shawbrook

2022

Pillar 3 Disclosures

Shawbrook Group plc
Shawbrook Bank Limited

Banking for the real world.

Pillar 3 Disclosures

Shawbrook Group plc Company No: 07240248
and
Shawbrook Bank Limited Company No: 00388466

31 December 2022

1. Introduction

This report presents the Pillar 3 disclosures for Shawbrook Group plc for the 12-month reporting period ended 31 December 2022.

The report also presents the Pillar 3 disclosures for Shawbrook Bank Limited for the same reporting period. Shawbrook Bank Limited is the principal regulated subsidiary of Shawbrook Group plc.

Purpose

The Basel framework aims to strengthen the regulation, supervision and risk management of banks and is organised around three pillars:

- **Pillar 1:** defines the minimum regulatory capital requirements, including risk-weighted assets, that firms are required to hold for credit risk, counterparty credit risk, market risk and operational risk.
- **Pillar 2:** builds on Pillar 1 and incorporates the firms' own assessment of additional capital resources required to cover specific risks that are not covered by the minimum regulatory capital requirements set out under Pillar 1. The amount of any additional capital requirement is also assessed by the Prudential Regulation Authority (PRA) during its Supervisory Review and Evaluation Process (SREP) and is used to determine the overall capital resources required.
- **Pillar 3:** is designed to improve market discipline by requiring firms to publish information on their principal risks, capital structure and risk management.

The disclosures provided in this document are prepared in order to satisfy Pillar 3 of the framework.

This document should be read in conjunction with Shawbrook Group plc and Shawbrook Bank Limited's 2022 Annual Report and Accounts, which are available at: *www.shawbrook.co.uk/investors/*

Basis of preparation

The disclosures included in this document are prepared in accordance with the Disclosure (CRR) Part of the PRA Rulebook. This sets out the revised disclosure requirements, which are applicable from 1 January 2022, following the UK's implementation of the remaining provisions of Capital Requirements Regulation II (CRR II).

In order to promote transparency, consistency and comparability of information between firms, the revised disclosure requirements prescribe templates to be used. This document has been structured to follow the order, naming convention and presentation of the appliable templates. For ease of reading, where specific rows and columns in the fixed format templates are not applicable, or are immaterial/nil balances, they are generally omitted.

The disclosures provide information as at 31 December 2022, with comparative information as at 31 December 2021, unless otherwise stated. Comparative information is generally not provided for disclosures that have been adopted for the first time in 2022. Furthermore, where disclosures have significantly changed since the previous reporting period, comparatives have generally not been restated. Amounts presented in the disclosures are rounded to the nearest million (to one decimal place), except where otherwise indicated.

Unless otherwise stated, amounts are presented on a Capital Requirements Directive V (CRD V) basis after applying IFRS 9 transitional arrangements. Additional details about IFRS 9 transitional adjustments are provided in Appendix 1. This includes a comparison of key capital metrics (including transitional adjustments) to the capital metrics as if IFRS 9 transitional arrangements had not been applied (the 'fully loaded' basis).

Descriptions of governance, methods and processes reflect the situation as at 31 December 2022, unless otherwise stated.

Basis of consolidation

Shawbrook Group plc

The PRA supervises Shawbrook Group plc on a consolidated basis only, with capital requirements set for the consolidated group as a whole and information reported to the PRA at a consolidated level only. There are no differences between the accounting and regulatory scopes of consolidation and all subsidiary companies are consolidated in full. Full details of Shawbrook Group plc's subsidiary companies are provided in Appendix 2.

Shawbrook Group plc together with its subsidiaries are collectively referred to in this report going forward as the **'Group'**.

Section 3 presents the disclosures for the Group on the fully consolidated basis described above, aligning to how the Group reports to its regulator.

Shawbrook Bank Limited

Shawbrook Bank Limited is the principal subsidiary of Shawbrook Group plc and is regulated by the PRA and the Financial Conduct Authority (FCA).

Shawbrook Bank Limited has a solo-consolidation waiver, which allows it to incorporate its regulated subsidiary, The Mortgage Lender Limited, along with its regulated structured entities (which are subsidiaries by virtue of control) when calculating its requirements under Article 6(1) of the Capital Requirements Regulation (CRR). Consequently, Shawbrook Bank Limited is supervised and reports to its regulators on a 'partially' consolidated basis only (i.e. excluding its dormant unregulated subsidiaries). This differs to the accounting scope of consolidation, which is on a fully consolidated basis (i.e. including its dormant unregulated subsidiaries). Full details of Shawbrook Bank Limited's subsidiary companies are provided in Appendix 2.

Shawbrook Bank Limited together with the subsidiaries included for regulatory purposes are collectively referred to in this report going forward as the **'Bank'**.

Section 4 presents the disclosures for the Bank on the 'partially' consolidated basis described above, aligning to how Shawbrook Bank Limited reports to its regulators.

Introduction

Scope and frequency of disclosures

Article 433 of Chapter 4 of the Disclosure (CRR) Part of the PRA Rulebook sets out which disclosures institutions are required to publish and the frequency with which they shall provide such disclosures. This is dependent upon whether institutions are 'large' (directed by Article 433a), 'small and non-complex' (directed by Article 433b) or 'other' (directed by Article 433c). The level of disclosure is also dependent on whether institutions are listed or non-listed, whether it is an LREQ firm and whether it is identified as a Global systemically important institution (G-SII) or Other systemically important institution (O-SII).

An assessment is performed at each reporting date to determine the institute type the Group and Bank are categorised as. Additional ad hoc assessment is also performed if there is a material change in the risk profile, approach applied in the calculation of capital, business structure or regulatory requirements.

As at 31 December 2022, the Group does not meet the definition of a 'large institution' or a 'small and non-complex institution' and is therefore classified as an 'other institution'. The Group is also non-listed (and furthermore is not an LREQ firm and is not identified as a G-SII or O-SII). As a non-listed other institution, in accordance with paragraph 2 of Article 433c, the Group is required to disclose a reduced number of templates on an annual basis, with no requirement for semi-annual or quarterly disclosures (see Section 2 for detail).

As at 31 December 2022, the Bank is also classified as a non-listed other institution and is therefore subject to same scope and frequency of disclosures as detailed above for the Group.

As required by Article 433, annual disclosures are published on the website, concurrently with the Annual Report and Accounts, at: *www.shawbrook.co.uk/investors/*

In accordance with Article 432 of Chapter 4 of the Disclosure (CRR) Part of the PRA Rulebook, the PRA allows certain disclosure requirements to be omitted when they are not regarded as material, or are regarded as proprietary or confidential. In the current year report, no disclosures have been omitted on the grounds of being non-material, proprietary or confidential.

Certain disclosure requirements are met by inclusion within the published Annual Report and Accounts. Where this is the case, cross reference is provided to clearly signpost to the relevant section and/or page number.

Remuneration disclosures

Remuneration disclosures are directed by Article 450 of Chapter 4 of the Disclosure (CRR) Part of the PRA Rulebook. However, the required level of disclosure is subject to further proportionality rules as set out in a supervisory statement issued by the PRA in December 2021, SS2/17 'Remuneration'. In accordance with this publication, institutions are divided into three categories, (proportionality level one, two or three), based on their total assets and whether certain conditions are satisfied. The proportionality level institutions are categorised within determines which disclosure requirements per Article 450 are to be provided. Proportionality level one represents the highest level, with more detailed disclosure requirements, whilst proportionality level three represents the lowest level, with fewer disclosure requirements.

As at 31 December 2022, the Group and the Bank are categorised as proportionality level three. Accordingly, certain disclosure templates are taken out of scope, as noted in the relevant disclosure section (see Section 3.4).

Regulatory developments

The Pillar 3 disclosures include consideration of regulatory changes and developing best practice to ensure that disclosures remain appropriate. A summary of relevant regulatory changes that came into effect during the reporting year and of relevant future regulatory changes are provided below.

