LAKSHMI VILAS BANK

Life Smiles Where LVB serves

Disclosure Under Pillar III of Basel III Norms as on 31.03.2017

I. SCOPE OF APPLICATION AND CAPITAL ADEQUACY

Table DF-1: Scope of Application

Lakshmi Vilas Bank is a private sector bank incorporated in the year 1926 at Karur. The bank doesn't have any subsidiaries under its Management. Hence the CRAR is computed on standalone basis only.

Qualitative Disclosures:

List of group entities considered for consolidation.

List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation.

No Group affiliation

Quantitative Disclosures:

List of group entities considered for consolidation

Not applicable

The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted:

Not applicable

The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted:

Not applicable

Any restrictions or impediments on transfer of funds or regulatory capital within the banking group:

Not applicable

Table DF-2 – Capital Adequacy

Qualitative Disclosures:

A summary discussion of the bank's approach for assessing the adequacy of its capital to support current and future activities.

As per Basel III guidelines, the Bank is required to maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 10.25% (including Capital Conservation Buffer with minimum Tier I (CET1) of 8.25%. The Bank is maintaining CRAR at 10.38% (Basel III) well above the minimum level with Tier I at 8.75% and Tier II at 1.63%.

Quantitative Disclosures:

Particulars	Number of Equity Shares	Face Value Per share	Amount in lakhs
Authorized Capital	500000000	10	50000.00
Issued Capital	192955124	10	19295.51
Subscribed Capital	191446747	10	19144.67
Called up/paid up Capital	191446747	10	19144.67

The Bank's shares are listed on the National Stock Exchange Limited (NSE) and Bombay Stock Exchange Limited (BSE).

During the financial year 2016-17, the bank has raised funds through Qualified Institutional Placements for the purpose of fulfilling Basel III norms.

Break up of capital funds:- **(₹ In lakhs)**

A. Tier I Capital Elements	
1. Paid up capital	19144.67
2. Reserves and surplus	184442.37
3. Gross Tier I Capital	203587.04
4. Less (Intangible Assets)	8012.99

5. Net Tier I Capital	195574.05
B. Tier II Capital Elements	
1. General Provisions and Loan loss Reserve	8755.79
2. Subordinated Debt (Lower Tier II bonds)	22724.00
3. Provision for restructured advances	5043.38
4. Provision for unhedged foreign currency exposure	227.61
5. Gross Tier II capital	36750.78
6. Less (Cross holdings)	200.00
7. Net Tier II Capital	36550.78

Break up of Capital Requirements:-

(₹ In lakhs)

Risk Type	
b) Capital requirements for Credit Risk	**166741.99**
Portfolios subject to standardized approach	
Cash & Bank	410.25
Loans and Advances	148973.36
Fixed Assets	3072.23
Other Assets	4456.26
Off Balance sheet Exposure	9829.89
c) Capital requirements for Market Risk	**21307.58**
Standardized Duration approach	
Interest Rate Risk	17035.46
Foreign Exchange Risk (including gold)	154.51
Equity Risk	4117.61
d) Capital requirements for Operational Risk	**13191.69**
Basic Indicator approach	13191.69
Total Risk weight Assets (b+c+d)*100/9	**2236014.06**
Total Eligible Capital Funds for CRAR	**232124.84**
CRAR (Basel III)	**10.38%**

e) Common Equity Tier 1, Tier I and Total Capital ratios:

Common Equity Tier I - CRAR	**8.75%**
Tier I CRAR	**8.75%**
Total CRAR	**10.38%**

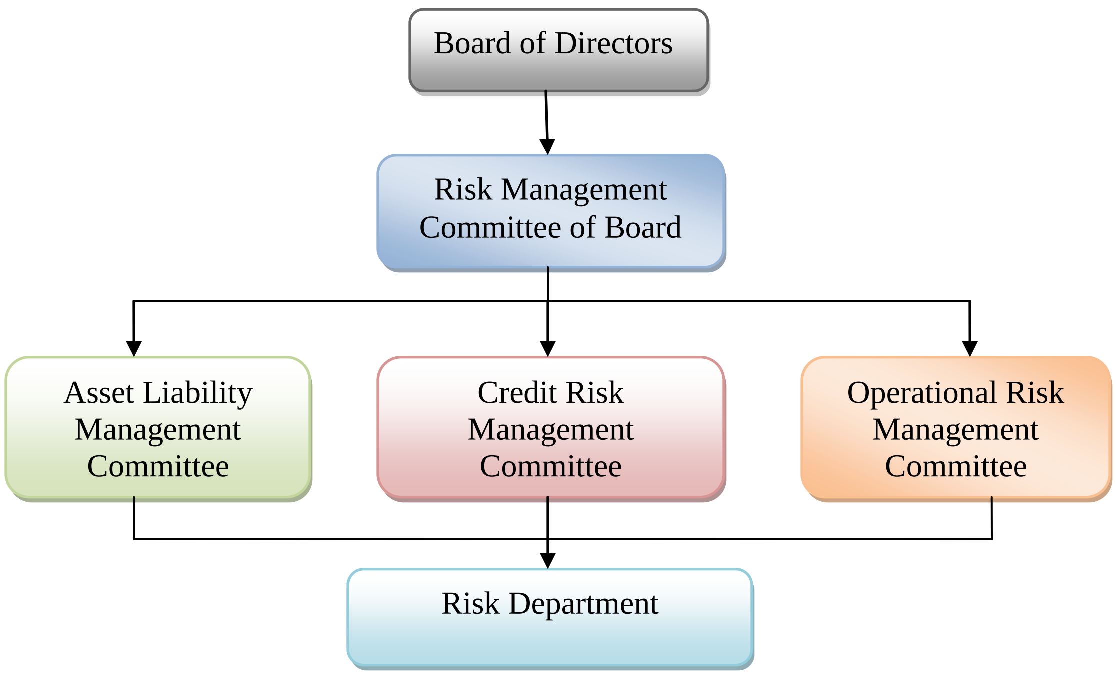
For the top consolidated group; and for significant bank subsidiaries - Not applicable

