



(Authorised and Regulated by the Financial Services Authority)

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PILLAR 3 Disclosures for year ending 31 March 2010 – 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 2010 was as follows:

Tier I Capital	\$81.63 million
Total Capital	\$106.64 million
Total required capital	\$68.72 million
CRAR %	23.69
Tier I Capital ratio	18.13

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 annually reviews its 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 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 – Asset Classes	Pillar 1 Capital required as on 31/03/2010 (in \$ million)
Corporate	55.95
Retail	1.55
Banks	8.70
Others	2.52
TOTAL	68.72

Analysis of Credit Exposures

Analysis of exposure by Industry

Sector/Industry	Amount
	\$ million
Aeronautical Engineering	7.59
Against Our Own Deposit	113.89
Aluminium Manufacturing	11.80
Aviation - Service sector	7.50
Bank	173.37
BPO	9.50
Construction of Barge	6.82
Gems & Jewellery	21.43
Helicopter Finance	7.43
Coal	6.01
Cement	6.30
Hotel Industry	1.77
Infrastructure- Construction & Maintenance	8.01
Iron & Steel	32.61
IT Company	17.45
Non Bank Financial Company	4.56
Manufacture of Industrial Fasteners	9.24
Manufacture of parts for Pharmaceutical Industry	10.00
Manufacture of Peptide Raw Materials	6.00
Oil & Gas	16.47
Packaging	12.00
Paper Manufacturing	10.00
Pharmaceutical	6.09
Pipes Manufacturers	10.00
Processing & Wholesale of Food Products	6.81
Real Estate - Property Development	8.04
Retail Stores	2.00
Shipping & Logistics	8.00
Telecommunication	6.67
Travel & Tourism	5.25
Retail	14.84
Misc	1.80
TOTAL	569.24

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

Country	Amount
	\$ million
UK	171.01
Other G10 countries	35.83
Other OECD countries	45.45
India	266.35
Others	50.60
	569.24

Impairment

Provisions on Loans and receivables has been made to the extent of \$1,29 million in respect of the impairment of a counterparty Bank exposure which is the subject of a restructuring plan.

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