

# Kotak Mahindra Bank Limited

## BASEL II (PILLAR 3) DISCLOSURES For the half year ended 30 September 2009

### 1. Scope of Application

Pillar 3 disclosures apply to Kotak Mahindra Bank Limited (KMBL). The investment in the Bank's subsidiaries / associates are deducted, 50% from Tier I capital and 50% from Tier II capital.

#### a. Investment in insurance subsidiary

The Group's investment in insurance subsidiary is deducted from regulatory capital for capital adequacy purpose under Basel II as give below:

		Rs. in crore
Name of the Entity	% shareholding of the Group	Investment value
Kotak Mahindra Old Mutual Life Insurance Limited	74%	377.62

The quantitative impact on regulatory capital of using risk weights investments versus using the deduction method is given below:

		Rs. in crore
Method		Quantitative Impact
Deduction method		377.62
Capital at 10% based on risk weighted assets		37.76

### 2. Capital Structure

#### a. Amount of Tier I and Tier II Capital

		Rs. in crore
		Amount
<b>(a) Tier I Capital</b>		
	Paid-up share capital	346.78
	Reserves and Surplus excluding translation reserve	3,487.90
<b>Deductions:</b>		
	Investment in paid-up capital of financial subsidiaries/ associates (50%)	158.09
	Intangible assets other than Goodwill	232.94
	Goodwill	
<b>Net Tier I Capital</b>		<b>3,443.65</b>
(b) Total eligible Tier II Capital		
(c) Debt instruments eligible for inclusion in Upper Tier II Capital		
	Total amount outstanding	352.47
	Of which raised during the current financial year	-
	Amount eligible to be reckoned as capital	352.47
(d) Subordinated debt eligible for inclusion in Tier II capital		
	Total amount outstanding	401.22
	Of which raised during the current financial year	-

Amount eligible to be reckoned as capital	401.22
(e) General Provisions and loss reserves	194.02
(f) Investment reserve	
<b>Deductions:</b>	
Investment in paid-up capital of financial subsidiaries/ associates (50%)	158.09
<b>Net Tier II Capital</b>	<b>789.63</b>

**b. Total eligible capital as at 30 September 2009**

Rs. in crore

	<b>Amount</b>
Tier I Capital	3,443.65
Tier II Capital	789.63
<b>Total eligible Capital</b>	<b>4,233.28</b>

**3. Capital Adequacy**

**Capital requirements for various risk categories as on 30 September, 2009**

Rs. in crore

<b>Items</b>	<b>Amount</b>
(a) Capital requirements for credit risk	
Portfolios subject to standardised approach	2,013.00
Securitisation exposures	3.60
(b) Capital requirements for market risk	
Using standardised duration approach	
Interest rate risk	69.33
Foreign exchange risk (including gold)	20.00
Equity position risk	21.14
(c) Capital requirements for operational risk	
Measured using basic indicator approach	224.43
<b>Total capital required at 10%</b>	<b>2,351.50</b>
<b>Total risk weighted assets</b>	<b>23,887.07</b>
<b>Capital adequacy ratio</b>	<b>17.72%</b>

*Computed as per Basel II guidelines*

**4. Credit Risk**

**Total credit risk exposures as at 30 September 2009**

Rs. in crore

<b>Overall credit exposure</b>	<b>Fund based</b>	<b>Non-fund based</b>	<b>Total</b>
Total gross credit exposures	30,740.82	3,257.69	33,998.51

### Geographic distribution of exposures as at 30 September 2009

Rs. in crore

Exposures	Fund based	Non-fund based	Total
Domestic	30,740.82	3,257.69	33,998.51
Overseas	0	0	0
<b>Total</b>	<b>30,740.82</b>	<b>3,257.69</b>	<b>33,998.51</b>

### Industry-wise distribution of exposures as of 30 September 2009

Rs. in crore

Industry	Total Credit O/S Funded
Mining	11.40
Iron & Steel	326.44
All Engineering	246.40
Cotton Textiles	51.99
Food Processing	46.19
Vegetable Oils & Vanaspati	100.62
Paper & Paper Products	55.53
Rubber & Rubber Products	81.54
Chemicals Dyes, Paints	210.80
Fertilisers	325.42
Petro-chemicals	742.07
Drugs & Pharmaceuticals	357.88
Cement	10.00
Leather & Leather Products	0.89
Gems & Jewellery	50.98
Construction	27.54
Automobiles including trucks	854.24
Infrastructure	481.88
Power	400.84
Telecommunication	235.96
NBFCs	652.25
Other Industries	3,000.80
Residuary other advances	11,779.36
<b>Grand Total</b>	<b>20,051.05</b>

**Note:** The above industry wise distribution of exposure is for funded advances only and excludes non funded exposures, investments, and any other market related exposures.

