DF-2 Capital Adequacy:

Qualitative Disclosures:

The Bank is subject to the Capital adequacy norms as per Master Circular on Basel-III Capital Regulations 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, 2019. In view of the gradual phase-in of regulatory adjustments to the capital components under Basel III, certain specific prescriptions of Basel II capital adequacy framework shall also continue to apply till June 30, 2017.

As at June 30, 2017, 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 4 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 114.07% as on June 30, 2017 (as against minimum regulatory requirement of 9%). The Tier I CRAR stands at 113.32% as against RBI’s prescription of 7.00%. 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 30 June 2017 are as follows:-

(₹ ‘000)

Composition of Capital	As on 30 June 2017
1. Capital requirements for Credit Risk	450,283
- Portfolios subject to standardized approach	
- Securitisation Exposures	
2. Capital requirements for Market Risk (Subject to Standardized Duration Approach)	
- Interest rate risk	19,955
- Foreign exchange risk (including gold)	32,603
- Equity risk	

3. Capital requirements for Operational Risk (Subject to basic indicator approach)	125,354
Total Capital Requirements at 9% (1+2+3)	628,195
Total Capital	7,961,691
Common Equity Tier I	7,909,682
Additional Tier I Capital	-
Tier II Capital	52,008
Common Equity Tier I capital ratio (%)	113.32%
Tier I Capital Adequacy Ratio (%)	113.32%
Total Capital Adequacy Ratio (%)	114.07%

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, industries and countries. 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 June 30, 2017

(₹ '000)

Particulars	Exposure	Lien Marked Deposits against Exposures	Exposure backed by Eligible Guarantees
Fund based*	8,594,994	-	118,803
Non fund based	1,161,173	-	-

Represents book value as at June 30, 2017

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 LC Acceptances, Bank Guarantees at book value as on March 31, 2017 and Forward Contracts exposure under current exposure method.

Geographic distribution of exposure as on June 30, 2017

(₹ '000)

Particulars	Domestic		
	Exposure	Lien Marked	Exposure backed

BASEL III - Pillar 3 as on June 30, 2017

		Deposits against Exposures	by Eligible Guarantees
Fund based*	8,594,994	-	118,803
Non fund based	1,161,173	-	

**Represents book value as at June 30, 2017.*

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 LC Acceptances, Bank Guarantees at book value as on March 31, 2017 and Forward Contracts exposure under current exposure method.

Industry Type Distribution of Exposure as at June 30, 2017 (Gross)

(₹ '000)

Industry Name	**Sub Industry**	**Fund Based Exposure***	**Non Fund Based Exposure**	**Total Exposure**
Basic Metal and Metal Products	Iron and Steel	1,000,000	514,102	1,514,102
	Metals	724,010		724,010
All Engineering				
Chemicals, Dyes, Paints,Fertilizers etc				
Leather and Leather Products	Leather and Leather Products	378,500		378,500
Telecommunication				
NBFC's		2,620,000		2,620,000
Pharmaceuticals		64,580		64,580
Petroleum		2,537,400	23,493	2,560,893
Other Industries				
Of which; Electricity				
Food Confectionary		64,000		64,000
Logistic		21,303		21,303
Banks		258,062	274,457	532,519
Paper & Paper products		835,436		835,436
Commodities Trading				
Others		91,703	155,381	247,084
Aviation		0	193,740	193,740
Total		8,594,994	1,161,173	9,756,167

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 LC Acceptances, Bank Guarantees at book value as on June 30, 2017 and Forward Contracts exposure under current exposure method.

