Smith & Williamson

Pillar 3 disclosures

Smith & Williamson Holdings Limited

30 APRIL 2018

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The following terms are used in this document:

Board	The Board of Directors of Smith & Williamson Holdings Limited
CRD IV	Represents the Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR) that implement the Basel III capital proposals
EBA	European Banking Authority
FCA	Financial Conduct Authority
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Individual Liquidity Adequacy Assessment Process
PCG	Smith & Williamson Holdings Limited and those subsidiaries subject to consolidated supervision by the PRA
PRA	Prudential Regulatory Authority
S&W or the Group	Smith & Williamson Holdings Limited and all its subsidiaries
SWH	Smith & Williamson Holdings Limited
SWIS	Smith & Williamson Investment Services Limited

About Smith & Williamson

The Group is a leading UK provider of a range of personal and business services to support private clients and their business interests. S&W brings to bear the knowledge and expertise of more than 1,700 people dedicated to delivering this breadth of services. It is our ability, however, to combine solutions through an integrated proposition and single, senior point of contact which sets our business apart.

S&W offers a greater range of personal and business services than any other UK firm in our market. Services include business and private client tax solutions, investment management services, assurance and business services, restructuring and recovery services, forensic services, pension advice, corporate finance, fund administration, private banking, personal financial planning, managed portfolio services and management of equity and fixed income funds.

The business culture is client centric; driven by our clients' success, developing long-term relationships and achieving high levels of client satisfaction. Client relationships are built through personal engagement to provide a relationship led service, trusted delivery, a deep understanding of their individual circumstances and personalised solutions to meet the clients' requirements.

In 2017 the Board set-out its strategic ambition to drive profitable growth for the Group. Our growth strategy will enable our people to utilise modern technology and deliver a more comprehensive breadth and depth of joined-up services, when and where it is most appropriate for our clients.

Our five-year, client-focused strategy will help us continue to meet the opportunities and challenges of our market for many years to come. By ensuring high levels of client satisfaction, it should enable us to deliver significant growth in revenue, assets under management and profitability.

1. Introduction

This document presents the consolidated Pillar 3 disclosures of the Group as at 30 April 2018.

The document is designed to promote market discipline through the disclosure of key information around capital, risk exposures and risk management. It has been prepared in accordance with CRD IV.

Where appropriate, cross references have been made to supporting disclosures that are included within the 2018 Annual Report and Accounts. As such, these disclosures should be read in conjunction with that document.

2. Executive summary

Figure 1: Key ratios relating to the Group as at 30 April

	2018	2017
	%	%
Common Equity Tier 1 ("CET1") ratio	**25.0**	24.9
Total capital ratio	**25.0**	24.9
Leverage ratio	**8.9**	18.6
Liquidity coverage ratio ("LCR")	**1,027**	347

The Group's performance in the year to 30 April 2018 was robust, with operating income increasing by 9.0% to £266.7m (2017: £244.6m) and adjusted operating profit by 13.8% to £46.2m (2017: £40.6m).

Assets under management and advice increased 6.9% to £20.1bn (2017: £18.8bn), comparing favourably to the 2.9% increase in the MSCI WMA Balanced Index and the 4.2% increase in the FTSE 100 Index in the year. Funds under administration have grown by 27.2% to £11.7bn (2017: £9.2bn).

Over the last year, Group Risk Weighted Assets ("RWAs") increased by 13.0% to £528.2m (2017: £467.6m) reflecting an increase in deposits held by the Group's banking subsidiary, SWIS. This increase in RWAs was accompanied by an increase in own funds as a consequence of increased retained earnings. The Group is profitable, resulting in organic capital generation whilst at the same time allowing for the continued payment of a progressive dividend. As a result, the CET1 capital ratio increased from 24.9% to 25.0% reflecting the conservative risk weight assigned to treasury assets which are predominantly held with central banks and highly rated institutions.

The minimum capital requirement of 12.1% including Pillar 1, Pillar 2 and the combined capital buffers is met entirely with Common Equity Tier 1 capital.

The leverage ratio decreased from 18.6% to 8.9%. The reduction was due to client money being transferred to deposits with SWIS. Further detail on this transfer can be found in the Financial Review section of the 2018 Annual Report and Accounts.

The increase in the LCR from 347% to 1,027% was due to an increase in deposits held at the Bank of England which contributed to the pool of high quality liquid assets ("HQLA") held by SWIS.

The ratios in Figure 1 on page 4 are within the Group's risk appetite representing the amount and type of risk that the Board is prepared to accept and tolerate. The Board continues to set Group strategy in conjunction with risk appetite.

3. Disclosure policy

Basis of preparation

This document has been prepared in accordance with the requirements of Part Eight of the CRR.

The disclosures in this document differ from similar information presented in the 2018 Annual Report and Accounts. This is due to the basis of consolidation for regulatory purposes differing from that used for financial reporting under International Financial Reporting Standards ("IFRS"). Certain Group subsidiaries undertake business activities which are not required to be consolidated under CRD IV. The reconciliation between figures reported in the Pillar 3 disclosure and the 2018 Annual Report and Accounts is shown in Figure 3 on page 9 of this document.

Article 432 of the CRR, permits institutions to omit one or more disclosures if the information provided by such a disclosure is not regarded as material. The Group omits certain disclosures in respect of remuneration on this basis, refer to Section 10.

Frequency, media and location

The Group publishes its Pillar 3 disclosures annually, following the publication of the Annual Report and Accounts. The Group will reassess the need to publish some or all of the disclosures more frequently than annually in light of regulatory requirements or significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy, information about risk exposure and other items prone to rapid change.

The Pillar 3 disclosure is published and located on the Smith & Williamson website (www.smithandwilliamson.com).

Verification

This Pillar 3 disclosure document has been reviewed by the Group Risk & Compliance Committee ("GRCC"), Audit and Risk Oversight Committee ("AROC") and the Board to ensure that it is consistent with formal policies adopted regarding its production and validation.

Information in this report has been prepared solely to:

- meet the disclosure requirements under CRD IV for the entities forming the PCG see Figure 2 on page 7 of this document;
- disclose specified information about capital and other risks;
- provide details about the management of those risks.

The Pillar 3 disclosures are not subject to audit except where they are equivalent to those prepared under financial reporting requirements and disclosed in the 2018 Annual Report and Accounts. Wherever possible and relevant, the Board will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 ICAAP content e.g. disclosure about risk management practices and own funds at year end.

Risk profile disclosure

The Group is required to assess whether its external disclosures portray its risk profile comprehensively in order to comply with Part 8 of the CRR. Section 5 of this Pillar 3 document outlines the Group's approach to risk management. A full analysis can be found in the 2018 Annual Report and Accounts.

Current developments

In March 2017, the EBA published final guidelines on the disclosure of the LCR as a key ratio. The Group has adopted the disclosures where they apply to all institutions and disclosures of the LCR are shown in Figure 14 on page 24 of this document.

In April 2017, the PRA issued a supervisory statement on remuneration (SS2/17) which modified the disclosure requirements required within Pillar 3 based on total asset size. The level of remuneration disclosure within Section 10 has been revised in line with the relevant PRA guidance for the size of the Group. The Group has not applied guidelines which are only applicable to global systemically important institutions and other systemically important institutions.

