DISCLOSURES UNDER NEW CAPITAL ADEQUACY FRAMEWORK (BASEL II)
FOR THE YEAR ENDED MARCH 31, 2013

RBLBANK
apno ka bank

I. SCOPE OF APPLICATION:

The framework of disclosures applies to Rbl Bank Ltd (hereinafter referred to as the Bank); a scheduled commercial bank, incorporated on August 6, 1943. The Bank does not have any subsidiary nor does it have any interest in any insurance entity.

II. CAPITAL STRUCTURE:

As per Reserve Bank of India (RBI) capital adequacy norms, capital funds are classified into Tier-1 and Tier-2 capital. Tier-1 capital of the Bank consists of paid-up share capital, share premium, statutory reserves, revenue & other disclosed free reserves. Tier-2 capital consists of revaluation reserves (at a discount of 55%), investment reserve, general provisions & loss reserves.

Equity Capital:

The Bank has authorized share capital of ` 400.00 crore, comprising of 400,000,000 equity shares of ` 10 each. As on March 31, 2013, the Bank has subscribed and paid up capital of ` 252.92 crore comprising of fully paid up 252,924,711 shares of ` 10 each. During the year 2012-13, the Bank raised equity capital by around ` 375 crore by way of preferential as well as disposal of unsubscribed portion of previous rights issue. The Bank also allotted equity shares against vested and exercised options to employees under the Employee Stock Option Plan (ESOP).

The Bank has a strong capital base with Core (Tier 1) capital at 98.27% of total capital funds. As of March 31, 2013, there is no Innovative Perpetual Debt Instruments (IPDI), Upper Tier II bonds, Lower Tier II bonds or Subordinated debt issued and outstanding.

Capital Funds –

(` in crore)

	Particulars	2012-13	2011-12
(a)	Tier I Capital:		
	- Paid-up Share Capital	**252.92**	214.95
	- Reserves		
	- Statutory Reserve	**79.65**	55.65
	- Capital Reserve	**10.25**	8.20
	- Share Premium	**1138.79**	788.41
	- Revenue Reserve	**122.66**	73.63
	- Balance in Profit	**0.22**	0.06
	- Innovative instruments	**-**	-
	- Other capital instruments	**-**	-
	- Less		
	- Intangible & Deferred Tax Assets	**10.29**	9.91
	Total Tier -I Capital	**1594.20**	1130.99
(b)	The total amount of Tier II capital (net of deductions from Tier II capital)	**28.02**	18.03
	- Revaluation Reserve	**0.49**	0.51
	- Investment Reserve	**1.17**	1.17
	- General Provision	**26.36**	16.35

(c)	Debt Capital instruments eligible for inclusion in Upper Tier II capital		
	- Total amount outstanding	**NIL**	NIL
	- Of which amount raised during the current year	**NIL**	NIL
	- Amount eligible to be reckoned as capital funds	**NIL**	NIL
(d)	Subordinated debt eligible for inclusion in Lower Tier II capital		
	- Total amount outstanding	**NIL**	NIL
	- Of which amount raised during the current year	**NIL**	NIL
	- Amount eligible to be reckoned as capital funds	**NIL**	NIL
(e)	Other deductions from capital, if any	**NIL**	NIL
(f)	Total Eligible Capital	**1622.22**	1149.02

III. CAPITAL ADEQUACY:

Regulatory capital assessment:

The Bank is subjected to Capital Adequacy guidelines stipulated by RBI. As per capital adequacy guidelines under Basel I, the Bank is required to maintain minimum Capital Adequacy Ratio (CAR) of at least 9%, half of which is required to be Tier I CAR. As per Basel II guidelines, the Bank is required to maintain minimum CAR of at least 9%, with minimum Tier I CAR of 6%. As on March 31, 2013, minimum capital for credit & market risk should be higher of minimum capital requirement as per Basel II or 80% of the minimum capital required to be maintained as per Basel I. As on March 31, 2013, total CAR of the Bank stood at 17.11% and Tier I CAR at 16.82%, well above regulatory minimum requirement of 9%.

In line with RBI guidelines, the Bank has adopted Standardized Approach for Credit Risk, Standardized Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk while computing CAR as per Basel II.

Assessment of adequacy of Capital to support current and future activities:

The Bank has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) which is approved by the Board of Directors (Board). Under ICAAP, the Bank determines whether it has adequate level of capital to meet regulatory norms, current and future business needs, including stress scenarios. ICAAP evaluates and documents all risks and substantiates appropriate capital allocation for not only risks identified under Pillar 1 (i.e. Credit, Market and Operational Risk) but for the ones identified under Pillar 2 as well.

ICAAP enables the Bank to ensure the adequacy of capital to take care of the future business growth and various other risks that the Bank is exposed to, so that the minimum capital required is maintained on a continuous basis and also at the times of changing economic conditions / economic recession. The Bank takes into account both quantifiable and non-quantifiable risks while assessing capital requirements. The Bank considers the following risks as material and has considered these while assessing its capital requirements:

- Credit Risk
- Market Risk
- Operational Risk
- Interest Rate Risk in banking Book
- Liquidity Risk
- Credit Concentration Risk
- Business Risk
- Strategic Risk
- Compliance Risk
- Reputation Risk
- Technology Risk

The Bank has also implemented a Board approved Stress Testing framework. This involves the use of various techniques to assess the Bank's vulnerability to plausible but extreme stress events. The stress tests cover stresses related to Credit Risk, Market Risk, Operational Risk, Liquidity Risk as well as Interest Rate Risk in the Banking Book. Tolerance limits have also been defined for these stress tests. The stress tests are performed at periodic intervals and results are reported to the Board.

