punjab national bank
(International) Limited

Pillar III Disclosures under Basel III

For the year ended 31st March 2016

For the year ended 31st March 2016 – made along with information available with the annual financial statements

Background

Punjab National Bank (International) Limited ('PNBIL' or the 'Company' or the 'Bank') is a UK incorporated subsidiary of Punjab National Bank – India, and is authorized by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). With effect from 01.01.2014, PNBIL has adopted the disclosure guidelines issued under the Capital Requirement Regulations and the Capital Requirement Directives (collectively known as CRD IV) under the Basel III regime.

Media and Location

The report will be published on the PNBIL corporate website (www.pnbint.com) along with the Annual Report 2015-16.

Verification

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

Some of the information required to be declared as part of Pillar III disclosures, in particularly the risk management objective and policies, is discussed in various notes to the financial statements, and in Directors and Strategic Report in the annual accounts. Annual report containing the financial statements is being published simultaneously on the website of the Bank and will also be filed with the Registrar of Companies. This report should be read in conjunction with the annual report and financial statements for completeness of the required disclosures.

Scope of Application:

The Pillar 3 disclosures have been prepared for PNBIL in accordance with its own Disclosure Policy, as approved by the Board, and as per the rules laid out in the FCA handbook BIPRU Chapter 11.

PNBIL is a full CRD firm and its accounting and disclosures are on a solo basis. There is no subsidiary/ joint venture of the firm that is required to be consolidated for accounting or prudential purposes. Its parent, Punjab National Bank, however, has to consolidate financial statements, capital adequacy and other information required for accounting, prudential and market disclosure purposes, and reports the same to its regulators and market participants on consolidated basis.

1. Capital Resources:

The details of the capital base of PNBIL as on 31st March 2016 are as follows:

		$000
Tier I	Equity Capital	149,630.63
	Reserve and Surplus	3,609.85
	Fair Value Reserve	390.33
	Less: Intangible Assets	(169.85)
	Less: DTA	(3,835.74)
	Total Common Equity Tier 1 (CET1) Capital Before Material Holding	149,625.21
	Less Material Holding	-
	Total Common Equity Tier 1 (CET1) Capital	149,625.21
	Additional Tier I Capital	25,000.00
	Total Regulatory Tier I Capital	174,625.21
Tier II	Perpetual Tier II Capital	-
	Dated Tier II Capital	75,000.00
	Collective Impairment Provision	5,630.00
	Less Amortization of Dated Tier II capital maturing within five years	(10,021.91)
	Less Material Holding	(0.00)
	Total Tier II Capital	70,608.09
	Total Capital	245,233.30
	Risk Weighted Assets	1,635,853.41
	CET1 Ratio	9.15%
	Tier I Ratio	10.67%
	Tier II Ratio	4.32%
	Total Capital to Risk Adequacy Ratio (CRAR)	14.99%

2. Capital Adequacy

(a) Approach to assessing the adequacy of capital to support current and future activities

Capital requirements are calculated on a weekly basis, and it is ensured on an ongoing basis that available capital is not short of requirement. Well before start of each financial year, based on projections of business growth, requirement of capital is assessed and presented to Board. Request is sent to the Parent, who, after obtaining permission from RBI, allows release of capital in phases as per requirement. Further, the bank also explores the possibility of raising capital from the UK market.

In UK, till 31.12.2013, Basel II norms were applicable. Basel III norms (CRD IV) have been made applicable from 01 January 2014. This statement has already been mentioned under background.

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

- Credit Risk – Standardized Approach.
- Operational Risk – Basic Indicator Approach.
- Market Risk – Standardized Approach.

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

- For counterparty credit risk: under mark to market method.
- For credit valuation adjustment risk: under standardized method.
- For settlement/ delivery risk: under price difference method.

In line with the regulatory requirements of PRA, Bank periodically (at least annually) reviews its existing Internal Capital Adequacy Assessment Process (ICAAP), which is used to estimate the capital requirement in line with the risk appetite of the Bank. The ICAAP is approved by the Board of Directors.

Risk Management Objectives and Policies have been included in the financial statements at note 33.

(b) Capital Requirement under Pillar I

Requirement of capital under Pillar I, under CRR as on 31 March 2016, has been assessed as below:

Amt. in $000

	RWA (Before SME Benefit)	SME BENEFIT*	RWA After SME Benefit	Capital Required @ 8% under Pillar I
Credit Risk - Balance Sheet Assets	1,450,630	6,944	1,443,687	115,495
Credit Risk - Off Balance Sheet Assets	11,185	16	11,169	893
CCR For Interest Rate Swaps	1,538	0	1,538	123
CCR For Forex Swaps	403	0	403	32

CCR For Repo Transaction	0	0	0	0
Credit Valuation Adjustment	1,189	0	1,189	95
Total Credit Risk	**1,464,945**	**6,960**	**1,457,986**	**116,639**
Market Risk - Forex PRR	15,354	0	15,354	1,228
Market Risk - Interest Rate PRR On Trading Book	23,105	0	23,105	1,848
Market Risk - Interest Rate PRR On Interest Rate Swap	45,150	0	45,150	3,612
Total Market Risk	**83,609**	**0**	**83,609**	**6,689**
Operational Risk	**94,258**	**0**	**94,258**	**7,541**
Total	**1,642,812**	**6,960**	**1,635,853**	**130,868**

Capital relief availed on SMEs as at 31.03.2016 is of $556.80 thousand at 8% of RWA.

