



FIRSTRAND BANK

FIRSTRAND BANK LIMITED (INDIA BRANCH)
DISCLOSURES UNDER PILLAR 3 OF THE CAPITAL ADEQUACY FRAMEWORK
(BASEL III GUIDELINES) FOR THE YEAR ENDED 30 SEPTEMBER 2019





Glossary:

Acronym	Meaning
ALCO	Asset Liability Committee of FRIN
BCBS	Basel Committee on Banking Supervision
BPRMF	Business Performance and Risk Management Framework
BU	Business Unit
CB	Corporate Banking division of FRIN
CCP	Central Counterparties
CF	Corporate Finance division of FRIN
CIB	Corporate & Investment Banking
CPMC	Credit Portfolio Monitoring Committee, constituted to monitor and review the portfolio on a regular basis
DVP	Delivery Versus Payment
EP	Economic Profit
FRB	FirstRand Bank Limited, South Africa (Head Office or HO)
FirstRand	FirstRand Limited (or Group)
FRIN	FirstRand Bank India, the India branch operations of the FRB. Also referred to as "the Bank" in the report. The ICAAP analysis is carried out for FRIN.
GM	Global Markets division of FRIN
HO	Head Office (FirstRand Bank Limited, South Africa)
ICAAP	Internal Capital Adequacy Assessment Process
IRRBB	Interest rate risk in the banking book
JSE	Johannesburg Stock Exchange
MANBO	The India Management Board comprising of the CEO of FRIN and other senior executives and department heads.
MIRC	Market and Investment Committee (at Head Office)
NIACC	Net Income After Capital Charge
NSFR	Net Stable Funding Ratio
ORMF	Operational Risk Management Framework
Open Pages	Tool for capturing operational events
PRCIA	Process Based Risk and Control Identification and Assessment
QCCP	Qualifying Central Counterparties
RAPM	Risk adjusted performance measures
RBI	Reserve Bank of India
RCCom	Risk, Capital Management and Compliance Committee
ROE	Return on equity
RWA	Risk Weighted Assets



TABLE DF-1: SCOPE OF APPLICATION AND CAPITAL ADEQUACY

FirstRand Bank Limited, India (FRIN or the Bank) is a branch of FirstRand Bank Limited (FRB or Head Office), a banking entity incorporated under the laws of South Africa, and part of the FirstRand Group of companies (FirstRand or the Group). The Basel III Pillar 3 disclosures contained herein relate to the Bank for the quarter ended 30 September 2019. The disclosures have been compiled in accordance with Reserve Bank of India's (RBI) Master Circular – Basel III Capital Regulations reference RBI/2013-14/70 DBOD.No.BP.BC.4/21.06.201/2015-16 dated 01 July 2015, and the amendments issued thereto from time to time.

As the Bank is a branch of FirstRand Bank (FRB or Head Office), South Africa, it operates in line with Group principles and policies on risk management, which are aligned to local regulations, wherever required. The Bank does not have any subsidiaries, nor does it hold any stake in any companies, and accordingly, is not required to prepare consolidated financial statements. Furthermore, it does not have any interest in insurance entities in India.

(i) Qualitative Disclosures:

- a. List of group entities considered for consolidation: NA
- b. List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation: NA

(ii) Quantitative Disclosures:

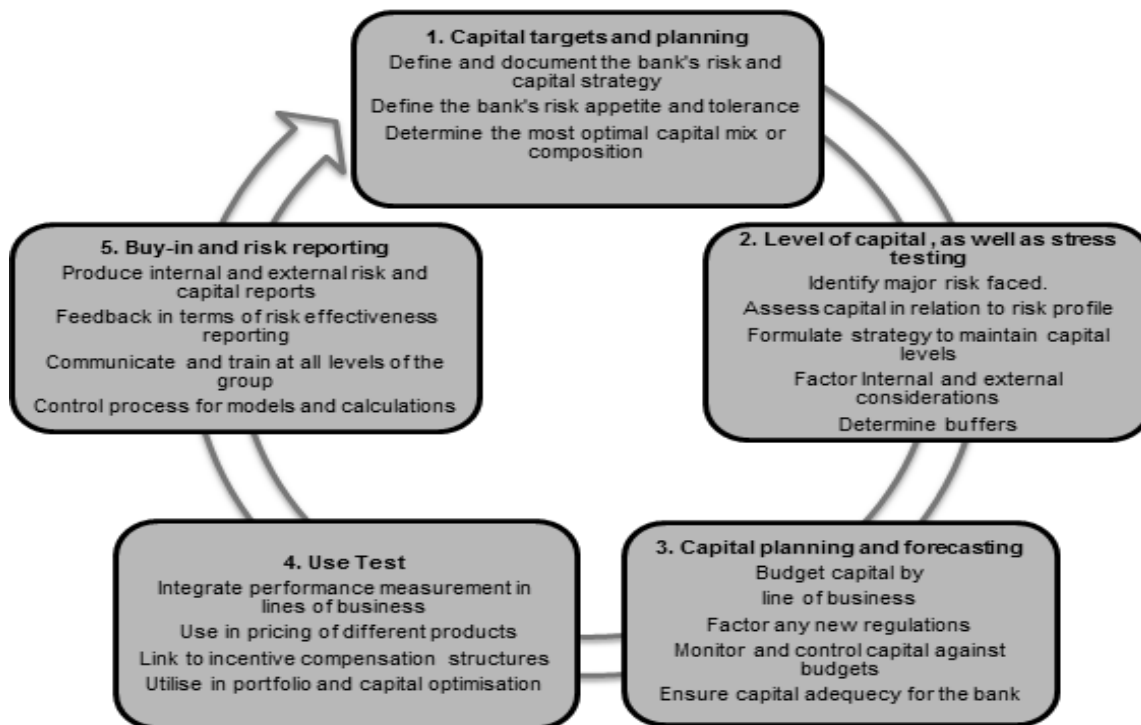
- c. List of group entities considered for consolidation: NA
- d. The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation, i.e., that are deducted: NA
- e. The aggregate amounts of the bank's total interests in insurance entities, which are risk-weighted: NA
- f. Any restrictions or impediments on transfer of funds or regulatory capital within the banking group: NA

TABLE DF-2: CAPITAL ADEQUACY

2.1. Internal Capital Assessment - The Approach

The objective of this assessment is to ensure that FRIN is adequately capitalised given the risk profile and strategy of the Bank, and that FRIN operates well above the regulatory minimum requirement of ~US\$ 25.0 million and the minimum capital adequacy ratio as set by RBI in accordance with Basel III Capital Regulations. In addition to the regulatory minimum, FRIN holds a buffer to ensure that the balance sheet is resilient against abnormal losses, and to provide comfort to depositors, debt holders and counterparties.

In fulfilling the overarching objective, this document demonstrates the strong linkage between capital and risk management. A fundamental and essential element of the operations of the business is the management of risk within the Bank's risk appetite, while implementing the expansion strategy and maintaining the capital requirements. The chart below explains this approach in a step-wise manner:



I. Capital targets and planning

(a) *Vision/strategy*

- To become the 'banker of choice' for trade finance and corporate & investment banking business in the Indo-Africa corridor;
- To remain profitable whilst aligning to the Group's risk~return framework.

