Disclosure under Basel III norms as on 30th June 2014

Table- DF-2

Capital adequacy

1	**Qualitative Disclosure**	
1.1	**RBI Guidelines on capital adequacy** The Bank is subject to the capital adequacy guidelines stipulated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.5% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 31st March 2019. These guidelines on Basel III are to be implemented beginning 1st April 2013 in a phased manner, the minimum capital required to be maintained by the Bank for the year ended 31st March 2014 is 9% with minimum Common Equity Tier 1 (CET1) of 5%.	
1.2	**The bank's approach in assessment of capital adequacy** The bank is following standardized approach, Standardized Duration approach and Basic Indicator approach for measurement of capital charge in respect of credit risk, market risk and operational risk respectively. Besides computing CRAR under the Pillar I requirement, the Bank also periodically undertakes stress testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy. The bank conducts Internal Capital Adequacy Assessment Process (ICAAP) on annual basis to assess the sufficiency of its capital funds to cover the risks specified under Pillar- II of Basel guidelines. The adequacy of banks' capital funds to meet the future business growth is also assessed in the ICAAP document.	
2	**Quantitative Disclosure**	
		Amount in Million as on 30.06.14
(a)	**Capital requirements for Credit Risk**	**23127.46**
	Portfolios subject to standardized approach	23127.46
	Securitization exposures	0.00
(b)	**Capital requirements for Market Risk (Standardised duration approach)**	**945.93**
	Interest Rate Risk	567.25
	Foreign Exchange Risk (including gold)	90.00
	Equity Risk	288.68
(c)	**Capital requirements for Operational Risk (Basic Indicator Approach)**	**2333.43**
	Total Capital Requirement at 9%{ (a)+ (b)+(c) }	**26406.82**
	Total Capital Fund	**35771.02**

	Common Equity Tier- I CRAR %	10.64 %
	Tier- I CRAR %	10.64 %
	Total CRAR %	**12.19 %**

Risk Management: Objectives and Organisation Structure

Risk is an integral part of banking business in an ever dynamic environment, which is undergoing radical changes both on the technology front and product offerings. The main risks faced by the bank are credit risk, market risk and operational risk. The bank aims to achieve an appropriate tradeoff between risk and return to maximize shareholder value. The relevant information on the various categories of risks faced by the bank is given in the ensuing sections. This information is intended to give market participants a better idea on the risk profile and risk management practices of the bank.

The bank has a comprehensive risk management system set up to address various risks and has set up an Integrated Risk Management Department, 'IRMD', which is independent of operational departments. Bank has a Risk Management Committee functioning at apex level for formulating, implementing and reviewing bank's risk management measures pertaining to credit, market and operational risk. Apart from the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure comprising of Asset Liability Management Committee, Credit Risk Management Committee, Market Risk Management Committee and Operational Risk Management Committee at senior management level, operational risk management specialists in all Regional Offices and dedicated mid office at Treasury Department/International Banking Division at operational level. The structure and organization of Risk Management functions of the bank is as follows:

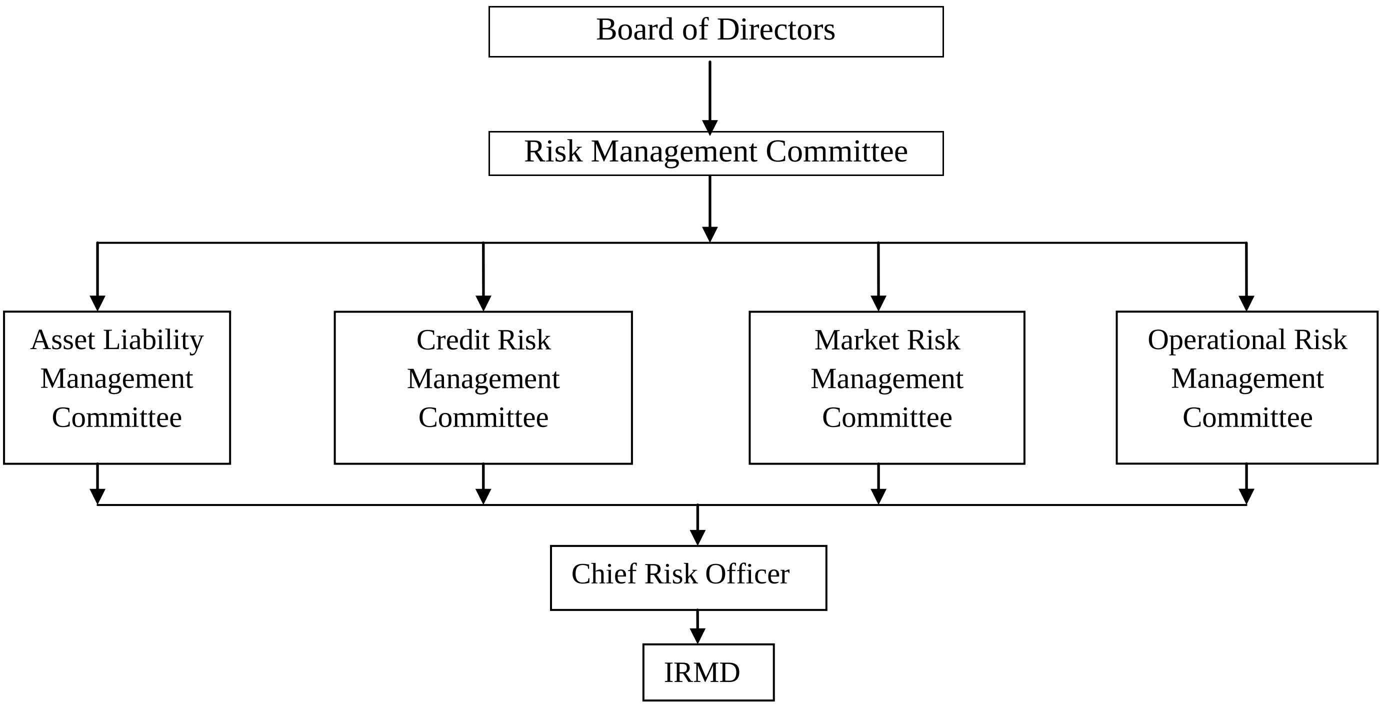

Table DF-3

1. Qualitative Disclosure

Definition of impaired credit and past dues considered by bank for accounting purposes
The guidelines as laid down by RBI Master Circular No. DBOD.No.BP.BC.8/21.04.048/2013-14 dated July 1, 2013, on Asset classification, Income Recognition and Provisioning to Advances portfolio are followed while classifying Non-performing Assets (NPAs). The guidelines are as under: a) An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. b) A non performing asset (NPA) is a loan or an advance where; i) interest and / or installment of principal remains overdue for a period of more than 90 days in respect of a term loan, ii) the account remains 'out of order', in respect of an Overdraft / Cash Credit (OD/ CC), (out of order - An account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where 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 credits are not enough to cover the interest debited during the same period, these accounts are treated as 'out of order'.) iii)the bill remains overdue for a period of more than 90 days in the case of bills Purchased and discounted, (overdue - Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.) iv)The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops, (overdue - Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.) v) The installment of principal or interest thereon remains overdue for one crop season for long duration crops, (overdue - Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.) vi)The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of RBI guidelines on Securitization 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.
Credit risk management practices of our Bank
The bank has a comprehensive credit risk management policy which deals with

identification, assessment, measurement and mitigation of credit risk. The policy has defined credit risk as the possibility of losses associated with the diminution in the credit quality of the borrower or the counter party or the failure on its part to meet its obligations in accordance with the agreed terms. The Credit Risk Management Committee, an executive level committee is entrusted with the task of overseeing various risk management measures envisaged in the policy. The Credit Risk Management Committee also deals with issues relating to credit risk management policy and procedures and analyse, manage and control credit risk on a bank wide basis. Credit risk management policy primarily addresses the credit risk inherent in advances. The principal aspects covered under this policy include credit risk rating, credit risk monitoring, credit risk mitigation and country risk management.

The major specific credit risk management measures followed by bank, as listed out in the credit risk management policy are given in following points.

- The credit/country risk associated with exposures, like inter-bank deposits and export bill discounting, to different countries are consolidated regularly and monitored by the Board.

- Bank uses a robust risk rating framework for evaluating credit risk of the borrowers. The bank uses segment-specific rating models that are aligned to target segment of the borrowers.

- Risks on various counter-parties such as corporates, banks, are monitored through counter-party exposure limits, also governed by country risk exposure limits in case of international transactions.

- The bank manages risk at the portfolio level too, with portfolio level prudential exposure limits to mitigate concentration risk.

2. Quantitative Disclosure

a) Gross Credit Risk Exposures as on 30th June 2014

Amount in Million

Category	**Exposure**
Fund Based [1]	3,44,841.26
Non Fund Based [2]	24,181.22
Total	**3,69,022.48**

Note :

1. Fund based credit exposure excludes Cash in hand, Balance with RBI, SLR investments, shares, deposits placed NABARD, SIDBI & NHB, Fixed and Other assets.
2. Non-fund based exposure includes outstanding Letter of Credit, Acceptances, Bank Guarantee exposures and Forward Contracts. The amount of non fund based

exposure is arrived at after applying the relevant CCF % as specified in RBI guidelines.

