

## **BASEL II DISCLOSURES – YEAR ENDED 31<sup>ST</sup> MARCH 2019**

**Table DF 1 – SCOPE OF APPLICATION**

<b><u>Qualitative Disclosures</u></b> (a) The name of the top bank in the group to which the Framework applies.	The Bank does not belong to any group
(b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (i) that are fully consolidated; (ii) that are pro-rata consolidated; (iii) that are given a deduction treatment; and (iv) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	Not Applicable
<b><u>Quantitative Disclosures</u></b> (c) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e. that are deducted and the name(s) of such subsidiaries.	Not Applicable
(d) The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction.	Not Applicable

**Table DF 2 – CAPITAL STRUCTURE**

### **Qualitative disclosures**

#### **TERMS & CONDITIONS OF LOWER TIER II CAPITAL:**

The Bank has issued Lower Tier II Bonds by way of Subordinated Debts in the form of Promissory Notes / Debentures at Coupon payable annually / semi-annually. These bonds have been issued after getting them duly rated by the Domestic Rating Agencies. All the outstanding bonds are listed at the National Stock Exchange Ltd., Mumbai. The other important features of these bonds are:

- The Bonds have a tenor ranging from 118 months to 127 months from date of the issue.
- The instruments are fully paid up, unsecured and subordinated to the claims of other creditors, free of restrictive clauses and not redeemable at the initiative of the holder or without the consent of the RBI.
- The instruments are subjected to progressive discounting @ 20 % per year over the last five years of their tenor. Such discounted amounts are not included in Tier II Capital for Capital Adequacy purposes.

The claims of the investors in these instruments shall rank superior to the claims of investors in instruments eligible for inclusion in Tier I Capital and subordinate to the claims of all other creditors.

Subordinated debt instruments shall be limited to 50% of Tier I Capital of the Bank and these instruments, together with other components of Tier II Capital shall not exceed 100% of Tier I Capital.

The Bank has issued Basel III compliant Additional tier I Bonds amounting to Rs. 1000.00 Cr on 08.05.2017.

<b>Amt. - Rs/ Crores</b>	
(a) The amount of Tier 1 capital, with separate disclosure of	Amount
- Paid-up share capital;	564.91
- Reserves;	4186.81
- Innovative instruments;	1000.00
- Other capital instruments;	0.00
- SUB-TOTAL	<b>5751.72</b>
- LESS: amounts deducted from Tier 1 capital, including goodwill & investments.	1119.33
<b>TOTAL TIER I CAPITAL</b>	<b>4632.39</b>
(b) The total amount of Tier 2 capital (net of deductions from Tier 2 capital)	1368.09
(c) Debt capital instruments eligible for inclusion in Upper Tier 2 capital.	NIL
- Total amount outstanding.	NA
- Of which amount raised during the current year	NA
- Amount eligible to be reckoned as capital funds	NA
(d) Subordinated debt eligible for inclusion in Lower Tier 2 capital	
- Total amount outstanding	1575
- Of which amount raised during the current year.	-
- Amount eligible to be reckoned as capital funds	660
(e) Other deductions from capital, if any.	NIL
(g) Total eligible capital.	<b>6000.49</b>

### **Table DF 3 - CAPITAL ADEQUACY**

#### **Qualitative disclosures**

Bank is already geared up to adopt global best practices while implementing risk management stipulations that are in conformity with the Basel II and Basel III framework.

Comprehensive risk management architecture is in place to address various issues concerning Basel II and Basel III. A quarterly review is carried out to assess the capital need of the Bank, keeping in view the anticipated growth in Risk Weighted Assets, Market Risk and Operational Risk.

Bank maintains capital as a cushion towards the risk of loss in value of exposure, businesses, etc., to protect the interest of stake holders, more particularly, depositors.

Bank has system in place for assessing the capital requirements based on current and future business activities and monitoring the same on an ongoing basis. The bank considers that capital availability is the central theme in the whole process and its computation is relatable to policy, strategy, business level/composition, and Supervisory concern and Disclosure issues. Towards this, bank has evolved a well laid down Internal Capital Adequacy Assessment Process (ICAAP) framework and carries out capital



calculation under Pillar-2 of Basel II and also of Basel-III at periodical intervals besides Pillar 1 Capital calculation. The bank has formulated Stress Testing policy to measure impact of adverse stress scenarios on the adequacy of capital at periodical intervals.

