

Annexure 5: Basel III Pillar 3 Disclosures

1. Scope of Application

CSB Bank Ltd (formerly Catholic Syrian Bank Ltd) is a commercial bank formed on 26th November 1920 with Registered Office at Thrissur. In August 1969, the Bank was included in the Second Schedule to the Reserve Bank of India Act 1934. The bank has no subsidiaries.

2. Capital Structure

Qualitative Disclosures:

As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% { 11.5% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) as on 1st October 2021. The minimum capital required to be maintained by the Bank (including CCB) for year ended 31st march 2021 is 10.875% with minimum Common Equity Tier 1 (CET1) of 7.375% (including CCB of 1.875%).

Bank's capital structure consists of Tier 1 and Tier 2 capital. The major components of Tier 1 capital are equity share capital, equity share premium, statutory reserves, general reserves, special reserve (Section 36(i)(viii) of Income Tax Act) and capital reserves and revaluation reserves (after discounting). Tier 2 capital consists of provision for standard assets, provisions held for country exposures and Investment Fluctuation reserves.. Bank has not issued any Upper Tier 2 bonds or perpetual debt or other innovative instruments.

Quantitative Disclosures:

The breakup of capital funds is as follows:

₹ in million

	As on 31.03.2021	As on 31.03.2020
Tier 1 Capital		
Paid up Share capital	1,735.38	1,735.08
Warrant Capital		-
Share Premium	17,921.08	17,916.96
Employee Stock Options Outstanding	7.75	
Statutory Reserves	2,045.37	1,499.37
Capital Reserves	1980.46	803.78
Special Reserve (36 (i) (viii))	266.40	249.76
Other eligible reserves	996.00	979.09
Revaluation Reserves after discounting	695.13	702.98
Total Tier 1 Capital (Gross)	25,647.57	23,887.03
Less: Debit balance in P&L account	(4,694.90)	(5139.59)
Less: Deferred Tax Assets and Other Intangible Assets	(1335.27)	(1617.83)
Total Tier 1 Capital (Net) [A]	19,617.40	17,195.79
Tier 2 Capital		
General provisions	988.33	525.16
Investment Fluctuation Reserve	400.02	0
Total Tier 2 Capital (Net) [B]	1388.35	525.16
Total Eligible capital [A] + [B]	21,005.75	17,720.95

3. Capital Adequacy

Qualitative Disclosures:

In accordance with the guidelines of RBI, the bank has adopted standardized approach for credit risk, basic indicator approach for operational risk and standardized duration approach for market risk for computing capital adequacy. Basel III Capital regulations are applicable to Banks in India from 1st April, 2013 and will be fully phased in by 1st October 2021. Detailed guidelines on Basel III Capital Regulations and Guidelines on Composition of Capital Disclosure Requirements are issued by RBI and consolidated under the Master Circular – Basel III Capital Regulations July 2015.

The RBI vide circular No .RBI//2020-21/93 DOR.CAP.BC.No.34/21.06.201/2020-21 deferred the implementation of the last tranche of 0.625% of Capital Conservation Buffer (CCB) from April 1, 2021 to October 1, 2021. Accordingly, minimum capital conservation ratios as applicable from March 31, 2018 will also apply from March 31, 2021 till the CCB attains the level of 2.5% on October 1, 2021.

Regulatory Capital Adequacy position (as per Basel II & Basel III norms as made applicable by RBI) is assessed periodically. Besides, the bank also assessed its own internal estimate of risk capital based on its Board approved ICAAP policy and Stress Testing Policy to cover the Pillar 2 risks. Risks are assumed in line with the Bank's risk bearing capacity and capability in order to generate yields, taking risk-return frontier into account. This aims to ensure that risks that could jeopardize the Bank's existence are avoided.

Quantitative Disclosures:

a) Capital Requirement for Credit Risk – Standardized Approach

(₹ in Million)

Portfolios	Gross Exposure (₹ Mio)	Gross Exposure (₹ Mio)	Capital Requirement (₹ Mio)	Capital Requirement (₹ Mio)
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
On Balance Sheet				
Cash & Balance with RBI	7,361.37	5,477.92	0.00	0.00
Inter Bank Deposits	9,779.31	3,915.50	254.83	48.42
Market repo(CROMS)	0.00		0.00	

Investments (HTM)	42,499.73	30,747.62	278.29	3.60
Advances	144,381.22	113,663.54	5,682.09	4,408.04
Fixed Assets & Other Assets	11,000.60	386.77	4,297.45	11,000.60
Total	215,022.23	6,601.93	73,354.73	215,022.23
Off Balance Sheet				
Letter of Credit & Guarantees	5,856.67	3,268.74	219.83	92.92
Undrawn Credit Commitments	13,386.58	9,534.77	291.08	252.74
Forward Exchange Contracts	1,528.30	3.14	34.90	1,528.30
Total	20,771.56	514.06	5,711.76	20,771.56
Total On & Off Balance Sheet	235,793.79	7,115.98	79,066.49	235,793.79

b) Capital Requirement for Market Risk – Standardized Duration Approach

(₹ in Million)

