BASEL III - Pillar 3 Disclosures as on December 31, 2019

DF-2 Capital Adequacy:

Qualitative Disclosures:

The Bank is subject to the Capital adequacy norms as per Master Circular on Basel-III Capital Regulations July 2015 and amendments thereto issued by the Reserve Bank of India ('RBI'). The Basel III capital regulation is being implemented in India from April 1, 2013 in phases and it will be fully implemented as on March 31, 2020.

As at December 31, 2019, the capital of the Bank is higher than the minimum capital requirement as per Basel-III guidelines.

The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The process ensures that the Bank has adequate capital to support all the material risks and an appropriate capital cushion. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through robust risk management framework, control mechanism and an elaborate process for capital calculation and planning. The Bank has formalised and implemented a comprehensive Internal Capital Adequacy Assessment Process (ICAAP). The Bank's ICAAP covers the capital management policy of the Bank and also sets the process for assessment of the adequacy of capital to support current and future business projections / risks for 5 years. The Bank has a structured process for the identification and evaluation of all risks that the Bank faces, which may have an adverse material impact on its financial position.

The Bank's stress testing analysis involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible ("stressed") business conditions. Typically, this relates, among other things, to the impact on the Bank's profitability and capital adequacy. Stress Tests are conducted on a quarterly basis on the Bank's on and off balance sheet exposures to test the impact of Credit, Liquidity risk and Interest Rate Risk in the Banking book (IRRBB). The stress test results are put up to the Asset and liability Committee (ALCO) on a quarterly basis, for their review and guidance. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions. The stress tests are used in conjunction with the Bank's business plans for the purpose of capital planning in the ICAAP.

The integration of risk assessment with business processes and strategies governed by a risk management framework under ICAAP enables the Bank to effectively manage risk-return trade off.

Pillar I

The Bank has adopted Standardised Approach for Credit Risk, Standardized Duration Approach for Market Risk and Basic Indicator Approach for Operational Risk for computing its capital requirement.

The total Capital to Risk Weighted Assets Ratio (CRAR) as per Basel III guidelines works to 163.46% as on December 31, 2019 as against minimum regulatory requirement of 10.875% (9.00% + CCB 1.875%). The Tier I CRAR stands at 162.85% as against RBI's prescription of 8.875% (7.00% + CCB 1.875%). The Bank has followed the RBI guidelines in force, to arrive at the eligible capital, risk weighted assets and CRAR.

Quantitative Disclosure:

The Bank's capital requirements and capital ratios as of 31 December 2019 are as follows: -

(₹ '000)

Composition of Capital	As on 31 Dec 2019	As an 30 Sep 2019
1. Capital requirements for Credit Risk	277,676	399,179
- Portfolios subject to standardized approach		
- Securitisation Exposures		
2. Capital requirements for Market Risk		
(Subject to Standardized Duration Approach)		
- Interest rate risk	27,030	37,856
- Foreign exchange risk (including gold)	39,395	39,395

- Equity risk	-	-
3. Capital requirements for Operational Risk (Subject to basic indicator approach)	145,813	145,813
Total Capital Requirements at 10.875% including Capital Conversion Buffer (1+2+3)	489,913	622,243
Total Capital	7,364,001	7,372,195
Common Equity Tier I	7,336,356	7,372,195
Additional Tier I Capital	-	-
Tier II Capital	27,645	40,214
Common Equity Tier I capital ratio (%)	162.85%	128.14%
Tier I Capital Adequacy Ratio (%)	162.85%	128.14%
Total Capital Adequacy Ratio (%)	163.46%	128.84%

Risk Exposure and Assessment

The Bank considers the following risks as material risks it is exposed to in the normal course of its business and therefore, factors these while assessing / planning capital:

- Credit Risk
- Market Risk
- Operational Risk
- Credit Concentration Risk
- Liquidity Risk
- Interest Rate Risk in the Banking Book

Risk Management framework

The Bank is exposed to various types of risk. The Bank has separate and independent Risk Management Department in place which oversees all types of risks in an integrated fashion. The objective of risk management is to have optimum balance between risk and return. It entails the identification, measurement and management of risks across the various businesses of the Bank.

