

## **Consolidated Pillar III Disclosures (December 31, 2017)**

### **1. Scope of Application and Capital Adequacy**

#### **Table DF-2: Capital Adequacy**

The Bank maintains and manages capital as a cushion against the risk of probable losses and to protect its stakeholders, depositors and creditors. The future capital requirement of the Bank is projected as a part of its annual business plan, in accordance with its business strategy. To calculate the future capital requirements of the Bank a view on the market behaviour is taken after considering various factors such as interest rate, exchange rate and liquidity positions. In addition, broad parameters like balance sheet composition, portfolio mix, growth rate and relevant discounting are also considered. Further, the loan composition and rating matrix is factored in to reflect precision in projections. In line with the Basel III guidelines, which are effective since April 01, 2013, the Bank has been calculating its capital ratios as per the extant RBI guidelines. The main focus of Basel III norms is on the quality and quantity of Tier I capital. The bank has incurred losses on account of higher provisioning in non-performing assets due to which the capital ratio (CET 1 – CRAR) of the bank fell below the minimum regulatory requirements. The Standalone CRAR position of the Bank as on December 31, 2017, is as given below:

<b>CRAR</b>	<b>Basel III</b>
CET 1	6.615%
Tier 1	8.968%
Tier 2	2.962%
<b>Total( Tier 1 + Tier 2)</b>	<b>11.929%</b>

For identification, quantification and estimation of current and future risks, the Bank has a Board approved Internal Capital Adequacy Assessment Process (ICAAP) policy. The policy covers the process for addressing such risks, measuring their impact on the financial position of the Bank and formulating appropriate strategies for their containment & mitigation; thereby maintaining an adequate level of capital. The ICAAP exercise is conducted periodically to determine that the Bank has adequate capital to meet regulatory requirements in line with its business requirements. The Bank also has a comprehensive stress test policy covering regulatory stress conditions to give an insight into the impact of severe but plausible stress scenarios on the Bank's risk profile and capital position. The stress test exercises are carried out regularly based on the board approved stress testing framework incorporating RBI guidelines on Stress testing dated December 02, 2013. The impact of stress scenarios on the profitability and capital adequacy of the Bank are analyzed. The result of the exercise is reported to the suitable board level committee(s).

The Consolidated CRAR position, as on December 30, 2017 is as under:

(Amt. in Rs. Million)

<b>Capital requirement</b>	
<b>Credit Risk Capital:</b>	
Portfolios subject to standardised approach	179913.61
Securitisation	2.64
<b>Market Risk Capital:</b>	
Standardised duration approach	22,219.42
<i>Interest Rate Risk</i>	13,670.29
<i>Foreign exchange Risk (including Gold)</i>	360.00
<i>Equity Risk</i>	8,189.13

<b>Operational Risk Capital:</b>	
Basic indicator approach	15,799.89
<b>Total Minimum Capital required</b>	<b>247,769.94</b>
<b>Common Equity Tier 1, Tier 1 and Total capital ratio:</b>	
CET 1	6.736%
Tier 1	9.082%
Tier 2	2.954%
<b>Total( Tier 1 + Tier 2)</b>	<b>12.036%</b>

## 2. Risk exposure and assessment

### Table DF-3: Credit Risk: General Disclosures for All Banks:

Credit risk is the risk of loss that may occur due to default of the counterparty or from its failure to meet its obligations as per terms of the financial contract. Any such event will have an adverse effect on the financial performance of the Bank. The Bank faces credit risk through its lending, investment and contractual arrangements. To counter the effect of credit risks faced by the Bank, a robust risk governance framework has been put in place. The framework provides a clear definition of roles as well as allocation of responsibilities with regard to ownership and management of risks. Allocation of responsibilities is further substantiated by defining clear hierarchy with respect to reporting relationships and Management Information System (MIS) mechanism.

### **Bank's Credit risk management policies**

The Bank has defined and implemented various risk management policies, procedures and standards with an objective to clearly articulate processes and procedural requirements that are binding on all concerned Business groups. The Credit Policy of the Bank is guided by the objective to build, sustain and maintain a high quality credit portfolio by measurement, monitoring and control of the credit exposures. The policy also addresses more granular factors such as diversification of the portfolio across companies, business groups, industries, geographies and sectors. The policy reflects the Bank's approach towards lending to corporate clients in light of prevailing business environment and regulatory stipulations.

The Bank's Credit Policy also details the standards, processes and systems for growing and maintaining its Retail Assets portfolio. The policy also guides the formulation of Individual Product Program Guidelines for various retail products. The Credit policy is reviewed annually in anticipation of or in response to the dynamics of the environment (regulatory & market) in which the Bank operates or to change in strategic direction, risk tolerance, etc. The policy is approved by the Board of Directors of the Bank.

