Disclosure under Basel II (Pillar 3) in terms of Revised Capital Adequacy Framework – for year ending 31.03.2010

Disclosures in this report pertain to Punjab National Bank (Solo). The Capital to Risk-weighted Assets Ratio (CRAR) of the bank and its five 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 five 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	74.00
iii)	Punjab National Bank (International) Ltd.	United Kingdom	100.00
iv)	PNB Investment Services Ltd.	India	100.00
v)	Druk PNB Bank Ltd.	Bhutan	51.00

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)	Asset Care Enterprises Ltd.	India	30%
iii)	Principal PNB Asset Management Co. Pvt. Ltd	India	30%
iv)	Principal Trustee Co. Pvt. Ltd.	India	30%
v)	PNB Principal Financial Planners Pvt. Ltd.	India	30%
vi)	PNB Principal Insurance Broking Pvt. Ltd.	India	30%
vii)	Principal PNB Life Insurance Company Ltd.	India	30%
viii)	India Factoring and Finance Solutions Pvt. Ltd.#	India	30%
ix)	Haryana Gramin Bank	India	35%
x)	Himachal Gramin Bank	India	35%
xi)	Madhya Bihar Gramin Bank	India	35%
xii)	Punjab Gramin Bank	India	35%
xiii)	Rajasthan Gramin Bank	India	35%
xiv)	Sarva UP Gramin Bank	India	35%
xv	UTI Asset management Co.Ltd.(up to 20.1.10)*	India	*
xvi	UTI Trustee Co. Pvt. Ltd. (up to 20. 1.10)*	India	*

#not yet operationalised

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

1.3 The Bank has sold 6.5% of its stake in UTI Assets Management Co. Ltd. and UTI Trustee Pvt. Ltd. on 20.01.2010 thus bringing down its stake in both these companies to 18.5%. *

1.4 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.

1.5 (Rs in crores)

Particulars	31.03.2010	31.03.2009
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

1.6 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 insurance related joint ventures:

S. No.	Name of the company	Country of Incorporation	Proportion of ownership	Book value (Rs./crore)
1.	PNB Principal Insurance Broking Pvt. Ltd.	India	30%	1.50
2.	Principal PNB Life Insurance Company Ltd.	India	30%	0.60

1.7 PNB Principal Insurance Broking Pvt. Ltd is a company licensed by Insurance Regulatory & Development Authority (IRDA) to carry out “Direct Broker” activity. The paid up capital of the company is Rs.5 crores and bank’s stake is Rs.1.50 crores.

1.8 Principal PNB Life Insurance Company Ltd. is incorporated with an authorized capital of Rs.110.00 crore to commence life insurance business. The paid-up capital of the company is Rs.2.00 crore and bank’s stake is Rs.0.60 crore. This Company has not operationalised its business and its request for registration has been rejected as its request for registration has been rejected by IRDA who have directed to wind up the Company.

1.9 The Principal Group has put forth a proposal to PNB whereby:

a. PNB would acquire entire shares of other shareholders in the Insurance Broking JV and Life Insurance JV.

b. PNB to continue and maintain 30% stake in Assets Management JV, Trustee Company JV and Financial Planners JV.

The process of restructuring of JVs with the Principal Group is under active consideration of the Bank.

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 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
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
V	28.08.2009	500	9.15% annual for first 10 years. Step up Coupon Rate of 9.65% 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
VI	27.11.2009	200	9.00% annual for first 10 years. Step up Coupon Rate of 9.50% annual for all subsequent years if call	Perpetual	At par at the end of 10th year from date of allotment	None

			option is not exercised at the end of 10th year from the date of allotment.		and thereafter on each coupon date (with prior RBI permission)	
TOTAL		2020.50				

