केनरा बैंक Canara Bank

BASEL II PILLAR 3 DISCLOSURES (Solo) AS ON 31.03.2015

TABLE DF 1: SCOPE OF APPLICATION:

Qualitative Disclosures:

a. The name of the Bank to which the framework applies : **CANARA BANK**

b. An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group:

(i) That are fully consolidated (viz., subsidiaries as in consolidated accounting, e.g. AS 21, having holding > 50%)

1. Canbank Venture Capital Fund Ltd. (Holding 100% – Financial Entity)
2. Canbank Financial Services Ltd. – (Holding 100% – Financial Entity)
3. Canara Bank Securities Ltd (Holding 100% – Stock Broking Company)
4. Canbank Factors Ltd. (Holding 70% – Financial Entity)
5. Canara Bank Computer Services Ltd (Holding 69.14% – Others)
6. Canara Robeco Asset Management Co. Ltd. (Holding 51% – AMC of Mutual Fund)
7. Canara HSBC OBC Life Insurance Co. Ltd. (Holding 51% – Financial Entity)

(ii) That are pro-rata consolidated (viz. Joint ventures in consolidated accounting, e.g. AS 27, having holding < 50%)

1. Commercial Indo Bank LLC. – (Holding 40% – Joint Venture with SBI)

(iii) That are given a deduction treatment (Associates – Holding above 20% and below 50%)

1. Canfin Homes Ltd. (Holding 43.45%)
2. Pragathi Krishna Gramin Bank (RRB – Holding 35%)
3. Kerala Gramin Bank (RRB – Holding 35%)

c. **Differences in basis of consolidation for accounting and regulatory purposes:**

In terms of Regulatory guidelines, a consolidated bank may exclude group companies which are engaged in insurance business and businesses not pertaining to financial services. Hence, Canara HSBC OBC Life Insurance Co. Ltd. (Holding 51% – Insurance Business) and Canara Bank Computer Services Ltd. (Holding 69.14% – Others) has been excluded for regulatory purpose.

Quantitative Disclosures:

(d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.

NIL

(e) 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.

1) Name : Canara HSBC OBC Life Insurance Co. Ltd
2) Country of Incorporation : India
3) Ownership Interest : ` 4,845.00 Million (51%)

TABLE DF 2: CAPITAL STRUCTURE:

Qualitative Disclosures:

Our Bank's Tier I Capital comprises of Equity Shares, Reserves and Innovative Perpetual Bonds.

The Bank has issued Innovative Bonds (Tier I) and also other Bonds eligible for inclusion in Tier 2 Capital. Details of the Bonds are as under:

A) Innovative Perpetual Debt Instruments (IPDI) – Tier I

Particulars	Place	Date of Issue	Perpetual & Call Option	Coupon Rate	` in millions
Series I	In India	30.03.2009	30.03.2019	9.00%	2,403.00
Series II	In India	21.08.2009	21.08.2019	9.10%	6,000.00
Series III	In India	03.08.2010	03.08.2020	9.05%	7,493.00
Basel III Compliant Additional Tier I	In India	05.03.2015	05.03.2025	9.55%	15000.00
				TOTAL	**30896.00**

B) Upper Tier II Bonds

Particulars	Place	Date of Issue	Date of Maturity	Coupon Rate	` in millions
Series I	In India	16.09.2006	16.09.2021	9.00%	5,000.00
Series II	In India	23.03.2007	23.03.2022	10.00%	5,000.00
Series III	In India	29.09.2010	28.09.2025	8.62%	10,000.00
				TOTAL	**20,000.00**
FC Bonds	London	27.11.2006	28.11.2016	6.365%	250 mn US $

C) Lower Tier II Bonds

Particulars	Place	Date of Issue	Date of Maturity	Coupon Rate	` in millions
Series VIII	In India	29.09.2005	29.04.2015	7.40%	5,000.00
Series IX	In India	01.03.2006	01.05.2015	8.15%	4,250.00
Series IX A	In India	15.09.2006	15.09.2016	8.85%	5,750.00

Series X	In India	30.03.2007	30.03.2017	9.90%	4,000.00
Series XI	In India	09.01.2008	09.01.2018	9.00%	7,000.00
Series XII	In India	16.01.2009	16.01.2019	8.08%	3,250.00
BASEL III TIER II SER I	In India	03.01.2014	03.01.2024	9.73%	15,000.00
BASEL III TIER II SER II	In India	27.03.2014	27.03.2024	9.70%	10,000.00
				TOTAL	**54250.00**

The main features of Innovative Perpetual Debt Instruments (IPDI) Under Tier I Capital are as follows:

The Bank has not issued any IPDI during the current financial year.

The important features of these instruments are:

- The debt instruments are perpetual in nature without any specific maturity period.
- The instruments are Unsecured Non Convertible Subordinated Perpetual Bonds in the nature of promissory Notes (Bonds).
- The debt instruments are rated AAA (Stable) from CRISIL and BWR AAA from Brickwork Ratings.
- Fixed rate of interest is payable on the debt instruments, annually.
- The interest shall not be cumulative.
- The Bank has the call option after 10 years from the date of issue with the prior approval of Reserve Bank of India.
- The Bank has step up option (shall be exercised only once during the whole life of the instrument) at the end of 10 years which shall be not more than 50 basis points. As per RBI circular DBOD.BP.BC.No.75/21.06.001/2010-11 dated 20/01/2011 the instruments should not have step – ups or other incentives to redeem. Instruments issued before Sept 12, 2010 will continue to be recognized as eligible capital instruments under Basel III.
- The debt instruments shall be subjected to a lock-in clause, in terms of which, the Bank shall not be liable to pay interest, if (a) the Bank's CRAR is below the minimum regulatory requirement prescribed by RBI or (b) the impact of such payment results in Bank's capital to risk assets ratios (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by the RBI.

- The claim of investors in these instruments shall be superior to the claims of investors in the equity shares and subordinated to the claims of all other creditors.
- These debt instruments are not subjected to a progressive discount for capital adequacy purposes since these are perpetual in nature.
- The instrument is listed on National Stock Exchange of India Limited (NSE).

The main features of Upper Tier II bonds are as follows:

The Bank has not issued Upper Tier II Bond during the current financial year.

