punjab national bank
(International) Limited

2024 ANNUAL REPORT AND ACCOUNTS

Contents

Company Information

Company registration number 05781326

The Board of Directors

Position	Director	Appointment Date	Resignation Date
Chairman	Atul Kumar Goel	15.03.2022	
Managing Director	Binay Gupta	01.12.2022	02.07.2024
Managing Director	Ritesh Mishra	02.07.2024	
Executive Director	Vasudevan Mundokulam	31.05.2019	
Non Executive Director	Prabhat Ranjan Pradhan	24.07.2024	
General Manager Non Executive Director	Swarajya Lakshmi Malladi	02.12.2022	31.05.2024
Independent Non Executive Director	Sundeep Bhandari	31.07.2018	
Independent Non Executive Director	Adrian John Stirrup	30.04.2019	

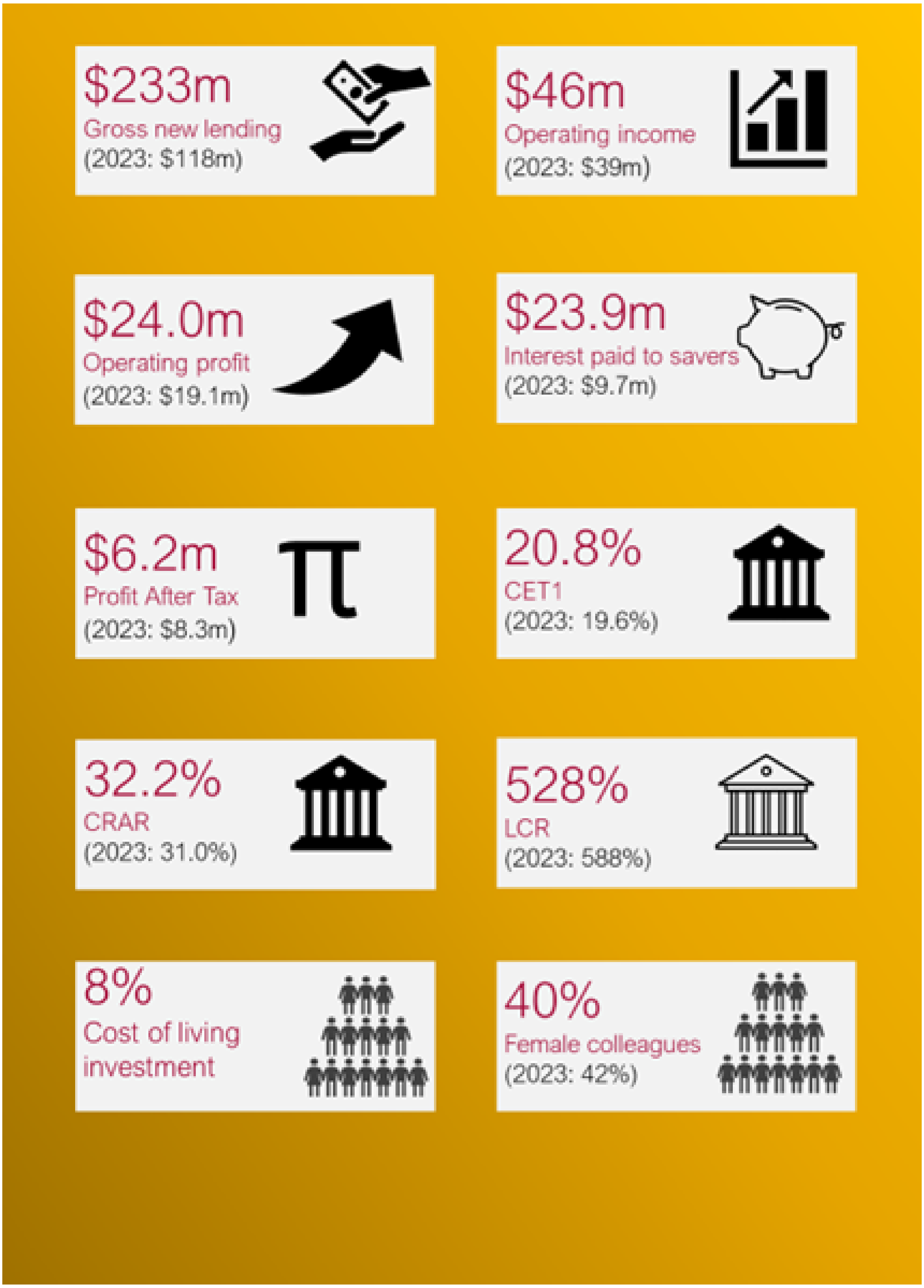
Company secretary Camilla Shaw (Appointed on 02.03.2016)

Registered office
1 Moorgate
London
EC2R 6JH
Tel: 0207 796 9600

Auditor
Forvis Mazars LLP
30 Old Bailey
London, EC4M 7AU
United Kingdom

Website www.pnbint.com

Key Highlights



The following abbreviations are used in the above table of metrics. LCR = Liquidity Coverage Ratio, CRAR = Capital to Risk (Weighted) Assets Ratio, CET 1= common equity Tier 1. Operating profit = Profit before tax and impairment charges.

Strategic Report

The Directors have the pleasure in presenting the annual report and audited financial statements including the Strategic and Directors' reports of Punjab National Bank (International) Limited ('PNBIL' or 'Bank') for the year ended 31 March 2024. These financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

The Strategic report should be read in conjunction with the Directors' report and the Risk management report where some of the requirements of the Strategic report have been discussed. The Bank has also added separate and voluntary risk and climate reports.

Nature of business

Punjab National Bank (International) Limited was incorporated in the UK on 13 April 2006 and registered with the Companies House in England & Wales under No. 05781326. The Bank is authorised by the Prudential Regulation Authority ('PRA') and regulated by Financial Conduct Authority ('FCA') and PRA to conduct banking Business in UK under Registration No. 459701.

The Bank is the wholly owned subsidiary of Punjab National Bank ('PNB' or 'Parent bank'), India. PNB is the second largest public sector bank in India having more than 180 million customers and a network of over 10,000 branches.

PNBIL's main business is to provide commercial and retail banking services to different segments of customers, with a focus on the Indian community within the UK. This includes accepting deposits from both retail and corporate clients; lending to retail, SME's and corporate clients; and transaction banking services such as currency remittances. The deposit products primarily include current, savings, term deposits and ISAs. Some of these products such as ISAs and term deposits are also being availed by a wider audience in the UK. The lending products include real estate lending i.e., Buy to Let – Residential, Commercial, Development Loans and Hotels & Hospitalities, lending to SME and Term loans backed by Standby Letter of Credit. The Bank does not offer regulated mortgages.

PNBIL currently operates in the United Kingdom through a network of seven branches. All branches focus on retail and business clients. The central London branch also manages the existing corporate portfolio of the Bank. PNBIL has a strong client base and brand image in the local UK market which has been delivered through its focus on relationship-based services, and the strength drawn from its Parent Bank's brand.

In addition to the above relationship and product activity PNBIL's Treasury function plays a key role within the institution. Their main function is to maintain a reasonable liquidity position throughout the financial year and provide guidance on the pricing of assets and liabilities to Asset and Liability Committee ('ALCO') for approval of pricing for deposits and loans. The Bank also manages a portfolio of government bonds/corporate bonds which are held mainly for liquidity management, including placement and borrowing of funds and management of interest rate risk.

Future Business Strategy

The current financial year 2023-24 continued to deliver upon the existing strategy which has performed well over the past 5 years both de-risking the balance sheet, growing the core book by way of UK based secured lending and returning the Bank to profitability. During the year the Bank conducted a refresh of the strategy which aims to continue the success of the existing path but recognising in order to grow there needs to be a renewed focus in some key areas including investment in people, processes, products and technology. The revised strategy was approved by the Board in April 2024.

As part of the exercise the Bank has looked at its purpose and vision and looked to create a vision that transcends through the organisation enabling colleagues to relate their role clearly to the overall direction and longer-term objectives of the Bank.

The framework below gives an oversight of the building blocks of the refreshed strategy. The Bank has trust at the centre of its purpose with the vision of being the first-choice Indian Bank for its customers. The vision is customer focused where we strive to deliver products and a service that not only meets their needs but helps them achieve their financial goals.

The pathways to achieve the vision have been categorised across three delivery areas Build, Grow and Optimise enabling the Bank to easily prioritise, approve, track and deliver investment programs whilst on the journey.

The strategy is built on three pillars where all approved non-mandatory investment spend delivers against one of the strategic pillars bringing a clear focus on investment returns for the Bank.

Customer Experience

The customer is at the centre of the strategy with the Bank looking to invest in the development and growth of infrastructure and service in order to improve the customer's experience, their accessibility to products and improve their relationship with PNBIL.

There is planned investment in the development of the mobile and internet banking applications broadening its capability and improving the interaction with the applications for the user, thus enabling both improved service, access to products and faster account opening and delivery of service.

In addition, investment will also be focused on both deposit and loan account opening infrastructure to more quickly onboard retail and business customers, and for credit applications improve the efficiency and interface between branch, broker, origination and credit.

The Bank also understands that the service requirements across the differing age demographics it serves means investment is also required across the Branch network, investment has been allocated across a number of initiatives to build out the face-to-face interaction customers have with PNBIL.

Client and Product Proposition

At its core the lending product proposition will remain unchanged, with low-risk real estate backed lending driving growth in interest earnings assets. However, the Bank will now look to broaden its outlook and move into adjacent sectors for secured lending such as healthcare.

Additionally, whilst focus within the new strategy is very much on core business growth there will still be active management of the IFRS 9 Stage 3 non-core portfolio where we expect this book to run-off significantly and represent less than 2% of assets by 2029, this is based on the most recent Board approved Operating Plan.

Aligned with the Customer Experience objectives the liability proposition will have renewed focus. The Bank understands in order to continue to service the existing Indian community the deposit account proposition needs to be enhanced and fit for purpose to attract and service the second-generation customers and younger demographic. Thus, along with the build-out of the mobile and internet banking capability described above the liability product offering will be further developed to meet the increasing needs of this demographic.

Infrastructure build-out

In order for the Bank to achieve its growth aspirations derived from the proposition described above it needs a strong platform for growth.

Over the next three years investment has been ear-marked for IT, investment products, Compliance, Risk and Finance platforms to ensure the business has a robust and flexible platform for the future in order to grow.

In addition, the Bank has set aside investment for the build-out of the colleague proposition. During the current financial year external resource has been engaged to help the Bank benchmark its existing proposition and a revised offering will be rolled out during the current financial year 2025 enabling the Bank to both retain existing talent and look to attract new talent as the business grows.

Section 172 (1) Statement

In accordance with the Companies Act 2006 (the "Act"), for the year ended 31 March 2024, the directors provide the following statement describing how they have had regard to the matters set out in section 172(1) of the Act, when performing their duty to promote the success of the Bank under section 172.

Section 172(1) Statement and Statement of Engagement with Other Stakeholders

The Board is collectively responsible for the long-term success of the Company. Understanding the interests of key stakeholders (this includes customers, shareholders, colleagues, communities and environment, regulators and suppliers), is central to the Company's strategy, crucial to the Company's success, and informs key aspects of Board decision making as set out in this Statement.

Shareholders

As a wholly owned subsidiary, the Directors' ensure that the strategy, priorities, processes and practices of the Company are fully aligned where required to those of the Parent, ensuring that the interests of the Parent as the Company's sole shareholder are duly acknowledged.

Colleagues

The Directors' support and drive the delivery of the people strategy with focus on creating an inclusive bank, attracting, retaining and developing talent alongside embedding a balanced and flexible working environment.

The Bank has been working diligently during the year to review and assess the colleague offering, it has engaged external resource to benchmark the Bank's offering against the market and the Bank will use this insight to build out the proposition for 2025. Furthermore, the Bank has bolstered and strengthened its talent pool during the year in order to deliver upon its new strategic objectives.

Communities and the Environment

The Parent bank is one of the largest financial services providers in India whose goals are to be a trusted, sustainable, and responsible business. The Directors ensure this ethos is carried over and embedded in the business practice and behaviours of the bank and its colleagues, thus enabling us to have a positive contribution to the customers and communities we serve.

During the financial year the Bank were involved in numerous community and cultural events including its long-standing association with the City of London Lord Mayors show.

How stakeholder interest has influenced decision making

The Directors' acknowledge that one of the primary responsibilities of the Board is to ensure that the strategy of the Company, as aligned to that of the Parent, is to effectively manage the Company to generate sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct.

Four full board meetings were held during the financial year, in addition a special board meeting took place during April 2024 to ratify and approve the Bank's future strategy and 2025 Budget and 10-year financial plan.

Key financial highlights and key performance indicators

As noted above during the current financial year the Bank continued to employ the strategy developed and implemented in 2017 with focus on the core portfolio being low risk property backed lending.

Total assets remained flat versus the prior year with assets as at 31 March 2024 being $1,087 million (2023: $1,088 million). Interest earnings assets are comprised of cash and cash equivalents $134 million (2023: $145 million), loans and advances $783 million (2023: $749 million) and debt securities of $141 million (2023: $163 million). Where movement in cash, placements and debt securities are essentially driven by the liquidity requirements of the Bank.

The performance of the Bank's customer asset volumes is driven by two competing factors, the behaviour of the Stage 3 portfolio and the new business generated across the core portfolio. As noted above the Bank's strategic focus is now centred around growth in core assets and liability gathering through an improved customer experience, delivered via a more operationally efficient and digital infrastructure.

Stage 3 impaired loans and advances (Stage 3 assets upon which provisions are held) remained flat at $231 million (2023: $231m) on a gross basis. This was driven by circa $32.0 million increase in impaired accounts offset by $26.7 million of written off assets and $6.4 million of net repayments.

Net loans and advances in the core portfolio reached $687 million (2023: $642 million) as the Bank delivered against a strong new business pipeline in the second half of the financial year. Expected Credit Losses (ECL) on the core portfolio fell to $0.5 million (2023: $3.17 million) where the Bank (following an assessment of the ECL model output) released a $3.1 million provision in the year relating to an ECL management overlay carried forward from the prior year.

As at 31 March 2024, the geographical concentration of the Bank's financial assets to various counterparties is mainly in the UK at 66.41% (2023: 64.34%) and India at 18.22% (2023: 19.39%). These geographic concentrations continue to change over time as the Bank pursues its UK centric strategy and reduces its Stage 3 exposure.

UK real estate lending amounted to 57.98% (2023: 56.15%) of the total portfolio. This is the largest segment within the Bank's loans and receivables portfolio as of 31 March 2024. UK real estate lending consists of Buy-to-Let (residential and commercial), Development finance, Commercial Real Estate ("CRE")-Others and Hotel finance.

The Bank saw retention rates (where existing facilities are internally refinanced) stay relatively flat in the current year at 25% compared to 26% in the previous year. Testament to the strong relationships we have as a Community Bank.

Customer liabilities remained relatively stable during the year as the Bank managed its funding requirement in line with the growth in assets which remained flat. However there was a marked change in the composition of the Bank's product mix driven by change in customer behaviour. The higher interest rate environment caused customers to become more rate sensitive looking for higher returns. Fixed Term Deposits moved up to $660 million in 2024 (2023: $613 million) whilst Current and Savings Accounts moved down to $152 million in 2024 (2023: $204 million).

The Bank saw an increase in the year in new Current Accounts at 781 compared to 725 in 2023. Retention rates in Fixed Term Deposits fell slightly to 72% in 2024 versus 76% in the previous year, but remains high. In line with the future strategy described above, growing the core Current Account base particularly into a younger demographic is a key focus for the Bank.

Whilst profitability did fall slightly in comparison to the prior year both operating income and operating profit increased. Operating income increased in the year to $46.0 million (2023: $38.9 million) substantially due to an increase in net interest income driven by: i) increased volume in core interest earning assets ii) higher interest rates versus the prior period and iii) impact of net interest income on the Stage 3 portfolio (this is immediately written-off and therefore is PBT neutral).

Operating expenditure has increased in the year ended 31 March 2024 to $22.0 million from $19.8 million in 2023. A combination of factors have increased the cost base with the most pronounced being i) GBP/USD foreign exchange movements with a 5% uptick in the average rate ii) UK inflation rates impacting general price increases in service and maintenance arrangements and iii) wage inflation where the Bank invested in a cost of living increase to all Bank employees in July 2023.

As discussed above in the Section 172 statement the Bank has been investing in the colleague proposition and further embedding its values framework. The Bank saw overall colleague satisfaction of 82% in 2024. Where 86% of colleagues consider PNBIL a preferred place to work (versus peer banks) compared to 64% in the 2023 survey. The colleague culture surveys also saw notable improvements in colleagues understanding the goals and objectives of the Bank as these had been effectively communicated by senior management, and, colleagues feeling their roles are connected to the goals of the organisation. Colleagues continued to feel that management reflect the Bank's values and behaviour's (79% in both 2024 and 2023). There is development focus required on infrastructure and operating model to further improve colleague satisfaction, this is captured in the future strategic requirements of the Bank.

The operating profit (profit before impairment provisions and taxes) for the year ended 31 March 2024 increased to $24.0 million (2023: $19.1 million), as noted above the Bank is generating additional net interest income which is driving this, which is partially offset by the higher cost position due to UK inflationary pressures during the year.

The overall impairment charge in the year ended 31 March 2024 was $17.7 million (2023: $10.7 million). The uplift in the year-on-year charge is driven by a $5.9 million increase in the write-off relating to Stage 3 NII (calculated on net assets and immediately written off) , an increase in Stage 3 net new provisions of $5.9 million predominantly driven by a single account offset by a reduction in the Stage 1 and 2 ECL charge and a release of management overlay across all stages, of $4.8 million. Of which $3.1 million relates to the release of the ECL management overlay provided for in 2023.

The profit before taxation for the year ended 31 March 2024 amounted to $6.3 million (2023: $8.4 million) where the reduction can be attributed to higher provisioning during the year.

Mr. Ritesh Mishra	Vasudevan Mundokulam
24th July 2024	24th July 2024

Risk Management Report

Introduction

This Risk Management Report explains the Bank's approach to managing risk, the principal risks the Bank is currently exposed to and provides information on how these risks are currently being managed and mitigated.

