Pillar 3 disclosures

Smith & Williamson Holdings Limited

30 APRIL 2019

Contents

The glossaries of 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
FPC	Financial Policy Committee
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Individual Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage Ratio
MiFID II	Markets in Financial Instruments Directive II
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
SWE	Smith & Williamson Investment Management (Europe) Limited

About Smith & Williamson

Founded in Glasgow in 1881, the firm has grown and evolved over the years to offer a wide range of complementary services. As a leading, independently owned, financial and professional services group, Smith & Williamson has been looking after the financial affairs of individuals, families and businesses for more than a century.

The group's financial services include personal financial planning, investment management, private banking, managed portfolio services and management of equity and fixed income funds. Our professional services include business and private client tax solutions, assurance and business services, restructuring and recovery services, forensic services, pension and employee benefits and corporate finance. The group also offers fund administration services.

1. Introduction

This document presents the consolidated Pillar 3 disclosures of the group as at 30 April 2019.

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 2019 Annual Report and Accounts. As such, these disclosures should be read in conjunction with that document.

2. Executive summary

In the year to 30th April 2019, Smith & Williamson's operating income increased by 4.3% to £278.1m (2018: £266.7m) led by increased professional services fee income coupled with higher market levels and increased banking income. Adjusted operating profit increased by 4.8% to £48.4m (2018: £46.2m).

Funds under management and advice have increased 6.5% to £21.4bn (2018: £20.1bn), compared to the 2.9% increase in the MSCI WMA Balanced Index and the 1.2% decrease in the FTSE 100 Index in the same period. Organic growth in funds under management has not been as strong as the prior year and funds under administration have grown by 18.8% to £13.9bn (2018: £11.7bn).

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

	2019	2018
	%	%
Common Equity Tier 1 (CET1) ratio	**25.1**	25.0
Total capital ratio	**25.1**	25.0
Leverage ratio	**9.0**	8.9
Liquidity coverage ratio (LCR)	**875**	1,027

In the year to 30 April, group risk weighted assets (RWAs) increased by 13.4% to £599.1m (2018: £528.2m) reflecting balance sheet growth driven by an increase in deposits which are predominately held with central banks and highly rated institutions, consistent with the group's prudent approach to capital management. The increase in RWAs was offset primarily by an increase in profits retained by entities subject to prudential consolidation. The group's continuing profitability has resulted in organic capital generation which allows for the payment of a progressive dividend and an increase in deductions for intangible assets associated with the investments in IT systems. As a result, the CET1 capital ratio has remained relatively stable at 25.1% (2018: 25.0%).

The group's CET1 and total capital ratios continue to be comfortably ahead of minimum regulatory requirements based on the standardised approach to credit and operational risk. The minimum capital requirement increased to 13.7% (2018: 12.1%) which includes Pillar 1, Pillar 2a and the combined capital buffers, which is met entirely with CET1 capital. The increase in the minimum capital requirements was mainly driven by the increase in the combined capital buffers explained in Section 6.2.

The leverage ratio remained stable at 9.0% (2018: 8.9%). The increase in CET1 was offset by an increase in total leverage ratio exposures, largely driven by balance sheet growth.

The decrease in the Liquidity Coverage Ratio (LCR) from 1,027% to 875% was due to an increase in net outflows, driven by higher deposits held in SWIS and an increase in settlement balances. This was partially offset by greater reserves held with the Bank of England (BoE) contributing to the pool of high quality liquid assets (HQLA). The ratio continues to exceed the regulatory minimum of 100%.

The ratios in Figure 1 on page 4 are in line with the risk management framework and risk appetite framework outlined in Section 5, this is continuously monitored by the board.

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 2019 Annual Report and Accounts. This is due to the basis of consolidation for regulatory purposes differing from that used for financial reporting under 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 2019 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 if there are significant changes in relevant characteristics of the group’s business such as scale of operations, range of activities, presence in different countries and other characteristics mentioned in Article 433 of the CRR.

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 8 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 2019 Annual Report and Accounts. Wherever possible and relevant, the board will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2a 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 Eight 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 2019 Annual Report and Accounts.

Current developments

Brexit

Brexit has continued to give rise to considerable uncertainty, for the group, the markets in which it operates, and the country as a whole. The board has discussed the potential impact at each of its meetings. There was particular concern for our clients based in Europe and for staff of our offices in Dublin as it became clear that we would be unable to offer services post Brexit under our existing regulatory passporting arrangements. This has been mitigated following approval by the Central Bank of Ireland to the incorporation of a subsidiary in Ireland, Smith & Williamson Investment Management (Europe) Limited (SWE), to operate as a MiFID II investment firm in March 2019. SWE, which is regulated by the Central Bank of Ireland, will act as the group's European hub of operations, allowing us to provide practical, effective solutions and advice to clients resident both in Ireland and across the EU.

