

**BASEL- III - PILLAR 3 DISCLOSURE AS ON 31.03.2017**

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

**Table DF - 1**

**Scope of Application**

City Union Bank Limited is an old premier private sector bank which was incorporated on 31<sup>st</sup> October, 1904 with its Registered Office at Kumbakonam, Tamilnadu, India. The Bank was included in the Second Schedule of Reserve Bank of India Act, 1934, on 22nd March 1945. The Bank does not have any subsidiary/Associate companies under its Management.

**Qualitative Disclosures:**

Summary

Type of Capital	Features										
Common Equity Tier I Capital	During the year 2016-17, the Bank has allotted 28,73,602 equity shares of face value of Re. 1/- each pursuant to exercise of stock options by employees and the Equity Share Capital of the Bank as on 31.03.2017 stood at Rs. 60.11 crore and the share premium collected was Rs. 15.15 crore.										
Tier II Capital	<p>The Bank has not raised Tier II capital during the year 2016-17. The details of Lower Tier II capital to the tune of Rs.10.00 crore raised in earlier year is given below.</p> <p>Type of Instrument : Unsecured, Redeemable and Non-convertible Nature: Plain vanilla bonds with no special features like put or call option etc.</p> <table border="1"> <thead> <tr> <th>Date of Issue</th> <th>Amount (Rs in crs)</th> <th>Tenure (Months)</th> <th>Coupon %</th> <th>Rating</th> </tr> </thead> <tbody> <tr> <td>30.03.2007</td> <td>10.00 *</td> <td>121</td> <td>10.00% annual</td> <td>CARE "A+"</td> </tr> </tbody> </table> <p>* Tier – II bond of Rs.10.00 crore issued on 30.03.2007 was redeemed on its due date 30.04.2017.</p>	Date of Issue	Amount (Rs in crs)	Tenure (Months)	Coupon %	Rating	30.03.2007	10.00 *	121	10.00% annual	CARE "A+"
Date of Issue	Amount (Rs in crs)	Tenure (Months)	Coupon %	Rating							
30.03.2007	10.00 *	121	10.00% annual	CARE "A+"							

## Quantitative Disclosures

Sl. No.	Description	Amount (Rs in Crs)	
01.	Common Tier – I Capital - Paid-up Share Capital - Total - Reserves & Surplus  Amount deducted from Tier I Capital (if any) - Intangible Assets - Cross holdings <b>Total eligible Tier I Capital</b>	60.11 3486.01   14.11 0.21	<b>3546.12</b>   14.32 <b>3531.80</b>
02.	<b>Tier – II Capital</b> a) Revenue Reserves (Investment Reserve) b) Provision for country risk exposure c) Provision for Unhedged exposure d) Provision for Standard Assets Less: Cross Holdings <b>Total Tier II Capital</b>	2.38 0.54 1.96 103.88  	<b>108.76</b>     0.00 <b>108.76</b>
03.	<b>Total Eligible Capital</b> (Tier I and Tier II)		<b>3640.56</b>

**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.**

In order to strengthen the capital base of banks in India, the Reserve Bank of India in April 1992 introduced capital adequacy measures in banks, based on the capital adequacy framework (Basel I) issued by Basel Committee on Banking Supervision (BCBS). Initially, the framework addressed capital for credit risk, which was subsequently amended to include capital for market risk as well. The Bank has been compliant with regard to maintenance of minimum capital for credit and market risks.

Subsequently, the BCBS has released the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (popularly known as Basel II document) on June 26, 2004. Reserve Bank of India has issued final guidelines on April 27, 2007 for implementation of the New Capital Adequacy (Basel II) Framework.

In line with the RBI guidelines, the Bank has successfully migrated to the revised framework (Basel-II) from 31.03.2009. The Bank has continued the Parallel run of Basel II framework continuously tracking the exposures and studied the impact on Bank's Capital to Risk weighted Assets Ratio (CRAR) on a quarterly basis.

Reserve Bank of India issued Guidelines based on the Basel III reforms on capital regulation during May 2012, to the extent applicable to banks operating in India. The Basel III capital regulation has been implemented from April 01, 2013 in India in phases and it was decided originally to implement fully as on March 31, 2018. RBI issued detailed Guidelines on Composition of Capital Disclosure Requirements on May 28, 2013. Another circular on "Implementation of Basel III Capital Regulations in India – Capital Planning" has been issued by RBI on March 27, 2014, in which, the transitional period for full implementation of Basel III Capital Regulations in India is extended upto March 31, 2019, instead of March 31, 2018. Another circular on "Prudential Guidelines on Capital Adequacy and Liquidity Standards – Amendments" has been issued by RBI on 31.03.2015. The Basel III Capital Regulations have been consolidated in Master Circular – Basel III Capital Regulations vide circular No. DBOD.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015.

Under the Basel II framework, the total regulatory capital comprises of Tier I (core capital) and Tier 2 capital (supplementary capital). In order to improve the quality of regulatory capital, the capital will predominantly consist of Common Equity Tier1 (CET1) under Basel III. Non-equity Tier 1 and Tier 2 capital would continue to form part of regulatory capital subject to eligibility criteria as laid down in Basel III. The Basel III capital regulations continue to be based on three-mutually reinforcing Pillars, viz. Minimum Capital Requirements (Pillar 1), Supervisory Review of Capital Adequacy (Pillar 2) and Market Discipline (Pillar 3) of the Basel II Capital Adequacy framework.

The Basel-III norms mainly seek to:

- 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,
- Increase the risk coverage of the capital framework
- Introduce leverage ratio to serve as a backstop to the risk-based capital measure
- Raise the standards for the supervisory review process and public disclosures etc.

The macro prudential aspects of Basel III are largely enshrined in the capital buffers. Both the buffers i.e. the capital conservation buffer and the countercyclical buffer are intended to protect the banking sector from stressed situations and business cycles.

