# Table DF-1

## 1. Scope of application

**Qualitative Disclosures**:

a. Parent Bank: Central Bank of India
The disclosure in this sheet pertains to Central Bank of India on solo basis.

b. In the consolidated accounts, bank's subsidiaries/associates are treated as under:

(b.i) Bank's Subsidiary: The details of Bank's subsidiary are as under:

| S. No. | Name of Subsidiary | Ownership |
|---|---|---|
| 1 | Cent Bank Home Finance Ltd. | 64.40% |
| 2 | Cent Bank Financial Services Ltd | 100% |

The subsidiaries of parent bank are consolidated on line by line aggregation of like items of assets, liabilities, income and expenses of subsidiaries with the respective item of the parent and after eliminating material intra-group balances/transactions, unrealized profit/loss and making necessary adjustments wherever possible to confirm to accounting policies, based on data received from these subsidiaries duly certified by their respective auditors. The financial statements of the subsidiaries have been drawn up to the same reporting date as that of parent i.e. 30th Sept. 2014. The accounting standard followed for the consolidation of the financial statements of subsidiaries is AS- 21.

( b.ii) Associates: The Banks associates are as under:

| S. No. | Name of Regional Rural Banks | Ownership |
|---|---|---|
| **I** | **Regional Rural Banks** | |
| 1 | Central Madhyapradesh GB | 35% |
| 3 | Uttar Bihar Gramin Bank, Muzzaffarpur | 35% |
| 4 | Uttarbanga Kshetriya Gram Bank, Cooch Bihar | 35% |
| **II** | Indo-Zambia Bank Ltd., Zambia. | 20% |

The accounting standard followed for accounting for investments in Associates in consolidated financial statements is as per AS-23 issued by ICAI. The method followed is equity

The financial statement of INDO Zambia Bank Ltd., considered as an associate has been prepared in accordance with the International Financial Reporting Standard. All Regional Rural Bank and one associate are in the nature of financial entities.

For computation of CRAR of the Bank, investment in Subsidiaries and Regional Rural Banks are deducted from Tier I and Tier II capital equally.

CRAR is calculated for bank on standalone basis.

**Quantitative Disclosures**

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 is NIL.

**Table DF-2**

## 2. Capital structure

**Qualitative Disclosures**

a) **Equity capital**

The bank has authorized capital of Rs.5000.00 Crore as on 30th Sept. 2014 the bank has issued, subscribed and paid up equity capital of Rs.1421.51crore, constituting 1421515068 Number of shares Of Rs.10 each.

Out of this, 84.20% shareholding constituting 1196959325 numbers of shares is with the Government of India as of 30th Sept. 2014.

**2.1 Debt capital instruments**

2.2.1 **Details of TIER I Capital**

| TIER I CAPITAL | ISSUE DATE | PERIODS IN MONTH | DATE OF REDEMPTION | AMOUNT (` In Crores) | INTEREST RATE |
|---|---|---|---|---|---|
| IPDI | 30.03.2009 | Perpetual | Perpetual | 583.00 | G-Sec + 250bps to be repriced every year in March. |
| PDI (Series II) | 28.09.2012 | Perpetual | Perpetual | 500.00 | 9.40% p.a. |
| PNCPS | 26.11.2006 | Perpetual | Perpetual | 800.00 | Repo+100 bps to be repriced every year on relevant dates. |
| PNCPS | 30.03.2009 | Perpetual | Perpetual | 117.00 | Repo+100 bps to be repriced every year on relevant dates. |
| PNCPS | 31.03.2010 | Perpetual | Perpetual | 450.00 | Repo+100 bps to be repriced every year on relevant dates. |
| PNCPS | 04.06.2010 | Perpetual | Perpetual | 250.00 | Repo+100 bps to be repriced every year relevant dates. |
| | | | **TOTAL** | **2700.00** | |

