Bank of Baroda (UK) Limited

Annual Report and Financial Statements

For the year ended 31 March 2020

Company Registration No : 10826803

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Company Information

Directors	Sanjiv Chadha (appointed – 9 April 2020) Chairman and Non-Executive Director
	P S Jayakumar (resigned – 18 October 2019) Chairman and Non-Executive Director
	A Manambrakat Deputy Managing Director and Executive Director
	C P J Fitzgibbon Independent Non-Executive Director
	M C Say Independent Non-Executive Director
	M Ramaswami (appointed – 9 January 2020, resigned – 9 April 2020) Non-Executive Director
	S Agarwal (resigned - 21 June 2019) Managing Director
	S K Grover (appointed - 19 June 2019) Managing Director
	S K Srivastava (appointed – 1 June 2020) Non-Executive Director
	Venugopal Menon (appointed – 15 April 2019, resigned – 1 June 2020) Non-Executive Director
Registered number	10826803
Registered office	32 City Road London United Kingdom EC1Y 2BD
Auditors	Mazars LLP Tower Bridge House St Katharine's Way London

Strategic report
for the year ended 31 March 2020

The directors present their strategic report for the year ended 31 March 2020 for Bank of Baroda (UK) Limited ("the Bank").

The Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. The Bank commenced its commercial operations in December 2018.

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

Strategic objectives

The Bank has focused its efforts on specific business segments which are aligned with its core competencies and strengths, and are consistent with the risk appetite of the Bank. During the year, the primary aim of the Bank was to stabilize operations and build on its existing relationships with Bank of Baroda, a company incorporated in India ("the Parent").

The Bank's primary objectives are:

1. To create profitable and sustainable business growth within the UK.
2. To improve existing customer relationships by increasing the range of products and services available to customers.
3. To ensure that the risks inherent in the business are subject to robust controls, risk and compliance management oversight.
4. To ensure that new and enhanced technologies are implemented to support the business.
5. To build and develop leadership capability and management expertise.
6. To be the bank of choice for households of Indian origin in the UK.

Financial review

The Bank commenced its operations in December 2018 with Tier-I share capital of £5 million, increased to £145 million as at 31 March 2020, which was entirely contributed by the Parent Bank. The income and expenses for the previous year ended 31 March 2019 related to 3 months of operations. Some of the components of Comprehensive Income, balance sheet and notes to the accounts relating to 2018-19 have been re-classified.

The Bank's total assets as at 31 March 2020 were £1,328 million and the Bank registered profit before taxes of £7.472 million. The capital, funding and liquidity positions of the Bank remained adequate throughout the year

Key performance indicators

The financial performance for the financial year 2020 is summarised in the following table:

Key Performance Indicators (%)	2019-20	2018-19
Net Interest Margin (NIM) (Net Interest Income / Average Earning Assets)	1.75%	1.52%
Cost to Income Ratio (Operating Cost / Total Operating Income)	54.56%	105%
Core Tier-1 Ratio Capital / Total Risk Weighted Assets)	21.03%	23.57%

Principal activities and business model

The Bank's focus is on building a sustainable business model with strong and robust corporate governance and control environment. The Bank offers a range of products to its customers covering retail, corporate and commercial banking, and treasury services.

Retail Banking:
The Bank offers personal current accounts, personal savings accounts, business current accounts, fixed deposits and services for remittance to India. The Bank also serves non-resident Indian customers, based in the UK, in terms of their India-related banking needs. On the asset side, products like buy-to-let finance, development finance and professional loans are available.

Corporate and Commercial Banking:
The Bank's corporate business aims to provide products and services to enhance trade and investment between the UK and other countries, including India. The regulatory and emerging business environment both in the UK and India determines the mix of products offered to clients. In the future, the Bank is looking to build on its operations by expanding its product range, developing existing relationships, and creating new ones, in addition to minimising risk by remaining focused on its core competencies.

Treasury:
The treasury function focuses on managing the funding and the market and liquidity risk of the Bank at the same time as trying to maximize returns. The Bank has not undertaken any proprietary trading activities. The Bank maintains, a Liquidity Asset Buffer (LAB) and manages its liquidity within predetermined limits as described by its established Internal Liquidity Adequacy Assessment Process (ILAAP). The Bank reviews the asset/liability maturity mismatches and interest rate positions on an ongoing basis, and maintains liquidity gaps and interest rate positions within prescribed limits, which are monitored by the Asset and Liability Committee (ALCO) of the Bank.

Principal risks and uncertainties

The Principal risks and uncertainties the bank is exposed to are; capital management risk, credit risk, liquidity risk, market risk, operational risk and other geo-political and environmental risks including climate change risk, and COVID-19.

Credit risk
Credit risk is the risk of loss as a result of the failure of a party with whom the Bank has contracted to meet its obligations. The main credit risk that the Bank faces relates to its exposure to banks and corporates from its trade finance business, inter-bank lending, and advances to corporate and retail borrowers. The Board of Directors has delegated the management of credit risk to the Board Credit Committee. Credit risk is explained in detail in note 19.

Market risk
Market risk is the risk that changes in market prices such as interest rate and foreign exchange rates will affect the Bank's income or the value of its holdings. The Board sets the market risk tolerance levels which are managed on a daily basis by the Treasury department. Capital is allocated to mitigate market risk in accordance with regulatory requirements. Market risk is explained in detail in note 19.

Operational risk
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, cyber security risk or from external events. Overview of operational risk is undertaken by the Board Risk and Compliance Committee and ultimately the Board of Directors, who retain overall responsibility. The operational risk management framework is developed by the Risk Management Department, and the implementation of controls to address operational risk is part of the line managers' day to day responsibility.

Capital is allocated by the Bank in order to mitigate Operational risk in accordance with the Bank's Internal Capital Adequacy Assessment Process (ICAAP).

Liquidity risk

Liquidity risk is the risk the Bank does not have sufficient resources available to meet its obligations as they fall due, or can only secure such resources at higher cost than ordinarily expected. The Bank's approach to managing liquidity is to ensure that it will always has sufficient available financial resources to meet its liabilities when due, under normal and stressed conditions, without any unacceptable losses or risk to the Bank's reputation. The Bank has established an Individual Liquidity Adequacy Assessment Process (ILAAP) which has been approved by the Board of Directors. The ILAAP describes how the Bank manages its liquidity within predetermined limits and how it maintains a buffer of High-Quality Liquid Assets (HQLA) to ensure that it will be able to meet its liabilities during times of stress. Liquidity risk is explained in detail in note 19.

Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign currency exchange rates will affect the Bank's income or the value of assets and liabilities. The objective of foreign currency risk management is to manage and control foreign currency positions and maintain these positions within the parameters set by the Board of Directors. It is not the Bank's intention to take open positions on its own account, but rather to maintain a neutral position in all currencies. Foreign exchange risk is explained in detail in note 19.

Interest rate risk

Interest rate risk arises from financial instruments where net interest income or expense and the market value of the Bank's assets or liabilities are exposed to movements in interest rates. Interest rate risk is managed by matching and monitoring the yield and duration exposure built into the Bank's portfolio. The Bank monitors the sensitivity of the Bank's financial assets and liabilities to various interest rate scenarios. Interest rate risk is explained in detail in note 19.

Climate change risk

The Board recognises that the impact of climate change can have an impact on its financial position in terms of the valuation of its assets, deprecation rate, other liabilities and financial risk disclosures. The Board of Directors accepts ownership and is accountable for managing the risks associated with climate change and its impact on the resilience of the Bank's business model both in the immediate and longer term.

This risk has been initially assessed as low for the Bank's business model, but it has been embedded within the Bank's Risk framework and Risk Appetite with metrics and reporting to ensure that it is managed effectively.

Coronavirus (COVID – 19) risk

Coronavirus (COVID-19) spread across the world from February 2020, and has affected adversely people's day-to-day life and the global economy.

The Bank has carefully monitored the spread of COVID -19 in the UK, India and other parts of the world, where the Bank has exposure. It has carefully assessed its exposures and made additional provisions to cover potential losses.

The Bank has taken the necessary precautions to safeguard its staff members and its customers.

Capital and risk management

Effective risk governance is a key component of the Bank's business strategy. The management of risk is the ultimate responsibility of the Board of Directors and the Board is supported by an independent risk management department and Board and management sub-committees.

Board Risk and Compliance Committee (BRCC): The BRCC is a sub-committee of the Board. It is the Bank's senior risk committee with delegated authority from the Board to agree appetites, frameworks and policies and to monitor all of the Bank's risks. The objective of the Committee is to achieve oversight of the overall compliance and risk management functions, including credit, market, operational risk and liquidity risk, together with regulatory and legal compliance. The Committee aims to effectively monitor the risks arising in the Bank across business lines, product areas and geographies and more generally, to monitor procedures and identify solutions to minimise or mitigate those risks. The Committee meets quarterly or more frequently as circumstances dictate.

The BRCC is chaired by an Independent Non-Executive Director.

Board Audit Committee (BAC): The BAC is a sub-committee of the Board and has delegated authority from the Board to agree the Bank's Internal audit universe, Risk management of the universe and annual audit plan, to review and agree the annual report and accounts, to review and monitor the external audit, and to monitor and control all "third line" audit activity in the Bank. The objective of the Committee is to provide oversight of the Bank's financial affairs and related control arrangements and monitor inspection reports submitted by Internal Audit. The BAC also ensures and monitors independence of the External Auditors. The Committee meets quarterly or more frequently as circumstances dictate.

The BAC is chaired by an Independent Non-Executive Director.

Board Credit Committee (BCC): The BCC is a sub- committee of the Board which ensures the most material credit decisions beyond the delegated authority of both branch managers and the Head of Credit/Credit Approval Committee (CAC) are appropriately considered at a senior level. Additionally, the Committee will discuss and review the Bank's overall strategy and approach with respect to credit (Inc. credit risk appetite). The objective of the CAC is to be responsible for approval of Credit Proposals under its Discretionary Powers as per the Credit Policy and for reviewing potential transactions with respect to commercial considerations. The Committee meets quarterly or more frequently as circumstances dictate.

