punjab national bank (International) Limited

2026 ANNUAL REPORT AND ACCOUNTS

Contents

Company Information

Company Registration Number: 05781326

The Board of Directors

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

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

Key Highlights

$403m
Gross new lending
(2025: $356m)

$45.3m
Total income
(2025: $43.7m)

$15.6m
Operating Profit
(2025: $18.7m)

$1,482m
Total Assets
(2025: $1200m)

$1,092m
Net loans and Advances
(Core Portfolio)
(2025: $846m)

350%
LCR
(2025: 201%)

$1,185m
Deposits from Customers
(2025: $916m)

23.6%
CRAR
(2025: 31.1%)

Instant Payment STP
& INR Remittances
Implemented

38%
Female colleagues
(2025: 40%)

The following abbreviations are used in the above table of metrics. LCR = Liquidity Coverage Ratio, Operating profit = Profit before tax and impairment charges, CRAR = Capital to Risk (Weighted) Assets Ratio.

The Directors are pleased to present the annual report and audited financial statements including the Strategic and Directors' reports of Punjab National Bank (International) Limited ('PNBIL' or 'Bank') for the year ended 31 March 2026. These financial statements have been prepared in accordance with UK-adopted International Accounting Standards.

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

Business Overview

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

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

PNBIL's core business is to provide commercial and retail banking services to a diverse customers base, with a strategic focus on the Indian community within the UK. The Bank offers a range of products including current accounts, saving accounts, term deposits and individual saving accounts (ISA). While certain products such as ISAs and term deposit are also accessed by a broader UK customer base through online platforms, they support the Bank's objective of maintaining a stable and diversified funding profile.

Lending activities are primarily focused on real estate-backed financing, including Buy-to-Let (residential), commercial property lending, development finance, and specialist sectors such as care homes and hotels and hospitality. The Bank also provides lending to SMEs and corporates, including term loans supported by standby letters of credit. The Bank does not engage in regulated mortgage lending.

PNBIL operates through a network of seven branches across the United Kingdom, serving retail and business clients, with the Central London branch managing the Bank's corporate lending portfolio. The Bank maintains a strong franchise within the UK Indian community, supported by its relationship-driven approach and the brand strength of its parent institution.

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

Impact of the Middle East Geo- Political Developments:

The Bank has assessed potential impact of ongoing Middle East geopolitical developments, including Iran–U.S. tensions, and concludes that the overall effect remains immaterial.
PNBIL has no direct exposure to the affected region, and its lending portfolio is predominantly UK-focused, secured on real estate with conservative loan-to-value ratios. As such, no material proportion of total assets is directly impacted. Indirect risks may arise through oil price volatility, inflationary pressures, interest rate movements, and broader market uncertainty. However, these factors have not resulted in any observable deterioration in borrower performance, asset quality, or collateral values to date.

Asset quality metrics remain stable, with no staging migration or significant increase in credit risk identified.

The Bank continues to monitor developments through established governance frameworks, applying ongoing portfolio monitoring, stress testing, and a cautious approach to new development lending.

Overall, given the Bank's UK-focused, well-secured lending model and high-quality investment portfolio, any indirect impact from the geopolitical situation is considered negligible.

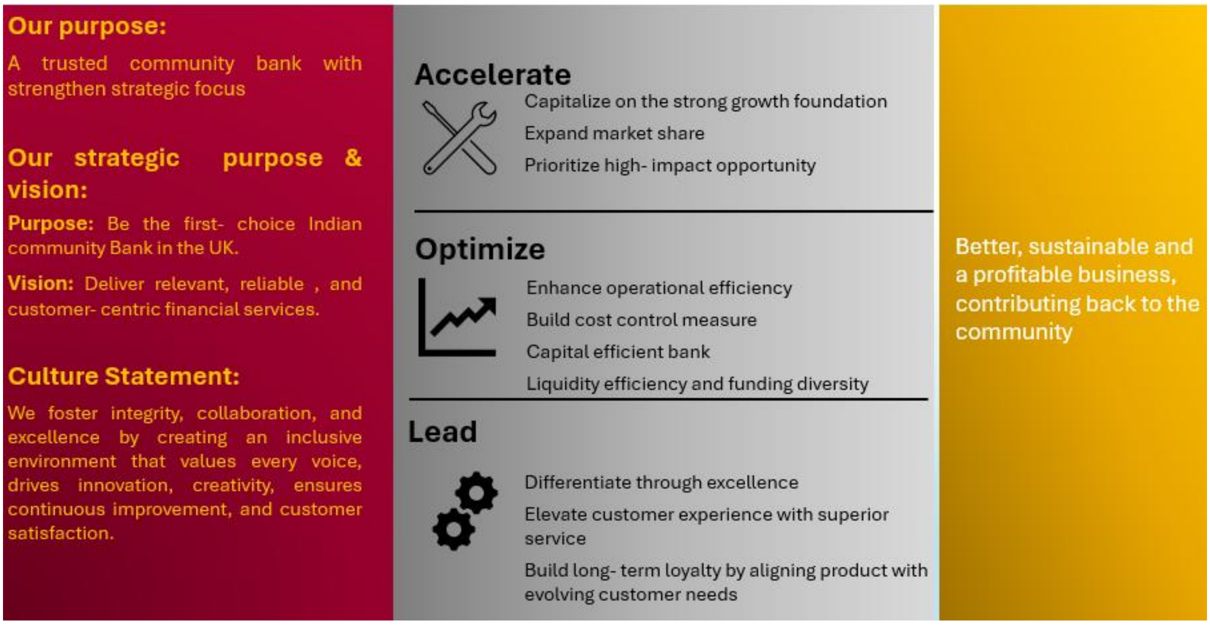
Future Business Strategy

Building on the success of the past five years, the Bank has continued to strengthen its financial position by de-risking its legacy book, expanding its core UK secured lending, and sustaining profitability. As part of its ongoing commitment to growth, in Feb 2026 the board approved a refreshed strategy aimed at enforcing its proven approach while sharpening the focus on key enablers in people, processes, products and technology.

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

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

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



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

Purpose and Vision:

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

Strategic Framework:

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

- Accelerate: Scale with momentum
    i. Capitalise on the strong growth trajectory established in 2025-2026.
    ii. Expand market share in core segments through targeted investment and agile execution.
    iii. Prioritize high-impact opportunities to sustain upward momentum.
- Optimise: Drive Efficiency and Cost Discipline
    i. Enhance operational efficiency through strategic offshoring and process automation.
    ii. Implement cost-control measures without compromising service quality.
    iii. Streamline workflows to maximize profitability and resource allocation.
- Lead: Differentiate Through Excellence
    i. Elevate customer experience with superior service and cutting-edge technology
    ii. Foster innovation in digital banking solution and automation.
    iii. Build long-term loyalty by aligning product with evolving customer needs.

Customer Experience

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

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

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

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

Client and Product Proposition

At its core, the lending product proposition will remain unchanged, with low-risk real estate backed lending driving growth in interest-earning assets.

Additionally, whilst focus within the refreshed strategy is very much on core business growth, there will still be active management of the IFRS 9 Stage 3 legacy portfolio, where we expect this book to run off to a significant low level by 2030, based on the most recent Board approved Operating Plan.

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

Technology and operational resilience

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

Key financial highlights and key performance indicators

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

Key Performance Indicator 1: Total assets increased compared to the prior year with assets as at 31 March 2026 totaling $1,482 million (2025: $1,200 million). Interest earning assets are comprised of cash and cash equivalents $140 million (2025: $117 million), loans and advances to customers $1,131 million (2025: $903 million) and debt securities of $175 million (2025: $149 million). Movements in cash, placements and debt securities are essentially driven by the liquidity requirements of the Bank.

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

Stage 3 impaired loans and advances (i.e. assets upon which provisions are held) are at $85 million (2025: $126 million) on a gross basis.

Key performance indicator 2: Deposits to customers have increased from $916 million to $1,185 million, representing a rise of $269 million (29.4%) over the period. This substantial growth reflects a strong improvement in the bank's deposit mobilisation efforts and customer confidence.

The increase indicates an enhanced ability to attract and retain funds. Higher deposit levels also strengthen liquidity, enabling the bank to expand its lending capacity while maintaining prudent risk management.

This performance demonstrates effective customer engagement strategies, competitive product offerings, and improved market positioning. Sustained growth in deposits will remain critical for supporting balance sheet expansion and achieving long-term profitability targets.

Key performance indicator 3: Net loans and advances (Core portfolio) have increased from $846 million to $1,092 million, representing a growth of $246 million (29.1%) over the period. This reflects strong expansion in the bank's core lending activities.

The increase demonstrates effective deployment of funds into income-generating assets and supporting improved interest income. It also indicates sustained demand for lending products and the bank's ability to grow its loan book while maintaining focus on core segments.

This growth highlights strengthened customer acquisition and relationship management. Continued expansion of the core loan portfolio will be key to driving earnings, while maintaining asset quality.

Key performance indicator 4: Instant Payment STP & INR Remittances

This project delivered Straight Through Processing (STP) for instant payments and Indian Rupee (INR) remittance transactions a strategically significant capability for PNB UK given its close ties to the Indian diaspora and business community. Transactions that previously required manual intervention now flow end to end without human touchpoints, representing a fundamental step forward in the Bank's payments infrastructure.

The benefits of this capability are both operational and commercial. Customers sending money to India can now benefit from near real time settlement, positioning PNBIL as a strong competitor against both traditional banks and fintech remittance providers.

Key performance indicator 5: Customer Experience Enhancements Saturday Branch Operations (6 Branches)

Six PNB UK branches are now fully operational on Saturdays, directly responding to customer demand for more accessible banking outside of traditional Monday–Friday hours. This represents a meaningful expansion of the Bank's service availability and reflects a clear commitment to placing the customer at the heart of how the Bank operates.

The impact of this change extends across multiple dimensions. Customers who are unable to visit during working hours including employed professionals, small business owners, and students now have a practical and convenient route to in branch services, reducing unnecessary reliance on telephone or digital channels for those who prefer face to face interaction.

Section 172 (1) Statement

In accordance with the Companies Act 2006 (the "Act"), for the year ended 31 March 2026, the Directors present the following statement, outlining how they have had regard to the matters set out in Section 172(1) of the Act when fulfilling their duty to promote the success of the Bank.

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

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

Shareholders

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

Colleagues

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

The Bank has been working diligently during the year to review and assess the colleague offering, it has engaged external resource to benchmark the Bank's offering against the market and the Bank will use this insight to build out the proposition for 2027. Furthermore, the Bank has bolstered and strengthened its talent pool during the year in order to deliver upon its new strategic objectives.

Communities and the Environment

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

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

How stakeholder interest has influenced decision making

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

Risk Management Report

Introduction

This Risk Management Report explains the Bank's approach to managing risk, the principal risks the Bank is currently exposed to and provides information on how these risks are currently being managed and mitigated. PNBIL is committed to the effective management of all of its risks to enable sustainable business practices, enhance stakeholder value, and fulfil its regulatory responsibilities.

Approach to Risk Management

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

Risk Management Framework

The Risk Management Framework (RMF), an overarching chapter within the Bank's Risk Governance Framework (RGF), sets out a Bank-wide approach to the identification, assessment, categorisation, mitigation, monitoring, and reporting of risks across all risk categories. It describes various activities, techniques and tools that are mandated to support these activities. The RMF defines the principles, policies, and processes that underpin effective risk management across the Bank. Its purpose is not to eliminate risk, but to enable informed decision-making that ensures risks are managed within levels acceptable to stakeholders.

Bank-wide Risk Management Framework

Risk culture	Risk governance	Three lines of defence	Risk appetite
The RMF centres on embedding a strong risk culture that supports both prudential and conduct risk outcomes and expected behaviours.	Governance structure facilitates sound risk management decision-making, in line with standards of good corporate governance.	The Bank's risk governance is underpinned by a three lines of defence model, reinforcing collective responsibility for informed risk-taking.	Risk appetite sets out the types and overall level of risk the Bank is willing to take in achieving its strategy and business plans.

Risk culture

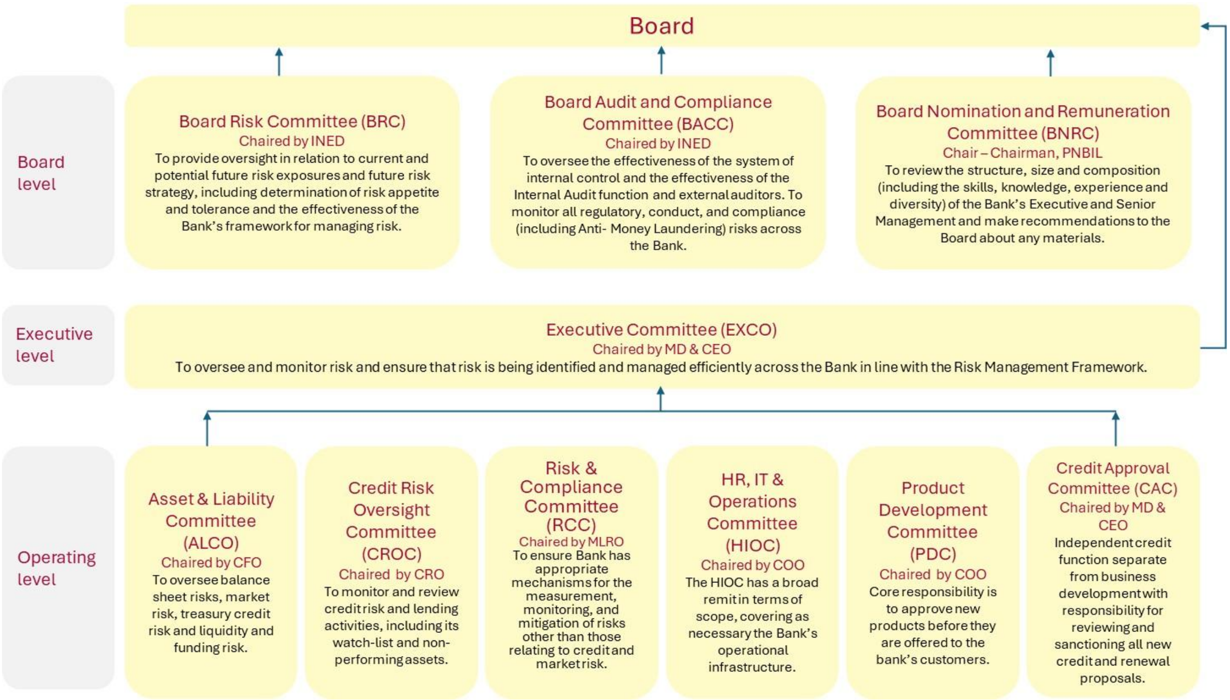
A core element of the RMF is the integration of effective risk management into the Bank's culture. Risk culture is influenced by a range of governance structures and management actions. The Board is responsible for establishing the Bank's "tone from the top" and fostering a robust risk culture throughout the organisation. Senior Management will assist by spearheading the implementation of the RMF, ensuring it is thoroughly integrated with a strong emphasis on adhering to risk appetite, and monitored via a comprehensive set of risk metrics and key risk indicators.

Risk Governance and Oversight

Risk governance refers to the framework of processes and organisational structures established by the Board and management to guide, manage, and oversee risks to the Bank's activities in pursuit of its objectives and in the interests of its stakeholders.