The Group Board has approved a risk management framework for all its entities within the Group, including its Mumbai branch.

The assumption of financial and non-financial risks is an integral part of the Group's business. The Group's risk management strategy is targeted at ensuring proper risk governance so as to facilitate on-going effective risk discovery and to efficiently set aside adequate capital to cater for the risks. Risks are managed within levels established by the Group Management Committees, and approved by the Board and its committees. The Group has a comprehensive framework of policies and procedures for the identification, assessment, measurement, monitoring, control and reporting of risks. This framework is governed by the appropriate Board and Senior Management Committees. The Board and the Senior Management Committees have the overall responsibility for risk management and risk strategies in the Bank.

The Group applies the following risk management principles:

1. Delivery of sustainable long-term growth using sound risk management principles and business practices;
2. Continual improvement of risk discovery capabilities and risk controls; and
3. Business development within a prudent, consistent and efficient risk management framework.

DF-3 Credit Risk

Credit risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions.

The Bank adopts the definition of 'past due' and 'impaired credits' (for accounting purposes) as defined by Reserve Bank of India under Income Recognition, Asset Classification and Provisioning (IRAC) norms (vide RBI Master Circular dated July 1, 2015).

Credit Risk Management policy The Bank has an approved Credit policy and also relies on the Groups credit policies and processes, adhering to the directives and guidelines issued by RBI to manage credit risk in the following key areas:-

- **Credit Approval Process**

To maintain independence and integrity of the credit approval process, the credit approval function is segregated from the credit origination. Credit approval authority is delegated through a risk-based Credit Discretionary Limits ("CDL") structure that is tiered according to the borrower's rating. Delegation of CDL follows a stringent process that takes into consideration the experience, seniority and track record of the officer. All credit approving officers are guided by product programmes. These credit policies, guidelines and product programmes are periodically reviewed to ensure their continued relevance.

- **Credit Risk Concentration**

A risk-sensitive process is in place to regularly review, manage and report credit concentrations and portfolio quality. This includes monitoring concentration limits and exposures by obligors, portfolios, borrowers and industries. Limits are generally set as a percentage of the Group's capital funds.

Obligor limits ensure that there is no undue concentration to a group of related borrowers that may potentially pose a single risk to the Group.

Portfolio and borrowers limits ensure that lending to borrowers with weaker credit ratings is confined to acceptable levels. These limits are generally tiered according to the borrower's internal ratings.

Industry limits ensure that any adverse effect arising from an industry-specific risk event is confined to acceptable levels.

The Bank adopts a credit risk strategy and risk appetite, which is in line with its risk taking ability to ensure conservation and growth of shareholder funds, with a proper balance between risk and reward. Financial resources are allocated to best optimise the risk reward ratio.

- Ensuring that all economic and regulatory requirements are complied wit
- Ensuring that the portfolio is consistent with the Bank's strategy and objectives especially in relation to risk concentration, maturity profile and liquidity management

Quantitative disclosures

Total gross credit exposure as on Dec 31, 2019

(₹ '000)

Particulars	**Exposure**	**Lien Marked Deposits against Exposures**	**Exposure backed by Eligible Guarantees**
Fund based*	7,842,876	-	180,000
Non fund based	1,956,370	-	-

Represents book value as at Dec 31, 2019

BASEL III - Pillar 3 as on December 31, 2019

Notes:

1. Fund based credit exposure excludes Balance with RBI, Balances with Banks, SLR investments, Fixed and Other assets.
2. Non-fund based exposure includes Bank Guarantee exposures and Forward Contracts & LC Acceptances.

