AXIS BANK

UK LTD

Annual Report and Financial Statements for the year ended

31 March 2017

COMPANY REGISTRATION NUMBER 07554558

Contents

Company Registration Number	**07554558**
The Board of Directors	
	Varadarajan Srinivasan Chairman
	Sanjeev Kumar Gupta Non-Executive Director
	Sidharth Rath Non-Executive Director
	David Charles Budd Non-Executive Director
	Diane Elizabeth Moore Non-Executive Director
	Rajendra D Adsul Managing Director & Chief Executive Officer
	Martin Charles Say Executive Director – Risk & Compliance
Company Secretary	**Kanchan Dasgupta**
Registered Office	4th Floor, Kings House, 36-37 King Street, London EC2V 8BB
Auditor	**Deloitte LLP** London, United Kingdom

The Directors have pleasure in presenting the annual report and the audited financial statements for the year ended 31 March 2017. 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 and review of the business

Axis Bank UK Limited ("the Bank"), a company incorporated in the United Kingdom under the Companies Act, 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 85.21 billion as of 31 December 2016 (2015 USD 76.27 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 offers a range of products covering retail banking, corporate and commercial banking, trade finance and treasury services to its customers.

Going concern basis

The accounts are prepared on the going concern basis. The Bank has adequate resources to continue its operations for the foreseeable future. The bank has maintained a stable liquidity position. It has a strong capital position, including a positive contribution of capital by way of retained earnings during the financial year.

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 and reasonably expect it to continue in operational existence for the foreseeable future.

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 support the business transacted.

As at the close of the previous accounting year, the Bank had share capital of 55 million equity shares of USD 1 each, 1 equity share of GBP 1 and subordinated debt of USD 25 million. Both the equity share capital and the subordinated debt were issued to Axis Bank Limited. There was no change during the year.

Charitable donations

The Bank made no charitable donations during the year.

Directors

The current Directors are listed on page 2. During the reporting year, Mr. Michael Folger ceases to be a Director from 31 December 2016 at the end of his contractual term. Also in the reporting period Ms Diane Moore was appointed as Director and inducted in the Board with effect from 1 October 2016.

Disclosure as per Capital Requirement Regulation (CRR)

The Bank has made the disclosures as required for year ended 31 March 2017, under the CRR in a separate document and the same is available on its website (www.axisbankuk.co.uk).

Statement as to disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' 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.

Auditor

Deloitte LLP has been the auditor of the Bank since April 2013. They have been reappointed for a further period of two years from April 2016.

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

Rajendra D Adsul
Managing Director & Chief Executive Officer
13 April 2017

Kanchan Dasgupta
Company Secretary

Current strategy

The business strategy of the Bank has 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 Bank has approved a strategy which focuses on specific business segments which are aligned with its core competencies and strengths and are consistent with the risk appetite of the Bank. The primary activities of the Bank in the past 12 months have been lending to targeted corporate clients and lending to Professional Landlords in the Buy-to-Let market, whilst also investing and building a portfolio of high quality liquid assets as part of its liquidity management activities. The Bank has also commenced Investment Banking operations towards the end of the current year. The Bank has also implemented a retail proposition centred on a range of fixed deposit products, including online deposits, rather than the provision of transactional banking services, and a Mobile-Driven Remittance product for remittances to India.

The Bank has leveraged its relationships with other institutions in order to fund its asset growth. A key focus has been to ensure that the Bank's business plans are achievable within its capital and liquidity resources.

Future plans

In addition to growing its existing activities the Bank also recognises the desirability of continuing to diversify its sources of revenue. In this regard the Bank plans to expand its corporate banking offerings to include Trade Finance products, offer plain vanilla hedge products to its clients and offer select Investment Banking activities. Regulatory approvals, wherever needed, will be sought prior to commencing the relevant businesses.

BREXIT impact

The Bank is actively monitoring developments in relation to BREXIT and the matter has become a standing item on the Board's agenda.

Whilst the Bank considers the potential impact that a 'hard' BREXIT may have when considering new transactions, the Bank is currently not reliant to any material degree on business originating from within the EU.

However the Bank recognises that a 'hard' BREXIT outcome may impact on other aspects of its business such as non-USD denominated earnings and tax, as well as having macro-economic repercussions that may affect certain UK domestic markets to which the Bank has exposure as well as UK financial markets generally.

As the UK's position becomes clearer, the Bank will adjust its exposures and activities to ameliorate any adverse effects expected. On a more positive note, the Bank believes that Anglo-Indian business will become an area of increased focus and growth in the post-BREXIT world and that the Bank will be well positioned to benefit from the opportunities that this will offer.

Key financial highlights

During the year, the Bank has made further progress in implementing its business plan. The Bank's total assets as at March 2017 were USD 823.22 million (2016: USD 661.73 million) and the Bank profit before taxes of USD 10.43 million (2016: USD 7.81 million). The capital, funding and liquidity positions of the Bank remained comfortable throughout the year.

Payment of dividends

The Directors have not recommended the payment of any dividend (2016: USD Nil).

The financial statements for the reporting year ended 31 March 2017 are shown on pages 15 to 50.

Key performance indicators and ratios

The financial performance is summarised in the following table:

Income Statement	2016-17	2015-16
	USD	USD
Net interest income	**11,604,003**	8,926,733
Fee income (net)	**4,970,195**	4,460,317
Total operating income	**16,561,412**	13,682,984
Operating expenses	**(6,127,108)**	(5,869,669)
Profit before taxes	**10,434,305**	7,813,315
Balance Sheet	**2016-17**	**2015-16**
	USD	USD
Cash and balances with banks	**44,383,519**	1,700,474
Loans and advances to banks	**25,500,000**	56,976,130
Loans and advances to customers	**278,984,438**	311,055,918
Loans and advances to BTL customers	**317,473,175**	148,707,680
Investments	**150,626,675**	131,785,175
Total assets	**823,220,119**	661,730,316
Equity holders' funds	**74,842,982**	67,314,847
Key performance indicators (%)	**2016-17**	**2015-16**
Net Interest Margin (NIM)	**1.62**	1.80
Cost to income ratio	**40.95**	49.18
Capital adequacy ratio	**19.07**	18.91
Core tier 1 ratio	**14.31**	13.79
Return on Assets (ROA)*	**1.01**	0.94

We confirm that there were no subsequent events post balance sheet date, please refer to note 32.

** 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.*

Corporate and commercial banking

The Bank's corporate business aims to provide products and services to enhance investment and trade primarily in the UK and India. The regulatory and emerging business environment both in UK and India will influence the mix of products offered to clients. The Bank is looking to expand its product range, developing existing relationships and acquiring new ones, while minimising risk by remaining focused on its core competencies.

Buy to let

The Bank's Buy-to-Let business launched in April 2015 is focused on professional landlords. The Bank has in place a lending policy that is in line with market norms and currently has no plans to lend into the Consumer Buy-to-Let area. The Bank operates through a network of empanelled packagers and brokers and has a delivery system in place to serve its clientele.

Retail banking

The retail banking business is focused on offering a range of fixed deposit products. By leveraging technology, the Bank plans to offer variations of the retail deposit products to provide a wider choice of maturity to choose from. In addition to offering the remittances to India through its office in London, the Bank launched a Mobile Driven Remittance (MDR) product in 2015 to enable easy remittance of funds to India. The Bank also assists, through its NRI desk, non-resident Indian (NRI) customers, based in UK, with their India-related banking facilities with Axis Bank Limited.

