Pillar 3 Disclosure Requirements

For the quarter ending on 31st December, 2014

Table DF-2: Capital Adequacy

2.1. Qualitative Disclosures

2.1.1. Bank maintains capital as a cushion towards the risk of loss in value of exposure, businesses, etc., to protect the interest of stake holders, more particularly, depositors.

2.1.2. Bank has a comprehensive system in place for assessing bank-wide capital requirements based on current and future business activities and monitoring the same on an ongoing basis. The bank considers that capital availability is the central theme in the whole process and its computation is relatable to policy, strategy, business level/composition, and Supervisory concern and Disclosure issues. Towards this, bank has evolved a well laid down Internal Capital Adequacy Assessment Process (I-CAAP) policy framework and carries out capital calculation under Pillar-II besides Pillar 1 Capital calculation. The bank has formulated Stress Testing policy to measure impact of adverse stress scenarios on the adequacy of capital at periodical intervals.

2.1.3. In line with RBI guidelines, the bank has adopted following approaches for implementation of New Capital Adequacy Framework – Basel II.

- Standsardised Approach for credit risk
- Basic Indicator Approach for operational risk
- Standardised Duration Approach for market risk

2.1.4. Bank plans capital requirements and reviews the same on quarterly basis. Bank has done capital assessment upto 2017, as a apart of ICAAP framework.

2.1.5. Bank has taken initiatives to migrate to advanced approaches for Risk Weighted Assets Computation, Bank is in the process of acquiring software capabilities for the same.

2.2. Quantitative Disclosures

2.2.1. A summary of the bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on 31st December 2014 is given as hereunder:

(Rs. in crs)

A. Capital Requirements for Credit Risk:	
- Portfolios Subject to standardised approach @ 9%	18945.63
- Securitisation Exposures	Nil
B. Capital Requirements for Market Risk	
• Standardized Duration Approach	**1258.20**
- Interest Rate Risk	887.25
- Foreign Exchange Risk (including gold)	12.15
- Equity Position Risk	358.80

C. Capital Requirements for Operational Risk • Basic Indicator Approach (RWA – 16,437 crs @ 9%)	1479.42
D. Capital Adequacy Ratio (CRAR) of the Bank (%) Basel-II	10.64%
E. Capital Adequacy Ratio (CRAR) of the Bank (%) Basel-III - Common Equity Tier 1 CRAR (%) Basel-III - Tier 1 CRAR (%) Basel-III	10.30% 7.02% 7.32%

2.3. General Qualitative disclosures

a. Risk Management: Objectives and Organization Structure

- The bank has a credible and comprehensive risk management structure and has taken various initiatives to strengthen the risk management practices. The Bank has an integrated approach for management of risk. The risk management policies are commensurate with the business requirements and are as per the guidelines of Reserve Bank of India. The risk management system encompasses the different types of risks viz. credit risk, market risk and operational risk.

- The bank has also formulated board approved country specific risk policy for its overseas branches i.e. Hong Kong and Dubai branch and the policies are drawn based on the risk dimensions of Hong Kong and Dubai economy and the bank's risk appetite.
- The Board of Directors of the Bank has an oversight of Risk Management activities of the Bank. The Bank's Supervisory Committee of Directors on Risk Management is the Apex Body/Committee to oversee various Risk Management activities. The Bank also has separate Committees of Top Executives i.e., Credit Risk Management Committee (CRMC), Asset & Liability Committee (ALCO) and Operational Risk Management Committee (ORMC) to deal with Credit, Market and Operational Risk respectively. Further, the bank has Risk Management organizational structure in place not only at corporate office but also at Regional Offices/Field General Manager's Offices. The broad risk management organizational structure of the bank is furnished as under:

2.4. Credit Risk:

a. Credit Risk Governance

- Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in economic loss to the bank.

- The Bank is exposed to Credit Risk through Lending and Investment activities.

- Bank has well laid down Loan Policy, Credit Risk Management Policy, Real Estate Policy and Credit Risk Mitigation (CRM) Techniques & Collateral Management Policy which covers guidelines on the entire gamut of Credit Risk Management Process. Loan Policy & Credit Risk Management Policy, spells out the target markets, risk acceptance/avoidance, risk tolerance, preferred levels of diversification and concentration, credit risk measurement, monitoring and controlling mechanisms.

- Bank has an appropriate and independent organizational structure with an oversight mechanism for management of credit risk, which includes Credit Risk Management Committee (CRMC) of Top Executives and a separate Risk Management Department looking after the Credit Risk. Besides, there is a separate Board Level Committee i.e., Supervisory committee of the Board to oversee the functioning of Risk Management and ALM.

