BASEL II – PILLAR 3 DISCLOSURES

Table DF-1

Scope of application

Qualitative Disclosures

a) The name of the Top bank in the group to which the Framework applies.

THE KARUR VYSYA BANK LIMITED

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 (1) that are fully consolidated; (ii) that are pro-rata consolidated; (iii) that are given a deduction treatment; and (iv) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).

The Bank is not having subsidiary

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.

Not applicable

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, indicate the quantitative impact on regulatory capital of using this method versus using the deduction.

Not applicable

Table DF – 2

Capital Structure

Qualitative Disclosures

a) Summary

- Tier I capital includes Equity share capital, Reserves comprising of statutory reserves, capital and other revenue reserves, share premium and balance in profit and loss account and excludes Deferred Tax Asset (DTA).

- Tier 2 Capital consists of the general provision, Tier II Bonds – Subordinated Debt as on 30.09.2011.

Quantitative Disclosures

b) The amount of Tier I capital as on 30.09.2011.

Rs. In crs.

Paid up Equity Share Capital (including calls in advance)	107.14
Innovative Instruments	0.00
Amounts deducted from Tier I Capital tax on special reserve.	-19.47
Reserves	2254.66
Total Tier I Capital	2342.33

c) The total amount of Tier II capital (net of deductions from Tier II Capital).

Rs. In crs.

General Provisions (including floating provisions)	77.02
Tier II Bonds (Eligible for Tier II capital at different rates and different maturities)	150.00
Total Tier II Capital	227.02

d) Debt Capital instruments eligible for inclusion in Upper Tier II Capital

Total Amount outstanding - NIL
Of which amount raised during the current year - NIL
Amount eligible to be reckoned as capital funds - NIL

e) Subordinated debt eligible for inclusion in Lower Tier II Capital

Total amount outstanding - Rs.150 Crores
Of which amount raised during the current year - Rs. NIL
Amount eligible to be reckoned as capital funds - Rs.150 crores.

f) Other deductions from capital if any - NIL
(DTA and fixed assets software)

g) Total eligible capital (Tier I & Tier II) - Rs.2569.35 Crore.

Table DF – 3

Capital Adequacy

Qualitative Disclosures

- Bank maintained Capital to Risk Weighted Assets Ratio (CRAR) at 14.02% (Basel II).
- Tier I CRAR of 12.78% is above the minimum requirement of 6% as per RBI guidelines.
- Bank's CRAR as per Basel II (14.02%) is higher than Basel I (11.96%).
- Total CRAR is above the minimum requirement of 9% including Pillar 2 requirements.
- Bank maintained capital in terms of Revised Framework above the prudential flow viz higher of
  - Minimum capital required as per the Revised Framework;
  - 80% of the minimum capital required to be maintained as per the Basel I framework;
- Tier II capital is within the stipulation of 50% of Tier I Capital.

Quantitative Disclosures

a) Capital requirement for Credit Risk:

- Portfolio subject to standardized approach : Rs.1436.27 Cr.
- Securitisation exposures : NIL

b) Capital requirements for market risk:

Standardized duration approach:

-Interest rate risk : Rs. 65.39 Cr.
- Foreign exchange risk (including gold) : Rs. 9.00 Cr.
- Equity risk : Rs. 17.59 Cr.

c) Capital requirements for operation risk:

Basic indicator approach : Rs.120.76 Cr

d) Total CRAR : 14.02% and Tier I Capital Ratio : 12.78%

Table DF-4

Credit Risk – General Disclosures

a.

- The Bank had put in place Credit Policy & Credit Risk Management Policy where all the credit aspects have been included. The policies stipulate borrower / credit standards, standards for loan collateral/guarantor acceptance, portfolio management, risk based pricing of loans & advances, loan review mechanism, credit audit, risk concentrations, risk monitoring and evaluation, provisioning and regulatory/legal compliance.
- Bank has adopted the Income Recognition and Asset Classification norms of the regulator.
- The Bank identifies the risks to which it is exposed and applies rating models to measure, monitor and control these risks. Bank considers rating of a borrowal account as an important tool to measure the credit risk associated with any borrower and accordingly a two dimensional credit rating system was adopted.
- The Bank mitigates the concentration risk by (a) fixing exposure limits for single and group borrowers (b) rating grade limits and (c) industry wise exposure limits.
- Credit risks and compliance to risk limits are monitored on bank wide basis.

Quantitative Disclosures

b) Total gross credit risk exposures, Fund based and Non-fund based separately.