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

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



Three lines of defence

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

1LoD	2LoD	3LoD
The business and branches	Risk Management Department, Centralised Credit Department and Compliance Department	Internal Audit
• Accountable for risks in their areas. • Embedding risk management frameworks, policies, and sound risk management practices into standard operating procedures. • Adhering to frameworks, policies and procedures set • Reporting on the performance of risk management activities (including ongoing risk	• Developing and monitoring the implementation of risk management frameworks, policies, systems, processes and tools. • Ensuring that risk management frameworks, policies, systems, processes and tools are updated and reviewed periodically and that these are communicated effectively to the First Line.	• Independently reviewing the design and operating effectiveness of the Bank's internal controls, risk management and governance systems and processes. • Periodically assessing the Bank's overall risk governance framework. • Providing independent assurance to the Board on the above.

identification, assessment, mitigation, monitoring and reporting). • Accounting for the effectiveness of risk management in operation including ensuring that procedures and controls are operated in a consistent and ongoing basis in order to effectively manage risks.	• Ensuring that the above frameworks and tools cover risk identification, assessment, mitigation, monitoring and reporting and that they are being implemented. • Establishing an early warning system for breaches of the Bank's Risk Appetite or limits. • Influencing or challenging decisions that give rise to material risk exposure. • Independent verification of all risk ratings as per the ratings model.	• Recommending improvements and corrective actions where necessary. • Tracking the implementation of all internal audit recommendations and external audit management letter points.

Risk Appetite

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

RAS is the expression of the level of risk that the Bank is prepared to accept in order to deliver on its vision and strategic goals. RAS is established through qualitative statements that express the Board's attitude towards specific risks and form the basis for risk management expectations. These statements are supported by quantitative and qualitative metrics, often accompanied by defined risk appetite triggers and limits.

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

Risk strategy

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

- Review existing risk identification approaches.
- Establish an effective mechanism to identify and manage material risks for the Bank.
- Support risk awareness, behaviours, and judgments within a strong governance framework.
- Promote strong risk culture and cascade risk management philosophy throughout frameworks, policies, and procedures.

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

Stress Testing

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

Principal Risks and Risk Mitigation

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

Principal Risk	Definition	How we mitigate the risk
Credit Risk	The risk that a borrower or counterparty fails to pay the interest or repay the principal on a loan on time. Credit risk also arises if the value of assets used as security for loans falls in value, given this is the primary source of recourse should a borrower fail to repay amounts due. In relation to the Bank's treasury activities there is a risk that acquired securities or cash placed on deposit	• Independent credit function, separate from business development. • Low risk appetite under credit risk focusing on areas where the Bank has expertise, skill, knowledge and positive prior experience. • Focus on low default and low loss given default portfolio. • The Bank has a Credit Risk Management Framework that includes detailed lending policies, underwriting manuals and a defined problem debt management process. • An independent credit admin function at corporate office to ensure efficient post sanction control.

Principal Risk	Definition	How we mitigate the risk
	with other financial institutions is not repaid in full or in part or financial transactions are not settled.	• Monitoring of customer performance throughout the life of the loan, with regard to arrears, proactive collection strategies, or the application of forbearance measures • Maintain a diversified portfolio of loans by limiting concentrations by size proportionate to our own balance sheet size, by single counterparty, geography, sector. • Separate recovery team for resolution of stressed assets. • We operate a Treasury policy that only allows for acquiring securities or undertaking placements only with counterparties with investment grade credit ratings or with majority Government of India shareholding.
Market Risk	Market risk is defined as the potential adverse change in the Bank's income or net worth arising from movements in interest rates, exchange rates, equity prices and/or other market prices. Effective identification and management of market risk is required for maintaining stable net interest income.	• The Bank carries a small investment book (mainly consisting of corporate bonds, banks / FI's bond and US/UK treasury Securities). • The Bank does use derivatives and swaps for hedging purposes. These derivatives are re-valued daily and any change in their fair value is recognised immediately in profit and loss. • Market risk is monitored through various limits such as net overnight open position, daylight open position, modified duration, stop loss, cumulative trading losses and mark to market loss limits. • The risks are reported to the ALCO and the Board against risk appetite levels.
Interest rate risk in the banking book	Interest rate risk in the banking book ('IRRBB') more specifically refers to the current or prospective risk to an institution's capital and earnings arising from adverse movements in interest rates that affect the institution's banking book positions.	• The Bank compares the repricing or maturity profiles of interest-sensitive assets and liabilities to quantify the exposure to changes in interest rates. • The impact on the economic value of assets and liabilities under parallel interest rate shock (of 200 bps) scenario is monitored.
Liquidity and funding risk	Liquidity risk is the risk that the Bank is unable to access sufficient liquid financial resources to meet its financial obligations as they fall due. Funding risk is the risk of being unable to access	• The Bank has a system in place to monitor total contractual inflow and outflow and to manage the gap within pre-stipulated limits prescribed by the Board and/ or the regulator. • Liquidity monitoring mechanism supplemented by regular liquidity stress testing gives sufficient advance signals for envisaging liquidity requirements.

Principal Risk	Definition	How we mitigate the risk
	funding markets or to only be able to do so at excessive cost.	• The Bank maintains liquidity buffers and contingency funding plans against various stressed liquidity scenarios. • The Bank aims to diversify its funding sources. • It proactively monitors individual funding maturity dates and maturity concentrations.
Credit concentration risk	Credit concentration risk denotes the overall spread of the Bank's outstanding accounts over the number or variety of debtors to whom the Bank has lent money.	• The risk is monitored through various concentration limits in exposure to existing counterparties, new counterparties, banks, sectoral limits, geographical limits, etc. • The Bank has geographically focused on UK lending as part of its business strategy.
Operational risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	• Major sources of operational risks for the Bank are identified by management (as part of ICAAP) and include IT and cyber security risk, data security risk, people risk, internal and external fraud, business process risk, financial crime, legal risk, change risk, outsourcing risk and external events like failure of transportation, non-availability of utilities etc. • The Bank assesses the plausibility of the above risks in light of the various controls put in place to mitigate these risks to keep them within the Bank's appetite. They are regularly monitored for early warning signals through various tools in place so that appropriate and timely action could be undertaken. • The Bank conducts root cause analysis to understand any incidents which do occur and implement appropriate responses. • The Bank utilises a Risk and Control Self-Assessment (RCSA) approach to identify, manage and monitor key operational risks, and the development of action plans to address these risks. • The Bank has different teams such as the Financial Crime Operations Team, Mid-Office, branch banking oversight team and Compliance Conduct Risk team for strengthening the quality, controls and processes. • The Bank also has in place a Cyber incident response plan and Cyber security strategy implementation plan to strengthen its cyber security in the rising cybercrime environment.
Capital Risk	Capital risk is the risk that the Bank does not maintain sufficient capital resources to support its business activities	• The capital requirements are comprehensively assessed at least annually through the ICAAP, ensuring alignment with the Bank's risk profile and strategic objectives.

Principal Risk	Definition	How we mitigate the risk
	and risk profile or fails to meet minimum regulatory capital or leverage requirements.	• Capital requirements include prudent capital buffers to ensure sufficient capacity to absorb severe but plausible stress events. • Stress testing is a core component of capital risk management, used to calibrate capital buffers, assess resilience under adverse scenarios, and inform the Bank's capital risk appetite. • Capital risk is mitigated through a robust framework of Key Risk Indicators (KRIs) designed to trigger timely management action if the capital position deteriorates. • Critical risk appetite limits have been established for capital and leverage ratios and are monitored proactively. • A formal Basel 3.1 implementation programme has been established, and execution activities are progressing in advance of the regulatory effective date.
Regulatory and compliance risk	Regulatory and compliance risks are risks arising from failure to comply with laws, regulations, rules, standards and codes of conduct applicable to the Bank's activities.	• The Bank maintains a separate independent compliance function that manages and monitors these risks through policies, staff training and regular monitoring of compliance with regulatory obligations. • New and emerging regulatory driven changes are overseen through horizon scanning process and conducting impact assessments.
Data protection and privacy	We utilize an increasing volume of data to support our customers. Risks arise if this data is incorrect, unavailable, misused, or unprotected. Like other banks and financial institutions, we must comply with external regulatory obligations and laws governing data.	• We mitigate these risks by implementing and continuing to improve our data management and protection protocols. • Additionally, we ensure compliance with regulatory requirements through continuous monitoring and staff training programs.
Financial crime	Financial crime encompasses any criminal conduct related to money or financial services and markets. While financial crime has always posed a risk to the financial services industry, the increased use of digital channels has heightened this risk. As technology advances, the nature and impact of financial	• The Bank continues to enhance its control environment with respect to financial crime. This is closely monitored by the Risk and Compliance Committee.

Principal Risk	Definition	How we mitigate the risk
	crime activities are expected to grow over the coming years.	
Conduct risk	Conduct risk relates to a failure or an inability to comply with laws, regulations and codes relating to the fair treatment of customers. Failure to manage this risk sufficiently could result in reputational damage, regulatory sanction and remediation programmes.	• Conduct risk management is to ensure compliance with new conduct risk rules, managing conflicts of interest, preventing market abuse, or building robust audit procedures. • A conduct risk framework is in place and a report on conduct risk is presented to the Board annually and monitored regularly through KRIs. • Analyzing complaints, claims, or failures to pinpoint root causes and drive continuous improvement for better customer outcomes.
Strategic and business risk	Strategic risk is the current and prospective impact on earnings of capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry and market changes. Business risk is any risk to the Bank arising from changes in its business, including the risk that the Bank may not be able to carry out its business and its desired strategy.	• These risks are mitigated by the low risk and secured lending model and working with the target segments where the Bank has experience, knowledge and skill set. • The Bank focusses on existing profitable products and services whilst strengthening its core foundations and improving cost efficiencies. • All new business initiatives and proposals for products or services undergo thorough analysis and scrutiny before launch. • While evaluating Business and Strategic risks, we take into account the implications of regulatory expectations and legislative requirements. • New product process is in place to consider the risks of product launches.
Environmental, Social & Governance ('ESG') Risk	ESG risk could be broadly defined as environmental, social and governance characteristics that could negatively impact the financial performance or solvency of an entity, sovereign or individual.	• The Bank has a well-defined governance structure. It regularly undertakes various initiatives to fulfil its social responsibilities. • The Bank has already embedded controls to address the climate change risk. • However, considering the impact of climate risk across various spheres of activities, the Bank has taken further steps to address the risk and has embedded it in its decision-making process and culture through the Risk Appetite Framework and Credit Risk Management Policy. • See section 'ESG Report' for more details.
Reputational risk	The risk of possible damage to the brand and reputation, and the associated risk to earnings, capital or liquidity arising from any association, action or inaction which could be perceived by	• To mitigate this risk, the Bank has developed a reputational risk framework policy, and the Bank has no risk appetite to undertake any activities that could endanger the reputation of the Bank. • The Bank is actively involved in corporate social responsibilities as part of corporate strategy to build reputation in the UK.

Principal Risk	Definition	How we mitigate the risk
	stakeholders to be inappropriate, unethical or inconsistent with the Bank's values and beliefs.	• An efficient complaints handling policy is in place and regularly monitored through Reputational Risk Scorecard.
Group risk	The risk associated with being a subsidiary in a wider group. This will also include strategic and business risks associated with the parent, impacting upon the reputation, focus and direction of the Bank's business. The use of services from the parent bank such as IT and office space is also included.	• Increased involvement and interaction between senior management from Bank and the parent bank. • Limits on net exposure of the parent bank. • Performance of the parent bank and its likely impact is assessed regularly. • Reduced reliance on the parent bank with regards to capital and liquidity as we have become more self-sufficient.

Emerging risks

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

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

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

Macroeconomic environment and geopolitical risk

The Bank primarily lends in England and Wales and has no direct exposure to Russia, Ukraine, or the Middle East. However, it remains vulnerable to second-order impacts, including supply chain disruptions and the impact of inflation on the real incomes of its customers. It continues to monitor these developments closely.

The geopolitical environment remains highly volatile, characterised by ongoing conflicts, political instability, and persistent trade disputes. The UK economy continues to be in a fragile condition, with recent changes to taxation and regulation beginning to have tangible impacts. Additionally, a number of warning indicators point to potential future economic and financial pressures. There is also increasing concern in policy and strategic commentary regarding the risk of broader European conflicts that could involve the United Kingdom.

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

To manage these risks, the Bank actively monitors macroeconomic developments and undertakes horizon scanning and stress testing to assess the potential impact of adverse economic scenarios on its business.

Net interest margin and new business volume

The risk to net interest margin and new business volume remains assessed as high, reflecting continued competitive pressure within the market, particularly in pricing for new lending and deposit retention. Competitive dynamics continue to constrain margin expansion, with institutions seeking to protect or grow market share in a challenging operating environment.

However, the risk profile is considered unchanged as expectations of further interest rate cuts have moderated. Persistent inflationary pressures have reduced the likelihood of near-term monetary easing, providing some stability to base rates and limiting additional downward pressure on margins. While this offers a degree of short-term support, overall margin resilience remains sensitive to shifts in funding costs, customer behaviour, and competitive pricing strategies.

New business volumes may continue to be impacted by subdued economic confidence and affordability pressures, with borrowers and depositors remaining cautious. As a result, maintaining margin discipline while selectively supporting growth will remain a key challenge over the medium term.

Artificial Intelligence

Artificial Intelligence (AI) is recognised as an emerging risk for the banking sector, with the potential to deliver efficiency improvements and enhanced customer outcomes, while also introducing new operational, regulatory, and ethical considerations. Although the bank’s use of AI is currently limited, the increasing adoption of AI technologies across the industry highlights potential future risks associated with regulatory compliance, credit assessment, fraud prevention, and customer engagement. These risks include challenges around data quality, model governance, bias, and explainability, particularly in light of evolving regulatory expectations and consumer protection requirements.

AI can identify system vulnerabilities at scale, which can strengthen controls when used defensively. However, if exploited by malicious actors, it may expose weaknesses in systems and increase the risk of cyber-attacks, fraud, and unauthorised access where controls are insufficient.

As AI adoption typically involves greater reliance on technology platforms and third-party providers, there is also potential exposure to cyber security, data privacy, and outsourcing risks. The rapid pace of AI development may create strategic and capability challenges, including the need for appropriate skills, governance structures, and control frameworks.

As the Bank considers future use cases, it will continue to monitor developments in AI closely and ensure that appropriate governance and risk management arrangements are established before wider adoption.

Climate Report including Environment Social and Governance (ESG)

This Climate Report outlines the approach we are taking at PNBIL to address climate change, as well as the progress we have made during 2025-26. Our approach to climate change continues to form a fundamental part of our ESG strategy and our climate ambition remains to reduce the carbon footprints.

The Bank supports the UK transition to a low carbon and climate resilient economy. The transition cannot be made in isolation from the realities of the communities in which the bank and its clients operates as we make the move to a cleaner, low carbon world. Reducing greenhouse gas (GHG) emissions is dependent on a combination of factors including government policies, grid decarbonisation, supply chain transformation and shifts in consumer behaviour. Given the complexity of this challenge, we focused our actions and targets on areas that are within our sphere of influence. This is reflected through our focus which is aimed at reducing our operational emissions and supporting our customers with their transition through our products and services.

