BASEL II DISCLOSURES OF THE FEDERAL BANK LTD., AS ON 31/03/2013

I. SCOPE OF APPLICATION OF BASEL II DISCLOSURES

Table DF – 1: Scope of Application

1.	**Qualitative disclosures**		
1.1	Name of the top Bank in the group to which the framework applies	The Federal Bank Ltd.	
1.2	Differences in the basis of consolidation for accounting and regulatory purposes: (outline with a brief description of entities within the group)		
	i) The revised capital adequacy norms (in conformity with Basel II Pillar III requirements) apply to Federal Bank at solo level. ii) The Bank has one fully owned subsidiary viz. Fedbank Financial Services Ltd and an associate viz. IDBI Federal Life Insurance Company Ltd. Consolidated financial statements of the group (parent and subsidiary) have been prepared on the basis of audited financial statements of Federal Bank and its subsidiary, combining and adding together the items such as assets, liabilities, income and expenses, after eliminating intra group transactions.		
1.3	That are fully consolidated: (AS 21)		
	Name	Activity	Holding %
a)	Fed Bank Financial Services Ltd	The wholly owned subsidiary has been registered as an NBFC. The major activities include marketing of bank's own products and business of lending against gold	100 %
1.4	That are pro-rata consolidated: (AS 27)		
	Name	Activity	Holding %
a)	NIL		
1.5	That are given a deduction treatment:		
	Name	Activity	Holding %
a)	NIL		
1.6	That are neither consolidated nor deducted		
	Name	Activity	Holding %
	IDBI FEDERAL Life Insurance Company Ltd.	Insurance	26 %

2.	**Quantitative disclosures**		
2.1	Aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation and that are deducted		
	Name of subsidiary	Activity	Amount of shortfall deducted (In ₹ Cr.)
a)	NIL	NA	NA

2.2	The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction	
a)	Name	IDBI FEDERAL Life Insurance Company Limited.
b)	Country of incorporation / residence	India
c)	Proportion of ownership interest	26%
d)	Proportion of voting power	26%
e)	Quantitative impact on regulatory capital of using this method versus using the deduction	CRAR under deduction method is 14.34% as against 14.73% under the risk weighting method.

II. STRUCTURE AND ADEQUACY OF CAPITAL

TABLE DF – 2: CAPITAL STRUCTURE

1.	**Qualitative Disclosures**	
1.1	Summary *(information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Upper Tier 2.)*	
	Type of capital	Features
A	Tier I	Tier I Capital includes Equity Share Capital and Reserves and surpluses comprising of Statutory Reserve, Capital Reserve – Investments, Share Premium, Revenue Reserve, Investment fluctuation Reserve, Special Reserve, Contingency Reserve and Balance in Profit & Loss A/c.
B	Tier II	Tier II Capital includes Revaluation Reserve, Tier II Bonds – Subordinated Debt and General Provisions

2	**Quantitative Disclosures**					
2.1	Details of capital instruments					
	Type of capital instrument	Date of issue	Amount in ₹ Cr	Tenure in months	Coupon (% p.a.)	Rating
A	Innovative instruments (Tier I capital)		Nil			
B	Other capital instruments (Tier I)		Nil			
C	Debt capital instruments eligible for inclusion in Upper Tier II capital		Nil			
D	Subordinated debt eligible for inclusion in Lower Tier II capital	Date of Issue	Amount in ₹ Cr	Tenure in Months	Coupon (% p.a.)	Rating
		26.07.04	30	117	6.85	Rating by CARE as **'CARE AA'** and by India Ratings & Research (A Fitch Group company as **'AA-(Ind)'**
		16.12.06	200	120	9.25	
2.2	Capital funds					Amount in ₹ Crore
A	TIER I CAPITAL					
	Paid up share capital					171.06
	Reserves and Surplus					6,188.39
	Innovative instruments (IPDI or any other instrument that may be allowed from time to time)					0.00
	Other capital instruments					0.00
	Amounts deducted from Tier I capital, including goodwill and investments					220.39
B	TIER II CAPITAL (Total amount net of deductions from Tier II capital)					

	Debt capital instruments eligible for inclusion in Upper Tier II capital	0.00
	Total amount outstanding	0.00
	Of which, amount raised during the current year	0.00
	Amount eligible to be reckoned as capital funds	0.00
	Subordinated debt eligible for inclusion in Lower Tier II capital	230.00
	Total amount outstanding	230.00
	Of which, amount raised during the current year	0.00
	Amount eligible to be reckoned as capital funds	126.00
	Other Tier II capital	247.72
	Revaluation Reserve	2.34
	General Provisions	245.38
	Deductions from Tier II capital	95.00
C	Other deductions from capital, if any.	0.00
D	Total eligible capital	6,417.78

TABLE DF – 3: CAPITAL ADEQUACY

1.	**Qualitative Disclosures**	
1.1	A summary discussion of the Bank's approach to assess the adequacy of its capital to support current and future activities.	
	1. Policy on Internal Capital Adequacy Assessment Process has been put in place and the assessment of capital commensurate to the risk profile is reviewed on a quarterly basis. 2. Capital requirement for current business levels and estimated future business levels are assessed on a periodic basis. 3. CRAR has been worked out based on Basel- I and Basel- II guidelines and it is well above the Regulatory Minimum level of 9 %.	
2.	**Quantitative Disclosures**	
2.1	Minimum capital requirements under Pillar I of Basel II	Amount in ₹ Crore.
A	Capital requirements for credit risk (@ 9% CRAR)	3371.49
	Portfolios subject to Standardized approach	3371.49
	Securitisation exposures	0.00
B	Capital requirements for market risk (Standardized duration approach) (@ 9% CRAR)	233.73
	Interest rate risk	152.58
	Foreign exchange risk (including gold)	18.00
	Equity risk	63.15
C	Capital requirements for operational risk (Basic Indicator Approach) (@ 9% CRAR)	315.15

