punjab national bank
(International) Limited

2025 ANNUAL REPORT AND ACCOUNTS

Contents

Company Information

Company Registration Number: 05781326

The Board of Directors

Position	Director	Appointment Date
Chairman	Ashok Chandra	05.02.2025
Managing Director	Ritesh Mishra	02.07.2024
Non Executive Director	Prabhat Ranjan Pradhan	24.07.2024
Independent Non Executive Director	Sundeep Bhandari	31.07.2018
Independent Non Executive Director	Julie Nicholson	19.02.2025
Independent Non Executive Director	Adrian John Stirrup	30.04.2019

Company secretary	Camilla Shaw (Appointed on 02.03.2016)
Registered office	1 Moorgate London EC2R 6JH Tel: 0207 796 9600
Auditor	Forvis Mazars LLP 30 Old Bailey London, EC4M 7AU United Kingdom
Website	www.pnbint.com

Key Highlights

$356m
Gross new lending
(2024: $233m)

$43.7m
Operating income
(2024: $46.0m)

$18.7m
Operating profit
(2024: $24.0m)

$1,200m
Total Assets
(2024: $1,087m)

$846m
Net loans and Advances (Core portfolio)
(2024: $687m)

20.3%
CET1
(2024: 20.6%)*

31.1%
CRAR
(2024: 31.8%)*

201%
LCR
(2024: 528%)

Life assurance for all the employees

40%
Female colleagues
(2024: 40%)

The following abbreviations are used in the above table of metrics. LCR = Liquidity Coverage Ratio, CRAR = Capital to Risk (Weighted) Assets Ratio, CET 1= common equity Tier 1. Operating profit = Profit before tax and impairment charges.
*Restatements have been made in the prior year in order arrive at the correct fair value reserve figure, these restatements are not material. Refer to note 28 and note 35.

Strategic Report

The Directors are pleased to present 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 2025. These financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

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

Nature of Business

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

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

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

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

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

Future Business Strategy

Building on the success of the past five years, the bank has continued to strengthen its financial position by de-risking its legacy book, expanding its core UK secured lending, and sustaining profitability. As part of its ongoing commitment to growth, in June 2025 the board approved a refreshed strategy aimed at enforcing its proven approach while sharpening the focus on key enablers in people, processes, products and technology.

As part of this exercise the Bank reviewed its purpose and vision and looked to create a vision that transcends throughout the organization, enabling colleagues to relate their role clearly to the overall direction and longer-term objectives of the Bank.

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

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

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

Purpose and Vision:

At the heart of the Bank's strategy lies trust, underpinning its vision to become the first choice Indian bank for customers. This vision is deeply customer-centric, driving the Bank to deliver tailored financial solutions that not only meet but actively support customers in achieving their long- term goals.

Strategic Framework:
To realise this vision, the Bank has established three core pathways:

- Accelerate: Scale with momentum
    i. Capitalise on the strong growth trajectory established in 2024-2025.
    ii. Expand market share in core segments through targeted investment and agile execution.
    iii. Prioritize high-impact opportunities to sustain upward momentum.
- Optimise: Drive Efficiency and Cost Discipline
    i. Enhance operational efficiency through strategic offshoring and process automation.
    ii. Implement cost-control measures without compromising service quality.
    iii. Streamline workflows to maximize profitability and resource allocation.
- Lead: Differentiate Through Excellence
    i. Elevate customer experience with superior service and cutting-edge technology
    ii. Foster innovation in digital banking solution and automation.
    iii. Build long-term loyalty by aligning product with evolving customer needs.

Customer Experience

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

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

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

The Bank is focussed on investing in technology to continually improve customer experience, enhance operational resilience and support the maintaining of high standards of risk management and controls.

Client and Product Proposition

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

Additionally, whilst focus within the refreshed strategy is very much on core business growth there will still be active management of the IFRS 9 Stage 3 legacy portfolio where we expect this book to run off by 2028, based on the most recent Board approved Operating Plan.

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

Technology and operational resilience

To support the bank's growth aspirations, investment has been earmarked for transformation initiatives across its products, operations, compliance, risk, finance and colleague propositions. These efforts are aimed at strengthening the bank's capabilities, enhancing operational efficiency, and ensuring regulatory compliance, while also fostering a compelling employee value proposition that helps retain existing talent and attract new talent as the business expands.

Key financial highlights and key performance indicators

As noted above during the current financial year the Bank continued to employ its strategy, with the focus on the core portfolio being low-risk property backed lending.

Key Performance Indicator 1: Total assets increased compared to the prior year with assets as at 31 March 2025 totaling $1,200 million (2024: $1,087 million). Interest-earning assets are comprised of cash and cash equivalents $117 million (2024: $134 million), loans and advances $905 million (2024: $783 million) and debt securities of $149 million (2024: $141 million). Movements in cash, placements and debt securities are essentially driven by the liquidity requirements of the Bank.

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

Stage 3 impaired loans and advances (i.e. assets upon which provisions are held) are at $126 million (2024: $231million) on a gross basis. This was driven by a circa $30.8 million increase in impaired accounts offset by $97.5 million of written-off assets and $38.8 million of net repayments.

Key performance indicator 2: Net loans and advances in the core portfolio reached $846 million (2024: $687 million). Expected Credit Losses (ECL) on the core portfolio remained at $0.5 million (2024: $0.5 million).

As at 31 March 2025, the geographical concentration of the Bank's financial assets with various counterparties is mainly in the UK at 78.49% (2024: 66.41%) and India at 11.61% (2024: 18.22%). These geographic concentrations continue to change over time as the Bank pursues its UK-centric strategy and reduces its Stage 3 exposure.

UK real estate lending amounted to 69.39% (2024: 57.98%) of the total portfolio. This is the largest segment within the Bank's loans and receivables portfolio as at 31 March 2025. UK real estate lending consists of Buy-to-Let (residential and commercial), Development finance, Commercial Real Estate ("CRE"), Others and Hotel finance.

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

Customer liabilities grew during the year as the Bank managed its funding requirement in line with the growth in assets. Fixed Term Deposits moved up to $754 million in 2025 (2024: $660 million) whilst Current and Savings Accounts moved up to $162 million in 2025 (2024: $152 million).

The Bank saw a decrease in the year in new Current Accounts opened at 664 compared to 781 in 2024. Retention rates in Fixed Term Deposits grew slightly to 78% in 2025 versus 72% in the previous year.

Operating expenditure has increased in the year ended 31 March 2025 to $24.7 million from $22.0 million in 2024. A combination of factors have increased the cost base: i) GBP/USD foreign exchange movements uptick in the average rate; ii) UK inflation rates impacting general price increases in service and maintenance arrangements; and iii) increase in the average number of employees at the Bank.

As discussed below in the Section 172 statement, the Bank has been investing in the colleague proposition and further embedding its values framework, as a result there has been an improvement in the non-financial key performance indicators, where the Bank saw overall colleague satisfaction of 86% in 2025 (82% in 2024). Indeed, 91% of colleagues consider PNBIL a preferred place to work (versus peer banks) compared to 86% in the 2024 survey. The colleague culture surveys also saw notable improvements in colleagues' understanding of the goals and objectives of the Bank as these had been effectively communicated by senior management and colleagues felt their roles are connected to the goals of the organisation. Colleagues continued to feel that management reflect the Bank's values and behaviours (83% in 2025 versus 79% in 2024). There is a development focus required on infrastructure and our operating model to further improve colleague satisfaction, and this is captured in the future strategic requirements of the Bank.

The Operating profit (profit before impairment provisions and taxes) for the year ended 31 March 2025 decreased to $18.7 million (2024: $24.0 million)

The overall impairment charge in the year ended 31 March 2025 was $17.9 million (2024: $17.7 million), $8.9 million of which relates to Stage 3 Net Interest Income (calculated on net assets and immediately written off).

The profit before taxation for the year ended 31 March 2025 amounted to $0.8 million (2024: $6.3 million) where the reduction can be primarily attributed to higher provisioning during the year.

Section 172 (1) Statement

In accordance with the Companies Act 2006 (the "Act"), for the year ended 31 March 2025, the Directors presents the following statement, outlining how they have had regard to the matters set out in Section 172(1) of the Act when fulfilling their duty to promote the success of the Bank.

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

The Board is collectively responsible for the long-term success of the Company. Understanding the interests of key stakeholders, including customers, shareholders, colleagues, regulators, suppliers, communities and the environment, is central to the Company's strategy. This understanding is integral to the company's long term success and underpins the Board's decision-making process, as further detailed in this statement.

Shareholders

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

Colleagues

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

The Bank has been working diligently during the year to review and assess the colleague offering, it has engaged external resource to benchmark the Bank's offering against the market and the Bank will use this insight to build out the proposition for 2026. Furthermore, the Bank has bolstered and strengthened its talent pool during the year in order to deliver upon its new strategic objectives.

Communities and the Environment

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

During the financial year the Bank were involved in numerous community and cultural events.

How stakeholder interest has influenced decision making

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

Risk Management Report

Introduction

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

Approach to Risk Management

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

Risk Management Framework

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

Risk culture

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

Risk strategy

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

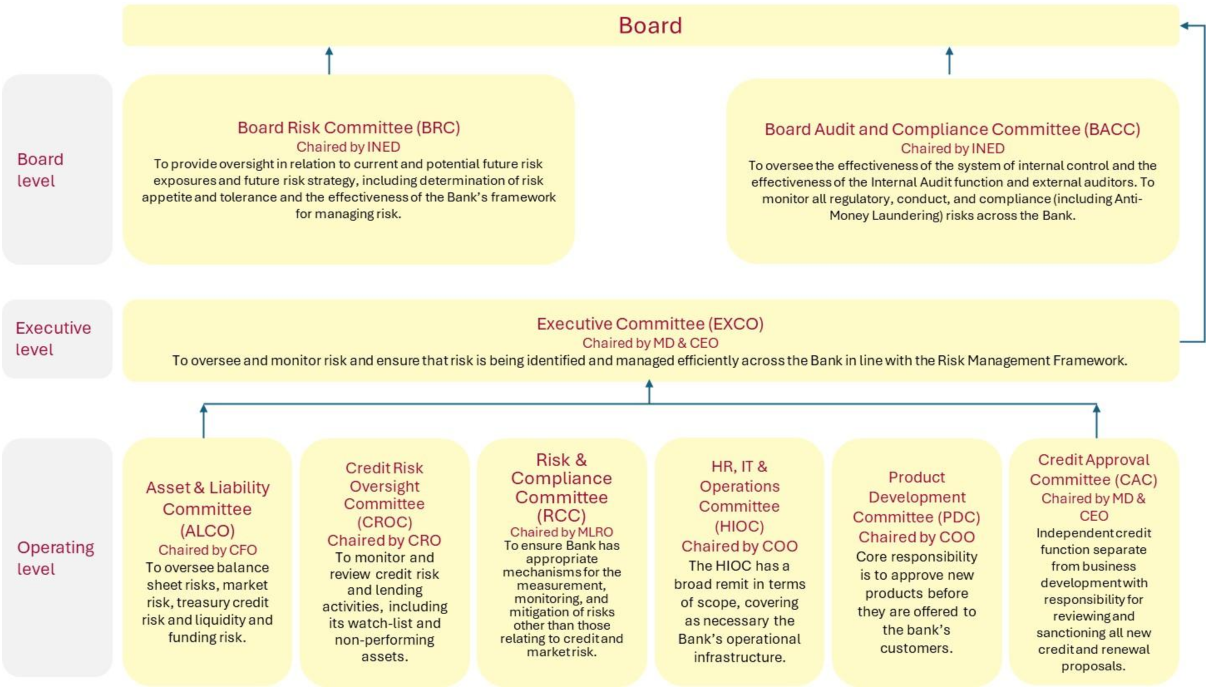
- Review existing risk identification approaches.
- Establish an effective mechanism to identify and manage material risks for the Bank.

- Support risk awareness, behaviours, and judgments within a strong governance framework.
- Promote strong risk culture and cascade risk management philosophy throughout through frameworks, policies, and procedures.
- Address gaps in risk controls, enhance second line oversight and assurance.
- Review risks for appropriate treatment, considering assessment, complexity, potential impact, transferability, and market-standard approaches.
- Ensure effective communication of risk information to facilitate decision-making processes.
- Develop and monitor risk management frameworks, policies, systems, processes, and tools, ensuring effective communication to the First Line.
- Ensure effective risk reporting and communication of strategy and relevant data across the Bank.
- Monitor effectiveness of risk and capital management systems through ongoing review and independent assurance.
- Monitor implementation and effectiveness of, and compliance with risk policies and standards and the management action in the event of breaches.

Risk governance and oversight

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

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



Three lines of defence

The Bank utilises the industry-standard 'three lines of defence' (3LoD) model to structure risk management activities for clear responsibility and accountability, effective collaboration and, efficient coordination of risk and control activities. The 3LoD model makes sure there's a clear definition of responsibilities between the ownership and management of risk (1LoD: First line of defence), oversight and challenge (2LoD: Second line of defence) and independent validation and assurance (3LoD: Third line of defence). Each line of defence is independent and doesn't rely on another for its day-today operation. The key accountabilities of the three lines of defence within the Bank are set out below:

1LoD The business and branches	2LoD Risk Management Department, Centralised Credit Department and Compliance Department	3LoD Internal Audit
• Accountable for risks in their areas. • Embedding risk management frameworks, policies, and sound risk management practices into standard operating procedures. • Adhering to frameworks, policies and procedures set • Reporting on the performance of risk	• 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	• Independently reviewing the design and operating effectiveness of the Bank's internal controls, risk management and governance systems and processes. • Periodically assessing the Bank's overall risk governance framework.