The important features of these debt instruments are:

- The instruments are Unsecured Redeemable Subordinated Non-Convertible in the nature of promissory Notes (Bonds).
- The debt instruments are rated AAA (Stable) from CRISIL and BWR AAA from Brickwork Ratings.
- The Bank has Call Option after 10 years from the date of issue with the RBI's approval.
- The Bank has step up option at the end of 10 years that shall not be more than 50 basis points. As per RBI circular DBOD.BP.BC.No.75/21.06.001/2010-11 dated 20/01/2011 the instruments should not have step – ups or other incentives to redeem. Instruments issued before Sept 12, 2010 will continue to be recognized as eligible capital instruments under Basel III. However, RBI has accorded special permission to us vide their communication DBOD.BP.BC.Mo.16.284/21.06.201/ 2010-11 dated 19 April 2011 to reckon the Upper Tier II Series III instrument of `10,000 million issued post Sept 12, 2010 for the purpose of capital adequacy.
- The instruments are subjected to a progressive discount @ 20% per year during the last 5 years of their tenure. Such discounted amounts are not included in Tier II capital for capital adequacy purpose.
- The face value of the Bond is redeemable at par, on expiry of the tenure or after 10 years from issue if the Bank exercises Call Option. The Bond will not carry any obligation, for interest or otherwise, after the date of redemption. The instruments are free of restrictive clauses and not redeemable at the initiative of the holder or without the consent of the Reserve Bank of India.

- The debt instruments shall be subjected to a lock-in clause, in terms of which, the Bank shall not be liable to pay interest, if (a) the Bank's CRAR is below the minimum regulatory requirement prescribed by RBI or (b) the impact of such payment results in Bank's capital to risk assets ratios (CRAR) falling below or remaining below the minimum regulatory requirement prescribed by the RBI.

- The claims of the investors in these instruments shall rank superior to the claims of investors in instruments eligible for inclusion in Tier 1 capital and subordinate to the claims of all other creditors.

- The instrument is listed on National Stock Exchange of India Limited (NSE).

The main features of Lower Tier II bonds are as follows:

- The Bank has issued BASEL III Compliant Tier II Bonds aggregating to `25,000 million during the current financial year. The details are as follows:-

Lower Tier II Bonds

Particulars	Place	Date of Issue	Date of Maturity	Coupon Rate	` in millions
BASEL III TIER II SER I	In India	03.01.2014	03.01.2024	9.73%	15,000.0
BASEL III TIER II SER II	In India	27.03.2014	27.03.2024	9.70%	10,000.0
				Total	**25,000.0**

- The bonds have a tenure ranging from 9 to 10 years.

- The debt instruments are rated AAA (Stable) from CRISIL and LAAA from ICRA.

- The instruments are fully paid up, unsecured and subordinated to the claims of other creditors, free of restrictive clauses and not redeemable at the initiative of the holder or without the consent of the Reserve Bank of India.

- The instruments are subjected to progressive discounting @ 20% per year over the last 5 years of their tenure. Such discounted amounts are not included in Tier II capital for capital adequacy purposes.

- The claims of the investors in these instruments shall rank superior to the claims of investors in instruments eligible for inclusion in Tier 1 capital and subordinate to the claims of all other creditors.

Quantitative Disclosures:

Sl No	Items	Amount (` in millions) 31.03.2015	31.03.2014
(a)	The amount of Tier I Capital, with separate disclosure of		
	▪ Paid-up Share Capital	4,752.00	4612.60
	▪ Reserves	252,157.00	232,339.20
	▪ Innovative Instruments ($)	30,896.00	15,896.00
	▪ Other Capital Instruments	-	-
	Sub -total	287,805.00	252,847.80
	▪ Less amounts deducted from Tier I Capital, including Goodwill and Investments.	4,335.00	3,684.90
	Total Tier I capital	283,470.00	249,162.90
(b)	The total amount of Tier II Capital (net of deductions from Tier II Capital)	91,320.00	97,802.60
(c)	Debt Capital Instruments eligible for inclusion in Upper Tier II Capital		
	▪ Total amount outstanding	35,625.00	34,978.80
	▪ Of which amount raised during the current year	0.00	0.00
	▪ Amount eligible to be reckoned as capital funds	15,125.00	19,991.50
(d)	Subordinated Debt eligible for inclusion in Lower Tier II Capital.		
	▪ Total amount outstanding	54,250.00	61,885.00
	▪ Of which amount raised during the current year	0.00	25,000.00
	▪ Amount eligible to be reckoned as capital funds	31,700.00	37,550.00
(e)	Other deductions from Capital, if any.	0.00	0.00
(f)	**Total eligible Capital - Tier I+ Tier II (a+b-e)**	**374,790.00**	**346,965.50**

($) Innovative Perpetual Debt Instruments and any other type of instruments that may be allowed from time to time.

TABLE DF 3: CAPITAL ADEQUACY:

Qualitative Disclosures:

In Capital Planning process the Bank reviews:

- Current capital requirement of the Bank.
- The targeted and sustainable capital in terms of business strategy and risk appetite.

Capital need and capital optimization are monitored periodically by the Capital Planning Committee comprising Top Executives. Further, Capital Planning is monitored at the Board level comprising of Managing Director & CEO, Executive Directors and two independent Directors. Capital requirement is projected quarterly considering the expected growth in advances, investments and investments in Subsidiaries / Joint Ventures, etc. Committee takes into consideration various options available for capital augmentation in tune with business growth and realignment of Capital structure duly undertaking the scenario analysis for capital optimization in tune with its long term goals enumerated in ICAAP and Vision documents.

Quantitative Disclosures:

Sl No	Items		Amount (` in millions) 31.03.2015	31.03.2014
(a)	**Capital requirements for Credit Risk**			
	▪	Portfolios subject to Standardized Approach	270074.96	246041.15
	▪	Securitization Exposures	0.00	0.00
(b)	**Capital requirements for Market Risk** – Standardized Duration Approach			
	▪	Interest Rate Risk	13087.60	13090.56
	▪	Foreign Exchange Risk (including Gold)	375.90	592.47
	▪	Equity Risk	7201.40	5156.27
(c)	**Capital requirements for Operational Risk**			
	- Basic Indicator Approach		16578.68	15394.60
(d)	**Total & Tier I CRAR for the Bank**			
	▪	Total CRAR (%)	10.98	11.14
	▪	Tier I CRAR (%)	8.30	8.00
(e)	**Total & Tier I CRAR for the Consolidated Group**			
	▪	Total CRAR (%)	11.01	11.37
	▪	Tier I CRAR (%)	8.34	8.24
(f)	**Total & Tier I CRAR for the Significant Subsidiary which are not under Consolidated Group**			
	▪	Total CRAR (%)	NA	NA
	▪	Tier I CRAR (%)	NA	NA

TABLE DF 4: CREDIT RISK: GENERAL DISCLOSURES:

Qualitative Disclosures:

Bank has put in place Board approved Credit Risk Management Policy (CRM Policy), which governs all credit risk related aspects. CRM Policy outlines the principles, standards and approach for credit risk management at the Bank. It establishes systems, procedures, controls and measures to actively manage the credit risks, optimize resources and protect the bank against adverse credit situations. The delegation of power for approval of credit limits is approved by the Board of Directors.