In December 2017, the PRA issued a supervisory statement on Pillar 2a capital requirements and disclosure. From 1 January 2018, the term 'Total Capital Requirement' ("TCR") will replace the term 'Individual Capital Guidance' ("ICG"). The TCR refers to the amount and quality of capital a firm must maintain to meet minimum capital requirements and is the aggregate of Pillar 1 and Pillar 2a capital requirements. The PRA will individually apply Pillar 2a capital requirements to firms in line with scheduled capital reviews. The PRA expects firms to continue to abide by their ICG until such a time as it is formally replaced with a TCR. The PRA expects firms to disclose their TCR, or where a Pillar 2a capital requirement has not yet been set, the total Pillar 1 and Pillar 2a guidance. This disclosure was included on page 34 of the 2018 Annual Report and Accounts.

IFRS 9 'Financial instruments' will apply to the Group from 1 May 2018. An explanation of the impact on the Group is included on page 72 of the 2018 Annual Report and Accounts.

4. Scope of consolidation

Regulatory consolidation

Smith & Williamson Holdings Limited is the ultimate parent undertaking for all authorised financial services firms within the Group. The Group is subject to PRA supervision on a consolidated basis as SWIS is a licensed deposit taker. These regulated financial services entities are collectively referred to as the PCG throughout this document. The regulatory consolidation differs from the statutory consolidation as some Group entities are engaged in the provision of services which are unregulated and are not required to be consolidated

under CRD IV. The service offerings of entities outside of the PCG include assurance and business services, private client tax, corporate tax, forensic services and restructuring and recovery.

All companies included in the PCG, other than Smith & Williamson Investment Management LLP ("SWIM LLP"), are limited by ordinary shares. Other than the requirement to hold regulatory capital within some of the PCG entities, there are no practical or legal impediments to the prompt transfer of capital between SWH and its principal subsidiaries. All subsidiaries are 100% owned by SWH or the immediate parent with the exception of SWIM LLP which is 93% owned by S&W IM Ltd.

The entities which constitute the PCG at 30 April 2018 are shown in Figure 2 below:

Figure 2: Entities forming the PCG at 30 April 2018

Company	Nature of business
S&W Holdings Limited ("SWH")	Holding company.
S&W Investment Management LLP ("SWIM LLP")	Investment management services with a core activity of private client Discretionary Fund Management (DFM). A Managed Portfolio Service (MPS) is also offered for advisers.
S&W Investment Services Limited ("SWIS")	Deposit taking activities linked to the investment management services provided by SWIM LLP. Loans to individuals. Provision of dealing and custody activities. Derivatives activity on behalf of clients.
NCL Investments Ltd ("NCL")	The provision of agency stockbroking services, in the UK and foreign equity markets.
S&W Financial Services Limited ("SWFS")	Financial services.
S&W Corporate Finance Limited ("SWCF")	Corporate finance.
S&W Fund Administration Limited ("SWFAL")	Fund administration services including acting as Authorised Corporate Director (ACD) for Open Ended Investment Companies (OEICs) and as the authorised fund manager for unit trusts. The company is responsible for the setup and ongoing administration of the funds.
S&W Investment Management (Ireland) Limited ("SWIM (I)")	The company is engaged in the management of Smith & Williamson Investment Funds plc, an open-ended investment company.
S&W IM Ltd	Intermediate holding company.
S&W International Limited ("SWI")	Investment management services.
NCL (Securities) Limited	Intermediate holding company.
S&W Group Holdings Limited	Intermediate holding company.
S&W Corporate Services Limited	Ancillary services.
S&W Pensioneer Trustee Limited	Financial services.
25 Moorgate Limited	Property management.
Cunningham Coates Limited	Dormant company.
S&W Holdings Limited Employee Benefit Trust ("EBT")	Employee benefit trust

Subsidiary disclosures

SWIS is recognised as a material entity and in accordance Article 13 of the CRR (Application of disclosure requirements on a consolidated basis), requires additional disclosures in respect of own funds, own funds requirements and leverage exposures which can be found in Appendix I, II, III, IV and VI.

The Group includes a special purpose entity established in connection with the Group's EBT. The Group has no direct or indirect interest in the EBT but it is consolidated and accounted for as a subsidiary under IFRS 10 and included within the scope of the PCG.

There is no significant risk transfer associated with the EBT and therefore for the purposes of regulatory capital and Pillar 3 disclosures, the EBT is incorporated within Group disclosures.

Prudential consolidation

Figure 3 below provides a reconciliation of the Group's balance sheet on an IFRS10 accounting basis (which includes all Group subsidiaries and special purpose entities) to the PCG balance sheet prepared in accordance with CRD IV.

Figure 3: Reconciliation of audited financial statements to regulatory balance sheet

	As at 30 April 2018			2017
	Group statutory balance sheet	Elimination of non-PCG entities under CRD IV	**PCG balance sheet**	PCG balance sheet
	£'000	£'000	**£'000**	£'000
Assets				
Intangible assets	116,823	(74,051)	**42,772**	38,911
Other non-current assets	8,571	38,731	**47,302**	38,727
Non-current assets	125,394	(35,320)	**90,074**	77,638
Current assets	1,519,840	(62,560)	**1,457,280**	600,140
Total assets	1,645,234	(97,880)	**1,547,354**	677,778
Total liabilities	1,365,062	(32,203)	**1,332,859**	490,158
Net assets	280,172	(65,677)	**214,495**	187,620
Equity				
Share capital	5,557	-	**5,557**	5,557
Share premium	25,150	-	**25,150**	25,150
Own shares	(27,654)	-	**(27,654)**	(23,426)
Other reserves				
Capital redemption reserve	14,546	-	**14,546**	14,546
Merger reserve	97,991	(47,704)	**50,287**	50,287
Available-for-sale reserve	7,111	7,114	**14,225**	4,741
Retained earnings	147,791	(22,503)	**125,288**	103,598
	270,492	(63,093)	**207,399**[2]	180,453[2]
Non-controlling interests	9,680	(2,584)	**7,096**	7,167
Total equity	280,172	(65,677)	**214,495**	187,620

[2] refer to Figure 6 on page 13

The principal legal entity excluded from prudential consolidation under CRD IV is Smith & Williamson LLP, a chartered accountancy practice not engaged in the provision of regulated financial services.

5. Risk management

This section details the Group's approach to risk management. A full analysis can be found on pages 26-29 of the 2018 Annual Report & Accounts. The purpose of risk management is to identify, quantify and manage those risks that are inherent in the Group's business activities, in line with the Board's strategic objectives and risk appetite. In recent years, the Group has made significant investment in its risk management and compliance capabilities to help embed the risk management framework. This framework is underpinned by policies, procedures and reporting, all of which will continue to evolve with the needs of the Group, as it seeks to deliver its strategic objectives.

