reports on the current and forecast level of capital.

The bank was granted a waiver by the Prudential Regulation Authority (PRA) to apply the Interim Capital Regime (ICR), effective from 16 January 2025. In parallel, the PRA's decision to defer the implementation of Basel 3.1 until 1 January 2027 permits all firms to continue operating under the existing capital framework during the transitional period.

The bank continues to proactively monitor developments and to incorporate the impact of forthcoming regulatory changes and any changes to the wider economy to the capital forecasts. This ensures that the bank can maintain a strong capital base that exceeds minimum regulatory requirements.

The bank measures the amount of capital it holds using the regulatory framework defined by the Capital Requirements Directive and Regulation (CRD IV) which took effect from 1 January 2014 and was implemented in the UK by the Prudential Regulation Authority (PRA). It was subsequently onshored into UK law under the European Union (Withdrawal) Act 2018.

The bank's regulatory capital comprises two tiers:

- Common Equity Tier 1 capital is the highest form of regulatory capital under CRD IV, which includes the share capital; reserve fund; audited retained profits and losses from previous years; property and heritage asset revaluation reserves; plus, any regulatory adjustments.
- Tier 2 capital, which comprises the bank's collective allowance for impairment.

The bank does not have any Tier 1 capital that is not Common Equity Tier 1.

The bank's regulatory capital, risk-weighted assets and capital ratios at 31 March 2025 were as follows:

Table 4: UK CC1 - Capital Resources

The bank's total regulatory capital ratio remained fairly stable, decreasing slightly year on year from 23.34% to 23.21%, and the Common Equity Tier 1 ratio also moved marginally from 23.11% to 23.00%. The capital ratios remain above the regulatory requirements. The increase in total regulatory capital during the year was due to increases in retained earnings.

Group	2025 £000	*2024 £000*
Common Equity Tier 1 (CET1) capital before regulatory adjustments		
Ordinary share capital	**120**	*120*
Reserve fund	**22,598**	*22,598*
Profit and loss account and Other comprehensive income	**503,995**	*457,423*
Property revaluation reserve	**20,537**	*20,544*
Heritage assets revaluation reserve	**10,981**	*10,982*
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**558,231**	*511,667*
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets adjustment for CRR II treatment	**(31,776)**	*(28,432)*
Net defined benefit obligation	**-**	*-*
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(31,776)**	*(28,432)*
Total Common Equity Tier 1 capital and Total Tier 1 capital	**526,455**	*483,235*
Tier 2 capital		
Collective Impairment Allowance	**4,878**	*4,878*
Total Tier 2 capital	**4,878**	*4,878*
Total regulatory capital	**531,333**	*488,113*
Risk weighted assets exposures	**2,289,414**	*2,091,044*
Capital ratios and buffers		
Total regulatory capital expressed as a percentage of risk weighted assets	**23.21%**	*23.34%*
Common Equity Tier 1 capital expressed as percentage of risk weighted assets	**23.00%**	*23.11%*
CET1 overall capital requirement	**9.63%**	*10.78%*
of which: capital conservation buffer requirement	**2.50%**	*2.50%*
of which: countercyclical buffer requirement	**1.83%**	*1.85%*
Common Equity Tier 1 available to meet buffers as a percentage of risk exposure amount	**13.37%**	*12.33%*

Reconciliation of Regulatory Capital to Financial Statements

The table below provides a full reconciliation of the shareholders' funds shown within the Annual Report to the total regulatory capital shown in Table 3, as required under Article 437 (1) (a) of the CRR.

Table 5: UK CC2 - Reconciliation of regulatory capital to the shareholders' funds as reported in the audited financial statements.

	2025 £'000	*2024 £'000*
Total shareholders' funds per consolidated balance sheet	**558,231**	*511,667*
Add: Collective Impairment Allowance	**4,878**	*4,878*
Less: Intangible assets adjustment for CRR II treatment	**(31,776)**	*(28,432)*
Less: Net defined benefit obligation	**-**	*-*
Total regulatory capital (Table 4)	**531,333**	*488,113*

Own Funds Disclosures

Detailed disclosure of all Key Metrics and Overview of Risk-Weighted Exposure amount can be found in Appendix 1 (UK-MK1), in accordance with the PRA disclosure requirements Article 447.

