PILLAR 3 (BASEL III) DISCLOSURES AS ON 30.06.2016

CENTRAL BANK OF INDIA

Table DF-2: Capital Adequacy

Qualitative disclosures

(a) A summary discussion of the bank's approach to assess the adequacy of its capital to support current and future activities

The bank carries out regular assessment of its capital requirement from time to time to maintain the capital to Risk Weight Assets Ratio (CRAR) at desired level. The capital plan is reviewed on annual basis to take care of business growth and CRAR.

The bank has adopted standardized approach for credit risk, basic indicator approach for operational risk and standardized duration approach for market risk.

The bank has put in place a well laid down Internal Capital Adequacy Assessment Process to enable the bank to plan its capital requirements in relation to its business projections and to meet the risks inherent in the business. The main objective of ICAAP exercise is to identify and measure the risks that are not fully captured by the minimum capital ratio prescribed under Pillar I; the risks that are not at all taken into account by the pillar I; and the factors external to the bank and to provide capital for such additional risks and to measure an appropriate level of internal capital as per the risk appetite. The bank has also put in place the stress testing policy to measure impact of adverse stress scenario on its CRAR.

The bank reviews the ICAAP on quarterly basis.

Bank has taken initiatives to migrate to advanced approaches for Capital Adequacy Computation, Bank has already appointed the consultant & system integrator vendor for moving to advanced approach.

Quantitative disclosures	
(b) Capital requirements for credit risk:	
• Portfolios subject to standardized approach @9%	Rs. 154892Mn
• Securitization exposures :	NIL
(c) Capital requirements for market risk:	
• Standardized duration approach;	
- Interest rate risk	Rs. 8121Mn
- Foreign exchange risk (including gold)	Rs. 40Mn
- Equity risk	Rs. 7484Mn

(d) Capital requirements for operational risk: • Basic Indicator Approach	 Rs. 11805Mn
(e) Common Equity Tier 1, Tier 1and Total Capital ratios: • Common Equity Tier 1 • Tier 1 • Total Capital ratio	 7.65% 7.82% 9.91%

General qualitative disclosure requirement

A committee of board of Directors regularly oversees the Bank's Risk Management policies/practices under various risks viz. credit, operational, market etc. The bank also has separate committees for each risk comprising of top executives of bank headed by Chairman and Managing Director/ Executive directors such as Asset liability Management committee, Credit policy Committee, Operational Risk committee. These committees meet at regular intervals throughout the year to assess and monitor the level of risk under various bank operations and initiate appropriate mitigation measures wherever necessary.

The Risk Management Department at central office level which is headed by General Manager; measures, control and manages risk within the limits set by the Board and enforces compliance with risk parameters set by various committees. The General Manager is assisted by Deputy General Manager and a team of Assistant General Managers, Chief Managers, Senior Managers and Managers.

At some identified zonal offices, Risk Managers are posted who act as an extended arm of the Risk Management Department of Central Office. Officers are also identified at some regional offices to work as risk managers.

The bank has in place various policies such as Credit Risk Management Policy, Credit Risk Mitigation and Collateral Management Policy, Stress testing policy, Market Discipline &Disclosure policy, Intra group transaction and exposure policy, Operational risk policy, ALM policy and Investment and Market risk management Policy.

Besides these, the Loan Policy prescribing broad parameters governing loan functions, guidelines on appraisal and evaluation of credit proposals, lending powers of delegated authorities' exposure norms, prudential limits and measures, monitoring and controlling the credit portfolio is also in place.

The Credit Monitoring Department headed by General Manager monitors the loan portfolio, identify special mention accounts and take corrective measures. Loan review mechanism is also carried out by the department apart from processing and monitoring of accounts under CDR mechanism.

The bank has introduced rating models for various segments of borrowers including retail lending schemes which measures the risk associated with counterparties and helps in credit and pricing decisions. In case of large borrowers, credit risk assessment models evaluate financial risk, Industry risk, Management risk and business risk of the counter party and each of these risks are scored separately then overall rating is accorded to the counter party. Facility rating module is also available in the rating tool. Where parental support is available the same is also factored in rating, if corporate guarantee is available to the borrower. In order to keep the portfolio of Bank as 100% rated, rating scoring sheets for Mudra loan viz Shishu, Kishor & Tarun also introduced.

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Table DF-3

Credit risk: General disclosures for all banks

Qualitative Disclosures

Credit risk

Definitions of past due and impaired

A Non-Performing Asset shall be a loan or an advance where-

(i) Interest and/or installment of principal remain overdue for a period of more than 90days in respect of a Term Loan;

(ii) The account remains out of order for 90 days

(iii) The bill remains overdue for a period of more than 90days in the case of bills Purchased and Discounted

(iv) In case of advances granted for Agricultural purposes
   a) The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops
   b) The installment of principal or interest thereon remains overdue for one crop seasons for long duration crops

(v) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on securitization dated February 1, 2006.

