ADDITIONAL DISCLOSURES IN TERMS OF COMPLIANCE OF BASEL II REQUIREMENTS AS STIPULATED BY RESERVE BANK OF INDIA

Table DF – 1

Scope of Application

Qualitative Disclosures

The framework applies to Indian Bank

i) The revised capital adequacy norms (in conformity with Basel II – Pillar 3 requirements) applies to Indian Bank at the solo level (global position).

ii) The financial statements are prepared by following the going concern concept on historical cost convention and conform to the statutory provisions and practices prevailing in India in respect of Indian branches and in respect of foreign branches as per statutory provisions and practices prevailing in the respective countries, unless otherwise stated.

iii) The Bank has the following three subsidiaries namely (a) Ind Bank Housing Ltd, (b) IndBank Merchant Banking Services Ltd (c) Indfund Management Ltd.

Consolidated financial statements of the group (parent and its subsidiaries) have been prepared on the basis of audited financial statements of Indian Bank (parent) and its subsidiaries, combined on line by line basis adding together like items of assets, liabilities, income and expenses, after eliminating intra group transactions and unrealized profit / losses and making necessary adjustments wherever required to conform to the uniform accounting policies. The financial statements of the subsidiaries are drawn up the same reporting period of the parent ie 31st March 2008.

The difference between the cost to the parent of its investment in subsisidary entity and the parent's portion of its equity in the subsidiary with reference to the date of acquisition is recognized in the financial statements as Capital reserve. The parent's share of the post acquisition of profits / losses is adjusted against the Revenue Reserve.

The minority interest in the net result of the operation and the asset of the subsidiary, represent that part of profit and the net asset attributable to the minorities.

Quantitative Disclosures

NA

Tabel DF – 2

Capital Structure

Quantitative Disclosures:

a) Tier 1 Capital includes Equity Share capital and 8.75% Perpetual Non-cumulative Preference Share capital, Reserve comprising of Statutory reserves, capital and revenue reserves, share premium and Balance in Profit and Loss account
b) Tier 2 Capital consists of the Revaluation Reserves, Tier II Bonds – Subordinated debt @6.15% and 6.25% and general provisions.

Quantitative Disclosures: (Solo Global Position)

Amount of Tier 1 Capital as on 31 03 2008

Paid up Equity Share Capital	Rs.429.77 Cr
Perpetual Non cumulative Preference Share Capital	Rs.400.00 Cr
Reserves	Rs.4115.50 Cr
Less Deferred Tax Asset	Rs. 292.20 Cr
Total Tier 1	Rs.4653.07 Cr

Amount of Tier 2 Capital

Subordinate Debt (Rs.125.94 Cr @ 6.15% and Rs.90.10 Cr @ 6.25%)	Rs.216.04 Cr
General Provisions	Rs.285.42 Cr
Revaluation Reserves	Rs. 96.85 Cr
Total	Rs. 598.31 Cr

Quantitative Disclosures: (Consolidated Position)

Paid up Equity Share Capital	Rs. 429.77 Cr
Perpetual Non cumulative Preference Share Capital	Rs. 400.00 Cr
Reserves	Rs.4206.69 Cr
Less Deferred Tax Asset	Rs. 309.56 Cr
Total Tier 1	Rs.4726.90 Cr

Amount of Tier 2 Capital Rs. 598.32 Cr

Subordinate Debt (Rs.125.94 Cr @ 6.15% and Rs.90.10 Cr @ 6.25%)	Rs. 216.04 Cr
General Provisions	Rs. 285.43 Cr
Revaluation Reserves	Rs. 96.85 Cr
Total Tier 1 and Tier 2 Capital	Rs.5325.22 Cr

Table DF – 3

Capital Adequacy

Qualitative Disclosures: Bank maintains at both solo and consolidated level CRAR of more than 9% and Tier 1 CRAR of more than 6%. The Bank maintains the minimum capital required as per Revised Framework above the Prudential floor viz higher of (a) Minimum capital required as per the Revised Framework; (b) 100% of the minimum capital required as per Basel 1 framework.
Quantitative disclosures ➢ Capital requirements for credit risk: -- Portfolios subject to standardized approach Rs.3069.45 Cr -- Securitization exposures NIL
(c)Capital requirements for market risk: ➢ Standardized duration approach; -- Interest Rate Risk Rs. 203.61 Cr -- Foreign Exchange Risk (including gold) Rs. 7.20 Cr -- Equity Risk Rs. 88.90 Cr
(d) Capital requirements for operational risk: ➢ Basic Indicator Approach Rs.293.44 Cr
(e) Total and Tier 1 capital ratio: (Solo –Global) 12.90% 11.43% ➢ For the top consolidated group; Total 13.05% Tier 1 11.58% ➢ For significant bank subsidiaries (stand alone or sub-consolidated depending on how the Framework is applied).

