

BASEL III – PILLAR 3 DISCLOSURES FOR THE HALF YEAR ENDED 31.12.2023

RBI issued Basel III guidelines, applicable w.e.f. 01.04.2013 and at present with full implementation of Basel III guidelines, minimum capital to risk-weighted assets ratio (CRAR) is 11.50%, minimum Common Equity Tier -1 ratio is 8.00% and minimum Tier 1 ratio is 9.50%. Minimum capital required to be held by Bank for the quarter ended 31st December 2023 is 11.50% with minimum CET 1 (incl. CCB) of 8.00%.

Basel III framework consists of three mutually reinforcing pillars:

- (i) Pillar 1: Minimum Capital Requirement (Credit Risk, Market Risk and Operational Risk)
- (ii) Pillar 2: Supervisory Review and Evaluation Process
- (iii) Pillar 3: Market Discipline

Market Discipline (Pillar 3) consists of set of disclosures on capital adequacy and risk management framework of Bank. These disclosures have been set out as under:

TABLE DF – 2: CAPITAL ADEQUACY

Qualitative Disclosures

a. Capital Management

Bank has a process for assessing its overall capital adequacy in relation to Bank's risk profile and a strategy for maintaining its capital levels. Process provides an assurance that Bank has adequate capital to support all risks inherent to its business. Bank actively manages its capital to meet regulatory norms by considering available options of raising capital.

Organisational Set-up:

Capital Management is administered by Financial Management and Accounts Department in co-ordination with Integrated Risk Management Department under the supervision of Board of Directors. Bank has also formed Capital Planning Committee to provide guidance and assess the capital position on quarterly basis.

Internal Assessment of Capital:

Bank's Capital Management framework includes a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) conducted annually which determines adequate level of capitalisation for Bank to meet regulatory norms and current and future business need, including under stressed scenarios. ICAAP encompasses capital planning for two years' time horizon, after identification and evaluation of significance of all risks that Bank faces, which may have an adverse material impact on its financial position. Bank considers following Pillar II risks it is exposed to in the normal course of its business and considers them for capital planning:

• Group Risk	• Country Risk
• Capital Risk	• Compliance Risk
• Liquidity Risk	• Legal Risk
• Concentration Risk	• Risk of decline in collateral values
• Interest Rate Risk in the Banking Book	• Model Risk



• Risk of under-estimation of RWAs	• Strategic Risk
• Currency Induced Credit Risk	• Reputational Risk
• Settlement Risk	• Pension Obligation Risk
• Securitization Risk	• IT Risk
• Climate Risk	

Bank periodically assesses and refines its stress tests in an effort to ensure that stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of business environment conditions. Stress tests are used in conjunction with Bank's business plans for the purpose of capital planning.

Monitoring and Reporting:

The Board of Directors of the Bank monitors capital adequacy levels of Bank. An analysis of the capital adequacy position and risk weighted assets and an assessment of various aspects of Basel III on capital and risk management are undertaken by Board on a quarterly basis.

Quantitative Disclosures

b. Capital Requirement

Bank's capital requirements have been computed using Standardized Approach for Credit Risk, Standardized Duration Method for Market Risk and Basic Indicator Approach for Operational Risk. Minimum capital required to be held by Bank for the quarter ended September 30, 2023 is 11.50% of which 9% is the capital excluding CCB:

(Amount in Rs million)

Sr. No.	Particulars	Amount	Amount
(A)	Capital Required for Credit Risk		
(i)	Portfolios subject to Standardized Approach @ 9%	100341.93	
(ii)	For Securitization Exposure	0.00	
	Total capital charge for credit risks under standardized approach (i+ii)		100341.93
(B)	Market Risk		
(i)	Interest Rate Risk	4137.32	
(ii)	Equity Risk	711.03	
(iii)	Forex and Gold	45.00	
	Total capital charge for market risks under standardized duration approach (i+ii+iii)		4893.35
(C)	Capital Charge for Operational Risk		
	As per Basic Indicator Approach (BIA)	11629.69	11629.69



Sr. No.	Particulars	Amount	Amount
(D)	Capital Ratios	Min Reg. Required	Standalone (In %)
	Common Equity Tier 1 Capital Ratio (Incl CCB)	8.00%	11.56%
	Tier 1 Capital Ratio (Incl CCB)	9.50%	12.92%
	Total Capital Ratio(CRAR) – Including CCB	11.50%	16.85%

(*For market and operational risks capital charge is converted in RWA @ 12.50 to arrive at CRAR as per RBI guidelines.)

