Consolidated Pillar III Disclosures (March 31, 2013)

DF-1: Scope of Application

a. The name of the top bank in the group to which the Framework applies:

IDBI Bank Ltd (hereinafter referred to as the Bank) is the parent company to which the Basel II framework applies.

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:

The consolidation is done using uniform accounting policies for all transactions and other events in similar circumstances. Where it is not practical, due to statutory/ regulatory requirements, accounting policies as mandated by respective statutes/ regulatory authorities are followed.

The consolidated financial statements of the Bank and its subsidiaries conform with the Generally Accepted Accounting Principles (GAAP) in India, which include statutory provisions, RBI guidelines and Accounting Standards notified under Companies Act, 1956.

i. Entities that are fully consolidated:

Sr. No.	Subsidiaries	Line of Business
1	IDBI Capital Market Services Ltd.	Business includes stock broking, distribution of financial products, merchant banking, corporate advisory services, etc.
2	IDBI Asset Management Ltd.	Manages Assets.
3	IDBI MF Trustee Company Ltd.	Monitors and oversees Mutual Fund business.

ii. Entities that are pro-rata consolidated: Nil

iii. Entities that are given a deduction treatment:

Sr. No.	Entities	Lines of Business
1	IDBI Federal Life Insurance Company Ltd.	Life Insurance business.

iv. Entities that are neither consolidated nor deducted (e.g. where the investment is risk-weighted):

Sr. No.	Entities	Lines of Business
1	IDBI Intech Ltd.	Undertakes activities in IT sector.
2	IDBI Trusteeship Services Ltd.	Provides a wide spectrum of corporate trusteeship services.

c. 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

d. The aggregate amounts (e.g. current book value) of the Bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, the impact on regulatory capital of using this method versus using the deduction or alternate group-wide method: Nil

DF-2: Capital Structure

a. Summary

The capital adequacy norms of RBI classify capital funds into Tier I and Tier II capital. The elements of Tier I capital include; paid up equity capital, statutory reserves, other disclosed free reserves, capital reserves and eligible Innovative Perpetual Debt Instruments (IPDIs), whereas elements of Tier II capital include; revaluation reserves, general provisions & loss reserves, hybrid debt capital instruments and eligible subordinated debts.

The details of components of Tier I and Tier II capital as on March 31, 2013 are discussed below :-

i. Tier I Bonds: IPDI of ₹ 2,558.80 crore are raised in various tranches in accordance with RBI guidelines. IPDI instruments are perpetual in nature, having a call option after completion of 10 years, exercisable with the prior approval of Reserve Bank of India (RBI). Interest on these bonds is not payable if the Bank's Capital to Risk-weighted Assets Ratio (CRAR) is below the regulatory requirement and the unpaid interest on these bonds is not cumulative. As per the prevailing RBI guidelines, coupon on these bonds could carry a step-up option up to a maximum of 100 bps, which could be exercised only once, in conjunction with the call option. However, RBI vide its circular dated January 20, 2011, has since disallowed such step-up option.

ii. Upper Tier II Bonds: Unsecured, redeemable Upper Tier II bonds of ₹ 4,286.20 crore with a maturity of 15 years (call option after 10 years exercisable with the prior approval of RBI) were raised by the Bank in various tranches in adherence to norms prescribed in this regards by RBI. Interest on these bonds is not payable if the Bank's CRAR is below the regulatory requirement. The unpaid interest may, however, be paid in later years subject to the regulatory compliance. These bonds are subject to progressive discounting during the last 5 years of residual maturity, for the purpose of calculation of Tier II capital. According to the then RBI guidelines, coupon on these bonds could carry a step-up option up to a maximum of 100 bps, which could be exercised only once, in conjunction with the call option. However, RBI vide its circular dated January 20, 2011, has since disallowed such step-up option.

iii. Subordinated (lower) Tier II Bonds: Unsecured, redeemable, subordinated (lower) Tier II Bonds with a minimum maturity of 5 years have been raised in various tranches. Outstanding balance of such bonds aggregated ₹ 10,295.70 crore as on March 31, 2013 (Discounted value of ₹ 8,333.26 crore). Call option, wherever applicable on these Bonds, may be exercised only with the prior approval of RBI, after the instrument has completed at least 5 years. These bonds are subject to progressive discounting during the last 5 years of residual maturity, for the purpose of calculation of Tier II capital. As per the then RBI guidelines, coupon on these bonds could carry a step-up option up to a maximum of 50 bps, which could be exercised only once, in conjunction with the call option. However, RBI vide its circular dated January 20, 2011, has since disallowed such step-up option.

b. Main features of the instruments being reckoned as Tier I and Tier II capital

Particulars	Date of Issue	Cumulative Amount Outstanding as on 31.3.2013 (₹Crore)	Average Tenure (years)	Weighted average Coupon (% p.a.)	Issue Rating
Innovative Perpetual Debt Instruments	On various dates	2,558.80	Perpetual (Call option after 10 years)	9.40 #	'AA/Stable' by CRISIL 'AA' by ICRA (with stable outlook)
Upper Tier II Bonds	On various dates	4,286.20	15 (Call option after 10 years)	9.69 #	'AA/Stable' by CRISIL 'AA' by ICRA (with stable outlook)
Subordinated (lower) Tier II Bonds	On various dates	10,295.70*	12	9.10 @	'AA+/Stable' by CRISIL 'AA+' by ICRA (with stable outlook)

With step up of 50 bps in most of the bond series, in conjunction with the call option.

