



**Alcentra Asset Management Limited**  
**Pillar 3 Disclosures for the year ended 31<sup>st</sup> December 2009**

**Published 31st March 2010**

## **About Pillar 3 Disclosure**

### **A. Alignment of disclosures among UK Asset Managers**

*The Investment Management Association, comprising a number of UK investment managers, has published guidelines for preparers of Pillar 3 disclosures to better align content, definitions and approaches and to drive comparability and consistency wherever possible. These disclosures have been produced with reference to the outcome of this Working Party. Where necessary, footnotes have been added to the data tables to explain content. However, whilst disclosures are intended to provide transparent information on a common basis, different assumptions may apply to other Investment managers especially outside the UK so a reader must understand the basis of each firm's disclosures before making comparisons.*

### **B. Policy and approach**

*Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by the Basel II framework. Pending implementation of the Basel II framework by The Bank of New York Mellon Corporation, there is currently no comparable disclosure provided on a consolidated basis by the firm's parent undertaking. As such, this disclosure has been prepared for the UK regulated entity.*

*These disclosures have been approved by the Alcentra Asset Management Limited Board of Directors (BOD) who have verified that they are consistent with formal policies adopted regarding production and validation of content.*

*Information in this report has been prepared solely to meet the disclosure requirements about Basel II and to provide certain specified information about capital and other risks and details about the management of those risks and for no other purpose. This paper does not constitute any form of financial statement on the business nor does it constitute any form of contemporary or forward looking record or opinion about the business.*

*Unless indicated otherwise, information contained within this document has not been subject to external audit.*

*These disclosures will henceforth be published annually as at the company Accounting Reference Date, 31<sup>st</sup> December and publication will take place as soon as practicable and additionally during the year as market or business conditions dictate.*

*The company will reassess the need to publish some or all of the disclosures more frequently than annually in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy and information about risk exposure and other items prone to rapid change.*

*The BOD at its discretion may omit one or more of the disclosures if the information provided by such disclosures is not regarded as material. The criterion for materiality used in these disclosures is that the firm will regard as material any information where omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.*

*The BOD at its discretion may omit one or more of the disclosures if those items include information which, in the light of requirements is regarded as proprietary or confidential. In this circumstance, the BOD will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure and will publish more general information about the subject matter of the disclosure requirement except where these are to be classified as secret or confidential.*

*The company undertakes no obligation to revise or to update any forward looking or other statement contained within this paper regardless of whether or not those statements are affected as a result of new information or future events.*

*Disclosures will be published on The Bank of New York Mellon group website ([www.bnymellon.com](http://www.bnymellon.com)). See section Investor relations, Financial reports, Other regulatory filings.*

*This policy will be periodically reassessed and updated in light of market developments associated with Pillar 3.*

*Further information about the company can be found in the latest Annual Report & Accounts.*

# Alcentra Asset Management Limited

## Pillar 3 Disclosures

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## **1. Introduction**

These disclosures are about Alcentra Asset Management Limited (AAM) and are published in accordance with the requirements of the Financial Services Authority ('FSA') Prudential Sourcebook for Banks, Building Societies and Investment Firms, BIPRU 11 (*Pillar 3*). AAM implemented the Basel II standardised approach for calculating credit and market risk on 1<sup>st</sup> January 2009. The company first prepared Pillar 3 disclosures for the year ended 31st December 2008.

### **Purpose of Pillar 3**

Basel II is the international banking accord intended to strengthen the measurement and monitoring of financial institutions' capital. The Basel II framework was implemented in the EU through the Capital Requirements Directive (CRD) which is now law. Basel II framework establishes a more risk sensitive approach to capital management and is comprised of three pillars:

- **Pillar 1** establishes rules for the calculation of minimum capital for Credit risk, Market risk and Fixed Overhead Requirement.
- **Pillar 2** is an internal discipline to evaluate the adequacy of the regulatory capital requirement under Pillar 1 and other non pillar 1 risks. This pillar requires the FSA to undertake a supervisory review to assess the robustness of Alcentra's internal assessment.
- **Pillar 3** complements the other pillars and effects market discipline through public disclosure. Expanded disclosure about capital and risk enables interested parties to better understand the risk profile of individual banks and companies and to make comparison.

