



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended on 31 March 2026

Company number 07653660

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FOR THE YEAR ENDED 31 March 2026



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OFFICERS AND PROFESSIONAL ADVISERS**FOR THE YEAR ENDED 31 March 2026**

Company Registration Number	07653660
The Board of Directors	Mr. Asheesh Pandey (Appointed on 20 October 2025) Chair Mr. Ramasubramanian Sankarnaraynan (Appointed on 1 Sept 2025) Director Mr. Joseph Jerry Liow Yune Loy Independent Non-Executive Director Mrs Dawn Brown Independent Non-Executive Director Mr. Syam Sunder Tantassery Sivaraman Tanta (appointed on 21 July 2025) Managing Director and Chief Executive Officer Mr. Rahul Kumar Executive Director & Chief Operating Officer Ms. Arumugam Manimekhalai (Retired on 2 June 2025) Chair Mr. Arbind Choudhary (resigned on 14 Nov 2025) Managing Director & Chief Executive Officer Mr Pankaj Dwivedi (resigned on 24 June 2025) Director Mr. Loknath Mishra (Appointed on 28 May 2025 and resigned on 31 March 2026) Director Dr. Anand Kumar (resigned on 30 June 2025) Director
Registered Office	12 Arthur Street London England EC4R 9AB
Statutory Auditor	Forvis Mazars LLP 30 Old Bailey London EC4M 7AU

STRATEGIC REPORT

The Directors present the Strategic Report of Union Bank of India (UK) Limited ("UBI UK" or "the Bank") for the financial year ended 31 March 2026. UBI UK is a wholly owned subsidiary of Union Bank of India (UBI), a major public sector bank primarily owned by the Government of India and regulated by the Reserve Bank of India (RBI). This report should be read in conjunction with the Directors' Report.

Principal activities and business review

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

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

Business Model

UBI UK's business model is centred on its core activities in Commercial and Retail Banking. The Bank provides a range of fund-based and non-fund-based facilities to business customers, including term lending for project finance and real estate (including buy-to-let), working capital and overdraft facilities, loans against deposits, and trade finance services such as issuance and acceptance of letters of credit, bill discounting and Standby letter of credit (SBLC) backed facilities.

The Bank serves UK-based corporates and SMEs across sectors including Real estate (hospitality, student accommodation, buy-to-let and commercial real estate) and Financial and Insurance activities. It also undertakes corporate lending and trade finance activities for international businesses through syndicated and bilateral arrangements, including participation in External Commercial Borrowings (ECBs) to Indian corporates, across sectors such as Financial Institutions, IT, Pharma etc with exposures mainly in GBP and USD. Retail banking activities are focused on deposit-taking.

In addition, the Bank invests in government securities, including US-based instruments, and highly rated bonds as part of its liquidity management strategy. Its activities are funded through a diversified deposit base, supporting liquidity and sustainable growth. The business model is underpinned by effective governance and robust risk management practices aligned with regulatory requirements.

Strategic Direction and Risk Management

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

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

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

Key Performance Indicators

	2026 USD '000	2025 USD '000
Income statement:		
Total operating income	11,806	13,327
Operating expenses before impairment loss allowances	(10,143)	(9,734)
Operating profit before impairment loss allowances	1,663	3,593
Impairment (loss allowances)	(1407)	(10,245)
Profit / (loss) after tax	243	(6,608)

	2026 USD '000	2025 USD '000
Statement of financial position:		
Loans and advances to customers	348,451	340,434
Loans and advances to banks	86,003	20,202
Financial investments	103,512	99,581
Deposits from banks and Repurchase agreements	91,841	15,240
Deposits from customers	346,324	348,633
Total Shareholders' equity	113,446	111,600

Key Performance Overview

In 2026, the Bank reported total operating income of USD 11.8 million, compared to USD 13.3 million in 2025. The year-on-year decline primarily reflects the effects of a more accommodative interest rate environment, which exerted downward pressure on net interest margins across key markets. The Bank continued to exercise cost discipline, with operating expenses before impairment loss allowances increasing moderately to USD 10.1 million (2025: USD 9.7 million), largely driven by inflationary input costs and general macroeconomic headwinds. The Bank reported an operating profit before impairment loss allowance of USD 1.7 million, down from USD 3.6 million in the previous year.

Placements increase: The increase in loans and advances to other banks during the year was primarily driven by the Bank's liquidity and balance sheet management strategy in response to evolving market conditions and liability maturity profiles. During FY 2025–26, the Bank increased its funding through interbank borrowings and Repo liabilities as part of a prudent approach to diversify funding sources, reduce concentration risk in customer deposit maturity buckets, and strengthen liquidity resilience.

Accordingly, a portion of the additional liquidity raised was deployed in interbank placements with approved counterparties and carefully aligned maturity profiles to support future liability repayments, to optimise liquidity management. The increase in placements with banks was therefore directly linked to the increase in interbank funding and Repo transactions during the year and does not represent a structural shift in the Bank's core lending strategy.

Impairment loss allowances of USD 1.4 million (2025: USD 10.2 million), reflecting reduced provisioning requirement during the current year primarily on account of no major accounts

downgrading to stage 2/3 and reduction in bank's default rate. This improvement in portfolio performance has resulted in lower calibrated S&P PDs, which in turn has reduced the overall Impairment provision.

The Provision Coverage Ratio (PCR) for Stage 3 loans stood at 34.66% (2025: 34.90%). The reduction in PCR is mainly due to write-off of three accounts during the year having 100% provisioning. Provisions for Stage 1 and Stage 2 exposures decreased to USD 4.8 million (2025: USD 6.6 million), reflecting the Bank's measured and forward-looking provisioning methodology, in line with its internal governance framework and the prevailing macroeconomic outlook.

As a result, the Bank recorded a post-tax Profit of USD 0.2 million, compared to a loss of USD 6.6 million in 2025. The Bank continues to prioritise asset quality, disciplined risk management, and the prudent resolution of legacy exposures within the loan book.

The Balance Sheet remained stable and resilient over the reporting period. Loans and advances to customers stood at USD 348.5 million (2025: USD 340.4 million), reflecting consistent credit activity within the Bank's approved risk appetite. On the liability side, deposits from customers declined to USD 346.3 million (2025: USD 348.6 million), in line with strategic efforts to optimise the liquidity mix, reduce depositor concentration, and enhance funding quality. Deposits from banks, including repurchase agreements, rose to USD 91.8 million (2025: USD 15.2 million), further diversifying funding sources and reinforcing liquidity resilience.

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

In conclusion, in 2026 there is a compression in interest margin as a result of which operating profit has been shrunk. The Bank maintained a high standard of financial governance, preserved balance sheet strength, and reinforced its capacity for long-term value creation. It enters 2027 with a robust capital and liquidity position, clear strategic focus, and continued commitment to sound risk and financial management.

Macroeconomic and Strategic Outlook

The Bank's strategic focus remains aligned with its core markets—the United Kingdom, United States, and India—supported by continuous monitoring of macroeconomic conditions, policy developments, and geopolitical risks to inform its risk posture and strategic planning

Global economic growth is forecast to moderate to approximately 3.1% in 2026, below the pre-pandemic historical average, reflecting persistent geopolitical tensions, elevated energy prices, and renewed trade fragmentation. Recent escalation in the Middle East—particularly the Iran conflict—has materially altered the inflation outlook, with global inflation now expected to rise to around 4.4% in 2026 before easing in 2027.

While technology-related investment and accommodative financial conditions continue to support activity in parts of the global economy, these tailwinds are increasingly offset by supply-side shocks, higher sovereign borrowing costs, and weakening consumer confidence. Downside risks to the outlook remain elevated, particularly in scenarios involving prolonged disruption to energy markets or further escalation of geopolitical conflict.

The UK economic outlook has weakened materially since late 2025. According to the Bank of England's April 2026 Monetary Policy Report, GDP growth is expected to remain subdued, with the economy at risk of near-stall conditions through 2026, as higher energy prices, tighter financial conditions, and fiscal drag weigh on demand. Independent forecasts point to GDP growth of around 0.6%–0.8% in 2026, with heightened risk of periods of technical contraction.

Inflation has re-accelerated, reaching 3.3% in March 2026, and is expected to rise further over the course of the year as higher global energy prices feed through to consumer prices. The Bank of England has held Bank Rate at 3.75%, emphasising that monetary policy will need to remain restrictive for an extended period to guard against second-round inflationary effects, despite a loosening labour market and weakening growth backdrop.

India continues to outperform most major economies. The Reserve Bank of India (RBI) has most recently revised its FY 2025–26 GDP growth forecast upward to around 7.3%, reflecting strong domestic demand, resilient private consumption, and sustained public investment, particularly in infrastructure.

Inflation remains well-contained relative to peers, providing scope for a more growth-supportive policy stance. The RBI has reduced the policy repo rate to around 5.25%, maintaining a broadly accommodative posture while remaining alert to external risks, including global trade tensions and capital flow volatility. India remains positioned as one of the fastest-growing large economies, with medium-term prospects supported by structural reforms, digitalisation, and demographic advantages.

The US economic outlook has become more volatile. IMF projections indicate US GDP growth of approximately 2.3% in 2026, supported by investment and fiscal measures, but constrained by higher energy costs, elevated bond yields, and trade-related uncertainty. Recent developments in US–China trade relations have contributed to renewed uncertainty. Average bilateral tariff rates remain elevated—around 34% on US imports from China—despite selective pauses and exemptions, reinforcing ongoing supply-chain realignment pressures.

In parallel, fiscal sustainability concerns and a recent sovereign credit rating downgrade have contributed to a weaker US dollar and tighter financial conditions. Labour market momentum has softened, with signs that tariff-related inflation and higher fuel prices are beginning to weigh on real household incomes.

The India–UK Free Trade Agreement, concluded in early 2025, remains a significant medium-term structural positive. The agreement is expected to expand bilateral trade materially and support investment flows across manufacturing, services, and financial sectors. In addition, the evolving UK–US Economic Prosperity framework provides partial mitigation against renewed US protectionism, although its scope and legal durability remain subject to change following recent US judicial rulings on tariff authority.