The BCC is chaired by the Managing Director.

Board Remuneration and Nominations Committee (BRNC)

The BRNC has delegated authority from the Board to regularly review the structure, size and composition and succession (including the skills, knowledge, experience and diversity) of the Bank's Board and its Executive and Senior Management and make recommendations to the Board with regard to any development needs or changes. The Committee meets quarterly or more frequently as circumstances dictate.

The BRNC is chaired by the Chairman.

Management Committee (MANCO): The MANCO takes whatever steps are necessary to oversee the business of the Bank on a day to day basis. The MANCO reports to the Board. The Committee meets once a month.

The MANCO is chaired by the Managing Director.

Risk Management Committee (RMC): The RMC is an Executive Level Committee and reports to BRCC. RMC is responsible for overseeing the overall Risk management function, including Credit, Market & Operational Risk including Conduct Risk, Legal Risk and Reputational Risk etc. It is also responsible for reviewing and recommending the Bank's risk appetite to BRCC.

RMC is chaired by the Head of Risk & Compliance.

Asset and Liability Committee (ALCO): The ALCO is an Executive Level Committee and reports to BRCC. The objective of the Committee is to oversee the Liquidity Risk and Interest Rate Risk of the Bank. It is also responsible for Balance Sheet Management of the Bank and ensuring that the Bank is compliant with all regulatory requirements on liquidity and funding. The Committee meets once a month.

The ALCO is chaired by the Managing Director.

Credit Risk Evaluation Committee (CREC): The CREC is an Executive Level Committee, responsible for evaluation and analysis of individual credit proposals. The CREC is chaired by Head of Risk and Compliance and meets as and when a proposal is submitted by the sponsoring authority.

Three line of defence:

A "three lines of defence" model has been adopted by the Bank for the effective oversight and management of risks across the Bank.

First line of defence: Functions, teams and branches in the first line undertake frontline operational and support activities. In their day-to-day activities, these teams take risks which are managed through the effective design and operation of controls. Each Head of First Line Function/Team carries responsibility for ensuring that activities undertaken are within the Bank's risk appetite.

Specific responsibilities of the first line of defence include:

- Embedding risk management frameworks, policies, and sound risk management practices into standard operating procedures.
- Adhering to frameworks, policies and procedures set by the Board.
- Reporting on the performance of risk management activities (including ongoing risk identification, assessment, mitigation, monitoring and reporting).
- Accounting for the effectiveness of risk management in operation including ensuring that procedures and controls are operating in a consistent and ongoing basis in order to effectively manage risks.

Second line of defence: The Risk Management and Compliance Functions are independent risk management functions, and are a key component of the Bank's second line of defence. The Risk Management Department and the Compliance Department are responsible for the ongoing assessment and monitoring of risk-taking activities across the Bank. The second line focusses on monitoring and review and is responsible for:

- Developing and monitoring the implementation of risk management frameworks, policies, systems, processes and tools.
- Ensuring that risk management frameworks, policies, systems, processes and tools are updated and reviewed periodically and that these are communicated effectively to the First line.
- Ensuring that the above frameworks and tools cover risk identification, assessment, mitigation, monitoring and reporting and that they are being implemented.
- Establishing an early warning system for breaches of the Bank's Risk Appetite or Limits.
- Influencing or challenging decisions that give rise to material risk exposure.
- Reporting via the Head of Risk & Compliance to BRCC, on all these items, including risk mitigating actions, where appropriate.
- Oversight, effectiveness and ensuring implementation

Third line of defence: The third line of defence comprises Internal Audit, which is responsible for:

- Independently reviewing the design and operating effectiveness of the Bank's internal controls, risk management and governance systems and processes.
- Periodically assessing the Bank's overall risk governance framework, including, but not limited to an assessment of:
  - The effectiveness of the Risk Management and Compliance Functions.
  - The quality of risk reporting to the Board and Senior Management.
  - The effectiveness of the Bank's system of internal controls.
- Providing independent assurance to the Board on the above.
- Recommending improvements and enforcing corrective actions and assigning respective action owners where necessary.
- Tracking the implementation of all internal audit recommendations and external audit management letter points.
- Reporting to the Board Audit Committee on the status and progress of the above.

The Bank's third line of defence is co-sourced with KPMG. The Board has responsibility for overseeing the effective action and performance of all three lines of defence.

Section 172 statement

The directors of the Bank, both individually and collectively, have acted in accordance with their duties codified in law, which include their duty to act in the way in which they consider, in good faith, would be most likely to promote the success of the Bank for the benefit of its members as a whole, having regard to the stakeholders who include, the shareholders, customers, suppliers, employees, regulators, communities and environment affected by our Bank and matters set out in section 172(1) of the Companies Act 2006. In Particular:

Shareholders: The Bank is a 100% subsidiary of Bank of Baroda, India, the parent bank. The directors appreciate the support the shareholders have shown and seek to maintain regular contact with its shareholders. The Bank reports its financial results to the shareholders on a quarterly basis and also with the publication of its annual financial reports.

Customers: Our customers are at the focal point of what we do. The directors have received/ sought and received updates from Top/Senior management of the Bank about information on the Bank's customer focus, products and transactions on a broader and oversight level. Customer complaints and concerns if any of a material nature for the directors level have been brought to the notice of the directors. Executive management / Directors have met with customers, whenever required, which include direct engagement with a key-customers to understand their needs, through forums and meetings.

Suppliers: During the year, the directors have periodically received updates through management information and other methods on the Bank's performance against its statutory reporting obligations in respect of the payment of third-party suppliers. Outsourcing agreements and their operations have been reviewed periodically by the Management Committee and also review of Outsourcing policy have been carried out with an intention to ensure outsourcing efficiency.

Employees: The Executive directors keep in touch with staff through day to day activities and Non-Executive Directors through collaboration in various Committees of the Bank and through scheduled events and branch visits involving the employees.

Regulators: The directors are focused and committed on maintaining transparent and compliant relationships with regulators and to maintain a compliant posture at all times. The directors, through oversight and timely interventions aim to ensure that any regulatory changes are adopted, embedded and adhered to always. As regards the regulatory, risk & compliance matters, the BRCC has a clear oversight on them. Our team engages with the PRA and FCA supervisory teams through meetings and communications basically and laterally through industry associations. We are members of industry associations including UK Finance and Association of Foreign Banks and also several consultants to understand regulatory changes and requirements and to implement them successfully.

Communities and environment: The Bank is committed to managing the community, environmental and economic impacts of its operations which includes the way it deals with its community and customers. While the Bank is committed to providing the best of services on a reasonable basis to all customers, the major segment of customers currently banking with us is the Asian community particularly the Indian Diaspora in the UK. This segment is especially requiring normal banking facilities including credit facilities and also specific remittance facilities to India in INR (Indian Rupees). The Bank caters to these communities and their requirements efficiently and diligently through various channels. These services are administered and monitored by Senior / Top Management and with oversight from the directors through various committees.

Corporate governance

The Bank places a strong emphasis on internal governance and the maintenance of high ethical standards in its working practices. The Bank's corporate governance framework is driven by the Board, which comprises two Executive Directors, two Non-Executive Directors representing the Parent, and two independent UK-based Non-Executive Directors.

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

By order of the Board,

(Sanjay Kumar Grover)
Managing Director

(Anil Manambrakat)
Deputy Managing Director

Date: 21 July 2020

Directors' report
for the year ended 31 March 2020

The directors present their report together with the audited financial statements of the Bank for the year ended 31 March 2020.

Directors
The directors who served to the Bank, during the year and at the signing the financial statements, are listed on page 3.

Directors' Indemnities
The Bank provides directors with qualifying third-party indemnity insurance and reviews the level of cover.

Results and dividends
The Bank made a profit before tax of £7,472,000 (2019: £257,000 loss) during the year. The directors do not recommend the payment of a dividend for the year (2019: £nil).

Future developments

Current strategy:
The business strategy of the Bank has been driven by the increased globalisation of the Indian economy, the growing trend of Indian corporates expanding overseas, the large population of non-resident Indians and persons of Indian origin across the globe, and overseas companies looking to invest in India. The Bank has approved a strategy that focuses on specific business segments which are aligned with its core competencies and strengths and are consistent with the risk appetite of the Bank. The primary activity of the Bank in the last financial year has been lending to targeted retail clients, whilst also investing and building a portfolio of high-quality liquid assets as part of its liquidity management. A key focus has been to ensure that the Bank's business plan is achievable within its capital and liquidity resources.

Future plans:
In addition to growing its existing activities, the Bank also recognises the desirability of continuing to diversify its sources of revenue. The Bank plans to expand its retail banking offerings to include regulated mortgage and plain vanilla hedge products to its clients. Regulatory approvals, wherever needed, will be sought prior to commencing the relevant businesses.

Given the current economic environment, the Bank plans to have measured and prudent growth, particularly in new lending activity and will continue to focus on and enhance, its credit risk framework to make it more robust.

Brexit impact
The Bank continues to consider that Brexit will not have a material impact on it, owing to its minimal EU exposure. On a more positive note, the Bank believes that Anglo-Indian business corridor will become an area of increased focus and growth in the post-Brexit world, and that the Bank will be well positioned to benefit from the opportunities this will offer.

COVID-19
The COVID-19 pandemic is inflicting high and rising human costs worldwide. Protecting lives and allowing health care systems to cope have required isolation, lockdowns, and widespread closures to slow the spread of the virus. The health crisis is therefore having a severe impact on economic activity.

The Bank continues to monitor the spread of COVID-19 in the UK, India and other parts of the world where the Bank has exposure. It has carefully assessed its exposures and made additional provisions to cover potential losses. The Bank has also taken the necessary precautions to safeguard its staff and customers.

LIBOR transition:

The Bank does not have any LIBOR linked liabilities or investment products. Its main exposure to LIBOR products is in retail mortgage assets and syndicated corporate loans. The two main LIBORs that the bank uses for referencing its variable rate products are GBP LIBOR and USD LIBOR.

