PILLAR 3 DISCLOSURES
31 DECEMBER 2022

Table of Contents

1. Introduction 3
2. Risk Management 5
3. Key Metrics 10
4. Capital and Risk Weighted Assets 12
5. Corporate Governance 15
6. Remuneration 18

1. Introduction

1.1 Overview

This document provides the Pillar 3 disclosures required of Hampshire Trust Bank Plc and its subsidiaries (referred to in this document as 'the Group') as at 31st December 2022. The Group is authorised by the Prudential Regulation Authority ('PRA') and regulated by the PRA and the Financial Conduct Authority ('FCA').

1.2 Background

The Group is regulated under UK Capital Requirements Regulation (CRR) and the associated binding technical standards that were created by the European Union (Withdrawal) Act 2018. The CRR has subsequently been amended by several statutory instruments and is split across the Prudential Regulatory Authority (PRA) Rulebook and primary legislation.

The 2022 disclosures reflect the revised disclosure requirements applicable from 1 January 2022 following the UK implementation of CRR II.

The Basel framework consists of three 'pillars':

- **Pillar 1**: defines the minimum capital requirements that banks are required to hold for credit, market and operational risks.
- **Pillar 2**: this builds on Pillar 1 and requires each bank to perform an 'Internal Capital Adequacy Assessment Process' ('ICAAP') to assess its own risk profile and determine the level of additional capital required over and above Pillar 1 requirements, having regard to those risks. The amount of any additional capital requirement is also assessed by the PRA during its Supervisory Review and Evaluation Process ('SREP') and is used to determine the overall capital resources required by the Group.
- **Pillar 3:** aims to improve market discipline by requiring banks to publish information on their principal risks, capital structure and risk management.

1.3 Basis of disclosure

The purpose of these disclosures is to provide information on the management of risks faced by the Group and the basis of calculating capital requirements.

The disclosures in this report have been prepared as at 31 December 2022. They should be read in conjunction with the Group's 2022 Annual Report and Accounts ('the Annual Report and Accounts' or 'ARA'), approved by the Board on [28 April 2023].

The Group uses the Standardised Approach for credit risk, capital management and market risk. This approach uses standard risk weighting percentages set by the PRA. The Basic Indicator Approach is used for operational risk.

1.4 Scope

The monitoring and controlling of risk is a fundamental part of the management process. All senior management are involved in the development of risk management policies and in monitoring their application.

This document outlines the capital required under Pillar 1 and in accordance with Pillar 2, details specific risks which the Group faces, and how these risks are managed.

The Pillar 3 disclosures cover the Group as a whole, comprising of Hampshire Trust Bank Plc (HTB) and its subsidiaries. They are therefore prepared on the same basis as the Group consolidated accounts. HTB Group is defined as a small and non-complex institution as it meets all the conditions listed per Article 4 (145) of UK CRR II. Its disclosure requirements are therefore set out in Article 433b of the PRA Rulebook.

There are no current or foreseen material, practical or legal impediments to the transfer of capital resources or the repayment of liabilities among the parent undertaking and the Group.

The Group's Pillar 3 disclosure policy is considered annually to ensure that it remains appropriate in the light of new regulations and emerging best practice.

1.5 Media and location

Per the requirement in Article 434, the Pillar 3 disclosures document will be published on the Group's website at the same time as the Annual Report and Accounts. The Group's policy is to issue a Pillar 3 disclosures document on an annual basis unless circumstances necessitate additional disclosures. The document must be approved by the Audit Committee and the Board. Disclosures are prepared in conjunction with the preparation of the Annual Report and Accounts.

1.6 Verification

The Pillar 3 disclosure report is prepared in accordance with the Group's policy describing internal controls and processes around the preparation of this document.

These Pillar 3 disclosures have been prepared to explain the basis upon which the Group has prepared and disclosed certain capital requirements and information about the management of certain risks and for no other purpose. The disclosures have not been, and are not required to be, subject to independent external audit and do not constitute any part of the Group's financial statements.

2. Risk Management

2.1 Overview

The Group's approach to risk

Effective risk management plays a key role in the successful execution of the Group's business strategy as encapsulated within our overarching Risk Appetite Statement – "To run a sustainable, safe and sound business that conducts its activities in a prudent and reputable manner taking into account the interests of our customers and key stakeholders".

Risk Culture

The Board is responsible for setting the 'tone from the top' and ensuring that a strong risk culture exists across the Group. Senior Management will support this by leading in the implementation of the Risk Management Framework ("RMF"), ensuring that it is fully embedded with a strong focus in particular on the adherence to risk appetite, monitored through its suite of risk metrics and key risk indicators. The Group uses a network of Risk Champions as departmental owners of risk related issues, providing training to other team members where required.

By taking a strategic, balanced approach to risk identification and subsequent management, the RMF's aim is to engage colleagues at all levels of HTB, promoting a deep understanding of the Group's approach to risk.

