Disclosures under the New Capital Adequacy Framework Guidelines- Basel III (Pillar 3)- for the quarter ended on 31st December 2015

Table DF-2: Capital Adequacy

(i) Qualitative Disclosure

a. The Bank is subject to the capital adequacy guidelines stipulated by RBI. RBI has issued Basel-III guideline which has been implemented from 1st April 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the quarter ended 31st December 2015 is 9% with minimum Tier-I ratio of 7% and Common Equity Tier-I (CET-1) Ratio of 5.5%.

b. The Bank actively manages its capital requirement by taking in to account the current and projected Business growth of the Bank. Bank has implemented comprehensive Internal Capital Adequacy Assessment Process (ICAAP). ICAAP comprises Bank's procedure to ensure identification and measurement of risks, appropriate level of Internal capital in relation to Bank's risk profile and development of suitable risk management system, composition and distribution of internal capital which is considered adequate to cover current, as well as any future risk in both quantitative and qualitative terms. Stress tests are used as a part of Internal Capital Adequacy Assessment Process (ICAAP) to evaluate the impact on the bank's capital under extreme stress scenario and to ensure that the capital base can with-stand the adverse impact of uncertain events. The Bank is guided by the philosophy of optimal utilisation of the capital so as to increase the return on capital and increase shareholders value in the long run. ICAAP of the Bank covers capital requirement for next five years.

The Bank has also implemented the ICAAP policy. This Policy covers regulatory standards, ICAAP procedures as well as roles and responsibilities of various functionaries.

Objectives of the ICAAP Policy are:

- To ensure management of internal capital in accordance with the RBI Guidelines, Basel II and Basel III Guidelines and overall Corporate Governance Principles.
- To describe the process for identification, assessment, measurement and aggregation of the risks inherent in the Bank's business and operations.
- To ensure that the available capital is commensurate with the Bank's risk profile.
- To ensure that there is clear assignment of roles and responsibilities for facilitating the ICAAP.

Internal Capital Adequacy Assessment Committee of the Board is responsible for implementation of ICAAP in the Bank.

Internal Capital Adequacy Assessment Process (ICAAP): The ICAAP comprises of a bank's procedures and measures designed to ensure the following:

- Risk identification and measurement processes are appropriate;
- Level of internal capital is commensurate with the bank's risk profile;

- Risk management systems are suitably developed and applied.

Identification of Material Risk: The Bank considers the following as material risks in the course of its business and therefore, factors these risks while assessment of existing capital and future capital requirement:

Pillar-I	Pillar-II
• Credit Risk	• Residual credit risk
• Market Risk	• Credit Concentration Risk
• Operational Risk	• Liquidity Risk
	• Interest Rate Risk in the Banking Book
	• Settlement Risk
	• Counterparty Credit Risk
	• Reputational Risk
	• Strategic Risk and Business Risk
	• Pension obligation Risk
	• Loan Maturity Concentration
	• Currency Induced Credit Risk
	• Collateral Concentration Risk
	• Concentration in Human Resource
	• Residual Risk

(ii) Quantitative Disclosures

a. Capital requirement for Credit risk

Amounts in (₹) million

Particulars (Basel-III)	Dec 31,2015
Portfolio subject to standardised approach	111,333.6
Securitisation exposures	89.4
Total	**111,423.0**

b. Capital requirement for Market risk

Amounts in (₹) million

Portfolio subject to Standardised Duration Method (Basel-III)	Dec 31,2015
Interest rate risk	3,998.6
Foreign Exchange risk (including gold)	45.0
Equity risk	1,012.5
Total	**5,056.1**

c. Capital requirement for Operational risk

Amounts in (₹) million

Particulars (Basel-III)	Dec 31,2015
Basic indicator approach	7,738.4
Total	**7,738.4**

d. Common Equity Tier 1, Tier 1 and Total Capital ratio as on Dec 31st 2015

Particulars	Basel-III
CET 1 capital ratio	7.54%
Tier I capital ratio	8.27%
Total capital ratio	11.49%

