HO : Risk Management Department
CHENNAI.

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) IndBank Merchant Banking Services Ltd, (b) Ind Bank Housing Ltd. and (c) Indfund Management Ltd. and three associates namely (i) Pallavan Grama Bank, (ii) Saptagiri Grameena Bank and (iii) Puduvai Bharathiar Grama Bank

Consolidated financial statements of the group (parent, its subsidiaries and associates) 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 date of the parent.

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 and Goodwill. 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.

Investments in Associates are accounted for under Equity method as per Accounting Standards (AS) – 23 “Accounting for investments in Associates in Consolidated Financial Statements” issued by ICAI based on the audited Financial Statements of the Associates.

Quantitative Disclosures

NA

Tabel DF – 2

Capital Structure

Quantitative Disclosures:

a) Tier 1 Capital includes Equity Share capital and 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) as on 31 03 2009

Tier 1 Capital

Rs. in Crores

Paid up Equity Share Capital	429.77
Perpetual Non cumulative Preference Share Capital	400.00
Reserves	5035.17
Total Tier 1	5864.94

Tier 2 Capital

Subordinate Debt (Rs. 83.96 Cr @ 6.15% and Rs.90.10 Cr @ 6.25%)	174.06
General Provisions	295.06
Revaluation Reserves	565.03
Total Tier 2	1034.15
Total Tier 1 and Tier 2 Capital	6899.09

Quantitative Disclosures: (Consolidated Position)

Tier 1 Capital

Paid up Equity Share Capital	429.77
Perpetual Non cumulative Preference Share Capital	400.00
Reserves	5140.29
Less Deferred Tax Asset	16.37
Total Tier 1	5953.69

Tier 2 Capital

Subordinate Debt (Rs.83.96 Cr @ 6.15% and Rs.90.10 Cr @ 6.25%)	174.06
General Provisions	271.92
Revaluation Reserves	565.02
Total Tier 2	1011.00
Total Tier 1 and Tier 2 Capital	6964.69

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) 90% of the minimum capital required as per Basel 1 framework.	
Quantitative disclosures ➢ Capital requirements for credit risk: -- Portfolios subject to standardized approach -- Securitization exposures	 Rs.3807.35 Cr NIL
(c)Capital requirements for market risk: ➢ Standardized duration approach; -- Interest Rate Risk -- Foreign Exchange Risk (including gold) -- Equity Risk	 Rs. 220.43 Cr Rs. 7.20 Cr Rs. 65.95 Cr
(d) Capital requirements for operational risk: ➢ Basic Indicator Approach	 Rs.341.59 Cr
(e) Total and Tier 1 capital ratio: (Solo –Global) ➢ For the top consolidated group; Total Tier 1 ➢ For significant bank subsidiaries (stand alone or sub-consolidated depending on how the Framework is applied).	13.98% 11.88% 14.09% 12.05%

As per Basel 1, the Total and Tier 1 Capital Ratio (Solo-Global)–13.27% and 11.28% 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) – 13.38% and 11.44% is lower than Basel II, CRAR as per Basel 1 is taken considering the prudential floor.

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.

Rs. in Crores

Gross Credit Risk Exposures	
Fund Based	
Loans and Advances	51830.64
Investments	15491.69
Other Assets	9855.89
Total Fund Based	77178.22
Non Fund Based including contingent credit, contracts and derivatives	32841.65
Total Credit Risk Exposure	110019.87

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

Overseas

Rs. in Crores

Branch	Fund Based	Non Fund Based including contingent credit, contracts and derivatives	Total
Singapore	2723.30	1980.72	4704.02
Colombo	246.36	240.45	486.81

(d) Geographic distribution of Domestic advances

Geographical Region	**Total**	
	Amount (Rs. in Cr.)	**%**
EAST	2884.01	5.90
WEST	11273.14	23.07
NORTH	5483.62	11.22
SOUTH	29220.21	59.81
TOTAL	**48860.98**	**100**

d) Industry-wise distribution of domestic exposures (fund based and non-fund based) as on 31 03 2009

