CONSOLIDATED DISCLOSURES UNDER BASEL-III CAPITAL REGULATIONS FOR THE YEAR ENDED 30th JUNE 2019

2. CAPITAL ADEQUACY

The Bank is subject to the capital adequacy guidelines stipulated by RBI vide its master circular on Basel-III. As per the said guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {10.875% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (7.375% including CCB) as on 30th June 2019. These guidelines on Basel III have been implemented since 1st April 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the quarter ended 30th June 2019 is 10.875% with minimum Common Equity Tier 1 (CET1) of 7.375% (including CCB of 1.875%)

The Bank carries out regular assessment of its Capital requirements to maintain a comfortable Capital to Risk Weighted Assets Ratio (CRAR) and to cushion against the risk of losses against any unforeseen events so as to protect the interest of all stakeholders. The Bank conducts exercise of Capital Planning on an annual basis to review the capital required to carry out its activities smoothly in the future. Also, the Bank has well defined Internal Capital Adequacy Assessment Process (ICAAP) under which the Bank also assesses the adequacy of capital under stress to comprehensively assess all risks and maintain necessary additional capital.

The Bank has adopted Standardized Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Standardized Duration Approach for Market Risk for computing CRAR, as per the guidelines of RBI.

A summary of the Bank's capital requirement for credit, market and operational risk and the capital adequacy ratio as on 30th June 2019 is presented below:

(Rs. in Millions)

S.No.	Capital Requirements for Various Risks	Capital Requirement*
A	**CREDIT RISK**	**113,435**
A.1	For non- securitized portfolio	113,435
A.2	For Securitized portfolio	-
B	**MARKET RISK**	**11,504**
B.1	For Interest Rate Risk	7,826
B.2	For Equity Risk	3,590
B.3	For Forex Risk (including gold)	88
B.4	For Commodities Risk	-
B.5	For Options risk	-

S.No.	Capital Requirements for Various Risks	Capital Requirement*
C	**OPERATIONAL RISK**	**15,179**
C.1	Basic Indicator Approach	15,179
C.2	Standardized Approach if applicable	-
D	**TOTAL CAPITAL REQUIREMENT**	**140,118**

- Consolidated Capital requirement is computed at 10.875% of RWA.

PARTICULARS	STANDALONE	CONSOLIDATED
COMMON EQUITY TIER I (CET 1)	9.68%	9.64%
TIER 1 CRAR	9.71%	9.67%
TOTAL CRAR	**12.55%**	**12.52%**

3. CREDIT RISK: GENERAL DISCLOSURE

A. RISK MANAGEMENT: OBJECTIVES AND ORGANISATION STRUCTURE

A.1. The Bank identifies, measures, control, monitor and report risk effectively. The key parameters of the Bank's risk management activities rely on the risk governance architecture, comprehensive processes and internal control mechanism based on Board approved policies and guidelines.

B. ARCHITECTURE AND SYSTEMS OF THE BANK

B.1. The Bank has nominated Chief Risk Officer, who reports to the Managing Director and CEO.

B.2. A Sub-Committee of Board of Directors termed as Risk Management Committee (RMC) has been constituted to specifically oversee and co-ordinate Risk Management functions in the bank.

B.3. A Credit Risk Management Committee of executives has been set up to formulate and implement various credit risk strategies including lending policy and to monitor Bank's Credit Risk Management functions on a regular basis.

B.4. A Market Risk Management Committee of executives has been set up for management and to monitor Bank's Market Risk Management functions on a regular basis.

B.5. An Operational Risk Management Committee of executives has been set up for control and monitoring of Bank's Operational Risk Management functions on a regular basis.

C. CREDIT RISK

Credit risk is defined as the possibility of losses associated with default by or diminution in the credit quality of Borrowers or Counterparties arising from outright default due to inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions; or Reduction in portfolio value arising from actual or perceived deterioration in credit quality of borrowers or counterparties. Credit Risk emanates from a bank's dealings with an individual, non-corporate, corporate, bank, financial institution or sovereign.

D. BANK'S CREDIT RISK MANAGEMENT POLICY

D.1. The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Board. The Policy document defines organizational structure, role and responsibilities and the processes whereby the Credit Risks carried by the Bank can be identified, quantified, managed and controlled within the framework which the Bank considers consistent with its mandate and risk tolerance limits.