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.	communicated effectively to the First Line. • Ensuring that the above frameworks and tools cover risk identification, assessment, mitigation, monitoring and reporting and that they are being implemented. • Establishing an early warning system for breaches of the Bank's Risk Appetite or limits. • Influencing or challenging decisions that give rise to material risk exposure. • Independent verification of all risk ratings as per the ratings model.	• Providing independent assurance to the Board on the above. • Recommending improvements and corrective actions where necessary. • Tracking the implementation of all internal audit recommendations.

Risk Appetite Framework

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

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

Stress Testing

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

Principal Risks and Risk Mitigation

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

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

Principal Risk	Definition	How we mitigate the risk
	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.	bonds, banks / FI's bond and US/UK treasury Securities). • The Bank does use derivatives and swaps for hedging purposes. These derivatives are re-valued daily and any change in their fair value is recognised immediately in profit and loss. • Market risk is monitored through various limits such as net overnight open position, daylight open position, modified duration, stop loss, cumulative trading losses and mark to market loss limits. • The risks are reported to the ALCO and the Board against risk appetite levels.
Interest rate risk in the banking book	Interest rate risk in the banking book ('IRRBB') more specifically refers to the current or prospective risk to an institution's capital and earnings arising from adverse movements in interest rates that affect the institution's banking book positions.	• The Bank compares the repricing or maturity profiles of interest-sensitive assets and liabilities to quantify the exposure to changes in interest rates. • The impact on the economic value of assets and liabilities under parallel interest rate shock (of 200 bps) scenario is monitored.
Liquidity and funding risk	Liquidity risk is the risk that the Bank is unable to access sufficient liquid financial resources to meet its financial obligations as they fall due. Funding risk is the risk of being unable to access funding markets or to only be able to do so at excessive cost.	• The Bank has a system in place to monitor total contractual inflow and outflow and to manage the gap within pre-stipulated limits prescribed by the Board and/ or the regulator. • Liquidity monitoring mechanism supplemented by regular liquidity stress testing gives sufficient advance signals for envisaging liquidity requirements. • The Bank maintains liquidity buffers and contingency funding plans against various stressed liquidity scenarios. • The Bank aims to diversify its funding sources. • It proactively monitors individual funding maturity dates and maturity concentrations.
Credit concentration risk	Credit concentration risk denotes the overall spread of a Bank's outstanding accounts over the number or variety of debtors to whom the Bank has lent money.	• The risk is monitored through various concentration limits in exposure to existing counterparties, new counterparties, banks, sectoral limits, geographical limits, etc. • The Bank has geographically focused on UK lending as part of its business strategy.

Principal Risk	Definition	How we mitigate the risk
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	• Major sources of operational risks for the Bank are identified by management (as part of ICAAP) and include IT and cyber security risk, data security risk, people risk, internal and external fraud, business process risk, financial crime, legal risk, change risk, outsourcing risk and external events like failure of transportation, non-availability of utilities etc. • The Bank assesses the plausibility of the above risks in light of the various controls put in place to mitigate these risks to keep them within the Bank's appetite. They are regularly monitored for early warning signals through various tools in place so that appropriate and timely action could be undertaken. • The Bank conducts root cause analysis to understand any incidents which do occur and implement appropriate responses. • The Bank utilises a Risk and Control Self-Assessment (RCSA) approach to identify, manage and monitor key operational risks, and the development of action plans to address these risks. • The Bank has different teams such as the Financial Crime Operations Team, Mid-Office and Compliance Conduct Risk team for strengthening the quality, controls and processes. • The Bank also has in place a Cyber incident response plan and Cyber security strategy implementation plan to strengthen its cyber security in the rising cybercrime environment.
Regulatory and compliance risk	Regulatory and compliance risks are risks arising from failure to comply with laws, regulations, rules, standards and codes of conduct applicable to the Bank's activities.	• The Bank maintains a separate independent compliance function that manages and monitors these risks through policies, staff training and regular monitoring of compliance with regulatory obligations. • New and emerging regulatory driven changes are overseen through horizon scanning process and conducting impact assessments.

Principal Risk	Definition	How we mitigate the risk
Data protection and privacy	Data protection and privacy risk refers to the potential exposure or misuse of customers' personal and financial data. It includes risks from cyberattacks, insider threats, or inadequate data handling practices.	• The Bank mitigates these risks by implementing and continuing to improve its data management and protection protocols. • Additionally, the Bank ensures compliance with regulatory requirements through continuous monitoring and staff training programs.
Financial crime	Financial crime encompasses any criminal conduct related to money or financial services and markets. While financial crime has always posed a risk to the financial services industry, the increased use of digital channels has heightened this risk. As technology advances, the nature and impact of financial crime activities are expected to grow over the coming years.	• The Bank continues to enhance its control environment with respect to financial crime. This is closely monitored by the Risk and Compliance Committee.
Conduct risk	Conduct risk relates to a failure or an inability to comply with laws, regulations and codes relating to the fair treatment of customers. Failure to manage this risk sufficiently could result in reputational damage, regulatory sanction and remediation programmes.	• A conduct risk framework is in place and a report on conduct risk is presented to the Board annually and monitored regularly through KRIs. • The Bank analyzes complaints, and claims and undertakes root cause analysis to drive continuous improvement in customer outcomes.
Strategic and business risk	Strategic risk is the current and prospective impact on earnings of capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry and market changes. Business risk is any risk to the Bank arising from changes in its business, including the risk that the Bank may not be able to carry out its business and its desired strategy.	• These risks are mitigated by the low risk and secured lending model and working with the target segments where the Bank has experience, knowledge and skill set. • The Bank focusses on existing profitable products and services whilst strengthening its core foundations and improving cost efficiencies. • All new business initiatives and proposals for products or services undergo thorough analysis and scrutiny before launch. • While evaluating Business and Strategic risks, we take into account the implications of regulatory expectations and legislative requirements. • New product process is in place to consider the risks of product launches.

Principal Risk	Definition	How we mitigate the risk
Environment, Social & Governance ('ESG') Risk	ESG risk is broadly defined as environmental, social and governance characteristics that could negatively impact the financial performance or solvency of an entity, sovereign or individual.	• The Bank has a well-defined governance structure. It regularly undertakes various initiatives to fulfil its social responsibilities. • The Bank has already embedded controls to address the climate change risk. • However, considering the impact of climate risk across various spheres of activities, the Bank has taken further steps to address the risk and has embedded it in its decision-making process and culture through the Risk Appetite Framework and Credit Risk Management Policy. • See section 'ESG Report' for more details.
Reputational risk	The risk of possible damage to the brand and reputation, and the associated risk to earnings, capital or liquidity arising from any association, action or inaction which could be perceived by stakeholders to be inappropriate, unethical or inconsistent with the Bank's values and beliefs.	• To mitigate this risk, the Bank has developed a reputational risk framework policy, and the Bank has no risk appetite to undertake any activities that could endanger the reputation of the Bank. • The Bank is actively involved in corporate social responsibilities as part of corporate strategy to build reputation in the UK. • An efficient complaints handling policy is in place and regularly monitored through Reputational Risk Scorecard.
Group risk	The risk associated with being a subsidiary in a wider group. This will also include strategic and business risks associated with the parent, impacting upon the reputation, focus and direction of Bank's business. The use of services from the parent bank such as IT and office space is also included.	• Increased involvement and interaction between senior management from Bank and the parent bank. • Limits on net exposure of the parent bank. • Performance of the parent bank and its likely impact is assessed regularly. • Reduced reliance on the parent bank with regards to capital and liquidity as we have become more self-sufficient.

Emerging risks

The Bank is dedicated to the close monitoring and management of the emerging risks. These risks reflect potential threats that are rising in significance, driven by external change or characterized by greater uncertainty, and therefore have the potential to significantly impact the Bank's ability to achieve its strategic objectives. These risks are often immediate and require proactive measures to mitigate their effects on the Bank's operations and performance.

In contrast to the principal risks which are inherent to business model, emerging risks are characterised by their uncertainty and the likelihood that they will develop and become more significant over a longer period. These risks may arise from changes in the economic environment, technological advancements, regulatory shifts, or geopolitical developments. While the specific nature and impact of these emerging risks are not fully known as they may not be quantifiable, they are closely observed to anticipate and prepare for potential future challenges.

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

Economic environment

Lower Bank of England base rates can negatively impact the revenue that we earn from our interest bearing products (more so because of any mismatch between repricing of our fixed rate deposits and repricing of floating rate loans). Slow growth and recession in the UK economy may reduce fee income and returns on lending. High inflation also has an impact on the cost of living for our customers and can put pressure on their ability to service their obligations. Political instability and conflicts may contribute to interest and FX rate volatility that could result in lower profitability. We monitor the macroeconomic environment closely and carry out horizon scanning and stress testing exercises to assess the impacts of macroeconomic risks to our business.

Geopolitical risk

The geopolitical environment remains uncertain, driven by escalating global tensions, trade disruptions, and political instability. Recent developments such as the U.S. administration's imposition of broad trade tariffs increased market volatility. Additionally, the conflicts are still ongoing in Ukraine and the Middle East.

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

Regulatory Risk & Intervention

The Bank closely monitors regulatory changes, recognizing their potential impact on our business operations. Non-compliance with regulatory changes could result in fines, reputational damage, and potential revocation of regulatory permissions. As the regulatory landscape remains dynamic, we are committed to recording, assessing, and integrating these developments into our risk framework.

Key areas of focus and monitoring include the impact of the UK Payment Systems Regulator's reforms on authorised push payment fraud reimbursement, particularly the impact of the updated reimbursement model, and increase the efficiency of the processes required to implement the new regime. With the impending introduction of the Basel 3.1 reforms including removal of the SME support factor, it would potentially mean that we will have to hold more capital.

Climate Report including Environment Social and Governance (ESG)

This Climate Report outlines the approach we are taking at PNBIL to tackle climate change, as well as the progress we have made during 2024-25. Our approach to climate change continues to form a fundamental part of our ESG strategy and our climate ambition remains to reduce our carbon footprint.

Climate Risk

Climate Risk is a key area of focus for PNBIL, especially the risks of experiencing losses and/or reputational damage arising from the impacts of climate change, transition to net zero.

Generally, this risk arises through two channels, physical or transition risks:

Physical risks	Transition risks
Risk arising from changes in climate or weather patterns. These can either be acute (events driven such as floods or storms), or chronic (longer-term shifts such as rising sea levels or droughts)	Risk due to the changes associated with moving towards a low carbon economy, including changes to policy, legislation and regulation, technology and market, or legal risks from failing to manage the transition.

The impacts from climate risk largely manifest through other principal risks that the PNBIL faces, therefore consideration of climate-related risk is integrated into some of our wider risk management processes.

Climate risk Opportunities

One of the main climate risks faced by PNBIL is the failure to adequately support the UK in its transition to net zero. PNBIL understands its responsibility to manage its own operational emissions and that it can support its colleagues and customers in transition, noting the biggest opportunities are in lending including residential mortgages and the real estate sector. The identification, assessment and management of these opportunities is undertaken on a regular basis and approval of new initiatives governed in line with our governance structure.

Further, the Bank regularly reviews its climate change related risk management strategy to ensure that it continues to align with evolving industry best practices and regulatory expectations, whilst still being proportionate for the size, complexity and nature of its business.

We have identified opportunities to:

• Develop products to promote climate resilience, engaging in this opportunity through Green BTL, Eco-Equity Release credit schemes and providing finance to businesses which have the necessary EPC rating.

• Embrace the opportunity to reduce emissions from our own operations by: focusing on replacing existing lighting with energy efficient lighting in Corporate Office and branches; encouraging staff to use public transport and not providing any parking spaces in the corporate building in Central London; and encouraging employees to use re-useable water bottles/cutlery.

Governance

The CRO is responsible for ensuring a robust framework to manage climate-related financial risks and for aligning with regulatory expectations. This includes collaborating with the first line to ensure effective risk identification, measurement, monitoring, and scenario analysis.

Climate Change/ESG is a standing agenda item at monthly EXCO meetings, where the CRO provides updates and highlights any concerns and the Board Risk Committee receives quarterly updates on climate risk, tracking the Bank's initiatives against regulatory expectations and energy efficiency goals

Strategy

The Bank supports the UK's transition to low carbon, and a climate resilient, economy. Accordingly, the Bank adopts a cautious and orderly approach to Climate Change by embedding it in its business strategic through the Risk Appetite framework and Credit Risk Management Policy.

As per the strategy, the Bank has embedded scenario testing for climate change, particularly for physical risk and transition in its stress testing exercise. The approach for stress testing is consistent with the Bank's portfolio, asset profile and the need to maintain an adequate capital position.

Further, the Bank aims towards a Net Zero-Emission Goal in the long run and the business initiatives taken in this regard are detailed below and other operational initiatives taken are detailed under the Streamlined Energy and Carbon Reporting (SECR) disclosures of directors report.

Risk Management

Climate change risk is identified, assessed, monitored and managed through enhanced MI, Risk Management, stress testing and scenario analysis. There is continuous monitoring of ESG Risk through Material Risk Trend Register (MRTR). As PNBIL enhances its data capabilities, the Bank will further evolve its approach by capturing more granular insights into exposures vulnerable to climate risk. Further, periodic reviews are carried out for risk identification and assessment to ensure that the assessment of materiality is up to date and based on the latest changes/developments, and that no material risks go unrecognized.

Moreover, PNBIL is progressing in building an operational risk loss incident database with financial loss from climate change to enhance the Bank's understanding of the financial impact and strengthen the risk management process on an ongoing basis.

The Bank follows the principle of assessing the impact of the borrowing company on climate change and the impact of climate change on the company in terms of physical risk and transition risk. Thus, the Bank has quantitatively and qualitatively assessed climate change in its stress testing by considering physical risk and transition risk. Based on the stress test and scenario analysis for climate change risk, the Bank does not foresee any immediate stress on its portfolio primarily due to its focused strategy, existing portfolio, risk management structure, credit assessment process and practices.

