# Basel III-Pillar III Disclosures

December 31,2014

***ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL III REQUIREMENTS AS STIPULATED BY RBI***

## Table DF – 2: Capital Adequacy

**Qualitative Disclosures:**

(a) Bank maintains CRAR of more than 9% and Common Equity Tier 1 CRAR of more than 5.00%.

(b) 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, interest rate, derivatives and forex on its profitability and capital adequacy.

(c) Bank has Board approved Internal Capital Adequacy Assessment Process (ICAAP) Policy to assess future capital requirements both under Pillar I and Pillar II. Bank projects capital for the next 3 financial year based on business projections and risk profile.

(d) Under Pillar II Bank considers the following as risks while assessing / planning capital:

- Liquidity Risk
- Credit Concentration Risk
- Interest Rate Risk in Banking Book
- Pension Obligation Risk
- Under estimation of Credit risk under Standardized approach
- Strategic Risk
- Reputation Risk
- Counterparty Credit Risk

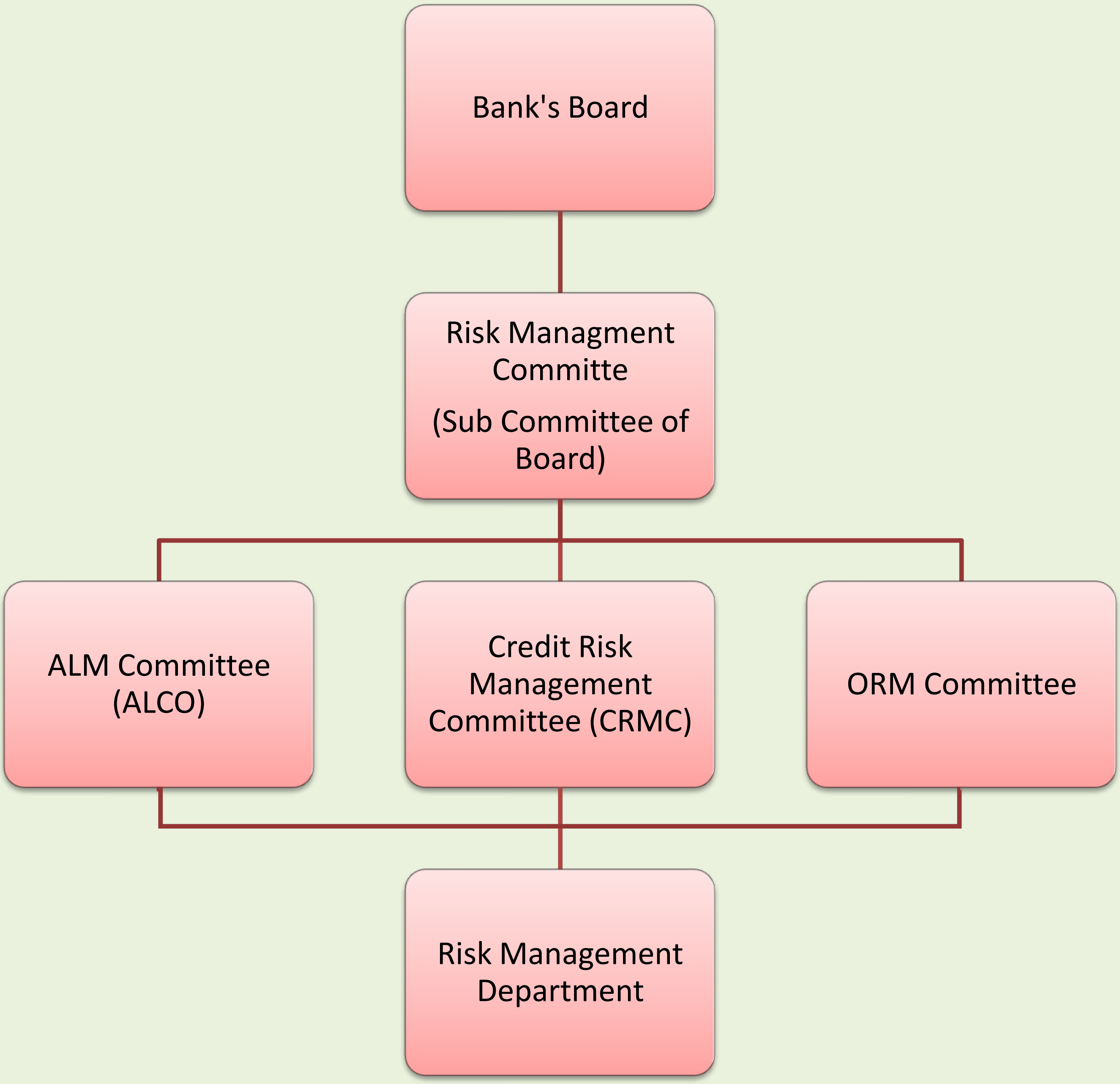
(e) The Bank has implemented a Board approved Stress Testing Framework (in line with RBI's guideline on Stress Testing) which forms an integral part of the Bank's ICAAP. Stress Testing involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible stressed business conditions.

