AXIS BANK
UK LTD.

Annual Report and Financial Statements for the year ended 31 March 2020

COMPANY REGISTRATION NUMBER 7554558

Contents

Company Registration Number	**07554558**
The Board of Directors	
	Rajiv Anand Chairman
	Diane Elizabeth Moore Non-Executive Director
	Paul Seward Non-Executive Director
	Rudrapriya Ray Non-Executive Director
	Sanjay Silas Managing Director & Chief Executive Officer
	Kanchan Dasgupta Executive Director – Risk & Compliance
Company Secretary	**Kanchan Dasgupta**
Registered Office	4 Chiswell Street, London, EC1Y 4UP
Auditor	**BDO LLP** 150 Aldersgate Street, EC1A 4AB, London, United Kingdom

Current strategy & Future Plans

The business strategy of the Bank had been driven by the increased globalisation of the Indian economy, the growing trend of Indian corporates expanding overseas, the large population of non-resident Indians and persons of Indian origin across the globe and overseas companies looking to invest in India.

The primary activities of the Bank, to date (since establishment in April 2013) have been lending to corporate clients with an Indian link and lending to professional landlords in the Buy-to-Let (BTL) market, whilst also developing a diversified treasury portfolio of high quality liquid assets as part of its liquidity management activities. The Bank occasionally undertakes Repo transactions from within the investment portfolio and participates in the Foreign Exchange (FX) market in order to meet currency specific liquidity requirements as well as providing limited FX services for corporate clients. Besides these activities the Bank commenced Investment Banking Advisory services during 2016-17. The Bank also has a retail proposition centred on a range of fixed deposit products, including online deposits. The Bank does not provide transactional banking services. The Bank has leveraged its relationships with other institutions in order to raise liabilities for its asset growth.

During 2019, the Committee of Directors and the Board of Axis Bank Limited, India (ABI) (parent of Axis Bank UK Limited), reviewed its international strategy, in order to assess how its foreign offices and subsidiaries fit with its Group strategic priorities.

As part of this exercise, ABI reviewed the UK and European business potential with a view to assess the future business opportunities and also to assess if a presence in the UK fitted into the overall strategic vision of ABI, given its decision to focus more on its strengths in India and harness the potential there. Following this review, the Board of ABI felt that closure of the UK operations would be a prudent and strategically sensible move with the option of either a sell down or winding up of the operations. The assets and liabilities on the books of Axis Bank UK (ABUK) were examined and the ABI Board were prima facie of the view that these could be resolved, but only after the matter was agreed by the ABUK Board and subsequent to that after obtaining the necessary regulatory approvals.

The ABUK Board during its meeting held on 17 and 18 October 2019 considered the ABI strategic review in great detail, including the fact that whilst the mind and management has always been in UK and the Axis Bank UK Limited's Board has been responsible in shaping the strategy and the business plan, the overarching principle has been to be an important part of the Group and contribute to attaining the Group vision.

Keeping the above in mind, the Board considered in detail ABI's strategic review of its own international operations, and agreed to conduct a review of options through which an orderly exit of the Bank's operations could be executed.

Following a close analysis of the asset and liabilities and based on the review conducted by the management of the options available, where various factors were considered, the Board approved the strategy of an accelerated wind-down as the best way forward for the Bank during its meeting held on 28 January 2020. The Directors whilst taking the decision, considered their obligations under Section 172 of the Companies Act and maintained that interests of other stakeholders like customers, staff, and partner companies would be protected as the wind-down decision is executed.

The Board's decision to wind down the Bank has also been formally communicated to both the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) in a meeting held on 7 February 2020. The Bank has also kept the regulators updated on matters since the meeting.

Overview of strategy to wind down operations

i) Corporate banking

The Bank's Corporate business aims to provide products and services to enhance investment and trade primarily between the UK, Europe and India. Following the Board's strategic decision to wind down operations, the Bank will look to either sell the Corporate assets to Axis Bank Ltd or in the local UK market. The Bank has commenced the process of selling down assets earmarked for Axis Bank Ltd as well as locally in the UK. While the sale of assets in UK is expected to be completed by the third quarter of 2020-21, the sale of assets to Axis Bank Ltd would be targeted after the wind down of the retail deposits.

ii) Buy to let

The Bank's Buy-to-Let business launched in April 2015 was focused on professional landlords. The lending policies are in line with market norms. The Bank operated through a network of empanelled packagers & brokers and had a delivery system in place to serve its clients efficiently and effectively.

As part of its wind down strategy, the Bank has commenced proceedings to sell its Buy-to-Let mortgages to the market. Update on the current position is disclosed in Note 33.

iii) Retail banking

The retail banking business is focused on offering a range of fixed deposit products. The deposits are predominantly used to fund the Bank's Buy-to-Let portfolio. Following the sale of the Buy-to-Let portfolio, the Bank intends to issue notices to retail deposit holders to terminate their existing deposits.

In addition, the Bank has previously offered remittances to India through its office in London. The Bank offered a Mobile Driven Remittance (MDR) product to enable easy remittance of funds to India. Following Board approval, the business was discontinued in February 2020.

iv) Treasury

The Treasury function focuses on managing the balance sheet, and the market, FX and liquidity risks of the Bank.

The Bank maintains a portfolio of High Quality Liquid Assets (HQLA) and balances in the reserve account with the Bank of England to meet the Liquidity coverage ratio (LCR) and to ensure that the Bank has the necessary assets to manage any short-term liquidity disruptions. This will continue to be maintained throughout the orderly wind-down of operations.

The Bank has raised wholesale funding from interbank counterparties in term borrowings as well as money market borrowings primarily by leveraging its interbank relationships as well the existing relationships held with Axis Bank Limited. As the Bank manages down its balance sheet, the repayment of the wholesale borrowings will occur using the proceeds realised from the sale of Corporate assets.

v) Investment banking

The Investment banking business was focused on offering advisory services to professional clients in the area of mergers and acquisition, structured finance and syndications. Following Board approval, the business was discontinued in the third quarter of 2019-20.

Business environment

Before the outbreak of COVID-19 across the Globe, in January 2020, the International Monetary Fund (IMF) projected Global growth rate to rise from 2.9% in 2019 to 3.3% in 2020 and to 3.4% in 2021. With rapid spread of COVID-19 across the Globe in the last 2 months and resultant lockdowns in major economies including the US, UK and Europe, the IMF is predicting a global recession for 2020, possibly more severe than the one witnessed during the Financial crisis in 2008-2009.

The COVID-19 Pandemic has resulted in significant turbulent capital markets in the first quarter of 2020 and reduced business activity in the United Kingdom. While the Bank had planned to close the Banking operations by December 2020, due to the COVID-19 outbreak, the timelines are expected to be delayed. The Bank is actively monitoring developments and will adapt its business plan accordingly as it pursues its strategy to close down operations. The Bank is well positioned in terms of well diversified funding, adequate liquidity, strong capital base and an underlying low cost base.

Business Performance

The Bank's total assets as at 31 March 2020 were USD 621 million (FY2019: USD 825 million) and the loss before taxes were USD 9.86 million (FY2019: profit of USD 8.44 million). The loss for the current financial period is largely driven by the impairment charges amounting to $11.82 million (FY 2019: $1.62 million). The capital, funding and liquidity positions of the Bank remained stable throughout the year.

The financial statements and the related notes for the reporting year ended 31 March 2020 are shown on pages 25 to 71.

Key performance indicators and ratios

The financial performance is summarised in the following table:

Income Statement	2019-20	2018-19
	USD	USD
Net interest income	**11,403,259**	11,783,838
Fee and commission income (net)	**117,671**	1,547,846
Total operating income	**1,144,541**	16,106,731
Operating expenses	**(11,003,992)**	(7,677,238)
Net impairment charges	**(11,820,408)**	(1,619,270)
(Loss)/Profit before tax	**(9,859,451)**	8,429,493
(Loss)/Profit for the year	**(8,880,584)**	6,795,959
Balance Sheet	**2019-20**	2018-19
	USD	USD
Cash and balances with banks	**26,913,757**	74,836,857
Loans and advances to customers	**170,455,857**	220,008,354
Loans and advances to Buy-to-let customers	**376,308,792**	379,465,976
Financial Investments	**34,955,794**	138,437,251
Total assets	**621,326,879**	825,492,954
Equity holders' funds	**104,591,802**	117,498,340
Key performance indicators (%)	**2019-20**	2018-19
Net Interest Margin (NIM)	**1.51**	1.39
Cost to income ratio	**85.78**	46.25
Capital adequacy ratio (CAR)	**30.90**	26.30
Core tier 1 ratio	**30.90**	26.30
Return on Assets (ROA)	**-1.43**	0.82
Return on Equity (ROE)	**-8.00**	6.53

NIM: Net interest income/Average monthly assets
Cost to income ratio: Operating costs (including fee & commission expenses)/ Operating income (excluding net impairment charges)
CAR: Total RWA/ Total Capital
Core Tier 1 ratio: Total RWA/ Total Tier 1 Capital
Return on Assets (ROA): The Bank's Return on Assets as per requirement of Article 90 of CRD is calculated as Net profit divided by total Balance Sheet size.
ROE: PAT/Average Equity

Culture

The Bank takes pride in the fact that its culture is founded on the customer-centric, service driven ethic of its parent. This culture is driven from the top down within the organisation and reinforced by the inclusion of the principles of 'treating customers fairly' in all aspects of its business from product design through to customer interaction, supported by a strong compliance ethic. The Bank believes in ethical ways of doing business and commitment to social values. It observes high standards of integrity and acts with due skill, care and diligence in the conduct of its business. The Bank adheres to its own 'Anti-Bribery and Corruption Policy'. The Bank's strategy is relationship driven rather than transaction driven, and this strategy is further supported through its approach to remuneration which rewards its employees on their holistic contribution to the organisation, rather than on the simple attainment of financial targets.

The Bank is committed to employment practices and policies which recognize the diversity of its workforce and ensure equality for employees. The Board of the Bank has approved a 'Diversity Statement' and believes that diversity provides positive benefits from both a cultural and business standpoint. The Board believes that the setting of aspirational objectives, principles and guidelines to encourage diversity offers the most practical way of achieving its diversity aims and which the Chair (in respect of the Board) and the Executive Directors (in respect of the staff) are encouraged to promote. As per its stated policy, the Bank should seek to maintain a balanced and diverse work-force through an open approach to remuneration, recruitment and internal promotion. It is the Bank's policy that at all times it would comply with any laws, rules or regulations relating to diversity and discrimination, comply with the provisions of the Senior Managers Regime and ensure that its remuneration policy does not favour any one group of staff to the disadvantage or detriment of others.

The Bank, in line with the philosophy of Axis Bank Group, is committed to social causes, environmental issues, human rights etc. and they form part of the core of our culture. However, whilst the commitment to the causes remain, given the relatively modest size of the Bank, it does not have separate policies encapsulating each issue.

Even during the wind-down process, the Bank will remain committed to its culture and ethos enumerated above. One of the key objectives of the wind-down plan is to ensure all stakeholders, especially customers, are treated fairly during the wind-down process. Due to the inherent inconvenience of the Bank's closure in the UK, the Board has underscored their commitment to the customers, employees, vendors and other stakeholders by working with the Bank's advisors to ensure appropriate and tailored communication plans are in place and customers are treated fairly with appropriate compensations.

Corporate governance

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

The Bank's corporate governance framework is driven by the Board which comprises two Executive Directors, two Non-Executive Directors nominated by the shareholder and two independent UK-based Non-Executive Directors. The Chair of the Board is from one of the nominated NEDs of the Parent and comes with a wealth of experience in the financial sector.

The UK-based Non-Executive Directors have considerable banking and regulatory experience gained at a senior level within global financial institutions and with UK regulators. Neither hold any other responsibilities within the wider Axis Bank Group and between them they chair all Board committees except the HR Committee.

The Board has collective responsibility for promoting the aspirations of the promoters of the Bank, but within regulatory guidelines and risk appetite. While the Executive Directors have the direct responsibility for business operations, the Non-Executive Directors are responsible for bringing independent judgement and scrutiny to the decisions taken by the Management.

Responsibility for overseeing the risk framework of the Bank is devolved to the following Board Committees, each of which is chaired by an Independent Non-Executive Director:

- Committee of Directors
- Risk Management Committee
- Audit & Compliance Committee

The Bank has independent control functions which report to the Executive Director Risk & Compliance (EDR&C). These are responsible for the day-to-day evaluation & monitoring of the risks faced by the Bank and for submitting reports to the Bank and Board Committees. The

Bank also has an Internal Audit function (outsourced to Axis Bank Ltd) which reports functionally to the Chair of the Audit & Compliance Committee (ACC).

The control functions actively monitor developments and changes in the regulatory environment, and report on such developments are standing agenda items at the Board Committee meetings where the implications are considered and the Bank's response is approved.

During the wind down process also, the Bank will continue to adhere to strong corporate governance practices. A detailed governance mechanism during the wind down process is detailed in the wind down plan approved by Board in January 2020 and submitted to PRA/FCA.

As per this governance mechanism, the ABUK Board will have ultimate oversight over the entire implementation of wind down plan. The senior management team of ABUK will be responsible for executing the wind-down process. The day-to-day activity will be overseen by the two Executive Directors in the Board – MD&CEO and EDR&C.

The MD&CEO and the EDR&C will be supported by the core team consisting of key stakeholders like the COO, CFO, Heads of the four main business lines (BTL, Corporate Banking, Retail Deposits and Treasury) and Head of Risk.

