punjab national bank
(International) Limited

Annual report and Financial Statements For the year ended 31 March 2020

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Company registration number 05781326

The Board of Directors

Position	Directors	Appointment Date	Resignation Date
Chairman	Mallikarjuna Rao	31.01.2020	
Chairman (previous)	Shri Sunil Mehta	14.07.2017	30.09.2019
Managing Director	Rajeeva Rajeeva	07.05.2019	
Managing Director (previous)	Antanu Das	11.01.2016	09.09.2019
Executive Director	Vasudevan Mundokulam	31.05.2019	
Executive Director (previous)	Muddoor Sadananda Nayak	08.02.2008	31.05.2019
Independent Non-Executive Director	Sundeep Bhandari	31.07.2018	
General Manager Non-Executive Director	Ashwini Vats	31.07.2018	05.08.2020
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
Mazars LLP
Tower Bridge House, St Katharines Way
London, E1W 1DD
United Kingdom

Website **www.pnbint.com**

The Directors have 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 2020. These financial statements have been prepared in accordance with the Companies Act 2006 and applicable International Financial Reporting Standards as adopted by the European Union.

The Strategic report should be read in conjunction with the Directors' report where some of the requirements of the Strategic report have been discussed.

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') 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. The Parent bank has recently completed the amalgamation of Oriental Bank of Commerce and Union Bank with PNB. Following the merger, PNB is now the second largest bank in India. As of March 2020, PNB has a customer base of over 110 million and a network of over 6500 branches.

PNBIL's main business is to provide commercial and retail banking services to different segments of customers, with a focus on the Asian community within the UK. This includes accepting deposits from both retail and corporate clients, lending to retail and corporate clients, making rupee and other currency remittances and treasury operations to support its funds management. The Bank also manages a portfolio for government bonds which are held mainly for liquidity management, including placement and borrowing of funds and interest rate risk. The main functions of the treasury operations continue to be to maintain a reasonable liquidity position throughout the financial year and provide guidance on the pricing of assets and liabilities.

PNBIL currently operates in the United Kingdom through a network of seven branches. While the Central London branch caters mainly to corporate clients, all other branches focus on retail and business clients. PNBIL has a strong client base and built a brand image in the local UK market, due to its focus on customer services over the years, and the strength drawn from its Parent bank's brand.

FUTURE BUSINESS STRATEGY

In financial year 2020-21, the Bank's focus will continue to be on UK based real estate loans with combination of small ticket and select large ticket loans. Growth will be spanning across investment loans and development loans, with target customers within and outside the Indian diaspora. The Bank will continue to keep monitoring the market conditions and Covid-19 impact carefully and grow selectively.

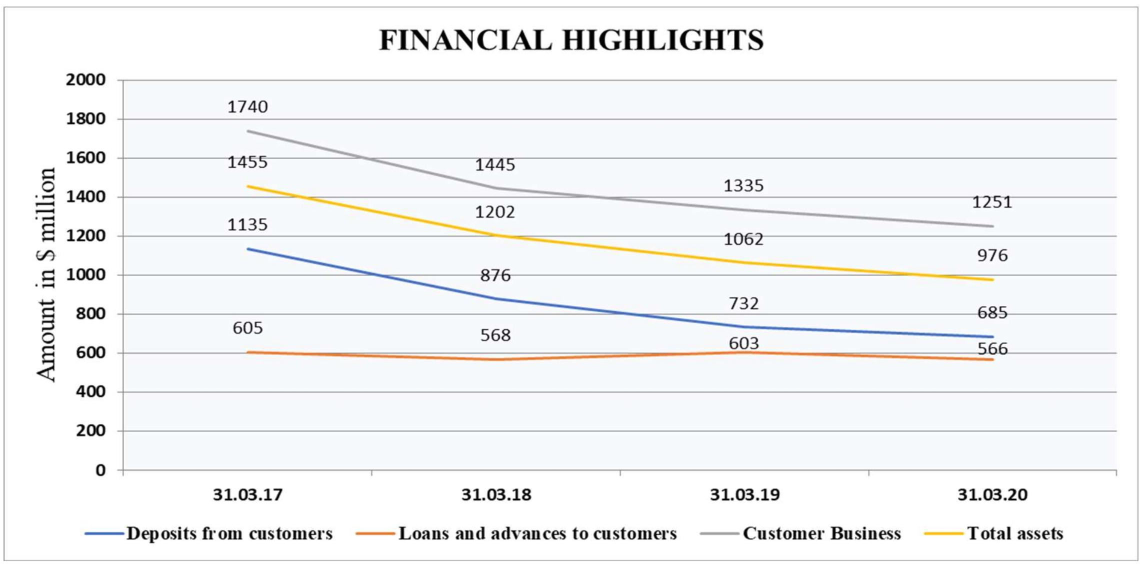
FUTURE BUSINESS STRATEGY (continued)

The Bank will continue to focus on de-risking the legacy portfolio through effective corporate governance, risk management, operational efficiency and compliance.

In order to build a stable and diversified funding mix and reinforce growth, the Bank is enhancing its deposit product and services. To further diversify lending, the Bank is focusing on other products such as secured SME lending and targeting the UK-India corridor for the remittance business. The strategy will be run in parallel with the recovery efforts on the impaired legacy portfolio.

KEY FINANCIAL HIGHLIGHTS

This is the fourteenth year of operations for the Bank and it has total customer business of $1,251 million a decrease from $1,335 million as at 31 March 2019 due to the re-focus of the balance sheet to a UK centric business strategy. The key performance highlights of the Bank are as below:

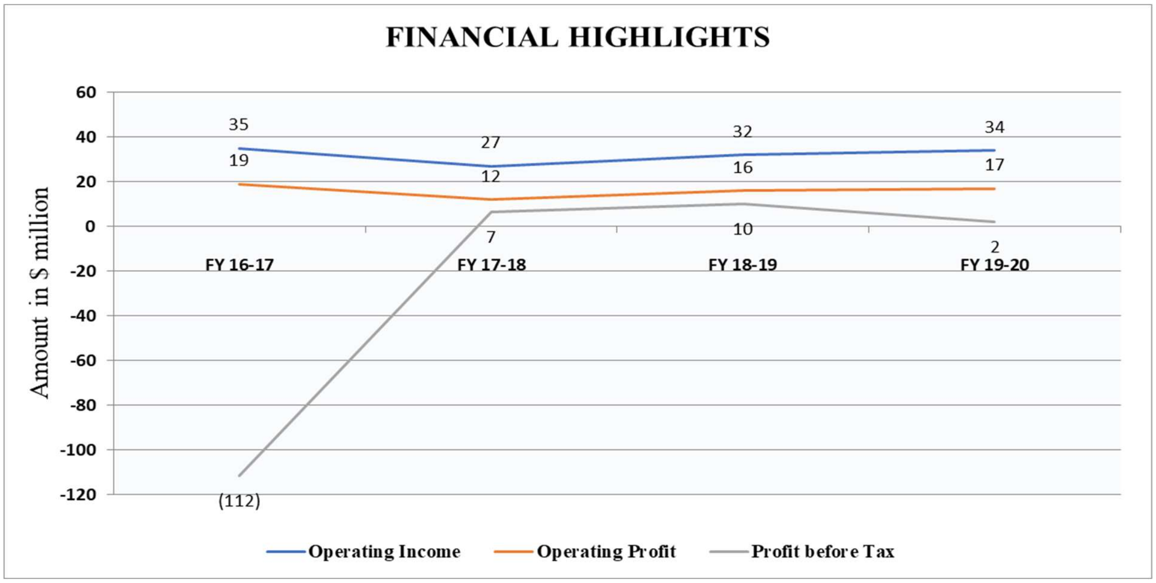


*Customer business is defined as customer advances plus customer deposits.

The Bank's impaired loans and advances amounted to $311.75 million (2019: $339.11 million) and the total provision against impairment for loans as at 31 March 2020 is $238.29 million (2019: $259.82 million). The Expected Credit Loss (ECL) provision for Stage 1 & 2 loans stood at $2.89 million as at 31 March 2020 (2019: $4.18 million).

As at 31 March 2020, PNBIL had total assets of $976 million (2019: $1,062 million). During the year, total net advances to customers decreased to $566 million (2019: $603 million).

KEY FINANCIAL HIGHLIGHTS (continued)



The profit before taxation for the year ended 31 March 2020 amounted to $1.82 million (2019: profit of $9.95 million). Operating profit for the year ended 31 March 2020 amounted to $17.02 million (2019: $16.43 million), a year on year increase of 4%. The slight increase in operating profit is primarily due to an increase in treasury income resulting from favourable market movements partially offset by decrease in interest income and increased staff costs.

As at 31 March 2020, the geographical concentration of the Bank's loans and advances to various counterparties is mainly UK at 45.29% (2019: 45.16%) and India at 22.14 % (2019: 22.99%). These geographic concentrations will change over time as the Bank pursues its UK centric strategy. The UK growth in 2020 was business originated through the branch network primarily in the area of Real Estate financing.

The main sectoral concentration within the Bank's loans and receivables portfolio at 31 March 2020 was UK real estate lending (32.30%), loans against own deposits/deposits held with the Parent bank (6.45%) and loans against Stand-by Letters of Credit and Letters of Credit issued by banks (1.70%). UK real estate lending consists of Buy-to-Let (residential and commercial), Development finance and Hotel finance.

The Bank is continuing to implement the Board of Directors ('Board') approved business strategy within the revised risk appetite by marketing the Bank's UK real estate capabilities in a prudent manner. In FY 2020-2021, the Bank will continue to expand its marketing approach using various communication channels to expand its customer reach and to diversify the portfolio. The Bank will continue to mainly focus on secured low risk UK-centric business and moderate business associated with Indian financial institutions.

KEY FINANCIAL HIGHLIGHTS (continued)

The Bank considers effective corporate governance as a key factor underlying its strategies and operations. The Bank aims to deliver sustainable growth supported by strong corporate governance, compliance and risk management.

A dedicated credit recovery department continues to be focused on delivering recoveries from the impaired book. This department includes senior officials from the Parent bank, given that the majority of impaired assets are associated with exposure to India.

GOING CONCERN BASIS

The Bank has adequate resources to continue its operations for the foreseeable future.

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

The bank has taken into account a range of possible Covid-19 scenarios 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 continue to adopt the going concern basis in preparing these financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

Key risks for the Bank are credit risk on the loan portfolio, interest rate risk in the banking book, market risk, liquidity risk and operational risk including cyber risk. These risks as well as the mitigation techniques followed by the Bank are discussed in note 42 of the financial statements.

Recovery in stressed and impaired accounts continues to be a key focus of the Bank. Since the Bank has considerable exposure to India, the successful execution of recent initiatives taken by the Indian Government, such as the Insolvency and Bankruptcy Code and faster decision making through the National Company Law tribunal ('NCLT') are expected to have a positive impact on recovery. Even though a large part of the Bank's exposures under this segment are collateralised, the uncertainties associated with the ability to recover these exposures within a reasonable time have led the Board of Directors to adopt a conservative and realistic approach with respect to provisions. Having undertaken an extensive review, the Board of Directors remain confident that the Bank has established appropriate mechanisms to measure, monitor and manage risks on an ongoing basis.

The Company is firmly committed to the management of risks, recognising that sound internal risk management is essential to its prudent operation, particularly with the growing complexity, diversity and volatility of markets, facilitated by rapid advances in technology and communications. The Directors have taken steps to ensure risk management is recognised by staff and given the highest priority throughout the Company and is integral to the management of the business.

Together, the operation of a three lines of defence model, the structure and composition of the Board and the functioning of Board Audit and Compliance Committee and Board Risk Committee have been designed with effective corporate governance in mind. This is further detailed in note 42 to the financial statements. These structures aim to give strategic direction and challenge to management in implementing policies to encourage effective systems and controls and the embedding of the Board of Directors' overall risk appetite. Risk limits are designed to provide assurance that no single event, or combination of events, will materially affect the well-being of the Company. The Bank's Executive Committee, Asset and Liability Committee and other Operating Committees assist in assessing market trends, economic and political developments and provide forums for in-depth review and analysis of the risks to which the Company is subject.

BREXIT

The Bank has carried out a detailed assessment on Brexit and its possible impact on its businesses. The Bank has assessed its loan book in terms of EU exposures as well as EU deposits and the risk in relation to Brexit is considered low.

As per the PNBIL Board approved strategy until 2021, the primary focus in the UK is to expand its business in the UK Buy to Let market (residential, commercial and development segments). Therefore, any negative impact on the UK economy due to Brexit is likely to lead to a reduction in property valuations impacting the Bank's real estate portfolio. However, this risk is partially mitigated due to the

BREXIT (continued)

Bank's real estate exposures having low average loan-to-value ratios of the portfolio. Furthermore, this has been considered in the stress testing scenarios and the Bank has concluded that the downside risk is manageable.

As of 31 March 2020, the Bank has minimal EU exposures comprising less than 10% of the total loan book. Furthermore, the revised business model of PNBIL is mainly focused on UK and India. The Bank does not expect any material impact on PNBIL's operations arising out of these relationships.

The Bank has a limited exposure impacted by GBP-Euro exchange rate movements. The Bank also has no current borrowings or placements with European Banks and this situation will not change after Brexit until there is some clarity on the legal situation post Brexit. PNBIL is not involved in any cross-border financings and this will not change as new business is focused on UK and India only.

From an operations perspective, the Bank has three major vendors which are based in the EU. The Bank has had detailed discussions with each of these vendors and has concluded that there will be minimal impact on the Bank's operations.

The Bank has a small number of employees who have EU citizenship so any staffing disruption due to the UK's disorderly withdrawal from the EU will have a minimal impact on the Bank's operations.

COVID -19

Covid-19 has had a major impact to all major world economies including the UK. The pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. The virus and the required containment policies have been driving movements in financial markets, as well as almost every decision for households and businesses. The pandemic has had an impact on all spheres of economy and the banking sector is inextricably linked to the health of the general economy.