The Bank will assess the impact on the following risks, as part of Stress Test:

- Credit Risk
- Market Risk
- Credit Concentration Risk
- Default Risk
- Liquidity Risk
- Interest Rate Risk in Banking Book (IRRBB)

Bank is conducting the Stress Test on quarterly basis and the result of the same is placed to Credit Risk Management Committee (CRMC)/Risk Management Committee (RMC) of the Board

**Organisation Structure:**



The Bank has complied with all the guidelines of the Reserve Bank of India on creation of Risk Management architecture. An independent Risk Management Department is functioning for effective Enterprise-Wide Risk Management. All the risks, the Bank is exposed to, are managed through following three Apex level committees viz.,

(i) Credit Risk Management Committee (CRMC)
(ii) Asset and Liabilities Management Committee (ALCO)
(iii) Operational Risk Management Committee (ORMC).

These committees work within the overall guidelines and policies approved by the Board and Risk Management Committee of the Board.

The Bank has put in place various policies to manage the risks. To analyze the enterprise-wide risk and with the objective of integrating all the risks of the Bank, an Integrated Risk Management policy has also been put in place. The important risk policies comprise of Credit Risk Management Policy, Liquidity Management Policy, Market risk management policy ,Operational Risk Management Policy, Internal Capital Adequacy Assessment Process (ICAAP) Policy, Stress Testing Policy, Collateral Management Policy, Disclosure Policy, Treasury Management Policy & Integrated Risk Management Policy.

All the policies are reviewed on annual basis by Risk Management Committee (RMC)/ Board. In order to disseminate the risk management concepts and also to sensitise the field level functionaries, the relevant policies are circulated to the branches, in addition to imparting training at the Bank's training colleges.

### Credit Risk:

Risk Management Systems are in place to identify and analyze the risks at the early stage and manage them by setting and monitoring prudential limits besides taking other corrective measures to face the changing risk environment.

Software driven rating mechanism is in place to assign the rating to ensure credit quality besides an entry level scoring system.

Loan review mechanism and Credit audit system are in place for the periodical review/audit of the large value accounts and bring about qualitative improvements in credit administration of the Bank. In addition, Standard Assets Monitoring Committee reviews the Special Mention Accounts periodically to initiate timely action to prevent slippage of standard assets to nonperforming assets. As a part of monitoring mechanism, accounts which are downgraded from investment category are identified and monitored closely on quarterly basis.

### Market Risk:

The liquidity risk is managed through studying structural liquidity on a daily basis, which is being discussed in the Funds and Investments Committee and reviewed every fortnight (first & third Wednesdays of every month) by ALCO/ Board. The interest rate risk is managed through monthly interest rate sensitivity statements reviewed by ALCO/ Board. The mid office, directly reporting to Risk Management Department, monitors treasury transactions independently. Prudential liquidity ratios are monitored periodically and reported to ALCO.

### Operational Risk:

Operational risk is managed by using well established internal control systems in day to day management processes and adopting various risk mitigating strategies. The risk perceptions in various products / procedures are critically analysed and corrective actions if required, are initiated.

