

Annual Report and Financial Statements  
for the year ended

31 March 2018

COMPANY REGISTRATION NUMBER 07554558

**AXIS BANK UK LIMITED**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2018**

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**AXIS BANK UK LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**Company Registration Number** 07554558

**The Board of Directors**

**Varadarajan Srinivasan**  
Chairman

**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**

**Deloitte LLP**  
London, United Kingdom

# **AXIS BANK UK LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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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 in the past 12 months have been lending to targeted corporate clients and lending to Professional Landlords in the Buy-to-Let (BTL) market, whilst also investing and building a portfolio of high quality liquid assets as part of its liquidity management activities. The Bank also commenced Investment Banking operations in the last financial year offering M&A Advisory, Structured Finance and Debt syndication services to Professional clients. The Bank has also implemented a retail proposition centred on a range of fixed deposit products, including on-line deposits and Mobile-Driven Remittance product for remittances to India.

The Bank has leveraged its relationships with other institutions in order to fund its asset growth. A key focus has been to ensure that the Bank's business plans are achievable within its capital and liquidity resources and also reduce concentration of BTL asset class by sale of part of the loan book.

#### **Future plans**

In addition to growing its existing activities the Bank also recognises the desirability of continuing to diversify its sources of revenue. In this regard the Bank plans to expand its corporate banking offerings to include plain vanilla hedge products to its clients. Regulatory approvals, wherever needed, have been sought prior to commencing the relevant businesses.

#### **Business environment**

As per the Interim Economic Outlook published by the OECD in March 2018, growth is improving or steady in most G20 economies. In the Spring Statement of 2018 by the Chancellor, forecast of 1.5% growth was predicted for 2018, revised up from 1.4%. 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.

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

However the Bank recognises that a 'hard' Brexit outcome may impact on other aspects of its business such as non-USD denominated earnings and tax, as well as having macro-economic repercussions that may affect certain UK domestic markets to which the Bank has exposure as well as UK financial markets generally. The Bank keeps itself abreast of FCA, PRA and HM Treasury's statements and letters on Brexit.

As the UK's position becomes clearer, the Bank will adjust its exposures and activities to ameliorate any adverse effects expected. On a more positive note, the Bank believes that

# AXIS BANK UK LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MARCH 2018

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.

#### 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 has delivered performance in line with the Business Plan for the Financial Year ended 31 March 2018.

The Bank's total assets as at March 2018 were USD 1,035 million (2017: USD 819.76 million) and the profit before taxes of USD 15.05 million (2017: USD 9.53 million). The capital, funding and liquidity positions of the Bank remained comfortable throughout the year.

The financial statements for the reporting year ended 31 March 2018 are shown on pages 21 to 63.

#### Key performance indicators and ratios

The financial performance is summarised in the following table:

<b>Income Statement</b>	<b>2017-18</b>	<b>2016-17 Restated (note 2H)</b>
	<b>USD</b>	<b>USD</b>
Net interest income	<b>15,398,725</b>	13,773,422
Fee and commission income (net)	<b>6,034,017</b>	1,899,363
Total operating income	<b>21,774,384</b>	15,659,999
Operating expenses	<b>(6,725,264)</b>	(6,127,107)
<b>Profit before taxes</b>	<b>15,049,119</b>	9,532,891
<b>Balance Sheet</b>	<b>2017-18</b>	<b>2016-17 Restated (note 2H)</b>
	<b>USD</b>	<b>USD</b>
Cash and balances with banks	<b>71,618,053</b>	44,383,519
Loans and advances to banks	-	25,500,636
Loans and advances to customers	<b>295,647,284</b>	278,282,615
Loans and advances to Buy-to-let customers	<b>385,969,506</b>	315,471,327
Financial Investments (AFS and HTM bonds)	<b>124,752,296</b>	151,327,900
<b>Total assets</b>	<b>1,035,149,211</b>	819,760,090
Equity holders' funds	<b>83,733,879</b>	72,074,959
<b>Key performance indicators (%)</b>	<b>2017-18</b>	<b>2016-17 Restated (note 2H)</b>
Net Interest Margin (NIM)	<b>1.67</b>	1.93
Cost to income ratio	<b>29.95</b>	37.74
Capital adequacy ratio (CAR)	<b>18.22</b>	18.48
Core tier 1 ratio	<b>14.03</b>	13.78
Return on Assets (ROA)	<b>1.17</b>	0.99
Return on Equity (ROE)	<b>15.51</b>	11.64

NIM: Net Interest income/Average Assets

Cost to income ratio: Total cost/ Total income

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

# **AXIS BANK UK LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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#### **Corporate and commercial banking**

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

#### **Buy to let**

The Bank's Buy-to-Let business was launched in April 2015. The Bank has in place a lending policy that is focussed on the Professional Landlord market and currently has no plans to lend into the Consumer Buy-to-Let area. The Bank operates through a network of empanelled packagers and brokers and has a delivery system in place to serve its clientele. The Bank has implemented the revised underwriting standards for Buy to let mortgage contracts as mandated by the PRA through its supervisory statement 13/16.

#### **Receivable on sale of BTL assets**

As part of the strategy to reduce concentration of a particular asset class in the Balance sheet, the Bank sold part of its Buy-to-Let mortgage loans of around USD 141.94 mn (GBP 100.25 mn) before the year end. As a result of this sale, the Bank has been able to release liquidity and capital. It also made a gain on sale in addition to reducing the concentration of the asset class.

The sale was completed on 30 March 2018 and the proceeds were received in full on 5 April 2018.

#### **Retail banking**

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

#### **Treasury**

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

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

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

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

The Bank is able to access the term money market and borrow funds at competitive rates by both leveraging the existing relationships of Axis Bank Limited and developing new interbank

# **AXIS BANK UK LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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relationships. The Bank continues to diversify funding sources both in terms of maturity, products and markets and in 2017 extended its range of counterparties. The Bank also has access to the Sterling Monetary Framework which further strengthens its funding and liquidity management position.

#### **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 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 emphasis on this positive culture is of key importance as at its heart, the Bank's strategy is relationship rather than transaction driven, and this strategy is further supported through its approach to remuneration which rewards 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 the 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 excepting the HR Committee.

# **AXIS BANK UK LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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

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

#### **Senior Managers Regime (SMR)**

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



# AXIS BANK UK LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MARCH 2018

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

Audit & Compliance Committee	The ACC, a Board Committee, is responsible for the quality and effectiveness of the compliance and audit functions of the Bank. This includes, but is not limited to, oversight of all conduct of business matters and overseeing the Bank's relationship with its external auditor.
Risk Management Committee	The RMC, a Board Committee, is responsible for the quality and effectiveness of the 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	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 control functions working with line managers maintain a "Risk Register" covering the principal risks faced by the business, which is reviewed annually or in response to material developments in the business environment.

The Bank faces a complex legal and regulatory environment. Inadequate or incomplete adoption of regulatory initiatives could lead to increased costs, loss of competitive edge or regulatory sanction. All legal and regulatory changes faced by the Bank are managed through an effective governance and oversight framework. The protection of customer data and compliance with the data protection regulations are at the forefront of the Bank's strategy. The need to ensure compliance with the incoming General Data Protection Regulation (GDPR) from May 2018 has provided the opportunity to review current processes with support from consultants and develop solutions which include enabling customers to have more options and control over how their data is used and protected.

# **AXIS BANK UK LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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New requirements under the Markets in Financial Instruments Directive (MiFID II) took effect in January 2018. Whilst the majority of the regulation is applicable to investment business, some areas such as transaction reporting required the Bank to make changes to processes within its Treasury function.

Banks, Building societies and credit unions come under the scope of PSD 2 requirements from 13 January 2018.

