



## **ANNUAL ACCOUNTS**

**For the year ended on 31 March 2024**

Company number **07653660**

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FOR THE YEAR ENDED 31 March 2024



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## **OFFICERS AND PROFESSIONAL ADVISERS**

*FOR THE YEAR ENDED 31 March 2024*

**Company Registration Number** 07653660

**The Board of Directors** **Ms. A Manimekhalai**  
Chair

**Dr Anand Kumar**  
Non-Executive Director

**Mr. Joseph Jerry Liow Yune Loy**  
Non-Executive Director

**Mr. Patrick Joseph Quinn**  
Non-Executive 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** **Mazars LLP**  
30 Old Bailey  
London  
EC4M 7AU

## **Strategic Report**

The Directors present their strategic report of Union Bank of India (UK) Ltd (“UBI UK” or “The Bank”) for the year ended 31 March 2024. UBI UK is a wholly owned subsidiary of Union Bank of India (UBI) a bank majority owned by Government of India. UBI is authorised and regulated by Reserve Bank of India. This report should be read together with the Directors Report.

### **Principal activities and business review**

UBI UK Ltd is an authorised Bank that offers retail and commercial banking services, with a focus on lending to corporate and Small and Medium Enterprises (SME) businesses, as well as related services to its customers based in the UK. The Bank is authorised in the United Kingdom by the Prudential Regulation Authority ('PRA') and is regulated by the Financial Conduct Authority ('FCA') and Prudential Regulation Authority ('PRA').

The objective of UBI UK is to provide banking services in the retail and business banking areas, with the primary target customer group being individuals and business entities in the UK. The Bank aims to be a profitable and self-sustainable UK Bank and position itself as a Bank offering services in the retail and business segments, while also contributing to the overall business goals of the parent bank. Our business strategy is shaped by the expanding global reach of the Indian economy, which has led to a rising trend of Indian companies expanding overseas, a significant population of Non-Resident Indians (NRIs), people of Indian origin worldwide, and foreign companies looking to invest in India.

### **Business Model**

The Bank's primary business activities include Commercial and Retail Banking. The Bank's focus is on providing loans to UK-based business entities across various sectors such as hospitality, student accommodation, retail, owner-occupied, commercial investments mortgages, SME, and other sectors of the economy. In addition, the Bank is active in providing loans in GBP, USD, and EURO denominations to international businesses through participation in syndicated and bilateral deals. The lending is mainly funded through well-diversified customer deposits comprising Saving, Current, and Fixed-Term Deposits. The deposit profile is managed strategically to align with the growth and maturity profile of the loan book.

Strategic direction and risk management are governed by the Board, which sets the overall vision and risk appetite for the Bank. The Bank prioritizes governance and regulatory compliance, demonstrating a steadfast commitment to upholding stability and integrity within the institution. The Bank is focused on managing risks effectively to support its long-term objective of achieving responsible growth.

## Key Performance Indicators

	2024	2023
	USD '000	USD '000
<b>Profit or Loss Account</b>		
Operating Income	16,429	14,361
Operating expenses before impairment loss allowances	(9,473)	(7,362)
Operating profit before impairment loss allowances	6,956	6,999
Impairment loss (allowances)/reversal	(5,593)	(5,066)
Profit After tax	1,488	1,866
	2024	2023
		(Restated)
	USD '000	USD '000
<b>Balance Sheet</b>		
Loans and advances to customers	339,650	317,817
Loans and advances to banks	43,027	57,971
Financial Investments	111,811	86,515
Deposit from banks	-	35,826
Deposits from customers	387,541	332,484
Shareholders' equity	116,883	113,837

## Key performance overview

In 2024, the Bank maintained a steady operating profit before impairment loss allowances of USD 6.9 million, slightly lower than the previous year's USD 7.0 Mn. However, there was a notable increase in impairment loss allowances to USD 5.6 Mn, primarily due to the movement of two new loan counterparties into stage 3. Consequently, the profit after tax declined to USD 1.5 Mn from USD 1.9 Mn in 2023.

Despite these challenges, the Bank demonstrated growth in key areas. Loans and advances to customers increased to USD 339.6 Mn, reflecting robust lending activity. Financial investments also experienced a significant uptick to USD 111.8 Mn, underscoring the Bank's commitment to diversifying its investment portfolio.

Customer deposits saw substantial growth, reaching USD 387.5 Mn and shareholders' equity exhibited a positive trajectory, rising to USD 116.9 Mn.

The loans and advances to banks and deposit from banks are used as a liquidity management tool. The loans and advances to banks reduced from USD 57.9 Mn to USD 43.0 Mn and the deposits from banks reduced to nil.

In summary, while the Bank faced challenges related to impairment loss allowances and profitability, it showcased resilience and strategic acumen. The expansion in lending activities, enhancement of the investment portfolio, and the increase in customer deposits highlight the Bank's steadfast commitment to long-term growth and stability.

**Liquidity Resources**

The Bank’s Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) was maintained well above the minimum regulatory requirement of 100% throughout the year.

**Business outlook**

The Bank’s focus is on operating in the UK, US, and India markets, and it keeps a close eye on the economic conditions in these regions to evaluate the effect on its portfolio and business strategy. Market volatility remains elevated as geopolitical tension continues to create additional upward pressure on inflation and are weighing on global economic activity. The Bank has primarily focused on navigating the rising interest rate environment and its implications for its investment and lending portfolios. Furthermore, the Board has assessed the ongoing geopolitical tensions, including conflicts in the Middle East, Ukraine, and the recent Israel-Gaza crisis, determining that these events do not directly affect the Bank. Any potential impact on the Bank is foreseen to arise from secondary factors, such as shifts in macroeconomic indicators like fluctuations in unemployment rates or GDP.

**Principal Risk and uncertainties**

The Bank’s objective in risk management is to create a sustainable and cautious environment that aligns with its mission while operating within its risk appetite. To achieve this objective, the Bank relies on its Risk Appetite Statement (RAS), which is overseen by the Chief Risk Officer (CRO) and approved by the Board. The RAS incorporates an industry standard Three Lines of Defence model that clarifies each function’s responsibilities and segregates duties across each line. This model enables each function to understand its responsibilities and how it fits into the internal control and risk management system, providing a framework for periodic risk and internal audit assurance activities. The table below outlines the primary risk types and the primary mitigations.

<p><b>Credit Risk</b></p> <p>Credit risk refers to the possibility of the Bank facing losses if a customer or counterparty fails to meet their credit obligations. This risk is not limited to loan defaults but also includes risks associated with treasury activities, acquired securities, and amounts placed with other financial institutions that may not be paid on time or may experience a drop in credit quality. It’s worth noting that credit risk can emerge from both on and off-balance sheet exposures.</p>	<p>The Bank has established detailed policies for all types of lending and investments, which are periodically reviewed and implemented in the business. Before approval, all new loans, and investments, as well as reviews of existing ones, are subject to independent oversight by the Risk team.</p> <p>To ensure compliance with the Bank’s RAS, the performance of the lending and investment portfolio is regularly monitored. The Bank takes credit mitigation measures in various forms of security, where appropriate, and guarantees to support its lending. Limits on counterparty, geographical, and sector exposure are in place to manage concentration risk.</p> <p>Credit risks are initially managed through the Credit Committee and Investment Committee, and if necessary, the matter can be escalated to the Management Committee of the Board (MCB). Additionally, an oversight structure is in place, with periodic reviews conducted by the Risk and Compliance Committee (RCC) and/or the Board.</p>
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<p><b>Liquidity Risk</b> 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.</p>	<p>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.</p> <p>The Bank manages liquidity risks, including Maturity Mismatch Risk, through the Asset Liability Committee ('ALCO'), with oversight from RCC and/or 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.</p>
<p><b>Market Risk</b> 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.</p>	<p>The Bank regularly monitors liquidity gap limits as part of interest rate risk management. The 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 cross currency swaps. Most of the Bank's risk arises from changes in interest rates and change in price of one currency against another.</p> <p>Market risks are managed initially through the ALCO, with oversight structure up to the RCC and/or Board.</p>
<p><b>Capital Risk</b> Capital risk is the risk of the Bank having insufficient capital to cover unexpected losses, meet regulatory requirement or support growth plans.</p>	<p>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.</p> <p>The Executive Management Committee (EMC) is responsible for managing capital risks on an ongoing basis, which is further having oversight structure with RCC and/or Board through periodic review.</p> <p>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.</p>

<p><b>Operational Risk</b> Operational risk is defined as the potential risk of financial loss resulting from inadequate or failed internal process, systems, people, or external events.</p>	<p>The Bank has an Operational Risk Policy and a Business Continuity Plan in place, which are periodically reviewed to enhance operational resilience. The bank's exposure to operational risk is assessed through a Risk and Control Self-Assessment (RCSA) process, as well as through risk incident reporting and tracking.</p> <p>The IT and Operation Committee (ITOC) is responsible for monitoring and managing operational risk, with additional oversight provided by the RCC and/or the Board, to which issues can be escalated.</p>
<p><b>Conduct Risk</b> The risk that the firm or an individual's behaviour will result in poor customer outcomes.</p>	<p>Senior Management is responsible for managing conduct risks and the same is monitored through EMC, with further oversight from RCC and/or Board. Appropriate conduct is integral to all aspects of the Bank's operational activities. The Bank is dedicated to collaborating with its customers and service providers to ensure that its products are straightforward, equitable, and clear. Complaints, along with a wide range of other conduct risk metrics, are closely monitored monthly at both the Executive and Board Committees. The Bank also places significant emphasis on the treatment of Vulnerable Customers.</p> <p>The Committees oversee management's preparations for the implementation of the Financial Conduct Authority's (FCA) 'Consumer Duty' in July 2023, and continues to monitor management's efforts to ensure good outcomes for retail customers.</p>

**Climate-Related Financial disclosures**

In accordance with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 and aligned with the Task Force on Climate-related Financial Disclosures (TCFD), the Bank presents its climate-related financial disclosures.