It is not possible to reliably quantify the impact of the spread of Covid-19 on the PNBIL's future financial performance given the impact of lower rates, lower levels of activity and the outlook for impairment is difficult to quantify given the significant uncertainty. The consequences for the economy could lead to further impairments and affect income, risk-weighted assets and possibly costs. PNBIL continues to monitor the situation carefully, our teams are responding well, staying close to our clients and we are committed to deploying our capital and liquidity to support our clients through the crisis. We expect a gradual recovery from the Covid-19 pandemic, the pace will be heavily dependent on the efficacy of government stimulus initiatives and policies to ease restrictions, as well as the resilience of the Covid-19 virus itself.

COVID -19 (continued)

The Bank has set up a committee to steer the bank through these uncertain times. The committee has carried out a detailed review of the business impact of the pandemic on both existing and new business. For our existing clients, the Bank is taking a supportive, but prudent approach as it's a difficult time for customers. The bank has developed a framework for considering requests from borrowers in relation to deferment, extensions, etc. at the relevant credit committee. Retaining the goodwill of the Bank's existing clients while taking a cautious approach towards new business will help in achieving measured and prudent growth.

In terms of new business, the Bank is expecting a low demand for new business across lenders in the UK market. The bank is continuing to monitor the market developments in relation to the pandemic and its potential impact on the Bank.

The Bank's operational and technology infrastructure has performed well under pressure, enabling colleagues to support customers effectively through all channels. All branches have remained open throughout the coronavirus outbreak and importantly, our digital banking proposition has remained fully operational throughout. We remain committed to supporting our customers and colleagues whom we remain grateful for their collaboration.

The safety of staff and customers is of paramount importance and the Bank is taking proactive measures to support this. These include the following:

- Reduced branch opening hours and operating with reduced number of staff on rotational basis.
- The Back-office situated in Delhi, India is operating with reduced staff. The daily processing of payments, treasury transactions and day-end activities are being carried out with minimal impact.
- Remote access for staff in the UK has been enabled to continue with business-as-usual activities to ensure minimal impact.
- Providing support for update on Covid-19 communication for customers through digital channels.
- All the above steps have been taken the ensuring critical services are continuing to be offered to our customers.

CLIMATE RISK

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

CLIMATE RISK (continued)

Based on the PRA's enhanced expectations regarding climate change in banks, PNBIL's Board Risk Committee has been tasked with monitoring and managing the Bank's response. Actions already undertaken include identifying the Chief Risk Officer as the designated Senior Management Function owner and embedding climate related risk factors and associated mitigants in the Bank's Credit Risk Management Policy and ICAAP.

REGULATORY FACTORS

The Second Payment Services Directive ('PSD2') is a European payments-related piece of legislation which came into effect on 13th January 2018. Amongst other requirements, PSD2 requires all Account Servicing Payment Service Providers ('ASPSP') to make a dedicated interface available for Third Party Providers ('TPP') registered with the regulator to access accounts to provide services like Account Information and Payment Initiation. PNBIL has been offering PSD2 services to customers since 14th September 2019 through a dedicated interface that enables access to both Retail and Corporate Banking customers. By selecting a managed service provided by Token.io, the Bank has ensured that all the relevant technical standards have been achieved.

The Bank continues to monitor and prepare for a number of regulatory capital developments taking effect over the next few years. Recent announcements by the Financial Policy Committee, in line with the government's financial response to tackle the Covid-19 pandemic, to set the UK countercyclical buffer ('CCyB') to 0.0% with effect from 11th March 2020 have been taken into account in the Bank's capital calculations.

MARKET CONDITIONS AND OUTLOOK

The Bank's strategies and policies regarding financial risk management, including the use of financial instruments, managing market risk, and an indication of the exposure to financial risk is provided in note 42 to the financial statements. This note also includes the Bank's processes for managing its capital, its financial risk management strategy and details of its financial instruments.

As per the International Monetary Fund's ('IMF') World Economic Outlook in April 2020, the Covid-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. As a result of the pandemic, the global economy is projected to contract sharply by 3 percent in 2020, much worse than during the 2008–09 financial crisis. The latest growth forecast has been significantly marked down by 6 percentage points relative to the January World Economic Outlook, a significant revision over such a short period of time.

In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8 percent in 2021

MARKET CONDITIONS AND OUTLOOK (continued)

as economic activity normalizes, helped by policy support. The fiscal response in affected countries has been swift and sizable in advanced economies such as the UK. However, similar to trends in other advanced countries, growth in the UK is expected to contract by 6.5% in 2020 followed a sharp rebound of growth by 4% in 2021.

The rebound in 2021 depends critically on the pandemic fading in the second half of 2020, allowing containment efforts to be gradually scaled back and restoring consumer and investor confidence. The projected recovery assumes that these policy actions are effective in preventing widespread firm bankruptcies, extended job losses, and system-wide financial strains.

SECTION 172 REPORT

The Board of Directors understand their duties and responsibilities under the Companies Act 2006 (2006 Act). This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) of the 2006 Act.

The Board believes that effective stakeholder engagement is central to ensuring responsible and balanced outcomes, while also helping to both shape the Bank's strategy and align business activities with stakeholder expectations. When taking decisions, the Board balances the impact of those decisions on the Bank's various stakeholders whilst acting in a way that the Board considers will ensure the Bank maintains a reputation for high standards of business conduct and promote the long-term success of the Bank.

As a regulated UK bank, the Bank is subject to the regulation of both the PRA and the FCA and the Board understands the importance of further developing relationships with both, liaising regularly on a range of topics. Board members have met with both the regulators to provide updates to the Bank's strategy, compliance and have provided proactive feedback where necessary.

Employee engagement is actively pursued with regular team meetings, the introduction of 360-degree appraisals, and an open style of management with access of all staff to the most senior executives

PNBIL is a wholly owned subsidiary of Punjab National Bank, India (PNB). There is regular dialogue and engagement with PNB on key performance, strategic and business matters. The Board composition also includes two members from the Parent Bank, including the Chairman who is also the MD & CEO of PNB.

PNBIL is also committed to functioning as a sustainable business and is therefore closely managing its wider social and environmental impacts. A number of additional steps have been taken in relation to tackling climate change and these are mentioned in the strategic report.

SECTION 172 REPORT (continued)

The Directors ensure that the Bank's long-term interests are at the centre of the Board's decision-making process. Examples of this include decisions in relation to reducing the level of non-performing assets in the book as well as investments in modern technology to enhance banking operations.

Board decisions are always taken with stakeholders in mind. These decisions are always supported by fully reasoned recommendations, the subject of written reports and oral presentations by subject matter experts. These ensured that the Board consider factors relevant its compliance with s.172.

This report was approved/authorised by the Board of Directors on 06 August 2020 and signed on its behalf by Company Secretary.

CRV. Shaw

Camilla Shaw
06 August 2020

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

FINANCIAL RESULTS

PNBIL was profitable for a third consecutive year. The Bank made a net profit before tax of $1.82 million for the year ended 31 March 2020 compared with a net profit before tax of $9.95 million in the previous year. This reduction was primarily due to increase in provisions on impaired financial assets.

Operating income increased by $2.15 million to $34.05 million in 2020 from $31.90 million in 2019. This was due to an increase in treasury income resulting from favourable market movements partially offset by decrease in interest income and increased staff costs.

Loans and advances to banks and customers (after allowances) decreased to $691.40 million at 31 March 2020 from $758.40 million as at 31 March 2019 and level of customers' deposits were also lower at $685.12 million as at 31 March 2020 from $731.97 million as at 31 March 2019.

Operating expenditure has increased in the year ended 31 March 2020 to $17.04 million from $15.48 million in 2019. This is primarily because the Bank continues to strengthen its governance and control environment, and invest in systems, people and processes to enable it to meet the increasing business and regulatory challenges.

The Bank's dedicated recovery team has been focused on delivering recoveries from gross impaired advances and ensuring that any new cases are addressed at the first signs of weakness. As at 31 March 2020, the total gross impaired advances amounted to $311.75 million (2019: $339.11 million).

There was a tax credit for the year amounting to $0.91 million primarily reflecting the utilization of tax losses carried forward. This compares to a tax charge of $1.63 million in 2019. The deferred tax assets also increased from $24.30 million as at 31 March 2019 to $25.02 million as at 31 March 2020. Details on the tax credit and deferred tax assets are given in note 16 and note 30 respectively.

The financial statements for the year ended 31 March 2020 are shown on pages 26 to 85.

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 2020.

However, the Bank continued to pay a dividend on the Additional Tier I Capital bonds at the rate of 6 months LIBOR plus 5% amounting to $3.36 million (2019: $3.43 million) during the year ended 31 March 2020.

CAPITAL STRUCTURE

As at 31 March 2020, the issued and fully paid share capital of the Bank is $274.63 million (2019: $274.63 million), and Additional Tier 1 Capital is $45 million (2019: $45 million). In 2019/2020, there was no change in the capital structure of the Bank. The detail is given in note 36.

The total amount of regulatory capital available as at 31 March 2020 was $225.70 million (2019: $236.35 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 Capital Requirement Regulations ('CRR') and also above the Total Capital Requirement ('TCR') given by the regulator to the Bank. The Total Capital Ratio as at 31 March 2020 is 29.86% with the Common Equity Tier I capital ratio being 19.32%.

As at the end of the year 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 monthly and quarterly basis respectively, 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.

EVENTS AFTER THE BALANCE SHEET DATE

There have been no reportable events after the balance sheet date.

DIRECTORS

There have been four changes in Board Directors during the year. Details on the Board of Directors, including any changes during the year are given on page 2.

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 operating 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 sub-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 Board Audit and Compliance Committee ('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.

FINANCIAL INSTRUMENTS

The Bank's strategies and policies regarding financial risk management, including the use of financial instruments, the policy for managing currency risk, and an indication of the exposure to financial risk is

FINANCIAL INSTRUMENTS (instruments)

provided in note 42 to the financial statements. This note also includes the Bank's processes for managing its capital, its financial risk management strategy, details of its financial instruments, and its exposure to credit risk, interest rate risk in the banking book, market risk, liquidity risk and operational risk. Some of the issues concerning credit risk have been discussed in note 26.

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 Company'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 Company'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 RESOLUTIONS

The Company, 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

Mazars LLP is the statutory auditor of the Bank.

GENERAL MEETINGS

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

By order of the Board

Company Secretary
Camilla Shaw
06 August 2020

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS. 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, International Accounting Standard 1 requires that Directors:

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

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

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

Mr. Rajeeva
06 August 2020

Vasudevan Mundokulam
06 August 2020

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) Ltd (the 'company') for the year ended 31 March 2020 which comprise the Income Statement; Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement and notes 1 to 42, 44 and 45 to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of the company's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, as applied to public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Key audit matters

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

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

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

<table>
<tr><td colspan="2">Loan Loss Provisions
$244m, 2019: $267m</td></tr>
<tr><td>Credit risk is an inherently judgmental area due to the use of subjective assumptions and a high degree of estimation. IFRS 9 requires loan loss provisions to be determined on an Expected Credit Loss ('ECL') basis.

Under IFRS 9 classification Stage 3 includes financial assets that have objective evidence of credit-impairment at the reporting date. Management subject such assets to an individual assessment to ascertain appropriate provisioning levels. This is based on assumptions around the valuation of collateral and the future cash flows arising from the sale or repossession of collateral. Projected cash flows are discounted and compared to the asset carrying value to determine an impairment provision.

The collateral valuations used in the provision calculations include significant judgement and subjectivity and this represents a Key Audit Matter.

Refer to 4.1 critical accounting judgements and Note 25 for Allowance of Expected Credit Losses.</td><td>We performed the following procedures to assess the appropriateness of the provision at the balance sheet date:
• Evaluated the design and implementation of controls in relation to credit processes (including underwriting, collateral valuation, monitoring, collections and provisioning);
• Challenged management on assumptions made in factors affecting the cash flow forecast for specific loans. This included checking the consistency of inputs used to determine whether they are appropriate;
• Assessed the competency, capability and objectivity of third-party valuation experts and, where a current update to the valuation has not been performed, assessing the relevance to the provision;
• Performed detailed testing through re-performing the individual provision calculations associated with each specific provision tested and reconciling the inputs to supporting documentation.</td></tr>
<tr><td colspan="2">We concurred with management's methodology and concluded the stage 3 loan impairment provision is appropriate.</td></tr>
</table>

<table>
<tr><td colspan="2">Deferred tax asset
$25m, 2019: $24.3m</td></tr>
<tr><td>Management have recorded a deferred tax asset of $25.023million as at 31 March 2020. This asset relates to unused tax losses.

Specific conditions are required to be met for PNBIL to recognise the deferred tax asset. The decision to recognise the asset is based on management's assessment of future taxable profits which is underpinned by significant assumptions such as the discount rate and expected future growth of the business.

Given the specific judgement required this presents an area of fraud risk. Refer to Note 16 and Note 30.</td><td>We performed the following procedures to assess the appropriateness of the deferred tax asset balance at the balance sheet date:
• Evaluated the key controls around the deferred tax asset calculation, and the budgeting and forecasting process;
• Assessed the accuracy of management's forecasting through evaluating the historical accuracy of management's forecasting process by comparing 2020 results to the budget for that period;
• With the assistance of our tax specialists, reviewed management's calculation of the deferred tax asset to assess the accuracy of the balance;
• Challenged management's assumptions within the business model including future profitability and recovery of the deferred tax asset;
• Created an independent challenger model for the business model of the bank, using independently created inputs to form a basis on which to provide additional challenge to management's calculation.</td></tr>
<tr><td colspan="2">Based on the work performed and the challenger model that we have created, we do not propose any adjustment to the recognition and valuation of deferred tax assets.</td></tr>
</table>

<table>
<tr><td colspan="2">Going concern and the impact of the COVID-19 outbreak on the financial statements</td></tr>
<tr><td>During the latter part of the financial year, there has been a global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The directors' consideration of the impact on the financial statements is disclosed in the strategic report on page 8. While the situation is still evolving, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate.</td><td>We assessed the directors' conclusion that adopting the going concern basis for preparation of the financial statements is appropriate. We considered:

• The timing of the development of the outbreak across the world and in the UK; and

• How the financial statements and business operations of the Bank might be impacted by the disruption.