**2.2.2 Details of Upper TIER II Bonds**

| SERIES | ISSUE DATE | DATE OF REDEMPTION | AMOUNT (` In Crores) | INTEREST RATE |
|---|---|---|---|---|
| Upper | 14.11.2008 | 14.11.2023 | 300.00 | 11.45% p.a. |

| | | | | |
|---|---|---|---|---|
| Tier II (Sr-I) | | | | Step up of 50bps from 11th year (11.95% till maturity) |
| Upper Tier II (Sr-II) | 17.02.2009 | 17.02.2024 | 285.00 | 9.40% p.a<br>Step up of 50bps from 11th year<br>(9.90% till maturity) |
| Upper Tier II (Sr-III) | 23.06.2009 | 23.06.2024 | 500.00 | 8.80% p.a.<br>Step up of 50bps from 11th year<br>(9.30% till maturity) |
| Upper Tier II (Sr-IV) | 20.01.2010 | 20.01.2025 | 500.00 | 8.63% p.a.<br>Step up of 50bps from 11th year<br>(9.13% till maturity) |
| Upper Tier II (Sr-V) | 11.06.2010 | 11.06.2025 | 1000.00 | 8.57% p.a.<br>Step up of 50bps from 11th year (9.07% till maturity) |
| Upper Tier II (Sr-VI) | 21.01.2011 | 21.01.2026 | 300.00 | 9.20%p.a.<br>Till redemption |
| | | **TOTAL** | **2885.00** | |

**2.2.3 Details of Subordinated Bonds**

| Lower Tier II SERIES | ISSUE DATE | DATE OF REDEMPTION | AMOUNT (` In Crores) | INTEREST RATE |
|---|---|---|---|---|
| X | 28.03.2006 | 28.06.2015 | 578.20 | 8.15%p.a. |
| XI | 04.10.2006 | 04.10.2016 | 700.00 | 8.95%p.a. |
| XII | 03.03.2008 | 03.05.2017 | 389.10 | 9.20%p.a. |
| XIII | 10.02.2009 | 10.04.2018 | 270.00 | 9.35%p.a. |
| XIV | 21.12.2011 | 21.12.2026 | 500.00 | 9.33%p.a. |
| | | | | |
| | | **TOTAL** | **2437.30** | |

**2.2.4 Details of Basel III Compliant Bond –Tier 2**

| Tier II SERIES | ISSUE DATE | DATE OF REDEMPTION | AMOUNT (` In Crores) | INTEREST RATE |
|---|---|---|---|---|
| SR I | 08.11.2013 | 08.11.2023 | 1000.00 | 9.90% p.a. |
| | | **TOTAL** | **1000.00** | |

**Quantitative Disclosures**

**Rs. in crores**

| | |
|---|---|
| b) **Tier 1 capital** | **15426** |
| with separate disclosure of: | |
| ▪ paid-up share capital | **1421** |
| ▪ reserves | **11470** |
| ▪ innovative instruments: IPDI – | **1083** |
| PNCPS – | **1617** |
| ▪ amounts deducted from Tier 1 capital investments – | **152** |

| | |
|---|---|
| intangibles - | **13** |
| (c) **Tier 2 capital** (net of deductions from Tier 2 capital): | **6862** |
| (d) **Debt capital instruments eligible for inclusion in Upper Tier 2 capital**<br>▪ Total amount outstanding-<br>▪ Of which amount raised during the current year –<br>▪ Amount eligible to be reckoned as capital funds – | <br>**2885**<br>**NIL**<br>**2885** |
| (e) **Subordinated debt eligible for inclusion in Lower Tier 2 capital**<br>▪ Total amount outstanding –<br>▪ Of which amount raised during the current year<br>▪ Amount eligible to be reckoned as capital funds – | <br>**3437**<br><br>**2097** |
| (f) **Other deductions from capital –** | **152** |
| (g) **Total eligible capital.** | **22289** |

**Table DF-3**

**Capital Adequacy**

**Qualitative disclosures**

**(**a) A summary discussion of the bank's approach to assess the adequacy of its capital to support current and future activities:

The bank carries out regular assessment of its capital requirement from time to time to maintain the capital to Risk Weight Assets Ratio (CRAR) at desired level. The capital plan is reviewed on annual basis to take care of business growth and CRAR.

The bank has adopted standardized approach for credit risk, basic indicator approach for operational risk and standardized duration approach for market risk.