Approach to Risk Management

The Bank is exposed to a variety of risks in pursuing its strategic objectives. The bank aims to carefully manage the risks that come with its business activities and operations. By closely monitoring and controlling these risks, the bank seeks to measure them, reduce them as much as possible, and account for them in pricing to ensure a reasonable financial return over time. To identify and manage these risks the Bank has designed Bank-wide Risk Management which is implemented in a way considered appropriate for the nature, scale and complexity of the business.

Risk Management and Policy Framework

Risk Management and Policy Framework (RMPF), an overarching chapter within the Bank's Risk Governance Framework (RGF), sets out a Bank-wide approach to the identification, assessment, categorisation, mitigation, monitoring, and reporting of risks across all risk categories. It describes various activities, techniques and tools that are mandated to support these activities.

Risk culture

The Board is responsible for establishing the Bank's "tone from the top" and fostering a robust risk culture throughout the organisation. Senior Management will assist by spearheading the implementation of the RMPF, ensuring it is thoroughly integrated with a strong emphasis on adhering to risk appetite, and monitored via a comprehensive set of risk metrics and key risk indicators.

Risk strategy

The risk strategy is an integral part of the Bank's strategy. It sets out the strategic risk management objectives that will support the achievement of the Banks's overall commercial goals. The strategic risk management objectives are to:

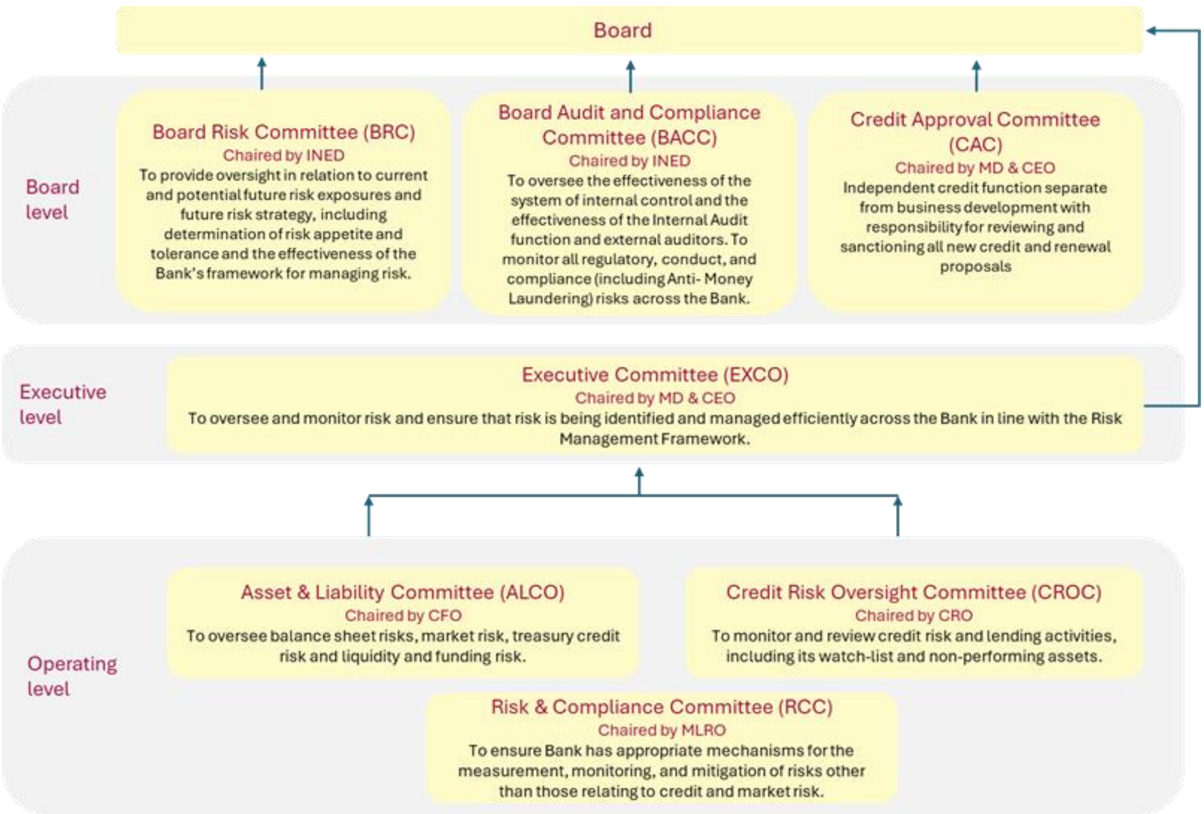
- Review existing risk identification approaches.
- Establish an effective mechanism to identify and manage material risks for the Bank.
- Support risk awareness, behaviours, and judgments within a strong governance framework.
- Promote strong risk culture and cascade risk management philosophy throughout frameworks, policies, and procedures.
- Address gaps in risk controls, enhance second line oversight and assurance.
- Review risks for appropriate treatment, considering assessment, complexity, potential impact, transferability, and market-standard approaches

- Ensure effective communication of risk information to facilitate decision-making processes.
- Develop and monitor risk management frameworks, policies, systems, processes, and tools, ensuring effective communication to the First Line.
- Ensure effective risk reporting and communication of strategy and relevant data across the Bank.
- Monitor effectiveness of risk and capital management systems through ongoing review and independent assurance.
- Monitor implementation and effectiveness of, and compliance with risk policies and standards and the management action in the event of breaches.

Risk governance and oversight

The Bank has a number of committees which oversee and monitor risk as set out below. The Board delegates to Board Risk Committee (BRC) oversight of the Bank's risk management arrangements as a whole. The Risk Management, Centralised Credit and Compliance Functions are independent risk management functions, under the direction of the Chief Risk Officer (CRO), Head of Credit and the Compliance Director & MLRO, respectively. The Data Protection Officer (DPO) advises Bank on obligations arising under data protection legislation and is the policy owner for data protection related policies and procedures. The Internal Audit function, under the direction of Head of Internal Audit, provides independent and objective assurance that an organisation's risk management, governance and internal control processes are designed and operating effectively.

The CRO has an independent reporting line directly to the Chair of the BRC, in addition to reporting to the MD & CEO. The Compliance Director & MLRO, DPO and Head of Internal Audit have an independent reporting line to the Chair of the Board Audit & Compliance Committee (BACC) in addition to reporting to the Chief Executive.



Three lines of defence

The Bank utilises the industry-standard 'three lines of defence' model for risk management. The key accountabilities of the three lines of defence within the Bank are set out below:

First line of defence

The business and branches

- Accountable for risks in their areas.
- Embedding risk management frameworks, policies, and sound risk management practices into standard operating procedures.
- Adhering to frameworks, policies and procedures set
- 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 operated in a consistent and ongoing basis in order to effectively manage risks.

Second line of defence

Risk Management Department, Centralised Credit Department and Compliance Department

- 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.
- Independent verification of all risk ratings as per the ratings model.

Third line of defence

Internal Audit

- 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.
- Providing independent assurance to the Board on the above.
- Recommending improvements and corrective actions where necessary.
- Tracking the implementation of all internal audit recommendations and external audit management letter points.

Risk Appetite Framework

Risk appetite parameters provide a Board agreed and transparent risk control framework, within which the Bank's line management operates. Setting a risk appetite is not about removing all risks in their entirety, rather it is about limiting risks in certain areas (e.g. Conduct Risk) whilst embracing risk in others (e.g. Credit Risk). In conjunction with ICAAP, ILAAP and Recovery Plan, Risk Appetite Statement forms a broad spectrum of risk management steps which basically covers various stages from business as usual to non-viability situations.

The risk appetite of the Bank is authorised and owned by the Board and shall be formally adopted via the Board's authorization of the RAS after the necessary review and challenge, which takes place at least annually. A dashboard with the status of each metric is monitored on a monthly basis by the EXCO and its sub-committees.

Stress Testing

In order to determine the impact of stress scenarios on our risk appetite, we assess a suite of metrics under stress (such as CET 1 ratio, Leverage Ratio and Stressed Net Liquidity Requirement). The impact of the most relevant combined stress scenarios from the ICAAP / ILAAP is identified and impact on the mentioned metrics is assessed by the Bank. The results of stress testing and ongoing monitoring of expected performance will help to validate the quantification of risk appetite or will show the performance of the Bank is outside of the Board's risk appetite or will indicate that one or more of the quantified risk appetites needs to be reviewed.

Principal Risks and Risk Mitigation

The principal risks the Bank faces are those that it is inherently exposed to and those which management believe could significantly impact the achievement of the Bank's purpose and vision. The Bank has identified a number of material risks in its normal course of business which are discussed below. The Bank is firmly committed to the management of risks, recognising that sound internal risk management is essential to its prudent operation. This is especially vital given the escalating complexity, variety, and unpredictability of markets, propelled by rapid advancements in technology and communication.

Principal Risk	Definition	How we mitigate the risk
Credit Risk	The risk that a borrower or counterparty fails to pay the interest or repay the principal on a loan on time. Credit risk also arises if the value of assets used as security for loans falls in value, given this is the primary source of recourse should a borrower fail to repay amounts due. In relation to the Bank's treasury activities there is a risk that acquired securities or cash placed on deposit with other financial institutions is not repaid in full or in part or financial transactions are not settled.	• Independent credit function separate from business development. • Low risk appetite under credit risk focusing on areas where the Bank has expertise, skill, knowledge and positive prior experience. • Focus on low default and low loss given default portfolio. • The Bank has a Credit Risk Management Framework that includes detailed lending policies, underwriting manuals and a defined problem debt management process. • An independent credit admin function at corporate office to ensure efficient post sanction control. • Monitoring of customer performance throughout the life of the loan, with regard to arrears, proactive collection strategies, or the application of forbearance measures • Maintain a diversified portfolio of loans by limiting concentrations by size proportionate to our own balance sheet size, by single counterparty, geography, sector. • Separate recovery team for resolution of stressed assets. • We operate a Treasury policy that only allows for acquiring securities or undertaking placements only with counterparties with investment grade credit ratings or with majority Government of India shareholding.
Market Risk	Market risk is defined as the potential adverse change in the Bank's income or net worth arising from movements in interest rates, exchange rates, equity prices and/or other market prices. Effective identification and management of market risk is	• The Bank carries a small investment book (mainly consisting of corporate bonds, banks / FI's bond and US/UK treasury Securities). • The Bank does use derivatives and swaps for hedging purposes. These derivatives are re-valued daily and any change in their fair value is recognised immediately in profit and loss.

	required for maintaining stable net interest income.	• Market risk is monitored through various limits such as net overnight open position, daylight open position, modified duration, stop loss, cumulative trading losses and mark to market loss limits. • The risks are reported to the ALCO and the Board against risk appetite levels.
Interest rate risk in the banking book	Interest rate risk in the banking book ('IRRBB') more specifically refers to the current or prospective risk to an institution's capital and earnings arising from adverse movements in interest rates that affect the institution's banking book positions.	• The Bank compares the repricing or maturity profiles of interest-sensitive assets and liabilities to quantify the exposure to changes in interest rates. • The impact on the economic value of assets and liabilities under parallel interest rate shock (of 200 bps) scenario is monitored.
Liquidity and funding risk	Liquidity risk is the risk that the Bank is unable to access sufficient liquid financial resources to meet its financial obligations as they fall due. Funding risk is the risk of being unable to access funding markets or to only be able to do so at excessive cost.	• The Bank has a system in place to monitor total contractual inflow and outflow and to manage the gap within pre-stipulated limits prescribed by the Board and/ or the regulator. • Liquidity monitoring mechanism supplemented by regular liquidity stress testing gives sufficient advance signals for envisaging liquidity requirements. • The Bank maintains liquidity buffers and contingency funding plans against various stressed liquidity scenarios. • The Bank aims to diversify its funding sources. • It proactively monitors individual funding maturity dates and maturity concentrations.
Credit concentration risk	Credit concentration risk denotes the overall spread of a Bank's outstanding accounts over the number or variety of debtors to whom the Bank has lent money.	• The risk is monitored through various concentration limits in exposure to existing counterparties, new counterparties, banks, sectoral limits, geographical limits, etc. • The Bank has geographically focused on UK lending as part of its business strategy.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	• Major sources of operational risks for the Bank are identified by management (as part of ICAAP) and include IT and cyber security risk, data security risk, people risk, internal and external fraud, business process risk, financial crime, legal risk, change risk, outsourcing risk and external events like failure of transportation, non-availability of utilities etc. • The Bank assesses the plausibility of the above risks in light of the various controls put in place to mitigate these risks to keep them within the Bank's

		appetite. They are regularly monitored for early warning signals through various tools in place so that appropriate and timely action could be undertaken. • The Bank conducts root cause analysis to understand any incidents which do occur and implement appropriate responses. • The Bank utilises a Risk and Control Self-Assessment (RCSA) approach to identify, manage and monitor key operational risks, and the development of action plans to address these risks. • The Bank has different teams such as the Financial Crime Operations Team, Mid-Office and Compliance Conduct Risk team for strengthening the quality, controls and processes. • The Bank also has in place a Cyber incident response plan and Cyber security strategy implementation plan to strengthen its cyber security in the rising cybercrime environment.
Regulatory and compliance risk	Regulatory and compliance risks are risks arising from failure to comply with laws, regulations, rules, standards and codes of conduct applicable to the Bank's activities.	• The Bank maintains a separate independent compliance function that manages and monitors these risks through policies, staff training and regular monitoring of compliance with regulatory obligations. • New and emerging regulatory driven changes are overseen through horizon scanning process and conducting impact assessments.
Conduct risk	Conduct risk relates to a failure or an inability to comply with laws, regulations and codes relating to the fair treatment of customers. Failure to manage this risk sufficiently could result in reputational damage, regulatory sanction and remediation programmes.	• Conduct risk management is to ensure compliance with new conduct risk rules, managing conflicts of interest, preventing market abuse, or building robust audit procedures. • A conduct risk framework is in place and a report on conduct risk is presented to the Board annually and monitored regularly through KRIs. • Analyzing complaints, claims, or failures to pinpoint root causes and drive continuous improvement for better customer outcomes.
Strategic and business risk	Strategic risk is the current and prospective impact on earnings of capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry and market changes.	• These risks are mitigated by the low risk and secured lending model and working with the target segments where the Bank has experience, knowledge and skill set. • The Bank focusses on existing profitable products and services whilst strengthening its core foundations and improving cost efficiencies.

	Business risk is any risk to the Bank arising from changes in its business, including the risk that the Bank may not be able to carry out its business and its desired strategy.	• All new business initiatives and proposals for products or services undergo thorough analysis and scrutiny before launch. • While evaluating Business and Strategic risks, we take into account the implications of regulatory expectations and legislative requirements. • New product process is in place to consider the risks of product launches.
Environment, Social & Governance ('ESG') Risk	ESG risk could be broadly defined as environmental, social and governance characteristics that could negatively impact the financial performance or solvency of an entity, sovereign or individual.	• The Bank has a well-defined governance structure. It regularly undertakes various initiatives to fulfil its social responsibilities. • The Bank has already embedded controls to address the climate change risk. • However, considering the impact of climate risk across various spheres of activities, the Bank has taken further steps to address the risk and has embedded it in its decision-making process and culture through the Risk Appetite Framework and Credit Risk Management Policy. • See section 'ESG Report' for more details.
Reputational risk	The risk of possible damage to the brand and reputation, and the associated risk to earnings, capital or liquidity arising from any association, action or inaction which could be perceived by stakeholders to be inappropriate, unethical or inconsistent with the Bank's values and beliefs.	• To mitigate this risk, the Bank has developed a reputational risk framework policy, and the Bank has no risk appetite to undertake any activities that could endanger the reputation of the Bank. • The Bank is actively involved in corporate social responsibilities as part of corporate strategy to build reputation in the UK. • An efficient complaints handling policy is in place and regularly monitored through Reputational Risk Scorecard.
Group risk	The risk associated with being a subsidiary in a wider group. This will also include strategic and business risks associated with the parent, impacting upon the reputation, focus and direction of Bank's business. The use of services from the parent bank such as IT and office space is also included.	• Increased involvement and interaction between senior management from Bank and the parent bank. • Limits on net exposure of the parent bank. • Performance of the parent bank and its likely impact is assessed regularly. • Reduced reliance on the parent bank with regards to capital and liquidity as we have become more self-sufficient.

Top and emerging risks

The Bank is dedicated to the close monitoring and management of the top and emerging risks. Top risks are those with the potential to significantly impact the Bank's ability to achieve its strategic objectives. These risks are often immediate and require proactive measures to mitigate their effects on the Bank's operations and performance. Emerging risks are characterized by their uncertainty and the likelihood that they will develop and become more significant over a longer period. These risks may arise from changes in the economic environment, technological advancements, regulatory shifts, or geopolitical developments. While the specific nature and impact of these emerging risks are not fully known, they are closely observed to anticipate and prepare for potential future challenges.

By continuously assessing both top and emerging risks, the Bank ensures that it remains resilient and capable of adapting to changing circumstances, thereby safeguarding its long-term success and stability.

Economic environment

The financial strain on individuals and businesses in the economy may affect some customers' affordability. Additionally, increases in the Bank of England's Bank Rate lead to higher fund costs for the Bank. This can compress our net interest margin due to the delay in passing these increased rates onto our customers.

At the end of the year 2024, the macroeconomic outlook remained pessimistic, characterized by continued high inflation and projected declines in house prices. The Bank manages these risks through its business model of lending at conservative loan-to-value (LTV) ratios. Economic forecasts indicate ongoing cost of living pressures over the next few years, coupled with low and stagnant growth in the UK economy. The Bank remains committed to supporting customers facing challenges while closely monitoring arrears levels.

Geo-political risk

The geopolitical environment remains uncertain, with conflicts in Ukraine and the Middle East. Additionally, this year sees an unprecedented number of elections globally, including in the UK and the USA.

While the Bank primarily lends in England and Wales and has no direct exposure to Russia, Ukraine, or the Middle East, it is susceptible to second-order impacts on supply chains and the effect of inflation on the real incomes of its customers. It continues to monitor that situation closely.

Regulatory Risk & Intervention

The Bank closely monitors regulatory changes, recognizing their potential impact on our business operations. Non-compliance with regulatory changes could result in fines, reputational damage, and potential revocation of regulatory permissions.

In response to the continued focus on regulation and conduct in FY24, the Bank developed and implemented the FCA's new Consumer Duty. Other relevant prudential policy announcements in the next year include the final rules on the implementation of Basel 3.1.