II. Risk Exposure and Assessment

General Qualitative Disclosure requirement:

The risk management framework of the Bank keeps on evolving with more robustness mainly from the understanding/ identification/ assessment/ management/ measurement and monitoring of various risks on a continuous basis. The Bank always strives to update the practices, policies and process involving risk by benchmarking ourselves to the best global practices in risk management**.**

The Bank has in place a Risk Management Committee of the Board of Directors, basis the regulatory requirement for listed entities**.** While the Board is responsible for framing, implementing and monitoring the said Risk Management framework, it has delegated its powers to monitoring and reviewing of risk associated with the business of the bank to the said Committee as mentioned in the below mentioned Organization Structure.



The risk management processes are guided by well-defined policies appropriate for various risk categories viz., credit risk, market risk, and operational risk as per the respective regulatory and business requirements. Investment policy, Forex policy, ALM policy, Stress testing policy, Credit Risk Management Policy are put in place to measure, mitigate / hedge the various risks. The Bank has laid down Stress Testing policy to measure impact of adverse stress scenarios on the adequacy of capital and profit.

Organization Structure of Risk Department

The Risk Department is headed by Chief Risk Officer who reports to the Managing Director and CEO of the Bank. The activities of the Risk Department are being overseen by the Risk Management Committee of the Board. The Department has separate team for individual components of risk. The team reports to the Chief Risk Officer.

Credit Risk

Credit risk is the risk of financial loss if a client, issuer of securities that the Bank holds or any other counterparty fails to meet its contractual obligations. Credit Risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, borrower or obligor. The goal of credit risk management focusses on risk-adjusted return on capital, targeted asset quality and management of the credit risk inherent in individual exposures as well as at the portfolio level. The emphasis is placed both on evaluation and management of risk at the individual exposures and analysis of the portfolio behavior.

Credit Risk Management policy:

A comprehensive Credit risk management policy is put in place and the same has been approved by Board. The Credit risk strategy of the bank is based on Risk appetite and risk-return profile and it is being reviewed yearly in CRM policy,. The strategy of the bank shall provide continuity in approach considering cyclical approach of the economy and the resulting shifts in the composition and quality of the overall credit portfolio. It shall also include a statement of the banks willingness to grant credit based on exposure type (for example, commercial, consumer, real estate,etc.,), economic sector (e.g. textile, iron etc.), geographical location, currency, maturity, anticipated profitability, identification of target markets / business sectors (like priority sector lending) and the overall credit portfolio composition.

Credit sanction and approval processes:

The Bank has structured and standardized credit approval process, including a well-established procedure of comprehensive credit appraisal. Every extension of credit facility or material change of a credit facility to any counterparty requires credit approval at the appropriate authority level. The Bank has a multi-tier structure for sanction of credit proposals, with proper delegation of lending powers at various levels of officers & executives, duly approved by Board.

The powers vested at each level depend on the quantum and type of the loan facility and the overall exposure to the borrower/group.

Credit Rating System:

Internal risk rating remains the foundation of the credit assessment process, which provides standardization and objectivity to the process. All sanctioning processes including the delegation of powers are linked to the ratings and the sizes of the exposure. The monitoring frequency applicable to the exposure also depends on the rating of the exposure. Individual borrower exposure ceilings linked to the internal rating and sector specific caps are laid down in the Credit policy to avoid concentration risk. Both credit and market risk expertise are combined to manage risks arising out of traded credit products such as bonds and market related off-balance sheet transactions.

Key sectors are analyzed in detail to suggest strategies for business, considering both risks and opportunities. Such analysis is reviewed by the Credit Risk Management Committee/ Central Management Committee/ Various Credit Sanctioning Committees to arrive at the appropriate industry ceilings as well as define the origination and account management strategy for the sector. The Risk Management Committee of the Board periodically reviews the impact of the plausible stress scenarios covering inter alia increased regulatory prescriptions on provisioning requirements, rating downgrades, or drop in the asset values in case of secured exposures etc. on the portfolio.

Credit review and monitoring:

Bank has a dedicated monitoring department which looks after review and monitoring of bank's credit portfolio. The Bank has a system under which the lending powers exercised by delegated authority are reported to and reviewed by a higher authority under the Internal Loan Review Mechanism.