Risk management framework

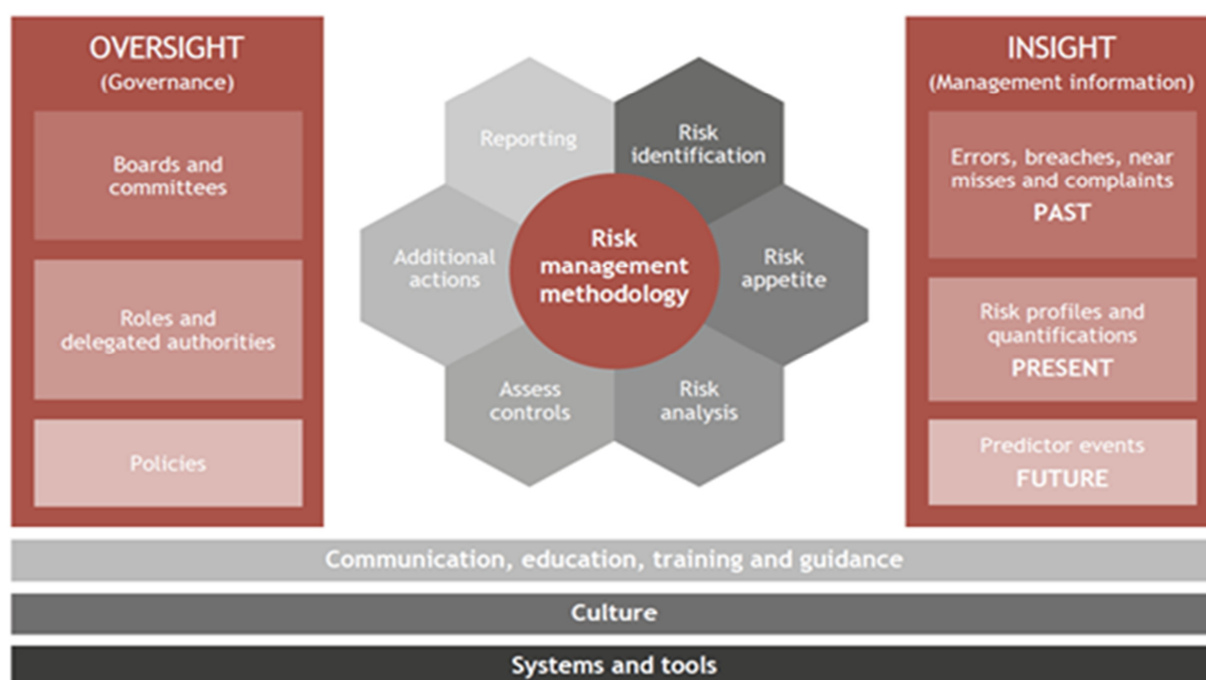
The objectives of the Risk Management Framework ("RMF") are to:

- align our business strategy and risk appetite;
- pursue business objectives through the transparent identification and management of risk;
- prioritise and select optimal business opportunities (i.e. those with a good risk/reward balance);
- inform and enhance risk-response decisions;
- identify and manage transversal/cross-firm risks;
- ensure continuation of our culture integrity, ethical values and competence;
- ensure continuity of an overall 'risk-conscious' organisation;
- ensure compliance with existing and emerging relevant regulation.

The RMF supports these objectives by establishing processes to:

- ensure there is an appropriate governance structure in place to identify and manage risks that provides the Group with a level of risk assurance;
- produce a comprehensive and accurate view of the risk profile, at an appropriate level of materiality, to inform the decision-making process and risk-taking;
- provide management information on material risks which lie outside risk appetite, and on those volatile risks that require close management and monitoring.

Figure 4: Risk Management Framework

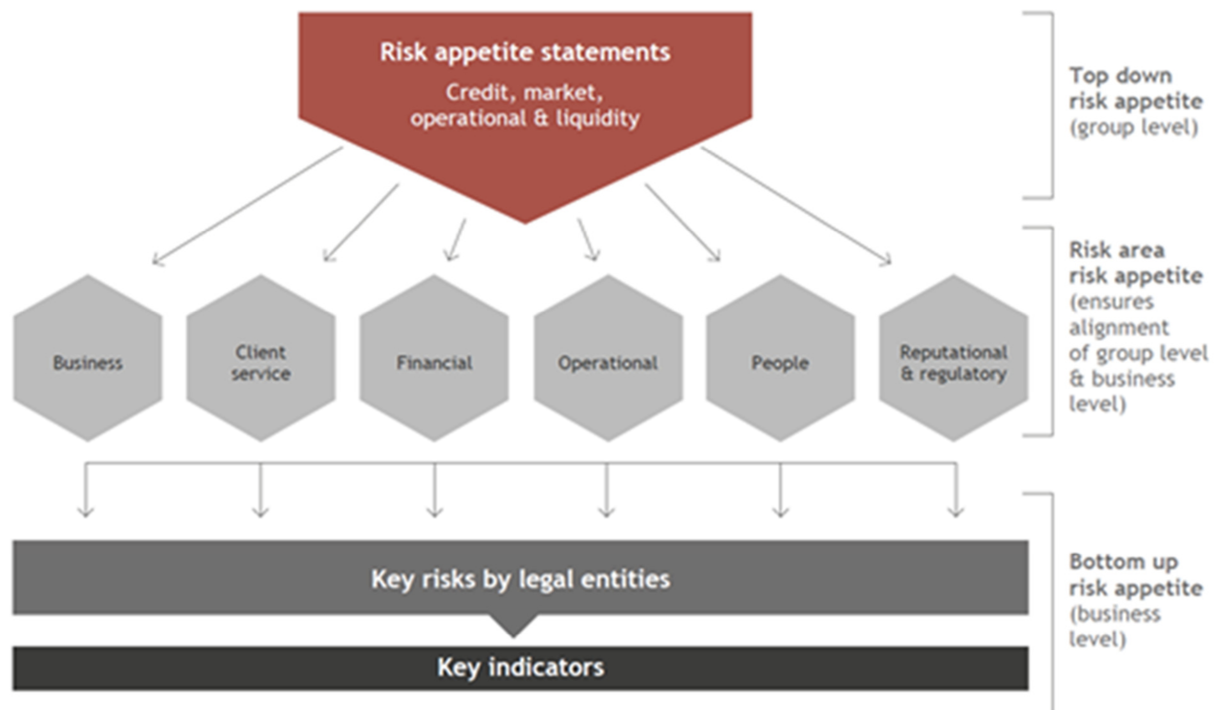


Risk management methodology

The risk management methodology within the RMF consists of the following six interlinked steps:

1. **Risk identification** – this takes place through regular business monitoring and periodic reviews including risk-mapping exercises and internal audit reviews.
2. **Risk appetite** – once we have identified risks, we set an appetite for each material risk. This defines the amount of risk that the relevant Board is prepared to accept in order to deliver its business objectives. Risk appetite reflects culture, strategic goals and the existing operating and control environment. The Group's risk appetite framework is illustrated in Figure 5, on page 12 of this document.
3. **Risk analysis** – having set the risk appetite, we can analyse each material risk to determine its probability and how its financial, reputational, operational and client impacts relate to that appetite. This can include the quantification of capital risk as part of the Internal Capital Adequacy Assessment Process ("ICAAP").
4. **Assess controls** – we also assess the effectiveness of controls in reducing the probability of a risk occurring or, should it materialise, in mitigating its impact.
5. **Additional actions** – where differences exist between our risk appetite and the current residual risk profile, we take action either: to accept, avoid or transfer part or all of those risks which are outside our risk appetite; or to reconsider the risk appetite.
6. **Reporting** – on-going reporting of risks to senior management provides insight to inform decision making and help them allocate resources to achieve business objectives.

Figure 5: Risk appetite framework



Other risk management disclosures

Other disclosures required under Article 435 regarding directorships held by the Board, recruitment policies for the Board, diversity objectives and policies and information on the separate risk committees are detailed in the 2018 Annual Report & Accounts.

6. Regulatory capital framework

This section contains an outline of the capital regulations which the PCG is subject to under CRD IV. CRD IV is supplemented by regulatory technical standards and the PRA rulebook which are subject to change as certain aspects of CRD IV are dependent on clarifications to be issued by the EBA and adopted by the European Commission and the PRA.

