Capital Requirements Directive
Pillar 3 disclosures

June 2018

Background

These disclosures (available on the 'Disclosures section of www.kamescapital.com) are prepared in accordance with Part 8 of the Capital Requirements Regulation, which is part of the framework for implementing Basel III in the European Union. Basel III sets out certain capital adequacy, governance and disclosure requirements to be implemented by regulated firms. The framework consists of three 'pillars':

- Pillar 1 sets out the minimum capital requirements that we are required to meet as a Collective Portfolio Management Investment (CPMI) Firm, which operates with a limited licence[1]
- Pillar 2 requires us, and the FCA, to take a view on whether additional capital is required to be held against risks which may or may not be covered by the regulatory capital required under Pillar 1; and
- Pillar 3 requires us to publish certain details of our capital, risk management processes and governance.

This document discloses key information about Kames Capital as at 31st December 2017. Some information may be provided 'as at' other dates where more recent information was available at the time of publishing. Such information will be clearly labelled and, in the absence of such labelling, all other information should be regarded as being correct 'as at' 31st December 2017. The contents of this document are produced at least annually in line with the date of publication of Kames Capital plc's statutory accounts.

Some disclosures may be omitted on the grounds that they are non-material, confidential or proprietary.

- Information is deemed material if its 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.
- Information is regarded as proprietary if disclosing it would undermine a competitive position. Such information may include information on products or systems which, if shared with competitors, would render investments therein less valuable.
- Information is regarded as confidential where there are obligations to customers and counterparties which bind Kames to confidentiality.

Where appropriate, we have published more general information on the subject matter of any waived disclosures.

Any required disclosures which are omitted are done so in conformity with the European Banking Authority's Guidelines, published 23 December 2014. Approval of these disclosures and any omissions is subject to approval by relevant business areas and, ultimately, the Board of Kames Capital plc.

In this document we disclose information on the following, unless it is has been determined as immaterial or of a proprietary or confidential nature:

- Our risk management objectives and policies;
- The scope of application of CRD IV requirements;
- Our capital resources;
- A summary of our approach to assessing the adequacy of our internal capital (ICAAP).

1. CPMI firms are licenced under the UCITS Directive and/or AIFMD to manage collective investment schemes and provide certain investment services such as discretionary portfolio management and investment advice. Limited Licence firms may not be authorised to deal on their own account, underwrite issues of securities or provide guarantees as to placements of securities.

Declaration and risk statement from the Board of Kames Capital plc

The Board takes responsibility for ensuring that the risk management framework implemented is suitable and effective in the face of the risks that the business encounters and takes. The Board considers these measures to be appropriate and adequate in line with Kames Capital plc's risk profile and business strategy.

The Board of Kames Capital plc sets the risk tolerance and appetites for the firm and does so through a process of quantitative and qualitative risk analysis undertaken by the business. Capital ratios are monitored to ensure that Kames Capital plc holds a sufficiently liquid and appropriate amount of capital which is calculated based upon the analysis of the risk that it faces.

Information about the risk management processes and methodologies are described within the risk management framework descriptions below.

Scope and application of CRD requirements

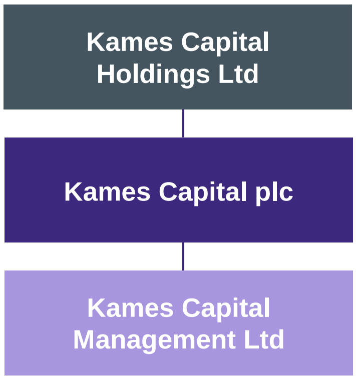
The disclosures in this document are made in respect of Kames Capital plc, which provides segregated and wholesale fund management services.

Kames Capital Holdings Ltd is the holding company.

Kames Capital plc is the UK arm of Aegon Asset Management (AAM) which is a part of the Aegon NV group. Kames Capital plc is authorised and regulated by the Financial Conduct Authority.

Kames Capital Management Ltd is an unregulated subsidiary company of Kames Capital plc which acts as an appointed representative insurance intermediary. Its principals are listed on the Financial Services Register.

For the purposes of these disclosures, Kames Capital Holdings Ltd, Kames Capital plc and Kames Capital Management Ltd are consolidated for regulatory reporting purposes.



All subsidiaries are 100% owned by Kames Capital Holdings Ltd. Target Healthcare General Partner Ltd is excluded from Kames Capital plc's Pillar 1 consolidation due to its size being deemed immaterial.

There are no known current or foreseen practical or legal impediments to the prompt transfer of capital resources or repayments of liabilities between parent and subsidiary undertakings and there are no subsidiary undertakings where actual capital resources are less than the required minimum.