2.2	Capital Adequacy Ratio (CRAR) % for consolidated group *(consolidation only for annual disclosures)* and significant bank subsidiaries		
	Name of entity	Total CRAR	Tier I CRAR
	Consolidated Bank (*group as a whole – applicable annually only*)	14.91%	14.05%
	The Federal Bank Ltd. (solo basis)	14.73%	14.09%
	Significant bank subsidiaries (*wherever applicable, entity wise data)*		

III.RISK EXPOSURE AND ASSESSMENT

(A) Objectives and policies

1.	**Credit risk**
1.1	Strategies and processes: The Bank is exposed to credit risk in its lending operations. The Bank's strategies to manage the credit risks are as under: a) Defined segment exposures delineated into retail, small and medium enterprises and to Corporate; b) Industry wise segment caps on aggregate lending by Bank across Branches c) Individual borrower wise caps on lending as well as borrower group wise lending caps linked as a percentage to the Bank's capital funds at the end of the previous year d) Credit rating of borrowers and allowing credit exposures only to defined thresholds of risk levels; the approach also includes diversification of credit rating wise borrowers but within acceptable risk parameters e) The Bank's current entire business is within India and hence there is no geographic cap on lending in India; there is also no cap on lending within a State in India. However, in respect of cross border trade which would involve exposures to banks and financial institutions located outside India, there is a geographic cap on exposures apart from cap on individual bank/institution f) A well defined approach to sourcing and preliminary due diligence while sourcing fresh credit limits g) A clear and well defined delegation of authority within the Bank in regard to decision making linking risk and exposure amount to level of approval. h) Regular review of all credit structures and caps, continuously strengthening credit processes, and monitoring oversight which are regularly reviewed and duly approved by the Board of the Bank. i) Credit hub system put in place to enhance quality of credit appraisal and underwriting process. j) Bank has put in place appropriate mechanism for ongoing identification,

	development and assessment of expertise of officials in the area of credit appraisal, underwriting and credit management functions. k) Dedicated credit monitoring cells function at various levels to monitor/follow up of performance of loans and advances. l) All credit proposals of ₹5.00 crores and above are scrutinized and risk assessment is conducted by Integrated Risk Management Department, independent of the business functions. Oversight of the Board's sub committee on risk. Bank has put in place Board approved comprehensive Credit Risk Management Policy designed with added focus on credit risk management. The policy aims to provide basic framework for implementation of sound credit risk management system in the Bank. It spells out various areas of credit risk, goals to be achieved, current practices and future strategies. Bank has also operationalised required organizational structure and framework as prescribed in the policy for efficient credit risk management through proactive identification, precise measurement, fruitful monitoring and effective control of credit risk arising from its credit and investment operations. Bank has Board level sub committee, Risk Management Committee, to oversee Bank wide risk management and senior executive level Credit Risk Management Committee to monitor adherence to policy prescriptions and regulatory directions. CRMC of the Bank meets once in a month to take stock of Bank's credit risk profile based on the reports placed by Credit Risk Management Cell of Integrated Risk Management Department. Bank has put in place detailed Loan Policy spelling out various aspects of credit dispensation and credit administration. Loan policy stipulates measures for avoiding concentration risk by setting prudential limits and caps on taking sector wise, rating grade wise, and customer-constitution wise exposure. The policy gives specific instruction on valuation of collaterals .Bank has also put in place guidelines on fixing and monitoring of exposure ceilings to contain risk in credit and investment exposures. The Internal Capital Adequacy Assessment Process (ICAAP) periodically conducted by the Bank takes care of the residual risk assessment and also adequacy of capital under Basel II norms.
1.2	Scope and nature of risk reporting / measurement systems: Bank has developed comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Risk rating system is drawn up in a structured manner, incorporating different factors such as borrower specific characteristics, industry specific characteristics etc. Risk rating is made applicable for loan accounts, whether funded or non-funded, with total limits above ₹2.00 lakhs. Bank uses different rating models for different types of exposures. Rating model used for infrastructure exposures and corporate exposures are comprehensive in structure whereas model used for small exposures in the range of ₹2.00 lakhs to ₹50.00 lakhs is relatively simple in structure. Retail advances are rated using scoring model. At present separate scoring models are used for rating Home loans, Auto loans and Property Power loans. Bank also uses a separate rating model for rating its investment

	exposures. Bank is undertaking annual validation of its rating model for exposures of ₹5.00 Crores and above and is also conducting migration and default rate analysis for all loans of ₹50.00 lakhs and above. Rating process and rating output are used by the Bank in sanction and pricing of its exposures. Bank also conducts annual credit rating of its exposures and the findings are used in annual migration study and portfolio evaluation. Credit facilities are sanctioned at various levels in accordance with the delegation approved by the Board. The exercise of delegation and credit rating assigned by the sanctioning authority are subjected to confirmation by a different authority. Bank has also operationalised pre-sanction risk vetting of exposures of ₹5.00 Crores and above by independent Integrated Risk Management Department. Risk rating and vetting process being done independent of credit appraisal function ensures its integrity and independency. Credit audit is being conducted at specified intervals. Bank has made reasonably good progress in implementing all available instruments of credit risk mitigation.
1.3	Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Bank's Credit Risk Management Policy also stipulates various tools for mitigation of credit risk and collateral management. Investment Policy of the Bank covers risk related to investment activities of the Bank and it prescribes prudential limits, methods of risk measurement, and hedges required amount in mitigation of risk arising in investment portfolio. Credit Risk Management Committee at senior executive level and Risk Management Committee at Board level monitor, discuss, evaluate and review risk mitigation levels and effectiveness of mitigation measures. Risk rating process by itself is an integral part of processes of selection of clients and sanction of credit facilities. Exercise of delegation for sanction of fresh loans or renewal/review of existing exposure by field level functionaries is permitted only for borrowers above a pre-specified rating grade. Entry-level restrictions are further tightened in certain sectors when market signals need for extra caution. Rating of an exposure awarded by an official is confirmed by another official to ensure its integrity.
2.	**Market risk**
2.1	Strategies and processes: The Bank monitors market risk through risk limits and Middle Office in operationally intense areas. Detailed policies like Asset Liability Management Policy, Investment Policy, Derivatives Policy etc., are put in place for the conduct of business exposed to market risk and also for effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking and trading book operations.

