Pillar 3 disclosures

31 December 2023

This document is intended to be for information purposes only and it is not intended as promotional material in any respect

Schroders

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Introduction

Regulatory Framework

Schroders plc (Schroders or the Group) is supervised in the United Kingdom (UK) on a consolidated basis by the Prudential Regulation Authority (PRA). The PRA sets capital requirements for the Group and monitors the Group's capital adequacy on an ongoing basis. Regulated subsidiaries within the Group are supervised by their local regulators who set and monitor local capital adequacy requirements.

The Group's regulatory capital is assessed under the Basel framework, as implemented in the UK in the Capital Requirements Directive (UKCRD)/UK Capital Requirements Regulation (UKCRR) package and the PRA's rulebook. The Basel framework comprises three pillars:

- **Pillar 1** sets rule-based minimum capital standards;
- **Pillar 2** establishes the approach to supervisory review and the setting of individual capital requirements, taking into consideration the firm's own assessment of how much capital is required to support the business; and
- **Pillar 3** sets disclosure requirements; these aim to promote market discipline by enabling market participants to access information relating to regulatory capital and risk exposures.

Disclosure Policy and Attestation

This document sets out the consolidated Pillar 3 disclosures for the Group as at 31 December 2023. They are made in accordance with Part Eight of the UKCRR and the Group's internal disclosure policy. The document sets out information on the Group's risk management objectives and policies, own funds and remuneration policy. Some disclosures listed in Part Eight of the UKCRR are omitted on the grounds that they are non-material, confidential or proprietary.

The disclosures are produced annually, with key metrics published semi-annually, and published alongside the Schroders plc Annual Report and Accounts (Annual Report and Accounts). They are not subject to audit and have been produced solely for the purposes of satisfying the Pillar 3 regulatory requirements. Additional relevant information can be found in the Annual Report and Accounts, which is available on the Schroders website (www.schroders.com/ir).

Richard Oldfield,
Chief Financial Officer

Summary of the Group's capital position

As at 31 December 2023, the Group had total regulatory own funds of £2,072m (2022: £2,001m), consisting entirely of Common Equity Tier 1 capital (CET1). The Group's overall regulatory capital requirement was £1,443m (2022: £1,346m). Therefore as at 31 December 2023 the Group had surplus capital of £629m (2022: £655m). The Group's capital ratio was 18.6% (2022: 18.6%).

The Group's overall capital requirement comprises a Total Capital Requirement (TCR), which was £1,059m as at 31 December 2023 (2022: £1,022m), and a capital requirement in respect of regulatory buffers and our insurance companies, which was £384m as at 31 December 2023 (2022: £324m).

The TCR is the minimum amount of capital that the Group is required to maintain at all times. It incorporates our Pillar 1 regulatory capital requirement of £893m (2022: £862m) which is calculated as 8% of risk weighted assets (RWA). It also includes a Pillar 2A requirement, which is an institution-specific requirement set by the PRA, taking the Group's Pillar 2 assessment into account. The Group's regulatory buffer requirement combines a capital conservation buffer equal to 2.5% (2022: 2.5%) of RWA and a countercyclical capital buffer equal to 0.92% (2022: 0.47%) of RWA. The capital conservation buffer is designed to ensure that institutions have a certain level of capital buffer which can be drawn upon if required in periods of stress. The countercyclical capital buffer is used in a jurisdiction when excess credit growth is associated with an increase in system-wide risk. These buffers represent the capital the Group is required to hold in excess of the minimum. They are available to absorb losses in times of stress.

The Group is also required to calculate a leverage ratio. The leverage ratio is calculated by dividing the Group's regulatory own funds by its leverage ratio exposures, which are defined as the total of on- and off-balance sheet exposures less the deductions applied to Tier 1 capital and any exempted exposures.

Approach to capital management

The Group's approach to capital management is to maintain a strong capital position to enable it to invest in the future of the Group, in line with its strategy, and to support the risks inherent in conducting its business. Capital management is an important part of the Group's risk management framework and is underpinned by the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP considers the relevant current and future risks to the business and the capital considered necessary to support these risks. The Group actively monitors its capital base to ensure it maintains sufficient and appropriate capital resources to cover the relevant risks to the business and to meet consolidated and local regulatory and working capital requirements.

For further information on the components of the Group's capital position please refer to note 18 of the Annual Report and Accounts.

The Group's key regulatory metrics are shown in table 1. As at 31 December 2023, the Group complied with all externally imposed regulatory capital requirements.

Table 1: Key regulatory metrics

£m	Dec 2023	Jun 2023	Dec 2022
Available capital			
CET1 Capital[1]	2,072.4	2,014.3	2,000.8
Risk Weighted Assets			
Total Risk Weighted Assets	11,160.8	10,838.8	10,770.9
Capital Ratios (%)			
CET1 Capital Ratio	18.6	18.6	18.6
Additional own funds requirements based on Supervisory Review and Evaluation Process ('SREP') as a % of RWA			
Additional CET1 SREP requirements (%)	1.49	1.49	1.49
Total SREP own funds requirements (%)	9.49	9.49	9.49
Combined buffer requirements as a % of RWA			
Capital conservation buffer requirement (%)	2.50	2.50	2.50
Institution-specific countercyclical capital buffer requirement (%)[2]	0.92	0.58	0.47
Combined buffer requirements (%)	3.42	3.08	2.97
Leverage Ratio			
Total exposure measure[3]	6,848.8	6,511.4	6,644.4
Leverage ratio (%)[3]	30.3	30.9	30.1

[1] June 2023 CET1 capital includes the Group's interim 2023 profits following PRA approval received in August 2023.
[2] The institution-specific countercyclical buffer that applies to the Group is the weighted average of the countercyclical capital buffers applicable in jurisdictions in which the Group is active.
[3] Excluding eligible claims on central banks.

Regulatory developments

Implementation of Basel 3.1

The PRA published a number of consultation papers and policy statements in 2023 in respect of proposed changes to the UK CRR based on the Basel 3.1 package. These changes are due to take effect on 1 July 2025 and include a new operational risk framework as well as revisions to the standardised approach for credit risk and the standardised approach for market risk.

'Near final' rules on market and operational risk were published in December 2023. 'Near final' rules on credit risk are due to be published in June 2024.

Capital buffers

The Group's institution-specific countercyclical capital buffer (CCyB) rate increased from 0.47% as at 31 December 2022 to 0.92% as at 31 December 2023. This was primarily driven by an increase in the UK's CCyB rate from 1% to 2%, which became effective in July 2023.

Regulatory basis of consolidation

The Group's Pillar 3 disclosures are produced on a consolidated basis. Information about the Group's subsidiaries, including regulated entities, is provided in note 35 of the Annual Report and Accounts.

The regulatory basis of consolidation differs from the accounting basis of consolidation due to the following adjustments:

- The Group's insurance entities (Schroder Pension Management Limited and Burnaby Insurance (Guernsey) Limited) are excluded from the regulatory basis of consolidation. Insurance entities are subject to a separate regulatory framework and are outside the scope of UKCRD/UKCRR. The Group's insurance entities are, however, included in the Group's risk management framework and have been adequately capitalised throughout the year.
- Certain joint ventures are proportionally consolidated for the purpose of calculating the Group's regulatory capital position.
- Certain Collective Investment Undertakings (CIUs) are consolidated in the Group's financial accounts but are excluded from the regulatory basis of consolidation as they do not meet the definition of financial institutions. The Group's interests in such vehicles are recognised in the regulatory framework as financial assets and are included in the determination of the relevant capital requirement.