@ With step up of 25 bps, in conjunction with the call option, in applicable cases.

* Discounted value of ₹ 8,333.26 crore as on March 31, 2013.

c. Composition of capital

As on March 31, 2013	(₹. Crore)
Amount of Tier I Capital	
Tier I Capital	
Paid up share capital	1332.75
Reserves	18229.62
Innovative instruments	2558.80
Gross Tier I Capital	22121.17
Deductions:	
Investments in subsidiaries / JVs	192.00
Intangible assets	9.85
Deferred Tax assets	1730.32
Others	24.32
Net Tier I Capital (a)	20164.68
Amount of Tier II Capital	
Tier II Capital	
Revaluation reserves	793.25
Upper Tier II instruments	4286.20
Lower Tier II instruments	8333.26
General Provisions	1064.23
Gross Tier II Capital	14476.94
Deductions:	
Investments in subsidiaries / JVs	192.00

As on March 31, 2013	(₹. Crore)
Other deductions	24.32
Net Tier II Capital (b)	14260.62
Total Eligible capital (a+b)	34425.30
Capital raised during the year 2012-13:	
Tier I	1405
Upper Tier II	-
Lower Tier II	1505
Total	2910

DF-3: Capital Adequacy:

The Bank manages and maintains capital as a cushion against risk of probable losses and to protect its depositors and creditors. The future capital requirement of the Bank is projected as a part of its annual business plan, in accordance with its business strategy. In calculating the capital requirements of the Bank, broad parameters viz. balance sheet composition, portfolio mix, growth rate and relevant discounting are considered. In addition, views regarding market behaviour of interest rate and liquidity positions are also taken into account. Further, the loan composition and rating matrix is factored in to reflect precision in projections.

The New Capital Adequacy Framework (NCAF) of RBI stipulates the methodology for computation of CRAR which is a ratio of the total capital of the Bank to its risk adjusted assets. The CRAR for the Bank is calculated on a quarterly basis and credit, market and operational risks are considered to arrive at the ratio. The Bank has adopted the Standardised Approach for Credit Risk, the Standardised Measurement Method (SMM) for Market Risk and the Basic Indicator Approach (BIA) for Operational Risk.

The position of the CRAR of the Bank as on March 31, 2013 is as follows:

CRAR %	Minimum Requirement	Stand-alone	Consolidated
Tier - I	6%	7.68%	7.75%
Total	9%	13.13%	13.23%

For identification, quantification and estimation of current and future risks, the Bank has a Board approved Internal Capital Adequacy Assessment Process (ICAAP) policy. The policy covers the process for addressing such risks, measuring their impact on the financial position of the Bank, formulating appropriate strategies for their containment and mitigation; thereby maintaining an adequate level of capital. The ICAAP exercise is conducted periodically to determine that the Bank has adequate capital to meet regulatory requirements in line with its business requirements. The Bank also has a comprehensive stress test policy to have an insight into the impact of severe but plausible stress scenarios on the Bank's risk profile and capital position. Stress test exercise is carried out regularly and the impact of stress scenarios are analysed on the profitability and capital adequacy of the Bank.

Basel III

In order to strengthen the resilience of the banking sector to potential future shocks, together with ensuring adequate liquidity, the Basel Committee on Banking Supervision (BCBS) issued guidelines on Basel III on December 16, 2010. The Basel III rules on capital consist of measures on improving the quality, consistency and transparency of capital, enhancing risk coverage, introducing a supplementary leverage ratio, reducing pro-cyclicality & promoting countercyclical buffers, and addressing systemic risk and interconnectedness. The Basel III rules include a liquidity coverage ratio which is a measure of short-term liquidity and is aimed at building liquidity buffers to meet stress situations; and a measure of long-term net stable funding ratio aimed at promoting longer term structural funding.

The guidelines on Basel III were issued by RBI on May 2, 2012 and the Bank will migrate to these norms as per the stipulations of RBI. The main focus of Basel III norms is on the quality and quantity of Tier I capital. These regulatory requirements will be met with the quantum of capital available with the Bank at present. Going forward the Bank may have to supplement capital funds, especially common equity fund requirements to meet expanding business needs and planned phase in of Basel III stipulations.

