Disclosure under Basel II (Pillar 3) in terms of Revised Capital Adequacy Framework – year ended 31.03.2009

Disclosures in this report pertain to Punjab National Bank (Solo). The Capital to Risk-weighted Assets Ratio (CRAR) of the bank (solo & group) and its four subsidiaries on stand-alone basis are shown separately in para 3.7.

1. Scope of application

1.1 Punjab National Bank is the top bank in the group to which the revised capital adequacy framework applies. The bank has following four subsidiaries:

Sr. No.	Name of the subsidiary	Country of incorporation	Proportion of ownership percentage
i)	PNB Gilts Ltd.	India	74.07
ii)	PNB Housing Finance Ltd.	India	100
iii)	Punjab National Bank (International) Ltd.	United Kingdom	100
iv)	PNB Investment Services Ltd.*	India	100

*Yet to commence business and no capital infused as on 31.03.2009.

The subsidiaries are fully consolidated as per Accounting Standard 21 of Institute of Chartered Accountants of India (ICAI).

1.2 Bank is having 20% or more stake in following entities.

	Name of the Entity	Country of incorporation	Proportion of ownership percentage
i)	Everest Bank Ltd.	Nepal	20%
ii)	UTI Asset Management Co. Ltd.	India	25%
iii)	UTI Trustee Co. Pvt. Ltd	India	25%
iv)	Asset Care Enterprises Ltd.	India	30%
v)	Principal PNB Asset Management Co. Pvt. Ltd	India	30%
vi)	Principal Trustee Co. Pvt. Ltd.	India	30%
vii)	PNB Principal Financial Planners Pvt. Ltd.	India	30%
viii)	PNB Principal Insurance Broking Pvt. Ltd.	India	30%
ix)	Principal PNB Life Insurance Company Ltd.	India	30%
x)	Haryana Gramin Bank	India	35%
xi)	Himachal Gramin Bank	India	35%
xii)	Madhya Bihar Gramin Bank	India	35%
xiii)	Punjab Gramin Bank	India	35%
xiv)	Rajasthan Gramin Bank	India	35%
xv)	Sarva UP Gramin Bank	India	35%

The above entities are consolidated as per Accounting Standard 23 of ICAI.

1.3 The entities as given in para 1.1 and 1.2 are consolidated as per respective Accounting Standards of ICAI and no entity is pro rata consolidated and there is no entity that is neither consolidated nor deducted.

1.4 (Rs in crores)

	31.03.2009	31.03.2008
The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries	There is no capital deficiency in any of the subsidiaries	There is no capital deficiency in any of the subsidiaries

1.5 The bank presently is not involved in insurance manufacturing activity. However, bank has invested in the share capital to the extent of 30% in the following two companies (incorporated in India)

i) PNB Principal Insurance Broking Pvt. Ltd.
ii) Principal PNB Life Insurance Company Ltd.

1.6 PNB Principal Insurance Broking Pvt. Ltd is a company engaged in “Direct Broker” activity as per License granted by Insurance Regulatory & Development Authority (IRDA). The paid up capital of the company is Rs.5 crores and bank’s stake is Rs.1.50 crores. Bank has decided to off load the investment made in the share capital of the company.

1.7 Principal PNB Life Insurance Company Ltd. is incorporated with an authorized capital of Rs.110 crore to commence life insurance business. The paid-up capital of the company is Rs.2 crore and bank’s stake is Rs.0.60 crore. This Company has not operationalised its business and is not doing any underwriting work. It has not been issued a license. IRDA has directed to wind up the Company.

2. Capital Structure

2.1 Bank’s Tier I capital comprises of Equity Shares, Reserves and Innovative Perpetual Bonds.

2.2 Bank has issued Innovative Perpetual Bonds (Tier 1 capital) and also other bonds eligible for inclusion in Tier 2 capital. Some of the important terms of the bonds are as under:

a. Perpetual Unsecured Non-Convertible Subordinated Bonds in the nature of Promissory Notes (Tier I bonds)