(iii) Risk exposure and assessment

The Risk Management is integral to the operations and culture of the Bank. The wide variety of business undertaken by the Bank requires it to identify, measure, control, monitor and report risks effectively. Risk management is the process whereby Bank methodically addresses the risk attached to its activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

Managing risk is a process operated independent of the business units of the Bank. It consists of the following key components:

Identification	The Bank endeavors to identify all material risks that may affect it. Identification is a continuous and pro-active process. It covers all the current activities of the Bank as well as new products and initiatives.
Policies	In order to ensure that the Bank's business units comply with the approved risk management framework, the Board of Directors has approved detailed Group Credit Policy, ALM Policy and other Risk Management Policies covering an integrated view of risk management process in the Bank.
Measuring and handling risk	The Bank spends considerable resources on maintaining a modern IT platform and trained resources to support risk management. The Bank continually monitors models and validates risk parameters to ensure that risk measurement gives a fair presentation of the underlying portfolios and transactions.
Parameter applications	In order to capitalize on the Bank's risk appetite, the Bank uses risk-based data about customers, industries, geographies, etc. in the day-to-day handling of customer transactions.
Controls	The Bank has established an independent control environment to monitor and enforce the approved policies and limits.
Reporting	The Bank applies systematic risk reporting at all levels of the organization with openness in the reporting of risk factors to the Bank's stakeholders.

Bank has evolved suitable risk management process and architecture in order to manage various financial and non-financial risks, broadly divided into three categories viz. Credit risk, Market risk and Operational Risk. The Board of Directors remain the fountainhead of all risk management policies and strategies. It is supported by the Sub Committee of the Board for Risk Management, which in turn, is supported by the Asset Liability Management Committee (ALCO) / Market Risk Management Committee (MRMC), Credit Risk Management Committee (CRMC), Operational Risk Management Committee (ORMC). Internal Capital Adequacy Assessment Committee of the Board (ICAAC) is responsible for execution of the ICAAP, reviewing the risk profile on quarterly basis. The committee analyses wheather the required capital commensurate with the risk profile of the Bank and recommends suitable corrective measures, if required .

Bank has formed Zonal level Credit Committee (ZLCC), Circle Level; Credit Committee (CLCC), Head Office Level Credit Committee (HLCC) and Credit Approval Committee (CAC) for according sanctions of credit proposals.

Risk Management Architecture

Credit Risk:
Credit Risk is defined as a potential risk that a bank borrower or counterparty will fail to meet its obligations in accordance with the agreed terms. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable levels.

The Bank is developing the credit portfolio with a focus on priority sector loans and retail loans. Bank has identified these segments as the competitive edge that can be used to achieve rapid growth. The Bank assumes risks within the limits of applicable legislation and other rules prescribed by RBI from time to time. Overall, the Bank adheres to good business practices applicable for financial enterprises. The Bank is particularly cautious in its granting credit to businesses in troubled or cyclical industries

The key components of Bank's overall credit policy are as follows:

a. The Bank believes in establishing and extending long-term customer relationships.
b. Loans are granted to meet the customer's need and based on specific assessments that provide a context for such credit, including a combination of qualitative and quantitative criteria.
c. The Bank regularly follows up on developments in the customer's financial position in order to assess whether the basis for granting of credit has changed.
d. The exposure should match the customer's creditworthiness, capital position or wealth components. The client should be able to substantiate his repayment ability.

The Bank actively manages its credit risk and has implemented rating cum appraisal system for commercial credit facilities of above Rs.25 lakhs. The borrowers are rated based on the financials, the project viability, Industry performance, collaterals offered etc. Ratings assigned by the appraising officers are independently verified by the Risk Managers, before confirming the same. There are 8 rating grades for the borrowers. The Bank has implemented a multi-tier credit approving system wherein an "Approval Grid" clears the loan proposals before being placed to the respective sanctioning authorities. The Group Credit Policy has defined the hurdle rate i.e. the minimum rating that the borrower should get in case of new/takeover proposals. The Bank has been steadily building data through the rating system which will help the bank in migrating to the advanced approaches in Risk Management.