Market Risk:

Market risk is the risk of losses in 'on and off-balance sheet' positions arising from the movements in market price as well as the volatilities of those changes, which may impact the Bank's earnings and capital. The risk may pertain to interest rate related instruments (Interest rate risk), equities (equity price risk) and foreign exchange rate risk (currency risk). Market Risk for the Bank emanates from its trading and investment activities, which are undertaken both for the customers and on a proprietary basis. The Bank adopts a comprehensive approach to market risk management for its banking book as well as its trading book for its operations. The market risk management framework of the Bank provides necessary inputs regarding the extent of market risk exposures, the performance of portfolios vis-a- vis the market risk limits and comparable benchmarks, which provides guidance to the business in optimizing the risk-adjusted rate of return of the Bank's trading and investment portfolio.

Market risk management is guided by well laid down policies, guidelines, processes and systems for the identification, measurement, monitoring and reporting of exposures against various risk limits set in accordance with the risk appetite of the Bank. Treasury

Mid-office independently monitors the Bank's investment and trading portfolio in terms of risk limits stipulated in the Market Risk Management.

Operational Risk

Operational risks may emanate from inadequate and/or missing controls in internal processes, people and systems or from external events or a combination of all the four. The Bank has in place an Operational Risk Management (ORM) Policy to manage the operational risk in an effective, efficient and proactive manner. The policy aims at assessing and measuring the magnitude of risks, monitoring and mitigating them through well-defined framework and governance structure.

The RMC at the apex level is the policy making body and is supported by the Operational Risk Management Committee (ORMC) responsible for the implementation of the Operational Risk framework of the Bank and the management of operational risks across the Bank.

All new products and processes, as well as changes in existing products and processes are subjected to risk evaluation by the Bank's Product Management Committee and Change Management Committee. Outsourcing arrangements are examined and approved by the Outsourcing Committee of the Bank. The IT Systems and Security Committee/ Cyber Risk Committee of the Bank provide directions for mitigating operational risk in the information systems/ cyber issues. Comprehensive frameworks and processes help the Bank in managing and mitigating such risks.

The Bank has set up a comprehensive Operational Risk Management / Measurement System for identifying, documenting, assessing, measuring and periodic monitoring of various risks and controls linked to various processes.

The Business Continuity Management Committee (BCMC) exercises oversight on the implementation of the approved Business Continuity plan (BCP) framework, which has been put in place to ensure continuity of service for its customer base.

Further, the bank continuously examines its risk governance framework, the risk management practices, availability of adequate resources, appropriate systems and continuously strives to improve all these aspects. For example- Ensuring a strong set of experienced and skilled officials in Risk, strengthening the risk management at its Regions, acquiring improvised risk systems and continuously improving risk processes/ tools to be able to have the best of risk management practices in the globe.

Interest Rate Risk in Banking Book

Interest Rate Risk is measured in two different ways. Earnings perspective using Traditional Gap Analysis is to assess the impact of adverse movement in interest rate on the Net Interest Income (Earnings at Risk) and economic value perspective using Duration Gap Analysis to assess the impact of adverse movement in interest rate on the market value of Bank's equity.

ALM policy will manage and monitor the limits / guidance values / target set on interest rate risk of the Banking Book. RMC-B and ALCO at the executive level are responsible for efficient and effective management of Interest rate risk in Banks business.

Scope and nature of risk reporting / measurement systems

The Duration/ Modified duration mainly depends on coupon, maturity and periodicity of payment of installments. Since the modified duration of the liabilities is less compared to the modified duration of assets, there would be fall in the equity value under major stress. Modified duration of Equity is calculated on a quarterly basis. The capital charge for Interest rate risk in banking book is assessed based on drop in the Market value of equity under 200 bps changes in interest rate. The results of Traditional Gap analysis and Duration Gap analysis including the adherence to tolerance limit set in this regard are monitored and the same has been placed before ALCO/RMCE /RMC-B level.

Liquidity Risk

Liquidity is a bank's capacity to fund increase in assets and meet both expected and unexpected cash and collateral obligations at reasonable cost and without incurring unacceptable losses. Liquidity risk is the inability of a bank to meet such obligations as they become due, without adversely affecting the bank's financial condition. The Asset Liability Management policy of the Bank stipulates a broad framework for liquidity risk management to ensure that the Bank is in a position to meet its liquidity obligations as well as to withstand a period of liquidity stress from bank-level factors, market-wide factors or a combination of both.

The liquidity profile of the Bank is monitored on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and conduct of liquidity stress tests periodically.

The Bank has integrated into the asset liability management framework, the liquidity risk management guidelines issued by RBI pursuant to the Basel III framework on liquidity standards. The Bank maintains the regulatory mandated LCR as per the transitional arrangement laid down by RBI and also ensures adherence to RBI guidelines on monitoring and management of liquidity including liquidity ratios.

TABLE DF-3: Credit Risk

Credit Risk: General Disclosures

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to credit risk, Includes the definitions of Past Due, NPA of a loan or a advance and impaired assets (For Accounting Purposes), Out of order and Overdue. These definitions are as per the extant guidelines of Reserve Bank of India.

Credit Risk

Credit risk in simple terms is the potential that bank's borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

Credit risk is defined as the possibility of losses associated with default in repayment or diminution in the credit quality of borrowers or counterparties or diminution in the value of primary and/or collateral assets. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions.

Discussion of the Bank's Credit risk management policy

The Board level approved Credit Risk Management Policy is put in place. The goal of the policy is to ensure that it is within the acceptable risk appetite and tolerance limit set by the bank. It manages the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions and it encompasses identification, measurement, monitoring and control of the credit risk exposures. Further it deals the structure, governance, framework, and processes for effective and efficient management of the Credit risk.