Table 2: Reconciliation of financial position – financial accounting to regulatory scope of consolidation

£m	Ref[3]	31 December 2023 (Audited)	Deconsolidation of insurance subsidiaries	Proportional consolidation of certain joint ventures	Deconsolidation of certain CIUs	Regulatory balance sheet
Assets						
Cash and cash equivalents		3,649.9	(26.2)	177.8	(5.7)	3,795.8
Trade and other receivables		920.4	(13.9)	53.0	-	959.5
Financial assets		2,827.1	(21.1)	177.7	(86.3)	2,897.4
Share of net assets in associates and joint ventures		515.9	-	(495.3)	-	20.6
Goodwill and intangibles relating to associates and joint ventures	(c)	15.8	-	-	-	15.8
Capital invested in insurance entities		-	32.8	-	-	32.8
Property, plant and equipment		464.3	-	14.2	-	478.5
Goodwill and intangible assets	(c)	1.885.2	-	159.1	-	2,044.3
Deferred tax	(g)	203.9	-	3.6	-	207.5
Retirement benefit scheme surplus	(e)	138.3	-	-	-	138.3
Assets backing unit-linked liabilities		10,008.1	(7,762.2)	-	(2,245.9)	-
Total assets		**20,628.9**	**(7,790.6)**	**90.1**	**(2,337.9)**	**10,590.5**
Liabilities						
Trade and other payables		1,087.5	175.1	65.8	-	1,328.4
Financial liabilities		4,578.2	(191.5)	-	(91.9)	4,294.8
Lease liabilities		318.7	-	8.6	-	327.3
Current tax		12.6	1.4	4.4	(1.4)	17.0
Provisions		23.0	-	2.7	-	25.7
Deferred tax	(d)	128.3	-	8.6	-	136.9
Retirement benefit scheme deficits		8.8	-	-	-	8.8
Unit-linked liabilities		10,008.1	(7,763.5)	-	(2,244.6)	-
Total liabilities		**16,165.2**	**(7,778.5)**	**90.1**	**(2,337.9)**	**6,138.9**
Net assets						
Called up share capital	(a)	322.4	-	-	-	322.4
Share premium	(a)	84.3	-	-	-	84.3
Own shares	(f)	(172.1)	-	-	-	(172.1)
Other reserves[1]	(b)	4,156.0	(12.1)	-	-	4,143.9
Total shareholders' equity		**4,390.6**	**(12.1)**	**-**	**-**	**4,378.5**
Non-controlling interests[2]		73.1	-	-	-	73.1
Equity		**4,463.7**	**(12.1)**	**-**	**-**	**4,451.6**

[1]Other reserves consist of the net exchange differences reserve, associates and joint ventures reserve and profit and loss reserve.
[2]Non-controlling interests relate to equity capital of subsidiaries held by entities that are not within the scope of consolidation.
[3]The references identify balance sheet components that are used in the calculation of regulatory own funds in Table 13.

Risk management framework and governance

Risk management framework

The Board is accountable for the maintenance of a sound system of internal control and risk management. It assesses the most significant risks facing the business and also uses quantitative exposure measures, such as stress tests, where appropriate, to understand the potential impact on the business. Non executive oversight of the risk management framework process with respect to standards of integrity, risk management and internal control is exercised through the Audit and Risk Committee. The Group embeds risk management within all areas of the business at a Group and legal entity level.

The Group Chief Executive and Group Management Committee (GMC), as an advisory committee to the Group Chief Executive, have responsibility for regularly reviewing the key risks we face. They are also responsible for monitoring that individual behaviours reflect the culture and core values of the business.

The executive oversight of risk is delegated by the Group Chief Executive to the Chief Financial Officer. The Chief Financial Officer has responsibility for the risk and control framework of the Group. For further information on the risk management framework please refer to page 38 of the Annual Report and Accounts.

The Group has an effective risk and controls process in place supported by an appropriate governance process.

Management of key risks

Emerging risks, and changes to our existing risks, are identified throughout the year, during the normal course of business, and are reviewed and discussed at relevant risk committees. In addition, on a periodic basis we complete a formal assessment of the risks faced by our business using a `top-down' and `bottom-up' approach. The 'top-down' approach uses analysis from Group Risk and discussion with GMC members and subject matter experts around the Group. The 'bottom-up' approach uses the results from Risk and Control Assessments (RCAs), trends in risk events and high-impact issues logged in our operational risk database, Archer.

The results of these assessments are used to inform our internal key risks which are presented to the Group Risk Committee (GRC) prior to the GMC, Audit and Risk Committee and Board. Our internal key risks are reviewed to identify a sub-set that are the most material to the firm. These are set out on page 40 of the Annual Report and Accounts.

Pillar 2 and ICAAP

The ICAAP is the Group's own assessment of the level of capital required to support current and future risks in its business. The ICAAP examines the principal risks to the Group and its consolidated financial position and assesses the capital required to meet unexpected losses, calculated at a confidence level specified by the Board.

RCAs are an important part of the risk management framework. These are completed by each business area to identify and assess their operational risks and controls. Outputs from this process, together with other information such as internal and external risk events, support the operational risk scenario analysis that is used to determine the level of capital required.

The ICAAP also uses a range of scenarios to assess the impact of severe but plausible stress events on capital resources and regulatory capital requirements. The stress testing analysis is used to determine the appropriate size of any capital planning buffer that should be held over and above the Group's combined buffer requirements. The next section provides further detail on the approach to stress testing.

The ICAAP is updated and reviewed by the Board on at least an annual basis, with more frequent reviews in the event of a fundamental or anticipated change to the business or the environment in which the Group operates. The latest ICAAP shows that the Group has sufficient capital to support its current and future business.

Stress testing

Stress testing is an important element of the Group's planning and risk management processes, helping to identify, analyse and manage risks within the business. Capital planning forms part of the ICAAP and a range of stress tests and scenario analyses are used to estimate the impact of stress events on capital resources and regulatory capital requirements.

Stress testing is performed on the Group's business plan and considers the impact of a number of the Group's key risks crystallising over the assessment period. This includes consideration of new and emerging risks, identified through the business planning process, that could have a material impact over the five-year planning period.

The severe but plausible stress scenarios applied to the business plan include consideration of the following factors:

- a deterioration in the value of our AUM, for example as a result of a severe period of market stress, the return of significant inflationary pressures combined with a marked slowdown in global growth, or the early crystallisation of certain climate change risks;
- a significant decline in net operating revenue margins reducing projected revenues;
- the impact of a material operational risk event or poor performance which could lead to reputational damage and significant outflows of our AUM;
- an increase in the ratio of total operating expenses to net operating income.

The Group also assesses the impact of regulatory stress scenarios published by the PRA.

