Bank of Baroda (UK) Limited

Pillar 3 disclosures

Period ending March 31, 2022

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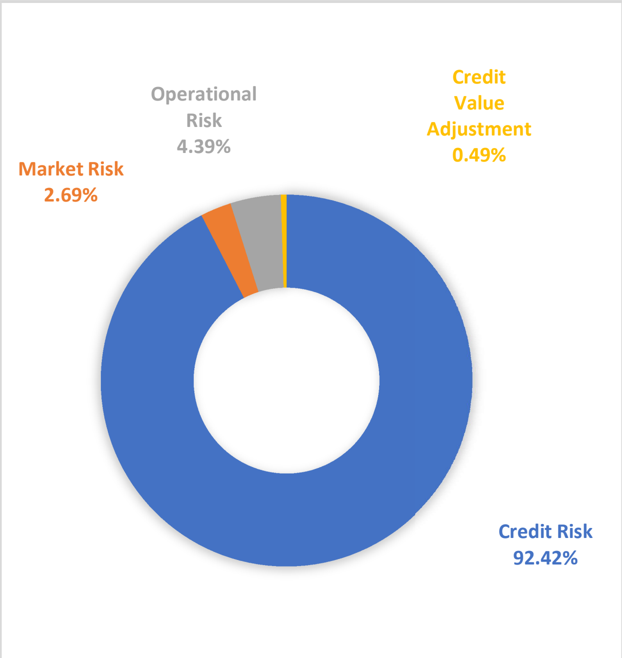
Summary of Risk Profile

This section presents summary of risk profile of Bank of Baroda (UK) Limited as on 31.03.2022 and its interaction with Bank's risk appetite.

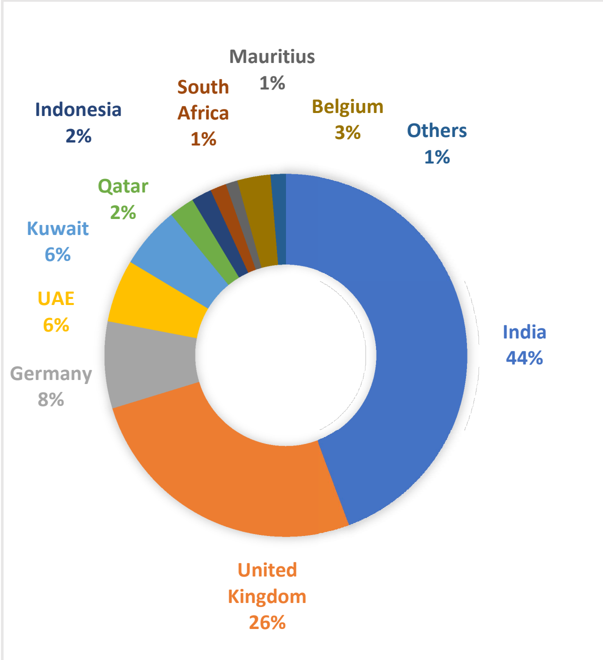
The following risk metrics reflect Bank's risk profile:

Total Assets	**£944.45 Mn**
Profit After Taxation	**£1.60 Mn**
Total Share Capital	**£150 Mn**
Total Capital Adequacy Ratio	**21.96 %**
Common Equity Tier 1 Ratio	**21.96 %**
Total Regulatory Capital	**£159.69 Mn**
Common Equity Tier 1 Capital	**£159.69 Mn**
Risk Weighted Asset	**£727.33 Mn**
Credit Risk	**£672.21 Mn**
Market Risk	**£19.59 Mn**
Operational Risk	**£31.94 Mn**
Credit Value Adjustment	**£3.59 Mn**
Leverage Ratio	**16.23 %**
Liquidity Coverage Ratio	**475.22%**

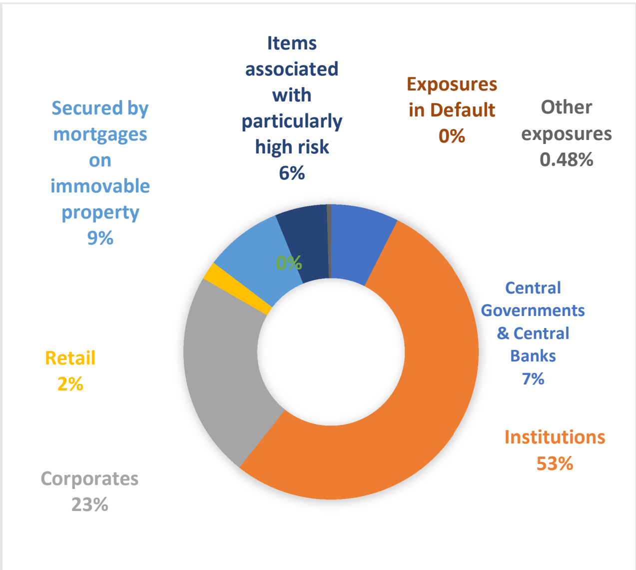
Capital requirement by Risk Type



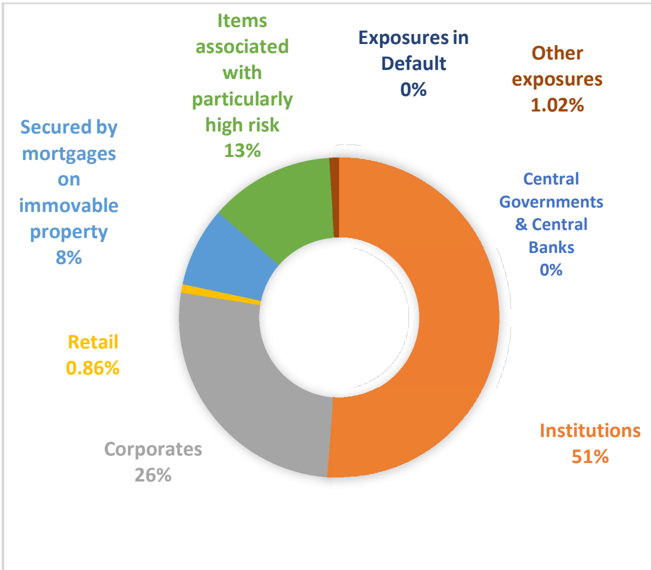
Exposure by Geography



Exposure by Asset Class



RWA by Asset Class



Key Metrics

Table 1: Overview of Risk Weighted Exposure Amount (OV1)[1]

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		31.03.2022	31.12.2021	31.03.2022
1	Credit risk (excluding CCR)	661.68	710.73	52.93
2	Of which the standardised approach	661.68	710.73	52.93
3	Of which the foundation IRB (FIRB) approach			
4	Of which slotting approach			
UK 4a	Of which equities under the simple risk weighted approach			
5	Of which the advanced IRB (AIRB) approach			
6	Counterparty credit risk - CCR	10.53	4.49	0.84
7	Of which the standardised approach	10.53	4.49	0.84
8	Of which internal model method (IMM)			
UK 8a	Of which exposures to a CCP			
UK 8b	Of which credit valuation adjustment – CVA			
9	Of which other CCR			
10	*Empty set in the UK*			
11	*Empty set in the UK*			
12	*Empty set in the UK*			
13	*Empty set in the UK*			
14	*Empty set in the UK*			
15	Settlement risk			
16	Securitisation exposures in the non-trading book (after the cap)			
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
UK 19a	Of which 1250%/ deduction			
20	Position, foreign exchange and commodities risks (Market risk)[2]	23.18	8.65	1.85
21	Of which the standardised approach	23.18	8.65	1.85
22	Of which IMA			
UK 22a	Large exposures			
23	Operational risk	31.94	34.16	2.56
UK 23a	Of which basic indicator approach	31.94	34.16	2.56
UK 23b	Of which standardised approach			
UK 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)			
25	*Empty set in the UK*			
26	*Empty set in the UK*			
27	*Empty set in the UK*			
28	*Empty set in the UK*			
29	**Total**	**727.33**	**758.05**	**58.31**

[1] This disclosure has been implemented from 1 January 2022 and is based on the PRA's disclosure templates and instructions which came into force at that time.
[2] Includes CVA

Table 2: Key Metrics Template (KM1)[3]

		31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021
	Available own funds (£mn)					
1	Common Equity Tier 1 (CET1) capital	159.7	160.2	162.9	164.0	164.5
2	Tier 1 capital	159.7	160.2	162.9	164.0	164.5
3	Total capital	159.7	160.2	162.9	164.0	164.5
	Risk-weighted exposure (£mn)					
4	Total risk-weighted exposure amount	727.3	758.0	741.7	738.0	672.3
	Capital ratios (%)					
5	Common Equity Tier 1 ratio (%)	21.96%	21.1%	22.0%	22.2%	24.5%
6	Tier 1 ratio (%)	21.96%	21.1%	22.0%	22.2%	24.5%
7	Total capital ratio (%)	21.96%	21.1%	22.0%	22.2%	24.5%
	Additional own funds requirements based on SREP (as a % of risk-weighted exposure amount)					
UK 7a	Additional CET1 SREP requirements (%)	N/A	N/A	N/A	N/A	N/A
UK 7b	Additional AT1 SREP requirements (%)	N/A	N/A	N/A	N/A	N/A
UK 7c	Additional T2 SREP requirements (%)	N/A	N/A	N/A	N/A	N/A
UK 7d	Total SREP own funds requirements (%)	13.9%	13.9%	11.3%	11.3%	11.3%
	Combined buffer requirement (as a % of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)					
9	Institution specific countercyclical capital buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
UK 9a	Systemic risk buffer (%)					
10	Global Systemically Important Institution buffer (%)					
UK 10a	Other Systemically Important Institution buffer					
11	Combined buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
UK 11a	Overall capital requirements (%)	18.14%	18.14%	14.12%	14.12%	14.12%
12	CET1 available after meeting the total SREP own funds requirements (%)					
	Leverage ratio[4]					
13	Total exposure measure excluding claims on central banks	983.58	N/A	N/A	N/A	N/A
14	Leverage ratio excluding claims on central banks (%)	16.2%	16.3%	15.7%	15.9%	16.3%

[3] This disclosure has been implemented from 1 January 2022 and is based on the PRA's disclosure templates and instructions which came into force at that time.

