



# **PILLAR 3 DISCLOSURES**

**FOR THE YEAR ENDED 31 MARCH 2019**



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[Key highlights](#)

[Table KM1: Key metrics](#)

As at 31st March

(Figures in USD Million)

	Particulars	2019	2018
	<b>Available capital</b>		
1	Common equity tier 1 (CET 1)	150.4	142.8
1a	Fully loaded ECL accounting model	146.4	-
2	Tier 1	195.4	187.8
2a	Fully loaded ECL accounting model Tier 1	191.4	-
3	Total Capital	236.3	237.2
3a	Fully loaded ECL accounting model total capital	232.3	--
	<b>Risk weighted assets (RWA)</b>		
4	Total RWA	797.6	906.2
	<b>Risk weighted capital ratios as a % of RWA</b>		
5	Common equity tier 1 ratio (%)	18.9%	15.8%
5a	Fully loaded ECL accounting model Common equity tier 1 ratio (%)	18.4%	-
6	Tier 1 ratio (%)	24.5%	20.7%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	24.0%	-
7	Total capital ratio (%)	29.6%	26.2%
7a	Fully loaded ECL accounting model Total capital ratio (%)	29.1%	-
	<b>Additional CET 1 buffer requirements as a % of RWA</b>		
8	Capital conservation buffer requirement (%)	2.9%	1.88%
9	Countercyclical buffer requirement (%)	0.01%	0.02%
11	Total of bank's CET 1 specific buffer requirements (%)	2.9%	1.9%
12	CET 1 available after meeting bank's minimum capital requirements (%)	7.4%	5.1%
	<b>Basel III leverage ratio</b>		
13	Total Basel III leverage ratio exposure measure	1290.7	1451.6
14	Basel III leverage ratio (%)	15.1%	12.9%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)	14.8%	-
	<b>Liquidity coverage ratio</b>		
15	Total HQLA	75.9	167.0
16	Total net cash outflow	14.5	16.3
17	LCR ratio (%)	524%	1027%

**Key metrics**

**CET 1 ratio**  
**18.9%**

Mar 2018: 15.8%

**Total capital ratio**  
**29.6%**

Mar 2018: 26.2%

**Leverage ratio**  
**15.1%**

Mar 2018: 12.9%

**LCR**  
**524%**

Mar 2018: 1027%

**Total RWA**  
**\$797.6mn**

Mar 2018: \$906.2mn



## [1. Overview](#)

### [1.1 Background](#)

Punjab National Bank (International) Limited ('the Bank') is a UK incorporated subsidiary of Punjab National Bank – India, and is authorized by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). The Bank started its UK operations in May 2007 and is presently operating through its seven branches, four branches viz. Moorgate, Southall, Ilford and Wembley in London and three branches viz. Leicester, Birmingham and Wolverhampton in the Midlands. PNBIL's corporate office is at Moorgate in the City of London.

This document details the Pillar III disclosure requirements and is in addition to the consolidated Basel III - Pillar 3 disclosures made by Punjab National Bank Limited ('the Parent Bank').

### [1.2 Media and Location](#)

The Annual Report and the Pillar III disclosures will be published on the Bank's corporate website ([www.pnbint.com](http://www.pnbint.com)).

### [1.2 Basis of disclosure](#)

The Pillar 3 disclosures have been prepared for explaining the basis on which the Bank has prepared and disclosed certain capital requirements and information about the management of certain risks. These disclosures are intended to convey the Bank's risk profile comprehensively to market participants and do not constitute any form of financial statement and must not be relied upon in making any judgment on the Bank.

Some of the information required to be declared as part of the Pillar 3 disclosures is discussed in various notes to the financial statements, and in the Directors' and Strategic Reports in the Annual Report. This report should be read in conjunction with the Annual Report and Financial Statements for completeness of the required disclosures.

### [1.3 Scope of Application](#)

The Pillar 3 disclosures have been prepared for the Bank in accordance with its own disclosure policy, as approved by the Board, and as per the rules laid out in the CRDIV guidelines as adopted by the PRA. The Bank is a full CRD firm and its accounting and disclosures are on a solo basis. There is no subsidiary/ joint venture of the firm that is required to be consolidated for accounting or prudential purposes. However, its Parent, Punjab National Bank, has to consolidate financial statements, capital adequacy and other information required for accounting, prudential and market disclosure purposes, and reports the same to its regulators and market participants on a consolidated basis.



### 1.4 Frequency

This disclosure is made on an annual basis. The disclosures will be as at the Accounting Reference Date (ARD), i.e. as at March 31st, and will be published alongside the Annual Report.

### 1.5 Currency

The Pillar III disclosures are presented in US Dollars as this is functional currency of the Bank.

## 2. Risk Management

Effective risk governance is the key component of the Bank's strategy and it helps in delivering the objectives of Bank's overall business strategy. The overall business model of the Bank is supported by an embedded risk culture and sustainable risk appetite.

Further details on our risk management objectives, policies, governance and risk appetite framework is set out in note 42 - Financial risk management objectives and policies of our Annual Report and Financial Statements 2019.

## 3. Capital Resources:

The following tables below provide details of the capital base of the Bank as on 31<sup>st</sup> March 2019:

### 3.1 Reconciliation with Balance Sheet:

<b>As at 31<sup>st</sup> March</b>	<b>(Figures in Million)</b>	
<b>Particulars</b>	<b>2019</b>	<b>2018</b>
Shareholders' equity as per balance sheet	274.6	274.6
Retained earnings	(102.2)	(104.9)
Fair value reserve	(0.6)	(1.1)
IFRS 9 transitional adjustment	4.0	-
Less: Intangible assets	(0.4)	(0.5)
Less: Adjustments due to prudential filters	(0.7)	-
Less: Deferred tax assets	(24.3)	(25.3)
<b>Total Core Tier I capital</b>	<b>150.4</b>	<b>142.8</b>
Additional Tier I capital	45.0	45.0
<b>Total Tier I capital</b>	<b>195.4</b>	<b>187.8</b>
Eligible amount of Tier II adjustments	50.0	50.0
General Credit Risk adjustment (Collective provisions)	-	3.5
Less: Amortisation of Date Tier II capital maturing within 5 years	(9.1)	(4.1)
<b>Total Tier II capital</b>	<b>40.9</b>	<b>49.4</b>
<b>Total Regulatory capital</b>	<b>236.3</b>	<b>237.2</b>



### 3.2 Capital Ratios:

As at 31 <sup>st</sup> March	(Figures in Million)	
Particulars	2019	2018
Risk Weighted Assets	797.6	906.2
Total Capital Ratio	29.6%	26.2%
CET 1 Ratio	18.9%	15.8%
Tier 1 Ratio	24.5%	20.7%
Tier 2 Ratio	5.1%	5.5%

### 3.3 Own funds disclosure and Capital instruments' main features template

The Own funds disclosure template is provided in Annexure I and disclosure on main features of the capital instruments is provided in Annexure II.

## 4. Capital Requirements

### 4.1. Approaches to assess minimum capital requirement under Pillar 1

The Bank determines its Pillar 1 regulatory capital requirement based on the following approaches:

- ❖ **Credit Risk:** Standardized approach
- ❖ **Market Risk:** Standardized approach
- ❖ **Operational Risk:** Basic Indicator approach

Besides, capital requirement on the following is also included in Pillar 1 requirements:

- ❖ Counterparty credit risk (CCR): Mark to market method / potential future exposure
- ❖ Credit valuation adjustment (CVA) risk: Standardized method
- ❖ Settlement / Delivery risk: Price Difference method

The capital requirement for all the above risks is then aggregated to arrive at the minimum capital requirement under Pillar 1.