In forming our conclusions over going concern, we evaluated how the directors' going concern assessment considered the impacts arising from COVID-19 as follows:</td></tr>
</table>

	• We reviewed the directors' going concern assessment including making enquiries of directors to understand the potential impact of COVID-19 implications, Bank's financial performance, business operations and liquidity; • We evaluated the key assumptions in the scenario modelled by management and considered whether these appeared reasonable; and • We evaluated the adequacy and appropriateness of the directors' disclosure in respect of COVID-19 implications, in particular disclosures within principal risks & uncertainties, critical accounting estimates and judgements and going concern
Based on the work performed, we are satisfied that the matter has been appropriately reflected in the financial statements.	

Our application of materiality

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

Overall materiality	$2,160,000
How we determined it	1% of net assets
Rationale for benchmark applied	Net assets is the main focus of the overseas parent to assess the value of their investment, in addition, regulatory focus on capital.
Performance materiality	$1,078,000
Reporting threshold	$65,000

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

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

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

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

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

- at planning stage, we gained an understanding of the legal and regulatory framework applicable to the company, the industry in which it operates and considered the risk of acts by the company which were contrary to the applicable laws and regulations;
- we discussed with the Directors the policies and procedures in place regarding compliance with laws and regulations. We discussed amongst the engagement team the identified laws and regulations, and remained alert to any indications of non-compliance.
- during the audit, we focused on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the directors (as required by auditing standards), from inspection of the company's regulatory and legal correspondence and review of minutes of directors' meetings in the year. We identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory requirements of the PRA and the FCA. We also considered those other laws and regulations that have a direct impact on the preparation of financial statements, such as the Companies Act 2006 and UK tax legislation.

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the parent company 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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 17, 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 company'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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the board of directors on 30 November 2019 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ending 31 March 2020.

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

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

Use of the audit report

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

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 $'000	2019 $'000
Interest income	6	43,216	46,348
Interest expense	7	(12,647)	(13,497)
Net interest income		30,569	32,851
Net trading profit / (loss)	8	2,569	(1,108)
Charge on interest rate derivatives		(85)	(528)
Fee and commission income		842	527
Other operating income	9	158	161
Operating income		34,053	31,903
Staff costs	14	(9,883)	(9,051)
Operating lease expenses	10	-	(914)
Interest on lease liabilities	38	(147)	-
Depreciation and amortisation expenses	11	(1,396)	(664)
General administrative expenses	12	(5,609)	(4,847)
Impairment provision	25	(15,197)	(6,476)
Profit before tax		1,821	9,951
Tax credit / (charge)	16	905	(1,633)
Profit after tax for the year		2,726	8,318

All amounts mentioned above relate to continuing activities.

The accompanying 'Notes to the financial statements' from page 31 to 85 are an integral part of the financial statements.

	Note	2020 $'000	2019 $'000
Profit after tax for the year	**Income Statement**	**2,726**	**8,318**
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss			
Investment securities - FVTOCI			
Gains/(losses) arising during the year	**37**	**(794)**	**513**
Tax (charge)/credit relating to fair value change	**37**	**134**	**(66)**
		(660)	**447**
Reclassification adjustments for loss included in profit or loss		**12**	**102**
Other comprehensive income/(expense) for the year net of tax		**(648)**	**549**
Total comprehensive income attributable to equity share holders		**2,078**	**8,867**

The accompanying 'Notes to the financial statements' from page 31 to 85 are an integral part of the financial statements.

PUNJAB NATIONAL BANK (INTERNATIONAL) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	2020 $'000	2019 $'000
Assets			
Cash and cash equivalents	17	**132,130**	**157,353**
Investment securities – FVTPL	18	**33,585**	**24,232**
Derivative financial instruments	19	**3,014**	**2,532**
Loans and advances to banks	20	**125,044**	**155,671**
Investment securities –FVTOCI	22	**35,651**	**42,588**
Loans and advances to customers	21	**566,366**	**602,733**
Investment securities – Amortised cost	23	**49,467**	**50,648**
Prepayments and other receivables	31	**469**	**636**
Right of use lease assets	38	**4,383**	**-**
Deferred tax assets	30	**25,023**	**24,301**
Property, plant and equipment	28	**460**	**534**
Intangible assets	29	**539**	**362**
Total assets		**976,131**	**1,061,590**
Liabilities			
Derivative financial instruments	19	**1,458**	**1,262**
Deposits from banks	32	**16,126**	**56,464**
Deposits from customers	33	**685,120**	**731,971**
Subordinated bonds and other borrowed funds	34	**50,000**	**50,000**
Current tax liability	16	**-**	**316**
Lease liability	38	**4,443**	
Other liabilities	35	**3,399**	**4,708**
Total liabilities		**760,546**	**844,721**
Net assets		**215,585**	**216,869**
Equity			
Share capital	36	**319,631**	**319,631**
Fair value reserve	37	**(1,256)**	**(608)**
Retained earnings		**(102,790)**	**(102,154)**
Equity attributable to owners of the Company		**215,585**	**216,869**
Total equity		**215,585**	**216,869**

The accompanying 'Notes to the financial statements' from page 31 to 85 are an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 06 August 2020. They were signed on its behalf by:

Managing Director
Mr. Rajeeva

Executive Director
Vasudevan Mundokulam

	Note	Attributable to equity shareholders of the bank			
		Share capital	Fair Value reserve	Retained Earnings	Total equity
		$'000	$'000	$'000	$'000
Balance at 31 March 2019		**319,631**	**(608)**	**(102,154)**	**216,869**
Profit for the year	IS	-	-	2,726	2,726
Net change in fair value of Investment securities -FVTOCI	37	-	(660)	-	(660)
Net amount transferred to Profit & Loss	37	-	12	-	12
Other comprehensive income of the year		**-**	**(648)**	**2,726**	**2,078**
Total comprehensive income of the year		**-**	**(648)**	**2,726**	**2,078**
Transactions with owners directly recorded in equity					
Dividend on additional Tier 1 capital	41	-	-	(3,362)	(3,362)
IFRS 9 deferred tax adjustment	30	-	-	-	-
Balance at 31 March 2020		**319,631**	**(1,256)**	**(102,790)**	**215,585**

	Note	Attributable to equity shareholders of the bank			
		Share capital	Fair Value reserve	Retained Earnings	Total equity
		$'000	$'000	$'000	$'000
Balance at 31 March 2018		319,631	(1,157)	(104,852)	213,622
Retained earnings adjustment (IFRS 9)		-	-	(2,584)	(2,584)
Adjusted balance 1 April 2019		**319,631**	**(1,157)**	**(107,436)**	**211,038**
Profit for the year	IS	-	-	8,318	8,318
Net change in fair value of Investment securities -FVTOCI	37	-	447	-	447
Net amount transferred to Profit & Loss	37	-	102	-	102
Other comprehensive income of the year		**-**	**549**	**-**	**549**
Total comprehensive income of the year		**-**	**549**	**8,318**	**8,867**
Transactions with owners directly recorded in equity					
Dividend on additional Tier 1 capital	41	-	-	(3,432)	(3,432)
IFRS 9 deferred tax adjustment	30	-	-	(396)	(396)
Balance at 31 March 2019		**319,631**	**(608)**	**(102,154)**	**216,869**

The accompanying 'Notes to the financial statements' from page 31 to 85 are an integral part of the financial statements.

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit before tax		1,821	9,951
Tax credit/(charge)		905	(1,633)
Profit after tax		2,726	8,318
Adjustments for:			
Amortisation of other intangible non-current assets	11	307	273
Depreciation of property, plant and equipment	11	315	391
Depreciation on right of use assets	11	774	-
Interest on lease liability	38	147	-
Provision for impairment losses on financial assets	25	15,197	6,476
Corporation tax charge	16	(905)	1,633
		15,835	8,773
		18,561	17,092
Changes in:			
Investment securities - FVTPL		(9,353)	8,357
Loans and advances to customers		21,170	(43,477)
Deposits from banks		(40,338)	2,122
Other liabilities and provisions		(1,309)	(1,844)
Investment securities – FVTOCI (net of reserves)		6,157	4,595
Fair value of derivatives		(286)	9,367
Loans and advances to banks		30,628	179,838
Trade and other receivables		166	(9)
Decrease in customer deposits		(46,852)	(144,237)
		(40,017)	14,712
Cash generated from/(used in) operating activities		(21,456)	31,804
Cash flows from investing activities			
Acquisition of property, plant and equipment		(241)	(232)
Acquisition of intangible assets		(485)	(131)
Purchase of investment securities at amortised cost	23	1,181	(2,024)
Net cash flows used in investing activities		455	(2,387)
Cash flows from financing activities			
Payment of lease liabilities	38	(860)	
Dividend to perpetual additional Tier I capital bond holders		(3,362)	(3,432)
Net cash flows (used in)/generated from financing activities		(4,222)	(3,432)
Net increase/(decrease) in cash and cash equivalents		(25,223)	25,986
Cash and cash equivalents at beginning of year	17	157,353	131,368
Cash and cash equivalents at end of year	17	132,130	157,353

The accompanying 'Notes to the financial statements' from page 31 to 85 are an integral part of the financial statements.

1] General information

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 3 to 12. The financial statements are presented in US Dollars, because this is functional currency of the Bank.

2] Adoption of new and revised standards

The accounting standards applied are those issued by the International Accounting Standards Board (IASB) as adopted by the European Union. There have been changes to accounting standards this year and these have been fully implemented by the Bank.

2.1 Amendments to IFRSs that are mandatorily effective for the current year

The following accounting standard amendments/interpretations are mandatory for the financial year beginning 1 April 2019 but are either not relevant or do not have a material impact on the Bank's financial statements:

- Amendments to IFRS 9, 'Financial instruments'- Prepayment features with negative compensation
- Amendments to IAS 28, 'Investments in associates' Long-term interests in associates and joint ventures
- Amendments to IAS 19, 'Employee benefits' - Plan amendment, curtailment or settlement
- Annual improvements 2015-2017 IFRS 3, 'Business combinations' IFRS 11, 'Joint ventures' IAS 12, 'Income taxes' IAS 23, 'Borrowing costs'
- IFRIC 23, 'Uncertainty over income tax'

2.1.1 IFRS 15

The majority of the Bank's revenue is net interest income which is accounted for under IFRS9. Accordingly, the majority of our revenues were not affected. Non-interest income revenue streams which are within the scope of the new standard are not material.

2.2 IFRS 16 – Leases

PNBIL adopted the requirements of IFRS 16 'Leases' on 1 April 2019. IFRS 16 establishes the principles for the recognition, measurement, presentation and breakdown of lease contracts. The bank has identified the contracts impacted by IFRS 16 where the bank is a lessee and this comprises

2] Adoption of new and revised standards (continued)

our seven property leases. 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.

The main aspects contained in the new regulations and the breakdowns relating to the impact of the adoption of IFRS 16 in the Bank are included below:

- Lease accounting policy:

PNBIL has adopted the standard, using the modified retrospective approach from 1 April 2019, not restating the comparative financial statements for 2018-2019, as permitted under the specific transitional provisions of the standard. For property leases with similar characteristics, the Bank has decided to apply a single discount rate.

Furthermore, under this modified retrospective approach, the Bank has decided to follow paragraph C8(b)(ii) in Appendix C when measuring the right-of-use asset: "an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application."

Paragraph C10(b) of IFRS 16 provides a practical expedient that means lessees do not have to test right-of-use assets under IAS 36 'Impairment of Assets' at the date of initial application. PNBIL has chosen this practical expedient and no provisions have been made as a result of this assessment.

Since 1 April 2019, when PNBIL 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 isn't 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:

2] Adoption of new and revised standards (continued)

(i) Determining the reference rate

To determine an accurate reference rate for the Bank, three sources of data have been used. Using historical data on the UK yield curve for gilts with a specific duration and matching this to an appropriate gilt index with the same duration, a specific range in which the yield should sit can be determined from the initial application date. Furthermore, finding a gilt issued at a similar time and with the same modified duration as the weighted average lease term from the initial application date or rent negotiation date, provides us with another data point that can be matched with the previous yields. By allocating an appropriate weighting to each of these three yields, a final reference rate has been determined.

(ii) Determining the finance spread adjustment

To determine the financing spread adjustment for the Bank, arms-length bond issuances to the parent company provide indicative credit spreads that may be obtained in the market for an entity with a similar credit rating at the time of initial application. In addition, PNBIL has obtained historical data for indexed UK investment grade corporate bonds of a similar credit rating as the Bank. Utilising these two yields has led to identifying an appropriate finance spread adjustment.

(iii) Determining a lease specific adjustment

For all the Bank's property leases under the scope of IFRS 16, secured borrowing rates to reference aren't available, so publicly available market data has been used. For assets such as property, using market yields can provide an additional data point and have been used to check the suitability of the IBR that has been calculated. Property yields provide an upper value to a range that the IBR may sit in.

Except for the lease in Moorgate, all the Bank's leases are considered of 'High Street' quality when assessing the appropriate property yield to reference. For the lease in Moorgate, it is considered of 'Central London Office' quality. Leases in Southall, Ilford and Wembley are of 'South East High Street' quality, and leases in Leicester, Birmingham and Wolverhampton are of 'Regional High Street' quality.

- Effects on the adoption of this standard:

On transition to IFRS 16 on 1 April 2019, the Bank recognised an additional $5.4 million of right of use assets and $5.4 million of lease liabilities. The impact on the initial application of IFRS 16 on the CET1 and Total Capital Ratio of the bank was 13 bps and 20 bps respectively. When measuring lease liabilities, the Bank discounted lease payments using its IBR at 1 April 2019. The weighted average rate applied across the seven property leases is 3.00%.

	2020
	$'000
Operating lease commitments as at 31 March 2019	**6,326**
Discounted using the incremental borrowing rate at 1 April 2019	**(909)**
Lease liabilities as at 1 April 2019	**5,417**

3] Significant accounting policies

3.1 Statement of compliance

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have also been prepared in accordance with IFRS adopted by the European Union and therefore the Bank's financial statements comply with Article 4 of the RU IAS Regulation.

3.2 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 (FVTOCI) are measured at fair value.

Detail on fair value is given in note 24.

3.3 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

For more information on going concern and the impact of Covid-19, please see page 6 of the strategic report.