Risk management objectives and policies

Kames Capital is a specialist investment management business. We use our collective investment management expertise to help people achieve a lifetime of financial security. Our aim is to deliver superior investment performance that meets or exceeds our clients' expectations with an appropriate level of risk. From Edinburgh and London we manage investments on behalf of UK and international clients – including wealth managers, financial advisers, family offices, pension funds, financial institutions, government agencies and individuals.

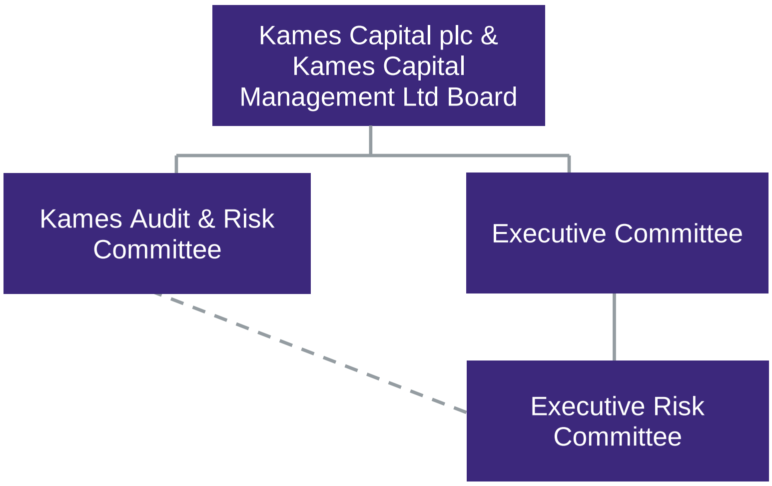
Our clients benefit from the stability and financial backing we have as part of the Aegon NV group, one of the world's leading financial services groups.

Kames has an established risk management framework in place which enables the timely identification and management of risks to our business. The key principle underpinning the Kames risk management framework is that all directors, management and staff are accountable for managing the risks faced by their area of the business. A number of policies and procedures are in place to offer staff guidance on managing, reporting and escalating any risks identified. We employ a number of risk management tools, including key risk indicators, a loss database, risk and control self-assessments, process monitoring reviews and stress and scenario testing, to support risk management. This is all overseen and challenged by our governance committees and ultimately the Board of Kames Capital plc. This framework enables Kames to manage our risk profile in line with our risk appetite.

Our risk management framework reflects the regulatory requirement that we must manage a number of different categories of risk and is reflective of the Kames risk taxonomy. These include: business, concentration, credit and counterparty, group, liquidity, market, interest rate and operational risk. The risks that Kames Capital are not exposed to are securitisation, residual or excessive leverage risk, and as such they are not considered material for the purposes of this disclosure. A description of material risks and their key mitigations are set out below.

Risk governance

Kames operates a detailed governance framework by which authority is delegated, by the Board, to individuals operating as part of the management committees and other senior managers. A number of committees are in place to enable oversight and accountability. The responsibilities undertaken the key committees are as follows:



The board of Kames Capital plc has one formally constituted sub-committee – the Kames Audit and Risk Committee ("KARC"). This is chaired by one of the independent, non-executive directors. The KARC meets quarterly and its primary remit is:

- Oversight of risk management, regulatory compliance and general controls within Kames and oversight of the market and credit risks taken in the portfolios we manage for our clients.
- To consider the design of procedures to satisfy regulatory requirements around liquidity risk management and monitor such procedures. To recommend the approval of such procedures to the Board and report to the Board on the outcome of the operation of such procedures. Where required, recommend remedial courses of action for the Board to consider and, if thought fit, approve.
- To review the current and the forecast regulatory capital position of Kames and to report to the Board on the same.
- To ensure robust processes are in place to monitor and assess the regulatory capital position of Kames and to report to the Board on the same.

- To review the ICAAP document including the associated methods and assumptions used in its preparation.
- To recommend the approval of the ICAAP document to the Board.
- Provide a high level of assurance to the Kames Capital plc Board and AEGON Asset Management Governance Risk and Compliance Committee (GRCC).
- Ensuring that the Kames business is managed in accordance with risk, compliance and other policies.
- Oversee appropriate escalation and reporting of issues to both the Kames Capital plc Board and the AAM GRCC.
- Ensuring the appropriate operating of AAM's Risk Management framework within the Kames business including the effectiveness of the systems and controls, and the adequacy of resources to manage local risks.