## **2. Scope and Application of Directive Requirements**

AAM is London based, wholly owned and an operationally independent subsidiary of BNY Alcentra Group Holdings Inc, formed in 2002 and which is, in turn, a subsidiary of the Bank of New York Mellon Corporation.

This document has been prepared with reference to the specific UK business regulated by the Financial Services Authority (FSA) of Alcentra Limited (Alcentra). Alcentra is a wholly owned subsidiary company of AAM. AAM is not authorised to carry out regulated activities.

Alcentra has regulatory permissions as an investment advisor and discretionary fund manager. Alcentra is considered a BIRPU limited licence firm under Basel II, meaning that it is not authorised to (1) deal on its' own account; or (2) provide the investment services of underwriting or placing financial instruments on a firm commitment basis.

Alcentra builds focused, capacity managed portfolios, offering clients access to its advanced yet transparent investment process through a range of funds. The core components of Alcentra's investment philosophy are a combination of top down investment strategy analysis, rigorous manager evaluation and detailed ongoing monitoring.

Unless otherwise stated all amounts are as of December 31, 2009.

The capital and exposures of all subsidiary undertakings are included in these Pillar 3 disclosures. There is no difference in the basis of subsidiary consolidation for accounting and regulatory purposes.

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities when due between the parent undertaking and its subsidiaries. There were no instances where Capital resources were less than the required minimum in any subsidiary undertakings not included in the consolidation.

The group does not make use of the Solo consolidation waiver provisions laid down in BIPRU 2.1.

## **2.1 2009 highlights**

Alcentra did not undertake any acquisitions or disposals in 2009 and its assets under management remained relatively steady at €8.7Bn (31/12/2008 €9.2Bn) – reflecting benefit of having significant exposure to closed end funds in a challenging fund raising environment.

Whilst the core business remains the CLO platform where no new funds were raised the company did continue to expand its product base through the launch of its Structured Credit Fund, co-mingled funds & managed accounts.

The Governance Structures remained the same throughout the year although James Algar the firms Compliance Officer and who has been part of Alcentra since its formation joined the board of Alcentra Ltd in February 2009.

Although continually monitored there have been no significant changes in the firm risk forums and risk management operating practices and procedures. However hedging of the balance sheet foreign exchange exposures which was previously only in place at the BNY Alcentra Group Holdings level is now in place at the Alcentra Limited level.

There has been no significant change in risk appetite eg credit, market or operational risk exposure resulting in changes to capital resources and requirements (current year end vs prior year end)

The credit and liquidity crisis 2008-2009 is a significant issue for Alcentra since its product suite invests across the credit spectrum. Key factors to note are:

Raising new funds over the last two years has been challenging

- The attraction of a core product of CLOs – non-mark to market closed end vehicles has been demonstrated by the firms ability to maintain profitability and increase regulatory capital by 38%. Ongoing the firms profitability and cash generation is not dependant on significant new fund raises over the next two years.
- The biggest threat to the CLO performance is the increased level of CCC downgrades experienced in H2 2009. That caused some deterioration of OC tests and subordinated fees to be deferred but by focussing on investment quality these tests are now coming back into compliance.
- The firm has no balance sheet exposure to investment risk – since all seed capital is held outside of the UK Alcentra Group.

### **3. Risk Management Objectives and Policies**

#### **3.1 Risk Objectives**

Alcentra maintains a conservative risk profile, and remains cognisant of the risk/reward trade off. Its investors are institutional clients such as pension funds and insurance companies, seeking exposure to credit and debt instruments. Alcentra has a comprehensive risk policy and due diligence process, the objective of which is to act as investment manager to those funds with high integrity, operational strength, solid infrastructure and consistent and repeatable investment processes.

Alcentra's principal activity is providing investment management services to its clients which are Collateralised Loan Obligations (CLOs). The funds are operated by third party service providers. In some instances the third party service provider is a company within the Bank of New York Mellon Corporation. Alcentra also acts as investment adviser to two Investment Managers.