In line with RBI guidelines, the bank has adopted following approaches for implementation of New Capital Adequacy Framework – Basel II.

- Standardised Approach for credit risk
- Basic Indicator Approach for operational risk
- Standardised Duration Approach for market risk

Though the bank has implemented the Standardized Approach of credit risk, yet the bank shall continue its journey towards adopting Internal Rating Based Approaches.

### **Quantitative Disclosures**

#### **Capital requirements for credit risk:**

	<b>Amt. - Rs/ Crores</b>
- Portfolios subject to standardised approach @ 9%	4152.20
- Securitisation exposures	Nil

#### **Capital requirements for market risk: Standardised duration approach**

<b>Capital requirements for Market Risk</b>	<b>Amt. - Rs/ Crores</b>
- Interest rate risk	532.30
- Foreign exchange risk (including gold)	2.00
- Equity risk	58.29

#### **Capital requirements for operational risk:**

	<b>Amt. - Rs/ Crores</b>
Basic indicator approach	399.20

#### **Total and Tier 1 capital ratio for the Bank:**

Total Capital to Risk Weighted Assets Ratio as per Basel II	10.71%
Tier I Capital to Risk Weighted Assets Ratio as per Basel II	8.27%

## **Table DF 4 - CREDIT RISK : GENERAL DISCLOSURES**

### **Qualitative Disclosures**

#### **A. DEFINITIONS OF PAST DUE AND IMPAIRED (applicable for annual closing 2018-19) :**

The Bank follows the basic prudential guidelines issued by the RBI on classification of Non-Performing Asset (NPA) as under :

- a) Interest and / or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- b) The account remains 'out of order' if the outstanding balance remains continuously in excess of sanctioned limit / DP for more than 90 days and / or 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, in respect of Overdraft/Cash Credit (OD/CC).
- c) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- d) The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
- e) The installment of principal or interest thereon remains overdue for one crop season for long duration crops.
- f) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization dated May 7, 2012.
- g) In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remains unpaid for a period of 90 days from the specified due date for repayment.

**Out of Order means :** An account should be 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 should be treated as 'out of order'.

**'Overdue'** mean any amount due to the Bank under any credit facility, if it is not paid on the due date fixed by the Bank.

In addition to above, an account may also be classified as NPA in terms of the following:

Account with temporary deficiencies/irregularities (Refer RBI MC point 4.2.4)

Where the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter, the account is classified as Non-performing asset and ceases to generate income for the bank.

The classification of an asset as NPA should be based on the record of recovery. Bank should not classify an advance account as NPA merely due to the existence of some deficiencies which are temporary in nature such as non-availability of adequate drawing power based on the latest available stock statement, balance outstanding exceeding the limit temporarily, non-submission of stock statements and non-renewal



of the limits on the due date, etc. In the matter of classification of accounts with such deficiencies banks may follow the following guidelines:

i) Banks should ensure that drawings in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress. Drawing power is required to be arrived at based on the stock statement which is current. However, considering the difficulties of large borrowers, stock statements relied upon by the banks for determining drawing power should not be older than three months. The outstanding in the account based on drawing power calculated from stock statements older than three months, would be deemed as irregular.

A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.

ii) Regular and ad hoc credit limits need to be reviewed/ regularised not later than three months from the due date/date of ad hoc sanction. In case of constraints such as non-availability of financial statements and other data from the borrowers, the branch should furnish evidence to show that renewal/ review of credit limits is already on and would be completed soon. In any case, delay beyond six months is not considered desirable as a general discipline. Hence, an account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.

Besides above, Bank also follows the guidelines issued by RBI in respect of classification of assets under a) Restructured accounts, b) Project under implementation involving time overrun, c) Post shipment Suppliers' Credit, d) Export Project Finance, e) Take over Finance, f) Govt. guaranteed Advance, g) Advance under Rehabilitation approved by BFIR / TLI, h) Advances under Debt Waiver & Debt Relief Scheme 2009, i) Sale of Financial Assets to Securitization Company /Reconstruction Company, j) Purchase/ Sale of Non-Performing Financial Assets, k) Up-gradation of accounts, l) Accounts regularized near about the Balance Sheet date etc.