As well as forming part of the ICAAP, stress testing is conducted for the Group's Internal Liquidity Adequacy Assessment Process (ILAAP) and Recovery Plan. Reverse Stress Tests are conducted and demonstrate the unlikely and very extreme conditions required to make the Group's business model non viable.

Together with the Group's business plan, capital and liquidity stress tests support the Directors' assessment of the Group's viability as detailed in the Viability Statement (page 47 of the Annual Report and Accounts).

Board succession and diversity policy

The Board succession process is detailed on page 64 of the Annual Report and Accounts. The Board policy on diversity is detailed on page 65 of the Annual Report and Accounts.

Regulatory own funds

Regulatory capital is categorised as either CET1, Additional Tier 1 or Tier 2 depending on the characteristics of the capital items. The Group's regulatory capital meets all of the conditions of UKCRR article 28 and consists entirely of CET1 capital. As well as ordinary shares, CET1 capital includes share premium, retained profits and certain other reserves.

A number of deductions and adjustments are made before arriving at the Group's regulatory own funds. In calculating CET1 capital as at 31 December 2023, deductions have been made for the Group's intangible assets net of deferred tax of £1,967m (including £1,390m of goodwill), the Group defined benefit pension surplus net of deferred tax of £104m and own shares held to hedge employee share schemes of £172m. Regulatory adjustments for deferred tax assets and significant investments in financial sector entities are required when certain thresholds are exceeded. As at 31 December 2023, an adjustment for the deferred tax asset of £0.2m was required.

The composition of the Group's regulatory capital is shown in table 3, with additional detail provided in Appendix 1.

Table 3: Composition of regulatory capital

£m	2023	2022
Equity per the regulatory balance sheet[1]	4,451.6	4,465.9
Direct and indirect holdings by an institution of own CET1 instruments[2]	172.1	185.1
Non-qualifying minority interests	(73.1)	(123.8)
Adjustment for foreseeable dividends	(233.1)	(232.9)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**4,317.5**	**4,294.3**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)	(1,966.9)	(2,004.0)
Direct and indirect holdings of own CET1 instruments	(172.1)	(185.1)
Defined benefit pension fund surplus (net of related tax liability)	(103.7)	(102.2)
Additional value adjustments[3]	(2.2)	(2.2)
Deferred tax asset adjustment	(0.2)	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(2,245.1)**	**(2,293.5)**
Total Common Equity Tier 1 Capital after regulatory adjustments	**2,072.4**	**2,000.8**
Total Capital after regulatory adjustments	**2,072.4**	**2,000.8**

[1]Shareholder equity per the regulatory balance sheet includes the deduction for direct holdings of own CET1 instruments.
[2]Direct holdings of own CET1 instruments are added back to equity because these are presented as a regulatory adjustment in the composition of regulatory capital requirements published by the PRA.
[3]A value adjustment is a deduction from CET1 capital where the prudent value of financial assets measured at fair value is materially lower than the fair value recognised in the financial statements.

Pillar 1 minimum capital requirements

Pillar 1 covers the minimum capital requirements for credit risk, market risk and operational risk. Table 4 shows a breakdown of the Group's Pillar 1 RWA and capital requirement. The following sections set out the approach to managing these risks and the approach used under the Pillar 1 rules to measure RWA.

Table 4: Risk Weighted Assets and Capital Requirement breakdown

	Risk weighted assets		Capital requirement	
£m	2023	2022	2023	2022
Credit risk	5,701.5	5,356.8	456.3	428.6
Market risk	721.9	861.8	57.7	68.9
Operational risk	4,737.4	4,552.3	379.0	364.2
Total	**11,160.8**	**10,770.9**	**893.0**	**861.7**

Credit risk

Overview

Credit risk is the risk that a counterparty to a financial instrument, loan or commitment will cause the Group financial loss by failing to discharge their obligations. The Group has exposure to credit risk from its normal activities where it is exposed to the risk that a counterparty will be unable to pay amounts when due.

Credit risk management

The Group carefully manages its exposure to credit risk by monitoring exposures to individual counterparties and sectors, monitoring counterparties' creditworthiness, taking collateral and reducing settlement risk where possible and approving lending policies that specify the type of acceptable collateral and lending margins. The Group's maximum exposure to credit risk is represented by the gross carrying value of its financial assets.

Externally published credit ratings are indicators of the level of credit risk associated with a counterparty. The Group has a credit risk management framework in place to assess and monitor the creditworthiness of the Group's counterparties using, where appropriate, External Credit Assessment Institutions (ECAI) ratings supplemented by internal assessments. Exposures are monitored against relevant thresholds including regulatory large exposure requirements. The Group seeks to diversify its exposure across different counterparties.

The Group does not usually provide loans, overdrafts or advances to clients on an unsecured basis.

Please note more detail on our approach to credit risk management is included in note 18 of the Annual Report and Accounts.

Credit risk measurement

For the purposes of Pillar 1 regulatory capital requirements, Schroders has elected to adopt the standardised approach to credit risk. Under the standardised approach, the Group's credit risk capital requirement is calculated as 8% of total RWA. RWA are calculated by applying a prescribed regulatory risk weight to individual credit risk exposures.

As the Group's trading book is small, the Group applies the derogation allowed under article 94 of the UKCRR to include exposures arising from the Group's limited trading activities in the Group's credit risk exposure.

Calculating the credit risk exposure

The Group's regulatory credit risk exposure is calculated using the accounting value of the relevant instruments. Items deducted from regulatory capital are excluded from the credit risk exposure. Adjustments are made under the Credit Risk Mitigation (CRM) part of the rule book for the effect of funded credit protection on reverse repurchase agreements and the portfolio loan book. An add-on to reflect the potential future exposure that could arise on the Group's derivative portfolio due to movements in market prices is calculated under the Standardised Approach for Counterparty Risk (SA-CCR). And off-balance sheet exposures are included after applying the relevant credit conversion factor (CCF).

The recognition of funded credit protection is subject to a number of considerations, including ensuring the legal enforceability of the collateral arrangements, monitoring the market value of the collateral and ensuring that the value of the collateral is not materially correlated with the credit quality of the counterparty.

Table 5 presents the Group's regulatory balance sheet by asset class, with the adjustments that are made to arrive at the regulatory credit risk exposure value.

Table 5: Fully adjusted credit risk exposure value

£m	Regulatory balance assets	Regulatory adjustments	Credit risk mitigation	Derivative add-on	Off-balance sheet items post CCFs	2023 Exposure value
Cash and cash equivalents	3,795.8	-	(1,032.4)	-		2,763.4
Trade and other receivables	959.5	-	-	-		959.5
Financial assets	2,897.4	-	(64.6)	42.9	97.8	2,973.5
Share of net assets in associates and joint ventures	20.6	-	-	-		20.6
Goodwill and intangibles relating to associates and joint ventures	15.8	(15.8)	-	-		-
Insurance entity capital	32.8	-	-	-		32.8
Property, plant and equipment	478.5	-	-	-		478.5
Goodwill and intangible assets	2,044.3	(2,044.3)	-	-		-
Deferred tax	207.5	(0.2)	-	-		207.3
Retirement benefit scheme surplus	138.3	(138.3)	-	-		-
Total	**10,590.5**	**(2,198.6)**	**(1,097.0)**	**42.9**	**97.8**	**7,435.6**

Each exposure is assigned to a credit risk exposure class as defined in article 112 of the UKCRR. This is set out in table 6.

