

1. DF 2- Capital Adequacy

The Bank's operations are confined to three business areas viz. card operations (including prepaid cards), distribution of travellers' cheques and acceptance of institutional deposits. The Bank has put in place policies and procedures to address the various risks associated with these business segments. Independent committees manage relevant risk areas and define the requirement of the capital that the bank may have to maintain to cover these risks. The Bank has implemented an Internal Capital Adequacy Assessment Process to assess all the material risks associated with its business and to ensure that it meets the Bank's objective to maintain adequate capital of sufficient quality and quantity at all times to act as a safety net for the variety of risks the Bank is exposed to in its ordinary course of business and to meet all regulatory requirements. While the RBI prescribed regulatory Capital to Risk Weighted Asset Ratio (CRAR) sets the minimum floor, the Bank strives to keep its CRAR above the statutory requirement, with the buffer serving as a cushion to meet any unforeseen event.

As prescribed in the prudential guidelines issued by the Reserve Bank of India, for computing capital requirement, the Bank has adopted: (a) Standardised Approach (SA) for credit risk, (b) Standardised Duration Approach (SDA) for market risk, and (c) Basic Indicator Approach (BIA) for operational risk.

Quantitative Disclosure:

As at December 31, 2013

(Amount Rs.'000)

	RWA*	Min. Cap. Req.
Credit Risk		
- Portfolio subject to Standardised Approach	25,205,516	2,268,496
Market Risk		
- Interest Rate Risk	248,666	22,380
Operational Risk		
- Basic Indicator Approach	8,016,875	721,519
Total	33,471,057	3,012,395

* RWA = Risk Weighted Assets.

* Min. Cap. Req. = Minimum Capital Requirement at 9% of RWA.

Capital Adequacy Ratio	December 31, 2013
Tier I Ratio	13.62%
Total Capital Ratio	17.86%

2. DF 3 - Credit Risk : General Disclosures

Credit Risk is defined as the risk of loss to the Bank due to non-payment of amounts that are contractually owed to the Bank. The Bank's Management and the Board of Directors continuously monitor credit risk to ensure that prudent lending criteria are established and complied with so as to minimize the Bank's exposure to credit risk. The Bank's lending are only in relation to card issuance business and loans to staff.

It is the policy of the Bank to

- Extend Credit only on a safe, sound and collectible basis.

- Extend Credit in an economically sound fashion.
- Extend Credit only in compliance with applicable law and regulation and the policies of the Bank and in full consideration of applicable regulatory guidance.
- Document credit decisions.
- Adopt and use best-in-class risk management tools and practices.
- Require its vendors, including its affiliates, to act in accordance with the policies of the Bank when conducting business on the Bank’s behalf.

The Bank has established policies and procedures to control and manage the credit risk. These policies and procedures, in particular:

- Establish the governance structure through which credit risk will be identified, assessed, controlled, monitored and reported.
- Details the credit products and services that the Bank may offer.
- Specifies certain key metrics to be used in managing credit risk.
- Establishes the conditions under which exceptions to credit policy may occur.

Management can never eliminate the Bank’s credit risk. However, consistent application of the above practices will result in the credit risk being controlled to an acceptable level. Therefore Management and the Board of Directors continuously monitor credit risk to ensure that prudent lending criteria are established and complied with so as to minimize the Bank’s exposure to credit risk.

The Bank follows the RBI guidelines for asset classification. Accordingly, card receivables are treated as non-performing, if any amount is overdue for a period of more than 90 days.

The Bank also identifies all card accounts with delinquencies and writes off in the books of accounts, the outstanding card receivables, which are 180 days past due. In addition, accelerated write off is effected where it is evident that the outstanding is unlikely to be recovered.

Provision for Non Performing Assets and Standard Assets are made in compliance with the prudential norms prescribed by Reserve Bank of India. In addition to the above, the Bank also maintains a general provision to cover credit losses, which are inherent in any loan portfolio.

