Basel III - Pillar 3 Disclosures as on 31.03.2014

1. Scope of Application and Capital Adequacy

Table DF-1- Scope of application

Name of the head of the banking group to which the framework applies:- **Tamilnad Mercantile Bank Ltd.,**

Qualitative Disclosures	Applicability to our Bank
a. List of Group entities considered for consolidation.	The Bank does not belong to any group and does not have any associate, subsidiaries, joint venture, etc.
b. List of Group entities not considered for consolidation both under the accounting and regulatory scope of consolidation.	Not Applicable
Quantitative Disclosures	
c. List of group entities considered for consolidation	The Bank does not belong to any group and does not have any associate, subsidiaries, joint venture, etc.
d. The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted and the name(s) of such subsidiaries.	Not Applicable
e. The aggregate amounts (e.g. Current book value) of the bank's total interests in insurance entities, which are risk-weighted.	Not Applicable
f. Any restriction or impediments on transfer of funds or regulatory capital within the banking group.	Not Applicable

Table DF-2-Capital Adequacy

Qualitative Disclosures

A. A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.

The Bank is following standardized approach, Standardized Duration approach and Basic Indicator approach for measurement of capital charge in respect of credit risk, market risk and operational risk respectively.

In computation of Capital for credit risk under Standardized Approach, the Bank has relied upon the Borrower wise data captured from each individual branch. For this purpose, our Information Technology Department has provided one menu in Finacle where the required particulars as per Basel norms were extracted at HO level directly from Core Banking Solution. The various aspects of Basel III norms are imparted to field level staff regularly through circulars and letters for continuous purification of data and to ensure accurate computation of Risk Weight and the Capital Charge. The Bank has used the credit risk mitigation in computation of capital for credit risk, as prescribed in the RBI guidelines under Standardized Approach.

The capital for credit risk on Loans and Advances, market risk and operational risk as per the prescribed approaches are being computed at the bank's Head Office and aggregated to arrive at the bank's CRAR position. The bank has followed the RBI guidelines in force, to arrive at the eligible capital, risk weighted assets and CRAR.

Besides computing CRAR under the Pillar I requirement, the Bank also periodically undertakes stress testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy.

The bank conducts Internal Capital Adequacy Assessment Process (ICAAP) on annual basis to assess the sufficiency of its capital funds to cover the risks specified under Pillar- II of Basel guidelines. The adequacy of Bank's capital funds to meet the future business growth is also assessed in the ICAAP document. As regards the adequacy of capital to support the future activities, the bank has drawn an assessment of capital requirement for five years with the approval of the Board as part of ICAAP exercise. The surplus CRAR acts as a buffer to support the future activities. Moreover, the headroom available for the bank for mobilizing Tier 1 and Tier 2 capital shall additionally support capital structure to meet the required CRAR against future activities.

The Bank has a strong Common Equity Tier 1 as the entire components of CET1 capital comprises of Paid up Capital, Reserves & Surplus and retained earnings.

Minimum capital requirements under Basel-III:

Under the Basel III Capital Regulations, Banks are required to maintain a minimum Pillar 1 Capital (Tier-I + Tier-II) to Risk-weighted Assets Ratio (CRAR) of 9% on an on-going basis (other than capital conservation buffer and countercyclical capital buffer etc.) Besides this minimum capital requirement, Basel III also provides for creation of capital conservation buffer (CCB). The transitional period of full implementation of Basel III capital regulation in India is extended up to March 31,2019 instead of as on March 31,2018. Accordingly the CCB requirements are to be implemented from March 31, 2016 in phases and are to be fully implemented by March 31, 2019 to the extent of 2.5% of Risk weighted Assets

The total regulatory capital fund under Basel- III norms will consist of the sum of the following categories and banks are required to maintain 11.50% of Risk Weighted Assets (9% + 2.5%) by March 2019 with the phase in requirements under CCB from 2016.

- Tier 1 Capital comprises of:-
  - Common Equity Tier 1 capital (with a minimum of 5.5%)
  - Additional Tier 1 capital (1.50%)
  - Total Tier 1 capital of minimum 7%

- Tier 2 Capital (2%)
  - Total Tier 1 + Tier 2 should be more than 9%

- Capital Conservation Buffer (CCB). (with a minimum of 2.5%)
  - Total capital including CCB should be 11.5%

In line with the RBI guidelines for implementing the New Capital Adequacy Frame Work under Basel III, the bank has successfully migrated to the framework from April 01, 2013.

Quantitative Disclosure

(₹ in crore)

a)	Capital requirement for Credit Risk: (@9% on risk Weighted Assets)		
	• Portfolios subject to Standardised Approach		1150.21
	• Securitisation exposures		Nil
b)	Capital requirements for Market Risk:		
	• Standardised Duration Approach		39.01
	o Interest Rate Risk	34.91	
	o Equity Risk	1.40	
	o Foreign Exchange Risk	2.70	
c)	Capital requirements for Operational Risk:		
	• Basic Indicator Approach		152.71
	Total Capital required @9%		1341.93
d)	Total Capital funds available		2324.06
	Total Risk Weighted Assets		14910.36
	Common Equity Tier I CRAR		14.96%
	Tier I CRAR		14.96%
	Tier II CRAR		0.63%
	Total CRAR		15.59%

2. Risk exposure and Assessment

Risk is an integral part of banking business in an ever dynamic environment, which is undergoing radical changes both on the technology front and product offerings. The main risks faced by the bank are credit risk, market risk and operational risk. The bank aims to achieve an optimum balance between risk and return to maximize shareholder value. The relevant information on the various categories of risks faced by the bank is given in the ensuing sections. This information is intended to give market participants a better idea on the risk profile and risk management practices of the bank.

