Basel III Pillar 3 Disclosures (30.06.2019)

Table DF-2: Capital Adequacy

(i) Qualitative Disclosures

(a). The Bank has put in place a robust Risk Management Architecture with due focus on Capital optimization and on profit maximization, i.e. to do maximum business out of the available capital which in turn maximize profit or return on equity. Bank is benchmarking on globally accepted sound risk management system, conforming to Basel III framework, enabling a more efficient equitable and prudent allocation of resources.

In Capital Planning process the bank reviews:

- Current capital requirement of the Bank
- The targeted and sustainable capital in terms of business strategy and risk appetite.

Capital needs are monitored periodically by the Risk Management Committee comprising Top Executives. Capital requirement is projected annually considering the expected growth in advances, investments etc.

Bank maintains capital to cushion the risk of loss in value of exposure, businesses etc. so as to protect the depositors and general creditors against losses. Bank has a well defined Internal Capital Adequacy Assessment Policy (ICAAP) to comprehensively evaluate and document all risks.

In line with the guidelines of the Reserve Bank of India, the Bank has adopted Standardised Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Standardized Duration Approach for Market Risk for computing CRAR.

The capital requirement is affected by the economic environment, the regulatory requirement and by the risk arising from bank's activities. The purpose of capital planning of the bank is to ensure the adequacy of capital at the times of changing economic conditions, even at times of economic recession. In capital planning process the bank reviews:

- Current capital requirement of the bank.
- The targeted and sustainable capital in terms of business strategy and risk appetite.
- The future capital planning is done on a three-year outlook.

(ii) Quantitative Disclosures

S. No.	Items	Amount (Rs. in Crores)
		30.06.2019
(b)	**Capital requirements for Credit Risk**	
	• Portfolios subject to Standardized Approach	398.12
	• Securitization Exposures	----
(c)	**Capital requirements for Market Risk**	
	• Standardized Duration Approach	25.12
	• Interest Rate Risk	22.47
	• Foreign Exchange Risk (including	----

	Gold)	
	• Equity Risk	2.65
(d)	**Capital requirements for Operational Risk**	
	• Basic Indicator Approach	49.49
(e)	**Common Equity Tier 1, tier 1 and Total Capital ratios:**	
	• Group CRAR	
	• CET 1 Ratio	----
	• Tier 1 Ratio	----
	• Tier 2 Ratio	----
	• CRAR	----
	• Stand alone CRAR	
	• CET 1 Ratio	14.48%
	• Tier 1 Ratio	14.48%
	• Tier 2 Ratio	0.46%
	• CRAR	14.94%

Table DF-3: Credit Risk

(i) Qualitative Disclosures

a. The policy of the bank for classifying bank's loan assets is as under:

NON PERFORMING ASSETS (NPA): A non performing asset (NPA) is a loan or an advance where;

- interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- the account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC),
- the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- the installment of principal or interest thereon remains overdue for one crop season for long duration crops.

An OD/CC account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as 'out of order' .
An amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

Non Performing Assets of the Bank are further classified in to three categories as under:

Sub standard Assets

A sub standard asset would be one, which has remained NPA for a period less than or equal to 12 months. All the recovery measures are relevant in substandard assets also. If the entire overdues are recovered by way of cash recovery, the account can be upgraded to standard category immediately. Similarly, if an account is classified as NPA due to technical reasons, the account shall be upgraded on clearance of technical reasons.

Doubtful Assets

An asset would be classified as doubtful if it remained in the sub standard category for 12 months. Substandard and Doubtful accounts which are subjected to restructuring/rescheduling, can be upgraded to standard category only after a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

Loss Assets

A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection. In Loss assets, realizable value of security available is not more than 10% of balance outstanding/ dues. Since security back up will not be available, the restructuring/ rehabilitation, if required, is considered with utmost care.

Strategies and Processes:

The bank has a well defined Loan Policy & Investment Policy covering the important areas of credit risk management as under:

- Exposure ceilings to different sectors of the economy, different types of borrowers and their group and industry
- Fair Practice Code in dispensation of credit.
- Discretionary Lending Powers for different levels of authority of the bank.
- Processes involved in dispensation of credit – pre sanction inspection, rejection, appraisal, sanction, documentation, monitoring, and recovery.
- Fixation of pricing.