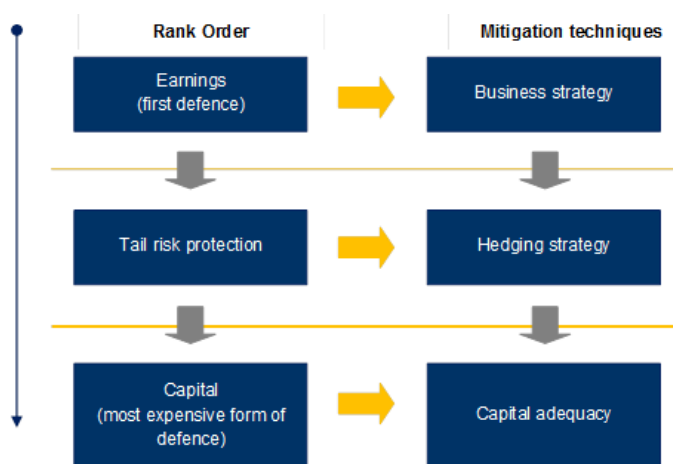
Based on the above, the strategy of the bank is as follows:

- Continue to focus on facilitating business in the Indo-Africa corridor and further widen partnership with FirstRand's African subsidiaries;
- Growing the corporate franchise led by both Corporate Banking (CB) and Corporate Finance (CF);
- Client-centricity: tapping the cross-sell opportunities amongst CB/CF/Global Market clients;
- Strengthen the in-country liability platform with a focused deposit-raising plan to diversify depositor base.



From a capital perspective:

- Earnings are seen as the primary source of loss absorption under adverse conditions,
- Capacity to absorb earnings volatility and fluctuations is supported by the generation of sustainable profits, and
- The earnings buffer and capital base provides protection for stakeholders against unexpected events.



(b) Risk appetite

Being a branch operation of FirstRand Bank, FRIN is guided by the risk management policies of the Head Office, especially, the Business Process and Risk Management Framework (BPRMF). FirstRand's risk appetite is the aggregate quantum and type of risks the Group is willing to accept within its overall risk capacity, captured by a number of qualitative principles and quantitative measures, and is administered via various credit/market risk mandates. The Group's strategic objectives and financial targets frame its risk appetite in the context of risk, reward and growth, and contextualise the level of reward the Group expects to deliver to its stakeholders under normal and stress conditions for the direct and consequential risk it assumes in the normal course of business. The aim is to ensure that the Group maintains an appropriate balance between risk and reward.

As detailed in the Bank's ICAAP document, the risk appetite for FRIN has been defined at two levels, i.e., 1) capital adequacy, and 2) earnings impact in a year, capturing all risks associated with the Bank's operations, but excluding the unquantifiable risks. For the aforesaid risk appetite parameters, if the thresholds are either breached or are expected to breach in a given year, then management action is triggered, which may inter alia include review/change in strategy, change in individual risk thresholds, and other such actions.

Some of the qualitative parameters for risk appetite are given below:

- Always act with a fiduciary mindset
- Comply with prudential regulatory requirements
- Comply with the spirit and intention of accounting and regulatory requirements
- Build and maintain a strong balance sheet which reflects conservatism and prudence across all disciplines
- Do not take risk without a deep understanding thereof
- Limit concentrations in risky asset classes or sectors
- Avoid reputational damage
- Manage the business on a through-the-cycle basis to ensure sustainability
- Identify, measure, understand and manage the impact of downturn and stress conditions
- Strive for operational excellence and responsible business conduct
- Ensure the Group's sources of income remain appropriately diversified across business lines, products, markets and regions



In addition to the above, the Bank has put in place segment-specific quantitative parameters for various risks.

II. Level of capital as well as the incorporation of stress testing

FirstRand Group follows a four-pronged approach to determine the most optimal level of capital, as seen in the diagram below.

(a) **Assessment of capital adequacy in relation to risk profile (bottom up):** The assessment of capital



adequacy spans across Pillar 1 and Pillar 2. The Group views non-Pillar 1 as an independent assessment of the adequacy as calculated under Pillar 1. It is also the part of the process where differences to regulatory capital are explained

(b) **Strategy to maintain capital levels (top down):** This phase of the process shows the impact of different macroeconomic scenarios on the level of earnings, risk weighted assets and capital adequacy for a one-year and three-year review and the calculation of the buffer thereof, over and above the regulatory capital requirement.

(c) **Internal considerations:** The Bank conducts periodic assessments of future capital requirements. The Bank intends to plough back its future profit to maintain adequate capitalisation levels.

(d) **External considerations:** The actual capital held is higher than that calculated through ICAAP process given the following:

- **Rating agencies:** The Bank needs to ensure that the level of capital is consistent with its credit rating in order to give confidence to its depositors and debt holders.
- **Regulatory:** Pillar 2 rules make it clear that ‘supervisors should expect banks to operate above minimum regulatory capital ratios’. The regulatory rules with respect to capital adequacy and minimum capital as prescribed by RBI will be the binding constraint on total capital levels.
- **Depositors and counterparties:** From the Group’s perspective, its income and capital buffers act as protection to prevent default or minimise losses when default occurs.
- **Peer analysis:** Periodic analysis of other banks’ capital adequacy ratios is performed.

III. Capital planning and forecasting

Capital planning forms an integral part of the business and compliance process. It ensures that the Group’s capital adequacy ratios and other sub-limits remain above appropriate (and approved) limits during different economic and business cycles. At the same time, the objective of capital management is



to maintain the optimal level of capital in the most cost efficient way, given the Bank's risk profile, and the targeted credit counterparty rating. The capital projection for FRIN incorporates, *inter alia*, the following variables:

- Anticipated capital utilisation
- Capital requirement for maintaining prudential limits
- Expansion considerations
- Appropriation of profits
- Desired level of capital, inclusive of buffer
- General contingency plan for dealing with divergences and unexpected events

The Bank's capital planning efforts ensure that the total capital adequacy and Tier 1 ratios remain within the approved ranges or above target levels across the economic and business cycles.

2.2. Risk exposure and assessment

FRIN Management Board (FRIN MANBO) retains ultimate responsibility for ensuring that risks are adequately identified, measured, monitored and managed. In line with the Group, it believes that a culture focused on risk, paired with an effective governance structure, is a pre-requisite for managing risk effectively. Furthermore, effective risk management requires multiple points of control, or safeguards that should be applied consistently at various levels throughout the organisation. There are three primary lines of control across the operations:

- **Risk ownership:** Risk taking is inherent in the individual Business Unit's (BU) activities and, as such, the Business Unit carries the primary responsibility for the risks in its business, particularly with respect to identifying and managing it appropriately.
- **Risk control:** Business Unit management is supported by deployed risk management functions that are involved in all business decisions and are represented at an executive level. These are overseen by an independent and Head Office based risk control function.
- **Independent assurance:** The third major control point involves functions providing independent assurance on the adequacy and effectiveness of risk management practices across the Group. This assurance is provided by Head Office internal audit function and external auditors who are also present at relevant board and committee meetings.

The risk management and governance structure described above is set out in the BPRMF of the FirstRand Group, which explicitly recognises these lines of control and are embedded as a policy of FRIN MANBO.