Day to day management of the business is delegated to the Executive Committee ("EC"). This is the primary executive management committee for planning, setting direction, monitoring business performance and coordinating decision making within the limits of the delegated authority. The EC is the primary executive management committee for Kames Capital plc and its two Netherlands domiciled affiliates, Aegon Investment Management B.V. (AIM) and TKP Investments B.V. (TKP) Both AIM and TKP operate on similar licences to Kames and carry out the same regulated activities but are outside the scope of consolidation required under CRD IV. The EC is chaired by the Chief Executive and meets fortnightly. Its primary remit is:

- Review the performance of the executive functions that comprise the organization: investment, distribution, operations, finance, legal, HR, risk and compliance.
- Review the financial performance of the Kames organization.
- Approval of the prioritisation of projects appearing on the corporate programme of change.
- Oversight of issues and risk management including the agreement or endorsement of any remedial action.
- Consideration of any strategic or operational plans for submission to the AAM Holdings Executive Board.
- Consideration of any 'reserved matters' or other items that need to be brought to the attention of the AAM management board, or to the Board.
- Oversight of all people related issues including resourcing, remuneration, talent management, development, performance management and employee relations within Kames.

On a monthly basis, an executive risk committee (ERC) meets to discuss:

- Day to day oversight of risk management, regulatory compliance and general controls within Kames and oversight of the market and credit risks taken in the portfolios we manage for our clients.
- Identification and management of principal risks and emerging risks.
- Escalation of issues.
- Provide a high level of assurance to the Kames Audit and Risk Committee.
- Ensuring that the Kames business is managed in accordance with risk, compliance and other policies.

The regulatory & operational risk department forms Kames' second line of defence. They have three principal roles; to provide information, and guidance on regulatory matters; to monitor business activity to ensure we operate within the regulatory requirements; and to ensure operational and regulatory risks to the business are identified, monitored and controlled. Management information and reports are provided to the ERC on a monthly basis from each area of the business e.g. distribution, investment management etc. Each area of the business has oversight of key performance indicators which are set tolerance levels, and submitted to every departmental meeting. Where tolerances are exceeded then the subject is escalated for visibility and oversight to the risk committees.

Business Risk

Business risk stems from failed or inadequate strategy execution, marketing and sales practices, distribution channels, pricing, investment returns, handling of customer complaints or late reaction to changes in the business environment. Kames Capital actively tracks the following as business risks:

- Sales risk
- Pricing risk
- Strategy Execution risk
- Project risk
- Investment returns
- Competitor risk
- Political risk

To monitor and allow for suitable mitigation of our business risk, we analyse various different economic scenarios to model the impact of economic downturns on our financial position. These scenarios include extreme but plausible events. Our exposure to business risk is hedged, to a degree, by having significant exposure to both bonds and equities along with a growing exposure to alternative strategies and assets such as absolute return and property.

Concentration risk

Concentration risk represents the risk that results from a lack of diversification, uneven distribution of counterparties in credit or any other business relationships, or from a concentration in business sectors or geographical regions. Our exposure to concentration risk could result from the higher percentage of our business being derived from Fixed Income securities and over reliance on large clients. However this risk is mitigated through our promotion of Equity, Multi Asset, and Property funds. This risk is further mitigated through our entry into new jurisdictions, expanding our distribution channels and client base. Both of these mitigants are part of our strategy to diversify.

Credit and counterparty risk

Credit and Counterparty risk is the risk that the failure, or deterioration in the financial condition which may eventually lead to the failure of a counterparty to meet its obligations, caused by either prevailing market conditions or counterparty specific complications, leads to a financial loss to the company, both through loss of any monies owed to the company by the counterparty, and the cost of reinstating economic exposure in the case of counterparty default.

Kames Capital is exposed to credit risk on standard industry terms available to clients, resulting from payments in arrears. The extent to which we provide credit to clients and, therefore, the extent to which we are subject to credit risk and how we mitigate this is governed by the terms and conditions of individual agreements with those clients. Moreover, on a quarterly basis credit risk is quantified using the CRD IV Standardised Approach and reported to the Board of Directors who review this in light of the Kames group's credit risk appetite.

With regard to bank deposits, we only deposit money with approved counterparties on agreed terms. Kames' operates a counterparty management policy which sets tolerance limits over the cash holdings based on the credit rating of the counterparty this is measured using Standard & Poor's short-term credit ratings. In line with policy, some deposits may be held in collective investment schemes which are managed by Kames Capital plc but which are not rated by Standard and Poor's. There is a maximum we can hold at any one counterparty, in line with our Liquidity Risk Policy, and should the credit quality or financial position of these counterparties deteriorate significantly we would move the cash holdings to another bank or collective investment scheme. For sales debtors in our wholesale funds, the risk of not receiving sums due to us is mitigated as we have the ability to cancel shares/units that have been allocated but have not been paid for. For segregated fund clients, provision for the non-payment of fees etc. are governed by our agreements with these clients; their terms are subject to confidentiality clauses and therefore are not disclosed here.

Group risk

Kames Capital is liable to group risk through its relationships, position within the corporate structure and the obligations placed upon it by AAM and the wider AEGON Group. This is mitigated through governance arrangements to ensure we interact appropriately with group functions so as to understand and influence group level decisions.

Liquidity risk

Liquidity risk is the risk that Kames Capital does not have sufficient liquid financial resources to meet its obligations as they fall due.