Treasury

The treasury function focuses on managing the balance sheet, and the market, FX and liquidity risk 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.

The Bank has not undertaken any proprietary trading activities but routinely turns over part of its investment portfolio in line with regulatory requirements to evidence accessibility to the markets.

The Bank reviews the asset/liability maturity mismatches and interest rate positions, on an on-going basis, and maintains liquidity gaps and interest rate positions within prescribed limits, which are monitored by the Asset and Liability Committee (ALCO) of the Bank.

The Bank is able to access the term money market and borrow funds at competitive rates by both leveraging on the existing relationships of Axis Bank Limited and developing new interbank relationships. The Bank continues to diversify funding sources both in terms of maturity, products and markets and in 2016 both extended its range of counterparties and gained access to the Sterling Monetary Framework which further strengthened its funding and liquidity management regime.

Investment banking

The Investment banking team will focus on offering advisory services to professional clients in the area of mergers and acquisition, structured finance and syndications.

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 observes high standards of integrity and fair dealing and acts with due skill, care and diligence in the conduct of its business. Emphasis on this positive culture is of key importance as at its heart, the Bank's strategy is relationship rather than transaction driven, and this strategy is further supported through its approach to remuneration which rewards staff on their holistic contribution to the organisation, rather than on the simple attainment of financial targets.

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, three Non-Executive Directors nominated by the shareholder and two independent UK-based Non-Executive Directors. 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 holds any other responsibilities within the wider Axis Bank Group and between them they Chair all Board committees excepting the HR Committee.

The Board has the collective responsibility for promoting the long-term success of the Bank. While the Executive Directors have the direct responsibility for business operations, the Non-Executive Directors are responsible for bringing independent judgement and scrutiny to 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 a Non-Executive Director:

- Human Resources, Remuneration and Nominations Committee
- 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) and are responsible for the day-to-day evaluation and 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 India) 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 reporting on such developments forms standing agenda items at the Board Committee meetings where the implications are considered and the Bank's response is approved.

Senior Managers Regime (SMR)

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.

Risk governance

The risk group plays a significant role in review and challenge of risk inherent in the business plans and strategy by verifying that they fall within the risk appetite and that the Bank incurs a level of risk that is individually and in aggregate acceptable to the Board.

The Bank follows 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	The ACC is responsible to the Board 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	The RMC is responsible to the Board for the quality and effectiveness of the risk management framework of the Bank. 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	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, interest rates on 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 and systems of the Bank and to recommend such amendments and changes as may be required from time to time to ensure the framework remains fit for purpose. The Role of the Risk Management Group is to:

- recommend appropriate changes to risk governance and organisational structures;
- draft and implement policies and 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 control functions working with line managers 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.

Anti-Money Laundering (AML) and compliance

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

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.

The Bank supports a strong compliance culture.

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.

Risk management

Given its current business activities, the Bank views its primary financial risks as being credit and liquidity related. Cyber risks are considered the principal operational risk and the Bank benefits from the management of its cyber risks by its parent who are able to apply the considerable resources and expertise available to a major bank. Other operational and market risks are considered of secondary magnitude due to the straightforward nature of the principal assets and modest overall transaction volumes.

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.

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 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 CIC or by the Board's Committee of Directors, where the transaction lies outside the devolved 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 ILAA statements 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 ILAA are subject to interim review and update in response to material changes to the business or regulatory environment.

Change of registered office

The Bank is expecting to move from its existing premises at Kings House before March 2018. The registered office of the Bank will be changed accordingly once the shift to the new premises takes place.

Employees

The Bank continues to give considerable attention in selecting suitable employees to conduct its growing business operations and to meet the strategic objectives of the Bank. The Bank has a flat organisation structure and all departments are headed by persons with long experience in the industry in the relevant area.

By order of the Board

Rajendra D. Adsul

Rajendra D Adsul
Managing Director & Chief Executive Officer
13 April 2017

Kanchan Dasgupta
Company Secretary

AXIS BANK UK LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2017

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable laws and regulations.

The Companies Act 2006, being the applicable law in the UK, requires the Directors to prepare financial statements for each financial year. The Directors have prepared the Bank's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The financial statements are required by law to give a true and fair view of the state of affairs of the Bank for that period.

In preparing the financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the EU, subject to any material departure 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 Bank will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are also required by the Disclosure and Transparency Rules (DTR) of the FCA to include a Management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Bank.

Directors' responsibilities statement

Each of the Directors, whose names are listed in the Directors' Report and Accounts confirms that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRS as adopted by the EU and in accordance with the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Bank;
- the Directors' report contained in the Annual Report and Accounts which comprises the sections described in the Directors' report section, includes a fair review of the development and performance of the business and the position of the Bank and a description of the principal risks and uncertainties that it faces;
- so far as the Directors are aware, there is no relevant audit information of which the Bank's auditor is unaware; and
- they have each taken all the steps that ought to have been taken by them as Directors in order to make themselves aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

The Directors are responsible for the integrity of the audited financial information on our website at www.axisbankuk.co.uk.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Rajendra D. Adsul

Rajendra D Adsul
Managing Director & Chief Executive Officer

13 April 2017

We have audited the financial statements of Axis Bank UK Limited for the year ended 31 March 2017 which comprise Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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.

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 any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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.

Caroline Britton

Caroline Britton
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
13 April 2017

AXIS BANK UK LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

COMPANY REGISTRATION NUMBER 7554558

	Notes	2017 USD	2016 USD
Interest and similar income	5	**24,878,046**	16,310,036
Interest and similar expense	6	**(13,274,043)**	(7,383,303)
Net Interest Income		**11,604,003**	8,926,733
Fee and commission income	7	**7,249,260**	6,027,618
Fee and commission expense	7	**(2,279,065)**	(1,567,301)
Net foreign exchange gain/(loss)		**2,281,426**	(1,018,755)
(Loss)/gain on financial instruments at FVTPL		**(920,638)**	1,122,088
Other operating (expense)/income		**(2,087)**	52,015
Incurred but not reported provision	20	**(1,689,872)**	(227,336)
Profit on sale of debt securities		**318,385**	367,922
Operating Income		**16,561,412**	13,682,984
Personnel costs	8	**(3,791,800)**	(3,655,181)
Operating lease		**(150,381)**	(155,272)
Depreciation and amortisation	21	**(589,910)**	(589,439)
Other general operating expenses	10	**(1,595,016)**	(1,469,777)
Profit Before Tax		**10,434,305**	7,813,315
Corporation tax expense	11	**(2,110,734)**	(1,574,412)
Profit for the year from continuing operations		**8,323,571**	6,238,903

The notes on pages 20 to 50 form part of these financial statements

AXIS BANK UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

COMPANY REGISTRATION NUMBER 7554558

	Notes	2017 USD	2016 USD
Profit for the year		**8,323,571**	6,238,903
Other comprehensive income net of tax			
Net movement in fair value on AFS investments		**(1,003,737)**	(46,140)
Tax relating to fair value movement on AFS investments	11	**170,434**	9,538
Net loss on AFS investments		**(833,303)**	(36,602)
Exchange difference on translation of tax creditor		**37,867**	(37,867)
Total comprehensive income attributable to equity Shareholders for the year		**7,528,135**	6,164,434

