

**DISCLOSURES UNDER THE NEW CAPITAL ADEQUACY FRAMEWORK (BASEL II GUIDELINES)  
FOR THE HALF YEAR ENDED 30<sup>th</sup> SEPTEMBER 2008**

**I. SCOPE OF APPLICATION**

The Bank has investments in the equity capital of the three-wholly owned subsidiaries namely Axis Sales Limited, Axis Private Equity Limited and Axis Trustee Services Limited. The investment in these subsidiaries are deducted, 50% from Tier 1 Capital and 50% from Tier 2 Capital. The subsidiaries of the Bank are not required to maintain any regulatory capital.

The Bank does not have any interest in any insurance entity.

**II. CAPITAL STRUCTURE**

**Capital Funds**

		(Rs. in crores)
		<b>Amount</b>
<b>A</b>	<b>Tier 1 Capital</b>	<b>9,487.05</b>
	Of which	
	- Paid-up Share Capital	358.89
	- Reserves and surplus	9,177.16
	- Innovative Perpetual Debt Instruments	430.04
	- Amount deducted from Tier 1 capital	
	- Investments in subsidiaries	(13.00)
	- Deferred Tax Assets	(459.21)
	- Cash Collaterals against securitisation	(6.83)
<b>B</b>	<b>Tier 2 Capital (net of deductions) (B.1+B.2+B.3-B.4)</b>	<b>3,104.55</b>
	Of which	
B.1	Debt Capital Instruments eligible for inclusion as Upper Tier 2 capital	
	- Total amount outstanding	1,291.95
	- Of which amount raised during the current year	-
	- Amount eligible as capital funds	1,291.95
B.2	Subordinated debt eligible for inclusion in Lower Tier 2 capital	
	- Total amount outstanding	1,816.30
	- Of which amount raised during the current year	-
	- Amount eligible as capital funds	1,364.80
B.3	Other Tier 2 Capital - Provision for Standard Assets	467.63
B.4	Deductions from Tier 2 Capital	
	- Investments in subsidiaries	(13.00)
	- Cash Collaterals against securitisation	(6.83)
<b>C</b>	<b>Total Eligible Capital</b>	<b>12,591.60</b>

### III. CAPITAL ADEQUACY

A summary of the Bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on 30<sup>th</sup> September 2008 is presented below.

(Rs. in crores)

		<b>Amount</b>
A	Capital requirements (at 9%) for Credit Risk	
	- Portfolios subject to standardized approach	7,821.81
	- Securitisation exposures	-
B	Capital requirements (at 9%) for Market Risk	1,032.40
	- Standardized duration approach	
	- Interest rate risk	947.16
	- Foreign exchange risk (including gold)	13.50
	- Equity risk	71.74
C	Capital requirements (at 9%) for Operational risk	
	- Basic indicator approach	431.43
D	Capital Adequacy Ratio of the Bank (%)	12.20%
E	Tier 1 CRAR (%)	9.20%

### CREDIT RISK EXPOSURES

#### Total Gross Credit Risk Exposure Including Geographic Distribution of Exposure

(Rs. in crores)

	<b>Domestic</b>	<b>Overseas</b>	<b>Total</b>
Fund Based	104,705.14	7,118.42	111,823.56
Non Fund Based *	34,261.74	2,048.98	36,310.72
<b>Total</b>	<b>138,966.88</b>	<b>9,167.40</b>	<b>148,134.28</b>

\* Non-fund based exposures are guarantees given on behalf of constituents and acceptances and endorsements.

