Kotak Mahindra Bank Limited

BASEL II (PILLAR 3) DISCLOSURES
For the half year ended 30 September 2012

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
(a) Tier I Capital	
Paid-up share capital	371.65
Reserves and Surplus excluding translation reserve	7,632.32
Deductions:	
Investment in paid-up capital of financial subsidiaries/ associates (50%)	171.38
Intangible assets other than Goodwill	230.89
Goodwill	
Net Tier I Capital	**7,601.71**
(b) Total eligible Tier II Capital	
(c) Debt instruments eligible for inclusion in Upper Tier II Capital	
Total amount outstanding	373.85
Of which raised during the current financial year	-
Amount eligible to be reckoned as capital	373.85
(d) Subordinated debt eligible for inclusion in Tier II capital	
Total amount outstanding	560.70
Of which raised during the current financial year	-

Amount eligible to be reckoned as capital	377.26
(e) General Provisions and loss reserves	207.88
(f) Investment reserve	30.58
Deductions:	
Investment in paid-up capital of financial subsidiaries/ associates (50%)	171.38
Net Tier II Capital	**818.19**

Note: Reserves and surplus above do not include unaudited profit of half year ended 30 September 2012.

b. Total eligible capital as at 30 September 2012

Rs. in crore

	Amount
Tier I Capital	7,601.71
Tier II Capital	818.19
Total eligible Capital	**8,419.90**

3. Capital Adequacy

Capital requirements for various risk categories as on 30 September, 2012

Rs. in crore

Items	**Amount**
(a) Capital requirements for credit risk	
Portfolios subject to standardised approach	4,153.15
Securitisation exposures	0.00
(b) Capital requirements for market risk	
Using standardised duration approach	
Interest rate risk	298.15
Foreign exchange risk (including gold)	20.00
Equity position risk	6.98
(c) Capital requirements for operational risk	
Measured using basic indicator approach	442.33
Total risk weighted assets	54,673.47
Capital adequacy ratio	**15.40%**
Core Tier I ratio	**13.90%**

Computed as per Basel II guidelines

4. Credit Risk

Total credit risk exposures as at 30 September 2012

Rs. in crore

Overall credit exposure	**Fund based**	**Non-fund based**	**Total**
Total gross credit exposures	57,529.88	11,225.03	68,754.90

Geographic distribution of exposures as at 30 September 2012

Rs. in crore

Exposures	Fund based	Non-fund based	Total
Domestic	57,529.88	11,225.03	68,754.90
Overseas	0	0	**0**
Total	57,529.88	11,225.03	68,754.90

Industry-wise distribution of exposures as of 30 September 2012

Rs. in crore

Industry	Total Credit O/S Funded
Mining and Quarrying	67.09
Food Processing	1,155.80
Beverages (excluding Tea & Coffee)	12.40
Textiles	396.93
Leather and Leather products	19.30
Wood and Wood Products	1.23
Paper and Paper Products	265.39
Petroleum (non-infra), Coal Products	785.36
Chemicals and Chemical Products	1,236.37
Rubber, Plastic and their Products	583.74
Glass & Glassware	108.49
Cement and Cement Products	226.97
Basic Metal and Metal Products	768.67
All Engineering	727.07
Vehicles, Vehicle Parts and Transport	1,708.19
Gems and Jewellery	164.42
Construction	2,692.16
Infrastructure	2,320.97
Other Industries	4,840.00
NBFC	988.26
Residuary Other Advances	26,775.72
Grand Total	**45,844.53**

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 2012

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	960.45	224.29	6,770.37	3,037.51	-	423.34
15 to 28 days	99.87	-	618.88	1,822.29	-	132.47
29 days to 3 months	358.73	-	3,051.64	5,359.73	-	155.03
Over 3 months & upto 6 months	319.76	-	2,069.13	3,810.65	-	77.07
Over 6 months & upto 1 year	307.99	-	2,755.20	5061.19	-	31.98
Over 1 year & upto 3 years	527.95	0.59	4,928.96	16,021.86	-	1.22
Over 3 year & upto 5 years	73.85	-	744.16	3,998.25	-	138.72
Over 5 years	81.58	-	1,234.62	6,331.34	444.84	918.81
Total	2,730.18	224.88	22,172.96	45,442.82	444.84	1,878.64

Amount of non-performing loans as at 30 September 2012 including NPAs acquired from other banks and NBFCs

