Consolidated Pillar III Disclosures (June 30, 2018)

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 June 30, 2018, is as given below:

CRAR	Basel III
CET 1	5.839%
Tier 1	6.181%
Tier 2	2.000%
Total(Tier 1 + Tier 2)	**8.181%**

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 June 30, 2018 is as under:

(Amt. in Rs. Million)

Capital requirement	
Credit Risk Capital:	
Portfolios subject to standardised approach	1,43,854.30
Securitisation	1.14
Market Risk Capital:	
Standardised duration approach	17,192.51
Interest Rate Risk	10,997.05
Foreign exchange Risk (including Gold)	360.00
Equity Risk	5,828.17
On derivatives (FX Options)	7.29

Operational Risk Capital:	
Basic indicator approach	13,598.37
Total Minimum Capital required	1,74,646.32
Common Equity Tier 1, Tier 1 and Total capital ratio:	
CET 1	6.009%
Tier 1	6.350%
Tier 2	2.000%
Total(Tier 1 + Tier 2)	**8.350%**

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.
- 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
Total Gross Credit Exposures*	2,610,279.94	1,180,446.00	3,790,725.94
Domestic	2,350,319.04	1,174,557.56	3,524,876.60
Overseas	259,960.90	5,888.44	265,849.34

* 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
Infrastructure	568,776.47	384,081.05	952,857.52
Housing Loans (Incl priority sector housing)	369,499.88	988.27	370,488.15

Industry	FB Credit Exposure	NFB Credit Exposure	Total Credit Exposure
Basic Metal and Metal Products	154,595.37	126,710.55	281,305.91
All Engineering	108,357.96	137,521.09	245,879.06
Trade	205,203.61	33,382.24	238,585.85
Agriculture & Allied Activities	227,664.39	1,648.39	229,312.78
Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)	104,776.64	56,492.28	161,268.92
Other Services	77,362.14	80,022.07	157,384.22
Construction	69,590.80	84,748.49	154,339.29
Residuary other advances (to tally with gross advances)	47,789.95	84,357.56	132,037.18
Mining and Quarrying	98,126.34	22,553.85	120,680.19
NBFCs	100,385.63	9,479.79	109,865.41
Food Processing	85,257.80	21,501.30	106,759.10
Vehicles, Vehicle Parts and Transport Equipments	54,424.39	42,857.48	97,281.87
Textiles	80,602.64	9,756.49	90,359.13
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	14,352.82	37,785.09	52,137.92
Rubber, Plastic and their Products	33,717.25	8,689.38	42,406.64
Commercial Real Estate	29,782.54	6,488.07	36,270.61
Paper and Paper Products	25,447.96	4,394.68	29,842.64
Professional services	21,304.81	2,868.59	24,173.40
Cement and Cement Products	16,482.24	7,643.58	24,125.82
Gems and Jewellery	20,668.27	477.53	21,145.81
Transport Operators	15,784.09	2,543.34	18,327.43
Tourism, Hotel and Restaurants	12,515.45	1,695.13	14,210.58
Vehicle/Auto Loans	13,658.46	346.70	14,005.15
Shipping	12,922.20	86.82	13,009.02
Education Loans	12,159.32	7.68	12,167.00
Computer Software	5,483.62	6,021.57	11,505.19

Industry	FB Credit Exposure	NFB Credit Exposure	Total Credit Exposure
Other Industries	6,560.22	2,082.36	8,642.58
Beverages (excluding Tea & Coffee) and Tobacco	6,937.66	528.61	7,466.27
Advances against Fixed Deposits (incl. FCNR(B), etc.)	4,379.61	1,733.93	6,113.54
Wood and Wood Products	1,374.87	705.58	2,080.45
Leather and Leather products	1,856.48	205.86	2,062.35
Glass & Glassware	1,538.15	40.44	1,578.58
Other Retail Loans	886.63	0.00	886.63
Consumer Durables	53.29	0.16	53.45
Gross Credit Exposure	2,610,279.94	1,180,446.00	3,790,725.94

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

(Amt. in Rs. Million)

Industry Name	Fund Based	Non Fund Based	Total	%
Infrastructure	568,776.47	384,081.05	952,857.52	25.14%
Housing Loans (Incl priority sector housing)	369,499.88	988.27	370,488.15	9.77%
Basic Metal and Metal Products	154,595.37	126,710.55	281,305.91	7.42%
All Engineering	108,357.96	137,521.09	245,879.06	6.49%
Trade	205,203.61	33,382.24	238,585.85	6.29%
Agriculture & Allied Activities	227,664.39	1,648.39	229,312.78	6.05%