[4] For this first period, Leverage reflects the position as at 31 March 2022 and is disclosed based on the PRA guidance that came in effect on 1 January 2022.

		31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2021
	Additional leverage ratio disclosure requirements					
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)					
14b	Leverage ratio including claims on central banks (%)					
14c	Average leverage ratio excluding claims on central banks (%)					
14d	Average leverage ratio including claims on central banks (%)					
14e	Countercyclical leverage ratio buffer (%)					
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	87.87	88.72	89.62	83.12	83.52
UK 16a	Cash outflows - Total weighted value	73.96	89.22	124.86	76.66	62.09
UK 16b	Cash inflows - Total weighted value	85.19	81.64	144.59	202.24	161.73
16	Total net cash outflows (adjusted value)	18.49	22.30	31.21	19.16	15.52
17	Liquidity coverage ratio (%)	475.22%	397.78%	287.00%	433.70%	538.08%
	Net Stable Funding Ratio[5]					
18	Total available stable funding	788.5	N/A	N/A	N/A	N/A
19	Total required stable funding	408.2	N/A	N/A	N/A	N/A
20	NSFR ratio (%)	193.1%	N/A	N/A	N/A	N/A

[5] For this first period, NSFR reflects the position as at 31 March 2022 and is disclosed based on the PRA guidance that came in effect on 1 January 2022.

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 8,168 branches in Indian Operations and 94 branches / offices in 17 countries, as on 31.03.2022.

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. The disclosure includes use the PRA's disclosure templates and instructions which came into force on 1 January 2022, which are applicable to the Bank.

Any disclosures within this report have been prepared as at 31 March, 2022 and in line with the Bank's annual report and financial report for the year ended 31 March, 2022and this report was approved by the Board on 18.07.2022.

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
- Counterparty Credit Risk –Original Exposure Method 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	£1,611k*
Benchmark applied	1% Net Assets
Performance Materiality	Performance materiality of £967k is applied.

**Asset base as on 31.03.2022has 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 Audit Committee ("BAC") and the Board.

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 Bank delivers its corporate and retail banking products and services through 10 branches located all over England. The Bank's focus is on building a sustainable business model with strong and robust corporate governance and control environment. The Bank offers a 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. 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, currently, the bank has portfolio of secondary market loan syndications 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 expand and diversify 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 in its chosen product range.

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 PRA has made a number of changes to banking regulatory reporting requirements, and explained these changes are being implemented in the CRR reporting modules.

Following PS22/21 'Implementation of Basel Standards', the PRA has incorporated the entire body of the UK version of COREP and FINREP requirements, which is aligned to the European Banking Authority (EBA) Taxonomy 3.0. In PS21/21 'The UK leverage ratio framework', the PRA made changes to the Leverage Ratio reporting requirements which will take effect on 1 January 2022. Firms are required to submit Remuneration Benchmarking and High Earners Reports to the PRA, as set out in Chapters 17 and 18 of the Remuneration Part of the PRA Rulebook, respectively.

The CRR 2 / CRD V guidelines have been implemented by the Bank from 1 January 2022. The Bank complies with the capital requirements of CRR 2 and CRD V (Basel III), making important amendments in a number of areas including large exposures, leverage ratio, liquidity, market risk, counterparty credit risk, as well as reporting and disclosure requirements composition and quality of capital.

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 £159.69 million as on 31 March 2022.

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: Pillar1 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.

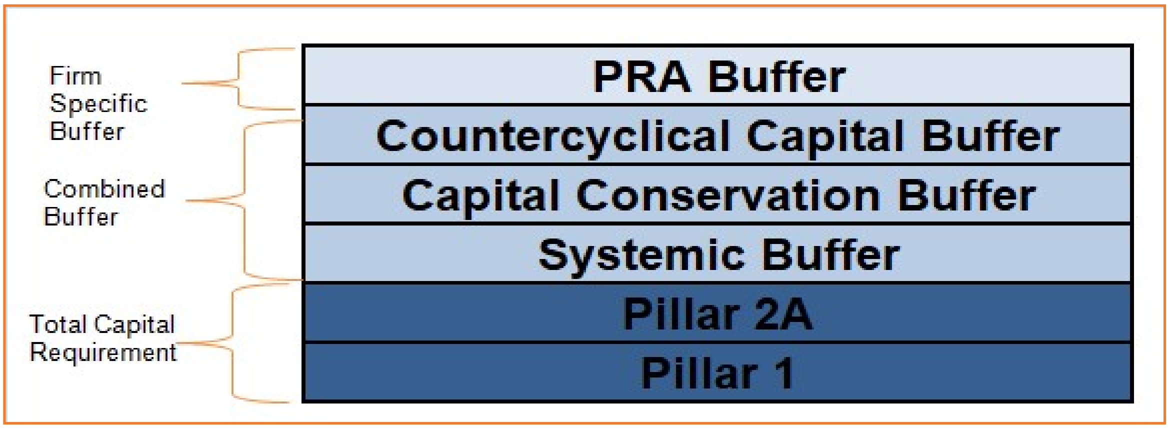
Capital Conservation Buffer (CCoB): The capital conservation buffer (CCoB) is a capital buffer of 2.5% of a bank's total risk exposure amount that needs to be met with an additional amount of Common Equity Tier 1 capital. The buffer sits on top of the 4.5% minimum requirement for Common Equity Tier 1 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 2022, Bank has not issued any other capital.

Table 3: Capital Ratios

As on 31.03.2022 bank's minimum regulatory capital requirement was 18.14%. Bank has capital adequacy ratio of 21.96% which is above the minimum regulatory capital requirement.

Bank's capital adequacy ratio as on 31.03.2022 is as below:

Particulars	31.03.2022	31.03.2021
CET 1	21.96%	24.47%
Tier 1	21.96%	24.47%
Tier 2	-	-
Total Capital Ratio	**21.96%**	**24.47%**

Table 4: Capital Resources

Details of capital resources as on 31.03.2022 are as below:

		Amount in £Mn
Particulars	31.03.2022	31.03.2021
CET 1	159.69	164.52
Tier 1	159.69	164.52
Tier 2	-	-
Total Available Capital	**159.69**	**165.52**

Table 5: Composition of Tier 1 capital

Components of Tier 1 capital as on 31.03.2022 are as below:

		Amount in £ Mn
Particulars	31.03.2022	31.03.2021
Share capital	150.00	150.00
Retained Earnings	14.62	13.03
Other Comprehensive Income	(3.51)	2.61
Additional Value Adjustments	(1.23)	(0.93)
Other Intangible Asset	(0.19)	(0.19)
Total Tier 1 Capital	**159.69**	**164.52**

Table 6: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

(£Mn)	Balance sheet as in published financial statements 31.03.2022	Under regulatory scope of consolidation 31.03.2022
Share capital	150.00	150.00
Fair value reserves	- 3.51	- 3.51
Retained earnings	14.62	14.62
Total shareholders' equity	**161.11**	**161.11**
Less: Additional value adjustments		- 1.23
Less: Intangible assets		- 0.19
Common Equity Tier 1 Capital		**159.69**
Additional Tier 1 Capital		**-**
Total Tier 1 Capital		**159.69**
Tier 2 Capital		**-**
Total Regulatory Capital		**159.69**

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 7: Pillar I Risk Weighted Exposure

Table presents total risk weighted exposures by pillar 1 risks, as on 31.03.2022 (Amt in £Mn)

Particulars	31.03.2022	31.03.2021
Credit Risk	672.21	623.64
Market Risk	19.59	12.09
Operational Risk	31.94	34.16
Credit Value Adjustment	3.59	2.40
Total	**727.33**	**672.29**

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 8: Standardised approach – Credit risk exposure and CRM effects (CR4)