Type of Market Risk	Gross Exposure	Gross Exposure	Capital Requirement	Capital Requirement
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Interest Rate Risk	18,717.00	22,855.23	612.56	675.49
Foreign Exchange Risk	110.00	110.00	9.90	9.90
Equity Risk	97.13	29.28	21.85	6.59
Total	18,924.13	22,994.51	644.32	691.98

c) Capital Requirement for Operational Risk – Basic Indicator Approach

(₹ in Million)

	As on 31.03.2020
Capital Requirement	892.30
Equivalent Risk Weighted Assets	11153.69

d) Total Capital Requirement

(₹ in Million)

Type of Risk	Capital Requirement	Capital Requirement	Risk Weighted Assets	Risk Weighted Assets
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Credit Risk	7,115.98	5,319.91	79,066.49	59,110.25
Market Risk	644.32	691.98	8,053.95	8,649.70
Operational Risk	1,256.59	892.30	11,153.69	11,153.69
Total	9,016.89	6,904.19	98,274.12	78,913.64
Total Net Tier 1 Capital			19,617.40	17,195.79
Tier 1 Capital Ratio			19.96%	21.79%
Tier 2 Capital Ratio			1.41%	0.67%

Total CRAR	21.37%	22.46%
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3. Credit Risk: General Disclosure

Qualitative Disclosures

a) Definition of past due and impaired loans

Bank strictly adheres to RBI norms regarding definitions of past due and impaired loans, as under (in brief):

- i) Interest and or installment of principal remain overdue for a period of more than 90 days in respect of term loan accounts
- ii) the account remains 'out of order' (the outstanding balance remains continuously in excess of the sanctioned limit/drawing power, in cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power 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) in respect of Overdraft/Cash credit accounts. If the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter, the account is classified as NPA.
- iii) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted
- iv) The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
- v) The instalment of principal or interest thereon remains overdue for one crop season for long duration crops.

b) Credit Risk Management Policy

The bank has in place a Credit Risk Management Policy which is reviewed periodically to bring in refinements triggered by evolving concepts and actual experience.

The Executive level committee - Credit Risk Management Committee (CRMC) which reports to Risk Management Committee (RMC) of the Board, is responsible for the management and mitigation of credit risk in the bank. Credit Risk Management Department at Head Office level act as the secretariat of CRMC.

Credit approvals are subject to a well-established and time tested system of competencies, which act as a framework within which decision making committees are authorized to enter into lending transactions. Responsibility for the approval of loans is dependent on size, security and type of the loan.

Rating migration studies are conducted at quarterly intervals. The findings of the rating migration study brings light many behavioral patterns. Credit Risk Management Department conducts industry-wise evaluation to analyze the latest trends and developments in the industry, their impact on bank's customers, the desirability of taking further exposure, assessment of the quality of bank's exposure to that industry etc.

Credit rating system is in force using various CRA formats to measure the risk involved in each borrower account. All borrowers with an aggregate credit limit of above Rs. 25 lakh are

subjected to borrower rating. Gold loans, Loans against Deposit Receipts, Housing Loans, Loans against NSC & Insurance policies, Retail loans and Staff loans are subjected to portfolio rating.

Operations in all credit exposures of ₹. 50 lakh and above are monitored on a monthly basis by the Executive level committee – Large Advance committee to detect delinquency signals at an early date and nurse the account. To monitor the credit portfolio through various controlling returns, monthly operating statements (MOS) from branches to SME verticals of exposure of ₹. 50 lakh up to ₹. 2 crore and an exposure of above ₹. 2 crore by Credit Monitoring department.

Both regulatory capital and economic capital requirements are assessed at the time of credit appraisal of corporate exposures. RAROC analysis is based on bank's Board approved Risk Adjusted Return On Capital (RAROC) policy.

Quantitative Disclosures

a) Gross Credit Risk Exposure – Banking Book

(₹ in Million)

	Loans 31.03.2021	Loans 31.03.2020	Investments 31.03.2021	Investments 31.03.2020
Fund Based	144,381.22	113,663.54	42,499.73	30,747.62
Non Fund Based	5,856.67	3,268.74	-	-
Total	150,237.90	116,932.28	42,499.73	30,747.62

b) Industry type distribution – Banking Book

(₹ in Million)

Industry Name	Total Credit Exposure (Funded)	Non funded	Investment Exposure
	(A)	(B)	(C)
A. Mining and Quarrying	237.20	3.76	0.00
A.1 Coal	0.00	0.00	0.00
A.2 Others	237.20	3.76	0.00
B. Food Processing	5556.29	516.83	0.00
B.1 Sugar	0.00	0.00	0.00
B.2 Edible Oils and Vanaspati	476.19	398.02	0.00
B.3 Tea	58.67	0.00	0.00
B.4 Coffee	3.14	0.00	0.00
B.5 Others	5018.29	118.81	0.00
C. Beverages (excluding Tea & Coffee) and Tobacco	244.61	0.22	0.00
C.1 Tobacco and tobacco products	0.00	0.00	0.00
C.2 Others	244.61	0.22	0.00
D. Textiles	7346.73	814.24	250.44
D.1 Cotton	5589.33	501.10	0.00