Cash Ratio Deposit (CRD) scheme

The CRD scheme funds the BoE's monetary policy and financial stability functions. Under the scheme, banks with eligible liabilities that exceed £600m are required to place a proportion of their deposit base with the BoE on a non-interest bearing basis. The BoE then invests these funds in interest bearing assets and the income generated is used to meet the costs of its monetary policy and financial stability functions. SWIS has had eligible liabilities in excess of £600m, since client money was transferred to deposit in March 2018 and has held a CRD since December 2018, refer to Section 7.

Effect of changes in accounting standards

IFRS 9 and IFRS 15 became effective in the current year. However, as indicated in the prior year's annual report and accounts, they have not had a significant impact on the group's financial position or performance.

IFRS 16 will become effective for the year ended 30 April 2020. Initial application of the new standard will have a substantial impact on the group's balance sheet, grossing up assets and liabilities from office property leases by approximately £25.3m. However, the standard is not expected to materially affect the group income statement with an estimated maximum annual impact of £0.4m in the year of adoption from a change in the profile of the charge taken to the income statement over the life of the lease. The regulatory impact of IFRS 16 is estimated to increase RWAs by £21.4m.

Further details on each standard can be found in notes 1 and 2 of the 2019 Annual Report and Accounts.

4. Scope of consolidation

Regulatory consolidation

SWH 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 91% owned by Smith & Williamson Investment Management Ltd.

The entities which constitute the PCG at 30 April 2019 are shown in Figure 2 below:

Figure 2: Entities forming the PCG at 30 April 2019

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	The provision of agency stockbroking services, in the UK and foreign equity markets.
S&W Financial Services Limited	Financial services.
S&W Corporate Finance Limited	Corporate finance.
S&W Fund Administration Limited	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	The company is engaged in the management of Smith & Williamson Investment Funds plc, an open-ended investment company.
S&W Investment Management Ltd	Intermediate holding company.
S&W International Limited	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
S&W Investment Management (Europe) Limited (SWE)	Investment management services.

Subsidiary disclosures

SWIS is recognised as a material entity and in accordance with Article 13 of the CRR (Application of disclosure requirements on a consolidated basis), it requires additional disclosures in respect to own funds, own funds requirements, capital instruments 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.

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 2019			2018
	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	131,779	(77,300)	**54,479**	42,772
Other non-current assets	11,828	56,843	**68,671**	47,302
Non-current assets	143,607	(20,457)	**123,150**	90,074
Current assets	1,693,904	(65,581)	**1,628,323**	1,457,280
Total assets	1,837,511	(86,038)	**1,751,473**	1,547,354
Total liabilities	1,525,242	(34,239)	**1,491,003**	1,332,859
Net assets	312,269	(51,799)	**260,470**	214,495
Equity				
Share capital	5,562	-	**5,562**	5,557
Share premium	25,524	-	**25,524**	25,150
Own shares	(26,289)	-	**(26,289)**	(27,654)
Other reserves				
Capital redemption reserve	14,546	-	**14,546**	14,546
Merger reserve	97,991	(47,704)	**50,287**	50,287
FVOCI reserve	6,668	26,877	**33,545**	14,225
Retained earnings	174,357	(25,088)	**149,269**	125,288
	298,359	(45,915)	**252,444**[2]	207,399[2]
Non-controlling interests	13,910	(5,884)	**8,026**	7,096
Total equity	312,269	(51,799)	**260,470**	214,495

[2] refer to Figure 6 on page 12

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 from page 26 of the 2019 Annual Report & Accounts. The purpose of risk management is to identify, monitor 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

