Annual Report and Financial Statements for the year ended 31 March 2023

COMPANY REGISTRATION NUMBER 7554558

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Company Registration Number	**07554558**
The Board of Directors	
	Rajiv Anand Chairman
	Diane Elizabeth Moore Non-Executive Director
	Paul Seward Non-Executive Director
	Rudrapriya Ray Non-Executive Director
	Sanjay Silas Managing Director & Chief Executive Officer
Company Secretary	**Harjot Singh**
Registered Office	Regus Offices Unit No. G.06, 167 City Road, London. EC1V 1AW
Auditor	**BDO LLP** 55 Baker Street, W1U 7EU, London, United Kingdom

Current strategy & Future Plans

The current strategy of the Bank is execution of the 'Wind Down Plan' for orderly exit of operations. The wind down plan entails closure of all its activities to be followed by solvent liquidation of the Bank.

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

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

As part of this exercise, ABI reviewed the UK and European business potential with a view to assess the future business opportunities and also to assess if a presence in the UK fitted into the overall strategic vision of ABI, given its decision to focus more on its strengths in India and harness the potential there.

The Board of the Bank during its meeting held on 17 and 18 October 2019 considered the ABI's strategic review in great detail and agreed to conduct a review of options through which an orderly exit of the Bank's operations could be executed. The Board's decision was communicated to the PRA and FCA on 18 October 2019.

After a detailed review of options, the Board approved the strategy of an accelerated wind-down as the best way forward and a detailed wind down plan was prepared by the Bank which was approved by the Board during its meeting held on 28 January 2020. The wind down plan was placed to both the Prudential Regulatory Authority (PRA) and Financial Conduct Authority (FCA) in a meeting held on 7 February 2020. The Bank engaged with the regulators throughout the process.

As part of the wind down plan, the BTL Sale process was embarked upon and the sale process was completed on 30 June 2020, with the portfolio sold to Morgan Stanley.

After the BTL sale the Board reviewed the wind-down strategy. Following sustained interest, the Board advised management to undertake a market sounding exercise for an entity sale of Axis Bank UK Ltd to explore the appetite in the market for such a sale. Based on a favourable response to the process, and after discussions with the PRA and the FCA, the Board agreed to initiate a process of an 'Entity Sale'.

At the end of a competitive bidding process, the Board of the Bank and Axis Bank Limited, (the sole shareholder), approved OpenPayd Holdings Limited as the preferred bidder. On 31 March 2021, a Share Purchase Agreement (SPA) was signed between Axis Bank Limited and OpenPayd Holdings for the sale of the Bank. The transaction was subject to necessary approvals from the regulators for change-in-control. Subsequently, OpenPayd Holdings commenced the process for obtaining regulatory approvals for change-in-control.

While the process for change-in-control was being pursued, OpenPayd Holdings, based on their internal review, conveyed to Axis Bank Ltd about its intention to terminate the SPA in light of the unlikeliness of obtaining the regulatory approvals before the agreed long-stop date of 30 September 2022. Axis Bank Limited, in consultation with the Bank, evaluated the proposed termination within the purview of SPA and concurred with OpenPayd Holdings. Axis Bank Limited and OpenPayd Holdings concluded the necessary legal process and the SPA got terminated with effect from 10 August 2022. With the termination of Entity Sale process, the Bank reverted to winding down of its operations and submitted a wind-down plan to the PRA and the FCA in September 2022. This was followed by various queries, follow up queries and discussions with the regulators.

After various discussions, the FCA on 9 February 2023 confirmed that they do not have further observations on the wind-down plan. Subsequently, on 24 February 2023, the PRA also confirmed that they do not have further observations or feedback which needs a response prior to commencing the wind-down process. The Bank has thus commenced execution of wind down plan, which entails pre-closure of deposit accounts and sell down of corporate book. The Bank has since closed all term deposit accounts and major portion of current and saving accounts. The process continues for closure of remaining current and saving accounts and sell down of corporate loans.

Whilst the Board of the Bank is still aiming to exit the UK market, the intention has now changed from entity sale to winding down the UK legal entity through solvent liquidation. Once the regulated activities are closed and revocation of license is approved by the regulators, the company will pursue Member's Voluntary Liquidation (MVL).

Overview of strategy

i) Corporate banking

The Bank's Corporate business was focussed to provide products and services to enhance investment and trade primarily between the UK, Europe and India. Following the Board's strategic decision to wind down operations, the Bank is gradually winding down its book and it has come down with scheduled repayments. The Bank is in the process of either selling the residual corporate assets to Axis Bank Limited or in the local UK market. As part of the wind down plan, the Bank will completely sell down the corporate book before filing its application with the regulators for revocation of banking licence.

ii) Retail banking

The retail banking business was focused on offering a range of fixed deposit products. The deposits were predominantly used to fund the Bank's BTL portfolio. Following the sale of the BTL portfolio in June 2020, the Bank has been paying out the residual deposits on maturity and no fresh business was being generated. As part of the wind down plan, the Bank will close all its deposit accounts before filing its application with the regulators for revocation of banking licence.

iii) Treasury

The Treasury function is focusing on managing the balance sheet, the market, FX and liquidity risks of the Bank. The Bank maintained 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 continues to place the surplus funds in reserve account with Bank of England / short term inter-bank lending in money market.

Business environment

Inflation remains high worldwide and well above central bank targets in almost all inflation targeting economies. Although inflation is likely to gradually moderate over the course of the year, there are signs that underlying inflation pressures could be becoming more persistent. In response, central banks around the world have been tightening policy faster than previously expected.

The Bank is in the process of winding down its operations, the business environment is not much of impact. The Bank continues to align its policies, risk limits and governance mechanisms with the latest regulations and guidelines even during the wind down phase.

Financial Performance

The Bank's total assets as at 31 March 2023 were $62 million (FY2022: $85 million) and the loss before taxes was $2.2 million (FY2022: loss of $3.3 million). The loss for the reporting financial period is largely driven by low level of Bank's business operations following the strategic decision to wind down the UK entity, whereas the loss in the prior year was driven by the loss on sale of corporate assets amounting to $0.5 million. The capital, funding and liquidity positions of the Bank remained stable throughout the year.

The financial statements and the related notes for the reporting year ended 31 March 2023 are shown on pages 24 to 60.

Key financial indicators and ratios

The financial performance is summarised in the following table:

Income Statement	**2023**	**2022**
	USD	**USD**
Net interest income	**2,170,225**	**471,462**
Net fee and commission income/(expense)	**117,878**	**97,309**
Total operating profit	**2,440,006**	**640,092**
Operating expenses	**(4,654,497)**	**(3,944,838)**
(Loss) before tax	**(2,214,491)**	**(3,304,746)**
(Loss) for the year	**(2,214,491)**	**(2,856,958)**
Balance Sheet	**2023**	**2022**
	USD	**USD**
Cash and balances with banks	**34,654,492**	**50,919,247**
Loans and advances to corporate customers	**24,997,608**	**32,621,436**
Total assets	**62,231,776**	**84,890,450**
Equity holders' funds	**58,312,188**	**60,526,679**
Key financial indicators (%)	**2023**	**2022**
Net Interest Margin (NIM)	**3.05**	**0.34**
Capital adequacy ratio (CAR)	**188.35**	**108.32**
Core tier 1 ratio	**188.35**	**108.32**
Return on Assets (ROA)	**-3.56**	**-3.37**
Return on Equity (ROE)	**-3.73**	**-3.84**

NIM: Net interest income/Average monthly assets
CAR: Total Capital/ Total RWA
Core Tier 1 ratio: Total Tier 1 Capital/ Total RWA
Return on Assets (ROA): The Bank's Return on Assets as per requirement of Article 90 of CRD is calculated as Net profit divided by total Balance Sheet size.
ROE: PAT/Average Equity

The financial statements of the Bank have been prepared on the basis of other than a going concern. The Bank has created provision of $0.24 million towards onerous contracts in compliance with IAS 37. Thus excluding the impact of the liability of onerous contracts, net loss for the reporting period and liabilities as of the reporting date would have been less by $0.24 million.

Culture

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

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

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

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

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 one Executive Director, two Non-Executive Directors nominated by the shareholder and two independent UK-based Non-Executive Directors. The Chair of the Board is from one of the nominated NEDs of the Parent and comes with a wealth of experience in the financial sector.

