Union Bank
of India (UK) Ltd

ANNUAL ACCOUNTS

For the year ended on 31 March 2025

Company number 07653660

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OFFICERS AND PROFESSIONAL ADVISERS

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Company Registration Number	**07653660**
The Board of Directors	**Ms. A Manimekhalai** Chair
	Dr Anand Kumar Non-Executive Director
	Mr. Joseph Jerry Liow Yune Loy Independent Non-Executive Director
	Mr. Patrick Joseph Quinn (resigned 28.02.2025) Independent Non-Executive Director
	Mrs Dawn Brown (appointed on 26.09.2024) Independent Non-Executive Director
	Mr Pankaj Dwivedi (appointed on 13.05.2024) Nominee Director
	Mr. Arbind Choudhary Managing Director & Chief Executive Officer
	Mr. Rahul Kumar Executive Director & Chief Operating Officer
Registered Office	12 Arthur Street London England EC4R 9AB
Statutory Auditor	**Forvis Mazars LLP** 30 Old Bailey London EC4M 7AU

Union Bank of India (UK) Ltd

STRATEGIC REPORT

The Directors present the Strategic Report of Union Bank of India (UK) Ltd ("UBI UK" or "the Bank") for the financial year ended 31st March 2025. UBI UK is a wholly owned subsidiary of Union Bank of India (UBI), a major public sector bank primarily owned by the Government of India and regulated by the Reserve Bank of India (RBI). This report should be read in conjunction with the Directors' Report.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Union Bank of India (UK) Ltd is an authorised banking institution operating in the United Kingdom, offering a comprehensive suite of retail and commercial banking services. The Bank's primary focus is on lending to corporate clients and Small and Medium Enterprises (SMEs), complemented by a range of related financial services.

UBI UK is authorised and regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) in the United Kingdom. The Bank's strategic objective is to establish itself as a profitable and self-sustainable UK-based financial institution, positioned prominently in the retail and business banking segments. Concurrently, UBI UK contributes to the broader strategic goals of its parent institution, leveraging the global reach of the Indian economy, which has seen substantial growth through the expansion of Indian corporations overseas, a significant diaspora of Non-Resident Indians (NRIs), and increasing foreign investments in India.

Business Model

UBI UK's business model is centred on its core activities in Commercial and Retail Banking, with a primary focus on lending to UK-based business entities across diverse sectors such as hospitality, student accommodation, retail, buy-to-let (BTL) real estate, commercial investments, and Small and Medium Enterprises (SMEs). The Bank also extends its lending operations to international businesses, providing loans mainly in GBP and USD through syndicated and bilateral lending arrangements. Additionally, UBI UK engages in investments in government treasuries and highly rated bonds as part of its liquidity management strategy, ensuring optimal capital deployment while maintaining financial stability. These lending and investment activities are predominantly funded through a well-diversified deposit base, comprising Savings Deposits, Current Accounts, and Fixed-Term Deposits, which are strategically managed to align with the growth and maturity profile of the loan portfolio. This balanced funding strategy enables the Bank to maintain liquidity and support its sustainable growth objectives. The business model is further strengthened by effective governance and risk management practices set by the Board, ensuring alignment with the Bank's strategic goals and regulatory requirements, while maintaining a strong commitment to financial stability and integrity.

Strategic Direction and Risk Management

The strategic direction of UBI UK is determined by its Board of Directors, which defines the Bank's vision, mission, and risk appetite. Governance and regulatory compliance remain at the forefront of the Bank's priorities, reflecting a strong commitment to maintaining stability, integrity, and resilience within its operations.

Risk management is integral to UBI UK's business strategy, focusing on prudent practices that support the Bank's long-term goal of achieving responsible and sustainable growth. The Bank's risk governance framework is designed to identify, measure, monitor, and control risks effectively, ensuring alignment with both regulatory expectations and strategic objectives.

UBI UK remains committed to strengthening its market position, enhancing stakeholder value, and contributing positively to the economic landscape of the United Kingdom, while aligning with the broader objectives of UBI.

Key Performance Indicators

	2025 USD '000	2024 USD '000
Profit or Loss Account:		
Operating income	13,327	16,429
Operating expenses before impairment loss allowances	(9,734)	(9,473)
Operating profit before impairment loss allowances	3,593	6,956
Impairment loss allowances	(10,245)	(5,593)
(Loss) / profit After tax	(6,608)	1,488

	2025 USD '000	2024 USD '000
Balance Sheet:		
Loans and advances to customers	340,434	339,650
Loans and advances to banks	20,202	43,027
Financial Investments	99,581	111,811
Repurchase Agreements	15,240	-
Deposits from customers	348,633	387,541
Shareholders' equity	111,600	116,883

Key Performance Overview

In 2025, the Bank reported operating income of USD 13.3 million, compared to USD 16.4 million in 2024. The year-on-year decline primarily reflects the effects of a more accommodative interest rate environment, which exerted downward pressure on net interest margins across key markets. The Bank continued to exercise cost discipline, with operating expenses before impairment loss allowances increasing moderately to USD 9.7 million (2024: USD 9.5 million), largely driven by inflationary input costs and general macroeconomic headwinds. The Bank reported an operating profit before impairment of USD 3.6 million, down from USD 7.0 million in the previous year.

Impairment loss allowances rose to USD 10.2 million (2024: USD 5.6 million), reflecting elevated provisioning in respect of credit exposures assessed under Stage 2 and Stage 3 of IFRS 9. The increase was primarily attributable to a combination of deterioration in a small number of legacy exposures and stress in specific sectors and geographies. The Provision Coverage Ratio for Stage 3 loans stood at 34.90% (2024: 37.87%). The reduction in PCR is mainly due to write-off of two accounts during the year having 100% provisioning. Provisions for Stage 1 and Stage 2 exposures increased to USD 6.0 million (2024: USD 2.1 million), reflecting the Bank's measured and forward-looking provisioning methodology, in line with its internal governance framework and the prevailing macroeconomic outlook.

As a result, the Bank recorded a post-tax loss of USD 6.6 million, compared to a profit after tax of USD 1.5 million in 2024. While this reflects a temporary impact on earnings, the Bank continues to prioritise asset quality, disciplined risk management, and the prudent resolution of legacy exposures within the loan book. The Bank continues to apply prudent underwriting practices to enhance credit quality and reduce risk.

The Balance Sheet remained stable and resilient over the reporting period. Loans and advances to customers stood at USD 340.4 million (2024: USD 339.7 million), reflecting consistent credit activity within the Bank's approved risk appetite. On the liability side, customer deposits declined to USD 348.6 million (2024: USD 387.5 million), in line with strategic efforts to optimise the liquidity mix, reduce depositor concentration, and enhance funding quality. Deposits from banks, including repurchase agreements, rose to USD 15.2 million (2024: nil), further diversifying funding sources and reinforcing liquidity resilience.

The Bank maintained a strong capital position and robust liquidity profile throughout the year. The Capital Adequacy Ratio remained well above regulatory requirements, providing a buffer against stress and capacity for strategic investment. Both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) remained well within Board-approved thresholds, supported by sound asset-liability management, conservative treasury practices, and regular forward-looking stress testing aligned with PRA and Basel expectations.

The Bank also remained responsive to strategic opportunities. The India–UK Free Trade Agreement, finalised in early 2025 and projected to increase bilateral trade by £25.5 billion, is expected to support cross-border financing activity. The Bank is well-positioned to expand its India–UK corridor proposition, particularly within SME, corporate, and structured trade finance, in alignment with its international strategy.

In conclusion, while 2025 presented significant headwinds—most notably margin compression and elevated credit provisioning driven by back book exposures—the Bank maintained a high standard of financial governance, preserved balance sheet strength, and reinforced its capacity for long-term value creation. It enters 2026 with a robust capital and liquidity position, clear strategic focus, and continued commitment to prudent underwriting practices, sound risk and financial management.

MACROECONOMIC AND STRATEGIC OUTLOOK

The Bank's strategic focus remains firmly aligned with its core markets—the United Kingdom, United States, and India—underpinned by continuous monitoring of global economic and geopolitical developments to inform its risk posture and forward-looking strategy.

As per the World Bank forecast, global growth is projected to stabilise at approximately 2.7% in 2025–26, reflecting a low-growth equilibrium that may prove insufficient to drive inclusive or sustained development. The global outlook remains subject to a complex array of persistent and emerging headwinds, including heightened policy uncertainty, shifting trade dynamics, geopolitical tensions, entrenched core inflation, and climate-related natural disasters.

Market volatility remains elevated. Ongoing conflict in Ukraine, instability in the Middle East, and renewed escalation in the Israel-Gaza region continue to drive inflationary pressures and disrupt supply chains, fueling commodity market volatility. In parallel, the recent imposition of higher tariffs by the United States on a range of Chinese imports, including electric vehicles, batteries, and critical minerals, reflects a more assertive stance on industrial policy and economic security. While these developments have limited direct impact on the Bank, they contribute to broader trade fragmentation and global supply chain realignments, with second-order effects on investment flows, manufacturing costs, and inflation dynamics in key sectors.

In the United Kingdom, the economic environment remains subdued. An uncertain trading outlook and rising tax burdens pose material downside risks. Despite temporary support from household savings and fiscal measures, according to the Office for Budget Responsibility (UK), GDP growth is expected to remain modest at 0.8% in both 2025 and 2026. Inflation is forecast to peak at 3.6% by Autumn 2025, driven by labour market tightness and energy costs, before returning to the Bank of England's 2% target by mid-2026. (Source: KPMG UK Economic Outlook-April 2025)

In India, growth prospects remain robust but have been moderated by external pressures. As reported in the April 2025 Monetary Policy Statement, The Reserve Bank of India (RBI) revised its 2025 growth forecast downward to 6.5%, citing the impact of escalating global trade frictions, particularly following recent US tariff actions. In response, the RBI cut its policy rate to 6%, marking a second rate cut in 2025, and adopted an accommodative stance to support domestic demand and private investment—reinforcing India's position as one of the fastest-growing major economies.

In the United States, recent trade policy reversals and geopolitical uncertainty have introduced greater volatility. A temporary 90-day reduction in tariffs on Chinese goods (from 145% to 30%) was met with reciprocal measures from China (cutting tariffs from 125% to 10%). Additionally, the establishment of a US-UK trade framework highlights a strategic pivot toward trade diversification. However, uncertainty surrounding the ceiling-floor mechanism and the upcoming expiry of the Reciprocal Tariffs Policy suspension in July 2025 presents renewed risks. The broader US macroeconomic outlook is further constrained by fiscal sustainability concerns, highlighted by a recent sovereign credit rating downgrade, elevated bond yields, and a weakening US dollar. While early 2025 labour market data **appeared resilient, signs of slowing job growth and softening consumer demand have emerged as** tariff-driven inflation begins to weigh on household purchasing power.

Amid these challenges, the finalisation of the India-UK Free Trade Agreement in early 2025 represents a significant strategic milestone. Covering tariff reductions across 90% of goods, the agreement is projected to increase bilateral trade by £25.5 billion, enhance UK GDP by £4.8 billion, and raise UK wages by £2.2 billion annually over the long term—while offering substantial reciprocal gains for India. Similarly, the US-UK trade framework is expected to strengthen transatlantic commercial ties, with positive implications for UK exports, financial services, and supply chain resilience. (Source: UK Department for Business and Trade, 2025)

The Bank strategically leverages trade agreements to expand cross-border business opportunities and enhance client service capabilities. Recognising the increasing challenges posed by global protectionism and regional fragmentation, we are actively reinforcing our prudent lending practices. This deliberate approach ensures the Bank remains resilient and responsive to potential secondary effects—such as shifts in GDP growth, labour market dynamics, and inflationary trends—that could influence credit quality and investment performance across our key jurisdictions

RISK MANAGEMENT AND STRATEGIC MONITORING

The Bank remains focused on managing the broader implications of sustained high interest rates, tight financial conditions, and heightened volatility across key macroeconomic indicators. While no direct operational impacts have been observed to date, prudent lending practices remain in place, and credit risk controls have been reinforced. The Board continues to adopt a cautious stance, recognising the rapidly evolving global environment in which geopolitical instability, policy divergence, and trade realignments are contributing to latent systemic vulnerabilities.

In response to the PRA's continued focus on credit risk, the Bank has taken decisive action to further strengthen its credit risk management framework. This includes tightening underwriting standards, enhancing sectoral exposure monitoring, and intensifying portfolio reviews to identify and mitigate emerging vulnerabilities. These measures are designed to safeguard asset quality in an increasingly uncertain macroeconomic environment.

The potential secondary effects of these developments—such as shifts in GDP trajectories, labour market pressures, inflation volatility, and fiscal stress across the Bank's core markets—may affect credit quality, borrower behaviour, and investment performance in the near to medium term.

In response, the Bank has adopted a cautious and proactive risk management framework. This includes:

- Regular stress testing under a range of adverse macro-financial scenarios
- Close monitoring of sectoral and cross-border exposures
- Maintaining strong capital and liquidity buffers to ensure operational resilience

This measured and disciplined approach enables the Bank to respond with agility to downside risks, while remaining well-positioned to capitalise on emerging strategic opportunities aligned with its long-term objectives. In parallel, the Bank remains firmly committed to upholding the FCA's Consumer Duty. This includes ensuring fair outcomes for customers, proactively identifying and addressing potential harms, and embedding customer-centric principles across its products, services, and decision-making frameworks.

Principal Risk and uncertainties

The Bank's overarching objective in risk management is to uphold a sustainable, resilient, and strategically aligned operating environment that supports the delivery of its long-term objectives while maintaining strict adherence to its defined risk appetite. This is guided by a comprehensive Risk Appetite Statement (RAS), developed under the leadership of the Chief Risk Officer (CRO) and approved by the Board of Directors.

The RAS outlines the Bank's risk tolerance across all principal risk categories and serves as a critical reference point in shaping strategic decision-making, capital deployment, portfolio management, and day-to-day operational conduct. It is fully embedded within the industry standard Three Lines of Defence (3LoD) governance model, which underpins the Bank's risk culture by establishing clear accountability and reinforcing independence across the enterprise.

Three Lines of Defence Model

- **First Line of Defence**
  Business units and operational functions are directly accountable for the identification, ownership, and active management of risks. These teams are responsible for adhering to internal policies, procedures, board approved risk appetite and control frameworks in the execution of their responsibilities.
- **Second Line of Defence**
  The Risk and Compliance functions provide independent oversight, set risk management and compliance policies, conduct monitoring activities, and deliver constructive challenge to first-

line decisions. This line monitors adherence to the Bank's risk appetite and regulatory obligations.

- **Third Line of Defence**
  The Internal Audit function delivers independent assurance to the Board and senior leadership regarding the effectiveness of the Bank's risk management framework, internal controls, and governance arrangements. It evaluates the robustness of the first and second lines, highlighting areas for continuous improvement.

This structured approach promotes clarity in roles and responsibilities, strengthens internal control, and ensures that risk governance is embedded across all levels of the organisation. It provides the Bank with a robust platform for early identification and escalation of emerging risks, while fostering a culture of accountability, compliance, and continuous enhancement of risk management practices.

The following table sets out the Bank's principal risk categories, along with associated key mitigants and control mechanisms, reflecting the organisation's proactive and integrated approach to enterprise-wide risk management.