PNBIL puts a greater focus on the assessment and management of Climate Change risk under ESG. The Bank acknowledges its responsibility towards the environment and embedded it in its decision-making process and culture through Risk Appetite Framework and Credit Risk Management Policy. The Bank has also embedded scenario testing for climate change, particularly for physical and transition risk in its stress testing exercise.

PNBIL aims to meet regulatory expectations considering physical and transition climate risk and reflect the same in its business approach. In line with the regulatory expectations and conscious contribution to managing the Climate Change risk, the Bank undertook various steps to enhance Climate Change Risk Management.

Climate Risk

Climate risk remains an important area of focus for PNBIL. It can lead to financial loss, operational disruption and reputational damage, whether through the direct impacts of climate change, the transition to a lower-carbon economy, or the response required from firms to manage these developments appropriately.

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

Physical risks	Risks arising from changes in climate or weather patterns. These may be acute, such as floods, storms and heatwaves, or chronic, such as rising sea levels, changing rainfall patterns and longer-term temperature shifts.
Transition risks	Risks arising from the move to a lower-carbon economy, including changes in policy, regulation, technology, market preferences and legal

	expectations, as well as the risk of failing to adapt in a timely and credible manner.

The impacts of climate risk are typically transmitted through other principal risks faced by the Bank, including credit risk, operational risk, market risk, conduct risk and reputational risk. For this reason, climate-related considerations continue to be integrated into wider risk management and governance processes across the Bank.

Climate risk Opportunities

One of the key strategic considerations for PNBIL is how it can support the UK's transition to a lower-carbon and more climate-resilient economy in a manner that is proportionate to the size, nature and complexity of its business. The Bank recognises its responsibility to manage its own operational emissions while also supporting customers and counterparties through its products, services and lending approach.

The most relevant opportunities for PNBIL continue to arise in lending activities, particularly within the real estate sector. These include supporting properties and businesses with stronger energy performance, encouraging transition towards more efficient building stock, and developing products that can assist customers as policy and market expectations evolve.

The identification, assessment and management of climate-related opportunities are reviewed on a regular basis, and any new initiatives are considered through the Bank's established governance arrangements.

The Bank also continues to review its climate-related strategy to ensure that it remains aligned with evolving UK regulatory expectations, market practice and emerging disclosure standards, while remaining proportionate to the Bank's business model.

We have identified opportunities to:

- develop products that support climate resilience and the transition to more energy-efficient property stock, including Green BTL and Eco-Equity Release products, as well as financing for businesses and properties that meet relevant energy performance standards;
- reduce emissions from the Bank's own operations through energy-efficiency measures in offices and branches, greater use of digital processes, and changes that support lower-carbon travel and resource use.

Governance

CRO has the responsibility to ensure that the Bank has a framework to control the financial risks relating to climate change as well as ensuring PNBIL meets regulators expectations through working with the first line to ensure that risk identification and measurement, risk monitoring and scenario analysis, as necessary are in place and effective.

Senior management receives update on Climate Change/ESG during monthly committee meetings. This is standing item on the agenda of EXCO and CRO highlights any issues or concerns for the bank.

The Board Risk Committee receives quarterly update on Climate Change risk matters, as a standing item. The Board to track the initiatives taken by the Bank in line with regulatory expectations.

Strategy

PNBIL has put a greater focus on assessment and management of Climate Change risk under ESG. The Bank has always acknowledged its responsibility towards the environment and embedded it in its decision-making process and culture through Risk Appetite Framework and Credit Risk Management Policy. PNBIL aims to meet regulatory expectations considering physical and transition climate risk and reflect the same in its business approach.

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

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

Further, the Bank aims towards Net Zero-Emission Goal in the long run and for the same has taken following initiatives:

- The Bank aims to support businesses that are complying with environmental standards and related regulations and has aligned its strategy with the same. PNBIL's strategy is to grow business in the real estate industry. The Bank will ensure that its customers comply with the following:
  - Have the necessary EPC rating. Any business with a failed EPC rating will not be granted finance as EPC failed businesses lead to wastage of energy.
  - Businesses should be complying with necessary laws regarding the tenant.
  - Business that involves accommodation, near cities will be preferred as it will reduce the carbon footprint of the residents in these accommodations.
  - Have financial products and differential pricing to support green construction- Green BTL, Eco-Equity Release etc.
  - As part of the long-term strategy review, the Bank is offering an enhanced product line with a focus on green financing to support the real estate portfolio transition to energy efficiency.
- Moving towards paperless Internal communication.
- Transiting to a better EPC-rated portfolio.
- Creating a lower carbon footprint for the Bank.

Risk Management

PNBIL has put a greater focus on assessment and management of Climate Change risk under ESG and the same is integrated into Risk Governance Framework of the Bank. The Bank's approach towards ESG risk is based on the overarching principles of protecting the environment, respecting human rights and promoting good corporate governance. The Bank has in place a Corporate Social Responsibility Policy focusing on initiatives towards embedding robust environment, social and governance characteristics in the Bank's culture. Further, PNBIL implements measures to reduce the Bank's carbon footprint and waste.

Climate Change risk is identified, assessed, monitored and managed through enhanced MI, Risk

Management, stress testing and scenario analysis. There is continuous monitoring of ESG Risk through material risk trend register (MRTR) and further PNBIL will continue to evolve as the Bank starts capturing more granular information regarding the Bank's exposure vulnerable to climate risk. Further, periodic review is carried out for risk identification and assessment to ensure that the assessment of materiality is up to date and based on the latest changes/developments, and that no material risks go unrecognised.

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

The Bank follows the principle of assessing the impact of the borrowing Company on climate change and the impact of climate change on the Company in terms of physical risk and transition risk. Thus, the Bank has quantitatively and qualitatively assessed climate change in its stress testing by considering physical risk and transition risk. Based on the Stress test and scenario analysis for Climate Change risk, the Bank does not foresee any immediate stress on its portfolio primarily due to its focussed strategy, existing portfolio, risk management structure, credit assessment process and practices. Accordingly, PNBIL considers that Financial Risk from Climate change is not material.

Metrics for Oversight

EPC rating Transition Matrix: The Bank's real estate portfolio remains exposed to the tightening of minimum energy-efficiency expectations for property assets, which may affect the value, marketability and financing profile of mortgaged properties over time.

PNBIL has developed and continues to maintain a detailed property-level EPC database, which is regularly updated. This data supports the Bank's assessment of transition-related climate stress within the real estate portfolio and informs internal stress testing and portfolio oversight. The Bank's overall direction remains to increase the proportion of exposure to better-performing properties over time and to manage exposures to lower EPC-rated properties in a measured and prudent manner.

Distribution of the lending portfolio secured against immovable property as on 31.03.2026 as per the EPC rating is as follows:

(Exposure in USD Mn)

Property type	EPC rating C & above	EPC rating D	EPC rating E & below	NA/Expired	Total
Residential	252.77	87.70	15.91	72.58	428.96
Commercial	227.28	100.15	66.87	51.63	445.93
Hotel	75.15	17.12	0.00	7.38	99.65
TOTAL	**555.20**	**204.97**	**82.78**	**131.59**	**974.54**

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

PNBIL has developed and continues to maintain a detailed property-level flood-risk database, which is updated regularly. This information supports the Bank's assessment of physical climate risk across the real estate portfolio and is used as an input into internal stress testing and risk analysis. The Bank also continues to consider insurance coverage and other mitigants where flood risk is assessed as medium or high.

An assessment has been undertaken to identify those parts of the portfolio that may be more exposed to physical risk, particularly flood-related risk. Flood-risk information for relevant properties has been obtained from recognised UK data sources and is used to support portfolio monitoring and risk assessment.

Position of the portfolio as at 31.03.2026 as per flood-risk profile is as follows:

(Exposure in USD Mn)

Exposure	Very Low	Low	Medium	High	NA	Total
Surface Water	442.90	225.32	130.13	141.53	34.66	**974.54**
River and Sea	824.03	55.78	61.33	7.57	25.83	**974.54**

Business Initiatives taken by PNBIL to address Climate Risk

- Developed products to promote climate resilience, through Green BTL, Eco-Equity Release credit schemes and providing finance to business have necessary EPC rating.
- Differentiated pricing to encourage based on EPC rating and energy efficient properties, with the endeavour to transition towards higher energy efficient portfolio.
- The Bank avoids properties with high flood risk unless there are risk mitigating factors.
- The Bank is not financing businesses which are harming the climate such as carbon intensive industries, oil and gas extraction etc. unless there are risk mitigants factors.
- The Bank supports the real estate businesses which uses renewal energy for heating/ lighting, or which generate renewable energy such as solar power to be fed into the national grid.
- Businesses which involve accommodation near the cities are preferred as it reduces the carbon footprint of the residents in these accommodations.

Conclusion

Creating a sustainable future is core to our purpose of helping our environment and supporting UK's transition to net zero carbon emission through our lending, investments, product and services.

The Bank is conscious of the requirement of having a climate strategy that is appropriate, fit-for-purpose, and proportionate to its business model. To that end, the Bank is putting systems and processes in place which are aimed at embedding them in all three lines of defence. In line with the provisions of PRA's Supervisory Statement PS25/25, "Enhancing Banks and insurers' Approaches to managing Climate Related Risks, the Bank concluded an internal review of its current position, including a gap analysis and maintains a credible and ambitious plan to address identified gaps. The Bank is implementing systems and processes, in a proportionate manner, to mitigate climate-related risks. This includes establishing appropriate governance arrangements, enhancing risk management systems, undertaking scenario testing, implementing a phased and proportionate climate risk assessment of material vendors in line with regulatory expectations, and further enhancing climate-related disclosures.

The Bank continues to evolve how we identify, assess and manage climate related risks and opportunities. While we are progressing, there are significant challenges and external dependencies in many of our sectors and systems that will need to be addressed to reduce emissions and help in building a healthy environment.

The financial statements were approved by the Board of Directors on 21st July 2026 and signed on its behalf by

Ritesh Mishra

Mr. Ritesh Mishra

21st July 2026

Directors' Report

The Directors have pleasure in presenting the Directors' report which should be read in conjunction with the Strategic report pages 5 – 27.

Financial Results

The financial statements for the reporting year ended 31 March 2026 are shown on pages 46 to 100.

For the Bank's financial risk management policies, please refer note 24 for credit risk, note 40 for Market Risk and note 42 for Liquidity and funding Risk.

Dividends

As in previous years, the Directors have not recommended the payment of a dividend on the ordinary share capital for the year ended 31 March 2026.

However, the Bank continued to pay a dividend on the Additional Tier I Capital bonds at the rate of 6 months SOFR plus 5% amounting to $4.32 million (2025: $4.64 million) during FY 2025-26.

Capital Structure

As at 31 March 2026, the issued and fully paid share capital of the Bank is $274.63 million (2025: $274.63 million), and Additional Tier 1 Capital is $45 million (2025: $45 million). In the financial year 2025-26, there was no material change in the capital structure of the Bank.

The total amount of regulatory capital available as at 31 March 2026 was $210.95 million (2025: $216.08 million). Detail is given below:

		2026 **$'000**	**2025** **$'000**
Tier	**Component**		
Core Tier I Capital	Permanent share capital	274,631	274,631
	Profit and loss account and other reserves	(110,133)	(108,749)
	FVOCI reserve	(123)	279
	IFRS 9 transitional adjustment	0	0
		164,375	**166,161**
Additional Tier I	Additional Tier 1 capital	45,000	45,000
Adjustments	Intangible Assets	(485)	(126)
	Deferred tax assets	(24,463)	(24,441)
	Due to prudential filters	(1,214)	(746)
Total Tier I Capital		**183,213**	**185,848**
Tier II Capital	Long term dated subordinated bonds	**30,000**	**40,000**
Deductions from Tier II	Amortisation of dated Tier II capital, maturing within five years	(2,267)	(9,767)
Total Tier II Capital		27,733	30,233
Total Capital		**210,946**	**216,081**

The Bank is required at all times to monitor and demonstrate compliance with the relevant regulatory capital requirements of the Prudential Regulation Authority and those prescribed under Capital Requirement Regulations and Directives. The Bank has put in place processes and controls to monitor and manage the Bank's capital adequacy.

The Total Capital Ratio of the Bank continues to remain above the required level under the CRR and also above the Total Capital Requirement ('TCR') given by the regulator to the Bank. The TCR as at 31 March 2026 is 23.68% with the Common Equity Tier I capital ratio being 15.52%.

As at 31 March 2026, the capital adequacy ratio, leverage ratio, liquidity coverage ratio and net stable funding ratio of the Bank are all above the minimum regulatory requirements and individual capital and liquidity guidance. The Bank's funding is well diversified and the liquidity asset buffer, short-term interbank placements and balances with the Bank of England are positively maintained, keeping in view the immediate liquidity requirement which may be triggered under stressed conditions. A minimum of 90 days' survival period is considered for maintenance of the buffer. The components of regulatory capital, assessment of capital adequacy and the leverage ratio will be disclosed separately in the Pillar III disclosures, to be published on the Bank's website.

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

Going Concern

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

The Bank has sufficient Capital for its existing business which allows for planned growth, the Bank holds capital far in excess of the minimum regulatory guidelines. The Regulatory Capital at the end of March 2026 was $210.95 million with a surplus of $65.66 million above the regulatory requirement. The CRAR stands at 23.68% against a requirement of 16.31%.

As per the latest ICAAP 2025, capital requirements under stress scenarios have also been assessed as per a revised stress testing framework. PNBIL undertakes 3 stress tests as part of its ICAAP assessment: Market-wide stress scenario, Idiosyncratic stress scenario and Combined stress scenario. The Stress test results are summarised below:

Regulatory Requirement				
CET 1 Regulatory Requirement (2026)	11.61%			
Tier 1 Regulatory Requirement (2026)	13.76%			
Total Capital Ratio Regulatory Requirement (2026)	16.62%			
Base Case				
	31.03.2026	31.03.2027	31.03.2028	31.03.2029
CET 1 Ratio (Base Case)	15.89%	15.45%	15.00%	14.76%
Tier 1 Ratio (Base Case)	20.79%	19.87%	18.84%	18.11%
Total CRAR (Base Case)	23.87%	22.43%	20.65%	19.61%
Market Stress				
Stressed CET 1 Ratio	14.78%	13.02%	12.77%	12.77%
Stresses Tier 1 Ratio	19.68%	17.42%	16.60%	16.11%
Stressed Total CRAR	22.76%	19.98%	18.40%	17.61%
Idiosyncratic Stress				
Stressed CET 1 Ratio	14.69%	12.73%	12.30%	12.02%
Stresses Tier 1 Ratio	19.59%	17.12%	16.11%	15.33%
Stressed Total CRAR	22.66%	19.67%	17.90%	16.81%
Combined Stress				
Stressed CET 1 Ratio	14.69%	11.94%	11.26%	10.85%
Stresses Tier 1 Ratio	19.60%	16.30%	15.04%	14.13%
Stressed Total CRAR	22.67%	18.84%	16.81%	15.60%

The Combined Stress Scenario is the most severe scenario. Under the Combined Stress Scenario (before management actions), PNBIL shall breach its regulatory CET1 and Total Capital Requirement in 2029. The Bank considered the impact on capital for the most plausible management actions - No growth in loan portfolio and sale of assets - which may be taken to address the fall in capital. These management actions, when implemented, improve the level of available CET1 by 1.85% and total capital by 3.81% in 2029.