The CRAR of the Bank, on a consolidated basis, as on March 31, 2013 is as follow:

(Amount in ₹. Crore)

(a)	Credit Risk Capital:	
	Portfolios subject to standardised approach	20774.37
	Securitisation	0.10
(b)	Market Risk Capital:	
	Standardised duration approach	
	Interest Rate Risk	631.68
	Foreign exchange Risk (including Gold)	31.50
	Equity Risk	1101.40

		(Amount in ₹. Crore)
(c)	Operational Risk Capital:	
	Basic indicator approach	887.45
	Total Minimum Capital required	23309.97
		(Percentage)
	Total and Tier 1 capital ratio:	
	Tier I (%)	7.75%
	Total (%)	13.23%

DF-4: Credit Risk - General Disclosures

Credit risk is the risk of loss that may occur from default of the counterparty or failure to meet its obligations as per the terms of the financial contract. Any such event has an adverse effect on the financial performance of the Bank. The Bank faces credit risk through its lending, investment and other credit activities. To counter the effect of the credit risks faced by the Bank, a robust risk governance framework has been set up. The risk governing framework provides a clear definition of roles as well as allocation of responsibilities with regard to ownership and management of risks. Allocation of responsibilities is further substantiated by defining clear hierarchy with respect to reporting relationship and Management Information System (MIS) mechanism.

a. Bank's Credit risk management policy

The Bank has defined and implemented various risk management policies, procedures and standards with an objective to clearly articulate minimum processes and procedural requirements that are binding on all concerned Business groups. The Credit Policy of the Bank is guided by the objective to build, sustain and maintain a high quality credit portfolio by measurement, monitoring and control of the credit exposures. The policy also addresses more granular factors such as diversification of the portfolio across companies, business groups, industries, geographies and sectors. The policy reflects the Bank's approach towards lending to corporate clients in the light of prevailing business environment and regulatory stipulations. The Credit policy is reviewed annually and approved by the Board of Directors.

To avoid concentration of credit risk, the Bank has put in place internal guidelines on exposure norms in respect of single borrower, groups, exposure to sensitive sector, industry exposure, unsecured exposures, etc. Norms have also been detailed for soliciting new business as well as for preliminary scrutiny of new clients. The Bank abides by the directives issued by RBI, SEBI and other regulatory bodies in respect of lending to any industry including NBFCs, Commercial Real Estate, Capital Markets and Infrastructure. In addition, internal limits have been prescribed for certain specific segments based on prudential considerations.

The Bank has a specific policy on Counter Party Credit Risk pertaining to exposure on domestic & international banks and a policy on Country Risk Management pertaining to exposure on various countries.

The Bank's Credit Policy also details the standards, processes and systems for growing and maintaining the Retail Assets portfolio of the Bank. The policy also guides the formulation of Individual Product Program Guidelines for various retail products. The policy is reviewed either in anticipation of or in response to the dynamics of the environment (regulatory & market) in which the Bank operates or change in strategic direction or change in risk tolerance, etc.

Credit risk assessment process:

The sanction of credit proposals is in accordance with the delegation structure approved by the Board of Directors. Credit risk rating, used by the Bank is one of the key tools for assessing its credit proposals.

The Bank has implemented internal rating model Risk Assessment Module (RAM), a two - dimensional module for rating viz.; obligor and facility, in line with Basel II requirements. Different risk parameters such as financial, business, management and industry are used for different rating models in accordance with the category and characteristics of the borrower. Qualitative and quantitative information of the proposal is evaluated by the credit risk analyst to ascertain the credit rating of the borrower.

Proposals over a certain threshold amount are rated centrally by the Credit risk group of the Bank. Suitable committee based approach, represented by senior officials, is followed to validate the internal credit ratings. The appropriate rating committee of senior officials of the Bank validates the internal credit ratings. Approval of credit for retail products are guided by the individual retail product paper guidelines and each proposal is appraised through the scoring model.

In addition to the above, a Credit audit process is in place, which aims at reviewing the loans and is an effective tool to evaluate the effectiveness of credit evaluation, monitoring and mitigation process.

b. Definitions of non-performing assets

The Bank classifies its advances into performing and non-performing categories in accordance with extant RBI guidelines. The guidelines inter-alia, define a Non Performing Assets (NPAs) where:

- Interest and/ or installment of principal remains overdue for more than 90 days for a term loan,
- A bill purchased or discounted by the Bank remains 'overdue' for more than 90 days.

- In respect of an agricultural loan, the interest and / or installment of principal remains overdue for two crop seasons for short duration crops and for one crop season for long duration crops.
- The account remains 'out of order' in respect of overdraft / cash credit continuously for 90 days. An account would 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 po wer, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are also treated as 'out of order'.

Further, NPAs are classified into substandard, doubtful and loss assets based on the criteria stipulated by RBI.

In respect of investments in securities, where interest/ principal is in arrears, the Bank does not reckon income on such securities and makes appropriate provisions as per regulatory guidelines. The classification norms of RBI on Non Performing Investments (NPI) are similar to those applicable to NPA.

c. Credit Exposures as on March 31, 2013

i. Total credit exposures without taking into account benefit for credit risk mitigants:

(₹. Crore)

Category	Amount Outstanding	
	Domestic	Overseas
Fund Based*	184619.98	11686.47
Non Fund Based#	91811.49	1589.20

* refers to advances

includes LC, BG, LER and acceptances

ii. Top 20 Industry wise exposures

(₹. Crore)