The notes on pages 20 to 50 form part of these financial statements

AXIS BANK UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

COMPANY REGISTRATION NUMBER 7554558

	Issued capital	Fair value reserves	Translation reserves	Retained earnings	Total equity
	USD	USD	USD	USD	USD
Balance at 1 April 2015	55,000,002	24,545	-	6,125,866	61,150,413
Transaction with owners recorded directly in equity					
Dividend	-	-	-	-	-
	55,000,002	24,545	-	6,125,866	61,150,413
Total comprehensive income for the year					
Profit for the year	-	-	-	6,238,903	6,238,903
Other comprehensive income for the year					
Net movement in fair value on AFS	-	(46,140)	-	-	(46,140)
Tax relating to fair value movement on AFS	-	9,538	-	-	9,538
Exchange difference on translation of tax creditor	-	-	(37,867)	-	(37,867)
Balance at 31 March 2016	55,000,002	(12,057)	(37,867)	12,364,769	67,314,847
Balance at 1 April 2016	**55,000,002**	**(12,057)**	**(37,867)**	**12,364,769**	**67,314,847**
Transaction with owners recorded directly in equity					
Dividend	-	-	-	-	-
	55,000,002	**(12,057)**	**(37,867)**	**12,364,769**	**67,314,847**
Total comprehensive income for the year					
Profit for the year	-	-	-	**8,323,571**	**8,323,571**
Other comprehensive income for the year					
Net movement in fair value on AFS	-	**(1,003,737)**	-	-	**(1,003,737)**
Tax relating to fair value movement on AFS	-	**170,434**	-	-	**170,434**
Exchange difference on translation of tax creditor reclassified to Profit & loss	-	-	**37,867**	-	**37,867**
Balance at 31 March 2017	**55,000,002**	**(845,360)**	-	**20,688,340**	**74,842,982**

The notes on pages 20 to 50 form part of these financial statements

AXIS BANK UK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

COMPANY REGISTRATION NUMBER 7554558

	Notes	2017 USD	2016 USD
Assets			
Cash and balances with banks	12	**44,383,519**	1,700,474
Loans and advances to banks	15	**25,500,000**	56,976,130
Derivative financial Instruments	13	**926,608**	2,161,118
Financial investments - available for sale	16	**68,886,725**	34,954,443
Loans and advances to customers	17	**278,984,438**	311,055,918
Loans and advances to BTL customers	18	**317,473,175**	148,707,680
Financial investments - held to maturity	19	**81,739,950**	96,830,732
Property and equipment	21	**1,174,500**	1,756,519
Deferred tax asset	11	**180,399**	-
Prepayments, accrued income and other assets	22	**3,970,805**	7,587,302
Total assets		**823,220,119**	661,730,316
Liabilities			
Derivative financial Instruments	13	**1,846,893**	1,039,030
Deposits from banks	23	**428,118,399**	373,820,129
Repurchase agreements	23	**66,355,536**	53,747,445
Deposits from customers	24	**221,124,483**	136,623,705
Current tax liabilities		**912,787**	709,259
Subordinated liabilities and other borrowed funds	25	**24,596,757**	24,529,557
Deferred tax liabilities	11	**1,537**	45,458
Accruals and other liabilities	26	**5,420,745**	3,900,886
Total liabilities		**748,377,137**	594,415,469
Equity attributable to equity holders			
Equity share capital	27	**55,000,002**	55,000,002
Fair value reserves		**(845,360)**	(12,057)
Retained earnings		**20,688,340**	12,364,769
Translation reserves		**-**	(37,867)
Total equity		**74,842,982**	67,314,847
Total liabilities and equity		**823,220,119**	661,730,316

The financial statements were approved by the Board of Directors and authorised for issue on 13 April 2017.

Rajendra D. Adsul

Rajendra D Adsul
Managing Director & Chief Executive Officer
Company Registration No 07554558

The notes on pages 20 to 50 form part of these financial statements

AXIS BANK UK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	2017 USD	2016 USD
Cash flows from operating activities:		
Profit before tax	**10,434,305**	7,813,315
Net gain/loss on financial instruments at FVTPL	**920,638**	(1,122,088)
Adjusted Profit before tax	**11,354,943**	6,691,227
Adjustments to reconcile profit from operations		
Depreciation and amortisation	**589,910**	589,439
Corporation tax expense	**(2,110,734)**	(1,574,412)
Incurred but not reported provision	**1,689,872**	227,336
Cash flows before changes in operating activities	**11,523,991**	5,933,590
Changes in operating activities:		
Other receivables	**3,436,096**	(3,051,108)
Other payables	**1,519,860**	1,776,033
Loans and advances to customers	**30,836,209**	(71,031,776)
Loans and advances to BTL customers	**(169,220,096)**	(148,935,016)
Loans and advances to banks	**31,476,130**	(879,730)
Deposits by banks	**54,298,270**	122,839,138
Repurchase agreements	**12,608,091**	17,273,526
Deposits by customers	**84,500,778**	81,916,128
Income tax liabilities	**197,476**	139,394
Derivative financial Instruments	**1,121,735**	(740,403)
Changes in operating activities	**50,774,549**	(693,814)
Net cash flows from operating activities (A)	**62,298,540**	5,239,776
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(7,891)**	(109,984)
Acquisition of HTM investments	**15,090,782**	(26,258,517)
Acquisition of AFS investments (net of reserves)	**(34,765,586)**	20,302,838
Net cash flows used in investing activities (B)	**(19,682,695)**	(6,065,663)
Cash flows from financing activities:		
Gross proceeds from issue of subordinated liabilities	**67,200**	67,200
Net cash flows from financing activities (C)	**67,200**	67,200
Net increase/(decrease) in cash and cash equivalents (A+B+C)	**42,683,045**	(758,687)
Cash and cash equivalent as at the beginning of the year	**1,700,474**	2,459,161
Cash and cash equivalents as at the end of the year (Note 12)	**44,383,519**	1,700,474

The notes on pages 20 to 50 form part of these financial statements

1. Reporting entity

Axis Bank UK Limited is a limited company incorporated in the United Kingdom under the Companies Act. 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 4th Floor, Kings House, 36-37 King Street, London EC2V 8BB. The Bank is primarily involved in providing a variety of banking and financial services including retail banking, corporate and commercial banking, trade finance and treasury services.

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 2017 were authorised for issue on 13 April 2017.

B. Basis of measurement

The financial statements of the Bank are prepared on a historical cost basis in accordance with the special provisions of Part XV of the Companies Act 2006 relating to banking companies and applicable accounting standards except for the derivative financial instruments, financial instruments at fair value through profit or loss and financial investments available-for-sale, which are measured at fair value.

C. 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.

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.

D. Use of estimates and judgements

The preparation of the financial statements in conformity with the generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

E. Critical accounting judgements and key sources of estimation uncertainty

In 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In particular, loan impairment is a key area for the bank which is subject to critical accounting judgements, estimates and 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.

Incurred but not reported provision (IBNR)

The Bank has made an IBNR provision on its corporate and buy-to-let loan portfolios based on commitments as at 31 March 2017.

Adoption of market available loss data was deemed inappropriate due to the number of individual assets in the corporate portfolio. The Directors therefore based this year's IBNR provision charge for the corporate book on a notional IBNR calculation carried out during the year. The charge is based on the weighted average of the Expected Loss (EL) calculated for each individual exposure in the portfolio. Management believes that the approach adopted during this exercise will conceptually meet the IBNR requirements.