Series	Date of Allotment	Bond Amount (Rs in Crs)	Coupon Rate*	Tenor	Call option*	Put Option
I	20.07.2007	500	10.40% annual for first 10 Years. Step up Coupon Rate of 10.90% annual for all subsequent years if call option is not exercised at the end of 10th year from	Perpetual	At par at the end of 10th year from date of allotment and thereafter on each	None

			the date of allotment		coupon date (with prior RBI permission)	
II	11.12.2007	300	9.75% annual for first 10 years. Step up Coupon Rate of 10.25% annual for all subsequent years if call option is not exercised at the end of 10th year from the date of allotment.	Perpetual	At par at the end of 10th year from date of allotment and thereafter on each coupon date (with prior RBI permission)	None
III	18.01.2008	300	9.45% annual for first 10 years. Step up Coupon Rate of 9.95% annual for all subsequent years if call option is not exercised at the end of 10th year from the date of allotment	Perpetual	At par at the end of 10th year from date of allotment and thereafter on each coupon date (with prior RBI permission)	None
IV	19.01.2009	220.50	8.90% annual for first 10 years. Step up Coupon Rate of 9.40% annual for all subsequent years if call option is not exercised at the end of 10th year from the date of allotment.	Perpetual	At par at the end of 10th year from date of allotment and thereafter on each coupon date (with prior RBI permission)	None
Total		1320.50				

* subject to RBI guidelines

b. Unsecured Redeemable Non-Convertible Subordinated Bonds in the nature of Promissory Notes (Upper Tier 2 bonds).

Series	Date of Allotment	Bond Amount (Rs. in crores)	Coupon Rate*	Tenor	Call Option*	Put Option	Redemption/ Maturity*
I	08.12.2006	500	Interest at the rate of 8.80% p.a. payable annually. If the call option is not exercised at the end of 10th year from date of allotment then the bonds shall carry the interest of 9.30% payable annually for the last five years i.e. 11th to 15th year	15 years	At par at the end of 10th year from the date of allotment (with prior RBI permission)	None	At par at the end of the 15th year from the date of allotment, if the call option is not exercised at the end of 10th year.
II	12.12.2007	500	Interest at the rate of 9.35% p.a. payable annually. If the call option is not exercised at the end of 10th year from date of allotment then the bonds shall carry the interest of 9.85% payable annually for the last five years i.e. 11th to 15th year	15 years	At par at the end of 10th year from the date of allotment (with prior RBI permission)	None	At par at the end of the 15th year from the date of allotment, if the call option is not exercised at the end of 10th year.
III	05.03.2008	510	Interest at the rate of 9.35% p.a. payable annually. If the call option is not exercised at the end of 10th year from date of allotment then the bonds shall	15 years	At par at the end of 10th year from the date of allotment (with prior RBI permission)	None	At par at the end of the 15th year from the date of allotment, if the call option is not exercised at the end of 10th year.

			carry the interest of 9.85% payable annually for the last five years i.e. 11^{th} to 15^{th} year				
IV	27.03.2008	600	Interest at the rate of 9.45% p.a. payable annually. If the call option is not exercised at the end of 10^{th} year from date of allotment then the bonds shall carry the interest of 9.95% payable annually for the last five years i.e. 11^{th} to 15^{th} year	15 years	At par at the end of 10^{th} year from the date of allotment (with prior RBI permission)	None	At par at the end of the 15th year from the date of allotment, if the call option is not exercised at the end of 10^{th} year.
V	29.09.2008	500	Interest will be paid at the rate of 10.85% p.a. payable annually. If the call option is not exercised at the end of 10^{th} year from the date of allotment then the bonds shall carry the interest of 11.35% payable annually for the last five years i.e. 11^{th} to 15^{th} year.	15 years	At par at the end of 10^{th} year from the date of allotment (with prior RBI permission)	None	At par at the end pf the 15^{th} year from the date of allotment, if the call is not exercised at the end of 10^{th} year.
VI	22.12.2008	500	Interest will be paid at the rate of 8.95% p.a. payable annually. If the call option is not exercised at the end of 10^{th} year from the date of allotment then the bonds shall carry the interest of 9.45% payable annually for the last five years i.e. 11^{th} to 15^{th} year.	15 years	At par at the end of 10^{th} year from the date of allotment (with prior RBI permission	None	At par at the end pf the 15^{th} year from the date of allotment, if the call is not exercised at the end of 10^{th} year.
VII	18.02.2009	1000	Interest will be paid at the rate of 9.15% p.a. payable annually. If the call option is not exercised at the end of 10^{th} year from the date of allotment then the bonds shall carry the interest of 9.65% payable annually for the last five years i.e. 11^{th} to 15^{th} year.	15 years	At par at the end of 10^{th} year from the date of allotment (with prior RBI permission	None	At par at the end pf the 15^{th} year from the date of allotment, if the call is not exercised at the end of 10^{th} year
Total		4110					