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**4.2. Capital Requirement under Pillar 1:**

Minimum Capital requirement under Pillar 1 under CRR as on 31 March 2019 has been assessed as under:

**As at 31<sup>st</sup> March 2019**

**(Figures in Million)**

<b>Particulars</b>	<b>RWA (Before SME Benefit)</b>	<b>SME Benefit*</b>	<b>RWA After SME Benefit</b>	<b>Capital Required @ 8% under Pillar I</b>
Credit Risk - Balance Sheet Assets	716.1	3.0	713.1	57.0
Credit Risk - Off Balance Sheet Assets	1.3	-	1.3	0.1
CCR For Interest Rate Swaps	0.2	-	0.2	-
CCR For Forex Swaps	0.7	-	0.7	0.1
CCR For Repo Transaction	-	-	-	-
Credit Valuation Adjustment	0.8	-	0.8	0.1
<b>Total Credit Risk</b>	<b>719.1</b>	<b>3.0</b>	<b>716.1</b>	<b>57.3</b>
Market Risk - Forex PRR	10.1	-	10.1	0.8
Market Risk - Interest Rate PRR On Trading Book	9.3	-	9.3	0.8
Market Risk - Interest Rate PRR On Interest Rate Swap	5.9	-	5.9	0.5
<b>Total Market Risk</b>	<b>25.3</b>	<b>-</b>	<b>25.3</b>	<b>2.1</b>
<b>Operational Risk</b>	<b>56.2</b>	<b>-</b>	<b>56.2</b>	<b>4.4</b>
<b>Capital Requirement</b>	<b>800.6</b>	<b>3.0</b>	<b>797.6</b>	<b>63.8</b>

**As at 31<sup>st</sup> March 2018**

**(Figures in Million)**

<b>Particulars</b>	<b>RWA (Before SME Benefit)</b>	<b>SME Benefit*</b>	<b>RWA After SME Benefit</b>	<b>Capital Required @ 8% under Pillar I</b>
Credit Risk - Balance Sheet Assets	770.1	3.4	766.7	61.3
Credit Risk - Off Balance Sheet Assets	3.6	-	3.6	0.3
CCR For Interest Rate Swaps	0.3	-	0.3	-
CCR For Forex Swaps	2.0	-	2.0	0.2
CCR For Repo Transaction	-	-	-	-
Credit Valuation Adjustment	2.1	-	2.1	0.2
<b>Total Credit Risk</b>	<b>778.1</b>	<b>3.4</b>	<b>774.7</b>	<b>62.0</b>
Market Risk - Forex PRR	16.2	-	16.2	1.3
Market Risk - Interest Rate PRR On Trading Book	11.0	-	11.0	0.9
Market Risk - Interest Rate PRR On Interest Rate Swap	37.3	-	37.3	3.0
<b>Total Market Risk</b>	<b>64.5</b>	<b>-</b>	<b>64.5</b>	<b>5.2</b>
<b>Operational Risk</b>	<b>67.0</b>	<b>-</b>	<b>67.0</b>	<b>5.4</b>
<b>Capital Requirement</b>	<b>909.6</b>	<b>3.4</b>	<b>906.2</b>	<b>72.6</b>



### 4.3. Capital Buffers

#### ➤ Countercyclical Capital Buffer:

The tables below use the standard template issued by the EBA to show the distribution of relevant credit exposures for the calculation of an institution's countercyclical capital buffer (CCyB), using only the columns applicable to the Bank. The CCyB rates for only those countries that are recognized by the Financial Policy Committee (FPC) in the UK have been mentioned in the table.

As at 31<sup>st</sup> March 2019

(Figures in Million)

010 Breakdown by country	Credit Exposures	Own Funds Requirements		
	Exposure value	Own funds requirements	Own funds weights	Countercyclical capital rate
	Col 010	Col 070	Col 110	Col 120
United Kingdom	437.6	24.1	0.42	1.0%
Hong Kong	6.1	0.7	0.01	1.9%
All Other Countries	577.1	32.4	0.57	0.0%
<b>020 Total</b>	<b>1,020.8</b>	<b>57.2</b>	<b>1.00</b>	<b>0.01%</b>

As at 31<sup>st</sup> March 2018

(Figures in Million)

010 Breakdown by country	Credit Exposures	Own Funds Requirements		
	Exposure value	Own funds requirements	Own funds weights	Countercyclical capital rate
	Col 010	Col 070	Col 110	Col 120
Hong Kong	5.9	0.7	0.01	1.9%
All Other Countries	1,179.8	61.1	0.99	0.0%
<b>020 Total</b>	<b>1,185.7</b>	<b>61.8</b>	<b>1.00</b>	<b>0.00%</b>

#### ➤ Institution Specific Countercyclical Capital Buffer:

The table below use the standard template issued by the EBA to show the value and rate of a firm's institution-specific countercyclical capital buffer requirement and shows the Bank's value and rate as under:

As at 31<sup>st</sup> March 2019

(Figures in Million)

010 Total risk exposure amount	797.6
<b>020 Institution specific countercyclical capital buffer rate</b>	<b>0.01%</b>
<b>030 Institution specific countercyclical capital buffer requirement</b>	<b>0.1</b>

As at 31<sup>st</sup> March 2018

(Figures in Million)

010 Total risk exposure amount	1,013.0
<b>020 Institution specific countercyclical capital buffer rate</b>	<b>0.02%</b>
<b>030 Institution specific countercyclical capital buffer requirement</b>	<b>0.2</b>





#### 4.4. Capital Requirement under Pillar 2A

The Bank's Total Capital Requirement applicable as at March 31<sup>st</sup> 2019 was 4.44% of Risk Weighted Assets.

#### 5. Leverage Ratio:

The Bank's leverage ratio as at 31<sup>st</sup> March 2019 was 15.1%. The leverage tables below have been prepared using standard templates issued by the EBA but only display rows that are applicable to the Bank.

##### 5.1 LR Sum: Reconciliation of exposure measure to statement of financial position

As at 31 <sup>st</sup> March		(Figures in Million)	
		2019	2018
<b>1</b>	<b>Total assets as per published financial statements</b>	<b>1,061.8</b>	<b>1,202.0</b>
4	Adjustments for derivative financial instruments	6.2	16.8
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	9.5	8.6
7	Other adjustments	213.0	224.2
<b>8</b>	<b>Leverage ratio tool exposure measure</b>	<b>1,290.5</b>	<b>1,451.6</b>

##### 5.2 LR Com: Breakdown of Leverage Exposure Measure and Calculation of Leverage Ratio

As at 31 <sup>st</sup> March		(Figures in Million)	
		2019	2018
	<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>		
1	On-balance sheet items (excluding derivatives, SFTs, and fiduciary assets, but including collateral)	1,300.4	1,452.0
2	(Asset amounts deducted in determining Tier 1 capital)	(25.4)	(25.8)
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>	<b>1,275.0</b>	<b>1,426.2</b>
	<b>Derivative exposures</b>		
4	Replacement cost associated with all derivatives transaction (i.e. net of eligible cash variation margin)	2.5	11.9
5	Add-on amounts for PPE associated with all derivatives transaction (mark to market method)	3.7	4.9
<b>11</b>	<b>Total derivatives exposures</b>	<b>6.2</b>	<b>16.8</b>
	<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposures at gross notional amount	73.1	45.4
18	(Adjustments for conversion to credit equivalent amounts)	(63.6)	(36.8)
<b>19</b>	<b>Other off balance sheet exposures</b>	<b>9.5</b>	<b>8.6</b>
	<b>Capital and total exposures</b>		
20	Tier 1 capital	195.4	187.8
<b>21</b>	<b>Total leverage ratio exposures</b>	<b>1,290.7</b>	<b>1,451.6</b>
<b>22</b>	<b>Leverage ratio</b>	<b>15.1%</b>	<b>12.9%</b>



### 5.3 LR Spl: Breakdown of Leverage Exposure Measure by Exposure Class

As at 31 <sup>st</sup> March		(Figures in Million)	
		2019	2018
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	1,300.4	1,452.0
EU-2	Trading book exposures	-	-
<b>EU-3</b>	<b>Banking book exposures, of which:</b>	<b>1,300.4</b>	<b>1,452.0</b>
EU-5	Exposures treated as sovereigns	76.8	165.3
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	-	-
EU-7	Institutions	319.1	392.9
EU-8	Secured by mortgages of immovable properties	234.0	161.0
EU-9	Retail exposures	12.7	13.8
EU-10	Corporate	175.3	218.7
EU-11	Exposures in default	406.5	416.6
EU-12	Other exposures ( e.g. equity, securitisations, and other non-credit obligation assets)	76.0	83.6

### 5.4 LR Qua: Qualitative Disclosure on Management of Leverage Ratio

1	Description of the process used to manage the risk of excessive leverage	Leverage is managed within the Bank's Risk Appetite Framework and the Bank demonstrates a low risk appetite for excessive leverage at 15.1%
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	During the course of the financial year, the leverage ratio has increased from 12.94% at 31 <sup>st</sup> March 2018 to 15.1% as at 31 <sup>st</sup> March 2019. The increase in the ratio is primarily due to a reduction in assets combined with an increase in Tier 1 capital.