As per Basel 1, the Total and Tier 1 Capital Ratio (Solo-Global)–12.74% and 11.29% is lower than Basel II, CRAR as per Basel 1 is taken considering the prudential floor and as disclosed in the Notes on Accounts.

As per Basel 1, the Total and Tier 1 Capital Ratio (consolidated)–12.90% and 11.45% is lower than Basel II, CRAR as per Basel 1 is taken considering the prudential floor and as disclosed in the Notes on Accounts.

Table DF – 4

Credit Risk : General disclosures for all banks

Qualitative Disclosures:

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 geopgraphical distribution of credit across the circles. All the circles 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 ‘a two dimensional credit rating system’ was introduced in the Bank. A software driven rating / scoring models for different segments have been customized to suit the Bank’s requirements and the same have been rolled out to the branches / Circle offices.

Quantitative Disclosures

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

In Rs.Cr

Gross Credit Risk Exposures	
Fund Based	
Loans and Advances	40228.00
Investments	13355.27
Other Assets	9153.46
Total Fund Based	62736.73
Non Fund Based including contingent credit	24222.23
Total Credit Risk Exposure	86958.96

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

Overseas

Singapore	Fund Based Rs.1865.68 Cr	Non Fund Based Rs.940.87 Cr	Total Rs. 2806.55 Cr
Colombo	Fund Based Rs.158.24 Cr	Non Fund Based Rs. 13.59 Cr	Total Rs. 171.83 Cr

Domestic

Geographical Region	Total	
	Amount (Rs. in Cr.)	**%**
EAST		
Bhubaneshwar	723.47	
Guwahati	225.13	
Kolkata	1068.10	
Patna	164.63	
TOTAL	**2181.33**	**5.71**
WEST		
Ahmedabad	1639.51	
Mumbai	7024.17	
Pune	665.26	
TOTAL	**9328.94**	**24.42**
NORTH		
Chandigarh	783.51	
Delhi	3146.50	
Lucknow	311.78	
TOTAL	**4241.79**	**11.10**

SOUTH		
Bangalore	1945.89	
Chennai	5215.01	
Chittoor	625.50	
Coimbatore	2329.72	
Cuddalore	693.19	
Dharmapuri	667.56	
Hyderabad	1969.20	
Ernakulam	1203.15	
Kancheepuram	1243.70	
Kumbakonam	779.20	
Madurai	624.71	
Pondy	690.91	
Salem	736.38	
Tirunelveli	627.84	
Trichy	713.95	
Vellore	742.65	
Vijayawada	856.09	
Vizagapatnam	787.36	
TOTAL	**22452.01**	**58.77**
GRAND TOTAL	**38204.07**	

(d) Industry type distribution of exposures, fund based and non-fund based separately

(Domestic) (Rs. in Crores)