PNBIL acknowledges the Financial Risk from Climate change as material and has substantiated its efforts to manage it as described in proportion to the scale and complexity of the business.

Metrics for Oversight

EPC rating Transition Matrix: The real estate portfolio remains exposed to a tightening of minimum energy efficiency standards for real estate properties, which could impact the value or marketability of mortgaged properties.

A detailed database capturing property-wise EPC rating has been built by the Bank which is regularly updated. The data has been instrumental in quantitively capturing the climate change transition stress on the Bank's real estate portfolio. The details have been captured in the stress testing section of the ICAAP document. The Bank aims to increase its exposure to EPC-rated A & B real estate and decrease its exposure against EPC rating of D and below.

The position of EPC Rating-Percentage of portfolio backed by properties is as follows as at 14/05/2025.

Exposure	EPC C and Above	EPC D and Below
BTL-R	31.61%	14.30%
BTL-C	27.82%	15.83%

Physical Risk Through Flooding, Severe Weather Events &/or Rising Sea Level: The Bank's real estate portfolio represents a key business segment. This remains exposed to extreme variability in weather patterns which may lead to increased incidence and severity of physical risk which, in addition to the disruption felt by customers, can lead to a decrease in the valuation of the property.

A detailed database capturing property-wise flood risk has been built by the Bank which is regularly updated. The data has been instrumental in quantitively capturing the climate change physical stress on the bank's real estate portfolio. The details have been captured in the stress testing section of the ICAAP document. The Bank will continue endorsing insurance coverage of flood risk for its primary and collateral real estate securities where the risk is medium and high.

An assessment has been undertaken to identify the real estate portfolio which could potentially be exposed to physical risk, particularly those impacted by flood risk. Flood risk information for properties has been directly obtained from the government of UK database.

The percentage of portfolios exposed to flood risk is as follows, as at as at 14/05/2025.

Exposure*	Very Low Risk	Low Risk	Medium Risk	High Flood Risk
Surface Water	34.91%	28.15%	18.82%	16.27%
River and Sea	89.59%	3.74%	4.23%	0.59%

* Data on flood risk is not available for which accounts for 1.84% of property portfolio.

Business Initiatives taken by PNBIL to address Climate Risk

- Developed products to promote climate resilience, through Green BTL, Eco-Equity Release credit schemes and providing finance to business have necessary EPC rating.
- Differentiated pricing to encourage investment into energy efficient properties, with the endeavor to transition towards higher energy efficient portfolio.
- Avoiding properties with high flood risk unless there are risk mitigating factors.
- Not financing businesses which are harming the climate, such as carbon intensive industries, oil and gas extraction, unless there is risk mitigants factors.

- Supporting real estate businesses which use renewal energy for heating/ lighting, or which generate renewable energy such as solar power to be fed into the national grid.
- Preferring businesses which involve accommodation near cities as this reduces the carbon footprint of the residents in these accommodations.

Conclusion

Creating a sustainable future is central to our mission, supporting the UK's transition to net zero through responsible lending, investments, and services. The Bank is committed to developing a climate strategy that is proportionate to its business model and aligned with regulatory expectations.

In line with PRA's Supervisory Statement SS3/19, we are embedding climate risk management across all three lines of defense. This includes strengthening governance, enhancing risk systems, conducting scenario analysis, and improving climate-related disclosures.

We continue to evolve our approach to identifying and managing climate risks and opportunities. While progress is being made, significant challenges and external dependencies remain across sectors that must be addressed to reduce emissions and support a healthier environment.

Ritesh Mishra

Mr. Ritesh Mishra

21st July 2025

The Directors have pleasure in presenting the Directors' report which should be read in conjunction with the Strategic report pages 5 – 24.

Financial Results

The financial statements for the reporting year ended 31 March 2025 are shown on pages 45 to 93.

For the Bank's financial risk management policies, please refer note 24 for credit risk and note 40 for Market Risk.

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 2025.

However, the Bank continued to pay a dividend on the Additional Tier I Capital bonds at the rate of 6 months SOFR plus 5% amounting to $4.64 million (2024: $4.83 million) during FY 2024-25.

Capital Structure

As at 31 March 2025, the issued and fully paid share capital of the Bank is $274.63 million (2024: $274.63 million), and Additional Tier 1 Capital is $45 million (2024: $45 million). In the financial year 2024-25, there was no material change in the capital structure of the Bank.

The total amount of regulatory capital available as at 31 March 2025 was $216.08 million (2024: $223.08 million). Detail is given below

		2025 $'000	2024 $'000
Tier	**Component**		
Core Tier I Capital	Permanent share capital	274,631	274,631
	Profit and loss account and other reserves*	(108,749)	(104,863)
	FVOCI reserve*	279	(117)
	IFRS 9 transitional adjustment		
		166,161	**169,651**
Additional Tier I	Additional Tier 1 capital	45,000	45,000
Adjustments	Intangible Assets	(126)	(180)
	Deferred tax assets*	(24,441)	(24,629)
	Due to prudential filters	(746)	(765)
Total Tier I Capital		**185,848**	**189,076**
Tier II Capital	Long term dated subordinated bonds	**40,000**	**50,000**
Deductions from Tier II	Amortisation of dated Tier II capital, maturing within five years	(9,767)	(15,997)
Total Tier II Capital		30,233	34,003
Total Capital		**216,081**	**223,079**

*Restatements have been made in the prior year in order arrive at the correct fair value reserve figure, these restatements are not material. Refer to note 28 and note 35.

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.

The Total Capital Ratio of the Bank continues to remain above the required level under the CRR and also above the Total Capital Requirement ('TCR') given by the regulator to the Bank. The TCR as at 31 March 2025 is 31.09% with the Common Equity Tier I capital ratio being 20.26%.

As at 31 March 2025, the capital adequacy ratio, leverage ratio, liquidity coverage ratio and net stable funding ratio of the Bank are all above the minimum regulatory requirements and individual capital and liquidity guidance. The Bank's funding is well diversified and the liquidity asset buffer, short-term interbank placements and balances with the Bank of England are positively maintained, keeping in view the immediate liquidity requirement which may be triggered under stressed conditions. A minimum of 90 days' survival period is considered for maintenance of the buffer. The components of regulatory capital, assessment of capital adequacy and the leverage ratio will be disclosed separately in the Pillar III disclosures, to be published on the Bank's website.

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

Going Concern

The Directors are satisfied that the Bank has the resources to continue in business in foreseeable future, considering at least 12 months from the date of this report, and that there are no material uncertainties to disclose. In making this assessment, the Directors have considered PNBIL's current available capital and liquidity resources, the credit quality of the loan book and overall balance sheet; the business financial projections (including profitability, liquidity and capital resources and requirements) and the resilience and adaptability of the operational and IT infrastructure and its staff.

The Bank has sufficient Capital for its existing business which allows for planned growth, the Bank holds capital far in excess of the minimum regulatory guidelines. The Regulatory Capital at the end of March 2025 was $216.1 million with a surplus of $103.1 million above the regulatory requirement. The CRAR stands at 31.09% against a requirement of 16.25%.

As per the latest ICAAP 2024, capital requirements under stress scenarios have also been assessed as per a revised stress testing framework. PNBIL undertakes 3 stress tests as part of its ICAAP assessment: Market-wide stress scenario, Idiosyncratic stress scenario and Combined stress scenario. The Stress test results are summarised below:

Regulatory Requirement				
CET 1 Regulatory Requirement (2024)	11.56%			
Tier 1 Regulatory Requirement (2024)	13.69%			
Total Capital Ratio Regulatory Requirement (2024)	16.53%			
Base Case				
	31.03.2025	31.03.2026	31.03.2027	31.03.2028
CET 1 Ratio (Base Case)	17.85%	16.53%	16.10%	15.83%
Tier 1 Ratio (Base Case)	23.40%	21.48%	20.58%	19.86%
Total CRAR (Base Case)	29.58%	25.88%	23.57%	22.55%
Market Stress				
Stressed CET 1 Ratio	17.85%	14.85%	14.58%	14.47%
Stresses Tier 1 Ratio	23.41%	19.79%	19.04%	18.48%
Stressed Total CRAR	29.59%	24.19%	22.01%	21.16%
Idiosyncratic Stress				
Stressed CET 1 Ratio	17.82%	14.64%	14.30%	14.13%
Stresses Tier 1 Ratio	23.37%	19.58%	18.75%	18.12%
Stressed Total CRAR	29.55%	23.96%	21.71%	20.79%
Combined Stress				
Stressed CET 1 Ratio	17.85%	12.59%	12.05%	11.85%
Stresses Tier 1 Ratio	23.41%	17.52%	16.48%	15.82%
Stressed Total CRAR	29.59%	21.90%	19.43%	18.46%

The Combined Stress Scenario is the most severe scenario. Even under the Combined Stress Scenario (before Management Action) CET 1, Tier 1 and Total capital ratios will be within the regulatory limits without any utilisation of buffer.

The Bank's strategic plan, is reviewed every year and approved by the Board, the table below is updated based on the updated forecasts for the next 3 years and based on actual numbers for March 2025.

	31.03.2025	31.03.2026	31.03.2027	31.03.2028
CET 1 Ratio (Base Case)	20.26%	21.00%	19.90%	19.30%
Tier 1 Ratio (Base Case)	26.74%	26.70%	25.00%	23.80%
Total CRAR (Base Case)	31.09%	30.27%	27.40%	25.90%

It is also expected that Bank's capital position is adequately capitalised and even under stress scenarios (market, idiosyncratic and combined) it is unlikely that there will be breach of regulatory capital requirements. The detailed analysis and results will be further assessed and documented as a part of Bank's ICAAP 2025.

The Bank maintains a healthy liquidity position which exceeds the requirements demanded by the regulatory environment. The LCR and NSFR ratios as at the end of March 2025 was 201% and 121% respectively. In relation to long term borrowing, the bank has subordinated debt worth $40 million. The bank expects to have sufficient resources to meet all long-term borrowing commitments. There is a robust liquidity adequacy and monitoring process in place.

The Bank has continued to receive support from the Parent Bank with the rollover of existing Capital instruments during the year. Assessments of the Bank's liquidity, capital adequacy, and risk management framework are performed on a regular basis.

The Bank has considered a range of possible scenarios factoring in recent events during the financial year and modelled the impact for both the short and long term with probabilities for each scenario. The management has concluded that there are no reasonably possible 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.

In light of the analysis summarised above, the Directors are confident that the Bank will continue as a going concern for a period of at least twelve months from when the financial statements are being authorised for issue and up to at least 31 July 2026.

Streamlined Energy and Carbon Reporting (SECR)

Under this SECR, we report our energy use and greenhouse gas emissions. Our greenhouse gas (GHG) reporting adheres to the GHG Protocol, specifically under the operational control approach, for all facilities owned by PNBIL, reported in tCO2e. This is in line with our obligations under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the SECR (section 7) regulation. Our reporting year is FY 2024-25 and the table below summarises the GHG emissions for the financial year ended 31.03.2025. This is the second full financial year during which the bank has assessed its GHG emissions and the FY 2023-24 is used as the baseline for assessments.

The table below summarizes the GHG emission for the year ended March 2025 compared to the previous year.

	Streamlined Energy and Carbon Reporting		
SCOPE	Emission Source	FY 24-25 tCO2e	FY 23-24 tCO2e
1	Company Vehicle	5.11	3.09
2	Electricity	77.28	77.15
3	Petrol reimburse from staff claims	4.84	6.62
	Total tCO2e	87.23	86.86
	Total tCO2e per USD M turnover	2.02	1.88
	Total Energy Consumption (KWH)	412,071.13	408,985.22

Intensity Ratio	FY 2024-25	FY 2023-24
Activity		
Total Energy Consumed (KWH)	412,071.13	408,985.22
Total Gross location based Emission (tCO2Oe)	87.13	86.86
Intensity Ratio: tCO2e (gross scope 1 , 2& 3, location based)per USD M revenue	2.02	1.88
Operating income in USD M	43.05	46.13

Although the Bank has not yet established a specific Co2 emissions reduction target, it is committed to achieving year-on-year reductions. In the current reporting period, there has been a marginal increase in emission primarily due to the increased use of company vehicles for various business visits, seminars and conferences held during the year for growth and business development. These initiatives have contributed to improved business performance and is expected to support long term profitability. PNBIL is not proposing specific Co2 emission reduction targets for the upcoming year, however the Bank is introducing various initiatives outlined below with the aim of focusing on reducing its carbon footprint and the Bank is also in the process of developing a comprehensive climate risk management framework. These efforts along with other planned measures reflect the Bank's ongoing commitment to sustainability and intention to progressively reduce emissions over time in alignment with broader climate goals.

Methodology

The GHG emissions have been assessed following the GHG Protocol Corporate Reporting standard and the Bank has used the 2024 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the department for business, Energy and Industrial Strategic (BEIS). For the intensity ratio, the Bank has chosen to use Gross tonnes of Carbon dioxide equivalent per USD Million of operation income. This metric is chosen as it is the most readily available and complete data over the period and helps normalize the data, based on business activity.

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

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

- Continuing to work with landlords to identify and implement energy-saving opportunities, improving the energy efficiency of our offices.
- Replacing existing lighting with motion-generated lighting in Corporate Office and branches.
- Encouraging staff to use public transport.
- Not providing parking space to staff in the corporate building in Central London to encourage them to use public transport.
- Encouraging employees to use re-useable water bottles to replace plastic disposable water bottles and providing re-useable cutlery and plates.

- Advised employees to minimise the use of paper and use recycled paper wherever required.
- Starting to use a web-based digital platform for Human Resources Management System (PNBIL-MERA) to seek approval for both financial and non-financial matters to save on paper waste.

During the FY 2025- 2026, PNBIL will continue to focus on reducing emissions and increasing energy efficiency with planned measures which reflect the Bank's ongoing commitment to sustainability and intention to progressively reduce emissions over time in alignment with broader climate goals.