2.2	Scope and nature of risk reporting / measurement systems: Bank has put in place regulatory/ internal limits for various products and business activities relating to trading book. Bank also subjects investment exposures to credit rating .Limits for exposures to counterparties, industries and countries are monitored and risks are controlled through Stop Loss Limits, Overnight Limit, Daylight Limit, Aggregate Gap Limit, Individual Gap Limit, Inter-Bank dealing and investment limits etc. Parameters like Modified Duration, VaR etc are also used for risk management and reporting. Bank has an independent Mid Office working on the floor of Treasury Department for market risk management functions like onsite monitoring of adherence to set limits, independent valuation and reporting of activities. This separate desk monitors market/operational risks in treasury/forex operations on a daily basis and reports directly to the Head of IRMD. Asset Liability Management Committee (ALCO) , also known as Market Risk Management Committee, is primarily responsible for establishing market risk management and asset liability management in the Bank, procedures thereof, implementing risk management guidelines issued by the regulator, best risk management practices followed globally and monitoring adherence to the internal parameters, procedures, practices/policies and risk management prudential limits.
2.3	Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants are discussed in ALCO and based on the views taken by/ mandates given by ALCO, hedge deals/ mitigation steps are undertaken. Liquidity risk of the Bank is assessed through Statement of Structural Liquidity and through Statement of Short Term Dynamic Liquidity. The liquidity profile of the Bank is measured on a static basis using the Statement of Structural Liquidity, and using statement of Short Term Dynamic Liquidity it is measured on a dynamic basis. Structural liquidity position is assessed on a daily basis and dynamic liquidity position is assessed on a fortnightly basis. Additional prudential limits on liquidity risk fixed as per ALM policy of the Bank are also monitored by ALCO on a quarterly basis. Interest rate risk is analyzed from earnings perspective using Traditional Gap Analysis and economic value perspective using Duration Gap Analysis on a monthly basis. Based on the analysis, steps are taken to minimize the impact of interest rate changes. Advance techniques such as Stress testing, sensitivity analysis etc. are conducted periodically to assess the impact of various contingencies.
3.	**Operational risk**
3.1	Strategies and processes: Bank has put in place detailed framework for Operational Risk Management with a well-defined ORM Policy. Operational Risk Management Committee (ORMC) at the executive level oversees bank wide implementation of Board

	approved policies and processes in this regard. All new schemes/products of the Bank are risk vetted from the point of view of operational risk, before implementation. Various tools, controls and mitigation measures implemented for management of operational risk are being reviewed and updated on a regular basis, to suit the changes in risk profile. Bank has also put in place a comprehensive bank wide Business Continuity Plan to ensure continuity of critical operations of the Bank covering all identified disasters.
3.2	Scope and nature of risk reporting / measurement systems: Bank has started collection of internal operational loss data from Fiscal 2006-07. In the year 2009, Bank has introduced separate accounting of operational risk events to enhance transparency and to enable effective monitoring of loss events. Well-designed system for reporting identified loss events and data in the most granular form is put in place. Operational Risk Management Cell is the central repository for operational loss data of the Bank. Consolidation and analysis of loss data is placed before the Operational Risk Management Committee on a quarterly basis.
3.3	Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Bank is using insurance for mitigating operational risk. Bank is subscribing to the General Banker's Indemnity Policy as mitigation against loss of securities due to various external events. Bank also mitigates loss in other physical assets through property insurance.
4.	**Interest rate risk in Banking Book**
4.1	Strategies and processes: Interest Rate Risk is assessed in two perspectives – Earnings perspective using Traditional Gap Analysis conducted monthly to assess the impact of adverse movement in interest rate on the Net Interest Income (Earnings at Risk) and economic value perspective using Duration Gap Analysis conducted monthly to assess the impact of adverse movement in interest rate on the market value of Bank's equity.
4.2	Scope and nature of risk reporting / measurement systems: Interest rate risk in Banking Book is measured and Modified Duration of Equity is evaluated on a monthly basis. The likely drop in Market Value of Equity for 200 bps change in interest rates is computed and benchmarked under the Internal Capital Adequacy Assessment Process for computation of Pillar II capital charge for Interest Rate Risk. Earnings at Risk based on Traditional Gap Analysis are calculated on a monthly basis and adherence to tolerance limit set in this regard is monitored and reported to ALCO / RMC. The results of Duration Gap Analysis as well as that of Traditional Gap Analysis including the adherence to tolerance limit set in this regard is monitored and is placed before ALCO / RMC for approval. Stress tests are conducted to assess the

	impact of interest rate risk under different stress scenarios on earnings of the Bank.
4.3	Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Bank has put in place mitigating/hedging measures prescribed by Investment Policy, ALM Policy, Derivatives Policy and Stress Testing Policy. Risk profiles are analyzed and mitigating strategies/hedging process are suggested and operationalised by Treasury Department with the approval of Senior level Committees.