Regulatory capital

Figure 6: PCG own funds

	2018 £'000	2017 £'000
Share capital	**5,557**	5,557
Share premium	**25,150**	25,150
Retained earnings	**125,288**	103,598
Other reserves	**79,058**	69,574
Own shares	**(27,654)**	(23,426)
	207,399[3]	180,453[3]
Deductions		
Goodwill and intangible assets	**(42,772)**	(38,911)
Qualifying holdings outside the financial sector	**(19,719)**	(13,555)
Foreseeable dividends	**(13,100)**	(11,421)
	(75,591)	(63,887)
Common Equity Tier 1 after deductions	**131,808**	116,566
Additional Tier 1 capital	**-**	-
Tier 2 capital	**-**	-
Own funds	**131,808**	116,566
Pillar 1 RWAs		
Credit risk	**257,060**	217,356
Counterparty credit risk	**169**	201
Operational risk	**270,970**	249,995
Total RWAs	**528,199**	467,552
CET1 ratio	**25.0%**	24.9%
Tier 1 ratio	**25.0%**	24.9%
Total capital ratio	**25.0%**	24.9%

[3] refer to Figure 3

The Group's own funds are classified according to the characteristics of permanency and loss absorbing capacity exhibited as explained below:

- **Common Equity Tier 1 capital**

The PCG's regulatory capital consists entirely of CET1 capital. This consists of permanent ordinary share capital, share premium, retained earnings and other reserves. Deductions from CET1 capital for regulatory purposes include intangible assets, investment in own shares, qualifying holdings outside the financial sector and foreseeable dividends.

CET1 represents capital with the highest degree of loss absorbency.

- **Additional Tier 1 and Tier 2 capital**

The Group has not issued any Tier 1 or Tier 2 instruments.

Capital requirements

The capital and prudential requirements included within the capital regulations are categorised under three pillars:

1. Pillar 1 – own funds requirement

Pillar 1 of the regulatory framework focuses on the determination of RWAs in respect of the PCG's exposure to credit, counterparty, operational and market risks.

- *Credit risk*

The PCG uses the standardised approach for all credit risk exposures. The standardised approach is a methodology for the calculation of credit risk. Under this approach the PCG applies external credit ratings to determine risk weights for credit counterparties.

Refer to Section 7.1 for further consideration of credit risk.

- *Counterparty credit risk*

SWIS is exposed to counterparty credit risk as a consequence of client trading activity. Clients utilise traded options and futures for investment purposes and SWIS takes matched principal positions to facilitate the client trades.

Client positions are fully collateralised and pose minimal risk to SWIS.

Refer to Section 7.2 for further consideration of counterparty credit risk.

- *Market risk*

The standardised approach for market risk is applied to positions in the trading book. The PCG's trading book is negligible and arises out of the client settlement cycle.

Refer to Section 7.3 for further consideration of market risk.

- *Operational risk*

The PCG utilises the standardised approach to the measurement of operational risk. Under this approach a percentage is applied to the three-year average of the PCG's relevant income streams to derive the operational risk capital component.

Refer to Section 7.4 for further consideration of operational risk.

2. Pillar 2 - supplementary capital and buffers

Pillar 2a

Pillar 2a capital requirements are supplementary to the Pillar 1 capital requirements. Pillar 2a requires the PCG to assess the adequacy of capital held under Pillar 1 and where deficiencies are identified to hold additional capital against specific risks not recognised or captured under Pillar 1. The assessment as to the adequacy of Pillar 1 capital is undertaken annually through the ICAAP.

The Pillar 2a capital requirement for the PCG is set by the Board and is subject to review by the PRA resulting in the imposition of an ICG which comprises a proportion of RWAs together with a fixed quantum in respect of pension obligation risk. At 30 April 2018, Pillar 2a represented 2.2% of RWAs and the TCR (Pillar 1 and Pillar 2a) was 10.2%. Significant risks requiring Pillar 2a capital to be allocated include:

- *Pension obligation risk* – entities within the PCG are the sponsoring employers of two defined benefit pension schemes and additional capital is held to protect against adverse movements in equity markets, interest rates and mortality rates. The schemes are closed to new members.
- *Interest rate risk in the banking book* – entities within the PCG hold interest bearing financial instruments with varying maturity dates and movements in interest rates could adversely impact own funds.
- *Operational risk* – the PCG holds additional capital to cover the risk of loss resulting from inadequate or failed internal processes, people, systems or external events beyond the control of PCG entities.

Regulatory capital buffers

CRD IV introduced the requirement for institutions to hold additional capital to remove or reduce the build-up of systemic risk in times of excessive credit growth and to provide additional loss absorbing capacity.

The PCG is subject to the following regulatory capital buffers which must be met with CET1 at all times:

- *Capital conservation buffer ("CCB")*

The PCG is subject to the CCB. On 1 January 2018, the CCB increased from 1.25% to 1.875% of RWAs and will rise to 2.5% of RWAs on 1 January 2019.

- *Countercyclical buffer ("CCyB")*

The PCG is subject to the CCyB. At 30 April 2018, CCyB was set at zero for the UK. However, the Financial Policy Committee has announced that it will rise to 0.5% of RWAs in June 2018 and subsequently to 1% of RWAs in November 2018. See Appendix V and VI for further analysis.

3. Pillar 3

Pillar 3 is designed to promote market discipline through the disclosure of key information around capital, risk exposures and risk management.

7. Overview of Pillar 1

7.1. Credit risk

Credit risk is the loss arising from a client or counterparty failing to meet their financial obligations as and when they fall due.

Exposure

PCG entities incur exposure to credit risk in the course of their commercial activities. The Board has an appetite for credit risk provided that such risk is proportionate, prudent and sustainable.

Credit risk arises principally from the treasury portfolio of SWIS which includes exposures to the Bank of England, treasury bonds and deposits with a variety of banks and building societies.

The Group's banking subsidiary engages in retail lending. Loans are offered to clients of the investment management business who have short term credit requirements. Exposures to clients are secured against collateral in the form of equities, bonds and collective investments held in the name of the Group's nominee company. In all instances, the collateral provided by the client significantly exceeds the PCG's exposure to the client. The loan enables the client to utilise investment portfolio assets for liquidity purposes whilst maintaining exposure to equity and fixed income markets.

To a lesser extent, credit exposure is incurred as part of the invoicing cycle for services rendered by PCG entities. This is not considered material to the PCG.

Monitoring

The Board has approved policies and procedures which cover the granting of credit, the ongoing monitoring of exposures and the adequacy of collateral and the recovery process, following recommendations from committees of the Board, to which it has delegated the responsibility of monitoring credit exposures with respect to aggregate exposures and collateral monitoring to those committees who will provide summarised reporting and manage day-to-day issues in respect of credit exposures.

Controls to manage the overall level of credit exposure within the PCG include:

- Establishment of limits to institutional and retail counterparties;
- Monitoring of adherence to counterparty limits, geographical and industry exposure concentration and large exposures to single name counterparties;
- Periodic review of the approach to credit risk mitigation;
- Monitoring of the adequacy of collateral and its legal enforceability.

Measurement

The Pillar 1 credit risk capital requirement at 30 April 2018 was £20.6m (2017: £17.4m), Figures 7 - 10 on pages 18 and 19 of this document provide further analysis of credit risk exposure.

Figure 7: Exposure class

	Average for the year ended 30 April 2018	As at 30 April 2018	Risk-weighted assets	8% of risk weighted exposures
	£'000	£'000	£'000	£'000
Central government or central banks	286,120	835,836	-	-
Institutions	319,493	464,667	127,046	10,164
Retail	73,240	83,841	32,394	2,592
Equity	29,974	31,351	38,034	3,043
Default	168	170	255	20
Other	65,111	59,331	59,331	4,746
Total	774,106	1,475,196	257,060	20,565

'Other' items include settlement balances, other receivables, fixed assets, prepayments, accrued income and other less material exposures.