The Bank is dedicated to ensuring and demonstrating good outcomes in all interactions with customers and potential customers. This commitment is upheld through the careful design and execution of processes to prevent poor customer outcomes. The Bank's compliance function will continue to monitor proposed changes to the FCA regulatory landscape, assess the potential impact, and adapt our procedures and processes accordingly.

Data Protection & Privacy

We utilize an increasing volume of data to support our customers. Risks arise if this data is incorrect, unavailable, misused, or unprotected. Like other banks and financial institutions, we must comply with external regulatory obligations and laws governing data.

We mitigate these risks by implementing and continuing to improve our data management and protection protocols. Additionally, we ensure compliance with regulatory requirements through continuous monitoring and staff training programs.

Financial crime

Financial crime encompasses any criminal conduct related to money or financial services and markets. While financial crime has always posed a risk to the financial services industry, the increased use of digital channels has heightened this risk. As technology advances, the nature and impact of financial crime activities are expected to grow over the coming years.

The Bank continues to enhance its control environment with respect to financial crime. This is closely monitored by the Risk and Compliance Committee.

Climate Report including Environment Social and Governance (ESG)

This Climate Report outlines the approach we are taking at PNBIL to tackle climate change, as well as the progress we have made during 2024. Our approach to climate change continues to form a fundamental part of our ESG strategy and our climate ambition remains to reduce our carbon footprint.

Reducing greenhouse gas (GHG) emissions is dependent on a combination of factors including government policies, grid decarbonisation, supply chain transformation and shifts in consumer behaviour. Given the complexity of this challenge, we have focused our actions and targets on areas that are within our sphere of influence. This is reflected through our focus which is aimed at reducing our operational emissions and supporting our customers with their transition through our products and services.

PNBIL puts a greater focus on the assessment and management of Climate Change Risk under ESG. PNBIL acknowledges its responsibility towards the environment and has embedded it, in our decision-making process and culture through Risk Appetite Framework and Credit Risk Management Policy. PNBIL aims to meet regulatory expectations considering physical and transition climate risk and reflect this in our business approach. In line with the regulatory expectations and conscious contribution to managing the Climate change risk. PNBIL has undertaken various steps to enhance Climate Change Risk Management through the following steps:

Embedding in the Bank's Risk Culture

- The Banks approach to Climate Change is embedded in the Bank's Risk Appetite framework and Credit Risk Management Policy.
- Real Estate loan variants to support the transition to the greener portfolio.
- Building an op-risk loss incident database with financial loss from climate change to enhance the Bank's understanding of the financial impact and strengthen the risk management process on an ongoing basis.
- Continuous monitoring of ESG Risk through MRTR, the MI will continue to evolve as the Bank starts capturing more granular information regarding the Bank's exposure vulnerable to climate risk.
- Setting monitoring limits or covenants to control the impacted exposure.

Enhanced Board Oversight

Aiming towards a Net Zero-Emission Goal in the long run:

- Reviewing Business Strategy with a greater focus on reducing the carbon footprint.
- Targeting Industries relying on using renewable sources of energy.
- Financial products and differential pricing to support green construction- Green BTL, Eco-Equity Release etc.
- Moving towards paperless Internal communication.
- Transiting to a better EPC-rated portfolio

- Creating a lower carbon footprint for the bank.
- Monitoring and managing the Climate change risk through enhanced MI's, Risk Management, stress testing and scenario analysis.
- Monthly and quarterly ESG updates placed to governing committees and to the Board to track the initiatives taken by Bank in line with regulatory expectations.

Supporting Climate Change through Credit Risk Management Policy

The Bank aims to support businesses that are complying with environmental standards and related regulations and has aligned its strategy as under:

Statement: The Bank aims to support businesses that are complying with environmental standards and related regulations

Strategy: PNBIL's strategy is to grow real estate backed lending business . The Bank will ensure that its customers comply with the following:

- Have the necessary EPC rating. Any business with a failed EPC rating will not be granted finance as EPC failed businesses lead to wastage of energy.
- Businesses should be complying with necessary laws regarding the tenant.
- Business that involves accommodation, near cities will be preferred as it will reduce the carbon footprint of the residents in these accommodations.
- Use renewal energy for heating/lighting or generate renewable energy such as solar power to be fed into the national grid.
- As part of the long-term strategy review, the bank is offering an enhanced product line with a focus on green financing to support the real estate portfolio transition to energy efficiency.

Management Information Matrices for Oversight:

EPC rating Transition Matrix: A detailed database capturing property-wise EPC rating has been developed by the Bank which is regularly updated. The data has been instrumental in quantitively capturing the climate change transition stress on the Bank's real estate portfolio. The details have been captured in the stress testing section of the ICAAP document. The Bank aims to increase its exposure towards ECG-rated A & B real estate and decrease its exposure against ECG rating of D and below. The summary will be made part of the ESG update presented to its committees once the data gets stabilised.

Physical Risk Through Rising Sea Level: A detailed database capturing property-wise sea water flood risk has been developed by the Bank which is regularly updated. The data has been instrumental in quantitively capturing the climate change physical stress on the Bank's real estate portfolio. The details have been captured in the stress testing section of the ICAAP document. The Bank will continue endorsing insurance coverage of flood risk for its primary and collateral real estate securities where the risk is Medium and high. The summary will be made part of the ESG update presented to committees once the data gets stabilised.

Stress Testing

In addition to the above, the Bank has qualitatively assessed climate change in its stress testing by considering its physical risk, transition risk and impact on market demand. Apart from this short-term stress, PNBIL also plans to undertake long term scenario analysis in near future. Based on the stress test and scenario analysis for climate change risk the Bank does not foresee any immediate stress on its portfolio. This is primarily due to its focussed strategy, existing portfolio, risk management structure, credit assessment process and practices. PNBIL acknowledges the Financial Risk from Climate change as material and has substantiated its efforts to manage it as described in proportion to the scale and complexity of the business.

Physical risk: Real estate portfolio impacted by the decline in collateral/property value due to a rise in water level or other climate change.

Transition Risk: Existing real estate exposure identified with climate change risk-prone industry default due to ban/restriction imposed by government/regulators on EPC rating.

Market Demand: With the transition to the green economy, rental demand for existing real estate may decline to result in lower occupancy and default. The Bank has tried to capture this by running regression analysis between real estate default and climate-sensitive macro variables like GHG emission, CO2 emission and change in average temperature but no statistically significant relationship could be established. The Bank will continue to build upon this approach with enhanced data in future.

Streamlined Energy and Carbon Reporting (SECR) is as under:

Under this SECR we report our energy use and greenhouse gas emissions. Our greenhouse gas (GHG) reporting follows the GHG Protocol, specifically under the operational control approach, for all facilities owned by PNBIL, reported in tCO2e. This is in line with our obligations under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the SECR (section 7 regulation). Our reporting year is FY 2023-24 and table below summarises the GHG emissions for the financial year ended 31.03.2024. This is the first full financial year during which the Bank has assessed its GHG emissions, and this will set the baseline for future assessments.

	Streamlined Energy and Carbon Reporting	
SCOPE	Emission Source	FY 23-24 tCO2e
1	Company Vehicle	3.09
2	Electricity	77.15
3	Petrol reimburse from staff claims	6.62
	Total tCO2e	86.86
	Total tCO2e per USD M turnover	1.88
	Total Energy Consumption (KWH)	408,985.22

Intensity Ratio	FY 2023-24
Activity	
Total Energy Consumed (KWH)	408,985.22
Total Gross location based Emission (tCO2Oe)	86.86
Intensity Ratio: tCO2e (gross scope 1 , 2& 3, location based)per USD M revenue	1.88
Operating income in USD M	46.02

Methodology

The GHG emissions have been assessed following the GHG Protocol Corporate Reporting standard and has used the 2023 emission conversion factor published by Department for Environment, Food and Rural Affairs (Defra) and the department for business, Energy and Industrial Strategic (BEIS). For intensity ratio, the Bank has chosen to use gross tonnes of Carbon Dioxide equivalent per USD Million of operation income. This metric is chosen as it is the most readily available and complete data over the period and helps normalize the data, based on the business activity.

Energy efficiency measures the Bank's actions during the financial year to reduce Greenhouse Gas emissions.

The Bank recognises the potential impact of climate change on its financial position including on the valuation of its financial assets, impact to its operations and financial risk disclosures and most importantly, the Bank recognises that the management of resources is important Hence, the Bank has undertaken several energy saving measures during the financial year, and these include:

- Continuing working with landlords to identify and implement energy-saving opportunities, improving the energy efficiency of our offices.
- Replacing existing lighting with motion generated lighting in Corporate Office and the branch.
- Providing cutlery and China plates to replace disposable cutlery and plates.
- Staff were encouraged to use public transport.
- No parking space is provided to staff in the corporate building in Central London to encourage them to use public transport.
- The Bank has reduced single use plastics from its premise.
- The Bank has advised its employees for minimum use of paper and is using recycled paper wherever required.
- Differentiated pricing to encourage based on EPC rating and energy efficient properties, with the endeavour to transition towards higher energy efficient portfolio.
- The Bank avoids properties with high flood risk unless there is risk mitigating factors.
- The Bank will not finance business which are harming the climate such as fossil combustion power plants.
- The Bank will support the real estate businesses which uses renewal energy for heating/ lighting, or which generate renewable energy such as solar power to be fed into the national grid.

In 2025, we will continue to focus on reducing our emissions and increasing our energy efficiency.

Directors' Report

The Directors have pleasure in presenting the Directors' report which should be read in conjunction with the Strategic report pages 5 – 10.

Financial Results

The financial statements for the reporting year ended 31 March 2024 are shown on pages 45 to 88.

Dividends

As in previous years, the Directors have not recommended the payment of a dividend on the ordinary share capital for the year ended 31 March 2024.

However, the Bank continued to pay a dividend on the Additional Tier I Capital bonds at the rate of 6 months SOFR plus 5% amounting to $4.83 million (2023: $3.58 million) during FY 2023-24.

Capital Structure

As at 31 March 2024, the issued and fully paid share capital of the Bank is $274.63 million (2023: $274.63 million), and Additional Tier 1 Capital is $45 million (2023: $45 million). In the financial year 2023-24, there was no material change in the capital structure of the Bank. Detail is given in note 34 to the financial statements.

The total amount of regulatory capital available as at 31 March 2024 was $223.08 million (2023: $226.35 million). Detail is given in note 43 to the financial statements.

The Total Capital Ratio of the Bank continues to remain above the required level under the CRR and also above the Total Capital Requirement ('TCR') given by the regulator to the Bank. The TCR as at 31 March 2024 is 32.20% with the Common Equity Tier I capital ratio being 20.79%.

As at 31 March 2024, the capital adequacy ratio, leverage ratio, liquidity coverage ratio and net stable funding ratio of the Bank are all above the minimum regulatory requirements and individual capital and liquidity guidance. The Bank's funding is well diversified and the liquidity asset buffer, short-term interbank placements and balances with the Bank of England are positively maintained, keeping in view the immediate liquidity requirement which may be triggered under stressed conditions. A minimum of 90 days' survival period is considered for maintenance of the buffer. The components of regulatory capital, assessment of capital adequacy and the leverage ratio will be disclosed separately in the Pillar III disclosures, to be published on the Bank's website.

PNBIL's senior management monitors the Bank's capital position on a weekly basis. The Board Risk Committee and the Board of Directors review the capital structure on a quarterly basis, or more frequently as required. The Bank reappraises the need for capital and funding throughout the year to ensure the on-going stability and support of its business activities and compliance with regulatory requirements.

Going Concern

The Bank has sufficient Capital for its existing business which allows for planned growth, the Bank holds capital bar in excess of the minimum regulatory guidelines. The Bank maintains a healthy liquidity position which exceeds the requirements demanded by the regulatory environment. There is a robust liquidity adequacy and monitoring process in place. The Bank has continued to receive support from the Parent Bank with the rollover of existing Capital instruments during the year. Assessments of the Bank's liquidity, capital adequacy, and risk management framework are performed on a regular basis.

The Bank has considered a range of possible scenarios factoring in recent events during the financial year and modelled the impact for both the short and long term with probabilities for each scenario. The management has concluded that there are no scenarios which would threaten the viability of the Bank or give rise to any material uncertainties in the judgements used in the preparation of these accounts.

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.

The Bank's strategic plan, reviewed every year and approved by the Board, is being implemented and has shown to be capable of producing the viability and sustainability expected from the Board.

Accordingly, the Directors have assessed the Bank's current viability, and confirms that the Directors have a reasonable expectation that the Bank will be able to continue in operation and meet its liabilities as they fall due over the next three years from the date of the accounts being approved. This time frame is used in the Bank's ICAAP, and forms part of the 10-year forecast exercise, these give management and the Board sufficient visibility and confidence on the future operating environment for this time period.

Events after the Balance Sheet date

There have been no reportable events after the balance sheet date outside of those disclosed and considered in the financial statements.

Directors

Details on the Board of Directors, including any changes during the year are given on page 3.

Directors' Indemnities

The Bank provides Directors and Officers qualifying third party indemnity insurance which is reviewed annually up to the liability limit of £5,000,000 for each and every claim.

Future Business Developments

All the Future Business Development plans are outlined in the Strategic report.

Internal Control and Financial Reporting

The Directors are responsible for establishing an effective internal control environment in the Bank and for reviewing its effectiveness. The Bank has well defined procedures for safeguarding assets against unauthorised use or disposition, the systems and control across the Bank are reviewed regularly and, in particular, risk controls have been the subject of an extensive and detailed review. There are controls for maintaining proper accounting records and for ensuring the reliability of financial information used within the business or for publication. Such procedures are designed to contain and manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement, errors, losses or fraud.

The Directors and executive management of the Bank have adopted policies which set out the Board’s attitude to risk and internal control. Key risks identified by the Directors are formally reviewed and assessed at least once a year by the Board vis-à-vis its risk appetite. In addition, the Directors look to operational level management, compliance, risk and internal audit to ensure that key business risks are identified, evaluated and managed by means of procedures such as physical controls, credit and other authorisation limits and segregation of duties. The Board Risk Committee is a committee of the Board which monitors the management information it receives in order to identify, control and mitigate risks pertaining to all banking activities. The Board also receives regular reports from the Chief Risk Officer on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board.

The financial reports are presented regularly to the Board detailing the business results, variances, explanations and other performance data.

The effectiveness of the internal control system is reviewed regularly by operational management, compliance, risk and internal audit, and the information from such reviews is presented to the BACC. The BACC also receives reports of reviews undertaken by the co-sourced internal audit function as well as reports from the external auditor which include, among other important systems and control observation, details of internal control matters that they have identified as part of the financial statements audit. Certain aspects of the system of internal control are also subject to regulatory supervision, the results of which are monitored closely by the Board.

Statement as to Disclosure of Information to the Auditor

Each of the persons who is a director at the date of approval of this annual report, confirms that:

- So far as the director is aware, there is no relevant audit information of which the Bank’s external auditor is unaware;
- The director has taken all steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Bank’s auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Elective Resolution

The Bank, being a wholly owned subsidiary of Punjab National Bank, India, has elected to dispense with the requirement to hold annual general meetings, present Directors' reports and financial statements before a general meeting and re-appoint its auditor annually.

Auditor

Forvis Mazars LLP is the statutory auditor of the Bank pursuant to section 487 of the Companies Act 2006.

General Meetings

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

By order of the Board

Company Secretary

Camilla Shaw

24th July 2024

Directors’ Responsibility Statement

The directors are responsible for preparing the Strategic Report, Directors’ 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 UK-adopted International Accounting Standards and applicable law. 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 company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether UK-adopted International Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in UK-adopted International Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Punjab National Bank (International) Limited

Opinion

We have audited the financial statements of Punjab National Bank (International) Limited (the 'Bank') for the year ended 31 March 2024 which comprise Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of material accounting policies.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures to evaluate the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern;

- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Bank’s future financial performance;
- Reviewing the directors’ going concern assessment based on a range of scenarios and stressed scenarios as approved by the Board of Directors;
- Assessing the sufficiency of the Bank’s capital and liquidity by taking into consideration the most recent Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Process which contain the results of the Bank’s latest stress and reverse stress tests;
- Evaluating the reasonableness of the key assumptions used in the scenarios indicated above, including incorporating back-testing to evaluate the historical accuracy of management’s forecasting and budgeting;
- Considering the consistency of the directors’ forecasts with other areas of the financial statements and our audit;
- Reading regulatory correspondence, reviewing minutes of meetings of the Audit Committee and the Board of Directors, and evaluating post balance sheet events to identify events or conditions that may impact the Bank’s ability to continue as a going concern;
- Evaluating the adequacy and appropriateness of the directors’ disclosure on going concern included in the Annual Report and Financial Statements; and
- Considering whether there were events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Key Audit Matter	How our scope addressed this matter
Allowance for impairment losses – Expected Credit Losses (‘ECL’) on loans and advances to customers Refer to Note 3 Critical accounting judgements, Note 4 Key sources of uncertainty, Note 19 Loans and advances to customers and Note 23 Allowance for expected credit losses (‘ECL’). As at 31 March 2024, the Bank has an expected credit loss (‘ECL’) allowance of $152.3 million (2023: £171.3 million) on loans and advances to customers in the statement of financial position. The ECL charge recognised in the Bank’s statement of comprehensive income for the year ended 31 March 2024 was $17.7 million (2023: $10.7 million). Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation. IFRS 9 requires allowance for impairment losses to be determined on an ECL basis. The largest element of credit risk relates to Loans and Advances to Customers where the Bank is exposed to secured and unsecured lending to corporate clients. Individual impairment assessments are made for loans classified as stage 3. This is based on assumptions around the present value of future cash flows arising primarily from the sale or repossession of collateral. For loans classified as stage 1 and 2, ECL is determined through the use of a model. The Bank’s loan portfolio comprises of the core portfolio being UK based secured lending and the non-core portfolio which primarily represents the Stage 3 loan portfolio originated against India based assets under the previous strategy. The Bank continues to see recoveries in the non-core book and as recovery is still ongoing, there remains management judgement in estimates relating to credit losses. The key areas of judgement and management estimation identified that give rise to a significant audit risk relate to: – Staging of loans and identification of significant increase in credit risk ('SICR’); – Valuation of the collateral on stage 3 loan assets; and	Our audit procedures included, but were not limited to: **Controls testing:** – Evaluating the design and implementation and testing the operating effectiveness of controls operating at the Bank in relation to credit provisioning and monitoring. **Test of detail:** *Specialists* – On sample basis, we have involved our in-house valuation specialists to assess the reasonableness of collateral valuation used by management. – Performing testing over the macroeconomic assumptions that are used within the Bank’s economic scenario modelling. We involved our in-house economist expert to independently assess the scenarios that were developed, the appropriateness of the macroeconomic variables used including the forecasts, and the weightings applied to each scenario. – With the assistance of our credit modelling specialists, we evaluated and assessed the appropriateness and reasonableness of the ECL model to consider if there are any model limitations. *Staging* – Assessing the quantitative and qualitative SICR criteria used by the bank, and for a sample of stage 1 and stage 2 loans, testing whether there have been any indicators of an increase in credit risk.