#### Distribution of credit risk exposure by industry sector (Industries break-up provided below is as prescribed by RBI for DSB IV Returns)

(Rs. in crores)

S. No.	Industry Classification	<b>Amount</b>	
		<b>Fund Based</b>	<b>Non Fund Based</b>
1	Coal	34.49	25.16
2	Mining	421.74	23.07
3	Iron and Steel	3,518.38	1,609.93
4	Other Metal and Metal Products	794.85	449.31
5	All Engineering	1,560.89	1,288.83
5.1	- Of which Electronics	174.49	24.98
6	Electricity (Power Generation & Distribution)	1,357.00	716.09
7	Cotton Textiles	2,276.64	308.57

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S. No.	Industry Classification	Amount	
		Fund Based	Non Fund Based
8	Jute Textiles	4.74	0.29
9	Other Textiles	755.54	287.90
10	Sugar	650.16	23.60
11	Tea	257.74	3.99
12	Food Processing	1,021.89	386.10
13	Vegetable Oil and Vanspati	527.29	1,538.89
14	Tobacco and Tobacco Products	328.74	4.81
15	Paper and Paper Products	407.76	40.78
16	Rubber and Rubber Products	173.33	25.47
17	Chemicals, Dyes, Paints etc.	2,720.76	1,955.59
17.1	- Of which Drugs & Pharmaceuticals	814.08	249.98
18	Cement	1,056.31	510.62
19	Leather and Leather Products	108.70	19.05
20	Gems and Jewellery	1,172.42	9,160.97
21	Construction	4,366.21	281.16
22	Petrochemicals and Petroleum Products	564.11	1,810.97
23	Automobiles including trucks	1,702.82	273.10
24	Computer Software	1,116.02	207.20
25	Infrastructure	6,863.69	5,677.18
25.1	- Of which Infrastructure construction Roads	823.07	362.73
25.2	- Of which Infrastructure construction Ports	831.47	852.96
25.3	- Of which Telecommunication	1,452.81	646.69
26	NBFCs & Trading	7,910.12	3,042.30
27	Other Industries	12,118.95	3,193.49
27.1	- Of which Banks	5,168.55	1,550.40
27.2	- Of which Entertainment Media	881.70	541.01
27.3	- Of which Logistics	723.72	137.25
28	Residual exposures to balance the total exposure	58,032.27	3,446.30
	<b>Total</b>	<b>111,823.56</b>	<b>36,310.72</b>

As on 30<sup>th</sup> September 2008 the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure:

S. No.	Industry classification	Percentage of the total gross credit exposure
1	Gems and Jewellery	7%
2	NBFCs and Trading	7%
3	Infrastructure	8%

### Residual Contractual Maturity breakdown of Assets

(Rs. in crores)

Maturity bucket	Cash, balances with RBI and other banks	Investments	Advances	Other assets including fixed assets
1 day	2,315.45	902.96	1,192.01	-
2 to 7 days	1,480.03	1,163.84	1,455.78	273.00
8 to 14 days	1,655.57	2,350.10	610.85	222.45
15 to 28 days	2,216.54	3,840.11	642.17	1,197.06
29 days to 3 months	3,274.18	6,628.86	3,811.91	-
3 to 6 months	680.31	2,665.06	3,290.37	-
6 to 12 months	1,307.05	5,720.41	5,707.94	-
1 to 3 years	2,182.79	5,024.33	10,084.68	-
3 to 5 years	74.44	2,550.03	9,242.25	-
Over 5 years	1,465.56	7,151.47	32,815.47	2,591.35
<b>Total</b>	<b>16,651.92</b>	<b>37,997.17</b>	<b>68,853.43</b>	<b>4,283.86</b>

### Movement of NPAs and Provision for NPAs

(Rs. in crores)

		Amount
A	Amount of NPAs (Gross)	710.20
	- Substandard	464.43
	- Doubtful 1	114.64
	- Doubtful 2	39.85
	- Doubtful 3	7.44
	- Loss	83.84
B	Net NPAs	336.68
C	NPA Ratios	
	- Gross NPAs to gross advances (%)	1.01%
	- Net NPAs to net advances (%)	0.49%
D	Movement of NPAs (Gross)	
	- Opening balance as on 1.4.2008	494.61
	- Additions	381.69
	- Reductions	166.10
	- Closing balance as on 30.9.2008	710.20
E	Movement of Provision for NPAs	
	- Opening balance as on 1.4.2008	246.32
	- Provision made in 2008-09	196.10
	- Write offs/ Utilization	68.90
	- Write back of excess provision	-
	- Closing balance as on 30.9.2008	373.52