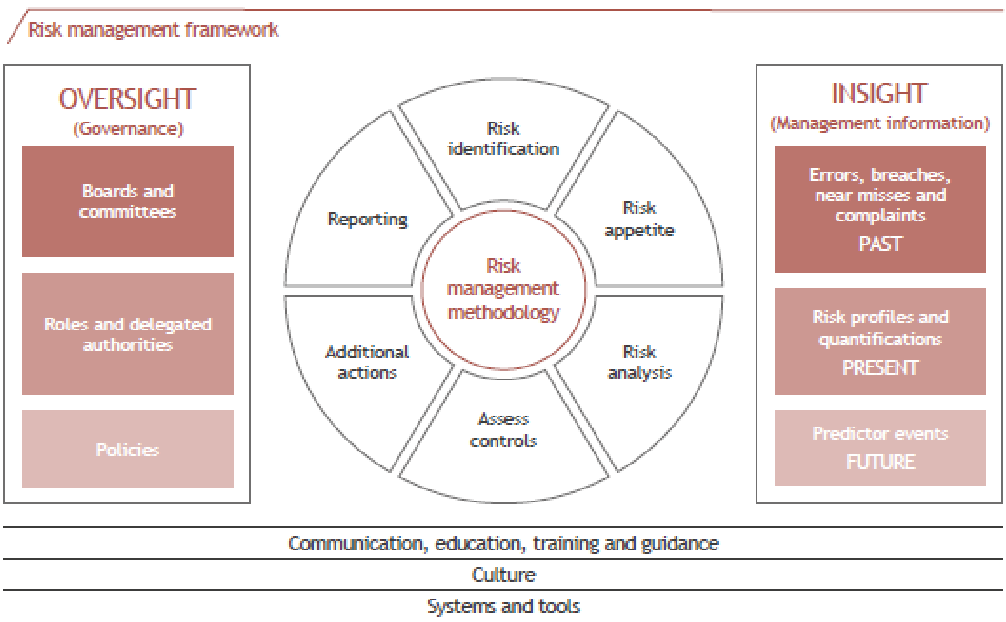
The objectives of the Risk Management Framework (RMF) are to:

- align the risk profile and business strategy;
- identify, assess, quantify, monitor, report and manage risk;
- ensure risk awareness of a 'risk-conscious' organisation.

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 an appropriate 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 and risk-taking process;

Figure 4: Risk Management Framework

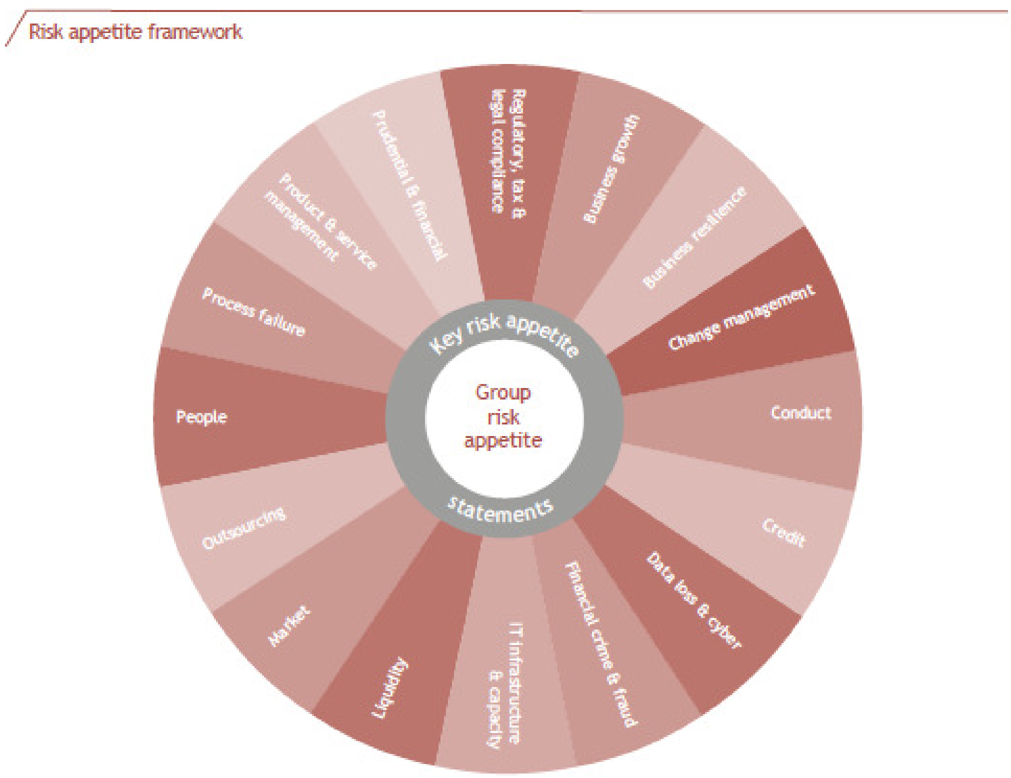


Risk management methodology

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 risks are identified, a risk appetite is set for each material risk. This defines the amount of risk that the 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, below.
3. **Risk analysis** — having set the risk appetite, each material risk is analysed to determine its probability and its impact. Risk analysis includes the quantification of capital risk as part of the Internal Capital Adequacy Assessment Process (ICAAP).
4. **Assess controls** — 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, action is taken to either to mitigate or accept the risk.
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 2019 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