**Governance**

The Bank's governance framework for climate risk management is robust, ensuring effective oversight and strategic direction:

**Board of Directors (the Board):** Holds ultimate responsibility for the UK Climate Risk Policy, providing strategic leadership in compliance with regulatory expectations.

**Risk & Compliance Committee (RCC):** Collaborates with other committees, overseeing risk governance, including climate risk, and reporting findings to the Board.

**Audit Committee of the Board (ACB):** Assesses the adequacy of climate risk-related financial disclosures, ensuring alignment with regulatory expectations.

**Executive Management Committee:** Responsible for implementing the Climate Risk Policy and integrating it into the Bank's business strategy.



**Investment Committee (IC) and Credit Committee (CC):** Oversee investments and lending practices concerning climate risk concentrations.

### **Governance Structure**

The Chief Risk Officer (CRO) leads climate-related financial risk management, reporting findings to relevant committees and RCC which are escalated to the Board by the Chair of RCC. The CFO presents climate risk disclosures to the ACB, which are escalated to the Board by committee chairs and directors. Senior Management, including the MD & CEO, ED & COO, CFO, Head of Credit Lending, and Head of Treasury, actively participate in climate risk processes.

### **Risk Management & Metrics**

The Bank's climate risk policy focuses on four pillars:

1. **Gather Relevant Data:** Detailed requirements for real estate and corporate exposures to assess transitional and physical risks.
2. **Perform Enhanced Due Diligence:** Specific criteria and questionnaires for assessing obligors' vulnerability to climate change across various exposure types.
3. **Develop Measurement Metrics:** Metrics designed to track progress on data gathering and enhanced due diligence.
4. **Enhance Awareness:** Ongoing climate risk training for all staff.

### **Metrics and Reporting**

The Bank proposes the following metrics for assessing progress and managing climate-related risks:

- EPC Ratings Data
- Perform due diligence as part of the Credit Committee process on borrowers based on materiality of exposure to specific High Climate Risk Sectors
- Summarized Data on ESG/Climate Risk (Where Available)
- Other Areas for Exploration: Management Information (MI) using Key Risk Indicators (KRI's), Exposure to climate-sensitive assets, and Climate targets.
- Climate Risk Stress Testing: Assessing climate risk materiality at the credit exposure or portfolio level.

These metrics will enable the Bank to assess progress, manage climate-related risks, and seize climate-related opportunities in line with its size and business profile.

### **Strategy**

The Bank conducted a materiality impact analysis on climate change using the Bank of England's Climate Biennial Exploratory Scenario (CBES) framework. Corporate and real estate exposures were assessed using Gross Value Added (GVA) paths and Energy Performance Certificate (EPC) ratings, respectively. Lending practices for industries significantly impacted by climate change are expected to become more stringent over time, with ongoing monitoring of EPC ratings for real estate exposures.

Through these disclosures and strategic initiatives, the Bank remains committed to effectively managing climate-related risks and capitalizing on emerging opportunities in the evolving landscape of climate finance.

## **Section 172(1) Statement**

Under Section 172(1) of the Companies Act 2006, it is mandatory for a Director to act in good faith and prioritise the success of the Bank for the benefit of its members. The Directors are committed to the long-term well-being of the Bank and as stated in their report, consider the interests of its employees, customers, suppliers, and other stakeholders.

## **Strategic Oversight**

The Bank's Board of Directors has complete oversight of the Bank's business and operations and collaborates closely with the Bank's management team to ensure that strategic initiatives are effectively executed. With a balanced mix of independent directors and robust parental support, the Board ensures that all stakeholders are engaged in the Bank's activities.

## **Meetings**

During the year, the Board made a concerted effort to actively engage with as many stakeholders as possible. The advent of virtual meetings presented new and effective opportunities for engagement. In open sessions, the Directors met with employees to discuss the conduct and culture of the organisation. Additionally, the Directors met with various departments and teams to gain an understanding of their structure, operations, and any limitations they may have faced.

The Directors also engaged with suppliers of various products and services, both physically and virtually, to gain insights into technological advances and the growing importance of data management and security. The Board continued to meet directly with other stakeholders, particularly colleagues and regulators. Furthermore, the Board was informed of relevant stakeholder matters through management dialogue and reports. Where circumstances allowed, Board members convened for stakeholder meetings in person.

## **Doing business responsibly**

Maintaining a transparent and trustworthy relationship with our regulators is crucial to conducting our business responsibly and effectively responding to challenges. To this end, the Executive Directors, and Senior Management Functions (SMFs) met with our regulators annually to discuss strategic plans and progress. The Board aimed to balance emerging risks, performance, and its duties to shareholders, while also considering its responsibilities to support communities and assist customers in managing financial challenges and changing demands.

The Board continues to convene at regular intervals, with quarterly meetings, and implements an ongoing engagement program to ensure that it remains informed through a broad range of stakeholder activities. This approach supports the Board in fulfilling its duties and aiding decision-making as it oversees the execution of the strategy in alignment with our purpose, values, and strategic plans.

## **Employees**

The Bank's most significant asset is its employees, who are committed to providing good service to its customers. The Senior Management regularly interacts with the Bank's employees in both formal and informal settings. Additionally, the Board is regularly briefed by the Senior Management on the Bank's efforts to support and engage its employees.

During the year, the Bank allocated substantial resources towards several training initiatives for all staff. Furthermore, a diverse array of online training courses have been provided to all employees, covering topics such as cyber security, compliance, conduct matters, and customer service, among others.

These courses are designed to improve employee performance and refine the process of setting objectives. By fostering a culture of continual personal and professional development, the Bank is dedicated to empowering its staff to excel in their roles, ultimately resulting in an enhanced customer service experience.

The Bank has taken several steps to ensure a workplace culture that promotes positivity and ethics. These measures include the implementation of a clear escalation matrix and a whistle-blower mechanism, which can effectively address any concerns or issues that may arise. Additionally, the Bank regularly motivates its staff by recognizing and rewarding high performers through initiatives such as 'Employee of the Quarter' and team-building activities.

Moreover, a comprehensive review of the culture and conduct within the Bank has been undertaken, and the insights gleaned from these evaluations will be seamlessly integrated into our operations. This commitment underscores the Bank's dedication to fostering a positive workplace environment conducive to both staff and customer satisfaction. By prioritising the cultivation of a robust organisational culture, the Bank aims to fortify its foundation for long-term success and sustain its reputation as a trusted financial institution.

## **Customers**

The Bank has consistently prioritized robust customer engagement initiatives, focusing on fair treatment, and enhancing overall customer satisfaction. Executive management has actively engaged with customers, including direct communication with key clients to gain insights into their needs, gather feedback, and address any significant concerns or complaints raised.

In the past year, regulatory requirements under the Customer Duty plan were implemented by the deadline of July 31, 2023. This included conducting a gap analysis of the Bank's products and services against new FCA rules, performing price value assessments to ensure a reasonable relationship between the price paid and benefits received by customers, and creating action plans to rectify any deficiencies and ensure compliance with consumer duty requirements. As part of the Phase 2 action plan, the Bank has reviewed Terms and Conditions, Price Value, and Customer communications, designed Consumer Duty Dashboards for MI reporting to the Board, and conducted awareness exercises through training to enhance staff performance in delivering better outcomes to customers.

The Bank has established an independent framework for customer feedback surveys to measure satisfaction levels. Insights from these surveys are reported quarterly to the Board and its subcommittees, with more frequent updates provided to executive-level committees at the highest levels of the Bank. These feedbacks plays a vital role in shaping our response to evolving customer needs.

Significant progress has been made in implementing Consumer Duty requirements, demonstrated through training sessions, steering committee meetings, and ongoing development of Consumer Duty Management Information (MI). This reflects our commitment to meeting obligations and ensuring fair outcomes for customers. By staying vigilant to FCA guidance and engaging in continuous learning, we remain proactive in adapting to regulatory changes and aligning our practices accordingly.

The Bank acknowledges the diverse individual needs of our customers and strives to make banking as accessible as possible. We offer a range of face-to-face, digital, and remote options, continually expanding our delivery channels to better serve our customers. Implementation of the Consumer Duty policy remains a key business priority for the upcoming fiscal year, as we continue our efforts to deliver positive outcomes for retail customers.

## **Suppliers**

Our suppliers play a critical role in providing us with essential resources, expertise, and services that enable us to operate our business effectively and execute our strategy. We strive to maintain mutually beneficial relationships with our suppliers on both global and local levels. To this end, plans are underway to meet with more third-party service providers.

Vendor risk assessments are conducted on a semi-annual basis and presented to a Board sub-committee for oversight. The sub-committees of the Board also oversee details regarding Data Processors and Data Controllers. Additionally, the Board is provided with information on the timeliness of payments to suppliers.

