केनरा बैंक Canara Bank

BASEL III PILLAR 3 DISCLOSURE (ON CONSOLIDATED BASIS) AS ON 30.06.2016

Table DF – 2: Capital Adequacy

(i) Qualitative Disclosures

In Capital Planning process, the Bank reviews:

- Current capital requirement of the Bank
- The targeted and sustainable capital in terms of business strategy and risks appetite of the Bank.

Capital need and capital optimization are monitored periodically by the Capital Planning Committee, comprising Top Executives. Further, there is an independent Board level committee in place with members comprising of MD&CEO, Executive Directors and two independent Directors with the following major functions:-

- To oversee the Capital Planning Process.
- To ensure that Capital to Risk weighted Assets ratio is maintained above the minimum regulatory requirement along with the prescribed norms.
- To recommend quantum, mode and types of capital raising, as per the requirement.
- To ensure compliance of instruction/directions of Ministry/RBI/ any other statutory body in the matter relating to the Capital.

Capital requirement is projected over a five year period every year for the ICAAP purpose, duly taking into consideration the Bank's growth plan, including advances, investments and investments in Subsidiaries/Joint ventures etc. The annual capital plan is also reviewed every quarter vis-à-vis projections. The Committee takes into consideration various options available for capital augmentation in tune with business growth and realignment of capital structure, duly undertaking the scenario analysis for capital optimization in tune with its long term goals enumerated in ICAAP & Vision documents of the Bank.

केनरा बैंक Canara Bank

(ii) Quantitative disclosures

Sl No	Items	Amount (₹ in millions)	
		30.06.2016	30.06.2015
(b)	**Capital requirements for Credit Risk**		
	• Portfolios subject to Standardized Approach	274,551.85	271,024.70
	• Securitization Exposures	0.00	0.00
(c)	**Capital requirements for Market Risk**		
	• Standardized Duration Approach		
	- Interest Rate Risk	13,777.59	14,649.60
	- Foreign Exchange Risk (including Gold)	64.96	223.50
	- Equity Risk	8,209.64	6,476.80
(d)	**Capital requirements for Operational Risk**		
	• Basic Indicator Approach	24,225.43	20,840.94
(e)	**Common Equity Tier 1, Tier 1 and Total Capital:**		
	• Group		
	- CET 1 Capital	277,283.11	270,807.03
	- Tier 1 Capital	298,130.59	293,573.57
	- Tier 2 Capital	108,897.02	86,766.60
	- Total Capital	407,027.61	380,340.17
	• Stand alone (Parent Bank)		
	- CET 1 Capital	272,248.22	267,327.70
	- Tier 1 Capital	292,762.58	289,663.38
	- Tier 2 Capital	108,545.63	86,303.24
	- Total Capital	401,308.21	375,966.62
(f)	**Common Equity Tier 1, Tier 1 and Total Capital ratios:**		
	• Group CRAR		
	- CET 1 Ratio	8.32%	7.72%
	- Tier 1 Ratio	8.94%	8.37%
	- Tier 2 Ratio	3.27%	2.47%
	- CRAR	12.21%	10.84%
	• Stand alone (Parent Bank) CRAR		
	- CET 1 Ratio	8.21%	7.65%
	- Tier 1 Ratio	8.83%	8.28%
	- Tier 2 Ratio	3.28%	2.47%
	- CRAR	12.11%	10.75%

Table DF- 3: Credit Risk

(i) Qualitative Disclosures

Bank’s policy governs all credit risk related aspects. CRM Policy outlines the principles, standards and approach for credit risk management at the Bank. It establishes systems, procedures, controls and measures to actively manage the credit risks, optimize resources and protect the bank against adverse credit situations. The delegation of Power for approval of credit limits is approved by Board of Directors.

The Bank’s policies assume moderate risk appetite and healthy balance between risk and return. The primary risk management goals are to maximize value for shareholders within acceptable parameters and adequately addressing the requirements of regulatory authorities, depositors and other stakeholders. The guiding principles in risk management of the Bank comprise of Compliance with regulatory and legal requirements, achieving a balance between risk and return, ensuring independence of risk functions, and aligning risk management and business objectives. The Credit Risk Management process of the Bank is driven by a strong organizational culture and sound operating procedures, involving corporate values, attitudes, competencies, employment of business intelligence tools, internal control culture, effective internal reporting and contingency planning.

