BASEL III PILLAR 3 DISCLOSURES (CONSOLIDATED) AS AT 30.06.2024

TABLE DF – 2: CAPITAL ADEQUACY

(i) Qualitative Disclosures

Capital planning process the Bank reviews:

- Current capital requirement of the Bank
- The targeted and sustainable capital in terms of business strategy and risk appetite

Capital need and capital optimization are monitored periodically by the Capital Planning Committee of the Board comprising of Managing Director & CEO, all Executive Directors, two independent Directors and other top executives. Committee ensures that the CRAR is maintained well above the regulatory level. It explores the different avenues of raising Capital and decides the quantum, time and option for capital augmentation in tune with business growth and realignment of Capital structure, duly undertaking the scenario analysis for capital optimization. Capital requirement is projected quarterly considering the expected growth in advances and investments in Subsidiaries / Joint Ventures, etc. Capital Planning process is carried in tune with Bank's long-term goals enumerated in ICAAP & vision documents of the Bank.

The Bank has adopted Standardized Approaches for credit risk, market risk and Basic Indicator Approach for operational risk measurement. Bank has put in place a methodology for computation of PD, LGD and EAD for Corporate Assets and Retail Assets, as a part of its journey to move towards Internal rating Based Approach under Basel III.

Quantitative disclosures

Sl. No	Items	Amount (Rs. in Millions) 30.06.2024
(a)	**Capital requirements for Credit Risk**	
	• Portfolios subject to Standardized Approach	676,098
	• Securitization Exposures	0.00
(b)	**Capital requirements for Market Risk**	
	• Standardized Duration Approach	
	– Interest Rate Risk	4,123
	– Foreign Exchange Risk (including Gold)	3,273
	– Equity Risk	7,534
(c)	**Capital requirements for Operational Risk**	
	• Basic Indicator Approach	96,339
(d)	**Common Equity Tier 1, Tier 1 and Total Capital**	
	• Group	
	– CET 1 Capital	829,100
	– Tier 1 Capital	987,524
	– Tier 2 Capital	137,833
	– Total Capital	1,125,357
	• Stand alone (Parent Bank)	
	– CET 1 Capital	822,654
	– Tier 1 Capital	981,045
	– Tier 2 Capital	137,790
	– Total Capital	1,118,835
(e)	**Common Equity Tier 1, Tier 1 and Total Capital ratios:**	
	• Group CRAR	
	– CET 1 Ratio	12.11%
	– Tier 1 Ratio	14.42%
	– Tier 2 Ratio	2.02%
	– CRAR	16.44%
	• Stand alone (Parent Bank) CRAR	
	– CET 1 Ratio	12.05%
	– Tier 1 Ratio	14.37%
	– Tier 2 Ratio	2.01%
	– CRAR	16.38%

TABLE DF – 3: CREDIT RISK: GENERAL DISCLOSURES

(i) Qualitative Disclosures

Bank's policy governs all credit risk related aspects. Credit Risk Management (CRM) Policy outlines the principles, standards and approach for credit risk management at the Bank. It establishes systems, procedures, controls and measures to actively manage the credit risks, optimize resources and protect the bank against adverse credit situations. Board of Directors approves the Delegation of Power for approval of credit limits.

The Bank's policies assume moderate risk appetite and healthy balance between risk and return. The primary goals of risk management are to optimize value for shareholders within acceptable parameters and adequately addressing the requirements of regulatory authorities, depositors and other stakeholders. The guiding principles in risk management of the Bank comprise of Compliance with regulatory and legal requirements, achieving a balance between risk and return, ensuring independence of risk functions, and aligning risk management and business objectives. The Credit Risk Management process of the Bank is driven by a strong organizational culture and sound operating procedures, involving corporate values, attitudes, competencies, employment of business intelligence tools, internal control culture, effective internal reporting and contingency planning.

The overall objectives of Bank's Credit Risk Management are to:

- Ensure credit growth, both qualitatively and quantitatively that would be sectorally balanced, diversified with optimum dispersal of risk and also strive towards credit growth with usage of capital efficiently.
- Ensure adherence to regulatory prudential norms on exposures and portfolios.
- Adequately price various risks in the credit exposure.
- Define roles, responsibilities and empowerment.
- Form part of an integrated system of risk management encompassing identification, measurement, monitoring and control.

Strategies and processes:

In order to realize the above objectives of Credit Risk Management, the Bank prescribes various methods for Credit Risk identification, measurement, grading and aggregation techniques, monitoring and reporting, risk control/ mitigation techniques and management of problem loans/ credits. The Bank has also defined target markets, risk acceptance criteria, credit approval authorities, and guidelines on credit origination/ maintenance procedures.

The strategies are framed keeping in view various measures for Credit Risk Mitigation, which includes identification of thrust areas and target markets, fixing of exposure ceiling based on regulatory guidelines and risk appetite of the Bank, minimizing concentration risk, and pricing based on rating.

Bank from time to time would identify the potential and productive sectors for lending, based on the performance of the segments and demands of the economy. The Bank restricts its exposures in sectors which do not have growth potentials, based on the Bank's evaluation of industries/ sectors based on the prevailing economic scenario prospects, etc.