A market based metric was deemed more appropriate in the case of the buy-to-let portfolio as it is both homogenous and has a sufficient number of assets to be considered on a portfolio basis. The charge was therefore based on loss data published by the Bank of England plus an add-on to reflect the nascent state of the portfolio.

The Directors consider the charges to be proportionate given the absence of credit losses experienced to date in either portfolio.

F. Going concern

The Directors are of the opinion that it is appropriate to use the going concern basis in preparing these financial statements (refer page 3 of Directors' Report).

G. Adoption of new and revised standards

At the date of authorisation of these financial statements, the bank has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IAS 16 & IAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation
IAS 16 & IAS 41 (amendments)	Agriculture: Bearer Plants
IAS 19 (amendments)	Defined Benefit Plans: Employee Contributions
IAS 27 (amendments)	Equity Method in Separate Financial Statements
IFRS 10 & IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements to IFRSs: 2010-2012	Amendments to : IFRS2: Share-based Payments, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value

	Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets.
Annual Improvements to IFRSs: 2011-2013	Amendments to: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property.
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact the measurement, disclosures and provisioning of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed.

3. Significant accounting policies

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 on an accruals basis 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 or 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.

Fee and commission income

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);

- income earned from the provision of services is recognised as revenue as the services are provided;
- in cases of uncertainty relating to collectability arising subsequent to accrual of fees, the fee shall be reversed / provided for, to reflect the uncertainty of collection. Generally 90 days can be considered as a reasonable period of time after which continuation of accrual should be based on evidence of collectability; and
- the fee income earned will be amortised over the period of the loan using effective interest rate method, however, income which forms an integral part of the effective interest rate of a financial instrument (as described above) is recognised as an adjustment to the effective interest rate and recorded in 'Interest income'.

Net trading income comprises all gains and losses from changes in the fair value of financial assets and financial liabilities held-for-trading.

Net income from financial instruments designated at fair value comprises gains and losses from changes in the fair value of financial assets and financial liabilities designated at fair value through profit or loss.

Profit on exchange transactions comprises profit (net of loss) on dealings in foreign exchange. All income earned by way of foreign exchange commission and charges on foreign exchange transactions except interest are to be included under this heading.

Dividend income is recognised when the right to receive the dividend income is established.

Lease transactions

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 'Other operating expenses' and 'Other operating income', respectively.

Retirement and other employee benefits

The Bank operates a defined contribution plan. The contribution payable to a defined contribution plan 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, in which case it is recognised in equity.

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 and 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. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

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

- financial assets/liabilities classified at fair value through profit or loss (FVTPL);
- loans and advances;
- available-for-sale;
- held-to-maturity investments; and
- other financial liabilities.

Appropriate classification of financial assets and liabilities is determined at the time of initial recognition. The Bank initially recognises loans and advances, deposits and financial liabilities on the date at which they are originated.

Investments are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities designated at fair value through profit or loss ('Fair Value Option')

Financial assets and financial liabilities classified in this category are those that are designated by Management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- the assets and liabilities are part of a bank of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk Management or investment strategy; or
- the financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

The fair value designation, once made, is irrevocable. Designated financial assets and financial liabilities are recognised when the Bank enters into the contractual provisions of the arrangements with counterparties, and are normally derecognised when sold (assets) or extinguished (liabilities). Measurement is initially at fair value, with transaction costs taken directly to the income statement. Subsequently, the fair values are remeasured, and gains and losses from changes therein are recognised in net gains/losses on financial instruments designated at fair value under 'net trading income'.

Loans and advances

Loans and advances include originated and purchased non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets at fair value through profit or loss or financial investments available-for-sale.

Loans and advances are initially recognised at fair value, representing the cash consideration to originate the loan, 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 in 'Impairment charges on financial assets'.

Financial investments available-for-sale

Financial investments available-for-sale are non-derivative instruments that are designated as available-for-sale or are not classified under any other category of financial assets. Financial investments available-for-sale include debt and equity investments which are carried at fair value. These investments are measured initially at fair value plus transaction cost. Unrealised gains or losses are recorded net of applicable corporation taxes, as a component of available-for-sale reserve, until such investments are sold, collected or otherwise disposed off, or until any such investment is determined to be impaired. On disposal of an investment, the cumulative gain or loss recognised in equity is reclassified to the income statement as a reclassification adjustment.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's Management has the positive intention and ability to hold to maturity.

All investments are initially recorded at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments which are classified as held to maturity are carried at cost less impairment if any.

Financial liabilities

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.

Reclassification of financial assets

Accounting for the reclassification of financial assets held for trading

In accordance with IAS 39, where the Bank no longer intends to trade in financial assets it may transfer them out of the held for trading classification and measure them at amortised cost if they meet the definition of a loan. The initial value used for the purposes of establishing amortised cost is fair value on the date of the transfer.

Accounting for the reclassification of non-derivative financial assets

Non-derivative financial assets (other than those designated at fair value through profit or loss upon initial recognition) may be reclassified out of the fair value through profit or loss category in the following circumstances:

Financial assets that would have met the definition of loans and receivables at initial recognition (if the financial asset had not been required to be classified as held for trading) may be reclassified out of the fair value through profit or loss category if there is the intention and ability to hold the financial asset for the foreseeable future or until maturity; and

Financial assets (except financial assets that would have met the definition of loans and receivables at initial recognition) may be reclassified out of the fair value through profit or loss category and into another category in rare circumstances.

When a financial asset is reclassified as described in the above circumstances, the financial asset is reclassified at its fair value on the date of reclassification. Any gain or loss already recognised in the income statement is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Derivative instruments

All derivative instruments are held at fair value through profit or loss, except for derivatives held for risk management purposes in an effective hedge. This includes terms included in a contract or other financial asset or liability (the host), which, had it been a standalone contract, would have met the definition of a derivative. These are separated from the host and accounted for in the same way as a derivative.

Fair value hedge accounting:

Changes in fair value of derivatives that qualify and are designated as fair value hedges are recorded in the income statement, together with changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The fair value changes adjust the carrying value of the hedged asset or liability held at amortised cost.

Cash flow hedge:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income within the "Cash flow hedging reserve". Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the income statement.

The accumulated gains and losses recognised in other comprehensive income are reclassified to the income statement in the periods in which the hedged item will affect profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income are reclassified, removed from equity and included in the initial measurement of the cost of the asset or liability.

At the inception of a hedge transaction, the Bank formally documents the hedging relationship and the risk management objective and strategy for undertaking the hedge. This process includes identification of the hedging instrument, hedged item, risk being hedged and the methodology for measuring effectiveness. In addition, the Bank assesses both at the inception of the hedge and on an ongoing quarterly basis, whether the derivative used in the hedging transaction has been highly effective in offsetting changes in fair value or cash flows of the hedged item, and whether the derivative is expected to continue to be highly effective.

If hedge relationships no longer meet the criteria for hedge accounting, hedge accounting is discontinued.

For fair value hedges of interest rate risk, the fair value adjustment to the hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship using the effective interest method.

If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held-for-trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement under 'Net trading income'.

De-recognition of financial assets and financial liabilities

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.

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.

