Bank of Baroda (UK) Limited

Pillar 3 disclosures

Period ending March 31, 2021

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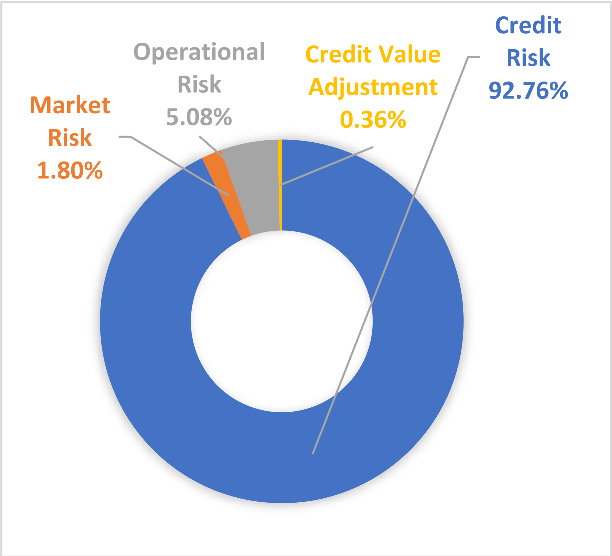
Summary of Risk Profile

This section presents summary of risk profile of Bank of Baroda (UK) Limited as on 31.03.2021 and its interaction with Bank's risk appetite.

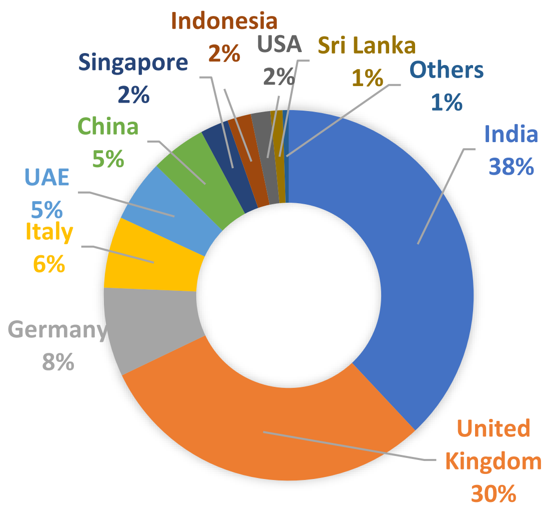
The following risk metrices reflect Bank's risk profile:

Total Assets	**£978 Mn**
Profit After Taxation	**£7.23 Mn**
Total Share Capital	**£150 Mn**
Total Capital Adequacy Ratio	**24.47 %**
Common Equity Tier 1 Ratio	**24.47 %**
Total Regulatory Capital	**£164.52 Mn**
Common Equity Tier 1 Capital	**£164.52 Mn**
Risk Weighted Asset	**£672.29 Mn**
Credit Risk	**£623.64 Mn**
Market Risk	**£12.09 Mn**
Operational Risk	**£34.16 Mn**
Credit Value Adjustment	**£2.40 Mn**
Leverage Ratio	**16.30 %**
Liquidity Coverage Ratio	**538.08 %**

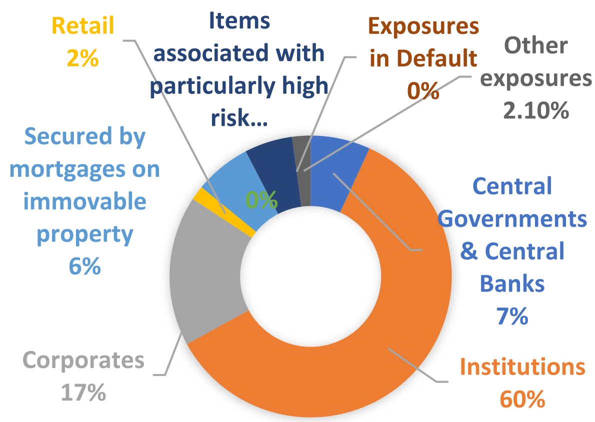
Capital requirement by Risk Type



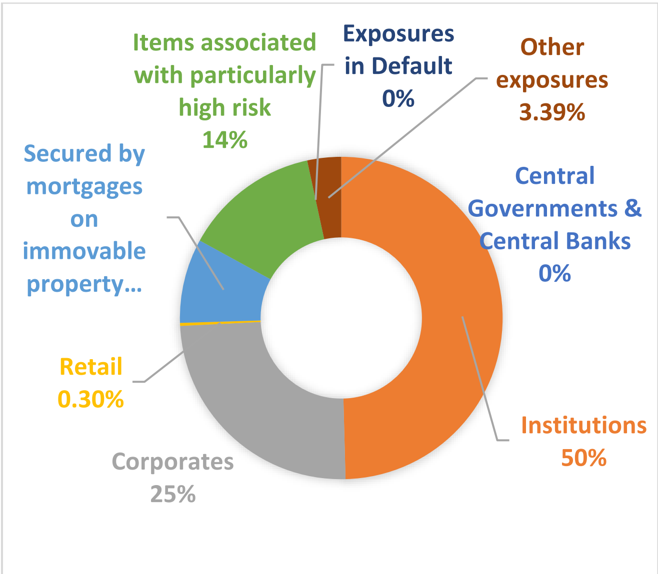
Exposure by Geography



Exposure by Asset Class



RWA by Asset Class



1. Introduction

1.1. Background

Bank of Baroda (UK) Limited ('the Bank') is a wholly owned subsidiary of Bank of Baroda ('BOB' or 'the parent').

Bank of Baroda (UK) Limited is authorized by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA.

The Bank commenced its operations on 17th December, 2018. The Bank has 10 Branches namely 1. London Main Branch 2. Aldgate 3. Southall 4. Wembley 5. Kenton 6. Tooting 7. Birmingham 8. Manchester 9. Leicester 10. Ilford.

Bank of Baroda ("the Parent") is an Indian state-owned International Banking and Financial services company. It was founded in 1908 and nationalized by Government of India in 1969. BOB is third largest Bank in India and has network of 8214 branches in Indian Operations and 96 branches / offices in 19 countries, as on 31.03.2021.

1.2. Basis of Disclosure

The Pillar 3 disclosure document is prepared in accordance with the Capital Requirements Regulation (CRR) and Capital Requirement Directive (CRD IV). In particular, rules laid out in Part 8 (articles 431 to 455) of the CRR which specifies the Pillar 3 disclosure requirements.

Capital Requirements Regulation (CRR) and Capital Requirements Directive (together referred to as CRD IV) came into force on January 1, 2014 and enforced in the UK by the Prudential Regulation Authority (PRA), together with implementing rules and guidance by European Banking Authority (EBA). The rules include disclosure requirements known as "Pillar 3" which apply to banks and building societies.

Any disclosures within this report have been prepared as at 31 March, 2021 and in line with the Bank's annual report and financial report for the year ended 31 March, 2021 and the report was approved by the Board on 14.07.2021.

The disclosures may differ from similar information in the annual report, as the annual accounts are prepared in accordance with Financial Reporting Standard ("FRS") 102. Therefore, the information in these disclosures may not be directly comparable with the information contained in our annual report.

1.3. Scope of application of Directive Requirements

The purpose of these disclosures is to give information on the basis of Basel III capital requirements and on the management of risks faced by Bank of Baroda (UK) Limited.

Pillar 3 requires the disclosure of exposure and associated risk weighted assets for each type and approach to calculating capital requirements of Pillar I.

Distinct regulatory capital approaches are followed for each of the following risks and exposure types:

- Credit Risk
- Counterparty Credit Risk
- Market Risk
- Operational Risk

Bank of Baroda (UK) Limited uses following approaches for calculation of Pillar I regulatory capital:

- Credit Risk – Standardised Approach
- Market Risk – Standardised Approach
- Operational Risk – Basic Indicator Approach

1.4. Scope of Consolidation

The Bank is a full CRD firm and its accounting and disclosures are on a solo basis. The Bank is not having any subsidiary, and therefore does not fall within regulatory consolidation group.

1.5. Exemption from Disclosure

The Bank has omitted the following disclosures specified in CRR as they are not applicable:

- CRR Article 441: The Bank is not a G-SII.
- CRR Article 452: The Bank uses the Standardised Approach to credit risk, instead of Internal Rating Based Approach ('IRB') and therefore have exemption.
- CRR Article 454: The Bank uses the Basic Indicator Approach ('BIA') to operational risk, instead of Advanced Measurement Approach ('AMA') and therefore have exemption.
- CRR Article 455: The Bank uses the Standardised Approach to market risk instead of Internal Model Approach and therefore have exemption.

1.6. Criteria for Materiality

Bank of Baroda (UK) Limited has set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped the Bank to determine the nature, timing and extent of our procedures for individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on professional judgement, the Bank has determined materiality for the financial statements as a whole as follows:

Overall Materiality	£1,649k*
Benchmark applied	1% Net Assets
Performance Materiality	Performance materiality of £989k is applied.

**Asset base as on 31.03.2021 has been taken.*

1.7. Frequency of Disclosure

The pillar 3 disclosure document is prepared and published by the Bank on an annual basis.

1.8. Media and Location of Disclosure

The Pillar 3 disclosure document will be published on the Bank's website: www.bankofbarodauk.com

1.9. Verification of Information

The Pillar 3 disclosures have been prepared for explaining the basis on which the Bank has prepared and disclosed certain capital requirements and information about the management of certain risks. They do not constitute any form of Financial Statements or Annual Reports.

These disclosures have been subject to internal verification and are reviewed by the Management Committee ("ManCo") and thereafter by the Board Risk and Compliance Committee ("BRCC").

These disclosures have been prepared in accordance with the board-agreed internal control processes. The disclosures have not been, and are not required to be, subject to independent external audit.

1.10. Principal Activities

The business strategy of the Bank has been driven by the increased globalisation of the Indian economy, the growing trend of Indian corporations expanding overseas, the large population of non-resident Indians and persons of Indian origin across the World and overseas companies looking to invest in India.

The Bank's focus is building a sustainable business model with a strong and robust corporate governance and control environment. The Bank offers a simple range of products to its customers covering retail, corporate and commercial banking, and treasury services.

Bank's principal activities are as under:

Retail Banking:

The Bank offers personal current accounts, personal savings accounts, business current accounts, fixed deposits and services for remittance to India. On the asset side, products like buy-to-let finance, development finance and professional loans are offered to customers.

Corporate and Commercial Banking:

The Bank's corporate business aims to provide products and services to enhance trade and investment between the UK and other countries, including India. Currently, the bank is active in the secondary loan syndications market for corporate customers. It also provides business finance and finance against property to SME customers.

Treasury:

The treasury function focuses on managing funding and market and liquidity risk while optimising returns. The Bank does not undertake any proprietary trading activities. The Bank maintains, a Liquidity Asset Buffer (LAB) and manages its liquidity within predetermined limits as per regulatory norms. The Bank reviews its asset/liability maturity mismatches and interest rate positions on an ongoing basis, and maintains liquidity gaps and interest rate positions within prescribed limits, which are monitored by the Asset and Liability Committee (ALCO).

The Bank's primary objectives are:

- To create profitable and sustainable business growth within the UK.
- To improve existing customer relationships by increasing the range of products and services available to the customers.
- To ensure that the risks inherent in the business are subject to robust controls, risk and compliance management oversight.
- To ensure that new and enhanced technologies are implemented to support the business.
- To build and develop leadership capability and management expertise.
- To be the bank of choice for households of Indian origin in the UK.

