CONSOLIDATED DISCLOSURES UNDER BASEL-III CAPITAL REGULATIONS FOR THE YEAR ENDED 31st DECEMBER 2018

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 31st March 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 31st December 2018 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 31st December 2018 is presented below:

(Rs. in Millions)

S.No.	Capital Requirements for Various Risks	Capital Requirement*
A	**CREDIT RISK**	**108,722**
A.1	For non- securitized portfolio	108,722
A.2	For Securitized portfolio	-
B	**MARKET RISK**	**13,194**
B.1	For Interest Rate Risk	8,848
B.2	For Equity Risk	4,258
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**	**15,690**
C.1	Basic Indicator Approach	15,690
C.2	Standardized Approach if applicable	-
D	**TOTAL CAPITAL REQUIREMENT**	**137,605**

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

PARTICULARS	STANDALONE	CONSOLIDATED
COMMON EQUITY TIER I (CET 1)	7.06%	7.23%
TIER 1 CRAR	7.15%	7.32%
TOTAL CRAR	**10.42%**	**10.59%**

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 FGM office/ Zonal Office level. Validation of rating for proposals sanctioned at Branch level is done at Zonal office level. For the proposals falling under the powers of Bank's 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, FGMO & HO Level. ZLCC AGM/DGM headed by Zonal Head, FGMLCC headed by Field 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.

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.

As per Reserve Bank of India guidelines dated 12th February 2018 bank identifies Special Mention Accounts (SMA) having principal or interest payment or any other amount wholly or partly overdue even for one day.

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)

**Funded Exposure include Credit exposure and investment exposure

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

Sl. No.	Exposure* Type	Domestic	Overseas	Total
1.	Fund Based	2,107,271	48,587	**2,155,858**
2.	Non-Fund Based	235,348	619	**235,967**
3.	**Total**	**2,342,619**	**49,206**	**2,391,825**

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	9842	4214	6769	133208	-	94	**154127**
2 – 7 days	1211	3698	17462	8762	-	330	**31463**
8 –14 days	541	6280	7399	2639	-	254	**17113**
15 – 30 days	582	4535	12957	3149	-	541	**21764**
Over 1 month – 2 months	1044	0	20809	8671	-	979	**31503**
Over 2 months – 3 months	779	0	78449	4083	-	1560	**84871**
Over 3 months – 6 months	3772	0	58018	32057	-	2893	**96740**
Over 6 months – 1 year	5419	3072	139829	28683	-	6025	**183028**
Over 1 year – 3 years	29242	28726	445316	163754	-	23209	**690247**
Over 3 years – 5 years	14956	13182	175602	81151	-	19959	**304850**
Over 5 years	27620	0	448097	234052	31066	27465	**768300**
Total	**95008**	**63707**	**1410707**	**700209**	**31066**	**83309**	**2384006**

#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**	**282188**
A. 1	Substandard	65218
A. 2	Doubtful 1	43412
A. 3	Doubtful 2	102833
A. 4	Doubtful 3	32744
A. 5	Loss	37981
B	**Net NPA**	**108653**
C	**NPA Ratios**	
C. 1	Gross NPAs to Gross Advances	**17.81%**
C. 2	Net NPAs to Net Advances	**7.70%**
D	**Movement of Gross NPA**	
D. 1	**Opening balance at the beginning of the year**	**2,65,628**
D. 2	Additions during the period	79005
D. 3	Reductions during the period	62445
D. 4	**Closing balance as at end of the period**	**2,82,188**

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**	**6,999**
B	Amount of Provision held for Non-Performing Investments	6,158
C	**Movement of provisions for depreciation on investments**	
C. 1	**Opening balance at the beginning of the year**	**13,221**
C. 2	Provisions made during the period	7,590
C. 3	Write-off during the period	**-**
C. 4	Write-back of excess provisions during the period	3,488
C. 5	**Closing balance as at end of the period**	**17,323**

E. MOVEMENT OF SPECIFIC & GENERAL PROVISION

(Rs. in Millions)

Movement of provisions	Specific Provisions#	General Provisions@
Opening balance at the beginning of the year	**1,43,081**	**7512**
Provisions made during the period	64823	-
Write-off during the period	10332	-
Write-back of excess provisions during the period	20	(1587)
Adjustments/Transfers between provisions during the period*	24910	33
Closing Balance as at end of the period	**1,72,642**	**5958**

#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	4924

G. GEOGRAPHIC DISTRIBUTION OF NPA & PROVISIONS

(Rs. in Millions)

SL No	Particulars	Domestic	Overseas	Total
1.	Gross NPA	2,80,539	1,649	**2,82,188**
2.	Provisions for NPA	1,71,935	707	**1,72,642**
3.	Provisions for Standard Advances	5,983	329	**6,312**

H. AGEING OF PAST DUE LOANS

(Rs. in Millions)