During the wind-down period there will be a further emphasis on internal monitoring and regular reporting of the execution of the wind-down plan. This will include items such as incremental day-to-day developments; financial performance and position; capital and liquidity evaluation and customer complaints among other items.

Senior Managers & Certification Regime (SM&CR)

The Bank has embedded both the Senior Managers and Certification regimes, which took effect on 7 March 2016 and 7 March 2017 respectively. The Board of the Bank has overseen the process to ensure that systems and processes have been put in place so that the Bank meets the requirements of the regime on an ongoing basis. The responsibility map is reviewed every year and approved by the Board.

Risk governance

The Risk department plays a significant role in review and challenge of risks inherent in the wind-down plans and strategy by verifying that they fall within the risk appetite and that the Bank assumes a level of risk that is individually and in aggregate acceptable to the Board.

The Bank continues to follow the industry standard approach of "3 Lines of Defence" comprising:

- Heads of business units are directly accountable for the management of risks in their areas through the operational controls set out in the functional and departmental procedures manuals. To assist in making the first line more effective, the Bank actively promotes sustainable return thinking, up-to-date risk-related information and absolute respect for limits.
- Monitoring and reporting of risk positions by the Risk, Finance and Compliance teams forms the second line of defence. These teams are responsible for recommending risk policy and for providing oversight and challenge of the activities carried out by the first line. To assist in making the second line of defence more effective, the Bank actively

promotes a strong control structure, close interaction and co-ordination between the control functions and a supportive organisational structure.

- The Internal Audit function forms the third line of defence, providing independent assurance to Senior management, the Audit & Compliance Committee, the Risk Management Committee and the Board over the design and operation of the Bank's risk management, governance and internal control processes.

The Board is responsible for ensuring the adequacy of the risk management systems of the Bank and for setting a clear statement of risk appetite. It is assisted in this by a framework of Committees, functions and control function managers. Risk Appetite refers to the level of risk deemed acceptable to the Board in each of the principal risk categories i.e. Market Risk, Credit Risk and Operational Risk. The role and responsibilities of the various risk management committees are set out in the following paragraphs.

Audit & Compliance Committee (ACC)	The ACC, a Board Committee, is responsible for the quality and effectiveness of the compliance and audit functions of the Bank. This includes, but is not limited to, oversight of all conduct of business matters and overseeing the Bank's relationship with its external auditor.
Risk Management Committee (RMC)	The RMC, a Board Committee, is responsible for the quality and effectiveness of risk management. This includes, but is not limited to, oversight of all prudential matters. The RMC also advises the Board on matters pertaining to the setting of the Bank's risk appetite.
Asset & Liability Committee (ALCO)	The ALCO is responsible to the RMC for overseeing the asset and liability management function of the Bank and for monitoring compliance with all regulatory and internal limits in the areas of liquidity and market risk. The ALCO is an executive committee, which monitors and manages the Bank's balance sheet, cost of deposits and liquidity. The ALCO also strives to optimise the return on the Bank's funds.

The control functions ensure that effective procedures for risk assessment are maintained, to identify the risks relating to the activities, processes & systems of the Bank and to recommend such amendments & changes as may be required from time to time to ensure the framework remains fit for purpose. The role of the risk management function is to:

- recommend appropriate changes to risk governance and organisational structures;
- draft and implement policies & procedures in order to maintain compliance with the regulatory framework;
- independently review and comment on all credit applications;
- provide periodic reports on risk positions and events to the Bank and Board Committees; and
- perform on-going monitoring and on a regular basis assess the adequacy and effectiveness of the measures and procedures put in place, and the actions taken to address any deficiencies in the Bank's compliance with its prudential obligations.

In order to assist the Bank's management in prioritising and focusing its risk management efforts, the risk department works with line managers to maintain a "Risk Register" covering the principal risks faced by the business, which is reviewed annually or in response to material developments in the business environment.

Risk controls vary from activity to activity and are set out in the policies and manuals covering each activity. All activities are subject to:

- Application of the "four eyes" principle in respect of operational matters;
- Individual authorities based on roles and seniority with all material devolved authorities approved by the Board; and
- Oversight of all important risk areas by one of risk management, compliance or finance via appropriate risk-based management information reports.

The risk monitoring and reporting regimes around the various business lines and activities of the Bank are also set out in the relevant policies and operational manuals. Common to all reporting regimes are:
- Regular position reporting to monitor compliance within approved limits;
- Exception reporting to identify non-compliant positions and events;
- Monitoring of trends to facilitate pre-emptive action;
- Provision of regular reports to executive management and Board Committees; and
- Escalation procedures for exceptions.

The Bank faces a complex legal and regulatory environment. Inadequate or incomplete adoption of regulatory initiatives could lead to increased costs, loss of competitive edge or regulatory sanction. All legal and regulatory changes faced by the Bank are managed through an effective governance and oversight framework. The protection of customer data and compliance with the data protection regulations are at the forefront of the Bank's strategy. As part of implementation of General Data Protection Regulation (GDPR) regulatory requirement, the Bank has taken the support of a Consultant to put in place a process which will enable customers to exercise their rights under GDPR. This includes utilising the services of vendors enabling customers to have control over how their data is used and protected.

Anti-Money Laundering (AML) and compliance

The Bank maintains an independent compliance function, which is empowered to challenge business decisions.

The Bank supports a strong compliance culture. The Bank's compliance function is responsible for ensuring that adequate policies and procedures are in place to maintain the Bank's and its employees' compliance with its legal and regulatory obligations in respect of both AML and conduct of business issues. Such policies and procedures are designed to detect and minimise any risk of failure by the Bank to comply with its regulatory obligations, as well as any associated risks.

Internal audit

The Internal Audit function acts independently of operations and is responsible for reviewing all business lines and support functions within the Bank. The Internal Audit function has been outsourced to the Group Internal Audit Division (GIAD) of the parent bank. The Audit plan proposed by GIAD is approved by the Audit & Compliance Committee. Internal Audit provides the Management and the Audit Committee with independent assurance that the Bank's policies and procedures have been implemented effectively, and that there are adequate controls in place to mitigate significant risks so that the exposure is within acceptable tolerance levels.

Principal Risks and Uncertainties

The Bank has implemented a Board-approved risk management framework which covers both the high-level governance matters referred to in the preceding section and the day-to-day identification and management of risks.

Given its current business activities, the Bank views its primary financial risks as being credit and liquidity related. Credit risk appetite is set by the Board and evidenced through the Credit Risk Management Policy. Risk concentrations are mitigated through portfolio level limits as set out in the same document and related credit risk management procedures. Concentration risk limits govern individual counterparty, sector and geographic exposures. Liquidity risk may arise notwithstanding compliance with mandatory regulatory liquidity limits and, owing to the impact that a single (large) unexpected event may have, the Bank actively manages its liquidity risks. Full assessment of the Bank's liquidity risks are covered by the Bank's various liquidity risk policies and its ILAAP. The Bank works to internal limits that are tighter than those imposed by the PRA (e.g. current LCR + 10%) as this reduces the likelihood of the Bank being forced into a position of liquidity stress under adverse conditions.

The primary role of the Bank's treasury function is funding the on-balance sheet lending activities of the Bank and to provide treasury-related services to clients. The treasury function operates within limits set by the Bank's Risk Management Committee and set out in the Market Risk Policy. The Bank does not engage in proprietary trading activities beyond the de minimis levels and does not hold bonds in a trading portfolio. Hence the Bank's market risk is modest.

The Bank, like all other similar organisations, is exposed to a variety of operational risks. The Bank identifies, assesses, monitors and mitigates these risks by a comprehensive system of internal controls and operational practices as set out in its Risk Management Framework and Operational Risk Management Policy. The Bank views "operations" risks which relate to losses arising from the everyday activities of the Bank as a subset of the broader "operational" risk heading which includes event risks of all types and consequential risks such as reputational risk, legal risk etc. Specifically, the Bank believes that the management of reputation risk, which can affect both the customers and any other counterparty, cannot be restricted to compliance with rules and regulations / controls. It is dependent upon a strong ethical culture where sound judgement is applied within a risk-conscious and structured environment. The Bank is also cognisant of the regulatory risks associated with non-compliance with regulations, especially in light of the fast changing and emerging regulatory landscape and seeks to maintain a culture of compliance and openness with the regulator. In all its activities, the focus is on developing the people, systems and processes, which ensure that the threats of operational risks are proactively managed. The Operational Risk (OR) reporting regime comprises Key Risk Indicator (KRI) RAG reports, as part of Dashboard and Individual events (other than simpler processing errors) are recorded in an Operational Risk register. The calculation of the Operational Risk charge is directly linked with the Risk register outputs allowing us to allocate notional capital charges against specific risks which in turn facilitates back-testing.

The control functions are responsible for maintaining a suite of risk management policies which give effect to the risk management framework and ensure compliance with the risk appetite set by the Board. On an annual basis, the Bank undertakes a risk self-assessment programme which seeks to monitor developing risk trends and which supports the risk metrics produced through the Bank's management information systems.

The Bank's financial risks are managed through the ALCO and the Credit and Investment Committee (CIC) within authorities set down by the Risk Management Committee of the

Board. Conduct of business and other operational risks are considered by the Management Committee (MANCOM) including monitoring of certain outsourced activities under service level agreements. The Loan and Investment Review Committee (LIRC) reviews the level of provisioning to be applied to the Bank's asset portfolios. The LIRC is also tasked with the responsibility of reviewing and recommending to Committee of Directors (COD), where in certain circumstances the Corporate borrower is facing significant financial difficulties, the use of forbearance measures to assist the borrower. The control functions are responsible for providing financial risk metrics to the Committees for monitoring and high-level risk management. Conduct of business and operational risk metrics are also collated to assist the Bank in delivering a high quality customer-centric outcome for both retail and corporate customers whilst maintaining appropriate fraud and AML controls.

To mitigate the primary risks, individual credit exposures are risk-rated using a market standard risk-rating model and are then subject to specific appraisal and approval by the Credit and Investment Committee (CIC) or by the Board's Committee of Directors, where the transaction lies outside the delegated authority of CIC. The Bank has also implemented a range of portfolio level limits in order to diversify its credit and liquidity risks.

Risk metrics are monitored on a daily, weekly or monthly basis as appropriate to the nature of the underlying risks.

ICAAP and ILAAP documents are prepared and submitted to the Board of the Bank. These are developed 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 review and update in response to material changes to the business or regulatory environment.

The ICAAP and the ILAAP documents capture all the risks that the Bank faces under business as usual conditions. The wind-down strategy will change the nature and profile of the risks the Bank faces. Certain risks, such as credit risk, will reduce as a result of the sale of the lending portfolios, whilst other risks, such as reputational risk, may increase.

As such, ABUK has performed an assessment of each of the principal risks in the ILAAP and ICAAP documents to understand how these change. As a result of this analysis, the Bank has set out the key risk types which increase on account of the execution of the wind-down plan. These risks have been bifurcated into 'Regular Risks' and 'Specific Risks due to wind-down' and mitigating plans have been drawn against each.

Stakeholder engagement and s.172(1) statement

The Board is cognisant of its responsibilities under s172 and have taken measures on an on-going basis throughout the year, to meet the objectives enshrined therein. This included hearing the views / issues of different stakeholders and bringing their voice into the boardroom.

As enshrined in the Strategy document, approved by the Board, 'the Bank will observe high standards of integrity and fair dealing when doing business, and will act with due skill, care and diligence in the conduct of its business'. To effectively maintain this philosophy and vision, and at the same time achieve the Bank's business objectives, the Bank has always recognised the need to foster good relationship with all stakeholders, including customers, suppliers, regulators, employees and others.

Every year, the Bank aims to make progress on meeting its social and environmental responsibilities. It is manifest in our commitments, a more robust organization,and a shared knowledge of our goals. This year the Bank has identified one senior executive, who is responsible for managing climate change risks, and added that as his 'prescribed responsibility' under the Senior Manager & Certified Regime (SM&CR) rules.

The Bank has always recognised the need to be fair to its stake holders, both within and outside the company. Important decisions, that can have impact on the stakeholders are discussed in an open and transparent manner, and to the extent possible, their views are taken on Board. The decision to wind-down, taken by the Board in October 2019, reptresented the most far-reaching and important decision taken in the reporting year. It was to have and will have an impact on all stakeholders linked to the Bank. Recognising this, the Bank has put in place a plan to deal with all affected in a manner that is fair and transparent.

We set out below details of efforts towards such stakeholders:

Parent Bank (sole owner)

The Board has always encouraged active engagement with the parent Bank to bring about synergy. Whilst maintaining its operational independence, the Bank has often drawn upon the strength of the parent in technology, risk management, credit appraisal etc, to add value to its services. The Board has been responsible in shaping the strategy and the business plan, but the overarching principle has been to be an important part of the Group and contribute to attaining the Group vision.

It was in line with the above principle, that the Board considered the parent Bank's strategic review in great detail, and agreed to conduct a review of options through which an orderly exit of the Bank's operations from the UK could be executed. However, the Directors whilst taking the decision, considered their obligations under Section 172 of the Companies Act and maintained that interests of other stakeholders like customers, staff, and partner companies would be protected as the wind-down decision is executed.

Customers

Customers are at the heart of everything that is done by the Bank. The strategy document, approved by the Board clearly states that the Bank is 'committed to treating customers fairly'. Accordingly, the Bank has drawn out plans to address the issue of proper and appropriate customer communication on the matter of its strategic decision and have taken professional and legal help to ensure that it is within the threshold of its own stated policies and regulatory requirements.

