



Annual Report and Financial Statements  
for the year ended 31 March 2019

COMPANY REGISTRATION NUMBER 7554558

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**AXIS BANK UK LIMITED**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2019**

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**AXIS BANK UK LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**Company Registration Number** 07554558

**The Board of Directors**

**Rajiv Anand**  
Chairman

**Cyril Anand**  
Non-Executive Director

**Sanjeev Kumar Gupta**  
Non-Executive Director

**Diane Elizabeth Moore**  
Non-Executive Director

**Paul Seward**  
Non-Executive Director

**Rajendra D Adsul**  
Managing Director & Chief Executive Officer

**Kanchan Dasgupta** Executive Director – Risk &  
Compliance

**Company Secretary** **Kanchan Dasgupta**

**Registered Office** 4 Chiswell Street,  
London,  
EC1Y 4UP

**Auditor** **BDO LLP**  
London, United Kingdom

# **AXIS BANK UK LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2019**

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#### **Current strategy**

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

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

#### **Future plans**

The Board of the Bank has approved the three year business plan for the planning cycle ending 31 March 2022, approved in January 2019. The Bank's plan is to consolidate its existing business while embarking on its Trade Finance offering and offering enhanced products in the Retail Liabilities space. The Bank also plans to enhance its delivery channels through technological innovations to support the expansion of its BTL lending business and the launch of Internet Banking.

#### **Business environment**

As per the Interim Economic Outlook published by the OECD in March 2019, global growth is losing momentum and growth in most G20 economies has been revised downward. In the Spring Statement of 2019 by the Chancellor a forecast of 1.2% growth was predicted for 2019, revised down from 1.6%. The Bank will keep track of the developments and adapt its business plan accordingly, but overall expects a favourable business environment to successfully carry on the business operations as the Bank is well positioned in terms of well diversified funding, adequate liquidity, strong capital base and an underlying low cost base.

#### **Brexit impact**

The Bank is actively monitoring developments in relation to Brexit and the matter has become a standing item on the Board's agenda every quarter. Whilst the UK and EU agreed to extend Article 50, if the UK and EU ratify the withdrawal agreement before 31<sup>st</sup> October 2019, then the UK would leave EU on the first day of the following month, while the UK could also leave the EU without a deal. The situation is expected to become clearer over the coming months, and as the UK's position becomes clearer, the Bank will adjust its exposures and activities to ameliorate any adverse effects expected. However the Bank shall be holding additional liquidity to meet any contingencies. On a more positive note, the Bank believes that Anglo-Indian business will become an area of increased focus and growth in the post-Brexit world and that the Bank will be well positioned to benefit from the opportunities this will offer.

**AXIS BANK UK LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Business Performance**

The Board approved the Strategy document of the Bank that provided the benchmark for the Business Plan for the current year.

The Bank's total assets as at March 2019 were USD 825 million (2018: USD 1,035 million) and the profit before taxes of USD 8.44 million (2018: USD 15.05 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 2019 are shown on pages 21 to 69.

**Key performance indicators and ratios**

The financial performance is summarised in the following table:

<b>Income Statement</b>	<b>2018-19</b>	<b>2017-18</b>
	USD	USD
Net interest income	11,783,828	15,398,725
Fee and commission income (net)	1,547,846	6,034,017
Total operating income	16,106,731	21,774,384
Operating expenses	(7,677,238)	(6,725,264)
<b>Profit before taxes</b>	<b>8,429,493</b>	<b>15,049,119</b>
<b>Balance Sheet</b>	<b>2018-19</b>	<b>2017-18</b>
	USD	USD
Cash and balances with banks	74,836,857	71,618,053
Loans and advances to customers	220,008,354	295,647,284
Loans and advances to Buy-to-let customers	379,465,976	385,969,506
Financial Investments	138,437,251	124,752,296
<b>Total assets</b>	<b>825,492,954</b>	<b>1,035,149,211</b>
Equity holders' funds	117,498,340	83,733,879
<b>Key performance indicators (%)</b>	<b>2018-19</b>	<b>2017-18</b>
Net Interest Margin (NIM)	1.39	1.67
Cost to income ratio	46.25	29.95
Capital adequacy ratio (CAR)	26.30	18.22
Core tier 1 ratio	26.30	14.03
Return on Assets (ROA)	0.82	1.17
Return on Equity (ROE)	6.53	15.51

NIM: Net Interest income/Average monthly Assets

Cost to income ratio: Operating costs (including fee & commission expenses)/ Operating income (excluding net impairment charges)

CAR: Total RWA/ Total Capital

Core Tier 1 ratio: Total RWA/ Total Tier 1 Capital

Return on Assets (ROA): The Bank's Return on Assets as per requirement of Article 90 of CRD is calculated as Net profit divided by total Balance Sheet size.

ROE: PAT/Average Equity

**Corporate and commercial banking**

The Bank's corporate business aims to provide products and services to enhance investment and trade primarily between the UK, Europe and India. While the regulatory and emerging business environment among these countries will influence the mix of products offered to

# **AXIS BANK UK LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2019**

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clients, the Bank is looking to expand its product range. It will do this by developing existing relationships and acquiring new ones, while minimising risk by remaining focused on its core competencies.

#### **Buy to let**

The Bank's Buy-to-Let business launched in April 2015 is focused on professional landlords. The lending policies are in line with market norms and therefore the Bank has no plans to lend into the consumer Buy-to-Let area. The Bank operates through a network of empanelled packagers and brokers and has a delivery system in place to serve its clients efficiently and effectively.

#### **Retail banking**

The retail banking business is focused on offering a range of fixed deposit products. By harnessing technology, the Bank plans to offer variations of existing retail deposit products to provide a wider choice to its existing/prospective customers. In addition to offering the remittances to India through its office in London, the Bank offers a Mobile Driven Remittance (MDR) product to enable easy remittance of funds to India.

#### **Treasury**

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

The Bank maintains a portfolio of High Quality Liquid Assets (HQLA) and balances in the reserve account with the Bank of England to meet the Liquidity coverage ratio (LCR) and to ensure that the Bank has the necessary assets to manage any short-term liquidity disruptions. In the last two years, the Bank has been able to extend its range of counterparties and also gain access to the Sterling Monetary Framework which further strengthened its funding and liquidity management regime.

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

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

The Bank is able to access the term money market and borrow funds at competitive rates by both leveraging the existing relationships of Axis Bank Limited and developing new interbank relationships. The Bank continues to diversify funding sources in terms of counterparties, maturity, products, and markets.

#### **Investment banking**

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

#### **Culture**

The Bank takes pride in the fact that its culture is founded on the customer-centric, service driven ethic of its parent. This culture is driven from the top down within the organisation and

# **AXIS BANK UK LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2019**

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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, commitment to social values and observes high standards of integrity and fair dealing 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.

#### **Corporate governance**

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

The Bank's corporate governance framework is driven by the Board which comprises two Executive Directors, three Non-Executive Directors nominated by the shareholder and two independent UK-based Non-Executive Directors. The 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 holds any other responsibilities within the wider Axis Bank Group and between them they chair all Board committees except the HR Committee.

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

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

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

The Bank has independent control functions which report to the Executive Director Risk & Compliance (EDR&C) and are responsible for the day-to-day evaluation and monitoring of

# AXIS BANK UK LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MARCH 2019

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the risks faced by the Bank and for submitting reports to the Bank and Board Committees. The Bank also has an Internal Audit function (outsourced to Axis India) which reports functionally to the Chair of the Audit & Compliance Committee (ACC).

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

#### Senior Managers & Certification Regime (SM&CR)

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

#### Risk governance

The Risk department plays a significant role in review and challenge of risks inherent in the business 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 follows the industry standard approach of "3 Lines of Defence" comprising:

- Heads of business units are directly accountable for the management of risks in their areas through the operational controls set out in the functional and departmental procedures' manuals. To assist in making the first line more effective, the Bank actively promotes sustainable return thinking, up-to-date risk-related information and absolute respect for limits.
- Monitoring and reporting of risk positions by the Risk, Finance and Compliance teams forms the second line of defence. These teams are responsible for recommending risk policy and for providing oversight and challenge of the activities carried out by the first line. To assist in making the second line of defence more effective the Bank actively promotes a strong control structure, close interaction and co-ordination between the control functions and a supportive organisational structure.
- The Internal Audit function forms the third line of defence, providing independent assurance to senior management, the Audit & Compliance Committee, the Risk Management Committee and the Board over the design and operation of the Bank's risk management, governance and internal control processes.

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

Audit & Compliance Committee (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.
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Risk Management	The RMC, a Board Committee, is responsible for the quality and
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**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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Committee (RMC)	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 and systems of the Bank and to recommend such amendments and changes as may be required from time to time to ensure the framework remains fit for purpose. The role of the risk management function is to:

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

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

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;
- 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

**AXIS BANK UK LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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and compliance with the data protection regulations are at the forefront of the Bank's strategy. As part of implementation of General Data Protection Regulation (GDPR) regulatory requirement, the Bank has taken the support of a Consultant to put in place a process which will enable customers to exercise their rights under GDPR. This includes utilising the services of vendors enabling customers to have control over how their data is used and protected.