2.3. Most material risks, its mitigation and monitoring

Based on the aforesaid risk framework, we have identified the following as the most material risks to which FRIN is exposed:

Risk	Mitigation/ Monitoring
Credit risk <ul style="list-style-type: none"> • Default risk • Concentration risk • Collateral (unsecured) risk 	<ul style="list-style-type: none"> • Governance: Head Office-based Credit Committees approve the credit mandate, and individual transactions are approved via various Credit Committees duly chaired by Head Office personnel. Transactions are appraised by the credit team which remains independent of the BUs. • Risk measurement: Bank uses robust, segment-specific rating frameworks for evaluating credit risk of the borrowers. Risks on various counterparties such as corporates, banks, NBFs and FIs, are monitored through counter-



	<p>party exposure limits. It is also governed by country risk exposure limits in case of international trades.</p> <ul style="list-style-type: none"> • Concentration Risk: The Bank also monitors concentration risk products, segments, geographies, etc., through appropriate prudential limits, though due to the small size of the balance sheet, it cannot be fully eliminated at this juncture. The portfolio concentration, along with the credit quality migration, is monitored via the Credit Portfolio Monitoring Committee (CPMC) on a regular basis, and appropriate portfolio/counterparty related actions are initiated. <p>We take comfort from the following:</p> <ol style="list-style-type: none"> 1. Our credit mandate is to tap the top-tier/well-rated corporates, banks, FIs and NBFCs, which mitigates default risk 2. Lower product risk through short-term/trade exposures and/or market-linked instruments 3. Adherence to all regulatory/internal prudential guidelines
<p>Market risk</p> <ul style="list-style-type: none"> • Price risk • Foreign Exchange risk 	<ul style="list-style-type: none"> • Governance: Appropriate Market Risk related policies, limits duly approved by the Board and Asset Liability Committee (ALCO) and Market and Investment Risk Committee (MIRC) of the Bank, and segregation of front, middle and back office activities. • Market risk measurement/monitoring: Independent monitoring through operational limits such as stop-loss, Expected Tail Loss (ETL), exposure, and deal-size limits, etc. • Small-size of the market risk limits: The Bank's extant market risk limits are much smaller vis-à-vis the capital of the Bank and thus effectively limiting the quantum/duration of the investments and derivatives portfolio.
<p>Asset Liability Management (ALM)</p> <ul style="list-style-type: none"> • Liquidity risk • Interest rate risk 	<ul style="list-style-type: none"> • Governance: Policy formulation and adherence to the same is monitored by the Bank's ALCO. • Monitoring/measurement Liquidity risk is monitored through Structural Liquidity Gaps, Dynamic Liquidity position, Liquidity Coverage Ratios, Liquidity Ratios analysis and Behavioural analysis, with prudential limits for negative gaps in various time buckets. Interest rate sensitivity is monitored from earnings and economic value perspective through prudential limits for Interest rate sensitive gaps, Modified Duration and other risk parameters. Interest rate risk on the Investment portfolio is monitored through Expected Tail Loss (ETL) numbers on a daily basis. • Advances book adequately funded by deposits: The Bank's INR advances book is adequately funded by INR deposits. There are enough liquidity limits available via reciprocal lines from various counterparty banks as a contingency. It may be noted that the investment book is funded by interbank borrowings, but the risk is mitigated primarily by strong counterparty credit rating and adequate liquidity of assets.
<p>Operational Risk</p>	<ul style="list-style-type: none"> • Operational risk is managed by addressing Process risk, Systems risk as well as risks arising out of external environment. Bank has implemented various operational risk management tools availed by Head Office such as



	<p>Process Based Risk and Control Identification and Assessment (PRCIA), Open Pages (a Head Office based tool for capturing operational events), in adherence with BCBS guidelines.</p> <ul style="list-style-type: none"> • Bank has efficient audit mechanism involving concurrent, statutory and internal audits in addition to on/off-site surveillance by RBI. • Considering the current CIB activities which is operationally-light, we expect the operational risk to be inherently low.
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2.4. Composition of capital, capital requirement, and capital adequacy

Tier I capital of the Bank comprises of interest-free funds provided by the Head Office, statutory reserves and accumulated losses. Tier II capital of the Bank comprises of General Provisions on Standard Assets, Country Risk Provision created in accordance with RBI guidelines, and provisions for Unhedged Foreign Currency Exposure. The composition of capital is shown in the table below.

Particulars (Rs. in '000s)	30-Sept-19
Capital	6 617 140
Add: Statutory reserve	65 031
Less: Debit balance in Profit & Loss account	- 3 521 312
Less: Intangible assets	0
Total Common Equity Tier 1 Capital (A)	3 160 859
Additional Tier 1 Capital (B)	---
Total Tier 1 Capital (C=A + B)	3,160,859
General Provisions and Loss Reserves	71 191
- <i>Standard Asset Provision</i>	59 723
- <i>Country Risk Provision</i>	779
- <i>Investment Reserve Account</i>	9 040
- <i>Investment Fluctuation Reserve</i>	1 650
Total Tier 2 Capital (D)	71 191
Total Capital (C + D)	3 232 051

The summary of capital requirement for credit, market and operational risk, based on the extant RBI guidelines, is provided in the table below:

Particulars (Rs. in '000s)	30-Sept-19
Capital requirement for credit risk (Standardised Approach)	
• Portfolios subject to standardised approach	6 321 081
• Securitisation exposures	-
Capital requirement for market risk (Standardised Duration Approach)	
- Interest rate risk	1 612 678
- Foreign exchange risk (including gold)	503 125
- Equity risk	-
Capital requirement for operational risk (Basic Indicator approach)	1 655 393
Total	1,142,153



Based on the aforesaid capital consumption, the capital adequacy ratio of the Bank is estimated as follows:

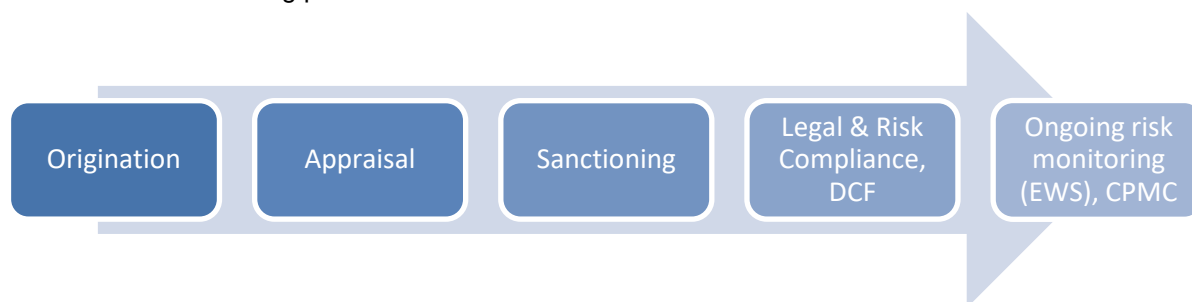
Particulars	30-Sept-19
Common equity Tier I	31.32%
Tier I capital adequacy ratio	31.32%
Total (Tier I + Tier II) capital adequacy ratio	32.02%

TABLE DF-3: CREDIT RISK: GENERAL DISCLOSURES

Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or performance obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads.