S No.	NAME OF THE INDUSTRY	FUND BASED		NON FUND BASED	
		LIMIT	BALANCE	LIMIT	BALANCE
1	DIAMOND	67.84	48.07	0.00	0.00
2	INFRASTRUCTURE				
a)	POWER	2831.86	1828.27	1257.23	847.88
b)	PORTS / ROADS & AIRPORT	1312.22	818.65	680.19	212.69
c)	TELECOM	565.21	440.13	698.59	176.02
d)	ALTERNATE ENERGY SOURCES	106.26	97.27	60.77	68.19
e)	HOSPITAL & HEALTH CARE	408.30	396.85	37.05	27.94
f)	EDUCATIONAL INSTITUTIONS	794.52	778.03	74.82	61.63
g)	AGRO PROCESSING	338.30	275.61	6.35	2.91
h)	INDUSTRIAL PARK / SEZ without real estate	159.79	159.79	30.80	25.80
i)	OTHER INFRASTRUCTURE	940.39	907.56	560.82	340.28
3	PETROLEUM & PETROLEUM PRODUCTS	1728.70	1643.09	331.05	312.32
4	TEXTILES	2939.20	2029.51	290.03	143.96
5	SUGAR	548.85	516.87	38.48	30.07
6	IRON & STEEL	1339.00	1204.07	352.31	279.38
7	ALL ENGINEERING	999.83	673.41	804.63	613.28
8	PHARMACEUTICALS and CHEMICALS	563.17	368.43	124.01	93.02
9	FOOD PROCESSING including Cashew	355.36	265.13	76.37	15.58
10	COLLIERY & MINING	41.40	32.76	15.60	14.91
11	FERTILISER	44.98	37.33	36.10	0.56
12	CEMENT	507.83	296.15	173.70	131.79
13	LEATHER & LEATHER PRODUCTS	115.78	79.81	30.36	25.30
14	ELECTRONICS & COMPUTERS (Hardware & Software)	382.54	348.68	207.95	111.39
15	TEA / COFFEE	67.73	52.83	3.45	0.58
16	CONSTRUCTION CONTRACTORS	721.36	306.69	815.67	635.16
17	TYRE	174.25	171.75	55.53	39.21
18	AUTOMOBILES & AIRLINES	973.13	860.35	119.44	64.39

TOTAL STANDARD ADVANCES (FB BALANCE) - * Rs. 37730.77 Crores

* Of which 1. Exposure to Commercial Real Estate - Rs. 2549.87 Crores

2. Exposure to Capital Market - Rs. 314.30 Crores

(e) Residual contractual maturity breakdown of advances and investments –Global

(Rs. in Crores)

Details	1-14 Days	15-28 Days	29Days - 3 M	>3M - 6 M	>6 M - 1 Year	>1 Y – 3Years	>3 Y - 5Years	>5 Years	Total
Advances	3162.93	2750.54	5607.49	1406.77	5025.15	13137.42	3489.02	5259.41	39838.72
Investments	967.77	868.83	1803.08	1619.86	3015.05	6343.08	920.25	6377.15	21915.07

	Rs. In Crores
(f) Amount of NPAs (Gross) -- Global	486.87
➢ Substandard	222.97
➢ Doubtful 1	80.22
➢ Doubtful 2	80.39
➢ Doubtful 3	56.17
➢ Loss	47.12
(g) Net NPAs	97.59

(h) NPA Ratios	
➢ Gross NPAs to gross advances	1.21
➢ Net NPAs to net advances	0.24
(i) Movement of NPAs (Gross)	
➢ Opening Balance	545.81
➢ Additions	443.70
➢ Reductions	502.64
➢ Closing Balance	486.87
(j) Movement of provisions for NPAs	
➢ Opening Balance	275.46
➢ Provisions made during the period	369.38
➢ Write Off / Tr to AUC	425.24
➢ Write-back of excess provisions	
➢ Closing balance	219.60
(k) Amount of Non-Performing investments	33.52
(l) Amount of Provisions held for non-performing investments	38.96
(m) Movement of provisions for depreciation on investments	
➢ Opening balance	275.91
➢ Provisions made during the period	119.37
➢ Write-off	
➢ Write-back of excess provisions	190.04
➢ Closing balance	205.24

Table – 5

Credit Risk : disclosures for portfolios subject to the standardized approach

Qualitative Disclosures:

The Bank has entered into MOU with four Rating Agencies identified by Reserve Bank of India namely a) CRISIL , b) ICRA , c) CARE and d) FITCH to facilitate the borrower customers to solicit the ratings.

Over and above the External ratings wherever available, 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:

The total credit risk exposure (as in Table 4) bifurcated after the credit risk mitigation under Standardized Approach is as under:

Rs. in Cr

Particulars	Below 100% Risk Weight		100% Risk Weight		More than 100% Risk Weight		Grand Total	
	Book Value	Risk Weighted value	Book Value	Risk Weighted value	Book Value	Risk Weighted value	Book Value	Risk Weighted value
Fund Based								
Loans and Advances	22515.27	9750.10	12386.77	12254.47	5325.96	5679.34	40228.00	27683.91
Investments	13314.24	36.09	26.20	26.20	14.83	19.29	13355.27	81.58
Other Assets	8340.10	169.02	813.36	764.90	0.00	0.00	9153.46	933.92
Total Fund Based	44169.61	9955.21	13226.33	13045.57	5340.79	5698.63	62736.73	28699.41
Non Fund Based including Contingent Credit.	5126.80	24.02	18801.04	4837.93	294.39	543.65	24222.23	5405.60
Total Credit Risk Exposure	**49296.41**	**9979.23**	**32027.37**	**17883.50**	**5635.18**	**6242.28**	**86958.96**	**34105.01**