D.2 Jute	0.00	0.00	0.00
D.3 Man-made	17.35	0.00	0.00
D.4 Others	1740.05	313.14	250.44
Out of D (i.e., Total Textiles) to Spinning Mills	7321.60	0.00	0.00
E. Leather and Leather products	87.20	6.24	1.69
F. Wood and Wood Products	284.13	13.67	0.00
G. Paper and Paper Products	394.33	0.00	0.00
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	1470.75	0.00	475.87
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	1892.12	593.79	1.24
I.1 Fertilizers	14.69	0.00	0.00
I.2 Drugs and Pharmaceuticals	1464.35	592.29	0.00
I.3 Petro-chemicals (excluding under Infrastructure)	0.00	0.00	0.00
I.4 Others	413.08	1.49	1.24
J. Rubber, Plastic and their Products	466.73	92.19	246.17
K. Glass & Glassware	7.83	7.60	0.00
L. Cement and Cement Products	105.37	1.28	0.55
M. Basic Metal and Metal Products	741.33	0.37	0.00
M.1 Iron and Steel	449.65	0.11	0.00
M.2 Other Metal and Metal Products	291.68	0.26	0.00
N. All Engineering	1242.09	115.58	0.86
N.1 Electronics	3.64	6.88	0.00
N.2 Others	1238.45	108.70	0.86
O. Vehicles, Vehicle Parts and Transport Equipments	1014.94	5.23	0.00
P. Gems and Jewellery	201.51	0.10	0.00
Q. Construction	2386.83	2536.63	0.00
R. Infrastructure	4077.13	1507.79	218.39
R.a Transport (a.1 to a.6)	993.50	830.32	0.00
R.a.1 Roads and Bridges	993.50	830.32	0.00
R.a.2 Ports	0.00	0.00	0.00
R.a.3 Inland Waterways	0.00	0.00	0.00
R.a.4 Airport	0.00	0.00	0.00
R.a.5 Railway Track, tunnels, viaducts, bridges	0.00	0.00	0.00
R.a.6 Urban Public Transport (except rolling stock in case of urban road transport)	0.00	0.00	0.00

R.b. Energy (b.1 to b.6)	1072.98	70.00	0.00
R.b.1 Electricity Generation	1069.95	70.00	0.00
R.b.1.1 Central Govt PSUs	0.00	0.00	0.00
R.b.1.2 State Govt PSUs (incl. SEBs)	188.16	0.00	0.00
R.b.1.3 Private Sector	881.79	70.00	0.00
R.b.2 Electricity Transmission	0.00	0.00	0.00
R.b.2.1 Central Govt PSUs	0.00	0.00	0.00
R.b.2.2 State Govt PSUs (incl. SEBs)	0.00	0.00	0.00
R.b.2.3 Private Sector	0.00	0.00	0.00
R.b.3 Electricity Distribution	0.00	0.00	0.00
R.b.3.1 Central Govt PSUs	0.00	0.00	0.00
R.b.3.2 State Govt PSUs (incl. SEBs)	0.00	0.00	0.00
R.b.3.3 Private Sector	0.00	0.00	0.00
R.b.4 Oil pipelines	0.00	0.00	0.00
R.b.5 Oil/Gas/Liquefied Natural Gas (LNG) storage facility	0.00	0.00	0.00
R.b.6 Gas pipelines	3.03	0.00	0.00
R.c. Water and Sanitation (c.1 to c.7)	2010.65	607.47	0.00
R.c.1 Solid Waste Management	0.00	0.00	0.00
R.c.2 Water supply pipelines	0.00	0.00	0.00
R.c.3 Water treatment plants	21.86	0.00	0.00
R.c.4 Sewage collection, treatment and disposal system	0.00	0.00	0.00
R.c.5 Irrigation (dams, channels, embankments etc)	1988.79	607.47	0.00
R.c.6 Storm Water Drainage System	0.00	0.00	0.00
R.c.7 Slurry Pipelines	0.00	0.00	0.00
R.d. Communication (d.1 to d.3)	0.00	0.00	0.00
R.d.1 Telecommunication (Fixed network)	0.00	0.00	0.00
R.d.2 Telecommunication towers	0.00	0.00	0.00
R.d.3 Telecommunication and Telecom Services	0.00	0.00	0.00
R.e. Social and Commercial Infrastructure (e.1 to e.9)	0.00	0.00	0.00
R.e.1 Education Institutions (capital stock)	0.00	0.00	0.00
R.e.2 Hospitals (capital stock)	0.00	0.00	0.00

R.e.3 Three-star or higher category classified hotels located outside cities with population of more than 1 million	0.00	0.00	0.00
R.e.4 Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets	0.00	0.00	0.00
R.e.5 Fertilizer (Capital investment)	0.00	0.00	0.00
R.e.6 Post harvest storage infrastructure for agriculture and horticultural produce including cold storage	0.00	0.00	0.00
R.e.7 Terminal markets	0.00	0.00	0.00
R.e.8 Soil-testing laboratories	0.00	0.00	0.00
R.e.9 Cold Chain	0.00	0.00	0.00
R.f. Others, if any, please specify	0.00	0.00	218.39
OTHERS - Treasury Exposure	0.00	0.00	218.39
S. Other Industries, pl. specify	600.53	14.51	0.00
OTHERS	600.53	14.51	0.00
All Industries (A to S)	28357.64	6230.02	1195.21

c) Residual Contractual Maturity breakdown of Assets as on 31.03.2021

(₹ in Million)