The overall objectives of Bank's Credit Risk Management are to:

- Ensure credit growth, both qualitatively and quantitatively that would be sectorally balanced, diversified with optimum dispersal of risk.
- Ensure adherence to regulatory prudential norms on exposures and portfolios.
- Adequately pricing various risks in the credit exposure.
- Form part of an integrated system of risk management encompassing identification, measurement, monitoring and control.

- **Strategies and processes:**

In order to realize the above objectives of Credit Risk Management, the Bank prescribes various methods for Credit Risk identification, measurement, grading and aggregation techniques, monitoring and reporting, risk control/ mitigation techniques and management of problem loans/ credits. The Bank has also defined target markets, risk acceptance criteria, credit approval authorities, and guidelines on credit origination/ maintenance procedures.

The strategies are framed keeping in view various measures for Credit Risk Mitigation, which includes identification of thrust areas and target markets, fixing of exposure ceiling based on regulatory guidelines and risk appetite of the Bank, Minimizing Concentration Risk, and pricing based on rating.

Bank from time to time would identify the potential and productive sectors for lending, based on the performance of the segments and demands of the economy. The Bank restricts its exposures in sectors which do not have growth potentials, based on the Bank's evaluation of industries/ sectors based on the prevailing economic scenario prospects, etc.

The operational processes and systems of the Bank relating to credit are framed on sound Credit Risk Management Principles and are subjected to periodical review.

The Bank has comprehensive credit risk identification processes as part of due diligence on credit proposals.

- **The structure and organization of the Credit Risk Management Function:** Credit Risk Management Structure in the Bank is as under-

  i. Board of Directors
  ii. Risk Management Committee of the Board (RMCB)
  iii. Credit Risk Management Committee (CRMC)
  iv. Model Review Technical Working Group (MRTWG)
  v. General Manager-Risk Management Wing, H.O (Chief Risk Officer)
  vi. Deputy General Manager (I&II), Risk Management Wing
  vii. Credit Risk Management Department comprising of Credit Policy Section, Credit Statistics Section and Credit Risk Management Section. The Credit Risk Management Section has three functional desks, the Credit Risk Management Desk, Credit Risk Rating Desk and Industry Research Desk.
  viii. Model Development Team (MDT)
  ix. Model Validation Team (MVT)
  x. Risk Management & Credit Review Section at Circle / Regional Offices

- **The scope and nature of risk reporting and / or measurement systems**:

Bank has an appropriate credit risk measurement and monitoring processes. The measurement of risk is through a pre-sanction exercise of credit risk rating and scoring models put in place by the Bank. The Bank has a separate Risk Rating Policy for identifying the parameters under each of these risks as also assigning weighted scores thereto and rating them on a scale of I to VII. Grade VIII or High Risk Grade III is termed as default grade. The risk rating policy also entails the guidelines on usage/mapping of ratings assigned by the recognized ECAIs (External Credit Assessment Institutions) for assigning risk weights for the eligible credit exposures as per the guidelines of the RBI on standardized approach for capital computation and also for pricing purposes.

The Bank has adopted 'Standardized Approach' for entire credit portfolio for credit risk measurement. The bank is endeavouring to move towards IRB approaches and made all necessary efforts in this regard.

The Bank has embarked upon implementation of a software solution to get system support for establishing a robust credit data warehouse for all MIS requirements, computation of Risk Weighted Assets (RWA), generate various credit related reports for review of exposure and monitoring, and conducting analysis of credit portfolio from various angles.

- **Policies for hedging and / or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants**:

Bank primarily relies on the borrower's financial strength and debt servicing capacity while approving credits. Bank does not excessively rely on collaterals or guarantees as a source of repayment or as a substitute for evaluating borrower's creditworthiness. The Bank does not deny credit facilities to those assessed as credit worthy for mere want of adequate collaterals.