The Board of Directors of the Bank reviews capital adequacy position of the Bank on a quarterly basis.

Basel III norms:

In order to strengthen the resilience of the banking sector to potential future shocks, together with ensuring adequate liquidity in banking system, the Basel Committee on Banking Supervision (BCBS) issued Basel III proposals in December 2010. Reserve Bank of India (RBI) also came out with guidelines on Basel III capital regulations in May 2012 and Basel III liquidity standards (draft) in Feb 2012. The guidelines would become effective from April 01, 2013 in a phased manner and will be fully implemented by March 31, 2018. At present the Bank has no any capital instruments that are subject to deduction from capital as per Basel III framework.

The Bank believes that its current robust capital adequacy position, adequate headroom currently available to raise capital, demonstrated track record for raising capital and adequate flexibility in its balance sheet structure and business model, will enable it to comply with the Basel III norms comfortably.

Capital requirements for various risks –

A summary of Bank's capital requirement for credit, market and operational risk along with CAR as on March 31, 2013 is presented below:

(` in crore)

SN	Particulars	**2012-13**	2011-12
(a)	Capital requirements for Credit risk:		
	- Portfolios subject to standardized approach	**653.93**	352.14
	- Securitization exposures	**-**	9.02
(b)	Capital requirements for Market risk:		
	Standardized duration approach		
	- Interest rate risk	**134.92**	42.11
	- Foreign exchange risk (including gold)	**2.02**	2.02
	- Equity risk	**26.72**	19.77

(c)	Capital requirements for Operational risk: - Basic indicator approach	**35.62**	20.70
(d)	Total Capital Adequacy Ratio (%)	**17.11 %**	23.20%
	Tier-1 Capital Adequacy Ratio (%)	**16.82 %**	22.83%

IV. CREDIT RISK- GENERAL DISCLOSURES:

Policy and Strategy for Credit Risk Management –

Credit Risk is defined as the probability of losses associated with reduction in credit quality of borrowers or counterparties leading to non-payment of dues to the bank. In the Bank's portfolio, losses arise from default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlements, or any other financial transaction.

The Bank has put in place Commercial Credit Policy, Investment Policy, Recovery Policy, Risk Management Policy, Policy on Transfer of Asset through Securitization & Direct Assignment of cash flows, Retail Assets Credit Policy duly approved by the Board whereby credit risk can be identified, quantified and managed within the framework that is considered consistent with the scale, size of business and risk appetite of the Bank. These policies prescribe various methods for credit risk identification, measurement, grading, monitoring, reporting, risk control / mitigation techniques and management of problem loans / credit.

Credit Risk Management is ensured through following initiatives:

- A rigorous control framework from which only authorized departures are permitted;
- Clear, agreed roles and responsibilities;
- Qualified, experienced and well-motivated personnel;
- A predetermined credit risk measurement and monitoring methodology;
- Consistent reporting and relevant MIS;
- A statement of operating principles;
- Robust systems, applications and data warehousing architecture.

Organizational Structure for Credit Risk Management function –

The organizational structure of the Bank for Credit Risk Management function has the Board of Directors at the apex level that maintains overall oversight on the management of risks. The Risk Management Committee of Board (RMCB) devises policy and strategy for integrated risk management which includes credit risk. RMCB approves the Bank’s credit policies, prudential exposure limits, business segments, credit assessment and approval system, margin and collateral management, credit documentation, credit pricing framework, credit administration and monitoring system, non-performing assets management policy, credit risk management system and exception management. At operational level, Management Credit Committee (MCC) is responsible for operationalizing the credit policy and implementing credit framework.

The roles and responsibilities of the key functions involved in credit risk management are as detailed below:

- Credit Risk Department (CRD) – The CRD has an independent reporting to Chief Risk Officer (CRO) of the Bank and has credit recommendation and approval authorities at different levels. The CRD takes decisions on all applications in accordance with policies applicable to the specific proposal / product / scheme. To ensure complete independence, and to avoid any conflict of interest, the CRD is not assigned any business targets.

- Credit Administration Department (CAD) – The CAD at Corporate / Regional level acts as the third eye after business and CRD to ensure compliance with the Bank's policies and prudent lending requirements.

- Recoveries and Collections – The Recovery Department monitors NPA's and manages restructuring of advances after examining viability of the unit, follows up for recoveries very closely and provides guidance to the Relationship Manager(RM) / Branch Managers responsible for collections and actively participates in the recovery effort where warranted.

Credit risk measurement, mitigation, monitoring & reporting systems –

Credit Origination and Appraisal System –

There are separate Credit Origination and Appraisal Processes for Wholesale and Retail segments. Within the Wholesale segment, Bank has adopted underwriting standards for different client segments that is based, inter alia, on internal risk ratings, availability of security and other risk parameters. The credit sanctions are provided by experienced credit professionals and / or credit committees with delegated approval authorities as per Bank's Board approved credit policy, basis detailed appraisal memorandum that takes into account business and financial risks of the proposal. The Retail segment, on the other hand, relies largely on standardized product programs for credit risk assessment and approvals.

