STATE BANK OF INDIA (UK) LIMITED

PILLAR 3 DISCLOSURES
FOR THE PERIOD ENDED MARCH 31, 2022

CONTENTS

1. Introduction

This document constitutes the Pillar 3 disclosure of the State Bank of India (UK) Limited (“SBIUK” or “the Bank”), a wholly owned subsidiary of State Bank of India (“SBI” or “SBI Group” or “the Parent”), a Bank established in law by the State Bank of India Act 1955. SBI is the largest bank in India and is authorised and regulated by the Reserve Bank of India.

The purpose of this document is to provide information and disclosure to the Bank’s stakeholders in relation to the internal procedures and policies adopted by the Bank to manage and mitigate its key risks. This document details the Pillar 3 disclosure requirements and is produced on a solo basis, in addition to the consolidated Pillar 3 disclosures made by SBI Group.

Business Model

The Bank provides the following products and services through its digital platform as well as network of 11 branches across the UK:

- Current, instant access savings, cash ISAs, notice accounts and fixed deposit accounts for individuals
- Current, business savings and fixed deposit accounts for businesses
- Online account opening though “YONO SBI UK”, our mobile banking App.
- Green Fixed Deposits, launched supporting customer in their sustainable journey
- Residential Buy To Let (BTL) mortgages, with renewed focus on BTL Sales strategy to improve sourcing through intermediaries and branches
- “Green Mortgages’’ introduced to incentivise better EPC (Energy Performance Certificate) rated properties in BTL loans
- Owner occupied commercial and commercial investment mortgages
- Credit facilities to UK-based or UK centric businesses in the hospitality, health care, student accommodation, retail, and other sectors of the economy
- GBP, USD, and Euro denominated loans to international businesses, through bilateral deals as well as through participation in syndicated loans
- 24 x 7 remittance services to India
- Fund transfer services within UK, through 24x7 faster payments service
- Safe deposit lockers

The Bank also offers online as well as mobile banking facilities. The Bank is continuously making enhancements in its Internet banking and “YONO SBI UK”, its mobile banking application.

The lending is mainly funded by customer deposits comprising of current accounts, instant access accounts and term deposits. The deposit book is carefully managed to meet the growth and the maturity profile of the loan book.

The Board sets the strategy, risk appetite and culture for the business that is supported by effective risk management, regulatory compliance and governance to support and grow the business model.

Key Financial Ratios

The Bank commenced trading on 1st April 2018, with Tier 1 share capital of £175m and Tier 2 capital of £50m, entirely contributed by SBI. However, the Bank converted £50m of Tier 2 capital into Tier 1 share capital in October 2020. The key financial and other performance indicators of SBIUK for the last two financial years are as follows:

£ Millions	2022	2021
Total Assets	1,776	1,755.4
Gross loans and advances to customers	1,210.4	1,147.2
Of which:		
Buy to let mortgages	407.9	306.2
Commercial mortgages	252.2	210.1
Corporate & business loans	521.4	614.4
Net Interest Income	34.6	23.6
Operating profit before impairment charge	19.3	10.4
Impairment charge	1.5	1.3
Profit before tax	17.7	9.2
Profit after tax	14.2	7.4
Net interest margin	2.0%	1.4%
Cost / Income ratio	49%	62%
Common Equity Tier 1 ratio[1]	19.5%	17.9%
Capital adequacy ratio[2]	19.5%	18.3%
Leverage ratio[3]	14.3%	13.5%
Liquidity Coverage Ratio (LCR)[4]	135%	156%
Net Stable Funding Ratio (NSFR) [5]	130%	124%

The Bank has established a good foundation during the first four years by implementing an effective corporate governance framework and development of sound systems and controls. These will help the Bank to achieve its objectives of steady and sustainable growth and profitability in the coming years.

Overview of regulatory framework

The Basel lll regulatory framework, which was implemented in Europe through the Capital Requirements Directive V ("CRD V"), came into effect on 7 June 2019 as an amendment to CRD IV. PRA published final policy statement in October 2021 to implement amendments to CRR in UK which corresponds to areas covered by EU CRR amendments.

This package defines the level of capital that banks must hold, having regard for the individual risk profile of each bank. The requirements of CRD V build upon the pre-existing regulations which divides the framework into three 'pillars' as described below.

Pillar 1 – these requirements set out the minimum capital requirements that each bank must adhere to.

Pillar 2 – these rules require that each bank perform an 'Individual Capital Adequacy Assessment Process' ("ICAAP") to assess its own risk profile and determine the level of additional capital required over and above the Pillar 1 requirements, having regard to those risks. The amount of any additional capital requirement is also assessed by the Prudential Regulatory Authority ("PRA") during its

[1] Common Equity Tier 1 ratio is a measure of how much equity capital (core capital) bank has available, reported as a percentage of bank's risk-weighted credit exposures.

[2] Capital adequacy ratio (CAR) is a measure of how much total capital bank has available, reported as a percentage of bank's risk-weighted exposures.

[3] Leverage ratio is a measure of bank's core capital to its total assets. The ratio uses tier 1 capital to judge how leveraged the bank is in relation to its consolidated assets.

[4] LCR is designed to ensure that banks hold a sufficient high-quality liquid assets, to allow them to survive a period of significant liquidity stress lasting 30 calendar days.

[5] NSFR is defined as the amount of available stable funding relative to the amount of required stable funding.

Supervisory Review and Evaluation Process ("SREP") and is used to determine the overall capital resources required by a bank.

Pillar 3 – these rules are designed to promote market discipline by enhancing the level of disclosure made by banks to their stakeholders, allowing them to assess a bank's key risk exposures and the adequacy of a bank's risk management process to mitigate these risks.

Measure of capital resources

The Bank applies the Standardised approach to calculate its credit risk capital requirements in accordance with the CRR, and any relevant derivations applied by the PRA in the UK. Operational Risk capital is determined by Basic indicator approach, while Market Risk capital is determined by Standardised approach.

Basis of disclosure

The Bank's Pillar 3 disclosure document has been prepared in accordance with the CRD V requirements. Where disclosure has been withheld due to its proprietary nature or omitted on the basis of materiality, as the rules permit, we comment as appropriate.

All disclosures within this report have been prepared as at 31 March 2022, which is the Bank's latest financial year-end, which the Board approved on 8 July 2022.

Frequency of disclosure

Pillar 3 disclosures are made at least annually and more frequently should management determine that significant events justify such disclosures. The Bank's Pillar 3 disclosures document will be published on its website (www.sbiuk.com).

Verification of information

The Bank's Pillar 3 disclosures have been verified and approved through internal governance, including review by the Management Committee of SBIUK and approval by the Board Audit Committee. They are not subject to external audit.

2. Scope of Pillar 3 disclosure

This section of the document provides an outline of the structure of the Bank and the nature of its business.

This document is applicable to State Bank of India (UK) Limited, which has no subsidiaries. SBIUK is a wholly owned subsidiary of State Bank of India (SBI), a Bank established in law by the State Bank of India Act 1955. SBI is the largest bank in India and is authorised and regulated by the Reserve Bank of India.

SBIUK is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. The Bank obtained approval for authorisation by PRA on 22 August 2017 and commenced trading on 1 April 2018.

SBIUK's objective is to provide retail banking services in the UK via its branch network and digital channels. The primary target customer group for the Bank are individuals and business entities in the UK. SBIUK's goal is to be a profitable and sustainable UK bank, and positions itself as a bank offering state of the art technology-based products and services in the retail and small business segment.

The Pillar 3 disclosures have been prepared for SBIUK in accordance with the rules laid out in the CRD V guidelines as adopted by the PRA. These disclosures should be read in conjunction with those made by SBI Group as part of their Basel III – Pillar 3 Disclosures (available in www.sbi.co.in). The disclosures provide information on the Bank's exposures, associated risk weights for different categories of assets and approach to calculating the capital requirements for Pillar 1.

3. Capital resources & Key Metrics.

SBIUK is currently capitalised with £225 million of ordinary share capital provided by its Parent bank, State Bank of India. This qualifies as Common Equity Tier 1 ("CET1") for capital adequacy purposes.

As at 31 March 2022, and throughout the period to 31 March 2022, the Bank maintained its capital resources at a level above the minimum capital adequacy requirements.

UK KM1 - Key Metrics:

At 31 March 2022, the capital adequacy ratio remained strong at 19.52%, with a Tier 1 capital ratio of 19.52% which is above the regulatory requirements. The following tables summarises the capital position and leverage position of the Bank as at 31 March 2022 and 31 March 2021.

	2022 '£m	2021 '£m
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	249.19	243.50
Tier 1 capital	249.19	243.50
Total capital	249.19	247.76
Risk-weighted exposure amounts		
Total risk-weighted exposure amount	1276.68	1357.75
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	19.52%	17.93%
Tier 1 ratio (%)	19.52%	17.93%
Total capital ratio (%)	19.52%	18.25%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Additional CET1 SREP requirements (%)	3.63%	3.63%
Additional AT1 SREP requirements (%)	0.73%	0.73%
Additional T2 SREP requirements (%)	0.97%	0.97%
Total SREP own funds requirements (%)	13.33%	13.33%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)	0.00%	0.00%
Capital conservation buffer (%)	2.50%	2.50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%
Institution specific countercyclical capital buffer (%)	0.00%	0.00%
Systemic risk buffer (%)	0.00%	0.00%
Global Systemically Important Institution buffer (%)	0.00%	0.00%
Other Systemically Important Institution buffer	0.00%	0.00%
Combined buffer requirement (%)	2.50%	2.50%
Overall capital requirements (%)	15.83%	15.83%
CET1 available after meeting the total SREP own funds requirements (%)	10.63%	10.63%
Leverage ratio		
Total exposure measure excluding claims on central banks	1,749.04	
Leverage ratio excluding claims on central banks (%)	14.25%	

The Bank holds High Quality Liquid Assets (HQLA) to meet liquidity shortfalls arising during periods of market stress, idiosyncratic stress or a combination of the two. The Bank's Liquidity Coverage Ratio was maintained well above the regulatory requirement of 100% throughout the year.