The Bank understands the challenge associated with the LIBOR transition and is taking appropriate steps to plan for it.

Going concern

The financial statements are prepared on a going concern basis. The Bank has adequate resources to continue its operations for the foreseeable future, along with support from its parent bank to ensure operational capability by way of Service Level Agreement.

In particular, the Bank has considered its resilience in the face of stress testing as a part of its Internal Capital Adequacy Assessment Process (ICAAP). The Bank has also conducted separate stress testing on the impact of COVID-19, assuming it will last for 3 months, 6 months, 12 months and due to which, there will be increase in impairment of assets. Results indicated that the Bank has sufficient capital and liquidity to fund its balance sheet for each reasonably possible scenario. The directors are satisfied and reasonably expect that the Bank has adequate resources to meet its obligations for the foreseeable future and for at least 12 months from the approval of the financial statements. The directors concluded that there is no material uncertainly on an ongoing concern and therefore it remains appropriate to adopt the going concern basis in preparing the Bank's financial statements.

The Bank maintains a sound liquidity position, in excess of the requirements demanded by the regulatory environment. There is a robust liquidity adequacy and monitoring process in place.

The Bank continues to strengthen its governance and control environment to enable it to meet the regulatory challenges faced by all banks, based on best practice in the industry and underpinned by the industry standard three lines of defence model for risk management.

Political donations

No political donations were made during the year (2019: None).

Employees

In formulating its employment policy, the Bank has been guided by its ethical culture and relevant legislation in the United Kingdom.

The Bank is committed to providing equal opportunities to all workers and job applicants.

It aims to ensure that no job applicant shall receive less favourable treatment on the grounds of sex, age, marital status, sexual orientation, disability, race, colour, religion or belief, nationality, or ethnic origin. All employees are responsible for complying with this policy and for ensuring that the standards of behaviour by the Bank are met at all times.

All staff should expect to work in an environment which is free from harassment, bullying or any other type of intimidation. The Bank strives to create a culture whereby staff can feel confident about raising legitimate concerns about any form of harassment or potential wrongdoing within the workplace relating to areas such as malpractice, breaches of regulations, health and safety issues and environmental concerns. Whistle blowing procedures are in place.

The Bank aims to develop staff to be best that they can be in their professional work, by encouraging continued personal and professional development within the Bank and through attendance on appropriate external courses.

Post balance sheet events

The directors are not aware of any significant events after the balance sheet date.

Principal risks and uncertainties

Please refer to Note 19 for a detailed discussion of the Bank's risk management framework.

Disclosure of information to the auditors

Each person, who is a director 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 auditors are unaware; and
- director has taken all the steps that he/she ought to have taken as a director in order to himself / herself aware of any relevant audit information, and to establish that the Bank's auditors are aware of that information.

Auditor
Mazars LLP were appointed during the year and have expressed their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the next Annual General Meeting.

By the order of the Board,

(Sanjay Kumar Grover)
Managing Director

(Anil Manambrakat)
Deputy Managing Director

Date: 21 July 2020

Statement of Directors' responsibilities for the year ended 31 March 2020

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 have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS102 "The Financial Reporting Standards applicable in the UK and Republic of Ireland", and applicable law (UK GAAP).

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, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's 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 confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with FRS 102, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank; and
- 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 they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Bank's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on and is signed on its behalf by.

(Sanjay Kumar Grover)
Managing Director

(Anil Manambrakat)
Deputy Managing Director

Date: 21 July 2020

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

Opinion

We have audited the financial statements of Bank of Baroda (UK) Limited (the 'bank') for the year ended 31 March 2020 which comprise of Income statement, Statement of comprehensive income, Balance sheet, Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the bank's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 FRC's Ethical Standard, as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional 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 matters in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and, where relevant, key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Area of Focus	How our audit addressed the area of focus
Credit risk – Allowance for impairment losses on loans and advances to customers *Refer to Significant accounting policies (Note 3), Critical judgements in applying accounting policies and key sources of estimation uncertainty (Note 4), Note 12 and Note 19 of the financial statements.* The allowance for impairment losses on loans and advances to customers represents management's best estimate of losses incurred in the loan portfolio at the year end. Estimates are made using historic and market average default rates and managements estimates on incurred losses. There is an inherent risk, over credit events that have occurred but have not been identified at the year end. The allowances for impairment losses on loans and advances are management's best estimate of losses incurred in the portfolio at the year end. Impairment allowances are made up of two components, those determined individually and those determined collectively. No specific impairment in relation to individual loans has been made for the year end. Credit risk is an inherently judgmental area due to the use of subjective assumptions and a high degree of estimation in arriving at the collective provisions.	We assessed the design and implementation and tested the operating effectiveness of the key controls operating in the company in relation to credit risk on loans and advances to customers. We performed the following procedures, on a sample basis: • Tested the process by which management identifies non-performing loans and makes related provisions including testing a sample of loans to confirm that management had properly classified the loans as either performing or non-performing at the year end. • Focused on impairment triggers, calculation of impairment and consideration of collateral arrangements where relevant. This included re-performed key aspects of the annual credit reviews performed by management and corroborated management's judgement in respect of its assessment of the recoverability of the loan, including assessing the completeness and robustness of management's review. In respect of the model used to determine impairment losses, we: • Assessed the reasonableness of the judgements applied by management in calculating the collective allowance for impairment losses; and • Tested the mathematical integrity of the model, completeness of the loan portfolio applied, and data inputs used. **Key observations** We found that the assumptions used by management in the impairment assessment are reasonable and that the loan loss provisions as at 31 March 2020 are consistent with the requirements of United Kingdom Generally Accepted Accounting Practice.

Area of Focus	How our audit addressed the area of focus
Going concern and the impact of the COVID-19 outbreak on the financial statements *Refer to Strategic Report, Directors report and Basis of preparation (Note 2) of the financial statements.* During the year there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world. The directors' consideration of the impact on the financial statements is disclosed in Strategic Report on page 6, the Directors' Report on page 11 and going concern assessment on page 12. Whilst the situation is still evolving, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate.	In forming our conclusions over going concern, we evaluated how the directors' going concern assessment considered the impacts arising from COVID-19 as follows: • We reviewed the directors' going concern assessment including COVID-19 implications based on a range of scenarios and including stressed scenarios as approved by the board of directors; • We made enquiries of directors to understand the period of assessment considered by the directors, and the potential impact of COVID-19 on the bank's financial performance, business operations, and liquidity and regulatory positions; • We evaluated the key assumptions used in the scenarios indicated above and considered whether these appeared reasonable; • We assessed the potential impact of COVID-19 on the bank's capital utilisation and considered whether the directors' conclusion that adequate capital headroom remains is reasonable; and • We evaluated the adequacy and appropriateness of the directors' disclosure in respect of COVID-19 implications. **Key observations** Based on the work performed, we are satisfied that the matter has been appropriately reflected in the financial statements. Our conclusions on going concern are set out under 'Conclusions relating to going concern' above.

Our application of materiality

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:	£1,486k
Benchmark applied	1% Net Assets
Rationale for benchmark applied	Net assets has been selected to base materiality on. As the bank was only operational since Dec 2018 (as a fully functioning bank). The profit before tax figure is not seen to be stable, whereas the net assets gives a better reflection of the performance of the bank. Furthermore, net assets remains the focus of the regulator in terms of capital adequacy.
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 exceed as a whole. Performance Materiality of £891k (60% of Overall Materiality) was applied to the audit.
Reporting threshold	We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 3% of overall materiality (£45k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

An overview of the scope of our audit, including extent to which the audit was considered capable of detecting irregularities, including fraud

As part of designing our audit, we determined materiality and 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 making 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 a risk assessment, our understanding of the bank, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- at planning stage, we gained an understanding of the legal and regulatory framework applicable to the bank, the industry in which it operates and considered the risk of acts by the bank which were contrary to the applicable laws and regulations;
- we discussed with the directors the policies and procedures in place regarding compliance with laws and regulations;
- we discussed amongst the engagement team the identified laws and regulations, and remained alert to any indications of non-compliance; and
- during the audit, we focused on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the regulatory and legal correspondence and review of minutes of directors' meetings in the year. We identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory requirements of the Prudential Regulation Authority and the Financial Conduct Authority. We also considered those other laws

and regulations that have a direct impact on the preparation of financial statements, such as the Companies Act 2006 and UK tax legislation (governed by HM Revenue and Customs).

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

- inquiries of management whether they have knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risk related to fraud;
- discussion amongst the engagement team regarding risk of fraud such as opportunities for fraudulent manipulation of financial statements, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation loan impairments and revenue recognition DB pension assumptions, and significant one-off or unusual transactions; and
- addressing the risk of fraud through management override of controls by performing journal entry testing.

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.

As a result of our procedures, we did not identify any additional "Key audit matters" relating to irregularities. The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

Responsibilities of Directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of Directors to audit the financial statements for the year ended 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the year ended 31 March 2020.

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 the additional report to the audit committee.

Use of the audit report

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

Greg Simpson (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House,
St Katharine's Way
E1W 1DD
21 July 2020

Income Statement
for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £000	(Restated) Year ended 31 March 2019 £000
Interest receivable and similar income	5	**40,026**	10,866
Interest payable and similar charges	6	**(21,014)**	(5,900)
Net interest income		**19,012**	4,966
Fees and commissions income	7	**559**	183
Other operating income		**667**	-
Loss on foreign exchange revaluation		**(3,034)**	(100)
Loss on sale of available for sale investments		**(761)**	(423)
Total operating income		**16,443**	4,626
Staff expenses	9	**(5,252)**	(1,272)
Operating lease		**(561)**	(148)
Depreciation		**(30)**	(10)
Administrative expenses		**(2,806)**	(1,704)
Loan loss provision		**(322)**	(1,749)
Profit / (Loss) from ordinary activities before tax	8	**7,472**	(257)
Taxation (charge)/credit on ordinary activities	10	**(1,364)**	2
Profit / (Loss) for the year		**6,108**	(255)

The notes on pages 25 to 56 are an integral part of these financial statements.