– The use of macroeconomic variables reflecting the current geopolitical tensions and the inflationary environment.	– Performing a review of watch list movements throughout the year. – Performing a review of the individual impairment assessments made for a selection of stage 3 loans. We focused on how management assess recovery including challenging estimates of future cash flows under different recovery scenarios. We also assessed the existence and valuation of collateral used in management's assessment of these loans and independently reperformed the impairment assessment to determine the reasonableness of management's calculations. – Reviewing a sample of loans to confirm the appropriateness of staging. – Reviewing credit files for a selection of loans to verify the data used in the determination of increases in PD assumptions, collateral valuation and to test the valuation of individual impairments. This was performed focusing on those loans with characteristics of heightened credit risk, in particular stage 2 loans. **Our observations** Based on the work performed, we found that the assumptions used by management in the impairment assessment are reasonable and that the allowance for impairment losses as at 31 March 2024 is consistent with the requirements of IFRS 9.
Recognition of Deferred tax asset **$24.9 million (2023: $25.0 million)** Refer to Note 4 Key sources of estimation uncertainties, and Note 28 Deferred tax assets. The Bank has recorded a deferred tax asset relating primarily to unused tax losses. The Bank has available	**Our audit procedures included, but were not limited to:** **Controls testing:** – Evaluating the design and implementation of controls operating at the Bank in relation to the oversight of the budgeting and forecasting processes for measurement of deferred tax asset.

tax losses of $145m with a recognised DTA of $24.9 million as at 31 March 2024. This decision to recognise an asset is based on management's assessment of future taxable profits of the Bank which is underpinned by significant assumptions about future performance and strategy. The key assumptions primarily relates to growth of the underlying loan portfolio and related interest margin, as well as future operating expenses. Management performs an annual DTA assessment and forecast over a ten-year period. At the 31 March 2024, following a change in senior management's view of the strategy, the methodology was revised, and management now apply risk weightings to the taxable profits forecast in the operating plan to reflect the diminishing reliability of forecasts over time. Management's board approved three-year budget is used as the base and extrapolated out to the ten-year operating plan. The three-year budget is also the underlying forecast used for the capital adequacy and annual ICAAP assessment. Given changes in senior management, a changing interest rate environment and an evolving strategy for PNBIL, reliable forecasting is less certain, particularly over time scales covered by the DTA assessment. Given the significant level of judgement required in relation to the measurement of the deferred tax asset, we consider this area to be a key audit matter.	**Test of detail:** – Discussing with management and those charged with governance the period over which the results could be forecast reliably. – Challenging management's assumptions within the operating plan, including future profitability and the recovery of the deferred tax asset. This included independent stress tests on a univariate and multivariate basis. – Assessing the consistency between the forecasts used for going concern and deferred tax. – Assessing management's ability to accurately forecast through evaluation of the historical accuracy of management's forecasting process, including performing analysis of the growth rate applied in the deferred tax asset model by management and back testing management's previous forecasts. – Reviewing the underlying deferred tax asset calculations to determine whether the calculation of the asset is appropriate, including the data inputs, application of the tax rates and restrictions regarding the use of tax losses. – Evaluating the adequacy and appropriateness of the disclosures made in the financial statements, including disclosures of key sensitivities to the estimates used in the forecast. – Assessed management's revised methodology in relation to the calculation of the deferred tax assets, which included an analysis of the risk weightings applied by management to the taxable profits forecast in the operating plan. – In addition to the above, performed benchmarking analysis against peer banks to support our challenge to

	management and compare historical performance. **Our observations** Based on the work performed, we found that the valuation of the deferred tax asset recognised by the Bank and related disclosures are reasonable as at 31 March 2024.

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

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

Overall materiality	$2,164,000 (2023: $2,135,000)
How we determined it	1% net assets (2023: 1% of net assets)
Rationale for benchmark applied	Net assets are the main focus of the shareholder (the overseas parent) to assess the value of their investment. Furthermore, net assets approximate regulatory capital resources which is a key focus for the shareholder, management, and regulators. It is also consistent with the benchmark used by most peer banks in the industry based on the size and complexity of the Bank's operations. Net assets as at 31 March 2024 were $214.9 million. Although net assets were lower than when determined at planning, the reduction was not considered significant enough to revise the final level.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at $1,082,000 (2023: $1,494,000) which represents 50% (2023: 70%) of overall materiality. We considered several factors in determining performance materiality, including our understanding of the entity, the effectiveness of the internal control environment, risk assessment procedures, the level and nature of uncorrected

	and corrected misstatements in the prior year and our expectations in relation to misstatements in the current year.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above $65,000 (2023: $64,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as 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 our risk assessment, our understanding of the Bank, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors’ responsibilities statement set out on page 28, 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 the financial statements.

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

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

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

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

- Gaining an understanding of the legal and regulatory framework applicable to the Bank and the industry in which it operates, and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with PRA and FCA;
- Holding a bilateral meeting with the PRA to enhance our understanding of the regulator’s focus and potential concerns related to the Bank;
- Reviewing minutes of the Board of Directors’ meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above and remaining alert to any indications of non-compliance.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK-adopted international accounting standards, UK tax legislation, the Large and Medium sized Companies and Groups (Accounts and reports) and the Companies Act 2006.

In addition, we evaluated the directors’ and management’s incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to allowance for impairment losses (as described in the “Key Audit Matters” section of this report).

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud, including independent inspection of complaints logs;
- Inspecting the Bank’s regulatory and legal correspondence and reviewing minutes of the Board of Directors’ meetings in the year;

- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Being skeptical to the potential of management bias in key judgements and assumptions, including reviewing the accounting estimate in relation to allowance for credit losses as described in our key audit matter;
- Introducing elements of unpredictability in audit testing;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks 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.

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

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the directors on 30 November 2019 to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 31 March 2020 to 31 March 2024.

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

Our audit opinion is consistent with our additional report to the 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 Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

24th July 2024

Income Statement

for the year ended 31 March

	Note	2024 $'000	2023 $'000
Interest income	5	72,874	50,548
Interest expense**	6	(28,972)	(13,498)
Net interest income		**43,902**	**37,050**
Net trading profit**	7	635	1,110
Fee and commission income**		1,229	1,184
Other operating income/(expense)**	8	252	(434)
Operating income		**46,018**	**38,910**
Staff costs**	12	(13,927)	(12,546)
Depreciation and amortisation expenses	9	(1,216)	(1,347)
General administrative expenses**	10	(6,873)	(5,930)
Impairment provision	23	(17,723)	(10,659)
Profit before tax		**6,279**	**8,428**
Tax (charge)	14	(68)	(95)
Profit after tax for the year		**6,211**	**8,333**

*Reclassification of Payment and Settlement and Retail banking fees from other operating income to Fee and Commission income. The prior year has been restated by $257k.
**The prior year has been restated in these line items, please see note reference for further details.

All amounts mentioned above relate to continuing activities.

The accompanying 'Notes to the financial statements' from page 45 to 88 are an integral part of the financial statements.

Statement of Comprehensive Income

for the year ended 31 March

	Note	2024 $'000	2023 $'000
Profit after tax for the year		**6,211**	**8,333**
Other comprehensive income			
Items that may be reclassified subsequently in profit or loss Investment Securities - FVOCI			
- Gains/(losses) arising during the year	35	248	(79)
- Tax charge relating to change in fair value		(62)	(9)
		186	**(88)**
Reclassification adjustments for loss included in profit or loss (Investment Securities – FVOCI) net of tax		**(7)**	**395**
Other comprehensive income for the year net tax		179	307
Total comprehensive income attributable to equity share holders		**6,390**	**8,640**

The accompanying 'Notes to the financial statements' from page 45 to 88 are an integral part of the financial statements.

Statement of Financial Position

for the year ended 31 March

	Note	2024 $'000	2023 $'000
Assets			
Cash and balances with central banks	15	134,032	144,821
Financial assets at fair value through profit or loss	16	3,029	-
Derivative financial instruments	17	14	7
Loans and advances to banks	18	10,496	836
Loans and advances to customers	19	772,119	748,698
Investment securities at amortised cost	21	65,117	108,096
Financial assets at amortised cost		847,732	857,630
Financial assets at fair value through other comprehensive income	20	72,866	55,263
Right of use lease assets	36	3,685	4,395
Property, plant and equipment	26	287	311
Intangible assets	27	180	230
Deferred tax assets	28	24,862	24,990
Prepayments and other receivables	29	591	533
Total assets		**1,087,278**	**1,088,180**
Liabilities			
Deposits from banks*	30	3,292	843
Deposits from customers	31	811,182	816,636
Derivative financial instruments	17	159	155
Current tax liability	14	-	-
Lease liability	36	3,870	4,522
Other liabilities	33	2,639	1,572
Subordinated bonds and other borrowed funds*	32	51,252	51,124
Total liabilities		**872,394**	**874,852**
Net Assets		**214,884**	**213,328**
Equity			
Share capital	34	319,631	319,631
Fair value reserve	35	(807)	(986)
Retained earnings		(103,940)	(105,317)
Equity attributable to owners of the Company		214,884	213,328
Total equity		**214,884**	**213,328**

*The prior year has been restated in these line items, please see note reference for further details.

The accompanying 'Notes to the financial statements' from page 45 to 88 are an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 24th July 2024. They were signed on its behalf by:

Mr. Ritesh Mishra
24/07/2024

Vasudevan Mundokulam
24/07/2024

Company registration number 05781326

Statement of Changes In Equity

for the year ended 31 March

	Note	Share capital $'000	Fair Value reserve $'000	Retained Earnings $'000	Total equity $'000
		Attributable to equity shareholders of the bank			
Balance at 31 March 2023		**319,631**	**(986)**	**(105,317)**	**213,328**
Profit for the year		-	-	6,211	6,211
Net change in fair value of Investment Securities - FVOCI	35	-	186	-	186
Net amount transferred to Profit & Loss	35	-	(7)	-	(7)
Other comprehensive income of the year		-	179	-	179
Total comprehensive income of the year		-	179	6,211	6,390
Transactions with owners directly recorded in equity					
Dividend on additional Tier 1 capital	39	-	-	(4,834)	(4,834)
Balance at 31 March 2024		**319,631**	**(807)**	**(103,940)**	**214,884**

	Note	Share capital $'000	Fair Value reserve $'000	Retained Earnings $'000	Total equity $'000
		Attributable to equity shareholders of the bank			
Balance at 31 March 2022		**319,631**	**(1,293)**	**(110,072)**	**208,266**
Profit for the year		-	-	8,333	8,333
Net change in fair value of Investment Securities - FVOCI	35	-	(88)	-	(88)
Net amount transferred to Profit & Loss	35	-	395	-	395
Other comprehensive income of the year		-	307	-	307
Total comprehensive income of the year		-	307	8,333	8,640
Transactions with owners directly recorded in equity					
Dividend on additional Tier 1 capital	39	-	-	(3,578)	(3,578)
Balance at 31 March 2023		**319,631**	**(986)**	**(105,317)**	**213,328**

The accompanying 'Notes to the financial statements' from page 45 to 88 are an integral part of the financial statements.

Cashflow Statement

for the year ended 31 March

Cash flows from operating activities	Note	2024 $'000	2023 $'000
Profit/(loss) after tax		6,211	8,333
Adjustments for:			
Amortisation of other intangible non-current assets	9	207	359
Depreciation of property, plant and equipment	9	196	214
Depreciation on right of use assets	9	813	774
Interest on lease liabilities	36	126	140
Impairment provision	23	6,872	10,659
Corporation tax (credit)/charge	14	68	95
Net exchange rate differences		(175)	(998)
		8,107	**11,243**
Changes in:			
Loans and advances to banks		(9,660)	(135)
Loans and advances to customers		(16,619)	28,750
Fair value of derivatives		2	917
Prepayments and other receivables		(46)	(149)
Deposits from banks		2,380	861
Deposits from customers		(21,308)	(41,439)
Other liabilities		1,733	(614)
		(43,518)	(11,809)
Cash (used in)/generated from operating activities		**(29,200)**	**7,767**
Income tax paid		-	(32)
Net cash (used in)/generated from operating activities		**(29,200)**	**7,735**
Cash flows from investing activities			
Acquisition of property, plant and equipment	26	(172)	(134)
Acquisition of intangible assets	27	(156)	-
Disposal/Acquisition of investment securities at amortised cost (Net)	21	42,979	(18,982)
Acquisition/Disposal of investment securities – FVTPL	16	(3,029)	10,001
Acquisition of investment securities – FVOCI	20	(17,423)	(102)
Net cash (used in)/generated from investing activities		**22,199**	**(9,217)**
Cash flows from financing activities			
Payment of lease liabilities*	36	(860)	(915)
Dividend to perpetual additional Tier I capital bond holders	39	(4,837)	(3,578)
Interest from subordinated bonds	32	129	-
Proceeds from issuance of subordinated bonds	32	-	12,500
Repayment of subordinated bonds	32	-	(12,500)
Net cash used in financing activities		**(5,568)**	**(4,493)**
Effects of exchange rate on cash and cash equivalents		1,780	998
Net (decrease)/increase in cash and cash equivalents		**(10,789)**	**(4,977)**
Cash and cash equivalents at beginning of year	15	144,821	149,798
Cash and cash equivalents at end of year	15	134,032	144,821

*IAS 7 requires that changes in liabilities pertaining to financing activities are bifurcated and disclosed separately on a cash and non-cash basis. Given this only pertains to IFRS 16 lease liabilities for the Bank we state them here. Cash debit $860k and non-cash credit $208k.

The accompanying 'Notes to the financial statements' from page 45 to 88 are an integral part of the financial statements.

1] Basis of preparation

a) Reporting entity

Punjab National Bank (International) Limited, 'PNBIL' or 'the Bank' is a private company limited by shares and incorporated under the Companies Act and is registered in England and Wales and domiciled in the United Kingdom. The address of the Bank's registered office is 1 Moorgate, London EC2R 6JH. The Bank does not have branches outside the UK. The Bank is a wholly-owned subsidiary of Punjab National Bank, one of the leading public-sector banks of India, having its corporate office at Plot No 4, Sector 10, Dwarka, New Delhi, 110075.

The principal activities of the Bank and the nature of the operations are set out in the Strategic report on pages 5 to 10. The financial statements are presented in US Dollars, because this is the functional currency of the Bank.

b) Compliance with applicable accounting standards

The accounting standards applied are those issued by UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

c) Standards adopted during the year ended 31 March 2024

The accounting standards applied are consistent with those of the previous financial year with the exception of the following:

Amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules'

On 23 May 2023, the International Accounting Standards Board ('IASB') issued amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules', which became effective immediately and were approved for adoption by all members of the UK Endorsement Board on 19 July 2023 and by the European Union on 8 November 2023. On 20 June 2023, legislation was substantively enacted in the UK to introduce the OECD's Pillar Two global minimum tax rules and a UK qualified domestic minimum top-up tax, with effect from 1st January 2024. The Bank has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 Income Taxes.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require entities to disclose their material rather than their significant accounting policies. The Bank adopted the amendments effective 1 January 2023. Whilst these amendments do not change the Banks accounting policies, the Bank has reviewed the accounting policy information disclosed in these financial statements against the new requirements. Under the amendments, accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

IFRS 17 Insurance Contracts

The Bank does not conduct insurance business and therefore in force amendments to IFRS 17 insurance contracts are not applicable.

Definition of an Accounting Estimate (Amendments to IAS 8)

Under the new definition, accounting estimates are clarified as monetary amounts in financial statements that are subject to measurement uncertainty. Where an entity's accounting policy requires an item to be measured at monetary amounts that cannot be observed directly, it should develop an accounting estimate to achieve this objective. The amendments are effective 1st April 2023 and were adopted on this date. There was no impact on the Bank's financial statements

d) Future accounting developments

The IASB has published a number of minor amendments to IFRS Accounting Standards that are effective from 1 January 2024. The Bank expects they will have an insignificant effect on the financial statements of the Bank when adopted. The following accounting standards have been issued by the IASB but are not yet effective:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

In January 2020 the IASB issued amendments to IAS 1 to clarify the presentation of liabilities in the balance sheet, with an effective date of 1st April 2023. The amendments clarify that a liability should be classified as non-current only if the entity has the right to defer settlement of the liability for at least 12 months after the reporting period, and that (i) the right to defer settlement must exist at the end of the reporting period and (ii) management's intentions or expectations about whether it will exercise its right to defer settlement does not affect the classification. Further clarifications include how lending conditions affect classification and classification of liabilities the entity will or may settle by issuing its own equity instruments. In October 2022, the IASB also issued further amendments to IAS 1 to improve the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants, and to respond to stakeholders' concerns about the classification of such a liability as current or non-current.

Amendments to IAS 21 the effects of changes in foreign exchange rates

In August 2023, the IASB published amendments to IAS 21 'Lack of Exchangeability' effective from 1 January 2025. The Bank is undertaking an assessment of the potential impact, there is no expected impact from this change.

e) Foreign currencies

The Directors consider the US Dollar as the functional currency of the Bank as a significant component of earning assets (loans/investments) are denominated in US Dollars and a significant component of funding is in US Dollars. In addition to that, share capital and other capital instruments are denominated in US Dollars. Transactions in currencies other than USD are recorded in US Dollars at the rate of exchange prevailing at the end of the day in which the transaction arose. Any resulting exchange differences are included in the statement of profit or loss. Treatment of monetary and non-monetary items are recorded as prescribed under IAS 21.

f) Going concern

The Bank has sufficient Capital for its existing business which allows for planned growth, and for staying in excess of the minimum regulatory guidelines. The Bank's liquidity adequacy and monitoring processes are designed to ensure the Bank maintains liquidity levels that exceed the requirements set by the regulator. There is a robust liquidity adequacy and monitoring process in place. The Bank has continued to receive support from the Parent Bank with the rollover of existing Capital instruments during the year. Assessments of the Bank's liquidity, capital adequacy, and risk management framework are performed on a regular basis.

