

**PUNJAB NATIONAL BANK**  
**Pillar 3 Disclosures under Basel III Framework**  
**For the Period ended 31.12.2017**

**(CONSOLIDATED)**

**Table DF-2: Capital Adequacy**

**(a) (i) Qualitative Disclosures:**

**1. Capital Adequacy**

The bank believes in the policy of total risk management. The bank views the risk management function as a holistic approach whereby risk retention is considered appropriate after giving due consideration to factors such as specific risk characteristics of obligor, inter relationship between risk variables and corresponding return and achievement of various business objectives within the controlled operational risk environment. Bank believes that risk management is one of the foremost responsibilities of top/ senior management. The Board of Directors decides the overall risk management policies and approves the Risk Management Philosophy & Policy, Credit Management & Risk policy, Investment policy, ALM policy, Operational Risk Management policy, Policy for internal capital adequacy assessment process (ICAAP), Credit Risk Mitigation & Collateral Management Policy, Stress Testing Policy and Policy for Mapping Business Lines/Activities, containing the direction and strategies for integrated management of the various risk exposures of the Bank. These policies, inter alia, contain various trigger levels, exposure levels, thrust areas etc.

The bank has constituted a Board level subcommittee namely Risk Management Committee (RMC). The committee has the overall responsibility of risk management functions and oversees the function of Credit Risk Management Committee (CRMC), Asset Liability Committee (ALCO) and Operational Risk Management Committee (ORMC). The meeting of RMC is held at least once in a quarter. The bank recognizes that the management of risk is integral to the effective and efficient management of the organization.

**2.1. Credit Risk Management**

**2.1.1** Credit Risk Management Committee (CRMC) headed by MD & CEO is the top-level functional committee for Credit risk. The committee considers and takes decisions necessary to manage and control credit risk within overall quantitative prudential limit set up by Board. The committee is entrusted with the job of approval of policies on standards for presentation of credit proposal, fine-tuning required in various models based on feedbacks or change in market scenario, approval of any other action necessary to comply with requirements set forth in Credit Risk Management Policy/ RBI guidelines or otherwise required for managing credit risk.

**2.1.2** In order to provide a robust risk management structure, the Credit Management and Risk policy of the bank aims to provide a basic framework for implementation of sound credit risk management system in the bank. It deals with various areas of credit risk, goals to be achieved, current practices and future strategies. As such, the credit policy deals with short term implementation as well as long term approach to credit risk management. The policy of the bank embodies in itself the areas of risk identification, risk measurement, risk grading

techniques, reporting and risk control systems / mitigation techniques, documentation practice and the system for management of problem loans.

All loan proposals falling under the powers of GM & above at HO/ Zonal Manager and Circle Head at field are considered by Credit Approval Committee (CAC).

**2.1.3** Bank has developed comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. The risk rating system is drawn up in a structured manner, incorporating different factors such as borrower's specific characteristics, industry specific characteristics etc. Risk rating system is being applied to the loan accounts with total limits above Rs.50 lac. Bank is undertaking periodic validation exercise of its rating models and also conducting migration and default rate analysis to test robustness of its rating models.

Small & Medium Enterprise (SME) and Retail advances are subjected to Scoring models which support 'Accept/ Reject' decisions based on the scores obtained. All SME and Retail loan applications are necessarily to be evaluated under score card system. Scoring model Farm sector has been developed and implementation process is under progress. The bank plans to cover each borrowal accounts to be evaluated under risk rating/ score framework.

Recognizing the need of technology platform in data handling and analytics for risk management, the bank has placed rating/ scoring systems at central server network. All these models can be accessed by the users 'on line' through any office of the bank.

For monitoring the health of borrowal accounts at regular intervals, bank has put in place a tool called Preventive Monitoring System (PMS) for detection of early warning signals with a view to prevent/minimize the loan losses.

**2.1.4** Bank is in the process of implementing enterprise-wide data warehouse (EDW) project, to cater to the requirement for the reliable and accurate historical data base and to implement the sophisticated risk management solutions/ techniques and the tools for estimating risk components {PD (Probability of Default), LGD (loss Given Default), EAD (Exposure at Default)} and quantification of the risks in the individual exposures to assess risk contribution by individual accounts in total portfolio and identifying buckets of risk concentrations.

**2.1.5** As an integral part of Risk Management System, bank has put in place a well-defined Loan Review Mechanism (LRM). This helps bring about qualitative improvements in credit administration. A separate Division known as Credit Audit & Review Division has been formed to ensure LRM implementation.

**2.1.6** The risk rating and vetting process is done independent of credit appraisal function to ensure its integrity and independency. The rating category wise portfolio of loan assets is reviewed on quarterly basis to analyze mix of quality of assets etc.

**2.1.7** Though the bank has implemented the Standardized Approach of credit risk, yet the bank shall continue its journey towards adopting Internal Rating Based Approaches (IRB). Bank has received approval from RBI for adoption of Foundation Internal Rating Based Approach (FIRB) on parallel run basis w.e.f. 31.03.2013. Further, bank has placed notice of intention to RBI for implementing Advanced Internal Rating Based (AIRB) approach for credit risk.