Through the course of 2022 the Group's Risk Management Framework has been extended into its subsidiaries to ensure all of HTB Group companies operate under one unifying RMF.

Risk Strategy

The development and implementation of the Group's Risk Strategy is the responsibility of the Risk and Compliance team led by the Chief Risk Officer, the Executive Management team and ultimately subject to Board approval. Our risk management strategy:

- Identifies the Principal and Emerging Risks the Group faces and how they are managed.
- Defines Risk Appetite.
- Confirms that business plans are consistent with Risk Appetite.
- Requires the Group's Risk Profile to be monitored and reported regularly.
- Tests the Group's vulnerabilities to risks under a range of stressed adverse conditions.
- Includes a strong control environment.
- Allows for robust oversight and assurance.
- Encourages strong risk culture and behaviours through its linkage with the remuneration framework.

2.2 Risk Management Framework

The Risk Management Framework ("RMF") sets parameters within which all the Group's activities are executed. This ensures we identify, monitor and report the risks to which the Group is exposed. The RMF is supported by supplemental frameworks, policies and procedures that, together, ensure that risks are managed in a manner appropriate to the size of the Group and the complexity of its operations.

The RMF addresses the legal and regulatory risks the Group is exposed to, together with the Principal and Emerging Risks. The design and effectiveness of the RMF is overseen and reviewed by the Board Risk Committee on a regular basis and at least annually.