Impairment of financial assets

At each reporting date, the Bank assesses whether there is objective evidence that a financial asset or a set of financial assets is impaired. A financial asset or a set of financial assets is impaired and impairment losses are incurred if there is:

- objective evidence of impairment as a result of a loss event that occurred after the initial recognition of the asset and up to the reporting date;
- the loss event had an impact on the estimated future cash flows of the financial asset or the Bank of financial assets; and
- a reliable estimate of the amount can be made.

Impairment of loans and advances

Loans and advances are evaluated individually and collectively for impairment by the Loan and Investment Review Committee which was formed during the year as part of preparations for the implementation of IFRS 9 in 2017-18.

Impairment of financial investments in AFS portfolio

The Bank assesses, at each balance sheet date, whether there is objective evidence that a financial investment in the AFS portfolio is impaired. In case of such evidence, it is considered impaired if its acquisition cost (net of any principal repayments and amortisation) exceeds the recoverable amount. The recoverable amount of a quoted financial investment in the AFS portfolio is determined to be impaired if objective evidence indicates that the decline in market price has reached such a level that recovery of the cost value cannot be reasonably expected within the foreseeable future. For a non-quoted financial investment in the AFS portfolio (debt and equity instruments), the recoverable amount is determined by applying recognised valuation techniques.

The standard method applied for a non-quoted equity instrument is based on the multiple of earnings observed in the market for comparable companies. Management may adjust the valuation determined in this way based on its judgement.

For a non-quoted debt instrument, the Bank typically determines the recoverable amount by applying a discounted cash flow method.

If a financial investment in the AFS portfolio is determined to be impaired, the cumulative loss that was previously recognised in equity is included in the income statement as a component of 'Impairment charges on financial assets'. After recognition of impairment on a financial investment in the AFS portfolio, an increase in fair value of an equity instrument is reported in equity and an increase in fair value of a debt instrument up to original cost is recognised in the income statement as a component of 'Impairment charges on financial assets', provided the fair value increase is objectively related to a specific event occurring after the impairment loss was recognised in the income statement.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal 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 gross 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 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 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' 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.

Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributed to it will flow to the Bank. Intangible assets acquired separately are measured on initial recognition at cost. Following the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any impairment loss.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software costs are amortised on the basis of the expected useful life of 5 to 10 years. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in the income statement under 'Operating expenses'. Costs associated with maintaining software are recognised as an expense as incurred.

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. The impairment is recognised in income statement.

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, 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. Operating segments

The Bank undertakes the business of commercial banking which is carried on within the United Kingdom. Its activities are currently managed on a centralised business model so the revenue and the costs are not attributable to any one operating or geographic segment.

		2017	2016
5.	**Interest and similar income**	**USD**	USD
	Short-term funds	**295,180**	146,324
	Loans and advances to customers	**11,115,518**	9,713,455
	Loans and advances to BTL customers	**9,237,686**	1,784,896
	Financial investments – available for sale	**972,567**	1,185,179
	Financial investments – held to maturity	**3,257,095**	3,480,182
		24,878,046	16,310,036

		2017	2016
6.	**Interest and similar expense**	**USD**	USD
	Deposit from banks	**6,855,425**	3,856,870
	Deposit from customers	**3,940,365**	1,446,458
	Subordinated debt issued	**1,290,542**	1,213,408
	Securities lent and repurchase agreement	**1,165,691**	859,532
	Others	**22,020**	7,035
		13,274,043	7,383,303

		2017	2016
7.	**Net fees and commission income**	**USD**	USD
	Fees and commission income		
	Arrangement fees	**3,778,294**	3,479,358
	Product arrangement fees	**3,470,966**	2,546,010
	Other fees received	-	2,250
		7,249,260	6,027,618
	Fees and commission expenses		
	Service provider fees	**(675,705)**	(312,541)
	Channel partner fees	**(1,603,360)**	(1,254,760)
	Brokerage fees	-	-
	Fee share on sale of assets	-	-
		(2,279,065)	(1,567,301)
	Net fees and commission income	**4,970,196**	4,460,317

		2017	2016
8.	**Personnel costs**	**USD**	USD
	Wages and salaries	**3,383,146**	3,296,311
	Social security costs	**354,912**	315,420
	Pension costs – Defined contribution plan	**53,742**	43,450
		3,791,800	3,655,181
	The number of persons employed by the Bank	**26**	21

There are no share-based payments made by Axis Bank UK Limited

		2017	2016
9.	**Directors' emoluments**	**USD**	USD
	(included in wages and salaries above)		
	Emoluments	**992,587**	1,283,272
	Contribution to external pension scheme included in above	**11,941**	13,322

The gross emoluments* of the highest paid Director were USD **535,060** (2016: USD 547,329)

* Gross emoluments include salary, benefits and awarded bonus

		2017	2016
10.	**Other general operating expenses**	**USD**	USD
	Advertising and marketing	**44,483**	156,366
	Administrative and office maintenance	**1,137,353**	955,487
	Professional fees	**200,555**	210,613
	Bank charges, rates and taxes	**74,470**	49,131
	Others	**138,155**	98,180
		1,595,016	1,469,777

Professional fees include the following :

	2017	2016
Auditor's remuneration - audit services	**84,150**	85,134
Auditor's remuneration – non audit services	**12,747**	12,874
	96,897	98,008

11. Corporation tax

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

	2017 USD	2016 USD
Current tax expense		
Current corporation tax	**2,163,142**	1,601,320
Deferred tax		
Effect of rate changes	**1,226**	(2,393)
Relating to origination and reversal of temporary differences	**(53,634)**	(24,515)
	2,110,734	1,574,412
Reconciliation of corporation tax charge to accounting profit		
Profit before tax	**10,434,305**	7,813,315
Tax at the domestic corporation tax rate of 20%(2016: 20%)	**2,086,861**	1,562,663
Tax effect of non-deductible depreciation	**12,666**	10,273
Tax effect of other non-deductible expenses	**9,981**	3,869
Tax effect of rate changes	**1,226**	(2,393)
Tax expense using effective rate	**2,110,734**	1,574,412
Deferred tax is composed of the tax impact of the following item		
Excess of book value over tax written down value of tangible fixed assets	**-**	45,458
Deferred tax liability relating to AFS adjustments	**1,537**	
Deferred tax liability	**1,537**	45,458
Deferred tax asset relating to AFS adjustments	**(173,449)**	-
Excess of tax written down value over book value of tangible fixed assets	**(6,950)**	-
	(180,399)	-
Deferred tax (assets)/liability	**(178,862)**	45,458
Deferred tax charged to equity		
Charge/(Credit) arising on AFS reserve movement	**170,434**	(9,538)
Tax effective rate	**20.23%**	20.15%

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 and 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

		2017	2016
12.	**Cash and balance with Bank**	**USD**	USD
	Cash on hand	**-**	-
	Cash at bank	**4,461,236**	1,700,474
	Central bank	**39,922,283**	-
		44,383,519	1,700,474

13. 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.

	2016-2017			
	Asset	**Notional amount**	**Liabilities**	**Notional amount**
Derivatives used as:	**USD**	**USD**	**USD**	**USD**
Currency swaps	**814,932**	**110,247,622**	**1,832,246**	**203,604,708**
Interest rate swap	**111,676**	**13,722,860**	**14,647**	**8,732,729**
	926,608	**123,970,482**	**1,846,893**	**212,337,437**

	2015-2016			
	Asset	Notional amount	Liabilities	Notional amount
Derivatives used as:	USD	USD	USD	USD
Currency swaps	2,161,118	200,697,859	1,039,030	199,472,642

14. 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.