*****subject to RBI guidelines

c. Unsecured Redeemable Non Convertible Subordinated Bonds in the nature of Promissory Notes (Tier 2 bonds):

Sr. No.	Series	Date of Allotment	Bond Amount (Rs in Crs)	Coupon Rate (% p.a. payable annually)	Tenor (in months)	Date of Maturity
i)	VIII (i)	18.07.2002	95.00	8.30	81	18.4.2009
ii)	VIII (ii)	18.07.2002	295.00	8.80	117	18.4.2012
iii)	IX	04.09.2003	265.00	5.80	116	04.5.2013
iv)	X	08.03.2004	500.00	5.90	111	08.6.2013
v)	XI	16.06.2006	884.80	8.45	118	16.4.2016
vi)	XII	16.08.2006	115.00	9.15	116	16.4.2016
vii)	XIII	08.09.2006	500.00	8.95	115	08.4.2016
Total			2654.80			

2.3 The Tier 1 capital of the bank comprises:

(Rs in Crores)

	Particulars	31.03.2009	31.03.2008
i)	Paid up share capital	315.30	315.30
ii)	Reserves (excluding revaluation reserves)	12717.48	10467.35
iii)	Innovative Perpetual Bonds	1320.50	1100.00
iv)	Other Capital Instruments	--	--
Deductions			
v)	Equity Investment in subsidiaries (50%)	222.44	158.51
vi)	Intangible Assets (Deferred Tax Assets + Computer Software)	330.92	264.30
Tier I Capital (i + ii + iii + iv –v –vi)		13799.92	11459.84

2.4 The amount of Tier 2 capital (net of deductions) is:

(Rs. in crores)

Particulars	31.03.2009	31.03.2008
The amount of Tier 2 capital (net of deductions)	7769.85	5737.50

2.4.1 The debt capital instruments eligible for inclusion in Upper Tier 2 capital are:

(Rs in Crores)

Particulars	31.03.2009	31.03.2008
Total amount outstanding	4110.00	2110.00
Of which amount raised during the current year	2000.00	1610.00
Amount eligible to be reckoned as capital funds	4110.00	2110.00

2.4.2 The subordinated debts eligible for inclusion in Lower Tier 2 capital is:

(Rs in Crores)

	31.03.2009	31.03.2008
Total amount outstanding	2654.80	2954.80
Of which amount raised during the current year	0.00	0.00
Amount eligible to be reckoned as capital funds	2288.80	2519.80

2.5 **O**ther deductions from capital, if any:

(Rs in Crores)

	31.03.2009	31.03.2008
Other deductions from capital, if any:	NIL	NIL

2.6 The total eligible capital comprises:

(Rs in Crores)

	31.03.2009	31.03.2008
Tier – I Capital	13799.92	11459.84
Tier – II Capital	7769.85	5737.50
Total Capital	21569.77	17197.34

3. Capital Adequacy

3.1 Credit Risk Management

3.1.1 Bank has developed comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. The risk rating system is drawn up in a structured manner, incorporating different factors such as borrower's specific characteristics, industry specific characteristics etc. Risk rating system is being applied to the loan accounts with total limits above Rs.50 lacs. Bank is undertaking periodic validation exercise of its rating models and also conducting migration and default rate analysis to test robustness of its rating models.

Small loan and retail advances are subjected to Scoring models where "Accept/ Reject" decisions are also based on the score obtained. All retail loan applications are necessarily to be evaluated under score card system. Scoring models for remaining sectors like SME segments have been developed and are under testing stage. The bank plans to cover each borrowal account to be evaluated under rating/ score framework.

Understanding the need of technology platform in data handling and analytics for risk management, the bank has placed both the systems at central server network. All these models can be assessed by the users 'on line' through any office of the bank..

Additionally, to monitor the default rates, the pool/segment rating methodology is applied to the retails/ small loan portfolio. Default rates are assigned to identified pool/segment to monitor the trends of historical defaults. The pools are created based on homogeneity.

For monitoring the health of borrowal accounts at regular intervals, bank has put in place a tool called Preventive Monitoring System (PMS) for detection of early warning signals with a view to prevent/minimize the loan losses.

Bank is also developing framework for estimating LGD (Loss Given Default) and EAD (Exposure at Default) and also the framework for identifying concentration risk. A data warehouse is being established for effective data management and use of application tools for quantification of risks.

The bank has developed detailed document called Internal Capital Adequacy Assessment Process (ICAAP) which takes care of residual risks assessment and also adequacy of pillar I capital calculations. The bank has also developed policies like collateral management and credit risk mitigation, stress testing, etc.

