BASEL- III DISCLOSURES – FOR THE QUARTER ENDED 31ST DECEMBER 2013

Table DF 2 - CAPITAL ADEQUACY

Qualitative disclosures

Bank is already geared up to adopt global best practices while implementing risk management stipulations that are in conformity with the Basel II framework.

Comprehensive risk management architecture is in place to address various issues concerning Basel II. A quarterly review is carried out to assess the capital need of the Bank, keeping in view the anticipated growth in Risk Weighted Assets, Market Risk and Operational Risk.
Bank maintains capital as a cushion towards the risk of loss in value of exposure, businesses, etc., to protect the interest of stake holders, more particularly, depositors.

Bank has system in place for assessing the capital requirements based on current and future business activities and monitoring the same on an ongoing basis. The bank considers that capital availability is the central theme in the whole process and its computation is relatable to policy, strategy, business level/composition, and Supervisory concern and Disclosure issues. Towards this, bank has evolved a well laid down Internal Capital Adequacy Assessment Process (I-CAAP) framework and carries out capital calculation under Pillar-2 of Basel II and also of Basel-III at periodical intervals besides Pillar 1 Capital calculation. The bank has formulated Stress Testing policy to measure impact of adverse stress scenarios on the adequacy of capital at periodical intervals.

In line with RBI guidelines, the bank has adopted following approaches for implementation of New Capital Adequacy Framework – Basel II.

- Standardised Approach for credit risk
- Basic Indicator Approach for operational risk
- Standardised Duration Approach for market risk

Though the bank has implemented the Standardized Approach of credit risk, yet the bank shall continue its journey towards adopting Internal Rating Based Approaches

Capital requirements for credit risk:

	Amt. - ₹ Crores
- Portfolios subject to standardised approach @ 9%	43228.84
- Securitisation exposures	Nil

Capital requirements for market risk: Standardised duration approach

Capital Charge on account of General Market Risk	**Amt. - ₹/ Crores**
- Interest rate risk	184.50
- Foreign exchange risk (including gold)	0.77
- Equity risk	38.97

Capital requirements for operational risk:

	Amt. - ₹/ Crores
Basic indicator approach	297.27

Total and Tier 1 capital ratio for the Bank:

Total Capital to Risk Weighted Assets Ratio as per Basel III	10.78%
Common Equity Tier I Capital to Risk Weighted Assets Ratio as per Basel III	6.96%
Tier I Capital to Risk Weighted Assets Ratio as per Basel III	7.24%

Table DF 3 - CREDIT RISK : GENERAL DISCLOSURES

Qualitative Disclosures

A. DEFINITIONS OF PAST DUE AND IMPAIRED:

The Bank follows the basic prudential guidelines issued by the RBI on classification of Non-Performing Asset (NPA) as under :

a) Interest and / or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan.
b) The account remains ‘out of order’ if the outstanding balance remains continuously in excess of sanctioned limit / DP for more than 90 days and / or there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, in respect of Overdraft/Cash Credit (OD/CC).
c) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
d) The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
e) The installment of principal or interest thereon remains overdue for one crop season for long duration crops.
f) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization dated May 7, 2012.
g) In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remains unpaid for a period of 90 days from the specified due date for repayment.

Here, `Overdue' mean any amount due to the Bank under any credit facility, if it is not paid on the due date fixed by the Bank.

Where the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter, the account is classified as Non-performing asset and ceases to generate income for the bank.

Besides above, Bank also follows the guidelines issued by RBI in respect of classification of assets under a) Restructured accounts, b) Project under implementation involving time overrun, c) Post shipment Suppliers' Credit. d) Export Project Finance, e) Take over Finance, f) Govt. guaranteed Advance, g) Advance under Rehabilitation approved by BFIR / TLI, h) Advances under Debt Waiver & Debt Relief Scheme 2009, i) Sale of Financial Assets to Securitization Company /Reconstruction Company, j) Purchase/ Sale of Non-Performing Financial Assets, k) Up-gradation of accounts, l) Accounts regularized near about the Balance Sheet date etc.