The operational processes and systems of the Bank relating to credit are framed on sound Credit Risk Management Principles and are subjected to periodical review.

The Bank has comprehensive credit risk identification processes as part of due diligence on credit proposals.

The structure and organization of the Credit Risk Management Function:

Credit Risk Management Structure in the Bank is as under-

a) Board of Directors

b) Risk Management Committee of the Board (RMCB)

c) Credit Risk Management Committee (CRMC)

d) Chief General Manager-Risk Management Wing, H.O (Group Chief Risk Officer)

e) Credit Risk Management Department (CRMD), HO

f) Risk Management Committee at Circles

g) Assurance and Credit Review & Monitoring Section at Circle Offices.

The scope and nature of risk reporting and / or measurement systems:

Bank has an appropriate credit risk measurement and monitoring processes. The measurement of risk is through a pre-sanction exercise of credit risk rating and scoring models put in place by the Bank. The Bank has a separate Risk Rating Policy for identifying the parameters under each of the risks i.e. Industry risk, Business & Management risk, Financial risk, Security Coverage Risk & Conduct of account risk and also assigning weighted scores thereto and rating them on a scale of I to XI plus one default grade. The risk rating policy also entails the guidelines on usage/mapping of ratings assigned by the recognized ECAIs (External Credit Assessment Institutions) for assigning risk weights for the eligible credit exposures as per the guidelines of the RBI on standardized approach for capital computation and also for pricing purposes. The Bank has adopted 'Standardized Approach' for entire credit portfolio for credit risk measurement. The bank is endeavoring to move towards IRB approaches and is building adequate system and process in this regard.

The Bank has embarked upon implementation of a software solution to get system support for establishing a robust credit data warehouse for all MIS requirements, computation of

Risk Weighted Assets (RWA), generate various credit related reports for review of exposure and monitoring, and conducting analysis of credit portfolio from various angles.

Policies, strategies and processes for mitigating risk & monitoring the continuing effectiveness of mitigation process:

Bank primarily takes into account on the borrower's financial strength and debt servicing capacity while approving credits. Bank does not excessively rely on collaterals or guarantees as a source of repayment or as a substitute for evaluating borrower's creditworthiness. The Bank does not deny credit facilities to those assessed as credit worthy for mere want of adequate collaterals.

In order to manage the Bank's credit risk exposure, the Bank has adopted credit appraisal and approval policies and procedures that are reviewed and updated by the Risk Management Wing at Head office in consultation with other functional wings. The credit appraisal and approval process is broadly divided into credit origination, appraisal, assessment & approval, and dispensation.

Corporate finance and project finance loans are typically secured by a first charge on fixed assets, normally consisting of property, plant and equipment. The Bank also takes security of pledge of financial assets like marketable securities and obtains corporate guarantees and personal guarantees wherever appropriate. Working Capital loans are typically secured by a first lien on current assets, which normally consist of inventory and receivables.

Bank has laid down detailed guidelines on documentation to ensure legal certainty of Bank's charge on collaterals.

The Bank's policy is to ensure portfolio diversification and evaluate overall exposure in a particular industry / sector in the light of forecasts of growth and profitability for that industry, and the risk appetite of the Bank. The Bank monitors exposures to major sectors of the economy and specifically exposure to various industries and sensitive sectors. Exposure to industrial activities is subjected to the credit exposure ceilings fixed by the Bank based on the analysis on performance of the industry. The Bank's exposures to single and group borrowers as also substantial exposure is fixed as per the risk rating of the borrowers and monitored periodically in order to keep the exposure level within the prudential ceiling norms advised by Reserve Bank of India from time to time.

The credit origination is through the grass root level ably assisted by the branch network, Regional Offices and Circle Offices. The process of identification, application is carried out before commencing an in depth appraisal, due diligence and assessment.

The credit approval process is a critical factor and commences with the mandatory credit risk rating of the borrower as a pre sanction exercise. The measurement of Credit Risk associated with the borrower evaluates indicative factors like; borrowers' financial position, cash flows, activity, current market trends, past trends, management capabilities, experience with associated business entities, nature of facilities etc.

The credit sanctioning powers delegated to the various authorities based on internal risk rating categories of the borrower already put in place. In terms of the Ministry of Finance notifications, Bank has set up Credit Approval Committees at HO, Circle and Regional Office levels. The credit sanctioning powers of all the sanctioning authorities at administrative units (i.e., besides branch powers) are withdrawn and the committee approach for credit approval has been put in place. The Bank has in place specialized branches viz. Centralized Processing Hubs (CPHs) such as Retail Asset Hubs (RAHs), Agriculture Credit Centers (ACCs) and MSME Sulabhs at select cities to ease credit dispensation turnaround time and ensure specialized attention.

To enhance the control measures, a separate Credit Administration and Monitoring Wing is in place to undertake exclusive loan review, monitoring problem accounts, credit audit, etc. This ensures greater thrust on post sanction monitoring of loans and strengthen administering the various tools available under the Banks' policies on loan review mechanism.