Credit Risk Credit risk is the risk of financial loss arising from a borrower or counterparty failing to meet their contractual obligations. It spans not only loan defaults but also treasury exposures, securities, and placements with financial institutions, and may arise from both on- and off-balance sheet items.	**The Bank operates under a well-defined Credit and Investment Policy Framework, which is subject to regular review and enhancement. All new credit and investment exposures, as well as material renewals and reviews, are independently assessed by the Risk function to ensure alignment with the Bank's Risk Appetite Statement (RAS).** **The Bank undertakes ongoing monitoring of portfolio performance, applying a range of risk mitigation techniques such as collateralisation, appropriate guarantees, and exposure limits by counterparty, sector, and geography to manage concentration risk and preserve asset quality.** **Credit risk is initially managed through the Credit and Investment Committees, with escalation to the Management Committee of the Board (MCB) for significant exposures. Strategic oversight is provided by the Risk and Compliance Committee (RCC) and/or the Board, ensuring robust governance and accountability.** **The Bank actively manages credit risk through robust underwriting standards, continuous portfolio monitoring, and a well-established early warning framework that enables timely risk mitigation and client engagement. Oversight is provided by the Credit Committee, which ensures that exposures remain aligned with the Bank's defined risk appetite and regulatory expectations. These measures support prudent lending practices, enabling the Bank to manage risk exposures effectively.**

Liquidity Risk Efficient management of liquidity is crucial for the Bank as it forms an integral part of its risk management framework, ensuring business stability. Liquidity risk refers to the risk of the Bank being unable to meet its financial obligations as they become due. The Bank also recognizes Maturity Mismatch as a component of Liquidity Risk.	Liquidity risk is defined by the Overall Liquidity Adequacy Rule (OLAR) and assessed and managed by the Board through the annual Internal Liquidity Adequacy Assessment Process ('ILAAP') and Risk Appetite Parameters. The Treasury department implements effective processes to manage and control liquidity and funding, with oversight from the Risk team. The Bank aims to always maintain adequate liquid assets to cover client commitments and comply with regulatory requirements. The Bank maintains a conservative liquidity profile with sufficient, high-quality, and stable funding sources to always survive a 120-day severe but plausible stress. The Bank manages liquidity risks, including Maturity Mismatch Risk, through the Asset Liability Committee ('ALCO'), oversight is provided by the Risk and Compliance Committee (RCC) and/or the Board through periodic review. The Bank also uses other important regulatory measures, such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), to manage liquidity risks effectively.
Market Risk Market risk is the risk of loss in both on and off-balance sheet positions that result from fluctuations in market prices and changes in interest rates, foreign exchange rates, and asset prices that will affect Bank's income and the value of its holdings.	The Bank actively manages market risk exposures through regular monitoring of interest rate sensitivity, foreign exchange positions, and liquidity gap limits. The Bank mitigates foreign exchange risk particularly from currency mismatches in asset and liability positions, through the use of cross-currency swaps and other hedging strategies. A significant portion of the Bank's market risk arises from interest rate movements and foreign currency volatility. Market risk is managed through the Asset and Liability Committee (ALCO), with oversight and periodic review by the Risk and Compliance Committee (RCC) and/or the Board, ensuring alignment with the Bank's Risk Appetite Statement and regulatory expectations.
Capital Risk Capital risk is the risk of the Bank having insufficient capital to cover unexpected losses, meet regulatory requirement or support growth plans.	The Bank conducts an annual ICAAP stress test to assess its capital planning throughout its business planning horizon, the Board manages Capital Risk through the Internal Capital Adequacy Assessment Process (ICAAP) and Risk Appetite Parameters. The Executive Management Committee (EMC) oversees the day-to-day management of capital risk, with periodic review and strategic oversight provided by the Risk and Compliance Committee (RCC) and/or the Board. The Bank maintains its capital levels to ensure a sufficient level of solvency and aims to establish a sustainable business model that generates stable income, enabling organic capital accumulation. The Bank regularly reviews its capital and leverage ratios,

	including the quantity and quality of its capital, as part of its Risk Appetite.
Operational Risk Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, systems, people, or from external events. This includes risks related to IT disruptions, human error, fraud, third-party dependencies, and physical events.	The Bank manages operational risk through a formal Operational Risk Policy and a comprehensive Business Continuity Plan (BCP), both of which are regularly reviewed to enhance resilience and ensure preparedness for disruption. Operational risk exposure is assessed through a structured Risk and Control Self-Assessment (RCSA) process, supported by ongoing incident reporting and tracking to identify control weaknesses and inform corrective action. The Bank actively promotes a culture of operational discipline and continuous improvement. Operational risk is managed through the IT and Operations Committee (ITOC), with strategic oversight provided by the Risk and Compliance Committee (RCC) and/or the Board. Escalation mechanisms are in place to ensure that significant incidents and emerging risks receive appropriate attention at the senior governance level.
Cyber Risk Cyber risk refers to the potential for financial loss, operational disruption, or reputational damage arising from a failure or compromise of the Bank's information systems, digital infrastructure, or data integrity due to malicious cyber activity or security vulnerabilities. This includes threats such as ransomware, phishing, data breaches, and other forms of cyberattack.	The Bank recognises cyber risk as a material component of its operational risk profile and has embedded it within its broader risk management and governance frameworks. A multi-layered cyber defence strategy is in place, incorporating preventive controls, real-time monitoring, incident response protocols, and regular penetration testing. The Bank's Information Security team works closely with the Risk, Compliance, and IT Operations functions to ensure a proactive approach to threat detection, vulnerability management, and regulatory alignment. Cyber resilience is further supported by staff awareness programmes, third-party risk assessments, and oversight by the IT and Operations Committee (ITOC). The Board and Risk & Compliance Committee (RCC) receive regular updates on the Bank's cyber risk posture, including emerging threats, control effectiveness, and response readiness. As the threat landscape continues to evolve, the Bank remains committed to ongoing investment in cyber capabilities and to maintaining a secure and resilient technology environment.
Compliance Risk Compliance risk refers to the potential for legal or regulatory sanctions, significant financial loss, or reputational damage that may arise from the Bank's failure to adhere to applicable laws, regulations, rules, standards issued by self-regulatory organisations, and codes of conduct relevant to its	The Second Line Compliance function plays a pivotal role in supporting the Bank's regulatory compliance framework through a combination of advisory and assurance activities. This includes the development and delivery of an annual Compliance Monitoring Plan, aligned with the Bank's risk profile, regulatory

banking operations. This risk category encompasses the following components: • **Integrity Risk**, including the management of actual or perceived conflicts of interest. • **Financial Crime Risk**, covering areas such as anti-money laundering (AML), sanctions, and external fraud; and • **Regulatory Compliance Risk**, which pertains to the Bank's adherence to all applicable statutory and supervisory requirements.	requirements, and strategic priorities. The plan is designed to complement First Line Quality Assurance and control oversight activities, particularly in areas where control gaps or emerging risks have been identified. During the year, the Compliance team has strengthened its collaboration with First Line Risk and Control functions—a key area of ongoing focus as the Bank continues to enhance its risk maturity and embed a strong culture of compliance across the organisation.
Conduct Risk Conduct risk is the risk that the actions or behaviours of the Bank, its employees, or partners may lead to poor outcomes for customers, regulatory breaches, or reputational harm.	The Bank embeds high standards of conduct across all operational activities. Senior Management, via the Executive Management Committee (EMC), holds primary responsibility for identifying and managing conduct risk, with formal oversight by the Risk and Compliance Committee (RCC) and/or the Board. Conduct risk is monitored through a suite of indicators, including customer complaints, sales practices, and product governance metrics. These are reviewed on a monthly basis by both Executive and Board-level committees to ensure timely identification of issues and to promote accountability. The Bank places strong emphasis on fair customer treatment, particularly in relation to vulnerable customers, and is committed to ensuring its products and services are clear, equitable, and aligned with customer needs. As part of its regulatory alignment, the Bank implemented the FCA's Consumer Duty regime in July 2023 and continues to monitor progress to ensure good outcomes for retail customers. Regular reviews are undertaken to assess adherence to the Consumer Duty principles and embed a customer-first culture across all business lines.

CLIMATE-RELATED FINANCIAL DISCLOSURES

In accordance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, and in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Bank recognises climate change as a financially material and strategic risk. Its implications span the Bank's lending, investment, and operational activities, and it is therefore embedded within the Bank's broader risk management and governance frameworks.

The Bank is committed to integrating climate-related risks, macro-economic risk, financial crime risk, strategic risk and opportunities into its long-term strategic planning, governance structures, and risk oversight processes, thereby enhancing resilience and contributing to sustainable finance objectives.

Governance and Oversight

A comprehensive climate governance framework has been established, with clearly defined roles and responsibilities:

- The Board of Directors retains ultimate accountability for climate-related risk and approves the Bank's Climate Risk Policy.
- The Risk & Compliance Committee (RCC) provides oversight of climate-related risk identification, monitoring, and escalation processes.
- The Audit Committee (ACB) ensures the integrity, transparency, and reliability of climate-related financial disclosures.
- The Executive Management Committee (EMC) is responsible for operationalising the Bank's climate strategy and implementation roadmap.
- The Chief Risk Officer (CRO) has executive responsibility for climate risk management and strategy. The CRO ensures that climate risk is integrated across the Bank's risk taxonomy, policies, and controls, and leads reporting to the RCC and Board.
- The Credit and Investment Committees incorporate climate-related considerations into lending, credit risk, and investment decision-making, particularly in relation to high-emission or climate-sensitive sectors.

Climate Risk Policy and Implementation Framework

The Bank's Climate Risk Policy is structured around four key pillars to enable consistent and measurable implementation:

1. **Data Collection: Capturing climate-relevant data—such as Energy Performance** Certificate (EPC) ratings and sectoral risk classifications—at the point of loan origination, in collaboration with Credit and Treasury teams.
2. Due Diligence Integration: Embedding qualitative and quantitative climate risk assessments into credit underwriting, investment decisions, and client onboarding processes.
3. Metric Development: Establishing internal metrics and Key Risk Indicators (KRIs) to monitor climate-related exposures, data coverage, and transition risk sensitivity.
4. Training and Awareness: Delivering ongoing training to frontline staff, risk functions, and senior management to promote climate risk literacy across the organisation.

Risk Monitoring and Scenario Analysis

The Bank actively monitors climate-related financial risk through a range of quantitative and qualitative indicators. These include EPC ratings, counterparty ESG profiles, and climate stress testing methodologies aligned with the PRA's Climate Biennial Exploratory Scenarios (CBES). To date, these assessments have not identified material climate-related exposures under baseline or stressed conditions.

Climate considerations have been formally integrated into the Bank's Credit, Investment, and Outsourcing Policies, and relevant disclosures and controls are embedded within the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

The Risk Management function, under the leadership of the CRO, is responsible for advancing the Bank's climate strategy, supported by cross-functional engagement and periodic reporting to the RCC and the Board.

Forward Strategy

The Bank recognises that climate risk management is a dynamic area, subject to regulatory evolution, market expectations, and data availability. It remains committed to refining its approach in line with emerging best practices, enhancing scenario modelling capability, improving data granularity, and developing sector-specific climate risk frameworks

STRATEGIC OVERSIGHT AND GOVERNANCE

The Bank's governance framework is underpinned by effective Board leadership, a clearly defined organisational purpose, and a strong commitment to integrity, accountability, and long-term value creation. The Board of Directors provides strategic direction and independent oversight of the Bank's activities, ensuring that operational execution remains aligned with its stated objectives, risk appetite, and regulatory obligations.

The Board maintains a close working relationship with senior management to monitor strategic implementation, assess financial and non-financial performance, and challenge key decisions where appropriate. It operates within a well-defined governance framework and adheres to the expectations of the Senior Managers and Certification Regime (SM&CR).

Board composition reflects an appropriate balance of skills, experience, and independence. The Board comprises both UK-based independent Non-Executive Directors (INEDs) and senior representatives from the Parent Bank, ensuring that decisions benefit from a blend of local market knowledge and institutional continuity. This structure enhances the quality of Board deliberations, facilitates constructive challenge, and supports well-informed decision-making across all aspects of governance.

The Bank's governance framework is supported by a well-established Board committee structure that enables effective oversight and delegation. The key Board-level committees, as defined in their respective Terms of Reference, are:

- **Board of Directors:** The Board is responsible for the overall governance of the Bank, including setting strategic direction, providing oversight of executive management, and ensuring robust corporate governance standards are maintained. The Board meets at least quarterly, with additional meetings held as required.
- **ACB:** Sub-committee of the Board, the ACB oversees the integrity of the Bank's financial reporting, the effectiveness of the internal control environment, and the work of both internal and external auditors. It ensures that financial statements and disclosures are accurate, comply with applicable standards, and are subject to rigorous assurance. The Committee meets at least four times a year, in line with its Terms of Reference.
- **RCC**: Sub-committee of the Board provides oversight of the Bank's risk management and compliance frameworks. Its remit includes monitoring key risk exposures across credit, market, operational, and liquidity risk categories, as well as ensuring compliance with regulatory requirements and conduct standards. The Committee meets at least quarterly.
- **Management Committee of the Board (MCB)**: Sub-committee of the Board, the MCB is responsible for reviewing and approving credit proposals within its delegated authority and

approval of capital & revenue expenditure beyond the delegated power of MD&CEO. It meets at least quarterly, or more frequently as required.

Board Engagement and Continuous Improvement

All Directors actively participated in Board and Committee meetings throughout the year, demonstrating a high level of engagement and a strong collective commitment to effective governance. The Board has also fostered a culture of continuous improvement by undertaking periodic effectiveness reviews, supporting ongoing training and development for Directors, and engaging in regular regulatory horizon scanning. These practices ensure that the Board remains well-informed, responsive to emerging risks, and aligned with evolving supervisory expectations.

Board Changes and Cultural Leadership

After 11 years of distinguished service, Patrick Quinn retired from the Board in February 2025. Patrick made a significant and lasting contribution to the Bank, particularly in strengthening its risk governance and committee structures. The Board extends its sincere thanks for his dedication and leadership, and we wish him well in his retirement.

We were pleased to welcome Dawn Brown as an Independent Non-Executive Director and Chair of the Board Risk Committee. Dawn brings deep cross-sector expertise in risk and governance, strategy, transformation, ESG, and cultural leadership. Her appointment reinforces the Board's commitment to progressive governance and stakeholder-focused oversight.

Ongoing Commitment

The Bank remains committed to maintaining a governance framework that is proportionate, resilient, and fit for purpose. Transparent decision-making, strong oversight, and cultural accountability are embedded across the organisation. This integrated approach supports the Bank's ability to deliver sustainable value to stakeholders, maintain regulatory confidence, and adapt to evolving expectations while fostering an engaged, high-performing workforce.

OPERATIONAL RESILIENCE

The Bank continues to prioritise operational resilience as a critical element of sustainable service delivery and regulatory compliance, in line with the UK Prudential Regulation Authority's (PRA) Supervisory Statement SS1/21 and FCA guidance. Operational resilience underpins the Bank's commitment to ensuring the continuity of Important Business Services (IBS) during periods of disruption and supporting wider financial system stability.

In FY 2025-26, the Bank successfully completed Phase II of its Operational Resilience Framework, achieving full compliance with regulatory expectations ahead of the March 2025 deadline. A comprehensive Self-Assessment Document, approved by the Board on 30th March 2025, outlines the Bank's approach to identifying IBS, setting impact tolerances, mapping resources, conducting stress testing across five key disruption scenarios, and implementing corrective actions.

Stress scenarios included:

- Third-party service failures
- Internal technology outages
- Data feed interruptions
- Physical access restrictions
- Cybersecurity incidents

Each scenario was assessed for plausibility and impact, with documented testing, remediation, and integration into the Bank's broader risk and continuity frameworks.

Completion of Phase II marks a significant milestone in the Bank's resilience journey. Operational resilience capabilities are now embedded, with IBS actively monitored, impact tolerances clearly defined, and governance structures in place to support ongoing enhancement. The Bank remains committed to continuous improvement, with regular scenario testing, framework updates, and alignment with evolving regulatory expectations.

DIRECTORS STATEMENT OF COMPLIANCE WITH SECTION 172(1) OF THE COMPANIES ACT 2006

The Directors of Union Bank of India (UK) Ltd. recognise their duty under Section 172(1) of the Companies Act 2006 to act in good faith and promote the long-term success of the Bank for the benefit of its members. In discharging this duty, the Directors consider the interests of the Bank's employees, customers, suppliers, and other key stakeholders, while maintaining high standards of conduct, business responsibility, and governance.

The Board also recognises that its decisions affect not only the Bank's shareholder, but also a wide range of stakeholders, including customers, employees, regulators, suppliers, and the communities in which the Bank operates. The Directors seek to balance these interests in a manner that promotes the long-term sustainability and reputation of the Bank.