TABLE DF-3: CREDIT RISK - GENERAL DISCLOSURES

Qualitative Disclosures

Credit Risk is defined as possibility of losses associated with diminution in 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.

Organizational Structure for Credit Risk Management

Bank has comprehensive credit risk management architecture. Board of Directors of Bank endorses its Credit Risk strategy and approves credit risk policies. The Board has formed committees to oversee risk management processes, procedures and systems. Risk Management Committee (RMC) is responsible for devising policy and strategy for credit risk management. For this purpose, committee co-ordinates with Credit Risk Management Committee (CRMC) of Bank. CRMC is responsible for overseeing implementation of credit risk management framework across Bank and providing recommendations to RMC.

Policy & Strategy

Bank has been following a conservative risk philosophy. The important aspects of risk philosophy are embodied in various policies, circulars, guidelines etc. The business objectives and strategy of Bank are decided taking into account profit considerations, level of various risks faced and level of capital, market scenario and competition. Bank is conscious of its asset quality and earnings and judiciously matches profit maximization with risk control.

Bank has put in place following policies approved by Board.

- i) Loan Policy
- ii) Credit Risk Management Policy
- iii) Credit Risk Mitigation Techniques & Collateral Management
- iv) Investment Management Policy and Investment Risk Management Policy
- v) Policy for Exposure to Real Estate
- vi) Policy for Issuance of Bank Guarantees
- vii) Digital lending Policy
- viii) Credit Information Company Policy

Loan Policy, Credit Risk Management Policy defines organizational structure, role and responsibilities and, processes and tools whereby credit risks carried by Bank can be identified, quantified and managed within framework that Bank considers consistent with its mandate and risk appetite. The policies prescribe various prudential and exposure limits, collateral standards, financial benchmarks for the purpose of credit risk management. The policy on Credit Risk Mitigation Techniques & Collateral Management lays down details of eligible collaterals for credit risk mitigation under Basel III framework. The Investment Management Policy and Investment Risk Management Policy, Policy on Exposure to Real Estate and Policy for issuance of Bank Guarantee forms an integral part of credit risk management.

Systems / Process / tools for Credit Risk Management

Credit Appraisal standards: Bank has in place proactive credit risk management practices like consistent standard for credit origination, maintenance and documentation for all credit exposures including off balance sheet items. Systems of periodic reviews, periodic inspections and collateral management systems are in place.

Exposure Limits: Credit risk limits including single / group borrower limits, substantial exposure limits, exposure limits in respect of sectors / industries are in place. The exposure vis-à-vis the limits are monitored on a quarterly basis.

Credit Approval Committees: Credit Approval committees have been constituted at various levels covering very large branches / Zonal offices / Head Office for considering fresh / existing proposals with or without enhancement. Bank has also setup centralized processing cells at zonal level for considering credit proposals above specified limit.

Sanctioning Powers: Bank follows a well-defined multi-layered discretionary power structure for sanctioning of loans. Higher sanctioning powers are delegated to sanctioning authorities for sanctioning loans and advances to better rated customers in line with RBI guidelines. In respect of high value loans, committee approach is adopted.

Credit Risk Rating and Appraisal Process: Bank manages its credit risk through continuous measuring and monitoring of risks at each obligor (borrower) and portfolio level. Bank has in place an internal Credit Risk Rating Framework (CRRF) and well established standardized credit appraisal / approval processes. Credit risk rating enables Bank to accurately assess risk in a credit proposition and take a decision to accept or reject proposal based on risk appetite of Bank. It also enables risk pricing of credit facilities for risk return trade off.

As a measure of robust credit risk management practices, Bank has in place a framework for approval of credit risk ratings. Rating for every borrower is reviewed at least once in a year. Credit risk rating, as a concept, has been well internalized in Bank.

Bank has put in place a comprehensive digital lending policy which governs the delivery of credit products through digital mode. The guideline encompasses the procedure for KYC, due-diligence, assessment of proposals, onboarding of partners and customers and recovery mechanism.