The bank has put in place a well laid down Internal Capital Adequacy Assessment Process to enable the bank to plan its capital requirements in relation to its business projections and to meet the risks inherent in the business. The main objective of ICAAP exercise is to identify and measure the risks that are not fully captured by the minimum capital ratio prescribed under Pillar1; the risks that are not at all taken into account by the pillar 1; and the factors external to the bank and to provide capital for such additional risks and to measure an appropriate level of internal capital as per the bank's risk appetite. The bank has also put in place the stress testing policy to measure impact of adverse stress scenario under pillar II on its CRAR.

The bank is reviewing the ICAAP on quarterly basis.

| | **Rs. in Crores** |
|---|---|
| **Quantitative disclosures** | |
| **(b) Capital requirements for credit risk at 9%:** | |
| Portfolios subject to standardized approach – | |
| ▪ Fund based | 13476 |
| ▪ Non-fund based | 1271 |
| ▪ Securitization exposures | NIL |
| **(c) Capital requirements for market risk:** | |
| ▪ Standardized duration approach: | |
| - Interest rate risk – | 811 |
| - Foreign exchange risk (including gold) – | 4 |
| - Equity risk – | 599 |

| | |
|---|---|
| **(d) Capital requirements for operational risk:**<br>▪ Basic indicator approach – | 1095 |
| **(e) Total capital ratio –**<br>**Tier 1 capital ratio** | 11.62%<br>8.05% |

## General qualitative disclosure requirement

A committee of board of Directors regularly oversees the Bank's Risk Management policies/practices under various risks viz. credit, operational, market etc. The bank also has separate committees for each risk comprising of top executives of bank headed by Chairman and Managing Director/ Executive directors such as Asset liability Management committee, Credit policy Committee, Operational Risk committee. These committees meet at regular intervals throughout the year to assess and monitor the level of risk under various bank operations and initiate appropriate mitigation measures wherever necessary.

The Risk Management Department at central office level is headed by General Manager; measures control and manages risk within the limits set by the Board and enforces compliance with risk parameters set by various committees. The General Manager is assisted by Deputy General Manager and a team of Assistant General Managers, Chief Managers, Senior Managers and Managers.

At some identified regional offices, Risk Managers are posted who act as an extended arm of the Risk Management Department of Central Office.

The bank has in place various policies such as Credit Risk Management Policy, Credit Risk Mitigation and Collateral Management Policy, Stress testing policy, Disclosure policy, Operational risk policy, ALM policy and Investment and Market risk management Policy.

Besides these, the Loan Policy prescribing broad parameters governing loan functions, guidelines on appraisal and evaluation of credit proposals, lending powers of delegated authority, exposure norms, prudential limits and measures of monitoring and controlling the credit portfolio documentation is also in place.

The Credit Monitoring Department headed by General Manager monitors the quality of loan proposals, identify special mention accounts and take corrective measures. Loan review mechanism is also carried out by the department.

The bank has introduced rating models for various segments of borrowers including retail lending schemes which measures the risk associated with counterparties and helps in credit and pricing decisions. In case of large borrowers credit risk assessment models evaluate financial risk, Industry risk, Management risk and business risk of the counter party and each of these risks are scored separately and then overall rating is accorded to the counter party. Facility rating module is also included in the rating tool.

**Table DF-4**

**Credit risk: General disclosures for all banks**

**<u>Qualitative Disclosures</u>**

**<u>Credit risk</u>**

Definitions of past due and impaired

A Non Performing Asset shall be a loan or an advance where-

- (i) Interest and/or installment of principal remain overdue for a period of more than 90days in respect of a Term Loan;
- (ii) The account remains out of order for 90 days
- (iii) The bill remains overdue for a period of more than 90days in the case of bills Purchased and Discounted
- (iv) In case of advances granted for Agricultural purposes
  - a) The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops
  - b) The installment of principal or interest thereon remains overdue for one crop seasons for long duration crops
- (v) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization dated February 1, 2006.
- (vi) 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.

**Out of Order:**

An account should be treated as "out of Order" if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating accounts less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of balance sheet or credit are not enough to cover the interest debited in the account during the same period.

**Overdue:**

Any amount due to the bank under any credit facility is overdue if it is not paid on due date fixed by the bank.

