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. The Subsidiaries and Associates follow Accounting Policies as prescribed by the respective regulatory authorities and as per statutory requirements. In view of such diverse accounting policies required to be followed, the consolidated financial statements have been prepared by adopting the respective accounting policies of the mandated / statutory requirements.

The difference between the cost to the parent of its investment in subsidiary 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

Table DF – 2

Capital Structure

Qualitative 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 and general provisions.

Quantitative Disclosures:

Tier 1 Capital (₹ in Crore)

Particulars	Solo (Global)	Consolidated
Paid up Equity Share Capital	429.77	429.77
Perpetual Non cumulative Preference Share Capital	400.00	400.00
Reserves	7412.65	7547.98
Less Deferred Tax Asset	0.00	5.74
Total Tier 1	8242.42	8372.01

Tier 2 Capital (₹ in Crore)

Particulars	Solo (Global)	Consolidated
Subordinate Debt	1054.06	1054.06
General Provisions	303.84	268.97
Revaluation Reserves	537.55	537.55
Total Tier 2	1895.45	1860.58

Particulars	Solo (Global)	Consolidated
Total Capital (Tier 1 and Tier 2)	10137.87	10232.59

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) 80% of the minimum capital required as per Basel 1 framework.

Quantitative disclosures

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

Particulars	Solo (Global)	Consolidated
Portfolios subject to standardized approach	5886.28	5893.70
Securitization exposures	Nil	Nil

(b) Capital requirements for market risk:
Standardized duration approach (₹ in Crore)

Particulars	Solo (Global)	Consolidated
Interest Rate Risk	238.30	238.30
Foreign Exchange Risk (including gold)	4.50	4.50
Equity Risk	100.96	100.96

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

Particulars	Solo (Global)	Consolidated
Basic Indicator Approach	498.21	501.84

(d) Total and Tier 1 capital ratio:

Particulars	Solo (Global)	Consolidated
Total Capital Adequacy Ratio	13.56%	13.67%
Tier 1 Capital Adequacy Ratio	11.02%	11.18%

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 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 '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 / Zonal offices.

Quantitative Disclosures

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

(₹ in Crore)

Particulars	Solo (Global)	Consolidated
Gross Credit Risk Exposures		
Fund Based		
Loans and Advances	75725.81	75732.74
Investments	22352.75	22360.36
Other Assets	11684.64	11723.46
Total Fund Based	109763.20	109816.56
Non Fund Based including contingent credit, contracts and derivatives	53146.16	53191.45
Total Credit Risk Exposure	162909.36	163008.01

(b) Geographic distribution of exposures (Consolidated), Fund based and Non-fund based separately

(₹ in Crore)

Geographical Region	Fund Based	Non Fund Based including contingent credit, contracts and derivatives	Total
Overseas	4207.52	2364.88	6572.40
Domestic	105609.04	50826.57	156435.61

(c) Industry-wise distribution of exposures (Solo - Global) as on 31 03 2011

(₹ in Crore)

S.No.	Name of the industry	Outstanding		Committed Exposure
		Fund Based	Non Fund Based	
1	Gems and Jewellery including Diamond	197.99	100.54	319.85
2	Infrastructure			
2.1	Power	7817.86	1235.77	13337.78
2.2	Ports / Roads	1594.85	128.58	3988.17
2.3	Telecom	650.63	434.58	1295.78
2.4	Other infrastructure	1498.55	385.36	4135.36
2.5	Educational Institution	2357.36	118.92	3058.03
2.6	Hospital	490.44	20.92	748.14
2.7	Hotel	559.78	28.78	886.54
3	Petroleum and Petroleum Products	2392.23	359.53	4918.71
4	Textiles	3357.31	273.38	4823.04
5	Sugar	910.65	55.34	1171.84
6	Iron & Steel	2311.45	615.30	4409.60
7	All Engineering	1385.43	2614.53	6354.60
8	Pharmaceuticals & Chemicals	492.77	113.46	947.23
9	Food Processing (including Cashew, Edible Oils & Vanaspati)	1092.46	147.28	2147.09
10	Colliery & Mining	302.24	49.98	509.05
11	Fertilizer	33.17	3.18	410.64
12	Cement & Cement Products	1045.73	58.38	2078.97
13	Leather & leather products	146.16	49.53	299.22
14	Electronics & Computers (Hardware & software)	680.06	262.01	1138.84
15	Tea / Coffee	60.43	0.37	107.47
16	Construction contractors	944.19	2153.72	5343.50
17	Rubber, Plastics and their products (including tyre)	189.18	82.50	923.84
18	Automobiles (Vehicles, Vehicle Parts & Transport Equipments)	900.09	839.88	2021.31
19	Beverages and Tobacco	214.32	0.50	335.99
20	Wood and Wood Products	156.09	88.53	396.91
21	Paper and Paper Products	328.34	72.06	676.36
22	Glass and Glassware	189.87	103.31	363.55
23	Other metal and metal products	900.26	143.67	1152.37
24	Printing and Publishing	189.73	94.71	429.60
25	Aviation	1045.60	0.00	1045.60
26	Media and Entertainment	519.41	532.49	1340.76
27	Logistics	448.39	175.45	989.26
28	Ship Building	161.86	158.14	905.76
29	Trade (Other than retail trade)	4788.87	1109.59	9101.84
30	NBFC	5531.54	199.71	7226.57

