

**QUANTITATIVE DISCLOSURES UNDER BASEL II (PILLAR 3) IN TERMS OF
RBI CIRCULAR ON PRUDENTIAL GUIDELINES ON CAPITAL ADEQUACY
AND MARKET DISCIPLINE FOR THE HALF YEAR ENDED 30.09.2009:**

1. Scope of application

1.1 There is no capital deficiency in any of the subsidiaries.

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

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

1.3 PNB Principal Insurance Broking Pvt. Ltd is a company engaged in “Direct Broker” activity as per License granted by Insurance Regulatory & Development Authority (IRDA). The paid up capital of the company is Rs.5 crores and bank’s stake is Rs.1.50 crores. The Bank has now taken a view to takeover this company from the Principal and run it as bank’s own subsidiary subject to the approval of the regulators.

1.4 Principal PNB Life Insurance Company Ltd. is incorporated with an authorized capital of Rs.110 crore to commence life insurance business. The paid-up capital of the company is Rs.2 crore and bank’s stake is Rs.0.60 crore. The company has not been accorded clearance for commencing insurance business by the Regulatory and is not operationalised. The IRDA has directed to wind up the Company. The Bank has now taken a view to buy out the entire stake in this JV and move IRDA for deferment of winding up proceedings so that the Bank may tie up with some new partner for commencement of life insurance activity.

2. Capital Structure

2.1 The Tier 1 capital of the bank comprises:

		(Rs in Crores)	
	Particulars	30.09.09	30.09.08
i)	Paid up share capital	315.30	315.30
ii)	Reserves (excluding revaluation reserves)	14471.70	11688.18
iii)	Innovative Perpetual Bonds	1820.50	1100.00
iv)	Other Capital Instruments	0.00	0.00
Deductions			
v)	Equity Investment in subsidiaries (50%)	224.94	158.51

vi)	Intangible Assets (Deferred Tax Assets + Computer Software)	421.80	350.77
Tier I Capital (i + ii + iii + iv –v –vi)		15960.76	12594.20

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

(Rs. in crores)		
Particulars	30.09.09	30.09.08
The amount of Tier 2 capital (net of deductions)	9055.12	6062.38

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

(Rs in Crores)		
Particulars	30.09.09	30.09.08
Total amount outstanding	5610.00	2610.00
Of which amount raised during the current half year	1500.00	500.00
Amount eligible to be reckoned as capital funds	5610.00	2610.00

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

(Rs in Crores)		
	30.09.09	30.09.08
Total amount outstanding	2559.80	2654.80
Of which amount raised during the current half year	0.00	0.00
Amount eligible to be reckoned as capital funds	2076.80	2288.80

2.3 Other deductions from capital, if any:

(Rs in Crores)		
	30.09.09	30.09.08
Other deductions from capital, if any:	NIL	NIL

2.4 The total eligible capital comprises:

(Rs in Crores)		
	30.09.09	30.09.08
Tier – I Capital	15960.77	12594.20
Tier – II Capital	9055.12	6062.38
Total Capital	25015.89	18656.58

3. Capital Adequacy

3.1 The capital requirements for credit risk are:

(Rs. in crores)		
	30.09.09	30.09.08
Portfolios subject to standardised approach@9%	13454.26	10637.51
Securitization exposure	NIL	NIL

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

(Rs. in crores)		
Risk Category	30.09.09	30.09.08
i) Interest Rate Risk	320.82	338.42
ii) Foreign Exchange Risk (including Gold)	9.00	9.00
iii) Equity Risk	321.65	283.88
iv) Total capital charge for market risks under Standardised duration approach (i + ii + iii)	651.47	631.30

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

(Rs. in crores)		
Capital requirement for operational risk	30.09.09	30.09.08
Basic indicator approach	1165.60	1040.55

3.4 The capital ratios of the bank and subsidiaries are:

Punjab National Bank

	30.09.09	30.09.08
CRAR%	14.74%	13.64%
CRAR – Tier I capital (%)	9.41%	9.21%
CRAR – Tier II capital (%)	5.33%	4.43%

Subsidiaries:

Name of subsidiary	CRAR – Tier I capital (%)		CRAR – Tier II capital (%)		CRAR%	
	30.09.09	30.09.08	30.09.09	30.09.08	30.09.09	30.09.08
PNB Gilts Ltd	29.75	89.02	NIL	NIL	29.75	89.02
PNB Housing Finance Ltd	12.05	11.78	5.70	5.89	17.75	17.67
Punjab National Bank (International) Ltd.	14.65	19.20	6.95	NIL	21.60	19.20
PNB Investment Services Ltd.	NIL	500.00		NIL	500.00	NIL

4. Credit risk: general disclosures

4.1 The total gross credit risk exposures are:

(Rs in Crores)

Category	30.09.09	30.09.08
Fund Based	165391.01	131705.17
Non Fund Based	45946.54	39977.13

4.2 The geographic distribution of exposures is:

(Rs in Crores)

Category	Overseas		Domestic	
	30.09.09	30.09.08	30.09.09	30.09.08
Fund Based	5178.93	1816.53	160212.08	129888.64
Non-fund based	137.71	153.06	45808.83	39824.07

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

(Rs. in crores)

S.NO.	CODE	INDUSTRY	30.09.09		30.09.08	
1	1	COAL		18.83		17.75
2	2	MINING		1059.55		629.22
3	3	IRON AND STEEL		7658.72		8455.30
4	4	OTHER METAL & METAL PRODUCTS		1000.03		941.51
5	5	ALL ENGINEERING		3564.75		3266.43
	5.1	Of which (005) Electronics	917.12		535.91	
6	6	ELECTRICITY		3037.23		743.15
7	7	COTTON TEXTILES		1381.46		2482.16
8	8	JUTE TEXTILTES		90.54		102.18
9	9	OTHER TEXTILES		2996.70		3148.05
10	10	SUGAR		1618.81		2408.71
11	11	TEA		5.55		27.13
12	12	FOOD PROCESSING		2161.41		1373.60
13	13	VEGETABLE OILS AND VANASPATI		502.86		321.05
14	14	TOBACCO & TOBACCO PRODUCTS		13.67		12.91
15	15	PAPER & PAPER PRODUCTS		705.78		1475.48
16	16	RUBBER & RUBBER PRODUCTS		144.43		176.60
17	17	CHEMICALS, DYES, PAINTS, ETC.		2483.72		2889.22
	17.1	Of which Fertilisers	135.52		434.96	
	17.2	Of which Petro-chemicals	498.01		415.19	

	17.3	Of which Drugs & Pharmaceuticals	1037.31		1294.28	
18	18	CEMENT		1163.31		1272.26
19	19	LEATHER & LEATHER PRODUCTS		362.95		532.52
20	20	GEMS AND JEWELLERY		1006.51		600.94
21	21	CONSTRUCTION		3979.00		4506.25
22	22	PETROLEUM		775.15		4951.12
23	23	AUTOMOBILES INCLUDING TRUCKS		1394.79		403.73
24	24	COMPUTER SOFTWARE		93.71		100.72
25	25	INFRASTRUCTURE		20717.07		15332.53
	25.1	Of which Power	7516.22		8560.99	
	25.2	Of which Telecommunications	5667.16		2688.05	
	25.3	Of which Roads & Ports	4282.86		4053.28	
26	26	NBFCs		5898.89		4826.52
27	27	TRADING		8788.59		1033.15
28	28	OTHER INDUSTRIES		11757.33		4885.70
		TOTAL		84381.34		66915.89
29	29	Residuary Other Advances		81009.67		64789.28
		GRAND TOTAL		165391.01		131705.17
		Industry exposure is more than 5% of gross fund based exposure				
1	3	IRON AND STEEL				8455.30
2.	25.	INFRASTRUCTURE		20717.07		8560.99
3.	27	TRADING		8788.59		--

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

(Rs. in crores)

S.NO.	CODE	INDUSTRY	30.09.09		30.09.08	
1	1	COAL		23.13		8.17
2	2	MINING		1194.00		730.53
3	3	IRON AND STEEL		5367.07		6701.98
4	4	OTHER METAL & METAL PRODUCTS		162.30		144.67
5	5	ALL ENGINEERING		2163.73		2813.96
	5.1	Of which (005) Electronics	378.03		337.28	
6	6	ELECTRICITY		253.67		0.00
7	7	COTTON TEXTILES		83.12		133.16
8	8	JUTE TEXTILTES		11.39		13.99
9	9	OTHER TEXTILES		341.57		421.41
10	10	SUGAR		938.57		295.89
11	11	TEA		0.02		0.88

