



SCHEDULE – 17

SIGNIFICANT ACCOUNTING POLICIES

17.1. BASIS OF ACCOUNTING

These accounts are prepared by following the going concern concept on historical cost basis, consistently, and are in conformity with the statutory provisions and generally accepted accounting principles, save as otherwise stated.

17.2. INVESTMENTS

a. CLASSIFICATION:

As per Reserve Bank of India guidelines, Investments are classified in three categories viz.; Held to Maturity, Available for Sale & Held for Trading and are disclosed in the accounts in six classifications, net of depreciation provision.

b. VALUATION:

Investments are valued as per Reserve Bank of India guidelines as follows:

c. BASIS:

‘Held to Maturity’

Wherever the average book value is higher than the face value/redemption value, such excess amount is amortized over the remaining period of maturity of the security adopting constant yield method. Accordingly, investments are valued at cost less amortization.

‘Available for Sale’ and ‘Held for Trading’

These Investments are marked to market scrip wise. Depreciation/Appreciation for each of six classifications is aggregated; net depreciation, if any, for each classification is provided for, but net appreciation is ignored.

d. METHODOLOGY:

The Bank follows Average Cost Method consistently. Market value of quoted securities in case of Investments included in the ‘Available for Sale’ and ‘Held for Trading’ categories is taken based on market quotations of recognized stock exchange/s or price list of Reserve Bank of India.

Where market quotes are not available and in case of unquoted securities, value is determined based on Prices / Yield to Maturity declared by Primary Dealers Association Of India jointly with Fixed Income Money Market and Derivatives Association of India and Net Asset Value in case of units of Mutual Funds / SRs of ARCs / SCs and Net Book Value in case of Shares of Companies.



Treasury Bills, Commercial Papers, Rural Infrastructure Development Bonds and Investments including Share Capital Deposits in Regional Rural Banks are valued at carrying cost.

e. **INCOME RECOGNITION AND PRUDENTIAL NORMS:**

The Bank has followed prudential norms formulated by Reserve Bank of India, from time to time, as to Asset Classification, Income Recognition and Provisioning on Investments.

Commission, brokerage, broken period interest etc. on investment transactions are debited / credited to Profit and Loss Account in the year of transaction.

Profit on sale of investments pertaining to investments under “Held to Maturity” category is taken to Profit and Loss Account and thereafter appropriated to “Capital Reserve Account”. Loss on sale will be recognized in the Profit & Loss Account.

17.3. **ADVANCES**

- a. The Bank has followed prudential norms formulated by Reserve Bank of India, from time to time, as to Asset Classification, Income Recognition and Provisioning on Advances and has accordingly classified its advances into Standard, Sub-standard, Doubtful and Loss Assets.
- b. Advances are shown net of Provisions for Non Performing Assets.
- c. Prudential provision on Standard Assets and provision on account of ‘Sacrifice on Restructured Standard Accounts’ are included in ‘Other Liabilities and Provisions–Others’ in Schedule 5 to the Balance Sheet.
- d. Recoveries in Non Performing Advances are first appropriated towards principal outstanding and surplus if any, is recognized as income.
- e. In case of financial assets sold to the Asset Reconstruction Company (ARC) / Securitisation Company (SC), if the sale is at a price below the net book value (NBV), i.e Book Value Less Provision Held, the shortfall is debited to the profit and loss account. If the sale is for a value higher than the NBV, the excess provision will not be reversed but will be utilized to meet the shortfall/loss on account of sale of other financial assets to SC/RC.
- f. In case of financial assets sold to the Banks, FIs, NBFCs, if the sale is at a price below the net book value (NBV), the shortfall is debited to the profit and loss account. If the sale is for a value higher than the NBV, the excess provision will not be reversed but will be utilized to meet the shortfall/loss on account of sale of other non-performing financial assets.

17.4. **FIXED ASSETS & DEPRECIATION**

- a. Premises (except certain premises which have been stated at revalued amount) and other fixed assets are stated at historical cost.



- b. Premises include cost of land in respect of certain properties where the same cannot be segregated.
- c. Depreciation is charged on Written Down Value (W.D.V.) method at the rates prescribed under the Income Tax Rules, 1962 except
 - i. Computer hardware purchased before 01.04.2000 are depreciated @ 25% p.a. on W.D.V. method and purchased on or after 01.04.2000 are depreciated @ 33.33% on Straight Line Method.
 - ii. Residential premises admeasuring less than or equal to 80 sq. m. are depreciated @ 5% p.a. on W.D.V. method.
- d. Cost of leasehold land is amortized over the period of lease.
- e. Depreciation attributable to revalued portion is charged to the Revaluation Reserve Account.
- f. Fixed Assets include Capital Work-in-Progress.
- g. Computer software expenses are considered as intangible assets and are amortized over a period of five years, which is considered as useful economic life of such assets.

17.5. NON BANKING ASSETS

Non Banking Assets are stated at cost.

17.6. REVENUE RECOGNITION

- a. The Bank follows mercantile system of accounting except in cases where income/expenses are recognized on cash basis i.e. interest/ discount on non-performing loans -advances/investments, commission on letters of credit/ bank guarantees/ Govt. Business / distribution of Third party products, locker rent, interest on refund of taxes, dividend, income on units of mutual funds and rent.
- b. In case of matured Term Deposits, interest is accounted for as and when deposits are renewed.
- c. Expenses incurred on the issue of shares, bonds etc. are recognized in the year of incurrence.
- d. Unclaimed credit balances lying in Suspense Receipts for more than five years are being accounted for as 'Miscellaneous Income'.
- e. Recoveries in written off advances / investments are being accounted for as 'Miscellaneous Income'.
- f. In case of suit filed accounts, legal expenses are charged to Profit and Loss account.



17.7. TREATMENT OF VRS EXPENDITURE

Expenditure on VRS is recognized in the year of incurrence.

17.8. FOREIGN EXCHANGE

- a. The Bank revalues all foreign currency assets and liabilities including outstanding forward foreign exchange contracts in foreign currency at year-end rates issued by FEDAI and the resultant profit/loss arising out of such revaluation is accounted for in the Profit & Loss Account. Guarantees, letters of credit, acceptances, endorsements and other obligations in foreign currency are revalued at year-end rates issued by FEDAI for the purpose of Balance Sheet exposure.
- b. Income and Expenditure items are recognized at the exchange rates prevailing on the date of transaction.

17.9. STAFF BENEFITS

Provisions for Gratuity, Pension and Leave Encashment payable on retirement are made as per actuarial valuation.

17.10. TAXES ON INCOME

- a. Current tax is provided at the amount expected to be paid to the taxation authorities, using applicable tax rates, tax laws and judicial pronouncements / legal opinions.
- b. Deferred tax, comprising of tax effect of timing differences between taxable and accounting incomes for the period, is recognized keeping in view the consideration of prudence in respect of deferred tax assets.

17.11. NET PROFIT

Net Profit is arrived at after:

- a. Provision for income tax in accordance with the statutory requirements with adjustments for deferred tax in terms of Accounting Standards 22 issued by the Institute of Chartered Accountants of India,
- b. Provision for Wealth Tax,
- c. Provision for Fringe Benefit Tax
- d. Provision for Advances,
- e. Adjustments to the value of Investments,
- f. Other usual and necessary provisions.



SCHEDULE – 18

NOTES FORMING PART OF THE ACCOUNTS

18.1

- a. Initial matching of entries in respect of Inter Branch transactions has been done up to 28th February 2007 for the purpose of reconciliation, which is in progress.
- b. Balancing of subsidiary ledgers/registers and reconciliation with general ledgers are in progress at some branches. Outstanding entries in some heads of account including demand drafts payable, drafts paid ex-advice, suspense accounts, dividend/ interest warrants, refund orders paid, clearing adjustments and reconciliation between service branches and participating branches in clearing are in the process of reconciliation/ adjustments.
- c. In certain cases of Balances with Reserve Bank of India and other banks, outstanding entries have not been adjusted due to insufficient information.
- d. Pending reconciliation/ balancing/adjustment as stated above, the consequential impact on the accounts is not ascertainable at this stage.

18.2 According to revised RBI guidelines, provision on standard assets has been given effect in the accounts as under.

- a. 0.25% on direct advances to Agriculture and SME
- b. 1.00% on housing loans more than Rs. 20 lacs
- c. 2.00% on personal loans, advances to non-deposit taking NBFCs, capital market exposure and commercial real estate loans.
- d. 0.40% on other standard advances

18.3 A securitisation transaction of Rs.200 crores has been continued as Advance, as in previous year, pending clarification from RBI.

18.4 In the case of 342 unaudited branches, the classification of advances and provisioning thereof has been incorporated as certified by the branches.

18.5 The Bank has transferred Rs. 60.47 Crores (Previous year Rs. 21.90 Crores) to Statutory Reserve out of profit of Rs. 201.56 Crores for the year (Previous year Rs. 72.99 Crores) & Rs. 2.46 Crores to Capital Reserve (Net of Transfer to Statutory Reserve) (Previous year Rs. 41.85 Crores) from the profit on sale of investments held under HTM Category and Premises .The Bank has also transferred Rs.111.79 Crores to Revenue Reserve (Previous Year Rs. 51.94 Crores) after proposed dividend (inclusive of dividend tax) of Rs. 26.84 Crores (Previous Year: NIL).

18.6

- a. Premises include Rs. 0.22 crores (Previous year Rs. 0.22 crores) in respect of properties purchased, for which the documents are pending for registration.
- b. Non banking asset (land) acquired in satisfaction of claim amounting to Rs. 9.86 crores is pending for registration.

18.7 Disclosures in terms of RBI guidelines are as under:

a. Capital:

Items	2006-07	2005-06
i. CRAR (%)	11.52%	10.62%
ii. CRAR- Tier I capital (%)	6.06%	5.96%
iii. CRAR- Tier II capital (%)	5.46%	4.66%
Percentage of the shareholding of the Government of India	51.19%	51.19%
Amount of subordinated debt raised as Tier II Capital (Rs. in crores)	--	--
Amount of Upper Tier II Bonds raised (Rs. In Crores)	300.00	--

b. Investments:

i. The category wise position of holding of "Investment Portfolio" is as under:

(Rs. in crores)

Categories	31.03.2007	31.03.2006
Gross Value of Investment		
A. Held to Maturity	7463.15	5950.40
B. Available for Sale	1858.56	2610.99
C. Held for Trading	2.82	73.89
Total	9324.53	8635.28
Less: Depreciation	89.49	64.61
Net value of Investment	9235.04	8570.67

Bank does not have any investment outside India.

ii. Movement of Provision for Depreciation on Investments:

(Rs. in crores)

Particulars	2006-07	2005-06
Opening Balance	64.61	24.55
Add: Provision made during the year	83.00	270.69
Sub-Total	147.61	295.24
Less: Write off during the year	3.03	30.92
Less: Depreciation adjusted by reducing book value of Investment under AFS/HFT category shifted to HTM	55.09	199.71
Closing Balance	89.49	64.61

iii. REPO/Reverse REPO Transactions:

a. Liquidity Adjustment Facility (LAF)

(Rs in crores)

	Minimum outstanding during the year	Maximum outstanding during the year	Daily average outstanding during the year	Balance as on 31.3.07
Securities sold under repos	NIL	800.00	33.63	350.00
Securities purchased under reverse repos	NIL	900.00	75.68	NIL

b. Others – NIL

iv. Non SLR Investment Portfolio:

a. Issuer Composition of Non SLR Investment:

(Rs. in crores)

Sl. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted' securities
1	PSUs	499.72	491.37	31.25	69.50	103.25
2	FIs	178.30	178.30	27.77	5.63	31.91
3	Banks	174.14	149.12		5.00	60.00
4	Private Corporates	202.20	141.60		50.10	50.10
5	Subsidiaries/ Joint Ventures	21.72	21.72		20.32	20.32
6	Others	438.17	438.17	43.85	49.76	49.76
	Total*	1514.25	1420.28	102.87	200.31	315.34
7	Provision held towards depreciation	28.03				
	Balance as per books	1486.22				

*Special Govt securities (FV Rs. 146.63 crores) in the nature of Non-SLR securities, issued by Government of India is not included above.

b. Non-performing Non-SLR Investments:

(Rs. in crores)

Particulars	Amount
Opening balance	36.49
Additions during the year since 1st April, 2006	23.49
Reductions during the above period	35.79
Closing Balance	24.19
Total provisions held	12.19



- v. The Bank has amortized Rs. 30.71 crores during the year (Previous year Rs. 19.96 crores) for securities classified under “Held to Maturity” category, in terms of accounting policy 17.2(ii). The amount has been charged to Profit and Loss Account and value of the respective securities is reduced to that extent. An amount of Rs. 193.49 crores (Previous Year Rs. 164.51 crores) remains to be amortized in future.
- vi. In accordance with the guidelines issued by RBI, the bank has shifted securities within the categories during the year. The consequential depreciation on such shifting amounting to Rs. 55.09 crores (previous year Rs. 199.71 crores) has been charged to Profit and Loss account by reducing book value of these securities and is included in the total depreciation on investments amounting to Rs. 83.00 crores (previous year Rs. 270.69 crores) debited to Profit and Loss account.
- vii. The Bank has investment of Rs 21.72 crores (Previous year Rs 21.72 crores) in two Regional Rural Banks (RRBs) sponsored by the Bank. This includes Investment of Rs.20.32 crores (Previous Year Rs 20.32 crores) by way of Share Capital deposits, towards recapitalisation of the RRBs. Diminution in value of Investment in one of the RRB has not been recognized as the said investment has been valued at cost in accordance with the RBI guidelines.

18.8 Derivatives:

a. Forward Rate Agreement/ Interest Rate Swap

Items	(Rs in crores)	
	2006-07	2005-06
i. The notional principal of swap agreements	200	200
ii. Losses which would be incurred if counter parties failed to fulfill their obligations under the agreements	--	--
iii. Collateral required by the bank upon entering into swaps	--	--
iv. Concentration of credit risk arising from the swaps	--	--
v. The fair value of the swap book	200	200

b. Exchange Traded Interest Rate Derivatives:

The bank has not undertaken exchange traded interest rate derivative transactions during the year.

c. Disclosures on risk exposure in derivatives:

i. Qualitative disclosure



The bank is not actively engaged in trading of derivatives and is yet to formulate any policy in this regard. A single transaction relating to Interest rate swap of Rs. 200 crores, linked to purchase of loan (mortgage backed securities) through a Special Purpose Vehicle on behalf of the bank is outstanding.

ii. Quantitative Disclosure

(Rs. in crores)

Sl.No	Particulars	Currency Derivatives	Interest rate derivatives
(i)	Derivatives (Notional Principal Amount)		
	a) For hedging	--	200
	b) For trading	--	--
(ii)	Marked to Market Positions [1]		
	a) Asset (+)	--	--
	b) Liability (-)	--	--
(iii)	Credit Exposure [2]	--	200
(iv)	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	--	--
	b) on trading derivatives	--	--
(v)	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	--	--
	b) on trading	--	--

18.9 Asset Quality:

a. Non Performing Assets:

(Rs. in crores)

Particulars	2006-07	2005-06
i. Net NPA to Net Advances (%)	1.99%	3.04%
ii. Movement of Gross NPAs		
Opening Balance *	949.40	1147.54
Additions during the year **	533.76	333.97
Reductions during the year **	738.68	532.11
Closing Balance *	744.48	949.40
iii. Movement of Net NPAs		
Opening Balance	432.85	591.00
Additions during the year **	235.78	241.89
Reductions during the year **	303.83	400.04
Closing Balance	364.80	432.85
iv. Movement of Provision for NPAs		
Opening Balance	499.46	536.17
Add: Provisions made during the year	287.90	236.91
Less: Write off / write back of excess provisions during the year	414.78	273.62
Closing balance	372.58***	499.46



*Net of unrealized interest reversed from Gross NPA.

**Includes contra entries/adjustment entries debited/credited in accounts, the effect of which is not eliminated.

*** includes Rs. 7.38 crore excess provision retained on account of sale of assets to ARC.

b. Details of Loan Assets subjected to Restructuring:

(Rs. in crores)

	2006-07	2005-06
i. Total amount of loan assets subjected to restructuring, rescheduling, renegotiation;	131.75	79.13
- Of which under CDR	91.22	66.73
ii. Amount of Standard assets subjected to restructuring, rescheduling, renegotiation;	72.32	79.13
- Of which under CDR	33.36	66.73
iii. Amount of Sub-Standard assets subjected to restructuring, rescheduling, renegotiation;	53.41	--
- Of which under CDR	52.15	--
iv. Amount of Doubtful assets subjected to restructuring, rescheduling, renegotiation;	6.02	--
- Of which under CDR	5.71	--

c. Corporate Debt restructuring (CDR) undertaken during the year

(Rs. in crores)

CDR Cases (Asset type)	2006-07			2005-06		
	Number of accounts	Amount Outstanding	Amount of sacrifice	Number of accounts	Amount Outstanding	Amount of sacrifice
Standard	1	33.36	8.64	2	66.73	8.54
Sub Standard	1	52.15	-	-	-	-
Doubtful	4	5.71	-	-	-	-
Total	6	91.22	8.64	2	66.73	8.54

d. Details of Financial assets sold to Securitisation / Reconstruction Company for Asset Reconstruction:

(Rs. in crores)

Item	2006-07	2005-06
i. No. of accounts	32	2
ii. Aggregate value (net of provisions) of accounts sold to SC/RC	23.72	31.11



iii. Aggregate consideration	103.08	61.47
iv. Additional consideration realized in respect of accounts transferred in earlier years	Nil	Nil
v. Aggregate gain over net book value.	79.36	30.36*

*Consists of Rs. 22.72 crore to be recognized on realization in accordance with RBI guidelines.

18.10 Provision for Standard Assets:

Item	(Rs. in crores)	
	2006-07	2005-06
Provision for Standard Assets *	32.88	42.92

*Includes provision for interest sacrifice on restructured accounts

18.11 Business Ratios:

Particulars	2006-07	2005-06
i. Interest Income as a percentage to Working funds	7.47%	7.03%
ii. Non-Interest Income as a percentage to Working funds	1.38%	1.75%
iii. Operating Profit as a percentage to Working Funds	2.24%	2.40%
iv. Return on Assets	0.71%	0.29%
v. Business (Deposits plus advances) per employee (Rs.in crores)	4.58	3.64
vi. Profit per employee (Rupees in lacs)	1.99	0.72

18.12 Asset Liability Management:

Maturity pattern of certain items of assets and liabilities:

Particulars	(Rs in crores)								
	1 to 14 Days	15 to 28 Days	29 Days to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 12 Months	Over 1 Year to 3 Years	Over 3 Years to 5Years	Over 5 Years	Total
Deposits	1131.47	408.17	2270.72	1736.25	4062.81	16518.28	902.54	659.67	27689.91
Advances	1930.70	604.70	646.26	492.54	775.27	9051.25	1991.26	3191.09	18683.07
Investments	88.14	29.50	416.61	109.84	115.03	1163.60	799.76	6602.06	9324.54
Borrowings	450.84	0.00	0.00	0.00	0.00	0.09	0.00	0.02	450.95
Foreign Currency Assets	647.90	72.28	254.72	194.90	1.25	7.70	0.00	0.23	1178.98
Foreign Currency Liabilities	37.60	4.99	30.39	31.69	87.05	243.99	5.34	3.59	444.64

Compiled by the Management and relied upon by the auditors



18.13 **Lending to Sensitive sector:**

a. Exposure to Real Estate Sector:

(Rs. in crores)

Category	2006-07	2005-06
a. Direct Exposure		
i. Residential Mortgages		
- Individual Housing Loans limit upto Rs.15 lakhs	1316.49	907.43
- Others	533.45	151.93
Total	1849.94	1059.36
ii. Commercial Real estate	196.64	71.85
iii. Investment in Mortgage Backed Securities (MBD) and other securitised exposure	200.65	200.61
b. Indirect Exposure		
Exposure on National Housing Bank and other Housing Finance Companies	929.54	463.70

Compiled by the Management and relied upon by the auditors

b. Exposure to Capital Market:

(Rs. in crores)

		2006-07	2005-06
1	Investments made in Equity shares	70.60	72.42
2	Investments in convertible bonds/ Debentures	0.00	0.00
3	Investments in Units of equity oriented mutual funds	0.50	2.50
4	Advances against shares to individuals for investment in equity shares (including IPOs/ ESOPS), bonds and debentures, units of equity oriented mutual funds	1.57	1.82
5	Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	101.64	90.51
	Total	174.31	167.25
	Of the above, total finance extended to stock brokers for margin trading	0.00	0.00

Compiled by the Management and relied upon by the auditors



c. Risk Category wise country exposure:

In respect of Foreign Exchange transactions, where the Bank's net funded exposure computed as per the guidelines of the RBI with each country exceeded 1% of the total assets of the Bank, the required provision is made as under:

– Insignificant category (A1)

Net funded exposure	(Rs. in crores)	
COUNTRY	31.03.2007	31.03.2006
Germany	321.35	126.48

The aggregate provision held on above exposure is Rs. 0.20 crore (Previous Year Rs. Nil)

d. Single Borrower Limit (SGL), Group Borrower Limit (GBL) exceeded by the Bank

During the year the Bank has not exceeded the prudential credit exposure limit in respect of any Group account. However, in the following cases the bank has exceeded by the approval of Management Committee of the Board the prudential exposure limits laid down by RBI, for single borrowers which will be placed before the Board of Directors of the Bank for ratification:

(Rs. in crores)		
Sr. No.	Name of the borrower	Amount of Exposure
1	Sanghi Industries Ltd	242.00
2	Yes Bank	228.00

18.14 The Bank was not subjected to any penalty by Reserve Bank of India during the year.

18.15 Details of Provisions and Contingencies debited to the Profit and Loss Account during the year:

(Rs. in crores)			
	Particulars	2006-07	2005-06
(i)	Provision for Non Performing Assets	287.90	236.91
(ii)	Provision for Income Tax	(-)34.02	(-) 27.52
(iii)	Deferred Tax Liability (Net)	64.09	4.23
(iv)	Provision for Fringe Benefit Tax	1.39	1.80
(v)	Provision for Standard Assets including interest sacrifice on restructured accounts	32.88	42.92
(vi)	Provision for Depreciation on Investments	83.00	270.69
(vii)	Contingent liabilities	(-) 0.76	(-) 1.44
(viii)	Others	(-) 0.67	(-) 0.22
	Total	433.81	527.37

18.16 **Provision for Income Tax:**

a. The bank had claimed provision towards non-performing advances as deduction under section 36(1)(vii) of the Income Tax Act, 1961 upto financial year 1995-96.

This claim was allowed by CIT (Appeals) in the appeals against the assessment orders for all the relevant assessment years. As a result of retrospective amendment with effect from 1.4.1989 made by Finance Act, 2001, deduction for Bad Debts u/s 36(1)(vii) of the Act is to be allowed on the amount actually written off as Bad Debts instead of provision towards non performing advances. However, in view of experts' opinion, the bank is of the view that no additional provision for income tax is necessary inspite of the aforesaid amendment made in the Act.

- b. During the year, pursuant to various assessments / appellate / rectification orders, excess provision for Income Tax pertaining to earlier years, no longer required, has been written back to the tune of Rs. 54.54 crores (previous year Rs. 35.19 crores) and included in the net profit for the year.
- c. Amount of provision made for Income-tax during the year;

	Current Year	Previous Year
Provision for Income-tax for the year	20.52	7.67
Less: Written back for earlier years	(-)54.54	(-)35.19
	(-)34.02	(-)27.52

- 18.17 Premises includes 1/3rd share in a property jointly owned by the bank with another Bank, as under:

Bank's share	(Rs. in crores)	
	31.03.2007	31.03.2006
Cost	2.34	1.44
Accumulated Depreciation	0.47	0.37
Written Down Value	1.87	1.07

The property was revalued during the year 2005-06 and the Written Down Value of the revalued property is Rs. 15.57 crores.(previous Year Rs. 17.02 crore)

- 18.18 Customer complaints:

a)	No. of complaints pending at the beginning of the year	19
b)	No. of complaints received during the year	387
c)	No. of complaints redressed during the year	396
d)	No. of complaints pending at the end of the year	10

- ii) Awards passed by the Banking Ombudsmen :

a)	No. of unimplemented awards at the beginning of the year	2
b)	No. of awards passed by Banking Ombudsmen during the year	24
c)	No. of awards implemented during the year	25*
d)	No. of unimplemented awards at the end of the year	1

Compiled by the Management and relied upon by the auditors

* includes 2 awards decided in the favor of the Bank, hence, implementation not required



18.19 DISCLOSURE AS PER ACCOUNTING STANDARDS (AS):

a. Disclosure as per AS 5:

- i. During the year, Bank has changed its accounting policy from accrual method to cash basis for recognizing the income by way of commission / referral fee on bank guarantees, distribution of third party products / services including, Govt. business, units of mutual funds, life / general insurance policies and others. As a result of this change, current year's profit is increased by Rs. 11.31 crore (net of taxes) with consequential net impact on other liabilities.
- ii. During the year, bank has changed the method of amortization of HTM securities from straight line method to constant yield method. Due to this change, current year's profit is decreased by Rs. 5.27 crores with consequential impact on investments.
- iii. Net profit includes surplus of Rs. 46.21 crores (Net of Taxes) on account of sale of Non Performing Assets to ARC. This surplus is determined by reducing the net book value (i.e. book value less provision held) from the sale consideration, which in the opinion of the management is appropriate as per RBI Guidelines. Excess provision of 7.04 crores on sale of such assets has been retained as per RBI guidelines
- iv. As per recent RBI Guidelines, amortisation of premium of Rs. 30.72 Crores (previous year Rs. 19.96 Crores) on security held under HTM Category is shown as deduction from "Other Income", instead of including the same under the head, "Provision & Contingencies" as per the past practice.

b. Disclosure as per AS 11:

Net income on account of exchange differences credited in the Profit and Loss account for the year is Rs. 30.76 crores (previous year: Rs. 25.26 crores).

c. Segment Reporting under Accounting Standard 17:

The Bank's operations are classified into two primary Business Segments viz. 'Treasury operations' and 'Other Banking operations' in accordance with the RBI circular dated DBOD.No.BP. BC. 89/21.04.018/2002-03 dated March 29, 2003. The relevant information/data is given hereunder:

(Rs in crores)

Business Segments	Treasury Operations		Other Banking Operations		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Revenue	211.94	366.98	2276.48	1771.73	2488.42	2138.71
Result	16.90	(121.74)	204.06	101.02	220.96	(20.72)
Unallocated expenses	xxxx	xxxx	xxxx	xxxx	9.56	9.99
Unallocated Income	xxxx	xxxx	xxxx	xxxx	21.62	24.09
Operating Profit (Profit before Tax)	xxxx	xxxx	xxxx	xxxx	233.02	(4.82)
Income Taxes (incl. DTA)	xxxx	xxxx	xxxx	xxxx	31.46	(23.29)
Extraordinary Profit / Loss (unallocated income)	xxxx	xxxx	xxxx	xxxx	-	56.32
Net Profit	xxxx	xxxx	xxxx	xxxx	201.56	72.99
OTHER INFORMATION						
Segment Assets	2589.10	2837.50	28588.27	23336.62	31177.37	26174.12
Unallocated Assets	xxxx	xxxx	xxxx	xxxx	273.28	371.21
Total Assets	xxxx	xxxx	xxxx	xxxx	31450.65	26545.33
Segment Liabilities	0.00	0.00	29954.22	25206.66	29954.22	25206.06
Unallocated Liability	xxxx	xxxx	xxxx	xxxx	1496.43	1339.27
Total Liabilities	xxxx	xxxx	xxxx	xxxx	31450.65	26545.33

The Bank does not have any secondary (geographical) segment.

Notes:

- 1) Segment Results are after adjustment on account of Inter Segment Cost, which has been considered on the basis of Transfer Price mechanism decided by the Bank.
- 2) Assumed Inter Segment Assets, Liabilities and Revenue are ignored.
- 3) Treasury Operation consists of domestic investment portfolio of the Bank excluding investments held for SLR requirements.
- 4) Unallocated liabilities include Capital and Reserves net of debit balance in Profit & Loss Account, if any.

- d. In compliance with Accounting Standard 18 issued by ICAI and RBI guidelines, details pertaining to Related Party Transactions are disclosed as under:

Key Management Personnel

Name	Designation	Item	Period	Amount (in Rs.)	Loan Amount (in Rs.)
Shri P.L. Gairola	CMD	Salary & Emoluments	17.05.2006 to 31.03.07	558972	NIL
Shri U. S. Kohli	ED	Salary & Emoluments	01.04.2006 to 31.03.07	523254	NIL



e. **Earning per Share - Accounting Standard 20:**

Earning Per Share	31.3.2007	31.3.2006
EPS Basic & Diluted* (Rs)	7.03	2.54
Net Profit as per Profit & Loss Account Considered as numerator (Rs in crores)	201.56	72.99
Weighted average number of Equity share considered as denominator	28,68,23,200	28,68,23,200
Nominal value of share (Rs)	10/-	10/-

*There are no diluted potential equity shares

f. **Taxes on Income – Accounting Standard 22:**

The Bank has complied with requirements of “AS 22 on Accounting for Taxes on Income” issued by ICAI and accordingly, deferred tax assets and liabilities are recognized.

The net balance of Deferred Tax Asset as on 31st March 2007 amounting to Rs.146.82 crore (Previous Year Rs 210.91 crore) consists of the following :

	(Rs. in crores)	
	2006-07	2005-06
Deferred Tax Assets		
Provision for NPAs / Bad Debts	125.41	168.12
Leave Encashment	10.21	8.02
Amortised premium on HTM securities	22.06	11.72
Eligible Loss to be carried forward for IT purpose	0.00	34.56
Total Deferred Tax Assets	157.68	222.42
Less: Deferred Tax Liabilities		
Depreciation on Fixed Assets including software	10.86	11.51
Total Deferred Tax Liabilities	10.86	11.51
Net balance of DTA shown in the Schedule 11 (Other Assets)	146.82	210.91

g. **Accounting Standard 28:** In the opinion of the Management, there is no impairment to its assets, to which Accounting standard AS 28 is applicable.

h. **Disclosure in terms of Accounting Standard 29** on provisions, contingent liabilities and contingent assets.



i. Movement of Provisions for Liabilities

(Rs. In Crores)

Particulars	Legal Cases / Contingencies
Balance as at 1 st April 2006	2.72
Provided during the year	1.31
Amounts used during the year	----
Reversed during the year	2.07
Balance as at 31 st March 2007	1.96
Timing of Outflow / Uncertainties	Dependent on Outcome of Litigations
Reimbursement Expected	NIL

ii. Item Nos (i) to (v) of the Schedule 12 of the balance sheet on contingent liabilities, reflect the various types of contingent liabilities categorized according to their nature. These amounts are estimated on the basis of documents related to the basic contracts or claims made. Outflow on account of these contingent liabilities would depend upon the outcome of disposal of litigations by the respective judicial authorities, execution of contracts, invocation of guarantees, devolvement of LCs, settlement of claims etc. The possibility of any reimbursement in such cases is not ascertainable at this stage.

18.20 Previous year's figures have been regrouped/reclassified /re-arranged, wherever necessary, to make them comparable with the current year's figures.