As on 31.03.2022

Exposure classes[6]	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
(£ Mn)	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
Central governments or central banks	75.39	-	75.39	-	-	0.00%
Regional government or local authorities						
Public sector entities						
Multilateral development banks						
International organisations						
Institutions[7]	538.88	-	538.88	-	344.29	51.22%
Corporates	213.82	15.26	203.99	4.27	176.67	26.28%
of which SME	9.24	2.80	2.90	0.55	2.69	0.39%
Retail	12.57	8.11	4.56	1.39	5.76	0.86%
Secured by mortgages on immovable property	74.25	11.78	74.21	2.4	54.03	8.04%
of which SME	53.00	7.32	52.99	1.46	43.81	6.42%
Exposures in default	0.01	-	0.01	-	0.02	0.00%
Exposures associated with particularly high risk	56.1	1.41	56.1	0.28	84.57	12.58%
Covered bonds						
Institutions and corporates with a short-term credit assessment						

[6] Exposure classes in the disclosure document are as per article 114 to article 134 of CRR guidelines
[7] Includes derivative exposure

Exposure classes[6] (£ Mn)	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
Collective investment undertakings						
Equity						
Other items	4.87	-	4.87	-	6.87	1.02%
TOTAL	**975.89**	**36.56**	**958.01**	**8.34**	**672.21**	

As on 31.03.2021

Exposure classes (£ Mn)	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
Central governments or central banks	70.53	-	70.53	-	-	0.00%
Regional government or local authorities						
Public sector entities						
Multilateral development banks						
International organisations						
Institutions	618.54	0.58	618.54	0.1	309.19	49.58%
Corporates	166.75	10.62	137.92	2.65	153.66	24.64%
of which SME[8]	-	-	-	-	-	-
Retail	8.55	8.52	1	1.49	1.87	0.30%
Secured by mortgages on immovable property	59.23	7.3	59.16	1.5	52.77	8.46%
of which SME[9]	-	-	-	-	-	-
Exposures in default	0.02	-	0.02	-	0.02	0.00%
Exposures associated with particularly high risk	56.66	-	56.66		84.99	13.63%
Covered bonds						
Institutions and corporates with a short-term credit assessment						
Collective investment undertakings						
Equity						
Other items	21.6	-	21.6	-	21.14	3.39%
TOTAL	**1001.88**	**27.02**	**965.43**	**5.74**	**623.64**	

[8] Although exposure to SME as on 31.03.2021 (as defined under EBA CRR articles 123 and 501) is shown as nil, the Bank has exposure to the broader SME sector which was not segregated.

[9] Although exposure to SME as on 31.03.2021 (as defined under EBA CRR articles 123 and 501) is shown as nil, the Bank has exposure to the broader SME sector which was not segregated.

Table 9: Analysis of Exposure by Geographic Distribution

As on 31.03.2022

Particulars	Exposure Before CRM & CCF (£ Mn)	Exposure After CRM & CCF (£ Mn)
India	448.80	448.80
United Kingdom	262.61	216.65
Germany	78.43	78.43
UAE	56.52	56.52
Kuwait	55.82	55.82
Belgium	30.00	30.00
Qatar	22.93	22.93
Indonesia	18.37	18.37
South Africa	14.48	14.48
Mauritius	10.67	10.67
Others	13.80	13.67
Total	**1012.44**	**966.35**

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
UAE	64.00	64.00
Kuwait	55.78	55.78
Qatar	50.00	50.00
Indonesia	25.36	25.36
South Africa	21.26	21.26
Mauritius	17.57	17.57
Belgium	10.88	10.88
Others	5.46	4.97
Total	**1028.90**	**971.18**

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

Exposure before CRM & CCF (£ Mn)- as on 31.03.2022

	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	387.92	60.88	0.00	0.00	0.00	0.00	0.00	448.80
United Kingdom	15.00	20.56	63.97	20.68	80.02	57.50	0.01	4.87	262.61
Germany	0.00	78.43	0.00	0.00	0.00	0.00	0.00	0.00	78.43
UAE	56.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	56.52
Kuwait	0.00	0.00	55.82	0.00	0.00	0.00	0.00	0.00	55.82
Qatar	3.88	0.00	19.05	0.00	0.00	0.00	0.00	0.00	22.93
Indonesia	0.00	0.00	18.37	0.00	0.00	0.00	0.00	0.00	18.37
South Africa	0.00	14.48	0.00	0.00	0.00	0.00	0.00	0.00	14.48
Mauritius	0.00	0.00	10.67	0.00	0.00	0.00	0.00	0.00	10.67
Belgium	0.00	30.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00
Others	0.00	7.49	0.31	0.00	6.00	0.00	0.00	0.00	13.80
Total	**75.39**	**538.88**	**229.08**	**20.68**	**86.02**	**57.50**	**0.01**	**4.87**	**1012.44**

As on 31.03.2021

	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	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**

Table 11: Analysis of Risk Weighted Exposure by Geography and Asset Class

As on 31.03.2022

(£ 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	291.79	60.88	0.00	0.00	0.00	0.00		352.67
United Kingdom	0.00	6.61	54.78	5.76	48.04	84.57	0.02	6.87	206.64
Germany	0.00	15.69	0.00	0.00	0.00	0.00	0.00		15.69
UAE	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Kuwait	0.00	0.00	27.91	0.00	0.00	0.00	0.00		27.91
Qatar	0.00	0.00	3.81	0.00	0.00	0.00	0.00		3.81
Indonesia	0.00	0.00	18.37	0.00	0.00	0.00	0.00		18.37
South Africa	0.00	14.48	0.00	0.00	0.00	0.00	0.00		14.48
Mauritius	0.00	0.00	10.67	0.00	0.00	0.00	0.00		10.67
Belgium	0.00	12.42	0.00	0.00	0.00	0.00	0.00		12.42
Others	0.00	3.32	0.23	0.00	6.00	0.00	0.00		9.55
Total	**0.00**	**344.29**	**176.67**	**5.76**	**54.04**	**84.57**	**0.02**	**6.87**	**672.21**

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**

Table 12: Standardised approach (CR5)[10]

As on 31.03.2022 (£ Mn)

Exposure classes	Risk weight														Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Central governments or central banks	75.39															75.39	
Regional government or local authorities																0	
Public sector entities																0	
Multilateral development banks																0	
International organisations																0	
Institutions					117.7		200.87			220.32	0					538.89	
Corporates					19.05		55.82			108.76	24.63					208.26	84.73
Retail exposures									0.77	5.18						5.95	
Exposures secured by mortgages on immovable property						18.35				58.26	0					76.61	

[10] Values are post CCF and CRM

Exposure classes	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Exposures in default										0	0.01					0.01	
Exposures associated with particularly high risk											56.38					56.38	
Covered bonds																0	
Exposures to institutions and corporates with a short-term credit assessment																0	
Units or shares in collective investment undertakings																0	
Equity exposures																0	
Other items	0.38									2.91		1.58				4.87	
TOTAL	**75.77**	**-**	**-**	**-**	**136.75**	**18.35**	**256.69**	**-**	**0.77**	**395.43**	**81.02**	**1.58**	**-**	**-**	**-**	**966.35**	**84.73**

As on 31.03.2021 (£ Mn)

Exposure classes	Risk weight														Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Central governments or central banks	70.53															70.53	
Regional government or local authorities																	
Public sector entities																	
Multilateral development banks																	
International organisations																	
Institutions					259.76		203.28			155.60						618.64	
Corporates										114.39	26.18					140.57	91.34
Retail exposures									2.49							2.49	
Exposures secured by mortgages on immovable property						12.14				48.52						60.66	
Exposures in default											0.02					0.02	

Exposure classes	Risk weight															Total	Of which unrated
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
Exposures associated with particularly high risk										56.66						56.66	
Covered bonds																	
Exposures to institutions and corporates with a short-term credit assessment																	
Units or shares in collective investment undertakings																	
Equity exposures																	
Other items	0.46									21.14						21.60	
TOTAL	**70.99**	**-**	**-**	**-**	**259.76**	**12.14**	**203.28**	**-**	**2.49**	**396.31**	**26.20**	**-**	**-**	**-**	**-**	**971.18**	**91.34**

Table 13: Analysis of On and Off-Balance sheet Exposure by Risk Weight

As on 31.03.2022

(£ Mn)	Exposure Before CRM & CCF	Exposure After CRM & CCF	RWA
=0%	75.77	75.77	0.00
> 0 and ≤ 12%	0.00	0.00	0.00
> 12 and ≤ 20%	136.75	136.75	27.35
> 20 and ≤ 50%	276.18	275.04	134.77
> 50 and ≤ 75%	1.81	0.77	0.57
> 75 and ≤ 100%	438.16	395.42	384.03
> 100 and ≤ 425%	83.78	82.60	125.49
> 425 and ≤ 1250%	-	-	-
Total on and off balance sheet exposure	**1012.44**	**966.35**	**672.21**

As on 31.03.2021

(£ Mn)	Exposure Before CRM & CCF	Exposure After CRM & CCF	RWA
=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**