The Bank's policies assume moderate risk appetite and healthy balance between risk and return. The primary risk management goals are to maximize value for shareholders within acceptable parameters and adequately addressing the requirements of regulatory authorities, depositors and other stakeholders. The guiding principles in risk management of the Bank comprise of Compliance with regulatory and legal requirements, achieving a balance between risk and return, ensuring independence of risk functions, and aligning risk management and business objectives. The Credit Risk Management process of the Bank is driven by a strong organizational culture and sound operating procedures, involving corporate values, attitudes, competencies, employment of business intelligence tools, internal control culture, effective internal reporting and contingency planning.

The overall objectives of Bank's Credit Risk Management are to:

- Ensure credit growth, both qualitatively and quantitatively that would be sectorally balanced, diversified with optimum dispersal of risk.
- Ensure adherence to regulatory prudential norms on exposures and portfolios.
- Adequately pricing various risks in the credit exposure.
- Form part of an integrated system of risk management encompassing identification, measurement, monitoring and control.

Strategies and processes:

In order to realize the above objectives of Credit Risk Management, the Bank prescribes various methods for Credit Risk identification, measurement, grading and aggregation techniques, monitoring and reporting, risk control/ mitigation techniques and management of problem loans/ credits. The Bank has also defined target markets, risk acceptance criteria, credit approval authorities, and guidelines on credit origination/ maintenance procedures.

The strategies are framed keeping in view various measures for Credit Risk Mitigation, which includes identification of thrust areas and target markets, fixing of exposure ceiling based on regulatory guidelines and risk appetite of the Bank, Minimizing Concentration Risk, and pricing based on rating.

Bank from time to time would identify the potential and productive sectors for lending, based on the performance of the segments and demands of the economy. The Bank restricts its exposures in sectors which do not have growth potentials, based on the Bank's evaluation of industries/ sectors based on the prevailing economic scenario prospects, etc.

The operational processes and systems of the Bank relating to credit are framed on sound Credit Risk Management Principles and are subjected to periodical review.

The Bank has comprehensive credit risk identification processes as part of due diligence on credit proposals.

The structure and organization of the Credit Risk Management Function:

Credit Risk Management Structure in the Bank is as under-

i. Board of Directors
ii. Risk Management Committee of the Board (RMCB)
iii. Credit Risk Management Committee (CRMC)
iv. Model Review Technical Working Group (MRTWG)
v. General Manager-Risk Management Wing, H.O (Chief Risk Officer)
vi. Deputy General Manager (I&II), Risk Management Wing
vii. Credit Risk Management Department, Risk Management Wing
viii. The Credit Risk Management Department comprises of Credit Policy Section, Credit Statistics Section and Credit Risk Management Section. The Credit Risk Management Section has three functional desks, the Credit Risk Management Desk, Credit Risk Rating Desk and Industry Research Desk.
ix. Model Development Team
x. Model Validation Team (MVT)
xi. Risk Management & Credit Review Section at Circle Offices.

The scope and nature of risk reporting and / or measurement systems:

Bank has an appropriate credit risk measurement and monitoring processes. The measurement of risk is through a pre-sanction exercise of credit risk rating and scoring models put in place by the Bank. The Bank has a separate Risk Rating Policy for identifying the parameters under each of these risks as also assigning weighted scores thereto and rating them on a scale of I to VII. Grade VIII or High Risk Grade III is termed as default grade. The risk rating policy also entails the guidelines on usage/mapping of ratings assigned by the recognized ECAIs (External Credit Assessment Institutions) for assigning risk weights for the eligible credit exposures as per the guidelines of the RBI on standardized approach for capital computation and also for pricing purposes.

The Bank has adopted 'Standardized Approach' for entire credit portfolio for credit risk measurement. The bank is endeavouring to move towards IRB approaches and made all necessary efforts in this regard.

The Bank has embarked upon implementation of a software solution to get system support for establishing a robust credit data warehouse for all MIS requirements, computation of Risk Weighted Assets (RWA), generate various credit related reports for review of exposure and monitoring, and conducting analysis of credit portfolio from various angles.

Policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants:

Bank primarily relies on the borrower's financial strength and debt servicing capacity while approving credits. Bank does not excessively rely on collaterals or guarantees as a source of repayment or as a substitute for evaluating borrower's creditworthiness. The Bank does not deny credit facilities to those assessed as credit worthy for mere want of adequate collaterals.

In order to manage the Bank's credit risk exposure, the Bank has adopted credit appraisal and approval policies and procedures that are reviewed and updated by the Risk Management Wing at Head office in consultation with other functional wings. The credit appraisal and approval process is broadly divided into credit origination, appraisal, assessment and approval, and dispensation.

Corporate finance and project finance loans are typically secured by a first lien on fixed assets, normally consisting of property, plant and equipment. The Bank also takes security of pledge of financial assets like marketable securities and obtains corporate guarantees and personal guarantees wherever appropriate. Working Capital loans are typically secured by a first lien on current assets, which normally consist of inventory and receivables.

Bank has laid down detailed guidelines on documentation to ensure legal certainty of Bank's charge on collaterals.

The Bank's policy is to ensure portfolio diversification and evaluate overall exposure in a particular industry / sector in the light of forecasts of growth and profitability for that industry, and the risk appetite of the Bank. The Bank monitors exposures to major sectors of the economy and specifically exposure to various industries and sensitive sectors. Exposure to industrial activities is subjected to the credit exposure ceilings fixed by the Bank based on the analysis on performance of the industry. The Bank's exposures to single and group borrowers as also substantial exposure is fixed as per the risk rating of the borrowers and monitored periodically in order to keep the exposure level within the prudential ceiling norms advised by Reserve Bank of India from time to time.

The credit origination is through the grass root level ably assisted by the branch net work and Circle Offices. The process of identification, application is carried out before commencing an in depth appraisal, due diligence and assessment.

The credit approval process is a critical factor and commences with the mandatory credit risk rating of the borrower as a pre sanction exercise. The measurement of Credit Risk associated with the borrower evaluates indicative factors like; borrowers' financial position, cash flows, activity, current market trends, past trends, management capabilities, experience with associated business entities, nature of facilities etc. The credit sanctioning powers delegated to the various authorities based on internal risk rating categories of the borrower already put in place. In terms of the Ministry of Finance notifications, Bank has set up Credit Approval Committees at HO and circle levels. The credit sanctioning powers of all the sanctioning authorities at administrative units (i.e., besides branch powers) are withdrawn and the committee approach for credit approval has been put in place. The Bank has in place specialized branches viz. Centralized Processing Units (CPUs), Retail Asset Hubs (RAHs) and SME Sulabhs at select cities to ease credit dispensation turnaround time and ensure specialized attention.