The Bank does not offer online payment accounts as at 31 March 2018. However, the remittance services we offer through our Mobile Driven Remittance App (MDR), for the purpose of sending money to India will come under the scope of PSD 2 requirements to the limited extent of remittances from UK, to beneficiaries based in India, a non-EEA country.

We have taken an external opinion on the application of PSD 2 requirements to our products. Their opinion on limited applicability to payments account and for MDR remittance is now being implemented.

#### **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 exposures 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,

# **AXIS BANK UK LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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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 ILAA. 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 operates within limits set by the Bank's Risk Management Committee and set out in the Market Risk Policy. The Bank does not engage in proprietary trading activities beyond the de minimis levels 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 could only ensure that the threats of operational risks are mitigated. The OR reporting regime comprises Key Risk Indicator (KRI) RAG reports, as part of Dash Board and Individual events (other than simpler processing errors) are recorded in an OP 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 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

# **AXIS BANK UK LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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of CIC. The Bank has also implemented a range of portfolio level limits in order to diversify its credit and liquidity risks.

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

ICAAP and ILAA 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 ILAA are subject to interim review and update in response to material changes to the business or regulatory environment.

#### **Change of registered office**

In the current year, the Bank changed its registered address on 26 February 2018, following the move to new premises. The current registered address is provided on Page 2.

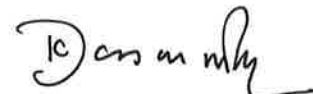
#### **Employees**

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  
04 May 2018



**Kanchan Dasgupta**  
Company Secretary

# **AXIS BANK UK LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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The Directors have pleasure in presenting the annual report and the audited financial statements for the year ended 31 March 2018. 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 98.80 billion as of 31 December 2017 (2016 USD 85.21 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, which follows the current section.

#### **Going concern basis**

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

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

#### **Capital structure**

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

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

#### **Charitable donations**

The Bank made no charitable donations during the year.

#### **Directors**

The current Directors are listed on page 2. During the reporting year, Mr Martin Say ceased to be a Director from 30 April 2017 on his retirement and Mr David Budd ceased to be a Director from 31 March 2018 at the end of his contractual term. Also in the reporting period Mr Kanchan Dasgupta and Mr Paul Seward were appointed as Directors with effect from 13 April 2017 and 30 January 2018 respectively.

Subsequent to 31 March 2018, Mr Sidharth Rath (Shareholder's nominee) ceased to be a Director from 20 April 2018.

**AXIS BANK UK LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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

The Bank has made the disclosures as required for year ended 31 March 2018, under the CRR in a separate document and the same is available on its website ([www.axisbankuk.co.uk](http://www.axisbankuk.co.uk)).

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

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

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

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

**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 follows this section.

**Payment of dividends**

The Directors have not recommended the payment of any dividend (2017: USD Nil).

**Post Balance sheet event**

We confirm that there were no subsequent events post balance sheet date, please refer to note 34.

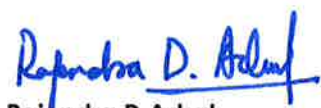
**Auditor**

Deloitte LLP has been the Auditor of the Bank since April 2013 initially for a period of 3 years and have been reappointed for a further period of two years from April 2016.

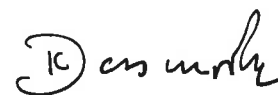
**General meetings**

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

By order of the Board



**Rajendra D Adsul**  
Managing Director & Chief Executive Officer  
04 May 2018



**Kanchan Dasgupta**  
Company Secretary

# **AXIS BANK UK LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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

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

In preparing the financial statements the Directors are required to:

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

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

#### **Directors' responsibilities statement**

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

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

The Directors are responsible for the integrity of the audited financial information on our website at [www.axisbankuk.co.uk](http://www.axisbankuk.co.uk).

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

By order of the Board



**Rajendra D-Adsul**

Managing Director & Chief Executive Officer

04 May 2018

# AXIS BANK UK LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2018

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### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

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In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Axis Bank UK Limited (the 'company') 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
- the notes to the financial statements 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

#### Basis for opinion

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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 confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Summary of our audit approach

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##### Key audit matters

The key audit matters are the following significant risks that we identified in the current year:

- Loan Loss Provisioning
- Recognition of fee and commission income

##### Materiality

The materiality that we used in the current year was USD1.42m.

##### Scoping

All of the audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

##### Significant changes in our approach

There have been no significant changes in our approach for the current year.



# AXIS BANK UK LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2018

### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

**We have nothing to report in respect of these matters.**

### Key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Loan Loss Provisioning

#### Key audit matter description



As at 31 March 2018 the company holds USD296m of corporate loans to customers and USD386m of buy-to-let (BTL) loans to customers as shown in notes 17 and 18. Management have not recognised any specific provisions against loans, except for one corporate loan where the exposure net of receivables from the administrator was fully provided for, but have an IBNR (incurred but not reported) provision of USD 2.18 m against these loan portfolios as shown in note 20.

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, management are required to assess whether there is any indication that an asset may be impaired at the end of each reporting period.

There is a valuation risk that the specific provision within the loans and receivables balance is understated because

- the impairment triggers are not identified in accordance with Accounting Standards, and
- the assumptions and judgements made by management in the impairment models, including future cash flows, are not appropriate.

# AXIS BANK UK LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2018

### How the scope of our audit responded to the key audit matter



IBNR is an estimate of the liability for loss events that have taken place but have not yet been reported. We have identified as a significant risk that impairment is not recognised on a timely basis and the IBNR provision is insufficient. Management disclose information about IBNR provisioning in Note 2E and note 20, and specific provisioning in note 21.

We understood management's lending and loan loss provisioning business cycles by undertaking a walk-through to identify the key controls, data flows and input sensitivities and tested the design and implementation of these key controls. This allowed us to evaluate management's use of historic data to inform assumptions and make judgements as to the future behaviour of their borrowers.

We challenged the strength of the analysis of:

- the 'good book' and of the control process for identifying impaired, underperforming and forborne exposures in a timely manner.
- the identified problem loans, past due loans and impaired cases under bank's 'Early Warning Indicator' and 'Special Mention Accounts' loans list.

We performed testing of individual loan exposures to identify any customers with indications of impairment that had not been included in management's non-performing loan assessment.

For loans where management had identified an impairment indicator we independently prepared a discounted cash flow based on our assessment of the underlying performance of the borrower and nature and value of collateral held. We compared our results to those made by management.

We reviewed the methodology, inputs and assumptions for the IBNR impairment provision to assess whether it is consistent with our understanding of current market conditions and the bank's portfolio. Both loan portfolios were covered as part of the analysis: corporate and BTL loans.

Finally, given the inherent susceptibility to misstatements in estimates, we considered evidence which supports or contradicts management's judgements for indicators of management bias.

### Key observations



We consider the overall provision levels to be reasonable and we did not identify any material uncorrected misstatements related to the company's provision levels.

## Recognition of fee and commission income

### Key audit matter description



The company earns revenues from interest, fees and commissions charged to customers. Interest income is automatically calculated and recorded; fees and commissions are manually calculated and recorded.

# AXIS BANK UK LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2018

We have identified a key audit matter in the calculation and booking of fees and commissions on BTL and corporate loan portfolios. This is due to the greater risk of error arising from manual processes and the management judgement required in applying the effective interest rate method of revenue recognition to these items.

Certain fees had been recognised up front which should have been amortised using the effective interest rate method. Management corrected the accounting treatment for fee income and related fee expense by including them as an adjustment to the effective interest rate. This has resulted in a net prior year adjustment of USD209K as disclosed in note 2H.

Management disclose information on fee and commission income in Note 3 and note 7.

### How the scope of our audit responded to the key audit matter



We understood management's process for recognising revenue by undertaking a walkthrough to identify and test the design and implementation of key controls, data flows and input sensitivities.

