STATE BANK OF INDIA (UK) LIMITED

PILLAR 3 DISCLOSURES
FOR THE PERIOD ENDED MARCH 31, 2020

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 network of branches across the UK:

- Current, instant access savings, cash ISAs and fixed deposit accounts for individuals
- Current, business savings and fixed deposit accounts for businesses
- Residential Buy To Let (BTL) mortgages, which are also sourced via intermediary channels
- Owner occupied commercial and commercial investment mortgages
- Credit facilities to UK-based businesses in the hospitality, health care, student accommodation, retail and other sectors of the economy
- USD and Euro denominated loans to businesses in other geographic regions including Europe and North America, through participation in syndicated loans
- 24 x 7 remittance services to India
- Fund transfer services
- Safe deposit lockers

The Bank also offers online as well as mobile banking facilities. During the year, the Bank upgraded its mobile banking offering by introducing YONO App, a more user-friendly mobile banking app. The Bank is in the process of making continuous enhancements in its internet and mobile banking applications.

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 key financial and other performance indicators of SBIUK for the year ending 31 March 2020 and 31 March 2019 were as follows:

£ Millions	**2020**	**2019**
Gross loans and advances to customers	1,106.3	1,046.3
Of which:		
Buy to let mortgages	211.7	140.2
Commercial mortgages	224.0	261.4
Corporate & business loans	659.8	642.6
Cash and balances with banks	72.6	19.5
Investments	375.6	345.3

Deposits from customers	1,418.7	1,310.3
Profit before tax	3.9	9.8
Profit after tax	3.4	7.8
Net interest margin	1.5%	1.5%
Cost / Income ratio	57%	57%
Common Equity Tier 1 ratio[1]	13.5%	13.7%
Capital adequacy ratio[2]	17.4%	17.5%
Non-Performing Assets	0.4%	0%
Leverage ratio[3]	10.3%	11.3%
Number of branches	12	12

Overview of regulatory framework

The Basel lll regulatory framework, which was implemented in Europe through the Capital Requirements Directive IV ("CRD IV"), came into effect on 1 January 2014. 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 IV 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 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 is determined by Basic indicator, while Market Risk is determined by Standardised approach.

Basis of disclosure

The Bank's Pillar 3 disclosure document has been prepared in accordance with the CRD IV 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.

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[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 credit 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.

All disclosures within this report have been prepared as at 31 March 2020, which is the Bank's latest financial year-end, which the Board approved on 24 July 2020.

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 IV 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. 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 2020.

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 2020) were as follows:

Names of Directors	**Changes during the year**	**Position with SBIUK**	**Directorships Executives (incl. SBI UK)**	**Directorships Non-Executives (incl. SBIUK)**
Chalasani, Venkat		Non Executive Chairman	-	6
Naik, Sanjay		Non Executive Director	-	4
Baines, John		Independent Non Executive Director and Chair of Board Audit Committee	-	4
Hicks, Steven		Independent Non Executive Director and Chair of Board Risk Committee	-	3
Chandak, Sharad		CEO and Executive Director	1	1
Avasia, Kalpesh		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

SBIUK is an equal opportunities employer and is committed to providing equal opportunities and avoiding unlawful discrimination.

4. Risk Management

Risk Governance

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.

Risk Appetite

The Bank has established a Risk Appetite Statement which defines the type and amount of risk that the Bank is prepared to accept to achieve its strategic objectives and forms a key link between the day to day risk management of the business, its objectives, long term plan, capital plan and stress testing.

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.

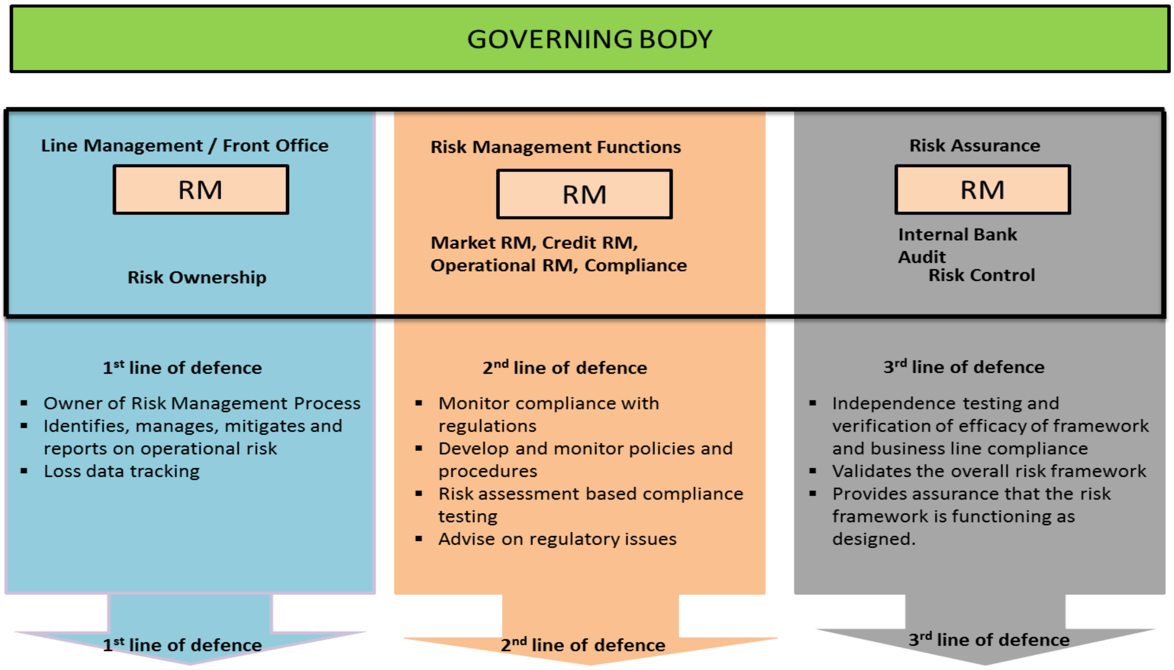
The Risk Management Framework utilises the 'Three Lines of Defence' (TLOD) model which is supported by a range of policies and procedures as well as functional charters and / or 'job descriptions' defining the roles of the individual functions as well as inter-functional responsibility boundaries.