Events after the Balance Sheet date

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

Internal Control and Financial Reporting

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

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

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

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

Directors

The directors of the company who held office during the year, and up to the date of signing the financial statements were:

Position	Director	Appointment Date	Resignation Date
Chairman	Atul Kumar Goel	15.03.2022	31.12.2024
Chairman	Ashok Chandra	05.02.2025	
Managing Director	Binay Gupta	01.12.2022	02.07.2024
Managing Director	Ritesh Mishra	02.07.2024	
Executive Director	Vasudevan Mundokulam	31.05.2019	12.12.2024
Non Executive Director	Prabhat Ranjan Pradhan	24.07.2024	
Non Executive Director	Swarajya Lakshmi Malladi	02.12.2022	31.05.2024
Independent Non Executive Director	Sundeep Bhandari	31.07.2018	
Independent Non Executive Director	Julie Nicholson	19.02.2025	
Independent Non Executive Director	Adrian John Stirrup	30.04.2019	

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

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

Statement as to Disclosure of Information to the Auditor

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

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

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

Elective Resolution

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

Auditor

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

General Meetings

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

By order of the Board

Company Secretary

Camilla Shaw

Camilla Shaw

21st July 2025

Directors’ Responsibility Statement

The Directors are responsible for preparing the Strategic Report, the Directors’ Report and the financial statements in accordance with UK adopted international accounting standards. The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period. In preparing the financial statements, the Directors are responsible for:

- Selecting suitable accounting policies and then applying them consistently.
- Stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Making judgements and accounting estimates that are reasonable and prudent.
- Assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern

The Directors are responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Bank’s transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are responsible for such internal controls as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.
Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors’ Report that complies with that law and those regulations.
The Directors are responsible for the maintenance and integrity of the Bank’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors Confirmation

The Directors consider that the financial statements, taken as a whole, are fair, balanced, understandable and provide the information necessary for shareholders to assess the Bank’s position and performance, business model and strategy. Each of the Directors, whose names and functions are listed in the Directors’ Report, confirms that, to the best of their knowledge:

- The Bank’s financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Bank; and In the case of each Director in office at the date the Directors’ Report is approved:

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

- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Bank’s auditors are aware of that information.

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

Opinion

We have audited the financial statements of Punjab National Bank (International) Limited (the ‘Bank’) for the year ended 31 March 2025 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of material accounting policies.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Bank’s affairs as at 31 March 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (‘ISAs (UK)’) and applicable law. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors’ assessment of the Bank's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern;
- Reviewing the directors’ going concern assessment to determine that it appropriately considers an assessment of key business risks including assessing the sufficiency of the Bank’s capital and liquidity taking into consideration the most recent Board-approved Internal Capital Adequacy

Assessment Process (‘ICAAP’) and Internal Liquidity Adequacy Assessment Process (‘ILAAP’) and documents;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Bank’s future financial performance;
- Challenging the appropriateness and reasonableness of the directors’ key assumptions in their forecasts, by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors’ consideration of stress and reverse stress testing on the Bank’s capital and liquidity and their consideration of severe but plausible scenarios. This included assessing the viability of mitigating actions within the directors’ control and assessment of the directors’ considerations of the implications of the macroeconomic environment and geopolitical risk;
- Assessing the reasonableness and testing arithmetical accuracy of the forecasts prepared by the directors, including evaluating the historical accuracy of past forecasts;
- Inspecting regulatory correspondence with the Prudential Regulation Authority (‘PRA’) and the Conduct Authority (‘FCA’) and holding bilateral discussions with the PRA and with the FCA;
- Considering the consistency of the directors’ forecasts with other areas of the financial statements and our audit;
- Inspecting Board of Directors’ meetings minutes to identify events or conditions that may impact the Bank’s ability to continue as a going concerns;
- Evaluating the appropriateness of the directors’ disclosures in the financial statements on going concern; and
- Considering whether there were events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.

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

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

Key audit matters

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

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

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

Key Audit Matter	How our scope addressed this matter
Expected Credit Losses ('ECL') on loans and advances to customers *Refer to material accounting policy information (Note 2 b)vii)) and Notes 3, 4, 19 and 23.* The Bank has an ECL allowance of $70.7 million (2024: $152.3 million) on loans and advances to customers in the statement of financial position. The ECL charge recognised in the Bank's income statement is $17.9 million (2024: $17.7 million). Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation uncertainty. IFRS 9 requires allowance for impairment losses to be determined on an ECL basis. The largest element of credit risk relates to loans and advances to customers where the Bank is exposed to secured and unsecured lending to corporate clients. The Bank's loan portfolio comprises of the core portfolio being UK based secured lending and the non-core portfolio which primarily represents the stage 3 loan portfolio originated against India based assets under the previous strategy. Whilst the Bank continues to see recoveries in the non-core loan portfolio, the estimate of	Our audit procedures included, but were not limited to: **Control testing:** • We performed end to end process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We assessed the design and implementation of the key controls related to this process, and tested the operating effectiveness of controls operating at the Bank in relation to credit provisioning and monitoring. **Substantive testing:** • With the assistance of our credit modelling specialists, we evaluated the appropriateness and reasonableness of the ECL model to consider if there are any model limitations; • We engaged our in-house property valuation experts to assessed the reasonableness of the collateral valuation used by management; • Our in-house economist expert independently assessed the macroeconomic scenarios, the appropriateness of the macroeconomic variables used including the forecasts, and the weightings applied to each scenario; • We assessed the quantitative and qualitative SICR criteria used by the Bank, and for a

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ECL in respect of this portfolio remains highly judgmental.

Individual impairment assessments are made for loans classified as stage 3. This is based on assumptions around the present value of future cash flows arising primarily from the sale or repossession of collateral.

For loans classified as stage 1 and 2, ECL is determined through the use of a model. The model used requires judgement to the input parameters and assumptions, such as the macroeconomic variables used to reflect a range of future recovery scenarios.

The ECL is sensitive to the staging criteria for the identification of significant increases in credit risk and its application.

The key areas of judgement and management estimation identified that give rise to a significant audit risk relate to:
- Valuation of the collateral on stage 3 loan assets;
- The use of macroeconomic variables; and
- Staging of loans and identification of significant increase in credit risk ('SICR').
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sample of stage 1 loans, tested whether there have been any indicators of a significant increase in credit risk;
• We evaluated the appropriateness of the quantitative and qualitative default criteria used by the Bank, and for sample of stage 2, tested whether there have been any indicators of impairment;
• We performed a review of watch list movements throughout the year to assess compliance with SICR and curing policies;
• We reviewed credit files for a selection of loans to assess the accuracy and reasonableness of data used in the determination of increases in PD assumptions;
• We selected samples of loans with characteristics of heightened credit risk, in particular stage 2 loans for testing collateral valuation and assessing adequacy of individual impairments; and
• We performed a review of the individual impairment assessments made for a selection of stage 3 loans. We focused on how management assessed recovery including challenging estimates of future cash flows under different recovery scenarios. We also assessed the rights and obligations, and valuation of collateral used in management's assessment of these loans and independently reperformed the impairment calculations to test the arithmetical accuracy of management's calculations.

Disclosures:
• We assessed the adequacy and appropriateness of disclosures made within the financial statements.

Our observations
Based on the work performed, we found that the assumptions used by management in the impairment assessment are reasonable and that the ECL allowance in relation to loans and advances to customers is not materially misstated as at 31 March 2025 and is consistent with the requirements of IFRS 9.
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Valuation of deferred tax asset	Our audit procedures included, but were not limited to:
Refer material accounting policy information (Note 2 b)xiii)) and Notes 4 and 28. The Bank records a deferred tax asset ('DTA') relating primarily to unused tax losses. The Bank has a recognised DTA of $24.4 million (2024: $24.6 million). The Bank's DTA is based on management's assessment of future taxable profits of the Bank which is underpinned by significant assumptions about future performance and strategy. The key assumptions used in the methodology implemented by management primarily relates to growth of the underlying loan portfolio and related interest margin, as well as future operating expenses. Management performs a ten-year financial forecasts for the annual DTA assessment. The methodology used by management includes the use of risk weightings to the taxable profits forecast in the operating plan to reflect the diminishing reliability of forecasts over time. Given the significant level of estimating uncertainty and judgement involved in relation to the measurement of the DTA, we consider this area to be a significant audit risk.	**Control testing:** • We evaluated the design and implementation of controls operating at the Bank in relation to the oversight of the budgeting and forecasting processes for the measurement and recoverability of deferred tax asset. **Substantive testing:** • We assessed management's methodology in relation to the calculation of the deferred tax assets, which included an analysis of the risk weightings applied by management to the taxable profits forecast in the operating plan; • We challenged management and those charged with governance on the period over which the results could be forecasted reliably; • We challenged management's assumptions within the operating plan, including future profitability and the recovery of the deferred tax asset. This included independent stress tests on a univariate and multivariate basis; • We assessed the consistency between the forecasts used for going concern and deferred tax; • We assessed management's forecasting ability. Our approach included evaluating their forecasting process, scrutinising the growth rate applied in the deferred tax asset model, and back-testing previous projections; • With the assistance of our tax audit specialists, we reviewed the underlying deferred tax asset calculations to determine whether the calculation of the asset is appropriate, including the data inputs, application of the tax rates and restrictions regarding the use of tax losses; and • Performed benchmarking analysis against peer banks to challenge forecast reliable periods used for arriving at deferred tax assets.

	Disclosures: • We evaluated the adequacy and appropriateness of the disclosures made in the financial statements. **Our observations** Based on the work performed, we found that the valuation of the deferred tax asset recognised by the Bank and related disclosures are reasonable as at 31 March 2025.

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

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

Overall materiality	$2,168,000 (2024: $2,164,000)
How we determined it	1% Net Assets (2024: 1% of net assets)
Rationale for benchmark applied	Net assets are the main focus of the shareholder (the overseas parent) to assess the value of their investment. Furthermore, net assets approximate regulatory capital resources which is a key focus for the shareholder, management, and regulators. It is also consistent with the benchmark used by most peer banks in the industry based on the size and complexity of the Bank's operations.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at $1,085,000 (2024: $1,082,000) which represents 50% (2024: 50%) of overall materiality. We considered several factors in determining performance materiality, including the level and nature of uncorrected and corrected misstatements in the prior year and the robustness of the control environment, and concluded that an amount at the lower of our normal range was appropriate.

Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above $65,000 (2024: $65,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors’ responsibilities statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

- Gaining an understanding of the legal and regulatory framework applicable to the Bank and the industry in which it operates, and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with the PRA and FCA and holding bilateral discussions with the PRA and FCA;
- Inspecting Board of Directors' meetings minutes during the year and up until the date of approval of the financial statements;
- Attending Board Audit and Compliance Committee meetings held during the year and up until the date of approval of the financial statements and inspecting minutes of those meetings; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance throughout our audit.

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

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to ECL on loans and advances to customers.

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing;
- Inspecting the Bank's complaints logs as well as regulatory and legal correspondence during the year; and
- Being skeptical to the potential of management bias in key judgements and assumptions in significant accounting estimates, in particular in relation to the ECL on loans and advances to customers.

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

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

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

Other matters which we are required to address

Following the recommendation of the Board Audit and Compliance Committee, we were appointed by the 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 six years, covering the years ended 31 March 2020 to 31 March 2025.

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

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

Use of the audit report

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

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

21 July 2025

Income Statement

for the year ended 31 March 2025

	Note	2025 $'000	2024 $'000
Interest income	5	79,660	72,874
Interest expense	6	(37,875)	(28,972)
Net interest income		**41,785**	**43,902**
Net trading profit	7	(213)	635
Fee and commission income	46	1,432	1,229
Other operating income	8	685	252
Operating income		**43,689**	**46,018**
Staff costs	12	(16,784)	(13,927)
Depreciation and amortisation expenses	9	(1,022)	(1,216)
General administrative expenses	10	(7,151)	(6,873)
Impairment provision	23	(17,922)	(17,723)
Profit before tax		**810**	**6,279**
Tax (expense)	14	(60)	(68)
Profit after tax for the year		**750**	**6,211**

All amounts mentioned above relate to continuing activities.

The accompanying 'Notes to the financial statements' from page 50 to 93 are an integral part of the financial statements.

Statement of Comprehensive Income

for the year ended 31 March 2025

	Note	2025 $'000	2024 $'000
Profit after tax for the year		**750**	**6,211**
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss when specific conditions are met:			
Fair value gains/(losses) transferred to the income statement on disposal		258	(10)
Fair value gains*	35	268	1,170
Income Taxes		(130)	(291)
Total comprehensive income attributable to equity share holders		**1,146**	**7,080**

*Restatements have been made in the prior year in order arrive at the correct fair value reserve figure, these restatements are not material. Refer to note 28 and note 35

The accompanying 'Notes to the financial statements' from page 50 to 93 are an integral part of the financial statements.

