PILLAR 3 DISCLOSURES
31 DECEMBER 2023

Table of Contents

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 2023. 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 2023 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 2023. They should be read in conjunction with the Group's 2023 Annual Report and Accounts ('the Annual Report and Accounts' or 'ARA'), approved by the Board on 22 April 2024.

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 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 Group, promoting a deep understanding of the Group's approach to risk.

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.

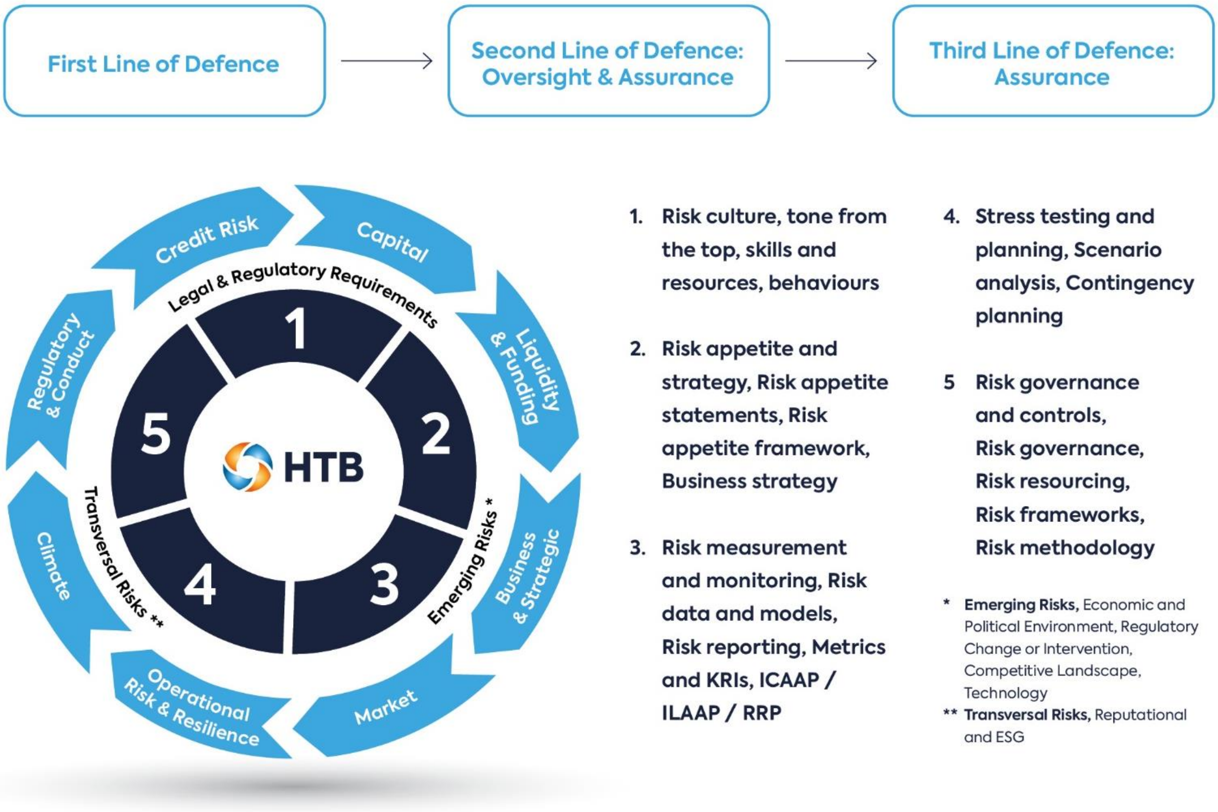


Figure 1 – Risk Management Framework

2.3 Risk Appetite Framework

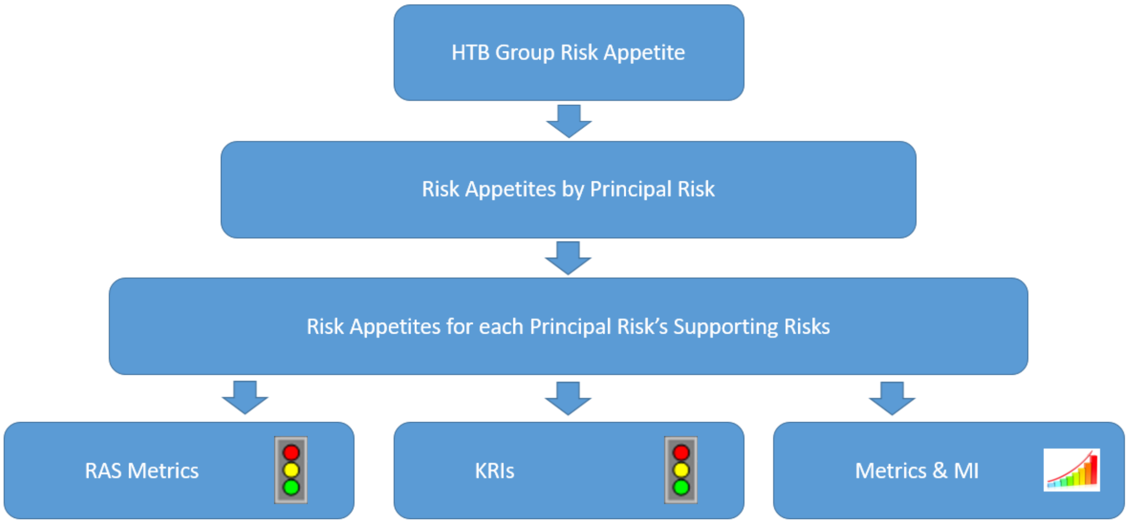
The Risk Appetite Framework ("RAF") is the framework by which we clearly articulate, in a structured and systematic manner, the level and types of risk that the Group is willing to accept and must take in meeting its business objectives. The RAF:

- 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 and Key Risk Indicators (KRIs). 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 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. The Board also assures that the RMF is appropriate and is operating effectively 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 according to agreed first line control testing plans.

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 and undertakes stress testing exercises working 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 ("RP"). 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.

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 annual key risk assessments and determination of required buffers, forward-looking strategic planning for capital and liquidity management, and key prudential processes including the ICAAP, ILAAP, and Recovery Plan. Climate Risk stress testing is also undertaken to assess the potential financial impact of both Transitional and Physical risks.

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 and resilience. Stress testing is an integral element of the Risk Management Framework as it is used to:

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

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 the Group Executive Committee ("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.