In order to quicken the processing of Retail Loans and to maintain quality in appraisal, Retail Hubs have been set up across the country for processing of retail loans. These Retail hubs have enabled speeding up of the processing of Retail Loans and to also process the appraisal note of retail obligors keeping in view Risk Perspective. For a focused approach and faster dispensation of SME credit and Agriculture loans, the Bank has opened exclusive SME Loan centers across the country.

Credit Risk Management Architecture

The Credit Risk Management Committee (CRMC) looks after the credit risk areas and in turn reports to the Risk Management Committee of Board (RMCB). The RMCB reports to the Board.

Policies in place:

Bank has put in place following policies for Credit Risk Management:

- Group Credit Policy
- Credit Risk Management Policy
- Country Risk Management Policy
- Collateral Management Policy

Group Credit Policy guides the Credit decisions in all areas of operation where Credit Risk is involved. Bank has set prudential limits to individual borrowers, non-corporate borrowers, entry level exposure norms, substantial exposure limits, benchmark financial ratios, borrower standards, exposure limits/ceilings to industries, sensitive sectors, rating category etc. The Board reviews the prudential limits periodically.

Market Risk:

Market risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices.

Market Risk Management Architecture

The Bank has set up an independent Mid – Office in its Treasury Branch, Mumbai. Mid office acts as an extended arm of Integrated Risk Management Division and is entrusted with the responsibility of monitoring the adherence of various risks limits set, such as, Trading limits, Counterparty exposure limits etc. The Mid Office calculates various risk indicators such as VaR, Duration, modified Duration etc on a daily basis and reports the same to the Integrated Risk Management Division. Any breach of limits is immediately brought to the attention of Top management and necessary actions are taken wherever required.

The Market Risk Management Committee (MRMC) looks after the Market Risk areas and in turn reports to the Risk Management Committee of Board (RMCB). The RMCB reports to the Board.

Policies in place:

Bank has put in place following policies for Market Risk Management:

- Investment Policy
- Market Risk Policy
- Derivative Policy
- Gold Loan Policy
- Precious Metal Policy

Operational Risk:

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Operational Risk Management Committee (ORMC) is entrusted with Operational Risk Management areas and in turn reports to the Risk Management Committee of Board (RMCB). The RMCB reports to the Board.

Policies in place:

Bank has put in place following policies for Operational Risk Management:

- Operational Risk Management Policy
- Policy on outsourcing of Financial and other services
- Policy on outsourcing of IT services
- Information security policy and guidelines
- Business continuity plan
- Disaster recovery plan

Approaches for capital computation

In line with the Reserve Bank of India (RBI) Guidelines, the Bank has adopted following approaches for implementation of New capital Adequacy Framework under Basel-II norms.

- Standardised Approach for Credit Risk.
- Standardised Duration Approach for Market Risk.
- Basic Indicator Approach for Operational Risk.

Table DF-3: Credit Risk: General Disclosures for all Banks

a. The Bank has adopted the definition of the past due and impaired assets (for accounting purposes), as defined by the regulator, for income recognition and asset classification norms.

The Bank has put in place Board approved Group Credit Policy. The objectives of the policy are to ensure that the operations are in line with the expectation of the Management / Regulator so that strategies of the top management are translated into meaningful and desired outcomes at operational level. The policy stipulates prudential limits on large credit exposure, standards for loan collateral, portfolio management, risk concentration, risk monitoring and evaluation, provisioning and regulatory / legal compliance. The Bank identifies the risks to which it is exposed and applies suitable techniques to measure, monitor and control these risks.