3.1. Credit Risk value-chain

The Bank has an independent Credit team which is responsible for setting up of all counterparty limits (e.g., corporates, banks, NBFCs/FIs, etc.) for all transactions (including derivatives). All exposures are monitored in accordance with RBI regulations on single/ group borrower limits, and the internal prudential limits. The credit sanctioning process is discussed here:



- **Origination:** This refers to the initiation of the approval of new facilities, the renewal of existing facilities, and/or amendment in limits/covenants, etc., which bear credit risk. Once a client is prospected by the Business Unit (BU) as per their existing business/credit mandates, it requests the Credit team to conduct the due diligence/appraisal of the counterparty.
- **Appraisal:** After a client is prospected by the BU, the client's credit profile is independently assessed by the Credit team to ensure that the same is in line with the Bank's credit mandate. It also includes assessment of the risk inherent to the transaction/deal/product. Apart from its own internal due diligence, the Bank also does strong referencing via peer banks' feedback, external rating/brokerage reports, market intelligence, etc., as well as independent credit views from FRIN Credit Non-executives. The outcome of this process is a Credit Application (or pre-screen note, as the case may be), which encompasses an assessment of the client's industry profile, management, financing profile, financing flexibility, liquidity, key risks/mitigants, transaction analysis, etc., as well as the recommended counterparty prudential limits, product-specific limits, credit rating, and the terms and conditions.
- **Sanctioning:** Credit sanctioning refers to the approval of the overall/product-specific prudential limits, client and deal rating by the relevant Head Office Credit Committees. There is a two stage approval process.



- FRIN Credit Forum (FRIN CF) acts as a 'pre-screening forum' for credit proposals recommended to Credit Committees for approval. The respective FRIN India credit/business teams and the Head Office credit personnel participate in the FRIN CF. The FRIN CF evaluates the credit profile/deal from the desirability, compliance with the internal guidelines, risk vs. return, etc., point of view.
- After the client/deal is approved by FRIN CF, a thorough due diligence is initiated on the counterparty. After satisfactory due diligence, the same proposal is recommended to the respective Credit Committees. The respective Credit Committees approve the final limits on the counterparties (conditionally or unconditionally) and assigns a rating for the deal/client.

All credit exposures, if outstanding, are renewed within 12 months of sanction of the limits. Delegated members of the HO Credit Committees may, however, approve deferrals of formal annual credit reviews for a maximum period of a further 6 months subject to the fulfilment of the following criteria:

- The last formal credit review approved by the relevant approval body was within 18 months from the proposed deferral date
- The last formal credit review was performed on audited financial statements for the year-end within 24 months from the proposed deferral date
- the latest financial information available with the credit team

However, if there is any deterioration in the credit profile (as assessed by the Credit Committee or Credit team), then interim reviews can be undertaken.

- **Legal and Risk Compliance** (conducted via the Deal Conclusion Forum) is the process whereby all the pre-onboarding conditions i.e. legal documentation, security creation, KYC/AML, satisfaction of credit conditions, compliance with internal/regulatory norms, etc., are concluded, before the client is on-boarded.
- **Ongoing Risk Management** (conducted via Credit Portfolio Monitoring Committee or CPMC) refers to the active monitoring of the industry profiles and credit profiles of all counterparties (irrespective of the credit rating), and focuses on aspects such as changes in the industry profile, counterparty financial profile, facility utilization versus approved limits, excesses, outstanding collateral, covenants, expired limits, and high risk clients. The outcome of this process is formulating action plans to undertake appropriate credit interventions like reducing/enhancing of credit limits, product-level limits, exit, suspension of limits, etc. The activities also include portfolio measurement, compliance with various internal/regulatory prudential parameters, and all post-sanction related documentation issues.

3.2. Non Performing Asset (NPA) Management & Recovery

FRIN Credit Policy encompasses the approach to deal with the NPA management and recoveries, as detailed below.

- **Credit impairment:** Credit impairment happens when the following is observed:
 - Delay/difficulty in the servicing of debt by the borrower
 - Material adverse changes in the credit profile of the borrower
 - Any fraud committed by the borrower
 - Reasonable probability that the borrower will enter bankruptcy or other financial reorganisation
 - Economic/industry conditions that correlate with defaults in the same industry segments
 - Disappearance of an active market for that financial asset because of financial difficulties



- **NPA management and recoveries:** This is aligned to the Group framework and extant RBI regulations. The fundamental principle applied in enforcing this policy is to ensure that credit impairments calculated are adequate, conservative, and duly approved by the relevant governance forums. Once an account has been identified to be in default, it is transferred to legal recoveries/workout process. An action plan is formulated after considering the points below:
 - Reasons/source of problem
 - Likelihood of recovery of the client based on financial status / projections
 - Quality of the security held and possible ways to enforce the security
 - Security shared with other lenders and decision taken by other lenders
 - RBI guidelines related to recovery
 - Various legal options to recover the outstanding and probability of recovery (e.g., legal suits, restructuring, liquidation, etc.)

Based on the realistic assessment of the available collateral, when a loan becomes uncollectible, it is written off. Such loans are written off after all the internal approvals have been obtained and the amount of the loss has been determined. During FY2019, the Bank had one Non-Performing Asset (NPA), for which 25% provisioning has been made, post evaluation of pace of resolution and the underlying collateral.

3.3. Analysis of Credit exposures:

Fund and Non-Fund based

Category (Rs. In '000s)	30-Sept-19
Loans and Advances	4 059 041
Total Fund-based Credit Exposures	4 059 041
Guarantees given on behalf of customers	3 222 060
LC	200 534
Undrawn committed lines	301 298
Total Non-Fund based Credit Exposures	3 723 892
Total Credit Exposures*	7 782 933

* represents outstanding exposure

Geographic Distribution

Category (Rs. In '000s)	30-Sept-19
Domestic	4 059 041
Overseas	-
Total Fund-based Credit Exposures	4 059 041
Domestic	3 422 595
Overseas	-
Undrawn committed lines	301 298
Total Non-fund based Credit Exposures	3 723 892
Total Credit Exposures*	7 782 933

* represents outstanding exposures



Industry type distribution of exposures as at 30 September 2019

Industry (Rs. In '000)	Fund-based	Non-fund based	Total	Percentage
Banking*	-	3,025,160.63	3,025,160.63	40.06%
Beverages			-	0.00%
Mining and Quarrying	200,000.00	-	200,000.00	2.65%
Textiles			-	0.00%
Leather and Leather products	300,000.00	-	300,000.00	3.97%
Chemicals & Chemical Products	354,375.00	-	354,375.00	4.69%
Rubber, Plastic & their Products	200,000.00	-	200,000.00	2.65%
Wood and Wood Products			-	0.00%
Paper and Paper Products			-	0.00%
Basic Metal & Metal Products			-	0.00%
All Engineering	800,629.75	44,820.03	845,449.78	11.20%
Infrastructure		296,808.91	296,808.91	3.93%
Vehicle, Vehicle Parts & Transport Equipment's			-	0.00%
Construction	395,313.26	17,364.38	412,677.63	5.46%
Gems and Jewellery			-	0.00%
Other Industries			-	0.00%
Printing & Publishing			-	0.00%
Residuary Exposures	1,878,722.67	38,440.60	1,917,163.27	25.39%
Grand Total	4,129,041	3,422,595	7,551,635	100%