2. Risk and Capital Position

The Bank's regulatory capital requirements are set and monitored by the Prudential Regulatory Authority ("PRA"). The Bank implemented the CRD IV ("Basel III") framework for calculating minimum capital requirements as part of its capital planning within its Internal Capital Adequacy Assessment Process ("ICAAP").

The Bank uses regulatory capital ratios in order to monitor its capital base, and these capital ratios are based on international standards for measuring capital adequacy. The PRA's approach to such measurement is based upon the CRD IV framework which determines the Capital Resource Requirement against available capital resources.

The Bank's policy is to maintain an adequate capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There were no breaches in regulatory capital requirements reported in the year. The Bank's regulatory capital resource under CRD IV is £164.52 million as on 31 March 2021.

2.1. Capital Requirement Framework

Under the current PRA guidelines, the total capital adequacy requirement for the Bank equals the aggregate of the Pillar 1 capital requirement, the Pillar 2A capital requirement, and applicable macro-prudential buffers (the Countercyclical Capital Buffer ("CCyB"), the Capital Conservation Buffer ("CCoB") and the "PRA buffer").

The capital framework as applicable to the Bank is described below:

Pillar 1: Pillar 1 sets out the minimum capital requirement that each bank is required to meet at all the times, for Credit Risk, Market Risk, Operational Risk and Credit Value Adjustment Risk.

Pillar 2A: These are adjustment to minimum requirements to reflect risks not captured or not adequately captured in Pillar 1 (e.g. trading book and pension deficit risk). The banks are required to meet its Pillar 2A capital with at least 56% in CET1.

Countercyclical Buffer (CCyB): The primary objective of the countercyclical capital buffer is to ensure that the banking system is able to withstand stress without restricting essential services, such as the supply of credit, to the real economy. Each Bank's CCyB depends on its weighted average CCyB rate determined according to the CCyB rates that apply in the jurisdictions in which the bank has relevant exposures. This buffer can be varied over time.

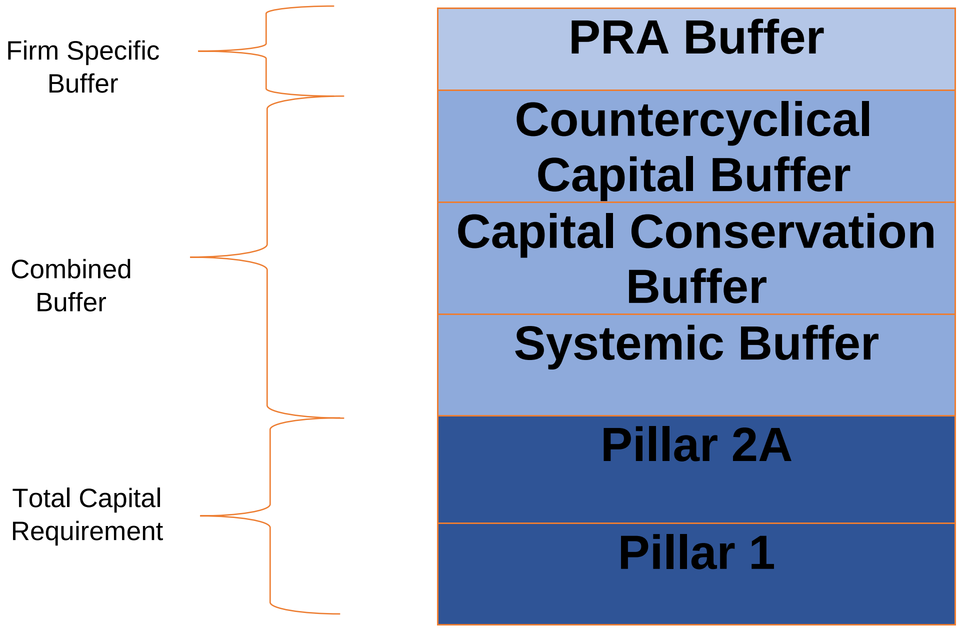
Capital Conservation Buffer (CCoB): The capital conservation buffer (CCoB) is a capital buffer of 2.5% of a bank's total exposures that needs to be met with an additional amount of Common Equity Tier 1 capital. The buffer sits on top of the 4.5% minimum requirement for Common Equity Tier 1 capital. Its objective is to conserve a bank's capital. When a bank breaches the buffer, automatic safeguards apply to limit the amount of dividend and bonus payments it can make.

Pillar 2 B (PRA Buffer): This buffer sets using supervisory judgement informed by the impact of stress scenarios on a firm's capital requirements and resources, and taking account where appropriate of other factors including leverage, systemic importance and weaknesses in firms' risk management and governance.

G-SII Buffer: The Bank is not Systemically Important Institution and hence, a separate systemic buffer is not required.

Figure 1: Diagram of Capital Framework

The diagram illustrating view of the capital framework is as under:



2.2. Capital Position

The Bank's capital consists of Core Equity Tier I Capital only which is fully subscribed by the Parent (Bank of Baroda). As on 31 March 2021, Bank has not issued any other capital.

Table 1: Capital Ratios

As on 31.03.2021 bank's minimum capital requirement was 14.12% (8%-Pillar I, 3.27%-Pillar II, 2.50% Capital Conservation Buffer, 0.35%-PRA Buffer). Bank has capital adequacy ratio of 24.47% which is above the minimum regulatory requirement.

Bank's capital adequacy ratio as on 31.03.2021 is as below:

Particulars	31.03.2021	31.03.2020
CET 1	24.47%	21.03%
Tier 1	24.47%	21.03%
Tier 2	-	-
Total Capital	**24.47%**	**21.03%**

Table 2: Capital Resources

Details of capital resources as on 31.03.2021 is as below:

		Amount in £ Mn
Particulars	**31.03.2021**	**31.03.2020**
CET 1	164.52	147.80
Tier 1	164.52	147.80
Tier 2	-	-
Total Available Capital	**164.52**	**147.80**

Table 3: Composition of Tier 1 Capital

Components of Tier 1 capital as on 31.03.2021 is as below:

		Amount in £ Mn
Particulars	**31.03.2021**	**31.03.2020**
Share capital	150.00	145.00
Retained Earnings	13.03	5.86
Other Comprehensive Income	2.61	(2.30)
Additional Value Adjustments	(0.93)	(0.76)
Other Intangible Asset	(0.19)	
Total Tier 1 Capital	**164.52**	**147.80**

Table 4: Position of regulatory capital as on 31.03.2021

		Amount in £ Mn
Particulars	**31.03.2021**	**31.03.2020**
Equity		
Share capital as per the balance sheet	150.00	145.00
Retained Earnings	13.03	5.86
Other Comprehensive Income	2.61	(2.30)
Less: Additional Value Adjustments	(0.93)	(0.76)
Less: Other Intangible Assets	(0.19)	-
Common Equity Tier 1 Capital	**164.52**	**147.80**
Tier 1 Capital	**164.52**	**147.80**
Tier 2 Capital	-	-
Total Regulatory Capital	**164.52**	**147.80**

3. Pillar 1 Capital Requirement

Our Bank has adopted standardised approach for credit risk and market risk. For operational risk, the Bank has adopted Basic Indicator Approach.

Risk Category	Regulatory Approaches	Approach adopted by the Bank
Credit Risk	1. Standardised Approach 2. Internal Rating Based Approach	Standardised Approach
Market Risk	1. Standardised Approach 2. Internal Model Approach	Standardised Approach
Operational Risk	1. Basic Indicator Approach 2. Standardised Approach 3. Advanced Measurement Approach	Basic Indicator Approach

Table 5: Pillar I Risk Weighted Exposure

Table presents total risk weighted exposures by pillar 1 risks, as on 31.03.2021 (Amt in £Mn)

Particulars	31.03.2021	31.03.2020
Credit Risk	623.64	661.93
Market Risk	12.09	4.82
Operational Risk	34.16	35.50
Credit Value Adjustment	2.40	0.66
Total	**672.29**	**702.90**

3.1. Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty fails to meet a payment obligation under a contract. It arises principally from direct lending, trade finance and leasing business and also from off-balance sheet products, such as guarantees and credit derivatives.

The tables below set out details of the credit risk exposures and risk weighted exposures under Asset Class, Geographical distribution, risk weight.

Table 6: Analysis of Risk Weighted Exposures by Asset Class as on 31.03.2021

		Amount in £ Mn
Particulars	31.03.2021	31.03.2020
Central Governments & Central Banks	-	-
Institutions*	309.19	454.09
Corporates	153.66	163.94
*of which SME**:*	-	-
Retail	1.87	1.17
*of which SME**:*	-	-
Secured by mortgages on immovable property	52.77	25.25
*of which SME***	-	-
Items associated with particularly high risk	84.99	17.30
Exposures in Default	0.02	-
Other exposures	21.14	0.18
Total	**623.64**	**661.93**

**includes RWA of derivative exposure. ** Although exposure to SMEs (as defined under EBA CRR articles 123 and 501) is shown as nil, the Bank does have a modest exposure to the broader SME sector. It currently chooses not to segregate such exposures from its other corporate exposures and accepts the modest additional capital charge that arises.*

Table 7: Analysis of Gross Exposure by Asset Class

As on 31.03.2021

Particulars	Gross Exposure Before CRM & CCF (£ Mn)	Gross Exposure After CRM & CCF (£ Mn)
Central Governments & Central Banks	70.53	70.53
Institutions*	619.13	618.65
Corporates	177.37	140.57
*of which SME**:*	-	-
Retail	17.07	2.49
*of which SME**:*	-	-
Secured by mortgages on immovable property	66.52	60.66
*of which SME**:*	-	-
Items associated with particularly high risk	56.66	56.66
Exposures in Default	0.02	0.02
Other exposures	21.60	21.60
Total	**1028.90**	**971.18**

**includes derivative exposure ** The notes to Table 6 about exposure to SME also apply to the above.*

As on 31.03.2020

Particulars	Gross Exposure Before CRM & CCF (£ Mn)	Gross Exposure After CRM & CCF (£ Mn)
Central Governments & Central Banks*	60.47	60.47
Institutions**	969.11	956.41
Corporates	217.23	163.94
*of which SME***:*	-	-
Retail	17.38	1.57
*of which SME***:*	-	-
Secured by mortgages on immovable property	62.98	56.80
*of which SME***:*	-	-
Items associated with particularly high risk	12.15	11.53
Other exposures	0.18	0.18
Total	**1339.50**	**1250.90**

Book value is taken **includes derivative exposure * The notes to Table 6 about exposure to SME also apply to the above.*

Table 8: Analysis of on and off balance sheet exposure

As on 31.03.2021

Asset Class	Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)	RWA (£ Mn)
On Balance Sheet Exposure			
Central Governments & Central Banks	70.53	70.53	0.00
Institutions	601.11	601.11	305.60
Corporates	166.75	137.92	151.01
Retail	8.55	1.00	0.75

Asset Class	Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)	RWA (£ Mn)
Secured by mortgages on immovable property	59.23	59.16	51.41
Items associated with particularly high risk	56.66	56.66	84.99
Exposures in Default	0.02	0.02	0.02
Other exposures	21.60	21.60	21.14
Total On-Balance Sheet Exposure	**986.35**	**949.91**	**616.57**
Off Balance Sheet Exposure			
Central Governments & Central Banks			
Institutions	0.58	0.10	0.10
Corporates	10.62	2.65	2.65
Retail	8.52	1.49	1.12
Secured by mortgages on immovable property	7.30	1.50	1.36
Items associated with particularly high risk	-	-	-
Other exposures	-	-	-
Total Off-Balance Sheet Exposure	**27.02**	**5.74**	**5.23**
Counterparty Exposure			
Derivatives (Institution)	17.43	17.43	3.49
Total Counterparty Exposure	**17.43**	**17.43**	**3.49**
Total	**1028.90**	**971.18**	**623.64**