We considered all types of fees and commissions charged by the bank to its customers and assessed the accounting treatment adopted for each type by reference to the contractual arrangements relevant to each. We reviewed the changes made by management to their effective interest rate schedules.

For a sample of corporate loan and BTL facilities we recalculated the commission and fee income due based on the facility terms and checked that the income had been recognised in the correct accounting period.

For a sample of commission and fee income items we agreed the balance recorded to underlying client documentation and checked that the income had been recognised in the correct accounting period.

### Key observations



We concluded that the treatment of fee and commission income was appropriate.

### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

<b>Materiality</b>	USD1.42m
<b>Basis for determining materiality</b>	In determining materiality we considered both asset and performance benchmarks. The materiality we determined in the year represents 9.5% of profit before tax (PBT) and 1.7% of net assets.

# AXIS BANK UK LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2018

### Rationale for the benchmark applied

In the previous year, materiality was based on 3% of net assets. However, as the Bank's business is maturing, we have moved more towards a profit measure as the most appropriate measure of performance, and a metric used by the users. The primary users of the financial statements include owners, customers and lenders of the Bank.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of USD 0.071m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

### An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. The company was audited as a single component.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

**We have nothing to report in respect of these matters.**

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.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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

# AXIS BANK UK LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2018

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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

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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.

### Use of our report

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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.

### Report on other legal and regulatory requirements

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

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

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

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

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

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#### Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

**We have nothing to report in respect of these matters.**

# AXIS BANK UK LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AXIS BANK UK LIMITED FOR THE YEAR ENDED 31 MARCH 2018

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### **Directors' remuneration**

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

***We have nothing to report  
in respect of this matter.***

### **Other matters**

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### **Auditor tenure**

Following the recommendation of the audit committee, we were appointed by board of Axis Bank UK Limited on 19 November 2012 to audit the financial statements for the year ending 31 March 2014. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years covering the years ending 31 March 2014 to 31 March 2018.

### **Consistency of the audit report with the additional report to the audit committee**

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).



Caroline Britton (senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
4 May 2018

**AXIS BANK UK LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2018**

COMPANY REGISTRATION NUMBER 7554558

	Notes	2018 USD	(Restated) see note 2H 2017 USD
Interest and similar income	5	34,811,420	27,047,465
Interest and similar expense	6	(19,412,695)	(13,274,043)
<b>Net Interest Income</b>		<b>15,398,725</b>	13,773,422
Fee and commission income	7	3,780,988	2,575,068
Fee and commission expense	7	(995,347)	(675,705)
Foreign exchange gain		15,970,280	2,281,426
Loss on financial instruments at FVTPL		(10,561,620)	(920,638)
Other operating income/(expense)		14,590	(2,087)
Specific provisions	21	(4,888,571)	-
Incurred but not reported provision	20	(201,725)	(1,689,872)
Profit on sale of debt securities		8,687	318,385
Profit on sale of BTL asset portfolio	22	3,248,376	-
<b>Operating Income</b>		<b>21,774,383</b>	15,659,999
Personnel costs	8	(3,677,670)	(3,791,800)
Operating lease		(289,173)	(150,381)
Depreciation and amortisation	23	(609,952)	(589,910)
Other general operating expenses	10	(2,148,469)	(1,595,017)
<b>Profit Before Tax</b>		<b>15,049,119</b>	9,532,891
Corporation tax expense	11	(2,969,008)	(1,418,728)
<b>Profit for the year from continuing operations</b>		<b>12,080,111</b>	8,114,163

The notes on pages 27 to 63 form part of these financial statements

**AXIS BANK UK LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2018**

COMPANY REGISTRATION NUMBER 7554558

	Notes	2018 USD	(Restated) see note 2H 2017 USD
<b>Profit for the year</b>		<b>12,080,111</b>	8,114,163
<b>Other comprehensive income net of tax</b>			
Net movement in fair value on AFS investments		<b>(507,515)</b>	(1,003,737)
Tax relating to fair value movement on AFS investments	11	<b>86,324</b>	170,434
Net loss on AFS investments		<b>(421,191)</b>	(833,303)
Exchange difference on translation of tax creditor		-	37,867
<b>Total comprehensive income attributable to equity Shareholders for the year</b>		<b>11,658,920</b>	7,318,727

The notes on pages 27 to 63 form part of these financial statements



# AXIS BANK UK LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

COMPANY REGISTRATION NUMBER 7554558

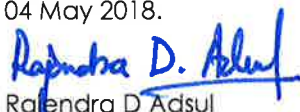
	Issued capital	AFS reserves	Translation reserves	Retained earnings	Total equity
	USD	USD	USD	USD	USD
Balance at 1 April 2016	55,000,002	(12,057)	(37,867)	12,364,769	67,314,847
Transaction with owners recorded directly in equity					
Adjustment of opening retained earning (note 34)				(2,558,615)	(2,558,615)
Dividend	-	-	-	-	-
	55,000,002	(12,057)	(37,867)	9,806,154	64,756,232
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	8,114,163	8,114,163
Other comprehensive income for the year					
Net movement in fair value on AFS	-	(1,003,737)	-	-	(1,003,737)
Tax relating to fair value movement on AFS	-	170,434	-	-	170,434
Exchange difference on translation of tax creditor	-	-	37,867	-	37,867
Balance at 31 March 2017	55,000,002	(845,360)	-	17,920,317	72,074,959
<b>Balance at 1 April 2017</b>	<b>55,000,002</b>	<b>(845,360)</b>	<b>-</b>	<b>17,920,317</b>	<b>72,074,959</b>
Transaction with owners recorded directly in equity					
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 AFS	-	(507,515)	-	-	(507,515)
Tax relating to fair value movement on AFS	-	86,324	-	-	86,324
<b>Balance at 31 March 2018</b>	<b>55,000,002</b>	<b>(1,266,551)</b>	<b>-</b>	<b>30,000,428</b>	<b>83,733,879</b>

The notes on pages 27 to 63 form part of these financial statements

**AXIS BANK UK LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 USD	(Restated) 2017 see note 2 H USD
<b>Assets</b>			
Cash and balances with banks	12	71,618,053	44,383,519
Loans and advances to banks	15	-	25,500,636
Receivable on sale of BTL assets	22	145,073,875	-
Derivative financial Instruments	13	2,006,124	926,608
Financial investments - available for sale	16	67,860,083	68,886,725
Loans and advances to customers	17	295,647,283	278,282,615
Loans and advances to BTL customers	18	385,969,506	315,471,327
Financial investments - held to maturity	19	56,892,213	82,441,176
Property and equipment	23	1,566,318	1,174,500
Deferred tax asset	11	298,714	180,399
Prepayments, accrued income and other assets	24	8,217,042	2,512,585
<b>Total assets</b>		<b>1,035,149,211</b>	<b>819,760,090</b>
<b>Liabilities</b>			
Derivative financial Instruments	13	13,488,031	1,846,893
Deposits from banks	25	473,976,809	430,443,627
Repurchase agreements	25	58,769,749	66,543,885
Deposits from customers	26	373,263,045	222,429,677
Current tax liabilities		884,211	220,781
Subordinated liabilities and other borrowed funds	27	25,054,986	24,651,196
Deferred tax liabilities	11	1,537	1,537
Accruals and other liabilities	28	5,976,964	1,547,535
<b>Total liabilities</b>		<b>951,415,332</b>	<b>747,685,131</b>
<b>Equity attributable to equity holders</b>			
Equity share capital	29	55,000,002	55,000,002
AFS reserves		(1,266,551)	(845,360)
Retained earnings		30,000,428	17,920,317
<b>Total equity</b>		<b>83,733,879</b>	<b>72,074,959</b>
<b>Total liabilities and equity</b>		<b>1,035,149,211</b>	<b>819,760,090</b>

The financial statements were approved by the Board of Directors and authorised for issue on 04 May 2018.