Geographic distribution of exposure as on Dec 31, 2019

(₹ '000)

Particulars	Domestic		
	Exposure	Lien Marked Deposits against Exposures	Exposure backed by Eligible Guarantees
Fund based*	7,842,876	-	180,000
Non fund based	1,956,370	-	-

**Represents book value as at Dec 31, 2019*

Notes:

1. Fund based credit exposure excludes Balance with RBI, Balances with Banks, SLR investments, Fixed and Other assets.
2. Non-fund based exposure includes Bank Guarantee exposures and Forward Contracts & LC Acceptances.
3. The Bank has no direct overseas Credit Exposure (Fund / Non Fund) as on Dec 31, 2019
4.

Industry Type Distribution of Exposure as at Dec 31, 2019 (Gross)

(₹ '000)

Industry Name – Sub Industry	Fund Based Exposure*	Non Fund Based Exposure	Total Exposure
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	2,070,165	-	2,070,165
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilizers	1,000,000	-	1,000,000
Infrastructure - Energy - Electricity Generation - Private	-	499,007	499,007
Paper and Paper Products	801,936	-	801,936
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	1,070,775	-	1,070,775
Aviation	-	1,077,914	1,077,914
Computer Software	180,000	-	180,000
NBFC	2,220,000	-	2,220,000
Wholesale Trade (other than Food Procurement)	500,000	-	500,000.00
Bank	-	239,103	239,103
Others	-	140,346	140,346
Grand Total	**7,842,876**	**1,956,370**	**9,799,246**

Notes:

1. Fund based credit exposure excludes Balance with RBI, Balances with Banks, SLR investments, Fixed and Other assets.
2. Non-fund based exposure includes Bank Guarantee exposures and Forward Contracts & LC Acceptances.

BASEL III - Pillar 3 as on December 31, 2019

As on 31 Dec 2019, the Bank's exposure to the industries stated below was more than 5% of the total gross credit exposure (outstanding):

(₹ '000)

Sr. No.	Industry Classification	Percentage of the total gross credit exposure
1	Infrastructure - Energy - Electricity Generation - Private	5.09%
2	Wholesale Trade (other than Food Procurement)	5.10%
3	Paper and Paper Products	8.18%
4	Chemicals and Chemical Products (Dyes, Paints, etc.) – Fertilizers	10.20%
5	Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	10.93%
6	Aviation	11.00%
7	Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	21.13%
8	NBFC	22.65%

Residual contractual maturity breakdown of assets

(₹ '000)

Maturity Bucket	Cash, Balances with RBI and other Banks	Advances	Investments	Fixed Assets	Other Assets (Net)
Day 1	4,414,164	0	3,184,307	0	12,960
2 to 7 days	150,850	999,390	697,680	0	7,901
8 to 14 days	11,629	160,000	53,785	0	933
15 to 28 days	153,287	1,150,000	708,954	0	530
29 days to 3 months	73,694	1,482,008	340,837	0	23,392
Over 3 months to 6 months	1,028	2,499,543	4,757	0	0
Over 6 months to 12 months	3,023	0	13,980	0	5,931
Over 1 year to 3 years	3,548	0	16,409	0	0
Over 3 years to 5 years	0	0	0	0	0
Over 5 years	0	0	0	8,481	1,105,624
Total	**4,811,224**	**6,290,940**	**5,020,707**	**8,481**	**1,157,270**

BASEL III - Pillar 3 as on December 31, 2019

Movement of NPA (Gross) and Provision for NPAs

(₹ '000)

Particulars	**As at 31 Dec 2019**
(i) Amount of NPAs (Gross)	1,551,936
• Substandard	-
• Doubtful 1	750,000
• Doubtful 2	801,936
• Doubtful 3	-
• Loss	-
(ii) Net NPAs	-
(iii) NPA Ratios	
• Gross NPAs to Gross Advances	19.79%
• Net NPAs to Net Advances	0.00%
(iv) Movement of NPAs (Gross)	
Opening Balance as at April 1, 2019	1,551,936
Additions	-
Reductions	-
Closing Balance as at Dec 31, 2019	1,551,936
(v) Movement of provision of NPAs	
Opening Balance as at April 1, 2019	1,551,936
Provisions made	-
Write- offs of NPA provision	-
Write backs of excess provisions	-
Closing Balance as at Dec 31, 2019	1,551,936