Regulatory changes during the year

During 2022, the following regulatory changes came into effect:

- From 1 January 2022, CRR II came into effect, as set out PS22/21 'Implementation of Basel standards: Final rules'. The CRR II changes have required the Group to implement new rules associated with the net stable funding ratio, counterparty credit risk and large exposures during the period. These changes have not had any material impacts.
- Following the PRA's publication of PS21/21 'The UK leverage ratio framework', from 1 January 2022, the Group began calculating its leverage ratio based on the guidelines contained within the policy statement by recalibrating from a 3% to a 3.25% minimum ratio and excluding central bank claims as long as they are matched by liabilities of the same currency and equal or longer maturity.
- In December 2021, the Financial Policy Committee announced an increase in the UK countercyclical capital buffer from 0% to 1% with effect from 13 December 2022.
- In June 2022, the PRA announced that, with effect from the end of December 2022, it would be removing the temporary firm-specific PRA buffer adjustments that had been applied in response to the COVID-19 outbreak as part of PS15/20 'Pillar 2A: Reconciling capital requirements and macroprudential buffers'. This was confirmed to the Group in September 2022.

Future regulatory changes

The Group continues to operate its Regulatory Change Working Group, the role of which is to identify future regulatory changes and support the development of the Group's regulatory compliance framework to meet these changes.

Relevant future regulatory changes identified are as follows:

- In March 2022, the PRA confirmed that revisions to the Standardised Approach (Basel 3.1) will come into effect from 1 January 2025. An additional consultation paper was published in November 2022, CP16/22 'Implementation of the Basel 3.1 standards', which covers the parts of the Basel III standards that remain to be implemented in the UK. Responses on this paper are due by 31 March 2023.
- In July 2022, the Financial Policy Committee announced that the UK countercyclical capital buffer will increase from 1% to 2% with effect from 5 July 2023.

Introduction

Review and challenge

The Group is committed to a robust internal controls framework to ensure that external reports and disclosures are subject to adequate verification and comply with the relevant standards and regulations.

As an external publication, the 2022 Pillar 3 Disclosures have been subject to internal verification, challenge and review by the Group Risk Management Committee and Audit Committee, with additional review of the remuneration related disclosures by the Remuneration Committee. Following on from this process, the Pillar 3 Disclosures were recommended for review and approval by the Board, prior to publication on the Group's website at: *www.shawbrook.co.uk/investors/*

In the current year, specific consideration was made with regards to the application of the scope and frequency requirements stipulated in Article 433 of Chapter 4 of the Disclosure (CRR) Part of the PRA Rulebook. Application of these requirements has resulted in the Pillar 3 disclosures being reduced in comparison to previous years, as the new framework introduces definitions and instructions designed to support the embedding of proportionality in the Pillar 3 disclosures.

The disclosures provided in this document are not required to be, and have not been, externally audited and do not constitute any part of the financial statements. However, some of the information within the disclosures also appear in the 2022 Annual Report and Accounts, which are subject to external audit.

Attestation

The disclosures in this document have been subject to senior management sign-off and attestation by the Chief Financial Officer.

2. Summary of disclosure requirements

As detailed on page 4, the Group and the Bank are both classified as a non-listed other institution. In accordance with paragraph 2 of Article 433c of Chapter 4 of the Disclosure (CRR) Part of the PRA Rulebook, such institutions shall disclose the following information on an annual basis:

- points (a), (e) and (f) of Article 435(1);
- points (a), (b) and (c) of Article 435(2);
- point (a) of Article 437;
- points (c) and (d) of Article 438;
- the key metrics referred to in Article 447;
- points (a) to (d), (h) to (k) of Article 450(1).

In order to fulfil the above disclosure requirements, the following prescribed disclosure templates per Chapter 6 of the Disclosure (CRR) Part of the PRA Rulebook are required.

From Annex I - Disclosure of key metric and overview of risk weighted exposure amounts:

- Template UK OV1 – Overview of risk weighted exposure amounts
- Template UK KM1 - Key metrics template
- Table UK OVC - ICAAP information (row b only)

From Annex III - Disclosure of risk management objectives and policies:

- Table UK OVA - Institution risk management approach (rows a, c and f only)
- Table UK OVB - Disclosure on governance arrangements (rows a, b and c only)

From Annex VII - Disclosure of own funds:

- Template UK CC1 - Composition of regulatory own funds
- Template UK CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

From Annex XXXIII - Disclosure of remuneration policies:

- Table UK REMA - Remuneration policy
- Template UK REM1 - Remuneration awarded for the financial year
- Template UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)
- Template UK REM3 - Deferred remuneration
- Template UK REM4 - Remuneration of 1 million EUR or more per year

Section 3 provides these disclosure templates for the Group.
Section 4 provides these disclosure templates for the Bank.

3. Disclosures for Shawbrook Group plc (the 'Group')

The following section provides the required disclosure templates, as outlined in Section 2, for the Group. The 'Group' is defined on page 3 and is further illustrated in Appendix 2.

3.1. Annex I: Disclosure of key metrics and overview of risk weighted exposure amounts

Table 1: UK OV1 – Overview of risk weighted exposure amounts
The following template provides the information required in point d of Article 438. The template provides an overview of risk-weighted exposure amounts (RWEAs) and the own funds requirements corresponding to the RWEAs for the different risk categories.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
GROUP		**31 Dec 2022 £m**	31 Dec 2021 £m	**31 Dec 2022 £m**
1	Credit risk (excluding CCR)	**6,742.3**	5,583.0	**539.4**
2	*of which the standardised approach*	**6,742.3**	5,583.0	**539.4**
6	Counterparty credit risk – CCR	**5.7**	1.0	**0.5**
UK 8b	*of which credit valuation adjustment - CVA*	**5.7**	1.0	**0.5**
16	Securitisation exposures in the non-trading book (after the cap)	**31.8**	20.9	**2.5**
19	*of which SEC-SA approach*	**31.8**	20.9	**2.5**
23	Operational risk	**602.7**	532.7	**48.2**
UK 23a	*of which basic indicator approach*	**602.7**	532.7	**48.2**
29	**Total**	**7,382.5**	6,137.6	**590.6**

Table 2: UK KM1 – Key metrics table
The following template provides the key metrics referred to in Article 447. The template includes metrics relating to capital, leverage, liquidity and funding.

		a	e
GROUP		**31 Dec 2022**	31 Dec 2021
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital (£m)	**948.0**	778.3
2	Tier 1 capital (£m)	**1,070.9**	902.3
3	Total capital (£m)	**1,165.0**	996.4
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount (£m)	**7,382.5**	6,137.6
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	**12.8%**	12.7%
6	Tier 1 ratio (%)	**14.5%**	14.7%
7	Total capital ratio (%)	**15.8%**	16.2%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	**0.6%**	0.6%
UK 7b	Additional AT1 SREP requirements (%)	**0.2%**	0.2%
UK 7c	Additional T2 SREP requirements (%)	**0.3%**	0.3%
UK 7d	Total SREP own funds requirements (%)	**9.1%**	9.1%

Continued.

Disclosures for Shawbrook Group plc

GROUP		a 31 Dec 2022	e 31 Dec 2021
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	**2.5%**	2.5%
9	Institution specific countercyclical capital buffer (%)	**1.0%**	–
11	Combined buffer requirement (%)	**3.5%**	2.5%
UK 11a	Overall capital requirements (%)	**12.6%**	11.6%
12	CET1 available after meeting the total SREP own funds requirements (%)	**7.7%**	7.6%
	Leverage ratio[1]		
13	Total exposure measure excluding claims on central banks (£m)	**12,202.7**	N/a
14	Leverage ratio excluding claims on central banks (%)	**8.8%**	N/a
	Total exposure measure (pre-1 Jan 2022) (£m)	*N/a*	*11,264.2*
	Leverage ratio (pre-1 Jan 2022) (%)	*N/a*	*8.0%*
	Liquidity coverage ratio[2]		
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	**2,162.5**	N/a
UK 16a	Cash outflows - Total weighted value (£m)	**881.3**	N/a
UK 16b	Cash inflows - Total weighted value (£m)	**136.6**	N/a
16	Total net cash outflows (adjusted value) (£m)	**744.7**	N/a
17	Liquidity coverage ratio (%)	**290.4%**	N/a

Notes:
Disclosures for the net stable funding ratio (Rows 18-20 of the template) are not applicable until 1 January 2023, as set out by the PRA in PS22/21 'Implementation of Basel standards: Final rules', and are therefore not included in the disclosure template in the current year.