Quantitative Disclosures

Credit Exposure:-

Credit Risk Exposures	(₹ In Lacs)
Fund Based *	2348188.50
Non Fund Based **	221711.55
Total Fund & Non Fund Based	**2569900.05**

* It excludes fixed assets, other assets, cash, bank balances, balance with RBI and investments under HTM category.

** Exposure without revaluation.

Geographic wise Distribution of Exposures:-

(₹ in lakhs)

State Name	Funded expsoure	Non - Funded exposure	Total Exposure
Andhra Pradesh	160622.89	10244.05	170866.94
Chattisgarh	3869.32	296.24	4165.56
Gujarat	46556.68	4894.54	51451.22
Haryana	6558.35	1452.75	8011.10
Jharkhand	2996.70	5.00	3001.70
Karanataka	247260.96	2111.22	249372.18
Kerala	31269.49	80.31	31349.80
Madhya Pradesh	6068.55	24.05	6092.60
Maharashthra	541756.79	52757.23	594514.02
New Delhi	133466.86	48807.22	182274.08
Odisha	538.96	5.16	544.12
Puducherry	9775.40	499.23	10274.63
Rajasthan	6588.10	0.00	6588.10
Tamilnadu	961323.47	69394.64	1030718.11
Telangana	148565.21	23821.21	172386.42
Uttar Pradesh	1598.70	84.41	1683.11
West Bengal	39372.07	7234.29	46606.36
Total	**2348188.50**	**221711.55**	**2569900.05**

Industry Wise distribution of Exposures:-

(₹ in lakhs)

S.No	Industry Name	Funded expsoure	Non-funded exposure	Total Exposure	% of Gross Credit Exposure
1	Mining and Quarrying	21949.66	182.57	22132.23	0.86
2	Food Processing	21056.49	945.79	22002.28	0.86
3	Beverages (excluding Tea & Coffee) and Tobacco	39814.73	3417.78	43232.51	1.68
4	Textiles	113496.91	9255.04	122751.95	4.78
5	Leather and Leather products	607.20	2.00	609.20	0.02
6	Wood and Wood Products	8969.45	9276.51	18245.96	0.71
7	Paper and Paper Products	8000.46	158.03	8158.49	0.32

8	Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	1109.13	393.52	1502.65	0.06
9	Chemicals and Chemical Products (Dyes, Paints, etc.)	23218.51	18368.90	41587.41	1.62
10	Rubber, Plastic and their Products	25886.89	376.63	26263.52	1.02
11	Glass & Glassware	2656.87	5.67	2662.54	0.10
12	Cement and Cement Products	17470.65	0.00	17470.65	0.68
13	Basic Metal and Metal Products	110797.13	18593.47	129390.60	5.03
14	All Engineering	23009.50	7202.25	30211.75	1.18
15	Vehicles, Vehicle Parts and Transport Equipments	5851.47	11.50	5862.97	0.23
16	Gems and Jewellery	13234.65	354.91	13589.56	0.53
17	Construction	0.00	0.00	0.00	0.00
18	Infrastructure	177397.61	47892.46	225290.07	8.77
	Residual Advance	1700274.50	104859.87	1805134.37	70.24
	Other Industries	33386.69	414.65	33801.34	1.32
	Total	**2348188.50**	**221711.55**	**2569900.05**	

Note: The industries break-up given on the same lines as prescribed for DSB returns. Residual advances are educational loans, Housing loans, Gold loans, Loan against deposits, Personal loan, staff loan, consumer loans, vehicle loans, etc., The Industries which has crossed 5% of gross credit exposure are:

a) Infrastructure- 8.77%

b) Basic Metal and Metal Products – 5.03%

Residual Contractual maturity breakdown of assets

(₹ in lakhs)

	Cash	Balance With RBI	Balance With Other Banks	Investments	Call Money Placements	Repo-Asset	Advances	Fixed Assets	Other Assets
Overdue to 1 Day	34126.46	1786.07	1918.04	183507.67	0.00	0.00	33326.02	0.00	4006.19
2-7 Days	0.00	3197.09	0.00	23803.20	0.00	11000.00	47890.13	0.00	496.09
8-14 Days	0.00	4715.58	0.00	28917.06	0.00	0.00	97386.03	0.00	577.79
15-30 Days	0.00	3083.11	0.00	16870.18	0.00	0.00	51824.65	0.00	1154.09
31-60 Days	0.00	3759.73	0.00	20412.01	0.00	0.00	41085.19	0.00	2557.71
61-90 Days	0.00	7291.42	0.00	50769.61	0.00	0.00	322968.63	0.00	2557.71
3-6 Months	0.00	10521.15	1.25	66789.29	0.00	0.00	86232.00	0.00	7426.57
6 Month to 1 Year	0.00	15948.97	0.00	90185.22	0.00	0.00	212878.34	0.00	0.00
1-3 Years	0.00	34594.25	60.00	211705.83	0.00	0.00	1015941.34	0.00	96712.08
3-5 Years	0.00	4959.06	5.00	42994.96	0.00	0.00	141614.98	0.00	0.00
Over 5 Years	0.00	21497.59	0.00	127555.82	0.00	0.00	323113.36	35911.90	18774.17
Total	**34126.46**	**111354.02**	**1984.29**	**863510.85**	**0.00**	**11000.00**	**2374260.67**	**35911.90**	**134262.39**