The Bank has a comprehensive risk management system in order to address various risks and has set up an Integrated Risk Management Department (RMD), which is independent of operational departments. Bank has a Risk Management Committee of Board functioning at apex level for formulating, implementing and reviewing bank's risk management measures pertaining to credit, market and operational risks. Apart from the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure comprising of Risk Management Committee of Executives (RMCE) assisted by Asset Liability Management Committee (ALCO) at senior management level.

The Bank has formulated the required policies such as Loan Policy, Credit Risk Management Policy, Credit Risk Mitigation Techniques & Collateral Management Polices, ALM Policy, Operational Risk Policy, Investment Policy, Foreign Exchange Risk Management Policy, Policy for Hedging Foreign Currency Loan Exposure, Concurrent Audit Policy, Inspection Policies, IS Audit Policy, KYC policy, Post Credit Supervision Policy, Stock Audit Policy, Out Sourcing Policy, Risk Based Internal Audit Policy, Stress Testing Policy, Disclosure Policy, ICAAP Policy, etc for mitigating the risks in various areas and monitoring the same. The bank continues to focus on refining and improving its risk measurement and management systems.

Table DF-3- CREDIT RISK: GENERAL DISCLOSURES

Qualitative Disclosures:

a. Credit Risk

Credit risk is the possibility of losses associated with diminution in the credit quality of borrowers or counter-parties. In a Bank's portfolio, Credit Risk arises mostly from lending activities of the Bank, as a borrower is unable to meet his financial obligations to the lender. It emanates from potential changes in the credit quality / worthiness of the borrowers or counter-parties.

Credit Rating & Appraisal Process

The Bank has well structured internal credit rating framework and well-established standardized credit appraisal / approval processes. Credit Rating is a decision-enabling tool that helps the bank to take a view on acceptability or otherwise of any credit proposal. In order to widen the scope and coverage further and strengthen the credit risk management practices, the bank has developed risk sensitive rating models in-house during the year 2008-09 and 2009-10.

The internal rating factors takes into consideration the quantitative and qualitative issues relating to management risk, business risk, industry risk, financial risk, credit discipline, and also risk mitigation, based on the collaterals available.

Credit rating, as a concept, has been well internalized within the Bank. The rating for eligible borrower is reviewed at least once in a year. The Bank uses the credit ratings for deciding the interest rates on borrowal accounts. The advantage of credit rating is that it enables to rank different proposals and do meaningful comparison.

The Bank is in the process of migrating to system driven rating using web based rating model solution acquired from M/s. Crisil Risk &Infrastructure solutions Ltd.,

The bank follows a well-defined multi layered discretionary power structure for sanction of loans. Credit Approval Grid has been constituted at H.O for considering in-principle approval for taking up fresh credit proposals above a specified cut-off.

Credit Risk Management Policies

The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Risk Management Committee of Board (RMCB). The Policy document defines organization structure, role & responsibilities and, the processes whereby the Credit Risks carried by the Bank can be identified, quantified & managed within the framework that the Bank considers consistent with its mandate and risk tolerance.

Credit Risk is monitored on a bank-wide basis and compliance with the risk limits approved by Board/Risk Management Committee of Board is ensured.

The Bank has taken earnest steps to put in place best credit risk management practices in the bank. In addition to Credit Risk Policy, the bank has also framed Board approved Loan Policy, Investment Policy etc. which forms integral part in monitoring Credit risk in the bank. Besides, the bank has implemented a policy on Collateral Management and Credit Risk Mitigation with the approval of the RMCB which lays down the details of securities (both Primary and Collateral) normally accepted by the Bank and administration of such securities to protect the interest of the Bank. These securities act as mitigation against the credit risk to which the bank is exposed.

Classification of Non Performing Assets

The Bank follows the prudential guidelines issued by the RBI on classification of non-performing assets as under,

i) interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
ii) the account remains 'out of order' if the outstanding balance remains continuously in excess of sanctioned limits / DP for more than 90 days in respect of Overdraft/Cash Credit (OD/CC).
iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted
iv) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crop.
v) the installment of principal or interest thereon remains overdue for one crop season for long duration crops.

Where the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter, the account is classified as non-performing. A non-performing asset ceases to generate income for the bank.

(₹ in crore)

Quantitative Disclosures	Applicability to our Bank	
b. Gross Credit Risk Exposures	FB NFB	17365.69 6400.41

c. Geographical Distribution of Exposures:

. Geographical Region	Domestic		Overseas		Total
	FB	NFB	FB	NFB	
Northern	370.87	199.55	-	-	570.42
Southern	14415.43	5603.90	-	-	20019.33
Eastern	488.49	57.43	-	-	545.92
Western	2090.90	539.53	-	-	2630.43
	-	-	-	-	-
Total	17365.69	6400.41	-	-	23766.10

d. **Industry type distribution of credit outstanding as on 31.03.2014 – Fund based and Non-fund based:**

(₹ in crore)