(c) Capital Requirement under Pillar II

The Pillar II capital requirement provided by PRA is a fixed percentage of our risk weighted assets, and is sufficiently complied by the bank. Being bank specific it is not being disclosed. Bank also calculates Pillar 2 capital as per its internal methodologies for major risk areas not covered under Pillar 1. The Pillar 2 capital is also supplemented by the stress testing mechanism. The final capital requirement is considered as 'higher of internal requirement and Regulatory prescriptions'.

The Bank recognizes that providing for capital is not the sole mitigation of risks it faces. The Bank has thus put in place robust Risk Management Policies and monitoring systems and procedures with laid down terms of reference for the various committees overseeing the risk areas. Details may be found in the annual accounts, copy of which is available on the website of the Bank i.e. www.pnbint.com.

(d) Leverage ratio, based on non-risk weighted assets, as on 31 March 2016 is as below:

The leverage ratio measures the relationship between the capital resources of the organisation and its total assets. The leverage ratio is calculated by dividing Tier 1 capital resources by a defined measure of on and off-balance sheet items.

The EBA leverage ratio regime comes into force in 2018. At present the bank has no minimum leverage requirement as it is currently exempt from the UK Leverage Framework Regime, as its deposit levels are less than £50 billion.

Amt. in USD Million	31.01.2016	28.02.2016	31.03.2016
Item	LR Exposure : Month-1-value	LR Exposure : Month-2-value	LR Exposure: Month-3-value
Derivatives: Market value	2.39	2.28	1.96
Derivatives: Add-on Mark-to-Market Method	6.72	6.65	6.10
Undrawn credit facilities, which may be cancelled unconditionally at any time without notice	75.14	73.70	101.02
Medium/low risk trade related off-balance sheet items	30.57	31.23	30.43
Medium risk trade related off-balance sheet items and officially supported export finance related off-balance sheet items	5.84	7.19	12.69
Other off-balance sheet items	2.25	3.49	3.63
Other assets	1899.29	1859.23	1817.70
Tier 1 capital - fully phased-in definition	179.54	179.54	174.49
Regulatory adjustments - Tier 1	-0.27	-0.27	-4.01
Leverage Ratio -using a fully phased-in definition of Tier 1	8.88%	9.05%	8.86%
Leverage ratio calculated as the simple arithmetic mean of the monthly leverage ratio over a quarter			
Leverage Ratio -using a fully phased-in definition of Tier 1			8.93%

In terms of CRR, minimum leverage ratio required is 3.00%.

(e) Liquidity Coverage Ratio of the bank:

The European Union Commission adopted a delegated act on the liquidity coverage requirement (LCR) on 10th October 2014. This delegated act lays down a full set of rules on the liquid assets, cash outflows, cash inflows needed to calculate the precise liquidity coverage requirement.

PRA also came out with its Policy statement & Supervisory statement on 'CRD IV-Approach to supervising liquidity and funding risks' which, interalia, contained the European Commission's delegated act with regard to the liquidity coverage requirement (LCR) for credit institutions.

The PRA proposed to set the LCR at 80% from 1 October 2015. This requirement would apply until the end of 2016. The requirement would then rise to 90% on 1 January 2017. It would reach 100% on 1 January 2018, as required by the CRR.

Banks LCR as on 31/03/2016 is furnished hereunder

1	Liquidity buffer (In thousands)	297,440
2	Net liquidity outflow (In thousands)	178,372
3	Liquidity coverage ratio (%)	167.00%

(f) Net Stable Funding Ratio of the Bank is as below:

Stable Funding Available:	$ Million		$ Million
Component	**Amount**	**Weighting**	**Stable Funding**
Non-dated capital (including perpetual Tier II capital)	174.63	100%	174.63
Type A wholesale fixed residual maturity > 1 year	157.40	100%	157.40
LE Type B wholesale fixed residual maturity > 1 year	34.99	100%	34.99
SME wholesale fixed residual maturity > 1 year	31.74	100%	31.74
Retail deposits fixed residual maturity > 1 year	336.87	100%	336.87
Non-financial corporates Type A and Type B	152.85	50%	76.42
SME wholesale open and residual maturity <= 1 year	146.90	85%	124.86
Retail Type A open and fixed residual maturity <= 1 year	335.11	80%	268.09
Retail Type B open and fixed residual maturity < = 1 year	148.55	90%	133.70
Type A wholesale Funding residual maturity < 1 year	223.20	0%	0
Total Liabilities / Stable Funding	1,764.14		**1,338.70**
Stable Funding Required:			
Component	**Amount**	**Weighting**	**Requirement**
Cash and Balance with BOE	228.73	0%	0
All security *holdings* maturing <= 1 year -Outright and reverse inflows	20.96	0%	0
Unsecured wholesale loans residual maturity <= 1 year	84.37	0%	0
Liquidity Buffer Assets and other government bonds with residual maturity > 1 year minus collateral upgrades and client collateral	49.29	5%	2.47
Retail Loans with residual maturity < 1 year	42.15	85%	35.83
Loans to all enterprises with residual maturity < 1 year	473.66	50%	236.83
All other assets loans	743.58	100%	743.58

All other assets securities	127.62	100%	127.62
Asset imbalance arising from sundry items and derivatives	-28.12	100%	-28.12
Total Assets	1,742.24		
Off-balance sheet commitments	147.80	5%	7.39
Total Requirement			**1,125.60**
Net Stable Funding Ratio			**119%**

(g) Disclosure on Asset Encumbrance is as below:

Asset encumbrance: Encumbrance overview - Assets								
	Carrying amount of encumbered assets			**Carrying amount of unencumbered assets**			**Fair value of unencumbered assets**	
	Amount	of which: issued by other entities of the group	of which: central bank's eligible	Amount	of which: issued by other entities of the group	of which: central bank's eligible	Amount	of which: central bank's eligible
Item								
Assets of the reporting institution		-	-	1,813.51	42.15	49.73	168.68	49.29
Loans on demand	-	-	-	243.24	1.22	-	-	-
Equity instruments	-	-	-	-	-	-	-	-
Debt securities	-	-	-	172.98	0.00	49.73	168.68	49.29
of which: covered bonds	-	-	-	-	-	-	-	-
of which: asset-backed securities	-	-	-	-	-	-	-	-
of which: issued by general governments	-	-	-	49.73		49.73	49.29	49.29
of which: issued by financial	-	-	-	68.58			65.29	

corporations								
of which: issued by non-financial corporations	-	-	-	54.67			54.09	
Loans and advances other than loans on demand	-	-	-	1,371.59	40.93			
of which: mortgage loans	-	-	-	-	-	-	-	-
Other assets	2.61	-	-	25.70	0.01	-	-	-

3. Credit Risk: General Disclosures

(a) Qualitative Disclosures

Past due but not impaired loans

Loans that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Bank. The amounts disclosed exclude assets measured at fair value through profit or loss.

Renegotiated and forborne loans

Loans that are renegotiated primarily to grant extended tenor to a customer who is facing some difficulties but who Banks believes is not impaired are known as 'other renegotiated loans'. Loans that are renegotiated on terms that are not consistent with those readily available in the market and/ or where Bank has granted a concession compared to the original terms of the loans, are considered to be subject to forbearance strategies and are known as 'forborne loans'. Forbearance strategies assist customers who are temporarily in financial distress and are unable to meet their original contractual repayment terms. Forbearance can be initiated by the customer, the bank or a third party and includes debt restructuring, such as a new repayment schedule, payment deferrals, tenor extensions and interest only payments.

Once a loan is subject to forbearance or is renegotiated, the loan continues to be reported as such, until the loan matures or is otherwise derecognized.

Individually impaired loans

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

Doubtful and Loss category

Loans under the doubtful category are those where there is an unlikeliness of collection of principal and/or interest sums due over time other than through sale of collateral or enforcement of security. Loans under loss category are those with probable or actual failure to collect sums even through the sale of business or collateral.

Determination of Specific Impairment Provisions:

i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset’s original effective rate. If in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it is now excessive by reducing the loan impairment allowance account. The amount of any reversal is recognised in the statement of profit or loss.

ii) Available for Sale Assets

The Bank assesses at each Balance Sheet date whether there is objective evidence that an available for sale asset is impaired. Objective evidence that a financial asset is impaired includes observable data that come to the attention of the Bank such as a significant change in price in excess of 20 percent or prolonged decline over nine months; and due to deterioration of credit ratings which has an impact on the Bank’s estimated future cash flows of the financial assets.

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

Internal Ratings

The Bank has developed internal rating models in co-ordination with the Risk Management Division of Parent Bank. All non-bank credit counterparties (except those secured by deposits with Bank/ Parent and those with limits below a threshold approved by the Board) 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. The bank has also got the models reviewed based on the data, past experiences etc.

Internal ratings are used while taking credit decisions. However, these ratings are not used for determining the risk weight for arriving at capital requirements. All exposures which are not rated by external approved rating agencies are treated as unrated, even though they may be rated internally for credit decision.

On request of the party, rating decisions are informed to SMEs and other corporate applicants for loans, also providing the rationale for such rating if asked.

Credit Risk Management Policy

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

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

- The bank has an approved lending policy wherein the types of credit facilities are defined as is the sanctioning authority which grants within specific financial limits;
- Every credit facility beyond a pre-determined limit is processed through the recommending committee and sanctioned by the credit approval committee;
- Credit risk under each loan above the threshold limit is assessed both on financial and non- financial parameters;
- Concentration risk is taken into account both with respect to individual or group exposures as well as industry wide or country wide exposures;
- Most of the facilities are secured by either tangible securities or third party guarantees;
- With respect to large value facilities including under syndicated facilities, documentation is done through external solicitors;
- Periodic review and monitoring of facilities is undertaken to identify and attend to any observed weakness in any facility;

- All facilities above prescribed threshold limits are reported to the Board from time to time;
- Lending policies and limits are periodically reviewed by the Board; and
- Risk rating of individual proposals beyond cut-off limit is done as per the internal credit risk rating model.

The Bank does not have any significant credit risk exposure to any single counterparty. Any exposure to a single party or group in excess of 10% of its capital base is considered as large exposure as per regulatory guidelines and is monitored regularly. The carrying value of financial assets recorded in the financial statements represents the bank's maximum exposure to credit risk.

(b) Quantitative Disclosures

i. The total gross credit risk exposures:

(USD 000)

Category	31.03.2016
Fund Based	1,878,354.95
Non Fund Based	147,765.56
Derivatives	8,058.28
Total	**2,034,178.80**

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

USD'000

Exposure Class***	Gross Original Exposure	*Net Exposure	**Exposure value	Risk Weighted Assets
Fund Based:				
Exposures to Central Govt. / Central Banks	228,724.81	228,724.81	228,724.81	0.00
Exposures to Institutions	70,024.91	68,803.89	65,209.89	32,780.67
Exposures to Corporates	810,426.72	711,953.86	711,953.86	651,347.15
Retail Exposures	25,049.02	5,876.32	5,876.32	4,172.41
Exposures secured by mortgages on Immovable Property	227,863.75	227,863.75	227,863.75	221,648.66
Other Items	516,265.74	405,410.05	405,410.05	533,737.67
Total Fund Based Exposures	**1,878,354.95**	**1,648,632.68**	**1,645,038.68**	**1,443,686.56**
Non Fund Based				
Exposures To Corporates	77,968.72	71,617.27	2,110.92	2,110.92
Retail Exposures	17,453.58	2,961.26	214.74	161.06
Exposures Sec. By Mortgages On	26,046.35	26,046.35	1,724.52	1,724.52

