

**Basel III - Pillar 3 Disclosures as on March 31<sup>st</sup>, 2019**

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

**Table DF-1- Scope of application**

**Name of the head of the banking group to which the framework applies:-** **Tamilnad Mercantile Bank Ltd.,**

<b>Qualitative Disclosures</b>	<b>Applicability to our Bank</b>
a. List of Group entities considered for consolidation.	The Bank does not belong to any group and does not have any associate, subsidiaries, joint venture, etc.
b. List of Group entities not considered for consolidation both under the accounting and regulatory scope of consolidation.	Not Applicable
<b>Quantitative Disclosures</b>	
c. List of group entities considered for consolidation	The Bank does not belong to any group and does not have any associate, subsidiaries, joint venture, etc.
d. The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted and the name(s) of such subsidiaries.	Not Applicable
e. The aggregate amounts (e.g. Current book value) of the bank's total interests in insurance entities, which are risk-weighted.	Not Applicable
f. Any restriction or impediments on transfer of funds or regulatory capital within the banking group.	Not Applicable

## Table DF-2-Capital Adequacy

### Qualitative Disclosures

#### **A. A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.**

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 computation of Capital for credit risk under Standardized Approach is done granularly borrower & account wise based on the data captured through Core Banking Solution. Bank is also taking efforts on an ongoing basis for the accuracy of the data. The various aspects of NCAF norms are imparted to field level staff regularly through circulars and letters for continuous purification of data and to ensure accurate computation of Risk Weight and Capital Charge. The Bank has used the credit risk mitigation in computation of capital for credit risk, as prescribed in the RBI guidelines under Standardized Approach.

The capital for credit risk on Loans and Advances, market risk and operational risk as per the prescribed approaches are being computed at the bank's Head Office and aggregated to arrive at the position of bank's CRAR. The bank has followed the RBI guidelines in force, to arrive at the eligible capital funds, for computing CRAR.

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 an 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, which is approved by the Board. While the surplus CRAR available at present acts as a buffer to support the future activities, the headroom available for the bank for mobilizing Tier 1 and Tier 2 capital (subject to approval by the competent authorities) is also assessed to meet the required CRAR against future activities.

The Bank is having high quality Common Equity Tier 1 capital, as the entire components of CET1 capital comprises of Paid up Capital, Reserves & Surplus and retained earnings.

**Minimum capital requirements under Basel-III:**

Under the Basel III Capital Regulations, Banks are required to maintain a minimum Pillar 1 Capital (Tier-I + Tier-II) to Risk-weighted Assets Ratio (CRAR) of 9% on an on-going basis. Besides this minimum capital requirement, Basel III also provides for creation of capital conservation buffer (CCB). The transitional period of full implementation of Basel III capital regulation in India is extended up to 31<sup>st</sup> March 2020. Accordingly the CCB requirements were implemented from 31<sup>st</sup> March 2016 in phases and are to be fully implemented by March 31, 2020 to the extent of 2.50% of Risk weighted Assets. The banks are required to maintain minimum CRAR of 10.875% (including CCB of 1.875 %) as on 31.03.2019.

The total regulatory capital funds under Basel-III norms consist of the sum of the following categories and banks are required to maintain 10.875% of Risk Weighted Assets (9% + 1.875%) by March 2019 with the phase in requirements under CCB from 2016.

- Tier 1 Capital comprises of:-
  - Common Equity Tier 1 capital (with a minimum of 5.50%)
  - Additional Tier 1 capital (1.50%)
  - Total Tier 1 capital of minimum 7%
  
- Tier 2 Capital (2%)
  - Total Tier 1 + Tier 2 should be more than 9%
  
- Capital Conservation Buffer (CCB) (with a minimum of 1.875%)
  - Total capital including CCB should be 10.875%

In line with the RBI guidelines for implementing the New Capital Adequacy Framework under Basel III, the bank has successfully migrated since April 01, 2013.

**Component of Capital:**

<b>(₹ in millions)</b>	
<b>Particulars</b>	<b>Amount</b>
Common Equity Tier 1 (CET1) Capital	35637.60
Tier 1 Capital	35637.60
Tier 2 Capital	1496.05
Total Capital	37133.65



## Quantitative Disclosure

( ₹ in millions)

	Particulars		Amount
<b>a)</b>	<b>Capital requirement for Credit Risk: (@9% on risk Weighted Assets)</b>		
	• Portfolios subject to Standardised Approach		16785.35
	• Securitisation exposures		Nil
<b>b)</b>	<b>Capital requirements for Market Risk @ 9 % :</b>		
	• Standardised Duration Approach		1288.55
	○ Interest Rate Risk	1218.48	
	○ Equity Risk	52.22	
	○ Foreign Exchange Risk	17.85	
<b>c)</b>	<b>Capital requirements for Operational Risk @ 9% :</b>		
	• Basic Indicator Approach		2595.78
<b>d)</b>	Capital required under CCB (1.875%)		4306.18
<b>e)</b>	Total Capital required		24975.86
<b>f)</b>	Total Capital funds available		37133.65
<b>g)</b>	Total Risk Weighted Assets		229663.12
	Common Equity Tier I CRAR		15.52%
	Tier I CRAR		15.52%
	Tier II CRAR		0.65%
<b>h)</b>	Total CRAR		16.17%

## 2. Risk exposure and Assessment

Risk is an integral part of banking business in an ever dynamic environment, which is undergoing radical changes both on the technology front and product offerings. The main risks faced by the bank are credit risk, market risk and operational risk. The bank aims to achieve an optimum balance between risk and return to maximize shareholder value. The relevant information on the various categories of risks faced by the bank is given in the ensuing sections. This information is intended to give market participants a better idea on the risk profile and risk management practices of the bank.

The Bank has a comprehensive risk management system in order to address various risks and has set up an Integrated Risk Management Department (RMD), which is independent of operational departments. Bank has a Risk Management Committee

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of Board functioning at apex level for formulating, implementing and reviewing bank's risk management measures pertaining to credit, market and operational risks. Apart from the Risk Management Committee of the Board at apex level, the Bank has a strong Bank-wide risk management structure comprising of Risk Management Committee of Executives (RMCE) and Asset Liability Management Committee (ALCO) at senior management level.

