PILLAR III DISCLOSURE REQUIREMENTS AS OF 31st DECEMBER 2021

1. Scope of Application and Capital Adequacy

Table DF 1 –SCOPE OF APPLICATION

Dhanlaxmi Bank is a Scheduled Commercial Bank, which was incorporated on November 14, 1927 in Thrissur, Kerala. The Bank does not have any Subsidiary/ Associate companies under its Management.

TABLE DF 2- CAPITAL ADEQUACY

Qualitative disclosures:

Basel- III guidelines issued by RBI

Reserve Bank of India had issued Guidelines based on the Basel III reforms on capital regulation in May 2012, to the extent applicable to Banks operating in India. The Basel III capital regulation has been implemented from April 1, 2013 in India. The transition to the Basel III Capital Regulations is in a phased manner and during the transitional period the Bank is subject to the compliance with the regulatory limits and minimum CRAR prescribed under Basel III Capital Regulation on an ongoing basis. The Basel III Capital Regulations have been consolidated in Master Circular RBI/2015-16/58 BR.No.BP.BC.1/21.06.201/2015-16 – Basel III Capital Regulations dated July 1, 2015.

Basel III Capital regulations continue to be based on 3 mutually reinforcing Pillars viz, Minimum Capital requirements (Pillar I), Supervisory Review and Evaluation Process (Pillar II) and Market Discipline (Pillar III). The circular also prescribes the risk weights, for the Balance Sheet assets, non funded items and other off Balance Sheet exposures and the minimum Capital Funds to be maintained as a ratio to the aggregate of the Risk Weighted Assets (RWA) and other exposures, as also, capital requirements in the Trading book, on an ongoing basis and Operational risk. The Basel-III norms mainly seek to:

a) Raise the quality of capital to ensure that the Banks are capable to absorb losses on both as going concern and as gone concern basis,
b) Increase the risk coverage of the capital framework

c) Introduce Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Leverage Ratio to serve as a backstop to the risk based capital measure.
d) Raise the standards for the Supervisory Review and Evaluation Process and Public Disclosures etc.

The macro prudential aspects of Basel III are largely enshrined in the capital buffers, viz., Capital Conservation Buffer and Counter Cyclical Capital Buffer. Both the buffers are intended to protect the Banking sector from stress situations and business cycles. The Capital Conservation Buffer requirements started from March 31, 2016 and are fully implemented by October 1, 2021. The Reserve Bank of India has released the final guidelines on implementation of Counter Cyclical Capital Buffer (CCCB) in India vide RBI/2014-15/452 DBR.No.BP.BC.71/21.06.201/2014-15 dated February 5, 2015. The CCCB shall increase gradually from 0 to 2.5 per cent of the RWA of the Bank but the rate of increase would be different based on the level/ position of Credit to GDP gap between 3 and 15 percentage points, when notified.

Summary

(i) Tier I Capital : Tier I capital of the Bank includes

- Equity Share Capital
- Reserves & Surpluses comprising of
  - Statutory Reserves,
  - Capital Reserves,
  - Share Premium and
  - Balance in P&L Account
  - Revaluation Reserves
  - Special Reserves

(a) Common Equity Tier I

The Bank has authorised share capital of Rs. 400 Cr, comprising 40 Cr equity shares of Rs.10/- each. As on December 31, 2021, the Bank has Issued, Subscribed and Paid-up capital of Rs.253,01,20,840/-, constituting 25,30,12,084 Equity shares of Rs. 10/- each. The Bank's shares are listed on the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE).

(b) Additional Tier I Capital

As on December 31, 2021 the Bank does not have Additional Tier I Capital.

(ii) Tier 2 Capital includes Investment Fluctuation Reserves, Standard Asset Provisions, Investment Reserves, Provision for Restructured Standard Assets & Advances and Tier II Bonds.