The bank has put in place an Operational Risk software to take forward the risk measurement process through Risk Control and Self Assessment (RCSA), identification of Key Risk Indicators (KRI) and loss data analysis. Bank has built up internal loss data for the last 5 years

**Quantitative disclosures ( as per Basel III guidelines)**

(a) Capital requirements for credit risk: (₹ in Million)

| Particulars | Solo (Global) | Consolidated |
|---|---|---|
| Portfolios subject to standardized approach | 82787.05 | 82825.70 |
| Securitization exposures | Nil | Nil |

b)Capital requirements for market risk:

Standardized duration approach (₹ in Million)

| Particulars | Solo (Global) | Consolidated |
|---|---|---|
| Interest Rate Risk | 3255.00 | 3255.00 |
| Foreign Exchange Risk (including gold) | 72.00 | 72.00 |
| Equity Risk | 2760.05 | 2760.05 |

(c)Capital requirements for operational risk: (₹ in Million)

| Particulars | Solo (Global) | Consolidated |
|---|---|---|
| Basic Indicator Approach | 8283.81 | 8300.90 |

(d)Common Equity Tier 1 (CET 1), Tier 1 and Total capital ratio ( as per Basel III guidelines):

| Particulars | Solo (Global) | Consolidated |
|---|---|---|
| Common Equity Tier 1 (CET 1), | 114006.76 | 115533.01 |
| Tier 1 Capital Adequacy Ratio | 10.56% | 10.70% |
| Total Capital Adequacy Ratio | 13.06% | 13.20% |
| | | |

**(e)Tier 1 and Total capital ratio ( as per Basel II guidelines):**

| Particulars | Solo (Global) | Consolidated |
|---|---|---|
| Tier 1 Capital Adequacy Ratio | 10.72% | 10.86% |
| Total Capital Adequacy Ratio | 13.43% | 13.56% |

# Table DF-3

## Credit Risk: General disclosures for all banks

**Qualitative Disclosures:**

(a)Bank has adopted the definitions of the past due and impaired (for accounting purposes) as defined by the regulator for Income Recognition and Asset Classification norms.

The Bank has put in place the Credit Risk Management Policy and the same has been circulated to all the branches. The main objective of the policy is to ensure that the operations are in line with the expectation of the management and the strategies of the top management are translated into meaningful directions to the operational level. The Policy stipulates prudential limits on large credit exposures, standards for loan collateral, portfolio management, loan review mechanism, risk concentrations, risk monitoring and evaluation, provisioning and regulatory / legal compliance.

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

While the Board / Risk Management Committee of the Board devises the policy and fixes various credit risk exposures, Credit Risk Management Committee implements these policies and strategies approved by the Board / RMC, monitors credit risks on a bank wide basis and ensures compliance of risk limits.

The Bank studies the concentration risk by (a) fixing exposure limits for single and group borrowers (b) rating grade limits (c) industry wise exposure limits and (d) analyzing the geographical distribution of credit across the Zones. All the Zones are categorized under four segments namely North, South, East and West.

Bank considers rating of a borrowal account as an important tool to measure the credit risk associated with any borrower and accordingly implemented software driven rating/scoring models across all Branches/ Zonal Offices.

**Quantitative Disclosures**

(b) Total gross credit risk exposures, Fund Based and Non-fund based separately.

(₹ in Million)

| Particulars | Solo (Global) | Consolidated |
|---|---|---|
| Gross Credit Risk Exposures(Book Value) | | |
| Fund Based | | |
| Loans and Advances | 1206908.42 | 1206972.13 |
| Investments | 357954.89 | 357989.27 |
| Other Assets including Cash & Bank Balance, fixed assets, other assets | 183884.64 | 184190.83 |
| **Total Fund Based** | **1748747.95** | **1749152.22** |
| Non Fund Based including contingent credit, contracts and derivatives* | 632294.17 | 632533.43 |
| **Total Credit Risk Exposure** | **2381042.12** | **2381685.65** |

*includes unavailed limits, LC, acceptances Guarantees and notional principles of derivatives exposures.