3] Significant accounting policies (continued)

3.4 Functional and presentation currency

The Directors consider the US Dollar as the functional currency of the Bank as the majority of earning assets (loans/investment) are priced in US Dollars and a significant component of funding is in US Dollars. In addition to that the equity, other capital instruments and retained earnings of the Bank 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. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the balance sheet date. All amounts have been rounded to the nearest thousands, except when otherwise indicated.

3] Significant accounting policies (continued)

3.5 Accounting policies

a) Revenue recognition

Interest

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 – FVTOCI calculated on an 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/expense is calculated by applying 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 the EIR to the amortised cost net of the credit allowance i.e. the carrying amount after the deduction of the loss allowance.

Fees and commission

Fees and commissions include remittance charges, bills collection charges, LC charges, incidental charges on deposit accounts, locker rent and late payment fees.

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

In case of lockers, revenue is recognised over the period the customer has access to the locker from the date possession is taken. Locker fees are billed on an annual basis with a standard set price payable dependent on the size of box.

Net trading income

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

3] Significant accounting policies (continued)

b) Measurement – financial instruments

A. Financial assets

The Bank classifies its financial assets in the following categories:

i. Financial assets at fair value through profit and loss (FVTPL)

A financial asset is classified in this category if acquired principally for the purpose of trading or, if so, designated by management if it meets the criteria as defined in IFRS 9. Financial assets held for trading are initially recognised and measured at fair value in the statement of financial position. All changes in fair value are recognised as part of trading income in profit and loss. For a purchase transaction, from trade date until settlement date, the asset remains an off-balance sheet asset and it is recognised on financial statements on the settlement date. For a sale transaction, the asset continues to be included in financial statements until settlement date and the transaction remains an off-balance sheet commitment until then.

ii. Financial assets at amortised cost

Loans and receivables at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money or services to a debtor with no intention of trading the receivable. Loans and receivables are initially measured at fair value plus any attributable transaction costs, and subsequently measured at amortised cost using the effective interest method less any specific impairment.

Investments securities at amortised cost are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity.

All investments are initially recorded at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments which are classified as investments securities at amortised cost are carried at amortised cost less impairment if any.

iii. Investment securities – Fair value through other comprehensive income (FVTOCI)

Investment securities – FVTOCI are non-derivative investments that are designated as fair value through other comprehensive income or are not classified as another category of financial assets. Investment securities – FVTOCI comprise debt securities.

Interest income is recognised in profit or loss using the effective interest method. Foreign exchange gain or losses on Investment securities - FVTOCI are recognised in profit or loss and impairment losses are also recognised in profit or loss.

3] Significant accounting policies (continued)

B. Financial liabilities and equity instruments

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

i. 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.

ii. 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. Deferred income

The arrangement fee received on long-term corporate loans is amortised during the tenure of the loan, the un-amortised amount is recognised as deferred income in the financial statements.

C. 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 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.

3] Significant accounting policies (continued)

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.

D. 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 off-setting financial instruments is immaterial for the financial year.

E. 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.

F. Transfer of financial assets

The Bank enters into transactions involving 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.

G. Impairment of financial assets

i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or investment securities carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows,

3] Significant accounting policies (continued)

discounted at the asset's original effective rate. If in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it is now excessive by reducing the loan impairment provision account. The amount of any reversal is recognised in the statement of profit or loss.

ii) Investment securities - FVTOCI

The Bank assesses at each balance sheet date whether there is objective evidence that an investment security - FVTOCI is impaired. Objective evidence that a financial asset is impaired includes observable data that has come to the attention of the Bank such as a significant change in price in excess of 20% or prolonged decline over nine months and due to deterioration of credit ratings which has an impact on the Bank's estimated future cash flows from the financial assets.

If an impairment loss has been incurred, the cumulative loss (measured as a difference between the original cost and the fair value) less any impairment loss on that asset previously recognised, is removed from equity and recognised in the statement of profit or loss. If in a subsequent period, the fair value of a debt instrument classified as investment security - FVTOCI increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of profit or loss.

H. 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.

I. Property, plant and equipment

(i) 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.

3] Significant accounting policies (continued)

(ii) 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.

(iii) 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.

(The computers, mobile phones and related accessories are depreciated at 30% whereas property and plant are depreciated at 20%).

J. 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.

K. Cash and cash equivalents

Cash and cash equivalent 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.

L. Corporation tax/deferred tax

The corporation tax charge in the profit and loss represents the amount that is offset against the deferred tax assets which was created due to the prior year losses.

3] Significant accounting policies (continued)

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 applicable tax rates.

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 profit or loss, 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.

M. 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the liability. In addition to specific provisions, the Bank also makes a provision for expected credit losses according to requirements laid out under IFRS 9 - Financial Instruments.

N. Share capital and reserves

(i) 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 is 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

3] Significant accounting policies (continued)

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.

(ii) Fair value reserves

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

O. Operating lease commitments

Operating leases payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term. Since 1 April 2019, the Bank's operating leases fall under in the scope of IFRS 16 - Leases and have been treated accordingly.

P. 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.

4] Critical accounting judgements and key sources of estimation uncertainty

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. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required for impaired loans and receivables as well as provisions for impairment provision for investment securities - FVTOCI. 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.

4] Critical accounting judgements and key sources of estimation uncertainty (continued)

4.1 Critical accounting judgements

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

- **Identification of impairment of financial assets**

The Bank assesses on a quarterly basis whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are provided for if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Bank considers the following factors in assessing objective evidence of impairment:

- When the counterparty is in default of principal or interest payments;
- 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; or
- Where there is observable data indicating that there is a measurable decrease in the estimated future cash flows of a group of financial assets.

- **Impairment losses on investment securities - FVTOCI**

At each balance sheet date, the Bank assesses whether there is objective evidence that an investment security – FVTOCI asset is impaired. In case of securities in this category, where there has been significant decline in value, and due to deterioration of credit ratings which has an impact on the Bank’s estimated future cash flows of the investments, management applies judgement after considering other underlying circumstances to assess if a provision for impairment is required.

These factors include the collateral structure, market insight, the length of time over which the decline has been observed and the current and expected financial performance of the counterparty.

- **Investment securities at amortised cost**

The Bank follows the guidance of IFRS 9 in classifying certain non-derivative financial assets with fixed or determinable payments and fixed maturity as investment securities at amortised cost. In making this judgement, the Bank evaluates its intention and ability to hold such investment securities to maturity. The Bank will reclassify these assets only when its business model for managing these assets changes. Such changes are expected to be very infrequent.

4] Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty

Further information about key sources of estimation uncertainty are 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 and the period over which future profitability is reliably estimable to support the valuation of the deferred tax assets. As of 31 March 2020, we estimate recovery of the deferred tax asset over a 14-year period. A portion of the deferred tax asset has not been recognised this year (see note 30). Should future business performance not meet profitability estimates, further material impairment adjustments to the carrying value of deferred tax assets may be required. As of 31 March 2020, the deferred tax assets amounted to $25.02 million.

- **Provisions for impairment of loans and receivables**

The Bank periodically reviews their financial assets carried at amortised cost to identify any early signs of financial deterioration. Additionally, for those loans 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.

As of 31 March 2020, specific provisions for impairment of loans and receivables stood at $240.70 million. In addition to specific provisions against individually significant loans and advances, the Bank also makes provisions for ECL according to requirements laid out under IFRS 9. For more details of provisions under IFRS 9, please see note 25 of the financial statements.

- **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.

4] Critical accounting judgements and key sources of estimation uncertainty (continued)

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 24 of the financial statements.

5] Operating segments

The Bank undertakes the business of corporate and commercial banking which is carried on within the United Kingdom. Its activities are currently managed on a centralised business model so the revenue and the costs are not attributable to any one operating or geographic segment.

The Bank has one class of business and all other services are ancillary to this. The Board reviews all the information for the business as a whole as these ancillary activities do not have their own standalone reporting environment and protocols internally.

No single customers contributed 10% or more to the Bank’s revenue in either financial year 2020 or 2019.

6] Interest income

	2020 $'000	2019 $'000
Overdraft accounts	4,729	5,400
Demand and term loans	30,159	29,837
Discount on bills	446	228
Interbank placements	2,841	6,134
Coupon/premium on investment securities*	3,620	3,396
Arrangement fees on loans**	1,421	1,353
Total Interest income	43,216	46,348

- Total interest income is $36.57 million calculated using EIR method for each financial asset measured at amortised cost.
* Out of the above, net interest income from financial instruments designated at FVTPL is $0.84 million.
** Arrangement fees is treated as interest income.

7] Interest expense

	2020 $'000	2019 $'000
Term deposits	7,920	7,966
Saving deposits	327	300
Interbank borrowings	1,053	1,810
Subordinated bonds	3,347	3,421
Total Interest expense	12,647	13,497

8] Net trading profit

	2020 $'000	2019 $'000
Foreign exchange	(116)	(2,641)
Income on investment securities - FVTPL	2,685	1,533
Total Net trading profit / (loss)	2,569	(1,108)

9] Other operating income

	2020 $'000	2019 $'000
Payment and settlement	110	108
Retail banking	48	53
Total Other operating income	158	161

10] Operating lease expenses

	2020 $'000	2019 $'000
Lease rental expenses	-	914
Total Operating lease expenses	-	914

The Bank adopted IFRS 16 'Leases' from 1 April 2019. For more information on leases, go to note 38

11] Depreciation and amortisation expenses

	2020 $'000	2019 $'000
Depreciation of property, plant and equipment	315	391
Depreciation on right of use lease assets	774	-
Amortisation of intangible assets	307	273
Total Depreciation and amortization expenses	1,396	664

Further details are given in notes 28, 29 and 38 of the financial statements

12] General administrative expenses

	2020 $'000	2019 $'000
Legal, professional and audit fees	2,291	1,782
Administrative and office maintenance costs	1,699	1,364
Other administration costs	1,107	1,302
Postage and telephones cost	383	292
Marketing costs	129	107
Total General administrative expenses	5,609	4,847

13] Auditor's remuneration

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

	2020 $'000	2019 $'000
The audit of the Company	205	393
Total audit Fee	205	393
Fees payable to the Bank's auditor for other services:		
- Audit related assurance services	18	13
- Other assurance services	-	15
Total non-audit Fees	18	28

14] Staff costs

	2020 $'000	2019 $'000
Wages and salaries	7,621	6,852
Contribution towards defined employee contribution plan*	188	127
Other employee benefits	1,249	1,312
Social security costs	825	760
Total Staff costs	9,883	9,051

* Out of this $0.02 million is related to a Director's employee contribution (note 15). The number of Directors receiving this benefit is one.

Included in other employee benefits are:	2020 $'000	2019 $'000
Accommodation cost	686	789
Medical insurance and expense	80	115
Pension contributions for staff in India	10	8
Other expenses**	473	400
	1,249	1,312
Average number of employees***	159	148

** Other expenses include rent, conveyance, insurance, staff welfare and other expenses for staff. There are no share-based payments to employees.
*** Out of the above, 25 back office employees are based in India.

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

15] Directors' emoluments

	2020 $'000	2019 $'000
Emoluments	497	471

The emoluments of Directors disclosed above include salary and Director Fees.

	2020 $'000	2019 $'000
Emoluments of highest paid Director (One director)	216	227
Contributions to external pension scheme included above	15	44

16] Corporation tax

Components of corporation tax credit/(charge)

	2020	2019
Analysis of tax credit/(charge) in the year	$'000	$'000
Current corporation tax charge	-	(316)
Credit in respect of prior years	316	-
Total current tax credit/(charge)	316	(316)
Deferred corporation tax credit/(charge)		
Effect of rate changes	2,883	162
Relating to origination and reversal of temporary differences	293	(1,542)
Deferred tax not recognised in relation to losses	(2,945)	-
Adjustments in respect of prior years	358	63
Total deferred tax credit/(charge)	589	(1,317)
Total tax credit/(charge) for the year	905	(1,633)

Reconciliation of corporation tax credit/(charge) to accounting profit

	2020 $'000	2019 $'000
Profit before tax	1,821	9,951
Corporation tax at 19% (2019: 19%)	(346)	(1,891)
Tax effect of non-deductible depreciation	1	-
Tax effect of other non-deductible expenses/non-taxable income	645	(4)
Tax effect of rate changes	2,884	162
IFRS 9 transitional adjustment – 10 year spreading	-	49
Adjustments in respect of prior year	674	63
Deferred tax not recognised in relation to losses	(2,945)	-
Tax effect of Investment securities - FVTOCI transitional adjustment	(8)	(12)
Tax credit/(charge)	905	(1,633)

16] Corporation tax (continued)

	2020 $'000	2019 $'000
Current corporation tax credited to equity		
(Expense)/credit arising on FVTOCI reserve movement	(134)	88
IFRS 9 transitional adjustment in retained earnings	-	396
Tax effective rate	19%	19%

The standard rate of corporation tax rate remained unchanged at 19% for the year 2019/2020.

17] Cash and cash equivalents

	2020 $'000	2019 $'000
Cash on hand	280	333
Cash at bank (including balance held with central banks)	123,850	47,020
Cash equivalent*	8,000	110,000
Total Cash and cash equivalents	132,130	157,353

*Placements up to 3 months are treated as cash equivalent.

18] Investment securities - FVTPL

	2020 $'000	2019 $'000
Treasury bills	33,585	24,232

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	2020 $'000	2019 $'000
US Treasury Bills	AAA	33,585	24,232

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

19] 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 base rate is floating and linked to LIBOR or BOE rate with a fixed margin thereupon. A major portion of liabilities of the Bank are at a fixed rate of interest. The Bank uses interest rate swaps to eliminate interest rate risk in various maturity buckets. The Fair value of all derivatives is as below

	2020		2019	
	Positive Fair Value $'000	Negative Fair Value $'000	Positive Fair Value $'000	Negative Fair Value $'000
Cross currency swap	3,014	1,458	2,532	1,116
Interest rate swap	-	-	-	146
	3,014	1,458	2,532	1,262

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 as at 31 March 2020.