The metrics presented in Template UK KM1 are on a CRD V transitional basis after applying IFRS 9 transitional arrangements. A comparison of certain reported capital metrics (including transitional adjustments) to the capital metrics as if IFRS 9 transitional arrangements had not been applied (the 'fully loaded' basis) is provided in Appendix 1.

The Group complied with all externally imposed capital requirements to which it is subject to in both the reported years. Additional details about the composition of capital can be found in Table 6 (Template UK CC1).

Table 3: UK OVC – ICAAP information

The following narrative information is provided to fulfil the requirements of point c of Article 438, which requires completion of row b of Table UK OVC only.

Result of the internal capital adequacy assessment process (ICAAP)

Information regarding the results of the ICAAP is only expected to be disclosed upon demand from the relevant competent authority. The Group has not been requested to disclose the results of its ICAAP. However, the PRA has set the general expectation that banks disclose their Total Capital Requirement. This is presented in the following table, which summarises the minimum capital requirements applicable to the Group, highlighting the Total Capital Requirement and Overall Capital Requirement (excluding any PRA buffers)[3].

	31 Dec 2022		31 Dec 2021	
Minimum capital requirements	**Common Equity Tier 1**	**Total capital**	Common Equity Tier 1	Total capital
Pillar 1	**4.50%**	**8.00%**	4.50%	8.00%
Pillar 2A	**0.60%**	**1.07%**	0.60%	1.07%
Total Capital Requirement	**5.10%**	**9.07%**	5.10%	9.07%
Regulatory capital buffers				
Capital conservation buffer	**2.50%**	**2.50%**	2.50%	2.50%
Countercyclical capital buffer	**1.00%**	**1.00%**	–	–
Overall Capital Requirement (excluding PRA buffer)	**8.60%**	**12.57%**	7.60%	11.57%

[1] Leverage metrics provided as at 31 December 2022 reflect the method of calculation set out in PS21/21 'The UK leverage ratio framework', which came into effect on 1 January 2022. Prior year comparatives have not been restated and instead, additional rows have been included to present the leverage ratios as at 31 December 2021 based on the disclosure rules in force at that time, which includes claims on central banks.

[2] The liquidity coverage ratio metrics are calculated as the simple average of the month end observations for the preceding 12 months. It should be noted that this differs to the metrics reported in the 2022 Annual Report and Accounts, which present the position at the year-end date. This is a new disclosure requirement and accordingly comparative information is not provided.

[3] The Group may also be subject to a PRA buffer, as set by the PRA, but is not permitted to disclose the level of such buffer. A PRA buffer can consist of two components: a risk management and governance buffer, which is set as a scalar of the Pillar 1 and Pillar 2A requirements; and a buffer relating to the results of the Bank of England stress tests.

Disclosures for Shawbrook Group plc

3.2. Annex III: Disclosure of risk management objectives and policies

Table 4: UK OVA – Institution risk management approach

The following narrative information is provided to fulfil the requirements of points a, e and f of Article 435(1), which requires completion of rows a, c and f of Table UK OVA only.

It is recommended that this disclosure is read in conjunction with the Group's 2022 Annual Report and Accounts, which provides further insight into risk management strategies, processes, controls and attestations. Specific cross references to sections within the Group's Annual Report and Account are provided within the following narrative.

Risk statement approved by the management body
The Group seeks to manage the risks inherent in its business activities and operations through close and disciplined risk management. This aims to quantify the risks taken, manage and mitigate them as far as possible and price for them in order to produce an appropriate commercial return through the cycle.

The Group's approach to risk management continues to evolve in response to changes in the business model and the products offered, changes in the way customers want to engage with the Group, as well as external changes and developments such as the increase to cost of living.

Throughout 2022, further investment was made in key areas including climate change, financial crime controls, operational resilience, information security, technology and potential problem loans.

The Group strives to continue to instil a sound risk culture as the foundation of the risk governance structure. The Group recognises that a strong culture of risk management, compliance, and internal controls is critical to serving the needs of all customers, supporting growth and protecting the safety and soundness of the Group. Everyone is responsible and accountable for managing risk within the risk appetite framework.

A strong culture, combined with a sound Risk Management Framework supports appropriate risk awareness, behaviours and judgements about risk taking. To reinforce and foster a strong risk culture, the Group has established a set of risk management principles designed to guide employees on how to manage risk on a daily basis. The Group assesses the embedding of these risk management principles through a number of channels, including analysing the responses of the risk culture related questions within the employee engagement survey to understand perceived issues and agree actions to address them, as well as monitoring the number and frequency of whistleblowing incidents and material regulatory breaches.

The Group has complied with all externally imposed capital requirements to which it is subject to in both the reported years.

Further details regarding the Group's approach to risk management are provided in the Risk Report in the Group's 2022 Annual Report and Accounts starting on page 94.

Declaration on the adequacy of risk management arrangements
Effective risk management is recognised as being key to the execution of the Group's strategy. Monitoring and control of risk is a fundamental part of the Group's risk management process and all senior management are involved in the development and implementation of the Risk Management Framework and in monitoring its application.

A formal attestation of compliance with the Risk Management Framework is completed on an annual basis and covers all principal risks as well as a capability assessment. The 2022 attestation concluded that the Group Risk Management Framework continues to operate effectively, is appropriate for a bank of this size and complexity and is sufficient to support the Group's objectives.

Strategies and processes to manage risks for each category of risk
The monitoring and control of risk is a fundamental part of the management process within the Group. Risk governance describes the architecture through which the Board allocates and delegates primary accountability, responsibility and authority for risk management across the Group.

Responsibility for risk oversight is delegated from the Board to the Risk Committee and Audit Committee. However, ultimate responsibility for risk remains with the Board. An abbreviated Board and Executive Committee structure is set out in the Group's 2022 Annual Report and Accounts in the Corporate Governance Report on pages 62 to 65, which also provides further description of their roles and responsibilities.

Accountability, responsibility and authority for risk management is delegated to the Chief Executive Officer and Chief Risk Officer, who in turn allocate responsibility for oversight and certain approvals across a number of management committees. The Managing Directors of the Group's customer franchises are assigned the responsibilities of the senior management function (SMF) role of SMF18 ('other overall responsibility function').

Authority and responsibility for material operational risk management, decision-making and risk assurance is vested in the Chief Risk Officer and the risk function. Lesser levels of authority are cascaded to senior management within the first line of defence.

These bodies and senior officers are accountable and responsible for ensuring that the day-to-day risks are appropriately managed within the agreed risk appetite and in accordance with the requirements of the Risk Management Framework.

Individuals are encouraged to adopt an open and independent culture of challenge, which is important in ensuring risk issues are fully surfaced and debated, with views and decisions recorded. Risk governance and culture is reinforced by the provisions of the Senior Managers and Certification Regime.

Formal risk escalation and reporting requirements are set out in risk policies, individual committee terms of reference and the approved risk appetite thresholds and limits.

Principal risks refer to the key risks that the Group is exposed to. Policy and control frameworks are maintained to support principal risks and provide guidance on how to achieve strategic objectives whilst managing the risk within defined risk appetite limits.

