2020

PILLAR – III DISCLOSURES

Union Bank of India (UK) Ltd

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Glossary

ACB	Audit Committee of the Board
ALCO	Asset and Liability Committee
B/S	Balance Sheet
BoE	Bank of England
CEO	Chief Executive Officer
CET I	Core Equity Tier One
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirement Regulations
ECL	Expected Credit Loss
ED	Executive Director
EU	European Union
EUR	Euro
FCA	The Financial Conduct Authority
FX	Foreign Exchange
GBP	Pound Sterling
HQLA	High Quality Liquid Assets
HTM	Held to Maturity
IBRD	International Bank for Reconstruction and Development
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
ILAAP	Internal Liquidity Adequacy Assessment Process
ILG	Individual Liquidity Guidance
INR	Indian Rupee
IRRBB	Interest Rate Risk in Banking Book
IT	Information Technology
LAB	Liquidity Assets Buffer
LCR	Liquidity Coverage Ratio
MD	Managing Director
MDB	Multi-lateral Development Bank
MLRO	Money Laundering Reporting Officer
NED	Non-Executive Director
NPA	Non-Performing Assets
NPV	Net Present Value
OLAR	Overall Liquidity Adequacy Rule
PFE	Potential Future Exposure

PRA	Prudential Regulation Authority
RAG	Red Amber Green
RCC	Risk and Compliance Committee of the Board
RW	Risk Weights
RWA	Risk Weighted Assets
SFT	Securities Financing Transactions
SME	Small and Medium Enterprises
SREP	Supervisory Review & Evaluation Process
UK	United Kingdom
Union Bank	Union Bank of India (Parent Bank)
Union Bank UK / the Bank	Union Bank of India (UK) Ltd
USD	US Dollars

Overview

This document is divided into following sections –

- **Section 1 – Executive summary:** This section describes high level background of the Bank and its business.
- **Section 2 – Governance:** This section explains the governance framework within the bank.
- **Section 3 – Capital management:** This section describes Union Bank UK's capital strategy and the related risk appetite. This section also provides information on the capital function in the bank and quantitative information on the available and required capital.
- **Section 4 – Internal assessment of material risks**: This section describes the methodology and models used by the Bank to identify, assess, manage and control material risks.
- **Section 5 – Stress testing:** This section explains the methodologies and scenarios used by the Bank to conduct stress testing.
- **Section 6 – Remuneration:** This section describes the remuneration structure of the Bank.
- **Section 7 – Conclusion:** This section provides information regarding frequency and availability of Pillar – III disclosure document.

Basis of disclosure

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

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

Regular Update

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

Frequency

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

Media and location

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

Scope of application

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

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

1. Executive Summary

This section provides brief information about the Bank and summarizes the information of this document.

Union Bank of India (UK) Ltd (hereinafter called "the Bank") is a subsidiary of Union Bank of India, a public-sector bank based in India with a majority stake owned by the Government of India. The bank is authorized by the PRA and regulated by the FCA and the PRA. The Bank received authorization as a UK bank from the PRA on 6th September 2013, and started raising deposits from 10th July 2014.

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

The principal currency (functional currency) of the Bank is US Dollars (USD). The overall balance sheet size of the Bank as at 31st March 2020 was USD 398 million.

These disclosures have been prepared with due consideration to comprehensiveness and proportionality. It is further noted that in January, 2020, there has been a capital infusion of USD 50 million from the parent Bank which was not envisaged in the Business model, however, there has been no significant change in the Bank's business model since the last Pillar – III Disclosure publications.

In 2019-20, the Bank has suffered losses, which are primarily attributable to increased provisioning requirements due to an increase in Stage 3 Loan accounts. The Board has responded by prudently lowering the business growth targets. The Board has put forth business plan for the next five financial years wherein the focus will henceforth be more on UK based assets and assets sourced through syndication channel and minimize the stressed assets in order to ensure sustainable growth with optimal use of financial resources. The Bank continues to maintain capital well in excess of regulatory requirements.

1.1 Key business indicators

This section provides a summary of analysis of the asset portfolio as of March 2020, at which date, the loan portfolio stood at ~ USD 300 million (compared to ~ USD 330 million on March 2019).