Credit Risk Exposures	**Rs. In Cr.**
Fund Based *	31745.22
Non Fund Based	7757.48
Total Fund & Non Fund Based	39502.70

* It includes loans/advances; fixed assets, other assets, cash, balance with RBI and investments.

c) Geographic distribution of exposures, Fund based and Non-fund based separately.

a. Overseas - NIL
b. Domestic

Rs. In crs.

	Fund Based	**Non Fund Based**
Gross Advances	20216.20	7757.48

d) Industry-wise exposures as on 30.09.2011.

(Rs. In crore)

Industry	Fund Based	
Coal	42.11	
Mining	135.59	
Iron & Steel	898.63	
Other Metal and Metal Products	147.71	
All Engineering	189.32	
Of which Electronics		39.50
Cotton Textiles	908.50	
Other Textiles	788.88	
Sugar	4.01	
Tea	0.71	
Food Processing	511.01	
Vegetable Oils & Vanaspati	162.35	
Tobacco and Tobacco Products	96.91	
Paper and Paper Products	66.84	
Rubber and Rubber Products	149.07	
Chemicals, Dyes, Paints etc.	459.28	
Of which Fertilizers		23.10
Of which Petrochemicals		191.59
Of which Drugs & Pharmaceuticals		193.28
Cement	89.63	
Leather and Leather Products	1.78	
Gems and Jewellery	212.85	
Construction	52.70	
Petroleum	1.20	
Automobiles including trucks	233.94	
Computer Software	9.45	
Infrastructure	3033.22	
Of which Power		1919.29
Of which Telecommunications		62.64
Of which Roads & Ports		242.48
NBFCs	739.50	
Trading	1959.79	
Other Industries	1680.63	
Residuary Other Advances	7640.59	
Total Advances	**20216.20**	

e) Residual Contractual maturity breakdown of assets

(Rs. In crore)

Inflow Group	Cash, Balance with RBI & Balances with Other Banks	Investments (Net)	Advances (Net)	Fixed Assets & Other Assets
Day 1	527.98	816.06	752.37	205.12
Day 2 To Day 7	81.66	467.34	45.98	25.64
Day 8 To Day 14	44.63	177.62	61.41	25.64
Day 15 To Day 28	97.06	196.85	137.86	0.00
Over28 days To 3 Months	186.22	689.29	1013.76	0.00
Over 3 Months To 6 Months	154.71	628.92	692.87	0.00
Over 6 Months To 1 Year	332.64	1560.83	5285.28	0.00
Over 1 To 3 Years	547.44	2892.71	8457.52	0.00
Over 3 Years To 5 Years	99.32	440.68	1775.62	0.00
Over 5 Years	158.01	655.74	1744.99	765.45
Total	**2229.67**	**8526.04**	**19967.66**	**1021.85**

f) Gross NPAs:

	(Rs. In Crore)
Particulars	**Amount**
Substandard	96.79
Doubtful 1	8.66
Doubtful 2	81.16
Doubtful 3	14.61
Loss	97.02

g) Net NPAs:

	(Rs. In Crore)
Particulars	**Amount**
Gross NPAs	298.24
Less: Provisions (including ECGC & float. Provision)	239.87
Net NPAs	58.37

h) NPA Ratio :

Particulars	**Ratios**
Gross NPAs as a ratio to Gross Advances	1.48%
Net NPAs as a ratio to Net Advances	0.29%

i) Movement of NPAs (Gross)* :

(Rs. In Crore)

Particulars	Amount
Opening Balance 31.3.2010.	228.15
Additions during the year	109.62
Reductions during the year	39.53
Closing Balance	298.24

* NPA exclude interest held in suspense in accordance with RBI guidelines dated September-24, 2009 under reference DBOD.No.BP.BC.46/21.04.048/2009-10.

j) Movement of Provisions for NPAs:

(Rs. In Crore)

Particulars	Amount
Opening Balance	182.42
Provisions made during the year	34.12
Provisions released on account of recoveries and used for new additions	19.63
Write Back of excess provisions	0
Closing Balance.	196.91

k) Amount of Non performing Investments 4.19

l) Amount of provisions held for Non –performing Investments 4.19

m) Movement of Provisions for depreciation on investments

(Rs. In crore)

Particulars	Amount
Opening Balance	40.36
Provisions made during the year	16.82
Write Off	0
Write Back of excess provisions	0
Closing Balance	57.18

Table DF – 5

Credit Risk: Disclosures for portfolios subject to the Standardized Approach

Qualitative Disclosures

a) For portfolios under the standardized approach:

All the external rating agencies approved by Reserve Bank of India for the purpose of rating under Basel II norms are taken on record by our Bank to facilitate the customer for getting the rating.