Disclosures for Shawbrook Group plc

The following table provides a summary of the principal risks and their definitions and signposts to where additional information can be found in the Group's 2022 Annual Report and Accounts:

Principal risk	Definition	Cross reference to Group's 2022 Annual Report and Accounts
Credit risk	The risk that a borrowing client or treasury counterparty fails to repay some, or all, of the capital or interest advanced to them, due to lack of willingness to pay and/or lack of ability to pay.	Page 112
Liquidity risk	The risk that the Group is unable to meet its current and future financial obligations as they fall due, or is only able to do so at excessive cost.	Page 140
Market risk	The risk of financial loss through unhedged or mismatched asset and liability positions that are sensitive to changes in interest rates or currencies.	Page 144
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and system failures, or from external events.	Page 147
Compliance, conduct and financial crime risk	Conduct risk: the risk that the Group's behaviour will result in poor customer outcomes and that the Group's people fail to behave with integrity. Compliance and financial crime risk: the risk of regulatory enforcement and sanction, material financial loss, or loss of reputation the Group may suffer as a result of its failure to identify and comply with applicable laws, regulations, codes of conduct and standards of good practice, or that the Group's processes may be used to commit financial crime.	Page 148
Strategic risk	The risk that the Group is unable to meet its objectives through the inappropriate selection or implementation of strategic plans. This includes the ability to generate lending volumes within the Group's risk appetite.	Page 148
Systems and change risk	Systems risk: the risk that new threats are introduced to the Group's critical systems resulting in them becoming unavailable during core operational times. Change risk: the risk that transition changes in the business will not be supported by appropriate change capability and be improperly implemented. It is also the risk that too many in-flight changes cause disruption to business operations.	Page 148

Capital risk is the risk that the Group has insufficient quantity and quality of capital to cover regulatory requirements and/or to support its own growth plans. Capital risk is captured within the strategic risk principal risk. Specific information regarding capital risk and its management is provided in the Group's 2022 Annual Report and Accounts starting on page 149.

Oversight of the principal risks is outlined in the below illustration. Climate risk is embedded in each of the principal risks and is overseen by the Chief Risk Officer. Further details of the strategies and processes employed to manage the principal risks are provided in the Group's 2022 Annual Report and Accounts starting on page 111.

Oversight / Principal risk	Board			
	Risk Committee			Audit Committee
	First line	Second line		Third line
Credit risk	Credit management in customer franchises	Credit risk	Group Risk Management Committee	Internal audit
Liquidity and market risk	Treasury	Market and liquidity risk	Asset and Liability Committee	
Operational risk	All customer franchises and central functions	Prudential risk	Group Risk Management Committee	
Compliance, conduct and financial crime risk	All customer franchises	Compliance and financial crime	Group Risk Management Committee	
Strategic risk	Executive Directors and Senior Management	Prudential risk	Executive Committee	
Systems and change risk	Chief Technology Office	Prudential risk	Executive Committee	

Disclosures for Shawbrook Group plc

In addition to principal risks, the Group also monitors its 'top and emerging risks'.

Top risks are those risks that could cause the delivery of the Group's strategy, results of operations, financial condition and/or prospects to differ materially from expectations.

Emerging risks are those that have unknown components, the impact of which could crystallise over a longer period and could include certain other factors beyond the Group's control, including escalation of terrorism or global conflicts, natural disasters, epidemic outbreaks and similar events.

Top and emerging risks are identified through the process outlined in the Risk Management Framework and are considered regularly by the Group Risk Management Committee and subsequently by the Risk Committee.

As at 31 December 2022, the Group has identified nine top risks (2021: seven top risks) and has not identified any emerging risks (2021: two emerging risks). The difference in the number of top and emerging risks in the current year compared to 2021 is attributable to financial crime and climate risk now being included as top risks rather than emerging risks.

The nine themes identified as top risks are as follows:

- Economic and competitive environment
- Credit impairment
- Geopolitical risk
- Intermediary, outsourcing and operational resilience
- Information and cyber security risk
- Pace of regulatory change
- Pace, scale of change and people risk
- Financial crime
- Climate risk

Additional details of these top risks are set out in the Group's 2022 Annual Report and Accounts starting on page 101.

Table 5: UK OVB – Disclosure on governance arrangements

The following narrative information is provided to fulfil the requirements of points a, b and c of Article 435(2), which requires completion of rows a, b and c of Table UK OVB only. This information is provided in the Group's Annual Report and Accounts in the Corporate Governance Report and the below information signposts to where this information can be found.

Number of directorships held by members of the management body
This information can be found in the Group's 2022 Annual Report and Accounts starting on page 57.

Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise
This information can be found in the Group's 2022 Annual Report and Accounts starting on page 88 and 57, respectively.

Information on the diversity policy with regard of the members of the management body
This information can be found in the Group's 2022 Annual Report and Accounts starting on page 89.

Disclosures for Shawbrook Group plc

3.3. Annex VII: Disclosure of own funds

Table 6: UK CC1 – Composition of regulatory own funds

The *following template provides the information required in point a of Article 437.*

		a	b	a
GROUP		**31 Dec 2022**	Reference[1]	31 Dec 2021
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts (£m)	**89.8**	c + d	89.8
	of which: Ordinary shares (£m)	**2.5**	c	2.5
	of which: Share premium (£m)	**87.3**	d	87.3
2	Retained earnings (£m)	**905.8**	h	740.8
3	Accumulated other comprehensive income (and other reserves) (£m)	**32.0**	f + g	5.6
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments (£m)**	**1,027.6**		836.2
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
8	Intangible assets (net of related tax liability) (negative amount) (£m)	**(76.4)**	*minus:* a	(75.2)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value (£m)	**(26.4)**	*minus:* g	–
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant) (£m)	**23.2**		17.3
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1) (£m)**	**(79.6)**		(57.9)
29	**Common Equity Tier 1 (CET1) capital (£m)**	**948.0**		778.3
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts (£m)	**122.9**	e	124.0
31	of which: classified as equity under applicable accounting standards (£m)	**122.9**	e	124.0
36	**Additional Tier 1 (AT1) capital before regulatory adjustments (£m)**	**122.9**		124.0
	Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital (£m)**	**–**		–
44	**Additional Tier 1 (AT1) capital (£m)**	**122.9**		124.0
45	**Tier 1 capital (T1 = CET1 + AT1) (£m)**	**1,070.9**		902.3
	Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts (£m)	**94.1**	b	94.1
51	**Tier 2 (T2) capital before regulatory adjustments (£m)**	**94.1**		94.1
	Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital (£m)**	**–**		–
58	**Tier 2 (T2) capital (£m)**	**94.1**		94.1
59	**Total capital (TC = T1 + T2) (£m)**	**1,165.0**		996.4
60	**Total Risk exposure amount (£m)**	**7,382.5**		6,137.6

Continued.

[1] Cross references refer to corresponding references in Template UK CC2 (Table 7) to illustrate how the regulatory capital as at 31 December 2022 maps to amounts in the consolidated balance sheet.

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		a	b	a
GROUP		**31 Dec 2022**	Reference	31 Dec 2021
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**12.8%**		12.7%
62	Tier 1 (as a percentage of total risk exposure amount)	**14.5%**		14.7%
63	Total capital (as a percentage of total risk exposure amount)	**15.8%**		16.2%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	**8.6%**		7.6%
65	of which: capital conservation buffer requirement	**2.5%**		2.5%
66	of which: countercyclical buffer requirement	**1.0%**		–
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**7.7%**		7.6%
	Amounts below the thresholds for deduction (before risk weighting)			
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (£m)	**14.9**		13.1
	Applicable caps on the inclusion of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach (£m)	**84.3**		69.8

Disclosures for Shawbrook Group plc

Table 7: UK CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements
The *following template provides the information required in point a of Article 437.*

For the Group, the accounting and regulatory scopes of consolidation are the same, with all subsidiary companies being fully consolidated (as illustrated in Appendix 2). As such, there are no differences between the balance sheet for accounting purposes, per the published financial statements, and the balance under regulatory scope of consolidation. Consequently, as directed in the instructions laid out in '*Annex VIII – Instructions for own funds disclosure*', only column 'a' has been presented in the below template and column 'b' has been omitted.