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 such as the ICAAP and ILAAP.

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 and this is mitigated by monitoring market developments, the macroeconomic environment, customer requirements 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 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 the Bank would still retain sufficient capital and liquid resources, post the management action plans.
Credit risk The risk that a borrower or counter-party fails to pay the interest or repay the principal on a loan 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	The Bank takes security and where appropriate, guarantees to support its lending and focus on sectors where the Bank has specific expertise. Concentration risk is managed by limits placed on counter-party exposures, geography and sector. The Bank has detailed policies for all types of lending and investments which are implemented in the business areas. New loans and investments are approved by appropriate authorities and committees within the Bank and the loan and investment portfolios are subject to periodic reviews. The performance of the lending and investment portfolio is regularly monitored against the Bank's risk appetite.
Operational risk The risk of loss arising from inadequate or failed processes, people and systems	The Operational Risk Management Framework is developed by the Risk Management Department. Implementation of controls to address operational risk is part of each business line managers' day to day responsibility. The Bank's exposure to operational risk is evaluated and controlled through the Risk & Control Self-Assessment (RCSA) process and via a Risk Event reporting and tracking process. Escalations are made to the Risk Management Committee monthly and to the Management Committee & Board Risk Committee where appropriate. 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 risks are minimised by entering into currency swap agreements.
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 periodically measured against the risk appetite and reported monthly to 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, 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 Board Risk committee and Board Audit committee.
Emerging Risks: Economic downturn	As covered earlier, while the uncertainties due to Covid-19 and Brexit remain, with high downside risks to the economy for 2020 and beyond, the ongoing regular Board monitoring of events as they unfold as well as the contingency planning will ensure a tight management of strategy and economic risks through 2020. 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 Brexit 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, including cautious approach on credit and liquidity, will ensure that the Bank has adequate capital and liquidity resources to support its operations.

Climate change risk	The Bank recognises the impact of climate change on its financial position including on the valuation of its financial assets, impact to its operations and financial risk disclosures. Risks related to climate change for the credit book are being addressed by the Bank. With a long term view, the Bank is exploring ways to align the climate change risk assessment at a sectoral level, while reviewing overall industry specific limits. In addition to credit risk, the Bank understands other risks, including physical risks associated with changing weather patterns and extreme weather events, such as cyclones or floods and the impact on our customer's production issues and price fluctuations resulting from global supply and demand. There are also transition risks, the technology, policy and regulatory changes that may affect customer's businesses as governments act on their pledges to reduce carbon emissions. Though the Bank has assessed the risks from Climate Change as non-material to its operations, the Board monitors the risks and opportunities from the climate change risks and its impact on the resilience of the company's business model.

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.

5. 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 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 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 Finance Department is responsible for collating and drafting the document with support from Risk Management in particular. The Asset and Liability Committee ("ALCO") 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 was broadly distributed and debated at ALCO, 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.

Minimum Capital requirement under Pillar 1 under CRR as on 31 March 2020 has been assessed as under:

Particulars As at 31st March 2020	**Risk weighted asset (before SME benefit)**	**SME benefit**	**Risk weighted asset (after SME benefit)**	**Capital requirement under Pillar 1**
Credit Risk - Exposure class	**£ m's**	**£ m's**	**£ m's**	**£ m's**
Credit Risk				
On-balance sheet	1,283.9	1.4	**1,282.5**	**102.6**
Off-balance sheet	35.2	0.0	**35.1**	**2.8**
Counterparty credit risk for forex swap	-	-	**-**	**-**
Credit valuation adjustment (CVA)	7.0	-	**7.0**	**0.6**
Total Credit Risk	**1,326.1**	**1.4**	**1,324.7**	**106.0**
Total Market Risk*	**-**	-	**-**	**-**
Total Operational Risk	50.4	-	**50.4**	**4.0**
Total Risk Weighted Assets	1,376.4	1.4	1,375.0	
Total Capital Requirement				**110.0**
Available Regulatory Capital				**238.7**
Surplus capital over Pillar 1 capital requirement				**128.7**

**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 2020.*

Minimum Capital requirement under Pillar 1 under CRR as on 31 March 2019 had been assessed as under:

Particulars **As at 31st March 2019**	**Risk weighted asset (before SME benefit)**	**SME benefit**	**Risk weighted asset (after SME benefit)**	**Capital requirement under Pillar 1**
Credit Risk - Exposure class	**£ m's**	**£ m's**	**£ m's**	**£ m's**
Credit Risk				
On-balance sheet	1,269.4	1.3	1,268.1	101.4
Off-balance sheet	4.0	0.0	4.0	0.3
Counterparty credit risk for forex swap	3.1	0.0	3.1	0.2
Credit valuation adjustment (CVA)	1.9	0.0	1.9	0.2
Total Credit Risk	**1,278.4**	**1.3**	**1,277.2**	**102.2**
Total Market Risk	**1.1**	0.0	**1.1**	**0.1**
Total Operational Risk	61.0	0.0	61.0	4.9
Total Risk Weighted Assets	1,340.6	1.3	1,339.4	
Total Capital Requirement				**107.2**
Available Regulatory Capital				**235.0**
Surplus capital over Pillar 1 capital requirement				**127.8**

Capital Requirement under Pillar 2A

The Bank's Total Capital Requirement (formerly called Individual Capital Guidance), applicable as at March 31st 2020 was 11.7% (of which the Pillar 2A comprises of 3.7%) 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 has been phased in from 1 January 2016 to 1 January 2019, starting at 0.625% from 2016 and increasing each subsequent year by an additional 0.625%, reaching its final level of 2.5% on 1 January 2019.

Based on the above requirements, the capital conservation buffer applicable to the Bank as at 31 March 2020 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.