Rajendra D Adsul

Managing Director & Chief Executive Officer

Company Registration No 07554558

**The notes on pages 27 to 63 form part of these financial statements**

**AXIS BANK UK LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	2018 USD	Restated 2017 see note 2H USD
<b>Cash flows for the year</b>		
Profit before tax	15,049,119	9,532,891
<b>Adjustments to reconcile profit from operations</b>		
Depreciation and amortisation	609,952	589,910
Allowances for impairment	5,090,296	1,689,872
<b>Cash flows before changes in operating activities</b>	<b>20,749,367</b>	<b>11,812,673</b>
<b>Changes in operating activities:</b>		
Net (increase)/decrease in other receivables	(150,896,646)	4,894,317
Net increase/ (decrease) in other payables	4,429,429	(2,353,351)
Net (increase)/decrease in loans and advances to customers	(22,420,362)	30,010,994
Net (increase) in loans and advances to BTL customers	(70,532,782)	(168,249,825)
Net decrease in loans and advances to banks	25,500,636	31,475,494
Net increase in deposit by banks	43,533,182	56,623,498
Net (decrease)/increase in repurchase agreement	(7,774,136)	12,796,440
Net increase in deposit by customers	150,833,368	85,805,972
Net decrease in derivative financial Instruments	10,561,622	2,042,373
<b>Cash generated by operations</b>	<b>(16,765,688)</b>	<b>53,045,912</b>
Corporate Income tax paid	(2,305,577)	(1,913,260)
<b>Changes in operating activities</b>	<b>(19,071,266)</b>	<b>51,132,652</b>
<b>Net cash flows from operating activities (A)</b>	<b>1,678,101</b>	<b>62,945,325</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(1,001,771)	(7,891)
Maturing of HTM investments	25,548,963	14,389,557
Acquisition of AFS investments (net of reserves)	605,451	(34,765,585)
<b>Net cash flows from/(used in) investing activities (B)</b>	<b>25,152,643</b>	<b>(20,383,919)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issue of subordinated liabilities	403,790	121,639
<b>Net cash flows from financing activities (C)</b>	<b>403,790</b>	<b>121,639</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>27,234,534</b>	<b>42,683,045</b>
<b>Cash and cash equivalent as at the beginning of the year</b>	<b>44,383,519</b>	<b>1,700,474</b>
<b>Cash and cash equivalents as at the end of the year (Note 12)</b>	<b>71,618,053</b>	<b>44,383,519</b>

The notes on pages 27 to 63 form part of these financial statements

# **AXIS BANK UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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#### **1. Reporting entity**

Axis Bank UK Limited (Registration no. 07554558) is a private limited company (limited by shares) 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 2018 were authorised for issue on 04 May 2018.

##### **B. Basis of measurement**

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

##### **C. Functional and presentation currency**

The financial statements of the Bank are presented in US Dollars (USD), which is the presentation and functional currency of the Bank as it represents the primary currency of the underlying transactions, assets, funding and revenues.

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

##### **D. Use of estimates and judgements**

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

##### **E. Critical accounting judgements and key sources of estimation uncertainty**

In application of the accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily

# **AXIS BANK UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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apparent from other sources and may make necessary provisions in accordance with their assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. In particular, loan impairment is a key area for the bank which is subject to critical accounting judgements, estimates and assumptions. Other than that mentioned above, there are no critical accounting judgements used by the Management.

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 company's accounting policies and that have the most significant effect on the amount recognised in the financial statement.

#### Held to Maturity Financial Assets (HTM)

The directors have reviewed the company's HTM financial assets in the light of its capital and liquidity requirements and have confirmed the company's positive intention and ability to hold those assets to maturity. The carrying amount of HTM is USD 56.8 million (2017 USD 82.4 million). Details are set out in Note 19.

#### *Key sources of estimation uncertainty*

The key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

#### Incurred but not reported provision (IBNR)

The Bank has made an IBNR provision on its corporate and buy-to-let loan portfolios based on commitments as at 31 March 2018.

Adoption of market available loss data was deemed inappropriate due to the number of individual assets in the corporate portfolio. The Directors therefore based this year's IBNR provision charge for the corporate book on a notional IBNR calculation carried out based on the estimation of overall credit quality of the portfolio during the year, based on a twelve month emerging period.

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

The Directors consider the charges to be proportionate as at 31 March 2018, however the same shall be reviewed in the context of implementation of IFRS-9.

#### **F. Going concern**

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**G. Adoption of new and revised standards**

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

IFRS 7	Financial Instruments disclosures
IFRS 9	Financial Instruments
IFRS 15	Revenue from contracts with customers
IFRS 16	Leases
IAS 16 & IAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation
IFRS 10 & IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC Interpretation 22	Foreign Currency Transactions and Advanced consideration
IFRIC Interpretation 23	Uncertainty over Income Tax Treatment

**IFRS 9 Financial Instruments:**

The Bank will apply IFRS 9 from 1 April 2018. The Bank has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the financial statements will depend on the economic conditions and judgements made as at the year end. The Bank has performed a preliminary assessment of potential impact of adopting IFRS 9 based on the financial instruments as at the date of initial application of IFRS 9 (1 April 2018).

**Classification and measurements**

The classification and measurement of financial assets will depend on how these are managed (the Bank's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or at FVTPL. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of the financial assets measured at amortised cost or fair value compared with IAS 39.

No major changes are envisaged in the classification and measurement of the financial instruments held by the Bank as a result of the revision from IAS 39 to IFRS 9.

**Impairment**

IFRS 9 requires the recognition of 12 month expected credit losses (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 significantly increased since initial recognition (stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (stage 2) or which are credit impaired (stage 3). The Bank will assess when a significant increase in credit risk has occurred based on quantitative and qualitative assessments.

Expected Credit losses (ECL) are calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), discounted at the original effective interest rate.

Based on analysis to date, the Bank's preliminary calculations of the impairment charge under IFRS 9 as at 31 March 2018 show no material change in provisioning requirement. This is a result of

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

the recency of the credit exposures and current benign credit environment limiting the transfer of assets to Stage 2.

Overall, the adoption of IFRS 9 is not expected to have a material effect on the financial statements. The Bank will implement the revised disclosures required by the amendments to IFRS 7 'Financial Instrument Disclosures'

Other than IFRS 9, the Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Bank in future periods.

**H. Restatement of comparative figures**

The Bank has identified inconsistencies in the prior year application of its accounting policy for fee and commission income from its lending portfolio. In accordance with the accounting policy income earned over the life of the loan is recognised using the effective interest rate method and recorded in interest income. Additionally, classification errors were identified in the recording of interest accruals for financial instruments held at amortised cost. The impact of adjusting the prior year reported balances is shown in the table below:

<b>Balance Sheet</b>	<b>2016-2017 (audited)</b>	<b>Adjustment</b>	All in USD <b>2016-2017 (restated)</b>
<b>Income statement</b>			
Interest income and similar income	24,878,046	2,169,419	27,047,465
Fee and commission income	7,249,260	(4,674,192)	2,575,068
Fee and commission expense	(2,279,065)	1,603,360	(675,705)
Corporation tax expense	(2,110,734)	692,006	(1,418,728)
	<b>27,737,507</b>	<b>(209,408)</b>	<b>27,528,100</b>
<b>Assets</b>			
Loans and advances to banks	25,500,000	(636)	25,500,636
Loans and advances to customers	278,984,438	701,823	278,282,615
Loans and advances to BTL customers	317,473,175	2,001,848	315,471,327
Financial investments – HTM	81,739,950	(701,226)	82,441,176
Other assets	4,151,205	1,458,220	2,692,985
	<b>707,848,768</b>	<b>(3,460,029)</b>	<b>704,388,739</b>
<b>Liabilities</b>			
Deposits by banks	428,118,399	(2,325,229)	430,443,627
Repurchase agreements	66,355,536	(188,349)	66,543,885
Deposits by customers	221,124,483	(1,305,194)	222,429,677
Debt securities in issue	24,596,757	(54,439)	24,651,196
Current tax liabilities	2,459,609	692,005	1,767,603
Accruals and deferred income	3,875,464	3,873,211	2,253
	<b>746,530,248</b>	<b>692,005</b>	<b>745,838,242</b>
<b>Equity attributable to equity holders</b>			
Retained earnings	20,688,340	(2,768,023)	17,920,317
<b>Liabilities + Equity</b>	<b>767,218,587</b>	<b>3,460,029</b>	<b>763,758,558</b>

