

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 31st 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 1st 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
Value of Investments			
(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)	Closing balance	29.00	51.29

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
	Total	1351.86	1141.40	Nil	64.12	111.12

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
Total Provisions held	25.03	26.49

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
Total amount of assets subjected to restructuring etc.	Nil	Nil

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)	Movement of Gross NPAs		
(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)	Closing balance	161.04	135.53

(iii)	Movement of Net NPAs		
(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)	Closing balance	78.03	66.97

(iv)	Movement of provisions for NPAs (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)	Closing balance	78.95	65.71

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)	Total Amount of loan assets subjected to restructuring, rescheduling, renegotiation (i)+(ii)+(iii)	No. of Borrowers	1	Nil	3681	31
		Amount Outstanding	5.68	Nil	527.21	67.02
		Sacrifice (diminution in the fair value)	0.31	Nil	2.93	Nil

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 1st 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
Total	34675.65	24615.35	12627.43	2711.48	315.51	685.60

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
	Total Exposure to Capital Market	58.80	103.10

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 31st March, 2009		
	(000's omitted)	
A. CASH FLOW FROM OPERATING ACTIVITIES	2008-09	2007-08
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
Operating Profit before working capital changes	7853847	5694619
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
Cash Flow from Operating Activities (A)	-3798281	3347254
B. CASH FLOW FROM INVESTING ACTIVITIES		
Increase in Fixed Assets	-215810	-118811
Profit on sale of assets	716	1402
Cash Flow from Investing Activities (B)	-215094	-117409
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Subordinated Bonds	4000000	1000000
Redemption of Subordinated Bonds	-450000	-1050000
Interest on Subordinated Bonds	-531111	-257485
Cash Flow from Financing Activities (C)	3018889	-307485
Cash from Operating Activities	-3798281	3347254
Cash from Investing Activities	-215094	-117409
Cash from Financing Activities	3018889	-307485
Increase in Cash & Cash Equivalents	-994486	2922360
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 st 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 st 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 st 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 st 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 st March	1080.27	1037.63	298.02	272.96	148.19	130.89
Less: Fair value of Plan Assets as at 31 st 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
Other Information:										
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
Total		18.69	Nil	76.96	2.81

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)

Break up of 'Provisions & Contingencies' shown under the head Expenditure in Profit & Loss Account	2008-09	2007-08
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
Total	290.53	160.30

10.2 Movement of Floating Provisions

(Rupees. in crore)

	2008-09	2007-08
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:**

		2008-09	2007-08
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:**

		2008-09	2007-08
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.