B. CREDIT RISK MANAGEMENT AND OBJECTIVES:

To effectively identify, assess, measure, and manage the credit risk exposure of the Bank, with a view to contain it within desired limits in relation to the risk appetite of the Bank and commensurate with the availability of Capital. In doing so, the Bank's Credit Risk philosophy aims at minimising risk and maintaining it within the levels which shall ensure safety of the Bank's financial resources, including stakeholders' equity and, at the same time, also ensure a steady and healthy financial growth.

STRATEGIC POLICY OF THE BANK - CREDIT RISK:

The Bank has a comprehensive and well defined Loan Policy which covers various aspects of strategic planning. The loan policy of the Bank is reviewed from time to time, depending on requirements of the changes in loan portfolio and general economic and market scenario. The loan policy is also subjected to a comprehensive review by the Board at least once a year. The loan policy of the Bank addresses, among other things:

- Exposure ceilings and prudential caps in different industry segments and borrower categories.
- Pricing based on risk profile linked to credit ratings and/or retail segments.
- Guidelines relating to procedures and systems for appraisal, sanction, and monitoring of loans and modes of dispensation of credit.
- Credit Rating framework.
- Inspection mechanism and compliance of regulatory and policy guidelines.

CREDIT RISK MANAGEMENT ARCHITECTURE:

- The organizational structure of the Bank for Credit Risk Management function has the Board of Directors at the Apex level that has the overall oversight of management of risks.
- The Risk Management Committee (RMC) which is the sub-committee of the Board headed by the Chairman & Managing Director devises the policy and strategy for integrated risk management including credit risk.

- At the operational level, the Credit Risk Management Committee (CRMC) manages the credit risk. The main function includes implementation of credit risk management policies approved by the Board, monitoring credit risk on a bank wide basis, recommending to the board for its approval all policies relating to credit risk management, prudential limits on credit exposures, portfolio management, loan products etc. There is a structured and standardized credit approval process including a comprehensive credit appraisal procedure. In order to assess the credit risk associated with any financing proposal, the Bank assesses a variety of risks relating to the borrower and the relevant industry.
- The Risk Management Department (RMD) headed by the General Manger, measures, controls and manages credit risk on bank wide basis within the limits set by the Board and enforces compliance with risk parameters set by Board/RMC/CRMC. The RMD is duly supported by Credit Risk Management Cell, Asset Liability Management Cell and Operations Risk Management Cell.
- The Inspection Department as well as Credit Monitoring Department headed by a General Manager monitor the quality of loan portfolio identifies problems and takes steps to correct deficiencies. Loan review / credit audit is undertaken by the Credit Audit function.

TOOLS USED FOR CREDIT RISK MANAGEMENT / MITIGATION

- Credit Approving Authority – Delegation of Powers. The Bank has a well-defined scheme of delegation of powers with a multi-tier risk based approving system, which is reviewed periodically and revised as and when necessary to meet the compulsions of business environment.
- Prudential Limits on various aspects of credit / investment like Single / Group borrower limits for various types of borrowers are in place.
- Risk Rating/Pricing - The bank has introduced rating models for various segments, which serve as a single point indicator of diverse risk factors of a counter party and support credit and pricing decisions.
- Credit Audit/Loan review mechanism is an effective tool for constantly evaluating the quality of loan book and to bring about qualitative improvements in credit administration
- Portfolio Management - to start with, the bank has introduced a simple portfolio-monitoring framework. Going forward the bank will be graduating to a more sophisticated Portfolio Management model.

RISK MEASUREMENT

At present Credit Risk is assessed through Risk rating at the individual level and through Risk Weighting of the assets at the portfolio level and capital is maintained based on Risk Weights.