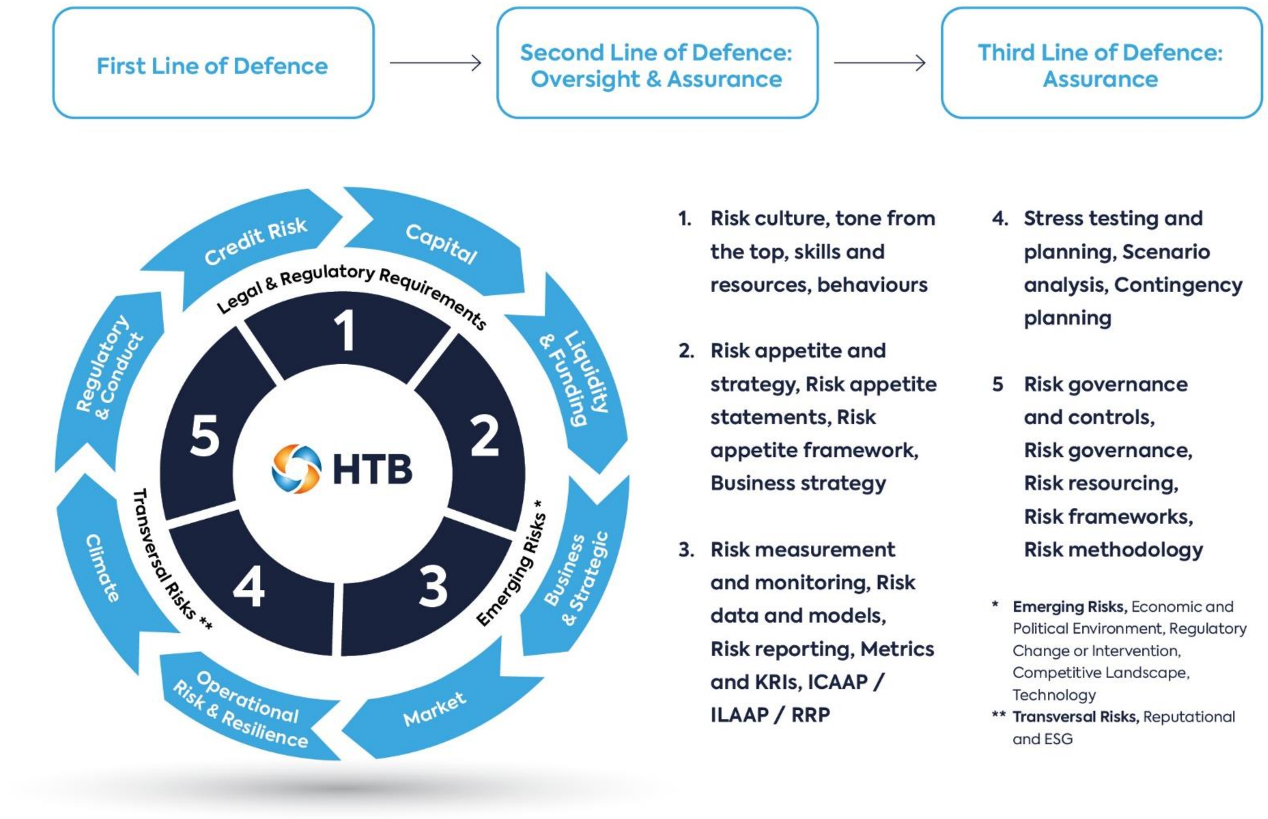


Figure 1 – Risk Management Framework

Figure 1 – Risk Management Framework

2.3 Risk Appetite Framework

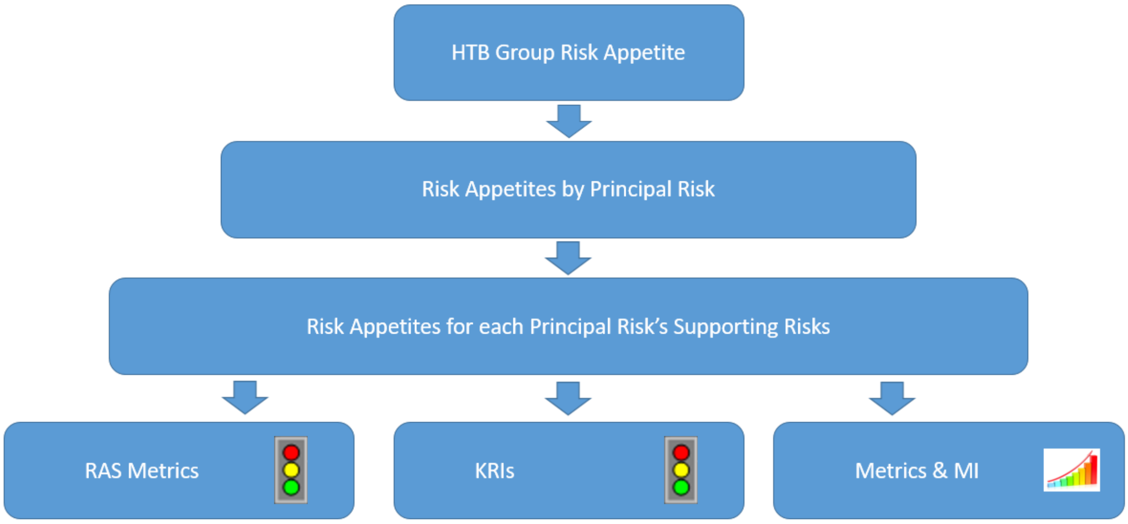
The Risk Appetite Framework ("RAF") is the framework by which we clearly articulate, in a structured and systematic manner, the level and types of risk that the Group is willing to accept and must take in meeting its business objectives. The RAF:

- Identifies, in both qualitative and quantitative terms, the type and level of risk that the Group is willing to accept across a range of business drivers (Financial, Customer, Legal and Regulatory and Reputational).
- Describes the risks that the Group is willing to take (and those that it will not) in pursuit of its corporate objectives.
- Establishes a framework for decision making based on risk appetite statements and metrics.
- Enables a view of risks across the whole business.

The RAF is structured around the Principal Risks agreed by the Board from time to time with each Principal Risk being supplemented by a suite of more granular Supporting Risks. For each Supporting Risk, the Group articulates a Risk Appetite Statement with limits that are monitored via the use of specific Risk Appetite Metrics, with Key Risk Indicators (KRIs) providing current indication of changing risk profile. The

Risk Appetite metrics are clearly measurable against the Corporate Plan, are actionable and have an assigned limit to monitor performance against the Risk Appetite. The KRIs are outcome driven with negative trends reported monthly to the relevant risk committees.

The structure of the RAF is set out in Figure 2 below.



Performance against Risk Metrics is regularly reported to the Board and Board Risk Committee via appropriate sub committees.

2.4 Risk Governance and Oversight

Risk Governance describes the design of the allocation and delegation of primary accountability, authority and responsibility for risk management across the Group by the Board. The Board reviews and approves the business strategy, ensuring it is consistent with risk appetite, and that the RMF is appropriate with sufficient governance, often through appropriate sub committees, to ensure risk appetite is being adhered to.

The Group operates a three lines of defence (3LOD) model to manage its risks. The 3LOD model provides a simple and effective way to segregate activities and enhance communications on risk management and control by clarifying essential roles and duties and enabling the Group to manage its risks proactively. The separate lines of defence together with their roles are summarised below:

Front Line Business Units (1st line of defence)
The business lines and central functions own primary responsibility for the day to day management of the operational level risks that feed up through the framework, and the implementation of mitigating controls in line with approved policies, frameworks, processes and procedures. They use the Group's Risk & Control Self-Assessment (RCSA) process to identify and measure risk exposure and to ensure through the application of controls that these are managed within agreed Risk Appetite. They are responsible for risk event identification and early escalation. They will also test key controls, providing regular assurance.

Risk and Compliance Function (2nd line of defence)
The Risk and Compliance function is independent of the business units and other central functions, and maintains the RMF, supplemental frameworks and Risk Policies. The second line

provides independent challenge, oversight and ongoing assurance of the adequacy and effectiveness of risk management within the business units including oversight of the RCSA process. The Risk and Compliance function monitors performance in relation to risk appetite; it also works with Finance and Treasury on the production of the Internal Capital Adequacy Assessment Process ("ICAAP"), Internal Liquidity Adequacy Assessment Process ("ILAAP"), and the Recovery Plan and Resolution Pack ("RRP"). The adequacy and effectiveness of the second line is overseen by BRC, with evidential points including Audit Committee feedback and progress against the risk maturity roadmap on a six-monthly basis.

