केनरा बैंक Canara Bank

BASEL II Pillar 3 Disclosures as on 31.03.2013.

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, eg. AS 27, having holding < 50%)

1. Commercial Bank of India – (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 42.35%)
2. Pragathi Gramin Bank (RRB – Holding 35%)
3. South Malabar Gramin Bank (RRB–Holding 35%)
4. Shreyas Gramin Bank (RRB – Holding 35%)

(iv) That are neither consolidated nor deducted (e.g. where the investment is risk weighted)

The financials of Commonwealth Trust (India) Ltd., an associate, in which Canara Bank has 30% holding, is not consolidated as the company is defunct.

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) 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 : ` 484.50 Crore (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 crore
Series I	In India	30.03.2009	30.03.2019	9.00%	240.30
Series II	In India	21.08.2009	21.08.2019	9.10%	600.00
Series III	In India	03.08.2010	03.08.2020	9.05%	749.30
				TOTAL	**1589.60**

B) Upper Tier II Bonds

Particulars	Place	Date of Issue	Date of Maturity	Coupon Rate	`. in crore
Series I	In India	16.09.2006	16.09.2021	9.00%	500.00
Series II	In India	23.03.2007	23.03.2022	10.00%	500.00
Series III	In India	29.09.2010	28.09.2025	8.62%	1000.00
				TOTAL	**2000.00**
FC BONDS	Out side India	27.11.2006	27.11.2016	6.365%	250mn US$

C) Lower Tier II Bonds

Particulars	Place	Date of Issue	Date of Maturity	Coupon Rate	`. in crore
Series IV Opt II	In India	22.03.2003	22.04.2013	6.90%	75.45
Series VI	In India	30.09.2004	31.05.2014	6.75%	263.50
Series VII	In India	18.02.2005	18.05.2014	7.05%	500.00
Series VIII	In India	29.09.2005	29.04.2015	7.40%	500.00
Series IX	In India	01.03.2006	01.05.2015	8.15%	425.00
Series IX A	In India	15.09.2006	15.09.2016	8.85%	575.00
Series X	In India	30.03.2007	30.03.2017	9.90%	400.00
Series XI	In India	09.01.2008	09.01.2018	9.00%	700.00
Series XII	In India	16.01.2009	16.01.2019	8.08%	325.00
				Total	**3763.95**

Terms and conditions of Innovative Perpetual Debt Instruments (IPDI) under Tier I Capital

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).

<u>The main features of Upper Tier II bonds are as follows:</u>

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 Rs. 1000 crore 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 tenor. 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 tenor 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 not issued Lower Tier II Bonds during the current financial year.

- The Bonds have a tenor ranging from 5 to 10 years.
- 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 tenor. 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.

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Quantitative Disclosures:

Sl No	Items		Amount (` in crores) 31.03.2013	31.03.2012
(a)	The amount of Tier I Capital, with separate disclosure of			
	▪	Paid-up Share Capital	**443.00**	**443.00**
	▪	Reserves	**22097.25**	**20104.15**
	▪	Innovative Instruments ($)	**1589.60**	**1589.60**
	▪	Other Capital Instruments	**-**	**-**
		Sub -total	**24129.85**	**22136.75**
	▪	Less amounts deducted from Tier I Capital, including Goodwill and Investments.	**353.65**	**307.82**
		Total Tier I capital	**23776.20**	**21828.93**
(b)	The total amount of Tier II Capital (net of deductions from Tier II Capital)		**6387.99**	**7178.84**
(c)	Debt Capital Instruments eligible for inclusion in Upper Tier II Capital			
	▪	Total amount outstanding	**3357.16**	**2918.86**
	▪	Of which amount raised during the current year	**Nil**	**Nil**
	▪	Amount eligible to be reckoned as capital funds	**2414.29**	**2918.86**
(d)	Subordinated Debt eligible for inclusion in Lower Tier II Capital.			
	▪	Total amount outstanding	**3763.95**	**4103.95**
	▪	Of which amount raised during the current year	**-**	**-**
	▪	Amount eligible to be reckoned as capital funds	**1992.70**	**2680.49**
(e)	Other deductions from Capital, if any.		**-**	**-**
(f)	**Total eligible Capital - Tier I+ Tier II (a+b-e)**		**30164.19**	**29007.77**
($) 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:

The Bank has put in place a robust Risk Management Architecture with due focus on Capital optimization and on profit maximization, i.e. to do maximum business out of the available capital which in turn maximize profit or return on equity. Bank is benchmarking on globally accepted sound risk management system, conforming to Basel II framework, enabling a more efficient equitable and prudent allocation of resources.