Total gross credit risk exposures

	Category	**Amt. - ₹/ Crores**
1	Fund Based Credit Exposures	57219.24
2	Non Fund Based Credit Exposures	3532.63

Geographic distribution of exposures

	Category	Amt. - ₹/ Crores
1	**Overseas** - Fund Based Credit Exposures	NIL
	- Non Fund Based Credit Exposures	NIL
2	**Domestic** - Fund Based Credit Exposures	57219.24
	- Non Fund Based Credit Exposures	3532.63

INDUSTRY TYPE DISTRIBUTION OF EXPOSURES

Amt. - ₹/ Crores

Industry	Funded	Non Fund	Total
A.MINING & QUARRYING	614.74	111.80	726.54
A.1 COAL/HARD LIGNITE/PEAT	1.63	85.78	87.40
A.2 MINING OTHERS	613.11	26.02	639.13
B.FOOD PROCESSING	1088.77	27.66	1116.43
B.1 SUGAR	181.29	16.15	197.44
B.2 EDIBLE OILS & VANASPATI	89.69	0.57	90.25
B.3 TEA	0.22	0.00	0.22
B.4 COFFEE	0.00	0.00	0.00
B.5 FOOD PROC.- OTHERS	817.57	10.95	828.52
C.BEVERAGES & TOBACCO	420.39	16.12	436.51
C.1 TABACCO & TOBACCO PROD.	0.20	0.00	0.20
C.2 BEVERAGES & TOBACCO-OTHERS	420.19	16.12	436.31
D.TEXTILES	1501.91	60.00	1561.91
D.1 COTTON	668.26	42.54	710.80
D.1.1 SPINNING	584.00	37.51	621.50
D.2 JUTE	2.59	0.00	2.59
D.2.1 SPINNING	1.25	0.00	1.25
D.3 HANDICRAFT/KHADI (NPS)	20.80	0.08	20.88
D.3.1 SPINNING	3.65	0.00	3.65
D.4 SILK	38.09	4.55	42.64
D.4.1 SPINNING	30.36	0.59	30.94
D.5 WOOLEN	38.34	0.11	38.45
D.5.1 SPINNING	26.00	0.05	26.06
D.6 TEXTILE-OTHERS	733.83	12.73	746.55
E.LEATHER & LEATHER PRODUCTS	144.82	4.33	149.15

F.WOOD & WOOD PRODUCTS	92.55	5.07	97.62
G.PAPER & PAPER PRODUCTS	58.39	1.29	59.68
H.PETRO./COAL/NUCLEAR FUELS	63.47	0.67	64.13
I.CHEMICALS & CHEMICAL PROD.	509.46	17.61	527.07
I.1 FERTILISERS	145.88	0.00	145.88
I.2 DRUGS AND PHARMA.	272.54	6.01	278.55
I.3 PETRO-CHEMICALS	47.81	5.70	53.50
I.4 CHEMICALS & CHEMICAL PROD.- OTHERS	43.24	5.90	49.13
J.RUBBER,PLASTIC & ITS PROD.	194.27	20.43	214.70
K.GLASS & GLASSWARE	11.03	0.87	11.91
L.CEMENT AND CEMENT PROD.	278.48	21.96	300.44
M.BASIC METAL & METAL PROD.	2847.74	204.17	3051.91
M.1 IRON & STEEL	1690.73	35.39	1726.12
M.2 OTHER METAL & METAL PROD.	1157.01	168.77	1325.79
N.ALL ENGINEERING	715.75	122.58	838.33
N.1 ELECTRONICS	115.31	6.58	121.89
N.2 ALL ENGG. - OTHERS	600.45	116.00	716.45
O.VEHCLES/V.PARTS/TPT.EQPM.	310.99	122.32	433.31
P.GEMS & JEWELLARY	122.85	214.29	337.15
Q.CONSTRUCTIONS	849.85	328.29	1178.13
R.INFRASTRUCTURE	17923.53	974.41	18897.94
R.1 TRANSPORT	1757.30	301.92	2059.22
R.1.1 -RAILWAYS	43.68	3.23	46.92
R.1.2 -ROADWAYS	1257.65	278.45	1536.11
R.1.3 – OTHERS	0.00	0.38	0.38
R.1.4 –WATERWAYS	18.95	0.39	19.34
R.1.5 –OTHERS	437.01	19.46	456.48
R.2 ENERGY	12467.23	577.64	13044.87
R.2.1 –ELEC(GEN/TRMN/DTB)	12440.36	577.63	13018.00
R.2.2 –OIL (STRG/PIPELINES)	26.86	0.01	26.87
R.2.3 –GAS/LNG STRG/PIPELINE	0.01	0.00	0.01
R.3 TELECOMMUNICATION	333.05	9.06	342.11
R.4 INFRA-OTHERS	3365.94	85.79	3451.74
R.4.1 –WATER SANITATION	1047.36	22.79	1070.16
R.4.2 –SOCIAL & COMM.	2318.58	63.00	2381.58
S.OTHER INDUSTRIES	175.89	40.02	215.91
T.RESIDUARY	29294.34	1238.74	30533.08
T.A EDUCATION LOAN	227.49	0.34	227.83
T.B AVIATION SECTOR	671.47	0.20	671.67
GRAND TOTAL	57219.24	3532.63	60751.87