	2019 £'000	2018 £'000
Share capital	**5,562**	5,557
Share premium	**25,524**	25,150
Retained earnings	**149,269**	125,288
Other reserves	**98,378**	79,058
Own shares	**(26,289)**	(27,654)
	252,444[3]	207,399[3]
Deductions		
Goodwill and intangible assets	**(54,479)**	(42,772)
Qualifying holdings outside the financial sector	**(34,507)**	(19,719)
Foreseeable dividends	**(13,314)**	(13,100)
	(102,300)	(75,591)
Common Equity Tier 1 after deductions	**150,144**	131,808
Additional Tier 1 capital	**-**	-
Tier 2 capital	**-**	-
Own funds	**150,144**	131,808
Pillar 1 RWAs		
Credit risk	**314,948**	257,060
Counterparty credit risk	**154**	169
Operational risk	**284,041**	270,970
Total RWAs	**599,143**	528,199
CET1 ratio	**25.1%**	25.0%
Tier 1 ratio	**25.1%**	25.0%
Total capital ratio	**25.1%**	25.0%

[3] refer to Figure 3

The group's own funds are classified according to the characteristics of permanency and loss absorbing capacity 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:

6.1 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, market and operational 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*

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

Client positions are fully collateralised and pose minimal risk to the PCG.

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.

The PCG has long term equity holdings in listed and unlisted entities that are not part of the long term strategy of the group and are classified as non-trading book.

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.

6.2 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 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. These risks include pension obligation risk, interest rate risk, operational risk and credit concentration risk. At 30 April 2019, Pillar 2a represented 2.2% (2018: 2.2%) of RWAs and the Total Capital Requirement (TCR) (Pillar 1 and Pillar 2a) was 10.2% (2018: 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.
- *Credit concentration risk* – the PCG hold additional capital to cover counterparty concentration risk as it has exposures to a relatively small number of UK based counterparts within its treasury portfolio.

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, which is intended to result in a build-up of capital by banks outside of periods of stress. The buffer has been increased in incremental steps since 2016 and as of 1 January 2019, the CCB was increased from 1.875% to 2.5% of RWAs representing full implementation.

- *Countercyclical buffer (CCyB)*

CCyB is based on the buffer rate applicable for each jurisdiction in which the group has exposures. On 28 November 2018, the FPC increased the CCyB rate for UK exposures from 0.5% to 1%. The buffer rates set by other national authorities for non-UK exposures are not currently material. Overall, this results in a 0.96% CCyB for the group as of 30 April 2019, see Appendix V.

6.3 Pillar 3

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

7. Pillar 1: Own funds requirements

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 BoE, 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. The responsibility of monitoring credit exposures has been delegated to committees of the board, who will provide summarised reporting and manage day-to-day issues in respect to 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 2019 was £25.2m (2018: £20.6m); Figures 7-10 on pages 16-17 of this document provide further analysis of credit risk exposure.

Figure 7: Exposure class

	Average for the year ended 30 April 2019	As at 30 April 2019	Risk weighted assets	8% of risk weighted assets
	£'000	£'000	£'000	£'000
Central government or central banks	828,794	874,883	-	-
Institutions	535,118	541,354	148,605	11,888
Retail	78,756	88,330	44,839	3,587
Equity	34,276	35,733	35,733	2,859
Default	182	136	205	16
Other	78,267	85,566	85,566	6,845
Total	1,555,393	1,626,002	314,948	25,195

'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 2019

	UK	Europe	America	Other	Total
	£'000	£'000	£'000	£'000	£'000
Central government or central banks	874,883	-	-	-	874,883
Institutions	313,386	140,485	10,866	76,617	541,354
Retail	83,979	2,056	1,469	826	88,330
Equity	32,384	3,349	-	-	35,733
Default	136	-	-	-	136
Other	85,566	-	-	-	85,566
Total	1,390,334	145,890	12,335	77,443	1,626,002

Figure 9: Counterparty type

As at 30 April 2019

	Banks	Non-banks	Total
	£'000	£'000	£'000
Central government or central banks	874,883	-	874,883
Institutions	488,320	53,034	541,354
Retail	-	88,330	88,330
Equity	3,349	32,384	35,733
Default	-	136	136
Other	-	85,566	85,566
Total	1,366,552	259,450	1,626,002