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 14: Exposure to Corporates rated by ECAI Credit quality step wise

As on 31.03.2022

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%	55.82	55.82	27.91
3	100%	43.19	43.19	43.19
4	100%	0.00	0.00	0.00
5	150%	24.52	24.52	36.78
6	150%	0.00	0.00	0.00
Unrated	100%	105.55	84.73	68.79
Total		**229.08**	**208.26**	**176.67**

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**

Table 15: Exposure to Institutions rated by ECAI Credit quality step wise

As on 31.03.2022

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%	28.95	28.95	10.53
2	50%	20%	100.16	100.16	26.02
3	50%	20%	150.52	150.52	67.95
4	100%	50%	259.26	259.26	239.79
5	100%	50%	0.00	0.00	0.00
6	150%	150%	0.00	0.00	0.00
Unrated	100%	100%	0.00	0.00	0.00
Total			**538.88**	**538.88**	**344.29**

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**

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 16: CRM techniques overview: Disclosure of the use of credit risk mitigation techniques(CR3) as on 31.03.2022[11]

	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances[12]	521.31	188.67	184.63	4.03	NIL
Debt securities	276.87				
Total	**798.18**	**188.67**	**184.63**	**4.03**	**NIL**
Of which non-performing exposures					
Of which defaulted					

3.1.2. Dilution Risk

The Bank regularly reviews its loan portfolio to assess for impairment. Provisions are established to recognise incurred losses in the loan portfolio carried at amortised cost. In determining whether an impairment has occurred at the balance sheet date, the Bank assesses if there is objective evidence of impairment because of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single,

[11] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.
[12] Including loans and advances to customers and placements.

discrete event that caused the impairment and rather the combined effect of several events may have caused the impairment.

In accordance with the guidelines of FRS 102, an impairment loss for financial assets measured at amortized cost is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The estimated future cash flows consider only the credit losses that have been incurred at the time of the impairment loss calculation. In case the expected cash flows are not available, the breakup value of security/collateral for respective facilities under watch is calculated in accordance with the Bank's Credit Risk policy. In line with accounting guidelines, the Bank recognises an impairment loss equal to the best estimate within the range of reasonable possible outcomes, considering all relevant information available about conditions existing at the end of the reporting period. Collectively assessed impairment allowances cover credit losses inherent in portfolios with similar economic characteristics, when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. In assessing the need for collective impairment allowances, management considers factors such as historical loss trends, credit quality of the portfolio, portfolio size, concentrations, and economic factors. The aggregate amount of specific and collective provisions is intended to be sufficient to absorb estimated credit losses generated in the loan portfolio. The provisioning policy, stipulates that collective provision, based on the credit rating of the exposures, needs to be provided in respect of the entire performing loan and receivables portfolio. The Bank has followed FRS 102 guidelines for defining its impairment wherein the provisioning is determined by the extent of the underlying credit risk in the portfolio of the Bank. The exposures that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment. The Bank has been using Probability of Default (PD)/Loss Given Default (LGD) data as per the internal rating to determine the extent of provisioning required to be made in respect of the performing loan portfolio on a collective basis. The aggregate provisioning requirement is arrived at by multiplying the outstanding amounts under each portfolio type (internally rated and externally rated exposures) on the relevant date with the corresponding PD and LGD.

Table 17: Performing and non-performing exposures and related provisions (CR1) as on 31.03.2022[13]

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3[14]		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits															
010	Loans and advances	**674.21**					0.01		0.63	0.37			0.01			
020	*Central banks*															
030	*General governments*															
040	*Credit institutions*	390.36							0.00							
050	*Other financial corporations*	59.63														
060	*Non-financial corporations*	224.22					0.01		0.63	0.37			0.01			
070	*Of which SMEs*	131.30					0.01		0.10	0.22			0.01			
080	*Households*															
090	Debt securities	**276.87**														
100	*Central banks*															
110	*General governments*	75.39														
120	*Credit institutions*	158.29														
130	*Other financial*															

[13] Excluding exposure due to variation margin and exposure to other assets.
[14] The Bank is following FRS102, and the staging is not as per IFRS.

		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3[14]		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
	corporations															
140	*Non-financial corporations*	43.19														
150	Off-balance-sheet exposures															
160	*Central banks*															
170	*General governments*															
180	*Credit institutions*															
190	*Other financial corporations*															
200	*Non-financial corporations*	35.78														
210	*Households*															
220	***Total***	**986.85**	**-**	**-**	**0.01**	-	0.01		0.63	0.37			0.01	-	-	-

Table 18: Maturity of Exposures (CR1-A) as on 31.03.2022[15]

		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	48.04	432.03	180.92	13.22	35.78	**709.98**
2	Debt securities	-	93.68	183.19	-	-	**276.87**
	Total	**76.98**	**496.77**	**364.11**	**13.22**	**35.78**	**986.85**

[15] Excluding exposure due to variation margin and exposure to other assets. Values are pre CCF and CRM.

Table 19: Changes in the stock of non-performing loans and advances (CR2)[16]

(£ Mn)		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	0.02
020	Inflows to non-performing portfolios	0.00
030	Outflows from non-performing portfolios	0.01
040	Outflows due to write-offs	0.00
050	Outflow due to other situations	0.01
060	**Final stock of non-performing loans and advances**	**0.01**

Table 20: Changes in the stock of non-performing loans and advances and related net accumulated recoveries (CR2a)[17]

(£ Mn)		Gross carrying amount	Related net accumulated recoveries
010	**Initial stock of non-performing loans and advances**	0.02	
020	Inflows to non-performing portfolios		
030	Outflows from non-performing portfolios	0.01	
040	Outflow to performing portfolio		
050	Outflow due to loan repayment, partial or total	0.01	
060	Outflow due to collateral liquidations		
070	Outflow due to taking possession of collateral		
080	Outflow due to sale of instruments		
090	Outflow due to risk transfers		
100	Outflows due to write-offs		
110	Outflow due to other situations		
120	Outflow due to reclassification as held for sale		-
130	**Final stock of non-performing loans and advances**	**0.01**	

[16] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.
[17] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

Table 21: Credit quality of performing and non-performing exposures by past due days (CQ3)[18]

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits												
010	Loans and advances	**674.21**	3.90					0.01					
020	*Central banks*												
030	*General governments*												
040	*Credit institutions*	390.36											
050	*Other financial corporations*	59.63											
060	*Non-financial corporations*	224.22	3.90					0.01					
070	*Of which SMEs*	131.30	3.90					0.01					
080	*Households*												
090	Debt securities	**276.87**											
100	*Central banks*												
110	*General governments*	75.39											
120	*Credit institutions*	158.29											
130	*Other financial corporations*												
140	*Non-financial corporations*	43.19											

[18] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
150	Off-balance-sheet exposures												
160	*Central banks*												
170	*General governments*												
180	*Credit institutions*												
190	*Other financial corporations*												
200	*Non-financial corporations*	35.78			0.00								
210	*Households*												
220	***Total***	**986.85**											

Table 22: Quality of non-performing exposures by geography (CQ4)[19]

	(£ Mn)	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	***On-balance-sheet exposures***	***951.07***						-
020	*UK*	216.38	0					-
030	*India*	448.03						-
040	*Indonesia*	18.38						-
050	*Mauritius*	10.67						-
060	*Qatar*	22.93						-
	South Africa	14.48						- -
	USA	6.00						- -
	Belgium	18.68						
	Germany	78.43						
	UAE	56.52						
	France	4.76						
	Kuwait	55.82						
	Country N							- -
070	*Other countries*	***2.63***						-
080	***Off-balance-sheet exposures***	36.55						
090	*UK*	35.54						
140	*Other countries*	1.01						
150	***Total***	***986.85***						-

[19] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

Table 23: Credit quality of loans and advances to non-financial corporations by industry (CQ5)[20]

(£ Mn)		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	0.00					
020	Mining and quarrying	24.52					
030	Manufacturing	0.03					
040	Electricity, gas, steam and air conditioning supply	18.37					
050	Water supply						
060	Construction	16.92					
070	Wholesale and retail trade	20.54					
080	Transport and storage	6.46					
090	Accommodation and food service activities	1.46					
100	Information and communication						
110	Financial and insurance activities						
120	Real estate activities	120.26					
130	Professional, scientific and technical activities						
140	Administrative and support service activities						
150	Public administration and defence, compulsory social security						
160	Education						
170	Human health services and social work activities						
180	Arts, entertainment and recreation						
190	Other services	16.58	0.015				
200	**Total**	**225.14**	**0.015**				

[20] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

Table 24: Collateral valuation - loans and advances (CQ6)[21]

(£ Mn)		Loans and advances	Performing	Of which past due > 30 days ≤ 90 days	Non-performing	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days	Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
010	Gross carrying amount	272.24	272.23	0.01	0.01					0.01			
020	*Of which secured*	0.00	0.00										
030	*Of which secured with immovable property*	155.56	155.56	0	0								
040	*Of which instruments with LTV higher than 60% and lower or equal to 80%*	155.09	155.09										
050	*Of which instruments with LTV higher than 80% and lower or equal to 100%*	0.47	0.47										
060	*Of which instruments with LTV higher than 100%*	0	0										
070	Accumulated impairment for secured assets	0											
080	Collateral												

[21] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

(£ Mn)		Loans and advances	Performing		Non-performing								
				Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days	Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
090	*Of which value capped at the value of exposure*	0											
100	*Of which immovable property*	0											
110	*Of which value above the cap*	0											
120	*Of which immovable property*	0											
130	Financial guarantees received	0											
140	Accumulated partial write-off	0											

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.