As on 31.03.2020

Asset Class	Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)	RWA (£ Mn)
On Balance Sheet Exposure			
Central Government & Central Banks	60.47	60.47	0.00
Institutions	947.85	947.85	449.95
Corporates	182.16	155.71	155.71
Retail	10.91	0.50	0.37
Secured by mortgages on immovable property	55.34	55.27	24.53
Items associated with particularly high risk	12.15	11.53	17.30
Other exposures	0.18	0.18	0.18
Total On-Balance Sheet Exposure	**1269.06**	**1231.51**	**648.04**
Off Balance Sheet Exposure			
Central Government & Central Banks			
Institutions	15.84	3.15	3.05
Corporates	35.07	8.23	8.23
Retail	6.47	1.07	0.80
Secured by mortgages on immovable property	7.64	1.53	0.73
Items associated with particularly high risk	0.00	0.00	0.00
Other exposures	-	-	-
Total Off-Balance Sheet Exposure	**65.03**	**13.98**	**12.81**

Asset Class	Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)	RWA (£ Mn)
Counterparty Exposure			
Derivatives (Institutions)	5.41	5.41	1.08
Total Counterparty Exposure	**5.41**	**5.41**	**1.08**
Total	**1339.50**	**1250.90**	**661.93**

Table 9: Analysis of Exposure by Geographic Distribution

As on 31.03.2021

Particulars	Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)
India	391.03	387.03
United Kingdom	307.54	254.31
Germany	80.00	80.00
Italy	64.00	64.00
UAE	55.78	55.78
China	50.00	50.00
Singapore	25.36	25.36
Indonesia	21.26	21.26
USA	17.57	17.57
Sri Lanka	10.88	10.88
Others	5.46	4.97
Total	**1028.90**	**971.18**

As on 31.03.2020

Particulars	Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)
India	819.60	799.24
United Kingdom	243.80	176.01
USA	67.87	67.87
Germany	57.00	57.00
Hongkong	40.00	40.00
China	30.00	30.00
Indonesia	27.13	27.13
Belgium	25.00	25.00
Sri Lanka	20.23	20.23
Others	8.87	8.43
Total	**1339.50**	**1250.90**

Table 10: Analysis of Exposure by Geographic Distribution and Asset Class

Exposure before CRM & CCF (£ Mn)- as on 31.03.2021

	Central Government s & Central Banks	Instituti ons	Corpora tes	Retail	Secured by mortgages on immovable property	Items associated with particularl y high risk	Exposures in Default	Other exposur es	Total
India	0.00	340.95	50.08	0.00	0.00	0.00	0.00	0.00	391.03
United Kingdom	0.00	71.70	80.66	17.07	59.84	56.66	0.02	21.60	307.54
Germany	0.00	80.00	0.00	0.00	0.00	0.00	0.00	0.00	80.00
Italy	0.00	64.00	0.00	0.00	0.00	0.00	0.00	0.00	64.00
UAE	55.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	55.78
China	0.00	50.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00
Singapore	0.00	0.00	25.36	0.00	0.00	0.00	0.00	0.00	25.36
Indonesia	0.00	0.00	21.26	0.00	0.00	0.00	0.00	0.00	21.26
USA	10.88	0.00	0.00	0.00	6.69	0.00	0.00	0.00	17.57
Sri Lanka	0.00	10.88	0.00	0.00	0.00	0.00	0.00	0.00	10.88
Others	3.86	1.58	0.01	0.00	0.00	0.00	0.00	0.00	5.46
Total	**70.53**	**619.13**	**177.37**	**17.07**	**66.52**	**56.66**	**0.02**	**21.60**	**1028.90**

As on 31.03.2020

	Central Government s & Central Banks	Institutio ns	Corpor ates	Retail	Secured by mortgages on immovable property	Items associated with particularly high risk	Exposu res in Default	Other exposu res	Total
India	0.00	753.38	66.22	0.00	0.00	0.00	0.00	0.00	819.60
United Kingdom	0.00	34.62	123.88	17.38	55.59	12.15	0.00	0.18	243.80
USA	60.47	0.00	0.00	0.00	7.39	0.00	0.00	0.00	67.87
Germany	0.00	57.00	0.00	0.00	0.00	0.00	0.00	0.00	57.00
Hongkong	0.00	40.00	0.00	0.00	0.00	0.00	0.00	0.00	40.00
China	0.00	30.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00
Indonesia	0.00	0.00	27.13	0.00	0.00	0.00	0.00	0.00	27.13
Belgium	0.00	25.00	0.00	0.00	0.00	0.00	0.00	0.00	25.00
Sri Lanka	0.00	20.23	0.00	0.00	0.00	0.00	0.00	0.00	20.23
Others	0.00	8.87	0.00	0.00	0.00	0.00	0.00	0.00	8.87
Total	**60.47**	**969.11**	**217.23**	**17.38**	**62.98**	**12.15**	**0.00**	**0.18**	**1339.50**

Table 11: Analysis of Risk Weighted Exposure by Geographic Distribution and Asset Class as on 31.03.2021 (£ Mn)

	Central Governments & Central Banks	Institutions	Corporates	Retail	Secured by mortgages on immovable property	Items associated with particularly high risk	Exposures in Default	Other exposures	Total
India	0.00	236.13	46.08	0.00	0.00	0.00	0.00	0.00	282.20
United Kingdom	0.00	14.78	60.95	1.87	46.09	84.99	0.02	21.14	229.83
Singapore	0.00	0.00	25.36	0.00	0.00	0.00	0.00	0.00	25.36
Indonesia	0.00	0.00	21.26	0.00	0.00	0.00	0.00	0.00	21.26
China	0.00	17.50	0.00	0.00	0.00	0.00	0.00	0.00	17.50
Germany	0.00	16.00	0.00	0.00	0.00	0.00	0.00	0.00	16.00
Italy	0.00	12.80	0.00	0.00	0.00	0.00	0.00	0.00	12.80
Sri Lanka	0.00	10.88	0.00	0.00	0.00	0.00	0.00	0.00	10.88
USA	0.00	0.00	0.00	0.00	6.69	0.00	0.00	0.00	6.69
UAE	0.00	1.10	0.00	0.00	0.00	0.00	0.00	0.00	1.10
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**0.00**	**309.19**	**153.66**	**1.87**	**52.77**	**84.99**	**0.02**	**21.14**	**623.64**

As on 31.03.2020 (£ Mn)

	Central Governments & Central Banks	Institutions	Corporates	Retail	Secured by mortgages on immovable property	Items associated with particularly high risk	Exposures in Default	Other exposures	Total
India	0.00	395.38	45.86	0.00	0.00	0.00	0.00	0.00	441.24
United Kingdom	0.00	11.04	90.95	1.17	21.56	17.30	0.00	0.18	142.21
Indonesia	0.00	0.00	27.13	0.00	0.00	0.00	0.00	0.00	27.13
Hongkong	0.00	17.00	0.00	0.00	0.00	0.00	0.00	0.00	17.00
Germany	0.00	11.40	0.00	0.00	0.00	0.00	0.00	0.00	11.40
China	0.00	6.00	0.00	0.00	0.00	0.00	0.00	0.00	6.00
Belgium	0.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00
Sri Lanka	0.00	4.05	0.00	0.00	0.00	0.00	0.00	0.00	4.05
USA	0.00	0.00	0.00	0.00	3.70	0.00	0.00	0.00	3.70
Others	0.00	4.22	0.00	0.00	0.00	0.00	0.00	0.00	4.22
Total	**0.00**	**454.09**	**163.94**	**1.17**	**25.25**	**17.30**	**0.00**	**0.18**	**661.93**

Table 12: Analysis of On and Off-Balance sheet Exposure by Risk Weight

As on 31.03.2021

	Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)	RWA (£ Mn)
=0%	70.99	70.99	0.00
> 0 and ≤ 12%	0.00	0.00	0.00
> 12 and ≤ 20%	259.76	259.76	51.95
> 20 and ≤ 50%	216.10	215.42	105.89
> 50 and ≤ 75%	17.07	2.49	1.87
> 75 and ≤ 100%	382.12	339.65	339.65
> 100 and ≤ 425%	82.85	82.85	124.28
> 425 and ≤ 1250%	-	-	-
Total on and off balance sheet exposure	**1028.90**	**971.18**	**623.64**

As on 31.03.2020

	Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)	RWA (£ Mn)
=0%	60.47	60.47	0.00
> 0 and ≤ 12%	0.00	0.00	0.00
> 12 and ≤ 20%	274.97	274.97	54.99
> 20 and ≤ 50%	628.12	621.50	307.60
> 50 and ≤ 75%	17.38	1.57	1.17
> 75 and ≤ 100%	346.41	280.86	280.86
> 100 and ≤ 425%	12.15	11.53	17.30
> 425 and ≤ 1250%	-	-	-
Total on and off balance sheet exposure	**1339.50**	**1250.90**	**661.93**

Credit Exposure as per Credit Quality Step (CQS)

The Bank uses external credit assessments provided by Moody's, Standard & Poor's and Fitch. These are all recognised as eligible external credit assessment institutions (ECAI) under CRR for the purpose of calculating credit risk requirements under the standardised approach.

The exposure rated by ECAI as per Credit Quality Steps (CQS) are as under:

Table 13:Exposure to Corporates rated by ECAI Credit quality step wise

As on 31.03.2021

Credit Quality Step	Risk Weight %	Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)	RWA (£ Mn)
1	20%	0.00	0.00	0.00
2	50%	0.00	0.00	0.00
3	100%	26.71	26.71	26.71
4	100%	25.36	25.36	25.36
5	150%	26.18	26.18	39.27
6	150%	0.00	0.00	0.00

Unrated	100%	99.13	62.32	62.32
Total		**177.37**	**140.57**	**153.66**

As on 31.03.2020

Credit Quality Step	Risk Weight %	Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)	RWA (£ Mn)
1	20%	0.00	0.00	0.00
2	50%	-	-	-
3	100%	48.49	48.49	48.49
4	100%	-	-	-
5	150%	-	-	-
6	150%	-	-	-
Unrated	100%	168.74	115.45	115.45
Total		**217.23**	**163.94**	**163.94**

Table 14: Exposure to Institutions rated by ECAI Credit quality step wise

As on 31.03.2021

Credit Quality Step	Risk Weight % (Credit Assessment Method)		Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)	RWA (£ Mn)
	Maturity > 3 months	Maturity 3 months of less			
1	20%	20%	22.25	22.25	4.45
2	50%	20%	133.00	133.00	34.10
3	50%	20%	303.27	303.27	112.78
4	100%	50%	45.26	45.26	43.73
5	100%	50%	115.34	114.86	114.13
6	150%	150%	0.00	0.00	0.00
Unrated	100%	100%	0.00	0.00	0.00
Total			**619.13**	**618.65**	**309.19**

As on 31.03.2020

Credit Quality Step	Risk Weight % (Credit Assessment Method)		Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)	RWA (£ Mn)
	Maturity > 3 months	Maturity 3 months of less			
1	20%	20%	82.65	82.65	16.53
2	50%	20%	95.00	95.00	28.00
3	50%	20%	662.46	662.02	292.81
4	100%	50%	32.37	32.37	32.37
5	100%	50%	0.00	0.00	0.00
6	150%	150%	0.00	0.00	0.00
Unrated	100%	100%	96.63	84.37	84.37
Total			**969.11**	**956.41**	**454.09**

3.1.1. Credit Risk Mitigation

The Bank uses credit mitigation techniques for loans where collateral is provided in the form of cash held by the customer with the bank (for example lending against fixed deposits held by the customers with the Bank). Though the Bank does not apply credit risk mitigation techniques for mortgage lending, all mortgages are secured by a first charge over the property being purchased or re-mortgaged, to safeguard the Bank's assets from customer default. Second charge is considered as unsecured. Valuation of the property is conducted as part of the application process by a Royal Institute of Chartered Surveyors certified valuer from the Bank's approved panel of valuers for a new mortgage. This is performed to mitigate the credit risks due to its exposure to potential bad debts arising from the inherent risk that customers may default on their obligations.

