

PUNJAB SIND BANK

(000'S OMITTED)

CAPITAL & LIABILITIES	SCHEDULE	Rs.		ASSETS	Rs.		
		AS ON 31.03.09	AS ON 31.03.08		AS ON 31.03.09	AS ON 31.03.08	
Capital		3830560	7430560	Cash & balances with Reserve Bank Of India		19570665	19550906
Reserves & Surplus		17572855	13502573	Balances with banks & money at call and short notice		8833722	9847967
Deposits		346756547	248314084	Investments		126274290	84736329
Borrowings		27114760	29767176	Advances		246153482	183433034
Other liabilities & Provisions		18363147	10477571	Fixed Assets		5557630	5689634
				Other Assets		7248080	6234094
	TOTAL	413637869	309491964	TOTAL		413637869	309491964
				Contingent Liabilities		52095937	37125296
				Bills for Collection		9821024	4179993

Significant Accounting Policies 17  
Notes on Accounts 18  
Schedule 1 to 18 form an integral part of the accounts AS PER OUR REPORT OF EVEN DATE.

R.P.SINGH CHAIRMAN & MANAGING DIRECTOR					EXECUTIVE DIRECTOR	DIRECTOR	G.S.VEDI	FOR K.B.CHANDNA & CO. CHARTERED ACCOUNTANTS	FOR PRASAD AZAD & CO. CHARTERED ACCOUNTANTS R.SADANANDAM
[SANJEEV CHANDNA] PARTNER M.No.87354					[DEEPAK AZAD] PARTNER M.No.94115				
R.GANDHI DIRECTOR	A.S.MANN DIRECTOR	M.S.SEKHON DIRECTOR	A.K.SURANA DIRECTOR	K.K.SHARMA DIRECTOR	KAMAL MANN DIRECTOR	FOR S.LALL & CO. CHARTERED ACCOUNTANTS		FOR BANSAL SINHA & CO. CHARTERED ACCOUNTANTS	
M.V.S.PRASAD DIRECTOR					DEVINDER SINGH CHIEF GENERAL MANAGER		[S.L.AGGARWAL] PARTNER M.No.7959	[RAVINDER KHULLAR] PARTNER M.No.82928	
G.S. REKHI GENERAL MANAGER					H.S.MAKKER GENERAL MANAGER	J.S.KOCHAR GENERAL MANAGER	K.S.SUCHDEVA GENERAL MANAGER	FOR BALRAM CHANDRA & ASSOCIATES CHARTERED ACCOUNTANTS	
NEW DELHI DATED 29.04.2009					P.S.GHAWRI GENERAL MANAGER	H.S.LAMBA GENERAL MANAGER	G.S.ARORA ASSTT.GEN.MANAGER	[BALRAM CHANDRA ] M.No.070875	
					V.K.MEHROTRA SENIOR MANAGER				

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDE

		Rs.	Rs.			Rs.	Rs.
		YEAR ENDED	YEAR ENDED			YEAR ENDED	YEAR ENDED
		31.03.09	31.03.08			31.03.09	31.03.08
I.	INCOME			IV.	APPROPRIATIONS		
	Interest earned	13	32471657	22192855	Transfer to:		
	Other income	14	4076950	3176431	Statutory Reserve	1100000	1000000
	TOTAL		36548607	25369286	Capital Reserve [Investment]	1167864	67802
			-----	-----	Special Reserve u/s 36 (1) (viii)	72579	23224
			-----	-----	Staff Welfare Fund	60000	60000
II.	EXPENDITURE				Balance carried over		
	Interest expended	15	22353085	14334936	to Balance Sheet	5970866	3999352
	Operating expenses	16	6918385	5607762			
	Provisions and contingencies		2905356	1603007			
	TOTAL		32176826	21545705			
			-----	-----			
III.	PROFIT/LOSS						
	Net Profit/ Loss (-) for the year		4371781	3823581			
	Profit/ Loss(-) brought forward		3999352	1310705			
	Withdrawal from:						
	General Reserve		176	16092			
	TOTAL		8371309	5150378			
			=====	=====			

Significant Accounting Policies 17  
Notes on Accounts 18  
Schedule 1 to 18 form an integral part of the accounts  
AS PER OUR REPORT OF EVEN DATE.

						FOR K.B.CHANDNA & CO. CHARTERED ACCOUNTANTS	FOR PRASAD AZAD & CO. CHARTERED ACCOUNTANTS
					G.S.VEDI		R.SADANANDAM
	R.P.SINGH CHAIRMAN & MANAGING DIRECTOR	EXECUTIVE DIRECTOR	DIRECTOR			[SANJEEV CHANDNA] PARTNER M.No.87354	[DEEPAK AZAD] PARTNER M.No.94115
	R.GANDHI DIRECTOR	A.S.MANN DIRECTOR	M.S.SEKHON DIRECTOR	A.K.SURANA DIRECTOR	K.K.SHARMA DIRECTOR	KAMAL MANN DIRECTOR	FOR S.LALL & CO. CHARTERED ACCOUNTANTS
							FOR BANSAL SINHA & CO. CHARTERED ACCOUNTANTS
	M.V.S.PRASAD DIRECTOR				DEVINDER SINGH CHIEF GENERAL MANAGER	[S.L.AGGARWAL] PARTNER M.No.7959	[RAVINDER KHULLAR] PARTNER M.No.82928
	G.S. REKHI GENERAL MANAGER	H.S.MAKKER GENERAL MANAGER	J.S.KOCHAR GENERAL MANAGER	K.S.SUCHDEVA GENERAL MANAGER	RAVI KUMAR GENERAL MANGER	FOR BALRAM CHANDRA & ASSOCIATES CHARTERED ACCOUNTANTS	
						[BALRAM CHANDRA ] M.No.070875	
	NEW DELHI DATED 29.04.2009	P.S.GHAWRI GENERAL MANAGER	H.S.LAMBA GENERAL MANAGER	G.S.ARORA ASSTT.GEN.MANAGER	V.K.MEHROTRA SENIOR MANAGER		

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SCHEDULE 1-CAPITAL	Rs. AS ON 31.03.09	Rs. AS ON 31.03.08	SCHEDULE 3-DEPOSITS	Rs. AS ON 31.03.09	Rs. AS ON 31.03.08
I. Equity Share Capital (fully owned by Central Government)			A.I. Demand Deposits		
As per last Balance Sheet	7430560	7430560	i>.From Banks	313602	388451
Restructured during the year	-5600000	0	ii>.From others	21169613	20356566
Sub-Total I	1830560	7430560	II.Savings Bank Deposits	74773585	69501075
II.Preference Share Capital (Perpetual Non-cumulative) (PNCPS)			III.Term Deposits		
As per last Balance Sheet	0	0	i>.From Banks	23066394	11221714
Restructured during the year	2000000	0	ii>.From others	227433353	146846278
Sub-Total II	2000000	0	TOTAL [I+II+III]	346756547	248314084
TOTAL [I+II]	3830560	7430560	B. Deposits of branches in India	346756547	248314084
SCHEDULE 2-RESERVES & SURPLUS			SCHEDULE 4-BORROWINGS		
I. Statutory Reserves			I. Borrowings in India		
Opening Balance	2359406	1359406	i) Reserve Bank of India	0	0
Addition during the year	1100000	1000000	ii) Other Banks	5500000	8750000
Sub-Total I	3459406	2359406	iii) Other institutions & agencies	19614760	19412376
II. General Reserves			iv) Perpetual Cumulative Preference Shares [PCPS]	2000000	0
Opening Balance	1079115	1095207	II. Borrowings outside India	0	1604800
Deduction during the year	-176	-16092	TOTAL [I & II]	27114760	29767176
Sub-Total II	1078939	1079115	Secured borrowings Included in I & II above	NIL	NIL
III. Capital Reserves - Fixed Assets Revaluation Reserve:			SCHEDULE 5-OTHER LIABILITIES AND PROVISIONS		
Opening Balance	5290224	2177503	I. Bills Payable	2531038	2962169
Addition during the year	NIL	5375233	II. Inter-office adjustments [net]	680981	33605
Deduction during the year	-241499	-2262512	III. Interest accrued	1370557	624870
Sub-Total III	5048725	5290224	IV. Subordinated Unsecured Bonds		
IV. Capital Reserve [Investments]			a>.Innovative Perpetual Debt Instrument [IPDI]	1600000	0
Opening Balance	645552	577750	[For Tier I Capital]		
Addition during the year	1167864	67802	b>.Redeemable Bonds [For Tier II Capital]	7350000	3800000
Sub-Total IV	1813416	645552	V. Deferred Tax Liability	582611	28100
V. Revenue & Other Reserves			VI. Others (including provisions)	4247960	3028827
a>.Revenue Reserve:			TOTAL	18363147	10477571
Opening Balance	105700	105700	SCHEDULE 6-CASH & BALANCES WITH RESERVE BANK OF INDIA		
Addition during the year	0	0	I. Cash in hand [including foreign currency notes]	939122	1029890
Sub-Total V.a	105700	105700	II. Balances with Reserve Bank of India		
b>.Special Reserve u/s 36(i)(viii):			i) in Current Account	18631543	18521016
Opening Balance	23224	0	ii) in Other Account	0	0
Addition during the year	72579	23224	TOTAL [I & II]	19570665	19550906
Sub-Total V.b	95803	23224			
VI. Balance in Profit & Loss Account	5970866	3999352			
TOTAL [I+II+III+IV+V.a+V.b+VI]	17572855	13502573			