(vi) in respect of derivative transactions, the overdue receivables representing positive mark to- market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

Out of Order:

An account should be treated as “out of Order” if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating accounts less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of balance sheet or credit are not enough to cover the interest debited in the account during the same period.

Overdue:

Any amount due to the bank under any credit facility is overdue if it is not paid on due date fixed by the bank.

Credit Risk Management Policy

Bank has put in place a well-articulated Board approved Credit Risk Policy which is reviewed annually. The policy deals with the following areas:

- Credit risk- definition, Policy and strategy
- Risk identification & measurement,
- Risk grading and aggregation,
- Credit risk rating framework and reporting,
- Risk control and portfolio management,
- Mitigation techniques,
- Target markets and type of economic activity,
- Credit approval authority,
- Country and currency exposure,
- Maturity patterns, level of diversification,
- Cyclical aspect of the economy,
- Credit risk in off balance sheet exposure,
- Credit risk monitoring procedures
- Managing of credit risk in inter Bank Exposure,
- Country risk and other operational matters

(Rs. in Mn)

<u>Quantitative Disclosures:</u> **(a) Total gross credit risk exposures:** Fund based*: Non-fund based: **includes cash , balances with banks , investments etc.*	2897442 322811

(b) Geographic distribution of exposures:	
▪ Overseas	3924
▪ Domestic	3216329

(c) Industry type distribution of exposures (fund based and non-fund based)

Industry Name	Funded	Non Funded
A. Mining and Quarrying	2805	470
A.1 Coal	1632	400
A.2 Others	1173	70
B. Food Processing	78378	21379
B.1 Sugar	31383	7930
B.2 Edible Oils and Vanaspati	14284	10009
B.3 Tea	2456	331
B.4 Coffee	17	0
B.5 Others	30238	3109
C. Beverages (excluding Tea & Coffee) and Tobacco	1918	301
C.1 Tobacco and tobacco products	122	0
C.2 Others	1796	301
D. Textiles	70971	19831
D.1 Cotton	33327	2508
D.2 Jute	1763	45
D.3 Man-made, of which	333	41
D.3.a. Handicraft/Khadi (Non Priority)	162	41
D.3.b. Silk	171	0
D.3.c. Woolen	0	0
D.4 Others	35549	17237
Out of D (i.e., Total Textiles) to Spinning Mills	714	144
E. Leather and Leather products	1295	163
F. Wood and Wood Products	977	904

G. Paper and Paper Products	6028	2585
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	10716	6359
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	38417	9039
I.1 Fertilizers	13044	109
I.2 Drugs and Pharmaceuticals	14330	6277
I.3 Petro-chemicals (excluding under Infrastructure)	3018	0
I.4 Others	8024	2653
J. Rubber, Plastic and their Products	3090	1062
K. Glass & Glassware	507	9
L. Cement and Cement Products	15862	6775
M. Basic Metal and Metal Products	119454	23357
M.1 Iron and Steel	103237	18677
M.2 Other Metal and Metal Products	16218	4680
N. All Engineering	49132	66726
N.1 Electronics	7315	1766
N.2 Others	41817	64960
O. Vehicles, Vehicle Parts and Transport Equipments	16825	8334
P. Gems and Jewellery	21059	4004
Q. Construction	63327	16587
R. Infrastructure	458487	80355
R.a Transport (a.1 to a.6)	103648	7357
R.a.1 Roads and Bridges	63238	6707
R.a.2 Ports	6975	600
R.a.3 Inland Waterways	1675	0
R.a.4 Airport	14282	50
R.a.5 Railway Track, tunnels, viaducts, bridges	17478	0
R.a.6 Urban Public Transport (except rolling stock in case of urban road transport)	0	0
R.b. Energy (b.1 to b.6)	257185	50289