Table 15: Analysis of Financial Collateral by Asset Class as on 31.03.2021

Particulars	31.03.2021	Amount in £ Mn 31.03.2020
Central Government & Central Banks	-	-
Institutions	0.07	0.43
Corporates	31.18	29.56
Retail	8.61	11.54
Secured by mortgages on immovable property	0.07	0.07
Items associated with particularly high risk	0.00	0.61
Other exposures	-	-
Total	**39.92**	**42.21**

3.1.2. Dilution Risk

Non-Performing Assets are those that satisfy either or both of the following criteria:

- Material exposures which are more than 90 days past due
- Any exposure of the obligor has been found impaired in accordance with the FRS 102 accounting framework and/or the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due.

As on reporting date, Bank of Baroda (UK) Limited has £ 0.02 Mn non-performing loans and advances.

3.2. Counterparty Credit Risk

Counterparty credit risk is the risk that the counterparty to a transaction may default before completing the satisfactory settlement of the transaction. It arises on derivatives, securities financing transactions and exposures to central counterparties ('CCP') in both the trading and non-trading books.

Table 16: Counterparty Credit Risk as on 31.03.2021

Particulars	31.03.2021		31.03.2020	
	RWA (£ Mn)	Capital Required (£ Mn)	RWA (£ Mn)	Capital Required (£ Mn)
Counterparty Credit Risk	17.43	3.49	5.41	1.08

**included in section 3.1 as part of credit risk*

3.3. Credit Valuation Adjustment ("CVA")

The CVA measures the risk from MTM losses due to change in the credit quality of a counterparty in derivative transactions. The Bank uses Standardised Approach for calculation of Credit Value Adjustment capital charge.

Table 17: Credit Value Adjustment as on 31.03.2021

Particulars	31.03.2021		31.03.2020	
	RWA (£ Mn)	Capital Required (£ Mn)	RWA (£ Mn)	Capital Required (£ Mn)
Credit Value Adjustment	2.40	0.19	0.66	0.05

3.4. Market Risk

Market risk is the risk that movements in market risk factors, including foreign exchange rates, commodity prices, interest rates, credit spreads and equity prices, will reduce the group's income or the value of its portfolios.

Market risk is measured using the standardised approach for position risk under CRD IV.

The table below sets out details of the bank's market risk exposures by type and approach.

Table 18: Market Risk

	31.03.2021		31.03.2020	
Particulars	RWA (£ Mn)	Capital Required (£ Mn)	RWA (£ Mn)	Capital Required (£ Mn)
Foreign Exchange Risk	12.09	0.97	4.82	0.39

3.5. Operational Risk

Operational risk is the risk of loss due to inadequate or failed internal processes, people and systems, or from external events.

Operational risk is relevant to every aspect of our business. It covers a wide spectrum of issues, such as, compliance, operational resilience, legal, security and fraud. Losses arising from breaches of regulation and law, unauthorised activities, error, omission, inefficiency, fraud, systems failure or external events all fall within the definition of operational risk.

Bank of Baroda (UK) Limited follows Basic Indicator Approach (BIA) for Operational Risk Capital calculation, in accordance with Article 315 of the CRR.

Since the Bank has commenced its operations in Dec 2018, financials for all previous 3 years are not available. Therefore, Operational Risk Capital is calculated on the basis of actual gross income of previous two years and projected gross income for one year.

Table 19: Operational risk RWAs and capital required as on 31.03.2021

Particulars	2020 Actual	2021 Actual	2022 Projected
Gross Income (£ Mn)	16.44	17.93	20.28

Particulars	RWA (£ Mn)	Capital Required (£ Mn)
Own funds requirement for operational risk – assessed on the Basic Indicator Approach	34.16	2.73

3.6. Leverage Ratio

The leverage ratio was introduced into the Basel III framework as a non-risk-based limit, to supplement risk-based capital requirements. A leverage ratio has also been introduced to safeguard against excessive risk taking. It is a back stop measure based on gross exposure and in variant level of risk of the asset.

It aims to constrain the build-up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors. This ratio has been implemented in the EU for reporting and disclosure purposes but, at this stage, has not been set as a binding requirement.

Leverage ratio as on 31.03.2021 was 16.30% against minimum requirement of 3%.

Table 20: Leverage Ratio as on 31.03.2021

Particulars	31.03.2021	Amount in £ Mn 31.03.2020
Balance Sheet Assets	**1002.99**	**1332.55**
Off Balance Sheet Assets	**7.50**	**15.58**
Other Adjustments	**-1.11**	-
Total Leverage Exposure	**1009.37**	**1348.13**
Tier 1 Capital Resources	**164.52**	**147.80**
Leverage Ratio	**16.30%**	**10.96%**

Table 21: Split up of On Balance sheet exposure as on 31.03.2021

Particulars	Amount in £ Mn 31.03.2021	31.03.2020
Total on balance sheet exposure (excluding derivatives, SFTs, and exempted exposures), of which:	**1002.99**	**1332.55**
Trading book exposure	**-**	**-**
Banking book exposure, of which:	**1002.99**	**1332.55**
Covered bonds	0.00	0.00
Exposure treated as sovereigns	70.53	60.47
Exposure to regional governments, MDB, international organizations and PSE not treated as sovereigns	-	-
Institutions	618.54	1004.53
Secured by mortgages of immovable properties	59.23	55.34
Retail exposures	8.55	10.91
Corporate	166.75	182.16
Exposure in default	0.02	0.00
Other exposures	79.37	19.14

3.7. Liquidity Risk

Liquidity risk is the risk that the Bank may not be able to meet its payment obligations with respect to customer deposits or any other borrowings, within the stipulated repayment frame and without significant additional cost. The Bank has a system in place to monitor contractual and residual maturity inflows and outflows and to manage liquidity gaps within pre-stipulated limits that are prescribed by the Board.

The Bank holds sufficient high-quality liquid assets (HQLA) in approved securities to meet the regulatory obligations for 90 days under stressed conditions. The liquidity positions and gap analysis are periodically analysed and measured against Bank's risk appetite limits and reported monthly to ALCO and to the Board of Directors on quarterly basis.

The Bank calculates its Liquidity Coverage Ratio ("LCR") in accordance with the Delegated Act on LCR. The LCR is designed to ensure that banks hold a sufficient reserve of high-quality liquid assets (HQLA) to allow them to survive a period of significant liquidity stress lasting 30 calendar days.

Table 22: Liquidity Coverage Ratio as on 31.03.2021

Particulars	Amount in £ Mn	
	31.03.2021	31.03.2020
Total HQLA	83.52	69.30
Total Outflows	62.09	187.57
Total Inflows	161.73	138.62
Net Cash Outflow (A)	-99.64	48.95
25% of total cash outflows (B)	15.52	46.89
Total Net Cash Outflows (max (A, B))	15.52	48.95
Liquidity Coverage Ratio	**538.08%**	**141.57%**

In addition to LCR monitoring, the Bank also calculates Net Stable Funding Ratio ("NSFR") to assess the long- term resilience of the bank. The NSFR is the amount of available stable funding relative to the amount of required stable funding.

4. Asset Encumbrance

As on 31.03.2021, Bank doesn't have any encumbered asset.

Table 23: Encumbered and unencumbered assets as on 31.03.2021

Encumbered and unencumbered assets (£ Mn)				
	Carrying amount of encumbered assets	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Asset of the reporting institution	-	-	973.79	
Loans on demand			70.11	
Equity instruments	-	-		
Debt securities	-	-	251.55	254.37
of which: covered bonds	-	-		
of which: asset backed securities	-	-		
of which: issued by general governments	-	-	70.68	70.53
of which: issued by financial corporations	-	-	88.39	89.44
of which: issued by non- financial corporations	-	-	92.08	94.40
Loans and advances other than loans on demand			636.51	
of which: mortgage loans			94.41	
Other assets	-	-	16.02	

As on 31.03.2020

Encumbered and unencumbered assets (£ Mn)				
	Carrying amount of encumbered assets	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Asset of the reporting institution	-	-	1328.43	
Loans on demand	-	-	174.56	
Equity instruments	-	-		
Debt securities*	-	-	113.72	113.72
of which: covered bonds	-	-		
of which: asset backed securities	-	-		
of which: issued by general governments	-	-	60.97	60.97
of which: issued by financial corporations	-	-	18.25	18.25
of which: issued by non- financial corporations	-	-	34.50	34.50
Loans and advances other than loans on demand	-	-	1029.32	
of which: mortgage loans	-	-	97.62	
Other assets	-	-	10.82	

**Market value of debt securities is taken*

5. Countercyclical Buffer

The countercyclical capital buffer (CCyB) aims to ensure that banking sector capital requirements take account of the macro-financial environment in which banks operate. Its primary objective is to create a buffer of capital to achieve the broader macro prudential goal of protecting the banking sector from periods of excess aggregate credit growth that have often been associated with the build-up of system-wide risk. In United Kingdom, the Financial Policy Committee is responsible for the determination of CCyB rates in respect of foreign exposures. UK reduced the rate from 1% to 0% in March 2020.

The tables below use the standard template issued by the European Banking Authority (EBA) to show the distribution of relevant credit exposures for the calculation of the institution's specific countercyclical capital buffer (CCyB). The CCyB rates for only those countries that are recognized by the Financial Policy Committee (FPC) in the UK as of March 31, 2021 have been mentioned in the table:

Table 24: Countercyclical Buffer as on 31.03.2021

Breakdown by Country	General Credit Exposures (£ Mn)	Own Fund Requirements (£ Mn)	Own Fund Weights	Countercyclical Capital Buffer Rate
UK	214.22	15.51	66.11%	0%
India	50.08	3.69	15.71%	0%
All Other Countries*	53.33	4.27	18.18%	0%
Total	317.63	23.46		

**The details are mentioned in Annexure I*

Countercyclical Buffer as on 31.03.2020

Breakdown by Country	General Credit Exposures (£ Mn)	Own Fund Requirements (£ Mn)	Own Fund Weights	Countercyclical Capital Buffer Rate
UK	209.18	10.49	63.11%	0%
India	66.22	3.67	22.06%	0%
All Other Countries*	34.52	2.47	14.83%	0%
Total	309.92	16.63		

Table 25: Institution Specific Countercyclical Capital Buffer as on 31.03.2021

Description	£ Mn
Total Risk Exposure Amount (RWAs)	673.87
Institution specific countercyclical buffer rate (%)	0.00%
Institution specific countercyclical capital buffer requirement	0.00

As on 31.03.2020

Description	£ Mn
Total Risk Weighted Exposure Amount (RWAs)	672.29
Institution specific countercyclical buffer rate (%)	0.00%
Institution specific countercyclical capital buffer requirement	0.00

6. Pillar 2 and ICAAP

6.1. Pillar 2

The Bank’s Total Capital Requirement, applicable as at March 31st 2021 was 14.12% (of which the Pillar 2A comprises of 3.27%) of total risk weighted assets.