Figure 8: Geographic distribution

As at 30 April 2018

	UK	Europe	America	Other	Total
	£'000	£'000	£'000	£'000	£'000
Central government or central banks	835,836	-	-	-	835,836
Institutions	246,630	135,557	15,334	67,146	464,667
Retail	78,225	2,311	1,469	1,836	83,841
Equity	27,934	3,417	-	-	31,351
Default	170	-	-	-	170
Other	59,331	-	-	-	59,331
Total	1,248,126	141,285	16,803	68,982	1,475,196

Figure 9: Counterparty type

As at 30 April 2018

	Banks	Non-banks	Total
	£'000	£'000	£'000
Central government or central banks	835,836	-	835,836
Institutions	449,101	15,566	464,667
Retail	-	83,841	83,841
Equity	3,417	27,934	31,351
Default	-	170	170
Other	-	59,331	59,331
Total	1,288,354	186,842	1,475,196

Figure 10: Residual maturity

As at 30 April 2018

	< 1 month	1 to 3 months	3 to 12 months	> 1 year	Undated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Central government or central banks	835,836	-	-	-	-	835,836
Institutions	292,124	12,019	160,524	-	-	464,667
Retail	83,841	-	-	-	-	83,841
Equity	8,320	-	-	302	22,729	31,351
Default	-	170	-	-	-	170
Other	42,694	11,605	1,826	3,206	-	59,331
Total	1,262,815	23,794	162,350	3,508	22,729	1,475,196

Standardised approach to credit risk

The standardised approach to credit risk requires institutions to calculate the risk weights for rated counterparties using the risk assessments prepared by External Credit Assessment Institutions ("ECAIs"). Fitch Ratings and Moody's Investor Service have been nominated for this purpose. These assessments are used within the PCG as part of the calculation of risk weights for both government and institutional exposure classes.

Exposures are assigned to one of six credit quality steps, where ratings are available. Exposure class and maturity are then used to assign the applicable risk weight.

Figure 11: Credit quality

As at 30 April 2018

	Credit quality step 1	Credit quality step 2	Credit quality step 3	Unrated[1]	Total
	£'000	£'000	£'000	£'000	£'000
Fitch Ratings	AAA to AA-	A+ to A-	BBB+ to BBB-		
Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3		
Central government or central banks	835,836	-	-	-	835,836
Institutions	184,209	232,180	46,276	2,002	464,667
Retail	-	-	-	83,841	83,841
Equity	3,417	-	-	27,934	31,351
Default	-	-	-	170	170
Other	-	-	-	59,331	59,331
Total	1,023,462	232,180	46,276	173,278	1,475,196

[1] Unrated exposures include loans and advances to clients, investment in subsidiaries outside the PCG, items in the course of settlement and other less material unrated exposures.

Impairment of receivables

The accounting policy for impairment of financial assets and trade receivables is described in note 1 of the 2018 Annual Report and Accounts for the year ended 30 April 2018.

Financial assets, predominantly exposures to central banks and institutions, were neither past due nor impaired at the balance sheet date.

Trade receivables relate to unsettled client invoices which are typically due for payment on issue. Accordingly, all trade receivables are considered past due once issued. PCG entities assess impairment at 30 April 2018 and the impairment provision was not considered material to the PCG.

The movements in impairment provisions relating to trade receivables is shown below. All items recorded as past due relate to UK exposures.

Figure 12: Movements in provision for past due and impaired items as at 30 April

	2018	2017
	£'000	£'000
Opening balance	**19**	62
Increase in provision	**164**	261
Provisions written off	**(129)**	(304)
Closing balance	**54**	19

7.2. Counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a transaction defaults before final settlement of the transaction's cash flow.

Exposure

PCG exposure to counterparty credit risk is in respect of delivery versus payment and arises through the market settlement cycle.

Monitoring

The settlement cycle is monitored on a daily basis by the Group's settlement operations function. Procedures and controls are in place to promptly rectify unmatched trades and to minimise free deliveries. Netting agreements are in place with foreign exchange counterparties. Settlement is encouraged through the Continuous Linked Settlement process wherever possible.

Measurement

Counterparty credit risk is measured on a mark-to-market basis taking into account the current replacement cost, future credit exposures and residual maturity of the contract.

The Pillar 1 counterparty credit risk capital requirement at 30 April 2018 was £0.2m (2017: £0.2m).

7.3. Market risk

Market risk arises from fluctuations in the value of, or income from, assets (equity, fixed interest, or other traded markets), interest rates or foreign exchange rates that impact the PCG's financial position.

Exposure

The PCG does not take proprietary equity trading positions. The PCG operates a small trading book which arises as a consequence of business operations, specifically:

- temporary positions in equities, bonds and collective funds arising from dealing errors;
- immaterial foreign exchange positions to facilitate client trading activity.

To facilitate derivative trading by clients the PCG enters into derivative contracts on a matched principal basis in which the PCG's exposure to the market is offset by an equivalent trade with the client.

The PCG does not take proprietary positions in derivative instruments other than warrants acquired as consideration for corporate finance engagements.

The Group has long term investments in unlisted entities which are not held as part of a trading strategy.

Figure 13: Non-trading book equity exposures

	2018	2017
	£'000	£'000
Listed	696	1,023
Unlisted		
Third party exposures	7,934	7,820
Exposures to S&W subsidiaries excluded from prudential consolidation under CRD IV	42,448	33,073
Total	**51,078**	41,916
Cost	29,717	30,161
Fair value adjustment	21,361	11,755
Total	**51,078**	41,916

Monitoring

Control over the foreign exchange exposure is achieved by limiting the net forward book to £0.5m in any one currency and £1m in aggregate. Limits are monitored and controlled by senior personnel within SWIS.

Client positions in derivative contracts are monitored to ensure margin requirements are covered by adequate levels of collateral.

The Board has delegated responsibility to a committee of the Board for monitoring the performance and appropriateness of the Group's unlisted equity investments and the role they fulfil in the execution of Group strategy.

Measurement

An overview of the accounting techniques and valuation methodologies used, including key assumptions, is contained in note 19 of 2018 Annual Report and Accounts.

The cumulative realised gains arising from disposal of investment securities during the year ended 30 April 2018 was nil. Unrealised gains recognised in other comprehensive income and included within the PCG's CET1 capital was £0.1m (2017: £0.9m).

The Pillar 1 capital requirement for market risk at 30 April 2018 was nil (2017: nil).

7.4. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Exposure

The Group is exposed to operational risk which may arise from:

- errors in transaction processing;
- breaches of internal control systems;
- non-compliance with regulatory and legal requirements;
- potential for the Group to be subject to internal or external fraud;
- damage to physical assets;
- business disruption due to systems failures, execution, delivery and process management or other events.

Monitoring

The Group's objective is to both control and manage operational risk in a cost effective manner consistent with the Board's risk appetite. The Board manages this risk through a variety of policies, procedures, controls and mitigation techniques, including the use of insurance. Further independent assurance is provided by Internal Audit.

Measurement

The PCG adopted the standardised approach in determining the capital requirement for operational risk. Under this method the last three years' revenues were mapped into a number of business lines and averaged. Percentages ranging between 12% and 18% were applied to the various business stream revenues to calculate the relevant operational risk capital requirement.