The Kames Board has overall responsibility for the Contingency Funding Plan (CFP) which sets out the steps that may be taken by Senior Management in the event of threat to and disruption of Kames business arising from stressed liquidity conditions. The Board reviews the CFP at least annually or more frequently where the business, market or regulatory requirements call for a reassessment of liquidity risk appetite and/or available funding. In line with the Liquidity Risk Policy, the ERC, will continuously review the firm's liquidity position by assessing on a monthly basis (or more often if required) the firm's liquidity position and reporting this information quarterly to the KARC including specific information on the firm's compliance with the overall liquidity adequacy rule.

Market and interest rate risk[2]

Market risk is the risk that the adverse movement in market values creates a reduction in the overall value of assets. We have limited exposure to foreign exchange fluctuations, due to some assets and liabilities being denominated in currencies other than sterling, including some seed investments which are denominated in currencies other than sterling.

Interest rate risk, resulting from an investment's value changing due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship was considered. To mitigate Kames Capital carry out a sensitivity analysis that models how the interest rate risk would have been affected by changes in the relevant risk variables that were reasonably possibly at the reporting date, furthermore the EC meet at least monthly to discuss our response to prevailing market conditions.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Our policy is to operate a robust and effective risk management process, embedded within the governance and management structures of our business.

All business areas, including the Executive Committee, are subject to at least an annual risk review conducted by our Operational Risk team. During these reviews, potential and actual operational risks are identified and controls put in place to mitigate them. These risk registers are reviewed regularly as part of our control meeting framework. Our Operational Risk team sits within our Regulatory & Operational Risk Department.

In line with industry standard, the risk management process consists of a cycle of risk identification and assessment, control evaluation and action planning, action completion, measurement and reporting, monitoring and assurance and board-level review. While the Operational Risk team's role is to facilitate this process, the process is embedded in existing governance structures and does not operate in isolation.

Capital resources (own funds) disclosures

Within the UK group, the only element of own funds, also known as capital resources, held is common equity tier 1 capital ('CET 1'). This is the highest form of capital and consists of share capital and retained profit.

[2] Please see p35 of Kames Capital plc's statutory accounts for further information on the impact of interest rate risk.

Reconciliation of own funds to audited financial statements

The tables below disclose the own funds for each CRD IV entity within the UK group and a reconciliation to the audited statutory financial statements as at 31 December 2017.

Kames Capital Group Limited Consolidation

As audited statutory financial statements are not prepared for the consolidated UK group (being the three entities in the structure chart on page 2), the own funds are disclosed below. Our auditors have performed agreed upon procedures over the consolidated figures.

Balance Sheet description	Per Audited Financial Statements (£000s)	Own funds (£000s)	Variance (£000s)	Explanation of variance	Appendix 2(1) reference
Share Capital	18,711	18,711	-	-	a
Retained Profit	40,110	40,110	-	-	b
Deferred Tax Assets	-	-	-	-	c
Total own funds	58,821	58,821	-	-	d

Kames Capital Plc

Balance Sheet description	Per Audited Financial Statements (£000s)	Own funds (£000s)	Variance (£000s)	Explanation of variance	Appendix 2(1) reference
Share Capital	15,000	15,000	-	-	g
Retained Profit	41,137	41,137	-	-	h
Deferred Tax Assets	-	-	-	-	i
Total own funds	56,137	56,137	-	-	j

Capital Instruments

For each CRD IV entity, Appendix 2 includes the Capital Instruments' Main Features Template required by Article 437 (1) (b) of Regulation EU 575/2013.

Capital ratios

The table below discloses the CET 1 capital ratio of the CRD IV entities at 31 March 2018. As these entities only have CET 1 Capital, the Tier 1 capital ratio and total capital ratio are the same as the capital ratio noted below:

Entity	Kames Capital Group Limited	Kames Capital Plc
Capital Ratio	21.70%	20.83%
Appendix 2(1-A) reference	f	l

Encumbered assets

The table below sets out the total asset values of Kames Capital Group Limited and Kames Capital Plc as at 31 March 2018. None of these assets were encumbered as per Article 443 of Regulation EU 575/2013.

Entity	Kames Capital Group Limited(£000s)	Kames Capital Plc (£000s)
Total Assets	180,536	173,986

Capital requirements

Kames Capital plc is required to hold own funds in excess of 8% of its total risk exposure amount ('TREA'). As a 'limited licence' firm, the TREA is the higher of the sum of credit and market risk, or fixed overhead requirement ('FOR').