3.1.2 As an integral part of Risk Management System, the bank has put in place a well-defined Loan Review Mechanism (LRM). This helps in to bring about qualitative improvements in credit administration. A separate independent Division known as Credit Audit & Review Division has been formed to ensure LRM implementation

3.1.3 The credit risk ratings are vetted/confirmed by an independent authority. The risk rating and vetting process are done independent of credit appraisal function to ensure its integrity and independency.

All loan proposals falling under the powers of GM & above at HO and circle head at field are routed through Credit Committee. The committee will consist of one representative each from risk management department, Credit Department and one representative from an area not connected with credit. The proposals shall be deliberated in the Credit Committee from business objectives, risk management objectives, and policies perspectives.

The rating category wise portfolio of loan assets is reviewed on quarterly basis to analyze mix of quality of assets etc.

3.1.4 In order to provide a robust risk management structure, the Credit Management and Risk policy of the bank aims to provide a basic framework for implementation of sound credit risk management system in the bank. It deals with various areas of credit risk, goals to be achieved, current practices and future strategies.

Though the bank has implemented the Standardized Approach of credit risk, yet the bank shall continue its journey towards adopting Internal Rating Based Approaches. As such, the credit policy deals with short term implementation as well as long term approach to credit risk management. The policy of the bank embodies in itself the areas of risk identification, risk measurement, risk grading techniques, reporting and risk control systems /mitigation techniques, documentation practice and the system for management of problem loans.

3.2 Market Risk & Liquidity Risk

The objective of investment policy covering various facet of market risk, is to assess and minimize risks associated with treasury operations by extensive use of risk management tools. Broadly, it encompasses policy prescriptions for managing systemic risk, credit risk, market risk, operational risk and liquidity risk in treasury operations.

3.2.1 For market risk arising out of various products in trading book of the bank and its business activities, the bank sets regulatory / internal limits and ensures adherence thereof. Migration of credit ratings of investment portfolio is tracked regularly. Limits for exposures to counter-parties, industries and countries are monitored and the risks are controlled through Stop Loss Limits, Overnight limit, Daylight limit, Aggregate Gap limit, Individual gap limit, Value at Risk (VaR) limit for Forex, Inter-Bank dealing and investment limits etc.

3.2.2 For the Market Risk Management of the bank, it has a Mid-Office with separate Desks for Treasury & Asset Liability Management (ALM).

3.2.3 Asset Liability Management Committee (ALCO) is primarily responsible for establishing the market risk management, asset liability management of the bank, procedures thereof, implementing risk management guidelines issued by regulator, best risk management practices followed globally and ensuring that internal parameters, procedures, practices/policies and risk management prudential limits are adhered to.

3.2.4 The policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants are discussed in ALCO and based on views taken by / mandates of ALCO, hedge deals are undertaken.

3.2.5 Liquidity risk of the bank is assessed through gap analysis for maturity mismatch based on residual maturity in different time buckets as well as various liquidity ratios and management of the same is done within the prudential limits fixed thereon. Further bank is also monitoring the liquidity position through various stock ratios. The bank is proactively using duration gap and interest rate forecasting to minimize the impact of interest rate changes. Advance techniques such as Stress testing, simulation, sensitivity analysis etc. are conducted on regular intervals to draw the contingency funding plan under different liquidity scenarios.

3.3 Operational Risk

Bank has put in place detailed framework of Operational Risk Management with a well-defined ORM Policy. The bank has a separate Operational Risk Management Department under overall supervision of Operational Risk Management Committee (ORMC) headed by CMD is the top-level functional committee for operational risk. All the operational risk aspects like analysis of historical loss data (including near miss events, attempted frauds & robberies, external loss events), etc. are placed to the ORMC on quarterly basis.