Table 6: Exposure value analysed by exposure class

£m	2023 Exposure value	2022 Exposure value
Central governments or central banks	2,170.2	2,554.9
Regional governments or local authorities	-	27.0
Multilateral development banks	135.8	146.8
Institutions	1,626.7	1,746.2
Corporates	619.3	633.6
Retail	72.5	84.5
Secured by mortgages on immovable property	121.2	159.8
Exposures in default	6.2	-
Items associated with particular high risk[1]	134.4	111.1
Covered bonds	107.1	112.8
CIUs	1,147.0	1,123.3
Equity	55.0	53.6
Other items[2]	1,240.2	1,376.2
Total exposure value	**7,435.6**	**8,129.8**

[1]High risk exposures include private equity investments.
[2]Other items include accrued income, fee debtors, tax, prepayments and other debtors.

Appendix 3 provides further information on the Group's on- and off-balance sheet exposures subject to the credit risk framework broken down by significant country. Countries contributing to approximately 90% of the Group's total exposure have been disclosed separately and all other countries have been categorised as 'Other'.

Calculating RWA

The Group's RWA is calculated by applying the risk weights prescribed in Part 3, Title II, Chapter 2 of the UKCRR to the credit exposures in table 6. The allocation of risk weights by exposure class is shown in table 7.

The risk weight is based on the exposure class to which the exposure is assigned, the maturity of the exposure and the credit quality of the counterparty.

Table 7: Risk weighted assets by exposure class

	Exposure after adjustments – Risk weights											Total risk weighted assets (RWA)
£m	0%	10%	20%	35%	50%	75%	100%	150%	250%	1,250%	Other[1]	
Central governments or central banks	2,170.2	-	-	-	-	-	-	-	-	-	-	-
Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	135.8	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	1,075.4	-	548.3	-	3.0	-	-	-	-	492.2
Corporates	-	-	5.6	-	1.6	-	611.0	1.1	-	-	-	614.5
Retail	-	-	-	-	-	72.5	-	-	-	-	-	54.3
Secured by mortgages on immovable property	-	-	-	110.8	-	-	10.4	-	-	-	-	49.1
Exposures in default	-	-	-	-	-	-	6.2	-	-	-	-	6.2
Items associated with particular high risk	-	-	-	-	-	-	-	134.4	-	-	-	201.7
Covered bonds	-	107.1	-	-	-	-	-	-	-	-	-	10.7
CIUs	-	-	50.1	-	1.9	-	8.8	7.4	-	83.8	995.0	2,575.9
Equity	-	-	-	-	-	-	22.2	-	32.8	-	-	104.2
Other items	-	-	-	-	-	-	1,012.3	-	227.9	-	-	1,582.1
Total	**2,306.0**	**107.1**	**1,131.1**	**110.8**	**551.8**	**72.5**	**1,673.9**	**142.9**	**260.7**	**83.8**	**995.0**	**5,690.9**

[1]The other risk-weight under CIUs is a result of applying the look-through and mandate-based approach.

The Group assesses the credit quality of its counterparties with reference to credit assessments conducted by ECAIs. The primary ECAI used by the Group is Fitch and its ratings are used to assess the credit quality of exposures wherever possible. If a Fitch rating is unavailable, a rating from an alternative ECAI is used, including Moody's or Standard & Poor's. All three ratings agencies are recognised as eligible ECAIs by the PRA. Where no credit rating can be obtained, the exposure is categorised as unrated. Unrated exposures are risk weighted based on exposure class and include loans to individuals, equity investments, trade and other receivables, tax assets and fixed assets.

Table 8 summarises the Group's credit risk capital requirement by exposure class.

Table 8: Total consolidated credit risk capital requirement of the Group under Pillar 1

£m	2023 RWA	2023 Capital Requirement	2022 RWA	2022 Capital Requirement
Central governments or central banks	-	-	-	-
Regional governments or local authorities	-	-	5.4	0.4
Multilateral development banks	-	-	-	-
Institutions	492.2	39.4	534.3	42.6
Corporates	614.5	49.2	631.2	50.6
Retail	54.3	4.5	63.4	5.3
Secured by mortgages on immovable property	49.1	3.9	62.8	5.0
Exposures in default	6.2	0.5	-	-
Items associated with particular high risk	201.7	16.1	166.6	13.3
Covered bonds	10.7	0.9	11.3	0.9
CIUs	2,575.9	206.1	2,073.7	165.9
Equity	104.2	8.3	102.8	8.2
Other items	1,582.1	126.6	1,700.5	136.0
Total	**5,690.9**	**455.5**	**5,352.0**	**428.2**
Credit Valuation Adjustment[1]	**10.6**	**0.8**	**4.8**	**0.4**
Total Credit Risk	**5,701.5**	**456.3**	**5,356.8**	**428.6**

[1]The risk of mark to market losses on derivative positions due to counterparty credit risk is captured through a credit valuation adjustment calculated under the standardised approach.

Market risk

Overview

Market risk is the risk that the value of assets or liabilities will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates. The Group's primary exposures to market risk arise from holdings of principal investments and foreign currency positions as a result of overseas operations. The Group has a second order exposure to market risk through its investment management activities as the income earned from this agency business will vary dependent on the value of AUM. This second order exposure does not give rise to a capital requirement, but is considered as part of the Group's market risk management activities and stress testing.

Market risk management

The Group's geographically diversified, broad product range helps to mitigate market risk in a variety of market conditions and serves to diversify individual market dependencies.

For its principal investments, the Group has an investment framework in place that includes a risk appetite and prescribed limits which are approved by the Board. The currency risk associated with investments in currencies other than sterling is mitigated, where appropriate, using forward foreign exchange contracts. The Group also aims to hedge the market risk exposure in its seed capital investments where it is practical to do so.

The Group is exposed to foreign exchange risk as a result of transactional foreign exchange exposures in its operating entities. Transactional foreign exchange exposures arise as a result of a position held in a currency other than the functional currency of the transacting entity. The Group seeks to minimise its exposure to this risk by converting foreign currency positions to the functional currency of the transacting entity as soon as practical.

The Group is exposed to structural foreign exchange risk as a result of its net investment in overseas subsidiaries and branches. These investments are accounted for in the functional currencies of the individual entities and subsequently translated to the Group's presentational currency (sterling). Foreign exchange differences arising on the translation of the foreign operations are recorded in the net exchange differences reserve through other comprehensive income and give rise to movements in the Group's CET1 capital. The Group manages its exposure to this risk by returning surplus capital to the UK as soon as practical.

Market risk measurement

The Group calculates its own funds requirement for market risk in accordance with Part 3, Title IV of the UKCRR. In determining its Pillar 1 capital requirement, the Group is required to consider whether its exposure to market risk arises from trading or non-trading activities. The Group does not generally hold positions with trading intent. Financial instruments that make up the Group's investment capital, seed capital and co-investment portfolios are considered to be non-trading as they are not managed on a short-term basis and the positions are not bought in order to benefit from actual or expected short term price differences.

