



PILLAR 3 DISCLOSURES

FOR THE YEAR ENDED 31 MARCH 2020



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Key metrics – Table KM1:

As at 31st March

(Figures in USD Million)

	Particulars	2020	2019
	Available capital		
1	Common equity tier 1 (CET 1)	146.1	150.4
1a	Fully loaded ECL accounting model	144.3	146.4
2	Tier 1	191.1	195.4
2a	Fully loaded ECL accounting model Tier 1	189.3	191.4
3	Total Capital	225.7	236.3
3a	Fully loaded ECL accounting model total capital	223.9	232.3
	Risk weighted assets (RWA)		
4	Total RWA	755.9	797.6
	Risk weighted capital ratios as a % of RWA		
5	Common equity tier 1 ratio (%)	19.3%	18.9%
5a	Fully loaded ECL accounting model Common equity tier 1 ratio (%)	19.1%	18.4%
6	Tier 1 ratio (%)	25.3%	24.5%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	25.0%	24.0%
7	Total capital ratio (%)	29.9%	29.6%
7a	Fully loaded ECL accounting model Total capital ratio (%)	29.6%	29.1%
	Additional CET 1 buffer requirements as a % of RWA		
8	Capital conservation buffer requirement (%)	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.02%	0.54%
11	Total of bank's CET 1 specific buffer requirements (%)	2.52%	3.04%
12	CET 1 available after meeting bank's minimum capital requirements (%)	8.1%	7.4%
	Basel III leverage ratio		
13	Total Basel III leverage ratio exposure measure	937.4	1,034.2
14	Basel III leverage ratio (%)	20.4%	18.9%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%)	20.2%	18.5%
	Liquidity coverage ratio		
15	Total HQLA	102.3	75.9
16	Total net cash outflow	25.4	14.5
17	LCR ratio (%)	403%	524%

Key Metrics

CET 1 ratio 19.3% Mar 2019: 18.9%	Total capital ratio 29.9% Mar 2019: 29.6%	Leverage ratio 20.4% Mar 2019: 18.9%	LCR 403% Mar 2019: 524%	Total RWA \$755.9mn Mar 2019: \$797.6mn
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1. Overview

1.1 Background

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

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

1.2 Media and Location

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

1.2 Basis of disclosure

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

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

1.3 Scope of Application

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



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1.4 Frequency

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

1.5 Currency

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

2. Risk Management

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

Further details on our risk management objectives, policies, governance and risk appetite framework are set out in note 42 'Financial risk management objectives and policies' of our Annual Report and Financial Statements 2020.

3. Capital Resources:

The following tables below provide details of the capital base of the Bank:

3.1 Reconciliation with Balance Sheet:

As at 31 st March	(Figures in Million)	
Particulars	2020	2019
Shareholders' equity as per balance sheet	274.6	274.6
Retained earnings	(102.8)	(102.2)
Fair value reserve	(1.3)	(0.6)
IFRS 9 transitional adjustment	1.8	4.0
Less: Intangible assets	(0.5)	(0.4)
Less: Adjustments due to prudential filters	(0.7)	(0.7)
Less: Deferred tax assets	(25.0)	(24.3)
Total Core Tier I capital	146.1	150.4
Additional Tier I capital	45.0	45.0
Total Tier I capital	191.1	195.4
Eligible amount of Tier II adjustments	50.0	50.0
Less: Amortisation of Date Tier II capital maturing within 5 years	(15.4)	(9.1)
Total Tier II capital	34.6	40.9
Total Regulatory capital	225.7	236.3



3.2 Capital Ratios:

As at 31st March

(Figures in Million)

Particulars	2020	2019
Risk Weighted Assets	755.9	797.6
Total Capital Ratio	29.9%	29.6%
CET 1 Ratio	19.3%	18.9%
Tier 1 Ratio	25.3%	24.5%
Tier 2 Ratio	4.5%	5.1%

3.3 Own funds disclosure and Capital instruments' main features template

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

4. Capital Requirements

4.1. Approaches to assess minimum capital requirement under Pillar 1

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

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

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

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

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



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4.2. Capital Requirement under Pillar 1:

Minimum Capital requirement under Pillar 1 under CRR as on 31 March 2020 is shown below:

As at 31st March 2020

(Figures in Million)

Particulars	RWA (Before SME Benefit)	SME Benefit*	RWA After SME Benefit	Capital Required @ 8% under Pillar I
Credit Risk - Balance Sheet Assets	680.4	2.7	677.7	54.2
Credit Risk - Off Balance Sheet Assets	0.1	-	0.1	-
CCR For Interest Rate Swaps	-	-	-	-
CCR For Forex Swaps	0.9	-	0.9	0.1
Credit Valuation Adjustment	0.7	-	0.7	0.1
Total Credit Risk	682.1	2.7	679.4	54.4
Market Risk - Forex PRR	7.1	-	7.1	0.6
Market Risk - Interest Rate PRR On Trading Book	18.8	-	18.8	1.5
Total Market Risk	25.9	-	25.9	2.1
Operational Risk	50.6	-	50.6	4
Capital Requirement	758.6	2.7	755.9	60.5

As at 31st March 2019

(Figures in Million)

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



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4.3. Capital Buffers

➤ Countercyclical Capital Buffer:

The tables below use the standard template issued by the EBA to show the distribution of relevant credit exposures for the calculation of an institution's countercyclical capital buffer (CCyB), using only the columns applicable to the Bank.