The Board is responsible for the over-arching Stress Testing Framework, and its embeddedness in the RMF and strategic planning process of the Group. It delegates the implementation of the Stress Testing Programme to senior management however, it retains the following key responsibilities:

- Review and approval of stress scenarios.
- Review and challenge of stress testing outcomes, analysis and results.
- Challenge of key assumptions and the application of management actions.
- Approval of key Supervisory submissions (e.g., ICAAP, ILAAP, RP, etc).

All challenges are required to be documented and addressed in advance of final Board approval.

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 2023:

		Group 2023	Bank 2023	Group 2022	Bank 2022
	Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital	292,673	243,719	254,118	180,193
2	Tier 1 capital	309,703	260,749	271,148	197,223
3	Total capital	360,845	311,890	301,148	227,223
	Risk-weighted exposure amounts				
4	Total risk-weighted exposure amount	2,077,212	1,830,864	1,634,312	1,310,125
	Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	14.1%	13.3%	15.6%	13.8%
6	Tier 1 ratio (%)	14.9%	14.2%	16.6%	15.1%
7	Total capital ratio (%)	17.4%	17.0%	18.5%	17.4%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)				
UK 7a	Additional CET1 SREP requirements (%)	0.57%	0.39%	1.34%	0.95%
UK 7b	Additional AT1 SREP requirements (%)	0.19%	0.13%	0.45%	0.32%
UK 7c	Additional T2 SREP requirements (%)	0.25%	0.18%	0.60%	0.42%
UK 7d	Total SREP own funds requirements (%) *	9.01%	8.70%	10.38%	9.69%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	2.0%	2.0%	1.0%	1.0%
11	Combined buffer requirement (%)	4.5%	4.5%	3.5%	3.5%
UK 11a	Overall capital requirements (%)	13.51%	13.20%	13.88%	13.19%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.15%	7.72%	8.05%	7.65%
	Leverage ratio				
13	Leverage ratio total exposure measure	3,633,786	3,491,694	2,538,467	2,148,245
14	Leverage ratio	8.5%	7.5%	10.7%	9.2%
	Liquidity Coverage Ratio *				
15	Total high-quality liquid assets (HQLA) (Weighted value -average)		570,667		479,543
UK 16a	Cash outflows - Total weighted value		201,820		167,124
UK 16b	Cash inflows - Total weighted value		54,956		43,179
16	Total net cash outflows (adjusted value)		146,864		123,945
17	Liquidity coverage ratio (%)		388.6%		386.9%
	Net Stable Funding Ratio *				

18	Total available stable funding	3,377,489	2,782,040
19	Total required stable funding	2,287,273	1,824,815
20	NSFR ratio (%)	147.7%	152.5%

* Consolidated only as the Group forms a Domestic Liquidity Sub-Group.