**Credit Risk Management Policy**

Bank has put in place a well-articulated Board approved Credit Risk Policy which is reviewed annually. The policy deals with the following areas:

- Credit risk- definition, Policy and strategy
- Risk identification & measurement,

- Risk grading and aggregation,
- Credit risk rating framework and reporting,
- Risk control and portfolio management,
- Mitigation techniques,
- Target markets and type of economic activity,
- Credit approval authority,
- Country and currency exposure,
- Maturity patterns, level of diversification,
- Cyclical aspect of the economy,
- Credit risk in off balance sheet exposure,
- Credit risk monitoring procedures
- Managing of credit risk in inter Bank Exposure,
- Country risk and other operational matters.

**(Rs. in crores)**

| **<u>Quantitative Disclosures:</u>** | |
|---|---|
| **(a) Total gross credit risk exposures:** | |
| Fund based: | 271575 |
| Non-fund based: | 87503 |
| **(b) Geographic distribution of exposures:** | |
| ▪ Overseas | 173 |
| ▪ Domestic | 358905 |

**(c)**

| Industry Name | Funded | Non-Funded |
|---|---|---|
| A. Mining and Quarrying (A.1 + A.2) | 426 | 65 |
| A.1 Coal | 252 | 65 |
| A.2 Others | 174 | 0 |
| B. Food Processing (B.1 to B.5) | 6899 | 1450 |
| B.1 Sugar | 3059 | 110 |
| B.2 Edible Oils and Vanaspati | 933 | 352 |
| B.3 Tea | 286 | 2 |
| B.4 Coffee | 23 | 0 |
| B.5 Others | 2598 | 985 |
| C. Beverages (excluding Tea & Coffee) and Tobacco | 56 | 30 |
| Of which Tobacco and tobacco products | 11 | 0 |
| D. Textiles (a to f) | 7270 | 1112 |
| a. Cotton | 2457 | 270 |
| b. Jute | 154 | 13 |
| c. Handicraft/Khadi (Non Priority) | 18 | 0 |

| | | | | |
|---|---|---|---|---|
| | d. Silk | 42 | 0 | |
| | e. Woolen | 107 | 29 | |
| | f. Others | 4492 | 801 | |
| | Out of D (i.e., Total Textiles) to Spinning Mills | 285 | 0 | |
| | E. Leather and Leather products | 102 | 26 | |
| | F. Wood and Wood Products | 182 | 87 | |
| | G. Paper and Paper Products | 668 | 189 | |
| | H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels | 1377 | 125 | |
| | I. Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4) | 3691 | 1147 | |
| | I.1 Fertilizers | 1320 | 1 | |
| | I.2 Drugs and Pharmaceuticals | 1742 | 480 | |
| | I.3 Petro-chemicals (excluding under Infrastructure) | 274 | 144 | |
| | I.4 Others | 355 | 521 | |
| | J. Rubber, Plastic and their Products | 365 | 107 | |
| | K. Glass & Glassware | 37 | 0 | |
| | L. Cement and Cement Products | 1761 | 237 | |
| | M. Basic Metal and Metal Products (M.1 + M.2) | 10618 | 2348 | |
| | M.1 Iron and Steel | 8627 | 1539 | |
| | M.2 Other Metal and Metal Products | 1991 | 809 | |
| | N. All Engineering (N.1 + N.2) | 4075 | 6165 | |
| | N.1 Electronics | 568 | 457 | |
| | N.2 Others | 3507 | 5707 | |
| | O. Vehicles, Vehicle Parts and Transport Equipments | 1238 | 633 | |
| | P. Gems and Jewellery | 1546 | 412 | |
| | Q. Construction | 971 | 1053 | |
| | R. Infrastructure (a to d) | 54563 | 5125 | |
| | a. Transport (a.1 to a.5) | 11596 | 1247 | |
| | a.1 Railways | 740 | 105 | |
| | a.2 Roadways | 7823 | 1047 | |
| | a.3 Airport | 1290 | 35 | |
| | a.4 Waterways | 1743 | 60 | |
| | a.5 Others | 0 | 0 | |
| | b. Energy (b.1 to b.6) | 35702 | 2543 | |
| | b.1 Electricity (Generation) | 12406 | 2199 | |