The Bank's strategic plan is reviewed every year and approved by the Board, the table below is updated based on the updated forecasts for the next 3 years and based on actual numbers for March 2026.

Period ended	31.03.2026	31.03.2027	31.03.2028	31.03.2029
CET 1 Ratio (Base Case)	15.52%	12.33%	12.49%	12.58%
Tier 1 Ratio (Base Case)	20.57%	16.48%	16.39%	16.11%
Total CRAR (Base Case)	23.68%	18.91%	21.73%	21.28%

It is also expected that the Bank's capital position is adequately capitalized. The detailed analysis and results of the impact under stress scenarios (market, idiosyncratic and combined) will be further assessed and documented as a part of the Bank's ICAAP 2026.

The Bank maintains a healthy liquidity position which exceeds the requirements demanded by the regulatory environment. The LCR and NSFR ratios at the end of March 2026 is 350% and 118% respectively. In relation to long term borrowing, the Bank has subordinated debt worth $30 million.

The Bank expects to have sufficient resources to meet all long-term borrowing commitments. There is a robust liquidity adequacy and monitoring process in place.

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

The Bank has considered a range of possible scenarios factoring in recent events during the financial year and modelled the impact for both the short and long term with probabilities for each scenario. The management has concluded that there are no reasonably possible scenarios which would threaten the viability of the Bank or give rise to any material uncertainties in the judgements used in the preparation of these accounts.

The Bank continues to strengthen its governance and control environment to enable it to meet the regulatory challenges faced by all banks, based on best practice in the industry and underpinned by the industry-standard three lines of defence model.

In light of the analysis summarised above, the Directors are confident that the Bank will continue as a going concern for a period of at least twelve months from when the financial statements are being authorised for issue and up to at least 31 July 2027.

Streamlined Energy and Carbon Reporting (SECR)

Under this SECR, we report our energy use and greenhouse gas emissions. Our greenhouse gas (GHG) reporting adheres to the GHG Protocol, specifically under the operational control approach, for all facilities owned by PNBIL, reported in tCO2e. This is in line with our obligations under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the SECR (section 7 regulation). Our reporting year is FY 2025-26 and table below summarises the GHG emissions for the financial year ended 31.03.2026. This is the third full financial year during which the Bank has assessed its GHG emissions, and the FY 2023-24 is used as the baseline for assessments.

The table below summarizes the GHG emission for the year ended March 2026 compared to the prior year:

Streamlined Energy and Carbon Reporting			
SCOPE	**Emission Source**	**FY 25-26 tCO2e**	**FY 24-25 tCO2e**
1	Company Vehicle	3.47	5.11
2	Electricity	60.96	77.28
3	Petrol reimburse from staff claims	11.95	4.84
	Total tCO2e	76.38	87.23
	Total tCO2e per USD M turnover	6.65	2.02
	Total Energy Consumption (KWH)	403,992.80	412,071.13

Intensity Ratio	Baseline year 2025-26	Baseline year 2024-25
Activity		
Total Energy Consumed (KWH)	403,992.80	412,071.13
Total Gross location-based Emission (tCO2Oe)	76.38	87.13
Intensity Ratio: tCO2e (gross scope 1, 2 & 3, location based) per USD M revenue	6.65	2.02
Operating income in USD M	46.04	43.05

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

Methodology

The GHG emissions have been assessed following the GHG Protocol Corporate Reporting standard and has used the 2025 emission conversion factor published by Department for Environment, Food and Rural Affairs (Defra) and the department for business, Energy and Industrial Strategic (BEIS). For intensity ratio, the Bank has chosen to use Gross tonnes of Carbon dioxide equivalent per USD Million of operation income. This metric is chosen as it is the most readily available and complete data over the period and helps normalize the data, based on the business activity.

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

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

- Continuing working with landlords to identify and implement energy-saving opportunities, improving the energy efficiency of our offices.
- Replacing existing lighting with motion generated lighting in Corporate Office and branches.
- Staff are encouraged to use public transport.
- No parking space is provided to staff in the corporate building in Central London to encourage them to use public transport.
- The Bank encourages its employees to use re-useable water bottles to replace plastic disposable water bottles and is providing re-useable cutlery also replace disposable cutlery and plates.
- The Bank has advised its employees for minimum use of paper and is using recycle paper wherever required.

- The Bank has started use of a web based digital platform for Human Resources Management System (PNBIL-MERA) to seek approval for both financial and non- financial matters to save on paper waste.

During the FY 2026- 2027, PNBIL will continue to focus on reducing the emissions and increasing energy efficiency with planned measures which reflects the Bank's ongoing commitment to sustainability and intention to progressively reduce emissions over time in alignment with broader climate goals.

Events after the Balance Sheet date

The Bank has assessed its functional currency in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Based on this assessment, the Bank has determined that, with effect from FY 2026–27, Pound Sterling (GBP) has been adopted as the Bank's functional currency, replacing the existing functional currency of United States Dollar (USD). The assessment concluded that the transition from USD to GBP has not have any material impact on the Bank's net assets.

Other than the above, there have been no reportable events subsequent to the balance sheet date.

Internal Control and Financial Reporting

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

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

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

The effectiveness of the internal control system is reviewed regularly by operational management, Compliance, Risk and Internal Audit (with reviews performed both in house and by a co-source provider) and the information from such reviews is presented to the BACC. The BACC also receives reports from the external auditor which include, among other important systems and control observation, details of internal control matters that they have identified as part of the financial statements audit. Certain aspects of the system of internal control are also subject to regulatory supervision, the results of which are monitored closely by the Board.

Directors

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

Position	Director	Appointment Date	Resignation Date
Chairman	Ashok Chandra	05.02.2025	
Managing Director	Ritesh Mishra	02.07.2024	
Non Executive Director	Prabhat Ranjan Pradhan	24.07.2024	
Independent Non Executive Director	Sundeep Bhandari	31.07.2018	
Independent Non Executive Director	Julie Nicholson	19.02.2025	
Independent Non Executive Director	Adrian John Stirrup	30.04.2019	31.07.2025

Directors' Indemnities

The Bank provides Directors and Officers qualifying third party indemnity insurance which is reviewed annually up to the liability limit of £5,000,000 for each and every claim.

Future Business Developments

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

Statement as to Disclosure of Information to the Auditor

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

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

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

Elective Resolution

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

Auditor

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

General Meetings

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

By order of the Board

Company Secretary

Camilla Shaw

Camilla Shaw

21st July 2026

Directors’ Responsibility Statement

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

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

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

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

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

Directors Confirmation

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

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

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

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

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

Opinion

We have audited the financial statements of Punjab National Bank (International) Limited (the ‘Bank’) for the year ended 31 March 2026 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and notes to the financial statements, including a summary of material accounting policies.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Bank’s affairs as at 31 March 2026 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

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

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

Key audit matters

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

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

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

Key Audit Matter	How our scope addressed this matter
Allowance for credit losses – Expected Credit Loss ('ECL') on loans and advances to customers *Refer to material accounting policy information (Note 2 b)vii)) and Notes 3, 4, 19 and 23.* The Bank carries an ECL allowance of $56.3 million (2025: $70.7 million) on loans and advances to customers in the statement of financial position. The ECL charge recognised in the Bank's income statement is $12.5 million (2025: $17.9 million). Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation uncertainty. IFRS 9 requires allowance for impairment losses to be determined on an ECL basis. The largest element of credit risk relates to loans and advances to customers where the Bank is exposed to secured and unsecured lending to corporate clients. The ECL is sensitive to staging for the identification of significant increases in credit risk and their application. The Bank's loan portfolio comprises of the core portfolio being UK based secured lending and the non-core portfolio which primarily represents the stage 3 loan portfolio originated against India-based assets under the previous strategy. Individual impairment assessments are made for loans classified as stage 3. This is based on assumptions around the present value of future cash flows arising primarily from the sale or repossession of collateral. Whilst the Bank continues to see a decrease in the non-core loan portfolio, the estimate of ECL in respect of this portfolio remains highly judgemental. Given the manual nature of the process and the significant judgements involved in the estimation of potential recovery outcomes in the Indian market, we have also identified a fraud risk on this element. For loans classified as stage 1 and 2, ECL is determined through the use of a model. The model primarily uses the loan book data and other manually driven data sources. The manual nature of data inputs into the ECL model give rise to a risk of error.	**Our audit procedures included, but were not limited to:** **Control testing:** We performed end to end process walkthroughs to identify the key systems, applications and controls used in the ECL processes. We assessed the design and implementation of the key controls related to this process, and tested the operating effectiveness of controls operating at the Bank in relation to credit provisioning and monitoring **Substantive testing:** • We reviewed the ECL methodology applied by the Bank and assessed its compliance with the requirements of IFRS 9; • With the assistance of our credit modelling specialists, we evaluated the appropriateness and reasonableness of the ECL model; • We engaged our in-house economist expert to independently assess the appropriateness of the macroeconomic variables used, the macroeconomic scenarios, and the reasonableness of the weightings applied to each scenario; • We assessed the appropriateness of the quantitative and qualitative SICR and default criteria used by the Bank, and for a sample of stage 1 and stage 2 loans, tested whether there have been any indicators of SICR or any further indicators of impairment, respectively; • We reviewed loan staging movements during the year to evaluate whether SICR triggers and curing criteria had been applied consistently and in accordance with the Bank's policies and IFRS 9 requirements; • We performed a review of the Bank's individual impairment assessments on stage 3 loans. We focused on how management assessed recovery by evaluating the assumptions underpinning management's recovery scenario and developing independent alternative recovery scenarios to assess the reasonableness of the estimated future cash flows and resulting provision. We also assessed the rights and obligations, and the valuation of collateral used in management's assessment of these loans and independently reperformed the impairment calculations to test the arithmetical accuracy of management's calculations;

The key areas including those of judgement and management estimation that give rise to a significant audit risk relate to: • Completeness and accuracy of key data elements used in the calculation of ECL; • Staging of loans and identification of significant increase in credit risk ('SICR'); and • Valuation of the collateral on stage 3 loan assets.	• We engaged our in-house property valuation experts to assess, on a sample basis, the reasonableness of collateral valuations used by management; and • For identified key data elements ('KDE'), we selected a sample of loans and tied their respective KDE inputs in the ECL model back to source documentation **Disclosures:** • We assessed the adequacy and appropriateness of disclosures made within the financial statements **Our observations** Based on the work performed, we found that the assumptions used by management in the impairment assessment are reasonable and that the ECL allowance in relation to loans and advances to customers is not materially misstated as at 31 March 2026 and is consistent with the requirements of IFRS 9.
Valuation of deferred tax asset *Refer material accounting policy information (Note 2 b)xiii)) and Notes 4 and 28.* The Bank records a deferred tax asset ('DTA') relating primarily to unused tax losses. The Bank has a recognised DTA of $24.5 million (2025: $24.4 million). The Bank's DTA is based on management's assessment of future taxable profits of the Bank, which is underpinned by significant assumptions about future performance and strategy. The key assumptions used in the methodology implemented by management primarily relate to growth of the underlying loan portfolio and related interest margin, as well as future operating expenses. Management performs a ten-year financial forecast as part of the Bank's annual DTA impairment assessment process. The methodology used by management includes the use of reliability weightings to the taxable profits forecast in the operating plan, to reflect the diminishing reliability of forecasts over time. Given the significant level of estimation uncertainty and judgement involved in relation to the measurement of the DTA, we consider this area to be a significant audit risk.	**Our audit procedures included, but were not limited to:** **Control testing:** • We evaluated the design and implementation and tested the effectiveness of controls operating at the Bank in relation to the oversight of the budgeting and forecasting processes used for the measurement and recoverability of DTA. **Substantive testing:** • With the assistance of our tax audit specialists, we reviewed the underlying DTA calculations to determine whether the calculation of the deferred tax is appropriate, including whether the tax base of material temporary differences is in line with relevant tax legislation, application of the tax rates and restrictions regarding the use of tax losses; • We assessed the Bank's methodology in relation to the DTA assessment calculation, which included performing sensitivity analysis on the reliability weightings applied by management to the taxable profits forecast in the operating plan; • We challenged management and those charged with governance on the period over which the results could be forecasted reliably;

	• We assessed management's forecasting ability. Our approach included reviewing key data inputs and assumptions, evaluating their forecasting process, scrutinising the forecasted growth rates, and back-testing previous projections; • We challenged management's assumptions within the operating plan, including future profitability, and the recovery of the DTA. This included performing independent stress tests on a univariate and multivariate basis; • With the assistance of our in-house economist expert, independently assessed the macroeconomic scenarios used in management's DTA model, including the appropriateness of the macroeconomic variables applied within the model; • We assessed the consistency between the forecasts used for the valuation of DTA and those used for the assessment of going concern; and • Performed benchmarking analysis against peer banks to challenge forecast reliable periods used for arriving at deferred tax assets. **Disclosures:** • We evaluated the adequacy and appropriateness of the disclosures made in the financial statements. **Our observations** Based on the work performed, we found that the valuation of the DTA recognised by the Bank is reasonable as at 31 March 2026.

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

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

Overall materiality	\$2,094,000 (2025: \$2,168,000)
How we determined it	1% net assets (2025: 1% of net assets)
Rationale for benchmark applied	Net assets are the main focus of the shareholder (the overseas parent) to assess the value of their investment. Furthermore, net assets approximate regulatory capital resources which is a key focus for the shareholder,

	management, and regulators. It is also consistent with the benchmark used by most peer banks in the industry considering the size and complexity of the Bank's operations.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. We set performance materiality at $1,047,000 (2025: $1,085,000), which represents 50% (2025: 50%) of overall materiality. We considered several factors in determining performance materiality, including the level and nature of uncorrected and corrected misstatements in the prior year and the robustness of the control environment, and concluded that an amount at the lower of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above $63,000 (2025: $65,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 36, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- Gaining an understanding of the legal and regulatory framework applicable to the Bank and the industry in which it operates, and considering the risk of acts by the Bank which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Bank is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with the PRA and FCA and holding a bilateral discussion with the PRA;
- Reviewing minutes of directors’ meetings in the year; and
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

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

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

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

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

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

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

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

Other matters which we are required to address

Following the recommendation of the Board Audit and Compliance Committee, we were appointed by the directors on 30 November 2019 to audit the financial statements for the year ended 31 March 2020 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 31 March 2020 to 31 March 2026.

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

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

Use of the audit report

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

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

21 July 2026

Income Statement

for the year ended 31 March 2026

	Note	2026 $'000	2025 $'000
Interest income	5	85,823	79,660
Interest expense	6	(45,854)	(37,875)
Net interest income		**39,969**	**41,785**
Net trading profit/(loss)	7	313	(213)
Fee and commission income	46	774	1,432
Other operating income	8	4,248	685
Operating income		**45,304**	**43,689**
Staff costs	12	(20,151)	(16,784)
Depreciation and amortisation expenses	9	(1,211)	(1,022)
General administrative expenses	10	(8,358)	(7,151)
Impairment provision	23	(12,536)	(17,922)
Profit before tax		**3,048**	**810**
Tax (charge)	14	(111)	(60)
Profit after tax for the year		**2,937**	**750**

All amounts mentioned above relate to continuing activities.