During December 2019, FPC announced to increase the UK's CCyB rate from 1% to 2% with effect from December 2020. However, during March 2020, the FPC reduced the UK CCyB rate from 1% to 0% of banks' exposures to UK borrowers with immediate effect as part of measures to support the credit supply impacted on account of COVID-19 related disruption. The FPC expects to maintain the 0% rate for at least 12 months, so that any subsequent increase would not take effect until March 2022 at the earliest.

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, 2020 have been mentioned in the table:

Breakdown by country (2020) (of relevant credit exposures)	**Credit Exposures Col 010**	**Own Funds Requirements Col 070**	**Own Fund Weights Col 110**	**Countercyclical capital buffer rate Col 120**
United Kingdom	830.4	43.9	0.42	0%
All other countries	1028.8	61.5	0.58	0%
Total	**1859.2**	**105.4**	**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, 2019 have been mentioned in the table:

Breakdown by country (2019) (of relevant credit exposures)	**Credit Exposures Col 010**	**Own Funds Requirements Col 070**	**Own Fund Weights Col 110**	**Countercyclical capital buffer rate Col 120**
United Kingdom	550.1	35.5	0.4	1%
All other countries	672.6	53.3	0.6	0%
Total	**1,222.7**	**88.9**	**1.0**	

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)	**2020**	**2019**
010 Total risk exposure amount	1,375.0	1,339.4
020 Institution specific countercyclical capital buffer rate	0.0	0.4
020 Institution specific countercyclical capital buffer requirement	0.0	5.4

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

6. Capital resources

SBIUK is capitalised with £175 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.
In addition, further capital resources of £50 million was provided in the form of subordinated debt, again injected by SBI. The terms and conditions for the subordinated debt include the following:

- The claims on the debt are subordinate to other creditors.
- The original maturity of the arrangement is 10 years (maturing on 16 Feb 2028).
- The debt is fully paid up
- There is be no incentives in relation to early repayment, and any early repayment will be at the option of SBIUK only, and in any case will not take place within 5 years of the issue of the debt. The subordinated debt qualifies as Tier 2 capital.

As at 31 March 2020, and throughout the period to 31 March 2020, the Bank maintained its capital resources at a level above the minimum capital adequacy requirements.

Key Metrics:

At 31 March 2020, the capital adequacy ratio remained strong at 17.4%, with a Tier 1 capital ratio of 13.5% which is above the regulatory requirements. The following tables summarises the capital position and leverage position of the Bank as at 31 March 2020 and 31 March 2019.

Available Capital	**2020**	**2019**
Common Equity Tier 1 (CET 1) (£m)	185.5	183.1
Tier I (£m)	185.5	183.1
Tier 2 cap (£m)	53.2	51.9
Total capital	238.7	235.0
Risk-weighted assets		
Total risk-weighted assets (RWA)(£m)	**1,375.0**	**1,339.4**
Risk based capital ratio as a percentage of RWA		
Common Equity Tier (CET) 1 ratio (%)	**13.5%**	**13.7%**
Tier 1 ratio (%)	**13.5%**	**13.7%**
Total capital ratio (%)	**17.4%**	**17.5%**
Basel III leverage ratio		
Basel III leverage ratio (%)	**10.3%**	**11.3%**

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	**2020**	**2019**
LCR ratio (%)	**179%**	**292.9%**
Net Stable Funding Ratio		
NSFR ratio (%)	**120%**	**123%**

Eligible Capital Resources

The following table below provides details of the capital resources of the Bank as on 31st March 2020 and 31st March 2019.

Capital Reconciliation with Balance sheet **Particulars**	**As at 31st March 2020 £ m's**	**As at 31st March 2019 £ m's**
Shareholders' equity as per the balance sheet	175.0	175.0
Retained Earnings	11.5	8.1
Fair Value Reserve	(0.8)	0.0
Loss	-	-
Less: Intangible Assets	(0.2)	-
Less: DTA	-	-
Total Core Tier I Capital	**185.5**	**183.1**
Additional Tier I Capital	0.0	-
Total Tier I Capital	**185.5**	**183.1**
Eligible amount of Tier 2 instruments	50.0	50.0
General Credit Risk Adjustments (Collective Provisions)	3.2	1.9
Less Amortization of Dated Tier II capital maturing within five years	**0.0**	**-**
Total Tier II Capital	**53.2**	**51.9**
Total Regulatory Capital	**238.7**	**235.0**

Leverage Ratio Disclosures

Leverage risk is the risk that the Bank will grow its asset base at a much greater rate than it grows its capital base and will reach a stage where the capital base is insufficient to support the assets it holds. Under the Part 7 of the CRR regulations have been set with regard to the regulatory leverage ratio. This ratio is a measure of Tier 1 capital divided by asset book values (and will include off balance sheet items) which have not been adjusted in relation to risk.

The tables below summarise the leverage ratio disclosures, as required by CRD IV

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

As at 31 March (£m’s)		**2020**	**2019**
1	Total assets as per published financial statements	1,757.3	1,595.3
2	(Asset amounts deducted in determining Tier 1 capital)	(0.2)	-
4	Adjustments for derivative financial instruments	13.1	13.6
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	40.2	8.8
8	**Total leverage ratio exposure**	**1,810.3**	**1,617.7**

LRCom: Leverage ratio common disclosure As at 31 March (£m's)		2020	2019
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,757.3	1,582.7
2	(Asset amounts deducted in determining Tier 1 capital)	(0.2)	-
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**1,757.1**	**1,582.7**
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	0.0	13.6
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method	13.1	13.1
11	**Total derivative exposures (sum of lines 4 to 10)**	**13.1**	**13.6**
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	82.2	21.2
18	(Adjustments for conversion to credit equivalent amounts)	(42.0)	-
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**40.2**	**21.2**
Capital and total exposures			
20	**Tier 1 capital**	**185.5**	**183.1**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**1,810.3**	**1,617.6**
Leverage ratio			
22	**Leverage ratio**	**10.3%**	**11.3%**

LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) As at 31 March (£m's)		2020	2019
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	1,757.3	1,582.7
EU-3	**Banking book exposures, of which:**		
EU-5	Exposures treated as sovereigns	59.8	20.1
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	22.3	20.1
EU-7	Institutions	444.8	339.2
EU-8	Secured by mortgages of immovable properties	438.8	410.1
EU-9	Retail exposures	1.9	3.0
EU-10	Corporate	777.8	777.0
EU-11	Exposures in default	4.6	
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	14.0	13.1

Return on Assets

The Bank's return on assets was 0.21% in the year to 31 March 2020 (2019:0.5%).