D.2. Credit Risk is monitored by the Bank account wise and compliance with the risk limits / exposure cap approved by the Board is ensured. The quality of internal control system is also monitored and in-house expertise has been built up to tackle all the facets of Credit Risk.

D.3. The Bank has taken earnest steps to put in place best Credit Risk Management practices. In addition to Credit Risk Management Policy, the Bank has also framed Board approved Lending Policy, Investment Policy, Country Risk Management Policy, Credit Monitoring Policy, Recovery Management Policy etc. which form integral part in monitoring of credit risk and ensures compliance with various regulatory requirements, more particularly in respect of Exposure norms, Priority Sector norms, Income Recognition and Asset Classification guidelines, Capital Adequacy, Credit Risk Management guidelines etc. of RBI/other Statutory Authorities.

D.4. Besides, the Bank has also put in place a Board approved policy on Credit Risk Mitigation & Collateral Management which lays down the details of securities and administration of such securities to protect the interests of the Bank. These securities act as mitigants against the credit risk to which the Bank is exposed.

E. CREDIT APPRAISAL / INTERNAL RATING

E.1. The Bank manages its credit risk by continuously measuring and monitoring of risks at each obligor (borrower) and portfolio level. The Bank has robust internally developed credit risk grading / rating modules and well-established credit appraisal / approval processes.

E.2. The internal risk rating / grading modules capture quantitative and qualitative issues relating to management risk, business risk, industry risk, financial risk and project risk. The data on industry risk is constantly updated based on market conditions.

E.3. The rating for every borrower is reviewed. As a measure of robust credit risk management practices, the bank has implemented a four-tier system of credit rating process for the loan proposals sanctioned at Head Office Level, three tier systems at Circle office/ Zonal Office level.Validation of rating for proposals sanctioned at Branch level is done at Zonal office level/Circle office level. For the proposals falling under the powers of Head Office, the validation of ratings is done at Risk Management Department.

E.4. The Bank follows a well-defined multi layered discretionary power structure for sanction of loans. Various committees have been formed at ZO, CGMO & HO Level. ZLCC AGM/DGM headed by Zonal Head, CGMLCC headed by Circle General Manager, HLCC GM headed by GM (Credit), HLCC ED headed by ED (Executive Director), CAC headed by MD & CEO and MCBOD (Management Committee of the Board) headed by MD& CEO. A structure named New Business Group (NBG) headed by MD& CEO has been constituted at Head Office level for considering in-principle approval for taking up fresh credit proposals above a specified cut-off point.

E.5. Bank has introduced Retail & MSME processing cell to centralize the process and sanction of Retail & MSME loans. Similarly, Large Corporate branches, Trade Finance branches and Agriculture Finance branches are established for processing and sanction of specialized loans of the Bank.

F. DEFINITION OF PAST DUE AND IMPAIRED (FOR ACCOUNTING PURPOSES)

The Bank follows Reserve Bank of India regulations, which are summed up below.

F.1. NON-PERFORMING ASSETS

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

A non-performing asset (NPA) is a loan or an advance where;

- **I.** Either Interest and/ or installment of principal dues remain 'overdue' for a period of more than 90 days in respect of a term loan,
- **II.** The account remains 'out of order' for 90 days as indicated below at paragraph F.2, in respect of an Overdraft/Cash Credit (OD/CC). Besides this CC/OD accounts can also be declared NPA in undernoted condition.
    - a. If the regular/ad-hoc limits are not reviewed/ renewed within 180 days from the due date of review/renewal or sanctioning of adhoc limit,
    - b. If the stock statements are not submitted continuously for a period of 90 days and limits/ drawings are allowed on such irregular drawing power continuously for 90 days.
- **III.** The bill remains overdue and unpaid for a period of more than 90 days in the case of bills purchased and discounted,
- **IV.** The installment of principal or interest thereon remains unpaid for two crop seasons beyond the due date for short duration crops,
- **V.** The installment of principal or interest thereon remains unpaid for one crop season beyond the due date for long duration crops.
- **VI.** 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 February 1, 2006.
- **VII.** An account is classified as NPA only if the interest due &charged during any quarter is not serviced fully within 90 days from the end of the quarter.