The Bank engages in derivatives transactions in the form of foreign exchange swaps and determines counterparty credit risk ("CCR") exposure arising from these transactions since they reflect derivatives trades listed in UK CRR, Annex II.

As a result of further implementation of Basel III rules, reflected in the Counterparty Credit Risk (CRR) Part of the PRA Rulebook and effective from 1 January 2022, the Bank has elected to use the original exposure method ("OEM") for calculation of CCR exposure. The exposure value for CCR is calculated as 1.4 times the sum of the Replacement Cost ("RC") – derived as either the sum of the threshold amount and minimum transfer amount associated with underlying margin agreements (for margined trades), or the mark-to-market value – where positive – of unmargined transactions – and, the PFE amount – calculated, for foreign exchange-related transactions, as the sum of the individual PFE amount per transaction, which is equal to 4% of the relevant notional amount (and subsequently, for margined trades only, multiplied by a factor of 0.42).

Table 25: Counterparty Credit Risk as on 31.03.2022

(£ Mn)	31.03.2022		31.03.2021	
	RWA	Capital Required	RWA	Capital Required
Counterparty Credit Risk[22]	10.53	0.84	17.43	1.49

Table 26: Analysis of CCR exposure by approach (CCR1)[23]

As on 31.03.2022 (£ Mn)		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
UK1	Original Exposure Method (for derivatives)	0.81	19.86		1.4	28.94	28.94	28.94	10.53
UK2	Simplified SA-CCR (for derivatives)	-	-	-			-	-	-
1	SA-CCR (for derivatives)								
2	IMM (for derivatives and SFTs)								
2a	*Of which securities financing transactions netting sets*								
2b	*Of which derivatives and long settlement transactions netting sets*								
2c	*Of which from*								

[22] Includes in section 3.1 as part of Credit Risk

[23] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

As on 31.03.2022 (£ Mn)		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
	contractual cross-product netting sets								
3	Financial collateral simple method (for SFTs)								
4	Financial collateral comprehensive method (for SFTs)								
5	VaR for SFTs								
6	**Total**					**28.94**	**28.94**	**28.94**	**10.53**

3.3. Credit Valuation Adjustment ("CVA")

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

Table 27: Credit Value Adjustment as on 31.03.2022

(£ Mn)	**31.03.2022**		**31.03.2021**	
	RWA	**Capital Required**	**RWA**	**Capital Required**
Credit Value Adjustment	3.59	0.29	2.40	0.19

Table 28: Transactions subject to own funds requirements for CVA risk (CCR2)[24]

	As on 31.03.2022 (£Mn)	Exposure value	RWEA
1	Total transactions subject to the Advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) stressed VaR component (including the 3× multiplier)		
4	Transactions subject to the Standardised method		
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	28.94	3.59
5	**Total transactions subject to own funds requirements for CVA risk**	**28.94**	**3.59**

[24] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

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 29: Market Risk

Particulars	31.03.2022 RWA (£ Mn)	31.03.2022 Capital Required (£ Mn)	31.03.2021 RWA (£ Mn)	31.03.2021 Capital Required (£ Mn)
Foreign Exchange Risk	19.59	1.57	12.09	0.97

Table 30: Market risk under the standardised approach (MR1)[25]

(£ Mn)		RWAs (31.03.2022)	RWAs (31.03.2021)
	Outright products		
1	Interest rate risk (general and specific)		
2	Equity risk (general and specific)		
3	Foreign exchange risk	19.59	12.09
4	Commodity risk		
	Options		
5	Simplified approach		
6	Delta-plus approach		
7	Scenario approach		
8	Securitisation (specific risk)		
9	**Total**	**19.59**	**12.09**

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.

The Bank has adopted the Basic Indicator Approach ("BIA") for operational risk capital requirements, in accordance with UK CRR, Chapter 2 of Title III.

[25] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

Using the BIA, the operational risk own funds requirement is equal to 15% of the average over 3-years of the Relevant Indicator (UK CRR, article 316).

Operational Risk Capital is calculated on the basis of actual gross income of previous three years.

Table 31: Operational risk own funds requirements and risk-weighted exposure amounts (OR1)[26]

As on 31.03.2022

(£ Mn)		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	16.44	17.93	16.74	2.56	31.94
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	*Subject to TSA:*					
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

As on 31.03.2021

(£ Mn)		Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	16.44	17.93	20.28	2.73	34.16
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	*Subject to TSA:*					
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

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.

[26] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

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 31.03.2022 was 16.23% against minimum requirement of 3%.

Table 32: Leverage Ratio

Particulars	31.03.2022	Amount in £Mn 31.03.2021
Balance Sheet Assets	946.57	1002.99
Off Balance Sheet Assets	9.49	7.50
Other Adjustments	-1.42	-1.11
Derivative Exposure	28.94	-
Total Leverage Exposure	**983.58**	**1009.37**
Tier 1 Capital Resources	**159.69**	**164.52**
Leverage Ratio	**16.23%**	**16.30%**

Table 33: Split up of On Balance sheet exposure

Particulars	31.03.2022	Amount in £ Mn 31.03.2021
Total on balance sheet exposure (excluding derivatives, SFTs, and exempted exposures), of which:	**946.57**	**1002.99**
Trading book exposure	**-**	**-**
Banking book exposure, of which:	**946.57**	**1002.99**
Covered bonds	-	-
Exposure treated as sovereigns	75.39	70.53
Exposure to regional governments, MDB, international organizations and PSE not treated as sovereigns	-	-
Institutions	489.99	618.54
Secured by mortgages of immovable properties	74.25	59.23
Retail exposures	12.57	8.55
Corporate	213.82	166.75
Exposure in default	0.01	0.02
Other exposures	80.54	79.37

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 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 conducts Internal Liquidity Adequacy Assessment Process ("ILAAP") for assessment of its liquidity and funding resources compared with both regulatory liquidity and funding requirements, and the Bank's own internal risk appetite for liquidity and funding. It takes into account the Bank's liquidity and funding profile, its liquidity risk management framework and the results of its stress testing. Risk identification and associated stress testing has been undertaken by looking at both idiosyncratic and market-wide severe and plausible scenarios which could impact upon the Bank.

Liquidity Coverage Ratio ("LCR"):

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 34: Liquidity Coverage Ratio

Particulars	Amount in £Mn	
	31.03.2022	31.03.2021
Total HQLA	87.87	83.52
Total Outflows	73.96	62.09
Total Inflows	85.19	161.73
Net Cash Outflow (A)	-11.23	-99.64
25% of total cash outflows (B)	18.49	15.52
Total Net Cash Outflows (max (A, B))	18.49	15.52
Liquidity Coverage Ratio	**475.22%**	**538.08%**

Table 35: Quantitative information of LCR (LIQ1)[27]

		Total unweighted value (average)				Total weighted value (average)			
UK 1a		31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2022	31.12.2021	30.09.2021	30.06.2021
UK 1b	Number of data points used in the calculation of averages	4	4	4	4	-	-	-	-
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					96.28	98.99	92.37	84.55
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of	55.41	97.65	139.10	141.45	5.54	9.77	13.91	14.15

[27] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

UK 1a		Total unweighted value (average)				Total weighted value (average)			
		31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2022	31.12.2021	30.09.2021	30.06.2021
	which:								
3	*Stable deposits*	177.36	142.32	118.13	112.71	8.87	7.12	5.91	5.64
4	*Less stable deposits*	76.37	57.82	64.03	66.60	14.35	11.10	11.91	8.20
5	Unsecured wholesale funding	77.90	87.68	111.52	90.87	33.12	38.18	62.39	41.85
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*								
7	*Non-operational deposits (all counterparties)*								
8	*Unsecured debt*								
9	*Secured wholesale funding*	-				-	-	-	-
10	Additional requirements								
11	*Outflows related to derivative exposures and other collateral requirements*	13.31	13.07	8.87	-	13.31	13.07	8.87	-
12	*Outflows related to loss of funding on debt products*								
13	*Credit and liquidity facilities*								
14	Other contractual funding obligations	33.33	14.78	9.61	13.69	3.00	1.28	0.72	1.10
15	Other contingent funding obligations	3.11	2.69	3.13	4.65	0.16	0.13	0.16	0.23
16	TOTAL CASH OUTFLOWS					78.34	80.65	103.86	71.17
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)								
18	Inflows from fully performing exposures	90.18	82.22	218.30	248.55	90.12	81.12	198.11	229.07
19	Other cash inflows	6.61	4.68	9.47	7.69	0.33	0.23	3.87	0.98
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries								

		Total unweighted value (average)				Total weighted value (average)			
UK 1a		31.03.2022	31.12.2021	30.09.2021	30.06.2021	31.03.2022	31.12.2021	30.09.2021	30.06.2021
	where there are transfer restrictions or which are denominated in non-convertible currencies)								
UK-19b	(Excess inflows from a related specialised credit institution)								
20	TOTAL CASH INFLOWS	96.79	86.90	227.77	256.24	90.45	81.35	201.99	230.05
UK-20a	*Fully exempt inflows*								
UK-20b	*Inflows subject to 90% cap*								
UK-20c	*Inflows subject to 75% cap*	96.79	86.90	227.77	256.24	90.45	81.35	201.99	230.05
TOTAL ADJUSTED VALUE									
UK-21	LIQUIDITY BUFFER								
22	TOTAL NET CASH OUTFLOWS					19.58	20.16	25.97	17.79
23	LIQUIDITY COVERAGE RATIO					449.52%	443.81%	329.73%	468.76%

Net Stable Funding Ratio:

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. From 1 January 2022, NSFR is managed and monitored on the PRA's NSFR rules.