## **B. CREDIT RISK MANAGEMENT AND OBJECTIVES:**

The main objective of Credit Risk Management Department is to effectively identify, assess, measure, and manage the credit risk exposure of the Bank, with a view to contain it within desired limits in relation to the risk appetite of the Bank and commensurate with the availability of Capital. In doing so, the Bank's Credit Risk philosophy aims at minimizing risk and maintaining it within the levels which shall ensure safety of the Bank's financial resources, including stakeholders' equity and, at the same time, also ensure a steady and healthy financial growth.

## **STRATEGIC POLICY OF THE BANK - CREDIT RISK:**

The Bank has a comprehensive and well defined Loan Policy which covers various aspects of strategic planning. The loan policy of the Bank is reviewed from time to time, depending on requirements of the changes in loan portfolio and general economic and market scenario. The loan policy is also subjected to a comprehensive review by the Board at least once a year. The loan policy of the Bank addresses, among other things:



- Exposure ceilings and prudential caps in different industry segments and borrower categories.
- Pricing based on risk profile linked to credit ratings and/or retail segments.
- Guidelines relating to procedures and systems for appraisal, sanction, and monitoring of loans and modes of dispensation of credit.
- Credit Rating framework.
- Inspection mechanism and compliance of regulatory and policy guidelines.

#### **CREDIT RISK MANAGEMENT ARCHITECTURE:**

- The organizational structure of the Bank for Credit Risk Management function has the Board of Directors at the Apex level that has the overall oversight of management of risks.
- The Risk Management Committee (RMC) which is the sub-committee of the Board headed by the Chairman & Managing Director devises the policy and strategy for integrated risk management including credit risk.
- At the operational level, the Credit Risk Management Committee (CRMC) manages the credit risk. The main function includes implementation of credit risk management policies approved by the Board, monitoring credit risk on a bank wide basis, recommending to the board for its approval all policies relating to credit risk management, prudential limits on credit exposures, portfolio management, loan products etc. There is a structured and standardized credit approval process including a comprehensive credit appraisal procedure. In order to assess the credit risk associated with any financing proposal, the Bank assesses a variety of risks relating to the borrower and the relevant industry.
- The Risk Management Department (RMD) headed by the General Manager, measures, controls and manages credit risk on bank wide basis within the limits set by the Board and enforces compliance with risk parameters set by Board/RMC/CRMC. The RMD is duly supported by Credit Risk Management Cell, Market Risk Management Cell and Operations Risk Management Cell.
- The Inspection Department as well as Credit Monitoring Department headed by a General manager / Deputy General Manager monitors the quality of loan portfolio identifies problems and takes steps to correct deficiencies. Loan review / credit audit is undertaken by the Credit Audit function.

#### **TOOLS USED FOR CREDIT RISK MANAGEMENT / MITIGATION**

- Credit Approving Authority – Delegation of Powers. The Bank has a well-defined scheme of delegation of powers with a multi-tier risk based approving system, which is reviewed periodically and revised as and when necessary to meet the compulsions of business environment.
- Prudential Limits on various aspects of credit / investment like Single / Group borrower limits for various types of borrowers are in place.
- Risk Rating/Pricing - The bank has introduced rating models for various segments, which serve as a single point indicator of diverse risk factors of a counter party and support credit and pricing decisions.
- Credit Audit/Loan review mechanism is an effective tool for constantly evaluating the quality of loan book and to bring about qualitative improvements in credit administration

- Portfolio Management - to start with, the bank has introduced a simple portfolio-monitoring framework. Going forward the bank will be graduating to a more sophisticated Portfolio Management model.
- The Bank accepts a range of collaterals and techniques to mitigate the credit risks to which they are exposed to, provided the collaterals are legally enforceable and the Bank has a priority claim on the sale proceeds of the collateralised assets in the case of obligor's default or occurrence of adverse credit events.

### **RISK MEASUREMENT**

At present Credit Risk is assessed through Risk rating at the individual level and through Risk Weighting of the assets at the portfolio level and capital is maintained based on Risk Weights.