### **Major initiatives taken for implementation of IRB approach are as under:**

- For corporate assets class, bank has estimated PD based upon model wise default rates viz. Large Corporate and Mid Corporate borrowers using Maximum likelihood estimator (MLE). For retail asset class, PD is computed for identified homogeneous pool by using exponential smoothing technique.
- LGD (Loss Given Default) values have been calculated by using workout method for Corporate Asset Class as well as for each homogenous pool of Retail Asset Class.
- Bank has also put in place a mechanism to arrive at the LGD rating grade apart from the default rating of a borrower. The securities eligible for LGD rating are identified facility wise and the total estimated loss percentage in the account is computed using supervisory LGD percentage prescribed for various types of collaterals and accordingly LGD rating grades are allotted.
- Effective Maturity for different facilities under Corporate Asset Class has also been calculated as per IRB guidelines.
- Mapping of internal grades with that of external rating agencies grades: Bank has mapped its internal rating grades with that of external rating agencies grades. This exercise will help in unexpected loss calculation and PD estimation.
- Benchmarking of Cumulative Default Rates: Benchmark values of cumulative default rates for internal rating grades have been calculated based on the published default data of external rating agencies. The benchmark values will be used for monitoring of cumulative default rates of internal rating grades and PD validation.
- Bank has adopted supervisory slotting criteria approach for calculation of capital under specialised lending (SL) exposure falling under corporate asset class.
- Bank has put in place a comprehensive "Credit Risk Mitigation & Collateral Management Policy", which ensures that requirements of FIRB approach are met on consistent basis.

## **2.2 Market Risk & Liquidity Risk**

The investment policy covering various aspects of market risk attempts to assess and minimize risks inherent in treasury operations through various risk management tools. Broadly, it incorporates policy prescriptions for measuring, monitoring and managing systemic risk, credit risk, market risk, operational risk and liquidity risk in treasury operations.

2.2.1 Besides regulatory limits, the bank has put in place internal limits and ensures adherence thereof on continuous basis for managing market risk in trading book of the bank and its business operations. Bank has prescribed entry level barriers, exposure limits, stop loss limits, VaR limits, Duration limits and Risk Tolerance limit for trading book investments. Bank is keeping constant track on Migration of Credit Ratings of investment portfolio. Limits for exposures to Counterparties, Industry Segments and Countries are monitored. The risks under Forex operations are monitored and controlled through Stop Loss Limits, Overnight limit,

Daylight limit, Aggregate Gap limit, Individual Gap limit, Value at Risk (VaR) limit, Inter-Bank dealing and investment limits etc.

2.2.2 For the Market Risk Management of the bank, Mid-Office with separate Desks for Treasury & Asset Liability Management (ALM) has been established.

2.2.3 Asset Liability Management Committee (ALCO) is primarily responsible for establishing the market risk management and asset liability management of the bank, procedures thereof, implementing risk management guidelines issued by regulator, best risk management practices followed globally and ensuring that internal parameters, procedures, practices/policies and risk management prudential limits are adhered to. ALCO is also entrusted with the job of Base rate / MCLR and pricing of advances & deposit products and suggesting revision of MCLR/Base Rate/ BPLR to Board.

2.2.4 The policies for hedging and/or mitigating risk and strategies & processes for monitoring the continuing effectiveness of hedges/ mitigants are discussed in ALCO and based on views taken by /mandates of ALCO, hedge deals are undertaken.

2.2.5 Liquidity risk of the bank is assessed through gap analysis for maturity mismatch based on residual maturity in different time buckets as well as various liquidity ratios and management of the same is done within the prudential limits fixed thereon. Advance techniques such as Stress testing, simulation, sensitivity analysis etc. are used on regular intervals to draw the contingency funding plan under different liquidity scenarios.

2.2.6 Besides stock and flow approach, bank is also monitoring liquidity through Liquidity Coverage Ratio (LCR) under Basel-III framework. Liquidity Coverage Ratio which promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. The LCR requirement has become binding on the banks from January 1, 2015 with the following minimum required level as per the time-line given below:

|             | Jan 1, 2015 | Jan 1, 2016 | Jan 1, 2017 | Jan 1, 2018 | Jan 1, 2019 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| Minimum LCR | 60%         | 70%         | 80%         | 90%         | 100%        |

The LCR of the bank is at comfortable level. The bank is managing LCR at 108.44% at consolidated level as on 31.12.2017 (on basis of simple averages daily observation over previous quarter) against the regulatory requirement of 80%.

## 2.3 Operational Risk:

The bank adopts three lines of defense for management of operational risk, the first line of defense represented by various HO Divisions which are **Control Units (CU)**, **Business Units (BU)** or **Support Units (SU)**; Second line of defense represented by independent **Corporate Operational Risk Management Function (CORF)** being **Operational Risk Management Department (ORMD)** to oversee Operational Risk Management, and the third lines of defense represented by **Inspection & Audit Division/ Management Audit Division (IAD/ MARD)** which is a challenge function to the first two lines of defense, **Operational Risk Management Committee (ORMC)** headed by MD & CEO with all the EDs and key divisional heads as members is the Executive level committee to oversee the entire operational risk management of

the bank. All the operational risk aspects like analysis of historical internal loss data (including near miss events, attempted frauds & robberies, external loss events), etc. are placed to the ORMC on quarterly basis. **Risk Description Charts (RDCs)**, annual **Risk & Control Self Assessments (RCSAs)**, **Key Risk Indicators (KRIs)** and **Business Environment & Internal Control Factors (BEICFs)** are also used to ascertain the inherent and residual risks in various activities and functions of the bank and initiating necessary corrective actions with respect to management/mitigation of the operational risks.

Internal Control is an essential pre-requisite for an efficient and effective operational risk management. Bank has clearly laid down policies and procedures to ensure the integrity of its operations, appropriateness of operating systems and compliance with the management policies. The internal controls are supplemented by an effective audit function that independently evaluates the control systems within the organization.