7.3 Pillar 1 Capital Requirements

The bank calculates its capital at a solo consolidated level using the standardised approach to credit risk, market risk and operational risk from the Basel III framework.

The regulatory minimum of total capital is calculated at the standard rate of 8% of the risk weighted assets.

The table below shows, as at 31 March 2025, the Pillar 1 minimum capital requirement and risk weighted assets by exposure class as per Article 112 of the CRR.

Other market risks are not included as a Pillar 1 requirement, since the bank does not hold a trading book for capital purposes under CRD IV. Interest Rate Risk in the banking book is covered as a capital add-on as part of Pillar 2A.

Table 6: UK OV1 - Risk weighted assets and Pillar 1 capital requirements by exposure class

Exposure Class	Risk weighted assets 2025 £'000	Capital requirement 2025 £'000	*Risk weighted assets 2024 £'000*	*Capital requirement 2024 £'000*
Central governments or central banks	-	-	-	-
Multilateral development banks	-	-	-	-
Institutions	41,830	3,346	54,239	4,339
Corporates	76,500	6,120	102,248	8,180
Retail	23,348	1,868	26,562	2,125
Secured by mortgages on immovable property	1,090,724	87,258	968,778	77,502
Exposures in default	31,891	2,551	26,252	2,100
Items associated with particularly high risk	120,576	9,646	109,542	8,763
Covered bonds	158,663	12,693	154,784	12,383
Claims on Institutions and corporates with short-term credit assessment	-	-	-	-
Claims in the form of Collective Investment Undertakings (CIU)	177,450	14,196	148,636	11,891
Equity exposures	-	-	-	-
Other Items[1]	99,101	7,928	115,345	9,228
Securitisations	74,767	5,981	65,116	5,209
Total credit risk	1,894,851	151,587	1,771,501	141,720
Total market risk (FX PRR)	-	-	-	-
Total operational risk	394,563	31,565	319,543	25,563
Total Pillar 1 capital requirement	2,289,414	183,152	2,091,044	167,283

[1] Other items include fixed assets, cash and items in the course of collection, sundry debtors and prepayments.

At 31 March 2025, the bank held excess capital over the Pillar 1 minimum capital requirement of £348m (2024: £321m).

The overall capital requirement for credit risk has increased by 7.0% when compared to 2024 mainly on account of increase in loans secured by immovable property. The operational risk requirement has increased due to a higher 3-year average net operating income when including 2025 and excluding 2022 net incomes.

8. Principal Risks and Uncertainties

The Board has ultimate responsibility for identifying and managing the bank's principal risks in order to achieve its strategic objectives. The Board Risk Committee and Management Team, supported by the 2LOD Risk and Compliance functions, provide oversight and monitor the effectiveness of internal controls and risk management processes. They report on these matters to the Board. The following section sets out the principal risks and uncertainties to which the bank is exposed and explains how these risks are mitigated.

8.1 Strategic Risk

The risk that the bank fails to achieve its strategic goals in a way that affects earnings or capital, due to adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to the changing business and its environment. The Board reviews and approves the bank's strategy annually, alongside the five-year plan, to ensure that it continues to meet the bank's purpose and objectives. Key to delivery is the continued maintenance of the strong culture of the bank, along with the trusted relationships that we have with our customers, built on deep personal service.

The bank's standing in the eyes of its customers, regulators, counterparties, colleagues and the general public is of critical importance to the Board. It is the Board's view that reputational risk arises as a consequence of other types of risk, and as such potential reputational impact is also considered when any risk is assessed. The bank established the Reputation and Ethics Committee to ensure appropriate focus is maintained. The Management Team, Board Risk Committee and the Board also monitor a range of associated risk appetite metrics.

8.2 Customer and Conduct Risk

The risk that the bank's behaviours, products or services may result in poor outcomes or in harm to customers, leading to regulatory sanction, financial loss or reputational damage. The management of risks to our customers is critical to the delivery of our purpose, which is to be 'good bankers and good citizens'.