In order to manage the Bank's credit risk exposure, the Bank has adopted credit appraisal and approval policies and procedures that are reviewed and updated by the Risk Management Wing at Head office in consultation with other functional wings. The credit appraisal and approval process is broadly divided into credit origination, appraisal, assessment and approval, and dispensation.

Corporate finance and project finance loans are typically secured by a first lien on fixed assets, normally consisting of property, plant and equipment. The Bank also takes security of pledge of financial assets like marketable securities and obtains corporate guarantees and personal guarantees wherever appropriate. Working Capital loans are typically secured by a first lien on current assets, which normally consist of inventory and receivables.

Bank has laid down detailed guidelines on documentation to ensure legal certainty of Bank's charge on collaterals.

The Bank's policy is to ensure portfolio diversification and evaluate overall exposure in a particular industry / sector in the light of forecasts of growth and profitability for that industry, and the risk appetite of the Bank. The Bank monitors exposures to major sectors of the economy and specifically exposure to various industries and sensitive sectors. Exposure to industrial activities is subjected to the credit exposure ceilings fixed by the Bank based on the analysis on performance of the industry. The Bank's exposures to single and group borrowers as also substantial exposure is fixed as per the risk rating of the borrowers and monitored periodically in order to keep the exposure level within the prudential ceiling norms advised by Reserve Bank of India from time to time.

The credit origination is through the grass root level ably assisted by the branch net work and Circle Offices. The process of identification, application is carried out before commencing an in depth appraisal, due diligence and assessment.

The credit approval process is a critical factor and commences with the mandatory credit risk rating of the borrower as a pre sanction exercise. The measurement of Credit Risk associated with the borrower evaluates indicative factors like; borrowers' financial position, cash flows, activity, current market trends, past trends, management capabilities, experience with associated business entities, nature of facilities etc. The credit sanctioning powers delegated to the various authorities based on internal risk rating categories of the borrower already put in place. In terms of the Ministry of Finance notifications, Bank has set up Credit Approval Committees at HO, Circle & regional Office levels. The credit sanctioning powers of all the sanctioning authorities at administrative units (i.e., besides branch powers) are withdrawn and the committee approach for credit approval has been put in place. The Bank has in place specialized branches viz. Centralized Processing Units (CPUs), Retail Asset Hubs (RAHs) and SME Sulabhs at select cities to ease credit dispensation turnaround time and ensure specialized attention.

To enhance the control measures, a separate Credit Administration and Monitoring Wing is in place to undertake exclusive loan review, monitoring problem accounts, credit audit, etc. This ensures greater thrust on post sanction monitoring of loans and strengthen administering the various tools available under the Banks' policies on loan review mechanism.

For effective loan review, the Bank has the following in place:

- Pre-release Audit System for compliance to sanction terms and conditions, obtention of stipulated collateral securities ensuring perfection of securities before disbursement etc.
- Credit Audit System to identify, analyze instances of non-compliance and rectification for all types of credit facilities sanctioned with credit limit of Rs. 5 crore.
- Review of loan sanctioned by each sanctioning authority by the next higher authority.
- Mid Term Review of borrowal accounts beyond a certain level of exposure.
- Monitoring of Special Mention Accounts (SMA) at various levels. formation of a Joint Lenders' Forum (JLF) and formulation of Corrective Action Plan (CAP) in the case of consortium/JLA accounts, for early rectification or restructuring
- Monitoring tools like Credit Monitoring Format (web-based), Quarterly Information Systems, Half Yearly Operation Systems, and Stock Audits etc.
- Credit Monitoring Officers at branches in charge of monitoring functions.
- A framework has been developed outlining a corrective action plan that will incentivize early identification of problem account, timely restructuring of accounts which are considered to be viable and taking prompt steps by lenders for recovery or sale thereby revitalizing the distressed accounts in the Bank.