Credit Rating Framework –

The Bank has put in place an internal rating system for Wholesale segment. The rating system uses various models, depending upon size of company as well as specialized models for Non-Banking Finance Companies (NBFC) and Micro Finance Institutions (MFI). The internal rating system is a step towards migration to Advanced Approach for Credit Risk as per New Capital Adequacy Framework (NCAF).

The rating system is based on a two dimensional rating framework, Borrower Rating and Facility Rating. The Borrower Rating is determined first, which is based on assessment of Industry Risk, Business Risk, Management Risk and Financial Risk along with Project Risk / Conduct of Account (if applicable). This is calibrated to the Probability of Default (PD). The Facility Rating is based on Borrower Rating, and takes into account security structure, therefore is a combination of PD and LGD (Loss Given Default).

Besides, the Bank continues to endeavor to have all facilities above ` 5 Cr., to have external ratings.

Credit Documentation –

The objective of credit documentation is to clearly establish the debt obligation of borrower to the Bank. In most cases, standardized set of documents are used as applicable, depending upon the type of credit facilities and the borrower entity.

Delegation of powers –

The Bank has adopted 'Four Eyes' principle for credit approval. The principle dictates that generally at least two people must create, examine and approve any credit proposal. Most of the loan proposals require Joint Signature Approvals (JSA). This helps to avoid credit approval based on judgment of one functionary alone, ensures compliance & reduces risk from errors & prejudices. The Bank has also adopted Committee Approach for sanctioning high value credit proposals. Board Credit Committee (BCC), Management Credit Committee (MCC) approves credit proposals as per authority matrix.

Post Sanction Monitoring –

The Bank has evolved a process to ensure end-use of funds is for the purpose for which credit limits are sanctioned. Further, it is ensured that the security obtained from borrowers by way of hypothecation, pledge, etc. are not tampered with in any manner and are adequate.

Early Warning System (EWS) –

The Bank follows EWS for early identification of problem loans. EWS works on the basis of various pre-defined symptoms. Such accounts are closely monitored by RM, CRD, Special Mention Assets (SMA) Group and CAD.

Out of these, accounts which exhibit high degree of stress are classified as "Watch List" accounts. Remedial action plans for these accounts are developed. Such accounts are monitored very closely by Senior Management as well as Board.

Review / Renewal of Loans –

After a credit facility is sanctioned and disbursed, follow-up and reviews are conducted at periodic intervals. All funded and non-funded facilities granted to a customer are reviewed at least once a year or at more frequent intervals, as warranted. In addition, mid-term reviews are stipulated for Watch-Listed/ provisioned accounts.

Credit Pricing –

Pricing of loans / advances / cash credit / overdraft or any other financial accommodation granted / provided / renewed or discounted usance bills is in accordance with the directives on interest rates on advances issued by RBI as well as internal policies of the bank. The Bank has also adopted Risk Based Pricing for different categories of customers.

Credit Portfolio Analysis –

Credit portfolio analysis is carried out at periodic intervals to review entire credit portfolio of the Bank to monitor growth, distribution, concentration, quality, compliance with RBI guidelines and policies of the Bank, accounts under Watch-List category etc. The same is monitored / reviewed by Board / RMCB.

Loan Review Mechanism (LRM) –

The Bank has implemented LRM framework in line with RBI guidelines. The primary objective of LRM includes monitoring effectiveness of loan administration, compliance with internal policies of Bank and regulatory framework, monitor portfolio quality, concentrations, post sanction follow-ups and appraising top management with information pertaining to the audit finding for further corrective actions.

Non-performing Assets (NPA) –

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank.

i) A non-performing asset (NPA) is a loan or an advance where: Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan. Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

ii) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted;

iii) Installment of principal or interest thereon remains overdue for two crop seasons for short duration crops, and one crop season for long duration crops;

iv) The account remains 'out of order' in respect of an Overdraft / Cash Credit (OD/CC). An account is treated as 'out of order' if:

   a. the outstanding balance remains continuously in excess of the sanctioned limit / drawing power for more than 90 days; or

   b. where outstanding balance in principal operating account is less than 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 interest debited during the same period;

v) The regular / ad hoc credit limits have not been reviewed / renewed within 180 days from the due date / date of ad-hoc sanction;

vi) Drawings have been permitted in working capital account for a continuous period of 90 days based on drawing power computed on the basis of stock statements that are more than 3 months old, even though the unit may be working or the borrower's financial position is satisfactory;

vii) Bank Guarantees / Letters of Credits devolved on the Bank which are not reimbursed by the customer within 90 days from the date of payment;

viii) A loan for an infrastructure / non-infrastructure project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), unless it is restructured and becomes eligible for classification as 'standard asset';

ix) A loan for an infrastructure (/ non-infrastructure) project will be classified as NPA if it fails to commence commercial operations within 2 years (/ 6 months) from original date of commencement of commercial operations, even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as 'standard asset'.

x) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of RBI guidelines on securitization;

xi) In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

Non- performing Investments (NPI) –

NPI is one where:

i) Interest / installment (including maturity proceeds) is due and remains unpaid for more than 90 days;

ii) The fixed dividend is not paid in case of preference shares;

iii) In case of equity shares, in the event investment in shares of any company is valued at Re.1 per company on account of non-availability of latest balance sheet in accordance with RBI instructions;

iv) If any credit facility availed by the issuer is NPA in the books of the bank, investment in any of the securities issued by the same issuer would be treated as NPI and vice versa;

v) The investments in debentures / bonds which are deemed to be in the nature of advance would also be subjected to NPI norms as applicable to investments.