The portfolio is summarised below –

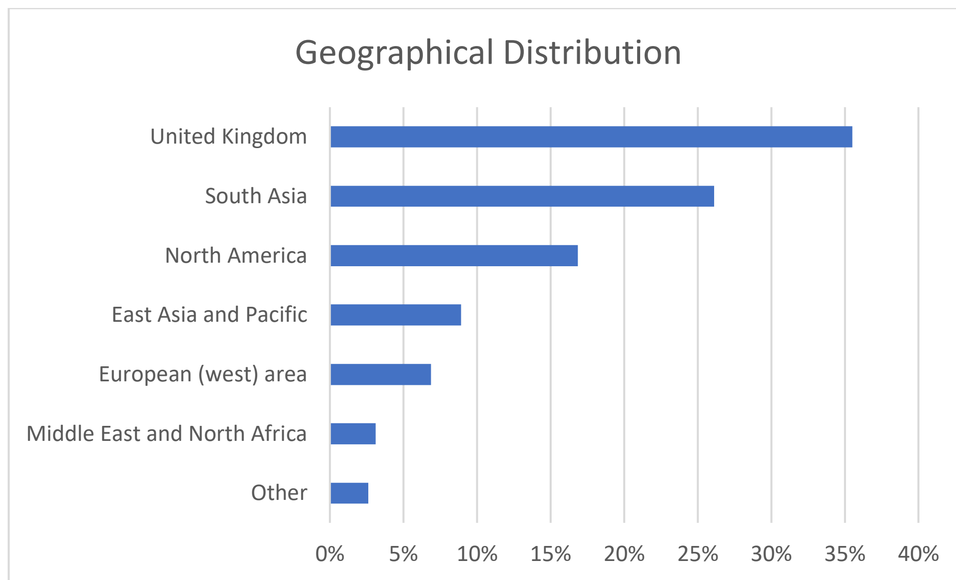

Figure 1: Geographical distribution of Credit risk exposure

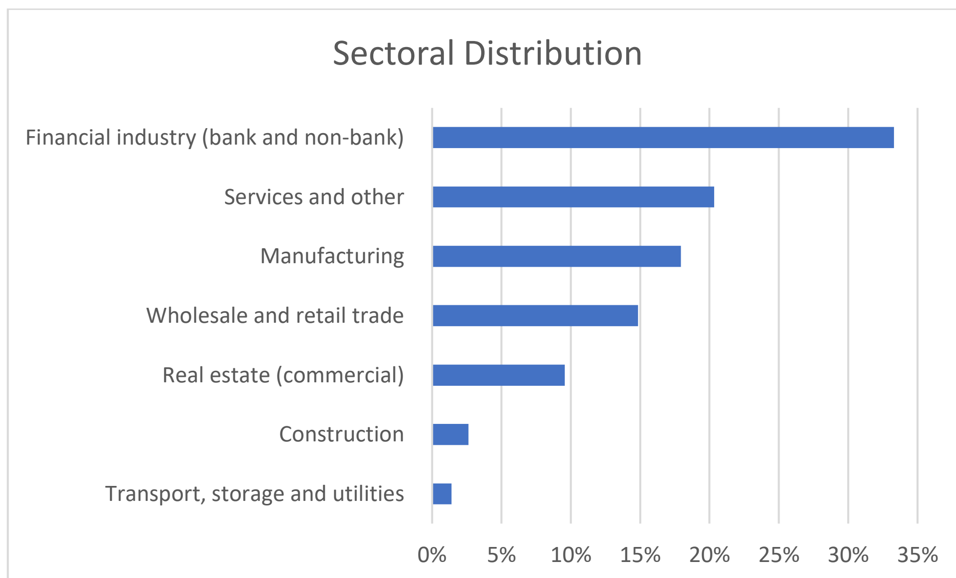

Figure 2: Sectoral distribution of Credit risk exposure

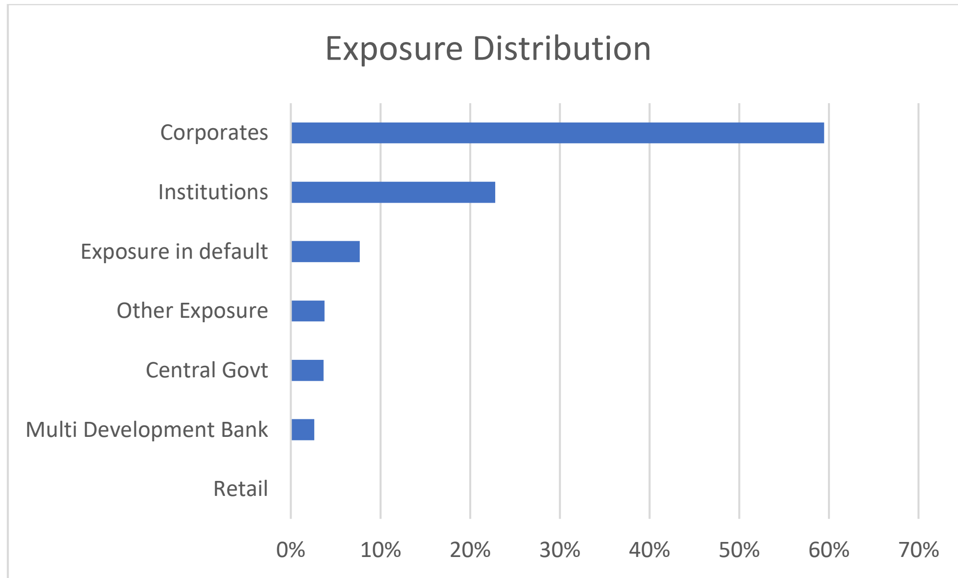

Figure 3: Constitution wise distribution of Credit risk exposure

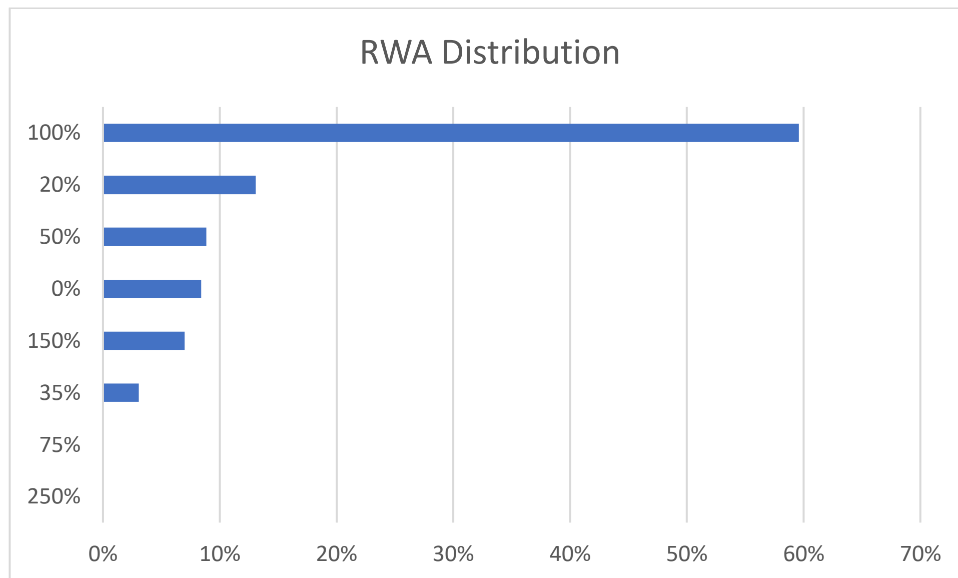

Figure 4: Risk weighted distribution of Credit risk exposure

Note: The terminology for bifurcation is kept constant with ICAAP document.

1.2 Regulatory framework

In December 2010, the Basel Committee on Banking Supervision (BCBS) published a revised global regulatory framework for the international capital standards (Basel III), reinforcing the requirements established in the previous frameworks (known as Basel I, Basel II and Basel 2.5). On 26 June 2013 the Basel III legal framework was implemented across the European Union via EU Directive 2013/36 (CRD IV), which repeals Directives 2006/48 and 2006/49, and Regulation 575/2013 (Prudential requirements for credit institutions and investment firms - 'CRR').

The framework for regulatory capital

The PRA determines a minimum regulatory capital level and additional buffers for the firms, as set out in terms of the Basel III and EU CRR risk-weighted frameworks. The UK regulatory capital framework comprises four parts –

- **Pillar 1** — requirements to provide protection against credit, market and operational risks, for which firms follow internationally agreed methods of calculation and calibration.