Industry Name	**Fund Based**		**Non Fund Based**	
	Outstanding	**% to O/s**	**Outstanding**	**% to O/s**
Mining and Quarrying (incl. Coal)	**84.46**	**0.49**	**1.83**	**0.03**
Coal	54.48	0.31	0.00	0
Others	29.98	0.18	1.83	0.03
Food Processing	**585.32**	**3.37**	**356.95**	**5.58**
Sugar	49.39	0.28	0.38	0.01
Edible Oils and Vanaspathi	69.08	0.40	324.80	5.07
Tea	0.00	0	0.00	0
Others	466.85	2.69	31.77	0.50
Beverage & Tobacco	**18.05**	**0.10**	**1.02**	**0.02**
Tobacco and tobacco products	0.00	0	1.02	0.02
Others	18.05	0.10	0.00	0
Textiles	**2073.72**	**11.94**	**287.48**	**4.49**
Cotton Textiles	233.15	1.34	44.66	0.70
Jute Textiles	1.97	0.01	0.00	0
Man-Made Textiles(handicraft/Khadi)	0.33	0	0.00	0
Silk	0.00	0	0.00	0
Woolen	0.00	0	0.00	0
Other Textiles	1838.27	10.59	242.82	3.79
Out of total textiles to Spinning mills	935.48	5.39	57.79	0.90
Leather & Leather Products	**6.17**	**0.04**	**1.52**	**0.02**
Wood and Wood Products	**80.00**	**0.46**	**153.74**	**2.40**
Paper & Paper Products	**173.34**	**1.00**	**5.48**	**0.09**
Petroleum, Coal Products and Nuclear Fuels	**0.14**	**0**	**2.38**	**0.04**
Chemicals and Chemical Products	**143.07**	**0.82**	**27.83**	**0.43**
Fertilizer	4.54	0.03	0.03	0
Drugs & Pharmaceuticals	13.62	0.08	1.60	0.02
Petro Chemicals	1.04	0.00	0.03	0
Others	123.87	0.71	26.17	0.41
Rubber, Plastic & their Products	**56.48**	**0.33**	**1.24**	**0.02**
Glass and Glass Ware	**0.05**	**0**	**0.00**	**0**
Cement and Cement Products	**3.83**	**0.02**	**0.40**	**0.01**
Basic Metal and Metal Products	**383.73**	**2.21**	**51.96**	**0.81**
Iron and Steel	278.27	1.60	13.00	0.20
Other Metal and Metal Products	105.46	0.61	38.96	0.61
All Engineering	**184.37**	**1.06**	**5.06**	**0.08**
Electronics	35.31	0.20	0.85	0.01
Others	149.06	0.86	4.21	0.07
Vehicles, Vehicle Parts and Transport Equipments	**6.53**	**0.04**	**2.78**	**0.04**

Gems & Jewellery	**13.76**	**0.08**	**0.00**	**0**
Construction	**63.02**	**0.36**	**6.84**	**0.11**
Infrastructure	**1210.71**	**6.97**	**198.07**	**3.09**
Transport	**407.59**	**2.35**	**146.72**	**2.29**
Railways	0.00	0	0.00	0
Roadways	***407.59***	***2.35***	***146.72***	***2.29***
Airport	0.00	0	0.00	0
Waterways	0.00	0	0.00	0
Others	0.00	0	0.00	0
Energy	**779.88**	**4.49**	**48.63**	**0.76**
Electricity (generation-transportation & distribution)	***779.88***	***4.49***	***48.63***	***0.76***
State Electricity Boards	74.11	0.43	0.00	0
Others	705.77	4.06	48.63	0.76
Telecommunication	**0.12**	**0**	**0.00**	**0**
Others	**23.12**	**0.13**	**2.72**	**0.04**
Other Industries	**872.64**	**5.03**	**155.16**	**2.42**
All Industries	**5959.39**	**34.32**	**1259.74**	**19.68**
Residuary Other Advances	**11406.30**	**65.68**	**5140.67**	**80.32**
Of which- Education Loan	154.28	0.89	0	0
-Aviation sector	0.00	0	0	0
- *Other Residuary Advances*	11252.02	64.79%		
Total Loans & Advances	**17365.69**	**100.00**	**6400.41**	**100.00**

The details of the industries wherein the bank's exposure in the related industry has exceeded the 5% of total gross credit exposure as on 31.03.2014 is furnished below:

Sl.No.	Industry classification	Percentage to the total credit exposure
1.	Textile Industry	9.94%

e. Residual Contractual Maturity Breakdown of assets as on 31.03.2014

(₹ in crore)

Maturity Buckets	**Cash and Balance with RBI**	**Balance with Banks and Money at Call and Short Notice**	**Investments**	**Advances**	**Fixed Assets**	**Other Assets**	**Grand Total**
Next day	152.32	80.49	27.04	1382.59	0.00	88.69	1731.13
2-7 days	13.04	95.00	190.11	154.67	0.00	12.60	465.42
8-14 days	20.63	75.00	133.31	198.75	0.00	22.17	449.86
15-28 days	31.59	50.00	206.01	374.39	0.00	15.42	677.41

29 days to 3 months	113.61	75.00	1069.63	1663.39	0.00	72.59	2994.22
3 to 6 months	64.19	0.00	447.27	2057.49	0.00	45.54	2614.49
6 to 1 year	185.58	0.00	1240.84	4928.71	0.00	8.23	6363.36
1 year to 3 years	379.17	1.00	2746.99	3800.60	0.00	13.41	6941.17
3 to 5 years	35.05	0.00	276.23	1442.39	0.00	472.83	2226.50
Above 5 years	38.72	0.00	434.46	1140.87	116.89	203.73	1934.66
Total	1033.90	376.49	6771.89	17143.85	116.89	955.21	26398.23

(Covers Net Assets for Domestic Operations)

f. **Amount of Gross Non-Performing Advances (NPAs)**:

(₹ in Crore)

Amount of NPAs (Gross)	428.02
• Substandard	271.33
• Doubtful	84.79
• Of which DF1	40.78
• DF2	35.54
• Df3	8.47
• Loss	71.90
g. Net NPAs	209.32
h. NPA Ratios	
• Gross NPAs to gross advances	2.46
• Net NPAs to net advances	1.22

i. **Movement of NPAs and its Provisions**:

(₹ in Crore)

Movement of NPAs (Gross)	
• Opening Balance	214.45
• Additions	684.29
• Reductions	470.72
• Closing Balance	428.02

j. Movement of provisions for NPAs:

Movement of provisions for NPAs	
• Opening Balance	107.37
• Provisions made during the period	371.20

•	Write off	-
•	Reductions	260.30
•	Write back of excess provisions / Transfers	-
•	Closing Balance	218.27

Non-Performing Investments (NPIs):

(₹ in Crore)

k. Non-Performing Investments	0.06
l. Provisions held for non-performing investments	0.06

m. Movement of provisions for depreciation on investments:

(₹ in Crore)

•	Opening Balance	9.06
•	Provisions made during the period	5.17
•	Write-off	-
•	Write-back of excess provisions	4.75
•	Closing Balance	9.48

Table DF – 4

CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

Qualitative disclosures:

a) General Principle:

In accordance with RBI guidelines, the Bank had adopted Standardized Approach of the New Capital Adequacy Framework (NCAF) for computation of capital for Credit Risk with effect from 31.03.2009. In computation of capital, the bank has assigned risk weights to different assets classified as prescribed by the RBI.

External Credit Ratings:

Ratings of borrowers by External Credit Rating Agencies (ECRA) assume importance in the light of guideline for implementation of the New Capital Adequacy Framework (Basel-II). Exposures on Corporate / PSEs / Primary Dealers are assigned with risk weights based on the external ratings. For this purpose, the Reserve Bank of India has permitted Banks to use the rating of the six domestic ECRAs namely (a) Credit Analysis and Research Ltd., (CARE), (b) CRISIL Ltd., (c) India Ratings and Research P. Ltd., (India Ratings)., (d) ICRA Ltd., (e) Brickwork Ratings India P. Ltd (Brickwork) and (f) SMERA Rating Limited (SMERA). In consideration of the above guidelines the bank has decided to accept the ratings assigned by all these ECRAs.

The bank has well-structured internal credit rating mechanism to evaluate the credit risk associated with a borrower and accordingly the systems are in place for taking credit decisions as regards to acceptability of proposals, and level of exposures and pricing.

In case of bank's investment in particular issues of Corporate / PSEs, the issue specific rating of the approved ECRAs are reckoned and accordingly the risk weights have been applied after a corresponding mapping to rating scale provided.

As regards the coverage of exposures by external ratings as relevant for capital computation under Standardized Approach, the process is being popularized among the borrowers so as to take the benefit of capital relief available for better rating of its customers. At the same time, the Bank is well aware and prepared for the application of higher risk weight (100%) for the unrated exposures relating to all fresh sanctions or renewals in excess of the threshold limit prescribed by Reserve Bank of India. The Bank follows below mentioned procedures as laid down in the Basel II guidelines for usage of external ratings:

- Rating assigned by one rating agency is used for all the types of claims on the borrowing entity.
- Long term ratings are used for facilities with contractual maturity of one year & above.
- Short term ratings are generally applied for facilities with contractual maturity of less than one year.

Quantitative Disclosures

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 as per risk mitigation are given below;

(₹ in crore)

Risk Weight	Rated	Unrated	Total *
Below 100%	128.93	12470.82	12599.75
100%	544.60	6100.49	6645.09
More than 100%	1142.40	1590.25	2732.65
Total Outstanding after mitigation	1815.93	20161.56	21977.49
Deducted (as per Risk Mitigation)	55.06	5365.03	5420.09
Total outstanding	**1870.99**	**25526.59**	**27397.58**

***** This includes total gross credit exposure i.e. (FB+ NFB+ undrawn or partially undrawn fund based facility)

Table DF – 5

CREDIT RISK MITIGATION: DISCLOSURE FOR STANDARDISED APPROACHES

Qualitative disclosures:

Policy on Credit Risk Mitigation under Standardized Approach:

As advised by RBI, the Bank has adopted the comprehensive approach relating to credit risk mitigation under Standardized Approach, which allows fuller offset of securities (primary and collateral) against exposures, by effectively reducing the exposure amount by the value ascribed to the securities. Thus the eligible financial collaterals are fully made use of to reduce the credit exposure in computation of credit risk capital. In doing so, the bank has recognized specific securities namely (a) bank's own deposits (b) Gold/Ornaments (c) Life Insurance Policies (d) Government Securities and (e) Units of Mutual Funds, in line with the RBI guidelines on the subject.

Besides, other approved forms of credit risk mitigation are "On Balance Sheet netting" and availability of "Eligible Guarantees". On balance sheet nettings has been reckoned to the extent of the deposits available against the loans /advances of the borrower (to the extent of exposure) as per the RBI guidelines. Further, in computation of credit risk capital, the types of guarantees recognized for taking mitigation, in line with RBI guidelines are (a) Central Government Guarantee (0%) (b) State Government (20%) (c) CGTSI (0%) (d) ECGC (20%) (e) Bank Guarantee in the form of bills purchased / discounted under Letter of credit (20%) and (f) Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) (0%). The Bank has ensured compliance of legal certainty as prescribed by the RBI in the matter of credit risk mitigation.

Concentration Risk in Credit Risk Mitigation:

All types of securities eligible for mitigation are easily realizable financial securities. As such, presently no limit/ceiling has been prescribed to address the concentration risk in credit risk mitigants recognized by the Bank.