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

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

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

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

The Bank has independent risk & compliance function which is responsible for the day-to-day evaluation & monitoring of the risks faced by the Bank and for submitting reports to the Bank and Board Committees. The Bank also has an Internal Audit function (outsourced to Axis Bank Ltd) which reports functionally to the Chair of the Audit & Compliance Committee (ACC).

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

During the wind down (earlier during entity sale) process also, the Bank continues to adhere to strong corporate governance practices. A detailed governance mechanism during the wind down process is detailed in the wind down plan approved by the Board and reviewed by PRA/FCA. The governance structure continues to be in place under the current wind down scenario.

As per this governance mechanism, the Board of the Bank will have oversight over the entire execution of wind down process, with involvement of the strategy team of the Parent bank.

Senior Managers & Certification Regime (SM&CR)

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

Risk governance

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

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

- Heads of business units are directly accountable for the management of risks in their areas through the operational controls set out in the functional and departmental procedures manuals. To assist in making the first line more effective, the Bank actively promotes sustainable return thinking, up-to-date risk-related information and absolute respect for limits.

- Monitoring and reporting of risk positions by the Risk, Finance and Compliance teams forms the second line of defence. These teams are responsible for recommending risk policy and for providing oversight and challenge of the activities carried out by the first line. To assist in making the second line of defence more effective, the Bank actively promotes a strong control structure, close interaction and co-ordination between the control functions and a supportive organisational structure.
- The Internal Audit function forms the third line of defence, providing independent assurance to Senior management, the Audit & Compliance Committee, the Risk Management Committee and the Board over the design and operation of the Bank's risk management, governance and internal control processes.

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

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

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

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

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

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

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

The risk monitoring and reporting regimes around the various business lines and activities of the Bank are also set out in the relevant policies and operational manuals. Common to all reporting regimes are:

- regular position reporting to monitor compliance within approved limits;
- exception reporting to identify non-compliant positions and events;
- monitoring of trends to facilitate pre-emptive action;
- provision of regular reports to executive management and Board Committees; and
- escalation procedures for exceptions.

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

Anti-Money Laundering (AML) and compliance

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

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

Internal audit

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

Principal Risks and Uncertainties

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

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

The primary role of the Bank's treasury function is now funding the on-balance sheet lending activities of the Bank and managing its market, foreign exchange and liquidity risks. The treasury function operates within limits set by the Bank's Risk Management Committee and set out in the Market Risk Policy. The Bank does not engage in proprietary trading activities beyond the de minimis levels and does not hold bonds in a trading portfolio. Hence the Bank's market risk is modest.

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

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

The Bank's financial risks are managed through the ALCO and the Credit and Investment Committee (CIC) within authorities set down by the Risk Management Committee of the Board. Conduct of business and other operational risks are considered by the Management Committee (MANCOM) including monitoring of certain outsourced activities under service level agreements. The Loan and Investment Review Committee (LIRC) reviews the level of provisioning to be applied to the Bank's asset portfolios for fair valuation. 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.

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

The ICAAP and the ILAAP documents capture all the risks that the Bank faces under present business scenario. ICAAP and ILAAP documents are prepared and submitted to the Risk Management Committee of the Bank. These are developed as part of the annual planning and budgeting process to ensure that the Bank's activities are carried out within its capital and liquidity resources. Both the ICAAP and ILAAP are subject to interim review and update in response to material changes to the business or regulatory environment.

However, the wind-down strategy had changed the nature and profile of the risks the Bank faces. Certain risks, such as credit and liquidity risks, will reduce as a result of the significant reduction in the lending and deposit portfolios, whilst other risks, such as reputational risk, may increase.

With the Bank reverting to wind down plan and reduction in exposures, a composite review of risk appetitite limits was undertaken by the Bank to commensurate with its risk profile during the wind down period. The stress testing scenarios of ICAAP and ILAAP were also reviewed in context with the projected balance sheet and risk profile during the wind down period. The risk profile, various risk appetite limits and the ICAAP / ILAAP documents for the wind down period were reviewed and approved by Bank's Risk Management Committee in October 2022.

Climate Change

The Bank has reviewed the Task Force on Climate Related Financial Disclosures (TCFD) whilst taking into consideration the strategy to exit the UK markets by way of wind-down (earlier entity sale). Based on the requirements of the TCFD, the Bank has integrated the management of financial risks related to climate change into its governance, risk and management framework. The climate-related risks affecting the Banks can be broadly divided into physical risks and transition risks and the definitions are reproduced below.

The physical risks from climate change arise from a number of factors, and relate to specific weather events (such as heatwaves, floods, wildfires and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures).

Transition risks can arise from the process of adjustment towards a low-carbon economy. A range of factors influence this adjustment, including: climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, or evolving evidence, frameworks and legal interpretations.

Presently, the financial impact due to physical risks is more relevant to the Bank and the financial impact due to transition risks is immaterial. This is primarily due to the longer time horizon of several years involved in the transition process of aligning to low-carbon economy and the Bank is in the process of winding down its operations.

The Bank's major business area, corporate banking, is the only portfolio which indirectly impacts the financial position of the Bank through its exposure to corporate borrowers. From the qualitative assessment performed in April 2022, the Board of the Bank has considered the material exposure to climate related risk to be low. Since then, the exposure has been gradually reducing thereby climate related risk continues to be low.

To minimise the Bank's impact on the environment and greenhouse gases, all employees are actively encouraged to recycle paper and plastic. The Bank carries out its business activities from only one location and since the start of the COVID-19 pandemic, the majority of the Bank's employees have worked from home. This has further reduced the Bank's impact on the environment.

The Bank's parent, Axis Bank Ltd, has also been actively engaged with matters such as sustainability and social responsibility by being in the forefront of pursuing the ESG (Environment, Social and Governance) agenda by way of issuing green bonds, practicing Sustainable Lending Practices, as well as achieving progress in Sustainable Development Goals.

Stakeholder engagement and s.172(1) statement

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

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

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

The Bank has always recognised the need to be fair to its stakeholders, both within and outside the company. Important decisions, that can have impact on the stakeholders are discussed in an open and transparent manner, and to the extent possible, their views are taken on board.

We set out below details of efforts towards such stakeholders:

<u>Parent Bank (sole owner)</u>

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

It was in line with the above principle, that the Directors, whilst pursuing the wind down process (even earlier during entity sale), considered their obligations under Section 172 of the Companies Act and maintained that the interests of other stakeholders like customers, staff, and partner companies would be protected as the wind down plan is executed.

Customers

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

Employees

Throughout the reporting financial year, the Board has actively engaged with its employees. The Directors have met various employees and ensured that they felt aligned to the Bank's overarching strategic objectives. The Bank is reviewing the staff position and matters regularly at the Management and HRRNC meetings to align the same with ongoing wind down process.

Regulators

The Board recognises the importance of open and continuous dialogue with the regulators. Throughout the course of the financial year the Bank has kept both the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) updated of matters on an on-going basis.

Suppliers

The Board recognises the key role suppliers/service providers play in ensuring that the Bank delivers a reliable service to customers. Once the strategic decision was taken, the Bank had individual meetings with the service providers. This focus of transparency has helped the Bank in framing joint strategies to ensure that customer services are not affected, even as the strategy to execute the wind down plan takes place.

By order of the Board

Sanjay Silas
Managing Director & Chief Executive Officer
16 June 2023

Harjot Singh
Company Secretary

The Directors have pleasure in presenting the Annual Report and the audited financial statements for the year ended 31 March 2023. These financial statements have been prepared in accordance with UK adopted international accounting standards.

Principal activity

Axis Bank UK Limited ("the Bank"), a company, registered as a private company limited by shares, in England & Wales (No.7554558), is a wholly-owned subsidiary of Axis Bank Limited (Axis Bank India), the third largest private sector bank in India having a balance sheet size of USD 160.32 billion as of 31 March 2023 (March 2022: $155.05 billion). The Bank commenced operations in April 2013, subsequent to receiving authorisation from the Prudential Regulation Authority on 19 April 2013. The Bank is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and is covered by the Financial Services Compensation Scheme (FSCS). The Bank historically offered a range of products covering retail banking, corporate and commercial banking, buy to let mortgages (BTL), investment banking services, trade finance and treasury services to its customers. Following strategic decision of winding down the operations, the Bank was pursuing entity sale with execution of a sale purchase agreement (SPA) for divestment of shareholding by the Parent to OpenPayd Holdings Limited. The SPA got terminated during the year and the Bank reverted to the strategy of winding down of its operations.