To enhance the control measures, a separate Credit Administration and Monitoring Wing is in place to undertake exclusive loan review, monitoring problem accounts, credit audit, etc. This ensures greater thrust on post sanction monitoring of loans and strengthen administering the various tools available under the Banks' policies on loan review mechanism.

For effective loan review, the Bank has the following in place:

- Pre-release Audit System for compliance to sanction terms and conditions, obtention of stipulated collateral securities ensuring perfection of securities before disbursement etc.
- Credit Audit System to identify, analyze instances of non-compliance and rectification for all types of credit facilities sanctioned with credit limit of Rs. 5 crore.
- Review of loan sanctioned by each sanctioning authority by the next higher authority.
- Mid Term Review of borrowal accounts beyond a certain level of exposure.
- Monitoring of Special Mention Accounts (SMA) at various levels. formation of a Joint Lenders' Forum (JLF) and formulation of Corrective Action Plan (CAP) in the case of consortium/JLA accounts, for early rectification or restructuring
- Monitoring tools like Credit Monitoring Format (web-based), Quarterly Information Systems, Half Yearly Operation Systems, Stock Audits etc.
- Credit Monitoring Officers at branches in charge of monitoring functions.
- A framework has been developed outlining a corrective action plan that will incentivize early identification of problem account, timely restructuring of accounts which are considered to be viable and taking prompt steps by lenders for recovery or sale thereby revitalizing the distressed accounts in the Bank.

Loans Past due and Impaired:

As per the prudential norms applied for income recognition, asset classification and provisioning, the Bank considers including following categories of loans and advances as Non-performing Assets, wherein:

- Interest and/or instalment of principal remain overdue for a period of more than 90 days in respect of a Term Loan.
- The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC). An account should be 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 should be treated as 'out of order'.

- The bill remains overdue for a period of more than 90 days in the case of Bills Purchased and Discounted.
- In case of agricultural advances, interest and/or instalment of principal remains overdue for 2 crop seasons (in respect of short duration crops) & 1 crop season (in respect of long duration crops).
- Any amount receivable that remains overdue for a period of more than 90 days in respect of other accounts.
- Interest charged during any quarter is not serviced fully within 90 days from the end of the quarter and /or
- As specified by the regulator from time to time.

Quantitative Disclosures:

(a) Total Gross Credit Exposures:

Overall Credit exposure	**Amount (` in millions)**			
	Fund Based Exposures		**Non-fund Based Exposures**	
	31.03.2015	**31.03.2014**	**31.03.2015**	**31.03.2014**
Total Gross Credit Exposures (after accounting offsets in accordance with the applicable accounting regime and without taking into account the effects of Credit Risk Mitigation techniques, e.g. collateral and netting)	3,349,472.82	3,034,310.24	2,666,108.20	2,150,362.95

(b) Geographic Distribution of Exposures:

Exposures	**Amount (` in millions)**			
	FUND BASED		**NON-FUND BASED**	
	31.03.2015	**31.03.2014**	**31.03.2015**	**31.03.2014**
Domestic operations	3,121,130.00	2,841,589.35	2,548,434.51	2,021,899.05
Overseas operations	228,342.82	192,720.89	117,673.69	128,463.90

(c) Industry Type Distribution of Exposures (Global)

Amount (` in millions)					
SL NO.	INDUSTRY	FUND BASED EXPOSURE		NFB EXPOSURE	
		31.03.2015	31.03.2014	31.03.2015	31.03.2014
1.1	**Mining and Quarrying**	**30,570.80**	**30,718.20**	**6,601.60**	**1,520.00**
1.2	**Food Processing**	**93,182.50**	**68,830.80**	**4,287.30**	**4,520.00**
	1.2.1 Sugar	23,253.50	19,555.10	562.30	560.00
	1.2.2 Edible Oils and Vanaspati	4,186.20	2,606.70	562.70	1,400.00
	1.2.3 Tea	1,796.00	1,062.00	629.80	710.00
	1.2.4 Others	63,946.80	45,607.00	2,532.50	1,850.00
1.3	**Beverage & Tobacco**	**8,590.80**	**7,540.00**	**571.30**	**250.00**
1.4	**Textiles**	**157,142.50**	**134,320.50**	**9,890.20**	**13,850.00**
	2.4.1 Cotton Textiles	72,451.20	60,197.60	3,813.60	3,150.00
	2.4.2 Jute Textiles	1,451.00	1,380.00	182.30	240.00
	2.4.3 Other Textiles	83,240.30	72,742.90	5,894.30	10,460.00
1.5	**Leather & Leather Products**	**11,993.50**	**12,332.70**	**237.90**	**320.00**
1.6	**Wood and Wood Products**	**6,210.00**	**4,460.00**	**975.50**	**1,440.00**
1.7	**Paper & Paper Products**	**25,940.80**	**20,730.10**	**6,089.90**	**4,640.00**
1.8	**Petroleum, Coal Products and Nuclear Fuels**	**33,696.50**	**48,195.90**	**23,214.90**	**28,250.00**
1.9	**Chemicals and Chemical Products**	**57,789.90**	**42,298.80**	**6,965.80**	**7,759.40**
	1.9.1 Fertilizer	3,293.20	2,675.30	2,252.10	3,070.00
	1.9.2 Drugs & Pharmaceuticals	25,839.70	17,408.40	1,860.40	2,030.00
	1.9.3 Petro Chemicals	5,881.10	3,719.60	253.30	349.40
	1.9.4 Others	22,775.90	18,495.50	2,600.00	2,310.00
1.10	**Rubber, Plastic & their Products**	**17,059.20**	**13,370.00**	**2,366.80**	**1,810.00**
1.11	**Glass and Glassware**	**1,735.10**	**1,706.80**	**17.60**	**30.00**

