Union Bank of India (UK) Ltd

Pillar 3 disclosures
For the year ended 31st March 2024

Contents

Should you have any queries please e-mail: pillar3@unionbankofindiauk.co.uk

1. Background

The aim of the capital adequacy regime is to promote safety and soundness in the financial system. It is structured around three 'pillars': Pillar 1 on minimum capital requirements; Pillar 2 on the supervisory review process; and Pillar 3 on market discipline. Pillar 3 requires firms to publish a set of disclosures which allow market participants to assess key pieces of information on that firm's capital, risk exposures and risk assessment process. The disclosures contained in this document cover the qualitative and quantitative disclosure requirements of Pillar 3, set out in the Capital Requirements Regulation as implemented in the PRA Rulebook CRR Instrument and the PRA Rulebook CRR Firms: Leverage Instrument (collectively known as "CRR"), and are based on data on 31st March 2024 with comparative figures for 31st March 2023.

Basis of disclosure

This document presents the Pillar 3 disclosures on capital and risk management for the Union Bank of India (UK) Ltd. ("the Bank") on an individual basis. There is no subsidiary/joint venture of the Bank that is required to be consolidated for accounting or prudential purposes. The Pillar 3 Disclosures have been prepared purely to explain the basis on which the Bank has prepared and disclosed certain capital requirements and information about the management of certain risks and for no other purposes.

In accordance with Article 432 of the CRR, the Bank is permitted to exclude certain disclosures if they contain proprietary or confidential information or are non-material.

Regular Update

This document will be reviewed periodically (at least annually). If necessary, adjustments will be made subject to the approval of the Risk and Compliance Committee (RCC) to adequately reflect changes in business strategies or relevant external aspects (e.g., regulatory changes, operating environment changes). Disclosures will be updated annually.

Frequency

This disclosure is made on an annual basis on the website of the Bank. The disclosures will be as at the accounting reference date (ARD) i.e., as of March 31st. The current disclosures are for the balance sheet date 31st of March 2024.

Verification and Medium

In line with the revised Pillar 3 disclosure requirements published by the EBA, the Bank's Pillar 3 policy requires that "information required to be disclosed by Part Eight of the CRR is subject (at a minimum) to the same level of internal review and internal control processes as the other information provided by institutions for their financial reporting".

These Pillar 3 disclosures have been verified and approved through internal governance, including review by the Risk and Compliance Committee and approval by the Board. The disclosures are not subject to independent audit, except where they are the same as those audited disclosures prepared under accounting requirements and disclosed in the Annual Report and Financial Statements of the Bank.
Certain disclosure information required can be found in the Annual Report and Financial Statements of the Bank.

The Directors of the Bank confirms that to the best of their knowledge that the disclosures provided according to Part Eight of the CRR have been prepared in accordance with the internal control processes agreed upon at the management body level.

Media and Location

The Bank will make its Pillar 3 disclosures publicly available, via its website (https://www.unionbankofindiauk.co.uk/disclosures/financial-reports.aspx) on an annual basis. The parent Bank's consolidated disclosures are available at (https://www.unionbankofindia.co.in/english/basel-disclosures-iii.aspx).

Scope of application

The Pillar 3 disclosures have been prepared to explain the basis on which the Bank has prepared/disclosed information regarding capital, liquidity, and leverage requirements. The disclosure is intended to convey the Bank's risk profile comprehensively to market participants.

The Bank is a full CRD compliant firm, and its accounting and disclosures are on a solo basis. There is no subsidiary/ joint venture of the firm that is required to be consolidated for accounting or prudential purposes. However, its parent, Union Bank of India, must consolidate financial statements and other regulatory reports for submission to the local regulator or other market participants.

2. Executive Summary

Summary of Key Metrics

The Bank's focus is to achieve sustainable growth with a strong and robust corporate governance and control environment. The Bank offers traditional simple products covering retail, SME, trade finance, corporate and commercial banking.

The principal currency (functional currency) of the Bank is US Dollars (USD). The overall balance sheet size of the Bank as of 31st March 2024 was USD 510 million (see UK CC2).

These disclosures have been prepared with due consideration to comprehensiveness and proportionality.

The Board has put forth business plan for the next five financial years wherein the focus will henceforth be more on UK based assets and other assets sourced through syndication channel and minimize the stressed assets to ensure sustainable growth with optimal use of financial resources. The Bank continues to maintain capital well in excess of regulatory requirements.

On March 31, 2024, the capital ratio remained adequate at 27.67%, with a Tier 1 capital ratio of 27.67% which is above the regulatory requirements. The following tables summaries the capital position and detail the capital resources of the Bank as of March 31, 2024.

Capital Ratios

Particular	March 2024	March 2023
Overall Capital Adequacy Ratio	27.67%	29.50%
Tier I	27.67%	29.50%

Available Capital

Particular (USD'000)	2024	2023
Tier I Capital	116,706	113,622

Composition of Tier I Capital

Particular (USD '000)	2024	2023
Paid up capital	150,000	150,000
Accumulated other comprehensive income	-3,024	-4,581
Retained earnings	-30,093**	-31,584
Deduction from Capital	-178[1]	-212
Total Available Capital	**116,706**	**113,622**

Over FY24, the CET1 capital ratio reduced from 29.50% to 27.67%, mainly driven by an increase in risk weighted assets ("RWAs").

* The ratio as per the Own funds return is 27.32%. However, post audit, the capital increased by 1.48 Mn resulting in Capital ratio of 27.67%

** Includes profit for 2023-24 post audit.

[1] Other adjustments include deduction on account of Credit Valuation Adjustment and deduction on account of Intangible assets.

The PRA last reviewed the bank's Total Capital Requirement ("TCR") on 28th December 2022. Composition of TCR is as follows: -

TCR component	PRA guidance, in 28th Dec 2022 letter (% of RWAs)
Pillar 1	**8.00%**
Pillar 2A	**4.28%**
- Concentration risk	*3.47%*
- Operational risk	*0.40%*
- IRRBB	*0.76%*
- Market risk	*0.00%*
- Less P2A adjustment as per PS15/20[2]	*(0.35%)*
Total	**12.28%**

The Bank has an Overall Capital requirement (OCR) of 15.54% which includes a Capital conservation buffer of 2.5% and an institutional specific countercyclical buffer of 0.76%.

The leverage ratio, which is a transparent measure of capital strength not affected by risk weightings, remains strong at 22.81% (31 March 2023: 23.92%).

The Bank continues to adopt a conservative stance on liquidity, ensuring it is comfortably ahead of both internal risk appetite and regulatory requirements. We regularly assess and stress test the Bank's liquidity requirements and continue to meet the liquidity coverage ratio ("LCR") regulatory requirements, with a 3-month average to 31 March 2024 LCR of 1000% (2023: 2541%). In addition to internal measures, we monitor funding risk based on the CRR rules for the net stable funding ratio ("NSFR") which became effective on 1 January 2022. The NSFR on 31 March 2024 was 131% (31 March 2023: 145%).

UK OV1 - Overview of risk-weighted exposure amounts

		a	b	c
		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
	(USD'000)	31-Mar-24	31-Mar-23	31-Mar-24
1	Credit risk (excluding CCR)	**391,024**	**362,454**	**31,282**
2	Of which the standardised approach	391,024	362,454	31,282
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	**3,199**	**1,068**	**256**
7	Of which the standardised approach	2,199	734	176
8	Of which internal model method (IMM)	-	-	-

[2] PS 15/20 https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policystatement/2020/ps1520.pdf

UK 8a	Of which exposures to a CCP	-	-	-
UK 8b	Of which credit valuation adjustment - CVA	999	334	80
9	Of which other CCR	-	-	-
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)	**3,774**	**587**	**302**
21	Of which the standardised approach	3,774	587	302
22	Of which IMA	-	-	-
UK 22a	Large exposures	-	-	-
23	Operational risk	**23,733**	**21,077**	**1,899**
UK 23a	Of which basic indicator approach	-	-	-
UK 23b	Of which standardised approach	23,733	21,077	1,899
UK 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
29	**Total**	**421,729**	**385,186**	**33,738**

UK OVC - ICAAP information

The Bank reports annually on the effective operation of its Internal Capital Adequacy Assessment (ICAAP) and deploys forward-looking analysis of the Business Plan using stress scenarios mandated by the RCC. The ICAAP process reviews the Bank’s financial and operational exposure profile and assesses both the risk and the internal control environment, to estimate an appropriate level of Pillar 2 capital under stress conditions.

The ICAAP evaluates the emerging risk profile over the medium term, in context of the Bank’s business model and financial forecasts. These projections are tested under a range of idiosyncratic, market-wide and combined stress scenarios, and the outputs achieved are considered in the calibration of Risk Appetite and the implementation of appropriate control and mitigation strategies.

The ICAAP has been fully integrated into the risk management and business planning frameworks of the Bank.

The following table presents the Bank's key metrics of the Bank:

UK KM1 – Key metrics

		a	e
	USD'000	**31-Mar-24**	**31-Mar-23**
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	116,706	113,622
2	Tier 1 capital	116,706	113,622
3	Total capital	**116,706**	**113,622**
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	**421,729**	**385,186**
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	27.67%	29.50%
6	Tier 1 ratio (%)	27.67%	29.50%
7	Total capital ratio (%)	**27.67%**	**29.50%**
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50%	2.50%
9	Institution specific countercyclical capital buffer (%)	0.76%	0.43%
11	Combined buffer requirement (%)	-	-
UK 11a	Overall capital requirements (%)	15.54%	15.21%
12	CET1 available after meeting the total SREP own funds requirements (%)	15.39%	17.22%
	Leverage ratio		
13	Leverage ratio total exposure measure	511,751	475,110
14	Leverage ratio	**22.81%**	**23.92%**
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	43,840	48,637
UK 16a	Cash outflows - Total weighted value	19,260	6,547
UK 16b	Cash inflows - Total weighted value	29,237	27,047
16	Total net cash outflows (adjusted value)	4,815	1,637
17	Liquidity coverage ratio (%)	**910%**	**2971%**
	Net Stable Funding Ratio		
18	Total available stable funding	412,656	408,381
19	Total required stable funding	314,809	282,448
20	NSFR ratio (%)	**131%**	**145%**

Regulatory Developments

The Bank continues to monitor and prepare for a number of regulatory changes taking effect over the next few years.