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	32,590	303	2,823,637	0	261
2 to 7 days	866,751	61,500	304,254	0	24,091
8 to 14 days	0	66,000	0	0	290
15 to 28 days	76,247	491,062	400,298	0	102,374
29 days to 3 months	54,223	962,010	284,669	0	270,947
Over 3 months to 6 months	0	3,791,184	0	0	0
Over 6 months to 12 months	0	2,421,000	0	0	780
Over 1 year to 3 years	961	441,065	5,048	0	422,054
Over 3 years to 5 years	0	0	0	0	0
Over 5 years	0	0	0	13,878	0
Total	1,030,773	8,234,123	3,817,907	13,878	820,795

Movement of NPAs (Gross) and Provision for NPAs

(₹ ‘000)

Particulars	As at 30 June 2017
(i) Amount of NPAs (Gross)	801,936
• Substandard	801,936
• Doubtful 1	-
• Doubtful 2	-
• Doubtful 3	-
• Loss	-
(ii) Net NPAs	441,065
(iii) NPA Ratios	-
• Gross NPAs to Gross Advances	9.33%
• Net NPAs to Net Advances	5.36%
(iv) Movement of NPAs (Gross)	-
Opening Balance as at April 1, 2017	801,936
Additions during the year	-
Reductions during the year	-
Closing Balance as at June 30, 2017	801,936
(v) Movement of provision of NPAs	
Opening Balance as at April 1, 2017	360,871
Provisions made during the year	-
Write- offs of NPA provision	-
Write backs of excess provisions	-
Closing Balance as at June 30, 2017	360,871

Movement of general provisions during the quarter ended June 30, 2017

(₹ '000)

Movement of provisions	Standard Assets Provision	Country Risk Provision	Unhedged Foreign Currency Exposures Provision	Specific Provision
Opening balance	46,227	481	14,277	360,871
Provisions made during the period	-	418	2,884	-
Write-off	-	-	-	-
Write-back of excess provisions	(12,279)	-	-	-
Any other adjustments, including transfers between provisions	-	-	-	-
Closing balance	33,948	899	17,161	360,871

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

(₹ '000)

Particulars	As at 30 June 2017
(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, 2017	-
Provision made during the year	-
Provision written back on account of sale of Investment and write back	-
	-
Closing Balance as at June 30, 2017	-

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

(₹ '000)

Particulars	As at 30 June 2017
(i) Amount of Non-Performing Assets	801,936
(ii) Amount of provisions held for Non-Performing Assets	360,871
(iii) Movement of provisions for Non-Performing Assets	
Opening Balance as at April 1, 2017	360,871
Provision made during the year	-
Provision written back on account of sale of Investment and write back	-
Closing Balance as at June 30, 2017	360,871

Major industry wise distribution of NPA, Specific and General Provision as on 30 June 2017

(₹ '000)

Industry Name	Sub Industry	NPA	Specific Provision on NPA	General Provision*
Basic Metal and Metal Products	Iron and Steel		-	6,056
	Metals		-	2,896
Pharmaceutical			-	258

Chemicals, Dyes, Paints, Fertilizers etc.			-	-
Leather and Leather Products	Leather and Leather Products		-	1,514
NBFC's			-	10,480
Petroleum			-	10,244
Other Industries			-	-
Of which; Electricity				
Food Confectionary			-	256
Logistic			-	85
Banks			-	1,037
Paper & Paper products		801,936	360,871	134
Carbon Black			-	-
Others-			-	988
Guarantees issued against C/G			-	-
Total		**801,936**	**360,871**	**33,948**

**Represents standard assets provision*

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.

(Rs. In '000)

Sr. No.	Exposure amounts after risk mitigation	Fund Based Exposure*	Non Funded Exposure
1	Below 100% risk weight exposure outstanding	6,054,255	967,433
2	100% risk weight exposure outstanding	2,540,739	193,740
3	More than 100% risk weight exposure outstanding	-	-
4	Deducted (represents amounts deducted from Capital funds)	-	-
	Total	**8,594,994**	**1,161,173**

**Represents book value as at June 30, 2017*

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 LC Acceptances, Bank Guarantees at book value as on June 30, 2017 and Forward Contracts exposure under current exposure method.

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 on 30-June-2017
1	Tier I capital	7,909,682
2	Exposure Measure	147,697
3	Leverage Ratio	53.55%