Liquidity Coverage Ratio	2022 '£m
Total high-quality liquid assets (HQLA) (Weighted value -average)	142.01
Cash outflows - Total weighted value	124.25
Cash inflows - Total weighted value	37.66
Total net cash outflows (adjusted value)	86.59
Liquidity coverage ratio (%)	164.00%

Net Stable Funding Ratio	2022 '£m
Total available stable funding	1,571.94
Total required stable funding	1,209.80
NSFR ratio (%)	129.93%

Eligible Capital Resources

The following table provides details of the capital resources of the Bank as on 31st March 2022 and reconciliation with balance sheet.

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
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	225.00	UK CC2 #14
	of which: Instrument type 1	0.00	
	of which: Instrument type 2	0.00	
	of which: Instrument type 3	0.00	
2	Retained earnings	27.50	UK CC2 #16
3	Accumulated other comprehensive income (and other reserves)	(2.90)	UK CC2 #15
UK-3a	Funds for general banking risk	0.00	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	0.00	
5	Minority interests (amount allowed in consolidated CET1)	0.00	
UK-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	0.00	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**249.61**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(0.12)	
8	Intangible assets (net of related tax liability) (negative amount)	(0.29)	
9	Empty set in the UK	0.00	
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)	(0.01)	

11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	0.00	
12	Negative amounts resulting from the calculation of expected loss amounts	0.00	
13	Any increase in equity that results from securitised assets (negative amount)	0.00	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0.00	
15	Defined-benefit pension fund assets (negative amount)	0.00	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	0.00	
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)	0.00	
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)	0.00	
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)	0.00	
20	Empty set in the UK	0.00	
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	0.00	
UK-20b	of which: qualifying holdings outside the financial sector (negative amount)	0.00	
UK-20c	of which: securitisation positions (negative amount)	0.00	
UK-20d	of which: free deliveries (negative amount)	0.00	
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)	0.00	
22	Amount exceeding the 17,65% threshold (negative amount)	0.00	
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	0.00	
24	Empty set in the UK	0.00	
25	of which: deferred tax assets arising from temporary differences	0.00	
UK-25a	Losses for the current financial year (negative amount)	0.00	
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)	0.00	
26	Empty set in the UK	0.00	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	0.00	
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	0.00	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(0.42)	
29	**Common Equity Tier 1 (CET1) capital**	**249.19**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	0	
31	of which: classified as equity under applicable accounting standards	0	

32	of which: classified as liabilities under applicable accounting standards	0	
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	0	
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	0	
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	0	
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	0	
35	of which: instruments issued by subsidiaries subject to phase out	0	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**0**	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	0	
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)	0	
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)	0	
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)	0	
41	Empty set in the UK	0	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	0	
42a	Other regulatory adjustments to AT1 capital	0	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**0**	
44	**Additional Tier 1 (AT1) capital**	**0**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**249.19**	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	0	
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	0	
UK-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	0	
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	0	
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	0	
49	of which: instruments issued by subsidiaries subject to phase out	0	
50	Credit risk adjustments		
51	**Tier 2 (T2) capital before regulatory adjustments**	**0**	
	Tier 2 (T2) capital: regulatory adjustments		

52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	0	
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)	0	
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)	0	
54a	Empty set in the UK	0	
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)	0	
56	Empty set in the UK	0	
UK-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	**0**	
UK-56b	Other regulatory adjustments to T2 capital	**0**	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0**	
58	**Tier 2 (T2) capital**	**0**	
59	**Total capital (TC = T1 + T2)**	**249.19**	
60	**Total Risk exposure amount**	**1,276.68**	
	Capital ratios and buffers	**0**	
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.52%	
62	Tier 1 (as a percentage of total risk exposure amount)	19.52%	
63	Total capital (as a percentage of total risk exposure amount)	19.52%	
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)	9.18%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.00%	
67	of which: systemic risk buffer requirement	0%	
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0%	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	5.14%	
69	[non relevant in UK]		
70	[non relevant in UK]		
71	[non relevant in UK]		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	0	

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)	0	
74	Empty set in the UK	0	
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)	0	
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	0	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	0	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	0	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	0	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	0	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	0	
82	Current cap on AT1 instruments subject to phase out arrangements	0	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	0	
84	Current cap on T2 instruments subject to phase out arrangements	0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0	

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

		Balance sheet as in published financial statements	Balance sheet as in published financial statements	Reference to UK CC1
		As at period end 31 March 22 ‘£m	As at period end 31 March 21 ‘£m	
	Assets - Breakdown by asset class according to the balance sheet in the published financial statements			
1	Cash and balances with banks	86.38	113.62	
2	Loans and advances to banks	100.00	125.00	
3	Loans and advances to customers	1,201.30	1,140.24	
4	Investment securities	367.83	339.42	
5	Derivative financial instruments	8.43	25.11	
6	Fixed assets	3.46	2.81	
7	Other assets	8.60	9.21	
7a	Intangible Assets			
8	**Total assets**	**1,776.01**	**1,755.41**	
	Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements			
9	Borrowings from banks	164.12	128.70	
10	Deposit from customers	1,339.20	1,360.34	
11	Derivative financial instruments	6.06	-	
12	Other liabilities	17.02	22.55	
13	**Total liabilities**	**1,526.40**	**1,511.59**	
	Shareholders' Equity			
14	Share capital	225.00	225.00	UK CC1 1
15	Investment revaluation reserve	(2.90)	(0.07)	UK CC1 3
16	Retained earnings	27.50	18.89	UK CC1 2
17	**Total shareholders' equity**	**249.61**	**243.82**	

4. Capital Adequacy

Internal Capital Adequacy Assessment Process

This Internal Capital Adequacy Assessment Process (“ICAAP”) is prepared by State Bank of India (UK) Limited (“SBIUK” or “the Bank”), a wholly owned subsidiary of SBI, India (“SBI” or “SBI Group” or “the Parent”). There is a separate document that sets out details of the ICAAP and the outputs from this.

The ICAAP is the process through which the SBIUK’s Board with support from the senior management team of the Bank oversees and periodically assesses:

- the major sources of risk to the Bank;
- the bank’s processes, strategies and systems;
- the results of internal stress testing of these risks; and
- the amounts and types of financial and capital resources and whether these are adequate to cover the nature and level of the risks to which the Bank is exposed.

For the purpose of the ICAAP, the Bank has assessed its capital position of SBIUK on a solo basis. The Bank is 100% owned by SBI and does not have any subsidiaries, and therefore does not fall within a regulatory consolidation group.

ICAAP is prepared using existing historic data, and projections knowledge of assets and liabilities on the Bank’s books. Capital and financial projections contained within the forward looking Business Plan is also evaluated, both under business-as-usual and stress scenarios, to ensure that the Bank has sufficient capital at all times.

The ICAAP is formally reviewed and challenged by the Risk Management Committee, Management Committee and Board Risk Committee (“BRC”) and Board. Internal Audit played no direct role in developing the ICAAP, but have as part of its ongoing responsibilities audited the processes and controls of the systems used to produce input data to the ICAAP document.

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

The Board in its capacity as the ultimate decision making body formally owns the ICAAP and the outputs arising from it. The ICAAP document and completion of the process itself has been delegated to the CEO. The Board is supported in its review of the ICAAP document as periodically submitted to them for discussion and approval, the BRC provides an initial review of the materials provided to ensure that the assessment framework and its component parts as well as the capital resource estimates generated are appropriate given the size, nature and complexity of the Bank and are aligned to the Risk Appetite agreed by the Board.

While the Board has delegated responsibility for the ICAAP document to the CEO, the Risk Department is responsible for collating and drafting the document with support from Credit and Finance Dept. in particular.

The Stress scenarios that form part of the ICAAP, are widely deliberated upon and challenged by the Senior Management before being formally approved by the RMC and Manco.

The Risk Management Committee (“RMC”) provides initial review and guidance as the process is completed through a ‘working level’ review of initial versions of the ICAAP document. The updated ICAAP document along with the revised stress scenarios was broadly distributed and debated at workshops and Management Committees including RMC and ManCo , which ensured that all senior managers had the opportunity to contribute. This process included workshops and committee meetings in which aspects of the approaches documented in the ICAAP is reviewed and challenged. It is submitted to the BRC for review and challenge before the final version is submitted to the Board for final review, challenge and authorisation.

Pillar 1 capital requirements

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

- Credit Risk: Standardized approach
- Market Risk: Standardized approach
- Operational Risk: Basic Indicator approach

Besides, capital requirement on the following is also included in Pillar 1 requirements:

- Counterparty credit risk (CCR): Mark to market method / potential future exposure
- Credit valuation adjustment (CVA) risk: Standardized method

The capital requirement for all the above risks is then aggregated to arrive at the minimum capital requirement under Pillar 1.