Employees

Throughout the reporting Financial Year, the Board engaged with employees during a number of Board and committee visits to businesses and functions. The Directors have met various employees and ensured that they felt aligned to the Bank's overarching objectives.

Once the strategic decision to wind down the Bank was taken, the Board emphasised to the executive management of the need to be transparent in dealing with employees. The senior management held extensive deliberations with the staff, individually and as a team to take them on board with the decision of the Bank.

Regulators

The Board recognises the importance of open and continuous dialogue with the regulators. Board members, including the Chairman, met the representatives from the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and conveyed to them the strategic decision of the Board to wind down the Bank. The regulators are being kept apprised of matters on an on-going basis.

Suppliers

The Board recognises the key role suppliers / service providers play in ensuring that the Bank delivers a reliable service to customers. Once the strategic decision was taken, the Bank had individual meetings with the service providers, often travelling to their offices, to take them on-board with the Bank's decision. This focus of transparency has helped the Bank in framing joint strategies to ensure that customer services are not affected, even as the wind-down takes place .

By order of the Board

Sanjay Silas
Managing Director & Chief Executive Officer
25 June 2020

Kanchan Dasgupta
Company Secretary

The Directors have pleasure in presenting the Annual Report and the audited financial statements for the year ended 31 March 2020. These financial statements have been prepared in accordance with the Companies Act 2006 and applicable International Financial Reporting Standards as adopted by the European Union.

Principal activity

Axis Bank UK Limited ("the Bank"), a company, registered as a private company with limited liability, in England & Wales (No.7554558), is a wholly-owned subsidiary of Axis Bank Limited (Axis Bank India), the third largest private sector bank in India having a balance sheet size of USD 120.95 billion as of 31 March 2020 (March 2019: USD 115.83 billion). The Bank commenced operations in April 2013, subsequent to receiving authorisation from the Prudential Regulation Authority on 19 April, 2013. The Bank is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and is covered by the Financial Services Compensation Scheme (FSCS). The Bank historically offered a range of products covering Retail banking, Corporate and Commercial banking, Buy to Let mortgages (BTL), Investment banking services, Trade finance and Treasury services to its customers. Following a strategic review of operations, the Board of Axis Bank UK Limited in its meeting held on 28 January 2020 formally approved the decision to exit the UK market and wind down operations. For further details on wind down, please refer to the Strategic Report.

Risk Management and Governance

The Risk management strategy and the Risk governance framework of the Bank can be found in the Strategic Report. See note 31 for further details.

Going concern basis

Following a strategic review of operations, the Board of Axis Bank UK Limited in its meeting held on 28 January 2020 formally approved the decision to exit the UK market and wind down operations. As such the Directors do not feel it appropriate to adopt a going concern basis of accounting and the accounts have been prepared on a basis other than going concern. The Bank has maintained and will continue to maintain a stable liquidity position as well as a strong capital position while it executes its wind down plans.

As a consequence of this and the robust risk management framework that the Bank has in place, the Directors believe that the Bank is well placed to manage its business risks effectively as it looks to wind down operations.

Capital structure

Axis Bank UK Limited continues to monitor its current and projected capital adequacy ratios on a regular basis to ensure that capital held is always adequate to meet both internal and external regulatory requirements.

Charitable donations

The Bank made no charitable donations during the year.

Directors

The current Directors are listed in page 2. During the reporting year the following appointments and resignations of Directors occurred:

Appointments	**Effective date**
• Mr Sanjay Silas	17 June 2019
• Mr Rudrapriya Ray	28 January 2020

Resignations	**Effective date**
• Mr Rajendra Adsul	30 June 2019

- Mr Cyril Anand 31 December 2019
- Mr Sanjeev Kumar Gupta 10 February 2020

Disclosure as per Capital Requirement Regulation (CRR)

The Bank has made the disclosures as required for year ended 31 March 2020, under the CRR in a separate document that is available on its website (www.axisbankuk.co.uk).

Strategic Report

In accordance with section 414(C) of the Companies Act 2006, we have prepared a Strategic Report, which forms part of the Annual Report and precedes this section.

Payment of dividends

The Directors have not recommended payment of dividend for the year ended 31st March 2020 (2019: USD $4.5m).

Post Balance sheet event

We confirm that there were no subsequent events post the balance sheet date except for those disclosed in note 33.

Auditor

BDO LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed in the absence of an Annual General Meeting.

General meetings

In accordance with the Companies Act 2006, the Bank is not required to hold an annual general meeting.

By order of the Board

Sanjay Silas	**Kanchan Dasgupta**
Managing Director & Chief Executive Officer	Company Secretary
25 June 2020	

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to the auditor

The Directors who held office at the date of approval of this Report confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the Bank's auditor is unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.
By order of the Board

Sanjay Silas
Managing Director & Chief Executive Officer

25 June 2020

Independent auditor's report to the members of Axis Bank UK Limited

Opinion

We have audited the financial statements of Axis Bank UK Limited (the 'Company' or the "Bank") for the year ended 31 March 2020 which comprise the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with the IFRSs as adopted by the European Union and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared on a basis other than that of a going concern

We draw attention to Note 2 of the accounting policies to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern as the directors intend to cease trading and wind down the Company. Our opinion is not modified in this respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Approved Opinion	How the key audit matter was addressed in our audit
<u>**Implications of an orderly wind down**</u> Following a strategic review of operations, the Board of the Bank, in its meeting held on 28 January 2020, formally approved the decision to exit the UK market and wind down operations. This has resulted in several implications for the preparation of the 31 March 2020 financial statements, which are noted as including the following: • The appropriateness of the carrying value of the assets and liabilities of the Bank • Completeness of liabilities within the financial statements with respect to the costs associated with winding down the business • Going concern and the basis for preparation of the financial statements Given there is significant judgement exercised in the assessment of these matters, we identified this as a key audit matter.	We analysed the components of the Statement of Financial Position to assess the potential impact of the decision to begin an orderly wind down, across each financial statement area. With the support of our internal valuations specialists, we analysed and challenged the appropriateness of the models used to determine the recoverable amount for the Bank's Loans and advances to customers' assets, including an assessment of the appropriateness of each of the components of the theoretical discount margin used in the calculations. Regarding the Bank's Buy to Let portfolio, we have evaluated the selection and source of the information used by the Bank to determine Probability of default (PD), Loss given default (LGD) and Exposure at default (EAD). We made an assessment of the adequacy and accuracy of the credit provision by reference to internal and external information where available to establish if provisioning was in accordance with the requirements of IFRS9. Additionally, we have evaluated and challenged the Bank's determination of what constitutes a Significant Increase in Credit Risk and whether the definition of default used for the Bank's estimate of Expected Credit Loss results in a probability of default that reflects the Bank's current view of the future and is unbiased. With the support of our internal valuations specialists, we considered the appropriateness of the predictive models and assessed the suitability of the macroeconomic variable

	inputs, taking into consideration the assumptions regarding the impact of COVID 19 in considering these models and the macroeconomic variables. We assessed the reasonability of multiple economic scenarios used, including weighting and probability changes. We have observed that the key finance and risk executives have approved the data inputs and assumptions. We reviewed management's proposed impairment provisions and liabilities associated with the wind down included within the financial statements and have challenged management on the appropriateness of the estimates and judgements included within the calculations. We have also reviewed other sources of information, such as the wind down plan and Board minutes to test for the existence of any further potential impairment provisions and liabilities associated with the wind down. We have reviewed the expected timeline for the cessation of business, the requirements of the accounting standards and have considered these alongside the Director's conclusion that the financial statements should be prepared on a basis other than that of a going concern. We assessed the adequacy and appropriateness of disclosures included within the financial statements for compliance with the accounting standards.

	Key observations: We have not identified any implications of the decision to cease operations that have not been reflected in the financial statements.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the audit and in forming our opinion. Materiality is assessed on both quantitative and qualitative grounds.

Materiality	\$521,000
Performance materiality	\$339,000
Reporting threshold	\$10,000

Materiality
We consider materiality to be the magnitude by which misstatements, individually or taken together, could reasonably be expected to influence the economic decisions of the users of the financial statements. We determined the materiality for the Company financial statements as a whole to be \$521,000 (2019: \$680,000), which was set at 0.5% of Tier 1 capital. This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that Tier 1 capital was the most appropriate benchmark in light of the Board's decision to cease trading and wind down the Bank's operations. In the prior year materiality was calculated based on a percentage of profit before tax.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

Performance Materiality
The application of materiality at the individual account or balance level is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment together with our assessment of the Company's overall control environment, our judgment was that overall performance materiality for the Company should be 65% of materiality, namely \$339,000 (2019: \$442,000).

Reporting Threshold
An amount below which identified misstatements are considered as being clearly trivial. We agreed with the Audit Committee that we would report all individual audit differences in excess of \$10,000 (2019: \$14,000) to the Audit Committee and any other differences that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Company, the accounting processes and controls, and the industry in which the Company operates. Our audit has encompassed all balances in the financial statements, as well as the related disclosures and notes. Our audit approach has been driven by our materiality thresholds set out above.

Our audit approach was developed by obtaining an understanding of the Company's activities and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement.

All the audit work was performed by BDO LLP.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included, but were not limited to, compliance with Companies Act 2006 and EU adopted IFRSs. We also considered the Company's compliance with licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and relevant tax legislation.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the Company financial statements. There are inherent limitations in an audit of financial statements and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Other information

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 27 July 2018 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 March 2019 and 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Leigh Treacy (Senior Statutory Auditor)

For an on behalf of BDO LLP, Statutory Auditor

London, UK

Dated: 25 June 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

AXIS BANK UK LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

COMPANY REGISTRATION NUMBER 7554558

	Notes	2019-20 USD	2018-19 USD
Interest and similar income	2	**27,791,527**	32,179,341
Interest and similar expense	3	**(16,388,268)**	(20,395,513)
Net Interest Income		**11,403,259**	11,783,828
Fee and commission income	4	**941,593**	2,515,642
Fee and commission expense	4	**(823,922)**	(967,796)
Net gain on financial instruments at FVTPL		**903,212**	3,992,051
Other operating income		**46,825**	187,555
Net impairment charges		**(11,820,408)**	(1,619,270)
Profit on sale of debt securities		**493,982**	214,721
Operating Income		**1,144,541**	16,106,731
Personnel costs	5	**(3,663,759)**	(3,794,735)
Operating lease		**-**	(313,409)
Depreciation	19&21	**(745,537)**	(511,606)
Impairment of fixed assets	19&21	**(801,946)**	-
Other general operating expenses	7	**(5,792,750)**	(3,057,488)
(Loss)/Profit Before Tax		**(9,859,451)**	8,429,493
Corporation tax credit/(expense)	9	**978,867**	(1,633,534)
(Loss)/Profit for the year		**(8,880,584)**	6,795,959

The notes on pages 30 to 71 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

COMPANY REGISTRATION NUMBER 7554558

	Notes	2020 USD	2019 USD
(Loss)/Profit for the year		**(8,880,584)**	6,795,959
Other comprehensive income that may be recycled to profit or loss:			
Net gain in fair value on investments		**489,950**	876,403
Tax relating to fair value movement on investments	9	**(15,904)**	(148,988)
Expected credit loss on Investments			5,783
Net gain on investments		**474,046**	733,198
Total comprehensive (loss)/income attributable to equity Shareholders for the year		**(8,406,538)**	7,529,157

The notes on pages 30 to 71 form part of these financial statements

AXIS BANK UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

COMPANY REGISTRATION NUMBER 7554558

	Issued capital	AFS reserves	FVOCI reserves	Retained earnings	Total equity
	USD	USD	USD	USD	USD
Balance at 1 April 2018	55,000,002	(1,266,551)		30,000,428	83,733,879
Measurement impact of IFRS 9			(70,377)	1,553,150	1,482,773
Tax relating to IFRS 9 Adjustment				(252,072)	(252,072)
Transfer out to FVOCI reserves	-	1,266,551	(1,266,551)	-	-
Additional capital received	25,000,000	-	-	-	25,000,000
	80,000,002	-	(1,336,928)	31,301,506	109,964,580
Total comprehensive income for the year					
Profit for the year	-	-	-	6,795,959	6,795,959
Other comprehensive income for the year					
Net movement in fair value on Investment	-	-	876,403	-	876,403
Tax relating to fair value movement on Investment	-	-	(148,988)	-	(148,988)
Expected credit loss reserve	-	-	5,783	-	5,783
Other comprehensive income recycled to income	-	-	4,603	-	4,603
Balance at 31 March 2019	80,000,002	-	(599,127)	38,097,465	117,498,340
Balance at 1 April 2019	**80,000,002**	**-**	**(599,127)**	**38,097,465**	**117,498,340**
Dividend paid		**-**	**-**	**(4,500,000)**	**(4,500,000)**
	80,000,002	**-**	**(599,127)**	**33,597,465**	**112,998,340**
Total comprehensive income for the year					
Loss for the year	**-**	**-**	**-**	**(8,880,584)**	**(8,880,584)**
Other comprehensive income for the year					
Net movement in fair value on Investment	**-**	**-**	**489,950**	**-**	**489,950**
Tax relating to fair value movement on investments	**-**	**-**	**(15,904)**	**-**	**(15,904)**
Balance at 31 March 2020	**80,000,002**	**-**	**(125,081)**	**24,716,881**	**104,591,802**

The notes on pages 30 to 71 form part of these financial statements

AXIS BANK UK LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2019-20 USD	2018-19 USD
Assets			
Cash and balances with banks	10	**26,913,757**	74,836,857
Derivative financial Instruments	11	**3,975,442**	2,083,795
Financial investments - FVOCI	15	**34,955,794**	138,437,251
Loans and advances to customers	13	**-**	220,008,354
Loans and advances to customers – held for sale	13&28	**170,455,857**	-
Loans and advances to BTL customers	14	**-**	379,465,976
Loans and advances to BTL customers – held for sale	14&28	**376,308,792**	-
Property and equipment	19	**233,472**	1,334,879
Right of useassets	21	**290,581**	-
Current tax debtor		**1,836,367**	-
Prepayments, accrued income and other assets	20	**6,356,817**	9,325,842
Total assets		**621,326,879**	825,492,954
Liabilities			
Derivative financial Instruments	11	**4,250,065**	3,379,765
Deposits from Banks	22	**160,948,307**	259,239,724
Repurchase agreements	22	**-**	56,132,117
Deposits from customers	23	**349,126,929**	386,305,825
Lease liabilities	26	**836,488**	-
Current tax liabilities		**-**	129,225
Provisions	27	**630,311**	-
Deferred tax liabilities	9	**12,558**	88,490
Accruals and other liabilities	24	**930,419**	2,719,468
Total liabilities		**516,735,077**	707,994,614
Equity attributable to equity holders			
Equity share capital	25	**80,000,002**	80,000,002
Other reserves		**(125,081)**	(599,127)
Retained earnings		**24,716,881**	38,097,465
Total equity		**104,591,802**	117,498,340
Total liabilities and equity		**621,326,879**	825,492,954

The financial statements were approved by the Board of Directors and authorised for issue on 25 June 2020.