3.4 The capital requirements for credit risk:are:

(Rs. in crores)

	31.03.2009	31.03.2008
Portfolios subject to standardised approach	12025.00	9913.06
Securitization exposure	NIL	NIL

3.5 The capital requirements for market risk (under standardised duration approach) are:

(Rs. in crores)

Risk Category	31.03.2009	31.03.2008
i) Interest Rate Risk	353.25	438.41
ii) Foreign Exchange Risk (including Gold)	9.00	9.00
iii) Equity Risk	279.33	166.38
iv) Total capital charge for market risks under Standardised duration approach (i + ii + iii)	641.58	613.79

3.6 The capital requirement for operational risk under Basic indicator approach is :

(Rs. in crores)

Capital requirement for operational risk	31.03.2009	31.03.2008
Basic indicator approach	1165.60	974.62

3.7 The capital ratios of the bank, (solo & group) and subsidiaries are:

Punjab National Bank (Solo)

	31.03.2009	31.03.2008
CRAR%	14.03%	13.46%
CRAR – Tier I capital (%)	8.98%	8.97%
CRAR – Tier II capital (%)	5.05%	4.49%

Punjab National Bank (Group)

	31.03.2009	31.03.2008
CRAR%	14.27%	13.86%
CRAR – Tier I capital (%)	9.21%	9.33%
CRAR – Tier II capital (%)	5.06%	4.53%

Subsidiaries:

Name of subsidiary	CRAR – Tier I capital (%)		CRAR – Tier II capital (%)		CRAR%	
	31.03.2009	31.03.2008	31.03.2009	31.03.2008	31.03.2009	31.03.2008
PNB Gilts Ltd	25.96%	34.55%	NIL	NIL	25.96%	34.55%
PNB Housing Finance Ltd	11.30%	10.32%	6.19%	6.96%	17.49%	17.28%
Punjab National Bank (International) Ltd.	17.20%	56.02%	8.20%	NIL	25.40%	56.02%
PNB Investment Services Ltd.*	NIL	NIL	NIL	NIL	NIL	NIL

*Yet to commence business and no capital infused as on 31.03.2009.

4. Credit risk: general disclosures

4.1 Any amount due to the bank under any credit facility is overdue if it is not paid on the due date fixed by the bank. Further, an impaired asset is a loan or an advance where**:**

(i) interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan.

(ii) the account remains out of order in respect of an overdraft/cash credit:

- if the outstanding balance remains continuously in excess of the limit/drawing power.

- in cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period

(iii) in case of bills purchased & discounted, if the bill remains overdue for a period of more than 90 days

(iv) the instalment or principal or interest thereon remains overdue for two crop seasons for short duration and the instalment of principal or interest thereon remains overdue for one crop season for long duration crops.

4.2 Credit approving authority, prudential exposure limits, industry exposure limits, credit risk rating system, risk based pricing and loan review mechanisms are the tools used by the bank for credit risk management. All these tools have been defined in the Credit Management & Risk Policy of the bank. At the macro level, policy document is an embodiment of the Bank's approach to understand, measure and manage the credit risk and aims at ensuring sustained growth of healthy loan portfolio while dispensing the credit and managing the risk. Credit risk is measured for each borrower through sophisticated models, which are regularly tested for their predictive ability as per best practices.

4.3 The total gross credit risk exposures are:

(Rs in Crores)

Category	31.03.2009	31.03.2008
Fund Based	156098.45	120931.96
Non Fund Based	42241.11	30616.01

4.4 The geographic distribution of exposures is:

(Rs in Crores)

Category	Overseas		Domestic	
	31.03.2009	31.03.2008	31.03.2009	31.032008
Fund Based	3825.00	282.79	152273.45	120649.17
Non-fund based	162.91	27.30	42078.20	30588.71

4.5. (a) Industry type distribution of exposures (Fund Based) is as under:

(Rs. in crores)

S.NO.	CODE	INDUSTRY	31.03.2009		31.03.2008	
1	1	COAL		14.99		13.73
2	2	MINING		738.89		582.78
3	3	IRON AND STEEL		7118.49		7855.75