* 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 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.
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 10th year from date of allotment then the bonds shall carry the interest of 9.95% 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.
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 10th 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. 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 pf the 15th year from the date of allotment, if the call is not exercised at the end of 10th year.
VI	22.12.2008	500	Interest will be paid at the rate of 8.95% p.a.	15 years	At par at the end of 10th year	None	At par at the end pf the 15th year

			payable annually. If the call option is not exercised at the end of 10th 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. 11th to 15th year.		from the date of allotment (with prior RBI permission		from the date of allotment, if the call is not exercised at the end of 10th 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 10th 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. 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 pf the 15th year from the date of allotment, if the call is not exercised at the end of 10th year
VIII	21.04.2009	500	Interest will be paid at the rate of 8.80% p.a. payable annually. If the call option is not exercised at the end of 10th year from the 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 pf the 15th year from the date of allotment, if the call is not exercised at the end of 10th year
IX	04.06.2009	500	Interest will be paid at the rate of 8.37% p.a. payable annually. If the call option is not exercised at the end of 10th year from the date of allotment then the bonds shall carry the interest of 8.87% 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 pf the 15th year from the date of allotment, if the call is not exercised at the end of 10th year
X	09.09.2009	500	Interest will be paid at the rate of 8.60% p.a. payable annually. If the call option is not exercised at the end of 10th year from the date of allotment then the bonds shall carry the interest of 9.10% 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 pf the 15th year from the date of allotment, if the call is not exercised at the end of 10th year
XI	27.11.2009	500	Interest will be paid at the rate of 8.50% p.a. payable annually. If the call option is not exercised at the end of 10th year from the date of allotment then the bonds shall carry the interest of 8.87% 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 pf the 15th year from the date of allotment, if the call is not exercised at the end of 10th year
Total		6110.00					

*****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 (ii)	18.07.2002	295.00	8.80	117	18.4.2012
ii)	IX	04.09.2003	265.00	5.80	116	04.5.2013
iii)	X	08.03.2004	500.00	5.90	111	08.6.2013
iv)	XI	16.06.2006	884.80	8.45	118	16.4.2016
v)	XII	16.08.2006	115.00	9.15	116	16.4.2016
vi)	XIII	08.09.2006	500.00	8.95	115	08.4.2016
Total			2559.80			

2.3 The Tier 1 capital of the bank comprises:

(Rs in Crores)

	Particulars	31.03.2010	31.03.2009
i)	Paid up share capital	315.30	315.30
ii)	Reserves (excluding revaluation reserves)	15807.96	12717.48
iii)	Innovative Perpetual Bonds	2020.50	1320.50
iv)	Other Capital Instruments	--	--
v)	Equity Investment in subsidiaries (50%)	293.23	222.44
vi)	Intangible Assets (Deferred Tax Assets + Computer Software)	450.25	330.92
vii)	Dep. for illiquid securities	172.98	0.00
Tier I Capital (i + ii + iii + iv –v –vi-vii)		17227.30	13799.92

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

(Rs. in crores)

Particulars	31.03.2010	31.03.2009
The amount of Tier 2 capital (net of deductions)	9536.26	7769.85

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

(Rs in Crores)

Particulars	31.03.2010	31.03.2009
Total amount outstanding	6110.00	4110.00
Of which amount raised during the current year	2000.00	2000.00
Amount eligible to be reckoned as capital funds	6110.00	4110.00

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

(Rs in Crores)

	31.03.2010	31.03.2009
Total amount outstanding	2559.80	2654.80
Of which amount raised during the current year	0.00	0.00
Amount eligible to be reckoned as capital funds	2076.80	2288.80

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

(Rs in Crores)

	31.03.2010	31.03.2009
Other deductions from capital, if any:	NIL	NIL

2.6 The total eligible capital comprises:

(Rs in Crores)

	31.03.2010	31.03.2009
Tier – I Capital	17227.30	13799.92
Tier – II Capital	9536.26	7769.85
Total Capital	26763.56	21569.77

3. Capital Adequacy

The bank pursues risk management policy with holistic approach to risk. The bank believes in the policy of total risk management. It aims at increasing the profitability, reducing the risk, and improving the return on capital. Bank believes that risk management is one of the foremost responsibilities of top/ senior management. The Board of Directors decides the overall risk management policies and approves the Credit Management & Risk policy, Investment policy, ALM policy, Operational Risk Management policy, Policy for internal capital adequacy assessment process (ICAAP), Credit Risk Mitigation & Collateral Management Policy and Stress Testing Policy, containing the direction and strategies for integrated management of the various risk exposures of the Bank. These policies, interalia, contain various trigger levels, exposure levels, thrust areas etc.