Quantitative Disclosures –

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

(` in crore)

Category	**2012-13**	2011-12
Fund Based	**9160.71**	5337.57
Advances	6395.23	4156.99
Investment in Banking book	1759.94	1051.29
All other Assets	1005.54	729.29
Non-Fund Based	**2026.48**	439.66
Total	**11187.19**	6377.23

* Represents book value as on 31st March.
** Guarantees given on behalf of constituents, Acceptances, Endorsements & other Obligations and Liability on account of outstanding forward exchange contracts (credit equivalent amount).

(b) Geographic distribution of exposure*, Fund based & Non- fund** based separately

(` in crore)

	2012-13			2011-12		
Category	Domestic	Overseas	Total	Domestic	Overseas	Total
Fund Based	9142.03	18.68	9160.71	5936.07	1.50	5937.57
Non-Fund Based	2026.09	0.39	2026.48	438.66	1.20	439.66
Total	**11168.12**	**19.07**	**11187.19**	6374.53	2.70	6377.23

* Represents book value as on 31st March;
** Guarantees given on behalf of constituents, Acceptances, Endorsements & other Obligations and Liability on account of outstanding forward exchange contracts (credit equivalent amount).

(c) Industry type distribution of exposures*- Funded & Non-funded**

(` in crore)

Industry Code	Industry Name	2012-13		2011-12	
		Fund Based	Non Fund Based	Fund Based	Non-Fund Based
1	A. Mining and Quarrying (A.1 + A.2)	-	-	-	-
11	A.1 Coal	-	-	-	-
12	A.2 Others	-	-	-	-
2	B. Food Processing (Sum of B.1 to B.5)	933.83	38.65	323.35	7.35
21	B.1 Sugar	200.12	1.12	150.35	1.00
22	B.2 Edible Oils and Vanaspati	197.75	34.95	101.05	0.18
23	B.3 Tea	-	-	0.05	-
24	B.4 Coffee	166.28	-	-	-
25	B.5 Others	369.68	2.58	71.90	6.17
3	C. Beverages (excluding Tea & Coffee) and Tobacco (Sum of C.1 & C.2)	-	0.05	-	-
31	C.1 Tobacco and tobacco products	-	-	-	-
32	C.2 Others	-	0.05	-	-
4	D. Textiles (Sum of D.1 to D.6)	98.34	6.23	167.09	15.76
41	D.1 Cotton	3.92	-	41.05	1.03
42	D.2 Jute	-	-	-	-
43	D.3 Handicraft/ Khadi (Non Priority)	-	-	-	-
44	D.4 Silk	-	-	-	-
45	D.5 Woolen	-	-	-	-
46	D.6 Others	94.42	6.23	126.04	14.73
47	Out of D (i.e. Total Textiles) to Spinning Mills	-	-	-	-
5	E. Leather and Leather Products	-	-	-	-
6	F. Wood and Wood products	-	-	-	-
7	G. Paper and Paper Products	145.92	5.23	60.59	-
8	H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	-	-	-
9	I. Chemicals and Chemical Products (Dyes, Paints etc.) Sum of I.1 to I.4)	427.01	48.27	190.48	4.62
91	I.1 Fertilizers	16.63	7.32	-	-
92	I.2 Drugs and Pharmaceuticals	259.05	23.80	130.09	4.26
93	I.3 Petro-chemicals (excluding under Infrastructure)	80.58	15.49	-	-
94	I.4 Others	70.75	1.65	60.39	0.36
10	J. Rubber, Plastic and their products	53.64	19.78	25.74	-
11	K. Glass & Glassware	-	-	-	-
12	L. Cement and Cement Products	99.01	24.02	47.56	6.76
13	M. Basic Metal and Metal Products (M.1 & M.2)	211.33	123.95	157.61	0.14

131	M.1 Iron and Steel	109.35	117.07	108.89	0.14
132	M.2 Other Metal and Metal Products	101.98	6.89	48.72	-
14	N. All Engineering (N.1 & N.2)	133.85	15.08	44.05	0.65
141	N.1 Electronics	-	-	1.40	-
142	N.2 Others	133.85	15.08	42.65	0.65
15	O. Vehicles, Vehicle Parts and Transport Equipments	23.15	7.72	20.83	-
16	P. Gems and Jewellery	-	36.66	17.94	26.00
17	Q. Construction	458.72	118.33	373.08	66.80
18	R. Infrastructure (Sum R.1 to R.4)	416.17	404.86	206.47	189.61
181	R.1 Transport(Sum of R.1.1 to R.1.5)	75.00	158.83	-	-
1811	R.1.1. Railways	-	-	-	-
1812	R.1.2 Roadways	75.00	99.00	-	-
1813	R.1.3 Airport	-	-	-	-
1814	R.1.4 Waterways	-	-	-	-
1815	R.1.5 Ports	-	59.83	-	-
182	R.2 Energy (Sum of R.2.1 to R.2.4)	233.36	56.20	187.89	58.40
1821	R.2.1 Electricity (generation-transportation and distribution)	233.36	56.20	163.06	58.40
18211	R.2.1.1 State Electricity Boards	-	-	-	-
18212	R.2.1.2 Others	-	-	56.19	-
18213	R.2.3 Power Generation	199.32	56.20	106.87	58.40
18214	R.2.4 Power transmission / Distribution	34.04	-	-	-
1822	R.2.2 Oil (storage and pipeline)	-	-	-	-
1823	R.2.3 Gas/LNG (Storage and pipeline)	-	-	24.83	-
1824	R.2.4 Others	-	-	-	-
183	R.3 Telecommunication	25.00	189.83	0.02	119.80
184	R.4 Others	82.81	-	18.56	11.41
1841	R.4.1 Water sanitation	-	-	-	-
1842	R.4.2 Social & Commercial Infrastructure	-	-	-	-
1843	R.4.3 Others	82.81	-	18.56	11.41
19	S. NBFC	1645.49	-	649.00	-
20	T. Traders	555.23	179.20	282.06	67.20
21	U. Other Services	1121.94	177.77	@	@
22	V. Other Industries	538.40	12.45	971.85	23.86
23	All Industries (Sum of A to V)	6862.03	1218.26	3537.70	408.75
24	Residuary Other Category (to tally with gross)	1305.19	808.22	1088.10	30.91
Less	Bills Re-discounted	97.53	-	49.11	-
25	Total	8069.69	2026.48	4576.69	439.66