*Exposure to Banking, Engineering (all), Infrastructure, Printing & Publishing is more than 5% of gross credit exposures

Residual maturity of assets as at 30 September 2019

Particulars (Rs. In '000s)	Cash	Balance with RBI	Balance with Banks	Investments	Advances	Fixed Assets	Other Assets
Day 1	0	12 203	1 336 403	6 727 251	10 622	0	9 170
2 to 7 days	0	0	0	48 635	910 742	0	0
8 to 14 days	0	44 935	0	9 252	405 853	0	0
15 to 30 days	0	3 985	0	356 083	980 161	0	235 278
31 days to 2 months	0	758	0	282 033	359 833	0	972
2 months to 3 months	0	29 179	0	222 721	655 654	0	37 124
Over 3 months & up to 6 month	0	23 111	0	808 190	476 177	0	3 174
Over 6 month & up to 1 year	0	18 251	0	2 568 607	0	0	2 197 665
Over 1 year & up to 3 years	0	9 173	0	1 382 425	260 000	0	101 265
Over 3 years & up to 5 years	0	44 023	0	2 775	0	0	1 826
Over 5 years	0	0	0	185 573	0	5 511	111 217
Total	0	185 618	1 336 403	12 593 546	4 059 041	5 511	2 697 688



Non-Performing Assets:

Sr. No	Particulars (Rs. In '000s)	30-Sept-19
(i)	Net NPAs to Net Advances (%)	5.17%
(ii)	Movement of Gross NPAs	
	a) Opening balance	280,000
	b) Additions during the year	
	c) Reductions during the year (write off)	-
	d) Closing Balance	280,000
(iii)	Movement of Net NPAs	
	a) Opening balance	210,000
	b) Additions during the year	-
	c) Reductions during the year (write off)	-
	d) Closing Balance	210,000
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)	
	a) Opening balance	70,000
	b) Additions during the year	-
	c) Reductions during the year (Write off)	-
	d) Closing Balance	70,000

TABLE DF-4: CREDIT RISK - DISCLOSURE OF PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

The Bank uses ratings provided by external ratings agencies which are approved by RBI for computation of capital adequacy, viz., CRISIL, ICRA, India Ratings, CARE and Brickworks for domestic exposures, and Standard & Poor (S&P), Moody's and Fitch for foreign counterparties (e.g., global banks). The Bank also has a Head Office-based internal ratings model. These internal ratings are used for ascertaining credit worthiness of a client, setting internal prudential limits, determining pricing, etc.

Risk bucket-wise analysis of bank's outstanding exposure (Exposure after CCF):

Categorisation of exposure (Rs. In '000s)	30-Sept-19
Under 100% risk weight	30 337 851
100% risk weight	756 064
Above 100% risk weight	329 457
Total	31 423 373

TABLE DF-5: CREDIT RISK MITIGATION

Taking and managing of credit risk is a core component of the Bank's business, it aims to optimise the amount of credit risk it takes to achieve its return objectives. The mitigation of credit risk is an important component of this process, which begins with the structuring and approval of facilities for only those clients and within those parameters that fall within the risk appetite. In addition, various instruments are used to reduce the Bank's exposure in case of a counterparty default. These include, amongst others, financial or other collaterals, netting agreements and guarantees. The type of security used typically depends on the portfolio, product or customer segment.



Collateral valuation and management

The Bank employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that the Bank retains title of collaterals taken over the life of the transaction. All items of collaterals are valued at inception of a transaction and at various points throughout the life of the transaction. As stipulated by RBI guidelines, the Bank uses the Comprehensive Approach for collateral valuation. Under this approach, the Bank reduces its credit exposure to a counterparty, when calculating its capital requirements, to the extent of risk mitigation provided by the eligible financial collateral.

Types of collaterals taken by the Bank and main types of guarantor counterparties and credit risk concentration

The Bank accepts security in the form of charge on receivables or inventories for working capital facilities and in certain cases, charge on fixed deposits and fixed assets, besides guarantees from other related parties. In certain cases, the facilities to obligors may be supported by partial / full insurance protection purchased. Since there are varied sources of credit protection acquired through different guarantors, there is no concentration of guarantor risk. The total exposures covered by eligible financial collateral after application of haircuts are as follows:

Advances covered by financial collateral (Rs. in '000s)	30-Sept-19
Exposures before Credit Risk Mitigation	50 000.0
Risk Mitigation	-50 000.0
Exposures after Credit Risk Mitigation	-

Exposures covered by guarantee (Rs. in '000s)	30-Sept-19
Funded exposures covered by Guarantee*	---
Non-Funded exposures covered by Guarantee*	3 000 709

* Outstanding exposure

TABLE DF-6: SECURITISATION EXPOSURES: DISCLOSURE FOR STANDARDISED APPROACH

Not applicable as the Bank has not undertaken any securitisation transactions during the current period.

TABLE DF-7: MARKET RISK IN TRADING BOOK

Market Risk is the risk of adverse valuation of any financial instrument as a consequence of changes in market prices or rates. FRIN manages its market risk according to the policies and guidelines established by FirstRand Group's Market Risk Framework, a sub-framework of the BPRMF. In terms of the Market Risk Framework, the responsibility for determining market risk appetite vests with FRB's Board, which also retains independent oversight of market risk-related activities through the FirstRand Risk Capital and Compliance (RCCom) committee, and MIRC. In country governance forums, such as FRIN MANBO, take responsibility for the advancement of these mandates for FRIN, whilst market risk managers provide independent control and oversight of the overall market risk process.



The Bank has detailed treasury policies covering investments, foreign exchange and derivatives risk management. The key aspects of the treasury mandate are provided below:

- **Valuation and pricing:** The Bank values its trading book daily on mark-to-market basis using the day end closing rates sourced from Reuters. Month-end valuations are done based on the rates issued by Fixed Income Money Market and Derivative Association of India (FIMMDA)/ Financial Benchmark India Limited (FBIL), and Foreign Exchange Dealers Association of India (FEDAI).
- **Measure and control:** The Bank has clearly defined limits to measure and manage risks across the entire spectrum of market-linked instruments, as discussed below. The same is monitored at regular intervals. Any limit breaches are investigated immediately and are escalated (with proposed corrective action) to the respective Business Unit and Risk functions and appropriate governance forums.

Market risk measurement and techniques

Market risk exposures are assessed and managed against limits such as Expected Tail Loss (ETL), position, gap, and risk limits for different categories of instruments.

- For foreign exchange risk, the Bank has put in place net open position limit, aggregate gap limit, counterparty limit, FX ETL sub-limit, which are monitored daily.
- For interest rate risk, the Bank has mismatch limits for, inter-alia pre-defined time buckets, net open position limit for OIS, product-wise daily, and monthly stop loss limits and Interest Rate ETL sub-limit.
- For general market risk, the measure of risk used is the ETL metric at the 99% 10-day holding period (as detailed below) under the full revaluation methodology using 500 days historical risk factor scenarios (i.e., under the historical simulation method).

In order to accommodate the stress loss imperative, the scenario set used for revaluation of the current portfolio is historical scenarios which incorporate both the past 250 trading days and at least one 250 day period of market distress (e.g., 2008-09). This stress period encompasses severe market volatility and dislocations. An appropriate multiplication factor is applied to the resulting ETL in order to calibrate it to a 1 in 25-year event, as it is recognised that this stress period may still be a conservative representation of other stress periods. Currently, the multiplication factor of 1.5 is being applied to the resulting ETL.