Table 23: Net Stable Funding Ratio as on 31.03.2022 (LIQ2)[28]

(£mn)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments					
2	*Own funds*				159.69	159.69
3	*Other capital instruments*					
4	Retail deposits		**445.00**	**112.62**	**42.06**	**557.47**
5	*Stable deposits*		222.14	48.84	14.42	271.85
6	*Less stable deposits*		222.86	63.79	27.64	285.62
7	Wholesale funding:		**125.91**	**27.46**	**7.34**	**66.83**
8	*Operational deposits*		0.00	0.00	0.00	0.00
9	*Other wholesale funding*		125.91	27.46	7.34	66.83
10	Interdependent liabilities					
11	Other liabilities:					
12	*NSFR derivative liabilities*					
13	*All other liabilities and capital instruments not included in the above categories*		0.00	0.00	4.48	4.48
14	**Total available stable funding (ASF)**					**788.47**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**21.59**
UK-15a	Assets encumbered for more than 12m in cover pool					
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:					
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*					

[28] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

(£mn)		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*					
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		335.68	156.67	481.73	379.41
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*					
22	*Performing residential mortgages, of which:*					
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*					
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*					
25	Interdependent assets					
26	Other assets:		**0.01**	**-**	**4.20**	**4.22**
27	*Physical traded commodities*					
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*					
29	*NSFR derivative assets*		1.14			1.14
30	*NSFR derivative liabilities before deduction of variation margin posted*					
31	*All other assets not included in the above categories*					
32	Off-balance sheet items		**37.36**	**0.00**	**0.00**	**1.87**
33	**Total RSF**					**408.22**
34	**Net Stable Funding Ratio (%)**					**193.15%**

4. Asset Encumbrance

Table 36: Encumbered and unencumbered assets as on 31.03.2022

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	19.95	-	930.33	
Loans on demand			68.96	
Equity instruments	-	-		
Debt securities	-	-	283.56	276.87
of which: covered bonds	-	-		
of which: asset backed securities	-	-		
of which: issued by general governments	-	-	77.66	75.39
of which: issued by financial corporations	-	-	88.47	85.66
of which: issued by non- financial corporations	-	-	117.44	115.82
Loans and advances other than loans on demand			572.38	
of which: mortgage loans			113.07	
Other assets	19.95	-	5.43	

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	

**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, 2022 have been mentioned in the table:

Table 37: Countercyclical Buffer as on 31.03.2022[29]

Country	General Credit Exposures (£ Mn)	Own Fund Requirements (£ Mn)	Own Fund Weights	Countercyclical Capital Buffer Rate
UK	226.66	15.92	60.88%	0%
India	60.88	4.87	18.62%	0%
Kuwait	55.82	2.23	8.54%	0%
Indonesia	18.37	1.47	5.62%	0%
Mauritius	10.67	0.85	3.26%	0%
USA	6.00	0.48	1.84%	0%
Qatar	19.05	0.30	1.17%	0%
Kenya	0.15	0.01	0.04%	0%
Ukraine	0.16	0.01	0.04%	0%
Total	**397.77**	**26.15**		

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**		

Table 38: Institution Specific Countercyclical Capital Buffer as on 31.03.2022

Description	31.03.2022 £ Mn	31.03.2022 £ Mn
Total Risk Exposure Amount (RWAs)	672.21	673.87
Institution specific countercyclical buffer rate (%)	0.00%	0.00%
Institution specific countercyclical capital buffer requirement	0.00	0.00

[29] Details are mentioned in annexure I

6. Pillar 2 and ICAAP

6.1. Pillar 2

The Bank's Total Capital Requirement, applicable as at March 31st 2022 was 18.14% (of which the Pillar 2A comprises of 5.90%) 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, Credit, Treasury 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 Policy ▪ Arrears and Collection Policy ▪ Provisioning Policy ▪ Country Risk Management Policy ▪ Aggregate Settlement Limit 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 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.	▪ Treasury and Derivative Policy ▪ Investment Policy
Operational Risk *Operational Risk is defined as the risk of*	Overview of operational risk is undertaken by the BRCC, and ultimately the Board of Directors, who retain responsibility for operational risk. The operational risk	▪ Operational Risk Management Policy

Risk Category	Bank's Mitigation Plan	Key Policies
loss due to inadequate or failed internal processes, people, systems and external events.	management framework is developed by the Risk Management Department and the 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.	- 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
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
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	- Conduct Risk Policy framework - New Product Approval Policy - Conflicts of Interest Policy - Compliance Manual - Financial Crime Management Policy - Treating Customer Fairly Policy

Risk Category	Bank's Mitigation Plan	Key Policies
	management mechanism is in place rests with the Board which has delegated day-to-day responsibility to Head of Compliance with oversight from BRCC.	▪ Gifts and Hospitality Policy ▪ Whistle blowing Policy ▪ Remuneration Policy
Reputational Risk *Reputational risk is about fundamental perception of the value of the brand of and the strategic direction of the Bank.*	Bank of Baroda (UK) Limited manages 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.	

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: Within the business	Business Lines
Second Line: Risk Oversight	Risk, Compliance functions including Financial Crime Compliance Functions
Third Line: Independent review of effectiveness	Internal Auditor

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.

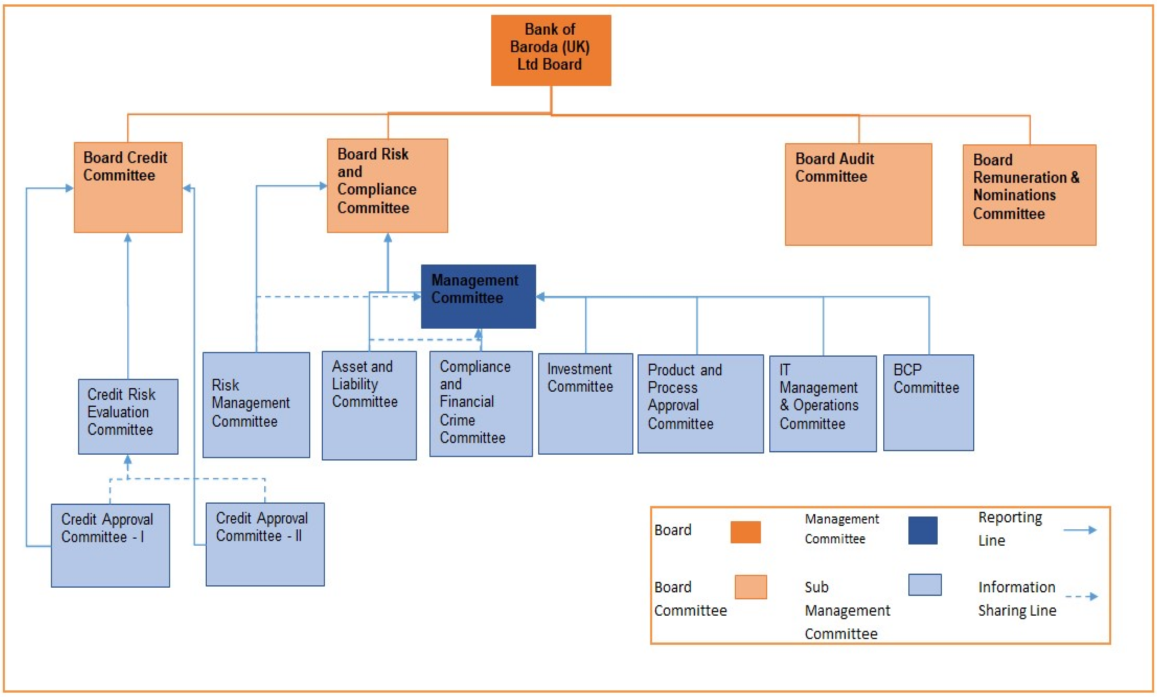
Table 39: Details of directors' attendance in the Board meetings during FY 2021-22