The Credit Risk philosophy, architecture and systems of the bank are as under:

Credit Risk Philosophy:

- To Optimise the Credit and return envisaged in order that the Economic Value Addition to Shareholders is maximized and the interests of all the Stakeholders are protected alongside ensuring corporate growth and prosperity with safety of bank's resources.
- To regulate and streamline the financial resources of the bank in an orderly manner to enable the various channels to incline and achieve the common goal and objectives of the Bank.
- To comply with the national priorities in the matter of deployment of institutional finance to facilitate achieving planned growth in various productive sectors of the economy.
- To instill a sense of credit culture enterprise-wide and to assist the operating staff.
- To provide need-based and timely availability of credit to various borrower segments.
- To strengthen the credit management skills namely pre-sanction, post-sanction monitoring, supervision and follow-up measures so as to promote a healthy credit culture and maintain quality credit portfolio in the bank.
- To deal with credit proposals more effectively with quality assessment, speed and in full compliance with extant guidelines.

- To comply with various regulatory requirements, more particularly on Exposure norms, Priority Sector norms, Income Recognition and Asset Classification guidelines, Capital Adequacy, Credit Risk Management guidelines etc. of RBI/other Authorities.

Architecture and Systems of the Bank:

- A Sub-Committee of Directors has been constituted by the Board to specifically oversee and co-ordinate Risk Management functions in the bank.
- Credit Policy Committee has been set up to formulate and implement various credit risk strategy including lending policies and to monitor Bank's Risk Management function on a regular basis.
- The CRMC(Credit Risk Management Committee) is responsible for measuring, controlling and managing the credit risk on a bank-wide basis and to ensure compliance to functioning within the prudential limits set by the Board.
- Formulating of policies on standards for credit proposals, financial covenants, rating standards and benchmarks.
- Credit Department deal with identification, measurement, monitoring and controlling credit risk within the prescribed limits.
- Credit Risk Management department does the portfolio analysis on quarterly basis as per the defined methods under credit risk policy.
- Enforcement and compliance of the risk parameters and prudential limits set by the Board/regulator etc.,
- Laying down risk assessment systems, developing MIS, and monitoring quality of loan portfolio, identification of problems, correction of deficiencies.
- Improving credit delivery system upon full compliance of laid down norms and guidelines.

The Scope and Nature of Risk Reporting and/or Measurement System:

The Bank has in place a robust credit risk rating system for its credit exposures. An effective way to mitigate credit risks is to identify potential risks in a particular asset, maintain a healthy asset quality and at the same time impart flexibility in pricing assets to meet the required risk-return parameters as per the bank's overall strategy and credit policy.However Bank has a separate Credit Risk Policy where portfolio credit risk is analysed on quarterly interval on the basis defined methods.

(ii) Quantitative Disclosures

(b) Total Gross Credit Risk Exposure

	Amount (Rs. in Crores)
Particulars	**30.06.2019**
Fund Based Exposures	3769.83
Non-fund Based Exposures	128.30
Total Gross Credit Exposures	**3898.13**

(c) Geographic Distribution of Exposures:

Exposures	Amount (Rs. in Crores)	
	Fund Based Exposures	Non-fund Based Exposures
Domestic operations	3769.83	128.30
Overseas operations	----	----
Total	**3769.83**	**128.30**

(d) Industry Type Distribution of Exposures

(Rs. in Crores)

S.No.	Industry	Fund Based (O/s)	Non Fund Based (O/s)	Total
A	Minning and Quarrying	46.98	0.21	47.19
A.1	Coal			0.00
A.2	Other	46.98	0.21	47.19
B	Food Processing	71.32	3.70	75.02
B.1	Sugar	9.89	2.48	12.37
B.2	Edible Oils and Vanaspati	27.08	0.00	27.08
B.3	Tea	0.51	0.00	0.51
B.4	Coffee		0.00	0.00
B.5	Others	33.83	1.22	35.05
C	Beverages		0.00	0.00
C.1	Tobacco and Tobacco Products		0.00	0.00
C.2	Others		0.00	0.00
D	Textiles	68.13	2.62	70.75
D.1	Cotton Textile	2.05	0.07	2.12
D.2	Jute Textile		0.00	0.00
D.3	Handicraft/Khadi	53.64	1.95	55.59
D.4	Silk		0.00	0.00
D.5	Woollen		0.00	0.00
D.6	Others	12.44	0.60	13.04
	Out of D to Spinning Mills		0.00	0.00
E	Leather and Leather Products	0.85	0.14	0.99
F	Wood and Wood Products	3.56	0.00	3.56
G	Paper and Paper Products	32.39	0.04	32.42
H	Petroleum	41.61	0.00	41.61
I	Chemicals and Chemical Products	24.73	0.11	24.84
I.1	Fertilizers	0.51	0.00	0.51
I.2	Drugs and Pharmaceuticals	16.34	0.00	16.34
I.3	Petro-Chemicals		0.00	0.00
I.4	Other	7.89	0.11	8.00
J	Rubber Plastic and their Products	62.07	0.00	62.07