1.12	**Cement and Cement Products**	**23,347.00**	**18,357.30**	**1,060.40**	**610.00**
1.13	**Basic Metal and Metal Products**	**202,598.50**	**187,575.30**	**60,524.90**	**39,270.00**
	1.13.1 Iron and Steel	131,819.10	122,509.90	46,229.30	31,230.00
	1.13.2 Other Metal and Metal Products	70,779.40	65,065.40	14,295.60	8,040.00
1.14	**All Engineering**	**80,144.50**	**71,680.50**	**157,519.20**	**52,623.40**
	1.14.1 Electronics	11,968.10	11,876.10	24,467.40	6,440.00
	1.14.2 Electricity	22,008.20	18,550.00	62,510.80	17,923.40
	1.14.3 Others	46,168.20	41,254.40	70,541.00	28,260.00
1.15	**Vehicles, Vehicle Parts and Transport Equipments**	**41,194.50**	**32,448.20**	**16,002.30**	**6,950.00**
1.16	**Gems & Jewellery**	**11,696.20**	**11,180.00**	**11,063.90**	**10,890.00**
1.17	**Construction**	**57,841.50**	**48,672.50**	**64,131.60**	**44,130.00**
1.18	**Infrastructure**	**849,647.70**	**645,301.30**	**68,191.00**	**38,910.00**
	1.18.1 Power	531,704.10	438,329.90	41,390.30	32,210.00
	1.18.2 Telecommunications	79,195.30	73,731.70	23,648.60	3,910.00
	1.18.3 Roads	103,778.70	70,380.00	821.90	680.00
	1.18.4 Airport	13,768.90	18,270.00	0.00	0.00
	1.18.5 Ports	10,716.20	10,920.00	108.00	110.00
	1.18.6 Railways (other than Indian Railways)	39,994.20	11,730.00	922.20	1,670.00
	1.18.7 Other Infrastructure	70,490.30	21,939.70	1,300.00	330.00
1.19	**Other Industries**	**104,447.30**	**198,651.10**	**7,376.50**	**8,340.00**
	INDUSTRY (Total of Small, Medium and Large Scale)	**1,814,828.80**	**1,598,370.00**	**447,088.60**	**266,112.80**

Credit Exposure of industries where outstanding exposure is more than 5% of the Total Gross Credit Exposure of the Bank is as follows:

Sl No	Industry	Total Exposure (` in millions)	% of Total Gross Credit Exposure
1	Power	573,094.40	9.53

(d) Residual Contractual Maturity Breakdown of Assets (Global)

			Amount (` in millions)
Maturity Pattern	**Advances**	**Investments**	**Foreign Currency Assets**
0 to 1 day	171,350.40 (94,882.20)	2,112.50 (2,379.70)	36,009.30 (14,795.91)
2 to 7 days	115,131.70 (136,358.60)	25,000.00 (5,490.20)	17,443.40 (33,054.90)
8 to 14 days	86,225.80 (111,190.00)	50.00 (556.30)	30,735.90 (13,779.80)
15 to 28 days	145,753.30 (162,313.80)	3,475.43 (6,304.10)	25,642.50 (19,843.44)
29 days to 3 months	281,351.00 (207,013.00)	68,678.04 (24,068.20)	97,987.60 (77,123.77)
Over 3 months & upto 6 months	208,377.70 (214,633.70)	33,944.66 (13,400.20)	48,822.50 (93,852.81)
Over 6 months & upto 1 year	471,283.00 (401,353.20)	50,817.33 (22,276.50)	109,262.90 (38,067.04)
Over 1 year & upto 3 years	826,046.00 (763,646.60)	168,685.17 (123,320.90)	62,404.70 (63,824.11)
Over 3 year & upto 5 years	359,022.70 (279,747.30)	325,671.85 (300,922.90)	28,741.40 (30,137.30)
Over 5 years	635,813.50 (639,536.40)	775,026.88 (769,563.50)	35,610.10 (6,223.90)
Total	**3,300,355.10 (3,010,674.80)**	**1,453,461.86 (1,268,282.50)**	**492,660.30 (390,162.98)**

(The figures in brackets relate to previous year).

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(e) Non-Performing Assets:

Sl No	Items		Amount (` in millions)	
			31.03.2015	31.03.2014
a)	**Gross NPAs**		130,399.60	75,702.10
		Sub-Standard	70,760.20	34,363.40
		Doubtful 1	32,375.90	24,303.60
		Doubtful 2	27,263.50	16,928.60
		Doubtful 3	0.00	106.50
		Loss	0.00	0.00
b)	**Net NPAs**		87,400.90	59,654.60
c)	**NPA Ratios**			
	▪	Gross NPAs to Gross Advances (%)	3.89	2.49
	▪	Net NPAs to Net Advances (%)	2.65	1.98
d)	**Movement of NPAs (gross)**			
	▪	Opening balance	75,702.10	62,601.60
	▪	Additions	108,695.30	84,436.20
	▪	Reductions	53,997.80	71,335.70
	▪	Closing Balance	130,399.60	75,702.10
e)	**Movement of Provisions for NPAs**			
	▪	Opening Balance	15,608.40	9,329.60
	▪	Adjustment towards Exchange Fluctuation	(32.50)	304.60
	▪	Provisions made during the Year	41,757.10	22,380.30
	▪	Write-off	14,796.20	15,912.50
	▪	write back of excess provisions	0.00	493.60
	▪	Closing Balance	42,536.80	15,608.40
f)	**Amount of Non-performing Investments**		2,820.41	2,848.10
g)	**Amount of Provisions held for Non-performing Investments**		2,318.76	2,198.10
h)	**Movement of Provisions for Depreciation on Investments**			
	▪	Opening Balance	1,636.54	2,128.00
	▪	Provisions made during the period	807.23	550.10
	▪	Write-off	0.00	0.00
	▪	Write Back of excess Provisions	125.01	1,041.60
	▪	Closing Balance	2318.76	1,636.50

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

(i) Qualitative Disclosures

(a) FOR PORTFOLIOS UNDER THE STANDARDIZED APPROACH:

- The Bank has recognized following credit rating agencies for the purpose of rating of an exposure & assigning risk weights for computation of capital charge under standardized approach.

Domestic Credit Rating Agencies:

- Brickwork Ratings India Private Limited (Brickwork),
- Credit Analysis & Research Limited (CARE),
- CRISIL Limited,
- ICRA Limited,
- India Ratings and Research Private Limited (Formerly FITCH India)
- SMERA Ratings Limited

International Credit Rating Agencies:

- Standard & Poor,
- Moody's,
- FITCH

- **Types of exposure for which each agency is used:**

All the above agencies are recognized for rating all types of exposures.

A description of the process used to transfer public issue ratings onto comparable assets in the banking books:

- The Bank uses only publicly available solicited ratings that are valid and reviewed by the recognized External Credit Rating Agencies, referred as External Credit Assessment Institutions (ECAI).
- Bank uses Bank Loan Rating for risk weighting the borrower's exposures. Where Issuer Rating is available, the Bank uses such ratings unless the bank loan is specifically rated.
- The Bank does not simultaneously use the rating of one ECAI for one exposure and that of another ECAI for another exposure of the same borrower, unless the respective exposures are rated by only one of the chosen ECAIs. Further, the Bank does not use rating assigned to a particular entity within a corporate group to risk weight other entities within the same group.