The accompanying 'Notes to the financial statements' from page 51 to 100 are an integral part of the financial statements.

Statement of Comprehensive Income

for the year ended 31 March 2026

	Note	2026 $'000	2025 $'000
Profit after tax for the year		**2,937**	**750**
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss when specific conditions are met:			
Fair value gains/(losses) transferred to the income statement on disposal	35	(613)	258
Fair value gains	35	77	268
Income Taxes		134	(130)
Total comprehensive income attributable to equity share holders		**2,535**	**1,146**

The accompanying 'Notes to the financial statements' from page 51 to 100 are an integral part of the financial statements.

Statement of Financial Position

for the year ended 31 March 2026

	Note	2026 $'000	2025 $'000
Assets			
Cash and balances with banks	15	139,922	116,753
Financial assets at fair value through profit or loss	16	1,014	964
Derivative financial instruments	17	2,925	156
Loans and advances to banks	18	1,453	1,352
Loans and advances to customers	19	1,131,159	903,981
Investment securities at amortised cost	21	63,199	75,947
Financial assets at amortised cost		1,195,811	981,280
Financial assets at fair value through other comprehensive income	20	110,830	71,606
Right of use lease assets	36	4,394	2,946
Property, plant and equipment	26	1,034	237
Intangible assets	27	485	126
Deferred tax assets	28	24,463	24,441
Prepayments and other receivables	29	1,575	1,117
Total assets		**1,482,453**	**1,199,626**
Liabilities			
Deposits from banks	30	50,355	2,311
Deposits from customers	31	1,184,925	916,442
Derivative financial instruments	17	16	1,471
Repurchase agreement – non trading	45	0	20,868
Lease liability	36	4,603	3,173
Other liabilities	33	2,182	3,092
Subordinated bonds and other borrowed funds	32	30,997	41,108
Total liabilities		**1,273,078**	**988,465**
Net Assets		**209,375**	**211,161**
Equity			
Share capital	34	319,631	319,631
Fair value reserve	35	(123)	279
Retained earnings		(110,133)	(108,749)
Equity attributable to owners of the Company		209,375	211,161
Total Equity		**209,375**	**211,161**

The accompanying 'Notes to the financial statements' from page 51 to 100 are an integral part of the financial statements. A maturity analysis is provided of assets and liabilities is provided in note 47. The financial statements were approved by the Board of Directors and authorised for issue on 21th July 2026. They were signed on its behalf by:

Mr. Ritesh Mishra 21/07/2026

Ritesh Mishra

Statement of Changes in Equity

for the year ended 31 March 2026

	Note	Share capital $'000	Fair Value reserve $'000	Retained Earnings $'000	Total equity $'000
		Attributable to equity shareholders of the bank			
Balance at 31 March 2025		**319,631**	**279**	**(108,749)**	**211,161**
Profit for the year				2,937	2,937
Net change in fair value of Investment Securities - FVOCI	35		364		364
Net amount transferred to Profit & Loss	35		(766)		(766)
Other comprehensive income of the year		-	(402)	-	(402)
Total comprehensive income of the year		-	(402)	2,937	2,535
Transactions with owners directly recorded in equity					
Dividend on additional Tier 1 capital	39			(4,321)	(4,321)
Balance at 31 March 2026		**319,631**	**(123)**	**(110,133)**	**209,375**

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

The accompanying 'Notes to the financial statements' from page 51 to 100 are an integral part of the financial statements.

Statement of Cash Flows

for the year ended 31 March 2026

Cash flows from operating activities	Note	2026 $'000	2025 $'000
Profit/(loss) after tax		2,937	750
Adjustments for:			
Amortisation of other intangible non-current assets	9	143	75
Depreciation of property, plant and equipment	9	209	138
Depreciation on right of use assets	9	859	810
Interest on lease liabilities	36	156	107
Impairment provision	23	7,474	9,046
Corporation tax (credit)/charge	14	111	60
Net exchange rate differences		80	69
		9,032	**10,305**
Changes in:			
Loans and advances to banks		(72)	9,172
Loans and advances to customers		(212,320)	(123,638)
Fair value of derivatives		(4,223)	1,170
Repurchase agreement- non trading		(20,868)	20,868
Prepayments and other receivables		(427)	(502)
Deposits from banks		43,474	(1,030)
Deposits from customers		249,820	87,903
Other liabilities		(3,471)	(1,480)
Cash (used in)/generated from operating activities		**63,882**	**3,518**
Income tax paid		-	-
Net cash (used in)/generated from operating activities		**63,882**	**3,518**
Cash flows from investing activities			
Acquisition of property, plant and equipment	26	(1,007)	(87)
Acquisition of intangible assets	27	(503)	(21)
Disposal/(acquisition) of investment securities at amortised cost	21	12,748	(10,830)
Disposal/(Acquisition) of investment securities – FVTPL	16	(50)	2,064
Disposal/(Acquisition) of investment securities – FVOCI*	20	(39,380)	1,787
Net cash (used in)/generated from investing activities		**(28,192)**	**(7,088)**
Cash flows from financing activities			
Payment of principal portion of lease liabilities	36	(803)	(802)
Payment of interest portion of lease liabilities	36	(156)	(107)
Dividend to perpetual additional Tier I capital bond holders	39	(4,321)	(4,636)
Interest from subordinated bonds	32	(111)	(144)
Repayment of subordinated bonds	32	(10,000)	(10,000)
Net cash used in financing activities		**(15,391)**	**(15,689)**
Effects of exchange rate on cash and cash equivalents		2,870	1,980
Net increase/(decrease) in cash and cash equivalents		**23,169**	**(17,279)**
Cash and cash equivalents at beginning of year	15	116,753	134,032
Cash and cash equivalents at end of year	15	139,922	116,753

* Calculated using investment securities movements (Note 20) and fair value reserve movements (Note 35).

The accompanying 'Notes to the financial statements' from page 51 to 100 are an integral part of the financial statements.

1] Basis of preparation

a) Reporting entity

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

The principal activities of the Bank and the nature of the operations are set out in the Strategic report on pages 5 to 27. The financial statements are presented in US Dollars because it is the functional currency of the Bank during the year and as at the balance sheet date. Further details are provided in Note 44, "Events after the balance sheet date."

b) Compliance with applicable accounting standards

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

c) Future accounting developments

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

Presentation and Disclosure in Financial Statements (IFRS 18)

In April 2024, the IASB issued IFRS 18, Presentation and Disclosure in Financial Statements, which replaces IAS 1 Presentation of Financial Statements. The standard introduces new requirements for the presentation and disclosure of information in financial statements, including enhanced requirements for the classification and aggregation of income and expenses in the statement of profit or loss and disclosures relating to management-defined performance measures.
IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027. The Bank is currently assessing the impact of adopting IFRS 18 on its financial statement presentation and disclosures.

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

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

Clarifying the derecognition requirements for financial assets and financial liabilities, including establishing a new accounting policy choice for derecognition of a financial liability when a payment is initiated by the reporting entity using an electronic payment system provided specified criteria is met. The amendments are effective from annual reporting periods beginning on or after 1 January 2026. The Bank is currently assessing the impact of this amendment.

d) Foreign currencies

Transactions denominated in foreign currencies are translated into USD using the exchange rates prevailing at the transaction dates or, where appropriate, average exchange rates that approximate the actual rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the exchange rates prevailing at the reporting date. Exchange differences arising on settlement and retranslation are recognised in the statement of profit or loss. Non-monetary items are accounted for in accordance with IAS 21.

e) Going concern

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

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

The Bank continues to strengthen its governance and control environment to enable it to meet the regulatory challenges faced by all banks, based on best practice in the industry and underpinned by the industry-standard three lines of defence model.

The Directors are confident that the Bank will continue as a going concern for a period of at least twelve months from when the financial statements are being authorised for issue and up to at least 31 July 2027.

f) Basis of measurement

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

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

Details on fair value is given in note 22.

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

2] Summary of material accounting policies

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

a) Income and expense

Interest income and expense

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

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

The interest income is calculated by applying the effective interest rate ('EIR') to the gross carrying amount for Stage 1 and Stage 2 assets but, for Stage 3 assets (not purchased or originated credit-impaired), it is calculated by applying EIR to the amortised cost net of the credit allowance i.e. the carrying amount after the deduction of the loss allowance.

Fees and commission

The Bank earns fee income from a range of services, fees and commissions is predominantly made up of early repayment fees and locker fees. See note 46 for more details.

Fee income is accounted for as follows:

Income earned on a transaction-based arrangement, which are recognised at a point in time, when the Bank has fully provided the service to the customer.

Income earned on services provided over time, where the income is recognised on a straight-line basis over the life of the agreement, except for fees that are an integral part of a financing arrangement, which are recognised using the effective interest rate (EIR) method.

Net trading income

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

Other operating income

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

b) Financial instruments

i) Financial assets

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

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

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

Financial assets at amortised cost

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

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

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

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

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

ii) Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

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

iii) Fair value measurement

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

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

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

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

iv) Offsetting financial instruments

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

v) De-recognition of financial assets and liabilities

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

i. Substantially all the risks and rewards of ownership have been transferred; or

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

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

vi) Transfer of financial assets

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

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

vii) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

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

Significant increase in credit risk

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

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

decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organisational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations.

• Significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations, such as a decline in the demand for the borrower's sales product because of a shift in technology.

• Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.

• Significant change in the quality of the guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) has an incentive and financial ability to prevent default by capital or cash infusion.

• Significant changes, such as reductions in financial support from a parent entity or other affiliate or an actual or expected significant change in the quality of credit enhancement, that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.

• Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.

e. SBLC's, Government & Corporate Securities, Nostro Accounts with other banks and Interbank exposures	• ISDA credit event declared. • Bond trade (temporarily) suspended at primary exchange because of rumours/facts.

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

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

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

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

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

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

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

ix) Derivative financial instruments

The Bank enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including exchange forward contracts, interest rate swaps, cross currency swaps. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

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

x) Property, plant and equipment

Recognition and measurement

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

Subsequent costs

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

Depreciation

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

- Equipment including computers and accessories 3-5 years
- Property and plant 5 years or
- primary period of lease term, whichever is lower.

xi) Intangible assets

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

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

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

xii) Cash and balances with banks

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

xiii) Corporation tax/deferred tax

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

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

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

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

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

xiv) Recognition and measurement of provisions and contingencies

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

xv) Share capital and reserves

Additional Tier I bonds

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

Fair value reserves

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

xvi) Right of use lease assets and liabilities

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

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

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

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

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

xvii) Employee benefits

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

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

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

xviii) Loans and advances to banks

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

xix) Statement of cash flows:

The Bank classifies cash flows from interest and dividends in accordance with IAS 7 as follows:

Interest received and interest paid arising from the Bank's principal lending and deposit taking activities, and dividends received, are classified as operating cash flows.

Interest paid on lease liabilities and subordinated debt, and dividends paid, are classified as financing cash flows.

This classification reflects the nature of the Bank's operations and is applied consistently from period to period.

3] Critical accounting judgements

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

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

- Impairment of financial assets

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

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

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

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

- Accounts in stage 1 are allocated a final ECL which only considers a 1-year loss while accounts in stage 2 are allocated an ECL which represents the potential lifetime losses as mentioned above.
- For stage 3 assets, the Bank is using an approach where each account is assessed individually for impairment allowances and provisions are made accordingly.

4] Key sources of estimation uncertainty

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

- Deferred Tax

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

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

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

Macroeconomic inputs used in ECL tool

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

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

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

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

Base				
Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	1.86%	4.86%	3.71%	10.26%
2027	2.75%	4.56%	3.67%	10.26%
2028	2.72%	4.29%	3.72%	10.20%
2029	2.54%	4.18%	3.78%	10.20%
2030	2.40%	4.14%	3.86%	10.20%
2031	2.31%	4.14%	3.90%	10.20%
2032	2.31%	4.14%	3.90%	10.20%
2033	2.31%	4.14%	3.90%	10.20%
2034	2.31%	4.14%	3.90%	10.20%

Better				
Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	8.63%	3.62%	2.20%	17.87%
2027	7.37%	3.72%	2.54%	16.34%
2028	6.10%	3.83%	2.88%	14.80%
2029	4.84%	3.93%	3.22%	13.27%
2030	3.58%	4.04%	3.56%	11.74%
2031	2.31%	3.78%	3.90%	10.20%
2032	2.31%	4.14%	3.90%	10.20%
2033	2.31%	4.14%	3.90%	10.20%
2034	2.31%	4.14%	3.90%	10.20%

Good				
Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	5.98%	4.09%	2.75%	14.81%
2027	5.25%	4.10%	2.98%	13.88%
2028	4.51%	4.11%	3.21%	12.96%
2029	3.78%	4.12%	3.44%	12.04%
2030	3.05%	4.13%	3.67%	11.12%
2031	2.31%	4.14%	3.90%	10.20%
2032	2.31%	4.14%	3.90%	10.20%
2033	2.31%	4.14%	3.90%	10.20%
2034	2.31%	4.14%	3.90%	10.20%

Bad				
Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	-3.76%	5.82%	4.77%	0.66%
2027	-2.55%	5.48%	4.60%	2.57%
2028	-1.33%	5.15%	4.42%	4.48%
2029	-0.12%	4.81%	4.25%	6.38%
2030	1.10%	4.48%	4.08%	8.29%
2031	2.31%	4.14%	3.90%	10.20%
2032	2.31%	4.14%	3.90%	10.20%
2033	2.31%	4.14%	3.90%	10.20%
2034	2.31%	4.14%	3.90%	10.20%

Worse				
Year	UK HPI Change	UK Unemployment	UK Average Rate	India GDP% Change
Present	-8.16%	6.60%	5.68%	-6.95%
2027	-6.06%	6.10%	5.33%	-3.52%
2028	-3.97%	5.61%	4.97%	-0.09%
2029	-1.87%	5.12%	4.62%	3.34%
2030	0.22%	4.63%	4.26%	6.77%
2031	2.31%	4.14%	3.90%	10.20%
2032	2.31%	4.14%	3.90%	10.20%
2033	2.31%	4.14%	3.90%	10.20%
2034	2.31%	4.14%	3.90%	10.20%

Probability weights Scenario:

Period ended	Better	Good	Base	Bad	Worse
Mar’26	10%	20%	40%	20%	10%

The ECL provision numbers are sensitive to the movement in the above parameters which are input into the ECL model. As of 31 March 2026, the provision for Stage 1 and Stage 2 assets shifts by 9.87%, $78,040 (2025: 9.20%, $53,134) on 10% adverse movement of the above economic indicators.