	Nature of Counterparty	Nominal Amount-Buy Transaction	Nominal Amount-Sell Transaction	Positive Fair Value	Negative Fair Value
		$'000	$'000	$'000	$'000
Cross currency swaps	Bank	145,664	144,075	3,014	1,458
		145,664	144,075	3,014	1,458

19] Derivative financial instruments (continued)

The table below shows analysis of counterparty credit exposure arising from derivative transactions as at 31 March 2019.

	Nature of Counterparty	Nominal Amount-Buy Transaction	Nominal Amount-Sell Transaction	Positive Fair Value	Negative Fair Value
		$'000	$'000	$'000	$'000
Cross currency swaps	Bank	280,959	280,134	2,532	1,116
Interest rate swaps	Bank	78,304	78,394	-	146
		359,263	358,528	2,532	1,262

20] Loans and advances to banks

	2019	2019
	$'000	$'000
Bills negotiated and discounted	13,867	14,208
Term loans against stand-by letters of credit/buyers' credit	40,860	47,041
Interbank placements of original maturity of more than three months	70,695	94,944
Total	125,422	156,193
Less impairment provisions *	(378)	(522)
Net Loans and advances to banks	125,044	155,671

*Impairment provisions include ECL provision (Stage 1 & 2) of $0.37 million (2019: $0.5 million).

At 31 March 2020 $14.28 million (2019: $29.15 million) of loans and advances to banks are expected to be realized more than twelve months after the reporting date.

21] Loans and advances to customers

	2020	2019
	$'000	$'000
Customer overdrafts	157,221	204,536
Term loans	649,958	661,480
Total	807,179	866,016
Less impairment provisions **	(240,813)	(263,283)
Net Loans and advances to customers	566,366	602,733

**Impairment provisions include Stage 3 ECL allowance of $238.29 million (2019: $259.82 million) and ECL provision (Stage 1 & 2) of $2.52 million (2019: $3.46million).

At 31 March 2020 $246.86 million (2019: $297.76 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 25 and 26 to the financial statements.

22] Investment securities – FVTOCI

	2020	2019
	$'000	$'000
Marketable debt securities	36,001	42,958
Less impairment provisions	(350)	(370)
Net marketable debt securities	35,651	42,588

At 31 March 2020, $28.52 million (2019: $33.53 million) of Investment securities - FVTOCI are expected to be realised more than twelve months after the reporting date.

23] Investment securities – amortised cost

	2020	2019
	$'000	$'000
Debt securities	51,702	53,003
Less: Impairment provision*	(2,235)	(2,355)
Net book value of investment securities at amortised cost	49,467	50,648

* There are two impaired investment securities at amortised cost which have been fully provided for in the year ended 2020.

Refer to note 24 for details of fair value of investment securities which are at amortised cost. At 31 March 2020, $48.56 million of investment securities at amortised costs are expected to be realised more than twelve months after the reporting date.

24] Financial instruments

A. Financial instruments carried at amortised cost

The following table summarises the carrying amounts and incorporates the Bank's estimate of fair values of the investment securities at amortised cost which are not presented on the Bank's balance sheet at fair value. The fair values in the table below may be different from the actual amount that will be received / paid on the settlement or maturity of the financial instrument.

	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2020	2020	2019	2019
	$'000	$'000	$'000	$'000
Investment securities – amortised cost	51,702	47,077	53,003	50,144
Less Impairment provision	(2,235)	-	(2,355)	-
Net Book Value	49,467	47,077	50,648	50,144

24] Financial instruments (continued)

The total impairment provision recorded for investment securities at amortised cost includes the Bank's investment in one credit linked note of an investment banking company which is in liquidation and one corporate investment security at year ended 31 March 2020. The provision for impairment is the difference in amount between the book value and the market value of the credit linked note.

The fair value of financial instruments carried at amortised cost incorporates the Bank's estimate of 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 market or in the absence of that to the most advantageous market to which the Bank has access at that date.

The fair value of all remaining financial instruments carried at amortised cost approximates the book value, as given below:

	Carrying amount and fair value	
	2020	**2019**
	$'000	**$'000**
Assets		
Customer and bank overdrafts	**71,761**	**103,707**
Term and bank loans	**535,473**	**545,865**
Interbank placements	**78,616**	**94,680**
Bills purchased	**13,983**	**14,152**
Liabilities		
Interbank deposits	**15,656**	**55,792**
Subordinated bonds	**50,000**	**50,000**
Savings accounts	**101,678**	**138,434**
Current accounts	**108,454**	**143,815**
Fixed term deposits	**474,988**	**450,394**
Bills payable	**151**	**362**

The basis of measurements of fair value which approximates to carrying value is as follows:

- Inter-bank deposits are generally of short dated maturity and hence the resultant impact on fair value of the same is considered insignificant.
- Subordinated bonds are carried at rate of 6-month LIBOR + 4/5% and the interest rate is reset every six months. Consequently, the resultant impact on fair value of the subordinated bonds is considered insignificant.
- The fair value of savings accounts and current accounts with no fixed maturity is assumed to be equal to the carrying value.
- Fair value of fixed term deposits is expected to approximate the carrying value, since there has been insignificant change in interest rates in GBP deposits (during the year) which constitute a significant proportion of the Bank's term deposit base.

24] Financial instruments (continued)

- The majority of the overdrafts and term loans are floating rate loans with the interest rate reset between one to six months and consequently the resultant impact on fair value of the term loans is considered insignificant. However, no adjustment has been made to the fair value for change in credit spreads of counterparties. Impaired loans are reflected at net carrying value net of provision which is the best estimate of fair value for such loans.

- Inter-bank placements are generally of short dated maturity and hence the resultant impact on fair value of the same is considered insignificant.

B. Valuation of Financial instruments

Financial instruments carried at fair value in the financial statements are investment securities - FVTPL (note 18), investment securities – FVTOCI (note 22) and Derivatives (note 19).

Financial instruments carried at amortised cost in the financial statements are loans and advances to banks (note 20), loans and advances to customers (note 21), investment securities – amortised cost (note 23), deposits from banks (note 32) and deposits from customers (note 33).

Categories of these assets are as below:

2020

Financial Assets:	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
		$'000	**$'000**	**$'000**	**$'000**
Investment securities – FVTPL	18	**33,585**	**-**	**-**	**33,585**
Investment securities – FVTOCI	22	**5,460**	**30,191**	**-**	**35,651**
Derivative financial instruments	19	**-**	**3,014**	**-**	**3,014**
Loans and advances to banks	20	**-**	**125,044**	**-**	**125,044**
Loans and advances to customers	21	**-**	**-**	**566,366**	**566,366**
Investment securities – amortised cost	23	**7,125**	**42,342**	**-**	**49,467**
		46,170	**200,591**	**566,366**	**813,127**

Financial Liabilities	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
		$'000	**$'000**	**$'000**	**$'000**
Derivative financial instruments	19	**-**	**1,458**	**-**	**1,458**
Deposits from banks	32	**-**	**16,126**	**-**	**16,126**
Deposits from customers	33	**-**	**-**	**685,120**	**685,120**
		-	**17,584**	**685,120**	**702,704**

24] Financial instruments (continued)

2019

Financial Assets:	**Note**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Investment securities – FVTPL	18	24,232	-	-	24,232
Investment securities – FVTOCI	22	8,957	33,631	-	42,588
Derivative financial instruments	19	-	2,532	-	2,532
Loans and advances to banks	20	-	155,671	-	155,671
Loans and advances to customers	21	-	-	602,733	602,733
Investment securities - amortised cost	23	-	50,648	-	50,648
		33,189	**242,482**	**602,733**	**878,404**

Financial Liabilities:	**Note**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Derivative financial instruments	19	-	1,262	-	1,262
Deposits from banks	32	-	56,464	-	56,464
Deposits from customers	33	-	-	731,971	731,971
		-	**57,726**	**731,971**	**789,697**

The fair value hierarchy has the following levels:

- Level 1 – Valuations based on quoted prices available in active markets for the same instrument. Securities included in Level 1 are US/UK Treasury Bills.
- 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). Securities included in Level 2 are all investment securities – FVTOCI except US/UK treasury bills, and investment securities at amortised cost, as they are not as liquid as US/UK treasury bills are. Other items are loans and advances to banks, Deposits from banks, and all derivatives.
- 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 customers, deposits from customers.
- No transfers between Level 1, Level 2 and Level 3 have been made during the year.

25] 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. IFRS 9 applies the classification approach to all types of financial assets, including Loans and Advances to banks and customers, investment securities at amortised cost and Debt investment securities.

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 SPPI test – where contractual cash flows are

25] Allowance for Expected Credit Losses (continued)

consistent with a basic lending arrangement; that is whether cash flows solely comprise payments of principal and interest.

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, change in GDP, etc. 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. This information used in ECL models is updated at regular intervals to capture any intrinsic or extrinsic changes taking place.

IFRS 9 assesses on a forward-looking basis the ECL associated with the assets carried at amortised cost and FVTOCI and recognises a loss provision for such losses at each reporting date.

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 on which a lifetime ECL is recognised.

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

- The obligor is past due more than 90 days on any material exposure to the bank.
- Credit impaired financial asset: Any exposure of the obligor that has been recognised credit **-** impaired in accordance with the IFRS 9 accounting framework and / or the 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. Elements to be taken as indications of unlikeliness to pay shall include (but not limited to) the following triggers:

25] Allowance for Expected Credit Losses (continued)

- Bank recognises following specific credit adjustment resulting from a significant perceived decline in credit quality:
  - ➢ losses recognised in the profit or loss account for instruments measured at fair value that represent credit risk impairment under the applicable accounting framework;
  - ➢ losses as a result of current or past events affecting a significant individual exposure or exposures that are not individually significant which are individually or collectively assessed.
- Bank sells the credit obligation at a material credit related economic loss;
- Bank consents to a distressed restructuring of the credit obligation where there is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, or interest;
- Bank has filed for bankruptcy or a similar order in respect of an obligor's credit obligation;
- The obligor has sought or has been placed in bankruptcy or similar protection where this would avoid or delay repayment of the credit obligation;
- Sudden closure of the business activity on account of any natural calamity or any other reason;
- Insolvency (liquidation) process initiated, criminal action initiated, etc.

Write off policy - The Head of Credit Monitoring & Recovery department will evaluate the progress of each impaired loans on a case to case basis and will indicate when any such process is complete, exhausted or deemed uneconomical to pursue further. Subject to such judgement, the Head of Credit Monitoring & Recovery department / Head of Credit may recommend to the Board Credit Approval Committee ('BCAC') that the exposure is to be written off either partially or in full. Regardless of whether an exposure has been written off or not the Bank will continue to pursue any non-performing assets ('NPA') provided that it remains economically beneficial.

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:

Indicative Qualitative Assessment Criteria (other than Banks and securities)

a. Forborne/Restructured assets	• If a forbearance or commercial renegotiation does not result into account being classified as NPA (stage 3), it will be classified as stage 2 asset up to 180 days. After 180 days, it will be reviewed and reclassified depending upon its performance.

25] Allowance for Expected Credit Losses (continued)

b. Adverse Financials	• Equity reduced by 50% within reporting period due to losses. • A material decrease in turnover or loss of major customer. • A material decrease in estimated cash flows • Current debt service coverage ratio is below 1:1
c. Adverse industry impact	• Deterioration of the industry segment or market where the debtor is operating on account of any natural calamity or any other reason. • The disappearance of active market for assets financed or for refinancing.
d. Other credit deterioration factors may also be considered	• Insolvency (liquidation) process initiated, criminal action initiated etc. • Debtor filed for Bankruptcy. • Any legal entity within the group of connected clients of the debtor (including subsidiaries of debtor) has filed bankruptcy. • Any other factor which indicates credit deterioration

Indicative Qualitative Assessment Criteria (Banks & Securities)

SBLC's, Government & Corporate Securities, Nostro Accounts with other banks and Interbank exposures	• ISDA credit event declared. • Bank sells the credit obligation at a material credit related economic loss. • 5Y CDS > 1000 bps with in last 12 months • Bond trade (temporarily) suspended at primary exchange because of rumours or facts.

- **Quantitative Criteria**

In addition to the above qualitative criteria to identify significant increase in credit risk, another method is comparing the probability of default (PD) calculated as part of the IFRS 9 calculation of the current period to the PD at origination.

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.

25] Allowance for Expected Credit Losses (continued)

- 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 Covid-19 on ECL

PNBIL has undertaken a detailed impact analysis on the impact of the Covid-19 pandemic on expected credit losses. The Bank has stressed the ECL model under four different stress scenarios differing on the basis of longevity of the downturn and expected recovery time due to the pandemic. The different scenarios have a time range between 6 and 48 months.

Macroeconomic factors such as UK GDP changes, India growth rate, UK unemployment rate, Bank of England base rate were stressed across different scenarios. In addition to macroeconomic factors, probability of default, loss given default, 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 all scenarios. The Bank expects the effect of the pandemic to be closer to scenarios with shorter downturn and recovery periods and hence more weighting has been given to those scenarios. Based on the impact analysis, an overlay of $567,000 has been made as at 31 March 2020.