**NPIs and movement of provision for depreciations on NPIs**

(Rs. in crores)

		<b>Amount</b>
A	Amount of Non-Performing Investments	8.96
B	Amount of provision held for non- performing investments	8.96
C	Movement of provision for depreciation on investments	
	- Opening balance as on 1.4.2008	92.20
	- Provision made in 2008-09	270.75
	- Write offs	-
	- Write back of excess provision	-
	- Closing balance as on 30.9.2008	362.95

**Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk-Weight:**

(Rs. in crores)

	<b>Amount</b>
Below 100% risk weight	88,395.52
100% risk weight	40,098.78
More than 100% risk weight	19,639.98
Deductions	
- Investments in subsidiaries	26.00

**V. CREDIT RISK MITIGATION**

Under the Standardised Approach, the total credit exposure covered by eligible financial collaterals after application of haircuts as on 30<sup>th</sup> September 2008 was Rs. 9,336 crores.

**VI. SECURITISATION**

The Bank has no retained exposure on securitisation transactions originated by it during the year. All transfers of assets under securitisation were effected on true sale basis. During the half year ended 30<sup>th</sup> September 2008, the Bank has securitised Rs. 4,924.59 crores as an originator.

**Details of exposure securitised by the Bank and subject to securitisation framework**

(Rs. in crores)

<b>S.No.</b>	<b>Type of Securitisation</b>	<b>Amount</b>
1.	Impaired/past due assets securitised	-
2.	Losses recognized by the Bank during the current period	-
	- Personal Loan portfolio	
	- Commercial Vehicle portfolio	

**Aggregate amount of securitisation exposures retained or purchased as on 30<sup>th</sup> September 2008 is given below**

(Rs. in crores)

S.No.	Type of Securitisation	Amount
1.	Retained	-
2.	Securities purchased	
	- Corporate Loans	388.82
	- Retail Auto Loans	250.20
	- Personal Loans	0.04
3.	Liquidity facility	-
4.	Credit enhancement (cash collateral)	13.66
5.	Other commitments	-

**Risk weight wise bucket details of the securitisation exposures on the basis of book value**

(Rs. in crores)

	Amount
Below 100% risk weight	639.06
100% risk weight	-
More than 100% risk weight	-
<b>Deductions</b>	
- Entirely from Tier I capital	-
- Credit enhancing I/Os deducted from Total Capital	-
- Credit enhancement (cash collateral)	13.66

**Comparative position of two half years of the portfolio securitised by the Bank is given below**

(Rs. in crores)

S.No.	Type of Securitisation	For the half year ended on 30.9.2008	For the half year ended on 30.9.2007
1.	Total number of loan assets securitised		
	- Corporate Loans	15	13
2.	Total book value of loan assets securitised		
	- Corporate Loans	4,924.59	1,840.00
3.	Sale consideration received for securitised assets	4,936.69	1,845.18
4.	Gain / loss on sale on account of securitisation	9.64	4.12
5.	Form and quantum (outstanding value) of service provided		
	- Credit enhancement	13.66	13.66
	- Outstanding servicing liability	-	-
	- Liquidity support	-	-

## VIII. MARKET RISK IN TRADING BOOK

### Capital Requirement for Market Risk

(Rs. in crores)

	<b>Amount of Capital Required</b>
- Interest rate risk	947.16
- Equity position risk	71.74
- Foreign exchange risk (including gold)	13.50

## X. INTEREST RATE RISK IN THE BANKING BOOK

Details of increase (decline) in earnings and economic value for upward and downward rate shocks are given below:

### Earnings Perspective

(Rs. in crores)

Country	Interest Rate Shock	
	0.50%	(-) 0.50%
India	(54.45)	54.45
Overseas	8.90	(8.90)
<b>Total</b>	<b>(45.55)</b>	<b>45.55</b>

### Economic Value Perspective

(Rs. in crores)

Country	Interest Rate Shock	
	0.50%	(-) 0.50%
India	(159.11)	161.28
Overseas	19.89	(20.70)
<b>Total</b>	<b>(139.22)</b>	<b>140.58</b>