

# **PILLAR 3 DISCLOSURES**

**March 2022**

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## Intro

This document sets out the consolidated Pillar 3 disclosures for Recognise Bank Limited (“RBL”) as at 31 March 2022.

Recognise Bank Limited (the “Bank”) is a wholly owned subsidiary of the City of London Group plc (“CoLG” or the “Group”) 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.

RBL meets the definition of a 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 Recognise Bank Limited 2022 Annual Report and Accounts and the City of London Group’s 2022 Annual Report and Accounts, which can both be found on Companies House.

The Bank 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 Bank 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 Bank’s financial statements.

## Scope of Application

Recognise Bank Limited includes the full consolidation of its wholly owned subsidiary Property & Funding Solutions Ltd (PFS). PFS is no longer trading and will be dissolved in due course.

## Disclosure Policy

The disclosures are prepared in accordance with the Board-approved 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 Bank’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 Bank’s Pillar 3 disclosures are published on the Recognise Bank Limited corporate website (<https://www.recognisebank.co.uk>) and should be read in conjunction with the Bank’s Financial Statements for the period ended 31 March 2022 which are available from Companies House.

**Table 1 - UK KM1 – Key Metrics**

The table below shows the key metrics for Recognise Bank Limited. 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
	<b>Available own funds (amounts)</b>		
1	Common Equity Tier 1 (CET1) capital	37,411	26,934
2	Tier 1 capital	37,411	26,934
3	Total capital	37,411	26,934
	<b>Risk-weighted exposure amounts</b>		
4	Total risk-weighted exposure amount	87,216	33,449
	<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>		
5	Common Equity Tier 1 ratio (%)	42.89%	78.91%
6	Tier 1 ratio (%)	42.89%	78.91%
7	Total capital ratio (%)	42.89%	78.91%
	<b>Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)</b>		
UK 7a	Additional CET1 SREP requirements (%)	4.14%	2.67%
UK 7b	Additional AT1 SREP requirements (%)	1.41%	0.89%
UK 7c	Additional T2 SREP requirements (%)	1.85%	1.18%
UK 7d	Total SREP own funds requirements (%)	15.40%	12.74%
	<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>		
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 (%)	17.90%	15.24%
12	CET1 available after meeting the total SREP own funds requirements (%)	27.49%	66.17%
	<b>Leverage ratio</b>		
13	Total exposure measure excluding claims on central banks	109,158	30,361
14	Leverage ratio excluding claims on central banks (%)	34.27%	86.93%
	<b>Liquidity Coverage Ratio</b>		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	20,648	12,767
UK 16a	Cash outflows - Total weighted value	13,379	3,329
UK 16b	Cash inflows - Total weighted value	8,079	2,497
16	Total net cash outflows (adjusted value)	5,300	832
17	Liquidity coverage ratio (%)	390%	1,534%
	<b>Net Stable Funding Ratio <sup>(a)</sup></b>		
18	Total available stable funding	128,630	n/a
19	Total required stable funding	78,103	n/a
20	NSFR ratio (%)	164.69%	n/a

(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 Recognise Bank Limited. 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)	81,735	14,500	6,539
2	Of which the standardised approach	81,735	14,500	6,539
23	Operational risk	5,292	18,949	423
UK 23a	Of which basic indicator approach	5,292	18,949	423
<b>29</b>	<b>Total</b>	<b>87,026</b>	<b>33,449</b>	<b>6,962</b>

## Risk management

This section should be read in conjunction with the Risk Management section in the Recognise Bank'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 Recognise Bank's 2022 Annual Reports & Accounts

Capital Risk	page 18 & 63
Liquidity Risk	pages 18 & 62
Credit Risk	pages 18 & 58
Interest Rate Risk	pages 20 & 63
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 City of London 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 Bank.

The Bank has 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

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

The general principle for 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 the REM1 table.

### Material Risk Takers

The following remuneration tables are based on 25 Material Risk takers (MRTs) identified by 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 Recognise Bank Limited 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	5	11	9
2		Total fixed remuneration	328,333	1,993,185	926,808
3		Of which: cash-based	328,333	1,993,185	926,808
7		Of which: other forms	-	3,027	-
9	Variable remuneration	Number of identified staff		9	6
10		Total variable remuneration	-	1,062,500	265,477
11		Of which: cash-based	-	1,062,500	265,477
12		Of which: deferred	-	254,167	88,492
17	Total remuneration (2 + 10)		328,333	3,055,685	1,192,285
	Maximum variable rate		0%	75%	50%

**Table 4 - UK REM2 – Special payments**

The table below provides a breakdown of special payments made by Recognise Bank Limited to MRTs. Template REM3 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		1	
7	Severance payments awarded during the financial year - Total amount		300,000	
9	Of which: deferred		300,000	
11	Of which: highest payment that has been awarded to a single person		300,000	

**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.