Various Risk Management Committees monitor implementation of these policies and strategies approved by the Board. They monitor credit risks and ensure compliance of risk limits.

The Bank monitors the risk concentration by analyzing the actual exposure vis-à-vis exposure limits fixed for single and group borrowers, rating grade–wise limits, Industry wise exposure limits and analyzing the geographical distribution of credit across the Zones / States etc.

b. Total Gross credit risk exposures, Fund Based and Non-fund based

Particulars	**Amounts in (₹) million**
Fund Based (Book value)	**December 31,2015**
Gross Advances	1,462,710.8
Investments (including RIDF and venture capital funds liable for credit risk)	510,875.9
Other Assets	181,461.2
Non Fund Based	
Market related$	540,283.9
Non-Market related (Book Value)	253,152.8
Total Credit risk exposures	**2,948,484.68**

$ Credit equivalent value of derivatives and market value of securities posted as collateral for collaterised lending and borrowing transactions

c. **Geographical Distribution of Credit risk exposures (loans and advances)**

Amounts in (₹) million

Exposure distribution	Dec 31, 2015		
	Fund Based	Non-fund Based	Total
Domestic	1,462,710.9	253,152.9	1,715,863.8
Overseas	-	-	-

d. Industry type distribution of exposures, fund based and non-fund based (As on 31st Dec 2015)

Amounts in (₹) million

Industry	Fund Based	Non-Fund Based
A. Mining and Quarrying (A.1 + A.2)	**1,365.3**	**37.5**
A.1 Coal	384.0	15.3
A.2 Others	981.3	22.3
B. Food Processing (Sum of B.1 to B.5)	**33,916.2**	**8,445.4**
B.1 Sugar	5,634.8	113.9
B.2 Edible Oils and Vanaspati	4,173.0	5,986.2
B.3 Tea	54.4	2.7
B.4 Coffee	626.5	-
B.5 Others	23,427.6	2,342.6
C. Beverages (excluding Tea & Coffee) and Tobacco (Sum of C.1 & C.2)	**5,416.4**	**112.8**
C.1 Tobacco and tobacco products	2,970.1	76.1
C.2 Others	2,446.3	36.7
D. Textiles ((Sum of D.1 to D.6)	**60,370.7**	**6,499.4**
D.1 Cotton	35,794.3	1,815.1
D.2 Jute	26.6	-
D.3 Handicraft/Khadi (Non Priority)	108.5	-
D.4 Silk	559.2	2.0
D5. Woolen	-	-
D6. Others	23,882.0	4,682.2
Out of D (i.e., Total Textiles) to Spinning Mills	1,325.9	24.1
E. Leather and Leather products	**4,937.7**	**726.4**
F. Wood and Wood Products	**9,802.4**	**6,247.0**
G. Paper and Paper Products	**5,085.3**	**337.1**
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	**12,873.1**	**1,955.2**
I. Chemicals and Chemical Products (Dyes, Paints, etc.) (Sum of I.1 to I.4)	**30,943.2**	**5,330.1**
I.1 Fertilisers	8,753.3	1,918.1
I.2 Drugs and Pharmaceuticals	8,922.4	1,024.1
I.3 Petro-chemicals (excluding under Infrastructure)	5,062.0	1,847.1
I.4 Others	8,205.5	540.8
J. Rubber, Plastic and their Products	**5,474.7**	**2,769.2**
K. Glass & Glassware	**501.1**	**82.9**
L. Cement and Cement Products	**12,675.6**	**576.9**
M. Basic Metal and Metal Products (M.1 + M.2)	**64,756.5**	**11,924.5**
M.1 Iron and Steel	51,761.0	6,661.3

