

Wesleyan Bank Limited

PILLAR 3 DISCLOSURES 31 DECEMBER 2022

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1. Introduction

1.1 Overview

This document provides the Pillar 3 disclosures required of Wesleyan Bank Limited (“WBL” or “the Bank”) as at 31st December 2022. The Bank is authorised by the Prudential Regulation Authority (‘PRA’) and regulated by the PRA and the Financial Conduct Authority (‘FCA’).

1.2 Background

The Bank 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 Bank.
- **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 Bank 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 Bank’s 2022 Annual Report and Accounts (‘the Annual Report and Accounts’ or ‘ARA’), approved by the Board on [XX April 2023].

The Bank 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 Bank faces, and how these risks are managed.

This document is applicable to WBL which is a subsidiary of Hampshire Trust Bank Plc (“HTB”). WBL 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 Bank.

The Bank’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 Bank’s website at the same time as the Annual Report and Accounts. The Bank’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 Bank’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 Bank 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 Bank’s financial statements.

2. Risk Management

The principal risks the Bank faces, and how the Bank mitigate the risks, are described below. 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:

Principal Risk	Definition	How the Bank mitigates risk
Credit Risk	The risk that a borrower or counterparty fails to pay the interest or repay the principal on a loan on time	<ul style="list-style-type: none"> • The Bank have security and where appropriate, guarantees, to support our lending. • The Bank has maintained a diversified portfolio by originating loans in markets the Bank understand and by limiting concentrations by size proportionate to our own balance sheet size and position in the market, by asset class, collateral type, geography, sector and (where appropriate) by sub-sector. • Credit decisions have been made using a combination of due diligence, reviewing Credit Agency reports, reviewing financial information, credit scores and using the expert opinion of our underwriters. • The Bank is part of the HTB Credit Risk Management Framework that includes detailed lending policies, underwriting manuals and a defined problem debt management process. • The Bank operates under a HTB Group Treasury policy that only allows for deposits to be placed with large Groups or invested in High Quality Liquid Assets in line with PRA guidance on Credit Ratings. • Lending performance against Risk Appetite is monitored regularly.
Capital Risk	The risk that the Bank will have insufficient capital to cover unexpected losses, meet regulatory requirements or support growth plans	<ul style="list-style-type: none"> • The Bank operates within a HTB Group Capital Planning Framework which requires us to maintain appropriate levels of capital in a range of stressed scenarios. • The Bank has set a prudent Risk Appetite which is approved by the Board and reviewed at least annually. This considers the necessary time lag for management actions to take place. The Bank meets, as a minimum, all regulatory prescribed ratios. • The Bank monitor current and forecast levels of capital against our risk appetite and report to Asset and Liability Committee (ALCO) and the Board regularly. • Capital forecasts, and their compliance with our risk appetite, form an integral part of the annual budgeting process. • ICAAP stress testing is well embedded and used to inform risk appetite and business strategy.