Regulation Changes

The Prudential Regulation Authority (PRA) released Consultation Paper CP16/22 titled "Implementation of Basel 3.1 Standards" on 30 November 2022. This paper sets forth proposals for the remaining elements of the Basel III standards yet to be implemented in the UK. The consultation period concluded on 31 March 2023.
In response to the feedback received, the PRA has decided to stagger the publication of the near-final rules:

- Q4 2023: The PRA published near-final rules for market risk, credit valuation adjustment, counterparty credit risk, and operational risk.
- Q2 2024**:** The PRA intends to publish the near-final rules for credit risk and the output floor.

The final rules for the entire Basel 3.1 package, encompassing all areas including the aforementioned, are expected to be published in a comprehensive final policy statement once Her Majesty's Treasury (HMT) revokes the relevant parts of the Capital Requirements Regulation (CRR) that the new PRA rules will replace. The revised implementation date for the final Basel 3.1 policies is now 1 July 2025, with a reduced transitional period of 4.5 years to ensure full implementation by 1 January 2030.

The CCyB is designed to ensure that banks' capital requirements reflect macro-financial conditions. The Financial Policy Committee (FPC) sets the CCyB rates for the UK. On 13 December 2022, the FPC raised the CCyB rate to 1%, with a planned increase to 2% in the second quarter of 2023. This increase took effect as scheduled, and the current rate remains at 2%.

Minimum requirement for owned funds and Eligible Liabilities (MREL)

MREL sets out the minimum requirement for own funds and eligible liabilities, which can feasibly and credibly bear losses in the event of a resolution.

In the event of an adverse and extreme stress scenario, if the Bank enters resolution, the EBA in order to ensure an orderly resolution has introduced MREL which is to be complied by all firms falling under its purview.

Based on the Bank of England guidance on MREL (June 2018) and the letter dated 9th January 2019, the Bank is a Modified Insolvency firm and its MREL requirement is equal to minimum capital requirement excluding Buffers i.e., Pillar 1 + Pillar 2A and is not an additive requirement.

As per the PRA's guidance dated December 2022, Pillar 1 + Pillar 2A is 12.28%. Therefore, as mentioned above, the MREL requirement will also be 12.28%.

Thus, the Bank maintains minimum capital requirement as per its TCR and shall be fully compliant with MREL requirements as well.

Climate Change

Climate Change poses a threat to the Bank's ability to deliver its customer proposition and maintain service standards, and consequently has a less direct but geographically far broader impact on the Bank's business model.

Considering the PRA's recent Policy statements, Board had approved the Climate Change Risk policy for the Bank. It has mandated that, the potential consequences of Climate Change should be factored into all aspects of business planning and forecasting, stress testing and the assessment of current assets and future business propositions.

The Bank ensures that all new loan/investment exposures are being assessed from a Climate Change perspective, and Risk Management has been championing the need for assessing Climate Change Risk. The Credit Committee and the Investment Committee has been reviewing this for all the new exposures and ensuring the guidelines as per policy is met, before taking a new exposure. The Bank has been preparing Climate Risk MI for its Management Committees and also the Risk and Compliance committee of the Board (RCC). Targets for certain sectors and also further MI requirements have been developed in the past year to further enhance the climate risk MI.

The Bank has undertaken a materiality assessment of climate risks based on the BoE's CBES scenarios and the stress testing variables provided for these. We have assessed the impact over three different time horizons upto 2050. It is concluded that Climate Risk will not have a material impact on the Bank's portfolio in the medium or long term. This analysis showed that Climate Risk will not have a material impact on the portfolio in the medium or long term.

Over and above the industry sector analysis, for the real estate portfolio we have undertaken a further detailed analysis based on the energy efficiency of the underlying assets. This allows for enhancement of the CBES scenario based climate risk stress testing conducted above. Out of the properties in the portfolio, only 0.63% of the portfolio do not have an EPC rating which is very low. Hence, the Bank concluded the impact of climate risk on the real estate portfolio is also very low.

Financial Resilience
The Bank has adopted adequate credit risk management approach, particularly handling the counterparties affected by the geopolitical tensions. The bank closely monitors credit risk and traded risk within the portfolio. Enhanced Risk and Governance Framework is in place.

Diversity & Inclusion
The Bank actively supports diversity and inclusion. In relation to the recently introduced regulations on diversity and inclusion, the Compliance department has examined the data on diversity and inclusion, reviewed existing policies and processes, and evaluated the current practices within the organization. Based on this analysis, they have proposed actionable steps that can be taken to strengthen the organization's commitment to diversity and inclusion.

A Gap analysis on Diversity & Inclusion has also been performed by our internal auditors. Additionally, the bank fosters a culture that values open discussions and encourages innovative thinking, which helps mitigate the risk of groupthink.

Customer Duty
In July 2022, the FCA released enhanced expectations through "FCA Policy Statement PS22/9: A New Consumer Duty", requiring firms to evidence and deliver good customer outcomes, representing a higher bar than previous requirements to treat customers fairly. In response to this, the Bank assigned an non-executive director as Consumer Duty Champion and embedded actions derived from a Consumer Working Group into the business before the Consumer Duty implementation deadline of 31July 2023.

The product development and governance procedures ensure that all products, related policies, and processes are assessed against customer outcomes, as part of the design, development, and approval process. The Bank's customer feedback framework ensures that customer feedback is collected consistently and is carefully considered, ensuring that the Executive Committee and Board have clear visibility of customers' views in achieving the desired outcome for the consumers.

3. Capital Management

The Bank endeavors to maintain sufficient capital resources to support its lending business and overall business growth. The Bank reviews its Capital adequacy periodically.

The Bank holds capital at a level that the Board considers appropriate, based on a combination of minimum regulatory requirements and sound judgment exercised by the Board. In assessing the adequacy of its capital, the Bank considers both the material risks to which the Bank is exposed, and emerging or anticipated exposures, as reviewed in detail in the internal ICAAP document.

The Bank's strategic ambition is to be a competitive financial institution enjoying the highest trust of clients and shareholder. The Bank aims to provide optimum added value to its customers and create sustainable shareholder value through business growth in a controlled and diversified manner.

In line with above, as part of the overall risk strategy, the Bank has identified seven key prudential objectives as summarized in the figure below:

1. Capital Adequacy	• Maintain sufficient capital at all times so that the capital ratios are above the minimum stressed capital requirements
2. Sound management of Funding and Liquidity Risk	• Manage Liquidity and funding liquidity risk by maintaining sufficient funds to meet all contractual, contingent and regulatory obligations both an ongoing business as ususal basis and in periods of liquidity stress
3. Diversified business model	• Minimize business concentration on asset as well as liability side
4. Earnings as per plan	• Generate earning in line with 5-year stated finanical objectives
5. Managing Reputational Risk	• Avoid any transaction or service that brings with it the risk of a potentially unacceptable level of damage to the reputation
6. Managing and controlling Business Conduct Risk	• Conduct business practices in line with Bank's code of conduct and proactively identify sources of risk and / or breaches that may lead to reputational risk and /or regulatory sanctions
7. Operational Resilience	• Ensure quality and consistency in service delivery, and maintain diverlience under both business as usual and stressed business conditions

Figure 1: Key risk objectives have been identified by Union Bank UK

Tactical risk strategy is owned by the Risk Department and approved by the Bank's Board, acting through the Risk and Compliance Committee (RCC); this is reviewed on an annual basis and if required, more frequently to reflect any significant material changes to the business, economic or regulatory outlook.

The Bank maintains a defined Risk Management Framework and Risk Appetite Statement to identify, assess, monitor, and control risk exposures.

Capital Adequacy

The Bank aims to provide optimum added value to its customers and create sustainable shareholder value through business growth in a diversified manner. The Bank's capital comprises Tier 1 equity funded by its Parent Bank.

For the planning horizon, the Bank's capital strategy is to retain all earnings and pay no dividends to build up its capital base further.

The amount and composition of the Bank's capital requirement is determined by assessing the minimum capital requirements under Pillar 1 based upon the Capital Requirements Directive, regulatory Pillar 2A requirement, the impact of stress and scenario tests and the Bank's Total Capital Requirement (earlier known as Individual Capital Guidance).

The Bank uses regulatory capital ratios in order to monitor its capital base and these capital ratios remain the international standards for measuring capital adequacy. The PRA's approach to such measurement under CRD IV is primarily based on monitoring the Capital Resource Requirement to available capital resources. The Bank continues to comply with the regulatory capital requirements.

In line with the regulatory requirements of PRA, the Bank has instituted an Internal Capital Adequacy Assessment Process (ICAAP) which is used to estimate the capital requirements in line with the risk appetite of the Bank. The ICAAP is approved by the Board of the Bank.

Capital is provided for the purposes of unforeseen and unexpected events based on the risk assessment for each of the underlying asset class in the Bank's portfolio. Further, in line with industry practice, the Bank acknowledges that capital is not the only mitigating factor for all unforeseen events and contingencies. Therefore, appropriate risk management and governance practices are in place to actively monitor and manage the risks the Bank is exposed to in the course of executing its business. Further information on the Bank's risk management and governance is provided in subsequent sections and details are available in the Bank's Annual Report for the year ended March 31, 2024.

4. Minimum Capital Requirement

The PRA last reviewed the bank's Total Capital Requirement ("TCR") on 28th December 2022. Composition of TCR is as follows: -

TCR component	PRA guidance, in 28th Dec 2022 letter (% of RWAs)
Pillar 1	**8.00%**
Pillar 2A	**4.28%**
- Concentration risk	*3.47%*
- Operational risk	*0.40%*
- IRRBB	*0.76%*
- Market risk	*0.00%*
- Less P2A adjustment as per PS15/20[3]	*(0.35%)*
Total	**12.28%**

The Bank has an Overall Capital requirement (OCR) of 15.54% which includes a Capital conservation buffer of 2.5% and an institutional specific countercyclical buffer of 0.76%.