The bank has constituted a Board level subcommittee namely Risk Management Committee. The committee has the overall responsibility of risk management functions and oversees the function of Credit Risk Management Committee (CRMC), Asset Liability Committee (ALCO) and Operational Risk Management Committee (ORMC). The meeting of RMC is held at least once in a quarter.

3.1 Credit Risk Management

3.1.1 Credit Risk Management Committee (CRMC) headed by CMD is the top-level functional committee for Credit risk. The committee considers and takes decisions necessary to manage and control credit risk within overall quantitative prudential limit set up by Board. The committee is entrusted with the job of approval of policies on standards for presentation of credit proposal, fine-tuning required in various models based on feedbacks or change in market scenario, approval of any other action necessary to comply with requirements set forth in Credit Risk Management Policy/ RBI guidelines or otherwise required for managing credit risk.

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 which support "Accept/ Reject" decisions based on the scores obtained. All retail loan applications are necessarily to be evaluated under score card system. Scoring models for SME segments have been put on pilot run. Scoring model for remaining sector i.e. Farm sector has been developed and implementation process is under progress. The bank plans to cover each borrowal accounts to be evaluated under risk rating/ score framework. In addition, the pool/segment rating methodology is also applied to monitor defaults in each retail/ small loan portfolio. The pools are created based on homogeneity.

Understanding the need of technology platform in data handling and analytics for risk management, the bank has placed rating/ scoring 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 in the process of 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.

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. To ensure transparency and to give wider coverage, the committee consists of one representative each from risk management department, Credit Department and one representative from an area not connected with credit. The proposals are 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 in trading book of the bank and its business activities, the bank has put in place internal limits and ensures adherence thereof. These are in addition to regulatory limits. 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, Mid-Office with separate Desks for Treasury & Asset Liability Management (ALM) has been established.

3.2.3 Asset Liability Management Committee (ALCO) is primarily responsible for establishing the market risk management and 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. ALCO is also entrusted with the job of pricing of retail advances & deposit products and suggesting revision of BPLR.

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. 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 used on regular intervals to draw the contingency funding plan under different liquidity scenarios.

3.3 Operational Risk:

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.

Internal Control is an essential pre-requisite for an efficient and effective operational risk management. Bank has clearly laid down policies and procedures to ensure the integrity of its operations, appropriateness of operating systems and compliance with the management policies. The internal controls are supplemented by an effective audit function that independently evaluates the control systems within the organization.

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.

3.4 The capital requirements for credit risk are:

(Rs. in crores)

	31.03.2010	31.03.2009
Portfolios subject to standardised approach	15180.27	12025.00
Securitization exposure	NIL	NIL

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

(Rs. in crores)

Risk Category	31.03.2010	31.03.2009
i) Interest Rate Risk	293.57	353.25
ii) Foreign Exchange Risk (including Gold)	9.00	9.00
iii) Equity Risk	363.85	279.33
iv) Total capital charge for market risks under Standardised duration approach (i + ii + iii)	666.42	641.58

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

(Rs. in crores)

Capital requirement for operational risk	31.03.2010	31.03.2009
Basic indicator approach	1165.60	1165.60

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

Punjab National Bank (Solo)

	31.03.2010	31.03.2009
CRAR%	14.16%	14.03%
CRAR – Tier I capital (%)	9.11%	8.98%
CRAR – Tier II capital (%)	5.05%	5.05%

Subsidiaries:

Name of subsidiary	CRAR – Tier I capital (%)		CRAR – Tier II capital (%)		CRAR%	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009	31.03.2010	31.03.2009
PNB Gilts Ltd	41.59%	25.96%	NIL	NIL	41.59	25.96%
PNB Housing Finance Ltd	11.99%	11.30%	4.94%	6.19%	16.93%	17.49%
Punjab National Bank (International) Ltd.	18.25%	17.20%	5.44%	8.20%	23.69	25.40%
PNB Investment Services Ltd.	NA	NA		NA	NA	NA
Druk PNB Bank Ltd.	64.64%	NIL	NIL	NIL	64.64%	NA

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	31.03.2010	31.03.2009
Fund Based	188306.11	156207.37
Non Fund Based	48743.46	42241.11

4.4 The geographic distribution of exposures is:

(Rs in Crores)