## 6. Asset Encumbrance

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. As at 31<sup>st</sup> March 2019, the Bank has encumbered assets (2018: Nil). The tables in Annexure III include all relevant disclosures in relation to encumbered and unencumbered assets.

## 7. Liquidity:

Liquidity risk is the possibility of being unable to meet present and future financial obligations as they become due. The Bank has implemented CRDIV liquidity guidelines as specified by the PRA. It maintains a Liquidity Coverage Ratio (LCR) as stipulated by the PRA. The Bank also tracks the Net Stable Funding Ratio (NSFR), though it is yet to be introduced as a regulatory requirement. The table below shows the key liquidity ratios as at 31<sup>st</sup> March:

Key Liquidity Metrics	2019	2018
Liquidity Coverage Ratio (LCR)	524%	1,027%
Net Stable Funding Ratio (NSFR)	139%	171%



## **8. Credit Risk: General Disclosures**

### **8.1 Qualitative Disclosures**

#### **8.1.1 Allowance for Expected Credit Losses:**

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, Held to maturity investment securities 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 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 expected credit loss (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.



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

- ❖ Transfers between stage 1 and stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period and the consequent 'step up' (or 'step down') between 12 months or lifetime ECL.
- ❖ Additional allowances for new financial instruments recognised during the period.
- ❖ Impact on the measurement of ECL due to changes made to models and assumptions.
- ❖ 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.

Further details in relation to what constitutes 'a significant increase in credit risk', definition of 'default' and 'write-off policy', are set out under note 25 of the Annual Report and Financial Statements 2019.

### **Internal Ratings**

The Bank has in place internal rating and scoring models. All eligible non-bank credit counterparties are rated on these models. Rating / Scoring is given on various financial and non-financial parameters such as financial strength, creditworthiness and repayment capacity of the borrower. The Bank carries out periodical validation of these models.

Internal ratings are used while taking credit decisions. However, these ratings are not used for determining the risk weight for arriving at capital requirements. All exposures which are not rated by external approved rating agencies are treated as unrated, even though they may be rated internally for credit decision. On request of the party, rating decisions are informed to SMEs and other corporate applicants for loans, also providing the rationale for such rating if asked.

### **Credit Risk Management Policy**

Credit risk is defined as a potential financial loss on account of delay or denial of repayment of principal or interest with respect to a credit facility extended by the Bank, both fund and non-fund based. Credit risk can also 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. Risks arising from adverse changes in the credit quality of borrowers or general deterioration in the economic conditions under which these counterparties operate could also affect the recoverability and value of Bank's assets and therefore its financial performance.

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

- ❖ The Bank has an approved lending policy wherein the types of credit facilities are defined as is the sanctioning authority which grants within specific financial limits;
- ❖ Every credit facility beyond a pre-determined limit is processed through the recommending committee and sanctioned by the credit approval committee;
- ❖ Credit risk under each loan above the threshold limit is assessed both on financial and non-financial parameters;
- ❖ Concentration risk is taken into account both with respect to individual or group exposures as well as industry/sector wide or country wide exposures;



- ❖ Most of the facilities are secured by either tangible securities or third party guarantees;
- ❖ With respect to large value facilities including under syndicated facilities, documentation is done through external solicitors;
- ❖ Periodic review and monitoring of facilities is undertaken to identify and attend to any observed weakness in any facility;
- ❖ All facilities above prescribed threshold limits are reported to the Board from time to time;
- ❖ Lending policies and limits are periodically reviewed by the Board;
- ❖ Risk rating of individual proposals beyond cut-off limit is done as per the internal credit risk rating model.

## 8.2 Quantitative Disclosures

### i. The total gross credit risk exposures were:

<b>As at 31<sup>st</sup> March</b>	<b>(Figures in Million)</b>	
<b>Particulars</b>	<b>2019</b>	<b>2018</b>
On-balance sheet exposures	1,270.9	1,418.7
Off-balance sheet exposures	73.1	45.4
Securities Financing Transactions	0.05	-
Derivatives	6.2	16.9
<b>Total</b>	<b>1,350.2</b>	<b>1,481.0</b>



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**ii. Exposure class wise distribution of exposure subject to credit risk is as below:**

As at 31<sup>st</sup> March 2019

(Figures in Million)

Exposure Class	Gross Original Exposure	Net Exposure <sup>1</sup>	Exposure value	Risk Weighted Assets
<b>On Balance Sheet exposures:</b>				
Exposures to Central Govt. / Central Banks	47.3	47.3	47.3	-
Exposures to Institutions	319.1	328.7	328.7	131.2
Exposures to Corporates	175.3	127.5	127.5	127.5
Retail Exposures	12.7	1.3	1.3	0.9
Exposures secured by mortgages on Immovable Property	234.0	234.0	234.0	172.2
Exposures in Default	406.4	146.8	146.8	188.6
Other Items	76.1	126.3	126.3	92.7
<b>Total On Balance Sheet Exposures</b>	<b>1,270.9</b>	<b>1,011.9</b>	<b>1,011.9</b>	<b>713.1</b>
<b>Off Balance Sheet exposures:</b>				
Exposures to Corporates	11.0	8.3	0.2	0.2
Retail Exposures	8.7	0.3	-	-
Exposures Sec. By Mortgages On Immovable Property	10.9	10.9	0.5	0.5
Other Items	42.5	53.6	2.1	0.7
<b>Total Off Balance Sheet Exposures</b>	<b>73.1</b>	<b>73.1</b>	<b>2.8</b>	<b>1.4</b>
<b>Counterparty Risk Exposure:</b>				
Derivatives	6.1	6.1	6.1	0.8
<b>Total Counterparty Risk Exposure</b>	<b>6.1</b>	<b>6.1</b>	<b>6.1</b>	<b>0.8</b>
<b>Total Exposure subject to Credit Risk</b>	<b>1,350.1</b>	<b>1,091.1</b>	<b>1,020.8</b>	<b>715.3</b>
CVA Risk	-	-	-	0.8
<b>Total</b>	<b>1,350.1</b>	<b>1,091.1</b>	<b>1,020.8</b>	<b>716.1</b>

<sup>1</sup>Net Exposure: Exposure after provisions, credit risk mitigation and substitution

Exposure Value: Exposure after CCF for off-balance sheet exposures

\* Net exposure to Institutions has increased post substitution with other exposure classes



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(Figures in Million)

Exposure Class	Gross Original Exposure	Net Exposure	Exposure Value	Risk Weighted Assets
<b>On Balance Sheet exposures:</b>				
Exposures to Central Govt. / Central Banks	132.0	132.0	132.0	-
Exposures to Institutions	392.9	414.4*	414.4	191.8
Exposures to Corporates	218.7	159.6	159.6	159.2
Retail Exposures	13.8	2.8	2.8	1.7
Exposures secured by mortgages on Immovable Property	161.1	161.1	161.1	126.0
Exposures in Default	416.6	145.6	145.6	194.5
Other Items	83.6	133.0	133.0	93.5
<b>Total On Balance Sheet Exposures</b>	<b>1,418.7</b>	<b>1,148.5</b>	<b>1,148.5</b>	<b>766.7</b>
<b>Off Balance Sheet exposures:</b>				
Exposures To Corporates	14.2	8.3	1.3	1.3
Retail Exposures	6.4	2.6	-	-
Exposures Sec. By Mortgages On Immovable Property	7.7	7.7	-	-
Other Items	17.2	26.8	2.9	2.3
<b>Total Off Balance Sheet Exposures</b>	<b>45.4</b>	<b>45.4</b>	<b>4.2</b>	<b>3.6</b>
<b>Counterparty Risk Exposure:</b>				
Derivatives	16.9	16.9	16.9	2.3
<b>Total Counterparty Risk Exposure</b>	<b>16.9</b>	<b>16.9</b>	<b>16.9</b>	<b>2.3</b>
<b>Total Exposure subject to Credit Risk</b>	<b>1,481.0</b>	<b>1,210.8</b>	<b>1,169.5</b>	<b>772.6</b>
CVA Risk	-	-	-	2.1
<b>Total</b>	<b>1,481.0</b>	<b>1,210.8</b>	<b>1,169.5</b>	<b>774.7</b>

- ❖ There is no exposure of the Bank in securitization/ re-securitization of assets.
- ❖ High risk and Equity exposures are under 'On Balance Sheet Exposures - Other Items'
- ❖ High risk exposure included above is against buy to sell IPs.
- ❖ Equity exposures include exposure of the Bank in capital bonds of other banks.