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. 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.

Quantitative Disclosures:

Sl No	Items	Amount (` in crores) 31.03.2013	Amount (` in crores) 31.03.2012
(a)	**Capital requirements for Credit Risk**		
	▪ Portfolios subject to Standardized Approach	**18557.45**	**16623.40**
	▪ Securitization Exposures	**NIL**	**NIL**
(b)	**Capital requirements for Market Risk** - Standardized Duration Approach		
	▪ Interest Rate Risk	**1462.58**	**778.33**
	▪ Foreign Exchange Risk (including Gold)	**38.61**	**6.75**
	▪ Equity Risk	**436.15**	**368.86**
(c)	**Capital requirements for Operational Risk**		
	- Basic Indicator Approach	**1406.52**	**1201.45**
(d)	**Total & Tier I CRAR for the Bank**		
	▪ Total CRAR (%)	**12.40**	**13.76**
	▪ Tier I CRAR (%)	**9.77**	**10.35**
(e)	**Total & Tier I CRAR for the Consolidated Group**		
	▪ Total CRAR (%)	**12.61**	**14.02***
	▪ Tier I CRAR (%)	**9.99**	**10.63***
(f)	**Total & Tier I CRAR for the Significant Subsidiary which are not under Consolidated Group**		
	▪ Total CRAR (%)	**NA**	**NA**
	▪ Tier I CRAR (%)	**NA**	**NA**

***Figures Regrouped.**

DF TABLE 4: CREDIT RISK: GENERAL DISCLOSURES

Qualitative Disclosures:

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 share holders 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-

- Board of Directors
- Risk Management Committee of the Board (RMC)
- Credit Risk Management Committee (CRMC)
- General Manager-Risk Management Wing, H.O (Chief Risk Officer)
- Credit Risk Management Department, Risk Management Wing

- 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.

- 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 well laid down guidelines 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.

The Bank also has a policy in place 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.

The Bank has adopted 'Standardized Approach' for entire credit portfolio for credit risk measurement.

The Bank has embarked upon 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 Banks' 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 Monitoring and Administration 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:

- Credit Audit System to identify, analyze instances of non-compliance and rectification.
- 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 watch accounts at various levels. Formation of Slippage Management Committee at HO / Circles to monitor the accounts with exposure of ₹ 1 Crore & above, among the list of accounts appearing in SWL

- Monitoring tools like Credit Monitoring Format (web-based), Quarterly Information Systems, Half Yearly Operation Systems, Stock Audits, Special Watch List Accounts, etc.

- Credit Monitoring Officers at branches in charge of monitoring functions.

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

- Interest and/or installment 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 installment 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.

At present Bank is computing capital charge for Credit Risk under Standardized Approach. The Bank has taken steps to migrate to advanced approaches under Basel II and a Letter of Intent for adoption of Internal Rating Based (IRB) Approach for calculation of capital charge for Credit Risk was filed with RBI. Further Bank has appointed a Consultant to guide the bank in making applications for moving over to Advanced Approaches and its implementation.

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Quantitative Disclosures:

(a) Total Gross Credit Exposures

Overall Credit exposure	Amount (` in crores)			
	Fund Based Exposures		Non-fund Based Exposures	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
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)	243935.83	233606.79	244969.69	188245.55

(b) Geographic Distribution of Exposures:

Exposures	Amount (` in crores)			
	FUND BASED		NON-FUND BASED	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Domestic operations	228718.72	222494.35	238054.16	181152.77
Overseas operations	15217.11	11112.44	6915.53	7092.77

(c) Industry Type Distribution of Exposures (Global)

