

DF-3 Capital Adequacy- Qualitative Disclosure

The Bank actively manages its capital requirement by taking in to account the current and future Business growth of the Bank. Stress tests are used as a part of Internal Capital Adequacy Assessment Process (ICAAP) to evaluate the impact on the bank's capital under extreme stress scenario and to ensure that the capital base can with-stand the adverse impact of uncertain events. The bank is guided by the philosophy of optimal utilisation of the capital so as to increase the return on capital and increase shareholders value in the long run.

3.1 Organisational set up

The Bank has put in place an Internal Capital Adequacy Assessment Committee (ICAAC) which is a Board level Committee charged with the overall responsibility of implementing the ICAAP. The Board of Directors maintains active oversight over Bank's Capital levels so as to ensure that Bank continues to operate above the minimum regulatory capital requirement all the times. The Bank has also set up Credit Risk Management Committee (CRMC), Market Risk Management Committee/ALCO and Operational Risk Management Committee (ORMC) for a better and more focused approach towards each major area of Risk Management.

3.2 In line with the Reserve Bank of India (RBI) Guidelines, the bank has adopted following approaches for implementation of New capital Adequacy Framework Basel II.

- Standardised Approach for Credit Risk.
- Standardised Duration Approach for Market Risk.
- Basic Indicator Approach for Operational Risk.

3.3 The Bank has already applied for migration to advanced approaches for Credit (FIRB Approach), Market (IMA- Parallel Run being done) and Operational Risk (AMA and TSA).

3.4 Capital Adequacy Qualitative Disclosures:

3.4.1 The Bank actively manages its credit risk and has implemented rating cum appraisal system for borrowers enjoying credit facilities of Rs 10 lakhs and above. The borrowers are rated based on the financials, the project viability, collaterals offered etc. Risk Manager level has been also introduced in to the hierarchy of credit appraisal process which ensures that the rating assigned by the users are independently verified by the Risk Manager at different levels of sanction. There are 8 rating grades for standard borrowers and 1 rating grade for defaulted borrower respectively. The Group Credit Policy has defined the hurdle rate i.e. the minimum rating that the borrower should get in case of new/takeover proposals. The Bank has been steadily building data through the rating system which will help the bank in migrating towards the advanced approach in Risk Management.

3.4.2 In order to quicken the processing of Retail Loans and maintain quality in appraisal, Retail Hubs for processing of retail loans and SME Loan centers have been set up across the country.

3.4.3 In line with the Finance Ministry Directive Bank has formed Zonal level Credit Committee (ZLCC), Circle Level; Credit Committee (CLCC), Head Office Level Credit Committee (HLCC) and Credit Approval Committee of Board (CAC) for according sanctions to credit proposals.

Risk Management Architecture

Credit Risk:

Credit Risk is defined as a potential risk that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters.

Credit Risk Management:

The Credit Risk Management Committee (CRMC) looks after the credit risk areas and in turn reports to the Risk Management Committee of Board (RMCB). The RMCB reports to the Board.

Market Risk:

Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices.

Market Risk Management:

The Bank has set up an independent Mid – Office at its Treasury Branch in Mumbai. Mid office acts as extended arm of the Integrated Risk Management Division and is entrusted with the responsibility of monitoring the adherence of various risks limits such as Trading limits, Counterparty exposure limits etc. The Mid Office calculates the Value At Risk on a daily basis and reports the same to the Integrated Risk Management Division on a daily basis, any breach of limits is immediately brought to the attention of Top management and necessary actions are taken wherever required.

The Market Risk Management Committee (MRMC) looks after the Market Risk areas and in turn reports to the Risk Management Committee of Board (RMCB). The RMCB reports to the Board.

Operational Risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Operational Risk Management Committee (ORMC) is entrusted with Operational Risk Management areas and in turn reports to the Risk Management Committee of Board (RMCB). The RMCB reports to the Board.