Consequently, the Group's trading book is small and therefore, as noted in the credit risk section above, the Group applies the derogation allowed under article 94 of the UKCRR to include exposures arising from the Group's limited trading activities in the Group's credit risk exposure.

Therefore, the Group's capital requirement for market risk is calculated based on the Group's exposure to foreign exchange risk. The Group applies the standardised approach to determine this capital requirement.

Foreign exchange position risk measurement

In accordance with Part 3, Title IV, Chapter 3 of the UKCRR, all assets (excluding items deducted from regulatory capital) and all liabilities, plus all forward positions, are considered in the calculation of the net short or long position in each currency for each entity within the Group. Those positions are then summed separately to form the total of the net short positions and the total of the net long positions. The higher of those two totals is then multiplied by 8% to calculate the capital requirement. The Group's capital requirement is the sum of the entities' capital requirements.

Table 9: Total consolidated market risk capital requirement of the Group under Pillar 1

£m	2023 RWA	2023 Capital Requirement	2022 RWA	2022 Capital Requirement
In respect of foreign exchange	721.9	57.7	861.8	68.9
Total market risk capital requirement	**721.9**	**57.7**	**861.8**	**68.9**

Operational risk

Overview

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal, regulatory, tax, technology, information security, and fraud risks, and is inherent in all activities and processes.

Operational risk management

Line management is responsible for identifying potential risks and implementing and maintaining appropriate controls to manage these risks throughout the Group's business, including implementation of documented policies and oversight of adherence to the requirements.

Risk Control Assessments (RCAs) are required to be completed by each business area at least annually and when significant changes occur. A formal reminder to review RCAs is issued by Operational Risk on a six-monthly basis. The RCAs set out key risks and the controls that have been implemented by management. Group Risk oversees the completion of RCAs, as well as providing challenge of the contents alongside other second line functions, and reports to the GRC on key findings including high risk areas for which risk mitigation plans or approved risk acceptances are required. Other elements of the framework include risk event management and internal control reports.

Operational risk measurement

Schroders has adopted the standardised approach to calculating the Pillar 1 capital requirement for operational risk in accordance with Part 3, Title III, Chapter 3 of the UKCRR. Under the standardised approach, institutions calculate an average relevant indicator over the past three years. The Group's relevant indicator is revenue categorised by business line, each with a relevant beta factor ranging from 12% to 15%. The operational risk capital requirement is calculated by multiplying average revenues by the relevant beta factor and summing across the business lines.

Table 10: Total consolidated operational risk capital requirement of the Group under Pillar 1

	Relevant indicator				
£m	2021	2022	2023	Own funds requirements	Risk weighted exposure amount
Activities subject to standardised approach	3,299.8	3,127.8	3,027.7	379.0	4,737.4

Table 11: Calculation of the relevant indicator and own funds requirement

	2023		2022	
Relevant indicator elements (£m)	Risk Weighted Assets	Capital required	Risk Weighted Assets	Capital required
Commercial banking	40.0	3.2	26.3	2.1
Retail banking	8.8	0.7	11.3	0.9
Agency services	10.0	0.8	7.5	0.6
Asset management	4,678.6	374.3	4,507.2	360.6
At 31 December	**4,737.4**	**379.0**	**4,552.3**	**364.2**

Other risks

Non trading book exposures in equities

An overview of the accounting techniques and valuation methodologies used, as required by article 447 of the UKCRR, is included in note 18 of the Annual Report and Accounts.

Pension obligation risk

Pension obligation risk is the risk to a firm caused by its contractual or other liabilities to or with respect to a pension scheme. The risk of deficit in the defined benefit section of the Schroders Retirement Benefit Scheme (the Scheme), which was closed to future benefits accrual on 30 April 2011, is assessed through the use of stress tests which consider the impact of possible alternative assumptions on the valuation of the Scheme liabilities as well as stresses on asset values. Stress tests are performed in line with the PRA's guidelines. The Group was not required to hold capital for pension obligation risk as at 31 December 2023.

Further information about the Group's pension plan can be found under note 23 of the Annual Report and Accounts.

Liquidity risk

Liquidity risk is the risk that the Group cannot meet its obligations as they fall due or can only do so at a cost. The Group has a clearly defined liquidity risk management framework in place in the form of a Consolidated Group ILAAP. The Group policy is that its subsidiaries should trade solvently, comply with regulatory liquidity requirements and have access to adequate liquidity for all activities undertaken in the normal course of business. As part of its ILAAP, the Group performs stress testing to confirm that sufficient liquidity is available to cover severe but plausible stress events.

The Group calculates a Liquidity Coverage Ratio and a Net Stable Funding Ratio in line with the UKCRR. The Group is compliant with the minimum requirement of 100%.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. In Wealth Management interest rate risk is monitored on a daily basis against policies and limits set by the relevant risk committee. Interest rate risk is managed within set limits by matching asset and liability positions and through the use of interest rate swaps. Sensitivity-based and stress-based models are used for monitoring interest rate risk. These models assess the impact of a prescribed shift in interest rates and the potential impact of severe but plausible stress scenarios, including those set out in the PRA Rulebook.

The Group's ICAAP assesses the amount of capital that is required to be held against this risk and this assessment is captured as part of the Group's Pillar 2A requirement. Information on how interest rate risk is managed can be found in note 18 of the Annual Report and Accounts.

Asset Encumbrance

The Group encumbers a small amount of assets in the course of its normal business, primarily as margin collateral against derivative positions. Given the nature of the Group's business, this risk is not material to the Group's balance sheet.

Remuneration disclosures

The following disclosures explain how Schroders has complied with the regulatory requirements under the UK implementation of the UKCRD, in particular articles 92 to 95.

These disclosures should be read in conjunction with the Remuneration report on pages 74 to 92 of the Annual Report and Accounts, which provides further information on the activities of our Remuneration Committee and our remuneration principles and policies.

Details of the UK Remuneration Codes can be found at www.fca.org.uk and information on the Remuneration Part of the PRA Rulebook can be found at www.prarulebook.co.uk.

Decision-making process for determining the remuneration policy

Schroders has an established Remuneration Committee consisting of independent non-executive Directors of Schroders plc. The Committee met five times during 2023. Their responsibilities include recommending to the Board the Group's policy on Directors' remuneration, overseeing the remuneration governance framework and ensuring that remuneration arrangements are consistent with effective risk management. The Committee determines the remuneration for the executive Directors, other members of the GMC, the Group Company Secretary and control function heads; monitors and reviews remuneration for other Material Risk Takers (MRTs); and provides oversight of compensation review outcomes for all employees more broadly. The Committee determines Directors' remuneration in the context of remuneration across the Group, including financial performance, operating compensation ratio and the remuneration outcomes for the wider workforce. To avoid conflicts of interest, no Director or employee participates in decisions determining their own remuneration.

The Chair of the Audit and Risk Committee serves on the Remuneration Committee, to ensure the Remuneration Committee is adequately informed of risks facing the Group and the management of those risks. The Committee's Terms of Reference was last reviewed in May 2023. The Committee received advice from Deloitte, PricewaterhouseCoopers LLP and McLagan (AON) Limited during the year. The Committee assesses the performance of its external advisers annually, to ensure that the advice provided is independent of any services provided to management. The role and activities of the Committee and their use of advisers are further detailed in the Remuneration report and the Committee's Terms of Reference (both of which are available on the Schroder's website).