Sanjay Silas
Managing Director & Chief Executive Officer
Company Registration No 07554558

The notes on pages 30 to 71 form part of these financial statements

AXIS BANK UK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	USD	USD
Cash flows for the year		
(Loss)/Profit before tax	**(9,859,451)**	8,429,493
Adjustments to reconcile profit from operations		
Depreciation and amortisation	**1,547,483**	511,606
Net impairment charges	**11,820,408**	1,619,270
Cash flows before changes in operating activities	**3,508,440**	10,560,369
Changes in operating activities:		
Net decrease in other receivables	**3,211,236**	144,263,788
Net decrease in other payables	**(850,992)**	(3,925,529)
Net decrease in loans and advances to customers	**38,219,430**	75,250,360
Net decrease in loans and advances to BTL customers	**2,616,056**	6,503,530
Net decrease in deposit by banks	**(98,291,417)**	(214,737,085)
Net decrease in repurchase agreement	**(56,132,117)**	(2,637,632)
Net (decrease)/increase in deposit by customers	**(37,178,896)**	13,042,780
Net decrease in derivative financial Instruments	**(1,021,347)**	(10,185,937)
Cash (utilized)/generated by continued operations	**(149,428,047)**	7,574,275
Corporate tax paid	**(1,128,950)**	(1,633,534)
Changes in operating activities	**(150,556,997)**	5,940,741
Net cash (outflow)/inflow from operating activities (A)	**(147,048,557)**	16,501,110
Cash flows from investing activities:		
Acquisition of property, plant and equipment	**-**	(280,166)
Decrease/(Increase) in investments (net of reserves)	**104,009,290**	(12,947,154)
Net cash flows from/(used in) investing activities (B)	**104,009,290**	(13,227,320)
Cash flows from financing activities:		
Repayment of lease liabilities	**(383,833)**	-
Dividend paid	**(4,500,000)**	-
Repayment of subordinated liabilities	**-**	(54,986)
Net cash outflows from financing activities (C)	**(4,883,833)**	(54,986)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	**(47,923,100)**	3,218,804
Cash and cash equivalent as at the beginning of the year	**74,836,857**	71,618,053
Cash and cash equivalents as at the end of the year (Note 10)	**26,913,757**	74,836,857

Interest received was $28,457,322 (2019: $31,669,810) and interest paid was $17,600,565 (2019: $22,647,762).

The notes on pages 30 to 71 form part of these financial statements

1. Reporting entity

Axis Bank UK Limited (Registration no. 07554558) (The Bank) is a private limited company (limited by shares) domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Bank is a wholly-owned subsidiary of Axis Bank Limited, one of the leading private sector banks of India. The address of the Bank's registered office is 1st Floor, 4 Chiswell Street, London EC1Y 4UP.

2. Basis of preparation

A. Statement of compliance

The financial statements of the Bank are prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union.

The Bank's financial statements for the year ended 31 March 2020 were authorised for issue on 25 June 2020.

B. Going concern

Following a strategic review of operations, the Board of Axis Bank UK Limited in its meeting held on 28 January 2020 formally approved the decision to exit the UK market and wind down operations. As a result, the directors do not feel it is appropriate to adopt a going concern basis of accounting and accordingly, the financial statements have been prepared on a basis other than going concern(refer pages 15-16 of Directors' Report).

C. Basis of preparation

The financial statements of the Bank are prepared on a historical cost basis in accordance with applicable accounting standards except for the derivative financial instruments which are measured at fair value and financial assets measured at fair value through other comprehensive income or FVTPL as the case may be.

D. Functional and presentation currency

The financial statements of the Bank are presented in US Dollars (USD), which is the presentation and functional currency of the Bank as it represents the primary currency of the underlying transactions, assets, funding and revenues. Amounts are rounded to the nearest whole number, unless otherwise stated.

Transactions in foreign currencies are recorded in US Dollars at the rate of exchange prevailing at the rates ruling at the end of the day in which the transaction arose. Any resulting exchange differences are included in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the balance sheet date. The rates of exchange used for translation are the rates in force at close of business in Mumbai, India at the balance sheet date.

E. Changes in accounting policy

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard removes the requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities on the balance sheet for most leases. Lessees will also recognise depreciation expense on the lease asset and interest expense on the lease liability in the statement of comprehensive income.

The Bank has applied IFRS 16 from 1 April 2019 using a modified retrospective transition method. Comparative figures have not been restated and accordingly all comparative period information is presented in accordance with our previous accounting policies.

Recognition and Measurement

IFRS 16 requires a lessee to recognise a right-of-use asset and lease liability in its book at the commencement of the lease term.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or Axis Bank UK Ltd's incremental borrowing rate appropriate for the right-of-use asset arising from the lease.

The impact of adopting IFRS 16, resulted in the Bank to recognise a lease liability of $ 2,668,510 and right of use asset of $ 2,584,649 as at 1 April 2019.

Axis Bank UK Ltd discounted the lease payments using the incremental borrowing rate at 1 April 2019 to measure the lease liabilities. The weighted average rate applied was 3%.

The below shows a reconciliation between the operating lease commitments as at 31 March 2019 and the lease liability recorded as at 1 April 2019.

	USD
Operating lease commitment as at 31 March 2019	3,312,158
Impact of discounting using ABUK incremental borrowing rate	(487,171)
Other lease recognised*	10,781
Exchange impact	(167,258)
Lease liability recognised as at 1 April 2019	**2,668,510**

*Represents the value of office equipment which was not recognised as a commitment as at 31 March 2019.

Subsequent Measurement of the right-of-use asset

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Subsequent Measurement of lease liability

Lease liability is measured by increasing the carrying amount to reflect interest charged and reduce when lease payments are made. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Reassessment of lease liability

The lease liability is remeasured when there are changes to the expected lease payments. The remeasurement of lease liability gives rise to a corresponding adjustment to the right of use asset except when the carrying amount of right of use asset has been reduced to zero, in which case the remeasurement adjustment is recognized in profit and loss.

Following the Board's decision to exit the UK market, the Bank reassessed the lease liability in February 2020. The remeasurement resulted in reduction of the lease liability by $1,537,174 as the liability is now measured to the break clause with a corresponding adjustment made to the carrying amount of the right of use asset. Following this exercise, the right of use asset was impaired by $461,261 at 31 March 2020.

The new weighted average rate used to discount the lease payments for the appropriate lease term was 1.40%. See note 21 for further details.

F. Future changes in accounting policy and disclosure

It is not expected that any subsequent Financial Statements will be prepared by the Bank, and thefore any future changes to accounting standards are not expected to have a material impact on the Bank.

3. Significant accounting polices

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest and similar income and expense

Interest income/expenses for all interest-bearing financial instruments are recognised in the income statement using the effective interest method. The effective interest rate is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period using the estimated future cash flows.

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the calculation includes all amounts paid or received by the Bank that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts. For Stage 3 financial instruments, interest income is calculated net of the expected credit allowance.

Fee and commission income

Fee and commission income which are not integral part of the effective interest rate are recognised as income as the services are provided. Fee and commission income is earned from a diverse range of services provided by the Bank to its customers and accounted for as follows:

- Income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, facilitating, coordinating, or participating in the negotiation of, a transaction for a third-party, irrespective of whether the Bank is participating in the financing arrangement and as agreed by the beneficiary of such services); and
- Income earned from the provision of services is recognised as revenue as the services are provided.

Lease transactions under IAS 17 for 2019

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating leases. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'Operating lease'.

Retirement and other employee benefits

The Bank operates a defined contribution pension plan. The contribution payable by the Bank is in proportion to the services rendered to the Bank by the employees and is recorded as an expense under 'Employee compensation and benefits'. Unpaid contributions, if any, are recorded as a liability.

Corporation tax expense

Corporation tax expense comprises current and deferred tax. Corporation tax expense is recognised in the income statement except to the extent that it relates to items recognised in equity or other comprehensive income, in which case it is recognised either in equity or other comprehensive income as the case may be.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally-enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity & the same taxation authority.

Deferred tax is recognised for all taxable temporary differences, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provision is made for restructuring costs, including the costs of redundancy, when the Bank has a constructive obligation to restructure. An obligation exists when the Bank has a detailed formal plan for the restructuring and has raised a valid expectation in those affected by starting to implement the plan or by announcing its main features. If the Bank has a contract that is onerous, it recognises the present obligation under the contract as a provision. An onerous contract is one where the unavoidable costs of meeting the Bank's contractual obligations exceed the expected economic benefits.

Provisions are reviewed at the end of each reporting date to reflect the current best estimate. If it is no longer probable that an outflow will be required to settle the obligation, the provisions are reversed.

Financial instruments - Classification and measurement

IFRS 9 requires financial assets to be classified on the basis of two criteria:

i) The business model within which financial assets are managed; and
ii) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' (SPPI)).

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through profit and loss if they are held for trading or held within a business model whose objective is to realise the asset through sales as opposed to holding the asset to collect the contractual cash flows.

Business models were determined on initial application of IFRS 9. Factors considered by the Bank in determining the applicable business model for a group of assets include (i) past experience of how the cash flows for these assets were collected and (ii) how the assets' performance and risks are evaluated, managed and reported to key management personnel.

The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent SPPI. In assessing whether contractual cash flows are SPPI compliant, interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change the contractual cash flows so that it would not meet the condition for SPPI are considered, including: (i) contingent and leverage features, (ii) non-recourse arrangements and (iii) features that could modify the time value of money.

The Bank classifies its financial assets and liabilities into the following categories:

- Financial assets/liabilities classified at amortised cost;
- Financial assets measured at fair value through other comprehensive income; and
- Financial assets/liabilities measured at fair value through profit and loss;

i) Financial assets measured at amortised cost

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. This includes lending arrangements which results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortised cost relate to loans and advances to customers and banks which includes the buy to let portfolio.

Financial assets measured at amortised cost are initially recognised at fair value, representing the cash consideration to originate the financial instrument, plus the net of incremental transaction costs and fees. They are subsequently measured at amortised cost using the effective interest method less impairment. The amortisation is included in interest income in the income statement. The losses arising from impairment are recognised as part of 'Net impairment charges' in the income statement.

Following the Bank's decision to sell both the Corporate Banking and Buy to let portfolios the existing portfolios which remain on the balance sheet have been remeasured to their recoverable amount for the current financial period.

ii) Financial assets measured at fair value through other comprehensive income

Financial assets that are held to collect contractual cash flows and for subsequent sale, where the assets' cash flows represent solely payments of principal and interest, are recognised in the balance sheet at their fair value, inclusive of transaction costs.

The Bank maintains a portfolio of High Quality Liquid Assets comprising of US Treasury bonds which are held to generate interest and sold before maturity in order to generate cash for liquidity purposes. These investments are measured initially at fair value plus transaction costs. Interest income on the items is recognised in the income statement, unrealised gains or losses arising from changes in fair value are recognised directly in other comprehensive income, until the financial asset is either sold or matures at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the income statement.

iii) Financial liabilities measured at amortised cost

Financial liabilities are recognised where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder. Financial liabilities include trade payables, other amounts payable, payable to related parties and interest bearing loans and borrowings. Financial liabilities are initially recognised at a fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

iv) Financial assets/liabilities measured at fair value through profit and loss

Financial assets are classified at fair value through profit or loss where they do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income or where they are designated at fair value through profit or loss to reduce an accounting mismatch. The Bank's derivative financial instruments are carried at fair value.