Encumbered Assets

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. Bank procured funds through Repo, encumbering investment grade securities. The table below includes all relevant disclosures in relation to encumbered and unencumbered assets as on 31 March 2020.

Asset Encumbrance Disclosure 31 March, 2020	**Carrying amount of Encumbered assets**		**Fair value of Encumbered assets**		**Carrying amount of Non-encumbered assets**		**Fair value of Non-encumbered assets**	
£m's	Carrying amount of encumbered assets*	of which: central bank's eligible	Fair value of encumbered assets	of which: central bank's eligible	Carrying amount of non-encumbered assets*	of which: central bank's eligible	Fair value of non-encumbered assets	of which: central bank's eligible
Loans on demand	**11.7**	-	-	-	**60.3**	-	-	-
Equity instruments		-	-	-	-	-	-	-
Debt securities	**26.4**	-	**25.5**	-	**350.2**	**82.1**	**339.3**	**82.7**
of which: covered bonds	-	-	-	-	-	-	-	-
of which: asset-backed securities	-	-	-	-	-	-	-	-
of which: issued by general governments	-	-	-	-	106.2	82.1	107.2	82.7
of which: issued by financial corporations	26.4	-	25.5	-	138.5	-	130.6	-
of which: issued by non-financial corporations	-	-	-	-	105.5	-	101.4	-
Loans and advances other than loans on demand	-	-	-	-	**1,301.3**	-	-	-
of which: mortgage loans	-	-	-	-	202.0	-	-	-
Other assets	-	-	-	-	**7.3**	-	-	-
Total Assets	**38.2**	**0.0**	**25.5**	**0.0**	**1,711.8**	**82.1**	**339.3**	**82.7**

*None of them were issued by other entities of the group

The table below includes all relevant disclosures in relation to encumbered and unencumbered assets as on 31 March 2019.

Asset Encumbrance Disclosure	**Carrying amount of non-encumbered assets**		**Fair value of non-encumbered assets**	
£m's	Carrying amount of non-encumbered assets*	of which: central bank's eligible	Fair value of non-encumbered assets	of which: central bank's eligible
Loans on demand	**67.1**	-	-	-
Equity instruments				
Debt securities	**345.3**	**140.1**	**347.5**	**141.9**
of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by general governments	29.1	21.9	29.1	21.9
of which: issued by financial corporations	164.7	22.3	166.2	22.9
of which: issued by non-financial corporations	151.5	95.9	152.2	97.1
Loans and advances other than loans on demand	**1,044.4**	-	-	-
of which: mortgage loans	**407.8**	-	-	-
Other assets	**138.5**	-	-	-
Total Assets	**1,595.3**	**280.2**	**695.0**	**283.8**

*None of them were issued by other entities of the group

7. Credit risk exposures

Credit risk management

Credit risk is the risk of loss as a result of the failure of a party with whom the Bank has contracted to meet its obligations. The main credit risk that the Bank faces relate to its exposure to banks and corporates from the investment portfolio, inter-bank lending, and advances to corporate and retail borrowers.

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 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 and the loan-to-value (LTV) percentages of all loans at the application stage. Additionally, the Bank employs underwriting and fraud detection processes to minimise losses before the loans are approved as well as taking a proactive approach to the monitoring and treatment of impaired loans through the collections and recovery functions. 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 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:

	2020 £'000s	2019 £'000s
Neither past due beyond 90 days nor impaired	1,101,735	1,046,264
Past due beyond 90 days, but not impaired	-	-
Impaired	4,565	-
Repossessions	-	-
Unutilised overdraft commitments	10,115	8,253
Pipeline loans	72,036	12,927
Total	**1,188,451**	**1,067,444**

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	2020 £'000s	2019 £'000s
Collateral value	509,338	417,850
Gross loans and advances	1,106,300	1,046,264

When the value of the collateral is higher than the credit exposure of the borrower, the collateral value is capped to the exposure in the above table. 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.

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 main component is a 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.

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 for Buy To Let Mortgages 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 2020 (2019: NIL), no loans and advances had been considered for forbearance.

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 2020 (including Investment Securities, loans and advances to customers and balances and deposits with Banks), split by credit ratings is provided below:

2020	**Investment Securities £'000**	**Loans to customers & deposits with banks £'000**
AAA to AA-	104,651	-
A+ to A-	57,627	45,843
BBB+ to BBB-	194,532	216,241
BB+ and below	18,340	515,605
Unrated	-	590,904
Total	**375,150**	**1,368,593**

2019	**Investment Securities £'000**	**Loans to customers & deposits with banks £'000**
AAA to AA-	64,369	21
A+ to A-	28,427	-
BBB+ to BBB-	205,262	194,908
BB+ and below	47,245	491,323
Unrated	-	543,344
Total	**345,303**	**1,229,596**

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

	2020 £'000s	**2019 £'000s**
AAA to AA-	-	-
A+ to A-	-	-
BBB+ to BBB-	-	15,239
BB+ and below	510,605	486,323
Unrated	591,131	544,702
Total	**1,101,736**	**1,046,264**

As of 31 March 2020, Bank's loans and advances that are past due but not impaired are NIL (2019: NIL)

An analysis of the Bank's total credit exposures as at 31 March 2020 (including Investment Securities, loans and advances to customers and balances and deposits with Banks), split by geography is provided below:

Geography	**2020** **£'000**	**%**
Great Britain	771,062	44%
United States of America	493,958	29%
India	299,526	17%
Spain	43,683	3%
France	18,581	1%
South Korea	23,355	1%
Africa	21,459	1%
Other geographies	72,119	4%
Total	**1,743,743**	**100%**

Geography	**2019** **£'000**	**%**
Great Britain	633,583	40%
United States of America	459,692	29%
India	278,219	18%
Spain	57,652	4%
France	29,343	2%
South Korea	22,308	1%
Africa	20,113	1%
Other geographies	73,989	5%
Total	**1,574,899**	**100%**

An analysis of the Bank's total credit exposures as at 31 March 2020 (including Investment Securities, loans and advances to customers and balances and deposits with Banks), split by industry sectors is provided below:

Industry Sector	**2020** **£'000s**	**%**
Banks	456,959	26%
Real Estate	432,836	25%
Consumer Services	187,537	11%
Health Care Equipment & Services	111,552	7%
Transportation	90,139	5%
Materials	53,661	3%
Pharmaceuticals, Biotechnology & Life Sciences	41,894	2%
Automobiles & Components	52,803	3%
Sovereign	59,837	3%
Other Sectors	256,525	15%
Total	**1,743,743**	**100%**

Industry Sector	**2019 £'000s**	**%**
Banks	339,426	22%
Real Estate	303,199	19%
Consumer Services	175,299	11%
Health Care Equipment & Services	108,044	7%
Transportation	94,831	6%
Materials	85,856	5%
Pharmaceuticals, Biotechnology & Life Sciences	84,769	5%
Automobiles & Components	61,928	4%
Sovereign	49,177	3%
Other Sectors	272,370	18%
Total	**1,574,899**	**100%**

Analysis of the Bank’s credit risk exposures

The following table below summarises the regulatory credit risk exposure at 31 March 2020, (including exposures of the book subject to counterparty credit risk) with a breakdown in accordance with the risk weight is provided below, the Bank uses credit ratings from eligible External Credit Assessment Institutions (ECAIs) in order to arrive at the risk weights necessary to calculate the risk-weighted values for its exposures to rated entities: -

On- and off- balance sheet exposures (SA exposures) Risk weight breakdown as on 31 March 2020	**NET Exposures**	**RWA Exposure**
Risk weight buckets	**£m's**	**£m's**
= 0%	82.6	0.0
> 0 and ≤ 12%	0.0	0.0
> 12 and ≤ 20%	157.6	31.5
> 20 and ≤ 50%	529.9	231.1
> 50 and ≤ 75%	0.8	0.6
> 75 and ≤ 100%	998.4	997.0
> 100 and ≤ 425%	37.0	55.4
> 425 and ≤ 1250%	0.0	0.0
Exposures in default	2.0	2.0
Low risk off-balance sheet items	0.0	0.0
Total on- and off-balance sheet exposures	**1,808.3**	**1,317.6**

On- and off- balance sheet exposures (SA exposures) Risk weight breakdown as on 31 March 2019	**NET Exposures**	**RWA Exposure**
Risk weight buckets	**£m's**	**£m's**
= 0%	42.6	0.0
> 0 and ≤ 12%		
> 12 and ≤ 20%	90.3	17.9
> 20 and ≤ 50%	408.1	181.6
> 50 and ≤ 75%	2.6	2.0
> 75 and ≤ 100%	1,056.3	1,055.1
> 100 and ≤ 425%	12.5	18.8
> 425 and ≤ 1250%		
Exposures in default		
Low risk off-balance sheet items		
Total on- and off-balance sheet exposures	**1,612.4**	**1,275.2**

The following tables detail the Bank's regulatory credit risk exposure at 31 March 2020:

Analysis as per Credit risk exposure class:

Particulars As at 31st March 2020	Original Gross exposure	Net exposure	Credit Mitigation	Risk weighted assets
Credit Risk - Exposure class	**£ m's**	**£ m's**	**£ m's**	**£ m's**
On-balance sheet exposures				
Central governments/central banks	59.8	59.8	0.0	0.0
Corporates	777.8	758.4	19.3	775.4
Exposures in default	4.6	2.0	0.0	2.0
Institutions	444.8	459.0	0.0	189.8
Multilateral developments banks	22.3	22.3	0.0	0.0
Other items	14.0	14.0	0.0	13.6
Retail	1.9	0.6	1.3	0.4
Secured by immovable property mortgages	436.2	436.2	0.0	297.3
Items with particularly high risk	2.7	2.7	0.0	4.0
Total On-balance sheet Credit Risk exposures	**1,764.0**	**1,755.0**	**20.7**	**1,282.5**
Off-balance sheet exposures				
Corporates	49.3	46.1	3.2	23.0
Exposures in default	0.0	0.0	0.0	0.0
Institutions	0.0	2.6	0.0	1.3
Retail	2.2	1.2	1.0	0.2
Secured by immovable property mortgages	30.6	30.6	0.0	5.4
Items with particularly high risk	0.0	0.0	0.0	0.0
Total Off-balance sheet Credit Risk exposures	**82.2**	**80.5**	**4.2**	**29.8**
Counterparty Credit Risk - Exposure class				
Derivatives	13.1	13.1	0.0	5.3
Total Counterparty credit risk exposure	**13.1**	**13.1**	**0.0**	**5.3**
Total Exposure to Credit risk (Ex-CVA risk)	**1,859.2**	**1,848.6**	**24.8**	**1,317.6**
CVA risk				7.0
Total Credit Risk Exposure	**1,859.2**	**1,848.6**	**24.8**	**1,324.6**

Analysis as per Credit risk exposure class:

Particulars As at 31st March 2019	Original Gross exposure	Net exposure	Credit Mitigation	Risk weighted assets
Credit Risk - Exposure class	**£ m's**	**£ m's**	**£ m's**	**£ m's**
On-balance sheet exposures				
Central Govt. / Central banks	29.1	29.1	0.0	7.1
Multilateral development banks	20.1	20.1	0.0	0.0
Institutions	339.2	339.2	0.0	154.2
Corporates	777.0	777.0	0.0	776.7
Retail	3.0	3.0	0.9	1.6
Secured by Mortgage of immovable property	410.1	410.1	0.0	317.7
Other Assets	16.8	11.4	0.0	10.6
Total On-balance sheet Credit Risk exposures	**1,595.3**	**1,589.9**	**0.9**	**1,268.1**
Off-balance sheet exposures				
Corporates	3.0	0.6	0.0	0.6
Retail	2.8	0.8	0.0	0.6
Secured by Mortgage of immovable property	15.4	7.3	0.0	2.8
Total Off-balance sheet Credit Risk exposures	**21.2**	**8.8**	**0.0**	**4.0**
Counterparty Credit Risk - Exposure class				
Derivatives	13.6	13.6	0.0	3.1
Total Counterparty credit risk exposure	**13.6**	**13.6**	**0.0**	**3.1**
Total Exposure to Credit risk (Ex-CVA risk)	**1,630.1**	**1,612.4**	**0.9**	**1,275.2**
CVA risk				1.9
Total Credit Risk Exposure	**1,630.1**	**1,612.4**	**0.9**	**1,277.2**

Analysis as per geographical distribution as 31 March 2020 is provided below:

£m's	Exposures	Net Exposures*	Risk weight of Exposures
East Asia & Pacific	24.0	24.0	4.8
European (West) Area	112.2	112.2	89.3
Middle East & North Africa	11.3	11.3	11.3
North America	556.4	556.4	504.3
Other Countries	22.3	22.3	0.0
South Asia	302.6	319.4	158.9
UNITED KINGDOM	830.4	802.9	549.1
Total	**1859.2**	**1848.6**	**1,317.6**

*Net exposures are provided post credit mitigation.

£m's	Exposures	Net Exposures*	Risk weight of Exposures
United Kingdom	773.5	755.3	530.6
North America	482.6	482.6	465.8
European (West) Area	182.0	182.0	165.9
East Asia & Pacific	22.3	22.3	4.5
South Asia	130.0	129.6	95.1
Middle East & North Africa	10.2	10.2	5.1
Sub-Saharan Africa	29.5	29.5	8.2
Total	**1,630.1**	**1,611.5**	**1,275.2**

*Net exposures are provided post credit mitigation.

The Bank uses credit mitigation techniques for loans where collateral is provided in the form of cash held by the customer with the Bank (for example lending against Fixed deposits held by the customers with the Bank). Though the Bank does not apply credit risk mitigation techniques for mortgages lending, all mortgages are secured by a first charge over the property being purchased or re-mortgaged, to safeguard the Bank's assets from customer default. No second charges are permitted. Valuation of the property is conducted as part of the application process by a Royal Institute of Chartered Surveyors certified valuer from the Bank's approved panel of valuers for a new Mortgage. This is performed to mitigate the credit risks due to its exposure to potential bad debts arising from the inherent risk that customers may default on their obligations.

Analysis as per residual maturity as 31 March 2020 is provided below:

Residual maturity As at 31st March 2020 Particulars	**On demand**	**Up to 1 Year**	**1 Year to 5 Years**	**More than 5 years**	**Total**
Credit Risk - Exposure class	**£ m's**	**£ m's**	**£ m's**	**£ m's**	**£ m's**
On-balance sheet exposures					
Central Govt. / Central banks	0.0	59.8	0.0	0.0	59.8
Multilateral development banks	0.0	0.0	22.3	0.0	22.3
Institutions	125.3	11.2	241.4	66.8	444.8
Corporates	0.0	65.8	405.9	306.1	777.8
Retail	0.0	0.9	1.0	0.0	1.9
Secured by Mortgage of immovable property	0.0	7.4	424.9	3.9	436.2
Exposures in default	4.6	0.0	0.0	0.0	4.6
Items with particularly high risk	0.0	2.5	0.2	0.0	2.7
Other Assets	14.0	0.0	0.0	0.0	14.0
Total On-balance sheet Credit Risk exposures	**143.9**	**147.6**	**1,095.7**	**376.8**	**1,764.0**

Residual maturity As at 31st March 2019 Particulars	On demand	Up to 1 Year	1 Year to 5 Years	More than 5 years	Total
Credit Risk - Exposure class	**£ m's**	**£ m's**	**£ m's**	**£ m's**	**£ m's**
On-balance sheet exposures					
Central Govt. / Central banks	0.0	29.1	0.0	0.0	29.1
Multilateral development banks	0.0	0.0	20.1	0.0	20.1
Institutions	29.7	35.4	236.1	38.1	339.2
Corporates	27.8	59.9	689.3	0.0	777.0
Retail	2.6	0.1	0.4	0.0	3.0
Secured by Mortgage of immovable property	20.2	22.9	241.2	125.7	410.1
Other Assets	11.4	0.0	0.0	0.0	11.4
Total On-balance sheet Credit Risk exposures	**91.7**	**147.3**	**1,187.1**	**163.8**	**1,589.9**

Analysis as per Credit Quality Steps (CQS) of on-balance sheet assets as on 31 March 2020 is provided below:

Exposure Class	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6	Unrated	Total
£ m's	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to BB-**	**B+ to B-**	**CCC or less**		
Central Govt. / Central banks	59.8	0.0	0.0	0.0	0.0	0.0	0.0	59.8
Multilateral development banks	22.3	0.0	0.0	0.0	0.0	0.0	0.0	22.3
Institutions	24.0	36.4	117.2	0.0	0.0	0.0	280.1	457.8
Corporates	0.0	11.3	87.2	465.2	63.7	0.0	199.7	827.1
Retail	0.0	0.0	0.0	0.0	0.0	0.0	4.1	4.1
Secured by Mortgage of immovable property	0.0	0.0	0.0	0.0	0.0	0.0	466.8	466.8
Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	4.6	4.6
Items with particularly high risk	0.0	0.0	0.0	0.0	0.0	0.0	2.7	2.7
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0	14.0	14.0
Total	**106.2**	**47.7**	**204.4**	**465.2**	**63.7**	**0.0**	**972.0**	**1,859.2**