Quantitative disclosures

The following table explain the changes in the loan loss provision between the beginning and the end of the period:

	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
Loss allowance as at 1 April 2019	**3,222**	**962**	**262,345**	**266,529**
New receivables originated or purchased	325	-	-	325
Transfers between stages	-	(239)	-	(239)
Decrease in allowance for existing portfolio	(877)	(257)	(1,836)	(2,970)
Increase in allowance for existing portfolio	139	35	16,878	17,052
Write-offs	-	-	(35,783)	(35,783)
Receivables matured during the period	(652)	-	(1,053)	(1,705)
Other movements*	338	79	150	567
Loss allowance as at 31 March 2020	**2,495**	**580**	**240,701**	**243,776**

*Other movements relate to the impact on the Bank's expected credit losses due to Covid-19

25] Allowance for Expected Credit Losses (continued)

	Stage 1	Stage 2	Stage 3	Total
	$'000	$'000	$'000	$'000
Loss allowance as at 1 April 2018	3,827	2,322	269,825	275,974
New receivables originated or purchased	591	17	-	608
Transfers between stages	(45)	(75)	(1,901)	(2,021)
Decrease in allowance for existing portfolio	(876)	(1)	(14,004)	(14,881)
Increase in allowance for existing portfolio	303	299	22,920	23,522
Write-offs	-	-	(14,393)	(14,393)
Receivables matured during the period	(578)	(1,600)	(102)	(2,280)
Loss allowance as at 31 March 2019	3,222	962	262,345	266,529

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

	2020	2019
	$'000	$'000
Impairment charge on loans and advances	15,093	6,102
Impairment charge on investments	104	374
Total impairment charge	15,197	6,476

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

As at 31 March 2020		Real Estate	Deposit backed loans	Loans to Banks	Invest-ment securities	Other Loans	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Gross Exposure							
Stage 1		253,772	40,845	132,174	49,571	70,589	546,951
Stage 2	Not past due	33,503	-	-	-	23,714	57,217
	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		6,468	-	493	2,131	362,671	371,763
Impairment Allowance							
Stage 1		254	-	378	104	1,349	2,085
Stage 2	Not past due	23	-	-	-	478	501
	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		609	-	-	2,131	237,533	240,273
Net Exposure							
Stage 1		253,518	40,845	131,796	49,467	69,240	544,866
Stage 2	Not past due	33,480	-	-	-	23,236	56,716
	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		5,859	-	493	-	125,138	131,490

25] Allowance for Expected Credit Losses (continued)

As at 31 March 2019		Real Estate $'000	Deposit backed loans $'000	Loans to Banks $'000	Invest-ment securities $'000	Other Loans $'000	Total $'000
Gross Exposure							
Stage 1		230,739	58,853	264,163	50,760	76,352	680,867
Stage 2	Not past due	40,330	-	-	-	32,603	72,933
	> 30 ≤ 90 days	10,994	-	-	-	2,582	13,576
Stage 3		5,445		505	2,243	398,066	406,259
Impairment Allowance							
Stage 1		206	-	522	112	2,290	3,130
Stage 2	Not past due	26	-	-	-	936	962
	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		619	-	-	2,243	259,205	262,067
Net Exposure							
Stage 1		230,533	58,853	263,641	50,648	74,062	677,737
Stage 2	Not past due	40,303	-	-	-	31,667	71,970
	> 30 ≤ 90 days	10,994	-	-	-	2,582	13,576
Stage 3		4,826	-	505	-	138,861	144,192

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

		2020		2019	
		Investment securities $'000	Total $'000	Investment securities $'000	Total $'000
Gross Exposure					
Stage 1		36,211	36,211	42,388	42,388
Stage 2	Not past due	-	-	-	-
	> 30 ≤ 90 days	-	-	-	-
Stage 3		409	409	409	409
Impairment Allowance					
Stage 1		72	72	92	92
Stage 2	Not past due	-	-	-	-
	> 30 ≤ 90 days	-	-	-	-
Stage 3		278	278	278	278
Net Exposure					
Stage 1		36,139	36,139	42,296	42,296
Stage 2	Not past due	-	-	-	-
	> 30 ≤ 90 days	-	-	-	-
Stage 3		131	131	131	131

26] 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 2020, 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, excluding impairment. 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.

	2020	2019
	$'000	$'000
On balance sheet exposure		
Bilateral and syndicated loans and advances to customers	807,179	866,016
Loans and advances to customers under SBLC by banks	40,860	47,041
Interbank placements and cash balances with banks	202,824	252,297
Bills purchased directly from customers	-	-
Bills purchased under LC/Guarantee of banks	13,867	14,208
Securities at amortised cost – banks	23,956	30,316
Securities at amortised cost – Non-banks	27,746	22,687
Investment securities – FVTOCI - banks	24,051	26,619
Investment securities – FVTOCI - non-banks	12,569	16,339
Derivative financial instruments	3,014	2,532
Total – A	1,156,066	1,278,055
Off balance sheet exposure		
Non-bank commitments (LCs/LGs)	1,457	1,500
Total – B	1,457	1,500
Undrawn Credit Facilities – Non-banks	59,331	43,617
Total – C	59,331	43,617
Total Exposure subject to Credit Risk (A+B+C)	1,216,854	1,323,172

Bifurcation of total exposure subject to credit risk into bank and non-bank exposure is as below:

	2020	2019
	$'000	$'000
Exposure on banks	308,573	373,013
Non-bank exposure*	908,281	950,159
Total	1,216,854	1,323,172

*Includes loan and advances exposure (both on and off-balance sheet exposure, including commitments and undrawn credit facilities) of $867.97 million and $40.31 million of investment securities exposure.

26] Exposure to credit risk and availability of collateral security (continued)

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 on banks: Both for direct exposure to banks (Placements and bank balances) and for exposure on banks due to Letter of Credit/Guarantee/Letter of Comfort issued by the banks, there are no separate collateral securities.
B. Non-bank exposure is collaterally secured as below as at 31 March 2020:

Amount in $ '000	Retail exposure		Non-retail exposure		Total	
	Exposure	Amount Collateralised	Exposure	Amount Collateralised	Exposure	Amount Collateralised
Internally rated AAA to A*	3,336	3,248	57,247	48,191	60,583	51,439
Internally rated BB to B*	26,330	25,918	281,594	264,028	307,924	289,946
Internally rated C&D	18	18	-	-	18	18
Others Exempted Category	17,999	17,657	35,550	34,607	53,549	52,264
Stage 1	**47,683**	**46,841**	**374,391**	**346,826**	**422,074**	**393,667**
Stage 2 >30 ≤ 90 days	-	-	-	-	-	-
Stage 2 - Not past due	1,263	1,263	60,249	60,089	61,512	61,352
Stage 2	**1,263**	**1,263**	**60,249**	**60,089**	**61,512**	**61,352**
Stage 3	**1,219**	**556**	**383,162**	**159,601**	**384,381**	**160,157**
Total	**50,165**	**48,660**	**817,802**	**566,516**	**867,967**	**615,176**

Comparative data for 31 March 2019 is as below.

Amount in $ '000	Retail exposure		Non-retail exposure		Total	
	Exposure	Amount Collateralised	Exposure	Amount Collateralised	Exposure	Amount Collateralised
Internally rated AAA to A*	3,431	3,431	36,289	33,536	39,720	36,967
Internally rated BB to B*	21,528	21,473	274,777	238,946	296,305	260,419
Internally rated C&D*	33	33	-	-	33	33
Others Exempted Category	24,068	22,614	44,917	44,616	68,985	67,230
Stage 1	**49,060**	**47,551**	**355,983**	**317,098**	**405,043**	**364,649**
Stage 2>30≤ 90 days	2,782	2,782	11,857	11,857	14,639	14,639
Stage 2 - Not past due	4,158	4,158	72,651	72,651	76,809	76,809
Stage 2	**6,940**	**6,940**	**84,508**	**84,508**	**91,448**	**91,448**
Stage 3	**1,584**	**901**	**411,558**	**168,489**	**413,142**	**169,390**
Total	**57,584**	**55,392**	**852,049**	**570,095**	**909,633**	**625,487**

*Internal ratings based on PNBIL rating model and include loans where internal rating is exempted i.e. loans against deposits/SBLCs etc.

More details on staging classification as per IFRS 9 can be found in note 25 of the financial statements.

26] Exposure to credit risk and availability of collateral security (continued)

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:

Percentage of value of collateral to exposure	**Exposure $ '000**	
	2020	**2019**
100% and above*	**591,159**	**583,433**
76% to 99%	**18,128**	**26,669**
51% to 75%	**8,580**	**1,886**
26% to 50%	**33,791**	**46,015**
11% to 25%	**12,386**	**15,195**
Below 10%	**11,898**	**11,998**
Unsecured	**264,376**	**287,718**
Total	**940,318**	**972,914**
Average percentage of availability of collateral*	**90.8%**	**91.3%**

*excluding impact of over-collateralisation.

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 re-negotiated

Loans in which renegotiation or refinancing did not qualify as forbearance. A refinancing or modification in terms and conditions of repayment on account of certain events, even if the customer is not facing any financial difficulty, is classified as a commercially re-negotiated loan.

26] Exposure to credit risk and availability of collateral security (continued)

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").

Non-Performing

Loans which are more than 90 days past due or where the obligor has been found impaired in accordance with the IFRS accounting framework and/or the 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.

Impaired

The Bank regards a loan and advance as impaired if there is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.

The table below sets out a reconciliation of changes in the gross amount of impaired loans and advances to customers.

	2020	2019
	$'000	$'000
Impaired loans and advances to customers at 1 April	339,114	318,465
Net repayments in existing impaired loans and advances	(3,175)	(8,680)
Written off loans and advances	(36,836)	(18,885)
Classified as impaired during the year	19,400	50,186
Other movements/exchange rate fluctuations	(6,749)	(1,972)
Impaired loans and advances to customers at 31 March	311,754	339,114

Details of the impairment provision for loans and advances are given at note 25.

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

	2020	2019
	$'000	$'000
Impaired investments at 1 April	2,521	2,331
Net Repayments in existing impaired investments	(112)	(88)
Classified as impaired during the year	-	278
Impaired investments at 31 March	2,409	2,521

Details of the impairment provision for investment securities are given in note 25.

26] Exposure to credit risk and availability of collateral security (continued)

Internal ratings/scoring

The Bank has developed internal rating/scoring 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.

27] Exposure to Eurozone countries

The Bank has no direct sovereign exposure (as defined by the European Banking Authority 'EBA') to any of the Eurozone countries. Gross exposure to other counterparties in the Eurozone countries is as below:

	2020			2019		
	$'000	$'000	$'000	$'000	$'000	$'000
Name of the Country	Exposure to Banks	Exposure to Corporates	Total Exposure	Exposure to Banks	Exposure to Corporates	Total Exposure
Belgium	5,016	23,204	28,220	78	24,923	25,001
Romania	-	3,547	3,547	-	4,264	4,264
Germany	2,151	4,387	6,538	1,342	5,658	7,000
France	-	679	679	-	1,392	1,392
Ireland	-	8,831	8,831	-	8,483	8,483
Netherlands	-	12,287	12,287	-	11,605	11,605
Luxembourg	-	25,349	25,349	-	25,348	25,348
Total	7,167	78,284	85,451	1,420	81,673	83,093

28] Property, plant and equipment

	2020			2019		
	Property and plant	Equipment	Total	Property and plant	Equipment	Total
Cost	$'000	$'000	$'000	$'000	$'000	$'000
At 1 April	2,382	4,469	6,851	2,382	4,238	6,620
Additions	-	241	241	-	231	231
Disposals	-	-	-	-	-	-
At 31 March	2,382	4,710	7,092	2,382	4,469	6,851
Depreciation						
At 1 April	(2,326)	(3,991)	(6,317)	(2,236)	(3,690)	(5,926)
Yearly charge	(56)	(259)	(315)	(90)	(301)	(391)
Disposals	-	-	-	-	-	-
At 31 March	(2,382)	(4,250)	(6,632)	(2,326)	(3,991)	(6,317)
Net Book Value						
At 1 April	56	478	534	146	548	694
At 31 March	-	460	460	56	478	534

29] Intangible assets

	2020	2019
Software		
Cost	$'000	$'000
At 1 April	2,633	2,503
Additions	484	130
At 31 March	3,117	2,633
Amortisation		
At 1 April	(2,271)	(1,999)
Yearly charge	(307)	(272)
At 31 March	(2,578)	(2,271)
Carrying Value		
At 1 April	362	504
At 31 March	539	362

30] Deferred tax assets

Deferred Tax Assets	2020 $'000	2019 $'000
At 1 April	24,301	25,310
Tax (charge)/credit to profit and loss for the year	590	(1,317)
Tax (charge)/credit relating to change in fair value of Investment securities - FVTOCI	132	(88)
Tax relating to IFRS 9 transitional adjustment in retained earnings	-	396
At 31 March	25,023	24,301

A Deferred Tax Asset (DTA) is assessed and recognised as recoverable on the basis of available evidence including projected profits and capital. The utilisation of a deferred tax asset is dependent on future taxable profits. The management makes an assessment of a deferred tax asset 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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Accordingly, a deferred tax asset of $2.94 million in respect of tax losses has not been recognised this year. 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 deferred tax assets relate to unused tax losses. Deferred tax asset increased by $0.72 million due to tax credits for losses combined with credit due to change in fair value of investment securities -FVTOCI.

The Finance Act 2016 enacted reductions in the UK corporation tax rate to 19% with effect from 1 April 2017. This rate is currently applicable with no changes planned.

The Bank has no deductible temporary differences, unused tax losses and unused tax credits which are not recognised as part of the deferred tax assets in the balance sheet.

31] Prepayments and other receivables

	2020 $'000	2019 $'000
Prepayments	467	635
Other receivables	2	1
Total prepayments and other receivables	469	636

32] Deposits from banks

	2020 $'000	2019 $'000
Inter bank borrowings	15,656	55,789
Current accounts from banks	467	672
Overdrafts in Nostro accounts with banks	3	3
Total deposits from banks	16,126	56,464

Deposits from banks includes deposits from a related party, detail of which is given in note 41 to the financial statements. At 31 March 2020 Nil (2019: Nil) deposits from banks are expected to be settled more than twelve months after the reporting date.

33] Deposits from customers

	2020 $'000	2019 $'000
Current accounts	108,454	143,143
Savings accounts	101,678	138,434
Fixed term deposits	474,988	450,394
Total deposits from customers	685,120	731,971

At 31 March 2020 $195.06 million (2019: $154.51 million) of deposits from customers are expected to be settled more than twelve months after the reporting date.

34] Subordinated bonds and other borrowed funds

	2020 $'000	2019 $'000
Subordinated bonds	50,000	50,000

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
Issuer	Punjab National Bank	Punjab National Bank	Canara Bank	Bank of Baroda
Face value	US$ 25.0 million	US$ 10.0 million	US$ 5.0 million	US$ 10.0 million
Original date of issuance (amount on each issue date given in brackets)	31.01.2012 (12.5) 04.10.2012 (12.5)	30.12.2015	23.12.2013	19.08.2014
Original maturity date	10 Years	10 Years	15 Years	10 Years
Coupon rate & related index	6M LIBOR + 400 bps	6M LIBOR + 450 bps	6M LIBOR + 450 bps	6M LIBOR + 450 bps

At 31 March 2020 $50 million (2019: $50 million) of subordinated bonds are expected to be settled more than twelve months after the reporting date.