4. Capital and Risk Weighted Assets

At 31 December 2023 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.

The Bank's existing Tier 2 capital instruments of £30m of subordinated loan notes, bearing interest at 9.71% payable semi-annually, has a final redemption date of 10 May 2028 and is being amortised in line with Article 64 of CRR2. In 2023 further Tier 2 capital instruments of £25m of subordinated loan notes were issued, bearing interest at 14.00% payable semi-annually and callable at the Group's option from 27 June 2028, with a final redemption date of 27 December 2033.

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 2023	Bank 2023	Group 2022	Bank 2022	Group 2023	Bank 2023	Group 2022	Bank 2022
1	Credit risk (excluding CCR)	1,846,812	1,623,626	1,451,634	1,151,820	147,745	129,890	116,131	92,146
2	Of which the standardised approach	1,846,812	1,623,626	1,451,634	1,151,820	147,745	129,890	116,131	92,146
6	Counterparty credit risk - CCR	9,410	9,410	13,524	13,524	753	753	1,082	1,082
7	Of which the standardised approach	8,137	8,137	7,563	7,563	651	651	605	605
8a	Of which exposure to a CCP	6,351	6,351	-	-	508	508	-	-
8b	Of which credit valuation adjustment - CVA	1,273	1,273	5,961	5,961	102	102	477	477
23	Operational risk	220,990	197,828	169,154	144,781	13,532	15,826	13,532	11,582
23 a	Of which basic indicator approach	220,990	197,828	169,154	144,781	13,532	15,826	13,532	11,582
29	**Total**	**2,077,212**	**1,830,864**	**1,634,312**	**1,310,125**	**162,030**	**146,469**	**130,745**	**104,810**

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 2023.

£'000s	Exposures	RWAs	Pillar 1 Capital
	2023	2023	2023
Corporate	322,841	257,224	20,578
Secured by mortgages on immovable property	2,216,456	833,946	66,716
Items associated with particularly high risk	513,492	372,573	29,806
Retail	549,220	269,046	21,524
Exposures in default	49,670	51,266	4,101
Central governments or central banks	569,226	24,188	1,935
Institutions	58,889	12,849	1,028
Covered bonds	116,198	11,620	930
Other	22,237	22,237	1,778
Total	**4,418,229**	**1,854,949**	**148,396**

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 2023.

£'000s	Exposures	RWAs	Pillar 1 Capital
	2023	2023	2023
Corporate	239,827	191,933	15,355
Secured by mortgages on immovable property	2,147,700	780,895	62,472
Items associated with particularly high risk	513,492	372,573	29,806
Retail	417,666	193,507	15,480
Exposures in default	43,216	44,052	3,524
Central governments or central banks	552,702	6,384	511
Institutions	225,385	12,117	969
Covered bonds	116,198	11,620	930
Other	18,682	18,682	1,494
Total	**4,274,868**	**1,631,763**	**130,541**

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 2023 was 17.4% (2022: 18.5%).

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 2% (2022: 1%) of RWA for the Group's UK exposures as a result of the UK Financial Policy Committee ('FPC') latest communications.

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.