	2016-2017		
	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			
Cash and balance with Bank	44,383,519	-	-
Derivative financial instruments	-	926,608	-
Financial investments – AFS (debt)	34,599,219	34,287,506	-
	78,982,738	35,214,114	-
Financial Liabilities			
Derivative financial instruments	-	1,846,893	-
	-	1,846,893	-

	2015-2016		
	Quoted market prices (Level1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)
	USD	USD	USD
Cash and balance with Bank	1,700,474	-	-
Derivative financial instruments	-	2,161,118	-
Financial investments – AFS (debt)	22,878,719	12,075,724	-
	24,579,193	14,236,842	-
Derivative financial instruments	-	1,039,030	-
	-	1,039,030	-

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

	Carrying amount*		Fair value	
	2016-2017 USD	2015-2016 USD	**2016-2017 USD**	2015-2016 USD
Financial assets				
Loan and Advances to Banks	**25,500,000**	56,976,130	**25,500,000**	56,976,130
Loan and Advances to customers	**278,984,438**	311,055,918	**278,984,438**	311,055,918
Loan and Advances to BTL customers	**317,473,175**	148,707,680	**317,473,175**	148,707,680
Financial Investments - Held to Maturity	**81,739,950**	96,830,732	**81,739,950**	96,830,732
Other Assets (Only Financial Instruments)	**4,151,205**	7,587,302	**4,151,205**	7,587,302
Total	**707,848,768**	621,157,762	**707,848,768**	621,157,762
Financial liabilities				
Deposit By Banks	**428,118,399**	373,820,129	**428,118,399**	373,820,129
Repurchase Agreement	**66,355,536**	53,747,445	**66,355,536**	53,747,445
Deposit from Customers	**221,124,483**	136,623,705	**221,124,483**	136,623,705
Debt Securities in Issue	**24,596,757**	24,529,557	**24,596,757**	24,529,557
Other Liabilities	**6,335,070**	4,655,603	**6,335,070**	4,655,603
Total	**746,530,245**	593,376,439	**746,530,245**	593,376,439

*Net Amount

	2017	2016
15. Loans and advances to Banks	**USD**	USD
Interbank placements	**25,500,000**	56,976,130
	25,500,000	56,976,130

	2017	2016
16. Financial investments – available for sale	**USD**	USD
Quoted investments		
Government debt securities	**34,599,219**	22,878,719
Other debt securities	**34,287,506**	12,075,724
	68,886,725	34,954,443

17. Loans and advances to Customers

	2017 USD	2016 USD
Corporate lending	**269,747,865**	298,180,260
Customers' overdraft	**10,606,464**	13,047,494
Less: Incurred but not reported provision (IBNR) (Note 20)	**(1,235,270)**	-
Less: unamortised fees	**(134,621)**	(171,836)
	278,984,438	311,055,918

18. Loans and advances to BTL Customers

	2017 USD	2016 USD
BTL Customer lending	**318,109,095**	148,931,105
Less: Incurred but not reported provision (IBNR) (Note 20)	**(635,920)**	(223,425)
	317,473,175	148,707,680

19. Financial investments – held to maturity

	2017 USD	2016 USD
Quoted investments		
Other debt securities	**71,638,622**	81,619,744
Unquoted investments		
Other debt securities	**10,101,327**	15,210,988
	81,739,949	96,830,732

20. Incurred but not reported provision (IBNR)

2017 USD

	Loans and advances to customers	Loans and advances to BTL customers	Total
As at 1 April	-	223,425	223,425
Less: Exchange impact of restating opening liability at closing rate	-	(42,107)	(42,107)
Add: Charge for the year	1,235,270	454,602	1,689,872
Less: Amount incurred and charged	-	-	-
31 March	1,235,270	635,920	1,871,190

2016 USD

	Loans and advances to customers	Loans and advances to BTL customers	Total
As at 1 April	-	-	-
Add: Charge for the year		227,336	227,336
Less: Exchange impact of restating closing liability at closing rate	-	(3,911)	(3,911)
31 March	-	223,425	223,425

21. Property and equipment

Cost:	Leasehold improvements USD	Computer (inc. software) USD	Other fixed assets USD	Total USD
At 1 April 2015	256,833	3,076,562	6,075	3,339,470
Additions	-	109,984	-	109,984
Disposals	-	-	-	-
At 31 March 2016	256,833	3,186,546	6,075	3,449,454
Additions	-	**7,891**	-	**7,891**
Disposals	-	-	-	-
At 31 March 2017	**256,833**	**3,194,437**	**6,075**	**3,457,345**
Depreciation and amortisation:				
At 1 April 2015	(102,734)	(1,021,088)	(2,430)	(1,126,252)
Disposals	-	-	-	-
Depreciation charge for the year	(51,366)	(536,858)	(1,215)	(589,439)
At 31 March 2016	(154,100)	(1,557,946)	(3,645)	(1,715,691)
Disposals	-	-	-	-
Depreciation charge for the year	**(51,366)**	**(537,329)**	**(1,215)**	**(589,910)**
At 31 March 2017	**(205,466)**	**(2,095,275)**	**(4,860)**	**(2,305,601)**
Net book value:				
At 31 March 2016	102,733	1,628,600	2,430	1,733,763
At 31 March 2017	**51,367**	**1,099,162**	**1,215**	**1,151,744**
Add: Assets under construction (2016: 22,756)				**22,756**
Property and equipment At 31 March 2017 (2016: 1,756,519)				**1,174,500**

22. Prepayments, accrued income and other assets

	2017 USD	2016 USD
Accrued income	**1,735,988**	6,952,304
Deposits	**1,561,341**	164,212
Other prepayments	**673,476**	470,786
	3,970,805	7,587,302

	2017	2016
23. Deposits from banks	**USD**	USD
Inter bank borrowings	**428,217,926**	374,000,000
Less: unamortised fees	**(99,527)**	(179,871)
	428,118,399	373,820,129
Deposits by Banks – securities sold under repurchase agreements	**66,355,535**	53,747,445
	494,473,934	427,567,574

Repayable

For maturity profile of the deposits- refer to Liquidity profile (page 47).

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	**2016-17 Carrying amount of transferred assets USD**	**2016-17 Carrying amount of associated liabilities USD**	2015-16 Carrying amount of transferred assets USD	2015-16 Carrying amount of associated liabilities USD
Sale and repurchase agreements	**84,671,499**	**57,249,559**	71,465,588	54,908,515

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.

	2016-17	2015-16
On balance sheet	**USD**	USD
Debt securities	**150,626,675**	131,785,175
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 2016 were USD 84.671mn (Mar 2016 – USD 71.465 mn) included in debt securities in the table above.

	2017	2016
24. Deposit from customers	**USD**	USD
Current accounts	**14,687,265**	3,110,533
Savings accounts	**28,102**	44,750
Fixed Term deposits	**206,409,116**	133,468,422
	221,124,483	136,623,705

	2017	2016
25. Subordinated liabilities and other borrowed funds	**USD**	USD
Subordinated debt	**25,000,000**	25,000,000
Less: Prepayment of subordinated debt expenses*	**(403,243)**	(470,443)
	24,596,757	24,529,557

This represents lower Tier II capital of USD 25 million received from Axis Bank, India issued in April 2013 maturing in March 2023 (with a call option at the end of 5 years).