For effective loan review, the Bank has the following in place:

- Pre-release Audit System for compliance to sanction terms and conditions, obtention of stipulated collateral securities ensuring perfection of securities before disbursement etc.
- Credit Audit System to identify, analyze instances of non-compliance and rectification for all types of credit facilities with aggregate liability of Rs 3 crore and above.
- Legal Audit of Title Deeds and other documents in respect of Large Value Loan accounts with Credit Exposure of Rs. 5 Crore and above by panel advocate as a part of regular inspection (RBIA) of the branch.
- Review of loan sanctioned by each sanctioning authority by the next higher authority.
- Mid Term Review of borrowal accounts beyond a certain level of exposure.
- Monitoring of Special Mention Accounts (SMA) at various levels and formulation of Corrective Action Plan (CAP) in the case of consortium/JLA accounts, for early rectification or restructuring.
- Monitoring tools like Credit Monitoring Format (web-based), Quarterly Information Statements, Half Yearly Operation Statements, Stock Audits etc.
- Credit Monitoring Officers at branches are in charge of monitoring functions.
- A framework under IBC, 2016 has been developed for clear, coherent and speedy process for early identification of financial distress and resolution of Companies and limited liability entities if the underlying business is found to be viable.

- In compliance with RBI Circular No.BP.BC.45/21.04.48/ 2018-19, dated 07.06.2019, Bank has adopted revised framework of resolution of stressed assets. Under the revised framework, the accounts classified as Standard, SMA or substandard, Doubtful eligible shall be brought under resolution plan. Bank shall report credit information, including classification of an account as SMA to Central Repository of Information on Large Credits (CRILC) on all borrower entities having aggregate exposure of Rs. 5.00 Crore & above, as per the time line and frequency advised by the RBI from time to time.

- The Resolution Plan is to be implemented in 180 days Post Review Period. The RP may propose any actions / plans /reorganization including, but not limited to, regularization of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership, explore the possibility of the borrower setting right the irregularities/weaknesses in the account in right earnest, identifying the cash deficit and if required providing additional finance, if considered necessary, as part of the rectification process, consider the possibility of restructuring the account if it is prima facie viable and the borrower is not a willful defaulter, i.e., there is no diversion of funds, fraud or malfeasance, etc. The Resolution Plan shall be clearly documented by all the lenders (even if there is no change in any Terms & Conditions).

Definition and classification of Non-Performing Assets (NPAs):

The Bank classifies its advances (loans and credit substitutes in the nature of an advance) into performing and non-performing loans in accordance with the extant Income recognition & Asset classification norms issued by RBI. A non-performing asset (NPA) is a loan or an advance where:

- Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a Term Loan.

- The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC). An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period.

- The bill remains overdue for a period of more than 90 days in the case of Bills Purchased and Discounted.

- The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops, and for one crop season for long duration crops.

- The amount of liquidity facility remains outstanding for more than 90 days, in respect of securitization transaction undertaken in terms of guidelines on securitization dated February 1, 2006.

- In respect of derivative transactions, the overdue receivables representing positive mark-to market value of a derivative contracts, if these remain unpaid for a period of 90 days from the specified due date for payment.

Any amount due to Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank. Assets classification has been made borrower-wise and not facility-wise. In other words, when a particular facility of a borrower has become non-performing, all the facilities granted by the Bank to the borrower will be classified as NPA.

Irrespective of record of recovery, the bank identifies a borrower account as a NPA even if it does not meet any of the above mention criteria, where:

- Loan availed by a borrower which are restructured unless otherwise permitted by regulations;
- Loans availed by borrowers are classified as fraud;
- Project does not commence commercial operations within the timelines permitted under the RBI guidelines in respect of loans extended to a borrower for the purpose of implementing a project; and
- Any security in nature of debenture/bonds/equity shares issued by a borrower and held by the Bank is classified as non-performing investment.
- For loans held at the overseas branches, identification of NPA is based on the home country regulations (RBI Guidelines) or the host country regulations (overseas branch regulator's guidelines), whichever is more stringent.
- Further, NPA are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A sub-standard asset is one, which has remained as a NPA for a period less than or equal to twelve months. An asset is classified as doubtful if it has remained in the sub-standard category for more than 12 months. A loss asset is one where loss has been identified by the Bank or internal or external auditors or during RBI inspection but the amount has not been written off fully.

(ii) Quantitative Disclosures

(b) Total Gross Credit Risk Exposure:

	Amount (Rs. in Millions)
Particulars	**30.06.2024**
Fund Based Exposures	14,216,785
Non-fund Based Exposures	1,671,826
Total Gross Credit Exposures	**15,888,611**

(c) Geographic Distribution of Exposures:

Exposures	**Amount (Rs. in Millions)**

	Fund Based Exposures	Non-fund Based Exposures	Total
	30.06.2024		
Domestic operations	13,069,953	1,576,025	14,645,978
Overseas operations	1,146,832	95,801	1,242,633
Total	**14,216,785**	**1,671,826**	**15,888,611**

(d) Industry Type Distribution of Exposures (Consolidated) as on 30.06.2024:

Amount (Rs in Millions)