Stress Testing

Whilst ETL, calculated on a daily basis, supplies forecasts for potential large losses under various market conditions, Bank also performs stress tests in which the trading portfolios under extreme market scenarios are valued. As mentioned above, the Bank applies distressed ETL methodology to estimate the general market risk on positions held based a significant set of changes in market conditions previously experienced. Stress testing involves the use of risk factor sensitivity measures that supplement the standard portfolio revaluation technique. These measures help in identifying risk concentrations and directional risk.



Capital requirements for market risk

Particulars (Rs. in '000s)	30-Sept-19
Capital requirement for market risk	
-Interest rate risk	129 014
-Foreign exchange risk (including gold)	40 250
-Equity risk	0
Total	169 264

TABLE DF-8: OPERATIONAL RISK

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes and systems or from external events. It includes fraud and criminal activity (internal and external), project risk, legal risk, business continuity risk, information and IT risk, process and human resource risk, but excludes strategic and reputational risk which are the unquantifiable risks. Operational Risk is governed in terms of the Operational Risk Management Framework (ORMF), which is a sub-framework of the BPRMF. The Operational Risk Steering Committee, which is a sub-committee of RCom, is responsible for management of operational risk across the Group.

Operational risk tools

FRIN currently follows the Basic Indicator Approach to calculate capital for operational risk. In line with international best practices, the Bank employs a variety of approaches and tools in the assessment of operational risk. As the Bank currently focuses only on 'operationally light' CIB activities, inherent operational risk is less. The Bank primarily uses various Operational risk tools, and records the same in Head Office databases through a platform called Open Pages (for operational event monitoring/closure), which is as follows:



OPERATIONAL RISK TOOLS AND APPROACHES

Process Based Risk and Control Identification and Assessment (PRCIA)

- Identify and assess risk within activities of key business processes and assess the adequacy and effectiveness of the controls that are in place to mitigate these risks;
- Assess the effectiveness and appropriateness of the key process activities from a risk management perspective by considering the risk and control assessments

Key Risk Indicators (KRIs)

- Used across the Group as an early warning measure
- Useful in highlighting areas of changing trends in exposures to specific key operational risks.
- Inform operational risk profiles which are reported periodically to the appropriate management, risk and audit committees and monitored on a continuous basis

Internal/ External loss data

- Capturing of losses is well entrenched within the Group. Reporting and analysis with specific focus on root cause.
- Used to measure the operational risk profile against risk appetite levels as an input in the calculation of operational risk capital.
- External loss data analysed to learn from the loss experience of other organisations and as an input to the risk scenario process.

Audit Findings

- Group Internal Audit (GIA) acts as the third line of defence across the group.
- GIA provides an independent view on the adequacy of existing controls and their effectiveness in mitigating risks associated with key and supporting processes; and
- Audit Committee findings are tracked, monitored and reported on through the risk committee structure.

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

IRRBB is defined as the sensitivity of the balance sheet and income statement to unexpected, adverse movements in interest rates. The Bank identifies and categorises this risk further in the following components:

- Re-pricing risk arises from the differences in timing between re-pricing of assets, liabilities and off balance sheet positions;
- Yield curve risk arises when unanticipated changes in the shape of the yield curve adversely affect the Bank's income or underlying economic value;
- Basis risk arises from an imperfect correlation in the adjustment of the rates earned and paid on different instruments with similar re-pricing characteristics; and
- Optionality which is the right, but not the obligation, of the holder to alter the cash flow of the underlying position and which may adversely affect the Bank's position as the counterparty to such a transaction.

Risk management

The control and management of interest rate risk is governed by the Framework for the Management of IRRBB, which is an ancillary framework to the BPRMF and FRIN ALM policy:

- **Gap analysis:** The Bank monitors interest rate risk on monthly intervals through a Statement of Interest Rate Sensitivity prepared as of every month end as per RBI guidelines. This analysis



measures mismatches between rate sensitive liabilities and rate sensitive assets. The Bank has internal limits for the interest rate gap. The Asset-Liability committee (ALCO) reviews the interest rate risk periodically and oversees the returns.

- **Earnings at Risk (EaR):** The EaR approach is a short-term assessment of the impact of interest rate movements on earnings through changes in net interest income. The EaR measure reported by the Bank represents an ex-ante estimate of changes in earnings over the next twelve months should interest rate change by +100 or –100 basis points, tracked against the limit of Rs.75 million for 100 basis points shock. The impact on Net Interest Income on account of IRRBB is given below:

Currency (Rs. in '000s)	Rate Change	30 September 2019
INR	+1.00%	-42 861.38
INR	+2.00%	-85 722.77

- **Duration Gap analysis:** Duration Gap analysis assesses the impact of interest rate movements on the present value of networth through changes in economic value of the interest rate sensitive assets and liabilities and off-balance sheet positions. The Bank also assesses the impact of changes in interest rates on the duration of investments (funds invested in government securities) under the assumptions of parallel and non-parallel shifts in the yield curve. The sensitivity of equity to shift in interest rate by 2% has increased as compared to previous year owing to the increased duration of investments in 1 to 3 year government bonds. The Earning at Risk and Duration Gap analysis mentioned above are stressed assuming parallel shift, inversion and steepening of yield curves bi monthly and is monitored by ALCO.

Interest rate risk in banking book as at 30 September 2019

Currency	Rate Change	Change in Equity Value (Rs. '000s)	Impact in %
INR*	2.00%	(84 547)	-2.56%
USD**	2.00%	4,534	0.14%
Total Impact		(80 013)	-2.42%

*The impact on Economic Value of Equity for INR includes the Bank's exposure in INR, JPY, CHF, GBP and EUR.

**The Bank's turnover in USD is more than 5% of the total turnover (Bank's balance sheet size) in the Banking Book, and hence, as per regulatory guidelines the impact for USD assets and liabilities is shown separately.

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

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction could default before final settlement of the transaction's cash flows. The methodology for assigning credit limits is in cognizance with the regulatory and internal guidelines. Counterparty's credit limits are approved by the respective Credit Committees based on the credit profile, nature and rating of the facilities. The same level of due diligence is performed irrespective of the nature of the facilities (i.e., direct/contingent/pre-settlement) sanctioned. The counterparty credit exposure is monitored on a daily basis and the portfolio quality and its behaviour is reported to the relevant governance forums on a periodic basis. The counterparty credit exposure is reviewed based on the change in financial risk profile of the counterparty, macro-economic conditions and prior transaction experience. The Bank has defined NPA guidelines and establishes credit reserves on a prudential basis in consonance with the regulatory guidelines. The Bank may seek cash/ securities on a counterparty basis to mitigate the credit exposure,



if required. The liquidity impact and related costs of a possible downgrade of counterparties is accounted for as part of the stress testing exercise.

The Wrong-Way Risk (WWR) associated with counterparty credit exposures is generally categorised as either specific WWR or general WWR. Specific WWR for unfavourable correlation quantifies the negative correlation between the risk exposure to counterparty and its credit quality. General WWR quantifies a systemic risk coming from the positive correlation between risk factors and counterparty credit worthiness. The Bank presently accounts for any WWR exposure through monitoring of concentration of counterparty credit exposures, and this is reported to relevant governance forums.