**(ii) Quantitative Disclosures:**

**(b) Capital requirements for credit risk:**

(₹ in million)

|                                             | <b>31.12.2017*</b> | <b>31.12.2016</b> |
|---------------------------------------------|--------------------|-------------------|
| Portfolios subject to standardized approach | 368054.72          | 293860.42         |
| Securitization exposure                     | 0.00               | 0.00              |

\* Minimum Total capital requirement has been computed at 10.25 %

**(c) The capital requirements for market risk (under standardized duration approach) :**

(₹ in million)

| <b>Risk Category</b>                                                                                 | <b>31.12.2017</b> | <b>31.12.2016</b> |
|------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| i) Interest Rate Risk                                                                                | 26641.74          | 22223.53          |
| ii) Foreign Exchange Risk (including Gold)                                                           | 268.05            | 259.59            |
| iii) Equity Risk                                                                                     | 14238.22          | 11734.69          |
| <b>iv) Total capital charge for market risks under Standardized duration approach (i + ii + iii)</b> | <b>41148.01</b>   | <b>34217.81</b>   |

**(d) The capital requirement for operational risk:**

(₹ in million)

| <b>Capital requirement for operational risk</b> | <b>31.12.2017</b> | <b>31.12.2016</b> |
|-------------------------------------------------|-------------------|-------------------|
| (i) Basic indicator approach                    | 31788.45          | 31381.01          |
| ii) The Standardized approach (if applicable)   | 30600.99          | 30084.37          |

**(e) Common Equity Tier 1, Tier 1 and Total Capital ratios:**

Punjab National Bank (GROUP)

|                                                     | <b>31.12.2017</b> | <b>31.12.2016</b> |
|-----------------------------------------------------|-------------------|-------------------|
| Common equity Tier 1 Capital ratio (%) (Basel- III) | 8.47              | 8.61              |
| Tier 1 Capital ratio (%) (Basel- III)               | 9.61              | 9.14              |
| Tier 2 Capital ratio (%) (Basel- III)               | 2.46              | 2.79              |
| Total Capital ratio (CRAR) (%) (Basel- III)         | 12.07             | 11.93             |

**For Significant Bank Subsidiaries:**

| Name of subsidiary                        | Common equity Tier 1 Capital ratio (%) (Basel- III) | Additional Tier 1 Capital ratio (%) (Basel- III) | Tier 1 Capital ratio (%) (Basel- III) | Tier 2 Capital ratio (%) (Basel- III) | Total Capital ratio (CRAR) (%) (Basel- III) |
|-------------------------------------------|-----------------------------------------------------|--------------------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------------|
|                                           | 31.12.2017                                          | 31.12.2017                                       | 31.12.2017                            | 31.12.2017                            | 31.12.2017                                  |
| PNB Gilts Ltd                             | 68.34                                               | 0.00                                             | 68.34                                 | 0.00                                  | 68.34                                       |
| Punjab National Bank (International) Ltd. | 12.92                                               | 5.25                                             | 18.17                                 | 5.84                                  | 24.01                                       |
| PNB Investment Services Ltd.              | NA                                                  | NA                                               | NA                                    | NA                                    | NA                                          |
| Druk PNB Bank Ltd.                        | NA                                                  | NA                                               | NA                                    | NA                                    | NA                                          |
| PNB Insurance Broking Pvt. Ltd.           | NA                                                  | NA                                               | NA                                    | NA                                    | NA                                          |

**Table DF- 3: Credit Risk: General Disclosures**

***(i) Qualitative Disclosures:***

(a)

**3.1** 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. Further, an impaired asset is a loan or an advance where:

(i) Interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan.

(ii) The account remains out of order in respect of an overdraft/cash credit for a period of more than 90 days.

Account will be treated out of order, if:

- The outstanding balance remains continuously in excess of the limit/drawing power.

- 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

(iii) In case of bills purchased & discounted, the bill remains overdue for a period of more than 90 days

(iv) The installment or principal or interest thereon remains overdue for two crop seasons for short duration and the installment of principal or interest thereon remains overdue for one crop season for long duration crops in case of Agricultural loans.

Credit approving authority, prudential exposure limits, industry exposure limits, credit risk rating system, risk based pricing and loan review mechanisms are the tools used by the bank for credit risk management. All these tools have been defined in the Credit Management & Risk Policy of the bank. At the macro level, policy document is an embodiment of the Bank's approach to understand measure and manage the credit risk and aims at ensuring sustained growth of healthy loan portfolio while dispensing the credit and managing the risk. Credit risk is measured through sophisticated models, which are regularly tested for their predictive ability as per best practices.

**(ii) Quantitative Disclosures:**

(b) The total gross credit risk exposures:

(₹ in million)

| Category       | 31.12.2017 | 31.12.2016 |
|----------------|------------|------------|
| Fund Based     | 4819180.16 | 4140018.84 |
| Non Fund Based | 855586.31  | 773306.39  |

(c) The geographic distribution of exposures:

(₹ in million)

| Category       | Overseas   |            | Domestic   |            |
|----------------|------------|------------|------------|------------|
|                | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Fund Based     | 506751.14  | 555257.69  | 4312429.02 | 3584761.15 |
| Non-fund based | 29335.23   | 20588.30   | 826251.08  | 752718.09  |

(d) (i) Industry type distribution of Exposures (Fund Based O/S) is as under:

(₹ in million)

| Industry Name                                     | 31.12.2017 |
|---------------------------------------------------|------------|
| A. Mining and Quarrying (A.1 + A.2)               |            |
| A.1 Coal                                          | 4652.83    |
| A.2 Others                                        | 11909.40   |
| B. Food Processing (B.1 to B.4)                   |            |
| B.1 Sugar                                         | 42862.71   |
| B.2 Edible Oils and Vanaspati                     | 8971.49    |
| B.3 Tea                                           | 36.70      |
| B.4 Coffee                                        | 1.71       |
| B.5 Others                                        | 54194.78   |
| C. Beverages (excluding Tea & Coffee) and Tobacco |            |
| C.1 Tobacco & tobacco Products                    | 393.33     |
| C.2 Others                                        | 6791.92    |
| D. Textiles (a to c)                              |            |