Statement of Comprehensive Income
for the year ended 31 March 2020

	Note	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Profit / (Loss) for the year		**6,108**	(255)
Other comprehensive income / (loss)			
Fair value movement on available for sale assets		**(2,763)**	(98)
Deferred tax adjustment on available for sale assets	23	**545**	17
Actuarial losses on defined benefit pension scheme		**(14)**	-
Deferred tax movement relating to actuarial losses on pension scheme	23	**11**	-
Total comprehensive income / (loss) for the year		**3,887**	(336)

The notes on pages 25 to 56 are an integral part of these financial statements.

Bank of Baroda (UK) Limited

Balance sheet
As at 31 March 2020

	Note	2020 £000	(Restated) 2019 £000
Assets			
Cash and cash equivalents	11	**174,967**	189,658
Loans and advances to banks	11	**779,523**	549,032
Loans and advances to customers	12	**249,800**	361,862
Tangible fixed assets	13	**182**	99
Available-for-sale financial assets	22	**113,722**	50,663
Other assets, prepayments and accrued income	14	**9,680**	3,987
Deferred tax assets	23	**556**	19
Total assets		**1,328,430**	1,155,320
Liabilities			
Bank deposits	15	**261,381**	89,568
Customer deposits	15	**874,823**	916,084
Other liabilities	16	**40,796**	9,902
Derivatives	21	**2,814**	51
Pension liability	25	**59**	45
Total Liabilities		**1,179,873**	1,015,650
Equity			
Share capital	17	**145,000**	140,000
Fair value reserves		**(2,302)**	(81)
Retained earnings		**5,859**	(249)
Total equity		**148,557**	139,670
Total Liabilities and equities		**1,328,430**	1,155,320

The financial statements were approved by the Board of Directors and authorised for issue on 16 July 2020 and signed on its behalf by:

(Sanjay Kumar Grover)
Managing Director

(A Manambrakat)
Deputy Managing Director

The notes on pages 25 to 56 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 March 2020

	Share Capital £000	Fair value Reserves £000	Retained Earnings £000	Total £000
Balance as at 1 April 2018	**5,000**	**-**	**6**	**5,006**
Comprehensive loss for the year				
Loss for the year	-	-	(255)	(255)
Other comprehensive expenses	-	(81)	-	(81)
Total comprehensive loss for the Year	**-**	**(81)**	**(255)**	**(336)**
Issued share capital	135,000	-	-	135,000
Total transactions with owners	**135,000**	**-**	**-**	**135,000**
Balance as at 31 March 2019	**140,000**	**(81)**	**(249)**	**139,670**
Comprehensive income for the year				
Profit for the year	-	-	6,108	6,108
Other comprehensive income	-	(2,763)	-	(2,763)
Deferred tax adjustment on available for sale assets	-	545	-	545
Actuarial losses on defined benefit scheme	-	(14)	-	(14)
Deferred tax asset relating to actuarial losses	-	11	-	11
Total comprehensive income for the year	**-**	**(2,221)**	**6,108**	**3,887**
Issued share capital	5,000	-	-	5,000
Balance as at 31 March 2020	**145,000**	**(2,302)**	**5,859**	**148,557**

The notes on pages 25 to 56 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 March 2020

1. REPORTING ENTITY

Bank of Baroda (UK) Limited is a company limited by shares and incorporated in England & Wales under the Companies Act, 2006. The registered office address is 32 City Road, London, United Kingdom, EC1Y 2BD and the nature of the Bank's operations and its principal activities are set out in the strategic report.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the requirements of Companies Act 2006.

The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value; financial instruments and derivatives financial instruments classified at fair value through profit or loss and available for sale assets where fair value gains and losses are taken to equity.

The Bank's functional and presentation currency is the Pound Sterling. Amounts in the financial statements have been rounded to the nearest thousand.

The Bank is a wholly owned subsidiary of Bank of Baroda Limited (the 'Parent'), a company incorporated in India, and is a qualifying entity under FRS 102.

In preparing the separate financial statements of the Bank, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- Preparation of Cash Flow statement, on the basis that it is a qualifying entity and its ultimate parent Bank, Bank of Baroda, includes the bank's cash flows in its consolidated financial statements.
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Bank as their remuneration is included in the totals for the Bank as a whole.
- Transactions or balances with members of the Bank of Baroda (BOB) group.

The Bank has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU).

The financial statements are prepared on a going concern basis as detailed on page 12 of the Directors' report.

The preparation of financial statements in compliance with FRS 102 requires critical accounting judgements and estimates to be disclosed. It also requires the Bank's management to exercise judgement in applying the accounting policies. The details have been provided in Note 4.

The Bank has taken advantage of the exemption available under section 33.1A of FRS102 to not disclose transactions with its parent or with members of the same group that are wholly owned.

3. ACCOUNTING POLICIES

The accounting policies set out below have, unless otherwise stated, been applied consistently throughout the year.

Revenue recognition

Fees and commissions income

Fees and commissions income include remittance charges, bills collection charges, placement fees, syndication fees, commitment fees, upfront and management fees, fee for LC charges, processing fees, late payment fee etc. Fees and commission expenses include the transaction fees and services fee in relation to service received.

Fees and commissions receivable are recognised to the extent that it is probable that the economic benefits will flow to the Bank and when turnover can be reliably measured. Fees and commission which forms as integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recognised in interest income. The Bank is not having fee or commission of this nature.

Net interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' ("EIR") is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR includes transaction costs and fees and points paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in profit or loss, include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on tangible fixed assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method for computer equipment and written down value method for furniture and fittings. The estimated useful lives range as follows:

- Fixtures and fittings - 5 to 7 years
- Computer equipment - 3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income or expenses' in the Statement of Comprehensive Income.

Impairment of non-financial assets

At each reporting date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the assets may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

Comparative information

The Bank has re-classified or re-stated comparative information for year ended 31 March 2019 with a view to enhance comparability and more meaningful disclosures. with the current year's financial statements. Correspondingly, the administrative expenses were further classified into gain/(loss) on foreign exchange, loss on sale of investments. loans and advances to banks were classified into cash and cash equivalents.

Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Bank's financial statements are presented in Pound Sterling, which is the Bank's functional currency.

Transactions and balances

Foreign currency transactions are translated into the Bank's functional currency using the exchange rates prevailing on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate prevailing on the reporting date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency that are translated using exchange rate at the date of transaction. Non-monetary assets and liabilities that are stated at fair value are translated to the functional currency at foreign exchange rate that are prevailing at the date of fair value was determined. Foreign exchange gains and losses resulting from transactions are recognised in profit or loss under total operating income.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks including central banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, separately, are shown within borrowings in current liabilities.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Bank operates and generates taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Bank can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Employee benefits

The Bank provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution and benefit pension plans.

Short – term benefits
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Annual bonus plan
The Bank operates an annual bonus plan for employees. An expense is recognised in profit or loss when the Bank has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Holiday pay accrual
A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

Defined contribution pension plan
A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity. Once the contributions have been paid the Bank has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals on the balance sheet. The assets of the plan are held separately from the Bank in independently administered funds.

Defined benefit pension plans

The defined benefit pension scheme was formed to provide retirement benefits to employees of the Bank and their dependents. Benefits are provided for the surviving spouses of members who die either in service or in retirement, together with lump sum benefits where appropriate. The Bank operates a defined benefit pension plan where the difference between the fair value of the assets held in the Bank's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Bank's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Bank is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Financial instruments

Under FRS 102, the Bank has chosen to apply the measurement and recognition provisions of IAS 39 Financial Instruments: Recognition and Measurement. The Bank initially recognises loans and advances and deposits on the date on which they are entered into. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

Financial assets:

The Bank classifies its financial assets into one of the following categories:

Loans and receivables

'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount less impairment provisions for incurred losses. Loans and receivables mainly comprise loans and advances to customers and banks.

Available-for-sale

Available for sale (AFS) financial assets are non-traded investment securities, intended to be held for a finite period of time. These are measured at fair value based on current bid prices, where quoted in an active market. Where there is no active market, or the securities are unlisted, the fair values are based on valuation techniques including discounted cash flow analysis, with reference to relevant market rates, and other commonly used valuation techniques.

Interest income is recognised in profit or loss using the effective interest method. Movements in fair value are recorded in equity as they occur. Fair value changes are recognised in Other Comprehensive Income and presented in the fair value reserve within equity.

On disposal, gains and losses accumulated in equity are reclassified to profit or loss.

Fair value through profit or loss

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. The Bank does not apply any hedge accounting.

Financial liabilities:

Financial liabilities, including other payables, bank loans, loans from fellow group companies and accrued expenses are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method except for when they are repayable on demand.

Financial instruments (continued)

Financial liabilities are derecognised when they are extinguished.

Derecognition:

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in Other Comprehensive Income ("OCI") is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

Modifications:

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value.

Forbearance on loans:

A range of forbearance options are available to support customers who are in financial difficulty. The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. The main options offered by the Bank include:

- Temporary transfer to an interest only mortgage;
- Reduced monthly payments;
- Extension of mortgage term; and
- Capitalisation of arrears.

Customers requesting a forbearance option will need to provide information to support the request which is likely to include a budget planner, statement of assets and liabilities, bank/credit card statements, payslip etc, in order that the request can be properly assessed. If the forbearance request is granted the account is monitored in accordance with the Bank's policy and procedures. At the appropriate time the forbearance option that has been implemented is cancelled, with the exception of capitalisation of arrears, and the customer's normal contractual payment is restored. When a financial asset is modified or renegotiated the Bank assesses whether this modification results in derecognition. A modification results in derecognition when it gives rise to substantially different terms.

If the difference in present value is greater than 10% the Bank deems the arrangement is substantially different leading to derecognition and recognition of new asset.