The table below sets out the Pillar 1 TREA of Kames Capital plc as at 31 March 2018:

Requirement	Kames Capital Group Limited (£000s)	Kames Capital Plc (£000s)
Credit Risk	100,540	98,891
Market Risk	2,535	2,535
Sum of credit and market risk	103,074	101,426
FOR	271,118	269,498
TREA	**271,118**	**269,498**
Appendix 2(1-B) reference	E	k

As explained within our description of credit and counterparty risk, S&P ratings are used in respect of exposures to cash, regional governments and other institutions. The credit exposures at 31 March 2018 by credit quality step were as follows:[3]

	Kames Capital Group Limited (£000s)	Kames Capital Plc (£000s)
Credit quality step 1	-	-
Credit quality step 2	3,236	1,995
Credit quality step 3	9,879	9,865
Credit quality step 4	-	-
Credit quality step 5	-	-
Credit quality step 6	-	-
Other	87,425	87,031
Total	**100,540**	**98,891**

As noted above, there is a requirement to hold capital in excess of 8% of the TREA. The components of this requirement in respect of credit risk are as follows:

	Kames Capital Group Limited (£000s)	Kames Capital Plc (£000s)
Central Governments	-	-
Regional Governments and Local Authorities	72	72
Institutions	12,374	11,119
Corporates	1,964	1,964
Exposures in default	3,862	3,766
Collective investment undertakings	11,810	11,810
Other	70,458	70,160
Total	**100,540**	**98,891**

[3] Please see page 33 of Kames Capital plc's statutory accounts for further information relating to credit exposures.

Market risk consists of Foreign exchange risk as follows:

	Kames Capital Group Limited (£000s)	Kames Capital Plc (£000s)
Position Risk	-	-
Foreign Exchange Risk	2,535	2,535
Total Market Risk	2,535	2,535

Compliance with rules in IFPRU and Pillar 2 rule requirements

Our overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process (ICAAP). Internal capital is capital held by the firm to cover risks which are not covered or are insufficiently covered by the regulatory requirements under Pillar 1. Where the Pillar 2 assessment is higher than the Pillar 1 requirement, the firm holds additional capital, both at the consolidated level and at the level of the regulated entity.

The primary purpose of the ICAAP is to inform the Kames Capital Board of the on-going assessment of the Kames Capital group's risk, how the group intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors. In assessing the risks facing Kames, input is sought from across the business.

This approach, undertaken in full at least annually and subject to regular review, ensures a comprehensive consideration of all significant risks relevant to the group and is based on wider consultation with senior managers across many different functions.

Finally, the absolute impact of combinations of scenarios, including a severe market downturn, is considered in relation to the financial forecasts of the business to assess the potential impact on the capital base over a three year period. These tests are carried out at the consolidated Kames group level.

In addition, we have reviewed the output of our Executive Risk Reviews, which includes a quantification of the risks identified by our Risk and Control Committee. This has identified a number of key risks, which we have classified against the risk categories set out in the rules. We also quantified tail risk by means of scenario analysis.

In advance of any significant business decisions being made, the impact these will have on the capital of the company and the UK group is fully assessed in order to ensure a suitable capital surplus is being maintained.

Disclosures: Remuneration

Applicable rules require Kames Capital plc to identify individuals whose professional activities have a material risk impact on its profile (known as "Code Staff") and the requirements and disclosures (applicable to FCA proportionality level three firms) apply to those individuals.

Kames Capital plc has identified those employees who are deemed to be Code Staff with reference to their managerial and influence on the company's overall risk profile of the FCA regulated business. Identification is further subject to the qualitative and quantitative methods set out in the European Banking Authority's Regulatory Technical Standards (RTS) for the identification of material risk takers. These comprise:

- Directors
- Employees performing a Significant Influence Function (SIF's)
- Other senior managers and heads of control functions as deemed appropriate
- Any other member of staff qualifying as a material risk taker under the RTS.

Our remuneration policy is reviewed by non-executive directors of Kames Capital plc.

Employees of the firm participate in the Kames Capital Discretionary Bonus Plan and the Kames Capital Long Term Incentive Plan (LTIP), as appropriate, relative to their role and seniority. The main goals of these plans are to provide fair, competitive pay that rewards firm and employee performance and to create a culture of meritocracy and ownership where employees are rewarded for their contributions. Excessive risk taking is not rewarded.

Our remuneration practices have the following characteristics to ensure they do not encourage excessive risk taking:

1. Reward packages are based on industry benchmarking, overall company performance, individual performance and affordability

2. Our annual bonus plan is discretionary with the following features:

   - Separation between bonus pool generation based on business performance measures and distribution of this pool which is discretionary, based on individual performance.
   - Governance checks and balances in place at all levels. The remuneration committee confirms the annual bonus plan pool to ensure it is in line with business performance. There is a recommendation and approval process for all awards at various levels within Kames and up to the Aegon Asset Management remuneration committee, who approve senior employee awards.
   - Kames Capital Discretionary Bonus Scheme Specification contains a moral hazard clause to ensure that the performance of funds not considered in the bonus plan are managed in a similar way to those that do contribute to the bonus pool. This clause allows Kames Capital to adjust the bonus pool if this is not the case. In addition Kames Capital may also use discretion if it feels customers are not being treated fairly.
   - The bonus plan has a measure allocated to appropriate risk management.
   - Clawback provisions are included in the plan rules.