As at 31st March 2020

(Figures in Million)

010 Breakdown by country	Credit Exposures	Own Funds Requirements		
	Exposure value	Own funds requirements	Own funds weights	Countercyclical capital rate
	Col 010	Col 070	Col 110	Col 120
Ireland	7.6	0.9	0.02	1.0%
All Other Countries	593.5	45.5	0.98	0.0%
020 Total	601.1	46.4	1.00	

As at 31st March 2019

(Figures in Million)

010 Breakdown by country	Credit Exposures	Own Funds Requirements		
	Exposure value	Own funds requirements	Own funds weights	Countercyclical capital rate
	Col 010	Col 070	Col 110	Col 120
United Kingdom	385.4	23.9	0.51	1.0%
Hong Kong	6.1	0.7	0.02	1.9%
All Other Countries	237.4	21.9	0.47	0.0%
020 Total	628.9	46.5	1.00	

➤ Institution Specific Countercyclical Capital Buffer:

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

As at 31st March

(Figures in Million)

	2020	2019
010 Total risk exposure amount	755.9	797.6
020 Institution specific countercyclical capital buffer rate	0.02%	0.54%
030 Institution specific countercyclical capital buffer requirement	0.1	4.3

4.4. Capital Requirement under Pillar 2A

The Bank's Total Capital Requirement applicable as at March 31st 2020 was 4.44% of Risk Weighted Assets.



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5. Leverage Ratio:

The Bank's leverage ratio as at 31st March 2020 was 20.4%. The leverage tables below have been prepared using standard templates issued by the EBA but only display rows that are applicable to the Bank.

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

As at 31st March

(Figures in Million)

		2020	2019
1	Total assets as per published financial statements	976.1	1,061.8
4	Adjustments for derivative financial instruments	4.5	6.2
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	6.6	9.5
7	Other adjustments	(49.8)	(43.3)
8	Leverage ratio tool exposure measure	937.4	1,034.2

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

As at 31st March

(Figures in Million)

		2020	2019
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, and fiduciary assets, but including collateral)	953.9	1,044.5
2	(Asset amounts deducted in determining Tier 1 capital)	(27.6)	(26.0)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	926.3	1,018.5
	Derivative exposures		
4	Replacement cost associated with all derivatives transaction (i.e. net of eligible cash variation margin)	3.0	2.5
5	Add-on amounts for PPE associated with all derivatives transaction (mark to market method)	1.5	3.7
11	Total derivatives exposures	4.5	6.2
	Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	65.6	73.1
18	(Adjustments for conversion to credit equivalent amounts)	(59.0)	(63.6)
19	Other off balance sheet exposures	6.6	9.5
	Capital and total exposures		
20	Tier 1 capital	191.1	195.4
21	Total leverage ratio exposures	937.4	1,034.2
22	Leverage ratio	20.4%	18.9%



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

As at 31st March

(Figures in Million)

		2020	2019
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:	953.9	1,044.5
EU-2	Trading book exposures	33.5	24.3
EU-3	Banking book exposures, of which:	953.9	1,044.5
EU-5	Exposures treated as sovereigns	97.1	71.7
EU-7	Institutions	260.5	329.9
EU-8	Secured by mortgages of immovable properties	232.5	234.0
EU-9	Retail exposures	0.6	1.3
EU-10	Corporate	101.5	127.5
EU-11	Exposures in default	146.5	153.8
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	115.2	126.3

5.4 LR Qua: Qualitative Disclosure on Management of Leverage Ratio

1	Description of the process used to manage the risk of excessive leverage	Leverage is managed within the Bank's Risk Appetite Framework and the Bank demonstrates a low risk appetite with a comfortable leverage ratio of 20.4%
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	During the course of the financial year, the leverage ratio has increased from 18.8% at 31 st March 2019 to 20.4% as at 31 st March 2020. The increase in the ratio is primarily due to a reduction in assets.

6. Asset Encumbrance

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. As at 31st March 2020, the Bank has no encumbered assets (2019: \$5.1 million). The tables in Annexure III include all relevant disclosures in relation to encumbered and unencumbered assets.