Quantitative Disclosures:

(₹ in crore)

a. For each separately disclosed credit risk portfolio, the total exposure (after, where applicable, on-or off balance sheet netting) that is covered by eligible financial collateral (FCs) after the application of haircuts is given below:		
Portfolio category	Financial collateral	Quantum of exposure covered
1. Funded - Credit	Bank's own deposits	**1004.78**
2. Funded – Credit	Gold jewels	**3234.89**
3. Funded - Credit	Life Insurance policies	**14.96**
4. Funded - Credit	NSC/KVP	**0.16**
4. Non Funded	Bank's own deposits	**1165.30**
b. For each separately disclosed portfolio, the total exposure (after, on balance sheet netting) that is covered by Guarantees:		
1. Funded - Credit	ECGC	**80.00**
2. Funded – Credit	CGTMSE	**41.78**

Table DF - 6

Securitization: Disclosure for standardized approach

Qualitative Disclosures

The bank has not undertaken any securitization activity.

Quantitative Disclosures: NIL

Table DF-7
MARKET RISK IN TRADING BOOK

Qualitative Disclosures:

a) Market Risk:

Market Risk is defined as the possibility of loss to a bank in on-balance sheet and off-balance sheet positions caused by the changes / movements in the market variables such as interest rates, foreign currency exchange rates, equity prices and commodity prices. Bank's exposure to market risk arises from domestic investments (interest related instruments and equities) in trading book (both AFS and HFT categories), the Foreign exchange positions (including open position in precious metals) and trading related derivatives. The objective of the market risk management is to minimize the impact of losses on earnings and equity capital arising from market risk.

Policies for management of Market Risk:

The bank has put in place Board approved Asset Liability Management (ALM) policy and treasury Policy (Investment Policy) for effective management of market risk in the bank. The policy sets various risk limits for effective management of market risk and ensuring that the operations are in line with Bank's expectation of return to market risk through proper Asset Liability Management. The policy also deals with the reporting framework for effective monitoring of market risk.

The ALM policy specifically deals with liquidity risk management and interest rate risk management framework. As envisaged in the policy, Liquidity risk is managed through the mismatch analysis, based on residual maturity / behavioral pattern of assets and liabilities, on a daily basis based on best available data coverage, as prescribed by the RBI. The bank has put in place mechanism of short-term dynamic liquidity management and contingent funding plan. Prudential (tolerance) limits are prescribed for different residual maturity time buckets for efficient asset liability management. Liquidity profile of the bank is evaluated through various liquidity ratios. The bank has also drawn various contingent measures to deal with any kind of stress on liquidity position. Bank ensures adequate liquidity managed on a real time basis by Domestic Treasury through systematic and stable funds planning.

Interest Rate Risk is managed through use of GAP analysis of rate sensitive assets and liabilities and monitored through prudential (tolerance) limits prescribed. The bank has also put in place Duration Gap Analysis framework for management of interest rate risk. The bank estimates Earnings at Risk (EaR) and Modified Duration Gap (DGAP) periodically against adverse movement in interest rate (as prescribed in the Policy) for assessing the impact on Net Interest Income (NII) and Economic Value of Equity (EVE) with a view to optimize shareholder value.

The Asset-Liability Management Committee (ALCO) /Risk Management Committee of Board (RMCB) monitors adherence of prudential limits fixed by the bank and determines the strategy in the light of the market condition (current and expected) as articulated in the ALM policy.

Quantitative Disclosures:

b) In line with the RBI's guidelines, the bank has computed capital for market risk as per Standardized Duration Approach (SDA) framework for maintaining capital.

The Capital requirements for market risk in trading Book as on 31.03.2014

(₹ in crs)

• Interest Rate Risk	34.91
• Equity Position Risk	1.40
• Foreign Exchange Risk	2.70
Total	39.01

Table DF – 8
OPERATIONAL RISK

Qualitative Disclosures:

a) Operational Risk:

Operational Risk is 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 reputation risks.

Policies on management of Operational Risk:

The Bank has framed Operational Risk Management Policy duly approved by the Risk Management Committee of Board (RMCB). Other policies adopted by the Board which deal with management of Operational risk are (a) Information Systems Security Policy, (b) Foreign Currency Risk Management Policy (c) Policy document on Know Your Customers (KYC) and Anti Money Laundering (AML) Procedures (d) IT Business Continuity and Disaster Recovery Plan (IT BC-DRP).

The Operational Risk Management Policy adopted by the Bank outlines organization structure and detail processes for management of operational risk. The basic objective of the policy is to closely integrate operational risk management system into the day-to-day risk management processes of the bank by clearly assigning roles for effectively identifying, assessing, monitoring and controlling / mitigating operational risk and by timely reporting of operational risk exposures, including material operational losses. Operational risks in the Bank are managed through comprehensive and well-articulated internal control frameworks.

Quantitative Disclosures:

b) In line with the final guidelines issued by RBI, our Bank has adopted the Basic Indicator Approach for computing capital for Operational Risk. As per the guidelines, the capital charge for Operational Risk is equal to the average over the previous three years (2011-12, 2012-13 & 2013-14) of 15% of positive annual Gross Income as defined by RBI. As per such estimate, the capital requirement for operational risk as on 31.03.2014 is **₹ 152.71 crore**.

Table DF – 9

INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Qualitative Disclosures:

a) Interest Rate Risk in the Banking Book:

Interest Rate Risk is the risk where changes in the market interest rates might affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as also the net worth of the Bank (economic value perspective). The risk from earnings perspective can be measured as impact in the Net Interest Income (NII) or Net Interest Margin (NIM). Similarly, the risk from economic value perspective can be measured as drop in the Economic value of Equity (EVE).