As on March 31, the Bank's exposure to the industries stated below was more than 5% of the total exposure:

Sr. No.	Industry classification	Percentage of the total exposure	
		2012-13	2011-12
1.	NBFC	16.30%	12.94%
2.	Food Processing	9.63%	6.59%
3.	Traders	7.27%	6.96%
4.	Infrastructure	8.13%	7.90%
5.	Construction	5.72%	8.77%

* Represents book value as on 31st March, gross advances and investments through credit substitutes;
** Guarantees given on behalf of constituents, Acceptances, Endorsements & other Obligations and Liability on account of outstanding forward exchange contracts (credit equivalent amount).
@ Part of Other Residuary category.

(d) Residual contractual maturity breakdown of assets

As on March 31, 2013

(` in crore)

Maturity bucket	Cash, balances with RBI and other banks	Investments	Advances	Other assets including fixed assets
1 day	122.07	110.00	164.87	0.00
2 to 7 days	188.88	49.97	125.60	13.48
8 to 14 days	16.33	0.00	59.27	8.64
15 to 28 days	146.68	24.86	197.87	0.00
29 days to 3 months	47.80	1,145.76	638.16	16.99
3 to 6 months	25.97	871.32	368.77	11.83
6 to 12 months	57.38	242.14	685.60	32.34
1 to 3 years	73.49	724.03	2101.68	61.13
3 to 5 years	4.85	824.76	1322.44	13.58
Over 5 years	5.13	1578.58	711.95	169.25
Total	**688.58**	**5,571.42**	**6,376.21**	**327.24**

As on March 31, 2012

(` in crore)

Maturity bucket	Cash, balances with RBI and other banks	Investments	Advances	Other assets including fixed assets
1 day	115.18	105.00	88.57	0.00
2 to 7 days	286.32	191.89	77.20	5.69
8 to 14 days	3.20	19.94	95.91	2.81
15 to 28 days	9.88	24.83	112.16	0.00
29 days to 3 months	15.91	536.65	558.28	7.13
3 to 6 months	25.62	87.24	263.10	4.94
6 to 12 months	45.55	31.58	570.13	12.62
1 to 3 years	78.65	227.71	1260.58	24.31
3 to 5 years	3.11	223.76	400.95	5.75
Over 5 years	2.70	885.24	705.39	89.86
Total	**586.12**	**2333.83**	**4132.27**	**153.11**

(e) Non-Performing Assets (NPA) –

(` in crore)

	Particulars	**2012-13**	2011-12
(a)	Amount of NPAs (Gross)	**25.90**	**33.11**
	- Substandard	4.43	16.38
	- Doubtful 1	14.71	3.25
	- Doubtful 2	3.78	5.00
	- Doubtful 3	2.28	2.94
	- Loss	0.69	5.54
(b)	**Net NPAs**	**6.88**	**8.39**
(c)	**NPA ratios**		
	- Gross NPAs to gross advances	0.40%	0.80%
	- Net NPAs to Net advances	0.11%	0.20%
(d)	Movement of NPAs (Gross)		
	- Opening balance	33.11	21.51
	- Additions	40.85	18.13
	- Reductions	48.06	6.53
	- Closing balance	25.90	33.11
(e)	Movement of provisions for NPAs		
	- Opening balance	24.72	14.62
	- Provisions made during the period	10.35	12.08
	- Write-off / Write-back of excess provisions during the year	(16.05)	(1.98)
	- Closing balance	19.02	24.72

(f) NPI and movement of provision for depreciation of NPIs –

(` in crore)

		2012-13	2011-12
(a)	Amount of Non- Performing Investments	-	2.29
(b)	Amount of provisions held for Non- Performing Investments	-	2.29
(c)	Movement of provisions for Non - Performing & depreciation on investments		
	- Opening balance	2.29	2.59
	- Provisions made during the period	5.50	5.24
	- Write-off	2.29	-
	- Write-back of excess provisions	5.29	5.54
	- Closing balance	0.21	2.29

V. CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH:

Ratings used under Standardized Approach:

As stipulated by RBI, the Bank makes use of ratings assigned to domestic counterparties by following Eligible Credit Assessment Institutions (ECAI's) namely:

- CRISIL Limited;
- CARE Limited
- India Ratings & Research Private Limited (earlier known as Fitch India);
- ICRA Limited;
- Brickwork Ratings India Pvt. Ltd (Brickwork);
- SMERA.