The derivatives exposure is calculated using Current Exposure Method, as seen in the table below as at 30 September 2019:

Type (Rs. in '000s)	Notional Amount	Positive MTM	Potential Future Exposure	Exposure as per Current Exposure Method
Foreign exchange contracts	350 156 729	2 156 430	7 003 135	9 159 565
Cross-currency swap	0	0	0	0
Interest rate swap	11 250 000	36 170	63 750	99 920

The capital requirement for default risk as per current exposure method is Rs.230,064 (in 000's) and capital requirement for CVA risk is Rs.1,511 (in 000's) as at 30 September 2019.

TABLE DF-11: COMPOSITION OF CAPITAL

Basel III common disclosure template to be used from September 30, 2019			Ref No.
Common Equity Tier 1 capital: instruments and reserves			(In '000)
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	6,617,140	a
2	Retained earnings	(3,456,281)	b
3	Accumulated other comprehensive income (and other reserves)	-	
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies¹)</i>	-	
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	3,160,859	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	-	
9	Intangibles (net of related tax liability)	-	c
10	Deferred tax assets ²	-	
11	Cash-flow hedge reserve	-	
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale	-	



14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined-benefit pension fund net assets	-	
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
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) ³	-	
20	Mortgage servicing rights ⁴ (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences ⁵ (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold ⁶	-	
23	<i>of which: significant investments in the common stock of financial entities</i>	-	
24	<i>of which: mortgage servicing rights</i>	-	
25	<i>of which: deferred tax assets arising from temporary differences</i>	-	
26	National specific regulatory adjustments ⁷ (26a+26b+26c+26d)	-	
26a	<i>of which: Investments in the equity capital of unconsolidated insurance subsidiaries</i>	-	
26b	<i>of which: Investments in the equity capital of unconsolidated non-financial subsidiaries⁸</i>	-	
26c	<i>of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank⁹</i>	-	
26d	<i>of which: Unamortised pension funds expenditures</i>	-	
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	-	
29	Common Equity Tier 1 capital (CET1)	3,160,859	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	-	
31	<i>of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)</i>	-	
32	<i>of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)</i>	-	
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1</i>	-	



34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	Additional Tier 1 capital before regulatory adjustments	-	
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) ¹⁰	-	
41	National specific regulatory adjustments (41a+41b)	-	
41a	<i>of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries</i>	-	
41b	<i>of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank</i>	-	
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 adequacy¹¹	-	
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	3,160,859	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	
47	<i>Directly issued capital instruments subject to phase out from Tier 2</i>	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	-	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
50	Provisions ¹¹	71,191	d1 + d2
51	Tier 2 capital before regulatory adjustments	71,191	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the	-	



	issued common share capital of the entity (amount above the 10% threshold)		
55	Significant investments ¹² in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		-
56	National specific regulatory adjustments (56a+56b)		-
56a	<i>of which:</i> Investments in the Tier 2 capital of unconsolidated insurance subsidiaries		-
56b	<i>of which:</i> Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank		-
57	Total regulatory adjustments to Tier 2 capital		-
58	Tier 2 capital (T2)		71,191
59	Total capital (TC = T1 + T2) (45 + 58c)		3,232,051
60	Total risk weighted assets (60a + 60b + 60c)		10,092,276
60a	of which: total credit risk weighted assets		6,321,081
60b	of which: total market risk weighted assets		2,115,803
60c	of which: total operational risk weighted assets		1,655,393
	Capital Ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)		31.32%
62	Tier 1 (as a percentage of risk weighted assets)		31.32%
63	Total capital (as a percentage of risk weighted assets)		32.02%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)		-
65	<i>of which: capital conservation buffer requirement</i>		-
66	<i>of which: bank specific countercyclical buffer requirement</i>		-
67	<i>of which: G-SIB buffer requirement</i>		-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)		-
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)		8.00%
70	National Tier 1 minimum ratio (if different from Basel III minimum)		7.00%
71	National total capital minimum ratio (if different from Basel III minimum)		11.50%
	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 standardised approach (prior to application of cap)	71,191	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	201,846	
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	<i>Current cap on CET1 instruments subject to phase out arrangements</i>	-	
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	-	
82	<i>Current cap on AT1 instruments subject to phase out arrangements</i>	-	
83	<i>Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on T2 instruments subject to phase out arrangements</i>	-	
85	<i>Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)</i>	-	

Notes to the Template

Row No. of the template	Particular	(Rs in '000s)
10	Deferred tax assets associated with accumulated losses Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability Total as indicated in row 10	- - -
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank of which: Increase in Common Equity Tier 1 capital of which: Increase in Additional Tier 1 capital of which: Increase in Tier 2 capital	- - - -
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then: (i) Increase in Common Equity Tier 1 capital (ii) Increase in risk weighted assets	- - -
50	Eligible Provisions included in Tier 2 capital	



Eligible Revaluation Reserves included in Tier 2 capital	-
Standard Asset Provision	59,723
Country Risk Provision	779
Unhedged Foreign Currency exposure	-
Investment Reserve Account	9,040
Investment Fluctuation Reserve	1,650
Total of row 50	71,191

TABLE DF-12: COMPOSITION OF CAPITAL- RECONCILIATION REQUIREMENTS

As per Basel III requirements, Banks need to follow a three step approach to show the link between their balance sheet and the numbers which are used in the composition of capital disclosure template set out in DF 11.

Step 1: Disclosure of the reported balance sheet under regulatory scope of consolidation

Step 2: Expansion of the lines of the balance sheet under regulatory scope of consolidation to display all components which are used in the composition of capital disclosure template (Table DF-11)

Step 3: Mapping each of the components that are disclosed in Step 2 to the composition of capital disclosure template set out in Table DF-11.

Given below is the reconciliation disclosed in three steps

Step 1

(Rs in '000s)

Sr No	Particulars	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		As on 30/09/2019	As on 30/09/2019
A	Capital & Liabilities		
i	Paid-up Capital	6 617 140	NA
	Reserves & Surplus	(3 308 143)	NA
	Minority Interest	-	NA
	Total Capital	3 308 997	NA
ii	Deposits	5 119 513	NA
	of which: Deposits from banks	-	NA
	of which: Customer deposits	5 119 513	NA
	of which: Other deposits (Certificate of deposits)	-	NA
iii	Borrowings	9 911 308	NA
	of which: From RBI	-	NA
	of which: From banks	5 167 500	NA
	of which: From other institutions & agencies	4 743 808	NA
	of which: Others (Inter-bank Market Call / Notice)	-	NA
	of which: Capital instruments	-	NA
iv	Other liabilities & provisions	2 537 990	NA
	Total Capital and Liabilities	20 877 808	NA



B	Assets		
i	Cash and balances with Reserve Bank of India	185 619	NA
	Balance with banks and money at call and short notice	1 336 403	NA
ii	Investments:	12 593 546	NA
	of which: Government securities	8 295	NA
	of which: Other approved securities	153	NA
	of which: Shares	-	NA
	of which: Debentures & Bonds	4 053 266	NA
	of which: Subsidiaries / Joint Ventures / Associates	-	NA
	of which: Others (Commercial Papers, Mutual Funds etc.)	245 127	NA
iii	Loans and advances	4 059 041	NA
	of which: Loans and advances to banks	-	NA
	of which: Loans and advances to customers	4 059 041	NA
iv	Fixed assets [^]	5 511	NA
v	Other assets	2 697 688	NA
	of which: Goodwill and intangible assets [^]	-	NA
	of which: Deferred tax assets	-	NA
vi	Goodwill on consolidation	-	NA
vii	Debit balance in Profit & Loss account	-	NA
	Total Assets	20 877 808	

[^]Fixed asset excludes Goodwill.