12	12	FOOD PROCESSING		769.28		445.52
13	13	VEGETABLE OILS AND VANASPATI		714.07		629.96
14	14	TOBACCO & TOBACCO PRODUCTS		5.46		6.40
15	15	PAPER & PAPER PRODUCTS		56.86		92.13
16	16	RUBBER & RUBBER PRODUCTS		31.06		91.80
17	17	CHEMICALS, DYES, PAINTS, ETC.		1122.07		1743.18
	17.1	Of which Fertilisers	75.63		1098.89	
	17.2	Of which Petro-chemicals	484.34		172.00	
	17.3	Of which Drugs & Pharmaceuticals	286.12		211.85	
18	18	CEMENT		709.34		240.38
19	19	LEATHER & LEATHER PRODUCTS		41.58		39.29
20	20	GEMS AND JEWELLERY		282.81		63.32
21	21	CONSTRUCTION		106.46		676.87
22	22	PETROLEUM		39.73		977.47
23	23	AUTOMOBILES INCLUDING TRUCKS		317.05		268.13
24	24	COMPUTER SOFTWARE		21.81		21.27
25	25	INFRASTRUCTURE		9459.51		5318.67
	25.1	Of which Power	2963.96		1785.27	
	25.2	Of which Telecommunications	3535.17		1131.45	
	25.3	Of which Roads & Ports	1025.89		767.10	
26	26	NBFCs		848.47		29.93
27	27	TRADING		2779.91		3031.19
28	28	OTHER INDUSTRIES		4064.36		3358.29
		TOTAL		31908.40		28298.44
29	29	Residuary Other Advances		14038.14		11678.69
		GRAND TOTAL		45946.54		39977.13
		Industry where non- fund based outstanding is more than 5% of gross non-fund based outstanding.				
1	25	INFRASTRUCTURE		9459.51		--
2	3	IRON AND STEEL		5367.07		6701.98
3	27	TRADING		2779.91		
2	5	ALL ENGINEERING		2163.73		2813.96

4.4 The residual contractual maturity break down of assets is:

(Rs in Crores)

Maturity Pattern	Advances*	Investments (gross)	Foreign Currency Assets*
Next day	2822.08 (2349.71)	0.00 (0.00)	359.25 (114.14)
2 - 7 days	3583.08 (2743.44)	499.95 (0.08)	152.26 (160.77)
8 -14 days	2790.37 (2756.14)	629.30 (534.88)	197.64 (44.62)
15- 28 days	3044.04 (3162.58)	460.00 (562.89)	2202.25 (191.99)
29days – 3months	8038.16 (11558.02)	637.42 (1060.99)	879.33 (789.89)
>3months-6months	9988.24 (6884.01)	1629.84 (1254.98)	641.36 (450.32)
>6months-1yr	20666.55 (15799.28)	5127.97 (3949.12)	1253.13 (973.87)
>1yr-3yrs	73835.67 (57407.42)	8391.95 (9685.71)	124.77 (627.61)
>3yrs-5yrs	19449.26 (14806.59)	9205.61 (10607.50)	93.64 (159.31)
>5yrs	19341.32 (12964.86)	43892.73 (30795.73)	99.56 (80.62)
Total	163558.77 (130432.05)	70474.77 (58451.88)	6003.19 (3593.14)

*Figures are shown on net basis

(Figures in brackets relate to previous year)

4.5 The gross NPAs are:

(Rs. in Crores)

Category	30.09.09	30.09.08
Sub Standard	956.42	913.35
Doubtful – 1	513.88	808.04
Doubtful – 2	544.43	341.70
Doubtful – 3	293.16	334.25
Loss	310.72	476.26
Total NPAs (Gross)	2618.61	2873.60

4.6. The amount of net NPAs is:

(Rs. in Crores)		
Particulars	30.09.09	30.09.08
Net NPA	232.67	544.73

4.7 The NPA ratios are as under:

NPA Ratios	30.09.09	30.09.08
% of Gross NPAs to Gross Advances	1.58%	2.18%
% of Net NPAs to Net Advances	0.14%	0.42%