The Bank reckons external ratings for risk weighting purposes, if the external rating assessment complies with the guidelines stipulated by RBI.

Types of exposures for which each agency is used:

The Bank has used the solicited ratings assigned by the above approved credit rating agencies for all eligible exposures, both on balance sheet and off balance sheet, whether short term or long term, as prescribed in the RBI guidelines.

Process used for application of issue ratings to comparable assets in banking book:

Key aspects of the Bank's external ratings application framework are as follows:

1. The Bank uses only those ratings that have been solicited by the counterparty;
2. Where the facility provided by the Bank possesses rating assigned by approved ECAI, the risk weight of the claim is based on this rating;
3. The Bank also reckons external rating at the borrower (issuer) level as follows:
   a. Where the Bank invests in a particular issue that has an issue specific rating, the risk weight of the claim is based on this assessment;

b. When a borrower is assigned a rating that maps to a risk weight of 150%, then this rating is applied on all unrated facilities of the borrower;
c. Unrated short term claim on counterparty is assigned a risk weight of at least one level higher than the risk weight applicable to the rated short term claim on that counterparty.

Quantitative Disclosures –

For exposure amounts after risk mitigation subject to the standardized approach, amount of a Bank's exposure (rated and unrated) in the following three major risk buckets as well as those that are deducted:

(` in crore)

Particulars	**2012-13**	2011-12
- Below 100% risk weight	4054.16	3330.31
- 100% risk weight	6914.29	2994.44
- More than 100% risk weight	369.54	187.75
- Credit Risk Mitigants (CRM) Deducted	652.98	280.72

VI. CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACHES:

Policies and processes –

The Bank has in place Commercial Credit Policy, Retail Assets Credit Policy duly approved by the Board. The policies lay down the types of securities normally accepted by the Bank for lending, and administration / monitoring of such securities in order to safeguard / protect the interest of the Bank so as to minimize the risk associated with it.

Credit Risk Mitigation –

In line with RBI guidelines, the Bank uses comprehensive approach for credit risk mitigation. Under this approach, the Bank reduces its credit exposure to the counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible financial collateral as specified.

Main types of collateral taken by Bank –

Bank uses various collaterals financial as well as non-financial, guarantees and credit insurance as credit risk mitigants. The main collaterals include bank deposits, National Saving Certificate (NSC) / Kisan Vikas Patra (KVP) / Life Insurance Policies, plant and machinery, Book debts, residential and commercial mortgages, vehicles and other movable properties. All collaterals are not recognized as credit risk mitigants under the standardized approach. The following are the eligible financial collaterals which are considered under standardized approach.

- Fixed Deposit receipts issued by the Bank;
- Securities issued by Central and State Governments;
- KVP and NSC provided no lock-in period is operational and that can be encashed within the holding period;
- Life Insurance Policies with declared surrender value, issued by an insurance company regulated by the insurance sector regulator;

Main type of guarantor counterparties –

Wherever required the Bank obtains personal or corporate guarantee as an additional comfort for mitigation of credit risk which can be translated into a direct claim on the guarantor which is unconditional and irrevocable. The creditworthiness of the guarantor is normally not linked to or affected by the borrower's financial position.

Concentration Risk in Credit Risk Mitigants –

The credit risk mitigation taken is largely in the form of cash deposit with the Bank and thus the concentration risk (credit and market) of the mitigants is low.

Quantitative Disclosures –

(` in crore)

SN	Particulars	**2012-13**	2011-12
1.	Total Exposure (on and off balance sheet) covered by eligible financial collateral after application of haircuts	652.98	280.72
2.	Total Exposure (on and off balance sheet) covered by guarantees / credit derivatives	93.44	24.50

VII. SECURITISATION EXPOSURES: DISCLOSURE FOR STANDARDIZED APPROACH:

In respect of securitization transactions, the Bank's role is limited as an investor. The outstanding value of securitized exposure as on March 31, 2013 was ` 406.84 crore.

Quantitative Disclosures –

Banking Book –

(` in crore)

SN	Particulars	**2012-13**	2011-12
1.	Total amount of exposures securitized by the Bank	NIL	NIL
2.	For exposures securitized, losses recognized by the Bank during the current period	NIL	NIL
3.	Amount of assets intended to be securitized within a year	NIL	NIL
4.	Of (3), amount of assets originated within a year before securitization	NIL	NIL
5.	Total amount of exposures securitized and unrecognized gain or losses on sale by exposure type	NIL	NIL

<table>
<tr><td>6.</td><td>Aggregate amount of:
- On balance sheet securitization exposures retained or purchased broken down by exposure type

- Off balance sheet securitization exposures</td><td>NIL

NIL</td><td>Securities (PTC) purchased with book value ` 132.01 crore backed by pool of micro-finance loans.