The identification, measurement, monitoring and management of risk are essential elements for the success of operations undertaken within the UK structure of Alcentra. Specifically:

- The Board of Alcentra recognises that defining a risk appetite must recognise the views of a number of different stakeholders while accounting for business strategy and risk profile.
- The Board sees embedding the risk appetite into the business strategy as essential.
- The Board recognises that it cannot mitigate all risks. The risk framework includes standard risk management self-assessment tools that take into account loss history and stress testing to measure and monitor whether or not risk controls in place continue to remain effective.
- The Board will seek input from its own and group wide Risk Committees on a regular basis in the Board's reassessment of appetite and sources of major risks.

##### **3.1.1 Business Risk**

Alcentra's main business risk driver is key man risk, coming from a small number of key employees. The Alcentra Board accepts this risk as a necessary feature of its operating model.

##### **3.1.2 Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events: including the potential for loss that arises from problems with operational processing, human error or omission breaches in internal controls, fraud, and unforeseen catastrophes.

The business managers of Alcentra are responsible for identifying the risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate operational risk, and assigning accountability for the effectiveness of those controls.

Senior Management is responsible for identifying the risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. The objective of this self-assessment is to prevent or minimise losses due to:

- Errors or service delivery failures, especially those with visible impact on customers
- Violating client investment guidelines
- Business Continuity
- Systems failures
- Loss of key staff
- Failure of outsourced service providers

There is no regulatory capital requirement for operational risk due to Alcentra being a BIPRU limited licence firm with a fixed overhead capital requirement.

### **3.1.3. Liquidity Risk**

Alcentra will at all times maintain liquidity resources which are adequate both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met in full as they fall due.

BNYM firms are required to have in place robust strategies, policies, processes and systems to identify, measure, manage and monitor the liquidity risks to which they may be exposed, including intra-day risk. Firms must have reliable management information to ensure appropriate and timely forward-looking information on the liquidity risk of the firm and early warning indicators to identify increases in liquidity risk.

Senior management is responsible for establishing appropriate liquidity risk tolerances; for approving, reviewing and updating the firm's approach to managing liquidity risk; and for reviewing the firm's liquidity position including compliance with the UK FSA liquidity adequacy rule and regularly reporting this information to the governing body.

Alcentra is self sufficient in terms of liquidity resources and funding. In outline, Alcentra has a low appetite for liquidity risk in accordance with the firm's business model. Alcentra receives investment management and performance fees, pays out overheads and expenses (including staff incentive compensation) and holds surplus cash balances with group companies and third party banks at short notice. On a day to day basis, liquidity and funding requirements are actively managed by the Senior Management. Alcentra as a regulated firm falls under an EMEA Programme designed to ensure that each firm complies with new FSA Liquidity Standards (PS 09/16) issued in October 2009. This is an ongoing Programme of work which, with respect to Alcentra (a Limited Licence BIPRU investment firm) is currently focused at the firm level on ensuring compliance with the FSA BIPRU 12 Systems and Controls standards and the first reporting requirement under the new FSA regime beginning in January 2011.

FSA Systems and Control requirements oblige the governing body (ie Board of Directors (BOD)) to express and check conformity with the firm's liquidity risk appetite. The outputs of the firm's Stress testing should inform the governing body's decisions on whether the firm's liquidity risk appetite should be amended and must form the basis of a Contingency Funding Plan.

A common *Liquidity Risk Management Framework* (LRM) and Operating Model applies to all BNYM Limited Licence BIPRU investment firm tailored to fit local circumstances. In overview, this LRM framework comprises:

- A regime of Senior management oversight and governance of LRM (including defining risk strategy, setting risk appetite and tolerance (limits and triggers)) and, tracking performance.
- a firm-specific liquidity policy that conforms with Group requirements (including pricing of liquidity risk, management of intra-day liquidity risk and funding diversification and market access); and,
- a regime of periodic reporting to senior management of Mismatch Cash flow data across a 12 month time horizon and firm-specific liquidity performance ratios including assessment of the likely survival period under current conditions..