The Pillar 1 operational risk capital requirement at 30 April 2018 was £21.7m (2017: £20m). In addition, the Pillar 2a add on will address the additional capital requirement relating to operational risk not covered under Pillar 1.

8. Capital requirements

8.1. Interest rate risk in the banking book

Interest rate risk is the risk to earnings or capital due to significant unexpected changes in interest rates.

Exposure

The treasury portfolio held by SWIS is the major source of interest rate risk. The Board regularly considers exposure to interest rate risk with increased monitoring undertaken in periods of increased interest rate volatility.

Monitoring

The Board has put in place policies to limit the adverse impact of a sudden 2% movement in interest rates. Limits are monitored daily to minimise the impact upon the PCG.

Measurement

The table below analyses the impact of a 2% movement in interest rates:

Impact on the PCG as at 30 April

	2018 £'000	2017 £'000
Upward shift in interest rates	(2,047)	(1,277)
Downward shift in interest rates	2,117	1,318

There is no Pillar 1 capital requirement related to interest rate risk in the banking book. The Group allocates Pillar 2a capital to address the risk.

8.2. Liquidity risk

The risk that the Group does not have sufficient financial resources available to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost.

Exposure

The Group has minimal exposure to liquidity risk. Deposits placed with SWIS represent surplus cash held for investment purposes by investment management clients. The deposits are not considered transactional in nature from a consumer perspective. Accordingly, the deposit inflows and outflows do not follow the behaviour pattern of a traditional retail bank business model. The vast majority of clients will hold a current account with another bank through which day-to-day cash flows will pass.

Net liquidity flows in the banking subsidiary are primarily a consequence of trading activity in financial markets.

The majority of SWIS's assets are held at the Bank of England with immediate access. As such, deposit outflows, which predominantly represent client buy-side investment activity, are readily satisfied out of surplus cash. There is no potential for the banking subsidiary to incur funding costs as a result of a shortfall in liquid assets. Even in the extreme event of a firm specific reputational event, deposit outflows would be met by

cash held at Bank of England or liquidation of the treasury portfolio and no situation could arise in which the Group has to borrow to satisfy client withdrawals.

The PCG's non-banking entities maintain liquid resources to support business operations and there are no restrictions on the transfer of liquid assets between Group entities.

Monitoring

The Group monitors liquidity risk on both a daily basis, in the case of SWIS and on a monthly basis in respect of non-banking entities.

The Group performs liquidity stress testing as part of the ILAAP which is conducted annually.

Measurement

The Group observes the liquidity coverage ratio. A Pillar 2a add-on is not allocated against liquidity risk from either a capital or liquidity perspective.

Figure 14: Liquidity coverage ratio as at 30 April

	2018	2017
	£'000	£'000
Liquidity buffer	**835,407**	149,171
Total net cash outflows	**81,312**	42,946
LCR	**1,027%**	347%

The increase in the LCR from 347% to 1,027% was due to an increase in deposits held at the Bank of England which contributed to the pool of high quality liquid assets ("HQLA") held by SWIS.

8.3. Pension obligation risk

Pension obligation risk is the risk that the Group has a legal or constructive obligation to a defined benefit pension scheme which it is unable to meet as the liability becomes due.

Exposure

The PCG operates two defined benefit schemes. The Group's exposure to pension obligation risk arises from:

- Movements in equity markets in which the scheme assets are invested;
- Movements in interest rates;
- Changes in the mortality rate of pensioners.

The Group does not currently make an employer contribution to either scheme given the actuarial surplus.

Monitoring

Both schemes are monitored by a board of trustees who assess investment performance and the need for further employer contributions.

Measurement

At 30 April 2018 both defined benefits schemes reported an actuarial surplus, refer to note 22 of the 2018 Annual Report and Accounts for further details.

Figure 15: Pension valuation

	S&W Scheme		NCL Scheme		Total	
	2018 £'000	**2017 £'000**	**2018 £'000**	**2017 £'000**	**2018 £'000**	**2017 £'000**
Fair value of plan assets	725	734	26,325	33,863	27,050	34,597
Present value of funded obligations	(699)	(622)	(25,173)	(34,570)	(25,872)	(35,192)
Surplus/deficit in scheme	**26**	112	**1,152**	(707)	**1,178**	(595)

There is no Pillar 1 capital requirement related to pension obligation risk. The Group allocates Pillar 2a capital in respect of pension risk.

8.4. Other risks

At 30 April 2018 the PCG did not allocate Pillar 1 or Pillar 2a capital against residual risk, securitisation risk, concentration risk, business/strategic risk or insurance risk.

9. Leverage ratio

Under the UK Leverage Framework, the PCG is not required to comply with the minimum leverage ratio under CRD IV. The Framework is only currently applicable to institutions with retail deposits greater than £50bn. However, the Board monitors the PCG leverage ratio in the event of prudential policy change.

Figure 16 sets out the PCG leverage ratio under CRD IV leverage requirements in accordance with the Commission Implementing Regulation (EU) 2016/200. Any blank cells in the template have been removed from the disclosure.

Figure 16: PCG Leverage ratio as at 30 April 2018

Summary reconciliation of accounting assets and leverage ratio exposures		
Ref		Applicable amount £'000
1	Total assets as per published financial statements	1,645,234
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(97,880)
8	**Total leverage ratio exposure**	**1,547,354**

Leverage ratio common disclosure		
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,547,354
2	Asset amounts deducted in determining Tier 1 capital	(62,491)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**1,484,863**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at notional amount	44,149
18	(Adjustments for conversion to credit equivalent amounts)	(39,734)
19	Other off-balance sheet exposures	**4,415**
20	Tier 1 capital	131,808
21	Total leverage ratio exposures	1,489,278
	Leverage ratio	
22	Leverage ratio	8.9%
	Choice on transitional arrangements	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in

Figure 16: PCG Leverage ratio as at 30 April 2018 (continued)

Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
Ref		Applicable amount £'000
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1,547,354
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	1,547,354
EU-4	-Covered bonds	-
EU-5	-Exposures treated as sovereigns	835,836
EU-6	-Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	-Institutions	464,667
EU-8	-Secured by mortgages of immovable properties	-
EU-9	-Retail exposures	39,692
EU-10	-Corporate	-
EU-11	-Exposures in default	170
EU-12	-Other exposures	206,989

Disclosure of qualitative items

Processes used to manage the risk of excessive leverage:

- Whilst the leverage ratio is not currently applicable to the Group, the Board takes the prudent stance and monitors the metric for internal reporting purposes to mitigate the risk.

Factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers:

- The leverage ratio decreased from 18.6% to 8.9%[1] in the period. The reduction was due to the transfer of client money to deposits with the banking subsidiary.

[1]If the UK leverage framework applied to the PCG, whereby qualifying central bank claims can be excluded from the leverage exposure measure, the ratio would increase from 8.9% to 20.2%.

10. Remuneration disclosure

The remuneration committee is responsible for setting remuneration policy for all partners, directors and employees within the Group including individuals designated as Material Risk Takers ("MRTs") under the Remuneration Code. Our remuneration policy is designed to be compliant with the Code and provides a framework to attract, retain, motivate and reward partners, directors and employees. The overall policy is designed to promote the long-term success of the Group and to support prudent risk management, with particular attention to conduct risk.

Remuneration committee

The remuneration committee report contained in pages 58-61 of the 2018 Annual Report and Accounts includes details on the remuneration policy. The remuneration committee comprises five non-executive directors and is governed by formal terms of reference, which are reviewed and agreed by the Board. The committee met eight times during 2017-18.