Management periodically reviews outsourcing agreements and their operations, with aim of ensuring outsourcing efficiency while maintaining appropriate oversight. Furthermore, the Outsourcing policy is reviewed regularly to ensure its effectiveness.

## **Board Governance**

The Bank's Board comprises of six members, three of whom are directors from the Parent Bank, while the remaining three are UK based non-executive directors (NEDs). Two of the locally recruited directors are Independent non-executive directors (INEDs), and all seven representatives attended every Board meeting. The Board meets at least quarterly and serves as a formal platform for representatives to seek information and give feedback to other Board and committee members. The Bank has three committees at the board level, namely the Audit Committee, the Risk & Compliance Committee, and the Management Committee of Board.

## **Regulatory Environment (including operational resilience and climate change)**

The Directors understand that the Bank is required to have transparent and cooperative relationship with the FCA, PRA and other regulators and take reasonable steps to ensure that business is conducted in line with all relevant requirements and standards including an independent Compliance and Anti-Money Laundering (AML) Function. As regards to regulatory, risk & compliance matters, the Board Risk Committee has a direct oversight.

The Bank values its relationship with its regulators and recognizes the importance of maintaining transparency and open communication with them. Through Annual strategy meetings, the Executive Directors and SMFs can meet with regulators and keep them updated on the Bank's strategic plans and progress. In addition to providing any information required through formal returns, the Bank communicates openly and freely with its regulators to ensure they have all the necessary information they need. The Bank understands that regulators may require additional information, and it is committed to providing such information promptly and transparently.

## **Operational resilience**

The Bank places great importance on Operational Resilience, which is also a key focus area for UK regulators. As part of this effort, banks are required to evaluate the potential impact of severe disruptive events on their customers and the stability of the UK financial market. They should then create a Corrective Action Plan (CAP) that outlines response and recovery solutions to mitigate any negative consequences.

To comply with the Operational Resilience guidelines (PRA Supervisory Statement 1/21), the Bank has identified its Important Business Services (IBS), established Impact Tolerances for each IBS, performed Service Asset Mapping, including identifying vulnerabilities and their associated CAPs, conducted a Maturity Self-Assessment, and developed a Road Map to Scenario Testing plan on Impact Tolerances, as well as an Internal and External Communication Plan.

Additionally, the Bank has developed an Operational Resilience Framework and Maturity Self-Assessment Document by identifying potential vulnerabilities in the system and corresponding CAPs. The Bank plans to complete remediations and CAPs in phase-II of the framework within three years of transition (2022-2025).

Since March 2022, the Bank has embarked on a journey towards March 2025, focusing on several key objectives. These include conducting scenario testing to evaluate its capacity to maintain operational stability for its critical business services amidst severe yet plausible disruptions. Moreover, the Bank is actively addressing vulnerabilities that may impede the delivery of Integrated Banking Solutions (IBS) to its customers during testing phases. Following this, there will be a re-testing phase and comprehensive documentation of lessons learned from the exercises, alongside the creation and maintenance of self-assessment documents for a minimum of six years.

During Phase II, the Bank has delineated a testing plan comprising five major categories and 18 subcategories:

1. Outages stemming from Third-Party Failures.
2. Outages resulting from Internal Technology Failures.
3. Data Feed Interruptions.
4. Loss of Physical Access due to External Threats.
5. Loss of Digital Access caused by External Threats, such as cyber-attacks.

The Bank has made significant efforts to prioritise its operational resilience program and has made notable progress in meeting industry standards, particularly regarding cyber risk. The Bank is confident that all essential business services are properly defined, and impact tolerances are established and incorporated into the risk management framework through well-defined stress tests and self-evaluations. As a result, the Bank is confident in its ability to identify and manage potential impacts on customer outcomes resulting from its business operations.

### **Climate Change**

The Bank has made progress in addressing climate change as part of its short-term and long-term strategic planning. The bank has in place a Climate Risk Policy.

The Bank has incorporated climate risk considerations into various policies, including the Investment, Credit, and Outsourcing policy. Moreover, the Bank has initiated collection of climate-related data during the origination stage, working in collaboration with the Credit and Treasury departments, as part of its ongoing efforts to enhance climate risk monitoring.

The Bank's Risk Management Department has devised a comprehensive action plan for addressing climate risk, and progress is being made in implementing this plan. The objective of this initiative is to bolster the Bank's climate-related and environmental risk governance, strategy, management processes, and controls. Additionally, the Bank regularly updates the RCC on its progress in managing climate risk.

The Bank has also evaluated climate risk of its loan portfolio across all the Climate Biennial Exploratory Scenarios published by the PRA. These scenarios include Early Action, Late Action, and No Additional Action to meet the net-zero carbon dioxide emissions targets by 2050. Based on its assessment, the Bank has determined that it does not currently have any significant climate risk exposures.

This report was approved by the Board of Directors on 28<sup>th</sup> May 2024 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Arbind Choudhary'.

**Arbind Choudhary**  
Managing Director & CEO

## DIRECTOR'S REPORT

The Directors have pleasure in presenting the annual report and the audited financial statements for the year ended 31 March 2024. The financial statements have been prepared in accordance with applicable law and UK-adopted International Accounting Standards.

Union Bank of India (UK) Ltd (the Bank) is a wholly owned subsidiary of Union Bank of India (hereinafter referred to as the Parent Bank), one of the leading public-sector banks in India.

### 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. Joseph Jerry Liow Yune Loy, Independent Director appointed on 26<sup>th</sup> October 2023
- Ms. Charlotte Elisabeth Diana Morgan, Independent Director resigned on 31<sup>st</sup> January 2024.
- Mr. Nidhu Saxena, Nominee Director appointed on 03<sup>rd</sup> August 2023 and resigned on 28<sup>th</sup> March 2024.
- Mr. Rajneesh Karnatak, Nominee Director resigned on 29<sup>th</sup> April 2023
- Mr. Natesh Kumar Dayanand Shetty, Executive Director & Chief Operating Officer resigned on the 23<sup>rd</sup> October 2023.
- Mr. Rahul Kumar, Executive Director & Chief Operating Officer appointed on 06<sup>th</sup> March 2024.

### Results and Dividend

The Bank has booked a net profit after tax of USD 1.49 Mn during FY 2023-24 (2023: USD 1.86 Mn).

Total net worth attributable to equity shareholders for the year is USD 116.9 Mn (2023: USD 113.8 Mn). The increase is as a result of plough back of profits booked during the year. The Directors did not recommend the payment of a dividend in this financial year (2023: Nil).

### Business Focus and Strategy

Throughout 2023-24 we remained focused on our strategic priorities aimed at:

- Concentrating on UK based assets and sourcing through syndication channel.
- Minimising the stressed assets and building a sustainable balance sheet.
- Managing market risk in Investment portfolio.

Our strategic shift towards responsible moderate growth yielded positive results, as evidenced by our performance. We are committed to driving sustainable growth and value creation for our stakeholders while maintaining a prudent approach to risk management.

The Board of Directors set the Banks' strategy. A five-year business plan is drawn up to project growth and resource requirements, and a detailed annual budget is prepared to set short-term targets and allow progress to be monitored on a monthly basis.

### Going Concern

The financial statements are prepared on the basis of the Bank continuing as a going concern, as the Directors reasonably expect that the Bank has adequate resources to operate for at least next 12 months from the approval or signing of the financial statements, and for the foreseeable future. This assessment by the Directors incorporates a comprehensive review of various factors, including principal risks outlined in the strategic report, current and future economic conditions, the state of the balance sheet, projected profitability, cash flows, capital resources, and the long-term business strategy.

Furthermore, the Bank's capital and liquidity plans have undergone rigorous stress testing and review by the Directors, taking into account potential challenges from the UK and Indian economies. These assessments encompassed management actions against severe but plausible scenarios outlined in the Board's Internal Capital Adequacy Assessment Process (ICAAP), aligned with guidelines such as the Annual Cyclical Scenario (ACS) specified by the Bank of England. Additionally, the impact of the downgrade of India's Sovereign rating on the Bank's business and operations was evaluated.

After careful consideration of the severe financial outcomes from these scenarios and in line with the Internal Liquidity Adequacy Assessment Process (ILAAP), the Board concluded that both capital and liquidity forecasts remain compliant with regulatory requirements throughout the going concern period. Therefore, the Board determined that there is no material uncertainty regarding the Bank's ability to continue as a going concern, and it remains appropriate to prepare the financial statements on this basis.

### **Diversity and Inclusion**

The Bank considers diversity and inclusion as essential components of all its operations. It strives to establish a welcoming, respectful, and inclusive environment for colleagues, customers, and all business partners, regardless of their ethnicity, gender, disability, sexual orientation, religion, or any other distinguishing factor.

### **Supplier's Payments**

The Bank strictly adheres to the policy of meeting its payment obligations to suppliers. As part of this commitment, the Bank ensures that it pays its creditors within the agreed timeframe stipulated on the invoice.

### **Consumer Duty**

In July 2022, the FCA released enhanced expectations through "FCA Policy Statement PS22/9: A New Consumer Duty", requiring firms to evidence and deliver good customer outcomes, representing a higher bar than previous requirements to treat customers fairly. In response to this, the Bank assigned a non-executive director as Consumer Duty Champion and embedded actions derived from a Consumer Working Group into the business before the Consumer Duty implementation deadline of 31 July 2023.

