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PILLAR 3 DISCLOSURES

March 2022

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Intro

This document sets out the consolidated Pillar 3 disclosures for the City of London Group plc (“COLG”) as at 31 March 2022.

Recognise Bank Limited is a wholly owned subsidiary of COLG and is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the Financial Conduct Authority (“FCA”) and the PRA.

This document has been prepared to comply with the Disclosure (CRR) Part of the PRA Rulebook which was incorporated into the PRA Rulebook from 1 January 2022.

COLG meets the definition of a listed small and non-complex institution, therefore this disclosure is in line with the reduced scope that is outlined in Article 433b of the Disclosure (CRR) Part of the PRA Rulebook.

Basis of disclosure

The purpose of these disclosures is to provide information on the management of risks faced by the Bank and the basis of calculating capital requirements under Capital Requirements Directive (CRD V) and Capital Requirements Regulation (CRR II).

The disclosures in this report have been prepared as at 31 March 2022. They should be read in conjunction with the Group’s 2022 Annual Report and Accounts, which can be found on the company’s website: (<https://cityoflondongroup.com/new-investor>).

The Group uses the Standardised Approach for calculating the capital requirements for credit risk and for interest rate risk in the banking book, and the Basic Indicator Approach for operational risk. As the Group does not operate a trading book there are no exposures to market risk under Pillar 1.

The disclosures have not been, and are not required to be, subject to independent external audit and do not constitute part of the Group’s financial statements.

Scope of Application

City of London Group plc comprises of the full consolidation of:

- Recognise Bank limited and its wholly owned subsidiary Property & Funding Solutions Ltd
- Credit Asset Management Limited and its wholly owned subsidiary Professions Funding Limited

Milton Homes was sold in March 2022 and Acorn to Oaks was sold in April 2021.

Disclosure Policy

The disclosures are prepared in accordance with the Board-approved Group Pillar 3 disclosure policy and reflect considerations of frequency of disclosure, materiality and confidentiality as permitted by the Disclosure (CRR) Part of the PRA Rulebook. The Group’s Pillar 3 disclosures have been reviewed and approved by the Board Risk Committee on behalf of the Board.

Attestation

The Board Risk Committee confirm that these disclosures meet the minimum requirements for Pillar 3 disclosures and have been prepared in line with our internal controls framework.

Media and Location

The Group’s Pillar 3 disclosures are published on the City of London Group plc corporate website (<https://cityoflondongroup.com/new-investor>) and should be read in conjunction with the Group’s Financial Statements for the period ended 31 March 2022 which are available from Companies House or the corporate website. The Financial Statements for Recognise Bank are available from Companies House.

Table 1 - UK KM1 - Key Metrics

The table below shows the key metrics for City of London Group plc. Template KM1 has been disclosed in accordance with Annex I and Annex II of the Disclosure (CRR) Part of the PRA Rulebook.

		Mar-22	Mar-21
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	37,051	34,796
2	Tier 1 capital	37,051	34,796
3	Total capital	37,051	34,796
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	89,286	49,732
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	41.50%	69.97%
6	Tier 1 ratio (%)	41.50%	69.97%
7	Total capital ratio (%)	41.50%	69.97%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
UK 7a	Additional CET1 SREP requirements (%)	4.06%	8.94%
UK 7b	Additional AT1 SREP requirements (%)	1.38%	2.99%
UK 7c	Additional T2 SREP requirements (%)	1.81%	3.97%
UK 7d	Total SREP own funds requirements (%)	15.25%	23.90%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-
9	Institution specific countercyclical capital buffer (%)	-	-
UK 9a	Systemic risk buffer (%)	-	-
10	Global Systemically Important Institution buffer (%)	-	-
UK 10a	Other Systemically Important Institution buffer	-	-
11	Combined buffer requirement (%)	2.50%	2.50%
UK 11a	Overall capital requirements (%)	17.75%	26.40%
12	CET1 available after meeting the total SREP own funds requirements (%)	26.25%	46.07%
	Leverage ratio		
13	Total exposure measure excluding claims on central banks	113,123	48,471
14	Leverage ratio excluding claims on central banks (%)	32.75%	71.79%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	20,441	12,597
UK 16a	Cash outflows - Total weighted value	13,653	3,475
UK 16b	Cash inflows - Total weighted value	8,858	2,606
16	Total net cash outflows (adjusted value)	4,795	869
17	Liquidity coverage ratio (%)	426%	1450%
	Net Stable Funding Ratio ^(a)		
18	Total available stable funding	130,969	
19	Total required stable funding	80,502	
20	NSFR ratio (%)	162.69%	

(a) NSFR is a new requirement for 2022 and therefore there is no requirement to provide prior information for 2021

Table 2 - UK OV1 - Overview of risk weighted exposure amounts

The table below provides a breakdown of the risk weighted assets of City of London Group plc. Template OV1 has been disclosed in accordance with Annex I and Annex II of the Disclosure (CRR) Part of the PRA Rulebook.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		Mar-22	Mar-21	Mar-22
1	Credit risk (excluding CCR)	83,994	26,297	6,720
2	Of which the standardised approach	83,994	26,297	6,720
23	Operational risk	5,292	23,435	423
UK 23a	Of which basic indicator approach	5,292	23,435	423
29	Total	89,286	49,732	7,143

Risk management

This section should be read in conjunction with the Risk Management section in the Group's 2022 Annual Report and Accounts (found on pages 15 to 20)

Risk Appetite Statements

The Board's expression of Risk Appetite is articulated through the Bank's Risk Appetite Statement which outlines the level of risk the Bank is willing to accept across the 15 Key Risks identified in the Recognise Bank's Risk Taxonomy. These are Strategic Risk, Capital risk, Liquidity Risk, Credit Risk, Cyber Risk, Third Party Risk (including Outsourcing Risk), Operational Resilience, Cyber Risk, Data Risk, Conduct Risk, Operational Risk, Compliance Risk, Financial Crime Risk, Climate Change and Regulatory Reporting Risk.