Remuneration policy

The main principles of the remuneration policy are:

- to align remuneration with the strategy and performance of the business;
- to ensure that remuneration is set at an appropriate and competitive level taking into account market rates and practices;
- to foster and support conduct and behaviours which are in line with our culture and values;
- to maintain a sound risk management framework;
- to ensure that the ratio between fixed and variable remuneration is appropriate and does not encourage excessive risk taking;
- to comply with all relevant regulatory requirements;
- to align incentive plans with the business strategy and shareholder interests.

The policy is designed to reward partners, directors and employees for delivery of both financial and non-financial objectives which are set in line with Group strategy. As part of a "balanced scorecard" approach to variable remuneration non-financial criteria including compliance and risk issues, client management, supervision, leadership and teamwork are considered alongside financial performance.

Remuneration systems

The remuneration committee reviews all partners and directors fixed and variable remuneration. In addition, it approves hurdles and awards in respect of equity incentive plans, namely a deferred option plan, Equity Matching Plan, Matching Share Plan, Executive Long Term Incentive Plan and an Investment Management Long Term Incentive Plan.

The remuneration of partners is made up of a fixed profit share, discretionary bonus profit share and non-discretionary bonus profit share. The remuneration of employees typically comprises salary, pension, life assurance, permanent health insurance, private medical insurance, SAYE scheme and a discretionary bonus scheme. Partners, directors and associate directors are also eligible to participate, at the invitation of the committee, in the equity incentive plans described above.

When considering variable remuneration for the executive directors, the committee takes account of overall business profit for the Group, the achievement of both financial and non-financial objectives (including adherence to the principles of treating customers fairly, conduct risk, compliance and regulatory rules), personal performance and any other relevant policy of the Board. The remuneration committee agrees the individual allocation of variable remuneration and the proportion of that variable remuneration to be awarded as restricted shares.

Aggregate quantitative information

In the UK, all regulated areas of the business fall into proportionality level 3 under the Remuneration Code. In accordance with relevant regulation, Smith & Williamson has identified 47 MRTs during 2017-18, defined as those staff members who are deemed to have a material impact on the Group's risk profile. This includes MRTs identified under AIFMD and UCITS V.

The total aggregate remuneration, excluding exceptional items, for the year ended 30 April 2018 was £142.6m.

The total aggregate remuneration paid and equity awarded to Group MRTs for the year ended 30 April 2018 can be broken down by role as follows:

Figure 17: Aggregate MRT remuneration split by business division

As at 30 April 2018

	Fixed	Variable cash	Variable Equity	Total
	£'000	**£'000**	**£'000**	**£'000**
SWH Board members	1,786	1,710	460	3,956
Other MRTs				
-IMB	3,648	5,702	789	10,139
-TBS	2,169	571	166	2,906
-Central functions	1,256	666	99	2,021
Total	**8,859**	**8,649**	**1,514**	**19,022**

The Group has elected not to disclose the information required in Article 450 (1) (d), (f), (h) (i)(ii)(iii)(iv)(v)(vi) of CRR on the basis of proportionality.

11. Appendices

Appendix I – EBA own funds disclosure

Appendix I: The PCG and SWIS own funds disclosure in the format prescribed in Regulation (EU) 1423/2013.

As at 30 April 2018

		PCG £'000	SWIS £'000
Ref	**Common Equity Tier 1 capital: instruments and reserves**		
1	Capital instruments and the related share premium accounts	30,707	10,730
2	Retained earnings	125,288	25,688
3	Accumulated other comprehensive income (and other reserves)	79,058	7,116
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	(13,100)	(5,900)
6	**Common Equity Tier 1 capital before regulatory adjustments**	**221,953**	**37,634**
	Common Equity Tier 1 capital: regulatory adjustments		
8	Intangible assets (net of related tax liability)	(42,772)	-
16	Direct and indirect holdings by an institution of own CET1 instruments	(27,654)	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	(1,806)
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(19,719)	-
20b	of which: qualifying holdings outside the financial sector	(19,719)	-
28	**Total regulatory adjustments to Common Equity Tier 1**	**(90,145)**	**(1,806)**
29	**Common Equity Tier 1 capital**	**131,808**	**35,828**
	Additional Tier 1 capital: instruments		
36	Additional Tier 1 capital before regulatory adjustments	-	-
	Additional Tier 1 capital: regulatory adjustments		
	Total regulatory adjustments to Additional Tier 1 capital	-	-
44	**Additional Tier 1 capital**	**-**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**131,808**	**35,828**
	Tier 2 capital: instruments and provisions		
51	Tier 2 capital before regulatory adjustments	-	-
	Tier 2 capital: regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital	-	-
58	**Tier 2 capital**	**-**	**-**
59	**Total capital (TC = T1 + T2)**	**131,808**	**35,828**
60	**Total risk-weighted asset**	**528,199**	**208,303**

Appendix I - EBA own funds disclosure (continued)

As at 30 April 2018			
		PCG £'000	**SWIS £'000**
Ref	**Capital ratios and buffers**		
61	Common Equity Tier 1 (as a percentage of total risk exposures)	25.0%	17.2%
62	Tier 1 (as a percentage of total risk exposures)	25.0%	17.2%
63	Total capital (as a percentage of total risk exposures)	25.0%	17.2%
64	Institution specific buffer requirement	1.875%	1.875%
65	of which: capital conservation buffer requirement	1.875%	1.875%
66	of which: countercyclical buffer requirement	-	-
67	of which: systemic risk buffer requirement	-	-
67a	of which: Global Systematically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	-
68	Common Equity Tier 1 available to meet buffers	20.5%	12.7%
	Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities	3,417	2,278
73	Direct and indirect holdings of the capital of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	5,659	5,659

Appendix II - Main features of capital instruments

Appendix II: The main features of the capital instruments issued by SWH and SWIS in the format prescribed in Regulation (EU) 1423/2013.

As at 30 April 2018		SWH	SWIS
Ref			
1	Issuer	Smith & Williamson Holdings Ltd	Smith & Williamson Investment Services Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Private placement	Private placement
3	Governing law(s) of the institution	England & Wales	England & Wales
	Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Consolidated	Solo
7	Instrument type	A ordinary shares D ordinary shares	Ordinary shares
8	Amount recognised in regulatory capital	GBP 30.7m	GBP 10.7m
9	Nominal amount of instrument		
9a	Issue price	10 pence	10 pence
9b	Redemption price	n/a	n/a
10	Accounting classification	Shareholders' equity	Shareholders' equity
11	Original date of issuance	A ordinary shares: 12 September 2002 D ordinary shares: 26 February 2013	A ordinary shares: 2 April 1970
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	No
15	Optional call date, contingent call dates and redemption amount	n/a	n/a
16	Subsequent call dates, if applicable	n/a	n/a
	Coupons / dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and related index	n/a	n/a
19	Existence of a dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary

Appendix II: The main features of the capital instruments issued by SWH and SWIS in the format prescribed in Regulation (EU) 1423/2013 (continued)

As at 30 April 2018

		SWH	SWIS
20b	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n/a	n/a
25	If convertible, fully or partially	n/a	n/a
26	If convertible, conversion rate	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	n/a
29	If convertible, specify issuer of instrument it converts into	n/a	n/a
30	Write down features	No	No
31	If write-down, write down trigger(s)	n/a	n/a
32	If write-down, full or partial	n/a	n/a
33	If write-down, permanent or temporary	n/a	n/a
34	If temporary write-down, description of write up mechanisms	n/a	n/a
35	Position in subordination hierarchy in liquidation	Subordinate to senior creditors	Subordinate to senior creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	n/a	n/a