* Upfront fee of 2.50% of the loan amount paid to the Axis Bank, India and legal charges being amortised over the period of the loan.

	2017	2016
26. Accruals and other liabilities	**USD**	**USD**
Interest payable	**3,875,464**	2,533,943
Other payables and accrued liabilities	**1,483,600**	1,366,943
Amounts payable to holding company	**61,681**	-
	5,420,745	3,900,886

		2017	2016
27.	**Equity share capital**	**USD**	USD
	Issued and fully-paid share capital		
	1 ordinary share of GBP 1	**2**	2
	55 million ordinary shares of USD 1 each	**55,000,000**	55,000,000
	Total equity capital	**55,000,002**	55,000,002

28. Related party transactions

The related parties of the Bank are broadly classified as:

a) Promoters

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.

b) Key management personnel

- Mr. Rajendra D Adsul (Managing Director & Chief Executive Officer)
- Mr. Martin Say (Executive Director – Risk & Compliance)

c) Associate companies

The bank considers Axis Bank Limited (including all its branches in India and abroad) and its subsidiaries/step down subsidiary and associate (as listed below) as related parties in view of 100% shareholding of Axis Bank Limited in the Bank. The entire equity capital and Tier II capital of the Bank is held by Axis Bank Limited.

- Axis Capital Limited
- Axis Private Equity Limited
- Axis Trustee Services Limited
- Axis Asset Management Company Limited
- Axis Mutual Fund Trustee Limited
- Axis Finance Limited
- Axis Securities Limited
- A. Treds Limited (incorporated on 23 May 2016)
- Axis Securities Europe Limited (opted for voluntary liquidation)

As on 31 March 2017, the liabilities and assets outstanding to the related parties are as below:

All in USD

		2017	2016
1.	Equity capital	**55,000,002**	55,000,002
2.	Subordinated debt	**25,000,000**	25,000,000
3.	Accrued liability - subordinated liabilities and other borrowings	**54,439**	112,325
4.	Cash and balances with Bank	**560,204**	388,621
5.	Deposit by Bank	**-**	10,000,000
6.	Payable for receiving of services	**61,681**	-

Income earned from the related party and expenditure made on the related party for the year 2016-2017 is given as under.

Sr. No.	Items	Promoters 2017	Promoters 2016
1.	Fees and commission paid	-	-
2.	Equity Capital received	-	-
3.	Subordinated debt received	-	-
4.	Purchase of advances	-	-
5.	Sale of advances	-	-
6.	Call/Term Borrowings from related parties	**1,500,000**	10,000,000
7.	Call/Term Lendings to related parties	-	-
8.	Interest paid (Subordinated Debts)	**1,223,342**	1,146,208
9.	Outsourcing charges and Internal audit fees paid	**178,181**	128,023
10.	Interest paid (Others)	**106,244**	63,553
11.	Interest received (Others)	-	-
12.	Re-imbursement of expenses paid	**63,110**	103,586
13.	Swaps / Forward Contracts (notional)	**14,548,343**	7,466,331

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 guarantees have been given or received. 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 9.

29. Operating lease commitments

The Bank had the following operating lease commitments at the year end.

	2017 USD	2016 USD
Within one year	**133,310**	147,545
Within two to five years	**19,354**	137,287
	152,664	284,832

The Company holds an operating lease for its office, 4th Floor, Kings House, 36-37 King Street, London EC2V 8BB. The lease term for the office is 5 years to March 2018.

30. Overview of the Bank's risk management

Credit Risk Management

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. Credit exposures are controlled through a series of individual asset and portfolio level limits applied in order to both reduce concentration risk, and to ensure that exposure is reduced as credit risk increases.

These 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.

The bank has an internal credit rating model and all non-bank counterparties except those backed by 100% cash margin 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:

						2017
Collateral Type	**Loans and Advances to Customers (USD'000)**		**Collateral Value (USD'000)**		**% of Exposure**	
	Retail	**Non-Retail**	**Retail**	**Non-Retail**	**Retail**	**Non Retail**
Bank Deposit		-		-		-
Marketable Securities	-	-	-	-	-	-
Current Assets	-	**18,307**	-	**39,250**	-	**214%**
Bank Guarantees and Letter of Credit	-	**45,116**	-	**45,116**	-	**100%**
Fixed Assets (Moveable and Immovable)	**318,109**	**152,236**	**464,045**	**285,709**	**146%**	**188%**
Corporate Guarantee	-	**24,082**	-	**24,082**	-	**100%**
Unsecured	-	**40,612**	-	-	-	-
Total	**318,109**	**280,353**	**464,045**	**394,157**	**146%**	**141%**

2016

Collateral Type	Loans and Advances to Customers (USD'000)		Collateral Value (USD'000)		% of Exposure	
	Retail	Non-Retail	Retail	Non-Retail	Retail	Non Retail
Bank Deposit	49,000	-	49,000	-	100%	-
Marketable Securities	-	-	-	-	-	-
Current Assets	-	13,036	-	25,133	-	193%
Bank Guarantees and Letter of Credit	-	20,412	-	20,412	-	100%
Fixed Assets (Moveable and Immovable)	148,708	138,322	216,213	245,875	145%	178%
Corporate Guarantee	-	50,800	-	50,800	-	100%
Unsecured	-	39,486	-	-	-	0%
Total	**197,708**	**262,056**	**265,213**	**342,220**	**134%**	**131%**

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 2017:

Countries	2017		2016	
	Exposure (USD'000)	% of Total Exposure	Exposure (USD'000)	% of Total Exposure
Australia	25,750	3.05%	1,579	0.23%
Belgium	8,889	1.05%	-	0.00%
Bermuda	-	-	1,822	0.27%
Canada	5,007	0.59%	12,174	1.81%
Cayman Island	15,000	1.78%	15,265	2.27%
Indonesia	6,547	0.78%	-	-
India	144,431	17.12%	160,847	23.93%
Isle of Man	6,693	0.79%	9,289	1.38%
Italy	9,082	1.08%	9,774	1.45%
Mauritius	22,830	2.71%	15,157	2.25%
Netherlands	45,468	5.39%	28,982	4.31%
Singapore	18,286	2.17%	19,451	2.89%
Switzerland	-	-	13,136	1.95%
UAE	6,260	0.74%	19,805	2.95%
UK	444,941	52.73%	313,748	46.68%
US	82,389	9.76%	51,272	7.63%
Other	2,176	0.26%	3	0.00%
Total	**843,749**	**100%**	**672,304**	**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 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:

All in USD'000

2017

Particulars	**Upto 1M**	**1 – 3M**	**3 – 6M**	**6 – 12M**	**1-3Yr**	**> 3 Yr**	**Non Sensitive Category**	**Total**
Cash and bank	39,922						4,461	44,383
Loans & Adv - banks	25,500							25,500
Derivative financial instruments	363	167	22,649	203				23,382
Investments (AFS)					52,887	16,000		68,887
Loans - customers	131,745	107,269	39,970					278,984
Loan - Buy To Let	24,169		2,948	27,331	81,076	181,949		317,473
Investments (HTM)			20,089		12,523	49,129		81,741
Property and equipment							1,174	1,174
Deferred tax assets							180	180
Other Assets							3,971	3,971
Total assets	**221,699**	**107,436**	**85,656**	**27,534**	**146,486**	**247,078**	**9,786**	**845,676**
Derivative financial instrument	99	628	217	888		22,470		24,302
Deposits by banks	41,000	117,218	103,000	166,900				428,118
Repo Agreement			17,618	12,027		36,711		66,356
Deposits - customers	1,329	2,209	1,807	80,154	103,296	17,642	14,687	221,124
Current tax liabilities							913	913
Sub-ord. liabilities	24,597							24,597
Deferred tax liability							2	2
Other liabilities							5,421	5,421
Share Capital							55,000	55,000
Reserve and Retained Earnings							19,843	19,843
Total equity and Liabilities	**67,025**	**120,055**	**122,642**	**259,970**	**103,296**	**76,823**	**95,866**	**845,676**
Interest Rate Gap	154,674	-12,619	-36,986	-232,435	43,190	170,255	-86,080	
Impact of Interest increase of 2%	-126	41	238	3,346	-1,970	-11,295		-9,735

All in USD'000

2016

Particulars	Upto 1M	1 – 3M	3 – 6M	6 – 12M	1-3Yr	> 3 Yr	Non Sensitive Category	Total
Derivative financial instruments	138			2,023				2,161
Cash and bank							1,700	1,700
Loans and Adv. - banks	49,976	7,000						56,976
Investments (AFS)			12,883	9,996	2,862	9,214		34,955
Loans and Adv. - customers	113,084	102,101	46,871	49,000	51,186	97,521		459,763
Investments (HTM)				9,554	37,913	49,364		96,831
Property, and equipment							1,757	1,757
Other Assets							7,587	7,587
Total assets	**163,198**	**109,101**	**59,754**	**70,573**	**91,961**	**156,099**	**11,044**	**661,730**
Derivative financial instruments	621	418						1,039
Deposits by banks	48,000	160,820	70,000	95,000				373,820
Repurchase Agreement			17,303			36,444		53,747
Deposits from customers	1,210	3,811	1,021	20,982	106,152	337	3,111	136,624
Current tax liabilities							709	709
Subordinated liabilities and other borrowed funds	24,530							24,530
Deferred tax liability							45	45
Other liabilities							3,901	3,901
Share Capital							55,000	55,000
Reserve and Retained Earnings							12,315	12,315
Total equity and Liabilities	**74,361**	**165,049**	**88,324**	**115,982**	**106,152**	**36,781**	**75,081**	**661,730**
Interest Rate Gap	88,837	(55,948)	(28,570)	(45,409)	(14,191)	119,318	(64,037)	
Impact of Interest increase of 2%	**(73)**	**183**	**209**	**661**	**294**	**(9,421)**	**-**	**(8,147)**

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 88,947. 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.

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.

The open position of the Bank as on 31 March, 2017 is as follows:

		2017
Currency	**Open Position**	**USD Equivalent**
	FCY **'000**	**USD'000**
Indian Rupee	36,329	560
Pound Sterling	(139)	(173)
Euro	4	4
Total Long Position in US Dollars		564
Total Short Position in US Dollars		(173)

Upward or downward movement of exchange rate by 10% may impact profitability of the Bank by USD 56,410.

		2016
Currency	**Open Position**	**USD Equivalent**
	FCY **'000**	**USD'000**
Indian Rupee	25,748	389
Pound Sterling	65	94
Euro	(34)	(39)
Total Long Position in US Dollars		482
Total Short Position in US Dollars		(39)

Upward or downward movement of exchange rate by 10% may impact profitability of the Bank by USD 48,242.

Liquidity Risk Management:

It is a fundamental pre-requisite that the Bank retains adequate resources of an appropriate mix and tenor to meet its funding obligations. As a consequence, the Bank places liquidity considerations at the heart of business planning and product design. The Bank's ALCO is required to consider the liquidity implications of business planning on the liquidity of the Bank as part of the planning process.

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.

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 profile as at reporting date is as shown below:

All in USD'000

2017

As at 31 March, 2017	**Upto 1M**	**1-3 M**	**3-12 M**	**1-5Yr**	**Over 5Yr**	**Undated**	**Total**
Cash and bank	44,384						44,384
Loans and Adv. - banks	25,500						25,500
Derivative financial instruments	363	167	397				927
Investments (AFS)				58,377	10,510		68,887
Loans and Adv. - customers	26,892	22,394	69,526	136,998	23,175		278,985
Loans and Adv – BTL customers				4,868	312,605		317,473
Investments (HTM)			20,089	61,651			81,740
Property, and equipment						1,175	1,175
Deferred tax asset						180	180
Other Assets		3,971					3,971
Total assets	**97,139**	**26,532**	**90,012**	**261,894**	**346,290**	**1,355**	**823,220**
Derivative financial instruments	99	628	1,105	15			1,847
Deposits by banks	21,000	102,218	304,900				428,118
Repurchase Agreement			29,644	36,711			66,356
Deposits from customers	1,300	2,209	81,962	120,938		14,715	221,124
Current tax liabilities	913						**913**
Subordinated liabilities and other borrowed funds				24,597			24,597
DTL						**2**	**2**
Other liabilities		5,421					5,421
Share Capital						55,000	55,000
Reserve and retained earnings						19,843	19,843
Total equity and Liabilities	**23,312**	**110,476**	**417,611**	**182,260**		**89,560**	**823,220**
Net liquidity gap	73,827	(83,944)	(327,599)	79,633	346,290	(88,205)	
Cumulative Liquidity Gap	73,825	(10,119)	(337,719)	(258,085)	88,205		

As at 31 March, 2016	Upto 1M	1-3 M	3-12 M	1-5Yr	Over 5Yr	Undated	Total
Derivative financial instruments	138		2,023				2,161
Cash and bank	1,700						1,700
Loans and Adv. - banks	49,976	7,000					56,976
Investments (AFS)			22,879	12,076			34,955
Loans and Adv. - customers	27,667	29,278	92,859	147,070	162,890		459,764
Investments (HTM)			9,554	78,539	8,737		96,830
Property, and equipment						1,757	1,757
Other Assets		7,587					7,587
Total assets	**79,481**	**43,865**	**127,315**	**237,685**	**171,627**	**1,757**	**661,730**
Derivative financial instruments	621	418					1,039
Deposits by banks	33,000	91,000	165,000	84,820			373,820
Repurchase Agreement			17,303	29,622	6,822		53,747
Deposits from customers	1,166	3,811	22,003	106,488		3,155	136,624
Current tax liabilities	709						709
Subordinated liabilities and other borrowed funds				24,530			24,530
DTL	45						45
Other liabilities		3,901					3,901
Share Capital						55,000	55,000
Reserve and retained earnings						12,315	12,315
Total equity and Liabilities	**35,541**	**99,130**	**204,306**	**245,460**	**6,822**	**70,470**	**661,730**
Net liquidity gap	43,940	(55,264)	(76,992)	(7,775)	164,805	(68,714)	
Cumulative Liquidity Gap	43,940	(11,325)	(88,317)	(96,091)	68,714		

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, new products, processes and services introduced 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.

31. Other commitments and contingencies

The Bank had no other commitments and contingencies at the year-end other than undrawn loan amount of USD 21.45 mn (2016 USD 30.85 mn).

32. Events after balance sheet date

There have been no reportable events after the balance sheet date.