Capital Adequacy Qualitative Disclosures

(Amount Rs in Crores)

Capital requirements for credit risk:		
- Portfolio Subjected to Standardised Approach @9%		10,765.10
- Securitisation Exposure		Nil
Capital Requirement for Market Risk		572.89
Standardized Duration Approach		
- Interest Rate Risk	444.87	
- Foreign Exchange Risk (including Gold)	4.50	
- Equity Position Risk	121.61	
-CVA	1.91	
Capital requirement for Operational Risk		
- Basic Indicator Approach		727.75
- The Standardised Approach		Not Applicable
Capital Adequacy Ratio under Basel III		11.21%
Tier 1 (including AT 1 capital)		7.86%
Tier 2		3.35%
Capital Adequacy Ratio Under Basel II		11.84%
Of which: Tier I		8.08%
Tier II		3.76%

DF 4: Credit Risk General Disclosures for all Banks

4.1.The Bank has adopted the definition of the past due and impaired assets (for accounting purposes) as defined by the regulator for income recognition and asset classification norms.

4.2. The Bank has put in place Board approved Group Credit Policy. The objectives of the policy are to ensure that the operations are in line with the expectation of the Management / Regulator so that strategies of the top management are translated into meaningful and desired outcomes at operational level. The policy stipulates prudential limits on large credit exposure, standards for loan collateral, portfolio management, risk concentration, risk monitoring and evaluation, provisioning and regulatory / legal compliance.

4.3 The Bank identifies the risks to which it is exposed and applies suitable techniques to measure, monitor and control these risks.

4.4 Various Risk Management Committees monitor implementation of these policies and strategies approved by the Board. They also monitor credit risks and ensure compliance of risk limits.

4.5 The Bank monitors the risk concentration by analyzing the actual exposure Vis-à-vis exposure limits fixed for single and group borrowers, rating grade-wise limits, Industry wise exposure limits and analyzing the geographical distribution of credit across the Zones / States etc.

Quantitative Disclosures:

4.6 Total Gross credit risk exposures, Fund Based and Non-fund based as on 30th June 2014

Gross Credit Risk Exposures	Amount (Rs in Crores)
Fund Based-	
Advances	105,156.45
Investments	2,221.15
Other Assets	2,494.05
Total Fund Based	109,871.65
Non Fund Based Market Related & Non- Market Related	9,740.55
Total Credit Risk Exposure	1,19,612.20

4.7 Geographical Distribution of Exposures as on 30th June 2014.

STATES	Exposure (Rs in Crores)		
	CREDIT	Non-SLR	TOTAL
Andhra Pradesh	8,305.47	221.06	8,526.53
Assam	78.14	0.00	78.14
Bihar	237.38	0.00	237.38
Chandigarh	434.73	0.00	434.73
Chhattisgarh	808.52	0.00	808.52
Delhi	21,230.94	11,180.07	32,411.01
Goa	1,375.47	0.00	1,375.47
Gujarat	6,529.30	56.04	6,585.34
Haryana	2,403.35	0.00	2,403.35
Himachal Pradesh	90.40	0.00	90.40
Jammu & Kashmir	16.64	0.00	16.64
Jharkhand	192.05	0.00	192.05
Karnataka	21,787.87	114.64	21,902.51
Kerala	3,297.36	10.00	3,307.36
Madhya Pradesh	2,160.10	0.00	2,160.10
Maharashtra	36,262.05	919.55	37,181.60
Meghalaya	8.27	0.00	8.27
Orissa	855.11	0.00	855.11
Pondicherry	184.45	0.00	184.45
Punjab	3,140.81	0.00	3,140.81
Rajasthan	2,427.91	669.88	3,097.79
Sikkim	31.29	0.00	31.29
Tamil Nadu	14,927.86	444.83	15,372.69
Uttar Pradesh	4,502.63	550.54	5,053.17
Uttaranchal	202.20	0.00	202.20
West Bengal	4,786.69	128.74	4,915.43
Daman Diu	4.24	0.00	4.24
Tripura	2.03	0.00	2.03
Dadra Nagar Haveli	10.58	0.00	10.58
Total	1,36,293.84	14,295.35	150,589.19