4	4	OTHER METAL & METAL PRODUCTS		865.23		958.36
5	5	ALL ENGINEERING		3304.38		3408.42
	5.1	Of which (005) Electronics	809.13		992.43	0.00
6	6	ELECTRICITY		5003.46		4826.29
7	7	COTTON TEXTILES		1555.03		2277.27
8	8	JUTE TEXTILTES		98.87		62.25
9	9	OTHER TEXTILES		2554.63		3270.66
10	10	SUGAR		2319.00		2448.38
11	11	TEA		6.02		6.08
12	12	FOOD PROCESSING		2763.95		1570.64
13	13	VEGETABLE OILS AND VANASPATI		522.87		682.33
14	14	TOBACCO & TOBACCO PRODUCTS		13.89		15.02
15	15	PAPER & PAPER PRODUCTS		963.32		1145.80
16	16	RUBBER & RUBBER PRODUCTS		114.02		149.15
17	17	CHEMICALS, DYES, PAINTS, ETC.		2282.42		2780.11
	17.1	Of which Fertilisers	166.85		640.81	0.00
	17.2	Of which Petro-chemicals	451.48		386.33	0.00
	17.3	Of which Drugs & Pharmaceuticals	1111.06		1079.69	0.00
18	18	CEMENT		794.00		1253.73
19	19	LEATHER & LEATHER PRODUCTS		344.44		452.99
20	20	GEMS AND JEWELLERY		624.00		597.93
21	21	CONSTRUCTION		3868.50		2546.98
22	22	PETROLEUM		564.20		2065.02
23	23	AUTOMOBILES INCLUDING TRUCKS		448.90		358.60
24	24	COMPUTER SOFTWARE		32.45		50.07
25	25	INFRASTRUCTURE		22082.58		6711.39
	25.1	Of which Power	4681.49		295.95	0.00
	25.2	Of which Telecommunications	6772.86		1248.93	0.00
	25.3	Of which Roads & Ports	3080.48		2058.79	0.00
26	26	NBFCs		6158.37		5878.87
27	27	TRADING		1786.91		1262.67
28	28	OTHER INDUSTRIES		9719.78		7590.16
		TOTAL		76663.58		60821.43
29	29	Residuary Other Advances		79434.87		60110.53
		GRAND TOTAL		156098.45		120931.96
						0.00
		Industry exposure is more than 5% of gross fund				0.00

		based exposure				
1	3	IRON AND STEEL				7855.75
2.	25.	INFRASTRUCTURE		22082.58		

(b) - Industry type distribution of exposures (Non Fund Based) is as under:

(Rs. in crores)

S.NO.	CODE	INDUSTRY	31.03.2009		31.03.2008	
1	1	COAL		22.63		27.66
2	2	MINING		1330.06		325.00
3	3	IRON AND STEEL		6662.52		5675.19
4	4	OTHER METAL & METAL PRODUCTS		126.31		144.76
5	5	ALL ENGINEERING		3226.49		2677.79
	5.1	Of which (005) Electronics	391.95		286.53	0.00
6	6	ELECTRICITY		253.25		3.93
7	7	COTTON TEXTILES		192.21		169.26
8	8	JUTE TEXTILTES		24.95		11.55
9	9	OTHER TEXTILES		543.16		447.39
10	10	SUGAR		326.94		258.83
11	11	TEA		0.00		2.32
12	12	FOOD PROCESSING		459.04		149.50
13	13	VEGETABLE OILS AND VANASPATI		374.01		524.01
14	14	TOBACCO & TOBACCO PRODUCTS		6.03		5.48
15	15	PAPER & PAPER PRODUCTS		73.64		59.16
16	16	RUBBER & RUBBER PRODUCTS		38.56		56.28
17	17	CHEMICALS, DYES, PAINTS, ETC.		1747.91		895.48
	17.1	Of which Fertilisers	868.26		187.70	0.00
	17.2	Of which Petro-chemicals	300.64		176.24	0.00
	17.3	Of which Drugs & Pharmaceuticals	247.11		236.22	0.00
18	18	CEMENT		1001.52		126.89
19	19	LEATHER & LEATHER PRODUCTS		368.31		31.51
20	20	GEMS AND JEWELLERY		240.24		14.37
21	21	CONSTRUCTION		301.67		649.08
22	22	PETROLEUM		122.52		1149.86
23	23	AUTOMOBILES INCLUDING TRUCKS		282.34		203.70
24	24	COMPUTER SOFTWARE		1.03		17.60
25	25	INFRASTRUCTURE		7935.34		3939.94
	25.1	Of which Power	1360.29		1107.12	0.00
	25.2	Of which	3459.39		281.80	0.00

		Telecommunications				
	25.3	Of which Roads & Ports	999.27		1213.9 0	0.00
26	26	NBFCs		868.35		24.41
27	27	TRADING		3628.55		1931.81
28	28	OTHER INDUSTRIES		4262.36		1942.90
		TOTAL		34419.96		21465.66
29	29	Residuary Other Advances		7821.15		9150.35
		GRAND TOTAL		42241.11		30616.01
		Industry where non- fund based outstanding is more than 5% of gross non-fund based outstanding.				0.00
1	3	IRON AND STEEL		6662.52		5675.19
2	27	TRADING		3628.55		
2	5	ALL ENGINEERING		3226.49		2677.79

4. 6 The residual contractual maturity break down of assets is:

(Rs in Crores)