Internal Audit (3rd line of defence)
Internal Audit operates under the direction of the Board Audit Committee and provides independent assurance to the Board that the first and second lines of defence are discharging their responsibilities effectively. The Group currently outsources this function to Deloitte, an independent professional services firm.

2.5 Stress Testing

Stress testing is an important risk management tool for the Group and is used to inform the setting of Risk Appetite limits. Stress testing is also used to inform the Group's key annual assessments and determination of required buffers, forward-looking strategic planning for capital and liquidity management, and key prudential processes including the ICAAP, ILAAP, Recovery Plan and Resolution Pack.

The Group undertakes stress testing to assist the Board in understanding its key risks, and the scenarios and sensitivities that may adversely impact on its financial and/or operational performance. Stress testing supports the setting of Risk Appetite and the Group's business and capital plans. It does this by:

- Testing the adequacy of the Group's capital, funding and liquidity to withstand the emergence of risks under both normal and stressed conditions.
- Supporting the adequacy of the potential management actions available to mitigate the effect of adverse events.
- Supporting the identification of any potential gaps in the Risk Management Framework, not readily apparent from the management of day to day risks.

The Board is responsible for reviewing and approving the scenarios that are used for each type of stress testing on at least an annual basis. The scenarios and the results of each stress test are reviewed by an appropriate committee (e.g. ALCO, Credit Committee) before being agreed by GEC. They will then be reported to Board Risk Committee which will provide further challenge and independent review prior to recommending to the Board for approval.

Stress testing is an ongoing requirement but may be updated, for example, by changes to the Group's business model, changes in risk appetite, changes in economic conditions or assumptions and changes in regulatory requirements.

The stress scenarios developed as part of the ICAAP are used to size a stress loss buffer which ensures that the Group can withstand a range of adverse economic scenarios over the term of its planning horizon. The ICAAP incorporates all principal risks that will impact on capital. The CFO and CRO are accountable for the ICAAP.

Similar stress scenarios are developed to support the ILAAP. These scenarios are used to size a liquidity buffer such that the Group can withstand a range of stressed liquidity scenarios in the short to medium term. The ILAAP incorporates all principal risks that will impact on Liquidity. The CFO is accountable for the ILAAP.

The Group also performs Reverse Stress Testing ("RST") to help it identify events that could cause its business to become unviable. The starting point for RST is assumed to be the point at which failure would occur and a logical approach is then taken to work back to identify the potential sequence of events that could occur to lead to that failure. If the tests reveal a risk of failure that is unacceptably high compared to risk appetite, the Board will take action to mitigate that risk.

Recovery Stress Testing is an integral part of the HTB Recovery Plan. A number of scenarios, incorporating various risk characteristics, are applied to achieve the point of 'near-default'. This allows the Group to test the calibration and effectiveness of its Recovery Indicators, and the capacity, feasibility, and suitability of its Recovery Options. Recovery Stress Testing allows the Group to demonstrate that it can identify a severe stress in a timely manner and enact sufficient actions to maintain or restore the viability of the business model.

In 2022, HTB incorporated stress testing on the financial risk associated with the physical and transitional impacts of Climate Change in its ICAAP, using both internally assessed idiosyncratic sensitivities and the macro-economic CBES scenario published by the Group of England in 2021. Two additional internal scenarios were also developed, with the impact assessments presented to Board at the end of 2022.

Further details on the Group's principal risks and how we manage them can be found in the Annual Report and Accounts.

3. Key Metrics

The table below shows the key metrics for both HTB Group ('Group') and HTB Bank ('Bank') as at 31 December 2022:

		Group	Bank	
		2022	2022	2021
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	254,118	180,193	174,913
2	Tier 1 capital	271,148	197,223	174,913
3	Total capital	301,148	227,223	204,913
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	1,634,312	1,310,125	922,921
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	15.6%	13.8%	18.9%
6	Tier 1 ratio (%)	16.6%	15.1%	18.9%
7	Total capital ratio (%)	18.5%	17.4%	22.2%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	1.34%	0.95%	0.95%
UK 7b	Additional AT1 SREP requirements (%)	0.45%	0.32%	0.32%
UK 7c	Additional T2 SREP requirements (%)	0.60%	0.42%	0.42%
UK 7d	Total SREP own funds requirements (%) *	10.38%	9.69%	9.69%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	1.0%	1.0%	0.0%
11	Combined buffer requirement (%)	3.5%	3.5%	2.5%
UK 11a	Overall capital requirements (%)	13.88%	13.19%	12.19%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.05%	7.65%	11.68%
	Leverage ratio			
13	Leverage ratio total exposure measure	2,538,467	2,148,245	2,190,634
14	Leverage ratio	10.7%	9.2%	8.0%
	Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	479,543	423,381	199,339
UK 16a	Cash outflows - Total weighted value	167,124	171,278	84,833
UK 16b	Cash inflows - Total weighted value	43,179	22,793	21,508
16	Total net cash outflows (adjusted value)	123,945	148,484	63,325
17	Liquidity coverage ratio (%)	386.9%	285.1%	314.8%

	Net Stable Funding Ratio			
18	Total available stable funding	2,782,040	2,188,656	1,418,721
19	Total required stable funding	1,824,815	1,560,511	1,177,441
20	NSFR ratio (%)	152.5%	140.3%	120.5%

* The PRA completed their SREP of the Group in early 2023. This resulted in a decrease in the Group's Total Capital Requirement to 9.01% (HTB: 8.70%).