As per the plan, the Bank is in the process of winding down its activities and will apply for revocation of banking license on completion of wind down activities. Once the revocation of banking license is approved by the regulators, the Company will pursue Members' Voluntary Liquidation (solvent liquidation) as per UK guidelines. Whilst the Board of the Bank is still aiming to exit the UK market, the intention has now changed from entity sale to winding down the UK legal entity through solvent liquidation.

For further details on the developments and the wind down plan, please refer to the Strategic Report.

Risk Management and Governance

The Risk management strategy and the Risk governance framework of the Bank can be found in the Strategic Report. See note 25 for further details.

Going concern basis

As stated above, the Bank has reverted to the wind down plan after termination of the share-purchase agreement between Axis Bank Limited and OpenPayd Holdings Limited. As per the plan, the Bank will wind down its activities and apply for revocation of banking license. Once the revocation of banking license is approved by the regulators, the Company will pursue Members' Voluntary Liquidation (solvent liquidation) as per UK guidelines. Whilst the Board of the Bank is still aiming to exit the UK market, the intention has now changed from entity sale to winding down the UK legal entity through solvent liquidation. Accordingly, the financial statements of the Bank have been prepared on the basis "Other than that of a Going Concern".

Capital structure

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

As at 31 March 2023 the issued share capital comprises 55,000,000 ordinary shares with a par value of $1each and 1 ordinary share of £1.

Charitable donations

The Bank made no charitable donations during the year (2022: nil).

Directors

The current Directors are listed on page 2. During the period, there is no change in the directors.

Qualifying indemnity provision

The Bank has arranged qualifying third-party indemnity insurance for all its directors.

Disclosure as per Capital Requirement Regulation (CRR)

The Bank has made the disclosures as required for year ended 31 March 2023, under the CRR in a separate document that is available on its website (www.axisbankuk.co.uk).

Strategic Report

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

Payment of dividends

There is no payment of dividend during the year (2022: $7.5 million).

Post Balance sheet event

We confirm that there were no subsequent events post the balance sheet date.

Auditor

BDO LLP indicated their willingness to be reappointed for the year ended 31 March 2023 and appropriate arrangements were put in place for them to be deemed reappointed in the absence of an Annual General Meeting.

General meetings

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

By order of the Board

Sanjay Silas
Managing Director & Chief Executive Officer
16 June 2023

Harjot Singh
Company Secretary

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with UK adopted international accounting standards. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. As explained in Note 2B of accounting policies to the financial statements, the Directors do not believe the going concern basis to be appropriate and, in consequence, these financial statements have not been prepared on that basis.

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

Statement as to disclosure of information to the auditor

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

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

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

By order of the Board

Sanjay Silas
Managing Director & Chief Executive Officer
16 June 2023

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

Opinion on the 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 2023 and of its loss for the year then ended;
- the company financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Axis Bank UK Limited (the 'Company' or the 'Bank') for the year ended 31 March 2023 which comprise the income statement and comprehensive income, the statement of changes in equity, the statement of financial position, the cashflow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following a competitive tender, we were appointed by the Audit and Compliance Committee 27 July 2018 to audit the financial statements for the year ended 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the years ended 31 March 2019 to 31 March 2023. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

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

We draw attention to Note 2B to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern as the directors are in the process of winding down the activities of the Bank and pursuing Members' Voluntary Liquidation (solvent liquidation). Accordingly the financial statements have been prepared on a basis other than that of a going concern as described in note 2B. Our opinion is not modified in respect of this matter.

Overview

		2023	2022
Key audit matters	Valuation of Loans and Advances to Corporate Customers - Held for Sale	✓	✓
	Going concern	✗	✓
	The financial statements are prepared on a basis other than going concern as at 31 March 23 and there hence going concern is no longer a KAM.		
Materiality	$ 729,000 (2022: $303,000) based on 1.25% (2022: 0.5%) of Net Assets.		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Bank and its environment, including the Bank's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

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

Key audit matter		**How the scope of our audit addressed the key audit matter**
Valuation of Loans and advances to Corporate Customers – Held for Sale As disclosed in Note 3 F of the accounting policies, in Financial instruments - Classification and measurement, the Bank applies certain criteria in determining the classification of its assets and subsequent measurement thereof.	The Bank is being wound down following approval obtained from the regulators. As part of this the loans and advances to Corporate Customers – Held for Sale ("corporate loan book") is marketed for sale. There is a risk that the corporate loan book of the Bank, may not be valued correctly within the Statement of Financial Position. The Bank measures its corporate loan book at fair value using non-observable market data valuation techniques. Given there is significant judgement exercised in the assessment of the Bank's measurement of its corporate loan book assets, we have identified this as a key audit matter.	We have reviewed and assessed management's accounting treatment for corporate loan book against the requirements of the accounting framework and in light of the Bank's business model. With the assistance of our internal valuation experts we have reviewed the management expert's Valuation Methodology document. We tested the reasonableness of key valuation inputs and assumptions such as Country Risk Premium, Guarantor Credit Risk Premium and Credit Adjustment Factor with reference to market data, where available, and industry practice. We have performed an independent valuation of a sample of the loans and compared these to the valuations generated by management's expert. We tested other inputs used in the valuation, such as the expected value and timing of cash flows, by agreeing these to underlying loan agreements **Key observations:** We have not identified any indicators that the judgements made in the valuation of Loans and advances to corporate customers Held for Sale issued by the Bank are not reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2023 $	2023 $
Materiality	729,000	303,000
Basis for determining materiality	1.25% of Net Assets	0.5% of Net Assets
Rationale for the benchmark applied	We determined that Net assets was the most appropriate benchmark due to the ongoing wind down of the bank and the expected close down of its business in the foreseeable future (i.e. in less than 12 months of signing of the financials). Therefore the key indicator for the stakeholders would be the net breakup value of the Bank which is represented by Net assets. We have used a higher percentage for 2023 based on the change in the circumstances of the Bank and our assessment of the risk.	
Performance materiality	547,000	196,000
Basis for determining performance materiality	75%	65%
Rationale for the percentage applied for performance materiality	In light of changes in the Bank's circumstances and on the basis of our risk assessment together with our assessment of the Bank's overall control environment, our judgment was that overall performance materiality for the Bank should increase to 75% in 2023 compared to 65% of materiality in 2022.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $15,000 (2021: $6,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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 material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:
- Our understanding of the Bank and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Bank's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), Companies Act 2006, UK adopted international accounting standards and relevant tax legislation.

Our procedures in respect of the above included:
- We made inquiries of Directors, the Audit Committee and those responsible for legal and compliance matters about their own identification and assessment of the risks of irregularities and known fraud cases.
- We corroborated our inquiries through our review of compliance monitoring findings during the year, key correspondence with the Financial Conduct Authority and Prudential Regulation Authority, minutes of the Board and Board Risk Management Committee;
- Involvement of tax specialists in the audit;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:
- Enquiry with management and those charged with regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Bank's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be posting inappropriate journal entries to manipulate the financial results and management bias in accounting estimates.