Sr. No.	Industry	Fund Based	Non Fund Based	Total Exposure
1	Power	31361.43	17932.03	49293.46
2	Oil & Gas/Petroleum Products	11837.06	13066.32	24903.38
3	Home Loans	24811.02	0.00	24811.02
4	Iron and Steel	15253.73	8417.46	23671.19
5	Roads & Bridges / Ports	11463.54	11331.34	22794.88
6	Infrastructure Others	9464.09	8306.51	17770.60
7	Banking	12508.74	3356.51	15865.25
8	Telecom	10087.98	5630.77	15718.75
9	NBFC	13973.59	308.07	14281.66
10	Construction	3975.67	9188.27	13163.94
11	General Machinery & Equipments	3548.69	8324.43	11873.12
12	Textiles	9995.33	1781.64	11776.97
13	Trading	7534.11	4075.55	11609.66
14	Agriculture & Related Activities	9611.09	644.66	10255.75
15	Metals and Metal Products (Other than mfg.of Basic Iron and Steel)	5240.66	4063.00	9303.66
16	Housing Finance Companies	8708.73	402.13	9110.86
17	Fertilizers	3240.62	4540.00	7780.62
18	Cement	6589.21	1084.93	7674.14
19	Chemical & Chemical Products	3332.30	3131.62	6463.92
20	Sugar & Sugar Products	5014.08	1343.40	6357.48
	Total	207551.67	106928.64	314480.31

iii. Residual contractual maturity breakdown of assets and liabilities of the Bank on a standalone basis as on March 31, 2013

(₹ Crore)

			Assets		
Maturity Buckets	Cash & Balances with RBI and Other Banks	Investments	Advances	Fixed Assets & Other Assets	Total Assets
Day 1	5385.39	10242.92	1569.85	658.82	17856.98
2 to 7 days	3600.97	10703.38	2560.76	46.75	16911.86
8 to 14 days	104.47	24.94	2350.21	219.62	2699.24
15 to 28 days	465.11	34.87	2454.66	163.19	3117.83
29 days & upto 3 months	1281.12	4004.91	12715.39	852.52	18853.94
Over 3 months & upto 6 months	1879.28	1354.89	7021.95	474.70	10730.82
Over 6 months & upto 1 year	1763.25	1760.92	11367.61	94.55	14986.33
Over 1 year & upto 3 years	2248.30	12700.11	82149.33	23.16	97120.90
Over 3 years & upto 5 years	440.89	12472.79	25330.25	3443.72	41687.65
Over 5 yrs	755.74	45501.20	48786.44	3759.58	98802.96
Total	17924.52	98800.93	196306.45	9736.61	322768.51

d. Non Performing Assets as on March 31, 2013

(₹ Crore)

Amount of NPAs (Gross)		6449.98
a.	Substandard	2144.45
b.	Doubtful 1	1856.11
c.	Doubtful 2	2069.45
d.	Doubtful 3	183.20
e.	Loss	196.77
f.	Net NPAs	3100.36
g.	NPA Ratios	
	• Gross NPAs to Gross Advances	3.22%
	• Net NPAs to Advances	1.58%
h.	Movement of NPAs (Gross)	
	• Opening Balance	4551.37
	• Additions	2739.69
	• Reductions	841.08
	• Closing Balances	6449.98
i.	Movement of Provisions for NPAs	
	• Opening Balance	1640.44
	• Provisions made during the period	2177.25
	• Less : Transferred to Counter-Cyclical Provisioning Buffer	0
	• Write off/ Write back of excess provisions	564.32
	• Closing Balances	3253.37
(j)	Amount of Non-Performing Investments	853.95
(k)	Amount of provisions held for Non- performing Investments	410.63
(l)	Movement of provisions for depreciation on investments (including bonds and debentures)	
Opening Balance		1110.96
Provisions made during the period		371.44
Write offs / Write Back of excess provisions		256.58
Closing Balance		1225.82

Consolidated Pillar III Disclosures (March 31, 2013)

DF-5: Credit Risk- Disclosures of Portfolios subject to the Standardised Approach.

The Bank uses the solicited ratings assigned by the external credit rating agencies specified by RBI for calculating the risk weights on its exposures for capital calculations. In line with NCAF, banks are required to use the external ratings assigned by domestic credit rating agencies Crisil, CARE, ICRA, India Ratings (formerly Fitch India), Brickwork and SMERA.

The ratings assigned are used for all eligible exposures; on balance sheet and off balance sheet; short term and long term in the manner permitted by RBI guidelines. Only those ratings which are publicly available and in force as per the monthly bulletin of the rating agencies are considered.

To be eligible for risk weighting purposes, the entire amount of credit risk exposure to the Bank is taken into account for external credit assessment. The Bank uses short term ratings for exposures with contractual maturity of less than or equal to one year and long term ratings for those exposures which have a contractual maturity of over one year.

The process used to assign the ratings to a corporate exposure and apply the appropriate risk weight is as per the regulatory guidelines prescribed by RBI. In cases where multiple external ratings are available for a given corporate, the lower rating, where there are two ratings and the second lowest rating, where there are three or more ratings is applied.

