

QUANTITATIVE DISCLOSURES UNDER BASEL II (PILLAR 3) IN TERMS OF REVISED CAPITAL ADEQUACY FRAMEWORK FOR THE HALF YEAR ENDED 30.09.2008:

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 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.

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 application filed by the company with IRDA on RI format (Requisition of Licence) has been kept in abeyance for want of certain information.

1.5 Bank has decided to off load the investment made in the share capital of the aforesaid two companies.

2. Capital Structure

2.1 The Tier 1 capital of the bank comprises:

(Rs in Crores)

i)	Paid up share capital	315.30
ii)	Reserves (excluding revaluation reserves)	11688.18
iii)	Innovative Perpetual Bonds	1100.00
iv)	Other Capital Instruments	0.00
Deductions		
v)	Equity Investment in subsidiaries (50%)	158.51
vi)	Intangible Assets (Deferred Tax Assets + Computer Software)	350.77
Tier I Capital (i + ii + iii + iv –v –vi)		12594.20

2.2 The amount of Tier 2 capital (net of deductions) is Rs. 6062.38 crores

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

(Rs in Crores)

Total amount outstanding	2610.00
Of which amount raised during the current year	500.00
Amount eligible to be reckoned as capital funds	2610.00

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

(Rs in Crores)

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

2.3 There are no other deductions from capital.

2.4 The total eligible capital comprises:

(Rs in Crores)

Tier – I Capital	12594.20
Tier – II Capital	6062.38
Total Capital	18656.58

3. Capital Adequacy

3.1 The capital requirements for credit risk are:

- for portfolios subject to standardised approach @ 9% Rs.10637.51 crores

-for securitization exposures: NIL

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

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

3.3 The capital requirement for operational risk under Basic indicator approach is Rs.1040.55 crores as on 30.09.2008.

3.4 The capital ratios of the bank and subsidiaries are:

Punjab National Bank

CRAR%	13.64%
CRAR – Tier I capital (%)	9.21%
CRAR – Tier II capital (%)	4.43%

Subsidiaries:

Name of subsidiary	CRAR – Tier I capital (%)	CRAR – Tier II capital (%)	CRAR%
PNB Gilts Ltd	89.02	NIL	89.02
PNB Housing Finance Ltd	11.78	5.89	17.67
Punjab National Bank (International) Ltd.	19.20	NIL	19.20

4. Credit risk: general disclosures

4.1 The total gross credit risk exposures are:

(Rs in Crores)

Category	Amount
Fund Based	131956.14
Non Fund Based	39977.13

4.2 The geographic distribution of exposures is:

(Rs in Crores)

	Overseas	Domestic
Fund Based	1816.53	130139.61
Non-fund based	153.06	39824.07

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

S.NO.	CODE	INDUSTRY	AMOUNT (Rs. in crore)
1	1	COAL	17.75
2	2	MINING	629.22
3	3	IRON AND STEEL	8455.30
4	4	OTHER METAL & METAL PRODUCTS	941.51
5	5	ALL ENGINEERING	3266.43
	5.1	Of which (005) Electronics	535.91
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6	6	ELECTRICITY		743.15
7	7	COTTON TEXTILES		2482.16
8	8	JUTE TEXTILTES		102.18
9	9	OTHER TEXTILES		3148.05
10	10	SUGAR		2408.71
11	11	TEA		27.13
12	12	FOOD PROCESSING		1373.60
13	13	VEGETABLE OILS AND VANASPATI		321.05
14	14	TOBACCO & TOBACCO PRODUCTS		12.91
15	15	PAPER & PAPER PRODUCTS		1475.48
16	16	RUBBER & RUBBER PRODUCTS		176.60
17	17	CHEMICALS, DYES, PAINTS, ETC.		2889.22
	17.1	Of which Fertilisers	434.96	--
	17.2	Of which Petro-chemicals	415.19	--
	17.3	Of which Drugs & Pharmaceuticals	1294.28	--
18	18	CEMENT		1272.26
19	19	LEATHER & LEATHER PRODUCTS		532.52
20	20	GEMS AND JEWELLERY		600.94
21	21	CONSTRUCTION		4506.25
22	22	PETROLEUM		4951.12
23	23	AUTOMOBILES INCLUDING TRUCKS		403.73
24	24	COMPUTER SOFTWARE		100.72
25	25	INFRASTRUCTURE		15332.53
	25.1	Of which Power	8560.99	--
	25.2	Of which Telecommunications	2688.05	--
	25.3	Of which Roads & Ports	4053.28	--
26	26	NBFCs		4826.52
27	27	TRADING		1033.15
28	28	OTHER INDUSTRIES		4885.70
		TOTAL		66915.89
29	29	Residuary Other Advances		65040.25

		GRAND TOTAL		131956.14
		Industry exposure is more than 5% of gross fund based exposure		
1	3	IRON AND STEEL		8455.30
	25.1	INFRASTRUCTURE – Power		8560.99