The Bank has formulated the required policies such as Loan Policy, Credit Risk Management Policy, Credit Risk Mitigation Techniques & Collateral Management Policy, ALM Policy, Operational Risk Management Policy, Investment Policy, Foreign Exchange Risk Management Policy, Policy guidelines for Hedging Foreign Currency Exposure, Concurrent Audit Policy, Inspection Policy, IS Audit Policy, KYC policy, Credit Audit Policy, Stock Audit Policy, Outsourcing Policy, IT Business Continuity and Disaster Recovery Plan (IT BC-DRP), Risk Based Internal Audit Policy, Stress Testing Policy, Disclosure Policy, ICAAP Policy, etc., for mitigating the risks in various areas and monitoring the same. The bank continues to focus on refining and improving its risk measurement and management systems.

### **Table DF-3- CREDIT RISK: GENERAL DISCLOSURES**

#### **Qualitative Disclosures:**

##### **a. Credit Risk**

Credit risk is the possibility of losses associated with diminution in the credit quality of borrowers or counter-parties. In a Bank's portfolio, Credit Risk arises mostly from lending activities of the Bank, as a borrower is unable to meet his financial obligations to the lender. It emanates from potential changes in the credit quality / worthiness of the borrowers or counter-parties.

#### **Credit Rating & Appraisal Process**

The Bank has well structured internal credit rating framework and well-established standardized credit appraisal / approval processes. Credit Rating is a decision-enabling tool that helps the bank to take a view on acceptability or otherwise of any credit proposal. In order to widen the scope and coverage further and to strengthen the credit risk management practices, the bank has developed risk sensitive in-house rating models during the year 2008-09 and 2009-10.

The parameters in internal rating take into consideration, the quantitative and qualitative issues relating to management risk, business risk, industry risk, financial risk, credit discipline, and also risk mitigation, based on the collaterals available.



Credit rating, as a concept, has been well internalized within the Bank. The rating for eligible borrower is reviewed at least once in a year. The Bank uses the credit ratings for deciding the interest rates on borrowal accounts. The advantage of credit rating is that it enables to rank different proposals and to do meaningful comparison.

With the view to migrate to advanced approaches in credit risk, the Bank has implemented the system driven rating using web based rating model solutions (RAM CRRM & CRESS) acquired from M/s.Crisil Risk & Infrastructure solutions Ltd.

The bank follows a well-defined multi layered discretionary power structure for sanction of loans. New Business Group (NBG) has been constituted at HO for considering in-principle approval for taking up fresh credit proposals above a specified cut-off.

#### **Credit Risk Management Policies:**

The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Bank's Board. The Policy document defines organization structure, roles & responsibilities and, the processes whereby the Credit Risks carried out by the Bank can be identified, quantified & managed within the framework that the Bank considers consistent with its mandate and risk tolerance.

Credit Risk is monitored on a bank-wide basis and compliance with the risk limits approved by Board/Risk Management Committee of Board is ensured.

The Bank has taken earnest steps to put in place best credit risk management practices in the bank. In addition to Credit Risk Management Policy, the bank has also framed Board approved Loan Policy, Investment Policy, etc., which form integral part in monitoring Credit risk in the bank. Besides, the bank has framed a policy on Credit Risk Mitigation Techniques & Collateral Management which lays down the details of securities (both Primary and Collateral) normally accepted by the Bank and administration of such securities to protect the interest of the Bank. These securities act as mitigation against the credit risk to which the bank is exposed.

#### **Classification of Non-Performing Assets**

The Bank follows the prudential guidelines issued by the RBI on classification of non-performing assets as under,

- i) interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- ii) the account remains 'out of order' if the outstanding balance remains continuously in excess of sanctioned limits / DP for more than 90 days in respect of Overdraft/Cash Credit (OD/CC).
- iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- iv) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crop.
- v) the installment of principal or interest thereon remains overdue for one crop season for long duration crops.
- vi) in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.
- vii) an account where the regular / adhoc credit limits have not been reviewed / renewed within 180 days from the due date / date of adhoc sanction will be treated as NPA.

Where the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter, the account is classified as non-performing. A non-performing asset ceases to generate income for the bank.

**b. Gross Credit Risk exposures as on 31<sup>st</sup> March 2019**

(₹ in millions)

Category	Gross Credit Exposure
Fund Based <sup>1</sup>	338169.94
Non Fund Based <sup>2</sup>	21491.30
Total	359661.24

1. Fund based exposure includes advances, un-availed portion (including credit card un-availed) of fund based advances.
2. Non-Fund Based exposure includes outstanding Letter of Credit, Acceptances, Bank Guarantee Exposures and credit equivalent of Forward Contracts.



**c. Geographical Distribution of Gross Credit Exposures as on 31<sup>st</sup> March 2019**  
(₹ in millions )

Exposure Distribution	Treasury	Corporate / Wholesale banking		Retail Banking		Total credit Exposure	
		FB	NFB	FB	NFB	FB	NFB
Domestic	91924.51	124772.18	16058.74	213397.77	5432.55	338169.95	21491.29
Overseas	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	91924.51	124772.18	16058.74	213397.77	5432.55	338169.95	21491.29

**d. Industry type distribution of credit exposures as on 31.03.2019**

(₹ in millions)

Industry Name	Exposures			
	FB	NFB	Investment	Total
A. Mining and Quarrying	1218.64	522.35	0.00	1740.99
B. Food Processing	3440.63	3531.88	13.31	6985.82
C. Beverages (excluding Tea & Coffee) and Tobacco	472.59	5.01	13.80	491.40
D. Textiles	42685.01	1925.31	0.00	44610.32
E. Leather and Leather products	230.42	4.00	0.00	234.42
F. Wood and Wood Products	2068.64	758.51	0.00	2827.15
G. Paper and Paper Products	2297.21	45.50	2.59	2345.30
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	270.01	1.43	86.60	358.04
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	3193.50	36.64	34.37	3264.51
J. Rubber, Plastic and their Products	1973.19	198.90	0.00	2172.09
K. Glass & Glassware	67.01	0.00	0.00	67.01
L. Cement and Cement Products	95.42	0.00	0.00	95.42
M. Basic Metal and Metal Products	4271.38	298.40	285.06	4854.84
N. All Engineering	2248.51	783.97	2.49	3034.97
O. Vehicles, Vehicle Parts and Transport Equipments	100.93	12.93	33.92	147.78
P. Gems and Jewellery	349.67	4.82	0.00	354.49
Q. Construction	1833.70	510.01	0.00	2343.71
R. Infrastructure	14034.30	2033.46	3181.10	19248.86
S. Other Industries, pl. specify	14132.77	1323.32	0.00	15456.09
<b>All Industries (A to S)</b>	<b>94983.53</b>	<b>11996.44</b>	<b>3653.24</b>	<b>110633.21</b>