	Cash & balance with RBI	Balance with Banks and money at call and short notice	Advances	Investments	Fixed assets and other assets
Next Day	1019.81	4295.11	380.45	12924.93	0.01
2-7 days	130.60	0.00	2746.67	1696.82	22.45
8-14 days	236.20	0.00	2837.54	367.20	0.17
15-30 days	189.60	2558.85	6669.94	639.92	0.45
31days-<2M	234.10	2193.30	10712.53	215.31	100.29
2M<3M	267.10	731.10	9714.48	1667.96	59.46
3M-<6M	667.00	0.00	26486.81	1881.32	296.40
6M-<1Y	1653.90	0.00	25022.59	2582.47	435.95
1-<3Y	2738.30	0.70	34762.70	23121.44	1752.11
3-<5 Y	145.30	0.00	11256.71	1048.54	1030.24
> 5 Yr	79.46	0.25	13790.80	15114.01	6894.20
Total	7361.37	9779.31	144381.22	61259.91	10591.74

c) Disclosures regarding Non-Performing Assets

(₹ in Million)

	As on 31.03.2021	As on 31.03.2020
Amount of NPAs (Gross)		
Substandard	1,915.11	1,804.31
Doubtful 1	751.63	923.36
Doubtful 2	785.59	930.75
Doubtful 3	428.41	380.43
Loss	54.19	55.49
Total Gross NPAs	3,934.94	4094.34
Net NPAs	1,688.08	2169.22
NPA Ratios		
Gross NPAs to Gross Advances	2.68%	3.54%
Net NPAs to Net Advances	1.17%	1.91%
Movement of provisions for NPAs		
Opening balance (01.04.2020)	1,883.57	2864.15
Provisions made during the period	1,206.04	926.19
Write-off	0.00	0
Write back of excess provisions	884.48	1906.77
Closing balance	2,205.14	1883.57
Write-offs that have been booked directly to the income statement	286.66	538.05
Recoveries that have been booked directly to the income statement	924.32	687.57

Major Industry breakup of NPA

	31.03.2021		31.03.2020	
Industry	Gross NPA	Specific Provision	Gross NPA	Specific Provision
NPA in top 5 Industries	615.96	368.68	859.73	356.57

	31.03.2021		31.03.2020	
Geography	Gross NPA	Specific Provision	Gross NPA	Specific Provision
Domestic	3,934.94	2,205.14	4094.34	1883.57
Overseas			0	0

₹ in million	31.03.2021	31.03.2020
Amount of Non-Performing Investments	18.21	18.21
Amount of provisions held for non-performing investments	17.70	18.07

Movement of provisions for depreciation on Investments	For the period ended 31.03.2021	For the period ended 31.03.2020
Opening balance (01-04-2020)	1009.68	842.02
Provisions made during the period	602.98	271.42
Write-off & Write back of excess provisions/diminution	371.75	103.76
Closing balance	1240.91	1009.68

4. Credit Risk: Disclosures for portfolios subject to standardized approach

Qualitative Disclosures

In accordance with RBI guidelines, the bank has adopted standardized approach for computation of capital for credit risk.

Bank Loan Ratings of CRISIL, CARE, ICRA, ACUTE (SMERA), BRICKWORK, INFOMERICS and India Ratings are considered for arriving at the capital requirement.

Bank extends external rating of other issues of the borrower to unrated claims only when the issue specific rating maps to Risk Weight higher than that of the unrated exposure.

Quantitative Disclosures

Risk weight wise classification of exposures

(₹ in Million)

	Gross Credit Exposure	Gross Credit Exposure	Capital Deductions	Capital Deductions	Exposure after Capital Deductions	Exposure after Capital Deductions
	(A)	(A)	(B)	(B)	(C) = (A) – (B)	(C) = (A) – (B)
	31.03.2021	31.03.2020	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Advances, Letter of Credit & Guarantees						
Below 100% risk weight	90,099.87	68,064.65	0.00	0.00	90,099.87	68,064.65
100% risk weight	54,003.62	43,275.72	0.00	0.00	54,003.62	43,275.72

More than 100% risk weight	6,134.40	5,591.91	0.00	0.00	6,134.40	5,591.91
Total	150,237.90	116,932.28	0.00	0.00	150,237.90	116,932.28
Investments						
Below 100% risk weight	42,499.73	30,747.62	0.00	0.00	42,499.73	30,747.62
100% risk weight		0.00	0.00	0.00	-	0.00
More than 100% risk weight	-	0.00	0.00	0.00	-	0.00
Total	42,499.73	30,747.62	0.00	0.00	42,499.73	30,747.62

5. Credit Risk Mitigation: Disclosures for standardized approaches

Qualitative Disclosures

A Credit Risk Mitigation and Collateral Management Policy, addressing the Bank's approach towards the credit risk mitigants used for capital calculation is in place.