(B) Structure and organization of Bank's risk management function

Bank has put in place appropriate organizational framework for bank-wide management of risk on integrated basis. The structure ensures coordinated process for measuring and managing all types of risk on an enterprise-wide basis to achieve organizational goals. The structure assures adherence to regulatory stipulations. The structure is designed in tune with the general guidelines of Regulator.

Bank's Board at the top of the structure has assumed overall responsibility for bank-wide management of risk. The Board decides risk management policies of the Bank and sets risk exposure limits by assessing Bank's risk appetite and risk bearing capacity. Risk Management Committee of the Board assumes responsibility of devising policy and strategy for enterprise-wide risk management. The Committee also sets guidelines for measurement of risks, risk mitigation and control parameters and approves institution of adequate infrastructure for risk management. The Committee meets regularly and reviews reports placed on various risk areas.

There are three support committees of senior executives (CRMC, ALCO also known as MRMC, ORMC) responsible for implementation of policies and monitoring of level of risks in their respective domains. The Committees are headed by Managing Director & CEO. Senior executives from respective functional areas and risk management are members of the Committee. The Committees meet regularly to take stock of various facets of risk management function and place their reports to Board level Risk Management Committee. CRMC meets at least once in a month and ORMC meets at least once in a quarter. Depending on requirement, ALCO meets very often. Further, an apex level Business Continuity Plan Committee is constituted with the Managing Director & CEO as its head, to ensure continuity of critical operations of the Bank in the event of occurrence of disasters.

Single point management of different types of risks bank-wide is made functional through Integrated Risk Management Department. The Department is responsible for overall identification, measurement, monitoring and control of various types of risks faced by the Bank in its operations and compliance of risk management guidelines and policies issued by Regulator/Board. The Department has three separate Cells to look after three broad categories of risks. Independent Mid-Office functioning on the floor of Treasury Department is reporting directly to the Head of IRMD. The distinct risk Cells report to the Head of IRMD. The Head of IRMD reports to the Chief Risk Officer, who in turn reports directly to the Managing Director & CEO.

(C)Structured Risk Wise Disclosures

TABLE DF – 4: CREDIT RISK: GENERAL DISCLOSURES

1.	**Qualitative disclosures**
1.1	Definitions of past due and impaired (for accounting purposes).
	1. Non Performing Assets An asset including a leased asset becomes non-performing 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' as indicated in paragraph 2 below,in respect of an Overdraft /Cash Credit (OD/CC) c. The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted d. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops e. The installment of principal or interest thereon remains overdue for one crop season for long duration crops. An account is classified as NPA if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.
	2. 'Out of Order' status An account is treated as 'Out of Order' 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, these accounts are treated as out of order.
	3. '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.
	4. Credit Risk a. Inability or unwillingness of the counterparty to pay interest, repay principal or otherwise to fulfill their contractual obligations under loan agreements or other credit facilities b. Downgrading of counterparties whose credit instruments the Bank may be holding, causing the value of those assets to fall. c. Settlement Risk (possibility that the Bank may pay counterparty and fail to receive the corresponding settlement in return).
1.2	Discussion of the Bank's Credit Risk Management Policy
	Bank has put in place a detailed Credit Risk Management Policy. Goal of this policy is to create a transparent framework for identification, assessment and effective management of credit risk in all operations of the Bank and to secure

	organizational strength and stability in the long run. The policy aims at contributing to the Bank's profitability by efficient and profitable utilization of a prudent proportion of the Bank's resources and maintaining a reasonably balanced portfolio of acceptable risk quality through diversification of credit risks. The policy also envisages optimizing returns with satisfactory spread over funding cost and overheads. The policy also deals with structure, framework and processes for effective management of inherent credit risk.			
2.	**Quantitative disclosures**			
				Amount in ₹ Crore
		Fund based (same as total assets in Balance Sheet)	Non-fund based (Book value, excluding market related OBS contracts and undrawn exposures)	Total
2.1	Total gross credit risk exposures (after accounting offsets in accordance with the applicable accounting regime and without taking into account the effects of credit risk mitigation techniques)	71049.57	4930.45	75980.02
2.2	Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
	Overseas			
	Domestic	71049.57	4930.45	75980.02
2.3	Industry type distribution of exposures (with industry break up on same lines as prescribed for DSB returns)	Please refer Table 4 (A)		
2.4	Residual contractual maturity breakdown of assets (maturity bands as used in ALM returns should be used)	Please refer Table 4 (B)		
2.5	Amount of NPAs (Gross)			1554.01
	Substandard			464.23
	Doubtful 1			473.56
	Doubtful 2			223.70
	Doubtful 3			57.50
	Loss			335.02
2.6	Net NPAs			431.94
2.7	NPA ratios			
	Gross NPAs to gross advances (%)			3.44
	Net NPAs to net advances (%)			0.98
2.8	Movement of NPAs (Gross)			
	Opening balance *(balance as at the end of previous Fiscal)*			1300.83
	Additions during the period			807.00
	Reductions			553.82
	Closing balance			1554.01
2.9	Movement of provisions for NPAs			
	Opening balance *(balance as at the end of previous Fiscal)*			1055.33

	Provisions made during the period	200.20
	Write off / Write back of excess provisions	157.66
	Closing balance	1097.87
2.10	Amount of Non Performing Investments	4.67
2.11	Amount of provisions held for Non Performing Investments	4.67
2.12	Movement of provisions for depreciation on investments	
	Opening balance *(balance as at the end of previous Fiscal)*	51.37
	Provisions made during the period	0.00
	Write-off	36.82
	Write-back of excess provisions	0.00
	Closing balance	14.55