- Running limits such as Cash Credit are treated as long term exposures and accordingly, long term ratings are used for assigning risk weights for such exposures.
- While mapping/applying the ratings assigned by the ECAIs, the Bank is guided by regulatory guidelines/Bank's Board approved Policy.
- Where exposures/ borrowers have multiple ratings from the chosen ECAIs, the Bank has adopted the following procedure for risk weight calculations:
  - If there are two ratings accorded by chosen ECAIs, which map into different risk weights, the higher risk weight is applied.
  - If there are three or more ratings accorded by the chosen ECAIs which map into different risk weights, the ratings corresponding to the lowest 2 ratings are referred to and higher of those two risk weights is applied.

Quantitative Disclosures:

Amount of the Bank's Exposures – Gross Advances (Rated & Unrated) in Major Risk Buckets – under Standardized Approach, after factoring Risk Mitigants (i.e. Collaterals):

Sl No	Particulars	Amount (` in millions)			
		FUND BASED		NON-FUND BASED	
		31.03.2015	31.03.2014	31.03.2015	31.03.2014
1	Below 100% Risk Weight	3,601,067.58	3,130,336.20	727,213.70	1,791,548.20
2	100% Risk Weight	956,606.15	933,841.70	359,422.44	674,130.30
3	More than 100% Risk Weight	610,406.76	544,486.80	277,485.17	253,408.20
4	Deducted (Risk Mitigants)	426,444.09	375,654.30	130,655.51	125,497.70
	TOTAL	**4,741,636.40**	**4,233,010.40**	**1,233,465.80**	**2,593,588.90**

TABLE DF 6: CREDIT RISK MITIGATION – STANDARDIZED APPROACH:

Qualitative Disclosure:

Policies and processes for collateral valuation and management: The Bank is having a Board approved collateral management policy which lays down the process, objectives, accepted types of collaterals and the framework including suitable management information system for effective collateral management. The Collaterals and guarantees properly taken and managed that would serve to:

- mitigate the risk by providing secondary source of repayment in the event of borrower's default on a credit facility due to inadequacy in expected cash flow or not;
- gain control on the source of repayment in the event of default;
- provide early warning of a borrower's deteriorating repayment ability; and
- Optimize risk weighted assets and to address Residual Risks adequately.

Bank uses a number of techniques to mitigate the credit risks to which they are exposed. The revised approach allows banks in India to adopt the Comprehensive Approach (under both the Standardized and IRB approaches) which allows fuller offset of collateral against exposures by effectively reducing the exposure amount by the value ascribed to the collateral. Under this approach, banks, which take eligible financial collateral, are allowed to reduce their credit exposure to the counterparty when calculating their capital requirements by taking into account the risk mitigating effect of the collateral.

Collateral Management process and practices of the Bank cover the entire activities comprising security and protection of collateral value, validity of collaterals and guarantees, and valuation / periodical inspection.

Valuation: Both the Fixed and the Current Assets obtained to secure the loans granted by the Bank are subjected to valuation by valuers empanelled by the Bank. Monetary limits of the accounts, asset classification of the borrower, which is to be subjected to valuation, periodicity of valuation, are prescribed in the Bank's policy guidelines. Bank reviews the guidelines on valuation periodically.

Description of the main types of collateral taken by the Bank: The collateral commonly used by the Bank as risk mitigants comprises of Financial Collaterals (i.e. Cash, Bank deposits, Life Insurance policies, NSC, KVP, Government securities issued directly / by postal departments, equity shares of limited companies other than the Bank and approved by the Bank, debentures, units of mutual funds, debt securities etc.), different categories of moveable assets and immoveable assets / properties etc. However, for the purpose of computation of capital required under Standardized Approach, certain specific financial collaterals have been recognized as eligible collateral.

Main types of Guarantor counterparty and their creditworthiness: Bank obtains/ accepts guarantees of sovereign, sovereign entities (including BIS, IMF, European Central Bank and European community as well as Multilateral Development Banks, ECGC and CGTMSE). Besides this, Bank also obtains Personal or Corporate guarantee having adequate net worth, as an additional comfort for mitigation of credit risk which can be translated into a direct claim on the guarantor, and are unconditional and irrevocable. The Creditworthiness of the guarantor is normally not linked to or affected by the borrower's financial position. The Bank also accepts guarantee given by State / Central Government as a security comfort. Such Guarantees remain continually effective until the facility covered is fully repaid or settled or released.

Credit Risk Mitigation recognized by the Bank for the purpose of reducing capital requirement under New Capital Adequacy Framework (Basel II Norms): The Bank has recognized Cash, Bank's own Deposits, Gold & Gold Jewellery as Credit Risk Mitigations for the purpose of reducing capital requirement under the New Capital Adequacy Framework (Basel II Norms).

Information about risk concentration within the mitigation taken: The Bank has already initiated steps for putting in place a data warehouse for a robust Management Information System (MIS) to facilitate management of Credit Risk and evaluation of effectiveness of collateral management including risk concentrations of collaterals.

Quantitative Disclosures:

SL NO	PARTICULARS	Amount (` in millions)	
		31.03.2015	31.03.2014
1	The total exposure (after, where applicable, on- or off balance sheet netting) that is covered by eligible financial collateral after the application of haircuts for each separately disclosed credit risk portfolio	522,612.83	479,925.38
2	The total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees/credit derivatives (whenever specifically permitted by RBI) For each separately disclosed portfolio	283,554.84	245,019.15

TABLE DF 7: SECURITIZATION – STANDARDIZED APPROACH:

Qualitative Disclosures:

The policy guidelines cover guidelines involving transfer of assets through Securitisation and direct assignment of cash flows and are on without recourse basis.

The guidelines to banks on securitisation of standard assets contain:

- The provisions relating to securitization of assets.
- Stipulations regarding transfer of standard assets through direct assignment of cash flows.

The bank's existing policy guidelines deals with purchase of pools from an originator (Bank/NBFC/FI). Purchase of assets through Direct Assignment of cash flows from originating NBFCs/Banks/FIs shall be only from those rated **'AA'** and above. The Bank shall purchase a portfolio or a part of portfolio of standard assets under Housing Loan; Loans Against Property and MSME sanctioned at floating rates only.

Policy sets out requirements to be met by the bank like restrictions on purchase of loans; constitution of eligible borrowers in the pool; standards for due diligence - KYC compliance, requirements to be complied with prior to disbursement in respect of borrowers in the purchased pool of assets; due diligence of the originator, Stress testing; credit monitoring.