The details of the industries wherein the bank's exposure in the related industry has exceeded the 5% of total gross credit exposure as on 31.03.2019 is furnished below:

(₹ in millions)

Industry	Fund Based	Non Fund Based	% to Gross Credit Exposures
Textile	42685.01	1925.31	12.40%

**e. Residual Contractual Maturity Breakdown of assets as on 31.03.2019**

(₹ in millions)

Maturity Buckets	Cash and Balance with RBI	Balance with Banks and Money at Call and Short Notice	Investments	Advances	Fixed Assets	Other Assets	Grand Total
Next day	3848.65	3320.11	15458.50	19406.89	0.00	1335.98	43370.13
2-7 days	177.67	7475.02	2272.00	4621.60	0.00	92.80	14639.09
8-14 days	209.79	0.00	1884.40	4020.71	0.00	0.00	6114.90
15-30 days	631.48	0.00	2798.40	7166.60	0.00	1267.49	11863.97
31 days & Upto 2 months	296.18	759.00	2594.68	8820.09	0.00	28.76	12498.71
2 months & Upto 3 months	503.98	276.00	2203.00	7668.51	0.00	24.90	10676.39
3 to 6 months	916.37	0.00	4170.79	15679.69	0.00	49.02	20815.87
6 months to 1 year	3924.66	0.00	17566.40	32753.51	0.00	83.35	54327.92
1 year to 3 years	5285.47	20.00	26449.50	111129.90	0.00	745.95	143630.82
3 to 5 years	893.18	0.00	5274.79	17033.30	0.00	9062.06	32263.33
Above 5 years	665.99	0.00	10393.40	36578.60	1383.82	3727.40	52749.21
<b>Total</b>	<b>17353.42</b>	<b>11850.13</b>	<b>91065.86*</b>	<b>264879.40*</b>	<b>1383.82*</b>	<b>16417.71</b>	<b>402950.34</b>

(Covers Net Assets for Domestic Operations)\*Net of Provisions/ depreciation

**f. Amount of Gross Non-Performing Advances (NPAs) as on 31.03.2019 :**

(₹ in millions)

Amount of Gross NPAs	
Amount of NPAs (Gross)	11681.12
• Substandard	5356.86
• Doubtful	5998.19
• Of which DF1	1887.02
• DF2	3790.57
• DF3	320.60
• Loss	326.08
<b>Net NPAs</b>	<b>6365.10</b>
<b>NPA Ratios</b>	
• Gross NPAs to gross advances	4.32%
• Net NPAs to net advances	2.40%

**g. Movement of NPAs(Gross):**

(₹ in millions)

Movement of NPAs	
• Opening Balance as on 01.04.2018	8682.77
• Additions	9472.35
• Reductions	6474.00
• Closing Balance as on 31.03.2019	11681.12

**h. Movement of provisions**

**a. Movement of provisions for NPAs \*:**

(₹ in millions)

Particulars	
• Opening Balance as on 01.04.2018	3549.93**
• Provisions made during the period	4446.80
• Write off	2680.70
• Reductions	0.00
• Write back of excess provisions / Transfers	0.00
• Any other adjustments, including transfers between provisions	0.00
• Closing Balance as on 31.03.2019	5316.03**

\*\* includes floating provision and claims receivable (CGTMSE, ECGC & UIIC)

**b. Movement of Provisions of Standard Assets:-****(₹ in millions)**

Particulars	
• Opening Balance as on 01.04.2018	975.47
• Provisions made during the period	77.81
• Write back of excess provisions	--
• Any other adjustments, including transfer between provisions	181.29
• Closing Balance as on 31.03.2019	871.99

**c. Stock of Technical/Prudential Write-offs and recoveries made thereon;****(₹ in millions)**

Particulars	Amount
Opening balance for recoveries of Technical/Prudential written- off accounts as on 01.04.2018	10125.17
Add: Technical/Prudential write-offs accounts during the period	2726.24
Less: Recoveries from previously technical/ prudential written- off accounts taken to income account during the period.	413.21
Closing balance as on 31.03.2019	12438.20

**i. Non-Performing Investments (NPIs):****(₹ in millions)**

<b>a. Non-Performing Investments</b>	798.24
<b>b. Provisions held for non-performing investments</b>	798.24

**k. Movement of provisions for depreciation on investments:****(₹ in millions )**

• Opening Balance as on 01.04.2018	899.21
• Provisions made during the period	1429.80
• Write-off	0.00
• Write-back of excess provisions	383.09
• Provision adjustment during shifting	1087.27
• Closing Balance as on 31.03.2019	858.65

## I. Industry wise distribution of NPAs:

(₹ in millions )