Stress testing capability at the firm level and preparation of a Contingency Funding Plan is currently under development in accordance with the FSA's regime transition timetable. This includes creation by senior management of firm-specific and market wide stress scenarios and liquidity risk assumptions which will be modelled across short term (up to two weeks) and protracted (from two weeks to 3 months) time horizons.

Alcentra does not have any collateral positions to manage, nor is it necessary for the firm to actively manage liquidity across legal entities, business lines or currencies. Metrics about each firm's liquidity position are reported to EMEA ALCO.

In terms of global liquidity management, BNYMC enjoys a strong base of core client deposits for its funding which arises from its role as a leading asset custodian and trustee. BNYMC does not rely on either retail funding or wholesale funding in its business model. Asset/liability management is managed globally through treasury activities in key financial centres, such as New York, London and Brussels, and is driven by client cash needs and transactions.

#### **3.1.4. Compliance Risk**

Compliance Risk covers the risk relating to earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executors to fines, payment of damages, the voiding of contracts and damaged reputation (with accompanying indirect costs).

Alcentra is an FSA regulated investment manager. Alcentra has a small number of clients, all of which have professional status. As a subsidiary of BNY Mellon Corporation, Alcentra is subject to a number of compliance policies and benefits from corporate wide training around compliance and ethics matters.

#### **3.1.5. Credit Risk**

Credit Risk covers default risk from counterparties or clients for loans, commitments, securities, and other assets where realisation of the value of the asset is dependent on counterparties' ability to perform. Credit risk is minimal, with exposure limited to receivables from funds (institutional clients) to which Alcentra provides discretionary investment management or advisory services.

#### **3.1.6. Client Concentration Risk**

Concentration risk covers the risk that a high proportion of business volume is represented by a disproportionate number of clients.

Alcentra does business with small number of large clients and high-value underlying investors. Concentration in these types of clients carries inherent risk but is in keeping with business strategy. However, this risk is mitigated by the cashflows arising within client funds and the ability of the manager to receive payment at regular interval from these cashflows.

#### **3.1.7. Other Risks**

Failure of IT Systems and Potential Loss of other Services: The company is dependent on its IT systems. The Board assesses the appropriateness of these systems on a regular basis to ensure they are fit for purpose.

### **3.2. Organisational Structure**

Alcentra employs a small number of full time staff, including investment professionals involved with the management of CLO and other funds. This established team has a distinctive investment approach that is characterised by rigorous, independent analysis of fund strategies and businesses which include hedge fund techniques in some cases.

Alcentra has two committees which serve in an oversight role for various aspects of its business. The committee members are selected by Senior Management based on expertise and professional experience. The Management Committee, of which the Chief Executive Officer of AAM and Alcentra is a member, sets the strategic objectives and is responsible for key decision making. In addition, the Chief Executive Officer meets with BNYM senior management on a continuing basis, to discuss strategic matters and global synergies.

### ***3.3. Scope and Nature of Risk Reporting Systems***

The purpose of the company's risk measurement and reporting systems is to ensure that all risks and exposures are comprehensively captured, with all of the attributes necessary to support robust decision making by senior management and risk mitigation within approved risk appetite levels.

Risk measurement and reporting systems are subject to a robust governance framework, to ensure that their design is fit for purpose and that they are functioning properly and that controls are effective. Risk systems development is a key responsibility of group IT while the operation and development of risk management systems and processes are subject to oversight by various levels of management up to the Board of Directors.

The measurement and monitoring of the major risks encountered by the company including operational risks, are increasingly delivered by central systems or, where for sound business reasons this is not the case, through structures and processes that support comprehensive oversight by senior management.

There is regular reporting on risk to business line management, to specialist functions and to the senior management of the company.

### ***3.4. Governance***

Policies and procedures are in place to govern and manage the business, which are common to all BNY Mellon entities. Suitable policies and procedures have been adopted by Alcentra in order to ensure an appropriate level of risk management is directed at the relevant element of the business.

The BNYM EMEA (Europe, Middle East, and Africa) Risk Committee has overseen this disclosure for recommendation to the Board of Alcentra. The EMEA Risk Committee has representation from the key risk sources.