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**iii. Geographical distribution into major areas is as below:**

As at 31<sup>st</sup> March 2019

(Figures in Million)

Geography	Gross Original Exposure	Net Exposure	Exposure value	Risk Weighted Assets	Actual RWA as % of total
United Kingdom	517.8	480.4	437.6	301.6	42.2%
India	509.5	408.9	408.9	256.0	35.8%
North America	81.8	63.4	36.1	37.7	5.3%
European Union (except UK)	124.7	53.8	53.8	25.4	3.5%
Others	116.4	84.7	84.4	94.6	13.2%
<b>Total</b>	<b>1,350.2</b>	<b>1,091.2</b>	<b>1,020.8</b>	<b>715.3</b>	<b>100%</b>

As at 31<sup>st</sup> March 2018

(Figures in Million)

Geography	Gross Original Exposure	Net Exposure	Exposure value	Risk Weighted Assets	Actual RWA as % of total
United Kingdom	550.3	502.8	465.1	250.7	32.5%
India	564.6	472.0	470.6	334.6	43.3%
North America	97.2	46.1	46.1	32.1	4.2%
European Union (except UK)	113.1	60.9	59.0	62.6	8.1%
Others	155.8	118.1	128.6	92.5	12.1%
<b>Total</b>	<b>1,481.0</b>	<b>1,210.8</b>	<b>1,169.5</b>	<b>772.6</b>	<b>100.0%</b>

**iv. Industry wise distribution of exposures by asset class:**

As at 31<sup>st</sup> March 2019

(Figures in Million)

Exposure class	Finance & Business	Manufacturing & Mining	Real Estate & Construction	Retail/ Wholesale Trade	Transport & Storage	Exposure Value
Central Govts. or Central Banks	47.3	-	-	-	-	<b>47.3</b>
Corporates	33.1	70.5	-	21.5	2.6	<b>127.7</b>
Exposures in default	10.6	84.9	34.6	2.9	13.8	<b>146.8</b>
Equity	-	2.1	-	-	-	<b>2.1</b>
High Risk	-	-	51.1	-	-	<b>51.1</b>
Institutions	330.4	-	-	4.5	-	<b>334.9</b>
Secured by mortgages on immovable property	-	-	234.5	-	-	<b>234.5</b>
Other items	40.3	-	-	25.0	-	<b>65.3</b>
Retail	0.4	-	-	0.9	-	<b>1.3</b>
Inst. & Corp. with a short-term credit assessment	9.8	-	-	-	-	<b>9.8</b>
<b>Exposure Value</b>	<b>471.9</b>	<b>157.5</b>	<b>320.2</b>	<b>54.8</b>	<b>16.4</b>	<b>1,020.8</b>





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(Figures in Million)

Exposure class	Finance & Business	Manufacturing & Mining	Real Estate & Construction	Retail/ Wholesale Trade	Transport & Storage	Exposure Value
Central Govts. or Central Banks	132.0	-	-	-	-	<b>132.0</b>
Corporates	46.6	86.8	0.1	20.0	7.3	<b>160.8</b>
Exposures in default	11.1	76.5	36.7	4.4	17.6	<b>146.3</b>
Equity	-	8.7	-	4.5	-	<b>13.2</b>
High Risk	-	-	38.5	-	-	<b>38.5</b>
Institutions	431.3	-	-	-	-	<b>431.3</b>
Secured by mortgages on immovable property	32.2	-	127.4	1.5	-	<b>161.1</b>
Other items	74.6	-	-	-	-	<b>74.6</b>
Retail	1.5	-	-	1.3	-	<b>2.8</b>
Inst. & Corp. with a short-term credit assessment	9.0	-	-	-	-	<b>9.0</b>
<b>Exposure Value</b>	<b>738.2</b>	<b>172.0</b>	<b>202.8</b>	<b>31.7</b>	<b>24.9</b>	<b>1,169.5</b>

**v. Exposure value subject to credit risk analysed by Credit Quality Step (CQS):**

The Bank uses credit ratings provided by external credit rating agencies. There has been no change in the usage of these ratings from last year. The Bank assigns each of its exposures to one of the CQS with reference to relevant issuer and issue credit assessments. Risk weight percentage are then determined with reference to exposure class, CQS, and maturity of the exposure.

Types of exposure for which each agency is used as below:

- Specific product rating if available.
- General Long Term/ Short Term rating for long term /short term exposure respectively if no specific product rating.

Credit quality assessment scale as prescribed in supervisory statement SS10/13 by PRA is being followed. Further guidelines by PRA/ EBA as and when issued/ revised, will continue to be followed.

The following tables detail the standardised credit risk exposures by CQS for significant asset classes. All exposures are stated after specific impairment provisions and post application of credit risk mitigation (CRM) techniques with substitution effects on the exposure and after application of any conversion factors (CCF).



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Exposure Class	Corporates	Institutions	Retail	All Others	Exposure Value
<b>On Balance Sheet exposures</b>					
Credit Quality Step (CQS) 1	-	47.8	-	-	47.8
Credit Quality Step (CQS) 2	-	8.0	-	-	8.0
Credit Quality Step (CQS) 3	21.3	234.2	-	-	255.4
Credit Quality Step (CQS) 4	-	87.7	-	-	87.8
Credit Quality Step (CQS) 5	-	-	-	-	-
Credit Quality Step (CQS) 6	-	-	-	-	-
Unrated	106.2	8.0	1.3	497.4	612.9
<b>Total On Balance Sheet exposures</b>	<b>127.5</b>	<b>385.7</b>	<b>1.3</b>	<b>497.4</b>	<b>1,011.9</b>
<b>Off Balance Sheet exposures</b>					
Credit Quality Step (CQS) 2	-	0.1	-	-	0.1
Unrated	0.2	-	-	2.5	2.7
<b>Total Off-Balance Sheet exposures</b>	<b>0.2</b>	<b>0.1</b>	<b>-</b>	<b>2.5</b>	<b>2.8</b>
<b>Derivatives</b>					
Credit Quality Step (CQS) 1	-	4.4	-	-	4.4
Credit Quality Step (CQS) 2	-	-	-	-	-
Credit Quality Step (CQS) 3	-	1.7	-	-	1.7
<b>Total derivative exposures</b>	<b>-</b>	<b>6.1</b>	<b>-</b>	<b>-</b>	<b>6.1</b>
<b>Total</b>	<b>127.7</b>	<b>391.9</b>	<b>1.3</b>	<b>499.9</b>	<b>1,020.8</b>

As at 31<sup>st</sup> March 2018

(Figures in Million)

Exposure Class	Corporates	Institutions	Retail	All Others	Exposure Value
<b>On Balance Sheet exposures</b>					
Credit Quality Step (CQS) 1	-	133.1	-	-	133.1
Credit Quality Step (CQS) 2	-	63.6	-	-	63.6
Credit Quality Step (CQS) 3	23.5	114.5	-	-	138.0
Credit Quality Step (CQS) 4	-	38.7	-	-	38.7
Credit Quality Step (CQS) 5	-	-	-	-	-
Credit Quality Step (CQS) 6	-	-	-	-	-
Unrated	136.1	205.4	2.8	430.8	775.0
<b>Total On Balance Sheet exposures</b>	<b>159.6</b>	<b>555.3</b>	<b>2.8</b>	<b>430.8</b>	<b>1,148.5</b>
<b>Off Balance Sheet exposures</b>					
Unrated	1.2	0.1	-	2.9	4.2
<b>Total Off-Balance Sheet exposures</b>	<b>1.2</b>	<b>0.1</b>	<b>-</b>	<b>2.9</b>	<b>4.2</b>
<b>Derivatives</b>					
Credit Quality Step (CQS) 1	-	8.6	-	-	8.6
Credit Quality Step (CQS) 2	-	2.9	-	-	2.9
Credit Quality Step (CQS) 3	-	5.4	-	-	5.4
<b>Total derivative exposures</b>	<b>-</b>	<b>16.9</b>	<b>-</b>	<b>-</b>	<b>16.9</b>
<b>Total</b>	<b>160.8</b>	<b>572.3</b>	<b>2.8</b>	<b>433.6</b>	<b>1,169.5</b>