Identification, measurement of impairment and objective evidence of impairment:

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit and loss are impaired. A financial asset or a group of financial assets are 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Impairment of financial assets:

- Objective evidence that financial assets are impaired includes;
- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- Indications that a borrower or issuer will enter bankruptcy;
- The disappearance of an active market for a security; or
- Observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In general, the Bank considers a downgrading of internal and external rating by more than two notches (for example rating downgrade from Credit Rating Step 1 to Credit Rating Step 4) to be 'significant' (anything significant will lead to higher provisioning).

Individual and collective assessment

The Bank considers evidence of impairment for loans and advances at a specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held to maturity investment securities with similar risk characteristics.

The collective allowance for groups of homogeneous loans is established using a formula approach based on the historical loss rate experience of the industry for the specific asset type. Management applies judgement to ensure that the estimate of loss arrived at on the basis of historical information is appropriately adjusted to reflect the economic conditions and product mix at the reporting date

Measurement

Impairment losses on assets measured at amortised cost are calculated as the difference between carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment of financial assets (continued):

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve into profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to application of the effective interest rate method are reflected as a component of interest income.

Reversal of impairment and write-offs
If in a subsequent period the fair value of an impaired financial asset changes and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss.

The Bank writes off a loan or an advance, either partially or in full, and any related allowance for impairment losses, when the Bank determines that there is no realistic prospect of recovery.

Offsetting
Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle an obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligation as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current assessments of the time value of money and the risks associated with an obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

Distributions to equity holders

Dividends and other distributions to the Bank's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Dividends are recognised when they become legally payable. Interim dividends are recognised when paid. Final dividends are recognised when approved by the shareholders at an annual general meeting.

Reserves

The Bank's reserves are as follows:

- Fair value reserve - represents fair value movements on available-for-sale financial assets; and
- Retained earnings - represents cumulative profits or losses, net of dividends paid and other adjustments.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported assets, liabilities, income and expenses. The actual results will differ from these estimates. The significant judgement made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Bank's results and financial position at the end 31 March 2020, are as follows:

- **Allowances for impairment losses on loans and advances:**
  The allowances for impairment losses on loans and advances are management's best estimate of losses incurred in the portfolio at the balance sheet date. Impairment allowances are made up of two components,

  those determined individually and those determined collectively. Impairment allowances are calculated using probability of default statistics, historical arrears experience and expected cash flows. As at 31 March 2020, gross loans and advances to customers totalled £251.87 million (2019: £363.61 million) against which collective allowance for impairments losses of £2.07 million (2019: £1.75 million) has been made. Further details can be found in Note 12.

  The Bank has also carefully assessed its exposures to the loans and advance in view of Covid-19 pandemic impact on the economy and individuals and made additional provisions of £0.658 million to cover the potential losses on loans and advances to customers.

- **Defined benefit pension scheme:**
  The defined benefit pension scheme exposes the Bank to actuarial risks. In conjunction with its actuaries the Bank makes key financial assumptions that are used in the actuarial valuation of the defined benefit pension obligation and therefore changes to these assumptions have an impact on the pension obligation shown within the Statement of Financial Position. The key assumptions include inflation rates and discount rates. See note 25 for further details on these assumptions.

- **Fair Value measurement of financial instruments:**
  Derivatives have been fair valued using forward market rate as of 31 March.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Loans and advances to customers	**13,729**	5,195
Loans and advances to banks	**24,241**	5,031
Available for sale financial assets	**2,041**	640
Other interest income	**15**	-
	40,026	10,866

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Interest on bank deposits	**10,648**	2,698
Interest on customer deposits	**10,366**	3,202
	21,014	5,900

7. FEES AND COMMISSION INCOME

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Fee and commissions income	**619**	183
Fee and commission expenses	**(60)**	-
	559	183

8. PROFIT / (LOSS) FROM ORDINARY ACTIVITIES BEFORE TAX

Profit / (loss) before tax is stated after charging: -

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Depreciation of tangible fixed assets (see note 13)	**30**	10
Loss on foreign exchange – currency revaluation	**272**	100
Fair value loss on forward foreign exchange transactions	**2,762**	-
Defined contribution pension cost	**35**	27
Defined benefit pension cost	**248**	121
Fees payable to the Bank auditors for audit and non-audit services	**276**	130

Audit fees	Year ended 31 March 2020	Year ended 31 March 2019
Fees for current year statutory audit	**128**	130
Overrun fees in relation to prior year statutory audit	**40**	-
Fees for audit related services	**35**	-
Fees for non-audit services	**73**	-
	276	130

9. STAFF EXPENSES

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Salaries and Wages	**4,369**	760
Social security costs	**491**	204
Pension costs	**283**	148
Other staff costs	**109**	160
	5,252	1,272

The average number of employees during the year was as follows:

	Year ended 31 March 2020 No.	Year ended 31 March 2019 No.
Sales and marketing	**61**	62
Administration	**42**	38
	103	100

Pension costs related to defined contribution and defined benefit pension schemes that are operated by the Bank. The defined contribution scheme's assets are held separately from those of the Bank in an independently administered fund. The pension charge represents contributions by the Bank to the fund of £35,000 (2019: £27,000) as well as defined benefit pension scheme expenses of £248,000 (2019: £121,000).

Directors' remuneration

Directors' remuneration during the year amounted to £160,304 (2019: £148,869) relates to 3 (2019:3) directors. The remaining 3 (2019: 3) directors of the Bank being paid by the parent bank.

10. TAXATION CHARGE/(CREDIT) ON ORDINARY ACTIVITIES

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Corporation tax		
Current tax on profits for the year	**1,362**	-
Total current tax	**1,362**	-
Deferred tax		
Origination and reversal of timing differences	**2**	(2)
Tax on charge/ (credit) on ordinary activities	**1,364**	(2)

Factors affecting tax charge for the year

Tax assessed for the year is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Profit /(Loss) on ordinary activities before tax	**7,472**	(257)
Profit /(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**1,420**	(49)
Effects of:		
Accelerated capital allowances	**2**	(2)
Expenses not deductible for tax purpose	**11**	-
Tax losses b/forward utilised in a year	**(49)**	-
Adjustment to prior year's tax loss b/forward	**(22)**	-
Deferred tax charge for the year	**2**	-
Tax losses not recognised	**-**	49
Total tax charge /(credit) for the year	**1,364**	(2)

Tax rate changes

The corporation tax rate for the current year is 19% (2019: 19%), which is the same from 1 April 2020. Deferred taxes at the reported date have been measured these enacted tax rates.

11. LOANS AND ADVANCES TO BANKS AND CUSTOMERS

	2020 £000	(Restated) 2019 £000
Cash and cash equivalents	**174,967**	189,658
Loans and advances to banks	**779,523**	549,032
Loans and advances to customers (see note 12)	**249,800**	361,862
	1,204,290	1,100,552

Loans and advances to banks have been further re-classified into cash and cash equivalents.

12. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers as at 31 March 2020 consist of the following items:

	Bills Purchase/ Discounted	Loan & Advances Against Deposits	Other Secured Loans and Advances	Unsecured Loans & Advances	Total 2020 £000
Carrying amount					
Gross amount	964	36,853	158,941	55,114	**251,872**
Specific provision	-	-	-	-	-
Collective provision	-	-	(1,683)	(389)	**(2,072)**
Net Carrying Amount	**964**	**36,853**	**157,258**	**54,725**	**249,800**

Loans and advances to customers as at 31 March 2019 consist of the following items:

	Bills Purchase/ Discounted	Loan & Advances Against Deposits	Other Secured Loans and Advances	Unsecured Loans & Advances	Total 2019 £000
Carrying amount					
Gross amount	1,033	17,519	195,733	149,326	**363,611**
Specific provision	-	-	-	-	-
Collective provision	-	-	(1,135)	(614)	**(1,749)**
Net Carrying Amount	**1,033**	**17,519**	**194,598**	**148,712**	**361,862**

13. TANGIBLE FIXED ASSETS

	Computer equipment £000	Fixture and Fittings £000	Capital work in progress £000	Total £000
Cost				
As at 1 April 2018	-	-	-	-
Additions	6	103	-	109
As at 31 March 2019	**6**	**103**	**-**	**109**
Additions	-	11	102	113
At 31 March 2020	**6**	**114**	**102**	**222**
Depreciation				
As at 1 April 2018	-	-	-	-
Charge for the year	1	9	-	10
As at 31 March 2019	**1**	**9**	**-**	**10**
Charge for the year	2	28	-	30
At 31 March 2020	**3**	**37**	**-**	**40**
Net book value				
At 31 March 2019	**5**	**94**	**-**	**99**
At 31 March 2020	**3**	**77**	**102**	**182**

14. OTHER ASSETS, PREPAYMENTS AND ACCRUED INCOME

	2020 £000	2019 £000
Other assets	**3,852**	6
Prepayments and accrued income	**5,765**	3,891
Indirect Tax receivables	**63**	90
	9,680	3,987

15. CUSTOMER ACCOUNTS

	2020 £000	2019 £000
Customer current accounts	**39,830**	44,742
Customer savings account	**192,228**	179,650
	232,058	224,392
Customer fixed deposit accounts	**642,765**	691,692
Total customer deposits	**874,823**	916,084
Fixed Deposits - from Banks	**261,381**	89,568
Total deposits	**1,136,204**	1,005,652

16. OTHER LIABILITIES

	2020 £000	2019 £000
Accrued interest	**9,619**	9,716
Other creditors	**249**	155
Current tax payable	**721**	-
Bank overdraft	**30,198**	-
Other liabilities	**9**	-
Amounts owed to group undertakings	**-**	31
	40,796	9,902

Bank overdraft and amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

17. SHARE CAPITAL

	2020 £000	2019 £000
Allotted, called up and fully paid		
145,000,000 (2019: 140,000,000) Ordinary shares of £1.00 each	**145,000**	140,000

During the year ended 31 March 2020, the Bank allotted 5,000,000 ordinary shares with a par value of £1 per ordinary share.