The following table provides overview of the risk weighted exposure amounts:

UK OV1 – Overview of risk weighted exposure amounts

	Risk weighted exposure amounts (RWEAs) '£m	£m	Total own funds requirements '£m
	a	b	c
	Mar-22	**Mar-21**	**Mar-22**
Credit risk (excluding CCR)	1,201.92	1,286.62	96.15
Of which the standardised approach	1,201.92	1,286.62	96.15
Counterparty credit risk - CCR	17.00	18.47	1.36
Of which the standardised approach	11.16	9.76	0.89
Of which credit valuation adjustment - CVA	5.83	8.71	0.47
Operational risk	57.76	52.66	4.62
Of which basic indicator approach	57.76	52.66	4.62
Total	**1,276.68**	**1,357.75**	**102.13**

**As per Article 351 of CRR, the institutions are required to calculate own funds requirement for Market Risk if the overall open position exceeds 2% of the total own funds. Bank had an open position of less than 2% of the total own funds as of 31 March 2021 and 31 March 2022.*

Capital Requirement under Pillar 2A

This section has not had any material change in relation to the last ICAAP, except the methodology for single name concentration risk for Pillar 2A assessment.
Bank is of a considered view that the concentration risk has been mitigated to a large extent by the conscious strategy of the Bank of increasing the retail book and reducing the large exposures. This matter has also been raised with the regulator during recent ASM visit and a detailed note was also sent to them subsequently. The Bank thus is of the considered view that single name HHI concentration, aimed only at its corporate and wholesale book, disregarding the expanding retail portfolio, does not correctly reflect the inherent credit concentration risk that the Bank carries.

Accordingly, HHI has been calculated including the retail exposures to take into account the diversification achieved through higher portion of retail loans in comparison with the wholesale exposures.

The Bank's Total Capital Requirement (formerly called Individual Capital Guidance), applicable as at March 31st 2022 was 11.88% (of which the Pillar 2A comprises of 3.88%) of total risk weighted assets.

Capital requirements under Capital Conservation Buffer:

The capital conservation buffer is a general buffer of risk-weighted assets designed to provide for losses in the event of stress. The capital conservation buffer applicable to the Bank as at 31 March 2022 is 2.5%.

Capital requirements under Countercyclical Capital Buffer:

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

The tables below use the standard template issued by the European Banking Authority (EBA) to show the distribution of relevant credit exposures for the calculation of the institution's specific countercyclical capital buffer (CCyB), using only the columns applicable to the Bank. The CCyB rates for only those countries that are recognized by the Financial Policy Committee (FPC) in the UK as of March 31, 2022 have been mentioned in the table:

Breakdown by country **(of relevant credit exposures '£m)**	**Credit Exposures Col 010**	**Own Funds Requirements Col 070**	**Own Fund Weights Col 110**	**Countercyclical capital buffer rate Col 120**
United Kingdom	1081.50	86.52	0.57	0%
All other countries	801.05	64.08	0.43	0%
Total	**1882.56**	**150.60**	**1.00**	

The CCyB rates for only those countries that were recognized by the Financial Policy Committee (FPC) in the UK as of March 31, 2021 have been mentioned in the table:

Breakdown by country **(of relevant credit exposures '£m)**	**Credit Exposures Col 010**	**Own Funds Requirements Col 070**	**Own Fund Weights Col 110**	**Countercyclical capital buffer rate Col 120**
United Kingdom	1078.27	86.26	0.56	0%
All other countries	840.22	67.22	0.44	0%
Total	**1918.50**	**153.48**	**1.00**	

Institution Specific Countercyclical Capital Buffer:

The table below use the standard template issued by the EBA to show the value and rate of a firm's institution-specific countercyclical capital buffer requirement and shows the Bank's value and rate as under:

(In £ millions)	**2022**	**2021**
010 Total risk exposure amount	1,276.68	1,357.70
020 Institution specific countercyclical capital buffer rate	0.0	0.0
020 Institution specific countercyclical capital buffer requirement	0.0	0.0

The Bank is not Systemically Important Institution and hence, a separate systemic buffer is not required.

5. Risk Management

Risk Governance & Culture

SBIUK's Board is responsible for establishing an effective Risk Management Framework. The Board has articulated the Bank's overall risk appetite, risk management strategy and objectives. The Board's Risk and Audit sub-committees monitor the Risk Management Framework, the internal audit environment and ensure that risk exposures are within the agreed risk appetite. Any material breaches of SBIUK's risk policies, controls and procedures are reported to the Bank's Risk Management Committee, Board Risk Committee and Board Audit Committee as appropriate.

The management of risk is applicable across all areas of SBIUK's business. The Risk Management Framework (RMF) supports the business activities within the Board approved Risk Appetite Statement. The purpose of the RMF is to provide a clear organisational structure with defined lines of responsibility under which risk is identified, managed and reported.

The Bank's risk culture is fundamental to the delivery of its strategic objectives. It is centred around

- Embedding within the business departments a strong and consistent risk control framework that clearly articulates the responsibilities across the three lines of defence and that reinforces the role of the front line. Effective risk management in the organisation can be best built when business departments and not control functions, manage and own risks.
- Ensuring that the risk appetite sets the boundaries on the risk-taking activities and defines business areas where we do not want to be present. The aim is to embed respect for the defined risk appetite in the business units.
- Ensuring that criteria related to risk and compliance form part of the performance evaluation of employees.
- Putting in place a well-defined mechanism for identifying, monitoring and managing risks.

Risk Appetite

The Bank has a Board approved Risk Appetite Statement (the "**RAS**") which sets out risk strategies with defined types and levels of risks that the Bank is willing to accept in order to achieve its business objectives. The RAS sets the tone for consistent risk management across the business. It forms an integral part of the Bank's risk policies and risk management framework which codify the overall approach for managing risks within SBI UK. The RAS acts as a reference point to assist all staff within the bank to understand the appetite for risk acceptance across all the major risk types.

The Bank defines risk appetite as the aggregate type and level of risk it is willing to assume within its 'Risk Capacity' to achieve its strategic objectives and business plan. A 'Risk Tolerance' range consists of maximum / minimum qualitative and quantitative limits showing Target Risk Appetite (Green), Early Warning Indicators (Amber) and Maximum Risk Capacity (Red) giving the business the ability to optimize its risk positioning. It also provides management with early warning ahead of any potential issue which may require invocation of recovery action and/or advice to the regulatory authorities.

The Risk Appetite Statement is formally reviewed by the Board on at least an annual basis. The Board approves the Bank's business plans, budget, long term plan, internal capital adequacy assessment process, individual liquidity adequacy assessment process and any material new product lines in line with the approved Risk Appetite. The Board also monitors the Bank's risk profile and capital adequacy position. The Risk Management Committee monitors the Key Risk Indicators at least on monthly basis and reports the same to Board Risk Committee, to ensure risks are managed as per the approved Risk Appetite Statement.

Risk Management Framework

SBIUK operates a Three Lines of Defence Risk Management Framework, reflecting the governance arrangements.

Overview of Three Lines of Defence

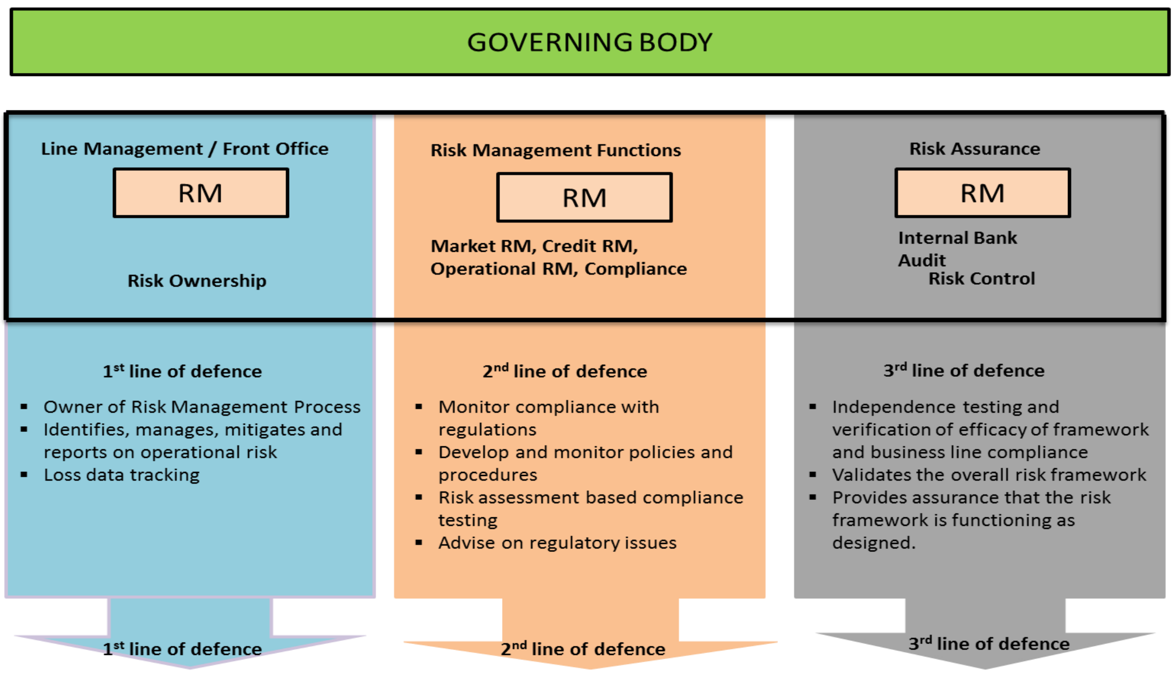
The role of SBIUK's Risk Management Framework is to serve as a mechanism through which the Board is able to implement and monitor adherence to SBIUK's risk appetite.

The Risk Management Framework utilises the 'Three Lines of Defence' (TLOD) model which is supported by a range of policies and procedures as well as functional charters and / or 'job descriptions' defining the roles of the individual functions as well as inter-functional responsibility boundaries.