Statement of Financial Position

for the year ended 31 March 2025

	Note	2025 $'000	2024 $'000
Assets			
Cash and balances with banks	15	116,753	134,032
Financial assets at fair value through profit or loss	16	964	3,029
Derivative financial instruments	17	156	14
Loans and advances to banks	18	1,352	10,496
Loans and advances to customers	19	903,981	772,119
Investment securities at amortised cost	21	75,947	65,117
Financial assets at amortised cost		981,280	847,732
Financial assets at fair value through other comprehensive income	20	71,606	72,866
Right of use lease assets	36	2,946	3,685
Property, plant and equipment	26	237	287
Intangible assets	27	126	180
Deferred tax assets*	28	24,441	24,629
Prepayments and other receivables	29	1,117	591
Total assets		**1,199,626**	**1,087,045**
Liabilities			
Deposits from banks	30	2,311	3,292
Deposits from customers	31	916,442	811,182
Derivative financial instruments	17	1,471	159
Repurchase agreement – non trading	45	20,868	-
Lease liability	36	3,173	3,870
Other liabilities	33	3,092	2,639
Subordinated bonds and other borrowed funds	32	41,108	51,252
Total liabilities		**988,465**	**872,394**
Net Assets		**211,161**	**214,651**
Equity			
Share capital	34	319,631	319,631
Fair value reserve*	35	279	(117)
Retained earnings*		(108,749)	(104,863)
Equity attributable to owners of the Company		211,161	214,651
Total Equity		**211,161**	**214,651**

*Restatements have been made in the prior year in order arrive at the correct fair value reserve figure, these restatements are not material. Refer to note 28 and note 35

The accompanying 'Notes to the financial statements' from page 50 to 93 are an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 21th July 2025. They were signed on its behalf by:

Mr. Ritesh Mishra 21/07/2025

Ritesh Mishra

Company registration number 05781326

for the year ended 31 March 2025

	Note	Share capital $'000	Fair Value reserve $'000	Retained Earnings $'000	Total equity $'000
		Attributable to equity shareholders of the bank			
Balance at 1st April 2024		**319,631**	**(117)**	**(104,863)**	**214,651**
Profit for the year		-	-	750	750
Net change in fair value of Investment Securities - FVOCI	35	-	202	-	202
Net amount transferred to Profit & Loss	35	-	194	-	194
Other comprehensive income of the year		-	396	-	396
Total comprehensive income of the year		-	396	750	1,146
Transactions with owners directly recorded in equity					
Dividend on additional Tier 1 capital	39	-	-	(4,636)	(4,636)
Balance at 31 March 2025		**319,631**	**279**	**(108,749)**	**211,161**

	Note	Share capital $'000	Fair Value reserve $'000	Retained Earnings $'000	Total equity $'000
		Attributable to equity shareholders of the bank			
Balance at 1st April 2023*		**319,631**	**(986)**	**(106,240)**	**212,405**
Profit for the year		-	-	6,211	6,211
Net change in fair value of Investment Securities - FVOCI*	35	-	876	-	876
Net amount transferred to Profit & Loss	35	-	(7)	-	(7)
Other comprehensive income of the year		-	869	-	869
Total comprehensive income of the year		-	869	6,211	7,080
Transactions with owners directly recorded in equity					
Dividend on additional Tier 1 capital	39	-	-	(4,834)	(4,834)
Balance at 31 March 2024		**319,631**	**(117)**	**(104,863)**	**214,651**

*Restatements have been made in the prior year in order arrive at the correct fair value reserve figure, these restatements are not material. Refer to note 28 and note 35

The accompanying 'Notes to the financial statements' from page 50 to 93 are an integral part of the financial statements.

Statement of Cash Flows

for the year ended 31 March 2025

Cash flows from operating activities	Note	2025 $'000	2024 $'000
Profit/(loss) after tax		750	6,211
Adjustments for:			
Amortisation of other intangible non-current assets	9	75	207
Depreciation of property, plant and equipment	9	138	196
Depreciation on right of use assets	9	810	813
Interest on lease liabilities	36	107	126
Impairment provision	23	9,046	6,872
Corporation tax (credit)/charge	14	60	68
Net exchange rate differences		69	(175)
		10,305	**8,107**
Changes in:			
Loans and advances to banks		9,172	(9,660)
Loans and advances to customers		(123,638)	(16,619)
Fair value of derivatives		1,170	2
Repurchase agreement – non trading		20,868	-
Prepayments and other receivables		(502)	(46)
Deposits from banks		(1,030)	2,380
Deposits from customers		87,903	(21,308)
Other liabilities		(1,480)	1,733
Cash (used in)/generated from operating activities		**3,518**	**(29,200)**
Income tax paid		-	-
Net cash (used in)/generated from operating activities		**3,518**	**(29,200)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	26	(87)	(172)
Acquisition of intangible assets	27	(21)	(156)
(Acquisition)/Disposal of investment securities at amortised cost		(10,830)	42,979
Disposal /(Acquisition) of investment securities – FVTPL	16	2,064	(3,029)
Disposal /(Acquisition) of investment securities – FVOCI		1,787	(17,423)
Net cash (used in)/generated from investing activities		**(7,088)**	**22,199**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	36	(802)	(734)
Payment of interest portion of lease liabilities	36	(107)	(126)
Dividend to perpetual additional Tier I capital bond holders	39	(4,636)	(4,837)
Interest on subordinated bonds	32	(144)	129
Repayment of subordinated bonds	32	(10,000)	-
Net cash used in financing activities		**(15,689)**	**(5,568)**
Effects of exchange rate on cash and cash equivalents		1,980	1,780
Net (decrease)/increase in cash and cash equivalents		**(17,279)**	**(10,789)**
Cash and cash equivalents at beginning of year	15	134,032	144,821
Cash and cash equivalents at end of year	15	116,753	134,032

The accompanying 'Notes to the financial statements' from page 50 to 93 are an integral part of the financial statements.

1] Basis of preparation

a) Reporting entity

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

The principal activities of the Bank and the nature of the operations are set out in the Strategic report on pages 5 to 24. The financial statements are presented in US Dollars, because this is the functional currency of the Bank.

b) Compliance with applicable accounting standards

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

c) Standards adopted during the year ended 31 March 2025

No standards have been adopted during the year ended 31 March 2025.

d) Future accounting developments

The IASB has published a number of minor amendments to IFRS Accounting Standards. The Bank expects they will have an insignificant effect on the financial statements of the Bank when adopted. The following accounting standards have been issued by the IASB but are not yet effective: The Bank is currently assessing the impact of these amendments, and it is expected that there will be an insignificant impact.

Amendments to IAS 21 - Lack of Exchangeability

In August 2023, the IASB issued amendments to IAS 21 to define when a currency is exchangeable into another currency and, when it is not, to determine the exchange rate to use. The amendments are effective from annual reporting periods beginning on or after 1 January 2025. The Bank is currently assessing the impact of these amendments, however at present the bank expects this will have an immaterial impact.

Classification and Measurement of Financial Instruments (Amendment to IFRS 9 and IFRS 7)

In May 2024, the IASB issued targeted amendments to IFRS 9, The amendments include:
Additional guidance to clarify when certain financial assets may be compliant with SPPI requirements, including instruments with contingent features (e.g. ESG-linked financing), as well as contractually-linked instruments and non-recourse financing.

Clarifying the derecognition requirements for financial assets and financial liabilities, including establishing a new accounting policy choice for derecognition of a financial liability when a payment is initiated by the reporting entity using an electronic payment system provided specified criteria is met. The amendments are effective from annual reporting periods beginning on or after 1 January 2026, but are not yet endorsed for use in the UK. The Bank is currently assessing the impact of these amendments, however at present the bank expects this will have an immaterial impact.

Presentation and Disclosure in Financial Statements (IFRS 18)

In August 2024, the IASB issued a new IFRS Accounting Standard to replace IAS 1 Presentation of Financial Statements. The new standard creates detailed requirements for the classification and aggregation of income and expenses in the income statement, and disclosure requirements for management-defined performance measures. The new standard is effective from annual reporting periods beginning on or after 1 January 2027, but has not yet been endorsed for use in the UK. The Bank is currently assessing the impact of these amendments, however at present the bank expects this will have an immaterial impact.

e) Foreign currencies

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

f) Going concern

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

The Bank has considered a range of possible scenarios factoring in recent events during the financial year and modelled the impact for both the short and long term with probabilities for each scenario. The management has concluded that there are no reasonably possible scenarios which would impact the Bank’s ability to continue as a going concern from at least twelve months from the date of the accounts being approved

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 Directors are confident that the Bank will continue as a going concern for a period of at least twelve months from when the financial statements are being authorised for issue and up to at least 31 July 2026.

g) Basis of measurement

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

- Derivative financial instruments are measured at fair value.
- Financial assets at fair value through profit and loss are measured at fair value; and
- Financial assets through other comprehensive income (‘FVOCI’) are measured at fair value.

Detail on fair value is given in note 22.

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

2] Summary of material accounting policies

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

a) Income and expense

Interest income and expense

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

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Interest on Investment securities – FVOCI calculated on effective interest basis;
- Arrangement fees recognised on an accrual basis. It is accounted when the services have been provided or the significant act of delivering the services contracted by the customer has been performed and is amortised over the life of the loan.

The interest income is calculated by applying 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 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 is predominantly made up of early repayment fees and locker fees. See note 46 for more details.

Net trading income

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

Other operating income

Other operating income comprises of gains less losses related to the disposal or maturity of debt securities held at fair value through other comprehensive income as well as gains on disposals of financial assets through amortised cost.

b) Financial instruments

i) Financial assets

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

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

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

Financial assets at amortised cost

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

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

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

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

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

ii) Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

Repurchase agreements – non trading - securities sold with an agreement to repurchase them at a predetermined price (repos), where the Bank retains all associated risks and rewards, continue to be included on the balance sheet. Additionally, a financial liability is recognised for the funds received as part of the transaction, this balance also includes interest payable accrued.

iii) Fair value measurement

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

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

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

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

iv) Offsetting financial instruments

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

v) De-recognition of financial assets and liabilities

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

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

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

vi) Transfer of financial assets

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

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

vii) Impairment of financial assets

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

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

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

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

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

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

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

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

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

Credit Impairment: A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Instead of a single discrete event, it may be possible that a combined effect of several of the events stated above may have caused financial assets to become credit impaired.

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

Significant increase in credit risk

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

a. Forborne/Restructured assets	A forborne or restructured account. Forborne performing assets will be classified as stage 2 assets up to 180 days. After 180 days, it will be reviewed and reclassified depending upon its performance.
b. Adverse Financials	Material deterioration in the financial health of the business. This can be worsening of the capital, liquidity, or profitability situation.
c. Adverse industry impact	Deterioration of the industry, market segment of the borrower as a whole.
d. Other factors	• Insolvency (liquidation) process initiated; criminal action initiated etc. • Adverse media news affecting the company's soundness. • Significant change in pricing from the date of origination • Major changes in rates, covenants, terms of contract because of change in credit risk from origination (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage). • Adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower’s ability to meet its debt obligations. • Significant change in external credit rating of the counterparty and internal credit rating of the borrower. • Significant change in the operating results of the borrower such as declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management

	problems or changes in the scope of business or organisational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations. • Significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations, such as a decline in the demand for the borrower's sales product because of a shift in technology. • Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring. • Significant change in the quality of the guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) has an incentive and financial ability to prevent default by capital or cash infusion. • Significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments. • Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.
e. SBLC's, Government & Corporate Securities, Nostro Accounts with other banks and Interbank exposures	• ISDA credit event declared. • Bond trade (temporarily) suspended at primary exchange because of rumours/facts.

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

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

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

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

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

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

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

ix) Derivative financial instruments

The Bank enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including exchange forward contracts, interest rate swaps, 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.

Repurchase agreements – non trading - securities sold with an agreement to repurchase them at a predetermined price (repos), where the Bank retains all associated risks and rewards, continue to be included on the balance sheet. Additionally, a financial liability is recognised for the funds received as part of the transaction, this balance also includes interest payable accrued. This is held at amortised cost.

x) Property, plant and equipment

Recognition and measurement

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

Subsequent costs

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

Depreciation

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

- Equipment including computers and accessories 3-5 years

- Property and plant 5 years or
- primary period of lease term, whichever is lower.

xi) Intangible assets

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

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

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

xii) Cash and balances with banks

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

xiii) Corporation tax/deferred tax

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

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

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

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

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

xiv) Recognition and measurement of provisions and contingencies

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

xv) Share capital and reserves

Additional Tier I bonds

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

Fair value reserves

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

xvi) Right of use lease assets and liabilities

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

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

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

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

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

xvii) Employee benefits

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

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

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

xviii) Loans and advances to banks

Loans and advances to banks include financial assets with original maturities of three months or more from the acquisition date. This also includes loans to customers which have a stand by letter of credit from a Bank.

3] Critical accounting judgements

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

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

- Impairment of financial assets

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

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

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

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

- For stage 3 assets, the Bank is using an approach where each account is assessed individually for impairment allowances and provisions are made accordingly.

4] Key sources of estimation uncertainty

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

- Deferred Tax

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

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

Please refer to note 28 "Deferred tax assets" for the carrying amount of the Deferred Tax Asset.

Macroeconomic inputs used in ECL tool

The measurement of modelled ECL involves complexity and judgement, including estimation of probabilities of default (PD), loss given default (LGD), a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default (EAD) and assessing significant increases in credit risk. The Bank uses a five-scenario model to calculate ECL.
The ECL framework scenario analysis revolves around the Cyclicality Index ('CI'). The Bank uses publicly available data on region level default rates as proxy for CI. All scenarios used in the ECL model are linked with a CI forecast which directly impacts the ECL calculation.