The product development and governance procedures ensure that all products, related policies, and processes are assessed against customer outcomes, as part of the design, development, and approval process. The Bank's customer feedback framework ensures that customer feedback is collected consistently and is carefully considered, ensuring that the Executive Committee and Board have clear visibility of customers' views in achieving the desired outcome for the consumers.

### **Capital Structure**

The Bank has maintained an adequate capital base considering the current minimum requirements of the PRA.

The issued and fully paid-up share capital as of 31 March 2024 and 31 March 2023 is USD 150 Mn and GBP 2. There was no change in issued and paid-up share capital during the FY 2023-24. One hundred percent shares of the Bank are held by Union Bank of India, the Parent Bank.

### **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 4. Further details are also discussed on page 48- Notes to financial Statements (Notes 25).

### **Political and Charitable Donations**

The Bank did not make any political and charitable donations in this financial year (2023: Nil).

### **Directors' Indemnities**

Directors' and Officers' Liability Insurance is maintained by the Bank for all Directors.

Directors' and Officers' Liability insurance covers defence costs for the Directors in certain circumstances. All the Directors were granted specific deeds of indemnity and any Director appointed subsequently has been granted such an indemnity. This means that on their appointment, new Directors are granted an indemnity as defined in the Companies Act 2006 in respect of any third-party liabilities that they may incur because of their service by being on the Board of Union Bank of India (UK) Ltd. All Directors' indemnities were in place during the year, and it will remain in force.

### **Internal Audit**

The Board Audit Committee monitors the activities and effectiveness of Internal Audit function and agrees the audit plan and budget. At each meeting, the Internal Auditor presents a summary audit status report and report on the progress of each individual audit performed in the quarter. The Committee has regard to the level of internal audit resources applied, the implications of any audit recommendations and tracking of outstanding actions.

### **Statement as to Disclosure of Information to the Auditor**

Each of the persons who is a director on the date of approval of this annual report confirm that:

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

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

### **Statutory Auditor**

There was no change in the Auditor of the Bank for the year ended 31 March 2024. 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**

There are no material events subsequent to the financial year ended 31 March 2024.



**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 28<sup>th</sup> May 2024 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Arbind'.

**Arbind Choudhary**  
Managing Director & CEO

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 March 2024

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

Handwritten signature of Rahul Kumar in black ink.

**Rahul Kumar**  
Executive Director and COO

Handwritten signature of Arbind Choudhary in black ink.

**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 2024 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 2024 and of its profit 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 minutes of risk and compliance committee of the board, audit committee of the board, 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
<p><b>Credit risk in relation to impairment on loans and advances to customers</b></p> <p><b>Impairment provision- \$21.80 million (2023: \$16.31 million)</b></p> <p><i>[Refer to Notes 1, 11 and 25 of the financial statements]</i></p> <p>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.</p> <p>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.</p> <p>The Bank calculates ECL using an externally developed model which is complex.</p> <p>The key areas of judgement and management estimation that give rise to a significant audit risk relate to:</p> <ul style="list-style-type: none"> <li>- Utilising proxy data as a result of limited default history in estimating the probability of defaults ('PD');</li> <li>- Applying management judgement in determining the loss given default ('LGD') percentage;</li> </ul>	<p>In relation to the overall ECL process, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding of the ECL process and assessing the design and implementation of key controls;</li> <li>- 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</li> <li>- Reviewing the financial statement disclosures to ensure compliance with IFRS 9.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>- With the assistance of our in-house credit modelling specialists: <ul style="list-style-type: none"> <li>- Assessing compliance of the Bank's impairment methodology with the requirements of IFRS 9;</li> <li>- Reviewing the Bank's ECL model design, model implementation and validation procedures;</li> <li>- Challenging and assessing the reasonableness of key assumptions applied to determine PDs and LGDs including testing the completeness and accuracy of</li> </ul> </li> </ul>

<ul style="list-style-type: none"> <li>- Staging of loans and the identification of Significant Increases in Credit Risk ('SICR'); and</li> <li>- Valuation of stage 3 loans based on individual cash flow forecasts.</li> </ul> <p>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.</p>	<ul style="list-style-type: none"> <li>- key data elements that are used within the PD and LGD assumptions;</li> <li>- 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;</li> <li>- With the assistance of our in-house economists, assessing and challenging the reasonableness of economic scenarios and the probability weightings applied in the ECL model;</li> <li>- Verifying the inputs of stage 3 loans with the underlying evidence; and</li> <li>- 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.</li> </ul> <p><b>Our observations</b></p> <p>Based on the procedures performed we found that the impairment provision on loans and advances to customers as at 31 March 2024 is not materially misstated and is materially consistent with the requirements of IFRS 9.</p>
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### 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	\$1,753,000 (2023: \$1,708,000)
How we determined it	1.5% of net assets (2023: 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.

	<p>We set performance materiality at \$1,052,000 (2023: \$1,025,000), which represents 60% (2023: 60%) of overall materiality.</p> <p>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.</p>
Reporting threshold	<p>We agreed with the board audit committee that we would report to them misstatements identified during our audit above \$52,000 (2023: \$51,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.</p>

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: the regulatory and supervisory requirements of the Prudential Regulation Authority (the 'PRA') and the Financial Conduct Authority (the 'FCA').

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 the PRA and the FCA and holding discussions with the PRA;
- Inspecting minutes of the Board of Directors' meetings in the year and up to the date of signing of the financial statements;
- Attending board audit committee meetings and inspecting minutes of those minutes held during the year and up to the signing of the financial statements; and
- Discussing amongst the engagement team the laws and regulations listed above and remaining alert to any indications of non-compliance.

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 cut-off 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, including independent inspection of complaints logs;
- 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 skeptical 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 Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

Following the recommendation of the audit committee, we were appointed by the 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 three years, covering the years ended 31 March 2022 to 31 March 2024.

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 board audit committee.

#### **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 (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

30 Old Bailey, London, EC4M 7AU  
28 May 2024



**INCOME STATEMENT \***  
FOR THE YEAR ENDED 31 March 2024



	Notes	2024 USD '000	2023 USD '000
Interest and similar income	2	31,029	19,884
Interest and similar expense	3	(16,852)	(6,912)
<b>Net interest income</b>		<b>14,177</b>	<b>12,972</b>
Fees and commission income	4	712	573
Net trading income		46	(66)
Net other operating income		1,494	882
<b>Total Operating income</b>		<b>16,429</b>	<b>14,361</b>
Personnel costs	5	(4,456)	(3,881)
Depreciation and amortisation	16 & 17	(649)	(514)
Finance Cost		(304)	(149)
Other expenses	6	(4,064)	(2,818)
Operating expenses before impairment loss allowances		(9,473)	(7,362)
<b>Operating profit before impairment loss allowances</b>		<b>6,956</b>	<b>6,999</b>
Impairment loss allowances	7	(5,593)	(5,066)
Fair value gain / (loss) on Foreign Exchange Derivatives		125	(67)
<b>Profit before tax</b>		<b>1,488</b>	<b>1,866</b>
Corporation tax (charge) / credit	8	-	-
<b>Profit after tax</b>		<b>1,488</b>	<b>1,866</b>

\* There were no discontinued operations during the year

**The notes on pages 29 to 61 form part of these financial statements.**

**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 March 2024**



	<b>2024</b> <b>USD '000</b>	<b>2023</b> <b>USD '000</b>
Total Profit for the year attributable to equity shareholder	<u>1,488</u>	<u>1,866</u>
<b>Other comprehensive income / (expense) net of tax</b>		
Items that may be reclassified subsequently to profit or loss		
- Fair value gain / (loss) on FVTOCI debt instruments	<u>1,558</u>	<u>(1,273)</u>
<b>Net other comprehensive expenses</b>	<u><b>1,558</b></u>	<u><b>(1,273)</b></u>
<b>Total comprehensive income attributable to equity shareholders for the year</b>	<u><b>3,046</b></u>	<u><b>593</b></u>

The notes on pages 29 to 61 form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

AS AT 31 March 2024



	Notes	2024 USD '000	2023 (Restated) USD '000
<b>Assets</b>			
Cash and cash equivalents	9	8,336	18,856
Financial assets at amortised cost:			
- Loans and advances to Banks	10	43,027	57,971
- Loans and advances to customers	11	339,650	317,817
- Financial investments	12	4,983	6,875
Financial assets at FVTPL:			
- Financial investments	15.1	3,270	2,232
- Derivative financial instruments	13	-	224
Financial assets at FVOCI:			
- Financial investments	14	103,558	77,408
Property, plant and equipment	16	5,207	239
Intangible assets	17	71	132
Other assets	19	1,402	700
<b>Total Assets</b>		<b>509,504</b>	<b>482,454</b>
<b>Liabilities</b>			
Financial liabilities at amortised cost:			
- Deposits from Banks	20	-	35,826
- Deposits from customers	21	387,541	332,484
Financial Liabilities at FVTPL:			
- Derivative financial instruments	13	194	-
Provisions		172	113
Other liabilities	22	4,714	194
<b>Total Liabilities</b>		<b>392,621</b>	<b>368,617</b>

## STATEMENT OF FINANCIAL POSITION

AS AT 31 March 2024



	Notes	2024 USD '000	2023 (Restated) USD '000
<b>Equity</b>			
Share capital	23	150,000	150,000
Fair value reserves		(3,024)	(4,582)
Accumulated losses		(30,093)	(31,581)
<b>Total Shareholder's equity</b>		<b>116,883</b>	<b>113,837</b>
<b>Total Equity and liabilities</b>		<b>509,504</b>	<b>482,454</b>

The notes on pages 29 to 61 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 28th May 2024.