7. Liquidity:

Liquidity risk is the possibility of being unable to meet present and future financial obligations as they become due. The Bank has implemented CRDIV liquidity guidelines as specified by the PRA. It maintains a Liquidity Coverage Ratio (LCR) as stipulated by the PRA. The Bank also tracks the Net Stable Funding Ratio (NSFR), though it is yet to be introduced as a regulatory requirement.

Key Liquidity Metrics	2020	2019
Liquidity Coverage Ratio (LCR)	403%	524%
Net Stable Funding Ratio (NSFR)	126%	139%



8. Credit Risk: General Disclosures

8.1 Qualitative Disclosures

Credit Risk Management Policy

Credit risk is defined as a potential financial loss on account of delay or denial of repayment of principal or interest with respect to a credit facility extended by the Bank, both on and off balance sheet. 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 measures are in place to mitigate the credit risks:

- The Bank has a Credit Risk Management Policy, Risk Appetite Framework & Collateral Management Policy in place for management of Credit Risk.
- Every credit facility (except loans secured by Fixed Deposits and staff loans) is sanctioned by the credit approval committee at the Corporate office.
- Credit risk is independently assessed by Centralized Credit Appraisal team on financial & non-financial parameters and challenged by the Credit Approval Committee before sanction.
- Concentration risk as per parameters defined in Risk Appetite Framework are taken into account, both with respect to individual or group exposures as well as industry/sector wide or country wide exposures.
- Most of the facilities are secured by either tangible securities or third-party guarantees with the bank having a low threshold for undertaking unsecured exposure as defined in the Risk Appetite Framework.
- Centralized Credit Administration Department for better control over post sanction activities.
- 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.

Internal Ratings

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

For further information, see note 26 'Exposure to credit risk and availability of collateral security' of the Annual Report and Financial Statements 2020.



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8.2 Quantitative Disclosures

i. The total gross credit risk exposures were:

As at 31st March

(Figures in Million)

Particulars	2020	2019
On-balance sheet exposures	1,194.8	1,270.9
Off-balance sheet exposures	65.6	73.1
Securities financing transactions	-	0.05
Derivatives	4.5	6.2
Total	1,264.9	1,350.2

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

As at 31st March 2020

(Figures in Million)

Exposure Class	Gross Original Exposure	Net Exposure ¹	Exposure value	Risk Weighted Assets
On Balance Sheet exposures:				
Exposures to Central Govt. / Central Banks	97.1	97.1	97.1	-
Exposures to Institutions	211.6	260.5	260.5	98.2
Exposures to Corporates	175.6	101.5	101.5	101.5
Retail Exposures	9.9	0.6	0.6	0.4
Exposures secured by mortgages on Immovable Property	232.7	232.5	232.5	171.1
Exposures in Default	387.6	146.5	146.5	191.1
Other Items	80.3	115.2	115.2	115.4
Total On Balance Sheet Exposures	1,194.8	953.9	953.9	677.7
Off Balance Sheet exposures:				
Exposures to Corporates	6.9	1.9	0.1	0.1
Retail Exposures	6.9	1.6	-	-
Exposures Secured by Mortgages on Immovable Property	20.0	20.0	-	-
Other Items	31.8	42.1	-	-
Total Off Balance Sheet Exposures	65.6	65.6	0.1	0.1
Counterparty Risk Exposure:				
Derivatives	4.5	4.5	4.5	0.9
Total Counterparty Risk Exposure	4.5	4.5	4.5	0.9
Total Exposure subject to Credit Risk	1,264.9	1,024.0	958.5	678.7
CVA Risk	-	-	-	0.7
Total	1,264.9	1,024.0	958.5	679.4

¹Net Exposure: Exposure after provisions, credit risk mitigation and substitution



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As at 31st March 2019

(Figures in Million)

Exposure Class	Gross Original Exposure	Net Exposure	Exposure Value	Risk Weighted Assets
On Balance Sheet exposures:				
Exposures to Central Govt. / Central Banks	47.3	47.3	47.3	-
Exposures to Institutions	319.1	328.7	328.7	131.2
Exposures to Corporates	175.3	127.5	127.5	127.5
Retail Exposures	12.7	1.3	1.3	0.9
Exposures secured by mortgages on Immovable Property	234.0	234.0	234.0	172.2
Exposures in Default	406.4	146.8	146.8	188.6
Other Items	76.1	126.3	126.3	92.7
Total On Balance Sheet Exposures	1,270.9	1,011.9	1,011.9	713.1
Off Balance Sheet exposures:				
Exposures to Corporates	11	8.3	0.2	0.2
Retail Exposures	8.7	0.3	-	-
Exposures Sec. By Mortgages on Immovable Property	10.9	10.9	0.5	0.5
Other Items	42.5	53.6	2.1	0.7
Total Off Balance Sheet Exposures	73.1	73.1	2.8	1.4
Counterparty Risk Exposure:				
Derivatives	6.1	6.1	6.1	0.8
Total Counterparty Risk Exposure	6.1	6.1	6.1	0.8
Total Exposure subject to Credit Risk	1,350.1	1,091.1	1,020.8	715.3
CVA Risk	-	-	-	0.8
Total	1,350.1	1,091.1	1,020.8	716.1