TABLE 4 (A): INDUSTRY TYPE DISTRIBUTION OF EXPOSURES

(Amount in ₹ Crore)

Sl. No.	Industry	Gross lending exposures, without netting			% to gross credit exposure as per Table DF 4 – 2.1
		Fund based	Non-fund based	Total	
1	Mining & Quarrying	251.19	1.88	253.07	0.33
2	Food Processing	1127.70	3.86	1131.56	1.49
3	Beverages & Tobacco	24.72	0.00	24.72	0.03
4	Textiles	907.56	2.64	910.20	1.20
5	Leather & Leather products	62.23	1.59	63.82	0.08
6	Paper & paper products	213.63	1.04	214.67	0.28
7	Petroleum, Coal products & Nuclear Fuels	1426.58	1.24	1427.82	1.88
8	Chemicals & Chem products	838.81	0.48	839.29	1.10
9	Rubber, Plastic &their products	208.95	0.14	209.09	0.28
10	Cement & Cem products	271.19	1.00	272.19	0.36
11	Basic Metal & Metal products	1698.79	12.62	1711.41	2.25
12	All Engineering	439.54	228.07	667.61	0.88
13	Vehicles, parts and Transport Equipments	30.13	0.05	30.18	0.04
14	Gems & Jewellery	135.95	0.00	135.95	0.18
15	Construction	91.12	0.18	91.30	0.12
16	Infrastructure	3757.35	24.36	3781.71	4.98
17	Other Industries	745.15	0.00	745.15	0.98
	TOTAL	12230.59	279.15	12509.74	

TABLE 4 (B): RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS

(Amount in ₹ Crore)

	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed assets	Other assets	Total
Day 1	528.85	6.40	0.00	34.95	3027.91	0.00	0.46	3598.57
2 – 7 days	0.00	34.48	0.00	1862.71	204.22	0.00	0.00	2101.41
8-14 days	0.00	27.95	411.79	194.65	319.66	0.00	0.00	954.05
15-28 days	0.00	49.29	124.20	532.65	1057.32	0.00	0.00	1763.46
29 days & up to 3 months	0.00	230.56	428.10	2665.02	3160.31	0.00	0.97	6484.96
Over 3 months & up to 6 months	0.00	221.81	13.40	1564.80	3372.79	0.00	0.57	5173.37
Over 6 months & up to 1 year	0.00	406.83	0.00	3279.57	5991.87	0.00	0.91	9679.18
Over 1 year & up to 3 years	0.00	779.04	0.00	4819.13	18224.94	0.00	857.43	24680.54
Over 3 years & up to 5 years	0.00	40.89	0.00	743.40	3341.97	0.00	0.86	4127.12
Over 5 years	0.00	416.40	0.00	5457.71	5395.71	397.47	819.61	12486.90
Total	**528.85**	**2213.65**	**977.49**	**21154.59**	**44096.70**	**397.47**	**1680.81**	**71049.56**

TABLE DF – 5: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

<table>
<tr><td>1.</td><td>Qualitative disclosures</td></tr>
<tr><td></td><td>For portfolios under the Standardized Approach;</td></tr>
<tr><td></td><td>Names of credit rating agencies used, plus reasons for any changes.</td></tr>
<tr><td></td><td>Bank has approved all the six External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts that forms the basis for determining risk weights under Standardized Approach.

External Credit Rating Agencies approved are:
1. CRISIL
2. CARE
3. India Ratings and Research Private Limited (Formerly FITCH INDIA)
4. ICRA
5. Brickwork Ratings India Pvt. Ltd (BRICKWORK)
6. SME Rating Agency of India Ltd.(SMERA)

Two new agencies, Brickwork Ratings India Pvt. Ltd & SME Rating Agency of India Ltd. are added by the Bank during the year for rating the exposures in line with RBI instructions in this regard. Wherever short term rating is not available, long term rating grade is used to determine risk weight of the short term claims also. However, even if short term rating is available, it is not used to determine risk weight of long term claims.

With respect to external credit rating, Bank is using long term ratings for risk weighting all long term claims and unrated short term claims on the same counterparty. However, short term rating of a counterparty is used only to assign risk weight to all short term claims of the obligor and not to risk weight unrated long term claims on the same counterparty

For an unrated claim with respect to external credit rating, the Bank is using long term ratings for risk weighting both unrated long term claims as well as unrated short term claims on the same counterparty. However, short term rating of counterparty are only used to assign risk weight to unrated short term claims and not unrated long term claims of the same counterparty.

Wherever external credit rating of guarantor is relevant, the same should be used as the entity rating of the guarantor and not the rating of any particular issue of the guarantor. Whereas the entity ratings can be used to risk weight specific unrated credit exposures of counterparty, rating of any credit exposure of the counterparty cannot be used to arrive at risk weight of that counterparty as guarantor.</td></tr>
<tr><td>1.2</td><td>Types of exposure for which each agency is used.</td></tr>
<tr><td></td><td>1. Rating by the agencies is used for both fund based and non-fund based exposures.
2. Short Term Rating given by the agencies is used for exposure with contractual maturity of less than or equal to one year (except Cash Credit, Overdrafts and other Revolving Credits).</td></tr>
</table>

	3. Long Term Rating given by the agencies is used for exposures with contractual maturity of above one year and also for Cash Credit, Overdrafts and other Revolving Credits. 4. Rating assigned to one particular entity within a corporate group is not used to risk weight other entities within the same group.
1.3	Description of the process used to transfer public issue ratings onto comparable assets in the Banking Book
	The ratings available in public domain are mapped according to mapping process as envisaged in RBI guidelines on the subject. Issue Specific Ratings (Bank's own exposures or other issuance of debt by the same borrower constituent/counterparty) or Issuer Ratings (borrower constituent/counterparty) are applied to unrated exposures of the same borrower constituent/counterparty subject to the following: 1. Issue specific ratings are used where the unrated claim of the Bank ranks *paripassu* or senior to the rated issue / debt. 2. Wherever issuer rating or issue specific ratings are used to risk weight unrated claims, such ratings are extended to entire amount of claim on the same counterparty. 3.Ratings used for risk weighting purposes are confirmed from the websites of the rating agencies concerned.