4. Capital and Risk Weighted Assets

At 31 December 2022 and throughout the financial year, the Group complied with the capital requirements that were in force as set out by European and UK legislation, and enforced by the PRA.

The Group's Tier 1 capital arises from the equity represented by its ordinary shares as well as £17m Additional Tier 1 securities which were issued and fully paid up during 2022 as part of the consideration for the acquisition of Wesleyan Bank Ltd. Tier 2 capital instruments are £30m of subordinated loan notes bearing interest at 7.25% payable semi-annually and is callable at the Group's option from 10 May 2023, with a final redemption date of 10 May 2028.

4.1 Minimum capital requirement

The Group uses the Standardised Approach in determining the level of capital necessary for regulatory purposes. Under the Standardised Approach the level of capital required against a given level of exposure to credit risk is calculated as:

Credit risk capital requirement = Exposure value x Risk weighting* x 8%.

* The risk weighting applied will vary depending on whether the asset is retail or wholesale. For retail assets, variables such as loan to value and security will impact the risk weighting. Wholesale assets are dependent on counterparty, duration and credit rating.

The tables below show the overall minimum capital requirements and risk weighted assets for the Group.

		Risk weighted exposure amounts (RWEAs)			**Total own funds requirements**		
		Group 2022	**Bank 2022**	**Bank 2021**	**Group 2022**	**Bank 2022**	**Bank 2021**
1	Credit risk (excluding CCR)	1,451,634	1,151,820	814,497	116,131	92,146	65,160
2	Of which the standardised approach	1,451,634	1,151,820	814,497	116,131	92,146	65,160
6	Counterparty credit risk - CCR	13,524	13,524	3,209	1,082	1,082	257
7	Of which the standardised approach	7,563	7,563	1,660	605	605	133
8b	Of which credit valuation adjustment - CVA	5,961	5,961	1,549	477	477	124
23	Operational risk	169,154	144,781	105,215	13,532	11,582	8,417
23a	Of which basic indicator approach	169,154	144,781	105,215	13,532	11,582	8,417
29	**Total**	**1,634,312**	**1,310,125**	**922,921**	**130,745**	**104,810**	**73,834**

The table below shows the total exposure and capital resource requirements for credit risk by regulatory exposure class on a Group level as at 31 December 2022.

£'000s	Exposures	RWAs	Pillar 1 Capital
	2022	2022	2022
Corporate	254,131	192,338	15,387
Secured by mortgages on immovable property	1,738,654	666,104	53,288
Items associated with particularly high risk	369,077	226,705	18,136
Retail	548,948	279,392	22,351
Exposures in default	39,991	40,987	3,279
Central governments or central banks	694,495	21,581	1,726
Institutions	22,052	8,948	716
Covered bonds	33,462	3,346	268
Other	19,795	19,795	1,584
Total	**3,720,604**	**1,459,197**	**116,736**

The table below shows the total exposure and capital resource requirements for credit risk by regulatory exposure class at HTB level as at 31 December 2022.

£'000s	Exposures	RWAs	Pillar 1 Capital
	2022	2022	2022
Corporate	134,628	99,256	7,940
Secured by mortgages on immovable property	1,654,346	601,080	48,086
Items associated with particularly high risk	369,077	226,705	18,136
Retail	350,890	164,517	13,161
Exposures in default	37,261	38,257	3,061
Central governments or central banks	643,150	4,852	388
Institutions	91,504	8,223	658
Covered bonds	33,462	3,346	268
Other	13,147	13,147	1,052
Total	**3,327,466**	**1,159,383**	**92,751**

The Board has adopted a "Pillar I plus" approach to determine the level of capital the Group needs to hold. This method takes the Pillar I capital formula calculations (standardised approach for credit and market risk, and basic indicator approach for operational risk) as a starting point, and then considers whether each of the calculations deliver a sufficient capital sum adequate to cover management's anticipated risks. Where the Board considered that the Pillar I calculations did not reflect the risk, an additional capital add-on in Pillar II is applied, as per the Group's Total Capital Requirement issued by the PRA.

At all times the Group's capital position must be aligned with the capital adequacy limits approved by the Board in the risk appetite statement, which is to maintain a robust capital and liquidity management under "normal" and "stressed" conditions. With regard to capital management this means maintaining a level of capital greater than the minimum that is set by the PRA.