					(` in crores)
SL NO.	**INDUSTRY**	**FUND BASED OUTSTANDING**		**NFB OUTSTANDING**	
		31.03.2013	**31.03.2012**	**31.03.2013**	**31.03.2012**
1.1	**Mining and Quarrying**	**2298**	**1414**	**471**	**325**
1.2	**Food Processing**	**5724**	**4782**	**350**	**148**
	1.2.1 Sugar	2016	1650	52	24
	1.2.2 Edible Oils and Vanaspati	206	176	37	34
	1.2.3 Tea	132	190	65	0
	1.2.4 Others	3370	2766	196	90
1.3	**Beverage & Tobacco**	**697**	**562**	**22**	**23**
1.4	**Textiles**	**12396**	**11155**	**1492**	**846**
	2.4.1 Cotton Textiles	5203	4482	264	69
	2.4.2 Jute Textiles	137	148	10	5
	2.4.3 Other Textiles	7057	6525	1218	772
1.5	**Leather & Leather Products**	**978**	**958**	**69**	**19**
1.6	**Wood and Wood Products**	**388**	**300**	**112**	**91**
1.7	**Paper & Paper Products**	**2068**	**1815**	**47**	**90**
1.8	**Petroleum, Coal Products and Nuclear Fuels**	**4428**	**7128**	**2119**	**1961**
1.9	**Chemicals and Chemical Products**	**4064**	**2948**	**530**	**2008**
	1.9.1 Fertilizer	289	196	69	37
	1.9.2 Drugs & Pharmaceuticals	1661	1442	194	1801
	1.9.3 Petro Chemicals	471	81	28	18

	1.9.4 Others	1642	1229	239	152
1.10	**Rubber, Plastic & their Products**	**1330**	**1294**	**143**	**111**
1.11	**Glass and Glassware**	**119**	**101**	**3**	**3**
1.12	**Cement and Cement Products**	**953**	**939**	**122**	**30**
1.13	**Basic Metal and Metal Products**	**18388**	**15598**	**3731**	**2644**
	1.13.1 Iron and Steel	11975	9517	2816	1641
	1.13.2 Other Metal and Metal Products	6413	6081	915	1003
1.14	**All Engineering**	**6448**	**7390**	**5282**	**5123**
	1.14.1 Electronics	1028	685	1005	955
	1.14.2 Electricity	1630	3285	1946	2192
	1.14.3 Others	3791	3420	2331	1976
1.15	**Vehicles, Vehicle Parts and Transport Equipments**	**3220**	**2003**	**567**	**174**
1.16	**Gems & Jewellery**	**2964**	**2417**	**1198**	**2527**
1.17	**Construction**	**4563**	**3884**	**4117**	**2138**
1.18	**Infrastructure**	**50462**	**40757**	**3982**	**5021**
	1.18.1 Power	31270	22788	3469	3937
	1.18.2 Telecommunications	8004	7297	312	668
	1.18.3 Roads	6074	5354	157	194
	1.18.4 Ports	716	1374	5	80
	1.18.5 Other Infrastructure	4399	3944	39	142
1.19	**Other Industries**	**21668**	**38202**	**717**	**142**
	INDUSTRY (Total of Small, Medium and Large Scale)	**143155**	**143647**	**25074**	**24322**

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 Crores)	% of Total Gross Credit Exposure
1	Iron & Steel	14791	6.06%
2	Power	34739	14.24%
3	Other Industries	22384	9.18%

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

			`. in Crores
Maturity Pattern	**Advances**	**Investments**	**Foreign Currency Assets**
0 to 1 day	**5408.33 (8634.02)**	**306.94 (350.60)**	**842.73 (772.15)**
2 to 7 days	**6689.13 (7488.81)**	**873.88 (3058.59)**	**1643.77 (1505.11)**
8 to 14 days	**7203.89 (7209.16)**	**528.41 (910.01)**	**1208.98 (542.31)**
15 to 28 days	**9021.95 (7027.99)**	**2072.29 (1967.46)**	**2304.91 (876.17)**
29 days to 3 months	**22667.97 (26996.74)**	**8987.10 (6485.29)**	**6722.40 (5994.81)**
Over 3 months & upto 6 months	**20393.30 (21003.96)**	**1557.68 (983.46)**	**5074.75 (4447.25)**
Over 6 months & upto 1 year	**39728.83 (32222.77)**	**1613.55 (1550.50)**	**2793.29 (911.19)**
Over 1 year & upto 3 years	**65415.73 (57403.00)**	**7672.61 (3715.24)**	**1380.99 (1175.59)**
Over 3 year & upto 5 years	**23289.20 (24790.81)**	**18699.15 (12838.05)**	**1565.29 (1143.07)**
Over 5 years	**42358.28 (39712.56)**	**78821.22 (70198.22)**	**1812.29 (1954.50)**
Total	**242176.62 (232489.82)**	**121132.83 (102057.42)**	**25349.40 (19322.15)**