The amount of outstanding of Assets in banking book and non fund based non market related facilities in various risk buckets, net of credit risk mitigants, is stated below:

(₹ Crore)

Risk Weight	Total Outstanding
Less than 100%	191793.48
At 100%	125643.67
More than 100%	40469.40
Deduction from Capital	48.64
Total	357955.19

DF-6: Credit Risk Mitigation: Disclosures for Standardised Approach

Collateral is an asset or a right provided to the lender to secure a credit facility by the borrower. To mitigate credit risk, the Bank obtains collaterals against its exposures. The Bank has a Board approved policy on Collateral Management and Credit Risk Mitigation (CRM) Techniques, which includes norms on acceptable collaterals, procedures & processes to enable classification and valuation of such collaterals.

On-Balance sheet netting is confined to loans and deposits, where the Bank has legally enforceable netting arrangements, involving specific lien in addition to other stipulated conditions. The netting is only undertaken for loans against collaterals of the same counterparty and subject to identifiable netting arrangement.

Both financial as well as non-financial collaterals are used by the Bank to hedge its credit exposures. Appropriate collateral for a product is determined after taking into account the type of borrower, the risk profile and the facility. The main types of eligible financial collaterals accepted by the Bank are Cash, Bank's own deposits, Gold, National Savings Certificates, Kisan Vikas Patra, Insurance policies with a declared surrender value and various Debt securities. The non-financial collaterals include Land and Building, Plant and Machinery, Stock, etc. However, under the retail portfolio the collaterals are defined as per the type of product e.g. collateral for housing loan would be residential mortgage and automobile for auto loan. Most of the eligible financial collaterals, where the Bank has availed capital benefits under CRM techniques, are in the form of Bank's own FDs which are not subject to credit or market risk.

The Bank also considers guarantees for securing its exposures; however it only considers those guarantees which are direct, explicit and unconditional. Sovereigns, Public Sector Entities, Banks, Primary Dealers, Credit Guarantee fund Trust for Micro and Small Enterprises (CGTMSE), Export Credit Guarantee Corporation (ECGC) and highly rated corporate entities (having external rating of AA and above) are considered as eligible guarantors by the Bank for availing capital benefits as stipulated in NCAF.

The Bank utilizes various processes and techniques to reduce the impact of the credit risk to which it is exposed. CRM is one such tool designed to reduce the Bank's credit exposure to the counterparty while calculating its capital requirement to the extent of the value of eligible financial collateral. The credit exposure to a counter party is adjusted by the value of eligible financial collaterals after applying appropriate haircuts. The haircuts are applied to account for volatility in value, including those arising from currency mismatch for both the exposure and the collateral. For availing capital savings under eligible guarantees, the amount of exposure is divided into covered and uncovered portions. The covered portion of the exposure attracts the risk weight of guarantor, while the uncovered portion continues to attract the risk weight of the obligor subject to meeting requirements stipulated in NCAF.

The Bank's exposures where CRM techniques were applied are as follows:

(₹ Crore)

Particulars	Fund Based	Non-Fund Based *
Total Exposures covered by eligible financial collateral	8070.70	15437.91
Exposure after taking benefit of eligible collateral	3105.31	12312.60

* Non-Market Related

The exposure covered by corporate guarantees where CRM techniques as per RBI guidelines were applied amounted to ₹ 2105.20 crore as on March 31, 2013.

DF-7: Securitization exposure-Disclosure for Standardized Approach

The main securitized exposures of the Bank are the investments made in securitized papers in the form of Pass Through Certificates (PTCs) and the providing credit enhancements in the form of Second Loss and Liquidity facility. The loans/ receivables are acquired through the Securitization route from the NBFCs/MFIs in accordance with the prevalent RBI guidelines.

The Bank plays either some or all of the following roles in securitization transactions:

i. **Investor:** As an investor who invests in the securitized papers viz. Pass Through Certificates (PTCs) issued by the Special Purpose Vehicle (SPV).

ii. **Provider of Credit Enhancement (CE):** Securitization transactions of retail loans are generally backed by Liquidity Facility (LF), First Loss Credit Facility (FLCF) and Second Loss Credit Facility (SLCF), collectively known as Credit Enhancement. While LF is used for meeting temporary mismatch in pool inflows, FLCF and SLCF are meant for meeting pool delinquencies.