**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 2024



	Notes	Issued capital USD '000	Fair value reserves USD '000	Retained earnings USD '000	Total equity USD '000
Balance as at 1 April 2023	24	150,000	(4,582)	(31,581)	113,837
<b>Total Comprehensive Profit</b>		-	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		<b>150,000</b>	<b>(3,024)</b>	<b>(30,093)</b>	<b>116,883</b>

	Notes	Issued capital USD '000	Fair value reserves USD '000	Retained earnings USD '000	Total equity USD '000
Balance as at 1 April 2022	24	150,000	(3,309)	(33,447)	113,244
Total Comprehensive profit / (loss)		-	(1,273)	1,866	593
Profit for the year		-	-	1,866	1,866
Other Comprehensive Loss		-	(1,273)	-	(1,273)
Balance as at 31 March 2023 attributable to shareholders of the Bank		<b>150,000</b>	<b>(4,582)</b>	<b>(31,581)</b>	<b>113,837</b>

The notes on pages 29 to 61 form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 March 2024



	Notes	2024 USD '000	2023 (Restated) USD '000
<b>Cash flows from operating activities</b>			
Profit before tax for the year		1,488	1,866
<b>Adjustments to reconcile profit from operations:</b>			
Interest Income	2	(31,029)	(19,884)
Interest Expense	3	16,852	6,912
Amortisation of intangible non-current asset	17	62	83
Impairment loss allowances		5,593	5,066
Depreciation for property, plant and equipment	16	587	431
FV movement in derivatives		(125)	67
Effects of exchange rate changes on cash and cash equivalents		122	148
FV movement of investments at FVTPL		(1,038)	(782)
Finance Charge on Lease	22	166	10
<b>Cash flows before changes in working capital</b>		<b>(8,811)</b>	<b>(7,949)</b>
<b>Movement in working capital</b>			
(Increase) / Decrease in receivables & prepayments		(702)	747
(Increase) / Decrease in other liabilities		794	(146)
<b>Change in working capital</b>		<b>92</b>	<b>601</b>
<b>Cash flows from operating activities</b>			
Increase in loans and advances to customers		(24,458)	(34,904)
Interest received on loans and advances to customers		22,218	14,354
Decrease / (Increase) in loans and advances to banks		15,018	(38,776)
Interest received on loans and advances to banks		3,509	1,464
Increase in deposits from customers		47,737	53,780
Interest paid on deposits from customers		(8,478)	(2,832)
Decrease / (Increase) in derivative financial instruments - Assets		224	(224)
Increase / (Decrease) on derivative financial instruments - Liab.		316	(654)
		<b>56,086</b>	<b>(7,792)</b>
<b>Net cash flows from/ (used in) operating activities (A)</b>		<b>48,856</b>	<b>(13,274)</b>
<b>Cash flows from investing activities</b>			
Acquisition of Investments - FVOCI		(24,308)	(2,692)
Proceeds from Investments - Amortised cost		1,892	4,921
Interest received on Investments		1,980	1,698
Acquisition of property, plant and equipment		(1,745)	(25)
Acquisition of intangible assets		-	(64)
<b>Net cash flows (used in) / from investing activities (B)</b>		<b>(22,181)</b>	<b>3,838</b>
<b>Cash flows from financing activities</b>			
Proceeds from Inter Bank borrowings		-	35,000
Repayment of Inter Bank borrowings		(35,000)	(6,000)
Interest Paid on Inter bank borrowings		(1,880)	(124)
Repayment of Repurchase agreements		-	(5,145)
Interest Paid on Repurchase agreements		-	(29)
Repayment of Lease	22	(193)	(432)
<b>Net cash flows (used in) / from financing activities (C)</b>		<b>(37,073)</b>	<b>23,270</b>
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>		<b>(10,399)</b>	<b>13,834</b>
<b>Cash and cash equivalents at beginning of the year</b>			
Effects of exchange rate changes on cash and cash equivalents		(122)	(148)
<b>Cash and cash equivalents at close of the year</b>	9	<b>8,336</b>	<b>18,856</b>
<b>The notes on pages 29 to 61 form part of these financial statements.</b>			

## 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 12.

### 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.

In previous accounting periods the Bank presented loan fees charged to customers as other liabilities. As required by IAS 8, such transactions costs should be factored into (i.e. adjusted against) the initial measurement of the loan receivable recognised. Therefore, the balance sheet comparatives for 2023 have been restated accordingly resulting in a reduction in loans and advances to customers and other liabilities of USD1.15m. There was no impact arising from the restatement to the result for the period or net assets.

### 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 26). 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 2024

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 2024

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**

Interest and similar income comprises interest income on financial instruments measured at amortised cost and FVOCI. Interest expense and similar charges comprises interest expense on financial liabilities measured at amortised cost.

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. As of now, the Bank does not have Dividend income.

**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

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

- **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.

**1.9.12 Definition of Default**

A facility is considered as "default" when:

- The facility is 3-month past due; or
  - "Unlikelihood 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.

**1.14 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.

**1.15 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.

**1.15.1 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.

**1.15.2 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.

**1.15.3 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.

**1.15.4 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 of Downgrade, as they are Historic indicators) are derived for the following five clusters on the basis of external available data and the Bank's portfolio: -

- Great Britain
- India
- United States
- Oil Producing Countries
- Rest of the World

The ECL provision of USD 2.2 Mn on stage 1 and 2 assets are sensitive to the movement in the above parameters which are input into the ECL model. An average shift of 6% on the selected economic indicators, result in a +/- USD 303k impact on provision.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



**2 Interest and Similar Income**

	2024 USD '000	2023 USD '000
Interest income from loans - Amortised cost	25,093	16,575
Interest income from investments - FVOCI	2,165	1,515
Interest income from investments - Amortised cost	188	317
Interest income on interbank placements - Amortised cost	3,583	1,477
	<b>31,029</b>	<b>19,884</b>

**3 Interest and Similar Expense**

	2024 USD '000	2023 USD '000
Interest expenses on deposit from customers	15,798	5,949
Interest expenses on deposit from banks	1,054	934
Interest expenses on Intra-group borrowings	-	5
Interest expenses on Repurchase agreements	-	24
	<b>16,852</b>	<b>6,912</b>

**4 Fees and Commission Income**

	2024 USD '000	2023 USD '000
Processing fees and commission	712	573
	<b>712</b>	<b>573</b>

**5 Personnel Costs**

	2024 USD '000	2023 USD '000
Wages and salaries (including Directors' emoluments)	3,722	3,317
Social security costs	449	325
Pension contribution	177	114
Other employee benefits	108	125
	<b>4,456</b>	<b>3,881</b>

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

	2024 Number	2023 Number
Commercial and retail banking activities	34	32

**Directors' Emoluments**

	2024 USD '000	2023 USD '000
Emoluments	549	445
Post-employment benefits (Defined Contribution)	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	-	-
	<b>549</b>	<b>445</b>

**Highest Paid Director:**

	2024 USD '000	2023 USD '000
Emoluments	190	137
Pension contributions	-	-
	<b>190</b>	<b>137</b>

**6 Other Expenses**

	2024 USD '000	2023 USD '000
Other premises costs	659	170
IT costs	859	718
Other administrative expenses	830	594
Legal and professional costs	1,716	1,336
	<b>4,064</b>	<b>2,818</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



**Other Expenses (Contd.)**

**Legal and Professional Costs include the following:**

Auditor's remuneration - Auditing of Financial Statements	368	319
Auditor's remuneration - other services	-	-
	<u>368</u>	<u>319</u>

The above amount is exclusive of taxes.