Throughout the year, the Directors have taken a range of actions consistent with these obligations. Key examples include:

ENGAGEMENT WITH STAKEHOLDERS

Stakeholder	Management & Engagement of stakeholder
Employees	During the year, the Bank placed renewed emphasis on shaping and embedding a strong, inclusive, and purpose-led culture. A Culture Steering Committee was formally established to drive this agenda, supported by regular employee engagement initiatives, culture surveys, and open feedback mechanisms. These efforts helped the Bank better understand employee sentiment, identify key areas for improvement, and monitor progress in building an environment aligned with its values. To provide strategic oversight, the Board appointed a Non-Executive Director as Culture Sponsor, who provides leadership and challenge to the Steering Committee and ensures regular reporting to the Board. Under this governance structure, a detailed Culture Action Plan was developed, focused on improving communication, leadership behaviours, recognition, diversity and inclusion, and

	alignment with the Bank's long-term purpose. Staff feedback has been central to this process, and culture remains a standing item on relevant Board and Committee agendas. Employee wellbeing, engagement, and ethical conduct are viewed as critical enablers of sustainable business performance. Initiatives such as the 'Employee of the Quarter' programme, enhanced training and development offerings, and regular two-way communication forums have supported a positive working environment. The Bank's Whistleblowing Policy and escalation framework continue to provide safe, confidential channels for raising concerns.
Customers	Customer-centricity remains central to the Bank's strategy. In line with the Financial Conduct Authority's (FCA) Consumer Duty requirements, the Bank has conducted comprehensive product gap analyses, fair value assessments, and enhancements to customer communications to ensure clarity and accessibility. These activities are part of a broader programme to embed the Consumer Duty principles across the Bank's operations. The Bank provides a bespoke, relationship-led service for lending customers and delivers a quick, straightforward, and efficient account opening and servicing experience for savings customers. Customers can engage with the Bank through multiple channels, including the London branch, which continues to serve as an important hub for personalised service—particularly for SMEs and retail depositors. Ongoing initiatives such as targeted staff training, regular client feedback mechanisms, and improvements to multi-channel service delivery ensure that customer needs are addressed fairly, promptly, and transparently. Customer satisfaction and advocacy are actively measured and monitored, during the year. Insights gathered from customer surveys and direct engagement are regularly reported to the Board to inform strategic and operational improvements. To reinforce Board-level oversight, an independent Non-Executive Director has been appointed as the Bank's Consumer Duty Champion, ensuring that good customer outcomes remain a core consideration in decision-making across all levels of the organisation.
Suppliers	The Bank maintains collaborative and well-governed relationships with suppliers and third-party service providers. Key practices include semi-annual vendor risk assessments, robust outsourcing oversight, and timely payment reviews. All supplier engagements are governed by clear contractual arrangements and subject to Board-level scrutiny to safeguard operational resilience.
Regulators	The Bank places strong emphasis on maintaining transparent and compliant relationships with all its regulators in an open and co-operative manner. Directors, through active oversight and timely interventions, ensure that regulatory changes are fully adopted,

	embedded, and adhered to. The Board Risk & Compliance Committee holds direct oversight of regulatory, risk, and compliance matters. Senior Management and Directors actively engage with PRA and FCA supervisory teams through structured meetings and ongoing dialogue. These interactions take place both directly and through membership in key industry associations, such as Association of Foreign Banks. The Bank is committed to maintaining regulatory confidence through clarity, responsiveness, and a culture of compliance.

This report was approved by the Board of Directors on 12th June 2025 and signed on its behalf by

Arbind Choudhary
Managing Director & CEO

DIRECTOR'S REPORT

The Directors have pleasure in presenting the Annual Report and the audited financial statements of Union Bank of India (UK) Ltd (the "Bank") for the financial year ended 31 March 2025. The financial statements have been prepared in accordance with applicable UK company law and UK-adopted International Accounting Standards.

Union Bank of India (UK) Ltd is a wholly owned subsidiary of Union Bank of India (the "Parent Bank"), one of India's leading public sector banks. The Bank operates in the United Kingdom, offering a range of banking services to corporate and individual clients, while maintaining strategic alignment with the values, risk appetite, and global aspirations of the Parent Bank.

Directors

The Directors who served during the year and to the date of signing the financial statements, are listed on page 1. The significant changes in the directors for the period are as under:

- Mr. Patrick Joseph Quinn (resigned 28 February 2025)
- Mrs Dawn Brown (appointed 28 September 2025)

Results and Dividend

The Bank reported a net loss after tax of USD 6.6 million for the financial year ended 31 March 2025 (2024: profit of USD 1.5 million). The loss was primarily driven by increased impairment loss allowances.

Total operating income for the year stood at USD 13.3 million (2024: USD 16.4 million), while operating expenses before impairment loss allowances were USD 9.7 million (2024: USD 9.5 million).

The Directors do not recommend the payment of a dividend for the year under review (2024: Nil).

Business Focus and Strategy

Throughout the financial year 2024–25, the Bank remained firmly focused on delivering against its strategic priorities, which include:

- Concentrating on UK-based assets and optimising origination through the syndication channel.
- Minimising stressed assets and building a resilient, sustainable balance sheet.
- Actively managing market risk within the investment portfolio.

Despite macroeconomic headwinds, the Bank's continued emphasis on responsible, moderate growth has provided a stable foundation. While the financial results reflect the impact of higher impairment allowances, our underlying strategy remains sound and aligned with long-term value creation for all stakeholders. The Bank remains committed to prudent risk management as a key enabler of sustainable performance. Losses stemmed from legacy exposures. The Bank now applies tighter underwriting standards.

The Board of Directors is responsible for setting the strategic direction of the Bank. A comprehensive five-year business plan outlines projected growth, capital and liquidity needs, and operational capabilities. This is supported by a detailed annual budgeting process, which sets short-term objectives and enables ongoing performance monitoring through robust monthly management reviews.

Going Concern

The financial statements have been prepared on a going concern basis. The Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements, and for the foreseeable future.

In reaching this conclusion, the Directors have undertaken a thorough assessment of the Bank's current financial position and future prospects. This included detailed consideration of:

- The principal risks and uncertainties facing the Bank, as set out in the Strategic Report.
- The strength of the Bank's balance sheet.
- Forecast profitability and cash flows.
- Capital and liquidity resources; and
- Alignment with the Bank's long-term strategic plan.

The Bank's capital and liquidity management frameworks, including the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP), have been rigorously tested under severe but plausible stress scenarios. These stress tests incorporated macroeconomic factors, including the potential impact of geopolitical tensions, regulatory shifts, and India's sovereign credit rating.

Based on this analysis, the Board is satisfied that the Bank will remain in compliance with all regulatory capital and liquidity requirements throughout the forecast period. No material uncertainties have been identified that would cast significant doubt on the Bank's ability to continue as a going concern.

Accordingly, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Diversity and Inclusion

The Bank is committed to fostering a culture of inclusion, respect, and equal opportunity across all aspects of its operations. Diversity and inclusion are integral to the Bank's values and decision-making processes, enhancing innovation, collaboration, and long-term sustainability.

We actively promote a working environment where all individuals—regardless of ethnicity, gender, age, disability, sexual orientation, religion, or any other personal characteristic—feel welcomed, supported, and empowered to contribute. This approach extends to our interactions with colleagues, customers, suppliers, and stakeholders, reinforcing our goal of building a fair and inclusive financial institution.

The Bank continues to implement inclusive policies and practices, regularly reviewing them to ensure alignment with evolving standards and societal expectations.

Supplier Payment Policy

The Bank is committed to maintaining strong and transparent relationships with its suppliers. As part of this commitment, the Bank strictly adheres to its policy of meeting all payment obligations promptly and in accordance with agreed contractual terms.

The Bank ensures that all creditors are paid within the timeframes stipulated on invoices, thereby promoting ethical and responsible business practices throughout its supply chain. This policy supports the Bank's broader commitment to operational integrity and supplier trust.

Capital Structure

The Bank has maintained an adequate and robust capital base throughout the year, in compliance with the minimum regulatory capital requirements established by the Prudential Regulation Authority (PRA).

As of 31 March 2025, the Bank's issued and fully paid-up share capital remained unchanged from the prior year, comprising USD 150 million and GBP 2. There were no changes to the issued share capital during the financial year.

All shares are held by Union Bank of India, the Parent Bank, which owns 100% of the equity share capital of the Union Bank of India (UK) Ltd.

Principal Risk and uncertainties

The Bank has developed, and will continue to enhance the risk management framework, including granular articulation of risk appetite, to ensure that the key risks are clearly identified, understood, measured, monitored and mitigated. The Bank is primarily exposed to Credit Risk, Market Risk, Liquidity Risk, Capital Risk, Operational Risk and Conduct Risk. These are discussed in detail in the Strategic report page 7. Further details are also discussed under Notes to financial Statements (Note 25).

Political and Charitable Donations

The Bank did not make any political and charitable donations in this financial year (2024: Nil).

Directors' Indemnities

The Bank maintains Directors' and Officers' Liability Insurance for all members of the Board. This insurance provides cover for legal defence costs and liabilities that may arise in connection with their duties as directors or officers of the Bank, subject to the terms and conditions of the policy.

In accordance with the provisions of the Companies Act 2006, each Director has been granted a deed of indemnity covering liabilities that may be incurred in connection with their role, including liabilities to third parties. These indemnities were in force throughout the financial year and remain in place as at the date of this report.

Any Director appointed during the year was granted such an indemnity on appointment.

Internal Audit

The Internal Audit function operates independently and provides objective assurance to the Board and senior management regarding the effectiveness of the Bank's governance, risk management, and internal control systems.

The Board Audit Committee oversees the Internal Audit function, approves its annual audit plan and budget, and monitors its performance. At each Committee meeting, the Internal Auditor presents a comprehensive status report outlining progress against the audit plan, findings from completed audits, and the implementation status of agreed recommendations.

The Committee ensures that Internal Audit has adequate resources, independence, and access to all levels of management. It also evaluates the implications of audit findings and monitors the timely resolution of identified issues to ensure continuous improvement in control effectiveness.

Statement as to Disclosure of Information to the Auditor

Each of the Directors who held office at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Bank's Auditor is unaware; and
- The Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to ensure that the Bank's Auditor is aware of such information.

This confirmation is given in accordance with Section 418 of the Companies Act 2006.

Statutory Auditor

There was no change in the Auditor of the Bank for the year ended 31 March 2025. Forvis Mazars LLP were reappointed under Section 487 of the Companies Act 2006 for the financial year 2023-24. Mazars LLP are the Statutory Auditor of the Bank, and they have expressed their willingness to continue as Auditor of the Bank.

Events after Balance Sheet Date

Ms. A Manimekhalai completed her tenure at the parent bank on 2nd June 2025 and, consequently, ceased to be a Director and Chair of Union Bank of India (UK) Ltd. with effect from 3rd June 2025. As this event occurred after the reporting date, it does not affect the financial position of the Bank as at 31 March 2025. However, given the significance of the Chair's role in the Bank's governance framework, it is disclosed as a non-adjusting post balance sheet event in accordance with IAS 10.

General Meeting

In accordance with the Companies Act 2006, the Bank is not required to hold an Annual General Meeting (AGM).

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with applicable law and UK-adopted international accounting standards.

This report was approved by the Board of Directors on 12th June 2025 and signed on its behalf by

Arbind Choudhary
Managing Director & CEO

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 March 2025

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards as issued by the IASB. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Banks' ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and the undertakings included in the consolidation taken as a whole.
- the strategic report includes a fair review of the development and performance of the business and the position of the Bank, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for the shareholder to assess the Banks' position, performance, business model and strategy.

By order of the Board and signed on its behalf

Rahul Kumar
Executive Director & COO

Arbind Choudhary
Managing Director & CEO

Independent auditor's report to the members of Union Bank of India (UK) Limited

Opinion

We have audited the financial statements of Union Bank of India (UK) Limited (the 'Bank') for the year ended 31 March 2025 which comprise the Income Statement, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and Notes to the Financial Statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 March 2025 and of its loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Bank's future financial performance;
- Assessing the sufficiency of the Bank's capital and liquidity taking into consideration the most recent Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Assessment Process ('ILAAP'), and evaluating the results of management stress testing, including consideration of principal risks on liquidity and regulatory capital;
- Challenging the appropriateness of the directors' key assumptions used in the forecasts such as net business growth, net interest margins, profitability, reviewing supporting and contradictory evidence in relation to these assumptions, and assessing the directors' considerations of severe but plausible scenarios;
- Assessing the historical accuracy and the arithmetical accuracy of the forecasts prepared by the directors;

- Performing sensitivity analysis by incorporating various stress scenarios to assess the impact on the capital and liquidity position of the Bank;
- Inspecting correspondence with the Prudential Regulation Authority ('PRA') and with the Financial Conduct Authority ('FCA') and holding bi-lateral discussions with the PRA;
- Inspecting minutes of risk and compliance committee of the board, the audit committee of the board, the management committee of the board and the board of directors meetings;
- Considering the consistency of the directors' forecasts with other areas of the annual accounts and our audit;
- Considering whether there were events subsequent to the balance sheet date which could have a bearing on the going concern conclusion; and
- Evaluating the appropriateness of the directors' disclosures in the financial statements in relation to the description of the directors' assessment of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

This matter, together with our findings, was communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Credit risk in relation to impairment on loans and advances to customers **Impairment provision- $26.0 million (2024: $21.8 million)** ***[Refer to Notes 1, 11 and 26 of the financial statements]*** Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation. IFRS 9 requires allowance for impairment losses to be determined on an expected credit loss ('ECL') basis.	In relation to the overall ECL process, our procedures included, but were not limited to: • Obtaining an understanding of the ECL process and assessing the design and implementation of key controls; • Performing a stand-back assessment of the overall adequacy of the ECL coverage, taking into consideration the credit risk profile of the portfolio and benchmarking across comparable lenders; and • Reviewing the financial statement disclosures to ensure compliance with IFRS 9.

The largest element of credit risk relates to loans and advances to customers where the Bank is exposed to secured and unsecured lending to corporate clients. The Bank calculates ECL using an externally developed model which is complex. The key areas of judgement and management estimation that give rise to a significant audit risk relate to: - Utilising proxy data as a result of limited default history in estimating the probability of default ('PD'); - Applying management judgement in determining the loss given default ('LGD'); - Staging of loans and the identification of Significant Increases in Credit Risk ('SICR'); and - Valuation of stage 3 loans based on individual cash flow forecasts. Given the level of judgement and significance of these into the ECL calculation, we have identified a significant risk of error over the appropriateness of the judgements and the application of these.	With respect to the key areas of judgement and management estimation giving rise to a significant risk, our procedures included, but were not limited to: • With the assistance of our in-house credit modelling specialists: - Assessing compliance of the Bank's impairment methodology with the requirements of IFRS 9; - Reviewing the Bank's ECL model design, model implementation and validation procedures; - Challenging and assessing the reasonableness of key assumptions applied to determine PDs and LGDs including testing the completeness and accuracy of key data elements that are used within the PD and LGD assumptions; - Performing independent credit review testing and challenging management on the application of Significant increase in credit risk ('SICR') for a sample of counterparties to identify indicators of deterioration in credit quality and assess the appropriateness of the staging and associated ECL estimate; • Obtaining an understanding of the scorecard review process and assessing the design and implementation, and testing the operating effectiveness of key controls related to this process; • With the assistance of our in-house economist experts, assessing and challenging the reasonableness of economic scenarios and the probability weightings applied in the ECL model; • Engaging our property valuation experts to check on a sample basis, the Bank's collateral valuation which is a key input into the model; • Checking inputs of stage 3 loans with the underlying evidence; and • Independently recalculating the ECL for all stage 3 loans to assess the present value of future cash flows under various recovery scenarios. This included evaluating management's assessment of the probability weighting for each scenario and

	the incorporation of forward-looking information. **Our observations** Based on the procedures performed we found that the impairment provision on loans and advances to customers as at 31 March 2025 is not materially misstated and is materially consistent with the requirements of IFRS 9.

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	**\$1,128,000 (2024: \$1,753,000)**
How we determined it	**1% of net assets (2024: 1.5% of net assets).**
Rationale for benchmark applied	**Due to the volatility of profits, net assets are considered to most appropriately reflect the size of the Bank's operations. Furthermore, net assets is the main focus at this time for the users of the** financial statements due to being an approximation of regulatory capital resources and the importance of regulatory capital to the Bank's solvency.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at \$789,600 (2024: \$1,052,000), which represents 70% (2024: 60%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the level and nature of uncorrected and corrected misstatements in the prior year, and the robustness of the control environment and concluded that an amount towards the middle of our normal range was appropriate.

Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above $33,800 (2024: $52,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Bank, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 16, 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Bank and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulatory and supervisory requirements of the PRA and of the FCA and financial crime regulations.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Bank and the industry in which it operates, and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant regulatory authorities including the PRA and FCA and holding bilateral discussions with the PRA;
- Inspecting minutes of the board of directors' meetings in the year and up until the date of approval of the financial statements;
- Attending audit committee of the board meetings held during the year and up until the date of approval of the financial statements and inspecting minutes of those meetings; and
- Discussing amongst the engagement team the laws and regulation listed above, and remaining alert to any indications of non-compliance throutghout our audit.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK tax legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the accuracy assertion).

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Inspecting the Bank's regulatory and legal correspondence and reviewing minutes of the board of directors' meetings in the year;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Being sceptical to the potential of management bias in key judgements and assumptions in significant accounting estimates;
- Introducing elements of unpredictability in audit testing;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Discussing amongst the engagement team the risks of fraud.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit, are discussed in the "Key audit matters" section of this report.

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

Other matters which we are required to address

Following the recommendation of the audit committee of the board, we were appointed by the Bank's board of directors on 6 July 2021 to audit the financial statements for the year ended 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 March 2022 to 31 March 2025.