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

iii. Geographical distribution into major areas is as below:

As at 31st March 2020

(Figures in Million)

Geography	Gross Original Exposure	Net Exposure	Exposure value	Risk Weighted Assets	Actual RWA as % of total
United Kingdom	535.0	501.8	465.9	325.9	48.0%
India	353.2	248.3	246.4	205.4	30.3%
North America	180.7	128.5	128.5	37.2	5.5%
European Union (except UK)	87.6	68.1	40.4	39.7	5.8%
Others	108.4	77.3	77.3	70.5	10.4%
Total	1,264.9	1,024.0	958.5	678.7	100.0%



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As at 31st March 2019

(Figures in Million)

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

iv. Industry wise distribution of exposures by asset class:

As at 31st March 2020

(Figures in Million)

Exposure class	Finance & Business	Manufacturing & Mining	Real Estate & Construction	Retail/ Wholesale Trade	Transport & Storage	Exposure Value
Central Govts. or Central Banks	97.1	-	-	-	-	97.1
Corporates	30.0	13.1	-	56.7	1.7	101.5
Exposures in default	0.8	73.5	40.9	17.7	13.6	146.5
Equity	-	0.5	-	-	-	0.5
High Risk	-	-	52.6	18.3	-	70.9
Institutions	265.0	-	-	-	-	265.0
Secured by mortgages on immovable property	6.2	-	188.0	38.3	-	232.5
Other items	43.9	-	-	-	-	43.9
Retail	-	-	-	0.6	-	0.6
Inst. & Corp. with a short-term credit assessment	-	-	-	-	-	-
Exposure Value	443.0	87.1	281.5	131.6	15.3	958.5



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As at 31st March 2019

(Figures in Million)

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

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

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

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

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

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

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



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FOR THE YEAR ENDED 31 MARCH 2020

As at 31st March 2020

(Figures in Million)

Exposure Class	Central Govts.	Corporates	Institutions	Retail	All Others	Exposure Value
On Balance Sheet exposures						
Credit Quality Step (CQS) 1	97.1	-	20.7	-	-	117.8
Credit Quality Step (CQS) 2	-	-	60.5	-	-	60.5
Credit Quality Step (CQS) 3	-	27.1	132.1	-	-	159.2
Credit Quality Step (CQS) 4	-	-	36.9	-	-	36.9
Unrated	-	74.4	10.2	0.6	494.3	579.5
Total On Balance Sheet exposures	97.1	101.5	260.4	0.6	494.3	953.9
Off Balance Sheet exposures						
Unrated	-	0.1	-	-	-	0.1
Total Off-Balance Sheet exposures	-	0.1	-	-	-	0.1
Derivatives	-					
Credit Quality Step (CQS) 1	-	-	3.8	-	-	3.8
Credit Quality Step (CQS) 2	-	-	0.7	-	-	0.7
Total derivative exposures	-	-	4.5	-	-	4.5
Total	97.1	101.6	264.9	0.6	494.3	958.5

As at 31st March 2019

(Figures in Million)

Exposure Class	Central Govts.	Corporates	Institutions	Retail	All Others	Exposure Value
On Balance Sheet exposures						
Credit Quality Step (CQS) 1	47.3	-	0.5	-	-	47.8
Credit Quality Step (CQS) 2	-	-	8.0	-	-	8.0
Credit Quality Step (CQS) 3	-	21.3	234.2	-	-	255.4
Credit Quality Step (CQS) 4	-	-	87.7	-	-	87.8
Unrated	47.3	106.2	8.0	1.3	497.4	612.9
Total On Balance Sheet exposures	47.3	127.5	338.4	1.3	497.4	1,011.9
Off Balance Sheet exposures						
Credit Quality Step (CQS) 2	-	-	0.1	-	-	0.1
Unrated	-	0.2	-	-	2.5	2.7
Total Off-Balance Sheet exposures	-	0.2	0.1	-	2.5	2.8
Derivatives						
Credit Quality Step (CQS) 1	-	-	4.4	-	-	4.4
Credit Quality Step (CQS) 3	-	-	1.7	-	-	1.7
Total derivative exposures	-	-	6.1	-	-	6.1
Total	47.3	127.7	344.6	1.3	499.9	1,020.8



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

As at 31st March 2020

(Figures in Million)

Exposure Class	0-3 Months	4-12 Months	1-5 Years	5+ Years	Exposure Value
Central Govts. or Central Banks	56.0	23.0	-	18.1	97.1
Corporates	26.5	27.2	40.8	7.0	101.5
Exposures in Default	59.1	7.9	10.9	68.6	146.5
Equity	0.5	-	-	-	0.5
High Risk	22.1	15.7	32.9	0.2	70.9
Institutions	168.4	44.5	48.5	3.6	265.0
Secured by mortgages on immovable property	11.7	36.7	156.0	28.1	232.5
Other Items	16.2	-	27.6	0.1	43.9
Retail	0.3	-	0.3	-	0.6
Exposure Value	360.8	155.0	317.0	125.7	958.5