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

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

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

Baseline macroeconomic variables used in the calculation of ECL

Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	1.79%	4.11%	3.93%	9.84%
2026	1.90%	4.01%	3.80%	10.26%
2027	2.69%	4.06%	3.81%	10.26%
2028	2.96%	4.10%	3.87%	10.20%
2029	3.01%	4.13%	3.96%	10.20%
2030	3.03%	4.14%	4.02%	10.20%
2031	3.03%	4.14%	4.02%	10.20%
2032	3.03%	4.14%	4.02%	10.20%
2033	3.03%	4.14%	4.02%	10.20%

Upside 1 macroeconomic variables used in the calculation of ECL

Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	6.27%	3.51%	3.23%	14.59%
2026	5.62%	3.64%	3.39%	13.72%
2027	4.97%	3.76%	3.55%	12.84%
2028	4.32%	3.89%	3.70%	11.96%
2029	3.67%	4.01%	3.86%	11.08%
2030	3.03%	4.14%	4.02%	10.20%
2031	3.03%	4.14%	4.02%	10.20%
2032	3.03%	4.14%	4.02%	10.20%
2033	3.03%	4.14%	4.02%	10.20%

Upside 2 macroeconomic variables used in the calculation of ECL

Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	8.65%	3.09%	2.73%	17.66%
2026	7.53%	3.30%	2.99%	16.17%
2027	6.40%	3.51%	3.25%	14.68%
2028	5.28%	3.72%	3.51%	13.19%
2029	4.15%	3.93%	3.76%	11.69%
2030	3.03%	3.92%	4.02%	10.20%
2031	3.03%	4.14%	4.02%	10.20%
2032	3.03%	4.14%	4.02%	10.20%
2033	3.03%	4.14%	4.02%	10.20%

Downside 1 macroeconomic variables used in the calculation of ECL

Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	-2.89%	5.14%	5.13%	0.45%
2026	-1.71%	4.94%	4.91%	2.40%
2027	-0.53%	4.74%	4.68%	4.35%
2028	0.66%	4.54%	4.46%	6.30%
2029	1.84%	4.34%	4.24%	8.25%
2030	3.03%	4.14%	4.02%	10.20%
2031	3.03%	4.14%	4.02%	10.20%
2032	3.03%	4.14%	4.02%	10.20%
2033	3.03%	4.14%	4.02%	10.20%

Downside 2 macroeconomic variables used in the calculation of ECL

Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	-7.29%	5.92%	6.04%	-7.16%
2026	-5.23%	5.56%	5.63%	-3.69%
2027	-3.16%	5.21%	5.23%	-0.21%
2028	-1.10%	4.85%	4.83%	3.26%
2029	0.96%	4.49%	4.42%	6.73%
2030	3.03%	4.14%	4.02%	10.20%
2031	3.03%	4.14%	4.02%	10.20%
2032	3.03%	4.14%	4.02%	10.20%
2033	3.03%	4.14%	4.02%	10.20%

The ECL provision numbers are sensitive to the movement in the above parameters which are input into the ECL model. As of 31 March 2025, the provision for Stage 1 and Stage 2 assets shifts by 9.2%, $64,427 (2024: 11.7%, $53,134) on 10% adverse movement of the above economic indicators.

- Provisions for impairment assessment in Stage 3 accounts

For all stage 3 accounts i.e. where there is either a default or an objective evidence of impairment, judgement is required by management in the estimation of the amount and timing of expected cash flows, realisability and valuation of collateral and in certain cases the availability and reliance on guarantees (including corporate and personal guarantees and critical assessment of willingness and ability of the guarantors) in order to determine the level of impairment provision to be recorded. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision. Management's estimates of future cash flows on individually impaired loans are based on historical experience for assets with similar credit risk characteristics. The expected recovery is subject to execution risks associated with the recovery of collateral in different jurisdictions; and fair assessment is thus derived from management's experience of such markets.

Please refer to note 24 "Exposure to credit risk and availability of collateral security" for the gross, provisions and carrying amount of stage 3 accounts.

5] Interest Income

	2025 $'000	2024 $'000
Overdraft accounts	4,016	3,302
Demand and term loans	60,419	56,749
Interbank placements	6,996	5,666
Coupon/premium on investment securities	6,440	5,444
Arrangement fees on loans	1,789	1,714
Total Interest income	79,660	72,874

6] Interest expense

	2025 $'000	2024 $'000
Term deposits	32,975	23,430
Saving deposits	325	418
Interbank borrowings	206	-
Subordinated bonds	4,262	4,998
Interest expense on lease liability	107	126
Total Interest expense	37,875	28,972

7] Net trading profit/(loss)

	2025 $'000	2024 $'000
Foreign exchange	(265)	591
Profit/(loss) on investment securities - FVTPL	52	44
Net trading (loss)/profit	(213)	635

8] Other operating income

	2025 $'000	2024 $'000
Net gains on disposal of Financial Assets through OCI	258	252
Net gains on disposal of Financial Assets through Amortised Cost	427	-
Total Other operating income	685	252

9] Depreciation and amortisation expenses

	2025 $'000	2024 $'000
Depreciation of property, plant and equipment	137	196
Depreciation on right of use lease assets	810	813
Amortisation of intangible assets	75	207
Total Depreciation and amortisation expenses	1,022	1,216

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

10] General administrative expenses

	2025 $'000	2024 $'000
Legal, professional and audit fees	3,274	3,412
Administrative and office maintenance costs	1,831	1,861
Other administration costs	1,694	1,159
Postage and telephones cost	326	311
Marketing costs	26	130
Total General administrative expenses	7,151	6,873

11] Auditor's remuneration*

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

	2025 $'000	2024 $'000
The audit of the Bank	592	691
Total audit fee	592	691
Fees payable to the Bank's auditor for other services:		
-Audit related assurance services	31	30
Total non-audit fees	31	30

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

12] Staff costs***

	2025 $'000	2024 $'000
Wages and salaries	12,993	10,622
Contribution towards defined employee contribution plan*	408	310
Other employee benefits	1,857	1,786
Social security costs	1,526	1,209
Total Staff costs	16,784	13,927
	-	-

Included in other employee benefits:	2025 $'000	2024 $'000
Accommodation cost	836	867
Medical insurance and expense	230	192
Pension contributions for staff in India	14	14
Other expenses**	777	713
	1,857	1,786
Average number of employees	188	182

* Of which $0.02 million (2024: $0.02 million is related the employers contribution for a Director to external pension scheme (note 13). The number of Directors receiving this benefit is one.
** Other expenses include rent, conveyance, insurance, staff welfare and other expenses for staff. There are no share-based payments to employees.
*** Of which there are 24 back-office employees (2024: 23) based in India.

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

13] Directors' emoluments

	2025 $'000	2024 $'000
Emoluments	666	657

	2025 $'000	2024 $'000
Emoluments of highest paid Director (One Director)	238	308
Contributions to external pension scheme	17	21

14] Corporation tax

	2025 $'000	2024 $'000
Components of corporation tax credit/(charge)		
Total current tax credit/(charge)	-	-
Deferred corporation tax credit/(charge)		
Effect of rate changes	-	-
Relating to origination and reversal of temporary differences	954	(363)
Deferred tax not recognised in relation to losses	(1,013)	295
UK tax relief for foreign tax suffered at source	-	-
Adjustments in respect of prior years	-	-
Total deferred tax credit/(charge)	**(60)**	**(68)**
Withholding tax paid	-	-
Total tax credit/(charge) for the year	(60)	(68)
Reconciliation of corporation tax credit/(charge) to accounting profit	**810**	**6,278**
Profit before tax		
Corporation tax at 25%	(203)	(1,570)
Deductible Finance Cost	1,156	1,206
Tax effect of other non-deductible expenses/non-taxable income	-	-
Tax effect of rate changes	-	-
Adjustments in respect of prior year	-	-
Deferred tax not recognised in relation to losses	(1,013)	295
UK tax relief for foreign tax suffered at source	-	-
Withholding tax suffered	-	-
Tax credit/(charge)	**(60)**	**(68)**
Current corporation tax credited to other comprehensive income		
(Expense)/Credit arising on FVOCI reserve movement	(129)	(60)

The standard rate of corporation tax rate for the year starting 1 April 2024 is 25%

The Bank is a subsidiary of PNB India, which is within the scope of the new Pillar Two rules. The Bank has assessed the impact of Pillar 2, and as per the Bank's assessment, the bank does not anticipate a top up tax liability in respect to the UK domestic minimum top-up tax implemented as part of the Pillar 2 reforms. The UK entity has applied the temporary exception as per paragraph 88A of IAS 12. Accordingly, the Bank neither recognises nor discloses information about deferred tax and liabilities related to Pillar Two income taxes.

The Group is in the process of collating the relevant data to assess whether there is any potential impact arising from the Undertaxed Profits Rule (UTPR) under the UK Pillar Two model rules which will be effective for the Bank for the period ending 31 March 2026 and this impact assessment will be finalised as soon as all appropriate information is gathered from across the Group.

15] Cash and balances with banks

	2025 $'000	2024 $'000
Cash on hand	364	406
Cash at bank (including balance held with central banks)	116,389	133,626
Total Cash and balances with banks	116,753	134,032

16] Financial assets at fair value through profit or loss*

	2025 $'000	2024 $'000
Treasury bills	964	**3,029**
	964	3,029

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

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

	Rating	2025 $'000	2024 $'000
US Treasury bills	**AAA**	964	**3,029**
		964	3,029

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

* As at May 2025 Moody's have downgraded the Government of United States of America's (US) long-term issuer and senior unsecured ratings to AA from AAA and changed the outlook to stable from negative.

17] Derivative financial instruments

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

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

The table below shows analysis of counterparty credit exposure arising from derivative transactions and fair value as at 31 March 2025 and as at 31 March 2024

	2025			2024		
	Contract/ Notional Amount	Fair value		Contract/ Notional Amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	$'000	$'000	$'000	$'000	$'000	$'000
Exchange rate contracts	106,065	156	1,471	38,290	14	159
	106,065	156	1,471	38,290	14	159

18] Loans and advances to banks**

	2025 $'000	2024 $'000
Term loans against stand-by letters of credit/buyers' credit	1,150	486
Interbank placements of original maturity of more than three months	202	18,010
Total	1,352	18,496
Less impairment provisions*	-	(8,000)
Net Loans and advances to banks	**1,352**	**10,496**

*Impairment provisions include Stage 3 provisions, Stage 1 & 2 ECL provisions. Stage 3 ECL provision is $Nil million (2024: $8 million) ECL provision on Stage 1 and 2 is Nil (2024: Nil).
** We note the $1.2m is shown as loan and advances to bank as the exposure is mitigated by a Standby Letter of Credit (SBLC), placing the credit risk with the bank.

At 31 March 2025 $Nil (2024: $Nil million) of loans and advances to banks are expected to be realised more than twelve months after the reporting date

19] Loans and advances to customers

	2025 $'000	2024 $'000
Customer overdrafts	73,912	100,973
Term loans	900,764	823,442
Total	974,676	924,415
Less impairment provisions*	(70,694)	(152,297)
Net loans and advances to customers	**903,981**	**772,119**

*Impairment provisions include Stage 3 specific provisions, Stage 1 & 2 ECL provisions. Stage 3 provision is $70.26 million (2024: $151.85 million) and ECL provision (Stage 1 & 2) of $0.43 million (2024: $0.45 million).

At 31 March 2025 $581.02 million (2024: 438.75 million) of loans and advances to customers are expected to be realised more than twelve months after the reporting date. Detail on impaired financial assets and exposure to credit risk are further provided in notes 23 and 24 to the financial statements.

20] Financial assets at fair value through other comprehensive income

	2025 $'000	2024 $'000
Net Investment securities – FVOCI*	**71,606**	**72,866**

* Impairment provisions include Stage 3 specific provisions, Stage 1 & 2 ECL provisions. At 31 March 2025. Expected credit losses of $0.05 million (2024: $0.45 million) have been recognised on Investment securities – FVOCI.

The fair value movements of debt securities through other comprehensive income (FVOCI) are accumulated and recognised in reserves within other comprehensive income. At 31 March 2025, $37.27 million (2024: $38.78 million) of Investment securities - FVOCI are expected to be realised more than twelve months after the reporting date.

21] Investment securities – amortised cost

	2025 $'000	2024 $'000
Investment securities – amortised cost	76,045	65,560
Less: Impairment provision*	(98)	(444)
Net book value of investment securities at amortised cost	**75,947**	**65,117**

*Impairment provisions include Stage 3 specific provisions, Stage 1 & 2 ECL provisions. Stage 3 provision is $Nil (2024:$0.39 million) and ECL provision (Stage 1 & 2) of $0.1 million (2024:$0.06 million).

Refer to note 22 for details of fair value of investment securities which are at amortised cost. At 31 March 2025, $55.15 million (2024: $26.94 million) of investment securities at amortised cost are expected to be realised more than twelve months after the reporting date.

22] Financial instruments

Classification of Financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The accounting policies in Note 2 describe how the classes of financial instruments are measured. The tables below show the financial assets and liabilities in the statement of financial position by category of financial instrument to which they are assigned and by the measurement basis under IFRS 9. Any asset or liability outside the scope of IFRS 9 are shown within non-financial assets. The table below analyses the fair values of the Banks' financial instruments and categorises them using IFRS 9 asset and liability classifications. The book values in relation to financials assets and liabilities held at amortised cost are deemed to be a good representation of the fair value.

As At March 2025	FVOCI assets / liabilities $'000	FVTPL assets/ liabilities $'000	Amortised Cost $'000	Total $'000
Assets				
Cash and balances with banks	-	-	116,753	116,753
Loans and advances to banks	-	-	1,352	1,352
Loans and advances to customers	-	-	903,981	903,981
Investment securities	71,606	964	75,947	148,517
Derivative financial instruments		156	-	156
Total financial assets	**71,606**	**1,120**	**1,098,033**	**1,170,759**
Total non-financial assets	-	-	-	28,867
Total assets	**-**	**-**	**-**	**1,199,626**
Liabilities				
Deposits from banks	-	-	2,311	2,311
Deposits from customers	-	-	916,442	916,442
Derivative financial instruments	-	1,471	-	1,471
Repurchase agreement – non trading	-	-	20,868	20,868
Subordinated bonds and other borrowed funds	-	-	41,108	41,108
Total financial liabilities	**-**	**1,471**	**980,730**	**982,200**
Total non-financial liabilities	-	-	-	**6,265**
Total liabilities	-	-	-	**988,466**
Equity	-	-	-	**211,160**
Total liabilities and equity	-	-	-	**1,199,626**

As At March 2024	FVOCI assets / liabilities $'000	FVTPL assets/ liabilities $'000	Amortised Cost $'000	Total $'000
Assets				
Cash and balances with banks	-	-	134,032	134,032
Loans and advances to banks	-	-	10,496	10,496
Loans and advances to customers	-	-	772,119	772,119
Investment securities	72,866	3,029	65,117	141,011
Derivative financial instruments	-	14		14
Total financial assets	**72,866**	**3,043**	**981,763**	**1,057,673**
Total non-financial assets*	-	-	-	29,373
Total assets	**-**	**-**	**-**	**1,087,045**
Liabilities	-	-	-	
Deposits from banks	-	-	3,292	3,292
Deposits from customers	-	-	811,182	811,182
Derivative financial instruments	-	159	-	159
Subordinated bonds and other borrowed funds	-	-	51,252	51,252
Total financial liabilities	**-**	**159**	**865,727**	**865,884**
Total non-financial liabilities	-	-	-	**6,509**
Total liabilities	-	-	-	**872,395**
Equity*	-	-	-	**214,651**
Total liabilities and equity	-	-	-	**1,087,045**

*Restatements have been made in the prior year in order arrive at the correct fair value reserve figure, these restatements are not material. Refer to note 28 and note 35.