Furthermore, to ensure it functions adequately, SBIUK ensures that it aligns other key aspects of the enterprise wide framework such as establishing ownership and a framework for managing risks within the front line businesses themselves. In particular, SBIUK's TLOD distinguishes between three stakeholder groups involved in effective risk management – those that:

- Own and manage risks
- Oversee risks
- Provide independent assurance

Three Lines of defence model



The first line of defence

The purpose of the first line of defence ("1LOD") is to own and manage the risks of the business. Within SBIUK, the first line functions are the retail branches, credit operations, and investment operations. These operations are servicing clients both online and through the physical branch network, and from a non-client perspective via balance sheet management.

For SBIUK, managers and the owners of business processes are the first line of defence and are adequately skilled to identify and assess risks. The risk profile is reviewed, updated and modified for changes to the business environment and emerging risks.

The first line of defence interacts with the CRO, who is responsible for oversight and challenge of the first line. The CRO ensures the alignment of the Bank's strategy with risk management activity. The business functions also seek to develop and implement policies, guidance and procedures necessary to manage risks arising. Internal procedures and standards, including the Compliance Manual, are developed with support from the second line of defence to reflect the UK's regulatory environment and other relevant rules. SBIUK considers the following to be the 1LOD responsibilities:

- Identifying, assessing and reporting the status of known risks and emerging risks arising in a business or function;
- Where applicable, mitigating or hedging risks in accordance with SBIUK's risk management and compliance framework;
- Ensuring policies and procedures that form the risk management and compliance framework are adequately implemented;
- Ensuring the effectiveness of risk management and risk outcomes within each business or function;
- Allocate appropriate resources to execute its front line risk management activities; and
- Monitoring risk events and losses, identifying issues and implementing remedial actions to address these issues.

The second line of defence

The second line of defence ("2LOD"), which comprises risk and compliance, are pivotal to the effective functioning of the risk framework in their role of defining the risk and compliance frameworks (e.g. setting policies and limits in line with the Board approved risk appetite) within which the first line must operate (and define their individual operational procedures).

The Risk Management Committee assess the second line of defence and regularly reviews the risk framework to ensure that it is sufficiently robust to protect SBIUK from internal as well as external risks. The framework lays out clear guidelines on critical enterprise-wide issues including market, credit, liquidity, operational and reputational risk.

Risk Management function

SBIUK's Risk Management function is headed by the Chief Risk Officer, who reports to the Chair of the Board Risk Committee. The Risk Management Department in SBIUK ensures that risk parameters & guidelines are appropriate and regularly reviews the risk framework to confirm that it is robust enough to protect the entity from internal and external risks.

The responsibilities of the risk management aspect of the second line of defence include:

- Advising on best risk management framework and facilitating its implementation by the first line of defence;
- Ensuring risk management tools and controls are properly designed and implemented;
- Challenging the actions and decisions of the first line and helping the first line in considering risk when managing key decisions;
- Developing and delivering risk education and training across SBIUK; and
- Maintaining close working relationships with the third line of defence, ensuring that internal audit has access to all relevant risk-related information.

The Risk Management Committee is also responsible for reviewing and making recommendations to the Board on Risk Management strategy, the Bank's risk appetite and core risk documents.

Legal and Compliance function

The Bank's Legal and Compliance function also forms part of the second line of defence and is managed by the Head of Legal & Compliance. It receives information relevant to its monitoring of the day-to-day conduct of SBIUK's activities. It ensures that the Bank has in place all the policies and procedures reasonably designed to achieve compliance with applicable laws and regulations. The compliance function looks at components of overall sound business practices and looks to identify and mitigate legal and compliance risks.

In delivering compliance within the Bank, SBIUK has embedded high standards. This is centred upon the Compliance Manual, Compliance Monitoring Programme, KYC / TCF policies, AML / Financial Crime policies and procedures, to make sure that the SBIUK's business is operating well within the relevant regulatory and legal frameworks. Furthermore, Compliance works closely with Risk Management and the front line businesses in providing reviews of new clients' on-boarding and all other aspects of conducting day to day business.

Third line of defence

The third line of defence ("3LOD") provides independent assurance on the effectiveness of the overall system of internal control, including risk management and compliance.

Internal Audit

The Internal Audit function is headed by Head of Internal Audit, who reports to the Chair of the Audit Committee. Internal Audit is an independent and objective assurance and consulting function designed to add value and improve SBIUK's operations. The internal audit function is co-sourced with one of the leading audit firms, PricewaterhouseCoopers. The internal auditor has devised a risk-based audit plan and conducts a risk-based approach to audit. Its role is to provide independent assurance that internal controls are in place and are adequate to mitigate risks and in doing so enhances the control culture so that governance processes are effective and efficient, and SBIUK's goals and objectives are met. It helps accomplish SBIUK's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Audit Committee reviews and approves Internal Audit's plans and resources, and evaluates its effectiveness. It also reviews all internal audit reports.

A review of governance arrangements for the ICAAP and ILAAP documents and associated systems and controls is part of the Internal Audit planning cycle.

Principal risks and risk mitigations

The principal risk categories facing the Bank in achieving its strategic objectives and financial performance are assessed and a summary of these risks are set out below together with the steps taken to mitigate the risks:

Principal risk and definition	How the Bank mitigates the risk
Business performance and strategic risk The risk arising from business decisions and improper implementation of those decisions	The Board and management recognise this as one of the material risks since business uncertainties are inevitable, particularly aspects that are beyond the control of either, such as the macro-economic environment, regulatory and political changes and the actions of the Bank's competitors. This is mitigated by ongoing horizon scanning and monitoring developments in these areas and adapting the business strategy accordingly. A Business Plan has been developed by the Senior Management team and assumptions contained within the plan are reasonable and achievable based on their experience of working and operating in the UK market. This plan has been approved by the Board. Stress testing is performed to show the potential impact if SBIUK's business objectives are not met. The exercise involves various stress scenarios that are assessed to be severe but plausible and confirms that the Bank would still retain sufficient capital and liquid resources.
Credit risk The risk that a borrower or counter-party fails to pay the interest or the principal on time In relation to treasury activities, there is a risk that the acquired securities or cash placed on deposit with other financial institutions is not repaid in full or in part	Credit risk is a material risk category as SBIUK is exposed to significant levels of credit risk through its lending activity. To mitigate against this risk, SBIUK has applied strict credit risk limits and underwriting criteria and collateralises exposures where possible. Credit risk appetite is set by the Board through the Risk Appetite Statement (RAS) as part of Risk Management Framework. Compliance with the stated risk appetite is supported by KRI's which is a combination of limits and target benchmarks applied at the individual asset and portfolio levels. These limits will at all times comply with any mandatory maxima applied by the regulatory authorities. The Bank has detailed policies for all types of lending and investments which are reviewed periodically and implemented in the business areas. All new loans and investments are subjected to Independent Risk assessment before being put up for approval to appropriate committee. The performance of the lending and investment portfolio is regularly monitored against the Bank's Risk Appetite Statement.

Operational risk The risk of loss arising from inadequate or failed processes, people and systems	Like other similar financial institutions, SBIUK is exposed to a variety of operational risks. The Bank identifies, assesses, monitors and mitigates these risks by a comprehensive system of internal controls and operational practices as set out in its Risk Management Framework and Operational Risk Management Policy. The Bank has in place a Risk Control Self-Assessment (RCSA) process is appropriate to the scale and complexity of the operations. The RCSA comprises an analysis of the operational risks faced by the Bank. These risks have been identified by the management team and in each case subjective judgements have been made as to the frequency with which these risks would arise and their financial impact in the absence of controls. Appropriate controls are identified and the impact and frequency reassessed on the basis of those controls being operative. SBIUK has a Risk Scoring Methodology in order to determine the Inherent Risk. Actual financial impact in monetary terms is quantified along with expected probability of occurrence. This methodology assists SBIUK in prioritising those risks which are likely to have the greatest impact on the business. The Bank has recently further enhanced its RCSA processes with the introduction of RCSA lite approach which entails Ad hoc / On demand / Out of Annual Cycle RCSA's that could be triggered in case of occurrence of 'Material Risk Events' Business Continuity Planning (BCP) has been enhanced throughout the year to strengthen Operational resilience including supporting remote working for employees/servicing customers and to ensure any future disruptions due to the pandemic would not impact the Bank. Management and development of controls to address Operational Risks are part of each business line managers' day to day responsibility. The Bank has applied the Basic Indicator Approach in accordance with the Title III Chapter 2 of the CRR in order to calculate its Pillar 1 Operational Risk capital requirement.
Market risk The risk that changes in market prices including interest rates and foreign exchange rates will affect the Bank's income or the value of its holdings	The Bank endeavours to match the currency and interest rate structure of assets with liabilities to create a natural hedge. Any residual currency/interest risks beyond the Bank's risk appetite is mitigated by entering into currency/interest rate swap agreements.

Credit Concentration Risk The risk of losses arising as a result of concentrations of exposures due to imperfect diversification. This imperfect diversification can arise from the small size of a portfolio or a large number of exposures to specific obligors (single name concentration) or from imperfect diversification with respect to economic sectors or geographical regions.	The Bank has consciously taken steps to reduce the Credit Concentration Risk. Measures taken include the following: - The strategy of focusing on BTL and Retail loans has helped in reducing average ticket size of the loan book to £0.61m in Mar 2022 from £1.08m in Dec 2019; i.e. reduction of 43%. - Simultaneously, share of wholesale loans has brought down to 58% from 78% during the same period. - Efforts made in reducing Large Exposures, including down sales has helped in reduction of 49% (£360m in Dec 2019 to £182m in Mar 2022). - Improvement in the Credit RWA to Loan book ratio from 91% (Apr 2020) to 77% (Mar 2022) The Bank intends to continue with the strategy going forward with the aim to reduce the concentration risk even further by focusing on booking good quality retail assets and down sale of large exposures.
Capital and liquidity risk *Capital* The risk that the Bank will have insufficient capital to cover unexpected losses, meet regulatory requirements or support growth plans *Liquidity* The risk that the Bank is unable to meet its financial obligations as they fall due	The Bank prepares ICAAP and ILAAP documents that are reviewed and challenged by the Board Risk Committee and ultimately approved by the Board. This requires the Bank to maintain appropriate levels of capital and liquidity on an on-going basis and in times of stress. The Bank maintains a prudent Risk Appetite Statement which is reviewed and approved by the Board at least annually. The capital and liquidity positions are measured against the risk appetite and reported monthly to the Asset and Liability Committee (ALCO) and to the Board on a quarterly basis.
Compliance risk The risk of financial loss, regulatory sanctions or loss of reputation as a result of failure to comply with the applicable laws, regulations and relevant business practice	Adequate governance and risk management arrangements have been put in place to ensure that the Bank complies with applicable laws, regulations and industry best practices. It includes detailed policies and procedures, skilled staff, on-going and periodic training programmes, defined escalation and reporting frameworks and oversight by senior management, Compliance and Risk departments and independent risk based internal audits. Ongoing oversight is performed by the management and board committees including Legal & Compliance committee, Board Risk committee and Board Audit committee.