Following items are considered for on and off balance sheet netting:

- Deposits with specific lien to the facility
- Subsidies received (for priority sector advances)
- Claims received (for NPA accounts)

Of the eligible financial collaterals, the types of collateral taken by the bank are gold ornaments and bank's own deposit receipts. Gold ornaments are accepted as collateral by branches after due scrutiny and are marked to market value on a daily basis. Bank has made an assessment of market liquidity risk involved in liquidating gold ornaments and is considering a holding period of 21 days for advance against pledge of gold ornaments. In Pillar 1 capital adequacy computations, bank considers a haircut of 22% (after scaling up the standard supervisory haircut of 15% to a 21 day holding period). In addition to this, bank is maintaining extra capital for its gold loan portfolio in Pillar 2 capital computations.

The types of guarantees recognized for credit risk mitigation are guarantee by central government, state government, ECGC and banks (in the form of bills purchased/discounted under Letter of credit).

Collaterals other than financial collaterals that secure the credit portfolio of the bank are land & building, plant & machinery and current assets of the counter party. Land and Building includes commercial building, residential property and vacant land.

Quantitative Disclosures

a) Exposures Covered by Eligible Financial Collateral (After Haircuts)

(₹ in Million)

	31.03.2021	31.03.2021
Corporate	1,086.21	1,428.64
Regulatory Retail	36,500.96	23,713.79
Personal Loans	21,795.88	19,135.50
Total	59,383.04	44,277.93

b) Exposures Covered by Guarantee

(₹ in Million)

Covered by Guarantee	31.03.2021	31.03.2020
Corporate	398.43	329.59
Regulatory Retail	3,934.59	4,332.95
Total	4,333.02	4,662.54

6. Securitization

No exposure of the bank has been securitized.

7. Market Risk in the Trading Book
Qualitative Exposures

Bank has put in place Board approved Market Risk Management Policy, Investment Policy and Foreign Exchange Policy for effective management of market risk of the bank.

Bank's Integrated Treasury manages the trading book. Proprietary trading is done in government securities, equity shares and foreign exchange. Adherence to limits is reported on a monthly basis to the Executive level Asset Liability Committee (ALCO) and Risk Management Committee (RMC) of the Board.

Modified Duration and Value at Risk (weighted historic simulation approach) are the tools used to track market risk in the trading book for interest rate related instruments. For equity exposures bank uses Value at Risk and Portfolio Beta.

Stress tests are conducted on a daily basis on securities in the trading book.

Portfolios covered by standardized approach are government securities, other trustee securities, Non SLR instruments, Certificate of Deposits and Equity Shares.

Quantitative Disclosures
Capital Requirement for Market Risk

(₹ in Million)

Type of Market Risk	Gross Exposure	Gross Exposure	Capital Requirement	Capital Requirement
	31.03.2021	31.03.2020	31.03.2021	31.03.2020
Interest Rate Risk	18,717.00	22,855.23	612.56	675.49
Foreign Exchange Risk	110.00	110.00	9.90	9.90
Equity Risk	97.13	29.28	21.85	6.59
Total	18,924.13	22,994.51	644.32	691.98

8. Operational Risk

Qualitative Disclosures

The Executive level committee - Operational Risk Management Committee (ORMC) which reports to Risk Management Committee (RMC) of the Board, is responsible for the management and mitigation of operational risk in the bank. The bank has framed Operational Risk Management Policy duly approved by the Board. Other policies approved by the board that deal with the different facets of operational risk are Inspection Policy, Human Resource Management Policy, IT Policy, Compliance Policy, Business Continuity & Disaster Recovery Plan and Outsourcing policy.

Bank has obtained Bankers' Indemnity Policy to cover the risk of cash in transit and cash and securities including gold ornaments kept at branches. Risk Based Internal Audit (RBIA) is operational at all the branches.

Bank is adopting Basic Indicator Approach for arriving at capital charge for operational risk in compliance with RBI guidelines and is in the process of building database for moving to Advanced Approaches.

Cyber Risk: Cyber Risk can be defined as the risk connected to online business activity such as Internet Banking, Mobile Banking, Electronic Systems and storage of sensitive Information over computer networks. Common categories of Cyber Risk include inter-alia, Hacker Attacks, Data Breach, Virus / Malware transmission and Cyber Extortion. Financial gain continues to be a primary driver of the most sophisticated criminal offences and presents evolving challenges as criminal networks reinvest the revenue they generate into developing more advanced capabilities.

Cyber Risk can drive up costs and impact revenue. It can harm an organisation's ability to innovate and to gain and maintain customers. Cyber risk pose commercial losses and public relations problems, disruption of operations and the possibility of extortion, cyber- attacks. It also exposes an organisation to negligence claims, the inability to meet contractual obligations and a damaging loss of trust among customers. Protecting key information assets is of critical importance to the sustainability and competitiveness of business today due to which financial institutions like us are taking front foot in terms of their cyber preparedness. Because of this and to safeguard our institution from cyber threats, the bank has set up the cybersecurity framework.

Cyber Security Framework: Cybersecurity risks are products of three elements: threat, vulnerability and impact. The Bank has the holistic risk picture based on periodic vulnerability assessment and threat intelligence from advisory bodies such as CERT-In (Indian Computer Emergency Response Team) and IB-CART (Indian Banks – Centre for Analysis of Risks and Threats). The Bank has also invested in advanced systems such as antivirus / anti-malware, threat protection, network firewalls and application firewalls. It continues to invest in enhancing the overall effectiveness of the Bank's security posture to enable the Bank to prioritise and align its resources to detect and respond to cyber incidents quickly and prevent emerging cybersecurity risks.

