Table DF – 2: AS ON 31.12.2019

CAPITAL ADEQUACY

Qualitative disclosures:

Reserve Bank of India has issued guidelines on implementation of Basel III capital regulations in India to be implemented in a phased manner effective from April 1, 2013 with Banks disclosing Basel III capital ratios from the quarter ending June 30, 2013. The bank is complying with the same.

The Bank has computed capital for market risk and operational risk as per the regulatory guidelines. Capital for Credit Risk is computed under Standardized Approach, on the basis of rating and risk weight assigned to the individual accounts.

Credit portfolio of the banks is segmented facility wise and capital is computed at the Central Office taking various regularity guidance into account. Capital computation of the bank is subjected to regular inspection by regulators and statutory audits. Credit Risk Capital Computation (CRCC) Reports are made available to the branch through automation and the same is subjected to audits in the branches under statutory / concurrent audit.

RBI has prescribed that banks are required to maintain a minimum total capital (MTC) of 9% of total risk weighted assets (RWAs) i.e. capital to risk weighted assets (CRAR). The framework issued by RBI prescribes maintenance of a minimum Tier-1 CRAR of 7% with a minimum CET 1 of 5.5%. Total Capital (Tier 1 Capital plus Tier 2 Capital) must be at least 9% of RWAs on an ongoing basis. As per Basel III guidelines, in addition to the minimum Common Equity Tier 1 capital of 5.5% of RWAs, banks are also required to maintain a capital conservation buffer (CCB) of 2.5% of RWAs in the form of Common Equity Tier 1 capital with a transitional arrangement from 31.03.2016 to 31.03.2019 with an increase of 0.625% every year. However, RBI Vide Circular No. DBR.BP.BC.No.20/21.06.201/2018-19 of 10.01.2019 has informed the deferment of the implementation of the last tranche of 0.625% of Capital Conservation Buffer (CCB) from March 31, 2019 to March 31, 2020. As on 31.12.2019, Banks should maintain CCB of 1.875%.

Capital Conservation Buffer is designed to ensure that banks build up capital buffers during normal times (i.e. outside periods of stress) which can be drawn down as losses are incurred during a stressed period. The bank is under stress and hence, was not able to maintain the CCB in total CRAR of the Bank as stipulated by RBI.

The Bank has put in place a policy on Internal Capital Adequacy Assessment Process (ICAAP) and the framework in consideration of the relevant risk factors of the bank as a measure towards adequacy of capital available to meet the residual risk as part of Pillar 2 requirements of the revised framework commensurate with the bank's overall risk profile. In framing the policy, the bank has taken into consideration the requirements prescribed by the RBI in their guidelines and bank's risk appetite.

As part of Basel III framework RBI has introduced Leverage Ratio concept. The leverage ratio is the ratio of Tier-1 capital (Common Equity + Additional Tier I) and total exposure (as defined under Basel III). The leverage ratio has to be maintained on a quarterly basis. RBI vide its communication No RBI/2018-19/225 DBR.BP.BC.No.49/21.06.201/2018-19 June 28, 2019 has stipulated the minimum Leverage Ratio shall be 4% for Domestic Systemically Important Banks (DSIBs) and 3.5% for other banks. Both the capital measure and the exposure measure along with

Leverage Ratio are to be disclosed on a quarter-end basis. However, banks must meet the minimum Leverage Ratio requirement at all times. These guidelines shall be effective from the quarter commencing October 1, 2019.

RBI has issued guidelines on two minimum standards Viz. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for funding liquidity. The LCR promotes short term resilience of banks to potential liquidity disruptions by ensuring that bank have sufficient high quality liquid assets (HQLA) to survive an acute stress scenario lasting for 30 days. With a view to providing transition time for banks, the requirement would be minimum of 60% for the calendar year 2015 i.e with effect from January 1, 2015 and rise in equal measure to reach the minimum required level of 100% on January 1, 2019 as per the time line given below:

	January 1, 2015	January 1,2016	January 1,2017	January 1,2018	January 1,2019
Minimum LCR	60%	70%	80%	90%	100%

LCR for the bank stood at 243.89% based on the average of the three months (October, November, and December 2019) for the third quarter of FY 2019-20, which is well above the RBI stipulated level of 100%. Bank is having enough liquidity to meet sudden cash outflows.