**Anti-Money Laundering (AML) and compliance**

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

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

The Bank supports a strong compliance culture.

**Internal audit**

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

**Principal Risks and Uncertainties**

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

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

The primary role of the Bank's treasury function is funding the on-balance sheet lending activities of the Bank and to provide treasury-related services to clients. The treasury function operates within limits set by the Bank's Risk Management Committee and set out in the

**AXIS BANK UK LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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Market Risk Policy. The Bank does not engage in proprietary trading activities beyond the de minimis levels noted above 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 Op Risk charge is directly linked with the Risk register outputs allowing us to allocate notional capital charges against specific risks which in turn facilitates back-testing.

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

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

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

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

**AXIS BANK UK LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

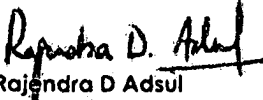
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ICAAP and ILAAP documents are prepared and submitted to the Board of the Bank. These are developed as part of the annual planning and budgeting process to ensure that the Bank's business plans are achievable within its capital and liquidity resources. Both the ICAAP and ILAAP are subject to interim review and update in response to material changes to the business or regulatory environment.

**Employees**

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

By order of the Board

  
**Rajendra D Adsul**  
Managing Director & Chief Executive Officer  
18 April 2019

  
**Kanchan Dasgupta**  
Company Secretary

# **AXIS BANK UK LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2019**

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The Directors have pleasure in presenting the Annual Report and the audited financial statements for the year ended 31 March 2019. These financial statements have been prepared in accordance with the Companies Act 2006 and applicable International Financial Reporting Standards as adopted by the European Union.

#### **Principal activity**

Axis Bank UK Limited ("the Bank"), a company, registered as a private company with limited liability, in England & Wales (No.7554558), is a wholly-owned subsidiary of Axis Bank Limited (Axis Bank India), the third largest private sector bank in India having a balance sheet size of USD 108.37 billion as of 31 December 2018 (2017 USD 98.80 billion). The Bank commenced operations in April 2013, subsequent to receiving authorisation from the Prudential Regulation Authority on 19 April, 2013. The Bank is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and is covered by the Financial Services Compensation Scheme (FSCS). The Bank offers a range of products covering Retail banking, Corporate and commercial banking, Buy to Let mortgages (BTL), Investment banking services, Trade finance and Treasury services to its customers. For our current strategy and future plans, 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 29 for further details.

#### **Going concern basis**

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

As a consequence of this and the robust risk management framework that the Bank has in place, the Directors believe that the Bank is well placed to manage its business risks effectively and reasonably expect it to continue in operational existence for the foreseeable future.

#### **Capital structure**

Axis Bank UK Limited continues to monitor its current and projected capital adequacy ratios on a regular basis to ensure that capital held is always adequate to support the business transactions.

As at the close of the previous accounting year, the Bank had share capital of 55 million equity shares of USD 1 each, 1 equity share of GBP 1 and subordinated debt of USD 25 million. The subordinated debt of USD 25 million was called back during the year and 25 million equity shares of USD 1 each were issued to Axis Bank Ltd during the year.

#### **Charitable donations**

The Bank made no charitable donations during the year.

#### **Directors**

The current Directors are listed in page 2. During the reporting year Mr Sidharth Rath and Mr V Srinivasan ceased to be Directors (both on resignation ) from 20 April 2018 and 20 December 2018 respectively. Also in the reporting period Mr Cyril Anand and Mr Rajiv Anand were appointed Directors (both as shareholder's nominees) on 27 July 2018 and 22 January 2019 respectively.

**AXIS BANK UK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**Disclosure as per Capital Requirement Regulation (CRR)**

The Bank has made the disclosures as required for year ended 31 March 2019, under the CRR in a separate document and the same is available on its website ([www.axisbankuk.co.uk](http://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 precede this section.

**Payment of dividends**

The Directors have recommended the payment of a final dividend for the year ended 31<sup>st</sup> March 2019 of \$4.5m (2018: USD Nil).

**Post Balance sheet event**

We confirm that there were no subsequent events post the balance sheet date except for the proposed dividends of \$4.5m, please refer to note 31.

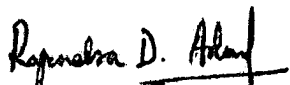
**Auditor**

Following Board approval on 27 July 2018 BDO LLP have been appointed as the Bank's independent auditor. They replace Deloitte LLP who had been the Bank's auditor since April 2013.

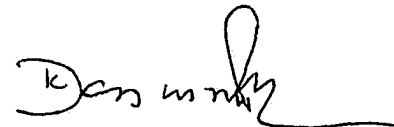
**General meetings**

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

By order of the Board



**Rajendra D Adsul**  
Managing Director & Chief Executive Officer  
18 April 2019



**Kanchan Dasgupta**  
Company Secretary

**AXIS BANK UK LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Directors' responsibilities**

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

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

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

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

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

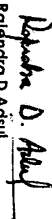
**Statement as to disclosure of information to the auditor**

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

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

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

By order of the Board



**Rajendra D Adani**  
Managing Director & Chief Executive Officer

18 April 2019

# **AXIS BANK UK LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2019**

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

#### **Opinion**

We have audited the financial statements of Axis Bank UK Limited (the 'company') for the year ended 31 March 2019 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with the IFRS as adopted by the European Union and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Key Audit Matters**

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



# AXIS BANK UK LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2019

and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	How the matter was addressed in our audit
<p><b>Expected Credit Loss provisioning</b></p> <p>Commensurate with the activities of the Bank, the Expected Credit Loss (ECL) provision is a material balance subject to management judgement and estimation. Please refer to notes 2 to 4 in the financial statements.</p> <p>Key judgements and estimates in respect of the timing and measurement of expected credit losses (ECL) include:</p> <ul style="list-style-type: none"> <li>□ Allocation of assets to stage 1, 2, or 3 using criteria in accordance with the accounting standard;</li> <li>□ Accounting interpretations and modelling assumptions used to build the models that calculate the ECL;</li> <li>□ Completeness and accuracy of data used to calculate the ECL;</li> <li>□ Inputs and assumptions used to estimate the impact of multiple economic scenarios; and</li> </ul>	<p>We analysed the components of the loan book and considered management's processes for identification and treatment of underperforming loans. We have evaluated and challenged the Bank's determination of what constitutes a Significant Increase in Credit Risk and whether the definition of default used for the Bank's estimate of Expected Credit Loss results in a probability of default that reflects the Bank's current view of the future and is unbiased.</p> <p>We have observed that the key finance and risk executives have approved the data inputs and assumptions.</p> <p>We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment.</p> <p>We evaluated the selection and source of the information used by the Bank to determine Probability of Default, Loss Given Default and Exposure at Default (EAD). We made an assessment of the adequacy and accuracy of the credit provision by reference to internal and external information to establish if provisioning was in accordance with requirements of accounting standards.</p> <p>With the support of our internal economic specialists, we assessed the appropriateness of the predictive models used and assessed the macroeconomic variables, such as Gross Domestic Product, Housing Price Index and Corporate insolvency rates, which were appropriate. We also challenged the correlation and impact of the macroeconomic and credit risk factors to the ECL including how non-linearity was captured.</p> <p>We assessed the reasonability of the sources of multiple economic scenarios used, including weighting and probability changes.</p>

# AXIS BANK UK LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2019

□ Accuracy and adequacy of the financial statement disclosures.	We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards including disclosure of transition from IAS 39 to IFRS 9.
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### Our application of materiality

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

Materiality	\$680,000
Performance materiality	\$442,000
Reporting threshold	\$14,000

### Materiality

We consider materiality to be the magnitude by which misstatements, individually or taken together, could reasonably be expected to influence the economic decisions of the users of the financial statements. We determined the materiality for the Company financial statements as a whole to be \$680,000, which was set at 8% of profit before tax. This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that profit before tax will be the most appropriate benchmark as financial performance is considered to be the main driver for the Bank at this time.

### Performance Materiality

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

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

### Reporting Threshold

We agreed with the Audit Committee that we would report all individual audit differences in excess of \$14,000 to the Audit Committee and any other differences that, in our view, warranted reporting on qualitative grounds.

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

### An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the company, the accounting processes and controls, and the

# **AXIS BANK UK LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2019**

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industry in which the company operates. We undertook a full scope audit. Our audit approach is risk based and has been driven by our materiality thresholds set out above.

### **Other information**

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

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

# **AXIS BANK UK LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2019**

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### **Responsibilities of directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

### **Other matters we are required to address**

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 27 July 2018 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods.

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

Our audit opinion is consistent with the additional report to the audit committee.