### **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 (other than capital conservation buffer and countercyclical capital buffer etc.) Besides these minimum capital requirements, Basel III also provides for creation of capital conservation buffer (CCB). The CCB requirements are to be implemented from March 31, 2016 in phases (i.e. 0.625% every year from March 2016 to March 2019 towards Capital Conservation Buffer) and are to be fully implemented by March 31, 2019 to the extent of 2.5% of Risk weighted Assets. The total regulatory capital fund under Basel- III norms will consist of the sum of the following categories and banks are required to maintain 11.5% of Risk Weighted Assets (9% + 2.5%) by March 2019 with the phase in requirements under CCB from 2016.

For 31.03.2017, banks are required to maintain a minimum Pillar 1 Capital (Tier-I + Tier-II) to Risk-weighted Assets Ratio (CRAR) of 9.00% on an on-going basis, besides phase in 1.25% towards capital conservation buffer upto 31.12.2017. (totally, 10.25%)

- Tier 1 Capital comprises of:-
  - Common Equity Tier 1 capital (with a minimum of 5.5%)
  - Additional Tier 1 capital
  - Total Tier 1 capital of minimum 7%
- Tier 2 Capital: admitted maximum up to 2% (subject to maximum of 1.25% of the total credit risk-weighted assets under the standardized approach.
- Total Tier 1 + Tier 2 should be more than 10.25%
  - Capital Conservation Buffer (CCB). (with a minimum of 2.5% for 31.03.2019) 1.25% from 31.03.2017 to 31.12.2017.
  - Total capital including CCB should be 11.5% for 31.03.2019 and 10.25% for the quarters ending from 31.03.2017 to 31.12.2017.

### **B. The Bank's approach in assessment of capital adequacy**

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. Besides computing CRAR under the Pillar I requirement, the Bank also undertakes stress testing periodically 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 being assessed in the ICAAP document.

### **C. Quantitative Disclosures:**

**Rs in Crore**

a)	Capital requirements for Credit Risk: (@ 9.00% on Risk weighted Assets)		
	• Portfolios subject to standardised approach		1791.81
	• Securitisation exposures		Nil
b)	Capital requirements for Market Risk:		
	• Standardised duration approach		67.21
	○ Interest Rate Risk	18.49	
	○ Equity risk	46.72	
	○ Foreign exchange risk	2.00	
c)	Capital requirements for Operational Risk:		
	• Basic indicator approach		180.16
	Minimum capital required (a+b+c)		2039.18
d)	Capital Conservation Buffer (CCB) at 1.25%		287.51
	Minimum Total Capital + CCB		2326.69
d)	Total Capital Funds available		3640.56
	Total Risk Weighted Assets		23001.02
	Common Equity Tier I CRAR %		14.10
	Capital Conservation Buffer		1.25
	Tier I CRAR %		15.35
	Tier II CRAR %		0.48
	Total CRAR %		15.83