The Bank has considered a range of possible scenarios factoring in recent events during the financial year and modelled the impact for both the short and long term with probabilities for each scenario. The management has concluded that there are no scenarios which would threaten the viability of the Bank or give rise to any material uncertainties in the judgements used in the preparation of these accounts.

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.

The Bank's strategic plan, reviewed every year and approved by the Board, is being implemented and has shown to be capable of producing the viability and sustainability expected from the Board.

Accordingly, the Directors have assessed the Bank's current viability, and confirm that they have a reasonable expectation that the Bank will be able to continue in operation and meet its liabilities as they fall due over the next three years from the date of the accounts being approved. This time frame is used in the Bank's ICAAP, and forms part of the 10-year planning exercise, these give management and the Board sufficient visibility and confidence on the future operating environment for this time period.

g) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments are measured at fair value.
- Investment securities at fair value through profit or loss ('FVTPL') are measured at fair value; and
- Investment securities at fair value through other comprehensive income ('FVOCI') are measured at fair value.

Detail on fair value is given in note 22.

Rounding - Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text, as these are calculated on the basis of unrounded figures. Figures are rounded to the nearest $1,000 where appropriate.

There have been prior year reclassifications made. Please see notes 6, 7, 8, 10, 12, 32 and 39 for further details.

2] Summary of material accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

a) Income and expense

Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method*. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or 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. Interest income and expense presented in the statement of profit or loss includes:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis*;

- Interest on Investment securities – FVOCI calculated on effective interest basis*;

- Arrangement fees recognised on an accrual basis. It is accounted when the services have been provided or the significant act of delivering the services contracted by the customer has been performed and is amortised over the life of the loan.

The interest income is calculated by applying an approximation* of the effective interest rate ('EIR') to the gross carrying amount for Stage 1 and Stage 2 assets but, for Stage 3 assets (not purchased or originated credit-impaired), it is calculated by applying an approximation of EIR to the amortised cost net of the credit allowance i.e. the carrying amount after the deduction of the loss allowance.

*The Bank calculates interest via a combination of principal interest and amortised arrangement fees, the resulting interest is annually tested against the EIR method to demonstrate they are materially in line. This relates to loans and advances at amortised cost and FVOCI debt securities.

Fees and commission

Fees and commissions include remittance charges, bills collection charges, Letter of Credit ("LC") charges, incidental charges on deposit accounts, locker rent and late payment fees.

Revenue is recognised for remittance charges, bills collection charges, Locker Fees, LC charges, late payment fees and incidental charges on deposit accounts when the service is delivered.

Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes and foreign exchange differences.

Other operating income

Other operating income comprises of gains less losses related to the disposal or maturity of debt securities held at fair value through other comprehensive income.

b) Financial instruments

i) Financial assets

The Bank applies IFRS 9 Financial Instruments for recognition, classification and measurement of financial assets. On initial recognition, a financial asset is classified as measured at:

i. Amortised cost
ii. Fair value through other comprehensive income ('FVOCI')
iii. Fair value through profit and loss ('FVTPL')

Two criteria are used to determine how financial assets should be classified and measured: Business model – how an entity manages its financial assets in order to generate cash flows by collecting contractual cash flows, selling financial assets or both, and Solely Payments of Principal and Interest ('SPPI') test – where contractual cash flows are consistent with a basic lending arrangement; that is whether cash flows solely comprise payments of principal and interest.

Financial assets at amortised cost

Assets held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated as FVTPL, are classified and subsequently measured at amortised cost. The carrying value of these financial assets is adjusted by any allowance for expected credit loss recognised and measured. Interest income from these assets is included in Note 5 'Interest Income' using the effective interest rate method.

Financial assets at Fair value through other comprehensive income ('FVOCI')

Financial assets that are held for collection of contractual flows and for selling the assets, where those cash flows represent solely payment of principal and interest, and that are not designated at FVTPL, are classified and subsequently measured at FVOCI. Interest income from these assets is included in Note 5 'Interest Income' using the effective interest rate method.

Financial assets at Fair value through profit and loss ('FVTPL')

Financial assets that do not meet the criteria for recognition at amortised cost or at FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL, including any debt instruments designated at fair value, is recognised in profit or loss and presented in the income statement as 'Net trading profit/(loss)'. Interest income from these assets is included in Note 5 'Interest Income' using the effective interest rate method.

ii) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Bank after deducting all liabilities. Equity instruments issued by the Bank are recorded at the proceeds received, net of direct costs.

Financial liabilities

All non-derivative financial liabilities (including deposits from customers, banks and subordinated bonds) are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

iii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in the absence of the most advantageous market to which the Bank has access at that date.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Bank establishes fair value using another valuation technique. For derivatives, the valuation technique chosen makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk – return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable market transactions.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases, the fair value of a financial instrument on initial recognition may be different to its transaction price. If such fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique which includes only data from the observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument.

iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The impact of offsetting financial instruments is immaterial for the financial year.

v) De-recognition of financial assets and liabilities

Financial assets are de-recognised when the rights to receive cash flows from the assets have expired; or where the Bank has transferred its contractual right to receive the cash flows of the financial assets and either:

i. Substantially all the risks and rewards of ownership have been transferred; or

ii. Substantially all of the risks and rewards of ownership have neither been transferred nor been retained and the Bank has not retained control of the financial assets.

Financial liabilities are de-recognised when they are extinguished, i.e. when the obligation is discharged or cancelled or expired.

vi) Transfer of financial assets

The Bank enters into transactions involving the sale and repurchase of securities resulting in the transfer of financial assets, primarily debt securities.

Sale and repurchase agreements are transactions in which the Bank sells a security and simultaneously agrees to repurchase it at a fixed price at a future date. The Bank continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. Financial liability is recognised for the obligation to pay the repurchase price. Because the Bank sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of arrangement.

vii) Impairment of financial assets

The allowance for credit losses represents the Bank's estimate of the expected credit loss ('ECL') on financial assets at the date of the statement of financial position. IFRS 9 requires expected credit losses to be applied to financial assets at amortised cost, FVOCI instruments and loan commitments.

Quantitative modelling has been used in conjunction with internal and external credit grades and ratings in assessing whether credit risk has significantly increased. The Bank monitors the effectiveness of the criteria used to identify any increase through regular reviews. Various macro variables such as Housing Price Index ('HPI') growth forecast, unemployment rate and change in GDP have been used in modelling a forward-looking estimate for ECL. Statistical methods supported by the internal as well as external data have been adopted to build these models. Further, the Bank's ECL scenario framework revolves around the Cyclicity Index ('CI'), which is considered a proxy for the credit cycle. The Bank uses publicly available data on region level default rates as proxy for CI. All scenarios used for ECL calculations are linked with a CI forecast which directly impacts the ECL calculation. This information used in ECL models is updated at regular intervals to capture any intrinsic or extrinsic changes.

IFRS 9 assesses on a forward-looking basis the ECL associated with the assets carried at amortised cost and FVOCI and recognises a loss provision for such losses at each reporting date. ECL allowances represent credit losses that reflect an unbiased, point in time and probability weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Impairment provisions are driven by changes in credit risk of loans and securities, with a provision for lifetime expected credit losses recognised where the risk of default of an instrument has increased significantly since initial origination.

Under IFRS 9, credit loss allowances are measured on each reporting date according to a three-stage ECL impairment model:

- Stage 1 (12-month ECL) – unimpaired and without significant increase in credit risk on which a 12-month allowance for ECL is recognised.
- Stage 2 (Lifetime ECL not credit impaired) – following a significant increase in credit risk relative to the initial recognition of the financial asset, a loss allowance is recognised equal to the credit losses expected over the remaining lifetime of the asset.
- Stage 3 (Lifetime ECL credit impaired) – objective evidence of impairment and are therefore considered to be in default or credit impaired in which a lifetime ECL is recognised.

Measurement of ECL: ECL are a probability-weighted estimate of credit losses. The Bank calculates ECL by considering the cash shortfalls it would incur in various default scenarios discounted at the original effective interest rate and multiplying the shortfalls by the probability of each scenario occurring. The ECL is the sum of these probability weighted outcomes.

Definition of default: A default shall be considered to have occurred with regard to a particular obligor (debtor) when any of the following have taken place and the asset will be classified as Non-Performing Asset (Stage 3 asset):

- The payment due to the bank is overdue by more than 90 days. Interest accrued will be excluded from the criteria.
- Any exposure of the obligor that has been recognised credit - impaired in accordance with the IFRS 9 accounting framework.
- Debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due.

The Bank considers the following factors as risk drivers in assessing objective evidence of impairment. These are consistent with the staging criteria adopted for implementation of IFRS 9 accounting standards:

- when an exposure to a counterparty is non-performing i.e. obligor is past due more than 90 days;
- when a counterparty files for bankruptcy protection (or the local equivalent) and this would avoid or delay discharge of its obligation;
- where the Bank files to have the counterparty declared bankrupt or files a similar order in respect of a credit obligation;
- where the Bank consents to a restructuring of the obligation, resulting in a diminished financial obligation, demonstrated by a material forgiveness of debt or postponement of scheduled payments;
- where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets.

Write off policy - The Head of Credit Monitoring & Recovery department will evaluate the progress of each impaired loan on a case-to-case basis. The Head of Credit Monitoring & Recovery department and Head of Credit will recommend to CROC any new account specific or portfolio level provisions, write backs or write offs. Regardless of whether an exposure has been written off, the Bank may continue to pursue any NPAs for recovery.

Significant increase in credit risk

Qualitative Criteria: All assets are evaluated using a set of qualitative parameters and rules defined by the bank to determine if there is a significant increase in credit risk. The qualitative assessment criteria are elaborated below:

a. Forborne/Restructured assets	• A forborne or restructured account. Forborne performing assets will be classified as stage 2 assets up to 180 days. After 180 days, it will be reviewed and reclassified depending upon its performance.
b. Adverse Financials	• Material deterioration in the financial health of the business. This can be worsening of the capital, liquidity, or profitability situation.

c. Adverse industry impact	• Deterioration of the industry, market segment of the borrower as a whole.
d. Other factors	• Insolvency (liquidation) process initiated; criminal action initiated etc. • Adverse media news affecting the company's soundness.
e. SBLC's, Government & Corporate Securities, Nostro Accounts with other banks and Interbank exposures	• ISDA credit event declared. • Bond trade (temporarily) suspended at primary exchange because of rumours/facts.

Quantitative Criteria: Any asset where any payment is overdue 30 days or more but less than 90 days

Past due but not impaired: Loans that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Bank believes that there is no impairment on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank.

Commercially renegotiated: Loans in which renegotiation or refinancing did not qualify as forbearance are classified as commercially renegotiated. This loans are broadly defined as a refinancing or modification in terms and conditions (even if the customer is not facing any financial difficulty).

Forborne: Loans are treated as forborne if a concession has been made and the debtor is facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

viii) Loan modifications and renegotiations that are not credit-impaired

When modification of a loan agreement occurs as a result of commercial restructuring activity rather than due to the credit risk of the borrower, an assessment must be performed to determine whether the terms of the new agreement are substantially different from the terms of the existing agreement. This assessment considers both the change in cash flows arising from the modified terms as well as the change in overall instrument risk profile.

In respect of payment holidays granted to borrowers which are not due to forbearance, if the revised cash flows on a present value basis (based on the original EIR) are not substantially different from the original cash flows, the loan is not considered to be substantially modified. Additionally where a short term extension term is granted for administrative purposes whilst the loan agreement is refinanced the loan is not considered to be substantially modified.

Where terms are substantially different, the existing loan will be derecognised and a new loan will be recognised at fair value, with any difference in valuation recognised immediately within the income statement, subject to observability criteria. Where terms are not substantially different, the loan carrying value will be adjusted to reflect the present value of modified cash flows discounted at the original EIR, with any resulting gain or loss recognised immediately within the income statement as a modification gain or loss.

ix) Derivative financial instruments

The Bank enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including exchange forward contracts, interest rate swaps and cross currency swaps. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

x) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the assets. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.
Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and carrying amount of the item) is recognised within other income in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use. Depreciation is calculated to write off the cost of items of property and equipment using the straight-line basis over their useful estimated life. Depreciation is recognised in the statement of profit or loss. The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

- Equipment including computers and accessories 3-5 years
- Property and plant 5 years or
- primary period of lease term, whichever is lower.

xi) Intangible assets

Intangible assets of the Bank include software measured at cost less accumulated amortisation and any impairment in value.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software is three years or the licence term whichever is the lower.

xii) Cash and balances with central banks

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

xiii) Corporation tax/deferred tax

Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that are enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the statement of financial position or statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

xiv) Recognition and measurement of provisions and contingencies

A specific provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

xv) Share capital and reserves

Additional Tier I bonds

The Bank classifies capital instruments as equity instruments in accordance with the substance of contractual terms of the instruments. The Bank’s perpetual bonds are not redeemable by the holders and bear an entitlement to the distributions that are non-cumulative and at the discretion of the Board of Directors. The Bank may elect at its discretion to cancel (in whole or in part) the interest amount otherwise scheduled to be paid on interest payment dates. In case of occurrence of the trigger event the bonds shall be converted into ordinary shares. Accordingly, they are presented as a component of issued capital within equity. Distributions thereon are generally recognised as a dividend out of total comprehensive income attributable to the equity shareholders.

Fair value reserves

The fair value reserve comprises the cumulative net change in the fair value of investment securities - FVOCI assets until the assets are de-recognised or impaired.

xvi) Right of use lease assets and liabilities

The Bank adopted IFRS 16 ‘Leases’ using the modified retrospective approach. The Bank identified contracts impacted by IFRS 16 where the Bank is the lessee, and this comprises of seven property leases for the Bank’s corporate office and its branches. The leases typically run for a period of 15 to 20 years with a break clause of 5 years for the Bank and the lessor. Lease payments are liable to be modified at break period to reflect market rentals.

When the Bank acts as a lessee, it recognises a right-of-use asset representing its right to use the underlying leased asset with a corresponding lease liability on the date on which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and the finance charge. The finance charge is allocated to the income statement during the term of the lease in such a way as to produce a constant periodic interest rate on the remaining balance of the liability for each year. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of the fixed lease payments over the entire term of the lease. Lease payments are discounted using the interest rate implicit in the lease. As the interest rate implicit in the lease is not readily determinable for PNBIL, the Bank used its incremental borrowing rate ('IBR') at the related date for the seven leases in scope of the standard.

The IBR is defined as the interest rate that a lessee would have to pay for borrowing, given a similar period to the duration of the lease and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. In order to construct an IBR, we have used a three-step approach:

- Determining the reference rate
- Determining the finance spread adjustment
- Determining a lease specific adjustment

xvii) Employee benefits

The Bank has two pay groups of employees in UK – those on secondment to the Bank from the Parent bank and those who are locally recruited. The employees on secondment are governed by the salary structure approved by the Government of India as well as by the Board of Directors of the Parent bank. Their salary, perquisites and provisions are fixed accordingly. Salary to the locally recruited staff is as per the Board approved Human Resource Policy.

No bonus, overtime or incentive is paid by the Bank to its employees.

The Bank has subscribed to a defined contribution pension plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions to defined contribution pension plans are recognised in the profit and loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3] Critical accounting judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. There have been no changes to the approach to the assumptions and estimation methodologies during the year.

Further information about key assumptions concerning the future and judgements, are set out in the relevant disclosure notes for the following areas:

- Impairment of financial assets

The Bank's accounting policy for recognising impairment arising from financial assets is described in Note 2 (vii). The Bank uses the three stage impairment model to make provisions for expected credit losses in accordance with the IFRS 9 accounting framework.

The method to calculate ECL involves the use of historical information coupled with forward looking information to create probability weighted scenarios, supplemented with management judgement to determine expected credit losses. Each of these variables or inputs requires management to exercise judgement in making assumptions and estimations.

The Bank uses an ECL tool to determine provisioning for Stage 1 and 2 accounts based on the IFRS 9 principles. The ECL tool is designed to take a set of facility level loan data, staging data and historical staging data and compute an ECL for each loan. The tool structure is such that the account level data is used along with the parameters defined to determine a Probability of Default ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD') for each loan.

- The single year PD, LGD and EAD are multiplied to determine a 1 year expected loss for stage 1 accounts
- For stage 2 accounts, lifetime ECL is calculated. The PD's and LGD's are passed through the scenario generator where 5 PD's and 5 LGD's are determined for 5 different scenarios. The 5 PD's and LGD's are multiplied together with the EAD's determined by the tool to conclude 5 separate ECL numbers. These ECL numbers are then weighted as per the scenario engine and combined to produce a single lifetime ECL per account.
- The lifetime ECLs are discounted by the EIR for the account and weighted by the probability of each scenario.
- Accounts in stage 1 are allocated a final ECL which only considers a 1-year loss while accounts in stage 2 are allocated an ECL which represents the potential lifetime losses as mentioned above.
- For stage 3 assets, the Bank is using an approach where each account is assessed individually for impairment allowances and provisions are made accordingly.

4] Key sources of uncertainty

Further information about key sources of estimation uncertainty is set out in the relevant disclosure notes for the following areas:

- Deferred Tax

Key sources of estimation uncertainty in relation to the measurement of deferred tax assets include volumes of future business from key revenue streams, interest margins, impairment charges and recoveries in respect of loan assets, tax rates, forward looking interest and foreign exchange rate projections and the period over which future profitability is reliably estimable to support the valuation of the deferred tax assets.

The Bank conducts a ten-year Operating Plan exercise annually in order to forecast earnings based on the current strategy, this is approved by the Board. The earnings profile produced from the Operating Plan forms the basis of the Bank's annual DTA assessment whereby accounting PBT is amended to account for taxable profit and tax restrictions as defined in UK tax legislation. In order to determine utilisation of available losses the Bank has used a logistic decay model moving from 100% forecast reliability within the first three years to 5% reliability in year ten. The weightings between the periods have been determined by the subsequent steepness of the curve from the period of high reliability to the period of high uncertainty. These weightings are applied to taxable profits following the application of relevant tax restrictions.