### **Use of our report**

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

**AXIS BANK UK LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED**  
**FOR THE YEAR ENDED 31 MARCH 2019**

BDO LLP

Leigh Tacey (Senior Statutory Auditor)  
For on behalf of BDO LLP, Statutory Auditor  
London, UK

Dated: 12 APRIL 2019

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

# AXIS BANK UK LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

COMPANY REGISTRATION NUMBER 7534558

	Notes	2019 USD	2018 USD
Interest and similar income	2	32,179,341	34,811,420
Interest and similar expense	3	(20,395,513)	(19,412,695)
<b>Net Interest Income</b>		<b>11,783,828</b>	<b>15,398,725</b>
Fee and commission income	4	2,515,642	3,780,988
Fee and commission expense	4	(967,796)	(995,347)
Net gain on financial instruments at FVTPL		3,992,051	5,408,660
Other operating income		187,555	14,590
Net impairment charges		(1,619,270)	(5,090,296)
Profit on sale of debt securities		214,721	8,687
Profit on sale of BTL asset portfolio		-	3,248,376
<b>Operating Income</b>		<b>16,106,731</b>	<b>21,774,383</b>
Personnel costs	5	(3,794,735)	(3,677,670)
Operating lease		(313,409)	(289,173)
Depreciation	19	(511,606)	(609,952)
Other general operating expenses	7	(3,057,488)	(2,148,469)
<b>Profit Before Tax</b>		<b>8,429,493</b>	<b>15,049,119</b>
Corporation tax expense	9	(1,633,534)	(2,969,008)
<b>Profit for the year from continuing operations</b>		<b>6,795,959</b>	<b>12,080,111</b>

The notes on pages 41 to 69 form part of these financial statements

# AXIS BANK UK LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

COMPANY REGISTRATION NUMBER 7554558

	Notes	2019 USD	2018 USD
<b>Profit for the year</b>		<b>6,795,959</b>	<b>12,080,111</b>
<b>Other comprehensive income that may be recycled to profit or loss:</b>			
Net gain/(loss) in fair value on investments		876,403	(507,515)
Tax relating to fair value movement on investments	9	(148,988)	86,324
Expected credit loss on Investments		5,783	-
Net gain/(loss) on investments		733,198	(421,191)
<b>Total comprehensive income attributable to equity Shareholders for the year</b>		<b>7,529,157</b>	<b>11,658,920</b>

The notes on pages 41 to 69 form part of these financial statements

# AXIS BANK UK LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

COMPANY REGISTRATION NUMBER 7554558

	Issued capital	AFS reserves	FVOCI reserves	Retained earnings	Total equity
	USD	USD	USD	USD	USD
Balance at 1 April 2017	55,000,002	(845,360)		17,920,317	72,074,959
Transaction with owners recorded directly in equity					
Adjustment of opening retained earning					
Dividend					
	55,000,002	(845,360)		17,920,317	72,074,959
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	12,080,111	12,080,111
Other comprehensive income for the year					
Net movement in fair value on Investment	-	(507,515)	-	-	(507,515)
Tax relating to fair value movement on Investment	-	86,324	-	-	86,324
Balance at 31 March 2018	55,000,002	(1,266,551)	-	30,000,428	83,733,879
<b>Balance at 1 April 2018</b>	55,000,002	(1,266,551)	-	30,000,428	83,733,879
Measurement impact of IFRS 9 as at 1 April 2018			(70,377)	1,553,150	1,482,773
Tax relating to the transfer				(252,072)	(252,072)
Transfer out to FVOCI reserves		1,266,551	(1,266,551)		-
Transaction with owners recorded directly in equity					
Additional capital received	25,000,000	-	-	-	25,000,000
	80,000,002	-	(1,336,928)	31,301,506	109,964,580
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	6,795,959	6,795,959
Other comprehensive income for the year					
Net movement in fair value on Investment			876,403		876,403
Tax relating to fair value movement on investments			(148,988)		(148,988)
Expected credit loss reserve			5,783		5,783
Other comprehensive income recycled to income			4,603		4,603
Balance at 31 March 2019	80,000,002	-	(599,127)	38,097,465	117,498,340

The notes on pages 41 to 69 form part of these financial statements



**AXIS BANK UK LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	Notes	2019 USD	2018 USD
<b>Assets</b>			
Cash and balances with banks	10	74,836,857	71,618,053
Receivable on sale of BTL assets		-	145,073,875
Derivative financial Instruments	11	2,083,795	2,006,124
Financial investments – held to maturity	15	-	56,892,213
Financial investments - AFS	15	-	67,860,083
Financial investments - FVOCI	15	138,437,251	
Loans and advances to customers	13	220,008,354	295,647,283
Loans and advances to BTL customers	14	379,465,976	385,969,506
Property and equipment	19	1,334,879	1,566,318
Deferred tax asset	9	-	298,714
Prepayments, accrued income and other assets	20	9,325,842	8,217,042
<b>Total assets</b>		<b>825,492,954</b>	<b>1,035,149,211</b>
<b>Liabilities</b>			
Derivative financial Instruments	11	3,379,765	13,488,031
Deposits from banks	21	259,239,724	473,976,809
Repurchase agreements	21	56,132,117	58,769,749
Deposits from customers	22	386,305,825	373,263,045
Current tax liabilities		129,225	884,211
Subordinated liabilities and other borrowed funds	23	-	25,054,986
Deferred tax liabilities	9	88,490	1,537
Accruals and other liabilities	24	2,719,468	5,976,964
<b>Total liabilities</b>		<b>707,994,614</b>	<b>951,415,332</b>
<b>Equity attributable to equity holders</b>			
Equity share capital	25	80,000,002	55,000,002
Other reserves	28	(599,127)	(1,266,551)
Retained earnings		38,097,465	30,000,428
<b>Total equity</b>		<b>117,498,340</b>	<b>83,733,879</b>
<b>Total liabilities and equity</b>		<b>825,492,954</b>	<b>1,035,149,211</b>

The financial statements were approved by the Board of Directors and authorised for issue on 18 April 2019.

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

The notes on pages 41 to 69 form part of these financial statements

**AXIS BANK UK LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	USD	USD
<b>Cash flows for the year</b>		
Profit before tax	8,429,493	15,049,119
<b>Adjustments to reconcile profit from operations</b>		
Depreciation and amortisation	511,606	609,952
Net impairment charge	1,619,270	5,090,296
<b>Cash flows before changes in operating activities</b>	<b>10,560,369</b>	<b>20,749,367</b>
<b>Changes in operating activities:</b>		
Net decrease/ (increase) in other receivables	144,263,788	(150,896,646)
Net (decrease)/increase in other payables	(3,925,529)	4,429,429
Net decrease/(increase) in loans and advances to customers	75,250,360	(22,420,362)
Net decrease/(increase) in loans and advances to BTL customers	6,503,530	(70,532,782)
Net decrease in loans and advances to banks	-	25,500,636
Net (decrease)/ increase in deposit by banks	(214,737,085)	43,533,182
Net (decrease)/increase in repurchase agreement	(2,637,632)	(7,774,136)
Net increase in deposit by customers	13,042,780	150,833,368
Net (decrease)/ increase in derivative financial Instruments	(10,185,937)	10,561,622
<b>Cash generated by continued operations</b>	<b>7,574,275</b>	<b>(16,765,688)</b>
Corporate Income tax paid	(1,633,534)	(2,305,577)
<b>Changes in operating activities</b>	<b>5,940,741</b>	<b>(19,071,266)</b>
<b>Net cash flows from operating activities (A)</b>	<b>16,501,110</b>	<b>1,678,101</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(280,166)	(1,001,771)
Net decrease in HTM investments	-	25,548,963
(Increase)/decrease in investments (net of reserves)	(12,947,154)	605,451
<b>Net cash flows (used in)/ from investing activities (B)</b>	<b>(13,227,320)</b>	<b>25,152,643</b>
<b>Cash flows from financing activities:</b>		
Issue of ordinary shares	-	-
Repayment of subordinated liabilities	(54,986)	403,790
<b>Net cash flows from financing activities (C)</b>	<b>(54,986)</b>	<b>403,790</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>3,218,804</b>	<b>27,234,534</b>
<b>Cash and cash equivalent as at the beginning of the year</b>	<b>71,618,053</b>	<b>44,383,519</b>
<b>Cash and cash equivalents as at the end of the year (Note 10)</b>	<b>74,836,857</b>	<b>71,618,053</b>

Interest received was \$31,669,810 (2018: \$35,093,192) and interest paid was \$22,647,762 (2018: \$16,751,275).

The notes on pages 41 to 69 form part of these financial statements

**AXIS BANK UK LIMITED**  
**ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**1. Reporting entity**

Axis Bank UK Limited (Registration no. 07554558) is a private limited company (limited by shares) domiciled and incorporated in the United Kingdom under the Companies Act. The Bank is a wholly-owned subsidiary of Axis Bank Limited, one of the leading private sector banks of India. The address of the Bank's registered office is 1st Floor, 4 Chiswell Street, London EC1Y 4UP. The Bank is primarily involved in providing a variety of banking and financial services including retail banking, corporate and commercial banking, trade finance, Investment banking and treasury services.

**2. Basis of preparation**

**A. Statement of compliance**

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

The Bank's financial statements for the year ended 31 March 2019 were authorised for issue on 18 April 2019.

**B. Going concern**

The Directors are of the opinion that it is appropriate to use the going concern basis in preparing these financial statements (refer pages 12-13 of Directors' Report).