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**vi. The residual contractual maturity breakdown of exposures by asset class:**

As at 31<sup>st</sup> March 2019

(Figures in Million)

Exposure Class	Upto 3 months	Over 3 months upto 1 years	Over 1 year upto 5 years	Over 5 years	Exposure Value
Central Govts. or Central Banks	36.3	1.0	1.0	9.0	47.3
Corporates	30.4	12.4	76.0	8.9	127.7
Exposures in Default	94.8	3.1	44.7	4.2	146.8
Equity	-	-	2.1	-	2.1
High Risk	3.7	16.2	29.3	1.9	51.1
Institutions	204.9	56.9	73.1	-	334.9
Secured by mortgages on immovable property	22.2	1.2	151.7	59.4	234.5
Other Items	37.9	26.2	1.2	-	65.3
Retail	0.6	0.5	0.2	-	1.3
Inst. & Corp. with a short-term credit assessment	9.8	-	-	-	9.8
<b>Exposure Value</b>	<b>440.6</b>	<b>117.5</b>	<b>379.3</b>	<b>83.4</b>	<b>1,020.8</b>

As at 31<sup>st</sup> March 2018

(Figures in Million)

Exposure Class	Upto 3 months	Over 3 months upto 1 years	Over 1 year upto 5 years	Over 5 years	Exposure Value
Central Govts. or Central Banks	121.7	-	6.4	3.8	132.0
Corporates	44.3	9.1	94.0	13.4	160.8
Exposures in Default	42.6	0.1	31.7	71.9	146.3
Equity	-	8.7	4.5	-	13.2
High Risk	11.8	6.9	15.5	4.3	38.5
Institutions	272.9	112.0	46.5	-	431.3
Secured by mortgages on immovable property	21.8	7.1	94.7	37.4	161.1
Other Items	47.2	27.2	0.1	0.1	74.6
Retail	1.5	0.8	0.4	-	2.8
Inst. & Corp. with a short-term credit assessment	9.0	-	-	-	9.0
<b>Exposure Value</b>	<b>572.8</b>	<b>171.9</b>	<b>293.9</b>	<b>130.9</b>	<b>1,169.5</b>

The above tables show residual maturity of exposures with a breakdown by exposure class. All exposures are stated after specific impairment provisions and post application of credit risk mitigation (CRM) techniques with substitution effects on the exposure and after application of any conversion factors (CCF).

The maturity of exposures is shown on a contractual basis and does not take into account any instalments receivable over the life of the exposure. Hence, the actual maturity may be different.



**vii. Credit Risk Adjustments**

➤ **Reconciliation of movements:**

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

(Figures in Million)

	Stage 1	Stage 2	Stage 3	Total
<b>Loss allowance as at 1 April 2018</b>	<b>3.8</b>	<b>2.4</b>	<b>269.8</b>	<b>276.0</b>
New receivables originated or purchased	0.6	-	-	0.6
Transfers between stages	(-)	(0.1)	(1.9)	(2.0)
Decrease in allowance for existing portfolio	(0.9)	(0)	(14.0)	(14.9)
Increase in allowance for existing portfolio	0.3	0.3	22.9	23.5
Write-offs	-	-	(14.4)	(14.4)
Receivables derecognised during the period	(0.6)	(1.6)	(0.1)	(2.3)
<b>Loss allowance as at 31 March 2019</b>	<b>3.2</b>	<b>1.0</b>	<b>262.3</b>	<b>266.5</b>

The credit risk adjustments shown above equate to the Bank's allowance for expected credit losses at 31<sup>st</sup> March 2019.

➤ **Charge to profit and loss in respect to impairment:**

(Figures in Million)

<b>Charge to profit and loss</b>	<b>2019</b>	<b>2018</b>
Impairment charge on loans and advances	6.3	5.3
Impairment charge on investments	0.2	-
<b>Total charge to profit and loss</b>	<b>6.5</b>	<b>5.3</b>

➤ **Provision on financial assets:**

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

As at 31<sup>st</sup> March 2019

(Figures in Million)

	Real Estate	Deposit backed loans	Loans to Banks	Investment securities	Other Loans	Total
<b>Gross Exposure</b>						
Stage 1	230.7	58.8	264.1	50.8	76.3	<b>680.7</b>
Stage 2	Not past due	40.3	-	-	32.6	<b>72.9</b>
	> 30 ≤ 90 days	11.0	-	-	2.5	<b>13.5</b>
Stage 3	5.5		0.5	2.2	398.0	<b>406.2</b>
<b>Impairment Allowance</b>						
Stage 1	0.2	-	0.5	0.1	2.3	<b>3.1</b>
Stage 2	Not past due	-	-	-	1.0	<b>1.0</b>
	> 30 ≤ 90 days	-	-	-	-	<b>-</b>
Stage 3	0.6	-	-	2.2	259.2	<b>262.0</b>
<b>Net Exposure</b>						
Stage 1	230.5	58.8	263.6	50.7	74.0	<b>677.7</b>
Stage 2	Not past due	40.3	-	-	31.6	<b>71.9</b>
	> 30 ≤ 90 days	11.0	-	-	2.5	<b>13.5</b>
Stage 3	4.9	-	0.5	-	138.8	<b>144.2</b>



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

As at 31<sup>st</sup> March 2019

(Figures in Million)

		Investment securities	Total
<b>Gross Exposure</b>			
Stage 1		42.4	<b>42.4</b>
Stage 2	Not past due	-	-
	> 30 ≤ 90 days	-	-
Stage 3		0.4	<b>0.4</b>
<b>Impairment Allowance</b>			
Stage 1		0.1	<b>0.1</b>
Stage 2	Not past due	-	-
	> 30 ≤ 90 days	-	-
Stage 3		0.3	<b>0.3</b>
<b>Net Exposure</b>			
Stage 1		42.3	<b>42.3</b>
Stage 2	Not past due	-	-
	> 30 ≤ 90 days	-	-
Stage 3		0.1	<b>0.1</b>

**viii. Geographical distribution of advances and impairment allowance is as below:**

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

As at 31<sup>st</sup> March 2019

(Figures in Million)

		UK	India	North America	Euro Area	Others	Total
<b>Gross Exposure</b>							
Stage 1		305.2	283.0	26.4	25.3	40.9	<b>680.8</b>
Stage 2	Not past due	36.8	10.9	4.9	18.2	2.1	<b>72.9</b>
	> 30 ≤ 90 days	9.7	2.6	-	1.2	-	<b>13.5</b>
Stage 3		52.0	166.5	69.5	33.0	85.2	<b>406.2</b>
<b>Impairment Allowance</b>							
Stage 1		0.8	0.6	-	-	1.7	<b>3.1</b>
Stage 2	Not past due	-	0.2	0.4	0.4	-	<b>1.0</b>
	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		37.9	101.3	61.3	18.6	42.9	<b>262.0</b>
<b>Net Exposure</b>							
Stage 1		304.4	282.4	26.4	25.3	39.2	<b>677.7</b>
Stage 2	Not past due	36.8	10.7	4.5	17.8	2.1	<b>71.9</b>
	> 30 ≤ 90 days	9.7	2.6	-	1.2	-	<b>13.5</b>
Stage 3		14.1	65.2	8.2	14.4	42.3	<b>144.2</b>



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The following table provides a breakdown of loans & advances at fair value through other comprehensive income (FVTOCI) by geography:

As at 31<sup>st</sup> March 2019

(Figures in Million)

		UK	India	North America	Euro Area	Others	Total
<b>Gross Exposure</b>							
Stage 1		4.0	29.4	9.0	-	-	<b>42.4</b>
Stage 2	Not past due	-	-	-	-	-	-
	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		-	0.4	-	-	-	<b>0.4</b>
<b>Impairment Allowance</b>							
Stage 1		-	0.1	-	-	-	<b>0.1</b>
Stage 2	Not past due	-	-	-	-	-	-
	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		-	0.3	-	-	-	<b>0.3</b>
<b>Net Exposure</b>							
Stage 1		4.0	29.3	9.0	-	-	<b>42.3</b>
Stage 2	Not past due	-	-	-	-	-	-
	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		-	0.1	-	-	-	<b>0.1</b>

**ix. Counterparty type distribution of advances and impairment allowance is as below:**

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

As at 31<sup>st</sup> March 2019

(Figures in Million)

		Corporate	Retail	Total
<b>Gross Exposure</b>				
Stage 1		642.9	37.9	<b>680.8</b>
Stage 2	Not past due	69.1	3.8	<b>72.9</b>
	> 30 ≤ 90 days	10.8	2.7	<b>13.5</b>
Stage 3		404.8	1.4	<b>406.2</b>
<b>Impairment Allowance</b>				
Stage 1		3.1	-	<b>3.1</b>
Stage 2	Not past due	1.0	-	<b>1.0</b>
	> 30 ≤ 90 days	-	-	-
Stage 3		261.4	0.6	<b>262.0</b>
<b>Net Exposure</b>				
Stage 1		639.8	37.9	<b>677.7</b>
Stage 2	Not past due	68.1	3.8	<b>71.9</b>
	> 30 ≤ 90 days	10.8	2.7	<b>13.5</b>
Stage 3		143.4	0.8	<b>144.2</b>



The following table provides a breakdown of loans & advances at fair value through other comprehensive income (FVTOCI) by counterparty:

As at 31<sup>st</sup> March 2019

(Figures in Million)

		Corporate	Retail	Total
<b>Gross Exposure</b>				
Stage 1		42.4	-	<b>42.4</b>
Stage 2	Not past due	-	-	-
	> 30 ≤ 90 days	-	-	-
Stage 3		0.4	-	<b>0.4</b>
<b>Impairment Allowance</b>				
Stage 1		0.1	-	<b>0.1</b>
Stage 2	Not past due	-	-	-
	> 30 ≤ 90 days	-	-	-
Stage 3		0.3	-	<b>0.3</b>
<b>Net Exposure</b>				
Stage 1		42.3	-	<b>42.3</b>
Stage 2	Not past due	-	-	-
	> 30 ≤ 90 days	-	-	-
Stage 3		0.1	-	<b>0.1</b>

## 9. Credit Risk Mitigation: Disclosures for Standardized Approach

Policies and processes for, and an indication of the extent to which the Bank makes use of, on and off-balance sheet netting;

### ➤ Policies and processes for collateral valuation and management

The Bank has in place a 'Collateral Management Policy' which is used for collateral valuation and management. The collateral management policy addresses the following basic objectives of credit management:

- ❖ Mitigation of credit risk & enhancing awareness on identification of appropriate collateral
- ❖ Optimizing the benefit of credit risk mitigation in computation of Capital Charge
- ❖ Mitigation of risks attendant to the use of credit Risk Mitigation techniques, e.g. legal risk and the documentation risk and to take timely action for seizure and realization of the collaterals by initiating legal action, if required, against the counterparty/ guarantor on his refusal to repay the Bank's dues.

### ➤ A description of the main types of collateral taken by the Bank

Deposits kept with us and deposits kept with parent against our exposure are the only collateral treated for credit risk mitigation. For deposits with the parent, equivalent exposure is treated to be an exposure with the parent. The Bank has a netting agreement with the parent, under which exposures with the parent are netted, and risk weights are only applied on the remaining exposure. The Bank has also put in place limits on net exposure to the parent and operates within those limits.



➤ **The main types of guarantor counterparty and their credit worthiness**

For mitigation purposes, only guarantees/Stand-by letters of credit (SBLC) issued by banks are treated as guarantees. No other guarantee is recognized for the purpose of risk mitigation. For guarantees/SBLC issued by banks, exposure is shifted to that bank.

➤ **Information about (market or credit) risk concentrations within the mitigation taken**

Except deposits (with us or the parent), SBLC's (primarily with Indian banks) are the only risk concentrations within the mitigation taken.

**10. Securitization Exposures: Disclosure for Standardized Approach**

There is no securitization exposures of the Bank.

**11. Market Risk in Trading Book**

**11.1 Qualitative disclosures**

The general qualitative disclosure requirement for market risk, including the portfolios covered by the standardized approach:

Bank's HFT Portfolio includes US and UK treasury securities; this portfolio is subject to marked to market which is recognized through profit and loss. Capital charge for Interest rate risk is arrived at by standardized approach.

**11.2 Quantitative disclosures**

As at 31<sup>st</sup> March

(Figures in Million)

Particulars	2019		2018	
	Risk Weighted Assets	Capital Requirement @ 8%	Risk Weighted Assets	Capital Requirement @ 8%
i) Interest Rate Risk	15.2	1.3	48.4	3.9
ii) Foreign Exchange Risk (including Gold )	10.1	0.8	16.2	1.3
<b>iii) Total capital charge for market risks under Standardized duration approach (i + ii)</b>	<b>25.3</b>	<b>2.1</b>	<b>64.6</b>	<b>5.2</b>





## 12. Operational Risk

Operational risk is calculated by Basic Indicator Approach method.

As at 31<sup>st</sup> March

(Figures in Million)

Particulars	2019		2018	
	Risk Weighted Assets	Capital Requirement @ 8%	Risk Weighted Assets	Capital Requirement @ 8%
Total capital charge for Operational risk	56.1	4.5	67	5.4

## 13. Interest Rate Risk in the Banking Book (IRRBB)

### 13.1 Qualitative Disclosures

Key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement.

A two percent shift either way is considered for arriving at interest rate risk in the banking book. Assets and liabilities on floating rate of interest are placed as per the next interest rate reset date. Those with fixed rate of interest are placed as per the contractual maturity date. Assets/ liabilities not sensitive to rate of interest are treated as non-sensitive for the purpose of this calculation. Non-performing assets are also treated as non-sensitive. Non maturity deposits are placed in the first bucket. IRRBB is measured on a quarterly basis. The risk calculated on this account is treated as a Pillar 2 risk and capital is provided accordingly.

### 13.2 Quantitative Disclosures

The tools used is Earning Approach – (Interest rate sensitivity Statement - Net Gaps)

The impact of change in rate of interest on the economic value of assets and liabilities including off balance sheet items is analysed under this approach. Position as of Interest Rate Gaps as on 31<sup>st</sup> March 2019 is as below:

As at 31<sup>st</sup> March 2019

(Figures in Million)

Maturity Period	Gap	Other Products	Net Gap	Total Assets	Impact of Int. Variation of 2%
	(RSA-RSL)*	(IRS)	(1 + 2)		
Up to 3 months	132.8	0.9	133.7	656.3	(0.3)
>3 to 6 months	(85.6)	(0.1)	(85.7)	110.9	0.6
>6 to 12 months	(10.2)	(0.1)	(10.3)	57.7	0.1
>1 to 3 yrs.	-	-	-	92.0	2.0
>3 yrs.	74.5	-	74.5	93.1	(6.7)
Non Sensitive Category	(66.1)	(0.7)	(66.8)	129.3	



As at 31<sup>st</sup> March 2018

(Figures in Million)

Maturity Period	Gap	Other Products	Net Gap	Total Assets	Impact of Int. Variation of 2%
	(RSA-RSL)*	(IRS)	(1 + 2)		
Up to 3 months	299	(31)	268	902.3	(0.7)
>3 to 6 months	(60)	(43)	(103)	86.3	0.8
>6 to 12 months	(30)	84	54	40.7	(0.8)
>1 to 3 yrs.	(83)	-	(83)	70.9	2.6
>3 yrs.	(29)	-	(29)	44.5	1.1
Non-Sensitive Category	(97)	(10)	(107)	107.7	

\*RSA: Rate Sensitive Assets, RSL: Rate Sensitive Liabilities, IRS: Interest Rate Swaps

The impact of interest variation by 2% is calculated and treated as a Pillar 2 requirement of capital. Most of our liabilities are at fixed rate of interest and any change in interest is not applicable to liabilities contracted in past. Most of our loans and advances are at floating rate of interest. The floating component is LIBOR or Bank of England rate, and a fixed spread over that rate is charged to the customers. Therefore, the impact on the Bank is mostly limited to variation in LIBOR / Bank of England Rate.