Geopolitical tensions in the Middle East have continued, contributing to heightened volatility across global financial and commodity markets. The Board has carefully considered the potential implications of these developments in the preparation of the financial statements for the year ended 31 March 2026. Based on management's assessment and ongoing monitoring, the Board is satisfied that the Bank's credit portfolio remains stable and resilient, with no evidence of material or immediate deterioration observed across the Bank's key operating geographies as at the date of approval of these financial statements. The Bank will continue to closely monitor geopolitical developments and associated market conditions and will take appropriate actions, where necessary, to safeguard its financial position and risk profile.

Against this backdrop, the Bank recognises that while there has been no direct operational impact from recent geopolitical developments to date, the secondary effects—including weaker growth in the UK, elevated inflation volatility, tighter financial conditions, and shifting trade patterns—present clear risks to credit quality, funding costs, and investment returns.

The Bank therefore continues to maintain a cautious and forward-looking stance, embedding up-to-date macroeconomic analysis, stress testing, and scenario modelling into strategic planning and risk management. This approach positions the Bank to safeguard balance-sheet resilience while remaining selectively positioned to support cross-border opportunities—particularly along the India–UK corridor—arising from longer-term structural realignments in global trade and investment.

Risk Management and Strategic Monitoring

The Bank remains focused on managing the implications of geopolitical tension, tight financial conditions, and heightened volatility across key macroeconomic indicators. While no immediate direct operational impacts have been observed, the Board maintains a cautious stance, recognising the rapidly evolving global environment. Geopolitical instability, policy divergence, and trade realignments are creating latent systemic vulnerabilities.

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

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

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

This measured and disciplined approach positions the Bank to respond with agility to downside risks, while remaining prepared to seize emerging strategic opportunities aligned with its long-term objectives.

Principal Risk and uncertainties

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

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

Three Lines of Defence Model

- **First Line of Defence**

Business units and operational functions are directly accountable for the identification, ownership, and active management of risks. These teams are responsible for adhering to internal policies, procedures, and control frameworks in the execution of their responsibilities.

- **Second Line of Defence**

The Risk and Compliance functions provide independent oversight, set risk management and compliance policies, conduct monitoring activities, and deliver constructive challenge to first-line decisions. This line ensures adherence to the Bank's risk appetite and regulatory obligations.

- **Third Line of Defence**

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

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

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

Credit Risk Credit risk is the risk of financial loss arising from a borrower or counterparty failing to meet their contractual obligations. It spans not only loan defaults but also treasury exposures, securities, and placements with financial institutions, and may arise from both on- and off-balance sheet items.	The Bank operates under a well-defined Credit and Investment Policy Framework, which is subject to regular review and enhancement. All new credit and investment exposures, as well as material renewals and reviews, are independently assessed by the Risk function to ensure alignment with the Bank's Risk Appetite Statement (RAS). The Bank undertakes ongoing monitoring of portfolio performance, applying a range of risk mitigation techniques such as collateralisation, appropriate guarantees, and exposure limits by counterparty, sector, and geography to manage concentration risk and preserve asset quality. Credit risk is initially managed through the Credit and Investment Committees, with escalation to the Management Committee of the Board (MCB) for significant exposures. Strategic oversight is provided by the Risk and Compliance Committee (RCC) and/or the Board, ensuring robust governance and accountability. The Bank actively manages credit risk through robust underwriting standards, continuous portfolio monitoring, and a well-established early warning framework that enables timely risk mitigation and client engagement. Oversight is provided by the risk department, which ensures that exposures remain
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	aligned with the Bank's defined risk appetite and regulatory expectations. These measures support the Bank's strategic focus on preserving asset quality and ensuring long-term portfolio resilience.
Liquidity Risk Efficient management of liquidity is crucial for the Bank as it forms an integral part of its risk management framework, ensuring business stability. Liquidity risk refers to the risk of the Bank being unable to meet its financial obligations as they become due. The Bank also recognizes Maturity Mismatch as a component of Liquidity Risk.	Liquidity risk is defined by the Overall Liquidity Adequacy Rule (OLAR) and assessed and managed by the Board through the annual Internal Liquidity Adequacy Assessment Process ('ILAAP') and Risk Appetite Parameters. The Treasury department implements effective processes to manage and control liquidity and funding, with oversight from the Risk team. The Bank aims to always maintain adequate liquid assets to cover client commitments and comply with regulatory requirements. The Bank maintains a conservative liquidity profile with sufficient, high-quality, and stable funding sources to always survive a 90-day severe but plausible stress. The Bank manages liquidity risks, including Maturity Mismatch Risk, through the Asset Liability Committee ('ALCO'), oversight is provided by the Risk and Compliance Committee (RCC) and/or the Board through periodic review. The Bank also uses other important regulatory measures, such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), to manage liquidity risks effectively.
Market Risk Market risk is the risk of loss in both on and off-balance sheet positions that result from fluctuations in market prices and changes in interest rates, foreign exchange rates, and asset prices that will affect Bank's income and the value of its holdings.	The Bank actively manages market risk exposures through regular monitoring of interest rate sensitivity, foreign exchange positions, and liquidity gap limits. The Bank mitigates foreign exchange risk particularly from currency mismatches in asset and liability positions, through the use of cross-currency swaps and other hedging strategies. A significant portion of the Bank's market risk arises from interest rate movements and foreign currency volatility. Market risk is managed through the Asset and Liability Committee (ALCO), with oversight and periodic review by the Risk and Compliance Committee (RCC) and/or the Board, ensuring alignment with the Bank's Risk Appetite Statement and regulatory expectations.
Capital Risk Capital risk is the risk of the Bank having insufficient capital to cover unexpected losses, meet regulatory requirement or support growth plans.	The Bank conducts an annual ICAAP stress test to assess its capital planning throughout its business planning horizon, the Board manages Capital Risk through the Internal Capital Adequacy Assessment Process (ICAAP) and Risk Appetite Parameters. The Executive Management Committee (EMC) oversees the day-to-day management of capital risk, with periodic review and strategic oversight provided by the Risk and Compliance Committee (RCC) and/or the Board.

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

Bank's failure to adhere to applicable laws, regulations, rules, standards issued by self-regulatory organisations, and codes of conduct relevant to its banking operations. This risk category encompasses the following components: • Integrity Risk, including the management of actual or perceived conflicts of interest. • Financial Crime Risk, covering areas such as anti-money laundering (AML), sanctions, and external fraud; and • Regulatory Compliance Risk, which pertains to the Bank's adherence to all applicable statutory and supervisory requirements.	development and delivery of an annual Compliance Monitoring Plan, aligned with the Bank's risk profile, regulatory requirements, and strategic priorities. The plan is designed to complement First Line Quality Assurance and control oversight activities, particularly in areas where control gaps or emerging risks have been identified. During the year, the Compliance team has strengthened its collaboration with First Line Risk and Control functions—a key area of ongoing focus as the Bank continues to enhance its risk maturity and embed a strong culture of compliance across the organisation.
Conduct Risk Conduct risk is the risk that the actions or behaviours of the Bank, its employees, or partners may lead to poor outcomes for customers, regulatory breaches, or reputational harm.	The Bank embeds high standards of conduct across all operational activities. Senior Management, via the Executive Management Committee (EMC), holds primary responsibility for identifying and managing conduct risk, with formal oversight by the Risk and Compliance Committee (RCC) and/or the Board. Conduct risk is monitored through a suite of indicators, including customer complaints, sales practices, and product governance metrics. These are reviewed on a periodical basis by both Executive and Board-level committees to ensure timely identification of issues and to promote accountability. The Bank places strong emphasis on fair customer treatment, particularly in relation to vulnerable customers, and is committed to ensuring its products and services are clear, equitable, and aligned with customer needs. As part of its regulatory alignment, the Bank implemented the FCA's Consumer Duty regime in July 2023 and continues to monitor progress to ensure good outcomes for retail customers. Regular reviews are undertaken to assess adherence to the Consumer Duty principles and embed a customer-first culture across all business lines.
Country risk	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. Country wise risk exposure is provided in notes 26.
Interest rate risk	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.

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.

	2026	2025
	USD '000	USD '000
Paid up share capital	150,000	150,000
Retained earnings	(36,458)	(36,701)
Fair value reserves	(96)	(1,699)
Intangible assets	(416)	(123)
Regulatory Deductions to Capital	(103)	(99)
Regulatory Capital	112,927	111,378

Climate-Related Financial Disclosures

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

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

Governance and Oversight

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

- The Board of Directors retains ultimate accountability for climate-related risk and approves the Bank's Climate Risk Policy.
- The Risk & Compliance Committee (RCC) provides oversight of climate-related risk identification, monitoring, and escalation processes.
- The Audit Committee of the Board (ACB) ensures the integrity, transparency, and reliability of climate-related financial disclosures.
- The Executive Management Committee (EMC) is responsible for operationalising the Bank's climate strategy and implementation roadmap.
- The Chief Risk Officer (CRO) has executive responsibility for climate risk management and strategy. The CRO ensures that climate risk is integrated across the Bank's risk taxonomy, policies, and controls, and leads reporting to the RCC and Board.

- The Credit and Investment Committees incorporate climate-related considerations into lending, credit risk, and investment decision-making, particularly in relation to high-emission or climate-sensitive sectors.

Climate Risk Policy and Implementation Framework

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

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

Risk Monitoring and Scenario Analysis

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

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

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

Forward Strategy

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

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Bank is not required to comply with the UK Corporate Governance Code ("the Code") but it recognises that the Code is seen as a benchmark for best practice and therefore seeks to apply the Code's principles where appropriate and commensurate with its size and operations. Further explanation of how the principles have been applied is set out below.

Strategic Oversight and Governance

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

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

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

The Bank's governance framework is supported by a well-established committee structure that enables effective delegation and oversight:

- **Audit Committee:** Responsible for overseeing the integrity of financial reporting, effectiveness of the internal control environment, and the work of both internal and external auditors. It ensures that financial disclosures are accurate, compliant with applicable standards, and subject to robust assurance.
- **Risk & Compliance Committee:** Provides oversight of the Bank's risk management framework, including regulatory compliance, conduct risk, and the monitoring of the Bank's risk profile across key dimensions such as credit, market, operational, and liquidity risks.
- **Management Committee of the Board (MCB):** Focuses on the execution of strategic initiatives, oversight of credit approvals, operational performance, and broader matters related to business delivery and client outcomes.