**7 Impairment Loss Allowance**

	2024 USD '000	2023 USD '000
Loans & Advances to customers	5,500	4,985
Financial Investments	90	69
Other Financials Instruments	3	12
	<u>5,593</u>	<u>5,066</u>

**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.

	2024 USD '000	2023 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	<u>-</u>	<u>-</u>
Total tax (charge) / credit	<u>-</u>	<u>-</u>

**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:-

	2024 USD '000	2023 USD '000
Profit/(Loss) on ordinary activities before tax	<u>1,489</u>	<u>1,866</u>
Standard rate of corporation tax in the UK	25.0%	19.0%
Tax credit at the domestic income tax rate	372	354
Effects of:	-	-
Reversal of DTA for prior years	-	-
Tax effect of non - deductible depreciation	1	7
Tax effect of other non - deductible expenses/non-taxable	13	7
Tax effect of rate changes	-	8
Unutilised losses	(84)	(344)
Deferred tax not recognised	(302)	(32)
Adjustment in respect of prior years	-	-
Total tax (charge) / credit for the year	<u>-</u>	<u>-</u>

	2024 USD '000	2023 USD '000
Tax (credit) / expense relating to change in fair value of Investment measured at OCI	<u>390</u>	<u>(242)</u>

**Factors that may affect Future Tax Charges: Nil**

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



**9 Cash and Cash Equivalents**

	2024 USD '000	2023 USD '000
Cash on hand	19	12
Cash at Bank of England	4,516	12,291
Cash at Bank	3,801	6,553
	<u>8,336</u>	<u>18,856</u>

**10 Loans and advances to banks**

	2024 USD '000	2023 USD '000
Interbank placements	43,040	57,983
Gross	<u>43,040</u>	<u>57,983</u>
Less: Impairment provision	(13)	(12)
Net	<u>43,027</u>	<u>57,971</u>

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:

	2024 USD '000	2023 USD '000
As at 1st April	(12)	(1)
Impairment loss allowances for the year	(1)	(11)
As at 31st March	<u>(13)</u>	<u>(12)</u>

**11 Loans and Advances to Customers**

	2024 USD '000	2023 (Restated) USD '000
Term loan	338,550	324,836
Working Capital / Overdraft	23,777	10,440
Gross	<u>362,327</u>	<u>335,276</u>
Less: Impairment provision	(21,807)	(16,307)
Less: Unamortized portion of processing fees	(870)	(1,152)
Net	<u>339,650</u>	<u>317,817</u>

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

	2024 USD '000	2023 USD '000
Loans and advances to customers	<u>340,789</u>	<u>337,094</u>

Fair value of loans and advances to customers is calculated using non- observable market data (Level 3). The staging of loans and advances to customer is detailed in Note 25.

**12 Financial Investment at Amortised Cost**

	2024 USD '000	2023 USD '000
<b>Quoted Investments</b>		
Corporate Bonds	4,988	6,880
Gross	<u>4,988</u>	<u>6,880</u>
Less: Impairment provision	(5)	(5)
Net	<u>4,983</u>	<u>6,875</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



**Financial Investment at Amortised Cost (Contd.)**

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

	2024 USD '000	2023 USD '000
As at 1st April	(5)	(2)
Impairment loss allowances for the year	-	(3)
As at 31st March	<u>(5)</u>	<u>(5)</u>

**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.

Derivatives used as:	31-Mar-24		Notional amount USD '000
	Assets USD '000	Liabilities USD '000	
Currency swaps	-	(194)	71,182
	<u>-</u>	<u>(194)</u>	<u>71,182</u>
	31-Mar-23		Notional amount USD '000
	Assets USD '000	Liabilities USD '000	
Currency swaps	224	-	16,904
	<u>224</u>	<u>-</u>	<u>16,904</u>

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**

	2024 USD '000	2023 USD '000
<b>Quoted Investments</b>		
Government debt securities	31,553	27,626
Other securities	72,005	49,782
	<u>103,558</u>	<u>77,408</u>

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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2024



### 15.1 Financial Instruments

The table below sets out the carrying value of the Company's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9 as at 31 March 2024.

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

	FVTOCI assets / liabilities USD '000	FVTPL assets / liabilities USD '000	Amortised cost (Restated) USD '000	Total (Restated) USD '000
<b>At 31 March 2023</b>				
<b>Assets</b>				
Cash and cash equivalents	-	-	18,856	18,856
Loans and advances to Banks	-	-	57,971	57,971
Amounts receivable from customers	-	-	317,817	317,817
Financial investments	77,408	2,232	6,875	86,515
Derivative assets	-	224	-	224
<b>Total Financial assets</b>	<b>77,408</b>	<b>2,456</b>	<b>401,519</b>	<b>481,383</b>
<b>Liabilities</b>				
Bank borrowing	-	-	35,826	35,826
Customer deposits	-	-	332,484	332,484
Other Liabilities and Provisions	-	-	307	307
<b>Total Financial liabilities</b>	<b>-</b>	<b>-</b>	<b>368,617</b>	<b>368,617</b>

### 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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 March 2024

**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:

	<b>31 March 2024</b>		
	<b>Quoted market prices (Level 1)</b>	<b>Valuation techniques using observable market data (Level 2)</b>	<b>Valuation techniques using non-observable market data (Level 3)</b>
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
<b>Financial Assets</b>			
Financial investments – FVOCI	103,558	-	-
Financial investments – FVTPL	2,108	-	1,162
	<b>105,666</b>	<b>-</b>	<b>1,162</b>
<b>Financial Liabilities</b>			
Derivative financial instruments	-	194	-
	-	194	-
	<b>31 March 2023</b>		
	<b>Quoted market prices (Level 1)</b>	<b>Valuation techniques using observable market data (Level 2)</b>	<b>Valuation techniques using non-observable market data (Level 3)</b>
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
<b>Financial Assets</b>			
Derivative financial instruments	-	224	-
Financial investments – FVOCI	77,408	-	-
Financial investments – FVTPL	1,203	-	1,029
	<b>78,611</b>	<b>224</b>	<b>1,029</b>
<b>Financial Liabilities</b>			
Derivative financial instruments	-	-	-
	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



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

**Movements in Level 3 financial instruments measured at fair value**

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

  

	<b>31 March 2023</b>		
	<b>As at 31 March 2022</b>	<b>Revaluation Profit / (Loss)</b>	<b>As at 31 March 2023</b>
	<b>USD '000</b>	<b>USD '000</b>	<b>USD '000</b>
Financial investments – FVTPL	885	144	1,029

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**

	<b>Right to Use Asset &amp; Leasehold Improvement USD '000</b>	<b>Furniture &amp; equipment USD '000</b>	<b>Computer hardware USD '000</b>	<b>Total USD '000</b>
<b>Cost</b>				
As at 31 March 2022	2,054	363	283	2,700
Additions	-	5	20	25
As at 31 March 2023	<b>2,054</b>	<b>368</b>	<b>303</b>	<b>2,725</b>
Additions	5,384	82	95	5,561
Disposals	(2,054)	(226)	-	(2,280)
<b>As at 31 March 2024</b>	<b>5,384</b>	<b>224</b>	<b>398</b>	<b>6,006</b>
<b>Cumulative depreciation</b>				
As at 31 March 2022	(1,505)	(305)	(245)	(2,055)
Depreciation charge	(396)	(11)	(24)	(431)
As at 31 March 2023	<b>(1,901)</b>	<b>(316)</b>	<b>(269)</b>	<b>(2,486)</b>
Depreciation charge	(524)	(19)	(44)	(587)
Disposals	2,054	220	-	2,274
<b>As at 31 March 2024</b>	<b>(371)</b>	<b>(115)</b>	<b>(313)</b>	<b>(799)</b>
<b>Net book value</b>				
As at 31 March 2023	153	52	34	239
<b>As at 31 March 2024</b>	<b>5,013</b>	<b>109</b>	<b>85</b>	<b>5,207</b>

\* The Bank has vacated the premises at 85, Senator House on 25th of November 2023. Most of the fixed assets at the premises have been fully depreciated and assets like Computer Hardware and software have been shifted to the new premises.

There are certain items of furniture and fixtures which could not be shifted because of the nature of fittings and these were written off.

The amount booked as expense in the books as a result of short term extension of lease for the Senator House premises is USD 0.15 Mn.



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



**17 Intangible Assets**

	<b>Capitalised software</b>
	<b>USD '000</b>
<b>Cost</b>	
As at 31 March 2022	760
Additions	64
<b>As at 31 March 2023</b>	<b>824</b>
Additions	-
<b>As at 31 March 2024</b>	<b>824</b>
<b>Amortisation</b>	
As at 31 March 2022	(609)
Amortisations for the period	(83)
<b>As at 31 March 2023</b>	<b>(692)</b>
Amortisation charge for the year	(61)
<b>As at 31 March 2024</b>	<b>(753)</b>
<b>Carrying value</b>	
<b>As at 31 March 2023</b>	<b>132</b>
<b>As at 31 March 2024</b>	<b>71</b>

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 USD 31.6 Mn 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 FVTOCI as of 31 March 2024. 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 has accumulated losses as at the reporting date and against which the DTA is not proposed, due to the reasons mentioned above.

**19 Other Assets**

	<b>2024</b>	<b>2023</b>
	<b>USD '000</b>	<b>USD '000</b>
Other receivables	547	521
Capital Work in progress	92	-
Prepayments and accrued income	763	179
	<u>1,402</u>	<u>700</u>

**20 Deposits from Banks**

	<b>2024</b>	<b>2023</b>
	<b>USD '000</b>	<b>USD '000</b>
Interbank borrowings	-	35,826
	<u>-</u>	<u>35,826</u>

Note: - The carrying value of Deposits from banks is not materially different to the fair value.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



**21 Deposits from Customers**

	2024 USD '000	2023 USD '000
Current accounts	6,411	6,442
Savings accounts	2,659	3,657
Fixed term deposits	378,471	322,385
	387,541	332,484

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

	2024 USD '000	2023 USD '000
Deposits from Customers	386,890	330,519
Fair value of Deposits from customers is calculated using non- observable market data (Level 3).		

**22 Other Liabilities**

	2024 USD '000	2023 (Restated) USD '000
Accruals and other liabilities (including lease liabilities)	4,714	194
	4,714	194

Other liabilities include funds received from a loans counterparty of USD 0.6 Mn, which have not been adjusted pending Anti Money Laundering checks and the same will subsequently be deducted from Loans and advances to Customers.