Sl No.	INDUSTRY	FB Exposure	NFB Exposure	TOTAL Exposure
1.1	**Mining and Quarrying**	**76,534**	**9,930**	**86,465**
1.2	**Food Processing**	**1,47,990**	**11,252**	**1,59,242**
	1.2.1 Sugar	29,758	1,078	30,836
	1.2.2 Edible Oils and Vanaspati	11,857	5,793	17,650
	1.2.3 Tea	1,284	-	1,284
	1.2.4 Others	1,04,493	4,381	1,08,874
1.3	**Beverage & Tobacco**	**13,755**	**94**	**13,849**
1.4	**Textiles**	**2,32,505**	**5,955**	**2,38,459**
	1.4.1 Cotton Textiles	1,02,125	1,925	1,04,050
	1.4.2 Jute Textiles	7,927	39	7,965
	1.4.3 Other Textiles	1,22,080	3,991	1,26,071
1.5	**Leather & Leather Products**	**17,365**	**383**	**17,749**
1.6	**Wood and Wood Products**	**16,922**	**1,480**	**18,401**
1.7	**Paper & Paper Products**	**33,021**	**685**	**33,706**
1.8	**Petroleum, Coal Products and Nuclear Fuels**	**3,56,318**	**6,015**	**3,62,332**
1.9	**Chemicals and Chemical Products**	**1,56,652**	**22,799**	**1,79,451**
	1.9.1 Fertilizer	41,936	12,871	54,807
	1.9.2 Drugs & Pharmaceuticals	52,057	3,514	55,572
	1.9.3 Petro Chemicals	5,220	128	5,348
	1.9.4 Others	56,946	6,286	63,232
1.10	**Rubber, Plastic & their Products**	**38,479**	**1,012**	**39,492**
1.11	**Glass and Glassware**	**2,422**	**169**	**2,591**
1.12	**Cement and Cement Products**	**54,286**	**1,322**	**55,609**
1.13	**Basic Metal and Metal Products**	**4,06,883**	**48,187**	**4,55,070**
	1.13.1 Iron and Steel	2,55,938	37,805	2,93,743
	1.13.2 Other Metal and Metal Products	1,50,115	10,382	1,60,498
1.14	**All Engineering**	**1,70,088**	**1,82,273**	**3,52,361**

				Amount (Rs in Millions)
Sl No.	**INDUSTRY**	**FB Exposure**	**NFB Exposure**	**TOTAL Exposure**
	1.14.1 Electronics	31,583	6,421	38,003
	1.14.2 Electricity	48,062	1,33,604	1,81,666
	1.14.3 Others	90,129	42,248	1,32,377
1.15	**Vehicles, Vehicle Parts and Transport Equipment's**	**44,466**	**2,094**	**46,560**
1.16	**Gems & Jewellery**	**32,166**	**685**	**32,851**
1.17	**Construction**	**1,17,978**	**1,40,351**	**2,58,329**
1.18	**Infrastructure**	**17,30,730**	**2,83,935**	**20,14,665**
	1.18.1 Power	7,51,964	86,351	8,38,315
	1.18.2 Telecommunications	1,16,567	4,652	1,21,219
	1.18.3 Roads	5,11,208	59,814	5,71,021
	1.18.4 Airports	33,561	0	33,561
	1.18.5 Ports	28,917	6,247	35,164
	1.18.6 Railways (other than Indian Railways)	66,911	50	66,961
	1.18.7 Other Infrastructure	2,21,602	1,26,821	3,48,423
1.19	**NBFC**	**15,57,173**	**19,822**	**15,76,995**
	1.19.1 PFI	7,236	-	7,236
	1.19.2 HFC	3,63,161	-	3,63,161
	1.19.3 Others	11,86,776	19,822	12,06,598
1.20	**Other Industries**	**79,930**	**36,929**	**1,16,859**
	INDUSTRY (Total of Small, Medium and Large Scale)	**52,85,662**	**7,75,372**	**60,61,034**

Credit Exposure of industries where outstanding exposure is more than 5% of the Total Gross Credit Exposure of the Bank is as follows:

Sl. No	**Industry**	**Total Exposure (Rs in Millions)**	**% of Total Gross Credit Exposure**
1	Infrastructure	2,014,665	12.67
2	NBFC	1,576,995	9.92

(e) Residual Contractual Maturity Breakdown of Assets as on 30.06.2024:

			Amount (Rs. in Millions)
Time Bucket	**Advances**	**Investments**	**Foreign Currency Assets**
Day-1	46,928	13,61,979	1,93,631
2 to 7 days	72,452	64,134	1,33,649
8 to 14 days	91,786	39,868	56,353
15 to 30 days	2,59,720	45,046	97,360
31 days & upto 2 months	2,81,727	83,164	69,389
2 month & upto 3 months	4,07,310	1,03,390	1,10,274
Over 3 months & upto 6 months	7,81,196	1,28,300	1,52,073
Over 6 months & upto 1 year	19,48,316	2,97,660	1,45,945
Over 1 year & upto 3 years	26,18,176	7,11,550	1,71,879
Over 3 year & upto 5 years	8,53,303	2,35,081	25,433
Over 5 years	21,03,994	6,30,529	35,053
Without Maturity	0	0	0
Total	94,64,909	37,00,701	11,91,039

Note-The maturity pattern is based on methodology used for reporting positions to Reserve Bank of India (RBI) on asset-liability management.