The Board has embedded a culture of continuous improvement through periodic Board effectiveness reviews, ongoing training, and regular regulatory horizon scanning to ensure it remains responsive to emerging risks and evolving supervisory expectations.

Board Changes and Cultural Leadership

During the year, there were a number of changes to the composition of the Board. Ms. A. Manimekhalai, Chairperson of the Board and Managing Director & Chief Executive Officer of Union Bank of India (the Parent Bank), retired from her executive role and consequently resigned from the Board of the Bank with effect from 3 June 2025. The Board expresses its sincere appreciation for her leadership and contribution during her tenure.

Following her resignation, Mr. Pankaj Dwivedi was appointed as interim Chairperson. However, upon his cessation as a Board member of the Parent Bank, he stepped down from the Board of the Bank with effect from 17 June 2025. With effect from 26 June 2025, Mr. Jerry Loy, Independent Non-Executive Director, was appointed as interim Chairperson, providing continuity in Board leadership.

On 20 October 2025, Mr. Asheesh Pandey, Managing Director & Chief Executive Officer of Union Bank of India (Parent Bank), was appointed to the Board of the Bank as Chairperson. Additionally, Mr. Ramasubramanian Sankaranarayanan was appointed to the Board as a Director on 1 September 2025, following the resignation of Mr. Pankaj Dwivedi.

Dr. Anand Kumar resigned from the Board with effect from 30 June 2025. Mr. Loknath Mishra was appointed as a Director on 28 May 2025, succeeding Dr. Kumar, and subsequently resigned from the Board with effect from 31 March 2026.

Mr. Arbind Choudhary, Managing Director & Chief Executive Officer of the Bank, completed his tenure and was repatriated to the Parent Bank. He resigned from the Board with effect from 14 November 2025. Mr. Syam Sunder Tantassery Sivaraman was appointed as Managing Director & Chief Executive Officer with effect from 22 October 2025, succeeding Mr. Choudhary.

Ongoing Commitment

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

Operational resilience

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

In alignment with supervisory expectations under SS1/21, the Bank has established a robust and fully embedded operational resilience framework, supported by a Board-approved Self-Assessment (6 October 2025), which articulates the identification of Important Business Services (IBS), defined impact tolerances, comprehensive resource mapping, and rigorous scenario testing across severe but plausible disruption events. These stress testing include

- Third-party failures,
- Technology outages,
- Data disruptions,
- Physical access constraints,
- Cyber Incidents,

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

Following the successful completion of Phase II implementation, operational resilience is embedded into business-as-usual activities, with ongoing monitoring of IBS, structured governance oversight, and continuous enhancement through periodic testing and framework refinement, ensuring the Bank remains resilient to evolving operational and systemic risks

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

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

Directors Statement of Compliance with Section 172(1) of the Companies Act 2006

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

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

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

Engagement with Stakeholders

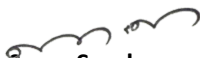
Stakeholder	Management & Engagement of stakeholder
Employees	During the year, the Bank placed renewed emphasis on shaping and embedding a strong, inclusive, and purpose-led culture. A Culture Steering Committee drives this agenda, supported by regular employee engagement initiatives, culture surveys, and open feedback mechanisms. These efforts helped the Bank better understand employee sentiment, identify key areas for improvement, and monitor progress in building an environment aligned with its values. To provide strategic oversight, the Board appointed a Non-Executive Director as Culture Sponsor, who provides leadership and challenge to the Steering Committee and ensures regular reporting to the Board. Under this governance structure, a detailed Culture Action Plan is developed, focused on improving communication, leadership behaviours, recognition, diversity and inclusion, and alignment with the Bank’s long-term purpose. Staff feedback has been central to this process, and culture remains a standing item on relevant Board and Committee agendas. Employee wellbeing, engagement, and ethical conduct are viewed as critical enablers of sustainable business performance. Initiatives such as the 'Employee of the Quarter' programme, enhanced training and development offerings, and regular two-way communication forums have supported a positive working environment. The Bank’s Whistleblowing Policy and escalation framework continue to provide safe, confidential channels for raising concerns.
Customers	Customer-centricity remains central to the Bank’s strategy. In line with the Financial Conduct Authority’s (FCA) Consumer Duty requirements, the

	Bank has conducted comprehensive product gap analyses, fair value assessments, and enhancements to customer communications to ensure clarity and accessibility. These activities are part of a broader programme to embed the Consumer Duty principles across the Bank's operations. The Bank provides a bespoke, relationship-led service for lending customers and delivers a quick, straightforward, and efficient account opening and servicing experience for savings customers. Customers can engage with the Bank through multiple channels, including the London branch, which continues to serve as an important hub for personalised service—particularly for SMEs and retail depositors. Ongoing initiatives such as targeted staff training, regular client feedback mechanisms, and improvements to multi-channel service delivery ensure that customer needs are addressed fairly, promptly, and transparently. Customer satisfaction and advocacy are actively measured and monitored, during the year. Insights gathered from customer surveys and direct engagement are regularly reported to the Board to inform strategic and operational improvements. To ensure that good customer outcomes remain a core consideration in decision-making across all levels of the organisation.
Suppliers	The Bank maintains collaborative and well-governed relationships with suppliers and third-party service providers. Key practices include semi-annual vendor risk assessments, robust outsourcing oversight, and timely payment reviews. All supplier engagements are governed by clear contractual arrangements and subject to Board-level scrutiny to safeguard operational resilience.
Regulators	The Bank places strong emphasis on maintaining transparent and compliant relationships with all its regulators in an open and co-operative manner. Directors, through active oversight and timely interventions, ensure that regulatory changes are fully adopted, embedded, and adhered to. The Board Risk & Compliance Committee holds direct oversight of regulatory, risk, and compliance matters. Senior Management and Directors actively engage with PRA and FCA supervisory teams through structured meetings and ongoing dialogue. These interactions take place both directly and through membership in key industry associations, such as Association of Foreign Banks. The Bank is committed to maintaining regulatory confidence through clarity, responsiveness, and a culture of compliance.

Pillar III

Further information concerning the Bank's approach to risk management and its capital adequacy are contained in the unaudited disclosures made under the requirements of Pillar 3. These disclosures for 2025 are published on the Bank's website at www.unionbankofindiauk.co.uk and the ones for 2026 will be available after the financial statements are approved.

This report was approved by the Board of Directors on 16 June 2026 and signed on its behalf by


Syam Sunder
 Managing Director & CEO

DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Report and the audited financial statements of Union Bank of India (UK) Limited (the "Bank") for the financial year ended 31 March 2026. The financial statements have been prepared in accordance with applicable UK company law and UK-adopted International Accounting Standards.

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

Directors

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

- Ms. A Manimekhalai (Chair, retired on 2 June 2025)
- Mr. Asheesh Pandey (Chair, Appointed on 20 October 2025)
- Mr Pankaj Dwivedi (Nominee Director, resigned on 24 June 2025)
- Mr. Ramasubramanian Sankarnaraynan (Director, Appointed on 1 September 2025)
- Mr. Arbind Choudhary (Managing Director and Chief Executive Officer, resigned on 14 November 2025)
- Mr. Syam Sunder Tantassery Sivaraman Tanta (Managing Director and Chief Executive Officer, appointed on 21 July 2025)
- Mr. Loknath Mishra (Director Appointed on 28 May 2025 and resigned on 31 March 2026)
- Dr. Anand Kumar (Director, resigned on 30 June 2025)

Director's Emolument

The remuneration of the Directors for the year is set out in **Note 5 to the financial statements**.

Results and Dividend

The Bank reported a profit after tax of USD 0.2 million for the financial year ended 31 March 2026 (2025: loss of USD 6.6 million). The profit was primarily driven by low impairment loss allowances.

Total operating income for the year stood at USD 11.8 million (2025: USD 13.3 million), while operating expenses before impairment loss allowances were USD 10.1 million (2025: USD 9.7 million).

The Directors do not recommend the payment of a dividend for the year under review (2025: Nil).

Business Focus and Strategy

Throughout the financial year 2025-26, the Bank remained firmly focused on delivering against its strategic priorities, which include:

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

Despite macroeconomic headwinds, the Bank's continued emphasis on responsible, moderate growth has provided a stable foundation. The Bank remains committed to prudent risk management as a key enabler of sustainable performance.

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

Business development

Looking ahead, the Bank intends to continue its strategy of maintaining a diversified and sustainable balance sheet with focus on prudent growth, strong liquidity management, and enhanced risk governance.

During the year 2025-26, the Bank has introduced short-term deposit products with maturities of 3 months, 6 months, and 9 months to strengthen and diversify its funding profile. The Bank is also planning to introduce notice period accounts to further broaden its deposit base, improve liability maturity management and to optimize the cost of fund.

The Bank will continue to focus on financing global syndicated loans and UK-based bilateral lending opportunities, primarily in Buy-to-Let (BTL) and property-backed lending, while maintaining a cautious approach towards credit quality, portfolio diversification, and risk-adjusted returns.

In line with evolving regulatory expectations in the UK, the Bank will also continue to strengthen its operational resilience, liquidity management, Basel 3.1 preparedness, climate risk management, and overall governance framework to support sustainable long-term growth.

Going Concern

The Bank has prepared its financial statement on the basis that it will continue to operate as a going concern for at least 12 months from the date of approval of these financial statements, and for the foreseeable future.

Diversity and Inclusion

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

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

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

Supplier Payment Policy

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

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

Capital Structure

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

As of 31 March 2026, the Bank's issued and fully paid-up share capital remained unchanged from the prior year, comprising USD 150 million and GBP 2. There were no changes to the issued share capital during the financial year.

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

Principal Risk and uncertainties

The Bank has developed, and will continue to enhance the risk management framework, including granular articulation of risk appetite, to ensure that the key risks are clearly identified, understood, measured, monitored and mitigated. The Bank is primarily exposed to Credit Risk, Market Risk, Liquidity Risk, Capital Risk, Operational Risk and Conduct Risk. These are discussed in detail in the Strategic report page 7. Further details on Financial Instruments – Risk Management policy & exposure of the Company to price, credit, liquidity and cash flow risk are mentioned under Note 26 of the financial statement and results.

Political and Charitable Donations

The Bank did not make any political and charitable donations in this financial year (2025: Nil).