**C. Basis of measurement**

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

**D. Functional and presentation currency**

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

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

**E. Changes in accounting policy**

The Bank has adopted IFRS 9 and IFRS 15 with effect from 1 April 2018.

**1) IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments, which replaced IAS 39, Financial Instruments: Recognition and

**AXIS BANK UK LIMITED**  
**ACCOUNTING POLICIES (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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Measurement, was applied effective from 1 April 2018.

**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.

**Impairment**

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

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

As a result the amount of the allowance is affected by changes in the expectations of loss driven by changes in associated credit risk. In contrast, the IAS 39 impairment allowance assessment

**AXIS BANK UK LIMITED**  
**ACCOUNTING POLICIES (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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was based on an incurred loss model, and measured on assets where there was objective evidence that loss had been incurred, using information as at the balance sheet date.

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

Currently, the Bank has 3 principal portfolios which are eligible for ECLs including i)Corporate Loans, ii)Buy-to-Let mortgages, and iii)Investments.

**Recognition of Significant Increase in Credit Risk (SICR)**

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

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

**Corporate Loans**

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

**Buy-to-let**

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

**Investments**

- Bonds which other similar issuances or higher credit quality issuances; and are one or more interest/principal payments in 30 days past due arrears;

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

**Impact of IFRS9 adoption**

The Bank has applied IFRS9 retrospectively by adjusting the opening balance sheet at the date of initial application. Comparative periods have not been restated and accordingly all comparative period information is presented in accordance with our previous accounting policies.

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Details of the impact of adoption of IFRS 9 are provided below:

**Table 1 - Balance sheet Impact of IFRS 9**

IFRS 9 changed the classification categories of financial assets from IAS 39. Loans and receivables were classified to amortised cost and previously Held-to-maturity and available for sale assets were classified as fair value through other comprehensive income unless they were deemed to be in a fair value business model or failed the contractual cash flow requirements under IFRS 9. There were no changes in the classification and measurement of financial liabilities.

The table below presents the impact of the changes to the balance sheet following the Bank's transition to IFRS 9.

Assets	IAS 39		Classification & Measurement Category	IFRS 9	
	Classification & Measurement Category	31 Mar 2018 USD		1 April 2018 USD	Impairment change USD
<b>Assets</b>					
Cash and balances with banks	Loans & receivables	71,618,053	Amortised cost	71,618,053	-
Loans and advances to banks	Loans & receivables		Amortised cost		-
Receivable of sale of BTL assets	Loans & receivables	145,073,875	Amortised cost	145,073,875	-
Derivative financial instruments	Fair value through IS	2,006,124	Fair value through IS	2,006,124	-
Financial investments - available for sale	Available for sale	67,860,083	Fair value through OCI	67,848,967	(17,753)
Loans and advances to customers	Loans & receivables	295,647,283	Amortised cost	296,815,641	1,196,036
Loans and advances to BTL customers	Loans & receivables	385,969,506	Amortised cost	386,326,621	357,114
Financial investments - held to maturity	Held to maturity	56,892,213	Fair value through OCI	56,844,490	(52,624)
		<u>1,025,067,137</u>		<u>1,026,533,771</u>	<u>1,482,773</u>
<b>Total assets</b>					

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<b>Liabilities</b>		<b>IAS 39</b>	<b>IFRS 9</b>		<b>Impairment</b>
<b>Classification &amp; Measurement category</b>	<b>31 Mar 2018</b>	<b>Classification &amp; Measurement category</b>	<b>1 April 2018</b>	<b>change</b>	<b>USD</b>
	<b>USD</b>		<b>USD</b>		<b>USD</b>
<b>Liabilities</b>					
Derivative Financial Inst	Fair value through IS	13,488,031	Fair value through IS	13,488,031	-
Deposits from banks	Amortised cost	473,976,809	Amortised cost	473,976,809	-
Repurchase agreements	Amortised cost	58,769,749	Amortised cost	58,769,749	-
Deposits from customers	Amortised cost	373,263,045	Amortised cost	373,263,045	-
Subordinated Liab & Other Borrowed funds	Amortised cost	25,054,986	Amortised cost	25,054,986	-
		<u>944,552,620</u>		<u>944,552,620</u>	<u>-</u>
<b>Total Liabilities</b>					

**Table 2 - Reconciliation of impairment allowance and provisions**

The table below reconciles the closing impairment allowances for financial assets in accordance with IAS 39 and the opening impairment allowances determined in accordance with IFRS 9 as at 1 April 2018.

	<b>Impairment allowances under IAS 39 USD</b>	<b>Impact of IFRS 9 impairment allowance USD</b>	<b>Impairment allowance under IFRS 9 USD</b>
Loans & Advances to customers	6,290,964	(1,158,972)	5,131,992
Loan & advance to BTL customers	778,919	(357,114)	421,805
Financial Investments	-	70,377	70,377
<b>Total on-balance sheet</b>	<u>7,069,883</u>	<u>(1,445,709)</u>	<u>5,624,174</u>
Provision for commitments & Guarantees	-	(37,064)	(37,064)
<b>Total impairment and provision</b>	<u>7,069,883</u>	<u>(1,482,773)</u>	<u>5,587,110</u>

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**ii). IFRS 15 Revenue from contracts with customers**

IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts. The core principle of IFRS 15 is that revenue is recognised in line with the completion of performance obligations which reflects the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled. The recognition of such revenue is in accordance with five steps to: identify the contract; identify the performance obligations; determine the transaction price; allocate the transaction price to the performance obligations; and recognise revenue when the performance obligations are satisfied.

Whilst the adoption of IFRS 15 has been applied there has been no impact following the adoption of the standard.

**F. Future changes in accounting policy and disclosure**

The following standard has been issued, but is not yet effective for the Bank:

**IFRS16 Leases**

In January 2016, the IASB issued IFRS 16, which sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard removes the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities on the balance sheet for most leases. Lessees will also recognise depreciation expense on the lease asset and interest expense on the lease liability in the statement of income. There are no significant changes to lessor accounting aside from enhanced disclosure requirements.

The Bank will apply IFRS 16 from 1 April 2019. Based on analysis to date, the adoption of IFRS 16 is not expected to have a material impact on the net asset position of the Bank.

**3. Significant accounting policies**

**Revenue recognition**

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

**Interest and similar income and expense**

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

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



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costs and all other premiums or discounts. For stage 3 financial instruments, interest income is calculated net of the expected credit allowance.

**Fee and commission income**

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

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

**Lease transactions**

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

**Retirement and other employee benefits**

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

**Corporation tax expense**

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

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

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

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

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sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

**Provisions**

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

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

**Financial Instruments**

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

- Financial assets/liabilities classified at 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 in 'Impairment charges on financial assets'.

**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

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**ACCOUNTING POLICIES (CONTINUED)**  
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balance sheet at their fair value, inclusive of transaction costs.

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

**iii) Financial liabilities measured at amortised cost**

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

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

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

**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.

**Accounting for financial instruments under IAS 39 for 2018**

**Financial instruments**

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

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

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

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

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

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

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

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

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**Loans and advances**

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

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

**Financial investments - Available-for-sale**

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

**Financial investments - Held-to-maturity**

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

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

**Impairment of financial assets**

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

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

**Impairment of loans and advances**

Loans and advances are evaluated individually and collectively for impairment by the Loan and Investment Review Committee which was formed during the year as part of preparations for the implementation of IFRS 9 in 2018-19.

**Impairment of financial investments in AFS portfolio**

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

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

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

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

**Repurchase and reverse repurchase agreements**

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

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

**Offsetting**

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

**Financial guarantees**

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

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**ACCOUNTING POLICIES (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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settle the obligations.

**Derivative instruments**

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

Fair value hedge accounting:

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

Cash flow hedge:

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

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

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

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

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

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

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

**AXIS BANK UK LIMITED**  
**ACCOUNTING POLICIES (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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with changes in fair value recognised in the income statement.

**Property, plant and equipment**

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

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

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

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

**Impairment of non-financial assets**

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

**Cash and cash equivalents**

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

**4. Critical accounting judgements and key sources of estimation uncertainty**

In application of the accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources and may make necessary provisions in accordance with their assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In particular, the calculation of the expected credit loss allowance is a key area for the Bank which is subject to critical accounting judgements, estimates and assumptions. Other than that mentioned below, there are no critical accounting judgements used by the Management.



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**ACCOUNTING POLICIES (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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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.

**Expected credit loss allowance**

The calculation of the Bank's expected credit loss allowance against loan commitments and guarantees under IFRS 9 requires the Bank to make a number of judgements, assumptions and estimates. The most significant are set out below:

**i) Macroeconomic variables**

The Bank's strategy is predicated on both the UK and Indian economies resulting in the assets to be predominantly concentrated in these two regions. Accordingly the Bank has applied both an UK and India macroeconomic forecast to its ECL model. In particular when determining the PD a UK macroeconomic model has been applied for domestic exposures. Whilst for India domiciled exposures, management has applied the Indian macroeconomic model accordingly.

**ii) Corporate Loans and Investments portfolio**

For both the Corporate Loans and Investments portfolio, the Bank uses established models and publicly available default rates in determining the PD & LGD respectively.