Impairment

IFRS 9 requires the recognition of expected credit losses (ECL) on all financial assets at amortised cost or at fair value through other comprehensive income (other than equity instruments), certain loan commitments and financial guarantee contracts. The ECL must also consider forward looking information to recognise impairment allowances earlier in the life-cycle of a product. IFRS 9 introduces a three-stage approach to impairment as follows:

- Stage 1 - the recognition of 12 month ECL, that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;
- Stage 2 - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and
- Stage 3 - lifetime expected credit losses for financial instruments which are credit impaired.

As a result the amount of the allowance is affected by changes in the expectations of loss driven by changes in associated credit risk.

The measurement of ECL is calculated using three main components: (i) probability of default (PD), (ii) loss given default (LGD) and (iii) the exposure at default (EAD). The ECL is calculated by multiplying the PD, LGD and the EAD. The PDs represent the probability of default over 12 months or lifetime of the instrument for stage 1 and stage 2/stage3 respectively. The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account the mitigating effect of collateral value at the time it is expected to be realised.

Currently, the Bank has 3 principal portfolios which are in the scope of ECL including i) Corporate Loans, ii) Buy-to-Let mortgages and iii) Investments.

Recognition of Significant Increase in Credit Risk (SICR)

The Bank assesses when a SICR has occurred based on a waterfall mechanism of both quantitative and qualitative factors. The Bank uses a definitive backstop criteria for exposures when determining SICR in order to classify them into Stage 2. At each reporting date, the lifetime PD is recalculated and compared to the lifetime PD calculated on initial recognition. The exposure is allocated to Stage 2 if the lifetime PD has increased over a pre-determined threshold. Such a mechanism for determining SICR is aligned with the internal risk management framework in order to have consistent approach in monitoring and assessment.

The backstop criteria to determine a SICR for the Bank's portfolios is defined as follows:

Corporate Loans

- Any exposures which are more than 30 days past due but below 90 days past due;

Buy-to-let

- Exposures which are two or more payments in arrears, but below 3 payments in arrears;

Investments

- Bonds with one or more interest/principal payments that are 30 days past due.

Exposures will move back to Stage 1 once they no longer meet the criteria for a SICR. As part of the internal risk management framework, the LIRC will review the staging of the exposures on quarterly basis. Exposures are considered to be in default and allocated to Stage 3 when exposures are more than 90 days past due and are subject to certain forbearance activities.

De-recognition of financial assets and financial liabilities

i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- the Bank has transferred substantially all the risks and rewards of the asset; or
- the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of: (a) the consideration received (including any new asset obtained less any new liability assumed); and (b) any cumulative gains or losses that have been recognised directly in other comprehensive income is recognised in profit or loss.

ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement and the associated liability is also recognised.

Repurchase and reverse repurchase agreements

The Bank may also sell (a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the balance sheet as the Bank retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability at amortised cost.

The Bank may purchase (a reverse repurchase agreement) or borrow securities subject to a commitment to resell or return them. The securities are not included in the balance sheet as the Bank does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset at amortised cost.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, the bank currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements. Therefore, the related assets and liabilities are presented at gross value in the balance sheet.

Financial guarantees

In the ordinary course of business, the Bank may give financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within other liabilities) at fair value, which is generally the fee received or receivable. Subsequently, financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of the expenditure required to settle the obligations.

Property, plant and equipment

Property, plant and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and impairment provisions. Subsequent costs shall be capitalised if these result in an enhancement to the asset. Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Asset	Estimated useful life
Equipment	5 to 7 years
Computer hardware	5 to 7 years
Furniture, fixtures and equipment	5 to 7 years
Leasehold improvements	Over the lease period

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income/expenditure' in the income statement in the year in which the asset is derecognised.

Property and equipment under construction and advances paid towards acquisition of property and equipment are disclosed as capital work-in-progress.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. The impairment loss to be recognised is the amount by which the carrying amount of the assets exceeds the recoverable amount.

Cash and cash equivalents

Cash and cash equivalents include balances with Banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value and are used by the Bank in the management of its short-term commitments.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources and may make necessary provisions in accordance with their assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the critical judgements that the Directors have made in the process of applying the Bank's accounting policies and that have the most significant effect on the amount recognised in the financial statements.

A) Expected credit loss allowance

The calculation of the Bank's expected credit loss allowance against loan commitments and guarantees under IFRS 9 requires the Bank to make a number of judgements, assumptions and estimates. Following the Bank's decision to sell both the Corporate Banking and Buy to let portfolios, the existing portfolios which remain on the balance sheet have been remeasured to their recoverable amount as at the end of current financial period. The basis for remeasurement is described as follows:

i) Corporate Loans and Investments portfolio

The basis to value the Corporate Banking portfolio is at its recoverable amount. The valuation of the Corporate Banking portfolio involves a significant degree of judgement and complexity. The valuation of the book is derived based upon a discounted cash flow model, where the expected cash flows for each exposure under the terms of the contract are discounted back to a present value. The discount factor was determined by incorporating a number factors such as funding costs (including a premium for illiquid conditions) as well as a country risk premium representing the domicile risk for each exposure.

ii) Buy to Let portfolio

In the absence of established historical data, the PD and LGD for the Buy-to-let mortgage portfolio have been developed internally. The model for Buy-to-let is based on a scorecard based approach, where each account in the portfolio is ranked based on defined set of risk factors affecting the creditworthiness with appropriate weights. The weighted score for each risk factor is combined to arrive to a combined score to ultimately derive a PD for each account. The Buy-to-Let LGD is calculated based on a forced sale scenario whereby a % haircut has been applied to the portfolio which is based on the level of collateralisation.

The BTL portfolio is impacted primarily by the UK economy. Accordingly the Bank has applied a UK macroeconomic forecast to its ECL model. In particular when determining the PD, a UK macroeconomic model has been applied for the exposures.

As part of the governance framework, the Bank regularly reviews the critical judgements to validate its applicability on an ongoing basis

B) Provisions

The reporting of provision in terms of identifying whether a present obligation exists and estimating the probability, timing, and quantum of outflows arising from past events requires a significant degree of judgement and can be complex. The amount that is recognised as a provision can be sensitive to the assumptions made in calculating it. This gives rise to a large range of potential outcomes which requires judgement in determining an appropriate provision level.

For the wind down of operations, the Bank has recognised a provision for the anticipated cost of restructuring including redundancy costs as well as the termination costs associated with its existing vendor contracts. For further details please see note 27.

1. General information

The Bank undertakes the business of commercial banking which is carried on within the United Kingdom.

2. Interest and similar income	2019-20 USD	2018-19 USD
Cash and balances with central bank	358,211	477,884
Loans and advances to customers	9,066,947	12,074,570
Loans and advances to BTL customers	15,616,343	15,892,308
Financial investment FVOCI	2,581,726	3,389,549
Others	168,300	345,030
	27,791,527	32,179,341

3. Interest and similar expense	2019-20 USD	2018-19
Deposit from banks	6,653,495	10,514,923
Deposit from customers	8,299,832	7,298,133
Subordinated debt issued	-	844,767
Securities lent and repurchase agreement	989,628	1,513,006
Interest expense of lease liability	72,156	-
Interest on swaps	373,157	224,684
	16,388,268	20,395,513

4. Net fees and commission income	2019-20 USD	2018-19 USD
Fees and commission income		
Arrangement fees	756,573	1,958,891
Commitment fees	38,267	-
Bank guarantee fees	86,446	-
Other fees received	60,307	556,751
	941,593	2,515,642
Fees and commission expenses		
Service provider fees	(823,922)	(967,796)
	(823,922)	(967,796)
Net fees and commission income	117,671	1,547,846

		2019-20	2018-19
5.	**Personnel costs**	**USD**	USD
	Wages and salaries	**2,965,378**	3,318,839
	Social security costs	**325,980**	395,065
	Pension costs – Defined contribution plan	**137,610**	80,831
	Redundancy expenses	**234,791**	-
		3,663,759	3,794,735
	The average number of persons employed by the Bank	**27**	29
	There are no share-based payments made by Axis Bank UK Limited		

		2019-20	2018-19
6.	**Directors' emoluments**		
	(Included in wages and salaries above		
	Emoluments includes all payment made to Key Management Personnel)	**USD**	USD
	Emoluments	**1,077,922**	1,289,445
	Contribution to external pension scheme included in above	**15,115**	14,534

The gross emoluments* of the highest paid Director were **USD 385,924** (2019: USD 736,038)

Accrued pension as of the year end was Nil (2019: Nil). Balance outstanding as at year end from the highest paid Director amounted to **USD 825** (2019: Nil) and the highest total outstanding during the year totalled **USD 9,896** (2019: Nil). The amount represents the balance outstanding on a relocation loan granted during the year.

* Gross emoluments include salary, benefits and awarded bonus

		2019-20	2018-19
7.	**Other general operating expenses**	**USD**	USD
	Marketing, advertisement and sponsorship	**27,323**	87,624
	Administrative and office maintenance	**2,084,982**	1,686,580
	Consultancy, legal & professional fees	**517,014**	737,924
	Bank charges, rates and taxes	**243,139**	342,466
	Restructuring expenses	**854,418**	-
	Other administration and general charges	**2,065,874**	202,894
		5,792,750	3,057,488

8.	**Auditor's remuneration**		
	Fees payable to the Company's Auditor for the audit of the Company's Annual Accounts:	**2019-20** **USD**	**2018-19** USD
	Audit Fees payable to current auditor	**166,152**	150,788
	Non audit fees – other services		
	Predecessor auditor	**-**	45,815
	Current auditor	**9,544**	6,556
		175,696	203,159

9. Corporation tax

The components of corporation tax expense for the years ended 31 March are:

	2019-20 USD	2018-19 USD
Current tax expense		
Current corporation tax (credit)/expense	**(978,867)**	1,621,752
Deferred tax		
Relating to origination and reversal of temporary differences	**(169,022)**	11,782
	(1,147,889)	1,633,534
Reconciliation of corporation tax charge to accounting profit		
(Loss)/Profit before tax	**(9,859,450)**	8,429,493
Tax at the domestic corporation tax rate of 19% (2019: 19%)	**(1,873,296)**	1,601,604
Tax effect of non-deductible depreciation	**17,477**	19,931
Tax effect of other non-deductible expenses	**163,598**	7,223
Tax effect of rate changes	**10,443**	45,739
Adjustment in respect of prior years	**533,889**	(40,963)
Tax expense using effective rate	**(1,147,889)**	1,633,534
Deferred tax is composed of the tax impact of the following:		
Short term timing difference- Fixed assets	**(130,143)**	117,220
Deferred tax liability	**(130,143)**	117,220
		-
Excess of tax written down value over book value- fixed assets		(28,730)
Other short term differences	**142,701**	-
	142,701	(28,708)
Net deferred tax liability	**12,558**	88,490
Deferred tax charged to equity /OCI		
Charge relating to IFRS 9 movement	-	(252,072)
Charge/(Credit) arising on FVOCI reserve movement	**(15,904)**	(148,988)
Tax effective rate	**-11.64%**	19.38%

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates enacted or substantively enacted at the reporting date standing at 19% with effect from 1 April 2017. At budget 2020, the government announced that the Corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19%. The closing deferred tax assets and liabilities have been calculated at 19%.

	2020	2019
10. Cash and balance with Bank	**USD**	USD
Cash at bank	**3,295,244**	5,194,135
Central bank	**23,618,513**	69,642,722
	26,913,757	74,836,857

11. Derivative financial instruments

The Bank deals in various currencies and it is not always possible to match the asset and liability in each currency. As a result, the Bank uses currency swaps to eliminate currency risk on long or short-term currency positions. These derivatives are revalued daily and any change in their fair value is recognised in the income statement.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

	31 March 2020			
	Asset	**Notional amount**	**Liabilities**	**Notional amount**
Derivatives used as:	**USD**	**USD**	**USD**	**USD**
FX swaps	**3,975,442**	**177,755,882**	**1,479,023**	**175,173,887**
Interest rate swap	**-**	**-**	**2,771,042**	**59,959,172**
	3,975,442	**177,755,882**	**4,250,065**	**235,133,059**

	31 March 2019			
	Asset	Notional amount	Liabilities	Notional amount
Derivatives used as:	USD	USD	USD	USD
FX swaps	2,038,092	213,222,065	1,899,826	211,249,144
Interest rate swap	45,703	87,032,062	1,479,939	87,032,062
	2,083,795	300,254,127	3,379,765	298,281,206

12. Fair value of assets and liabilities

IFRS 13 Fair Value Measurement requires an entity to classify its assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

Level 1 Securities: The fair value for financial instruments traded in active markets is based on their quoted market price or dealer price quotations without any deduction for transaction costs.

Level 2 Securities: For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market-observable prices exist, options pricing models, credit models and other relevant valuation models.

Level 3 Securities: Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit and liquidity spread and limitations in the models.

The following tables set out the valuation methodologies adopted by asset and liability categories measured at fair value in the financial statements.