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**3. Significant accounting policies**

**Revenue recognition**

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

**Interest and similar income and expense**

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

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

**Fee and commission income**

Fee and commission income is earned from a diverse range of services provided by the Bank to its customers and accounted for as follows:

- income earned on the execution of a significant act is recognised as revenue when the act is completed (for example, fees arising from negotiating, facilitating, coordinating, or participating in the negotiation of, a transaction for a third-party, irrespective of whether the Bank is participating in the financing arrangement and as agreed by the beneficiary of such services);
- income earned from the provision of services is recognised as revenue as the services are provided;
- in cases of uncertainty relating to collectability arising subsequent to accrual of fees, the fee shall be reversed / provided for, to reflect the uncertainty of collection. Generally 90 days can be considered as a reasonable period of time after which continuation of accrual should be based on evidence of collectability; and
- the fee income earned will be amortised over the period of the loan using effective interest rate method, however, income which forms an integral part of the effective interest rate of a financial instrument (as described above) is recognised as an adjustment to the effective interest rate and recorded in 'Interest income'.

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

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

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



# **AXIS BANK UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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

#### **Lease transactions**

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

#### **Retirement and other employee benefits**

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

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

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

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

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

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

#### **Provisions**

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

# **AXIS BANK UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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

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

#### **Financial instruments**

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

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

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

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

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

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

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

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

#### **Loans and advances**

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

# **AXIS BANK UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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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.

#### **Financial liabilities**

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

#### **Reclassification of financial assets**

##### **Accounting for the reclassification of financial assets held for trading**

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

##### **Accounting for the reclassification of non-derivative financial assets**

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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

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

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

**Derivative instruments**

All derivative instruments are held at fair value through profit or loss, except for derivatives held for risk management purposes in an effective hedge. This includes terms included in a contract or other financial asset or liability, 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.

# **AXIS BANK UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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

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

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

#### **De-recognition of financial assets and financial liabilities**

##### **Financial assets**

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

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

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

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

##### **Financial liabilities**

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

##### **Repurchase and reverse repurchase agreements**

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

# **AXIS BANK UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 MARCH 2018**

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

#### **Impairment of financial assets**

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

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

#### **Impairment of loans and advances**

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

#### **Impairment of financial investments in AFS portfolio**

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

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

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

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**Offsetting**

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

**Financial guarantees**

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

**Property, plant and equipment**

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

<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.

**Intangible assets**

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

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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amortisation expense on intangible assets is recognised in the income statement under 'Operating expenses'. Costs associated with maintaining software are recognised as an expense as incurred.

**Impairment of non-financial assets**

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

**Cash and cash equivalents**

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

**4. Operating segments**

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



**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	USD	USD
<b>5. Interest and similar income</b>		
Short-term funds	<b>520,233</b>	295,180
Loans and advances to customers	<b>12,024,668</b>	12,457,822
Loans and advances to BTL customers	<b>18,628,383</b>	10,064,801
Financial investments – available for sale	<b>1,292,974</b>	972,567
Financial investments – held to maturity	<b>2,345,162</b>	3,257,095
	<b>34,811,420</b>	27,047,465
<b>6. Interest and similar expense</b>		
Deposit from banks	<b>10,279,783</b>	6,855,425
Deposit from customers	<b>5,811,948</b>	3,940,365
Subordinated debt issued	<b>1,806,288</b>	1,290,542
Securities lent and repurchase agreement	<b>1,249,657</b>	1,165,691
Others	<b>265,019</b>	22,020
	<b>19,412,695</b>	13,274,043
<b>7. Net fees and commission income</b>		
	2018	2017
	USD	USD
<b>Fees and commission income</b>		
Arrangement fees	<b>3,750,059</b>	2,575,068
Other fees received	<b>30,928</b>	-
	<b>3,780,988</b>	2,575,068
<b>Fees and commission expenses</b>		
Service provider fees	<b>(995,347)</b>	(675,705)
	<b>(995,347)</b>	(675,705)
<b>Net fees and commission income</b>	<b>2,785,641</b>	1,899,363

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
<b>8. Personnel costs</b>	<b>USD</b>	<b>USD</b>
Wages and salaries	3,194,215	3,383,146
Social security costs	399,699	354,912
Pension costs – Defined contribution plan	83,756	53,742
	<b>3,677,670</b>	<b>3,791,800</b>
The average number of persons employed by the Bank	25	25
There are no share-based payments made by Axis Bank UK Limited		
	<b>2018</b>	<b>2017</b>
<b>9. Directors' emoluments</b>	<b>USD</b>	<b>USD</b>
(Included in wages and salaries above Emoluments includes all payment made to Key Management Personnel )		
Emoluments	1,008,807	992,587
Contribution to external pension scheme included in above	10,196	11,941
The gross emoluments* of the highest paid Director were USD <b>623,240</b> (2017: USD 535,060) Accrued pension as of the year end Nil (PY: Nil) * Gross emoluments include salary, benefits and awarded bonus		
	<b>2018</b>	<b>2017</b>
<b>10. Other general operating expenses</b>	<b>USD</b>	<b>USD</b>
Marketing, advertisement and sponsorship	94,523	44,483
Administrative and office maintenance	1,535,516	1,137,353
Consultancy, legal & professional fees	307,118	200,555
Bank charges, rates and taxes	80,264	74,470
Others administration and general charges	131,048	138,156
	<b>2,148,469</b>	<b>1,595,017</b>
<b>Auditor's remuneration</b>		
<b>Fees payable to the Company's Auditor for the audit of the Company's Annual Accounts:</b>		
Audit of the Company	120,105	84,150
Non audit fees – other services	17,255	12,747
	<b>137,360</b>	<b>96,897</b>

**AXIS BANK UK LIMITED**  
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**FOR THE YEAR ENDED 31 MARCH 2018**

**11. Corporation tax**

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

	<b>2018</b>	2017
	<b>USD</b>	USD
<b>Current tax expense</b>		
Current corporation tax	<b>3,001,000</b>	1,471,136
<b>Deferred tax</b>		
Effect of rate changes	-	1,226
Relating to origination and reversal of temporary differences	<b>(31,992)</b>	(53,634)
	<b>2,969,008</b>	1,418,728
<b>Reconciliation of corporation tax charge to accounting profit</b>		
Profit before tax	<b>15,049,119</b>	9,532,891
Tax at the domestic corporation tax rate of 19% (2017: 20%)	<b>2,859,333</b>	1,906,578
Tax effect of non-deductible depreciation	<b>23,896</b>	12,666
Tax effect of other non-deductible expenses	<b>117,421</b>	9,981
Tax effect of rate changes	-	1,226
Previous year overprovision	<b>(31,642)</b>	(511,723)
<b>Tax expense using effective rate</b>	<b>2,969,008</b>	1,418,728
<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	<b>1,537</b>	1,537
<b>Deferred tax liability</b>	<b>1,537</b>	1,537
Deferred tax asset relating to AFS adjustments	<b>(259,773)</b>	(173,449)
Other relating to timing differences	<b>(23,483)</b>	-
Excess of tax written down value over book value of tangible fixed assets	<b>(15,458)</b>	(6,950)
	<b>(298,714)</b>	(180,399)
<b>Net deferred tax (assets)</b>	<b>(297,177)</b>	(178,862)
<b>Deferred tax charged to equity</b>		
Charge/(Credit) arising on AFS reserve movement	<b>86,324</b>	170,434
Tax effective rate	<b>19.73%</b>	14.88%