NPI (Gross), Provision for NPI and Movement in Provision for Depreciation on investments

(₹ '000s)

Particulars	**As at 31 Dec 2019**
(i) Amount of Non Performing Investments	-
(ii) Amount of provisions held for Non Performing Investments	-
(iii) Movement of provisions for depreciation on investments	-
Opening Balance as at April 1, 2019	-
Provision made	-
Provision written back on account of sale of Investment and write back	-
	-
Closing Balance as at Dec 31, 2019	-

Movement of general provisions during the period ended Dec 31, 2019

(₹ '000)

Movement of provisions	**Standard Assets Provision**	**Country Risk Provision**	**Unhedged Foreign Currency Exposures Provision**	**Specific Provision**
Opening balance as at Apr 1, 2019	22,875	2,890	-	1,551,936
Provisions made during the period	7,802		1,080	-
Write-off	-	2,150	-	-
Write-back of excess provisions	-	-	-	-
Any other adjustments, including transfers between provisions	-	-	-	-
Closing balance as at Dec 31, 2019	30,677	740	1,080	1,551,936

NPA (Gross), Provision for NPA and Movement in Provision for NPA

(₹ '000)

Particulars	As at 31 Dec 2019
(i) Amount of Non-Performing Assets	1,551,936
(ii) Amount of provisions held for Non-Performing Assets	1,551,936
(iii) Movement of provisions for Non-Performing Assets	
Opening Balance as at Apr 1, 2019	1,551,936
Provision made during the year	-
Provision written back on account of sale of Investment and write back	-
Closing Balance as at Dec 31, 2019	1,551,936

Major industry wise distribution of NPA, Specific and General Provision as on 31 Dec 2019

(₹ '000)

Industry Name – Sub Industry	Non-Performing Loans	Specific Provision	General Provision*
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	-	-	8,281
Chemicals and Chemical Products (Dyes, Paints, etc.) – Fertilizers	-	-	4,000
Infrastructure - Energy - Electricity Generation – Private	-	-	-
Paper and Paper Products	801,936	801,936	-
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	-	4,283
Aviation	-	-	-
Computer Software	-	-	720
NBFC	750,000	750,000	5,880
Steel	-	-	2,000
Wholesale Trade (other than Food Procurement)	-	-	-
Bank	-	-	-
Others	-	-	8,281
Grand Total	**1,551,936**	**1,551,936**	**30,677**

**Represents standard assets provision and*

Geographic Distribution of NPA as on 31 Dec 2019

(₹ '000)

Particulars	Domestic	Overseas
Non-Performing Loan Assets (Gross amount)	1,551,936	-

BASEL III - Pillar 3 as on December 31, 2019

DF-4 Credit Risk: Disclosures for Portfolios subject to Standardised approach

Qualitative Disclosure

The Bank has used the ratings of the following external credit rating agencies (arranged in alphabetical order) for the purposes of risk weighting their claims for capital adequacy purposes:

a) Brickwork Ratings India Pvt. Limited (Brickwork)
b) Credit Analysis and Research Limited (CARE)
c) Credit Rating Information Services of India Limited (CRISIL)
d) ICRA Limited (ICRA)
e) India Ratings and Research Private Limited (India Ratings) and
f) SME Rating Agency of India Ltd (SMERA)

International credit rating agencies (arranged in alphabetical order) for the purposes of risk weighting their claims for capital adequacy purposes where specified:

a) Fitch;
b) Moody's; and
c) Standard & Poor's

The Bank has used the solicited ratings assigned by the above credit rating agencies for credit facilities provided to its customers.