Governance of Alcentra is carried out through a regular meeting of the Board of Directors. The Board consists of both Executive and Non-Executive members. Non-Executive members are employees of BNY Mellon Financial Corporation. The Alcentra Board is responsible for the ongoing success and development of the Alcentra business.

The Board of Alcentra reports to the Board of AAM on a regular basis, but Alcentra is the principal operating entity.

Day to day decision making is the responsibility of the executive directors of Alcentra, who comprise the Executive Committee.

The Executive Committee also sits as an Investment Committee when required.

Governance of Alcentra is distinct from the governance of the investment funds for which Alcentra is appointed as investment manager. The governance arrangements established for the investment funds do not include any Alcentra employees. The fund Boards are responsible for monitoring the performance of Alcentra as an investment manager. The clear segregation of responsibility for the governance of Alcentra as a business entity and the fiduciary responsibility for the funds managed by Alcentra ensures that potential conflicts are managed and that the responsibilities of each Board are clear and distinct.

#### 4. Capital Resources

During the year ended 31<sup>st</sup> December 2009, AAM and Alcentra complied with all of the externally imposed capital requirements to which they were subject.

The following tables summarise the composition of AAM and Alcentra's regulatory capital as reported to the FSA as at 31<sup>st</sup> December 2009. Neither company had any Innovative Tier 1 capital resources, Tier 2 or Tier 3 capital as at 31<sup>st</sup> December 2009.

<b>Resources</b>	<b>AAM</b> 31 <sup>st</sup> December 2009	<b>Alcentra</b> 31 <sup>st</sup> December 2009	<b>AAM</b> 31 <sup>st</sup> December 2008	<b>Alcentra</b> 31 <sup>st</sup> December 2008
	£000's	£000's	£000's	£000's
<b>Tier 1 capital</b>				
Called up share capital	250	1,700	265	1,700
Retained earnings and other reserves	115,301	76,651	93,750	54,784
<b>Total Capital Resources</b>	<b>114,551</b>	<b>78,351</b>	<b>94,015</b>	<b>56,484</b>

1. Figures for Alcentra included audited retained profits for the year to 31 December 2009. Figures for AAM included audited retained profits for the year to 31 December 2009 and were converted from Euros to GBP at the exchange rate of Euro1 = GBP 0.8993 (2008 GBP rate 0.95250).

2. Information about Capital terms and conditions is set out in the Companies Annual Report and Accounts 2009.

## 5. Capital Requirements and Adequacy

The Board through setting its risk appetite and focusing on risk assessment evaluates its current and projected capital requirements, under business as usual or stress conditions.

For Alcentra the Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) has determined that currently there is sufficient capital to support the ongoing and pipeline projected business. The main sources of risk have been identified, assessed (*impact & likelihood* methodology) and approved by the relevant senior managers after taking into account the mitigating controls and rationale for direction of risk, in light of the risk appetite set by the Board.

The following table summarises Alcentra's capital requirements by exposure class and capital adequacy surplus.

Capital requirements	Alcentra 31 <sup>st</sup> December 2009	Alcentra 31 <sup>st</sup> December 2008
	£ ' 000	£000's
Credit risk (1)	2,390	3,458
Market risk (2)	1,860	3,591
<b>Total</b>	<b>4,250</b>	<b>7,049</b>
<b>Fixed Overhead Requirement (3)</b>	<b>4,376</b>	<b>1,651</b>
<b>Total Capital Requirements (Higher of 1+2 or 3)</b>	<b>4,376</b>	<b>7,049</b>
<b>Capital Surplus*</b>	<b>73,975</b>	<b>49,435</b>
<i>* Includes audited reserves for that year not available at time of FSA003 filing</i>	<i>21,867</i>	<i>27,588</i>
<b>Solvency ratio</b>		
<b>Capital Resources / Capital Requirements</b>	<b>1,690%</b>	<b>701%</b>

The Minimum Capital Requirements (MCR) are established with reference to the Credit, Market and Fixed Overhead requirements under Pillar 1 rules for limited licence groups in the UK. The Fixed Overhead Requirement is calculated as 25% of annual expenditure not including variable elements such as incentive based compensation. The total MCR is the higher of Credit plus Market Risk requirements or the Fixed Overhead requirement.