Step 2

(Rs in '000s)				
Sr No	Particulars	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Sr No
		As on 30/09/2019	As on 30/09/2019	
A	Capital & Liabilities			A
I	Paid-up Capital	6,617,140	NA	I
	of which: Amount eligible for CET1	6,617,140	NA	
	of which: Amount eligible for AT1	-	NA	
	Reserves & Surplus	(3 308 143)	NA	
	Minority Interest	-	NA	



	Total Capital	3,308,997	NA	
ii	Deposits	5 119 513	NA	ii
	of which: Deposits from banks	-	NA	
	of which: Customer deposits	5 119 513	NA	
	of which: Other deposits (pl. specify)-CD	-	NA	
iii	Borrowings	9 911 308	NA	iii
	of which: From RBI	-	NA	
	of which: From banks	5 167 500	NA	
	of which: From other institutions & agencies	4 743 808	NA	
	of which: Others (Interbank Market Call / Notice)	-	NA	
	of which: Capital instruments	-	NA	
iv	Other liabilities & provisions	2 537 990	NA	iv
	of which: DTLs related to goodwill	-	NA	
	of which: DTLs related to intangible assets	-	NA	
	of which Standard Asset Provision	59,723	NA	
	of which Country Risk Provision	779	NA	
	of which Unhedged Foreign Currency exposure	-	NA	
	of which Others	2 477 488	NA	
	Total Capital and Liabilities	20 877 808	NA	
B	Assets		NA	B
i	Cash and balances with Reserve Bank of India	185 619	NA	i
	Balance with banks and money at call and short notice	1 336 403	NA	
ii	Investments:	12 593 546	NA	ii
	of which: Government securities	8 295 153	NA	
	of which: Other approved securities	-	NA	
	of which: Shares	-	NA	
	of which: Debentures & Bonds	4 053 266	NA	
	of which: Subsidiaries / Joint Ventures / Associates	-	NA	
	of which: Others (Commercial Papers, Mutual Funds etc.)	245 127	NA	
iii	Loans and advances	4 059 041	NA	iii
	of which: Loans and advances to banks	-	NA	
	of which: Loans and advances to customers	4 059 041	NA	



Iv	Fixed assets^	5 511	NA	Iv
V	Other assets	2 697 688	NA	V
	of which: Goodwill and intangible assets^		NA	
	Goodwill	-	NA	
	Other intangibles (excluding MSRs)	-	NA	
	of which: Deferred tax assets	-	NA	
Vi	Goodwill on consolidation	-	NA	Vi
Vii	Debit balance in Profit & Loss account	-	NA	Vii
	Total Assets	20 877 808	NA	

^Fixed asset excludes Goodwill

Step 3

(Rs in '000s)

Common Equity Tier 1 capital: instruments and reserves			
Sr No.	Particulars	Component of regulatory capital reported by bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	6,617,140	66,17,140
2	Retained earnings*	(3,456,281)	(3 308 143)
3	Accumulated other comprehensive income (and other reserves)	-	(148 138)
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	NA
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	NA
6	Common Equity Tier 1 capital before regulatory adjustments	-	NA
7	Prudential valuation adjustments	-	NA
8	Goodwill (net of related tax liability)	-	NA

* Excludes Reserves not eligible for inclusion in Tier 1



TABLE DF-13: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Disclosure template for main features of regulatory capital instruments

Sr No	Particulars	
1	Issuer	Interest-free funds from Head Office kept in a separate account in Indian books specifically for the purpose of meeting the capital adequacy norms
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	NA
	Regulatory treatment	NA
4	Transitional Basel III rules	CET
5	Post-transitional Basel III rules	Eligible
6	Eligible at solo/group/ group & solo	Solo
7	Instrument type	CET
8	Amount recognised in regulatory capital	6,617,140
9	Par value of instrument	6,617,140
10	Accounting classification	Capital and Liabilities
11	Original date of issuance	2nd April 2009
12	Perpetual or dated	Perpetual
13	Original maturity date	NA
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	NA
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step up or other incentive to redeem	NA
22	Noncumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA



26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	NA
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

TABLE DF-14: TERMS & CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS

Instru ments	Full Terms and Conditions
Capital	Interest-free funds from Head Office and statutory reserve kept in a separate account in Indian books specifically for the purpose of meeting the capital adequacy norms

TABLE DF-15: DISCLOSURE REQUIREMENTS FOR REMUNERATION

In terms of guidelines issued by RBI vide circular No. BC. 72/29.67.001/2011-12 dated 13 January 2012 on "Compensation of Whole Time Directors / Chief Executive Officers / Risk takers and Control function staff, etc.", the Bank has submitted a declaration during the year received from its Head office to RBI to the effect that the compensation structure in India, including that of the CEO's, is in conformity with the Financial Stability Board (FSB) principles and standards.

TABLE DF-16: EQUITIES – DISCLOSURE FOR BANKING BOOK POSITIONS

Not applicable, as the Bank has not invested in equities in the current year (Previous year: Nil)

TABLE DF-17: COMPARISON OF ACCOUNTING ASSETS AND LEVERAGE RATIO EXPOSURE

(Rs. in 000s)

Sr. no	Particulars	30 September 2019
1	Total consolidated assets as per published financial statements	20 877 808
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	0



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	8 452 780
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	2 107 406
7	(Other adjustments)	2 071 935
8	Leverage ratio exposure	33 509 929

TABLE DF- 18: LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE AS OF 30 September 2019

The leverage ratio acts as a credible supplementary measure to the risk based capital requirement. The Bank is required to maintain a minimum leverage ratio of 4.5%. The Bank's leverage ratio, calculated in accordance with the RBI guidelines is as follows, and remains above the regulatory thresholds.

(Rs In '000s)

Sr. No.	Leverage ratio framework	30 September 2019
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	18 620 665.00
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	0.00
	Derivative exposures	18 620 665.00
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with all derivatives transactions	4 279 678
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	6 312 941
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)	0
	Securities financing transaction exposures	10 592 619
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	CCR exposure for SFT assets	0
15	Agent transaction exposures	2 189 239
16	Total securities financing transaction exposures (sum of lines 12 to 15)	0
	Other Off-balance sheet exposure	2 189 239
17	Off-balance sheet exposure at gross notional amount	
18	(Adjustments for conversion to credit equivalent amounts)	3 723 891
19	Off-balance sheet items (sum of lines 17 and 18)	-1 616 485
	Capital and total exposures	2 107 406



20	Tier 1 capital	3 160 859
21	Total exposures (sum of lines 3, 11, 16 and 19)	33 509 929
	Leverage ratio	
22	Basel III leverage ratio	9.43%