Immovable Property				
Other Items	26,296.92	24,644.15	25,639.54	7,174.54
Total Non-Fund Based Exposures	**147,765.57**	**125,269.03**	**29,689.72**	**11,171.05**
Counterparty Risk Exposure:				
Derivatives	8,058.28	8,058.28	8,058.28	1,940.37
Total Counterparty Risk Exposure	**8,058.28**	**8,058.28**	**8,058.28**	**1,940.38**
Total Exposure subject to Credit Risk	**2,034,178.80**	**1,781,959.99**	**1,682,786.68**	**1,456,797.99**
CVA Risk	-	-	-	1,188.95
Total	**2,034,178.80**	**1,781,959.99**	**1,682,786.68**	**1,457,986.94**

**after provisions, credit risk mitigation and substitution*
***after CCF for non-fund based exposure.*
****exposure in other exposure classes bifurcated into retail/ corporate and institutions and clubbed with the same.*

- There is no exposure of the Bank in securitization/ re-securitization of assets.
- High risk exposure included above is against buy to sell IPs.

iii. Geographical bifurcation (based on country of incorporation/domicile) into major areas is as below:

USD'000

Country of incorporation/ domicile	Gross Original Exposure	Net Exposure	Exposure value	Risk Weighted Assets
UK	948,423.62	923,188.24	816,998.70	568,721.10
India	701,503.44	653,734.14	671,525.68	546,343.83
G-10 (other than UK)	147,812.58	115,276.93	107,767.83	116,536.23
Singapore/ Hong Kong	39,004.73	33,741.73	29,861.47	31,873.15
Other OECD	35,770.10	35,770.10	35,764.98	36,372.27
Others	161,664.33	161,664.33	143,380.97	156,951.41
Total	**2,034,178.80**	**1,781,959.99**	**1,682,786.68**	**1,456,797.99**

iv. Country wise bifurcation (as per country of incorporation/domicile) based on risk weighted assets is as below:

Name of Country	31.03.2016 Actual RWA (USD Mn)	Actual RWA as % of total
UK	568.72	39.04%
India	546.34	37.50%
G-10	116.54	8.00%
Other OECD	36.37	2.50%
Others	156.95	10.77%
Singapore/ Hong Kong	31.87	2.19%
NCCT	-	-
TOTAL	**1,456.79**	**100.00%**

RWAs to India based exposures are 37.50% and to UK based exposures are 39% of total RWAs for credit risk.

v. Country wise bifurcation (as per country of risk) based on total assets is as below:

Name of Country	Total Assets (USD Mn)	% age
UK	832.39	43.17
India	770.05	39.93
G-10	198.79	10.31
Other OECD	20.16	1.05
Others	25.37	1.32
Singapore/ Hong Kong	81.51	4.22
NCCT	0.00	0.00
TOTAL	**1,928.27**	**100.00**

vi. Industry wise distribution of total assets:

Industry	Fund & Non Fund Based As at 31.03.2016		
	Amt. O/s	% to Total	Square Of %
Automobiles	26.97	1.40	1.96
Chemicals	5.75	0.30	0.09
Commodity Traders	4.44	0.23	0.05
Construction and Associated Industries	2.03	0.11	0.01

Construction and Associated Industries	63.5	3.29	10.84
Credit facilities against deposits held with PNBIL or within the group	97.58	5.06	25.61
Education	4.77	0.25	0.06
Food & Drink	48.22	2.50	6.25
General Manufacturing	175.87	9.12	83.19
Healthcare	3.72	0.19	0.04
Holding Companies (whose only assets are investments)	65.12	3.38	11.40
Hotels	50.82	2.64	6.95
IT	20.8	1.08	1.16
Legal Tax and Management consultancy	1.03	0.05	0.00
Licensed Financial Institutions	395.66	20.52	421.03
Mining	48.11	2.49	6.22
Oil & Gas	83.93	4.35	18.95
Paper & Packaging	13.8	0.72	0.51
Pharmaceuticals	25.84	1.34	1.80
Real Estate including commercial property loans and property development loans	319.08	16.55	273.82
Recycling	23.55	1.22	1.49
Restaurants	2.11	0.11	0.01
Retail	52.68	2.73	7.46
Security and investigation	14.94	0.77	0.60
Service Industry like BPO	2.17	0.11	0.01
Shipping	52.45	2.72	7.40
Telecommunications	17.7	0.92	0.84
Transport	25.32	1.31	1.72
Sovereign Exposure	280.31	14.54	211.32
GRAND TOTAL	**1,928.27**	**100.00**	**1,100.81**

Highest exposure is to Banks and exposure to Banks includes loans to corporates against SBLCs of Banks, Bills negotiated under LCs of Banks, Balance in Nostro/ Bank accounts and interbank placements and investments in debt instrument of Banks.

vii. The residual contractual maturity Break down of assets/liabilities (`in 000)

As at 31 March 2016	Up to 1 m	1-3 m	3-12 m	1-2 yr	2-5 yr	Over 5 yrs	Undated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Cash and cash equivalent	240,205	-	-	-	-	-	-	240,205
Investment securities – held for trading	49,727	-	-	-	-	-	-	49,727
Derivative financial instruments	71	4,012	144	1,767	-	-	-	5,994
Loans and advances to banks	4,865		89,581	19,369	166,227	30,411	-	310,453