		a	c
GROUP **As at 31 December 2022**		**Balance sheet as in published financial statements £m**	Reference[1]
	Assets		
1	Cash and balances at central banks	**2,037.1**	
2	Loans and advances to banks	**263.6**	
3	Loans and advances to customers	**10,457.1**	
4	Investment securities	**691.0**	
5	Derivative financial assets	**330.7**	
6	Property, plant and equipment	**48.3**	
7	Intangible assets	**76.4**	a
8	Deferred tax assets	**19.4**	
9	Other assets	**15.1**	
10	**Total assets**	**13,938.7**	
	Liabilities		
1	Amounts due to banks	**1,498.7**	
2	Customer deposits	**10,914.5**	
3	Provisions	**6.0**	
4	Derivative financial liabilities	**90.5**	
5	Debt securities in issue	**116.4**	
6	Current tax liabilities	**3.2**	
7	Lease liabilities	**7.4**	
8	Other liabilities	**65.4**	
9	Subordinated debt liability	**96.8**	
9a	*Of which: Tier 2 instruments*	***94.1***	b
10	**Total liabilities**	**12,798.9**	
	Shareholders' equity		
1	Share capital	**2.5**	c
2	Share premium account	**87.3**	d
3	Capital securities	**122.9**	e
4	Capital contribution reserve	**5.6**	f
5	Cash flow hedging reserve	**26.4**	g
6	Fair value through other comprehensive income reserve	**(10.7)**	
7	Retained earnings	**905.8**	h
8	**Total shareholders' equity**	**1,139.8**	

[1] Cross references refer to corresponding references in Template UK CC1 (Table 6) to illustrate how certain amounts per the consolidated balance sheet maps to the regulatory capital calculation as at 31 December 2022

3.4. Annex XXXIII: Disclosure of remuneration policy

As detailed on page 4, the required level of remuneration related disclosures is subject to further proportionality rules, as set out in SS2/17 'Remuneration'. In accordance with this PRA publication, the Group is categorised as a proportionality level three (PL3) institute, which represents the lowest level and necessitates fewer disclosures. Where the prescribed disclosure templates required of a non-listed other institute (as set out in Section 2) are not required on the grounds of the reduced disclosure requirements applicable to a PL3 institute, this in noted below.

It is recommended that this section is read in conjunction with the Directors' Remuneration Report in the Group's 2022 Annual Report and Accounts.

Table 8: UK REMA – Remuneration policy

The following narrative information is provided to fulfil the requirements of points a-d and j-k of Article 450(1).

PL3 scope reduction: *In accordance with SS2/17, a PL3 institute is not required to provide the information required by points c and d of Article 450(1). Consequently, the below narrative provides the information required in points a-b and j-k of Article 450(1) only.*

The Remuneration Committee is a sub-committee of the Board. Its principal function is to determine, for onward recommendation to the Board, the terms and conditions of employment, remuneration and benefits of the Chairman, Executive Directors and all other material risk takers (MRTs)[1]. The Remuneration Committee exercises independent judgement on remuneration policies and practices and the incentives created to align senior management's interests with those of key stakeholders.

As at 31 December 2022, the Remuneration Committee comprises four Non-Executive Directors, one of whom is the Chairman, and two Institutional Directors. The Remuneration Committee met on five occasions during 2022. At the invitation of the Chair of the Remuneration Committee, on occasion, other attendees included the Chief Executive Officer, Chief People and Marketing Officer, Chief Risk Officer and Group Head of Reward. The Head of Secretariat provided secretariat support. Deloitte LLP provides independent advice to the Remuneration Committee on all executive remuneration matters. In line with the Framework Agreement and Memorandum of Understanding, the Shareholder has representation on the Remuneration Committee. Where applicable, decisions are escalated through the Board to the Shareholder for approval.

During 2022, in addition to cyclical agenda items, the Remuneration Committee considered reward arrangements for the wider organisation in the context of the current economic climate and the ongoing alignment of remuneration arrangements for senior management with the UK Corporate Governance Code. The Group also reviewed its remuneration policy during the year, mainly to update regulatory definitions therein and provide greater clarity in respect of its risk adjustment process.

The Remuneration Committee's terms of reference were reviewed and updated in February 2023. The full terms of reference are available on the Group's website at: *www.shawbrook.co.uk/investors/*

In accordance with the PRA Rulebook and the FCA Handbook, together the Remuneration Code (the 'Code'), the Group must establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management. Policies and procedures must be comprehensive and proportionate to the nature, scale and complexity of the firm's activities.

The Code sets out the mandatory quantitative and qualitative criteria that the Group must follow in identifying its MRTs, being those staff whose activities have a material impact on the firm's risk profile. In addition, the Group carries out an additional assessment to ensure all individuals who may expose the Group to a material level of risk are identified as MRTs, notwithstanding that they are not captured under the mandatory criteria.

The policy table on the following page summarises the key components of the Group's reward package that apply to all MRTs (excluding Non-Executive Directors, for whom a fixed fee is payable) during 2022. The Directors' Remuneration Report within the Group's 2022 Annual Report and Accounts starting on page 80 sets out how the key components apply for Executive Directors. The maximum ratio of total variable remuneration to fixed remuneration for all MRTs is capped at 200% in line with regulatory requirements.

As a PL3 institution, the Group applies proportionality to disapply deferral and payment in instruments at a firm-wide level. The Group does however apply annual bonus deferral on a voluntary basis such that awards over a threshold level, as determined by the Remuneration Committee, are subject to deferral over a number of years.

The Group's reward structure is designed to avoid any conflicts of interests, as set out in the Group's Conflicts of Interest Policy. In this regard, employees in control functions are remunerated independently from the performance of the business areas that they oversee.

Guaranteed remuneration does not form part of the Group's prospective remuneration plans. This is only awarded in exceptional circumstances, in the context of compensating key new hires in their first year of service for the loss of short and/or long-term incentive awards from their previous employment, or in the context of retaining an employee who is critical to the ongoing success of the Group.

[1] Material risk takers (MRTs) may also be referred to throughout this report as 'identified staff'.

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Element	Purpose and link to strategy	Operation and performance measures
Salary	To provide a competitive level of base pay to recruit and retain talent.	Base salaries are set with reference to the size and scope of the role, the external market as well as the skills and experience of the individual. Salaries are normally reviewed on an annual basis, with increases typically in line with the wider workforce.
Pension	To provide a competitive post-retirement benefit supporting the long-term financial wellbeing of employees.	MRTs may participate in the Group's workplace pension arrangement. Contribution levels depend on individual circumstances. Some MRTs may receive a cash allowance in lieu of a pension contribution.
Benefits	To provide a suite of competitive benefits to support the wellbeing of employees.	MRTs receive a range of benefits, including but not limited to private medical cover, life assurance and permanent health insurance. Additional benefits may also be provided, as reasonably required.
Annual discretionary bonus	To incentivise and reward the achievement of short-term financial and non-financial objectives which are closely linked to the Group's strategy. Deferral encourages longer-term focus and risk alignment.	Annual bonus awards are determined with reference to financial, non-financial and individual objectives. Specific performance measures and objectives are reviewed on an annual basis to ensure they appropriately align to the Group's ongoing strategy. When finalising individual award levels, consideration is given to the overall performance of the Group, business area performance, individual performance against agreed objectives, including alignment with our purpose and experience principles, as well as the outcome of the independent risk adjustment process. Poor financial and/or non-financial performance can result in the bonus being reduced, including potentially to zero. Awards over a threshold level (set by the Remuneration Committee each year) are subject to deferral. Deferred awards will normally be released in equal tranches after one, two and three years, subject to continued employment. Deferral levels may be amended to take account of any regulatory changes, or such other factors the Remuneration Committee considers appropriate. Annual bonus awards are subject to the Group's malus and clawback provisions.
Long-term incentives	To incentivise and reward the delivery of the Group's long-term strategy and growth over a sustained period.	Selected members of the Group's senior management participate in the Group's long-term incentive arrangements. Typically, from 2021, any awards will be subject to an assessment of prior performance at an individual and Group level. This assessment of performance will be typically no less than 12 months pre-grant of award. The future vesting of such awards is linked to the growth in the underlying value of the Group by reference to the achievement of hurdles which have been set relative to the Group's business plan. Any value delivered under these long-term arrangements will ordinarily only be released upon an exit event (i.e. the sale of the Group, the majority of its assets or an initial public offering). Awards are subject to the Group's malus and clawback provisions.