Definition and classification of Non-Performing Assets (NPAs):

The Bank classifies its advances (loans and credit substitutes in the nature of an advance) into performing and non-performing loans in accordance with the extant RBI guidelines. A non-performing asset (NPA) is a loan or an advance where:

- Interest and/or instalment of principal remain overdue for a period of more than 90 days in respect of a Term Loan.
- The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC). An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days. 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.
- The bill remains overdue for a period of more than 90 days in the case of Bills Purchased and Discounted.
- The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops, and for one crop season for long duration crops.
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.
- In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contracts, if these remain unpaid for a period of 90 days from the specified due date for payment.

Any amount due to Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank. Assets classification has been made borrower-wise and not facility-wise. In other words, when a particular facility of a borrower has become non-performing, all the facilities granted by the Bank to the borrower will be classified as NPA.

Irrespective of record of recovery, the bank identifies a borrower account as a NPA even if it does not meet any of the above mention criteria, where:

- Loan availed by a borrower are repeatedly restructured unless otherwise permitted by regulations;
- Loans availed by a borrowers are classified as fraud;
- Project does not commence commercial operations within the timelines permitted under the RBI guidelines in respect of loans extended to a borrower for the purpose of implementing a project; and

- Any security in nature of debenture/bonds/equity shares issued by a borrower and held by the Bank is classified as non-performing investment.

For loans held at the overseas branches, identification of NPA is based on the home country regulations (RBI Guidelines) or the host country regulations (overseas branch regulator's guidelines), whichever is more stringent.

Further, NPA are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A sub-standard asset is one, which has remained a NPA for a period less than or equal to twelve month. An asset is classified as doubtful if it has remained in the sub-standard category for more than 12 months. A loss asset is one where loss has been identified by the Bank or internal or external auditors or during RBI inspection but the amount has not been written off fully.

(ii) Quantitative Disclosures

(b) Total Gross Credit Risk Exposure

	Amount (₹ in millions)	
Particulars	**30.06.2016**	**30.06.2015**
Fund Based Exposures	3,338,917.15	3,298,152.40
Non-fund Based Exposures	2,810,857.00	2,754,607.21
Total Gross Credit Exposures	**6,149,774.15**	**6,052,759.61**

(c) Geographic Distribution of Exposures:

Exposures	**Amount (₹ in millions)**			
	Fund Based Exposures		**Non-fund Based Exposures**	
	30.06.2016	**30.06.2015**	**30.06.2016**	**30.06.2015**
Domestic operations	3,123,618.34	3,074,100.34	2,701,785.10	2,641,024.68
Overseas operations	215,298.81	224,052.06	109,071.90	113,582.53
Total	**3,338,917.15**	**3,298,152.40**	**2,810,857.00**	**2,754,607.21**

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(d) Industry Type Distribution of Exposures (Global)