A description of the process used to transfer public issuer ratings onto comparable assets in the banking book:

• Bank has used short term ratings for assets with maturity upto one year and long-term ratings for assets maturing after one year as accorded by the approved external credit rating agencies.
• Bank has not cherry picked ratings. Bank has not used one rating of a CRA (Credit Rating Agency) for one exposure and another CRA's rating for another exposure on the same counterparty unless only one rating is available for a given exposure.
• If an issuer has a long term external credit rating that warrants RW (Risk Weight) of 150%, all unrated exposures on the same issuer whether long or short is assigned the same 150% RW unless mitigated by recognised Credit Risk Mitigation (CRM) techniques.
• Bank has used only solicited rating from the recognised CRAs. In case the issuer has multiple ratings from CRAs, the Bank has a policy of choosing (if there are two or more ratings) lower rating.
• No recognition of CRM technique has been taken into account in respect of a rated exposure if that has already been factored by the CRA while carrying out the rating.

Quantitative Disclosure

Details of credit exposures (funded and non-funded) classified by risk buckets

The table below provides the break-up of the Bank's net exposures into three major risk buckets.

(₹ '000)

Sr. No.	Exposure amounts after risk mitigation	Fund Based Exposure*	Non Funded Exposure
1	Below 100% risk weight exposure outstanding	7,662,876	1,956,370
	100% risk weight exposure outstanding	180,000	-
3	More than 100% risk weight exposure outstanding	-	-
4	Deducted (represents amounts deducted from Capital funds)	-	-
	Total	7,842,876	1,956,370

**Represents book value as at Dec 31, 2019*

Notes:
1. Fund based credit exposure excludes Balance with RBI, Balances with Banks, SLR investments, Fixed and Other assets.
2. Non-fund based exposure includes Bank Guarantee exposures and Forward Contracts & LC Acceptances.

Leverage Ratio

The leverage ratio has been calculated using the definitions of capital and total exposure. The Bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is as follows:

Sr. No.	Particulars	As at 31 Dec 2019
1	Tier I capital	7,336,356
2	Exposure Measure	18,177,977
3	Leverage Ratio	40.36%

BASEL III - Pillar 3 as on December 31, 2019

DF 15 Liquidity Coverage Ratio

(₹ '000)

Particulars			Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets				
1	Total High Quality Liquid Assets (HQLA)		8,498,220	8,498,220
Cash Outflows				
2	Retail deposits and deposits from small business customers, of which:		-	-
	(i)	Stable deposits	-	-
	(ii)	Less stable deposits	-	-
3	Unsecured wholesale funding, of which :		-	-
	(i)	Operational deposits (all counterparties)	(4,564,660)	(1,833,730)
	(ii)	Non-operational deposits (all counterparties)	-	-
	(iii)	Unsecured debt	-	-
4	Secured wholesale funding		-	-
5	Additional requirements, of which		-	-
	(i)	Outflows related to derivative exposures and other collateral requirements	(5,791)	(5,791)
	(ii)	Outflows related to loss of funding on debt products	-	-
	(iii)	Credit and liquidity facilities	-	-
6	Other contractual funding obligations		(77,656)	(77,656)
7	Other contingent funding obligations		(9,591,852)	(443,768)
8	Total Cash Outflows		(14,239,959)	(2,360,945)
Cash Inflows				
9	Secured lending (eg reverse repos)		3,390,000.00	0
10	Inflows from fully performing exposures		3,479,602	8,301
11	Other cash inflows		2,309,390	1,514,695
12	Total Cash Inflows		9,178,992	1,522,996
Total Adjusted Value				837,949
21	TOTAL HQLA			8,498,220
22	Total Net Cash Outflows			837,949
23	**Liquidity Coverage Ratio (%)**			1,014.17%

*The LCR is presented ratio as of quarter ended Dec 2019.