The Remuneration Committee developed the Group's remuneration policy with a number of principles in mind. These principles and their application within the remuneration policy are reviewed annually by the Committee. The overall policy is designed to promote the long-term success of the Group. It is:

- **Aligned with clients:** A significant proportion of variable remuneration is granted as fund awards, which are notional investments in funds managed by the Group, thereby aligning the interests of employees and clients. This includes the executive Directors, other members of the GMC and other key employees such as senior fund managers.

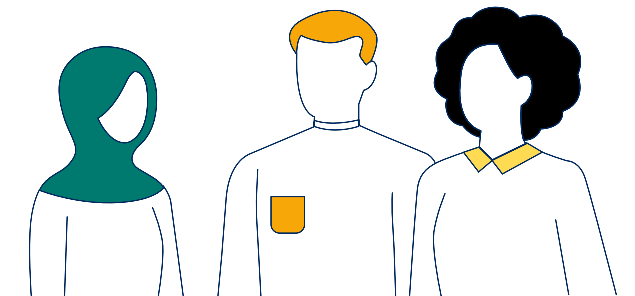
- **Aligned with shareholders:** A significant proportion of variable remuneration is granted in the form of deferred awards over Schroders' shares, thereby aligning the interests of employees and shareholders. In addition, the executive Directors of Schroders plc and other members of the GMC are required, over time, to acquire and retain a minimum holding of Schroders' shares or rights to shares. For the Group Chief Executive the minimum level is 500% of salary and for the Chief Financial Officer it is 300% of annual base salary. On stepping down, the executive Directors are required to maintain the level of shareholding required while they were an executive Director for a period of two years.

- **Aligned with financial performance:** Our ratio of operating expenses to net operating income through the market cycle guides the total spend on remuneration each year. This is recommended by the Committee to the Board. This approach aligns remuneration with financial performance.

- **Competitive:** Employees receive a competitive remuneration package, which is reviewed annually and benchmarked by reference to the external market. This allows the Group to attract and retain the best talent, who know that good performance will be rewarded.

- **Designed to encourage retention:** Deferred variable remuneration does not give rise to any immediate entitlement. Awards normally require the participant to be employed continuously by the Group until at least the third anniversary of the grant date in order to vest in full. In addition, certain employees are eligible to participate in carried interest sharing arrangements, which further enhance long-term retention and alignment to investment performance.

The Remuneration Committee is satisfied that the Group's remuneration approach is in line with regulatory requirements. Schroders is a small CRR firm under the PRA Rulebook and FCA Remuneration Code proportionality regimes for CRD and may therefore disapply deferral and payment in instruments requirements for CRD MRTs per the derogation laid down in rule 5.3 of the Remuneration Part of the PRA Rulebook. The number of CRD MRTs and their total remuneration can be found in the quantitative disclosures section of this document.



Material risk taker criteria

The Group's MRTs under CRD are individuals in roles that can materially affect the risk of the Group. Subject to proportionality considerations, the list of individuals reviewed in determining those who are CRD MRTs includes:

- Directors of Schroders plc and certain key operating subsidiaries;
- Non-executive directors of Schroders plc and certain key operating subsidiaries;
- Members of the Group Management Committee;
- Employees in key control function roles;
- Employees who are remunerated at the same levels as senior management and material risk takers identified above, if their role has a material risk impact; and
- Other employees who the Group deems may have a material impact on the firm's risk profile through their professional activities.

The Schroders CRD MRT population is determined in accordance with the PRA Rulebook with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile. In determining whether or not someone who meets the quantitative criteria should be included as a CRD MRT, the professional activities of the role were assessed for their impact on the ICAAP risks as identified by the Group. Control frameworks and relevant committee terms of reference were also taken into account. The identification framework was reviewed by the Heads of control functions in 2023 and their input reflected as appropriate.

Link between pay and performance

Employee remuneration, including for CRD MRTs, is comprised of fixed pay and variable performance-related pay. The Remuneration Committee reviews individual fixed pay and variable performance-related pay decisions for all employees deemed to be CRD MRTs.

Fixed pay is principally comprised of salaries or fees. All MRTs receive either a salary (for employees) or fees (for non- executive Directors) that reflects a market competitive rate of pay, taking account of the employee's role and responsibilities, skills and experience and ongoing contribution. Fixed pay also includes appropriate benefits in kind to help recruit and retain talent, reflect local market practice and support employee health and wellbeing. Retirement benefits are also provided to help recruit and retain talent, reflect local market practice and enable and encourage provision for retirement.

Variable performance-related pay is principally comprised of annual bonus awards, which aim to motivate employees to achieve financial, non-financial and personal objectives for the financial year, which are consistent with the Group's 'multi-year' strategy and help to reward talent for their individual contribution. Non-executive directors do not receive variable performance-related pay. The overall size of the annual pool for variable performance-related pay is a material component of the Group's total remuneration expense. Our ratio of operating expenses to net operating income through the market cycle guides the total spend on remuneration each year, as recommended by the Committee to the Board. This ensures that the aggregate spend on variable performance-related pay is directly linked to the Group's performance.

MRTs who are employees are eligible to be considered for an annual bonus award each year. At Schroders, our remuneration policies require that we assess performance when determining remuneration recommendations for individuals. Bonuses for all employees take account of overall Group, team and individual performance against agreed objectives. In this context, performance typically includes financial and non-financial measures. Financial metrics include trends in profit and cost-control, client investment performance, and net new business. Non-financial performance metrics, including adherence to effective risk management and behaviours aligned to Schroders' values form a significant part of the performance assessment that is considered in determining the individual's bonus award. During the annual performance appraisal, line managers assess each employee's behaviours to identify those whose behaviour exemplifies Schroders values – Excellence, Integrity, Innovation, Passion and Teamwork – as well as any employees whose behaviour and conduct falls short of the standards that the firm expects.

The performance of control function employees is appraised against objectives that are specific and appropriate to their roles and functions and not based on the performance of the business that they oversee. Remuneration for employees in the control functions is recommended by their direct line management within the relevant control function, independently of the business areas. For our investment teams, a key factor in the assessment of performance is the investment performance of the relevant investment desk, which is assessed over 1, 3 and 5-year periods. Schroders has integrated the assessment of sustainability factors and risk across our managed assets. This means that when we assess the performance of our investment desks, we do so having regard to investment performance that is in part derived from ESG-integrated investment processes. ESG integration, coupled with investment performance measured over at least a 5-year period, means that the consideration and management of sustainability factors and risks are a component of our remuneration decisions for our investment teams.

The Chief Risk Officer, Group Head of Internal Audit and the Group General Counsel provide input to Senior Management and the Remuneration Committee on issues that should be taken into consideration in setting the bonus pool or reviewing individual remuneration outcomes. This provides a further opportunity to reflect attitudes to risk and compliance and behaviours in line with our values in the determination and allocation of the bonus pool and in individual employee performance appraisals and remuneration outcomes. The Group believes that a discretionary incentive approach is preferable to the use of formulaic arrangements, to ensure that good conduct and behaviours in line with our values are rewarded, to avoid reinforcing or creating conflicts of interest and to encourage a one-team attitude. To avoid misalignment between remuneration and performance, guaranteed variable remuneration is awarded on an exceptional basis and to new hires only, where required to provide a competitive offer, and when the firm has a sound and strong capital base.