Quantitative Disclosure:

(a) Total Gross Credit Exposure by Industry and Geographic distribution of Exposure

As at December 31, 2013

(Amount Rs.’000)

	Fund Based	Non- fund Based	Total
Domestic			
Inter - Bank	1,209,518	-	1,209,518
Investments	-	-	-
Advances -			
- Card Receivables	18,897,711	-	18,897,711
- Others	1,234	-	1,234
Overseas	-	-	-
Total	20,108,463	-	20,108,463

(b) Residual maturity breakdown of total assets:

As at December 31, 2013

(Amount Rs.'000)

	Cash and Balances with RBI	Balances with Banks	Investments	Advances	Fixed Assets	Other Assets	Total
1 - 14 days	205,329	1,209,318	1,491,468	7,387,096	-	61,269	10,354,480
15 - 28 days	45,000	0	267,114	7,387,096	-	527,600	8,226,810
29 days - 3 months	75,503	0	431,484	2,713,279	-	431,577	3,651,843
3 months - 6 months	121,500	0	695,443	203,349	-	-	1,020,292
6 months - 1 year	105,309	0	1,206,346	575,739	-	-	1,887,394
1 year - 3 years	37,830	200	216,415	500,413	-	24,905	779,763
3 years - 5 years	225	0	1,290	98,054	-	-	99,569
Over 5 years	50,001	0	285,467	1,234	386,989	317,770	1,041,461
TOTAL	640,697	1,209,518	4,595,027	18,866,260	386,989	1,363,121	27,061,612

(c) Amount of NPAs (Gross) - Total:

As at December 31, 2013

(Amount Rs.'000)

Nonperforming asset category	
Sub standard	130,739
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-
Loss	-
Total	130,739

(d) Net NPAs

As at December 31, 2013

(Amount Rs.'000)

Nonperforming asset category	
Net NPAs (Sub standard)	98,054
Total	98,054

(e) NPA Ratios:

As at December 31, 2013

(Amount Rs.'000)

Gross NPA as a ratio to gross advances	0.69%
Net NPAs to net advances	0.52%

(f) Movement of NPAs Gross

As at December 31, 2013		(Amount Rs.'000)
Particulars	Movement of NPAs (Gross)	
Opening Balance (01-October-2013)	399,069	
Additions during the period	461,267	
Reductions during the period	729,597	
Closing Balance (31-December-2013)	130,739	

(g) Movement of Provisions for NPAs

As at December 31, 2013		(Amount Rs.'000)
Particulars	Movement of provisions for NPAs	
Opening balance (01-October-2013)	99,767	
Provisions made during the period	114,843	
Write-off	181,925	
Write-back of excess provisions	-	
Closing balance (31-December-2013)	32,685	

(h) Amount of Non-Performing Investments: NIL

(i) Amount of Provision held for Non-Performing Investments: NIL

(j) Movement of Provision held for depreciation on Investments: NIL

3. DF 4 - Credit Risk: Disclosures for Portfolios Subject to Standardised Approach.

The Bank lending business is confined to card lending through its card issuance business and loans to staff. In view of this limited lending activity, the Bank does not use any rating assigned by the eligible external credit rating agencies for measuring credit risk. The card receivables and loans to staff come under the Specified Category as per the RBI guidelines and attract the risk weight as prescribed therein. All exposures to scheduled banks have been reckoned at 20% as per the RBI guidelines, as the counterparty banks have capital adequacy ratio of 9% and above.

Quantitative Disclosure:

Amount of a bank's outstanding by risk weight are as follows:

As at December 31, 2013		(Amount Rs.'000)
Risk Weight Applied	Book Value of Asset	
Below 100 % risk weight	1,876,354	
100 % risk weight	1,537,314	
More than 100 % risk weight	18,766,972	
Deducted (in computation of Net Owned Funds)	318,630	