Figure 10: Residual maturity

As at 30 April 2019

	< 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	874,883	-	-	-	-	874,883
Institutions	303,072	59,682	178,600	-	-	541,354
Retail	88,330	-	-	-	-	88,330
Equity	7,725	-	-	310	27,698	35,733
Default	-	136	-	-	-	136
Other	67,032	12,096	1,788	4,650	-	85,566
Total	1,341,042	71,914	180,388	4,960	27,698	1,626,002

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 2019

	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	874,883	-	-	-	874,883
Institutions	205,751	332,087	2,134	1,382	541,354
Retail	-	-	-	88,330	88,330
Equity	3,349	-	-	32,384	35,733
Default	-	-	-	136	136
Other	-	-	-	85,566	85,566
Total	1,083,983	332,087	2,134	207,798	1,626,002

[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 2019 Annual Report and Accounts for the year ended 30 April 2019.

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

Trade and fee receivables relate to fees that have been invoiced to, but not settled by, clients. The group has policies in place to ensure that services are provided to clients with an appropriate credit history. Client invoices are typically due for payment on issue and accordingly all trade and fee receivables are disclosed past due. Where trade receivables are impaired, in view of normal client payment patterns, full provision is made against any such trade receivables. PCG entities assessed impairment at 30 April 2019 and the impairment provision was not considered material.

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

	2019	2018
	£'000	£'000
Opening balance	54	19
Increase in provision	290	164
Provisions written off	(259)	(129)
Closing balance	85	54

Unencumbered assets

The only asset which is classified as encumbered is the Cash Ratio Deposit held by SWIS of £0.6m. The fair values of group's assets and liabilities are not materially different to the carrying value outlined in note 47 of the 2019 Annual Report and Accounts.

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 2019 was £0.2m (2018: £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 group has long term investments in unlisted entities which are not held as part of a trading strategy.

Figure 13: PCG Non-trading book equity exposures

	2019	2018
	£'000	£'000
Listed	**701**	696
Unlisted		
Third party exposures	**7,343**	7,934
Exposures to S&W subsidiaries excluded from prudential consolidation under CRD IV	**62,205**	42,448
Total	**70,249**	51,078
Cost	**49,782**	29,717
Fair value adjustment	**20,467**	21,361
Total	**70,249**	51,078

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 overnight, with an intraday limit of £1m in any one currency and £2m in aggregate.

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

The board has delegated responsibility to Group Executive Committee (GEC) 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 23 of the 2019 Annual Report and Accounts.

The cumulative realised gains arising from disposal of equity investment securities designated at fair value through other comprehensive income during the year ended 30 April 2019 was nil. Unrealised gains recognised in other comprehensive income and included within the PCG's CET1 capital was £1.2m (2018: £0.1m).

The Pillar 1 capital requirement for market risk at 30 April 2019 was nil (2018: 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 Pillar 1 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 2019 was £22.7m (2018: £21.7m). In addition, the Pillar 2a add-on addresses the additional capital requirement relating to operational risk not covered under Pillar 1.

8. Pillar 2a assessment

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

Figure 14 below analyses the impact of a 2% movement in interest rates:

Figure 14: Impact on the PCG as at 30 April

	2019 £'000	2018 £'000
Upward shift in interest rates	(2,219)	(2,047)
Downward shift in interest rates	2,300	2,117

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

8.2. 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 2019 both defined benefits schemes reported an actuarial surplus, refer to note 28 of the 2019 Annual Report and Accounts for further details.

Figure 15: Pension valuation

	S&W Scheme		NCL Scheme		Total	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**	**2019 £'000**	**2018 £'000**
Fair value of plan assets	1,782	725	25,274	26,325	27,056	27,050
Present value of funded obligations	(1,782)	(699)	(23,686)	(25,173)	(25,468)	(25,872)
Surplus/(deficit) in scheme	-	26	**1,588**	(1,152)	**1,588**	(1,178)

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

8.3. Credit concentration risk

Credit concentration risk is the risk that the group has excessive concentration of credit exposure to a specific counterparty.

Exposure

The PCG has counterparty credit concentration risk within its treasury assets via exposures to a relatively small number of UK based counterparts.

Monitoring

Credit concentration risk on credit exposures are managed by the setting of counterparty limits. The group monitors the exposures on a daily basis and committees are in place to monitor counterparties and may reduce risk by either suspending dealing, applying limits or liquidating investments in the light of adverse market information.

Measurement

There is no Pillar 1 capital requirement related to credit concentration risk. The group allocates Pillar 2a capital in respect of credit concentration risk.