Whilst the Operating Plan approach has remained consistent with the prior year the approach used in the determination of losses utilised in calculating the DTA has changed. The revised approach detailed above focuses on conducting an annual DTA assessment and deriving a revised DTA at the reporting date, moving away from the previous approach of supporting an existing DTA position. The Bank has updated the approach as part of its continuous improvement process and feel the probability weighted earnings approach offers a more robust output in determining carry forward loss utilisation and hence DTA. Whilst this year's process generated a DTA of $25.8m and utilises losses amounting to $103m given the variance to the existing DTA was not material management determined the DTA remained unchanged at $24.8m.

Macroeconomic inputs used in ECL tool

The measurement of modelled ECL involves complexity and judgement, including estimation of probabilities of default (PD), loss given default (LGD), a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default (EAD) and assessing significant increases in credit risk. The Bank uses a five-scenario model to calculate ECL with a further 2 for the ECL management overlay.

The ECL framework scenario analysis revolves around the Cyclicality Index ('CI'). The Bank uses publicly available data on region level default rates as proxy for CI. All scenarios used in the ECL model are linked with a CI forecast which directly impacts the ECL calculation.

The following economic indicators are used to predict the credit cycle:

- Unemployment Rate (%)
- UK Housing Price Index Change (%)
- Average Rate (Average of Bank of England rate and UK 5 year bond yield)
- Change in India GDP (Current Prices) (%)

The tables below show the key macroeconomic variables used in the five scenarios with the annual path taken for each variable across each scenario.

Baseline macroeconomic variables used in the calculation of ECL

Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	(0.62%)	4.56%	4.34%	9.15%
2025	0.57%	4.56%	3.92%	9.04%
2026	0.91%	4.37%	3.70%	8.80%
2027	0.92%	4.21%	3.62%	8.45%
2028	0.92%	4.15%	3.59%	8.45%
2029	0.91%	4.17%	3.59%	8.45%
2030	0.90%	4.20%	3.60%	8.45%
2031	0.90%	4.20%	3.60%	8.45%
2032	0.90%	4.20%	3.60%	8.45%

Upside 1 macroeconomic variables used in the calculation of ECL

Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	5.15%	3.75%	3.05%	17.30%
2023	4.30%	3.84%	3.16%	15.53%
2024	3.45%	3.92%	3.27%	13.76%
2025	2.61%	4.00%	3.38%	11.99%
2026	1.76%	4.09%	3.49%	10.22%
2027	0.91%	4.17%	3.59%	8.45%
2028	0.90%	4.20%	3.60%	8.45%
2029	0.90%	4.20%	3.60%	8.45%
2030	0.90%	4.20%	3.60%	8.45%

Upside 2 macroeconomic variables used in the calculation of ECL

Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	3.73%	4.01%	3.35%	14.06%
2023	3.16%	4.04%	3.39%	12.94%
2024	2.60%	4.07%	3.44%	11.82%
2025	2.04%	4.10%	3.49%	10.69%
2026	1.47%	4.14%	3.54%	9.57%
2027	0.91%	4.17%	3.59%	8.45%
2028	0.90%	4.20%	3.60%	8.45%
2029	0.90%	4.20%	3.60%	8.45%
2030	0.90%	4.20%	3.60%	8.45%

Downside 1 macroeconomic variables used in the calculation of ECL

Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	(1.54%)	4.95%	4.44%	(0.17%)
2023	(1.05%)	4.79%	4.27%	1.55%
2024	(0.56%)	4.64%	4.10%	3.28%
2025	(0.07%)	4.48%	3.93%	5.00%
2026	0.42%	4.33%	3.76%	6.73%
2027	0.91%	4.17%	3.59%	8.45%
2028	0.90%	4.20%	3.60%	8.45%
2029	0.90%	4.20%	3.60%	8.45%
2030	0.90%	4.20%	3.60%	8.45%

Downside 2 macroeconomic variables used in the calculation of ECL

Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	(3.65%)	5.32%	4.88%	(7.69%)
2023	(2.74%)	5.09%	4.62%	(4.46%)
2024	(1.83%)	4.86%	4.37%	(1.24%)
2025	(0.91%)	4.63%	4.11%	1.99%
2026	0.00%	4.40%	3.85%	5.22%
2027	0.91%	4.17%	3.59%	8.45%
2028	0.90%	4.20%	3.60%	8.45%
2029	0.90%	4.20%	3.60%	8.45%
2030	0.90%	4.20%	3.60%	8.45%

In addition to the core ECL calculation additional downside scenarios have been conducted to reflect the further turbulence on the macroeconomic environment during 2023, the output of which were used to determine additional ECL holding requirements as approved by the Banks management team.

The ECL provision numbers are sensitive to the movement in the above parameters which are input into the ECL model. As of 31 March 2024, the provision for Stage 1 and Stage 2 assets shifts by 11.70% (2023: 6.72%) on 10% adverse movement of the above economic indicators.

- Provisions for impairment assessment in Stage 3 accounts

For all stage 3 accounts i.e. where there is either a default or an objective evidence of impairment, judgement is required by management in the estimation of the amount and timing of expected cash flows, realisability and valuation of collateral and in certain cases the availability and reliance on guarantees (including corporate and personal guarantees and critical assessment of willingness and ability of the guarantors) in order to determine the level of impairment provision to be recorded. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision. 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 derived from management's experience of such markets.

- Fair value measurement of financial instruments

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. Details on valuation of fair value of financial instruments are provided in note 22 to the financial statements.

5] Interest Income*

	2024 $'000	**2023 $'000**
Overdraft accounts	3,302	3,255
Demand and term loans	56,749	38,106
Discount on bills	-	-
Interbank placements	5,666	2,438
Coupon/premium on investment securities	5,444	4,864
Arrangement fees on loans	1,714	1,885
Total Interest income	72,874	50,548

The amounts reported above include interest income calculated using an approximation (see note 2a) of the EIR method that relate to the following financial assets:

Financial assets measured at amortised cost	70,549	46,948
Financial assets measured at FVOCI	2,197	1,586

*The difference between the total interest income and the table above is the interest income on fair value through P&L.

6] Interest expense*

	2024 $'000	2023 $'000
Term deposits	23,430	9,466
Saving deposits	418	258
Interbank borrowings	0	29
Subordinated bonds	4,998	3,605
Interest paid on lease liability	126	140
Total Interest expense	28,972	13,498

*Reclassification of payment on lease liabilities from operating expenses to interest expenses, the prior year has been restated by $140k.

7] Net trading profit/(loss)*

	2024 $'000	2023 $'000
Foreign exchange	591	998
Profit/(loss) on investment securities - FVTPL	44	112
Net trading profit/(loss)	635	1,110

*Reclassification of gains and losses from sale or maturity of FVOCI debt securities from Net Trading profit/(loss) to Other Operating Income. The prior year has been restated by $434k (loss) to $1,110k. Refer to note below for further details.

8] Other operating income/(expense)*

	2024 $'000	2023 $'000
Net gains/(losses) on disposal of Financial Assets through OCI	252	(434)
Total Other operating income	252	(434)

*There are two reclassifications applied to Other Operating Income. Firstly gains and losses from sale or maturity of FVOCI debt securities from Net Trading profit/(loss) to Other Operating Income. The prior year has been restated from $257k income to $434k loss. This was driven by retail banking commissions of $257k being moved into commissions and fees and $434k loss being moved in from Trading income.

9] Depreciation and amortisation expenses

	2024 $'000	2023 $'000
Depreciation of property, plant and equipment	196	214
Depreciation on right of use lease assets	813	774
Amortisation of intangible assets	207	359
Total Depreciation and amortisation expenses	1,216	1,347

Further details are given in notes 26, 27 and 36 to the financial statements

10] General administrative expenses*

	2024 $'000	2023 $'000
Legal, professional and audit fees	3,412	2,484
Administrative and office maintenance costs	1,861	1,614
Other administration costs	1,159	1,367
Postage and telephones cost	311	337
Marketing costs	130	128
Total General administrative expenses	6,873	5,930

*Reclassification of staff training costs from general administrative expenses to staff costs. The prior year has been restated $31k.

11] Auditor's remuneration*

Fees payable to the Bank's auditor for the audit of the Bank's annual accounts

	2024 $'000	2023 $'000
The audit of the Bank	691	384
Total audit fee	691	384
Fees payable to the Bank's auditor for other services:		
-Audit related assurance services	30	43
Total non-audit fees	30	43

*The overruns charged for the financial year 2023 audit are presented in the 2024 fee $126k.

12] Staff costs****

	2024 $'000	2023 $'000
Wages and salaries	10,622	9,533
Contribution towards defined employee contribution plan*	310	268
Other employee benefits	1,786	1,545
Social security costs	1,209	1,200
Total Staff costs	13,927	12,546

Included in other employee benefits:	2024 $'000	2023 $'000
Accommodation cost	867	749
Medical insurance and expense	192	149
Pension contributions for staff in India	14	13
Other expenses**	713	634
	1,786	1,545
Average number of employees***	182	181

* Of which $0.02 million (2023: $0.02 million) is related to a director's contribution to external pension scheme (note 13). The number of Directors receiving this benefit is one.
** Other expenses include rent, conveyance, insurance, staff welfare and other expenses for staff. There are no share-based payments to employees.
*** Of which there are 23 back-office employees (2023: 24) based in India.
****Reclassification of staff training costs from general administrative expenses to staff costs. The prior year has been Restated by $31k.

The number of employees disclosed is the monthly average number in line with Section 411 of the Companies Act 2006.

13] Directors' emoluments

	2024 $'000	2023 $'000
Emoluments	657	651

	2024 $'000	2023 $'000
Emoluments of highest paid Director (One Director)	308	277
Contributions to external pension scheme	21	18

14] Corporation tax

	2024 $'000	2023 $'000
Components of corporation tax credit/(charge)		
Total current tax credit/(charge)	-	-
Deferred corporation tax credit/(charge)		
Effect of rate changes	-	(293)
Relating to origination and reversal of temporary differences	(363)	(931)
Deferred tax not recognised in relation to losses	295	1,161
UK tax relief for foreign tax suffered at source	-	6
Adjustments in respect of prior years	-	(6)
Total deferred tax credit/(charge)	**(68)**	**(63)**
Withholding tax paid	-	(32)
Total tax credit/(charge) for the year	(68)	(95)
Reconciliation of corporation tax credit/(charge) to accounting profit	**6,278**	**8,428**
Profit before tax		
Corporation tax at 25% (2023: 19%)	(1,570)	(1,601)
Tax effect of non-deductible depreciation	1,206	670
Tax effect of other non-deductible expenses/non-taxable income	-	(293)
Tax effect of rate changes	-	(6)
Adjustments in respect of prior year	-	1,161
Deferred tax not recognised in relation to losses	295	6
UK tax relief for foreign tax suffered at source	-	
Withholding tax suffered	-	(32)
Tax credit/(charge)	**(68)**	**(95)**
Current corporation tax credited to other comprehensive income		
(Expense)/Credit arising on FVOCI reserve movement	(60)	(102)

The standard rate of corporation tax rate for the year starting 1 April 2023 is 25% (2023:19%)

15] Cash and balances with central banks

	2024 $'000	2023 $'000
Cash on hand	406	586
Cash at bank (including balance held with central banks)	133,626	144,235
Total Cash and balances with central banks	134,032	144,821

16] Investment securities - FVTPL

	2024 $'000	2023 $'000
Treasury bills	3,029	**-**
	3,029	-

The Bank has classified its holding of US treasury bills as Investment securities - FVTPL which were measured at fair value through profit and loss. No asset held under this category is pledged and all remain unencumbered.

The table below sets out the credit quality of trading debt securities.

	Rating	2024 $'000	2023 $'000
US Treasury bills	**AAA**	3,029	-
		3,029	-

Investments in the trading portfolio, along with treasury bills held under FVOCI, are held mainly to maintain a liquid asset buffer. Regular churning of such securities is made to ensure adequate marketability.

17] Derivative financial instruments

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

A major portion of the Bank's assets are on a floating rate of interest where the base rate is floating and linked to USD reference rate or Bank of England rate with a fixed margin thereupon. A major portion of liabilities of the Bank are at a fixed rate of interest. All the deals under cross currency foreign exchange swaps and interest rate swaps are over-the counter deals and none of them are with Central Governments.

The table below shows analysis of counterparty credit exposure arising from derivative transactions and fair value as at 31 March 2024 and as at 31 March 2023

	2024			2023		
	Contract/ Notional Amount	**Fair value**		**Contract/ Notional Amount**	**Fair value**	
		Assets	**Liabilities**		**Assets**	**Liabilities**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Exchange rate contracts	38,290	14	159	27,278	7	155
	38,290	14	159	27,278	7	155

18] Loans and advances to banks

	2024 $'000	2023 $'000
Term loans against stand-by letters of credit/buyers' credit	486	488
Interbank placements of original maturity of more than three months	18,010	8,348
Total	18,496	8,836
Less impairment provisions*	(8,000)	(8,000)
Net Loans and advances to banks	**10,496**	**836**

*Impairment provisions include Stage 3 provisions, Stage 1 & 2 ECL provisions. Stage 3 ECL provision is $8 million (2023: $8 million) ECL provision on Stage 1 and 2 is Nil (2023: Nil).

At 31 March 2024 $nil (2023: $0.50 million) of loans and advances to banks are expected to be realised more than twelve months after the reporting date

19] Loans and advances to customers

	2024 $'000	2023 $'000
Customer overdrafts	100,973	111,658
Term loans	823,442	808,352
Total	924,415	920,010
Less impairment provisions*	(152,297)	(171,312)
Net loans and advances to customers	**772,119**	**748,698**

*Impairment provisions include Stage 3 specific provisions, Stage 1 & 2 ECL provisions and ECL management overlay. Stage 3 provision is $151.85 million (2023: $168.35 million) and ECL provision (Stage 1 & 2) of $0.45 million (2023: $2.74 million).

At 31 March 2024 $438.75 million (2023: $382.19 million) of loans and advances to customers are expected to be realised more than twelve months after the reporting date. Detail on impaired financial assets and exposure to credit risk are further provided in notes 23 and 24 to the financial statements.

20] Investment securities – FVOCI

	2024 $'000	2023 $'000
Net marketable debt securities*	**72,866**	**55,263**

* Impairment provisions include Stage 3 specific provisions, Stage 1 & 2 ECL provisions. At 31 March 2024. Expected credit losses of $0.45 million (2023: $0.51 million) have been recognised on Investment securities – FVOCI.

The fair value movements of debt securities through other comprehensive income (FVOCI) are accumulated and recognised in reserves within other comprehensive income. At 31 March 2024, $38.78 million (2023: $18.75 million) of Investment securities - FVOCI are expected to be realised more than twelve months after the reporting date.

21] Investment securities – amortised cost

	2024 $'000	2023 $'000
Debt securities	65,560	108,814
Less: Impairment provision*	(444)	(718)
Net book value of investment securities at amortised cost	**65,117**	**108,096**

*Impairment provisions include Stage 3 specific provisions, Stage 1 & 2 ECL provisions. Stage 3 provision is $0.39 million (2023:$0.39 million) and ECL provision (Stage 1 & 2) of $0.06 million (2023:$0.33 million).

Refer to note 22 for details of fair value of investment securities which are at amortised cost. At 31 March 2024, $26.94 million (2023: $57.12 million) of investment securities at amortised cost are expected to be realised more than twelve months after the reporting date.

22] Financial instruments

Classification of Financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The accounting policies in Note 3 describe how the classes of financial instruments are measured. The tables below show the financial assets and liabilities in the statement of financial position by category of financial instrument to which they are assigned and by the measurement basis under IFRS 9. Any asset or liability outside the scope of IFRS 9 are shown within non-financial assets. The table below analyses the fair values of the Banks' financial instruments and categorises them using IFRS 9 asset and liability classifications. The book values in relation to financials assets and liabilities held at amortised cost are deemed to be a good representation of the fair value.

As At March 2024	FVOCI assets / liabilities $'000	FVTPL assets/ liabilities $'000	Amortised Cost $'000	Total $'000
Assets				
Cash and balances with central banks	-	-	134,032	134,032
Loans and advances to banks	-	-	10,496	10,496
Loans and advances to customers	-	-	772,119	772,119
Investment securities	72,866	3,029	65,117	141,011
Derivative financial instruments	-	14		14
Total financial assets	**72,866**	**3,043**	**981,763**	**1,057,673**
Total non-financial assets	-	-	-	29,605
Total assets	**-**	**-**	**-**	**1,087,278**
Liabilities	-	-	-	
Deposits from banks	-	-	3,292	3,292
Deposits from customers	-	-	811,182	811,182
Derivative financial instruments	-	159	-	159
Subordinated bonds and other borrowed funds	-	-	51,252	51,252
Total financial liabilities	**-**	**159**	**865,727**	**865,884**
Total non-financial liabilities	-	-	-	**6,509**
Total liabilities	-	-	-	**872,394**
Equity	-	-	-	**214,882**
Total liabilities and equity	-	-	-	**1,087,278**

As At March 2023	FVOCI assets / liabilities $'000	FVTPL assets/ liabilities $'000	Amortised Cost $'000	Total $'000
Assets				
Cash and balances with central banks	-	-	144,821	144,821
Loans and advances to banks	-	-	836	836
Loans and advances to customers	-	-	748,698	748,698
Investment securities	55,263		108,096	163,359
Derivative financial instruments	-	7		7
Total financial assets	**55,263**	**7**	**1,002,451**	**1,057,721**
Total non-financial assets	-	-	-	30,459
Total assets	**-**	**-**	**-**	**1,088,180**
Liabilities	-	-	-	0
Deposits from banks	-	-	843	843
Deposits from customers	-	-	816,636	816,636
Derivative financial instruments	-	155	-	155
Subordinated bonds and other borrowed funds	-	-	51,124	51,124
Total financial liabilities	**-**	**155**	**868,603**	**868,758**
Total non-financial liabilities	-	-	-	**6,094**
Total liabilities	-	-	-	**874,852**
Equity	-	-	-	**213,328**
Total liabilities and equity	-	-	-	**1,088,180**

Valuation of Financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the observability of significant market inputs. The fair value hierarchy has the following levels:

- Level 1 – Valuations based on quoted prices available in active markets for the same instrument. All investment securities are included in level 1.
- Level 2 – Valuations based on quoted prices in markets that are not active or based on pricing models for which significant inputs can be corroborated by observable market data (e.g. interest rates or exchange rates). All derivatives are included in level 2.
- Level 3 – Fair value measurements that include unobservable inputs that have a significant effect on the fair value measurement in its entirety. The financial instruments included in level 3 are loans and advances to banks and customers, deposits from banks and customers.
- No transfers between Level 1, Level 2 and Level 3 have been made during the year.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair value of the financial assets and liabilities held at amortised cost has been calculated using the following valuation methodology.