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 STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	USD	USD
<b>12. Cash and balance with Bank</b>		
Cash on hand	-	-
Cash at bank	9,792,540	4,461,236
Central bank	61,825,513	39,922,283
	71,618,053	44,383,519

**13. Derivative financial instruments**

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

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

	31 March 2018			
	Asset	Notional amount	Liabilities	Notional amount
Derivatives used as:	USD	USD	USD	USD
Currency swaps	394,337	30,851,099	13,488,031	324,969,164
Interest rate swap	1,611,787	111,126,142	-	-
	2,006,124	141,977,241	13,488,031	324,969,164
	31 March 2017			
	Asset	Notional amount	Liabilities	Notional amount
Derivatives used as:	USD	USD	USD	USD
Currency swaps	814,932	110,247,622	1,832,246	203,604,708
Interest rate swap	111,676	13,722,860	14,647	8,732,729
	926,608	123,970,482	1,846,893	212,337,437

**14. Fair value of assets and liabilities**

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

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

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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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 STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	31 March 2018		
	Quoted market prices (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non- observable market data (Level 3)
	USD	USD	USD
<b>Financial assets</b>			
Cash and balance with Bank	71,618,053	-	-
Derivative financial instruments	-	2,006,124	-
Financial investments – AFS (debt)	34,410,547	33,449,536	-
	<b>106,028,600</b>	<b>35,455,660</b>	-
<b>Financial Liabilities</b>			
Derivative financial instruments	-	13,488,031	-
	-	<b>13,488,031</b>	-
	31 March 2017		
	Quoted market prices (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non- observable market data (Level 3)
	USD	USD	USD
Cash and balance with Bank	44,383,519	-	-
Derivative financial instruments	-	926,608	-
Financial investments – AFS (debt)	34,599,219	34,287,506	-
	<b>78,982,738</b>	<b>35,214,114</b>	-
Derivative financial instruments	-	1,846,893	-
	-	<b>1,846,893</b>	-

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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

	Carrying amount*		Fair value	
	31 March 2018 USD	31 March 2017 USD	31 March 2018 USD	31 March 2017 USD
<b>Financial assets</b>				
BTL Assets held in course of collection	145,073,875	-	145,073,875	-
Loan and Advances to Banks	-	25,500,636	-	25,500,636
Loan and Advances to customers	295,647,284	278,282,615	295,647,284	278,282,615
Loan and Advances to BTL customers	385,969,506	315,471,327	385,969,506	315,471,327
Financial Investments - Held to Maturity	56,892,213	82,441,176	56,892,213	82,441,176
Other Assets (Only Financial Instruments)	8,217,043	2,512,587	8,217,043	2,512,587
<b>Total</b>	<b>891,799,921</b>	<b>704,208,341</b>	<b>891,799,921</b>	<b>704,208,341</b>
<b>Financial liabilities</b>				
Deposit By Banks	473,976,809	430,443,627	473,976,809	430,443,627
Repurchase Agreement	58,769,749	66,543,885	58,769,749	66,543,885
Deposit from Customers	373,263,045	222,429,677	373,263,045	222,429,677
Debt Securities in Issue	25,054,986	24,651,196	25,054,986	24,651,196
Other Liabilities	5,976,964	1,547,535	5,976,964	1,547,535
<b>Total</b>	<b>937,041,553</b>	<b>745,615,920</b>	<b>937,041,553</b>	<b>745,615,920</b>

\*Net Amount

	2018 USD	2017 USD
<b>15. Loans and advances to Banks</b>		
Interbank placements	-	25,500,000
Interest accrual on Loans to banks	-	636
	-	25,500,636

	2018 USD	2017 USD
<b>16. Financial investments – available for sale</b>		
<b>Quoted investments</b>		
Government debt securities	34,410,547	34,599,219
Other debt securities	33,449,536	34,287,506
	<b>67,860,083</b>	<b>68,886,725</b>

**AXIS BANK UK LIMITED**  
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	2018	2017*
<b>17. Loans and advances to Customers</b>	<b>USD</b>	<b>USD</b>
Corporate lending	<b>288,150,231</b>	269,747,865
Customers' overdraft	<b>14,091,538</b>	10,606,464
Interest accrual on corporate loans	<b>673,756</b>	686,137
Less: Specific provision (Note 21)	<b>(4,882,985)</b>	-
Less: Incurred but not reported provision (IBNR) (Note 20)	<b>(1,402,393)</b>	(1,235,270)
Less: unamortised fees *	<b>(982,864)</b>	(1,522,581)
	<b>295,647,283</b>	278,282,615
*The comparative figures for 2017 have been re-stated		
<b>18. Loans and advances to BTL Customers</b>	<b>USD</b>	<b>USD</b>
BTL Customer lending	<b>388,621,753</b>	318,109,095
Interest accrual on BTL loans	<b>(29,319)</b>	70,220
Less: Incurred but not reported provision (IBNR) (Note 21)	<b>(778,920)</b>	(635,920)
Less: unamortised fees *	<b>(1,844,008)</b>	(2,072,068)
	<b>385,969,506</b>	315,471,327
*The comparative figures for 2017 have been re-stated		
<b>19. Financial investments – held to maturity</b>	<b>USD</b>	<b>USD</b>
<b>Quoted investments</b>		
Other debt securities	<b>51,359,059</b>	71,638,623
Interest accrual on quoted investments	<b>480,374</b>	599,226
<b>Unquoted investments</b>		
Other debt securities	<b>5,001,780</b>	10,101,327
Interest accrual on un-quoted investments	<b>51,000</b>	102,000
	<b>56,892,213</b>	82,441,176



**AXIS BANK UK LIMITED**  
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20. Incurred but not reported provision (IBNR)			2018 USD Total
	Loans and advances to customers	Loans and advances to BTL customers	
<b>As at 1 April</b>	<b>1,235,270</b>	<b>635,920</b>	<b>1,871,190</b>
Less: Exchange impact of restating opening liability at closing rate	-	<b>108,397</b>	<b>108,397</b>
Add: Charge for the year	<b>167,123</b>	<b>34,602</b>	<b>201,725</b>
Less: Amount incurred and charged	-	-	-
<b>31 March</b>	<b>1,402,393</b>	<b>778,919</b>	<b>2,181,312</b>
			2017 USD
<b>As at 1 April</b>	-	223,425	223,425
Add: Charge for the year	1,235,270	454,602	1,689,872
Less: Exchange impact of restating opening liability at closing rate	-	(42,107)	(42,107)
<b>31 March</b>	<b>1,235,270</b>	<b>635,920</b>	<b>1,871,190</b>

21. Specific provision			2018 USD Total
	Loans & advances to customers	Loans and advances to BTL customers	
<b>As at 1 April</b>	-	-	-
Add: Charge for the year	<b>4,888,571</b>	-	<b>4,888,571</b>
<b>31 March</b>	<b>4,888,571</b>	-	<b>4,888,571</b>

In the Corporate banking portfolio, a borrower company with overdue loans with net outstanding of USD 4,888,571 had filed for bankruptcy during the last quarter of FY 2018 and a Receiver was appointed by the court. While the Bank's exposure is mainly against funds to be received against goods supplied to buyers of goods, which is further secured against the credit insurance by the customer on these purchasers, the Bank has treated this loan as non-performing and has conservatively made 100% specific provision in the accounts for the full outstanding dues in FY 2018 (net of known funds remitted to receiver by purchasers of goods).