Our procedures in respect of the above included:

- We have tested as a sample of journal entries by agreeing them supporting documentation, with particular focus on risk characteristics. Such risk characteristics included journals posted and approved by same person (under dual-roles arrangement), journals by senior management, manual journals to interest income, journals with blank description based on our understanding of usual business operations.
- We reviewed the nature of the industry and sector, assessed the Bank's internal controls and tested the operating effectiveness of these controls designed to prevent and detect irregularities and fraud;
- Involvement of forensic specialists in the audit to attend engagement team discussion and provide expertise insights into areas which may be susceptible to fraud;
- We challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the fair value determined on corporate loans and advances – held for sale;

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Stefan Beyers
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Stefan Beyers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Dated: 16 June 2023

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

AXIS BANK UK LIMITED
INCOME STATEMENT AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023 USD	2022 USD
Interest and similar income	2	**1,044,483**	111,087
Interest income from loans and advances to customers held for sale	2	**1,472,367**	1,733,168
Interest and similar expense	3	**(346,625)**	(1,372,793)
Net Interest Income		**2,170,225**	471,462
Fee and commission income/(expense)	4	**117,878**	97,309
Net gain on other financial instruments at FVTPL		**273,579**	175,585
Other operating income		**16,414**	157,261
Net impairment credit on financial assets		**(2,436)**	-
Loss on sale of loans and advances to corporate customers	14	**-**	(492,341)
Fair value gains on loans and advances to corporate customers held for sale		**(135,654)**	230,816
Total Income		**2,440,006**	640,092
Personnel costs	5	**(2,219,008)**	(2,456,315)
Depreciation	15&17	**(244,021)**	(488,042)
Writeback of fixed assets	15&17	**-**	488,040
Other general operating expenses	7	**(2,191,468)**	(1,488,521)
(Loss) Before Tax		**(2,214,491)**	(3,304,746)
Corporation tax credit	9	**-**	447,788
(Loss) for the year and total comprehensive loss		**(2,214,491)**	(2,856,958)

The notes on pages 28 to 60 form part of these financial statements

	Issued capital	Retained earnings	Total equity
	USD	**USD**	**USD**
Balance at 1 April 2021	80,000,002	8,383,635	88,383,637
Repatriation of share capital	(17,500,000)	-	(17,500,000)
Share capital reduction	(7,500,000)	7,500,000	-
Dividend paid	-	(7,500,000)	(7,500,000)
	55,000,002	8,383,635	63,383,637
Total comprehensive loss for the year			
Loss for the year	-	(2,856,958)	(2,856,958)
Balance at 31 March 2022	55,000,002	5,526,677	60,526,679
Balance at 1 April 2022	**55,000,002**	**5,526,677**	**60,526,679**
	55,000,002	5,526,677	60,526,679
Total comprehensive loss for the year			
Loss for the year	**-**	(2,214,491)	(2,214,491)
Balance at 31 March 2023	**55,000,002**	**3,312,186**	**58,312,188**

The notes on pages 28 to 60 form part of these financial statements

AXIS BANK UK LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 MARCH 2023

BALANCE SHEET

	Notes	2023 USD	2022 USD
Assets			
Cash and balances with banks	10	**34,654,492**	50,919,247
Derivative financial Instruments	11	**2,154**	149,217
Loans and advances to corporate customers – held for sale	13&23	**24,997,608**	32,621,436
Property and equipment	15	**-**	98,727
Right of use assets	17	**-**	145,290
Prepayments, accrued income and other assets	16	**2,577,522**	956,533
Total assets		**62,231,776**	84,890,450
Liabilities			
Derivative financial Instruments	11	**325,552**	175,526
Deposits from customers	18	**2,220,543**	22,566,273
Lease liabilities	21	**-**	199,451
Provisions	22	**434,551**	410,232
Accruals and other liabilities	19	**938,942**	1,012,289
Total liabilities		**3,919,588**	24,363,771
Equity attributable to equity holders			
Equity share capital	20	**55,000,002**	55,000,002
Retained earnings		**3,312,186**	5,526,677
Total equity		**58,312,188**	60,526,679
Total liabilities and equity		**62,231,776**	84,890,450

The financial statements were approved by the Board of Directors and authorised for issue on 12 June 2023.

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

The notes on pages 28 to 60 form part of these financial statements

AXIS BANK UK LIMITED
CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2023

	2023 USD	2022 USD
Cash flows for the year		
(Loss) before tax	**(2,214,491)**	(3,304,746)
Adjustments to reconcile profit from operations		
Depreciation, amortisation & impairment of fixed assets	**244,021**	(2)
Loss on sale of loans and advances to corporate customers	**-**	492,341
Fair value gain/(loss) on loans and advances to customers held for sale	**135,654**	(230,816)
Net impairment (credit)	**2,436**	-
Effect of foreign exchange rate changes on opening tax debtor	**-**	(36,104)
Cash flows before changes in operating activities	**(1,832,380)**	(3,079,327)
Changes in operating activities:		
Net (increase)/decrease in other receivables	**(1,620,994)**	2,044,553
Net increase/(decrease) in other payables	**(49,028)**	(222,795)
Net decrease in loans and advances to corporate customers	**7,485,738**	48,863,975
Net (decrease) in deposits by banks	**-**	(41,758,023)
Net increase/(decrease) in deposit by customers	**(20,345,730)**	(113,275,547)
Net Increase in derivative financial Instruments (liability)	**297,090**	1,972,968
Cash utilized by continued operations	**(14,232,924)**	(102,374,869)
Corporate tax received	**-**	2,484,399
Net cash outflows from operating activities (A)	**(16,065,304)**	(102,969,797)
Cash flows from investing activities:		
Proceeds from sale of loans and advances to corporate customers	**-**	20,791,563
Net cash flows from investing activities (B)	**-**	20,791,563
Cash flows from financing activities:		
Repayment of lease liabilities	**(199451)**	(408,869)
Repatriation of share capital	**-**	(17,500,000)
Dividend paid	**-**	(7,500,000)
Net cash outflows from financing activities (C)	**(199,451)**	**(25,408,869)**
Net decrease cash and cash equivalents (A+B+C)	**(16,264,755)**	(107,587,103)
Cash and cash equivalent as at the beginning of the year	**50,919,247**	158,506,350
Cash and cash equivalents as at the end of the year	**34,654,492**	50,919,247

Interest received was $2,457,162 (2022: $2,181,959) and interest paid was $544,804 (2022: $2,674,488).

The notes on pages 28 to 60 form part of these financial statements

1. Reporting entity

Axis Bank UK Limited (Registration no. 07554558) (The Bank) is a private limited company (limited by shares) domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Bank is a wholly-owned subsidiary of Axis Bank Limited, one of the leading private sector banks of India. The address of the Bank's registered office is Regus Offices Unit No. G.06, 167 City Road, London EC1V 1AW.

2. Basis of preparation

A. Statement of compliance

The financial statements of the Bank are prepared in accordance with UK adopted international accounting standards.

The Bank's financial statements for the year ended 31 March 2023 were authorised for issue on 12 June 2023.

B. Going concern

The Board of Axis Bank UK Limited ("the Bank"), in its meeting held on 18 October 2019 agreed to conduct a review of options through which an orderly exit of operations could be executed. Subsequently, the Board of the Bank in its meeting held on 12 November 2020 approved the decision to pursue the sale of the Bank to a third party. Accordingly, Axis Bank Limited entered into a sale and purchase agreement to divest its entire shareholding of the Bank to a third party – OpenPayd Holdings Limited (OpenPayd). The change in control was subject to regulatory approval by the Prudential Regulation Authority ("PRA").

While the process for change-in-control was being pursued, OpenPayd, based on their internal review, conveyed to Axis Bank Limited about their intention to terminate the SPA in light of low probability of obtaining the regulatory approvals before the long-stop date of 30 September 2022. Axis Bank Limited, in consultation with Axis Bank UK Limited, evaluated the proposed termination within the purview of SPA and concurred with OpenPayd. Axis Bank Limited and OpenPayd concluded necessary legal process on 3 August 2022. With the termination of SPA, the Bank reverted to the strategy of winding down of its operations.

As per the plan, the Bank will wind down its activities and apply for revocation of its banking license. Once the revocation of its banking license is approved by the regulators, the Company will pursue Members' Voluntary Liquidation (solvent liquidation) as per UK guidelines. Whilst the Board of Axis UK is still aiming to exit the UK market, the intention has now changed from entity sale to winding down the UK legal entity through solvent liquidation. Accordingly, the financial statements of the Bank have been prepared on the basis "Other than that of a Going Concern".

There are no material adjustments made to the financial statements as a result of preparing them on the basis of other than that of a going concern, except for making a provision of $0.24 million towards onerous contracts in compliance with IAS 37.

C. Basis of preparation

The financial statements of the Bank are prepared on the historical cost basis or the fair value basis where the fair value of relevant assets and liabilities has been applied in accordance with UK adopted international accounting standards. The Bank is in the process of winding down its operations to be followed by solvent liquidation, which will include realisation of residual assets and settlement of all residual liabilities. The wind down plan entails sale of corporate loans and the same are expected to be realised at fair value. Other financial assets, which include margins paid, derivatives, receivables, etc., are expected to be realised at the book value on respective due dates. The liabilities are considered as current liabilities and the Bank has adequate liquidity to settle the same as per respective terms. As stated above, the assets and liabilities are expected to be realised / settled at the book value, thus no further adjustments/reclassification are required in the disclosed values.