|                                                                        |                   |
|------------------------------------------------------------------------|-------------------|
| a. Cotton                                                              | 32939.64          |
| b. Jute                                                                | 1393.86           |
| c. Man Made                                                            | 13378.28          |
| d. Others                                                              | 55152.71          |
| E. Leather and Leather products                                        | 9747.30           |
| F. Wood and Wood Products                                              | 4006.89           |
| G. Paper and Paper Products                                            | 14199.99          |
| H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels | 3752.57           |
| I. Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)   |                   |
| I.1 Fertilizers                                                        | 10048.12          |
| I.2 Drugs and Pharmaceuticals                                          | 19442.74          |
| I.3 Petro-chemicals (excluding under Infrastructure)                   | 36752.87          |
| I.4 Others                                                             | 42478.54          |
| J. Rubber, Plastic and their Products                                  | 13012.88          |
| K. Glass & Glassware                                                   | 1417.13           |
| L. Cement and Cement Products                                          | 15286.77          |
| M. Basic Metal and Metal Products (M.1 + M.2)                          |                   |
| M.1 Iron and Steel                                                     | 252258.90         |
| M.2 Other Metal and Metal Products                                     | 22599.89          |
| N. All Engineering (N.1 + N.2)                                         |                   |
| N.1 Electronics                                                        | 11645.13          |
| N.2 Others                                                             | 35729.29          |
| O. Vehicles, Vehicle Parts and Transport Equipments                    | 9097.09           |
| P. Gems and Jewellery                                                  | 18601.12          |
| Q. Construction                                                        | 39363.99          |
| R. Infrastructure (a to d)                                             |                   |
| a. Energy                                                              | 288875.47         |
| b. Transport                                                           | 92535.05          |
| c. Communication                                                       | 52011.70          |
| d. Others                                                              | 60562.36          |
| S. Trading                                                             | 284.47            |
| T. Other Industries                                                    | 224855.39         |
| U. All Industries (A to T)                                             | 1511245.01        |
| Residuary advances                                                     | 3307935.15        |
| <b>Total Loans and Advances</b>                                        | <b>4819180.16</b> |

Industry where Fund- Based Exposure (O/S) is more than 5% of Gross Fund Based Exposure (O/S):

| S.No. | Industry Name                  | Amount – 31.12.2017 |
|-------|--------------------------------|---------------------|
| 1     | Basic Metal and Metal Products | 274858.79           |
| 2     | Infrastructure                 | 493984.58           |

(ii) ñ Industry type distribution of Exposures (Non Fund Based O/S) is as under:

(₹ in million)

| <b>Industry Name</b>                                                   | <b>31.12.2017</b> |
|------------------------------------------------------------------------|-------------------|
| A. Mining and Quarrying (A.1 + A.2)                                    |                   |
| A.1 Coal                                                               | 505.49            |
| A.2 Others                                                             | 388.25            |
| B. Food Processing (B.1 to B.4)                                        |                   |
| B.1 Sugar                                                              | 8889.27           |
| B.2 Edible Oils and Vanaspati                                          | 12809.81          |
| B.3 Tea                                                                |                   |
| B.4 Coffee                                                             |                   |
| B.5 Others                                                             | 2902.92           |
| C. Beverages (excluding Tea & Coffee) and Tobacco                      |                   |
| C.1 Tabacco & tobacco Products                                         | 8.72              |
| C.2 Others                                                             | 638.51            |
| D. Textiles (a to c)                                                   |                   |
| a. Cotton                                                              | 1872.44           |
| b. Jute                                                                | 389.67            |
| c. Man Made                                                            | 978.52            |
| d. Others                                                              | 12907.23          |
| E. Leather and Leather products                                        | 1255.33           |
| F. Wood and Wood Products                                              | 866.38            |
| G. Paper and Paper Products                                            | 3773.06           |
| H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels | 14718.56          |
| I. Chemicals and Chemical Products (Dyes, Paints, etc.) (I.1 to I.4)   |                   |
| I.1 Fertilizers                                                        | 1470.85           |
| I.2 Drugs and Pharmaceuticals                                          | 4531.39           |
| I.3 Petro-chemicals (excluding under Infrastructure)                   | 11585.60          |
| I.4 Others                                                             | 4479.82           |
| J. Rubber, Plastic and their Products                                  | 3318.09           |
| K. Glass & Glassware                                                   | 92.86             |
| L. Cement and Cement Products                                          | 4743.32           |
| M. Basic Metal and Metal Products (M.1 + M.2)                          |                   |
| M.1 Iron and Steel                                                     | 94263.26          |
| M.2 Other Metal and Metal Products                                     | 17714.15          |
| N. All Engineering (N.1 + N.2)                                         |                   |
| N.1 Electronics                                                        | 20726.23          |
| N.2 Others                                                             | 59581.65          |
| O. Vehicles, Vehicle Parts and Transport Equipments                    | 1348.95           |
| P. Gems and Jewellery                                                  | 8426.73           |
| Q. Construction                                                        | 41640.25          |

|                                 |                  |
|---------------------------------|------------------|
| R. Infrastructure (a to d)      |                  |
| a. Energy                       | 68328.16         |
| b. Transport                    | 17815.36         |
| c. Communication                | 14202.47         |
| d. Others                       | 20003.12         |
| S. Trading                      | 0.00             |
| T. Other Industries             | 64789.87         |
| U. All Industries (A to T)      | <b>521966.29</b> |
| Residuary advances              | 333620.02        |
| <b>Total Loans and Advances</b> | <b>855586.31</b> |

Industry where Non- Fund Based Exposure (O/S) is more than 5% of Gross Non-Fund Based Exposure (O/S):

| S.No. | Industry Name                  | Amount – 31.12.2017 |
|-------|--------------------------------|---------------------|
| 1.    | Basic Metal and Metal Products | 111977.41           |
| 2.    | All Engineering                | 80307.88            |
| 3.    | Infrastructure                 | 120349.11           |

(e) The residual contractual maturity break down of assets is:

(₹ in million)

| Maturity Pattern              | Advances*    | Investments (Gross) | Foreign Currency Assets* |
|-------------------------------|--------------|---------------------|--------------------------|
| Next day                      | 149139.27    | 1843.65             | 43055.69                 |
|                               | (115639.28)  | (0.00)              | (45597.36)               |
| 2 - 7 days                    | 97420.90     | 15868.36            | 9495.92                  |
|                               | (71263.00)   | (31281.93)          | (61426.48)               |
| 8 -14 days                    | 73226.25     | 2696.03             | 25574.75                 |
|                               | (41288.80)   | (148697.81)         | (40473.93)               |
| 15- 30 days                   | 158511.29    | 12953.25            | 50323.25                 |
|                               | (42368.71)   | (259575.08)         | (58103.38)               |
| 31days - 2months              | 97316.92     | 40548.66            | 80612.60                 |
|                               | (90226.07)   | (26652.68)          | (67758.53)               |
| Over 2 months & upto 3 Months | 107989.77    | 40582.32            | 78681.06                 |
|                               | (77858.20)   | (15563.43)          | (51207.85)               |
| Over 3 Months to 6 months     | 151515.04    | 39011.88            | 101241.93                |
|                               | (109812.77)  | (40751.48)          | (95664.59)               |
| Over 6 Months & upto 1 year   | 226079.27    | 67741.39            | 144681.44                |
|                               | (178122.76)  | (38617.75)          | (112780.80)              |
| Over 1Year & upto 3 Years     | 2098143.14   | 392971.09           | 27103.72                 |
|                               | (1795290.69) | (257781.18)         | (19031.41)               |
| Over 3 Years & upto 5 Years   | 475975.07    | 298244.14           | 29813.00                 |

|              |                     |                     |                    |
|--------------|---------------------|---------------------|--------------------|
|              | (590245.18)         | (251901.17)         | (16077.16)         |
| Over 5 Years | 936098.30           | 1267858.18          | 14034.74           |
|              | (810001.34)         | (1205171.68)        | (19201.94)         |
| <b>Total</b> | <b>4571415.21</b>   | <b>2180318.95</b>   | <b>604618.11</b>   |
|              | <b>(3922116.80)</b> | <b>(2275994.19)</b> | <b>(587323.43)</b> |

\*Figures are shown on net basis.

Figures in brackets relate to previous corresponding year.

(f) The gross NPAs are:

|                           | (₹ in million)    |                   |
|---------------------------|-------------------|-------------------|
| <b>Category</b>           | <b>31.12.2017</b> | <b>31.12.2016</b> |
| Sub Standard              | 134832.44         | 245590.50         |
| Doubtful ñ 1              | 216825.05         | 144028.70         |
| Doubtful ñ 2              | 209155.67         | 156183.87         |
| Doubtful ñ 3              | 13208.71          | 11483.52          |
| Loss                      | 30155.33          | 28428.15          |
| <b>Total NPAs (Gross)</b> | <b>604177.20</b>  | <b>585714.74</b>  |

(g) The amount of Net NPAs is:

|                    | (₹ in million)    |                   |
|--------------------|-------------------|-------------------|
| <b>Particulars</b> | <b>31.12.2017</b> | <b>31.12.2016</b> |
| Net NPA            | 350392.16         | 364375.68         |

(h) The NPA Ratios are as under:

| <b>NPA Ratios</b>                 | <b>31.12.2017</b> | <b>31.12.2016</b> |
|-----------------------------------|-------------------|-------------------|
| % of Gross NPAs to Gross Advances | 12.54             | 14.15             |
| % of Net NPAs to Net Advances     | 7.68              | 9.31              |

(i) The movement of gross NPAs is as under:

|                                                                       | (₹ in million)    |                   |
|-----------------------------------------------------------------------|-------------------|-------------------|
| <b>Movement of gross NPAs</b>                                         | <b>31.12.2017</b> | <b>31.12.2016</b> |
| i) Opening Balance at the beginning of the year                       | 582092.06         | 576189.59         |
| ii) Addition during the period                                        | 135850.70         | 196521.22         |
| iii) Reduction during the period                                      | 113765.56         | 186996.07         |
| <b>iv) Closing Balance as at the end of the period (i + ii - iii)</b> | <b>604177.20</b>  | <b>585714.74</b>  |

(j) The movement of provision with a description of each type of provision is as under:

| (₹ in million)            |                                         |                                         |                                         |                                                         |                                                                    |                                   |
|---------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------|-----------------------------------|
| <b>Name of Provisions</b> | <b>Opening balance as on 01.04.2017</b> | <b>Provision made during the period</b> | <b>Write-off made during the period</b> | <b>Write-back of excess provision during the period</b> | <b>Any other adjustment including transfers between provisions</b> | <b>Provision as on 31.12.2017</b> |
|                           |                                         |                                         |                                         |                                                         |                                                                    |                                   |