(c) Geographic distribution of exposures Fund based and Non-fund based separately

(₹ in Million)

| Geographical Region | Fund Based | Non Fund Based including contingent credit, contracts and derivatives | Total |
|---|---|---|---|
| Overseas | 86186.70 | 14447.16 | 100633.86 |
| Domestic | 1662561.25 | 617847.01 | 2280408.26 |
| **Total** | **1748747.95** | **632294.17** | **2381042.12** |

(d) Industry-wise distribution of exposures as on 31.12.2014

(₹ in Million)

| S.No. | Name of the industry | Outstanding | | Committed Exposure |
|---|---|---|---|---|
| | | Fund Based | Non Fund Based | |
| 1 | Gems and Jewellery including Diamond | 534.95 | 957.00 | 2200.18 |
| 2 | Infrastructure | | | |
| 2.1 | Power | 123227.29 | 7460.93 | 170193.05 |
| 2.2 | Ports / Roads | 41863.64 | 1260.15 | 54382.45 |
| 2.3 | Telecom | 9345.63 | 979.56 | 12928.39 |
| 2.4 | Other infrastructure | 12660.40 | 5955.55 | 32589.44 |
| 2.5 | Educational Institution | 27813.04 | 860.75 | 36157.12 |
| 2.6 | Hospital | 3955.71 | 485.39 | 5392.80 |
| 2.7 | Hotel | 8041.16 | 352.64 | 9833.79 |
| 3 | Petroleum and Petroleum Products | 32744.15 | 19814.13 | 64188.28 |
| 4 | Textiles | 35980.69 | 2799.16 | 53904.55 |
| 5 | Sugar | 4344.01 | 686.69 | 9299.52 |
| 6 | Iron & Steel | 34675.04 | 4878.24 | 53309.20 |
| 7 | All Engineering | 16167.34 | 17841.86 | 52678.37 |
| 8 | Pharmaceuticals & Chemicals | 6606.63 | 1074.15 | 9822.38 |
| 9 | Food Processing (including Cashew, Edible Oils & Vanaspati) | 16745.42 | 2731.74 | 28975.22 |
| 10 | Colliery & Mining | 881.79 | 195.21 | 3121.30 |
| 11 | Fertilizer | 1697.15 | 117.21 | 2774.54 |
| 12 | Cement & Cement Products | 13359.45 | 1798.36 | 21515.01 |
| 13 | Leather & leather products | 1368.87 | 396.04 | 2758.64 |
| 14 | Electronics & Computers (Hardware & software) | 6409.45 | 5744.21 | 14873.15 |
| 15 | Tea / Coffee | 942.56 | 0.00 | 1117.69 |
| 16 | Construction contractors | 12147.52 | 27631.96 | 60669.17 |
| 17 | Rubber, Plastics and their products (including tyre) | 6135.34 | 1161.90 | 10939.84 |
| 18 | Automobiles (Vehicles, Vehicle Parts & Transport Equipments) | 5576.63 | 4475.23 | 15901.27 |
| 19 | Beverages and Tobacco | 2221.98 | 3.00 | 3971.98 |
| 20 | Wood and Wood Products | 760.59 | 313.41 | 1616.71 |
| 21 | Paper and Paper Products | 4337.76 | 272.60 | 6533.76 |
| 22 | Glass and Glassware | 1018.71 | 307.33 | 3679.40 |
| 23 | Other metal and metal products | 3849.67 | 317.84 | 9292.76 |
| 24 | Printing and Publishing | 2745.43 | 690.29 | 4965.07 |
| 25 | Aviation | 5642.97 | 0.00 | 5642.97 |
| 26 | Media and Entertainment | 3173.63 | 4111.96 | 9419.80 |
| 27 | Logistics | 3456.06 | 2159.47 | 6854.21 |
| 28 | Ship Building | 1106.48 | 1763.81 | 8260.56 |
| 29 | Trade (Other than retail trade) | 91648.59 | 10613.98 | 148570.31 |
| 30 | NBFC | 114215.55 | 509.35 | 149467.89 |

As on 31st Dec 2014, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure:

| Sl.No | Industry Classification | Percentage of the total gross credit exposure |
|---|---|---|
| 1 | Power | 9.65% |
| 2 | NBFC | 8.48% |
| | | |