### **Quantitative Disclosures**

#### **Total gross credit risk exposures**

	Category	Amt. - Rs/ Crores
1	Fund Based Credit Exposures	72747.47
2	Non Fund Based Credit Exposures	4033.83

#### **Geographic distribution of exposures**

	Category	Amt. - Rs/ Crores
1	<b>Overseas</b>	
	- Fund Based Credit Exposures	NIL
	- Non Fund Based Credit Exposures	NIL
2	<b>Domestic</b>	
	- Fund Based Credit Exposures	72747.47
	- Non Fund Based Credit Exposures	4033.83

### **INDUSTRY TYPE DISTRIBUTION OF EXPOSURES**

Amt. - Rs/ Crores

INDUSTRY NAME	FUNDED	NON FUND	TOTAL
A.MINING & QUARRYING	144.97	145.70	290.67
A.1 COAL/HARD LIGNITE/PEAT	0.22	93.41	93.62
A.2 MINING OTHERS	144.75	52.30	197.05
B.FOOD PROCESSING	964.86	21.94	986.80
B.1 SUGAR	162.33	1.00	163.33
B.2 EDIBLE OILS & VANASPATHI	163.90	1.16	165.06
B.3 TEA	15.02	0.20	15.22
B.4 COFFEE	0.01	0.00	0.01
B.5 FOOD PROC.- OTHERS	623.60	19.58	643.18
C.BEVERAGES & TOBACCO	293.80	17.91	311.71
C.1 TABACCO & TOBACCO PROD.	0.75	0.00	0.75
C.2 BEVERAGES & TOBACCO-OTHERS	293.05	17.91	310.96



D.TEXTILES	1393.13	58.95	1452.08
D.1 COTTON	814.18	50.84	865.02
D.1.1 SPINNING	629.92	50.08	680.00
D.2 JUTE	2.04	0.00	2.04
D.2.1 SPINNING	0.02	0.00	0.02
D.3 HANDICRAFT/KHADI (NPS)	23.33	0.16	23.49
D.3.1 SPINNING	9.45	0.13	9.58
D.4 SILK	47.59	4.20	51.79
D.4.1 SPINNING	19.45	0.24	19.69
D.5 WOOLEN	8.52	0.00	8.52
D.5.1 SPINNING	0.29	0.00	0.29
D.6 TEXTILE-OTHERS	497.48	3.50	500.98
E.LEATHER & LEATHER PRODUCTS	206.63	1.07	207.71
F.WOOD & WOOD PRODUCTS	107.81	7.17	114.98
G.PAPER & PAPER PRODUCTS	38.12	1.49	39.61
H.PETRO./COAL/NUCLEAR FUELS	438.23	0.17	438.41
I.CHEMICALS & CHEMICAL PROD.	84.63	5.79	90.42
I.1 FERTILISERS	0.05	0.00	0.05
I.2 DRUGS AND PHARMA.	16.72	0.07	16.78
I.3 PETRO-CHEMICALS	10.78	0.50	11.28
I.4 CHEMICALS & CHEMICAL	57.09	5.22	62.30
J.RUBBER,PLASTIC & ITS PROD.	180.42	9.19	189.62
K.GLASS & GLASSWARE	17.82	0.20	18.02
L.CEMENT AND CEMENT PROD.	41.06	71.25	112.31
M.BASIC METAL & METAL PROD.	1442.43	35.26	1477.69
M.1 IRON & STEEL	1139.06	3.63	1142.69
M.2 OTHER METAL & METAL PROD.	303.36	31.63	335.00
N.ALL ENGINEERING	439.89	57.48	497.38
N.1 ELECTRONICS	13.39	1.72	15.11
N.2 ALL ENGG. - OTHERS	426.50	55.77	482.27
O.VEHCLES/V.PARTS/TPT.EQPM.	324.63	40.10	364.73
P.GEMS & JEWELLARY	41.42	0.01	41.43
Q.CONSTRUCTIONS	579.20	374.28	953.48
R.INFRASTRUCTURE	16068.33	1502.77	17571.11
R.1 TRANSPORT	3142.38	1217.24	4359.62
R.1.1 -RAILWAYS	312.30	241.34	553.63
R.1.2 -ROADWAYS	2636.05	775.94	3411.99
R.1.3 -OTHERS	57.62	3.40	61.02
R.1.4 -WATERWAYS	0.27	194.97	195.24