(f) Amount of Non-Performing Assets (Gross):

Sl. No	Items		Amount (Rs. in Millions)
			30.06.2024
a)	**Gross NPAs**		**404,083**
	▪	Sub-Standard	97,186
	▪	Doubtful 1	55,425
	▪	Doubtful 2	94,455
	▪	Doubtful 3	31,123
	▪	Loss	125,894
b)	**Net NPAs**		**117,098**
c)	**NPA Ratios**		
	▪	Gross NPAs to Gross Advances (%)	**4.14%**
	▪	Net NPAs to Net Advances (%)	**1.24%**
d)	**Movement of NPAs (gross)**		
	▪	Opening balance	406,572
	▪	Additions	33,374
	▪	Reductions	35,863
	▪	Closing Balance	**404,083**
e)	**Movement of Provisions for NPAs**		
	▪	Opening Balance	287,870
	▪	Provisions made during the period	21,798
	▪	Write-off	23,280
	▪	Write back of excess provisions	0
	▪	Any other adjustments	596
	▪	**Closing Balance**	**286,985**
f)	**Amount of Non-Performing Investments**		**59,509**
g)	**Amount of Provisions held for Non-Performing Investments**		**83,031**
h)	**Movement of Provisions for Depreciation on Investments**		
	▪	Opening Balance	0
	▪	Provisions made during the period	0
	▪	Write-off	0
	▪	Write Back of excess Provisions	0
	▪	Closing Balance	0

i) By major Industry or Counter party type

Amount (Rs in Millions) as at 30.06.2024				
Sl. No	**Industry /counterparty**	**Gross NPA**	**Specific & General Provisions**	**Specific provisions and write offs during the current period.**
1	Basic Metal & Metal Products	5,604	3,060	(325)
2	Textiles	14,984	8,545	(698)
3	Construction	5,330	3,237	(3,729)
4	Infrastructure	58,608	47,565	1,332
4a	Power	9,944	8,221	589
4b	Telecom	10,978	10,818	19
4c	Others	37,686	28,527	725
5	Food Processing	12,212	5,553	868
6	NBFC	20,569	19,968	(1,199)
7	Gems & Jewellery	6,632	4,118	(91)
8	Food Processing	12,212	5,553	868
9	Leather & Leather Products	1,679	611	(105)
10	Chemicals and Chemical Products	2,653	1,393	(139)

j) By Significant Geographical area wise

Amount (Rs. in Millions) as at 30.06.2024			
Sl. No	**Significant Geographical area**	**Gross NPA**	**Specific & General Provisions***
1	Domestic	372,868	278,079
2	Overseas	31,215	8,906
	Total	**404,083**	**286,985**

*Outstanding provision for NPA as at 30.06.2024

- **Portion of General Provision that is not allocated to a geographical area - NA**

Canara Bank Head Office IRMD RMW

TABLE DF – 4: CREDIT RISK: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

(i) Qualitative Disclosures

FOR PORTFOLIOS UNDER THE STANDARDIZED APPROACH:

- The Bank has recognized following credit rating agencies for the purpose of rating of an exposure & assigning risk weights for computation of capital charge under standardized approach.

Domestic Credit Rating Agencies:

- Credit Analysis & Research Limited (CARE),
- CRISIL Rating,
- ICRA Limited,
- India Ratings and Research Private Limited (Formerly FITCH India)
- Acuite Ratings & Research Ltd (Formerly SMERA Ratings Limited)
- INFOMERICS Valuation and Rating Pvt. Ltd. (INFOMERICS)
- *Brickwork Ratings India Private Limited (Brickwork),

*Vide RBI Notification dated. 12.10.2022, RBI had directed Brickwork Ratings India Private Limited to wind down the operations and Regulated entities/Market participants were advised that in respect ratings/credit evaluations required in terms of any guidelines issued by the Reserve Bank, no such fresh ratings/evaluations would be obtained from the above-mentioned rating agency with immediate effect. Now, The Reserve Bank of India (RBI) has permitted banks to use the ratings of Brickwork Ratings India Private Limited (BWR), upto Rs.250.00 Cr, for risk-weighting their claims for capital adequacy purposes, according to a statement released by the RBI on July 10, 2024.

International Credit Rating Agencies:

- Standard & Poor,
- Moody's,
- FITCH

➢ **Types of exposure for which each agency is used:**

All the above agencies are recognized for rating all types of exposures.

A description of the process used to transfer public issue ratings onto comparable assets in the banking books:

- The Bank uses only publicly available solicited ratings that are valid and reviewed by the recognized External Credit Rating Agencies, referred as External Credit Assessment Institutions (ECAI).
- Bank uses Bank Loan Rating for risk weighting the borrower's exposures wherever bank name is specifically mentioned in the rating rational/press release.
- The Bank does not simultaneously use the rating of one ECAI for one exposure and that of another ECAI for another exposure of the same borrower, unless the respective exposures are rated by only one of the chosen ECAIs. Further, the Bank does not use rating assigned to a particular entity within a corporate group to risk weight other entities within the same group.
- Running limits such as Cash Credit are treated as long term exposures and accordingly, long term ratings are used for assigning risk weights for such exposures.
- While mapping/applying the ratings assigned by the ECAIs, the Bank is guided by regulatory guidelines/Bank's Board approved Policy.
- Where exposures/ borrowers have multiple ratings from the chosen ECAIs, the Bank has adopted the following procedure for risk weight calculations:
  - If there are two ratings accorded by chosen credit rating agencies that map into different risk weights, the higher risk weight should be applied.
  - If there are three or more ratings accorded by chosen credit rating agencies with different risk weights, the ratings corresponding to the two lowest risk weights should be referred to and the higher of those two risk weights should be applied. i.e., the second lowest risk weight.

