Capital Management Policy

Capital Management Policy | Global

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Contents

1. Purpose

This Policy establishes the framework through which the Company maintains capital adequate in quantity and quality to support its risk profile, strategy and growth, to protect depositors and other creditors, and to meet the requirements of the Basel Framework as implemented by the Company's prudential regulator at all times, including in periods of stress.

The Policy defines the Company's capital risk appetite, internal capital targets and buffer philosophy; the governance of the Internal Capital Adequacy Assessment Process (ICAAP) under Pillar 2; the rules governing capital quality, composition, allocation and pricing; the trigger framework for escalating and restoring the capital position; the constraints on dividends and other distributions; and the governance of capital instrument issuance.

This Policy is approved by the Board of Directors and is owned by the Chief Financial Officer, who holds accountability for capital management under any senior manager accountability regime applicable in the Company's jurisdiction(s). It must be read together with the Capital Management Plan, the ICAAP documentation, the Risk Appetite Statement and the Recovery and Exit Plan.

2. Scope

This Policy applies to the Company and to every entity within the scope of regulatory consolidation determined by the Company's prudential regulator. Where the Company is part of a wider group, capital adequacy must be measured and managed at each level — solo, sub-consolidated and consolidated — at which a regulator imposes a requirement.

The Policy applies to all directors, executives and staff whose decisions materially affect the Company's capital position, including those responsible for financial projections, risk-weighted asset calculation, capital reporting, product pricing, balance sheet strategy, dividend recommendations and capital issuance.

- In scope: regulatory capital measurement and reporting, internal capital targets and buffers, the ICAAP, capital planning and allocation, distributions, capital issuance and reductions, and capital trigger escalation.
- Out of scope: day-to-day liquidity management (governed by the Liquidity Risk Management Policy implementing the LCR and NSFR standards) and the detailed measurement methodologies for individual risk types, which are governed by the relevant risk policies.

Jurisdictional application: this Policy states international best practice anchored to the Basel Framework and related standards. The Company must map the requirements of this Policy to the law and regulatory rules of each jurisdiction in which it operates, and where local law or the local regulator imposes a stricter or additional requirement, that requirement prevails over this Policy.

3. Definitions

Term	Definition
Additional Tier 1 Capital (AT1)	Capital instruments that meet the Basel Framework eligibility criteria for inclusion in Tier 1 Capital other than as Common Equity Tier 1 Capital, being perpetual, subordinated instruments with fully discretionary distributions and going-concern loss absorption through conversion or write-down, as implemented by the Company's prudential regulator.
Capital Conservation Buffer (CCB)	The buffer of Common Equity Tier 1 Capital, set at 2.5% of risk-weighted assets under the Basel Framework, that the Company must hold above its minimum capital requirements, and within which operation results in graduated constraints on capital distributions.
Capital Management Plan	The Board-approved rolling multi-year plan, maintained as part of the ICAAP, that sets out the Company's capital targets and buffers and projects its capital position, sources and uses of capital, planned issuance, contingent capital actions and distributions under base and stressed conditions.
Common Equity Tier 1 Capital (CET1)	The highest-quality component of regulatory capital, comprising paid-up ordinary shares, retained earnings and eligible disclosed reserves that satisfy the Common Equity Tier 1 criteria, less the regulatory adjustments and deductions prescribed by the Basel Framework definition of capital as implemented by the Company's prudential regulator.
Countercyclical Capital Buffer (CCyB)	The additional Common Equity Tier 1 buffer of between 0% and 2.5% of risk-weighted assets that national authorities may activate when systemic risk is building, applied to the Company as the weighted average of the buffer rates in the jurisdictions where it holds relevant credit exposures.
Internal Capital Adequacy Assessment Process (ICAAP)	The Company's documented process, contemplated by Pillar 2 of the Basel Framework, for identifying and measuring all material risks, determining the capital needed to support them, and assessing, managing and maintaining capital commensurate with its risk profile and

	strategy, including under stress.
Interest Rate Risk in the Banking Book (IRRBB)	The risk to the Company's capital, economic value and earnings arising from movements in interest rates affecting banking book positions, including repricing, yield curve, basis and optionality risk, as addressed by the Basel Committee on Banking Supervision (BCBS) standard on interest rate risk in the banking book.
Leverage Ratio	Tier 1 Capital divided by the Basel Framework leverage ratio exposure measure, comprising on-balance sheet, derivative, securities financing transaction and off-balance sheet exposures, subject to a minimum of 3% or such higher requirement or buffer as the Company's prudential regulator sets.
Management Buffer	The margin of capital the Board requires the Company to hold above the sum of all minimum regulatory requirements, regulatory buffers and any supervisory add-on, sized so that the Company can absorb earnings volatility and a severe but plausible stress without breaching a regulatory requirement.
Pillar 2 Requirement	Any institution-specific capital add-on, adjustment or supervisory expectation imposed on the Company by its prudential regulator under the supervisory review process, in addition to the Pillar 1 minima and buffers.
Pillar 3	The public disclosure component of the Basel Framework, under which the Company must periodically disclose its capital position, composition, risk-weighted assets and key metrics in the format prescribed in its jurisdiction.
RAROC	Risk-adjusted return on capital: a measure of return calculated on the capital allocated to a business, product or transaction, used to compare performance on a consistent risk-adjusted basis.
Recovery and Exit Plan	The plan maintained by the Company, consistent with the Financial Stability Board Key Attributes, Basel Committee recovery-planning guidance and the requirements of its prudential regulator, setting out the recovery triggers and the credible actions by which the Company would restore its financial resilience,

	including capital and liquidity, in severe stress.
Risk-Weighted Assets (RWA)	The Company's on- and off-balance sheet exposures weighted for credit, market, operational and other risks in accordance with the Basel Framework methodologies applicable to the Company, including the standardised approaches to credit risk and operational risk.
Target Operating Range	The Board-approved range within which each capital ratio is expected to operate in normal conditions, sitting above all triggers defined in this Policy.
Tier 2 Capital	Subordinated capital instruments that meet the Basel Framework eligibility criteria for gone-concern loss absorption, including subordination to depositors and general creditors, a minimum original maturity of five years and amortisation of recognition over the final five years to maturity.
Total Capital	The sum of Tier 1 Capital (Common Equity Tier 1 Capital plus Additional Tier 1 Capital) and Tier 2 Capital, measured in accordance with the Basel Framework's definition of capital as implemented in the Company's operating jurisdiction(s).

4. Regulatory Framework

The key legislation, regulations and standards relevant to this document include (as amended from time to time):

Instrument / Standard	Relevance
Basel Framework — Risk-based capital requirements (RBC), Basel Committee on Banking Supervision	Sets the minimum risk-based capital ratios, the capital conservation and countercyclical buffers and the distribution constraints this Policy implements.
Basel Framework — Definition of capital (CAP)	Defines the eligibility criteria, regulatory adjustments and deductions governing the quality and composition of the Company's capital base.
Basel Framework — Standardised approach to credit risk (CRE20–CRE22)	Prescribes the risk weights used to calculate the credit RWA that drive the largest component of the Company's capital requirements.
Basel Framework — Standardised approach to operational risk (OPE25)	Determines the operational risk capital component of the Company's RWA under the Basel III final standards.

End of preview

This is a preview extract. The complete document continues beyond the pages shown here.

The full document is supplied as a single, fully editable Microsoft Word (.docx) file immediately after purchase — including every remaining section, the definitions, the regulatory framework references and all appendices and templates.

Bracketed prompts such as [30 days] mark the points where your own thresholds, committee names and local regulatory references are inserted.