|                                                                        |           |           |          |          |         |           |
|------------------------------------------------------------------------|-----------|-----------|----------|----------|---------|-----------|
| Float Provision-NPA                                                    | 3602.50   | 0.00      | 0.00     | 0.00     | 0.00    | 3602.50   |
| Provision for assets sold to SCs/RCs                                   | 11245.26  | 2079.95   | 0.00     | 0.00     | 8388.16 | 4937.05   |
| Provision for Bonus                                                    | 20.53     | 42.13     | 0.00     | 0.00     | 0.10    | 62.56     |
| Main Account Indo Commercial Bank                                      | 0.05      | 0.00      | 0.00     | 0.00     | 0.00    | 0.05      |
| Provision for arrears to employees under Wage Revision                 | 71.03     | 1449.84   | 0.00     | 0.00     | 0.47    | 1520.40   |
| Provision for Staff Welfare                                            | 128.30    | 8.30      | 0.00     | 0.00     | 0.00    | 136.60    |
| Provision for Impersonal heads                                         | 38.18     | 0.00      | 0.00     | 0.00     | 0.00    | 38.18     |
| Provision for Leave Encashment                                         | 14791.55  | 230.43    | 0.00     | 0.00     | 0.00    | 15021.98  |
| Sundries Liabilities Account -Interest capitalization (FITL-Standard ) | 9251.58   | -3733.54  | 0.00     | 0.00     | 0.00    | 5518.04   |
| Sundries Liabilities Account -Interest capitalization (FITL-NPA )      | 5257.67   | -2906.84  | 0.00     | 0.00     | 0.00    | 2350.83   |
| Provision for Standard Assets                                          | 33324.11  | 1405.24   | 0.00     | 0.00     | 20.73   | 34708.62  |
| Provision for Standard Derivatives                                     | 430.00    | -53.90    | 0.00     | 0.00     | 0.00    | 376.10    |
| Provision for Gratuity                                                 | 0.00      | 1.23      | 0.00     | 0.00     | 0.01    | 1.22      |
| Provision for LFC                                                      | 1385.50   | 467.60    | 0.00     | 0.00     | 0.00    | 1853.10   |
| Provision for Sick Leave                                               | 646.50    | -113.80   | 0.00     | 0.00     | 0.00    | 532.70    |
| Provision for NPA (excluding Standard Assets)                          | 236365.24 | 100358.08 | 61276.51 | 27140.66 | 1017.66 | 247289.09 |
| Provision for Income Tax/Taxation                                      | 1486.89   | 130.10    | 0.00     | 0.00     | 0.00    | 1616.98   |
| Provision Others                                                       | 2646.66   | 458.33    | 0.00     | 0.00     | 0.00    | 3104.99   |
| Provision for Depreciation of Securities                               | 0.29      | 261.58    | 0.00     | 0.29     | 0.00    | 261.58    |
| Provision for Expenses                                                 | 6.05      | 6.27      | 5.11     | 0.00     | 0.00    | 7.11      |

(k) The amount of non-performing investment is:

(₹ in million)

| Particulars                         | 31.12.2017 | 31.12.2016 |
|-------------------------------------|------------|------------|
| Amount of non-performing investment | 10294.54   | 7403.33    |

(l) The amount of provisions held for non-performing investment is:

(₹ in million)

| Particulars                                            | 31.12.2017 | 31.12.2016 |
|--------------------------------------------------------|------------|------------|
| Amount of provision held for non-performing investment | 9202.58    | 6358.80    |

(m) The movement of provisions for depreciation on investments is:

(₹ in million)

| Movement of provisions for depreciation on investments                     | 31.12.2017      | 31.12.2016      |
|----------------------------------------------------------------------------|-----------------|-----------------|
| i) Opening balance at the beginning of the year                            | 14267.88        | 9783.61         |
| ii) Provisions made during the period                                      | 11586.33        | 4993.35         |
| iii) Write-off made during the period                                      | 0.00            | 16.24           |
| iv) Write-back of excess provisions made during the period                 | 940.97          | 2534.42         |
| <b>v) Closing balance as at the end of the period<br/>(i + ii –iii-iv)</b> | <b>24913.24</b> | <b>12226.30</b> |

(n) NPA and provisions maintained by major industry or counterparty type as on 31.12.2017.

(₹ in million)

| Name of major industry or counter-party type | Amount of NPA<br>(if available, past due<br>loans be provided<br>separately) | Specific and<br>general<br>provisions | Specific<br>provisions and<br>write-off during<br>the current<br>period |
|----------------------------------------------|------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------|
| A. Mining and Quarrying                      | 6195.67                                                                      | 2208.67                               | 0.00                                                                    |
| B. Food Processing                           | 20488.27                                                                     | 7436.97                               | 0.00                                                                    |
| C. Textiles                                  | 15712.56                                                                     | 5889.57                               | 0.00                                                                    |
| D. Chemical & Chemical<br>Products           | 9646.43                                                                      | 3484.13                               | 0.00                                                                    |
| E. Cement and Cement<br>Products             | 451.33                                                                       | 153.98                                | 0.00                                                                    |
| F. All Engineering                           | 16758.32                                                                     | 4412.00                               | 0.00                                                                    |
| G. Gems and Jewellery                        | 3558.92                                                                      | 1814.17                               | 0.00                                                                    |
| H. Construction                              | 9656.80                                                                      | 4601.11                               | 0.00                                                                    |
| I. Infrastructure                            | 61941.49                                                                     | 21653.50                              | 0.00                                                                    |
| J. Computer Software                         | 0.58                                                                         | 0.23                                  | 0.00                                                                    |
| K. Iron & Steel                              | 151746.75                                                                    | 57075.67                              | 0.00                                                                    |
| L. General manufacturing                     | 8773.12                                                                      | 6233.34                               | 0.00                                                                    |
| M. Residual other Advances                   | 40.13                                                                        | 30.26                                 | 0.00                                                                    |
| N. Trading                                   | 86.39                                                                        | 62.64                                 | 0.00                                                                    |
| O. Other Industries                          | 0.95                                                                         | 0.95                                  | 0.00                                                                    |

(o) Geography-wise NPA and provisions as on 31.12.2017

(i)

(₹ in million)

| Amount of NPA    | Overseas<br>(Outside India) | Domestic<br>(In India) |
|------------------|-----------------------------|------------------------|
| <b>604177.20</b> | 39454.92                    | 564722.28              |

(ii)

(₹ in million)

| Provisions          | Overseas<br>(Outside India) | Domestic<br>(In India) |
|---------------------|-----------------------------|------------------------|
| Specific provisions | 10645.66                    | 8829.24                |
| General Provisions  | 13462.28                    | 214664.01              |

**Table DF- 4 - Credit Risk: Disclosures for Portfolios Subject to the Standardized Approach**

**Qualitative Disclosures:**

(a)

**4.1.** Bank has approved the following seven domestic credit rating agencies accredited by RBI for mapping its exposure with domestic borrowers under standardized approach of credit risk.