Maturity Pattern	Advances*	Investments (gross)	Foreign Currency Assets*
Next day	3770.72 (1156.11)	30.00 (0.00)	129.77 (242.80)
2 - 7 days	3885.62 (2771.30)	1048.20 (252.36)	683.76 (85.15)
8 -14 days	3561.19 (4405.91)	19.54 (110.69)	148.65 (100.58)
15- 28 days	5356.90 (3198.21)	888.69 (783.81)	764.82 (216.96)
29days - 3months	9196.65 (6761.40)	2037.16 (1227.04)	1427.33 (814.73)
>3months-6months	9100.17 (5899.85)	2252.52 (1648.69)	2459.33 (1242.07)
>6months-1yr	19826.42 (11310.24)	2450.11 (2720.24)	1064.97 (230.13)
>1yr-3yrs	64585.98 (54597.30)	7119.31 (8686.87)	884.92 (350.17)
>3yrs-5yrs	18754.76 (13889.11)	11273.97 (8819.48)	727.19 (360.51)
>5yrs	16664.58 (15512.14)	36641.15 (30662.73)	245.70 (336.96)
Total	154702.99 (119501.57)	63760.65 (54911.91)	8536.44 (3980.06)

***Figures are shown on net basis**
(Figures in brackets relate to previous year)

4.7 The gross NPAs are:

(Rs. in Crores)

Category	31.03.2009	31.03.2008
Sub Standard	1048.24	1377.37
Doubtful – 1	406.36	709.63
Doubtful – 2	588.94	372.85
Doubtful – 3	168.16	390.92
Loss	555.76	468.53
Total NPAs (Gross)	2767.46	3319.30

4.8. The amount of net NPAs is:

(Rs. in Crores)

Particulars	31.03.2009	31.03.2008
Net NPA	263.85	753.78

4.9 The NPA ratios are as under:

NPA Ratios	31.03.2009	31.03.2008
% of Gross NPAs to Gross Advances	1.77%	2.74%
% of Net NPAs to Net Advances	0.17%	0.64%

4.10 The movement of gross NPAs is as under:

(Rs. in Crores)

Movement of grosss NPAs	31.03.2009	31.03.2008
i) Opening Balance at the beginning of the year	3319.30	3390.72
ii) Addition during the year	1731.13	1953.19
iii) Reduction during the year	2282.97	2024.61
iv) Closing Balance as at the end of the year (i + ii - iii)	2767.46	3319.30

4.11 The movement of provision for NPAs is as under:

(Rs in Crores)

Movement of provision for NPAs	31.03.2009	31.03.2008
i) Opening Balance at the beginning of the year	2212.55	2280.14
ii) Provisions made during the year	1016.40	1026.36
iii) Write-off made during the year	466.05	620.85
iv) Write –back of excess provisions made during the year	547.49	473.10
v) Closing Balance as at the end of the year (i + ii - iii-iv)	2215.41	2212.55

4.12 The amount of non-performing investment is:

(Rs. in crores)

Particulars	31.03.2009	31.03.2008
Amount of non-performing investment	115.53	113.02

4.13 The amount of provisions held for non-performing investment is:

(Rs. in crores)

Particulars	31.03.2009	31.03.2008
Amount of provision held for non-performing investment	115.53	113.02

4.14 The movement of provisions for depreciation on investments is as under:

(Rs in Crores)

Movement of provisions for depreciation on investments	31.03.2009	31.03.2008
i) Opening balance at the beginning of the year	920.20	1324.96
ii) Provisions made during the year	0.00	46.06
iii) Write-off made during the year	0.00	0.00
iv) Write-back of excess provisions made during the year	544.73	450.82
v) Closing balance as at the end of the year (i + ii –iii-iv)	375.47	920.20

5. Credit Risk: disclosure for portfolios subject to the standardised approach

5.1 Bank has approved the following 4 domestic credit rating agencies accredited by RBI for mapping its exposure with domestic borrowers under standardized approach of credit risk

- CRISIL
- CARE
- FITCH India
- ICRA

Bank has also approved the following 3 international credit rating agencies accredited by RBI

- Standard & Poor
- Moody’s
- FITCH

No agency has been added/deleted by the Bank during the year.

5.2. The ratings available in public domain are mapped according to mapping process, as envisaged in RBI guidelines on the subject.