4.8 Industry Wise distribution as on 30th June 2014

Sl.No.	Industry	Exposure (Rs In crores)			
		Credit	Non-SLR	Total	
1	Mining and Quarrying [including Coal]	133.65	21.70	155.35	
2	Food Processing				
	2.1	Sugar	509.10	1.87	510.97
	2.2	Edible Oils and Vanaspati	419.34	0.00	419.34
	2.3	Tea	20.70	0.00	20.70
	2.4	Others	2,786.75	0.00	2,786.75
	Total	3,735.89	1.87	3,737.76	
3	Beverage & Tobacco	1,018.29	0.00	1,018.29	
4	4.0	Textiles			
	4.1	Cotton Textiles	3,336.14	1.06	3,337.20
	4.2	Jute Textiles	2.09	0.00	2.09
	4.3	Man-Made Textiles	52.18	0.00	52.18
	4.4	Other Textiles	2,411.62	68.96	2,480.58
	Total	5,802.03	70.02	5,872.05	
5	Leather & Leather Products	194.21	0.00	194.21	
6	Wood & Wood Products	980.21	0.00	980.21	
7	Paper & Paper Products	478.29	0.00	478.29	
8	Petroleum, Coal Products and Nuclear Fuels	794.64	0.12	794.76	
9	Chemicals & Chemicals Products				
	9.1	Fertilizer	969.21	0.00	969.21
	9.2	Drugs & Pharmaceuticals	1,223.89	49.01	1,272.90
	9.3	Petro-Chemicals	1,544.40	35.20	1,579.60
	9.4	Others	674.20	10.00	684.20
	Total	4,411.70	94.21	4,505.91	
10	Rubber, Plastic & their Products	638.46	0.00	638.46	
11	Glass and Glassware	102.45	0.00	102.45	
12	Cement and Cement Products	1,378.87	5.00	1,383.87	
13	Basic Metal and Metal Products				
	13.1	Iron and Steel	4,531.72	133.13	4,664.85
	13.2	Other Metal and Metal Products	1,644.14	0.00	1,644.14
	Total	6,175.86	133.13	6,308.99	

14	All Engineering				
	14.1	Electronics	1,997.06	0.00	1,997.06
	14.2	Others	2,295.67	69.04	2,364.71
	Total		4,292.73	69.04	4,361.77
15	Vehicles, Vehicle Parts and Transport Equipment		2,766.48	20.04	2,786.52
16	Gems & Jewellery		4,059.87	0.00	4,059.87
17	Construction		396.68	50.42	447.10
18	Infrastructure				
	18.1	Power	12,519.72	1,666.01	14,185.73
	18.2	Telecommunications	3,091.77	27.89	3,119.66
	18.3	Roads & Ports	4,313.83	19.01	4,332.84
	18.4	Other Infrastructure	1,588.23	175.45	1,763.68
Total		21,513.55	1,888.36	23,401.91	
19	Airline Industries		1,243.79	15.00	1,258.79
20	Other Industries [Including IT & computer software]		12,670.33	58.48	12,728.81
TOTAL			72,787.98	2,427.39	75,215.37

4.9 Residual Contractual Maturity Break down of advances and investments as on 30th June 2014.

Maturity Pattern	Advances	Investments	Foreign Currency Assets
	(Rs In crores)		
Next Day	53,08.54	7,834.49	411.53
2 - 7 Days	2,146.92	1,477.58	84.56
8 -14 Days	1,902.81	1,312.04	87.01
15- 28 Days	2,569.40	919.59	195.92
29 Days – 3 Months	12,495.16	8,090.12	1,190.48
>3 Months-6 Months	6,715.26	4,827.80	549.98
>6 Months-1Yr	13,814.23	8,685.60	74.27
>1Yr-3 Yrs	53,261.09	9,229.68	75.28
>3 Yrs- 5 Yrs	17,948.88	6,145.08	94.05
>5 Yrs	20,131.53	15,218.32	2.71
Total	1,36,293.84	63,740.31	2,765.79

The Advances in Next day, 2-7 days, 8-14 days,15-28 days are bucketed as per the Residual Maturity of the Assets and behavioral analysis of the Assets as per the extant RBI guidelines.

4.9 Amount of NPAs (Gross) as on 30th June 2014:

Rs 5,469.94 Crores

Sl.No.	Category	Amount (Rs In Crores)
i.	Sub –Standard	3,179.20
ii.	Doubtful –1	1,139.95
iii.	Doubtful – 2	727.25
iv.	Doubtful – 3	223.06
v.	Loss	200.48
vi.	Total NPA [Gross]	5,469.94

4.10 Net NPA as on 30th June 2014

Rs. 3,694.24 Crores

4.11 NPA Ratios as on 30th June 2014

Sl.No.	Category	%
i.	Gross NPA to Gross Advances	3.96
ii.	Net NPA to Net Advances	2.71