The bank expects the conduct and treatment of its customers, colleagues and third-party suppliers to be consistent with the bank's values and regulatory expectations. Conduct risk consideration is embedded in product and service design principles and processes, to ensure that resultant products and services are aligned with the bank's values, and that those products and services meet the FCA's Consumer Duty requirements focused on good customer outcomes. The bank has established a robust set of systems and controls, including regular training of staff. Risk appetite metrics for conduct risk have been established, and are monitored by the Enterprise Risk Committee, the Management Team, Board Risk Committee and the Board.

8.3 Financial Risk

The risk that the bank fails to manage its regulatory and business financial obligations and exposures, resulting in losses or regulatory sanction. The effective management of our financial risks has been central to the enduring stability of the bank for more than 350 years. It remains the foundation of our support for current and future generations of customers.

The management of specific financial risks is detailed further below:

(a) Customer Credit Risk

Customer credit risk is the risk of financial loss arising from a borrower failing to meet contractual financial obligations. The risk arises from loans and advances to customers of the bank. The bank seeks to limit loan losses by maintaining a conservative credit portfolio managed via a robust credit risk framework. As part of that framework, the bank has established risk appetite metrics aligned to its lending policy. The bank's customer credit risk exposures and performance against risk appetite are monitored and reported to the Lending Committee, the Enterprise Risk Committee, the Board Risk Committee and the Board. The bank conducts stress tests to ensure that the bank remains within its risk appetite.

(b) Treasury Credit Risk

Treasury credit risk is governed by risk appetite limits assigned to counterparties to ensure that credit is only extended to high-quality counterparties, where credit limits are determined in accordance with their respective credit ratings. In addition, there is a maximum exposure limit for all institutions, in line with the bank's regulatory reporting requirements on large exposures.

The bank's policy is to lend to a restricted list of financial institutions. The main selection criteria are the stability and reputation of the institution. The Asset and Liability Committee regularly reviews the authorised list of bank counterparties and authorises any amendments to the approved list of counterparties and their respective credit limits. The Asset and Liability Committee also considers changes in external credit ratings, and amends counterparty limits as appropriate.

(c) Capital Risk

Capital risk is the risk of insufficient quantity or quality of capital being available to meet regulatory requirements or to support the strategic objectives of the bank. The bank's policy is to maintain a stable capital base in line with the capital risk appetite established by the Board.

The bank's regulatory capital and leverage ratios are monitored closely to ensure that the bank meets current and future known regulatory requirements under business planning and within stressed forecast positions. The bank's current and forecast capital positions are reported monthly to the Asset and Liability Committee, the Management Team and the Board.

The bank maintains a minimum capital risk appetite threshold that ensures capital remains above the regulatory minimum, even in a stress scenario. The minimum threshold is dynamic and refreshed following each five-year-plan cycle and Internal Capital Adequacy Assessment Process (ICAAP). Capital adequacy is assessed on an annual basis through the ICAAP and more frequently in the event of a material change in capital or business operations. The ICAAP is the bank's own assessment of its capital needs, and is based on stress-testing scenarios measuring the impact of material risks affecting the bank. The ICAAP is presented at least annually to the Asset and Liability Committee, the Management Team and Board Risk Committee for review and challenge, and ultimately to the Board for review, challenge and approval.

(d) Liquidity and Funding Risk

Liquidity risk is the risk that the bank is unable to meet its financial obligations as they fall due. The risk arises from mismatches in the timing of cash flows. Funding risk is the risk that the bank does not have sufficient funding available in the medium and longer term to fund its customer lending and other longer term or illiquid assets. The risk arises when the funding needed for illiquid asset positions cannot be obtained at the expected terms, as and when required.

The bank does not use wholesale banking to source funds. Instead, the bank funds its operation through customer deposits in the form of current accounts and savings deposits. Although a significant proportion of customer deposits are repayable on demand, they have typically remained stable and reliable through historic periods of market stress.

The bank measures and manages liquidity in accordance with the liquidity risk appetite set by the Board, and maintains a conservative liquidity and funding profile to ensure that it is able to meet its financial obligations under normal and stressed conditions. Daily monitoring and control processes are in place to address internal and regulatory liquidity requirements.