					(₹ in millions)
SL NO.	INDUSTRY	Fund Based Exposure		Non Fund Based Exposure	
		30.06.2016	30.06.2015	30.06.2016	30.06.2015
1.1	**Mining and Quarrying**	**30,795.40**	**29,067.05**	**8,922.50**	**3,773.00**
1.2	**Food Processing**	**109,365.60**	**101,323.93**	**5,713.10**	**4,392.80**
	1.2.1 Sugar	21,135.20	22,265.80	1,412.10	512.00
	1.2.2 Edible Oils and Vanaspati	6,103.20	4,369.90	1,779.30	555.30
	1.2.3 Tea	1,611.50	1,268.30	34.90	641.60
	1.2.4 Others	80,515.70	73,419.93	2,486.80	2,683.90
1.3	**Beverage & Tobacco**	**8,452.30**	**7,881.70**	**503.60**	**566.30**
1.4	**Textiles**	**165,907.70**	**151,914.89**	**22,356.00**	**10,718.20**
	1.4.1 Cotton Textiles	70,385.90	70,491.30	2,570.90	3,064.60
	1.4.2 Jute Textiles	2,536.90	2,178.60	59.40	208.00
	1.4.3 Other Textiles	92,984.90	79,244.99	19,725.70	7,445.60
1.5	**Leather & Leather Products**	**11,852.60**	**12,050.20**	**869.20**	**650.80**
1.6	**Wood and Wood Products**	**7,432.40**	**6,298.90**	**871.80**	**932.50**
1.7	**Paper & Paper Products**	**27,938.90**	**26,246.60**	**2,741.90**	**6,017.60**
1.8	**Petroleum, Coal Products and Nuclear Fuels**	**64,715.40**	**30,831.05**	**48,858.30**	**18,208.30**
1.9	**Chemicals and Chemical Products**	**54,361.50**	**60,774.21**	**8,067.10**	**7,438.58**
	1.9.1 Fertilizer	9,131.30	7,111.50	3,183.80	2,207.80
	1.9.2 Drugs & Pharmaceuticals	21,088.40	24,259.01	2,508.70	1,816.00
	1.9.3 Petro Chemicals	5,971.20	5,876.80	175.80	204.48
	1.9.4 Others	18,170.60	23,526.90	2,198.80	3,210.30
1.10	**Rubber, Plastic & their Products**	**18,589.00**	**17,036.30**	**2,494.60**	**2,232.80**
1.11	**Glass and Glassware**	**1,643.50**	**1,779.87**	**23.00**	**13.60**
1.12	**Cement and Cement Products**	**20,532.70**	**23,703.33**	**828.90**	**700.20**
1.13	**Basic Metal and Metal Products**	**225,663.00**	**201,017.55**	**51,921.70**	**59,328.10**
	1.13.1 Iron and Steel	168,430.20	130,879.30	37,846.10	45,973.70
	1.13.2 Other Metal and Metal Products	57,232.80	70,138.25	14,075.60	13,354.40
1.14	**All Engineering**	**88,102.40**	**79,933.70**	**171,170.70**	**160,028.30**
	1.14.1 Electronics	10,684.40	12,267.30	12,130.70	20,400.80
	1.14.2 Electricity	25,404.70	20,903.50	59,187.90	59,535.90
	1.14.3 Others	52,013.30	46,762.90	99,852.10	80,091.60

1.15	**Vehicles, Vehicle Parts and Transport Equipments**	**40,013.40**	**39,180.49**	**12,061.20**	**14,872.39**
1.16	**Gems & Jewellery**	**11,911.10**	**11,322.99**	**13,535.90**	**13,961.80**
1.17	**Construction**	**67,653.90**	**56,301.00**	**71,853.50**	**62,087.40**
1.18	**Infrastructure**	**658,608.66**	**802,924.03**	**70,238.70**	**76,554.70**
	1.18.1 Power	406,270.70	534,974.73	46,713.40	46,107.40
	1.18.2 Telecommunications	67,197.90	71,208.83	15,038.70	27,166.20
	1.18.3 Roads	95,782.20	104,249.60	2,571.90	1,891.90
	1.18.4 Airports	19,010.50	22,657.86	228.50	0.00
	1.18.5 Ports	5,081.30	6,028.40	0.00	108.00
	1.18.6 Railways (other than Indian Railways)	49,043.80	51,662.80	3,672.80	922.20
	1.18.7 Other Infrastructure	14,222.26	12,141.81	2,013.40	359.00
1.19	**Other Industries**	**69,703.48**	**93,079.21**	**21,044.80**	**8,770.05**
	INDUSTRY (Total of Small, Medium and Large Scale)	**1,683,242.94**	**1,752,667.00**	**514,076.50**	**451,247.42**

Credit Exposure of industries where outstanding exposure is more than 5% of the Total Gross Credit Exposure of the Bank is as follows:

Sl No	**Industry**	**Total Exposure (₹ in millions)**	**% of Total Gross Credit Exposure**
1	Power	452,984.10	7.37%