8.4. 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 BoE 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 BoE 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 calculates the LCR for SWIS and PCG on a monthly basis. Given the liquidity profile of the PCG, a Pillar 2a add-on is not allocated against liquidity risk from either a capital or liquidity perspective.

Figure 16: Liquidity coverage ratio as at 30 April

	2019	2018
	£'000	£'000
Liquidity buffer	**873,565**	835,407
Total net cash outflows	**99,794**	81,312
LCR	**875%**	1,027%

The decrease in the LCR from 1,027% to 875% was due to an increase in net outflows driven by higher deposits held in SWIS and increase in settlement balances. This was partially offset by greater reserves held with the BoE contributed to the pool of HQLA. The ratio continues to exceed the regulatory minimum of 100%.

8.5. Other risks

At 30 April 2019 there was no allocation of additional Pillar 1 or Pillar 2a capital against residual risk, securitisation risk, business risk, compliance risk, reputation risk, conduct risk, concentration risk, funding risk, group risk or insurance risk, which were all considered in the ICAAP.

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 17 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 17: PCG Leverage ratio as at 30 April 2019

Summary reconciliation of accounting assets and leverage ratio exposures		
Ref		Applicable amount £'000
1	Total assets as per published financial statements	1,837,511
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(86,038)
8	**Total leverage ratio exposure**	**1,751,473**

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)	1,751,473
2	Asset amounts deducted in determining Tier 1 capital	(88,986)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	**1,662,487**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at notional amount	37,040
18	(Adjustments for conversion to credit equivalent amounts)	(33,336)
19	Other off-balance sheet exposures	**3,704**
20	Tier 1 capital	150,144
21	Total leverage ratio exposures	1,666,191
	Leverage ratio	
22	Leverage ratio	9.0%
	Choice on transitional arrangements	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in

Figure 17: PCG Leverage ratio as at 30 April 2019 (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:	1,751,473
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	1,751,473
EU-4	-Covered bonds	-
EU-5	-Exposures treated as sovereigns	874,883
EU-6	-Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	-Institutions	541,354
EU-8	-Secured by mortgages of immovable properties	-
EU-9	-Retail exposures	51,290
EU-10	-Corporate	-
EU-11	-Exposures in default	136
EU-12	-Other exposures	283,810

Processes used to manage the risk of excessive leverage:

- Whilst the leverage ratio is not currently applicable to the group, the board takes a 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 remained stable at 9.0%[1] (2018: 8.9%). The increase in CET1 was offset by an increase in total leverage ratio exposures, largely driven by balance sheet growth.

[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 9.0% to 19.0%, comfortably above the UK leverage framework minimum requirement.

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 60-63 of the 2019 Annual Report and Accounts includes details on the remuneration policy. The remuneration committee comprises four non-executive directors and is governed by formal terms of reference, which are reviewed and agreed by the board. The committee met five times during 2018-19.

Remuneration policy

The main principles of the remuneration policy are to:

- align remuneration with the strategy and performance of the business;
- ensure that remuneration is set at an appropriate and competitive level taking into account market rates and practices;
- foster and support conduct and behaviours which are in line with our culture and values;
- maintain a sound risk management framework;
- ensure that the ratio between fixed and variable remuneration is appropriate and does not encourage excessive risk taking;
- comply with all relevant regulatory requirements;
- 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 the fixed and variable remuneration for all executive members of the board, MRTs and Senior Management Function holders. 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 48 MRTs during 2018-19, 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 2019 was £160.5m.

The total aggregate remuneration paid and equity awarded to group MRTs for the year ended 30 April 2019 can be broken down by role as follows:

Figure 18: Aggregate MRT remuneration split by business division

As at 30 April 2019

	Fixed	Variable cash	Variable Equity	Total
	£'000	**£'000**	**£'000**	**£'000**
SWH board members	1,768	1,600	310	3,678
Other MRTs				
-Financial services	3,706	5,927	503	10,136
-Professional services	1,502	505	203	2,210
-Fund administration	524	341	104	969
-Other	1,236	591	76	1,903
Total	8,736	8,964	1,196	18,896

The group has elected not to disclose the information required in Article 450 (1) (d), (f), (h) (i)(ii)(iii)(iv)(v)(vi) and (i) 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 2019