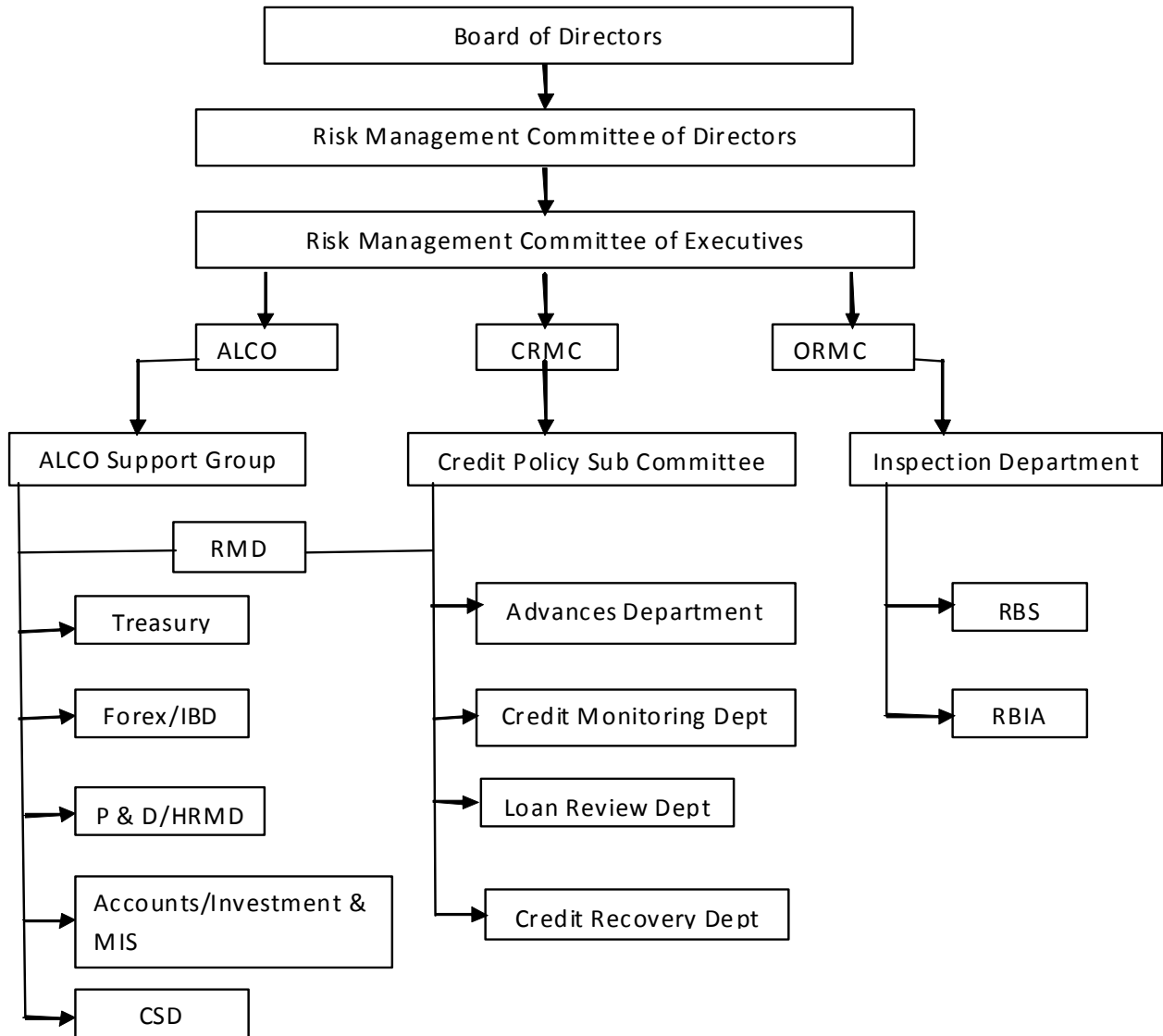
## **2. Risk Exposure and Assessment**

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 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) assisted by Asset Liability Management Committee (ALCO), Credit Risk Management Committee (CRMC) and Operational Risk Management Committee (ORMC) at senior management level. Credit Risk Management Committee deals with credit policies and procedures, Asset Liability Management Committee deals with Asset Liability Management (ALM) and Investment Policy of the Bank and Operational Risk Management Committee formulates policies and procedures for managing operational risks.

The Bank has formulated the required policies such as Integrated Risk Management Policy, Loan Policy, Credit Risk Management Policy, ALM Policy, Treasury and Forex Policy, Inspection and Audit policies, KYC policy, Risk Based Internal Audit Policy, Stress Testing Policy, Disclosure Policy, ICAAP policy and Credit Risk Mitigation & Collateral Management Policy, Risk Rating and Pricing policy, etc for mitigating the risk in various areas and monitoring the same.

The structure and organization of Risk Management functions of the bank is as follows:



**TABLE DF – 3**  
**Credit Risk: General Disclosures**

**Credit Risk:**

Credit Risk is a possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, Credit Risk arises mostly from lending activities of the bank, when a borrower is unable to meet its financial obligations emanating from potential changes in the credit quality / worthiness of the borrowers or counterparties.

Credit Risk Management encompasses a host of management techniques, which help the banks in mitigating the adverse impacts of credit risk. The objective of the Credit Risk Management is to identify, measure, monitor and control credit risk by adopting suitable methodology.

The Bank has formulated Loan Policy which stipulates various prudential norms, bench marks, guidelines for sanctioning of credits and recovery of the same. The Bank has also formulated a separate Credit Risk Management Policy, besides a Policy on Credit Risk Mitigation and Collateral Management.

Credit Risk is assessed by a robust internal credit risk rating system. Credit Risk Rating is the process wherein the merits and demerits of a borrower are captured and assigned with scorings, which enables the Bank to take a view on the acceptability or otherwise of any credit proposal.

**Credit Risk Management Policy:**

The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Board. The Policy document defines organization structure, role and responsibilities and the processes whereby the Credit Risks carried by the Bank can be identified, quantified and managed. Credit Risk is monitored on a bank wide basis and the compliance with regard to the risk limits approved by the Credit Risk Management Committee (CRMC)/ Board is ensured.

The Bank adopts the definition of 'past due' and 'impaired credits' (for reporting purposes) as defined by Reserve Bank of India under Income Recognition, Asset Classification and provisioning (IRAC) norms (vide RBI Master Circular dated July 01, 2015).

**Quantitative Disclosures**

Total Gross Credit Risk Exposures including Geographic Distribution of Exposure:

**Rs. in crore**

<b>Exposure as on 31.03.2017</b>	<b>Domestic</b>	<b>Overseas</b>	<b>Total</b>
<b>Fund based</b>	27137.09	--	27137.09
<b>Non-fund based</b>	2810.67	--	2810.67
<b>Investment (Non SLR)</b>	383.96	--	383.96
<b>Total</b>	<b>30331.72</b>	<b>--</b>	<b>30331.72</b>

**Industry type distribution of exposures 31.03.2017**

**Rs. in Crore**

INDUSTRY /ACTIVITY	FUNDED EXPOSURE	NON-FUNDED EXPOSURE	INVESTMENT EXPOSURE (NON SLR)	TOTAL EXPOSURE
Mining and Quarrying	60.76	2.66	0.00	63.42
Iron and Steel	1000.26	287.45	0.26	1287.97
Other Metal and Metal Products	386.92	63.03	0.00	449.95
Engineering of which Electronics	165.12	48.55	0.00	213.67
Others (incl Electrical & Home Appliances)	369.81	138.98	0.00	508.79
Cotton Textiles	1232.09	126.10	0.00	1358.19
Other textiles ( Other than Cotton)	1685.62	46.61	0.00	1732.23
Food Processing	103.97	74.32	0.00	178.29
Beverages and Tobacco	12.20	4.18	0.00	16.38
Leather and Leather products	14.07	0.48	0.00	14.55
Wood and Wood Products	64.52	119.36	0.00	183.88
Paper and Paper Products	650.60	62.75	0.00	713.35
Petroleum, Coal Products and Nuclear Fuels	44.39	1.04	0.00	45.43
Drugs and Pharmaceuticals	48.21	7.97	0.96	57.14
Chemicals and Chemical Products (Dyes, Paints, etc.)	334.74	152.84	0.00	487.58
Rubber, Plastic and their Products	177.32	6.40	0.00	183.72
Glass & Glassware	21.46	0.09	0.00	21.55
Cement and Cement Products	10.21	0.00	0.00	10.21
Vehicles, Vehicle Parts and Transport Equipments & auto parts	197.29	31.10	0.08	228.47
Gems and Jewellery	67.96	3.48	0.00	71.44
Construction	961.11	7.14	0.00	968.25
Infrastructure	186.72	20.26	11.43	218.41
Other Industries	97.48	56.20	0.00	153.68
Non Metallic Minerals	97.68	0.14	0.00	97.82
Publication & Printing	102.46	7.46	0.00	109.92
Computer Software	13.83	0.70	0.00	14.53
All Industries Total	8106.80	1269.29	12.73	9388.82
Residuary other advances	19030.29	1541.38	371.23	20942.90
Gross Exposure (funded, non-funded & investment exposure)	27137.09	2810.67	383.96	30331.72

The exposure to Other Textiles industry accounted for 5.29% of Total Gross Exposure as of 31.03.2017. The coverage of advances to the above industry occupies the top position among the total industry sectors.