Risks from Economic downturns	Uncertainties due to macro-economic factors and other international political developments affect the Bank, as it does others in the industry. There is ongoing regular monitoring by Executive management committees and at Board level of events as they unfold as well as the contingency planning to ensure a tight management of strategy and economic risks through 2022. The Bank has therefore adopted a conservative risk appetite on its lending, to minimise such risks. In addition, market wide stress from economic uncertainties (including the conflict in Ukraine and Covid-19) have been tested as part of the ICAAP and ILAAP scenario modelling and the Bank is well placed to deal with such circumstances. Further, the management decisions will ensure that the Bank has adequate capital and liquidity resources to support its operations.

Risks from impact of climate change	The Bank recognises the potential impact of climate change on its financial position including on the valuation of its financial assets, impact to its operations and financial risk disclosures. The Bank has in place a Climate Change Manual, approved by the Board Risk Committee, that encapsulates the progress made by the Bank in managing financial risks emanating from Climate Change. This also includes the amendments made in the Risk Appetite Statement of the Bank to accommodate the matters emanating from the Bank's assessment of its Climate Change Financial Risk. The Climate Change Manual covers in detail work done by the Bank in all four areas identified in the Supervisory Statement of PRA: • **Governance** ➢ Chief Risk Officer (CRO) has been appointed as in-charge of the Bank's strategy to address the climate change risk and the responsibilities have been set out in the Statements of Responsibilities (SOR). ➢ Clear roles and responsibilities have been assigned across the three lines of Defence for identifying, assessing, and monitoring Climate Change Risk. ➢ MI Reporting requirements have been streamlined and set out as part of the Governance mechanism ➢ On-going training requirements have been specified and responsibilities clarified • **Risk Management** ➢ Portfolio Analysis conducted of the entire Credit and Investment portfolio, from a Climate Change Financial Risk perspective. ➢ Both Physical and Transition Risks analysed for all property backed assets. ➢ Bank has devised an approach to assess the climate change risk for Corporate Loan Portfolio and Investment portfolio. A checklist has been prepared with qualitative parameters for the climate change risk assessment ➢ Based on the above analysis, Board has approved KRI/ MI covering transition and physical Risks for property backed assets ➢ Exposure to riskier segments have also been restricted for other assets, based on Climate Change Risk Assessment. • **Scenario Analysis** Scenario analysis specifically addressing Climate Change Financial Risk is made integral part of the ICAAP document.

Climate-related Financial Disclosure:

The Bank is publishing the Climate-related Financial Disclosures, as part of its commitment towards managing the financial risk emanating from climate change.

1. **Governance**

The Chief Risk Officer (CRO) has the prescribed responsibility of financial risk emanating from climate change, with oversight from the Board.

The responsibilities for climate change risk have been set out in the Statements of Responsibilities (SOR) of the respective Senior Management Function (SMF) and Terms of Reference (ToR) of the Board and the other relevant sub-committees also reflects this.

Bank has devised a Climate Change Action Tracker, which is used to track the implementation of climate risk strategy. The Board and Board Risk Committee (BRC) is provided quarterly progress update on climate change risk strategy, and monthly progress update is provided in the executive level Risk Management Committee (RMC) and Management Committee (ManCo).

To support the Board, management and business, a range of trainings have been delivered across the Bank.

- Third party professional workshop was organised for the Board, Senior Management, and other relevant stakeholders
- E-learning modules on Environmental Awareness & Environmental Social & Governance (ESG) have been introduced for all staff members

2. **Strategy**

The Bank supports the UK transition to a low-carbon and climate-resilient economy. Consequently, the Bank will be cautious and orderly in its approach to this transition. The transition cannot be made in isolation from the realities of the communities in which the Bank and its clients operate as we make the move to a cleaner, low-carbon world that is most responsible for all participants.

The Bank is also conscious of the requirement of having a climate strategy that is appropriate, fit-for-purpose, and proportionate to its business model. To that end, the Board has approved an Approach Paper for managing financial risk emanating from climate change, which details the immediate, medium-term and long-term business strategy of the Bank, particularly from climate-risk perspective.

As per the strategy, Bank has embedded scenario testing for climate change, particularly for physical and transition risk in the stress testing exercise. The approach for stress testing is consistent with asset profile of the Bank and the bank maintains adequate capital position.

3. **Risk Management**

Climate change risk management is integrated into the Risk Management Framework (RMF) of the Bank. The Board approved RMF incorporates the role of three lines of defence in combatting the financial risk posed by climate change risk.

The Board has also approved climate risk appetite of the bank, which has been integrated in the Risk Appetite Statement. The future plan/direction of the bank with regards to tackling financial risk emanating from climate change have also been incorporated in the document.

As BTL & CRE represents a significant portfolio of our customer lending and is a key business segment, the initial risk appetite of the bank has been set particularly for BTL & CRE portfolio. Minimum energy efficiency standards and future targets have been set for BTL portfolio.

Bank has also introduced 'Green Mortgage' product to incentivise the borrowers and encourage them to go for more efficient energy banded property.

4. Metrics and Targets

Physical Risk

Bank's real estate portfolio represents a key business segment. This remains exposed to extreme variability in weather pattern which may lead to increased incidence and severity of physical risk which, in addition to the disruption felt by customers, can lead to a decrease in the valuation of the property.

An assessment has been undertaken to identify the real estate portfolio which could potentially be exposed to physical risk, particularly those impacted by flood risk. Flood risk information for BTL and CRE portfolio has been directly obtained from the government of UK database.

Position of portfolio as on 31.03.2022 as per the position of flood risk is as follows:

BTL Portfolio

	Low Flood Risk	Medium Flood Risk	High Flood Risk
Number of properties	1148	279	338
Exposure in £ mio	253.82	65.55	81.79

CRE Portfolio

	Low Flood Risk	Medium Flood Risk	High Flood Risk
Number of properties	152	26	14
Exposure in £ mio	250.71	42.82	42.98

Average residual maturity for CRE loans which are prone to flood risk i.e. under High flood risk category is ~3years

Transition Risk

The real estate portfolio also remains exposed to tightening of minimum energy efficiency standards for real estate properties, which could impact the value or marketability of mortgaged properties. An assessment has been undertaken to identify the real estate portfolio which could potentially be exposed to transition risk.

Position of the portfolio as on 31.03.2022 as per the position of EPC rating is as follows:

BTL Portfolio

	EPC rating A, B & C	EPC rating D	EPC rating E	EPC rating below E
Number of properties	721	844	217	1
Exposure in £ mio	158.8	201.36	46.51	0.05

CRE Portfolio

	EPC rating A, B & C	EPC rating D	EPC rating E	EPC rating below E

Number of properties	92	70	24	1
Exposure in £ mio	190.89	96.58	39.16	0.34

Average residual maturity for CRE loans which are prone to transition risk i.e under EPC rating D,E & below is ~3years

Note:

- *Flood Risk data is currently not available for a nominal portion of the real estate portfolio (BTL: 18 cases, £5.55mio), and has been excluded from the above table.*
- *EPC rating is currently not available for a nominal portion of the real estate portfolio (CRE: 5 cases, £9.54mio), and has been excluded from the above table.*

The Bank understands that by 2035 all the residential properties are expected to achieve the EPC rating C and above. An internal tracker has been set to monitor the portfolio and the bank is working towards a glide-path to eventually improve the MEES at the portfolio level, in order to meet the regulatory timelines. The regulatory expectations in this regard and banks position is being tracked on an ongoing basis.

The Bank acknowledges that other portfolio including Retail Lending, Wholesale Corporate Lending and Investment portfolio are also not immune from climate change risk. Climate change risk assessment is being carried out in all the credit and investment proposals, which includes impact of climate change on the Borrower/Issuer and vice versa the impact of Borrower/Issuer on climate change.

The Bank is conducting a subjective analysis of our Corporate Loan and Investment portfolio and working to identify the assets which are prone to climate change risk. As on 31.03.2022, bank's exposure of the sectors which are more prone to climate change risk (i.e, Energy, Chemicals) is ~8% (£65.37mio) of total corporate and investment portfolio.

Scope and nature of risk reporting

The Bank has a formal structure for reporting, monitoring and managing risks. This comprises, at its highest level, the Risk Appetite, approved by the Board, which is supported by the Risk Management Framework. The Risk Management Framework has been embedded across the Bank, creating an integrated approach to managing risk. The Risk Management Framework brings together Governance, Risk Appetite, the Three Lines of Defence, the Policy Framework and risk management tools to support the business in managing risk as part of day-to-day activity.