To control concentration of credit risk, the Bank has put in place internal guidelines on exposure norms in respect of single borrower, groups, exposure to sensitive sector, industry exposure, unsecured exposures, etc. Norms have also been detailed for soliciting new business as well as for preliminary scrutiny of new clients. The Bank abides by the directives issued by RBI, SEBI and other regulatory bodies in respect of lending to any industry including NBFCs, Commercial Real Estate, Capital Markets and Infrastructure. In addition, internal limits have been prescribed for certain specific segments based on prudential considerations.

The Bank has a specific policy on Counter Party Credit Risk pertaining to exposure on domestic & international banks and a policy on Country Risk Management pertaining to exposure on various countries.

#### ***Credit risk assessment process:***

The sanction of credit proposals is in accordance with the delegation structure approved by the Board of Directors. Credit risk rating, used by the Bank is one of the key tools for assessing its credit proposals.

The Bank has implemented internal rating model Risk Assessment Module (RAM), a two - dimensional module for rating viz.; obligor and facility, in line with Basel requirements. Different risk parameters such as financial, business, management and industry are used for different rating

models in accordance with the category and characteristics of the borrower. Qualitative and quantitative information of the proposal is evaluated by the credit risk analyst to ascertain the credit rating of the borrower.

Proposals over a certain threshold amount are rated centrally by rating analysts of the Bank. Suitable committee based approaches followed to validate the internal credit ratings. The committee consists of senior officials of the Bank. Approval of credit for retail products are guided by the individual retail product paper guidelines and each proposal is appraised through a scoring model.

In addition to the above, a Credit audit process is in place, which aims at reviewing the loans and acts as an effective tool to evaluate the efficacy of credit assessment, monitoring and mitigation process.

***Credit Portfolio Monitoring:***

The credit portfolio of the Bank is monitored on regular basis to ensure compliance with internal and regulatory limits as well as to avoid undue concentration (borrower or Industry). The same is periodically reported to the senior management.

Further, to ensure high quality of the asset portfolio the Bank has adopted a two pronged strategy i.e., containment of incidence of asset slippages and resolution / recovery from NPAs. In this regard, the Bank has an NPA Policy, which sets out guidelines for restricting slippage of existing standard assets and recovery / resolution of NPA by close monitoring, constant follow-up and evolving a suitable proactive Corrective Action Plan.

**Definitions of non-performing assets:**

The Bank classifies its advances into performing and non-performing advances in accordance with the extant RBI guidelines. The non-performing asset (NPA) is a loan or an advance where Interest and/ or installment of principal remains overdue for more than 90 days for a term loan and the account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC). 'Out of order' means if the account 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 also treated as 'out of order'. Other NPAs are as under:

- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.

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- In respect of an agricultural loan, the interest and / or installment of principal remains overdue for two crop seasons for short duration crops and for one crop season for long duration crops.

NPAs are further classified into sub-standard, doubtful and loss assets. A substandard asset is one, which has remained as NPA for a period less than or equal to 12 months. An asset is classified as doubtful if it has remained in the sub-standard category for more than 12 months. A loss asset is one where loss has been identified by the Bank or by the internal / external auditors or the RBI inspection but the amount has not been written off fully.

In respect of investments in securities, where interest / principal is in arrears, the Bank does not reckon income on such securities and makes provisions as per provisioning norms prescribed by RBI for depreciation in the value of investments.

**a. Total gross credit risk exposures, Fund based and Non-fund based separately.**

(Amt. in Rs. Million)

Particulars	Fund Based	Non Fund Based	Total
<b>Total Gross Credit Exposures*</b>	<b>2570590.20</b>	<b>1298469.48</b>	<b>3869059.68</b>
Domestic	2288625.79	1279770.87	3568396.66
Overseas	281964.41	18698.61	300663.02

\* includes advances, LCs, BGs, LERs, acceptances & undrawn sanctions

**b. Industry type distribution of Gross credit exposures- fund based and non-fund based :**

(Amt. in Rs. Million)

Industry	FB Credit Exposure	NFB Credit Exposure	Total Credit Exposure
Agriculture & Allied Activities	226102.88	482.54	226585.42
Transport Operators	17094.56	1628.63	18723.19
Computer Software	5613.88	7071.13	12685.01
Tourism, Hotel and Restaurants	3087.08	716.23	3803.31
Professional services	7353.78	558.65	7912.43
Trade	196621.15	40068.94	236690.09
Commercial Real Estate	39398.01	5619.99	45018.00