Analysis as per Credit Quality Steps (CQS) of on-balance sheet assets as on 31 March 2019 is provided below:

Exposure Class	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6	Unrated	Total
£ m's	**AAA to AA-**	**A+ to A-**	**BBB+ to BBB-**	**BB+ to BB-**	**B+ to B-**	**CCC or less**		
Central Govt. / Central banks	21.9	0.0	0.0	7.1	0.0	0.0	0.0	29.1
Multilateral development banks	20.1	0.0	0.0	0.0	0.0	0.0	0.0	20.1
Institutions	22.3	18.3	283.2	15.4	0.0	0.0	0.0	339.2
Corporates	0.0	10.2	116.9	506.4	9.7	0.0	133.8	777.0
Retail	0.0	0.0	0.0	0.0	0.0	0.0	3.0	3.0
Secured by Mortgage of immovable property	0.0	0.0	0.0	0.0	0.0	0.0	410.1	410.1
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0	11.4	11.4
Total	**64.4**	**28.4**	**400.2**	**528.9**	**9.7**	**0.0**	**558.4**	**1,589.9**

Counterparty credit risk

Counterparty Credit risk (CCR) is the risk that the counterparty to a transaction will default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for derivative financial instruments, securities financing transactions and long-dated settlement transactions. For SBIUK, CCR arises by FX derivatives on the banking book used for hedging the FX mismatch arising from On-Balance sheet and funding.

All derivative transactions are governed by industry standard ISDA Master Agreements, supplemented by ISDA Credit Support Annexes for a number of counterparties. Policies are in place which allows the use of credit risk mitigation to reduce counterparty credit risk. As at 31 March 2020 no use has been made of collateral other than under industry standard ISDA agreements, ISDA Credit Support Annexes used in relation to derivative transactions and Global Master Repurchase Agreements used in relation to repurchase transactions.

The Bank deals in derivatives as part of its balance sheet risk management to manage foreign currency exposures. Foreign exchange forwards are used for managing this risk.

The Bank computes counterparty exposure value for derivative transactions using the mark to market method. For this exposure calculation, the current replacement cost is based on sum of market values of only those contracts where the market value is positive for the Bank. As at 31 March 2020, SBIUK does not have any Netting agreement in place with any of its counterparties and does use the netting effect to reduce its derivative exposure.

Bank uses derivatives to economically hedge exposure to foreign exchange and interest rate risks and it does not hold or issue derivatives for speculative or trading purposes. The fair value of derivatives held for non-trading purposes is determined by using observable market data.

Currency swap agreements

As at 31 March 2020	**Notional amounts £000**	**Fair Value Assets £000**	**Fair Value Liabilities £000**
Exchange rate related contracts			
Currency swap agreements	499,872	-	(13,341)

As at 31 March 2019	**Notional amounts £000**	**Fair Value Assets £000**	**Fair Value Liabilities £000**
Exchange rate related contracts			
Currency swap agreements	699,346	7,194	(892)

Cross currency interest rate agreements

As at 31 March 2020 (2019:NIL)	**Notional amounts £000**	**Fair Value Assets £000**	**Fair Value Liabilities £000**
Cross currency interest rate swap agreements	149,795	-	(9,588)

The hedge relationship of the Cross currency interest rate derivatives are highly effective. Changes in the fair value of derivatives which is designated and qualifies as a fair value hedge, along with the gain on the hedged asset that is attributable to the hedged risk are recorded in the income statement.

The fair value changes of all derivatives are recognised in the income statement under net income on foreign exchange, in addition to the foreign exchange gains/(losses) on the assets and liabilities.

	2020 £'000	2019 £'000
On Currency swaps (with no hedge accounting)		
Fair value changes on derivatives	(13,341)	6,302
Foreign exchange revaluation losses	13,123	(6,242)
On Cross currency interest rate swaps (with hedge accounting)		
Change in fair value of hedged items recognised in income statement	9,588	-
Change in fair value of hedging instrument recognised in income statement	(9,588)	-
Total	**(218)**	**60**

As at 31 March 2020, SBIUK does not have a credit rating and hence, is not required to post additional collateral in the event of a downgrade in credit rating. SBIUK has no exposure to credit derivative transactions.

As at 31 March 2020, SBIUK does not have any credit default swap or re-purchase agreement transaction. SBIUK has no exposure to wrong way risk.

8. Market Risk

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 on a monthly basis 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 100 basis point rise or fall in the interest rate, and assumes a constant balance sheet position:

Interest rate sensitivity

As at 31 March	**2020**	**2019**
	£'000	**£'000**
100 basis points increase	(2,187)	(6,682)
100 basis points decrease	2,294	6,996

The Earnings at Risk (EAR) Impact on Net Interest Income (NII) due to 100bps adverse change in rates is £1.87 m (2019: £0.62m).

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 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 2020, based on the currencies in which they are denominated to identify the extent to which the foreign currency exposures of the Bank are matched.

	2020 £'000	2019 £'000
Denominated in US Dollars	667,647	667,270
Denominated in Sterling	979,933	793,176
Denominated in Eur	108,265	134,566
Denominated in other currencies	1,454	267
Total assets	**1,757,299**	**1,595,279**
Denominated in US Dollars	106,716	104,889
Denominated in Sterling	1,645,003	1,485,247
Denominated in Eur	4,126	3,587
Denominated in other currencies	1,454	1,556
Total liabilities	**1,757,299**	**1,595,279**

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 Net overnight open Foreign Exchange position (NOOP) of the Bank as at March 31, 2020 was £0.7m (2019: £ 0.8m). 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)’s reward strategy has been developed around the key principles of the PRA’s/FCA’s Remuneration Code, as set out in SYSC 19A. Therefore, the Bank ensures that it:

- Maintains lists of Remuneration 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 SBIUK 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 SBIUK 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; and

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

In order 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, 2020 is provided below:

	2020	**2019**
Average number of employees*	160	158
	£m's	**£m's**
Wages and salaries	6.5	5.3
- This includes directors' emoluments		
Social security costs	0.5	0.5
Pension costs	0.3	0.3
Other staff costs	0.2	0.2
Total staff costs	**7.5**	**6.3**

* Of this, employees, 135 are employed in the front office and 23 in the back office. This excludes back office employees of SBI London Branch supporting subsidiary operations.