**Residual contractual maturity breakdown of assets 31.03.2017**  
(computed as per the guidelines of RBI on Asset Liability Management)

**Rs in Crore**

PERIOD	Cash, RBI Balance and Balance with all Banks	Advances (Net)	Investments (Net)	Fixed & Other Assets	Total
1 Day	372.15	68.26	826.17	103.88	<b>1370.46</b>
2 to 7 Days	1.80	1062.53	465.00	28.42	<b>1557.75</b>
8 to 14 Days	1.00	817.18	479.90	40.13	<b>1338.21</b>
15 to 30 Days	294.05	363.70	507.31	18.21	<b>1183.27</b>
31 days to 60 days	142.57	293.46	710.35	8.31	<b>1154.69</b>
61 days to 90 days	349.38	505.11	461.14	8.52	<b>1324.15</b>
Over 3 Months & upto 6 Months	567.42	1132.35	1080.07	114.41	<b>2894.25</b>
Over 6 Months & upto 1 Year	829.43	2633.60	1170.70	139.08	<b>4772.81</b>
Over 1 Year & upto 3 Years	268.69	12919.64	1053.37	164.19	<b>14405.89</b>
Over 3 Years & upto 5 Years	22.69	2003.62	11.43	352.91	<b>2390.65</b>
Over 5 Years	29.80	2033.25	266.01	549.59	<b>2878.65</b>
<b>Total</b>	<b>2878.98</b>	<b>23832.70</b>	<b>7031.45</b>	<b>1527.65</b>	<b>35270.78</b>

**Amount of NPAs (Gross) Rs in crore**

Sub-standard	349.99
Doubtful 1	137.15
Doubtful 2	173.05
Doubtful 3	17.85
Loss	3.94
<b>Gross NPA Total</b>	<b>681.98</b>

**Geographical Area-wise NPA: Rs in crore**

Gross NPA – Domestic	681.98
Gross NPA – overseas	Nil
<b>Gross NPA – Total</b>	<b>681.98</b>

**The Amount of Net NPAs is Rs. 408.34 crore**

**The NPA ratios are as under**

- Gross NPA to Gross Advances - 2.83%
- Net NPA to Net Advances - 1.71%

**Major Industry-wise NPA as on 31.03.2017 Rs in Crore**

Industry	Gross NPA	Provision held
Other Textiles	16.65	3.70

**The movement of NPA is as under:**

	Rs in crore
i. Opening balance at the beginning of the year (01.04.2016)	511.98
ii. Additions made during the year	479.61
iii. Reductions during the year	309.61
iv. Closing balance at the end of year (31.03.2017) ( i + ii - iii)	681.98

**The movements of provisions for NPAs are as under:**

Nature	Rs in crore		
	Floating Provision	Specific Provision	Total Provision
i. Opening balance at the beginning of the year (01.04.2016)	18.65	168.02	186.67
ii. Provisions made during the year	---	251.50	251.50
iii. Write-off/Write-back of excess provisions during the year	---	167.86	167.86
iv. Closing Balance at the end of year (31.03.2017) ( i+ ii –iii)	18.65	251.66	270.31

Recovery made during the year ended 31.03.2017 directly taken to Income Account Rs. 47.01 crore

The amount of non-performing investment - Nil

The amount of provision held for non-performing investment is Nil

**The movement of provisions for depreciation on investments**

	Rs in crore
i. Opening balance at the beginning of the year (01.04.2016)	1.72
ii. Provisions made during the year	48.65
iii. Write-off during the year	0.00
iv. Write-back of excess provisions during the year	0.00
v. Closing Balance at the end of the year (31.03.2017) ( i + ii – iii – iv)	50.37

**TABLE - DF - 4**

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

**Qualitative Disclosures**

The Bank is using the services of the External Credit Rating Agencies approved by Reserve Bank of India, namely a) CRISIL, b) ICRA, c) CARE, d) FITCH/India Ratings, e) Brickwork and f) SMERA ratings to facilitate the corporate borrower customers who enjoy credit facilities above Rs.5.00 crore to solicit the ratings. The corporates which are yet to get the approved ratings from these rating agencies are treated as 'unrated'.

The Bank computes risk weight on the basis of external rating assigned, both Long Term and Short Term, for the facilities availed by the borrower. The external ratings assigned are generally facility specific. The Bank follows the below mentioned procedures as laid down in the Basel III guidelines for usage of external ratings:

- Rating assigned by one rating agency is 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 standardised approach, amount of a bank's outstandings (rated and unrated) in the following three major risk buckets as well as those that are deducted as per risk mitigation are given below.

	Rs. in crore		
Risk Weight	Rated	Unrated	Total
Below 100 %	508.56	20570.17	21078.73
At 100 %	191.23	9562.35	9753.58
More than 100 %	590.25	1081.94	1672.19
Total outstanding after mitigation	1290.04	31214.46	32504.50
Deducted (as per Risk Mitigation)	6.33	3793.97	3800.30

**TABLE DF – 5**

**CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACHES**

**Qualitative Disclosures**

The Bank has put in place Credit Risk Mitigation and Collateral Management Policy with the primary objective of

- Mitigation of Credit Risks and enhancing awareness on identification of appropriate collateral taking into account the spirit of Basel III / RBI guidelines
- Optimizing the benefit of Credit Risk Mitigation in computation of capital charge as per the approaches laid down in Basel III / RBI guidelines.