Bank has also put in place a Policy of Credit Information Companies which prescribe the guidelines for submission of information to the Credit Information Companies by minimizing

the rejections for Borrower data and use the services/Credit Reports provided by the CICs for making effective credit decisions while sanctioning the loans and advances or as and when required

Loan review Mechanism: Objectives of Loan Review Mechanism are:

- i) To ensure that credit decisions by various authorities are in conformity with Bank's Loan Policy and delegated lending powers.
- ii) To ensure that stipulated terms & conditions of sanction are complied with and various post sanction follow up, monitoring and supervision measures prescribed by Bank are adhered to.
- iii) To ensure that all credit facilities are reviewed / renewed well in time so as to revise risk perception and take necessary corrective action if necessary, immediately.
- iv) To aim at achieving maintenance of standard assets quality and up gradation of non-performing assets (NPAs) so as to have a favorable impact on profitability of the Bank through prevention / reduction / up gradation of NPAs.

Checks and balances viz. separation of credit risk management from credit sanctions, system of assigning credit risk rating, validation of ratings, mechanism to price credit facilities depending on risk rating of customer, credit audit etc. are in place. Minimum entry level rating benchmarks are stipulated. A suitable mechanism is in place to monitor aggregate exposure on other banks and country exposures. A diversified credit portfolio is maintained and a system to conduct regular analysis of portfolio so as to ensure ongoing control of credit is in place.

Loans past due and Impaired:

Regulatory guidelines are adhered to in respect of income recognition, asset classification and provisioning. Bank considers following categories of loans and advances as Non-performing Assets, wherein:

- Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a Term Loan
- Account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC) for 90 days or more
- Bill remains overdue for a period of more than 90 days in case of Bills Purchased and Discounted
- In case of agricultural advances, interest and/or installment of principal remains overdue for 2 crop seasons (in respect of short duration crops) & 1 crop season (in respect of long duration crops).
- In respect of derivative transaction, if the overdue receivable representing positive mark-to-market value of a derivative contract, remains unpaid for a period of 90 days from the specified due date for payment.



- Any amount receivable that remains overdue for a period of more than 90 days in respect of other accounts.

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

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

The Bank follows extant RBI guidelines for NPA identification and for resolution of stressed assets, including classification and up gradation of restructured loans.

Quantitative Disclosures

1. Total Gross Credit exposure:

(Amount in Rs million)

Sr. No.	Industry	Funded Exposure
A	Fund Exposure (including Food Credit exposure & LOC)	2259417.50
B	Non-SLR Investment Exposure	134452.14
C= A+B	Total Fund Exposure	2393869.64
D	Non-Fund Exposure	178887.00
E	Derivative Exposure	5149.48
F=D+E	Total Non-Funded Exposure	184036.48
G=C+F	Total Exposure	2577906.12

2. Geographic Distribution of credit exposure:

(Amount in Rs million)

Category	31.12.2023	
	Overseas	Domestic
Fund Based	NIL	2393869.64
Non-Fund Based	NIL	184036.48

3. Industry-wise Distribution :

(Amount in Rs million)

Sr. No.	Industry	Funded Exposure		Non-Fund Exposure	
2.1	Mining and Quarrying (incl. Coal)		2114.10		127.60
2.2	Food Processing		2348.00		141.80
2.2.1	Sugar	0.00		0.00	