Table – 6

Credit Risk Mitigation : disclosures for standardized approaches

Qualitative Disclosures

The Bank has put in place Credit Risk Mitigation & Collateral Management Policy with the primary objective of a) Mitigation of credit risks & enhancing awareness on identification of appropriate collateral taking into account the spirit of Basel II / RBI guidelines and (b) Optimizing the benefit of credit risk mitigation in computation of capital charge as per approaches laid down in Basel II / RBI guidelines.

The Bank generally relies on Risk Mitigation techniques like Loan participation, Ceiling on Exposures, Escrow mechanism, Forward cover, higher margins, loan covenants, Collateral and insurance cover.

Valuation methodologies are detailed in the Credit Risk Management Policy.

Bank accepts guarantees from individuals with considerable networth and the Corporates. Only guarantees issued by entities with a lower risk weight than the counterparty shall be accepted to get the protection for the counter party exposure.

Concentration Risk in Credit Risk Mitigation: All types of securities eligible for mitigation are easily realizable financial securities. As such, presently no limit / ceiling has been prescribed to address the concentration risk in credit risk mitigants recognized by the Bank.

Quantitative Disclosures

(b) For disclosed credit risk portfolio under the standardized approach, the total exposure that is covered by:

- Eligible financial collateral; after the application of haircuts

Deposits	Rs. 1976.30 Cr
Gold Jewels	Rs. 5067.74 Cr

Table – 7

<u>Securitization : disclosure for standardized approach</u>

Qualitative Disclosures: The Bank has not undertaken any securitization activity.
Quantitative Disclosures: NIL

Table – 8

Market risk in trading book

Qualitative Disclosures

Market Risk in trading book is assessed as per the Standardized duration method. The capital charge for HFT and AFS is computed as per Reserve Bank of India prudential guidelines.

Quantitative Disclosures:

(b) The capital requirements for:

➢ Interest rate risk;	Rs.203.61 Cr
➢ Equity position risk; and	Rs. 88.90 Cr
➢ Foreign exchange risk;	Rs. 7.20 Cr

Table – 9

Operational Risk

Qualitative disclosures

The Bank has put in place important policies like Operational Risk Management; Information System Security, Know Your Customer (KYC) and Anti Money Laundering (AML); Business Continuity and Disaster recovery Management. The updated manuals on all important functional areas have been circulated to the branches. Periodically, master circulars are issued on all systems and procedures. Risk Based Internal Audit is introduced and all the branches are covered.

The Operational Risk Management Policy outlines the Organisation Structure and covers the the process of identification, assessment / measurement and control of various operational risks. Well knitted internal control mechanism is in place to control and minimize the operational risks.

Capital charge for Operational Risk is computed as per the Basic Indicator Approach. The average of the gross income, as defined in the New Capital Adequacy Framework guidelines, for the previous 3 years ie 2006-07; 2005-06 and 2004-05 is considered for computing the capital charge. The required capital is Rs.293.44 Cr.

Table DF – 10

Interest Rate Risk in the banking book (IRRBB)

Qualitative disclosures:

Embedded Option Risk (Foreclosure of deposits) is studied and factored in the interest rate sensitivity analysis. Based on the interest rate sensitivity, interest rate risk in the Banking Book is studied on a quarterly basis. Earnings at Risk is computed based on the Traditional Gap Analysis on a static position. Market Value of Equity (MVE) is computed adopting the Duration Gap Analysis.

Quantitative Disclosures:

(b) The increase (decline) in earnings and economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (where the turnover is more than 5 per cent of the total turnover).

i) Earnings at Risk for 25 bps interest rate hike as on 31 03 2008 is Rs.4.38 Cr

ii) Change in Market value of Equity 200 bps interest rate shock is Rs.125.70 Cr (Repricing of BPLR in the 2 time bucket)