Directors' Indemnities

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

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

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

Internal Audit

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

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

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

Statement as to Disclosure of Information to the Auditor

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

- So far as the Director is aware, there is no relevant audit information of which the Bank's Auditor is unaware; and

- The Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to ensure that the Bank's Auditor is aware of such information.

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

Statutory Auditor

There was no change in the Auditor of the Bank for the year ended 31 March 2026. Forvis Mazars LLP were reappointed under Section 487 of the Companies Act 2006 for the financial year 2025-26. Forvis 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 have been no material events affecting the Bank subsequent to the financial year ended 31 March 2026.

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 16 June 2026 and signed on its behalf by

A stylized signature in black ink, appearing to read 'Syam Sunder'.

Syam Sunder
Managing Director & CEO

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 March 2026

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 UK-adopted International Financial Reporting Standards (UK-adopted IFRS). 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors have assessed the Bank's ability to continue as a going concern and are satisfied that the Bank has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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.
- the strategic report includes a fair review of the development and performance of the business and the position of the Bank, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and financial statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for the shareholder to assess the Banks' position, performance, business model and strategy.

By order of the Board and signed on its behalf



Rahul Kumar
Executive Director & COO



Syam Sunder
Managing Director & CEO

Independent auditor's report to the member 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 2026 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 31 March 2026 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;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- 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;
- Evaluating the director's assessment of the Bank's ability to continue as a going concern, including considerations of the specific risks identified by management. This includes assessing the adequacy of the Bank's capital and liquidity positions with reference to the most recent Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP'), and determining whether

these supported the directors' conclusion regarding the appropriateness of the going concern basis of accounting;

- Challenging the appropriateness of the directors' key assumptions used in the forecasts by reviewing supporting and contradictory evidence in relation to these assumptions, and assessing the directors' considerations of severe but plausible scenarios;
- Inspecting correspondence with the Prudential Regulation Authority (the 'PRA') and the Financial Conduct Authority (the 'FCA') and holding a bilateral discussion with the PRA;
- 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 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
Expected credit loss ('ECL') in relation to loans and advances to customers Impairment provision: \$18,307k (2025: \$20,843k) <i>Refer to material accounting policy information (Note 1.15.1) and to Note 11 and 26</i>	In relation to the overall ECL process, our procedures included, but were not limited to: • Obtaining an understanding of the ECL process and assessing the design and implementation of key controls, including those over loan origination, monitoring, redemption and calculation of ECL; • Performing a stand-back assessment of the overall adequacy of the ECL coverage, taking into consideration the credit risk profile of the portfolio; and

Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation. The Bank's portfolio of Loans and Advances to Customers, comprised of secured and unsecured lending to corporate clients, constitutes the largest element of credit risk the Bank is exposed to. IFRS 9 requires the allowance for impairment losses to be determined on an ECL basis. The Bank uses a model to determine the ECL which requires judgement to the input parameters and assumptions. The key areas of judgement and management estimation that give rise to a significant audit risk relate to: • Utilising proxy data as a result of limited default history in estimating the probability of defaults ('PD'); • Selection and weighting of macro-economic scenarios ("MES"), and the choice of macro-economic variables ("MEVs") applied within those scenarios; • Applying management judgement in determining the loss given default ('LGD'); • Staging of loans and the identification of Significant Increases in Credit Risk ('SICR'); and • Valuation of stage 3 loans based on individual cash flow forecasts. Given the level of judgement and significance of these into the ECL calculation, we have identified a significant risk of error over the appropriateness of the judgements made and their application within the ECL model.	• Reviewing the financial statement disclosures to ensure compliance with IFRS 9. With respect to the key areas of judgement and management estimation giving rise to a significant risk, our procedures included, but were not limited to: • With the assistance of our in-house credit modelling specialists: • Assessing compliance of the Bank's impairment methodology with the requirements of IFRS 9; • Reviewing the Bank's PD model design, model implementation, validation procedures and ensuring the arithmetic calculations of the model are performing as intended; • Challenging and assessing the reasonableness of key assumptions applied to determine PDs and LGDs including testing the completeness and on a sample basis the accuracy of key data elements that are used within the PD and LGD assumptions. • Performing independent credit review testing and challenging management on the application of SICR for a sample of counterparties to identify indicators of deterioration in credit quality and assessing the appropriateness of the staging and associated ECL estimate; • Obtaining an understanding of the scorecard review process, evaluating the design and implementation and testing the operating effectiveness of relevant controls; • With the assistance of our in-house property valuation experts, testing the reasonableness of the underlying collateral valuations assigned to loan facilities on a sample basis; • With the assistance of our in-house economist experts, assessing and challenging the reasonableness of MES and the probability weightings applied in the ECL model as well as the appropriateness and reasonableness of the MEVs used by the Bank; • Verifying inputs used in the valuation of Stage 3 exposures against supporting evidence; and • Independently calculating the ECL for all stage 3 loans to assess the present value of future cash flows under various recovery scenarios, including evaluating and challenging where necessary management's assessment of the probability weighting for each scenario and the incorporation of forward-looking information.
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	Our observations We concluded that the impairment provision in relation to loans and advances to customers recognised as at 31 March 2026 is materially correct and that the approach taken in respect of calculating ECL is materially in compliance with the requirements of IFRS 9.
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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	\$1,134,000 (2025: \$1,128,000)
How we determined it	1% of Total Shareholder's Equity (2025: 1% of Total Shareholder's Equity)
Rationale for benchmark applied	Due to the volatility of profits, Total Shareholder's Equity is considered to most appropriately reflect the size of the Bank's operations. We have considered the primary users of the Bank's financial statements, including the regulators, who would primarily focus on the Bank's regulatory capital. In our view, Total Shareholder's Equity, an audited component of the balance sheet and the primary component of regulatory capital is considered an appropriate benchmark.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at \$680,000 (2025: \$789,600), which represents 60% (2025: 70%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the level and nature of uncorrected and corrected misstatements in the prior year, and the robustness of the control environment and concluded that an amount towards the middle of our normal range was appropriate.
Reporting threshold	We agreed with the Audit Committee of the Board that we would report to them misstatements identified during our audit above \$34,000 (2025: \$33,800) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Bank, its environment, controls, and critical business processes, to consider qualitative factors 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 Report and Financial Statements other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 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 Statement of Directors' Responsibilities set out on page 21, 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: regulations and supervisory requirements of the PRA and the FCA, and financial crime regulations.

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

- Gaining an understanding of the legal and regulatory framework applicable to the Bank and the industry in which it operates, and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant regulatory authorities including the PRA and FCA and holding a bilateral discussion with the PRA;
- Inspecting minutes of the board of directors' meetings in the year and up until the date of approval of the financial statements;
- Attending Audit Committee of the Board meetings held during the year and up until the date of approval of the financial statements and inspecting minutes of those meetings; and

- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance throughout our audit.

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

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

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Inspecting the Bank's regulatory and legal correspondence and reviewing minutes of the board of directors' meetings in the year;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Being sceptical to the potential of management bias in key judgements and assumptions in significant accounting estimates;
- 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. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee of the Board, we were appointed by the Bank's board of directors on 6 July 2021 to audit the financial statements for the year ended 31 March 2022 and subsequent financial periods. The period of total uninterrupted engagement is five years, covering the years ended 31 March 2022 to 31 March 2026.

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

Our audit opinion is consistent with our additional report to the Audit Committee of the Board.

Use of the audit report

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



Maximiliano Bark (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU
16 June 2026

INCOME STATEMENT
FOR THE YEAR ENDED 31 March 2026



	Notes	2026 USD '000	2025 USD '000
Interest and similar income	2	29,993	32,247
Interest and similar expense	3	(17,845)	(19,934)
Net interest income		12,148	12,313
Fees and commission income	4	17	583
Net trading (loss) / income		(799)	(204)
Other operating income		440	635
Total Operating income		11,806	13,327
Personnel costs	5	(5,364)	(5,063)
Depreciation and amortisation	16 & 17	(688)	(685)
Finance Cost		(463)	(466)
Other expenses	6	(3,628)	(3,520)
Operating expenses before impairment loss allowances		(10,143)	(9,734)
Operating profit before impairment loss allowances		1,663	3,593
Impairment loss reversal / (loss allowances)	7	(1,407)	(10,245)
Fair value (loss) / gain on Foreign Exchange Derivatives		(13)	44
Profit / (Loss) before tax		243	(6,608)
Corporation tax (charge) / credit	8	-	-
Profit / (Loss) after tax		243	(6,608)

Profit / (Loss) after tax is attributable to the equity shareholder and relates to continuing operations

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

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 March 2026



	2026 USD '000	2025 USD '000
Total Profit / (Loss) for the year attributable to equity shareholder	<u>243</u>	<u>(6,608)</u>
Other comprehensive income net of tax		
Items that may be reclassified subsequently to profit or loss		
- Fair value gain on FVTOCI debt instruments	<u>1,603</u>	<u>1,325</u>
Other comprehensive Income	<u>1,603</u>	<u>1,325</u>
Total comprehensive income / (loss) attributable to equity shareholders for the year	<u>1,846</u>	<u>(5,283)</u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 March 2026



	Notes	2026 USD '000	2025 USD '000
Assets			
Cash and cash equivalents	9	14,344	14,195
Financial assets at amortised cost:			
- Loans and advances to Banks	10	86,003	20,202
- Loans and advances to customers	11	348,451	340,434
- Financial investments	12	-	1,997
Financial assets at FVTPL:			
- Financial investments	15.2	2,300	2,761
Financial assets at FVOCI:			
- Financial investments	14	101,212	94,823
Other assets	19	953	1,896
Property, plant and equipment	16	3,982	4,586
Intangible assets	17	416	123
Total Assets		557,661	481,017
Liabilities			
Financial liabilities at amortised cost:			
- Deposits from Banks	20	60,939	-
- Deposits from customers	20	346,324	348,633
- Repurchase agreements	21	30,902	15,240
Financial Liabilities at FVTPL:			
- Derivative financial instruments	13	375	1,436
Provisions	22	196	184
Other liabilities	22	5,479	3,924
Total Liabilities		444,215	369,417

STATEMENT OF FINANCIAL POSITION

AS AT 31 March 2026



	Notes	2026	2025
		USD '000	USD '000
Equity			
Share capital	24	150,000	150,000
Fair value reserves		(96)	(1,699)
Accumulated losses		(36,458)	(36,701)
Total Shareholder's Equity		113,446	111,600
Total Equity and liabilities		557,661	481,017

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

The financial statements were approved by the Board of Directors and authorised for issue on 16.06.2026 .