18. CAPITAL MANAGEMENT

The Bank's regulatory capital requirements are set and monitored by its regulator, the Prudential Regulatory Authority ("PRA"). The Bank implemented the CRD IV ("Basel III") framework for calculating minimum capital requirements as part of its capital planning within its Internal Capital Adequacy Assessment Process ("ICAAP").

On authorisation, the Bank was capitalised with £5 million of ordinary share capital provided by its Parent. This qualified as Common Equity Tier 1 ("CET1") for capital adequacy purposes. In addition, a further capital resource of £135 million was provided in 2018/19 and £5 million was provided in the form of ordinary share capital by the Parent, in 2019/20. Total share capital was £145 million as at 31 March 2020.

The Bank uses regulatory capital ratios in order to monitor its capital base, and these capital ratios are based on international standards for measuring capital adequacy. The PRA's approach to such measurement is based upon the CRD IV framework which determines the Capital Resource Requirement against available capital resources. The PRA also sets Individual Capital Guidance ("ICG") for the Bank which is in excess of the minimum Capital Resource Requirement. A key input to the ICG setting process is the Bank's ICAAP. Under the current PRA guidelines, the total capital adequacy requirement for the Bank equals the aggregate of the Pillar 1 capital requirement, the Pillar 2A capital requirement (derived from the existing Internal Capital Guidance), and applicable macro-prudential buffers (the Countercyclical Capital Buffer ("CCyB"), the Capital Conservation Buffer ("CCoB") and the "PRA buffer").

The Bank's policy is to maintain an adequate capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There were no breaches in regulatory capital requirements reported during the year. The Bank's regulatory capital resource under CRD IV is £148 million at 31 March 2020 (2019: £140 million).

19. RISK MANAGEMENT

The Bank has exposure to credit risk, liquidity risk, market risk and operational risk.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board's Board Risk and Compliance Committee ('BRCC") which is responsible for the oversight and implementation of risk strategy and risk appetite within the Bank, oversight of risk management performance and the Executive Committees.

The risk management framework of the Bank involves risk identification, measurement, monitoring, management and reporting of all risks by way of suitable mitigation methods and strengthening of the policies and procedures.

The Bank uses the risk management model known as the 'three lines of defence' governance model.

Management and operational employees are the first line of defence, responsible for implementing strategy and the establishment and maintenance of internal controls and risk management in the business.

The Risk Management team is the second line of defence, responsible for operating a risk management framework within which risk policies are set, overseen and challenged.

Internal Audit is the third line of defence, responsible for providing independent and objective assurance of the effectiveness of internal controls established by the first and second lines of defence. The Internal Audit function operates under a co-sourcing arrangement with KPMG LLP and reports to the Board Audit Committee. Further details are given in the strategic report.

Risk management - roles and responsibilities

The Board / Board Risk & Compliance Committee (BRCC)

Whilst retaining overall responsibility for risk management, the Board has delegated to the Board Risk & Compliance Committee responsibility for establishing a comprehensive and effective framework for identifying, measuring, monitoring and managing risks across the Bank. The Committee is responsible for providing direction and is tasked specifically to:

- Review and recommend to the Board for approval the risk management framework of the Bank;
- Review and recommend to the Board for approval risk management related policies;
- Oversee that all aspects of risk are monitored and managed by senior management;
- Ensure compliance with requirements of the regulatory bodies; and
- Assume responsibility for information disclosed in public reports containing descriptions of the risk management structure.

Board Audit Committee (BAC)

The BAC is chaired by an independent Non-Executive Director. The Committee's role is to assess and approve the internal audit charter, review the work of the external auditor, review the Bank's financial statements and monitor the risk based internal audit process. For further details of the roles and responsibilities of the Audit Committee, please refer to the Strategic Report.

Risk Management Committee ("RMC")

The Risk Management Committee ("RMC") monitors and manages enterprise-wide risk and its role is:

- To review the Credit Risk, Market Risk, Operational Risk, Liquidity Risk and any other material risk which might arise, from time to time.
- To review and recommend the Bank's Risk Appetite to the Board Risk & Compliance Committee.
- To review the risk profile, understand future changes and threats, and concur on areas of highest priority and related mitigation strategy.
- To review and recommend the development and implementation of various risk methodologies and tools.
- To discuss and recommend suitable controls/mitigations for managing all risks.
- To analyse breaches, losses, potential losses, frauds, non-compliance, etc. and recommend corrective measures to prevent recurrence.
- To continually promote risk awareness across all business units so that complacency does not set in.
- To re-enforce the culture and awareness of operational risk management.
- To ensure adequate resources are being assigned to mitigate/ manage risks as needed.

Risk Department

The Risk Department's role includes:

- The identification, assessment, monitoring, reporting and analysis of risk to the RMC;
- The review and recommendation of limits along with review of the appropriateness of limit setting rationale;
- Ensuring that appropriate internal controls are in place;
- Ensuring that appropriate risk management systems are implemented;
- Reviewing compliance with risk limits, exceptions observed, their approval status and presenting its findings to the RMC.
- Reviewing whether appropriate and timely actions have been taken to handle the breach of approved limits;
- Being responsible for developing risk management policies and providing recommendations to the RMC for approval; and
- Deliberating upon stress testing results and guiding the Bank on possible courses of action as and when necessary.

Credit risk

The main credit risk that the Bank faces relates to its exposure to banks and corporates from its trade finance business, inter-bank lending, and advances to corporate and retail borrowers.

The Board of Directors has delegated the management of credit risk to the Board Risk and Compliance Committee. The BRCC is charged with oversight of the credit risk framework within the limits set by the Board.

Collateral is only held for loans and advances to customers. Any shortfall of security for an exposure means that the shortfall is regarded as being unsecured and assessment thereof includes an element of residual risk. As at 31 March 2020, £56 million (2019: £149 million) within loans and advances were unsecured. The Bank has Collateral of £2,666 million, held typically in the form of the underlying property, stocks or lien on fixed deposits, on which the loan is secured. It mainly comprises real estate within the commercial and residential markets, the market value of which is assessed on a regular basis. Management's estimates of future cash flows on individually impaired loans are based on historical experience for assets with similar credit risk characteristics. The expected recovery is subject to execution risks associated with the recovery of collateral in different jurisdictions; and fair assessment is thus de-rived from management's experience of such markets.

The following table shows the breakdown of the Bank's loans and advances to customers, categorised by the degree of risk of financial loss:

At 31 March 2020	**Carrying Value £000**	**Maximum Exposure £000**
Neither past due beyond 90 days nor impaired	**249,800**	251,872
Past due beyond 90 days but not impaired	-	-
Impaired	-	-
Repossessions	-	-
Unutilised overdraft commitments	-	13,501
Total	**249,800**	265,373

At 31 March 2019	**Carrying Value £000**	**Maximum Exposure £000**
Neither past due beyond 90 days nor impaired	**361,862**	**363,612**
Past due beyond 90 days but not impaired	-	-
Impaired	-	-
Repossessions	-	-
Unutilised overdraft commitments	-	**26,658**
Total	**361,862**	**390,270**

An analysis of Bank's total credit exposures as at 31 March 2020 as above, split by geography is provided below:

Geography	2020 £000	%	2019 £000	%
UK	**268,672**	**20%**	278,776	24%
Indonesia	**27,125**	**2%**	28,308	2%
India	**763,507**	**57%**	721,431	63%
USA	**7,393**	**1%**	8,017	1%
Other countries	**261,733**	**20%**	104,877	10%
Total	**1,328,430**	**100%**	1,141,409	100%

An analysis of Bank's total credit exposures as at 31 March 2020 (including investment securities, Loans and Advances to Customers and to Banks), split by sectors is provided below:

Sectors	2020 £000	%	2019 £000	%
Bank	**955,454**	**72%**	759,701	67%
Business Loan	**32,669**	**2%**	34,557	3%
Buy to Let	**28,349**	**2%**	28,048	2%
Clean Business Loan	**26**	**0%**	28	0%
Development Loan	**12,024**	**1%**	13,933	1%
Loan against deposits	**36,853**	**3%**	17,519	2%
Personal Loan	**477**	**0%**	425	0%
Syndication Loans	**138,438**	**11%**	236,535	21%
Others	**124,140**	**9%**	50,663	4%
Total	**1,328,430**	**100%**	1,141,409	100%

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

- Current assets/ Fixed assets (movable and immovable)
- Real estate
- Marketable securities
- Bank guarantees and Letter of credit

The breakdown of loans and advances according to available security is as under:

	2020 £000	2019 £000
Secured	**194,111**	211,502
Unsecured	**55,689**	150,360
Total	**249,800**	361,862

There is not significant change in quality of collateral during the year due to change in accounting policies or otherwise.

Forbearance

A refinancing or modification in terms and conditions of repayment on account of certain events, is classified as a commercially re-negotiated loan. If modifications are made as a result in changes to credit there are considered forbearance loans. At 31 March 2020, there were no (2019: Nil) forbearance loans.

Analysis of impairment provision

	Bills Purchase/ Discounted	Loan & Advances Against Deposits	Other Secured Loans and Advances	Unsecured Loans & Advances	Total 2020 £000
Opening balance of the provision	-	-	1,135	614	1,749
Release of impairment provision during the period	-	-	(110)	(225)	(335)
Additional provisions (COVID-19)*	-	-	658	-	658
Closing balance in provision	-	-	1,683	389	2,072

*The Bank has carefully assessed its exposure to the loans and advances in view of the impact of Covid-19 pandemic has had on the UK economy and individuals, and made additional provisions of £658,000 (2019: Nil) to cover potential losses on loans and advances to customers.

Financial assets are individually assessed to identify an event of impairment. The Bank monitors several events including credit rating deterioration, negative media reports, the economic outlook of the industry, and breaches in key financial covenants, as possible triggers that may lead to impairment

If an impairment event triggers, the Bank considers the options of forbearance and liquidation.

Liquidity risk

Liquidity risk is the risk that the Bank may not be able to meet its payment obligations with respect to customer deposits or any other borrowings, within the stipulated repayment frame and without significant additional cost. The Bank has a system in place to monitor total contractual inflow and outflow and to manage liquidity gaps within pre-stipulated limits that are prescribed by the Board.