D. Functional and presentation currency

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

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

E. Changes in accounting policy

The financial statements are prepared consistent with UK adopted international accounting standards, but amended to reflect that the going concern assumption is not appropriate. The accounting policies have, unless otherwise stated, been applied consistently to all periods.

3. Significant accounting polices

The Bank’s significant accounting policies are set out below. The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in the financial statements

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.

A. Fee and commission income

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

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

- Income earned from the provision of services is recognised as revenue as the services are provided.

B. Interest and similar income and expense

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

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

The Bank has issued notices for pre-closure of deposits with interest payment up to the contractual maturity of respective deposit and the customers can close the deposit at any point of time. The Bank has thus recognised the interest payable on outstanding deposits up their respective maturities as interest expense for the year and the same is recorded as a liability.

C. Retirement and other employee benefits

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

D. Corporation tax expense

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

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

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

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

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

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

E. 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.

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

No provision is made for the future costs of terminating the business unless such costs were committed at the reporting date.

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.

F. Financial instruments - Classification and measurement

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

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

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

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

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

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

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

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

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

i) Financial assets measured at amortised cost

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

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

Following the Bank's decision to sell the corporate banking book, the portfolio has subsequently been reclassified as fair value through profit and loss, as a result of the change in business model.

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

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

iii) Financial liabilities measured at amortised cost

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

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

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

v) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

G. De-recognition of financial assets and financial liabilities

i) Financial assets

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

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

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

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

ii) Financial liabilities

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

iii) Reclassification of financial assets and liabilities

The Bank reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. In the financial year FY20-21, the Bank reclassified its corporate loan and BTL portfolio from amortised cost to fair value through profit and loss. Reclassifications were made at fair value as of the reclassification date.

Following the decision to sell down the Corporate loans and BTL portfolios, on the 1 April 2020, Corporate loans worth $170,455,857 and Buy to Let mortgage loans worth $376,308,792 have been reclassified as held for sale since the carrying amount will be recovered principally through a sale transaction rather than to collect the contractual cash flows. In accordance with the applicable provisions of IFRS9, the portfolios which were previously measured at amortised cost have been measured at fair value through profit and loss and a gain or loss arising from the difference between the previous amortised cost value and fair value is recognised in income statement as fair value gain on loans to corporate customers.

H. Assets held for sale

Assets and non-current assets are classified as held for sale (‘HFS’) when their carrying amounts will be recovered principally through sale rather than through continuing use. HFS assets are generally measured at the lower of their carrying amount and fair value less cost to sell. Immediately before the initial classification as held for sale, the carrying amounts of the relevant assets are measured in accordance with applicable IFRSs.

I. Offsetting

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

J. 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.

K. Property, plant and equipment

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

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

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

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

L. Leases

As a lessee

A contract, or a portion of a contract, is accounted as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The Bank obtains substantially all the economic benefits from use of the asset; and
- The Bank has the right to direct use of the asset.

The Bank considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease. In determining whether the Bank obtains substantially all the economic benefits from use of the asset, the Bank considers only the economic benefits that arise from use of the asset. In determining whether the Bank has the right to direct the use of the asset, the Bank considers whether it directs how and for what purpose the asset is used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Bank applies other applicable IFRS rather than IFRS 16.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Bank's incremental borrowing rate on commencement of the lease is used.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Bank if it is reasonably certain to assess that option; and
- Any penalties payable for terminating the lease, if the term of the lease has been estimated based on termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Bank is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease.

The Bank has elected not to recognise right of use assets and lease liabilities for leases of low-value assets and short-term leases. Low value assets are classified as assets with annual rental of less than £2,000 and a short-term lease is a lease with a term of 12 months or less. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

M. 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 Bank assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for a non-financial asset other than goodwill still exist or not. If there is any indication that such impairment loss is no longer exist or may have reduced, the Bank shall re-estimate the new recoverable amount of such asset and the carrying amount of the asset shall be increased to this new recoverable amount. The increase in the recoverable amount is a reversal of impairment loss.

N. Cash and cash equivalents

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

A) Valuation of the Corporate Loans portfolio

The basis to value the Corporate Banking portfolio is at its fair value amount. The valuation of the Corporate Banking portfolio involves a significant degree of judgement and complexity. The valuation of the book is derived based upon a discounted cash flow model, where the expected cash flows for each exposure under the terms of the contract are discounted back to a present value. The valuation methodology consists of two key components;

- Forecast contractual interest and principal cash flows for the term of the facility, with haircuts to principal receipts if a loss is deemed highly probable; and

- A risk-adjusted yield, incorporating the theoretical discount margin and requisite IBOR curve, to calculate the present value of the facility cashflows. The key factors impacting the theoretical discount margin include the following:
  - External credit rating of the borrower; and
  - The country risk associated with the exposure.

The valuation methodology applied differs depending on the staging of the assets which is detailed below:

Performance Category	Valuation methodology applied
Stage 1 assets	Present value of contractual cash flows at risk-adjusted yield (IBOR/SONIA + theoretical discount margin)
Stage 1 (watchlist) and Stage 2 assets	Present value of expected future cash flows discounted at the risk-adjusted yield (IBOR/SONIA + theoretical discount margin)
Stage 3 assets	Valuation is dependent on either: i) management's assessment of the recovery process and final recoveries or ii) Present vaue of expected future cash flows discounted at the risk-adjusted yield

B) Provisions

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

For the Board's decision to sell the entity during previous year and revert to winding down the operations to be followed by solvent liquidation, the Bank has recognised a provision for the anticipated cost of restructuring including consultancy and liquidation costs. The amount that is recognised is based upon management's estimate of the expected completion of underlying activities.

1. Principal Activity

The principal activities of the Bank are described in the Directors' Report on page 14.

		2023	2022
2.	**Interest and similar income**	**USD**	USD
	Cash and balances with central bank	**379,992**	116,268
	Short-term funds- margin & placements	**664,491**	(5,181)
	Interest income from loans and advances to customers held for sale:		
	Interest income from loans and advances to corporate customers held for sale	**1,472,367**	1,733,168
		2,516,850	1,844,255

		2023	2022
3.	**Interest and similar expense**	**USD**	USD
	Deposit from customers	**345,791**	1,334,694
	Deposit from banks	**-**	31,904
	Interest expense of lease liability	**834**	6,195
		346,625	1,372,793

		2023	2022
4.	**Net fees and commission income**	**USD**	USD
	Fees and commission income		
	Bank guarantee fees	**117,878**	69,735
	Other fees received	**-**	27,574
		117,878	97,309
	Fees and commission expenses		-
		-	-
	Net fees and commission income/(expenses)	**117,878**	97,309

		2023	2022
5.	**Personnel costs**	**USD**	USD
	Wages and salaries	**1,942,264**	2,140,239
	Social security costs	**241,185**	265,438
	Pension costs – Defined contribution plan	**35,559**	50,638
		2,219,008	2,456,315
	The average number of persons employed by the Bank	**12**	13
	There are no share-based payments made by Axis Bank UK Limited		
	Average employees classification by functions		
	Core Banking	**6**	6
	Operations and admin	**6**	7

		2023	2022
6.	**Directors' emoluments**	**USD**	USD
	(Included in wages and salaries. Emoluments includes all payment made to Directors)		
	Emoluments	**581,282**	780,293
	Contribution to external pension scheme included in above	**-**	4,970

The gross emoluments* of the highest paid Director were **USD 442,581** (2022: USD 523,631). Accrued pension as of the year end was **USD Nil** (2021: USD Nil). Loan balance outstanding as at year end from Directors were **USD Nil** (2021: USD Nil) and the highest total loan outstanding during the year were **USD nil** (2021: USD 825).
*Gross emoluments include salary, benefits and awarded bonus

		2023	2022
7.	**Other general operating expenses**	**USD**	USD
	Consultancy, legal & professional fees	**94,836**	284,019
	Administrative, restructuring, and other charges	**2,000,575**	1,121,896
	Bank charges, rates and taxes	**96,057**	82,606
		2,191,468	1,488,521

		2023	2022
8.	**Auditor's remuneration**		
	Fees payable to the Company's Auditor for the audit of the company's Annual Accounts:	**USD**	USD
	Statutory audit fees – current year	**165,272**	149,666
	Statutory audit fee- prior year	**-**	-
	Non audit fees – other services	**-**	-
	Quarterly reviews	**-**	-
		165,272	149,666