(The figures in brackets relate to previous year).

(e) Non-Performing Assets:

Sl No	Items		Amount (` in crores)	
			31.03.2013	31.03.2012
a)	**Gross NPAs**		**6260.17**	**4031.75**
		Sub-Standard	**4278.71**	**2444.91**
		Doubtful 1	**782.85**	**583.34**
		Doubtful 2	**575.20**	**903.17**
		Doubtful 3	**573.58**	**52.36**
		Loss	**49.83**	**47.97**
b)	**Net NPAs**		**5278.07**	**3386.31**
c)	**NPA Ratios**			
	▪	Gross NPAs to Gross Advances (%)	**2.57**	**1.73**
	▪	Net NPAs to Net Advances (%)	**2.18**	**1.46**
d)	**Movement of NPAs (gross)**			
	▪	Opening balance	**4031.75**	**3137.36**
	▪	Additions	**5819.30**	**4589.84**
	▪	Reductions	**3590.89**	**3695.45**
	▪	Closing Balance	**6260.16**	**4031.75**
e)	**Movement of Provisions for NPAs**			
	▪	Opening Balance	**598.56**	**756.03**
	▪	Adjustment towards Exchange Fluctuation	**8.67**	**8.28**
	▪	Provisions made during the Year	**1860.99**	**1294.06**
	▪	Write-off/(write back) of excess provisions	**1535.26**	**1459.81**

	▪	Closing Balance	**932.96**	**598.56**
f)	**Amount of Non-performing Investments**		**225.76**	**179.95**
g)	**Amount of Provisions held for Non-performing Investments**		**201.26**	**179.95**
h)	**Movement of Provisions for Depreciation on Investments**			
	▪	Opening Balance	**629.90**	**383.58**
	▪	Provisions made during the period*	**25.77**	**325.07**
	▪	Write-off	**0.00**	**0.00**
	▪	Write Back of excess Provisions**	**437.96**	**78.75**
	▪	Closing Balance	**217.71**	**629.90**

(*)Provision for Depreciation of Rs.2.81Crore (Previous Year - Rs.300.49 Crore), Provision for NPI of Rs.11.18 Crore (Previous Year - Rs.16.88 Crore), Exchange Fluctuation of Rs.11.78 Crore (Previous Year - Rs.7.70 Crore)

(**)Write back of excess provision for Depreciation of Rs.423.03 Crore (Previous Year - Rs.44.70 Crore), Provision for NPI of Rs. 14.93 Crore (Previous Year - Rs.34.05 Crore).

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

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 (Formerly FITCH India)
- SME Rating Agency of India Ltd (SMERA).

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).
- Wherever available, the Bank uses Facility Rating or 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:
  - o If there are two ratings accorded by chosen ECAIs, which map into different risk weights, the higher risk weight is applied.
  - o 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 crores)			
		FUND BASED		NON-FUND BASED	
		31.03.2013	31.03.2012	31.03.2013	31.03.2012
	Below 100% Risk Weight	**121739.85**	**129132.18**	**57314.84**	**74597.80**
	100% Risk Weight	**84082.18**	**77992.67**	**51713.19**	**43818.80**
	More than 100% Risk Weight	**38113.80**	**26841.94**	**18940.82**	**10436.98**
	Deducted (Risk Mitigants)	**59319.48**	**43450.90**	**3614.32**	**3284.00**
	TOTAL	**184616.34**	**190155.89**	**124354.53**	**125569.58**

DF TABLE 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.

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 Banks' policy guidelines. Bank reviews the guidelines on valuation periodically.