a.	**The general qualitative disclosures with respect to securitization activities of the Bank are as follows:**	
	The Bank's objectives in relation to securitization activity, including the extent to which these activities transfer credit risk of the underlying securitized exposures away from the bank to other entities.	In order to supplement, achievement of target in Priority Sector Lending (PSL), the Bank undertakes these activities. The loans are securitized on non-recourse basis whereby the credit risk of the underlying loans is fully transferred to the acquirers.
	The nature of other risks.	Nil
	The various roles played by the Bank in the securitisation process and an indication of the extent of the bank's involvement in each of them;	During FY 2012-13, the Bank has played the roles of an Investor, Provider of Credit Enhancement and Liquidity Facility in Securitisation exposures as per the following details: (₹ Crore.) Sr. No | Role played | No. of transactions | Amount involved 1 | Investor (o/s) | 33 | 3740.78 2 | Provider of Credit enhancement (Second Loss Facility) | 2 | 48.64 3 | Provider of Liquidity Facility | 1 | 5.67
	A description of the processes in place to monitor changes in the credit and market risk of securitisation exposures.	The Bank has acquired PTCs backed by pool of retail loans/Loan Against Property (LAP). The pools are rated AAA (SO) /AA (SO) and supported by adequate credit enhancement (CE). The Bank periodically monitors the collection performance, repayments, prepayments, utilization of CE, Mark to Market and rating of the pools.
	A description of the bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitisation exposures;	The Bank meticulously follows extant RBI guidelines on Securitisation of Standard Assets as outlined in RBI circular dated May 07, 2012. The Bank acquires securitized assets with adequate CE as stipulated by the rating agencies.
b	**Summary of the bank's accounting policies for securitisation activities, including:**	
	Whether the transactions are treated as sales or financings;	Acquisition of securitized papers is treated as investments in the books of the Bank.
	Methods and key assumptions (including inputs) applied in valuing positions retained or purchased	The securitized papers are categorized under Available For Sale category and are marked to market based on FIMMDA valuations as per extant RBI guidelines.
	Changes in methods and key assumptions from the previous period and impact of the changes;	NIL
	Policies for recognizing liabilities on the balance sheet for arrangements that could require the bank to provide financial support for securitized assets.	Liabilities are recognized on the balance sheet as per relevant RBI guidelines.

Consolidated Pillar III Disclosures (March 31, 2013)

<table>
<tr><td>c</td><td>In the banking book, the names of External Credit Assessment Institutions (ECAIs) used for securitization and the types of securitization exposure for which each agency is used.</td><td>The exposures securitized are externally rated by CRISIL, CARE, ICRA and India Ratings.</td></tr>
<tr><td colspan="2">Quantitative disclosures : Banking Book</td><td></td></tr>
<tr><td>d</td><td>The total amount of exposures securitized by the bank</td><td>₹ 48.64 crore by way of second loss facility.
₹ 5.67 crore by way of Liquidity facility.</td></tr>
<tr><td>e</td><td>For exposures securitized, losses recognized by the bank during the current period broken by the exposure type.</td><td>NIL</td></tr>
<tr><td>f</td><td>Amount of assets intended to be securitized within a year</td><td>NIL</td></tr>
<tr><td>g</td><td>Of the above, the amount of assets originated within a year before securitization.</td><td>NIL</td></tr>
<tr><td>h</td><td>The total amount of exposures securitized (by exposure type) and unrecognized gain or losses on sale by exposure type.</td><td>NIL</td></tr>
<tr><td>i</td><td colspan="2">Aggregate amount of:</td></tr>
<tr><td></td><td>on-balance sheet securitization exposures retained or purchased broken down by exposure type and</td><td>(₹ Crore)
<table>
<tr><td>Particulars</td><td></td></tr>
<tr><td>Second Loss Facility</td><td>36.27</td></tr>
<tr><td>Liquidity Facility</td><td>5.67</td></tr>
<tr><td>Total</td><td>41.94</td></tr>
</table></td></tr>
<tr><td></td><td>off-balance sheet securitization exposures broken down by exposure type</td><td>Bank Guarantee issued towards second loss facility of ₹ 12.37 crore</td></tr>
<tr><td>j</td><td>Aggregate amount of securitization exposures retained or purchased and the associated capital charges, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach</td><td>(₹ Crore)
<table>
<tr><td>Facility</td><td>Amt. At 100% CCR</td><td>Rating</td><td>Risk Weight</td></tr>
<tr><td>Liquidity Facility</td><td>5.67</td><td>AAA (SO)</td><td>20%</td></tr>
</table></td></tr>
<tr><td></td><td>Exposures that have been deducted entirely from Tier 1 capital, credit enhancing Interest Only Strips (I/Os) deducted from total capital, and other exposures deducted from total capital.</td><td>Second Loss facility of ₹ 48.64 crore of which ₹ 24.32 crore is deductible from Tier I capital and ₹ 24.32 crore is deductible from Tier II capital</td></tr>
<tr><td colspan="3">Quantitative disclosures : Trading Book</td></tr>
<tr><td>k</td><td>Aggregate amount of exposures securitized by the bank for which the bank has retained some exposures and which is subject to the market risk approach, by exposure type.</td><td>Securitized papers acquired during FY 2012-13 : ₹ 3984.11 crore
Securitized papers o/s as on March 31, 2013 : ₹ 3740.78 crore</td></tr>
<tr><td>l</td><td colspan="2">Aggregate amount of:</td></tr>
<tr><td></td><td>On-balance sheet securitization exposures retained or purchased broken down by exposure type; and</td><td>Securitization exposures purchased : ₹ 3984.11 crore
Securitization exposures o/s : ₹ 3740.78 crore</td></tr>
<tr><td></td><td>Off-balance sheet securitization exposures broken down by exposure type.</td><td>NIL</td></tr>
</table>

