Disclosures under Basel III Capital Regulations (Pillar III) as on 31.12.2013

Table DF-2: Capital Adequacy

(a) Qualitative disclosures:

A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities:

Bank is geared up to adopt global best practices while implementing risk management stipulations that are in conformity with the Basel II and Basel III framework. Comprehensive risk management architecture is in place to address various issues concerning Basel II and Basel III. For periodic assessment of Capital needs of the Bank, an Internal Capital Adequacy Assessment (ICAAP) Committee/ Capital Planning Committee comprising the top executives has been constituted, to monitor and assess the Capital requirement of the Bank over the medium horizon of 4-5 years, keeping in view the anticipated growth in Risk Weighted Assets in Credit Risk, Market Risk and Operational Risk.

The Committee meets regularly and decides on the capital related issues, with due focus on different options available for capital augmentation and realignment of Capital structure duly undertaking the scenario analysis for capital optimization.

Quantitative disclosures:

(Rs. in Cr.)

Items	Amount as on 31.12.2013
(b) Capital requirements for credit risk	
▪ Portfolios subject to standardized approach	8318.54
▪ Securitisation exposures	NIL
(c) Capital requirements for market risk	
- Standardized duration approach	
▪ Interest rate risk	324.70
▪ Foreign exchange risk (including gold)	1.35
▪ Equity position risk	65.87
(d) Capital requirements for operational risk	
- Basic indicator approach	673.82

(e) Capital Adequacy Ratios (solo) ▪ Common Equity Tier I ▪ Tier 1 CRAR (%) ▪ Total CRAR (%)	 7.96% 8.11% 11.04%
Capital Adequacy Ratios for the consolidated Position ▪ Common Equity Tier I ▪ Tier 1 CRAR (%) ▪ Total CRAR (%)	 8.02% 8.17% 11.11%
Total and Tier I CRAR for the Significant Subsidiary which is not under consolidated group	NA

Table DF-3: Credit Risk: General Disclosures for All Banks

Qualitative Disclosures:

(a) General qualitative disclosures with respect to credit risk

Definition of past due and impaired (for accounting purposes):

An Asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. A " Non Performing Asset" (NPA) is a loan or an advance where:

i. interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a Term Loan,

ii. the account remains '**out of order'** as indicated below, in respect of an Overdraft/Cash Credit (OD/CC), *

iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,

iv. the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,

v. the installment of principal or interest thereon remains overdue for one crop season for long duration crops,

vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.

vii. in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

In case of interest payments, banks should, classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

***Out of Order' status -** An account is treated as **'out of order'** if –

i. the outstanding balance remains continuously in excess of the sanctioned limit/drawing power;

ii. the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet; or

iii. credits are not enough to cover the interest debited during the same period.

Accounts with temporary deficiencies - The classification of an asset as NPA is based on the record of recovery. Bank does not classify an advance account as NPA merely due to the existence of some deficiencies which are temporary in nature such as non-availability of adequate drawing power based on the latest available stock statement, balance outstanding exceeding the limit temporarily, non-submission of stock statements and non-renewal of the limits on the due date, etc. In the matter of classification of accounts with such deficiencies the following guidelines are adopted:

- Bank ensures that drawings in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress. Drawing power is arrived at based on the stock statement which current .i.e. (not older than 3 months)

  A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.

- An account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.

Agricultural advances:

A loan granted for short duration crops is treated as NPA, if the installment of principal or interest thereon remains overdue for two crop seasons. A loan granted for long duration crops is treated as NPA, if the installment of principal or interest thereon remains overdue for one crop season. For the purpose of these guidelines, "long duration" crops are crops with crop season longer than one year and crops, which are not "long duration" crops, are treated as "short duration" crops. The crop season for each crop, which means the period up to harvesting of the crops raised, would be as determined by the State Level Bankers' Committee in each State. Depending upon the duration of crops raised by an agriculturist, the above NPA norms are also made applicable to agricultural term loans availed of by him.