Sr. No.	Industry	Funded Exposure		Non-Fund Exposure	
2.2.2	Edible Oil and Vanaspati	330.00		0.00	
2.2.3	Tea	0.00		0.00	
2.2.4	Others	2018.00		141.80	
2.3	Beverage and Tobacco		380.00		0.00
2.4	Textiles		37328.60		8462.80
2.4.1	Cotton Textiles	1210.00		151.40	
2.4.2	Jute Textiles	0.00		0.00	
2.4.3	Man-Made Textiles	17.80		0.00	
2.4.4	Other Textiles	36100.80		8311.40	
2.5	Leather and Leather Products		1690.60		49.80
2.6	Wood and Wood Products		3090.80		79.90
2.7	Paper and Paper Products		6437.50		504.50
2.8	Petroleum, Coal Products and Nuclear Fuels of which:		35655.20		47.70
2.8.1	Petroleum	12725.50		1.60	
2.9	Chemicals and Chemical Products		27033.70		1537.10
2.9.1	Fertilizer	6777.50		92.20	
2.9.2	Drugs & Pharmaceuticals	11680.50		698.30	
2.9.3	Petro Chemicals	7199.10		723.70	
2.9.4	Others	1376.60		22.90	
2.1	Rubber, Plastic & their Products		15215.20		2361.00
2.11	Glass & Glassware		2616.30		436.50
2.12	Cement & Cement Products		2685.40		599.30
2.13	Basic Metal & Metal Product		55713.80		12208.30
2.13.1	Iron & Steel	28516.30		9070.00	
2.13.2	Other Metal & Metal Product	27197.50		3138.30	
2.14	All Engineering		29402.60		16636.70
2.14.1	Electronics	1192.40		132.50	
2.14.2	Others	28210.20		16504.20	
2.15	Vehicles, Vehicle Parts & Transport Equipment		8923.30		479.70
2.16	Gems & Jewellery		2788.30		41.60
2.17	Construction (other than Infrastructure)		19918.00		26.50



Sr. No.	Industry	Funded Exposure		Non-Fund Exposure	
2.18	Infrastructure		446510.80		23047.20
2.18.1	Power	111243.60		5058.40	
2.18.2	Telecommunication	5297.70		0.00	
2.18.3	Roads	108360.70		11073.10	
2.18.4	Airports	26998.87		1500.00	
2.18.5	Ports	312.95		50.00	
2.18.6	Railways (other than Indian Railways)	6149.86		519.99	
2.18.7	Other Infrastructure	188147.11		4845.71	
2.19	Other Industries		18696.20		1033.80
2.20	Residuary Other Exposure		1675321.24		116214.68
	Total		2393869.64		184036.48

Industry having more than 5% of gross credit exposure: NIL

4. Residual Maturity break down of Assets :

(Amount in Rs million)

Maturity Pattern	Gross Investments	Gross Advances	Foreign Currency Assets
1 day	0.00	27659.20	268.69
2 to 7 days	898.18	32894.10	22458.38
8 to 14 days	0.00	34734.40	148.55
15 to 30 days	2225.49	49400.50	1223.38
31 days to 2 months	3257.42	95865.80	8830.28
Over 2 months to 3 months	2037.24	69315.60	9794.10
Over 3 months and up to 6 months	35636.61	121443.80	25117.58
Over 6 months and up to 1 year	27745.36	233995.00	58105.10
Over 1 year and upto 3 years	173765.17	421759.30	0.00
Over 3 years and upto 5 years	105330.17	289385.50	0.00
Over 5 years	319162.66	510247.00	0.00
Total	670058.30	1886700.20	125946.06



5. Disclosures for NPAs & NPIs :

Domestic:		(Amount in Rs million)
		31.12.2023
(A)	Gross NPA	
	Sub-standard	11564.68
	Doubtful 1	6027.78
	Doubtful 2	8705.99
	Doubtful 3	10944.20
	Loss	1339.54
	Total	38582.19
(B)	Net NPA	4050.30
(C)	NPA Ratios	
	% of Gross NPAs to Gross Advances	2.04%
	% of Net NPAs to Net Advances	0.22%
(D)	Movement of Gross NPA	
I	Opening Balance	43340.03
II	Add:-Addition during the period	9252.32
III	Less:- Reduction during the period	14010.16
	Closing balance as at the end of period (i +ii-iii)	38582.19
(E)	Movement of provision	
E1	Specific Provision	
i.	Opening Balance	42044.05
ii.	Provisions made during the period	17277.17
iii.	Write-off made during the period	26812.37
iv.	Write-back of excess provisions	0.00
v.	Any other adjustments including transfer between provisions	850.00
vi.	Closing Balance (i+ii-iii-iv(+/-v))	33358.85
E2	General Provisions	
i.	Opening Balance	743.84
ii.	Provisions made during the period	372.68
iii.	Write-off made during the period	478.84
iv.	Write-back of excess provisions	0.00
v.	Any other adjustments including transfer between provisions	0.00
vi.	Closing Balance (i+ii-iii-iv(+/-v))	637.68
(F)	Write off during the period	26812.37



