## Pillar 3 Disclosures under Basel II ---- Half Year Ending – September 2009

### Disclosure under Basel II (Pillar 3) in terms of Revised Capital Adequacy Framework

## 1. SCOPE OF APPLICATION

**1.1.** Oriental Bank of Commerce is a Public Sector Bank having no subsidiary.

**1.2.** Oriental Bank of Commerce signed a Memorandum of Understanding with Canara Bank and HSBC Insurance (Asia Pacific) Holdings Ltd. in March 2007 for setting up Joint Venture in Life Insurance. The Joint Venture Company got registered with Registrar of Companies as Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd in September 2007. The Company has started its operation in June 2008.

The shareholding pattern of the Company is as given below.

- Canara Bank 51%
- HSBC 26%
- OBC 23%

1.3 Capitalization Details:

Total Authorized Capital of the company is Rs. 750 Crore out of which paid up capital is Rs.525 Crore (52.5 Crore shares of Rs.10 each) and Rs.125.00 Crore is the amount of premium paid by HSBC Insurance (Asia-Pacific) Holdings Ltd. The Company has collected total premium of Rs 282.84 Crore during first half of the financial year 2009-10, out of which Oriental Bank has collected as premium Rs 51.52 Crore. Gross Income of Oriental Bank from the Life Insurance Operation during the first half of the financial year 2009-10 is Rs 18.25 Crore.

## 2. CAPITAL STRUCTURE

### 2.1. Amount of Tier-1 capital (September 30, 2009)

Rupees in crore

| **Tier-1 capital elements Amount** | **Amount** |
|---|---|
| Paid-up share capital/common stock | 250.54 |
| Reserves | 6644.02 |
| Innovative Tier-1 capital instruments | 250.00 |
| **Gross Tier-1 capital** | 7144.56 |
| **Deductions:** | |
| Accumulated Losses | 0 |

| | |
|---|---|
| Deffered tax Assets | 0 |
| | |
| Net Tier I Capital | **7144.56** |

II – Pillar 3 Disclosures (Consolidated)

**2.2. Amount of Tier-2 capital (September 30, 2009)**

Rupees in crore

| **Tier-2 capital elements Amount** | |
|---|---|
| Provision for Standard Assets | 305.80 |
| Revaluation Reserves (Including Special Reserve) | 506.47 |
| Subordinate Bonds | 2000.00 |
| Net Tier II Capital | **2812.27** |

**2.3. Debt capital instruments eligible for inclusion in Tier-1 and Tier-2 capital**

| | Tier – I | Upper tier II | Lower Tier II |
|---|---|---|---|
| Total Amt. Outstanding | 250 | 1000 | 1000 |

**2.4. Total eligible capital**

Rupees in crore

| | **Amount** |
|---|---|
| Eligible Tier-1 capital | 7144.56 |
| Eligible Tier-2 capital | 2812.27 |
| Total eligible capital | 9956.83 |

## 3. CAPITAL ADEQUACY

CAPITAL PROJECTIONS- BASEL II (As per ICAAP) In Crore

| | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|
| Additional Capital Required to be maintained for CRAR of 12% | 320 | 1066 | 1391 |

**3.1. Capital requirements for various risk areas (September 30, 2009)**

Rupees in Crore

| **Risk area** | **Amount** |
|---|---|
| **Credit risk** | |
| Capital required | |
| • Portfolio subject to standardized approach | 6358.29 |
| • Securitisation exposure | Nil |
| **Market risk** | |
| Capital required | 360.17 |
| for interest rate risk | 201.91 |
| for foreign exchange (including gold) risk | 2.70 |

| | |
|---|---|
| for equity position risk | 155.56 |
| **Operational risk** | |
| Capital required | 362.03 |
| **Total capital requirement at 9%** | **7080.49** |
| **Total capital funds of the Bank** | **9956.83** |
| **Total risk weighted assets** | **78672.04** |
| **Capital adequacy ratio** | **12.66%** |

**Capital adequacy ratio as on 30 September 2009**

| **Capital Ratios** | |
|---|---|
| **Tier –I Capital ratio** | **9.08%** |
| **Tier –II Capital ratio** | **3.58%** |
| **Total Capital ratio** | **12.66%** |

## 4. Credit Risk

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### 4.1. Total credit risk exposures (September 30, 2009)