Discussion of the Bank's Credit Risk Management Policy

Strategies and Processes:

Credit Risk is defined as "**the possibility of losses associated with diminution in the credit quality of borrowers or counter parties".** There is always a possibility for the borrower to default from his commitments for various reasons, resulting in crystallization of Credit risk to the Bank. These losses could stem from outright default due to inability or unwillingness of a customer or counter party to meet commitments in relation to lending, trading, settlement and other financial transactions. Alternatively, losses result from reduction in portfolio value arising from actual or perceived deterioration in credit quality. Credit risk is, therefore, a combined outcome of Default Risk & Exposure Risk and arises from the Bank's dealings with or lending to a corporate, individual, bank, financial institution or a sovereign.

Credit risk may take the following forms:

- in the case of direct lending: principal/and or interest amount may not be repaid;
- in the case of guarantees or letters of credit: funds may not be forthcoming from the constituents upon crystallization of the liability;
- in the case of treasury operations: the payment or series of payments due from the counter parties under the respective contracts may not be forthcoming or ceases;
- in the case of securities trading businesses: funds/ securities settlement may not be effected;
- in the case of cross-border exposure: the availability and free transfer of foreign currency funds may either cease or restrictions may be imposed by the sovereign.

The effective management of credit risk is a critical component of comprehensive risk management and is essential for the long - term success of any banking institution. Credit Risk Management encompasses identification, measurement through credit rating/scoring, quantification through estimate of expected loan losses, pricing on a scientific basis and controlling through effective Loan Review Mechanism & Portfolio Management.

The Bank has in place a Credit Risk Management Policy which is reviewed from time to time. Over the years, the policy and procedures in this regard have been refined as a result of evolving concepts and actual experience. The policy and procedures have been aligned to the approach laid down in Basel-II guidelines

The Credit Risk Management Policy is designed with the following Objectives.

1. Enhance the risk management capabilities to ensure orderly and healthy credit growth.
2. Maintain the Asset Quality.
3. Maintain credit risk exposure within acceptable parameters/prudential exposures.
4. Manage the asset portfolio in a manner that ensures bank has adequate capital to hedge risks.
5. Build database necessary for migration to the Internal Ratings Based (IRB) approach, using the Credit Risk Rating Model implemented in the Bank.
6. Mitigate and reduce the risk by streamlining the Systems and Controls.

Structure and organisation of the relevant risk management function

Credit Risk Management structure of the Bank is as under-

- Board of Directors
- Risk Management Committee of the Board
- Credit Risk Management Committee (CRMC)
- General Manager-Integrated Risk Management Department (Chief Risk Executive)-Head Office
- Credit Risk Management Cell, Integrated Risk Management Department, Head Office

Scope and nature of risk reporting and measurement systems:

The measurement of Credit Risk includes setting up exposure limits to achieve a well diversified portfolio across dimensions such as companies, group companies, industries, collateral type and geography. For better risk management and avoidance of concentration of Credit Risks, internal guidelines on prudential exposure norms in respect of individual companies, group companies, Banks, individual borrowers, non-corporate entities, sensitive sectors such as capital market, real estate, sensitive commodities, etc., are in place.

Policies for hedging and mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:

The bank also has a well defined Loan Policy in place. The bank has formulated policies & procedures on standards for presentation of credit proposals, financial covenants, rating standards and benchmarks, delegation of credit approving powers, prudential limits on large credit exposures, asset concentrations, standards for loan collateral, portfolio management, loan review mechanism, risk concentrations, risk monitoring and evaluation, pricing of loans, provisioning, regulatory/legal compliance etc.

Quantitative Disclosures:

b) The total Gross Credit Risk Exposures are :

(Rs. in Cr.)

Category	Amount as on 31.12.2013
Fund Based	102644.09
Non Fund Based	18521.28

c) Bank has no Overseas Branches. Hence, Geographical exposures are not given.

d) **Industry type distribution of exposures:**

INDUSTRY WISE INTERNAL (FUNDED) EXPOSURE CEILINGS AND EXPOSURE AS ON 31.12.2013

TOTAL ADVANCES AS ON 30.06.2013 (PREVIOUS QUARTER) Rs.1100713.78 Cr.

(Rs in Cr.)