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

Rahul Kumar
Executive Director and COO

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

Syam Sunder
Managing Director & CEO

Company registration no: 07653660

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 March 2026



	Notes	Issued capital USD '000	Fair value reserves USD '000	Retained earnings USD '000	Total equity USD '000
Balance as at 1 April 2025	24	150,000	(1,699)	(36,701)	111,600
Total Comprehensive Profit		-	1,603	243	1,846
Profit for the year		-	-	243	243
Profit on fair value reserve		-	1,603	-	1,603
Balance as at 31 March 2026 attributable to shareholders of the Bank		150,000	(96)	(36,458)	113,446

	Notes	Issued capital USD '000	Fair value reserves USD '000	Retained earnings USD '000	Total equity USD '000
Balance as at 1 April 2024	24	150,000	(3,024)	(30,093)	116,883
Total Comprehensive Loss		-	1,325	(6,608)	(5,283)
Loss for the year		-	-	(6,608)	(6,608)
Other Comprehensive Profit		-	1,325	-	1,325
Balance as at 31 March 2025 attributable to shareholders of the Bank		150,000	(1,699)	(36,701)	111,600

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 March 2026



	Notes	2026 USD '000	2025 USD '000
Cash flows from operating activities			
Profit / (Loss) before tax for the year		243	(6,608)
Adjustments to reconcile profit from operations:			
Interest Income	2	(29,993)	(32,247)
Interest Expense	3	17,845	19,934
Amortisation of intangible	17	70	57
Impairment loss allowances		1,407	10,245
Depreciation for property, plant and equipment	16	618	628
FV movement in derivatives		13	(44)
Effects of exchange rate changes on cash and cash equivalents		327	126
FV movement of investments at FVTPL		461	509
Finance Charge on Lease	22	224	247
Cash flows before changes in working capital		(9,028)	(545)
Movement in working capital			
Decrease / (Increase) in receivables & prepayments		1,184	(599)
Increase / (Decrease) in other liabilities		1,950	(584)
Change in working capital		3,134	(1,183)
Cash flows from operating activities			
(Increase) in loans and advances to customers		(8,333)	(8,058)
Interest received on loans and advances to customers		23,340	22,391
(Increase) / Decrease in loans and advances to banks		(65,616)	22,748
Interest received on loans and advances to banks		2,654	3,769
Increase / (Decrease) in deposits from customers		38	(37,899)
Interest paid on deposits from customers		(17,589)	(20,076)
(Decrease) / Increase on derivative financial instruments - Liab.		(1,074)	1,286
Net cash flows (used in) / from operating activities (A)		(72,231)	(24,175)
Cash flows from investing activities			
Acquisition of Investments		(35,223)	(15,132)
Proceeds from Investments		32,570	28,142
Interest received on Investments		2,584	3,228
Acquisition of property, plant and equipment	16	(14)	(12)
Acquisition of intangible assets	17	(604)	(4)
Net cash flows from /(used in) investing activities (B)		(687)	16,222
Cash flows from financing activities			
Proceeds from Deposits from Banks	20	59,276	-
Interest Paid on Deposits from Banks		(349)	(23)
Proceeds from Repurchase agreements		30,860	15,052
Repayment of Repurchase agreements		(15,052)	
Interest Paid on Repurchase agreements		(737)	(656)
Repayment of Lease	22	(604)	(435)
Net cash flows from /(used in) financing activities (C)		73,394	13,938
Net increase /(decrease) in cash and cash equivalents (A+B+C)		476	5,985
Cash and cash equivalents at beginning of the year		14,195	8,336
Effects of exchange rate changes on cash and cash equivalents		(327)	(126)
Cash and cash equivalents at close of the year	9	14,344	14,195
The notes on pages 36 to 69 form part of these financial statements.			

1 Material Accounting Policies

These financial statements are prepared for Union Bank of India (UK) Limited. (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 Strategic report, page 2.

1.1 Basis of Preparation

The financial statements have been prepared in accordance with applicable law and UK-adopted international accounting standards and with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for, measurements that have some similarities to fair value but are not fair value, such as value in use ('VIU') in IAS 36 Impairment of Assets.

1.2 Going Concern

The financial statements have been prepared on a going concern basis. The Bank has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. In reaching this conclusion, the Bank have undertaken a thorough assessment of the its current financial position and future prospects. This included detailed consideration of:

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

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

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

1.3 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.

1.4 Changes in Accounting Policies and Disclosures

1.4.1 New and Amended Standards and Interpretations Issued but not yet Effective for the Financial Year ended 31 March 2026

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.

1.4.2 New and Amended Standards and Interpretations Effective for the Financial Year Ended 31 March 2026

The IASB has issued a number of minor amendments to IFRSs which do not have any impact on the Bank's financial statements. These include IFRS 18 – Presentation and Disclosure in Financial Statements, which introduces changes to the structure and presentation of the statement of profit or loss, including new subtotals and enhanced disclosure requirements.

The Bank is currently assessing the impact of these new standards. Based on the assessment performed to date, IFRS 18 is expected to primarily affect the presentation and disclosure of the financial statements, with no material impact on recognition or measurement.

1.5 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.

1.6 Revenue Recognition

1.6.1 Interest Income and Expense

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.

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.

1.6.2 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.
- Fees and commissions that are not an integral part of the effective interest rate are recognised when the service is performed.

1.6.3 Dividend Income

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

1.6.4 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.

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 (FVTPL) 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 balance sheet at their net amount, only if the Bank 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 annual 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.

Financial assets are written off when there is no reasonable expectation of recovery, either in full or in part.

1.9.11 Significant Increase in Credit Risk (SICR)

The Bank applies following indicators to determine whether there has been a significant increase in credit risk. If any of the below criteria is met, the exposure is considered to have increased in credit risk and this shall then be transferred to stage 2.

- 1) Primary indicator – Rating variation approach (minimum 2 notch downgrade) using lifetime probability of default
- 2) Secondary indicator – Entry to the watch list
- 3) Backstop – more than "one month past due" (MPD) from the "end of the month" in which the interest/principle is due.

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

- **Stage 1:** when there has been no SICR since initial recognition. Bank has applied a loss allowance equal to a 12 month ECL i.e. the proportion of lifetime expected losses that relate to that default event expected in the next 12 months
- **Stage 2:** when there has been a SICR since initial recognition, but no credit impairment has materialised. Bank has applied a loss allowance equal to the lifetime ECL i.e. lifetime expected loss resulting from all possible defaults throughout the residual life of a facility
- **Stage 3:** In case where the exposure is considered credit impaired, the Bank has applied a loss allowance equal to the lifetime ECL. Objective evidence of credit impairment is required.

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

1.9.12 Definition of Default

A facility is considered as "default" when:

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

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 reviewed and challenged by Risk department, 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2026



2 Interest and Similar Income

	2026 USD '000	2025 USD '000
Interest income from loans - Amortised cost	24,475	25,396
Interest income from investments - FVOCI	2,613	2,990
Interest income from investments - Amortised cost	60	182
Interest income on interbank placements - Amortised cost	2,845	3,679
	29,993	32,247

3 Interest and Similar Expense

	2026 USD '000	2025 USD '000
Interest expense on deposit from customers	15,242	19,067
Interest expense on deposit from banks	2,012	23
Interest expense on Repurchase agreements	591	844
	17,845	19,934

4 Fees and Commission Income

	2026 USD '000	2025 USD '000
Fees and commission	17	583
	17	583

5 Personnel Costs

	2026 USD '000	2025 USD '000
Wages and salaries (including Directors' emoluments)	4,492	4,276
Social security costs	546	469
Pension contribution	202	193
Other employee benefits	124	125
	5,364	5,063

The average number of employees was as follows:

	2026 Number	2025 Number
Commercial and retail banking activities	38	39

Directors' Emoluments

	2026 USD '000	2025 USD '000
Emoluments	728	640
Post-employment benefits (Defined Contribution)	-	-
	728	640

Highest Paid Director:

	2026	2025
Emoluments	238	234
Pension contributions	-	-
	238	234

6 Other Expenses

	2026 USD '000	2025 USD '000
Other premises costs	526	555
IT costs	1,012	864
Other administrative expenses	472	572
Legal and professional costs	1,618	1,529
	3,628	3,520

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2026



Other Expenses (Contd.)

Legal and Professional Costs include the following:

Auditor's remuneration - Auditing of Financial Statements	449	404
	<u>449</u>	<u>404</u>

The above amount is exclusive of taxes.

7 Impairment Loss Allowance

	2026 USD '000	2025 USD '000
Loans & Advances to customers	1,454	10,280
Financial Investments	(46)	(20)
Other Financials Instruments	(1)	(15)
	<u>1,407</u>	<u>10,245</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.

	2026 USD '000	2025 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:-

	2026 USD '000	2025 USD '000
Profit/(Loss) on ordinary activities before tax	<u>243</u>	<u>(6,608)</u>
Standard rate of corporation tax in the UK	25.0%	25.0%
Tax charge / (credit) at the domestic income tax rate	61	(1,652)
Effects of:		
Reversal of DTA for prior years	-	-
Tax effect of non - deductible depreciation	3	1
Tax effect of other non - deductible expenses/non-taxable	13	11
Tax effect of rate changes	-	-
Unutilised (Profit) / losses	11	1,635
Deferred tax not recognised	(88)	5
Adjustment in respect of prior years	-	-
Total tax (charge) / credit for the year	<u>-</u>	<u>-</u>

	2026 USD '000	2025 USD '000
Tax (credit) / expense relating to change in fair value of Investment measured at OCI	<u>-</u>	<u>-</u>

No deferred tax asset has been recognised in respect of the remaining tax losses due to uncertainty over the availability of future taxable profits

Factors that may affect Future Tax Charges: Nil

Pillar II

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

Union Bank of India Group, which includes Union Bank of India (UK) Limited, is within the scope of the OECD Pillar Two model rules (the “Global Minimum Tax”). Since the Group has consolidated annual revenues consistently exceeding €750 million, it is subject to the UK’s Income Inclusion Rule (IIR) and Qualified Domestic Minimum Top-up Tax (QDMTT), which apply for accounting periods beginning on or after 31 December 2023.