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		Rs.	Rs.			Rs.	Rs.
SCHEDULE 7-BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		AS ON	AS ON	SCHEDULE 9-ADVANCES		AS ON	AS ON
		31.03.09	31.03.08			31.03.09	31.03.08
I.	IN INDIA			A.	i) Bills purchased & discounted	8113510	6491446
	i) Balance with banks				ii) Cash credits, overdrafts and loans repayable on demand	73199602	60533847
	a) in Current Accounts	1048371	985092		iii) Term Loans	164840370	116407741
	b) in Other Deposit Accounts	4800000	7750000		Total	246153482	183433034
	ii) Money at call & Short notice						
	a) with banks	0	0				
	b) with other Institutions	0	0				
	SUB-TOTAL [I]	5848371	8735092				
II.	OUTSIDE INDIA			B.	i) Secured by tangible assets (includes advances against Book Debt)	170292550	134908063
	i) In Current Accounts	1204201	492008		ii) Covered by Bank/Government Guarantees	7450501	7487970
	ii) In Other Deposit Accounts	1781150	620867		iii) Unsecured	68410431	41037001
	iii) Money at call & Short notice	0	0		Total	246153482	183433034
	SUB-TOTAL [II]	2985351	1112875				
	TOTAL [I+II]	8833722	9847967				
SCHEDULE 8-INVESTMENTS				C.	ADVANCES IN INDIA		
I. Investments in India in					i) Priority Sector	71951789	59256951
	i) Government Securities **	109540983	74097935		ii) Public Sector	46617794	21575942
	ii) Other approved securities	3214707	4309492		iii) Banks	7376896	6439629
	iii) Shares	664550	643596		iv) Others	120207003	96160512
	iv) Debentures & Bonds	6271015	5593109		Total	246153482	183433034
	v) Subsidiaries, and/or Joint Ventures & Sponsored Institutions	6537	6537				
	vi) Others:						
	a) Commercial Paper/CD/Securitized Receipts	6534935	38357				
	b) Units of UTI, other MF	41563	47303				
	SUB-TOTAL [I]	126274290	84736329				
II. Investments outside India							
	TOTAL [I + II]	126274290	84736329				
	Gross Value	126564324	85249176				
	Provision for Depreciation [-]	290034	512847				
	Net Investments	126274290	84736329				

\*\* Includes encumbered securities of Rs.1956.34 crore [Face Value Rs.1980.36 crore] previous year Rs.1423.26 crores [F.V.Rs.1381.97 crores]

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	Rs. AS ON 31.03.09	Rs. AS ON 31.03.08		Rs. AS ON 31.03.09	Rs. AS ON 31.03.08
SCHEDULE 10-FIXED ASSETS			SCHEDULE 11 - OTHER ASSETS		
I. Premises			I. Interest accrued	2282412	1857292
Cost as on 31st March of the preceeding year	258283	237475	II. Tax paid in advance/ Tax deducted at source	3416517	2685582
Appreciation in cost on account of revaluation	5375233	2529741	III. Stationery & Stamps	25162	23712
Sub-Total	5633516	2767216	IV. Non Banking assets acquired in satisfaction of claims	0	0
Additions during the year			V. Others	1523989	1667508
Original Cost	18928	21881	TOTAL	7248080	6234094
Revaluation Cost	0	5375233			
Deductions during the year on			SCHEDULE 12-CONTINGENT LIABILITIES		
Original Cost	0	-1073	I. Claims against the bank not acknowledged as debts	95651	53863
Revaluation Cost	0	-2529741	II. Liability for partly paid investments	0	0
Less Depreciation to date on			III. Liability on account of outstanding forward exchange contracts	33991532	27382478
Original cost	-124523	-117351	IV. Guarantees given on behalf of Constituents		
Revaluation cost	-326508	-85009	a>.In India	8135214	5553051
Total I	5201413	5431156	b>.Outside India	0	0
II. Other Fixed Assets (including Furniture & Fixtures)			V. Acceptances, Endorsements and other obligations	9873305	4135837
At cost as on 31st March of the preceeding year	1403472	1356027	VI. Other items for which the bank is contingently liable	235	67
Additions during the year	198680	98978	TOTAL	52095937	37125296
Deductions during the year	-38084	-51533			
Depreciation to date	-1207851	-1144994			
Total II	356217	258478			
TOTAL I & II	5557630	5689634			

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	Rs. YEAR ENDED 31.03.09	Rs. YEAR ENDED 31.03.08		Rs. YEAR ENDED 31.03.09	Rs. YEAR ENDED 31.03.08
SCHEDULE 13-INTEREST EARNED			SCHEDULE 15-INTEREST EXPENDED		
I. Interest/discount on advances/ bills	24861311	15300706	I. Interest on deposits	20909944	13345973
II. Income on investments	6878213	5920120	II. Interest on Reserve Bank of India/inter-bank borrowings	691237	614416
III. Interest on balances with Reserve Bank of India and other inter-bank funds	683570	861316	III. Others	751904	374547
IV. Others	48563	110713	TOTAL	----- 22353085	----- 14334936 =====
TOTAL	----- 32471657	----- 22192855 =====	SCHEDULE 16-OPERATING EXPENSES		
SCHEDULE 14-OTHER INCOME			I. Payments to and provisions for employees	5192443	4205799
I. Commission, exchange and brokerage	588357	519047	II. Rent, taxes and lighting	342064	319991
II. Profit on sale of Investments [net]	1189038	175129	III. Printing and stationery	69461	61033
III. Profit on sale of land, buildings and other assets [net]	716	1402	IV. Advertisement & publicity	3750	3443
IV. Profit on exchange transactions [net]	399142	300117	V. Depreciation on Bank's property	347814	156957
V. Miscellaneous Income	1658198	2095727	VI. Directors' fees, allowances and expenses	1394	771
VI. Transfer from Revaluation Reserve Account	241499	85009	VII. Auditors' fees and expenses (including branch auditors' fee & expenses)	54903	59420
TOTAL	----- 4076950	----- 3176431 =====	VIII. Law Charges	43900	42176
			IX. Postages, Telegrams, Telephones etc.	64136	59721
			X. Repairs & maintenance	85561	84012
			XI. Insurance	272243	196538
			XII. Other expenditure	440716	417901
			TOTAL	----- 6918385	----- 5607762 =====

## **SCHEDULE-17**

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **1. General**

The financial statements are prepared on historical cost basis by following going concern concept and conform to the statutory provisions and practices prevailing in India, unless otherwise stated.