2.	**Quantitative disclosures**		
	Risk weight wise details of credit risk exposures (rated and unrated) after risk mitigation subject to the Standardized Approach (Credit equivalent amount of all exposures subjected to Standardized Approach, after risk mitigation)	Risk Weight	Amount in ₹ Crore
		Below 100 %	39753.27
		100 %	18374.78
		More than 100 %	6031.55
		Deducted	0.00
		Total	64159.60

TABLE DF – 6: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACHES

1.	**Qualitative disclosures**
	Disclosures on credit risk mitigation methodology adopted by the Bank that are recognized under the Standardized Approach for reducing capital requirements for credit risk
1.1	Policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting
	Bank has no practice of on-balance sheet netting for credit risk mitigation. Eligible collaterals taken for the exposures are separately earmarked and the exposures are expressed without netting.

1.2	Policies and processes for collateral valuation and management
	Bank has put in place Board approved policy on Credit Risk Management in which Collateral Management and credit risk mitigation techniques used by the Bank for both risk management and capital computation purposes are separately included. The Loan policy of the Bank covers various aspects of valuation of collaterals.
1.3	Description of the main types of collateral taken by the Bank
	Collaterals used by Bank as risk mitigants for capital computation under Standardized Approach comprise eligible financial collaterals namely: 1. Cash margin and fixed deposits of the counterparty with the Bank. 2. Gold jewellery of purity 91.6% and above, the value of which is notionally converted to value of gold with 99.99% purity. 3. Securities issued by Central and State Governments 4. Kisan Vikas Patra and National Savings Certificates. 5. Life Insurance Policies with a declared surrender value of an insurance company regulated by the insurance sector regulator. 6. Debt securities rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are either: a. Attracting 100% or lesser risk weight i.e. rated at least BBB (-) when issued by Public sector entities and other entities including banks and Primary Dealers or b. Attracting 100% or lesser risk weight i.e. rated at least A3 for short term debt instruments 7. Debt securities not rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are a. Issued by the bank b. Listed on a recognized exchange c. Classified as senior debt d. All rated issues of the same seniority by the issuing Bank are rated at least BBB (-) or A3 by a chosen Credit Rating Agency e. The bank has no information to suggest that the issue justifies a rating below BBB (-) or A3 by a chosen Credit Rating Agency 8. Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation and mutual funds where a. A price for the units is publicly quoted daily i.e. where the daily NAV is available in public domain b. Mutual fund is limited to investing in the permitted instruments listed. Bank has no practice of monitoring / controlling exposures on a net basis, though Bank is able to determine at any time loans/advances and deposits of the same counterparty. Netting benefit, even if available, is not utilized in capital computation under Basel II norms.

1.4	Main types of guarantor counterparty and their creditworthiness
	Bank considers guarantees, which are direct, explicit, irrevocable and unconditional for credit risk mitigation. Use of such guarantees for capital computation is strictly as per RBI guidelines on the subject. Main types of guarantor counterparties are a. Sovereigns (Central / State Governments) b. Sovereign entities like ECGC, CGTSI c. Banks and Primary Dealers with a lower risk weight than the counter party Other entities rate AA (-) or better. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.
1.5	Information on market / credit risk concentrations within the mitigation taken by the Bank
	Majority of financial collaterals held by the Bank are by way of own deposits, government securities, Gold, Life Insurance Policies and other approved securities like NSC, KVP etc. Bank does not envisage market liquidity risk in respect of financial collaterals except in Gold and Units of Mutual Funds. Bank does not have exposure collateralized through units of eligible Mutual Funds. Personal loan exposures fully secured only by Gold comes to 5.61% of total gross credit risk exposures, in which Bank is maintaining adequate margin (minimum 20% to 25%) on value of securities. Risk mitigation by gold is also taken in the form of agricultural gold loans to the tune of 2.76% of gross credit exposure. Each and every exposure is reviewed/renewed/closed with in a maximum period of 12 months stipulated for such exposures. Bank could successfully manage the risks posed by sudden reduction in gold price. Measures warranted by the situation are timely taken. Bank has not experienced any significant market liquidity risk in Gold. Overall, financial collaterals do not have any issue in realization. Concentration on account of collateral is also relevant in the case of land & building. Except in the case of housing loan to individuals, land and building is considered only as an additional security. As land and building is not recognized as eligible collateral under Basel II Standardized Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge, and is used only in the case of housing loan to individuals and non performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.