In the Buy-to-let portfolio, overdue loans amounting to USD 1,005,641 have been treated as non-performing. The Bank has initiated legal proceedings for realisation of security and the Bank has not made any specific provision as the realisable value is more than the outstanding dues.

**AXIS BANK UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**22. Receivable on sale of BTL assets**

As part of the strategy to reduce concentration of a particular asset class in the Balance sheet, the Bank sold part of its Buy-to-Let mortgage loans of around USD 141.94 mn (GBP 100.25 mn) before the year end. Due to this sale, the Bank has been able to release liquidity, capital and also made gains on sale in addition to reducing the concentration of the asset class.

The sale was completed on 30 March 2018 and the proceeds were received in full on 5 April 2018.

The fees (net of expenses) relating to the sale have been booked upfront as the entire risk and rewards relating to the BTL portfolio were passed on to a third party.

**23. Property and equipment**

	<b>Leasehold improvements</b>	<b>Computer (inc. software)</b>	<b>Other fixed assets</b>	<b>Total</b>
<b>Cost:</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
At 1 April 2016	256,833	3,186,546	6,075	3,449,454
Additions	-	7,891	-	7,891
Disposals	-	-	-	-
<b>At 31 March 2017</b>	<b>256,833</b>	<b>3,194,437</b>	<b>6,075</b>	<b>3,457,345</b>
Additions	<b>846,291</b>	-	<b>141,022</b>	<b>987,313</b>
Disposals	-	-	-	-
<b>At 31 March 2018</b>	<b>1,103,124</b>	<b>3,194,437</b>	<b>147,098</b>	<b>4,444,658</b>
<b>Depreciation and amortisation:</b>				
At 1 April 2016	(154,100)	(1,557,946)	(3,645)	(1,715,691)
Disposals	-	-	-	-
Depreciation charge for the year	(51,366)	(537,329)	(1,215)	(589,910)
<b>At 31 March 2017</b>	<b>(205,466)</b>	<b>(2,095,275)</b>	<b>(4,860)</b>	<b>(2,305,601)</b>
Disposals	-	-	-	-
Depreciation charge for the year	<b>(67,596)</b>	<b>(538,436)</b>	<b>(3,920)</b>	<b>(609,952)</b>
<b>At 31 March 2018</b>	<b>(273,062)</b>	<b>(2,633,712)</b>	<b>(8,780)</b>	<b>(2,915,553)</b>
<b>Net book value:</b>				
At 31 March 2017	<b>51,367</b>	<b>1,099,162</b>	<b>1,215</b>	<b>1,151,744</b>
<b>At 31 March 2018</b>	<b>830,062</b>	<b>560,726</b>	<b>138,317</b>	<b>1,529,105</b>
<b>Add: Assets under construction</b> (2017: 22,756)				<b>37,213</b>
<b>Property and equipment</b>				<b>1,566,318</b>
At 31 March 2018 (2017: 1,174,500)				

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
<b>24. Prepayments, accrued income and other assets</b>	<b>USD</b>	<b>USD</b>
Accrued income	279,494	277,769
Deposits	7,103,265	1,561,341
Other prepayments	834,283	673,477
	<b>8,217,042</b>	<b>2,512,585</b>
<b>25. Deposits from banks</b>	<b>2018</b>	<b>2017</b>
	<b>USD</b>	<b>USD</b>
Inter bank borrowings	470,573,341	428,217,926
Interest accrual on deposits by Bank	3,764,234	2,325,229
Less: unamortised fees	(360,766)	(99,528)
	<b>473,976,809</b>	<b>430,443,627</b>
Deposits by Banks – securities sold under repurchase agreements	<b>58,769,749</b>	<b>66,543,885</b>
	<b>532,746,558</b>	<b>496,987,512</b>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**Repayable**

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

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

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

Nature of transaction	2017-18 Carrying amount of transferred assets USD	2017-18 Carrying amount of associated liabilities USD	2016-17 Carrying amount of transferred assets USD	2016-17 Carrying amount of associated liabilities USD
Sale and repurchase agreements	73,821,459	58,769,749	84,671,499	66,543,885

**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.

	2018 USD	2017 USD
<b>On balance sheet</b>		
Debt securities	73,821,459	84,671,499
<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 2018 were USD 73.82 mn (Mar 2017 – USD 84.671 mn) included in debt securities in the table above.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
<b>26. Deposit from customers</b>	<b>USD</b>	<b>USD</b>
Current accounts	11,237,245	14,687,265
Savings accounts	21,617	28,102
Fixed Term deposits	359,525,907	206,409,116
Interest accrual on Deposits	2,478,276	1,305,194
	<b>373,263,045</b>	<b>222,429,677</b>
<b>27. Subordinated liabilities and other borrowed funds</b>	<b>USD</b>	<b>USD</b>
Subordinated debt	25,000,000	25,000,000
Interest accrual on subordinated debt	54,986	54,439
Less: Prepayment of subordinated debt expenses*	-	(403,243)
	<b>25,054,986</b>	<b>24,651,196</b>

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

\* Upfront fee of 2.50% of the loan amount paid to the Axis Bank, India and legal charges being amortised over the period of the call out period (5 years).

	2018	2017
<b>28. Accruals and other liabilities</b>	<b>USD</b>	<b>USD</b>
Interest payable	48,786	-
Other payables and accrued liabilities	5,928,178	1,547,535
	<b>5,976,964</b>	<b>1,547,535</b>

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	USD	USD
<b>29. 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	<b>55,000,000</b>	55,000,000
<b>Total equity capital</b>	<b>55,000,002</b>	55,000,002

**30. Related party transactions**

The related parties of the Bank are broadly classified as:

**a) Promoters**

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

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

**b) Key management personnel**

- Varadarajan Srinivasan (Chairman)
- Sanjeev Kumar Gupta (Non-Executive Director)
- Sidharth Rath (Non-Executive Director)
- David Charles Budd (Non-Executive Director)
- Diane Elizabeth Moore (Non-Executive Director)
- Paul Seward (Non-Executive Director)
- Rajendra D Adsul (Managing Director & Chief Executive Officer)
- Kanchan Dasgupta (Executive Director – Risk & Compliance)

**c) Associate companies**

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

- Axis 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

**AXIS BANK UK LIMITED**  
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As on 31 March 2018, the liabilities and assets outstanding to the related parties are as below:

		<b>All in USD</b>
	<b>2018</b>	<b>2017</b>
1. Equity capital	<b>55,000,002</b>	55,000,002
2. Subordinated debt	<b>25,000,000</b>	25,000,000
3. Accrued liability - subordinated liabilities and other borrowings	<b>586,840</b>	54,439
4. Cash and balances with Bank	<b>498,032</b>	560,204
5. Deposit by Bank	<b>48,000,000</b>	-
6. Payable for receiving of services	-	61,681
7. Receivable for providing of services	<b>17,511</b>	-

Income earned from the related party and expenditure made on the related party for the year 2017-2018 is given as under.

<b>Sr. No.</b>	<b>Items</b>		<b>Promoters</b>
		<b>2018</b>	<b>2017</b>
1.	Fees and commission earned	<b>300,000</b>	-
2.	Equity Capital received	-	-
3.	Subordinated debt received	-	-
4.	Purchase of advances	<b>10,000,000</b>	-
5.	Sale of advances	<b>3,186,529</b>	-
6.	Call/Term borrowings from related parties	<b>48,000,000</b>	1,500,000
7.	Call/Term lending to related parties	-	-
8.	Interest paid (Subordinated Debts)	<b>1,403,045</b>	1,223,342
9.	Outsourcing charges and Internal audit fees paid	<b>195,372</b>	178,181
10.	Interest paid (Others)	<b>531,854</b>	106,244
11.	Interest received (Others)	-	-
12.	Re-imbursement of expenses paid	<b>17,511</b>	63,110
13.	Swaps / Forward Contracts (notional)	<b>20,426,159</b>	14,548,343

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

Other transactions with related parties (including remuneration paid to the Directors) are disclosed in Note 9.