S.N.	Name of The Director	Category	Appointment/ Resignation	Attendance Particulars No. of Board Meetings	
				Held	Attended
1.	Mr. Sanjiv Chadha	Chairman and Non-Executive Director	Appointed w.e.f – 09.04.2020	9	9
2.	Mr. Sanjay Kumar Grover	Managing Director	Resigned w.e.f 11.02.2022	9	8
3.	Mr. Madhur Kumar	Managing Director	Appointed w.e.f – 19.09.2021	6	6
4.	Mr. Sunil Kumar Srivastava	Non- Executive Director	Resigned w.e.f 31.07.2022	2	2
5.	Mr. Christopher P.J. Fitzgibbon	Independent Non-Executive Director	Resigned w.e.f 31.05.2022-	9	9
6.	Mr. Martin Charles Say	Independent Non-Executive Director	Appointed w.e.f. 1.02.2018-	9	9
7.	Mr. Arun Aggarwal	Deputy Managing Director	Appointed w.e.f. 02.10.2020	9	9
8	Mr. David Price	Independent Non-Executive Director / Acting Chairman	Appointed w.e.f. 05.10.2021	6	6
9	Mr. Joydeep Dutta Roy	Non-Executive Director	Appointed w.e.f. – 01.12.2021	4	4

Committees

The committee structure of the Bank is shown below:

Figure3: 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 ("CAC- I")
- Credit Approval Committee ("CAC-II")
- Risk Management Committee ("RMC")
- Credit Risk Evaluation Committee ("CREC")
- Compliance and Financial Crime Committee ("CFCC")
- Investment Committee
- 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 an Independent Non-Executive 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 I")**

  The Credit Approval Committee ("CAC I") 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 I reports to the Board Credit Committee.

  The committee is chaired by the Managing Director.

- **Credit Approval Committee ("CAC II")**

  The Credit Approval Committee ("CAC II") 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 II reports to the CAC I.

  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.

  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 reports to the BRCC. Issues may be escalated to Manco and /or BRCC.

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

- **Investment Committee**

  The Investment Committee is appointed by the Management Committee (“Manco”) of the Bank of Baroda (UK) Ltd (“the Bank”).

  The Investment Committee has the primary objective of approving investments of the Bank in accordance with the Investment Policy of the Bank. The Committee will ensure that investment decisions are commensurate with the overall strategy of the Bank, meet the risk reward test and are within its overall risk appetite.

  The committee is chaired by the Managing Director.

- **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 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 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 Bank has defined an appetite for credit risk commensurate with its strategy and the types of lending activity in which it engages and has defined risk metrics for the monitoring of its credit risk positions. The Bank also has policies and procedures in place to ensure that credit risks absorbed by the Bank are understood, mitigated and managed appropriately.

The Bank’s primary source of credit risk is through placements, Investments and loans it makes available to its customers. The investments are mainly in Government securities, corporate bonds for the purpose of HQLA and FI bonds having higher yields. The money market placements are taken to utilise excess liquidity. In advances the bank has exposures across three key areas, Property backed exposures (Buy-to-Let mortgages, Commercial Real Estate loans), Syndicated loans (to corporate and banks), and Loans against Bank’s own fixed deposits (LABOD).

The Bank mitigates credit risk primarily through holding cash collaterals. The Bank also mitigates Credit Risk in loans and advances by taking tangible securities in the form of mortgages and intangibles like guarantees. The expected losses are provided for as provisions and unexpected losses in the form of capital resources. The Bank also has customised risk rating platform for corporates and mortgage loans.

Credit risk is managed within clear risk appetite limits via a comprehensive set of policies and lending standards, including on-going monitoring and escalation mechanisms for assets that demonstrate signs of stress.

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 RMC/ ManCo/ BCC/BRCC/Board to ensure the Board/Management is aware of increased credit risk concentration:

- Counterparty/ Single name concentrations
- Industry/Sector concentration
- Geographical concentrations
- Overdue accounts
- Accounts causing concern/stressed accounts
- Overdue Review position
- Unsecured Loan Portfolio
- Impaired accounts
- Rating wise accounts

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.

8.3. Market Risk Management

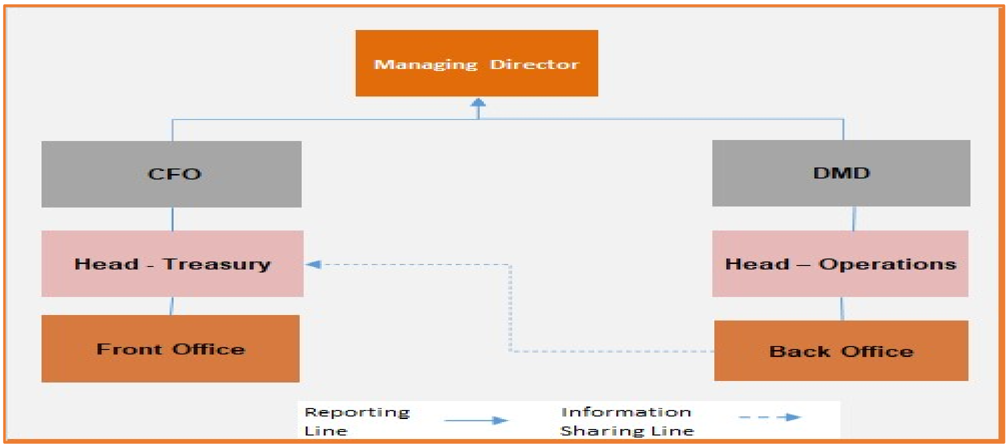
Current portfolio of the Bank, under Market Risk is exposed to:

- 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.

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.

The Bank makes its assessment on a consolidated basis in Pound Sterling and using forward rates. Assets, liabilities and capital are allocated to time-buckets based on their contractual re-pricing date or using behavioural analysis where re-pricing is not fixed in time. The Bank allocates its capital resources and non-monetary assets or liabilities to a undated time bucket as these items are deemed not interest rate sensitive.

Position as at 31 March 2022is presented below:

- Effect of 200 basis increase in interest rates = £2.080 Mn
- Effect of 200 basis decrease in Interest rates = -£2.161 Mn

Effect of 200 basis points increase in interest rates would decrease the Bank's net interest income by £2.080 Mn. An increase in net interest income by -£2.161 Mn would happen for a decrease in interest rates by 200 bps assuming a parallel shift in the yield curve.

Table 40: Quantitative Information on IRRBB (IRRBB1)[30]

(£ Mn)	In reporting currency	ΔEVE		ΔNII		Tier 1 capital	
	Period	31.03.2022	31.03.2021	31.03.2022	31.03.2021	31.03.2022	31.03.2021
010	Parallel shock up			2.08	3.23		
020	Parallel shock down			-2.16	-3.73		
030	Steepener shock						
040	Flattener shock						
050	Short rates shock up						
060	Short rates shock down						
070	**Maximum**						
080	**Tier 1 capital**					**159.16**	**164.52**

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.

[30] This disclosure has been implemented from 1 January 2022, and is based on the PRA's disclosure templates and instructions which came into force at that time.

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.

The Bank conducts Risk and Control Self Assessment ("RCSA"), whereby it assesses its operations and activities against potential operational risk vulnerabilities by ensuring collective participation at all levels of the Bank.

The Bank has adopted a scorecards-based approach for the assessment of risk and controls. Inherent Risks are assessed on the expected frequency and severity of the potential risk/loss event using a consistent scale providing a means of translating qualitative assessments into quantitative metrics that give a relative ranking of different types of residual operational risk exposures. Similarly, controls are assessed on their inherent ability to mitigate risk, their design, and on their actual performance.

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.

Change 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 31.03.2022 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 2022 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 PRA issued supervisory statement SS3/19 in 2019, which set out its expectations for firms in relation to managing the financial risks from climate change. Climate related risks were classified as either physical (impact of physical changes as a result of climate change, such as increasing flooding, sea level rise or extreme weather events) or transition (risk arising from adjustments to a low-carbon economy). Firms were expected to develop a strategic approach, considering:

- Governance;
- Risk Management;
- Scenario Analysis; and
- Disclosure.

A Dear CEO letter was issued in July 2020, following thematic work completed by the PRA. This provided best practice examples for firms and also confirmed firms should fully embed their approaches to managing climate related risks by the end of 2021.

HM Treasury issued its ‘Roadmap to the Task Force for Financial Related Disclosures (TCFD)’ in November 2020. This committed PRA regulated firms to comply with the TCFD’s 11 recommendations on climate change financial disclosure. Whilst the PRA’s requirements closely mirror TCFD requirements, there are a number of additional requirements in the TCFD recommendations. The PRA has not yet confirmed how its regulated firms should comply with the TCFD requirements and when these requirements must be met by. The Bank of England issued details of its Biennial Exploratory Scenario on the Financial Risks from Climate change on 8 June 2021. This included details on the scenarios that would be used for scenario analysis in the exercise which can provide a guide to firms on completing scenario analysis.