Lease liabilities

Opening lease liabilities	4	426
Add: New Lease during the year	3,645	-
Add: Finance charge for year	166	10
Less: Payments made towards lease liability	(193)	(432)
Closing Lease Liability	3,622	4

Within one year*	309	4
More than one year*	3,313	-
	3,622	4

\*The ageing includes interest/ finance charge.

**23 Share Capital**

	2024 Number	2023 Number	2024 USD '000	2023 USD '000
<b>Authorised Capital</b>				
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
<b>Issued and fully paid</b>				
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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



**24 Other Commitments and Contingencies**

Commitments in respect of financial instruments are as follows:

	<b>2024</b>	<b>2023</b>
	<b>USD '000</b>	<b>USD '000</b>
Foreign exchange - Assets	71,413	17,075
Foreign exchange - Liabilities	71,607	16,851
Bank guarantee	145	142
Undrawn committed facilities	6,090	12,776

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: -

	<b>2024</b>	<b>2023</b>
	<b>USD '000</b>	<b>USD '000</b>
• Neither past due nor overdue	290,852	286,899
• Overdue but not default	19,502	8,079
• Default	51,973	40,298
<b>Gross</b>	<b>362,327</b>	<b>335,276</b>

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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2024



### Principal Risks (Contd.)

#### Credit risk (Contd.)

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.

During this financial year, four loan assets were downgraded to Stage 3 on account of experiencing default. Recovery of USD 15K has been made during the year. Specific impairment loss for Stage 3 stood at USD 19.7 Mn (including interest thereon) as on 31 March 2024.

Contractual cash flow of one stage 3 account have been modified (renegotiated). The Bank has recalculated the gross carrying amount as the present value of renegotiated cash flow discounted at the original effective interest rate resulting in modification gain of USD 1.3 mn. The repayment of principle and interest has not yet started therefore this amount has been not booked.

### IFRS 9 Credit Quality

Loans and advances to customers	2024	2023 (Restated)
	USD '000	USD '000
Gross Exposure	362,327	335,276
Less:- Loan loss provision	(21,807)	(16,307)
Less: Unamortized portion of processing fees	(870)	(1,152)
<b>Net Exposure</b>	<b>339,650</b>	<b>317,817</b>

#### Maximum Exposure to Credit Risk

#### Financial Instruments (excluding Derivatives)

#### Financial Assets at Fair Value Through Profit or Loss:

	2024	2023
	USD '000	USD '000
Financial Investments	3,270	2,232

#### Financial Assets at Amortised Cost:

	2024	2023
	USD '000	USD '000
Loans and advances to customers (gross)	362,327	335,276
Financial investments	4,988	6,880
Loans and advances to Banks	43,039	57,983
Other financial assets at amortised cost	8,336	18,856
<b>Total</b>	<b>418,690</b>	<b>418,995</b>

#### Financial Assets at Fair Value Through Other Comprehensive Income:

	2024	2023
	USD '000	USD '000
Financial investments	103,558	77,408

**Total** **525,518** **498,635**

#### Analysis of Financial Instruments (excluding Derivatives)

	2024	2023
	USD '000	USD '000
Due within one year	170,194	178,263
Due in more than one year	355,324	320,371
<b>Total</b>	<b>525,518</b>	<b>498,634</b>

#### Particulars

	2024	2023
	USD '000	USD '000
Neither past due nor overdue	454,043	450,257
Overdue but not default	19,502	8,079
Default	51,973	40,298
<b>Total</b>	<b>525,518</b>	<b>498,634</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2024



### Principal Risks (Contd.)

#### Credit risk (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)
<b>Net amounts receivable</b>	<b>289,076</b>	<b>19,153</b>	<b>32,291</b>	<b>340,520</b>

##### Loans and advances to customers as at 31 March 2023

Particulars	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
Gross carrying amount	286,278	8,700	40,298	335,276
Impairment provision	(789)	(48)	(15,470)	(16,307)
<b>Net amounts receivable</b>	<b>285,489</b>	<b>8,652</b>	<b>24,828</b>	<b>318,969</b>

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
<b>Gross carrying amount as at 1st April 2023</b>	<b>286,278</b>	<b>8,700</b>	<b>40,298</b>	<b>335,276</b>
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	-	-	-	-
Transfer from stage 3 to 1	-	-	-	-
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)
Recovery from Credit Impaired Assets	-	-	-	-
Write off of Credit Impaired Assets	-	-	-	-
<b>Gross carrying amount as at 31 March 2024</b>	<b>290,851</b>	<b>19,503</b>	<b>51,973</b>	<b>362,327</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



**Principal Risks (Contd.)**

**Credit risk (Contd.)**

Particulars	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
<b>ECL Provision as at 1 April 2023</b>	<b>789</b>	<b>48</b>	<b>15,470</b>	<b>16,307</b>
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	-	-	-	-
Transfer from stage 3 to 1	-	-	-	-
Net re-measurement of ECL arising from transfer of stage**	-	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	-	-	-	-
<b>ECL Provision as at 31 March 2024</b>	<b>1,776</b>	<b>349</b>	<b>19,682</b>	<b>21,807</b>

Loans to Customers	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
<b>Gross carrying amount as at 1st April 2022</b>	<b>256,441</b>	<b>6,689</b>	<b>41,018</b>	<b>304,148</b>
Transfer from stage 1 to 2	(8,080)	8,080	-	-
Transfer from stage 1 to 3	(3,821)	-	3,821	-
Transfer from stage 2 to 1	777	(777)	-	-
Transfer from stage 2 to 3	-	(2,972)	2,972	-
Transfer from stage 3 to 2	-	-	-	-
Transfer from stage 3 to 1	-	-	-	-
*New receivables originated or purchased	124,722	-	-	124,722
Increase / (decrease) in stage 3 Interest	-	-	2,513	2,513
Net Repayments of loans	(83,761)	(2,320)	(1,246)	(87,327)
Recovery from Credit Impaired Assets	-	-	(2,813)	(2,813)
Write off of Credit Impaired Assets	-	-	(5,967)	(5,967)
<b>Gross carrying amount as at 31 March 2023</b>	<b>286,278</b>	<b>8,700</b>	<b>40,298</b>	<b>335,276</b>

Particulars	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
<b>ECL Provision as at 1 April 2022</b>	<b>1,892</b>	<b>611</b>	<b>14,815</b>	<b>17,318</b>
Transfer from stage 1 to 2	(35)	35	-	-
Transfer from stage 1 to 3	-	-	-	-
Transfer from stage 2 to 1	40	(40)	-	-
Transfer from stage 2 to 3	-	(400)	400	-
Transfer from stage 3 to 2	-	-	-	-
Transfer from stage 3 to 1	-	-	-	-
New receivables originated or purchased	225	-	-	225
Increase / (decrease) in stage 3 Interest	-	-	2,513	2,513
Net Repayments of loans	(43)	(38)	(2,023)	(2,104)
Recovery from Credit Impaired Assets	-	-	-	-
Write off of Credit Impaired Assets	-	-	(5,996)	(5,996)
Methodology, model and assumption change*	(1,290)	(120)	5,761	4,351
<b>ECL Provision as at 31 March 2023</b>	<b>789</b>	<b>48</b>	<b>15,470</b>	<b>16,307</b>

\*This includes the PMAs recognised by the Bank in 2021-22

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2024



### Principal Risks (Contd.)

#### Credit risk (Contd.)

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

	2024	2023
	USD '000	USD '000
Forbearance / Rescheduled loans:		
Term loan	19,502	18,066
	<b>19,502</b>	<b>18,066</b>

The below tables provides detail on the staging of rescheduled loans as at 31 March 2024:

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

The below tables provides detail on the staging of rescheduled loans as at 31 March 2023:

	Stage 1 USD '000	Stage 2 USD '000	Total USD '000
<b>As at 31 March 2023</b>			
Term loan	18,066	-	18,066
Overdraft	-	-	-
Other Loans	-	-	-
<b>Gross carrying amount</b>	<b>18,066</b>	-	<b>18,066</b>
Term loan	33	-	33
Overdraft	-	-	-
Other Loans	-	-	-
<b>Impairment provision</b>	<b>33</b>	-	<b>33</b>
Term loan	18,033	-	18,033
Overdraft	-	-	-
Other Loans	-	-	-
<b>Net amounts receivable</b>	<b>18,033</b>	-	<b>18,033</b>

#### 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

	2024 USD '000	2023 USD '000
Security coverage=0%	58,290	48,074
Security coverage>0%<=50%	21,811	36,465
Security coverage>50%<=100%	25,813	19,575
Security coverage>100%	256,413	231,162
<b>Total</b>	<b>362,327</b>	<b>335,276</b>

Security coverage above is calculated as value of collateral to loan exposure for the respective accounts.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2024



### Principal Risks (Contd.)

#### Credit risk (Contd.)

Bifurcation of loan book according to available security is give below:

	2024	2023
	USD '000	USD '000
Secured	304,037	287,202
Unsecured	58,290	48,074
<b>Total</b>	<b>362,327</b>	<b>335,276</b>
	<b>Exposure</b>	<b>Collateral</b>
	<b>USD '000</b>	<b>USD '000</b>
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
	<b>362,327</b>	<b>879,644</b>
	<b>Exposure</b>	<b>Collateral</b>
	<b>USD '000</b>	<b>USD '000</b>
Stage 1 Assets (Standard Advances)	286,278	376,790
Stage 2 Assets (Assets having experienced SICR)	8,700	9,435
Stage 3 Assets (Default Assets)	40,298	452,692
	<b>335,276</b>	<b>838,917</b>

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.