<p>Liquidity, and Funding Risk</p>	<p>Liquidity – The risk that the Bank is unable to meet its financial obligations as they fall due; smooth out the effect of maturity mismatches; or maintain public confidence</p> <p>Funding – The risk that the Bank is unable to continue to fund future liquidity requirements at an affordable price</p>	<ul style="list-style-type: none"> • The Bank has set a prudent Liquidity Risk Appetite which is approved by the Board and reviewed at least annually. This considers the necessary time lag for management actions to take place. The Bank meets, as a minimum, all regulatory prescribed ratios. • The Bank monitors current and forecast levels of liquidity against our risk appetite and report to Asset and Liability Committee (ALCO) and the Board regularly. • Liquidity forecasts, and their compliance with our risk appetite, form an integral part of the annual budgeting process. • ILAAP stress testing is well embedded and used to inform risk appetite and business strategy. • The Bank maintains liquidity buffers and contingency funding plans against various stressed liquidity scenarios.
<p>Market Risk</p>	<p>The risk that changes in market prices will affect the Group’s income or the value of its holdings of financial instruments counterparties and/or undermines market integrity</p>	<ul style="list-style-type: none"> • The Bank manages exposures to a very low level against our capital and earnings positions. • The Bank monitors the credit spread risk in the liquid asset portfolio at ALCO. • The Bank has no appetite for Foreign Exchange risk.
<p>Operational Risk & Resilience</p>	<p>Operational Risk - The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including legal and regulatory risk.</p> <p>Operational Resilience – Initiatives that expand business continuity management programs to focus on the impacts, connected risk appetite and tolerance levels for disruption of product or service delivery to internal and external stakeholders.</p>	<ul style="list-style-type: none"> • The Bank ensures all staff understand and follow the HTB Group Operational Risk Management Framework • The Bank provides training and guidance to first line staff on aspects of the Framework via both the Risk Champions forum and formal training sessions • There are separate HTB Group policies covering key aspects of the ORMF, including, Managing Corrective Action Plans, RCSA management and Risk Events and Financial losses • Senior Management identify and assess operational risks across their businesses and assess the effectiveness of controls that mitigate those risks using a Risk and Control Self-Assessment (RCSA) process • The Bank operates under a defined HTB Group Operational Resilience Policy • The Bank has defined our recovery time and point objectives for our business processes where a sustained operational failure would result in customer detriment. • The Bank monitors the operational risk profile alongside proactive recording/management of events, losses, assurance finding resolutions and incidents

<p>Regulatory & Conduct</p>	<p>Regulatory – The risk of regulatory or legal sanctions, material financial loss, or loss of reputation as a result of a failure to comply with applicable laws, codes of conduct or standards of good practice</p> <p>Conduct – The risk that the business strategy, the culture, and the manner in which the business is run, create unfair customer outcomes and detriment to customers and/or undermines market integrity</p>	<ul style="list-style-type: none"> • The Bank operates within a HTB Group Conduct and Compliance Risk Management Framework supported by a number of policies and procedures that set out how the Bank manages these risks and the minimum standards that the Bank expect • Our Business lines are primarily responsible for the management of these risks, but with strong oversight from the 2nd Line Compliance function. • Senior Management identify and assess conduct, compliance and financial crime risks across their businesses and assess the effectiveness of controls that mitigate those risks using a Risk and Control Self-Assessment (RCSA) process • New and emerging regulatory driven changes are overseen through our horizon scanning process. • The Bank completes regular and themed assurance testing of our activities to ensure that the Bank are operating within our Board approved risk appetite and prevailing legal and regulatory requirements. • The Bank operates a programme of staff training and awareness via our regulatory reading programme.
<p>Climate Risk</p>	<p>The threat to HTB Group’s business from physical or transition climate risks.</p>	<ul style="list-style-type: none"> • The Bank monitors exposure to Climate risk and escalate agenda items across the Group’s risk committee structure and Board. • HTB Group closely monitor Climate Change policy, regulatory guidance and industry advances relating to climate change, considering both transition and physical risks.
<p>Transversal Risks – Reputational and Climate</p>	<p>Reputational Risk – The risk that the Group’s people, processes or systems create outcomes that create reputational damage to HTB</p> <p>ESG Risk – The threat to HTB Group’s operations and financial standing as a result of poor Environmental, Social or Governance standards operated across the Group.</p>	<ul style="list-style-type: none"> • Reputational impact is used to quantify risk and impact. • Consideration of reputational risk is embedded within our risk management. • HTB Group has an ESG steering group in place to oversee the development and embedding ESG into our day-to-day risk management and processes. • HTB Group monitor exposure to ESG risk, including Diversity, Equal Pay and opportunities via HR and escalate agenda items across the Group’s risk committee structure and Board. • HTB Group people related policies provide guidance to staff to support local social initiatives and charity in local community projects.