**iii) Buy to Let portfolio**

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

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

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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**1. Operating segments**

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

	2019	2018
	USD	USD
<b>2. Interest and similar income</b>		
Cash and balances with central bank	477,884	131,645
Short-term funds	-	388,588
Loans and advances to customers	12,074,571	12,024,668
Loans and advances to BTL cutomers	15,892,308	18,628,383
Financial investments – available for sale	-	1,292,974
Financial investment - held to maturity	-	2,345,162
Financial investment FVOCI	3,389,549	-
Others	345,030	-
	<b>32,179,341</b>	<b>34,811,420</b>

	2019	2018
	USD	USD
<b>3. Interest and similar expense</b>		
Deposit from banks	10,514,923	10,279,783
Deposit from customers	7,298,133	5,811,948
Subordinated debt issued	844,767	1,806,288
Securities lent and repurchase agreement	1,513,006	1,249,657
Others	224,684	265,019
	<b>20,395,513</b>	<b>19,412,695</b>

	2019	2018
	USD	USD
<b>4. Net fees and commission income</b>		
<b>Fees and commission income</b>		
Arrangement fees	1,958,891	3,750,059
Other fees received	556,751	30,928
	<b>2,515,642</b>	<b>3,780,988</b>
<b>Fees and commission expenses</b>		
Service provider fees	(967,796)	(995,347)
	<b>(967,796)</b>	<b>(995,347)</b>
<b>Net fees and commission income</b>	<b>1,547,846</b>	<b>2,785,641</b>

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	2019	2018
<b>5: Personnel costs</b>		
	USD	USD
Wages and salaries	3,318,839	3,194,215
Social security costs	395,065	399,699
Pension costs – Defined contribution plan	80,831	83,756
	<b>3,794,735</b>	<b>3,677,670</b>
The average number of persons employed by the Bank	29	25
There are no share-based payments made by Axis Bank UK Limited		
	2019	2018
<b>6. Directors' emoluments</b>		
(Included in wages and salaries above		
Emoluments includes all payment made to Key	USD	USD
Management Personnel )		
Emoluments	1,289,445	1,008,807
	<b>14,534</b>	<b>10,196</b>
Contribution to external pension scheme		
included in above		
The gross emoluments* of the highest paid Director were		
USD 736,038 (2018: USD 623,240)		
Accrued pension as of the year end Nil (PY: Nil)		
* Gross emoluments include salary, benefits and awarded		
bonus		
	2019	2018
<b>7. Other general operating expenses</b>	USD	USD
Marketing, advertisement and sponsorship	87,624	94,523
Administrative and office maintenance	1,686,580	1,535,516
Consultancy, legal & professional fees	737,924	307,118
Bank charges, rates and taxes	342,466	80,264
Other administration and general charges	202,894	131,048
	<b>3,057,488</b>	<b>2,148,469</b>
<b>8. Auditor's remuneration</b>		
<b>Fees payable to the Company's Auditor for the audit of the</b>		
<b>Company's Annual Accounts:</b>		
Audit Fees payable to predecessor auditor	-	120,105
Audit Fees payable to current auditor	150,788	-
<b>Non audit fees – other services</b>		
Predecessor auditor	45,815	17,255
Current auditor	6,556	-
	<b>203,159</b>	<b>137,360</b>

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**9. Corporation tax**

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

	2019 USD	2018 USD
<b>Current tax expense</b>		
Current corporation tax	1,621,752	3,001,000
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	11,782	(31,992)
	<b>1,633,534</b>	<b>2,969,008</b>
<b>Reconciliation of corporation tax charge to accounting profit</b>		
Profit before tax	8,429,493	15,049,119
Tax at the domestic corporation tax rate of 19% (2018: 19%)	1,601,604	2,859,333
Tax effect of non-deductible depreciation	19,931	23,896
Tax effect of other non-deductible expenses	(33,740)	117,421
Tax effect of rate changes	-	-
Previous year overprovision	45,739	(31,642)
<b>Tax expense using effective rate</b>	<b>1,633,534</b>	<b>2,969,008</b>
<b>Deferred tax is composed of the tax impact of the following:</b>		
Excess of book value over tax written down value of tangible fixed assets	-	1,537
Short term timing difference	117,220	-
<b>Deferred tax liability</b>	<b>117,220</b>	<b>1,537</b>
Deferred tax asset relating to AFS adjustments	-	(259,773)
Other relating to timing differences	-	(23,483)
Excess of tax written down value over book value- fixed assets	(28,730)	(15,458)
	<b>(28,708)</b>	<b>(298,714)</b>
<b>Net deferred tax liability</b>	<b>88,490</b>	<b>(297,177)</b>
<b>Deferred tax charged to equity /OCI</b>		
Charge relating to IFRS 9 movement	(252,072)	-
Charge/(Credit) arising on AFS reserve movement	(148,988)	86,324
	<b>19.38%</b>	<b>19.73%</b>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates enacted or substantively enacted at the reporting date standing at 19% with effect from 1 April 2017 and 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	2019	2018
	USD	USD
<b>10. Cash and balance with Bank</b>		
Cash at bank	5,194,135	9,792,540
Central bank	69,642,722	61,825,513
	<b>74,836,857</b>	<b>71,618,053</b>

**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 2019			
Derivatives used as:	Asset USD	Notional amount USD	Liabilities USD	Notional amount USD
FX swaps	2,038,092	213,222,065	1,899,826	211,249,144
Interest rate swap	45,703	87,032,062	1,479,939	87,032,062
	<b>2,083,795</b>	<b>300,254,127</b>	<b>3,379,765</b>	<b>298,281,206</b>
	31 March 2018			
Derivatives used as:	Asset USD	Notional amount USD	Liabilities USD	Notional amount USD
FX swaps	394,337	30,851,099	13,488,031	324,969,164
Interest rate swap	1,611,787	111,126,142		
	<b>2,006,124</b>	<b>141,977,241</b>	<b>13,488,031</b>	<b>324,969,164</b>

**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.

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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

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

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	31 March 2019		
	Quoted market prices (Level1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non- observable market data (Level 3)
	USD	USD	USD
<b>Financial assets</b>			
Derivative financial instruments		2,083,795	-
Financial investments- FVOCI	59,284,601	79,152,650	-
<b>Total</b>	<b>59,284,601</b>	<b>81,236,445</b>	<b>-</b>
<b>Financial Liabilities</b>			
Derivative financial instruments	-	3,379,765	-
<b>Total</b>	<b>-</b>	<b>3,379,765</b>	<b>-</b>
	31 March 2018		
	Quoted market prices (Level1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non- observable market data (Level 3)
	USD	USD	USD
<b>Financial Assets</b>			
Derivative financial instruments	-	2,006,124	-
Financial investments – AFS (debt)	34,410,547	33,449,536	-
<b>Total</b>	<b>34,410,547</b>	<b>35,455,660</b>	<b>-</b>
<b>Financial Liabilities</b>			
Derivative financial instruments	-	13,488,031	-
<b>Total</b>	<b>-</b>	<b>13,488,031</b>	<b>-</b>

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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

	Carrying amount <sup>1</sup>		Fair value <sup>2</sup>	
	31 March 2019 USD	31 March 2018 USD	31 March 2019 USD	31 March 2018 USD
<b>Financial assets</b>				
Balances with banks	74,836,857	71,618,053	74,836,857	71,618,053
BTL Assets held in course of collection	-	145,073,875	-	145,073,875
Loan and Advances to customers	220,008,354	295,647,284	220,008,354	295,647,284
Loan and Advances to BTL customers	379,465,976	385,969,506	379,465,976	385,969,506
Financial Investments - Held to Maturity	-	56,892,213	-	56,892,213
Other Assets (Only Financial Instruments)	7,385,924	8,217,043	7,385,924	8,217,043
<b>Total</b>	<b>681,697,111</b>	<b>963,418,778</b>	<b>681,697,111</b>	<b>963,418,778</b>
<b>Financial liabilities</b>				
Deposit By Banks	259,239,724	473,976,809	259,239,724	473,976,809
Repurchase Agreement	56,132,117	58,769,749	56,132,117	58,769,749
Deposit from Customers	386,305,825	373,263,045	386,305,825	373,263,045
Debt Securities in Issue	-	25,054,986	-	25,054,986
Other Liabilities	2,719,468	5,976,964	2,719,468	5,976,964
<b>Total</b>	<b>704,397,134</b>	<b>937,041,553</b>	<b>704,397,134</b>	<b>937,041,553</b>

<sup>1</sup> Net Amount

<sup>2</sup> The financial assets and liabilities are classified as level 3 financial instruments.