The Bank identifies the risks associated with the changing interest rates on its on-balance sheet and off-balance sheet exposures in the banking book from a short term (Earning perspective) and long term (Economic value perspective). The impact on income (Earning perspective) is measured through use of Gap Analysis by applying notional rate shock upto 200 bps as prescribed in Bank's ALM policy. Prudential limits have been prescribed for such impacts as a percentage to NII of the Bank and the same is monitored periodically on a fortnightly basis. For the calculation of impact on earnings, the Traditional Gap is taken from the Rate Sensitivity Statement and based on the remaining period from the mid point of a particular bucket the impact for change in interest rates upto 100 bps is arrived at. The same is reported to ALCO/Risk Management Committee of Board (RMCB) periodically along with the Rate Sensitivity statement on monthly basis. Such limits are fixed based on the previous year's NII.

The Bank has adopted Traditional Gap Analysis combined with Duration Gap Analysis for assessing the impact (as a percentage) on the Economic value of Equity (Economic Value Perspective) by applying a notional interest rate shock of 200 bps. As per the Guidelines on Banks" Asset Liability Management Framework-Interest Rate Risk issued by the RBI (DBOD.No.BP.BC.59/21.04.098/2010-11 dated 04.11.2010), the Bank calculates Modified Duration Gap (DGAP) & the impact on the Economic Value of equity (EVE). Assets and Liabilities are grouped as per Rate Sensitivity Statement & bucket wise Modified Duration is computed for these groups of Assets (excluding investments) and Liabilities using common maturity, coupon and yield parameters. For investment portfolio, the Modified Duration of individual items are computed and taken. The DGAP is calculated by the Bank once in a month and is reported to ALCO/ Risk Management Committee of Board (RMCB).

The Asset-Liability Management Committee (ALCO) / Risk Management Committee of Board (RMCB) monitors adherence of prudential limits fixed by the bank and determines the strategy in the light of market conditions (current and expected).

Quantitative Disclosures:

The increase or decrease in earnings and economic value for upward and downward rate shocks based on the assets and liabilities outstanding as on 31.03.2014 are as follows.

1. The impact of change in Interest Rate i.e Earnings at Risk for 100 Basis points interest rate shock is ₹-26.87 crore (3.13% of Net Interest Income).

2. Change in Market Value of Equity for 200 basis points interest rate shock is ₹ 470.94cr.

TABLE DF – 10

General disclosures for exposures related to counterparty credit risk

Counterparty Credit Risk (CCR) is the risk that a counter party to a transaction could default before the final settlement of the transaction cash flows. Unlike a firm's exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss to either party.

Counterparty credit risk in case of derivative contracts arises from the forward contracts. The subsequent credit risk exposures depend on the value of underlying market factors (e.g., interest rates and foreign exchange rates), which can be volatile and uncertain in nature. The Bank does not enter into derivative transactions other than forward contracts.

Credit exposures on forward contracts

The Bank enters into the forward contracts in the normal course of business for proprietary trading and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate and foreign currency risk. Derivative exposures are calculated according to the current exposures method.

Counterparty Credit exposure as on March 31, 2014

(**Amount ₹ in Crs**)

Nature	Notional Amount	Current Credit Exposure (positive mark to market value)	Potential Future Credit Exposure	Total Credit Exposure under Current Exposure Method (CEM)
Forward contracts	3829.03	0.00	76.58	76.58

3. Composition of Capital Disclosure Templates

TABLE DF – 11

Composition of Capital

Part II: Template to be used before March 31, 2017 (ie., During the transition period of Basel III Regulatory adjustments)				
				(₹ In Millions)
Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2016)			Amounts Subject to Pre-Basel III Treatment	Ref No.
Common Equity Tier 1 capital: instruments and reserves				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	2.85		
2	Retained earnings			
3	Accumulated other comprehensive income (and other reserves)	22508.52		
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)			
	Public sector capital injections grandfathered until January 1, 2018			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in			
6	Common Equity Tier 1 capital before regulatory adjustments	22511.37		
Common Equity Tier 1 capital : Regulatory adjustments				
7	Prudential valuation adjustments			
8	Goodwill (net of related tax liability)			
9	Intangibles other than mortgage-servicing rights (net of related tax liability)			
10	Deferred tax assets[2]	207.53	207.53	
11	Cash-flow hedge reserve			
12	Shortfall of provisions to expected losses			
13	Securitization gain on sale			
14	Gains and losses due to changes in own credit risk on fair valued liabilities			
15	Defined-benefit pension fund net assets			
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)			
17	Reciprocal cross-holdings in common equity			

18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)[3]			
20	Mortgage servicing rights(amount above 10%			
21	Deferred tax assets arising from temporary differences[5](amount above 10% threshold, net of related tax liability)			
22	Amount exceeding the 15% threshold			
23	of which : significant investments in the common stock of financial entities			
24	of which : mortgage servicing rights			
25	of which : deferred tax assets arising from temporary differences			
26	National specific regulatory adjustments[7] (26a+26b+26c+26d)			
26a	of which : Investments in the equity capital of unconsolidated insurance subsidiaries			
26b	of which : Investments in the equity capital of unconsolidated non- financial subsidiaries			
26c	of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank			
26d	of which : Unamortised pension funds expenditures			
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)			
	of which : [INSERT TYPE OF ADJUSTMENT]			
	of which : [INSERT TYPE OF ADJUSTMENT]			
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions			
28	Total regulatory adjustments to Common equity Tier 1	207.53		
29	Common Equity Tier 1 capital (CET1)	22303.84		
Additional Tier 1 capital : instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)			
31	of which : classified as equity under applicable accounting standards			