For the year ended 31 March 2026, Union Bank of India (UK) Limited performed an initial assessment of its potential exposure to Pillar Two top-up taxes. Based on FY2025-26 financial statement data, the UK is not expected to satisfy any of the three Country-by-Country Reporting (CbCR) Safe Harbour tests. The utilisation of brought-forward losses significantly reduced the current-year tax expense, resulting in a local accounting effective tax rate (ETR) below 16% and, consequently, the Simplified ETR Test not being met. As the Bank is required to apply the accounting standards used by its parent bank for consolidation purposes, a Pillar Two calculation was performed on the GAAP basis and no top-up tax liability is expected. The final position will be confirmed ahead of the statutory filing deadline in June 2027.

The Undertaxed Profits Rule (UTPR) has been enacted in the UK from FY25-26. To provide appropriate audit comfort over the group’s Pillar Two position, preparatory work on the relevant ETR analyses has been completed with the available data for FY24-25. All group jurisdictions have an initial effective tax rate (ETR) calculation performed using the most recent FY24-25 CbCR. Based on the indicative initial assessment, the UK subsidiary will not pay any Top-up tax in a UTPR self-assessment form to HMRC to be filed by 30 June 2027. This is because none of the other jurisdictions in which the Union Bank of India Group operates in would result in a UTPR top-up tax liability, either because a QDMTT has already been implemented locally or because the effective tax rate in those jurisdictions exceeds the FY25-26 threshold.

In accordance with the amendments to IAS 12, the bank has applied the mandatory temporary exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two legislation.

Further assessment will be conducted once the FY25 CbCR data becomes available. Union Bank of India (UK) Limited will continue to monitor the evolving legislative landscape and refine its assessment accordingly.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2026



9 Cash and Cash Equivalents

	2026 USD '000	2025 USD '000
Cash on hand	17	15
Cash at Bank of England	11,504	11,078
Cash at Bank	2,823	3,102
	<u>14,344</u>	<u>14,195</u>

10 Loans and advances to banks

	2026 USD '000	2025 USD '000
Interbank placements	86,009	20,202
Gross	<u>86,009</u>	<u>20,202</u>
Less: Impairment provision	(6)	(0)
Net	<u>86,003</u>	<u>20,202</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 1

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

	2026 USD '000	2025 USD '000
As at 1 April	(0)	(13)
Impairment loss allowances for the year	(6)	13
As at 31 March	<u>(6)</u>	<u>(0)</u>

11 Loans and Advances to Customers

	2026 USD '000	2025 USD '000
Term loan	344,386	343,568
Working Capital / Overdraft	22,984	18,495
Gross	<u>367,370</u>	<u>362,063</u>
Less: Impairment provision	(18,307)	(20,843)
Less: Unamortized portion of processing fees	(612)	(786)
Net	<u>348,451</u>	<u>340,434</u>

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

	2026 USD '000	2025 USD '000
Loans and advances to customers	<u>354,526</u>	<u>349,216</u>

Fair value of loans and advances to customers is calculated using non- observable market data (Level 3) and estimated by discounted cash flow models that incorporate assumptions for credit risks, foreign exchange risk, probability of default and loss given default estimates. The staging of loans and advances to customer is detailed in Note 26.

Note: Movement of USD 2.5 million in impairment provision is mainly on account of write off in 3 stage 3 accounts

12 Financial Investment at Amortised Cost

	2026 USD '000	2025 USD '000
Quoted Investments		
Corporate Bonds	-	2,001
Gross	<u>-</u>	<u>2,001</u>
Less: Impairment provision	-	(4)
Net	<u>-</u>	<u>1,997</u>

The carrying value of financial assets at amortised cost is not materially different to the fair value. Financial Investments are all Stage 1.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2026



Financial Investment at Amortised Cost (Contd.)

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

	2026 USD '000	2025 USD '000
As at 1 April	(4)	(5)
Impairment loss allowances for the year	4	1
As at 31 March	-	(4)

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-26		Notional amount USD '000
	Assets USD '000	Liabilities USD '000	
Currency swaps	-	(375)	151,856
	-	(375)	151,856
	31-Mar-25		Notional amount USD '000
	Assets USD '000	Liabilities USD '000	
Currency swaps	-	(1,436)	110,297
	-	(1,436)	110,297

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

	2026 USD '000	2025 USD '000
Quoted Investments		
Government debt securities	21,304	24,726
Other securities	79,908	70,097
	101,212	94,823

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 2026



15.1 Financial Instruments

The table below sets out the carrying value of the Bank's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9 as at 31 March 2026

	FVTOCI	FVTPL	Amortised	Total
	USD '000	USD '000	cost	USD '000
			USD '000	
At 31 March 2026				
Assets				
Cash and cash equivalents	-	-	14,344	14,344
Amounts receivable from customers	-	-	348,451	348,451
Loans and advances to Banks	-	-	86,003	86,003
Financial investments	101,212	2,300	-	103,512
Total Financial assets	101,212	2,300	448,798	552,310
Liabilities				
Repurchase agreements	-	-	30,902	30,902
Derivative liabilities	-	375	-	375
Customer deposits	-	-	346,324	346,324
Other Liabilities	-	-	5,479	5,479
Total Financial liabilities	-	375	443,644	444,019
	FVTOCI	FVTPL	Amortised	Total
	assets /	assets /	cost	
	liabilities	liabilities		USD '000
	USD '000	USD '000	USD '000	
At 31 March 2025				
Assets				
Cash and cash equivalents	-	-	14,195	14,195
Loans and advances to Banks	-	-	340,434	340,434
Amounts receivable from customers	-	-	20,202	20,202
Financial investments	94,823	2,761	1,997	99,581
Derivative assets	-	-	-	-
Total Financial assets	94,823	2,761	376,827	474,412
Liabilities				
Bank borrowing	-	-	-	-
Repurchase agreements	-	-	15,240	15,240
Derivative liabilities	-	1,436	-	1,436
Customer deposits	-	-	348,633	348,633
Other Liabilities	-	-	3,924	3,924
Total Financial liabilities	-	1,436	367,797	369,233

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 2026



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.

No transfers between Level 1, Level 2 and Level 3 have been made during the year.

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

	31 March 2026		
	Quoted market prices (Level 1)	Valuation techniques using observable market data (Level 2)	Valuation techniques using non-observable market data (Level 3)
	USD '000	USD '000	USD '000
Financial Assets			
Financial investments – FVOCI	101,212	-	-
Financial investments – FVTPL	1,045	-	1,255
	102,257	-	1,255
Financial Liabilities			
Derivative financial instruments	-	375	-
	-	375	-

Note: Level 3 financial instruments comprise positions where fair value is determined using valuation techniques, primarily discounted cash flow models, that incorporate significant inputs not based on observable market data. These unobservable inputs require the application of management judgement and estimation.

A sensitivity analysis has been performed to assess the impact of reasonably possible changes in the base rate, with all other variables held constant:

A 5% increase in the base rate would result in a decrease in fair value by USD 476K

A 5% decrease in the base rate would result in an increase in fair value of USD 837K

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

NOTES TO THE FINANCIAL STATEMENTS
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Fair Value of Financial Instruments (Contd.)

Movements in Level 3 financial instruments measured at fair value

	31 March 2026		
	As at 31 March 2025	Revaluation Profit / (Loss)	As at 31 March 2026
	USD '000	USD '000	USD '000
Financial investments – FVTPL	1,320	(65)	1,255

	31 March 2025		
	As at 31 March 2023	Revaluation Profit / (Loss)	As at 31 March 2024
	USD '000	USD '000	USD '000
Financial investments – FVTPL	1,162	158	1,320

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

16 Property, Plant and Equipment

	Right of Use Asset & Leasehold Improvement	Furniture & equipment	Computer hardware	Total
	USD '000	USD '000	USD '000	USD '000
Cost				
As at 1 April 2024	5,384	224	398	6,006
Additions	-	-	12	12
Other adjustments	-	(5)	-	(5)
Disposals	-	-	(2)	(2)
As at 31 March 2025	5,384	219	408	6,011
Additions	-	-	14	14
Other adjustments	-	-	-	-
Disposals	-	-	-	-
As at 31 March 2026	5,384	219	422	6,025
Cumulative depreciation				
As at 1 April 2024	(371)	(115)	(313)	(799)
Depreciation charge	(557)	(23)	(48)	(628)
Disposals	-	-	2	2
As at 31 March 2025	(928)	(138)	(359)	(1,425)
Depreciation charge	(557)	(24)	(37)	(618)
Disposals	-	-	-	-
As at 31 March 2026	(1,485)	(162)	(396)	(2,043)
Net book value				
As at 31 March 2025	4,456	81	49	4,586
As at 31 March 2026	3,899	57	26	3,982

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FOR THE YEAR ENDED 31 March 2026



17 Intangible Assets

	Capitalised software	Capital Work in Progress*	Total
Cost	USD '000	USD '000	USD '000
As at 1 April 2024	824	92	916
Additions	4	13	17
Disposal / Capitalised	-	-	-
As at 31 March 2025	828	105	933
Transfer from	334	271	605
Transfer to	-	(242)	(242)
As at 31 March 2026	1,162	134	1,296
Amortisation			
As at 1 April 2024	(753)	-	(753)
Amortisations for the period	(57)	-	(57)
Disposals	-	-	-
Other adjustments	-	-	-
As at 31 March 2025	(810)	-	(810)
Amortisation charge for the year	(70)	-	(70)
Disposals	-	-	-
As at 31 March 2026	(880)	-	(880)
Carrying value			
As at 31 March 2025	18	105	123
As at 31 March 2026	282	134	416

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

*Capital work in progress amounting to USD 105k as at 31 March 2025 has been reclassified from other assets to Intangible assets to conform to current year presentation. These reclassification has no impact on profit, equity, or total assets.

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 41.7 million (2025: USD 41.7 million) with no expiry date. The Bank has not recognised DTA during the financial year on its accumulated losses due to ongoing uncertainty of recovery of the historical Stage 3 loans.

The Bank has a deductible temporary difference on the unrealised losses on Financial investments held under FVOCI as of March 2026. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset against taxable profits in foreseeable future. The Bank is having accumulated losses as on the reporting date and against which the DTA is not proposed, due to the reasons mentioned above.