R.b.1 Electricity Generation	136494	23687
R.b.1.1 Central Govt PSUs	2000	563
R.b.1.2 State Govt PSUs (incl. SEBs)	35392	2115
R.b.1.3 Private Sector	99102	21008
R.b.2 Electricity Transmission	12143	1506
R.b.2.1 Central Govt PSUs	0	0
R.b.2.2 State Govt PSUs (incl. SEBs)	4957	1506
R.b.2.3 Private Sector	7186	0
R.b.3 Electricity Distribution	94970	4596
R.b.3.1 Central Govt PSUs	0	0
R.b.3.2 State Govt PSUs (incl. SEBs)	94423	4484
R.b.3.3 Private Sector	547	112
R.b.4 Oil Pipelines	712	20000
R.b.5 Oil/Gas/Liquefied Natural Gas (LNG) storage facility	11237	0
R.b.6 Gas Pipelines	1629	500
R.c. Water and Sanitation (c.1 to c.7)	3594	380
R.c.1 Solid Waste Management	800	0
R.c.2 Water supply pipelines	0	0
R.c.3 Water treatment plants	2787	380
R.c.4 Sewage collection, treatment and disposal system	0	0
R.c.5 Irrigation (dams, channels, embankments etc)	7	0
R.c.6 Storm Water Drainage System	0	0
R.c.7 Slurry Pipelines	0	0
R.d. Communication (d.1 to d.3)	25848	21353
R.d.1 Telecommunication (Fixed network)	0	0
R.d.2 Telecommunication towers	0	0
R.d.3 Telecommunication and Telecom Services	25848	21353
R.e. Social and Commercial Infrastructure (e.1 to e.9)	37097	976
R.e.1 Education Institutions (capital stock)	11563	362
R.e.2 Hospitals (capital stock)	3020	0

R.e.3 Three-star or higher category classified hotels located outside cities with population of more than 1 million	6607	94
R.e.4 Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets	15427	520
R.e.5 Fertilizer (Capital investment)	0	0
R.e.6 Post harvest storage infrastructure for agriculture and horticultural produce including cold storage	479	0
R.e.7 Terminal markets	0	0
R.e.8 Soil-testing laboratories	0	0
R.e.9 Cold Chain	0	0
R.f. Others, if any, please specify	31115	0
	31115	0
S. Other Industries, pl. specify	102050	7917
	102050	7917
All Industries (A to S)	1061296	276158
Residuary other advances (to tally with gross advances)	1423826	43889
a. Education Loan	36310	0
b. Aviation Sector	19546	15050
c. Other Residuary advances	1367970	28839
Total	**2485122**	**320047**

Industry exposure is more than 5% gross exposure

	Funded	**Non-Funded**
Infrastructure	458487	80355
Basic Metal and Metal Products	119454	23357

(d) Residual maturity breakdown of Performing Assets:

Day 1	181490
02days to 07days:	24376
08days to 14days:	19616
15days to 28days:	14268
29days to 3months:	84974
Above 3months to 6months:	70226
Above 6months to 12months:	135040
Above 12months to36months:	881413
Above 36months to60months:	261841
Over 60 month	825148
Total	2498393

(e) Amount of NPAs (Gross) –	251075
▪ Substandard	110853
▪ Doubtful 1	45314
▪ Doubtful 2	66580
▪ Doubtful 3	20990
▪ Loss	7338
(f) Net NPAs	142317
(g) NPA Ratios	
▪ Gross NPAs to gross advances	13.52%
▪ Net NPAs to net advances	8.17%

(h) Movement of NPAs (Gross) ▪ Opening balance ▪ Additions ▪ Reductions ▪ NPA (Gross)	227227 32644 8796 251075
(i) Movement of provisions for NPAs ▪ Opening balance ▪ Provisions made during the period ▪ Write-off ▪ Write-back of excess provisions ▪ Closing balance	82380 16663 - - 99043
(j) Amount of Non-Performing Investments	4575
(k) Amount of provisions held for non-performing investments	3122
(l) Movement of provisions/depreciation on investments: ▪ Opening balance ▪ Provisions made during the period ▪ Write-off ▪ Write back of excess provision ▪ Closing balance	3156 135 - 169 3122

Table DF-4

Credit risk: disclosures for portfolios subject to the standardized approach

Qualitative Disclosures

a. The Bank has adopted Standardized approach for computation of capital charge for Credit risk as per RBI guidelines. These guidelines envisage different risk weights for different borrower and exposure type, which have been duly applied.

b. The Bank has recognized the ratings issued by six External Credit Rating Agencies identified by RBI viz., CRISIL Ltd., CARE, ICRA Ltd., India ratings and research pvt ltd, SMERA rating ltd and BRICKWORK to rate the exposures of its clients.

c. These agencies give their rating grades for all fund and non fund based exposures. The ratings awarded by these agencies to the bank's clients are adopted for assigning risk-weights.

d. In case of bank's investment in particular issues of Corporate, the issue specific rating of the rating agency is reckoned to assign the risk weight.

Rs. in Mn

Quantitative Disclosures: (b) For exposure amounts after risk mitigation subject to the standardized approach, amount of a bank's outstanding (rated and unrated) in the following three major risk buckets as well as those that are deducted:	
▪ Below 100 % risk weight:	1944712
▪ 100 % risk weight	547795
▪ More than 100 % risk weight	466358
▪ Amount Deducted-CRM	116168