Pillar 1

Banking operations are categorized as either trading or banking book[4], and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Bank determines its Pillar 1 regulatory capital requirement based on the following approaches: -

- Credit risk - Standardised approach
- Operational risk - Basic Indicator Approach
- Market risk - Standardised Approach

Pillar 2A

The Bank's Pillar 2A requirement as per the PRA's Total Capital Requirement, (earlier known as Individual Capital Guidance) applicable as at March 31, 2024 was 4.28% of total Risk Exposure amount.

[3] PS 15/20 https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/policystatement/2020/ps1520.pdf

[4] As on Mar'24 only derivative exposure was classified as trading exposure.

5. Risk Management and Governance Framework

UK OVA - Risk Management Approach

(a) Risk statement approved by the management body (Point (f) of Article 435(1) CRR)

Protecting our established business model is a key strategic objective. Effective management of the risks we face is central to everything we do.

The Bank faces a number of risks in the normal course of business providing lending and deposit taking, to manage these effectively, a consistent approach is adopted based on a set of overarching principles, namely:

1. Adhering to our established and proven business model,
2. Implementing an integrated risk management approach based on the concept of “three lines of defense”; and
3. Setting and operating within clearly defined risk appetites, monitored with defined metrics and limits.

The Bank employs a Risk Management and Governance Framework to provide the board and senior management with oversight of the bank’s financial position as well as the risks that might adversely affect it.

The framework is founded on a “three lines of defense” model and details the core risk management components and structures used across the firm, and defines a consistent and measurable approach to identifying, assessing, controlling, and mitigating, reviewing, and monitoring, and reporting risk – the risk process lifecycle. The framework is purposely designed to allow the capture of business opportunities whilst maintaining an appropriate balance of risk and reward within the bank’s agreed risk appetite.

Risk appetite forms a key component of the bank’s risk management framework and refers to the sources and levels of risk that the bank is willing to assume to achieve its strategic objectives and business plan. It is managed through an established framework that facilitates ongoing communication between the board and management with respect to the bank’s evolving risk profile. This enables key decisions concerning the allocation of the bank’s resources to be made on an informed basis. The risk appetite statement has been further drilled down into portfolio-level limits, which include concentrations limits encompassing sectoral and large exposure limits. The Risk Management department of the Bank monitors adherence to the risk appetite limits and reports it to the Risk and Compliance Committee on a quarterly basis. The individual limits have also been assigned an Appetite owner and a sub-committee to monitor them on a more frequent basis and taking remedial actions on breaches immediately.

The Bank has a Risk Management Department which identifies, assesses, and monitors all its principal risks in accordance with defined policies and procedures. The Risk Management department is independent of the business units and the Chief Risk Officer reports directly to the Chair of the Risk and Compliance Committee of the Board primarily, and to the Managing Director and Chief Executive Officer for operational & administrative purposes. The Bank has developed a Risk Management Framework articulated within the broader context of the nature, scope, scale, and complexity of the Bank’s activities. The framework is based on both quantitative parameters such as capital, liquidity, and earnings volatility as well as qualitative parameters such as conduct, and reputational risk as detailed in the Board approved Risk Appetite Statement of the Bank.

Principal Risks.

The following table sets out the principal risks that may impact the Bank's ability to deliver its strategy, the frameworks in place to mitigate them, and relevant key developments, both over the last year and anticipated for the next financial year.

Risk	Mitigation
Credit risk	The Bank has established detailed policies for all types of lending and investments, which are periodically reviewed and implemented in the business. Before approval, all new loans, and investments, as well as reviews of existing ones, are subject to independent oversight by the Risk team. To ensure compliance with the Bank's RAS, the performance of the lending and investment portfolio is regularly monitored. The Bank takes credit mitigation measures in various forms of security, where appropriate, and guarantees to support its lending. Limits on counterparty, geographical, and sector exposure are in place to manage concentration risk. Credit risks are initially managed through the Credit Committee and Investment Committee, and if necessary, the matter can be escalated to the Management Committee of the Board (MCB). Additionally, an oversight structure is in place, with periodic reviews conducted by the Risk and Compliance Committee (RCC) and/or the Board.
Market risk	The Bank regularly monitors liquidity gap limits as part of interest rate risk management. The Bank manages the exposures to the variability in cash flows of foreign currency denominated assets and liabilities to movements in foreign exchange rates by entering cross currency swaps. Most of the Bank's risk arises from changes in interest rates and change in price of one currency against another. Market risks are managed initially through the ALCO, with oversight structure up to the RCC and/or Board.
Operational risk	The Bank has an Operational Risk Policy and a Business Continuity Plan in place, which are periodically reviewed to enhance operational resilience. The bank's exposure to operational risk is assessed through a Risk and Control Self-Assessment (RCSA) process, as well as through risk incident reporting and tracking. The IT and Operation Committee (ITOC) is responsible for monitoring and managing operational risk, with additional oversight provided by the RCC and/or the Board, to which issues can be escalated.
Capital Risk	The Bank conducts an annual ICAAP stress test to assess its capital planning throughout its business planning horizon, the Board manages Capital Risk through the Internal Capital Adequacy Assessment Process (ICAAP) and Risk Appetite Parameters. The Executive Management Committee (EMC) is responsible for managing capital risks on an ongoing basis, which is further having oversight structure with RCC and/or Board through periodic review. The Bank maintains its capital levels to ensure a sufficient level of solvency and aims to establish a sustainable business model that generates stable income, enabling organic capital accumulation. The Bank regularly reviews its capital and leverage ratios, including the quantity and quality of its capital, as part of its Risk Appetite.
Liquidity Risk	Liquidity risk is defined by the Overall Liquidity Adequacy Rule (OLAR) and assessed and managed by the Board through the annual Internal Liquidity Adequacy Assessment Process ('ILAAP') and Risk Appetite Parameters. The Treasury department implements effective processes to manage and control liquidity and funding, with oversight from the Risk team. The Bank aims to always maintain adequate liquid assets to cover client commitments and comply with regulatory requirements. The Bank maintains a conservative liquidity profile with sufficient, high-quality, and stable funding sources to always survive a 120-day severe but plausible stress. The Bank manages liquidity risks, including Maturity Mismatch Risk, through the Asset Liability Committee ('ALCO'), with oversight from RCC and/or Board through periodic review. The Bank also uses other important regulatory measures, such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), to manage liquidity risks effectively.
Conduct Risk	Senior Management is responsible for managing conduct risks and the same is monitored through EMC, with further oversight from RCC and/or Board. Appropriate conduct is integral to all aspects of the Bank's operational activities. The Bank is dedicated to collaborating with its customers and service providers to ensure that its products are straightforward, equitable, and clear. Complaints, along with a wide range of other conduct risk metrics, are closely monitored monthly at both the Executive and Board Committees. The Bank also places significant emphasis on the treatment of Vulnerable Customers. The Committees oversee management's preparations for the implementation of the Financial Conduct Authority's (FCA) 'Consumer Duty' in July 2023, and continues to monitor management's efforts to ensure good outcomes for retail customers.
Climate Change Risk	Bank is focused on both the physical and transitional impact of Climate Change and is developing its awareness of the sources and potential consequences of related exposures in its risk-taking decisions. Responsibility for championing the Bank's response is delegated to the CRO. Therefore, the Bank has developed a Climate Risk Policy that includes a materiality assessment and articulates the Bank's response to Climate Risk. As per the policy, enhanced due diligence requirements for corporate exposures above certain threshold or impacted industries is proposed to be included in the credit policy. Requirements for enhanced data collection and diligence requirements will be articulated in the investment policy which are linked to the expected climate risk of the exposures subject to approval of the Risk and Compliance Committee (RCC).

Risk Governance

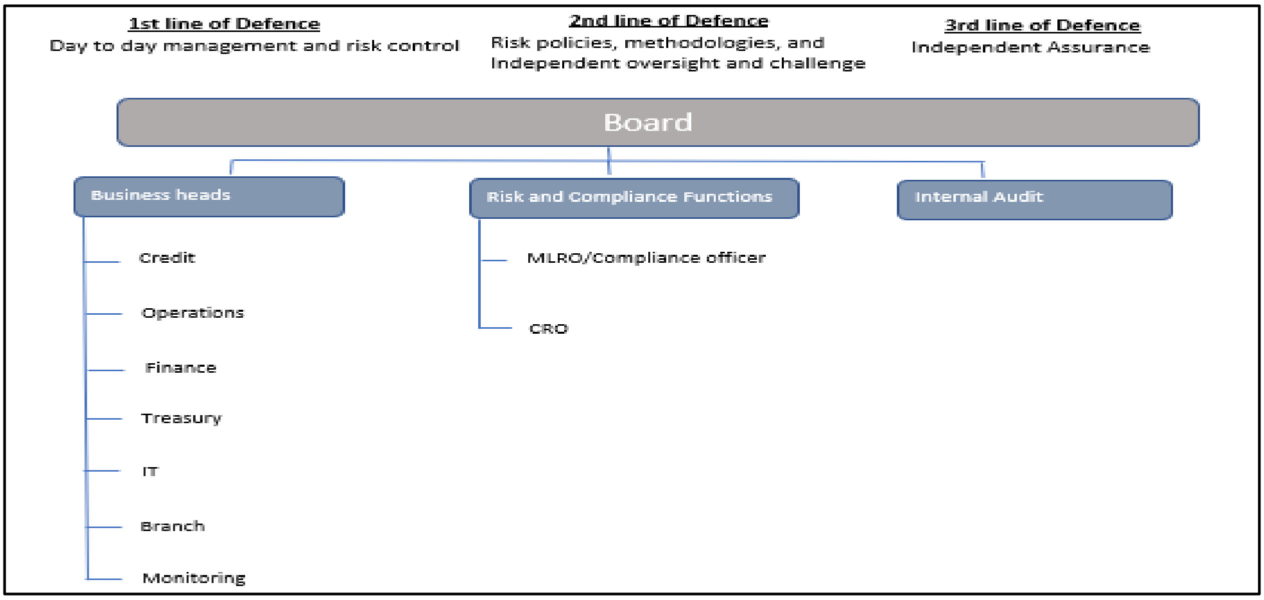
a) Declaration approved by the management body on the adequacy of the risk management arrangements (Point (e) of Article 435(1) CRR)

The bank's risk management approach is underpinned by a strong governance framework that it considers appropriate to both the size and strategic intentions of its businesses.