6.2. Internal Capital Adequacy Assessment Process

The Bank conducts ICAAP on an annual basis as a forward-looking assessment of its capital requirement given business strategy, risk profile, risk appetite and capital plan.

Under ICAAP, Bank of Baroda (UK) Limited oversees and regularly assesses it’s processes, strategies and systems, the major sources of risk to the Bank’s ability to meet its liabilities as they fall due, the results of internal stress testing of these risks and the amounts and types of financial and capital resources within the Bank and whether they are adequate to cover the nature and level of the risks to which the Bank is exposed.

This process incorporates the Bank’s internal governance structure and assurance framework, risk management framework, key risk areas that are relevant to the Bank, the adequacy of capital resource and internal capital in relation to the overall risk profile and hence the Bank’s overall ability to meet its liabilities as they fall due, and the way in which the ICAAP is used in the business.

The ICAAP is updated annually, but in the event of a significant change to the circumstances of the Bank, such as the development of a new business line or a significant change in business strategy, it can be updated as soon as possible to reflect these changes.

The Board of the Bank in its capacity as the ultimate decision making body and owns the ICAAP and the outputs arising from it. The ICAAP and completion of the process itself has been delegated to the Chief Risk Officer. The Board is supported in their review of the ICAAP as periodically submitted to them for discussion and approval by the Board Risk & Compliance Committee (“BRCC”) who provides an initial review of the materials provided to ensure that the assessment framework and its component parts as well as the capital resource estimates generated are appropriate given the size nature and complexity of the Bank and aligned to the Risk Appetite agreed by the Board.

While the Board has delegated responsibility for the update and maintenance of the ICAAP to Chief Risk Officer, the Risk Department is responsible for collating and drafting the document with support from other areas of the business such as Finance and Compliance in particular.

The ICAAP is broadly distributed and debated across the business to ensure that all senior managers have the opportunity to contribute. This process includes workshops and committee meetings (including the Board Risk and Compliance Committee) in which aspects of the approaches documented in the ICAAP can be reviewed and challenged, and a near final version is submitted to the Board for final review, challenge and authorisation.

Although ICAAP forms a key corporate risk document in its own right, it sets out ongoing number of processes that will be carried out by the Bank. ICAAP is approved by the Board and therefore effectively acts as a policy governing these ongoing processes. These include the following:

- The identification, monitoring, management and reporting of material risks to the Bank

- Having robust risk management and governance structures in place to oversee and carry out the risk management
- Comprehensive management information provided to the risk management and governance committees to enable the ongoing monitoring and oversight of the key risks
- Stress testing to identify key vulnerabilities to certain stress scenarios. These also help to provide feedback to the Board in relation to certain aspects of the risk appetite set
- Capital planning: The approaches and methodologies given in the ICAAP are incorporated into the forward business plans in order to provide a forward looking view of capital adequacy, and therefore to determine whether there is sufficient capital available to support planned business growth, or whether there is a need to request any additional injections of capital from the Bank of Baroda Group.

The Bank has carried out stress test based on various scenarios and have found the capital to be sufficiently adequate as per our business strategy as detailed in our regulatory business plan.

7. Risk Management Approach

The Bank has adopted a proactive approach to ensure risks arising from the operation of the Bank are appropriately identified and managed. Risk Management processes include identification, assessment, measurement, control, mitigation, analysis, monitoring and reporting,

The Bank has a robust and comprehensive Risk Management Framework (RMF) to facilitate qualitative and quantitative assessment of various types of risks. The framework commensurate to Bank's size, nature and complexities of its activities and in compliance with applicable regulatory requirements.

At the highest level the approach to risk management adopted revolves around the following principles:

- Risk Management should be transparent and inclusive.
- The Risk Management process should involve all relevant stakeholders at each stage of the decision making process.
- Bank believes that risk management is one of Senior Management's foremost responsibilities.
- There must be continual evaluation of the inputs relied on at each step of the risk management process.
- The Bank must strive to continuously improve the risk management arrangement in place

The Bank's Risk Management Framework consists of following risk areas and policies:

Risk Category	Bank's Mitigation Plan	Key Policies
Credit Risk *Credit risk is defined as the risk of loss as a result of the failure of a party with whom the Bank has contracted to meet its obligations.*	The main credit risk that the Bank faces relates to its exposure to banks and corporates from its trade finance business, inter-bank lending, and advances to corporate and retail borrowers. The Board of Directors has delegated the management of credit risk to the BRCC. The BRCC monitors and approves all credit related risks at the Bank, while the Credit Policy Guidelines are approved by the Board of Directors. The BRCC reviews all the major advances granted by the Bank and ensures the maintenance of strong internal controls over credit risk.	▪ Credit Risk Management Policy ▪ Provisioning Policy ▪ Credit Monitoring & Recovery Policy
Market Risk *Market Risk is defined as the potential adverse change in the bank's income or net worth arising from movement in interest rates, exchange rates, equity price rates, and/or other market prices. Effective identification and management of market risk is required for maintaining stable net interest income.*	The most significant forms of market risk to which the bank is exposed are interest rate risk and exchange risk. The Bank's liabilities are at a fixed rate of interest while most of the Bank's assets are at a floating rate of interest. The Bank regularly analyses the exposure and has set limits for maximum mismatches. Interest rate risk is managed by matching and monitoring the yield and duration exposure that is built into the Bank's portfolio. The Bank is monitoring its interest rate mismatches on a regular basis, and the potential loss on account of upward or downward movement of interest rates by 2% based on currency exposures. The Bank is exposed to foreign exchange risk to the extent of its open position in each currency. The Bank has stipulated an internal limit for maximum open positions and measures and monitors this open position on a daily basis.	▪ Investment Policy ▪ Derivative Policy
Operational Risk *Operational Risk is defined as the risk of loss due to inadequate or failed*	Overview of operational risk is undertaken by the BRCC, and ultimately the Board of Directors, who retain responsibility for operational risk. The operational risk management framework is developed by the Risk Management Department and the	▪ Operational Risk Management Policy ▪ New Product Approval Policy

Risk Category	Bank's Mitigation Plan	Key Policies
internal processes, people, systems and external events.	implementation of controls to address operational risk is part of line managers' day-to-day responsibilities. Qualitative and quantitative reports and metrics are collated by the Risk Management Department and reported regularly to the RMC and a summary report submitted to the BRCC and Board of Directors on a quarterly basis. Capital will be allocated by the Bank in order to mitigate operational risk in accordance with the Bank's ICAAP.	- Business Continuity Plan Policy - Outsourcing policy - Whistle Blowing Policy - Financial Crime Management Policy - Training & Competence Policy - Data Protection Policy - Record Retention Policy
Liquidity Risk *Liquidity risk is the risk that the Bank may not be able to meet its payment obligations with respect to customer deposits or any other borrowings, within the stipulated repayment frame and without significant additional cost.*	The Bank has a Board approved ILAAP in place, which is in line with the guidelines issued by the PRA. The Bank has a system in place to monitor total contractual inflow and outflow and to manage liquidity gaps within pre-stipulated limits that are prescribed by the Board.	- Liquidity Risk Management Policy - Asset Liability Management Policy
Conduct Risk *Conduct risk is the risk of customers being treated unfairly or being disadvantaged by the actions of the Bank. It also includes the risk of failing to meet market rules or standards, or general laws covering its activities.*	Conduct risk arises in all of Bank of Baroda (UK) Limited's front office activities. The Bank seeks to mitigate as far as possible conduct risks by establishing a clear framework of policies for dealing with clients and transacting in markets. This includes providing appropriate training for all staff in these policies and procedures and in the standards expected of Bank staff when dealing with clients and markets. Within the Bank, the ultimate responsibility for ensuring appropriate conduct risk management mechanism is in place rests with the Board which has delegated day-to-day responsibility to Head of Compliance with oversight from BRCC.	- Conduct Risk Policy framework - New Product Approval Policy - Conflicts of Interest Policy - Compliance Manual - Financial Crime and AML Policy - TCF Policy - Gifts and Hospitality Policy - Whistle blowing Policy - Remuneration Policy
Reputational Risk *Reputational risk is about fundamental*	Bank of Baroda (UK) Limited manages reputational risk in its strategic setting, business planning and operations.	

Risk Category	Bank's Mitigation Plan	Key Policies
perception of the value of the brand of and the strategic direction of the Bank.	Reputational Risk arises in all activities of the Bank. The Bank seeks to mitigate as far as possible reputational risks by establishing a clear framework of policies for dealing with clients and transacting in markets. This includes providing appropriate training for all staff in these policies and procedures and in the standards expected of Bank staff when dealing with clients and markets. The Bank has established low tolerance for reputational risk, in particular: ▪ Regulatory breaches ▪ Material litigation ▪ Compliance or Anti-Money Laundering failure ▪ Business malpractice which causes material damage to clients ▪ Unethical business and employment practices.	

The Board of the Bank has set a risk appetite within which the wider strategy of the Bank must be delivered. This risk appetite is captured in the Risk Appetite Statement ("RAS") and is cascaded into the business through the RMF which ensures that the Bank has the ability to identify, monitor and manage the risk inherent in the new business.

8. Approaches for Risk Management

To ensure these principles are adhered to, the Bank has adopted three lines of defence model built specifically to meet the needs of the Bank.

Three Lines of Defence Model

A “three lines of defence” model has been adopted by the Bank for the effective oversight and management of risks across the Bank. Functions, teams and branches in the first line undertake frontline operational and support activities. In their day-to-day activities, these teams take risks which are managed through the effective design and operation of controls. Each Head of First Line Function/Team carries responsibility for ensuring that activities undertaken are within the board-approved risk appetite for that point in time.

Figure 2: Diagram of Three Lines of Defence model

First line of defence: Management and front line of staff is the first line of defence who is responsible for implementing strategy and the establishment and maintenance of internal control and risk management in the business as defined by the policies and processes. This includes senior management and business line heads.

Specific responsibilities of the first line of defence include:

- Embedding risk management frameworks, policies, and sound risk management practices into standard operating procedures.
- Adhering to frameworks, policies and procedures set by the Board.
- Reporting on the performance of risk management activities (including ongoing risk identification, assessment, mitigation, monitoring and reporting).
- Accounting for the effectiveness of risk management in operation including ensuring that procedures and controls are operated in a consistent and ongoing basis in order to effectively manage risks.

Second line of defence: The Risk Management and Compliance Functions are independent risk management functions, and are a key component of the Bank's second line of defence. The Risk Management Department and the Compliance Department are responsible for the ongoing assessment and monitoring of risk-taking activities across the Bank.

The second line is responsible for:

- Developing and implementing risk management frameworks, policies, systems, processes and tools.
- Ensuring that risk management frameworks, policies, systems, processes and tools are updated and reviewed periodically and that these are communicated effectively to the first line.
- Ensuring that the above frameworks and tools cover risk identification, assessment, mitigation, monitoring and reporting.
- Establishing an early warning system for breaches of the Bank's Risk Appetite.
- Influencing or challenging decisions that give rise to material risk exposure.
- Reporting via the CRO to BRCC, on all these items, including risk mitigating actions, where appropriate.