Asset Quality

(₹ in lakhs)

Amount of Non-Performing Assets (Gross)	**64019.43**
Substandard	34616.09
Doubtful – 1	10701.01
Doubtful – 2	8173.63
Doubtful – 3	547.35
Loss	9981.35
Net NPA	41841.59
Gross NPA to gross advances (%)	2.67%
Net NPAs to Net advances (%)	1.76%
Movement of NPAs (Gross)	
Opening Balance	39125.00
Additions during the period	59720.31
Reductions	34825.88
Closing Balance	64019.43

Movement of Provisions **(₹ in lakhs)**

	Specific Provision
Opening Balance	11346.81
Provisions made during the period	19455.26
Write off	10769.54
Write back of excess provisions	2990.46
Any other adjustments, including transfers between provisions	-----
Closing balance	17042.54

Details of write offs and recoveries that have been booked directly to the Income statement

(₹ in lakhs)

Write offs that have been booked directly to the income statement	712.94
Recoveries that have been booked directly to the income statement	1478.30

Investments **(₹ in lakhs)**

Amount of Non Performing Investments	2776.49
Amount of provisions held for non-performing investments	1406.97
Movement of provisions for depreciation on Investments	
Opening Balance	4904.10
Provisions made during the period (April 2016 to March 2017)	235.50
Write-off/Write – back of excess provisions	0.00
Closing Balance	5139.60

Major Industry break up of NPA

(₹ in lakhs)

Industry	Gross NPA	Specific Provision
Food Processing	13200.85	2275.06
Vehicles, Vehicle Parts and Transport Equipments	5088.78	1839.88
Textiles	2393.99	408.14
Other Industries	1718.80	244.22
Gems and Jewellery	1314.84	197.23
Total	**23717.26**	**4964.53**

Geographic wise Distribution of NPA and Provision

(₹ in lakhs)

Geography	Gross NPA	Specific Provision
Domestic	64019.43	17042.54
Overseas	-----	-----
Total	64019.43	17042.54

Table DF- 4- Credit Risk : Disclosures for Portfolios Subject to the Standardized Approach

a) 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:

Particulars	< 100% Risk Weight		100% Risk Weight		> 100% Risk Weight		Grand Total	
	BV**	RWA**	BV	RWA	BV	RWA	BV	RWA
Fund Based								
Loans & Advances	1522727.60	625569.72	514799.81	499881.40	358318.23	529808.48	2395845.64	1655259.60
Investments	511861.16	0.00	0.00	0.00	0.00	0.00	511861.16	0.00
Other Assets*	221634.58	5043.27	88406.79	66859.77	6522.16	16305.10	316563.53	88208.14
Exposure under mitigation	496957.12	0.00	36465.43	0.00	0.00	0.00	533422.55	0.00
Total Fund Based outstanding	**1795543.34**	**630612.99**	**603206.60**	**566741.17**	**364840.39**	**546113.88**	**3224270.33**	**1743467.74**
Non Fund based (after applying CCF)	42087.87	14304.45	33437.88	21671.18	46421.21	59694.62	121946.96	95670.25
Claim against the bank not acknowledge as debt	0.00	0.00	0.00	13550.71	0.00	0.00	0.00	13550.71
Total	**1837631.21**	**644917.44**	**636644.48**	**601963.06**	**411261.60**	**605808.50**	**3346217.29**	**1852688.70**

* Other assets includes cash, balance with RBI, balance with other banks, fixed assets and others.

** BV: Book Value; RWA: Risk Weighted Assets

Table DF- 5-Credit Risk: Credit Risk Mitigation: Disclosures for Standardized Approaches

Qualitative Disclosures

a) The general qualitative disclosure requirement with respect to credit risk mitigation including

Policies and process for and an indication of the extent to which the bank makes use of, on and off balance sheet netting;

- **Policies and processes for collateral valuation and management**

Bank has a policy and procedure for the management of collateral and guarantees.

Valuation is based on the current market value of the collateral and not biased in order to enable the bank, to grant a higher credit limit to the borrower or improve its internal credit rating, make a smaller amount of provision or continue interest accrual for a problem credit.

Further, collateral is revalued on a regular basis, though the frequency may vary with the type of collateral involved and the nature & the internal credit rating of the underlying credit e.g. frequency for shares and properties as collateral would be different.

Collaterals & guarantees are properly evaluated with respect to legal validity, enforceability in all relevant jurisdictions, etc., for the purpose of netting as credit risk mitigants as per the policy.

A more conservative approach is adopted for valuing the collateral of problem credits because the forced-sale value, rather than the open market value, is likely to be closer to what eventually may be realized from an asset sale when the market conditions are un-favorable. Therefore, a discount to the estimated market value should be applied where appropriate.

- **Description of the main types of collateral taken by the bank**

Under Standardized approach, the following collateral instruments used as risk mitigants for the capital computation.

1. Cash and fixed deposits of the Borrower with the Bank.
2. Gold (The value of the gold arrived after notionally converting into 99.99% purity)
3. Securities issued by Central and State Governments.
4. Kisan Vikas Patra and National Savings Certificates (with no lock-in period)
5. Life insurance policies with a declared surrender value of an insurance company which is regulated by an insurance sector regulator.