| | | |
|---|---|---|
| b.1.1 Central Govt PSUs | 1519 | 2 |
| b.1.2 State Govt PSUs (incl. SEBs) | 2237 | 232 |
| b.1.3 Private Sector | 8650 | 1965 |
| b.2 Electricity (Transmission) | 759 | 0 |
| b.2.1 Central Govt PSUs | 0 | 0 |
| b.2.2 State Govt PSUs (incl. SEBs) | 307 | 0 |
| b.2.3 Private Sector | 452 | 0 |
| b.3 Electricity (Distribution) | 21411 | 270 |
| b.3.1 Central Govt PSUs | 1036 | 0 |
| b.3.2 State Govt PSUs (incl. SEBs) | 19677 | 270 |
| b.3.3 Private Sector | 698 | 0 |
| b.4 Oil ( storage & pipelines ) | 296 | 0 |
| b.5 Gas/Liquefied Natural Gas (LNG) ( storage & pipelines ) | 830 | 74 |
| b.6 Others | 0 | 0 |
| c. Telecommunication | 3338 | 1147 |
| d. Others | 3927 | 188 |
| Of which Water sanitation | 560 | 0 |
| Of which Social & Commercial Infrastructure | 2260 | 76 |
| S. Other Industries | 19705 | 3589 |
| All Industries (A to S) | 115550 | 23900 |
| **Residuary other advances (to tally with gross advances)** | 96441 | 6233 |
| **a .Education loan** | 3511 | 0 |
| **b.Aviation Sector** | 2353 | 318 |
| **c.Other Residuary advance** | 90577 | 5915 |
| **Total Loans and Advances** | 211991 | 30133 |

| | |
|---|---|
| **(d) Residual contractual maturity breakdown of Assets:** | |
| Day 1 | 4645 |
| 02days to 07days: | 2857 |
| 08days to 14days: | 1994 |
| 15days to 28days: | 1028 |
| 29days to 3months: | 8055 |
| Above 3months to 6months: | 5707 |
| Above 6months to 12months: | 13071 |
| Above 12months to 36months: | 95669 |
| Above 36months to 60months: | 44261 |
| Over 60 month | 90075 |
| **Total** | **267362** |
| **(e) Amount of NPAs (Gross) –** | 11440 |
| ▪ Substandard | 4048 |
| ▪ Doubtful | 6650 |
| ▪ Loss | 742 |
| **(f) Net NPAs** | 6073 |
| **(g) NPA Ratios** | |
| ▪ Gross NPAs to gross advances | 6.14% |
| ▪ Net NPAs to net advances | 3.38% |
| **(h) Movement of NPAs (Gross)** | |
| ▪ Opening balance | 11500 |
| ▪ Additions | 3504 |
| ▪ Reductions | 3564 |
| ▪ NPA (Gross) | 11440 |
| **(i) Movement of provisions for NPAs** | |
| ▪ Opening balance | 4454 |
| ▪ Provisions made during the period | 1062 |
| ▪ Write-off | 92 |
| ▪ Write-back of excess provisions | 434 |
| ▪ Closing balance | 4990 |
| **(j) Amount of Non-Performing Investments** | 238 |
| **(k) Amount of provisions held for non-performing investments** | 77 |
| **(l) Movement of provisions/depreciation on** | |

| | |
|---|---|
| **investments:** | |
| ▪ Opening balance | 68 |
| ▪ Provisions made during the period | 11 |
| ▪ Write-off | - |
| ▪ Write back of excess provision | 2 |
| ▪ Closing balance | 77 |

**Table DF-5**

**Credit risk: disclosures for portfolios subject to the standardized approach**

**Qualitative Disclosures**

a. The Bank has adopted Standardized approach for computation of capital charge for Credit risk as per RBI guidelines. These guidelines envisage different risk weights for different asset classes, which have been duly applied.

b. The Bank has recognized the ratings issued by six External Credit Rating Agencies identified by RBI viz., CRISIL Ltd., CARE, ICRA Ltd., India ratings and research pvt ltd, SMERA rating ltd and BRICKWORK to rate the exposures of its clients.

c. These agencies rate all fund and non-fund based exposures. The ratings awarded by these agencies to the bank's clients are adopted for assigning risk-weights.