The Market Risk MCR is in respect of the Foreign Currency Position Risk Requirement. The company does not have any other trading positions or need to compute market risk.

As at 31<sup>st</sup> December 2009, Alcentra has a regulatory capital requirement of GBP 4 million (2008 GBP 7 million) and a surplus regulatory capital of GBP 74 million (2008 GBP 49 million). Based upon the risk assessment of Alcentra and in view of the capital requirement, it is concluded that Alcentra is more than adequately capitalised.

AAM does not report its capital adequacy to the FSA through consolidated supervision however, reports are prepared by Alcentra on a basis consistent with FSA rules. At 31<sup>st</sup>

December 2009, the consolidated figures show AAM had total capital after deductions of GBP 115 million (2008 GBP 94 million) comprised of Tier 1 capital only. AAM had a consolidated Variable Capital Requirement of GBP 11 million (2008 GBP 15 million) and an Own Funds surplus of GBP 104 million (2008 GBP 79 million).

## **6. Credit Risk**

Credit Risk for Alcentra is minimal with assets being mostly cash receivables. Further breakdown is not disclosed due to immateriality.

As at 31<sup>st</sup> December 2009, neither AAM nor Alcentra has any impaired assets for which a specific or general provision has been raised (2008 nil). There are no assets past due greater than 90 days. Neither AAM nor Alcentra incurred any write-offs of bad debts or made any recovery of amounts previously written off during the year to 31<sup>st</sup> December 2009 (2008 nil).

## **7. Market Risk**

For regulatory purposes, assets exposed to market risk are risk weighted at 100%. Alcentra's market risk stems primarily from foreign exchange relating to fees receivable in Euros.

## **8. Operational Risk**

There is no regulatory capital requirement for operational risk due to Alcentra being a BIPRU limited licence firm with a fixed overhead capital requirement.

Alcentra has a robust management oversight infrastructure, which ensure policies and procedures are regularly reviewed and updated to reflect the development of the business and changes in industry best practice. Nonetheless as a small business some reliance is placed on manual controls and processes and the skills/capabilities of a small number of employees which can give rise to operational risks. Augmenting this are shared service functions such as Compliance, Internal Audit, IT Security and Risk Management of parent companies.

## **9. Other Risks**

The management of Alcentra considers that the detailed disclosures under BIPRU 11 about other risks are either not applicable or immaterial and therefore in accordance with BIPRU 11.3.5 and 11.4.1, further disclosure is not necessary.

## Glossary of terms

The following terms are used in this paper

- **ALCO:** Asset and Liability Committee
- **ALM:** Asset and Liability Management
- **Basel II:** The June 2006 capital adequacy framework issued by the Basel Committee on Banking Supervision in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
- **BIPRU:** The FSA's rules, as set out in Prudential Sourcebook for Banks, Building Societies and Investment Firms.
- **Core equity tier 1 capital:** Tier 1 capital less innovative tier 1 securities and preference shares.
- **CRD:** Capital Requirements Directive
- **Credit risk mitigation:** A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection.
- **Equity risk:** The risk arising from positions, either long or short, in equities or equity-based instruments, which create exposure to a change in the market price of the equities or equity instruments.
- **Exposure:** A claim, contingent claim or position which carries a risk of financial loss.
- **Exposure value:** Exposure at default (EAD).
- **FSA:** The Financial Services Authority of the United Kingdom.
- **IFRS:** International Financial Reporting Standards.
- **Institutions:** Under the Standardised approach, Institutions are classified as credit institutions or investment firms.
- **Internal Capital Adequacy Assessment Process (ICAAP):** The Group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints.
- **Risk appetite:** A definition of the types and quantum of risks to which the firm wishes to be exposed.
- **Standardised approach:** In relation to credit risk, a method for calculating credit risk capital requirements using ECAI ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
- **Tier 1 and Tier 1 capital:** Have the meanings given to such terms in the General Prudential Sourcebook (as set out in the FSA's Handbook).
- **Tier 2 capital:** Has the meaning given to this term in the General Prudential Sourcebook (as set out in the FSA's Handbook).

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