Loans and advances to customers	343,422	40,965	88,068	95,829	327,634	176,072	-	1,071,990
Investment securities – available for sale	-	500		17,259	43,397	60,924	-	122,080
Investment securities – held to maturity	-	-	-	-	1,022	149	-	1,171
Property, plant and equipment	-	-	-	-	-	-	1,526	1,526
Intangible assets	-	-	-	-	-	-	170	170
Deferred tax assets			-				3,836	3,836
Current tax Assets							3,891	3,891
Prepayments and other receivables	436	-	260	-	-	-	-	696
Total assets	638,726	45,477	178,053	134,224	538,280	267,556	9,423	1,811,739
Derivative financial	12,550	1,754	640	-	-	-	-	14,944
Deposits from banks	74,336	76,991	25,397		240	-	-	176,964
Deposits from customers	354,199	95,035	450,673	297,039	161,048	115	-	1,358,109
Subordinated liabilities	-	-	-	-	-	75,000	-	75,000
Deferred tax liabilities	-	-	-	-	-	-	57	57
Other liabilities	1,202	558	1,153	1,464	3,656	-	-	8,034
Share capital	-	-	-	-	-	-	174,631	174,631
Reserves and retained	-	-	-	-	-	-	3,610	3,610
Fair Value reserves	-	-	-	-	-	-	390	390
Total Liabilities	442,287	174,339	477,863	298,503	164,945	75,115	178,688	1,811,739
Financial guarantees and letters of credit – net of	3,553	-	-	-	-	71	-	3,625
Irrevocable Loan commitments	38,330	-	-	-	-	-	-	38,330
Total equity, liabilities	484,170	174,339	477,863	298,503	164,945	75,186	178,688	1,849,824
Net liquidity gap	154,559	(128,862)	(299,810)	(164,279)	373,333	192,369	(169,265)	(41,954)

viii. The Gross impaired advances are as below:

	31.03.2016
Particulars	(Amt. in $000)
Gross Impaired Advances	144,986.77

ix. The amount of Net impaired advances is:

	31.03.2016
Particulars	(Amt. in $000)
Net Impaired Advances	36,366.81

x. Information regarding Gross Advances and Net Advances:

Category	31.03.2016 (Amt. in $000)
Gross Advances	1,480,208.68
Net Advances	1,371,588.72

xi. The Impaired Ratios are as under:

Impaired Ratios	31.03.2016
% of Gross impaired advances to Gross Advances	9.80%
% of Net impaired advances to Net Advances	2.65%

xii. The movement of Gross Impaired Advances is as under:

Movement of Gross Impaired Advances	31.03.2016 (Amt. in $000)
i) Opening Balance at the beginning of the year	82,530
ii) Addition during the period	63,904
iii) Reduction during the period	(1486)
iv) Other movements / exchange fluctuations	39
v) Closing Balance as at the end of the period (i + ii – iii+iv)	**144,987**

xiii. The movement of provision for Impaired Advances is as under:

Movement of provision for Impaired Advances	31.03.2016 (Amt. in $000)
i) Opening Balance at the beginning of the period	35,504
ii) Provisions made during the period	75,174
iii) Write-off made during the period	-
iv) Write-back of excess provisions made during the period	(3,028)
v) Other movements / Exchange Fluctuations	970
vi) Closing Balance as at the end of the period (i + ii - iii-iv + v)	**108,620**

xiv. Forborne Accounts / Re-Negotiated Loans:

	Balance o/s	Impairment Provision
	(Amt. in $000)	(Amt. in $000)
i) Opening Balance at the beginning of the year	11,749.81	956.32
ii) Addition during the period	-	-
iii) Reduction during the period	-7,892.02	-101.47
iv) Other movements / exchange fluctuations	-130.77	53.22
v) Closing Balance as at the end of the period (i + ii – iii+iv)	**3,727.02**	**908.07**

xv. Geographical bifurcation of impaired advances is as below:

Country of incorporation	Amount of impaired advances	Provision Held
	(Amt. in $000)	(Amt. in $000)
UK	25,853.73	25,332.08
India	73,443.36	47,769.30
Other G-10	35,165.56	30,255.58
Others	10,524.12	5,263.00
Total	**144,986.77**	**108,619.96**

xvi. Counterparty type bifurcation of impaired advances is as below:

Counterparty Type	Amount of impaired advances	Provision Held
	(Amt. in $000)	(Amt. in $000)
Corporates	144,562.44	108,195.64
Retail	424.32	424.32
Total	**144,986.76**	**108,619.96**

xvii. The amount of impaired investment is:

	31.03.2016
Particulars	**(Amt. in $000)**
Amount of impaired investment	2,429.37

xviii. The amount of provisions held for impaired investment is:

	31.03.2016
Particulars	**(Amt. in $000)**
Amount of provision held for impaired investment	2,280.06

xix. The movement of provisions for impaired investment is:

	31.03.2016
Movement of provisions for depreciation on impaired investments	**(Amt. in $000)**
i) Opening balance at the beginning of the year	2,280.06
ii) Provisions made during the period	-
iii) Write-off made during the period	-
iv) Write-back of excess provisions made during the period	-
v) Closing balance as at the end of the period (i + ii –iii-iv)	**2,280.06**

xx. Total Exposure at default is as below:

Sub Class	Exposure	Specific Provision
	$000	$000
Impaired	144.986.77	108,619.96
Past Due>90 days but non Impaired – Fund Based	127,645.42	-
Past Due >90 days but non Impaired – Non Fund Based	241.07	-
Total	**272,873.26**	**108,619.96**

xxi. Geographical distribution (based on country of incorporation) of advances and provisions is as below:

Country of Incorporation	Advances	Specific Provision	Of which, Specific Provision made in 2015-16
	$000	$000	
UK	588,286.79	25,332.08	22,675.69
India	293,963.07	47,769.30	23,933.08
G-10 (other than UK)	170,407.17	30,255.58	23,299.27
Hong Kong and Singapore	120,590.32	5,263.00	3,208.00
Others	306,968.59	-	0.00
Total	**1,480,215.94**	**108,619.96**	**73,116.04**

xxii. Counterparty wise distribution of advances and provisions is as below:

Counterparty Type	Advances	Specific Provision	Of which, Specific Provision made in 2015-16
	$000	$000	
Corporates	1,133,096.69	108,195.65	75,088.14
Retail	58,108.04	424.32	(1,972.10)
Institutions	289,011.21	-	-
Total	**1,480,215.94**	**108,619.96**	**73,116.04**

4. Credit Risk: Disclosures for Portfolios Subject to the Standardized Approach

Qualitative disclosures

(a) For portfolios under the standardized approach:

- No change since last year on using risk rating of approved external rating agencies for capital charge computation.
- Types of exposure for which each agency is used:
  - Specific product rating if available.
  - General Long Term/ Short Term rating for long term /short term exposure respectively if no specific product rating.
- Association of the external rating with the credit quality step:

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

- A description of the process used to transfer public issue ratings onto comparable assets in the banking book:

  Rating is generally used for an exposure in case rating for that specific type of exposure is available. Otherwise, general long term/ short term rating as per the exposure is used. Deposits and short term interbank placements with Banks are treated as short term deposits and for them short term deposit rating is used. For investments, issue rating for the particular ISIN is used.

Internal Ratings:

All exposures which are not rated by external approved rating agencies are treated as unrated, even though they may be rated internally for credit decision.

Quantitative Disclosures

(b) For exposure amounts after risk mitigation subject to the standardized approach, amount of a bank's outstanding (rated and unrated) in the following three major risk buckets as well as those that are deducted are as under:

	31.03.2016
Particulars	**(Amt. in $000)**
i) Below 100% risk weight exposure outstanding	490,303.39
ii) 100% risk weight exposure outstanding	1,147,667.74
iii) More than 100% risk weight exposure outstanding	285,404.34
iv) Deducted	110,803.33
Total	**2,034,178.80**

5. Credit Risk Mitigation: Disclosures for Standardized Approaches

Qualitative Disclosures

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

- Policies and processes for collateral valuation and management

  Deposits with us and deposits with parent are the only collateral treated for risk mitigation. Balance in the deposit held under lien is treated as its valuation. Deposits either with ourselves or with parent are held under lien. For deposits with parent, equivalent exposure is treated to be on parent.
  Besides, there is netting agreement with the parent, whereby exposure on them is netted by the amount of their exposure on us, and risk weight is applied only on the balance amount if any.

- A description of the main types of collateral taken by the bank

  Deposits with us and deposits with parent are the only collateral treated for risk mitigation.

- The main types of guarantor counterparty and their credit worthiness

  Guarantees/ Stand-by letters of credit by Banks only are treated as guarantee. No private party's guarantee is recognized for the purpose of risk mitigation. For guarantee/ SBLC by banks, exposure is shifted to that Bank.

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

Except deposits (with us or with parent), SBLCs mostly of Indian Banks are the only risk concentrations within the mitigation taken.

Quantitative Disclosures

	31.03.2016
	(Amt. in $000)
b) For credit risk portfolio, the total exposure (after, where applicable, on or off balance sheet netting) that is covered by eligible financial collateral after the application of haircuts.	109,321*
c) For credit risk portfolio, the total exposure (after, where applicable, on or off balance sheet netting) that is covered by guarantees/credit derivatives (substitution)	315,429**

*The exposure covered by at our parent does not include as these are subject to netting arrangement.
**By way of substitution. Exposure shifted to the substituting mitigates and risk weight applied as applicable to the substitutes. Substitution effect is used by the Bank only where exposure is granted against LCs/SBLCs/guarantees of Banks.

6. Securitization Exposures: Disclosure for Standardized Approach

There is no securitization exposure of the Bank

7. Market Risk in Trading Book

Qualitative disclosures

(a) The general qualitative disclosure requirement for market risk including the portfolios covered by the standardized approach.

HFT securities are held in trading book. Securities presently held in HFT category are only US treasury securities. No other type of security is held in trading book. Portfolio is marked to market. Interest rate risk is arrived at by Simplified maturity method.

Quantitative disclosures

(b) The capital requirements for market risk are as under:

(`In 000)

Risk Category	Risk Weighted Assets	Capital Requirement @ 8% under CRR
i) Interest Rate Risk	68,254.75	5,460.38
ii) Equity Risk	-	-
iii) Foreign Exchange Risk (including Gold)	15,354.19	1,228.34
iv)Total capital charge for market risks under Standardized duration approach (i+ii+iii)	**83,608.94**	**6,688.72**

8. Operational Risk

Operational risk is calculated by Basic Indicator Approach method.

9. Interest Rate Risk in the Banking Book (IRRBB)

Qualitative Disclosures

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

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

Quantitative Disclosures:

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

The impact of change in rate of interest on the economic value of assets and liabilities including off balance sheet items is studied under this approach. Position as of Interest Rate Gaps as on 31.03.2016 is as below:

	Amount in $000				
Maturity Period	**Gap (RSA-RSL) (`in 000)**	**Other Products (Intt. Rate Swaps)**	**Net Gap (1+2) (`in 000)**	**Total Assets (`in 000)**	**Impact of Int. Variation of 2%**
Up to 3 months	781,462	-82,037	699,425	1,530,774	1,757
>3 to 6 months	-167,646	-180,543	-348,189	115,136	-2,621
>6 to 12 months	-174,411	72,135	-102,276	64,072	-1,534
>1 to 3 yrs.	-305,587	181,555	-124,032	63,865	-5,022
>3 yrs	32,847	0	32,847	99,391	6,966
Non Sensitive Category	-166,665	8,890	-157,775	160,940	

RSA: Rate Sensitive Assets, RSL: Rate Sensitive Liabilities

Most of our Liabilities are at Fixed Rate of Interest and any change in interest is not applicable to the Liabilities contracted in past. Large number of our loans and advances are although at Floating Rate of Interest, the only Floating component is LIBOR or BoE rate, and a fixed spread over that rate is charged to the customers. In real sense, the variation that the Bank can experience is only on account of variation in LIBOR / BoE Rate.