4.12 Movement of NPA's (Gross)

Sl.No.	Category	Amount (Rs In Crores)
i.	Opening balance at the beginning of the year 1 st April 2014	4,736.79
ii.	Additions during the Year till 30 th June 2014	1315.34
iii.	Reductions during the Year till 30 th June 2014	582.19
iv.	Closing balance as on 30 th June 2014	5,469.94

(Rs in Crores)

4.13 Movement of Provisions for NPA

Sl.No.	Category	Amount (Rs In Crores)
i.	Opening balance at the beginning of the year (1 st April 2014).	1,551.11
ii.	Provisions made during the year till 30 th June 2014.	550.12
iii.	Written off during the current year till 30 th June 2014.	256.55
iv.	Write back of excess provision made during the year till 30 th June 2014.	80.90
v.	Closing balance as on 30 th June 2014.	1,763.78

4.14 Amount of Non-Performing Investment as on 30th June 2014 is Rs 119.83 Crores

4.15 Provision held as on 30th June 2014 for non-performing investment Rs 70.54 Crores.

4.16 Movement of Provisions for Depreciation on Investments as on 30th June 2014.

Sl.No.	Category	Amount (Rs in Crores)
i.	Opening balance at the beginning of the year 1 st April 2014.	53.95
ii.	Provisions made during the year till 30 th June 2014.	16.59
iii.	Less write-off 'Write-back of excess provision during the year till 30 th June 2014.	-
iv.	Closing balance as on 30 th June 2014.	70.54

DF-5 Credit Risk: Disclosure of portfolios subject to the Standardised Approach.

Qualitative Disclosures

The Bank is using the ratings assigned by the following External Credit Assessment Institutions (ECAIs) approved by the RBI, for risk weighting:

1. Crisil
2. Care
3. ICRA
4. India Ratings
5. Brickworks
6. SMERA

Types of exposures for which each agency is used

The Bank has used the solicited ratings assigned by the above approved credit rating agencies for all eligible exposures, both on balance sheet and off balance sheet, whether short term or long term, in the manner permitted in the RBI guidelines on the New Capital Adequacy Framework (NCAF). The Bank has not made any discrimination among ratings assigned by these agencies nor has restricted their usage to any particular type of exposure.

Public issue ratings transferred onto comparable assets

The Bank has, in accordance with RBI guidelines on the NCAF, transferred public ratings on to comparable assets in the banking books in the following manner:

Issue Specific Ratings

All long term and short term ratings assigned by the credit rating agencies specifically to the Bank's long term and short term exposures respectively are considered by the Bank as issue specific ratings.

For assets in the Bank's portfolio that have contractual maturity less than or equal to one year, short term ratings accorded by the chosen credit rating agencies are considered relevant. For other assets, which have a contractual maturity of more than one year, long term ratings accorded by the chosen credit rating agencies are considered relevant.

Long term ratings issued by the chosen domestic credit rating agencies have been mapped to the appropriate risk weights applicable as per the Standardised approach under the NCAF. The rating to risk weight mapping furnished below was adopted for domestic corporate exposures, as per RBI guidelines

Long Term Rating	AAA	AA	A	BBB	BB & Below	Unrated
Risk Weight	20%	30%	50%	100%	150%	100%

In respect of the issue specific short term ratings the following risk weight mapping has been adopted by the Bank, as provided in the NCAF:

Short Term Rating	A1+	A1	A2	A3	A4 & Below	Unrated
Risk Weight	20%	30%	50%	100%	150%	100%

Quantitative Disclosure

(Amount Rs in Crores)

Particulars	Below 100% Risk weight		100% Risk Weight		More than 100% Risk Weight		Total	
	Book Value	RWA	Book Value	RWA	Book Value	RWA	Book Value	RWA
Fund Based								
Loans & Advances	29,902.60	31,896.23	36,057.83	39,691.04	70,333.41	33,569.18	136,293.84	105,156.45
Investments	52,483.21	1,952.99	0.00	0.00	128.77	268.16	52,611.98	2,221.15
Other Assets	16,012.62	670.31	1,823.74	1,823.74	0.00	0.00	17,836.36	2,494.05
Non Fund Based								
Non Market Related	5,924.44	3,584.11	8,952.77	3,490.10	11,806.74	2,261.98	26,683.95	9,336.19
Market Related	63,209.33	404.36	0.00	0.00			63,209.33	404.36