The bank assesses the adequacy of its liquidity annually through the Internal Liquidity Adequacy Assessment Process (ILAAP) and more frequently in the event of a material change in liquidity. The ILAAP is the bank's own assessment of its liquidity needs, and is based on stress testing and scenario analysis of the impact of material risks affecting the bank. The ILAAP is presented at least annually to the Asset and Liability Committee, the Management Team and Board Risk Committee for review and challenge, and ultimately to the Board for review, challenge and approval.

(e) Market Risk

Market risk is the risk that changes in market prices – such as interest rates, equity prices, foreign exchange rates and credit spreads – will affect the bank's future cash flows or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on residual risk taken. Market risk is principally a concern in the banking book, since the bank does not operate a material trading book. Instead, the bank generally holds assets until maturity (consistent with the articles of the Capital Requirements Regulation) and makes investments on a long-term basis. The bank also holds an investment portfolio, primarily as a source of income diversity to complement core banking activities. The portfolio is subject, in part, to equity market price movements. All investments depend on Board approval of allocated capital and are subject to limits and controls monitored by the Asset and Liability Committee. The bank's market risk exposures arise from:

Interest Rate Risk

Interest rate risk is the potential for reduced net interest income and/or a reduction in net present value ("economic value") in the event of adverse changes in interest rates. As part of its prudent balance-sheet risk management, the bank monitors, manages, reports and where necessary appropriately mitigates its interest rate risks — namely, gap risk, basis risk, net interest income sensitivity, option risk and credit spread risk.

The Board holds overall responsiblity for the bank's interest rate risk policy and appetite, with ongoing oversight provided by the Asset and Liability Committee. The Treasury department is responsible for managing interest rate risk within policy and appetite, with oversight from the Finance and Risk departments.

The Asset and Liability Committee has set limits for various types of interest rate risk, including:

- Economic value sensitivity to a parallel shift of +/-2% in interest rates;
- Economic value of equity sensitivity to various interest rate shocks prescribed by the regulator ("Supervisory Outlier Test"). The regulatory threshold is set at 15% of Tier 1 capital;
- Net interest income sensitivity over a 12-month period to a downward parallel shift in interest rates, combined with a restricted pass-through rate; and
- Potential exposures to unrealised losses on non-customer assets under a severe stress-test scenario, based on the worst observed changes in value during the global financial crisis and the European sovereign debt crisis.

In order to mitigate interest rate risk, the bank aims to hedge naturally where appropriate, i.e. where the repricing nature of its assets and liabilities are matched. Interest rate swaps are used to hedge any unmatched exposures, as set out in the bank's policy. The bank utilises an additional structural hedge to further mitigate downside interest rate risk.

Foreign Currency Risk

Foreign currency risk arises from the foreign currency needs of the bank's customers and, less materially, from US dollar-denominated investments (see below). Neither exposure forms a significant part of the balance sheet.

Foreign currency balances largely derive from customer requirements. To mitigate exposure to exchange rate risk, limits are placed on the bank's foreign exchange dealers for intraday and end-of-day positions. Liabilities are in respect of foreign currency deposits from customers. Assets are in respect of foreign currency loans and advances to customers, balances with other banks, and foreign currency-denominated investments.

The foreign exchange dealers have authority to deal in forward foreign-exchange contracts on behalf of the bank to manage FX exposure risk within specified limits. The resultant positions are independently monitored and reported monthly on a currency-by-currency basis to the Asset and Liability Committee.

A small portion of the bank's investments are made in US dollar denominated funds, which gives rise to FX risk exposure on the undrawn components of those commitments. Limits are established for unmatched FX exposures in the bank's investments that are monitored and reported to Asset and Liability Committee. However, typical practice has been to hedge such exposure where it exists. The bank uses derivatives to manage fluctuations in foreign exchange risk. It uses currency swaps if the asset is denominated in a foreign currency, and forward foreign-exchange contracts to hedge foreign-exchange exposure. As part of its responsibilities, the Asset and Liability Committee approves the use of specified derivative instruments within agreed limits and business activities.

Inflation Risk

Following nearly three years of elevated inflation, driven by supply chain bottlenecks as countries exited COVID-19 restrictions and further exacerbated by the Ukraine-Russia war, headline Consumer Price Inflation normalised in 2024/25. It remained between 2.5-3.5% for most of the year. This normalisation allowed the Bank of England to cut rates three times, from a peak of 5.25% to 4.50%.