(e) Residual Contractual Maturity Breakdown of Assets

			₹ in millions
Maturity Pattern	**Advances**	**Investments**	**Foreign Currency Assets**
	30.06.2016	**30.06.2016**	**30.06.2016**
0 to 1 day	109,444.60 (160,729.40)	0.00 (3,555.02)	55,986.45 (38,579.69)
2 to 7 days	69,509.10 (120,897.30)	9,277.24 (3,600.00)	11,126.48 (15,013.22)
8 to 14 days	84,798.10 (78,939.10)	30,166.99 (0.00)	8,944.23 (15,038.04)
15 to 30 days	102,459.00 (149,174.00)	26,055.43 (18,685.22)	46,640.77 (28,999.84)
31 days to 2 months	130,485.40 (250,730.90)	23,455.21 (24,312.49)	32,012.01 (80,886.36)
2 months to 3 months	173,374.30 (*)	8,811.58 (*)	58,595.69 (*)
Over 3 months & upto 6 months	191,170.50 (248,831.50)	10,350.35 (36,333.36)	85,920.02 (84,724.80)
Over 6 months & upto 1 year	455,393.30 (449,035.80)	52,800.20 (58,024.20)	79,296.96 (133,765.31)
Over 1 year & upto 3 years	1,068,933.50 (807,616.60)	180,328.72 (198,267.89)	17,920.88 (44,784.83)
Over 3 year & upto 5 years	540,574.60 (345,090.00)	219,765.29 (329,351.25)	9,789.92 (19,379.11)
Over 5 years	286,390.50 (638,548.60)	713,907.21 (777,385.07)	25,586.88 (28,457.37)
Without Maturity	0.00 (0.00)	32,990.02 (31,661.67)	172.16 (62.37)
Total	**3,212,532.90 (3,249,593.20)**	**1,307,908.24 (1,481,176.17)**	**431,992.45 (489,690.94)**

Note:

The figures in brackets () relates to previous year

* Previous year's figure is not comparable.

(f) Amount of Non-Performing Assets (Gross)

Sl No	Items		Amount (₹ in millions)	
			30.06.2016	30.06.2015
a)	**Gross NPAs**		**325792.00**	**132,634.90**
	▪	Sub-Standard	177,366.44	59,228.30
	▪	Doubtful 1	86,440.81	37,811.90
	▪	Doubtful 2	61,984.75	35,594.70
	▪	Doubtful 3	0.00	0.00
	▪	Loss	0.00	0.00
b)	**Net NPAs**		**217,390.50**	**90,172.70**
c)	**NPA Ratios**			
	▪	Gross NPAs to Gross Advances (%)	9.76	4.02
	▪	Net NPAs to Net Advances (%)	6.75	2.78
d)	**Movement of NPAs (gross)**			
	▪	Opening balance	318,523.40	131,736.10
	▪	Additions	39,148.40	25,712.00
	▪	Reductions	31,879.80	24,813.20
	▪	Closing Balance	325,792.00	132,634.90
e)	**Movement of Provisions for NPAs**			
	▪	Opening Balance	108,253.90	43,008.40
	▪	Adjustment towards Exchange Fluctuations	164.88	7.35
	▪	Provisions made during the period	14,068.81	11,939.90
	▪	Write-off	13,639.51	12,917.49
	▪	write back of excess provisions	32.52	0.00
	▪	Closing Balance	108,815.56	42,023.46
f)	**Amount of Non-Performing Investments**		**3,653.24**	**3,095.75**
g)	**Amount of Provisions held for Non-Performing Investments**		**2,780.47**	**2,374.66**
h)	**Movement of Provisions for Depreciation on Investments**			
	▪	Opening Balance	2,750.84	2,318.76
	▪	Provisions made during the period	240.42	55.90
	▪	Write-off	0.00	0.00
	▪	Recovery/Upgradation	210.79	0.00
	▪	Closing Balance	2,780.47	2,374.66

i) By major Industry or Counter party type

Amount (₹ in Millions) as at 30.06.2016				
Sl No	**Industry /counterparty**	**NPA**	**Specific & General Provisions**	**Specific provisions and write offs during the current period.**
1	Basic Metal & Metal Products	111,825.70	34,697.60	9,106.40
2	Textiles	18,410.00	7,223.50	1,417.40
3	Construction	27,699.80	7,386.30	3,903.50
4	Infrastructure	20,938.40	6,024.50	879.60
5	Food Processing	6,562.50	2,214.10	375.10

j) By Significant Geographical area wise

Amount (₹ in Millions) as at 30.06.2016			
Sl No	**Significant Geographical area**	**NPA**	**Specific & General Provisions***
1	Domestic	307,248.41	106,274.85
2	Overseas	18,543.59	2,540.71