	31 March 2020		
	Quoted market prices (Level1)	**Valuation techniques using observable market data (Level 2)**	**Valuation techniques using non-observable market data (Level 3)**
	USD	**USD**	**USD**
Financial assets			
Derivative financial instruments	**-**	**3,975,442**	**-**
Financial investments- FVOCI	**34,955,794**	**-**	**-**
Total	**34,955,794**	**3,975,442**	**-**
Financial Liabilities			
Derivative financial instruments	**-**	**4,250,065**	**-**
Total	**-**	**4,250,065**	**-**

	31 March 2019		
	Quoted market prices (Level1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)
Financial Assets	USD	USD	USD
Derivative financial instruments	-	2,083,795	-
Financial investments – FVOCI	138,437,251	-	-
Total	138,437,251	2,083,7955	-
Financial Liabilities			
Derivative financial instruments	-	3,379,765	-
Total	-	3,379,765	-

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

	Carrying amount[1]		Fair value[2]	
	31 March 2020	31 March 2019	**31 March 2020**	31 March 2019
	USD	USD	**USD**	USD
Financial assets				
Balances with banks	**26,913,757**	74,836,857	**26,913,757**	74,836,857
Loan and Advances to customers – held for sale	**170,455,857**	-	**170,455,857**	-
Loan and Advances to customers	**-**	220,008,354	**-**	220,008,354
Loan and Advances to BTL customers	**-**	379,465,976	**-**	379,465,976
Loan and advances to BTL customer- held for sale	**376,308,792**	-	**376,308,792**	-
Other Assets (Only Financial Instruments)	**5,643,747**	7,385,924	**5,643,747**	7,385,924
Total	**579,322,153**	681,697,111	**579,322,153**	681,697,111
Financial liabilities				
Deposit By Banks	**160,948,307**	259,239,724	**160,948,307**	259,239,724
Repurchase Agreement	**-**	56,132,117	**-**	56,132,117
Deposit from Customers	**349,126,929**	386,305,825	**349,126,929**	386,305,825
Other Liabilities	**930,419**	2,719,468	**930,419**	2,719,468
Total	**511,005,655**	704,397,134	**511,005,655**	704,397,134

[1] Net Amount
[2] The financial assets and liabilities are classified as lev el 3 financial instruments.

	2020	2019
13. Loans and advances to Customers[1]	**USD**	USD
Loans to Customers	**173,170,638**	220,154,788
Less: Impairment allowance (Note 16,17)	**(2,714,781)**	(146,434)
	170,455,857	220,008,354

	2020	2019
14. Loans and advances to BTL Customers[1]	**USD**	USD
BTL Customer lending	**377,192,503**	379,830,320
Less: Impairment allowance (Note 16, 17)	**(883,711)**	(364,344)
	376,308,792	379,465,976

	2020	2019
15. Financial investments	**USD**	USD
Financial investments - FVOCI	**34,961,999**	138,497,242
Impairment allowance	**(6,204)**	(59,991)
	34,955,795	138,437,251

[1] Following the Board's decision to exit the UK market and subsequent arrangements to sell Corporate and Buy to let portfolios, the assets have been classified as held for sale for the year 2020.

16. Staging analysis of Loans, advances and investments

As at 31 March 2020	Gross Exposure[1] Stage 1	Stage 2	Stage 3	Impairment Allowance Stage 1	Stage 2	Stage 3	Net Exposure
	USD	USD	USD	USD	USD	USD	USD
Investments	4,963,400	-	-	6,204	-	-	4,963,400
Loans and advances to customers- Held for sale	149,795,960	20,821,315	1,323,043	2,460,367	249,253	5,161	171,940,318
Loans and advances to BTL customers- Held for sale	374,580,149	2,480,251	1,168,015	870,043	13,668	-	378,228,415
Total assets	529,339,509	23,301,566	2,491,058	3,336,614	262,921	5,161	555,132,133
Off-balance sheet commitments and guarantees	10,899,791	82,625	-	-	-	-	10,982,416
Total assets	540,239,300	23,384,191	2,491,058	3,336,614	262,921	5,161	566,114,549

As at 31 March 2019	Gross Exposure[2] Stage 1	Stage 2	Stage 3	Impairment Allowance Stage 1	Stage 2	Stage 3	Net Exposure
	USD	USD	USD	USD	USD	USD	USD
Investments	79,212,640	-	-	59,991	-	-	79,212,640
Loans and advances to customers	190,428,800	25,278,354	1,482,743	79,978	65,379	-	217,189,898
Loans and advances to BTL customers	380,162,100	1,027,954	-	354,883	9,460	-	381,190,054
Total assets	649,803,540	26,306,308	1,482,743	494,852	74,839	-	677,592,591
Off-balance sheet commitments and guarantees	4,628,980	230,062	-	1,015	62	-	4,859,042
Total assets	654,432,520	26,536,370	1,482,743	495,867	74,901	-	682,451633

[1] Excludes Unammortised Fees
[2] Excludes Unammortised Fees

17. Movement in gross exposures and impairment allowance

	Loans, advances and investments[1]			Commitments and Guarantees			
	Stage 1 USD	**Stage 2 USD**	**Stage 3 USD**	**Stage 1 USD**	**Stage 2 USD**	**Stage 3 USD**	**Net Exposure USD**
At 31 Mar 2019	**649,803,540**	**26,306,308**	**1,482,743**	**4,628,980**	**230,062**	**-**	**682,451,633**
Transfer between stages	**(9,810,890)**	**9,525,028**	**1,168,015**	**-**	**82,625**	**-**	**(964,778)**
New business originated	**102,367,295**	**-**	**-**	**10,899,791**	**-**	**-**	**113,267,086**
Net drawdowns /repayments	**(33,991,211)**	**(2,072,405)**	**-**	**-**	**-**	**-**	**(36,063,616)**
Asset derecognised due to final repayment	**(179,029,225)**	**(10,457,365)**	**(159,700)**	**(4,628,980)**	**(230,062)**	**-**	**(194,505,332)**
As at 31 March 2020	**529,339,509**	**23,301,566**	**2,491,058**	**10,899,791**	**82,625**	**-**	**566,114,549**

	Loans, advances and investments[2]			Commitments and Guarantees			
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Stage 1 USD	Stage 2 USD	Stage 3 USD	Net Exposure USD
At 1 Apr 2018	759,425,974	14,436,604	5,852,985	13,421,833	4,879,680	-	798,017,076
Transfer between stages	(16,068,450)	19,531,136	5,805,172	(9,624,152)	(4,649,618)	-	(5,005,912)
New business originated	122,645,455	-	-	-	-	-	122,645,455
Net drawdowns /repayments	(58,907,089)	-	(593,332)	1,881,507	-	-	(57,618,914)
Asset derecognised due to final repayment	(157,292,350)	(7,661,432)	(2,966,610)	(1,050,208)	-	-	(168,970,600)
Asset derecognised due to write-offs	-	-	(6,615,472)	-	-	-	(6,615,472)
As at 31 March 2019	649,803,540	26,306,308	1,482,743	4,628,980	230,062	-	682,451,633

[1] Excludes Unammortised Fees
[2] Excludes Unammortised Fees

Impairment Allowance

	Loans, advances &Investments			Commitments and Guarantees			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
	USD	USD	USD	USD	USD	USD	USD
At 31 Mar 2019	494,852	74,839	-	1,015	62	-	570,768
Transfer between stages	(2,320)	166,435	-	-	-	-	164,115
New business originated	768,198	-	-	-	-	-	768,198
New Charges	2,180,484	54,168	5,161	-	-	-	2,239,813
Asset derecognised due to repayments	(104,600)	(32,521)	-	(1,015)	(62)	-	(138,198)
As at 31 Mar 2020	**3,336,614**	**262,921**	**5,161**	**-**	**-**	**-**	**3,604,696**

18. Credit exposures by internal PD grade

Credit risk profile by internal PD grade for loans and advances

31 Mar 2020	Gross carrying amount			Allowance for ECL			
PD Range	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
	USD	USD	USD	USD	USD	USD	USD
<0.03	-	-	-	-	-	-	-
>0.03 <0.6	153,578,074	8,052,081	-	2,463,623	163,724	-	159,002,808
>0.6	375,761,435	15,249,485	2,491,058	872,991	99,197	5,161	392,524,629
Total	529,339,509	23,301,566	2,491,058	3,336,614	262,921	5,161	551,527,437

31 Mar 2019	Gross carrying amount			Allowance for ECL			
PD Range	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
	USD	USD	USD	USD	USD	USD	USD
<0.03	-	-	-	-	-	-	-
>0.03 <0.6	265,831,777	-	-	136,421	-	-	265,695,356
>0.6	383,971,763	26,306,308	1,482,473	358,431	74,839	-	411,327,544
Total	649,803,540	26,306,308	1,482,473	494,852	74,839	-	677,022,900

Credit risk profile by internal PD grade for commitments and guarantees

31 Mar 2020	Gross carrying amount			Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
	USD	USD	USD	USD	USD	USD	USD
<0.03							
>0.03 <0.6	10,894,351	-	-	-	-	-	10,894,351
>0.6	5,440	82,625	-	-	-	-	88,065
Total	10,899,791	82,625	-	-	-	-	10,982,416

31 Mar 2019	Gross carrying amount			Allowance for ECL			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Net
	USD	USD	USD	USD	USD	USD	USD
<0.03	-	-	-	-	-	-	-
>0.03 <0.6	4,320,417	-	-	893	-	-	4,319,524
>0.6	308,563	230,062	-	122	62	-	538,441
Total	4,628,980	230,062	-	1,015	62	-	4,857,965

19. Property, Plant and equipment

Cost:	Leasehold improvements USD	Computer (incl. software) USD	Other fixed assets USD	Asset under construction USD	Total USD
At 1 April 2018	1,103,124	3,194,437	147,097	37,213	4,481,871
Additions	-	6,562	-	273,605	280,167
Disposals					
At 31 March 2019	1,103,124	3,200,999	147,097	310,818	4,762,038
Additions	-	-	-	-	-
Write off	-	-	-	**(310,818)**	**(310,818)**
At 31 March 2020	**1,103,124**	**3,200,999**	**147,097**	**-**	**4,451,220**
Depreciation:					
At 1 April 2018	(273,062)	(2,633,711)	(8,780)	-	(2,915,553)
Disposals	-	-	-	-	-
Depreciation charge for the year	(220,625)	(261,561)	(29,420)		(511,606)
At 31 March 2019	(493,687)	(2,895,272)	(38,200)	-	(3,427,159)
Disposals	-	-	-	-	-
Impairment charge	**(270,920)**	**(17,275)**	**(52,490)**	**-**	**(340,685)**
Depreciation charge for the year	**(169,258)**	**(252,441)**	**(28,205)**	**-**	**(449,904)**
At 31 March 2020	**(933,865)**	**(3,164,988)**	**(118,895)**	**-**	**(4,217,748)**
Net book value:					
At 31 March 2019	609,437	305,726	108,897	310,818	1,334,879
At 31 March 2020	**169,259**	**36,011**	**28,202**	**-**	**233,472**

		2020	2019
20.	**Prepayments, accrued income and other assets**	**USD**	USD
	Accrued income	**46,083**	**751,234**
	Deposits	**5,485,277**	**5,855,207**
	Other receivables	**112,387**	**779,482**
	Other prepayments	**713,070**	**1,939,919**
		6,356,817	**9,325,842**

21. Right of Use Assets

	Leasehold property	Office Equipment	Total
Cost:	**USD**	**USD**	**USD**
At 1 April 2019	**2,573,868**	**10,781**	**2,584,649**
Additions	**-**	**-**	**-**
Impact of remeasurement	**(1,536,115)**	**(1,058)**	**(1,537,173)**
At 31 March 2020	**1,037,753**	**9,723**	**1,047,476**
Depreciation and amortisation:			
At 1 April 2019	**-**	**-**	**-**
Impairment	**(456,358)**	**(4,903)**	**(461,261)**
Depreciation charge for the year	**(293,168)**	**(2,466)**	**(295,634)**
At 31 March 2020	**(749,526)**	**(7,369)**	**(756,895)**
NBV at 31 March 2020	**288,227**	**2,354**	**290,581**

		2020	2019
22.	**Deposits from banks**	**USD**	USD
	Inter bank borrowings	**160,988,880**	259,507,534
	Less: unamortised fees	**(40,573)**	(267,810)
		160,948,307	259,239,724
	Deposits by Banks – securities sold under repurchase agreements	**-**	56,132,117
		160,948,307	315,371,841

Repayable

For maturity profile of the deposits- refer to Liquidity profile (page 68).

Transfers of financial assets not qualifying for de-recognition

Axis Bank UK enters into repo transactions in the normal course of business by which it transfers recognised financial assets directly to third parties. As the substance of the sale and repurchase is secured borrowings, the asset collateral continues to be recognised in full and the related liability reflecting the Axis Bank UK's obligation to repurchase the transferred assets for a fixed price at a future date is recognised in deposits from banks. As a result of these transactions, Axis Bank UK is unable to use, sell or pledge the transferred assets for the duration of the transaction. Axis Bank UK remains exposed to interest rate risk and credit risk on these pledged transactions. The counterparty's recourse is not limited to transferred assets.

Nature of transaction	**2019-20 Carrying amount of transferred assets USD**	**2019-20 Carrying amount of associated liabilities USD**	2018-19 Carrying amount of transferred assets USD	2018-19 Carrying amount of associated liabilities USD
Sale and repurchase agreements	-	-	68,477,734	56,132,117

Assets charged as security for liabilities

The financial assets below are analysed between those assets accounted for on balance sheet and off balance sheet in accordance with IFRS.

	2020	2019
On balance sheet	**USD**	USD
Debt securities	-	68,477,734
Off balance sheet		
Debt securities	**NIL**	NIL

Sale and repurchase agreements

Axis Bank UK enters into sale and repurchase agreements and similar transactions of debt securities which are accounted for as secured borrowings. Upon entering into such transactions, collateral is provided equal to 100-130% of borrowed amount. The carrying amount of assets that were provided at 31 March 2020 were USD Nil (Mar 2019 – USD 68.48 m) included in debt securities in the table above.