- **Pillar 2A** — requirements imposed by the PRA reflecting estimates of risks either not addressed or only partially addressed by the international standards for Pillar 1.

- **CRD IV buffers, as applicable** – these comprise the Capital Conservation Buffer and the Counter-cyclical Capital Buffer, which are relevant to all firms. For Globally Systemically Important Institutions (G-SIIs), a G-SII buffer is also applied, and for domestic systemically important firms, a Systemic Risk Buffer is applied.

- **The PRA buffer, as applicable** – is an amount of capital that firms should hold in addition to their minimum level of regulatory capital (Pillar 1 plus Pillar 2A) to cover risks and elements of risk not covered elsewhere, and losses that may arise under a stress.

The Bank always maintains SURPLUS capital in excess of the minimum regulatory requirements prescribed by the PRA by way of ICG (Individual Capital Guidance).

The Bank's total issued and paid up share capital as at 31st March 2020 was USD 150 Million and GBP 2. One hundred percent of these shares are held by the Union Bank of India ('Parent Bank').

2. Risk Management and Governance framework

The Bank places a strong emphasis on internal governance and the maintenance of high ethical standards in its working practices.

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

The risk appetite statement has been further drilled down into portfolio-level limits, which include concentrations limits including geographical, sectoral, and large exposure limits. The Risk Management department of the Bank monitors adherence to the risk appetite limits and reports it to the Risk and Compliance Committee on a quarterly basis.

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

Good governance is critical to delivering a sound and well-run business. At the centre of good governance is an effective Board. The first responsibility for maintaining the safety and soundness of the Bank lies with the Board.

Board is comprised of three Executive Directors, two Non-Executive Directors (representing the Shareholder), and two independent UK based Non-Executive Directors (all of whom have extensive banking and regulatory experience).[1]

The Board has collective responsibility for promoting the long-term success of the Bank; whilst the Executive Directors manage business operations, the Non-Executive Directors are responsible for independent oversight for analysis and constructive challenge of decisions taken by the Executive Directors.

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

[1] As on date of publishing the Pillar 3 disclosure the Bank is having two Executive Directors, two Non-Executive Directors (representing the shareholder), and three independent UK based Non-Executive Directors.

- The First Line of Defence ('1LOD') is responsible for tactical risk management and the operation of internal controls.
- The Second Line of Defence ('2LOD') is responsible for independent risk oversight, the development and implementation of risk Policies, assessment methodologies and challenge to First Line of Defence risk-taking decisions, assumptions and control self-assessments.
- The Third Line of Defence ('3LOD') provides independent assurance in respect of the scope adequacy and effectiveness of the overall system of internal controls, including risk assessment processes and the operation of the internal governance framework.

The Bank's Three Lines of Defence framework is illustrated in the figure below –

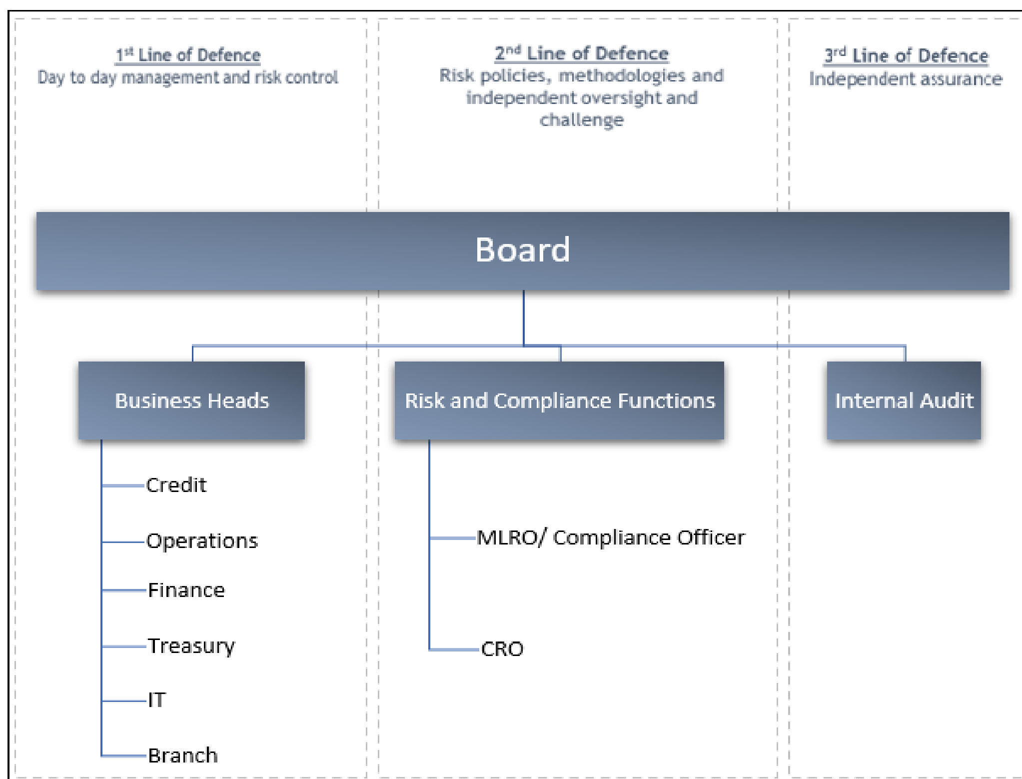

Figure 5: Lines of defense framework

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

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

- The Audit Committee of the Board (ACB) meets quarterly consists of two independent UK based Non-Executive Directors (one of whom acts as Chair)

- The Internal Auditor reports to ACB.