(G)	Recovery in the written off accounts during the period	6851.71
(H)	Non Performing Investments (NPI)	324.69
(I)	Provisions for NPI	315.73
(J)	Movement of provision for depreciation on investments (including provision of NPI, MTM depreciation and Restructured Investments)	
I	Opening balance (as on 31.03.2023)	3483.12
II	Provisions made during the period	208.83
III	Reduction during the period	0.00
IV	Provision for write-off made during the period	420.85
V	Provisions used during shifting securities	0.00
VI	Write back of excess provision made during period	643.89
	Closing balance (i+ii-iii-iv-v)	2627.21

(K)	Industries (Major Industries)	
	Amount of NPAs	2286.00
	Specific Provisions	1901.00
	General Provisions	0.00
	Specific Provisions made during the period	0.00
	Write offs during the period	0.00

Overseas - NIL

The Industry-wise Provision of five major industries is as below-

(Amount in Rs million)

		NPA	Provision
A	Basic Metal & Metal Products	519.90	473.40
B	All Engineering	360.40	289.30
C	Paper & Paper Products	234.10	229.40
D	Textiles	232.10	202.20
E	Infrastructure	192.60	46.00

6. Disclosures of Unhedged Foreign Currency Exposure (UFCE) :

(Amount in Rs million)

Sr. No.	Particulars	31.12.2023
1.	Additional provisioning made on account of UFCE	3.53
2.	Incremental Capital held on account of UFCE	175.10

TABLE DF-4 - CREDIT RISK DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

a. Qualitative Disclosures:

For portfolios under Standardized Approach:

Bank uses standardized approach to measure capital requirements for credit risk. As per Standardized Approach, Bank accepts rating of RBI approved ECAI (External Credit Assessment Institution) for credit risk rating and has used these ratings for calculating risk weighted assets wherever such ratings are available. The ratings of the following domestic credit rating agencies are being utilized for Risk Weight Calculations:-

- a) Acuite Ratings & Research Limited
- b) Credit Analysis and Research Limited
- c) CRISIL Ratings Limited
- d) ICRA Limited
- e) India Ratings and Research Private Limited
- f) INFOMERICS Valuation and Rating Pvt Ltd; and
- g) **Brickwork Ratings India Private Limited*** (*ibid Master Circular – Basel III Capital Regulations, para 6.1.2, page 70*)

Types of exposures for which each agency is used:

Bank has used solicited ratings assigned by the approved credit rating agencies for all eligible exposures. Bank has neither made any discrimination among ratings assigned by the approved rating agencies nor has restricted their usage to any particular type of exposure.

Key aspects of Bank's External Ratings application framework are as follows:

- Bank uses ratings assigned by any of these credit rating agencies as solicited and accepted by borrowers in line with RBI guidelines.
- When a borrower is assigned a rating that maps to a risk weight of 150%, then this rating is applied on all the unrated facilities of the borrower and risk weighted at 150%.
- RBI guidelines outline specific conditions for facilities that have multiple ratings. In this context, lower rating, where there are two ratings and second-lowest rating where there are two or more ratings are used for a given facility.
- While mapping/applying the ratings assigned by credit rating agencies, Bank is guided by Regulatory guidelines.
- Bank is following the RBI's extant guidelines in respect of providing capital.

Treatment of undrawn exposures:

As required by the regulatory norms, Bank holds capital even for the undrawn portion of credit facilities which are not unconditionally cancellable without prior notice by Bank, by converting such exposures into a credit exposure equivalent based on the applicable Credit Conversion Factor (CCF). For credit facilities, which are unconditionally cancellable without prior notice, Bank applies a CCF of zero percent on the undrawn exposure.

b. Quantitative Disclosures:

Exposure amounts as of 31.12.2023 after risk mitigation subject to Standardized Approach, amount of a Bank's outstanding (rated and unrated) disclosed under following major risk buckets :-

(Amount in Rs million)

Sr. No.	Particulars	Exposure Outstanding
i	Below 100 % risk weight	2434795.33
ii	100 % risk weight	360315.42
iii	More than 100 % risk weight	351300.04
	sub total	3146410.78
iv	Deducted CRM Value	134627.25
	Total Exposure	3011783.54