19 Other Assets

	2026 USD '000	2025 USD '000
Other receivables	65	126
Prepayments and accrued income	888	1,770
	<u>953</u>	<u>1,896</u>

20 Deposits from Banks

	2026 USD '000	2025 USD '000
Interbank borrowings	60,939	-
	<u>60,939</u>	<u>-</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 2026



20 Deposits from Customers

	2026 USD '000	2025 USD '000
Current accounts	8,600	5,299
Savings accounts	1,100	1,102
Fixed term deposits	336,624	342,232
	<u>346,324</u>	<u>348,633</u>

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

	2026 USD '000	2025 USD '000
Deposits from Customers	<u>345,373</u>	<u>350,082</u>

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

21 Repurchase Agreements

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

	2026 USD '000 Carrying amount of securities pledged	2026 USD '000 Liabilities under repurchase agreements	2025 USD '000 Carrying amount of securities pledged	2025 USD '000 Liabilities under repurchase agreements
Repurchase agreements	<u>36,283</u>	<u>30,902</u>	<u>18,418</u>	<u>15,240</u>

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

22 Provisions and other Liabilities

	2026 USD '000	2025 USD '000
Accruals and other liabilities (including lease liabilities)	5,479	3,924
Provisions for dilapidation	196	184
	<u>5,675</u>	<u>4,108</u>

Lease liabilities

Opening lease liabilities	3,434	3,622
Add: New Lease during the year	-	-
Add: Finance charge for year	224	247
Less: Payments made towards lease liability	(604)	(435)
Closing Lease Liability	<u>3,053</u>	<u>3,434</u>

Lease liabilities payable

- Within one year	600	584
- More than one year	3,602	3,999
	<u>4,202</u>	<u>4,583</u>

Lease liabilities payable includes interest/ finance charge.

23 Changes in liabilities arising from financing activities for 2026

	USD'000 Deposits from Banks	USD'000 Repo	USD'000 Lease
Opening balances	-	15,240	3,434
New borrowings / Repo	59,276	30,860	-
Finance charge	2,012	591	224
Payment made	(349)	(15,789)	(604)
Closing balances	<u>60,939</u>	<u>30,902</u>	<u>3,053</u>

NOTES TO THE FINANCIAL STATEMENTS
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24 Share Capital

	2026 Number	2025 Number	2026 USD '000	2025 USD '000
Authorised Capital				
Ordinary shares of GBP 1 each	2	2	0.003	0.003
Ordinary shares of USD 1 each	200,000,000	200,000,000	200,000	200,000
Issued and fully paid				
Ordinary shares of GBP 1 each	2	2	0.003	0.003
Ordinary shares of USD 1 each				
As at 1 April	150,000,000	150,000,000	150,000	150,000
Issue of Share Capital	-	-	-	-
As at 31 March	150,000,000	150,000,000	150,000	150,000

- All ordinary shares are non redeemable conferring equal rights to each member.

- Fair Value reserve consists of non-distributable profits (fair value gains / losses) and as such is used to ring-fence fair value gains and losses. This type of reserve is part of restricted equity.

25 Other Commitments and Contingencies

Commitments in respect of financial instruments are as follows:

	2026 USD '000	2025 USD '000
Foreign exchange - Assets	152,982	110,304
Foreign exchange - Liabilities	153,357	111,740
Bank guarantee	135	148
Undrawn committed facilities	1,058	107

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.

26 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: -

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2026



Principal Risks (Contd.)

Credit risk (Contd.)

	2026	2025
	USD '000	USD '000
• Neither past due nor overdue	291,755	281,344
• Overdue but not default	36,641	38,295
• Default	38,974	42,424
Gross	367,370	362,063

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

If the SICR is noticed, then the Bank considers the options of forbearance (if it's feasible for the counterparty to remain going concern) and liquidation. In case of forbearance, NPV (Net present value) loss arising from NPV comparison from existing and revised contract, is treated as modification gain / 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.

IFRS 9 Credit Quality

During this financial year, one loan asset was downgraded to Stage 3 on account of default of repayment on time. Recovery of USD 2.86 million (2025: USD 1.7 million) has been made during the year. Specific impairment loss for Stage 3 stood at USD 11.9 million (2025: USD 14.8 million) (including interest thereon)

Loans and advances to customers

	2026	2025
	USD '000	USD '000
Gross Exposure	367,370	362,063
Less:- Loan loss provision	(18,307)	(20,843)
Less: Unamortized portion of processing fees	(612)	(786)
Net Exposure	348,451	340,434

Maximum Exposure to Credit Risk

Financial Instruments (excluding Derivatives)

Financial Assets at Fair Value Through Profit or Loss:

	2026	2025
	USD '000	USD '000
Financial Investments	2,300	2,761

Financial Assets at Amortised Cost (Gross):

	2026	2025
	USD '000	USD '000
Loans and advances to customers	367,370	362,063
Financial investments	-	2,001
Loans and advances to Banks	86,009	20,202
Other financial assets at amortised cost	14,344	14,195
	467,723	398,461

Financial Assets at Fair Value Through Other Comprehensive Income:

	2026	2025
	USD '000	USD '000
Financial investments	101,212	94,823
Total	571,234	496,046

Analysis of Financial Instruments (excluding Derivatives)

	2026	2025
	USD '000	USD '000
Due within one year	267,852	207,561
Due in more than one year	303,382	288,485
Total	571,234	496,046

	2026	2025
	USD '000	USD '000
Neither past due nor overdue	495,619	415,327
Overdue but not default	36,641	38,295
Default	38,974	42,424
Total	571,234	496,046

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2026



Principal Risks (Contd.)
Credit risk (Contd.)
IFRS 9 Credit Quality (Contd.)
Loans and advances to customers as at 31 March 2026

Particulars	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
Gross carrying amount	291,755	36,641	38,974	367,370
Impairment provision	(1,375)	(3,422)	(13,510)	(18,307)
Net amounts receivable	290,380	33,219	25,464	349,063

Loans and advances to customers as at 31 March 2025

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

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.
- The contractual amount outstanding on financial assets written off during the year that are still subject to enforcement activity is USD 3.99 million (2025: USD 11.31 million).

Financial assets modified during the period.

Loans to Customers	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
Gross carrying amount as at 1st April 2025	281,344	38,295	42,424	362,063
Transfer from stage 1 to 2	(1,121)	1,121	-	-
Transfer from stage 2 to 3	-	(1,255)	1,255	-
New receivables originated or purchased (including exchange rate movement)	94,441	1,600	(330)	95,711
Increase / (decrease) in receivables due to interest	(215)	67	-	(148)
Increase / (decrease) in stage 3 Interest	-	-	2,473	2,473
Net Repayments of loans	(82,694)	(3,187)	(2,861)	(88,742)
Write off of Credit Impaired Assets	-	-	(3,987)	(3,987)
Gross carrying amount as at 31 March 2026	291,755	36,641	38,974	367,370

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2026



Principal Risks (Contd.)

Credit risk (Contd.)

IFRS 9 Credit Quality (Contd.)

Particulars	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
ECL Provision as at 1 April 2025	1,598	4,440	14,805	20,843
Transfer from stage 1 to 2	(16)	16	-	-
Transfer from stage 2 to 3	-	(45)	45	-
Net re-measurement of ECL	-	(989)	3,844	2,855
New receivables originated or purchased	329	-	-	329
Increase / (decrease) in stage 3 Interest	-	-	1,668	1,668
Net Repayments of loans	(536)	-	(2,865)	(3,401)
Write off of Credit Impaired Assets	-	-	(3,987)	(3,987)
ECL Provision as at 31 March 2026	1,375	3,422	13,510	18,307

Loans to Customers	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
Gross carrying amount as at 1st April 2024	290,851	19,503	51,973	362,327
Transfer from stage 1 to 2	(17,510)	17,510	-	-
New receivables originated or purchased	108,299	1,283	-	109,582
Increase in receivables due to interest	(118)	(1)	-	(119)
Increase / (decrease) in stage 3 Interest	-	-	3,389	3,389
Net Repayments of loans	(100,178)	-	(1,696)	(101,874)
Write off of Credit Impaired Assets	-	-	(11,242)	(11,242)
Gross carrying amount as at 31 March 2025	281,344	38,295	42,424	362,063

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 March 2026



Principal Risks (Contd.)

Credit risk (Contd.)

IFRS 9 Credit Quality (Contd.)

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

Forbearance / Rescheduled loans:

	2026 USD '000	2025 USD '000
Term loan	37,907	19,502
	37,907	19,502

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

	Stage 1 USD '000	Stage 2 USD '000	Stage 3 USD '000	Total USD '000
As at 31 March 2026				
Term loan	28,278	9,629	-	37,907
Overdraft	-	-	-	-
Other Loans	-	-	-	-
Gross carrying amount	28,278	9,629	-	37,907
Term loan	12	717	-	729
Overdraft	-	-	-	-
Other Loans	-	-	-	-
Impairment provision	12	717	-	729
Term loan	28,266	8,912	-	37,178
Overdraft	-	-	-	-
Other Loans	-	-	-	-
Net amounts receivable	28,266	8,912	-	37,178

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2026



Principal Risks (Contd.)

Credit risk (Contd.)

IFRS 9 Credit Quality (Contd.)

Loans & Advances Collateral Analysis

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

	2026 USD '000	2025 USD '000
Security coverage=0%	39,862	57,582
Security coverage>0%≤50%	14,370	26,243
Security coverage>50%≤100%	29,401	13,694
Security coverage>100%	283,737	264,544
Total	367,370	362,063

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

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

	2026 USD '000	2025 USD '000
Secured	327,508	304,481
Unsecured	39,862	57,582
Total	367,370	362,063

	2026 Exposure USD '000	2025 Collateral USD '000
Stage 1 Assets (Standard Advances)	291,755	354,399
Stage 2 Assets (Assets having experienced SICR)	36,641	49,132
Stage 3 Assets (Default Assets)	38,974	103,849
	367,370	507,380

	2026 Exposure USD '000	2025 Collateral USD '000
Stage 1 Assets (Standard Advances)	281,344	469,979
Stage 2 Assets (Assets having experienced SICR)	38,295	48,035
Stage 3 Assets (Default Assets)	42,424	107,146
	362,063	625,160

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.