F.2. 'OUT OF ORDER' STATUS

An account is treated as **'out of order'** if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as **'out of order'**.

F.3. OVERDUE

Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

F.4. NON-PERFORMING INVESTMENTS

In respect of securities, where interest/ principal is in arrears, the Bank does not reckon income on the securities and makes appropriate provisions for the depreciation in the value of the investment.

A non-performing investment (NPI), similar to a non-performing advance (NPA), is one where:

- **I.** Interest/ installment (including maturity proceeds) is due and remains unpaid for more than 90 days.
- **II.** This applies mutatis-mutandis to preference shares where the fixed dividend is not paid.
- **III.** In the case of equity shares, in the event the investment in the shares of any company is valued at Re.1 per company on account of the non-availability of the latest balance sheet in accordance with the Reserve Bank of India instructions, those equity shares are also reckoned as NPI.
- **IV.** If any credit facility availed by the issuer is NPA in the books of the bank, the investments in any of the securities issued by the same issuer is also treated as NPI and vice versa.
- **V.** The investments in debentures / bonds, which are deemed to be in the nature of advance, are subjected to NPI norms as applicable to investments.

QUANTITATIVE DISCLOSURES

A. GROSS CREDIT RISK EXPOSURE Including Geographic Distribution of Exposure

(Rs. in Millions)

Sl. No.	Exposure Type	Domestic	Overseas	Total
1.	Fund Based**	2,135,880	31,124	**2,167,004**
2.	Non-Fund Based#	226,698	0	**226,698**
3.	**Total**	**2,362,578**	**31,124**	**2,393,702**

**Funded Exposure include Credit exposure and investment exposure

#Non-Funded Exposure includes Bank Guarantee, LC and Forward Contract

B. RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS

(Rs. in Millions)

Buckets	Cash & RBI Balances	Bank Balances #	Advances	Investments	Fixed Assets	Other Assets	Grand Total
Next day	6558	21795	7312	98024	0	100	**133789**
2 – 7 days	2263	12286	19466	13766	0	367	**48148**
8 –14 days	2427	0	20759	11635	0	410	**35231**
15 – 30 days	617	0	47720	2957	0	939	**52233**
Over 1 month – 2 months	1018	0	89009	8542	0	1757	**100326**
Over 2 months – 3 months	1412	0	51871	12098	0	1400	**66781**
Over 3 months – 6 months	2070	0	71519	14440	0	3390	**91419**
Over 6 months – 1 year	5069	0	138636	29087	0	6738	**179530**
Over 1 year – 3 years	28318	23343	328707	156447	0	25081	**561896**
Over 3 years – 5 years	14243	6395	198040	76148	0	23335	**318161**
Over 5 years	27441	0	468674	284567	35250	31620	**847552**
Total	**91436**	**63819**	**1441713**	**707711**	**35250**	**95137**	**2435066**

#Includes Balances with other banks and money at call & short notice.

C. NON-PERFORMING ASSETS (NPA) AND ITS MOVEMENT

S. No.	Particulars	Amount in Millions
A.	**Amount of Gross NPA**	**287,035**
A. 1	Substandard	72,159
A. 2	Doubtful 1	40,509
A. 3	Doubtful 2	66,578
A. 4	Doubtful 3	31,809
A. 5	Loss	75,980
B	**Net NPA**	**82,298**
C	**NPA Ratios**	
C. 1	Gross NPAs to Gross Advances	**17.43%**
C. 2	Net NPAs to Net Advances	**5.71%**
D	**Movement of Gross NPA**	
D. 1	**Opening balance at the beginning of the year**	**2,87,048**
D. 2	Additions during the period	29,626
D. 3	Reductions during the period	29,639
D. 4	**Closing balance as at end of the period**	**2,87,035**

D. NON-PERFORMING INVESTMENTS (NPI) AND MOVEMENT OF PROVISION FOR DEPRECIATION ON INVESTMENTS

(Rs. in Millions)