Appendix III - S&W Investment Services Ltd Pillar 3 disclosures

SWIS's own funds and own funds requirements are set out in the tables below:

	2018 £'000	2017 £'000
Share capital	2,227	2,227
Share premium	8,503	8,503
Retained earnings	25,687	29,826
Other reserves	7,117	5,955
	43,534	46,511
Deductions		
Significant investment in financial sector entities	(1,806)	(101)
Foreseeable dividends	(5,900)	(2,655)
	(7,706)	(2,756)
Common Equity Tier 1 after deductions	35,828	43,755
Additional Tier 1 capital	-	-
Tier 2 capital	-	-
Own funds	35,828	43,755
Pillar 1 RWAs		
Credit risk	147,730	118,781
Counterparty credit risk	74	13
Operational risk	60,499	57,142
Total RWAs	208,303	175,936
CET1 ratio	17.2%	24.9%
Tier 1 ratio	17.2%	24.9%
Total capital ratio	17.2%	24.9%

Exposure class

	Average for the year ended 30 April 2018	As at 30 April 2018	Risk-weighted assets	8% of risk weighted exposures
	£'000	£'000	£'000	£'000
Central government or central banks	286,120	835,836	-	-
Institutions	190,636	324,798	99,068	7,925
Retail	72,847	83,649	32,250	2,580
Equity	6,005	6,159	11,804	944
Other	6,521	4,608	4,608	369
Total	562,129	1,255,050	147,730	11,818

'Other' items include settlement balances, other receivables, prepayments, accrued income and other less material exposures.

Appendix III – S&W Investment Services Ltd Pillar 3 disclosures (continued)

Geographical distribution

As at 30 April 2018

	UK	Europe	America	Other	Total
	£'000	£'000	£'000	£'000	£'000
Central government or central banks	835,836	-	-	-	835,836
Institutions	154,486	87,832	15,334	67,146	324,798
Retail	78,033	2,311	1,469	1,836	83,649
Equity	3,881	2,278	-	-	6,159
Other	4,608	-	-	-	4,608
Total	1,076,844	92,421	16,803	68,982	1,255,050

Counterparty type

As at 30 April 2018

	Banks	Non-banks	Total
	£'000	£'000	£'000
Central government or central banks	835,836	-	835,836
Institutions	309,232	15,566	324,798
Retail	-	83,649	83,649
Equity	2,278	3,881	6,159
Other	-	4,608	4,608
Total	1,147,346	107,704	1,255,050

Residual maturity

As at 30 April 2018

	< 1 month	1 to 3 months	3 to 12 months	> 1 year	Undated	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Central government or central banks	835,836	-	-	-	-	835,836
Institutions	152,255	12,019	160,524	-	-	324,798
Retail	83,649	-	-	-	-	83,649
Equity	6,158	-	-	-	1	6,159
Other	1,479	3,057	-	72	-	4,608
Total	1,079,377	15,076	160,524	72	1	1,255,050

Appendix IV - S&W Investment Services Ltd leverage ratio

SWIS Leverage ratio as at 30 April 2018

Summary reconciliation of accounting assets and leverage ratio exposures		
Ref		Applicable amount £'000
1	Total assets as per published financial statements	1,212,504
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
8	**Total leverage ratio exposure**	**1,212,505**

Leverage ratio common disclosure		
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,212,504
2	Asset amounts deducted in determining Tier 1 capital	(1,806)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**1,210,698**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at notional amount	44,149
18	(Adjustments for conversion to credit equivalent amounts)	(39,734)
19	**Other off-balance sheet exposures**	**4,415**
20	Tier 1 capital	35,828
21	Total leverage ratio exposures	1,215,113
	Leverage ratio	
22	Leverage ratio	2.9%
	Choice on transitional arrangements	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in

Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
Ref		Applicable amount
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1,212,505
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	1,212,505
EU-4	-Covered bonds	-
EU-5	-Exposures treated as sovereigns	835,836
EU-6	-Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	-Institutions	324,798
EU-8	-Secured by mortgages of immovable properties	-
EU-9	-Retail exposures	39,500
EU-10	-Corporate	-
EU-11	-Exposures in default	-
EU-12	-Other exposures	12,370

Appendix IV – S&W Investment Services Ltd leverage ratio (continued)

Disclosure of qualitative items

Processes used to manage the risk of excessive leverage:

- Whilst the leverage ratio is not currently applicable to SWIS, the Board takes the prudent stance and monitors the metric for internal reporting purposes to mitigate the risk.

Factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers:

- The leverage ratio decreased from 11.4% to 2.9%[1] in the period. The reduction was due to the transfer of client money to deposits.

[1]If the UK leverage framework applied to the SWIS, whereby qualifying central bank claims can be excluded from the leverage exposure measure, the ratio would increase from 2.9% to 9.4%.

Appendix V – PCG Countercyclical Buffer (CCyB)

Geographical distribution of credit exposures relevant for the calculation of the CCyB in accordance with Regulation (EU) 2015/1555

As at 30 April 2018

	General credit exposure[1]	Trading book (TB) exposure		Securitisation exposure	Own funds requirements					
	Exposure for SA	Sum of long and short position of TB	Value of TB exposure for internal models	Exposure for SA	Of which: General credit exposures	Of which: TB exposures	Of which: Securitisation exposures	Total	Own funds requirements weight (%)	CCyB rate
Breakdown by country[2]	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
United Kingdom	165,660	-	-	-	9,678	-	-	9,678	93.1%	n/a
Other countries	9,033	-	-	-	723	-	-	723	6.9%	n/a
Total	**174,693**	**-**	**-**	**-**	**10,401**	**-**	**-**	**10,401**	**100.0%**	

Amount of institution specific countercyclical capital buffer	
	£'000
Total risk exposure amount	528,199
Institution specific countercyclical buffer rate	0%
Institution specific countercyclical buffer requirement	-

[1]General credit exposures relevant for the CCyB exclude exposures to central government banks, regional governments or local authorities, public sector entities, multilateral development banks, international governments and institutions.

[2] Breakdown of country - The Group did not have any general credit exposures to those countries where a CCyB rate has been set.

Appendix VI – SWIS Countercyclical Buffer (CCyB)

Geographical distribution of credit exposures relevant for the calculation of the CCyB in accordance with Regulation (EU) 2015/1555

As at 30 April 2018

	General credit exposure[1]	Trading book (TB) exposure		Securitisation exposure	Own funds requirements					
	Exposure for SA	Sum of long and short position of TB	Value of TB exposure for internal models	Exposure for SA	Of which: General credit exposures	Of which: TB exposures	Of which: Securitisation exposures	Total	Own funds requirements weight (%)	CCyB rate
Breakdown by country[2]	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
United Kingdom	86,522	-	-	-	3,374	-	-	3,374	86.7%	n/a
Other countries	7,894	-	-	-	519	-	-	519	13.3%	n/a
Total	**94,416**	-	-	-	**3,893**	-	-	**3,893**	**100.0%**	

Amount of institution specific countercyclical capital buffer	
	£'000
Total risk exposure amount	208,303
Institution specific countercyclical buffer rate	0%
Institution specific countercyclical buffer requirement	-

[1]Geneal credit exposures relevant for the CCyB exclude exposures to central government banks, regional governments or local authorities, public sector entities, multilateral development banks, international governments and institutions.

[2] Breakdown of country - SWIS did not have any general credit exposures to those countries where a CCyB rate has been set.