Category	Overseas		Domestic	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
Fund Based	6973.14	3825.00	181332.97	152273.45
Non-fund based	131.60	162.91	48611.86	42078.20

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

(Rs. in crores)

S.NO.	CODE	INDUSTRY	31.03.2010		31.03.2009	
1	1	COAL		75.20		14.99
2	2	MINING		953.85		738.89
3	3	IRON AND STEEL		9823.67		7118.49
4	4	OTHER METAL & METAL PRODUCTS		1025.25		865.23
5	5	ALL ENGINEERING		4810.02		3304.38
	5.1	Of which (005) Electronics	1300.95		809.13	0.00
6	6	ELECTRICITY		2666.65		5003.46
7	7	COTTON TEXTILES		1697.53		1555.03
8	8	JUTE TEXTILTES		127.46		98.87
9	9	OTHER TEXTILES		3416.07		2554.63
10	10	SUGAR		2196.55		2319.00
11	11	TEA		5.44		6.02
12	12	FOOD PROCESSING		3297.09		2763.95

13	13	VEGETABLE OILS AND VANASPATI		540.31		522.87
14	14	TOBACCO & TOBACCO PRODUCTS		30.01		13.89
15	15	PAPER & PAPER PRODUCTS		1352.48		963.32
16	16	RUBBER & RUBBER PRODUCTS		189.88		114.02
17	17	CHEMICALS, DYES, PAINTS, ETC.		2942.85		2282.42
	17.1	Of which Fertilisers	94.00		166.85	0.00
	17.2	Of which Petro-chemicals	580.24		451.48	0.00
	17.3	Of which Drugs & Pharmaceuticals	1356.80		1111.06	0.00
18	18	CEMENT		1266.91		794.00
19	19	LEATHER & LEATHER PRODUCTS		388.43		344.44
20	20	GEMS AND JEWELLERY		1183.89		624.00
21	21	CONSTRUCTION		2377.63		3868.50
22	22	PETROLEUM		1080.52		564.20
23	23	AUTOMOBILES INCLUDING TRUCKS		1542.40		448.90
24	24	COMPUTER SOFTWARE		39.02		32.45
25	25	INFRASTRUCTURE		24520.32		22082.58
	25.1	Of which Power	9913.67		4681.49	0.00
	25.2	Of which Telecommunications	5748.40		6772.86	0.00
	25.3	Of which Roads & Ports	5062.46		3080.48	0.00
26	26	NBFCs		5493.36		6158.37
27	27	TRADING		8853.70		1786.91
28	28	OTHER INDUSTRIES		14296.11		9719.78
		TOTAL		96192.60		76663.58
29	29	Residuary Other Advances		92113.51		79543.79
		GRAND TOTAL		188306.11		156207.37
						0.00
		Industry exposure is more than 5% of gross fund based exposure				0.00
1	3	IRON AND STEEL		9823.67		7118.49
2.	25.	INFRASTRUCTURE		24520.32		22082.58

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

(Rs. in crores)

S.NO.	CODE	INDUSTRY	31.03.2010		31.03.2009	
1	1	COAL		4.54		22.63
2	2	MINING		361.08		1330.06
3	3	IRON AND STEEL		5549.24		6662.52
4	4	OTHER METAL &		293.51		126.31