6. Debt Securities issued by Public Sector Entities and other entities (including banks and other primary dealers) rated by chosen rating agency attracting 100% risk weight or lesser risk weight.(i.e. rated atleast BBB(-) or A3 for short-term debt instruments)

7. Debt Securities not rated by a chosen Credit Rating Agency in respect of which banks should be sufficiently confident about the market liquidity where these are
   a) Issued by a bank
   b) Listed on a recognized stock exchange,
   c) Classified as senior debt and
   d) All the rated issues of the same senior by the issuing bank are rated atleast BBB (-) or A3 by a chosen Credit Rating Agency.
   e) The bank has no information to suggest that the issue justifies a rating below BBB (-) or A3 by a chosen Credit Rating Agency

8. Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation and mutual funds where
   a. A price for the units is publicly quoted daily i.e. where the daily NAV is available in public domain
   b. Mutual fund is limited to investing in the permitted instruments listed.

- **Information about (market or credit) risk concentrations within the mitigation taken**

  Majority of the exposures are retail exposures and insulated with adequate liquid collateral by way of cash margin, KVP, fixed deposits, National Savings Certificate, Life Insurance Policies etc for reducing the capital buffer after applying applicable haircuts in the respective securities.

Quantitative Disclosures

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 after the application of haircuts.

Credit Risk exposure covered by Eligible Financial Collaterals

(**₹ in Lakhs**)

Type of Exposure	Notional Exposure (After CCF)	Eligible Financial Collaterals	Net Exposure
On Balance Sheet	458097.07	490939.92	0.00
Off Balance Sheet	121946.97	33280.91	88666.06
Total	**580044.04**	**524220.83**	**88666.06**

b) For each separately disclosed portfolio the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees/credit derivatives (whenever specifically permitted by RBI)

NIL

Table DF-6

Securitization Exposure- Disclosure for Standardized Approach

Qualitative disclosures

As per the RBI guidelines on Securitization exposure, investments by banks in securitized assets, representing loans to various categories of priority sector, except 'others' category, are eligible for classification under respective categories of priority sector lending (PSL) depending on the underlying assets.

Quantitative Disclosure – Banking Book

Amount of Securitization Exposure (Purchased by Bank)	₹ 6005.00 lakhs

The securitized exposures in banking book are vehicle / MFI Loans. The underlying assets in some cases are vehicles and further RWA is computed by applying risk weight of 125% on the exposure (applicable to consumer loans)

Table DF- 7

Market risk in Trading Book

Qualitative disclosures

a) Approach for Computation of Capital charge for Market Risk

Standardized Duration Approach is used for calculating Capital charge for Market Risk. Components under Market risk are

a) Specific Risk – Capital Charge for market risk is computed based on risk weights prescribed by the regulator.

b) General Market Risk is calculated for

Securities under HFT category
Securities under AFS category
Open foreign exchange position limits
Trading Positions in Derivatives

The total Capital charge for market risk is equal to greater of Specific Capital charge plus General Market Risk Capital Charge or Alternative total capital charge.

Quantitative Disclosures

a) The capital requirements for:

- Interest rate risk ₹ 17035.46 lakhs
- Equity position risk ₹ 4117.61 lakhs
- Foreign exchange risk ₹ 154.51 lakhs

Table DF- 8- Operational Risk

The Bank has put in place comprehensive Operational Risk Management policy along with its frameworks (Risk & Control Self Assessment (RCSA), Key Risk Indicators (KRI) and Loss Data Management), Information System Security, Business Continuity and Disaster Recovery Management.

The Operational Risk Management Policy outlines the Organisation structure and covers the process of identification, assessment / measurement and control of various operational risks. Internal control mechanism is in place to control and minimize the operational risks. The Bank has since further strengthened the existing Operational risk framework by establishing sound governance committees at the Board level/ Senior Management level. Bank has designed and implemented the Operational risk Management Policy along with frameworks and processes for conducting Risk & Control Self assessment , Key risk indicators for monitoring certain key risks, Loss data management, Product /Change Management and Outsourcing of financial activities. Apart from these, bank is regularly conducting thematic studies and risk walk through based on internal/ external risk perception.

Operational risk capital assessment:

Capital charge for operational risk is computed as per the Basic Indicator Approach. The average of the gross income, as defined in the New Capital Adequacy Framework guidelines, for the previous 3 years i.e., 2015-16, 2014-15, 2013-14 is considered for computing the capital charge. The required capital is **₹ 13191.69** lakhs.

Table DF -9: Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings and economic value of the Bank's Banking Book as a consequence of movement in interest rates. The Bank has significant portion of its assets and liabilities portfolio not marked to market and is carried on the books of the Bank at historical values. Thus, the economic value of such assets and liabilities is generally not ascertained on a regular basis and can be a significant source of risk if the asset or liability is not held till maturity.

IRRBB Earnings Perspective

The immediate impact of changes in interest rates in the market is on bank's earnings by changing the Net Interest Income (NII). The interest rate risk when viewed from this perspective is known as '**Earnings Perspective'**.

The asset liability profile up to 6 months is 'asset sensitive'. The positive mismatches in the near term time buckets (up to 6 months) will be beneficial to the bank if the interest rates increases in the economy.