NIL</td></tr>
<tr><td>7.</td><td>Aggregate amount of:
- Securitization exposures retained or purchased and the associated capital charges, broken down between exposures & different risk weight bands.</td><td>NIL</td><td>(` in crore)<table><tr><th>Risk Weight</th><th>Exposure</th><th>Capital Charge</th></tr><tr><td>Below 100%</td><td>63.70</td><td>2.87</td></tr><tr><td>100%</td><td>68.31</td><td>6.15</td></tr><tr><td>More than 100%</td><td>-</td><td>-</td></tr></table></td></tr>
<tr><td>8.</td><td>Exposures that have been deducted entirely from Tier I capital, credit enhancing I/Os deducted from total capital, and other exposures deducted from total capital (by exposure type)</td><td>NIL</td><td>NIL</td></tr>
</table>

Trading Book –

(` in crore)

SN	Particulars	**2012-13**	2011-12
1.	Aggregate amount of exposures securitized by the Bank for which the Bank has retained some exposures and which is subject to market risk approach, by exposure type	NIL	NIL
2.	Aggregate amount of: - On balance sheet securitization exposures retained or purchased broken down by exposure type - Off balance sheet securitization exposures	Securities (PTC) purchased with book value ` **406.63 crore** backed by pool of micro-finance loans. NIL	Securities (PTC) purchased with book value ` **19.20 crore** backed by pool of micro-finance loans. NIL
3.	Aggregate amount of securitization exposures retained or purchased separately for: - Securitization exposures retained or purchased subject to Comprehensive Risk Measure for Specific Risk	` **406.84 crore**	` 19.20 crore

		(` in crore)		(` in crore)	
	- Securitization exposures subject to the securitization framework for specific risk broken down into different risk weight bands	Risk Weight	Exposure	Risk Weight	Exposure
		Below 100%	124.53	Below 100%	19.20
		100%	282.31	100%	-
		More than 100%	-	More than 100%	-
4.	Aggregate amount of:	(` in crore)		(` in crore)	
	- Capital requirements for securitization exposures, subject to the securitization framework broken down into different risk weight bands	Risk Weight	Capital Required	Risk Weight	Capital Required
		Below 100%	5.90	Below 100%	0.86
		100%	26.87	100%	-
		More than 100%	-	More than 100%	-
	- Securitization exposures that are deducted entirely from Tier I capital, credit enhancing I/Os deducted from total capital, and other exposures deducted from total capital (by exposure type)		NIL		NIL

VIII. MARKET RISK IN TRADING BOOK:

Policy and Strategy for Market Risk Management –

Bank defines Market Risk as the risk of losses in trading book due to movements in market variables such as interest rates, credit spreads, foreign exchange rates, commodity prices, equity prices etc. Bank's exposure to market risk arises from investment in trading book (AFS & HFT category), the foreign exchange positions, and other derivative positions. Under market risk management, liquidity risk, interest rate risk, equity price risk and foreign exchange risk are monitored and managed.

Market Risk is managed in accordance to the Board approved Investment Policy, Market Risk Management Policy, Asset Liability Management (ALM) Policy, Foreign Exchange Policy, Derivatives Policy. The policies lay down well-defined organization structure for market risk management functions and processes whereby the market risks carried by the Bank are identified, measured, monitored and controlled within the stipulated risk appetite of the Bank.

Organization Structure for Market Risk Management function –

The organizational structure of the Bank for Market Risk Management function has the Board of Directors at the apex level that maintains overall oversight on management of risks. The Risk Management Committee of Board (RMCB) devises policy and strategy for integrated risk management which includes market risk. At operational level, Asset Liability Management

Committee (ALCO) monitors management of market risk. The main functions of ALCO also include balance sheet planning from a risk return perspective including the strategic management of interest rate risk and liquidity risk.

The Market Risk Management process includes the following key participants:

- The Market Risk Management Group, which is an independent function, reports to Chief Risk Officer (CRO). This group is responsible for developing the policy framework for Market Risk management and day to day oversight over the Market Risk exposures of the Bank.

- The Treasury Mid Office is responsible for monitoring all Market Risk exposures in line with the policies of the bank and escalating excesses/ violations etc. in a timely manner so that corrective action can be initiated.

- Treasury Investment Committee oversees and reviews investments in Government Securities, bonds and debentures, equity investments, and investments in other approved securities and instruments.

Risk Reporting, Measurement, Mitigation and Monitoring Systems –

The Market Risk Management framework ensures that there are sufficient processes and controls in place to ensure all market risk exposures are monitored and are within the risk appetite set by the Bank’s Board.

Reporting and measurement systems –

The Bank has defined various risk metrics for different products and investments. Risk limits are control measures which seek to limit risk within or across the desks. The objective of a limit is to ensure that the negative earnings impact of price risks are within the risk taking appetite of the Bank. The nature of limits includes position limits, gap limits, tenor & duration limits, stop-loss trigger level, Value at Risk (VaR) limits. These limits are appropriately selected for the relevant portfolios. The risk limits are monitored across different levels of the Bank on an ongoing basis.

Liquidity Risk Management –

Liquidity Risk is managed in the following manner:

- Asset Liability Management (ALM) Policy of the Bank specifically deals with liquidity and interest rate risk management.
- As envisaged in the ALM policy, liquidity risk is managed through Traditional Gap Analysis based on the residual maturity / behavioral pattern of assets and liabilities as prescribed by RBI.
- Monitoring of prudential (tolerance) limits set for different residual maturity time buckets, large deposits, loans, various liquidity ratios for efficient asset liability management;
- The Bank has also put in place mechanism of short term dynamic liquidity and contingency plan for liquidity risk management;
- Contingency Funding Plan (CFP), approved by the Board sets process to take care of crisis situation in the event of liquidity crunch or a run on the Bank. A comprehensive set of Early Warning Indicators has been designed to forewarn of impending liquidity stress. Crisis Management Team (CMT) provides direction of follow up action for handling the crisis situation.