		METAL PRODUCTS				
5	5	ALL ENGINEERING		3841.86		3226.49
	5.1	Of which (005) Electronics	238.35	0.00	391.95	0.00
6	6	ELECTRICITY		34.11		253.25
7	7	COTTON TEXTILES		86.94		192.21
8	8	JUTE TEXTILTES		72.50		24.95
9	9	OTHER TEXTILES		469.74		543.16
10	10	SUGAR		635.77		326.94
11	11	TEA		0.00		0.00
12	12	FOOD PROCESSING		838.21		459.04
13	13	VEGETABLE OILS AND VANASPATI		836.25		374.01
14	14	TOBACCO & TOBACCO PRODUCTS		6.33		6.03
15	15	PAPER & PAPER PRODUCTS		76.73		73.64
16	16	RUBBER & RUBBER PRODUCTS		68.04		38.56
17	17	CHEMICALS, DYES, PAINTS, ETC.		845.55		1747.91
	17.1	Of which Fertilisers	10.08		868.26	0.00
	17.2	Of which Petro-chemicals	410.43		300.64	0.00
	17.3	Of which Drugs & Pharmaceuticals	291.12		247.11	0.00
18	18	CEMENT		241.25		1001.52
19	19	LEATHER & LEATHER PRODUCTS		19.18		368.31
20	20	GEMS AND JEWELLERY		497.06		240.24
21	21	CONSTRUCTION		120.18		301.67
22	22	PETROLEUM		67.87		122.52
23	23	AUTOMOBILES INCLUDING TRUCKS		172.96		282.34
24	24	COMPUTER SOFTWARE		1.64		1.03
25	25	INFRASTRUCTURE		9504.03		7935.34
	25.1	Of which Power	3770.54		1360.29	0.00
	25.2	Of which Telecommunications	2937.50		3459.39	0.00
	25.3	Of which Roads & Ports	1126.14		999.27	0.00
26	26	NBFCs		836.93		868.35
27	27	TRADING		3545.16		3628.55
28	28	OTHER INDUSTRIES		4661.24		4262.36
		TOTAL		33687.90		34419.96
29	29	Residuary Other Advances		15055.56		7821.15
		GRAND TOTAL		48743.46		42241.11
		Industry where non- fund based outstanding is more than 5% of gross non-fund based outstanding.				0.00

1	3	IRON AND STEEL		5549.24		6662.52
2	27	TRADING		3545.16		3628.55
3	5	ALL ENGINEERING		3841.86		3226.49
4.	25	INFRASTRUCTURE		9504.03		7935.34

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

(Rs in Crores)

Maturity Pattern	Advances*	Investments (gross)	Foreign Currency Assets*
Next day	3773.76 (3770.72)	0.00 (30.00)	341.61 (129.77)
2 - 7 days	3767.69 (3885.62)	469.63 (1048.20)	144.76 (683.76)
8 -14 days	2983.13 (3561.19)	242.01 (19.54)	293.86 (148.65)
15- 28 days	4205.28 (5356.90)	1354.63 (888.69)	328.39 (764.82)
29days - 3months	7609.84 (9196.65)	1920.97 (2037.16)	3765.37 (1427.33)
>3months-6months	10877.95 (9100.17)	3517.11 (2252.52)	5076.07 (2459.33)
>6months-1yr	24836.45 (19826.42)	2496.84 (2450.11)	2661.82 (1064.97)
>1yr-3yrs	84440.35 (64585.98)	9148.75 (7119.31)	1189.68 (884.92)
>3yrs-5yrs	22238.30 (18754.76)	10708.30 (11273.97)	462.33 (727.19)
>5yrs	21868.46 (16664.58)	48199.46 (36641.15)	841.15 (245.70)
Total	186601.21 (154702.99)	78057.70 (63760.65)	15105.04 (8536.44)

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

4.7 The gross NPAs are:

(Rs. in Crores)

Category	31.03.2010	31.03.2009
Sub Standard	1925.98	998.51
Doubtful – 1	336.91	361.15
Doubtful – 2	451.68	421.99
Doubtful – 3	287.94	241.78
Loss	211.90	483.47
Total NPAs (Gross)	3214.41	2506.90

4.8. The amount of net NPAs is:

(Rs. in Crores)

Particulars	31.03.2010	31.03.2009
Net NPA	981.69	263.85

4.9 The NPA ratios are as under:

NPA Rarios	31.03.2010	31.03.2009
% of Gross NPAs to Gross Advances	1.71%	1.60%
% of Net NPAs to Net Advances	0.53%	0.17%

4.10 The movement of gross NPAs is as under:

(Rs. in Crores)

Movement of grosss NPAs	31.03.2010	31.03.2009
i) Opening Balance at the beginning of the year	2506.90	3021.46
ii) Addition during the year	2838.14	1731.13
iii) Reduction during the year	2130.63	2245.69
iv) Closing Balance as at the end of the year (i + ii - iii)	3214.41	2506.90

4.11 The movement of provision for NPAs is as under:

(Rs in Crores)