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

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

Use of the audit report

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

Rudi Lang

Rudi Lang (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU
26 June 2025

*INCOME STATEMENT **

FOR THE YEAR ENDED 31 March 2025

	Notes	2025 USD '000	2024 USD '000
Interest and similar income	2	32,247	31,029
Interest and similar expense	3	(19,934)	(16,852)
Net interest income		**12,313**	**14,177**
Fees and commission income	4	583	712
Net trading (loss) / income		(204)	46
Net other operating income		635	1,494
Total Operating income		**13,327**	**16,429**
Personnel costs	5	(5,063)	(4,456)
Depreciation and amortisation	16 & 17	(685)	(649)
Finance Cost		(466)	(304)
Other expenses	6	(3,520)	(4,064)
Operating expenses before impairment loss allowances		(9,734)	(9,473)
Operating profit before impairment loss allowances		**3,593**	**6,956**
Impairment loss allowances	7	(10,245)	(5,593)
Fair value gain on Foreign Exchange Derivatives		44	125
(Loss) / Profit before tax		**(6,608)**	**1,488**
Corporation tax (charge) / credit	8	-	-
(Loss) / Profit after tax		**(6,608)**	**1,488**

* There were no discontinued operations during the year

The notes on pages 36 to 69 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 March 2025

	2025 USD '000	2024 USD '000
Total (Loss) / Profit for the year attributable to equity shareholder	(6,608)	1,488
Other comprehensive income net of tax		
Items that may be reclassified subsequently to profit or loss		
- Fair value gain on FVTOCI debt instruments	1,325	1,558
Net other comprehensive Income	**1,325**	**1,558**
Total comprehensive (loss) / income attributable to equity shareholders for the year	**(5,283)**	**3,046**

The notes on pages 36 to 69 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 March 2025

Union Bank of India (UK) Ltd

	Notes	2025	2024
		USD '000	USD '000
Assets			
Cash and cash equivalents	9	14,195	8,336
Financial assets at amortised cost:			
- Loans and advances to Banks	10	20,202	43,027
- Loans and advances to customers	11	340,434	339,650
- Financial investments	12	1,997	4,983
Financial assets at FVTPL:			
- Financial investments	15.2	2,761	3,270
Financial assets at FVOCI:			
- Financial investments	14	94,823	103,558
Property, plant and equipment	16	4,586	5,207
Intangible assets	17	18	71
Other assets	19	2,001	1,402
Total Assets		**481,017**	**509,504**
Liabilities			
Financial liabilities at amortised cost:			
- Deposits from customers	20	348,633	387,541
- Repurchase agreements	21	15,240	-
Financial Liabilities at FVTPL:			
- Derivative financial instruments	13	1,436	194
Provisions	22	184	172
Other liabilities	22	3,924	4,714
Total Liabilities		**369,417**	**392,621**

STATEMENT OF FINANCIAL POSITION

AS AT 31 March 2025

Union Bank of India (UK) Ltd

	Notes	2025	2024
		USD '000	USD '000
Equity			
Share capital	23	150,000	150,000
Fair value reserves		(1,699)	(3,024)
Accumulated losses		(36,701)	(30,093)
Total Shareholder's equity		**111,600**	**116,883**
Total Equity and liabilities		**481,017**	**509,504**

The notes on pages 36 to 69 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 12th June 2025.

Rahul Kumar
Executive Director and COO

Arbind Choudhary
Managing Director & CEO

Company registration no: 07653660

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 March 2025

Union Bank of India (UK) Ltd

	Notes	Issued capital USD '000	Fair value reserves USD '000	Retained earnings USD '000	Total equity USD '000
Balance as at 1 April 2024	23	150,000	(3,024)	(30,093)	116,883
Total Comprehensive Loss		-	1,325	(6,608)	(5,283)
Loss for the year		-	-	(6,608)	(6,608)
Profit on fair value reserve		-	1,325	-	1,325
Balance as at 31 March 2025 attributable to shareholders of the Bank		**150,000**	**(1,699)**	**(36,701)**	**111,600**

	Notes	Issued capital USD '000	Fair value reserves USD '000	Retained earnings USD '000	Total equity USD '000
Balance as at 1 April 2023	23	150,000	(4,582)	(31,581)	113,837
Total Comprehensive profit		-	1,558	1,488	3,046
Profit for the year		-	-	1,488	1,488
Other Comprehensive Profit		-	1,558	-	1,558
Balance as at 31 March 2024 attributable to shareholders of the Bank		**150,000**	**(3,024)**	**(30,093)**	**116,883**

The notes on pages 36 to 69 form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 March 2025

Union Bank of India (UK) Ltd

	Notes	2025	2024
		USD '000	USD '000
Cash flows from operating activities			
(Loss) / profit before tax for the year		(6,608)	1,488
Adjustments to reconcile profit from operations:			
Interest Income	2	(32,247)	(31,029)
Interest Expense	3	19,934	16,852
Amortisation of intangible	17	57	62
Impairment loss allowances		10,245	5,593
Depreciation for property, plant and equipment	16	628	587
FV movement in derivatives		(44)	(125)
Effects of exchange rate changes on cash and cash equivalents		126	122
FV movement of investments at FVTPL		509	(1,038)
Finance Charge on Lease	22	247	166
Cash flows before changes in working capital		(545)	(8,810)
Movement in working capital			
(Increase) in receivables & prepayments		(599)	(702)
(Decrease) / Increase in other liabilities		(584)	794
Change in working capital		(1,183)	92
Cash flows from operating activities			
(Decrease) in loans and advances to customers		(8,058)	(24,458)
Interest received on loans and advances to customers		22,391	22,218
Decrease in loans and advances to banks		22,748	15,018
Interest received on loans and advances to banks		3,769	3,509
(Decrease) / Increase in deposits from customers		(37,899)	47,737
Interest paid on deposits from customers		(20,076)	(8,478)
Decrease in derivative financial instruments - Assets		-	224
Increase on derivative financial instruments - Liab.		1,286	316
		(15,839)	56,086
Net cash flows (used in) / from operating activities (A)		(24,175)	48,856
Cash flows from investing activities			
Acquisition of Investments		(15,132)	(24,308)
Proceeds from Investments		28,142	1,892
Interest received on Investments		3,228	1,980
Acquisition of property, plant and equipment	16	(12)	(1,745)
Acquisition of intangible assets	17	(4)	-
Net cash flows from /(used in) investing activities (B)		16,222	(22,181)
Cash flows from financing activities			
Repayment of Inter Bank borrowings		-	(35,000)
Interest Paid on Inter bank borrowings		(23)	(1,880)
Proceeds from Repurchase agreements		15,052	-
Interest Paid on Repurchase agreements		(656)	-
Repayment of Lease	22	(435)	(193)
Net cash flows from /(used in) financing activities (C)		13,938	(37,073)
Net increase /(decrease) in cash and cash equivalents (A+B+C)		5,985	(10,399)
Cash and cash equivalents at beginning of the year		8,336	18,856
Effects of exchange rate changes on cash and cash equivalents		(126)	(122)
Cash and cash equivalents at close of the year	9	14,195	8,336

The notes on pages 36 to 69 form part of these financial statements.

1 Material Accounting Policies

These financial statements are prepared for Union Bank of India (UK) Ltd. (the "Bank") in accordance with applicable law and UK-adopted international accounting standards. Union Bank of India (UK) Limited is a Private limited company, limited by share incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The Bank is a wholly owned subsidiary of Union Bank of India, one of the leading public-sector banks of India. The address of the registered office is 12 Arthur Street, London, England, EC4R 9AB. The nature of the Bank's operations and its principal activity is set out in Director's report, page 2.

1.1 Basis of Preparation

The financial statements have been prepared in accordance with applicable law and UK-adopted international accounting standards and with the requirements of the Companies Act 2006.
The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for, measurements that have some similarities to fair value but are not fair value, such as value in use ('VIU') in IAS 36 Impairment of Assets.
The Bank has prepared its financial statement on the basis that it will continue to operate as a going concern.

1.2 Disclosures

Disclosures required by IFRS 7 'Financial Instruments: Disclosure' relating to the nature and extent of risks arising from financial instruments, and IAS 1 'Presentation of Financial Statements' relating to objectives, policies and processes for managing capital, can be found in the Risk Management section (Note 25). Those disclosures form an integral part of these financial statements.

1.3 Changes in Accounting Policies and Disclosures

1.3.1 New and Amended Standards and Interpretations Issued but not yet Effective for the Financial Year ended 31 March 2025

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB or IFRIC. None of these Standards or amendments to existing Standards have been adopted early by the Bank and no Interpretations have been issued that are applicable and need to be taken into consideration by the Bank at either reporting date. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Bank's financial statements.

1.3.2 New and Amended Standards and Interpretations Effective for the Financial Year Ended 31 March 2025

The IASB has issued a number of minor amendments to IFRSs which do not have any impact on the Bank's financial statements.

1.4 Foreign Currencies

The Bank's financial statements are presented in US dollars because the US dollar and currencies linked to it form the major currency block in which the Bank transacts and funds its business. Therefore, the US dollar is also the Bank's functional currency. Transactions in foreign currencies are recorded at the rate of exchange on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date, except non-monetary assets and liabilities measured at historical cost, which are translated using the rate of exchange at the initial transaction date.

Exchange differences are included in other comprehensive income or in the income statement depending on where the gain or loss on the underlying item is recognised.

Material Accounting Policies (Contd.)

1.5 **Revenue Recognition**

1.5.1 **Interest Income and Expense**

The notes on pages 36 to 69 form part of these financial statements.

Interest income and expenses on financial instruments are recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument to the gross carrying amount of the financial asset (before adjusting for expected credit losses) or to the amortised cost of the financial liability. Interest income from non-credit impaired financial assets is determined by applying the effective interest rate to the gross carrying amount of the asset for assets moved from stage 1 or 2 to stage 3 during the year and; for other credit impaired financial assets (or 'stage 3 assets'), the effective interest rate is applied to the net carrying amount after deducting the allowance for expected credit losses.

Fees and commissions that are not an integral part of the effective interest rate are recognised when the service is performed.

1.5.2 **Fee and Commission Income and Expense**

Fees and commissions that are not an integral part of the effective interest rate are recognised as income when the Bank fulfils its performance obligations. Most fee and commission incomes are recognised at a point in time, except the processing fees earned on loans and advances (at the time of approval or renewal) which are recognised on a straight line basis over the life of facility. Certain commitments, upfront and management fees are recognised over time but are not material.

Fees and Commission income are earned from following 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);
- income earned from the provision of services is recognised as revenue as the services are provided at Point in time.
- Processing/ upfront fees income collected on the processing of loan, renewal/ extension of existing loans or modification in the existing sanction are deferred and recognised as revenue using effective interest rate.

Fee and commission income (other than processing/ upfront fees) which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in 'Interest income'. The Bank does not have Fee and Commission income of this nature.

1.5.3 **Dividend Income**

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

1.5.4 **Net Trading and Other Income**

Net trading and other income includes all gains and losses from changes in the fair value of financial assets and liabilities held at fair value through profit or loss (financial assets and liabilities at fair value through profit or loss and derivatives).Other income includes profits and losses arising on the sale of financial assets held at fair value through other comprehensive income, which has been recognised in the Other Comprehensive Income and recycled to other income on sale or derecognition.

1.6 **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, including computer software, which are assets that necessarily take a substantial period of time to develop for their intended use, are added to the cost of those assets, until the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss in the period in which they occur.

Material Accounting Policies (Contd.)

1.7 Intangible Assets

The value of intangible assets is amortised on a straight-line basis over their useful economic life. At each reporting date, intangible assets are reviewed for impairment indicators and tested for impairment. Intangible assets not yet available for use are tested for impairment annually.

Software development costs are capitalised when they are direct costs associated with identifiable and unique software products that are expected to provide future economic benefits and the cost of those products can be measured reliably. The software development costs are recognised under capital work in progress until the software is ready to use.

Externally purchased software are classified in intangible assets on the balance sheet and amortised on a straight-line basis over their useful life of three years, unless the software is an integral part of the related computer hardware, in which case it is treated as property, plant and equipment as described below. Capitalisation of costs ceases when the software is capable of operating as intended. Costs of maintaining software are expensed as incurred.

1.8 Property, Plant and Equipment

Property, plant and equipment include owner-occupied properties (including leasehold properties), office fixtures and equipment, capital work in progress. Property, plant and equipment are carried at cost less accumulated depreciation and accumulated provision of impairment losses, if any.

Gains and losses on disposal are determined by reference to the carrying amount and are reported in net trading and other income. Repairs and renewals are charged to the income statement when the expenditure is incurred.
At each balance sheet date, or more frequently when events or changes in circumstances dictate, property plant and equipment are assessed for indicators of impairment. If indications exist, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset or cash generating unit with its recoverable amount: the higher of the asset's or cash-generating unit's fair value less costs to sell or its value in use.
The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Value in use is calculated by discounting management's expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis.
In the event that assets' carrying amount is greater than its recoverable amount, the carrying values of property, plant and equipment are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs.

Classes of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life, as follows:

Leasehold improvements	over the lease period
Furniture and office equipment	up to 5 years
Computer hardware	up to 3 years

1.9 Financial Instruments

The Bank applies IFRS 9 Financial Instruments for the recognition, classification and measurement, and derecognition of financial assets, financial liabilities and the impairment of financial assets.
The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, and debt instruments held for trading at fair value through profit or loss (FVPL) and debt instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value.

1.9.1 Initial Recognition and Measurement

Financial assets and liabilities are initially recognised when the Bank becomes a party to the contractual terms of the instrument. The Bank determines the classification of its financial assets and liabilities at initial recognition and measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability other than FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

Material Accounting Policies (Contd.)
Financial Instruments (Contd.)

1.9.2 Classification and Subsequent Measurement

As per IFRS 9 Financial Instruments, Bank classifies its financial assets and liabilities in the measurement categories of amortised cost, FVOCI and FVTPL.

Financial assets and financial liabilities are classified as FVTPL where there is a requirement to do so or where they are otherwise designated at FVTPL on initial recognition. Financial assets and financial liabilities which are required to be held at FVTPL include:

– Financial assets and financial liabilities held for trading;
– Debt instruments that do not have solely payments of principal and interest (SPPI) characteristics;
– As per the Business model, such instruments are originated not with a motive to hold to collect or hold to collect and sell; and
– Equity instruments that have not been designated as held at FVOCI.

Financial assets and financial liabilities are measured at FVTPL if they are derivatives or if they are acquired or incurred principally for the purpose of selling or repurchasing in the near-term, or form part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking.
An expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI.

The classification and measurement requirements for financial asset debt and equity instruments and financial liabilities are set out below.

- **Business Model**

The Bank assesses the business model criteria by considering various factors. Factors considered in determining the applicable business model for a group of assets include
i) past experience on how the cash flows for these assets were collected like the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales,
iii) the strategies, policies and objectives for holding those assets, and
iii) management and evaluation of performance and risk of the assets.

- **Solely Payments of Principal and Interest (SPPI)**

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the assets' cash flows represent SPPI.
In the assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. Interest is the consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (e.g., liquidity risks) and costs (e.g., administrative costs), as well as a profit margin. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related asset is classified and measured at FVTPL.

Based on these criteria, the Bank classifies its debt instruments into the following measurement categories:

• **Amortised Cost** – Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL recognised. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method . When estimates of future cash flows are revised, the carrying amount of the respective financial assets or financial liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in the income statement. Changes in fair value are recognized in profit and loss when the asset is derecognized or reclassified.

• **FVOCI** – Financial assets that are held for both collection of contractual cash flows and for sale of the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method. Interest revenue, and foreign exchange gains and losses, are recognized in profit and loss on the same basis as for Amortized Cost assets. Changes in fair value and impairment gains and losses are recognized initially in Other Comprehensive Income (OCI). When the asset is derecognized, changes in fair value previously recognized in OCI and accumulated in equity are reclassified to profit and loss and recognised in 'Net trading and other income'.

Material Accounting Policies (Contd.)
Financial Instruments (Contd.)

- **FVTPL –** Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL, including any debt instruments designated at fair value, is recognised in profit or loss and presented in the income statement as 'Net trading and other income' in the period in which it arises.

The Bank reclassifies financial assets only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

- **Financial Assets: Debt Instruments**

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds. Classification and subsequent measurement of debt instruments depend on the Bank's business model for managing the asset, and the cash flow characteristics of the asset.

- **Financial Assets: Equity Instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, being instruments that do not contain a contractual obligation to pay cash and evidences a residual interest in the assets of an issuer after deducting all of its liabilities. All equity investments are subsequently measured at FVTPL, except where management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. When the election is made, fair value gains and losses are recognised in OCI and are never reclassified to profit or loss, even if the asset is sold or impaired. ECLs (and reversal of ECLs) are not reported separately from other changes in fair value. Dividends representing a return on such investments are recognised in profit or loss as other income when the right to receive payments is established. Gains and losses on equity investments measured at FVTPL are included as 'Net trading and other income' in income statement.