R.1.5 -OTHERS	136.15	1.59	137.74
R.2 ENERGY	6830.42	176.47	7006.89
R.2.1 -ELEC(GEN/TRMN/DTB)	6829.24	168.17	6997.41
R.2.2 -OIL (STRG/PIPELINES)	1.01	8.30	9.31
R.2.3 -GAS/LNG	0.18	0.00	0.18
R.3 TELECOMMUNICATION	1002.78	1.89	1004.67
R.4 INFRA-OTHERS	5092.75	107.18	5199.92
R.4.1 -WATER SANITATION	3532.22	19.37	3551.59
R.4.2 -SOCIAL & COMM.	1560.53	87.80	1648.34
S.OTHER INDUSTRIES	172.11	11.48	183.59
T.Residuary	49767.96	1671.61	51439.57
a.Education	243.16	0.65	243.81
b.Aviation	320.48	0.05	320.52
TOTAL :	72747.47	4033.83	76781.30

**Significant exposure:**

Industry where the Total Exposure is more than 5% of Total Fund based and Non-fund based exposure:

Amt. - Rs/ Crores		
S.No.	Industry	Exposure
1	Infrastructure	17571.11
2	Residuary	51439.57

**RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS**

Amt. - Rs/ Crores						
Maturity Pattern's (Time Buckets)	LOANS & ADVANCE S (Standard loan+PCA+ Bill)	INVESTME NTS (Book Value)	FOREIGN CURRENCY		DEPOSI TS	BORROWI NGS
			LIABILIT IES	ASSE TS		
Next 1 Day	1006.39	0.00	15.61	109.78	1087.52	0.00
2 Days To 7 Days	1045.32	97.99	1.42	11.59	1684.10	0.00
8 Days To 14 Days	771.07	0.00	1.43	25.30	904.35	0.00
15 Days To 30 Days	1426.87	308.81	9.34	79.39	4098.18	0.00
31 Days To 2 Months	2150.43	494.87	9.94	79.67	7861.60	0.00
Over 2 Months To 3 Months	1091.49	90.27	11.44	85.06	4029.41	0.00
Over 3 Months To 6 Months	2884.09	450.15	26.69	59.63	12786.39	0.00
Over 6 Months To 1	2678.55	1218.39	204.29	0.00	28460.52	65.00

Year						
Over 1 Year To 3 Years	11731.37	2098.35	74.65	126.62	19411.26	74.00
Over 3 Years To 5 Years	16139.33	3730.09	9.72	0.00	9469.24	0.00
Over 5 Years	28250.64	17684.01	0.00	0.00	8765.04	0.00
GRAND TOTAL	69175.53	26172.93	364.53	577.04	98557.60	139.00

**Amount of NPAs (Gross)**

	Category	Amt. - Rs/ Crores
1	Substandard	3437.29
2	Doubtful 1	969.15
3	Doubtful 2	3121.25
4	Doubtful 3	1047.47
5	Loss	30.71
	<b>Total</b>	<b>8605.87</b>

**Net NPAs**

	Amt. - Rs/ Crores
Net NPAs	4994.22

**NPA Ratios**

	Category	Percent
1	Gross NPAs to Gross advances	11.83%
2	Net NPAs to Net advances	7.22%

**Movement of NPAs (Gross)**

	Amt. - Rs/ Crores
Opening Balance	7801.65
Additions	3666.37
Reductions	2862.15
Closing Balance	<b>8605.87</b>

**Movement of Provisions for NPAs**

		Amt. in crores
Sl.No	Provision	Provisions for NPAs
	Opening Balance	3154.18
Add	Provisions made during the period (A)	2193.90

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Less:	Upgraded Accounts	74.17
	Write-off/ Write-back of excess provisions	1574.45
	Reversal in closed (NPA) accounts	135.86
	Sub- Total (B)	1784.47
	Closing Balance	3563.60

#### **Amount of Non-Performing Investments**

	<b>Amt. - Rs/ Crores</b>
Amount of Non-Performing Investments	382.68

#### **Amount of provisions held for non-performing investments**

	<b>Amt. - Rs/ Crores</b>
Provisions held for non-performing investments	208.47

#### **Movement of provisions for depreciation on investments**

	<b>Amt. - Rs/ Crores</b>
Opening Balance	115.05
Provisions made during the period	(18.95)
Write-off	-
Write-back of excess provisions	(16.18)
Closing Balance	79.92

#### **Table DF 5 - CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH**

1. The Bank has approved using the general rating of the following credit rating agencies for risk weighting under the standardized approach for CRAR calculations CRISIL, ICRA, India Rating, SMERA, BRICKWORK and CARE for domestic claims and S&P, FITCH and Moody's for claims on non-resident corporates, foreign banks and foreign sovereigns.