**AXIS BANK UK LIMITED**  
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**31. Operating lease commitments**

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

	<b>2018</b>	2017
	<b>USD</b>	USD
Within one year	<b>149,616</b>	133,310
Within two to five years	<b>1,712,884</b>	19,354
Later than five years	<b>1,936,618</b>	-
	<b>3,799,118</b>	152,664

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.

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

**Credit Risk Management**

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

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

The bank has an internal credit rating model and all non-bank counterparties except those backed by 100% cash margin are required to be rated using the internal credit rating model. The risk department reviews and confirms the rating assigned to a borrower or counterparty. The Bank also maintains appropriate income recognition and provisioning policies. Any exposure to a single party or group in excess of 10% of its capital base is considered as large exposure as per regulatory guidelines and is monitored regularly.

**Collateral**

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

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

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



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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>

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

**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 2018:

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Countries	2018		2017	
	Exposure (USD'000)	% of Total Exposure	Exposure (USD'000)	% of Total Exposure
Australia	131	0.01%	25,750	3.05%
Belgium	9,026	0.85%	8,889	1.05%
Bermuda	-	-	-	-
Canada	4,976	0.47%	5,007	0.59%
Cayman Island	-	-	15,000	1.78%
Germany	25,463	2.40%	-	-
Indonesia	6,532	0.61%	6,547	0.78%
India	136,109	12.81%	144,431	17.12%
Isle of Man	-	-	6,693	0.79%
Italy	20,743	1.95%	9,082	1.08%
Mauritius	12,024	1.13%	22,830	2.71%
Netherlands	43,656	4.11%	45,468	5.39%
Panama	16,764	1.58%	-	-
Singapore	17,314	1.63%	18,286	2.17%
Sweden	6,991	0.66%	-	-
Switzerland	-	-	-	-
UAE	17,188	1.62%	6,260	0.74%
UK	526,195	49.52%	444,941	52.73%
US	63,049	5.93%	82,389	9.76%
Other	156,332	14.72%	2,176	0.26%
<b>Total</b>	<b>1,062,494</b>	<b>100%</b>	<b>843,749</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 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:

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Particulars	All in USD'000							Non Sensitive Category	Total
	Upto 1M	1 – 3M	3 – 6M	6 – 12M	1-3Yr	> 3 Yr	2018		
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

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**FOR THE YEAR ENDED 31 MARCH 2018**

All in USD'000  
2017

Particulars	Upto 1M	1 – 3M	3 – 6M	6 – 12M	1-3Yr	> 3 Yr	Non Sensitive Category	Total
Cash and bank	39,922						4,461	44,383
Loans & Adv - banks	25,501							25,501
Derivative financial instruments	363	167	22,649	203				23,382
Investments (AFS)					52,886	16,000		68,886
Loans - customers	131,414	106,999	39,870					278,283
Loan - Buy To Let	24,082		2,929	27,153	80,547	180,762		315,471
Investments (HTM)			20,261		12,629	49,550		82,441
Property and equipment							1,174	1,174
Deferred tax assets							180	180
Other Assets							2,513	2,513
<b>Total assets</b>	<b>221,281</b>	<b>107,166</b>	<b>85,709</b>	<b>27,356</b>	<b>146,062</b>	<b>246,312</b>	<b>8,328</b>	<b>842,214</b>
Derivative financial instrument	99	628	216	888		22,470		24,301
Deposits by banks	41,223	117,855	103,560	167,807				430,444
Repo Agreement			17,668	12,061		36,815		66,544
Deposits - customers	1,337	2,223	1,818	80,661	103,949	17,754	14,687	222,430
Current tax liabilities							221	221
Sub-ord. liabilities	24,651							24,651
Deferred tax liability							2	2
Other liabilities							1,547	1,547
Share Capital							55,000	55,000
Reserve and Retained Earnings							17,075	17,075
<b>Total equity and Liabilities</b>	<b>67,310</b>	<b>120,706</b>	<b>123,262</b>	<b>261,417</b>	<b>103,949</b>	<b>77,039</b>	<b>88,532</b>	<b>842,214</b>
Interest Rate Gap	153,971	-13,540	-37,553	-234,061	42,113	169,273	-80,204	
Impact of Interest increase of 2%	-126	41	238	3,346	-1,970	-11,295		-9,735

Exposures of less than 1 year are further controlled via Earnings at Risk limit (EAR), such limit being based on a standard 25bp parallel shift in interest rates. The EAR as on reporting date is USD 88,947. The EAR is subject to stress testing on a quarterly basis through modelling the impact of various alternative yield curve shifts including a shock parallel shift of 200bp. The Duration of Equity (DOE) is assessed on a 200 basis points shift in Interest rates.

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

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

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

<b>Currency</b>	<b>Open Position</b> FCY '000	<b>2018</b>
		<b>USD Equivalent</b> 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.

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

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

**Liquidity Risk Management:**

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

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

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

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

The liquidity profile as at reporting date is as shown below:

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
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All in USD'000

2018

As at 31 March, 2018	Upto 1M	1-3 M	3-12 M	1-5Yr	Over 5Yr	Undated	Total
Cash and bank	71,618						71,618
Loans and Adv. - banks							
Derivative financial instruments	92	86	1,828				2,006
Investments (AFS)			7,779	60,081			67,860
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
Investments (HTM)		531	7,476	48,885			56,892
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>	153,119	(53,447)	(268,529)	(152,901)	403,629	(81,870)	
<b>Cumulative Liquidity Gap</b>	153,119	99,672	(168,857)	(321,758)	81,870		

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							2017
As at 31 March, 2017	Upto 1M	1-3 M	3-12 M	1-5Yr	Over 5Yr	Undated	Total
Cash and bank	44,383						44,383
Loans and Adv. - banks	25,501						25,501
Derivative financial instruments	363	167	397				927
Investments (AFS)				58,377	10,510		68,887
Loans and Adv. - customers	27,082	22,546	69,278	136,316	23,060		278,283
Loans and Adv – BTL customers	70			2,796	312,605		315,471
Investments (HTM)			20,261	62,180			82,441
Property, and equipment						1,174	1,174
Deferred tax asset						180	180
Other Assets		2,513					2,513
<b>Total assets</b>	<b>97,399</b>	<b>25,225</b>	<b>89,937</b>	<b>259,669</b>	<b>346,175</b>	<b>1,354</b>	<b>819,760</b>
Derivative financial instruments	99	628	1,105	15			1,847
Deposits by banks	21,223	102,855	306,366				430,444
Repurchase Agreement			29,728	36,816			66,544
Deposits from customers	1,308	2,223	82,480	121,703		14,715	222,430
Current tax liabilities	221						221
Subordinated liabilities and other borrowed funds				24,651			24,651
DTL						2	2
Other liabilities		1,547					1,547
Share Capital						55,000	55,000
Reserve and retained earnings						17,074	17,074
<b>Total equity and Liabilities</b>	<b>22,851</b>	<b>107,253</b>	<b>419,679</b>	<b>183,185</b>		<b>86,792</b>	<b>819,760</b>
<b>Net liquidity gap</b>	74,548	(82,027)	(329,743)	76,484	346,175	(85,438)	
<b>Cumulative Liquidity Gap</b>	74,548	(7,479)	(337,222)	(260,737)	85,438		

**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 STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**33. Other commitments and contingencies**

The Bank had no other commitments and contingencies at the year-end other than undrawn loan amount of USD 18.30 mn (2017 USD 21.45 mn); Bank guarantee USD 1.911 mn (2017 USD 0.20 mn) and Letter of Credit of USD 0.67 mn ( 2017 USD 1.68 mn).

**34. Events after balance sheet date**

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