- Provisions for impairment assessment in Stage 3 accounts

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

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

5] Interest Income

	2026 $'000	2025 $'000
Interest income calculated under effective interest rate method		
Overdraft accounts	3,754	4,016
Demand and term loans	65,890	60,419
Arrangement fees on loans	2,368	1,789
Interest received on IRS	264	-
Interbank placements	6,311	6,996
Coupon/premium on investment securities	7,236	6,440
Total Interest income	85,823	79,660

6] Interest expense

	2026 $'000	2025 $'000
Interest expense calculated under effective interest rate method		
Term deposits	40,993	32,975
Saving deposits	298	325
Interbank borrowings	852	206
Subordinated bonds	3,298	4,262
Interest expense on lease liability	156	107
Interest expense on IRS	257	-
Total Interest expense	45,854	37,875

7] Net trading profit/(loss)

	2026 $'000	2025 $'000
Foreign exchange	231	(265)
Profit/(loss) on investment securities - FVTPL	82	52
Net trading (loss)/profit	313	(213)

8] Other operating income

	2026 $'000	2025 $'000
Net gains on disposal of Financial Assets through OCI	613	258
Net gains on disposal of Financial Assets through Amortised Cost	0	427
Recoveries of previously written off financial assets	3,635	-
Total Other operating income	4,248	685

9] Depreciation and amortisation expenses

	2026 $'000	2025 $'000
Depreciation of property, plant and equipment	209	137
Depreciation on right of use lease assets	859	810
Amortisation of intangible assets	143	75
Total Depreciation and amortisation expenses	1,211	1,022

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

10] General administrative expenses

	2026 $'000	2025 $'000
Legal, professional and audit fees	4,459	3,274
Administrative and office maintenance costs	1,828	1,831
Other administration costs	1,345	1,694
Postage and telephones cost	590	326
Marketing costs	136	26
Total General administrative expenses	8,358	7,151

11] Auditor's remuneration

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

	2,026 $'000	2025 $'000
The audit of the Bank	632	592
Total audit fee*	632	592
Fees payable to the Bank's auditor for other services:		
-Audit related assurance services	33	31
Total non-audit fees	33	31

*The fees payable to the Bank's auditors also include overrun fees for prior year audit of $11k (2025: Nil).

12] Staff costs***

	2026 $'000	2025 $'000
Wages and salaries	14,824	12,993
Contribution towards defined employee contribution plan*	654	408
Other employee benefits	2,311	1,857
Social security costs	2,362	1,526
Total Staff costs	20,151	16,784

Included in other employee benefits:	2026 $'000	2025 $'000
Accommodation cost	1,056	836
Medical insurance and expense	203	230
Pension contributions for staff in India	13	14
Other expenses**	1,038	777
	2,310	1,857
Average number of employees* **	203	188

* Of which $0 (2025: $0.02 million) is related the employers contribution for a Director to external pension scheme. The number of Directors receiving this benefit is nil in the current year.
** Other expenses include rent, conveyance, insurance, staff welfare and other expenses for staff. There are no share-based payments to employees.
*** Of the average number of employees, 28 (2025: 24) are back-office employees, 54 are based in branches, and the remaining employees are based in corporate offices.

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

13] Directors' emoluments

	2026 $'000	2025 $'000
Emoluments	534	666

	2026 $'000	2025 $'000
Emoluments of highest paid Director (One Director)	276	238
Contributions to external pension scheme	-	17

14] Corporation tax

	2026 $ 000	2025 $ 000
Components of corporation tax credit/(charge)		
Analysis of tax (charge)/credit in year		
Current tax:		
- (Charge) / credit for the year	-	-
- (Charge) / credit in respect of prior years	-	-
Total current tax (charge) / credit	-	-
Deferred corporation tax credit/(charge):		
Effect of rate changes	-	-
Relating to origination and reversal of temporary differences	311	954
Deferred tax not recognised in relation to losses	(400)	(1,013)
UK tax relief for foreign tax suffered at source	-	-
Adjustments in respect of prior years	(23)	-
Total deferred tax credit/(charge)	**(111)**	**(60)**
Withholding tax paid	-	-
Total tax credit/(charge) for the year	(111)	(60)
Reconciliation of corporation tax credit/(charge) to accounting profit		
Profit before tax	**3,048**	**810**
Corporation tax at 25%	(762)	(203)
Tax effect of non-deductible depreciation	1,074	1,156
Tax effect of other non-deductible expenses/non-taxable income	-	-
Tax effect of rate changes	-	-
Adjustments in respect of prior year	(23)	-
Deferred tax not recognised in relation to losses	(400)	(1,013)
UK tax relief for foreign tax suffered at source	-	-
Withholding tax suffered	-	-
Tax credit/(charge)	**(111)**	**(60)**
Deferred tax credited to other comprehensive income		
(Expense)/Credit arising on FVOCI reserve movement	134	(129)

The standard rate of corporation tax has been 25% since 1 April 2024 and remained unchanged throughout the current financial year.

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

The Bank has made its assessment of the potential impact arising from the Undertaxed Profits Rule (UTPR) under the UK Pillar Two model rules at the Group level for the period ended 31 March 2026. Based on this assessment, including consideration of relevant financial information available in respect of the wider group, the Bank does not anticipate any top-up tax liability arising from the application of the UTPR.

15] Cash and balances with banks

	2026 $'000	2025 $'000
Cash on hand	437	364
Cash at bank (including balance held with central banks)	139,485	116,389
Total Cash and balances with banks	139,922	116,753

16] Financial assets at fair value through profit or loss

	2026 $'000	2025 $'000
Treasury bills	1,014	**964**
	1,014	964

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

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

	Rating	2026 $'000	2025 $'000
US Treasury bills	**AAA**	-	**964**
	AA+	1,014	-
		1,014	964

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

17] Derivative financial instruments

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

A major portion of the Bank's assets are on a floating rate of interest where the base rate is floating and linked to USD reference rate or Bank of England rate with a fixed margin thereupon. A major portion of liabilities of the Bank are at a fixed rate of interest.

The Bank enters into interest rate swap agreements to manage interest rate risk arising from fixed-rate and floating-rate lending. These swaps are used to convert fixed-rate exposures into floating-rate exposures or floating-rate exposures into fixed-rate exposures, as appropriate. Interest rate swaps are measured at fair value and changes in their fair value are recognised in the statement of profit or loss.

All derivative transactions, except for interest rate swaps, are entered into on an over-the-counter basis. Interest rate swaps are transacted through a central clearing house. None of the Bank's derivative counterparties are Central Governments.

The table below shows analysis of counterparty credit exposure arising from derivative transactions and fair value as at 31 March 2026 and as at 31 March 2025.

	2026 $'000			2025 $'000		
	Contract/ Notional Amount $'000	Fair value Assets* $'000	Fair value Liabilities** $'000	Contract/ Notional Amount $'000	Fair value Assets $'000	Fair value Liabilities $'000
Exchange rate contracts	137,630	2,856	15	106,065	156	1,471
IRS	6,593	67		-	-	-
	144,223	2,923	15	106,065	156	1,471

*Fair value assets comprise the mark-to-market values of foreign exchange contracts and interest rate swaps. Derivative assets reported in the Balance Sheet total $2,925k, which includes $2k (2025: Nil) of interest receivable relating to IRS transactions.
**Fair value liability comprises the mark-to-market values of foreign exchange contracts and interest rate swaps. Derivative liability reported in the Balance Sheet total $16k, which includes $1.4k (2025: Nil) of interest payable relating to IRS transactions.

18] Loans and advances to banks

	2026 $'000	2025 $'000
Term loans against stand-by letters of credit/buyers' credit*	1,194	1,150
Interbank placements of original maturity of more than three months	259	202
Total	1,453	1,352
Less impairment provisions**	-	-
Net Loans and advances to banks	**1,453**	**1,352**

* The $1.19m (2025: $1.15m) is shown as loan and advances to bank as the exposure is mitigated by a Standby Letter of Credit (SBLC), placing the credit risk with the bank.
**Impairment provisions include Stage 3 provisions, Stage 1 & 2 ECL provisions. Stage 3 ECL provision is Nil (2025: Nil) ECL provision on Stage 1 and 2 is Nil (2025: Nil).

At 31 March 2026 Nil (2025: Nil) of loans and advances to banks are expected to be realised more than twelve months after the reporting date.

19] Loans and advances to customers

	2026 $'000	2025 $'000
Customer overdrafts	77,956	73,912
Term loans	1,109,471	900,764
Total	1,187,427	974,676
Less impairment provisions*	(56,267)	(70,694)
Net loans and advances to customers	**1,131,159**	**903,981**

*Impairment provisions include Stage 3 specific provisions, Stage 1 & 2 ECL provisions. Stage 3 provision is $55.67 million (2025: $70.26 million) and ECL provision (Stage 1 & 2) of $0.6 million (2025: $0.43 million).

At 31 March 2026 $745.6 million (2025: $581.02 million) of loans and advances to customers are expected to be realised more than twelve months after the reporting date. Details on impaired financial assets and exposure to credit risk are further provided in notes 23 and 24 to the financial statements.

20] Financial assets at fair value through other comprehensive income

	2026 $'000	2025 $'000
Investment Securities- FVOCI	110,933	71,653
Less: Impairment Provision*	103	47
Net Investment securities – FVOCI	**110,830**	**71,606**

* Impairment provisions include Stage 3 specific provisions, Stage 1 & 2 ECL provisions. As at 31 March 2026, expected credit losses of $0.1 million (2025: $0.05 million) have been recognised on Investment securities – FVOCI.

The fair value movements of debt securities through other comprehensive income (FVOCI) are accumulated and recognised in reserves within other comprehensive income. At 31 March 2026, $75.8 million (2025: $37.27 million) of Investment securities - FVOCI are expected to be realised more than twelve months after the reporting date.

21] Investment securities – amortised cost

	2026 $'000	2025 $'000
Investment securities – amortised cost	63,285	76,045
Less: Impairment provision*	(86)	(98)
Net book value of investment securities at amortised cost	**63,199**	**75,947**

*Impairment provisions include Stage 3 specific provisions, Stage 1 & 2 ECL provisions. Stage 3 provision is Nil (2025: $Nil) and ECL provision (Stage 1 & 2) of $0.09 million (2025: $0.1 million).

Refer to note 22 for details of fair value of investment securities which are at amortised cost. As at 31 March 2026, $57.73 million (2025: $55.15 million) of investment securities at amortised cost are expected to be realised more than twelve months after the reporting date.

22] Financial instruments

Classification of Financial instruments

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

As At March 2026	**FVOCI assets / liabilities $'000**	**FVTPL assets/ liabilities $'000**	**Amortised Cost $'000**	**Total $'000**
Assets				
Cash and balances with banks	-	-	139,922	139,922
Loans and advances to banks	-	-	1,453	1,453
Loans and advances to customers	-	-	1,131,159	1,131,159
Investment securities	110,830	1,014	63,199	175,043
Derivative financial instruments		2,925	-	2,925
Total financial assets	**110,830**	**3,939**	**1,335,733**	**1,450,502**
Total non-financial assets	-	-	-	31,951
Total assets	**-**	**-**	**-**	**1,482,453**
Liabilities				
Deposits from banks	-	-	50,355	50,355
Deposits from customers	-	-	1,184,925	1,184,925
Derivative financial instruments	-	16	-	16
Repurchase agreement – non trading	-	-	-	0
Subordinated bonds and other borrowed funds	-	-	30,997	30,997
Total financial liabilities	**-**	**16**	**1,266,277**	**1,266,293**
Total non-financial liabilities	-	-	-	**6,785**
Total liabilities	-	-	-	**1,273,078**
Equity	-	-	-	**209,375**
Total liabilities and equity	-	-	-	**1,482,453**

As At March 2025	FVOCI assets / liabilities $'000	FVTPL assets/ liabilities $'000	Amortised Cost $'000	Total $'000
Assets				
Cash and balances with banks	-	-	116,753	116,753
Loans and advances to banks	-	-	1,352	1,352
Loans and advances to customers	-	-	903,981	903,981
Investment securities	71,606	964	75,947	148,517
Derivative financial instruments		156	0	156
Total financial assets	**71,606**	**1,120**	**1,098,033**	**1,170,759**
Total non-financial assets	-	-	-	28,867
Total assets	**-**	**-**	**-**	**1,199,626**
Liabilities				
Deposits from banks	-	-	2,311	2,311
Deposits from customers	-	-	916,442	916,442
Derivative financial instruments	-	1,471	-	1,471
Repurchase agreement – non trading	-	-	20,868	20,868
Subordinated bonds and other borrowed funds	-	-	41,108	41,108
Total financial liabilities	-	**1,471**	**980,730**	**982,200**
Total non-financial liabilities	-	-	-	**6,265**
Total liabilities	-	-	-	**988,466**
Equity	-	-	-	**211,160**
Total liabilities and equity	-	-	-	**1,199,626**

Valuation of Financial instruments

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair

value of the financial assets and liabilities held at amortised cost has been calculated using the following valuation methodology:

Cash at Bank – Level 2

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

Loans and advances – Level 3

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

Deposits – Level 3

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

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

Financial Assets: 2026	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Cash and balance with banks	15	-	139,922	-	139,922
Loans and advances to banks	18	-	-	1,453	1,453
Loans and advances to customers	19	-	-	1,131,159	1,131,159
Investment securities	21	63,199	-	-	63,199
Assets held at amortised cost		**63,199**	**139,922**	**1,132,612**	**1,335,733**
Investment securities FVTPL	16	1,014	-	-	1,014
Investment securities FVOCI	20	110,830	-	-	110,830
Derivative financial instruments FVTPL	17	-	2,925	-	2,925
Assets held at fair value		**111,844**	**2,925**	**-**	**114,769**
Total Financial Assets		**175,043**	**142,847**	**1,132,612**	**1,450,502**

Financial Liabilities	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Deposits from banks	30	-	-	50,355	50,355
Deposits from customers	31	-	-	1,184,925	1,184,925
Subordinated bonds and other borrowed funds	32	30,997	-	-	30,997
Liabilities at amortised cost		**30,997**	**-**	**1,235,280**	**1,266,277**
Derivative financial instruments	17	-	16	-	16
Liabilities at fair value		**30,997**	**16**	**1,235,280**	**1,266,293**

Financial Assets: 2025	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Cash and balance with banks	15	-	116,753	-	116,753
Loans and advances to banks	18	-	-	1,352	1,352
Loans and advances to customers	19	-	-	903,981	903,981
Investment securities	21	75,947	-	-	75,947
Assets held at amortised cost		**75,947**	**116,753**	**905,333**	**1,098,033**
Investment securities FVTPL	16	964	-	-	964
Investment securities FVOCI	20	71,606	-	-	71,606
Derivative financial instruments FVTPL	17	-	156	-	156
Assets held at fair value		**72,570**	**156**	**-**	**72,726**
Total Financial Assets		**148,517**	**116,909**	**905,333**	**1,170,759**

Financial Liabilities	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Deposits from banks	30	-	-	2,311	2,311
Deposits from customers	31	-	-	916,442	916,442
Subordinated bonds and other borrowed funds	32	41,108	-	-	41,108
Repurchase agreement – non trading	45	-	20,868	-	20,868
Liabilities at amortised cost		**41,108**	**20,868**	**918,753**	**980,729**
Derivative financial instruments	17	-	1,471	-	1,471
Liabilities at fair value		**41,108**	**22,339**	**918,753**	**982,200**

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

Debt securities - Level 1

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

FX Swaps – Level 2

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

Repurchase agreement – Non Trading – Level 2

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

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

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

Factors affecting loan loss provision

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

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

The Bank recognised Stage 3 interest income of $5.06 million (2025: $8.85 million) and recorded a corresponding impairment provision of $5.06 million (2025: $8.85 million) against this income. This stage 3 interest does not form part of the adjustment for impairment provision in the statement of cash flows, as it is net neutral in profit or loss. Therefore, adjustment for impairment provision in statement of cash flows is $7.5 million (2025: $9.05 million) whereas in income statemen, the impairment provision charge is $12.5 million (2025: $17.92 million).