The ratings of all these agencies are being used for all exposures subjected to rating for risk weighting purposes under the standardized approach for CRAR calculations under Basel-II & Basel III as defined by RBI.

2. The process used to transfer public issue ratings on to comparable assets in the banking book is as per regulatory requirements of RBI. The public ratings published by the rating agencies on their website are used for this purpose. Only, ratings which are in force as per monthly bulletin of the concerned rating agency and which have been reviewed at least once during the previous 15 months are used.

3. For all the exposures on a particular counterparty, bank uses the rating of only one agency, even though these exposures are rated by more than one with exception being where each of the exposures is rated by only one of the approved rating agencies.

4. To be eligible for risk-weighting purposes, it is ensured that the external credit assessment takes into account and reflects the entire amount of credit risk exposure the bank has with regard to all payments owed to it i.e., both principal and interest. External assessments for one entity within a corporate group is not used to risk weight other entities within the same group.

5. For assets that have contractual maturity less than or equal to one year, short term ratings are used while for other assets, long term ratings are used. For Cash Credit exposures long term ratings are taken.

6. Where an issuer has a long-term exposure with an external long term rating that warrants a risk weight of 150%, all unrated claims on the same counterparty, whether short-term or long-term, also receive a 150% risk weight, except incases where credit risk mitigation techniques are used for such claims. Similar is the case with short-term rating.

7. The Short-term ratings assigned by the approved rating agencies are directly mapped to the risk weights under the Standardised Approach for short-term exposures.

A mechanism for mapping of internal ratings of short term loans (up to 1 year) with Short Term ratings of External Credit Rating Agencies, on similar lines as risk weight mapping given by RBI, is already in vogue in our bank.

8. If there are two ratings accorded by eligible credit rating agencies, which map into different risk weights, the higher risk weight is applied. If there are three or more ratings accorded by eligible credit rating agencies with different risk weights, the ratings corresponding to the two lowest risk weights are referred to and the higher of those two risk weights are applied, i.e., the second lowest risk weight.

9. The RW of the investment claim is based on specific rating by a chosen credit rating agency, where the claim is not an investment in a specific assessed issue:

i) the rating applicable to the specific debt (where the rating maps into a risk weight lower than that which applies to an unrated claim) is applied to the bank's un-assessed claim only if this claim ranks *pari passu* or senior to the specific rated debt in all respects and the maturity of the un-assessed claim is not later than the maturity of the rated claim, except where the rated claim is a short term obligation.

ii) if either the issuer or single issue has been assigned a rating which maps into a risk weight equal to or higher than that which applies to unrated claims, an unrated claim on the same counterparty, is assigned the same risk weight as is applicable to the rated exposure, if this claim ranks *pari passu* or junior to the rated exposure in all respects.



**Exposure amounts after risk mitigation subject to the standardized approach**

**Amt. - Rs/ Crores**

<b>Risk Weight Category</b>	<b>Exposure After Credit Risk Mitigation</b>
Below 100 % risk weight	58305.77
100 % risk weight	12462.47
More than 100 % risk weight	6086.98
Deducted	18149.41
<b>TOTAL</b>	<b>58705.81</b>

**Table DF 6 - CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACHES**

**Qualitative Disclosures**

1. Credit Risk Mitigation is a proactive management tool designed to enhance revenue growth, while protecting an entity's earnings from loss. Banks employ various methods and techniques to reduce the impact of the credit risks they are exposed to in their daily operations. Some of the credit risk mitigation techniques are permitted to be used by the supervisor for reducing the capital charge after adjustment for value, currency mismatch and maturity mismatch. Various Credit Risk Mitigants (CRM) recognized under the New Capital Adequacy Framework (Basel II) & Basel III are as follows:

- Collateralised transactions
- On-balance-sheet-netting
- Guarantees

**2. Eligible financial collateral:**

All collaterals are not recognised as credit risk mitigants under the Standardised Approach. The following are the financial collaterals recognized:

- i. Cash and Certain Deposits.
- ii. Gold: benchmarked to 99.99% purity.
- iii. Securities issued by Central and State Governments
- iv. Kisan Vikas Patra and National Savings Certificates

- v. Life insurance policies
- vi. Debt securities -Rated subject to conditions.
- vii. Debt securities not rated issued by banks subject to conditions
- viii. Units of mutual funds subject to conditions
- ix. Re-securitisations, irrespective of any credit ratings, are not eligible financial collateral.

There are certain additional standards for availing capital relief for collateralized transactions, which have direct bearing on the management of collaterals, and these aspects are taken into account during Collateral Management.

### 3. On-balance-sheet-netting

On-balance sheet netting is confined to loans/advances (treated as exposure) and deposits (treated as collateral), where Bank has legally enforceable netting arrangements, involving specific lien with proof of documentation and which are managed on a net basis.

**4. Guarantees** Where guarantees are direct, explicit, irrevocable and unconditional, bank takes account of such credit protection in calculating capital requirements. The range of eligible guarantors / counter guarantors as per Basel III includes:

- i. Sovereigns, sovereign entities (including BIS, IMF, European Central Bank and European Community as well as those MDBs, ECGC and CGTSI, CRGFTLIH), banks and primary dealers with a lower risk weight than the counterparty;
- ii. Other entities that are externally rated except when credit protection is provided to a securitisation exposure. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.
- iii. When credit protection is provided to a securitisation exposure, other entities that currently are externally rated BBB- or better and that were externally rated A- or better at the time the credit protection was provided. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

The Bank accepts all types of collaterals against exposures. However, for Basel-III norms, the eligible collaterals are considered and given appropriate treatment before they are set-off against exposures. The bank has a well laid-out Credit Risk Mitigation & Collateral management Policy and also guidelines for valuation of collaterals. The Bank also takes cognizance of eligible guarantees and substitution of rating of guarantor(s) in cases where these are better than that of the counter-party. Besides, for purposes of credit protection, Central Govt., State Govt., ECGC and CGFT coverages are also taken into account to apply appropriate risk weights.

Disclosed credit risk portfolio under the standardised approach, the total exposure that is covered by:  
Eligible financial collateral; after the application of haircuts –Rs. **3993.86 Crores**

### Table DF 7- SECURITISATION: DISCLOSURE FOR STANDARDISED APPROACH

#### SECURITISATION: DISCLOSURE FOR STANDARDISED APPROACH



## **1. For Raising Resources**

- 1.1 To raise resources for the Bank (through mortgage/ asset backed securitization) at a reasonable cost.
- 1.2 For better asset liability management as long tenure assets can be disposed off, in case of need, to reduce the maturity mismatches.
- 1.3 To manage the capital funds efficiently without effecting the growth of the Bank.
- 1.4 To rotate assets and to continue to book business even while capital availability is scarce.
- 1.5 To access to new source of funding and diversify the existing funding sources.
- 1.6 To maximize the returns by churning assets fast.
- 1.7 For better managing the credit portfolio. By hiring of assets in sectors of high concentration, the Bank would be in a position to continue to book additional business in these sectors and hence maintain market share, client relationship etc.

**2. For Deploying Surplus Funds:** Avenue for bulk deployment of surplus funds either by subscribing to the PTCs or by purchase of assets through bilateral assignment of debts with reasonable rate of return.

However, Bank has not sold out any standard credit portfolio under securitization to any other entities.

**Bank has Assignment of Standard Pool Assets- Rs. 14.59 Crores (balance o/s)**

## **Table DF 8 - MARKET RISK IN TRADING BOOK**

### **Qualitative disclosures**

Market risk refers to the uncertainty of future earnings resulting from changes in interest rates, foreign exchange rates, market prices and volatilities. The Bank assumes market risk in its lending and deposit taking businesses and in its investment activities, including position taking and trading. The market risk is managed in accordance with the investment policies, which are approved by the Board. These policies ensure that operations in securities, foreign exchange and derivatives are conducted in accordance with sound and acceptable business practices and are as per the extant regulatory guidelines, laws governing transactions in financial securities and the financial environment. Market Risk in Trading Book is assessed as per the Standardized Duration approach. The capital charge for Held for Trading (HFT) and Available for Sale (AFS) portfolios is computed as per Reserve Bank of India prudential guidelines.