### Residual contractual maturity break-down of assets as at 30 September 2009

Rs. in crore

Maturity Pattern	Cash and balances with monetary authority	Balances with other banks	Investments	Advances	Fixed Assets	Other Assets
0 to 14 days	693.24	84.00	5,401.54	1,431.94	-	398.50
15 to 28 days	23.83	-	125.24	752.24	-	41.16
29 days to 3 months	120.36	-	803.27	3,681.19	-	1,737.17
Over 3 months & upto 6 months	123.91	-	657.88	1,903.63	-	230.69
Over 6 months & upto 1 year	158.39	-	851.56	2,565.84	-	95.97
Over 1 year & upto 3 years	308.03	2.94	2,380.82	5,790.61	-	58.09
Over 3 year & upto 5 years	13.27	-	92.80	1,508.41	-	4.74
Over 5 years	54.97	-	903.71	2,268.95	424.61	1,267.88
<b>Total</b>	<b>1,495.99</b>	<b>86.94</b>	<b>11,216.83</b>	<b>19,902.79</b>	<b>424.61</b>	<b>3,834.19</b>

### Amount of non-performing loans as at 30 September 2009 including NPAs acquired from other banks and NBFCs

Rs. in crore

Items	Amount
Substandard	642.58
Doubtful 1	88.61
Doubtful 2	133.33
Doubtful 3	2.75
Loss	0.26
<b>Gross NPA - Total</b>	<b>867.53</b>
Provisions	351.81
Net NPA	<b>515.72</b>
Gross NPA Ratio (%)	4.33
Net NPA Ratio (%)	2.62
Movement of NPAs	
Opening balance as at 1 <sup>st</sup> April, 2009	689.21
Additions	425.44
Reductions	(247.11)
Closing balance as at 30 September, 2009	867.53

Gross NPA ratio is computed as a ratio of gross non-performing loans to gross advances

Net NPA ratio is computed as a ratio of net non-performing loans to net advances

Movement of provisions for NPAs

Rs. in crore

	<b>Amount</b>
Opening balance as at 1 <sup>st</sup> April, 2009	292.36
Provisions made during the year	225.48
Write-off /write back of excess provisions	(166.04)
Closing balance as at 30 September 2009	351.81

Amount of non-performing loans as at 30<sup>th</sup> September 2009 excluding NPAs acquired from other banks and NBFCs

Rs. in crore

<b>Items</b>	<b>Amount</b>
Substandard	544.04
Doubtful 1	37.93
Doubtful 2	2.14
Doubtful 3	0.06
Loss	0.26
<b>Gross NPA - Total</b>	<b>584.43</b>
Provisions	252.16
Net NPA	<b>332.27</b>
Gross NPA Ratio (%)	2.97
Net NPA Ratio (%)	1.71
Movement of NPAs (gross)	
Opening balance as on 1 <sup>st</sup> April, 2009	405.97
Additions	406.32
Reductions	(227.87)
Closing balance as on 30 September, 2009	584.43

Gross NPA ratio is computed as a ratio of gross non-performing loans to gross advances

Net NPA ratio is computed as a ratio of net non-performing loans to net advances

Movement of provisions for NPAs

Rs. in crore

	<b>Amount</b>
Opening balance as at 1 <sup>st</sup> April, 2009	200.44
Provisions made during the year	209.05
Write-off / write back of excess provisions	(157.33)
Closing balance as at 30 September, 2009	252.16

Amount of Non-performing investments (NPI)

Rs. in crore

	<b>Amount</b>
Gross NPI as at 30 September, 2009	2.25
Amount of provisions held for NPI	(2.18)
Net NPI as at 30 September, 2009	0.07