Valuation and methodologies are detailed in Credit Risk Management Policy, Valuation Policy and Loan Policy of the Bank.

The Bank recognises the following Financial Collateral (FC) for Credit Risk Mitigation.

- a) Cash or Cash equivalent (Bank Deposits/Certificate of Deposits issued by the Bank, etc.)
- b) Gold Jewels
- c) Indira Vikas Patras
- d) Kisan Vikas Patras
- e) National Savings Certificates
- f) Life Insurance Policies with a declared surrender value
- g) Securities issued by Central and State Governments
- h) Debt securities rated by a recognized Credit Rating Agency where these are either:
  - at least BBB(-) when issued by public sector entities; or
  - at least A when issued by other entities (including banks and Primary Dealers); or
  - at least PR3/P3/F3/A3 for short term debt instruments
- i) Debt securities not rated by Credit Rating Agency but
  - issued by a bank and
  - listed on a recognized stock exchange; and
  - Classified as senior debt.

The Bank accepts guarantees from individuals with considerable net worth and the Corporates, besides guarantee issued by Government, other Commercial banks, ECGC and CGTSI.

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. The portion of advances subjected to CRM including non-funded advances amounted to 13.50% of outstanding total of funded and non-funded credit. The Bank has ensured legal certainty in the matter of credit risk mitigation as per RBI guidelines.

### Quantitative Disclosures

<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 Rs in crore
1. Funded - Credit	Bank's own deposits	817.72
2. Funded - Credit	Gold jewels	2135.64
3. Funded - Credit	LIC/KVP/NSC	4.65
4. Non Funded	Bank's own deposits	536.08

<b>b. For each separately disclosed portfolio, the total exposure (after, on balance sheet netting) that is covered by Guarantees:</b>		
Portfolio category	Guaranteed by	Quantum of exposure covered Rs in crore
1. Funded - Credit	Central Government	126.46
2. Funded - Credit	ECGC	103.00
3. Funded – Credit	CGTSI	47.12

**TABLE DF - 6**

**Securitization: Disclosure for Standardised Approach**

**Qualitative Disclosures:**

The Bank has not undertaken any securitization activity.

**Quantitative Disclosures:** NIL

**TABLE DF – 7**

**Market Risk in Trading Book**

**Qualitative Disclosures:**

Market Risk in trading book is assessed as per the Standardised duration method. The capital charge for HFT and AFS is computed as per Reserve Bank of India prudential guidelines.

a. Definition of market risk: - Market risk refers to the potential losses arising from volatility in interest rates, foreign exchange rates, equity prices and commodity prices. Market risk arises with respect to all market risk sensitive financial instruments, including securities, foreign exchange contracts, equity and derivative instruments as well as from balance sheet or structural positions.

b. Portfolios covered under standardized approach: - The bank's portfolio comprises of Government securities, equity shares and forex portfolio.

c. Strategies and processes

1) The Bank has put in place a comprehensive Market risk management Framework to address the Market risks (bank wide) including that of the Trading Book.

2) Within the above framework, various policies of the Bank prescribes Limits like Value at Risk (VaR) for HFT Securities and Foreign Currencies, Duration, Minimum holding level for liquid assets, Exposure limits, Forex open position limits (day light/overnight), Stop-loss limits etc .

3) Risk profiles are analyzed and the effectiveness of risk mitigants is regularly monitored

through Mid Office.

4) Adherence to limits are being monitored by dedicated mid office, reporting exceptions to the head of Risk Management Department, independent of Treasury /IBD operational units.

#### **d. Risk Measurement**

1) Value at Risk (VaR) numbers are arrived for Trading book Central Government securities and Foreign Currencies.

2) The positions are marked to market at stipulated intervals. The Duration/Modified Duration is computed and its adherence to the prescribed duration limits is ensured.

3) The Bank is computing capital charge on "Held for Trading" and "Available for Sale" categories using Standardized Duration Approach as required under RBI guidelines.

4) Stress testing analysis is done by applying rate shocks for parallel shift in the yield curve under current economic and political scenario.

#### **Quantitative Disclosures:**

The capital requirements for 31.03.2017

• Interest Rate Risk	-	Rs. 18.49 crore
• Equity Position Risk	-	Rs. 46.72 crore
• Foreign Exchange Risk	-	Rs. 2.00 crore
Total	-	Rs. 67.21 crore

#### **TABLE DF – 8** **OPERATIONAL RISK**

#### **Qualitative Disclosures**

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

The Bank has put in place Operational Risk Management Policy duly approved by the Board. This policy outlines the Organisation Structure and covers the process of identification, assessment/measurement and control of various operational risks.

The other policies adopted by the Bank which deal with the management of operational risks are Inspection Policy, Information Security Audit Policy and Policy on Modified code of conduct for Know-Your Customer & Anti-Money Laundering Standards.

Operational Risks in the Bank are managed through comprehensive and well-articulated internal control framework. Operational risk is mitigated by effecting suitable insurance coverage wherever necessary. The Bank has also put in place a compliance cell to supervise KYC & AML guidelines and off site monitoring of high value transactions. For accounting operations in the computerized environment, suitable internal control system is maintained and a separate policy on I.T. Security is in place specifying the internal guidelines on access, control, communications, operations, personal security, business continuity management etc.

### **Quantitative Disclosures:**

Capital charge for Operational Risk is computed as per the Basic Indicator Approach based on the average of the gross income for the previous three years i.e. 2013-14, 2014-15 and 2015-16 as defined in the Master Circular – Basel III Capital Regulations & New Capital Adequacy Framework guidelines. The required capital is Rs.180.16 crore.

### **TABLE DF – 9** **INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)**

#### **Qualitative Disclosures:**

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 impact on income (earning perspective) is measured through use of Gap Analysis by applying notional rate shock up to 200 bps as prescribed.