The framework is founded on a "three lines of defense" model, as set out below:

The key principles underlying this approach are that:

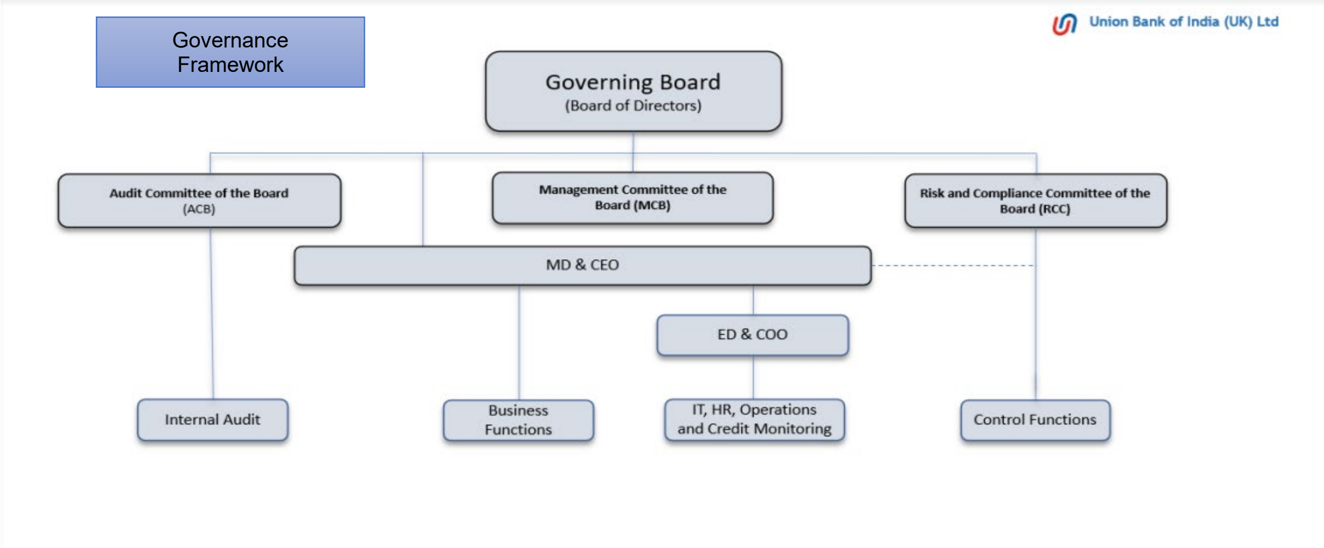
- The business heads own all the risks assumed throughout the bank and is responsible for their management on a day-to-day basis to ensure that risk and return are balanced.
- The board and business management together promote a culture in which risks are identified, assessed, and reported in an open, transparent, and objective manner.
- The overriding priority is to protect the bank's long-term viability and produce sustainable medium to long-term revenue streams.
- Risk functions are independent of the businesses and provide oversight of and advice on the management of risk across the bank;
- Risk management activities across the Bank are proportionate to the scale and complexity of the bank's individual businesses;
- Risk mitigation and control activities are commensurate with the degree of risk; and
- Risk management and control supports decision-making.



Responsibility for overseeing the Risk Framework is delegated to the following Board committees (each of which is chaired by a Non-Executive Director) –

Board Committee	
Risk and Compliance Committee (RCC)	The Risk and Compliance Committee (RCC) meets quarterly and consists of two Independent UK based Non-Executive Directors (one of whom acts as the Chair), one UK based Non-Executive Director and the two Executive Directors. The Head of Compliance/MLRO and the Chief Risk Officer attend and report to the RCC.
Audit Committee of the Board (ACB)	The Audit Committee of the Board (ACB) meets quarterly consists of two independent UK based Non-Executive Directors (one of whom acts as the Chair).
	The Internal Auditor reports to ACB.

Aligned to these core principles, the governance framework operates through various delegations of authority from the board downwards. These cover both individual authorities as well as authorities exercised via the bank's risk committee structure.



There are other internal committees such as Investment Committee, Executive Management Committee, Information Technology and Operations Committee, Credit Committee and Training Advisory Committee which also form part of the Internal Governance.

Together, these committees facilitate an effective flow of key risk information, as well as functioning to support appropriate risk management at each stage of the risk process lifecycle. They also provide an escalation channel for any risks or concerns, supporting the maintenance of an effective risk culture.

b) Declaration approved by the management body on the adequacy of the risk management arrangements (Point (e) of Article 435(1) CRR)

Throughout the year, the board, assisted by the Risk Committee and the Audit Committee, monitors the Bank's risk management and internal control systems, and reviews their effectiveness. This covers all material controls, including financial, operational and compliance controls. The board also reviews the effectiveness of both committees on an annual basis. Based on its assessment throughout the year, and its review of the committees' effectiveness, the Board confirms that the Bank's risk management arrangements are adequate with regard to its risk profile and strategy and maintains appropriate staffing and resources to implement enhancements to the risk management system.

c) Disclosure on the scope and nature of risk disclosure and/or measurement systems (Point (c) of Article 435(1) CRR)

Not applicable, as the Bank falls within the definition provided in Article 433c.

d) Disclose information on the main features of risk disclosure and measurement systems (Point (c) of Article 435(1) CRR)

Not applicable, as the Bank falls within the definition provided in Article 433c.

e) Strategies and processes to manage risks for each separate category of risk (Point (a) of Article 435(1) CRR)

In order for the Risk Management Framework to function effectively, roles and responsibilities are clearly defined, and senior management responsibilities are apportioned in accordance with regulatory SYSC and Conduct requirements. The Bank follows a 'Three Lines of Defense' model, under which –

- The First Line of Defense ('1LOD') is responsible for tactical risk management and the operation of internal controls.
- The Second Line of Defense ('2LOD') is responsible for independent risk oversight, the development and implementation of risk Policies, assessment methodologies and challenge to First Line

of Defense risk-taking decisions, assumptions, and control self-assessments (RCSA)

- The Third Line of Defense ('3LOD') provides independent assurance in respect of the scope adequacy and effectiveness of the overall system of internal controls, including risk assessment processes and the operation of the internal governance framework.

This enables the bank to meet its goals and enhances its ability to respond to new opportunities.

Stress Testing

Stress testing represents another core component of the risk management framework and is employed, alongside scenario analysis, to support assessment and understanding of the risks to which the bank might be exposed. As such, it provides valuable insight to the board and senior management, playing an important role in the formulation and pursuit of the firm's strategic objectives.

Risk Culture and Awareness

Maintenance of an effective risk management culture is integral to the bank meeting its regulatory conduct requirements and assisting the accomplishment of key strategic goals.

The risk culture:

- Supports the bank and its directors to meet their legal and regulatory obligations, particularly with respect to the identification and management of risks and the need for a robust control environment.
- Underpins the bank's purpose, strategy, and values.
- Provides enhanced awareness of risk in business operations by highlighting strengths and weaknesses and their materiality to the business and, in turn, facilitating informed decision-making.
- Assists in the planning and prioritisation of key projects and initiatives.

Risk management is embedded locally within our businesses. Managers actively promote a culture in which risks are identified, assessed, managed, and reported in an open, transparent, and objective manner, and where appropriate staff conduct is viewed as critical. All members of staff are responsible for risk identification and reporting within their area of responsibility and are encouraged to escalate risks and concerns where necessary.

f) Information on the strategies and processes to manage, hedge and mitigate risks (Point (a) and (d) of Article 435(1) CRR)

The Bank has developed a Risk Management Framework articulated within the broader context of the nature, scope, scale, and complexity of the Bank's activities. The framework is based on both quantitative parameters such as capital, liquidity, and earnings volatility as well as qualitative parameters such as conduct, and reputational risk as detailed in the Board approved Risk Appetite Statement of the Bank.

The risk appetite statement has been further drilled down into portfolio-level limits, which include concentrations limits encompassing sectoral and large exposure limits. The Risk Management department of the Bank monitors adherence to the risk appetite limits and reports it to the Risk and Compliance Committee on a quarterly basis. The individual limits have also been assigned an Appetite owner and a sub-committee to monitor them on more frequent basis and taking remedial actions on breaches immediately.

The Bank operates within a comprehensive risk management framework to ensure that the key risks are clearly identified, understood, measured, and monitored with established processes and procedures to address and manage these risks. The Bank is primarily exposed to credit risk, market risk (predominantly interest and exchange rate risk), liquidity risk and operational risk.

While the Bank constantly monitors the portfolio for emerging risks, the bank's activities, business model and strategy remain unchanged. As a result, the principal risks that the bank face and our approach to mitigating them remain broadly consistent with prior years.

For more information on principal risks, and the frameworks in place to mitigate them, see the table in UK OVA (a) above.

UK OVB - Governance Arrangements

a) The number of directorships held by members of the management body (Point (a) of Article 435(2) CRR)

In addition to their roles within the Bank, the number of external directorships held by members of the management body are detailed in the table below.

Name	Position	Directorships
Ms. A Manimekhalai	Chair	17
Dr. Anand Kumar	Non-Executive Director	3
Mr. Joseph Jerry Liow Yune Loy	Non-Executive Director	4
Mr. Patrick Joseph Quinn	Non-Executive Director	0
Mr. Pankaj Dwivedi	Nominee Director	0
Mr. Arbind Choudhary	Managing Director & Chief Executive Officer	0
Mr. Rahul Kumar	Executive Director & Chief Operating Officer	0

b) Information regarding the recruitment policy for the selection of members of the management body (Point (b) of Article 435(2) CRR) and (c) Information on the diversity policy with regard of the members of the management body (Point (c) of Article 435(2) CRR)

Bank has in place a Board approved succession planning which details selection and Induction process for new Board Members which is based on the merits of the application including their qualification and Industry Experience.