Movement of provisions for depreciation on investments

Rs. in crore

	<b>Amount</b>
Opening balance as at 1 <sup>st</sup> April, 2009	9.35
Write off /Write back of provisions during the year*	0
Provision During the Year	3.53
Closing balance as at 30 September, 2009	12.88

*After considering movement in appreciation on investments*

**5. Credit risk – portfolios subject to the standardised approach**

**Credit exposures by risk weights**

Rs. in crore

<b>Exposure category</b>	<b>Fund based</b>	<b>Non-funded</b>	<b>Total</b>
Below 100% risk weight	18,876.86	1,742.87	20,619.74
100% risk weight	10,103.51	1,448.71	11,552.22
More than 100% risk weight	1,760.45	66.11	1,826.55
<b>TOTAL</b>	<b>30,740.82</b>	<b>3,257.69</b>	<b>33,998.51</b>

**6. Credit Risk Mitigation**

Under the Standardised Approach, the total credit exposure covered by eligible financial collaterals after application of haircuts as on 30th September 2009 was Rs. 2,323.41 crores.

**7. Securitisation**

**a. Breakup of the total outstanding exposure securitised by exposure type as at 30<sup>th</sup> September, 2009:**

Rs. in crore

<b>Exposure type</b>	<b>Amount</b>
Corporate Loans	371.00
Auto Loans (Car and commercial vehicles)	166.18
Personnel Loans	0
<b>Total</b>	<b>537.18</b>

**b. (i) Amount of impaired / past due assets securitised**

The bank has not securitised any impaired/ past due loans

**(ii) Breakup up of securitisation losses by exposure types**

The Bank has not incurred any losses on account of securitisation activity.

c. Breakup up of securitisation exposures purchased and outstanding by exposure types

Rs. in crore

<b>Exposure type</b>	<b>Amount</b>
Auto Loans (Car and commercial vehicles)	166.18
<b>Total</b>	<b>166.18</b>

*Includes all entities considered for Basel II capital adequacy computation*

d. (i) Risk weight bands break-up of aggregate amount of securitisation exposures retained or purchased

Rs. in crore

<b>Exposure type</b>	<b>Amount</b>
Less than 100%	180.13
100%	
More than 100%	
<b>Total</b>	<b>180.13</b>

*Includes all entities considered for Basel II capital adequacy computation*

(ii) No securitization exposures have been deducted from capital

e. (i) Total number and book value of loan assets securitised – by way of underlying assets

Rs. in crore

<b>Exposure Type</b>	<b>For the half year ended September 30, 2009</b>		<b>For the half year ended September 30, 2008</b>	
	<b>Total number of loan assets securitised</b>	<b>Amount</b>	<b>Total number of loan assets securitised</b>	<b>Amount</b>
Corporate Loans				
Auto Loans (Car and commercial vehicles)		166.18		
Personnel Loans				
<b>Total</b>				

(ii) Sale Consideration and gain/loss on sale of securitization

Rs. in crore

<b>Exposure Type</b>	<b>For the half year ended September 30, 2009</b>	<b>For the half year ended September 30, 2008</b>
Sale consideration received for the securitized assets		
Net gain/(loss) on account of securitization <sup>(1)</sup>		

(1) Excludes unamortized gains

**(iii) Summary of form and quantum of services provided**

The Bank has not provided any liquidity facility, credit collateral for loans securitised by it.

## 8. Market Risk in Trading Book:

### Market risk capital charge

Risk category	Rs. in crore
	Capital charge
Interest rate risk	69.33
Equity position risk	21.14
Foreign exchange risk	20.00
<b>Total capital required</b>	<b>110.47</b>

*Includes all entities considered for Basel II capital adequacy computation*

## 9. Operational Risk Management (ORM)

The bank's operational risk capital charge using basic indicator approach is Rs. 224.43 crore as at 30 September 2009.

## 10. Interest Rate Risk in the Banking Book (IRRBB):

Economic Value of Equity (EVE) – Decline in Economic Value for an adverse rate shock of 200 bps as on September 30, 2009 is as follows:

Impact on MVE of 200 bps adverse parallel shift in yield curve	Rs. 19.47 crore
Impact as a percentage of Tier1 + Tier2 Capital	0.46%