Sl. No	Industry	Ceilings as % of total advances of previous quarter	Ceiling amount on total advances of previous quarter	Actual Fund based exposure as on 31.12.2013	Exposure as % of total advances of previous quarter
1	Textiles*	9.00	9064.24	5278.64	5.24
2	Petroleum Products	10.00	10071.38	1039.00	1.03
3	Power*	22.00	22157.03	15642.08	15.53
4	Engineering (Heavy & Light)	5.00	5035.69	2626.17	2.61
5	NBFC*	10.00	10071.38	7526.30	7.47
6	Diamonds, Gems & Jewellery	5.00	5035.69	2185.32	2.17
7	Rice Mills	6.00	6042.83	2643.47	2.62
8	Sugar	5.00	5035.69	1340.08	1.33
9	Drugs & Pharmaceuticals	5.00	5035.69	1805.18	1.79
10	Tobacco	2.00	2014.28	770.02	0.76
11	Cement & Cement Products	5.00	5035.69	787.04	0.78
12	Distilleries	1.00	1007.14	219.90	0.22

13	Iron & Steel*	10.00	10071.38	6416.51	6.37
14	Construction & Contractors	10.00	10071.38	3031.36	3.01
15	Software	1.50	1510.71	223.21	0.22
16	Hospitals	3.00	3021.41	532.32	0.53
17	Hotels	3.00	3021.41	1065.76	1.06
18	Educational Institutions	2.00	2014.28	550.52	0.55
19	Housing Loans* (includes residential mortgages & indirect finance to Housing intermediaries)	15.00	15107.07	9042.84	8.98
20	Commercial Real Estate	7.00	7049.96	3112.98	3.09

*Exposure is more than 5 percent of the gross credit exposure of the previous quarter

INDUSTRY WISE INTERNAL (NON-FUNDED) EXPOSURE CEILINGS AND EXPOSURE AS ON 31.12.2013

TOTAL NON-FUNDED Limits AS ON 30.09.2013 (PREVIOUS QUARTER) Rs.30148.89 Cr.

(Rs. in Cr.)

Sl. No	Industry	Ceilings as % of Non Fund Limits of previous quarter	Ceiling amount on Non Fund Limits of previous quarter	Actual Non Fund based exposure as on 31.12.2013	Exposure as % of Non Fund Limits of Previous Quarter
1	Textiles	4.00	1205.96	892.59	2.96
2	Petroleum Products	1.00	301.49	57.30	0.19
3	Power*	10.50	3165.63	2750.88	9.12

4	Engineering (Heavy & Light)*	12.00	3617.87	2035.36	6.75
5	NBFC	5.00	1507.44	527.00	1.75
6	Diamonds, Gems & Jewellery	3.00	904.47	76.90	0.26
7	Rice Mills	2.00	602.98	49.80	0.17
8	Sugar	4.00	1205.96	669.33	2.22
9	Drugs & Pharmaceuticals	6.00	1808.93	1009.17	3.35
10	Tobacco	0.50	150.74	76.61	0.25
11	Cement & Cement Products	2.00	602.98	113.93	0.38
12	Distilleries	0.50	150.74	24.49	0.08
13	Iron & Steel*	14.00	4220.84	3079.05	10.21
14	Construction & Contractors*	50.00	15074.45	4341.37	14.40
15	Software	1.00	301.49	39.76	0.13
16	Hospitals	1.50	452.23	145.22	0.48
17	Hotels	1.50	452.23	30.26	0.10
18	Educational Institutions	2.00	602.98	63.32	0.21
19	Housing Loans	-	-	-	-
20	Commercial Real Estate	2.00	602.98	219.70	0.73

*Exposure is more than 5% of the gross credit exposure of the previous quarter

e) Residual contractual Maturity breakdown of assets:

(Rs. in Cr.)