Interest Rate Risk – Economic Value Perspective

The long-term impact of changes in interest rates in the economy will be on bank's Market Value of Equity (**MVE**) since the economic value of the bank's assets, liabilities and off-balance sheet positions get affected due to variations in market interest rates.

Duration Gap Analysis (DGA) for IRR management is a simple approach to measure the volatility of market value of equity (MVE) in response to the changes in interest rates in the economy.

Since the modified duration of the liabilities are less compared to the modified duration of assets, there would be a fall in the equity value under major stress. In order to bring down the percentage of fall in market value of equity and earnings at risk under major stress, we have been mobilizing term deposits with longer tenure i.e., 3-5 years and over 5 years. As longer the tenure of liabilities, higher will be the modified duration.

The level of IRRBB (Earnings Perspective & Economic Value Perspective) is being measured and monitored on a quarterly basis aiming at managing it within the limit over a period and minimizes the impact of interest rate movement on near term profitability.

Quantitative Disclosures

The impact is calculated for a parallel shift of 200 bps across all the time buckets. The increase in NII is at ₹ 5192.02 lakhs and there would be fall of EVE by ₹ 14721.12 lakhs.

Table DF-10:

General Disclosure for Exposures related to Counterparty Credit Risk

Counterparty exposures for other entities are assessed subject to exposure ceilings as per the policy of the bank. Capital for Counterparty Credit Risk exposure is assessed based on the Standardized approach.

Bank does not have bilateral netting. The Credit equivalent amount of the derivative exposure is assessed based on the Current Exposure method.

Credit Exposure as on 31.03.2017 (₹ in lakhs)

	Notional Amount	Gross Positive fair value of contracts	Potential Future Exposure	Total Credit Exposure
Forward Contracts	83804.22	2367.85	1676.08	4043.93

Table DF-11: Composition of Capital **(₹ in lakhs)**

Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)		
Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	99942.81
2	Retained earnings	103644.24
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**	**203587.05**
Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	
8	Goodwill (net of related tax liability)	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	7997.38
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-in capital on reported balance sheet)	
17	Reciprocal cross-holdings in common equity	15.61
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 the unconsolidated insurance subsidiaries	
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	
26d	*of which:* Unamortized 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 unrealized 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	**Total regulatory adjustments to Common equity Tier 1**	8012.99
29	**Common Equity Tier 1 capital (CET1)**	**195574.06**
	Additional Tier 1 Capital : Instruments	0.00
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	

32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	
33	*Directly issued capital instruments subject to phase out from Additional Tier 1*	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	
35	*of which: instruments issued by subsidiaries subject to phase out*	
36	**Additional Tier 1 capital before regulatory adjustments**	
	Additional Tier 1 Capital: regulatory adjustments	
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	**Total regulatory adjustments to Additional Tier 1 capital**	
44	**Additional Tier 1 Capital (AT1)**	
44a	**Additional Tier 1 capital reckoned for capital adequacy**	
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	**195574.06**
	Tier 2 Capital : Instruments and provisions	

46	Directly issued qualifying Tier 2 instruments plus related stock surplus	22724.00
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	Provisions	14026.78
51	**Tier 2 capital before regulatory adjustments**	36750.78
Tier 2 Capital : regulatory adjustments		
52	Investments in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	200.00
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[13] in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	
56	National specific regulatory adjustments (56a+56b)	
56a	*of which:* Investments in the Tier 2 capital of unconsolidated subsidiaries	
56b	*of which:* Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	
	of which: [INSERT TYPE OF ADJUSTMENT	
57	**Total regulatory adjustments to Tier 2 capital**	200.00
58	**Tier 2 capital (T2)**	36550.78
58a	**Tier 2 capital reckoned for capital adequacy**	36550.78
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	0.00

58c	**Total Tier 2 capital admissible for capital adequacy (58a+58b)**	36550.78
59	**Total capital (TC=T1+T2) (45+58C)**	232124.84
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	
	of which: [INSERT TYPE OF ADJUSTMENT]	
	of which: ...	
60	**Total risk weighted assets (60a+60b+60c)**	**2236014.06**
60a	of which: total credit risk weighted assets	1852688.70
60b	of which: total market risk weighted assets	236750.98
60c	of which: total operational risk weighted assets	146574.38
	Capital ratios	
61	*Common Equity Tier 1 (as a percentage of risk weighted assets)*	8.75%
62	Tier 1 (as a percentage of risk weighted assets)	8.75%
63	Total capital (as a percentage of risk weighted assets)	10.38%
64	*Institution specific buffer requirement (minimum CET1requirement 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*	NA
67	*of which: G-SIB buffer requirement*	NA
68	*Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted Assets) (Including point no.65 of above)*	3.25%
	National minima (if different from Basel III)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%
70	National Tier 1 minimum ratio (if different from Basel III minimum)	8.25%
71	National total capital minimum ratio (if different from Basel III minimum) *	10.25%

Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital of other financial entities	
73	Significant investments in the common stock of financial entities	
74	Mortgage servicing rights (net of related tax liability)	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	14026.78
77	Cap on inclusion of provisions in Tier 2 under standardized approach	23158.61
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82	Current cap on AT1 instruments subject to phase out arrangements	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities	
84	Current cap on T2 instruments subject to phase out arrangements	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