Table 9: UK REM1 – Remuneration awarded for the financial year

The following template provides the information required in point h (i) and (ii) of Article 450(1).

PL3 scope reduction: *In accordance with SS2/17, a PL3 institute is not required to provide the detailed information stipulated by points h (i) and (ii) of Article 450(1), however it is required to provide aggregate quantitative information on remuneration. Consequently, the below information just provides the number of identified staff and their total remuneration, with no additional breakdown.*

		a	b	c	d
GROUP **Year ended 31 December 2022**		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1 / 9	Number of identified staff	**9**	**2**	**8**	**42**
17	Total remuneration (£m)[1]	**0.7**	**2.6**	**4.4**	**10.6**

[1] In the year ended 31 December 2022, the Group incurred fees of £0.1 million in relation to the two Institutional Directors appointed to the Board by the ultimate parent company, as set out and agreed within the Framework Agreement. The two institutional Directors are included in the 'MB Supervisory function' headcount, however, they are not employed by the Group and, accordingly, their aforementioned fees are not included in the total remuneration figure per the table.

Disclosures for Shawbrook Group plc

Table 10: UK REM2 – Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

The following template provides the information required in point h (v), (vi) and (vii) of Article 450(1).

PL3 scope reduction: *In accordance with SS2/17, a PL3 institute is not required to provide the detailed information stipulated by points h (v), (vi) and (vii) of Article 450(1). Consequently, Template UK REM2 is not provided.*

Table 11: UK REM3 – Deferred remuneration

The following template provides the information required in point h (iii) and (iv) of Article 450(1).

PL3 scope reduction: *In accordance with SS2/17, a PL3 institute is not required to provide the detailed information stipulated by points h (iii) and (iv) of Article 450(1). Consequently, Template UK REM3 is not provided.*

Table 12: UK REM4 – Remuneration of 1 million EUR or more per year

The following template provides the information required in point i of Article 450(1).

PL3 scope reduction: *In accordance with SS2/17, a PL3 institute is not required to provide the detailed information stipulated by point i of Article 450(1). Consequently, Template UK REM4 is not provided.*

Table 13: UK REM5 – Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

The following template provides the information required in point g of Article 450(1). In accordance with the summary provided in Section 2, the information to fulfil point g of Article 450(1) is not required for a firm classified as a non-listed other institution. However, in contrast to this, in accordance with SS2/17, the information to fulfil point g of Article 450(1) is required by a PL3 institute. In the spirit of fully complying with all disclosure requirements of a PL3 institute, the Group has decided to include a condensed version of this disclosure template, providing the number of identified staff and their total remuneration.

		a	b	c	e	g	h	j
		Management body remuneration			Business areas			
GROUP Year ended 31 December 2022		MB Supervisory function	MB Management function	Total MB	Retail banking	Corporate functions	Independent internal control functions	Total
1	Total number of identified staff							**61**
2	Of which: members of the MB	**9**	**2**	**11**				
3	Of which: other senior management				**3**	**4**	**1**	
4	Of which: other identified staff				**23**	**5**	**14**	
5	Total remuneration of identified staff (£m)[1]	**0.7**	**2.6**	**3.3**	**7.7**	**3.7**	**3.6**	

[1] In the year ended 31 December 2022, the Group incurred fees of £0.1 million in relation to the two Institutional Directors appointed to the Board by the ultimate parent company, as set out and agreed within the Framework Agreement. The two institutional Directors are included in the 'MB Supervisory function' headcount, however, they are not employed by the Group and, accordingly, their aforementioned fees are not included in the total remuneration figure per the table.

4. Disclosures for Shawbrook Bank Limited (the 'Bank')

The following section provides the required disclosure templates, as outlined in Section 2, for the Bank. The 'Bank' is defined on page 3 and is further illustrated in Appendix 2.

4.1. Annex I: Disclosure of key metrics and overview of risk weighted exposure amounts

Table 14: UK OV1 – Overview of risk weighted exposure amounts

The following template provides the information required in point d of Article 438. The template provides an overview of risk-weighted exposure amounts (RWEAs) and the own funds requirements corresponding to the RWEAs for the different risk categories.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
BANK		**31 Dec 2022 £m**	31 Dec 2021 £m	**31 Dec 2022 £m**
1	Credit risk (excluding CCR)	**6,746.7**	5,582.3	**539.7**
2	*of which the standardised approach*	**6,746.7**	5,582.3	**539.7**
6	Counterparty credit risk – CCR	**5.7**	1.0	**0.5**
UK 8b	*of which credit valuation adjustment - CVA*	**5.7**	1.0	**0.5**
16	Securitisation exposures in the non-trading book (after the cap)	**31.8**	20.9	**2.5**
19	*of which SEC-SA approach*	**31.8**	20.9	**2.5**
23	Operational risk	**601.5**	529.8	**48.1**
UK 23a	*of which basic indicator approach*	**601.5**	529.8	**48.1**
29	**Total**	**7,385.7**	6,134.0	**590.8**

Table 15: UK KM1 – Key metrics table

The following template provides the key metrics referred to in Article 447. The template includes metrics relating to capital, leverage, liquidity and funding.

		a	e
BANK		**31 Dec 2022**	31 Dec 2021
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital (£m)	**951.5**	775.7
2	Tier 1 capital (£m)	**1,076.5**	900.7
3	Total capital (£m)	**1,171.5**	995.7
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount (£m)	**7,385.7**	6,134.0
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	**12.9%**	12.6%
6	Tier 1 ratio (%)	**14.6%**	14.7%
7	Total capital ratio (%)	**15.9%**	16.2%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	**0.6%**	0.6%
UK 7b	Additional AT1 SREP requirements (%)	**0.2%**	0.2%
UK 7c	Additional T2 SREP requirements (%)	**0.3%**	0.3%
UK 7d	Total SREP own funds requirements (%)	**9.1%**	9.1%

Continued.

Disclosures for Shawbrook Bank Limited

BANK		a **31 Dec 2022**	e 31 Dec 2021
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	**2.5%**	2.5%
9	Institution specific countercyclical capital buffer (%)	**1.0%**	–
11	Combined buffer requirement (%)	**3.5%**	2.5%
UK 11a	Overall capital requirements (%)	**12.6%**	11.6%
12	CET1 available after meeting the total SREP own funds requirements (%)	**7.8%**	7.5%
	Leverage ratio[1]		
13	Total exposure measure excluding claims on central banks (£m)	**12,227.1**	N/a
14	Leverage ratio excluding claims on central banks (%)	**8.8%**	N/a
	Total exposure measure (pre-1 Jan 2022) (£m)	*N/a*	*11,263.4*
	Leverage ratio (pre-1 Jan 2022) (%)	*N/a*	*8.0%*
	Liquidity coverage ratio[2]		
15	Total high-quality liquid assets (HQLA) (Weighted value -average) (£m)	**2,162.5**	N/a
UK 16a	Cash outflows - Total weighted value (£m)	**881.3**	N/a
UK 16b	Cash inflows - Total weighted value (£m)	**136.5**	N/a
16	Total net cash outflows (adjusted value) (£m)	**744.8**	N/a
17	Liquidity coverage ratio (%)	**290.3%**	N/a

Notes:
Disclosures for the net stable funding ratio (Rows 18-20 of the template) are not applicable until 1 January 2023, as set out by the PRA in PS22/21 'Implementation of Basel standards: Final rules', and are therefore not included in the disclosure template in the current year.

The metrics presented in Template UK KM1 are on a CRD V transitional basis after applying IFRS 9 transitional arrangements. A comparison of certain reported capital metrics (including transitional adjustments) to the capital metrics as if IFRS 9 transitional arrangements had not been applied (the 'fully loaded' basis) is provided in Appendix 1.

The Bank complied with all externally imposed capital requirements to which it is subject to in both the reported years. Additional details about the composition of capital can be found in Table 17 (Template UK CC1).