Cash in hand – Level 1

The fair value of cash in hand and deposits with central banks is the amount repayable on demand.

Loans and advances – Level 3

Loans and advances are recorded net of provisions for impairment together with the fair value adjustment for hedged items. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received taking account of expected prepayment rates. Estimated cash flows are discounted at prevailing market rates for items of similar remaining maturity. The fair values have been adjusted where necessary to reflect any observable market conditions at the time of valuation. For the assets held at amortised cost we have treated the fair value as equal to the balance held at amortised cost.

Deposits – Level 3

The fair value of deposits and other borrowings with no stated maturity is the amount repayable on demand. The fair value of fixed interest bearing deposits and other borrowings without a quoted market price is based on expected future cash flows determined by the contractual terms and conditions discounted at prevailing market rates for items of similar remaining maturity.

The table below analyses financial assets and liabilities by the level in the fair value hierarchy into which the fair value measurement is categorised, items are held at amortised cost unless stated otherwise. For the liabilities held at amortised cost we have treated the fair value as equal to the balance held at amortised cost.

2024 Financial Assets:	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Cash and balance with central banks	16	134,032	-	-	134,032
Loans and advances to banks	19	-	-	10,496	10,496
Loans and advances to customers	20	-	-	772,119	772,119
Investment securities	22	65,117	-	-	65,117
Assets held at amortised cost		**199,148**	**-**	**782,614**	**981,763**
Investment securities FVTPL	17	3,029	-	-	3,029
Investment securities FVOCI	21	72,866	-	-	72,866
Derivative financial instruments FVTPL	18	-	14	-	14
Assets held at fair value		**75,894**	**14**	**-**	**75,908**
Total Financial Assets		**275,043**	**14**	**782,614**	**1,057,671**

Financial Liabilities	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Deposits from banks	31	-	-	3,292	3,292
Deposits from customers	32	-	-	811,182	811,182
Subordinated bonds and other borrowed funds	33	51,252	-		51,252
Liabilities at amortised cost		**51,252**	**-**	**814,474**	**865,727**
Derivative financial instruments	18		159		159
Liabilities at fair value		**51,252**	**159**	**814,474**	**865,886**

2023 Financial Assets:	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Cash and balance with central banks	16	144,821	-	-	144,821
Loans and advances to banks	19	-	-	836	836
Loans and advances to customers	20	-	-	748,698	748,698
Investment securities	22	108,096	-	-	108,096
Assets held at amortised cost		**252,917**		**749,534**	**1,002,451**
Investment securities FVTPL	17				
Investment securities FVOCI	21	55,263	-	-	55,263
Derivative financial instruments FVTPL	18	-	7	-	7
Assets held at fair value		**55,263**	**7**	**-**	**55,270**
Total Financial Assets		**308,180**	**7**	**749,534**	**1,057,721**

Financial Liabilities	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Deposits from banks	31	-	-	1,967	1,967
Deposits from customers	32	-	-	816,636	816,636
Subordinated bonds and other borrowed funds	33	51,124	-	-	51,124
Liabilities at amortised cost		51,124	-	818,603	869,727
Derivative financial instruments	18	-	155	-	155
Liabilities at fair value		**51,124**	**155**	**818,603**	**869,882**

The Bank has no Level 3 assets carried at fair value.

The main valuation techniques employed by the Bank to establish fair value of the financial instruments disclosed in Level 1 & 2 above are set out below:

Debt securities - Level 1

Market prices have been used to determine the fair value of listed debt securities.

FX Swaps – Level 2

The valuation of FX swaps is the 'present value' method. Expected currency cash flows are discounted using the prevailing FX spot and forward rates. The rates are generally observable market data which is derived from quoted FX rates in similar time bandings which match the timings of the currency flows and maturities of the instruments.

23] Allowance for Expected Credit Losses ('ECL')

The allowance for credit losses represents the Bank's estimate of the expected credit loss on receivables at the date of the statement of financial position. The adequacy of the allowance for credit losses is assessed monthly and the assumptions and models used in establishing the allowance are evaluated regularly.

Factors affecting loan loss provision

The loan loss provision recognised in the period is impacted by a variety of factors:

- Transfers between stage 1 and stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period and the consequent 'step up' (or 'step down') between 12 months or lifetime ECL.
- Additional allowances for new financial instruments recognised during the period.
- Impact on the measurement of ECL due to changes made to models and assumptions.
- Discount factor using the Effective Interest Rate.
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.
- Financial assets de-recognised during the period and write-offs of allowances related to assets that were written off during the period.

Impact of macroeconomics on ECL

During the final quarter of the financial reporting period, the Bank has undertaken a detailed impact analysis on the impact of the current macroeconomic environment and its impact on expected credit losses. This was an extension of existing practice following the implications of the Covid pandemic in the previous two financial reporting periods. The Bank has stressed the ECL model under two different stress scenarios differing based on longevity of the downturn and expected recovery time due to current economic environment. The details of the revised scenario assumptions, scope of study, methodology adopted have been approved by the PNBIL Board.

Revised Macroeconomic factors such as India growth rate, UK unemployment rate, Bank of England base rate were stressed across the two scenarios. In addition, PD, LGD, forced sale haircuts and external rating downgrades were stressed under each scenario.

The ECL impact has been calculated using the weighted average approach considering the possibility of the two scenarios. Based on the impact analysis, the Bank has released the prior year macroeconomic overlay provision of $3.08m.

We note that stage 3 interest $10.8m does not form part of the impairment provision in the cashflow statement. This is due to this being P&L net neutral.

Quantitative disclosures

The following table explain the changes in the loss provision:

Quantitative disclosures	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Loss allowance as at 1 April 2023	**3,111**	**55**	**177,370**	**180,536**
New receivables originated or purchased	318	0	-	319
Transfers between stages	(5)	2	400	397
Decrease in allowance for existing portfolio	(102)	(1)	(3,536)	(3,640)
Increase in allowance for existing portfolio	67	1	13,539	13,607
Write-offs*	-	-	(26,732)	(26,732)
Receivables matured during the period	(210)	-	-	(210)
Other movements**	(2,630)	(54)	(400)	(3,084)
Loss allowance as at 31 March 2024	**550**	**2**	**160,641**	**161,193**

Quantitative disclosures	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Loss allowance as at 1 April 2022	**1,836**	**147**	**193,619**	**195,602**
New receivables originated or purchased	49	-	-	49
Transfers between stages	-	-	-	
Decrease in allowance for existing portfolio	(500)	-	(7,983)	(8,483)
Increase in allowance for existing portfolio	59	1	11,286	11,346
Write-offs*	-	-	(19,852)	(19,852)
Receivables matured during the period	(55)	(95)	-	(150)
Other movements**	1,722	2	300	2,024
Loss allowance as at 31 March 2023	**3,111**	**55**	**177,370**	**180,536**

* Written-off assets still subject to enforcement activity amounted to nil (2023: nil).
**Other movements relate to ECL management overlay.

The total charge to profit and loss in respect of impairment is as below:

	2024 $'000	2023 $'000
Impairment charge on loans and advances	17,723	10,529
Impairment charge/(repayments) on investments		130
Total impairment charge	**17,723**	**10,659**

The following table provides a breakdown of loans & advances at amortised cost by product:

As at 31 March 2024		Real Estate $'000	Deposit backed loans $'000	Loans to Banks* $'000	Investment securities $'000	Other Loans $'000	Total $'000
Gross Exposure*							
Stage 1		534,255	59,545	10,010	65,174	49,469	718,452
Stage 2	Not past due	26,851	-	-	-	-	26,851
	> 30 ≤ 90 days	7,632	-	-	-	10	7,642
Stage 3		16,013	0	8,486	387	230,640	255,526
Impairment Allowance							
Stage 1		74	-	-	57	374	506
Stage 2	Not past due	1	-	-	-	-	1
	> 30 ≤ 90 days	1	-	-	-	-	1
Stage 3		2,921	-	8,000	387	148,925	160,233
Net Exposure**							
Stage 1		534,180	59,545	10,010	65,117	49,095	717,947
Stage 2	Not past due	26,850	-	-	-	-	26,850
	> 30 ≤ 90 days	7,631	-	-	-	10	7,641
Stage 3		13,092	0	486	-	81,715	95,293

As at 31 March 2023		Real Estate $'000	Deposit backed loans $'000	Loans to Banks* $'000	Investment securities $'000	Other Loans $'000	Total $'000
Gross Exposure*							
Stage 1		525,328	53,782	47,713	108,428	51,374	786,625
Stage 2	Not past due	-	-				-
	> 30 ≤ 90 days	362	-				362
Stage 3		11,008	-	8,489	387	264,333	284,217
Impairment Allowance							
Stage 1		2,050	198	167	332	321	3,068
Stage 2	Not past due	-	-				-
	> 30 ≤ 90 days	1	-				1
Stage 3		646	-	8,002	387	167,926	176,961
Net Exposure							
Stage 1		523,278	53,584	47,546	108,096	51,053	783,557
Stage 2	Not past due	-	-				-
	> 30 ≤ 90 days	361	-				361
Stage 3		10,362	-	487		96,407	107,256

*Loans to banks includes placements with banks < 90 days which are presented as cash and cash equivalents on the face of the balance sheet $44,519k (2023: $33,890k).

**Total net exposure is represented by net loans and advances to customers $772,119k (2023: $748,698k), net loans and advances to banks $10,496k (2023: $836k) net securtites held at amortised cost $65,117k (2023: $108,096k).

The following table provides a breakdown of investment securities at fair value through other comprehensive income (FVOCI) by product:

		2024		2023	
		Investment securities $'000	Total $'000	Investment securities $'000	Total $'000
Gross Exposure					
Stage 1		72,910	72,910	55,360	55,360
Stage 2	Not past due	-	-		
	> 30 ≤ 90 days				
Stage 3		409	409	409	409
Impairment Allowance			-		
Stage 1		45	45	97	97
Stage 2	Not past due	-	-	-	-
	> 30 ≤ 90 days			-	-
Stage 3		409	409	409	409
Net Exposure			-		
Stage 1		72,866	72,866	55,263	55,263
Stage 2	Not past due	-	-	-	-
	> 30 ≤ 90 days				
Stage 3		-	-	-	-

24] Exposure to credit risk and availability of collateral security

The table below presents the Bank's maximum exposure to credit risk of its on-balance sheet and off-balance sheet financial instruments at 31 March 2024, before taking into account any collateral held or other credit enhancements.

For on-balance sheet instruments, the maximum exposure to credit risk is the carrying amount reported on the balance sheet including impairment allowances.

For off-balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts. The Bank's exposure to credit risk is well spread across different sectors. The Bank is affected by the general economic conditions in the territories in which it operates. The Bank has set limits on the exposure to any counterparty and group of counterparties, industry sector exposure and geographical exposure; and credit risk is also spread over the Bank's retail and corporate customers.

	2024 $'000	2023 $'000
On balance sheet exposure		
Bilateral and syndicated loans and advances to customers	772,119	748,698
Loans and advances to customers under SBLC by banks	486	836
Interbank placements and cash balances with banks	144,042	144,821
Bills purchased under LC/Guarantee of banks	-	-
Securities at amortised cost – banks	21,740	39,149
Securities at amortised cost – non-banks	43,377	68,947
Investment securities – FVOCI - banks	-	9,626
Investment securities – FVOCI - non-banks	72,866	45,637
Investment securities – FVTPL – non- banks	3,029	
Derivative financial instruments	14	7
Total – A	1,057,673	1,057,721
Off balance sheet exposure		
Non-bank commitments (LCs/LGs)	1,263	1,286
Total – B	1,263	1,286
Undrawn Credit Facilities – non-banks	14,426	26,358
Total – C	14,426	26,358
Total Exposure subject to Credit Risk (A+B+C)	1,073,362	1,085,365

*Includes loans and advances (both on and off-balance sheet exposure, including commitments and undrawn credit facilities) of $831.18 million (2023: $776.34 million) and $75.89 million (2023: $114.58 million) of investment securities exposure.

Collateral:

Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility of collateral types. Collateral types that are eligible for risk mitigation include: Deposits held under lien, residential, commercial and industrial property, fixed assets such as ships, plant and machinery, marketable securities, commodities, current assets including book debts, bank guarantees and letters of credit. For certain types of lending – typically asset financing – the right to take charge over physical assets is significant in terms of determining appropriate pricing and recoverability in the event of default.

For loans and advances to banks and customers, the Bank held the following amounts of collateral, adjusted where appropriate.

A. Exposure to banks: Both for direct exposure to banks (Placements and bank balances) and for exposure to banks due to Letter of Credit/Guarantee/Letter of Comfort issued by the banks, there are no separate collateral securities.
B. Non-bank gross exposure is collaterally secured as below as at 31 March 2024:

Amount in $ '000	Retail exposure: Exposure	Retail exposure: Amount Collateralised	Non-retail exposure: Exposure	Non-retail exposure: Amount Collateralised	Total: Exposure	Total: Amount Collateralised**
Internally rated AAA to A*	182,768	182,768	265,805	265,805	448,573	448,573
Internally rated BB to B*	27,660	27,660	110,953	92,253	138,613	119,913
Internally rated C&D	-	-	-	-	-	-
Others Exempted Category	15,048	14,798	56,618	55,441	71,667	70,239
Stage 1	225,477	225,226	433,377	413,500	658,854	638,726
Stage 2 > 30 < 90 days	5,233	5,233	2,514	2,514	7,747	7,747
Stage 2 - Not past due	7,236	7,236	19,615	19,615	26,851	26,851
Stage 2	12,470	12,470	22,129	22,129	34,598	34,598
Stage 3	1,324	1,324	245,329	93,080	246,653	94,404
Total ***	**239,270**	**239,019**	**700,835**	**528,709**	**940,105**	**767,728**

Comparative data for 31 March 2023 is as below:

Amount in $ '000	Retail exposure: Exposure	Retail exposure: Amount Collateralised	Non-retail exposure: Exposure	Non-retail exposure: Amount Collateralised	Total: Exposure	Total: Amount Collateralised
Internally rated AAA to A*	164,945	164,945	202,329	202,329	367,274	367,274
Internally rated BB to B*	24,981	24,981	186,954	172,933	211,935	197,914
Internally rated C&D*	-	-	2,444	2,444	2,444	2,444
Others Exempted Category	16,213	16,096	74,085	74,085	90,298	90,181
Stage 1	206,139	206,022	465,812	451,791	671,951	657,813
Stage 2> 30 ≤ 90 days	362	362	-	-	362	362
Stage 2 - Not past due	-	-	-	-	-	-
Stage 2	362	362	-	-	362	362
Stage 3	1,252	1,233	274,089	105,200	275,341	106,433
Total	**207,753**	**207,617**	**739,901**	**556,991**	**947,654**	**764,608**

*Internal ratings based on PNBIL rating model and include loans where internal rating is exempted i.e. loans against deposits/SBLCs etc.
**Collateral figures are capped at the loan balance.
***The total exposure is represented by ($924,415k gross on balance sheet exposure to customers see note 19 and $15,690k relating to customer off balance sheet exposures see note 24 above).

More details on staging classification as per IFRS 9 can be found in note 23 to the financial statements.

While arriving at the value of collateral:

- Value of personal and corporate guarantees has not been considered.
- Value of securities in accounts where Bank has pari-passu charge is based on the book value in the latest available audited financial statements, where available, and is considered pro-rata in proportion to the exposure in the entity.
- The collateral values reported have been adjusted for the effects of over-collateralization.
- For non-bank investment securities at amortised cost, current market value of the security has been considered.

The requirement for collateral is not a substitute for the ability to pay, which is the primary consideration for any lending decisions. In determining the financial effect of collateral held against loans neither past due nor impaired, we have assessed the significance of the collateral held in relation to the type of lending. While doing so, where corporate or personal guarantees exist, they are not classified as secured exposures. On a case-by-case basis, the guarantees could be relevant as an important risk mitigation measure. The percentage of collateral held in non-bank exposure is as below:

	2024 $'000	2023 $'000
100% and above*	719,742	709,235
76% to 99%	27,811	29,922
51% to 75%	19,368	2,634
26% to 50%	-	10,345
11% to 25%	39,617	29,351
Below 10%	10,845	10,845
Unsecured	122,723	155,322
Total	940,105	947,654
Average percentage of availability of collateral	93.5%	94.1%

*Excluding impact of over-collateralisation.

Stage 3 loans and advances with provisions held

The below table gives a movement summary of stage 3 loans and advances with provisions held.

	2024 $'000	2023 $'000
Impaired loans and advances at 1 April	231,482	259,486
Net repayments in existing impaired loans and advances	(6,363)	(6,654)
Written off loans and advances	(26,732)	(19,596)
Classified as impaired during the year	32,038	-
Other movements/exchange rate fluctuations	627	(1,754)
Impaired loans and advances at 31 March	231,052	231,482

The table below sets out a reconciliation of changes in the gross amount of impaired investment securities:

	2024 $'000	2023 $'000
Impaired investments at 1 April	795	665
Net addition/(repayments) in existing impaired investments	-	130
Written off investment securities	-	-
Impaired investments at 31 March	795	795

Details of impairment provision for loans and advances and investment securities are given in note 23.

Internal ratings/scoring

The Bank has developed internal rating models in co-ordination with the risk management division of the parent bank. All non-bank credit counterparties (except those secured by deposits with the Bank/Parent bank, temporary overdrafts, ad hoc facilities and loans to staff members) are rated on these models. Scoring is given on various financial and non-financial parameters. Rating is allocated based on overall score on the financial strength, creditworthiness and repayment capacity of the borrower.

Derivatives, sale and repurchase agreements

The Bank mitigates the credit risk of derivatives by entering into International Swaps and Derivative Association ('ISDA') master netting agreements. Under these agreements, when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the terminal value is assessed and only a single net amount is due or payable in settlement of all transactions. The Bank's sale and repurchase transactions are also covered by master agreements with netting terms similar to ISDA master netting agreements. The ISDA and similar master netting agreements provide a right of set-off following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events.