35] Other liabilities

	2020 $'000	2019 $'000
Bills payable	151	362
Other payables and accrued liabilities	1,391	2,294
Deferred income	1,857	2,052
Total other liabilities	3,399	4,708

Other payables and accrued liabilities include advance interest amount of $0.25 million at 31 March 2020 (2019: $0.44 million) received on loans.

36] Share capital

Authorised share capital

Authorised share capital for the Bank is $400 million.

	2020		2019	
	No.	$	No.	$
Issued and fully paid				
At start of year				
Ordinary shares of £1 each:	2	3	2	3
Ordinary shares of $1 each:	274,630,625	274,630,625	274,630,625	274,630,625
Issue of new ordinary shares of $1 each	-	-		
At end of year	274,630,627	274,630,628	274,630,627	274,630,628
Additional Tier 1 Capital*				
At start of year		45,000,000		45,000,000
At end of year		45,000,000		45,000,000
Total Share Capital at end of the year	274,630,627	319,630,628*	274,630,627	319,630,628

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.

*Included within the share capital are two additional Tier 1 bonds issued as perpetual floating rate sub-ordinated notes mentioned hereunder

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

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.

37] Fair value reserve

	Gross	Tax	Net
31 March 2020	**$'000**	**$'000**	**$'000**
Balance at 1 April 2019	(758)	150	(608)
Amount transferred to statement of profit or loss	14	(2)	12
Movement in FVTOCI reserve in year	(794)	134	(660)
Balance at 31 March 2020	(1,538)	282	(1,256)

	Gross	Tax	Net
31 March 2019	**$'000**	**$'000**	**$'000**
Balance at 1 April 2018	(1,394)	237	(1,157)
Amount transferred to statement of profit or loss	123	(21)	102
Movement in FVTOCI reserve in year	513	(66)	447
Balance at 31 March 2019	(758)	150	(608)

38] Right of use assets and lease liabilities

The bank leases premises for its corporate office and its branches. Information about leases where the bank is a lessee is shown below:

Right of use assets	**2020**
	$'000
Balance at 1 April 2019	5,417
Addition of right of use assets during the year	-
Depreciation charge during the year	(774)
Exchange rate differences	(280)
Balance at 31 March 2020	4,383

Lease liabilities

The total cash outflow of lease liabilities in 2019-2020 was $0.86 million.

The analysis of the maturities of lease liabilities (based on undiscounted cash flows) as of 31 March 2020 is shown below:

Maturity Analysis – contractual cash flows	**2020**
	$'000
Within 1 year	845
Between 1 and 5 years	1,971
Later than 5 years	2,513
Total undiscounted payment at 31 March 2020	5,329

Amounts recognized in profit & loss	**2020**
	$'000
Interest on lease liabilities	147

39] Other commitments and contingencies

Commitments in respect of financial instruments were as follows:

	2020	2019
	$'000	$'000
Guarantees issued to third parties	1,457	1,500

There were undrawn loans of $34.97 million (2019: $31.01 million) and un-availed portions of sanctioned overdraft limits to the extent of $24.35 million (2019: $12.52 million) as at 31 March 2020.

40] 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.

41] 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 2020 are as below:

	2020	2019
	$'000	$'000
Liabilities		
Borrowings	15,387	50,549
Current accounts	462	657
Assets		
Balance in Nostro accounts	1,813	869
Placements	8,006	44,279

Excluded from the above are equity and subordinated bonds, which are given in note 43 of the financial statements. All non-capital transactions are carried out on an arm's length basis.

41] Related party transactions (continued)

Contingent exposure to PNB is shown below:

Nature	2020 $'000	2019 $'000
Cross Currency Swaps (notional) – Sell	2,700	99,263
Cross Currency Swaps (notional) – Buy	2,696	99,025

Detail of transactions of a revenue nature with PNB is shown below:

Nature	Particulars	2020 $'000	2019 $'000
Receipts:			
Interest Earned	Interest on Interbank Placements	613	2,013
Payments:			
A. Professional Fee	Charges for Service Level Agreement (SLA)*	397	190
B. Interest Paid on	Borrowings	575	1,789
C. Interest Paid on Capital Bonds (unaudited)	Additional Tier I Capital Bonds $45.00 million	3,362	3,432
	Tier II Capital Bonds $12.50 million	807	827
	Tier II Capital Bonds $12.50 million	807	827
	Tier II Capital Bonds $10.00 million	692	703

*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.

The Bank enters into unsecured commercial transactions with the Parent bank branches, Subsidiary and Associates Company in the ordinary course of business on an arm's length basis. Necessary ECL provisions are made for relevant exposures.

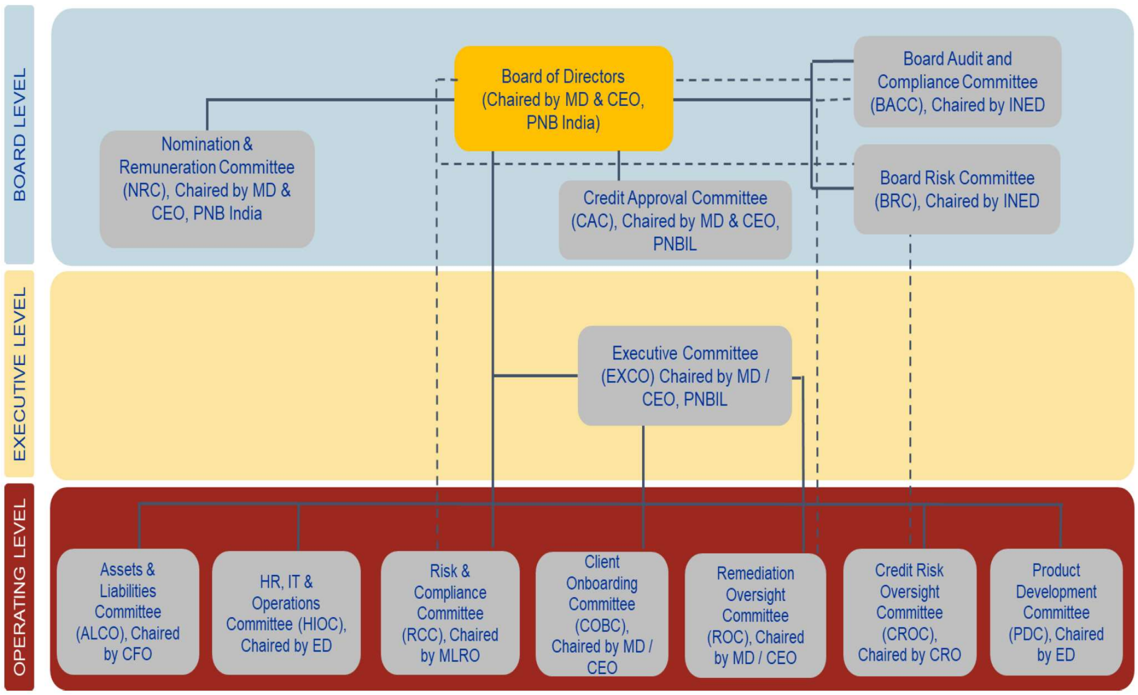
Other transactions with related parties (including remuneration paid to Directors who the Bank considers as key management) are disclosed in note 15. The Bank considers that the cost of secondment of executives to or from the Parent bank is not material.

Related party equity and subordinated bonds are outlined in note 36 and note 34 respectively to the financial statements.

42] Financial risk management objectives and policies

Risk governance

The Governance Framework of PNBIL is depicted below:



Board of Directors

The Board, through the Board Risk Committee and the Board Audit and Compliance Committee is responsible for establishing mechanisms and structures to control and manage risks across the Bank. The Board is responsible for ensuring there is a culture and awareness of Risk and Risk Management principles throughout the Bank. The Board sets the Bank's Risk Appetite, its Frameworks and Policies, reviews and approves the ICAAP and ILAAP, oversees the Bank's Risk profile, and considers Risk when setting the Bank's Strategy and taking decisions on behalf of the Bank.

Senior Management is accountable for Risk Management, either as members of the First or Second line of defence. This means that they each have accountabilities either collectively via EXCO or individually via their functional roles for active risk management.

Board Risk Committee (BRC) and Board Audit and Compliance Committee (BACC)

Both BRC and BACC are chaired by independent non-executive directors. BRC is the Bank's senior enterprise risk committee with delegated authority from the Board to agree appetites, frameworks and policies and to monitor all of the Bank's risks, except for regulatory and compliance risks that are handled via the BACC.

42] Financial risk management objectives and policies (continued)

BACC agree the Bank's audit universe and annual audit plan, review and agree the annual report and accounts, monitor all "third line" audit activity in the Bank, and review and monitor the external audit. It is also responsible for agreeing regulatory frameworks and policies, and for monitoring all regulatory, conduct and compliance (including Anti- Money Laundering) risks across the Bank.

Embedding Risk Management is central to the successful implementation of this Risk Governance Framework, and EXCO members have prime responsibility to promote and embed this in their areas of responsibility. Summary details of the committees' terms of reference are provided below:

Board Credit Approval Committee (BCAC)

The Board Credit Approval Committee is a sub-committee of the Board from which it derives its authority and to which it reports. It is the Bank's senior credit committee with responsibility for reviewing and agreeing all material individual customer credit approvals. The Committee is chaired by the MD.

Executive Committee (EXCO)

The Executive Committee derives its authority from the Board, to which it reports. EXCO is the leadership body for the Bank. It has a broad remit in terms of scope, covering as necessary significant business and operational issues. The committee is chaired by the Managing Director (MD). EXCO has six sub committees as follows:

- Risk and Compliance Committee (RCC) chaired by MLRO
- Asset and Liability Committee (ALCO) chaired by CFO
- Credit Risk Oversight Committee (CROC) chaired by CRO
- HR, IT & Operations Committee (HIOC) chaired by ED
- Remediation Oversight Committee (ROC) chaired by MD
- Client Onboarding Committee (CBOC) chaired by MD

Three lines of defence model

A "Three Lines of Defence" model has been adopted by the Bank for the effective oversight and management of risks across the Bank.

Specific responsibilities of the First Line include:

- 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

42] Financial risk management objectives and policies (continued)

Risk Management Department and Compliance Department are responsible for the ongoing assessment and monitoring of risk-taking activities across the Bank.

The Second Line focusses on real-time monitoring and review and are responsible for:

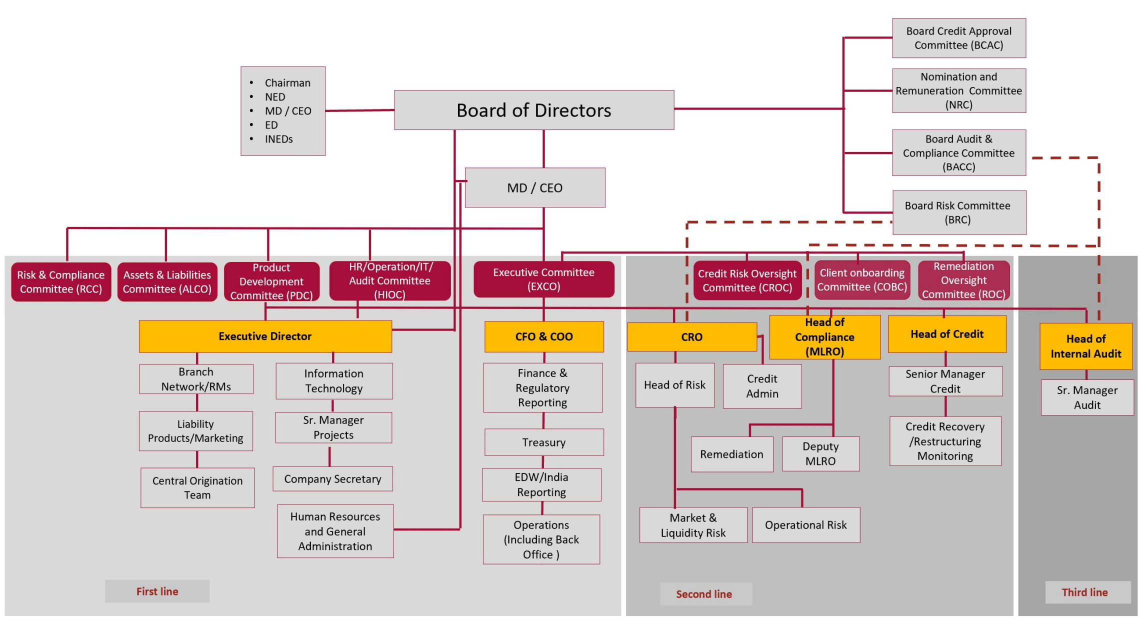
- Developing and monitoring the implementation of risk management frameworks, policies, systems, processes and tools
- Ensuring that risk management frameworks, policies, systems, processes and tools are updated and reviewed periodically and that these are communicated effectively to the First Line
- Reporting via the CRO and HOC, on all these items, including risk mitigating actions, where appropriate

The Third Line of Defence comprises Internal Audit who are responsible for:

- Independently reviewing the design and operating effectiveness of the Bank's internal controls, risk management and governance systems and processes
- 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
- Reporting to the Board on the status and progress of the above

The Board and the Bank's MD have responsibility for overseeing the effective action and performance of all three lines of defence.

The diagram below illustrates the segregation of First, Second and Third Line roles across relevant bank functions, branches and teams:



42] Financial risk management objectives and policies (continued)

Risk management function:

The Risk Management Function is owned by CRO. The function bears primary responsibility for the independent assessment and management of key risks faced by the Bank, and the monitoring and reporting of the Bank's risk profile using the following:

- Developing and monitoring the implementation of the Bank's Risk Management Frameworks, Policies, Systems, Processes and Tools
- Advising - providing information and guidance on the deployment of Risk Management Frameworks and Tools across the Bank
- Monitoring and reporting the overall risk profile of the Bank

Compliance function:

The function is headed by Head of Compliance (HOC) who is also the MLRO. The function safeguards the reputation of the Bank and to maintain professional relationships with regulatory supervisors while independently providing assurance to the Board on the management of Compliance Risk. HOC also has responsibility for Anti Money Laundering (AML) and Counter Terrorist Financing ('TF) activity (SMF17). The HOC is responsible for ensuring an appropriate, fit for purpose, compliance methodology and framework is in place which leads to effective compliance oversight and to minimize the exposure of the Bank to Financial Crime. The HOC reports to the MD and the Chairman of the BACC.