The following table analyses the Bank's assets and liabilities (based on undiscounted cash flows) into relevant maturity groupings based on the remaining period to the contractual maturity date at the reporting date:

Liquidity risk as at 31 March 2020:

	On Demand	Not more than 3 Months	> 3 months but < Year	1 - 5 years	>5 years	Total	Carrying Amount
	£000	£000	£000	£000	£000	£000	£000
Assets							
Cash and cash equivalent	174,967	-	-	-	-	**174,967**	**174,967**
Loans and advances to banks	107,000	182,509	497,961	-	-	**787,470**	**779,523**
Loans and advances to customers	343	20,854	53,498	132,998	81,771	**289,464**	**249,800**
Available-for-sale financial assets	60,474	702	1,618	61,160	-	**123,954**	**113,722**
Other assets	10,418	-	-	-	-	**10,418**	**10,418**
Total	**353,202**	**204,065**	**553,077**	**194,158**	**81,771**	**1,386,273**	**1,328,430**
Liabilities and equity							
Customer deposits	10,579	183,429	378,000	309,121	-	**881,129**	**874,823**
Bank deposits	71,374	190,146	-	-	-	**261,520**	**261,381**
Derivatives	2,814	-	-	-	-	**2,814**	**2,814**
Other liabilities	-	-	-	-	40,855	**40,855**	**40,855**
Fair value reserves	-	-	-	-	(2,302)	**(2,302)**	**(2,302)**
Share capital	-	-	-	-	145,000	**145,000**	**145,000**
Retained earnings	-	-	-	-	5,859	**5,859**	**5,859**
Total	**84,767**	**373,575**	**378,000**	**309,121**	**189,412**	**1,334,875**	**1,328,430**

Liquidity risk as at 31 March 2019 (restated):

	On Demand	Not more than 3 Months	> 3 months but < Year	1 - 5 years	>5 years	Total	Carrying Amount
	£000	£000	£000	£000	£000	£000	£000
Assets							
Cash and cash equivalent	189,658	-	-	-	-	**189,658**	**189,658**
Loans and advances to banks	-	191,675	362,266	-	-	**553,941**	**549,032**
Loans and advances to customers	3,880	48,604	70,195	163,980	143,299	**429,958**	**361,862**
Available-for-sale financial assets	-	467	51,115	-	-	**51,582**	**50,663**
Other assets	4,105	-	-	-	-	**4,105**	**4,105**
Total	**197,643**	**240,746**	**483,576**	**163,980**	**143,299**	**1,229,244**	**1,155,320**
Liabilities and equity							
Customer deposits	3,483	155,714	394,510	372,169	-	**925,876**	**916,084**
Bank deposits	-	89,581	-	-	-	**89,581**	**89,568**
Derivatives	51	-	-	-	-	**51**	**51**
Other liabilities	-	-	155	-	11,542	**11,697**	**9,947**
Fair value reserves	-	-	-	-	(81)	**(81)**	**(81)**
Share capital	-	-	-	-	140,000	**140,000**	**140,000**
Retained earnings	-	-	-	-	(249)	**(249)**	**(249)**
Total	**3,534**	**245,295**	**394,665**	**372,169**	**151,212**	**1,166,875**	**1,155,320**

The above table shows that the Bank has surplus liquidity in all the residual maturity buckets.

Market Risk

Market Risk is defined as the potential adverse change in the Bank's income or net worth arising from movement in interest rates, exchange rates, equity prices and/or other market prices. Effective identification and management of market risk is required for maintaining stable net interest income.

The most significant forms of market risk to which the Bank is exposed are interest rate risk and exchange risk. The Bank's liabilities are at a fixed rate of interest while most of the Bank's assets are at a floating rate of interest. The Bank regularly analyses the exposure and has set limits for maximum mismatches.

Interest Rate Risk

Interest rate risk analysis is undertaken by examining details of interest sensitive assets and liabilities to establish when they will next reprice (i.e. be subject to a change in interest rate), and then tabulating those which re-price within set time periods (known as 'time buckets', within which all items repricing are grouped together). The table below summarise the re-pricing mismatch on the Bank's financial assets and liabilities as at 31 March 2020.

	Less than 3 months	**3 months to 1 year**	**1 year to 5 years**	**More than 5 Years**	**Non-Interest Bearing**	**Total**	**Carrying Amount**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Assets							
Cash and cash equivalent	174,967	-	-	-	-	**174,967**	**174,967**
Loans and advances to banks	286,463	493,060	-	-	-	**779,523**	**779,523**
Loans and advances to customers	20,682	51,463	118,797	58,858	-	**249,800**	**249,800**
Available-for-sale financial assets	-	60,474	53,248	-	-	**113,722**	**113,722**
Other assets	-	-	-	-	10,418	**10,418**	**10,418**
	482,112	**604,997**	**172,045**	**58,858**	**10,418**	**1,328,430**	**1,328,430**
Liabilities and equity							
Customer deposits	193,571	374,792	306,460	-	-	**874,823**	**874,823**
Bank deposits	261,381	-	-	-	-	**261,381**	**261,381**
Derivatives	-	2,814	-	-	-	**2,814**	**2,814**
Other liabilities	-	-	-	-	40,855	**40,855**	**40,855**
Share capital	-	-	-	-	145,000	**145,000**	**145,000**
Fair value reserve	-	-	-	-	(2,302)	**(2,302)**	**(2,302)**
Retained earnings	-	-	-	-	5,859	**5,859**	**5,859**
	454,952	**377,606**	**306,460**	**0**	**189,412**	**1,328,430**	**1,328,430**
Interest rate sensitivity Gap	**27,160**	**227,391**	**(134,415)**	**58,858**	**(178,994)**	**-**	**-**
Cumulative gap	**27,160**	**254,551**	**120,136**	**178,994**	**-**	**-**	**-**

Interest rate risk as at 31 March 2019:

	Less than 3 months £000	3 months to 1 year £000	1 year to 5 years £000	More than 5 Years £000	Non-Interest Bearing £000	Total £000	Carrying Amount £000
Assets							
Cash and cash equivalent	189,658	-	-	-	-	**189,658**	**189,658**
Loans and advances to banks	160,277	378,949	-	-	9,806	**549,032**	**549,032**
Loans and advances to customers	217,802	141,337	2,009	2,464	-	**363,612**	**361,862**
Available-for-sale financial assets	-	50,663	-	-	-	**50,663**	**50,663**
Other assets	-	-	-	-	4,105	**4,105**	**4,105**
	567,737	**570,949**	**2,009**	**2,464**	**13,911**	**1,157,070**	**1,155,320**
Liabilities and equity							
Customer deposits	162,072	390,991	163,305	199,716	-	**916,084**	**916,084**
Bank deposits	89,568	-	-	-	-	**89,568**	**89,568**
Derivatives	-	51	-	-	-	**51**	**51**
Other liabilities	-	-	-	-	11,697	**11,697**	**9,947**
Share capital	-	-	-	-	140,000	**140,000**	**140,000**
Fair value reserve	-	-	-	-	(81)	**(81)**	**(81)**
Retained earnings	-	-	-	-	(249)	**(249)**	**(249)**
	251,640	**391,042**	**163,305**	**199,716**	**151,367**	**1,157,070**	**1,155,320**
Interest rate sensitivity Gap	**316,097**	**179,907**	**(161,296)**	**(197,252)**	**(137,456)**	**-**	**-**
Cumulative gap	**316,097**	**496,004**	**334,708**	**137,456**	**-**	**-**	**-**

The Bank is monitoring its interest rate mismatches on a regular basis, and the potential loss on account of upward or downward movement of interest rates by 2% based on currency exposures as at 31 March 2020 is presented below:

All currency converted in local currency (GBP) on spot rate.

Effect of 200 basis increase in interest rates across maturity bands=£1.242 million (2019: £3.167 million).

Effect of 200 basis decrease in Interest rates across maturity bands=£1.272 million (2019: £3.299 million).

Foreign exchange risk

The Bank is exposed to foreign exchange risk to the extent of its open position in each currency. The Bank has stipulated an internal limit for maximum open positions and measures and monitors this open position on a daily basis. The Bank's exposure to foreign currency at the reporting date by currency were as follows:

Euro: £16,956 (2019: £72,632)
Indian Rupee: £24,764 (2019: £103,205)
US Dollar: £135,040 (2019: £20,572)

The Bank deals with various currencies and it is not always possible to match the asset and liability in each currency. As a result, the Bank uses forward foreign currency swaps to eliminate currency risk on long or short currency positions. These derivatives are recognised at fair value through profit and loss (see note 21). The total notional amount of outstanding foreign exchange swaps to which the Bank is committed is £323.9m (2019: £32.7m).

The objective of foreign currency risk management is to manage and control foreign currency positions and maintain these positions within the parameters set by the Board of Directors. It is not the Bank's intention to take open positions on its own account but rather to maintain a neutral position in all currencies.

Operational risk

Overview of operational risk is undertaken by the Board Risk and Compliance Committee, and ultimately the Board of Directors, who retain responsibility for operational risk. The operational risk management framework is developed by the Risk Management Department and the implementation of controls to address operational risk is part of that department's day-to-day responsibilities.