<table>
<tr><td>m</td><td>Aggregate amount of securitization exposures retained or purchased separately for:</td><td></td></tr>
<tr><td></td><td>Securitization exposures retained or purchased subject to Comprehensive Risk Measure for specific risk; and</td><td>NIL</td></tr>
<tr><td></td><td>Securitization exposures subject to the securitization framework for specific risk broken down into different risk weight bands.</td><td>Securitization exposure o/s as on March 31, 2013 : ₹ 3740.78 crore</td></tr>
<tr><td>n</td><td>Aggregate amount of.</td><td></td></tr>
<tr><td></td><td>The capital requirements for the securitization exposures, subject to the securitization framework broken down into different risk weight bands.</td><td>(₹ Crore)
<table>
<tr><th>Facility</th><th>Amt. at 100% CCR</th><th>Rating</th><th>Risk Weight</th></tr>
<tr><td>Investment</td><td>298.07</td><td>AAA(SO)</td><td>20%</td></tr>
<tr><td></td><td>2558.87</td><td>AA(SO)</td><td>30%</td></tr>
<tr><td>Outstanding</td><td>760.64</td><td>A(SO)</td><td>50%</td></tr>
<tr><td></td><td>123.20</td><td>BBB(SO)</td><td>100%</td></tr>
</table></td></tr>
<tr><td></td><td>Securitization exposures that are deducted entirely from Tier 1 capital, credit enhancing I/Os deducted from total capital, and other exposures deducted from total capital.</td><td>NIL</td></tr>
</table>

DF-8: Market Risk in Trading Book

Market Risk is the risk of loss in the value of an investment due to adverse movements in market variables such as interest rates, equity prices, exchange rates and commodity prices as well as their volatilities. The Bank is exposed to market risk through its trading activities, which are carried out on its own account as well as on behalf of its customers. The Bank monitors and manages the financial exposures arising out of these activities as an integral part of its overall risk management system. The risk management system takes cognizance of the unpredictable nature of the financial markets and endeavours to minimize any adverse impact on the Shareholders' wealth.

In order to capture each dimension of Market Risk, the Bank has formulated the Asset Liabilities Management (ALM) Policy, Market Risk Policy, Investment Policy and Derivatives Policy, which are approved by the Board. These policies ensure that operations in securities, foreign exchange and derivatives are conducted in accordance with sound and acceptable business practices and are as per the extant regulatory guidelines. These policies contain the limit structure that governs transactions in financial instruments and are reviewed periodically to incorporate changed business requirements, economic environment and revised regulatory guidelines.

The Asset Liability Management Committee (ALCO) comprising top executives of the Bank meets regularly to manage balance sheet risks in a coordinated manner. ALCO focuses on the management of liquidity, interest rate, foreign exchange risks, etc.

The Market Risk Policy identifies the trading risks to be managed by the Bank. It also lays down the organizational structure, tools, limits, systems, processes, etc., necessary for appropriate levels of risk management in the trading book. The major risk management tools employed by the Bank are Marked to Market (MTM) of trading portfolio, Price Value of basis point (PV01), Stop loss limits, Potential Future Exposure, stress testing etc.

The Investment and Derivatives policies have been framed keeping in view various circulars issued by RBI. The Investment policy lays down the parameters for investments in instruments, the purpose for such investments and the eligible customers with whom the Bank can transact. The Derivatives policy outlines the guidelines to deal in financial derivatives. The Bank offers derivative products (swaps and options) to clients for their risk management, which are mostly carried out on a back-to-back basis. The Bank also runs a proprietary trading book on interest rate swaps, currency swaps and options, subject to the overall risk limits approved by the Board as part of its Market Risk Policy and Derivatives Policy.

The Bank manages its market risks with the broad objectives of:

i. Management of interest rate risk, currency risk and equity risk arising from the investments, foreign currency and derivatives portfolio.

ii. Proper classification, valuation and accounting of transactions in various portfolios.

iii. Adequate and proper reporting of the transactions pertaining to derivatives, investment and foreign exchange products.

iv. Effective control over the operation and execution of market related transactions.

v. Compliance with regulatory requirements.

The Market Risk Group (MRG) is responsible for identification, assessment, monitoring and reporting of market risk in Treasury operations. The group also recommends changes in policies and methodologies for measuring market risk. The main strategies and processes of the group are as follows:-

i. Delegation: Appropriate delegation of powers has been put in place for treasury operations. Investment decisions are vested with Investment Committee. MRG monitors various limits as outlined in relevant policies.

ii. Controls: System based control mechanisms, which reflect adequate data integrity is present. These controls are also used for audit purpose.

iii. Exception handling processes: The limits defined in the policies have been set in the system for ensuring that the same is being enforced and exceptions are kept to the minimum. Limit breaches/exceptions, if any, are ratified immediately from the delegated authorities.

The MRG periodically reports on risk measures related to forex, investment and derivative products to the senior management and committees of the Board. The Bank also submits various regulatory reports as per the requirements.

The Bank has devised various risk parameters for different products in line with the guidelines issued by RBI from time to time. These risk parameters are measured and reported to the senior management independently by MRG.

The risk parameters adopted by the Bank for monitoring its risks are modified duration, PV01, stop loss, gap limits, threshold on positions, net open position limits, option greeks etc. Based on the risk appetite of the Bank, limits are placed on the risk metrics which are monitored on a regular basis.