Industry Name	As on March 2019			For the quarter ended March 31, 2019		
	Gross NPA	Provision for NPA	Standard Asset Provision	Write – off	Provision for NPA	Standard Asset Provision
A. Mining and Quarrying	27.17	6.99	3.57	0.00	6.73	(0.44)
B. Food Processing	471.53	118.84	5.16	0.00	(10.37)	0.11
C. Beverages (excluding Tea & Coffee) and Tobacco	2.24	0.58	1.15	0.00	(0.56)	(0.33)
D. Textiles	1232.06	525.71	95.92	0.00	(72.90)	10.95
E. Leather and Leather products	0.25	0.12	0.55	0.00	(0.07)	0.07
F. Wood and Wood Products	60.78	32.75	11.48	0.00	(6.89)	7.53
G. Paper and Paper Products	592.50	314.27	3.78	0.00	48.33	(0.09)
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	0.30	0.30	0.64	0.00	0.00	(0.04)
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	19.72	5.31	5.14	0.00	(0.64)	0.08
J. Rubber, Plastic and their Products	5.93	2.64	4.87	0.00	(11.30)	(0.34)
K. Glass & Glassware	0.00	0.00	0.14	0.00	0.00	0.02
L. Cement and Cement Products	0.00	0.00	0.21	0.00	0.00	0.02
M. Basic Metal and Metal Products	9.93	3.41	7.83	0.00	(2.18)	0.51
N. All Engineering	16.73	6.70	6.50	0.00	0.77	0.13
O. Vehicles, Vehicle Parts and Transport Equipments	1.25	0.50	0.18	0.00	(498.77)	0.01
P. Gems and Jewellery	0.58	0.23	0.80	0.00	0.00	0.00
Q. Construction	24.39	11.85	4.59	0.00	2.47	1.40
R. Infrastructure	4181.36	1774.81	33.95	0.00	(1093.14)	1.48
S. Other Industries, pl. specify	260.07	93.59	28.33	0.00	(18.19)	1.09
<b>All Industries (A to S)</b>	<b>6906.79</b>	<b>2898.60</b>	<b>214.79</b>	<b>0.00</b>	<b>(1656.71)</b>	<b>22.16</b>
All others	4774.33	2034.11	656.45	0.00	(319.48)	57.42
<b>Total</b>	<b>11681.12</b>	<b>4932.71**</b>	<b>871.24*</b>	<b>0.00</b>	<b>(1976.19)</b>	<b>79.58</b>

\* Excess provision of ₹0.75 millions kept under standard asset provision

\*\*Excludes floating provision and claims receivable (CGTMSE & ECGC) - ₹ 383.20 millions)

**m. Geographic distribution of NPAs:**

(₹ in millions)

Particulars	Domestic	Overseas	Total
Gross NPA	11681.12	0.00	11681.12
Provisions for NPA*	5315.91*	0.00	5315.91*
Provision for Standard assets	849.78	0.00	849.78

\*Includes floating provision and claims receivable (CGTMSE, ECGC & UIIC) - ₹ 383.20 millions)

**Table DF – 4**

**CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH**

**Qualitative disclosures:**

**a) General Principle:**

In accordance with RBI guidelines, the Bank has adopted Standardized Approach of the New Capital Adequacy Framework (NCAF) for computation of capital for Credit Risk with effect from 31.03.2009. Bank has assigned risk weights to different assets classified as prescribed by the RBI for computation of capital.

**External Credit Ratings:**

Rating of borrowers by External Credit Rating Agencies (ECRA) assume importance in the light of guideline for implementation of the New Capital Adequacy Framework (Basel-II). Exposures on Corporate / PSEs / Primary Dealers are assigned with risk weights based on the external ratings. For this purpose, the Reserve Bank of India has permitted Banks to use the rating of the seven domestic ECRA's namely (a) Credit Analysis and Research Ltd., (CARE), (b) CRISIL Ltd., (c) Fitch India, (d) ICRA Ltd., (e) Brickwork Ratings India P Ltd., (Brickwork), (f) ACUITE Ratings and Research Limited (SMERA) and (g) INFOMERICS Valuation and Rating Pvt Ltd., (INFOMERICS). In consideration of the above guidelines, the bank accepts the ratings assigned by all these ECRA's.

The bank has well-structured internal credit rating mechanism to evaluate the credit risk associated with a borrower and accordingly the systems are in place for taking credit decisions with regard to acceptability of proposals, and level of exposures and pricing.

In case of bank's investment in particular issues of Corporate / PSEs, the issue specific rating of the approved ECRA's are reckoned and accordingly the risk weights applied after a corresponding mapping to rating scale is provided.

With regard to the coverage of exposures by external ratings as relevant for capital computation under Standardized Approach, the process is being popularized among the borrowers so as to take the benefit of capital relief available for better rating of customers.

- Rating assigned by one rating agency can be used for all the types of claims on the borrowing entity.
- Long term ratings are used for facilities with contractual maturity of one year & above.
- Short term ratings are generally applied for facilities with contractual maturity of less than one year.

### **Quantitative Disclosures**

For exposure amounts after risk mitigation subject to the standardized approach, amount of a bank's outstanding (rated and unrated) in the following three major risk buckets as well as those that are deducted as per risk mitigation are given below;

**(₹ in millions)**

<b>Risk Weight</b>	<b>Rated</b>	<b>Unrated</b>	<b>Total *</b>
Below 100%	11509.07	166396.79	177905.86
100%	19745.81	109546.06	129291.87
More than 100%	32736.50	57799.62	90536.12
<b>Total Exposure before mitigation</b>	<b>63991.38</b>	<b>333742.47</b>	<b>397733.85</b>
Deducted (as per Risk Mitigation)	2976.51	67358.31	70334.82
<b>Total outstanding after mitigation</b>	<b>61014.87</b>	<b>266384.16</b>	<b>327399.03</b>

\* This includes total gross credit exposure i.e. (FB+ NFB (including 2% of Forward Contract) + undrawn or partially undrawn fund based facility)

## Table DF – 5

### CREDIT RISK MITIGATION: DISCLOSURE FOR STANDARDISED APPROACHES

#### Qualitative disclosures:

##### Policy on Credit Risk Mitigation under Standardized Approach:

As advised by RBI, the Bank has adopted the comprehensive approach relating to credit risk mitigation under Standardized Approach, which allows fuller offset of securities (primary and collateral) against exposures, by effectively reducing the exposure amount by the value ascribed to the securities. Thus the eligible financial collaterals are fully used to reduce the credit exposure in computation of credit risk capital. In doing so, the bank has recognized specific securities namely (a) bank's own deposits (b) Gold/Ornaments (c) Life Insurance Policies (d) Government Securities (e) NSC/KVP etc and (f) Units of Mutual Funds, in line with the RBI guidelines on the subject.

Besides, other approved forms of credit risk mitigation are "On Balance Sheet netting" and availability of "Eligible Guarantees". On balance sheet nettings has been reckoned to the extent of the deposits available against the loans /advances of the borrower (to the extent of exposure) as per the RBI guidelines. Further, in computation of credit risk capital, the types of guarantees recognized for taking mitigation, in line with RBI guidelines are (a) Central Government Guarantee (0%) (b) State Government (20%) (c) CGTMSE (0%) (d) ECGC (20%) (e) Bank Guarantee in the form of bills purchased / discounted under Letter of credit (20%) and (f) Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) (0%). The Bank has ensured compliance of legal certainty as prescribed by the RBI in the matter of credit risk mitigation.

##### Concentration Risk in Credit Risk Mitigation:

All types of securities eligible for mitigation are easily realizable financial securities. As such, presently no limit/ceiling has been prescribed to address the concentration risk in credit risk mitigants recognized by the Bank.



**Quantitative Disclosures:**

(₹ in million)

<b>a. For each separately disclosed credit risk portfolio, the total exposure (after, where applicable, on-or off balance sheet netting) that is covered by eligible financial collateral (FCs) after the application of haircuts is given below:</b>		
Portfolio category	Financial collateral	Quantum of exposure covered
1. Funded – Credit	Bank's own deposits	<b>30965.03</b>
2. Funded – Credit	Gold jewels	<b>69361.93</b>
3. Funded - Credit	Life Insurance policies	<b>421.73</b>
4. Funded - Credit	NSC/KVP	<b>41.07</b>
4. Non Funded	Bank's own deposits	<b>6023.90</b>
<b>b. For each separately disclosed portfolio, the total exposure (after, on balance sheet netting) that is covered by Guarantees:</b>		
1. Funded - Credit	ECGC	<b>800.00</b>
2. Funded – Credit	CGTMSE	<b>321.27</b>

**Table DF - 6****Securitization: Disclosure for standardized approach****Qualitative Disclosures**

The bank has not undertaken any securitization activity.

**Quantitative Disclosures:** NIL

**Table DF-7****MARKET RISK IN TRADING BOOK****Qualitative Disclosures:****a) Market Risk:**

Market Risk is defined as the possibility of loss to a bank in on-balance sheet and off-balance sheet positions caused by the changes / movements in the market variables such as interest rates, foreign currency exchange rates, equity prices and commodity prices. Bank's exposure to market risk arises from domestic investments (interest related instruments and equities) in trading book (both AFS and HFT categories), the Foreign exchange positions (including open position in precious metals) and trading related derivatives. The objective of the market risk

management is to minimize the impact of losses on earnings and equity capital arising from market risk.

### **Policies for management of Market Risk:**

The bank has put in place Board approved Asset Liability Management (ALM) policy and Investment Policy for effective management of market risk in the bank. The policy sets various risk limits for effective management of market risk and ensuring that the operations are in line with Bank's expectation of return to market risk through proper Asset Liability Management. The policy also deals with the reporting framework for effective monitoring of market risk.

The ALM policy specifically deals with liquidity risk management and interest rate risk management framework. As envisaged in the policy, Liquidity risk is managed through the mismatch analysis, based on residual maturity / behavioral pattern of assets and liabilities, on a daily basis based on best available data coverage, as prescribed by the RBI. The bank has put in place mechanism of short-term dynamic liquidity management and contingent funding plan. Prudential (tolerance) limits are prescribed for different residual maturity time buckets for efficient asset liability management. Liquidity profile of the bank is evaluated through various liquidity ratios. The bank has also drawn various contingent measures to deal with any kind of stress on liquidity position. Bank ensures adequate liquidity managed on a real time basis by Domestic Treasury through systematic and stable funds planning.

Interest Rate Risk is managed through use of GAP analysis of rate sensitive assets and liabilities and monitored through prudential (tolerance) limits prescribed. The bank has also put in place Duration Gap Analysis framework for management of interest rate risk. The bank estimates Earnings at Risk (EaR) and Modified Duration Gap (DGAP) periodically against adverse movement in interest rate (as prescribed in the Policy) for assessing the impact on Net Interest Income (NII) and Economic Value of Equity (EVE) with a view to optimize shareholder value.

The Asset-Liability Management Committee (ALCO) /Risk Management Committee of Board (RMCB) monitors adherence of prudential limits fixed by the bank and determines the strategy in the light of the market condition (current and expected) as articulated in the ALM policy.

### **Quantitative Disclosures:**

b) In line with the RBI's guidelines, the bank has computed capital for market risk as per Standardized Duration Approach (SDA) framework for maintaining capital. The Capital requirements for market risk in trading Book as on 31.03.2019.



(₹ in millions)

• Interest Rate Risk	1218.48
• Equity Position Risk	52.22
• Foreign Exchange Risk	17.84
<b>Total</b>	<b>1288.54</b>

**Table DF – 8**  
**OPERATIONAL RISK**

**Qualitative Disclosures:**

a) **Operational Risk:**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputation risks.

**Policies on management of Operational Risk:**

The Bank has framed Operational Risk Management Policy duly approved by the Bank's Board. Other policies adopted by the Board which deal with management of Operational risk are (a) Information Systems Security Policy, (b) Foreign Exchange Risk Management Policy (c) Policy document on Know Your Customers (KYC) and Anti Money Laundering (AML) Procedures (d) IT Business Continuity and Disaster Recovery Plan (IT BC-DRP).

The Operational Risk Management Policy adopted by the Bank outlines organization structure and detail processes for management of operational risk. The basic objective of the policy is to closely integrate operational risk management system into the day-to-day risk management processes of the bank by clearly assigning roles for effectively identifying, assessing, monitoring and controlling / mitigating operational risk and by timely reporting of operational risk exposures, including material operational losses. Operational risks in the Bank are managed through comprehensive and well-articulated internal control frameworks.

**Quantitative Disclosures:**

b) In line with the final guidelines issued by RBI, the Bank has adopted the Basic Indicator Approach for computing capital for Operational Risk. As per the guidelines, the capital charge for Operational Risk is equal to the 15 % of the previous three years (2016-17, 2017-18 & 2018-19) average positive annual Gross

income as defined by RBI. As per such estimate, the capital requirement for operational risk as on 31.03.2019 is ₹ 2595.78 mn.

### **Table DF – 9**

#### **INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)**

##### **Qualitative Disclosures:**

##### **a) Interest Rate Risk in the Banking Book:**

Interest Rate Risk is the risk where changes in the market interest rates might affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as also the net worth of the Bank (economic value perspective). The risk from earnings perspective can be measured as impact in the Net Interest Income (NII) or Net Interest Margin (NIM). Similarly, the risk from economic value perspective can be measured as drop in the Economic value of Equity (EVE).

The Bank identifies the risks associated with the changing interest rates on its on-balance sheet and off-balance sheet exposures in the banking book from a short term (Earning perspective) and long term (Economic value perspective).

The impact on income (Earning perspective) is measured by using Earnings at Risk (EaR) with the assumption that the re-pricing dates of assets and liabilities are evenly spread across the respective time buckets and the change in interest rate is uniform across the maturity spectrum. The prudential limit on EaR will be 10% of the previous year Net Interest Income (NII). For the calculation of impact on earnings, the Traditional Gap is taken from the Rate Sensitivity Statement and based on the remaining period from the mid point of a particular bucket the impact for change in interest rates upto 100 bps is arrived at. The same is reported to ALCO/Risk Management Committee of Board (RMCB) periodically along with the Rate Sensitivity statement on monthly basis.

The Bank has adopted Traditional Gap Analysis combined with Duration Gap Analysis for assessing the impact (as a percentage) on the Economic value of Equity (Economic Value Perspective) by applying a notional interest rate shock of 200 bps. As per the Guidelines on Banks' Asset Liability Management Framework-Interest Rate Risk issued by the RBI (DBOD.No.BP.BC.59/21.04.098/2010-11 dated 04.11.2010), the Bank calculates Modified Duration Gap (DGAP) & the impact on the Economic Value of equity (EVE). Assets and Liabilities are grouped as per Interest Rate Sensitivity Statement & bucket wise Modified Duration is computed for these

groups of Assets and Liabilities using account level coupon and yield as per yield curves suggested by RBI, actual Re-price date of the individual account is considered for bucketing, Weighted average Modified duration is calculated at account level by using “Market value”, the yield is taken as per the internal rating and external rating mapping at account level, Modified duration is calculated individually for each forward and swap contracts. For investment portfolio, the Modified Duration of individual items are computed and taken. The DGAP is calculated by the Bank once in a month and is reported to ALCO/ Risk Management Committee of Board (RMCB).

The Asset-Liability Management Committee (ALCO) / Risk Management Committee of Board (RMCB) monitors adherence of prudential limits fixed by the bank and determines the strategy in the light of market conditions (current and expected).

**Quantitative Disclosures:**

The increase or decrease in earnings and economic value for upward and downward rate shocks based on the assets and liabilities outstanding as on 31.03.2019 are as follows.

1. The impact of change in Interest Rate i.e Earnings at Risk for increasing 100 Basis points interest rate shock is ₹ 513.20 mn (4.24 % of previous year Net Interest Income).
2. Change in Market Value of Equity for 200 basis points interest rate shock is ₹ 3426.49 mn (9.47% of Net worth)

**TABLE DF – 10**

**General disclosures for exposures related to counterparty credit risk**

Counterparty Credit Risk (CCR) is the risk that a counter party to a transaction could default before the final settlement of the transaction cash flows. Unlike a firm's exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss to either party.

Counterparty credit risk in case of derivative contracts arises from the forward contracts. The subsequent credit risk exposures depend on the value of underlying market factors (e.g., interest rates and foreign exchange rates), which can be volatile and uncertain in nature. The Bank does not enter into derivative transactions other than forward contracts.

### Credit exposures on forward contracts

The Bank enters into the forward contracts in the normal course of business for proprietary trading and arbitrage purposes, as well as for our own risk management needs, including mitigation of interest rate and foreign currency risk. Derivative exposures are calculated according to the current exposures method.

Counterparty Credit exposure as on March 31, 2019

( ₹ in millions)

Nature	Notional Amount	Current Credit Exposure (positive mark to market value)	Potential Future Credit Exposure	Total Credit Exposure under Current Exposure Method (CEM)
Forward contracts	50746.55	435.58	1073.21	1508.79

### **Composition of Capital Disclosure Templates**

#### **TABLE DF – 11: Composition of Capital**

Part I: Template to be used only from March 31, 2017

( ₹ In Millions)

Basel III common disclosure template to be used from March 31, 2017			Ref No.
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	1425.11	
2	Retained earnings		
3	Accumulated other comprehensive income (and other reserves)	34212.49	
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)</i>	To be disclosed half yearly & yearly	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	35637.60	
<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)		

10	Deferred tax assets		
11	Cash-flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitization gain on sale		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined-benefit pension fund net assets		
16	Investments in own shares (if not already netted off paid-up 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%		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	of which : significant investments in the common stock of financial entities		
24	of which : mortgage servicing rights		
25	of which : deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments (26a+26b+26c+26d)		
26a	of which : Investments in the equity capital of unconsolidated insurance subsidiaries		
26b	of which : Investments in the equity capital of unconsolidated non- financial subsidiaries		
26c	of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank		
26d	of which : Unamortised pension funds expenditures		



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>		
29	<b>Common Equity Tier 1 capital (CET1)</b>	35637.60	
<b>Additional Tier 1 capital : instruments</b>			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)		
31	of which : classified as equity under applicable accounting standards (Perpetual Non-Cumulative preference Shares)		
32	of which : classified as liabilities under applicable accounting standards (Perpetual debt Instruments)		
33	Directly issued capital instruments subject to phase out from Additional Tier 1		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	of which : instruments issued by subsidiaries subject to phase out		
36	<b>Additional Tier 1 capital before regulatory adjustments</b>		
<b>Additional Tier 1 capital: regulatory adjustments</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)		
41	National specific regulatory adjustments (41a+41b)		
41a	<i>Of which</i> : Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries		