**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	2019	2018
	USD	USD
<b>13. Loans and advances to Customers</b>		
Loans to Customers	220,154,788	301,932,661
Less: Impairment allowance (Note 16,17)	(146,434)	(6,285,378)
	<b>220,008,354</b>	<b>295,647,283</b>
<b>14. Loans and advances to BTL Customers</b>		
BTL Customer lending	379,830,320	386,748,426
Less: Impairment allowance (Note 16, 17)	(364,344)	(778,920)
	<b>379,465,976</b>	<b>385,969,506</b>
<b>15. Financial investments</b>		
Financial investments AFS	-	67,860,083
Financial investments - Held to maturity	-	56,892,213
Financial investments - FVOCI	138,497,242	-
Impairment allowance	(59,991)	-
	<b>138,437,251</b>	<b>124,752,296</b>

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**16. Staging analysis of Loans, advances and investments**

As at 31 March 2019	Gross Exposure <sup>1</sup>			Impairment Allowance			Net Exposure
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	USD	USD	USD	USD	USD	USD	
Investments	79,212,640	-	-	59,991	-	-	79,212,640
Loans and advances to customers	190,428,800	25,278,354	1,482,743	79,978	65,379	-	217,189,898
Loans and advances to BTL customers	380,162,100	1,027,954	-	354,883	9,460	-	381,190,054
	<b>649,803,541</b>	<b>26,306,308</b>	<b>1,482,743</b>	<b>494,852</b>	<b>74,839</b>	<b>-</b>	<b>677,592,592</b>
Total assets							
Off-balance sheet commitments and guarantees	4,628,980	230,062	-	1,015	62	-	4,859,042
	<b>654,432,521</b>	<b>26,536,369</b>	<b>1,482,743</b>	<b>495,867</b>	<b>74,901</b>	<b>-</b>	<b>682,451,633</b>
Total assets							

**17. Movement in gross exposures and impairment allowance**

As at 1 Apr 2018	Loans, advances and investments <sup>2</sup>			Commitments and Guarantees			Net Exposure
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	USD	USD	USD	USD	USD	USD	
	759,425,974	14,436,604	5,852,985	13,421,833	4,879,680	-	798,017,076
Transfer between stages	(16,068,450)	9,073,771	5,805,172	(9,624,152)	(4,649,618)	-	(15,463,277)
New business originated	122,645,455	10,457,365	-	-	-	-	133,102,820
Net drawdowns / repayments	(58,907,089)	-	(593,332)	1,881,507	-	-	(57,618,914)
Asset derecognised due to final repayment	(157,292,350)	(7,661,432)	(2,966,610)	(1,050,207)	-	-	(168,970,600)
Asset derecognised due to write-offs	-	-	(6,615,472)	-	-	-	(6,615,472)
Transition Adjustment on 1 Apr 18	-	-	-	-	-	-	-
	<b>649,803,540</b>	<b>26,306,308</b>	<b>1,482,743</b>	<b>4,628,980</b>	<b>230,062</b>	<b>-</b>	<b>682,451,633</b>
As at 31 March 2019							

<sup>1</sup> Excludes Unamortized Fee

<sup>2</sup> Excludes Unamortized Fee

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Impairment Allowance**

	Loans, advances and investments			Commitments and Guarantees			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	USD	USD	USD	USD	USD	USD	USD
<b>As at 1 April 2018</b>	662,039	4,207	4,883,802	33,269	3,794	-	5,587,111
Transfer between stages	(18,312)	42,317	159,700	(31,264)	(3,732)	-	148,709
New business originated	79,386	32,521	-	-	-	-	111,907
Net drawdown / repayments	(106,543)	-	(333,679)	(163)	-	-	(440,385)
Asset derecognised due to final repayment	(121,718)	(4,206)	(4,709,823)	(826)	-	-	(4,836,574)
Asset derecognised due to write-offs	-	-	-	-	-	-	-
Transition adjustment on 1 Apr 2018	-	-	-	-	-	-	-
<b>As at 31 March 2019</b>	<b>494,852</b>	<b>74,839</b>	<b>-</b>	<b>1,016</b>	<b>62</b>	<b>-</b>	<b>570,768</b>

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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18. Credit exposures by internal PD grade

Credit risk profile by internal PD grade for loans and advances

PD Range	Gross carrying amount			Allowance for ECL			Net USD
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Stage 1 USD	Stage 2 USD	Stage 3 USD	
<0.03	-	-	-	-	-	-	-
>0.03							
<0.6	265,831,777	-	-	136,421	-	-	265,695,356
>0.6	383,971,763	26,306,308	1,482,743	358,431	74,839	-	411,327,544
<b>Total</b>	<b>649,803,540</b>	<b>26,306,308</b>	<b>1,482,743</b>	<b>494,852</b>	<b>74,839</b>	<b>-</b>	<b>677,022,900</b>

Credit risk profile by internal PD grade for commitments and guarantees

	Gross carrying amount			Allowance for ECL			Net USD
	Stage 1 USD	Stage 2 USD	Stage 3 USD	Stage 1 USD	Stage 2 USD	Stage 3 USD	
<0.03	-	-	-	-	-	-	-
>0.03							
<0.6	4,320,417	-	-	893	-	-	4,319,524
>0.6	308,563	230,062	-	123	62	-	538,440
<b>Total</b>	<b>4,628,980</b>	<b>230,062</b>	<b>-</b>	<b>1,015</b>	<b>62</b>	<b>-</b>	<b>4,857,965</b>

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**19. Property, Plant and equipment**

	Leasehold improvements	Computer (inc. software)	Other fixed assets	Total
Cost:	USD	USD	USD	USD
At 1 April 2017	256,833	3,194,437	6,075	3,457,345
Additions	846,291	-	141,022	987,313
Disposals	-	-	-	-
At 31 March 2018	1,103,124	3,194,437	147,098	4,444,658
Additions	-	6,562	-	6,562
Disposals	-	-	-	-
<b>At 31 March 2019</b>	<b>1,103,124</b>	<b>3,200,999</b>	<b>147,097</b>	<b>4,451,220</b>
<b>Depreciation and amortisation:</b>				
At 1 April 2017	(205,466)	(2,095,275)	(4,860)	(2,305,601)
Disposals	-	-	-	-
Depreciation charge for the year	(67,596)	(538,436)	(3,920)	(609,952)
At 31 March 2018	(273,062)	(2,633,712)	(8,780)	(2,915,553)
Disposals	-	-	-	-
Depreciation charge for the year	(220,625)	(261,562)	(29,420)	(511,606)
<b>At 31 March 2019</b>	<b>(493,687)</b>	<b>(2,895,273)</b>	<b>(38,200)</b>	<b>(3,427,159)</b>
<b>Net book value:</b>				
At 31 March 2018	830,062	560,726	138,317	1,529,105
Add: Assets under construction at 31 Mar 2018	-	-	-	37,213
				1,566,318
<b>At 31 March 2019</b>	<b>609,437</b>	<b>305,726</b>	<b>108,897</b>	<b>1,024,061</b>
<b>Add: Assets under construction (2018: 37,213)</b>				<b>310,818</b>
<b>Property and equipment</b>				<b>1,334,879</b>
At 31 March 2019 (2018: 1,566,318)				

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	2019	2018
<b>20. Prepayments, accrued income and other assets</b>	USD	USD
Accrued income	751,234	279,494
Deposits	5,855,207	7,103,265
Other receivables	779,482	
Other prepayments	1,939,919	834,283
	<b>9,325,842</b>	<b>8,217,042</b>
<b>21. Deposits from banks</b>	USD	USD
Inter bank borrowings	258,000,000	470,573,341
Interest accrual on deposits by Bank	1,507,534	3,764,234
Less: unamortised fees	(267,810)	(360,766)
	<b>259,239,724</b>	<b>473,976,809</b>
Deposits by Banks – securities sold under repurchase agreements	56,132,117	58,769,749
	<b>315,371,841</b>	<b>532,746,558</b>

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Repayable**

For maturity profile of the deposits- refer to Liquidity profile (page 64).

**Transfers of financial assets not qualifying for de-recognition**

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

Nature of transaction	2018-19 Carrying amount of transferred assets USD	2018-19 Carrying amount of associated liabilities USD	2017-18 Carrying amount of transferred assets USD	2017-18 Carrying amount of associated liabilities USD
Sale and repurchase agreements	68,477,734	56,132,117	73,821,459	58,769,749

**Assets charged as security for liabilities**

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

	2019 USD	2018 USD
<b>On balance sheet</b>		
Debt securities	68,477,734	73,821,459
<b>Off balance sheet</b>		
Debt securities	NIL	NIL

**Sale and repurchase agreements**

Axis Bank UK enters into sale and repurchase agreements and similar transactions of debt securities which are accounted for as secured borrowings. Upon entering into such transactions, collateral is provided equal to 100-130% of borrowed amount. The carrying amount of assets that were provided at 31 March 2019 were USD 68.48 mn (Mar 2018 – USD 73.82 mn) included in debt securities in the table above.

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	2019	2018
<b>22. Deposit from customers</b>		
	USD	
Current accounts	3,491,653	11,237,245
Savings accounts	35,449	21,617
Fixed Term deposits	380,142,533	359,525,907
Interest accrual on deposits	2,559,499	2,478,276
Other deposits	76,691	
	<b>386,305,825</b>	<b>373,263,045</b>
	2019	2018
<b>23. Subordinated liabilities and other borrowed funds</b>		
	USD	USD
Subordinated debt	-	25,000,000
Interest accrual on subordinated debt	-	54,986
Less: prepayment of subordinated debt expenses*	-	-
	-	<b>25,054,986</b>

The Tier II capital of USD 25 million received from Axis Bank, India April 2013 maturing in April 2023 was recalled during the financial year 2018-19 and was replaced by the issuance of USD 25M equity shares. (Note 25).