Rupees in crore

| **Category Credit exposure** | |
|---|---|
| Fund-based facilities | **76527.69** |
| Non-fund based facilities | **17422.65** |
| **Total** | **93950.35** |

### 4.2. Geographic distribution of exposures (March 31, 2008)

Rupees in crore

| | **Fund-based** | **Non-fund based** |
|---|---|---|
| **Domestic** | 76527.69 | 17422.65 |
| **Overseas** | Nil | Nil |
| **Total** | 76527.69 | 17422.65 |

### 4.3. (Industry-wise distribution of exposures (30th September, 2009)

| **As on 30-09-2009** | | | In Crore |
|---|---|---|---|
| **S.No.** | | **Fund based** | Non-fund based |
| 1 | Coal | 19.37 | 6.00 |
| 2 | Mining | 30.22 | |
| 3 | Iron & Steel | 4105.64 | 1233.64 |
| 4 | Other metl and metal Products | 704.52 | 447.20 |
| 5 | All Engineering | 1383.74 | 1053.25 |

| | | | |
|---|---|---|---|
| 5.1 | Of which electronics | 340.66 | 166.13 |
| 5.2 | Others | 1043.08 | 887.12 |
| 6 | Electricity | 597.82 | 0.00 |
| 7 | Cotton Textile | 1981.50 | 0.00 |
| 8 | Jute Textile | 33.85 | 0.44 |
| 9 | other Textile | 1558.98 | 137.92 |
| 10 | sugar | 424.16 | 40.45 |
| 11 | Tea | 3.55 | 0.15 |
| 12 | food Processing | 1383.45 | 68.67 |
| 13 | Vegetables oil and Vanaspati | 127.41 | 116.81 |
| 14 | Tobacco and Tobacco products | 2.39 | 27.81 |
| 15 | Paper and paper products | 928.82 | 174.95 |
| 16 | Rubber and rubber products | 468.24 | 110.10 |
| 17 | Chemicals, Dyes, paints etc | 711.67 | 189.94 |
| 17.1 | Of which Fertilizers | 18.90 | 6.20 |
| 17.2 | of which Petro chemicals | 74.27 | 41.95 |
| 17.3 | Of which Drugs and pharmaceuticals | 313.34 | 24.66 |
| 17.4 | Others | 305.16 | 117.03 |
| 18 | Cement | 783.15 | 90.40 |
| 19 | Lathear and Leather Products | 78.32 | 0.33 |
| 20 | Gems and jewellery | 371.04 | 758.16 |
| 21 | Constructions | 119.75 | 103.54 |
| 22 | Petroleum, coal products and Nuclear fuels | 1467.00 | 424.74 |
| 23 | Vehicle, vehicle parts and transport equipments | 295.90 | 31.77 |
| 24 | computer Software | 25.02 | 0.00 |
| 25 | Infrastructure | 16220.59 | 2429.55 |

| | | | |
|---|---|---|---|
| 25.1 | Of which Power | 7620.35 | 1051.03 |
| 25.2 | Of which Telecommunication | 1792.18 | 311.26 |
| 25.3 | Of whilch Roads and transportation | 1786.21 | 228.32 |
| 25.4 | Others | 5021.85 | 838.94 |
| 26 | NBFCs | 3565.64 | 0.00 |
| 27 | Trading | 3452.29 | 0.00 |
| 28 | Other Industries | 4534.07 | 633.27 |
| 29 | Residuary other Advances | 31149.59 | 9343.56 |
| | **Grand Total** | **76527.69** | **17422.65** |

**4.4. Residual contractual maturity break-down of assets**

The maturity pattern of assets as on 30th September, 2009 is detailed in the table below.