Information Security Management department headed by Chief Information Security Officer (CISO) was formed to address cybersecurity risks. As part of the cybersecurity framework, proactive security measures adopted by the bank are Managed Security Operations Centre, advanced anti-phishing, anti-malware and anti-rogue services, Privileged Identity Management Solution, Web Application Firewall, Intrusion Detection and Prevention System for protecting network-level threats and for preventing unwanted and malicious network transmissions, Network Access Control which will allow only authorised users to connect to banks network, Data Leakage Prevention solution to prevent data leakage, DDoS mitigation service to prevent Denial of services, DMARC & SPF protection to enhance the email security standards, Vulnerability Assessment and Penetration Testing, SSL encryption for data transfers, network firewall etc., Bank is continuing to invest on advanced technologies to enhance the systems. To evaluate banks preparedness against cyber-attacks, bank participates in the cyber-drill conducted by IDRBT. Bank has always taken continuous steps to create cybersecurity awareness among employees and customers through training/Newsletter/SMS/Emails.

9. Interest Rate Risk in the Banking Book

Qualitative Disclosures

The Executive Level Committee - Asset Liability Committee (ALCO) has the overall responsibility of managing the interest rate risk in the banking book of the bank. ALCO fixes the deposit and lending rates of the bank and directs the investment activities of the bank in line with its interest rate view. Limits are fixed from both Earnings and Economic Value Perspective in board approved Asset Liability Management Policy and adherence monitored on a monthly basis. Interest Rate Risk from Earnings Perspective is measured through Earnings at Risk (EaR) approach (which computes the impact on NII of various interest rate changes) on a monthly basis. Interest Rate Risk from Economic Value Perspective is measured using Modified Duration Gap Approach on a monthly basis.

The Risk Management Committee of the Board oversees the ALM process of the bank and reviews the decisions taken by the ALCO.

Key Assumptions for IRRB calculations

- a) Bulk of the advance portfolio to re-price within 12 months.
- b) Maturity of deposits considered after adjusting empirically observed premature closure rates.
- c) Core portion of Savings Bank Deposits slotted in 7 to 10 year time bucket.
- d) Core portion of Current Deposits slotted in 7 to 10 years' time bucket in Duration Gap approach. In the case of EaR approach, Current Deposits are treated as interest non sensitive.

Quantitative Disclosures

Interest Rate Risk – Earnings Perspective

(₹ in Million)

1 Year Change in Market Rates (Parallel Shift)	Impact as on 31.03.2021	Impact as on 31.03.2020
+200 basis points	900.22	541.72
-200 basis points	-900.22	-541.72

Interest Rate Risk – Economic Value Perspective

(₹in Million)		
1 Year Change in Market Rates (Parallel Shift)	Impact as on 31.03.2021	Impact as on 31.03.2020
+200 basis points	1624.47	338.19
-200 basis points	-1624.47	-338.19

11. Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before final settlement of the transaction's cash flows. An economic loss would occur if the transaction or portfolio of transactions with the counterparty has a positive economic value for the Bank at the time of default. Unlike exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss whereby the market value for many different types of transactions can be positive or negative to either counterparty. The market value is uncertain and can vary over time with the movement in underlying market factors.

Capital is maintained on the exposure to CCR as per regulatory guidelines on Capital adequacy computation. The exposure is calculated using Current Exposure Method.

The MTM on client exposures are monitored periodically. The Bank does not recognize bilateral netting for capital computation.

(₹in Million)				
	Notional Amount 31.03.2021	Credit Equivalent 31.03.2021	Notional Amount 31.03.2020	Credit Equivalent 31.03.2020
Forward Exchange Contracts	12546.47	298.52	10649.34	373.72

Leverage Ratio frame work

Definition and minimum requirement

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage

$$\text{Leverage Ratio} = \text{Capital Measure} / \text{Exposure Measure}$$

The public disclosure requirements of leverage ratio will begin from January 1, 2015 and the Basel Committee will monitor the impact of these disclosure requirements. Accordingly, banks operating in India are required to make disclosure of the leverage ratio and its components from April 1, 2015 on a quarterly basis and according to the disclosure templates as indicated in paragraph 16.7 along with Pillar 3 disclosures.

Table 1- Summary comparison of accounting assets Vs. leverage ratio exposure method

	Item	(Rs. in Million)
1	Total consolidated assets as per published financial statements	233373.54
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
4	Adjustments for derivative financial instruments	
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	8573.46
7	Other adjustments	
8	Leverage ratio exposure	241947.00

Table 2 – Leverage ratio common disclosure template

	Item	Leverage ratio framework
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	233373.54
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	233373.54
	Derivative exposures	

4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	47.59
5	Add-on amounts for PFE associated with all derivatives transactions	250.93
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	298.52
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	CCR exposure for SFT assets	
15	Agent transaction exposures	
16	Total securities financing transaction exposures (sum of lines 12 to 15)	
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	8274.94
18	(Adjustments for conversion to credit equivalent amounts)	
19	Off-balance sheet items (sum of lines 17 and 18)	8274.94
Capital and total exposures		
20	Tier 1 capital	19617.40
21	Total exposures (sum of lines 3, 11, 16 and 19)	241947.00
Leverage ratio		
22	Basel III leverage ratio	8.11%