As at 31st March 2019

(Figures in Million)

Exposure Class	0-3 Months	4-12 Months	1-5 Years	5+ Years	Exposure Value
Central Govts. or Central Banks	36.3	1.0	1.0	9.0	47.3
Corporates	30.4	12.4	76.0	8.9	127.7
Exposures in Default	94.8	3.1	44.7	4.2	146.8
Equity	-	-	2.1	-	2.1
High Risk	3.7	16.2	29.3	1.9	51.1
Institutions	204.9	56.9	73.1	-	334.9
Secured by mortgages on immovable property	22.2	1.2	151.7	59.4	234.5
Other Items	37.9	26.2	1.2	-	65.3
Retail	0.6	0.5	0.2	-	1.3
Inst. & Corp. with a short-term credit assessment	9.8	-	-	-	9.8
Exposure Value	440.6	117.5	379.3	83.4	1,020.8

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

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



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vii. Credit Risk Adjustments

➤ **Reconciliation of movements:**

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

(Figures in Million)

	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 April 2019	3.2	1.0	262.3	266.5
New receivables originated or purchased	0.3	-	-	0.3
Transfers between stages	-	(0.2)	-	(0.2)
Decrease in allowance for existing portfolio	(0.9)	(0.3)	(1.8)	(3.0)
Increase in allowance for existing portfolio	0.1	-	16.9	17.0
Write-offs	-	-	(35.8)	(35.8)
Receivables matured during the period	(0.7)	-	(1.1)	(1.8)
Other movements*	0.3	0.1	0.2	0.6
Loss allowance as at 31 March 2020	2.3	0.6	240.7	243.6

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

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

The credit risk adjustments shown above equate to the Bank's allowance for expected credit losses at 31st March 2020. See note 25 'Allowance for expected credit losses' of the Annual Report and Financial Statements 2020 for further information.

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

(Figures in Million)

Charge to profit and loss	2020	2019
Impairment charge on loans and advances	15.1	6.3
Impairment charge on investments	0.1	0.2
Total charge to profit and loss	15.2	6.5



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➤ **Provision on financial assets:**

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

As at 31 st March 2020		(Figures in Million)					
		Real Estate	Deposit backed loans	Loans to Banks	Investment securities	Other Loans	Total
Gross Exposure							
Stage 1		253.8	40.8	132.2	49.6	70.6	547.0
Stage 2	> 30 ≤ 90 days	33.5	-	-	-	23.7	57.2
Stage 3		6.5	-	0.5	2.1	362.6	371.7
Impairment Allowance							
Stage 1		0.3	-	0.4	0.1	1.3	2.1
Stage 2	> 30 ≤ 90 days	-	-	-	-	0.5	0.5
Stage 3		0.6	-	-	2.1	237.5	240.2
Net Exposure							
Stage 1		253.5	40.8	131.8	49.5	69.3	544.9
Stage 2	> 30 ≤ 90 days	33.5	-	-	-	23.2	56.7
Stage 3		5.9	-	0.5	-	125.1	131.5

As at 31 st March 2019		(Figures in Million)					
		Real Estate	Deposit backed loans	Loans to Banks	Investment securities	Other Loans	Total
Gross Exposure							
Stage 1		230.7	58.8	264.1	50.8	76.3	680.7
Stage 2	Not past due	40.3	-	-	-	32.6	72.9
	> 30 ≤ 90 days	11.0	-	-	-	2.5	13.5
Stage 3		5.5		0.5	2.2	398.0	406.2
Impairment Allowance							
Stage 1		0.2	-	0.5	0.1	2.3	3.1
Stage 2	Not past due	-	-	-	-	1.0	1.0
	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		0.6	-	-	2.2	259.2	262.0
Net Exposure							
Stage 1		230.5	58.8	263.6	50.7	74.0	677.7
Stage 2	Not past due	40.3	-	-	-	31.6	71.9
	> 30 ≤ 90 days	11.0	-	-	-	2.5	13.5
Stage 3		4.9	-	0.5	-	138.8	144.2



PUNJAB NATIONAL BANK (INTERNATIONAL) LIMITED
PILLAR III DISCLOSURES
FOR THE YEAR ENDED 31 MARCH 2020

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

As at 31st March 2020 **(Figures in Million)**

		Investment securities	Total
Gross Exposure			
Stage 1		36.2	36.2
Stage 2	> 30 ≤ 90 days	-	-
Stage 3		0.4	0.4
Impairment Allowance			
Stage 1		0.1	0.1
Stage 2	> 30 ≤ 90 days	-	-
Stage 3		0.3	0.3
Net Exposure			
Stage 1		36.1	36.1
Stage 2	> 30 ≤ 90 days	-	-
Stage 3		0.1	0.1