- CRMC deals with issues relating to credit policy, procedures and control measures for credit risk on a Bank-wide basis.

b. Credit Approval Process

- Loan Policy of the bank covers in detail guidelines on credit approval process which among other things include

  - Thrust area and non thrust area
  - Due diligence criteria
  - KYC norms
  - Method of assessment of finance
  - Minimum credit standards
  - Take over code norms, etc.
  - Prudential & Regulatory ceilings

c. Credit Monitoring System

- Credit monitoring is a continuous process. Bank has separate policy on credit monitoring which includes guidelines on:

  - Identification of EAS/SMA accounts and triggers points for initiating timely action.
  - Periodicity of review of the borrowal accounts based on credit quality. Borrowers with lower credit rating are subject to more frequent reviews.
  - Submission of periodical monitoring reports.
  - Different hierarchical levels for monitoring.

d. Credit Rating Framework

- Bank has comprehensive internal credit rating/scoring models being applied in the Credit Administration and Approval process. Credit rating framework is a combination of quantitative and qualitative aspects. Credit Rating depicts credit quality and predicts probability of default.

- Credit Rating models are in place for Credit Rating of Borrowers, Non-SLR Investments, Inter Bank Exposures and Exposure to NBFC.

- Credit scoring models are in place for retail lending schemes.

- Independent assignment of Credit Rating is in place. The Credit Rating is reviewed annually and for high-risk accounts, credit rating is done half-yearly.

- In terms of Bank's credit rating framework, there are 8 risk-rating grades in standard category and 'investment grade' is fixed up to Credit Rating-5.

- The bank carries out analysis on rating wise distribution of borrowers on obligor basis and portfolio basis at periodical intervals and monitors the same.

e. Credit Approval Committees:

- As per the government guidelines and as per the Board approved structure, Bank has introduced Credit Approval Committee (CAC) at Regional Offices, FGMO and Central Office for credit sanction. Risk Management Department is represented in all CACs.

f. Credit Concentration Risk

- Credit concentration is addressed with the following measures :

- The bank has fixed prudential / regulatory ceilings for various categories of advances for diversifying the credit portfolio. The bank has well diversified credit portfolio.

- Bank monitors the adherence to the exposure ceilings on a quarterly basis. Bank also has a well-established system of monitoring large exposure through monthly monitoring report. The credit portfolio of the bank is well diversified so as to reduce concentration in any area. If bank's portfolio falls below the desired degree of diversification, immediate steps are initiated to shift risk away from individual - group exposure/industry/sector, etc.

- Credit Risk appetite of the Bank is defined through Internal Capital Adequacy Assessment Process (ICAAP) by fixing ceilings limits for various parameters. They are monitored on quarterly basis by undertaking the assessment of ICAAP.

g. Risk Profiling :

  - Bank also compiles a Credit Risk Profile Template (RPT) on a quarterly basis, by which it assesses the level and direction of inherent business risks, internal control risk and resultant net credit risk.
  - The bank also has ceiling fixed for single borrower / group borrowers.

- Substantial exposure limits
- Exposure to sensitive sectors i.e., capital market/Real Estate and NBFC.
- Unsecured advances and guarantees
- Exposure to top 20 borrowers
- Exposure to industries/sectors
- Geography-wise exposure
- Off balance sheet credit exposure.

2.5. Market Risk

- Market Risk Management is covered in Treasury Policy, Market Risk Policy and ALM Policy.

- There is a clear-cut separation between front office, back office and mid-office in Treasury operations.

- Mid-office directly reports to the Risk Management Department.

- Various Limits – for domestic and foreign exchange operations, e.g. Overnight Position limit, Daylight Open Position limit, VaR limits, Deal size limits, Stop Loss limits, Aggregate Gap Limit (AGL), Individual Gap Limit (IGL), counterparty limits etc. are in place.

- Value at Risk (VaR) is being monitored on AFS & HFT G-sec, equity Portfolio and forex transactions on a daily basis.

2.6. Interest Rate Risk In banking Book:

- Bank carries out Duration Gap Analysis (DGA) to capture impact of changes in interest rates by 200 bps on market value of equity in terms of RBI Guidelines.

2.7. Operational Risk

- A well laid down board approved Operational Risk Management Policy is in place.

- Presently, Operational Risk is managed through Internal Control System, Internal Audit Process.

- New Product Approval Process is in place.

- Analysis of frauds is done from the angle of operational risk to assess the adequacy and efficacy of internal controls.

- Guidelines for mapping bank's activities and income are in place.

- Bank conducts Risk and Control Self Assessment (RCSA) in respect of various products/ process.

- Since internal Operational Risk (OR) Loss Data points are limited in number, bank has agreed in principle to join external data pooling exercise of IBA.

Table DF-3: Credit Risk: General Disclosures

Qualitative Disclosures

a. General Qualitative disclosure pertaining to credit risk:

- **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.