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)

			Amounts Subject to Pre-Basel III Treatment	Ref No
	Common Equity Tier 1 Capital: Instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	19664.21		a1+a2
2	Retained earnings	593.33		b1+b2+b3+b4+b6+b7a
3	Accumulated other comprehensive income (and other reserves)	695.13		c1
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)			
6	Common Equity Tier 1 capital before regulatory adjustments	20952.66		
	Common Equity Tier 1 Capital: regulatory adjustments			
7	Prudential valuation adjustments			
8	Goodwill (net of related tax liability)			
9	Intangibles	368.10		e1-e2
10	Deferred tax assets	967.16		e2
11	Cash-flow hedge reserve			
12	Shortfall of provisions to expected losses			
13	Securitisation gain on sale			
14	Gains and losses due to changes in own credit risk on fair valued liabilities			
15	Defined-benefit pension fund net assets	0.00		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)			
17	Reciprocal cross-holdings in common equity			
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0.00		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)			
20	Mortgage servicing rights ⁴ (amount above 10% threshold)			
21	Deferred tax assets arising from temporary differences ⁵ (amount above 10% threshold, net of related tax liability)			
22	Amount exceeding the 15% threshold			
23	of which: significant investments in the common stock of financial entities			
24	of which: mortgage servicing rights			
25	of which: deferred tax assets arising from temporary differences			
26	National specific regulatory adjustments ⁷ (26a+26b+26c+26d)			

26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries			
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries			
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank			
26d	of which: Unamortised pension funds expenditures			
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which: [INSERT TYPE OF ADJUSTMENT]			
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions			
28	Total regulatory adjustments to Common equity Tier 1	1335.27		
29	Common Equity Tier 1 capital (CET1)	19617.40		
	Additional Tier 1 capital: Instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)			
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)			
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)			
33	Directly issued capital instruments subject to phase out from Additional Tier 1			
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)			
35	of which: instruments issued by subsidiaries subject to phase out			
36	Additional Tier 1 capital before regulatory adjustments	0		
	Additional Tier 1 capital:Regulatory Adjustments			
37	Investments in own Additional Tier 1 instruments	0		
38	Reciprocal cross-holdings in Additional Tier 1 instruments			
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
41	National specific regulatory adjustments (41a+41b)			
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries			
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank			
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions			

43	Total regulatory adjustments to Additional Tier 1 capital			
44	Additional Tier 1 capital (AT1)			
44a	Additional Tier 1 capital reckoned for capital adequacy			
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	19617.40		
	Tier 2 capital: Instruments & Provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus			
47	Directly issued capital instruments subject to phase out from Tier 2	0.00		d
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)			
49	of which: instruments issued by subsidiaries subject to phase out			
50	Provisions	1381.02		c1+c3+c4
51	Tier 2 capital before regulatory adjustments	1381.02		
	Tier 2 capital:Regulatory Adjustments			
52	Investments in own Tier 2 instruments			
53	Reciprocal cross-holdings in Tier 2 instruments	0.00		
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)			
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	National specific regulatory adjustments (56a+56b)			
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries			
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank			
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]			
	of which: [INSERT TYPE OF ADJUSTMENT			
57	Total regulatory adjustments to Tier 2 capital	0.00		
58	Tier 2 capital (T2)	1381.02		
58a	Tier 2 capital reckoned for capital adequacy	1381.02		
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	0		
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	1381.02		
59	Total capital (TC = T1 + T2) (45 + 58c)	20998.42		
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment			
	of which: [INSERT TYPE OF ADJUSTMENT]			
	of which: ...			
60	Total risk weighted assets (60a + 60b + 60c)	98274.12		
60a	of which: total credit risk weighted assets	79066.49		
60b	of which: total market risk weighted assets	8053.95		
60c	of which: total operational risk weighted assets	11153.69		

	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	19.96%		
62	Tier 1 (as a percentage of risk weighted assets)	19.96%		
63	Total capital (as a percentage of risk weighted assets)	21.37%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	7.38%		
65	of which: capital conservation buffer requirement	1.88%		
66	of which: bank specific countercyclical buffer requirement	0		
67	of which: G-SIB buffer requirement	0		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	13.99%		
	Capital ratios			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities			
73	Significant investments in the common stock of financial entities			
74	Mortgage servicing rights (net of related tax liability)			
75	Deferred tax assets arising from temporary differences (net of related tax liability)			
	Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	0.00		c3+c4
77	Cap on inclusion of provisions in Tier 2 under standardised approach	1228.43		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach			
	Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements			
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
84	Current cap on T2 instruments subject to phase out arrangements	0.00		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	0		

Notes

Row No. of the template	Particular	(Rs. in million)
10	Deferred tax assets associated with accumulated losses	0
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	967.16
	Total as indicated in row 10	967.16
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	NA
	of which: Increase in Common Equity Tier 1 capital	
	of which: Increase in Additional Tier 1 capital	
	of which: Increase in Tier 2 capital	
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	NA
	(i) Increase in Common Equity Tier 1 capital	
	(ii) Increase in risk weighted assets	
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	NA
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	
50	Eligible Provisions included in Tier 2 capital	981.00
	Eligible Investment Fluctuation Reserves included in Tier 2 capital	400.02
	Total of row 50	1381.02
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	0.00