Third line of defence: The Internal Audit function is the third line of defence and is responsible for providing independent and objective assurance of the effectiveness of internal controls established by the first and second lines of defence. The Bank's Internal Audit function reports to the Board Audit Committee ("BAC").

Responsibilities of third line of defence include:

- Independently reviewing the design and operating effectiveness of the Bank's internal controls, risk management and governance systems and processes.
- Periodically assessing the Bank's overall risk governance framework, including, but not limited to an assessment of:
- The effectiveness of the Risk Management and Compliance Functions.
- The quality of risk reporting to the Board and Senior Management.
- The effectiveness of the Bank's system of internal controls.
- Providing independent assurance to the Board on the above.
- Recommending improvements and enforcing corrective actions and assigning respective action owners where necessary.
- Tracking the implementation of all internal audit recommendations and external audit management letter points.

8.1. Risk Management and Governance Framework

This section sets out the arrangements for the risk governance associated with the implementation of the RMF within the Bank, including key committees involved, the management structure and associated reporting lines.

Board of Bank of Baroda (UK) Limited ("Board")

The Board has overall responsibility for ensuring appropriate risk management arrangements are in place within the Bank in accordance with the Senior Management Systems and Controls Sourcebook ("SYSC") 7. The key risk management responsibilities of the Board include approving the risk appetite, approving the control framework, monitoring its operations, approving specific policies and reviewing adherence to these and other regulatory norms.

The Board has oversight of:

- Bank's capital adequacy and ICAAP
- Bank's liquidity position and ILAAP

The Board has delegated the responsibility for the ongoing Board level oversight of the RMF to the BRCC. The Board has also delegated day-to-day responsibility for risk management at an operational level to the Chief Risk Officer. The Board of Bank of Baroda (UK) Limited makes decisions related to risk management independent of the parent bank in India.

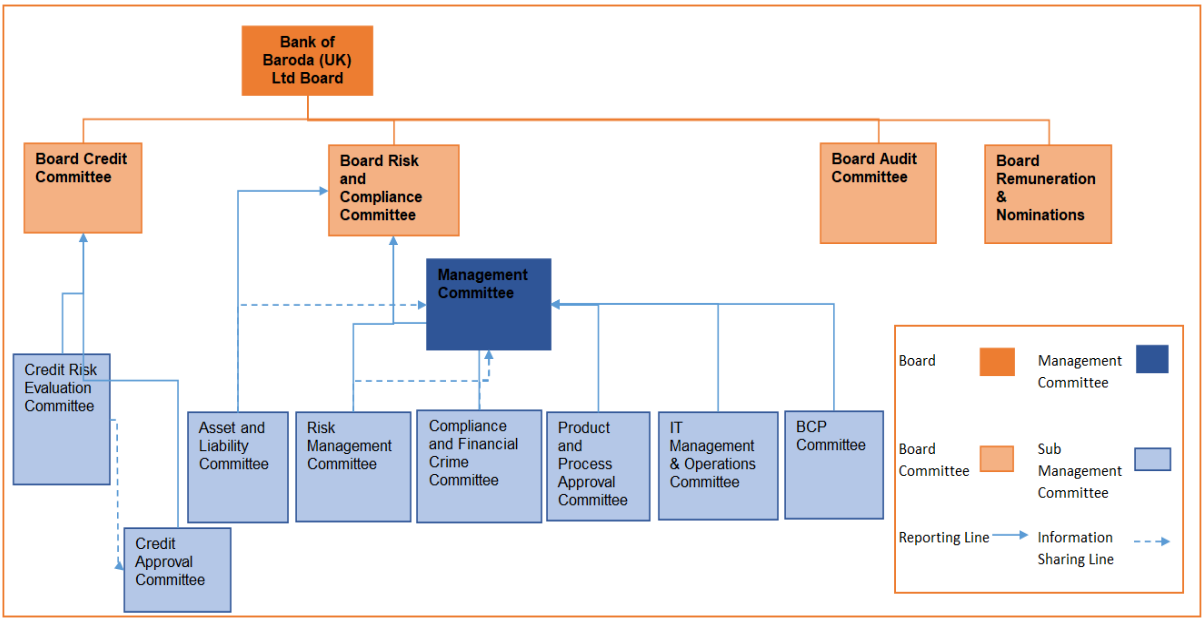
Table 26: Details of directors' attendance in the Board meetings during FY 2020-21

S.N.	Name of The Director	Category	Appointment/ Resignation During – 2020-2021	Attendance Particulars No. Of Board Meetings	
				Held	**Attended**
1.	Mr. Sanjiv Chadha	Chairman and Non-Executive Director	Appointed w.e.f – 09.04.2020	4	4
2.	Mr. Sanjay Kumar Grover	Managing Director	Appointed w.e.f. – 19.06.2019	4	4
3.	Mr. Anil Manambrakat	Deputy Managing Director	Resigned w.e.f. - 21-05.2021	4	4
4.	Mr. Sunil Kumar Srivastava	Non- Executive Director	Appointed w.e.f. – 01.06.2020	3	3
5.	Mr. Christopher P.J. Fitzgibbon	Independent Non-Executive Director	-	4	4
6.	Mr. Martin Charles Say	Independent Non-Executive Director	-	4	4
7.	Mr. Arun Aggarwal	Deputy Managing Director	Appointed w.e.f. 02.10.2020	2	2
8.	Mr. Venugopal Menon	Non-Executive Director / Acting Chairman	Resigned w.e.f. – 01.06.2020	1	1

Committees

The committee structure of the Bank is shown below:

Figure 3: Committee structure



The following committees support the Board:

- Board Risk and Compliance Committee ("BRCC")
- Board Credit Committee ("BCC")
- Board Audit Committee ("BAC")
- Board Remuneration and Nominations Committee ("BRNC")
- Asset and Liability Committee ("ALCO")
- Management Committee ("ManCo")
- Credit Approval Committee ("CAC1")
- Credit Approval Committee ("CAC2")
- Risk Management Committee ("RMC")
- Credit Risk Evaluation Committee ("CREC")
- Compliance and Financial Crime Committee ("CFCC")
- Product and Process Approval Committee ("PPAC")
- IT Management & Operations Committee ("ITMOC")
- Business Continuity Plan Committee ("BCP")

- **Board Risk and Compliance Committee ("BRCC"):**

The Board Risk and Compliance Committee ("BRCC") is a sub-committee of the Board and, as such, has direct delegated responsibility from the Board.

The objective of the committee is to achieve oversight of the overall compliance and risk management functions including credit, liquidity, interest rate, foreign exchange and operational risks, together with regulatory and legal compliance. The Committee aims to effectively monitor the risks arising in the Bank across business lines, product areas and geographies and more generally, to monitor procedures and identify solutions to minimise or mitigate those risks.

The committee is chaired by an Independent Non-Executive Director.

- **Board Credit Committee ("BCC")**

  The Board Credit Committee ("BCC") is appointed by the Board and, as such, has direct delegated responsibility from the Board. The BCC is constituted to ensure the credit decisions beyond the delegated authority of both local branch managers and the Head of Credit/Credit Approval Committee ("CAC") are appropriately considered at the level of this Board. Additionally, the committee is tasked with periodically reviewing the Banks' overall strategy and approach with respect to credit (Inc. credit risk appetite).

  The objective of the Committee is to oversee the scrutiny of the Bank's lending and other businesses that involves credit risk. Additionally, the committee discusses and reviews the Banks' overall strategy and approach with respect to credit, including credit risk appetite. The Committee aims to effectively monitor the credit risks arising in the Bank across business lines, product areas and geographies and more generally, to monitor procedures and identify solutions to minimise or mitigate those risks.

  The Board Credit Committee is chaired by the Managing Director.

- **Board Audit Committee ("BAC")**

  The Board Audit Committee ("BAC") of the Bank is a sub-committee of the Board and, as such, has direct delegated responsibility from the Board.

  The objective of the committee is to provide oversight of the Bank's financial affairs and related control arrangements and monitor inspection reports submitted by the Internal Auditors/ External Auditors as well as consider any relevant regulatory matters.

  The committee is chaired by an Independent Non-Executive Director.

- **Board Remuneration and Nominations Committee ("BRNC")**

  The Board Remuneration and Nominations Committee ("BRNC") is appointed by the Board Limited and, as such, has direct delegated responsibility from the Board.

  The objective of the Committee is to be responsible for appointments and remuneration at the most senior level of management at the Bank.

  The committee is chaired by an Independent Non Executive Director.

- **Management Committee of Bank of Baroda (UK) Limited ("ManCo")**

  The Management Committee ("ManCo") is appointed by the Board of the Bank and, as such, has direct delegated responsibility from the Board.

  The ManCo objective is to take whatever steps are necessary to oversee the business of the Bank on a day to day basis. The ManCo ensures that at all times it acts within the confines of the Board approved strategy, policies, operating plans and budgets. It is the key committee within the Bank to oversee the day-to-day running of BOB's UK's business. The ManCo reports to the Board.

  The committee is chaired by the Managing Director.

- **Asset and Liability Committee (“ALCO”)**

  The Asset & Liability Management Committee (“ALCO”) is appointed by the Board and, as such, has direct delegated responsibility from the Board.

  The objective of the Committee is to be responsible for overseeing the Liquidity Risk and Interest Rate Risk of the Bank. It is responsible for Balance Sheet Management of the Bank and ensuring that the bank is compliant with all the regulatory requirements on liquidity and funding. The ALCO reports to the Board Risk and Compliance Committee (BRCC).

  The committee is chaired by the Managing Director.

- **Credit Approval Committee (“CAC 1”)**

  The Credit Approval Committee (“CAC”) is appointed by the Board and, as such, has direct delegated responsibility from the Board.

  The objective of the Committee is to sanction of credit proposals under its Discretionary Powers as per the Credit Policy. The CAC reports to the Board Credit Committee.

  The committee is chaired by the Managing Director.

- **Credit Approval Committee (“CAC 2”)**

  The Credit Approval Committee (“CAC 2”) is appointed by the Board and, as such, has direct delegated responsibility from the Board.

  The objective of the Committee is to sanction of credit proposals under its Discretionary Powers as per the Credit Policy. The CAC 2 reports to the CAC 1.

  The committee is chaired by the Deputy Managing Director.

- **Risk Management Committee (“RMC”)**

  The Risk Management Committee (“RMC”) is appointed by the Board of the Bank and, as such, has direct delegated responsibility from the Board.

  Risk Management Committee is responsible for overseeing the overall Risk management function, including Credit, Market & Operational Risk including Conduct Risk, Legal Risk, Reputational Risk.

  It is also responsible for reviewing and recommending the Bank's risk appetite to Board Risk & Compliance Committee.

  The Risk Management Committee reports to the Board Risk & Compliance Committee, which is chaired by Chief Risk Officer. In addition, Chief Manager (Risk Management) has a direct line of report to the Chair of the Risk Management Committee.

  The committee is chaired by the Chief Risk Officer.

- **Credit Risk Evaluation Committee (“CREC”)**

  The Credit Risk Evaluation Committee (“CREC”) is appointed by the Board of the Bank and, as such, has direct delegated responsibility from the Board.

The objective of the Committee is to be responsible for evaluation and analysis of individual credit proposals from all angles of risk before taking a credit decision by the competent authorities, of proposals falling under its remit as per the Credit Policy of the Bank.

The observations of the committee are submitted to respective Sanctioning Authorities /Credit Approval Committee/Board Credit Committee as per the Discretionary Lending Powers of the Bank.