The Board recognises the importance of having directors with a range of skills, knowledge and experience, and embraces the benefits to be derived from having directors who come from a diversity of backgrounds, bringing different perspectives and the challenge needed to ensure effective decision-making.

c) Information whether or not Bank has set up a separate risk committee and the frequency of the meetings (Point (d) of Article 435(2) CRR)

Not applicable, as the Bank falls within the definition provided in Article 433c.

d) Description on the information flow on risk to the management body (Point (e) of Article 435(2) CRR)

Not applicable, as the Bank falls within the definition provided in Article 433c.

6. Leverage Ratio

UK LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		A
		Applicable amount
1	Total assets as per published financial statements	**509,504**
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for exemption of exposures to central banks)	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	4,408
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,681
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	-
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	-
12	Other adjustments	692
13	**Total exposure measure**	**516,285**

UK LR2 - LRCom: Leverage ratio common disclosure

		Leverage ratio exposures	
		Mar-24	Mar-23
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	510,268	483,511
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
6	(Asset amounts deducted in determining tier 1 capital (leverage))	(72)	(133)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**510,196**	**483,378**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	-	
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	228	334

9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	-	-
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	4,180	1,133
UK-9b	Exposure determined under the original exposure method	-	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-	-
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	-
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-	-
11	Adjusted effective notional amount of written credit derivatives	-	-
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
13	**Total derivatives exposures**	**4,408**	**1,468**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	-	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
16	Counterparty credit risk exposure for SFT assets	-	-
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	-	-
17	Agent transaction exposures	-	-
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	-	-
18	**Total securities financing transaction exposures**	**-**	**-**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	6,232	12,911
20	(Adjustments for conversion to credit equivalent amounts)	-4,551	-10,329
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	-	-
22	**Off-balance sheet exposures**	**1,681**	**2,582**
	Excluded exposures		
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-	-
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off- balance sheet))	-	-
UK-22g	(Excluded excess collateral deposited at triparty agents)		
UK-22k	**(Total exempted exposures)**	**-**	**-**
	Capital and total exposure measure		
23	**Tier 1 capital (leverage)**	**116,706**	**113,622**
24	Total exposure measure including claims on central banks	**516,285**	**487,428**
UK-24a	(-) Claims on central banks excluded	(4,535)	(12,303)
UK-24b	**Total exposure measure excluding claims on central banks**	**511,751**	**475,125**
	Leverage ratio		
25	Leverage ratio excluding claims on central banks (%)	22.81%	23.91%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	22.81%	23.91%
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)		
UK-25c	Leverage ratio including claims on central banks (%)	22.60%	23.31%

26	Regulatory minimum leverage ratio requirement (%)		
Additional leverage ratio disclosure requirements - leverage ratio buffers			
27	Leverage ratio buffer (%)		
UK-27a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	-	
UK-27b	Of which: countercyclical leverage ratio buffer (%)	-	
Additional leverage ratio disclosure requirements - disclosure of mean values			
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
UK-31	Average total exposure measure including claims on central banks		
UK-32	Average total exposure measure excluding claims on central banks		
UK-33	Average leverage ratio including claims on central banks		
UK-34	Average leverage ratio excluding claims on central banks		

UK LR3 – LRSpl: Split-up of on balance sheet exposures

		a
		Leverage ratio exposures
UK-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	510,268
UK-2	Trading book exposures	-
UK-3	Banking book exposures, of which:	-
UK-4	Covered bonds	-
UK-5	Exposures treated as sovereigns	35,985
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-
UK-7	Institutions	66,701
UK-8	Secured by mortgages of immovable properties	102,072
UK-9	Retail exposures	-
UK-10	Corporates	242,700
UK-11	Exposures in default	28,809
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	34,003

UK LRA - Disclosure of LR qualitative information

a) Processes used to manage the risk of excessive leverage

To complement the risk-weighted capital regime, the Bank also takes into account the risk of excessive leverage when assessing the adequacy of capital levels.

For major Banks and Building Societies subject to the UK leverage ratio framework, the PRA requires a minimum leverage ratio be met at all times and expects firms in scope to have regulatory capital that is equal to or greater than any applicable leverage ratio buffers. This framework comprises three parts –

- A 3.25% leverage ratio minimum requirement, denominated in Tier 1 capital, which must be met with at least 75% Common Equity Tier 1 (CET1) capital.
- An additional leverage ratio buffer, applicable to UK Global Systemically Important Institutions (G-SIIs) identified by the PRA, with the buffer rate calibrated at 35% of a relevant firm's G-SII capital buffer rate, which must be met with CET1 capital; and
- A counter-cyclical leverage ratio buffer of CET1 capital, calibrated at 35% of a relevant firm's countercyclical capital buffer rate and rounded to the nearest 10 basis points.

Risk of excessive leverage is considered very low for The Bank as CRR leverage ratio is in excess. (See row 25 of UK LR2).

b) Factors that had an impact on the leverage ratio during the period

The Bank's leverage ratio excluding claims on central banks was 22.81% as of 31 March 2024 (31 March 2023: 23.91%). This impact is because of increase in on-balance sheet assets driven by loan book growth in the period. There was a slight increase in CET1 capital driven profits during the period.

7. Asset Encumbrance

Asset encumbrance arises from collateral pledged against secured funding and other collateralized obligations. As at 31 March 2024, the Bank has no encumbered assets (2023: Nil).

8. Liquidity Requirements

Liquidity risk is the possibility of being unable to meet present and future financial obligations as they become due. The Bank has implemented liquidity guidelines as specified by the PRA. It maintains a Liquidity Coverage Ratio ('LCR') and a Net Stable Funding Ratio ('NSFR') above the minimum levels as stipulated by the PRA and internal limits.

In the OLAR context, the PRA expects all firms to take responsibility for ensuring that there is no significant risk that they cannot meet their liabilities as they fall due and has increased supervisory activities to ensure that firms are running their business in a prudent manner to ensure they have an appropriate degree of resilience to liquidity stresses. In accordance with these evolving requirements, the Bank aims to maintain sufficient liquidity to ensure both OLAR and survival throughout a 90-day combined stress period.

Liquidity risk appetite and strategy are approved by the Board and reviewed annually, and the stress testing framework is challenged and recalibrated as part of the annual ILAAP review.

In the ILAAP, the bank considers following risk as the key risks:

Risk driver

- The run-off of retail funding
- The reduction of unsecured wholesale funding
- The correlation and concentration of funding
- Additional contingent off-balance sheet exposures
- FX convertibility and access to FX markets
- The impact on a firm's reputation or franchise
- Marketable asset risk
- Non-marketable asset risk

UK LIQ1 – Quantitative information of LCR

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on (DD Month YYY)	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23
UK 1b	Number of data points used in the calculation of averages	3	3	3	3	3	3	3	3
1	Total high-quality liquid assets (HQLA)					**48,392**	**58,854**	**56,450**	**54,353**
2	Retail deposits and deposits from small business customers, of which:	256,004	239,850	227,694	242,732	1,080	3,229	2,222	553
3	*Stable deposits*	5,490	6,101	3,846	3,173	275	305	192	159
4	*Less stable deposits*	250,514	233,749	223,849	239,559	806	2,924	2,030	394
5	Unsecured wholesale funding	13,855	20,168	22,633	7,014	8,517	14,658	15,166	2,493
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	13,855	20,168	22,633	7,014	8,517	14,658	15,166	2,493
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	*Secured wholesale funding*					-	-	-	-
10	Additional requirements	4,954	3,026	16,455	15,201	9,764	17,678	9,371	3,641

11	*Outflows related to derivative exposures and other collateral requirements*	2,351	2,170	2,185	2,170	2,351	2,170	2,185	2,170
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	2,603	856	14,270	13,031	1,889	78	1,420	1,305
14	Other contractual funding obligations	3,485	13,145	5,233	412	3,151	12,811	4,900	79
15	Other contingent funding obligations	2,539	2,785	1,033	253	2,372	2,618	866	87
16	TOTAL CASH OUTFLOWS					**19,361**	**35,565**	**26,759**	**6,686**
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	38,846	61,014	56,467	70,023	36,538	54,625	46,453	67,980
19	Other cash inflows	-	-	-	-	-	-	-	-
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries 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	**38,846**	**61,014**	**56,467**	**70,023**	**36,538**	**54,625**	**46,453**	**67,980**
UK-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
UK-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
UK-20c	*Inflows subject to 75% cap*	38,846	61,014	56,467	70,023	36,538	54,625	46,453	67,980
UK-21	LIQUIDITY BUFFER					**48,392**	**58,854**	**56,450**	**54,353**
22	TOTAL NET CASH OUTFLOWS					**4,840**	**10,638**	**6,690**	**1,672**
23	LIQUIDITY COVERAGE RATIO					**1000%**	**553%**	**844%**	**3252%**

Note: The weights prescribed by PRA are used for calculating the weighted amount. Number of data points used is 3 i.e. the amount is the average of LCR data for the quarter.

UK LIQB – Qualitative information on LCR, which compliments template UK LIQ1

(a) Main drivers of LCR results

The Bank' LCR is driven by a combination of the size of the liquid asset buffer, funding requirements from upcoming maturities and commitments to lend.

(b) Explanations on the changes in the LCR over time

The movement in the 3-month average LCR is mainly due to variations in net cash outflows in the banking book. However, the bank maintains an LCR well above the regulatory requirement at all times.

(c) Explanations on the actual concentration of funding sources

The Bank' approach to funding is diverse, drawing on a wide range of retail and wholesale.

(d) High-level description of the composition of the institution`s liquidity buffer

The Bank' liquidity buffer predominantly comprise reserves held at the central bank and highly rated debt securities which are held and managed centrally by its Treasury function.

(e) Derivative exposures and potential collateral calls

The Bank has in place a small number of derivative contracts to hedge foreign exchange exposures. LCR derivative cash flows are stated gross and are subject to the 75% cap on inflows.