**d.** In case of bank's investment in particular issues of Corporate, the issue specific rating of the rating agency is reckoned to assign the risk weight.

| | **Rs. in crores** |
|---|---|
| **Quantitative Disclosures:** | |
| **(b) For exposure amounts after risk mitigation subject to the standardized approach, amount of a bank's outstanding (rated and unrated) in the following three major risk buckets as well as those that are deducted:** | |
| ▪ Below 100 % risk weight: | 234122 |
| ▪ 100 % risk weight: | 78407 |
| ▪ More than 100 % risk weight: | 46549 |
| ▪ Amount Deducted-CRM | 11176 |

## Table DF-6

## Credit risk mitigation: disclosures for standardized approaches

<table>
<tr><td colspan="2">

**Qualitative Disclosures**

- **Policies and processes for collateral valuation and management;**

  Bank has well defined credit risk mitigation and collateral management policy. The main types of collaterals accepted by bank are cash and near cash securities, land and building, and plant and machinery etc.

- **A description of the main types of collateral taken by the bank;**

  Bank accepts personal guarantees, corporate guarantees and guarantees issued by sovereigns and banks. Collaterals are valued at fair market value and at regular intervals as per the policy guidelines.

  RBI guidelines recognize various types of financial collaterals for the purpose of credit risk mitigation. The guidelines further provide recognition of guarantees as one of the credit risk mitigants. Bank has put in place suitable policy measures to capture these elements.

</td></tr>
<tr><td colspan="2" align="right">Rs in crores</td></tr>
<tr><td>

**Quantitative Disclosures**

(b) For disclosed credit risk portfolio under the standardized approach, the total exposure that is covered by:

- eligible financial collateral; after the application of haircuts-<br>Fund based<br>Non fund based

</td><td align="right"><br><br><br><br>11049<br>127</td></tr>
</table>

**Table DF-7**

**Securitization: disclosure for standardized approach**

| | |
|---|---|
| **<u>Qualitative Disclosures:</u>** **NIL** | |
| | **Rs in crores** |
| **<u>Quantitative Disclosures</u>** | |
| **<u>Banking Book</u>** | |
| (d) The total amount of exposures securitized by the bank | NIL |
| (e) For exposures securitized losses recognized by the bank during the current period broken down by the exposure type (eg. Credit cards, housing loans, auto loans etc. detailed by underlying security) | NIL |
| (f) Amount of assets intended to be securitized within a year | NIL |
| (g) Of (f), the amount of assets originated within a year before securitization | NIL |
| (h) The total amount of exposures securitized (by exposure type) and unrecognized gain or losses on sale by exposure type | |
| (i) Aggregate amount of : - On balance sheet securitization exposures retained or purchased broken down by exposure type and- - Off balance sheet securitization exposures broken down by exposure type | NIL |
| (j) Aggregate amount of securitisation exposures retained or purchased and the associated capital charges broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach. | Nil |
| Exposures that have been deducted entirely from Tier 1 capital, credit enhancing I/Os deducted from Total Capital, and other exposures deducted from total capital (by exposure type) | Nil |
| **<u>Quantitative Disclosures</u>** **<u>Trading Book:</u>** | Nil |

| | |
|---|---|
| (k) Aggregate amount of exposures securitized by the bank for which the bank has retained some exposures and which is subject to the market risk approach by exposure type | Nil |
| (l) Aggregate amount of :<br>- On balance sheet securitization exposures retained or purchased broken down by exposure type and- | Nil |
| - Off balance sheet securitization exposures broken down by exposure type | Nil |
| (m) Aggregate amount of securitization exposures retained or purchased separately for : | Nil |
| - securitization exposures retained or purchased subject to comprehensive risk measure risk measure for specific risk: and | Nil |
| - securitization exposures subject to the securitization framework for specific risk broken down into different risk weight bands | Nil |
| (n) Aggregate amount of :<br>- The capital requirement s for the securitization exposures, subject to the securitization framework broken down into different risk weight bands | Nil |
| - Securitization exposures that are deducted entirely from Tier 1 capital, credit enhancing I/O deducted from total capital, and other exposures deducted from total capital ( by exposure type) | Nil |

## Table DF-8

## Market risk in trading book

**Qualitative disclosures**

The bank has well defined Investment and Market Risk Management Policy. This policy covers all important areas of market risk measurement.

Bank defines Market Risk as the risk of loss in on-balance sheet and off-balance sheet positions arising from movements in market process, in particular, changes in interest rates, exchange rates and equity and commodity prices.