(Amount in ₹ Crores)

2.	**Quantitative Disclosures**			
2.1	Credit risk exposure covered by eligible financial collaterals			
	Type of exposure	Credit equivalent of gross exposure	Value of eligible financial collateral after haircuts	Net amount of credit exposure
A	Loans and advances	8856.59	8164.24	692.35
B	Non-market related off balance sheet items	4596.89	755.61	3841.28
C	Securitisation exposures – on balance sheet	0.00	0.00	0.00
D	Securitisation exposures – off balance sheet	0.00	0.00	0.00
	TOTAL	13453.48	8919.85	4533.63

2.2	Credit risk exposure covered by guarantees		
	Type of exposure	Credit equivalent of gross exposure	Amount of guarantee (Credit equivalent)
A	Loans and advances	2302.48	2094.62
B	Non-market related off balance sheet items	399.36	383.85
C	Securitisation exposures – on balance sheet	0.00	0.00
D	Securitisation exposures – off balance sheet	0.00	0.00
	TOTAL	2701.84	2478.47

TABLE DF – 7: SECURITISATION: DISCLOSURES FOR STANDARDIZED APPROACH

1.	**Qualitative disclosures**
1.1	**General disclosures on securitisation exposures of the Bank**
A	Objectives of securitisation activities of the Bank (including the extent to which these activities transfer credit risk of the underlying securitized exposures away from the Bank to other entities and nature of other risks inherent in securitized assets)
	Bank's securitisation exposure is limited to investments in AAA rated securitisation instruments, primarily made in an earnings perspective and risks inherent in the investment is within reasonable levels.
B	Role of Bank in securitisation processes (originator / investor/ service provider/ facility provider etc.) and extent of involvement in each activity.
	Bank has invested in rated securitized instruments and such investments are

	held in its Trading Book. Bank is not active in securitisation processes in any other manner.
C	Processes in place to monitor changes in the credit and market risk of securitisation exposures
	Bank is constantly monitoring the changes in credit and market risk profile of securitisation instruments held in the Trading Book.
D	Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitisation exposures
	Bank has not retained any exposure/risk as originator of securitisation transactions.
1.2	**Accounting policies for securitisation activities**
A	Treatment of transaction (whether as sales or financings)
	N.A
B	Methods and key assumptions (including inputs) applied in valuing positions retained or purchased
	Income from investments in Pass Through Certificates is recognized on accrual basis. Income recognition is subjected to prudential norms stipulated by Reserve Bank of India in this regard.
C	Changes in methods and key assumptions from the previous period and impact of the changes
	No change is effected in methods and key assumptions used for valuation of investment in securitized instruments.
D	Policies for recognizing liabilities on the balance sheet for arrangements that could require the bank to provide financial support for securitized assets.
	Bank has not entered into any arrangement to provide financial support for securitized assets.
1.3	In the Banking Book, names of ECAIs used for securitisations and the types of securitisation exposures for which each agency is used.
	Bank does not have any securitisation exposure in the Banking Book.

(Amount in ₹ Crore)

2.	**Quantitative disclosures**	
2.1	In the Banking Book	
A	Total amount of exposures securitized by the Bank	Nil
B	For exposures securitized, losses recognized by the Bank during the current period *(exposure type wise break up)*	Nil
C	Amount of assets intended to be securitized within a year	Nil
D	Of (C) above, amount of assets originated within a year before securitisation	Nil

E	Securitisation exposures (by exposure type) and unrecognized gain or losses on sale thereon		
	Type of exposure	Amount securitized	Unrecognized gain / loss
	Nil	Nil	Nil
	TOTAL		

F	Aggregate amount of on-balance sheet securitisation exposures retained or purchased by the Bank (exposure type wise breakup)	Nil
G	Aggregate amount of off-balance sheet securitisation exposures (exposure type wise breakup)	Nil
H	Aggregate amount of securitisation exposures retained or purchased and associated capital charges (exposure type wise and risk weight wise breakup)	

		Risk weights						
	Type of exposure	20%	30%	50%	100%	150%	350%	400%
	Nil	----	----	----	----	----	----	----

I	Total amount of deductions from capital on account of securitization exposures	Nil
	Deducted entirely from Tier I capital-underlying exposure type wise break uo	Nil
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up	Nil
	Other exposures deducted from total capital – underlying exposure type wise break up	Nil
2.2	In the Trading Book	
A	Aggregate amount of exposures securitized by the Bank for which the Bank has retained some exposures, which is subject to Market Risk approach (exposure type wise details)	

	Type of exposure	Gross Amount	Amt retained
	Nil	Nil	Nil

B	Aggregate amount of on-balance sheet securitisation exposures retained or purchased by the Bank (exposure type wise breakup)	
	Type of exposure	Amt in ₹Cr.
	Investment in Pass through Certificates	7.70
C	Aggregate amount of off-balance sheet securitisation exposures (exposure type wise breakup)	Nil
D	Securitisation exposures retained / purchased subject to	---

	Comprehensive Risk Measure for specific risk		
E	Securitisation exposures retained / purchased subject to specific risk capital charge (risk weight band wise distribution)		
	Type of Exposure	Capital charge as % to exposure	Exposure (₹ Cr.)
	Investment in Pass through Certificates	1.80 %	7.70
F	Aggregate amount of capital requirements for securitisation exposures (risk weight band wise distribution)		
	Type of exposure	Capital charge as % to exposure	Capital charge (₹ Cr)
	Investment in Pass through Certificates	1.80%	0.14
G	Total amount of deductions from capital on account of securitisation exposures		Nil
	Deducted entirely from Tier I capital – underlying exposure type wise break up		Nil
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up		Nil
	Other exposures deducted from total capital – underlying exposure type wise break up		Nil

TABLE DF – 8: MARKET RISK IN TRADING BOOK

1.	**Qualitative disclosures**
1.1	Approach used for computation of capital charge for market risk
	Bank has adopted Standardized Duration Approach as prescribed by RBI for computation of capital charge for general market risk and is fully compliant with such RBI guidelines. Bank uses VaR as an indicative tool for measuring Forex risk and Equity Price risk. Standardized Duration Approach is applied for computation of General Market Risk for ➢ Securities under HFT category ➢ Securities under AFS category ➢ Open gold position limits ➢ Open foreign exchange position limits ➢ Trading positions in derivatives ➢ Derivatives entered into for hedging trading book exposures Specific capital charge for market risk is computed based on risk weights prescribed by the Regulator.