M.2 Other Metal and Metal Products	12,995.4	5,263.2
N. All Engineering (N.1 + N.2)	**46,096.2**	**27,533.2**
N.1 Electronics	18,855.6	5,045.2
N.2 Others	27,240.6	22,488.0
O. Vehicles, Vehicle Parts and Transport Equipment's	**29,883.5**	**4,555.1**
P. Gems and Jewellery	**38,350.3**	**2,155.5**
Q. Construction	**4,163.2**	**1,066.8**
R. Infrastructure (Sum of R1 to R.4)	**2,29,579.4**	**17,063.9**
R.1 Transport ((Sum of R.1.1 to R.1.5)	**42,910.8**	**404.6**
R.1.1 Railways	-	-
R.1.2 Roadways	40,457.4	404.6
R.1.3 Airport	1,574.1	-
R.1.4 Waterways	-	-
R.1.5 Others	879.3	-
R.2 Energy (Sum of R.2.1 to R.2.4)	**1,37,004.4**	**12,385.7**
R.2.1 Electricity (generation-transportation and distribution)	**1,37,004.4**	**12,385.7**
R.2.1.1 State Electricity Boards	61,981.3	-
R.2.1.2 Others	75,023.1	-
R.2.2 Oil (storage and pipeline)	-	-
R.2.3 Gas/LNG (storage and pipeline)	-	-
R.2.4 Others	-	-
R.3 Telecommunication	30,578.4	3,365.3
R.4 Others (Sum of R.4.1 to R.4.3)	**19,085.8**	**908.3**
R.4.1 Water sanitation	668.0	-
R.4.2 Social & Commercial Infrastructure	18,417.9	908.3
R.4.3 Others	-	-
S. Other Industries	1,83,383.6	84,844.3
All Industries (Sum of A to S)	**7,79,574.4**	**1,82,263.3**
Residuary Other Advances (to tally with gross advances) [a+b+c]	-	-
a. Education Loan	-	-
b.Aviation Sector	12,308.0	-
c.Other Residuary Advances	6,70,828.5	70,889.6
Gross total Loans and Advances (20+21)	**14,62,710.9**	**2,53,152.9**

Note:

- The above industry wise break-up is provided on the same lines as prescribed for DSB returns.
- Exposure to Electricity (generation-transportation and distribution) industry is exceeding 5% of Gross Credit exposure (Fund and non-fund based).

e. **Residual Contractual Maturity breakdown of assets as on 31ST Dec 2015**

Amounts in (₹) million

Maturity Buckets	Cash and Balance with RBI	Balances with Banks and Money at Call and Short Notice	Investments	Advances	Fixed Assets	Other Assets	Grand Total
Next Day	13,123.7	20,364.8	102,761.9	32,455.9	-	4,322.1	173,028.5
2 - 7 Days	3,559.9	9,129.4	12,017.8	26,457.2	-	11,047.1	62,211.4
8 -14 Days	1,951.0	-	10,458.5	19,323.0	-	11,526.3	43,258.9
15- 28 Days	2,459.7	-	9,164.9	36,934.4	-	1,508.3	50,067.3
29 Days – 3 Months	10,355.1	-	117,441.5	99,554.7	-	10,450.3	237,801.6
>3 Months-6 Months	9,536.2	-	21,100.7	104,717.0	-	-	135,353.9
>6 Months-1Yr	6,644.0	-	39,145.8	110,582.2	-	13,463.5	169,835.6
>1Yr-3 Yrs	12,443.4	-	78,269.1	573,647.7	-	34,142.8	698,503.0
>3 Yrs- 5 Yrs	4,218.3	-	24,294.5	185,540.9	-	28,427.3	242,481.1
>5 Yrs	23,395.0	-	141,958.8	235,394.0	12,485.7	24,788.8	438,022.4
Total	87,686.4	29,494.2	556,613.6	1,424,607.1	12,485.7	139,676.6	2,250,563.6
Add: Provision and claims held			3,838.2	38,103.7	-	-	-
Gross Investments/ Advances			**560,451.8**	**1,462,710.8**	-	-	-