		2020	2019
23.	**Deposit from customers**	**USD**	USD
	Current accounts	**2,816,771**	3,491,653
	Savings accounts	**129,487**	35,449
	Fixed Term deposits	**345,977,155**	382,702,032
	Other deposits	**203,516**	76,691
		349,126,929	386,305,825

		2020	2019
24.	**Accruals and other liabilities**	**USD**	USD
	Other payables and accrued liabilities	**930,418**	2,719,469
		930,418	2,719,469

		2020	2019
25.	**Equity share capital**	**USD**	USD
	Authorised, issued and fully-paid share capital		
	1 ordinary share of GBP 1	**2**	2
	80 Million ordinary shares of USD 1 each	**80,000,000**	80,000,000
	Total equity capital	**80,000,002**	80,000,002

As at 31 March 2020 the issued share capital comprises 80,000,000 ordinary shares with a par value of $1each and 1 ordinary share of £1 as in previous accounting year.

The holders of ordinary shares are entitled to receive dividends as declared by the Bank and are entitled to one vote per share at the meetings of the Bank. All shares rank equally with regards to residual assets of the Bank.

The directors regard share capital and reserves as its capital for the capital management purposes where the objective is to ensure it is sufficient to participate in lines of business and to meet the PRA's capital requirements. In order to maintain or adjust the capital structure, the Bank may issue new shares or sell assets. Please refer to the strategic report for further information on capital management.

26. Lease Liabilities

	Leasehold property USD	Office Equipment USD	Total USD
At 1 April 2019	**2,657,729**	**10,781**	**2,668,510**
Interest charged during the year	**71,862**	**294**	**72,156**
Impact of remeasurement	**(1,536,115)**	**(1,058)**	**(1,537,173)**
Payment	**(381,730)**	**(2,103)**	**(383,833)**
Impact of exchange movement	**17,411**	**(583)**	**16,828**
At 31 March 2020	**829,157**	**7,331**	**836,488**

The maturity of the lease liability is not expected to be more than one year given the Bank's intention to wind down operations.

27. Provisions

	Onerous Contracts USD	Restructuring USD	Total USD
At 1 Apr 2019	**-**	**-**	**-**
Additions	**39,990**	**814,428**	**854,418**
Amount utilised	**-**	**(224,107)**	**(224,107)**
Unused amount reversed	**-**	**-**	**-**
As at Mar 2020	**39,990**	**590,321**	**630,311**

All provisions are expected to settle within 12 months after 31 March 2020. The amount provided may vary depending on the timing of the execution to wind down the Bank.

Onerous Contracts
Onerous contract provisions comprise an estimate of the costs involved with fulfilling the terms and conditions of contracts net of any expected benefits to be received.

Restructuring
This comprises of the costs to be incurred for the restructuring and redundancy costs where the Bank has an obligation.

28. Assets Held for sale

	2020 USD
Loans and advances to customers	**170,455,857**
Loans and advances to BTL customers	**376,308,792**
At 31 March 2020	**546,764,649**

Corporate and Commercial banking

Following the Board's strategic decision to wind down operations, the Bank will look to either sell the Corporate assets to Axis Bank Ltd or in the local UK market. The Bank has commenced the process of selling down assets earmarked for Axis Bank Ltd as well as locally in the UK. The expected target date for completion would be for the third quarter of 2020-21.

Buy to Let loans

As part of its wind down strategy, the Bank has commenced proceedings to sell its Buy-to-Let mortgages to the market. Currently that sale process is underway. Update on the current position is disclosed is Note 33.

29. Related party transactions

Ultimate controlling party

The ultimate controlling party of the company is Axis Bank Limited incorporated in India which is both the parent company (ownership - 100%) and ultimate controlling party.

The Company's immediate and ultimate parent, controlling party, and parent of the largest and smallest group in which the Company's results are consolidated, is Axis Bank Limited, a Company incorporated in India. Copies of the consolidated financial statements of Axis Bank Limited are available from its registered address Trishul, 3rd floor, Opp Samartheshwar Temple, Law garden, Ellisbridge, Ahmedabad, Gujarat – 380 006, India.

As on 31 March 2020, the liabilities and assets outstanding to the related parties are as below:

All in USD

		2020	2019
1.	Cash and balances with Bank	**7,259**	582,262
2.	Payable for receipt of services	**2,873**	-
3.	Receivable for providing of services	**6,381**	277,665

Income earned from the related party and expenditure made on the related party for the year 2019-2020 is given as under.

Sr. No.	**Items**	**Promoters**	
		2020	2019
1.	Interest paid (Subordinated Debts)	**-**	844,767
2.	Outsourcing charges and Internal audit fees paid	**248,747**	204,856
3.	Interest paid (Others)	**8,270**	620,666
4.	Dividend paid	**4,500,000**	-
5.	Sale of Investments	**48,789,000**	-
6.	Re-imbursement of expenses paid	**594,648**	77,617

The company enters into commercial transactions with its parent company in the ordinary course of business. The amounts outstanding are unsecured and interest free and will be settled in cash. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Other transactions with related parties (including remuneration paid to the Directors) are disclosed in Note 6.

30. Lease commitments under IAS 17

The Bank had the following operating lease commitments as at 31 March 2019.

	2019
	USD
Within one year	394,176
Within two to five years	1,520,547
Later than five years	1,397,435
	3,312,158

The Company holds a lease liability for its corporate office, 1st Floor, 4 Chiswell Street, London EC1Y4UP. The lease term is for an initial non-cancellation period of 5 years ending in October 2022 with an option to extend for a further 5 years to October 2027. Following the Bank's decision to wind down operations, the maturity of the leasehold arrangement is not expected to be more than one year. See Note 26 for the current maturity profile of the leasehold arrangement.

31. Overview of the Bank's risk management

As mentioned in the Strategic Report, Risk Management plays a pivotal role in wind-down plans and strategy by verifying that they fall within the risk appetite and that the Bank assumes a level of risk that is individually and in aggregate acceptable to the Board. The Board also acknowledges the fact that during the wind-down process, the portfolio imbalances would necessitates re-alignment of internal risk appetite in a manner that it does not lead to excess risk taking. Though there is no incremental business accruing to the Balance Sheet, since the portfolio exits are planned over the course of the Financial Year 2020-2021, the existing risk measurement, monitoring and mitigation remains in place.

Credit Risk Management

The credit risk management processes are guided by policies, independent risk oversight and periodical monitoring through the committees of the Board. The Risk Management Committee(RMC) is a committee of the Board and is responsible for the risk management framework and monitoring the risks arising from the businesses undertaken by the Bank and to advise the Board on the following matters:

i. The maintenance and development of a supportive culture, in relation to the management of risk, appropriately embedded through procedures, training and leadership actions so that all employees are alert to the wider impact on the whole organization of their actions and decisions.

Note 31 (Continued)

ii. Ensuring the risk management framework aligns strategy with the Board's risk appetite; and
iii. Systems of risk management, internal control and compliance to identify, measure, aggregate, control and report risks;

To maintain the maximum transparency in the credit processes, various functional areas have been duly segregated.

The goal of the Bank's credit risk management is to manage the credit risk inherent in individual exposures as well as at the portfolio level and to maximise the Bank's risk-adjusted rate of return on capital by maintaining a healthy credit portfolio. To achieve this, the Bank has structured credit approval processes and a comprehensive Credit Risk Management Policy which also provides for the early identification of weak or vulnerable assets and actively managing them thereafter to minimise impairment provisions.

The objectives of the Bank's credit risk management framework are to:
- set credit limits in line with the Bank's stated risk appetite
- provide a credit approval process appropriate to the lending activities envisaged by the business plan.
- avoid lending into markets or businesses unless the Bank understands the dynamics and risks within that market or business
- optimize the Bank's risk-adjusted rate of return on capital rather than concentrating predominantly on asset or income growth
- maintain a healthy credit portfolio by reducing risk concentrations within the portfolio
- monitor compliance with the above through appropriate credit metrics prepared and managed by an arms-length risk management function.

The limits comprise ratings-based, graduated scales setting the maximum transaction size for secured and unsecured lending, the limits being commensurately lower or maturity shorter, the lower the rating grade. Separate credit limits for exposures to institutions are also based around a combination of ratings and maturity profile.

From a structural perspective, the Credit Policy of the Bank is split between standardised and bespoke lending activities. The relative attributes which generally determine the approach the Bank adopts may be summarised as follows:

Standardised Activities	Bespoke Activities
- Narrow range of product types - Standard terms and conditions - Limited tolerance for exceptions or variances to standard terms and conditions - Smaller individual transaction sizes - Higher volume - Common security types - Approval by individual jointly (based upon certain threshold limits)	- Broad range of products - Deal specific terms and conditions - Wide range of potential variations between facilities of otherwise similar type - Larger transaction size - Low volume - Wide range of security types - Approval by Committee

Where a transaction under a commoditised product varies sufficiently from the standard conditions, it is either rejected or must be treated in all regards as a bespoke transaction and approved accordingly.

Note 31 (Continued)

The Credit Policy of the Bank therefore comprises four separate 'legs' reflected in the following documents:

a) The Credit Risk Policy (Risk Appetite) which governs the control elements of credit policy including all credit limits;
b) A Credit Policy which sets out the Bank's lending strategy, pricing criteria, approach and methodologies for bespoke transactions;
c) Lending Guidelines for commoditized products (currently restricted to Buy-to-Let mortgages); These guidelines would be withdrawn as the Buy-to-Let portfolio is successfully sold in the market.

d) A Non-Performing Assets (NPA) policy which governs the determination and management of credit delinquency;

For a bespoke loans, the Bank uses established external credit rating model and all non-bank counterparties except those backed by 100% cash margin or backed by a financial guarantee from a counter party Bank (wherein ultimate risk is on the counter party bank) are required to be rated using the internal credit rating model. The risk department reviews and confirms the rating assigned to a borrower or counterparty. The Bank also maintains appropriate income recognition and provisioning policies. Any exposure to a single party or group in excess of 10% of its capital base is considered as large exposure as per regulatory guidelines and is monitored regularly.

Collateral

Collateral is held to mitigate credit risk exposure and may include one or more of:

1. Bank Deposits under Lien including those with third party institutions
2. Marketable Securities
3. Current Assets
4. Bank Guarantees and Letters of Credit
5. Fixed Assets (Movable and Immovable)
6. Corporate Guarantees

No collateral was held in respect of exposures to Banks and financial institutions at the year-end. Non-bank exposures are secured as set out in the table below:

Note 31 (Continued)

2020

Collateral Type	Loans and Advances to Customers (USD'000)		Collateral Value (USD'000)		% of Exposure	
	Retail	Non-Retail	Retail	Non-Retail	Retail	Non Retail
Current Assets	**-**	**15,507**	**-**	**47,245**	**-**	**305%**
Bank Guarantees and Letter of Credit	**-**	**26,857**	**-**	**26,857**	**-**	**100%**
Fixed Assets (Moveable and Immovable)	**378,228**	**122,528**	**553,670**	**195,276**	**146%**	**159%**
Corporate Guarantee	**-**	**7,048**	**-**	**7,357**	**-**	**104%**
Total	**378,228**	**171,940**	**553,670**	**276,735**	**146%**	**177%**

2019

Collateral Type	Loans and Advances to Customers (USD'000)		Collateral Value (USD'000)		% of Exposure	
	Retail	Non-Retail	Retail	Non-Retail	Retail	Non Retail
Current Assets	-	15,678	-	46,477	-	296%
Bank Guarantees and Letter of Credit	-	31,459	-	31,459	-	100%
Fixed Assets (Moveable and Immovable)	381,190	133,154	561,424	219,494	147%	165%
Corporate Guarantee	-	6,937	-	6,937	-	100%
Unsecured	-	29,962	-	-	-	-
Total	**381,190**	**217,190**	**561,424**	**304,367**	**147%**	**140%**

Country Risk Exposure

Country risk is the risk that an occurrence within a country could have an adverse effect on the Bank. The Bank's risk management framework incorporates measures and tools to monitor this risk. These measures include various limits by country and a risk rating by country which is updated quarterly. Country risk exposure is based on the domicile of the legal entity. The following table provides a summary of exposures by counterparty as of 31 March 2020:

Note 31 (Continued)

Countries	2020 Exposure (USD'000)	2020 % of Total Exposure	2019 Exposure (USD'000)	2019 % of Total Exposure
Australia	**802**	**0.1%**	-	-
Belgium	**1,807**	**0.3%**	3,857	0.5%
Germany	**17,779**	**2.8%**	16,535	2%
India	**29,072**	**4.6%**	119,979	14.4%
Italy	**22,650**	**3.6%**	17,785	2.1%
Mauritius	**-**	**-**	7,499	0.9%
Netherlands	**10,700**	**1.7%**	39,457	4.7%
Panama	**12,047**	**1.9%**	12,653	1.5%
Singapore	**11,651**	**1.8%**	17,141	2.1%
Sweden	**13,620**	**2.1%**	5,898	0.7%
UAE	**8,228**	**1.3%**	9,980	1.2%
UK	**457,945**	**72.0%**	517,593	62.1%
US	**49,382**	**7.8%**	65,368	7.8%
Total	**635,683**	**100%**	833,745	**100%**

Market Risk Management

Market risks for the Bank include FX risk and interest rate risk. The Bank's business activities do not include taking either equity or commodity risk or holding trading positions in either FX or interest rate instruments above de minimis levels commensurate with meeting customer needs and efficient ALM management.