RBI vide circular No. DBR.BP.BC.No.8/21.04.098/2018-19 of 29.11.2018 has issued final guidelines on implementation of NSFR (Net Stable Funding Ratio). As per the circular, the NSFR guidelines will come into effect from **April 1, 2020**. The above ratio should be equal to at least 100% on an ongoing basis. Bank is in readiness to comply with the NSFR guidelines.

Quantitative disclosures (Rs. in Crore)

a) **Capital requirements for credit risk**	
• Portfolios subject to standardised approach	7640.11
• Securitisation exposures	0.00
b) **Capital requirements for market risk:**	
• Standardised duration approach	
- Interest rate risk	489.40
- Foreign Exchange risk (including gold)	0.00
- Equity risk	545.67
c) **Capital requirements for operational risk**	
• Basic indicator approach	1331.37
• The Standardised Approach	Not Applicable
d) Common Equity Tier 1 Capital Ratio	
For the top consolidated group;	
• Total Capital Ratio (CRAR)	5.53%
• Total CRAR (Subject to application of Prudential Floor)	5.53%
• Total Tier I Capital Ratio (Tier I CRAR)	3.53%
• Common Equity Tier-I Capital Ratio	3.53%

With the infusion of capital of Rs.4360 Crore by GOI (Vouched on 03.01.2020), the revised capital ratios are given below	
e) Common Equity Tier 1 Capital Ratio For the top consolidated group; and	
• Total Capital Ratio (CRAR)	10.43%
• Total CRAR (Subject to application of Prudential Floor)	10.43%
• Total Tier I Capital Ratio (Tier I CRAR)	7.88%
Common Equity Tier-I Capital Ratio	7.88%

<u>Table DF-3:</u>

Qualitative Disclosures

CREDIT RISK: GENERAL DISCLOSURES FOR ALL BANKS

Credit Risk is the possibility of losses associated with diminution in the credit quality of borrowers or counter parties. In a Bank's portfolio, Credit Risk arises mostly from lending and investment activities of the Bank if a borrower / counterparty is unable to meet its financial obligations to the lender/investor. It emanates from changes in the credit quality/worthiness of the borrowers or counter parties. Credit risk also includes counterparty risk and country risk.

Credit rating and Appraisal Process:

The Bank manages its credit risk through continuous measuring and monitoring of risks at obligor (borrower) and portfolio level. The Bank has a robust internal credit rating framework and well-established standardized credit appraisal / approval process. Credit rating is a facilitating process that enables the bank to assess the inherent merits and demerits of a proposal. It is a decision enabling tool that helps the bank to take a view on acceptability or otherwise of any credit proposal.

The rating models factor quantitative and qualitative attributes relating to Risk components such as Industry Risk, Business Risk, Management Risk, Financial Risk, Project risk (where applicable) and Facility Risk etc. The data on industry risk is regularly updated supported by CRISIL based on market conditions.

Bank has implemented "Retail Scoring Models" for Pushpaka (Vehicle Loan), Clean Loan and Housing loan irrespective of the amount w.e.f 02.01.2017.

The bank follows a well-defined multi layered discretionary power structure for sanction of loans and advances. Approval Committees have been constituted at all levels covering Exceptionally Large branch / RO / ZO / CO for recommending fresh/enhancement proposal to appropriate sanctioning authorities. Specific Sanctioning Powers have been delegated to Branch Managers.