As at 31st March 2019 **(Figures in Million)**

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



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FOR THE YEAR ENDED 31 MARCH 2020

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

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

As at 31st March 2020

(Figures in Million)

		UK	India	North America	Euro Area	Others	Total
Gross Exposure							
Stage 1		308.7	137.7	32.0	25.3	43.3	547.0
Stage 2	> 30 ≤ 90 days	32.9	9.8	-	14.0	0.5	57.2
Stage 3		41.3	170.7	63.9	36.2	59.6	371.7
Impairment Allowance							
Stage 1		0.5	0.4	-	-	1.2	2.1
Stage 2	> 30 ≤ 90 days	-	-	-	0.5	-	0.5
Stage 3		33.0	104.5	52.1	19.6	31.0	240.2
Net Exposure							
Stage 1		308.2	137.3	32.0	25.3	42.1	544.9
Stage 2	> 30 ≤ 90 days	32.9	9.8	-	13.5	0.5	56.7
Stage 3		8.3	66.2	11.8	16.6	28.6	131.5

As at 31st March 2019

(Figures in Million)

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



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

As at 31st March 2020

(Figures in Million)

		UK	India	North America	Euro Area	Others	Total
Gross Exposure							
Stage 1		3.0	27.7	5.5	-	-	36.2
Stage 2	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		-	0.4	-	-	-	0.4
Impairment Allowance							
Stage 1		-	0.1	-	-	-	0.1
Stage 2	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		-	0.3	-	-	-	0.3
Net Exposure							
Stage 1		3.0	27.6	5.5	-	-	36.1
Stage 2	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		-	0.1	-	-	-	0.1

As at 31st March 2019

(Figures in Million)

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



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FOR THE YEAR ENDED 31 MARCH 2020

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

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

As at 31st March 2020

(Figures in Million)

		Corporate	Retail	Total
Gross Exposure				
Stage 1		517.2	29.8	547.0
Stage 2	> 30 ≤ 90 days	56.3	0.9	57.2
Stage 3		370.5	1.2	371.7
Impairment Allowance				
Stage 1		2.1	-	2.1
Stage 2	> 30 ≤ 90 days	0.5	-	0.5
Stage 3		239.6	0.6	240.2
Net Exposure				
Stage 1		515.1	29.8	544.9
Stage 2	> 30 ≤ 90 days	55.8	0.9	56.7
Stage 3		130.9	0.6	131.5

As at 31st March 2019

(Figures in Million)

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



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

As at 31st March 2020

(Figures in Million)

		Corporate	Retail	Total
Gross Exposure				
Stage 1		36.2	-	36.2
Stage 2	> 30 ≤ 90 days	-	-	-
Stage 3		0.4	-	0.4
Impairment Allowance				
Stage 1		0.1	-	0.1
Stage 2	> 30 ≤ 90 days	-	-	-
Stage 3		0.3	-	0.3
Net Exposure				
Stage 1		36.1	-	36.1
Stage 2	> 30 ≤ 90 days	-	-	-
Stage 3		0.1	-	0.1

As at 31st March 2019

(Figures in Million)

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

9. Credit Risk Mitigation: Disclosures for Standardized Approach

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

➤ Policies and processes for collateral valuation and management

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



management:

- ❖ Mitigation of credit risk & enhancing awareness on identification of appropriate collateral
- ❖ Optimizing the benefit of credit risk mitigation in computation of Capital Charge
- ❖ Mitigation of risks attendant to the use of credit Risk Mitigation techniques

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

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

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

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

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

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

10. Securitization Exposures: Disclosure for Standardized Approach

There is no securitization exposures of the Bank.

11. Market Risk in Trading Book

11.1 Qualitative disclosures

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

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



11.2 Quantitative disclosures

As at 31st March

(Figures in Million)

Particulars	2020		2019	
Risk Category	Risk Weighted Assets	Capital Requirement @ 8%	Risk Weighted Assets	Capital Requirement @ 8%
i) Interest Rate Risk	18.8	1.5	15.2	1.3
ii) Foreign Exchange Risk (including Gold)	7.1	0.6	10.1	0.8
iii) Total capital charge for market risks under Standardized duration approach (i + ii)	25.9	2.1	25.3	2.1

12. Operational Risk

Operational risk is calculated by Basic Indicator Approach method.