Maturity Pattern	Advances (Net)	Investments	Foreign Currency Assets
0 to 1 day	181.08	62.65	639.25
2 to 7 days	851.64	912.54	30.38
8 to 14 days	1315.33	645.78	63.03
15 to 28 days	924.83	1060.06	175.40
29 days to 3 months	10040.20	1402.87	669.38
Over 3 months & upto 6 months	6596.13	701.75	686.49
Over 6 months & upto 1 year	10203.95	1354.09	0
Over 1 year & upto 3 years	41721.64	4935.19	0
Over 3 year & upto 5 years	11636.05	5580.61	0
Over 5 years	16486.84	28389.50	0
Total	**99957.69**	**45045.04**	**2263.93**

f) Amount of NPAs (Gross):

(Rs. in Cr)

CATEGORY	AMOUNT As on 31.12.2013
Sub-Std	2834.91
Doubtful-1	2184.35
Doubtful-2	959.23
Doubtful-3	135.42
Loss	28.55
Total	**5692.46**

g) **Net NPAs:**

(Rs. in Cr)

	31.12.2013
Net NPAs	3653.38

h) **NPA Ratios:**

	31.12.2013
Gross NPA to Gross Advances (%)	5.55
Net NPA to Net Advances (%)	3.65

i) **Movement of NPAs (Gross):**

(Rs. in Cr.)

	31.12.2013
(a) Opening Balance	3714.49
(b) Additions during the year	2327.09
(c) Reductions during the year	349.12
(d) Closing Balance	5692.46

j) **Movement of Provision for NPAs:**

(Rs. in Cr.)

	31.12.2013
Movement of Specific Provisions for NPAs	
(a) Opening Balance	1305.31
(b) Provisions made during the year	810.52
(c) Write-off / Write-back of excess provisions	76.75
(d) Closing Balance	2039.08

k) **Amount of Non-Performing Investments** **:** Rs. 131.48cr

l) **Amount of provisions held for non-performing investments:** Rs. 60.51 cr

m) Movement of provisions for depreciation on investments:

(Rs. in Cr.)

	31.12.2013
(a) Opening Balance	45.97
(b) Provisions made during the period	14.54
(c) Write –off	0.00
(d)Write back of excess provisions	0.00
(e) Closing Balance	60.51

Table DF-4 - Credit Risk: Disclosures for Portfolios Subject to the Standardised Approach

Qualitative Disclosures:

(a) For portfolios under the standardized approach: Name of the credit rating agencies used, plus reasons for any changes

- Credit Rating Information Services India Limited (CRISIL)
- Credit Analysis and Research Limited (CARE)
- India Ratings and Research Private Limited
- ICRA Limited
- SMERA Ratings Limited
- Brick Work Ratings India Private Limited

Types of exposure for which each agency is used:

- For exposures with a contractual maturity of less than or equal to one year (except cash credit, overdraft) Short term rating given by approved Rating Agencies is used.
- For domestic cash credit, overdraft and for term loan exposures of over 1 year, Long Term Rating is used.
- The Bank uses only publicly available solicited ratings that are valid and reviewed by the recognized ECAIs.
- The Bank does not simultaneously use the rating of one ECAI for one exposure and that of another ECAI for another exposure to the same borrower, unless the respective exposures are rated by only one of the chosen ECAIs. Further, the bank does not use rating assigned to a particular entity within a corporate group to risk weight other entities within the same group.
- Where exposures/ borrowers have multiple ratings from the chosen ECAIs, the bank has adopted the following procedure for risk weight calculations:
  i. If there are two ratings accorded by chosen ECAIs, which map into different risk weights, the higher risk weight is applied.
  ii. If there are three or more ratings accorded by the chosen ECAIs which map into different risk weights, the ratings corresponding to the lowest 2 ratings are referred to and higher of those two risk weights is applied.

A description of the process used to transfer public issue ratings onto comparable assets in the banking book:

No such process is applied

Quantitative Disclosures:

(b) For exposure amounts after risk mitigation subject to the standardized approach, amount of bank's outstandings (rated & unrated) in the following major risk buckets as well as those that are deducted:

(Rs. in Cr.)

	31.12.2013	
	Fund Based	**Non Fund Based**
Below 100% risk weight	37885.84	4462.84
100% risk weight	37085.77	8627.30
More than 100% risk weight	17483.33	4029.17
Deducted (Mitigants)	10189.14	1401.97
Total	102644.09	18521.28