Internal audit

The Head of Internal Audit (HIA) is accountable for the Bank's internal audit work (SMF5) and for deciding the action to be taken on the outcome of the findings from Audit work. The role of HIA is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.

The HIA reports to the MD and the Chairman of the BACC.

Risk categorisation

As a part of its ICAAP, the Bank has identified a number of material risks in its product portfolio and these are discussed below:

Credit risk

Credit risk is defined as potential financial loss and can arise on account of downgrading of counterparties to whom credit facilities are extended or whose credit instruments the Bank may be holding, causing the value of those assets to fall.

42] Financial risk management objectives and policies (continued)

The following techniques are in place to mitigate the credit risks:

- Revised 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 credit risk is controlled by a number of policies such as Credit Policy, Collateral Management Policy, Asset Classification and Impairment Policy Credit Manual
- A separate credit team at the corporate office headed by UK experienced personnel working independently from the Business function

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 Bank carries investment book (mainly consisting of corporate bonds, banks / FI's bond and UK/US 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. The total notional amount of outstanding currency exchange contracts to which the Bank is committed is $145.66 million (2019: $280.96 million).

The open position of the Bank is as below:

Currency	2020		2019	
	Open Position '000	$ Equivalent $'000	Open Position '000	$ Equivalent $'000
Indian Rupees	151,079	2,004	102,025	1,475
Pound Sterling	(4,059)	(5,020)	(7,163)	(9,342)
Euro	4,646	5,087	7,687	8,631
Nepalese Rupees	4,802	40	3,321	30
Total Long Position in US $		**2,111**		**794**
Total Short Position in US $		-		-

Upward or downward movement of exchange rates by 10% may impact profitability of the Bank by $0.21 million (2019: $0.08 million).

42] Financial risk management objectives and policies (continued)

Interest rate risk in banking book (Re-pricing analysis as at 31 March 2020)

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

Amount in $ thousands								
Particulars	Upto 1 month	1-3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Non Sensitive Category	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Cash and cash equivalent	124,130	8,000	-	-	-	-	-	132,130
Investment securities – FVTPL	33,585	-	-	-	-	-	-	33,585
Derivative financial instruments	2,746	268	-	-	-	-	-	3,014
Loans and advances to banks	13,738	98,039	12,409	-	-	-	858	125,044
Loans and advances to customers	346,649	43,330	47,305	5,412	1,434	37,712	84,525	566,366
Investment securities – FVTOCI	-	6,576	992	-	18,997	9,086	-	35,651
Investment securities – Amortised Cost	1,011	-	-	-	15,278	33,177	-	49,467
Property, plant and equipment	-	-	-	-	-	-	460	460
Right of use lease assets	-	-	-	-	-	-	4,383	4,383
Intangible assets	-	-	-	-	-	-	539	539
Deferred tax assets	-	-	-	-	-	-	25,023	25,023
Current tax Assets	-	-	-	-	-	-	-	-
Prepayments and other receivables	-	-	-	-	-	-	469	469
Total Assets	**521,858**	**156,213**	**60,705**	**5,412**	**35,710**	**79,975**	**116,258**	**976,131**
Liabilities and Equity								
Derivative financial instruments	401	703	353	-	-	-	-	1,458
Deposits from banks	471	15,656	-	-	-	-	-	16,126
Deposits from customers	227,928	41,937	116,145	143,708	137,477	17,925	-	685,120
Current Tax Liability	-	-	-	-	-	-	-	-
Subordinated liabilities	-	15,000	35,000	-	-	-	-	50,000
Deferred tax Liability	-	-	-	-	-	-	-	-
Lease Liability	-	-	-	-	-	-	4,443	4,443
Other liabilities	151	-	-	-	-	-	3,248	3,399
Share capital	-	-	45,000	-	-	-	274,631	319,631
Reserves and retained earnings	-	-	-	-	-	-	- 102,790	- 102,790
Fair Value reserves	-	-	-	-	-	-	- 1,256	- 1,256
Total Liabilities and Equity	**228,950**	**73,296**	**196,498**	**143,708**	**137,477**	**17,925**	**178,277**	**976,131**
Interest Rate Gap	292,908	82,916	- 135,793	- 138,296	- 101,767	62,050	- 62,018	0
Interest Rate Swap for Hedging	-	-	-	-	-	-	-	-
Net gap	**292,908**	**82,916**	**- 135,793**	**- 138,296**	**- 101,767**	**62,050**	**- 62,018**	**0**
Impact of Interest Variation of 2%	**244**	**276**	**- 1,018**	**- 2,074**	**- 4,071**	**4,964**		**- 1,679**

The Bank has a stipulated limit for open positions and the actual open position is measured and monitored regularly.

42] Financial risk management objectives and policies (continued)

Liquidity and funding risk

The Bank has a Board approved ILAAP in place, in line with the guidelines issued by the Prudential Regulation Authority (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.

The following table analyses the Bank's assets, liabilities and equity (based on undiscounted cash flows) into relevant maturity groupings based on the remaining period to the contractual maturity date as at 31 March 2020:

Amount in $ thousands								
Particulars	Upto 1 month	1-3 month	3-12 month	1-2 year	2-5 year	Over 5 years	Undated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Cash and cash equivalent	124,130	8,000	-	-	-	-	-	132,130
Investment securities – FVTPL	33,585	-	-	-	-	-	-	33,585
Derivative financial instruments	2,746	268	-	-	-	-	-	3,014
Loans and advances to banks	-	73,261	37,187	13,738	-	-	858	125,044
Loans and advances to customers	81,810	21,422	128,328	70,054	150,494	30,067	84,191	566,366
Investment securities – FVTOCI	128	6,464	975	2,953	19,670	5,461	-	35,651
Investment securities – amortised cost	1,011	-	-	12,271	20,907	15,278	-	49,467
Property, plant and equipment	-	-	-	-	-	-	460	460
Right of use lease assets	-	-	-	-	-	-	4,383	4,383
Intangible assets	-	-	-	-	-	-	539	539
Deferred tax assets	-	-	-	-	-	-	25,023	25,023
Current tax Assets	-	-	-	-	-	-	-	-
Prepayments and other receivables	-	-	-	-	-	-	469	469
Total Assets	**243,410**	**109,415**	**166,490**	**99,016**	**191,071**	**50,806**	**115,923**	**976,131**
Liabilities and Equity								
Derivative financial instruments	401	703	354	-	-	-	-	1,458
Deposits from banks	471	15,655	-	-	-	-	-	16,126
Deposits from customers	227,922	41,937	259,859	115,963	39,439	-	-	685,120
Subordinated liabilities	-	-	-	12,500	12,500	25,000	-	50,000
Lease Liability	-	-	-	-	-	-	4,443	4,443
Other liabilities	151	-	-	-	-	-	3,248	3,399
Share capital	-	-	-	-	-	-	319,631	319,631
Reserves and retained earnings	-	-	-	-	-	-	- 102,790	- 102,790
Fair Value reserves	-	-	-	-	-	-	- 1,256	- 1,256
Total Liabilities and Equity	**228,945**	**58,295**	**260,213**	**128,463**	**51,939**	**25,000**	**223,277**	**976,131**
Financial guarantees and letters of credit – net of deposit	-	1,389	68	-	-	-	-	1,457
Irrevocable Loan commitments	14	-	-	-	-	-	-	14
Total equity, liabilities and commitments	228,959	59,684	260,281	128,463	51,939	25,000	223,277	977,602
Net liquidity gap	**14,451**	**49,731**	**- 93,791**	**- 29,447**	**139,133**	**25,806**	**- 107,354**	**- 1,471**
Cumulative Liquidity Gap	**14,451**	**64,182**	**- 29,609**	**- 59,056**	**80,077**	**105,883**	**- 1,471**	

The Bank holds sufficient high-quality liquid assets (HQLA) in approved securities and balance with the Bank of England to meet the obligations for 90 days under stressed conditions. The Bank also maintains no negative mismatch under wholesale fund flow for 90 days.

ALCO is primarily responsible for overseeing the implementation of the liquidity policy of the Bank. The Bank measures and monitors the liquidity position on a daily basis. The Bank uses detailed liquidity stress testing for liquidity through ILAAP. The ILAAP is reviewed and approved annually by Board.

42] Financial risk management objectives and policies (continued)

The comparative analysis as at 31 March 2019 is shown below:

Amount in $ thousands								
Particulars	Upto 1 month	1-3 month	3-12 month	1-2 year	2-5 year	Over 5 years	Undated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Cash and cash equivalent	157,373	-	-	-	-	-	-	157,353
Investment securities – FVTPL	24,232	-	-	-	-	-	-	24,232
Derivative financial instruments	999	1,311	222	-	-	-	-	2,532
Loans and advances to banks	-	69,757	56,172	29,129	-	-	613	155,671
Loans and advances to customers	84,512	22,829	116,896	76,553	171,396	51,867	78,680	602,733
Investment securities – FVTOCI	1,347	1,011	6,485	2,495	21,987	8,992	271	42,588
Investment securities - amortised cost	3,046	4,070	14,322	985	20,397	2,706	5,122	50,648
Property, plant and equipment	-	-	-	-	-	-	534	534
Intangible assets	-	-	-	-	-	-	362	362
Deferred tax assets	-	-	-	-	-	-	24,301	24,301
Current tax Assets							-	-
Prepayments and other receivables	-	-	-	-	-	-	636	636
Total Assets	**271,489**	**98,978**	**194,097**	**109,162**	**213,780**	**63,565**	**110,519**	**1,061,590**
Liabilities and Equity								
Derivative financial instruments	867	281	114	-	-	-	-	1,262
Deposits from banks	675	55,789	-	-	-	-	-	56,464
Deposits from customers	316,455	77,688	181,114	75,785	80,929	-	-	731,971
Subordinated liabilities	-	-	-	-	25,000	25,000	-	50,000
Current tax liabilities	-	-	-	-	-	-	316	316
Other liabilities	362	-	-	-	-	-	4,346	4,708
Share capital	-	-	-	-	-	-	319,631	319,631
Reserves and retained earnings	-	-	-	-	-	-	-102,154	- 102,154
Fair Value reserves	-	-	-	-	-	-	- 608	- 608
Total Liabilities and Equity	**318,359**	**133,758**	**181,228**	**75,785**	**105,929**	**25,000**	**221,531**	**1,061,590**
Financial guarantees and letters of credit – net of deposit	-	1,370	130	-	-	-	-	1,500
Irrevocable Loan commitments	1,876	-	-	-	-	-	-	1,876
Total equity, liabilities and commitments	320,235	135,128	181,358	75,785	105,929	25,000	221,531	1,064,966
Net liquidity gap	**- 48,746**	**- 36,150**	**12,739**	**33,377**	**107,851**	**38,565**	**-111,012**	**- 3,376**
Cumulative Liquidity Gap	**- 48,746**	**- 84,896**	**- 72,157**	**- 38,780**	**69,071**	**107,636**	**- 3,376**	

Operational risk

Major sources of operational risks for the Bank are identified by management (as part of ICAAP) as 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 has identified each of such possible eventualities and established mitigation processes and internal controls to avoid such risks.

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.

42] Financial risk management objectives and policies (continued)

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. In a way it touches every part of the risk enterprise framework. Conduct risk management is to ensure compliance to new conduct risk rules, managing conflicts of interest, preventing market abuse, or building robust audit procedures.

Strategic & 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 changes. The risk is mitigated by the modest growth business model and working with the target segments where the Bank has experience, knowledge, skill set.

Reputational risk

Reputational risk at PNBIL is defined as the risk of possible damage to PNBIL's brand and reputation. 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.

Group risk

Group Risk is 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 PNBIL's business. The use of services from the Parent bank such as IT is also included.

These risks are mitigated through:

- Increased involvement and interaction between senior management from PNBIL and the Parent bank
- Limits on net exposure of the Parent bank
- Performance of the Parent bank and its likely impact on PNBIL being assessed regularly
- Operational and Compliance Policies

Further, our reliance on the Parent bank with regards to capital and liquidity has reduced.

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:

43] Capital management (unaudited) – (continued)

- Maintain sufficient capital resources to meet the minimum regulatory capital requirements set by the Prudential Regulation Authority and the European Banking 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:

Tier	Component	2020 $'000	2019 $'000
Core Tier I Capital	• Permanent share capital	274,631	274,631
	• Profit and loss account and other reserves	(102,790)	(102,154)
	• FVTOCI reserve	(1256)	(608)
	• IFRS 9 transitional adjustment	1,779	3,974
		172,364	175,843
Additional Tier I	• Additional Tier 1 capital	45,000	45,000
Adjustments	• Intangible Assets	(539)	(362)
	• Deferred tax assets	(25,023)	(24,301)
	• Due to prudential filters	(746)	(709)
Total Tier I Capital		191,056	195,471
Tier II Capital			
	• Long term dated subordinated bonds	50,000	50,000
		50,000	50,000
Deductions from Tier II	• Amortisation of dated Tier II capital, maturing within five years	(15,356)	(9,118)
Total Tier II Capital		34,644	40,882
Total Capital (unaudited)		225,700	236,353

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.

45] Country-by-country reporting for the year ended 31 March 2020

Article 89 of the Capital Requirements Directive ("CRD IV") sets out a Country-by-Country Reporting ("CBCR") obligation on CRD IV 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 IFRS principles as adopted by the European Union, 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, PNBIL 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 2020.

Country	Turnover ($'000)	Profit before tax ($'000)	Corporate income tax (Paid/received) ($'000)	Full time equivalent No of employees
United Kingdom	**34,053**	**1,821**	**-**	**159**

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 is defined as 'net gains on financial instruments classified as FVTPL', 'net gains on financial instruments designated at fair value through profit or loss', 'net gains on investment securities - FVTOCI', 'interest income' net of 'interest expense' and 'other income'.

Profit before tax represents Accounting profits under IFRS accounting as adopted by the European Union.

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 PNBIL, including staff of back office and excluding contractors.