3. Key Metrics

The table below shows the key metrics for WBL Bank as at 31 December 2022:

	£'000	Bank	
		2022	2021
Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	72,262	94,115
2	Tier 1 capital	72,262	94,115
3	Total capital	72,262	94,115
Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	327,502	433,616
Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	22.1%	21.7%
6	Tier 1 ratio (%)	22.1%	21.7%
7	Total capital ratio (%)	22.1%	21.7%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	2.20%	2.20%
UK 7b	Additional AT1 SREP requirements (%)	0.73%	0.73%
UK 7c	Additional T2 SREP requirements (%)	0.98%	0.98%
UK 7d	Total SREP own funds requirements (%)	11.91%	11.91%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	1.0%	0.0%
11	Combined buffer requirement (%)	3.5%	2.5%
UK 11a	Overall capital requirements (%)	15.41%	14.41%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.15%	9.79%
Leverage ratio			
13	Leverage ratio total exposure measure	498,809	614,390
14	Leverage ratio	15%	15%
Liquidity Coverage Ratio			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	22,740	38,449
UK 16a	Cash outflows - Total weighted value	17,826	26,532
UK 16b	Cash inflows - Total weighted value	20,472	37,688
16	Total net cash outflows (adjusted value)	4,457	6,633
17	Liquidity coverage ratio (%)	510.21%	579.66%
Net Stable Funding Ratio			
18	Total available stable funding	509,089	526,878
19	Total required stable funding	386,819	381,022

20	NSFR ratio (%)	131.61%	138.28%
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4. Capital and Risk Weighted Assets

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

The Bank's Tier 1 capital comprises of permanent share capital and retained earnings which represent the Bank's accumulated accounting reserves. There are no deductions from core equity Tier 1 capital.

4.1 Minimum capital requirement

The Bank 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 Bank

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements	
		Bank 2022	Bank 2021	Bank 2022	Bank 2021
1	Credit risk (excluding CCR)	296,239	414,526	23,699	33,162
2	Of which the standardised approach	296,239	414,526	23,699	33,162
23	Operational risk	31,262	19,090	2,501	1,527
UK 23a	Of which basic indicator approach	31,262	19,090	2,501	1,527
29	Total	327,502	433,616	26,200	34,689

On 30 March 2022, under the new ownership of HTB, the Bank performed a capital reduction to create distributable reserves to enable the Bank to pay dividends and other distributions to shareholders in the future. The capital reduction did not change the total number of shares or the total capital in the Bank or the Bank's capital ratios. At 31 December 2021 the Bank had 118,040,000 ordinary shares of £1 each giving a paid up share capital of £118,040,000. The Capital Reduction saw the Bank change the nominal value of shares from £1 each to £0.1 each giving a paid-up share capital of £11,804,000 plus reserves of £106,236,000.

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

£000	Exposures	RWAs	Pillar 1 Capital
	<u>2022</u>	<u>2022</u>	<u>2022</u>
Corporate	120,514	95,332	7,627
Secured by mortgages on immovable property	84,307	65,025	5,202
Retail	201,432	116,424	9,314
Exposures in default	2,730	2,730	218
Central governments or central banks	48,881	10,569	845
Institutions	36,203	670	54
Other	4,742	5,489	439
Total	498,809	296,239	23,699

The Board has adopted a “Pillar I plus” approach to determine the level of capital the Bank 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 adequately reflect the risk, an additional capital add-on in Pillar II is applied, as per the Bank’s Total Capital Requirement issued by the PRA.

At all times the Bank’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 Bank’s Pillar 1 capital resources requirement is calculated by adding the capital resources requirements for credit risk, and operational risk. The Bank 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 Bank has benefited from surplus capital resources over its Pillar 1 and Total Capital Requirement. The Bank’s total capital ratio as at 31 December 2022 was 22% (2021: 22%).

4.2 Capital Buffers

The Bank 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 Bank’s UK exposures as a result of the UK Financial Policy Committee (‘FPC’) decision in March 2020.

