



PILLAR 3 Disclosures for year ending 31 March 2009 - made along with information available with the annual financial statements

Background

Punjab National Bank (International Ltd (PNBIL) is an UK bank regulated by the Financial Services Authority (FSA) and a wholly owned subsidiary of Punjab National Bank. PNBIL has adopted the guidelines issued under the Basel II regime. The Capital Requirements Directive (Basel II) sets out new disclosure requirements for banks operating under the Framework.

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

Media and Location

The report will be published on the PNBIL corporate website (www.pnbint.com) as part of the Annual Report.

Verification

The Pillar 3 disclosures have been prepared purely for explaining the basis on which the Bank has prepared and disclosed certain capital requirements and information about the management of certain risks and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any judgement on the Bank

The details of the capital base of PNBIL as on 31 March 2009 was as follows:

| | |
|-------------------------------|-----------------|
| Tier I Capital | \$52.62 million |
| Total Capital | \$77.62 million |
| Total required capital | \$45.75 million |
| CRAR % | 25,40 |
| Tier I Capital ratio | 17.20 |

Pillar 1 Capital requirements

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

- Credit risk - Standardised approach
- Operational risk – basic indicator approach
- Market risk - Standardised approach

In line with the regulatory requirements of FSA, Bank has reviewed an existing Internal Capital Adequacy Assessment Process (ICAAP), which is used to estimate the capital requirements in line with the risk appetite of the Bank. The ICAAP is approved by the Board and the Audit, Risk and Compliance Committee.

The bank recognises that providing for capital is not the sole mitigation of Risks it faces. The Bank has thus put in place robust Risk Management policies and monitoring systems and procedures with lays down terms of reference for the various committees overseeing the Risk area. Details may be found in our Annual accounts, copy of which is available in the website of the bank i.e www.pnbint.com.

Pillar 1 Capital requirement under Standardised Credit Risk

The following table shows the Bank's Pillar 1 capital requirement by each of the standardised credit risk exposure classes:

| Standardised Approach - Pillar 1 Capital required as on Asset Classes | 31/03/2009 (in \$ million) |
|--|-----------------------------------|
| Corporate | 19.21 |
| Retail | 1.36 |
| Banks | 19.89 |
| Others | 0.77 |
| TOTAL | 41.23 |

Analysis of Credit Exposures

Analysis of exposure by Industry

| Sector/Industry | Amount |
|------------------------|---------------|
| | \$ million |
| Aeronautical Engg | 7.20 |
| Bank | 233.07 |
| BPO | 10.00 |
| Cement | 7.00 |
| Flavour & Fragrance | 5.98 |
| Gems & Jewellery | 20.41 |
| Helicopter Finance | 8.35 |
| Industrial Fasteners | 9.37 |
| Iron & Steel | 18.97 |
| I T Company | 3.51 |
| Oil & Gas | 6.68 |
| Pharmaceutical | 6.66 |
| Retail | 14.54 |
| Rigs (Oil Extraction) | 9.00 |
| Telecommunication | 6.70 |
| Travel & Tourism | 5.30 |
| Misc | 0.56 |
| | 373.20 |

Geographic distribution of exposures (based on country of residence or domicile) as on 31 March 2009 was as follows

| Country | Amount |
|----------------------|---------------|
| | \$ million |
| UK | 31.70 |
| Other G10 countries | 30.09 |
| Other OECD countries | 21.37 |
| India | 255.8 |
| Others | 34.34 |
| | 373.30 |

Impairment

No Impairment in any asset has been identified as on 31 March 2009

Credit Assessment Institutes

The following ECAI's have been approved by the Board whose rating can be used for all exposure classes.

1. Standard and Poor's
2. Moody's
3. Fitch