(ii) Quantitative Disclosures

Amount of the Bank's Exposures (Rated & Unrated) in Major Risk Buckets – under Standardized Approach, after factoring Risk Mitigants (i.e. Collaterals):

Sl No	Particulars	Amount (Rs. in Millions)	
		FUND BASED	NON-FUND BASED
		30.06.2024	30.06.2024
1	Below 100% Risk Weight	1,07,19,854	13,02,778
2	100% Risk Weight	11,49,447	1,84,622
3	More than 100% Risk Weight	23,47,484	1,84,426
4	Deducted (Risk Mitigants)	16,58,084	3,74,798
5	**TOTAL**	**1,25,58,701**	**12,97,027**

TABLE DF – 5: CREDIT RISK MITIGATION – DISCLOSURES FOR STANDARDIZED APPROACHES

(i) Qualitative disclosures

Policies and processes for collateral valuation and management: The Bank is having a Board approved collateral management policy which lays down the process, objectives, accepted types of collaterals and the framework including suitable management information system for effective collateral management. The Collaterals and guarantees properly taken and managed that would serve to:

- mitigate the risk by providing secondary source of repayment in the event of borrower's default on a credit facility due to inadequacy in expected cash flow or not;
- gain control on the source of repayment in the event of default;
- provide early warning of a borrower's deteriorating repayment ability; and
- Optimize risk weighted assets and to address Residual Risks adequately.

Bank uses a number of techniques to mitigate the credit risks to which they are exposed. The revised approach allows banks in India to adopt the Comprehensive Approach (under both the Standardized and IRB approaches) which allows fuller offset of collateral against exposures by effectively reducing the exposure amount by the value ascribed to the collateral. Under this approach, banks, which take eligible financial collateral, are allowed to reduce their credit exposure to the counterparty when calculating their capital requirements by taking into account the risk mitigating effect of the collateral.

Collateral Management process and practices of the Bank cover the entire activities comprising security and protection of collateral value, validity of collaterals and guarantees, and valuation / periodical inspection.

Valuation: Both the Fixed and the Current Assets obtained to secure the loans granted by the Bank are subjected to valuation by valuers empanelled by the Bank. Monetary limits of the accounts, asset classification of the borrower, which is to be subjected to valuation, periodicity of valuation, are prescribed in the Bank's policy guidelines. Bank reviews the guidelines on valuation periodically.

Description of the main types of collateral taken by the Bank: The collateral commonly used by the Bank as risk mitigants comprises of Financial Collaterals (i.e. Cash, Bank deposits, Life Insurance policies, NSC, KVP, Government securities issued directly / by postal departments, equity shares of limited companies other than the Bank and approved by the Bank, debentures, units of mutual funds, debt securities etc.), different categories of moveable assets and immoveable assets / properties etc. However, for the purpose of computation of capital required under Standardized Approach, certain specific financial collaterals, as prescribed by RBI, have been recognized as eligible collateral.

Main types of Guarantor counterparty and their creditworthiness: Bank obtains/ accepts guarantees of sovereign, sovereign entities (including BIS, IMF, European Central Bank and European community as well as Multilateral Development Banks, ECGC and CGTMSE). Besides this, Bank also obtains Personal or Corporate guarantee having adequate net worth, as an additional comfort for mitigation of credit risk which can be translated into a direct claim on the guarantor, and are unconditional and irrevocable. The Creditworthiness of the guarantor is normally not linked to or affected by the borrower's financial position. The Bank also accepts guarantee given by State / Central Government as a security comfort. Such Guarantees remain continually effective until the facility covered is fully repaid or settled or released.

Credit Risk Mitigation recognized by the Bank for the purpose of reducing capital requirement under Capital Adequacy Framework (Basel III Norms): The Bank has recognized Cash, Bank's own Deposits, Gold & Gold Jewellery as Credit Risk Mitigations for the purpose of reducing capital requirement under the New Capital Adequacy Framework (Basel III Norms).

Information about risk concentration within the mitigation taken: The Bank has already initiated steps for putting in place a data warehouse for a robust Management Information System (MIS) to facilitate management of Credit Risk and evaluation of effectiveness of collateral management including risk concentrations of collaterals.

The Bank follows the Internal Capital Adequacy Assessment Process and evaluates the Pillar II risks on a quarterly basis.

(ii) Quantitative Disclosures

Sl. No.	PARTICULARS	Amount (Rs. in Millions)
		30.06.2024
(a)	The total exposure (after, where applicable, on- or off balance sheet netting) that is covered by eligible financial collateral after the application of haircuts for each separately disclosed credit risk portfolio.	1,979,005
(b)	The total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees/credit derivatives (whenever specifically permitted by RBI) for each separately disclosed portfolio	1,247,569

TABLE DF – 7: MARKET RISK IN TRADING BOOK

(i) Qualitative disclosures

Strategies and processes: The overall objective of market risk management is to create shareholder value by improving the Bank's competitive advantage and reducing loss from all types of market risk loss events.