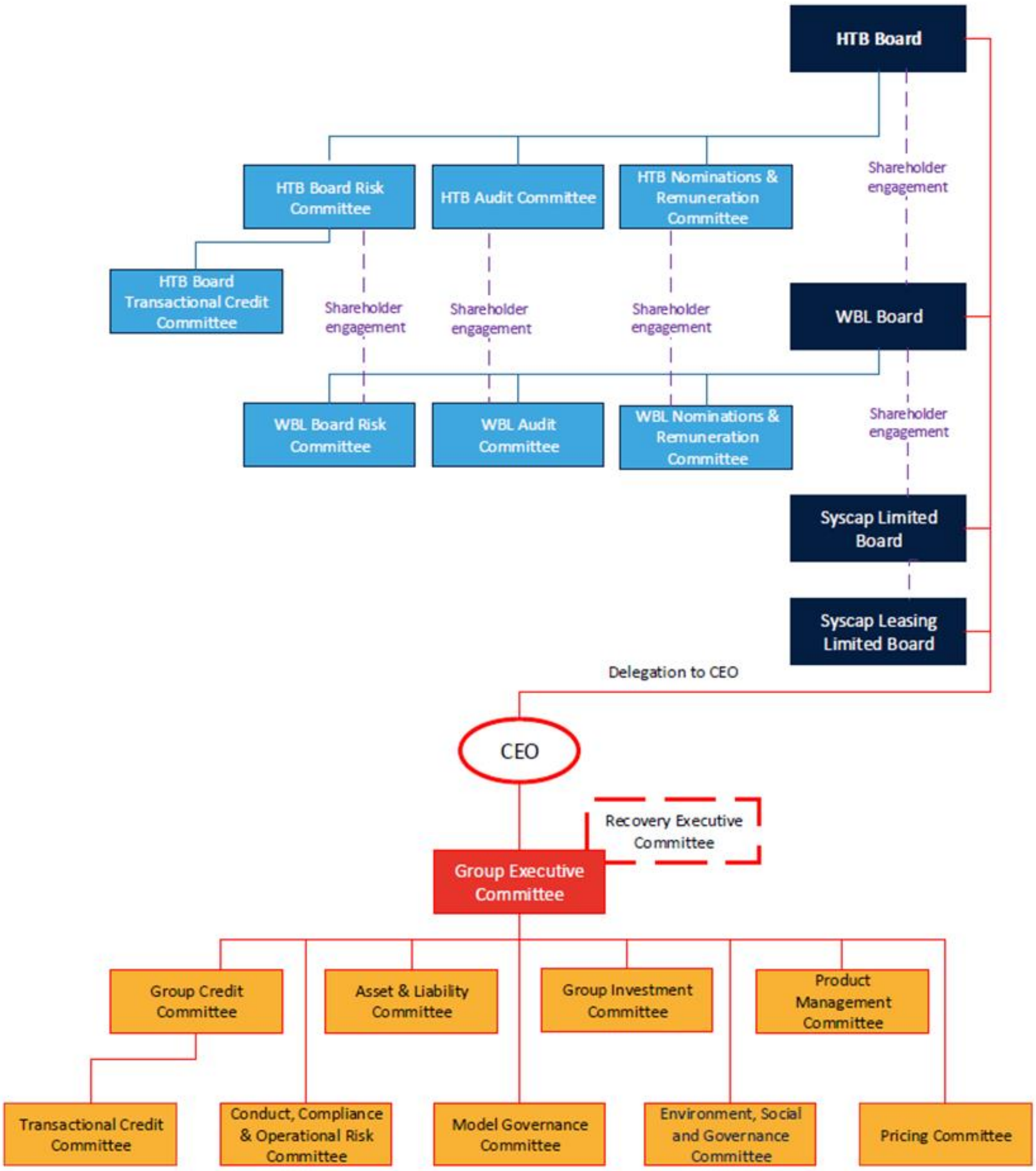
The Board is committed to the highest standards of corporate governance and has adopted a single overarching Group Governance Framework structured to achieve responsibility, accountability, transparency, and fairness, while ensuring that:

- effective oversight and strategic leadership of the Group, and an appropriate balance between the governance requirements of Wesleyan Bank Ltd, as a regulated Bank in its own right, and the Board's effective oversight of the Group is maintained;
- that Group senior executives who hold SMF responsibilities for Wesleyan Bank Ltd are able to effectively discharge their responsibilities;
- that there is a framework that is easily understood, practically accessible and capable of quick reference;
- a streamlined approach which utilises the most appropriate resources within the Group, ensures consistency of approach while avoiding duplicated or wasted cost, time, and effort across the Group where appropriate.

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 2023 with regard to risk management is outlined below:



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. 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 2023, in addition to their roles within the Bank/Group, are detailed below.

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

*- as at 31 December 2023

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 psychological type, background, gender, ethnicity and sexuality and the importance that this affords in ensuring that a particular Board or Board Committee is not composed of solely like-minded 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.

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.

6.1 Decision making process

The Nomination and Remuneration Committee ('NomRemCo') is the governing body for the Group's remuneration policy and practises. The Committee's primary function is to ensure the Group attracts, selects, and retains suitably qualified and experienced employees at all levels and motivates high individual/ business performance at an acceptable and appropriate cost and risk management framework.

The committee reviews annually the Remuneration policy (last review was in November 2023) and meets at least 4 times a year, to ensure sound and effective risk management on remuneration. They determine the basis for performance related pay, approve the list of Material Risk Takers (using the remuneration code guidelines by PRA/FCA) and the fixed and variable pay for such staff, approve the Group's Bonus pool, and determine the CEO's pay. The committee also reviews the Performance adjustment policy that applies to MRTs variable compensation and includes the Group's clawback policy. In performing the above duties, the committee considers advice from the Board Risk Committee and the Board Audit Committee on the management of remuneration risk, including advice on the measurement of performance in the context of variable pay and the application of risk adjustments, malus or clawback.

