PILLAR III DISCLOSURE UNDER BASEL-III FRAMEWORK FOR THE YEAR ENDED 30th JUNE, 2014

Table DF – 2	Capital Adequacy

Qualitative Disclosures
• The Bank carries out regular assessment of its Capital requirements to maintain a comfortable Capital to Risk Weighted Assets Ratio (CRAR) and to cushion against the risk of losses against any unforeseen events so as to protect the interest of all stakeholders. The Bank carries out the exercise of Capital Planning on an annual basis to review the capital required to carry out its activities smoothly in the future. Also, the Bank has well defined Internal Capital Adequacy Assessment Process (ICAAP) to comprehensively address all risks and maintain necessary additional capital. • The Bank has adopted Standardized Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Standardized Duration Approach for Market Risk for computing CRAR, as per the guidelines of RBI.

Quantitative Disclosures

Amount (in Crores)

Capital Requirements for Various Risks		
S.No	**Types of Risk**	**Capital Requirement**
A	**Credit Risk**	**11282.71**
A.1	For non-sec portfolio	11282.71
A.2	For Securitized portfolio	0.00
B	**Market Risk**	**753.75**
B.1	For Interest Rate Risk	541.73
B.2	For Equity Risk	197.08
B.3	For Forex Risk (including gold)	14.94
B.4	For Commodities Risk	-

B.5	For Options risk	-
C	**Operational Risk**	**1009.50**
C.1	Basic Indicator Approach	**1009.50**
C.2	Standardized Approach if applicable	-
D	**Total Capital Requirement**	**13045.96**
E	**Total Risk Weighted Assets**	**144955.09**
G	**Common Equity Tier 1**	**10673.14**
H	**Tier 1**	**10912.94**
I	**Total Capital**	**14474.93**
J	**Total Capital Ratio**	**9.99%**

Table DF – 3	**Credit Risk: General Disclosure**

a) The general qualitative disclosure requirement with respect to credit risk, including:

- **Definition of past due and impaired (for accounting purposes)**

The Bank follows Reserve Bank of India regulations, which are summed up below.

a. Non-performing Assets

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' for 90 days 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 unpaid for two crop seasons beyond the due date for short duration crops,
- **V.** The installment of principal or interest thereon remains unpaid for one crop season beyond the due date for long duration crops.

VI. 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 February 1, 2006.

VII. Bank should classify an account as NPA only if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.

VIII. A loan for infrastructure/non-infrastructure project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue) unless it is restructured and becomes eligible for classification as “Standard Asset”

IX. A loan for an infrastructure project will be classified as NPA if it fails to commence commercial operations within two years from original DCCO, even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as “Standard Asset”

X. A loan for a non-infrastructure project will be classified as NPA if it fails to commence commercial operations within one year from original DCCO, even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as “Standard Asset”

b. 'Out of Order' status

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'**.

c. 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.

d. Non Performing Investments

In respect of securities, where interest/ principal is in arrears, the Bank does not reckon income on the securities and makes appropriate provisions for the depreciation in the value of the investment.

A non-performing investment (NPI), similar to a non-performing advance (NPA), is one where:

I. Interest/ installment (including maturity proceeds) is due and remains unpaid for more than 90 days.

II. This applies mutatis-mutandis to preference shares where the fixed dividend is not paid.

III. In the case of equity shares, in the event the investment in the shares of any company is valued at Re.1 per company on account of the non-availability of the latest balance sheet in accordance with the Reserve Bank of India instructions, those equity shares are also reckoned as NPI.

IV. Any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer is treated as NPI and vice versa.

V. The investments in debentures / bonds, which are deemed to be in the nature of advance, are subjected to NPI norms as applicable to investments.

- **Discussion of the Bank's Credit Risk Management Policy**

1. Credit Risk Management Policies:

1.1. The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Board. The Policy document defines organizational structure, role and responsibilities and the processes whereby the Credit Risks carried by the Bank can be identified, quantified, managed and controlled within the framework which the Bank considers consistent with its mandate and risk tolerance limits.