(f) Currency mismatch in the LCR

LCR is being calculated and monitored for major currencies i.e. USD and GBP which is subject to internal risk limits.

(g) Other items in the LCR calculation that are not captured in the LCR disclosure template

There are no other relevant items.

UK LIQ2 – Net Stable Funding Ratio (NSFR)

		a	b	c	d	e
		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	-	-	-	**116,927**	**116,927**
2	*Own funds*		-	-	116,927	116,927
3	*Other capital instruments*		-	-	-	-
4	Retail deposits		**27,915**	**161,792**	**70,335**	**245,090**
5	*Stable deposits*		11,056	69,321	21,572	97,930
6	*Less stable deposits*		16,860	92,471	48,763	147,160
7	Wholesale funding:		**32,810**	**18,607**	**12,911**	**38,619**
8	*Operational deposits*		-	-	-	-
9	*Other wholesale funding*		32,810	18,607	12,911	38,619
10	Interdependent liabilities					
11	Other liabilities:		**48,664**	**16,521**	**3,759**	**12,020**
12	*NSFR derivative liabilities*					
13	*All other liabilities and capital instruments not included in the above categories*		48,664	16,521	3,759	12,020
14	**Total available stable funding (ASF)**		**109,389**	**196,920**	**203,932**	**412,656**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					19,362
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:		**94,757**	**65,335**	**235,515**	**256,146**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		-	-	-	-
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		46,828	8,002	12,487	21,171
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		27,641	27,074	156,922	204,232
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:*		12,142	27,827	36,160	-
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		11,429	7,790	36,149	33,106
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*		8,146	2,432	29,946	30,743
25	Interdependent assets		-	-	-	-
26	Other assets:		**357**	**-**	**38,971**	**38,989**

27	*Physical traded commodities*				-	-
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		-	-	-	-
29	*NSFR derivative assets*		-	-	-	-
30	*NSFR derivative liabilities before deduction of variation margin posted*		357	-	-	18
31	*All other assets not included in the above categories*		-	-	38,971	38,971
32	Off-balance sheet items		**6,232**	**-**	**-**	**312**
33	**Total RSF**		**101,346**	**65,335**	**274,486**	**314,809**
34	**Net Stable Funding Ratio (%)**					**131%**

Note: The weighted value is as per the PRA prescribed weights

9. Credit Risk: General Disclosure

Credit risk reflects potential losses arising from a borrower or counterparty failing to meet its obligations to the Bank as they fall due; these exposures arise both by virtue of the Bank's lending business, and also from the Bank's interbank money market placements and investments in marketable securities.

The Bank uses various techniques to manage credit risk in its loan portfolio. These include comprehensive reviews of the continued ability of the counterparty to honour the facility without distress and in some cases the receipt of collateral security to support the facility –

UK CR3- Disclosure of the use of credit risk mitigation techniques

Portfolio	a	b	c	d	e
	Unsecured Carrying amount	Secured Carrying amount	Exposures secured by collaterals	Exposures secured by financial guarantees	Exposure secured by credit derivatives
Loans	58,290	304,037	304,037	-	-
Debt Securities (including Placement)	151,623	-	-	-	-
Total	**209,913**	**304,037**	**304,037**	**-**	**-**
Of which non performing	**2,055**	**49,918**	**49,918**	-	-
Of which defaulted	2,055	49,918	49,918	-	-

UK CR4 - Standardised approach - Credit risk exposure and CRM effects

	a	b	C	d	e	f
	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	23,573	-	23,573	-	582	2%
Public sector entities	-	-		-	-	0%
Institutions	71,109	-	71,109	-	33,532	47%
Corporates	259,980	5,689	242,700	1,138	234,869	96%
Secured by mortgages on immovable property	102,072	-	102,072	-	66,082	65%
Exposures in default	28,809	-	28,809	-	37,335	130%
Institutions and corporates with a short- term credit assessment	-	-		-	-	0%
Equity	3,270	-	3,270	-	3,270	100%
Other items	26,335	-	43,615	-	17,552	40%
TOTAL	**515,148**	**5,689**	**515,148**	**1,138**	**393,222**	**76%**

UK CR5 - Standardised approach

	a	E	f	g	j	k	l	o	p
	Risk weight								Total
Exposure classes	0%	20%	35%	50%	100%	150%	250%	Others	
Central governments or central banks	20,663	2,910	-	-	-	-	-	-	23,573
Public sector entities	-	-	-	-	-	-	-	-	-
Institutions	-	6,742	-	64,367	-	-	-	-	71,109
Corporates	-	2,855	-	13,369	227,614	-	-	-	243,837
Exposures secured by mortgages on immovable property	-	-	55,368	-	46,704	-	-	-	102,072
Exposures in default	-	-	-	-	11,758	17,052	-	-	28,809
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-
Equity exposures	-	-	-	-	3,270	-	-	-	3,270
Other items	29,711	-	-	-	6,608	7,296	-	-	43,615
TOTAL	**50,374**	**12,507**	**55,368**	**77,736**	**295,953**	**24,347**	**-**	**-**	**516,285**

Risk management

The Bank has a robust process in place to manage the credit risk at origination as well as on a portfolio basis over the lifetime of the loan, interbank placement and investment books.

All loans are subject to a rigorous pre-sanction appraisal process which considers the loan's specific characteristics and applies the Bank's corresponding policies and risk appetite parameters. Loan approval authority is delegated to various Management committees depending on the size of the loan, and during the appraisal process, all loans are also assigned an internal credit risk rating which is then monitored at a minimum frequency of every 12 months. Further details of the Bank's credit risk management are summarized in its Credit risk policy.

Risk Assessment

Credit RWAs are assessed using the Standardized Approach.

The table below shows the summary of average risk weights (RWA/Exposure) across all portfolios as of 31st March 2024–

Portfolio	Balance Sheet exposure (USD 000s)	Exposure for RWA (USD 000s)	Average risk weight	RWA (USD 000s)
Cash in Hand and at Bank	8,336	25,616	3%	767
Contingent liabilities*	10,643	5,546	60%	3,337
Debt Securities (including Placement)	151,623	151,436	52%	79,245
Loans to Customers	362,327	323,809	93%	301,103
Other Assets	9,878	9,878	89%	8,769
Total Credit Risk	**542,807**	**516,285**		**393,222**

Credit risk RWAs as at 31st March 2024

*This forms part of off-balance sheet item

Below table shows a comprehensive picture of the credit quality of the Bank's (on and off-balance sheet) assets.

(USD'000)

Portfolios	a	b	c	d
	Gross carrying values of		Allowance Impairments	Net Values (a+b-c)
	Defaulted Exposures	Non-Defaulted Exposures		
Loans	51,973	310,354	21,807	340,520
Debt Securities (including Placement)	-	151,623	18	151,605
Off-Balance sheet exposures	-	10,643	-	10,643
Total	**51,973**	**472,620**	**21,825**	**502,768**

Credit Quality of Assets

Table below provides an overview of exposure by CQS

USD'000

CQS	Total Credit Exposures Amount - Post CCF	% Exposure
1	35,945	7%
2	24,449	5%
3	68,195	13%
4	43,051	8%
Unrated	344,645	67%
Total	**516,285**	**100%**

Exposure by CQS

USD'000

CQS	Risk Factor (Total Credit Exposures Amount - Post CCF)							Total
	0%	20%	35%	50%	100%	150%	250%	
1	33,075	2,870	-	-	-	-	-	35,945
2	-	6,688	-	17,762	-	-	-	24,449
3	-	2,950	-	16,923	48,322	-	-	68,195
4	-	-	-	43,051	-	-	-	43,051
Unrated	17,299	-	55,368	-	247,631	24,347	-	344,645
Grand Total	**50,374**	**12,507**	**55,368**	**77,736**	**295,953**	**24,347**	-	**516,285**

Exposure by CQS and Risk Factor

USD'000

CQS	Exposures Classification[5]									
	CG	Corp.	DE	EE	High Risk	Inst.	MDB	SIMP	RL	OE	Total
1	20,663	2,855	-	-	-	15	12,412	35,945	-	-	71,889
2	2,910	13,369	-	-	-	8,170	-	24,449	-	-	48,899
3	-	48,322	-	-	-	19,873	-	68,195	-	-	136,390
4	-	-	-	-	-	43,051	-	43,051	-	-	86,101
Unrated	-	179,292	28,809	3,270	7,296	-	-	217,792	-	-875	435,583
Total	**23,573**	**243,837**	**28,809**	**3,270**	**7,296**	**71,109**	**12,412**	**389,432**	**-**	**-875**	**778,863**

Exposure by CQS and type of exposure

[5] CG-Central Government, Corp. – Corporate, DE – Default Exposure, EE – Equity Exposure, Inst. – Institution, MDB – Multilateral Development Bank, RL – Retail, SIMP – Secured by Mortgage on Immovable Properties, OE – Other Exposure

10. Market Risk

Disclosure on exposure to Market Risk is not applicable, as the bank falls within the definition provided in Article 433c. The information is presented in a flexible format covering the Bank's market Risk.

Market risk is the risk of losses resulting from adverse changes in the value of positions arising from movements in market prices across commodity, credit, equity, FX and interest rates risk factors.

Risk Management
The Bank's asset portfolio is based on simple products and there is no market-making nor any significant propriety trading activity undertaken by the bank. In this context Union Bank UK is classified by the PRA as a category 4 firm.

The Bank's key driver of market risk is from its exposure to GBP, USD (with some insignificant exposure to INR and EUR). All open positions are monitored against specific risk appetite limits on a daily basis.

Risk Assessment
Union Bank UK assesses market risk by monitoring the risk of adverse movement in market prices for investments and also calculating the net open position for foreign currencies.

The RWA calculation as per March 2024 B/S is summarized below -

Foreign Currency	Open position (USD 000s)	Risk weight	RWA (USD 000s)
GBP	2,251	100%	2,251
EUR & INR	1,523	100%	1,523
Total Market Risk	**3,774**		**3,774**

11. Operational Risk

Disclosure on exposure to Operational Risk is not applicable, as the bank falls within the definition provided in Article 433c. The information is presented in a flexible format covering the Bank's Operational Risk.