Bank can purchase loans from other banks/FIs/NBFCs in India only if the seller has explicitly disclosed to the bank that it will adhere to the Minimum Retention Requirement on an ongoing basis and disclosed the adherence to the Minimum holding period criteria as prescribed in the policy.

The bank monitors the purchase transactions on an ongoing basis at certain intervals and takes appropriate action wherever required. The general prescription laid down in the Master policy on Credit Risk Management with regard to loan review mechanism and monitoring is applicable to securitization transactions.

The exposure to the originator shall be within the prudential exposure ceilings stipulated by the Bank.

Quantitative Disclosures:

(i) Banking Book:

` In Millions

Sl No	PARTICULARS	31.03.2015	31.03.2014
(d)	The total amount of exposures securitized by the Bank.	Nil	Nil
(e)	For exposures securitized losses recognized by the Bank during the current period broken by the exposure type (e.g. Credit Cards, Housing Loans, Auto Loans etc. detailed by underlying security):	Nil	Nil
(f)	Amount of assets intended to be securitized within a year	Nil	Nil
(g)	Of (c), amount of assets originated within a year before Securitisation.	Nil	Nil
(h)	The total amount of exposures securitized (by exposure type) and unrecognized gain or losses on sale by exposure type	Nil	Nil
(i)	Aggregate amount of:		
	• On-balance sheet Securitisation Exposures retained or purchased broken down by exposure type:	Nil	Nil
	• Off-balance sheet Securitisation Exposures broken down by exposure type	Nil	Nil
(j)	(i) Aggregate amount of Securitisation Exposures retained or purchased and the associated capital charges, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach.	Nil	Nil
	(ii) Exposures that have been deducted entirely from Tier 1 Capital, credit enhancing I/Os deducted from total capital, and other exposures deducted from total capital (by exposure type).	Nil	Nil

(ii) Trading Book:

` In Millions

Sl No	PARTICULARS	31.03.2015	31.03.2014
(k)	Aggregate amount of exposures Securitized by the Bank for which the Bank has retained some exposures and which is subject to the Market Risk approach, by exposure type.	19,489.70	11,075.50
(l)	Aggregate amount of:		
	• On-balance sheet Securitisation Exposures retained or purchased broken down by exposure type; and	19,489.70	11,075.50
	• Off-balance sheet Securitisation Exposures broken down by exposure type	NIL	NIL
(m)	Aggregate amount of Securitisation Exposures retained or purchased separately for:		
	• Securitisation Exposures retained or purchased subject to Comprehensive Risk Measure for Specific Risk; and	19,489.70	11,075.50
	• Securitization Exposures subject to the securitisation framework for Specific Risk broken down into different risk weight bands.		

Sl No	Risk Weight Bands	Exposure	
		31.03.2015	**31.03.2014**
1	< 100% Risk Weight	0.00	0.00
2	100% Risk Weight	0.00	0.00
3	> 100% Risk Weight	19,489.70	11,075.50
4	**Total**	**19,489.70**	**11,075.50**

Sl No	PARTICULARS	31.03.2015	31.03.2014
(n)	Aggregate amount of:		
	• The capital requirements for the Securitisation Exposures, subject to the securitisation framework broken down into different risk weight bands.		

Sl No	Risk Weight Bands	Capital Requirement	
		31.03.2015	**31.03.2014**
1	< 100% Risk Weight	0.00	0.00
2	100% Risk Weight	0.00	0.00
3	> 100% Risk Weight	2,631.10	1,495.10
4	**Total**	**2,631.10**	**1,495.10**

Sl No	PARTICULARS	31.03.2015	31.03.2014
	• Securitisation Exposures that are deducted entirely from Tier 1 capital, credit enhancing I/Os deducted from total capital, and other exposures deducted from total capital (by exposure type).	NIL	NIL

TABLE DF 8: MARKET RISK IN TRADING BOOK – STANDARDIZED MODIFIED DURATION APPROACH:

Qualitative Disclosures:

Strategies and processes: The overall objective of market risk management is to create shareholder value by improving the Bank's competitive advantage and reducing loss from all types of market risk loss events.

- While overall leadership and control of the risk management framework is provided by Risk Management Wing, the business units are empowered to set strategy for taking risks and manage the risks.
- All issues or limit violations of a pre-determined severity (materiality, frequency, nature) are escalated to the Risk Management Wing where the actions to address them are determined by the appropriate authorities. The business units are responsible for implementing the decision taken.

The process aims to:

- Establish a pro-active market risk management culture to cover market risk activities.
- Comply with all relevant legislation and regulatory requirements relating to Market Risk
- Develop consistent qualities in evolving policies & procedures relating to identification, measurement, management, monitoring, controlling and reviewing of Market Risk.
- Establish limit structure and triggers for various kinds of market risk factors
- Establish efficient monitoring mechanism by setting up a strong reporting system.
- Adopt independent and regular evaluation of the market risk measures.

The structure and organization of the relevant risk management function: Market Risk Management structure of the Bank is as under–

- Board of Directors
- Risk Management Committee of the Board
- Asset Liability Management Committee (ALCO)
- Market Risk Management Committee (MRMC)
- General Manager – RM Wing (Chief Risk officer)-Head Office

- Market Risk Management Department, Risk Management Wing, HO
  - Integrated Mid Office
  - Mid Office – Integrated Treasury
  - Asset Liability Management Section

The scope and nature of risk reporting and/or measurement systems:

- The Bank has put in place various exposure limits for market risk management such as Overnight limit, Intraday limit, Aggregate Gap limit, Stop Loss limit, VaR limit, Broker Turnover limit, Capital Market Exposure limit, Product-wise Exposure limit, Issuer-wise Exposure limit, etc.

- A risk reporting system is in place for monitoring the risk limits across different levels of the Bank from trading desk to the Board level.

- The rates used for marking to market for risk management or accounting purposes are independently verified.

- The reports are used to monitor performance and risk, manage business activities in accordance with the Bank's strategy.

- The reporting system ensures timelines, reasonable accuracy with automation, highlight portfolio risk concentrations, and include written commentary.

- The detailed risk reports enhance the decision-making process.

- Dealing room activities are centralized, and system is in place to monitor the various risk limits.

- The reporting formats & the frequency are periodically reviewed to ensure that they suffice for risk monitoring, measuring and mitigation requirements of the Bank.

Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants: Various Board approved policies viz., Market Risk Management Policy (Including Country Risk Management and Counterparty Bank Risk Management), Investment Policy, Forex dealing and trading operations Policy and ALM Policy are put in place for market risk management. Market Risk Management Policy provides the framework for risk assessment, identification and measurement and mitigation, risk limits & triggers, risk monitoring and reporting.