Industry where the Total Exposure is more than 5% of Total Fund based and Non-fund based exposure:

Amt. - ₹/ Crores

S.No.	Industry	Exposure
1	Residuary	30533.08
2	Infrastructure	18897.94
3	Basic Metal & Metal Prod.	3051.91

RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS

Amt. - ₹/ Crores

Maturity Pattern's (Time Buckets)	Loans & Advances	Investments (Book Value)	Foreign Currency		Deposits	Borrowings
			Liabilities	Assets		
Next 1 Day	459.30	0.39	68.96	235.28	376.02	385.00
2 Days To 7 Days	1293.95	679.85	2.50	14.87	1081.06	0.00
8 Days To 14 Days	1483.59	306.59	1.27	26.85	1414.26	0.00
15 Days To 28 Days	2251.25	333.32	13.06	50.80	2696.38	0.00
29 Days To 3 Months	3437.23	3872.54	50.59	202.00	10447.72	50.04
Over 3 Months To 6 Months	1169.31	863.66	50.47	93.47	7086.93	40.00
Over 6 Months To 1 Year	5016.61	691.86	70.32	0.00	12809.62	0.00
Over 1 Year To 3 Years	13838.57	2165.33	84.31	0.00	34354.06	150.00
Over 3 Years To 5 Years	9090.42	4913.28	2.27	0.00	3637.74	100.00
Over 5 Years	18515.79	14914.50	0.00	0.00	9324.48	1435.00
GRAND TOTAL	**56556.02**	**28741.32**	**343.75**	**623.27**	**83228.27**	**2160.04**

Amount of NPAs (Gross)

	Category	Amt. - ₹/ Crores
1	Substandard	1183.43
2	Doubtful 1	617.52
3	Doubtful 2	331.04
4	Doubtful 3	40.20
5	Loss	23.57

Net NPAs

Amt. - ₹/ Crores

Net NPAs	1517.22

NPA Ratios

	Category	Percent
1	Gross NPAs to Gross advances	3.84%
2	Net NPAs to Net advances	2.68%

Movement of NPAs (Gross)

	Amt. - ₹/ Crores
Opening Balance	1536.90
Additions	1002.63
Reductions	343.77
Closing Balance	2195.76

Movement of Provisions for NPAs

	Amt. - ₹/ Crores
Opening Balance	412.56
Provisions made during the period	336.52
Write-off Write-back of excess provisions	85.87
Closing Balance	663.21

Amount of Non-Performing Investments

	Amt. - ₹/ Crores
Amount of Non-Performing Investments	59.04

Amount of provisions held for non-performing investments

	Amt. - ₹/ Crores
Provisions held for non-performing investments	33.45

Movement of provisions for depreciation on investments

	Amt. - ₹/ Crores
Opening Balance	22.73
Provisions made during the period	9.06
Write-off	Nil
Write-back of excess provisions	10.64
Closing Balance	21.15

Table DF 4 - CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

Qualitative Disclosures

1. The Bank has approved using the general rating of the following credit rating agencies for risk weighting under the standardized approach for CRAR calculations CRISIL, ICRA, India Rating, SMERA, BRICKWORK and CARE for domestic claims and S&P, FITCH and Moody's for claims on non-resident corporates, foreign banks and foreign sovereigns.