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 up to 200 bps is arrived at for one year time horizon.

The Bank has adopted 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. RBI has issued draft guidelines vide DBOD.No. BP. 7/21.04.098/ 2005-06 dated April 17, 2006 on improvements to banks' Asset Liability Management framework, covering interest rate risk and liquidity risk measurement / reporting frameworks and prudential limits. Subsequently, on November 04, 2010, RBI issued a circular on Interest Rate Risk using Duration Gap Analysis and these guidelines have been taken into account while calculating IRRBB. The Bank calculates Modified Duration Gap on Assets & Liabilities and arrive at the impact on Economic Value of Equity. The Bank is calculating IRRBB on a monthly basis.

#### **Quantitative Disclosures:**

- a) The impact of change in Interest Rate i.e. Earnings at Risk for 200 bps interest rate shock as on 31.03.2017 is Rs.106.06 crore.
- b) The impact of change in market value of Equity for an interest rate shock of 200 bps as on 31.03.2017 is 11.88%.

**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 parties.

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, 2017

Rs in crore

Nature	Notional Amount	Potential Exposure @2%	Current exposure	Total credit exposure
Forward contracts	5381.63	97.70	189.86	287.56

The capital requirement for Bank's exposure to Qualified Central Counter Party (QCCP) has been computed for the exposure to Clearing Corporation of India (CCIL) as on 31.03.2017 amounting to Rs.153.59 crore with risk weighted assets of Rs. 30.72 crore, which is forming part of credit risk total. In terms of RBI circular dated 28.03.2013, the Credit Valuation Adjustment (CVA) risk capital charge has been computed, which amounted to Rs. 0.36 crore (the corresponding risk weighted value of Rs.4.48 crore has also been added to credit risk weighted assets).



### 3. Composition of Capital Disclosure

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

Part II : Template to be used from March 31, 2017 (i.e. during the transition period of Basel III regulatory adjustments)			
(Rs. in million)			
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)	8804.39	-
2	Retained earnings	26656.75	-
3	Accumulated other comprehensive income (and other reserves)	-	-
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	-
	Public sector capital injections grandfathered until January 1, 2018	-	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-
6	Common Equity Tier 1 capital before regulatory adjustments	35461.14	-
<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)	141.14	-
10	Deferred tax assets	-	-
11	Cash-flow hedge reserve	-	-
12	Shortfall of provisions to expected losses	-	-
13	Securitisation gain on sale	-	-
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
15	Defined-benefit pension fund net assets	-	-
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	-	-
17	Reciprocal cross-holdings in common equity	2.03	-
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)	-	-
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	-	-
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-	-
	of which : [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)	-	-
	of which : [INSERT TYPE OF ADJUSTMENT]	-	-
	of which : [INSERT TYPE OF ADJUSTMENT]	-	-
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
28	<b>Total regulatory adjustments to Common equity Tier 1</b>	143.17	-
29	<b>Common Equity Tier 1 capital (CET1)</b>	35317.97	-
<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	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	-	-
	of which : [INSERT TYPE OF ADJUSTMENT e.g. DTAs]	-	-
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	-	-
	of which : [INSERT TYPE OF ADJUSTMENT]	-	-
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>	-	-
44a	<b>Additional Tier 1 capital reckoned for capital adequacy</b>	-	-
45	<b>Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)</b>	35317.97	-
<b>Tier 2 capital : instruments and provisions</b>			-
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	nil	-
47	Directly issued capital instruments subject to phase out from Tier 2	nil	-
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	-
49	of which : instruments issued by subsidiaries subject to phase out	-	-
50	Provisions include the following a) Investment Reserve Rs. 23.80 mn b) Provision for Standard Asset Rs. 1038.80 mn c) Provision for Country Risk Exposure Rs. 5.40 mn d) Provision for Unhedged Exposure Rs. 19.64 mn		-
51	<b>Tier 2 capital before regulatory adjustments</b>	1087.64	-
<b>Tier 2 capital: regulatory adjustments</b>			
52	Investments in own Tier 2 instruments		-
53	Reciprocal cross-holdings in Tier 2 instruments	0.00	-
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
56	National specific regulatory adjustments (56a+56b)	-	-
56a	of which : Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	-	-
56b	of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-	-
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment		
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	-	-
	of which : [INSERT TYPE OF ADJUSTMENT]	-	-
57	<b>Total regulatory adjustments to Tier 2 capital</b>	00.00	-
58	<b>Tier 2 capital (T2)</b>	1087.64	-
58a	<b>Tier 2 capital reckoned for capital adequacy</b>	1087.64	-

58b	<b>Excess Additional Tier 1 capital reckoned as Tier 2 capital</b>	-	-
58c	<b>Total Tier 2 capital admissible for capital adequacy (58a + 58b)</b>	1087.64	-
59	<b>Total capital (TC = T1 + Admissible T2) (45 + 58c)</b>	36405.62	-
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	-	-
	of which : [INSERT TYPE OF ADJUSTMENT]	-	-
	of which : ...	-	-
60	<b>Total risk weighted assets (60a + 60b + 60c)</b>	230010.19	-
60a	of which : total credit risk weighted assets	199089.46	-
60b	of which : total market risk weighted assets	8400.88	-
60c	of which : total operational risk weighted assets	22519.85	-
<b>Capital ratios</b>			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.35%	-
62	Tier 1 (as a percentage of risk weighted assets)	15.35%	-
63	Total capital (as a percentage of risk weighted assets)	15.83%	-
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	6.75%	-
65	of which : capital conservation buffer requirement	1.25%	-
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)	15.35%	-
<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%	-
71	National total capital minimum ratio (if different from Basel III minimum) (upto 31.12.2016)	10.25%	-
<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>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	NA	-
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 the template		
Row No. of the template	Particular	(Rs.in million)
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	-
	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	-
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	1087.64
	Eligible Revaluation Reserves included in Tier 2 capital	---
	Total of row 50	1087.64
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)	-