Quantitative disclosures

The following table explain the changes in the loss provision:

Quantitative disclosures	Amortised Cost Stage 1 $'000	Amortised Cost Stage 2 $'000	Amortised Cost Stage 3 $'000	FVOCI Stage 1 $'000	FVOCI Stage 3 $'000	Total $'000	Amortised Cost Stage 1 $'000	Amortised Cost Stage 2 $'000	Amortised Cost Stage 3 $'000	FVOCI Stage 1 $'000	FVOCI Stage 3 $'000	Total $'000
	Allowance for Expected Credit Losses						Gross Carrying Amount					
As at 1 April 2025	**514**	**9**	**70,262**	**54**	**-**	**70,839**	**883,431**	**39,431**	**129,210**	**71,653**	**-**	**1,123,725**
New receivables originated or purchased	124	-	-	76	-	200	362,871	-	-	87,897	-	450,768
Transfers between stages	(4)	12	1,023	-	-	1,031	(31,623)	27,576	4,653	-	-	606
Decrease for existing portfolio	(68)	(1)	(1,652)	(25)	-	(1,746)	(138,368)	(4,779)	(6,093)	(48,732)	-	(197,972)
Increase for existing portfolio	95	-	6,469	4	-	6,568	17,448	315	-	115	-	17,878
Write-offs*	-	-	-	-	-	-	-	-	-	-	-	-
Receivables matured during the period	-	-	(20,436)	-	-	(20,436)	-	-	(31,907)	-	-	(31,907)
As at 31 March 2026	**661**	**20**	**55,666**	**109**	**-**	**56,456**	**1,093,759**	**62,543**	**95,863**	**110,933**	**-**	**1,363,098**

Quantitative disclosures	Amortised Cost Stage 1 $'000	Amortised Cost Stage 2 $'000	Amortised Cost Stage 3 $'000	FVOCI Stage 1 $'000	FVOCI Stage 3 $'000	Total $'000	Amortised Cost Stage 1 $'000	Amortised Cost Stage 2 $'000	Amortised Cost Stage 3 $'000	FVOCI Stage 1 $'000	FVOCI Stage 3 $'000	Total $'000
	Allowance for Expected Credit Losses						Gross Carrying Amount					
As at 1 April 2024	**505**	**2**	**160,232**	**45**	**409**	**161,193**	**718,452**	**34,493**	**255,526**	**72,910**	**409**	**1,081,790**
New receivables originated or purchased	71	-	-	23	-	94	358,102	-	-	49,080	-	407,182
Transfers between stages	7	7	-		-	14	(26,527)	26,392	-	-	-	(136)
Decrease for existing portfolio	49	-	(4,161)	10	-	(4,102)	(4,073)	(210)	(3,196)	(3,408)	-	(10,887)
Increase for existing portfolio	(53)	-	11,281	(7)	-	11,221	16,166	123	198	264	-	16,750
Write-offs*	-	-	(97,034)	-	(409)	(97,443)	-	-	(119,400)	-	(409)	(119,808)
Receivables matured during the period	(66)	-	(56)	(16)	-	(138)	(178,689)	(21,366)	(3,919)	(47,193)	-	(251,168)
As at 31 March 2025	**514**	**9**	**70,262**	**54**	**-**	**70,839**	**883,431**	**39,431**	**129,210**	**71,653**	**-**	**1,123,725**

*Written-off assets still subject to enforcement activity amounted to Nil (2025: Nil).

The total charge recognized in profit or loss in respect of impairment is as follows:

	2026 $'000	**2025 $'000**
Impairment charge on loans and advances	12,492	18,266
Impairment charge/(reversal) on investments	44	(344)
Total impairment charge	**12,536**	**17,922**

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

As at 31 March 2026		Real Estate $'000	Deposit backed loans $'000	Loans to Banks* $'000	Investment securities $'000	Other Loans $'000	Total $'000
Gross Exposure*							
Stage 1		909,057	72,371	1,453	63,285	47,593	1,093,759
Stage 2	Not past due	56,052	-	-	-	-	56,052
	> 30 ≤ 90 days	6,491	-	-	-	-	6,491
Stage 3		11,333	-	-	-	84,529	95,862
Impairment Allowance							
Stage 1		174	-	-	86	407	667
Stage 2	Not past due	20	-	-	-	-	20
	> 30 ≤ 90 days	-	-	-	-	-	-
Stage 3		3,755	-	-	-	51,911	55,666
Net Exposure**							
Stage 1		908,883	72,371	1,453	63,199	47,186	1,093,092
Stage 2	Not past due	56,032	-	-	-	-	56,032
	> 30 ≤ 90 days	6,491	-	-	-	-	6,491
Stage 3		7,578	-	-	-	32,618	40,196

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

*Loans to banks does not include placements with banks < 90 days which are presented as cash and cash equivalents on the face of the balance sheet.
**Total net exposure is represented by net loans and advances to customers $1,131,159k (2025: $903,981k), net loans and advances to banks $ 1,453k (2025: $1352k),net securtites held at amortised cost $63,199 (2025: $74,947).

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

		2026		2025	
		Investment securities $'000	Total $'000	Investment securities $'000	Total $'000
Gross Exposure					
Stage 1		110,933	110,933	71,653	71,653
Stage 2	Not past due	-	-	-	-
	> 30 ≤ 90 days				
Stage 3		-	-	-	-
Impairment Allowance			-		-
Stage 1		103	103	47	47
Stage 2	Not past due	-	-	-	-
	> 30 ≤ 90 days				
Stage 3			-		-
Net Exposure			-		-
Stage 1		110,830	110,830	71,606	71,606
Stage 2	Not past due	-	-	-	-
	> 30 ≤ 90 days				
Stage 3		-	-	-	-

24] Exposure to credit risk and availability of collateral security

The table below presents the Bank's maximum exposure to credit risk of its on-balance sheet and off-balance sheet financial instruments at 31 March 2026, before taking into account any collateral held or other credit enhancements.

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

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

	2026 $'000	2025 $'000
On balance sheet exposure		
Loans and advances to customers	1,131,159	903,981
Loans and advances to banks	1,453	1,352
Cash and balances with banks	139,922	116,753
Investment securities at amortised cost	63,199	75,947
Financial assets at fair value through other comprehensive income	110,830	71,606
Financial assets at fair value through profit or loss	1,014	964
Derivative financial instruments	2,925	156
Total – A	1,450,502	1,170,759
Off balance sheet exposure		
Non-bank commitments (LCs/LGs)	989	968
Total – B	989	968
Undrawn Credit Facilities – non-banks	41,747	16,709
Total – C	41,747	16,709
Total Exposure subject to Credit Risk (A+B+C)	1,493,238	1,188,436

Collateral:

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

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

A. Exposure to banks: Both for direct exposure to banks (Placements and bank balances) and for exposure to banks due to Letter of Credit/Guarantee/Letter of Comfort issued by the banks, there are no separate collateral securities.

B. Non-bank gross exposure is collaterally secured as below as at 31 March 2026:

	Retail exposure		Non-retail exposure		Total	
Amount in $ '000	**Exposure**	**Amount Collateralised****	**Exposure**	**Amount Collateralised****	**Exposure*****	**Amount Collateralised****
Internally rated AAA to A*	235,244	235,245	636,734	636,734	871,978	871,979
Internally rated BB to B*	13,690	13,690	95,804	76,430	109,494	90,120
Internally rated C&D	-	-	-	-	-	-
Others Exempted Category	15,470	12,633	73,827	70,756	89,297	83,389
Stage 1	264,404	261,568	806,365	783,920	1,070,769	1,045,488
Stage 2 > 30 < 90 days	2,111	2,111	4,380	4,380	6,491	6,491
Stage 2 - Not past due	9,841	9,841	46,211	46,211	56,052	56,052
Stage 2	11,952	11,952	50,591	50,591	62,543	62,543
Stage 3	4,747	4,747	91,115	50,206	95,862	54,953
Total	**281,103**	**278,267**	**948,071**	**884,717**	**1,229,174**	**1,162,984**

Comparative data for 31 March 2025 is as below:

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

*Internal ratings based on PNBIL rating model and include loans where internal rating is exempted i.e. loans against deposits/SBLCs etc.
**Collateral figures are capped at the loan balance.
***The total exposure is represented by (gross on balance sheet exposure to customers of $1,187,427k (2025: $904k) see note 19 and $41,747k (2025: $16,709k) relating to customer off balance sheet exposures see note 24 above).

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

While arriving at the value of collateral:

- Value of personal and corporate guarantees has not been considered.
- Value of securities in accounts where the Bank has pari-passu charge is based on the book value in the latest available audited financial statements, where available, and is considered pro-rata in proportion to the exposure in the entity.

- The collateral values reported have been adjusted for the effects of over-collateralization.
- For non-bank investment securities at amortised cost, current market value of the security has been considered.

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

	2026 $'000	**2025 $'000**
100% and above*	1,136,686	868,540
76% to 99%	6,371	10,929
51% to 75%	14,700	27,844
26% to 50%	1,727	-
11% to 25%	3,500	25,215
Below 10%	-	15,619
Unsecured	66,190	44,207
Total	1,229,174	992,353
Average percentage of availability of collateral	94.6%	95.3%

*Excluding impact of over-collateralisation.

Stage 3 loans and advances with provisions held*

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

	2026 $'000	**2025 $'000**
Impaired loans and advances at 1 April	126,217	231,052
Net repayments in existing impaired loans and advances	(41,982)	(38,841)
Written off loans and advances	-	(97,443)
Classified as impaired during the year	1,023	30,762
Other movements/exchange rate fluctuations	139	686
Impaired loans and advances at 31 March	85,397	126,217

*Loans and advances with no provisions held 2026: $10.5m (2025: $3m)

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

	2026 $'000	2025 $'000
Impaired investments at 1 April	-	795
Net addition/(repayments) in existing impaired investments	-	-
Written off investment securities	-	(795)
Impaired investments at 31 March	-	-

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

Internal ratings/scoring

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

Derivatives, sale and repurchase agreements

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

25] Geographical distribution of credit exposures

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

Geography	2026		2025	
	$'000	$'000	$'000	$'000
	Amount	Percentage	Amount	Percentage
United Kingdom	1,220,549	84.32%	918,876	78.50%
India	129,115	8.92%	135,915	11.61%
Luxembourg	41,290	2.85%	40,630	3.47%
United States	35,469	2.45%	53,211	4.55%
Cayman Island	11,734	0.81%	0	0.00%
Belgium	0	0.00%	11,892	1.02%
Other countries	9,420	0.65%	10,079	0.85%
Total	1,447,577	100.00%	1,170,603	100.00%

26] Property, plant and equipment

	2026				2025			
	Property and plant $'000	Equipment $'000	Leasehold improvements $'000	Total $'000	Property and plant $'000	Equipment $'000	Leasehold improvements $'000	Total $'000
Cost								
At 1 April	2,382	5,469	-	7,851	2,382	5,382	-	7,764
Additions	-	328	679	1,007	-	87	-	87
Disposals*	(2,382)	(5,043)	-	(7,425)	-	-	-	-
At 31 March	**-**	**754**	**679**	**1,433**	**2,382**	**5,469**	**-**	**7,851**
Depreciation								
At 1 April	(2,382)	(5,232)	-	(7,614)	(2,382)	(5,095)	-	(7,477)
Yearly charge	-	(168)	(41)	(209)	-	(137)	-	(137)
Disposals*	2,382	5,042	-	7,424	-	-	-	-
At 31 March	**-**	**(358)**	**(41)**	**(399)**	**(2,382)**	**(5,232)**	**-**	**(7,614)**
Net Book Value								
At 1 April	-	237	-	237	-	287	-	287
At 31 March	**-**	**396**	**638**	**1,034**	**-**	**237**	**-**	**237**

*Disposals primarily pertain to fully depreciated assets.

27] Intangible assets

	2026 $'000	2025 $'000
Software Cost		
At 1 April	4,089	4,068
Additions	503	21
Disposals*	(3,912)	-
At 31 March	**680**	**4,089**
Amortisation		
At 1 April	(3,963)	(3,889)
Yearly charge	(144)	(75)
Disposals*	3,912	-
At 31 March	**(195)**	**(3,963)**
Carrying Value		
At 1 April	126	180
At 31 March	**485**	**126**

*Disposals primarily pertain to fully amortized assets.

28] Deferred tax assets

Deferred Tax Assets	2026 $'000	2025 $'000
At 1 April	24,441	24,629
Tax credit/(charge) to profit and loss for the year	(111)	(60)
Tax credit/(charge) to other comprehensive income	134	(129)
At 31 March	24,463	24,441

A DTA is assessed and recognised as recoverable on the basis of available evidence including projected profits and capital. The utilisation of a DTA is dependent on future taxable profits. The management makes an assessment of a DTA which is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The DTA is reviewed at each reporting date and adjusted to the extent that it is no longer probable that the related tax benefit will be realised, accordingly $53.15 million (2025: $51.60 million) of unrecognised tax losses remain following the DTA calculation. The recognised portion is $ 97.85 million (2025: $97.77 million). The deferred tax on losses has been recognised on the basis that there is a 50% loss offset restriction effective from 1 April 2017. This restriction therefore extends the time period over which losses could be recovered.

29] Prepayments and other receivables

	2026 $'000	2025 $'000
Prepayments	1,377	1,056
Other receivables	198	60
Total prepayments and other receivables	1,575	1,117

30] Deposits from banks

	2026 $'000	2025 $'000
Current accounts from banks	2,169	2,311
Placements from banks	48,186	-
Total deposits from banks	50,355	2,311

Deposits from banks include deposits from related parties, detail of which is given in note 39 to the financial statements. As at 31 March 2026 Nil (2025: Nil) deposits from banks are expected to be settled more than twelve months after the reporting date.

31] Deposits from customers

	2026 $'000	2025 $'000
Current accounts	119,469	109,718
Savings accounts	46,408	52,639
Fixed term deposits	1,019,048	754,085
Total deposits from customers	1,184,925	916,442

Deposits from customers include deposits from a related party, detail of which are given in note 39 to the financial statements. At 31 March 2026 $12.37 million (2025: $159.53 million) of deposits from customers are expected to be settled more than twelve months after the reporting date.

32] Subordinated bonds and other borrowed funds

	2026 $'000	2025 $'000
Subordinated bonds	30,997	41,108

More information in relation to Subordinated bonds is shown in the table below:

	Tier II Capital Bonds	Tier II Capital Bonds	Tier II Capital Bonds
Issuer	Punjab National Bank	Punjab National Bank	Canara Bank
Face value	US$ 12.5 million	US$ 12.5 million	US$ 5.0 million
Original date of issuance	31.01.2022	04.10.2022	23.12.2013
Original maturity date	10 Years	10 Years	15 Years
Coupon rate & related index	6M SOFR+400bps+0.42826(Ibor fallback)	6M SOFR+400bps+0.42826(Ibor fallback)	6M SOFR+450bps+0.42826(Ibor fallback)

Note: $10m tier II capital bonds were redeemed in December 2025

As at 31st March 2026, $30 million (2025: $30 million) of subordinated bonds are expected to be settled more than twelve months after the reporting date.