25] Geographical distribution of credit exposures

An analysis of the Bank's credit exposures (including investment securities, loans and advances to customers and balances and deposits with banks, excluding derivative asset) is as below:

Geography	**2024**		**2023**	
	$'000	**$'000**	**$'000**	**$'000**
	Amount	**Percentage**	**Amount**	**Percentage**
United Kingdom	702,456	66.41%	680,509	64.34%
India	192,716	18.22%	205,115	19.39%
United States	60,525	5.72%	72,609	6.87%
Luxembourg	39,853	3.77%	39,067	3.69%
Belgium	15,952	1.51%	28,079	2.65%
Other countries	46,249	4.37%	32,336	3.06%
Total	1,057,751	100.00%	1,057,715	100.00%

26] Property, plant and equipment

	2024			2023		
	Property and plant $'000	Equipment $'000	Total $'000	Property and plant $'000	Equipment $'000	Total $'000
Cost						
At 1 April	2,382	5,210	7,592	2,382	5,076	7,458
Additions	-	172	172	-	134	134
Disposals	-	-	-	-	-	-
At 31 March	**2,382**	**5,382**	**7,764**	**2,382**	**5,210**	**7,592**
Depreciation						
At 1 April	(2,382)	(4,899)	(7,281)	(2,382)	(4,685)	(7,067)
Yearly charge	-	(196)	(196)	-	(214)	(214)
Disposals	-	-	-	-	-	-
At 31 March	**(2,382)**	**(5,095)**	**(7,477)**	**(2,382)**	**(4,899)**	**(7,281)**
Net Book Value						
At 1 April	-	311	311	-	391	391
At 31 March	**-**	**287**	**287**	**-**	**311**	**311**

27] Intangible assets

	2024 $'000	2023 $'000
Software Cost		
At 1 April	3,912	3,912
Additions	156	
At 31 March	**4,068**	**3,912**
Amortisation		
At 1 April	(3,682)	(3,323)
Yearly charge	(207)	(359)
At 31 March	**(3,889)**	**(3,682)**
Carrying Value		
At 1 April	230	589
At 31 March	**180**	**230**

28] Deferred tax assets

Deferred Tax Assets	2024 $'000	2023 $'000
At 1 April	24,990	25,155
Tax credit/(charge) to profit and loss for the year	(68)	(63)
Tax credit/(charge) to other comprehensive income	(60)	(102)
At 31 March	24,862	24,990

A DTA is assessed and recognised as recoverable on the basis of available evidence including projected profits and capital. The utilisation of a DTA is dependent on future taxable profits. The management makes an assessment of a DTA which is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The DTA is reviewed at each reporting date and adjusted to the extent that it is no longer probable that the related tax benefit will be realised, accordingly $47.78 million (2023: $48.88m) of unutilised tax losses remain following the DTA calculation. The deferred tax on losses has been recognised on the basis that there is a 50% loss offset restriction effective from 1 April 2017. This restriction therefore extends the time period over which losses could be recovered. The Finance Act 2021 increased the main rate of UK Corporation Tax from 19% to 25%, effective from April 2023.

29] Prepayments and other receivables

	2024 $'000	2023 $'000
Prepayments	432	530
Other receivables	159	3
Total prepayments and other receivables	591	533

30] Deposits from banks*

	2024 $'000	2023 $'000
Current accounts from banks	3,292	843
Overdrafts in Nostro accounts with banks	-	-
Total deposits from banks	3,292	843

*Reclassification of interest accrued relating to debt securities issued from Deposits from Banks to Subordinated bonds and other borrowed funds. The prior year has been restated $1,124k.

Deposits from banks include deposits from related parties, detail of which is given in note 39 to the financial statements. At 31 March 2024 Nil (2023: Nil) deposits from banks are expected to be settled more than twelve months after the reporting date.

31] Deposits from customers

	2024 $'000	2023 $'000
Current accounts	92,414	117,592
Savings accounts	59,023	85,568
Fixed term deposits	659,745	613,476
Total deposits from customers	811,182	816,636

Deposits from customers includes deposits from a related party, detail of which is given in note 39 to the financial statements. At 31 March 2024 $140.43 million (2023: $134.57 million) of deposits from customers are expected to be settled more than twelve months after the reporting date.

32] Subordinated bonds and other borrowed funds*

	2024 $'000	2023 $'000
Subordinated bonds	51,252	51,124

*Reclassification of interest accrued relating to debt securities issued from Deposits from Banks to Subordinated bonds and other borrowed funds. The prior year has been restated $1,124k.

More information in relation to Subordinated bonds is shown in the table below:

	Tier II Capital Bonds	Tier II Capital Bonds	Tier II Capital Bonds	Tier II Capital Bonds	Tier II Capital Bonds
Issuer	Punjab National Bank (International) Ltd.	Punjab National Bank (International) Ltd.	Punjab National Bank (International) Ltd.	Punjab National Bank (International) Ltd.	Punjab National Bank (International) Ltd.
Face value	US$ 12.5 million	US$ 12.5 million	US$ 10.0 million	US$ 5.0 million	US$ 10.0 million
Original date of issuance	31.01.2022	04.10.2022	30.12.2015	23.12.2013	19.08.2014
Original maturity date	10 Years	10 Years	10 Years	15 Years	10 Years
Coupon rate & related index	6M SOFR + 400 bps	6M SOFR + 400 bps	6M SOFR + 450 bps	6M SOFR + 450 bps	6M SOFR + 450 bps

At 31 March 2024, $40 million (2023: $50 million) of subordinated bonds are expected to be settled more than twelve months after the reporting date.

33] Other liabilities

	2024 $'000	2023 $'000
Bills payable	100	212
Other payables and accrued liabilities	2,540	1,351
Deferred income	-	9
Total other liabilities	2,639	1,572

34] Share capital

Authorised share capital

Authorised share capital for the Bank is $400 million.

	2024		2023		
	No. (000's)	$'000	No. (000's)	$'000	
Issued and fully paid					
At start of year					
Ordinary shares of £1 each:*					
Ordinary shares of $1 each:	274,631	274,631	274,631	274,631	
At end of year	274,631	274,631	274,631	274,631	
Additional Tier 1 Capital**					
At start of year		45,000		45,000	
At end of year					
Total Share Capital at end of the year	274,631	319,631	274,631	319,631	*

*There are two shares issued in £ sterling not displayed here due to presentation in $000's
**Included within the share capital are two additional Tier 1 bonds issued as perpetual floating rate subordinated notes mentioned below:

i. $25 million issued on 16 February 2017.
ii. $20 million issued on 31 March 2017.

All ordinary shares issued are non-redeemable ordinary shares conferring on each member the right to one vote on a show of hands and one vote per share on a poll and with full, equal and unfettered rights to participate in dividends and capital distributions, whether on a winding up or otherwise.

Based on the terms and conditions of the purchase agreement and in accordance with IAS 32 guidance, since the interest payments are discretionary and the Bank does not have an obligation to pay cash or any other financial asset in respect of its perpetual instrument nor there is any obligation to exercise its right to call the instrument, this is classified as equity in the financial statements. The entire share capital is raised from Parent bank which is a related party.

35] Fair value reserve

31 March 2024	Gross $'000	Tax $'000	Net $'000
Balance at 1 April 2023	(1,315)	329	(986)
Amount transferred to statement of profit or loss	(10)	2	(7)
Movement in FVOCI reserve in year	248	(62)	186
Balance at 31 March 2024	(1,076)	269	(807)

31 March 2023	Gross $'000	Tax $'000	Net $'000
Balance at 1 April 2022	(1,724)	431	(1,293)
Amount transferred to statement of profit or loss	488	(93)	395
Movement in FVOCI reserve in year	(79)	(9)	(88)
Balance at 31 March 2023	(1,315)	329	(986)

36] Right of use assets and lease liabilities

Information about leases where the bank is a lessee is shown below:

Right of use assets	2024 $'000	2023 $'000
Balance at 1 April	4,395	3,073
Addition of right of use assets during the year		2,307
Depreciation charge during the year	(813)	(774)
Exchange rate differences	103	(211)
Balance at 31 March	3,685	4,395

Lease liabilities

The total cash outflow of lease liabilities was $0.86 million (2023: $0.91 million). The amounts contractually due on lease liabilities is shown below:

Maturity Analysis – contractual cash flows	2024 $'000	2023 $'000
Within 1 year	870	868
Between 1 and 5 years	1,987	2,551
Later than 5 years	1,578	1,779
Less: Present value discount	(566)	(676)
Total lease liabilities at 31 March	3,870	4,522
Amounts recognised in income statement		
Interest on lease liabilities	126	140

37] Other commitments and contingencies

	2024 $'000	2023 $'000
Guarantees issued to third parties	1,263	1,286

There were undrawn loans of $2.16 million (2023: $4.89 million) and un-availed portions of sanctioned overdraft limits to the extent of $12.27 million (2023: $21.47 million) as at 31 March 2024.

38] Parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Punjab National Bank (PNB or Parent bank), a public-sector bank incorporated in India. The consolidated financial statements of PNB are publicly available at Plot No 4, Sector 10, Dwarka, New Delhi 110075, India.

39] Related party transactions

The Bank regards PNB (including all its branches in India and abroad) and its subsidiaries as related parties in view of its 100% shareholding. PNBIL financials forms part of the group financial statements of parent, PNB. The entire ordinary share capital and 70% of Tier II capital of the Company is held by PNB, being the parent company of the PNB Group of companies. No other group company holds any shares in PNBIL.

The CEO and Managing Director of the Parent bank is also the Chairman of PNBIL. The Bank also has the benefit of another Non-Executive Director from the Parent bank. The Bank does not pay any remuneration to these Directors.

Liabilities and assets outstanding to the related parties on the balance sheet of the Bank as on 31 March 2024 are as below:

	2024 $'000	2023 $'000
Liabilities		
Current accounts with PNB	3,171	518
Current account with PNB Dubai Branch	2	5
Current account with Druk PNB Bank Ltd	119	320
Current account with one director	1	17
Assets		
Nostro account balance with PNB	664	630
Nostro account balance with Everest Bank Ltd.	12	13
Placement with PNB Gift City	10,000	-

Excluded from the above are equity and subordinated bonds, which are given in note 43 to the financial statements. All non-capital transactions are carried out on an arm's length basis. Detail of transactions of a revenue nature with PNB is shown below:

Nature	Particulars	2024 $'000	2023 $'000
A. Professional Fee	Charges for Service Level Agreement (SLA)*	262	307
B. Rent	Rent paid for Backoffice premises	29	29
C. Interest Paid on	Borrowings		
D. Interest Paid on			
Capital Bonds	Additional Tier I Capital Bonds $45.00 million	4,837	3,578
	Tier II Capital Bonds $12.50 million	1,219	878
	Tier II Capital Bonds $12.50 million	1,223	865
	Tier II Capital Bonds $10.00 million	1,023	743

*In the prior year professional fees included rent and electricity charges, however electricity charges of (2023: $8k) no longer form part of Intergroup transactions as it is a charge not paid to the parent.

*These charges were levied by PNB, for support services provided during the year. The services provided include IT hosting, maintenance and support services to PNBIL and are backed by an SLA.

Related party equity and subordinated bonds are outlined in note 34 and note 32 respectively to the financial statements.

Transactions with Directors

Remuneration details paid to directors (who the Bank considers as key management) are disclosed in note 13. Further, there is one director who holds a deposit account with the Bank. This is held under normal terms and conditions and no preferential treatment is given.

40] Market Risk

Market risk is defined as the potential adverse change in the Bank's income or net worth arising from movements 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 total notional amount of outstanding currency exchange contracts to which the Bank is committed is $38.29 million (2023: 27.28 million).

The open position of the Bank is as below:

	2024		2023	
	Open Position	$ Equivalent	Open Poisiton	$ Equivalent
Currency	'000	$'000	'000	$'000
Indian Rupees	53,747	645	51,997	633
Pound Sterling	(9,214)	(11,638)	(9,033)	(11,166)
Euro	4,943	5,336	5,208	5,658
Nepalese Rupees	1,601	12	1,765	13
Net Long Position in US $				
Net Short Position in US $		(5,646)		(4,862)

Upward or downward movement of exchange rates by 10% may impact profitability of the Bank by $0.56 million (2023: $0.61 million).

The value of Investment securities - FVTPL as at 31 March 2024 is $3.029 million (2023: Nil). An upward or downward movement of prices of investment securities - FVTPL by 10% may impact profitability of the Bank by $0.3 million (2023: Nil).

41] Interest rate risk in banking book ('IRRBB')

IRRBB more specifically refers to the current or prospective risk to the Bank's capital and earnings arising from adverse movements in interest rates that affect the institution's banking book positions. The Bank has a policy to monitor its interest rate mismatches on a regular basis through Economic value at risk (200 basis point parallel rate shock), gap monitoring and monitoring of prescribed limits. The Bank has a stipulated limit for open positions and the actual open position is measured and monitored regularly.

The potential loss on account of upward movement of interest rates by 2% based on exposure as at 31 March 2024 is $3.09 million (2023: $3.1 million).

42] Liquidity and funding risk

Liquidity risk is the risk of failure by the Bank to meet its financial obligations as and when they fall due. The Bank has a Board approved ILAAP in place, in line with the guidelines issued by the PRA. The Bank has a system in place to monitor total contractual inflow and outflow and to manage the gap within pre-stipulated limits prescribed by the Board and/or the regulator. Liquidity monitoring mechanism supplemented by regular liquidity stress testing gives sufficient advance signals for envisaging liquidity requirements. The ALCO is primarily responsible for overseeing the implementation of the liquidity policy of the Bank. The Bank has a policy to measure and monitor the liquidity position on a daily basis. The following table shows the cash flows on the Bank's derivative and non-derivative financial assets and financial liabilities into relevant maturity buckets based on the remaining period:

Non-derivative financial assets	2024 $'000	2023 $'000
On Demand	235,004	256,478
Due within 3 months	149,945	140,671
Due between 3 to 12 months	150,278	217,263
Due between 1 to 5 years	486,797	407,908
Due after 5 years	212,063	243,574
Total	**1,234,087**	**1,265,894**
Non-derivative financial liabilities		
On Demand	151,461	204,003
Due within 3 months	215,121	156,487
Due between 3 to 12 months	363,146	321,295
Due between 1 to 5 years	80,829	149,142
Due after 5 years	59,605	42,875
Total	**870,162**	**873,802**
Derivative financial assets		
On Demand	-	-
Due within 3 months	16	17
Due between 3 to 12 months	-	-
Due between 1 to 5 years	-	-
Due after 5 years	-	-
Total	**16**	**17**
Derivative financial liabilities		
On Demand	-	-
Due within 3 months	155	119
Due between 3 to 12 months	-	-
Due between 1 to 5 years	-	-
Due after 5 years	-	-
Total	**155**	**119**

43] Capital management (Unaudited)

The Bank manages its capital base to maximise shareholders' value by optimising the level and mix of its capital resources. The Bank's authority to operate as a bank is dependent upon the maintenance of adequate capital resources. The Bank is required to meet minimum regulatory requirements in the UK and in other jurisdictions where regulated activities are undertaken. The Bank operates a centralised capital management model considering regulatory and economic capital. The Bank's capital management objectives are to:

- Maintain sufficient capital resources to meet the minimum regulatory capital requirements set by the Prudential Regulation Authority;

- Maintain sufficient capital resources to support the Bank's risk appetite and economic capital requirements; and
- Allocate capital to support the Bank's strategic objectives, including optimising returns on economic and regulatory capital

The actual capital of the Bank, including equity capital, Additional Tier I capital and Tier II capital eligible to be considered as capital based on the regulatory guidelines is as under:

		2024 $'000	2023 $'000
Tier	**Component**		
Core Tier I Capital	Permanent share capital	274,631	274,631
	Profit and loss account and other reserves	(103,944)	(105,316)
	FVOCI reserve	(807)	(986)
	IFRS 9 transitional adjustment		523
		169,880	**168,852**
Additional Tier I	Additional Tier 1 capital	45,000	45,000
Adjustments	Intangible Assets	(180)	(230)
	Deferred tax assets	(24,862)	(24,990)
	Due to prudential filters	(765)	(559)
Total Tier I Capital		**189,073**	**188,073**
Tier II Capital	Long term dated subordinated bonds	**50,000**	**50,000**
Deductions from Tier II	Amortisation of dated Tier II capital, maturing within five years	(15,997)	(11,720)
Total Tier II Capital		34,003	38,280
Total Capital		**223,076**	**226,353**

The Bank is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the Prudential Regulation Authority and those prescribed under Capital Requirement Regulations and Directives. The Bank has put in place processes and controls to monitor and manage the Bank's capital adequacy.

44] Events after the balance sheet date

There have been no reportable events after the balance sheet date outside of those disclosed and considered in the financial statements.

45] Country-by-country reporting for the year ended 31 March 2024

Article 89 of the Capital Requirements Directive sets out a Country-by-Country Reporting ('CBCR') obligation on CRD regulated entities. This obligation was transposed into UK law under Statutory Instrument 2013 No. 3118 Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Turnover and profit/(loss) before tax amounts are reported in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act, whilst corporate income tax amounts disclosed below are on a cash paid basis, in accordance with CBCR requirements. Corporate income tax paid and received in the year will not directly correspond to accounting profits and losses reported in the same year due to timing differences as an element of the payments will relate to prior years.

Information disclosed below contains details of corporate income tax paid and received; however, the Bank incurs a range of other taxes which do not form part of this disclosure, including withholding taxes, UK Bank Levy, social security and VAT. If these taxes had been disclosed this would have significantly increased the value of taxes paid by PNBIL during the year ended 31 March 2024.

Country	Turnover	Profit before tax	Corporate income tax (paid)/received	Full time equivalent number of employees
	$'000	$'000	$'000	
United Kingdom	46,018	6,278	-	182

Balances disclosed above are rounded to the nearest $000's with respect to turnover, profit before tax and corporate income tax received. Country location under which an entity's activity is reported is primarily based on the country of incorporation/legal registration and on other factors such as the tax residence. In most cases all of these factors are consistent; however, where they differ the tax residence of an entity has been used as the determining factor in classifying activities.

Turnover (Operating income) is defined as the addition of 'Net interest income', 'Net trading profit', 'Fee and commision income' and 'Other operating income'. Profit before tax represents Accounting profits under UK-adopted International Accounting Standards. Corporate income tax received details the value of corporate income tax received on a cash basis. Full time equivalent number of employees is the average full time equivalent number of employees for the year legally employed by by the Bank, including staff of back office.