As at 31st March

(Figures in Million)

Particulars	2020		2019	
Risk Category	Risk Weighted Assets	Capital Requirement @ 8%	Risk Weighted Assets	Capital Requirement @ 8%
Total capital charge for Operational risk	50.6	4.0	56.1	4.5

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

13.1 Qualitative Disclosures

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

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



13.2 Quantitative Disclosures

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

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

As at 31st March 2020

(Figures in Million)

Maturity Period	Gap	Other Products	Net Gap	Total Assets	Impact of Int. Variation of 2%
	(RSA-RSL)*		(1 + 2)		
Up to 3 months	373.9	1.9	375.8	678.1	0.5
>3 to 6 months	(135.4)	(0.4)	(135.8)	60.7	(1.0)
>6 to 12 months	(138.3)	-	(138.3)	5.4	(2.1)
>1 to 3 yrs.	(101.8)	-	(101.8)	35.7	(4.1)
>3 yrs.	62.1	-	62.1	80.0	5.0
Non Sensitive Category	(62.0)	-	(62.0)	116.3	

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

As at 31st March 2019

(Figures in Million)

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

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

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

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



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

14.1 Qualitative Disclosures

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

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

Policies for securing collateral and establishing credit reserves:

Not applicable

Policies for netting of counterparty credit exposures:

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

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

Not applicable

14.2 Quantitative Disclosures

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



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b) As at 31st March

(Figures in Million)

Particulars	2020			2019		
	Positive Mark to Market Value	Potential Future Exposure	Total Exposure	Positive Mark to Market Value	Potential Future Exposure	Total Exposure
Forex Swaps	3.0	1.5	4.5	2.5	2.8	5.3
Interest Rate Swaps	-	-	-	-	0.8	0.8
Total	3.0	1.5	4.5	2.5	3.6	6.1

Credit Valuation Adjustment (CVA) risks on counterparty is \$0.7 million.

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

d) Hedging Policy:

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

15. Remuneration Policy:

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

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

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

Other than Director’s remunerations, the Bank has two pay groups of employees in UK – those on secondment to the Bank from the Parent Bank and those who are locally recruited. The employees on



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

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

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

Aggregate quantitative information on the expenditure on staff is as below:

As at 31st March

(Figures in Million)

Description	2020	2019
India based Officers (IBO) including MD & CEO and secondment from Parent	1.7	2.0
Local Staff	7.9	6.8
Medical Insurance of UK staff	0.1	0.1
Total expenditure on UK staff	9.7	8.9
Expenditure on India staff	0.2	0.1
Total Staff Expenses	9.9	9.0
Out of above		
Remuneration to staff whose actions have a material impact on risk profile of the Bank (MD, ED, and NEDs)	0.5	0.5

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



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Annexure I

Own funds disclosure template:

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

As at 31st March

(Figures in Million)

	Particulars	2020	2019
	Common Equity Tier 1 (CET1) capital: instruments and reserve		
1	Capital instruments and the related share premium accounts	274.6	274.6
2	Retained earnings	(102.8)	(102.2)
3	Accumulated other comprehensive income	(1.3)	(0.6)
3a	Funds for general banking risk	1.8	4.0
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	172.3	175.8
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(0.7)	(0.7)
8	Intangible assets (net of related tax liability) (negative amount)	(0.5)	(0.4)
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)	(25.0)	(24.3)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(26.2)	(25.4)
29	Common Equity Tier 1 (CET 1) capital	146.1	150.4
	Additional Tier 1 (AT1) capital: regulatory adjustments		
30	Capital instruments and share premium accounts	45.0	45.0
45	Tier 1 capital (T1= CET1+AT1)	191.1	195.4
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	50.0	50.0
50	Credit risk adjustments	-	-
	Tier 2 (T2) capital: regulatory adjustments		
57	Total Regulatory adjustments to Tier 2 (T2) capital	(15.4)	(9.1)
58	Tier 2 (T2) capital	34.6	40.9
59	Total capital (TC=T1+T2)	225.7	236.3
60	Total risk weighted assets	755.9	797.6
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.3%	18.9%
62	Tier 1 (as a percentage of total risk exposure amount)	25.3%	24.5%
63	Total capital (as a percentage of total risk exposure amount)	29.9%	29.6%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	2.52%	3.04%



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65	of which: capital conservation buffer requirement	2.50%	2.50%
66	of which: countercyclical buffer requirement	0.02%	0.54%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.3%	11.9%
	Amounts below the thresholds for deduction (before risk weighing)		
75	DTA arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	25.0	24.3
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	9.5	10.0

Annexure II

Capital Instruments Main Features:

Disclosure template for main features of regulatory capital instruments	Equity Share Capital	Additional Tier I Capital Bonds	Additional Tier I Capital Bonds	Dated Tier Capital II Bonds	Dated Tier Capital II Bonds	Dated Tier Capital II Bonds	Dated Tier Capital II Bonds
Issuer	Punjab National Bank (International) Limited	Punjab National Bank (International) Limited	Punjab National Bank (International) Limited	Punjab National Bank	Punjab National Bank	Canara Bank	Bank of Baroda
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Non Demat	Non Demat	Non Demat	Non Demat	Non Demat	Non Demat	Non Demat
Governing law(s) of the instrument	English Law	English Law	English Law	English Law	English Law	English Law	English Law
<i>Regulatory treatment</i>							
Transitional CRR rules	Common Equity Tier I	Additional Tier I	Additional Tier I	Tier II	Tier II	Tier II	Tier II
Post-transitional CRR rules	Common Equity Tier I	Additional Tier I	Additional Tier I	Tier II	Tier II	Tier II	Tier II