Table 16: UK OVC – ICAAP information
The following narrative information is provided to fulfil the requirements of point c of Article 438, which requires completion of row b of Table UK OVC only.

Result of the internal capital adequacy assessment process (ICAAP)
Information relating to the ICAAP is as disclosed for the Group in Section 3.1 (Table 3). Separate disclosure for the Bank is not provided.

4.2. Annex III: Disclosure of risk management objectives and policies

Information relating to risk management objectives and policies for disclosures UK OVA and UK OVB is as disclosed for the Group in Section 3.2 (Tables 4 and 5). Separate disclosures for the Bank are not provided.

1 Leverage metrics provided as at 31 December 2022 reflect the method of calculation set out in PS21/21 'The UK leverage ratio framework', which came into effect on 1 January 2022. Prior year comparatives have not been restated and instead, additional rows have been included to present the leverage ratios as at 31 December 2021 based on the disclosure rules in force at that time, which includes claims on central banks.

2 The liquidity coverage ratio metrics are calculated as the simple average of the month end observations for the preceding 12 months. It should be noted that this differs to the metrics reported in the 2022 Annual Report and Accounts, which present the position at the year-end date. This is a new disclosure requirement and accordingly comparative information is not provided.

4.3. Annex VII: Disclosure of own funds

Table 17: UK CC1 – Composition of regulatory own funds

The *following template provides the information required in point a of Article 437.*

		a	b	a
BANK		**31 Dec 2022**	Reference[1]	31 Dec 2021
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts (£m)	**256.5**	c + d	256.5
	of which: Ordinary shares (£m)	**175.5**	c	175.5
	of which: Share premium (£m)	**81.0**	d	81.0
2	Retained earnings (£m)	**702.5**	i	531.6
3	Accumulated other comprehensive income (and other reserves) (£m)	**52.0**	f + g + h	25.5
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments (£m)**	**1,011.0**		813.6
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
8	Intangible assets (net of related tax liability) (negative amount) (£m)	**(56.3)**	*minus:* a	(55.2)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value (£m)	**(26.4)**	*minus:* h	–
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant) (£m)	**23.2**		17.3
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1) (£m)**	**(59.5)**		(37.9)
29	**Common Equity Tier 1 (CET1) capital (£m)**	**951.5**		775.7
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts (£m)	**125.0**	e	125.0
31	of which: classified as equity under applicable accounting standards (£m)	**125.0**	e	125.0
36	**Additional Tier 1 (AT1) capital before regulatory adjustments (£m)**	**125.0**		125.0
	Additional Tier 1 (AT1) capital: regulatory adjustments			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital (£m)**	**–**		–
44	**Additional Tier 1 (AT1) capital (£m)**	**125.0**		125.0
45	**Tier 1 capital (T1 = CET1 + AT1) (£m)**	**1,076.5**		900.7
	Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts (£m)	**95.0**	b	95.0
51	**Tier 2 (T2) capital before regulatory adjustments (£m)**	**95.0**		95.0
	Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital (£m)**	**–**		–
58	**Tier 2 (T2) capital (£m)**	**95.0**		95.0
59	**Total capital (TC = T1 + T2) (£m)**	**1,171.5**		995.7
60	**Total Risk exposure amount (£m)**	**7,385.7**		6,134.0

Continued.

[1] Cross references refer to corresponding references in Template UK CC2 (Table 18) to illustrate how the regulatory capital as at 31 December 2022 maps to amounts in the consolidated balance sheet.

Disclosures for Shawbrook Bank Limited

		a	b	a
BANK		**31 Dec 2022**	Reference	31 Dec 2021
	Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	**12.9%**		12.6%
62	Tier 1 (as a percentage of total risk exposure amount)	**14.6%**		14.7%
63	Total capital (as a percentage of total risk exposure amount)	**15.9%**		16.2%
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	**8.6%**		7.6%
65	of which: capital conservation buffer requirement	**2.5%**		2.5%
66	of which: countercyclical buffer requirement	**1.0%**		–
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**7.8%**		7.5%
	Amounts below the thresholds for deduction (before risk weighting)			
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (£m)	**14.9**		13.1
	Applicable caps on the inclusion of provisions in Tier 2			
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach (£m)	**84.3**		69.8

Disclosures for Shawbrook Bank Limited

Table 18: UK CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The *following template provides the information required in point a of Article 437.*

BANK As at 31 December 2022		a Balance sheet as in published financial statements £m	b Under regulatory scope of consolidation £m	c Reference[1]	Note
	Assets				
1	Cash and balances at central banks	**2,037.1**	**2,037.1**		
2	Loans and advances to banks	**263.5**	**263.5**		
3	Loans and advances to customers	**10,457.1**	**10,457.1**		
4	Investment securities	**691.0**	**691.0**		
5	Derivative financial assets	**330.7**	**330.7**		
6	Property, plant and equipment	**48.3**	**48.3**		
7	Intangible assets	**70.7**	**56.3**	a	1
8	Deferred tax assets	**19.4**	**19.4**		
9	Other assets	**19.6**	**19.6**		
10	**Total assets**	**13,937.4**	**13,923.0**		
	Liabilities				
1	Amounts due to banks	**1,498.7**	**1,498.7**		
2	Customer deposits	**10,914.5**	**10,914.5**		
3	Provisions	**6.0**	**6.0**		
4	Derivative financial liabilities	**90.5**	**90.5**		
5	Debt securities in issue	**116.4**	**116.4**		
6	Current tax liabilities	**3.6**	**3.6**		
7	Lease liabilities	**7.4**	**7.4**		
8	Other liabilities	**63.2**	**63.2**		
9	Subordinated debt liability	**97.4**	**97.4**		
9a	*Of which: Tier 2 instruments*	***95.0***	***95.0***	b	
10	**Total liabilities**	**12,797.7**	**12,797.7**		
	Shareholders' equity				
1	Share capital	**175.5**	**175.5**	c	
2	Share premium account	**81.0**	**81.0**	d	
3	Capital securities	**125.0**	**125.0**	e	
4	Merger reserve	**1.6**	**1.6**	f	
5	Capital contribution reserve	**24.0**	**24.0**	g	
6	Cash flow hedging reserve	**26.4**	**26.4**	h	
7	Fair value through other comprehensive income reserve	**(10.7)**	**(10.7)**		
8	Retained earnings	**716.9**	**702.5**	i	1
9	**Total shareholders' equity**	**1,139.7**	**1,125.3**		

Note 1: The difference between the balance sheet for accounting purposes (column 'a') compared to the balance sheet for regulatory purposes (column 'b') is £14.4 million of intangible assets (goodwill) in dormant subsidiary companies that are outside the regulatory scope of consolidation (see Appendix 2 for illustration). The equal and opposite difference is in retained earnings. In all other respects, the balance sheet is the same for accounting and regulatory purposes.

4.4. Annex XXXIII: Disclosure of remuneration policy

Information relating to remuneration is as disclosed for the Group in Section 3.4 (Tables 8-13). Separate disclosures for the Bank are not provided.

[1] Cross references refer to corresponding references in Template UK CC1 (Table 17) to illustrate how certain amounts per the consolidated balance sheet maps to the regulatory capital calculation as at 31 December 2022

Appendix 1: IFRS 9 transitional arrangements disclosure

The Group elected to use a transitional approach when recognising the impact of adopting IFRS 9 ‘Financial Instruments’. The transitional approach involves phasing in the full impact using transitional factors published in Regulation (EU) 2017/2395. This permits the entities to add back to their capital base a proportion of the impact that IFRS 9 has upon their loss allowances for non-credit impaired loans during the first five years of implementation. This add back is referred to throughout this document as the ‘transitional adjustment for IFRS 9’.