Market risk management objectives:

The objectives of market risk management are as follows:

- Management of liquidity
- Management of interest rate risk and exchange rate risk.
- Proper classification and valuation of investment portfolio
- Adequate and proper reporting of investments and derivative products
- Compliance with regulatory requirements

### **Quantitative Disclosures**

The capital requirements for:	Amt. - Rs/ Crores
Interest rate risk;	442.01
Equity position risk;	48.24
Foreign exchange risk;	NIL

**Table DF 9 - OPERATIONAL RISK**

The Bank has formulated Policies on “Operational Risk Management” and “Business Continuity Plan & Disaster Recovery Management”. These policies are being reviewed by the Board of the Bank on annual basis. Bank is collecting “Loss Data” from Zonal Offices/Head Offices and the same is being placed before ORMC for review on quarterly Basis. The Bank has loss data management framework to comply with overall operational risk management of the Bank.

Bank is conducting Risk and Control Self-Assessment (RCSA) workshop to assess the risk emanating from a particular product or activity as per RCSA framework approved by the Board. The result of RCSA workshop is being placed before ORMC for review. Further Bank is monitoring identified Key Risk Indicators (KRI) on quarterly basis to identify the early warning signals and hence trying to proactively manage/ mitigate the underlying issues and potential losses which is one of the objectives of KRI framework.

As per the policy on Operational Risk, the Operational Risk Management Committee (ORMC) has been set up which is headed by the Executive Director. Regular meetings of the ORMC are convened at least on quarterly basis. Inspection Department of the bank undertakes onsite “Risk Based Internal Audit” (RBIA) of the branches.

Inspection, Reconciliation and Vigilance Departments are reporting matters relating to Housekeeping, Reconciliation and Frauds etc. periodically to ACB. Regulatory reporting with regard to Operational Risk and Business Continuity Plan is made timely & regularly. Bank is presently following ‘Basic Indicator Approach’ for calculating Capital Charge on Operational Risk. However, the bank is preparing to move to advance approaches of calculating capital charge for Operational Risk.

**Table DF 10 -INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)**

### **Qualitative disclosures**

The Interest rate risk in banking book is measured and managed by the bank through Traditional Gap for Earnings at Risk (Ear) approach and modified Duration Gap for Economic Value (MVE) Approach. Interest rate risk in banking book includes all advances and investments kept under Held to Maturity (HTM) portfolio. The strategies and process/structure of organization / scope and nature of risk reporting/policies etc. are the same as reported under DF-8. The methodology adopted to measure the interest rate risk in banking book (IRRBB) is based on RBI suggested guidelines.

1.1 RBI has stipulated monitoring of interest rate risk through a Statement of Interest Rate Sensitivity (Reprising Gaps) to be prepared at monthly intervals. Accordingly, ALCO reviews Interest Rate Sensitivity statement on monthly basis and monitors the Earnings at Risk (EaR) which measures the



change in net interest income of the Bank due to parallel change in interest rate on both the assets and liabilities.

1.2 RBI has also stipulated to estimate the impact of change in interest rates on economic value of bank's assets and liabilities through Interest Rate Sensitivity under Duration Gap Analysis (IRSD). Bank also carries out Duration Gap analysis as stipulated by RBI at monthly/quarterly intervals. The impact of interest rate changes on the Market Value of Equity (MVE) is monitored through Duration Gap Analysis. Using the above, Modified Duration of liabilities and assets for each bucket is calculated and the impact on their value for a change in interest rate by 200 bps is reckoned by adding up the net position is arrived to determine as to whether there will be a positive increase in the value or otherwise.

1.3 As a prudential measure limit has been fixed for EaR as well as for Net Duration Gap of the assets and liabilities and the same is monitored at regular intervals.

#### **Quantitative Disclosures**

##### **a) Earning at Risk**

At 100 bps change for gaps upto 1 year on average basis	<b>Rs. 0.76 Crores</b>
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##### **b) Modified Duration Gap for Economic Value (MVE) – 0.79 %**