41b	<i>Of which:-</i> Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank.		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>		
44	<b>Additional Tier 1 capital (AT1)</b>		
45	<b>Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44)</b>	35637.60	
<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		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	of which : instruments issued by subsidiaries subject to phase out		
50	<b>Provisions include the following</b> a) Investment Reserve ₹ 253.36 mn b) Investment Fluctuation Reserve ₹ 291.60 mn c) Provision for Standard Asset including restructured standard assets ₹ 871.99 mn d) Provision for unhedged Foreign Currency Exposure ₹ 31.90 mn e) Provision for MSME Advances ₹ 47.20 mn	1496.05	
51	<b>Tier 2 capital before regulatory adjustments (46+ 47 + 48 + 50)</b>	1496.05	
<b>Tier 2 capital: regulatory adjustments</b>			
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments		
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 insurance 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		
57	<b>Total regulatory adjustments to Tier 2 capital</b>		
58	<b>Tier 2 capital (T2)</b>	1496.05	
59	<b>Total capital (TC = T1 + T2) (45 + 58)</b>	37133.65	
60	<b>Total risk weighted assets (60a + 60b + 60c)</b>	229663.12	
60a	of which : total credit risk weighted assets	186503.94	
60b	of which : total market risk weighted assets	14317.16	
60c	of which : total operational risk weighted assets	28842.02	
<b>Capital ratios and buffers</b>			
61	Common Equity Tier 1 (as a percentage of risk weighted	15.52%	
62	Tier 1 (as a percentage of risk weighted assets)	15.52%	
63	Total capital (as a percentage of risk weighted assets)	16.17%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)		
65	of which : capital conservation buffer requirement		
66	of which : bank specific countercyclical buffer requirement		
67	of which : G-SIB buffer requirement		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	NA	
<b>National minima (if different from Basel III)</b>			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	6.00%
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	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 standardized approach (prior to application of cap)	
77	Cap on inclusion of provisions in Tier 2 under standardized 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>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	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

<b>Notes to the template</b>		
<b>Row No. of the template</b>	<b>Particulars</b>	<b>(₹ in Millions)</b>
10	Deferred tax assets associated with accumulated losses	0.00
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	0.00
	Total as indicated in row 10	

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	
50	Eligible Provisions included in Tier 2 capital	1496.05
	Eligible Revaluation Reserves included in Tier 2 capital	
	Total of row 50	1496.05

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

**Step 1:**

		(₹. in million)	
	-	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
<b>A</b>	<b>Capital &amp; Liabilities</b>		
i.	Paid-up Capital	1425.11	N.A
	Reserves & Surplus	34757.44	N.A
	Minority Interest	0	
	<b>Total Capital</b>	<b>36182.55</b>	N.A
ii.	Deposits	<b>351362.48</b>	
	of which : Deposits from banks	0.09	
	of which : Customer deposits	351362.39	
	of which : Other deposits (pl. specify)		
iii.	Borrowings	<b>0.00</b>	
	of which : From RBI	0.00	
	of which : From banks	0	
	of which : From other institutions & agencies	0	
	of which : Others (pl. specify) Outside India	0.00	
	of which : Capital instruments	0	
iv.	Other liabilities & provisions	<b>17782.92</b>	
	<b>Total</b>	<b>405327.95</b>	N.A
<b>B</b>	<b>Assets</b>		
i.	Cash and balances with Reserve Bank of India	<b>17353.42</b>	
	Balance with banks and money at call and short notice	<b>11850.13</b>	
ii.	Investments :	<b>91065.87</b>	
	of which : Government securities	73843.77	
	of which : Other approved securities	0.00	

	of which : Shares	168.24	
	of which : Debentures & Bonds	14559.60	
	of which : Subsidiaries / Joint Ventures / Associates	0.00	
	of which : Others (Commercial Papers, Mutual Funds etc.)	2494.26	
iii.	Loans and advances	<b>264879.40</b>	
	of which : Loans and advances to banks	0.00	
	of which : Loans and advances to customers	264879.40	
iv.	Fixed assets	<b>1383.82</b>	
v.	Other assets	<b>18795.31</b>	
	of which : Goodwill and intangible assets	0	
	of which : Deferred tax assets	594.48	
vi.	Goodwill on consolidation		
vii.	Debit balance in Profit & Loss account	0	
	<b>Total Assets</b>	<b>405327.95</b>	N.A

**Step 2:**

- 1) As the Bank is not having any subsidiary, no disclosure relating any legal entity for regulatory consolidation is made.
- 2) The entire paid up capital of the Bank amounting to ₹1425.11 million is included in CET I. (refer Item I of DF-11)
- 3) The break up for Reserves & Surplus ₹ 34757.44 mn as shown in the Bank's financial statements is given hereunder for the purpose of reconciliation for calculation of Regulatory Capital in DF-11.

(₹ in Millions)

As per Balance Sheet	Amount	As shown in DF-11 Capital
a) Statutory Reserves	12397.79	Included in Regulatory CET I capital DF-11 (item-3)
b) Capital Reserves	287.84	Included in Regulatory CET I capital DF-11 (item-3)
c) Revenue and Other Reserves	19337.47	Included in Regulatory CET I capital DF-11 (item-3)
d) Investment reserve	253.36	Included in Regulatory Tier II capital DF-11 (item-50)
e) Special Reserve u/s 36(1) (Viii) of IT Act 1961	1909.00	Included in Regulatory CET I Capital (DF11- item 3)
f) Balance in P&L	571.98	Included in CET I (item 3- DF11)
	<b>34757.44</b>	

- 4) a) Other Liabilities:-a) Provision for Standard assets including



restructured standard assets ₹ 871.99 mn (Item-50 - DF-11)

b) Provision for unhedged Foreign Currency Exposure ₹31.90 mn(item-50 -DF-11)

c)Provision for MSME Advances ₹ 47.20 mn (Item – 50 – DF – 11)

However they are shown under Tier II capital for computation of Regulatory Capital (DF-11) as noted in brackets as per extant RBI guidelines.