An overview of the Bank's internal governance structure is illustrated in the figure below –

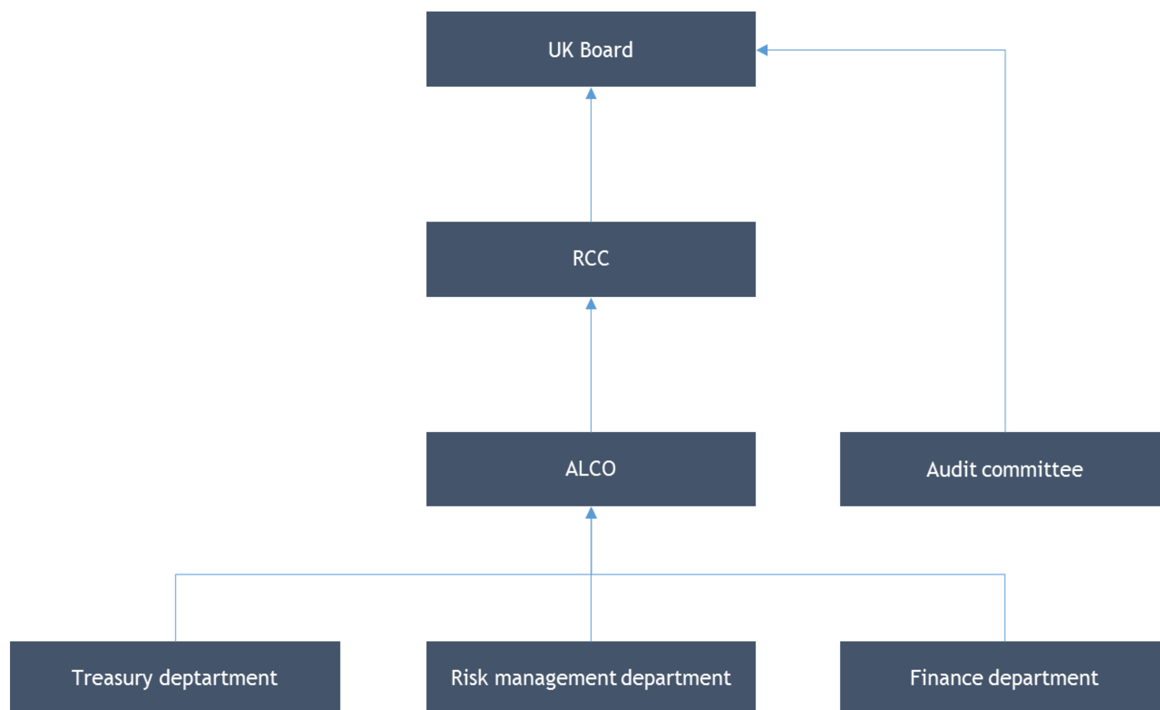

Figure 6: Governance framework

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

3. Capital Management

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

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

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

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

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

Figure 7: Key risk objectives have been identified by Union Bank UK

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

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

Internal Capital Adequacy Assessment Process (ICAAP)

The Bank reports annually on the effective operation of its ICAAP, and deploys forward-looking analysis of the Business Plan using stress scenarios mandated by the RCC. The ICAAP process reviews the Bank's financial and operational exposure profile, and assesses both the risk and the

internal control environment, in order to estimate an appropriate level of Pillar 2 capital under stress conditions.

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

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

3.1 Capital Adequacy

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

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

As a part of the commitment of the Parent Bank towards maintaining adequacy of capital in the Bank, infusion of USD 50 Mn was made as a Tier I equity in Jan'20. The Bank in its business plan for next five years has not envisaged any further increase in share capital.

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

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

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

Capital is provided for the purposes of unforeseen and unexpected events based on the risk assessment for each of the underlying asset class in the Bank's portfolio. Further, in line with industry practice, the Bank acknowledges that capital is not the only mitigating factor for all unforeseen events and contingencies. Therefore, appropriate risk management and governance practices are in place to actively monitor the risks the Bank is exposed to in the course of executing its business. Further information on the Bank's risk management and governance is provided in subsequent sections and details are available in the Bank's Annual Report for the year ended March 31, 2020.

3.1.1 Enhanced disclosures

This section provides key regulatory ratios and a summary of the attendant calculations.

Capital resources

At March 31, 2019, the capital ratio remained adequate at 34.02%, with a equivalent Tier 1 capital ratio which is above the regulatory requirements. The following tables summaries the capital position and detail the capital resources of the Bank as at March 31, 2020.

Capital Ratios

Particular	Ratios (March 2020)
Overall Capital Adequacy Ratio	34.02%
Tier I	34.02%

Available Capital

Particular	2020 (USD'000)
Tier I Capital	120,703

Composition of Tier I Capital

Particular	2020 (USD'000)
Paid up capital	150,000
Accumulated other comprehensive income	-1,211
Retained earnings	-27,781
Deduction from Capital	-305[2]
Total Available Capital	**120,703**

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

3.2 Comparison of accounting assets vs regulatory exposures

The table below summarizes the comparison between carrying amounts of assets for financial reporting purposes and the corresponding regulatory exposure value.

(USD'000)

	Particulars	Mar-20
1	Total assets as per published financial statements	398,004
2	Adjustment for general & specific provisions for impairment	6,365
3	Adjustment for Off Balance Sheet exposure	15,588
4	**Total Accounting exposure value**	**419,957**
5	Adjustment for valuation of investments (HTM)	442
6	Adjustments for valuation of derivative financial instruments	1,490
7	Adjustment for cash collateral	-
8	**Regulatory exposure before credit conversion factor [1]**	**421,889**
9	**Regulatory exposure after credit conversion factor**	**410,130**
10	**Risk Weighted Assets before SME supporting factor**	**320,681**
11	**Risk Weighted Assets after SME supporting factor**	**320,681**

Table 1: Comparison of accounting assets vs regulatory exposures

3.3 Minimum capital requirement

The PRA last reviewed the bank's Total Capital Requirement ("TCR") on 5th August 2016. Composition of TCR is as follows: -

TCR component	PRA guidance, in 5th Aug 2016 letter (% of RWAs)
Pillar 1	8.00%
Pillar 2A	6.01%
- Concentration risk	3.45%
- Operational risk	0.45%
- IRRBB	1.99%
- Market risk	0.12%
Total	**14.01%**

Pillar 1

Banking operations are categorized as either trading or banking book[3], and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

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

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

The Pillar 1 RWA assessment as of the 31st March 2019 Balance Sheet is summarised in the table below.

Pillar 1 risk	Capital @ 8% (USD 000s)
Credit risk (includes CVA)	25,682
Market risk	775
Operational risk	1,930
Total	**28,387**

[3] As on Mar'20 only derivative exposure was classified as trading exposure.

Pillar 2A

The Bank's Pillar 2A requirement as per the PRA's Total Capital Requirement, (earlier known as Individual Capital Guidance) applicable as at March 31, 2020 was 6.01% of Total Risk Exposure Amount.

