

## **PILLAR III DISCLOSURE REQUIREMENTS**

### **1. Scope of Application and Capital Adequacy**

#### **Table DF 1 –SCOPE OF APPLICATION**

Dhanlaxmi Bank is a Commercial Bank, which was incorporated on November 14, 1927 in Thrissur, Kerala. The Bank does not have any subsidiary/ Associate companies under its Management.

#### **TABLE DF 2- CAPITAL ADEQUACY**

##### **Qualitative disclosures:**

##### **Basel- III guidelines issued by RBI**

Reserve Bank of India had issued Guidelines based on the Basel III reforms on capital regulation in May 2012, to the extent applicable to Banks operating in India. The Basel III capital regulation has been implemented from April 1, 2013 in India. The transition to the Basel-III Capital Regulations is in a phased manner and during the transitional period the Bank is subject to the compliance with the regulatory limits and minimum CRAR prescribed under Basel-III Capital Regulation on an ongoing basis. The Basel III Capital Regulations have been consolidated in Master Circular RBI/2015-16/58 BR.No.BP.BC.1/21.06.201/2015-16 – Basel III Capital Regulations dated July 1, 2015.

Basel III Capital regulations continue to be based on three-mutually reinforcing Pillars viz, Minimum Capital requirements (Pillar 1), Supervisory Review and Evaluation Process (Pillar II) and Market Discipline (Pillar III). The circular also prescribes the risk weights for the Balance Sheet assets, non-funded items and other off-balance sheet exposures and the minimum Capital Funds to be maintained as a ratio to the aggregate of the Risk Weighted Assets (RWA) and other exposures, as also, capital requirements in the Trading book, on an ongoing basis and Operational risk. The Basel-III norms mainly seek to:

- a) Raise the quality of capital to ensure that the Banks are capable to absorb losses on both as going concern and as gone concern basis,
- b) Increase the risk coverage of the capital framework

- c) Introduce Leverage Ratio to serve as a backstop to the risk-based capital measure
- d) Raise the standards for the Supervisory Review and Evaluation Process and Public Disclosures etc.

The macro prudential aspects of Basel III are largely enshrined in the capital buffers, viz., Capital Conservation Buffer and Counter Cyclical Capital Buffer. Both the buffers are intended to protect the Banking sector from stress situations and business cycles. The Capital Conservation Buffer requirements started from March 31, 2016 and are to be fully implemented by March 31, 2021. The Reserve Bank of India has released the final guidelines on implementation of Counter Cyclical Capital Buffer (CCCB) in India vide RBI/2014-15/452 DBR.No.BP.BC.71/21.06.201/2014-15 dated February 5, 2015. The CCCB shall increase gradually from 0 to 2.5 per cent of the RWA of the bank but the rate of increase would be different based on the level/ position of Credit-to-GDP gap between 3 and 15 percentage points, when notified.

## Summary

### (i) Tier I Capital : *Tier I capital of the Bank includes*

- Equity Share Capital
- Reserves & Surpluses comprising of
  - ❖ Statutory Reserves,
  - ❖ Capital Reserves,
  - ❖ Share Premium and
  - ❖ Balance in P&L Account
  - ❖ Revaluation Reserves
  - ❖ Special Reserves

### (a) Common Equity Tier I

The Bank has authorized share capital of Rs.300 Cr, comprising 30 Cr. equity share of Rs.10/- each. As on September 30 2020, the Bank has Issued, Subscribed and Paid-up capital of Rs.253,01,20,840/-, constituting 25,30,12,084 Equity Shares of Rs. 10/- each. The Bank's shares are listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE)

### (b) Additional Tier I Capital

As on September 30, 2020 the Bank does not have Additional Tier I Capital.

(ii) **Tier 2 Capital includes** Investment Fluctuation Reserves, Standard Asset Provisions, Investment Reserves, Provision for Restructured Standard Assets, General provision for Advances under Covid 19 Regulatory Package Advances and Tier II Bonds.

**Debt Capital Instruments:**

The Bank has been raising capital funds by means of issuance of Upper Tier 2 Bonds and Subordinated Bonds. The details of eligible Upper Tier 2 and Subordinated Debt (Unsecured Redeemable Non-convertible Subordinated Bonds in the nature of Promissory Notes/ Debentures) issued by the Bank and outstanding as on September 30, 2020, are given below. The Bonds considered in computation of Tier 2 Capital is as per the criteria for inclusion of Debt Capital Instruments as Tier 2 Capital detailed in the Basel III Master Circular.

Rs. in crores

| Series    | Coupon (%)                   | Date of Allotment | Maturity Date | Amount of Issue * |
|-----------|------------------------------|-------------------|---------------|-------------------|
| Series XV | Payable half yearly @ 11.00% | 29.03.2018        | 29.03.2025    | 150.00            |

\*Of this Rs.120.00 crore is eligible for Tier 2 Capital under Basel III.

**Quantitative Disclosures:**

**Risk exposure and assessment**

Besides computing CRAR under the Pillar I requirement, the Bank also periodically undertakes Stress Testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy. The Bank conducts Internal Capital Adequacy Assessment Process (ICAAP) on annual basis to assess the sufficiency of its capital funds to cover the risks specified under Pillar- II of Basel guidelines. The adequacy of Bank’s capital funds to meet the future business growth is also assessed in the ICAAP Document. Capital requirement for current business levels and framework for assessing capital requirement for future business levels has been made. Capital requirement and Capital optimization are monitored periodically by the Committee of Senior Management (ALCO). The Senior Management deliberates on various options available for capital augmentation in tune with business growth. Based on these reports submitted by Senior Management, the Board of Directors evaluates the available capital sources, forecasts the capital requirements and capital adequacy of the Bank and ensures that the capital available for the Bank at all times is in line with the Risk Appetite of the Bank.

**Composition of Capital as on 30.09.2020**

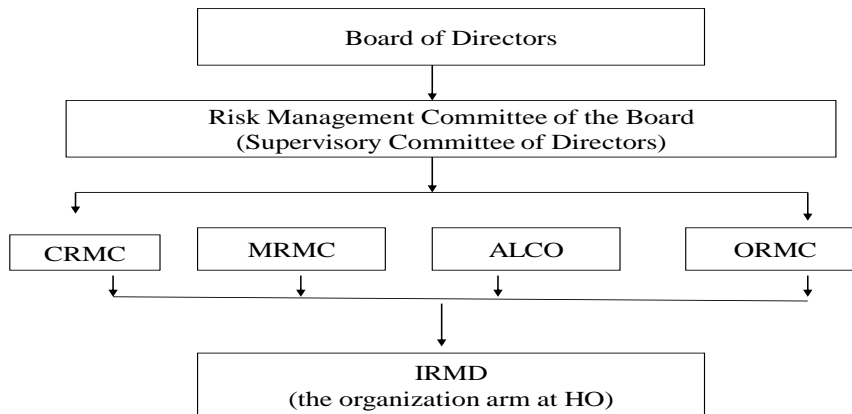
| Items  | Rs. in million |
|--|----------------|
| Paid-up Share Capital  | 2530.12        |
| Reserves   | 13127.27       |
| Common Equity Tier 1 Capital before deductions   | 15657.39       |
| Less amounts deducted from Tier I capital (accumulated losses, DTA and Intangible Assets).   | 9077.69        |
| <b>(a) Common Equity Tier 1 Capital</b>  | <b>6579.70</b> |
| <b>(b) Additional Tier-I Capital</b>   | <b>0.00</b>    |
| <b>(c) Total Tier-I Capital (a)+(b)</b>  | <b>6579.70</b> |
| Directly issued Tier II capital instruments subject to phase out   | 1200.00        |
| General Provisions /Investment Reserves/Investment Fluctuation Reserves #<br>(After applying a cap of 1.25% on Credit Risk weighted assets of Rs.4829.32 Cr) | 720.92         |
| <b>(d) Total Tier-2 Capital</b>  | <b>1920.92</b> |
| <b>Total Eligible capital (c)+(d)</b>  | <b>8500.61</b> |

(# Before applying cap of 1.25% on Credit Risk Weighted assets, General Provisions & Investment Reserves is Rs. 990.47 Millions)

The Bank is following Standardized Approach, Standardized Duration Approach and Basic Indicator Approach for measurement of capital charge in respect of Credit Risk, Market Risk and Operational Risk respectively. The Capital requirements for Credit Risk, Market Risk and Operational Risk and the Common Equity Tier 1, Tier 2 and Total Capital Ratios are given below: -

| Items   | Rs.in Crores<br>30.09.2020 |
|---|----------------------------|
| <b>(a) Capital requirements for Credit risk</b>                                 |                            |
| Portfolios subject to Standardized Approach (10.875%)                           | <b>525.19</b>              |
| Securitization exposures  |                            |
| <b>(b) Capital requirements for Market risk- Standardized Duration approach</b> | <b>43.63</b>               |
| Interest rate risk  | 36.33                      |
| Foreign exchange risk(including gold)   | 0.90                       |
| Equity position risk  | 6.40                       |
| <b>(c) Capital requirements for Operational risk</b>                            | <b>65.74</b>               |
| Basic Indicator Approach  | 65.74                      |
| <b>Total Capital Funds Required @ 10.875% [(a)+(b)+(c)]</b>                     | <b>634.57</b>              |
| <b>Total Capital Funds Available</b>  | <b>850.06</b>              |
| <b>Total Risk Weighted Assets</b>   | <b>6196.56</b>             |
| <b>(d) Common Equity Tier 1, Tier 2 and Total Capital Ratios</b>                |                            |
| Common Equity Tier 1 CRAR (%)   | 10.62%                     |
| Tier 2 CRAR (%)   | 3.10%                      |
| <b>Total CRAR % for the Bank</b>  | <b>13.72%</b>              |

## Structure and Organisation of the Risk Management function in the Bank



### Scope and Nature of Risk Reporting and/or Measurement Systems

The Bank has adopted an integrated approach for the management of risk. The Bank's Integrated Risk Management Department (IRMD) is the organisational arm for risk management functions. The Bank has developed a 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. Major initiatives of IRMD are –

- Risk rating system is drawn up in a structured manner incorporating the parameters from the 5 main risk areas 1) Financial Risk, 2) Industry/ Market Risk, 3) Business Risk, 4) Management Risk, and 5) Facility risk
- Risk rating system is made applicable for loan accounts with total limits of Rs.2 lakhs and above.
- Different Rating Models are used for different types of exposures, for e.g. Traders, SME, NBFC, Corporate, Small loans, Retail loans etc.
- IRMD validates the ratings of all exposures of Rs.100 lakhs and above.
- An independent analysis is carried out of the various risks attached to the credit proposals including industry analysis.
- Rating Migration analysis covering all exposures of Rs.5 Crores and above is conducted on quarterly basis and migration analysis of exposures of Rs.1 crore & above is conducted on a half yearly basis. Rating Migration analysis covering all exposures of Rs.25 lakhs and above is conducted on annual basis; Evaluates the asset quality by tracking the delinquencies and migration of borrower from one rating scale to another.