As a prudential measure, a limit has been fixed for impact on economic value of equity and the same is monitored on a regular basis.

#### 14. General Disclosure for Exposures Related to Counterparty Credit Risk (CCR)

##### 14.1 Qualitative Disclosures

The general qualitative disclosure requirement with respect to derivatives and CCR methodology used to assign economic capital and credit limits for counterparty credit exposures is as below:

The Bank has forex swaps and interest rate swaps as derivatives in our books. No derivatives are entered for clients. Forex swaps are entered to cover own positions. Similarly, interest rate swaps are also entered so as to minimize own interest rate risk in the banking book. Capital for Counterparty Credit risk is provided on exposure value of forex swaps and interest rate swap arrived at by adding positive mark to market value with potential future exposure at prescribed rates as per maturity of the contract. Besides, interest rate risk is also provided for interest rate swaps under standardized method. Further, Credit Valuation adjustment (CVA) on derivatives is being calculated based on the standardized approach. Counterparty exposure for a security financing transaction is arrived at by netting the amount of securities lent from the secured financing obtained. The present exposure is nil.

##### Policies for securing collateral and establishing credit reserves:

Not applicable



**Policies for netting of counterparty credit exposures:**

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 create for the parties to the agreement a right to the set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events.

**Discussion of the impact of the amount of collateral the Bank would have to provide given a credit rating downgrade.**

Not applicable

**14.2 Quantitative Disclosures**

**a) Gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure.**

**b)**

**As at 31<sup>st</sup> March**

**(Figures in Million)**

Particulars	2019			2018		
	Positive Mark to Market Value	Potential Future Exposure	Total Exposure	Positive Mark to Market Value	Potential Future Exposure	Total Exposure
Forex Swaps	2.5	2.8	5.3	11.9	3.5	15.4
Interest Rate Swaps	-	0.8	0.8	-	1.5	1.5
<b>Total</b>	<b>2.5</b>	<b>3.6</b>	<b>6.1</b>	<b>11.9</b>	<b>5.0</b>	<b>16.9</b>

The bank has debt securities with a carrying value of \$5 million (2018: Nil) that are encumbered under Sale and Repurchase Agreement as a security for an interbank borrowing of \$4.9 million reported in note 24 of the Annual Report and Financial Statements 2019. 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. The transferred assets are not available for use to the Bank during the terms of the arrangement.

Credit Valuation Adjustment (CVA) risks on counterparty is \$0.8 million.

**b) Credit derivative transactions that create exposure to CCR: Nil**



**c) Hedging Policy:**

The Bank does not deal in derivatives for customers. Derivatives are used for hedging own positions. Currency swap and interest rate swap are the major derivatives used by the Bank. In order to hedge interest rate risk in banking book, the Bank has entered into interest rate swaps for \$78.3 Million. Similarly, the Bank has entered into currency swaps to mitigate forex risk, while managing its funds mismatch in different currencies.

**15. Remuneration Policy:**

The PRA has defined certain requirements relating to remuneration, referred to as the Remuneration Code (“the Code”). Firms that fall within the scope of the Code (which includes banks) must establish, implement and maintain remuneration policies, procedures and practices that are consistent with, and promote, sound and effective risk management.

The Bank’s Remuneration Policies are designed to comply with the Code and the Bank is committed to adherence to its practices and guidelines in respect of Code Staff.

The Chairman of the Board and one of the Non-executive directors are from Parent Bank and the Bank doesn’t pay any remuneration to them. The Managing Director is a Parent Bank Appointee on a secondment basis and his remuneration is guided by a Standing Committee set up by Government of India for determining salary and other service conditions of officers of public sector banks posted abroad. Two independent Non-Executive Directors are paid fixed salary/fees and allowances per annum. The other executive director and Key persons are on special contract or negotiated pay, which is annually reviewed by The Nomination and Remuneration Committee.

Other than Director’s remunerations, 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 Standing Committee set up by Government of India for determining salary and other service conditions of officers of public sector banks posted abroad; as well as by the Board of Directors of the Parent Bank. Their salary, perquisites and allowances are fixed accordingly and include certain fixed net of tax basic pay, payment of tax and NI and reimbursement of furnished accommodation, utility bills, telephone, newspaper and medical expenses. Salary to the locally recruited staff is as per Board approved Human Resource (HR) Policy. HR policy of the Bank is approved by the Board on recommendation of the audit and compliance committee of the Board.

Bank has its independent back office in India. At the Back Office, there are two groups of employees. Senior officers are on deputation from the Parent Bank, and are paid salary as per the salary structure of nationalized banks in India. In addition, each of them is paid a deputation allowance. Junior staff is on contract from an employee management agency, and are treated as employees of the contractor.

None of the employees of the Bank falls in the category of high earners. As a matter of policy, the Bank does not pay any bonus to its employees. There is no deferral policy. There is no variable pay. All employees are paid annual increments as per their scale of pay.



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Aggregate quantitative information on the expenditure on staff during the year 2018-19 was as below:

As at 31 <sup>st</sup> March	(Figures in Million)	
Description	2019	2018
India based Officers (IBO) including MD & CEO and secondment from Parent	2.0	2.5
Local Staff	6.8	5.9
Medical Insurance of UK staff	0.1	0.1
<b>Total expenditure on UK staff</b>	<b>8.9</b>	<b>8.5</b>
Expenditure on India staff	0.1	0.2
<b>Total Staff Expenses</b>	<b>9.0</b>	<b>8.7</b>
Out of above		
<b>Remuneration to staff whose actions have a material impact on risk profile of the Bank (MD, ED, and NEDs)</b>	<b>0.5</b>	<b>0.5</b>

The entire remuneration, as above, is fixed, and there is no variable remuneration. No sign-on or severance payment wages were made.

**Annexure I**

**Own funds disclosure template:**

The table below uses the standard template issued by the EBA to show the composition of the Bank's own funds but only displays the rows of the template that are applicable.

As at 31 <sup>st</sup> March	(Figures in Million)	
Particulars	2019	2018
<b>Common Equity Tier 1 (CET1) capital: instruments and reserve</b>		
1 Capital instruments and the related share premium accounts	274.6	274.6
2 Retained earnings	(102.2)	(104.9)
3 Accumulated other comprehensive income	0.6	(1.1)
3a Funds for general banking risk	4.0	-
<b>6 Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>175.8</b>	<b>168.6</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
7 Additional value adjustments (negative amount)	(0.7)	-
8 Intangible assets (net of related tax liability) (negative amount)	(0.4)	(0.5)
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in article 38 (3) are met) (negative amount)	(24.3)	(25.3)
<b>28 Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(25.4)</b>	<b>(25.8)</b>
<b>29 Common Equity Tier 1 (CET 1) capital</b>	<b>150.4</b>	<b>142.8</b>
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>		
30 Capital instruments and share premium accounts	45.0	45.0
<b>45 Tier 1 capital (T1= CET1+AT1)</b>	<b>195.4</b>	<b>187.8</b>
<b>Tier 2 (T2) capital: instruments and provisions</b>		