Composition of Capital: Reconciliation Requirements Step 1

			Rs in million
		Balance sheet as in financial statements	Balance Sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
A Capital & Liabilities			
i	Paid-up Capital	1,735.38	
	of which: Amount eligible for CET1	1,735.38	
	of which: Amount eligible for AT1	-	
	Employee's Stock Options Outstanding	7.75	
	Reserves & Surplus	20,059.14	
	Minority Interest	-	
	Total Capital	21,802.27	
ii	Deposits	1,91,400.43	
	of which: Deposits from banks	6.74	
	of which: Customer deposits	1,89,868.32	
	of which: Other deposits (pl. specify)	-	
iii	Borrowings	14,259.19	
	of which: From RBI	8,760.00	
	of which: From banks	-	

	of which: From other institutions & agencies	5,499.19	
	of which: Others (pl. specify)	-	
	of which: Capital instruments	-	
iv	Other liabilities & provisions	5,911.65	
	of which: DTLs related to goodwill	-	
	of which: DTLs related to intangible assets	-	
Total Capital & Liabilities		2,33,373.54	

B Assets			
i	Cash and balances with Reserve Bank of India	7,361.37	
	Balance with banks and money at call and short notice	9,779.31	
ii	Investments	61,259.91	
	of which: Government securities	45,576.41	
	of which: Other approved securities	-	
	of which: Shares	60.88	
	of which: Debentures & Bonds	9,744.41	
	of which: Subsidiaries / Joint Ventures / Associates	-	
	of which: Others (Commercial Papers, Mutual Funds etc.)	5,878.21	
iii	Loans & Advances	1,44,381.22	
	of which: Loans and advances to banks	-	
	of which: Loans and advances to customers	1,44,381.22	
iv	Fixed assets	2,694.89	
v	Other Assets	7,896.85	
	of which: Goodwill and intangible assets	1,335.27	
	Out of which:		
	Goodwill	-	
	Other intangibles (excluding MSRs)	1,335.27	
	of which: Deferred tax assets	967.16	
vi	Goodwill on consolidation	-	
vii	Debit balance in Profit & Loss account	-	
Total Assets		2,33,373.54	

Composition of Capital: Reconciliation Requirements Step 2

Rs in million

Composition of Capital: Reconciliation Requirements Step 2				
		Balance sheet as in financial statements	Balance Sheet under regulatory scope of consolidation	Ref No
		As on reporting date	As on reporting date	
A	Capital & Liabilities			
i	Paid-up Capital	1,735.38		a1
	Employee's Stock Options Outstanding	7.75		
	Reserves & Surplus	20,059.13		
	of which:			
	Share premium	17,921.08		a2
	Statutory Reserves	2,045.37		b1
	Capital Reserves	1,980.46		b2
	General Reserves	995.50		b3
	Special Reserve (Tax): After Tax Portion	266.40		b4

	Special Reserve (Tax): Tax Element (not considered as part of capital funds)	(0.00)		b5
	Contingency Reserves	0.50		b6
	Add: Credit balance in Profit and Loss account	(4,694.90)		b7a
	Current Period profits not reckoned for capital adequacy purpose	-		b7b
	Revaluation Reserve reckoned as Tier I Capital	695.13		c1
	Revaluation Reserve not reckoned as Tier I Capital (55% discount)	849.60		c2
	Investment Reserve			c3
	Minority Interest	-		
	Total Capital	21,802.27		
ii	Deposits	1,91,400.43		
	of which: Deposits from banks	6.74		
	of which: Customer deposits	1,89,868.32		
	of which: Other deposits (pl. specify)	-		
iii	Borrowings	14,259.19		
	of which: From RBI	8,760.00		
	of which: From banks	-		
	of which: From other institutions & agencies	5,499.19		
	of which: Others (pl. specify)	-		
	of which: Capital instruments: Tier II Bonds	-		
	of which Eligible Amount after discounting	-		d
iv	Other liabilities & provisions	5,911.65		
	of which: Provision for Standard assets	-		c4
	Total Capital & Liabilities	2,33,373.54		
B Assets				
i	Cash and balances with Reserve Bank of India	7,361.37		
	Balance with banks and money at call and short notice	9,779.31		
ii	Investments	61,259.91		
	of which: Government securities	45,576.41		
	of which: Other approved securities	-		
	of which: Shares	60.88		
	of which: Debentures & Bonds	9,744.41		
	of which: Subsidiaries / Joint Ventures / Associates	-		
	of which: Others (Commercial Papers, Mutual Funds etc.)	5,878.21		
iii	Loans & Advances	1,44,381.22		
	of which: Loans and advances to banks	-		
	of which: Loans and advances to customers	1,44,381.22		
iv	Fixed assets	2,694.89		
v	Other Assets	7,896.85		
	of which: Goodwill and intangible assets	1,335.27		
	Out of which:			
	Goodwill	-		
	Other intangibles (excluding MSRs)	1,335.27		e1
	of which: Deferred tax assets	967.16		e2
vi	Goodwill on consolidation	-		
vii	Debit balance in Profit & Loss account	-		
	Total Assets	2,33,373.54		