The Bank is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and is empowered and qualified to be accountable for them. This approach is strengthened by the Senior Managers and Certification Regime (SMCR), introduced by the FCA in March 2016. The aim of the SMCR is to make relevant individuals accountable for their conduct and competence. The Bank embraces a culture where each business area is encouraged to take risk–based decisions, whilst knowing when to escalate or seek advice. The Bank also promotes a culture where there is no reluctance to escalate issues or to raise emerging risks.

6. Corporate Governance

The Board of Directors

The Board is the key governance body and is responsible for overall strategy, performance of the business and appropriate and effective risk management, in line with the approved Risk Appetite.

The Bank has established a governance structure which is appropriate for the business in terms of its level of complexity and risk profile. This structure is reviewed at least on annual basis, so that it remains suitable to support the business. The risk governance structure set out in these disclosures describes the structure that was in place for the year to 31 March 2022.

The Board consists of six members, of whom two are executive directors, two are UK-based independent non-executive directors and two are non-executive directors including the non-executive Chairman, nominated by the parent, State Bank of India.

The Directors of the Bank, who served during the period along with their total directorships (as at 31 March 2022) were as follows:

Names of Directors	Changes during the year	Position with SBIUK as of 31 March 2022	Directorships Executives (incl. SBI UK)	Directorships Non-Executives (incl. SBIUK)
Naik, Sanjay	Non-Executive Director till 20 June 2021 and Appointed as Chairman on 21 June 2021	Non Executive Chairman	-	4
Arora, Rajeev	Appointed on 18 June 2021	Non Executive Director	-	7
Baines, John		Independent Non Executive Director and Chair of Board Audit Committee	-	3
Hicks, Steven		Independent Non Executive Director and Chair of Board Risk Committee	-	5
Chandak, Sharad		CEO and Executive Director	1	1
Pandey, Sanjay		Executive Director	1	-

The Board of Directors meet quarterly, or as and when required during the year. The objective of the Board is to enhance the long term success of the Bank by developing a sustainable business model. This is supported by approving and setting strategy, risk appetite and culture in line with the business model and in light of changing business opportunities, environment and risks.

The Board delegates the day to day implementation of the strategy and risk appetite within the approved policy statements to the Management Committee (‘ManCo’) and it is the responsibility of the Board to monitor the overall performance of the business.

Board Sub-Committees

The structure of the Sub-Committees of the Board (along with the Management Committee) is set out below.

Board Audit Committee

The Board Audit Committee is chaired an independent non-executive director. The Committee's role is to assess and approve the internal audit charter, ensure a close relationship with external auditors, review the financial statements and monitor the risk based internal audit process.

The Committee assesses the internal and external audit findings and ensures implementation of the recommendations made. The Committee meets quarterly or as and when required during the year.

Board Risk Committee

The Committee is chaired by an independent non-executive director. The Committee's role is to assist the Board to manage the risks faced by SBIUK and to review the effectiveness of the risk management and compliance framework of the Bank. It also oversees the development of a comprehensive risk management strategy and framework and implementation of the Bank's risk appetite as set out by the Board.

In addition, the committee also oversees the effectiveness of the compliance function. The Committee meets quarterly at a minimum or as and when required during the year. The Board Risk Committee delegates decisions of transactional nature in the areas of loans and investments to Credit Committee (CC) and Investment Committee (IC) respectively. In addition to making credit and investment decisions as per the policy parameters, CC and IC also monitor and ensure compliance with key credit and investment policies.

Board Nomination & Remuneration Committee

The Nomination & Remuneration Committee's role is to determine the policy for the remuneration of the senior management of the Bank, nominate candidates for appointment to the Board and ensure the Bank's remuneration system motivates staff for both long and short term performance. The Nomination & Remuneration Committee annually reviews the structure, size and composition of the Board, by evaluating the balance of skills, knowledge, experience and diversity currently in place, and makes recommendations to the Board with regard to changes, if any.

Management Committee

The Management Committee (ManCo) is chaired by the Chief Executive Officer (CEO) and includes the executive directors of SBIUK, the Chief Financial Officer (CFO), Chief Risk Officer (CRO), Head (Legal & Compliance), Chief Operations Officer (COO) and other senior managers of the Bank. The ManCo is the primary executive committee of the Bank and as such holds responsibility for the day-to-day management of the Bank, reporting directly to the Board of Directors. ManCo delegates its authority to a number of sub-committees detailed below:

- **Risk Management Committee**
  The objective of the committee is to assist the Management Committee to review and monitor the implementation of the Risk Management Framework of the Bank. The Risk Management Committee escalates any major issues to the Board Risk Committee through the CRO.
- **Assets and Liabilities Committee**
  The objective of the committee is to assist the Management Committee to review and monitor the capital, liquidity, market risk, product pricing and funding parameters of the Bank. The ALCO reports forthcoming priorities to the ManCo and escalates any major issues to the Board Risk Committee through the CFO.
- **Legal and Compliance Committee**
  The objective of the committee is to assist the Management Committee to review and monitor the legal and compliance arrangements of the Bank. The Legal & Compliance Committee reports forthcoming priorities and major issues to the ManCo.
- **Product & Customer Services Committee**
  The objective of the committee is to assist the Management Committee to review and monitor new product implementation as well as modification and review of the Bank's existing liability and asset products and the quality of customer service levels in the Bank.
- **Support Function Review Committee**
  The mandate of the committee is to assist the Management Committee to review and monitor the critical support functions of the Bank.
- **Investment Committee**
  This committee meets as and when required to take decisions of transactional nature in the areas of investments and Bank/FI exposures.
- **Credit Committee**
  This committee meets as and when required and is the main transactional approval committee for all credit related matters.

ManCo and the sub-committees meet at least on a monthly basis, or as and when required during the year.

Diversity policy

The Bank is committed to promoting equality, diversity, inclusion and opportunity for all staff and job applicants. We aim to create a working environment in which individuals are able to make the best use of their skills, free from discrimination, harassment and bullying, and in which all decisions are based on merit. All staff have duty to act in accordance with this policy and treat colleagues with dignity and respect at all times and not to discriminate or harass other members of staff, regardless of their status. The principles of non-discrimination and equality of opportunity also apply to the way in which staff treat visitors, customers and other third parties. To this end, and to continue to make SBI UK a positive place to work, we want all staff to be clear about the behaviours and actions that are discriminatory and/or amount to bullying or harassment. We also want staff to feel comfortable raising issues under this policy as soon as possible, so that we can provide support and take appropriate action to resolve the situation. The policy aims to ensure that no one is unfairly discriminated against because of their age, disability, gender, reassignment, race, colour, nationality, ethnic or national origin, religion or belief, sex, sexual orientation, marriage and civil partnership and status, or pregnancy and maternity.

7. Credit risk exposures

Credit risk management

Credit risk is the risk of loss resulting from a customer or counterparty being unable to meet its contractual repayment obligations to SBIUK. Credit risk is a material risk category as SBIUK is exposed to significant levels of credit risk through its lending activity.

To mitigate against this risk, SBIUK has applied strict credit risk limits and underwriting criteria and collateralises exposures where possible.

Credit risk appetite is set by the Board through the Risk Appetite Statement (RAS) as part of Risk Management Framework. Compliance with the stated risk appetite is supported by KRI's which is a combination of limits and target benchmarks applied at the individual asset and portfolio levels. These limits will at all times comply with any mandatory maxima applied by the regulatory authorities.

The Board of Directors has delegated the management of credit risk to the Risk Management Committee. The committee monitors all credit related risks at the Bank, while the Credit Policy is approved by the Board Risk Committee. The Credit Committee and Risk Management Committee reviews all the major advances granted by the Bank and ensures the maintenance of strong internal credit controls.

The Bank is committed to mitigating risk through all stages of the lending cycle. The Bank considers customer's credentials, external credit rating for corporate exposures (if available), and the loan-to-value (LTV) percentages of all property backed loans at the application stage Additionally, the Bank employs underwriting and fraud detection policies to minimise losses once loans have been approved as well as taking a proactive approach to the monitoring and treatment of impaired loans through the collections and recovery functions. In addition to Independent Risk assessment of all new cases put up to credit committee, cases approved under underwriter mandate are also reviewed internally by Risk department on sample basis to ensure adherence to Credit policy guidelines. The Bank maintains comprehensive management information on the performance and movements within the various loan portfolios to ensure that credit risk is adequately controlled, and any adverse trends are identified before they impact on performance. This management information is reported and discussed at the Risk Management Committee on monthly basis and monitored at a Board Risk Committee level on a quarterly basis.

The following table shows the breakdown of the Bank's maximum exposure of loans and advances to customers, categorised by the degree of risk of financial loss:

	2022 £'m	2021 £'m
Neither past due beyond 90 days nor impaired	1,205.40	1,142.58
Past due beyond 90 days, but not impaired	-	-
Impaired	5.03	4.61
Repossessions	-	-
Unutilised overdraft commitments	6.52	8.51
Pipeline loans	69.29	86.83
Total	**1,286.23**	**1,242.53**

Collateral

The Bank requires collateral as per its credit policy, to manage credit risks in loans and advances to customers. The table below provides the value of collaterals held by the Bank in the form of immovable property and cash collateral:

Loans and advances to customers	2022 £'m	2021 £'m
Collateral value	770.94	596.94
Gross loans and advances	1,210.42	1,147.19

When the value of the collateral is higher than the credit exposure of the borrower, the collateral value is capped to the exposure. The collateral value in the above table excludes secured by Non-property assets of the borrower or its group entities, a second charge on assets, other liens and corporate guarantees and related support undertakings from borrower group entities. The bank has not taken any possession of collateral held during the year. (2021: NIL)

Impaired loans

Impaired loans are loans for which the Bank determines that it is probable that it will be unable to collect all or part of principal and interest due according to the contractual terms of the loan agreement.