Credit facilities are sanctioned at various levels in accordance with the delegation approved by the Board. The Bank has in place the following hierarchical functionaries with delegated powers for credit sanction and administration:

- Branch Head with Branch Operational Manager, jointly,
- Regional Credit Committee (RCC)
- Retail Assets Credit Committee for Retail Loans (RACC)
- Corporate Credit Committee (CCC)
- Retail Assets Credit Committee 1 for Retail Loans (RACC 1)
- Corporate Credit Committee (CCC1)
- Credit and Business Committee of the Board(CBCB)
- Board of Directors

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

The Bank has put in place a Board approved Policy on Credit Risk Mitigation Techniques and Collateral Management, covering the Credit Risk mitigation techniques used by the Bank for both risk management and capital computation purposes. Apart from the Basel defined collateral, the Bank ensures securities by way of inventories, Book Debts, Plant & Machineries, Land & Buildings and other moveable/ immovable assets/ properties. The Bank also accepts Personal/ Corporate guarantee as an additional comfort for Credit Risk mitigation. The securities are subjected to proper valuation as prescribed in the Credit Policy of the Bank.

Bank has laid down detailed guidelines on documentation to ensure legal certainty of Bank's charge on collaterals. In order to ensure that documents are properly executed, the function has been brought under the purview of Credit Officers. The Credit Officers at branches ensure documentation, ground level follow up, collection of feedback, closer monitoring of accounts, quality of asset portfolios, statistical analyses, reporting of irregularities, providing guidelines, compliance with policy prescriptions and adherence to terms of sanction.

The Bank has an exclusive set up for Credit monitoring functions in order to have greater thrust on post sanction monitoring of loans and strengthen administering the various tools available under the Bank's policies on loan review mechanism. For effective loan review, the Bank has the following in place: -

- On site monitoring tools like Inspection of assets/ books/ stock of the borrower, stock audit, operations in the account, payment of statutory dues etc.
- Recording of loan sanctioned by each sanctioning authority by the next higher authority.

- Offsite monitoring tools like Financial Follow-up Reports, verification of various statutory returns, Audit Reports etc.

### **TABLE DF 3 –CREDIT RISK: GENERAL DISCLOSURES**

#### **Qualitative disclosures:**

##### **(a) General: -**

##### **Definitions of past due and impaired (for accounting purposes)**

The Bank has adopted the definition of the past due and impaired (for accounting purposes) as defined by the Regulator for income recognition and these asset classification norms are furnished below:-

#### **1. Non performing Assets**

An asset, including a leased asset, becomes Non Performing when it ceases to generate income for the Bank. A Non Performing Asset (NPA) is a loan or an advance where;

- a) interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- b) the account remains 'out of order' as indicated at paragraph 2 below, in respect of an Overdraft/Cash Credit (OD/CC),
- c) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- d) the installment of Principal or interest thereon remains overdue for two crop seasons for short duration crops,
- e) the installment of Principal or interest thereon remains overdue for one crop season for long duration crops,
- f) 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 Feb 1, 2006
- g) 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.

An account is classified as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

In addition, an account may also be classified as NPA in terms of any temporary deficiencies as defined by the Regulator.

**2. 'Out of Order' status:** An account is 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 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, these accounts are treated as 'out of order'.

**3. 'Overdue':** 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.

### **Strategies and Processes for Credit Risk Management**

Credit Risk Management Committee (CRMC) headed by MD&CEO is the highest level executive committee for Credit Risk management. 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 recommending to the Board for its approval, clear policies on standards for presentation of credit proposals, fine-tuning required in various rating 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.

The Bank's strategies to manage the credit risks in its lending operations are as under:

- a) The Bank has a Comprehensive Board Approved Credit Risk Management Policy which is reviewed and revised annually. In addition to the above, various strategies with regard to Credit risk management are covered under Bank's Credit Policy, Credit Monitoring Policy and Recovery Policy which are periodically reviewed by the Board.
- b) Defined segment exposures are delineated into Retail, SME and Corporates
- c) Industry wise exposure caps on aggregate lending by Bank
- d) Individual borrower wise caps on lending as well as borrower group wise lending caps linked as a percentage to the Bank's capital funds in line with RBI guidelines.
- e) Credit rating of borrowers and allowing credit exposures only to defined thresholds of risk levels
- f) A well defined approach to sourcing and preliminary due diligence while sourcing fresh credit accounts
- g) A clear and well defined delegation of authority within the Bank with regard to decision making, linking exposure, rating and transaction risks.
- h) Regular review of all credit structures and caps, continuously strengthening credit processes, and monitoring oversight which are regularly reviewed and duly approved by the Board of the Bank.



- i) Credit Risk Management Cell is validating the rating assigned to all individual credit exposures of Rs100 Lakh and above.
- j) Bank has an ever improving procedures and structures with respect to Credit Approval Process, Credit Rating, Prudential Limits, Documentation, Credit Monitoring and Review Mechanism.
- a) Credit Audit System by Internal/ External Auditors has been put in place for all Rs.1crore and above advances. For all loans/ advances of aggregate sanctioned amount of Rs.1 Cr and above, Credit Audit is conducted within 30 days from the date of disbursement. For Takeover accounts of Rs.1 Cr and above, Credit Audit is conducted within 15 days from the date of disbursement and one more Credit Audit is conducted in the immediate succeeding year. In respect of standard accounts with fund based working capital limit of Rs.3 Cr and above and in respect of stand alone Term loans of Rs.5 Cr and above, Credit audit is conducted every year.
- b) Legal Audit is conducted for all eligible loan accounts having an exposure of Rs.1 Crore and above mandatorily. In respect of advances of Rs.1Cr and below Rs.5 Crs, Legal Audit to be conducted as a one time measure and in respect of advances of Rs.5 Crs and above, Legal Audit is to be conducted every year.
- c) The review of accounts is usually done once in a year. But in case of deterioration of the quality of advance the frequency of review is shortened to half yearly or quarterly as per the case.
- d) The Credit Officers at branch level take care of the security creation and account management
- e) Credit Monitoring Department monitors the performance of loan assets of the Bank.
- f) Bank also carries out industry study which would provide necessary information to Business line to increase/ hold/ decrease exposure under various industries.

**Quantitative disclosures:**

- (a) Total Gross Credit exposures: (After accounting offsets in accordance with applicable accounting regime and without taking into account the effects of credit risk mitigation techniques e.g. Collateral and netting)

| Overall credit exposure |   | Amount  | Total      |
|-------------------------|---|---------|------------|
|                         |   |         | (In Crore) |
| Fund Based              | Loans & advances                        | 7059.80 | 8735.20    |
|                         | Cash, RBI and Banks                     | 1078.42 |            |
|                         | Others(Fixed Assets & other Assets)     | 596.98  |            |
| Non Fund Based          | LC, BG etc                              | 232.00  | 933.56     |
|                         | Forward Contracts / Interest rate SWAPS | 159.42  |            |
|                         | Others                                  | 542.13  |            |

| Overall credit exposure                      |    | Total           |                 |
|--|----|-----------------|-----------------|
|  |    | Amount          | (In Crore)      |
| Investments<br>(Banking<br>Book only)        | -- | 2628.03         | 2628.03         |
| <b>Total of<br/>Credit Risk<br/>exposure</b> | -- | <b>12296.79</b> | <b>12296.79</b> |

(b) Geographic distribution of exposures:

| Exposures           | 30.09.2020(Rs. in Crore)        |                |          |
|---------------------|---------------------------------|----------------|----------|
|                     | Fund based                      | Non Fund Based | TOTAL    |
| Domestic operations | 11363.24                        | 933.56         | 12296.79 |
| Overseas operations | Bank has no overseas operations |                |          |

(c) Industry type distribution of exposures as on 30.09.2020:

| Particulars  | Funded (Amt in Crs) |
|--|---------------------|
|  | Gross advance       |
| A. Mining and Quarrying  | 2.85                |
| B. Food Processing   | 75.93               |
| C. Beverages (excluding Tea & Coffee) and Tobacco                      | 2.15                |
| D. Textiles  | 83.54               |
| E. Leather and Leather products  | 11.77               |
| F. Wood and Wood Products  | 7.59                |
| G. Paper and Paper Products  | 10.94               |
| H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear fuels | 0.00                |
| I. Chemicals and Chemical Products (Dyes, Paints, etc.)                | 22.86               |
| J. Rubber, Plastic and their Products                                  | 2.84                |
| K. Glass & Glassware   | 10.49               |
| L. Cement and Cement Products  | 5.19                |
| M. Basic Metal and Metal Products                                      | 53.18               |
| N. All Engineering   | 28.82               |
| O. Vehicles, Vehicle Parts and Transport Equipments                    | 16.90               |
| P. Gems and Jewellery  | 202.98              |
| Q. Construction  | 127.20              |
| R. Infrastructure  | 274.80              |
| S. Other Industries  | 3.08                |
| <b>All Industries (A to S)</b>   | <b>943.09</b>       |
| <b>Residuary other advances</b>  | <b>6116.71</b>      |
| <b>Gross Advances</b>  | <b>7059.80</b>      |

Exposures to Infrastructure (transport, energy, water sanitation, communication etc) and Gems and Jewellery accounted for 3.89% and 2.88% of Gross Advances outstanding, respectively. The coverage of advances to the above 2 industries occupy the top 2 positions among the total industry sectors.

(Rs in Crs.)

| Sl.No. | Industry           | Gross Advance | Gross NPA     | Provision    |
|--------|--------------------|---------------|---------------|--------------|
| 1      | Infrastructure     | 274.80        | 57.15         | 24.31        |
| 2      | Gems and Jewellery | 202.98        | 50.03         | 50.03        |
| 3      | Construction       | 127.20        | 8.33          | 5.19         |
| 4      | Textiles           | 83.54         | 20.87         | 9.94         |
| 5      | Food Processing    | 75.93         | 9.16          | 7.15         |
|        | <b>Total</b>       | <b>764.45</b> | <b>145.54</b> | <b>96.62</b> |

(d) Residual maturity breakdown of assets as on 30.09.2020:

(Rs. in Crore)

| Maturity Pattern<br>Assets | Advances (Net) | Investments (Gross) | Foreign Currency<br>Assets |
|----------------------------|----------------|---------------------|----------------------------|
| Next Day                   | 406.48         | -                   | 63.95                      |
| 2 - 7 Days                 | 6.59           | -                   | 7.08                       |
| 8 - 14 Days                | 9.89           | -                   | 1.44                       |
| 15 - 30 Days               | 96.82          | 10.00               | 8.95                       |
| 31 D - 2 M                 | 490.66         | 156.57              | 2.19                       |
| 2 - 3 Months               | 528.33         | 123.94              | 10.47                      |
| 3 - 6 Months               | 1149.33        | 432.12              | 57.44                      |
| 6 Months - 1 Year          | 1480.70        | 178.15              | 40.97                      |
| 1 Year - 3 Years           | 936.35         | 467.31              | 0.04                       |
| 3 - 5 Years                | 531.71         | 862.55              | -                          |
| Over 5 Years               | 1083.45        | 1870.36             | -                          |
| <b>Total</b>               | <b>6720.30</b> | <b>4101.01</b>      | <b>192.52</b>              |

(e) Non Performing Assets:

| Sl No | Items             | Amount in Rs. In Million |
|-------|-------------------|--------------------------|
|       |                   | 30.09.2020               |
| 1     | <b>Gross NPAs</b> | 4487.25                  |
| 1.1   | Substandard       | 1094.67                  |
| 1.2   | Doubtful 1        | 371.41                   |
| 1.3   | Doubtful 2        | 921.51                   |
| 1.4   | Doubtful 3        | 1109.64                  |
| 1.5   | Loss              | 990.02                   |

|     |   |         |
|-----|---|---------|
| 2   | <b>Net NPAs</b>                                   | 1114.50 |
|     | <b>NPA Ratios</b>                                 |         |
| 3.1 | Gross NPAs to Gross Advances (%)                  | 6.36%   |
| 3.2 | Net NPAs to Net Advances (%)                      | 1.66%   |
| 4   | <b>Movement of NPAs (gross)</b>                   |         |
| 4.1 | Opening balance                                   | 4012.22 |
| 4.2 | Additions   | 738.11  |
| 4.3 | Reductions  | 263.08  |
| 4.4 | Closing balance                                   | 4487.25 |
| 5   | <b>Movement of provisions for NPAs</b>            |         |
| 5.1 | Opening balance                                   | 2995.31 |
| 5.2 | Provisions made during the FY                     | 445.75  |
| 5.3 | Write-off   | 4.10    |
| 5.4 | Write back of excess provisions                   | 72.42   |
| 5.5 | Closing balance                                   | 3364.54 |
| 6   | <b>Amount of Non Performing Investments (NPI)</b> | 318.02  |
| 7   | <b>Amount of provisions held for NPI</b>          | 318.02  |
| 8   | <b>Movement of Provisions held for NPIs</b>       |         |
| 8.1 | Opening balance                                   | 321.90  |
| 8.2 | Provisions made during the period                 | -       |
| 8.3 | Write-off/ Write back of excess provisions        | 3.88    |
| 8.4 | Closing balance                                   | 318.02  |

**Table DF 4 Disclosures for portfolios subject to the Standardized Approach**

**Qualitative disclosures:**

**(a) For Portfolios under the Standardized Approach**

|   |   |   |
|---|---|---|
| 1 | Names of credit rating agencies used  | Bank has approved all the External Credit Rating agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts, i.e. CRISIL, CARE, India Ratings & Research Pvt. Ltd., ICRA, Brick Work Ratings, ACUITE, Infomerics and International Credit Rating agencies, i.e, Standard and Poor, Moody's and FITCH. |
| 2 | Changes if any, since prior period disclosure in the identified rating agencies and reasons for the same. | No change   |
| 3 | Types of exposure for which each agency is used   | The External Credit Rating assigned by an agency is considered only if it fully takes into account the credit exposure of the Bank.<br>Bank is entitled to use the ratings of all the above   |

|   |  |   |
|---|--|---|
|   |  | <p>identified Rating Agency rating for various types of exposures as follows :</p> <p>(i) For Exposure with a contractual maturity of less than or equal to one year (except Cash Credit , Overdraft and other Revolving Credits) , Short -Term Rating given by ECRA will be applicable</p> <p>(ii) For Domestic Cash Credit, Overdrafts and other Revolving Credits (irrespective of the period) and/ or Term Loan exposures of over one year, Long Term Rating will be applicable.</p> <p>(iii) For Overseas exposures, irrespective of the contractual maturity, Long Term Rating given by IRAs will be applicable.</p> <p>(iv) Rating by the agencies is used for both fund based and non-fund based exposures.</p> <p>(iv) Rating assigned to one particular entity within a corporate group cannot be used to risk weight other entities within the same group.</p>   |
| 4 | Description of the process used to transfer public issue rating on to comparable assets in the Banking book. | <p>Long –term Issue Specific (our own exposures or other issuance of debt by the same borrower-constituent/ counter-party) Ratings or Issuer (borrower-constituent/ counter-party) Ratings can be applied to other unrated exposures of the same borrower-constituent/ counterparty in the following cases :</p> <p>(i) If the Issue Specific Rating or Issuer Rating maps to Risk Weight equal to or higher than the unrated exposures , any other unrated exposure on the same counter-party will be assigned the same Risk Weight , if the exposure ranks paripassu or junior to the rated exposure in all aspects</p> <p>(ii) In cases where the borrower-constituent/ counter-party has issued a debt (which is not a borrowing from our Bank), the rating given to that debt may be applied to Bank’s unrated exposures if the Bank’s exposure ranks paripassu or senior to the specific rated debt in all respects and the maturity of unrated Bank’s exposure is not later than Maturity of rated debt.</p> |

### Quantitative disclosures

Amount of Bank’s outstanding in major risk buckets- under standardized approach after factoring risk mitigants (i.e., collaterals) (includes Banking Book exposure of Investments):

(Rs. in Crores)

| Particulars                | Total   |
|----------------------------|---------|
| Below 100% risk weight     | 6940.48 |
| 100% risk weight           | 1488.08 |
| More than 100% risk weight | 914.62  |

**TABLE DF 5 –CREDIT RISK MITIGATION- STANDARDISED APPROACH****Qualitative Disclosure:****(a) General****Policies and processes for collateral valuation and management:**

The Bank has put in place a Board approved policy on Credit Risk Mitigation Techniques and Collateral Management, covering the Credit Risk mitigation techniques used by the Bank for both risk management and capital computation purposes.

**A description of the main types of collateral taken by the Bank**

Collateral used by the Bank as risk mitigants for capital computation under Standardized Approach comprise eligible financial collaterals namely: -

- Cash and fixed deposits of the counterparty with the Bank.
- Gold: value arrived at after notionally converting these to 99.99% purity.
- Securities issued by Central and State Governments.
- KisanVikas Patra and National Savings Certificates.
- Life Insurance Policies restricted to their surrender value.
- Debt securities rated by an approved Rating Agency.
- Unrated Debt securities issued by Banks, listed in Stock Exchange.
- Units of Mutual Funds.

**Bank has no practice of ‘On Balance Sheet’ netting for Credit Risk mitigation.**

**The main types of guarantor counterparty and their creditworthiness**

Bank accepts guarantees of Individuals or Corporates with adequate Networth, as an additional comfort for mitigation of credit risk which can be translated into a direct claim on the guarantor and are unconditional and irrevocable. Main types of guarantor counterparty as per RBI guidelines are: -

- Sovereigns (Central/ State Governments)
- Sovereign entities like ECGC, CGTMSE, CRGFTLIH, NCGTC.
- Bank and primary dealers with a lower risk weight than the counterparty
- Other entities rated AA (-) and above. The Guarantees has to be issued by entities with a lower risk weight than the counterparty.

**Information about risk concentrations of collaterals within the mitigation taken as on 30.09.2020:**

| <b>Financial Risk Mitigants</b> | <b>Outstanding Covered by Risk Mitigants (In Crore)</b> | <b>Risk Concentration %</b> |
|---------------------------------|---|-----------------------------|
| Gold                            | 1641.87   | 80.36%                      |
| Cash & Deposits                 | 399.13  | 19.54%                      |
| KVP/ IVP/ NSC                   | 1.37  | 0.07%                       |
| LIC Policy                      | 0.73  | 0.04%                       |
| <b>Total</b>                    | <b>2043.09</b>  | <b>100.00%</b>              |

Majority of the financial collaterals held by the Bank are by way of Gold, own Deposits, Life Insurance Policies and other approved securities. Bank does not envisage market liquidity risk in respect of financial collaterals.

Concentration on account of collateral is also relevant in the case of Land & Building. However, as Land & Building is not recognized as eligible collateral under Basel II Standardized Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge. It is used only in the case of Housing Loan to individuals and Non Performing Assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.

**Quantitative Disclosures:**

For the disclosed Credit Risk portfolio under the Standardised Approach, the total Exposure that is covered by:

- (i) Eligible Financial Collateral : Rs. 2043.09Crores
- (ii) Other eligible Collateral (after Hair Cuts) : Rs. Nil

**TABLE DF 6- SECURITISATION – STANDARDISED APPROACH:**

**Qualitative Disclosures:**

- ❖ Bank has not securitized any of its standard assets till date.

**TABLE DF7 - MARKET RISK IN TRADING BOOK- STANDARDISED MODIFIED DURATION APPROACH:**

**Qualitative Disclosures:**

- (a) **General :-**

**Strategies and processes**

The overall objective of Market Risk management is to maximize shareholder value by improving the Bank's competitive advantage and reducing loss from all types of market

risk loss events. For effective management of Market Risk, Bank has put in place a well established framework with the Integrated Treasury Management Policy and Asset Liability Management Policy. The Asset Liability Management Committee is responsible for establishing Market Risk management and Asset Liability management in the Bank. ALCO is a decision making unit responsible for Balance Sheet planning from risk-return perspective including the strategic management of Interest Rate and Liquidity Risks. Bank is computing LCR (Liquidity Coverage Ratio) on a daily basis. ALCO ensures adherence to the limits set by RBI as well as the Board.

### **Scope and nature of risk reporting/ measurement systems**

The Bank has put in place regulatory/ internal limits for various products and business activities relating to trading book. Various exposure limits for Market Risk management such as Overnight limit, VaR limit, Daylight limit, Aggregate/ Individual Gap limit, Investment limits etc. are in place. The reporting system ensures time lines, reasonable accuracy with automation, highlight Portfolio risk concentrations and include written analysis. The reporting formats and frequency of reporting are periodically reviewed to ensure that they suffice for risk monitoring, measuring and mitigation requirements of the Bank. Bank also subjects Non-SLR investments to credit rating.

### **Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of Hedges/ Mitigants:**

Board approved policies viz., Integrated Treasury Management Policy and Asset Liability Management Policy provides the framework for risk assessment, identification, measurement and mitigation, risk limits & triggers, risk monitoring and reporting.

Liquidity risk of the Bank is assessed through Statement of Structural Liquidity Statement which is prepared on a daily basis. The Bank also reviews various Liquidity Ratios on a fortnight basis in order to control the liquidity position. Interest Rate Risk is analyzed from earnings perspective using Traditional Gap Analysis on a fortnightly basis and economic value perspective using Duration Gap Analysis on a monthly basis. Stress Tests are conducted at quarterly intervals to assess the impact of various contingencies on the Bank's earnings and the capital position.

The Bank uses Standardized Duration Approach for computation of Market Risk Capital charge on the Investment Portfolio held under HFT and AFS, Gold and Forex Open positions. The Market Risk Capital charge is calculated on a daily basis and reported to ALCO.



**Quantitative Disclosures:**

| <b>Particulars</b>           | <b>Capital requirement for market risk-Standardised duration approach 30.09.2020 (Rs. in crores)</b> |
|------------------------------|--|
| <b>Interest rate risk</b>    | <b>36.33</b>   |
| <b>Equity position risk</b>  | <b>6.40</b>  |
| <b>Foreign exchange risk</b> | <b>0.90</b>  |

**TABLE DF 08- OPERATIONAL RISK:****Qualitative disclosures:****(a) General**

**Strategies and processes:** The Bank's strategy is to ensure that (1) the Operational risks which are inherent in Process, People and System and (2) the residual risks are well managed by the implementation of effective Risk management techniques. Keeping this in view, the Bank has been following risk management measures which address the risks before and after implementation of a Process, Product and System. All new Products, Processes and Systems which are cleared by the Product & Process Approval Committee (PPAC) are risk vetted by the Operational Risk Management (ORM) cell, before implementation. The ORM cell has completed Risk & Control Self Assessment (RCSA) at Thrust Branches and other core functions highlighting the potential risks that can happen during the course of operations and to assess whether the controls are adequate to manage/ mitigate these risks. Risk Based Internal Audit is in place in all the Branches. The Bank has a RCSA Document approved by the Risk Management Committee of the Board (RMCB) and Board, in place.

The framework for Operational Risk Management is well-defined in the Operational Risk Management (ORM) Policy which is reviewed and revised annually. The ORM Committee at the executive level, which meets at regular intervals oversees Bank-wide implementation of Board approved policies and process in this regard. The Bank has put in place important policies like Information System Security, Know Your Customer & Anti Money Laundering, Fraud Risk Management, Business Continuity and Disaster Recovery Management.

**Scope and nature of risk reporting/ measurement systems: -**

The Bank has adopted Operational Loss Data Reporting Format from the Loss Data Methodology Document for collection of Loss Data, which will enable the Bank to eventually ease the transition to Advanced Measurement Approach for Capital Calculation. The ORM cell has a well-built internal Loss Data collection system in

place. The risk reporting consists of operational risk loss incidents/ events occurred in branches/ offices relating to people, process, technology and external events.

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

Internal control mechanism is in place to control and minimise the operational risks. If any controls are found to be ineffective during the course of Risk & Control Self Assessment (RCSA), corrective measures are adopted in due course. A monitoring system is also in place for tracking the corrective actions plan periodically. Bank is using insurance for mitigating operational risk. The various Board approved policies viz., Operational Risk Management Policy, Outsourcing Policy, Compliance Policy, Internal Inspection & Audit Policy, Internet Banking Security Policy; Policy on KYC & AML; Information Systems Security Policy and Business Continuity Plans addresses issues pertaining to Operational Risk Management.

**Operational Risk Capital assessment:**

The Bank has adopted Basic Indicator Approach for calculating capital charge for Operational Risk, as stipulated by the Reserve Bank of India. The ORM Cell is focusing on the qualitative and quantitative requirements (RCSA, KRI identification, Business Line mapping etc) prescribed by the regulator and these are being adopted by the Bank to move on to the Advanced Approaches in due course.

**TABLE DF 09- Interest Rate Risk in the Banking Book (IRRBB):**

**(a) Qualitative Disclosures:**

**Strategies and processes**

The Bank has put in place a comprehensive Market Risk management framework to address market risks. The Asset Liability Management Policy prescribes the measurement of the Interest Rate Risk under two perspectives – Earnings Perspective and Economic Value Perspective.

Under Earnings perspective, Bank uses the Traditional Gap Analysis method to calculate the Earnings at Risk (EaR), which is the quantity by which net income might change in the event of an adverse change in interest rate. EaR is calculated on a fortnightly basis.

Under Economic Value Perspective, Bank uses Duration Gap Analysis to assess the impact of interest rate risk. The Duration Gap Analysis monitors the impact of changes

in the interest rates on the Market Value of Equity (MVE). It is calculated on a monthly basis.

The framework for managing Interest Rate Risk on the Economic Value of Equity (EVE) under Pillar II of Basel II is put in place through ICAAP Policy Document.

### **Scope and nature of risk reporting/ measurement systems**

Interest Rate Risk under Duration Gap Analysis is evaluated on a monthly basis. The likely drop in Market Value of Equity for a 200 bps change in interest rates is computed. Earnings at Risk based on Traditional Gap Analysis are calculated on a fortnightly basis and adherence to tolerance limits set in this regard is monitored and reported to ALCO. Stress Tests are conducted to assess the impact of Interest Rate Risk under different stress scenarios on earnings of the Bank.

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

Bank has operationalised mitigating/ hedging measures prescribed by Integrated Treasury Management Policy, Asset Liability Management Policy and Stress Testing Policy. The strategy adopted by ALCO for mitigating the risk is by clearly articulating the acceptable levels of exposure to specific risk types (Interest Rate, Liquidity etc). The process for mitigating the risk is initiated by altering the mix of Asset and Liability composition and with the proper pricing of Advances and Deposits.

### **Brief description of the approach used for computation of Interest Rate risk**

The Interest Rate Risk (EVE) is computed through Duration Gap Analysis. The step-by-step approach for computing Modified Duration Gap is as follows:

- i) Identify variables such as principal amount, maturity date/ re-pricing date, coupon rate, yield, frequency and basis of interest calculation for each item/ category of Rate Sensitive Asset/ Rate Sensitive Liability (RSA/ RSL).
- ii) Plot each item/ category of RSA/ RSL under the various time buckets. For this purpose, the absolute notional amount of rate sensitive off-Balance Sheet items in each time bucket are included in RSA if positive or included in RSL if negative.
- iii) The mid-point of each time bucket is taken as a proxy for the maturity of all assets and liabilities in that time bucket.
- iv) Determine the coupon and the yield curve for arriving at the yields based on current market yields or current replacement cost for computation of Modified Duration (MD) of RSAs and RSLs.

- v) Calculate the MD in each time band of each item/ category of RSA/ RSL using the maturity date, yield, coupon rate, frequency, yield and basis for interest calculation.
- vi) Calculate the MD of each item/ category of RSA/ RSL as weighted average MD of each time band for that item.
- vii) Calculate the weighted average MD of all RSA (MDA) and RSL (MDL) to arrive at Modified Duration Gap (MDG).

**(b) Quantitative Disclosures**

The impact on Earnings at Risk and Economic Value of Equity for notional interest rate shocks as on 30.09.2020.

**Earnings at Risk**

| <b>Change in interest rate</b> | <b>Change in NII (Rs. in Crores)</b> |
|--------------------------------|--------------------------------------|
| <b>± 25 bps</b>                | <b>4.43</b>                          |
| <b>± 50 bps</b>                | <b>8.85</b>                          |
| <b>± 75 bps</b>                | <b>13.28</b>                         |
| <b>± 100 bps</b>               | <b>17.71</b>                         |

The Bank is computing market value of equity based on Duration Gap Analysis.

|  |                |
|--|----------------|
| <b>For a 200 bps rate shock, the drop in equity value as on 30.09.2020</b> | <b>- 9.28%</b> |
|--|----------------|

**Table DF -10: General Disclosure for Exposure related to Counterparty Credit Risk**

**Qualitative disclosures**

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on a number of financial parameters like Net worth, capital adequacy ratio, rating etc of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardised Approach

**Quantitative disclosures**

The Bank does not recognize bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current

Exposure Method. The derivative exposure is calculated using Current Exposure Method and the balance outstanding as on September 30, 2020 is given below.

(Rs. in Million)

| Particulars                | Notional Amounts | Credit Equivalent |
|----------------------------|------------------|-------------------|
| Forward Exchange Contracts | 1494.16          | 34.76             |

**Table DF-11: Composition of Capital**

(Rs. in Mio)

| <b>Table DF-11 : Composition of Capital</b>  |  |                 |   |                |
|--|--|-----------------|---|----------------|
| <b>Part II : Template to be used during the transition period of Basel III regulatory requirements</b> |  |                 |   |                |
| <b>Basel III common disclosure template</b>  |  |                 | <b>Amounts subject to Pre-Basel III Treatment</b> | <b>Ref No.</b> |
| <b>Common Equity Tier 1 capital: instruments and reserves (Rs.in million)</b>                          |  |                 |   |                |
| 1  | Directly issued qualifying common share capital plus related stock surplus (share premium)   | 12,584.60       |   |                |
| 2  | Retained earnings  | -               |   |                |
| 3  | Accumulated other comprehensive income (and other reserves)  | 3072.79         |   |                |
| 4  | Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)  | 0               |   |                |
|  | Public sector capital injections grandfathered until January 1, 2018   | 0               |   |                |
| 5  | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)   | 0               |   |                |
| <b>6</b>   | <b>Common Equity Tier 1 capital before regulatory adjustments</b>  | <b>15657.39</b> |   |                |
| <b>Common Equity Tier 1 capital: regulatory adjustments</b>  |  |                 |   |                |
| 7  | Prudential valuation adjustments   | -               |   |                |
| 8  | Goodwill (net of related tax liability)  | -               |   |                |
| 9  | Intangibles other than mortgage-servicing rights (net of related tax liability) - (accumulated loss- Rs.8367.49mio, and other intangible assets- Rs.142.57mio) | 8510.06         |   |                |
| 10   | Deferred tax assets  | 567.63          |   |                |
| 11   | Cash-flow hedge reserve  | -               |   |                |
| 12   | Shortfall of provisions to expected losses   | -               |   |                |
| 13   | Securitisation gain on sale  | -               |   |                |

| <b>Table DF-11 : Composition of Capital</b>  |   |      |  |  |
|--|---|------|--|--|
| <b>Part II : Template to be used during the transition period of Basel III regulatory requirements</b> |   |      |  |  |
| 14   | Gains and losses due to changes in own credit risk on fair valued liabilities   | -    |  |  |
| 15   | Defined-benefit pension fund net assets   | -    |  |  |
| 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) | -    |  |  |
| 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 (amount above 10% threshold)  | NA   |  |  |
| 21   | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)   | NA   |  |  |
| 22   | Amount exceeding the 15% threshold  | NA   |  |  |
| 23   | of which: significant investments in the common stock of financial entities   | NA   |  |  |
| 24   | of which: mortgage servicing rights   | NA   |  |  |
| 25   | of which: deferred tax assets arising from temporary differences  | NA   |  |  |
| 26   | National specific regulatory adjustments (26a+26b+26c+26d)  | 0.00 |  |  |
| 26a  | <i>of which:</i> Investments in the equity capital of the unconsolidated insurance subsidiaries   | -    |  |  |
| 26b  | <i>of which:</i> Investments in the equity capital of unconsolidated non-financial subsidiaries   | -    |  |  |
| 26c  | <i>of which:</i> Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank  | -    |  |  |
| 26d  | <i>of which:</i> Unamortised pension funds expenditures   | 0.00 |  |  |
|  | Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-basel treatment   | -    |  |  |
|  | <i>of which:</i> [INSERT TYPE OF ADJUSTMENT]<br>For example: filtering out of unrealised losses on  | -    |  |  |

| <b>Table DF-11 : Composition of Capital</b>  |  |                |  |  |
|--|--|----------------|--|--|
| <b>Part II : Template to be used during the transition period of Basel III regulatory requirements</b> |  |                |  |  |
|  | AFS debt securities (not relevant in Indian context)   |                |  |  |
|  | <i>of which:</i> [INSERT TYPE OF ADJUSTMENT]   | -              |  |  |
|  | <i>of which:</i> [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   | <b>Total regulatory adjustments to Common equity Tier 1</b>  | 9077.69        |  |  |
| 29   | <b>Common Equity Tier 1 capital (CET1)</b>   | <b>6579.70</b> |  |  |
| <b>Additional Tier 1 capital: instruments</b>  |  |                |  |  |
| 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   | <i>of which: instruments issued by subsidiaries subject to phase out</i>   | -              |  |  |
| 36   | Additional Tier 1 capital before regulatory adjustments  | -              |  |  |
| <b>Additional Tier 1 capital: regulatory instruments</b>   |  |                |  |  |
| 37   | Investments in own Additional Tier 1 Instruments   | -              |  |  |
| 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)   | -              |  |  |

| <b>Table DF-11 : Composition of Capital</b>  |  |                |  |  |
|--|--|----------------|--|--|
| <b>Part II : Template to be used during the transition period of Basel III regulatory requirements</b> |  |                |  |  |
| 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   | -              |  |  |
|  | <i>of which:</i> Deferred Tax Assets (not associated with accumulated losses) net of Deferred Tax Liabilities  | -              |  |  |
|  | <i>of which:</i> [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]   | -              |  |  |
|  | <i>of which:</i> [INSERT TYPE OF ADJUSTMENT]   | -              |  |  |
| 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   | <b>Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)</b>   | <b>6579.70</b> |  |  |
| <b>Tier 2 capital: instruments and provisions</b>  |  |                |  |  |
| 46   | Directly issued qualifying Tier 2 instruments plus related stock surplus   | -              |  |  |
| 47   | Directly issued capital instruments subject to phase out from Tier 2   | 1200.00        |  |  |
| 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   | <i>of which:</i> instruments issued by subsidiaries subject to phase out   | -              |  |  |
| 50   | Provisions   | 720.92         |  |  |
| 51   | Tier 2 capital before regulatory adjustments   | 1920.92        |  |  |
| <b>Tier 2 capital: regulatory adjustments</b>  |  |                |  |  |
| 52   | Investments in own Tier 2 instruments  | -              |  |  |
| 53   | Reciprocal cross-holdings in Tier 2 instruments  | -              |  |  |



| <b>Table DF-11 : Composition of Capital</b>  |  |                 |  |  |
|--|--|-----------------|--|--|
| <b>Part II : Template to be used during the transition period of Basel III regulatory requirements</b> |  |                 |  |  |
| 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  | <i>of which:</i> Investments in the Tier 2 capital of unconsolidated subsidiaries  | -               |  |  |
| 56b  | <i>of which:</i> 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  | -               |  |  |
|  | <i>of which:</i> [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]   | -               |  |  |
|  | <i>of which:</i> [INSERT TYPE OF ADJUSTMENT  | -               |  |  |
| 57   | Total regulatory adjustments to Tier 2 capital   | -               |  |  |
| 58   | <b>Tier 2 capital (T2)</b>   | 1920.92         |  |  |
| 58a  | <b>Tier 2 capital reckoned for capital adequacy</b>  | 1920.92         |  |  |
| 58b  | <b>Excess Additional Tier 1 capital reckoned as Tier 2 capital</b>   | 0               |  |  |
| 58c  | <b>Total Tier 2 capital admissible for capital adequacy (58a + 58b)</b>  | <b>1920.92</b>  |  |  |
| 59   | <b>Total capital (TC = T1 + T2) (45 + 58c)</b>   | <b>8500.61</b>  |  |  |
|  | Risk Weighted Assets in respect of Amounts subject to Pre-Basel III Treatment  | -               |  |  |
|  | <i>of which:</i>   | -               |  |  |
|  | <i>of which: ...</i>   | -               |  |  |
| 60   | <b>Total risk weighted assets (60a + 60b + 60c)</b>  | <b>61965.62</b> |  |  |
| 60a  | <i>of which: total credit risk weighted assets</i>   | 48293.23        |  |  |
| 60b  | <i>of which: total market risk weighted assets</i>   | 5454.30         |  |  |
| 60c  | <i>of which: total operational risk weighted assets</i>  | 8218.09         |  |  |
| <b>Capital ratios</b>  |  |                 |  |  |
| 61   | Common Equity Tier 1 (as a percentage of risk weighted assets)   | 10.62%          |  |  |

| <b>Table DF-11 : Composition of Capital</b>  |   |               |  |
|--|---|---------------|--|
| <b>Part II : Template to be used during the transition period of Basel III regulatory requirements</b> |   |               |  |
| 62   | Tier 1 (as a percentage of risk weighted assets)  | 10.62%        |  |
| 63   | <b>Total capital (as a percentage of risk weighted assets)</b>  | <b>13.72%</b> |  |
| 64   | Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets) | NA            |  |
| 65   | of which: capital conservation buffer requirement   | NA            |  |
| 66   | of which: bank specific countercyclical buffer requirement  | NA            |  |
| 67   | of which: G-SIB buffer requirement  | NA            |  |
| 68   | Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) National minima (if different from Basel III)  | -             |  |
| 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) - including CCB of 1.875%   | 8.875%        |  |
| 71   | National total capital minimum ratio (if different from Basel III minimum) - including CCB of 1.875%  | 10.875%       |  |
| <b>Amounts below the thresholds for deduction (before risk weighting)</b>                              |   |               |  |
| 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)   | -             |  |
| <b>Applicable caps on the inclusion of provisions in Tier 2</b>  |   |               |  |
| 76   | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)  | -             |  |
| 77   | Cap on inclusion of provisions in Tier 2 under standardised approach  | -             |  |
| 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   | -             |  |

| <b>Table DF-11 : Composition of Capital</b>  |   |   |  |
|--|---|---|--|
| <b>Part II : Template to be used during the transition period of Basel III regulatory requirements</b>                   |   |   |  |
| <b>Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)</b> |   |   |  |
| 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                         | - |  |
| 85   | Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)   | - |  |

#### **Notes to Template**

| Row No. of the template | Particulars   | (Rs. in mio) |
|-------------------------|---|--------------|
| 10                      | Deferred tax assets associated with accumulated losses  | 131.28       |
|                         | Deferred tax assets (excluding those associated with accumulated losses) net of Deferred Tax Liability  | 436.35       |
|                         | Total as indicated in row 10  | 567.63       |
| 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                | -            |
|                         | 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:   | -            |
|                         | (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) | -            |

|     |   |        |
|-----|---|--------|
|     | 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  | 603.67 |
|     | Eligible Revaluation Reserves included in Tier 2 capital  | -      |
|     | Total of row 50   | 603.67 |
| 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) | 269.55 |

**Table DF-12 : Composition of Capital - Reconciliation Requirements**

|            |   | Balance sheet as in financial statements                              |
|------------|---|---|
| Step 1     |   | As on reporting date, 30 <sup>th</sup> September 2020 (Rs.in million) |
| <b>A</b>   | <b>Capital &amp; Liabilities</b>  |   |
| <b>i.</b>  | Paid-up Capital   | 2,530.12  |
|            | Reserves & Surplus  | 5940.00   |
|            | Minority Interest   | -   |
|            | Total Capital   | 8470.12   |
| <b>ii</b>  | Deposits  | 114357.46   |
|            | <i>of which:</i> Deposits from banks  | 0.02  |
|            | <i>of which:</i> Customer deposits  | 114357.44   |
|            | <i>of which:</i> Other deposits (pl. specify)                                     | -   |
| <b>iii</b> | Borrowings  | 1500.00   |
|            | <i>of which:</i> From RBI   | -   |
|            | <i>of which:</i> From banks   | -   |
|            | <i>of which:</i> From other institutions & agencies                               |   |
|            | <i>of which:</i> Others - book credit balances in foreign currency minor accounts | -   |
|            | <i>Of which:</i> Tier 2 Capital instruments                                       | 1500.00   |
| <b>iv.</b> | Other liabilities & provisions  | 2804.18   |
|            | <b>Total</b>  | <b>127131.76</b>  |
| <b>B</b>   | <b>Assets</b>   |   |
| <b>i</b>   | Cash and balances with Reserve Bank of India                                      | 5164.48   |
|            | Balance with banks and money at call  | 5619.76   |

|            |  |                  |
|------------|--|------------------|
|            | and short  |                  |
| <b>ii</b>  | Investments:   | 39901.59         |
|            | <i>of which:</i> Government securities   | 34319.80         |
|            | <i>of which:</i> Other approved securities   | -                |
|            | <i>of which:</i> Shares  | 19.21            |
|            | <i>of which:</i> Debentures & Bonds  | 4409.57          |
|            | <i>of which:</i> Subsidiaries / Joint Ventures / Associates  | -                |
|            | <i>of which:</i> Others ( Certificate of Deposit: Rs.707.46 Mio and Security Receipt: Rs.445.56 Mio) | 1153.02          |
| <b>iii</b> | Loans and advances   | 67202.87         |
|            | <i>of which:</i> Loans and advances to banks   | -                |
|            | <i>of which:</i> Loans and advances to customers   | 67202.87         |
| <b>iv</b>  | Fixed assets   | 2099.17          |
| <b>v</b>   | Other assets   | 7143.89          |
|            | <i>of which:</i> Goodwill and intangible assets  | -                |
|            | <i>of which:</i> Deferred tax assets   | 567.63           |
| <b>vi</b>  | Good will on consolidation   | -                |
| <b>vii</b> | Debit balance in Profit & Loss account   |                  |
|            | <b>Total Assets</b>  | <b>127131.76</b> |

\*Bank has no subsidiaries

| Step 2   |                                     | Balance sheet under regulatory scope of consolidation                 | Ref No.        |
|----------|-------------------------------------|---|----------------|
|          |                                     | As on reporting date, 30 <sup>th</sup> September 2020 (Rs.in million) |                |
| <b>A</b> | <b>Capital &amp; Liabilities</b>    |   |                |
| <b>i</b> | <b>Paid-up Capital</b>              | 2530.12   | <b>(a)</b>     |
| <b>i</b> | of which : Amount eligible for CET1 | 2530.12   | <b>(a) (i)</b> |
|          | of which : Amount eligible for AT1  | -   |                |

|            |  |           |                  |
|------------|--|-----------|------------------|
|            | <b>Reserves &amp; Surplus</b>  | 5940.00   | <b>(b)</b>       |
|            | of which : Amount eligible for CET1                                      | 4759.78   | <b>(b) (i)</b>   |
|            | Statutory Reserve  | 997.31    | <b>(b)(ii)</b>   |
|            | Share Premium  | 10054.48  | <b>(b) (iii)</b> |
|            | General Reserve  | 904.16    | <b>(b)(iv)</b>   |
|            | Capital Reserve (excluding Revaluation Reserves)                         | 486.52    | <b>(b)(v)</b>    |
|            | Special Reserve under Section 36(i) (viii)                               | 59.86     | <b>(b)(vi)</b>   |
|            | Balance in P/L a/c at the end of the previous FY                         | (8367.49) | <b>(b)(vii)</b>  |
|            | Current Financial Year Profit (Not eligible)                             |           | <b>(b)(viii)</b> |
|            | Revaluation Reserve (part of Tier 2 capital at a discount of 55 percent) | 624.94    | <b>(b)(ix)</b>   |
|            | Minority Interest  | -         |                  |
|            | <b>Total Capital</b>   | 8470.12   | <b>(a)+(b)</b>   |
| <b>iii</b> | Deposits   | 114357.46 | <b>(c)</b>       |
|            | of which: Deposits from banks  | 0.02      | <b>(c)(i)</b>    |
|            | of which: Customer deposits  | 114357.44 | <b>(c)(ii)</b>   |
|            | of which: Other deposits (pl. specify)                                   | -         |                  |
| <b>i</b>   | <b>iii</b> Borrowings  | 1500.00   | <b>(d)</b>       |
|            | of which: From RBI   | -         | <b>(d)(i)</b>    |
|            | of which: From banks   | -         | <b>(d)(ii)</b>   |
|            | of which: From other institutions &                                      | -         | <b>(d)(iii)</b>  |

|           |   |                  |                                 |
|-----------|---|------------------|---------------------------------|
|           | of which: Others<br>(Book Credit balances<br>in foreign currency<br>accounts) | -                | <b>(d)(iv)</b>                  |
|           | of which: Capital<br>instruments -Tier 2                                      | 1500.00          | <b>(d)(v)</b>                   |
| <b>v.</b> | <b>ii</b> Other liabilities &<br>provisions                                   | 2804.18          | <b>(e)</b>                      |
|           | of which: Standard<br>Asset provision<br>included under Tier 2<br>Capital     | 298.59           | <b>(e)(i)</b>                   |
|           | of which : DTLs related<br>to goodwill  | -                |                                 |
|           | of which : Details<br>related to intangible                                   | -                |                                 |
|           | <b>Total Assets</b>   | <b>127131.76</b> | <b>(a)+(b)+(c)<br/>+(d)+(e)</b> |
| <b>B</b>  | <b>Assets</b>   |                  |                                 |
| <b>i</b>  | <b>i</b> Cash and balances with<br>Reserve Bank of India                      | <b>5164.48</b>   | <b>(f)</b>                      |
|           | Balance in India with<br>banks and money at call                              | 5619.76          | <b>(g)</b>                      |
|           | <b>iii</b> Investments:   | 39901.59         | <b>(h)</b>                      |
|           | of which: Government<br>securities  | 34319.80         | <b>(h)(i)</b>                   |
|           | of which: Other<br>approved securities  | -                | -                               |
|           | of which: Shares  | 19.21            | <b>(h)(ii)</b>                  |
|           | of which: Debentures &<br>Bonds   | 4409.51          | <b>(h)(iii)</b>                 |
|           | of which: Subsidiaries /<br>Joint Ventures /                                  | -                | -                               |

**Common Equity Tier 1 Capital : Instruments and reserves**

|     |     |  |           |                                |
|-----|-----|--|-----------|--------------------------------|
|     |     | of which: Others (Certificate of Deposit: Rs.707.46 Mio and Security Receipt: Rs.445.56 Mio) | 1153.02   | <b>(h)(iv)</b>                 |
| i   | iii | Loans and advances   | 67202.87  | <b>(i)</b>                     |
|     |     | of which: Loans and advances to banks  | -         | <b>(i)(i)</b>                  |
|     |     | of which: Loans and advances to Customers  | 67202.87  | <b>(i)(ii)</b>                 |
| v   | ii  | Fixed assets   | 2099.17   | <b>(j)</b>                     |
| v   | v   | Other assets   | 7143.89   | <b>(k)</b>                     |
|     |     | of which: Goodwill and intangible assets   | -         | -                              |
|     |     | Out of which :   |           |                                |
|     |     | Goodwill   | -         | -                              |
|     |     | Other Intangibles (excluding MSRs)   | -         | -                              |
|     |     | Deferred tax assets  | 567.63    | <b>(k)(i)</b>                  |
| vi  | v   | Good will on consolidation   | -         |                                |
| vii |     | Debit balance in Profit & Loss account   |           |                                |
|     |     | <b>Total Assets</b>  | 127131.76 | <b>(f)+(g)+(h)+(i)+(j)+(k)</b> |

**Step 3:** Extract of Basel III common disclosure template (with added column)- Table DF-12 (Part II)



|   |   | <b>Component of regulatory capital reported by bank</b> | <b>Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation from Step 2</b> |
|---|---|---|--|
| 1 | Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus | 12,584.60   | (a)+ (b) (iii)   |
| 2 | Retained earnings   | 1901.47   | b (viii)   |
| 3 | Accumulated other comprehensive income (and other reserves)   | 486.52  | b(ii)+b(iv)+b(v)+b(vi)+b(ix)   |
| 4 | Directly issued capital subject to phase out from CET-1 (only applicable to non-joint stock companies)                    | -   | -  |
| 5 | Common share capital issued by subsidiaries and held by third parties (amount allowed in group CER 1)                     | -   | -  |
| 6 | Common Equity Tier 1 capital before regulatory adjustments  | 14972.60  | (a)+ (b)(ii)+ (b)(iii)+ (b)(iv) + (b)(v)+b(vi)+b(viii)+b(ix)   |
| 7 | Prudential valuation adjustments  | -   | -  |
| 8 | Goodwill (net of related tax liability)   | -   | -  |

**Table DF -13: Main Features of Regulatory Capital Instruments– Eligible Instruments**

| <b>Item</b> | <b>Particular</b> | <b>Equity Shares</b> | <b>Lower Tier II Series XV</b> |
|-------------|-------------------|----------------------|--------------------------------|
| 1           | Issuer            | Dhanlaxmi Bank Ltd   | Dhanlaxmi Bank Ltd             |

| Item | Particular   | Equity Shares   | Lower Tier II Series XV   |
|------|--|---|---|
| 2    | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)         | 680A01011   | INE680A08081  |
| 3    | Governing law(s) of the instrument. (Regulatory treatment)                                 | Applicable Indian Statutory and Regulatory Requirements | Applicable Indian Statutory and Regulatory Requirements   |
| 4    | Transitional Basel III rules   | Common Equity Tier 1                                    | Tier 2  |
| 5    | Post-transitional Basel III rules  | Common Equity Tier 1                                    | Eligible  |
| 6    | Eligible at solo/group/group & solo  | Solo  | Solo  |
| 7    | Instrument type  | Common Shares   | Tier 2 Debt Instruments   |
| 8    | Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date) | 2530.12   | 1500.00   |
| 9    | Par value of instrument  | Shares of Rs.10/ each                                   | Rs. 1 million   |
| 10   | Accounting classification  | Shareholder's Equity                                    | Liability   |
| 11   | Original date of issuance  | Various   | 29.03.2018  |
| 12   | Perpetual or dated   | Perpetual   | Dated   |
| 13   | Original maturity date (dd/mm/yyyy) / No maturity  | No maturity   | 28.03.2025  |
| 14   | Issuer call subject to prior supervisory approval  | No  | Yes, Exercise of Call Option is subject to prior approval of RBI  |
| 15   | Optional call date, contingent call dates and redemption amount                            | NA  | Bank can exercise Call Option to redeem the Bonds at par at the end of 5th Year from the Deemed Date of Allotment. Optional Call Date is 29.03.2023 and redemption amount is in full. |
| 16   | Subsequent call dates, if applicable Coupons / dividends                                   | NA  | NA  |
| 17   | Fixed or floating dividend/coupon  | NA  | Fixed   |

| <b>Item</b> | <b>Particular</b>   | <b>Equity Shares</b>                      | <b>Lower Tier II<br/>Series XV</b>             |
|-------------|---|---|--|
| 18          | Coupon rate and any related index   | NA  | 11.00%   |
| 19          | Existence of a dividend stopper   | No  | No   |
| 20          | Fully discretionary, partially discretionary or mandatory   | Fully discretionary                       | Mandatory                                      |
| 21          | Existence of step up or other incentive to redeem   | No  | No   |
| 22          | Noncumulative or cumulative   | Non cumulative                            | Non Cumulative                                 |
| 23          | Convertible or non-convertible  | Non convertible                           | Non Convertible                                |
| 24          | If convertible, conversion trigger(s)   | NA  | NA   |
| 25          | If convertible, fully or partially  | NA  | NA   |
| 26          | If convertible, conversion rate   | NA  | NA   |
| 27          | If convertible, mandatory or optional conversion  | NA  | NA   |
| 28          | If convertible, specify instrument type convertible into  | NA  | NA   |
| 29          | If convertible, specify issuer of instrument it converts into   | NA  | NA   |
| 30          | Write-down feature  | No  | No   |
| 31          | If write-down, write-down trigger(s)  | NA  | NA   |
| 32          | If write-down, full or partial  | NA  | NA   |
| 33          | If write-down, permanent or temporary   | NA  | NA   |
| 34          | If temporary write-down, description of write-up mechanism  | NA  | NA   |
| 35          | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | Subordinated claim in case of liquidation | All Depositors and other Creditors of the Bank |
| 36          | Non-compliant transitioned features   | No  | No   |

| Item | Particular                             | Equity Shares | Lower Tier II<br>Series XV |
|------|--|---------------|----------------------------|
| 37   | If yes, specify non-compliant features | NA            | NA                         |

**Table DF-14 Full Terms and Conditions of Regulatory Capital Instruments (Eligible Instruments)**

|  | Series XV       |
|--|-----------------|
| Nature of Instrument                       | ##              |
| Amount Subscribed                          | Rs 1500 million |
| Face value of the Bond                     | Rs.1 million    |
| Date of Allotment                          | 29.03.2018      |
| Date of Redemption                         | 29.03.2025      |
| Put and Call option (if yes, give details) | ####            |
| Coupon rate and Frequency                  | 11.00%          |
| Listing                                    | NSE             |

## Unsecured, Redeemable, Non-convertible, Subordinated Lower Tier-II Bonds in the nature of Debentures

#### Bank can exercise Call Option to redeem the Bonds at par at the end of 5th Year from the Deemed Date of Allotment. Optional Call Date is 29.03.2023 and redemption amount is in full

**Table DF 15: Disclosure Requirements for Remuneration**

### Qualitative disclosures

#### a. Information relating to the composition and mandate of the Nomination & Remuneration Committee.

##### ➤ Composition

The Board constituted a Remuneration Committee on 29.02.2008, which was reconstituted on 27.09.2008, 06.10.2009 and 28.02.2013. The Committee was renamed / reconstituted as Nomination & Remuneration Committee by the Board at its meeting held on 26.10.2015. The Nomination & Remuneration Committee comprises of Shri Chella K Srinivasan as Chairman and Sri Gopinathan C K, G Subramonia Iyer, Dr (CAPT.) Suseela Menon R and P K Vijayakumar as members of the Committee as on 30.09.2020

➤ **The terms of reference of the Committee are as follows:-**

1. Recommending to the Board for its consideration and approval on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors;
2. Reviewing, from time to time, possible candidates for current and potential Board vacancies, including Directors who are to retire and are eligible for re-appointment or re-election and other persons who may be recommended by the Chairman or the MD&CEO or other Directors, shareholders or others;
3. Recommending to the Board, candidates for election (including reelection) or appointment (including reappointment) to the Board;
4. Carrying out evaluation of every Director's performance;
5. Deciding on the matter of whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors;
6. Identifying persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal; formulation of the criteria for determining qualifications, positive attributes and Independence of a Director;
7. Devising a policy on diversity of Board of Directors;
8. Recommending to the Board a policy relating to the remuneration for the Directors, key managerial personnel and other employees;

[The committee shall ensure the following while formulating the policy on the aforesaid matters:

- a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, key managerial personnel and senior management of the quality required to run the Bank successfully;
- b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- c) Remuneration to Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals.]

9. Formulating and determining the Bank's policies on remuneration packages payable to the Directors and key managerial personnel including performance/achievement bonus, perquisites, retirals, sitting fees.
10. Considering grant of Stock Options to employees.
11. Reviewing the composition of the existing Committees of the Board.
12. Formulation of criteria for performance evaluation of independent directors and the Board;
13. Validation of "fit and proper" status of all Directors on the Board of the Bank in terms of the guidelines issued by the RBI or other regulatory authorities;
14. Developing and recommending to the Board the Corporate Governance guidelines applicable to the Bank for incorporating best practices from time to time

**The roles and responsibilities of the Compensation, Nomination & Remuneration Committee (CRC) are as follows:**

- To oversee the framing, review and implementation of compensation policy of the Bank on behalf of the Board.
- To ensure the Cost/ Income Ratio of the Bank supports the remuneration package consistent with maintenance of sound Capital Adequacy Ratio.
- To determine on their behalf and on behalf of the shareholders with agreed terms of reference, the Bank's policy on specific remuneration packages for Executive Directors including Pension rights and any compensation payment.
- For determining the modalities of providing appropriate incentives to employees, including stock options (i) to foster employee commitment and a feeling of ownership (ii) to retain employees or skill groups among them (iii) attract talented professionals (iv) to instill a sense of belonging to the Bank, among employees.

**b. Information relating to the design and structure of remuneration processes and the key features and objectives of Remuneration Policy.**

Remuneration and other perquisites paid to the Chairman and Managing Director & CEO are as approved by the Reserve Bank of India. Non-executive Directors are being paid sitting fees for each meeting attended by them. During the year, no remuneration, excepting sitting fees and re-imburement of actual travel and out-of-pocket expenses was paid.

The Bank has formed the Compensation Policy based on the Reserve Bank of India guidelines vide its circular no. DBOD.No.BC.72/29.67.001/2011-12 dtd. 13/01/2012 and was last reviewed on 29.08.2019. The fixed remuneration and other allowances

including retirement benefits of all subordinate, clerical and officers is governed by the industry level wage settlement under Indian Banks Association (IBA) pattern. In respect of officers covered under Cost to the Company payment scheme, the overall salary will be pegged at 115% of IBA salary of corresponding grade. Officers appointed on contract basis are offered a fixed consolidated pay as determined by Board/ Committee/ MD & CEO on a case to case basis.

**c. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.**

The Board of Directors through the Nomination & Remuneration Committee shall exercise oversight and effective governance over the framing and implementation of the Compensation policy. Human Resource Management under the guidance of MD&CEO shall administer the Compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.

**d. Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.**

The factors taken in to account for the annual performance review are:

- The performance of the Bank
- The performance of the business unit
- Individual performance of the employee,
- Other risk perceptions and economic considerations

**e. A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.**

- As of now, Bank is not offering variable pay and hence no such deferrals of variable except for MD&CEO.
- Employee Stock Option Scheme/ Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.

**f. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilises and the rationale for using these different forms.**

Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:

- Performance Linked Incentives to those employees who are eligible for incentives
- Ex-gratia for other employees who are not eligible for Performance linked Incentives.
- Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965.

As of now, Bank is not having a variable pay structure except for MD & CEO.

Board of the Bank at its meeting held on 14/09/2014 has approved the Employees Stock Options Scheme (ESOS 2013). But no shares were allotted under this scheme to the employees. The salient features of the ESOS 2013 are as under:

- Confirmed employees who are in the service of the Bank as on 01/05/2014 having more than 2 years of service in the Bank are eligible.
- Present Grade and completed years of service as on 01/05/2014 are the yard sticks considered for grant of options to employees.
- Granted shares shall vest as per the following vesting schedule:
  - 30 % shall vest on completion of 12 months from the date of grant (14.08.2014) which is on 14.08.2015
  - 30 % shall vest on completion of 24 months from the date of grant which is on 14.08.2016
  - Remaining 40 % shall vest on completion of 36 months from the date of grant which is on 14.08.2017.
- Exercise period for the options granted shall be 3 years from the date of vesting.
- The options are being granted at Rs 40.73 per option
- The grade wise/ experience wise eligibility grid is as under:

| Grade   | Completed year of service as on 01/05/2014 |                            |                             |                              |                              |                              |                              |                              |                              |
|---------|--|----------------------------|-----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|         | > 2 years but ≤ 3 years                    | > 3 years but ≤ to 5 years | > 5 years but ≤ to 10 years | > 10 years but ≤ to 15 years | > 15 years but ≤ to 20 years | > 20 years but ≤ to 25 years | > 25 years but ≤ to 30 years | > 30 years but ≤ to 35 years | > 35 years but ≤ to 40 years |
| Grade 7 | 2500                                       | 5000                       | 7500                        | 10000                        | 12500                        | 15000                        | 17500                        | 20000                        | 22500                        |
| Grade 6 | 1500                                       | 3000                       | 4500                        | 6000                         | 7500                         | 9000                         | 10500                        | 12000                        | 13500                        |
| Grade 5 | 1000                                       | 2000                       | 3000                        | 4000                         | 5000                         | 6000                         | 7000                         | 8000                         | 9000                         |
| Grade 4 | 600  | 1200                       | 1800                        | 2400                         | 3000                         | 3600                         | 4200                         | 4800                         | 5400                         |
| Grade 3 | 500  | 1000                       | 1500                        | 2000                         | 2500                         | 3000                         | 3500                         | 4000                         | 4500                         |



|           |     |     |      |      |      |      |      |      |      |
|-----------|-----|-----|------|------|------|------|------|------|------|
| Grade 2   | 400 | 800 | 1200 | 1600 | 2000 | 2400 | 2800 | 3200 | 3600 |
| Grade 1   | 300 | 600 | 900  | 1200 | 1500 | 1800 | 2100 | 2400 | 2700 |
| Grade E2  | 200 | 400 | 600  | 800  | 1000 | 1200 | 1400 | 1600 | 1800 |
| Clerk     | 200 | 400 | 600  | 800  | 1000 | 1200 | 1400 | 1600 | 1800 |
| Sub Staff | 100 | 200 | 300  | 400  | 500  | 600  | 700  | 800  | 900  |

### Quantitative disclosures

|  |                   |     |
|--|-------------------|-----|
| Number of meetings held by the Nomination & Remuneration Committee during the quarter ended on September 30, 2020                  | 3                 |     |
| Remuneration paid to the members of Nomination & Remuneration Committee (Sitting fees) during the Quarter ended September 30, 2020 | Rs.2,30,000/<br>- |     |
| Number of employees having received a variable remuneration award during the financial year.                                       | NIL               |     |
| Number of sign-on awards made during the financial year.   | NIL               |     |
| Total amount of sign-on awards made during the financial year.   | NIL               |     |
| Details of guaranteed bonus, if any, paid as joining / sign on bonus.  | NIL               |     |
| Details of severance pay, in addition to accrued benefits, if any.   | NIL               |     |
| Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.           | NIL               |     |
| Total amount of deferred remuneration paid out in the financial year.  | NIL               |     |
| Breakdown of amount of remuneration awards for the quarter ended September 30, 2020  |                   |     |
|  | Fixed             | NIL |
|  | Variable          | NIL |

### **Table DF-16: Equities – Disclosure for Banking Book Positions:**

The Bank does not have Equities in Banking Book and hence not applicable.

### **Table DF17- Disclosure of comparison of Accounting Assets vs. Leverage Ratio**

#### **Leverage Ratio**

Leverage ratio is a non-risk based measure of all exposures for the Tier-I capital. The Leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. 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. Effective from the quarter commencing October 1, 2019, the minimum leverage ratio shall be 3.50%.

$$\text{Leverage Ratio} = \frac{\text{Capital Measure (Tier I Capital)}}{\text{Exposure Measure}}$$

| <b>Table DF 17- Summary comparison of accounting assets vs. Leverage Ratio</b> |  |                  |
|--|--|------------------|
| Item   |  | (Rs. in Million) |
| 1  | Total consolidated assets as per published financial statements  | 127131.76        |
| 2  | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | (869.30)         |
| 3  | Adjustment for fiduciary assets recognized on the Balance Sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure               | (710.20)         |
| 4  | Adjustments for derivative financial instruments   | 34.76            |
| 5  | Adjustment for securities financing transactions (i.e. repos and similar secured lending)  | 0.00             |
| 6  | Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)  | 2985.40          |
| 7  | Other adjustments  | 989.04           |
| 8  | Leverage ratio exposure  | 129561.45        |

| <b>Table DF-18: Leverage ratio common disclosure template</b> |  |   |
|---|--|---|
|   | Item   | Leverage ratio framework (Rs. in million) |
| <b>On-Balance Sheet exposures</b>                             |  |   |
| 1   | On-balance sheet items (excluding derivatives and SFTs, but including collateral)  | 127251.50                                 |
| 2   | (Asset amounts deducted in determining Basel III Tier 1 capital)   | 710.20                                    |
| 3   | Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)   | <b>126541.29</b>                          |
| <b>Derivative exposures</b>                                   |  |   |
| 4   | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)                               | 4.88                                      |
| 5   | Add-on amounts for PFE associated with all derivatives transactions  | 29.88                                     |
| 6   | Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework | 0   |
| 7   | (Deductions of receivables assets for cash variation margin provided in derivatives transactions)  | 0   |
| 8   | (Exempted CCP leg of client-cleared trade exposures)   | 0   |
| 9   | Adjusted effective notional amount of written credit derivatives   | 0   |
| 10  | (Adjusted effective notional offsets and add-on deductions for written credit derivatives)   | 0   |
| 11  | Total derivative exposures (sum of lines 4 to 10)  | <b>34.76</b>                              |

|    |   |                  |
|----|---|------------------|
|    | <b>Securities financing transaction exposures</b>   |                  |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | 0                |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets)                          | 0                |
| 14 | CCR exposure for SFT assets   |                  |
| 15 | Agent transaction exposures   | 0                |
| 16 | Total securities financing transaction exposures (sum of lines 12 to 15)                            | <b>0</b>         |
|    | <b>Other off-balance sheet exposures</b>  |                  |
| 17 | Off-balance sheet exposure at gross notional amount   | 2985.40          |
| 18 | (Adjustments for conversion to credit equivalent amounts)   | 0                |
| 19 | Off-balance sheet items (sum of lines 17 and 18)  | <b>2985.40</b>   |
|    | <b>Capital and Total exposures</b>  |                  |
| 20 | Tier 1 capital  | <b>6579.70</b>   |
| 21 | Total exposures (sum of lines 3, 11, 16 and 19)   | <b>129561.45</b> |
|    | <b>Leverage ratio</b>   |                  |
| 22 | Basel III leverage ratio  | <b>5.08%</b>     |

### **Liquidity Coverage Ratios (LCR)**

The LCR 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. As per RBI guidelines on “Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and LCR Disclosure Standards” dated June 9, 2014, LCR is introduced in a phased manner starting with a minimum requirement of 60% from January 1, 2015. Vide RBI/2019-20/217 DOR.BP.BC.No.65/21.04.098/2019-20 dated April 17, 2020, Banks are required to maintain LCR of 100 per cent with effect from January 1, 2019. As per RBI/2019-2020/217 DOR.BP.BC.No.65/21.04.098/2019-20 dated 17.04.2020, in order to accommodate the burden on Banks’ cash flows on account of the Covid19 pandemic, Banks are permitted to maintain LCR as under

|   |              |
|---|--------------|
| From date of circular to September 30, 2020 - | 80 per cent  |
| Oct 1, 2020 to March 31, 2021 -               | 90 per cent  |
| April 1, 2021 onwards -                       | 100 per cent |

### **Definition of LCR**

Stock of High Quality Liquid Assets (HQLAs) \_\_\_\_\_ > 100%  
Total net cash outflows over the next 30 calendar days

Below mentioned is a position of Liquidity Coverage Ratio computed based on daily simple average for the Quarter ended September 30, 2020

(Rs in Crore)

| Particulars                  |   | Daily average for the Quarter ended<br>30.09.2020 |                                   |
|------------------------------|---|---|-----------------------------------|
|                              |   | Total Unweighted<br>Value (average)               | Total Weighted<br>Value (average) |
| 1.High Quality Liquid Assets |   | 3848.60   |                                   |
| Cash Outflows                |   |   |                                   |
| 2                            | Retail deposits and deposits from small business customers, of which:             | 7513.13   | 455.29                            |
| (i)                          | Stable deposits   | 5920.57   | 296.03                            |
| (ii)                         | Less stable deposits  | 1592.56   | 159.26                            |
| 3.                           | Unsecured wholesale funding, of which:  | 1398.26   | 342.92                            |
| (i)                          | Operational deposits (all counterparties)   |   |                                   |
| (ii)                         | Non-operational deposits (all counterparties)                                     | 1398.26   | 342.92                            |
| (iii)                        | Unsecured debt  |   |                                   |
| 4.                           | Secured wholesale funding   | 7.98-   | 7.98                              |
| 5.                           | Additional requirements, of which   |   |                                   |
| (i)                          | <i>Outflows related to derivative exposures and other collateral requirements</i> | -   | -                                 |
| (ii)                         | <i>Outflows related to loss of funding on debt products</i>                       | -   | -                                 |
| (iii)                        | <i>Credit and liquidity facilities</i>  |   |                                   |
| 6.                           | Other contractual funding Obligations   | 453.91  | 58.13                             |
| 7.                           | Other contingent funding obligations  | 232.34  | 6.97                              |
| 8.                           | <b>Total Cash Outflows</b>  |   | 871.28                            |
| Cash Inflows                 |   |   |                                   |
| 9.                           | Secured lending (e.g. reverse repos)  | 291.88  | 291.88                            |
| 10.                          | Inflows from fully Performing exposures   | -   | -                                 |
| 11.                          | Other cash inflows  | 0   | 0                                 |

|     |                                     |        |                      |
|-----|-------------------------------------|--------|----------------------|
| 12. | <b>Total Cash Inflows</b>           | 291.88 | 291.88               |
|     |                                     |        | Total Adjusted Value |
| 21. | <b>TOTAL HQLA</b>                   |        | <b>3848.60</b>       |
| 22. | <b>Total Net Cash Outflows</b>      |        | <b>579.41</b>        |
| 23. | <b>Liquidity Coverage Ratio (%)</b> |        | <b>664.23%</b>       |