b) Geographic Distribution of Credit Risk Exposure as on 30th June 2014

Particulars	Amount in Million
Domestic	**3,69,022.48**
Overseas	Nil
Total	**3,69,022.48**

c) Industry-Wise Distribution of gross advances and NPAs as on 30th June, 2014

Amount in Million

Industry Name	Standard Assets	GNPA	Gross Advance
Mining and Quarrying	466.74	0.00	466.74
Food Processing	8063.32	79.93	8143.26
Beverages(Exluding Tea & Coffee)and Tobacco	237.51	156.29	393.81
Textiles	11216.56	483.86	11700.42
Leather and Leather products	838.66	0.03	838.69
Wood and Wood Products	1014.68	65.28	1079.95
Paper and Paper Products	2317.86	32.04	2349.90
Petroleum(non-infra),Coal Products(non-mining)and Nuclear Fuels	1928.64	150.12	2078.75
Chemicals and Chemical Products(Dyes,Paints, etc)	2928.75	80.55	3009.30
Rubber,Plastic and their Products	7236.83	3.06	7239.89
Glass and Glassware	34.77	0.02	34.79
Cement and Cement Products	4152.68	3.07	4155.76
Basic Metal and Metal products	15163.47	412.13	15575.60
All Engineering	2110.16	147.94	2258.10
Vehicles,Vehicle Parts and Transport Equipments	4288.19	1.38	4289.57
Gems and Jewellery	6367.28	504.80	6872.08
Construction	8740.32	109.98	8850.30
Infrastructure	46894.43	993.79	47888.22
Other Industries	5392.89	71.51	5464.41
TOTAL	**129393.74**	**3295.78**	**132689.54**

d) The composition of Gross NPAs and NPIs, Net NPAs, NPA ratios and provision for GNPAs and GNPIs as on 30th June 2014 and movement of gross NPAs and provisions during the quarter ended 30th June 2014 are given in following table.

Amount in Million

1	Amount of Gross NPAs	5172.97
	Substandard	1896.71
	Doubtful-I	2590.28
	Doubtful-2	173.22
	Doubtful-3	25.71
	Loss	487.05
2	Net NPA	3105.38
3	NPA ratios	
	Gross NPA to Gross Advance:	1.5
	Net NPA to Net Advance:	0.91
4	Movement of N PA (Gross)	
	Opening Gross NPA	4326.22
	Additions to Gross NPA	975.42
	Reductions to Gross NPA	128.67
	Closing Balance of Gross NPA	5172.97
5	Movement of N PA Provisions	
	Opening balance of NPA Provisions held	1292.67
	Provisions made during the period	597.17
	Deductions during the period	69.04
	Closing Balance of NPA Provisions	1820.8
6	Amount of Non Performing Investments (Gross)	362.94
7	Amount of Provisions held NP Investments	175.35
8	Movement of Provisions for Depreciation on Investments	
	Opening Balance of Provisions for Depreciation	71.34
	Provisions made during the period	105.63
	Write-offs / Write-back of excess provisions during the period	55.46
	Closing Balance of Provisions for Depreciation	121.50

4: Credit Risk: Disclosure for Portfolios under Standardized Approach

1. Qualitative Disclosure

a. Names of credit rating agencies used
Bank has approved all the six External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts that forms the basis for determining risk weights under Standardized Approach. External Credit Rating Agencies approved are: 1. CRISIL 2. CARE 3. India Ratings and Research Private Limited (Formerly FITCH INDIA)

4. ICRA
5. Brickwork Ratings India Pvt. Ltd (BRICKWORK)
6. SMERA Ratings Ltd

The Bank computes risk weight on the basis of external rating assigned, both Long Term and Short Term, for the facilities availed by the borrower. The external ratings assigned are generally facility specific. The Bank follows below mentioned procedures as laid down in the Basel II guidelines for use of external ratings:

- The external rating assigned by an agency is considered only if it fully takes into account the credit exposure of the bank.
- If an issuer has a long- term exposure with an external long term rating that warrants a risk weight of 150 percent, all unrated claims on the same counter-party, whether short term or long-term, should also receive a 150 percent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.
- If an issuer has a short-term exposure with an external short term rating that warrants a risk weight of 150 per cent, all unrated claims on the same counter-party, whether long-term or short-term, should also receive a 150 per cent risk weight, unless the bank uses recognized credit risk mitigation techniques for such claims.
- The unrated short term claim of counterparty will attract a risk weight of at least one level higher than the risk weight applicable to the rated short term claim on that counter-party. If a short-term rated facility to counterparty attracts a 20 per cent or a 50 per cent risk weight, unrated short-term claims to the same counter-party cannot attract a risk weight lower than 30 per cent or 100 per cent respectively.

b. Process used to transfer public issue ratings onto comparable assets in the banking book

(i) In circumstances where the borrower has a specific assessment for an issued debt - but the bank's claim is not an investment in this particular debt - the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) may be applied to the bank's unassessed claim only if this claim ranks pari passu or senior to the specific rated debt in all respects and the maturity of the unassessed claim is not later than the maturity of the rated claim, except where the rated claim is a short term obligation. If not, the rating applicable to the specific debt cannot be used and the unassessed claim will receive the risk weight for unrated claims.

(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, a claim on the same counterparty, which is unrated by any chosen credit rating agency, will be 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.

2. Quantitative Disclosures

Amount of exposure (after risk mitigation) outstanding as on 30th June 2014 under major three risk buckets

Description of risk bucket	**Rs in Million**
Below 100% Risk Weight	310101.75
Risk Weight at 100%	157093.08
More than 100% Risk Weight	17044.71
Deducted if any	Nil

(Amount of exposures includes cash in hand, balance with RBI, investments, loans and advances, Fixed and other assets, off balance sheet items and forward contracts)