*Outstanding provision for NPA as at 30.06.2016

- **Portion of General Provision that is not allocated to a geographical area - NA**

Table DF- 4: Credit Risk: Disclosures for portfolios subject to the Standardized Approach

(i) Qualitative disclosures

(a) FOR PORTFOLIOS UNDER THE STANDARDIZED APPROACH:

- The Bank has recognized following credit rating agencies for the purpose of rating of an exposure & assigning risk weights for computation of capital charge under standardized approach.

Domestic Credit Rating Agencies:

- Brickwork Ratings India Private Limited (Brickwork),
- Credit Analysis & Research Limited (CARE),
- CRISIL Limited,
- ICRA Limited,
- India Ratings and Research Private Limited (Formerly FITCH India)
- SMERA Ratings Limited

International Credit Rating Agencies:

- Standard & Poor,
- Moody's,
- FITCH

- **Types of exposure for which each agency is used:**

All the above agencies are recognized for rating all types of exposures.

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

- The Bank uses only publicly available solicited ratings that are valid and reviewed by the recognized External Credit Rating Agencies, referred as External Credit Assessment Institutions (ECAI).
- Bank uses Bank Loan Rating for risk weighting the borrower's exposures. Where Issuer Rating is available, the Bank uses such ratings unless the bank loan is specifically rated.

- The Bank does not simultaneously use the rating of one ECAI for one exposure and that of another ECAI for another exposure of the same borrower, unless the respective exposures are rated by only one of the chosen ECAIs. Further, the Bank does not use rating assigned to a particular entity within a corporate group to risk weight other entities within the same group.

- Running limits such as Cash Credit are treated as long term exposures and accordingly, long term ratings are used for assigning risk weights for such exposures.

- While mapping/applying the ratings assigned by the ECAIs, the Bank is guided by regulatory guidelines/Bank's Board approved Policy.

- Where exposures/ borrowers have multiple ratings from the chosen ECAIs, the Bank has adopted the following procedure for risk weight calculations:

  - If there are two ratings accorded by chosen ECAIs, which map into different risk weights, the higher risk weight is applied.

  - If there are three or more ratings accorded by the chosen ECAIs which map into different risk weights, the ratings corresponding to the lowest 2 ratings are referred to and higher of those two risk weights is applied.

(ii) Quantitative Disclosures

(b) Amount of the Bank's Exposures- Gross Advances (Rated & Unrated) in Major Risk Buckets - under Standardized Approach, after factoring Risk Mitigants (i.e. Collaterals):

Sl No	Particulars	Amount (₹ in millions)			
		FUND BASED		NON-FUND BASED	
		30.06.2016	30.06.2015	30.06.2016	30.06.2015
1	Below 100% Risk Weight	3,521,872.18	3,502,085.18	745,925.99	676,524.43
2	100% Risk Weight	853,686.00	964,352.49	560,684.63	362,146.95
3	More than 100% Risk Weight	528,249.57	618,559.19	317,708.96	266,097.72
4	Deducted (Risk Mitigants)	431,765.97	438,932.29	159,023.88	81,182.96
5	**TOTAL**	**4,472,041.78**	**4,646,064.57**	**1,465,295.70**	**1,223,586.14**

Leverage Ratio

The Basel III leverage ratio is defined as the capital measure (Tier – 1 capital of the risk based capital framework) divided by the exposure measure, with this ratio expressed as a percentage. As per RBI guidelines, the Basel III leverage for the Bank at the consolidated level as at June 30, 2016 is as follows:

Amount (₹ in millions)

Particulars	**30.06.2016**	**30.06.2015**
Tier 1 Capital (A)	298,130.59	293,573.57
Exposure Measure (B)	5,946,344.26	6,033,786.74
Leverage Ratio (A/B)	**5.01%**	**4.87%**