3. The LTIP has the following relevant features:

   - Link to profit - if no profit is made, no award is made through LTIP.
   - Malus and clawback provisions are included in the LTIP rules.
   - Governance checks and balances in place. Awards are approved through Kames board(s).

Our performance management process (on which the annual bonus plan and the LTIP awards are largely based) ensures that individuals have objectives aligned with company values and risk tolerance. Where anyone is found to be in breach of these, it will affect their performance appraisal and therefore impact on their reward.

The activities of the wider Aegon Asset Management group (of which Kames Capital is the UK arm) are overseen by the Aegon Asset Management Supervisory Board, which also sit as a remuneration committee on remuneration issues. The Supervisory Board is established in The Netherlands. The Kames Capital plc Board also has oversight responsibilities and includes both executive and non-executive (independent) board members and also deals with remuneration matters.

Our Supervisory Board is responsible for reviewing our variable pay (both annual bonus plan and LTIP) to ensure it is in line with company results and has the authority to change the value of these pools if required. In addition, the supervisory board is responsible for authorising the remuneration of our most senior employees, including senior employees in the risk and compliance functions

On the basis that Kames Capital plc is one business unit, the total remuneration awarded to our Code Staff for performance year 2017 is £10,453k, of which £3,649k was awarded to Kames Capital plc's management body.

Further information on remuneration objectives, design and the applicable processes is available on the Responsible Investing section of Kames Capital's website: (http://www.kamescapital.com/uk_responsible.aspx).

Disclosures: Governance Arrangements

Director Name	Executive (E) or Non-Executive (N) (for Kames)	Number of Aegon NV group Directorships (including Kames Capital plc)	Number of Directorships held outside of the Aegon NV group
Martin M A Davis	E	7	0
Stephen J M Jones	E	3	0
Sarah A C Russell	N	4	3
David K Watson	N	1	4
Arnab K Banerji	N	1	2

*Please note the information in this table is correct as at 15 October 2018

Recruitment and Diversity Policy for all staff including Directors

- Kames Capital operates an Equality and Diversity Policy that positively values the different perspectives and skills that a diverse workforce brings to our company. We are committed to providing equal opportunities in employment and to avoiding unlawful discrimination in employment or to customers.
- We will not tolerate discrimination in any form and will actively work to make sure our culture encourages, supports and develops all employees to achieve their potential.
- We are committed to embracing diversity, which means acknowledging, understanding and appreciating the differences between individuals and developing a workplace that enhances their value. We recognise that a diverse workforce brings a wide range of resources, skills, ideas and energy to the business, and gives us a competitive edge.

Appendix 1

Exposure to counterparty credit risk (Art 439 CRR): The impact of credit risk on Kames Capital's business is explained above and does not relate to trading. Therefore credit risk policies, collateral policies, collateral provision in case of counterparty downgrade, net exposure and all other disclosures under this article are not applicable to Kames Capital.

Capital Buffers (Art 440 CRR): As an asset management firm with a limited licence, Kames Capital is not required to implement capital buffers. Therefore the disclosures under this article are not applicable.

Leverage (Art 451 CRR): Kames Capital plc does not employ leverage.

Credit Risk Adjustments (Art 442 CRR): Consistent with a firm that does not generate revenue as a lender, these disclosures have been deemed immaterial.

APPENDIX 2 – Transitional own funds disclosure template

APPENDIX 2(1-A) – Kames Capital Group Limited Consolidation

	Common Equity Tier 1 capital : instruments and reserves	(A) Amount at disclosure date	(B) Regulation (EU) No 575/2013 Article Reference	C) Amount subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Rec Ref
1	Capital instruments and the related share premium accounts	18,711	26 (1), 27, 28, 29		a
	of which : instrument type 1	18,711	EBA list 26 (3)		a
	of which : instrument type 2		EBA list 26 (3)		
	of which : instrument type 3		EBA list 26 (3)		
2	Retained earnings	40,110	26 (1) (c)		b
3	Accumulated other comprehensive income (and other reserves)		26 (1)		
3a	Funds for general banking risk		26 (1) (f)		
4	Amount of qualifying items referred to in Article 484 (3) and related share premium account subject to phase out from CET 1		486 (2)		
	Public sector capital injections grandfathered until 1 January 2018		486 (2)		
5	Minority Interests (amount allowed in Consolidated CET 1)		84, 479, 480		
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)		
6	Common Equity Tier 1 (CET 1) capital before regulatory adjustments	58,821			
Common Equity Tier 1 (CET 1) capital : regulatory adjustments					
7	Additional value adjustments (negative amount)		34, 105		
8	Intangible assets (net of related tax liability) (negative amount)		36 (1) (b), 37, 472 (4)		
9	Empty set in the EU				
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditional in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 472 (5)		
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)		
12	Negative amount resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)		
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)		
14	Gain or losses on liabilities values at fair value resulting from changes in own credit standing		33 (1) (b)		
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e) , 41, 472 (7)		
16	Direct and indirect holdings by an institution of own CET 1 instruments (negative amount)		36 (1) (f) , 44, 472 (8)		
17	Holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution (negative amount)		36 (1) (g) , 42, 472 (9)		
18	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)		
19	Direct indirect and synthetic holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)		