The committee is chaired by the Chief Risk Officer.

- **Compliance & Financial Crime Committee ("CFCC")**

The Compliance & Financial Crime Committee ("CFCC") is appointed by the Board of the Bank through the Board Risk and Compliance Committee and, as such, has direct delegated responsibility from the Board.

The objective of the committee is to be responsible for overseeing Regulatory Compliance and Financial Crime Risk.

The Compliance & Financial Crime Committee report to the Board Risk & Compliance Committee ('BRCC'). Issues may be escalated to Management Committee ('Manco') and /or BRCC.

The committee is chaired by the Head – Compliance / MLRO.

- **Product and Process Approval Committee ("PPAC")**

Product and Process Approval Committee is a senior level committee formed with primary objective of approval of new product/ process/ system and approval of modification in existing product/ process/ system.

The committee is responsible for according initial approval for new product/processes/system.

The committee is chaired by the Deputy Managing Director.

- **IT Management & Operations Committee ("ITMOC")**

The IT Management & Operations Committee ("ITMOC") is the sub-committee of Management committee (ManCo) and, as such, has direct delegated responsibility from the ManCo.

The objective of the Committee is to be responsible for IT management and operations of the Bank. The ITMOC reports to the ManCo.

The committee is chaired by the Deputy Managing Director.

- **Business Continuity Plan Committee ("BCPC")**

The Business Continuity Plan Committee ("BCP") is the sub-committee of Management committee (ManCo) and, as such, has direct delegated responsibility from the ManCo.

The objective of the Committee is to ensure that the Bank has the appropriate arrangements, systems and organisational arrangements to be resilient in the event of events which may disrupt the 'business as usual' operation of the Bank. The BCPC reports to the ManCo.

The committee is chaired by the Deputy Managing Director.

8.2. Credit Risk Management

Bank's credit risk management includes identification, assessment, measurement, and mitigation of credit risk. The primary responsibility of credit risk starts from the Credit Appraising Officer who acts as the First Line of Defence for credit risk management. When a customer submits an application, it is processed and risk rated by the Credit Apprising Officer. The rating is validated by an independent risk management function, i.e. validating officer.

The Second Line of Defence for credit risk for individual credit proposals is the CREC. Before any application is submitted to the respective sanctioning committee, the Credit Appraising Officer submits the proposal within the remit of the CREC as per the Credit Policy to the CREC for clearance from risk management angle. The CREC assess the proposal against various risks including but not limited to:

- Business Risk
- Financial Risk (Risk due to poor financial status of the borrower)
- Regulatory Risk
- Compliance Risk
- Liquidity Risk

On the basis of its assessment the CREC submits its report to the respective sanctioning committee, depending upon the delegated lending powers approved by the Board. Based on the appraisal of the credit officer and any observations of the CREC, the sanctioning committee takes a decision on the proposal.

The Third Line of Defence for credit risk is the internal audit function.

The Credit Policy provides detailed guidelines on all the risk management mechanism for credit risk.

Monitoring of Credit Risk

For credit risk, the following key risk indicators are used by the Management/ ManCo/ BRCC/Board to ensure the Board/Management is aware of increased credit risk concentration:

- Counterparty / Single name concentration
- Sectoral Concentration
- Geographical Concentration
- Credit excesses
- Critical Accounts / Potential Defaults
- Overdue Review Position
- Unsecured Loan Portfolio
- Loans in arrears

Monitoring of credit risk takes place at two levels; Individual Risk Monitoring; and Portfolio Risk Monitoring.

All the accounts are reviewed on an annual basis, except for short term loans/ advances maturing within 12 months. However, in case of accounts causing concern with potential signs of default shall be reviewed more frequently, say quarterly/ semi-annually where the situation warrants.

The Bank uses the Standardised Approach method for the capital calculation as proposed under the Basel accord.

8.3. Market Risk Management

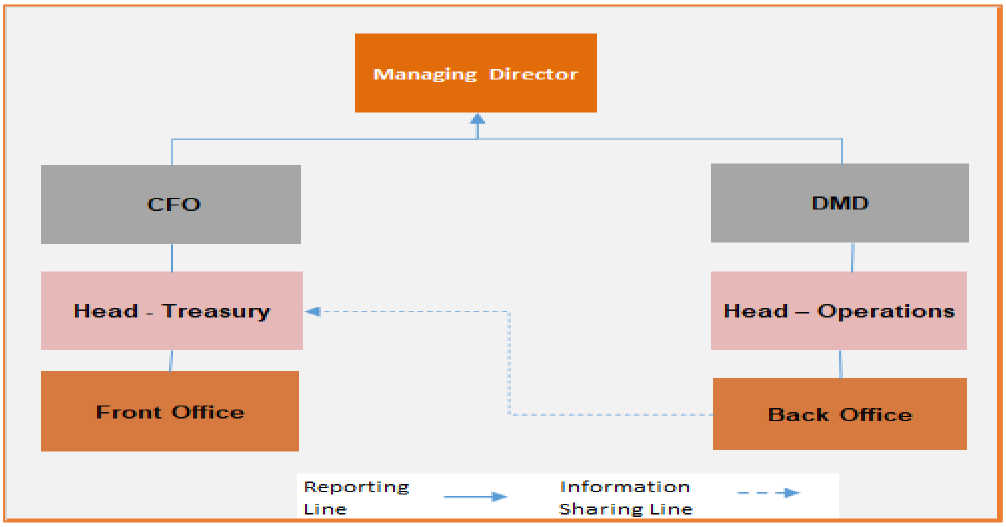
Current portfolio of the Bank, under Market Risk is exposed to:

- Interest rate risk: The risk that interest rates and/or their implied volatility will change
- Exchange rate risk: The risk that foreign exchange rates and/or their implied volatility will change
- Bank at present is not considering exposure in equity and commodities segments. Hence market risk due to equity price movements and commodities price movements are not going to impact.

Managing Market Risk

The objective of managing market risk is to reduce the Bank's exposure to volatility inherent to financial instruments such as foreign exchange contract, equity and derivative instruments, and securities. The Treasury have robust policies, systems, and procedures in order to control the risks arising from these instruments. To enable adequate delineation of duties, the treasury has separate front and back office desk. This is shown in the treasury operational set up below:

Figure 4: Organisational structure of the Treasury function



Monitoring of Market Risk

The Bank ensures that the market risk is continuously monitored with limits and caps in place to mitigate risk of adverse price changes.

The Bank has developed market risk limits structure, including but not limited to Day light exposure limit, overnight exposure limits, stop loss limits, Interest Rate Risk in Banking Book is monitored through FSA 017 templates, with 200 bps shock.

The Bank uses the Simplified Standardised Approach method for the capital calculation as proposed under the Basel accord.

8.3.1. Interest Rate Risk Management

Interest rate risk arises from financial instruments where net interest income or expense and the fair value of the Bank's assets or liabilities are exposed to movements in interest rates. Interest rate risk is managed by matching and monitoring the yield and duration exposure that is built into the Bank's portfolio.

Managing Interest Rate Risk

The Bank is monitoring its interest rate mismatches on a regular basis, and the potential loss on account of upward or downward movement of interest rates by 2% based on currency exposures.

Position as at 31 March 2021 is presented below:

- Effect of 200 basis increase in interest rates across 1 year maturity bands = -£3.231 Mn
- Effect of 200 basis decrease in Interest rates across 1 year maturity bands = £3.731 Mn

Effect of 200 basis points increase in interest rates would decrease the Bank's net interest income by £3.231 Mn over a year horizon. An increase in net interest income by £3.731 Mn would happen for a decrease in interest rates by 200 bps over a one-year horizon assuming a parallel shift in the yield curve.

Interest Rate Risk is being monitored on monthly basis whereas regulatory reporting is done on quarterly basis.

8.4. Liquidity Risk Management

Liquidity risk is the risk that failure to meet payment obligations as and when they fall due. The risk arises when the assets maturing during a particular period are lower than the liabilities maturing during the same period. An increase in assets or a decrease in liabilities can also create liquidity risk. The probable causes of liquidity risk for the Bank are as follows:

- **Funding Liquidity Risk:** the risk that Bank will not be able to meet efficiently the expected and unexpected current and future cash flows and collateral needs without affecting either its daily operations or its financial condition
- **Market Liquidity Risk**: the risk that a bank cannot easily offset or eliminate a position at the prevailing market price because of inadequate market depth or market disruption

Managing Liquidity Risk

The short term management of liquidity risk is achieved by traditional maturity mismatch ladders and gap statements, stress testing the Bank's position and the setting of applicable limits to manage the liquidity risks arising.

Structural liquidity is monitored through a liquidity planning schedule statement that is used to measure liquidity risk. A maturity ladder approach is used and gaps between inflows and outflows are identified.

There are multiple indicators of stress for liquidity risk such as increased currency mismatches, negative publicity, macro-economic changes, market movements and increased retail deposit outflow.

The predominant oversight for liquidity risk in the Bank is undertaken by ALCO.

8.5. Operational Risk Management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events and outsourcing arrangements.

Operational risk can arise due to a wide range of different external events ranging from power failures to floods or earthquakes to terrorist attacks. Similarly, operational risk can arise due to internal events such as the potential for failures or inadequacies in any of the Bank's processes and systems or those of its outsourced service providers.

Operational risk arising from human resources management ("People Risk") may refer to a range of issues such as mismanaged or poorly trained employees; the potential of employees for negligence, and wilful misconduct. Therefore, the emergence of mistrust, failure to communicate, low morale and cynicism among staff members, as well as increased turnover of staff, should be regarded as indicative for potential increase in operational risk.

Managing Operational Risk

The Bank seeks to mitigate these risks through the adoption of policies and procedures for operational risk management, compiling operational manuals for each product and defining business processes and related internal control measures. The major policies containing operational risk management processes include but not limited to:

- Operational Risk Management Policy
- New Product Approval Policy
- Business Continuity Plan Policy
- Outsourcing policy
- Whistle Blowing Policy
- Financial Crime Management Policy
- Training & Competence Policy
- Data Protection Policy
- Record Retention Policy

The first line for operational risk is the business and supporting functions where the risks arise. As far as possible, the first line seeks to identify the operational risk arising in their area, mitigate these through identifying appropriate actions communicating risk and any mitigation to the Risk Management Department. The day to day management of operational risk is governed through Bank's policies and procedures.

Monitoring of Operational Risk

The Bank monitors its ongoing exposure to operational risk through:

- Identifying those responsible for assessing, measuring, monitoring and controlling operational risk
- Challenging business and supporting functions to ensure all operational risks are identified

- Documenting the operational risks (and near misses) identified by the business and supporting functions and proposing and monitoring any mitigating actions
- Analysing the key operational risks and regularly report these to senior level committees
- Operational risk categorisation including regulatory requirements
- Using the risk management tools and Key Risk Indicators, to assess, monitor, manage the operational risk
- Conduct risk and controls analysis to be reported to the Risk Management department
- Identifying key risk and performance indicators

The Bank follows the Basic Indicator Approach for its Operational Risk regulatory capital calculation purposes.

8.6. Conduct Risk Management

Conduct risk is the risk of customers being treated unfairly or being disadvantaged by the actions of the Bank. It also includes the risk of failing to meet market rules or standards, or general laws covering its activities. Within the Bank, the ultimate responsibility for ensuring appropriate conduct risk management mechanism is in place rests with the Board which has delegated day-to-day responsibility to Head of Compliance with oversight from BRCC.