Operational risk reflects unintended outcomes and harm to customers resulting from inadequate or failed internal processes, people, and systems or from external events. This includes change management, legal, information and technology risks including Cyber threat, in each case aligned to a business process or customer proposition, whether this could potentially give rise to a material financial loss.

Risk Management

The Bank has developed its Operational Risk Framework to oversee and control operational exposures in an integrated and consistent manner. Within the Operational risk framework, new products, processes, and services introduced by the Bank are subject to rigorous risk evaluation and approval. In addition to the policy, the Bank has specific operational policies and related procedures in place covering (inter alia) IT Security, Outsourcing policy, and a Business Continuity Plan.

The Bank has implemented a comprehensive internal risk & control self-assessment process to identify, assess, monitor, and control risks supported by tactical First Line of Defence policies and standard operating procedures (in addition to the Second Line of Defence's Operational Risk Policies) which are reviewed on a regular basis.

Risk Assessment

The Bank follows the Basel/CRR Basic Indicator Approach for measuring Operational Risk, which calculates Pillar 1 capital as 15% of average of the last three years' relevant indicator[6]. As of March 2024, the equivalent Pillar 1 RWA component is assessed as follows –

Year	Relevant indicator (USD'000)
Year 1 (2024)	13,888
Year 2 (2023)	14,745
Year 3 (2022)	9,341
Average	**12,658**

	Relevant indicator (USD'000)	Operational risk scalar	Operational risk capital (USD'000)	Operational risk RWAs (USD'000)
Average	12,658	15%	1,899	23,733

[6] Calculation as per Article 316 of CRR

12. Interest Rate Risk in the Banking Book (IRRBB)

IRRBB is the risk of losses arising from changes in the interest rates associated with Banking Book items creating a structural imbalance between the term structure of Assets and Liabilities.
The Bank aims to deploy a natural hedge by matching Assets and Liabilities by Tenor and Currency.
Union Bank UK measures IRRBB by assessing the impact of a 200-bps parallel shock on the Economic Value of Equity. Exposures are assigned to defined time buckets on the basis of the next contractual re-pricing date. The NPV of the net gap position in each time bucket is calculated based on a blended-yield curve. This curve is then shifted 200-bps parallel up and down to assess the value impact. The highest of the 2 value impacts ignoring the sign is taken as the IRRBB stress value and capitalized accordingly under Pillar II A. This is discussed in the Bank's approach to Interest Rate Risk Management as summarized in its Market Risk Policy.

The following metrics are monitored and assigned (Red, Amber, and Green) trigger thresholds:

- USD Balance Sheet only - % of Long-term assets funded by Long Term Liabilities
- GBP Balance Sheet only - % of Long-term assets funded by Long Term Liabilities
- EUR Balance Sheet only - % of Long-term assets funded by Long Term Liabilities

The disclosure as per Article 448 is not applicable, as the bank falls within the definition provided in Article 433c.

13. Counterparty Credit Risk (CCR)

CCR is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.
The Bank has opted for the Simplified Standardised Approach to calculate CCR. The Bank uses forex swaps as derivatives in our books which fall under the scope for calculation of CCR.
No derivatives are entered for clients. Forex swaps are entered to cover own positions. The Bank mitigates the credit risk of derivatives by entering into International Swaps and Derivative Association (ISDA) master netting agreements. Under these agreements, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the terminal value is assessed and only a single net amount is due or payable in settlement of all transactions. The Bank's sale and repurchase transactions are also covered by master agreements with netting terms similar to ISDA master netting agreements. The ISDA and similar master netting agreements create for the parties to the agreement a right to the set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events.

In addition to CCR, Credit Valuation adjustment ('CVA') on derivatives is being calculated based on the standardised approach.

14. Credit Concentration Risk

Credit concentration risk arises as a consequence of concentration of exposures due to the inevitable imperfect portfolio diversification which arises due to the modest size of the Bank's loan portfolio (which features a large number of exposures to specific obligors – 'single name concentration', sectors or geographies).

The Bank monitors the following metrics on a periodic basis, and has assigned RAG triggers aligned to its overall risk appetite –

- Top 20 counterparties on the asset side as a proportion of the **Balance Sheet** (%)
- Top 20 loan accounts as a proportion of the lending book (%)
- Top 20 deposit accounts as a proportion of the deposit book (%)
- Largest exposure to a single counterparty (as % of capital) excl. US Treasury/MDB/UK Treasury
- Share of loan assets in any industry as a proportion of the lending book (%) (Top 3 industry segments)
- (Total investments – HQLA)/ (Total B/S – placements - HQLA)

15. Remuneration Policy

The qualitative information in table UK REMA is presented in a flexible format covering the Bank's remuneration policy.

UK REMA – Remuneration policy

The Bank has two pay Banks of employees in the UK - those on deputation from the Parent Bank and those who are locally recruited. The employees on deputation are governed by the salary structure approved by the Board of Directors of the Parent Bank. Their salary, perquisites and allowances are fixed accordingly and include certain fixed net of tax basic pay, payment of tax and National Insurance (NI) and reimbursement of certain expenses.

The salary to the locally recruited staff is as per their respective employment contracts. The Bank currently has no incentivized pay structure for its employees and directors. Three independent Non-Executive Directors are paid a fixed salary per annum.

None of the employees of the Bank fall into the category of high earners. Staff pay does not include any variable elements (such as a bonus, overtime or incentive pay) and there is no link between pay and performance. As such, the Bank has deemed it not necessary to have a separate Remuneration Committee. In addition, there is no deferral policy in place, and no employee or director has received a sign-on or severance pay.

UK REM1 - Remuneration awarded for the financial year

			a	b	c	d
	Remuneration amount in USD'000		MB Supervisory function	MB Management function	Senior management	Other material risk-takers
1	Fixed remuneration	Number of employees	3	3	3	3
2		Total fixed remuneration (3 + 5 + 7)	186,666.7	231,750.9	502,916.8	195,466.1
3		Of which: cash-based	186,666.7	231,750.9	502,916.8	195,466.1
4		Of which: deferred	-	-	-	-
5		Of which: shares or other share-linked instruments	-	-	-	-
6		Of which: deferred	-	-	-	-
7		Of which: other forms	-	-	-	-
8		Of which: deferred	-	-	-	-
9	Variable remuneration	Number of employees	-	-	-	-
10		Total variable remuneration (11 + 13 + 15)	-	-	-	-
11		Of which: cash-based	-	-	-	-
12		Of which: deferred	-	-	-	-
13		Of which: shares or other share-linked instruments	-	-	-	-
14		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration (2 + 10)**		**186,666.7**	**231,750.9**	**502,916.8**	**195,466.1**

UK REM2 - Special payments to staff whose professional activities have a material impact on institutions' risk profile (identified staff)

Not applicable, as the remuneration does not include components of deferred, guaranteed variable, and severance payments.

Template UK REM3 - Deferred remuneration

Not applicable, as the remuneration does not include components of deferred, guaranteed variable, and severance payments.

Template UK REM4 - Remuneration of 1 million EUR or more per year

Not applicable, as none of the employees of the Bank falls into the category of High Earners.

Appendix1 – Own Fund Disclosure template

UK CC1 - Composition of regulatory own funds

		(a)	(b)
		Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation*
1	Capital instruments and the related share premium accounts	150,000	UK CC2 #18 - Share Capital
	of which: Instrument type 1	150,000	Ordinary Shares
	of which: Instrument type 2		
	of which: Instrument type 3		
2	Retained earnings	-30,093	UK CC2 #20 - Retained earnings
3	Accumulated other comprehensive income (and other reserves)	-3,024	UK CC2 #19 - Fair Value Reserves
UK-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**116,883**	
7	Additional value adjustments (negative amount)	-106	Regulatory Adjustments
8	Intangible assets (net of related tax liability) (negative amount)	-71	UK CC2 #9 - Net Intangible Assets
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)	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
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)	-	
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)	-	
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)		
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	-	
UK-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
UK-20c	of which: securitisation positions (negative amount)	-	
UK-20d	of which: free deliveries (negative amount)	-	
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)	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	
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	-	
24	Empty set in the UK	-	
25	of which: deferred tax assets arising from temporary differences	-	
UK-25a	Losses for the current financial year (negative amount)	-	
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)	-	
26	Empty set in the UK	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments to CET1 capital *(including IFRS 9 transitional adjustments when relevant)*	-	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(177)**	
29	**Common Equity Tier 1 (CET1) capital**	**116,706**	
30	Capital instruments and the related share premium accounts	-	
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	-	
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	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
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)	-	
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)		
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)	-	
41	Empty set in the UK	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
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)**	**116,706**	
46	Capital instruments and the related share premium accounts	-	
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	-	
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	-	
49	of which: instruments issued by subsidiaries subject to phase out	--	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**-**	
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
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)	-	
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)	-	
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)	-	
56	Empty set in the UK	-	
UK-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative 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)**	**116,706**	
60	**Total Risk exposure amount**	**421,729**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	27.67%	

62	Tier 1 (as a percentage of total risk exposure amount)	27.67%	
63	Total capital (as a percentage of total risk exposure amount)	27.67%	
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)	3.26%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.76%	
67	of which: systemic risk buffer requirement	-	
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	15.39%	
69	[non relevant in UK]	-	
70	[non relevant in UK]	-	
71	[non relevant in UK]	-	
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)	-	
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)	-	
74	Empty set in the UK	-	
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)	-	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

UK CC2 - Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b
		Balance sheet as in published financial statements	Under regulatory scope of consolidation
		As at 31.03.2024	As at 31.03.2024
Assets - *Breakdown by asset class according to the balance sheet in the published financial statements*			
1	Cash on hand	19	
2	Cash at Bank	8,317	
3	Loans and advances to banks	43,027	
4	Financial investments - FVTOCI	103,558	
5	Financial investments - FVTPL	3,270	
6	Financial investments - Amortised Cost	4,983	
7	Loans and advances to customers	339,650	
8	Property, plant & equipment	5,207	
9	Net intangible assets	71	UK CC1 #8
10	Derivative financial instruments	0	
11	Other Assets	1,402	
	Total assets	**509,504**	
Liabilities - *Breakdown by liability class according to the balance sheet in the published financial statements*			
12	Derivative financial instruments	194	
13	Borrowings from Banks	-	
14	Repo liability	-	
15	Deposits from customers	387,541	
16	Accruals and other liabilities	4,714	
17	Provision - Dilapidation	172	
	Total liabilities	**392,621**	
			Shareholders' Equity
18	Share capital	150,000	UK CC1 #1
19	Fair value reserves	-3024	UK CC1 #3
20	Retained earnings	-3,093	UK CC1 #2
	Total shareholders' equity	**116,883**	

Appendix2 - Compliance to Pillar 3 requirements

The table below lists the CRR article reference with a high level summary of disclosure requirement along with information on compliance by the Bank for those requirements. The below table contains reference to only those CRR articles for which disclosure is required in accordance with Article 433c (2) of CRR for non-listed Other Institution.