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 use 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, Financial Policy Committee is responsible for recognizing or setting up of CCyB rates in respect of credit risk exposures.

As a measure to boost the credit growth in the economy on account of impact of COVID-19 pandemic, Financial Policy Committee (FPC) set the UK countercyclical capital buffer (CCyB) rate at 0% with immediate effect on 11th of Mar'20. FPC's decision supports continued provision of financial services to the real economy, including the supply of credit.

As a result, the CCyB as on Mar'20 applicable for the Bank on UK exposures is 0%.

3.4 Bank's prudential regulatory metrics

The below table provides capital adequacy, leverage and liquidity ratios as of 31st March 2020 and 31st March 2019.

(USD'000)

		Mar-20	Mar-19
	Available capital (amount)		
1	Common Equity Tier 1 (CET1)	120,703	92,980
2	Tier 1	120,703	92,980
3	Total capital	120,703	92,980
	Risk-weighted assets (amounts)		
4	Total risk-weighted assets (RWA)	354,835	443,828
	Risk-based capital ratios as a percentage of RWA		
5	Common Equity Tier 1 ratio (%)[4]	34.02%	20.95%
6	Tier 1 ratio (%)	34.02%	20.95%
7	Total capital ratio (%)	34.02%	20.95%
	Basel III leverage ratio		
8	Total Basel III leverage ratio exposure measure	410,130	460,623
9	Basel III leverage ratio (%) (row 2 / row 8)	29.43%	20.19%
	Liquidity Coverage Ratio		
10	Total HQLA	30,713	49,916
11	Total net cash outflow	2,067	4,485
12	LCR ratio (%)	1486%	1113%

Table 2: Comparison of Capital Adequacy, Leverage, and Liquidity Coverage Ratio

3.5 Overview of total RWA

(USD'000)

S No.	Particulars	RWA Mar-20	Minimum capital req. @ 8%
1	Credit risk: Standardised approach	320,681	25,654
2	Credit valuation adjustment (CVA)	339	27
3	Market risk: Standardised approach	9,686	775
4	Operational risk: Basic Indicator Approach	24,129	1,930
	Total (1 + 2 + 3)	**354,835**	**28,386**

Table 3: Overview of total RWA

[4] The Parent Bank has infused in additional Tier I eligible share capital of USD 50 Mn in January'20, as a result the CAR has increased to 34.02% in Mar'20 as comparison to 20.95% in Mar'19.

3.6 The Leverage Ratio framework

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

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

- a 3% leverage ratio minimum requirement, denominated in Tier 1 capital, which must be met with at least 75% Common Equity Tier 1 (CET1) capital;

- an additional leverage ratio buffer, applicable to UK Global Systemically Important Institutions (G-SIIs) identified by the PRA, with the buffer rate calibrated at 35% of a relevant firm's G-SII capital buffer rate, which must be met with CET1 capital; and

- a counter-cyclical leverage ratio buffer of CET1 capital, calibrated at 35% of a relevant firm's countercyclical capital buffer rate and rounded to the nearest 10 basis points.

Since Union Bank UK's entire capital is CET-1, it provides easefulness in maintaining the capital and leverage ratio requirement.

Table below provides detailed breakdown of the components of the leverage ratio denominator–

(USD'000)

S No	Particulars	Mar-20
On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	394,329
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(229)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 and 2)	**394,100**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	499
5	Add-on amounts for PFE associated with all derivatives transactions	991
6	**Total derivative exposures (sum of rows 4 to 5)**	**1,490**
Securities financing transaction exposures		
7	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	11,600
8	(Netted amounts of cash payables and cash receivables of gross SFT assets)	--
9	CCR exposure for SFT assets	--
10	Agent transaction exposures	--
11	**Total securities financing transaction exposures (sum of rows 7 to 10)**	**11,600**

S No	Particulars	Mar-20
Other off-balance sheet exposures		
12	Off-balance sheet exposure at gross notional amount	14,698
13	(Adjustments for conversion to credit equivalent amounts)	(11,758)
14	**Off-balance sheet items (sum of rows 12 and 13)**	**2,940**
Capital and total exposures		
15	**Tier 1 capital**	120,703
16	**Total exposures (sum of rows 3, 6, 11 and 14)**	**410,130**
Leverage ratio		
17	**Basel III leverage ratio (Row 15 / Row 16)**	**29.43%**

Table 4: Breakdown of the components of the leverage ratio denominator

4 Internal assessment of material risk

This section describes the methodology and models used by the Bank to assess and manage its material risks.

The Bank has developed a comprehensive risk management framework, setting out the Board risk appetite and covering all relevant exposure categories, to ensure that the risk profiles are clearly identified, assessed, monitored, managed and controlled, and that the policies and operational controls used to manage these risks are implemented strictly and adhered to on an ongoing basis. The Bank categorizes its primarily risk exposures as Credit risk (lending and counterparty), market risk (interest rate and FX related), liquidity & funding risk, and operational risk (including threats to business continuity and resilience, and the emerging challenges presented by Climate Change).

ICAAP and ILAAP are reviewed as part of the annual planning and budgeting process to ensure that the Bank's business plans are achievable within its capital and liquidity resources. Both the ICAAP and ILAAP are subject to interim reviews and are updated in response to material changes to the business and regulatory environment.

The ILAAP and the ICAAP are included in the annual PRA SREP review, which sets the Individual Liquidity Guidance (ILG) and Individual Capital Guidance (ICG) for the Bank. The Bank adheres to the benchmarks set by the PRA at all times.