20	Empty set in the EU				
20a	Exposure amount of the following items which qualify for the RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)		
20b	of which : qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91		
20c	of which : securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258		
20d	of which : free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met (negative amount)	-	36 (1) (c), 38,48 (1) (a), 470, 472 (5)		c
22	Amount exceeding the 15% threshold (negative amount)		48 (1)		
23	of which : direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)		
24	Empty set in the EU				
25	of which : deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)		
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)		
25b	Foreseeable tax charges relating to CET 1 items (negative amount)		36 (1) (i)		
26	Regulatory adjustment applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment				
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468				
	Of which : … filter for unrealised loss 1		467		
	Of which : … filter for unrealised loss 2		467		
	Of which : … filter for unrealised gain 1		468		
	Of which : … filter for unrealised gain 2		468		
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481		
	Of which: …		481		
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (l)		
28	Total regulatory adjustments to Common equity Tier 1 (CET 1)	-			
29	Common Equity Tier 1 (CET 1) Capital	58,821			d
Additional Tier (AT1) capital : instruments					
30-35	These rows have been omitted as all entries would be blank				
36	Additional Tier 1 (AT1) capital before regulatory adjustments				
Additional Tier 1 (AT1) capital : regulatory adjustments					
37-42	These rows have been omitted as all entries would be blank				
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital				
44	Additional tier 1 (AT1) Capital				
45	Tier 1 capital (t1 = CET 1 + AT1)	58,821			d
Tier 2 (T2) capital : instruments and provisions					
46-50	These rows have been omitted as all entries would be blank				
51	Tier 2 (t2) capital before regulatory adjustments				

APPENDIX 2(1-B) – Kames Capital Plc

	Common Equity Tier 1 capital : instruments and reserves	(A) Amount at disclosure date	(B) Regulation (EU) No 575/2013 Article Reference	C) Amount subject to pre-regulation (EU) No 575/2013 treatment or prescribed residual amount of regulation (EU) No 575/2013	Rec Ref
1	Capital instruments and the related share premium accounts	15,000	26 (1), 27, 28, 29		g
	of which : instrument type 1	15,000	EBA list 26 (3)		g
	of which : instrument type 2		EBA list 26 (3)		
	of which : instrument type 3		EBA list 26 (3)		
2	Retained earnings	41,137	26 (1) (c)		h
3	Accumulated other comprehensive income (and other reserves)		26 (1)		
3a	Funds for general banking risk		26 (1) (f)		
4	Amount of qualifying items referred to in Article 484 (3) and related share premium account subject to phase out from CET 1		486 (2)		
	Public sector capital injections grandfathered until 1 January 2018		486 (2)		
5	Minority Interests (amount allowed in Consolidated CET 1)		84, 479, 480		
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)		
6	Common Equity Tier 1 (CET 1) capital before regulatory adjustments	56,137			
Common Equity Tier 1 (CET 1) capital : regulatory adjustments					
7	Additional value adjustments (negative amount)		34, 105		
8	Intangible assets (net of related tax liability) (negative amount)		36 (1) (b), 37, 472 (4)		
9	Empty set in the EU				
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditional in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 472 (5)		
11	Fair value reserves related to gains or losses on cash flow hedges		33 (1) (a)		
12	Negative amount resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)		
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)		
14	Gain or losses on liabilities values at fair value resulting from changes in own credit standing		33 (1) (b)		
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e) , 41, 472 (7)		
16	Direct and indirect holdings by an institution of own CET 1 instruments (negative amount)		36 (1) (f) , 42, 472 (8)		
17	Holdings of the CET 1 instruments of financial sector entitles where those entities have reciprocal cross holdings with the institution (negative amount)		36 (1) (g) , 44, 472 (9)		
18	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)		
19	Direct indirect and synthetic holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)		