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	29,453.07	160,151.32	10,334.44	3,158.93	203,097.76
2 to 7 days	29,096.44	125,572.36	17,772.60	305.15	172,746.55
8 to 14 days	2,034.21	19.56	14,089.04	4,024.21	20,167.02
15 to 30 days	1,540.05	846.90	8,189.80	2,593.14	13,169.89
31 days & upto 2 months	3,847.43	444.32	15,072.10	16,671.17	36,035.02
Over 2 months & upto 3 months	3,481.96	3,330.08	29,861.64	14,257.79	50,931.47

Maturity Buckets	Assets				
	Cash & Balances with RBI and Other Banks	Investments	Advances	Fixed Assets & Other Assets	Total Assets
Over 3 months & upto 6 months	11,664.21	6,743.59	43,651.66	16,207.11	78,266.57
Over 6 months & upto 1 year	21,467.73	31,922.80	54,765.12	9,805.78	117,961.43
Over 1 year & upto 3 years	37,888.12	12,060.25	537,216.11	40,568.72	627,733.20
Over 3 years & upto 5 years	6,662.77	44,766.72	258,575.32	224,934.67	534,939.48
Over 5 yrs	15,488.71	559,412.33	608,459.85	188,336.02	1,371,696.90
Total	162,624.70	945,270.23	1,597,987.68	520,862.69	3,226,745.29

e. Non-Performing Assets as on June 30, 2018:

(Amt. in Rs. Million)

Particulars	
Gross Advances	1,878,142.80
Net Advances	1,597,987.70
Gross NPA as on	
a. Substandard	140,689.50
b. Doubtful 1	131,267.70
c. Doubtful 2	248,696.90
d. Doubtful 3	47,324.70
e. Loss	10,089.50
Total	**578,068.30**
NPA Provision	278,112.20
Net NPA	299,810.70
NPA Ratios	
Gross NPAs to Gross Advances (%)	30.78%
Net NPAs to Net Advances (%)	18.76%

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

(Amt. in Rs. Million)

Particulars (NPA Gross)	As on June 30, 2018
Opening Balance as on April 01, 2018	555,882.60
Additions	87,479.20
Write Offs	45,143.00
Reductions	20,150.40
Closing Balances	578,068.30

g. Movement of Specific & General NPA Provisions #:

(Amt. in Rs. Million)

Particulars	As on June 30, 2018 Specific Provisions
Opening Balance as on April 01, 2018	269,231.20
Add : Provision made during the period	62,598.40
Less : Transfer to Countercyclical Provisional Buffer	0.00
Less : Write offs	45,143.00
Less : Write Back of excess provision	8,428.80
Closing Balances	278,257.80

General NPA provision is Nil.

h. Write-offs and recoveries that have been booked directly to the income statement: Rs. 69 Cr

i. Position of Non-Performing Investments (NPI) as on June 30, 2018

(Amt. in Rs. Million)

Particulars	As on June 30, 2018
Amount of Non-performing Investments (NPI)	26,243.10
Amount of provisions held for Non-performing Investments	18,475.37

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

(Amt. in Rs. Million)

Particulars	As on June 30, 2018
Opening Balance as on April 01, 2017	4,602.45
Provisions made during the period	7,759.52
Write offs / Write Back of excess provisions	8,495.56
Closing Balance	45,289.41

k. Industry Wise NPA& Provision break-up *

(Amt. in Rs. Million)

	As of June 30, 2018		During the current Period	
	Gross NPA	Specific Provision (NPA)	Specific Provision (NPA)	Write-Offs
NPAs and Specific Provisions in Top 5 Industries	332,045.68	156,992.28	-1,544.23	28,004.73

* 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 June 30, 2018		
	Domestic	Overseas	Total
Gross NPA	4,82,267.9	95,800.53	578,068.43
Specific Provision for NPA	2,19,981.97	41,430.26	261,412.23

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%	2,257,972.37
At 100%	514,678.79
More than 100%	357,873.66
Deduction from Capital	31 0.98
Total	3,130,835.80

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 June 30, 2018
1	Tier –I Capital	127,351
2	Exposure Measure	3,680,720
3	Basel III Leverage Ratio	3.46%

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