***** including capital conservation buffer

Notes to the Template

Row No. of the template	Particular	₹ in lakhs
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 I Capital	
	of which: Increase in Additional Tier I 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 I Capital	
	(ii) Increase in risk weighted assets	
44a	Excess Additional Tier I capital not reckoned for capital adequacy (difference between Additional Tier I capital as reported in row 44 and admissible Additional Tier I capital as reported in 44a)	
	of which: Excess Additional Tier I capital which is considered as Tier 2 capital under row 58b	
50	Eligible Provisions included in Tier 2 capital	14026.78
	Eligible Revaluation Reserves included in Tier 2 capital	0.00
	Total of row 50	14026.78
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-13: Main Features of Regulatory Capital Instruments

S.No	Disclosure template for main features of regulatory capital instruments	Equity Shares	Series - VII (A)	Series - VII (B)	Series -VIII	Series -IX
1	Issuer	LVB	LVB	LVB	LVB	LVB
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	INE694C01018	INE694C08039	INE694C08047	INE694C08054	INE694C08062
3	Governing law(s) of the instrument	Companies Act, SEBI Regulations, RBI Guidelines, and other related rules regulations etc	RBI Guidelines, SEBI Regulations, Companies Act and other related rules regulations etc	RBI Guidelines, SEBI Regulations, Companies Act and other related rules regulations etc	RBI Guidelines, SEBI Regulations, Companies Act and other related rules regulations etc	RBI Guidelines, SEBI Regulations, Companies Act and other related rules regulations etc
	Regulatory treatment					
4	Transitional Basel III rules	Common Equity Tier - I	Tier – II	Tier - II	Tier - II	Tier - II
5	Post-transitional Basel III rules	Common Equity Tier - I	Eligible	Eligible	Eligible	Eligible
6	Eligible at solo/group/ group & solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type	Common Shares	Unsecured Redeemable Non Convertible Subordinated (Tier- II) Bonds in the nature of Debentures (Bonds) Series - VII – Option - A	Unsecured Redeemable Non Convertible Subordinated (Tier- II) Bonds in the nature of Debentures (Bonds) Series - VII – Option - B	Unsecured Non Convertible Redeemable Basel III Compliant (Tier- II) Bonds in the nature of Debentures (Bonds) Series -	Unsecured Non Convertible Redeemable Basel III Compliant (Tier- II) Bonds in the nature of Debentures (Bonds) Series -

					VIII	IX
8	Amount recognized in regulatory capital (₹ in lakhs)	19144.67	0.00	9.04	78.10	140.10
9	Par value of instrument (₹ in lakhs)	₹ 10 per share	10.00	10.00	10.00	5.00
10	Accounting classification	Shareholders Equity	Liability	Liability	Liability	Liability
11	Original date of issuance	Various Dates	10.02.2012	10.02.2012	24.03.2014	30.09.2015
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated
13	Original maturity date	No Maturity	10.02.2018	10.02.2022	24.03.2024	30.09.2025
14	Issuer call subject to prior supervisory approval	No	-	-	-	-
15	Optional call date, contingent call dates and redemption amount	NA	The bank has not reserved any call option to redeem these bonds prior to their maturity. These bonds are redeemable at par.	The bank has not reserved any call option to redeem these bonds prior to their maturity. These bonds are redeemable at par.	The bank has not reserved any call option to redeem these bonds prior to their maturity. These bonds are redeemable at par.	The bank has not reserved any call option to redeem these bonds prior to their maturity. These bonds are redeemable at par.
16	Subsequent call dates, if applicable	-	-	-	-	-
	Coupons / dividends	-	-	-	-	-
17	Fixed or floating dividend/coupon	-	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	-	11.40%	11.40%	11.80%	11.50%
19	Existence of a dividend stopper	NA	No	No	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully Discretionary	Mandatory	Mandatory	Mandatory	Mandatory

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

Table DF-14: Full Terms and Conditions of Regulatory Capital Instruments

Details of Tier II Capital (Banks - Regulatory Capital instruments) raised by the Bank and the position as on 31.03.2017				
Instruments	**Series -VII (A)**	**Series - VII (B)**	**Series-VIII**	**Series - IX**
Date of Allotment	10.02.2012	10.02.2012	24.03.2014	30.09.2015
Date of Redemption	10.02.2018	10.02.2022	24.03.2024	30.09.2025
Rate of Interest	11.40%	11.40%	11.80%	11.50%
Amount	19950.00 Lakhs	5050.00 Lakhs	7810.00 Lakhs	14010.00 Lakhs
Nature of Instrument	Bonds in nature of Debentures (Bonds)	Bonds in nature of Debentures (Bonds)	Bonds in nature of Debentures (Bonds)	Bonds in nature of Debentures (Bonds)
Amount Subscribed	19950.00 Lakhs	5050.00 Lakhs	7810.00 Lakhs	14010.00 Lakhs
Face Value of the Bond	10.00 lakhs	10.00 lakhs	10.00 lakhs	5.00 l lakhs
Issuance, Trading and Listing	NSE	NSE	NSE	NSE

Leverage Ratio (Solo) **(₹ in lakhs)**

Tier I Capital	195574.05
Total Exposure	4000013.96
Leverage ratio (%)	4.89