The new Products/Process/Services introduced by Bank and Modification of existing Product/Process/Services are examined at the head office level by Risk Management Department depending upon the type of risks involved in the new product / process. Then it shall be examined by newly introduced two committees at head office level namely Product/Process Risk Mitigation Committee (PRMC) and Business Process Re-engineering committee (BPR) before launching the product/process/service.

Credit Risk Management Policies

The bank has put in place a well-structured loan policy and credit risk management policy duly approved by Board. The policy document defines organizational structure, role and responsibilities and processes whereby the Credit Risk carried by the Bank can be identified, quantified and managed within the framework that the Bank considers consistent with its mandate and risk tolerance. Credit risk is monitored by the bank on a bank-wide basis and compliance with the risk limits approved by Board / RMCB is ensured. The Credit Risk Management Committee (CRMC) takes into account the risk tolerance level of the Bank and accordingly handles the issues relating to Safety, Liquidity, Prudential Norms and Exposure limits.

The bank has taken earnest steps to put in place best credit risk management practices in the bank. In addition to Loan Policy and Credit Risk Management Policy, the bank has also framed Funds and Investment Policy, Counter Party Risk Management Policy and Country Risk Management Policy etc., which forms integral part of monitoring of credit risk in the bank. Besides, the bank has implemented a policy on collateral management and credit risk mitigation which lays down the details of securities (both prime and collateral) normally accepted by the Bank and administration of such securities to protect the interest of the bank. Presently, some select securities act as mitigation against credit risk (in capital computation), to which the bank is exposed.

CREDIT RISK: GENERAL DISCLOSURES FOR ALL BANKS

(Rs. in Crore)

Quantitative Disclosures	**31.12.2019**
a) Total gross credit risk exposures:	**244247.47**
Fund based	226442.41
Non fund based	17805.06
b) Geographic distribution of exposures,	
• **Domestic**	
Fund based	132550.70
Non Fund based	16244.97
• **Overseas**	
Fund based	6092.54
Non Fund based	1576.35
c) Industry type distribution of exposures, fund based and non-fund based separately	Annexed
d) Residual contractual maturity breakdown of assets	Annexed
e) Amount of NPAs (Gross)	23733.86
• Substandard	5494.45
• Doubtful (D1, D2, D3)	16050.18
• Loss	2189.23
f) Net NPAs	7087.09
g) NPA Ratios	
• Gross NPAs to gross advances	17.12%
• Net NPAs to net advances	5.81%
h) Movement of NPAs (Gross)	
• Opening balance (01.04.2019)	33398.12
• Additions	5875.04
• Reductions	15539.30
• Closing balance (31.12.2019)	23733.86

(Rs. in Crore)

Quantitative Disclosures	**31.12.2019**
i) Movement of provisions for NPAs • Opening balance (01.04.2019) • Provisions made during the period • Write off / Write back of excess provisions • Closing balance (31.12.2019)	 18647.23 10340.93 12691.96 16296.20
j) Amount of Non-Performing Investments k) Amount of provisions held for non-performing investments* l) Movement of provisions for depreciation on investments • Opening Balance(01.04.2019) • Provisions made during the period* • Write-off / Write-back of excess provisions • Closing Balance(31.12.2019)	1894.69 1658.40 2268.31 385.62 284.05 2369.88

* Includes MTM of NPI Shares Rs.1058.54 Crore and MTM of NPI Bonds Rs.117.04 Crore.