	2019	2018
<b>24. Accruals and other liabilities</b>		
	USD	USD
Interest payable	-	48,786
Other payables and accrued liabilities	2,719,469	5,928,178
	<b>2,719,469</b>	<b>5,976,964</b>



**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	2019	2018
	USD	USD
<b>25. Equity share capital</b>		
<b>Authorised, issued and fully-paid share capital</b>		
1 ordinary share of GBP 1	2	2
55 Million ordinary shares of USD 1 each	55,000,000	55,000,000
25 Million ordinary shares of USD 1 each	25,000,000	-
<b>Total equity capital</b>	<b>80,000,002</b>	<b>55,000,002</b>

As at 31 March 2019 the issued share capital comprises 80,000,000 ordinary shares with a par value of \$1 each and 1 ordinary share of £1. As at the close of the previous accounting year, the Bank had share capital of 55 million equity shares of USD 1 each, 1 equity share of GBP 1 and subordinated debt of USD 25 million. The subordinated debt of USD 25 million was called back during the year and 25 million new equity shares of USD 1 each were issued to Axis Bank Ltd during the year.

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

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

**26. Related party transactions**

The related parties of the Bank are broadly classified as:

**a) 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 Samariheshwar Temple, Law garden, Ellisbridge, Ahmedabad, Gujarat - 380 006, India.

**b) Key management personnel**

- Rajiv Anand (Chairman)
- Cyril Anand (Non-Executive Director)
- Sanjeev Kumar Gupta (Non-Executive Director)
- Diane Elizabeth Moore (Non-Executive Director)
- Paul Seward (Non-Executive Director)
- Rajendra D Adsul (Managing Director & Chief Executive Officer)
- Kanchan Dasgupta (Executive Director - Risk & Compliance)

**c) Associate companies**

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Note 26 (continued)**

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

- Axis Private Equity Limited
- Axis Finance Limited
- Freecharge Payment Technologies Private Limited
- Accelyst Solutions Private Limited
- Axis Trustee Services Limited
- Axis Capital Limited
- Axis Securities Limited
- A. Treds Limited
- Axis Asset Management Company Limited
- Axis Mutual Fund Trustee Limited
- Axis Capital USA LLC

As on 31 March 2019, the liabilities and assets outstanding to the related parties are as below:

	<b>2019</b>	<b>All in USD 2018</b>
2. Subordinated debt	-	25,000,000
3. Accrued liability - subordinated liabilities and other borrowings	-	586,840
4. Cash and balances with Bank	<b>582,262</b>	498,032
5. Deposit by Bank	-	48,000,000
6. Payable for receiving of services	-	-
7. Receivable for providing of services	<b>277,665</b>	17,511
8. Purchases of advance	-	10,000,000
9. Sale of Advances	-	3,186,529
10. Swaps/Forward Contracts (notional)	-	20,426,159

Income earned from the related party and expenditure made on the related party for the year 2018-2019 is given as under.

<b>Sr. No.</b>	<b>Items</b>	<b>2019</b>	<b>Promoters 2018</b>
1.	Fees and commission earned	-	300,000
2.	Interest paid (Subordinated Debts)	<b>844,767</b>	1,403,045
3.	Outsourcing charges and Internal audit fees paid	<b>204,856</b>	195,372
4.	Interest paid (Others)	<b>620,666</b>	531,854
5.	Interest received (Others)	-	-
6.	Re-imburement of expenses paid	<b>77,617</b>	17,511

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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

**27. Operating lease commitments**

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

	2019	2018
	USD	USD
Within one year	394,176	149,616
Within two to five years	1,520,547	1,712,884
Later than five years	1,397,435	1,936,618
	3,312,158	3,799,118

The Company holds an operating lease for its corporate office, 1st Floor, 4 Chiswell Street, London EC1Y4UP. The lease term for the office is 10 years to October 2027.

**28. Other reserves**

	2019	2018
	USD	USD
Available for sale reserve	-	1,266,551
Fair value through other comprehensive income reserve	599,127	-
<b>Total</b>	599,127	1,266,551

**Available for sale reserve**

The represents cumulative gains and losses on financial investments measure at fair value during the previous financial year which is now recorded in fair value through other comprehensive income.

**Fair value through other comprehensive income**

For the adoption of IFRS 9, financial investments were reclassified as fair value through other comprehensive income and this represents movement in the value of investments since initial recognition.

**29. Overview of the Bank's risk management**

**Credit Risk Management**

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

- i. The maintenance and development of a supportive culture, in relation to the management of risk, appropriately embedded through procedures, training and leadership actions so that all employees are alert to the wider impact on the whole organization of their actions and decisions.
- ii. Ensuring the risk management framework aligns strategy with the Board's risk appetite; and
- iii. Systems of risk management, internal control and compliance to identify, measure, aggregate, control and report risks;

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

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

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

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

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

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Note 29 (Continued)**

<b>Standardised Activities</b>	<b>Bespoke Activities</b>
<ul style="list-style-type: none"> <li>- Narrow range of product types</li> <li>- Standard terms and conditions</li> <li>- Limited tolerance for exceptions or variances to standard terms and conditions</li> <li>- Smaller individual transaction sizes</li> <li>- Higher volume</li> <li>- Common security types</li> <li>- Approval by individual jointly (based upon certain threshold limits)</li> </ul>	<ul style="list-style-type: none"> <li>- Broad range of products</li> <li>- Deal specific terms and conditions</li> <li>- Wide range of potential variations between facilities of otherwise similar type</li> <li>- Larger transaction size</li> <li>- Low volume</li> <li>- Wide range of security types</li> <li>- Approval by Committee</li> </ul>

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;
- c) Lending Guidelines for commoditized products (currently restricted to Buy-to-Let mortgages);
- d) A Non-Performing Assets (NPA) policy which governs the determination and management of credit delinquency;

For a bespoke loans, the Bank uses established external credit rating model and all non-bank counterparties except those backed by 100% cash margin 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:

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

*Note 29 (Continued)*

2019						
Collateral Type	Loans and Advances to Customers (USD'000)		Collateral Value (USD'000)		% of Exposure	
	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail
Bank Deposit	-	-	-	-	-	-
Marketable Securities	-	-	-	-	-	-
Current Assets	-	15,678	-	46,477	-	296%
Bank Guarantees and Letter of Credit	-	31,459	-	31,459	-	100%
Fixed Assets (Moveable and Immovable)	381,190	133,154	561,424	219,494	147%	165%
Corporate Guarantee	-	6,937	-	6,937	-	100%
Unsecured	-	29,962	-	-	-	-
<b>Total</b>	<b>381,190</b>	<b>217,190</b>	<b>561,424</b>	<b>304,368</b>	<b>147%</b>	<b>140%</b>

2018						
Collateral Type	Loans and Advances to Customers (USD'000)		Collateral Value (USD'000)		% of Exposure	
	Retail	Non-Retail	Retail	Non-Retail	Retail	Non-Retail
Bank Deposit	-	-	-	-	-	-
Marketable Securities	-	-	-	-	-	-
Current Assets	-	28,353	-	69,383	-	245%
Bank Guarantees and Letter of Credit	-	38,381	-	38,381	-	100%
Fixed Assets (Moveable and Immovable)	388,621	177,837	570,780	377,619	147%	212%
Corporate Guarantee	-	31,996	-	31,996	-	100%
Unsecured	-	25,671	-	-	-	-
<b>Total</b>	<b>388,621</b>	<b>302,240</b>	<b>570,780</b>	<b>517,381</b>	<b>147%</b>	<b>171%</b>

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Note 29 (Continued)**

**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 2019:

Countries	2019		2018	
	Exposure (USD'000)	% of Total Exposure	Exposure (USD'000)	% of Total Exposure
Australia	-	-	131	0.01%
Belgium	3,857	0.5%	9,026	0.85%
Bermuda	-	-	-	-
Canada	-	-	4,976	0.47%
Cayman Island	-	-	-	-
Germany	16,535	2%	25,463	2.40%
Indonesia	-	-	6,532	0.61%
India	119,979	14.4%	136,109	12.81%
Isle of Man	-	-	-	-
Italy	17,785	2.1%	20,743	1.95%
Mauritius	7,499	0.9%	12,024	1.13%
Netherlands	39,457	4.7%	43,656	4.11%
Panama	12,653	1.5%	16,764	1.58%
Singapore	17,141	2.1%	17,314	1.63%
Sweden	5,898	0.7%	6,991	0.66%
Switzerland	-	-	-	-
UAE	9,980	1.2%	17,188	1.62%
UK	517,593	62.1%	526,195	49.52%
US	65,368	7.8%	63,049	5.93%
Other	-	-	156,332	14.72%
<b>Total</b>	<b>833,745</b>	<b>100%</b>	<b>1,062,494</b>	<b>100%</b>