Aggregation of capital charge for market risks

(₹ Crore)

Risk Category		Capital charge
a.	**Capital Charge on account of specific risk**	911.67
	i) On interest rate related	312.80
	ii) On equities	598.87
	iii) On derivatives	0.00
b.	**Capital charge on account of general market risk**	852.91
	i) On interest rate related instruments	314.93
	ii) On equities	502.53
	iii) On Foreign exchange	31.50
	iv) On precious metals	
	v) On derivatives (FX Options)	3.95
	Total Capital Charge on Trading Book (a+b)	1764.58
	Total Risk Weighted Assets on Trading Book	19606.40

DF-9: Operational Risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people & systems or from external events. The Bank has a well-defined Operational Risk & Business Continuity Management (OR & BCM) Policy. The main objectives of the policy are identification, assessment, measurement and mitigation of operational risks inherent in business. It also focuses on developing capabilities, tools, systems and processes to monitor and mitigate these risks.

The Bank has created an enabling organizational structure for effective operational risk management and adherence to sound operating procedures. In order to monitor the various aspects of operational risk at the apex level, the Bank has set up top management level committee called the Operational Risk Group (ORG). The primary role of operational risk management of the Bank is to support/assist the line management in better understanding and management of their operational risks. A review report on operational risk management activities is periodically presented to the Risk Management Committee (RMC) of the Board.

At present, the Bank is following BIA for computation of capital charge for Operational Risk. However, as a part of intended migration to Advanced Measurement Approach (AMA), the Bank is putting concentrated efforts to further improve its operational risk management system and procedure.

In order to ensure uninterrupted banking services during disaster and to comply with regulatory norms, the Bank has put in place a well defined Business Continuity Plan (BCP) for its critical functions. The BCP document, inter alia, outlines modalities in the event of business disruption and consequent BCP invocation. The Business Continuity Management within the Bank encompassing critical core & support functions has been awarded the globally recognized BS 25999 certification.

DF-10: Interest Rate Risk in Banking Book (IRRBB)

IRRBB refers to the potential impact on the Bank's earnings and economic value of assets and liabilities due to adverse movement in interest rates. Besides the general change in interest rate, variation in the magnitude of interest rate change among the different products/ instruments (e.g., yield on Government securities, interest rate on term deposits, lending rate on advances etc.,) is also a significant source of interest rate risk. Changes in interest rates affect the Bank's earning through variation in its Net Interest Income (Interest Income minus Interest Expenses) as well as economic value of equity through net variation in economic value of assets and liabilities. The extent of change in earning and economic value of equity primarily depends on the nature and magnitude of maturity and re-pricing mismatches between the Bank's assets and liabilities.

Recognizing the importance of interest rate risk management, the Bank has put in place an appropriate ALM system which incorporates the Board approved interest rate risk management policy, procedures and limit structure in line with the RBI guidelines. The objectives of interest rate risk management are to identify the sources of risks and measure their magnitude in terms of appropriate methods. It also includes appropriate funding, lending and off-balance sheet strategies with respect to maturity structure, pricing, product and customer group mix within the overall framework. The Bank's tolerance level for IRRBB is specified in terms of potential impact of net interest income and economic value of equity. ALCO of the Bank is responsible to ensure regular measurement, monitoring and risk control initiatives for the Bank's interest rate risk management. Balance Sheet Management Group (BSMG) regularly measures and monitors ALM mismatches and recommends strategies to ALCO for effective management. Adequate information system has also been put in place for system based ALM report generation on a daily basis.

Measurement and monitoring of IRRBB are carried out through the methods of Interest Rate Sensitivity (repricing) gap, Duration gap and Scenario based analysis covering both earning (impact on net interest income) and economic value perspective (impact on economic value of equity). Preparation of interest rate sensitivity gap report involves bucketing of all interest rate sensitive assets and liabilities into different time buckets based on their respective remaining term to maturity or next repricing date, whichever is earlier. Assumptions made for this report are for bucketing of core saving bank deposits into "over 3 months to 6 months", core current account deposits into "over 1 year to 3 years" and advances linked to BPLR or Base Rate into "over 3 months – 6 months" as these liabilities and assets do not have prior-specified re-pricing date. Duration gap analysis is undertaken based on computation of duration and present value of future cash flows of the interest rate sensitive assets and liabilities. Scenario analysis is carried out to measure impact on net interest income and economic value of capital under different interest rate scenario.

ALCO regularly monitors the interest rate risk exposures and suggests appropriate steps/ provides directions on composition and growth of deposits and advances, pricing of deposits and advances and management of money market operations and investment books etc., to control IRRBB within the prescribed internal limits. Interest rate risk position is periodically reported to RMC of the Board and RBI.

Magnitude of interest rate risks in the banking book in terms of the potential decline (increase) in earnings and economic value for upward (downward) interest rate shocks as per usual methods as on March 31, 2013 is given below:

Impact of parallel shift in Interest Rate by 100 basis points

(₹ Crore)

Sensitivity of Net Interest Income to Interest rate change (Earning at Risk) (Time Horizon: 1 year)	Sensitivity of Economic Value of Equity (EVE) to Interest rate change (Economic Value at Risk)
Impact on NII	Impact on EVE
149.62	1009.70