		PCG £'000	SWIS £'000
Ref	**Common Equity Tier 1 capital: instruments and reserves**		
1	Capital instruments and the related share premium accounts	31,086	10,730
2	Retained earnings	149,269	39,151
3	Accumulated other comprehensive income (and other reserves)	98,378	5,567
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	(13,314)	(13,000)
6	**Common Equity Tier 1 capital before regulatory adjustments**	**265,419**	**42,448**
	Common Equity Tier 1 capital: regulatory adjustments		
8	Intangible assets (net of related tax liability)	(54,479)	-
16	Direct and indirect holdings by an institution of own CET1 instruments	(26,289)	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities	-	(1,916)
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	(34,507)	-
20b	of which: qualifying holdings outside the financial sector	(34,507)	-
28	**Total regulatory adjustments to Common Equity Tier 1**	**(115,275)**	**(1,916)**
29	**Common Equity Tier 1 capital**	**150,144**	**40,532**
	Additional Tier 1 capital: instruments		
36	Additional Tier 1 capital before regulatory adjustments	-	-
	Additional Tier 1 capital: regulatory adjustments		
43	Total regulatory adjustments to Additional Tier 1 capital	-	-
44	**Additional Tier 1 capital**	**-**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**150,144**	**40,532**
	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)**	**150,144**	**40,532**
60	**Total risk-weighted asset**	**599,143**	**240,284**

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

As at 30 April 2019

Ref		PCG £'000	SWIS £'000
Ref	**Capital ratios and buffers**		
61	Common Equity Tier 1 (as a percentage of total risk exposures)	25.1%	16.9%
62	Tier 1 (as a percentage of total risk exposures)	25.1%	16.9%
63	Total capital (as a percentage of total risk exposures)	25.1%	16.9%
64	Institution specific buffer requirement	3.46%	3.41%
65	of which: capital conservation buffer requirement	2.50%	2.50%
66	of which: countercyclical buffer requirement	0.96%	0.91%
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	20.6%	12.4%
	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	7,277	4,245

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 2019

Ref		SWH	SWIS
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 31.1m	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

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 2019

		SWH	SWIS
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	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:

	2019 £'000	2018 £'000
Share capital	**2,227**	2,227
Share premium	**8,503**	8,503
Retained earnings	**39,151**	25,687
Other reserves	**5,567**	7,117
	55,448	43,534
Deductions		
Significant investment in financial sector entities	**-**	(1,806)
Non-significant investment in financial sector entities	**(1,916)**	-
Foreseeable dividends	**(13,000)**	(5,900)
	(14,916)	(7,706)
Common Equity Tier 1 after deductions	**40,532**	35,828
Additional Tier 1 capital	**-**	-
Tier 2 capital	**-**	-
Own funds	**40,532**	35,828
Pillar 1 RWAs		
Credit risk	**173,992**	147,730
Counterparty credit risk	**79**	74
Operational risk	**66,553**	60,499
Total RWAs	**240,624**	208,303
CET1 ratio	**16.8%**	17.2%
Tier 1 ratio	**16.8%**	17.2%
Total capital ratio	**16.8%**	17.2%

Exposure class

	Average for the year ended 30 April 2019	**As at 30 April 2019**	**Risk weighted assets**	**8% of risk weighted assets**
	£'000	**£'000**	**£'000**	**£'000**
Central government or central banks	828,794	874,883	-	-
Institutions	402,118	401,622	120,658	9,653
Retail	79,022	88,538	44,996	3,600
Equity	5,113	4,356	4,356	348
Other	6,268	3,982	3,982	319
Total	1,321,315	1,373,381	173,992	13,920

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

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

Geographical distribution

As at 30 April 2019

	UK	Europe	America	Other	Total
	£'000	£'000	£'000	£'000	£'000
Central government or central banks	874,883	-	-	-	874,883
Institutions	204,733	109,406	10,866	76,617	401,622
Retail	84,187	2,056	1,469	826	88,538
Equity	2,818	1,538	-	-	4,356
Other	3,982	-	-	-	3,982
Total	1,170,603	113,000	12,335	77,443	1,373,381

Counterparty type

As at 30 April 2019

	Banks	Non-banks	Total
	£'000	£'000	£'000
Central government or central banks	874,883	-	874,883
Institutions	348,588	53,034	401,622
Retail	-	88,538	88,538
Equity	1,538	2,818	4,356
Other	-	3,982	3,982
Total	1,225,009	148,372	1,373,381

Residual maturity

As at 30 April 2019

	< 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	874,883	-	-	-	-	874,883
Institutions	163,340	59,682	178,600	-	-	401,622
Retail	88,538	-	-	-	-	88,538
Equity	4,355	-	-	-	1	4,356
Other	1,282	1,641	-	1,059	-	3,982
Total	1,132,398	61,323	178,600	1,059	1	1,373,381