1.2. Credit Risk is monitored by the Bank account wise and compliance with the risk limits / exposure cap approved by the Board is ensured. The quality of internal control system is also monitored and in-house expertise has been built up to tackle all the facets of Credit Risk.

1.3. The Bank has taken earnest steps to put in place best Credit Risk Management practices. In addition to Credit Risk Management Policy, the Bank has also framed Board approved Lending Policy, Investment Policy, Country Risk Management Policy, Recovery Management Policy etc. which form integral part in monitoring of credit risk and ensures compliance with various regulatory requirements, more particularly in respect of Exposure norms, Priority Sector norms, Income Recognition and Asset Classification guidelines, Capital Adequacy, Credit Risk Management guidelines etc. of RBI/other Statutory Authorities.

1.4. Besides, the Bank has also put in place a Board approved policy on Credit Risk Mitigation & Collateral Management which lays down the details of securities and administration of such securities to protect the interests of the Bank. These securities act as mitigants against the credit risk to which the Bank is exposed.

2. Architecture and Systems of the Bank:

2.1. A Sub-Committee of Board of Directors termed as Risk Management Committee (RMC) has been constituted to specifically oversee and co-ordinate Risk Management functions in the bank.

2.2. A Credit Risk Management Committee of executives has been set up to formulate and implement various credit risk strategies including lending policy and to monitor Bank's Risk Management functions on a regular basis.

3. Credit Appraisal / Internal Rating:

3.1. The Bank manages its credit risk by continuously measuring and monitoring of risks at each obligor (borrower) and portfolio level. The Bank has robust internally developed credit risk grading / rating modules and well-established credit appraisal / approval processes.

3.2. The internal risk rating / grading modules capture quantitative and qualitative issues relating to management risk, business risk, industry risk, financial risk and project risk. The data on industry risk is constantly updated based on market conditions.

3.3. The rating for every borrower is reviewed. As a measure of robust credit risk management practices, the bank has implemented a three tier system of credit rating process for the loan proposals sanctioned at Head Office Level and two tier system at Zonal Office/ Branch level which includes validation of rating independent of credit department. For the proposals falling under the powers of Bank's Head Office, the validation of ratings is done at Risk Management Department.

3.4. The Bank follows a well defined multi layered discretionary power structure for sanction of loans. As advised by the ministry various committees have been formed at ZO & HO Level. ZLCC AGM/DGM headed by Zonal Head, FGMLCC headed by Field General Manager, HLCC GM headed by GM (Credit), HLCC ED headed by ED (Executive Director), CAC headed by CMD and MCBOD (Management Committee of the Board) headed by CMD. A structure named New Business Group (NBG) headed by CMD has been constituted at Head Office level for considering in-principle approval for taking up fresh credit proposals above a specified cut-off point.

Quantitative Disclosures

A. Gross Credit Risk Exposure

(Amount Rs in Crores)

SL No	Exposure Type	Domestic (Outstanding)	Overseas (Outstanding)	Total
1.	Fund Based	133831	5130	**138961**
2.	Non-Fund Based	22520	385	**22905**
3.	**Total**	**156351**	**5515**	**161866**

B. Industry type distribution of exposures

(Amount Rs in Crores)

S. No.	Industry	Funded Outstanding
1	Mining and Quarrying	79
2	Food Processing	2875
3	Beverage & Tobacco	347
4	Textiles	4861
5	Leather & Leather Products	131
6	Wood & Wood Products	111
7	Paper & Paper Products	650
8	Petroleum, Coal Products and Nuclear Fuels	917
9	Chemicals and Chemical Products	3687
10	Rubber, Plastic & their Products	414
11	Glass and Glassware	62
12	Cement and Cement Products	997
13	Basic Metal and Metal Products	8388
14	All Engineering	4851
15	Vehicles, Vehicle Parts and Transport Equipment	357
16	Gems & Jewellery	1086
17	Construction	2748
18	Infrastructure	23634
19	Other Industries	3483
	Industry (Total of Small, Medium and Large Scale)	**59678**