MRTs are subject to enhanced control function oversight of their activities and direct oversight of their remuneration by the Remuneration Committee. As a result of the implementation of CRD V, 2023 variable pay for CRD MRTs of Schroder & Co Ltd (the UK bank subsidiary in the Schroders Group) is subject to a maximum cap equal in value to 200% of fixed pay (following shareholder approval in March 2021). In October 2023, the PRA released its Policy Statement (PS9/23) – Remuneration: Ratio between fixed and variable components of total remuneration ('bonus cap') – removing this requirement. The above will no longer apply from the 2024 performance year and an appropriate ratio will be set internally by the Group Remuneration Committee, to be reviewed annually.

Deferral of incentive awards is a key mechanism to retain talent, primarily through the use of bonus deferrals.

- CRD MRTs who have also been identified as MRTs under the Undertaking for Collective Investment in Transferable Securities (UCITS) or Alternative Investment Fund Managers (AIFM) Directives are subject to the UCITS/AIF MRT remuneration policy. This sees 40%-60% of variable remuneration for each UCITS/AIF MRT being deferred. At least 50% of variable remuneration is delivered as fund awards, applying equally to both the deferred element and the upfront element (i.e. the element that is not deferred). Upfront fund awards are subject to a six month retention period and deferred fund awards to an additional six months deferral period, so they vest pro-rata over a period of 3.5 years. Effective from the 2022 compensation year, MRTs identified under the MIFIDPRU Remuneration Code in respect of Schroder Investment Management Limited ('SIM Ltd'), subject to 'extended' remuneration requirements, are also subject to the deferral.
- Deferred annual bonus awards for UCITS/AIF and SIM Ltd MRTs are granted under the Deferred Bonus (Regulatory) structure under the Deferred Award Plan (DAP). This structure aligns the interests of UCITS/AIF and SIM Ltd MRTs with those of clients and shareholders, provides an incentive for the employee to stay at Schroders and makes it more expensive for competitors to recruit talent from Schroders. Share awards are conditional rights to acquire shares in the Group at nil cost and vest over three years. Fund awards are conditional rights to receive a cash sum based on the value of a notional investment in a range of Schroders investment products and vest pro-rata over 3.5 years. The pay-outs from fund awards are directly determined by the Group's performance in managing funds for our clients. In 2023, deferrals were delivered in both share awards and fund awards.
- For employees who are not UCITS/AIF or SIM Ltd MRTs, deferred annual bonus awards are granted under the Deferred Bonus (Standard) Award structure. This structure works in a similar way to the Deferred Bonus (Regulatory) structure but is slightly simplified, as these roles are not subject to the remuneration requirements of the IFPR (Investment Firms Prudential Regime), UCITS or AIFM Directives.
- The Excellence Incentive Programme (EIP) is an additional deferred remuneration tool, used to recognise sustainable performance and potential, and to increase the alignment of employee interests with the interests of shareholders and clients. EIP awards operate in a similar way to the Deferred Bonus (Standard) awards but vest after five years.
- In March 2023, executive Directors of Schroders plc were eligible to be considered for an award under the Long Term Incentive Plan (LTIP), which is comprised of deferred awards of Schroders' shares that vest after four years to the extent that performance conditions are achieved. Details of the performance conditions applicable to the awards are disclosed in the 2023 Directors' Remuneration Report in the 2023 Annual Report and Accounts.

As mentioned above, certain employees are also eligible to participate in carried interest-sharing arrangements, which enhance long-term retention and alignment to investment performance.

In addition to providing retention incentives, a primary purpose of our deferred awards and carried interest arrangements is to support our performance culture where employees recognise the importance of sustainable performance, at the Group, business and individual levels and their responsibilities in delivering value for clients and shareholders over the longer-term.

Under malus terms, deferred remuneration and carried interest awards may be reduced or lapsed, at the Committee's discretion. Under clawback terms, amounts paid or released from such awards may be recovered for a period of 12 months from the date of payment or release, at the Committee's discretion. These terms can be used to risk-adjust deferred remuneration awards in a range of circumstances, set out in the Group's malus and clawback policy. The potential malus and clawback triggers were updated in 2022 to reflect the requirements of the MIFIDPRU Remuneration Code. The circumstances in which malus and clawback may be triggered include:

- Fraud, misbehaviour or misconduct by the Participant;
- Material error by the participant;
- Significant failure of risk management;
- Failure to meet appropriate standards of fitness or propriety;
- Regulatory sanction or serious reputational damage where the conduct of the participant significantly contributed;
- Material downturn in financial performance, including corporate failure;
- Material financial misstatement for which the participant has significant responsibility or which has led to a larger award than would otherwise have been the case;
- Material error or misrepresentation for which the participant has significant responsibility or which has led to a larger award than would otherwise have been the case;
- The Group has received a reduction notice in relation to a buy-out award;
- An award has vested/been settled, or is capable of vesting/being settled, to a greater extent than would otherwise have been the case, as a result of erroneous or misleading data;
- An award received in breach of regulatory requirements or where the financial sustainability of the Group or any Member of the Group would be adversely affected;

- Significant increase in the economic/regulatory capital base of the Group or any part of the Group;
- Participation in or responsibility for conduct resulting in material losses (malus trigger only);
- Breach of any of the policies or codes to which the individual is subject (malus trigger only);
- Participation in or responsibility for an event resulting in material adverse reputational damage for the Group (malus trigger only);
- The Group has suffered regulatory sanctions to which the participant's conduct contributed (malus trigger only); and
- Any other circumstances that may justify it, including local regulatory obligations.

Employees including CRD MRTs are not allowed to enter into hedging arrangements that undermine the intended performance alignment of deferred awards.

All arrangements for MRTs who are leaving Schroders are reviewed and approved by the Remuneration Committee. Any severance payments are determined in accordance with the terms of the employment contract, as well as the rules of applicable deferred remuneration plans. There are no contractual provisions for employees to receive compensation upon termination beyond statutory requirements in the relevant jurisdiction.

Further details of our remuneration policy, our deferred remuneration arrangements and LTIP performance conditions are provided in the Remuneration report.

The remuneration disclosed opposite includes:

- Non-executive Director fees for the year;
- Annual base salaries as at 31 December for the year (or at termination date for leavers);
- Cash bonus awards in respect of the relevant performance year;
- Deferred bonus awards in respect of the relevant performance year, based on the face value at the date of grant;
- LTIP awards, which are subject to performance conditions that can result in the portion of the award that is ultimately released ranging from 0% to 100% and so the figures above assume 50% vesting;
- The grant date value of any allocations of an entitlement to receive a share in any carried interest earned on certain investment vehicles; and
- Any other awards for new hires and any bonus payments made to leavers.

In addition, MRTs other than non-executive Directors are normally eligible to receive employee benefits, such as private health care and pension, on the same basis as other employees.