Past due but not impaired

Loans where contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate based on the level of security / collateral available and / or the stage of collection of amounts owed to the Bank. Loans where restructuring terms have been substantially agreed are excluded.

Allowances of impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The specific loss provision that relates to individually significant exposures and represents the amount remaining after deducting the expected discounted cash flows from the outstanding loan principal and accrued interest at the Balance Sheet date. The collective allowance for groups of homogeneous loans is established using a formula approach based on the historical loss rate experience of the industry for the specific asset type. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date.

Forbearance policy

The Bank periodically assesses whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. In conducting this assessment, Management takes account of any forbearance arrangements it has with its customers. The Bank has a forbearance process in place and as part of the arrears management process, the Bank will consider providing a forbearance facility to the borrower after considering each case and analysing it based on its own merits and the specific circumstances of the borrower. The primary aim of providing a forbearance facility to a borrower is to enable the complete recovery of the debt through the full repayment of any arrears. Where the circumstances of the borrower means that this primary aim is not achievable, the secondary aim is to recover the customer into a 'sustainable terms' position on their debt. In all cases the provision of forbearance aims to minimise the risk of the borrower ultimately defaulting on their debt and losing their security. As at 31 March 2022, the Bank has provided forbearance facility to a total of 7 business customers, total exposure of £83m (2021: 8 business customers, total exposure of £82 m).

Write off policy

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Credit Committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Analysis of credit portfolio

An analysis of the Bank's total credit exposures as at 31 March 2022 (including Investment Securities, loans and advances to customers and balances and deposits with Banks), split by external credit ratings is provided below:

2022	**Investment Securities £'m**	**Loans to customers & deposits with banks £'m**
AAA to AA-	74.65	74.27
A+ to A-	74.46	9.51
BBB+ to BBB-	162.42	174.52
BB+ and below	56.30	323.37
Unrated	-	806.01
Total	367.83	1,387.68

2021	**Investment Securities £'m**	**Loans to customers & deposits with banks £'m**
AAA to AA-	45.32	91.05
A+ to A-	68.59	38.27
BBB+ to BBB-	179.91	134.03
BB+ and below	41.34	450.32
Unrated*	4.26	665.19
Total	339.42	1,378.86

*£4.3 million in Investment securities relate to fair value of hedged bonds.

Below table shows the credit rating analysis of loans and advances that are neither past due nor impaired.

		2022 £'m	**2021 £'m**
AAA to AA-		-	-
A+ to A-		-	20.00
BBB+ to BBB-		72.49	5.00
BB+ and below		323.37	450.32
Unrated		809.54	667.26
Total	**3.6**	1,205.40	1,142.58

As of 31 March 2022, Bank's loans and advances that are past due but not impaired are NIL (2021: NIL)

An analysis of the Bank's total credit exposures as at 31 March 2022 (including Investment Securities, loans and advances to customers and balances and deposits with Banks), split by geography is provided below:

Geography	2022 £'m	%
Great Britain	987.44	56%
United States of America	336.18	19%
India	241.68	14%
Spain	45.94	3%
France	10.23	1%
South Korea	21.82	1%
Africa	20.41	1%
Other geographies	91.80	5%
Total	1,755.51	**100%**

Geography	2021 £'m	%
Great Britain	908.12	52%
United States of America	412.75	24%
India	234.08	14%
Spain	46.79	3%
France	9.76	1%
South Korea	21.04	1%
Africa	19.33	1%
Other geographies	66.41	4%
Total	1,718.28	**100%**

An analysis of the Bank's total credit exposures as at 31 March 2022 (including Investment Securities, loans and advances to customers and balances and deposits with Banks), split by industry sectors is provided below:

Industry Sector	2022 £'m	%
Banks	339.24	19%
Real Estate	657.09	37%
Consumer Services	200.39	11%
Health Care Equipment & Services	27.90	2%
Transportation	79.26	5%
Materials	43.96	3%
Pharmaceuticals, Biotechnology & Life Sciences	29.11	2%
Automobiles & Components	36.24	2%
Sovereign	93.81	5%
Other Sectors	248.53	14%
Total	1,755.51	**100%**

Industry Sector	2021 £'m	%
Banks	348.11	20%
Real Estate	498.26	29%
Consumer Services	158.00	9%
Health Care Equipment & Services	112.53	7%
Transportation	97.99	6%
Materials	45.42	3%
Pharmaceuticals, Biotechnology & Life Sciences	33.01	2%
Automobiles & Components	45.16	3%
Sovereign	94.71	6%
Other Sectors	285.09	17%
Total	1,718.28	**100%**

8. Market Risk

Market risk is the risk that changes in market prices such as interest rate and foreign exchange rates will affect the Bank's income or the value of its holdings. The Bank has developed a detailed Market Risk Management policy which is subject to review by the Risk Management Committee and approved by the Board of Directors. The Risk Management Committee sets the Market Risk tolerance levels which are approved by the Board. It is the Bank's policy to manage these daily. Capital is allocated to mitigate Market Risk in accordance with regulatory requirements.

Interest rate risk

Interest rate risk in the Banking Book (IRRBB) arises from financial instruments where net interest income or expense and the market value of the Bank's assets or liabilities are exposed to movements in interest rates. Interest rate risk is managed by matching and monitoring the yield and duration exposure built into the Bank's portfolio. The Bank also manages and controls interest rate risk through its hedging strategy. Interest rate exposure is managed by ALCO monthly, and it operates within the Risk Appetite limits set by Board Risk Committee.

The Bank monitors the sensitivity of the Bank's financial assets and liabilities using interest rate scenarios. Interest rate risk originating from banking activities arises partly from the employment of non-interest-bearing liabilities such as Shareholders' funds and customer current accounts, but also from the gaps that arise from the normal course of business.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various interest rate scenarios. The table below shows the impact on net interest income over the life of the assets and liabilities of a 50 basis point rise or fall in the interest rate, and assumes a constant balance sheet position:

Interest rate sensitivity **As at 31 March**	**2022** **£'m**	**2021** **£'m**
50 basis points increase	(0.32)	(0.77)
50 basis points decrease	0.30	0.81

The above takes into account the repricing nature and frequency of the underlying assets and liabilities viz. fixed or variable rates financial assets/liabilities. The Earnings at Risk (EAR) Impact on Net Interest Income (NII) due to 50 bps adverse change in rates is £0.044m (2021: £0.126m).

Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign currency exchange rates will affect the Bank's income or the value of assets and liabilities. The objective of foreign currency risk management is to manage and control foreign currency positions and maintain these positions within the parameters set by the Board of Directors. It is not the Bank's intention to take open positions on its own account but rather to maintain a neutral position in all currencies.

Foreign exchange exposure arises from normal banking activities, primarily from the receipt of deposits and the placement of funds. Future expected cash flows are hedged via the use of forward rate agreements in order to mitigate exposure due to movements in foreign currency rates.

The Bank has no significant structural currency exposures that are not covered by foreign exchange swap contracts. The table shown below gives details of the Bank's assets and liabilities as at 31 March

2022, based on the currencies in which they are denominated to identify the extent to which the foreign currency exposures of the Bank are matched.

	2022 £'m	2021 £'m
Denominated in US Dollars	562.62	587.80
Denominated in Sterling	1,145.89	1,073.06
Denominated in Euro	66.25	92.39
Denominated in other currencies	1.24	2.17
Total assets	1,776.01	1,755.41
Denominated in US Dollars	192.84	173.18
Denominated in Sterling	1,578.86	1,576.07
Denominated in Euro	4.29	3.99
Denominated in other currencies	0.01	2.17
Total liabilities	1,776.01	1,755.41

This does not represent the Bank's exposure to foreign exchange risk due to the presence of compensating exchange rate derivatives as discussed in Note 3.8, as these contracts are held for foreign exchange hedging purposes. The Bank follows a prudent policy for managing the foreign exchange risk in accordance with the Risk Appetite limits approved by the Board Risk Committee. The Foreign Exchange Net Overnight Open Position (NOOP) of the Bank as at March 31, 2022 was £0.4m (2021: £ 0.6m). Since it is not deemed that foreign currency risk is material, a sensitivity analysis has not been prepared.

9. Remuneration

This remuneration disclosure is a requirement under Article 450 of the CRR. The disclosure below covers remuneration policies and practices for categories of staff whose professional activities have a material impact on the Bank's risk profile (Material Risk Takers (“MRTs”)), and staff who hold Significant Management Functions (“SMFs”), in accordance with the requirements set out by the regulatory authorities.
SBI (UK) Limited’s reward strategy has been developed around the key principles of the PRA’s/FCA’s Remuneration Code. Therefore, the Bank ensures that it:

- Maintains lists of Code Staff.
- Promotes sound and effective risk management.
- Complies with the requirement to provide a governance mechanism, in the form of a Board Nomination and Remuneration Committee for SBIUK that will review and approve all reward policies, processes and practices at least annually.
- Includes a mechanism for the possible deferral of any variable component of the reward structure, which links to individual performance and the financial performance of SBIUK Remuneration Code Staff during the deferral period.

The Bank follows a conservative and comprehensive approach towards Remuneration Management. The remuneration policy is approved by the Board Nomination and Remuneration Committee (“BNRC”). It is responsible for the overview of the Remuneration Policy, governance of the remuneration of the SMFs and MRTs. The composition of the Committee is in line with the current regulatory recommendations such that none of its members hold an executive position with the Bank.

The BNRC reviews the Bank’s remuneration policy from time to time, ensuring that the same is in line with the Bank’s strategy and the changing market dynamics. The BNRC further ensures that the remuneration policy of the Bank conforms to the regulatory requirements.