The above table is based on remuneration committed and costs accrued during the year, as charged to the Income Statement. The figures exclude estimated bonuses accrued at 31 March 2020 that were paid in June 2020 payroll.

The Bank has not made any Sign on and Severance payments to Material risk takers during the financial Year ended 31 March 2020 (2019: NIL).

No individual received more than £1million in remuneration during 2020 (2019:NIL).

Remuneration Code Staff

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 2019	**2020** **£000’s**	**2019** **£000’s**
Aggregate Total Remuneration for Executive Senior Managers	946	746
Of Which:		
Fixed – Including salaries, pension, private medical and other benefits	939	746
Variable – Including Cash Bonus	7	0
Number of Code Staff as Executive Senior Managers	8	8
Aggregate Total Remuneration for Independent Non-Executive Directors (all fixed remuneration)	80	80
Number of Code staff as Independent Non-Executive Directors	**2**	**2**

Appendix I - Own funds disclosure

	Common Equity Tier 1 capital: instruments and reserves	(A) Amount at disclosure date (£m's)	(A) Amount at disclosure date (£m's)	(B) Regulation (EU) No 575/2013 Article reference
		Mar-20	Mar-19	
1	Capital instruments and the related share premium accounts	175.0	175.0	26 (1), 27, 28, 29,
	of which: ordinary share capital	175.0	175.0	EBA list 26 (3)
2	Retained earnings	11.5	8.1	26 (1) (c)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	185.5	183.1	
Common Equity Tier 1 (CET1) capital: Regulatory Adjustments				
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-	-	
29	**Common Equity Tier 1 (CET1) capital**	**185.5**	**183.1**	
Additional Tier 1 (AT1) capital: instruments				
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	-	
Additional Tier 1 (AT1) capital: Regulatory Adjustments				
44	Additional Tier 1 (AT1) capital	-	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**185.5**	**183.1**	
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	50.0	50.0	62, 63
50	Credit risk adjustments	3.1	1.9	62 (c) & (d)
51	Tier 2 (T2) capital before regulatory adjustments	53.1	51.9	
Tier 2 (T2) capital: regulatory adjustments				
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-	
58	Tier 2 (T2) capital 2	53.1	51.9	
59	**Total capital (TC = T1+T2)**	**238.6**	**235.0**	
60	Total Risk Weighted Assets	1,375.0	1,339.4	
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	13.5%	13.7%	92 (2) (a), 465
62	Tier 1 (as a percentage of risk exposure amount)	13.5%	13.7%	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	17.4%	17.5%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with Article 92 (1) (a) plus capital conservation and counter-cyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer) expressed as a percentage of risk exposure amount)	2.5%	2.9%	CRD 128, 129, 130
65	*of which: capital conservation buffer requirement*	2.5%	2.5%	
66	*of which: counter-cyclical buffer requirement*	0.0%	0.4%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	13.5%	13.7%	CRD 128
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	3.1	1.9	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	16.0	16.0	62

Appendix II - Capital Instruments main features template

		CET1	Addl Tier 1	Tier 2
1	Issuer	SBIUK Limited	N/A	SBIUK Limited
2	Unique identifier (e.g. CUSIP, ISN or Bloomberg identifier for private placement)	Private placement		Private placement
3	Governing law(s) of the instrument	English Law		English Law
Regulatory Treatment				
4	Transitional CRR rules	CET 1		Tier 2
5	Post-transitional CRR rules	CET 1		Tier 2
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo		Solo
7	Instrument type (types to be specified by each jurisdiction)	Common Equity		Subordinated Loan
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	£175m		£50m
9	Nominal amount of instrument	£175m		£50m
9a	Issue price	£1		100%
9b	Redemption price	N/A		100%
10	Accounting classification	Shareholder's equity		Liability - amortised cost
11	Original date of issuance	6 Oct 2017		16 Feb 2018
12	Perpetual or dated	Perpetual		Dated
13	Original maturity date	N/A		15 Feb 2028
14	Issuer call subject to prior supervisory approval	No		No
15	Optional call date, contingent call dates and redemption amount	N/A		N/A
16	Subsequent call dates, if applicable	N/A		N/A
17	Fixed or floating dividend/coupon	N/A		*Fixed*
18	Coupon rate and any related index	N/A		2%
19	Existence of a dividend stopper	N/A		N/A
20a	Fully discretionary, partial discretionary or mandatory (in terms of timing)	Fully discretionary		Mandatory
20b	Fully discretionary, partial discretionary or mandatory (in terms of amount)	Fully discretionary		Mandatory
21	Existence of step up or other incentive to redeem	No		No
22	Non-cumulative or cumulative	Non-cumulative		Non-cumulative
23	Convertible or non-convertible	non-convertible		non-convertible
24	If convertible, conversion trigger(s)	N/A		N/A
25	If convertible, fully or partially	N/A		N/A
26	If convertible, conversion rate	N/A		N/A
27	If convertible, mandatory or optional conversion	N/A		N/A
28	If convertible, specify instrument type convertible into	N/A		N/A
29	If convertible, specify issuer of instrument it converts into	N/A		N/A
30	Write-down features	No		No
31	If write-down, write-down trigger(s)	N/A		N/A
32	If write-down, full or partial	N/A		N/A
33	If write-down, permanent or temporary	N/A		N/A
34	If temporary write-down, description of write-up mechanism	N/A		N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Perpetual Deeply Subordinated Debt		Unsecured and Unsub-ordinated Debt
36	Non-compliant transitioned features	No		No
37	If yes, specify non-compliant features	N/A		N/A