Description of the main types of collateral taken by the Bank: The main types of collateral commonly used by the Bank as risk mitigants comprises of Inventories of stocks in trade, Book debts, Plant & Machineries, Land & Building, Gold Jewellery, Financial Collaterals (i.e. Bank Deposits, Government Securities issued directly/ by postal departments, equity shares of limited companies approved by the Bank, Life Insurance Policies, Units of Mutual Funds etc.), different categories of moveable & immoveable assets / properties etc.

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 crores)	
		31.03.2013	31.03.2012
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.	34284.19	24297.54
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	28649.62	22437.37

DF TABLE 7: SECURITIZATION – STANDARDIZED APPROACH

Qualitative Disclosures:

The Bank has not securitized any exposure during the financial year 2012-2013.

Quantitative Disclosures:

BANKING BOOK

Sl No	Particulars	31.03.2013	31.03.2012
NIL			

TRADING BOOK

Sl No	Particulars	31.03.2013	31.03.2012
NIL			

During the year 2004-05, the Bank had sold 6 NPA accounts amounting to `.14.31 crore to Asset Reconstruction Company India Limited (ARCIL) and had received Security Receipts for `.14.31 crore. As on 31.03.2013 the Bank holds Security Receipts in respect of 4 accounts having a Book Value of ` 5.76 crore which is fully provided for.

DF TABLE 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
- General Manager-RM Wing (Chief Risk officer)-Head Office
- Market Risk Management Department, Risk Management Wing HO
  - Integrated Mid Office
  - 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, Liquidity Risk Management 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 under Counterparty Risk Management Policy. The various exposure limits are set based on the points secured by the counterparties as per the scoring matrix.

Liquidity Risk Management 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 time frame and any breach of it would signal a forthcoming liquidity constraint.

Quantitative disclosures:

Sl No	Particulars	Amount of capital requirement (`. in crores)	
		31.03.2013	31.03.2012
(a)	Interest Rate Risk	1462.58	778.33
(b)	Equity Position Risk	436.15	368.86
(c)	Foreign Exchange Risk	38.61	6.75

DF TABLE 9: OPERATIONAL RISK

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
- Operational Risk Management Committee (ORMC)
- GM of Risk Management Wing, HO (Chief Risk Officer)
- ORM Specialists in functional Wings, HO
- Operational Risk Management Department (ORMD), HO
- Risk Officers – The nominated Executive at Circles/Integrated Treasury Wing
- Risk Management Sections at Circles/Overseas Branches.
- Risk Management Officers (R.M.O) at Branches/Offices.

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 contain various aspects of Operational risk management such as identification, management, monitoring & mitigation of Operational risk areas such as legal risk, Business Continuity.

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.

Quantitative Disclosure:

The capital requirement for Operational Risk under Basic Indicator Approach is `.1406.52 Crores.

DF TABLE 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 the bank to interest rate risk. Interest Rate Risk in Banking Book (IRRBB) reveals the impact on bank's earnings (short-term impact) and networth (long-term impact) due to adverse movement of interest rates.

Organizational Structure

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 the interest rate view of the bank and base 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, the 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 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 and is measured both from the earnings and economic value perspective using techniques viz.,

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 could cause 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.

Earnings at Risk (EaR): Earning at Risk (EaR) indicates whether the bank is in a position to benefit by rise in interest rate by having positive gap or benefit by fall in interest rate by having negative gap. The impact of repricing risk on the earnings due to parallel shift in interest rate is assessed for different rate shocks. Impact on the earnings is also estimated for yield curve and basis risk.

Market Value of Equity (MVE): A long-term impact of change in 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 is estimated by Duration Gap Analysis (DGA) arising from changes in the value of interest rate sensitive positions across the whole bank.

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 31.03.2013.

(`. in crore)

Currencies	Change in interest rate up to 1 Year	
	-100 bps	**+100 bps**
INR	(499.29)	499.29
USD	(32.51)	32.51
Others	(11.06)	11.06
Total	**(542.86)**	**542.86**

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 31.03.2013.

	-200 bps	**+200 bps**
Change in Economic Value of Equity	5.52%	(5.52%)

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