Valuation of Financial instruments

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

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

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

Cash at Bank – Level 2

This includes the fair value of cash in hand and deposits with banks is the amount repayable on demand. We have assessed the carrying value to be the fair value of the instrument.

Loans and advances – Level 3

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

Deposits – Level 3

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

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

Financial Assets:	2025 Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Cash and balances with banks	16		116,753	-	116,753
Loans and advances to banks	19	-	-	1,352	1,352
Loans and advances to customers	20	-	-	903,981	903,981
Investment securities	22	75,947	-	-	75,947
Assets held at amortised cost		**75,947**	**116,753**	**905,333**	**1,098,033**
Investment securities FVTPL	17	964	-	-	964
Investment securities FVOCI	21	71,606	-	-	71,606
Derivative financial instruments FVTPL	18	-	156	-	156
Assets held at fair value		**72,570**	**156**	**-**	**72,726**
Total Financial Assets		**148,517**	**116,909**	**905,333**	**1,170,759**

Financial Liabilities	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Deposits from banks	31	-	-	2,311	2,311
Deposits from customers	32	-	-	916,442	916,442
Subordinated bonds and other borrowed funds	33	41,108	-	-	41,108
Repurchase agreement – non trading	45	-	20,868	-	20,868
Liabilities at amortised cost		**41,108**	**20,868**	**918,753**	**980,730**
Derivative financial instruments	18		1,471		1,471
Liabilities at fair value		**41,108**	**22,339**	**918,753**	**982,200**

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

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

The Bank has no Level 3 assets carried at fair value, there have been no transfers between level 1 and level 2 in the year.

The main valuation techniques employed by the Bank to establish fair value are set out below:

Debt securities - Level 1

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

FX Swaps – Level 2

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

Repurchase agreement – Non Trading – Level 2

The repurchase agreement is not traded on the active market, the valuation is based on observable market inputs.

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

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

Factors affecting loan loss provision

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

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

We note that stage 3 interest $8.85m does not form part of the impairment provision in the cashflow statement. This is due to this being P&L net neutral.

Quantitative disclosures

The following table explain the changes in the loss provision:

Quantitative disclosures	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
	Allowance for Expected Credit Losses				Gross Carrying Amount			
As at 1 April 2024	**550**	**2**	**160,641**	**161,193**	**791,362**	**34,493**	**255,935**	**1,081,790**
New receivables originated or purchased	94	-	-	94	407,182	-	-	407,182
Transfers between stages	7	7	-	14	(26,527)	26,392	-	(136)
Decrease in allowance for existing portfolio	59	-	(4,161)	(4,102)	(7,481)	(210)	(3,196)	(10,887)
Increase in allowance for existing portfolio	(60)	-	11,281	11,221	16,430	123	198	16,750
Write-offs*	-	-	(97,443)	(97,443)	-	-	(119,808)	(119,808)
Receivables matured during the period	(82)	-	(56)	(138)	(225,882)	(21,366)	(3,919)	(251,168)
Other movements	-	-	-	-	-	-	-	-
As at 31 March 2025	**568**	**9**	**70,262**	**70,839**	**955,084**	**39,431**	**129,210**	**1,123,725**

Quantitative disclosures	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000	Stage 1 $'000	Stage 2 $'000	Stage 3 $'000	Total $'000
	Allowance for Expected Credit Losses				Gross Carrying Amount			
As at 1 April 2023	**3,111**	**55**	**177,370**	**180,536**	**841,985**	**362**	**284,626**	**1,126,973**
New receivables originated or purchased	318	-	-	319	276,413	10	-	276,423
Transfers between stages	(5)	2	400	397	(45,239)	34,112	6,042	(5,086)
Decrease in allowance for existing portfolio	(102)	(1)	(3,536)	(3,640)	(24,632)	-	(6,137)	(30,769)
Increase in allowance for existing portfolio	67	1	13,539	13,607	12,098	9	1,746	13,853
Write-offs*	-	-	(26,732)	(26,732)	-	-	(30,342)	(30,342)
Receivables matured during the period	(210)	-	-	(210)	(269,263)	-	-	(269,263)
Other movements**	(2,630)	(54)	(400)	(3,084)	-	-	-	-
As at 31 March 2024	**550**	**2**	**160,641**	**161,193**	**791,362**	**34,493**	**255,935**	**1,081,790**

* Written-off assets still subject to enforcement activity amounted to nil (2024: nil).
**Other movements relate to ECL management overlay.

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

	2025 $'000	2024 $'000
Impairment charge on loans and advances to customers	17,922	17,723
Total Impairment charge on loans and advances to customers	**17,922**	**17,723**

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

As at 31 March 2025		Real Estate $'000	Deposit backed loans $'000	Loans to Banks* $'000	Investment securities $'000	Other Loans $'000	Total $'000
Gross Exposure*							
Stage 1		680,605	75,294	1,351	76,045	50,136	883,431
Stage 2	Not past due	18,196	-	-	-	-	18,196
	> 30 ≤ 90 days	21,235	-	-	-	-	21,235
Stage 3		10,046	-	-	-	119,163	129,209
Impairment Allowance							
Stage 1		65	-	-	98	358	521
Stage 2	Not past due	6	-	-	-	-	6
	> 30 ≤ 90 days	4	-	-	-	-	4
Stage 3		3,167	-	-	-	67,095	70,262
Net Exposure**							
Stage 1		680,540	75,294	1,351	75,947	49,778	882,911
Stage 2	Not past due	18,191	-	-	-	-	18,191
	> 30 ≤ 90 days	21,231	-	-	-	-	21,231
Stage 3		6,878	-	-	-	52,068	58,947

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

*Loans to banks does not include placements with banks < 90 days which are presented as cash and cash equivalents on the face of the balance sheet $12,010k (2024: $44,519k).
**Total net exposure is represented by net loans and advances to customers $903,981k (2024: 772,119k), net loans and advances to banks $1,351k (2024: $10,496k) net securtites held at amortised cost $75,947k (2024: $65,117k).

The following table provides details of investment securities at fair value through other comprehensive income (FVOCI).

		2025		2024	
		Investment securities $'000	Total $'000	Investment securities $'000	Total $'000
Gross Exposure					
Stage 1		71,653	71,653	72,910	72,910
Stage 2	Not past due	-	-	-	-
	> 30 ≤ 90 days				
Stage 3		-	-	409	409
Impairment Allowance			-		-
Stage 1		47	47	45	45
Stage 2	Not past due	-	-	-	-
	> 30 ≤ 90 days				
Stage 3			-	409	409
Net Exposure			-		-
Stage 1		71,606	71,606	72,866	72,866
Stage 2	Not past due	-	-	-	-
	> 30 ≤ 90 days				
Stage 3		-	-	-	-

24] Exposure to credit risk and availability of collateral security

The table below presents the Bank's maximum exposure to credit risk of its on-balance sheet and off-balance sheet financial instruments at 31 March 2025, before taking into account any collateral held or other credit enhancements.

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

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

	2025 $'000	2024 $'000
On balance sheet exposure		
Loans and advances to customers	903,981	772,119
Loans and advances to banks	1,352	10,496
Cash and balances with banks	116,753	134,032
Investment securities at amortised cost	75,947	65,117
Financial assets at fair value through other comprehensive income	71,606	72,866
Financial assets at fair value through profit or loss	964	3,029
Derivative financial instruments	156	14
Total – A	1,170,759	1,057,673
Off balance sheet exposure		
Non-bank commitments (LCs/LGs)	968	1,263
Total – B	968	1,263
Undrawn Credit Facilities – non-banks	16,709	14,426
Total – C	16,709	14,426
Total Exposure subject to Credit Risk (A+B+C)	1,188,436	1,073,362

Collateral:

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

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

A. Exposure to banks: Both for direct exposure to banks (Placements and bank balances) and for exposure to banks due to Letter of Credit/Guarantee/Letter of Comfort issued by the banks, there are no separate collateral securities.
B. Non-bank gross exposure is collaterally secured as below as at 31 March 2025:

Amount in $ '000	Retail exposure		Non-retail exposure		Total	
	Exposure	Amount Collateralised	Exposure	Amount Collateralised	Exposure	Amount Collateralised**
Internally rated AAA to A*	196,338	196,337	428,348	427,085	624,686	623,422
Internally rated BB to B*	13,244	13,244	96,153	77,183	109,397	90,428
Unrated	19,899	15,408	69,722	67,798	89,621	83,206
Stage 1	229,481	224,990	594,222	572,066	823,703	797,056
Internally rated AAA to A*	6,935	6,935	13,169	13,169	20,104	20,104
Internally rated BB to B*	1,131	1,131	-	-	1,131	1,131
Stage 2 > 30 < 90 days	**8,066**	**8,066**	**13,169**	**13,169**	**21,235**	**21,235**
Internally rated AAA to A*	7,160	7,160	6,326	6,326	13,486	13,486
Internally rated BB to B*	4,720	4,720	-	-	4,720	4,720
Stage 2 - Not past due	**11,880**	**11,880**	**6,326**	**6,326**	**18,206**	**18,206**
Stage 2	19,945	19,945	19,495	19,495	39,441	39,441
Unrated	919	919	128,289	66,577	129,209	67,497
Stage 3	919	919	128,289	66,577	129,209	67,497
Total ***	**250,346**	**245,855**	**742,007**	**658,138**	**992,353**	**903,993**

Comparative data for 31 March 2024 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*	182,768	182,768	265,805	265,805	448,573	448,573
Internally rated BB to B*	27,660	27,660	110,953	92,253	138,613	119,913
Unrated	15,048	14,798	56,618	55,441	71,667	70,239
Stage 1	225,477	225,226	433,377	413,500	658,854	638,726
Internally rated AAA to A*	4,164	4,164	2,514	2,514	6,677	6,677
Internally rated BB to B*	1,070	1,070	-	-	1,070	1,070
Stage 2> 30 ≤ 90 days	**5,233**	**5,233**	**2,514**	**2,514**	**7,747**	**7,747**
Internally rated AAA to A*	5,221	5,221	2,514	2,514	7,735	7,735
Internally rated BB to B*	2,015	2,015	17,101	17,101	19,117	19,117
Stage 2 - Not past due	**7,236**	**7,236**	**19,615**	**19,615**	**26,851**	**26,851**
Stage 2	12,470	12,470	22,129	22,129	34,598	34,598
Unrated	1,324	1,324	245,329	93,080	246,653	94,404
Stage 3	1,324	1,324	245,329	93,080	246,653	94,404
Total	**239,270**	**239,019**	**700,835**	**528,709**	**940,105**	**767,728**

*Internal ratings based on PNBIL rating model and include loans where internal rating is exempted i.e. loans against deposits/SBLCs etc.
**Collateral figures are capped at the loan balance.
***The total exposure is represented by ($974,676k gross on balance sheet exposure to customers see note 19 and $17,677k relating to customer off balance sheet exposures see note 24 above).

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

While arriving at the value of collateral:

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

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

	2025 $'000	2024 $'000
100%*	868,540	719,742
76% to 99%	10,929	27,811
51% to 75%	27,844	19,368
26% to 50%	-	-
11% to 25%	25,215	39,617
Below 10%	15,619	10,845
Unsecured	44,207	122,723
Total	992,353	940,105
Average percentage of availability of collateral	95.3%	93.5%

*Excluding impact of over-collateralisation.