	2026 Exposure USD '000	2025 Exposure USD '000
Stage 1 Assets (Standard Advances)	291,755	281,344
Stage 2 Assets (Assets having experienced SICR)	36,641	38,295
Stage 3 Assets (Default Assets)	38,974	42,424
	367,370	362,063

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:

Principal Risks (Contd.)
Credit risk (Contd.)
IFRS 9 Credit Quality (Contd.)
2026

Investment Securities
(External Ratings)

	Gross Carrying Amount			Total
	Stage 1	Stage 2	Stage 3	
	USD '000	USD '000	USD '000	USD '000
AAA to AA-	26,074	-	-	26,074
A+ to A-	11,012	-	-	11,012
BBB+ to BBB-	66,425	-	-	66,425
BB+ and below	-	-	-	-
	103,511	-	-	103,511

	ECL			Total
	Stage 1	Stage 2	Stage 3	
	USD '000	USD '000	USD '000	USD '000
AAA to AA-	1	-	-	1
A+ to A-	2	-	-	2
BBB+ to BBB-	102	-	-	102
BB+ and below	-	-	-	-
	105	-	-	105

Loans and advances to banks
(External Ratings)

	Gross Carrying Amount			Total
	Stage 1	Stage 2	Stage 3	
	USD '000	USD '000	USD '000	USD '000
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	33,251	-	-	33,251
BB+ and below	52,758	-	-	52,758
	86,009	-	-	86,009

	ECL			Total
	Stage 1	Stage 2	Stage 3	
	USD '000	USD '000	USD '000	USD '000
AAA to AA-	-	-	-	-
A+ to A-	-	-	-	-
BBB+ to BBB-	6	-	-	6
BB+ and below	-	-	-	-
	6	-	-	6

Loans and advances to customers
including loan commitments
(Internal Ratings)

	Gross Carrying Amount			Total
	Stage 1	Stage 2	Stage 3	
	USD '000	USD '000	USD '000	USD '000
AAA to AA-	-	-	-	-
A+ to A-	52,012	-	-	52,012
BBB+ to BBB-	166,286	-	-	166,286
BB+ and below	74,515	36,641	38,974	150,130
	292,813	36,641	38,974	368,428

	ECL			Total
	Stage 1	Stage 2	Stage 3	
	USD '000	USD '000	USD '000	USD '000
AAA to AA-	-	-	-	-
A+ to A-	12	-	-	12
BBB+ to BBB-	1,033	-	-	1,033
BB+ and below	330	3,422	13,510	17,262
	1,375	3,422	13,510	18,307

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Principal Risks (Contd.)

Credit risk (Contd.)

IFRS 9 Credit Quality (Contd.)

2025

Investment Securities

(External Ratings)

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

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

Loans and advances to banks

(External Ratings)

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

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

Loans and advances to customers

including loan commitments

(Internal Ratings)

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

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

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Principal Risks (Contd.)

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	2026	2025	2026	2025
	Exposure USD '000	Exposure USD '000	% of Total	% of Total
United Kingdom	174,338	172,471	30.5%	34.8%
India	226,351	128,233	39.6%	25.9%
United States of America	59,498	77,412	10.4%	15.6%
Singapore	12,518	18,465	2.2%	3.7%
United Arab Emirates	1,755	447	0.3%	0.1%
Jersey	18,551	18,108	3.2%	3.7%
Mauritius	8,348	21,016	1.5%	4.2%
Finland	17,295	16,255	3.0%	3.3%
Switzerland	17,977	10,000	3.1%	2.0%
Virgin Islands, British	3,520	12,497	0.6%	2.5%
Saudi Arabia	6,034	5,928	1.1%	1.2%
Netherlands	9,679	-	1.7%	0.0%
Philippines	5,317	5,167	0.9%	1.0%
Qatar	10,054	10,047	1.8%	2.0%
	571,235	496,046	100%	100.0%

The above included all Financial assets of the Bank.

Industrywide profile

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

	2026	2025
	Exposure USD '000	Exposure USD '000
Loans and advances to customers		
Real Estate	133,265	147,348
Financial and Insurance activities	92,401	74,368
Administrative And Support Service Activities	47,552	38,488
Accommodation And Food Service Activities	31,186	36,025
Information And Communication	24,205	14,360
Manufacturing	15,162	27,210
Others	13,199	7,982
Construction	6,350	8,325
Human Health And Social Work Activities	4,050	7,957
	367,370	362,063

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:

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Principal Risks (Contd.)

Liquidity Risk (Contd.)

	Non-derivative financial assets		Non-derivative financial liabilities	
	2026 USD '000	2025 USD '000	2026 USD '000	2025 USD '000
On Demand	10,576	23,820	11,284	7,326
Due within 3 months	151,346	70,703	58,745	8,584
Due between 3 to 12 months	125,461	126,478	332,854	290,760
Due between 1 to 5 years	396,449	388,104	47,767	70,778
Due after 5 years	70,950	23,468	-	-
Total	754,782	632,573	450,650	377,448
Derivative financial asset/ (liabilities)				
	2026 USD '000	2025 USD '000		
On Demand	-	-		
Due within 3 months	-	-		
Due between 3 to 12 months	(375)	(1,436)		
Due between 1 to 5 years	-	-		
Due after 5 years	-	-		
Total	(375)	(1,436)		

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

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

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

The Bank has developed its ILAAP, which includes a series of stress tests and limits.

The responsibility of day-to-day management of the Bank's liquidity position is delegated to the Bank's Treasury department and overseen by CFO

Currency risk

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

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

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

	Assets		Liabilities	
	2026 USD '000	2025 USD '000	2026 USD '000	2025 USD '000
INR	-	(462)	38	-
GBP	-	-	1,026	990
EURO	(21)	(6)	-	-

A 5% shift in the open position will have a net impact of USD 0.26 million (2025: 0.26 million) on the Profits. Accordingly, the sensitivities presented for profit or loss also represent the corresponding impact on equity.

Principal Risks (Contd.)

Currency Risk (Contd.)

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.

The management of interest rate risk against interest rate gap is supplemented by monitoring the sensitivity of Effect of 200 basis points increase in interest rates across maturity bands is (USD 0.76 million) (2025: USD 0.62 million)

Effect of 200 basis points decrease in interest rates across maturity bands is USD 1.0 million (2025: (USD 0.49 million))

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 as shown in statement of change in equity.

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27 Related Party

27.1 Transaction with Parent Bank

The Bank is ultimately controlled by the Government of India through its majority shareholding in Union Bank of India, the Bank's immediate and ultimate parent undertaking. The smallest and largest group for which the bank is consolidated and for which consolidated financial statements are prepared is that of Union Bank of India. 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.

During the year, the Bank entered into transactions with a number of Government of India-related entities in the ordinary course of its banking and treasury activities. These transactions included the purchase and holding of investment securities issued by Government of India -related entities and interbank placements and borrowings with Government of India -related banking institutions. Such transactions were undertaken on normal commercial terms and conditions and in accordance with the Bank's approved treasury and liquidity management policies.

As at 31 March 2026, the Bank had aggregate interbank placements with Government of India -related banking entities of USD 53.35 million (2025: USD 20.20 million) and aggregate interbank borrowings from government-related banking entities of USD 59.28 million (2025: USD Nil million).

During the year, the Bank purchased investment securities issued by Government of India -related entities with an aggregate purchase value of USD 15.35 million (2025: USD 8.35 million).

Other Commitment

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

	2026 USD '000	2025 USD '000
Interest income on placements	66	460
Interest expense on borrowings	(207)	-
	<u>(141)</u>	<u>460</u>

Balances with Related Parties as at 31 March:

	Amounts owed by related parties	
	2026 USD '000	2025 USD '000
Assets		
Nostro account balance with Union Bank of India	73	24
Interbank Placement	32,465	-
	<u>32,538</u>	<u>24</u>
	Amounts owed to related parties	
	2026 USD '000	2025 USD '000
Liabilities		
Current account held by UBI in UBIUK	(6)	(7)
	<u>(6)</u>	<u>(7)</u>

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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.

Other transactions with related party (including remuneration paid to Directors who the Bank considers as key management) are disclosed in note below.

27.2 Transaction with Directors

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

Mr. Asheesh Pandey (Chair, Appointed on 20 October 2025)
Ms. Arumugam Manimekhalai (Chair, retired on 2 June 2025)
Mr. Ramasubramanian Sankarnarayanan (Nominee Director Appointed on 1 September 2025)
Mr Pankaj Dwivedi (Nominee Director, resigned on 24 June 2025)
Mr. Loknath Mishra (Director, appointed on 28 May 2025 and resigned on 31 March 2026)
Dr. Anand Kumar (Director, resigned on 30 June 2025)
Mr. Joseph Jerry Liow Yune Loy (Independent Director)
Mr. Dawn Brown (Independent Director)
Mr. Syam Sunder Tantassery Sivaraman Tanta (Managing Director and Chief Executive Officer, appointed on 21 July 2025)
Mr. Arbind Choudhary (Managing Director and Chief Executive Officer, resigned on 14 November 2025)
Mr. Rahul Kumar (Executive Director and Chief Operating Officer)

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

	2026	2025
	USD '000	USD '000
Short-Term Employee Benefits	728	640
Post-Employment Benefits	-	-
Other Long-Term Benefits	-	-
Termination Benefits	-	-
Share-Based Payment Benefits	-	-
Total Compensation	728	640

These key personnel have deposit and / or savings accounts with the Bank. They are held under normal terms and conditions, and no preferential treatment are being given to them. The outstanding balances relating to such accounts are USD 0.05 million (2025 USD 0.08 million)

28 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 services including retail and commercial banking, trade finance and treasury services. Union Bank of India (UK) Limited is wholly owned subsidiary of Union Bank of India. It operates through its sole branch of United Kingdom.

	2026		2025	
	UK	Total	UK	Total
Operating income	11,806	11,806	13,327	13,327
Average number of employees	35	35	35	35
Profit (loss) before tax	243	243	(6,608)	(6,608)
Corporation tax paid	-	-	-	-
Public subsidies received	-	-	-	-

29 Events after the Balance Sheet Date

There have been no events subsequent to the balance sheet date which require disclosure or adjustment in the financial statements