5.3.The exposure amounts after risk mitigation (subject to the standardised approach) in different risk buckets are as under:

(Rs in Crores)

Particulars	31.03.2009	31.03.2008
i) Below 100% risk weight exposure outstanding	103757.71	78576.94
ii) 100% risk weight exposure outstanding	86034.18	70392.29
iii) More than 100% risk weight exposure outstanding	7584.87	12583.01
iv) Deducted	NIL	5006.33

6 Credit Risk Mitigation: disclosures for standardised approaches

6.1. A comprehensive policy on collateral management and credit risk mitigation is in place duly approved by the Board.

6.2 The collaterals used by the Bank as the risk mitigant (for capital calculation under standardized approach) comprise of the financial collaterals (i.e. bank deposits, govt./postal securities, life policies, gold jewellery, units of mutual funds etc.). A detailed process of calculation of correct valuation and application of haircut thereon has been put in place by developing a suitable software system.

6.3 Guarantees which are direct, explicit, irrevocable and unconditional, are taken into consideration by Bank for calculating capital requirement. Use of such guarantees for capital calculation purposes is strictly as per RBI guidelines on the subject.

6.4 Majority of financial collaterals held by the Bank are by way of own deposits and government securities, which do not have any issue in realization. As such, thee is no risk concentration on account of nature of collaterals.

6.5 The total exposure for disclosed credit risk portfolio (under the standardized approach) is covered by:

(Rs. in crores)

	31.03.2009	31.03.2008
Eligible financial collateral after the application of haircuts.	10756.62	5006.33

7. Securitisation: disclosure for standardized approach

Bank does not have any securitisation exposure.

8. Market Risk in Trading Book

8.1 Bank has adopted the Standardised Duration Approach as prescribed by RBI for computation of capital charge for market risk and is already fully compliant with such RBI guidelines. Bank is now preparing itself for the Advanced Approach based on a Value at Risk (VaR) model, which is under implementation.

8.2 The capital requirements for market risk are as under:

(Rs. in crores)

Risk Category	31.03.2009	31.03.2008
i) Interest Rate Risk	353.25	438.41
ii) Equity Position Risk	279.33	166.38
iii) Foreign Exchange Risk (including Gold)	9.00	9.00
iv)Total capital charge for market risks under Standardised duration approach (i+ii+iii)	641.58	613.79

9. Operational Risk

As per RBI directives, the bank has been maintaining capital for operational risk under Basic Indicator approach (BIA) w.e.f. 31.03.2008. The capital requirement as per BIA is Rs. 1165.60 crores as on 31.03.2009.

10. Interest rate risk in the banking book (IRRBB)

10.1 Interest rate risk is managed through gap analysis and duration gap analysis. Prudential limits have been fixed for impact on net Interest Income (NII), Net Interest margin (NIM), Minimum ROA and Minimum Duration gap for the Bank.

10.2 The tools used are:

10.2.1 Earning Approach – (Interest rate sensitivity Statement- Net Gaps)

Table 1: Interest rate sensitivity - net gaps (Rs Cr)

Maturity Period	Gap (RSA-RSL)	Other Products * (Int. rate)	Net Gap (1-2)	Total Assets	Net Gaps as % to Total Assets
	1	2	3	4	5
1-28 days	4941.93	1000.00	3941.93	19418.71	20%
29 days – 3 months	59151.72	-200.00	59351.72	74167.89	80%
>3 to 6 months	-76938.37	0.00	-76938.37	8528.35	-902%
>6 to 12 months	-24143.18	-50.00	-24093.18	12760.63	-189%
>1 to 3 yrs.	11354.50	-750.00	12104.50	40611.17	30%
>3 to 5 yrs.	14819.56	0.00	14819.56	21015.23	71%
Over 5 yrs.	31645.74	0.00	31645.74	43245.78	73%

* Other products include: FRAs, Swaps, Futures, Options & other derivatives

The repricing assumptions on assets and liabilities are taken as per RBI guidelines. The sensitive portion of saving fund deposit is assumed to be repriced in 29 days to 3 months whereas the floating rate advances are also assumed to be repriced in 29 days to 3 months.

Earning at Risk: Impact of 0.5 % change upward/downward in interest rate on NII

(Rs. in crores)

Remaining Period	Expected Gain on NII with change in rate of interest downward at 0.5%	Expected Loss on NII with change in rate of interest upward at 0.5%
Up to 6 months	60.33	60.33
Upto 1 year	3.89	3.89

10.2.2 Economic Value Approach:

The economic value i.e. impact on the capital fund due to change in interest rate by 200 bps on the economic value is assessed on regular intervals through duration gap method. As a prudential measure a limit has been fixed for net duration gap of the assets and liabilities and the same is monitored at regular intervals.