Rs. in crore

Items	Amount
Substandard	405.73
Doubtful 1	166.96
Doubtful 2	112.51
Doubtful 3	51.94
Loss	2.74
Gross NPA - Total	**739.87**
Provisions	398.79
Net NPA	**341.07**
Gross NPA Ratio (%)	1.61
Net NPA Ratio (%)	0.75
Movement of NPAs	
Opening balance as at 1st April, 2012	614.19
Additions	324.09
Reductions	(198.41)
Closing balance as at 30 September, 2012	739.87

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

	Amount
Opening balance as at 1st April, 2012	376.81
Provisions made during the year	148.55
Write-off /write back of excess provisions	(126.57)
Closing balance as at 30 September 2012	398.79

Amount of non-performing loans as at 30th September 2012 excluding NPAs acquired from other banks and NBFCs

Rs. in crore

Items	**Amount**
Substandard	405.73
Doubtful 1	113.54
Doubtful 2	78.86
Doubtful 3	4.70
Loss	2.74
Gross NPA - Total	**605.56**
Provisions	275.53
Net NPA	**330.03**
Gross NPA Ratio (%)	1.33
Net NPA Ratio (%)	0.73
Movement of NPAs (gross)	
Opening balance as on 1st April, 2012	477.78
Additions	281.53
Reductions	(153.75)
Closing balance as on 30 September, 2012	605.56

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

	Amount
Opening balance as at 1st April, 2012	253.45
Provisions made during the year	104.02
Write-off / write back of excess provisions	(81.94)
Closing balance as at 30 September, 2012	275.53

Amount of Non-performing investments (NPI)

Rs. in crore

	Amount
Gross NPI as at 30 September, 2012	17.84
Amount of provisions held for NPI	(12.25)
Net NPI as at 30 September, 2012	5.59

Movement of provisions for depreciation on investments

Rs. in crore

	Amount
Opening balance as at 1st April, 2012	41.99
Write off /Write back of provisions during the year*	26.81
Provision During the Year	0.05
Closing balance as at 30 September, 2012	15.25

After considering movement in appreciation on investments

5. Credit risk – portfolios subject to the standardised approach

Credit exposures by risk weights

Rs. in crore

Exposure category	Fund based	Non-funded	Total
Below 100% risk weight	32,567.23	4,949.23	37,516.46
100% risk weight	18,999.21	5,642.17	24,641.38
More than 100% risk weight	5,963.44	633.62	6,597.06
TOTAL	**57,529.88**	**11,225.03**	**68,754.80**

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 2012 was Rs. 1,322.96crores.

7. Securitisation

a. Breakup of the total outstanding exposure securitised by exposure type as at 30th September, 2012:

Rs. in crore

Exposure type	Amount
Corporate Loans	NIL
Auto Loans (Car and commercial vehicles)	NIL
Personnel Loans	NIL
Total	**NIL**

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

Exposure type	Amount
Auto Loans (Car and commercial vehicles)	81.20
Total	**81.20**

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

Rs. in crore

Exposure type	Amount
Less than 100%	81.20
100%	0.00
More than 100%	0.00
Total	**81.20**

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

	For the half year ended September 30, 2012		For the half year ended September 30, 2011	
Exposure Type	**Total number of loan assets securitised**	**Amount**	**Total number of loan assets securitised**	**Amount**
Corporate Loans	NIL	NIL	NIL	NIL
Auto Loans (Car and commercial vehicles)	NIL	NIL	NIL	NIL
Personnel Loans	NIL	NIL	NIL	NIL
Total	**NIL**	**NIL**	**NIL**	**NIL**

(ii) Sale Consideration and gain/loss on sale of securitization Rs. in crore

Exposure Type	For the half year ended September 30, 2012	For the half year ended September 30, 2011
Sale consideration received for the securitized assets	NIL	NIL
Net gain/(loss) on account of securitization[(1)]	NIL	NIL

(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

Rs. in crore

Risk category	**Capital charge**
Interest rate risk	298.15
Equity position risk	6.98
Foreign exchange risk	20.00
Total capital required	**325.14**

9. Operational Risk Management (ORM)

The bank's operational risk capital charge using basic indicator approach is Rs. 442.33 crore as at 30 September 2012.

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

Economic Value of Equity (EVE) – Decline in Economic Value for an adverse rate shock of 100 bps as on September 30, 2012 is as follows:

Impact on MVE of 100 bps adverse parallel shift in yield curve	Rs. 197.26 crore
Impact as a percentage of Tier1	2.59%