9. Corporation tax

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

	2023 USD	2022 USD
Current tax expense		
Adjustment in respect of prior periods	-	(447,788)
	-	(447,788)
Reconciliation of corporation tax credit to accounting Loss		
(Loss) before tax	(2,214,491)	(3,304,746)
Tax at the domestic corporation tax rate of 19% (2022: 19%)	(420,753)	(627,902)
Adjustments in respect of current period	41,209	-
Adjustment in respect of prior periods	18,393	(447,788)
Exchange differences	-	99,476
Deferred tax not recognised	396,045	528,426
Tax charge not recognised	(34,894)	-
Tax (credit) using effective rate	-	(447,788)
Deferred tax is composed of the tax impact of the following:		
Short term timing difference- Fixed assets	(161,549)	(121,069)
Losses and other deductions	(14,329)	(95,845)
Deferred tax assets	(175,878)	(216,914)
Deferred tax liability		
Other short term differences	175,878	216,914
Deferred tax liability relating to short term differences	175,878	216,914
Tax effective rate	-	(13.55%)

For the period 1st April 2022 to 31st March 2023 the corporation tax rate remains at 19%. From 1st April 2023 the corporation tax rate has been increased from 19% to 25%. Deferred tax for $396,045 relating to trading losses (March 2022:$ 528,426) has not been recognised. Gross tax losses were $18,277,781 as at 31 March 2023 (March 2022: $16,501,008).

	2023	2022
10. Cash and balance with Bank	**USD**	USD
Cash at bank	**2,098,913**	2,298,332
Central bank	**32,555,579**	48,620,915
	34,654,492	50,919,247

11. Derivative financial instruments

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

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

	31 March 2023			
	Asset	**Notional amount**	**Liabilities**	**Notional amount**
Derivatives used as:	**USD**	**USD**	**USD**	**USD**
FX swaps	2,154	44,816,192	325,552	45,096,723
	2,154	**44,816,192**	**325,552**	**45,096,723**

	31 March 2022			
	Asset	Notional amount	Liabilities	Notional amount
Derivatives used as:	USD	USD	USD	USD
FX swaps	149,217	48,623,222	175,526	48,530,395
	149,217	48,623,222	175,526	48,530,395

12. Fair value of assets and liabilities

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

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

Level 2 Securities: For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include 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, including discounted cash flows. 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.

i. Fair value hierarchy

As at March 2023, the fair values of assets and liabilities measured on a recurring and non-recurring basis by level of input were as follows:

	31 March 2023		
	Quoted market prices (Level1) USD	Valuation techniques using observable market data (Level 2) USD	Valuation techniques using non-observable market data (Level 3) USD
Financial assets			
Derivative financial instruments	-	2154	-
Loans and advances to customers		-	24,997,608
Total	-	**2,154**	**24,997,608**
Financial Liabilities			
Derivative financial instruments	-	325,552	-
Total	-	**325,552**	-

	31 March 2022		
	Quoted market prices (Level1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)
	USD	USD	USD
Financial assets			
Derivative financial instruments	-	149,217	-
Loans and advances to customers		-	32,621,436
Total	-	149,217	32,621,436
Financial Liabilities			
Derivative financial instruments	-	175,526	-
Total	-	175,526	-

ii. Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the periods ended 31 March 2023.

	Loan and advances to corporate customers	**Total assets**
Assets and liabilities	**USD**	**USD**
Balance as of 1 Apr 2022	32,621,436	32,621,436
Realised/unrealised gains/losses	(135,654)	(135,654)
Disbursement	550,483	550,483
Settlements/repayments	(7,772,203)	(7,772,203)
Impact of foreign exchange movements	(266,454)	(266,454)
As at 31 March 2023	**24,997,608**	**24,997,608**

The following table presents the changes in level 3 items for the periods ended 31 March 2022.

	Loan and advances to corporate customers	Total assets
Assets and liabilities	USD	USD
Balance as of 1 Apr 2021	102,538,499	102,538,499
Realised/unrealised gains/losses:		
Included in net income	230,816	230,816
Disbursement	1,597,997	1,597,997
Sales/Transfer	(21,283,904)	(21,283,904)
Settlements	(50,299,986)	(50,299,986)
Impact of foreign exchange movements	(161,986)	(161,986)
As at 31 March 2022	32,621,436	32,621,436

iii. Valuation techniques used to determine fair values

The table below summarises the specific valuation techniques and unobservable inputs for level 3 assets and liabilities.

	31 March 2023 Fair value	**Valuation technique**	**Unobservable input**	**Range (weighted average)**
Assets	**USD**			
Loans and advances to customers	24,997,608	Discounted Cash flow	Credit spread	0.46% - 5.48%

	31 March 2022 Fair value	Valuation technique	Unobservable input	Range (weighted average)
Assets	USD			
Loans and advances to customers	32,621,436	Discounted Cash flow	Credit spread	1.78% - 5.1%

The valuation techniques used, observability for the loans and advances to customers for level 3 assets, are described below.

Valuation: The valuation of the book is derived based upon a discounted cash flow model, where the expected cash flows for each exposure under the terms of the contract are discounted back to a present value. The discount factor was determined by incorporating a number factors such as funding costs (including a premium for illiquid conditions) as well as a country risk premium representing the domicile risk for each exposure.
Observability: Within the loans and advances to customers population, the credit spread is generally unobservable. Unobservable credit spreads are determined by incorporating funding costs, the level of comparable assets such corporate bonds, government bond yields and credit default swap spreads.

iv. Assets and liabilities measured at fair value on a recurring basis – Level 3 – Gains and losses

	31 March 2023	31 March 2022
	USD	USD
Gains/(losses) included in net loss for the period	(138,090)	230,816
Where of change in unrealised gains/losses relating to assets and liabilities still held at the reporting date	(76,962)	113,254

v. Sensitivity analysis of level 3 measurements to changes in unobservable inputs

The credit spread is the key unobservable input used in the valuing the Corporate loans portfolio. This has been sensitised by 25 basis points in either direction to arrive at the following valuation changes:

	31 March 2023	
	Favourable changes	Unfavourable changes
	Income Statement	Income Statement
Assets	**USD**	**USD**
Loans and advances to customers	306,651	220,807
Total	**306,651**	**220,807**

	31 March 2022	
	Favourable changes	Unfavourable changes
	Income Statement	Income Statement
Assets	USD	USD
Loans and advances to customers	139,000	2,000
Total	139,000	2,000

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

	Carrying amount[1]		Fair value[2]	
	31 March 2023	31 March 2022	**31 March 2023**	31 March 2022
	USD	USD	**USD**	USD
Financial assets				
Cash and balances with banks	**34,654,492**	50,919,247	**34,654,492**	50,919,247
Other Assets (Only Financial Instruments)	**2,579,676**	747,583	**2,579,676**	747,583
Total	**37,234,168**	51,666,830	**37,234,168**	51,666,830
Financial liabilities				
Deposit from Customers	**2,220,543**	22,566,273	**2,220,543**	22,566,273
Other Liabilities	**938,942**	1,012,289	**938,942**	1,012,289
Total	**3,159,485**	23,578,562	**3,159,485**	23,578,562

	2023	2022
13. Loans and advances to Corporate Customers held for sale	**USD**	USD
Loans to Corporate Customers	**24,920,646**	32,734,690
Fair value adjustment	**76,962**	(113,254)
	24,997,608	32,621,436

	2023	2022
14. Loss on sale of loans and advances to customers	**USD**	USD
Sale consideration	**-**	20,791,562
Carrying amount of the loans sold	**-**	(21,283,903)
	-	(492,341)

[1] Balances are net of any amortised fees
[2] The financial assets and liabilities with the exception of cash balances are classified as level 3 financial instruments.