32	of which : classified as liabilities under applicable accounting standards (Perpetual debt Instruments)			
33	Directly issued capital instruments subject to phase out from Additional Tier 1			
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)			
35	of which : instruments issued by subsidiaries			
36	Additional Tier 1 capital before regulatory adjustments			
Additional Tier 1 capital: regulatory				
37	Investments in own Additional Tier 1 instruments			
38	Reciprocal cross-holdings in Additional Tier 1 instruments			
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
41	National specific regulatory adjustments (41a+41b)			
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries			
41b	Shortfall in the Additional Tier 1 capital of majority owned financial			
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III			
	of which : [INSERT TYPE OF ADJUSTMENT e.g.			
	of which : [INSERT TYPE OF			
	of which : [INSERT TYPE OF ADJUSTMENT]			
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions			
43	Total regulatory adjustments to Additional Tier 1 capital			
44	Additional Tier 1 capital (AT1)			
44a	Additional Tier 1 capital reckoned for capital adequacy			
45	Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)	22303.84		
Tier 2 capital : instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus			
47	Directly issued capital instruments subject to phase out from Tier 2			

48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)			
49	of which : instruments issued by subsidiaries subject to phase out			
50	**Provisions include the following** a) Investment Reserve ₹ 184.60 mn b) Provision for Standard Asset ₹ 752.18mn	936.78		
51	**Tier 2 capital before regulatory adjustments**	936.78		
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments			
53	Reciprocal cross-holdings in Tier 2 instruments			
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)			
55	Significant investments—in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	National specific regulatory adjustments (56a+56b)			
56a	of which : Investments in the Tier 2 capital of unconsolidated insurance subsidiaries			
56b	of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank			
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]			
	of which : [INSERT TYPE OF ADJUSTMENT			
57	Total regulatory adjustments to Tier 2 capital			
58	Tier 2 capital (T2)	936.78		
58a	Tier 2 capital reckoned for capital adequacy	936.78		
58b	Excess Additional Tier 1 capital reckoned as			
58c	Total Tier 2 capital admissible for capital	936.78		
59	Total capital (TC = T1 + Admissible T2) (45 +	23240.62		
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT]			

	of which : …			
60	Total risk weighted assets (60a + 60b + 60c)	149103.63		
60a	of which : total credit risk weighted assets	127801.22		
60b	of which : total market risk weighted assets	4334.66		
60c	of which : total operational risk weighted assets	16967.75		
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk	14.96%		
62	Tier 1 (as a percentage of risk weighted assets)	14.96%		
63	Total capital (as a percentage of risk weighted assets)	15.59%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)			
65	of which : capital conservation buffer requirement			
66	of which : bank specific countercyclical buffer requirement	___		
67	of which : G-SIB buffer requirement			
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	NA		
National minima (if different from Basel III)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	6.00%	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	9.00%	
Amounts below the thresholds for deduction (before risk weighting)				
72	Non-significant investments in the capital of other financial entities	___		
73	Significant investments in the common stock of financial entities	___		
74	Mortgage servicing rights (net of related tax liability)			
75	Deferred tax assets arising from temporary differences (net of related tax liability)			
Applicable caps on the inclusion of provisions				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)			
77	Cap on inclusion of provisions in Tier 2 under standardized approach	___		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			

79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach			
Capital instruments subject to phase-out arrangements (only applicable between March				
80	Current cap on CET1 instruments subject to phase out arrangements	NA		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements			
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
84	Current cap on T2 instruments subject to phase out arrangements			
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			

Notes to the template		
Row No. of the templat	**Particulars**	**(₹ in Millions)**
10	Deferred tax assets associated with accumulated losses	
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability or Gross DTA	207.53
	Total as indicated in row 10	207.53
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	
	of which : Increase in Common Equity Tier 1 capital	
	of which : Increase in Additional Tier 1 capital	
	of which : Increase in Tier 2 capital	
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then :	
	(i) Increase in Common Equity Tier 1 capital	
	(ii) Increase in risk weighted assets	
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	
	of which : Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	
50	Eligible Provisions included in Tier 2 capital	936.78
	Eligible Revaluation Reserves included in Tier 2 capital	
	Total of row 50	936.78
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	

Table DF-12:

Composition ofCapital- Reconciliation Requirements

Step 1:

				(₹. in million)
			Balance sheet as in financial statements	**Balance sheet under regulatory scope of consolidation**
			As on reporting date	**As on reporting date**
A	Capital & Liabilities			
	i.	Paid-up Capital	2.85	N.A
		Reserves & Surplus	22693.12	N.A
		Minority Interest		
		Total Capital	**22695.97**	N.A
	ii.	Deposits	**226456.83**	
		of which : Deposits from banks	10570.29	
		of which : Customer deposits	215886.54	
		of which : Other deposits (pl. specify)		
	iii.	Borrowings	**2595.82**	
		of which : From RBI	1700.00	
		of which : From banks	895.82	
		of which : From other institutions & agencies	0.00	
		of which : Others (pl. specify) Outside India	0.00	
		of which : Capital instruments	0.00	
	iv.	Other liabilities & provisions	**12233.73**	
	Total		**263982.35**	N.A
B	**Assets**			
	i.	Cash and balances with Reserve Bank of India	**10339.03**	
		Balance with banks and money at call and short notice	**3764.94**	
	ii.	Investments :	**67718.91**	
		of which : Government securities	59671.48	
		of which : Other approved securities	0.00	
		of which : Shares	77.84	
		of which : Debentures & Bonds	5292.36	
		of which : Subsidiaries / Joint Ventures /	0.00	
		of which : Others (Commercial Papers, Mutual Funds etc.)	2197.81	
		of which : Deposits with NABARD(RIDF)	479.42	
	iii.	Loans and advances	**171438.50**	
		of which : Loans and advances to banks	0.00	
		of which : Loans and advances to customers	171438.50	
	iv.	Fixed assets	**1168.84**	

	v.	Other assets	**9552.13**	
		of which : Goodwill and intangible assets	0.00	
		of which : Deferred tax assets	207.53	
	vi.	Goodwill on consolidation		
	vii.	Debit balance in Profit & Loss account		
		Total Assets	**263982.35**	N.A

Step 2:

1) As the Bank is not having any subsidiary, no disclosure relating any legal entity for regulatory consolidation is made.