#### **2. Foreign Exchange Transactions**

2.1 All the Monetary assets and liabilities in foreign currencies are translated in Indian rupees at the exchange rates prevailing at the Balance Sheet date as notified by Foreign Exchange Dealers Association of India (FEDAI). The resultant gain / loss is accounted for in the Profit & Loss account.

2.2 The outstanding foreign exchange contracts are stated at the prevailing exchange rate on the date of commitment. Profit or loss on such contracts is accounted for as per rates advised by FEDAI and in accordance with FEDAI guidelines and provisions of para 38 of AS-11.

2.3 Items of Income and expenditure relating to foreign exchange transactions are recorded at exchange rates prevailing on the date of the transactions.

2.4 Acceptances, endorsements and other obligations including guarantees in foreign currencies are valued as per the rates published by FEDAI as on the date of closing.

#### **3. Investments**

3.1 Classification and valuation of investments are made in accordance with the prudential norms prescribed by Reserve Bank of India read with clarifications / directions given by RBI.

3.2 The entire investment portfolio is classified into three categories, viz, Held to Maturity, Available for Sale and Held for Trading in line with the guidelines / directions of Reserve Bank of India. Disclosure of the investments under the three categories mentioned above are made under six classifications viz.,

- i. Government Securities
- ii. Other approved securities
- iii. Shares
- iv. Debentures
- v. Subsidiaries / Joint Ventures and
- vi. Others

- 3.3 Basis Of Classification:
- i. Investments that the Bank intends to hold till maturity are classified as Held to Maturity.
  - ii. Investments that are held principally for resale within 90 Days from the date of purchase are classified as Held For Trading.
  - iii. Investments which are not classified in the above two categories, are classified as Available For Sale.
  - iv. An investment is classified under the above three categories at the time of its purchase. Shifting of securities from one category to another is done with the approval of the Board normally once in a year. Shifting is effected at the lower of acquisition cost / book value / market value on the date of transfer and the depreciation, if any, on such shifting is fully provided for and the book value of securities is changed accordingly.
- 3.4 Securities under 'Held to Maturity' are stated at acquisition costs unless such costs are higher than the face value, in which case the premium is amortized over the remaining period of maturity. Such amortisation is shown under "Income on Investments– Schedule 13 item II. In case, the cost is less than the redemption value, the difference being the unrealized gain, is ignored. Any diminution in value of investments in subsidiaries and joint venture, other than temporary in nature, is provided for each investment individually
- 3.5 Securities under 'Available for sale' are valued scrip wise and depreciation/ appreciation is segregated category wise. While net appreciation is ignored, net depreciation under each category is provided for..
- 3.6 Securities under 'Held for Trading' are valued at market price and the net depreciation under each category is provided for and the net appreciation, if any, is ignored.
- 3.7 Cost of investment is based on the weighted average cost method category wise.
- 3.8 The 'market value' for the purpose of valuation of investments included in the 'Available for Sale' and 'Held for Trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges, price list of RBI, prices declared by Primary Dealers association of India (PDAI) jointly with the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

In respect of unquoted securities, the procedure adopted is as below:

- a. Government of India Securities: At rates put out by FIMMDA/PDAI;
- b. State Government Loans, Other approved Securities, preference shares, Debentures and PSU Bonds: On yield to maturity (YTM) basis at the rate prescribed by FIMMDA/ PDAI with such mark ups as laid down by RBI or FIMMDA/PDAI;
- c. Equity Shares: At break-up value based on the latest Balance Sheet, which are not older than one year on the date of valuation. In cases where latest Balance Sheets are not available, the shares are valued at Re.1 per company;
- d. Mutual Fund Units: At re-purchase price or Net Assets Value;
- e. Treasury Bills, Commercial Papers, Certificate of Deposits, Recapitalization Bonds, Subsidiaries, Joint Ventures and Sponsored Institutions: At carrying cost.

- 3.9 In determining acquisition cost of investments:
- Incentive received on subscription is deducted from the cost of securities;
  - Brokerage / commission/ stamp duty paid in connection with acquisition of securities are treated as revenue expenditure;
  - Broken period interest, if any, paid on acquisition of investment is debited to profit & loss account. Broken period interest received on sale of securities is recognized as Interest Income.
- 3.10 Profit/ Loss on sale of investments is taken to profit and loss account. However, in case of profit on sale of investments in 'Held to Maturity' category, an equivalent amount of profit is appropriated to Capital Reserve.
- 3.11 In respect of non-performing securities, income is not recognized and appropriate provision is made for depreciation in the value of such securities as per Reserve Bank Of India guidelines.

#### **4. Advances**

- 4.1 Advances are classified into "Performing" and "Non-performing" assets and provisions are made as per the prudential norms prescribed by the Reserve Bank of India. However, the bank has made higher provisions for Sub-standard and Doubtful categories as follows:

Category of Asset	As prescribed by RBI	As followed by Bank
Sub-standard	10%	35%
Doubtful I	20%	65%
Doubtful II	30%	100%

- 4.2 Advances are stated net of de-recognized interest and provisions/ Technical write off made in respect of non-performing advances. Claims received from DICGC/ ECGC are not reduced from such advances till adjusted/ technically written-off whereas part recovery in all NPA Accounts is reduced from advances.
- 4.3 Provisions on standard advances are made and are included under 'Other Liabilities and Provisions' as per RBI guidelines.

#### **5 Fixed Assets**

- 5.1 Premises and other Fixed Assets are stated at historical cost/revalued amount. In respect of premises, where segregation is not possible between land and superstructure, are considered in the value of superstructure.
- 5.2 Premises taken on perpetual lease are considered as freehold premises and are not amortized.

## **6 Depreciation on Fixed Assets**

6.1 Depreciation is provided for on -

6.1.1 Computers at 33.33%, on straight-line method; additions are depreciated for the full year irrespective of the date of addition as per RBI guidelines.

6.1.2 Other Fixed assets on written down value method at the rates prescribed by the Income Tax Act 1961; additions effected before 30th September are depreciated for full year and additions effected thereafter are depreciated for half year.

6.1.3 Cost of premises is taken composite, wherever it is not possible to segregate the cost of land from the cost of the superstructure.

6.2 No depreciation is provided in assets sold/disposed of during the year.

6.3 Amount equivalent to depreciation attributable to revalued portion of the assets is transferred from Revaluation Reserve Account to the Profit & Loss Account.

## **7 Revenue Recognition**

7.1 Income and expenditure are accounted for on accrual basis unless otherwise stated.

7.2 Income on non-performing assets is recognized on realization basis in accordance with the prudential norms prescribed by Reserve Bank of India.

7.3 Partial recovery in non-performing assets is appropriated first towards principal and thereafter towards interest.

7.4 Income on guarantees and letters of credit issued, Locker rent, income from Merchant Banking transactions, money transfer service, dividend on shares, Interest on Refund of Income Tax, commission on credit card, interest on overdue bills, processing fee, Government business including distribution of pension and income from units of Mutual Fund product are accounted for on receipt basis.

7.5 Rebate on compromised accounts is accounted for at the time of full and final adjustment of the account.

7.6 Interest on overdue Term Deposits is provided at the rate of interest applicable to Savings Bank Deposits.

7.7 Liability in respect of incremental lease rent on renewal of lease agreement is accounted for at the time of renewal of the lease.

7.8 Bond Issue Expenses incurred in connection with raising Tier-II Capital are treated as Deferred Revenue Expenditure to be written off over a period of five years.

## **8. Staff Retirement Benefits**

Annual contribution to Gratuity Fund, Pension Fund and Leave encashment Fund are provided for on the basis of actuarial valuation. Transitional liability relating to Pension Fund and Sick Leave determined as per actuarial valuation is written off over a period of five years commencing from 2007-08 in terms of Revised Accounting Standard 15 (AS-15) as against remaining seven years out of ten years as approved by Reserve Bank of India vide its letter no. DBOD.BP.No. 271/21.01.002/2005-06 dated 23.08.2005.