K	Glass and Glassware	8.75	0.00	8.75
L	Cement and Cement Products	4.47	0.32	4.78
M	Basic Metal and Metal Products	41.25	0.11	41.36
M.1	Iron and Steel	34.78	0.10	34.88
M.2	Other Metal and Metal Products	6.47	0.01	6.48
N	All Engineering	98.26	9.09	107.36
N.1	Electronics	0.64	0.00	0.64
N.2	Other Engg	97.63	9.09	106.72
O	Vehicle, vehicle parts and Transport Equipments	58.43	0.01	58.43
P	Gems and Jewellery	0.00	0.00	0.00
Q	Construction	21.23	8.81	30.05
R	Infrastructure	111.58	4.65	116.23
R.1	Transport	90.66	1.25	91.91
R.1.1	Railways		0.00	0.00
R.1.2	Roadways	15.75	0.67	16.42
R.1.3	Aviation		0.00	0.00
R.1.4	Waterways		0.00	0.00
R.1.5	Others Transport	74.91	0.58	75.49
R.2	Energy	0.00	0.00	0.00
R.2.1	Electricity gen-trans-distribution		0.00	0.00
R.2.1.1	Of which state electricity board		0.00	0.00
R.2.2	Oil		0.00	0.00
R.2.3	Gas/LNG(Storage and Pipeline)		0.00	0.00
R.2.4	Other		0.00	0.00
R.3	Telecommunication		0.00	0.00
R.4	Others	20.92	3.40	24.32
R.4.1	Water Sanitation		0.00	0.00
R.4.2	Social and Commercial Infrastructure	5.73	3.40	9.13
R.4.3	Others	15.19	0.00	15.19
S	Other Industries	94.86	5.94	100.80
	ALL INDUSTRIES(Total)	790.46	35.74	826.20
T	**Residuary other advances (not included above)**	2979.37	92.55	3071.92
T.1	**Education Loan**	16.69	0.00	16.69
T.2	**Aviation Sector**		0.00	0.00
T.3	**Other Residuary Advances**	2962.69	92.55	3055.24
	Total Loan & Advances	**3769.83**	**128.30**	**3898.13**

Credit Exposure of industries where outstanding exposure is more than 5% of the Total Gross Credit Exposure of the Bank is as follows:

S.No.	Industry	Total Exposure (in Crores)	% of Total Gross Credit Exposure
1	Nil	Nil	Nil

(e) Residual maturity breakdown of assets

(Rs. in Crores)

	Cash & Balances with RBI	Balances with other Banks & Money at call & short notice	Investm ents	Advances	Fixed Assets	Other Assets	Total
1D	28.07	105.74	10.00	107.59	0.00	55.83	**307.23**
2-7D	10.99	75.00	24.58	115.02	0.00	6.08	**231.67**
8-14D	7.13	71.00	57.87	120.93	0.00	0.86	**257.79**
15-30D	6.98	50.00	113.39	259.80	0.00	1.35	**431.52**
31–2M	12.31	159.00	198.99	134.50	0.00	20.68	**525.48**
2M-3M	28.50	62.00	171.45	127.85	0.00	20.68	**410.48**
3-6M	29.62	576.02	62.05	49.46	0.00	91.13	**808.28**
6-12M	90.63	1613.00	36.07	96.61	0.00	1.52	**1837.83**
1-3Y	87.23	0.079	95.70	1830.52	0.00	0.66	**2014.19**
3-5Y	2.36	0.00	104.99	392.32	0.00	8.47	**508.14**
Over 5 Y	0.83	0.00	662.18	408.21	33.29	9.05	**1113.56**
TOTAL	**304.65**	**2711.84**	**1537.27**	**3642.81**	**33.29**	**216.31**	**8446.17**