Table 12: Information on remuneration of staff whose professional activities have a material impact on Schroders' risk profile (identified staff)

	Management body remuneration			Business areas				
	MB supervisory function	MB management function	Total MB	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of indentified staff								**222**
Of which: members of the MB	14	3	17					
Of which: other senior management				17	7	3	6	
Of which: other identified staff				123	26	5	18	
Total remuneration of identified staff (£'000)	**1,771**	**10,680**	**12,451**	**130,674**	**15,858**	**3,113**	**13,690**	
Of which: variable remuneration (£'000)	-	9,293	9,293	90,584	7,192	1,245	7,402	
Of which: fixed remuneration (£'000)	1,771	1,387	3,158	40,090	8,666	1,868	6,288	

Appendix 1

Own funds disclosures

Table 13: Own funds

£m		Ref[1]	2023	2022
	Common Equity Tier 1 (CET1) capital: Instruments and reserves			
1	Capital instruments and related share premium accounts	(a)	406.6	406.6
2	Retained earnings	(b)	3,677.1	3,596.7
3	Accumulated other comprehensive income (and other reserves)	(b)	233.8	291.0
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**		**4,317.5**	**4,294.3**
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments		(2.2)	(2.2)
8	Intangible assets (net of related tax liability)	(c) (d)	(1,966.9)	(2,004.0)
15	Defined benefit pension fund surplus (net of related tax liability)	(e) (d)	(103.7)	(102.2)
16	Direct and indirect holdings by an institution of own CET1 instruments	(f)	(172.1)	(185.1)
21	Deferred tax asset adjustment	(g)	(0.2)	–
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**		**(2,245.1)**	**(2,293.5)**
29	**Common Equity Tier 1 Capital after regulatory adjustments**		**2,072.4**	**2,000.8**
45	**Tier 1 Capital (T1 = CET1 + AT1) after regulatory adjustments**		**2,072.4**	**2,000.8**
59	**Total Capital after regulatory adjustments**		**2,072.4**	**2,000.8**
60	**Total risk weighted assets**		**11,160.8**	**10,770.9**
	Capital ratios and buffers			
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**		**18.6%**	**18.6%**
62	**Tier 1 (as a percentage of total risk exposure amount)**		**18.6%**	**18.6%**
63	**Total capital (as a percentage of total risk exposure amount)**		**18.6%**	**18.6%**
64	**Institution specific buffer requirement (CET1 requirement in accordance with article 92(1)(a) plus capital conservation and countercyclical buffer requirements, plus systematic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)**		**7.92%**	**7.47%**
65	**Of which: capital conservation buffer requirement**		**2.50%**	**2.50%**
66	**Of which: countercyclical buffer requirement**		**0.92%**	**0.47%**
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**		**10.6%**	**10.6%**
	Amounts below the thresholds for deduction (before risk weighting)			
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		53.4	42.9
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in article 38(3) are met)		207.5	185.8

[1]The references identify balance sheet components in Table 2 that are used in the calculation of regulatory capital.

Appendix 2

Leverage disclosures

Table 14: Summary reconciliation of accounting assets and leverage ratio exposures

£m		2023	2022
1	Total assets as per published financial statements	20,628.9	21,334.6
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(10,038.4)	(10,196.7)
4	Adjustment for exemption of exposures to central banks	(1,683.8)	(2,410.7)
8	Adjustments for derivative financial instruments	42.9	49.0
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	97.8	115.2
12	Other adjustments	(2,198.6)	(2,247.0)
13	**Leverage ratio total exposure measure**	**6,848.8**	**6,644.4**

Table 15: Leverage ratio common disclosure

£m		2023	2022
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including capital)	9,471.6	10,257.5
6	Asset amounts deducted in determining tier 1 capital (leverage)	(2,198.6)	(2,247.0)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**7,273.0**	**8,010.5**
	Derivative exposures		
8	Replacement cost associated with derivatives transactions	14.0	16.5
9	Add-on amounts for potential future exposure associated with derivatives transactions	42.9	49.0
13	**Total derivatives exposures**	**56.9**	**65.5**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting)	1,104.9	863.9
18	**Total securities financing transaction exposures**	**1,104.9**	**863.9**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures after application of CCFs	97.8	115.2
22	**Other off-balance sheet exposures**	**97.8**	**115.2**
	Capital and total exposure measure		
23	**Tier 1 capital (leverage)**	**2,072.4**	**2,000.8**
24	**Total exposure measure including claims on central banks**	**8,532.6**	**9,055.1**
UK-24a	**(-) Claims on central banks excluded**	**(1,683.8)**	**(2,410.7)**
UK-24b	**Leverage ratio total exposure measure**	**6,848.8**	**6,644.4**
	Leverage ratio		
25	**Leverage ratio excluding claims on central banks (%)**	**30.3%**	**30.1%**
UK-25c	**Leverage Ratio including claims on central banks (%)**	**24.3%**	**22.1%**

Table 16: Breakdown of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

£m		2023	2022
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**5,589.2**	**5,599.8**
UK-3	Banking book exposures, of which:	5,589.2	5,599.8
UK-4	Covered bonds	107.1	112.8
UK-5	Exposures treated as sovereigns	561.1	229.0
UK-7	Institutions	1,497.2	1,680.7
UK-8	Secured by mortgages of immovable properties	120.1	157.4
UK-9	Retail exposures	75.5	89.1
UK-10	Corporate	639.5	466.9
UK-12	Other exposures (e.g. equity)	2,588.7	2,863.9

Appendix 3

Credit risk exposure segmentation

Table 17: Exposure value by geographical areas and exposure classes

	UK	Switzerland	US	Luxembourg	France	Singapore	Japan	Hong Kong	China	Other	Total
Central governments or central banks	1,966.4	71.5	108.8	-	-	23.4	-	-	-	0.1	2,170.2
Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	135.8	-	-	-	-	-	-	135.8
Institutions	550.8	130.8	20.3	7.4	48.6	47.3	169.9	58.3	181.6	411.7	1,626.7
Corporates	283.1	15.9	69.1	79.5	9.6	16.5	-	25.1	33.4	87.1	619.3
Retail	50.4	2.4	-	0.1	0.4	1.4	-	2.2	-	15.6	72.5
Secured by mortgages on immovable property	91.6	-	-	-	-	-	-	1.6	-	28.0	121.2
Exposures in default	-	-	-	-	-	-	-	-	-	6.2	6.2
Items associated with particular high risk	34.9	58.6	16.4	-	21.7	-	-	-	-	2.8	134.4
Covered bonds	107.1	-	-	-	-	-	-	-	-	-	107.1
CIUs	95.6	-	54.6	516.2	0.7	0.2	3.4	12.7	111.1	352.5	1,147.0
Equity	42.2	0.1	0.4	-	0.2	-	0.3	10.1	0.4	1.3	55.0
Other items	843.0	75.0	97.1	57.6	12.1	46.9	19.8	12.6	23.3	52.8	1,240.2
Total	**4,065.1**	**354.3**	**366.7**	**796.6**	**93.3**	**135.7**	**193.4**	**122.6**	**349.8**	**958.1**	**7,435.6**

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