2) The entire paid up capital of the Bank amounting to ₹2.85 million is included in CET I. (refer Item I of DF-11)

3) The break up for Reserves & Surplus ₹ 22693.12mn as shown in the Bank's financial statements is given hereunder for the purpose of reconciliation for calculation of Regulatory Capital in DF-11

(₹ in Millions)

As per Balance Sheet	Amount	As shown in DF-11 Capital
a) Statutory Reserves	7647.79	Included in Regulatory CET I capital DF-11 (item-3)
b) Capital Reserves	51.76	Included in Regulatory CET I capital DF-11 (item-3)
c)Revenue and Other Reserves	14206.41	Included in Regulatory CET I capital DF-11 (item-3)
d) Investment reserve	184.60	Included in Regulatory Tier II capital DF-11(item-50)
e) Special Reserve u/s 36(1) (Viii) of IT Act 1961	564.00	Included in Regulatory CET I Capital (DF11- item 3)
f) Balance in P&L upto 31.03.2014	38.56	Included in CET I (item 3- DF11)
g) Additional Balance of Profit (for 3 quarter)	0.00	NA
	22693.12	

4) Other Liabilities – a) Provision for Standard assets ₹752.18mn (item-50 - DF-11)

However they are shown under Tier II capital for computation of Regulatory Capital (DF-11) as noted in brackets as per extant RBI guidelines.

Step 3

Extract of Basel III common disclosure template (with added column) - Table DF-11 (Part I / Part II whichever, applicable)			
Common Equity Tier 1 capital: instruments and reserves			
		Component of regulatory capital reported by bank	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	2.85	
2	Retained earnings		
3	Accumulated other comprehensive income (and other reserves)	22508.52	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock		
5	Common share capital issued by subsidiaries and held by third parties		
6	Common Equity Tier 1 capital before regulatory adjustments	22511.37	
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)		

Table DF-13:

Main Features of Regulatory Capital

S.No	Description	Equity Shares
1	Issuer	**Tamilnad Mercantile Bank Ltd**
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not listed
3	Governing law(s) of the instrument	Indian Laws
Regulatory treatment		
4	Transitional Basel III rules	Common equity Tier 1
5	Post-transitional Basel III rules	Common equity Tier 1
6	Eligible at solo / group / group & solo	Solo

7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Rs. in million, as of most recent reporting date)	₹2.85 million
9	Par value of instrument	₹ 10 per share
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend / coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or	Fully Discretionary
21	Existence of step up or other incentive to	No
22	Noncumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible	NA
29	If convertible, specify issuer of instrument it	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up	NA

35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all other claims
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

Table DF-14
Full Terms and Conditions of Regulator Capital Instruments

The details of the Tier II capital [Bonds] raised by the Bank

Table DF-14 : Full Terms and Conditions of Regulatory Capital Instruments	
Instruments	Full Terms and Conditions
	Not Applicable
	Not Applicable

Table DF-15: Disclosure Requirements for Remuneration

`Qualitative disclosures	(a)	Information relating to the composition and mandate of the Remuneration Committee.	The Remuneration Committee has been formed with 5 Directors and the MD & CEO. The mandate of the committee is to fix remuneration in line with the risk taken by employees.
	(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	Bank's Remuneration Policy, containing the guidelines on compensation of Whole time directors/ Chief executive officers/ risk takers, control function etc, was approved by Remuneration committee of Board, in its meeting dated 27.12.2012. The key principle of the policy would be that the compensation shall be aligned with the type and nature of risk taken by employees. The degree of difficulty, specialised nature of job and risk associated would be measured and compensation would be fixed accordingly.

	(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	Regional Heads, Branch Heads, IT department officials and Dealers in Treasury & IBD are paid special pay based on risk taken by them.
	(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	A performance based incentive is to be developed.
	(e)	A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.	There is no deferred remuneration payment to employees.
	(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	The remuneration is in the form of cash only during the year 2013-14. There is no remuneration in the form of Shares, ESOP and other forms during the year 2013-14.
Quantitative disclosures (The quantitative disclosures should only cover Whole Time Directors / Chief Executive Officer / Other Risk Takers)	(g)	* Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	Number of meetings held by the Remuneration Committee is one. The total remuneration paid to its members was ₹40000/-, as sitting fee, .being ₹8000/- per member excluding MD & CEO.
	(h)	* Number of employees having received a variable remuneration award during the financial year.	Nil
		* Number and total amount of sign-on awards made during the financial year.	Nil
		* Details of guaranteed bonus, if any, paid as joining / sign on bonus.	Nil
		* Details of severance pay, in addition to accrued benefits, if any.	Nil

	(i)	*	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Nil
		*	Total amount of deferred remuneration paid out in the financial year.	Nil
	(j)	*	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Nil
	(k)	*	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil
		*	Total amount of reductions during the financial year due to ex- post explicit adjustments.	Nil
		*	Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil

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