- **An impaired Asset:**
  An impaired asset is a loan or an advance when it ceases to generate income for the bank. A Non Performing Asset (NPA) is a loan or an advance where:

  a) Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.

  b) The account remains out of order in respect of an overdraft/cash credit (OD/CC):

     - 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.

  c) In case of bills purchased & discounted, if the bill remains overdue for a period of more than 90 days.

  d) In case of Crop Loans

     - The installment of principal or interest thereon, remains overdue for two crop seasons in case of short duration crop.
     - Installment of principal or interest there on, remains overdue for one crop season in case of long duration crop.

  e) If interest charged (including monthly interest) during any quarter is not serviced fully within 90 days from the end of the quarter.

  f) Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.

- **Credit Risk Management Policy:**
  Bank has board-approved Credit Risk Management Policy besides Loan Policy. While Loan Policy covers business issues, Credit Risk Management Policy deals with risk issues.

Credit Risk Management Policy covers guidelines on:

- Credit Approval process – Credit Risk Framework
- Loan pricing and concessions

- Loan Monitoring & Controls
- Credit Risk Rating Systems – pricing – capital allocation
- Retail credit risk management
- Portfolio Management & Exposure ceilings
- Prudential/Regulatory ceilings, such as industry wise exposure, sensitive sector exposure (capital market/ real estate exposure),
- Risk Management of off-balance sheet exposure,
- Risk Reporting – Basel II implementation

Quantitative Disclosures

b. The total gross credit risk exposures are:

(Rs. in Crores)

Category	Amount
Fund Based	248098.42
Non Fund Based	42640.18
Total	**290738.60**

c. The geographic distribution of exposures is:

(Rs. in Crores)

	Overseas	Domestic
Fund Based	20760.42	227338.00
Non-fund based	1473.86	41166.32
Total	**22234.28**	**268504.32**

d. Industry type distribution of exposures (Fund Based) is as under:

Sr. No.	Code	Industry	31.12.2014	
			(Rs. In crs)	**Exposure %**
1	**1**	Coal	158.76	0.06
2	**2**	Mining	2038.43	0.82
3	**3**	Iron and Steel	9077.71	3.66
4	**4**	Other Metal & Metal Products	4244.69	1.71
5	**5**	All Engineering	3602.46	1.45
6	**6**	Electronics	834.53	0.34
7	**7**	Cotton Textiles	2200.31	0.89
8	**8**	Jute Textiles	72.81	0.03
9	**9**	Other Textiles	4518.91	1.82
10	**10**	Sugar	1564.65	0.63
11	**11**	Tea	172.74	0.07
12	**12**	Food Processing	4268.36	1.72
13	**13**	Vegetable Oils & Vanaspati	906.09	0.37
			(Rs. In crs)	**Exposure %**

Sr. No.	Code	Industry	31.12.2014	
14	**14**	Tobacco & Tobacco Products	41.09	0.02
15	**15**	Paper & Paper Products	942.48	0.38
16	**16**	Rubber & Rubber Products	1425.24	0.57
17	**17**	Chemicals, Dyes, Paints etc.	3588.90	1.45
		of which Fertilizers		
		of which Petrochemicals		
18	**18**	Cement	1363.47	0.55
19	**19**	Leather & Leather Products	267.25	0.11
20	**20**	Gems and Jewellery	4863.86	1.96
21	**21**	Construction	5597.97	2.26
22	**22**	Petroleum	2325.67	0.94
23	**23**	Automobiles including Trucks	2221.89	0.90
24	**24**	Computer Software	968.64	0.39
25	**25**	Infrastructure	35599.76	14.35
26	**26**	NBFCs	22973.79	9.26
27	**27**	Other Industries	832.50	0.34
		TOTAL	**116672.96**	**47.03**
28	**28**	Residuary Other Advances	131425.46	52.97
		Grand Total	**248098.42**	**100.00%**

Industry type distribution of exposures (Non-Fund Based) is as under:

Sr. No.	Code	Industry	31.12.2014	
			(Rs. In crs)	Exposure %
1	1	Coal	49.44	0.12
2	2	Mining	952.34	2.23
3	3	Iron and Steel	2258.43	5.30
4	4	Other Metal & Metal Products	453.18	1.06
5	5	All Engineering	1520.17	3.57
6	6	Electronics	332.83	0.78
7	7	Cotton Textiles	228.28	0.54
8	8	Jute Textiles	8.12	0.02
9	9	Other Textiles	315.80	0.74
10	10	Sugar	50.03	0.12
11	11	Tea	6.21	0.01
12	12	Food Processing	311.36	0.73
13	13	Vegetable Oils & Vanaspati	116.54	0.27
14	14	Tobacco & Tobacco Products	21.83	0.05
15	15	Paper & Paper Products	118.98	0.28
16	16	Rubber & Rubber Products	227.50	0.53
17	17	Chemicals, Dyes, Paints etc.	763.97	1.79
		of which Fertilizers	(5.86)	(0.01)
		of which Petrochemicals	(56.65)	(0.10)
18	18	Cement	189.22	0.44
19	19	Leather & Leather Products	17.61	0.04
20	20	Gems and Jewellery	174.15	0.41
21	21	Construction	4563.85	10.70
22	22	Petroleum	1448.41	3.40
23	23	Automobiles including Trucks	1032.43	2.42
24	24	Computer Software	520.29	1.22
25	25	Infrastructure	4725.29	11.08
26	26	NBFCs	310.42	0.73
27	27	Other Industries	477.39	1.12
		TOTAL	**21194.08**	**49.70**
28	28	Residuary Other Advances	21446.10	50.30
		Grand Total	**42640.18**	**100.00**

e. The residual contractual maturity break down of assets is:

(Rs. in Crore)

Maturity Pattern	Net Advances	Net Investments	Foreign Currency Assets
Next day	4697.62	453.88	2799.22
2 - 7 days	2308.68	360.63	1618.72
8 -14 days	4089.67	0.00	388.76
15- 28 days	11054.19	54.22	6672.35
29days - 3months	20516.51	1760.53	12205.59
>3months-6months	13514.83	3829.47	6671.73
>6months-1yr	37582.10	4030.60	2336.52
>1yr-3yrs	95904.62	10554.00	4382.74
>3yrs-5yrs	28731.09	27385.75	2035.15
>5yrs	23112.65	52729.59	417.34
Total	**241511.96**	**101158.67**	**39528.12**

f. The Amount of NPAs (Gross) are:

Category	(Rs. in Crores)
Sub Standard	5193.00
Doubtful - 1	3844.00
Doubtful - 2	2081.00
Doubtful – 3	783.00
Loss	695.00
Total NPAs (Gross)	12596.00

g. The amount of net NPAs is Rs.7118.00 Crores.

h. The NPA ratios are as under:

- Gross NPAs to Gross Advances: 5.08%
- Net NPAs to Net Advances: 2.95%

i. The movement of gross NPAs is as under:

(Rs. in Crores)

i) Opening Balance at the beginning of the year	9564.00
ii) Addition during the year (01.04.2014 to 31.12.2014)	4980.00
iii) Reduction during the year (01.04.2014 to 31.12.2014)	1948.00
iv) Closing Balance as at the end of the year (i + ii - iii) (as on 31.12.2014)	12596.00

j. The movement of provision for NPAs is as under:

(Rs. in Crores)

i) Opening Balance at the beginning of the year	4223.00
ii) Provisions made during the year (01.04.2014 to 31.12.2014)	1945.00
iii) Write-off made during the year / Write –back (01.04.2014 to 31.12.2014)	691.00
iv) Closing Balance as at the end of the year (i + ii - iii) (as on 31.12.2014)	5478.00

k. The amount of non-performing investment is Rs. 214.72 cr.

l. The amount of provisions held for non-performing investment is Rs.105.88 cr.

m. The movement of provisions for depreciation on investments is as under:

(Rs. in Crores)

i) Opening balance at the beginning of the year	445.98
ii) Provisions made during the year	137.87
iii) Write-off made during the year / Write-back	222.67
iv) Closing balance as at the end of the year (i + ii –iii)	361.18

Table DF-4: Credit Risk Disclosures for Portfolios subject to Standardised Approach

Qualitative Disclosures

a. For portfolios subject to the standardized approach

- Bank has approved the following 6 domestic credit rating agencies accredited by RBI for all eligible exposures.
  - a) Credit Analysis and Research Limited;
  - b) CRISIL Limited;
  - c) India Ratings and Research Private Limited (India Ratings);
  - d) ICRA Limited;
  - e) Brickwork Ratings India Pvt. Limited (Brickwork); and
  - f) SME Rating Agency of India Ltd. (SMERA)

- Bank has also approved the following 3 international credit rating agencies identified by RBI.
  - a) Standard & Poor's
  - b) Moody's
  - c) FITCH

- Corporate borrowers and Public Sector Enterprises are being encouraged to solicit ratings from approved external rating agencies. The ratings available in public domain are mapped for the purpose of calculation of risk-weighted assets as per RBI guidelines on mapping.

Quantitative Disclosures

b. The exposure amounts after risk mitigation (subject to the standardized approach) in different risk buckets are as under:

(Rs. in crore)

Particulars	December 31, 2014
	Exposure after risk mitigation
i) Below 100% risk weight exposure outstanding	140723.75
ii) 100% risk weight exposure outstanding	64270.81
iii) More than 100% risk weight exposure outstanding	39738.69
Total	**244733.25**