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46	Capital instruments and the related share premium accounts	50.0	50.0
50	Credit risk adjustments	-	3.5
	<b>Tier 2 (T2) capital: regulatory adjustments</b>		
57	<b>Total Regulatory adjustments to Tier 2 (T2) capital</b>	(9.1)	(4.1)
58	<b>Tier 2 (T2) capital</b>	40.9	49.4
59	<b>Total capital (TC=T1+T2)</b>	<b>236.3</b>	<b>237.2</b>
60	<b>Total risk weighted assets</b>	<b>797.6</b>	<b>906.2</b>
	<b>Capital ratios and buffers</b>		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	18.9%	15.76%
62	Tier 1 (as a percentage of total risk exposure amount)	24.5%	20.72%
63	Total capital (as a percentage of total risk exposure amount)	29.6%	26.18%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	2.9%	1.90%
65	of which: capital conservation buffer requirement	2.9%	1.88%
66	of which: countercyclical buffer requirement	0.01%	0.02%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.9%	8.76%
	<b>Amounts below the thresholds for deduction (before risk weighing)</b>		
75	DTA arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	24.3	25.3
	<b>Applicable caps on the inclusion of provisions in Tier 2</b>		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	3.5
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	10.0	11.3

**Annexure II**

**Capital Instruments Main Features:**

Disclosure template for main features of regulatory capital instruments	Equity Share Capital	Additional Tier I Capital Bonds	Additional Tier I Capital Bonds	Dated Tier Capital II Bonds	Dated Tier Capital II Bonds	Dated Tier Capital II Bonds	Dated Tier Capital II Bonds
Issuer	Punjab National Bank (International) Limited	Punjab National Bank (International) Limited	Punjab National Bank (International) Limited	Punjab National Bank	Punjab National Bank	Canara Bank	Bank of Baroda
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private)	Non Demat	Non Demat	Non Demat	Non Demat	Non Demat	Non Demat	Non Demat



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placement)							
Governing law(s) of the instrument	English Law	English Law	English Law	English Law	English Law	English Law	English Law
Regulatory treatment							
Transitional CRR rules	Common Equity Tier I	Additional Tier I	Additional Tier I	Tier II	Tier II	Tier II	Tier II
Post-transitional CRR rules	Common Equity Tier I	Additional Tier I	Additional Tier I	Tier II	Tier II	Tier II	Tier II
Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo
Instrument type	Common Equity Tier I	Additional Tier I	Additional Tier I	Subordinated dated debt	Subordinated dated debt	Subordinated dated debt	Subordinated dated debt
Amount recognized in regulatory capital	274.6	25.0	20.0	15.9	10.0	5.0	10.0
Par value of instrument	274.6	25.0	20.0	25.0	10.0	5.0	10.0
Accounting classification	Equity share capital	Equity Share Capital	Equity Share Capital	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
Original date of issuance (amount on each issue date given in brackets)	Issued on various dates	Converted to AT1 on 15.03.16	31.03.2017	31.1.2012 (12.5), 4.10.2012 (12.5)	30.12.2015	23.12.2013	19.8.2014
Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated
Original maturity date	Undated	Undated	Undated	10 Years	10 Years	15 Years	10 Years
Issuer call subject to prior supervisory approval	NA	5 Years	5 Years	5 Years	NA	10 Years	NA
Optional call date	NA	Each interest payment date on or after 5 yrs.	Each interest payment date on or after 5 yrs.	Each interest payment date on or after 5 yrs.	NA	23.12.2023	NA



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Redemption Amount	NA	25.0	20.0	25.0	10.0	5.0	10.0
Subsequent call dates, if applicable	NA	Nil	Nil	Nil	Nil	Nil	Nil
<i>Coupons / dividends</i>							
Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating	Floating
Coupon rate and any related index	Nil	6M LIBOR + 500 bps	6M LIBOR + 500 bps	6M LIBOR + 400 bps	6M LIBOR + 400 bps	6M LIBOR + 450 bps	6M LIBOR + 450 bps
Existence of a dividend stopper	Nil	Yes	Yes	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Fully Discretionary	Fully Discretionary	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No	No	No	No	No
Noncumulative or cumulative	Non-cumulative	Non-Cumulative	Non-Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	NA	Convertible	Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible
If convertible, conversion trigger(s)	NA	CET1 Ratio falls below required	CET1 Ratio falls below required	NA	NA	NA	NA
If convertible, fully or partially	NA	Fully	Fully	NA	NA	NA	NA
If convertible, conversion rate	NA	USD 1.00	USD 1.00	NA	NA	NA	NA
If convertible, mandatory or optional conversion	NA	Mandatory	Mandatory	NA	NA	NA	NA
If convertible, specify instrument	NA	Ordinary Shares	Ordinary Shares	NA	NA	NA	NA





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type convertible into							
If convertible, specify issuer of instrument it converts into	NA	Punjab National Bank (International) Limited	Punjab National Bank (International) Limited	NA	NA	NA	NA
Write-down feature	NA	Nil	Nil	Nil	Nil	Nil	Nil
If write-down, write-down trigger(s)	NA	NA	NA	NA	NA	NA	NA
If write-down, full or partial	NA	NA	NA	NA	NA	NA	NA
If write-down, permanent or temporary	NA	NA	NA	NA	NA	NA	NA
If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA	NA
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	First	Subordinated to all other creditors	Subordinated to all other Creditors	Subordinated to all other Creditors	Subordinated to all other Creditors	Subordinated to all other Creditors	Subordinated to all other Creditors
Non-compliant transitioned features	Nil	Nil	Nil	Nil	Nil	Nil	Nil
If yes, specify non-compliant features	Nil	As above	As above	As above	As above	As above	As above
Other information	Nil	Being perpetual, not to be amortized.	Being perpetual, not to be amortized.	To be amortized in the last five years.	To be amortized in the last five years.	To be amortized in the last five years.	To be amortized in the last five years.



**Annexure III**

**Disclosure on Asset Encumbrance**

**Table A – Encumbered and Unencumbered Assets**

**As at 31<sup>st</sup> March 2019**

**(Figures in Million)**

Particulars	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	010	040	060	090
Assets of the reporting institution	5.1	Not Required	1,062.0	Not Required
Loans on demand	-	Not Required	47.0	Not Required
Equity instruments	-	-	-	-
Debt securities	5.1	5.2	126.7	125.3
of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by general governments	5.1	5.2	35.3	35.1
of which: issued by financial corporations	-	-	69.2	68.5
of which: issued by non-financial corporations	-	-	22.2	21.7
Loans and advances other than loans on Demand	-	Not Required	858.2	Not Required
of which: mortgage loans	-	Not Required	-	Not Required
Other assets	-	Not Required	30.1	Not Required

**As at 31<sup>st</sup> March 2018**

**(Figures in Million)**

Particulars	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	010	040	060	090
Assets of the reporting institution	-	Not Required	1,207.0	Not Required
Loans on demand	-	Not Required	131.1	Not Required
Equity instruments	-	-	-	-
Debt securities	-	-	128.9	123.4
of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by general governments	-	-	43.5	42.4
of which: issued by financial corporations	-	-	60.8	59.6
of which: issued by non-financial corporations	-	-	24.6	23.8



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Loans and advances other than loans on demand	-	Not Required	898.2	Not Required
of which: mortgage loans	-	Not Required	-	Not Required
Other assets	-	Not Required	48.8	Not Required

**Table B – Collateral Received**

**As at 31<sup>st</sup> March 2019**

**(Figures in Million)**

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
<b>130</b>	<b>Collateral received by the reporting institution</b>	-	-
150	Equity instruments	-	-
160	Debt securities	-	-
230	Other collateral received	-	-
<b>240</b>	<b>Own debt securities issued other than own covered bonds or ABSs</b>	-	Not Required

**As at 31<sup>st</sup> March 2018**

**(Figures in Million)**

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
<b>130</b>	<b>Collateral received by the reporting institution</b>	-	-
150	Equity instruments	-	-
160	Debt securities	-	-
230	Other collateral received	-	-
<b>240</b>	<b>Own debt securities issued other than own covered bonds or ABSs</b>	-	Not Required



**Table C – Encumbered assets/collateral received and associated liabilities**

As at 31<sup>st</sup> March

(Figures in Million)

		2019		2018	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030	010	030
010	Carrying amount of selected financial liabilities	-	4.9	-	-

**Table D – Information on importance of encumbrance**

The bank has debt securities with a carrying value of \$5 million (2018: Nil) that are encumbered under Sale and Repurchase Agreement as a security for an interbank borrowing of \$4.9 million reported in note 24 of the Annual Report and Financial Statements 2019. 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. The transferred assets are not available for use to the Bank during the terms of the arrangement.