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Industry	FB Credit Exposure	NFB Credit Exposure	Total Credit Exposure
NBFCs	108866.39	7878.10	116744.49
Aviation	6404.84	8594.05	14998.89
Other Services	81600.79	86625.18	168225.97
Housing Loans (Incl priority sector housing)	315221.62	89.84	315311.46
Consumer Durables	62.43	0.16	62.59
Credit Card Receivables	3.83	0.00	3.83
Vehicle/Auto Loans	12817.44	272.89	13090.32
Education Loans	14714.90	294.34	15009.24
Advances to individuals against shares, bonds etc	113.49	1726.42	1839.91
Other Retail Loans	28750.21	691.75	29441.95
Mining and Quarrying	63933.87	86892.96	150826.83
Food Processing	88175.68	23084.67	111260.34
Beverages (excluding Tea & Coffee) and Tobacco	7830.33	294.81	8125.15
Textiles	85747.48	14699.15	100446.63
Leather and Leather products	1912.12	84.96	1997.08
Wood and Wood Products	3506.84	881.36	4388.20
Paper and Paper Products	18942.04	4843.31	23785.35
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	1.48	0.00	1.48
Chemicals and Chemical Products (Dyes, Paints, etc.)	127007.59	105914.43	232922.02
Rubber, Plastic and their Products	33850.89	7751.89	41602.78
Glass & Glassware	1427.78	124.56	1552.34
Cement and Cement Products	23856.98	7183.84	31040.82
Basic Metal and Metal Products	177036.94	141611.42	318648.37
All Engineering	112369.07	148152.13	260521.19
Vehicles, Vehicle Parts and Transport Equipments	70852.45	28149.28	99001.72

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Industry	FB Credit Exposure	NFB Credit Exposure	Total Credit Exposure
Gems and Jewellery	24278.68	1128.78	25407.46
Construction	64117.44	84871.19	148988.63
Residuary other advances	26876.00	83958.79	110834.79
Infrastructure	568465.05	388458.90	956923.95
Other Industries	6574.24	8064.20	14638.44
<b>Gross Credit Exposure</b>	<b>2570590.20</b>	<b>1298469.48</b>	<b>3869059.68</b>

c. Industries having more than 5% of the Gross credit exposures

(Amt. in Rs. Million)

Industry Name	Fund Based	Non Fund Based	Total	%
Infrastructure	568465.05	388458.90	956923.95	24.74%
Basic Metal and Metal Products	177036.94	141611.42	318648.37	8.24%
Housing Loans (Incl priority sector housing)	315221.62	89.84	315311.46	8.15%
All Engineering	112369.07	148152.13	260521.19	6.73%
Trade	196621.15	40068.94	236690.09	6.12%
Chemicals and Chemical Products (Dyes, Paints, etc.)	127007.59	105914.43	232922.02	6.02%
Agriculture & Allied Activities	226102.88	482.54	226585.42	5.86%

**d. Residual contractual maturity breakdown of assets:**

(Amt. in Rs. Million)

Maturity Buckets	Assets				
	Cash & Balances with RBI and Other Banks	Investments	Advances	Fixed Assets & Other Assets	Total Assets
Day 1	63,113.80	167,621.71	11,023.45	3,206.02	244,964.98
2 to 7 days	2,678.56	157,431.09	15,748.69	278.38	176,136.72
8 to 14 days	1,995.41	553.83	15,747.68	3,580.09	21,877.01
15 to 30 days	1,510.69	207.79	12,499.70	1,143.88	15,362.06
31 days & upto 2 months	3,774.08	4,774.74	26,261.63	5,999.41	40,809.86
Over 2 months & upto 3 months	6,098.33	3,689.10	48,610.04	12,565.55	70,963.02
Over 3 months & upto 6 months	13,146.45	12,168.22	58,324.93	11,419.88	95,059.48
Over 6 months & upto 1 year	17,282.11	9,792.90	91,515.99	36,687.01	155,278.01
Over 1 year & upto 3 years	37,165.83	116,532.84	620,510.78	29,605.52	803,814.97
Over 3 years & upto 5 years	6,535.75	51,044.53	280,172.34	186,622.37	524,374.99
Over 5 yrs	13,185.43	389,645.90	652,297.26	200,328.65	1,255,457.24
<b>Total</b>	<b>166,486.44</b>	<b>913,462.65</b>	<b>1,832,712.49</b>	<b>491,436.76</b>	<b>3,404,098.34</b>



**e. Non-Performing Assets as on December 31, 2017:**

(Amt. in Rs. Million)

<b>Particulars</b>	
Gross Advances	2047681.00
Net Advances	1832712.5
<b>Gross NPA as on</b>	
<i>a. Substandard</i>	126044.5
<i>b. Doubtful 1</i>	163565.3
<i>c. Doubtful 2</i>	199098.1
<i>d. Doubtful 3</i>	8521.3
<i>e. Loss</i>	8988.3
<b>NPA Provision</b>	212231
<b>Net NPA</b>	293525.3
<b>NPA Ratios</b>	
Gross NPAs to Gross Advances ( % )	24.72%
Net NPAs to Net Advances ( % )	16.02%