- **Derivative Financial Instruments (Derivatives)**

Derivatives are contracts or agreements whose value is derived from one or more underlying indices or asset values inherent in the contract or agreement, which require no or little initial net investment and are settled at a future date. Currently the Bank deals in transactions hedged by cross currency swaps.

Derivatives are recognised initially (on the date on which a derivative contract is entered into), and are subsequently remeasured, at their fair value. Fair values of cross currency swaps are calculated using forward currency exchange rate.

All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative, except where netting is permitted. Gains and losses from changes in the fair value of derivatives are recognised in the income statement, and included as non operating gain or loss under fair value gain or loss.

- **Financial Liabilities**

Financial liabilities are classified as subsequently measured at amortised cost, except for following:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability) and partially in profit or loss (the remaining amount of change in the fair value of the liability); and

- Financial guarantee contracts and loan commitments.

- **Offsetting of Financial Assets and Liabilities**

Financial asset and liability balances are offset, i.e. reported in the consolidated balance sheet at their net amount, only if the Group entities currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Material Accounting Policies (Contd.)
Financial Instruments (Contd.)

- **Sale and Repurchase Agreements (Including Stock Borrowing and Lending)**

Securities sold subject to a commitment to repurchase them at a predetermined price (repos) under which substantially all the risks and rewards of ownership are retained by the Bank remain on the balance sheet and a financial liability is recorded in respect of the consideration received. Securities purchased under commitments to resale (reverse repos) are not recognised on the balance sheet and the consideration paid is recorded as an financial asset. The difference between resale or repurchase price and consideration received or paid is treated as interest income or expenses over the life of the transaction, except when the repo is treated as part of the trading book, in such case the difference is recognised as trading income.

- **Modifications and Derecognition of Financial Assets**

The Bank derecognise a financial asset in any the following circumstances:
- When the rights to the cash flows from the asset expired;
- When the Bank transferred its rights to receive the cash flows from the asset;
- When the Bank transferred substantially all risks and rewards from the asset;
- When the Bank does not retain control of the asset;
- Substantially modified assets as described below;

- **Quantitative Criteria**

The Bank applies the principle of analogy and uses the guidance stipulated by IFRS 9 for modification of financial liabilities in applying it to financial assets. Thus, a modification would lead to derecognition of an existing financial asset and recognition of a new financial asset if there is a substantial modification, i.e. if the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

If the difference is less than 10%, derecognition may still occur if other terms and conditions of the financial asset(s) have substantially changed, especially if multiple changes occur with respect to the same asset (e.g. currency, collateral, governing law, type of facility, maturity, etc.).

- **Qualitative Criteria**

A qualitative assessment shall be performed in all cases when the 10% test is passed, in order to establish whether other changes in the terms and condition of the financial asset(s) represent a substantial modification. In all cases, the decision are finalised by the respective approving authority.

Additionally, when a counterparty changes as a result of a novation, the financial instrument is derecognised and a new financial instrument is recognised, unless it is a novation to a Central Counterparty (CCP) as result of the introduction of new laws or regulations.

- **Distressed Restructuring**

A distressed restructuring shall be considered to have occurred when concessions have been extended towards a customer facing or about to face financial difficulties (defined in detail below) in meeting its financial commitments. In such cases, the Bank calculate diminished financial obligation. Customer is considered credit impaired, if the diminished financial obligation is 1% or above.

- **Financial Guarantee Contracts and Loan Commitments**

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of the amount of the loss allowance, and the premium received on initial recognition less income recognised in accordance with the principles of IFRS 15. Loan commitments are initially and subsequently measured in line with the respective loan contract and are subject to impairment assessment in terms of the IFRS 9, this is assessed by making an addition to the EAD, as a conversion factor application. The Bank considers total credit risk it is exposed to, under a contractual agreement, which includes the loan commitments, i.e. undrawn balances, etc. for calculation of ECL. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

Material Accounting Policies (Contd.)
Financial Instruments (Contd.)

For financial guarantee contracts and loan commitments, the loss allowance is recognised as a provision and charged to credit impairment losses in the income statement. The loss allowance in respect of revolving facilities is classified in loans and advances to customers to the extent of any drawn balances. The loss allowance in respect of undrawn amounts is classified in provisions. When amounts are drawn, any related loss allowance is transferred from provisions to loans and advances to customers.

1.9.3 Recognition of Expected Credit Losses

The Bank uses Expected Credit Loss (ECL) framework to calculate impairment allowance on financial assets. The Bank uses ECL model developed by the third party vendors Ernst & Young LLP and S&P Global Market Intelligence, considering the IFRS 9 policies approved by the Board.
Under the ECL model, the Bank calculates the allowance for credit losses by considering on a discounted basis the cash shortfalls it would incur in various default scenarios for prescribed future periods and multiplying the shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes. The allowance is calculated depending on the asset's classification under the three stage model as detailed under Note 1.9.11.

Quantitative modelling is used in conjunction with internal &/or external credit grades and ratings in assessing whether credit risk has significantly increased. The rating score is performed by the Bank using S&P Rating Agency's scorecard methodology for Loans and advances to customers. The Bank considers external ratings for the other credit counterparties i.e. for Investments and inter-bank. The Bank also monitor the effectiveness of the criteria used to identify any increase through regular reviews and the maintenance of a watchlist.

Under IFRS 9 the Bank considers a financial asset to be in default and or credit impaired primarily when either the borrower is unlikely to pay its credit obligations or the borrower is more than 3-month past due. Detailed definition of default adopted by the Bank is mentioned in the later part of the note.

1.9.4 Macroeconomic Scenario

IFRS 9's impairment recognition model requires anticipating future expectations and analysing macroeconomic scenarios. The purpose of evaluating macroeconomic scenarios is to understand how fluctuations in economic conditions affect the allocation of instrument stages and the resulting calculation of expected credit losses. To account for the impact of changing macroeconomic scenarios on staging and ECL calculation, the Bank has incorporated three scenarios: Base Case, Upturn, and Downturn. The Upturn scenario is an optimistic view of the relevant cluster's exposure, while the Downturn scenario represents a pessimistic forecast of various macroeconomic factors. The Bank employs expert judgment to determine the appropriate probability of occurrence for each scenario, informed by global economic reports such as World Bank forecasts or external vendors like Oxford Economics or Moody's Analytics. The ECL is calculated by weighting the base case, upturn, and downturn scenarios according to the Bank's IFRS 9 policies, which consider loss history and management experience.

1.9.5 Embedding of IFRS 9 Credit Provisions

Management evaluated the results of the ECL model last year and after analysis, management concluded that the output from the model was not sufficient to reflect the credit risk in the portfolio. The model has been updated to reflect Bank's history of PDs and LGDs

The model and methodology changes were approved by the Audit Committee.
The credit portfolio is regularly reviewed to ensure that all contracts that have experienced Significant increases in credit risk ("SICR") are identified in time.

Apart from credit, other exposures such as Investments, inter-bank borrowing, etc. are also reviewed to ensure that there has been no SICR that could warrant an increase in provision.

The ECL is calculated using three main components : i) Probability of default (PD), ii) Loss given default (LGD) and iii) Exposure at default.

1.9.6 Recognising PD (Probability of Default)

Bank determines an exposure's 12-month PD as follows;
An appropriate rating of the counterparty is determined through the application of either the relevant Rating Scorecard (for the lending portfolio, sourced from S&P) or through the long term rating (for the investment portfolio).

Material Accounting Policies (Contd.)
Financial Instruments (Contd.)

A credit cycle adjustment is applied to the sourced rating to produce a forward-looking PD calibrated with Banks' own data. A forward-looking PD term structure (up to 30 years) is determined for three macroeconomic scenarios (i.e. base case, upturn and downturn) applicable to that counterparty; and

The Lifetime PD is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' and 'stage 3' exposures. PDs may be broken down further into marginal probabilities for sub-periods within the remaining life.

1.9.7 Recognising LGD (Loss Given Default)

The Basel Foundation Internal Rating Based Approach ("F-IRB") was used in deriving LGDs for the Bank's IFRS 9 implementation. Given that the Bank has been operating for a few years, the data available is being used and Bank has performed monitoring based on that to support a more logical and historically supported LGD in the ECL computation.

1.9.8 Exposure at Default (EAD)

EAD is computed on the basis of exposure type and the exposure's Credit Conversion Factor (CCF). Given that the Bank is still in its infancy, insufficient behavioural data is available to model its own CCFs. In light of this, the CCFs as prescribed by Basel are applied. An estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date (Off balance sheet exposure), including repayments of principal and interest, and expected drawdowns on committed facilities.

1.9.9 Post Model Adjustment (PMA)

Management on a quarterly basis evaluates the output of the ECL model. Post Model Adjustments (PMA's) are made where management deems the model does not accurately reflect credit risk as experienced by the Bank or where it is necessary to incorporate the most recent data available. These include PMA's that have been made to compensate for data or model limitations as well as those which are informed by management judgement and/or a higher level of quantitative analysis in respect of uncertainties and events that are difficult to model.

1.9.10 Write-off

For secured loans, a write-off is made only when all collection procedures have been exhausted and the security **has been sold or the status of the account reaches a point where continuing attempts to recover are no longer** appropriate. In the corporate portfolio, there may be occasions where a write-off might occur for other reasons, such as following a consensual restructure or refinancing of the debt or where the debt is sold for strategic reasons into the secondary market at a value lower than its face value.

1.9.11 Significant Increase in Credit Risk (SICR)

The Bank applies following indicators to determine whether there has been a significant increase in credit risk. If any of the below criteria is met, the exposure is considered to have increased in credit risk and this shall then be transferred to stage 2.
1) Primary indicator – Rating variation approach (minimum 2 notch downgrade) using lifetime probability of default
2) Secondary indicator – Entry to the watch list
3) Backstop – more than "one month past due" (MPD) from the "end of the month" in which the interest/principle is due.

Loans which have suffered a SICR since origination are subject to a lifetime ECL assessment which extends to a maximum of the contractual maturity of the loan, or behavioural term for revolving facilities. Loans which have not experienced a SICR are subject to 12 month ECL. Assessment is made for each facility's credit risk profile to determine which of three stages to allocate them to:

- **Stage 1:** when there has been no SICR since initial recognition. Bank has applied a loss allowance equal to a 12 month ECL i.e. the proportion of lifetime expected losses that relate to that default event expected in the next 12 months

- **Stage 2:** when there has been a SICR since initial recognition, but no credit impairment has materialised. Bank has applied a loss allowance equal to the lifetime ECL i.e. lifetime expected loss resulting from all possible defaults throughout the residual life of a facility

- **Stage 3:** In case where the exposure is considered credit impaired, the Bank has applied a loss allowance equal to the lifetime ECL. Objective evidence of credit impairment is required.

Material Accounting Policies (Contd.)
Financial Instruments (Contd.)
Significant Increase in Credit Risk (SICR) (Contd.)

1.9.12 **Definition of Default**

A facility is considered as "default" when:
• The facility is 3-month past due; or
• "Unlikeliness to pay" event is triggered such as
- in case of bankruptcy, insolvency, legal receivership or other legal blocks (perhaps by regulators) to the timely payment of interest and/or principal; or
- if the debtor has been declared bankrupt or has become insolvent, claim on the debtor will be classified as default from the date, bankruptcy/ insolvency was declared, unless it was already classified as such.
However, if the debtor has paid the interest due on an asset but has been unable to make repayments of the principal, the asset shall not be classified as default if Bank along with the debtor have agreed on a new payment schedule and the account remains in the performing category, as a result of which, the Customer makes payment in line with the new schedule which enables to classify the customer in performing category.

1.9.13 **Recoveries under Stage 3 Loans**

Recoveries from Stage 3 loans are adjusted against the respective loans accounts. Accordingly, it reduces the Stage 3 loan balances and generally associated impairment loss allowances. Management overlay on Stage 3 accounts was assessed on individual account level. The management considered various forecast scenarios and their probability of their occurrence for calculation of the Expected Credit Loss in these accounts. The provisions are then challenged by the credit committee and placed before management committee for its appropriateness and recognition in financial statements.

1.9.14 **Forbearance**

Forbearance occurs when the contractual cash flows of a financial asset are renegotiated or otherwise modified, on the request of the Borrower.

The details on modification and derecognition of financial assets / liabilities is mentioned in the later part of the notes.

1.10 **Leases**

The lease liability is initially measured at an amount equal to the present value of the lease payments during the lease term that are not yet paid, discounted at the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate. The lease liability is measured in subsequent periods using the effective interest rate method.
The right-of-use assets is initially measured at the amount of corresponding lease liability, plus lease payments made at or before the commencement date and any initial direct costs. The right-of-use asset is depreciated in accordance with the accounting policy of 'Property, Plant and Equipment'. They are subsequently measured at cost less accumulated depreciation. The right-of-use assets are also tested for impairment in accordance with IAS 36 Impairment of Assets.

The Bank does not recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

Provision for dilapidation is a provision made in advance for payments due at the end of the lease in respect of any damage done to the premises. It allows tenants to anticipate the cost of future repairs and renovations that will need to be made in line with their lease obligations. The Provision for Dilapidation is initially measured as an amount equal to the present value of estimate for the dilaps over the period of lease, discounted at the rate used for discounting the lease liability.

Material Accounting Policies (Contd.)

1.11 Income taxes, including Deferred Taxes

The tax expense represents the sum of the income tax currently payable and deferred income tax.
Income tax expense on taxable profits is recognised as an expense in the period which profits arise. The provision is made for the income tax at tax rates that have been enacted or substantively enacted at the balance sheet date. Where the amount of the final tax liability is uncertain or where a position is challenged by a taxation authority, the most likely outcome is recognised the liability.
Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in different years or never taxable or deductible under tax rules.

Deferred tax is the tax expected to be payable or recoverable on income tax losses available to carry forward and on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the assets may be utilised as they reverse.

The Bank reviews the carrying amount of deferred tax assets at each balance sheet date and recognise only the portion whose recovery is deemed probable.
Deferred and current tax assets and liabilities are only offset when they relate to income taxes levied by the same taxation authority and the Bank has intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.12 Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, balances with other Banks and highly liquid financial assets with original maturities of three months or less and 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.

1.13 Employee Benefits

The Bank operates a stakeholder defined contribution pension scheme. Contributions to this scheme are charged to Profit and loss account as incurred.

1.13 Provisions

Provisions are recognised for present obligations arising as consequences of past events where an outflow of economic resources to settle the obligation is probable, and it can be reliably estimated.

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.

Contingent liabilities are possible obligations depending on whether some uncertain future event occurs or present obligations where the outflow of economic benefit is uncertain or amount cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless the possibility of an outflow of economic resources is remote.

1.14 Critical Judgements and Key Sources of Estimation Uncertainty

The preparation of the Financial Statements requires management to make judgements and accounting estimates that affect the reported amount of assets and liabilities at the date of the Financial Statements and the reported amount of income and expenses during the reporting period. Management continuously evaluates these judgements and accounting estimates, which are based on historical experience and on various other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these accounting estimates under different assumptions or conditions.

The following accounting estimates and judgements are considered important for the Bank's financial results and financial condition because:
• they are highly vulnerable and change from period to period as calculations are based on assumptions and estimates, and
• any significant difference between the estimated amounts and actual amounts could have a material impact on the Bank's future financial results and financial condition.

1.14.1 Credit Impairment Allowance

Expected credit losses are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes, the time value of money and current conditions and forecasts of future economic conditions. The application of the ECL impairment methodology to calculate credit impairment allowances involves complexity and judgement and is highly susceptible to change from period to period. Management may require to make a number of judgemental assumptions while determining the impairment allowance.

Material Accounting Policies (Contd.)
Critical Judgements and Key Sources of Estimation Uncertainty (Contd.)

Critical Judgements

The key judgements made by management in applying the ECL impairment methodology are set out below.

- **Forward-Looking Information:** - The assessment of future economic condition is dependent on forward-looking information which can be subjective. The macroeconomic data from various sources such as S&P, OECD, World Bank, BoE, etc are considered appropriate for this purpose to incorporate the forward-looking information in the computation of ECL. The methodology has been documented in the Board approved IFRS 9 policy of the Bank.

- **Probability of Default:**- The Bank uses internal rating models as provided by S&P. The rating models takes into consideration apart from financial and quantitative data, qualitative parameters as well. These qualitative parameters are assessed based on the credit analyst experience and in line with the Handbook on Rating published by S&P. These rating are also subject to independent evaluation by 2LOD, i.e. Chief Risk Officer. The ratings are a key input to determine PD of the respective contract and therefore governance in line with Bank's credit risk management policy and S&P handbook are followed for mitigating the risk of error.