SL No	Particulars as on 30th Sep, 2018	Domestic	Overseas	Total
1.1	31-90 days	-	-	-
1.2	91-365 days	64,184	1,035	**65,219**
1.3	1-2 years	43,412	-	**43,412**
1.4	2-4 years	1,02,219	614	**1,02,833**
1.5	Over 4 years	70,724	-	**70,724**
1.6	**Total**	**2,80,539**	**1,649**	**2,82,188**

I. INDUSTRY TYPE DISTRIBUTION OF EXPOSURES

(Rs. in Millions)

Industry	As on 31.12.2018					For quarter ended 31st Dec 2018	
	Exposure		Gross NPA	Provisions for		Write -offs	Provisions for NPA
	Funded*	Non-Funded#		NPA	Standard Advances		
Advances against Fixed Deposits	59234	0	5	3	96	0	1
Advances to Individuals against Shares, Bonds, etc.	17	0	3	0	0	0	0
Agriculture & Allied activities	293738	0	27562	8046	599	766	1602
Telecom	87	970	0	0	0	0	0.00
Power	112777	20413	18920	12748	488	0	1587
Iron & Steel	73905	15421	40871	27231	153	0	2878
Textiles	47435	3694	14788	11964	105	22	640
Construction	27340	74532	20061	11555	36	1149	1214
Infrastructure Road & Port	82291	3919	10047	3445	342	0	837
Infrastructure Other	62824	17494	3795	2816	238	5	39
Fertilizer	3768	105	3	1	0	0	0
Pharmaceutical	15450	1176	8790	7892	31	266	464
Engineering & Electronics	13369	568	11687	8848	7	0	410
Gems & Jewellery	13441	3080	7487	6510	24	0	1833
Aviation & Shipping	8505	0	0	0	36	0	0
Commercial Real State	27705	0	5872	2665	189	2042	127
Cement	11842	0	1308	561	43	9	6
NBFC (excluding HFC)	101615	0	0	0	373	0	0
Retail Trade	96627	0	6256	1813	183	206	289
Wholesale Trade	98755	204	15819	14671	677	78	2265
Tea	340	38	1	0	0	0	0
Housing Direct	154387	0	4713	961	467	10	174
Housing Indirect	60480	0	0	0	263	0	0
Leather & Leather Products	1761	76	89	44	4	1	14
Wood & Wood Products	3294	1246	188	45	12	2	14
Paper & Paper Products	10241	1391	2973	1956	30	370	279
Petrochemical, Other Chemical & their Products	18176	3236	145	43	58	1	3
Petroleum,Coal & Nuclear Fuel	705	3758	614	261	1	0	0
Rubber, Plastics and their product	6301	1	983	694	12	9	156
Glass & Glassware	1282	283	9	2	3	2	1
Other Metal & Products	13042	8024	3208	1379	39	5	17
Beverage & Toboacco	4021	163	451	157	10	22	5
Edible Oil & Vanaspati	4882	15803	2274	2217	7	218	623
Food Processing (other)	21721	821	5066	2722	68	90	867

Industry	As on 31.12.2018					For quarter ended 31st Dec 2018	
	Exposure		Gross NPA	Provisions for		Write -offs	Provisions for NPA
	Funded*	Non-Funded#		NPA	Standard Advances		
Mining & Quarrying	20543	4413	11101	10395	38	0	402
Vehicl and Vehicle Component	10424	1883	7187	5166	9	7	2
Other Industry/ sectors not included above	673535	53256	49912	25828	973	1836	4761
Total	2,155,858	235,967	282,188	172,642	5,614	7,116	21,509

*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 Dec 31, 2018

(Rs. in Millions)

S. No.	Industry	% of Funded &Non-Funded Exposure
1.	Infrastructure	12.53%
1.1	Out of which: Power	5.57%
3.	Non-Banking Finance Companies	6.77%

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	1,459,040	114,188
2	100% risk weight	309,901	75,275
3	More than 100% risk weight	386,917	46,504
4	Deduction from capital funds	-	-
5	**Total Exposure**	**2,155,858**	**235,967**

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 Dec 31, 2018
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2,387,380
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(21,041)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	**2,366,338**
Derivative exposures		
4	Replacement cost associated with all *derivatives* transactions (i.e. net of eligible cash variation margin	18,314
5	Add-on amounts for PFE associated with *all* derivatives transactions	25,796
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)**	**44,110**
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	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to**	-

	Item	As on Dec 31, 2018
	15)	
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	586,226
18	(Adjustments for conversion to credit equivalent amounts)	(454,789)
19	**Off-balance sheet items (sum of lines 17 and 18**	**131,437**
Capital and total exposures		
20	**Tier 1 capital**	**92,745**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**2,541,885**
Leverage ratio		
22	**Basel III leverage ratio**	**3.65%**

LEVERAGE RATIO DISCLOSURE

(Rs. in millions)

Particulars	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Tier 1 capital	92,745	67,519	65,623	99,095
Exposure Measure	2,542,779	2,606,228	2,552,193	2,722,651
Leverage Ratio	3.65%	2.59%	2.57%	3.64%