Appendix IV – S&W Investment Services Ltd leverage ratio

SWIS Leverage ratio as at 30 April 2019

Summary reconciliation of accounting assets and leverage ratio exposures		
Ref		Applicable amount £'000
1	Total assets as per published financial statements	1,337,923
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
8	**Total leverage ratio exposure**	**1,337,923**

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)	1,337,923
2	Asset amounts deducted in determining Tier 1 capital	(1,916)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**1,336,007**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at notional amount	37,040
18	(Adjustments for conversion to credit equivalent amounts)	(33,336)
19	**Other off-balance sheet exposures**	**3,704**
20	Tier 1 capital	40,532
21	Total leverage ratio exposures	1,339,711
	Leverage ratio	
22	Leverage ratio	3.0%
	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:	1,337,923
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	1,337,923
EU-4	-Covered bonds	-
EU-5	-Exposures treated as sovereigns	874,883
EU-6	-Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
EU-7	-Institutions	401,622
EU-8	-Secured by mortgages of immovable properties	-
EU-9	-Retail exposures	51,498
EU-10	-Corporate	-
EU-11	-Exposures in default	-
EU-12	-Other exposures	9,920

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

Processes used to manage the risk of excessive leverage:

- Whilst the leverage ratio is not currently applicable to SWIS, the board takes a 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 increased from 2.9% to 3.0%[1] in the period. The increase in CET1 was offset by an increase in total leverage ratio exposures, largely driven by balance sheet growth.

[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 3.0% to 8.7%, comfortably above the UK leverage framework minimum requirement.

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

PCG - Geographical distribution of credit exposures relevant for the calculation of the CCyB

30 April 2019

	General credit exposure[1]		Trading book exposure		Securitisation exposure		Own funds requirements					
Breakdown by country[2]	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirement weight	Countercyclical capital buffer rate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
United Kingdom	202,065	-	-	-	-	-	12,778	-	-	12,778	96.0%	1.000%
Sweden	1	-	-	-	-	-	0	-	-	0	0.0%	2.000%
Norway	0	-	-	-	-	-	0	-	-	0	0.0%	2.000%
Hong Kong	0	-	-	-	-	-	0	-	-	0	0.0%	2.500%
Iceland	-	-	-	-	-	-	-	-	-	-	0.0%	1.250%
Czech Republic	-	-	-	-	-	-	-	-	-	-	0.0%	1.250%
Slovakia	-	-	-	-	-	-	-	-	-	-	0.0%	1.250%
Denmark	-	-	-	-	-	-	-	-	-	-	0.0%	0.500%
Other countries[3]	7,699	-	-	-	-	-	529	-	-	529	4.0%	n/a
Total	209,765	-	-	-	-	-	13,307	-	-	13,307	100.0%	

Amount of institution specific countercyclical capital buffer	2019
Total risk exposure	599,143
Institution specific countercyclical buffer rate	0.96%
Institution specific countercyclical buffer requirement	5,753

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

[2] Breakdown of country includes those countries where a CCyB rate has been set

[3] Other countries are predominately general credit exposures to the USA, Belgium and Ireland, where no CCyB has currently 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

SWIS - Geographical distribution of credit exposures relevant for the calculation of the CCyB

30 April 2019

Breakdown by country[2]	General credit exposure[1]		Trading book exposure		Securitisation exposure		Own funds requirements					
	Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total	Own funds requirement weight	Countercyclical capital buffer rate
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
United Kingdom	90,986	-	-	-	-	-	3,883	-	-	3,883	91.0%	1.000%
Sweden	1	-	-	-	-	-	0	-	-	0	0.0%	2.000%
Norway	0	-	-	-	-	-	0	-	-	0	0.0%	2.000%
Hong Kong	0	-	-	-	-	-	0	-	-	0	0.0%	2.500%
Iceland	-	-	-	-	-	-	-	-	-	-	0.0%	1.250%
Czech Republic	-	-	-	-	-	-	-	-	-	-	0.0%	1.250%
Slovakia	-	-	-	-	-	-	-	-	-	-	0.0%	1.250%
Denmark	-	-	-	-	-	-	-	-	-	-	0.0%	0.500%
Other countries[3]	5,888	-	-	-	-	-	384	-	-	384	9.0%	n/a
Total	96,876	-	-	-	-	-	4,267	-	-	4,267	100.0%	

Amount of institution specific countercyclical capital buffer	2019
Total risk exposure	240,624
Institution specific countercyclical buffer rate	0.91%
Institution specific countercyclical buffer requirement	2,190

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

[2] Breakdown of country includes those countries where a CCyB rate has been set

[3] Other countries are predominately general credit exposures to the USA, Belgium and Ireland, where no CCyB has currently been set