The Bank has developed an internal model for country risk rating based on various parameters like GDP growth, inflation, trade balance etc for risk categorization of the countries to allocate limit for taking exposure to various countries.

The Bank has in place a scoring model for categorization of foreign banks. The various exposure limits are set based on the points secured by the counterparties as per the scoring matrix.

The ALM Policy deals with management of Interest Rate Risk and Liquidity Risk. The Policy lays down various guidelines to ensure that the liquidity position is comfortable at times of stress by formulating contingency funding plan. Tolerance levels are incorporated under each timeframe and any breach of it would signal a forthcoming liquidity constraint.

Quantitative Disclosures:

Sl No	Particulars	Amount of capital requirement (` in millions)	
		31.03.2015	**31.03.2014**
(a)	Interest Rate Risk	13087.60	13,090.56
(b)	Equity Position Risk	7201.40	5,156.27
(c)	Foreign Exchange Risk	375.90	592.47

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TABLE DF 9: OPERATIONAL RISK:

(i) Qualitative Disclosures:

Strategies and processes: The Operational Risk Management process of the Bank is driven by a strong organizational culture and sound operating procedures, involving corporate values, attitudes, competencies, internal control culture, effective internal reporting and contingency planning. Policies are put in place for effective management of Operational Risk in the Bank.

The structure and organization of the relevant risk management function: The Operational Risk Management Structure in the Bank is as under:

- Board of Directors
- Risk Management Committee of the Board (RMCB)
- Operational Risk Management Committee (ORMC)
- Head / General Manager – Risk Management / Chief Risk Officer
- Operational Risk Management Department (ORMD), HO
- Chief General Managers / General Managers of Wings / Circle Heads
- Nominated Executives at Circles
- Risk Management Sections at Circles.

The scope and nature of risk reporting and/or measurement systems: The Risk reporting consists of operational risk loss incidents/events occurred in branches/offices relating to people, process, technology and external events. The data collected from different sources are used for preparation of Risk Matrix consisting of 7 loss event types and 8 business lines recognized by the RBI.

Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigants: Bank has put in place policies for management of Operational Risk management. The policy framework contains various aspects of Operational risk management such as identification, management, monitoring & mitigation of Operational risk areas.

In order to address risks involved in Outsourcing of activities, bank has put in place policies for management of Outsourcing Risk.

Operational Risk capital assessment: The Bank has adopted Basic Indicator Approach for calculating capital charge for Operational Risk.

Bank intends to migrate to the Advanced Measurement Approach ("AMA").

Quantitative Disclosure:

The capital requirement for Operational Risk under Basic Indicator Approach is ` 16578.68 Millions.

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

Qualitative Disclosures:

Interest Rate Risk in Banking Book (IRRBB)

Interest Rate Risk is the risk where changes in market interest rates affect a bank's financial position. As the bank holds rate sensitive on and off balance-sheets items of different maturity/repricing, currencies, markets and benchmark rates, and any adverse movement in these parameters exposes bank to interest rate risk. Interest Rate Risk in Banking Book (IRRBB) reveals the impact on bank's earnings (short-term impact) and net-worth (long-term impact) due to adverse movement of interest rates and is measured on a monthly basis.

Organizational Framework

Asset Liability Management Committee (ALCO) of the Bank is responsible for developing and implementing interest rate risk management strategy, managing interest rate risk in different currencies, across borders and across business lines and legal entities as per the risk tolerance established by the Board of Directors/Risk Management Committee. The ALCO also articulates interest rate view of the bank and bases its decisions for future business strategy. In respect of the funding policy, its responsibility is to decide on source and mix of liabilities for creation of assets. ALCO monitors the various limits established by the Board for interest rate risk and takes corrective action if there is any breach in the limit.

Strategies and Processes

The Bank strives to match the price of its assets and liabilities coupled with proper maturity matching in-order to reduce the gap in different time buckets which are maturing or getting repriced. For measurement and management of interest rate risk, Bank adopts both the Traditional Gap Analysis (TGA) and the Duration Gap Analysis (DGA) to its global position of assets, liabilities and off-balance sheet items, which are rate sensitive.

The Bank computes its interest rate risk position in each currency applying the TGA and DGA to the rate sensitive assets/ liabilities/ off balance sheet items in that currency, where either the assets, or liabilities are 5 per cent or more of the total of either the Bank's global assets or global liabilities. The interest rate risk position in all other residual currencies is computed separately on an aggregate basis. The non-maturing deposits are classified as per the behavioral study of the Bank.

The interest rate risk arises on account of re-pricing, yield curve change, basis risk and options risk. The Bank aims at capturing these risks arising from the maturity and re-pricing mismatches both from earnings perspective and economic value perspective using techniques viz.,

1. ***Gap Analysis:*** The basic tool for measuring interest rate risk is preparation of Interest Rate Sensitivity Statement (IRS) by grouping various items of Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) and off balance-sheet items into different time buckets according to the residual maturity or next re-pricing, whichever is earlier and arriving at the net gap (i.e., RSA - RSL). A positive or Asset Sensitive Gap means that an increase in market interest rates result in an increase in NII. Conversely, a negative or liability sensitive Gap implies that the Bank's NII could decline as a result of increase in market interest rates.
2. ***Earnings at Risk (EaR):*** Earnings at Risk (EaR) indicate the impact of repricing risk on the earnings due to the parallel shift in interest rate assessed for different rate shocks. Impact on the earnings is also estimated for yield curve change and basis risk.
3. ***Market Value of Equity (MVE):*** A long-term impact of changing interest rates is on bank's Market Value of Equity (MVE) or Net-worth as the economic value of bank's assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates. The estimated drop in the Market Value of Equity (MVE) as a result of prescribed rate shock arising from changes in the value of interest rate sensitive positions across the whole Bank is estimated by the Duration Gap Analysis (DGA).

Quantitative Disclosures:

EARNINGS AT RISK

The following table presents the impact on net interest income of the Bank for an assumed parallel shift of 100 bps in interest rate up to one year across currencies as at 31.03.2015.

(` in millions)

Currencies	Change in interest rate up to 1 Year	
	-100 bps	**+100 bps**
INR	(5430.20)	5430.20
USD	(489.70)	489.70
Others	(101.80)	101.80
Total	**(6021.70)**	**6021.70**

ECONOMIC VALUE OF EQUITY

The table reveals the impact on Economic Value of Equity for an assumed rate shock of 200 bps on the Banking Book as at 31.03.2015.

	-200 bps	**+200 bps**
Change in Economic Value of Equity	8.41%	(8.41%)