- **Loss Given Default: -** LGD calculation takes into consideration the valuation of collaterals received by the Bank and their applicable haircuts. The judgement on appropriate valuation and haircut is based on the general market practice, valuation of external expert, regulatory guidance and the Bank's loss history.

- **SICR: -** The Bank considers both qualitative and quantitative definitions for recognising SICR. The judgement around its definition and its parameters are based on the various regulatory guidance, experience of the management and present portfolio of the Bank.

1.14.2 **Deferred Tax Asset**

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

1.14.3 **Estimating the incremental borrowing rate for a lease**

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank estimates the IBR using observable inputs (such as market interest rates) when available. The rate used to discount the lease is 6.85% which is based on the average APRC for UK 10 Yr. mortgage loans.

1.14.4 **Key Sources of Estimation Uncertainty**

To give the impact of forward looking economic outlook on the Bank's portfolio, the following economic indicators are used to predict the credit cycle

- GDP Growth (%)
- Change in Unemployment (%)
- Change in S&P 500 (%)
- Change in Energy Index (%)
- Change in Non-Energy Index (%)
- Change in the Proportion of Downgrades (%)

The forecast of above economic indicators for next five years (apart from Change in S&P500 index and Proportion

2 Interest and Similar Income

	2025 USD '000	2024 USD '000
Interest income from loans - Amortised cost	25,396	25,093
Interest income from investments - FVOCI	2,990	2,165
Interest income from investments - Amortised cost	182	188
Interest income on interbank placements - Amortised cost	3,679	3,583
	32,247	**31,029**

3 Interest and Similar Expense

	2025 USD '000	2024 USD '000
Interest expenses on deposit from customers	19,067	15,798
Interest expenses on deposit from banks	23	1,054
Interest expenses on Repurchase agreements	844	-
	19,934	**16,852**

4 Fees and Commission Income

	2025 USD '000	2024 USD '000
Processing fees and commission	583	712
	583	**712**

5 Personnel Costs

	2025 USD '000	2024 USD '000
Wages and salaries (including Directors' emoluments)	4,276	3,722
Social security costs	469	449
Pension contribution	193	177
Other employee benefits	125	108
	5,063	4,456

The average number of monthly employees (Excluding Non-executive Directors) was as follows:

	2025 Number	2024 Number
Commercial and retail banking activities	35	34

Directors' Emoluments

	2025 USD '000	2024 USD '000
Emoluments	640	549
Post-employment benefits (Defined Contribution)	-	-
	640	549
Highest Paid Director:		
Emoluments	234	190
Pension contributions	-	-
	234	190

6 Other Expenses

	2025 USD '000	2024 USD '000
Other premises costs	555	659
IT costs	864	859
Other administrative expenses	572	830
Legal and professional costs	1,529	1,716
	3,520	4,064

Other Expenses (Contd.)
Legal and Professional Costs include the following:

Auditor's remuneration - Auditing of Financial Statements	404	368
	404	368

The above amount is exclusive of taxes.

7 **Impairment Loss Allowance**

	2025 USD '000	2024 USD '000
Loans & Advances to customers	10,280	5,500
Financial Investments	(20)	90
Other Financials Instruments	(15)	3
	10,245	5,593

8 **Corporation tax (charge) / credit**

As at year end, the Bank has not recognised any deferred tax asset (DTA) on its accumulated losses. This is due to uncertainty of present/future economic environment in which the Bank operates.

	2025 USD '000	2024 USD '000
Corporate tax credit	-	-
Deferred tax (see note 18):	-	-
Reversal of DTA	-	-
Effect of rate changes	-	-
Relating to originating and reversal of temporary differences	-	-
Adjustments in respect of prior years	-	-
Total deferred tax credit	-	-
Total tax (charge) / credit	-	-

Factors affecting tax charge/(credit) for year

The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:-

	2025 USD '000	2024 USD '000
Profit/(Loss) on ordinary activities before tax	(6,608)	1,489
Standard rate of corporation tax in the UK	25.0%	25.0%
Tax credit at the domestic income tax rate	(1,652)	372
Effects of:		-
Reversal of DTA for prior years	-	-
Tax effect of non - deductible depreciation	1	1
Tax effect of other non - deductible expenses/non-taxable	11	13
Tax effect of rate changes	-	-
Unutilised losses	1,635	(84)
Deferred tax not recognised	5	(302)
Adjustment in respect of prior years	-	-
Total tax (charge) / credit for the year	-	-

	2025 USD '000	2024 USD '000
Tax (credit) / expense relating to change in fair value of Investment measured at OCI	-	390

Factors that may affect Future Tax Charges: Nil

Pillar II

Under-Taxed Payments Rule (UTPR) – Pillar Two Exposure

The UK Finance Act 2025, enacted on 20 March 2025, introduces the OECD Pillar Two rules in the UK, including the Undertaxed Profits Rule (UTPR), which will apply to the Bank from 1 April 2025. The UTPR enables the UK to impose a top-up tax on UK constituent entities where group entities in other jurisdictions are subject to an effective tax rate below the agreed 15% minimum and no corresponding top-up tax is levied under a qualifying Income Inclusion Rule (IIR) or Domestic Minimum Top-up Tax (DMTT) in the jurisdiction of the Ultimate Parent Entity (UPE).

As of the reporting date, India has not enacted Pillar Two legislation, including IIR or DMTT provisions. Accordingly, the Bank's UPE jurisdiction is currently considered a non-implementing jurisdiction for Pillar Two purposes.

Management has undertaken a preliminary assessment in line of the Group's structure. The Group operates in fewer than six jurisdictions, and tangible assets located outside its reference jurisdiction (India) are below the €50 million threshold. On this basis, the Group expects to qualify for the "initial phase of international activity" exclusion under the UTPR Safe Harbour provisions introduced in OECD Administrative Guidance.

As a result, no UTPR-related top-up tax is expected to arise for the financial year ending 31 March 2026. This position will be reassessed annually as part of the Bank's ongoing Pillar Two compliance and monitoring framework

9 Cash and Cash Equivalents

	2025 USD '000	2024 USD '000
Cash on hand	15	19
Cash at Bank of England	11,078	4,516
Cash at Bank	3,102	3,801
	14,195	8,336

10 Loans and advances to banks

		2025 USD '000	2024 USD '000
Interbank placements		20,202	43,040
	Gross	20,202	43,040
Less: Impairment provision		(0)	(13)
	Net	20,202	43,027

Note: - The carrying value of loans and advances to banks is not materially different to the fair value. Loans and advances to banks are all Stage I

Set out below is the movement in the impairment provision of Loans and advances to banks:

	2025 USD '000	2024 USD '000
As at 1st April	(13)	(12)
Impairment loss allowances for the year	13	(1)
As at 31st March	(0)	(13)

11 Loans and Advances to Customers

		2025 USD '000	2024 USD '000
Term loan		343,568	338,550
Working Capital / Overdraft		18,495	23,777
	Gross	362,063	362,327
Less: Impairment provision		(20,843)	(21,807)
Less: Unamortized portion of processing fees		(786)	(870)
	Net	340,434	339,650

Note: - The fair value of loans and advances to customers is given below:

	2025 USD '000	2024 USD '000
Loans and advances to customers	349,216	340,789

Fair value of loans and advances to customers is calculated using non- observable market data (Level 3) and estimated by discounted cash flow models that incorporate assumptions for credit risks, foreign exchange risk, probability of default and loss given default estimates. The staging of loans and advances to customer is detailed in Note 25.

12 Financial Investment at Amortised Cost

		2025 USD '000	2024 USD '000
Quoted Investments			
Corporate Bonds		2,001	4,988
	Gross	2,001	4,988
Less: Impairment provision		(4.0)	(5)
	Net	1,997	4,983

The carrying value of financial assets at amortised cost is not materially different to the fair value. Financial Investments are all Stage I.

Financial Investment at Amortised Cost (Contd.)

Set out below is the movement in the impairment provision of financial investments at amortized cost:

	2025 USD '000	2024 USD '000
As at 1st April	(5)	(5)
Impairment loss allowances for the year	1	-
As at 31st March	**(4)**	**(5)**

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 risks in 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 value 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-Mar-25	
Derivatives used as:	**Assets**	**Liabilities**	**Notional amount**
	USD '000	**USD '000**	**USD '000**
Currency swaps	-	(1,436)	110,297
	-	**(1,436)**	**110,297**
		31-Mar-24	
	Assets	Liabilities	Notional amount
	USD '000	**USD '000**	**USD '000**
Currency swaps	-	(194)	71,182
	-	**(194)**	**71,182**

There is no incidence of default of any counterparty with whom the Bank has entered into such contracts. The Bank does not anticipate deterioration of the credit quality of issuers of any such derivative contracts. All the contracts are double legged with the same institution, and as such maximum risk on account of default is the marked to market value, which is already provided in the financial statements. No exchange of principal is required in any of the trades.

14 Financial Investments at Fair Value Through OCI

	2025 USD '000	2024 USD '000
Quoted Investments		
Government debt securities	24,726	31,553
Other securities	70,097	72,005
	94,823	103,558

As per IFRS 9, the carrying amount of the financial asset measured at FVTOCI is always measured at fair value in the statement of financial position, irrespective of the size of the loss allowance. The amount of loss allowance is the same as if the financial asset was measured at amortised cost. However the loss allowance shall be recognised in fair value reserve and shall not reduce the carrying amount of the financial asset in the statement of financial position.

15.1 **Financial Instruments**

The table below sets out the carrying value of the Bank's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9 as at 31 March 2025

	FVTOCI	FVTPL	Amortised cost	Total
	USD '000	USD '000	USD '000	USD '000
At 31 March 2025				
Assets				
Cash and cash equivalents	-	-	14,195	14,195
Amounts receivable from customers	-	-	340,434	340,434
Loans and advances to Banks	-	-	20,202	20,202
Financial investments	94,823	2,761	1,997	99,581
Total Financial assets	**94,823**	**2,761**	**376,827**	**474,412**
Liabilities				
Repurchase agreements	-	-	15,240	15,240
Derivative liabilities	-	1,436	-	1,436
Customer deposits	-	-	348,633	348,633
Other Liabilities and Provisions	-	-	4,108	4,108
Total Financial liabilities	**-**	**1,436**	**367,981**	**369,417**

	FVTOCI assets / liabilities	FVTPL assets / liabilities	Amortised cost	Total
	USD '000	USD '000	USD '000	USD '000
At 31 March 2024				
Assets				
Cash and cash equivalents	-	-	8,336	8,336
Loans and advances to Banks	-	-	339,650	339,650
Amounts receivable from customers	-	-	43,027	43,027
Financial investments	103,558	3,270	4,983	111,811
Derivative assets	-	-	-	-
Total Financial assets	**103,558**	**3,270**	**395,996**	**502,824**
Liabilities				
Bank borrowing	-	-	-	-
Repurchase agreements	-	-	-	-
Derivative liabilities	-	194	-	194
Customer deposits	-	-	387,541	387,541
Other Liabilities and Provisions	-	-	4,886	4,886
Total Financial liabilities	**-**	**194**	**392,427**	**392,621**

15.2 **Fair Value**

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

Level 2 Financial Instruments: 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 Financial Instruments: A fair value for financial instrument cannot be determined by using readily observable inputs or measures, such as market prices or models. They are calculated using estimates or risk-adjusted value ranges, methods open to interpretation.

Fair Value of Financial Instruments (Contd.)
Determination of Fair Value

The Bank categorizes financial instruments carried on the balance sheet at fair value using a three-level hierarchy as follows:
The Bank uses quoted market prices in an active market to calculate the fair value of a financial asset or liability and classified as Level 1. All investment securities are included in level 1.
The Bank uses spot rates, cross currency forward / Swap rates as inputs for the valuation of Forex derivative transactions classified as Level 2. Observable data obtained from Bloomberg have been used to determine the fair value. All derivatives are included in level 2.

The Bank holds non-listed preference shares in its portfolio and classified as level 3 which have no observable inputs like quoted price. The Fair value of CCPS (Compulsorily convertible Preference shares) is calculated considering non observable data i.e. EIR of the June 2036 Indian Govt bond + 3.75% (the contractual interest rate for Term Loan). Any change in fair value is routed through Income Statement.
Considering the 12 months high and low yields for the June 2036 Indian Govt. bond, the fair value shifts by (USD 44.5k) and USD 2.3k respectively.
No transfers between Level 1, Level 2 and Level 3 have been made during the year.

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

	31 March 2025		
	Quoted market prices (Level 1)	**Valuation techniques using observable market data (Level 2)**	**Valuation techniques using non-observable market data (Level 3)**
	USD '000	**USD '000**	**USD '000**
Financial Assets			
Financial investments – FVOCI	94,823	-	-
Financial investments – FVTPL	1,441	-	1,320
	96,264	**-**	**1,320**
Financial Liabilities			
Derivative financial instruments	-	1,436	-
	-	1,436	-

	31 March 2024		
	Quoted market prices (Level 1)	**Valuation techniques using observable market data (Level 2)**	**Valuation techniques using non-observable market data (Level 3)**
Financial Assets	**USD '000**	**USD '000**	**USD '000**
Derivative financial instruments	-	-	-
Financial investments – FVOCI	103,558	-	-
Financial investments – FVTPL	2,108	-	1,162
	105,666	-	1,162
Financial Liabilities	**USD '000**	**USD '000**	**USD '000**
Derivative financial instruments	-	194	-
	-	194	-

Fair Value of Financial Instruments (Contd.)
Movements in Level 3 financial instruments measured at fair value

	31 March 2025		
	As at 31 March 2024	**Revaluation Profit / (Loss)**	**As at 31 March 2025**
	USD '000	**USD '000**	**USD '000**
Financial investments – FVTPL	1,162	158	1,320

	31 March 2024		
	As at 31 March 2023	**Revaluation Profit / (Loss)**	**As at 31 March 2024**
	USD '000	**USD '000**	**USD '000**
Financial investments – FVTPL	1,029	133	1,162

The fair value of financial assets and financial liabilities that are not measured at fair value but require fair value disclosure have been disclosed in their respective notes.

16 Property, Plant and Equipment

	Right to Use Asset & Leasehold Improvement	**Furniture & equipment**	**Computer hardware**	**Total**
	USD '000	**USD '000**	**USD '000**	**USD '000**
Cost				
As at 31 March 2023	2,054	368	303	2,725
Additions	5,384	82	95	5,561
Disposals	(2,054)	(226)	-	(2,280)
As at 31 March 2024	**5,384**	**224**	**398**	**6,006**
Additions	-	-	12	12
Other adjustments	-	(5)	-	(5)
Disposals	-	-	(2)	(2)
As at 31 March 2025	**5,384**	**219**	**408**	**6,011**
Cumulative depreciation				
As at 31 March 2023	(1,901)	(316)	(269)	(2,486)
Depreciation charge	(524)	(19)	(44)	(587)
Disposals	2,054	220	-	2,274
As at 31 March 2024	**(371)**	**(115)**	**(313)**	**(799)**
Depreciation charge	(557)	(23)	(48)	(628)
Disposals	-	-	2	2
As at 31 March 2025	**(928)**	**(138)**	**(359)**	**(1,425)**
Net book value				
As at 31 March 2024	5,013	109	85	5,207
As at 31 March 2025	**4,456**	**81**	**49**	**4,586**

17 **Intangible Assets**

	Capitalised software
Cost	**USD '000**
As at 31 March 2023	824
Additions	-
Disposal	-
As at 31 March 2024	**824**
Additions	4
Disposal	-
As at 31 March 2025	**828**
Amortisation	
As at 31 March 2023	(692)
Amortisations for the period	**(61)**
Disposals	-
Other adjustments	-
As at 31 March 2024	**(753)**
Amortisation charge for the year	(57)
Disposals	-
As at 31 March 2025	**(810)**
Carrying value	
As at 31 March 2024	**71**
As at 31 March 2025	**18**

Note: Intangible assets comprise mainly of capitalized software costs. None of the intangible assets are pledged as securities for liabilities.

18 **Deferred Tax**

The Bank reviews the carrying amount of deferred tax assets at each balance sheet date and reduces it to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The current accumulated losses of the bank are $ 36.7 m (2024: $ 30.1 m) with no expiry date. The Bank has not recognised DTA during the financial year on its accumulated losses due to ongoing uncertainty of recovery of the **historical Stage 3** loans.

The Bank has a deductible temporary difference on the unrealised losses on Financial investments held under FVOCI as of March 2025. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset against taxable profits in foreseeable future. The Bank is having accumulated losses as on the reporting date and against which the DTA is not proposed, due to the reasons mentioned above.