The Group's Pillar 1 capital resources requirement is calculated by adding the capital resources requirements for credit risk, and operational risk. The Group calculates risk weightings for credit risk exposures using the Standardised Approach and the risk weightings for operational risk using the Basic Indicator Approach. Changes in operational risk requirements in the year reflect income growth within the regulatory prescribed income streams, as these measures form the basis of the Basic Indicator Approach.

Throughout the year the Group has benefited from surplus capital resources over its Pillar 1 and Total Capital Requirement. The Group’s total capital ratio as at 31 December 2022 was 19% (2021: 22%).

4.2 Capital Buffers

The Group is also required to hold additional capital in the form of capital buffers. 100% of the regulatory buffers must be met by CET1 capital.

The Capital Conservation Buffer (‘CCB’) is currently set at 2.5% of RWA and has been developed to ensure capital buffers are available which can be drawn upon during periods of stress if required.

The Countercyclical Capital Buffer (‘CCyB’) is currently set at 1% (2021: 0%) of RWA for the Group’s UK exposures as a result of the UK Financial Policy Committee (‘FPC’) decision in March 2020.

5. Corporate Governance

The Group has applied the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles") published by the Financial Reporting Council in 2018.

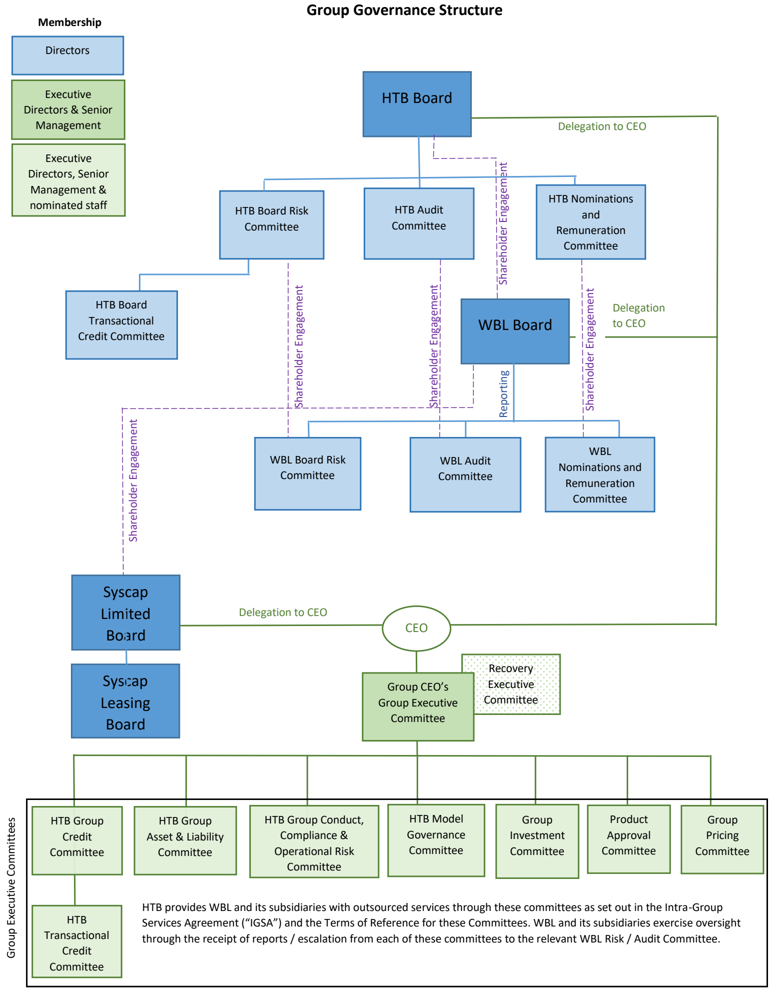
Applying the Wates Principles has ensured that the Group has continued to enhance its corporate governance standards for the benefit of all of its stakeholders, ensuring that it is well managed and aligned behind a clear purpose. A detailed analysis of how the Group has complied with the specific principles is set out in Governance framework section of the Annual Report & Accounts.

The Group is committed to the highest standards of corporate governance and its governance framework is therefore structured to achieve responsibility, accountability, transparency and fairness. The Group is led by HTB Board of Directors (the "Board") which is supported by a number of Committees to which the Board has delegated relevant authority; the principal Committees being the Board Risk Committee, the Audit Committee and the Nomination and Remuneration Committee.

5.1 Committee Structure

The responsibility for managing the principal risks ultimately rests with the Group's Board of Directors. The Group's committee structure as at 31 December 2022 with regard to risk management is outlined below:

Group Governance Structure



5. 2 The Board

The Group's governance structure is designed to ensure the proper running of the Group in accordance with the legal and regulatory obligations and in line with established principles of good conduct and practice. The Group is led by a Board comprising an independent Non-Executive Chairman, Non-Executive (Shareholder) Directors, independent Non-Executive Directors and Executive Directors. The Board approves the strategy and direction of the business, sets the policies and risk appetite, monitors risk management, financial performance and reporting, and ensures that appropriate and effective succession-planning arrangements and remuneration policies are in place. Directors are appointed by the Board.