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:

(Rs.in crore)

Risk Weight	Rated	Unrated	Total
Below 100%	2253.61	13970.65	16224.26
100%	1650.19	7292.04	8942.23
More than 100%	811.99	860.18	1672.17
Total Outstanding after mitigation	4715.79	22122.87	26838.66
Deducted (as per Risk Mitigation)	-	4968.60	4968.60

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

Table DF – 6

Credit risk mitigation: Disclosures for standardized approach

Qualitative Disclosures

a) The Bank has put in place Credit Risk Mitigation & Collateral Management Policy with the primary objective of (i) Mitigation of credit risks and enhancing awareness of identification of appropriate collateral taking into account the spirit of Basel II / RBI guidelines and (ii) Optimizing the benefit of credit risk mitigation in computation of capital charge as per approaches laid down in Basel II / RBI guidelines.

The Bank in general relies on Risk Mitigation techniques like Loan Participation, Ceiling on exposures, Escrow mechanism, forward cover, higher margins, loan covenants, collateral and insurance cover.

Bank accepts guarantees from individuals with considerable net worth and the corporate. Only guarantees issued by entities with a higher rating than of the counterparty shall be accepted to get the protection for the counter party exposure.

The Bank recognizes the following Financial Collateral (FC) for Credit Risk Mitigation.

a) Cash or Cash Equivalent (Bank Deposits/certificate of Deposits issued by the Bank, etc.);
b) Gold jewels;
c) Indira Vikas Patras;
d) Kisan Vikas Patras;
e) National Savings Certificates;
f) Life Insurance Policies with a declared surrender value;
g) Securities issued by Central and State Governments and
h) Debt securities rated by a recognized Credit Rating Agency.

The Bank accepts guarantees from individuals with considerable net worth and the Corporates, besides guarantee issued by Government, other Commercial Banks and ECGC.

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. The portion of advances subjected to CRM including non-funded advances as mentioned in the table above amounted to 24.58%

Quantitative Disclosers

b) 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 after the application of haircuts is given below:

(Rs. In Crore)

Portfolio Category	Financial Collateral	Quantum of exposure covered
1. Funded – Credit	Bank's own deposits	595.22
2. Funded – Credit	Gold Jewels	3861.80
3. Non Funded	Bank's own deposits	266.58

c) For each separately disclosed portfolio, the total exposure (after, on balance sheet netting) that is covered by Guarantees:

(Rs. In Crore)

Portfolio Category	Guaranteed by	Quantum of exposure covered
Funded Credit	ECGC	593.68

Table DF - 7

Securitization: Disclosure for Standardized Approach

Qualitative Disclosures: The Bank has not undertaken any securitization activity.

Quantitative Disclosures: NIL

Table DF- 8
Market risk in trading book

Qualitative Disclosures

a) Market Risk in trading book is assessed as per the Standardized duration method. The capital charge for HFT and AFS is computed as per Reserve Bank of India prudential guidelines.

Quantitative Disclosures

b) The capital requirements for:

Interest rate risk	:	Rs. 65.39 Cr
Equity position risk	:	Rs. 17.59 Cr
Foreign exchange risk	:	Rs. 9.00 Cr

Table DF – 9

Operational Risk

Qualitative Disclosures

The Bank has put in place important policies like Operational Risk Management, Information System Security, Know Your Customer (KYC) and Anti Money Laundering (AML), Business Continuity and Disaster Recovery Management. The updated manuals on all important functional areas have been circulated to the branches. Risk Based Internal Audit is introduced in 132 branches in our Bank.

The Operational Risk Management Policy outlines the Organization Structure and covers the process of identification, assessment, measurement and control of various operational risks. Internal control mechanism is in place to control and minimize the operational risks.

Capital charge for operational risk is computed as per the Basic Indicator Approach. The average of the gross income, as defined in the New Capital Adequacy Framework guidelines, for the previous 3 years i.e. 2010-11, 2009-10 and 2008-09is considered for computing the capital charge. The required capital is Rs.120.76 Cr.

Table DF – 10

Interest rate risk in the banking book (IRRBB)

Qualitative Disclosures

a) Foreclosure of deposits is studied and factored in the interest rate sensitivity analysis. Earnings at Risk (EAR) are computed based on the Traditional Gap Analysis on a static position.

Quantitative Disclosures

b) The Bank is in the process of enhancing and validating the ICAAP policy/document with the assistance of external agency.