The ratings of all these agencies are being used for all exposures subjected to rating for risk weighting purposes under the standardized approach for CRAR calculations under Basel-II as defined by RBI.

3. The process used to transfer public issue ratings on to comparable assets in the banking book is as per regulatory requirements of RBI. The public ratings published by the rating agencies on their website are used for this purpose. Only, ratings which are in force as per monthly bulletin of the concerned rating agency and which have been reviewed at least once during the previous 15 months are used.

4. For all the exposures on a particular counterparty, bank uses the rating of only one agency, even though these exposures are rated by more than one with exception being where each of the exposures is rated by only one of the approved rating agencies.

5. To be eligible for risk-weighting purposes, it is ensured that the external credit assessment takes into account and reflects the entire amount of credit risk exposure the bank has with regard to all payments owed to it i.e., both principal and interest. External assessments for one entity within a corporate group is not used to risk weight other entities within the same group.

6. For assets that have contractual maturity less than or equal to one year, short term ratings are used while for other assets, long term ratings are used. For Cash Credit exposures long term ratings are taken.

7. Where an issuer has a long-term exposure with an external long term rating that warrants a risk weight of 150%, all unrated claims on the same counterparty, whether short-term or long-term, also receive a 150% risk weight, except incases where credit risk mitigation techniques are used for such claims. Similar is the case with short-term rating.

8. The long-term ratings assigned by the approved rating agencies are directly mapped to the risk weights under the Standardised Approach for long-term exposures. On the contrary, the *unrated short-term* claim on counter-party attracts a risk weight of at least one level higher than the risk weight applicable to the rated short-term claim on that counter-party. Issue-specific short-term ratings are used to derive risk weights for claims arising from the rated facility against banks and a corporate's short-term rating is not used to support a risk weight for an unrated long-term claim.

9. If there are two ratings accorded by eligible credit rating agencies, which map into different risk weights, the higher risk weight is applied. If there are three or more ratings accorded by eligible credit rating agencies with different risk weights, the ratings corresponding to the two lowest risk weights are referred to and the higher of those two risk weights are applied, i.e., the second lowest risk weight.

10. The RW of the investment claim is based on specific rating by a chosen credit rating agency, where the claim is not an investment in a specific assessed issue:

i) the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) is applied to the bank's un-assessed claim only if this claim ranks *pari passu* or senior to the specific rated debt in all respects and the maturity of the un-assessed claim is not later than the maturity of the rated claim**, e**xcept where the rated claim is a short term obligation.

ii) if either the issuer or single issue has been assigned a rating which maps into a risk weight equal to or higher than that which applies to unrated claims, an unrated claim on the same counterparty, is assigned the same risk weight as is applicable to the rated exposure, if this claim ranks *pari passu* or junior to the rated exposure in all respects.

<u>Exposure amounts after risk mitigation subject to the standardized approach</u>

Amt. - ₹/ Crores

Risk Weight Category	**Rated Exposure**	**Un-Rated Exposure**	**Exposure After Credit Risk Mitigation**
Below 100 % risk weight	**11039.74**	**19810.66**	**30850.40**
100 % risk weight	**4932.26**	**16903.06**	**21835.33**
More than 100 % risk weight	**3665.34**	**1510.49**	**5175.83**
Deducted	000	0.00	0.00
TOTAL	**19637.34**	**38224.21**	**57861.56**