19 **Other Assets**

	2025	2024
	USD '000	USD '000
Other receivables	126	547
Capital Work in progress	105	92
Prepayments and accrued income	1,770	763
	2,001	1,402

20 **Deposits from Customers**

	2025	2024
	USD '000	USD '000
Current accounts	5,299	6,411
Savings accounts	1,102	2,659
Fixed term deposits	342,232	378,471
	348,633	387,541

Note: - The fair value of deposits from customers is given below:

	2025	2024
	USD '000	USD '000
Deposits from Customers	350,082	386,890

The carrying value of Deposits from customers is not materially different to the fair value.

21 Repurchase Agreements

The Bank enters into repurchase agreements 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 Bank's obligation to repurchase the transferred assets for a fixed price at a future date is recognised as liability. As a result of these transactions, the Bank is unable to use, sell or pledge the transferred assets for the duration of the transaction. The Bank remains exposed to interest rate risk and credit risk on these pledged transactions. The counterparty's recourse is not limited to the transferred assets.

	2025 USD '000 Carrying amount of securities pledged	2025 USD '000 Liabilities under repurchase agreements	2024 USD '000 Carrying amount of securities pledged	2024 USD '000 Liabilities under repurchase agreements
Repurchase agreements	18,418	15,240	-	-

Note: - The carrying value of Repurchase agreements is not materially different to the fair value.

22 Provisions & other Liabilities

	2025 USD '000	2024 USD '000
Accruals and other liabilities (including lease liabilities)	3,924	4,714
Provisions for dilapidation	184	113
	4,108	4,827

- Other liabilities include funds received from a Deposits customers of USD 0.09 Mn (2024: USD 0.6 Mn) which have not been adjusted due to pending documentation from Customer and the same has been received on 2nd June and credited into Deposits from Customers.

<u>Lease liabilities</u>		
Opening lease liabilities	3,622	4
Add: New Lease during the year	-	3,645
Add: Finance charge for year	247	166
Less: Payments made towards lease liability	(435)	(193)
Closing Lease Liability	3,434	3,622
Within one year*	584	311
More than one year*	3,999	4,583
	4,583	4,894

*The ageing includes interest/ finance charge.

23 Share Capital

	2025 Number	2024 Number	2025 USD '000	2024 USD '000
Authorised Capital				
Ordinary shares of GBP 1 each	2	2	0.003	0.003
Ordinary shares of USD 1 each	200,000,000	200,000,000	200,000	200,000
Issued and fully paid				
Ordinary shares of GBP 1 each	2	2	0.003	0.003
Ordinary shares of USD 1 each				
As at 1 April	150,000,000	150,000,000	150,000	150,000
Issue of Share Capital	-	-	-	-
As at 31 March	150,000,000	150,000,000	150,000	150,000

- All ordinary shares are non redeemable conferring equal rights to each member.
- Fair Value reserve consists of non-distributable profits (fair value gains / losses) and as such is used to ring-fence fair value gains and losses. This type of reserve is part of restricted equity.

24 **Other Commitments and Contingencies**

Commitments in respect of financial instruments are as follows:

	2025 USD '000	2024 USD '000
Foreign exchange - Assets	110,304	71,413
Foreign exchange - Liabilities	111,740	71,607
Bank guarantee	148	145
Undrawn committed facilities	107	6,090

Foreign exchange - Assets & Liabilities pertains to FX Swap deals which are normally having original maturity less than one year.

Bank Guarantees - Performance Guarantees issued in favour of existing customers.

Contracted maturities of above commitments and contingencies (other than revolving nature accounts) varies from 90 days to 5 years.

Undrawn Commitments - This is the amount which is available to draw for the Loan Customers.

25 **Principal Risks**

The Bank is exposed to the following principal risks in relation to its financial assets and liabilities:

- Credit Risk
- Country Risk
- Liquidity Risk
- Market Risk: Currency Risk
- Interest rate Risk
- Operational Risk
- Capital Risk

Credit risk

Credit risk refers to the risk of direct or indirect losses in on and off-balance sheet positions because of the failure of a borrower or counterparty to meet its obligations in accordance with agreed terms. The Bank has appropriate policies in place that describes the principles which underpin and drive the Bank's approach to credit risk management together with the systems and processes through which they are implemented and administered.

The asset quality of the Bank book has improved through disciplined credit risk management. Bank continuously monitors portfolio concentration by borrower, groups, sectors, industry, geography, etc. and constantly strives to improve credit quality and maintain a risk profile that is diverse in terms of borrowers, products, industry types and geography.

The Bank's credit portfolio is subject to internal credit rating. Bank uses separate models of credit risk assessment for different exposure segments. Bank has adopted a standardized and well-defined approval process for all advances, which involves a committee approach for credit sanctions/approvals.

The gross carrying amount of financial assets recorded in the financial statements represents the Bank's maximum exposure to credit risk. There are no financial assets to related parties which are past due or impaired.

Gross Loans and advances to customers before any impact of loss allowances are given as per their payment status: -

	2025 USD '000	2024 USD '000
• Neither past due nor overdue	281,344	290,852
• Overdue but not default	38,295	19,502
• Default	42,424	51,973
Gross	**362,063**	**362,327**

Financial assets are individually assessed to identify the event of impairment. The Bank considers several events including credit rating deterioration, negative media report, economic outlook of industry & geography, breach in key financial covenants, past due days etc. as significant increase in credit risk that may lead to impairment.

If the SICR is noticed, then the Bank considers the options of forbearance (if it's feasible for the counterparty to remain going concern) and liquidation. In case of forbearance, NPV (Net present value) loss arising from NPV comparison from existing and revised contract, is treated as impairment loss. In case of liquidation of the borrower entity, available securities and hierarchy of Bank's debt in the scheme of liquidation is also considered to calculate the impairment loss.

Principal Risks (Contd.)
Credit risk (Contd.)
IFRS 9 Credit Quality

During this financial year, there is no accounts slippage to stage 3. Recovery of USD 1.7 Mn (2024: USD 15K) has been made during the year. Specific impairment loss for Stage 3 stood at USD 14.8 Mn (2024: USD 19.7 Mn) (including interest thereon) as on 31 March 2025.

Loans and advances to customers	**2025**	**2024**
	USD '000	**USD '000**
Gross Exposure	362,063	362,327
Less:- Loan loss provision	(20,843)	(21,807)
Less: Unamortized portion of processing fees	(786)	(870)
Net Exposure	**340,434**	**339,650**

Maximum Exposure to Credit Risk
Financial Instruments (excluding Derivatives)

Financial Assets at Fair Value Through Profit or Loss:	**2025**	**2024**
	USD '000	**USD '000**
Financial Investments	2,761	3,270

Financial Assets at Amortised Cost:	**2025**	**2024**
	USD '000	**USD '000**
Loans and advances to customers (gross)	362,063	362,327
Financial investments	2,001	4,988
Loans and advances to Banks	20,202	43,040
Other financial assets at amortised cost	14,195	8,336
	398,461	**418,691**

Financial Assets at Fair Value Through Other Comprehensive Income:	**2025**	**2024**
	USD '000	**USD '000**
Financial investments	94,823	103,558
Total	**496,046**	**525,519**

Analysis of Financial Instruments (excluding Derivatives)	**2025**	**2024**
	USD '000	**USD '000**
Due within one year	207,561	170,194
Due in more than one year	288,485	355,324
Total	**496,046**	**525,518**

Particulars	**2025 USD '000**	**2024 USD '000**
Neither past due nor overdue	415,327	454,043
Overdue but not default	38,295	19,502
Default	42,424	51,973
Total	**496,046**	**525,518**

Loans and advances to customers as at 31 March 2025

Particulars	**Stage 1 USD '000**	**Stage 2 USD '000**	**Stage 3 USD '000**	**Total USD '000**
Gross carrying amount	281,344	38,295	42,424	362,063
Impairment provision	(1,598)	(4,440)	(14,805)	(20,843)
Net amounts receivable	**279,746**	**33,855**	**27,619**	**341,220**

Principal Risks (Contd.)
Credit risk (Contd.)
IFRS 9 Credit Quality (Contd.)

Loans and advances to customers as at 31 March 2024

Particulars	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
Gross carrying amount	290,852	19,502	51,973	362,327
Impairment provision	(1,776)	(349)	(19,682)	(21,807)
Net amounts receivable	**289,076**	**19,153**	**32,291**	**340,520**

The impairment provision recognised in the period is impacted by a variety of factors, as described below:

- Transfers between stage 1 and stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period and the consequent 'step up' (or 'step down') between 12 months or lifetime ECL.
- Additional loan loss provisions for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period.
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models.
- Financial assets de-recognised during the period and write-offs of loan loss provisions related to assets that were written off during the period.
- Financial assets modified during the period.

Loans to Customers	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
Gross carrying amount as at 1st April 2024	**290,851**	**19,503**	**51,973**	**362,327**
Transfer from stage 1 to 2	(17,510)	17,510	-	-
Transfer from stage 2 to 1	-	-	-	-
Transfer from stage 2 to 3	-	-	-	-
Transfer from stage 3 to 2	-	-	-	-
New receivables originated or purchased	108,299	1,283	-	109,582
Increase / (decrease) in receivables due to interest	(118)	(1)		(119)
Increase / (decrease) in stage 3 Interest	-	-	3,389	3,389
Net Repayments of loans	(100,178)	-	-	(100,178)
Write off of Credit Impaired Assets	-	-	(11,242)	(11,242)
Gross carrying amount as at 31 March 2025	**281,344**	**38,295**	**42,424**	**362,063**

*Note: The amount under stage 2 includes account opened during the year and moved to stage 2.

Particulars	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
ECL Provision as at 1 April 2024	**1,776**	**349**	**19,682**	**21,807**
Transfer from stage 1 to 2	(84)	84	-	-
Transfer from stage 2 to 1	-	-	-	-
Transfer from stage 2 to 3	-	-	-	-
Transfer from stage 3 to 2	-	-	-	-
Net re-measurement of ECL	-	4,007	3,409	7,415
New receivables originated or purchased	397	-	-	397
Increase / (decrease) in stage 3 Interest	-	-	1,343	1,343
Net Repayments of loans	(491)	-	1,678	1,187
Write off of Credit Impaired Assets	-	-	(11,307)	(11,307)
ECL Provision as at 31 March 2025	**1,598**	**4,440**	**14,805**	**20,843**

Principal Risks (Contd.)
Credit risk (Contd.)
IFRS 9 Credit Quality (Contd.)

Loans to Customers	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
Gross carrying amount as at 1st April 2023	**286,278**	**8,700**	**40,298**	**335,276**
Transfer from stage 1 to 2	(18,629)	18,629	-	-
Transfer from stage 1 to 3	(75)	-	75	-
Transfer from stage 2 to 1	620	(620)	-	-
Transfer from stage 2 to 3	-	(8,079)	8,079	-
Transfer from stage 3 to 2	-	-	-	-
New receivables originated or purchased	88,296	-	-	88,296
Increase in receivables due to interest	-	873	717	1,590
Increase / (decrease) in stage 3 Interest	-	-	2,804	2,804
Net Repayments of loans	(65,639)	-	-	(65,639)
Write off of Credit Impaired Assets	-	-	-	-
Gross carrying amount as at 31 March 2024	**290,851**	**19,503**	**51,973**	**362,327**

Particulars	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
ECL Provision as at 1 April 2023	**789**	**48**	**15,470**	**16,307**
Transfer from stage 1 to 2	(35)	35	-	-
Transfer from stage 1 to 3	(11)	-	11	-
Transfer from stage 2 to 1	13	(13)	-	-
Transfer from stage 2 to 3	-	(34)	34	-
Transfer from stage 3 to 2	-	-	-	-
Net re-measurement of ECL	-	313	3,289	3,602
New receivables originated or purchased	1,239	-	-	1,239
Increase / (decrease) in stage 3 Interest	-	-	1,403	1,403
Net Repayments of loans	(219)	-	(525)	(744)
Recovery from Credit Impaired Assets	-	-	-	-
Write off of Credit Impaired Assets	-	-	-	-
ECL Provision as at 31 March 2024	**1,776**	**349**	**19,682**	**21,807**

****This includes the additional provision made in the same stage**

Financial assets (with loss amount based on lifetime ECL) modified as at the balance sheet date

Forbearance / Rescheduled loans:	**2025 USD '000**	**2024 USD '000**
Term loan	30,897	19,502
	30,897	**19,502**

The below tables provides detail on the staging of rescheduled loans:

	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
As at 31 March 2025				
Term loan	-	23,795	7,102	30,897
Overdraft	-	-	-	-
Other Loans	-	-	-	-
Gross carrying amount	**-**	**23,795**	**7,102**	**30,897**
Term loan	-	3,860	2,685	6,545
Overdraft	-	-	-	-
Other Loans	-	-	-	-
Impairment provision	**-**	**3,860**	**2,685**	**6,545**
Term loan	-	19,935	4,417	24,352
Overdraft	-	-	-	-
Other Loans	-	-	-	-
Net amounts receivable	**-**	**19,935**	**4,417**	**24,352**

The below tables provides detail on the staging of rescheduled loans:

	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
As at 31 March 2024				
Term loan	-	19,502	-	19,502
Overdraft	-	-	-	-
Other Loans	-	-	-	-
Gross carrying amount	**-**	**19,502**	**-**	**19,502**
Term loan	-	349	-	349
Overdraft	-	-	-	-
Other Loans	-	-	-	-
Impairment provision	**-**	**349**	**-**	**349**
Term loan	-	19,153	-	19,153
Overdraft	-	-	-	-
Other Loans	-	-	-	-
Net amounts receivable	**-**	**19,153**	**-**	**19,153**

Principal Risks (Contd.)
Credit risk (Contd.)
IFRS 9 Credit Quality (Contd.)
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 & Letters of Credit
5. Fixed Assets (Movable & Immovable)
6. Real Estate
7. Corporate/Personal Guarantee

Loans & Advances Collateral Analysis

Loans value as a percentage of collateral is summarised in below table

	2025 USD '000	2024 USD '000
Security coverage=0%	57,582	58,290
Security coverage>0%<=50%	26,243	21,811
Security coverage>50%<=100%	13,694	25,813
Security coverage>100%	264,544	256,413
Total	**362,063**	**362,327**

Security coverage above is calculated as value of collateral to loan exposure for the respective accounts.
Bifurcation of loan book according to available security is give below:

		2025 USD '000	2024 USD '000
Secured		**304,481**	**304,037**
Unsecured		**57,582**	**58,290**
	Total	**362,063**	**362,327**

	Exposure USD '000	2025 Collateral USD '000
Stage 1 Assets (Standard Advances)	**281,344**	**469,979**
Stage 2 Assets (Assets having experienced SICR)	**38,295**	**48,035**
Stage 3 Assets (Default Assets)	**42,424**	**107,146**
	362,063	**625,160**

	Exposure USD '000	2024 Collateral USD '000
Stage 1 Assets (Standard Advances)	290,852	397,158
Stage 2 Assets (Assets having experienced SICR)	19,502	20,359
Stage 3 Assets (Default Assets)	51,973	462,127

362,327	879,644

Principal Risks (Contd.)
Credit risk (Contd.)
IFRS 9 Credit Quality (Contd.)

The Bank attempts to maintain a asset quality through disciplined credit risk management. The Bank continuously monitors portfolio concentrations by borrower, groups, sectors, industry, geography, etc. and constantly strives to improve credit quality and maintain a risk profile that is diverse in terms of borrowers, products, industry types and geography. The table below provides a summary of credit exposure stagewise.

	2025 Exposure USD '000	2024 Exposure USD '000
Stage 1 Assets (Standard Advances)	281,344	290,852
Stage 2 Assets (Assets having experienced SICR)	38,295	19,502
Stage 3 Assets (Default Assets)	42,424	51,973
	362,063	**362,327**

There is no significant change in quality of collateral during the financial year due to change in accounting policies or otherwise

An analysis of the Banks' total credit exposure (including investment securities, loans and advances to customers including loan commitments and loans and advances to banks) split by external credit rating is provided below:

2025

Investment Securities

	Gross Carrying Amount			
	Stage 1 USD '000	**Stage 2 USD '000**	**Stage 3 USD '000**	**Total USD '000**
AAA to AA-	30,405	-	-	30,405
A+ to A-	13,564	-	-	13,564
BBB+ to BBB-	55,617	-	-	55,617
BB+ and below	-	-	-	-
	99,586	-	-	**99,586**

	ECL*			
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
AAA to AA-	2	-	-	2
A+ to A-	13	-	-	13
BBB+ to BBB-	139	-	-	139
BB+ and below	-	-	-	-
	154	-	-	**154**

*Includes loss allowance of USD 150K recognised in fair value reserve.