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

**Step 1**

		(Rs. In million)	
		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on reporting date	As on reporting date
<b>A</b>	<b>Capital &amp; Liabilities</b>		↑
	i. Paid-up Capital	601.06	
	Reserves & Surplus	35100.91	
	Minority Interest		
	<b>Total Capital</b>	<b>35701.97</b>	
	ii. Deposits	<b>301157.38</b>	
	of which : Deposits from banks	1490.15	
	of which : Customer deposits	299667.23	
	of which : Other deposits (pl. specify)		
	iii. Borrowings	<b>5309.97</b>	
	of which : From RBI (REPO)	4750.00	
	of which : From banks	97.58	
	of which : From other institutions & agencies	362.39	
	of which : Others (pl. specify) Outside India	0.00	
	of which : Capital instruments	100.00	
	iv. Other liabilities & provisions	<b>10538.43</b>	
	<b>Total</b>	<b>352707.75</b>	
<b>B</b>	<b>Assets</b>		
	i. Cash and balances with Reserve Bank of India	<b>14841.85</b>	<b>Not Applicable</b>
	Balance with banks and money at call and short notice	<b>13947.90</b>	
	ii. Investments :	<b>70314.50</b>	
	of which : Government securities	66905.93	
	of which : Other approved securities		
	of which : Shares	156.68	
	of which : Debentures & Bonds	211.17	
	of which : Subsidiaries / Joint Ventures / Associates		
	of which : Others (Commercial Papers, Mutual Funds etc.)	3040.73	
	iii. Loans and advances	<b>238326.99</b>	
	of which : Loans and advances to banks		
	of which : Loans and advances to customers	219716.56	
	iv. Fixed assets	<b>2150.80</b>	
	v. Other assets	<b>13125.71</b>	
	of which : Goodwill and intangible assets		
	of which : Deferred tax assets	371.78	
	vi. Goodwill on consolidation		
	vii. Debit balance in Profit & Loss account		
	<b>Total Assets</b>	<b>352707.75</b>	▼

## 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 Rs.601.06 million is included in CET I. (refer Item I of DF-11)
- 3) The break up for Reserves & Surplus Rs.35100.91 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.

### Rs. in Million

As per Balance Sheet	Amount	As shown in DF-11 Capital
a) Statutory reserves	9360.00	Included in Regulatory CET I capital DF-11 (S.No.2)
b) Capital Reserves	901.94	Included in Regulatory CET I capital DF-11 (S.No.2)
c) Share Premium	8203.33	Included in Regulatory CET I capital DF-11 (S.No.1)
d) General reserves	13925.00	Included in Regulatory CET I capital DF-11 (S.No.2)
e) Investment reserve	23.80	Included in Regulatory Tier II capital DF-11(S.No.50)
f) Special Reserve under IT	2360.00	Included in Regulatory CET I Capital -DF11- S.No. 2)
g) Balance in P&L	326.84	Included in Regulatory CET I capital DF-11 (S.No.2)
Total	35100.91	

- 4) Proposed dividend & tax thereon amounting to Rs.217.03 mn has been deducted from Retained earnings shown in DF-11 (S.No.2)
- 5) Borrowings - The Tier II bonds shown as capital instruments under borrowings (under in step 1 – A(iii) above) has a book value of Rs.100.00mn, but the same has not been shown, as the amount admissible for regulatory Tier II capital after discounts and deductions amounted to 'nil' as shown in DF-11 (S.No.47) as of 31.03.2017.
- 6) Other Liabilities - The following subheads are included in Other Liabilities in the Balance Sheet
  - a) Provision for Standard assets - Rs.1038.80 mn
  - b) Provision for Unhedged Foreign Currency Exposure (UFCE) - Rs.19.64 mn
  - c) Provision for Country Risk Exposure - Rs.5.40 mn

However they are shown under Tier II capital for computation of Regulatory Capital (S.No.50 - DF-11) as noted in brackets as per extant RBI guidelines.

### Step 3

<b>Extract of Basel III common disclosure template (with added column) - Table DF-11 (Part I / Part II whichever, applicable)</b>			
<b>Common Equity Tier 1 capital: instruments and reserves</b>			
		<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	8804.39	2 & 3 (c)
2	Retained earnings	26656.75	3 (a,b,d,f & g)
3	Accumulated other comprehensive income (and other reserves)	—	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	—	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	—	
6	Common Equity Tier 1 capital before regulatory adjustments	35461.14	(Total of 1 & 2)
7	Prudential valuation adjustments	—	—
8	Goodwill (net of related tax liability)	—	



**Table DF-13**  
**Main Features of Regulatory Capital Instruments**

<b>Table DF-13 : Main Features of Regulatory Capital Instruments ( Equity Shares &amp; Bond Series I, II )</b>			
<b>Disclosure template for main features of Regulatory Capital Instruments</b>			
	<b>Description</b>	<b>Equity Shares</b>	<b>Bond Series II</b>
1	Issuer	City Union Bank Ltd	City Union Bank Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE491A01021	INE491A08026
3	Governing law(s) of the instrument	Applicable Indian Statues and regulatory requirements	Applicable Indian Statues and regulatory requirements
	Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier I	Tier 2 <sup>*</sup>
5	Post-transitional Basel III rules	Common Equity Tier I	Eligible
6	Eligible at solo / group / group & solo	Solo	Solo
7	Instrument type	Common Equity Shares	Tier 2 Debt Instruments
8	Amount recognized in regulatory capital (Rs. in million, as of most recent reporting date)	601.06 million	Nil
9	Par value of instrument	Re.1 per equity share	Rs. 10,00,000/- per bond
10	Accounting classification	Shareholder's Equity	Borrowings-Liability
11	Original date of issuance	Various	30/03/2007
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No Maturity	30/04/2017
14	Issuer call subject to prior supervisory approval	Not Applicable	No Call Option
15	Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable
16	Subsequent call dates, if applicable	Not Applicable	Not Applicable
	Coupons / dividends	Dividend	Coupon