Credit Exposure of industries where outstanding exposure is more than 5% of the Total Gross Credit Exposure of the Bank is as follows:

(Amount Rs in Crores)

S. No.	Industry	Funded Outstanding	% of Gross Credit
1.	Power	14016	10.09
2.	Iron and Steel	7613	5.48

C. Residual Contractual Maturity Breakdown of Assets

(Amount Rs in Crores)

Buckets	Cash & RBI Balances	Bank Balances	Net Advances	Net Investment
Next day	1584	921	1016	8117
2 – 7 days	241	331	1703	301
8 –14 days	187	0	1227	236
15 – 28 days	156	1023	2523	37
29 days – 3 months	982	1805	8335	1061
>3 months – 6 months	545	692	6808	1388
> 6months – 1 year	1149	459	13167	4143
>1 year – 3 years	1786	272	37796	6759
> 3 years – 5 years	943	817	20374	13047
> 5 years	1055	0	43064	23405
Total	**8628**	**6319**	**136013**	**58494**

D. Movement of NPAs and Provision for NPAs

(Amount Rs in Crores)

S. No.	Particulars	Amount
A.	**Amount of NPAs (Gross)**	**7619**
A. 1	Substandard	3937
A. 2	Doubtful 1	2162
A. 3	Doubtful 2	1417
A. 4	Doubtful 3	56
A. 5	Loss	47
B	**Net NPAs**	**5272**
C	**NPA Ratios**	
C. 1	Gross NPAs to Gross Advances	**5.48%**
C. 2	Net NPAs to Net Advances	**3.88%**
D	**Movement of NPAs (Gross)**	
D. 1	Opening balance	8068
D. 2	Additions	1242
D. 3	Reductions	1691
D. 4	Closing balance	7619

E	**Movement of provisions for NPAs**	
E. 1	Opening balance	2346
E. 2	Provisions made during the period	444
E. 3	Write-off	443
E. 4	Write-back of excess provisions	0
E. 5	Closing Balance	2347

E. NPIs and Movement of Provision for Depreciation on NPI-Position

(Amount Rs in Crores)

S. No.	Particulars	Amount
A.	**Amount of Non-Performing Investments**	**5.40**
B	Amount of Provision held for Non Performing Investments	5.40
C	**Net Non Performing Investments**	0.00
D	**Movement of provisions for depreciation on investments**	
D. 1	Opening balance	7.81
D. 2	Provisions made during the period	0.00
D. 3	Write-off	0.00
D. 4	Write-back of excess provisions	2.40
D. 5	Closing Balance	5.41

Table DF – 4	Credit Risk: disclosures for portfolios subject to the standardized approach

Qualitative Disclosures

- Under Standardized Approach the Bank accepts rating of all RBI approved ECRA (External Credit Rating Agency) namely CARE, CRISIL, India Ratings, ICRA, SMERA and Brickwork India Pvt Ltd for domestic credit exposures. For overseas credit exposures the bank accepts rating of Standard & Poor, Moody's and Fitch.

- The Bank encourages Corporate and Public Sector Entity (PSE) borrowers to solicit credit ratings from ECRA and has used these ratings for calculating risk weighted assets wherever such ratings are available. The exposure amounts after risk mitigation subject to Standardized Approach (rated and unrated) in the following three major risk buckets are as under:

Quantitative Disclosures

(Amount Rs in Crores)

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk-Weight – Position as on 30 June, 2014

(After application of Risk Mitigants)

SL No	Risk Weight	Funded	Non Funded
1	Below 100% risk weight	61826	2768
2	100% risk weight	39935	3136
3	More than 100% risk weight	24826	1478
4	Deducted (Collateral)	11666	5020