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Eligible at solo/group/group & solo	Solo	Solo	Solo	Solo	Solo	Solo	Solo
Instrument type	Common Equity Tier I	Additional Tier I	Additional Tier I	Subordinated dated debt	Subordinated dated debt	Subordinated dated debt	Subordinated dated debt
Amount recognized in regulatory capital	274.6	25.0	20.0	10.9	10.0	5.0	8.7
Par value of instrument	274.6	25.0	20.0	25.0	10.0	5.0	10.0
Accounting classification	Equity share capital	Equity Share Capital	Equity Share Capital	Subordinated debt	Subordinated debt	Subordinated debt	Subordinated debt
Original date of issuance (amount on each issue date given in brackets)	Issued on various dates	Converted to AT1 on 15.03.16	31.03.2017	31.1.2012 (12.5), 4.10.2012 (12.5)	30.12.2015	23.12.2013	19.8.2014
Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated	Dated	Dated
Original maturity date	Undated	Undated	Undated	10 Years	10 Years	15 Years	10 Years
Issuer call subject to prior supervisory approval	NA	5 Years	5 Years	5 Years	NA	10 Years	NA
Optional call date	NA	Each interest payment date on or after 5 yrs.	Each interest payment date on or after 5 yrs.	Each interest payment date on or after 5 yrs.	NA	23.12.2023	NA
Redemption Amount	NA	25.0	20.0	25.0	10.0	5.0	10.0
Subsequent call dates, if applicable	NA	Nil	Nil	Nil	Nil	Nil	Nil
<i>Coupons / dividends</i>							
Fixed or floating	Floating	Floating	Floating	Floating	Floating	Floating	Floating



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dividend/coupon							
Coupon rate and any related index	Nil	6M LIBOR + 500 bps	6M LIBOR + 500 bps	6M LIBOR + 400 bps	6M LIBOR + 450 bps	6M LIBOR + 450 bps	6M LIBOR + 450 bps
Existence of a dividend stopper	Nil	Yes	Yes	Nil	Nil	Nil	Nil
Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Fully Discretionary	Fully Discretionary	Mandatory	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No	No	No	No	No
Noncumulative or cumulative	Non-cumulative	Non-Cumulative	Non-Cumulative	Cumulative	Cumulative	Cumulative	Cumulative
Convertible or non-convertible	NA	Convertible	Convertible	Non-Convertible	Non-Convertible	Non-Convertible	Non-Convertible
If convertible, conversion trigger(s)	NA	CET1 Ratio falls below required	CET1 Ratio falls below required	NA	NA	NA	NA
If convertible, fully or partially	NA	Fully	Fully	NA	NA	NA	NA
If convertible, conversion rate	NA	USD 1.00	USD 1.00	NA	NA	NA	NA
If convertible, mandatory or optional conversion	NA	Mandatory	Mandatory	NA	NA	NA	NA
If convertible, specify instrument type convertible into	NA	Ordinary Shares	Ordinary Shares	NA	NA	NA	NA
If convertible, specify issuer	NA	Punjab National Bank	Punjab National Bank	NA	NA	NA	NA



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



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Annexure III

Disclosure on Asset Encumbrance

Table A – Encumbered and Unencumbered Assets

As at 31st March 2020

(Figures in Million)

Particulars	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	010	040	060	090
Assets of the reporting institution	-	Not Required	979.2	Not Required
Loans on demand	-	Not Required	123.9	Not Required
Equity instruments	-	-	-	-
Debt securities	-	-	133.3	129.8
of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by general governments	-	-	46.1	47.2
of which: issued by financial corporations	-	-	60.1	58.0
of which: issued by non-financial corporations	-	-	27.1	24.6
Loans and advances other than loans on Demand	-	Not Required	688.4	Not Required
of which: mortgage loans	-	Not Required	-	Not Required
Other assets	-	Not Required	33.6	Not Required



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As at 31st March 2019

(Figures in Million)

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

Table B – Collateral Received

As at 31st March 2020

(Figures in Million)

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



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As at 31st March 2019

(Figures in Million)

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

Table C – Encumbered assets/collateral received and associated liabilities

As at 31st March

(Figures in Million)

		2020		2019	
		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		010	030	010	030
010	Carrying amount of selected financial liabilities	-	-	-	4.9

Table D – Information on importance of encumbrance

As at 31st March 2020, the Bank does not have any encumbered assets.