- Brickwork
- CARE
- CRISIL
- ICRA
- India Ratings
- SMERA
- INFOMERICS

Bank has also approved the following three international credit rating agencies accredited by RBI in respect of exposure with overseas borrowers.

- FITCH
- Moody's
- Standard & Poor

These agencies are being used for rating (Long Term & Short Term) of fund based/ non fund based facilities provided by the bank to the borrowers. The bank uses solicited rating from the chosen credit rating agencies.

The ratings available in public domain are mapped according to mapping process as envisaged in RBI guidelines on the subject.

**(ii) Quantitative Disclosures:**

(b) For exposure amounts after risk mitigation subject to the standardised approach, amount of a bank's outstandings (rated and unrated) in the following three major risk buckets as well as those that are deducted are as under:

(₹ in million)

| Particulars                                          | 31.12.2017 | 31.12.2016 |
|------------------------------------------------------|------------|------------|
| i) Below 100% risk weight exposure outstanding       | 3560662.47 | 2771694.38 |
| ii) 100% risk weight exposure outstanding            | 1401044.01 | 1315618.89 |
| iii) More than 100% risk weight exposure outstanding | 855987.01  | 887234.06  |
| iv) Deducted                                         | 0.00       | 0.00       |

Table DF - Disclosures in respect of computation of leverage ratio:

|                  | 31.12.2016 | 31.03.2017 | 30.06.2017 | 30.09.2017 | ₹ (in million)<br>31.12.2017 |
|------------------|------------|------------|------------|------------|------------------------------|
| Capital Measure  | 411017.50  | 430094.00  | 429021.30  | 447593.70  | 480835.10                    |
| Exposure Measure | 8109950.00 | 8162857.00 | 8306380.00 | 8302670.77 | 8827506.98                   |
| Leverage Ratio   | 5.07 %     | 5.27 %     | 5.16 %     | 5.39 %     | 5.45 %                       |

### **QUALITATIVE DISCLOSURE ON LIQUIDITY COVERAGE RATIO**

The bank has implemented RBI guidelines on Liquidity Coverage Ratio (LCR) from 1st January 2015.

The LCR standard aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be readily converted into cash at little/no loss of value to meet its liquidity needs for a 30 calendar day time horizon under a liquidity stress scenario.

#### **LCR has two components:**

- The value of the stock of High Quality Liquid Assets (HQLA) ñ *The Numerator*.
- Total Net Cash Outflows: Total expected cash outflows minus Total expected cash inflows ñ in stress scenario for the subsequent 30 calendar days - *The denominator*.

#### **Definition of LCR:**

$$\frac{\text{Stock of high quality liquid assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

The LCR requirement has become binding on the banks with the following minimum required level as per the time-line given below:

|             | Jan 1, 2015 | Jan 1, 2016 | Jan 1, 2017 | Jan 1, 2018 | Jan 1, 2019 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| Minimum LCR | 60%         | 70%         | 80%         | 90%         | 100%        |

As at 31.12.2017, against the regulatory requirement of 80%, bank is maintaining LCR at 108.44% (average of daily observation over the previous Quarter) at consolidated level (including domestic & foreign subsidiaries).

The main drivers of LCR of the bank are High Quality Liquid Assets (HQLAs) to meet liquidity needs of the bank at all times and basic funding from retail and small business customers. The retail and small business customers contribute about 67.80% of total deposit portfolio of the bank which attracts low run-off factor of 5/10%.

#### **Composition of High Quality Liquid Assets (HQLA)**

HQLAs comprises of Level 1 and Level 2 assets. Level 2 assets are further divided into Level 2A and Level 2B assets, keeping in view their marketability.

Level - 1 assets are those assets which are highly liquid. For quarter ended December 31, 2017, the daily observation average over the previous quarter Level-1 asset of the bank includes Cash in Hand, Excess CRR, Government Securities in excess of SLR, sovereign securities besides MSF & FALLCR and Marketable securities totalling Rs. 108197.36 cr.

Level - 2A & 2B assets are those assets which are less liquid and their weighted amount comes to Rs. 8584.30 cr. Break-up of daily observation Average HQLA during quarter ended December 31, 2017 is given hereunder:

| <b>High Quality Liquid Assets (HQLAs)</b>                                                                                                          | <b>Average % age contribution to HQLA</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|
| <b>Level 1 Assets</b>                                                                                                                              |                                           |
| Cash in hand                                                                                                                                       | <b>1.46%</b>                              |
| Excess CRR balance                                                                                                                                 | <b>1.93%</b>                              |
| Government Securities in excess of minimum SLR requirement                                                                                         | <b>32.97%</b>                             |
| Government securities within the mandatory SLR requirement, to the extent allowed by RBI under MSF (presently to the extent of 2 per cent of NDTL) | <b>9.94%</b>                              |
| Marketable securities issued or guaranteed by foreign sovereigns having 0% risk-weight under Basel II Standardized Approach                        | <b>1.62%</b>                              |
| Facility to avail Liquidity for Liquidity Coverage Ratio ñ FALLCR (presently to the extent of 9 per cent of NDTL)                                  | <b>44.73%</b>                             |
| <b>Total Level 1 Assets</b>                                                                                                                        | <b>92.65%</b>                             |
| <b>Total Level 2A Assets</b>                                                                                                                       | <b>6.88%</b>                              |
| <b>Total Level 2B Assets</b>                                                                                                                       | <b>0.47%</b>                              |
| <b>Total Stock of HQLAs</b>                                                                                                                        | <b>100.00%</b>                            |

### **Concentration of Funding Sources**

This metric includes those sources of funding, whose withdrawal could trigger liquidity risks. It aims to address the funding concentration of bank by monitoring its funding requirement from each significant counterparty and each significant product / instrument. As per RBI guidelines, a "significant counterparty/Instrument/product" is defined as a single counterparty/Instrument/product or group of connected or affiliated counter-parties accounting in aggregate for more than 1% of the bank's total liabilities.