Stage 3 loans and advances with provisions held*

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

	2025 $'000	2024 $'000
Impaired loans and advances at 1 April	231,052	231,482
Net repayments in existing impaired loans and advances	(38,841)	(6,363)
Written off loans and advances	(97,443)	(26,732)
Classified as impaired during the year	30,762	32,038
Other movements/exchange rate fluctuations	686	627
Impaired loans and advances at 31 March	126,217	231,052

*Loans and advances with no provisions held 2025: $3.0m (2024: $24.5m)

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

	2025 $'000	2024 $'000
Impaired investments at 1 April	795	795
Net addition/(repayments) in existing impaired investments	-	-
Written off investment securities	(795)	-
Impaired investments at 31 March	-	795

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

Internal ratings/scoring

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

Derivatives, sale and repurchase agreements

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

25] Geographical distribution of credit exposures

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

	2025 $'000	$'000	2024 $'000	$'000
	Amount	Percentage	Amount	Percentage
United Kingdom	918,876	78.50%	702,364	66.41%
India	135,915	11.61%	192,716	18.22%
United States	53,211	4.55%	60,525	5.72%
Luxembourg	40,630	3.47%	39,853	3.77%
Belgium	11,892	1.02%	15,952	1.51%
Other countries	10,079	0.85%	46,249	4.37%
Total	1,170,603	100.00%	1,057,659	100.00%

26] Property, plant and equipment

	2025			2024		
	Property and plant $'000	Equipment $'000	Total $'000	Property and plant $'000	Equipment $'000	Total $'000
Cost						
At 1 April	2,382	5,382	7,764	2,382	5,210	7,592
Additions	-	87	87	-	172	172
Disposals	-	-	-	-	-	-
At 31 March	**2,382**	**5,469**	**7,851**	**2,382**	**5,382**	**7,764**
Depreciation						
At 1 April	(2,382)	(5,095)	(7,477)	(2,382)	(4,899)	(7,281)
Yearly charge	-	(137)	(137)	-	(196)	(196)
Disposals	-	-	-	-	-	-
At 31 March	**(2,382)**	**(5,232)**	**(7,614)**	**(2,382)**	**(5,095)**	**(7,477)**
Net Book Value						
At 1 April	-	287	287	-	311	311
At 31 March	**-**	**237**	**237**	**-**	**287**	**287**

27] Intangible assets

	2025 $'000	2024 $'000
Software Cost		
At 1 April	4,068	3,912
Additions	21	156
At 31 March	**4,089**	**4,068**
Amortisation		
At 1 April	(3,889)	(3,682)
Yearly charge	(75)	(207)
At 31 March	**(3,963)**	**(3,889)**
Carrying Value		
At 1 April	180	230
At 31 March	**126**	**180**

28] Deferred tax assets

Deferred Tax Assets	2025 $'000	2024 $'000
At 1 April	24,629	24,990
Tax credit/(charge) to profit and loss for the year	(60)	(68)
Tax credit/(charge) to other comprehensive income*	(129)	(293)
At 31 March	24,441	24,629

*An adjustment has been made in the prior year in order arrive at the correct fair value reserve figure, Retained earnings has been restated ($923k), DTA $233k and fair value reserve $690k. This restatement is not material.

A DTA is assessed and recognised as recoverable on the basis of available evidence including projected profits and capital. The utilisation of a DTA is dependent on future taxable profits. The management makes an assessment of a DTA which is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The DTA is reviewed at each reporting date and adjusted to the extent that it is no longer probable that the related tax benefit will be realised, accordingly $51.60m (2024: $47.78m) of unutilised tax losses remain following the DTA calculation. The utilised portion is $97.77m (2024:$98.51m) 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.

29] Prepayments and other receivables

	2025 $'000	2024 $'000
Prepayments	1,056	432
Other receivables	60	159
Total prepayments and other receivables	1,117	591

30] Deposits from banks

	2025 $'000	2024 $'000
Current accounts from banks	2,311	3,292
Overdrafts in Nostro accounts with banks	-	-
Total deposits from banks	2,311	3,292

Deposits from banks include deposits from related parties, detail of which is given in note 39 to the financial statements. At 31 March 2025 Nil (2024: Nil) deposits from banks are expected to be settled more than twelve months after the reporting date.

31] Deposits from customers

	2025 $'000	2024 $'000
Current accounts	109,718	92,414
Savings accounts	52,639	59,023
Fixed term deposits	754,085	659,745
Total deposits from customers	916,442	811,182

Deposits from customers includes deposits from a related party, detail of which is given in note 39 to the financial statements. At 31 March 2025 $159.53 million (2024: $140.43 million) of deposits from customers are expected to be settled more than twelve months after the reporting date.

32] Subordinated bonds and other borrowed funds

	2025 $'000	2024 $'000
Subordinated bonds	41,108	51,252

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 (International) Ltd.	Punjab National Bank (International) Ltd.	Punjab National Bank (International) Ltd.	Canara Bank
Face value	US$ 12.5 million	US$ 12.5 million	US$ 10.0 million	US$ 5.0 million
Original date of issuance	31.01.2022	04.10.2022	30.12.2015	23.12.2013
Original maturity date	10 Years	10 Years	10 Years	15 Years
Coupon rate & related index	6M SOFR+400bps+ 0.42826(Ibor fallback)	6M SOFR+400bps+ 0.42826(Ibor fallback)	6M SOFR+450bps+ 0.42826(Ibor fallback)	6M SOFR+450bps+ 0.42826(Ibor fallback)

*$10m tier II capital bonds were redeemed in August 2024

At 31 March 2025, $30 million (2024: $40 million) of subordinated bonds are expected to be settled more than twelve months after the reporting date.

33] Other liabilities

	2025 $'000	2024 $'000
Bills payable	122	100
Other payables and accrued liabilities	2,971	2,540
Deferred income	-	-
Total other liabilities	3,092	2,639

34] Share capital

Authorised share capital

Authorised share capital for the Bank is $400 million.

	2025		2024	
	No. (000's)	$'000	No. (000's)	$'000
Issued and fully paid				
At start of year				
Ordinary shares of $1 each:	274,631	274,631	274,631	274,631
At end of year	274,631	274,631	274,631	274,631
Additional Tier 1 Capital*				
At start of year		45,000		45,000
At end of year				
Total Share Capital at end of the year	274,631	319,631	274,631	319,631

Additional Tier 1 Capital

*Included within the share capital are two additional Tier 1 bonds issued as perpetual floating rate subordinated notes mentioned below:

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

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

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

35] Fair value reserve

31 March 2025	Gross $'000	Tax $'000	Net $'000
Balance at 1 April 2024	(155)	38	(117)
Amount transferred to statement of profit or loss	258	(65)	194
Movement in FVOCI reserve in year	268	(67)	202
Balance at 31 March 2025	372	(93)	279

31 March 2024	Gross $'000	Tax $'000	Net $'000
Balance at 1 April 2023	(1,315)	329	(987)
Amount transferred to statement of profit or loss	(10)	2	(7)
Movement in FVOCI reserve in year*	1,170	(293)	877
Balance at 31 March 2024	(155)	38	(117)

*An adjustment has been made in the prior year in order arrive at the correct fair value reserve figure, Retained earnings has been restated ($923k), DTA $233k and fair value reserve $690k. This restatement is not material.

36] Right of use assets and lease liabilities

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

Right of use assets - Land and Buildings	2025 $'000	2024 $'000
Balance at 1 April	3,685	4,395
Addition of right of use assets during the year		
Depreciation charge during the year	(810)	(813)
Exchange rate differences	72	103
Balance at 31 March	2,946	3,685

The total cash outflow of lease liabilities was $0.91 million (2024: $0.86 million). The amounts contractually due on lease liabilities is shown below:

Maturity Analysis – contractual cash flows	2025 $'000	2024 $'000
Within 1 year	770	870
Between 1 and 5 years	1,448	1,987
Later than 5 years	1,426	1,578
Less: Present value discount	(471)	(566)
Total lease liabilities at 31 March	3,173	3,870
Amounts recognised in income statement		
Interest on lease liabilities	107	126

37] Other commitments and contingencies

	2025 $'000	2024 $'000
Guarantees issued to third parties	968	1,263

There were undrawn loans of $4.80 million (2024: $2.16 million) and un-availed portions of sanctioned overdraft limits to the extent of $11.91 million (2024 $12.27 million) as at 31 March 2024.

38] Parent undertaking and controlling party

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

39] Related party transactions

The Bank regards PNB (including all its branches in India and abroad) and its subsidiaries as related parties in view of its 100% shareholding. PNBIL financials forms part of the group financial statements of parent, PNB. The entire ordinary share capital and 94% of Tier II capital of the Company is held by PNB and the remaining 6% held with non-related parties. 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, Equity and Assets to related parties on the balance sheet of the Bank as on 31 March 2025 are as below:

	2025 $'000	2024 $'000
Equity and Liabilities		
Deposits From Banks		
Current accounts with PNB	2,247	3,171
Current account with PNB Dubai Branch	2	2
Current account with Druk PNB Bank Ltd	55	119
Current account with PNB Gift City	7	-
Deposits From Customers		
Current account with current directors	12	1
Subordinated bonds and other borrowed funds		
Tier II Capital Bonds	12,500	12,500
Tier II Capital Bonds	12,500	12,500
Tier II Capital Bonds	10,000	10,000
Interest Accrued	981	1,108
Share Capital		
Tier I Capital Bonds	45,000	45,000
Assets		
Cash and Balances with Banks		
Nostro account balance with PNB	294	664
Nostro account balance with Everest Bank Ltd.	37	12
Placement with PNB Gift City	-	10,000
Loans and Advances to Banks		
SBLC	1,150	-

All non-capital transactions are carried out on an arm's length basis. Detail of transactions of an income statement nature with PNB is shown below:

Nature	Particulars	Income Statement Line	2025 $'000	2024 $'000
A. Professional Fee	Charges for Service Level Agreement (SLA)*	General administrative expenses	255	262
B. Rent	Rent paid for Backoffice premises	General administrative expenses	30	29
C. Interest Paid on		Interest Expense		
Placement	PNB Dubai		397	239
	Ibu Gift City		696	153
Capital Bonds	Additional Tier I Capital Bonds $45.00 million		4,636	4,837
	Tier II Capital Bonds $12.50 million		1,167	1,219
	Tier II Capital Bonds $12.50 million		1,191	1,223
	Tier II Capital Bonds $10.00 million		1,006	1,023

During the year FX deals were done with PNB FEO New Delhi, buy amount $26,495k, sell amount $26,750k

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

Transactions with Directors

Remuneration details paid to directors (who the Bank considers as key management) are disclosed in note 13. Further, there is one current director and one former director who hold deposit accounts with the Bank $11.5k and $25.8k respectively. This is held under normal terms and conditions and no preferential treatment is given.

40] Market Risk

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

The total notional amount of outstanding currency exchange contracts to which the Bank is committed is $106.07 million (2024: 38.29 million).

The open position of the Bank is as below:

	2025		2024	
Currency	Open Position ’000	$ Equivalent $’000	Open Position '000	$ Equivalent $’000
Indian Rupees	25,932	304	53,747	645
Pound Sterling	(6,374)	(8,227)	(9,214)	(11,638)
Euro	5,679	6,134	4,943	5,336
Nepalese Rupees	5,060	37	1,601	12
Net Long Position in US $				
Net Short Position in US $		(1,753)		(5,646)

Upward or downward movement of exchange rates by 10% may impact profitability of the Bank by $0.17 million (2024: $0.56 million).

The value of Investment securities - FVTPL as at 31 March 2025 is $0.96 million (2024: $3.029 million). An upward or downward movement of prices of investment securities - FVTPL by 10% may impact profitability of the Bank by $0.1 million (2024: $0.3 million).

41] Interest rate risk in banking book (‘IRRBB’)

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

The potential loss on account of upward movement of interest rates by 2% based on exposure as at 31 March 2025 is $4.60 million (2024: $3.09 million).

42] Liquidity and funding risk

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

Non-derivative financial assets	**2025 $'000**	**2024 $'000**
On Demand	191,349	235,004
Due within 3 months	106,310	149,945
Due between 3 to 12 months	227,777	150,278
Due between 1 to 5 years	739,781	486,797
Due after 5 years*	151,403	212,063
Total	**1,416,620**	**1,234,087**
Non-derivative financial liabilities		
On Demand	302,449	151,461
Due within 3 months	75,173	215,121
Due between 3 to 12 months	430,034	363,146
Due between 1 to 5 years	129,424	80,829
Due after 5 years	30,102	59,605
Total	**967,181**	**870,162**
Derivative financial assets		
On Demand	-	-
Due within 3 months	47	16
Due between 3 to 12 months	-	-
Due between 1 to 5 years	-	-
Due after 5 years	-	-
Total	**47**	**16**
Derivative financial liabilities		
On Demand	-	-
Due within 3 months	1,367	155
Due between 3 to 12 months	-	-
Due between 1 to 5 years	-	-
Due after 5 years	-	-
Total	**1,367**	**155**

43] Capital management

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

- Maintain sufficient capital resources to meet the minimum regulatory capital requirements set by the Prudential Regulation Authority;
- Maintain sufficient capital resources to support the Bank's risk appetite and economic capital requirements; and
- Allocate capital to support the Bank's strategic objectives, including optimising returns on economic and regulatory capital

44] Events after the balance sheet date

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

45] Repurchase agreement – non trading

The Bank routinely engages in repurchase agreements as part of its regular business operations, transferring recognised financial assets directly to third parties. Since these transactions function as secured borrowings rather than outright sales, the collateralised assets remain fully recognized on the Bank's books. Additionally, a corresponding liability is recorded to reflect the Bank's obligation to repurchase the assets at a predetermined price on a future date.

During the term of these agreements, the Bank is restricted from using, selling, or pledging the transferred assets. Despite this, the Bank continues to face exposure to interest rate and credit risks associated with the pledged assets. Furthermore, the counterparty's recourse extends beyond the transferred assets.

2025		2024	
Carrying amount of transferred assets	**Carrying amount of associated liabilities**	**Carrying amount of transferred assets**	**Carrying amount of associated liabilities**
$'000	**$'000**	**$'000**	**$'000**
24,060	20,868	-	-
24,060	20,868	-	-

46] Fee and Commission Income

	2025 $'000	2024 $'000
Fee and commission income from providing financial services that are provided over time:		
Locker Fee	343	290
Loan Early Repayment Fee	846	680
Fee and commission income from providing financial services at a point in time:		
Other Fees and Commission	243	258
Total Fee and commission income	1,432	1,229

47] Country-by-country reporting for the year ended 31 March 2025

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

Corporate income tax paid and received in the year will not directly correspond to accounting profits and losses reported in the same year due to timing differences as an element of the payments will relate to prior years.

Information disclosed below contains details of corporate income tax paid and received; however, the Bank incurs a range of other taxes which do not form part of this disclosure, including withholding taxes, UK Bank Levy, social security and VAT. If these taxes had been disclosed this would have significantly increased the value of taxes paid by PNBIL during the year ended 31 March 2025.

Country	Turnover	Profit before tax	Corporate income tax (paid)/received	Full time equivalent number of employees
	$'000	$'000	$'000	
United Kingdom	43,690	810	-	188

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

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