S. No.	Particulars	Amount
A.	**Amount of Non-Performing Investments**	**7,808**
B	Amount of Provision held for Non-Performing Investments	7,187
C	**Movement of provisions for depreciation on investments**	
C. 1	**Opening balance at the beginning of the year**	**17,595**
C. 2	Provisions made during the period	2,959
C. 3	Write-off during the period	**-**
C. 4	Write-back of excess provisions during the period	2,815
C. 5	**Closing balance as at end of the period**	**17,739**

E. MOVEMENT OF SPECIFIC & GENERAL PROVISION

(Rs. in Millions)

Movement of provisions	Specific Provisions#	General Provisions@
Opening balance at the beginning of the year	**212,615**	**6169**
Provisions made during the period	11,023	-
Write-off during the period	2,359	-
Write-back of excess provisions during the period	0	(57)
Adjustments/Transfers between provisions during the period*	18,518	1
Closing Balance as at end of the period	**2,02,761**	**6,113**

#Represents provisions for NPA, @Represents provisions for Standard Advances

*Amount utilized towards sale of NPAs and transfer to PWO account.

F. Details of write offs and recoveries that have been booked directly to the income statement

(Rs. in Millions)

Write offs that have been booked directly to the income statement	-
Recoveries (in written-off) that have been booked directly to the income statement	**979**

G. GEOGRAPHIC DISTRIBUTION OF NPA & PROVISIONS

(Rs. in Millions)

SL No	Particulars	Domestic	Overseas	Total
1.	Gross NPA	287,035	0	**287,035**
2.	Provisions for NPA	202,761	0	**202,761**
3.	Provisions for Standard Advances	5947	166	**6,113**

H. AGEING OF PAST DUE LOANS

(Rs. in Millions)

SL No	Particulars as on 30th Jun, 2019	Domestic	Overseas	Total
1.1	31-90 days	-	-	-
1.2	91-365 days	72,159	-	**72,159**
1.3	1-2 years	40,509	-	**40,509**
1.4	2-4 years	66,578	-	**66,578**
1.5	Over 4 years	107,789	-	**107,789**
1.6	**Total**	**287,035**	**-**	**287,035**

I. INDUSTRY TYPE DISTRIBUTION OF EXPOSURES

(Rs. in Millions)

Industry	As on 30.06.2019					For quarter ended 30th Jun 2019	
	Exposure		Gross NPA	Provisions for		Write-offs	Provisions for NPA
	Funded*	Non-Funded#		NPA	Standard Advances		
Advances against Fixed Deposits	47697	0	30	19	0	0	1
Advances to Individuals against Shares, Bonds, etc.	14	0	3	1	0	0	0
Agriculture & Allied activities	283296	0	40732	15557	577	550	2017
Telecom	5094	1148	0	0	20	0	0
Power	113219	21974	14751	11686	393	2208	262
Iron & Steel	80612	8376	38232	34769	180	1866	8947
Textiles	40207	3401	12350	9986	93	1737	31
Construction	38047	75440	20785	18213	70	0	942
Infrastructure Road & Port	78287	2654	13853	8225	246	0	696
Infrastructure Other	121766	11578	4940	3558	470	172	154
Fertilizer	3762	3	5	1	5	0	0
Pharmaceutical	12322	828	5512	5320	32	3570	28
Engineering & Electronics	36033	21435	20340	20070	63	27	0
Gems & Jewellery	10726	2702	6580	6118	9	1	10
Aviation & Shipping	7964	0	0	0	32	0	0
Commercial Real State	19505	0	3943	2485	135	1029	4
Cement	13836	0	1390	1146	42	1	16
NBFC (excluding HFC)	118528	0	1564	391	467	0	0
Retail Trade	93232	0	9077	4084	221	101	399
Wholesale Trade	119655	68	15823	14628	386	139	85
Tea	466	36	1	0	2	0	0
Housing Direct	160132	0	5784	1448	371	256	254
Housing Indirect	93511	0	0	0	289	0	0
Leather & Leather Products	1505	43	100	48	2	13	4
Wood & Wood Products	3560	1802	742	599	14	1	8
Paper & Paper Products	5924	1289	1650	1333	17	1586	8
Petrochemical, Other Chemical & their Products	17502	380	169	65	71	2	7
Petroleum,Coal & Nuclear Fuel	24234	3956	0	0	100	0	0
Rubber, Plastics and their product	6366	897	1066	784	14	1	10
Glass & Glassware	1271	288	10	3	2	0	0
Other Metal & Products	11743	7828	2274	1712	33	256	206
Beverage & Toboacco	3339	77	486	375	9	0	6
Edible Oil & Vanaspati	2756	15801	451	369	7	0	7