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

S.NO.	CODE	INDUSTRY		AMOUNT (Rs. in crore)
1	1	COAL		8.17
2	2	MINING		730.53
3	3	IRON AND STEEL		6701.98
4	4	OTHER METAL & METAL PRODUCTS		144.67
5	5	ALL ENGINEERING		2813.96
	5.1	Of which (005) Electronics	337.28	--
6	6	ELECTRICITY		0.00
7	7	COTTON TEXTILES		133.16
8	8	JUTE TEXTILES		13.99
9	9	OTHER TEXTILES		421.41
10	10	SUGAR		295.89
11	11	TEA		0.88
12	12	FOOD PROCESSING		445.52
13	13	VEGETABLE OILS AND VANASPATHI		629.96
14	14	TOBACCO & TOBACCO PRODUCTS		6.40
15	15	PAPER & PAPER PRODUCTS		92.13
16	16	RUBBER & RUBBER PRODUCTS		91.80
17	17	CHEMICALS, DYES, PAINTS, ETC.		1743.18
	17.1	Of which Fertilisers	1098.89	--
	17.2	Of which Petro-chemicals	172.00	--
	17.3	Of which Drugs & Pharmaceuticals	211.85	--
18	18	CEMENT		240.38
19	19	LEATHER & LEATHER PRODUCTS		39.29

20	20	GEMS AND JEWELLERY		63.32
21	21	CONSTRUCTION		676.87
22	22	PETROLEUM		977.47
23	23	AUTOMOBILES INCLUDING TRUCKS		268.13
24	24	COMPUTER SOFTWARE		21.27
25	25	INFRASTRCTURE		5318.67
	25.1	Of which Power	1785.27	
	25.2	Of which Telecommunications	1131.45	
	25.3	Of which Roads & Ports	767.10	
26	26	NBFCs (including Housing Finance Co.)		29.93
27	27	TRADING		3031.19
28	28	OTHER INDUSTRIES		3358.29
		TOTAL		28298.44
29	29	Residuary Other Advances		11678.69
		GRAND TOTAL		39977.13
		Industry where non fund based outstanding is more than 5% of gross non fund based outstanding		
1	3	IRON AND STEEL		6701.98
2	5	ALL ENGINEERING		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	2349.71	0.00	114.14
2 - 7 days	2743.44	0.08	160.77
8 -14 days	2756.14	534.88	44.62
15- 28 days	3162.58	562.89	191.99
29days – 3months	11558.02	1060.99	789.89
>3months-6months	6884.01	1254.98	450.32
>6months-1yr	15799.28	3949.12	973.87
>1yr-3yrs	57407.42	9685.71	627.61
>3yrs-5yrs	14806.59	10607.50	159.31
>5yrs	12964.86	30795.73	80.62
Total	130432.05	58451.88	3593.14

*Figures are shown on net basis

4.5 The gross NPAs are:

Category	(Rs. in Crores)
Sub Standard	993.12
Doubtful – 1	878.61
Doubtful – 2	371.54
Doubtful – 3	363.44
Loss	517.86
Total NPAs (Gross)	3124.57

4.6. The amount of net NPAs is Rs 544.73 crores.

4.7 The NPA ratios are as under:

- Gross NPAs to Gross Advances: 2.37%
- Net NPAs to Net Advances: 0.42%

4.8 The movement of gross NPAs is as under:

	(Rs. in Crores)
i) Opening Balance at the beginning of the year	3319.30
ii) Addition during the year	943.79
iii) Reduction during the year	1138.52
iv) Closing Balance as at the end of the year (i + ii - iii)	3124.57

4.9 The movement of provision for NPAs is as under:

	(Rs in Crores)
i) Opening Balance at the beginning of the year	2212.55
ii) Provisions made during the year	512.73
iii) Write-off made during the year	11.60
iv) Write –back of excess provisions made during the year	419.85
v) Closing Balance as at the end of the year (i + ii - iii-iv)	2293.83

4.10 The amount of non-performing investment is Rs 115.53 crores.

4.11 The amount of provisions held for non-performing investment is Rs .115.53 crores.

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

	(Rs in Crores)
i) Opening balance at the beginning of the year	920.20
ii) Provisions made during the year	0.00
iii) Write-off made during the year	0.00
iv) Write-back of excess provisions made during the year	189.96
v) Closing balance as at the end of the year (i + ii –iii-iv)	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)

i) Below 100% risk weight exposure outstanding	91065.55
ii) 100% risk weight exposure outstanding	52564.87
iii) More than 100% risk weight exposure outstanding	30086.20
iv) Deducted	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. 9584.67 crores after the application of haircuts (eligible financial collateral).

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:

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

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

Quantitative Disclosure

A. Earning Approach as on 17.09.2008 (Third Wednesday of Sep'08)

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

Maturity Period	Gap (RSA-RSL)	Other Products * (Int. rate)	Net Gap (1-2)	Total Assets	Net Gaps as % to Total Assets
	1	2	3	4	5
1-28 days	398	1885	-1487	18006	-8%
29 days – 3 months	54971	-1135	56106	71114	79%
>3 to 6 months	-75132	-750	-74382	10306	-722%
>6 to 12 months	-24955	0	-24955	14401	-173%
>1 to 3 yrs.	14320	0	14320	31106	46%
>3 to 5 yrs.	13940	0	13940	17895	78%
Over 5 yrs.	30346	0	30346	36490	83%

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

Table 2: Impact of 0.5 % adverse change in interest rate on NII/NIM

Remaining Period	Expected Loss on NII with adverse change in interest rate
Up to 1 year period	Rs. 36.6 crores

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.