15. Property, Plant and equipment

	Leasehold improvements	Computer (incl. software)	Other fixed assets	Total
Cost:	**USD**	**USD**	**USD**	**USD**
At 1 April 2022	1,103,124	3,200,999	147,097	4,451,220
Additions	-	-	-	-
Write off	-	-	-	-
At 31 March 2023	1,103,124	3,200,999	147,097	4,451,220
Additions	-	-	-	-
Write off	-	-	-	-
At 31 March 2022	**1,103,124**	**3,200,999**	**147,097**	**4,451,220**
Depreciation:				
At 1 April 2022	(1,018,495)	(3,200,999)	(132,997)	(4,352,491)
Disposals				
Reversal of Impairment	-	-	-	-
Depreciation charge for the year	(84,629)	-	(14,100)	(98,729)
At 31 March 2023	(1,103,124)	(3,200,999)	(147,097)	(4,451,220)
Net book value:				
At 31 March 2022	84,629	-	14,100	98,729
At 31 March 2023	**-**	**-**	**-**	**-**

16. Prepayments, accrued income and other assets	**2023**	2022
	USD	USD
Deposits	**1,374,479**	673,828
Other receivables	**1,167,657**	67,761
Other prepayments	**35,386**	214,944
	2,577,522	956,533

17. Right of Use Assets

	Leasehold property	Office Equipment	Total
Cost:	**USD**	**USD**	**USD**
At 31 March 2022	144,113	1,117	145,290
Additions	-	-	-
Disposal	-	-	-
At 1 April 2022	**144,113**	**1,117**	**145,290**
Depreciation and amortisation:			
Depreciation charged for the year	**(144,113)**	**(1,117)**	**(145,290)**
At 31 March 2023	**-**	**-**	**-**
NBV at 31 March 2023	**-**	**-**	**-**

The Bank's right of use assets predominantly relates to the leasehold premises at 4 Chiswell Street. The Bank opted for the lease break in October 2022. Thus, right of use assets were fully depreciated by September 2022. There was no write back of assets during the year (March 2022: $288,226 for leased premises and $2,354 for office equipment).

At 31 March 2023, the non-cancellable commitments relating to short-term leases is $47,046 (2022: nil).

		2023	2022
18.	**Deposit from customers**	**USD**	USD
	Current accounts	**994,640**	698,246
	Savings accounts	**1,967**	3,570
	Fixed Term deposits	**1,037,893**	21,677,810
	Other deposits	**186,043**	186,647
		2,220,543	22,566,273

		2023	2022
19.	**Accruals and other liabilities**	**USD**	USD
	Other payables and accrued liabilities	**938,942**	1,012,289
		938,942	1,012,289

20. Equity share capital

	2023 USD	2022 USD
Authorised, 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

As at 31 March 2023 the issued share capital comprises 55,000,000 ordinary shares with a par value of $1each and 1 ordinary share of £1 as in previous accounting year.

The Bank has not paid any dividend during the previous year (March 2022: $7,500,000). The Bank has not cancelled and extinguished any share capital during previous year (March 2022: the Board by means of a solvency statement route approved a reduction in share capital by cancelling and extinguishing 25,000,000 of the issued ordinary shares of 1 USD each. The transaction completed on 4 June 2021, whereby $17,500,000 was returned directly back to the Bank's shareholder with the remainder of the proceeds forming part of the Bank's distributable reserves.)

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

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

21. Lease Liabilities

	Leasehold-property USD	Office Equipment USD	Total USD
At 1 April 2022	195,263	4,188	199,451
Interest charged during the year	849	33	882
Payment	(166,946)	(3,596)	(170,542)
Impact of exchange movement	(29,166)	(625)	(29,791)
At 31 March 2023	**-**	**-**	**-**

	Leasehold-property	Office Equipment	Total
	USD	USD	USD
At 1 April 2021	613,793	4,558	618,352
Interest charged during the year	6,227	82	6,309
Payment	(408,626)	(243)	(408,869)
Impact of exchange movement	(16,131)	(209)	(16,340)
At 31 March 2022	195,263	4,188	199,451

The lease liability matured during the previous year as the Bank opted for lease break in October 2022.

22. Provisions	**Onerous Contracts**	**Restructuring**	**Total**
	USD	**USD**	**USD**
At 1 Apr 2022	**-**	**410,232**	**410,232**
Additions	**235,284**	**162,789**	**398,073**
Amount utilised	**-**	**(371,549)**	**(371,549)**
Impact of exchange movement	**-**	**(2,205)**	**(2,205)**
As at 31 March 2023	**235,284**	**199,267**	**434,551**

The restructuring provisions predominantly relates to various consultancy costs arising from the ongoing wind down plan and accrual of costs of onerous contracts in compliance with guidance on onerous contracts in IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’. All provisions are expected to settle within 12 months. The amendments to IAS 37 did not have any impact on the Bank.

23. Related party transactions

Ultimate controlling party

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

The Company's immediate and ultimate parent, controlling party, and parent of the largest and smallest group in which the Company’s results are consolidated, is Axis Bank Limited, a Company incorporated in India. Copies of the consolidated financial statements of Axis Bank Limited are available from its registered address Trishul, 3rd floor, Opp Samartheshwar Temple, Law garden, Ellisbridge, Ahmedabad, Gujarat – 380 006, India.
As on 31 March 2023, the assets and liabilities outstanding to the related parties are as below:

		2023	2022
		USD	USD
1.	Cash and balances with Axis Bank Ltd	**7,567**	3,604
2.	Receivable for providing of services	**6,387**	6,775

The related party transactions for the financial year 2022-2023 is set out below.

	Items	2023	2022
		USD	USD
1.	Outsourcing charges paid	**(147,612)**	(190,742)
2.	Repatriation of share capital	**-**	(17,500,000)
3.	Dividend paid	**-**	(7,500,000)
4.	Proceeds from sale of corporate loans	**-**	20,791,563
5.	Re-imbursement of expenses paid	**25,549**	27,101
6.	(Loss) on sale of corporate loans	**-**	(492,341)

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

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

24. Overview of the Bank's risk management

As mentioned in the Strategic Report, risk management plays a pivotal role in the Bank's strategy by verifying that the Bank falls within its risk appetite threshold and assumes a level of risk that is individually and in aggregate acceptable to the Board. The Board also acknowledges the fact that during the wind-down (earlier during entity sale) process, the portfolio imbalances would necessitates re-alignment of internal risk appetite in a manner that it does not lead to excess risk taking. Though there is no incremental business accruing to the Balance Sheet, since the portfolio exits are planned over the course of the financial year 2022-2023, the existing risk measurement, monitoring and mitigation remains in place.

Credit Risk Management

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

- **i.** the maintenance and development of a supportive culture, in relation to the management of risk, appropriately embedded through procedures, training and leadership actions so that all employees are alert to the wider impact on the whole organisation of their actions and decisions.
- **ii.** ensuring the risk management framework aligns strategy with the Board's risk appetite; and

Note 24 (continued)

iii. systems of risk management, internal control and compliance to identify, measure, aggregate, control and report risks.

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

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

The objectives of the Bank's credit risk management framework are to:

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

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

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

Note 24 (continued)

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

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

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

a) the Credit Risk Policy (Risk Appetite) which governs the control elements of credit policy including all credit limits;
b) a Credit Policy which sets out the Bank's lending strategy, pricing criteria, approach and methodologies for bespoke transactions; and
c) a Non-Performing Assets (NPA) policy which governs the determination and management of credit delinquency.

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

Collateral

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

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

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

Note 24 (continued)

2023

Collateral Type	**Loans and Advances to Customers (USD'000)**		**Collateral Value (USD'000)**		**% of Exposure**	
	Retail	**Non-Retail**	**Retail**	**Non-Retail**	**Retail**	**Non Retail**
Current Assets	-	1,999	-	6,476	-	324%
Bank Guarantees and Letter of Credit	-	232	-	232	-	100%
Fixed Assets (Moveable & Immovable)	-	23,787	-	24,418	-	103%
Total	-	**26,018**	-	**31,126**	-	**120%**

2022

Collateral Type	Loans and Advances to Customers (USD'000)		Collateral Value (USD'000)		% of Exposure	
	Retail	Non-Retail	Retail	Non-Retail	Retail	Non Retail
Current Assets	-	2,000	-	6,478	-	324%
Bank Guarantees and Letter of Credit	-	443	-	443	-	100%
Fixed Assets (Moveable & Immovable)	-	30,103	-	30,730	-	102%
Total	-	32,546	-	37,651	-	116%

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 2023:

	2023		2022	
Countries	**Exposure (USD'000)**	**% of Total Exposure**	Exposure (USD'000)	% of Total Exposure
Australia	896	1.42%	186	0.20%
Belgium	-	-	5	0.01%
Germany	9,323	14.73%	10,186	11.80%
India	918	1.45%	2,877	3.30%
Singapore	1,250	1.97%	4,772	5.50%
UK	43,310	68.42%	59,121	68.20%
US	7,604	12.01%	9,550	11.00%
Total	**63,301**	**100%**	**86,697**	**100%**

Market Risk Management

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

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

Note 24 (continued)

- daylight positions;
- net Overnight positions; and
- forward Gaps.