As a prudential measure a limit has been fixed for net duration gap of the assets and liabilities and the same is monitored at regular intervals.

10. General Disclosure for Exposures Related to Counterparty Credit Risk

Qualitative Disclosures

(a) **The general qualitative disclosure requirement with respect to derivatives and CCR : methodology used to assign economic capital and credit limits for counterparty credit exposures:**

We have forex swaps and interest rate swaps as derivatives in our books. No derivative is entered for clients. Forex swaps are entered to cover own positions. Similarly, interest rate swaps are also entered so as to minimize own interest rate risk in banking book. Counterparty Credit risk is provided on exposure value of forex swaps and interest rate swap arrived at by adding positive mark to market value with potential future exposure at prescribed rates as per maturity of the contract. Besides, interest rate risk is also provided for interest rate swaps under simplified maturity method. Further, Credit Valuation adjustment (CVA) on derivatives is being calculated based on standardized approach.

Counterparty exposure for security financing transaction is arrived at by netting the amount of securities lent from the secured financing obtained. The present exposure is nil.

Policies for securing collateral and establishing credit reserves:

Not applicable

Policies with respect to wrong-way risk exposures:

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

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

Not applicable

Quantitative Disclosures

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

	Amount in $000		
	Positive Mark to Market Value	**Potential Future Exposure**	**Total Exposure**
Forex Swaps	152.44	4830.15	4982.58
Interest Rate Swaps	1,807.24	1,268.45	1,268.45
Total	**1,959.68**	**6,098.60**	**8,058.28**

The Bank has no borrowings against the REPO transaction as on 31.03.2016.

Credit Valuation Adjustment (CVA) risks on counterparty risk is $95.12 thousand.

(c) Credit derivative transactions that create exposure to CCR: Nil

(d) Hedging Policy:

Bank does not generally deal in derivatives for customers barring very few specific cases. Derivatives are used for hedging own positions. Currency swap and interest rate swap are the major derivatives used by the Bank. In order to hedge interest rate risk in banking book, bank has entered into interest rate swaps for USD 253.69 Million. Similarly Bank has entered into currency swaps to mitigate forex risk, while managing its funds mismatch in different currencies.

11. Transitional own funds disclosure template

The following table shows the make-up of own funds of the Bank in the format prescribed in Regulation (EU) 1423/2013. Any blank cells have been removed from this disclosure.

As at 31 March 2016

Transitional Own Funds Disclosure template		
Common Equity Tier 1 capital: instruments and reserves		**AMOUNT IN $ Thousand**
1	Capital instruments and the related share premium	149,630.63
	of which: ordinary shares	149,630.63
2	Retained earnings	3,609.85
3	Accumulated other comprehensive income (and other reserves)	390.33
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**153,630.81**
8	Intangible assets (net of related tax liability) (negative	(169.85)

	amount)	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(3,835.74)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(4,005.59)**
29	**Common Equity Tier 1 (CET1) capital**	**149,625.21**
Additional Tier 1 (AT1) capital: instruments		
31	of which: classified as equity under applicable accounting standards	25,000
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**25,000**
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**
44	**Additional Tier 1 (AT1) capital**	**25,000**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**174,625.21**
Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	75,000.00
50	Credit risk adjustments	5,630.00
51	**Tier 2 (T2) capital before regulatory adjustments**	**80,630.00**
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**(10,021.91)**
58	**Tier 2 (T2) capital**	**70,608.09**
59	**Total capital (TC = T1 + T2)**	**245,233.30**
60	**Total risk weighted assets**	**1,635,853.41**
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	9.15%
62	Tier 1 (as a percentage of total risk exposure amount)	10.67%
63	Total capital (as a percentage of total risk exposure amount)	14.99%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	5.125%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	4.65%