The inflation outlook remains difficult to forecast. The impact of tariffs, particularly those associated with recent geopolitical developments, is likely to dominate headlines in the coming months. The consequent impact of inflation is uncertain. UK inflation is expected to rise above 3% in the short term, driven by April's increases in bills for energy and other utilities. Elevated inflation led central banks worldwide to rise rates, and this supported higher bank profits, but a stable and lower inflation environment remains the best scenario for the economy, as well as for our customers and for the bank.

8.4 Operational Risk

Operational risk is the risk of loss from inadequate or failed internal processes, people, systems, third parties and/or external events. The broad nature of operational risks, which are driven by all the activities of the bank, requires continual and focused management to support the delivery of our services in a resilient, accessible and controlled way. The risk management framework, and associated operational risk-related policies, ensure that operational risks are adequately identified, monitored and controlled, and that any losses resulting from inadequate or failed internal processes, human error and systems, or external events are minimised in line with the bank's risk appetite.

Each department is responsible for operating within the bank's risk appetite, and each department owns the management of the individual risks directly linked to its business operations. This includes identifying, mitigating, monitoring and reporting risks, and ensuring that activities are undertaken within policy requirements. The Risk department is responsible for establishing, documenting and implementing effective risk management practices within the bank and for providing oversight of the risk management and reporting process (please also refer to the Three Lines of Defence, above).

The management of specific operational risks is detailed further below:

(a) Regulatory Risk

As a regulated entity, the bank is subject to extensive regulatory requirements. Regulatory risk is the risk that the bank fails to establish, implement, and adhere to adequate policies and procedures sufficient to ensure compliance of the bank with our obligations under the regulatory system, leading to enhanced supervision, enforcement, financial penalty, or public censure.

The regulatory landscape continues to evolve at pace. The bank has a dedicated Compliance function that provides advice and oversight to the business on regulatory developments and regulatory issues, and conducts regular monitoring. The bank has also established risk appetite limits that are closely monitored by the Management Team, the Board Risk Committee and the Board.

(b) Technology and Change Risk

The bank's business model is dependent on the technology platform employed to deliver services to customers of the bank. Technology is increasingly seen as a differentiating factor within the banking industry. The Management Team and the Board recognised this trend, and over the last few years we have devoted significant resources to ensuring that the technology platform evolves, so that we can respond efficiently to customer and stakeholder needs.

This development results in change/execution risk, which is defined as the risk that the bank's change initiatives fail to achieve intended objectives and requirements, compromise quality, use more resources than budgeted, or are inappropriately governed, leading to financial loss and/or adverse impacts on the bank's transformation or control environment. The change process is managed via a robust governance structure and is subject to Management Team oversight, so as to ensure that all the change projects that we deliver are equally responsive and robust. At the same time, cybersecurity is a constant and increasing threat, and the bank continues to invest to ensure the security of its customers and various stakeholders through technology and process enhancement.

The bank also recognises the rapid emergence of Artificial Intelligence (AI) technologies, and considers them to be both a risk and an opportunity. The bank is actively managing the current and future potential impacts of AI technologies, and has established a robust framework to manage both the change/execution considerations and the ethical considerations. This includes evolving the bank's risk management framework and data governance practices, as appropriate. Opportunities for the targeted use of AI-supported applications are being assessed by the bank.

(c) Data Risk

The availability of good quality data is paramount if the bank is to make effective business decisions, or to leverage technological advances such as AI. Data risks arise from failure to manage the use, storage, quality or integrity of data throughout its lifecycle, leading to poor decision-making and/or customer and colleague detriment. The bank has a Board-approved Data Strategy, and continues to enhance and develop the governance and management of data across bank systems. These processes are supported by robust data protection policies and procedures to ensure customer, colleague and stakeholder data is appropriately protected.

(d) Operational Resilience Risk

Operational resilience risk relates to potential breaches of the bank's impact tolerances for its agreed important business services and critical operational processes, resulting in harm to customers, to the bank or to the financial sector. Building resilience in the financial sector has been a regulatory focus over recent years. Over the course of the past year, the bank has continued to enhance its ability to prevent operational disruption events and to respond, recover and learn from them if they should occur. This resilient position is demonstrated by the deliverables outlined within the bank's annual operational resilience self-assessment, which is approved by the Board.