- While overall leadership and control of the risk management framework is provided by Risk Management Wing, the business units are empowered to set strategy for taking risks and manage the risks.
- All issues or limit violations of a pre-determined severity (materiality, frequency, nature) are escalated to the Risk Management Wing where the actions to address them are determined by the appropriate authorities. The business units are responsible for implementing the decision taken.

The process aims to:

- Establish a pro-active market risk management culture to cover market risk activities.
- Comply with all relevant legislation and regulatory requirements relating to Market Risk.
- Develop consistent qualities in evolving policies & procedures relating to identification, measurement, management, monitoring, controlling and reviewing of Market Risk.
- Establish limit structure and triggers for various kinds of market risk factors.
- Establish efficient monitoring mechanism by setting up a strong reporting system.
- Adopt independent and regular evaluation of the market risk measures.

The structure and organization of the relevant risk management function: Market Risk Management structure of the Bank is as under–

- Board of Directors
- Risk Management Committee of the Board
- Market Risk Management Committee (MRMC)
- Chief General Manager – RM Wing (Group Chief Risk officer)-Head Office
- Market Risk Management Department, Risk Management Wing, HO
  - Integrated Mid Office
  - Mid Office – Integrated Treasury

The scope and nature of risk reporting and/or measurement systems:

- The Bank has put in place various exposure limits for market risk management such as Overnight limit, Intraday limit, Aggregate Gap limit, Stop Loss limit, VaR limit, Broker Turnover limit, Capital Market Exposure limit, Product-wise Exposure limit, Issuer-wise Exposure limit, etc.

- A risk reporting system is in place for monitoring the risk limits across different levels of the Bank from trading desk to the Board level.
- The rates used for marking to market for risk management or accounting purposes are independently verified.
- The reports are used to monitor performance and risk, manage business activities in accordance with the Bank's strategy.
- The reporting system ensures timelines, reasonable accuracy with automation, highlight portfolio risk concentrations, and include written commentary.
- The detailed risk reports enhance the decision-making process.
- Dealing room activities are centralized, and system is in place to monitor the various risk limits.
- The reporting formats & the frequency are periodically reviewed to ensure that they suffice for risk monitoring, measuring and mitigation requirements of the Bank.

Policies, strategies and processes for mitigating risk & monitoring the continuing effectiveness of mitigation process: Board approved policies viz., Policy for Market Risk (including Country risk management and Counterparty Bank risk management) and Integrated Treasury Management Policy. Policy for Market Risk provides the framework for risk assessment, identification and measurement and mitigation, risk limits & triggers, risk monitoring and reporting.

The Bank has developed an internal model for country risk rating based on various parameters like GDP growth, inflation, trade balance etc for risk categorization of the countries to allocate limit for taking exposure to various countries.

The Bank has in place a scoring model for categorization of counterparty Banks. The various exposure limits are set based on the points secured by the counterparty banks as per the scoring matrix.

(ii) Quantitative Disclosures

Sl. No	Particulars	Amount of capital requirement (Rs in Millions)
		30.06.2024
(a)	Interest Rate Risk	4,123
(b)	Foreign Exchange Risk (including Gold)	3,273
(c)	Equity Risk	7,534

TABLE DF – 8: OPERATIONAL RISK

(i) Qualitative Disclosures

Strategies and processes: The Operational Risk Management process of the Bank is driven by a strong organizational culture and sound operating procedures, involving corporate values, attitudes, competencies, internal control culture, effective internal reporting and contingency planning. Policies are put in place for effective management of Operational Risk in the Bank.

The structure and organization of the relevant risk management function: The Operational Risk Management Structure in the Bank is as under:

a) Board of Directors

b) Risk Management Committee of the Board (RMCB)

c) Operation Risk Management Committee (ORMC)

d) Chief General Manager-Risk Management Wing, H.O (Group Chief Risk Officer)

e) Operational Risk Management Department (ORMD), HO

f) Risk Management Committee at Circles

g) Assurance Section at Circle Offices

The scope and nature of risk reporting and/or measurement systems: The Risk reporting consists of operational risk loss incidents / events occurred in branches / offices relating to people, process, technology and external events. The data collected from different sources are used for analyzing the root cause / gaps in the system and thereby improve / strengthen the laid down systems and procedures. The loss incidents are also incorporated in loss data base which shall be used for computing Operational risk Capital Charge on migration to new approach.

Policies, strategies and processes for mitigating risk & monitoring the continuing effectiveness of mitigation process: Bank has put in place policies for management of Operational Risk management. The policy framework contains various aspects of Operational risk management such as identification, management, monitoring & mitigation of Operational risk areas.

In order to address risks involved in Outsourcing of activities, bank has put in place policies for management of Outsourcing Risk.

Operational Risk capital assessment: The Bank has adopted Basic Indicator Approach for calculating capital charge for Operational Risk.

Quantitative Disclosure: The capital requirement for Operational Risk as on 30.06.2024 under Basic Indicator Approach is Rs 96,339 Million.

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

(i) Qualitative Disclosures

Interest Rate Risk in Banking Book (IRRBB)

Interest Rate Risk in Banking Book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates. With change in interest rates the underlying value of Bank's assets, liabilities and off-balance sheet items also gets altered and so its economic value.