Pillar 1 RWAs assessment as at 31 March 2020 is summarised as follows –

Pillar 1 risk	**RWA (USD 000s)**	**% Contribution**
Credit risk	321,020	90.47%
Market risk	9,686	2.73%
Operational risk	24,129	6.80%
Total	**354,835**	**100%**

Table 5: RWAs as at 31st March 2020

4.1 Credit risk

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

Risk management

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

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

Risk Assessment

Credit RWAs are assessed using the Standardized Approach. The table below shows the summary of average risk weights (RWA/Exposure) across all portfolios as of March 2020 –

Portfolio	Balance Sheet exposure	Exposure for RWA	Average risk weight	RWA
	(USD 000s)	(USD 000s)		(USD 000s)
Cash in Hand and at Bank	6,411	15,221	8%	1,282
Contingent liabilities*	15,588	2,940	107%	3,145
Debt Securities (including Placement)	128,679	129,059	37%	48,355
Loans to Customers	256,273	254,779	102%	260,722
Other Assets	6,643	8,131	88%	7,177
Total Credit Risk	**413,594**	**410,130**		**320,681**

Table 6: Credit risk RWAs as at 31st March 2020

*This forms part of off-balance sheet item

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

(USD'000)

Portfolios	a	b	c	d
	Gross carrying values of		Allowance Impairments	Net Values (a+b-c)
	Defaulted Exposures	Non-Defaulted Exposures		
Loans	83,756	226,701	54,184	256,273
Debt Securities	-	128,679	-	128,679
Off-Balance sheet exposures	-	15,588	-	15,588
Total	**83,756**	**370,968**	**54,184**	**400,540**

Table 7: Credit Quality of Assets

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

(USD'000)

Portfolio	a	b	c	d	e
	Exposures Unsecured: Carrying amount	Exposures secured by collaterals	Exposures secured by financial guarantees	Exposure secured by credit derivatives	Total
Loans	58,529	247,196	4,732	-	310,457
Debt Securities	128,679	-	-	-	128,679
Total	**187,208**	**247196**	**4,732**	**-**	**439,136**
Of which defaulted	-	83,756	-	-	83,756

Table 8: Credit risk mitigation techniques

Table below provides an overview of exposure by asset class and risk weight –

(USD'000)

Risk Weights	0%	20%	50%	100%	150%	Others	Total Credit Exposures Amount – Post CCF
Asset Classes							
Sovereigns and their Central Banks	15,000	-	-	-	-	-	15,000
Multilateral developments banks	10,663	-	-	-	-	-	10,663
Institutions	-	52,592	36,324	4,585	-	-	93,501
Corporates	-	1,075		201,632	28,650	12,547	243,904
Exposure in Default	-	-	-	31,495	-	-	31,495
Other Assets	8,839	-	-	6,641	-	87	15,567
Total	**34,501**	**53,667**	**36,324**	**244,354**	**28,650**	**12,634**	**410,130**

Table 9: Exposure by asset class and risk weights

Table below provides an overview of exposure by CQS

USD'000

CQS	Total Credit Exposures Amount – Post CCF	% Exposure
1	28,747	7%
2	10,750	3%
3	88,300	22%
4	9,134	2%
Unrated	273,199	67%
Total	**410,130**	**100%**

Table 10: Exposure by CQS

USD'000

CQS	Risk Factor (Total Credit Exposures Amount – Post CCF)								Total
	0%	20%	35%	50%	75%	100%	150%	250%	
1	25,663	3,084	-	-	-	-	-	-	28,747
2	-	6,536	-	4,215	-	-	-	-	10,750
3	-	44,048	-	27,560	-	16,693	-	-	88,300
4	-	-	-	4,549	-	4,585	-	-	9,134
Unrated	8,839	-	12,547	-	87	223,076	28,650	-	273,199
Grand Total	**34,501**	**53,667**	**12,547**	**36,324**	**87**	**244,354**	**28,650**	**-**	**410,130**

Table 11: Exposure by CQS and Risk Factor

USD'000

CQS	Exposure Classification [5]							Total
	CG	Corp.	Default Exp.	Inst.	MDB	Retail	Other Exposure	
1	15,000	1,075	-	2,009	10,663	-	-	28,747
2	-	-	-	10,750	-	-	-	10,750
3	-	16,693	-	71,607	-	-	-	88,300
4	-	-	-	9,134	-	-	-	9,134
Unrated	-	226,137	31,495	-	-	87	15,480	273,199
Total	**15,000**	**243,905**	**31,495**	**93,501**	**10,663**	**87**	**15,480**	**410,130**

Table 12: Exposure by CQS and type of exposure

Securitisation –

The Bank is a participant in the securitisation market, acting as an investor only. All of the Bank's securitisation positions are on-balance sheet exposures.

At March 31st, 2020, the balance outstanding was USD 8.91 million on the Bank's balance sheet against a total of 11.60 million of encumbered assets.

[5] CG - Central Government, Corp. - Corporates, Default Exp. - Exposure in Default, Inst. - Institutions, MDB - Multilateral Development Bank.

4.2 Market risk

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

Risk management

The Bank's asset portfolio is based on simple products and there is no market-making nor any significant propriety trading activity undertaken by the bank. In this context Union Bank UK is classified by the PRA as a category 5 firm.

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

Risk Assessment

Union Bank UK assesses market risk by calculating the net open position for foreign currencies.

The RWA calculation as per March 2020 B/S is summarized below –

Foreign Currency	Open position (USD 000s)	Risk weight	RWA (USD 000s)
GBP	9,686	100%	9,686
EUR & INR	-	100%	-
Total Market Risk	**9,686**		**9,686**

Table 13: Market risk RWAs as at 31st March 2020

4.3 Operational risk

Operational risk reflects unintended outcomes and harm to customers resulting from inadequate or failed internal processes, people and systems or from external events. This includes change management, legal, information and technology risks including Cyber threat, in each case aligned to a business process or customer proposition, whether or not this could potentially give rise to a material financial loss.

Risk management

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

The Bank has implemented a comprehensive internal risk & control self-assessment process to identify, assess, monitor and control risks, supported by tactical First Line of Défense policies and standard operating procedures, which are reviewed on a regular basis.

Risk Assessment

The Bank follows the Basel/CRR Basic Indicator Approach for measuring Operational Risk, which calculates Pillar 1 capital as 15% of average of the last three years' relevant indicator[6]. As of March 2020, the equivalent Pillar 1 RWA component is assessed as follows –

Year	Relevant indicator (USD'000)
Year 1 (2020)	13,005
Year 2 (2019)	13,702
Year 3 (2018)	11,900

Table 14: Relevant indicator for past 3 years (as at 31st March 2020)

	Relevant indicator (USD'000)	Operational risk scalar	Operational risk capital (USD'000)	Operational risk RWAs (USD'000)
Average	12,869	15%	1,930	24,129

Table 15: Operational risk RWAs as at 31st March 2020

[6] Calculation as per Article 316 of CRR

4.4 Counterparty credit risk (CCR)

The Bank's customer proposition and investment portfolio are based on simple products and there is no significant propriety trading activity. Counterparty Credit Risk exposure as of March 2020 is related to 46 derivative exposures with total notional USD 99.11 million (Exposure value USD 1.49 Mn) and assessed in accordance with CRR article 274 under Pillar 1 credit risk RWAs.