### Step 3

Extract of Basel III common disclosure template (with added column) - Table DF-11 (Part I / Part II whichever, applicable)			
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
		Component of regulatory capital reported by bank	Source based on reference numbers / letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	1425.11	
2	Retained earnings		
3	Accumulated other comprehensive income (and other reserves)	34212.49	
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock</i>		
5	Common share capital issued by subsidiaries and held by third parties		
6	Common Equity Tier 1 capital before regulatory adjustments	35637.60	
7	Prudential valuation adjustments	0.00	
8	Goodwill (net of related tax liability)		

Table DF-13

Main Features of Regulatory Capital

<b>S.No</b>	<b>Description</b>	<b>Equity Shares</b>
1	Issuer	<b>Tamilnad Mercantile Bank Ltd</b>
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not listed
3	Governing law(s) of the instrument	Indian Laws
	<b>Regulatory treatment</b>	
4	Transitional Basel III rules	Common equity Tier 1
5	Post-transitional Basel III rules	Common equity Tier 1
6	Eligible at solo / group / group & solo	Solo
7	Instrument type	Common Shares
8	Amount recognized in regulatory capital (Rs. in million, as of most recent reporting date)	₹1425.11 million
9	Par value of instrument	₹ 10 per share
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	<b>Coupons / dividends</b>	
17	Fixed or floating dividend / coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or	Fully Discretionary

21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-Cumulative
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all other claims
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	NA

**Table DF-14**  
**Full Terms and Conditions of Regulator Capital Instruments**

The details of the Tier II capital [Bonds] raised by the Bank

<b>Table DF-14 : Full Terms and Conditions of Regulatory Capital Instruments</b>	
Instruments	Full Terms and Conditions
	Not Applicable
	Not Applicable

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

<b>Qualitative disclosures</b>	(a)	Information relating to the composition and mandate of the Remuneration Committee.	The Nomination and Remuneration Committee has been formed with 4 Directors and the MD & CEO. The mandate of the committee is to fix remuneration in line with the risk taken by employees.
	(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	Bank's Compensation Policy, containing the guidelines on compensation of Whole time directors/ Chief executive officers/ risk takers, control functionaries etc., was approved by Board of Directors in their meeting dated 28.02.2019. The key principle of the policy would be that the compensation shall be aligned with the type and nature of risk taken by employees.
	(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.	Regional Heads, Branch Heads, IT department officials and Dealers in Treasury & IBD are paid special pay based on risk taken by them.

	(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	A performance based incentive scheme was approved by our Board of Directors in their meeting held on 06.10.2017.
	(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.	There is no deferred remuneration payment to employees.
	(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the rationale for using these different forms.	The remuneration is in the form of cash only. There is no remuneration in the form of Shares, ESOP and other forms.
<b>Quantitative disclosures</b> (The quantitative disclosures should only cover Whole Time Directors / Chief Executive Officer / Other Risk Takers)	(g)	* Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	Number of meetings held by the Nomination and Remuneration committee is two (12.10.2018, and 04.02.2019) and remuneration paid to its members is NIL.
	(h)	* Number of employees having received a variable remuneration award during the financial year.	Nil
		* Number and 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
(i)	* 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
(j)	*	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	Nil
(k)	*	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil
	*	Total amount of reductions during the financial year due to ex- post explicit adjustments.	Nil
	*	Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil

**Table DF – 16**

**Equities-Disclosure for Banking Book Positions**

The bank has no exposures in equities under Banking Book.

**Table DF – 17- Leverage Ratio Disclosure**

The Leverage ratio act as a credible supplementary measure to the bank based capital requirement. The Bank is required to maintain a minimum leverage ratio of 4.5%. The Bank’s leverage ratio, calculated in accordance with the RBI guidelines is as follows;

**COMPARISON OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURE**  
( ₹ in millions)

S.No.	Particulars	Amount as of Jun'18	Amount as of Sep'18	Amount as of Dec'18	Amount as of Mar'19
1	Total consolidated assets as per published financial statements include SFTs	366416.58	374475.28	379548.15	405327.96
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0.00	0.00	0.00	0.00
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0.00	0.00	0.00	0.00
4	Adjustments for derivative financial instruments	1190.41	1117.04	1133.36	1073.21
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0.00	0.00	0.00	0.00
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	22588.76	19055.22	19296.87	19551.76
7	Other adjustments	0.00	0.00	0.00	0.00
<b>8</b>	<b>Leverage ratio exposure</b>	<b>390195.75</b>	<b>394647.54</b>	<b>399978.38</b>	<b>425952.93</b>





**Table DF – 18****Leverage ratio common disclosure**

( ₹ in millions)

S.No	Leverage Ratio Framework	Amount as of Jun'18	Amount as of Sep'18	Amount as of Dec'18	Amount as of Mar'19
On-balance sheet exposures					
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	366416.58	374475.28	379548.15	405327.96
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	0.00	0.00	0.00	0.00
3	<b>Total on-balance sheet exposures</b> (excluding derivatives and SFTs) (sum of lines 1 and 2)	<b>366416.58</b>	<b>374475.28</b>	<b>379548.15</b>	<b>405327.96</b>
Derivative exposures					
4	Replacement cost associated with all <i>derivatives</i> transactions (i.e. net of eligible cash variation margin)	0	0	0	0
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	1190.41	1117.04	1133.36	1073.21
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00	0.00	0.00	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00	0.00	0.00	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00	0.00	0.00	0.00
9	Adjusted effective notional amount of written credit derivatives	0.00	0.00	0.00	0.00

10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)				
11	<b>Total derivative exposures (sum of lines 4 to 10)</b>	1190.41	1117.04	1133.36	1073.21
<b>Securities financing transaction exposures</b>					
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0.00	0.00	0.00	0.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00	0.00	0.00	0.00
14	CCR exposure for SFT assets	0.00	0.00	0.00	0.00
15	Agent transaction exposures	0.00	0.00	0.00	0.00
16	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	0.00	0.00	0.00	0.00
<b>Other off-balance sheet exposures</b>					
17	Off-balance sheet exposure at gross notional amount	58361.84	54177.61	53931.61	50746.55
18	(Adjustments for conversion to credit equivalent amounts)	(35773.08)	(35122.39)	(34634.74)	(31194.79)
19	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	22588.76	19055.22	19296.87	19551.76
<b>Capital and total exposures</b>					
20	<b>Tier 1 capital</b>	33509.23	33509.23	33509.23	35637.60
21	<b>Total exposures (sum of lines 3, 11, 16 and 19)</b>	390195.75	394647.54	399978.38	425952.93
<b>Leverage ratio</b>					
22	<b>Basel III leverage ratio</b>	<b>8.59%</b>	<b>8.49%</b>	<b>8.38%</b>	<b>8.37%</b>

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