20. FINANCIAL INSTRUMENTS

The Bank has the following financial instruments as at 31 March 2020:

	Loans and Receivables	Available for Sale	Fair Value Through Profit & Loss	Total
	£000	£000	£000	£000
Financial Assets				
Cash and cash equivalents	174,967	-	-	**174,967**
Loans and advances to banks	779,523	-	-	**779,523**
Loans and advances to customers	249,800	-	-	**249,800**
Available-for-sale financial assets	-	113,722	-	**113,722**
Accrued income	9,680	-	-	**9,680**
	1,213,970	**113,722**	-	**1,327,692**

	Other Financial Liabilities	Fair value Through Profit or Loss	Total
	£000	£000	£000
Financial Liabilities			
Bank deposits	261,381	-	**261,381**
Customer deposits	874,823	-	**874,823**
Other liabilities	40,796	-	**40,796**
Derivatives	-	2,814	**2,814**
Pension Scheme liability	59	-	**59**
	1,177,059	**2,814**	**1,179,873**

The Bank had the following financial instruments as at 31 March 2019:

	Loans and Receivables	Available for Sale	Fair Value Through Profit & Loss	Total
	£000	£000	£000	£000
Financial Assets				
Cash and cash equivalents	189,658	-	-	**189,658**
Loans and advances to banks	549,032	-	-	**549,032**
Loans and advances to customers	361,862	-	-	**361,862**
Available-for-sale financial assets	-	50,663	-	**50,663**
Accrued income	3,987	-	-	**3,987**
	1,104,539	**50,663**	-	**1,155,202**

	Other Financial Liabilities	Fair Value Through Profit or Loss	Total
	£000	£000	£000
Financial Liabilities			
Bank deposits	89,568	-	**89,568**
Customer deposits	916,084	-	**916,084**
Other liabilities	9,902	-	**9,902**
Derivatives	-	51	**51**
Pension Scheme liability	45	-	**45**
	1,015,599	**51**	**1,015,650**

Valuation of financial instruments carried at fair value

The Bank holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy (see below).

Valuation techniques

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1 The most reliable fair values of financial instruments are quoted market prices in actively traded markets.

Level 2 These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists and quoted prices are available for similar instruments in active markets.

Level 3 These are valuation techniques for which one or more significant input is not based on observable market data. Valuation techniques include net present value by way of discounted cash flow models.

31 March 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Available for Sale				
Government Security	60,474	-	-	60,474
Corporate Bonds	53,248	-	-	53,248
	113,722	**-**	**-**	**113,722**
Financial Liabilities				
Fair value through Profit & Loss				
Cross Currency Swaps	-	2,814	-	2,814
	-	**2,814**	**-**	**2,814**

31 March 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Available for Sale				
Government Security	50,663	-	-	50,663
Corporate Bonds	-	-	-	-
	50,663	**-**	**-**	**50,663**
Financial Liabilities				
Fair value through Profit & Loss				
Forward Foreign Exchange Contracts	-	3	-	3
Cross Currency Swaps	-	48	-	48
	-	**51**	**-**	**51**

21. DERIVATIVE INSTRUMENTS

	Notional Value £000	Fair Value Liability £000
As at 31 March 2020		
Forward Contract	451	3
Forward Exchange Swaps	323,454	(2,817)
Total	323,905	(2,814)

	Notional Value £000	Fair Value Liability £000
As at 31 March 2019		
Forward Contract	700	3
Forward Exchange Swaps	32,000	48
Total	32,700	51

During the year, the Bank used derivatives to economically hedge exposure to foreign exchange risks. The Bank does not hold or issue derivatives for speculative or trading purposes. The fair value of derivatives held for non-trading purposes is determined by using observable market data. The fair value change on derivatives is recognised in profit or loss.

22. AVAILABLE FOR SALE FINANCIAL ASSETS

	Listed Investments £000
At 31 March 2018	-
Additions	101,184
Disposals and redemptions	(50,331)
Fair value adjustments	(190)
As at 31 March 2019	**50,663**
Additions	116,566
Disposals and maturities	(50,663)
Fair value adjustment	(2,844)
At 31 March 2020	**113,722**

23. DEFERRED TAXATION

Breakdown of deferred taxation movements during the current and comparative period

	2020	2019
	£000	£000
Deferred tax brought forward	19	-
(Credited) / charged to profit and loss	(2)	19
Charged to other comprehensive income	539	-
	556	19

	2020	2019
	£000	£000
Deductible temporary differences arising on tangible fixed assets	-	2
Deferred tax temporary differences arising on fair valuation of available-for-sale financial assets	545	17
Actuarial losses on defined benefit pension plans	11	-
	556	19

24. CONTINGENT LIABILITIES AND COMMITMENTS

The contingent liabilities existing at the reporting date (2019: £3,424,000) are as follows:

	2020	2019
	£000	£000
Guarantees given on behalf of constituents		
- Performance guarantee	3,397	219
- Financial guarantee	1,943	1,712
Total guarantees given on behalf of constituents	5,340	1,931
Acceptance, endorsement and other obligations		
For letter of credit		
- Inland	-	-
- Foreign	2,689	1,494
Total acceptance, endorsement and other obligations	2,689	1,494
Interest rate swap	-	-
Total contingent liabilities	8,029	3,425
Bills for collection		
Inward	84	3,303
Outward	3,659	1,344
Total bills for collection	3,743	4,647

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events which are either not probable or the amount of the obligation cannot be reliably measured.

Contingent liabilities are not recognised but disclosed unless they are not material or their probability is remote.

The Bank has the following type of contingent liabilities as at 31 March 2020:

Guarantee: A financial guarantee assures repayment of money in the event of non-completion of the contract by the customer. A performance guarantee provides an assurance of compensation in the event of inadequate or delayed performance on a contract by the customer.

Letter of credit: A letter of credit, also known as documentary credit, is issued by a bank to another bank to serve as a guarantee for payments made to a specified person under specified conditions.

Bills for collection: A bill for collection represents a handling of documents by the Bank in accordance with instructions received from a customer in order to obtain payment or deliver documents against payment.

Undrawn credit facilities:
The Bank has committed to provide finance to a number of counterparties. The undrawn amount of these facilities as at 31 March 2020 amounted to £13.5 million (2019: £26.6 million).

25. PENSION COMMITMENTS

The Bank operates a defined benefit pension scheme. It was formed to provide retirement benefits to employees of the Bank and their dependents. Benefits are also provided for the surviving spouses of members who die either in service or in retirement, together with lump sum benefits where appropriate. This scheme was closed to new entrants with effect from 15 November 2004. However, employees, who were part of Bank of Baroda parent bank before setup of the Bank of Baroda (UK) Ltd, transferred to the Bank under current multi-employer transfer scheme of the pension which are part of pension scheme of 2004.

For the new entrants, since 2005, the Bank established a Stakeholder Pension Scheme (Defined Contribution Pension) with Legal & General.

The Scheme was established under an irrevocable Deed of Trust. The Deed determines the appointment of trustees to the fund. The scheme is managed by a corporate trustee accountable to the pension scheme members. The trustees of the fund are required to act in the best interests of the beneficiaries.

Pension benefits depend upon age, length of service and salary level.

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2020 by a qualified independent actuary. Contributions to the scheme are made by the Bank based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

There were no changes to the scheme during the year and no amounts owing to the scheme at the year end.

Reconciliation of present value of plan liabilities:

	2020 £000	2019 £000
Reconciliation of present value of plan liabilities		
Opening value of scheme defined benefit obligation	**121**	-
Current service cost	**284**	118
Interest cost	**6**	2
Gain on settlement or curtailment	**22**	1
At the end of the year	**433**	121

Reconciliation of present value of plan assets:

	2020 £000	2019 £000
Opening fair value of scheme assets	**76**	-
Interest income	**5**	1
Contributions	**295**	74
(Loss) / Gain on settlement or curtailment	**(2)**	1
Closing fair value of scheme assets	**374**	76

Composition of plan assets:

	2020 £000	2019 £000
Equities	**230**	48
Bonds	**144**	28
Total plan assets	**374**	76

	2020 £000	2019 £000
Fair value of scheme assets	**374**	76
Present value of scheme liabilities	**(433)**	(121)
Net pension scheme liability	**(59)**	(45)

The amounts recognised in profit or loss are as follows:

	2020 £000	2019 £000
Current service cost	**284**	118
Interest cost	**1**	2
Loss on curtailments and settlements	**-**	1
Total	**285**	121

Actual return on scheme assets	**(2)**	1
Loss on curtailments and settlements	**(33)**	1
	(35)	2

The cumulative amount of actuarial gains and losses recognised in the Statement of comprehensive income was £14,000 (2019 - £NIL).

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2020 %	2019 %
Discount rate	**2.21**	2.36
Pension inflation (RPI)	**2.76**	3.23
Salary increases	**2.51**	2.98
Pension increases in payment:		
- RPI, max 2.5% (post 6 April 1997)	**2.03**	2.19
Pension increases during deferment:		
- CPI, max 2.5%	**2.01**	2.48

Amount for the current period are as follows:

Defined benefit pension scheme		
Defined pension benefit obligation	**(433)**	(121)
Scheme assets	**374**	76
Deficit	**(59)**	(45)

26. COMMITMENTS UNDER OPERATING LEASES

Operating Lease:
During the year £561,000 (2019: £148,000) was recognised as an expense in the profit and loss account in respect of operating leases.

Operating Lease Commitments:

The total of future minimum lease payments for lease of the branches of the Bank, under non-cancellable operating leases are as follows:

	2020	2019
	£000	£000
Less than one	**472**	465
In one to five years	**1,586**	1,595
In over five years	**1,855**	1,841
	3,913	3,901

27. RELATED PARTY TRANSACTIONS

The Bank enters into commercial transactions with its Parent in the ordinary course of business on an arm's length basis. The Bank is exempt from disclosing other related party transactions under section 33.1A of FRS102 on the basis that the Bank and the related parties are wholly owned within the Bank of Baroda Group.

28. CONTROLLING PARTY

The Bank is wholly owned by Bank of Baroda Limited, a Bank incorporated in India. The consolidated financial statements of the parent Bank can be obtained at Investor Services Department, Bank of Baroda, 7th Floor, Baroda Corporate Centre, C-26, G- Block, Bandra- Kurla Complex, Mumbai, 400051, India. The financial statements of the parent Bank are also available on the parent company's website www.bankofbaroda.com.

29. EVENTS AFTER REPORTING DATE

There were no significant events after the balance sheet date that requires disclosure in these accounts.

30. PILLAR III DISCLOSURE

The regulatory disclosures made in order to comply with the EU Directive and Regulation implementing the Basel capital framework ("the Pillar III disclosures") are available at the Bank's website www.bankofbarodauk.com.