**Market Risk Management**

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

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

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

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**Note 29 (Continued)**

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

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

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

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

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:



**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Note 29 (Continued)**

Particulars	Upto 1M	1 - 3M	3 - 6M	6 - 12M	1-3Yr	> 3 Yr	All In USD'000 2019	
							Non Sensitive Category	Total
Cash and bank	69,643						5,194	74,837
Loans & Adv - banks								
Derivative financial instruments	750	281	1,007	46				2,084
Loans - customers	78,320	93,742	41,425	2,220			4,301	220,008
Loan - Buy To Let	3,287	60,528	5,224	9,093	96,866	204,467		379,466
Investments FVOCI	5,002		24,910	44,415	54,583	10,276		139,186
Property and equipment							1,335	1,335
Deferred tax assets								
Other Assets							8,577	8,577
<b>Total assets</b>	<b>157,002</b>	<b>154,551</b>	<b>72,567</b>	<b>55,774</b>	<b>151,450</b>	<b>214,744</b>	<b>19,407</b>	<b>825,493</b>
Derivative financial instrument	551	591	758	1,480	-	-		3,380
Deposits by banks	25,000	140,000	54,240	40,000				259,240
Repo Agreement			19,082		37,050			56,132
Deposits - customers	10,587	27,071	25,313	144,115	170,020	3,037	6,163	386,306
Current tax liabilities							129	129
Sub-ord. liabilities								
Deferred tax liability							88	88
Other liabilities							2,719	2,719
Share Capital							80,000	80,000
Reserve and Retained Earnings							37,498	37,498
<b>Total equity and Liabilities</b>	<b>36,137</b>	<b>167,662</b>	<b>99,394</b>	<b>185,595</b>	<b>207,070</b>	<b>3,037</b>	<b>126,599</b>	<b>825,493</b>
Interest Rate Gap	120,865	(13,111)	(26,827)	(129,822)	(55,620)	211,707	(107,192)	
Impact of Interest increase of 2%	134	268	16	(1,864)	(1,417)	9,453		6,591

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Note 29 (Continued)**

Particulars	All In USD'000							Total
	Upto 1M	1 - 3M	3 - 6M	6 - 12M	1-3Yr	> 3 Yr	Non Sensitive Category	
Cash and bank	61,826						9,793	71,618
Loans & Adv - banks								
Derivative financial instruments	92	86	111,305	38				111,520
Investments (AFS)			7,779		44,552	15,529		67,860
Loans - customers	137,563	102,475	55,609					295,647
Loan - Buy To Let		66,835	16,616	33,112	48,960	220,446		385,970
Investments (HTM)		531	7,476		40,381	8,504		56,892
Property and equipment							1,566	1,566
Deferred tax assets							299	299
Other Assets	145,074						8,217	153,291
<b>Total assets</b>	<b>344,554</b>	<b>169,928</b>	<b>198,784</b>	<b>33,150</b>	<b>133,894</b>	<b>244,479</b>	<b>19,875</b>	<b>1,144,664</b>
Derivative financial instrument	2,549	6,015	1,928	1,385		111,126		123,002
Deposits by banks	50,052	147,066	161,587	115,272				473,977
Repo Agreement				11,853	40,127	6,789		58,770
Deposits - customers	13,363	22,266	7,960	66,482	231,177	20,778	11,237	373,263
Current tax liabilities							884	884
Sub-ord. liabilities	25,055							25,055
Deferred tax liability							2	2
Other liabilities							5,977	5,977
Share Capital							55,000	55,000
Reserve and Retained Earnings							28,734	28,734
<b>Total equity and Liabilities</b>	<b>91,020</b>	<b>175,347</b>	<b>171,475</b>	<b>194,991</b>	<b>271,304</b>	<b>138,694</b>	<b>101,834</b>	<b>1,144,664</b>
Interest Rate Gap	253,535	-5,419	27,309	-161,841	-137,410	105,785	-81,959	
Impact of Interest increase of 2%	-205	18	-195	2,284	3,790	-7,113		-1,421

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

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

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Note 29 (Continued)**

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

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

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

Currency	Open Position FCY '000	2018
		USD Equivalent USD'000
Indian Rupee	48,162	738
Pound Sterling	(148)	(210)
Euro	24	30
Total Long Position in US Dollars		738
Total Short Position in US Dollars		240

Upward or downward movement of exchange rate by 10% may impact profitability of the Bank by USD 49,849.

**Liquidity Risk Management:**

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

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

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

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

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

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Note 29 (Continued)**

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						
	2019						
As at 31 March, 2019	Upto 1M	1-3 M	3-12 M	1-5Yr	Over 5Yr	Undated	Total
Cash and bank	74,837						74,837
Loans and Adv. - banks							
Derivative financial instruments	749	276	974	46			2,045
Investments	5,174		69,917	71,414			146,505
Loans and Adv. - customers	15,922	55,291	39,754	114,898	12,876		238,741
Loans and Adv - BTL customers		2,397	8,367	28,960	376,178		415,902
Property, and equipment						1,335	1,335
Deferred tax asset							
Other Assets		8,577					8,577
<b>Total assets</b>	<b>96,682</b>	<b>66,541</b>	<b>119,012</b>	<b>215,318</b>	<b>389,054</b>	<b>1,335</b>	<b>887,942</b>
Derivative financial instruments	554	596	771	1,480			3,401
Deposits by banks	485	27,196	165,729	69,732			263,142
Repurchase Agreement			19,082	37,050			56,132
Deposits from customers	11,332	28,450	176,849	185,431			402,062
Current tax liabilities		129					129
Subordinated liabilities and other borrowed funds							
Deferred Tax Liability		88					88
Other liabilities		2,719					2,719
Share Capital						80,000	80,000
Reserve and retained earnings						37,498	37,498
<b>Total equity and Liabilities</b>	<b>12,371</b>	<b>59,178</b>	<b>362,431</b>	<b>293,693</b>	<b>-</b>	<b>117,498</b>	<b>845,171</b>
<b>Net liquidity gap</b>	<b>84,311</b>	<b>7,363</b>	<b>(243,419)</b>	<b>(78,375)</b>	<b>389,054</b>	<b>(119,690)</b>	
<b>Cumulative Liquidity Gap</b>	<b>84,311</b>	<b>91,674</b>	<b>(151,745)</b>	<b>(230,120)</b>	<b>158,934</b>		

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**Note 29 (Continued)**

	<b>2018</b>						
<b>As at 31 March, 2018</b>	<b>Upto 1M</b>	<b>1-3 M</b>	<b>3-12 M</b>	<b>1-5Yr</b>	<b>Over 5Yr</b>	<b>Undated</b>	<b>Total</b>
Cash and bank	71,618						71,618
Loans and Adv. - banks							
Derivative financial instruments	92	86	1,828				2,006
Investments		531	15,255	108,966			124,752
Loans and Adv. - customers	14,476	44,042	57,466	158,800	20,863		295,647
Loans and Adv - BTL customers				3,204	382,765		385,970
Property, and equipment						1,566	1,566
Deferred tax asset						299	299
Other Assets	145,074	8,217					153,291
<b>Total assets</b>	<b>231,260</b>	<b>52,876</b>	<b>74,548</b>	<b>270,971</b>	<b>403,629</b>	<b>1,865</b>	<b>1,035,149</b>
Derivative financial instruments	2,549	6,015	4,924				13,488
Deposits by banks	50,052	72,066	251,859	100,000			473,977
Repurchase Agreement			11,853	46,917			58,770
Deposits from customers	24,601	22,266	74,442	251,955			373,263
Current tax liabilities	884						884
Subordinated liabilities and other borrowed funds	55			25,000			25,055
DTL						2	2
Other liabilities		5,977					5,977
Share Capital						55,000	55,000
Reserve and retained earnings						28,734	28,734
<b>Total equity and liabilities</b>	<b>78,141</b>	<b>106,324</b>	<b>343,077</b>	<b>423,872</b>		<b>83,735</b>	<b>1,035,149</b>
<b>Net liquidity gap</b>	<b>153,119</b>	<b>(53,447)</b>	<b>(268,529)</b>	<b>(152,901)</b>	<b>403,629</b>	<b>(81,870)</b>	
<b>Cumulative Liquidity Gap</b>	<b>153,119</b>	<b>99,672</b>	<b>(168,857)</b>	<b>(321,758)</b>	<b>81,870</b>		

**Operational Risk Management**

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENT (CONTINUED)**  
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**Note 29 (Continued)**

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 Operational Risk Capital Charge for the Bank's own internal calculation under its ICAAP process is also derived from this process.

**30. Other commitments and contingencies**

The Bank had no other commitments and contingencies at the year-end other than undrawn loan amount of USD 4.86mn (2018 USD 18.30mn); Bank guarantee USD 1.77 mn (2018 USD 1.911 mn) and Letter of Credit of USD 1.16 mn ( 2018 USD 0.678 mn).

**31. Events after balance sheet date**

Except for a the proposal for the final dividend for the year ended 31 March 2019 of \$4.5m there are no reportable events after the balance sheet date.