	2024	2023
	Exposure	Exposure
	USD '000	USD '000
Stage 1 Assets (Standard Advances)	290,852	286,278
Stage 2 Assets (Assets having experienced SICR)	19,502	8,700
Stage 3 Assets (Default Assets)	51,973	40,298
	<b>362,327</b>	<b>335,276</b>

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:

#### 2024

##### Investment Securities

	Gross Carrying Amount			Total
	Stage 1	Stage 2	Stage 3	
	USD '000	USD '000	USD '000	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	-	-	-	-
	<b>111,815</b>	<b>-</b>	<b>-</b>	<b>111,815</b>
	<b>ECL*</b>			
	Stage 1	Stage 2	Stage 3	Total
	USD '000	USD '000	USD '000	USD '000
AAA to AA-	5	-	-	5
A+ to A-	25	-	-	25
BBB+ to BBB-	145	-	-	145
BB+ and below	-	-	-	-
	<b>175</b>	<b>-</b>	<b>-</b>	<b>175</b>

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2024



### Principal Risks (Contd.)

#### Credit risk (Contd.)

##### Loans and advances to banks

	Gross Carrying Amount			Total USD '000
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	17,937	-	-	17,937
BB+ and below	25,103	-	-	25,103
	<b>43,040</b>	-	-	<b>43,040</b>

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

##### Loans and advances to customers including loan commitments

	Gross Carrying Amount			Total USD '000
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 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
	<b>292,099</b>	<b>19,502</b>	<b>51,973</b>	<b>363,574</b>

	ECL			Total USD '000
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 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
	<b>1,776</b>	<b>349</b>	<b>19,682</b>	<b>21,807</b>

### 2023

#### Investment Securities

	Gross Carrying Amount			Total USD '000
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	
AAA to AA-	30,253	-	-	30,253
A+ to A-	16,598	-	-	16,598
BBB+ to BBB-	39,668	-	-	39,668
BB+ and below	-	-	-	-
	<b>86,519</b>	-	-	<b>86,519</b>

	ECL*			Total USD '000
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	
AAA to AA-	2	-	-	2
A+ to A-	12	-	-	12
BBB+ to BBB-	68	-	-	68
BB+ and below	-	-	-	-
	<b>82</b>	-	-	<b>82</b>

\*Includes loss allowance of USD 77K recognised in fair value reserve.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2024



### Principal Risks (Contd.)

#### Credit risk (Contd.)

##### Loans and advances to banks

	Gross Carrying Amount			Total USD '000
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	47,965	-	-	47,965
BB+ and below	10,018	-	-	10,018
	<b>57,983</b>	-	-	<b>57,983</b>

	ECL			Total USD '000
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	5	-	-	5
BB+ and below	7	-	-	7
	<b>12</b>	-	-	<b>12</b>

##### Loans and advances to customers including loan commitments

	Gross Carrying Amount			Total USD '000
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	
AAA to AA-	12,106	-	-	12,106
A+ to A-	41,805	-	-	41,805
BBB+ to BBB-	225,324	8,823	-	234,147
BB+ and below	9,503	-	40,298	49,801
	<b>288,738</b>	<b>8,823</b>	<b>40,298</b>	<b>337,859</b>

	ECL			Total USD '000
	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	
AAA to AA-	1	-	-	1
A+ to A-	16	-	-	16
BBB+ to BBB-	600	48	-	648
BB+ and below	172	-	15,470	15,642
	<b>789</b>	<b>48</b>	<b>15,470</b>	<b>16,307</b>

#### 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	2024	2023	2024	2023
	Exposure USD '000	Exposure USD '000	% of Total	% of Total
United Kingdom	182,767	231,819	34.8%	46.5%
India	131,908	67,498	25.1%	13.5%
United States of America	73,408	71,026	14.0%	14.2%
Singapore	21,352	20,109	4.1%	4.0%
United Arab Emirates	20,908	31,414	4.0%	6.3%
Jersey	17,735	17,357	3.4%	3.5%
Mauritius	17,049	15,823	3.2%	3.2%
Finland	16,308	16,416	3.1%	3.3%
Switzerland	16,000	-	3.0%	0.0%
Virgin Islands, British	11,943	12,336	2.3%	2.5%
Saudi Arabia	5,778	-	1.1%	0.0%
Indonesia	5,733	7,972	1.1%	1.6%
Philippines	4,629	-	0.9%	0.0%
South Africa	-	6,656	0.0%	1.3%
Belgium	-	209	0.0%	0.0%
	<b>525,518</b>	<b>498,635</b>	<b>100%</b>	<b>100.0%</b>

The above included all Financial assets of the Bank.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



**Principal Risks (Contd.)**  
**Credit Risk (Contd.)**  
**Industrywide profile\***

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

	2024	2023
	Exposure USD '000	Exposure USD '000
Accommodation And Food Service Activities	30,468	32,174
Administrative And Support Service Activities	27,681	25,895
Construction	13,511	12,769
Financial and Insurance activities	40,295	19,043
Human Health And Social Work Activities	16,311	20,163
Information And Communication	20,612	14,584
Manufacturing	31,576	36,760
Real Estate	149,299	149,835
Others	32,574	24,053
	<b>362,327</b>	<b>335,276</b>

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

**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	
	2024 USD '000	2023 USD '000	2024 USD '000	2023 USD '000
On Demand	628	2,664	351	468
Due within 3 months	88,559	97,459	29,685	8,871
Due between 3 to 12 months	113,350	99,017	262,026	195,320
Due between 1 to 5 years	444,957	369,642	86,410	116,594
Due after 5 years	9,942	4,616	-	-
<b>Total</b>	<b>657,436</b>	<b>573,398</b>	<b>378,472</b>	<b>321,253</b>
			Derivative financial asset/ (liabilities)	
			2024 USD '000	2023 USD '000
On Demand			-	-
Due within 3 months			-	-
Due between 3 to 12 months			(194)	224
Due between 1 to 5 years			-	-
Due after 5 years			-	-
<b>Total</b>			<b>(194)</b>	<b>224</b>

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.

**Principal Risks (Contd.)**

**Liquidity risk (Contd.)**

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:

	Assets		Liabilities	
	2024	2023	2024	2023
	USD '000	USD '000	USD '000	USD '000
INR	-	-	22	1,988
GBP	-	284	1,120	-
EURO	-	-	-	323

A 5% shift in the open position will have a net impact of USD 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2024



### Principal Risks (Contd.)

#### Interest Rate Risk (Contd.)

Following is a detail of the carrying amount at 31 March 2023 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 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 0.25 Mn

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

#### 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.

	2024	2023
	USD '000	USD '000
Paid up share capital	150,000	150,000
Retained earnings	(30,092)	(31,581)
Fair value reserves	(3,024)	(4,582)
Intangible assets	(71)	(132)
Regulatory Deductions to Capital	(106)	(79)
Regulatory Capital	<u>116,707</u>	<u>113,626</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



**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):

	2024 USD '000	2023 USD '000
Interest income on placements	326	52
Interest expense on borrowings	-	(5)
	326	47

**Balances with Related Parties as at 31 March:**

	<b>Amounts owed by related parties</b>	
	2024 USD '000	2023 USD '000
<b>Assets</b>		
Nostro account balance with Union Bank of India	24	31
	24	31
	<b>Amounts owed to related parties</b>	
	2024 USD '000	2023 USD '000
<b>Liabilities</b>		
Current account held by UBI in UBIUK	(88)	(90)
	(88)	(90)

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. Nidhu Saxena (Nominee Director, resigned on 28th March 2024)
- Mr. Rajneesh Karnatak (Nominee Director, resigned on 29th April 2023)
- Mr. Joseph Jerry Liow Yune Loy (Independent Director, appointed on 26th October 2023)
- Dr. Anand Kumar (Independent Director)
- Mr. Patrick Joseph Quinn (Independent Director)
- Ms. Charlotte Elisabeth Diana Morgan (Independent Director, resigned on 31st January 2024)
- Mr. Arbind Choudhary (Managing Director and Chief Executive Officer)
- Mr. Rahul Kumar (Executive Director and Chief Operating Officer)
- Mr. Natesh Kumar Dayananda Shetty (Executive Director and Chief Operating Officer, resigned on 23rd October 2023)

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

	2024 USD '000
Short-Term Employee Benefits	549
Post-Employment Benefits	-
Other Long-Term Benefits	-
Termination Benefits	-
Share-Based Payment Benefits	-
<b>Total Compensation</b>	549

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31 March 2024



**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

	2024		2023	
	UK	Total	UK	Total
Operating income	16,429	16,429	14,361	14,361
Average number of employees	34	34	32	32
Profit (loss) before tax	1,489	1,489	1,866	1,866
Corporation tax paid	-	-	-	-
Public subsidies received	-	-	-	-

USD '000

**28 Events after the Balance Sheet Date**

NIL

**29 Pillar III**

The Bank is authorised by the PRA and regulated by the FCA and the PRA, therefore the Bank is required to publish the Pillar III disclosures. These are available at the Bank's website: [www.unionbankofindiauk.co.uk](http://www.unionbankofindiauk.co.uk).