## **9. Taxes on Income**

- 9.1 Current Income Tax and Fringe Benefits Tax is measured at the amount expected to be paid considering the applicable tax rates and favorable judicial pronouncement/ legal opinions.
- 9.2 In accordance with AS-22 Deferred Tax comprising of tax effect of timing differences between taxable and accounting income for the period, is recognized keeping in view the consideration of prudence in respect of Deferred Tax Assets.

## SCHEDULE 18

### NOTES ON ACCOUNTS

#### 1 Balancing of Books and Reconciliation.

- 1.1 In certain Branches, the balancing / reconciliation of control accounts with subsidiary ledgers is in progress.
- 1.2 Initial matching of debit and credit outstanding entries in various heads of accounts included in Inter Office Adjustments (including old outstanding entries) has been done up to 31.01.2009 and reconciliation is in progress.
- 1.3 Reconciliation of accounts with banks, NOSTRO, Drafts / TT payable, Dividend Warrants paid / payable, Debit Note Receivable/ Payable etc. is in progress.

In the opinion of the management, the impact of the above, if any, on the Profit & Loss Account and Balance Sheet though not quantifiable, will not be material.

- 1.4 In terms of Reserve Bank of India guidelines, segregation of Debit and Credit entries in Inter Branch Accounts pertaining to the period up to 30.09.2008 and remaining outstanding as on 31.03.2009 has been done which has resulted in either net debit in some heads or net credit in other heads. Provision is made in respect of net debit entries outstanding for period exceeding six months.
- 1.5 Aggregate net credit position in respect of un-reconciled NOSTRO Accounts relating to the period up to 31<sup>st</sup> March 1996 amounting to Rs 3.36 crore (previous year Rs 3.11 crore) has been transferred to Blocked NOSTRO Account Sundry Creditors out of which Rs 1.77 crore for period prior to 14.11.1989 is being carried at old book value. Un-reconciled credit entries for the period after 1<sup>st</sup> April 1996 remaining outstanding for more than 3 years amounting to Rs 3.79 crore (previous year Rs. 3.20 crore) have been segregated and kept in Unclaimed Deposit(NOSTRO) Account.
- 2 Legal formalities are yet to be completed in respect of 7 properties having original cost of Rs.4.81 crore (Previous year 7 properties costing Rs.6.52 crore).

#### 3.1 Capital

(Rupees. in crore)

Items		2008-09	2007-08
(i)	CRAR (%) (Basel-I)	11.88 %	11.57 %
(ii)	CRAR - Tier I capital (%) (Basel-I)	6.99 %	8.04 %
(iii)	CRAR - Tier II capital (%) (Basel-I)	4.89 %	3.53 %
(iv)	CRAR (%) (Basel-II)*	14.35 %	N.A.
(v)	CRAR - Tier I capital (%) (Basel-II)*	8.44 %	N.A.
(vi)	CRAR - Tier II capital (%) (Basel-II)*	5.91 %	N.A.
(vii)	Percentage of the shareholding of the Government of India	100%	100%
(viii)	Amount of subordinated debt raised as Tier II capital	735.00	380.00
(ix)	Out of which eligible for Tier II	708.00	317.00

\* As compiled by the Management and relied upon by the Auditors

### 3.2 Restructuring of Equity Capital

The Equity Capital of Rs.743.06 crore has been restructured by Government of India w.e.f. 22.12.2008 by converting an amount of Rs.160 crore into 'Innovative Perpetual Debt Instrument' (IPDI) (under Tier-I Capital), Rs.200 crore into 'Perpetual Non-cumulative Preference Shares' (PNCPS) (under Tier-I Capital) and Rs.200 crore into 'Perpetual Cumulative Preference Shares' (PCPS) (under Tier-II Capital), retaining Rs.183.06 crore as Equity Share Capital.

### 4. Investments

(Rupees in crore)

Items		2008-09	2007-08
4.1	<b>Value of Investments</b>		
(i)	Gross Value of Investments		
	(a) In India	12656.43	8524.92
	(b) Outside India	Nil	Nil
(ii)	Provisions for Depreciation		
	(a) In India	29.00	51.29
	(b) Outside India	Nil	Nil
(iii)	Net Value of Investments		
	(a) In India	12627.43	8473.63
	(b) Outside India	Nil	Nil

### 4.2 Movement of provision held towards depreciation on Investments (Including provision for NPAs)

(Rupees in crore)

Particulars		2008-09	2007-08
(i)	Opening balance	51.29	58.93
(ii)	Add: Provisions made during the year	3.30	13.31
(iii)	Less: Write-off/ write-back of excess provisions during the year	25.59	20.95
(iv)	<b>Closing balance</b>	<b>29.00</b>	<b>51.29</b>

### 4.3 Repo / Reverse Repo Transactions

(Rupees in crore)

Particulars	Minimum Outstanding during the year	Maximum Outstanding during the year	Daily Average Outstanding during the year	Balance as on 31.03.2009
Securities sold under Repos	0.00	900.00	72.18	Nil
Securities purchased under Reverse Repos	0.00	1200.00	36.78	Nil

#### 4.4 Non-SLR Investments Portfolio: Issuer Composition as on 31.03.2009

(Rupees in crore)

No	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Un-rated' Securities	Extent of 'Unlisted' Securities
(1)	(2)	(3)	(4)	(5)	(6)	(7)
i.	PSUs	164.88	132.82	Nil	37.50	59.50
ii.	FIs	351.70	196.70	Nil	25.59	50.59
iii.	Banks	433.35	432.38	Nil	0.00	0.00
iv.	Private Corporate	410.38	378.28	Nil	1.03	1.03
v.	Subsidiaries/ Joint Ventures	0.65	Nil	Nil	N.A.	N.A.
vi.	Others	19.56	1.22	Nil	0.00	0.00
vii.	Provision held towards depreciation	28.66	Nil	Nil	Nil	Nil
	<b>Total</b>	<b>1351.86</b>	<b>1141.40</b>	<b>Nil</b>	<b>64.12</b>	<b>111.12</b>

#### 4.5 Movement of Non Performing Non SLR Investments

(Rupees in crore)

Particulars	2008-09	2007-08
Opening balance	26.49	26.40
Additions during the year	0.16	0.09
Reductions during the year	1.62	Nil
Closing balance	25.03	26.49
<b>Total Provisions held</b>	<b>25.03</b>	<b>26.49</b>

4.6 In terms of RBI Master Circular DBOD. No.BP.BC.5/21.04.141/2008-09 dated 01.07.2008 on the "Prudential norms for classification, valuation and operation of Investment portfolio by Banks", from current year amortization on HTM Investments amounting to Rs.37.67 Crore (previous Year Rs. 30.11 Crore), is deducted from 'Income on Investments' under item No. II of Schedule-13, which was hitherto shown under the head 'Profit on Revaluation of Investments' under item III of Schedule-14.

#### 4.7 Derivatives

Bank has not entered into any derivative transactions either for hedging or trading purpose during the year 2008-09. Accordingly, qualitative and quantitative disclosure under RBI guidelines with respect to derivative transactions is not given.

#### 4.8 Restructured / Rescheduled / Renegotiated - Investments during the year

(Rupees in crore)

Particulars	2008-09	2007-08
Standard assets subjected to restructuring etc.	Nil	Nil
Sub-standard assets subjected to restructuring etc.	Nil	Nil
Doubtful assets subjected to restructuring etc.	Nil	Nil
<b>Total amount of assets subjected to restructuring etc.</b>	<b>Nil</b>	<b>Nil</b>

4.9 During the year, the Bank shifted securities worth Rs.854.34 crore from "Available for Sale" to "Held till Maturity" after providing depreciation of Rs.20.49 crore. The Bank has not shifted any investments from "Held till Maturity" to "Available for Sale" during the year.

## 5. Asset Quality

### 5.1. Non-Performing Assets

(Rupees.in crore)

Items		2008-09	2007-08
(i)	Net NPAs to Net Advances (%)	0.32	0.37
(ii)	<b>Movement of Gross NPAs</b>		
(a)	Opening Balance	135.53	290.84
(b)	Additions during the year	141.87	105.84
(c)	Reductions during the year	116.36	261.15
(d)	<b>Closing balance</b>	<b>161.04</b>	<b>135.53</b>

(iii)	<b>Movement of Net NPAs</b>		
(a)	Opening Balance	66.97	77.04
(b)	Additions during the year	77.35	64.66
(c)	Reductions during the year	66.29	74.73
(d)	<b>Closing balance</b>	<b>78.03</b>	<b>66.97</b>

(iv)	<b>Movement of provisions for NPAs</b> (excluding provisions on standard assets)		
(a)	Opening Balance	65.71	210.55
(b)	Add: provisions made during the year	85.72	77.71
(c)	Less: write off, write back of excess provisions	72.48	222.55
(d)	<b>Closing balance</b>	<b>78.95</b>	<b>65.71</b>

5.2 DICGC / ECGC claim eligible, lodged and re-lodged have been considered as security for provisioning on advances on the basis that such claims are valid / realizable.

### 5.3 Details of Loan Assets subjected to Restructuring

(Rupees. In crore)

Item			Under CDR		Other than CDR	
			2008-09	2007-08	2008-09	2007-08
(i)	Standard assets subjected to restructuring, rescheduling, renegotiation	No. of Borrowers	1	Nil	3440	22
		Amount Outstanding	5.68	Nil	518.61	52.41
		Sacrifice (diminution in the fair value)	0.31	Nil	2.84	Nil
(ii)	Sub-standard assets subjected to restructuring, rescheduling, renegotiation	No. of Borrowers	0	Nil	238	8
		Amount Outstanding	0	Nil	8.47	3.28
		Sacrifice (diminution in the fair value)	0	Nil	0.09	Nil
(iii)	Doubtful assets subjected to restructuring, rescheduling, renegotiation	No. of Borrowers	0	Nil	3	1
		Amount Outstanding	0	Nil	0.13	11.33
		Sacrifice (diminution in the fair value)	0	Nil	0	Nil
(iv)	<b>Total Amount of loan assets subjected to restructuring, rescheduling, renegotiation (i) +(ii) +(iii)</b>	<b>No. of Borrowers</b>	<b>1</b>	<b>Nil</b>	<b>3681</b>	<b>31</b>
		<b>Amount Outstanding</b>	<b>5.68</b>	<b>Nil</b>	<b>527.21</b>	<b>67.02</b>
		<b>Sacrifice (diminution in the fair value)</b>	<b>0.31</b>	<b>Nil</b>	<b>2.93</b>	<b>Nil</b>

The above details have been compiled by the management & relied upon by the auditors

5.4 **Additional disclosure regarding restructured accounts**

S.No.	Disclosures	Number	Amount (in crores of rupees)
1.	Application received up to March 31, 2009 for restructuring in respect of accounts which were standard as on September 1, 2008	3932	980
2.	Of (1), proposals approved and implemented as on March 31, 2009 and thus became eligible for special regulatory treatment and classified as standard assets as on the date of the balance sheet.	3533	529
3.	Of (1), proposals approved and implemented as on March 31, 2009 but could not be upgraded to the standard category	149	4
4.	Of (1), proposals under process/ implementation which were standard as on March 31, 2009	247	439
5.	Of (1), proposals under process/ implementation which turned NPA as on March 31, 2009 but are expected to be classified as standard assets on full implementation of the package	3	8

The above details have been compiled by the Management and relied upon by the Auditors

5.5 **Details of Financial Assets sold to Securitization / Reconstruction Companies for Asset Reconstruction**

(Rupees in crore)

Item		2008-09	2007-08
(i)	Number of Accounts	1	1
(ii)	Aggregate Value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii)	Aggregate consideration	1.38	65.40 (*)
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	Nil	0.07
(v)	Aggregate gain/ loss over net book value	1.38	65.47

(\*) Aggregate consideration includes cash Rs.3.63 crore and Security Receipts Rs.61.76 crore.

5.6 **Details of non-performing financial assets purchased / sold:**

**A. Details of non-performing financial assets purchased:**

(Rupees in crore)

Particulars			2008-09	2007-08
1.	(a)	No. of accounts purchased during the year	Nil	Nil
	(b)	Aggregate outstanding	Nil	Nil
2.	(a)	Of these, number of accounts restructured during the year	Nil	Nil
	(b)	Aggregate outstanding	Nil	Nil

**B. Details of non-performing financial assets sold:**

(Rupees in crore)

Particulars		2008-09	2007-08
1.	No. of accounts sold	Nil	Nil
2.	Aggregate outstanding	Nil	Nil
3.	Aggregate consideration received	Nil	Nil

5.7 **Provisions on Standard Assets**

(Rupees in crore)

Item	2008-09	2007-08
Provisions towards Standard Assets	121.69	109.74

5.8 a) In terms of the Agriculture Debt Waiver and Debt Relief Scheme 2008 framed by the Government of India, an amount of Rs.48.20 crore has been waived under the Debt Waiver Scheme, against which Bank has received 1<sup>st</sup> installment of Rs.19.77 crore. An amount of Rs. 18.38 crore is worked out as eligible under the Debt Relief Scheme, out of which Rs. 11.41 crore is subject to fulfillment of conditions attached thereto, claim will be lodged with Reserve Bank of India for the same. Interest receivable from Govt. of India has not been given effect in the books. The said claims are subject to certification by Statutory Central Auditors.

b) In respect of Debt Relief Scheme, Bank has made a provision of Rs. 0.65 crore against loss in Present Value terms on amount receivable from eligible farmers from the existing provision held amounting to Rs.3.92 crore and balance provision has been written back. Outstanding in these accounts has been considered as Standard category as laid down in the Scheme.

## 6 Business Ratios

Items		2008-09	2007-08
(i)	Interest Income as a percentage to average working funds	9.35 %	8.67 %
(ii)	Non-Interest Income as a percentage to average working funds	1.17 %	1.24 %
(iii)	Operating Profit as a percentage to average working funds	2.09 %	2.12 %
(iv)	Return on Assets	1.26 %	1.49 %
(v)	Business [Deposits plus Advances] per employee (Rs. in lacs)	655.58	466.87
(vi)	Profit per employee (Rs. in lacs)	5.03	4.24

## 7. Asset Liability Management

### Maturity Pattern of Assets and Liabilities as on 31.03.2009:

(Rupees in crore)

Maturity Pattern (Time Buckets)	Deposits	Loans & Advances	Investments	Borrowings	Foreign Currency	
					Liabilities	Assets
1 day	289.88	114.19	33.37	0.00	66.23	148.69
2 – 7 days	1293.93	422.79	322.42	2474.98	2.94	27.32
8 – 14 days	1414.25	749.00	0.00	0.00	7.75	25.02
15-28 days	1096.68	992.71	94.45	0.00	7.30	60.81
29 days to 3 months	5095.20	4716.84	666.79	0.00	32.35	289.88
Over 3 months to 6 months	3462.45	2875.98	588.04	12.20	39.55	130.18
Over 6 months to 1 year	7664.78	2555.62	172.32	12.15	116.50	3.70
Over 1 year to 3 years	6452.54	5632.61	1395.51	12.15	41.30	Nil
Over 3 years to 5 years	2004.72	3065.72	1204.54	0.00	1.59	Nil
Over 5 years	5901.22	3489.89	8149.99	200.00	Nil	Nil
<b>Total</b>	<b>34675.65</b>	<b>24615.35</b>	<b>12627.43</b>	<b>2711.48</b>	<b>315.51</b>	<b>685.60</b>

8. **Exposures:**

8.1 **Exposure to Real Estate Sector Category**

(Rupees in crore)

Category		31.03.2009	31.03.2008
1)	Direct Exposure		
	(a) Residential Mortgages	1180.84	1007.86
	Lending fully secured by mortgage of residential properties that is or will be occupied by the borrower or that is rented		
	Individual housing loans Included in the above	931.22	773.08
	(b) Commercial Real Estate		
	(i) Lending secured by mortgages of commercial real estates (office buildings, retail space, multipurpose commercial premises, multi family residential buildings, multi tenanted commercial premises, industrial space or warehouse space, hotels, land acquisition, development and construction, etc) exposure would also include non fund based (NFB) limits;	1640.74	1184.26
	(c) Investments in Mortgage Backed Securities (MBS) and other securitized exposures		
	a. Residential	Nil	Nil
	b. Commercial Real Estate	Nil	Nil
2)	Indirect Exposure [Fund based and Non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)]	1308.23	1224.20

8.2 **Exposure to Capital Market**

(Rupees in crore)

Items		2008-09	2007-08
1.	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	53.82	81.06
2.	Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	0.08	2.03
3.	Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.18	0.10
4.	Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/ convertible debentures/ units of equity oriented mutual funds does not fully cover the advances;	0.01	0.30
5.	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	3.49	18.39
6.	Loans sanctioned to corporates against the security of shares/ bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil	Nil

7.	Bridge loans to companies against expected equity flows/ issues;	Nil	Nil
8.	Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil
9.	Financing to stockbrokers for margin trading;	Nil	Nil
10.	All exposures to Venture Capital Funds (both registered and unregistered) will be deemed to be on par with equity and hence will be reckoned for compliance with the capital market exposure ceilings (both direct and indirect)	1.22	1.22
	<b>Total Exposure to Capital Market</b>	<b>58.80</b>	<b>103.10</b>

### 8.3 Risk Category wise Country Exposure

The net country-wise funded exposure of the Bank in respect of Foreign Exchange Transactions in respect of each country is within 1% of the total assets of the Bank. Hence no provision is required as per RBI guidelines.

### 8.4 Details of Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank

During the year 2008-09, the Bank has not exceeded the prudential exposure limits set by RBI to single borrower/ group borrower, except in the following cases, which have been approved by the Board:

(Rupees in crore)

S. No.	Name of the Borrower	Maximum Limit during the year	Exposure (%) as on	Limit / Liability as on 31.03.09	Exposure (%)
1.	BPCL	650.00	29.99 (19.11.08)	225.00	8.76
2.	IFFCO	425.00	19.61 (20.11.08)	Nil	Nil
3.	INDIAN OIL CORPORATION	650.00	29.99 (20.11.08)	Nil	Nil
4.	HPCL	650.00	29.99 (08.12.08)	625.04	24.35
5.	YES BANK LTD.	360.00	16.61 (26.12.08)	360.00	14.02
6.	SAIL	425.00	19.61 (29.12.08)	350.05	13.63
7.	SIDBI	500.00	19.47 (27.03.09)	500.00	19.47
8.	HDFC LTD.	415.00	16.16 (31.03.09)	415.00	16.16

### 8.5 Disclosure of Penalties imposed by Reserve Bank of India

	2008-09	2007-08
A. Penalty imposed by RBI on Bank during the year	Nil	Nil
B. Strictures or Directions by RBI on the basis of adverse findings	Nil	Nil

9 Compliance with Accounting Standards:

9.1 Cash Flow Statement for the year ended 31 <sup>st</sup> March, 2009		
	(000's omitted)	
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>2008-09</b>	<b>2007-08</b>
Net Profit/ (Loss) as per Profit & Loss Account	4371781	3823581
Adjustments for:		
Provisions & Contingencies	2905356	1603007
Depreciation (Net)	106315	71948
Profit on sale of assets	-716	-1402
Interest on subordinated debts	531111	257485
Staff Welfare Fund	-60000	-60000
<b>Operating Profit before working capital changes</b>	<b>7853847</b>	<b>5694619</b>
Adjustments for:		
Increase / (Decrease) in Deposits	98442463	55126524
Increase / (Decrease) in Borrowings	-4652416	27716420
Increase / (Decrease) in Other Liabilities	2543571	-28629
(Increase) / Decrease in Investments	-41520092	-17824399
(Increase) / Decrease in Advances	-63375041	-66778284
(Increase) / Decrease in Other Assets	-3090613	-558997
<b>Cash Flow from Operating Activities (A)</b>	<b>-3798281</b>	<b>3347254</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Increase in Fixed Assets	-215810	-118811
Profit on sale of assets	716	1402
<b>Cash Flow from Investing Activities (B)</b>	<b>-215094</b>	<b>-117409</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of Subordinated Bonds	4000000	1000000
Redemption of Subordinated Bonds	-450000	-1050000
Interest on Subordinated Bonds	-531111	-257485
<b>Cash Flow from Financing Activities (C)</b>	<b>3018889</b>	<b>-307485</b>
Cash from Operating Activities	-3798281	3347254
Cash from Investing Activities	-215094	-117409
Cash from Financing Activities	3018889	-307485
<b>Increase in Cash &amp; Cash Equivalents</b>	<b>-994486</b>	<b>2922360</b>
Cash and Cash equivalents at the beginning of the year	29398873	26476513
Cash and Cash equivalents at the end of the year	28404387	29398873

9.2 There are no material prior period items included in Profit & Loss Account required to be disclosed as per AS-5 read with RBI guidelines except those disclosed elsewhere in the notes.

9.3 Income/ Expenditure items recognized on receipt basis are not material.

#### 9.4 Accounting Standard 15 - Employees Benefit

9.4.1 Provisions for pension, gratuity, leave encashment and other long term benefits have been made in accordance with the Revised Accounting Standard (AS - 15) issued by the ICAI. In respect of pension funds and sick leave, transitional liability was computed at Rs.408.35 crore and Rs. 24.79 crore as on 01.04.2007 as per actuarial valuation which is to be written off over a period of five years w.e.f. financial year 2007-08 in terms of Revised Accounting Standard (AS - 15). The amount of unrecognized transitional liability on account of pension fund and sick leave is Rs. 271.61 crore and Rs.14.87 crore respectively.

The summarized position of post employment benefits recognized in the Profit & Loss A/c and Balance Sheet as under:

#### 9.4.2 Changes in the present value of the obligation

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Present Value of defined benefit obligation as at 1 <sup>st</sup> April	1037.63	996.36	272.96	246.69	130.89	112.21
Interest cost	85.60	84.69	22.51	21.03	10.80	9.56
Current service cost	23.33	24.78	10.44	10.26	5.41	8.30
Less:						
Benefits paid	(35.59)	(29.65)	(14.87)	(10.06)	(6.45)	(4.13)
Actuarial loss/ (gain) on obligations	(30.70)	(38.55)	6.98	5.04	7.54	4.95
Present value of defined Benefit obligation at 31 <sup>st</sup> March	1080.27	1037.63	298.02	272.96	148.19	130.89

#### 9.4.3 Changes in the Fair Value of Plan Assets

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Fair value of Plan Assets as at 1 <sup>st</sup> April	690.55	588.01	268.18	241.28	127.50	108.18
Expected return of Plan Assets	60.64	47.45	21.75	19.34	11.68	10.18
Employer contribution	93.06	84.74	17.53	17.62	12.87	13.27
Less:						
Benefit paid	(35.59)	(29.65)	(14.87)	(10.06)	(6.45)	(4.13)
Actuarial loss/ (gain)	Nil	Nil	Nil	Nil	Nil	Nil
Fair value of Plan Assets as at 31 <sup>st</sup> March	808.66	690.55	292.59	268.18	145.60	127.50
Actual return on Plan Assets	60.64	47.45	21.75	19.34	11.68	10.18

#### 9.4.4 Net Actuarial Loss/ (Gain)

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Actuarial loss/(gain) on Obligation. (A)	(30.70)	(38.55)	6.98	5.04	7.54	4.95
Actuarial loss/(gain) on Plan Assets. (B)	(1.94)	Nil	1.05	Nil	(0.20)	Nil
Net Actuarial loss/(gain)	(32.64)	(38.55)	8.03	5.04	7.34	4.95
Actuarial loss/(gain) recognized in the period	(32.64)	(38.55)	8.03	5.04	7.34	4.95
Unrecognized actuarial loss/ (Gain) at the end of the year	Nil	Nil	Nil	Nil	Nil	Nil

#### 9.4.5 Amount recognized in the Balance Sheet

( Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Present value of defined benefit obligation as at 31 <sup>st</sup> March	1080.27	1037.63	298.02	272.96	148.19	130.89
Less: Fair value of Plan Assets as at 31 <sup>st</sup> March	808.66	690.55	292.59	268.18	145.60	127.50
Unfunded net Asset / (Liability) Recognized in the balance sheet	(271.61)	(347.08)	(5.43)	(4.78)	(2.59)	(3.39)

#### 9.4.6 Expenses recognized in the Profit & Loss Account

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Current service cost	23.33	24.78	10.44	10.26	5.41	8.30
Interest cost	85.60	84.69	22.51	21.03	10.80	9.56
Expected return on plan assets	(58.70)	(47.45)	(22.80)	(19.34)	(11.48)	(10.18)
Net Actuarial (gain)/ loss recognized during the year	(32.64)	(38.55)	8.03	5.04	7.34	4.95
Net benefit expense	17.59	23.47	18.18	16.99	12.07	12.63

#### 9.4.7 Movements in the liability recognized in the Balance Sheet

(Rs. in crore)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Opening net liability	347.08	408.35	4.78	5.41	3.39	4.03
Net benefit expense	17.59	23.47	18.18	16.99	12.07	12.63
Less: Contribution paid	93.06	84.74	17.53	17.62	12.87	13.27
Closing liability	271.61	347.08	5.43	4.78	2.59	3.39

9.4.8 **Investment percentage maintained by the trust**

(in %age)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Central Government Securities	32.05	33.90	30.26	31.54	Nil	Nil
State Government Securities	19.15	19.75	18.17	17.80	Nil	Nil
High quality corporate bonds	43.31	39.92	42.42	40.66	83.22	75.00
Special Deposit Scheme	5.49	6.43	9.15	10.00	Nil	Nil
Other investments	Nil	Nil	Nil	Nil	16.78	25.00

9.4.9 **Principal Actuarial assumption at the Balance Sheet date**

(expressed as weighted average)

(in %age)

Particulars	Pension (Funded)		Gratuity (Funded)		Leave Encashment (funded)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Discount rate	8.25	8.50	8.25	8.50	8.25	8.50
Expected rate of return on plan assets	8.50	8.50	8.50	8.50	8.50	8.50
Rate of escalation in salary	5.25	5.00	5.25	5.00	5.25	5.00
Attrition rate	0.15	0.13	0.15	0.13	0.15	0.13
Method used	PUC	PUC	PUC	PUC	PUC	PUC

9.4.10 **Basis of Actuarial Assumption considered**

Particulars	Basis of assumption
Discount rate	Discount rate has been determined by reference to market yield on the balance sheet date on Government Bonds of term consistent with estimated term of the obligation.
Expected rate of return on plan assets	The expected return on Plan assets is based on market expectation, at the beginning of the period, for returns over the entire life of the related obligation.
Rate of escalation in salary	The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion, and other relevant factor, such as supply and demand in employee market.
Attrition rate	Attrition rate has been determined by reference to past and expected future experience and includes all type of withdrawals other than death but including those due to disability.

9.4.11 **Other long term employee benefit (Unfunded)**

(Rs. in crore)

Particulars	LTC/LFC Encashment *	Silver jubilee Bonus	Sick leave	Medical Benefits *	Retirement Gifts
Present Value of Obligation	5.42	0.35	25.46	0.43	0.63
Transitional Liability	Nil	Nil	14.87	Nil	Nil
Transitional Liability recognized during the year	5.42	0.35	10.59	0.43	0.63
Unrecognized transitional liability	Nil	Nil	14.87	Nil	Nil
Liability recognized in the Balance Sheet	5.42	0.35	10.59	0.43	0.63

\* As assessed by the management

9.4.12 "Payment to and provision for Employee" under Schedule-16 includes an ad-hoc provision of Rs.55 crore towards wage revision pending settlement.

## 9.5 Accounting Standard 17 – Segment Reporting

(Rupee in crore)

Business Segment	Treasury		Corporate/ Wholesale Banking		Retail Banking		Other Banking Operations		Total	
	31.03.09	31.03.08	31.03.09	31.03.08	31.03.09	31.03.08	31.03.09	31.03.08	31.03.09	31.03.08
Revenue	806.72	609.52	1935.91	1179.35	900.91	740.37	11.32	7.69	3654.86	2536.93
Result	101.74	44.16	624.49	424.21	290.62	266.31	11.32	7.69	1028.17	742.37
Unallocated expenses									300.45	199.71
Operating Profit									727.72	542.66
Provisions & Contingencies									82.88	96.03
Income Tax									207.66	64.27
Extra Ordinary Profit/ Loss		0.00		0.00		0.00		0.00	0.00	0.00
Net Profit									437.18	382.36
<b>Other Information:</b>										
Segment Assets	12841.23	8638.64	19231.29	13505.47	8949.62	8478.50	0.00	0.00	41022.14	30622.61
Unallocated Assets									341.65	326.59
Total Assets									41363.79	30949.20
Segment Liabilities	12238.63	8138.50	18328.82	12723.57	8529.64	7987.63	0.00	0.00	39097.09	28849.70
Unallocated Liabilities									126.36	6.17
Total Liabilities									39223.45	28855.87

Note: For the purpose of segment reporting in terms of AS-17 of ICAI and as prescribed in RBI guidelines, the business of the Bank has been classified into four segments i.e. a) Treasury Operations b) Corporate/wholesale Banking, c) Retail Banking and d) Other Banking Operations.

Since the Bank does not have any Overseas branch, reporting under Geographic Segment is not applicable.

Segmental Revenue, Results, Assets & Liabilities in respect of Corporate / Wholesale and Retail Banking segment have been bifurcated on the basis of exposure to these segments.

Assets & Liabilities wherever directly related to segments have been accordingly allocated to segments and wherever not directly related have been allocated on the basis of pro-rata segment revenue.

## 9.6 Accounting Standards 18 - Related Party Disclosures

### Key Managerial Personnel:

- i. Sardar R. P. Singh, Chairman & Managing Director
- ii. Sardar G.S. Vedi, Executive Director

### a). Remuneration paid to Key Managerial Personnel:

- i. Sardar R. P. Singh, Chairman & Managing Director Rs. 21.68 lacs
- ii. Sardar G.S. Vedi, Executive Director Rs. 6.03 lacs ( w.e.f. 16.10.2008)
- iii. Sardar G.S. Matta, Ex-Executive Director Rs.8.43 lacs

b). Loans granted to Key Managerial Personnel & their relatives:

Loans outstanding as on 31.03.2009 **NIL**

9.7 **Accounting Standard 22 – Accounting for Taxes on Income**

9.7.1 The Bank has accounted for Income Tax in compliance with Accounting Standard-22 'Accounting for taxes on Income' issued by ICAI.

9.7.2 Major components of deferred tax assets/liabilities are as under:

(Rupees in crore)

Head		Deferred Tax Assets		Deferred Tax Liabilities	
		31.03.2009	31.03.2008	31.03.2009	31.03.2008
1	Depreciation on Fixed Assets	Nil	Nil	2.81	2.81
2	Interest accrued but not due on securities	Nil	Nil	70.89	Nil
3	Provision for wage revision	18.69	Nil	Nil	Nil
4	Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	Nil	Nil	3.26	Nil
<b>Total</b>		<b>18.69</b>	<b>Nil</b>	<b>76.96</b>	<b>2.81</b>

9.7.2.1 Interest accrued but not due on securities has not been considered while working out the current tax whereas considering the same in tax provisions in the past. However, there has been no impact of the same on the profitability of the Bank as resultant DTL of Rs. 70.89 crore has been created.

9.7.2.2 Based on the opinion of legal expert, the bank has considered the difference between accounting income and computation of taxable income on valuation of securities as permanent difference and accordingly, deferred tax liability of Rs.101.43 Crore has not been considered necessary.

9.7.3 Provision for Income Tax, Deferred Tax and Fringe Benefit Tax held by the Bank is considered adequate taking into account the opinion of legal experts and favorable judicial pronouncements.

9.7.4 No provision has been considered necessary in respect of disputed demands of income tax and interest tax aggregating to Rs.185.11 crore (Previous year Rs.226.26 crore) in view of decisions of appellate authorities / judicial pronouncements / opinions of legal experts. However the entire demand has been covered against the refund due.

9.8 **Accounting Standard 28 - Impairment of Assets**

Fixed Assets possessed by Bank are treated as 'Corporate Assets' and not 'Cash Generating Units' as defined by AS-28. In the opinion of the Management, there is no impairment of the 'Fixed Assets' of material amount as of 31.03.2009, requiring recognition in terms of AS-28 issued by the ICAI.

## 9.9 Accounting Standard 29 - Provisions, Contingent Liability and Contingent Assets

As per AS-29 , provisions, contingent liabilities and contingent assets, issued by the Institute of Chartered Accountants of India, the Bank recognizes no provision for -

- a) Any possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank, or
- b) Any present obligation from the past events but is not recognized because
  - It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - A reliable estimate of the amount of obligation cannot be made.

Such obligations are recorded as contingent liabilities. These are assessed continually and only that part of the obligation for which an outflow of resources embodying economic benefits is probable, is provided for, except in the extremely rare circumstances where no reliable estimate can be made.

Contingent Assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

## 10.1 Additional disclosures:

(Rupees in crore)

<b>Break up of 'Provisions &amp; Contingencies' shown under the head Expenditure in Profit &amp; Loss Account</b>	<b>2008-09</b>	<b>2007-08</b>
Provision for Non Performing Advances	64.46	69.97
Provision for Non Performing Investments	-1.63	-4.48
Provision for Depreciation in the value of Investments	-0.16	3.30
Provision for Standard Asset	11.95	30.27
Provision for Income Tax	92.56	121.10
Provision for Deferred Tax	55.45	-0.31
Provision for Fringe Benefit Tax	1.53	1.24
MAT Credit Entitlement	58.03	-58.03
Others	8.34	-2.76
<b>Total</b>	<b>290.53</b>	<b>160.30</b>

## 10.2 Movement of Floating Provisions

(Rupees. in crore)

	<b>2008-09</b>	<b>2007-08</b>
Opening Balance	Nil	Nil
Additions during the year	Nil	Nil
Draw down during the year	Nil	Nil
Closing Balance	Nil	Nil

## 10.3 Draw down from Reserve

A sum of Rs.0.02 crore has been drawn from the General Reserve on account of payment to the claimant of old entries.

10.4 **Customer's Complaints:**

		<b>2008-09</b>	<b>2007-08</b>
a)	No. of Complaints pending at the beginning of the year	40	60
b)	No. of Complaints received during the year	483	414
c)	No. of Complaints redressed during the year	511	434
d)	No. of Complaints pending at the end of the year	12	40

10.5 **Awards Passed by the Banking Ombudsman:**

		<b>2008-09</b>	<b>2007-08</b>
a)	No. of unimplemented Awards at the beginning of the year	1	1
b)	No. of Awards passed by Banking Ombudsman during the year	16	22
c)	No. of Awards implemented during the year	16	22
d)	No. of unimplemented Awards pending at the end of the year	1	1

11. **Change in Accounting Policy**

Interest on Overdue Term Deposits (ODFD) has been provided at Saving Bank Interest Rate (presently 3.50%) as per RBI guidelines instead of accounting the same in the previous year on the basis of as and when the deposits are renewed. Hence, profit for the year is lower by Rs.45.91crore and liabilities are higher by the similar amount.

12. The figures of the previous year have been re-grouped / re-arranged wherever necessary except where information was not available.

13. Bank has represented to Govt. of India for exemption from payment of any dividend. Pending receipt of approval from Govt. of India, no provision has been made for dividend on Equity and Perpetual Non-cumulative Preference Shares.

## **AUDITORS' REPORT**

To,  
The President of India,  
New Delhi

We have audited the attached Balance Sheet of Punjab & Sind Bank as at March 31, 2009 the Profit & Loss Account and the Cash Flow Statement of the Bank for the year ended on that date annexed thereto in which are incorporated returns of 20 branches, Zonal Offices and Central Office Departments audited by us as part of allocation of work among the Statutory Central Auditors, 702 branches audited by other auditors and 190 returns in respect of unaudited branches not visited by us. These unaudited branches account for 1.56 per cent of the advances, 11.90 per cent of deposits, 3.63 per cent of interest income on advances and 10.41 percent of interest expenses on deposits. The branches audited by us and those by other auditors, we are informed, have been selected by the Bank in accordance with the guidelines issued by the Reserve Bank of India. These financial statements are the responsibility of the Bank's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subject to the limitations of the audit indicated in above paras and as required by the Banking Companies (Acquisitions and Transfer of Undertaking) Act, 1980 and also subject to the limitation of the disclosure required therein, we report as under:-

I. The Balance Sheet and Profit & Loss Account have been drawn up in forms "A" and "B" respectively of the Third Schedule to the Banking Regulation Act, 1949.

II. Attention is invited to -

*a) Note No. 1.1, 1.2 and 1.3 regarding adjustments required on account of non reconciliation of balances and clearance/ identification of outstanding items in respect of various accounts of income, expenditure, assets and liabilities, the effect of which is not ascertainable.*

*b) Note No.9.7.4 regarding disputed tax liabilities pending in appeals, the effect of which is not ascertainable.*

III. *Capital Adequacy as per Basel-I and Basel-II and other ratios disclosed in the Accounts by the Bank is subject to adjustments arising out of the Notes on Accounts, Accounting Policies and our remarks in para II above.*

We further report that:-

(a) In our opinion and to the best of our information and according to the explanations given to us and as shown by the books of the Bank and *subject to our comments in para II above:*

(i) The Balance Sheet read together with the Significant Accounting Policies and Notes on Accounts thereon is a full and fair Balance Sheet containing the necessary particulars, and is properly drawn up so as to exhibit a true and fair view of the affairs of the Bank as at March 31, 2009.

(ii) The Profit & Loss Account, read together with the Significant Accounting Policies and Notes on Accounts thereon reflects a true balance of profit for the year ended on March 31, 2009.

(iii) The Cash Flow Statement gives a true and fair view of the Cash flow for the year ended March 31, 2009.

(b) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.

(c) The transactions of the Bank which have come to our notice have been within the powers of the Bank.

(d) The returns of the accounts received from the offices and branches of the Bank have generally been found adequate for the purpose of our audit except that in the case of some branches where particulars were inadequate, the information available at the Zones / Head Office has been relied upon.

**For K. B. CHANDNA & CO.  
CHARTERED ACCOUNTANTS**

**For PRASAD AZAD & CO.  
CHARTERED ACCOUNTANTS**

**[ SANJEEV CHANDNA ]  
Partner  
M. No. 87354**

**[ DEEPAK AZAD ]  
Partner  
M. No. 94115**

**For S. LALL & CO.  
CHARTERED ACCOUNTANTS**

**For BANSAL SINHA & CO.  
CHARTERED ACCOUNTANTS**

**[ S.L. AGGARWAL ]  
Partner  
M. No. 7959**

**[RAVINDER KHULLAR ]  
Partner  
M.No.82928**

**For BALRAM CHANDRA & ASSOCIATES  
CHARTERED ACCOUNTANTS**

**[ BALRAM CHANDRA ]  
Partner  
M. No. 070875**

**Dated: 29<sup>th</sup> April, 2009  
Place: New Delhi**