(d) Residual contractual maturity break-up of advances and investments (Solo-Global)

(₹ in Crore)

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	1029.57	817.52	2254.21	2534.02	7784.67	4774.32	12594.68	22253.37	10924.73	10282.83	75249.91
Investments	166.30	2030.36	1142.65	1969.26	5159.12	2092.71	5459.83	8082.84	913.29	7767.40	34783.76

(₹ in Crore)

(e)	Amount of NPAs (Gross) – (Solo-Global)	740.31
	➢ Substandard	681.73
	➢ Doubtful 1	28.24
	➢ Doubtful 2	1.71
	➢ Doubtful 3	17.22
	➢ Loss	11.41
(f)	Net NPAs	397.04
(g)	NPA Ratios	
	➢ Gross NPAs to gross advances	0.98%
	➢ Net NPAs to net advances	0.53%
(h)	Movement of NPAs (Gross)	
	➢ Opening Balance	510.10
	➢ Additions	953.92
	➢ Reductions	723.71
	➢ Closing Balance	740.31
(i)	Movement of provisions for NPAs	
	➢ Opening Balance	117.21
	➢ Provisions made during the period	705.00
	➢ Write Off	693.56
	➢ Write-back of excess provisions	31.08
	➢ Closing balance	159.73
(j)	Amount of Non-Performing investments	6.68
(k)	Amount of Provisions held for non-performing investments	6.68
(l)	Movement of provisions for depreciation on investments	
	➢ Opening balance	275.63
	➢ Provisions made during the period	56.85
	➢ Write-off	
	➢ Write-back of excess provisions	174.03
	➢ Closing balance	158.45

Table DF – 5

Credit Risk: disclosures for portfolios subject to the standardized approach

Qualitative Disclosures:

The Bank uses ratings assigned by the four Rating Agencies approved by the Reserve Bank of India namely a) CRISIL, b) ICRA, c) CARE and d) FITCH for the eligible exposures such as Corporate, Capital Market Exposures etc. according to the New Capital Adequacy 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:

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

(₹ in Crore)

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	38253.84	16581.92	26017.61	25806.68	11454.36	10250.67	75725.81	52639.27
Investments	22121.89	44.49	211.35	211.35	19.51	29.25	22352.75	285.08
Other Assets	9649.42	804.78	2035.22	1928.52	0.00	0.00	11684.64	2733.31
Total Fund Based	70025.15	17431.19	28264.18	27946.55	11473.87	10279.92	109763.20	55657.66
Non Fund Based including Contingent Credit.	33081.89	2904.77	15933.24	5243.08	4131.03	1597.55	53146.16	9745.40
Total Credit Risk Exposure	103107.04	20335.96	44197.42	33189.63	15604.90	11877.47	162909.36	65403.06

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

(₹ in Crore)

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	38253.84	16581.92	26024.54	25813.61	11454.36	10250.67	75732.74	52646.20
Investments	22121.94	44.49	218.91	218.90	19.51	29.25	22360.36	292.64
Other Assets	9665.72	804.97	2057.74	1951.05	0.00	0.00	11723.46	2756.02
Total Fund Based	70041.50	17431.38	28301.19	27983.56	11473.87	10279.92	109816.56	55694.86
Non Fund Based including Contingent Credit.	33081.89	2904.77	15978.53	5288.37	4131.03	1597.55	53191.45	9790.69
Total Credit Risk Exposure	103123.39	20336.15	44279.72	33271.93	15604.90	11877.47	163008.01	65485.55

Table DF – 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

For each separately disclosed credit risk portfolio (Solo-Global / Consolidated), the total exposure (after, where applicable, on- or off balance sheet netting) that is covered by eligible financial collateral after the application of haircuts:

(₹ in Crore)

Type of Exposure	Eligible financial Collateral	Guarantees
Gross Credit Risk Exposures		
Fund Based		
Loans and Advances	8465.01	3315.74
Investments	0.00	78.98
Other Assets	106.69	0.00
Total Fund Based	8571.70	3394.72
Non Fund Based including contingent credit, contracts and derivatives	1959.85	682.91
Total	10531.55	4077.63

Table DF – 7

Securitization: disclosure for standardized approach

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

Table DF – 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:

The capital requirements (Solo-Global / Consolidated) for:

(₹ in Crore)

Interest rate risk	238.30
Foreign exchange risk	4.50
Equity position risk	100.96

Table DF – 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 2009-10; 2008-09 and 2007-08 is considered for computing the capital charge. The required capital is ₹ 498.21 Crore (Solo-global) and ₹ 501.84 Crore (Consolidated).

Table DF – 10

Interest Rate Risk in the Banking Book (IRRBB)

Qualitative Disclosures:

Embedded Option Risk 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. Market Value of Equity (MVE) is computed adopting the Duration Gap Analysis.

Quantitative Disclosures:

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 (Solo-Domestic).

i) Earnings at Risk for 25 bps interest rate increase as on 31 03 2011 for one year time horizon is ₹ 86.40 Crore

ii) Change in Market Value of Equity for 200 bps interest rate shock is ₹ 214.97 Crore
(Repricing of BPLR/Base Rate in the 2nd time bucket)