The bank has no significant counterparty (deposits/borrowings) as on 31.12.2017. The share of largest depositor in bank's total liability is around 0.28% whereas the contribution of top 20 depositors is around 2.51% only. The significant product / instrument includes Saving Fund, Current deposit, Core Term Deposit, and Inter-bank term deposit, the funding from which are widely spread and cannot create concentration risk for the bank.

### **Derivative exposure**

The bank has low exposure in derivatives having negligible impact on its liquidity position.

### **Currency Mismatch**

As per RBI guidelines, a currency is considered as 'significant' if the aggregate liabilities denominated in that currency amount to 5 per cent or more of the bank's total liabilities. In our case, only USD (11.02% of bank's total liabilities) falls in this criteria whose impact on total outflows in LCR horizon can be managed easily.

### **Degree of centralization of liquidity management and interaction between group's units**

The group entities are managing liquidity on their own. However, the bank has put in place a group-wide contingency funding plan to take care of liquidity requirement of the group as a whole in the stress period.

| <b>QUANTITATIVE DISCLOSURE</b>                                                 |                                                                              |                                          |                                        |                                           |                                         |
|--------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------------------------------------|----------------------------------------|-------------------------------------------|-----------------------------------------|
| <b>( On consolidated basis (including domestic &amp; foreign subsidiaries)</b> |                                                                              |                                          |                                        |                                           |                                         |
| <b>Rs. in Crore</b>                                                            |                                                                              |                                          |                                        |                                           |                                         |
|                                                                                |                                                                              | <b>31.12.2017</b>                        |                                        | <b>31.12.2016</b>                         |                                         |
|                                                                                |                                                                              | <b>Total Unweighted Value (average)*</b> | <b>Total Weighted Value (average)*</b> | <b>Total Unweighted Value (average)**</b> | <b>Total Weighted Value (average)**</b> |
| <b>High Quality Liquid Assets</b>                                              |                                                                              |                                          |                                        |                                           |                                         |
| <b>1</b>                                                                       | <b>Total High Quality Liquid Assets (HQLA)</b>                               |                                          | <b>116781.66</b>                       |                                           | <b>131060.77</b>                        |
| <b>Cash Outflows</b>                                                           |                                                                              |                                          |                                        |                                           |                                         |
| <b>2</b>                                                                       | <b>Retail deposits and deposits from small business customers of which :</b> | <b>439247.31</b>                         | <b>40934.72</b>                        | <b>428892.70</b>                          | <b>32361.56</b>                         |
| (i)                                                                            | <b>Stable deposits</b>                                                       | <b>59800.29</b>                          | <b>2990.01</b>                         | <b>210554.37</b>                          | <b>10527.73</b>                         |
| (ii)                                                                           | <b>Less stable deposits</b>                                                  | <b>379447.02</b>                         | <b>37944.70</b>                        | <b>218338.33</b>                          | <b>21833.83</b>                         |
| <b>3</b>                                                                       | <b>Unsecured wholesale funding, of which:</b>                                | <b>154080.14</b>                         | <b>90844.59</b>                        | <b>145114.86</b>                          | <b>85872.05</b>                         |
| (i)                                                                            | <b>Operational deposits (all counterparties)</b>                             | <b>0.00</b>                              | <b>0.00</b>                            | <b>0.00</b>                               | <b>0.00</b>                             |
| (ii)                                                                           | <b>Non-operational deposits (all counterparties)</b>                         | <b>154080.14</b>                         | <b>90844.59</b>                        | <b>145114.86</b>                          | <b>85872.05</b>                         |

|                                                                  |                                                                            |           |           |           |           |
|------------------------------------------------------------------|----------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
| (iii)                                                            | Unsecured debt                                                             | 0.00      | 0.00      | 0.00      | 0.00      |
| 4                                                                | Secured wholesale funding                                                  |           | 0.00      |           | 0.00      |
| 5                                                                | Additional requirements, of which                                          | 24003.60  | 20154.16  | 8674.63   | 7240.86   |
| (i)                                                              | Outflows related to derivative exposures and other collateral requirements | 19749.03  | 19749.03  | 7111.34   | 7111.34   |
| (ii)                                                             | Outflows related to loss of funding on debt products                       | 0.00      | 0.00      | 0.00      | 0.00      |
| (iii)                                                            | Credit and liquidity facilities                                            | 4254.57   | 405.13    | 1563.29   | 129.52    |
| 6                                                                | Other contractual funding obligations                                      | 0.00      | 0.00      | 0.00      | 0.00      |
| 7                                                                | Other contingent funding obligations                                       | 149386.11 | 5768.56   | 105797.77 | 3583.95   |
| 8                                                                | Total Cash Outflows                                                        |           | 157702.03 |           | 129058.42 |
| Cash Inflows                                                     |                                                                            |           |           |           |           |
| 9                                                                | Secured lending (e.g. reverse repos)                                       | 0.00      | 0.00      | 0.00      | 0.00      |
| 10                                                               | Inflows from fully performing exposures                                    | 18571.41  | 16200.02  | 24780.66  | 20282.94  |
| 11                                                               | Other cash inflows                                                         | 33809.34  | 33809.34  | 11858.66  | 11852.84  |
| 12                                                               | Total Cash Inflows                                                         | 52380.75  | 50009.36  | 36639.32  | 32135.78  |
| Total Adjusted Value                                             |                                                                            |           |           |           |           |
| 13                                                               | TOTAL HQLA                                                                 |           | 116781.66 |           | 131060.77 |
| 14                                                               | Total Net Cash Outflows                                                    |           | 107692.67 |           | 96922.64  |
| 15                                                               | Liquidity Coverage Ratio (%)                                               |           | 108.44%   |           | 135.22%   |
| * Simple averages of Daily observations over previous quarter    |                                                                            |           |           |           |           |
| ** Simple averages of monthly observations over previous quarter |                                                                            |           |           |           |           |