Rupees in crore

| Maturity Buckets | Advances (Gross) | Investments (Gross) | Foreign currency assets* |
|---|---|---|---|
| Next day | 9930.51 | 326.88 | 35.57 |
| 2 – 7 days | 858.71 | 0.00 | 2.96 |
| 8 -14 days | 1046.45 | 92.27 | 24.36 |
| 15-28 days | 3187.18 | 0.00 | 52.7 |
| 29 days-3 months | 6156.43 | 26.58 | 171.34 |
| >3 months – 6months | 6253.24 | 171.59 | 301.46 |
| >6months-1 Yr | 10443.41 | 924.75 | 31.93 |
| >1 Yr-3Yrs | 15621.32 | 2446.04 | 2.17 |
| >3Yr-5Yrs | 9229.10 | 5014.03 | 0 |
| >5Yrs | 13801.34 | 23273.27 | 227.3 |
| **Total** | **76527.69** | **32275.41** | **849.79** |

**4.5. Amount of non-performing loans (NPL) (September 30, 2009)**

Rupees in crore

| NPA Classification | Gross NPA | Net NPA |
|---|---|---|
| Sub- standard | 421.28 | 374.24 |

| | | |
|---|---|---|
| Doubtful | 697.83 | 240.08 |
| Doubtful-1 | 298.12 | 148.98 |
| Doubtful-2 | 215.69 | 91.10 |
| Doubtful-3 | 184.02 | 0.00 |
| Loss | 59.70 | 0.00 |
| total | 1178.81 | 614.32* |
| NPA ratios | 1.54% | 0.66% |

* The net NPA works out Rs 499.23 crore after netting of DICGC/ECGC and floating provision of Rs 115.09 crore

1. Gross NPL ratio is computed as a ratio of Gross NPLs to Gross Advances.
2. Net NPL ratio is computed as a ratio of Net NPLs to Net Advances.

**4.6. Movement of NPA**

| | Gross | Net |
|---|---|---|
| Opening Balance as on 01.04.09 | 1058.12 | 442.43 |
| Addition during the year | 344.24 | 56.80 |
| Deduction during the year | 223.55 | - |
| Closing balance | 1178.81 | 499.23 |

**4.7. Movement of provisions for NPA**

| | Amount |
|---|---|
| Opening Balance as on 01.04.09 | 637.81 |
| Provision made during the year | 137.85 |
| Write-Off during the year | 96.08 |
| Write back of excess provision | - |
| Closing balance | 679.58* |

- Including floating provision of Rs 72 crore.

**4.8. Amount of non-performing investments (NPI) in securities, other than government and other approved securities**

| | Amount |
|---|---|
| Gross NPI | 88.93 |
| Total provision held | 88.93 |
| Net NPI | Nil |

**4.9. Movement of provision for depreciation on investment**

| | Amount |
|---|---|
| Opening balance as on 01.04.09 | 169.44 |
| Provision made | 0 |
| Write Off/ Write back of excess provision | 138.28 |
| Closing balance | 31.16 |

**5. CREDIT RISK: PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH**

Rupees in crore

| **Exposure Category** | **Amount outstanding** |
|---|---|

| | |
|---|---|
| Less than 100% risk weight | 66462.48 |
| 100% risk weight | 60987.17 |
| More than 100% risk weight | 12377.84 |
| **Total** | **139827.49** |

1. Includes credit exposures and excludes investment & derivative exposures covered in market risk.
2. Includes all entities considered for Basel II capital adequacy computation.

## 6. CREDIT RISK MITIGATION

| Eligible Financial Collateral | Amount Rs. Cr. | Risk Concentration % |
|---|---|---|
| Bank's own Term Deposits, NSCs, KVPs, LICs, and Govt Securities | 5060.38 | 100% |

## 7. SECURITISATION : Disclosure for standardized Approach

Bank does not have any Securitisation Exposure.

## 8. MARKET RISK IN TRADING BOOK

### 8.1. Quantitative disclosures

| The capital requirements for: | Amount in Rs cr. |
|---|---|
| • interest rate risk: | 201.91 |
| • equity position risk: and | 155.56 |
| • foreign exchange risk: | 2.70 |
| Total Capital for market risk | 360.17 |

## 9. Operational risk

### 9.1. Quantitative Disclosure:

Capital requirement for operational risk under **Basic Indicator Approach** is Rs.**362.03** Crore.

## 10. Interest rate risk in the banking book (IRRBB)

### 10.1. Quantitative Disclosures

The increase (decline) in earnings and economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB,

**INTEREST RATE IN BANKING BOOK**

| | | **Total(Rs in cr)** |
|---|---|---|
| 1. Earnings At Risk (NII) | At 0.50% for 1 year | **36.88** |
| 2. Economic Value of Equity at Risk | 200 basis point shock | **1640.90** |
| | Drop in equity value in %age terms | **23.80** |