**f. Movement of Non-Performing Assets (NPA):**

(Amt. in Rs. Million)

<b>Particulars ( NPA Gross)</b>	<b>As on December 31, 2017</b>
Opening Balance as on April 01, 2017	447525.9
Additions	199209.9
Write Offs	66323.1
Reductions	74195.4
Closing Balances	506217.2

**g. Movement of Specific & General NPA Provisions #:**

(Amt. in Rs. Million)

<b>Particulars</b>	<b>As on December 31, 2017</b>
	<b>Specific Provisions*</b>
Opening Balance as on April 01, 2017	194845.9
Add : Provision made during the period	116566.1
Less : Transfer to Countercyclical Provisional Buffer	0.00
Less : Write offs	66323.1
Less : Write Back of excess provision	42857.9
Closing Balances	202231

\*Provision amount does not include NPV loss on NPA asset of Rs. 460.00 Million

# General NPA provision is Nil.

**h. Write-offs and recoveries that have been booked directly to the income statement: Nil**

**i. Position of Non-Performing Investments (NPI) as on December 31, 2017**

(Amt. in Rs. Million)

Particulars	As on December 31, 2017
Amount of Non-performing Investments (NPI)	21898.26
Amount of provisions held for Non-performing Investments	16885.78

**j. Movement of provisions for depreciation on investments (including bonds and debentures)**

(Amt. in Rs. Million)

Particulars	As on December 31, 2017
Opening Balance as on April 01, 2017	31783.78
Provisions made during the period	9260.00
Write offs / Write Back of excess provisions	1261.14
<b>Closing Balance</b>	<b>39782.64</b>

**k. Industry Wise NPA & Provision break-up \***

(Amt. in Rs. Million)

	As of December 31, 2017		During the current Period	
	Gross NPA	Specific Provision (NPA)	Specific Provision (NPA)	Write-Offs
NPAs and Specific Provisions in Top 5 Industries	280,323.50	114,519.78	18,596.00	38,416.56

\* Industries identified based on Gross Credit Exposure to Industries.

# General NPA provision is Nil.

**l. Geography based position of NPA & Provision break-up:**

(Amt. in Rs. Million)

Particulars	As on December 31, 2017		
	Domestic	Overseas	Total
Gross NPA	445417.92	60799.58	506217.5
Specific Provision for NPA	180720.05	21510.98	202231.03

# General NPA provision is Nil.

**Table DF-4: Credit Risk: Disclosures for Portfolios Subject to the Standardised approach**

The Bank uses the solicited ratings assigned by the external credit rating agencies specified by RBI for calculating risk weights on its exposures for capital calculations. In line with the Basel guidelines, banks are required to use the external ratings assigned by domestic credit rating agencies viz. Crisil, CARE, ICRA, India Ratings, Brickwork, SMERA, INFOMERICS and international credit rating agencies Fitch, Moody's and Standard & Poor's.

The ratings assigned, are used for all eligible on balance sheet & off balance sheet exposure. Only those ratings which are publicly available and are in force as per the monthly bulletin of the rating agencies are considered.

To be eligible for risk weighting purposes, the entire amount of credit risk exposure to the Bank is taken into account for external credit assessment. The Bank uses short term ratings for exposures with contractual maturity of less than or equal to one year and long term ratings for those exposures which have a contractual maturity of over one year.

The process used to assign the ratings to a corporate exposure and apply the appropriate risk weight is as per the regulatory guidelines prescribed by RBI. In cases where multiple external ratings are available for a given corporate, the lower rating, where there are two ratings and the second lowest rating, where there are three or more ratings is applied. The table given below gives the breakup of net outstanding amounts of assets in Banking Book and Non Fund Based Facilities after Credit Risk Mitigation in 3 major risk buckets as well as those that are deducted:

(Amt. in Rs. Million)

Risk Weight	Net Exposure
Less than 100%	2,262,591.27
At 100%	724,792.02
More than 100%	474,472.90
Deduction from Capital	321.02
<b>Total</b>	<b>3,462,177.21</b>

**Leverage Ratio**

The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements and is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage. RBI will monitor individual banks against an indicative leverage ratio of 4.5%.

The Bank's Leverage ratio is calculated in accordance with the RBI guidelines under consolidated framework is as given below:

(Amt. in Rs. Million)

Sr.No	Item	As on December 31, 2017
1	Tier –I Capital	226,602
2	Exposure Measure	4,022,469
3	Basel III Leverage Ratio	5.63%

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