The Bank has determined that due to the modest size of its balance sheet, FX risks will be managed through a combination of limits on:

- Daylight positions;
- Net Overnight positions; and
- Forward Gaps

All FX exposures are subject to individual counterparty limits (including settlement limits) and to the portfolio limits applicable to countries and economic sectors in addition to any cap on exposures imposed by the regulator.

Interest Rate Risk (IRR) is defined as the risk of loss due to fluctuations in Interest Rates. Interest Rate Risk may arise in any one or more of the following ways:

(i) Mismatch (re-pricing) risk
(ii) Basis risk
(iii) Yield curve risk
(iv) Optionality

The Bank expects IRR to predominantly arise from mismatches in the asset/liability mix of the book. Corporate, BTL and wholesale assets and liabilities will either be:

- priced off LIBOR maximising the effectiveness of mismatch limits in managing and controlling IRR in the Banking Book; or
- fixed rate over a defined period.

Note 31 (Continued)

The Bank is cognisant of the LIBOR Transition rules with the cessation of LIBOR expected from December 2021. As the Bank is winding down operations, the portfolio affected by LIBOR are scheduled to be off-loaded prior to the implementation date.

Basis risk is expected to manifest itself principally in the retail portfolio. Basis risk in the retail book is expected to be de minimis in the near term.

Yield curve risk is regarded as a subset of re-pricing risk and is addressed through the stress testing process where the gaps are subject to non-parallel shifts in the yield curve.

Optionality risk is not expected to be a material concern given the vanilla nature of the Bank's business.

The Bank recognises that IRR will manifest itself both through its impact on earnings and through economic value as the market value of interest rate sensitive instruments such as gilts/treasuries, bonds and other government or corporate issued paper will rise and fall as a result of interest rate moves.

The portfolio imbalances due to wind-down is expected to alter the interest rate risk in the balance sheet, however, it is expected to remain within the regulatory thresholds.

The Market Risk Policy sets absolute limits for different positions carrying market risk. Due to its size, the Bank does not currently manage its market risks through quantitative approaches such as VaR. Risk limits are applied to control both interest rate and FX risks as set out below. Interest rate risk is controlled through Duration of Equity (DoE) and Earnings at risk (EAR) limits. Gap limits are based on the net aggregate exposures falling due within each time bucket, the asset or liability being assigned to the bucket corresponding to its next interest rate re-fixing date. As at the reporting date, the profile of the Bank's interest rate sensitive book is as follows:

Note 31 (Continued)

All in USD'000

2020

Particulars	Up to 1M	1 – 3M	3 – 6M	6 – 12M	1-3Yr	> 3 Yr	Non Sensitive Category	Total
Cash and bank	23,619	-	-	-	-	-	3,295	26,914
Derivative financial instruments	2,584	1,365	27	-	-	-	-	3,976
Loans – customers	131,870	17,891	13,656	-	1,800	2,685	3,721	171,623
Loan - Buy To Let	4,868	27,122	4,111	17,490	200,924	120,626	-	375,141
Investments FVOCI	-	29,999	-	-	5,003	-	-	35,002
Total assets	162,941	76,377	17,794	17,490	207,727	123,311	7,016	612,656
Derivative financial instrument	3,626	624	-	-	-	-	-	4,250
Deposits by banks	25,000	84,705	29,365	21,878	-	-	-	160,948
Deposits – customers	9,018	24,391	49,192	141,370	114,377	4,724	6,055	349,127
Lease Liabilities	-	-	-	-	-	-	836	836
Total equity and Liabilities	37,644	109,720	78,557	163,248	114,377	4,724	6,891	515,161
Interest Rate Gap	125,297	(33,343)	(60,763)	(145,758)	93,350	118,587	125	
Impact of Interest increase of 2%	103	206	(246)	(2,183)	3,642	8,200		9,722

Note 31 (Continued)

All in USD'000
2019

Particulars	Up to 1M	1 – 3M	3 – 6M	6 – 12M	1-3Yr	> 3 Yr	Non-Sensitive Category	Total
Cash and bank	69,643						5,194	74,837
Loans & Adv - banks								
Derivative financial instruments	750	281	1,007	46				2,084
Loans - customers	78,320	93,742	41,425	2,220			4,301	220,008
Loan - Buy To Let	3,287	60,528	5,225	9,093	96,866	204,467		379,466
Investments FVOCI	5,002		24,910	44,415	54,583	10,276		139,186
Total assets	**157,002**	**154,551**	**72,567**	**55,774**	**151,449**	**214,743**	**9,495**	**815,581**
Derivative financial instrument	551	591	758	1,480		-		3,380
Deposits by banks	25,000	140,000	54,240	40,000				259,240
Repo Agreement			19,082		37,050			56,132
Deposits - customers	10,587	27,071	25,314	144,115	170,020	3,037	6,163	386,307
Total equity and Liabilities	**36,138**	**167,662**	**99,394**	**185,595**	**207,070**	**3,037**	**6,163**	**705,059**
Interest Rate Gap	120,864	(13,111)	(26,827)	(129,821)	(55,621)	211,706	3,332	
Impact of Interest increase of 2%	134	268	16	(1,864)	(1,417)	9,453		6,590

Exposures of less than 1 year are further controlled via Earnings at Risk limit (EAR), such limit being based on a standard 25bp parallel shift in interest rates. The EAR as on reporting date is USD 0.28m. The EaR is subject to stress testing on a quarterly basis through modelling the impact of various alternative yield curve shifts including a shock parallel shift of 200bp. The Duration of Equity (DOE) is assessed on a 200 basis points shift in Interest rates is 5.6% of CET1 capital.

The Bank is exposed to foreign exchange risk to the extent of its open position in each currency. The Bank has set limits for the maximum net open position over various periods and measures and monitors these open positions on a daily basis.

As the Bank deals in various currencies, it is not always possible to match the asset and liability in each currency. As a result, the Bank uses currency swaps to eliminate currency risk on long or short currency positions. These derivatives are revalued daily and any change in their fair value is recognised immediately in profit and loss.

Note 31 (Continued)

The open position of the Bank as on 31 March is as follows:

		2020
Currency	**Open Position**	**USD Equivalent**
	FCY '000	**USD'000**
Indian Rupee	**549**	**7**
Pound Sterling	**8**	**10**
Euro	**132**	**129**
Total Long Position in US Dollars		**147**
Total Short Position in US Dollars		**-**

Upward or downward movement of exchange rate by 10% may impact profitability of the Bank by USD 20,325.

		2019
Currency	**Open Position**	**USD Equivalent**
	FCY **'000**	**USD'000**
Indian Rupee	40,266	582
Pound Sterling	(337)	(441)
Euro	32	36
Total Long Position in US Dollars		618
Total Short Position in US Dollars		(441)

Upward or downward movement of exchange rate by 10% may impact profitability of the Bank by USD 93,450.

Liquidity Risk Management:

It is the stated policy of the Bank to manage the liquidity risks of the Bank so as to comply at all times with:

- The regulatory rules and requirements set out in the PRA Handbook and other statutory instruments applicable to the Bank;
- The risk appetite set by the Board to achieve the strategy agreed with the shareholder.

As part of the wind-down strategy, liquidity is created through asset sales before initiating any action which leads to the pay-out of retail deposits. The Bank's retail deposits portfolio is fixed-term in nature and only a small component pertains to Current and Savings accounts which are on-demand in nature. As part of the financial projections, the Buy-to-let portfolio is the precondition for prepayment of retail deposits. The Bank's ALCO regularly monitors the liquidity implications of wind-down plan and a special task force is created to monitor the developments closely.

Responsibility for the day-to-day management of the liquidity position of the Bank lies with the Treasury function. Limit monitoring is conducted by the Risk Management function. Treasury acts at all times in line within the limits and parameters set by the RMC and ALCO. The Risk Management Department reviews the liquidity position on a daily basis to ensure that the negative liquidity gap does not exceed the tolerance limit in the respective time buckets.

The Bank maintains a Liquid Asset Buffer (LAB) in eligible securities as part of its routine liquidity management activities and in order to meet its regulatory obligations.

Note 31 (Continued)

The Bank has a contingency funding plan in place which sets out how the Bank would manage its liquidity risks in response to abnormal and potentially business threatening market conditions affecting the Bank's ability to fund its business.

The liquidity position has considerably strengthened by the committed line provided by the parent Bank, where ABUK can draw the funds to the extent of $120m at any point and in required currency (EUR/GBP/USD) during the wind-down period.

Liquidity Monitoring - The Treasury function is responsible for ensuring it has reports delivered in a timely manner, sufficient to enable it to manage the liquidity risks of the Bank. The Risk Management function is responsible for monitoring compliance with the risk and business limits set out in this policy and will work in close association with the Finance function who have responsibility for regulatory reporting and ensuring compliance with all regulatory limits. The liquidity profile as at reporting date is as shown below:

All in USD'000

2020

As at 31 March, 2020	Up to 1M	1-3 M	3-12 M	1-5Yr	Over 5Yr	Undated	Total
Cash and bank	26,914	-	-	-	-	-	26,914
Derivative financial instruments	2,582	1,369	34	-	-	-	3,985
Investments	-	29,999	-	5,428	-	-	35,427
Loans and Adv.- customers	4,914	27,073	31,439	118,617	7,432	-	189,475
Loans and Adv – BTL customers	-	-	9,390	25,324	371,196	-	405,910
Total assets	34,410	58,441	40,863	149,369	378,628	-	661,711
Derivative financial instruments	862	627	5	2,771	-	-	4,265
Deposits by banks	25,349	40,015	96,433	-	-	-	161,797
Deposits from customers	9,693	25,516	199,994	129,284	-	2,946	367,433
Lease liabilities	-	94	836	-	-	-	930
Total equity and Liabilities	35,904	66,252	297,268	132,055	-	2,946	534,425
Net liquidity gap	(1,494)	(7,811)	(256,405)	17,314	378,628	(2,946)	
Cumulative Liquidity Gap	(1,494)	(9,305)	(265,710)	(248,396)	130,232	127,286	

Note 31 (Continued)

							2019
As at 31 March, 2019	**Up to 1M**	**1-3 M**	**3-12 M**	**1-5Yr**	**Over 5Yr**	**Undated**	**Total**
Cash and bank	74,837						74,837
Loans and Adv. - banks							
Derivative financial instruments	749	276	974	46			2,045
Investments	5,174		69,917	71,414			146,505
Loans and Adv. - customers	15,922	55,291	39,754	114,898	12,876		238,741
Loans and Adv – BTL customers		2,397	8,367	28,960	376,178		415,902
Total assets	**96,682**	**57,964**	**119,012**	**215,318**	**389,054**	**-**	**878,030**
Derivative financial instruments	554	596	771	1,480			3,401
Deposits by banks	485	27,196	165,729	69,732			263,142
Repurchase Agreement			19,082	37,050			56,132
Deposits from customers	11,332	28,450	176,849	185,431			402,062
Total equity and Liabilities	**12,371**	**56,242**	**362,431**	**293,693**	**-**	**-**	**724,737**
Net liquidity gap	84,311	1,722	(243,419)	(78,375)	389,054		
Cumulative Liquidity Gap	84,311	86,033	(157,386)	(235,761)	153,293		

Note 31 (Continued)

Operational Risk Management

The Bank has put in place an Operational Risk Management (ORM) policy to manage operational risk in an effective, efficient and proactive manner. The primary objective of the ORM policy is to identify the operational risks that the Bank is exposed to from failed, inadequate and /or missing controls, processes, people, systems or from external events or a combination of all the five, assess or measure their magnitude, monitor them and control or mitigate them by using a variety of checks and balances. Within the ORM framework, processes and services offered by the Bank are subject to rigorous risk evaluation and approval. In addition to the ORM policy, the Bank has specific operational policies in place covering (inter alia) IT Security, Outsourcing and business continuity.

The premature prepayment of retail deposits, brings forth a set of risks which would not usually be faced by the Bank on a business-as-usual basis. To mitigate this the Bank has embarked upon process automation, laid down clear & comprehensive communications strategy including FAQs, pre-formulated responses to envisaged queries/complaints etc., to address a new set of risks emanating from the execution of the wind-down plan.

The Bank has adopted a measured approach to the creation of its Risk Register which it believes is appropriate to the scale and complexity of the operations. The Risk Register comprises an analysis of the risks under the risk headings contained in the Risk Management Framework. These risks have been identified by the management team and in each case subjective judgements have been made as to the frequency with which these risks would arise and their financial impact in the absence of controls. Appropriate controls are identified and the impact and frequency reassessed on the basis of those controls being operative.

The risk register therefore determines the Bank's risk management priorities and where the Bank seeks to apply the risk resources. It influences how the Bank determines its risk appetite and sets a useful benchmark against which to measure the incidence and impact of actual events. The risk register has been updated to reflect the risks posed by wind-down plan. The Operational Risk Capital Charge for the Bank's own internal calculation under its ICAAP process is also derived from this process.

32. Other commitments and contingencies

The Bank had no other commitments and contingencies at the year-end other than undrawn loan amount of **USD 6.02m** (2019 USD 4.86m); Bank guarantee **USD 4.96m** (2019 USD 1.77m) and Letter of Credit of **USD 0.1m** (2019 USD 1.16m).

33. Events after balance sheet date

On 4 June 2020, the Bank entered into a Portfolio Transfer Agreement with a third party to sell its Buy to Let portfolio. The transaction is expected to be completed by 30 June 2020. The balance of the Buy to Let portfolio to be sold amounts to approximately £300m.