Note: Contractual maturity break down of assets as used for reporting positions in the ALM returns to RBI

f. **Amount of NPAs (Gross) as on 31st Dec 2015**

Classification of Gross NPAs	**Amounts in (₹) million**
Sub –Standard	43,783.5
Doubtful –1	31,751.7
Doubtful – 2	30,233.9
Doubtful – 3	256.0
Loss	1,044.6
Total NPA [Gross]	**107069.7**

g. **Net NPAs as 31st Dec 2015**

Amounts in (₹) million

Gross NPAs	107069.7
Less: Provisions	38103.7
Net NPAs	**68966.0**

h. NPA Ratios as on 31st Dec 2015

Gross NPA to Gross Advances	7.32%
Net NPA to Net Advances	4.84%

i. Movement of NPAs (Gross)

Amounts in (₹) million

Opening balance at the beginning of the Year 1st April 2015	71,066.9
Additions during the Year	61931.9
Reductions during the Year	25928.9
Closing balance as on 31st Dec 2015	**107069.7**

j. Movement of Provisions for NPAs

Amounts in (₹) million

Opening balance at the beginning of the Year 1st April 2015	26,071.5
Add: Provisions made during the Year	34144.9
Add: DICGC claim settled amount	452.0
Less: Written off during the current Year	20413.0
Less: Write back of excess provision made during the Year	1145.8
Less Provision drawn for accounts sold to ARCs	1005.9
Closing balance as on 31st Dec 2015	**38103.8**

Amounts in (₹) million

k. Amount of Non-Performing Investment	2190.7
l. Amount of provisions held for non-performing investments	2189.2
m. Movement of Provisions for Depreciation on Investments	
• Opening balance as on 1st April 2015	409.4
• Add : Provisions made during the Year	1393.8
• Less : write-off/write-back of excess provision	154.1
• Closing balance on 31st December 2015	1649.0

Table DF-4: Credit Risk: Disclosure of portfolios subject to the Standardised Approach

Qualitative Disclosures

a. The Bank is using the ratings assigned by the following credit rating agencies, approved by the RBI, for risk weighting:

1. Crisil
2. Care
3. ICRA
4. Fitch
5. Brickworks
6. SMERA

Types of exposures for which each agency is used

The Bank has used the solicited ratings assigned by the above approved credit rating agencies for all eligible exposures, both on balance sheet and off balance sheet, whether short term or long term, in the manner permitted in the RBI guidelines on the New Capital Adequacy Framework (NCAF). The Bank has not made any discrimination among ratings assigned by these agencies nor has restricted their usage to any particular type of exposure.

Bank Loan Rating

All long term and short term ratings assigned by the accredited credit rating agencies for Bank loan portfolio are considered by the Bank. For assets in the Bank's portfolio that have contractual maturity less than or equal to one year, short term ratings accorded by the chosen credit rating agencies are considered relevant. For other assets, which have a contractual maturity of more than one year, long term ratings accorded by the chosen credit rating agencies are considered relevant.

Long term ratings issued by the chosen domestic credit rating agencies are mapped to the appropriate risk weights applicable as per the Standardised approach under the NCAF. The rating to risk weight mapping furnished below was adopted for domestic corporate exposures, as per RBI guidelines:

Long Term Rating	AAA	AA	A	BBB	BB & Below	Unrated
Risk Weight	20%	30%	50%	100%	150%	100%

In respect of the short term ratings the following risk weight mapping has been adopted by the Bank, as provided in the NCAF:

Short Term Rating	A1+	A1	A2	A3	A4&D	Unrated
Risk Weight	20%	30%	50%	100%	150%	100%

Quantitative Disclosure

b. Amount of bank's outstanding exposure (rated and unrated) in major risk buckets as on Dec 31, 2015:

Gross Credit Exposure	**Amounts in (₹) million**
Below 100% risk weight	892,601.9
100% risk weight	454,536.0
More than 100% risk weight	368,725.7
Deducted	Nil
Total	**1,715,863.6**