Rs. In Cr

S.No	Name of the industry	Outstanding		Committed Exposure
		Fund Based	Non Fund Based	
1.	Gems and Jewellery including Diamond	65.85	201.32	432.72
2.	Infrastructure			
a)	Power	3242.44	561.30	6672.41
b)	Ports / Roads	1174.21	513.98	2802.25
c)	Telecom	1653.71	25.72	1989.13
d)	Other infrastructure	1199.01	45.66	1816.78
3.	Petroleum and Petroleum Products	784.87	380.80	4434.04
4.	Textiles	2147.76	103.91	2962.15
5.	Sugar	772.38	88.28	1046.33
6.	Iron & Steel	1831.75	318.16	3092.37
7.	All Engineering	854.08	506.43	2105.33
8.	Pharmaceuticals & Chemicals	371.74	93.78	723.19
9.	Food Processing (including Cashew, Edible Oils & Vanaspati)	661.03	67.13	1076.80
10	Colliery & Mining	152.37	40.34	260.69
11	Fertilizer	113.25	0.11	231.95
12	Cement & Cement Products	744.18	90.21	1689.69
13	Leather & leather products	121.97	21.82	186.05
14	Electronics & Computers (Hardware& software)	411.79	137.66	1061.65
15	Tea / Coffee	36.59	0.30	69.34
16	Construction contractors	450.83	1562.29	2688.76
17	Rubber, Plastics and their products (including tyre)	149.68	86.86	349.56
18	Automobiles (Vehicles, Vehicle Parts & Transport Equipments)	613.87	44.79	878.53
19	Beverages and Tobacco	83.57	7.57	189.70
20	Wood and Wood Products	100.49	37.15	180.56
21	Paper and Paper Products	317.89	27.96	401.63
22	Glass and Glassware	124.90	19.32	267.89
23	Other metal and metal products	522.66	0.68	855.28
24	Printing and Publishing	64.19	14.13	118.31
25	Aviation	633.14	23.89	716.14
26	Media and Entertainment	399.40	49.09	648.74
27	Logistics	119.68	18.42	262.86
28	Ship Building	67.97	203.24	550.48
29	Trade (Other than retail trade)	1277.66	509.05	3234.46
30	NBFC	1182.96	91.01	2114.90
31	Commercial Real Estate	4181.11	96.28	6137.08
32	Capital Market	760.56	144.10	982.01

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	2794.42	1849.90	5733.94	3269.93	5593.75	17287.75	6734.24	8201.35	51465.27
Investments	1550.18	949.79	1707.99	2176.75	4584.58	6801.99	874.01	4155.28	22800.57

	Rs. In Crores
(f) Amount of NPAs (Gross) -- Global	459.18
➢ Substandard	142.51
➢ Doubtful 1	142.88
➢ Doubtful 2	102.26
➢ Doubtful 3	32.07
➢ Loss	39.46
(g) Net NPAs	93.81
(h) NPA Ratios	
➢ Gross NPAs to gross advances	0.89
➢ Net NPAs to net advances	0.18
(i) Movement of NPAs (Gross)	
➢ Opening Balance	486.87
➢ Additions	228.93
➢ Reductions	256.62
➢ Closing Balance	459.18
(j) Movement of provisions for NPAs	
➢ Opening Balance	219.60
➢ Provisions made during the period	16.29
➢ Write Off / Tr to AUC	40.39
➢ Write-back of excess provisions	
➢ Closing balance	195.50

(k) Amount of Non-Performing investments	24.11
(l) Amount of Provisions held for non-performing investments	24.11
(m) Movement of provisions for depreciation on investments	
➢ Opening balance	205.24
➢ Provisions made during the period	202.65
➢ Write-off	
➢ Write-back of excess provisions	41.27
➢ Closing balance	366.62

Table – 5

<u>Credit Risk : disclosures for portfolios subject to the standardized approach</u>

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	27274.05	11898.79	20095.94	19746.65	4460.65	2977.81	51830.64	34623.25
Investments	15189.61	24.64	295.49	167.66	6.59	9.86	15491.69	202.16
Other Assets	7947.04	98.41	1908.85	1806.55	0.00	0.00	9855.89	1904.96
Total Fund Based	50410.70	12021.84	22300.28	21720.86	4467.24	2987.67	77178.22	36730.37
Non Fund Based including Contingent Credit.	17290.66	1505.57	14674.54	3765.98	876.46	301.96	32841.66	5573.51
Total Credit Risk Exposure	**67701.36**	**13527.41**	**36974.82**	**25486.84**	**5343.70**	**3289.63**	**110019.88**	**42303.88**

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. 4063.34 Cr
Gold Jewels	Rs. 2855.07 Cr
NSC/LIC/Units of Mutual Fund	Rs. 150.72 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

<u>Market risk in trading book</u>

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.220.43 Cr ➢ Equity position risk; and Rs. 65.95 Cr ➢ Foreign exchange risk; Rs. 7.20 Cr

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Table – 9

Operational Risk

Qualitative disclosures

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 2007-08; 2006-07 and 2005-06 is considered for computing the capital charge. The required capital is Rs.341.59 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 are computed based on the Traditional Gap Analysis on a static position. 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 reduction as on 31 03 2009 is Rs.55.15 Cr

ii) Change in Market value of Equity 200 bps interest rate shock is Rs.219.45 Cr (Repricing of BPLR in the 2 time bucket)