Total RWA as on Mar'20 was USD 0.54 Mn on the assessed exposure value of USD 1.49 Mn.

4.5 Credit valuation adjustment ("CVA")

The Bank has computed the Credit Value Adjustment (CVA) on the outstanding EAD of the derivative portfolio, which amounted to USD 1.49 Mn. Total risk exposure assessed as on Mar'20 was USD 0.34 Mn on a discounted EAD of USD 1.45 Mn.

4.6 Credit concentration risk

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

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

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

4.7 Interest rate risk in the Banking Book (IRRBB)

IRRBB is the risk of losses arising from changes in the interest rates associated with Banking Book items creating a structural imbalance between the term structure of Assets and Liabilities.

The Bank aims to deploy a natural hedge by matching Assets and Liabilities by Tenor and Currency. In this regard, the following metrics are monitored and assigned (Red, Amber, and Green) trigger thresholds aligned with Board risk appetite:

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

Further details of the Bank's approach to Interest Rate Risk management are summarized in its Market Risk Policy, as follows –

Union Bank UK measures IRRBB by assessing the impact of a 200-bps parallel shock on the Economic Value of Equity. Exposures are assigned to defined time buckets on the basis of the next contractual re-pricing date. The NPV of the net gap position in each time bucket is calculated based on a blended-yield curve. This curve is then shifted 200-bps parallel up and down to assess the value impact. The highest of the 2 value impacts ignoring the sign is taken as the IRRBB stress value and capitalized accordingly under Pillar II A.

4.8 Liquidity risk

In the OLAR context, the PRA expects all firms to take responsibility for ensuring that there is no significant risk that they cannot meet their liabilities as they fall due and has increased supervisory activities to ensure that firms are running their business in a prudent manner to ensure they have an appropriate degree of resilience to liquidity stresses.

In accordance with these evolving requirements, the Bank aims to maintain sufficient liquidity to ensure both OLAR and survival throughout a 90-day combined stress period. In addition, the Bank aims to maintain 30-day LCR above 110% at all times, and conducts forward-looking projections of both the sufficiency of liquid assets and the LCR ratio.
Liquidity risk appetite and strategy are approved by the Board and reviewed annually, and the stress testing framework is challenged and recalibrated as part of the annual ILAAP review.

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

Risk driver

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

Following table provides breakdown of the Bank's cash Outflows and Inflows, compared to available High-Quality Liquid Assets (HQLA), as measured and defined according to EU Delegated Act 575/2013 (as implemented by EU2016/61)[7].

(USD'000)

		a	b
		Total unweighted value	**Total weighted value**
		Average for the Quarter	
		Jan'20-Mar'20	
High-quality liquid assets			
1	Total HQLA		45,357
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	8,454	621
3	Stable deposits	5,202	260
4	Less stable deposits	3,252	360
5	**Unsecured wholesale funding, of which:**	20,833	14,037
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-
7	Non-operational deposits (all counterparties)	20,833	14,037
8	Unsecured debt	-	-
9	**Secured wholesale funding**	-	-
10	**Additional requirements, of which:**	**15,344**	**3,259**
11	Outflows related to derivative exposures and other collateral requirements	90	90
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	15,254	3,168
14	**Other contractual funding obligations**	-	-
15	**Other contingent funding obligations**	2,012	1,512
16	**TOTAL CASH OUTFLOWS**		**19,428**
Cash inflows			
17	**Secured lending (eg reverse repos)**		
18	**Inflows from fully performing exposures**	37,466	32,269

[7] Figures reported in column "a" & "b" are the simple average of LCR data as of 31/01/2020, 28/02/2020 and 31/03/2020.

		a	b
		Total unweighted value	**Total weighted value**
		Average for the Quarter	
		Jan'20-Mar'20	
19	Other cash inflows	34	34
20	**TOTAL CASH INFLOWS**	**37,500**	**32,303**
			Total adjusted value
21	**Total HQLA**		43,521
22	**Total net cash outflows**		4,857
23	**Liquidity Coverage Ratio (%)**		896%

Table 16: Details regarding LCR reporting

5. Stress testing

Stress testing, as a tool and technique, plays an important role in ensuring effective risk management and in fostering an understanding of how economic cycles, especially downturns, may adversely affect the Bank's risk profile as a consequence of extreme but plausible economic circumstances and operational events.

It is conducted continuously in order to guide tactical risk-taking decisions and ensure effective oversight of limits and risk indicators, and annually as part of Bank's ICAAP and ILAAP reviews.

Stress tests simulate business performance during abnormal market periods with increased turbulence and measure how these can affect the risk profile of the Bank particularly in relation to the viability of the business plan and adherence to Board risk appetite metrics.

Outputs from these stress scenarios – and the potential Management Responses to stress events - are important forward-looking assessments of risk which may help to overcome the limitations of models and historical data, and challenge underlying assumptions.

Leveraging the processes defined in the Risk Framework, the Bank conducts stress testing by –

- Identifying key risk factors and developing extreme but plausible scenarios to analyze how these behave under stressed conditions. (This may include "Reverse Stress Testing" and detailed Business Model Analysis).
- Determining "mitigating management" actions that can be taken in response to the risks identified, and assessing the likely timeliness, effectiveness and availability of these under stressed conditions.

In summary, stress testing is designed to –

- Evaluate the adequacy of the Bank's resources under stressed environments, and its ability to sustain its forecast business development,
- Assess potential tail-event vulnerabilities and risk concentrations,
- Identify and examine the plausibility of management actions in response to extreme adverse events,
- Inform calibration of early warning Key Risk Indicators (KRIs), and
- Allow the Bank to better forecast, monitor and manage the risk profile.

The Bank undertakes parameter-based stress testing of the following stress scenarios –

- **Idiosyncratic stress** - increase in the ECL estimates across its portfolio, along with the reduction in the recoveries and increase in NPA rate assumptions which leads to increased P&L impact of provisions,

- **Market stress** - increase in the cost of funding, and

- **Combined stress** - increase in the cost of funding as well as increase in the ECL estimates, reduction in the recoveries and increase in NPA estimates across the entire Loan portfolio.