17	Fixed or floating dividend / coupon	Not Applicable	Fixed
18	Coupon rate and any related index	Not Applicable	10.00%
19	Existence of a dividend stopper	Not Applicable	Yes
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	Not Applicable	Non Convertible
24	If convertible, conversion trigger(s)	Not Applicable	Not Applicable
25	If convertible, fully or partially	Not Applicable	Not Applicable
26	If convertible, conversion rate	Not Applicable	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable	Not Applicable
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	Not Applicable	Not Applicable
32	If write-down, full or partial	Not Applicable	Not Applicable
33	If write-down, permanent or temporary	Not Applicable	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable	Not Applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated Claim at the time of liquidation	All other Creditors and Depositors of the Bank
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	No	Not Applicable

\* Tier – II bond of Rs.10.00 crore issued on 30.03.2007 was redeemed on its due date 30.04.2017

**Table DF-14**

**Full Terms and Conditions of Regulatory Capital Instruments**

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

Table DF-14 : Full Terms and Conditions of Regulatory Capital Instruments	
Instruments	Full Terms and Conditions
Series II	100 Nos – 10.00% Non Convertible Redeemable Debentures Rs. 10,00,000/- each fully paid up – Tenure 121 Months, Date of Allotment : 30/03/2007 Date of Redemption : 30/04/2017 aggregating to Rs. 10.00 crores.

The above Tier – II bond of Rs.10.00 crore issued on 30.03.2007 was redeemed on its due date 30.04.2017

**Table DF-15**

**Remuneration**

Qualitative Disclosures:		
(a)	Information relating to the composition and mandate of the Remuneration Committee.	Compensation Committee comprising of three members constituted to oversee the framing, review and implementation of Compensation Policy.
(b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.	<p><u>Key Features:</u></p> <ul style="list-style-type: none"> <li>i) Board oversees the design of the compensation package and operations</li> <li>ii) Compensation commensurate with the responsibility and accountability</li> </ul> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> <li>a) Alignment of compensation with prudent risk taking</li> <li>b) Effective Supervisory oversight</li> <li>c) Sound Compensation Practices</li> </ul>
(c)	Description of the ways in which current and future risks are taken in to account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	Compensation related to the types of risks and symmetric with risk outcomes
(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	Qualitative features such as skills, knowledge and abilities are factored in.
(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.	<ul style="list-style-type: none"> <li>i) ESOP and Reservation in Rights Issue to be the components of share based payment</li> <li>ii) Exgratia payment to be denied only in extreme cases of indiscipline, misuse of trust etc.</li> </ul>
(f)	Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the bank utilizes and the	Financial incentives, Exgratia and ESOPs form part of variable remuneration components

rationale for using these different forms.			
<b>Quantitative Disclosures:</b>		<b>Current Year</b>	<b>Previous Year</b>
(g)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	4 meetings were held during the financial year (compensation committee) and the total remuneration paid during the year Rs.2,,00,000/-	3 meetings were held during the financial year and the total remuneration paid during the year Rs.1,20,000/-
(h)	(i) Number of employees having received a variable remuneration award during the financial year. (ii) Number and total amount of sign – on awards made during the financial year. (iii) Details of guaranteed bonus, if any, paid as joining/sign on bonus. (iv) Details of severance pay, in addition to accrued benefits, if any.	N I L	N I L
(i)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. (ii) Total amount of deferred remuneration paid out in the financial year.	N I L	N I L
(j)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred.	N I L	N I L
(k)	(i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments. (ii) Total amount of reductions during the financial year due to ex-post explicit adjustments. (iii) Total amount of reductions during the financial year due to ex-post implicit adjustments.	N I L	N I L

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

There are no equity investments as on 31.03.2017 under Banking Book (HTM).

#### **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. Presently the indicative benchmark Leverage Ratio prescribed is 4.50% (minimum).

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

<b>Table DF 17- Summary comparison of accounting assets vs. leverage ratio exposure measure</b>		
	<b>Item</b>	<b>31.03.2017 (Rs. In Million)</b>
1	Total consolidated assets as per published financial statements	352707.76
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(2.03)
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-----
4	Adjustments for derivative financial instruments	2875.58
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-----
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	19309.03
7	Other adjustments (intangible)	(141.14)
<b>8</b>	<b>Leverage ratio exposure</b>	<b>374749.20</b>

<b>Table DF 18: Leverage ratio common disclosure template – 31.03.2017</b>		
	<b>Item</b>	<b>Leverage ratio framework (Rs. In Million)</b>
<b>On – balance sheet exposures</b>		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	352707.76
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(143.17)
3	<b>Total on-balance sheet exposures</b> (excluding derivatives and SFTs) (sum of lines 1 and 2)	<b>352564.59</b>
<b>Derivative Exposures</b>		
4	Replacement cost associated with all <i>derivatives</i> transactions (i.e. net of eligible cash variation margin)	2875.58
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	-----
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-----
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-----
8	(Exempted CCP leg of client-cleared trade exposures)	-----
9	Adjusted effective notional amount of written credit derivatives	-----

10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	----
<b>11</b>	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>2875.58</b>
<b>Securities financing transaction exposures</b>		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	----
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	----
14	CCR exposure for SFT assets	----
15	Agent transaction exposures	----
<b>16</b>	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	----
<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposure at gross notional amount	46341.90
18	(Adjustments for conversion to credit equivalent amounts)	(27032.86)
<b>19</b>	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	<b>19309.03</b>
<b>Capital and total exposures</b>		
20	Tier 1 capital	35317.97
21	Total exposures (sum of lines 3, 11, 16 and 19)	374749.20
<b>Leverage ratio</b>		
22	<b>Basel III leverage ratio</b>	<b>9.42%</b>