An external consultant, Eversheds, was also contracted to review both the Remuneration policy and the Performance Adjustment policy.

6.2 Link between pay and performance

NomRemCo determine the basis for performance related pay and the Group's remuneration policy provides information on pay and performance. Linking performance to reward assists in motivating staff to perform at a high level over a prolonged period while developing and embedding an appropriate culture. All remuneration practices must be consistent with the Group's risk appetite and aligned with delivery of positive outcomes for our customers.

- Variable pay is determined by financial and non- financial factors such as individual, team and Group performance and behaviours.
- The Group's performance measures also include appropriate standards for behaviours, consumer duty/ customer focus, risk management and compliance with Remuneration code as defined by the PRA and FCA.

6.3 Design of remuneration components

Fixed Pay

The Group's fixed pay elements include base salaries, pension, private medical insurance and allowances. Salaries are determined based on performance, skills/ competencies, retention risks, market comparators and affordability. Performance does not determine the eligibility to pension, PMI and allowances. Allowances (car, cash etc.) are provided to staff based on the nature of the role performed due to operational reasons.

Salaries are reviewed groupwide annually and during the year wherever necessary. MRT salaries require approval from NomRemCo, along with salaries over £150K.

Variable Pay

a) Discretionary Bonus

The annual group cash bonus scheme is discretionary, and performance based. NomRemCo approve the rules of the scheme and set the factors determining the bonus pool, eligibility criteria, distribution of bonus to MRTs and govern adherence to Remuneration code (such as fixed pay to variable pay ratio) and other regulatory requirements. The bonus pool is derived based on the Group's financial results and non-financial metrics.

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.

There is currently no deferred element applied to the Group's general cash bonus scheme therefore no criteria to be applied in this regard.

b) Sales Incentive Schemes

The Group also runs four sales incentive schemes for staff doing certain roles, which pay out quarterly/annually, against a balanced assessment of scorecard that considers factors such as sales performance, conduct, behaviours etc. The rules for these schemes are also approved annually by NomRemCo.

c) Deferred Bonus Retention Scheme (DBRS)

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 NomRemCo and subject to the Group's policies regarding regulatory controls.

d) Management Incentive Plan

The Group also operates a management equity scheme in the form of B class ordinary shares in the Group's parent company, Hoggant Ltd, which is limited to key senior staff. This component is targeted at retaining and aligning motivation of key individuals to drive Bank-wide value creation.

Key employees are those, a) who have the ability to make a significant contribution to the organisation and its strategic aims over the long term (3-5 years) and b) people whose contribution the organisation would miss should they leave.

The award is only payable if the employee remains in service until an exit event occurs.

Other non-cash benefits

The Group reviews the overall reward and benefits offerings from time to time, with an aim to be offer competitive total reward package. Current offerings include annual holiday allowance, cycle to work scheme, season ticket loan, holiday purchase scheme, corporate gym discounts, perks and cashbacks and more. These non-cash benefits are available to all staff irrespective of performance or role.

For the 2023 performance year, variable remuneration must not exceed 100 per cent of the fixed component unless a higher maximum level (not exceeding 200 per cent) has been approved by the Group's shareholders.

6.4 Remuneration statistics

The table below shows total fixed and variable remuneration awarded to MRTs in the Group in respect of the financial year ended 31 December 2023.

			a	b	c	D
	£s		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	9	6	9	14
2		Total fixed remuneration	495,000	1,745,734	1,649,678	1,785,190
3		*Of which: cash-based*	*495,000*	*1,745,734*	*1,649,678*	*1,785,190*
9	Variable remuneration	Number of identified staff	-	6	9	13
10		Total variable remuneration	-	1,455,531	737,996	555,809
11		*Of which: cash-based*	-	*611,007*	*558,780*	*511,619*
12		*Of which: deferred*	-	-	-	-
UK-13a		*Of which: shares or equivalent ownership interests*	-	*844,524*	*179,216*	*44,190*
UK-14a		*Of which: deferred*	-	-	-	-
17	Total remuneration (2 + 10)		495,000	3,201,265	2,387,674	2,340,999

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
80 Fenchurch Street
London
EC3M 4BY
Company number: 1311315