(e) Residual contractual maturity break-up of advances and investments

(₹ in Million)

| Details | 1 Day | 2-7 Days | 8-14 Days | 15-28 Days | 29Days- 3 M | >3M - 6 M | >6 M - 1 Year | >1 Y – 3Years | >3 Y - 5Years | >5 Years | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Advances | 11540.95 | 19559.48 | 45412.90 | 36383.04 | 106915.37 | 80095.44 | 167028.66 | 400679.13 | 144288.41 | 168334.61 | 1180238 |
| Investments* | 2573.08 | 15270.07 | 6327.11 | 16552.40 | 22523.97 | 28988.16 | 60121.80 | 208882.06 | 47331.76 | 65477.96 | 474048.37 |

*Includes Repo(LAF) securities of ₹ 3132.50 Million and excludes 50% of listed equities of ₹. 2008.10 Million

(₹ in Million)

| | | |
|---|---|---|
| (f) | Amount of NPAs (Gross) – (Solo-Global) | 54610.50 |
| | ➢ Substandard | 24070.93 |
| | ➢ Doubtful 1 | 10827.53 |
| | ➢ Doubtful 2 | 18842.50 |
| | ➢ Doubtful 3 | 419.60 |
| | ➢ Loss | 449.94 |
| (g) | Net NPAs | 32351.40 |
| (h) | NPA Ratios | |
| | ➢ Gross NPAs to gross advances | 4.52% |
| | ➢ Net NPAs to net advances | 2.74% |
| (i) | Movement of NPAs (Gross) | |
| | ➢ Opening Balance | 45622.00 |
| | ➢ Additions | 27315.20 |
| | ➢ Reductions | 18326.70 |
| | ➢ Closing Balance | 54610.50 |
| (j) | Movement of provisions for NPAs | |
| | ➢ Opening Balance | 17087.08 |
| | ➢ Provisions made during the period | 3362.85 |
| | ➢ Write Off | 1405.40 |
| | ➢ Write-back of excess provisions | 2.80 |
| | ➢ Closing balance | 19047.33 |
| (k) | Amount of Non-Performing investments | 347.48 |
| (l) | Amount of Provisions held for non-performing investments | 347.48 |
| (m) | Movement of provisions for depreciation on investments | |
| | ➢ Opening balance | 1412.76 |
| | ➢ Provisions made during the period | 3.17 |
| | ➢ Write-off | 0.00 |
| | ➢ Write-back of excess provisions | 97.39 |
| | ➢ Closing balance | 1318.54 |

## Table DF – 4

## Credit Risk: disclosures for portfolios subject to the standardized approach

### Qualitative Disclosures:

(a)The Bank uses ratings assigned by the six Rating Agencies approved by the Reserve Bank of India namely a) CRISIL, b) ICRA, c) CARE, d)India Ratings, e)BRICKWORKS and f) SMERA for the eligible exposures such as Corporate, Capital Market Exposures etc. according to the Basel III framework. Over and above the same, the Bank also relies on mapping of issue based external ratings as permitted in the regulatory guidelines. The rest of the claims on corporates are treated as 'unrated'.

### Quantitative Disclosures:

(b)The total credit risk exposure (Solo-Global) bifurcated after the credit risk mitigation under Standardized Approach is as under:

(₹ in Million)

| Solo (Global) | Book Value | Risk Weighted value |
|---|---|---|
| Below 100% Risk weight | 1650720.40 | 304862.66 |
| 100% Risk weight | 444434.88 | 348530.63 |
| Above 100% Risk weight | 285886.84 | 266462.78 |
| **Total** | **2381042.12** | **919856.07** |

**Deduction from Capital: Investment in Subsidiaries: ₹ 242.56 mio**

The total credit risk exposure (Consolidated) bifurcated after the credit risk mitigation under Standardized Approach is as under:

(₹ in Million)

| Consolidated | Book Value | Risk Weighted value |
|---|---|---|
| Below 100% Risk weight | 1650936.69 | 304864.99 |
| 100% Risk weight | 444862.13 | 348957.88 |
| Above 100% Risk weight | 285886.83 | 266462.78 |
| **Total** | **2381685.65** | **920285.65** |

**Deduction from Capital: Investment in Subsidiaries: ₹ 242.56 mio**