12. Summary Information on Terms and Conditions of the main features of capital resources is as below (Amount '000):

	Disclosure template for main features of regulatory capital instruments	Equity Share Capital	Additional Tier I Capital Bonds	Dated Tier II Capital Bonds	Dated Tier II Capital Bonds	Dated Tier II Capital Bonds	Dated Tier II Capital Bonds
1	Issuer	PNBIL	PNBIL	PNBIL	PNBIL	PNBIL	PNBIL
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Non Demat	Non Demat	Non Demat	Non Demat	Non Demat	Non Demat
3	Governing law(s) of the instrument	Channel Island Stock Market		Channel Island Stock Market			
	Regulatory treatment						
4	Transitional CRR rules	Available to full extent	Available to full extent	Available to the extent of 100% of Tier I in year I, 75% in year II, 50% in year III.	Available to the extent of 100% of Tier I in year I, 75% in year II, 50% in year III.	Available to the extent of 100% of Tier I in year I, 75% in year II, 50% in year III.	Available to the extent of 100% of Tier I in year I, 75% in year II, 50% in year III.
5	Post-transitional CRR rules	Available to full extent	Available to full extent	Available to the extent of 33.33% of Tier I	Available to the extent of 33.33% of Tier I	Available to the extent of 33.33% of Tier I	Available to the extent of 33.33% of Tier I
6	Eligible at solo/group/ group & solo	Solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type	Ordinary shares	Subordinated perpetual contingent conversion debt	Subordinated dated debt	Subordinated dated debt	Subordinated dated debt	Subordinated dated debt
8	Amount recognized in regulatory capital (USD in thousand)	149,631	25,000	50,000	10,000	5,000	10,000
9	Par value of instrument	149,631	25,000	50,000	10,000	5,000	10,000
10	Accounting classification	Equity share capital	Semi equity	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
11	Original date of issuance (amount on each issue date given in brackets in USD thousand)	Issued on various dates	15/03/2016	31.03.2009 (25,000), 31.01.2012 (12,500), 04.10.2012 (12,500)	30.12.2015	23.12.2013	19/08/2014
12	Perpetual or dated	Perpetual	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	Undated	Undated	10 Years	10 Years	15 Years	10 Years
14	Issuer call subject to prior supervisory approval	NA	5 Years	5 Years	NA	10 Years	NA
15	Optional call date	NA	Each interest payment date after 5 years.	31.03.2014, 31.01.2017, 04.10.2017	NA	23.12.2023	NA
	Contingent Call Dates	NA	Nil	Nil	Nil	Nil	Nil
	Redemption Amount	NA	25,000	50,000	10,000	5,000	10,000
16	Subsequent call dates, if applicable	NA	Nil	Nil	Nil	Nil	Nil
	Coupons / dividends						

17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	Nil	6M LIBOR + 400 bps	6M LIBOR + 400 bps	6M LIBOR + 450 bps	6M LIBOR + 450 bps	6M LIBOR + 450 bps
19	Existence of a dividend stopper	Nil	Yes	Nil	Nil	Nil	Nil
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Fully Discretionary	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
23	Convertible or non-convertible	NA	Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible
24	If convertible, conversion trigger(s)	NA	CET1 Ratio falls below 7%	NA	NA	NA	NA
25	If convertible, fully or partially	NA	Fully	NA	NA	NA	NA
26	If convertible, conversion rate	NA	USD 1.00	NA	NA	NA	NA
27	If convertible, mandatory or optional conversion	NA	Mandatory	NA	NA	NA	NA
28	If convertible, specify instrument type convertible into	NA	Ordinary Shares	NA	NA	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	PNBIL	NA	NA	NA	NA
30	Write-down feature	NA	Yes	Nil	Nil	Nil	Nil
31	If write-down, write-down trigger(s)	NA	CET1 Ratio falls below 7%	NA	NA	NA	NA
32	If write-down, full or partial	NA	Full	NA	NA	NA	NA
33	If write-down, permanent or temporary	NA	Permanent	NA	NA	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA	NA	NA	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	First	Subordinated to all other creditors	Subordinated to all other Creditors	Subordinated to all other Creditors	Subordinated to all other Creditors	Subordinated to all other Creditors
36	Non-compliant transitioned features	Nil	Nil	Nil	Nil	Nil	Nil
37	If yes, specify non-compliant features	Nil	As above	As above	As above	As above	As above
38	Other information	Nil	Being perpetual, not to be amortized.	To be amortized in the last five years.	To be amortized in the last five years.	To be amortized in the last five years.	To be amortized in the last five years.

Bank has redeemed its Perpetual Tier II bonds issued on 31.03.2011 on 15.03.2016 for $25 Million and issued Additional Tier I bonds for $25 Million on the same day. Both the bonds were subscribed by PNB India (Parent).

13. Remuneration Policy:

The Bank has two pay groups of employees in UK – those on secondment to the Bank from the Parent Bank and those who are locally recruited. The employees on secondment are governed by the salary structure approved by the standing committee set up by Government of India for determining salary and other service conditions of officers of public sector banks posted abroad; as well as by the Board of Directors of the Parent Bank. Their salary, perquisites and allowances are fixed accordingly and include certain fixed net of tax basic pay, payment of tax and NI and reimbursement of furnished accommodation, utility bills, telephone, newspaper and medical expenses. Salary to the locally recruited staff is as per Board approved Human Resource (HR) Policy. HR policy of the Bank is approved by the Board on recommendation of the audit and compliance committee of the Board. Two of the key staff members (ED and MLRO), out of local staff, are on special contract on negotiated pay. Two independent Non-Executive Directors are paid fixed salary/fees and allowances per annum.

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

Highest amount of salary paid to a single employee in the year 2015-16 was USD 210.93 thousand. None of the employee of the Bank falls in the category of high earners. There is a separate remuneration committee of the Bank. No external consultant has been engaged for the purpose. No bonus, overtime or incentive is paid by the Bank to its employees. There is no link between pay and performance. There is no deferral policy. There is no variable pay. All employees are paid annual increments as per their scale of pay. The annual increase of ED and MLRO is decided by the Board.

Aggregate quantitative information on the expenditure on staff during the year 2015-16 were as below:

	$000
Staff in UK	
India based officers (IBOs) and secondment from Parent	3,834.99
Local Staff including ED and MLRO	3,109.97
Medical Insurance of UK staff (IBOs as well as Local)	84.94
Canteen/ other common expenses	147.17
Total expenditure on UK staff	**7,171.38**
Expenditure on India staff	147.17
Total Staff Expenses	**7,318.55**
Out of above:	
Remuneration to staff whose actions have a material impact on risk profile of the Bank (MD, ED and two NEDs)	456.56

The entire remuneration, as above, is fixed, and there is no variable remuneration. No sign-on or severance payment was paid to any employee/ director.

14. Risk Management & Governance framework

The risk management and governance framework of PNBIL is included in the annual report 2015-16 (already published on website) in sufficient detail, hence not being reiterated here to avoid duplication.