The UK Government committed in the Climate Change Act 2008 for the UK economy to become carbon neutral, otherwise known as net zero, by 2050, meaning firms either produce no carbon or offset their carbon production. Further information for the approach was included in the October 2021 publication Net Zero Strategy: Build Back Greener. With the Government's commitment, it is expected for firms to pursue a carbon neutral / net zero strategy and to achieve this by 2050 at the latest.

The Bank conducts climate change risk assessments for all its credit proposals, particularly its property related loans. The assessment is conducted for physical and transition risks and based on: the parameter of level of impact, expected horizon of impact, and significance of impact.

Currently, the Bank's analysis and assessment of climate risk is based on qualitative basis with a H/M/L ranking of impact but in the future, it will explore and include quantitative assessments also where appropriate. The Bank's approach for climate change risk will include, but will not be limited to:

- developing climate risk-specific risk appetite statements which will include risk exposure limits and thresholds; and,
- conducting scenario analysis for climate change risk and conducting stress testing for all material exposures relating to the financial risks from climate change.

8.11. Coronavirus Risk

While Covid-19 continued to be a major threat to health and well-being as well as well as to economic activity in general during most of 2021-22, by early 2022, all nations within the UK had scaled back or ended most corona virus (COVID-19) restrictions,

The Bank has carefully monitored the spread of Covid-19 in the context of its portfolio exposures. The Bank assessed its exposures in relation to deferment requests and made adequate provisions to cover potential losses. The Bank has made loan loss provisions relating to counter-parties who are under deferment agreements and/or whose business models are vulnerable to Covid-19 impact (even if they are currently not under any deferment agreements) of £308,000 (2021: £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, support for impacted employees, etc.

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 41: Total Remuneration during FY 2021-22

			Amount in £Mn
S. N.	Description	31.03.2022	31.03.2021
1	India based officers (IBO) including MD & CEO and secondment from parent	0.82	1.01
2	Local Staff	6.08	4.49
3	Medical insurance of UK Staff	0.09	0.04
4	Total expenditure of UK staff	6.17	4.54
5	Expenditure of India staff	1.24	1.78
6	Total Staff expenses	7.41	6.32
7	Out of above: Remuneration to staff whose actions have a material impact on risk profile of the bank*	1.352*	1.352*
8	Aggregate Total Remuneration for Independent Non-Executive Directors (all fixed remunerations)	0.14	0.10
9	Number of Code staff as Non-Executive Directors as on 31.03.2022	3	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 2022 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.

Annexure I:

Table 42: Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer (CCyB1)

		General credit exposures		Relevant credit exposures – Market risk				Own fund requirements						
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Securitisation exposures Exposure value for non-trading book	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures - Securitisation positions in the non-trading book	Total	Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
010	**Breakdown by country:**													
	INDIA	60.88					60.88	4.87			4.87	60.88	18.62%	0%
	INDONESIA	18.37					18.37	1.47			1.47	18.37	5.62%	0%
	UK	226.66					226.66	15.92			15.92	199.06	60.88%	0%
	USA	6.00					6.00	0.48			0.48	6.00	1.84%	0%
	KENYA	0.15					0.15	0.01			0.01	0.07	0.02%	0%
	UKRAINE	0.16					0.16	0.01			0.01	0.16	0.05%	0%
	KUWAIT	55.82					55.82	2.23			2.23	27.91	8.54%	0%
	MAURITIUS	10.67					10.67	0.85			0.85	10.67	3.26%	0%
	QATAR	19.05					19.05	0.30			0.30	3.81	1.17%	0%
020	**Total**	**397.72**					**397.72**	**26.15**			**26.15**	**326.94**		-

Annexure II:

Composition of Regulatory Own Funds

(£ Mn)		31.03.2022	31.03.2021	REGULATION (EU) No 575/2013 ARTICLE REFERENCE
	Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	150.00	150.00	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: Instrument type 1	150.00	150.00	EBA list 26 (3)
	of which: Instrument type 2			
	of which: Instrument type 3			
2	Retained earnings	14.62	13.03	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	- 3.51	2.61	26 (1)
UK-3a	Funds for general banking risk			26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1			486 (2)
5	Minority interests (amount allowed in consolidated CET1)			84, 479, 480
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend			26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**			
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	- 1.23	-0.93	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	- 0.19	-0.19	36 (1) (b), 37, 472 (4)
9	Empty set in the UK			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)			36 (1) (c), 38, 472 (5)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value			33 (a)
12	Negative amounts resulting from the calculation of expected loss amounts			36 (1) (d), 40, 159, 472 (6)
13	Any increase in equity that results from securitised assets (negative amount)			32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing			33 (1) (b) (c)
15	Defined-benefit pension fund assets (negative amount)	- 0.01		36 (1) (e), 41, 472 (7)
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)			36 (1) (f), 42, 472 (8)

(£ Mn)		31.03.2022	31.03.2021	REGULATION (EU) No 575/2013 ARTICLE REFERENCE
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			36 (1) (g), 44, 472 (9)
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)
20	Empty set in the UK			
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative			36 (1) (k)
UK-20b	of which: qualifying holdings outside the financial sector (negative amount)			36 (1) (k) (i), 89 to 91
UK-20c	of which: securitisation positions (negative amount)			36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258
UK-20d	of which: free deliveries (negative amount)			36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)			36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
22	Amount exceeding the 17,65% threshold (negative amount)			48 (1)
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities			36 (1) (i), 48 (1) (b), 470, 472 (11)
24	Empty set in the UK			
25	of which: deferred tax assets arising from temporary differences			36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
UK-25a	Losses for the current financial year (negative amount)			36 (1) (a), 472 (3)
UK-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)			36 (1) (l)
26	Empty set in the UK			
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)			36 (1) (j)

(£ Mn)		31.03.2022	31.03.2021	REGULATION (EU) No 575/2013 ARTICLE REFERENCE
27a	Other regulatory adjustments to CET1 capital *(including IFRS 9 transitional adjustments when relevant)*			
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	159.69	164.52	
29	**Common Equity Tier 1 (CET1) capital**	**159.69**	**164.52**	
	Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts			51, 52
31	of which: classified as equity under applicable accounting standards			
32	of which: classified as liabilities under applicable accounting standards			
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR			486 (3)
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1			
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1			
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties			85, 86, 480
35	of which: instruments issued by subsidiaries subject to phase out			486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-		
	Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)			52 (1) (b), 56 (a), 57, 475 (2)
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			56 (b), 58, 475 (3)
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			56 (c), 59, 60, 79, 475 (4)
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)			56 (d), 59, 79, 475 (4)
41	Empty set in the UK			

(£ Mn)		31.03.2022	31.03.2021	REGULATION (EU) No 575/2013 ARTICLE REFERENCE
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)			56 (e)
42a	Other regulatory adjustments to AT1 capital			
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**		
44	**Additional Tier 1 (AT1) capital**	**-**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**159.69**	**164.52**	
	Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts			62, 63
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR			486 (4)
UK-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2			
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2			
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties			87, 88, 480
49	of which: instruments issued by subsidiaries subject to phase out			486 (4)
50	Credit risk adjustments			62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**		
	Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)			63 (b) (i), 66 (a), 67, 477 (2)
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)			66 (b), 68, 477 (3)
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)			66 (c), 69, 70, 79, 477 (4)
54a	Empty set in the UK			
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)			66 (d), 69, 79, 477 (4)
56	Empty set in the UK			
UK-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative			

	(£ Mn)	31.03.2022	31.03.2021	REGULATION (EU) No 575/2013 ARTICLE REFERENCE
	amount)			
UK-56b	Other regulatory adjustments to T2 capital			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**		
58	**Tier 2 (T2) capital**	**-**		
59	**Total capital (TC = T1 + T2)**	**159.69**	164.52	
60	**Total Risk exposure amount**	**727.33**	**672.30**	
	Capital ratios and buffers	**21.96%**	**24.47%**	
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	21.96%	24.47%	92 (2) (a), 465
62	Tier 1 (as a percentage of total risk exposure amount)	21.96%	24.27%	92 (2) (b), 465
63	Total capital (as a percentage of total risk exposure amount)	21.96%	24.47%	92 (2) (c)
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	2.50%	2.50%	CRD 128, 129, 140
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: countercyclical buffer requirement	0%	0%	
67	of which: systemic risk buffer requirement	0%	0%	
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer			CRD 131
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	21.96%	24.47%	CRD 128
69	[non relevant in UK]			
70	[non relevant in UK]			
71	[non relevant in UK]			
	Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)			36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)			36 (1) (i), 45, 48, 470, 472 (11)
74	Empty set in the UK			

(£ Mn)		31.03.2022	31.03.2021	REGULATION (EU) No 575/2013 ARTICLE REFERENCE
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)			36 (1) (c), 38, 48, 470, 472 (5)
	Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)			62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach			62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)			62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach			62
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements			484 (3), 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			484 (3), 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase out arrangements			484 (4), 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			484 (4), 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements			484 (5), 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			484 (5), 486 (4) & (5)

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