The bank has adopted Standardized Duration Approach for measuring the capital requirements for market risk as prescribed by RBI.

**Policies for management of Market Risk:**

The bank has put in place board approved Investment and Market Risk Management Policy for effective management of Market Risk in the bank. Other policies which also deal with Market Risk Management are Asset Liability Management Policy and Policy on Foreign Exchange Operations.

The policies set various prudential exposure limits and risk limits for ensuring that the operations are in line with bank's expectations of return to market risk through proper Market Risk Management and Asset Liability Management.

**Asset-Liability Management**

The ALM Policy is the framework of the ALM process. Bank's balance sheet has mixed exposure to different levels financial risk. The goal of bank is to maximize its profitability, but do so in a manner that does not expose the bank to excessive levels of risk which will ultimately affect the profitability. The Policy defines the limits for key measure of risk limits that have been established to specifically accommodate a bank's unique balance complexion, strategic direction, and appetite for risk.

**Liquidity Risk**

Liquidity Risk is managed through GAP analysis, based on residual maturity/behavior pattern of assets and liabilities. Banks has also put in place mechanism of short term dynamic liquidity management and contingency funding plan. Prudential limits are prescribed for different residual maturity time buckets for efficient Asset Liability Management Liquidity profile of the bank is also evaluated through various liquidity ratios.

**Interest rate risk**

Interest rate risk is managed through Gap analysis of rate sensitive assets and liabilities and is monitored through prudential limits. Bank also estimates risk periodically against adverse movements in interest rate for assessing the impact on Net Interest Income and economic Value of Equity.

**Quantitative disclosures**

| Capital Requirement for Market Risk | Capital Charge |
|---|---|
| **Interest Rate Risk** | **Rs. 811 Cr** |
| **Equity Position Risk** | **Rs. 599 Cr** |
| **Foreign Exchange Risk** | **Rs. 4 Cr** |
| **TOTAL** | **Rs. 1414 Cr** |

## Table DF-9

## Operational risk

**Qualitative disclosures**

Operational Risk is the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk includes legal risk but excludes strategic and reputation risks. Operational Risk Management in the Bank is guided by a well defined Operational Risk Management Policy which is reviewed every year. The bank has initiated pro-active steps to equip itself to migrate to advanced approaches under Operational Risk and has started collation of data pertaining to Operational Risk loss events through Loss Data Management, Risk & control Self Assessment (RCSA), Key Risk Indicators (KRI) & Scenario Analysis. Bank is also a member of loss data consortium ‘CORDEx’ for external loss data base.

The Bank had already approached RBI for moving to The Standardised Approach and is now making efforts to move directly to Advance Measurement Approach.

The bank has provided capital for operational risk as per Basic Indicator Approach. Accordingly the capital requirement for operational risk as on 30.09.2014 is Rs. 1095 Crores.

## Table DF-10

## Interest rate risk in the banking book (IRRBB)

**Qualitative Disclosure:**

The interest rate risk is measured and monitored through two approaches:

1) Earning at risk (Traditional Gap Analysis)
   The impact of change in interest rates on net interest income is analyzed under this approach and calculated under yield curve approach. Under this approach a parallel shift of 1% is assumed both in assets and liabilities.

2) Economic Value of Equity:
   Modified duration of assets and liabilities is computed separately to arrive at modified duration of equity. A parallel shift in yield curve by 200 basis point is assumed for calculating the economic value of equity.

**Quantitative Disclosure:**

| **Parameter of Change** | Rs. in Crores |
|---|---|
| 1.Impact on Earnings at 100 bps increase in interest rate across assets and liability | 274 |
| 2.Market value of Equity: 200 bps change | -1148 |

**DR. S.K. MISHRA**
**DY. GENERAL MANAGER**

**PRADEEP KUMAR**
**GENERAL MANAGER**

**(B.K. DIVAKARA)**
**EXECUTIVE DIRECTOR**

**(ANIMESH CHAUHAN)**
**EXECUTIVE DIRECTOR**

**(R.K. GOYAL)**
**EXECUTIVE DIRECTOR**

**(RAJEEV RISHI)**
**CHAIRMAN & MANAGING DIRECTOR**

**Date: 24.11.2014**