Under the combined stress, the management would consider the following management actions –

- Restriction of new asset generation or sell-off of existing assets and minimize roll-over of maturing assets,
- Cost cutting.

Reverse stress test assumption –

Under the Reverse stress, Union Bank UK assumes a simultaneous combination of the following –

1. Reduced asset origination,
2. Sell-off of existing assets,
3. Higher loss rates, and
4. Increase in cost of funding.

6. Remuneration

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

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

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

The table below provides remuneration awarded during the financial year 2019-20 –

			a	b
	Remuneration amount in USD'000		**Senior management**	**Other material risk-takers**
1	Fixed remuneration	Number of employees	7	2
2		Total fixed remuneration (3 + 5 + 7)	439,445.52	156,537.17
3		Of which: cash-based		
4		Of which: deferred		
5		Of which: shares or other share-linked instruments		
6		Of which: deferred		
7		Of which: other forms		
8		Of which: deferred		
9	Variable remuneration	Number of employees		
10		Total variable remuneration (11 + 13 + 15)		
11		Of which: cash-based		
12		Of which: deferred		
13		Of which: shares or other share-linked instruments		
14		Of which: deferred		
15		Of which: other forms		
16		Of which: deferred		
17	**Total remuneration (2 + 10)**		**439,445.52**	**156,537.17**

Table 17: Remuneration details

7. Conclusion

This disclosure document, prepared in accordance with the requirements of Basel Framework and is intended to provide information on the Bank's approach to risk management. It also provides detailed information about asset and capital management.

Future disclosures will be published within four months of the Bank's financial year end and will be updated annually.

In the event that a user of this disclosure document requires further explanation regarding the disclosures, application should be made in writing to the Executive Director and COO, Union Bank of India (UK) Ltd 85 Senator House, Queen Victoria Street, London EC4V 4AB.

Annexure I: Own Funds Disclosure Template

	Common Equity Tier 1 capital: instruments and reserves	(A) 31 Mar 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
1	Capital instruments and the related share premium accounts	150,000,002	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: ordinary shares		EBA list 26 (3)
2	Retained earnings	- 27,781,068	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	- 1,211,104	26 (1)
3a	Funds for general banking risk		26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium ac-counts subject to phase out from CET1		486 (2)
	Public sector capital injections grandfathered until 1 January 2018		483 (2)
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480
5a	Independently reviewed interim profits net of any foreseeable charge or dividend		26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**121,007,830**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	- 75,772	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	- 229,465	36 (1) (b), 37, 472 (4)
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 472 (5)
11	Fair value reserves related to gains or losses on cash flow hedges		33 (a)
12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)
13	Any increase in equity that results from securitised assets (negative amount)		32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b) (c)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)

	Common Equity Tier 1 capital: instruments and reserves	(A) 31 Mar 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% thresh-old and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)
20	Empty set in the EU		
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91
20c	of which: securitisation positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
22	Amount exceeding the 15% threshold (negative amount)		48 (1)
23	of which: 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		36 (1) (i), 48 (1) (b), 470, 472 (11)
24	Empty set in the EU		
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment		

	Common Equity Tier 1 capital: instruments and reserves	(A) 31 Mar 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-305,237**	
29	**Common Equity Tier 1 (CET1) capital**	**120,702,593**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts		51, 52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium ac-counts subject to phase out from AT1		486 (3)
	Public sector capital injections grandfathered until 1 January 2018		483 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**		
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		56 (b), 58, 475 (3)
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)

	Common Equity Tier 1 capital: instruments and reserves	**(A) 31 Mar 2020**	**(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE**
40	Direct, indirect and synthetic holdings of the AT1 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)		56 (d), 59, 79, 475 (4)
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**		
44	**Additional Tier 1 (AT1) capital**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	**120,702,593**	
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts		62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium ac-counts subject to phase out from T2		486 (4)
	Public sector capital injections grandfathered until 1 January 2018		483 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		87, 88, 480
49	of which: instruments issued by subsidiaries subject to phase-out		486 (4)
50	Credit risk adjustments		62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**		

	Common Equity Tier 1 capital: instruments and reserves	(A) 31 Mar 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)		
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		66 (c), 69, 70, 79, 477 (4)
54a	Of which new holdings not subject to transitional arrangements		
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements		
55	Direct, indirect and synthetic holdings 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 amounts)		66 (d), 69, 79, 477 (4)
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013		475, 475 (2) (a), 475 (3), 475 (4) (a)
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR		467, 468, 481
57	**Total regulatory adjustments to Tier 2 (T2) capital**		
58	**Tier 2 (T2) capital**		
59	**Total capital (TC = T1 + T2)**	**120,702,593**	

	Common Equity Tier 1 capital: instruments and reserves	(A) 31 Mar 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)		
	Of which:… items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		475, 475 (2) (b), 475 (2) ©, 475 (4) (b)
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)
60	**Total risk-weighted assets**	**354,834,711**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	34.02%	92 (2) (a), 465
62	Tier 1 (as a percentage of total risk exposure amount	34.02%	92 (2) (b), 465
63	Total capital (as a percentage of total risk exposure amount	34.02%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	2.50%	CRD 128, 129, 140
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement		
67	of which: systemic risk buffer requirement		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		CRD 131
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	34.02%	CRD 128
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		

	Common Equity Tier 1 capital: instruments and reserves	(A) 31 Mar 2020	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE
71	[non-relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	--	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	--	36 (1) (i), 45, 48, 470, 472 (11)
74	Empty set in the EU	--	
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	--	36 (1) (c), 38, 48, 470, 472 (5) Applicable caps on the inclusion of provisions in Tier 2
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	--	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	--	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	--	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	--	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	- Current cap on CET1 instruments subject to phase-out arrangements	N/A	484 (3), 486 (2) & (5)
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A	484 (3), 486 (2) & (5)
82	- Current cap on AT1 instruments subject to phase-out arrangements	N/A	484 (4), 486 (3) & (5)
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A	484 (4), 486 (3) & (5)
84	- Current cap on T2 instruments subject to phase-out arrangements	N/A	484 (5), 486 (4) & (5)
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N/A	484 (5), 486 (4) & (5)