1.2	Portfolios covered in the process of computation of capital charge
	Investment portfolio under AFS and HFT, Gold and Forex open positions and Derivatives entered for trading and hedging.

(Amount in₹ Crore)

2.	**Quantitative disclosures**	
2.1	Minimum capital requirements for market risk as per Standardized Duration Approach under Basel II	233.73
	Interest rate risk	152.58
	Foreign exchange risk (including gold)	18.00
	Equity position risk	63.15

TABLE DF – 9: OPERATIONAL RISK

1.	**Qualitative disclosures**
1.1	Approach used for computation of capital charge for operational risk (and for which the Bank is qualified)
	Bank has adopted Basic Indicator Approach as prescribed by RBI for computation of capital charge for operational risk. Bank has initiated steps to move on to the Advanced Measurement Approach in due course.

TABLE DF – 10: INTEREST RATE RISK IN BANKING BOOK (IRRBB)

1.	**Qualitative disclosures**
1.1	Brief description of approach used for computation of interest rate risk and nature of IRRBB.
	Interest Rate Risk in Banking Book is computed through Duration Gap Analysis and Traditional Gap Analysis. In Traditional Gap Analysis, the impact of changes in interest rates on Banks' earnings due to changes in Net Interest Income is assessed. i.e., earnings perspective is taken care in this method whereas in Duration Gap Analysis, the economic value perspective is taken care of. Duration Gap Analysis measures the level of Banks exposure to interest rate risk in terms of sensitivity of Market Value of its Equity (MVE) to interest rate movements.

1.2	Key assumptions used in Duration Gap Analysis (DGA) and computation of capital charge for Interest Rate Risk (including assumptions on prepayment of loans and behavior of non-maturity deposits)
	Board approved assumptions as stipulated in applicable policies are used in Duration Gap Analysis and computation of capital charge for Interest Rate Risk. The following are the key assumptions involved: 1) As indicated by RBI, assets and liabilities are grouped under the broad heads under various time buckets and bucket wise modified duration of these groups is computed using the suggested common maturity, coupon and yield parameters. 2) Advances linked to BPLR and Base Rate has been placed in the bucket of 29 days to 3 months as per Bank's interest rate expectations. 3) All the future cash flows (future repricing amount) bucket wise are discounted with midpoint of the bucket and suggested yield to get more accurate treatment of cash flows. The same present value is considered to arrive at the weighted Modified duration of each asset and liability and further to get the weighted modified duration of Liabilities and Assets. 4) Bank's average standard advances covering Bills Purchased / Discounted, Cash Credits/ Overdrafts and term loans are mapped to appropriate external ratings. Yield curve for BBB rated corporate bonds is used as a proxy for yield for Banks' average standard advances for arriving at the Modified Duration of Advances. Usual bucketing applicable to the Statement of Interest Rate Sensitivity is also made applicable to the duration of Equity calculations. Last bucket for both liabilities and assets is approximated as above 15 years (Maximum 20 years).
1.3	Frequency of measurement of interest rate risk
	Measurement and Computation of Interest rate risk in Banking Book and evaluation of Modified Duration of Equity is done by the Bank on a monthly basis. Bank also calculates on a monthly basis the likely drop in Market Value of Equity with 200 bps change in interest rates. Earnings-at-Risk is measured on a monthly basis using Traditional Gap Analysis.

2.	**Quantitative disclosures - Impact of interest rate risk**	
2.1	Earnings perspective (Traditional Gap Analysis)	
	Earnings at Risk (EaR) – impact for one year due to	
	Uniform 1% increase in interest rate (Amt in ₹ Cr.)	0.00
	Uniform 1% decrease in interest rate (Amt in ₹ Cr.)	216.08
2.2	Economic value perspective – percentage and quantum of decrease in market value of equity on account of 1% uniform increase in interest rate	6.52% ₹414.98 Cr

(* Currency wise break up not provided as the turnover in other currencies is less than 5% of total turnover)

TABLE DF – 11: ADDITIONAL DISCLOSURES AS PER ICAAP

1.	**Qualitative Disclosures**	
1.1		
	ICAAP is aimed to equip Bank to undertake various risks knowingly and more fruitfully in a fast changing dynamics of integrated and complex global financial market. The policy proposes process to identify, control, monitor and appropriately mitigate all possible risks embedded in its operations so as to draw the risk appetite and risk bearing parameters of the Bank and measure and allocate capital for quantifiable risks. Policy aims the Bank to move towards more advanced approaches in its capital planning and risk assessment and thereby gather enough strength to sail safe through normal as well as troubled times, present or future. The document envisages Bank to give sufficient comfort to the Regulator and all its stakeholders on its stability, growth and earning potential. Policy supports Bank to maximize shareholders' wealth and improve services delivery to the public by following industry level best practices. ICAAP embodies risk philosophy of the Bank, 'take risk by choice and not by chance'.	
2.	**Quantitative Disclosures**	
2.1	Additional capital requirements under ICAAP	Amt in ₹ Cr.
	Credit risk –over and above Pillar I capital charge	0.00
	Sectoral credit concentration risk	49.49
	Geographical credit concentration risk	60.82
	Interest rate risk	0.00
	Liquidity risk	0.00
2.2	Overall capital adequacy of solo Bank (With aggregate of capital charge under Pillar I and Pillar II of Basel II norms)	14.33%