33] Other liabilities

	2026 $'000	2025 $'000
Bills payable	99	122
Other payables and accrued liabilities	2,083	2,971
Total other liabilities	2,182	3,092

34] Share capital

Authorised share capital

Authorised share capital of the Bank is $400 million.

	2026		2025	
	No. (000's)	$'000	No. (000's)	$'000
Issued and fully paid				
At start of year				
Ordinary shares of $1 each:	274,631	274,631	274,631	274,631
At end of year	274,631	274,631	274,631	274,631
Additional Tier 1 Capital				
At start of year		45,000		45,000
At end of year		45,000		45,000
Total Share Capital at end of the year*	274,631	319,631	274,631	319,631

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

Additional Tier 1 Capital

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

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

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

35] Fair value reserve

	Gross	Tax	Net
31 March 2026	**$'000**	**$'000**	**$'000**
Balance at 1 April 2025	372	(93)	279
Amount transferred to statement of profit or loss	(613)	(153)	(766)
Movement in FVOCI reserve in year	77	287	364
Balance at 31 March 2026	(164)	41	(123)

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

36] Right of use assets and lease liabilities

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

Right of use assets - Land and Buildings	2026 $'000	2025 $'000
Balance at 1 April	2,946	3,685
Addition of right of use assets during the year	2,212	
Depreciation charge during the year	(859)	(810)
Exchange rate differences	95	72
Balance at 31 March	4,394	2,946

The total cash outflow of lease liabilities was $0.96 million (2025: $0.91 million) which includes payment of principal portion of 0.80 million (2025: $0.80 million) and payment of interest portion of million (2025: $0.11 million).

The amounts contractually due on lease liabilities is shown below:

Lease liabilities

Maturity Analysis – contractual cash flows	2026 $'000	2025 $'000
Within 1 year	970	770
Between 1 and 5 years	1,729	1,448
Later than 5 years	2,917	1,426
Less: Present value discount	(1,013)	(471)
Total lease liabilities at 31 March	4,603	3,173
Amounts recognised in income statement		
Interest on lease liabilities	156	107

37] Other commitments and contingencies

	2026 $'000	2025 $'000
Guarantees issued to third parties	**989**	968

There were undrawn loans of $18.65 million (2025: $4.80 million) and un-availed portions of sanctioned overdraft limits to the extent of $23.10 million (2025 $11.91 million)..

38] Parent undertaking and controlling party

The Bank is ultimately controlled by the Government of India through its majority shareholding in Punjab National Bank (PNB), the Bank's immediate and ultimate parent undertaking. The smallest and largest group for which the Bank is consolidated and for which consolidated financial statements are prepared is that of Punjab National Bank. The consolidated financial statements for Punjab National Bank are available to the public and may be obtained from their website www.pnb.bank.in.

The Bank has applied the exemption available under IAS 24 Related Party Disclosures in respect of transactions with government-related entities, except for Punjab National Bank, as the Government of India has control or significant influence over both the Bank (through its parent) and other related entities owned by the GOI.

The Bank undertakes transactions with government bodies and other government-related entities in the normal course of business on arm’s length terms and in line with applicable contractual arrangements. These transactions included the purchase of investment securities issued by Government of India-related entities and interbank placements and borrowings with Government of India-related banking institutions.

No individually significant transactions with such entities were identified during the year that require separate disclosure.

39] Related party transactions

The Bank regards PNB (including all its branches in India and abroad) and its subsidiaries as related parties in view of its 100% shareholding. PNBIL financials forms part of the group financial statements of parent, PNB. The entire ordinary share and Additional tier 1 capital is held by PNB and 83.33% of subordinated debt of the Bank is held by PNB and the remaining 16.67% is held by Canara Bank which is a GOI owned related entity. No other group Company holds any shares in PNBIL.

The CEO and Managing Director of the Parent bank is also the Chairman of PNBIL. The Bank also has the benefit of another Non-Executive Director from the Parent bank. The Bank does not pay any remuneration to these Directors.

Liabilities, Equity and Assets to related parties on the balance sheet of the Bank as on 31 March 2026 are as below:

	2026 $'000	2025 $'000
Equity & Liabilities		
Current accounts with PNB	2,075	2,247
Current account with PNB Dubai Branch	2	2
Current account with Druk PNB Bank Ltd	-	55
Current account with Gift city	92	7
Deposits From Customers		
Current account with Current Directors	20	12
Subordinated bonds and other borrowed funds		
Tier II Capital Bonds	12,500	12,500
Tier II Capital Bonds	12,500	12,500
Tier II Capital Bonds	-	10,000
Interest accrued	678	981
Share Capital		
Tier I Capital Bonds	45,000	45,000
Assets		
Cash and Balances with Banks		
Nostro account balance with PNB	917	294
Nostro account balance with Everest Bank Ltd.	27	37
Placement with PNB Gift City	-	-
Loans and Advances to Banks		
SBLC	1,194	1,150

Outstanding balances with related parties are unsecured and are settled in cash. Current account and nostro balances are repayable on demand, while deposits and borrowings, including subordinated and capital instruments, are subject to agreed contractual terms such as interest rates and maturity. Transactions are undertaken on normal commercial terms. Standby letters of credit (SBLC) represent guarantees provided by Punjab National Bank, India, in favour of PNBIL, UK in respect of facilities extended to third parties. No other material guarantees have been given or received.

As at 31 March 2026, the Bank had aggregate interbank placements with Government of India-related banking entities of Nil (2025: 12 million) and aggregate interbank borrowings from government related banking entities of $48.19 million (2025: Nil). Additionally, the Bank held investment securities issued by Government of India-related entities with an aggregate carrying value of $121 million (2025: $77 million).

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

Nature	Particulars	2026 $'000	2025 $'000
A. Professional Fee	Charges for Service Level Agreement (SLA)	408	255
B. Rent	Rent paid for Backoffice premises	37	30
C. Interest received on			
Placement	PNB Dubai	187	397
	IBU Gift City	121	696
D. Interest paid on	Additional Tier I Capital Bonds $45.00 million	4,321	4,636
	Tier II Capital Bonds $12.50 million	1,096	1,167
	Tier II Capital Bonds $12.50 million	1,096	1,191
	Tier II Capital Bonds $10.00 million*	928	1,006

*Tier II capital bond of $10m raised from PNB has been redeemed during FY 2026.

During the year, FX deals were done with PNB FEO New Delhi, buy amount $24,335k, sell amount $26,000k (2025: buy amount $26,495k, sell amount $26,750k)
Related party equity and subordinated bonds are disclosed in note 34 and note 32 respectively to the financial statements.

Transactions with Directors

The following key management personnel are related parties:
Mr. Ashok Chandra (Chair, Appointed on 05.02.2025)
Mr. Ritesh Mishra (Managing Director and Chief Executive Officer, Appointed on 02.07.2024)
Mr. Prabhat Ranjan Pradhan (Non-Executive Director, Appointed on 24.07.2024)
Mr. Sundeep Bhandari (Independent Non-Executive Director, Appointed on 31.07.2018)
Ms. Julie Nicholson (Independent Non-Executive Director, Appointed on 19.02.2025
Mr. Adrian John Stirrup (Independent Non-Executive Director, Retired on 31.07.2025)

Remuneration details paid to directors (who the Bank considers as key management) are disclosed in note 13.

40] Market Risk

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

The total notional amount of outstanding currency exchange contracts and Interest Rate Swaps to which the Bank is committed is $144.22 million (2025: 106.07 million).

The open position of the Bank is as below:

	2026		2025	
	Open Position	$ Equivalent	Open Poisiton	$ Equivalent
Currency	**CCY'000**	**$'000**	**CCY'000**	**$'000**
Indian Rupees	86,100	917	25,932	304
Pound Sterling	246	324	(6,374)	(8,227)
Euro	5,599	6,449	5,679	6,134
Nepalese Rupees	4,147	27	5,060	37
Net Long Position in US $		7,717		
Net Short Position in US $				(1,753)

Upward or downward movement of exchange rates by 10% may impact profitability of the Bank by $0.77 million (2025: $0.17 million).

The value of Investment securities - FVTPL as at 31 March 2026 is $1.01 million (2025: $0.96 million). An upward or downward movement of prices of investment securities - FVTPL by 10% may impact profitability of the Bank by $0.1 million (2025: $0.1 million).

The Bank maintains a low appetite for market risk, consistent with its objective of capital preservation and stable earnings. Market risk is primarily managed by the Treasury function, which is responsible for managing liquidity, interest rate risk, foreign exchange risk, and investment portfolio activities, including both FVTPL and FVOCI securities.

The Bank has established a comprehensive framework of policies, limits, and controls, with oversight from the Asset and Liability Committee (ALCO), to ensure that market risk exposures remain within the approved risk appetite.

Foreign exchange risk is controlled through strict limits on open positions in trading and banking books. These exposures primarily arise from mismatches in assets and liabilities denominated in different currencies, principally GBP and USD.

Interest rate risk arises from both trading and investment activities and is managed through limits on portfolio size, duration, stop-loss and mark-to-market (MTM) exposure. The Bank adopts a conservative investment approach, with the following key restrictions:

- Investments are limited to high-quality liquid asset.
- No investment in equity instruments, including AT1 securities.
- Corporate and interbank exposures must be investment grade, based on ratings from Moody's, S&P, or Fitch (subject to limited exceptions for Indian public sector banks).
- All exposures are subject to approved counterparty and concentration limits

The Bank follows a prudent approach to trading activities. Only plain vanilla instruments are permitted; no speculative trading in derivatives or commodities and derivatives are used solely for hedging purposes.

Governance

ALCO provides oversight of market risk and has the authority to review and adjust risk limits, including those relating to duration, foreign exchange exposure, and stop-loss thresholds, in response to changing market conditions.

41] Interest rate risk in banking book ('IRRBB')

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

The potential loss on account of upward movement of interest rates by 2% based on exposure as at 31 March 2026 is $1.36 million (2025: $4.60 million).

42] Liquidity and funding risk

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

Non-derivative financial assets	2026 $'000	2025 $'000
On Demand	218,586	191,349
Due within 3 months	124,162	106,310
Due between 3 to 12 months	298,098	227,777
Due between 1 to 5 years	895,355	739,781
Due after 5 years	60,269	151,403
Total	**1,596,470**	**1,416,620**
Non-derivative financial liabilities		
On Demand	295,874	302,449
Due within 3 months	91,865	75,173
Due between 3 to 12 months	807,233	430,034
Due between 1 to 5 years	23,119	129,424
Due after 5 years	27,307	30,102
Total	**1,245,398**	**967,181**
Derivative financial assets		
On Demand	-	-
Due within 3 months	1,730	156
Due between 3 to 12 months	1,195	-
Due between 1 to 5 years	-	-
Due after 5 years	-	-
Total	**2,925**	**156**
Derivative financial liabilities		
On Demand	-	-
Due within 3 months	16	1,471
Due between 3 to 12 months	-	-
Due between 1 to 5 years	-	-
Due after 5 years	-	-
Total	**16**	**1,471**

43] Capital management

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

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

The Bank maintained capital levels above its regulatory requirements consistently throughout the year.

Please refer to Capital Structure in the Director's report (Page 28) for more information.

44] Events after the balance sheet date

The Bank has assessed its functional currency in accordance with IAS 21, *The Effects of Changes in Foreign Exchange Rates*. Based on this assessment, the Bank has determined that, with effect from FY 2026–27, Pound Sterling (GBP) has been adopted as the Bank's functional currency, replacing the existing functional currency of United States Dollar (USD). The assessment concluded that the transition from USD to GBP has not have any material impact on the Bank's net assets.

Other than the above, there have been no reportable events subsequent to the balance sheet date.

45] Repurchase agreement – non trading

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

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

2026		2025	
Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
$'000	$'000	$'000	$'000
-	-	24,060	20,868
-	-	24,060	20,868

46] Fee and Commission Income

	2026 $'000	2025 $'000
Fee and commission income from providing financial services that are provided over time:		
Locker Fee	428	343
Loan Early Repayment Fee	142	846
Fee and commission income from providing financial services at a point in time:		
Other Fees and Commission	204	243
Total Fee and commission income	774	1,432

47] Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled. The table below presents an analysis of assets and liabilities based on when they are expected to be recovered or settled. Financial instruments have been classified primarily based on their contractual or expected maturity profiles. Derivative financial instruments are classified within 12 months as they are expected to be realised or settled over a short period based on their fair value movements. Non-financial assets, including property, plant and equipment, intangible assets and deferred tax assets, are classified as falling due after 12 months.

As at 31st March 2026 ($'000)

Maturity of Assets & Liabilities	**Within 12 months**	**After 12 months**	**Total**
Assets			
Cash and balances with banks	139,922	-	139,922
Financial assets at fair value through profit or loss	1,014	-	1,014
Derivative financial instruments	2,925	-	2,925
Loans and advances to banks	1,453	-	1,453
Loans and advances to customers	377,438	753,721	1,131,159
Investment securities at amortised cost	5,502	57,697	63,199
Financial assets at amortised cost	384,393	811,418	1,195,811
Financial assets at fair value through other comprehensive income	35,054	75,776	110,830
Right of use lease assets	831	3,563	4,394
Property, plant and equipment	-	1,034	1,034
Intangible assets	-	485	485
Deferred tax assets	-	24,463	24,463
Prepayments and other receivables	1,575	-	1,575
Total assets	**565,714**	**916,739**	**1,482,453**
Liabilities			
Deposits from banks	50,355	-	50,355
Deposits from customers	1,172,556	12,369	1,184,925
Derivative financial instruments	16	-	16
Repurchase agreement – non trading	-	-	0
Lease liability	970	3,633	4,603
Other liabilities	2,182	-	2,182
Subordinated bonds and other borrowed funds	-	30,997	30,997
Total liabilities	**1,226,079**	**46,999**	**1,273,078**
Net Assets	**(660,365)**	**869,740**	**209,375**
Equity			
Share capital	-	319,631	319,631
Fair value reserve	(98)	(25)	(123)
Retained earnings	-	(110,133)	(110,133)
Equity attributable to owners of the Company	(98)	209,473	209,375
Total Equity	**(98)**	**209,473**	**209,375**

48] Country-by-country reporting for the year ended 31 March 2026

Article 89 of the Capital Requirements Directive sets out a Country-by-Country Reporting ('CBCR') obligation on CRD regulated entities. This obligation was transposed into UK law under

Statutory Instrument 2013 No. 3118 Capital Requirements (Country-by-Country Reporting) Regulations 2013.

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

Information disclosed below contains details of corporate income tax paid and received; however, the Bank incurs a range of other taxes which do not form part of this disclosure, including withholding taxes, UK Bank Levy, social security and VAT. If these taxes had been disclosed this would have significantly increased the value of taxes paid by PNBIL during the year ended 31 March 2026.

Country	Turnover	Profit before tax	Corporate income tax (paid)/received	Full time equivalent number of employees
	$'000	$'000	$'000	
United Kingdom	45,304	3,048	-	186

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

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