CRR Article	Article description	Applicable to the Bank	Remarks
TITLE I	**GENERAL PRINCIPLES**		
Article 431	**Disclosure requirements and policies**		
Article 431(1)	Requirement to publish Pillar 3 disclosures	Yes	Bank publishes Pillar 3 disclosures for the year ended March 31, 2024 on its website.
Article 431(2)	Disclosure of permission to use specific methodologies	No	The Bank does not use the IRB, Advanced Measurement Approaches or Internal Market Risk Models.
Article 431(3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness, and appropriateness.	Yes	Background section 1 - Frequency, Verification and Medium, Media and Location
Article 431(4)	Qualitative narrative for all quantitative disclosures and specify wherever there is a change from prior disclosures	Yes	The Bank provides appropriate narrative or supplementary information wherever required in the disclosure document.
Article 431(5)	If requested, provide written explanation for rating decisions to SMEs and other corporates for loans applications.	Yes	As required in the course of business
Article 432	**Non-material, proprietary or confidential information**		
Article 432(1)	The Bank may omit one or more disclosures if the information is not material.	Yes	Background section 1 - Basis of disclosure
Article 432(2)	The Bank may also choose to not disclose proprietary or confidential information, if certain conditions are met.	Yes	Background section 1 - Basis of disclosure
Article 432(3)	If the Bank decides to omit a disclosure, disclose the fact that the specific items of information are not disclosed, the reason for non-disclosure, and publish more general information about the subject matter.	Yes	Background section 1 - Basis of disclosure
Article 433	**Frequency and scope of disclosures**	Yes	Background section - Frequency. The document is published annually.
Article 433a	Disclosures by large institutions	No	The Bank is **not** a:- G-SII ("Globally Systemic Important Institution")- O-SII ("Other Systemic Important Institution")- among the three largest institutions in the UK, and total assets are below EUR 30 billion.Therefore, the Bank is not considered as a 'Large institution'.
Article 433b	Disclosures by small and non-complex institutions	No	The Bank does not meet the following condition: point (f) of para (145) of Article 4(1): (f) more than 75 % of both the institution's

			<u>consolidated total assets and liabilities, excluding in both cases the intrabank exposures, relate to activities with counterparties located in the European Economic Area;</u> According to the working provided for Pillar 3 geographical distribution, only ~40% of the assets related to activities with counterparties located in the European Economic Area. Therefore, the Bank is not considered as a 'small and non-complex institution'.
Article 433c	Disclosures by other institutions	Yes	As the Bank is not subject to Article 433a or 433b and being a non-listed institution, following articles will apply on an annual basis: (a) points (a), (e) and (f) of Article 435(1);(b) points (a), (b) and (c) of Article 435(2);(c) point (a) of Article 437;(d) points (c) and (d) of Article 438;(e) the key metrics referred to in Article 447;(f) points (a) to (d), (h) to (k) of Article 450(1).
Article 434	**Means of disclosures**		
Article 434(1)	All information required in electronic format in a single medium or location	Yes	Background section 1 - Media and Location
Article 434(2)	Disclose required information on their website or appropriate location.	Yes	Background section 1 - Media and Location
Article 434b	Timing and Means of Disclosures under Article 441	No	This article is only applicable to G-SII.
TITLE II	**TECHNICAL CRITERIA ON TRANSPARENCY AND DISCLOSURE**		
Article 435	**Disclosure of risk management objectives and policies**		According to Article 433c, following items of this article are applicable to the Bank:
Article 435(1)(a)	Strategy and Risk Management	Yes	Risk Management and Governance Framework section 5
Article 435(1)(e)	Declaration on the adequacy of Risk Management	Yes	
Article 435(1)(f)	A concise risk statement approved by the management body	Yes	
Article 435(2)(a)	Other directorship held by the Management Body	Yes	
Article 435(2)(b)	Recruitment Policy for the selection of Management Body	Yes	
Article 435(2)(c)	Policy of diversity for selection of Management Body	Yes	
Article 436	Disclosure of the scope of application	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 437	**Disclosure of own funds**		According to Article 433c, following items of this article are applicable to the Bank:
Article 437 (a)	Reconciliation Own funds with the balance sheet in the audited financial statements.	Yes	Appendix 1.

Article 437a	Disclosure of own funds and eligible liabilities	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 438	**Disclosure of own funds requirements and risk-weighted exposure amounts**		According to Article 433c, following items of this article are applicable to the Bank:
Article 438 (c)	Upon demand the result of the institution's internal capital adequacy assessment process	Yes	In line with the regulatory requirements, the Bank has instituted an ICAAP, which is used to estimate the capital requirements in line with the risk appetite of the Bank. The ICAAP is approved by the Board of the Bank at the start of each financial year. The Bank provides the result of ICAAP as and when demanded / prescribed by the regulator.
Article 438 (d)	Own Funds requirements and risk weighted exposures broken down by risk categories	Yes	Minimum Capital Requirement section 4
Article 439	Disclosure of exposures to counterparty credit risk	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 440	Disclosure of countercyclical capital buffers	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 441	Disclosure of indicators of global systemic importance	No	Not applicable, as the Bank is not a G-SII.
Article 442	Disclosure of exposures to credit risk and dilution risk	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 443	Disclosure of encumbered and unencumbered assets	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 444	Disclosure of the use of the Standardised Approach	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 445	Disclosure of exposure to market risk	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 446	Disclosure of operational risk management	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 447	**Disclosure of key metrics**		
Article 447 (a)	Compositions of own funds and own funds requirements	Yes	Capital Management section 3
Article 447 (b)	Total risk exposure amount	Yes	Capital Management section 3
Article 447 (c)	Amount and composition of additional own funds	No	As per Annex II, only LREQ firms shall disclose these values.
Article 447 (d)	Combined buffer requirement	Yes	Capital Management section 3
Article 447 (e)	Leverage ratio and total exposure measure	Yes	Capital Management section 3
Article 447 (f)	Liquidity coverage ratio	Yes	Capital Management section 3
Article 447 (g)	Net stable funding disclosure	Yes	Capital Management section 3
Article 447 (h)	Own funds and eligible liabilities ratio and the components	No	Not applicable, as the Bank is not a G-SII.
Article 448	Disclosure of exposures to interest rate risk on positions not held in the trading book	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 449	Disclosure of exposures to securitisation positions	No	Not application, as the Bank does not have securitisation positions.
Article 449a	Disclosure of environmental, social and governance risks (ESG risks)	No	Not applicable to the UK firms.
Article 450	**Disclosure of remuneration policy**		According to Article 433c, following items of this article are applicable to the Bank: Para (1), points (a) to (d) and (h) to (k)

Article 450(1)(a)	Decision making process on Remuneration Policy	Yes	Remuneration policy Section 14
Article 450(1)(b)	Link between pay and performance	Yes	Remuneration policy Section 14
Article 450(1)(c)	Criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria	Yes	Remuneration policy Section 14
Article 450(1)(d)	Ratios between fixed and variable remuneration	Yes	Remuneration policy Section 14
Article 450(1)(h)(i)	Split of fixed and variable remuneration	Yes	Remuneration policy Section 14
Article 450(1)(h)(ii)	Split of variable pay into cash, shares, share-linked instruments and other types	Yes	Remuneration policy Section 14
Article 450(1)(h)(iii)	Deferred remuneration for previous periods	Yes	Remuneration policy Section 14
Article 450(1)(h)(iv)	Deferred remuneration to vest in the financial year	Yes	Remuneration policy Section 14
Article 450(1)(h)(v)	Guaranteed variable remuneration	Yes	Remuneration policy Section 14
Article 450(1)(h)(vi)	Severance payments awarded in previous periods	Yes	Remuneration policy Section 14
Article 450(1)(h)(vii)	Severance payments awarded during the financial year	Yes	Remuneration policy Section 14
Article 450(1)(i)	Remunerated EUR 1 million or more per financial year	Yes	Remuneration policy Section 14
Article 450(1)(J)	On demand, total remuneration of each member of the management body or senior management	No	Provision deleted in PRA Rulebook
Article 450(1)(K)	Benefits from remuneration derogation taken	No	Not applicable, as the Bank does not take the relevant derogation.
Article 451	Disclosure of the leverage ratio	No	Leverage ratio Section 6
Article 451a	Disclosure of liquidity requirements	No	Liquidity Requirement Section 7
TITLE III	**QUALIFYING REQUIREMENTS FOR THE USE OF PARTICULAR INSTRUMENTS OR METHODOLOGIES**		
Article 452	Disclosure of the use of the IRB Approach to credit risk	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 453	Disclosure of the use of credit risk mitigation techniques	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 454	Disclosure of the use of the Advanced Measurement Approaches to operational risk	No	Not applicable, as the Bank falls within the definition provided in Article 433c.
Article 455	Use of internal market risk models	No	Not applicable, as the Bank falls within the definition provided in Article 433c.

LONDON CORPORATE OFFICE:
12, Arthur Street
London EC4R 9AB