4.8 The movement of gross NPAs is as under:

(Rs. in Crores)		
Movement of gross NPAs	30.09.09	30.09.08
i) Opening Balance at the beginning of the year	2767.47	3319.30
ii) Addition during the half year	859.05	943.79
iii) Reduction during the half year	754.44	1138.52
iv) Closing Balance as at the end of the half year (i + ii - iii)	2872.08	3124.57
v) Closing balance net of DI/SI as at the end of half year	2618.61	2873.60

4.9 The movement of provision for NPAs is as under:

(Rs in Crores)		
Movement of provision for NPAs	30.09.09	30.09.08
i) Opening Balance at the beginning of the year	2215.41	2212.55
ii) Provisions made during the half year	376.03	512.73
iii) Write-off made during the half year	20.49	11.60
iv) Write –back of excess provisions made during the half year	227.94	419.85
v) Closing Balance as at the end of the half year (i + ii - iii-iv)	2343.01	2293.83

4.10 The amount of non-performing investment is:

(Rs. in crores)		
Particulars	30.09.09	30.09.08
Amount of non-performing investment	105.37	115.53

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

(Rs. in crores)		
Particulars	30.09.09	30.09.08
Amount of provision held for non-performing investment	105.37	115.53

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

(Rs in Crores)

	30.09.09	30.09.08
Movement of provisions for depreciation on investments		
i) Opening balance at the beginning of the year	375.48	920.20
ii) Provisions made during the half year	82.82	0.00
iii) Write-off made during the half year	0.00	0.00
iv) Write-back of excess provisions made during the half year	250.56	189.96
v) Closing balance as at the end of the half year (i + ii –iii-iv)	207.74	730.24

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

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

(Rs in Crores)

Particulars	30.09.09	30.09.08
i) Below 100% risk weight exposure outstanding	101510.12	91065.55
ii) 100% risk weight exposure outstanding	101538.40	52564.87
iii) More than 100% risk weight exposure outstanding	8709.34	30086.20
iv) Deducted	NIL	NIL

6 Credit Risk Mitigation: disclosures for standardised approaches

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

(Rs. in crores)

	30.09.09	30.09.08
Eligible financial collateral after the application of haircuts.	12011.95	9584.67

7. Securitisation: disclosure for standardized approach

Bank does not have any securitisation exposure.

8. Market Risk in Trading Book

8.1 The capital requirements for market risk are as under:

(Rs. in crores)

Risk Category	30.09.09	30.09.08
i) Interest Rate Risk	320.82	338.42
ii) Equity Position Risk	321.65	283.88
iii) Foreign Exchange Risk (including Gold)	9.00	9.00
iv) Total capital charge for market risks under Standardised duration approach (i+ii+iii)	651.47	631.30

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

Quantitative Disclosure

A. Earning Approach as on

Table 1: Interest rate sensitivity - net gaps as on 30.09.09

(Rs Cr)

Maturity Period	Gap (RSA-RSL)	Other Products * (Int. rate)	Net Gap (1-2)	Total Assets	Net Gaps as % to Total Assets
	1	2	3	4	5
1-28 days	-1542	-750	-792	15954	-5%
29 days – 3 months	71865	0	71865	96805	74%
>3 to 6 months	-85598	50	-85648	11116	-770%
>6 to 12 months	-33244	450	-33694	10702	-315%
>1 to 3 yrs.	10335	250	10085	36906	27%
>3 to 5 yrs.	11113	0	11113	15984	70%
Over 5 yrs.	40789	0	40789	51962	78%

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

The repricing assumptions on assets and liabilities are taken as per RBI guidelines. The sensitive portion of saving fund deposit is assumed to be repriced in 3-6 months whereas the floating rate of advances are assumed to be repriced in 29 days to 3 months.

Table 2: Earning at Risk: Impact of 0.5 % change upward/downward in interest rate on NII.

(Rs. in crores)

Remaining Period	Expected gain on NII with change in rate of interest downward at 0.5%	Expected loss on NII with change in rate of interest upward at 0.5%
Upto 6 months	64.92	64.92
Up to 1 year	13.64	13.64

The impact on the net interest income due to change in interest rate upward or downward from 0.25 bps to 200 bps (Earning at Risk Model) is assessed on monthly basis on the rate sensitive assets and liabilities of the Bank. The impact at 0.5% as assessed through EaR model is tested against prudential limit on the NII fixed by the Bank as part of risk management exposure for Earnings.

B. Economic Value Approach:

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