Loans and advances to banks

	Gross Carrying Amount			
	Stage 1 USD '000	**Stage 2 USD '000**	**Stage 3 USD '000**	**Total USD '000**
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	-	-	-	-
BB+ and below	20,202	-	-	20,202
	20,202	-	-	**20,202**

	ECL			
	Stage 1 USD '000	**Stage 2 USD '000**	**Stage 3 USD '000**	**Total USD '000**
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	-	-	-	-
BB+ and below	0	-	-	0
	0	-	-	**0**

Principal Risks (Contd.)
Credit risk (Contd.)
IFRS 9 Credit Quality (Contd.)

Loans and advances to customers including loan commitments	Gross Carrying Amount			
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
AAA to AA-	-	-	-	-
A+ to A-	67,242	-	-	67,242
BBB+ to BBB-	187,337	-	-	187,337
BB+ and below	26,872	38,295	42,424	107,591
	281,451	**38,295**	**42,424**	**362,170**

	ECL			
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
AAA to AA-	-	-	-	-
A+ to A-	38	-	-	38
BBB+ to BBB-	1,052	-	-	1,052
BB+ and below	508	4,440	14,805	19,753
	1,598	**4,440**	**14,805**	**20,843**

2024

Investment Securities	Gross Carrying Amount			
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
AAA to AA-	31,121	-	-	31,121
A+ to A-	15,980	-	-	15,980
BBB+ to BBB-	64,714	-	-	64,714
BB+ and below	-	-	-	-
	111,815	**-**	**-**	**111,815**

	ECL*			
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
AAA to AA-	5	-	-	5
A+ to A-	25	-	-	25
BBB+ to BBB-	145	-	-	145
BB+ and below	-	-	-	-
	175	**-**	**-**	**175**

*Includes loss allowance of USD 170K recognised in fair value reserve.

Loans and advances to banks	Gross Carrying Amount			
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
AAA to AA-				-
A+ to A-	-	-	-	-
BBB+ to BBB-	17,937	-	-	17,937
BB+ and below	25,103	-	-	25,103
	43,040	**-**	**-**	**43,040**

	ECL			
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
AAA to AA-	-			-
A+ to A-	-	-	-	-
BBB+ to BBB-	4	-	-	4
BB+ and below	9	-	-	9
	13	**-**	**-**	**13**

Principal Risks (Contd.)
Credit risk (Contd.)
IFRS 9 Credit Quality (Contd.)

Loans and advances to customers including loan commitments	Gross Carrying Amount			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
AAA to AA-	5,409	-	-	5,409
A+ to A-	55,409	-	-	55,409
BBB+ to BBB-	199,883	-	-	199,883
BB+ and below	31,398	19,502	51,973	102,873
	292,099	**19,502**	**51,973**	**363,574**

	ECL			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
AAA to AA-	2	-	-	2
A+ to A-	50	-	-	50
BBB+ to BBB-	1,210	-	-	1,210
BB+ and below	514	349	19,682	20,545
	1,776	**349**	**19,682**	**21,807**

Country risk exposure

Country risk is the risk of an adverse effect that an occurrence within a country could have on the Bank. The Bank's risk management framework incorporates measures and tools to monitor this risk. The following table provides a summary by country of risk as of:

Countries	2025 Exposure	2024 Exposure	2025 % of Total	2024 % of Total
	USD '000	USD '000		
United Kingdom	172,471	182,767	34.8%	34.8%
India	128,233	131,908	25.9%	25.1%
United States of America	77,412	73,408	15.6%	14.0%
Singapore	18,465	21,352	3.7%	4.1%
United Arab Emirates	447	20,908	0.1%	4.0%
Jersey	18,108	17,735	3.7%	3.4%
Mauritius	21,016	17,049	4.2%	3.2%
Finland	16,255	16,308	3.3%	3.1%
Switzerland	10,000	16,000	2.0%	3.0%
Virgin Islands, British	12,497	11,943	2.5%	2.3%
Saudi Arabia	5,928	5,778	1.2%	1.1%
Indonesia	-	5,733	0.0%	1.1%
Philippines	5,167	4,629	1.0%	0.9%
Qatar	10,047	-	2.0%	0.0%
	496,046	**525,518**	**100%**	**100.0%**

The above included all Financial assets of the Bank.

Industrywide profile*

The table below represents the distribution of credit exposures by industry type

	2025 Exposure	2024 Exposure
	USD '000	USD '000
Accommodation And Food Service Activities	36,025	30,468
Administrative And Support Service Activities	38,488	27,681
Construction	8,325	13,511
Financial and Insurance activities	74,368	40,295
Human Health And Social Work Activities	7,957	16,311
Information And Communication	14,360	20,612
Manufacturing	27,210	31,576
Real Estate	147,348	149,299
Others	7,982	32,574
	362,063	**362,327**

*the industrywide profile is only for loans and advances to customers.

Principal Risks (Contd.)
Credit Risk (Contd.)
Liquidity risk

Liquidity risk is the risk of failure by the Bank to meet its financial obligations as and when they fall due.

Liquidity risk is managed by balancing its cash flows with forward thinking rolling time bands so that under normal conditions the Bank is comfortably placed to meet its payment obligations as they fall due. The immediate focus is on short and medium-term funding and liquid asset management. This ensures management of liquidity risks as part of Bank's ongoing business management within daily operations, strategy and planning. The Bank has sufficient liquidity for stressed conditions as per the daily stress testing and HQLA reserves as well. This is reflected in the liquidity profile as well where most of the liquidity requirements are in the medium term maturity.

The Bank has developed its Internal Liquidity Adequacy Assessment Process (ILAAP) and stress testing process to assess the liquidity adequacy, the results of which have been reviewed by Senior Management during the year.

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

	Non-derivative financial assets		**Non-derivative financial liabilities**	
	2025	**2024**	**2025**	**2024**
	USD '000	**USD '000**	**USD '000**	**USD '000**
On Demand	23,820	628	7,326	9,420
Due within 3 months	70,703	88,559	8,584	29,823
Due between 3 to 12 months	126,478	113,350	290,760	270,573
Due between 1 to 5 years	388,104	444,957	70,778	94,880
Due after 5 years	23,468	9,942	-	-
Total	**632,573**	**657,436**	**377,448**	**404,696**

	Derivative financial asset/ (liabilities)	
	2025	**2024**
	USD '000	**USD '000**
On Demand	-	-
Due within 3 months	-	-
Due between 3 to 12 months	(1,436)	(194)
Due between 1 to 5 years	-	-
Due after 5 years	-	-
Total	**(1,436)**	**(194)**

The responsibility for ensuring that the Bank can meet its obligations as they fall due rests with the Bank's management. Under the PRA regulations the Bank is compliant with its Internal Liquidity Guidelines on an ongoing basis. The Bank has a prudent liquidity policy and adequate management systems and controls in place to ensure that the policy is adhered to at all times.

The Board of Directors are ultimately responsible for ensuring that the liquidity policy remains relevant and up to date at all times and is in line with the Bank's business activities and expressed risk tolerance.

The Asset and Liability Committee ("ALCO") is responsible for reviewing and recommending liquidity policy to the Board of Directors. ALCO is supported by the Risk function, which is responsible for monitoring the compliance on a daily basis.

The Bank has developed its ILAAP, which includes a series of stress tests and limits.
The responsibility of day-to-day management of the Bank's liquidity position is delegated to the Bank's Treasury department and overseen by CFO

Currency risk

Currency risk is the risk that arises from the change in price of one currency against another.

The Bank is mainly exposed to fluctuations in the value of GBP, EUR and INR. Bank manages the exposures to the variability in cash flows of foreign currency denominated assets and liabilities to movements in foreign exchange rates by entering into cross currency swaps. These instruments are entered to match the cash flow profile. Bank has defined policy and low risk appetite to hold overnight open position in foreign currencies. Open position is monitored on daily basis and ensured that it remains within the risk appetite at all times.

The Net open position in foreign currencies at the reporting date is as follows:

Principal Risks (Contd.)
Currency Risk (Contd.)

	Assets		Liabilities	
	2025	**2024**	**2025**	**2024**
	USD '000	**USD '000**	**USD '000**	**USD '000**
INR	(462)	-	-	22
GBP	-	-	990	1,120
EURO	(6)	-	-	-

A 5% shift in the open position will have a net impact of USD 0.26 Mn (2024: 0.57 Mn) on the Profits.

Interest Rate Risk

Interest rate risk is the risk that arises due to possibilities of a fluctuation in rates, and how that impacts on the pricing structure of the Bank's assets and liabilities. The Bank is also exposed to interest rate risk due to the nature of the rate being either fixed or floating. Most liabilities have fixed interest rates while for some assets interest rates are floating and are benchmarked to certain index rates like LIBOR, the Bank of England base rates, Euribor, Sonia and SOFR

The Bank's ALCO meets monthly to monitor this risk. ALCO in turn reviews the interest rates in various currencies arising from repricing of assets, liabilities and derivative instruments. The Bank manages part of this risk by carefully matching the cost of liabilities with that of asset pricing and if need be the Bank would use interest rate swaps to mitigate the risk.

Following the decision by Global Regulators to phase out IBORs and replace them with alternative reference rates, the Bank has formed a LIBOR Transition Steering Committee (LTSC) as an ad hoc sub-committee of ALCO which reports directly to the ALCO to develop a transition plan and monitor the implementation of the same. The committee is chaired by Head of Credit with members are from functions across the Bank including Branch, Finance, Risk and Treasury.

In the past year, the Bank has made effective efforts to complete the transition from Libor. All performing accounts have been moved to either the BOE or SONIA or SOFR. The LIBOR Transition Steering Committee (LTSC) has therefore been dissolved.

IBOR reform exposes the Bank to various risks which the committee is managing and monitoring closely. These risks include but are not limited to:

- Conduct risk arising from discussion with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR Reform.
- Financial risk to the Bank and its clients that market are disrupted due to IBOR reform giving rise to financial
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable.
- Operational risk arising from the changes to the Banks' IT systems and processes, also the risk of payments being disrupted if IBOR ceases to be available.
- Accounting risk if the Banks' hedging relationships fail and from unrepresentative income statement as financial instruments transition to RFRs.

Following is a detail of the carrying amount at 31 March 2025 of financial assets, financial liabilities, derivatives and loan commitments that continue to be referenced to the pending transition ratios:

The management of interest rate risk against interest rate gap is supplemented by monitoring the sensitivity of the Banks' Financial assets and liabilities to various interest rate scenarios. Total assets and liabilities subject to interest rate risk are USD 483.4 Mn and USD 370.6 Mn respectively (2024: USD 471.8 Mn and USD 375.2 Mn respectively). The impact of a 200 basis point rise or fall in the interest rate, assuming constant balance sheet position is as under:

Effect of 200 basis points increase in interest rates across maturity bands is USD 0.624 Mn (2024: USD 0.25 Mn)

Effect of 200 basis points decrease in interest rates across maturity bands is (USD 0.499 Mn) (2024: (USD 0.03 Mn))

Principal Risks (Contd.)
Operational Risk

Operational risk is defined as the potential risk of financial loss resulting from inadequate or failed internal process, systems, people or external events.

The Bank has put in place an Operational Risk Management policy to manage operational risk in an effective, efficient and proactive manner. The primary objective of the 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. Within the Operational risk framework, new products, processes and services introduced by the Bank are subject to rigorous risk evaluation and approval. In addition to the policy, the Bank has specific operational policies in place covering (inter alia) IT & Cyber Security, Outsourcing policy and business continuity plan.

The Bank has identified various possible risk scenarios and has put in place an internal control framework to mitigate identified risks. This framework is set out in the form of departmental policies and procedures, which are reviewed on a regular basis.

Capital Risk

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of its capital structure. The Bank's authority to operate as a bank is dependent upon the maintenance of adequate capital resources. The Bank is required to meet minimum regulatory requirements in the UK.

The Bank's regulatory capital requirements are set by way of the ICG by the PRA. The Bank has had surplus capital over and above the capital required as per the ICG during the year.

The Bank's regulatory capital is categorised into Tier one capital, which includes ordinary share capital, and retained earnings.

	2025	2024
	USD '000	USD '000
Paid up share capital	150,000	150,000
Retained earnings	(36,701)	(30,093)
Fair value reserves	**(1,699)**	**(3,024)**
Intangible assets	(18)	(71)
Regulatory Deductions to Capital	(99)	(106)
Regulatory Capital	**111,483**	**116,706**

26 Related Party

26.1 Transaction with Parent Bank

The ultimate parent company is Union Bank of India, a public-sector Bank incorporated in India, which is both the immediate and ultimate controlling party. The consolidated financial statements for Union Bank of India are available to the public and may be obtained from Union Bank Bhavan, 239, Vidhan Bhavan Marg, Nariman Point, Mumbai 400021 or from their website www.unionbankofindia.co.in.

The Bank regards UBI (including all its branches in India and abroad) and its subsidiaries as related party in view of its 100% shareholding. No other group company holds any shares in UBIUK. The CEO and MD of the Parent Bank is also Chairman of UBIUK. The Bank does not pay any remuneration to her. Other than the Parent Bank and Directors, no other related party are present.

Other Commitment

During the year, the Bank entered into the following transactions with various branches of the Union Bank of India, (the Parent Bank):

	2025	2024
	USD '000	USD '000
Interest income on placements	460	326
Interest expense on borrowings	-	-
	460	326

Related Party (Contd.)
Transaction with Parent Bank (Contd.)
Balances with Related Parties as at 31 March:

	Amounts owed by related parties	
	2025	**2024**
Assets	**USD '000**	**USD '000**
Nostro account balance with Union Bank of India	24	24
	24	24

	Amounts owed to related parties	
	2025	**2024**
Liabilities	**USD '000**	**USD '000**
Current account held by UBI in UBIUK	(7)	(88)
	(7)	(88)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

The ultimate controlling party of the Bank is Union Bank of India, incorporated in India which is both the parent Bank (ownership - 100%) and ultimate controlling party. Other transactions with related party (including remuneration paid to Directors who the Bank considers as key management) are disclosed in note below.

26.2 **Transaction with Directors**

The following key management personnel are considered to be related parties:

Ms. A Manimekhalai (Chair)
Mr. Pankaj Dwivedi (Nominee Director, appointed on 13th May 2024)
Mr. Joseph Jerry Liow Yune Loy (Independent Director)
Dr. Anand Kumar (Independent Director)
Mr. Patrick Joseph Quinn (Independent Director, resigned on 28th Feb 2025)
Mr. Dawn Brown (Independent Director, appointed on 26th Sept 2024)
Mr. Arbind Choudhary (Managing Director and Chief Executive Officer)
Mr. Rahul Kumar (Executive Director and Chief Operating Officer)

Management compensation to the above key management personnel is as follows: -

	2025
	USD '000
Short-Term Employee Benefits	640
Post-Employment Benefits	-
Other Long-Term Benefits	-
Termination Benefits	-
Share-Based Payment Benefits	-
Total Compensation	**640**

These key personnel have deposit and / or savings accounts with the Bank. They are held under normal terms and conditions, and no preferential treatment are being given to them.

27 **Capital Requirements Directive V ("CRD V") - Country By Country Reporting**

Union Bank of India (UK) Limited is an authorised credit institution providing a range of financial and banking

				USD '000
	2025		**2024**	
	UK	**Total**	**UK**	**Total**
Operating income	13,327	13,327	16,429	16,429
Average number of employees	35	35	34	34
Profit (loss) before tax	(6,608)	(6,608)	**1,488**	**1,488**
Corporation tax paid	-	-	-	-
Public subsidies received	-	-	-	-

28 Events after the Balance Sheet Date

Ms. A Manimekhalai completed her tenure at the parent bank on 2nd June 2025 and, consequently, ceased to be a Director and Chair of Union Bank of India (UK) Ltd. with effect from 3rd June 2025. As this event occurred after the reporting date, it does not affect the financial position of the Bank as at 31 March 2025. However, given the significance of the Chair's role in the Bank's governance framework, it is disclosed as a non-adjusting post balance sheet event in accordance with IAS 10.

The Board is monitoring the impact of current market situation to respond to the US announcement on tariffs in the preparation of Annual accounts for FY 2024-25. The Board agreed with management that the impact of US tariffs did not pertains to conditions existing as on 31st March 2025 Therefore this matter is a non adjusting post balance sheet event with no adjusted made to the financial statements. It is described further in strategic report under "Geopolitical and Macroeconomic Commentary".

29 Pillar III

Further information concerning the Bank's approach to risk management and its capital adequacy are contained in the unaudited disclosures made under the requirements of Pillar 3. These disclosures for 2024 are published on the Bank's website at www.unionbankofindiauk.co.uk and the ones for 2025 will be available after the financial statements are signed off