(e) People Risk

The bank's business model is dependent on its people and their level of capability and engagement. Having the right people in the right positions, with robust skill development and succession planning, is key to building a long-term business.

To this end, the Management Team, the Remuneration and Nominations Committee and the Board are closely involved in important people decisions, so as to ensure that the bank successfully attracts, retains and develops talent. The People team has focused on delivering the Board-approved people strategy, as part of which the Business Services Director leads the bank's Enabling People transformation workstream. The strategy is delivering enhanced training and development across all levels, particularly to improve people-management capability. This also ensures that appropriate standards and conduct are maintained as the bank continues to embed its hybrid-working capability.

(f) Third-Party Management Risk

Third-party management risk is the risk that outsourced or third-party services do not meet business requirements. The failure of a third-party provider, or its failure to provide the contracted critical operational service to the agreed standard, could potentially result in business, financial and customer impact, regulatory sanction and/or reputational damage. The bank has implemented a Supplier Management centre of excellence function which is responsible for the management of critical and material third party relationships, and for the development of policies and processes to enable consistent and effective management of third-party relationships across the bank.

(g) Climate Risk

Climate risk is the threat of financial loss or adverse non-financial impacts associated with climate change. Climate change has the potential to affect the bank directly (Company-related risks) and indirectly (predominantly via the lending book). Climate risks are anticipated to arise both through direct physical effects, such as flooding or subsidence, and through indirect transitory effects typically associated with the transition to a lower-carbon global economy. The most common transition risks relate to policy and legal actions, technology changes, market responses, and reputational considerations. Opportunities will also be created as global economies transition towards net-zero emissions.

9. Appendix

Appendix 1: Own Funds Disclosure template

		£	£
		T - Current Year	T-4 - Prior Year
		31-Mar-25	**31-Mar-24**
		£'000	**£'000**
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	526,455	483,235
2	Tier 1 capital	526,455	483,235
3	Total capital	531,333	488,113
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	2,289,414	2,091,044
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	23.00%	23.11%
6	Tier 1 ratio (%)	23.00%	23.11%
7	Total capital ratio (%)	23.21%	23.34%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	1.42%	3.43%
UK 7b	Additional AT1 SREP requirements (%)		
UK 7c	Additional T2 SREP requirements (%)		
UK 7d	Total SREP own funds requirements (%)	9.42%	11.43%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.5%	2.5%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)		
9	Institution specific countercyclical capital buffer (%)	1.83%	1.85%
UK 9a	Systemic risk buffer (%)		
10	Global Systemically Important Institution buffer (%)		
UK 10a	Other Systemically Important Institution buffer		
11	Combined buffer requirement (%)	4.3%	4.4%
UK 11a	Overall capital requirements (%)	13.75%	15.78%
12	CET1 available after meeting the total SREP own funds requirements (%)	40.20%	31.73%
	Leverage ratio		
13	Total exposure measure excluding claims on central banks	5,668,227	5,517,665
14	Leverage ratio excluding claims on central banks (%)	9.29%	7.61%
	Additional leverage ratio disclosure requirements		
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)		
14b	Leverage ratio including claims on central banks (%)		
14c	Average leverage ratio excluding claims on central banks (%)		
14d	Average leverage ratio including claims on central banks (%)		
14e	Countercyclical leverage ratio buffer (%)		
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	3,800,472	3,587,504
UK 16a	Cash outflows - Total weighted value	1,312,286	1,392,229
UK 16b	Cash inflows - Total weighted value	193,436	224,303
16	Total net cash outflows (adjusted value)	1,118,849	1,167,925
17	Liquidity coverage ratio (%)	341%	308%
	Net Stable Funding Ratio		
18	Total available stable funding	5,331,412	4,999,224
19	Total required stable funding	2,133,068	2,029,170
20	NSFR ratio (%)	250%	246%

* Liquidity measures are based on a 12-month rolling average of month end positions

** Net Stable Funding Ratio measure are based on a 4-quarter rolling average of quarter end positions.