20	Empty set in the EU				
20a	Exposure amount of the following items which qualify for the RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)		
20b	of which : qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91		
20c	of which : securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258		
20d	of which : free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met (negative amount)	-	36 (1) (c), 38,48 (1) (a), 470, 472 (5)		i
22	Amount exceeding the 15% threshold (negative amount)		48 (1)		
23	of which : direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)		
24	Empty set in the EU				
25	of which : deferred tax assets arising from temporary differences		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)		
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)		
25b	Foreseeable tax charges relating to CET 1 items (negative amount)		36 (1) (i)		
26	Regulatory adjustment applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment				
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468				
	Of which : … filter for unrealised loss 1		467		
	Of which : … filter for unrealised loss 2		467		
	Of which : … filter for unrealised gain 1		468		
	Of which : … filter for unrealised gain 2		468		
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481		
	Of which: …		481		
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (l)		
28	Total regulatory adjustments to Common equity Tier 1 (CET 1)	-			
29	Common Equity Tier 1 (CET 1) Capital	56,137			j
Additional Tier (AT1) capital : instruments					
30-35	These rows have been omitted as all entries would be blank				
36	Additional Tier 1 (AT1) capital before regulatory adjustments				
Additional Tier 1 (AT1) capital : regulatory adjustments					
37-42	These rows have been omitted as all entries would be blank				
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital				
44	Additional tier 1 (AT1) Capital				
45	Tier 1 capital (t1 = CET 1 + AT1)	56,137			j
Tier 2 (T2) capital : instruments and provisions					
46-50	These rows have been omitted as all entries would be blank				
51	Tier 2 (t2) capital before regulatory adjustments				

Tier 2 (T2) capital : regulatory adjustments					
52-56	These rows have been omitted as all entries would be blank				
57	Total regulatory adjustments to Tier 2 (T2) capital				
58	Tier 2 (T2) capital				
59	Total capital (TC = T1 + T2)	56,137			j
59a	Risk weighted assets in respect of amount subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		472, 472 9), 472 (8) (b), 472 (10) (b), 472 (11) (b)		
	Of which : … items not deducted from CET 1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, E.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		475, 475 92) (b), 475 (2) (c), 475 (4) (b)		
	Of which : … items not deducted from AT 1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, E.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)		
	Of which : … items not deducted from T2 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, E.g. indirect holdings of own T2 instruments, indirect holdings of no-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities, etc.)				
60	Total risk weighted assets	269,498			k
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.83%	92 (2) (a), 465		l
62	Tier 1 (as a percentage of risk exposure amount)	20.83%	92 (2) (b), 465		l
63	Total Capital (as a percentage of risk exposure amount)	20.83%	92 (2) (c)		l
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92(1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of risk exposure amount)	N/A	CRD 128, 129, 130		
65	of which : capital conservation buffer requirement				
66	of which : countercyclical buffer requirement				
67	of which : systemic risk buffer requirement				
67a	of which : Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	N/A	CRD 131		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		CRD 128		
69	[non relevant in EU regulation]				
70	[non relevant in EU regulation]				
71	[non relevant in EU regulation]				
Capital ratios and buffers					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (94)		
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)		36 91) (i), 45, 48, 470, 472 (11)		
74	Empty set in the EU				
75	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met (negative amount)		36 (1) (c), 38, 48, 470, 472 (5)		
Applicable caps on the inclusion of provisions in Tier 2					
76-79	These rows have been omitted as all entries would be blank				
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2013 and 1 Jan 2022)					
80-85	These rows have been omitted as all entries would be blank				

Appendix 2(2) – Description of main features of capital instruments

1	Issuer	Kames Capital Holdings Ltd	Kames Capital Plc
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Private placement	Private placement
3	Governing law(s) of the instrument	Scottish law	Scottish Law
	Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
6	Eligible at sole/(sub-)consolidated / solo & (sub) consolidated	Consolidated	Solo
7	Instrument type (types to be specified for each jurisdiction)	Ordinary Shares	Ordinary Shares
8	Amount recognised in regulatory capital (currency in million, as at most recent reporting date)	£18.7m	£15.0m
9	Nominal amount of instrument	£1	£1
9a	Issue price	N/A	N/A
9b	Redemption price	N/A	N/A
10	Accounting classification	Shareholders' Funds	Shareholders' Funds
11	Original date of issuance	Company was incorporated on 24 September 2009. No shares were issued during 2016	Company was incorporated on 21 September 1988. No shares were issued during 2016
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	N/A	N/A
15	Optional call date, contingent call dates and redemption amount	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A
	Coupons / dividends		
17	Fixed or floating dividend / coupon	Floating	Floating
18	Coupon rate and any related index	N/A	N/A
19	Existence of a dividend stopper	N/A	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	N/A	N/A
22	Noncumulative or cumulative	Non cumulative	Non cumulative
23	Convertible or no convertible	N/A	N/A
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A
30	Write-down features	N/A	N/A
31	If write-down, write-down trigger (s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A	N/A
36	Non-compliant transitioned features	N/A	N/A
37	If yes, specify non-compliant features	N/A	N/A