Residual contractual Maturity break down of Assets

(Rs. in crore)

Particulars	**Amount**
Day 1	26390.47
2 Days – 7 Days	4111.64
8 Days – 14 Days	3917.06
15 Days – 30 Days	4751.67
31 Days – 2 Months	12199.86
2 Months – 3 Months	14935.84
3 Months – 6 Months	17203.40
>6 Months – 12 Months	37936.33
>1 Year – 3 Years	38836.80
>3 Years – 5 Years	13903.11
> 5 Years	77237.89

Covers Gross Assets for Global operations

INDUSTRY WISE EXPOSURES

(Rs. in Crore)

Industry Name	Outstanding as on 31.12.2019
Mining and quarrying	2,243.91
Food Processing	3,303.13
Of which Sugar	595.18
Of which Edible Oils and Vanaspati	1,117.63
Of which Tea	109.57
Beverages and Tobacco	431.78
Cotton Textiles	3,530.14
Jute Textiles	18.20
Handicraft/ Khadi (Non Priority)	105.90
Other Textiles	2,094.54
Leather and Leather Products	428.18
Wood and Wood Products	421.21
Paper and Paper Products	1,221.28
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	851.94
Chemicals and Chemical Products (Dyes, Paints, etc.,)	2,229.52
Of which Fertilisers	1,094.32
Of Which Drugs and Pharmaceuticals	370.94
Of which Others	764.26
Rubber, Plastic and their products	670.24
Glass & Glassware	108.83
Cement and Cement Products	635.88
Iron and Steel	5,341.85
Other Metal and Metal Products	1,081.50
All Engineering	3,258.30
Of which Electronics	1,075.97
Vehicles, Vehicle Parts and Transport Equipments	1,543.16
Gems and Jewellery	773.01
Construction	931.77
Infrastructure	16,587.72
Of which Roadways	7,959.03
Of which Energy	7,263.78
Of which Telecommunications	540.14
Other Industries	2,549.56
Residuary Other Advances to balance Gross Advances	82,189.15
Of which Aviation Sector	86.84
Loans and Advances- Domestic	**132,550.70**
Loans and Advances- Overseas	**6,092.54**
Total Loans and Advances	**138,643.25**

Table DF-4:

CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH (as on 31.12.2019)

Quantitative Disclosures

(Rs. in Crore)

Classification	Exposure after Mitigation (EAM)	EAM covered under External Rating	Unrated
ADVANCES / INVESTMENT			
Below 100% risk weight	114797.69	16000.51	98797.18
100% risk weight	38294.72	8950.37	29344.35
More than 100% risk weight	7549.60	5765.59	1784.01
Deducted	0.00	0.00	0.00
TOTAL	**160642.00**	**30716.47**	**129925.53**
OTHER ASSETS			
Below 100% risk weight	27120.25	2705.30	24414.95
100% risk weight	2720.33	0.00	2720.33
More than 100% risk weight	5.35	0.00	5.35
Deducted	0.00	0.00	0.00
TOTAL	**29845.93**	**2705.30**	**27140.63**

Table DF 17- Summary comparison of accounting assets vs. leverage ratio exposure measure

	Item	(Rs. in Cr)
1	Total consolidated assets as per published financial statements	291984
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	289
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	1708
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	9300
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	17147
7	Other adjustments	64412
8	**Leverage ratio exposure**	**253438**

Table DF-18: Leverage ratio common disclosure template

	Item	Leverage ratio framework (Rs. in Cr)
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	291984
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(67442)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	**224542**
	Derivative exposures	
4	Replacement cost associated with all *derivatives* transactions (i.e. net of eligible cash variation margin)	308
5	Add-on amounts for PFE associated with *all* derivatives transactions	1400
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	--
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	--
8	(Exempted CCP leg of client-cleared trade exposures)	--
9	Adjusted effective notional amount of written credit derivatives	--
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	--
11	**Total derivative exposures (sum of lines 4 to 10)**	**1708**
	Securities financing transaction exposures	
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	--
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	--
14	CCR exposure for SFT assets	9300
15	Agent transaction exposures	--
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**9300**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	29937
18	(Adjustments for conversion to credit equivalent amounts)	12790
19	**Off-balance sheet items (sum of lines 17 and 18)**	**17147**
	Capital and total exposures	
20	**Tier 1 capital**	**4039**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**252697**
	Leverage Ratio	
22	**Basel III leverage ratio**	**1.60%**