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

Interest Rate Risk (IRR) is defined as the risk of loss due to fluctuations in Interest Rates. Interest Rate Risk may arise in any one or more of the following ways:
(i) Mismatch (re-pricing) risk.
(ii) Basis risk.
(iii) Yield curve risk.
(iv) Optionality.
The Bank expects IRR to predominantly arise from mismatches in the asset/liability mix of the book. Corporate and wholesale assets and liabilities will either be:
- priced off LIBOR maximising the effectiveness of mismatch limits in managing and controlling IRR in the Banking Book; or
- fixed rate over a defined period.

As at 31 December 2021, the GBP LIBOR ceased as a benchmark rate. During the financial year, the Bank has successfully migrated the affected corporate loan portfolio linked to GBP LIBOR to an alternative reference rate (SONIA). With respect to the USD currency, the key LIBOR rates for tenors such as overnight, 1M, 3M and 6M are expected to be published untill June 2023 and thereafter it will continue to be published under synthetic methodology until September 2024. As the Bank is in the process of selling off its corporate loan portfolio, the portfolio affected by the LIBOR changes are scheduled to be off-loaded prior to the September 2024.

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

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

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

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

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

Note 24 (continued)

All in USD'000
2023

Particulars	**Up to 1M**	**1 – 3M**	**3 – 6M**	**6 – 12M**	**1-3Yr**	**> 3 Yr**	**Non Sensitive Category**	**Total**
Cash and bank	32,555	-	-	-	-	-	2,099	34,654
Derivative financial instruments	2	-	-	-	-	-	-	2
Other assets	-	-	-	-	-	-	1,480	1,480
Loans – customers	10,350	14,849	904	-	-	-	-	26,103
Total assets	**42,907**	**14,849**	**904**	**-**	**-**	**-**	**3,579**	**62,239**
Derivative financial instrument	47	279	-	-	-	-	-	326
Deposits – customers	1,040	-	-	-	-	-	1,181	2,221
Other liabilities	-	-	-	-	-	-	1,357	1,357
Total equity and Liabilities	**1,087**	**279**	**-**	**-**	**-**	**-**	**2,538**	**3,904**
Interest Rate Gap	41,820	14,570	904	-	-	-	1,041	58,335
Impact of Interest increase of 2%	(44)	(88)	(6)	-	-	-	-	(138)

All in USD'000
2022

Particulars	Up to 1M	1 – 3M	3 – 6M	6 – 12M	1-3Yr	> 3 Yr	Non Sensitive Category	Total
Cash and bank	48,621	-	-	-	-	-	2,298	50,919
Derivative financial instruments	12	-	137	-	-	-	-	149
Loans – customers	17,084	15,538	-	-	-	-	76	32,698
Total assets	**65,717**	**15,538**	**137**	**-**	**-**	**-**	**2,374**	**83,766**
Derivative financial instrument	5	-	170	-	-	-	-	175
Deposits – customers	1,453	3,458	6,871	4,786	4,884	-	1,114	22,566
Other liabilities	-	-	-	-	-	-	1,622	1,622
Total equity and Liabilities	**1,458**	**3,458**	**7,041**	**4,786**	**4,884**	**-**	**2,736**	**24,363**
Interest Rate Gap	64,259	12,080	(6,904)	(4,786)	(4,884)	-	(362)	59,403
Impact of Interest increase of 2%	64	127	(52)	(71)	(197)	-	-	(129)

Exposures of less than 1 year are further controlled via Earnings at Risk limit (EAR), such limit being based on a standard 25bp parallel shift in interest rates. The EAR as on reporting date is USD 0.13m. The EaR is subject to stress testing on a quarterly basis through modelling the impact of various alternative yield curve shifts including a shock parallel shift of 200bp. The Duration of Equity (DOE) is assessed on a 200 basis points shift in Interest rates is 0.25% of CET1 capital.

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

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

Note 24 (continued)

The open position of the Bank as on 31 March 2023 is as follows:

		2023
Currency	**Open Position FCY '000**	**USD Equivalent USD'000**
Indian Rupee	622	8
Pound Sterling	(194)	(239)
Euro	103	112
Total Long Position in US Dollars		120
Total Short Position in US Dollars		(239)

Upward or downward movement of exchange rate by 10% may impact profitability of the Bank by USD 13,412.

		2022
Currency	Open Position FCY '000	USD Equivalent USD'000
Indian Rupee	255	3
Pound Sterling	(30)	(39)
Euro	68	76
Total Long Position in US Dollars		79
Total Short Position in US Dollars		(39)

Upward or downward movement of exchange rate by 10% may impact profitability of the Bank by USD 5,052.

Liquidity Risk Management:

It is the stated policy of the Bank to manage the liquidity risks of the Bank so as to comply at all times with:
• the regulatory rules and requirements set out in the PRA Handbook and other statutory instruments applicable to the Bank; and
• the risk appetite set by the Board to achieve the strategy agreed with the shareholder.

The Bank's retail deposits portfolio is fixed-term in nature and only a small component pertains to Current and Savings accounts which are on-demand in nature. The Bank's ALCO regularly monitors the liquidity implications of the wind-down and a special task force is created to monitor the developments closely.

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

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

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.

Note 24 (continued)

Bank has been maintaining the funds in Bank of England reserve account to the extent of outstanding retail deposits, which ensures that there are sufficient liquid assets to meet prepayment of all deposit accounts during the wind down process. Further, the liquidity position has considerably strengthened by the committed line provided by the parent Bank, where ABUK can draw the funds to the extent of $70m at any point and in required currency (EUR/GBP/USD) during the wind down period.

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

All in USD'000

As at 31 March 2023	**Up to 1M**	**1-3 M**	**3-12 M**	**1-5Yr**	**Over 5Yr**	**Undated**	**Total**
Cash and bank	34,654	-	-	-	-	-	34,654
Derivative financial instruments/other assets	2	2,578	-	-	-	-	2,580
Loans and Adv. – customers	20	3,330	3,622	18,026	-	-	24,998
Total assets	**34,676**	**5,908**	**3,622**	**18,026**	**-**	**-**	**62,232**
Derivative financial instruments	47	279	-	-	-	-	326
Deposits from customers	2,221	-	-	-	-	-	2,221
Other liabilities	-	1,373	-	-	-	-	1,373
Total equity and Liabilities	**2,268**	**1,651**	**-**	**-**	**-**	**-**	**3,920**
Net liquidity gap	32,408	4,257	3,622	18,026	-	-	58,312
Cumulative Liquidity Gap	**32,408**	**36,664**	**40,286**	**58,312**	**58,312**	**58,312**	

All in USD'000

As at 31 March 2022	**Up to 1M**	**1-3 M**	**3-12 M**	**1-5Yr**	**Over 5Yr**	**Undated**	**Total**
Cash and bank	50,919	-	-	-	-	-	50,919
Derivative financial instruments	13	-	143	-	-	-	156
Loans and Adv. – customers	21	3,919	6,477	25,187	76	-	35,680
Total assets	**50,953**	**3,919**	**6,620**	**25,187**	**76**	**-**	**86,755**
Derivative financial instruments	5	-	172	-	-	-	177
Deposits from customers	1,822	3,847	12,656	5,603	-	702	24,630
Other liabilities	-	1,622	-	-	-	-	1,622
Total equity and Liabilities	**1,827**	**5,469**	**12,828**	**5,603**	**-**	**702**	**26,429**
Net liquidity gap	49,126	(1,550)	(6,208)	19,584	76	(702)	60,326
Cumulative Liquidity Gap	49,126	47,576	41,367	60,950	61,026	60,326	

Note 24 (continued)

Operational Risk Management

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

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

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

25. Other commitments and contingencies

The Bank had no other commitments and contingencies at the year-end other than bank guarantee $**1.8 million** (2022: $2.79 million) and undrawn loan amount of NIL (2022: $0.7 million).

26. Events after balance sheet date

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