Portfolios covered by Standardized Approach -

The Bank has adopted Standardized Duration Approach (SDA) as prescribed by RBI for computation of capital charge for market risk for:

- Securities included under the Held for Trading (HFT) category,
- Securities included under the Available for Sale (AFS) category,
- Open foreign exchange position limits, and
- Trading positions in derivatives.

Capital requirement for:

(` in crore)

Particulars	**2012-13**	2011-12
Interest Rate Risk	134.92	42.11
Equity Position Risk	26.72	19.77
Foreign Exchange Risk	2.02	2.02

IX. OPERATIONAL RISK:

Policy and Strategy for Operational Risk Management –

Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risk. The Bank faces Operational Risk due to its exposure to potential errors, frauds, or unforeseen catastrophes resulting in unexpected losses in the course of business activities.

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. These include Information Security Policy, Policy on Know Your Customer and Anti Money Laundering Measures, Outsourcing Policy, Vigilance Policy, Frauds Management Policy.

Organizational Structure for Operational Risk Management function –

The organizational structure of the Bank for Operational Risk Management function has the Board of Directors at the apex level that maintains overall oversight of management of risks. The Risk Management Committee of Board (RMCB) devises policy and strategy for integrated risk management which includes operational risk. At operational level, Operational Risk Management Committee (ORMC) monitors management of operational risk. The main functions of ORMC are to monitor and ensure appropriateness of operational risk management and recommend suitable control measures for mitigating the same.

Risk Reporting, Measurement, Mitigation and Monitoring Systems –

The Bank has adopted best practices in mitigating operational risk in transaction processing, adherence to defined policies & laws, customer documentation and business continuity through:

- Well defined, documented and updated process manuals and policies,
- Centralized processing at National Operating Center (NOC),
- Segregation of duties, maker checker concept, automated processes,

- Transaction monitoring and analysis,
- Additional checks for high value transactions, control MIS for various limits, periodic training, standardized documentation, authorization matrix and Business Continuity / Disaster Recovery testing,
- Insurance – The Bank covers risk on account of natural disasters, fidelity through appropriate insurance.

Approach for Operational Risk capital assessment –

In accordance with RBI guidelines, the Bank has adopted Basic Indicator Approach (BIA) for computation of capital charge for operational risk.

X. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB):

Policy and Strategy for Interest Rate Risk Management –

Interest rate risk in banking book represents the Bank's exposure to adverse movements in interest rates with regard to its non-trading exposures. Interest rate risk is measured by doing a gap analysis as well as factor sensitivity analysis. Bank holds assets, liabilities with different maturity and linked to different benchmark rates, thus creating exposure to unexpected changes in the level of interest rates in such markets.

Interest Rate Risk is managed in accordance to the Board approved Asset Liability Management (ALM) Policy, Investment Policy. The policies lay down well-defined organization structure for interest rate risk management functions and processes whereby the interest rate risks carried by the Bank are identified, measured, monitored and controlled.

Organization Structure for Interest Rate Risk Management function –

The organizational structure of the Bank for Interest Rate Risk Management function has the Board of Directors at the apex level that maintains overall oversight of management of risks. The Risk Management Committee of Board (RMCB) devises policy and strategy for integrated risk management which includes interest rate risk. At operational level, Asset Liability Management Committee (ALCO) monitors management of interest rate risk. The main functions of ALCO include balance sheet planning from a risk return perspective including the strategic management of interest rates and liquidity risks.

Risk Reporting, Measurement, Mitigation & Monitoring systems –

- Interest rate risk is managed using Gap Analysis of Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) and monitoring of prudential (tolerance) limits prescribed.

- Earnings perspective - Based on the gap report, Earnings at Risk (EaR) approximates the impact of an interest rate/ re-pricing shock for a given change in interest rate on the net interest income (difference between total interest income and total interest expense) over a one year horizon.

- Economic value perspective - As against the earnings approach, interest rate risk is monitored based on the present value of the Bank's expected cash flows. A modified duration approach is used to ascertain the impact on interest sensitive assets, liabilities and off-balance sheet positions for a given change in interest rates on Market Value of Equity (MVE).

- Monitoring – The Bank employs EaR and MVE measures to assess the sensitivity to interest rate movements on entire balance sheet. EaR and MVE thresholds have been prescribed and the results are monitored on an ongoing basis.
  The findings of the risk measures for IRRBB are reviewed by Board at quarterly intervals.

Nature of IRRBB and Key assumptions –

- Interest rate risk is measured by using Earnings Perspective and Economic Value Perspective method.

- The distribution into rate sensitive assets and liabilities under Interest Rate Sensitivity Statement, Coupons, Yields are as prescribed in ALM policy of the Bank.

- Non-maturity deposits (current and savings) are classified into appropriate buckets according to the study of behavioral pattern. In case of these deposits, volatile portion is classified into '1-28 Days' time bucket and remaining core portion into '1-3 years' time bucket.

Quantitative Disclosures –

Increase (decline) in earnings and economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB.

Earnings Perspective –

(` in crore)

Interest rate shock	**2012-13**	2011-12
1% change in interest rate for 1 year	19.13	3.53

Economic Value Perspective –

(` in crore)

Interest rate shock	**2012-13**	2011-12
200 basis point shock	112.31	76.52