Changes in interest rates also affect a bank's earnings or net interest income (NII) in the short term – on account of re-pricing gaps between its rate sensitive assets and rate sensitive liabilities. Three main types of interest rate risk include:

(a) Gap risk arises from the term structure of banking book instrument and the extent of re-pricing gap between rate sensitive assets (RSA) and rate sensitive liabilities (RSL).

(b) Basis risk – the impact of relative changes in interest rates for RSA and RSL that have similar re-pricing but are linked to different interest rate curve.

(c) Option risk in the Bank mainly arises from explicit or embedded options in a bank's assets, liabilities and/or off-balance sheet items, where the bank or its customer can alter the level and timing of their cash flows.

Organizational Framework

The Board of Directors approves the broad business strategy and overall policies governing the IRRBB. It is responsible for setting appropriate limits, adequate systems and standards for measuring.

Monitoring and management of IRRBB is delegated to the Asset Liability Management Committee (ALCO) and is responsible for adherence to the policies and business strategy as per the risk limit articulated in terms of both earnings and economic value by the Board of Directors. Basing on the likely interest rate movement, the ALCO decides on the business mix, strategy to manage and control the risk by taking early remedial actions.

Strategies and Processes

The Bank strives to match the re-pricing gap between its rate sensitive assets and rate sensitive liabilities including off-balance sheet items across significant currencies. Interest rate risk in banking book is measured and monitored using Traditional Gap Analysis (TGA) and the Duration Gap Analysis (DGA) to Bank's global position on a monthly basis.

Using TGA approach, the re-pricing gaps between RSA and RSL are measured and monitored across different time bands. The re-pricing gap may impact Bank's earning for adverse rate movement in the short term up to one year. It is assessed by giving parallel rate shocks and is monitored against the set tolerance limit termed Earning at Risk.

Under DGA approach, the change in the value of Bank's assets less liability for a given interest rate shock is assessed using modified duration approach. The extent of the gap between modified duration of RSA and RSL gives the prospective change in the value of assets less liability to the net-worth of the Bank termed as change in Market Value of Equity (MVE). MVE under IRRBB is measured and monitored against the set limit.

(ii) Quantitative Disclosures

EARNINGS AT RISK

The following table presents the impact on net interest income of the Bank for an assumed parallel shift of 100 bps in interest rate up to one year across currencies as at 30.06.2024.

		Amount (Rs. in Millions)
Currencies	**Change in interest rate up to 1 Year**	
	-100 bps	**+100 bps**
INR	(11,747)	11,747
USD	1,674	(1,674)
Others	(3,373)	3,373
Total	**(13,446)**	**13,446**

MARKET VALUE OF EQUITY

The table reveals the impact on Market Value of Equity for an assumed rate shock of 200 bps on the Banking Book as at 30.06.2024

	-200 bps	**+200 bps**
Change in Market Value of Equity	(2.86%)	2.86%

TABLE DF – 10: GENERAL DISCLOSURE FOR EXPOSURES RELATED TO COUNTERPARTY CREDIT RISK

(i) Qualitative Disclosures

Bank's policy on Counterparty Credit Risk Management sets out the standards and guidelines for Counterparty Credit Risk Management at the Bank. Through this policy the bank shall establish its standards and guidelines for identification of CCR in market traded instruments covering various components and relevant sources of risks. This addresses Pre-settlement Risk, Settlement Risk and Wrong Way Risk.

Bank's limit setting and monitoring is primarily covered across existing policies such as Loan Policy, Credit Risk Management Policy, Investment Policy, Master Policy for Market Risk, Policy on Exposure Limits on Counterparty Banks and Policy on Off- Balance Sheet Exposure.

(ii) Quantitative disclosure

			Amount (Rs. in Millions)
Sl. No	Particulars	Notional Amount	Exposure under CEM
		30.06.2024	30.06.2024
1	Foreign Exchange Contracts	1,329,440	30,990
2	Cross Currency Interest rate Swaps	-	-
3	Single Currency Interest Rate Swaps	-	-
4	Total	1,329,440	30,990

DF-17- Summary Comparison of accounting assets vs Leverage Ratio exposure measure

	Item	(Rs. in Millions)
1	Total consolidated assets as per published financial statements	15,764,791
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(431,991)
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	0
4	Adjustments for derivative financial instruments	30,990
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	1,062,110
7	Other adjustments	(81,420)
8	**Leverage ratio exposure**	**16,344,480**

DF - 18 - Leverage Ratio Common disclosure template

Sl No.	Item	Leverage ratio (Rs in Million)
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	15,332,800
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(81,420)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**15,251,380**
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1,520
5	Add-on amounts for PFE associated with all derivatives transactions	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	29,470
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	**30,990**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	0
16	**Total securities financing transaction exposures (sum of 12 to 15)**	**0**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	2,922,260
18	(Adjustments for conversion to credit equivalent amounts)	(1,860,150)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**1,062,110**
	Capital and total exposures	
20	Tier 1 capital	987,524
21	Total exposures (sum of lines 3, 11, 16 and 19)	16,344,480
	Leverage ratio	
	Basel III leverage ratio	**6.04%**

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