Per the transitional factors set out in Regulation (EU) 2017/2395, the proportion that the Group may add back in 2022 is 25% (2021: 50%). However, in response to the COVID-19 pandemic, the EU reviewed the transitional arrangements and reached agreement to reset the proportions for relevant ECLs raised from 1 January 2020, as set out in the CRR ‘Quick Fix’, a change that was accepted by the PRA. As a result, for non-credit impaired ECLs raised from 1 January 2020, the revised add-back percentage for 2022 is 75% (2021: 100%). Provisions raised prior to 2020 continue to follow the original transitional factors set out in Regulation (EU) 2017/2395.

To illustrate the impact of using this transitional approach, the following tables provide a comparison of own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9.
Table 19 provides information for the Group.
Table 20 provides information for the Bank.

Table 19: Comparison of the Group’s own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 (IFRS 9-FL)
As at 31 December 2022, IFRS 9 transitional adjustments of £24.5 million have been applied to the Group’s capital position (2021: £17.3 million).

		a	e
GROUP		**31 Dec 2022**	31 Dec 2021
	Available capital (amounts)		
1	Common Equity Tier 1 capital (£m)	**948.0**	778.3
2	Common Equity Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**923.5**	761.0
3	Tier 1 capital (£m)	**1,070.9**	902.3
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**1,046.4**	885.0
5	Total capital (£m)	**1,165.0**	996.4
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**1,140.5**	979.1
	Risk-weighted assets (amounts)		
7	Total risk-weighted assets (£m)	**7,382.5**	6,137.6
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied (£m)	**7,362.1**	6,130.2
	Capital ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	**12.8%**	12.7%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	**12.5%**	12.4%
11	Tier 1 (as a percentage of risk exposure amount)	**14.5%**	14.7%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	**14.2%**	14.4%
13	Total capital (as a percentage of risk exposure amount)	**15.8%**	16.2%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	**15.5%**	16.0%
	Leverage ratio[1]		
15	Leverage ratio total exposure measure (£m)	**12,202.7**	11,264.2
16	Leverage ratio	**8.8%**	8.0%
17	Leverage ratio as if IFRS 9 transitional arrangements had not been applied	**8.6%**	7.9%

[1] Leverage metrics provided as at 31 December 2022 reflect the method of calculation set out in PS21/21 ‘The UK leverage ratio framework’, which came into effect on 1 January 2022. Prior year comparatives have not been restated and leverage metrics as at 31 December 2021 are based on the disclosure rules in force at that time, which includes claims on central banks.

Table 20: Comparison of the Bank's own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 (IFRS 9-FL)

As at 31 December 2022, IFRS 9 transitional adjustments of £24.5 million have been applied to the Bank's capital position (2021: £17.3 million).

		a	e
BANK		**31 Dec 2022**	31 Dec 2021
	Available capital (amounts)		
1	Common Equity Tier 1 capital (£m)	**951.5**	775.7
2	Common Equity Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**927.0**	758.4
3	Tier 1 capital (£m)	**1,076.5**	900.7
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied (£m)	**1,052.0**	883.4
5	Total capital (£m)	**1,171.5**	995.7
6	Total capital as if IFRS 9 transitional arrangements had not been applied (£m)	**1,147.0**	978.4
	Risk-weighted assets (amounts)		
7	Total risk-weighted assets (£m)	**7,385.7**	6,134.0
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied (£m)	**7,365.3**	6,126.7
	Capital ratios		
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	**12.9%**	12.6%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	**12.6%**	12.4%
11	Tier 1 (as a percentage of risk exposure amount)	**14.6%**	14.7%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	**14.3%**	14.4%
13	Total capital (as a percentage of risk exposure amount)	**15.9%**	16.2%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	**15.6%**	16.0%
	Leverage ratio[1]		
15	Leverage ratio total exposure measure (£m)	**12,227.1**	11,263.4
16	Leverage ratio	**8.8%**	8.0%
17	Leverage ratio as if IFRS 9 transitional arrangements had not been applied	**8.6%**	7.9%

[1] Leverage metrics provided as at 31 December 2022 reflect the method of calculation set out in PS21/21 'The UK leverage ratio framework', which came into effect on 1 January 2022. Prior year comparatives have not been restated and leverage metrics as at 31 December 2021 are based on the disclosure rules in force at that time, which includes claims on central banks.

Appendices

Appendix 2: Group structure

The following table sets out the subsidiary companies of Shawbrook Group plc and Shawbrook Bank Limited, all of which are fully consolidated for accounting purposes. The columns to the right illustrate which subsidiary companies are in scope for regulatory purposes (and are therefore included in the Pillar 3 disclosures) for Shawbrook Group plc (the ‘Group’) and Shawbrook Bank Limited (the ‘Bank’).

Additional details of subsidiary companies can be found in Note 43 of Shawbrook Group plc and Shawbrook Bank Limited’s 2022 Annual Report and Accounts.

		Entities included in Shawbrook Group plc’s disclosures[1]	Entities included in Shawbrook Bank Limited’s disclosures[1]
		*Collectively referred to as the **‘GROUP’***	*Collectively referred to as the **‘BANK’***
Shawbrook Group plc and its subsidiaries, as follows:		**Yes**	N/a
Shawbrook Bank Limited and its subsidiaries, as follows:	Wholly owned	**Yes**	**Yes**
The Mortgage Lender Limited	Wholly owned	**Yes**	**Yes**
Singers Corporate Asset Finance Limited	Dormant - Wholly owned	**Yes**	No
Singers Healthcare Finance Limited	Dormant - Wholly owned	**Yes**	No
Coachlease Limited	Dormant - Wholly owned	**Yes**	No
Hermes Group Limited	Dormant - Wholly owned	**Yes**	No
Singer & Friedlander Commercial Finance Limited	Dormant - Wholly owned	**Yes**	No
Link Loans Limited	Dormant - Wholly owned	**Yes**	No
Centric SPV 1 Limited	Dormant - Wholly owned	**Yes**	No
Resource Partners SPV Limited	Dormant - Wholly owned	**Yes**	No
Shawbrook Mortgage Funding 2019-1 plc	Subsidiary by virtue of control	**Yes**	**Yes**
Shawbrook Mortgage Funding Holdings Limited	Subsidiary by virtue of control	**Yes**	**Yes**
Wandle Mortgage Funding Limited	Subsidiary by virtue of control	**Yes**	**Yes**
Ealbrook Mortgage Funding 2022-1 plc	Subsidiary by virtue of control	**Yes**	**Yes**
Ealbrook Mortgage Funding 2022-1 Holdings Limited	Subsidiary by virtue of control	**Yes**	**Yes**
Lanebrook Mortgage Transaction 2022-1 plc	Subsidiary by virtue of control	**Yes**	**Yes**
Shawbrook Mortgage Funding 2022-1 plc	Subsidiary by virtue of control	**Yes**	**Yes**

[1] ‘*Yes*’ indicates that the entity is fully consolidated for both accounting and regulatory purposes.
‘*No*’ indicates that the entity is fully consolidated for accounting purposes, but is out of scope for regulatory purposes.

Appendices

Appendix 3: Abbreviations

Throughout this document:

'Group' refers to:	Shawbrook Group plc and all of its subsidiary companies (see Appendix 2 for illustration)
'Bank' refers to:	Shawbrook Bank Limited and the subsidiary companies consolidated for regulatory purposes (see Appendix 2 for illustration)

The following abbreviations are used within this document:

AT1	Additional Tier 1
CCR	Counterparty credit risk
CET1	Common Equity Tier 1
CRD V	Capital Requirements Directive V
CRR	Capital Requirements Regulation
CRR II	Capital Requirements Regulation II
CVA	Credit valuation adjustment
FCA	Financial Conduct Authority
G-SII	Global systemically important institution
HQLA	High-quality liquid assets
ICAAP	Internal Capital Adequacy Assessment Process
IFRS 9	International Financial Reporting Standard 9 'Financial Instruments'
MRT	Material risk taker
O-SII	Other systemically important institution
PL3	Proportionality Level 3 (per SS2/17 'Remuneration')
PRA	Prudential Regulation Authority
RWEA	Risk weighted exposure amount
SMF	Senior management function
SREP	Supervisory Review and Evaluation Process
T2	Tier 2
TC	Total capital