Board meetings are held normally ten times a year although two additional Board Sub-Committee meetings were held in 2022. This enables Directors to regularly review corporate strategy, the operations and the results of the business, and to discharge their duties within a framework of prudent and effective controls.

The Board is supported by its Committees, which make recommendations to the Board on those matters delegated to them. These Committees comprise only Non-Executive Directors and each is chaired by an independent Non-Executive Director. Matters such as internal and external audit, risk, financial reporting, governance, and remuneration policies are delegated to these Committees, in order that the Board can spend a greater proportion of its time on strategic items. The Committee Chairs report to the Board at the Board meeting following each Committee meeting on the activities of their respective Committees. The Board Chairman undertakes an annual review of performance of each Director. The Board Chairman's performance is evaluated by the Non-Executive Directors taking account of the views of the Executive Directors.

Directorships held by members of the Board

The number of external directorships and partnerships held by the Executive and Non-Executive Directors who served on the Board as at 31 December 2022, in addition to their roles within the Bank/Group, are detailed below.

Name	Position	Positions held *
Robert Sharpe	Chairman	2
Matthew Wyles	CEO/Executive Director	0
Tim Blackwell	CFO/Executive Director	0
Martyn Scrivens	Non-Executive Director	3
Richard Price	Non-Executive Director	1
Dominic Slade	Non-Executive Director	5
Richard Sommers	Non-Executive Director	2
Julia Warrack	Non-Executive Director	2

*- as at 31 December 2022

The number of directorships shown excludes the Company and its subsidiaries, and also counts external directorships held within the same group of companies as a single directorship in line with CRD V. Directorships of non-commercial organisations are not included.

Board Diversity

The Group recognises and values the diversity of the personal attributes of its Board and Board Committee members, such as intellect, critical assessment and judgement, courage, openness, honesty, tact, the ability to listen, forge relationships and develop trust. The Group also recognises the importance of maintaining diversity of personal and cognitive strengths that it needs greater focus to achieve diversity of background and gender and the importance that this affords in ensuring that a particular Board or Board Committee is not composed solely of likeminded people. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

As part of the Terms of Reference of the Nominations Committee, it is stipulated that the Committee will consider all Board and Senior Management appointments and take responsibility that the Group complies with diversity and equality laws and regulations. To this end the Nominations and Remuneration Committee approved in January 2023 the Board Diversity Policy. This sets out the Boards commitment to creating a Diverse and Inclusive firm. The Committee undertakes to consider specific matters relating to market and business knowledge, experience, qualifications and technical skills and competencies in determining whether a candidate is a sufficient match for the requirements of the role. The Committee will also ensure that any perceived weaknesses or deficiencies in any candidate are addressed on a timely basis after appointment through an appropriate tailored training plan.

Division of responsibilities between the Chair and CEO

There is a clear division of responsibilities between the Chairman and the CEO. The Chairman has overall responsibility for the leadership of the Board, its effectiveness on all aspects of its role and setting its agenda. The CEO is responsible for the day to day running of the business and is accountable to the Board for its operational and financial performance.

The division of responsibilities between the Chairman and CEO is clearly established, set out in writing, agreed by the Board in the HTB Group Governance Framework document.

6. Remuneration

This remuneration disclosure is a requirement under Article 450 of the CRR. The following references the Group's remuneration policies and practices for categories of staff whose professional activities have a material impact on the company's risk profile (Material Risk Takers ("MRTs")). MRTs include staff who hold Significant Management Functions ("SFs") as designated by the regulatory authorities. The Remuneration part of CRD V amended the requirements as from 29 December 2020, in respect of complete financial years ending after that date. Accordingly, the new requirements are now in effect.

6.1 Decision making process

The Nomination and Remuneration Committee (the 'Nom/RemCo'), annually review and (where applicable) update the Group's Remuneration Policy and submit this to the Board for approval. For example, in January 2023 the Nom/RemCo approved the Performance Adjustment Policy, an external consultant, Eversheds, was formally contracted to review the Group's Remuneration Policy and write the performance adjustment policy. Nom/RemCo also has oversight of the remuneration of the senior management team.

The Group maintains a record of staff whose activities have a material impact on the Group's risk profile and takes reasonable steps to ensure they understand the implications of this responsibility under the existing regulatory environment.

The Nom/RemCo meets at a minimum 4 times per year, to review and approve the annual salary (fixed pay) proposals for relevant staff, to review and approve the bonus pool allowable for the payment of the variable remuneration of all staff (based on Bank performance), to review and approve the proposed variable remuneration proposals for relevant staff and the Group overall, taking into consideration additional factors such as the findings of the Risk Review undertaken by the Chief People Officer and the Chief Compliance Officer, and to approve any relevant proposed hires of individuals into the Group or adjustments to the remuneration of current relevant employees on an ad hoc basis.