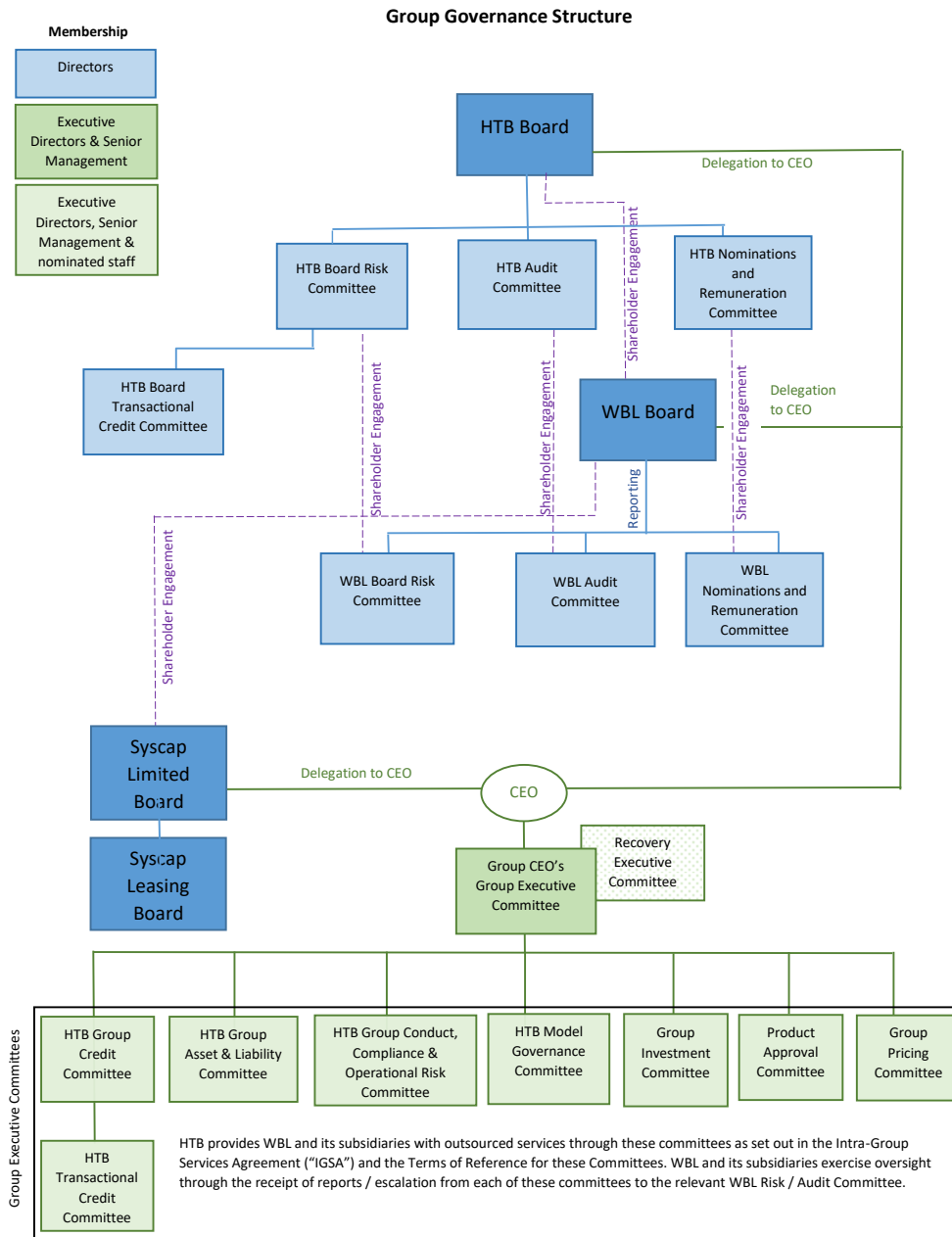
5. Corporate Governance

Following the transfer of ownership, the Bank is governed under a single overarching HTB Group Governance Framework. The single Group Governance Framework ensures:

- That there are appropriate and effective Group governance arrangements in place and that the arrangements support HTB and WBL's application of The Wates Principles.
- An appropriate balance between the governance requirements of WBL, as a regulated Bank in its own right, to make effective decisions for itself as well as the importance of HTB having effective oversight of the Group and to ensure that the Group achieves the orderly and efficient wind-down of the WBL business in line with the Regulatory Business Plan approved by the PRA and FCA.
- That HTB senior executives who hold SMF responsibility for WBL 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 diagram below sets out governance arrangements and oversight of the Group and further detail is provided in subsequent sections, however, in summary the Governance Framework is as follows:

- HTB and WBL have separate Boards and Board Committees (Audit; Risk; Nomination and Remuneration Committees) which are comprised of experienced executive directors, non-executive directors and independent non-executive directors. WBL and HTB have common executive directors and the Chairman of WBL is also an independent non-executive of HTB but other non-executive directors are different.
- The Chair of the WBL Board engages with the HTB Board following each WBL Board meeting to inform HTB on WBL's performance and to understand HTB's views on governance and performance against the strategy.
- To ensure consistency of approach across the Group, to make best use of group resources, to reduce inherent risk in the wind-down of WBL and to support SMF responsibilities, WBL has disbanded its own executive level committees and outsourced those activities to HTB under the Intra-Group Services Agreement. HTB undertakes these outsourced activities through its own executive level committees, namely Credit Committee; Asset & Liability Committee; Conduct, Compliance and Operational Risk Committee, Model Governance Committee, Investment Committee, Pricing Committee and Transactional Credit Committee. Terms of Reference for the HTB Committees are written to ensure that these activities are effectively performed and to ensure there is effective escalation and reporting to the WBL Board and Board Committees so that the WBL Board has effective oversight of the activities and risk.



The Board

The Group's Board

The Group's governance structure is designed to ensure the effective running of HTB and WBL in accordance with the legal and regulatory obligations and in line with established principles of good conduct and practice. HTB and WBL apply The Wates Corporate Governance Principles for Large Private Companies and each of HTB and WBL are led by separate Boards comprising an independent Non-Executive Chairman, Non-Executive (Shareholder representative) Directors, independent Non-Executive Directors and Executive Directors.

WBL Board

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. In the case of WBL, this is done in the context of its express purpose, which is the

orderly an efficient run-down of its business and the maximising and transition of value to HTB in line with the Regulatory Business Plan approved by the PRA and FCA. Directors are appointed by the Board. Non-Executive Director appointments can be terminated at any time, without notice or payment of compensation.

Board meetings are held normally 6 times a year. This enables Directors to regularly review strategy, the operations and the results of the business, and to discharge their duties within a framework of prudent and effective controls. As set out above, the Chair of the WBL Board engages with the HTB Board following each WBL Board meeting to inform HTB on WBL's performance and to understand HTB's views on governance and performance against the strategy.

The Board is supported by its Committees, which make recommendations to the Board on those matters delegated to them. The Committee members 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.

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 Group, are detailed below.

Name	Position	Positions held *
Martyn Scrivens	Chairman	3
Matthew Wyles	CEO/Executive Director	0
Tim Blackwell	CFO/Executive Director	0
William Gray	Non-Executive Director	3
Jeremy Brettell	Non-Executive Director	3
Alex Leicester	Non-Executive Director	3

*- 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.

Division of responsibilities between the Chairman 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 Bank'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")). As a result of the acquisition of the Bank by HTB, these remuneration policies and practices now follow that of the Group. 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 Bank's Remuneration Policy and submit this to the Board for approval. Nom/RemCo also has oversight of the remuneration of the senior management team.

The Bank maintains a record of staff whose activities have a material impact on the Bank'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 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 Bank overall, taking into consideration additional factors such as the findings of the Risk Review undertaken by the Group's Chief People Officer and Group's Chief Compliance Officer, and to approve any relevant proposed hires of individuals into the Bank 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.

During 2022, any decisions that were required by Nom/RemCo were carried out directly by the Bank's Board.

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 Bank.

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.

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 Bank’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 Group Chief People Officer and the Group Chief Compliance Officer, and recommendations for any required action are reviewed as part of the approval process by Nom/RemCo.

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 Bank.
- Encouraging and supporting the Bank’s culture of excellent customer service.
- Guarding against risk taking over and above the Bank’s risk appetite.

6.4 Remuneration statistics

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

£'000	Senior Management	Other MRTs	Total
Fixed remuneration	1,057	-	1,057
Cash variable remuneration	425	-	425
Severance pay	288	-	288
Total remuneration	1,770	-	1,770

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 banks 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	Wesleyan Bank Ltd
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

Wesleyan Bank Ltd

55 Bishopsgate

London

EC2N 3AS

Company number: 2839202