Movement of provision for NPAs	31.03.2010	31.03.2009
i) Opening Balance at the beginning of the year	2215.41	2212.55
ii) Provisions made during the year	722.06	1016.41
iii) Write-off made during the year	304.76	0.00
iv) Write –back of excess provisions made during the year	452.66	1013.55
v) Closing Balance as at the end of the year (i + ii - iii-iv)	2180.05	2215.41

4.12 The amount of non-performing investment is:

(Rs. in crores)

Particulars	31.03.2010	31.03.2009
Amount of non-performing investment	71.92	115.53

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

(Rs. in crores)

Particulars	31.03.2010	31.03.2009
Amount of provision held for non-performing investment	71.92	115.53

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

(Rs in Crores)

Movement of provisions for depreciation on investments	31.03.2010	31.03.2009
i) Opening balance at the beginning of the year	375.48	920.20
ii) Provisions made during the year	208.31	0.00

iii) Write-off made during the year	0.00	0.00
iv) Write-back of excess provisions made during the year	250.56	544.73
v) Closing balance as at the end of the year (i + ii –iii-iv)	333.23	375.47

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 in respect of exposure with overseas borrowers.

- Standard & Poor
- Moody's
- FITCH
-

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

These agencies are being used for rating (Long Term + Short Term) of fund based/ non-fund
based facilities provided by the bank to the borrowers. The bank uses solicited rating from the chosen credit rating agencies.

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	31.03.2010	31.03.2009
i) Below 100% risk weight exposure outstanding	109933.74	103757.71
ii) 100% risk weight exposure outstanding	116113.22	86034.18
iii) More than 100% risk weight exposure outstanding	12544.66	7584.87
iv) Deducted	NIL	NIL

6 Credit Risk Mitigation: disclosures for standardised approaches

6.1 Bank has put in place Board approved 'Credit Risk Mitigation and Collateral Management Policy' which, interalia, covers policies and processes for various collaterals including financial collaterals and netting of on and off balance sheet exposure. However, the bank is not making use of the netting in its capital calculation process.

6.2 The collaterals used by the Bank as risk mitigants (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, there 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)

	31.03.2010	31.03.2009
a) For each separately disclosed credit risk portfolio, the total exposure (after, where applicable, on or off balance sheet netting) that is covered by eligible financial collateral after the application of haircuts.	12715.82	10756.62
b) For each separately disclosed, the total exposure (after, where applicable, on or off balance sheet netting) that is covered by guarantees/credit derivatives (wherever specifically permitted by RBI)	8563.01	7152.72

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	31.03.2010	31.03.2009
i) Interest Rate Risk	293.57	353.25
ii) Equity Position Risk	363.85	279.33
iii) Foreign Exchange Risk (including Gold)	9.00	9.00
iv)Total capital charge for market risks under Standardised duration approach (i+ii+iii)	666.42	641.58

9. Operational Risk

9.1 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 31.03.2010.

9.2 Bank is now preparing itself for 'The Standardized Approach' and 'Advanced Measurement Approach' of operational risk.

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

10.1 The interest rate risk is managed through gap analysis and duration gap analysis. Duration gap analysis is being carried out at quarterly intervals to assess the interest rate risk of both banking book and trading book. Prudential limits have been fixed for impact on Net Interest Income (NII), NIM, minimum ROA & minimum duration gap for the bank.

The impact of embedded option in the form of prepayment of loans is captured in the behavioral study. Behavioral studies are being done for assessing and apportioning volatile and non-volatile portion of various non-maturity products of both assets and liabilities.

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	-4490.03	-700.00	-5190.03	20845.65	-25%
29 days – 3 months	75550.99	-482.00	75068.99	105455.87	71%
>3 to 6 months	-104243.38	350.00	-103893.38	10865.81	-956%
>6 to 12 months	-27993.44	100.00	-27893.44	18330.83	-152%
>1 to 3 yrs.	21694.86	150.00	21844.86	45845.02	48%
>3 to 5 yrs.	16088.26	0.00	16088.26	20888.58	77%
Over 5 yrs.	42661.24	582.00	43243.24	54201.98	80%

* 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 3 months to 6 months where as 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	Estimated impact on NII with adverse change in rate of interest by 0.50%
Up to 6 months	Rs. 48.74 cr.
Up to 1 year	Rs. 71.17 cr.

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.