The Bank considers that the most material types of Conduct Risks that could arise in the Bank to be:

- Failure to take into account of client needs such as selling inappropriate products to clients or giving inappropriate advice to clients
- Failure to treat clients fairly or to act in their best interests: misleading marketing information, pricing products inappropriately or deal inappropriately with complaints
- Failure to meet required standards such as market rules or standards, or the general regulatory or legal framework
- Failure to implement systems infrastructure adequate to meet clients' needs. The ability for the Bank to transact business in a reliable and transparent manner is hampered by flawed or inadequate infrastructure and/or maintenance
- Failure to implement governance arrangements or management information to enable effective oversight or management of conduct risk
- Failure to allocate resource properly between the Branch and the Subsidiary leading to unfair outcomes for customers

Managing and Monitoring Conduct Risk

Conduct risk arises in all of the Bank's front office activities. The Bank seeks to mitigate as far as possible conduct risks by establishing a clear framework of policies for dealing with clients and transacting in markets. This includes providing appropriate training for all staff in these policies and procedures and in the standards expected of Bank staff when dealing with clients and markets. Within the Bank, the key policies that govern how conduct risk is managed are:

- Conduct Risk Policy framework
- New Product Approval Policy

- Conflicts of Interest Policy
- Compliance Manual
- Financial Crime and AML Policy
- TCF Policy
- Gifts and Hospitality Policy
- Whistle blowing Policy
- Remuneration Policy

In managing conduct risk, the Bank has also adopted the Three Lines of Defence model. The first line is the business units and supporting functions in which the conduct risks arise. The conduct risk framework requires that business areas and support functions undertake regular review of the conduct risks arising from their activities and report those risks regularly to senior management. Additionally, it requires that policies and procedures are enforced to mitigate and that all staff receive training in those policies and procedures and in the general standards of conduct expected. The oversight of the conduct risk management arrangements are performed by the Compliance on a day-to-day basis with Board level oversight from BRCC.

To support the management of conduct risk, Risk Management/ Compliance Department monitors a set of Key Risk Indicators ("KRIs") specifically focussed on Conduct Risk and reports are provided to the CFCC / RMC periodically. The suite of KRIs and calibration of KRIs trigger points for escalation are maintained and overseen by Risk Management.

8.7. Pension Obligation Risk

Pension Obligation Risk is defined as the risk that the value of the pension schemes' assets will be insufficient to meet the estimated liabilities, creating a pension deficit. Pension Obligation Risk can adversely impact in Bank's cash funding obligations to the defined benefit pension schemes.

Changes in investment returns from the assets and the value of the liabilities both cause volatility in the Fund's deficit. The key risk factors impacting the deficit are the realised return on assets, the valuation of liabilities and any underlying actuarial assumptions, including the discount rate.

Bank operates a pension plan for current and former employees which provides both defined benefit and defined contribution pensions, which expose us to different types of risks.

Bank has a responsibility to ensure that Fund members are paid the pension they have been promised. To support this aim, Bank has dedicated pension resource that ensures pension risk is appropriately monitored and managed, whilst helping to educate and engage Fund members about their pension benefits.

For the defined benefit pension scheme there are only 32 employees as on 31.03.2021 who have opted for the scheme which has now since discontinued. The parent has given the guarantee to make good for the shortfall in Defined benefit Pension scheme. Only in case of extreme stress scenario for the parent, the Bank sees some risk to Pension fund. Moreover, the Bank is also contributing to Pension Regulator which provides Insurance cover upto 90% of Pension fund losses.

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2021 by a qualified independent actuary. Contributions to the scheme are made by the Bank based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

There were no changes to the scheme during the year and no amounts owing to the scheme at the year end.

The Bank does not foresee any Pension Obligation Risk.

8.8. Reputational Risk Management

Reputational risk is about fundamental perception of the value of the brand of and the strategic direction of the Bank. The Bank will manage reputational risk in its strategic setting, business planning and operations.

Reputational Risk arises in all activities of the Bank. The Bank seeks to mitigate as far as possible reputational risks by establishing a clear framework of policies for dealing with clients and transacting in markets. This includes providing appropriate training for all staff in these policies and procedures and in the standards expected of Bank staff when dealing with clients and markets.

The Bank has established low tolerance for reputational risk, in particular:

- Regulatory breaches
- Material litigation
- Compliance or Anti-Money Laundering failure
- Business malpractice which causes material damage to clients
- Unethical business and employment practices.

8.9. Tax Risk

Risk management and governance

The Bank maintains internal controls over tax affairs and have clear lines of accountability. The Senior Management is responsible for establishing and maintaining appropriate processes to ensure adherence with the Tax Principles in business decision-making.

Taxation is a fundamental part of our Finance function which is responsible for all aspects of tax compliance as per HMRC rules and to ensure the Bank manages its tax risk conservatively and effectively.

The Bank does not undertake nor facilitate transactions which are designed to achieve tax results that are contrary to the intention of tax legislation. The Bank is committed to combating financial crime including money laundering arising from tax evasion.

The Bank does not engage in tax planning other than that which supports our genuine commercial activity or where the arrangements could adversely impact the Bank's reputation, corporate responsibilities and working relationships with HMRC. The Bank does not enter into arrangements which are against the intention of Parliament and does not use artificial tax structures that are intended for tax avoidance.

Level of tax risk

As an organisation, our structure and our tax affairs are not complex. Accordingly, our appetite for tax risk remains low, and this is reflected in our business activities.

When conducting our business activities, the Bank considers the applicable tax laws with a view to optimising value on a sustainable basis for our clients and stakeholders. This is best served through the maintenance of a low tax risk appetite and to ensure that any inherent tax risks are appropriately mitigated.

Approach to dealing with HMRC

The Bank fosters a culture of transparency and are transparent in our interaction with taxation authorities. The Bank maintains an open and honest relationship with HMRC based on collaboration and integrity.

8.10. Climate Change Risk

The Bank recognises that the impact of climate change can have an impact on our financial position in terms of the valuation of our assets, deprecation rate, other liabilities and financial risk disclosures. The Board of Directors accepts ownership and is accountable for managing the risks and opportunities associated with climate change risks and its impact on the resilience of the company's business model both in the immediate and longer term.

It is understood that there are physical risks associated with changing weather patterns, rainfall variability, extreme weather events, such as cyclones or floods and the impact on our customer's production issues and price fluctuations resulting from global supply and demand. There are also transition risks, the technology, policy and regulatory changes that may affect our customers businesses as governments act on their pledges to reduce carbon emissions.

This risk has been initially assessed as low for the Bank and business model. Climate change risk is being embedded within the bank's Risk framework and Risk Appetite to ensure that it is managed effectively.

8.11. Coronavirus Risk

The Covid-19 outbreak was declared a global pandemic by the World Health Organization on March 11, 2020 which resulted in decline in economic activity and increased volatility in financial markets. There has been a gradual pick-up in economic activity since the easing of lockdown measures which led to resumption of economic activities. The extent to which the Covid-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain including among other things the success of the newly developed vaccines, any new information concerning severity of the new strains of the Covid-19 pandemic and action to contain its spread or mitigate impact including further economic stimulus and long term impact on consumer behaviour, changes in work-place due to remote working, impact on commercial and retail property, etc.

The Bank has carefully monitored the spread of Covid-19 in the UK and other parts of the world, where the Bank has exposure. In year 2019-20, it assessed its exposures in relation to deferment requests and made provisions to cover potential losses. In year 2020-21, the Bank has carefully assessed the residual deferment requests, analysed the recoverability and continued support to a few customers. The Bank has reduced loss provisions related to COVID 19 to £297,000.

The Bank made a number of arrangements to ensure the health and well-being of its employees such as Work from Home (WFH) facility, additional paid leave to employees with vulnerable conditions, support for impacted employees, etc. It also made mask wearing mandatory whenever any employee was in the Bank during Covid-19 pandemic. The Bank allowed its employees to be furloughed if they are eligible under the scheme and the Bank received grants from the HMRC for employees who have been furloughed.

9. Remuneration Disclosure

Bank of Baroda (UK) Limited has instituted a Board Remuneration & Nominations Committee (BRNC) with the following constitution:

- **Chair:** Independent Non-Executive Director ("INED")
- **Voting Members:** Chair of the Committee; Chair of the Board; Independent Non-Executive Directors ("INEDs"), Non-Executive Directors ("NEDs"), Executive Directors.
- **Non-Voting Members:** Head of Human Resources
- **Invitees:** Head of Compliance and Chief Risk Officer.

Table 27: Total Remuneration during FY 2020-21

			Amount in £ Mn
S. N.	Description	31.03.2021	31.03.2020
1	India based officers (IBO) including MD & CEO and secondment from parent	1.008	0.897
2	Local Staff	4.494	3.714
3	Medical insurance of UK Staff	0.041	0.013
4	Total expenditure of UK staff	4.535	3.727
5	Expenditure of India staff	1.783	0.628
6	Total Staff expenses	6.318	5.252
7	Out of above: Remuneration to staff whose actions have a material impact on risk profile of the bank*	1.352*	1.129*
8	Aggregate Total Remuneration for Independent Non-Executive Directors (all fixed remunerations)	0.100	0.092
9	Number of Code staff as Non-Executive Directors as on 31.03.2021	2	2

**Double hatting SMFs/staff, whose remuneration are being paid by the parent bank, are not included in point no.7.*

The above table is based on remuneration committed and costs accrued during the year as charged to the Income Statement. The figures exclude estimated bonuses accrued on 31 March 2021 that will be payable later on.

The Bank does not remunerate or assess the performance of staff in a way that conflicts with their duty to act in the best interest of the firm's clients.

The Bank ensures that client interest and the right to be treated fairly are not impaired by the remuneration practices adopted by the firm in the short, medium or long term.

The Bank does not pay any variable remuneration.

Annexure I:

Countercyclical Buffer

Breakdown by Country	General Credit Exposures (£ Mn)		Trading book exposures (£ Mn)		Securitisation Exposures (£ Mn)		Own Fund Requirement (£ Mn)				Own funds requirements weights	Counter-cyclical capital buffer rate
	Exposure value for SA	Exposure value for IRB	Sum of long and short positions of trading book exposures for SA	Value trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	of which: General credit exposures	of which: Trading book exposures	of which: Securitization exposures	Total		
UK	214.22						15.51			15.51	66.11%	0%
India	50.08						3.69			3.69	15.71%	0%
Indonesia	21.26						1.70			1.70	7.25%	0%
Ukraine	0.01						0.00			0.00	0.00%	0%
Singapore	25.36						2.03			2.03	8.65%	0%
USA	6.69						0.53			0.53	2.28%	0%
Total	**317.63**						**23.46**			**23.46**		

Abbreviations

The following abbreviated terms are used throughout this document

AT1	Additional Tier 1
ALCO	Asset and Liability Committee
BAC	Board Audit Committee
BCC	Board Credit Committee
BRCC	Board Risk and Compliance Committee
CAC	Credit Approval Committee
CCyB	Countercyclical Buffer
CET1	Common Equity Tier 1
CREC	Credit Risk Evaluation Committee
CRD	Capital Requirement Directive
CRR	Capital Requirements Regulation
EBA	European Banking Authority
KRI	Key Risk Indicator
ManCo	Management Committee
RMC	Risk Management Committee
RMF	Risk Management Framework
RNC	Remuneration and Nominations Committee
RWA	Risk Weighted Asset
SYSC	Senior Management Systems and Controls Sourcebook