Industry	As on 30.06.2019					For quarter ended 30th Jun 2019	
	Exposure		Gross NPA	Provisions for		Write-offs	Provisions for NPA
	Funded*	Non-Funded#		NPA	Standard Advances		
Food Processing (other)	19407	840	3592	2623	64	927	34
Mining & Quarrying	21847	2678	11103	10330	58	1	6
Vehicle and Vehicle Component	7437	1516	5660	5570	6	0	7
Other Industry/ sectors not included above	542202	39660	44037	31940	1613	5478	1481
Total	2,167,004	226,698	287,035	202,761	6,113	19,922	15,630

*Funded Exposure include Credit exposure and investment exposure

#Non-Funded Exposure includes Bank Guarantee, LC and Forward Contract

Exposures to industries in excess of 5% of total Funded & Non-Funded of the Bank as on Jun 30, 2019

(Rs. in Millions)

S. No.	Industry	% of Funded &Non-Funded Exposure
1.	Infrastructure	14.60%
1.1	Out of which: Power	5.65%
3.	Non-Banking Finance Companies	8.85%

4. CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

The Bank has used the Standardized Approach under the RBI's Basel III capital regulations for calculation of risk-weighted assets of its credit portfolio. The RBI guidelines require banks to use ratings assigned by specified External Credit Rating Agencies (ECRA) namely Brickworks, CARE, CRISIL, ICRA, India Ratings, SMERA and Infomerics for domestic counterparties and Standard & Poor's, Moody's and Fitch for foreign counterparties.

The Bank is using issuer ratings and short-term and long-term instrument/bank facilities' ratings which are assigned by the accredited rating agencies, i.e. ECRA, published in the public domain to assign risk-weights in terms of RBI guidelines. In respect of claims on non-resident corporates and foreign banks, ratings assigned by international rating agencies i.e. Standard & Poor's, Moody's and Fitch is used.

QUANTITATIVE DISCLOSURES

The Bank's exposure on its advance portfolio (rated and unrated) bifurcated in three major risk buckets are as follows:

(Rs. in Millions)

Sl No	Risk Weight	Fund Based	Non-Fund Based
1	Below 100% risk weight	1,522,294	116,341
2	100% risk weight	137,299	66,720
3	More than 100% risk weight	507,411	43,637
4	Deduction from capital funds	-	-
5	**Total Exposure**	**2,167,004**	**226,698**

18. LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

The leverage ratio act as a credible supplementary measure to the risk-based capital requirement. The Bank is required to maintain a minimum leverage ratio of 4.5%. The Bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is as follows:

(Rs. in millions)

	Item	**As on Jun 30, 2019**
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,420,227
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(18,378)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	**2,401,848**
Derivative exposures		
4	Replacement cost associated with all *derivatives* transactions (i.e. net of eligible cash variation margin	18,444
5	Add-on amounts for PFE associated with *all* derivatives transactions	29,411
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)**	**47,855**
Securities financing transaction exposures		
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sale accounting transactions	15,000
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	194
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to**	**15,194**

	Item	As on Jun 30, 2019
	15)	
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	569,075
18	(Adjustments for conversion to credit equivalent amounts)	(434,915)
19	**Off-balance sheet items (sum of lines 17 and 18**	**134,160**
Capital and total exposures		
20	**Tier 1 capital**	**124,645**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**2,599,057**
Leverage ratio		
22	**Basel III leverage ratio**	**4.80%**

LEVERAGE RATIO DISCLOSURE

(Rs. in millions)

Particulars	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
Tier 1 capital	124,644	125,960	92,745	67,519
Exposure Measure	2,599,057	2,656,573	2,541,885	2,606,228
Leverage Ratio	4.80%	4.74%	3.65%	2.59%