Link between pay and performance

The reward strategies and practices adopted by SBI (UK) Limited reflect not only immediate financial results but also the employee’s compliance with risk management principles measured over time. The reward structure is subject to the same rigorous practices and policies that are employed by SBI (UK) Ltd. in its overall approach and strategy towards the management of risk. The key risks inherent in reward mechanisms have been clearly identified and measures put in place to mitigate these. The levels of reward SBIUK Ltd delivers corresponds with its overall risk appetite and environment, as well as the type of investment decisions it makes from a risk point of view.

Risk reward decisions are based on the following factors:

- Individual performance against key behavioural indicators.
- Whole team performance.
- Achievement of targets (including personal performance targets and whole firm financial targets);
- Sustainability of the on-going performance of SBIUK is factored into the delivery of reward.
- Minimum score in appraisal should not be less than 3;
- No disciplinary records for the year.

The Bank follows the balanced scorecard principle in designing its performance management system. Every employee of the Bank adopts a goal sheet, outlining his / her responsibilities and deliverables for the year. Adequate attention is paid to the goal setting process to ensure a balance of financial goals with non-financial goals. The non-financial goals cover relevant areas of customer service, process improvement and adherence to risk and compliance norms.

Remuneration structures and their purpose

Fixed pay

To attract, retain and motivate employees to achieve the objectives of the Bank within its stated risk appetite and risk management framework, employees are paid fixed base salaries, and benefits such as pension scheme and staff loans. These elements are set at a level to ensure that there is not an excessive dependence on variable remuneration.

Annual bonus

The annual cash bonus is performance based and designed to drive and reward long term results. It considers financial and non-financial (such as adherence to Bank values, customer service, process improvement and adherence to regulatory norms) results and metrics at Bank, department and individual level.

Ratios between fixed and variable remuneration

The Capital Requirements Directive ("CRD") limits variable remuneration to no more than that paid as a fixed salary. The Bank currently does not exceed the limit.

Remuneration Statistics

The Bank's remuneration for the year ending March 31, 2022, is provided below:

	2022	2021
Average number of employees*	173	153
	£m's	**£m's**
Wages and salaries	7.5	6.3
- This includes directors' emoluments		
Social security costs	0.7	0.5
Pension costs	0.3	0.3
Other staff costs	0.3	0.2
Total staff costs	**8.8**	**7.3**

* Of these employees, 156 are employed in the front office and 17 in the back office (2021: 141 are employed in the front office and 13 in the back office). This excludes back-office employees of SBI London Branch who provide support to the operations of SBI UK.

The above table is based on remuneration committed and costs accrued during the year, as charged to the Income Statement.

The Bank has not made any Sign on and Severance payments to Material risk takers during the financial Year ended 31 March 2022.

No individual received more than £1 million in remuneration during 2021-2022.

Code Staff

The Bank satisfies all the conditions specified for a small CRR firm in Remuneration part of PRA Rulebook and is classified as a small CRR firm. Accordingly, the Bank applies the derogation available in the Remuneration Part of the PRA Rulebook at section 5.3, and/or 12.2 (second subparagraph), and 15.A1(3) mainly in relation to all the code staff (excluding the non-executive directors who are not in receipt of variable remuneration).

The following employees of the Bank have been identified as Remuneration Code Staff:

- Executive Senior Managers (Member of the Management Committee ("ManCo").
- Independent Non-Executive Directors of the Bank.

The below mentioned details pertain to Code Staff whose professional activities have a material impact on the risk profile of the Bank

For year ending 31 March	**2022 £000's**	**2021 £000's**
Aggregate Total Remuneration for Executive Senior Managers	1,150	909
Of Which:		
Fixed – Including salaries, pension, private medical and other benefits	1,123	904
Variable – Including Cash Bonus	27	5
Number of Code Staff as Executive Senior Managers	7	7
Aggregate Total Remuneration for Independent Non-Executive Directors (all fixed remuneration)	90	86
Number of Code staff as Independent Non-Executive Directors	**2**	**2**

Appendix I - Capital Instruments main features template

		CET1	Addl Tier 1	Tier 2
1	Issuer	SBIUK Limited	N/A	N/A
2	Unique identifier (e.g. CUSIP, ISN or Bloomberg identifier for private placement)	Private placement		
3	Governing law(s) of the instrument	English Law		
Regulatory Treatment				
4	Transitional CRR rules	CET 1		
5	Post-transitional CRR rules	CET 1		
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo		
7	Instrument type (types to be specified by each jurisdiction)	Common Equity		
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£225m		
9	Nominal amount of instrument	£225m		
9a	Issue price	£1		
9b	Redemption price	N/A		
10	Accounting classification	Shareholder's equity		
11	Original date of issuance	6 Oct 2017		
12	Perpetual or dated	Perpetual		
13	Original maturity date	N/A		
14	Issuer call subject to prior supervisory approval	No		
15	Optional call date, contingent call dates and redemption amount	N/A		
16	Subsequent call dates, if applicable	N/A		
17	Fixed or floating dividend/coupon	N/A		
18	Coupon rate and any related index	N/A		
19	Existence of a dividend stopper	N/A		
20a	Fully discretionary, partial discretionary or mandatory (in terms of timing)	Fully discretionary		
20b	Fully discretionary, partial discretionary or mandatory (in terms of amount)	Fully discretionary		
21	Existence of step up or other incentive to redeem	No		
22	Non-cumulative or cumulative	Non-cumulative		
23	Convertible or non-convertible	non-convertible		
24	If convertible, conversion trigger(s)	N/A		
25	If convertible, fully or partially	N/A		
26	If convertible, conversion rate	N/A		
27	If convertible, mandatory or optional conversion	N/A		
28	If convertible, specify instrument type convertible into	N/A		
29	If convertible, specify issuer of instrument it converts into	N/A		
30	Write-down features	No		
31	If write-down, write-down trigger(s)	N/A		
32	If write-down, full or partial	N/A		
33	If write-down, permanent or temporary	N/A		
34	If temporary write-down, description of write-up mechanism	N/A		
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A		
36	Non-compliant transitioned features	No		
37	If yes, specify non-compliant features	N/A		

Appendix II - Compliance to Pillar 3 requirements

Legal basis	Row number	Qualitative information - Free format	Reference
Point (f) of Article 435(1) CRR	(a)	Disclosure of concise risk statement approved by the management body	Refer Section 4 - Risk Management and Governance Framework
Point (e) of Article 435(1) CRR	(c)	Declaration approved by the management body on the adequacy of the risk management arrangements.	Refer Section 4 - Risk Management and Governance Framework
Point (a) of Article 435(1) CRR	(f)	Strategies and processes to manage risks for each separate category of risk.	Refer Section 4 - Risk Management and Governance Framework
Points (a) and (d) of Article 435(1) CRR	(g)	Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants.	Refer Section 4 - Risk Management and Governance Framework

Legal basis	Row number	Free format	**Reference**
Point (a) of Article 435(2) CRR	(a)	The number of directorships held by members of the management body.	Refer Section 3 – Corporate Governance
Point (b) of Article 435(2) CRR	(b)	Information regarding the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise.	Refer Section 9 - Remuneration
Point (c) of Article 435(2) CRR	(c)	Information on the diversity policy with regard of the members of the management body.	Refer Section 9 - Remuneration

Legal basis	Row number	Free format	**Reference**
point (a) of Article 437;	(a)	a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and the filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution:	Refer Section 5 – Capital Adequacy Refer Section 9 - Remuneration
points (d) of Article 438;	(d)	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts those results from applying capital floors and not deducting items from own funds;	
Key metrics point (a-e) in Article 447	(a)	the composition of their own funds and their own funds requirements as calculated in accordance with Article 92	Refer Section 6 – Capital resources and Key metrics
	(b)	the total risk exposure amount as calculated in accordance with Article 92(3)	
	(c)	where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with point (a) of Article 104(1) of Directive 2013/36/EU	
	(d)	combined buffer requirement which the institutions are required to hold in accordance with Chapter 4 of Title VII of Directive 2013/36/EU	
	(e)	leverage ratio and the total exposure measure as calculated in accordance with Article 429	

Key metrics point (f) in Article 447;	(f)	liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1):	Refer Section 6 – Capital resources and Key metrics
	(f-i)	the average or averages, as applicable, of liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	
	(f-ii)	the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period;	
	(f-iii)	the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	
Key metrics point (g) in Article 447;	(g-i)	the net stable funding ratio at the end of each quarter of the relevant disclosure period	Refer Section 6 – Capital resources and Key metrics
	(g-ii)	the available stable funding at the end of each quarter of the relevant disclosure period	
	(g-iii)	the required stable funding at the end of each quarter of the relevant disclosure period	

Legal basis	Row number	Free format	**Reference**
point (a) of Article 450 (1)	(a)	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, where applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;	Refer Section 9 - Remuneration
point (b) of Article 450 (1)	(b)	information about the link between pay of the staff and their performance	
point (c) of Article 450 (1)	(c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;	
point (d) of Article 450 (1)	(d)	information about the link between pay of the staff and their performance the ratios between fixed and variable remuneration set in accordance with point (g) of Article 94(1) of Directive 2013/36/EU	
point (h) of Article 450 (1)	(i)	aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institutions, indicating the following:	
	(ii)	the amounts of remuneration awarded for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries;	
	(iii)	the amounts and forms of awarded variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part;	
	(iv)	the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years	
	(v)	the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments	
	(vi)	the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards;	
	(vii)	the severance payments awarded in previous periods, that have been paid out during the financial year;	
	(viii)	the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person	
point (i) of Article 450 (1)	(i)	the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million	
point (j) of Article 450 (1)	(j)	upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management	
point (k) of Article 450 (1)	(k)	information on whether the institution benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU	