

SCHEDULE – 18 NOTES ON ACCOUNTS

1. Claims against the bank not acknowledged as debt are (contingent liability)-
 - (i) Bank guarantee of Rs.60.43 lacs issued in favour of Bank customers has been shown under contingent liabilities.
 - (ii) For the assessment year 2008-09 Income Tax Department has raised a demand of Rs.4,00,560.00. Bank has filed an appeal to the Appellate Authority and the matter is pending. Bank has not made any provision.
2. The bank has taken a policy with Life Insurance Corporation of India (LIC) for meeting the accruing liability on account of gratuity. The premium, actuarially ascertained by LIC, is charged to the Profit & Loss account. During the year, an additional contribution of Rs.3,83,87,095.00 arises due to increase in limit of gratuity from Rs.3.50 lac to Rs.10.00 lac. Bank has debited in Profit & Loss account Rs.23,75,460.00 (including service tax of Rs.42,177.00) towards current year liability and made a provision of Rs.1,91,93,548.00 for 50% of additional liability.
3. Traveling expenses includes Rs.2,10,265=00(Previous year Rs. 1,14,516=00) paid to the Chairman. It does not include the expenses on traveling by the bank's vehicle.
4. Bank has taken a policy named GLES from Life Insurance Corporation of India for management of Leave Encashment Fund of the Bank. On the basis of actuarial valuation Bank paid the amount of Rs.1,68,15,734=00 on 31.03.2011 in order to make Privilege Leave liability of all employees equal to estimated liability. Provisions of Rs. 3,21,57,745=00 made up to earlier years are also paid to Life Insurance Corporation of India to manage the total fund.
5. Other assets include outstanding balance in suspense account of Rs.17148907=77 (Previous year Rs. 1,36,32,883=95) as per details hereunder-

| Particulars | Current Year |
|---------------------------|--------------|
| Suspense | 136453.00 |
| Amortization | 4215497.00 |
| Interest subvention | 4221022.00 |
| Inter SOL | 4108441.00 |
| Refundable Deposit | 29143.00 |
| Festival advance to staff | 1722850.00 |
| Clearing Adjustment | 1565966.58 |
| Service tax paid | 646580.46 |
| Prepaid expenses | 92770.73 |
| Others | 410184.00 |

6. The remuneration paid to the Chairman, General Manager and Vigilance Officer (officers on deputation from sponsor bank) during the year is as under-

| S.N. | Particulars | Current year | Previous year |
|------|------------------------|--------------|---------------|
| (1) | Salary & allowances | 22,51,313=00 | 12,97,321=00 |
| (2) | Contribution to P.F. | 1,70,285=00 | 80,115=00 |
| (3) | Entertainment expenses | 20,400=00 | 15,600=00 |

| | | | |
|---------|-------------------------|--------------|--------------|
| (4) | Medical aid | 33,730=00 | 52,405=00 |
| (5) | House rent | 1,76,000=00 | 1,48,919=00 |
| (6) | Traveling Expenses | 3,47,111=00 | 2,03,564=00 |
| (7) | Leave Travel Concession | -- | 1,183=00 |
| (8) | Other Expenses | 1,27,483=00 | 1,37,083=00 |
| Total : | | 31,26,382=00 | 19,36,190=00 |

7. Deposit with other banks in Current account is Rs.60,61,06,687=07 (Net of overdrafts) as against balance of Rs.63,97,53,537=15 shown by the banks in the statements of Current Account given by them. The difference of credit Rs.3,36,46,850=08 (Previous year Rs.1,35,28,160=68) has been reconciled..
8. Five of Bank branches have purchased 12 Demand Drafts/cheques on dated 31st March, 2011 amounting Rs.2,00,97,629=00 (Previous year Rs.19,26,422=00) Which have been shown under Bills Purchased account and amount classified as unsecured in Balance Sheet.
9. Amount in Rs. thousands
Current year Previous year
- i) Debts due by officers/staff of the Bank or any of them either severally or jointly with any other person. 7,47,23 8,53,29
- ii) Maximum total amount of advances including temporary advance made at any time during the year to the Directors, partners or managers or officers/staff of the Bank or any of them either severally or jointly with any other person. 7,47,23 8,53,29
10. Inter Branch transactions a/c (HO), Head Office – Demand Draft and Head Office- ICICI accounts are tallied upto 31/03/2011. There are 811 debit entries outstanding amounting Rs.44,76,30,490=21 and 906 credit entries amounting Rs.44,93,91,580=91 pending for adjustment in Inter Branch transactions a/c. There is no debit entry pending prior to 30.09.2010 hence no provision is required.
11. During the year sum of Rs.2,67,101=00 (Previous year Rs. 2,73,451=50) has been written off for Bad and Doubtful debts. There is an additional provision of Rs.5,08,80,877=93 (Previous year Rs. 4,63,17,374=93) for NPA accounts as on 31.03.2011.

Details of provisions are given as under –

| Category of Advance | Provision amount Rs. 2009-10 | Provision amount Rs. 2010-11 |
|--|------------------------------------|------------------------------------|
| Standard (@ 0.25% & 0.40% of outstanding) | 88,21,882=00 | 1,09,57,800=00 |
| Sub standard | 58,69,941=00 | 39,32,210=00 |
| Doubtful | 2,55,75,485=00 | 3,45,01,928=00 |
| Loss | 90,59,655=00 | 1,01,04,421=00 |
| Present value basis loss provision on Debt Relief accounts | -Nil- | -Nil- |
| Total statutory provision required | 4,93,26,963=00 | 5,94,96,359=00 |
| Provision already held | 8,06,44,337=93 | 9,53,77,236=93 |

| | | |
|--|-----------------------|-----------------------|
| Additional Provision made as on 31st March | 1,50,00,000=00 | 1,50,00,000=00 |
| Grand Total as on 31 st March | 9,56,44,337=93 | 11,03,77,236=93 |
| Additional Provision held as on 31st March | 4,63,17,374=93 | 5,08,80,877=93 |

12. Prudential guidelines on management of non-SLR investment portfolio were issued by Reserve Bank of India. As per instructions of Reserve Bank of India the composition of Non-SLR investments is as under –

(i) Composition of Non-SLR investments:

(Rs. in crores)

| Sl. No. | ISSUER | Amount | Extent of Private placement | Extent of below investment grade securities already invested | Extent of unrated securities already invested | Extent of unlisted securities |
|---------|--------------------------------------|--------------|-----------------------------|--|---|-------------------------------|
| 1. | 2. | 3. | 4. | 5. | 6. | 7. |
| 1. | P S Us | 10.90 | Nil | Nil | Nil | Nil |
| 2. | FIs | 1.10 | | | | |
| 3. | Banks | 6.93 | | | | |
| 4. | Private corporate | | | | | |
| 5. | Others | 0.60 | | | | |
| 6. | Provisions held towards depreciation | | | | | |
| | Total | 19.53 | | | | |

(ii) Non-performing Non-SLR investments:

(Rs. in lacs)

| Sl. No. | Particulars | Amount |
|---------|---|--------|
| 1. | Opening balance | NIL |
| 2. | Additions during the year since 1 st April | NIL |
| 3. | Reductions during the above period | NIL |
| 4. | Closing balance | NIL |
| 5. | Total provisions held | NIL |

13. Under NPA norms prescribed by the Reserve Bank of India, total outstanding advances of Rs.3,56,78,73,252=87 (Previous year Rs. 2,93,61,51,816=00) have been classified as under :-

| | | Amount of Rs. in lacs | |
|---------|--------------|-----------------------|----------------------|
| | | <u>Current year</u> | <u>Previous year</u> |
| i) | Standard | 34335 | 28062 |
| ii) | Sub standard | 396 | 601 |
| iii) | Doubtful | 846 | 607 |
| iv) | Loss assets | 102 | 92 |
| Total : | | <u>35679</u> | <u>29362</u> |

14. Under Agriculture Debt Waiver & Debt Relief Scheme, 2008, loan waiver is provided to 3124 farmers amounting Rs.6,48,26,363.00 and Debt Relief to 734 farmers amounting Rs.1,03,65,226.00 by the Bank. Under the scheme Bank has so far received reimbursement of Rs.6,48,26,000=00 under loan waiver. As against debt relief, Bank has so far claimed for eligible amount of Rs.91,81,487=00 from Govt. of India through NABARD and it is fully reimbursed with interest amount of Rs.9,98,927=00 to the Bank.
15. Bank had agreement with Life Insurance Corporation of India, National Insurance Co. Ltd. and Bajaj Allianz Ltd. for insurance business on referral basis. Referral agency with Life Insurance Corporation of India is discontinued as per recent IRDA norms. Bank has received commission of Rs.7,50,639=23 from National Insurance Co. Ltd. which is credited to commission account of the Bank.
16. Under Schedule – 5 Other Liabilities shown at Rs.1550=04 lacs includes Rs. 1070=16 lacs received from Govt. agencies towards loans disbursed by the bank which is to be appropriated or refunded in due course.
17. The Bank has earned a net profit (before Income-tax) of Rs.6,82,08,812=27 (Previous year Rs. 10,26,40,384=48). Out of profit Rs.2,10,73,433=00 is provided for Income-tax and balance Rs. 4,71,35,379=27 is transferred to General Reserves of the Bank.
18. As per Govt. of India directives as communicated by NABARD, 1.50% interest subvention on short term production credit upto Rs.3.00 lacs provided to farmers for Kharif & Rabi 2010-11 is receivable from Govt. of India. The interest subvention amount of Rs.20,75,223=00 is to be reimbursed by Govt. of India and shown in G/L Suspense – amount receivable from Govt. of India. In addition to it Govt. of India has to provide additional interest incentive to prompt paying farmers @ 1% for the credit disbursed during the financial year 2009-10 and @ 2% for credit disbursed during financial year 2010-11. This incentive amount is Rs.21,45,799=00 is also shown in G/L Suspense – amount receivable from Govt. of India.
19. The Bank maintained Current Account with Reserve Bank of India for maintaining Cash Reserve Ratio (CRR). The account has been reconciled upto 31/03/2011.
20. Contingent liability provided for during the year –NIL- (Previous year –NIL-).
21. The provision of tax liability has been made of Rs.2,10,73,433=00 (previous year Rs. 3,16,50,982=00) and shown in other liability. Advance Tax Paid and TDS of Rs.2,53,97,571=00 (previous year Rs. 2,34,21,340=00), has been shown in Other Assets. Income Tax Department while assessing return for A.Y. 2007-08, has raised a demand of Rs.58,52,461=00. Bank filed an appeal before Appellate Tribunal and case which is decided in favour of the Bank is yet to be finalized. For the A.Y. 2008-09 Inome Tax Department has added back Rs.33,93,523=00 as income and raised a demand of Rs.4,00,560=00. Bank has filed an appeal to the Appellate Authority and the matter is pending for hearing. Bank is confident of getting relief and hence has not considered the demand as contingent liability.
22. Six Board Meetings had been held during the calendar year 2010 as per the requirement of Board Meeting rules of the Bank.

23. Additional disclosure required by National Bank for Agriculture and Rural Development vide their circular No.DOS.RRB.05/2001-02/ dated 11 July, 2001 is given in the annexure.

24. Capital

| Sr. No. | Particulars | Current Year | Previous Year |
|---------|-------------------------------------|--------------|---------------|
| i) | CRAR (%) | 15.41 | 16.81 |
| ii) | CRAR – Tier I Capital (%) | 15.41 | 16.81 |
| iii) | CRAR – Tier II Capital (%) | NIL | NIL |
| iv) | Percentage of Shareholding of the – | | |
| | a) Government of India | 50 | 50 |
| | b) Government of Uttarakhand | 15 | 15 |
| | c) Bank of Baroda | 35 | 35 |

25. Investments

(Rs in lacs)

| Sr. No. | Particulars | Current Year | Previous Year |
|---------|---|--------------|---------------|
| 1 | Value of Investments | | |
| | i) Gross Value of Investments | 18852.54 | 17248.04 |
| | ii) Provisions for Depreciation | 97.65 | 142.65 |
| | iii) Net Value of Investments | 18754.89 | 17105.39 |
| 2 | Movement of provisions held towards depreciation on investments | | |
| | i) Opening Balance | 142.65 | NIL |
| | ii) Add – Provisions made during the year | NIL | NIL |
| | iii) Less – Write off/write back of excess provisions during the year | 45.00 | NIL |
| | iv) Closing Balance | 97.65 | NIL |

26. Repo Transactions

(Rs. in lacs)

| Item | Minimum outstanding during the year | Maximum outstanding during the year | Daily average outstanding during the year | As on 31 March |
|--|-------------------------------------|-------------------------------------|---|----------------|
| Securities Sold under Repos | NIL | NIL | NIL | NIL |
| Securities purchased under reverse repos | NIL | NIL | NIL | NIL |

27. Asset Quality :
i) Non-Performing Asset

(Rs. in lacs)

| Sr. No. | Particulars | Current year | Previous year |
|---------|---|--------------|---------------|
| i) | Net NPAs to Net Advances (%) | 0.69 | 1.21 |
| ii) | Movement of NPAs (Gross) | | |
| | a) Opening balance | 1299.83 | 1168.55 |
| | b) Additions during the year | 956.13 | 831.45 |
| | c) Reductions during the year | 912.13 | 700.17 |
| | d) Closing balance | 1343.83 | 1299.83 |
| iii) | Movement of Net NPAs | | |
| | a) Opening balance | 343.56 | 359.37 |
| | b) Additions during the year | 956.13 | 831.47 |
| | c) Reductions during the year | 1059.63 | 847.26 |
| | d) Closing balance | 240.06 | 343.56 |
| iv) | Movement of provisions for NPAs (excluding provisions on standard assets) | | |
| | a) Opening balance | 868.22 | 728.91 |
| | b) Provisions made during the year | 150.00 | 150.00 |
| | c) Write-off/write-back of excess provisions | 24.03 | 10.69 |
| | d) Closing balance | 994.19 | 868.22 |

ii) Details of Loan Assets subject to restructuring

(Rs. in lacs)

| Sr. No. | Particulars | Current year | Previous year |
|---------|--|--------------|---------------|
| (i) | Total amount of loan assets subject to restructuring, rescheduling, renegotiation | NIL | NIL |
| (ii) | The amount of Standard assets subject to restructuring, rescheduling, renegotiation | NIL | NIL |
| (iii) | The amount of Sub-standard assets subjects to restructuring, rescheduling, renegotiation | NIL | NIL |
| (iv) | The amount of Doubtful assets subjects to restructuring, rescheduling, renegotiation | NIL | NIL |
| | Note ((i) + (iii) + (iv)) | NIL | NIL |

28. Details of financial assets sold to Securitisation (SC)/Reconstruction Company (RC) for Assets Reconstruction

| Sr. No. | Particulars | Current year | Previous year |
|---------|---|--------------|---------------|
| (i) | No. of accounts | NIL | NIL |
| (ii) | Aggregate value (net of provisions) of accounts sold to SC/RC | NIL | NIL |
| (iii) | Aggregate consideration | NIL | NIL |
| (iv) | Additional consideration realized in respect of accounts transferred in earlier years | NIL | NIL |
| (v) | Aggregate gain/loss over net book value | NIL | NIL |

29. Details of non-performing financial assets purchased/sold:

a. Details of Non-performing financial assets purchased :

(Rs. in lacs)

| Sr. No. | Particulars | Current year | Previous year |
|---------|---|--------------|---------------|
| 1 | a) No. of accounts/purchased during the year | NIL | NIL |
| | b) Aggregate outstanding | NIL | NIL |
| 2 | a) of these, number of account restructured during the year | NIL | NIL |
| | b) Aggregate outstanding | NIL | NIL |

b. Details on Non-performing financial assets sold:

(Rs. in lacs)

| Sr. No. | Particulars | Current year | Previous year |
|---------|----------------------------------|--------------|---------------|
| 1. | No. of accounts sold | NIL | NIL |
| 2. | Aggregate outstanding | NIL | NIL |
| 3. | Aggregate consideration received | NIL | NIL |

30. Business Ratio :

(Rs. in thousands)

| Sr. No. | Particulars | Current year | Previous year |
|---------|--|--------------|---------------|
| (i) | Interest income as a percentage to Working Funds | 8.07 | 8.46 |
| (ii) | Non-interest income as a percentage to working funds | 0.39 | 0.33 |
| (iii) | Operating profit as a percentage to working funds | 0.97 | 2.21 |
| (iv) | Returns on Assets | 0.60 | 1.06 |
| (v) | Business (Deposits plus Advances) per employee | 38272 | 36775 |
| (vi) | Profit per employee | 179 | 310 |

31. Exposures:

Exposure to Real Estate Sector

(Rs. in lacs)

| Sr. No. | Particulars | Current year | Previous year |
|---------|--|--------------|---------------|
| a) | Direct Exposure | | |
| (i) | Residential Mortgages Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented (individual housing loan upto Rs. 15 lacs may be shown separately) | 2190.47 | 2064.35 |
| (ii) | Commercial Real Estate Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.) Exposure would also include non-fund based (NFB) limits | -Nil- | -Nil- |

| | | | |
|-------|--|------------|------------|
| (iii) | Investments in Mortgage Banked Securities (MBS) and other securitized exposures a) Residential b) Commercial Real Estate | NIL NIL | NIL NIL |
| b) | Indirect Exposure Fund-based and non-fund based exposures on National Housing Bank (NHB) and Housing Financing Companies (HFCs) | NIL | NIL |

- 32. Details of Single Borrower (SGL), Group Borrower Limit (GBL) exceeded by Bank**
Single borrower exposure limit is Rs. 8.34 (15% of capital fund) crore
Group borrower exposure limit is Rs. 22.23 (40% of capital fund) crore

There has been no incident of excess exposure of the limits prescribed.

- 33. Disclosure of Penalties imposed by Reserve Bank of India**
No penalty has been imposed by Reserve Bank of India during the year.

- 34. Disclosure Requirements as per Accounting Standards where the Reserve Bank of India has issued guidelines in respect of disclosure items for Notes to Accounts**

| | | |
|------|--|---|
| i) | Accounting standard 5 Prior period items | -Nil- |
| ii) | Accounting standard 9 Revenue Recognition | Commented upon at schedule 17 point No.5 |
| iii) | Accounting Standard 15 Employee Benefits | Commented upon at point No. 2 and 4 and point No. 6 in Schedule 17. |
| iv) | Accounting Standard 17 Segment Reporting | Being complied with |
| v) | Accounting Standard 22 Accounting for Taxes on income | Commented upon at point No.7 of Schedule 17 |
| vi) | Accounting Standard 25 Interim Financial Reporting | N.A. |
| vii) | Other Accounting Standard | Required disclosures commented upon |

- 35. Additional disclosure**
(a) Provisions and Contingencies

| Sr. No. | Particulars | Current year | Previous year |
|---------|---|--------------|---------------|
| a) | Opening balance in the floating provisions account | NIL | NIL |
| b) | The quantum of floating provisions made in the accounting | NIL | NIL |
| c) | Amount of draw made during the accounting year | NIL | NIL |
| d) | Closing balance in the floating provisions | NIL | NIL |

(b) Draw Down from Reserve - NIL

36. Disclosure of complaints

(A) Customer Complaints

| Sr. No. | Particulars | Details |
|----------------|--|----------------|
| a) | No. of complaints pending at the beginning of the year | 03 |
| b) | No. of complaints received during the year | 19 |
| c) | No. of complaints redressed during the year | 21 |
| d) | No. of complaints pending at the end of the year | 01 |

(B) Award passed by the Banking Ombudsman

| Sr. No. | Particulars | Details |
|----------------|---|----------------|
| a) | No. of unimplemented Awards at the beginning of the year | NIL |
| b) | No. of awards passed by the Banking Ombudsman during the year | NIL |
| c) | No. of Awards implemented during the year | NIL |
| d) | No. of unimplemented Awards at the end of the year | NIL |

37. Previous year's figures have been regrouped/rearranged wherever necessary and given in brackets.

(M.S.Mehra) (G.K. Dixit) (R.K.Gupta) (G.S.Rawat) (G.Upadhyay)(Deepak Rawat)
Senior Manager(Ops) General Manager Chairman Director Director Director

(Shishir Kumar) (G. S. Chaudhary) (V.K.Bhatia) (Subroto Mukharjee) (D.S.Garbyal)
Director Director Director Director Director

As per our report of even date

For & on Behalf of
BATRA R. & ASSOCIATES
Chartered Accountants
Prop.

Date : 23rd April,2011
Place: Haldwani(Nainital)