S.No.	Asset Category	Amount (Rs. in Crores)
f)	**NPAs (Gross):**	389.01
	Substandard	242.65
	Doubtful 1	32.99
	Doubtful 2	69.96
	Doubtful 3	27.07
	Loss	16.35
g)	**Net NPAs**	200.97
h)	**NPA Ratios**	
	Gross NPAs to gross advances (%)	10.32%
	Net NPAs to net advances (%)	5.61%
i)	**Movement of NPA(Gross)**	
	Opening balance (01.04.2019)	388.22
	Additions	18.79
	Reductions	18.01
	Closing balance	389.01
j)	**Movement of provisions for NPAs**	
	Opening balance	114.98

	Provisions made during the period	5.06
	Write offs	2.96
	Write back of excess provisions	-
	Any other adjustments, including transfers between provisions*	-
	Closing balance	117.08
Write-offs that have been booked directly to the income statement		0.00
Recoveries that have been booked directly to the income statement		0.11
k)	**Amount of Non-Performing Investments**	0.00
l)	**Amount of provisions held for non-performing investment**	0.00
m)	**Movement of provisions for depreciation on investments**	
	Opening balance	10.97
	Provisions made during the period	-1.93
	Write-off	0.00
	Write back of excess provisions	4.07
	Closing balance	4.97

n)	**By major industry or counter type**		
		Amount of NPAs	**Provision**
	Top 5 Industries	154.12	31.27
o)	**Geographic-wise breakup**	**Gross NPA**	**Provision**
	Domestic	389.01	115.77

Table DF-4: Credit Risk Disclosures for portfolios subject to Standardised Approach

(i) Qualitative Disclosures

(a) For portfolios under the Standardised Approach:

The Bank has recognized following credit rating agencies for the purpose of rating of an exposure & assigning risk weights for computation of capital charge under standardized approach.

Domestic credit rating agencies:

- Credit Analysis & Research Limited (CARE),
- CRISIL Limited,
- ICRA Limited,
- India Ratings (Formerly FITCH India)
- Brickwork
- SMERA

Types of exposure for which each agency is used:

All the above agencies are recognized for rating all types of exposures.

A description of the process used to transfer public issue ratings onto comparable assets in the banking books:

- Bank has used short term ratings for assets with maturity up to one year and long term ratings for assets maturing after one year as accorded by the approved external credit rating agencies.
- Bank has not used one rating of a CRA (Credit Rating Agency) for one exposure and another CRA's rating for another exposure on the same counterparty unless only one rating is available for given exposure.

- Amount above Rs. 50 Crores are subject to external rating.
- Bank has used only solicited rating from the recognized CRAs.

(ii) Quantitative Disclosures

(b) Amount of the Bank's Exposures- Gross Advances (Rated & Unrated) in Major Risk Buckets -under Standardized Approach, after factoring Risk Mitigants (i.e. Collaterals):

The amount of exposure including non-fund based after risk mitigation subject to Standardized Approach (rated and unrated) in the following three major risk buckets are as under:

S.No.	Particulars	Amount(Rs. in Crores)	
		Fund Based	Non –Fund Based
		30.06.2019	30.06.2019
1	Below 100% risk weight	1577.59	0.00
2	100 % risk weight	1138.73	94.93
3	More than 100 % risk weight	415.19	0.00
4	Total CRM Deducted	638.31	48.73
5	Total Exposure	**3769.82**	**143.66**

Leverage Ratio

The Basel III leverage ratio is defined as the capital measure (Tier-1 capital of the risk based capital framework) divided by the exposure measure, with this ratio expressed as a percentage. As per RBI guidelines, the Basel III leverage for the Bank is as follows.

Amount (in Crores)

	30.09.2018	31.12.2018	31.03.2019	30.06.2019
Capital Measure	607.44	607.44	629.95	629.55
Exposure Measure	8487.06	8365.39	8459.25	8748.76
Leverage Ratio	7.16%	7.26%	7.44%	7.20%