Risk Appetite is expressed in qualitative terms and in quantitative terms through Key Risk Indicators ("KRIs") which allows the Bank to monitor its risk exposure. Recognise Bank's operational performance is measured with reference to the KRIs which include the Liquidity Coverage Ratio and other figures within this disclosure and which are reported to the ERC on a monthly basis.

The Risk Appetite Statement is approved by the Recognise Bank board and is reviewed regularly.

Primary Risks

Below are the Principal Risks the Bank faces and where further information can be found in the Group's 2022 Annual Reports & Accounts

Capital Risk	page 17
Liquidity Risk	pages 17 & 71
Credit Risk	pages 18 & 69
Interest Rate Risk	pages 20 & 72
Operational Risk	pages 19

These should not be regarded as a comprehensive list of all the risk and uncertainties faced by the Bank but rather a summary of the primary risks which have the potential to significantly impact the achievement of strategic objectives.

Remuneration

This section should be read in conjunction with the Director's Remuneration report in the Group's 2022 Annual Report and Accounts (found on pages 37 to 40)

Decision making and governance

The remuneration committee is made up of independent non-executive Directors. They met three times during the year and reported on its deliberations to the Board, which includes directors nominated by shareholders.

No director is involved in discussions or decisions on their own remuneration. The remuneration of the non-executive directors is determined by the Board.

The remuneration committee are responsible for developing the policies on remuneration for executive directors and senior management and for determining specific remuneration packages for each of the executive directors. The remuneration committee are only involved in setting pay for the executive directors and senior managers. They are, however, aware of pay and conditions for other staff when making these decisions.

The committee consulted Deloitte LLP and Aon McLagan during the year and received advice on incentives and rewards for the Group.

The Group have applied the proportionality principle to ensure that their practices and processes are appropriate to their size, internal organisation and the nature, scope and the complexity of their activities

Link between pay and performance

COLG and Recognise Bank believe in the importance of attracting, retaining and motivating staff of the appropriate calibre.

The general principle for COLG and Recognise Bank is that staff will be paid a salary, plus benefits and they will be eligible for an annual discretionary bonus. Senior staff are entitled to participate in long term incentive plans.

Salary increases and the payment of a discretionary bonus are both subject to good performance, corporate profitability and compliance with risk policies and risk appetite limits.

The ratio of the variable to fixed components of remuneration for MRTs will not exceed the percentages listed in Table 3.

Material Risk Takers

The following remuneration tables are based on 30 Material Risk takers (MRTs) identified by CoLG and Recognise Bank based on the criteria set out in the Remuneration Part of the PRA Handbook.

Table 3 - UK REM1 - Remuneration awarded for the financial year

The table below provides a breakdown of the remuneration awarded by City of London Group plc to MRTs during the financial year. Template REM1 has been disclosed in accordance with Annex XXXIII and Annex XXXIV of the Disclosure (CRR) Part of the PRA Rulebook.

			MB Supervisory function	MB Management function	Other senior management
1	Fixed remuneration	Number of identified staff	9	12	9
2		Total fixed remuneration	431,525	2,323,076	926,808
3		Of which: cash-based	431,525	2,316,076	926,808
7		Of which: other forms	-	6,700	-
9	Variable remuneration	Number of identified staff		10	6
10		Total variable remuneration	-	1,651,223	265,477
11		Of which: cash-based	-	1,429,223	265,477
12		Of which: deferred	-	254,167	88,492
		Of which: shares or equivalent ownership interests	-	210,000	
		Of which: other forms	-	12,000	
17	Total remuneration (2 + 10)		431,525	3,974,299	1,192,285
	Maximum variable rate		0%	75%	50%

Table 4 - UK REM2 - Special payments to Material Risk takers (MRTs)

The table below provides a breakdown of Special payments made by City of London Group plc to MRTs. Template REM2 has been disclosed in accordance with Annex XXXIII and Annex XXXIV of the Disclosure (CRR) Part of the PRA Rulebook.

		MB Supervisory function	MB Management function	Other senior management
	Severance payments awarded during the financial year			
6	Severance payments awarded during the financial year - Number of identified staff		2	
7	Severance payments awarded during the financial year - Total amount		861,800	
8	Of which: paid during the financial year		561,800	
9	Of which: deferred		300,000	
11	Of which: highest payment that has been awarded to a single person		561,800	

Table 5 - UK REM3 - Deferred remuneration

The table below provides a breakdown of deferred remuneration awarded from previous financial years to MRTs. Template REM3 has been disclosed in accordance with Annex XXXIII and Annex XXXIV of the Disclosure (CRR) Part of the PRA Rulebook.

		a	b	c	UK - g
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year
7	MB Management function	632,315	421,543	210,772	421,543
8	Of which: Cash-based	632,315	421,543	210,772	421,543
13	Other senior management	142,715	100,682	42,032	100,682
14	Of which: Cash-based	142,715	100,682	42,032	100,682
25	Total amount	775,030	522,225	252,804	522,225

UK REM4: No MRTs earned remuneration of €1 million or more during the financial year