The Nom/RemCo recognises the need to be competitive within the UK banking employment market, however the Nom/RemCo's policy is to set remuneration levels which are aligned within the overall Bank stated risk appetite. The Committee seeks to ensure that the executive directors, senior management and employees are fairly and responsibly rewarded in return for high levels of individual and business performance within an appropriate risk management framework.

6.2 Remuneration structure

Fixed Pay

Employees are paid fixed base salaries, and benefits such as holiday allowance, pension scheme, life assurance, private medical insurance, and permanent health insurance and may access staff loans. These elements are set at a level to minimise the risk of there being an excessive dependence on variable remuneration across the Group.

Annual bonus

The annual cash bonus is performance based and designed to drive and reward short to medium term results. It considers financial results and non-financial metrics at Bank and individual level. Nom/Remco approves the bonus amount, and any proposed payment. The Group also runs four sales incentive schemes, which pay out quarterly, against a balanced assessment of sales force performance. The rules for these schemes are also approved annually by Nom/RemCo.

Allocation of bonus awards to individuals are reviewed against individual performance to ensure they appropriately reflect performance not only relative to financial and delivery-based objectives, but also to behaviours, alignment to the Group's values and risk culture, customer focus and conduct standards. In advance of any bonus award being made, a thorough review of conduct is carried out jointly by the Chief People Officer and Chief Compliance Officer, and recommendations for any required action are reviewed as part of the approval process by NomCo/RemCo.

In performance year 2020 a Long Term Incentive Plan was introduced for a restricted group of individuals. This scheme involves a bonus award being made to the relevant individual which is then deferred over a 3 year period before payment is made. In line with other incentive schemes (such as B share awards) the conditions are that the employee must remain in service until either an exit event occurs or for a minimum period of 3 years' service after an award is made, at which point the entire award becomes payable. The purpose of this scheme is to retain and motivate a small team of business critical staff. All awards are subject to the scrutiny and approval of the Nom/RemCo and subject to the Group's policies regarding regulatory controls. There is currently no deferred element applied to the Group's general cash bonus scheme therefore no criteria to be applied in this regard.

Management Incentive plan

Some senior staff from time to time may be offered B class ordinary shares B in the Group's parent company, Hoggant Ltd as part of an incentive share scheme. In this case the conditions are that the employee must remain in service and also must remain in service until an exit event occurs.

6.3 Link between pay and performance

Nom/Remco has approved remuneration principles which support a clear link between pay and performance. The principles include:

- Striking an appropriate balance between risk taking and reward.
- Rewarding the achievement of the overall business objectives and values of the Group.
- Encouraging and supporting the Group's culture of excellent customer service.
- Guarding against risk taking over and above the Group's risk appetite.

6.4 Remuneration statistics

The table below shows total fixed and variable remuneration awarded to MRTs in HTB in respect of the financial year ended 31 December 2022.

£'000	**Senior Management**	**Other MRTs**	**Total**
Fixed remuneration	2,097	3,125	5,222
Cash variable remuneration	759	1,096	1,855
Variable remuneration in the form of "B" shares	143	40	183
Severance pay		125	125
Total remuneration	**2,999**	**4,386**	**7,385**

There were no individuals being remunerated more than EUR 1 million for 2022.

ALCO	Asset and Liability Committee
CCB	Capital Conservation Buffer
CCyB	Counter Cyclical Buffer
CET 1	Common Equity Tier 1
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
FPC	Financial Policy Committee (of the Bank of England)
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
Leverage ratio	The ratio of Tier 1 capital divided by total exposure, which includes on and off-balance sheet assets, after netting derivatives.
Liquidity coverage ratio	Measure designed to ensure that financial institutions have sufficient high-quality assets available to meet their liquidity needs for a 30 day liquidity stress scenario.
MRT	Material Risk Takers - group of employees to whom the FCA's Remuneration Code applies. MRTs consist of Executive Directors, Non-Executive Directors and certain senior managers who could have a material impact on the firm's risk profile.
Pillar 1	The first pillar - Minimum Capital Requirement covers total risk including the credit risk, market risk as well as Operational Risk
Pillar 2	The second pillar - Supervisory Review Process is intended to ensure that the Groups have adequate capital to support all the risks associated in their businesses
Pillar 3	The third pillar is completed through these disclosures of capital structure and approaches to assess the capital adequacy including the governance
PRA	Prudential Regulation Authority
RWA	Risk Weighted Assets - value of assets, after adjustment, under CRD IV rules to reflect the degree of risk they represent.
The Bank	Hampshire Trust Bank Plc
Tier 1 capital	Tier 1 capital is divided into Common Equity Tier 1 and Additional Tier 1 capital. Common Equity Tier 1 capital comprises common shares issued and related share premium, retained earnings, less specified regulatory adjustments.
Tier 2 capital	Tier 2 capital comprises regulated subordinated liabilities

Hampshire Trust Bank Plc
55 Bishopsgate
London
EC2N 3AS
Company number: 1311315