Debt Capital Instruments:

The Bank has been raising capital funds by means of issuance of Upper Tier 2 Bonds and Subordinated Bonds. The details of eligible Upper Tier 2 and Subordinated Debt (Unsecured Redeemable Non-convertible Subordinated Bonds in the nature of Promissory Notes/ Debentures) issued by the Bank and outstanding as on December 31, 2021, are given below. The Bonds considered in computation of Tier 2 Capital is as per the criteria for inclusion of Debt Capital Instruments as Tier 2 Capital detailed in the Basel III Master Circular.

Rs. in Cr

Series	Coupon (%)	Date of Allotment	Maturity Date	Amount of Issue *
Series XV	Payable half yearly @ 11.00%	29.03.2018	29.03.2025	150.00

*Of this Rs.90.00 Cr is eligible for Tier 2 Capital under Basel III.

Quantitative Disclosures:

Risk exposure and assessment

Besides computing CRAR under the Pillar I requirement, the Bank also periodically undertakes Stress Testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy. The Bank conducts Internal Capital Adequacy Assessment Process (ICAAP) on annual basis to assess the sufficiency of its capital funds to cover the risks specified under Pillar II of Basel guidelines. The adequacy of Bank's capital funds to meet the future business growth is also assessed in the ICAAP Document. Capital requirement for current business levels and framework for assessing capital requirement for future business levels has been made. Capital requirement and Capital optimisation are monitored periodically by the Committee of Senior Management (ALCO). The Senior Management deliberates on various options available for capital augmentation in tune with business growth. Based on these reports submitted by Senior Management, the Board of Directors evaluates the available capital sources, forecasts the capital requirements and capital adequacy of the Bank and ensures that the capital available for the Bank at all times is in line with the Risk Appetite of the Bank.

Composition of Capital as on 31.12.2021

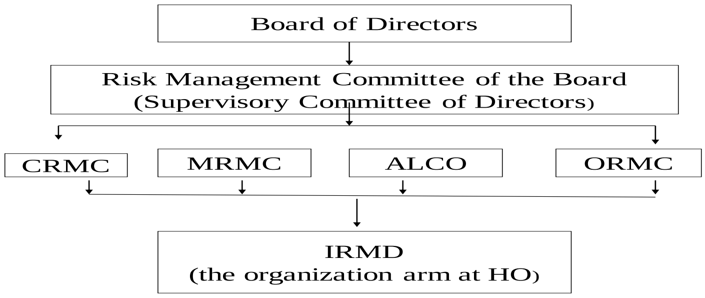
Items	Rs. in Million
Paid-up Share Capital	2530.12
Reserves	13440.90
Common Equity Tier 1 Capital before deductions	15971.02
Less amounts deducted from Tier I capital (Accumulated losses, DTA and Intangible Assets).	9250.51
(a) Common Equity Tier 1 Capital	**6720.51**
(b) Additional Tier-I Capital	0.00
(c) Total Tier-I Capital (a)+(b)	**6720.51**
Directly issued Tier II capital instruments subject to phase out	900.00
General Provisions/ Investment Reserves/ Investment Fluctuation Reserves	770.23
(d) Total Tier 2 Capital	**1670.23**
Total Eligible capital (c)+(d)	**8390.74**

The Bank is following Standardised Approach, Standardised Duration Approach and Basic Indicator Approach for measurement of capital charge in respect of Credit Risk, Market Risk and Operational Risk respectively. The Capital requirements for Credit Risk, Market Risk and Operational Risk and the Common Equity Tier 1, Tier 2 and Total Capital Ratios are given below: -

Rs.in Cr

Items	31.12.2021
(a) Capital requirements for Credit risk	
Portfolios subject to Standardised Approach (11.50%)	**543.97**
Securitization exposures	
(b) Capital requirements for Market risk- Standardised Duration approach	**67.27**
Interest rate risk	56.00
Foreign exchange risk(including gold)	0.90
Equity position risk	10.37
(c) Capital requirements for Operational risk	**65.39**
Basic Indicator Approach	65.39
Total Capital Funds Required @ 11.50% [(a)+(b)+(c)]	**676.63**
Total Capital Funds Available	**839.07**
Total Risk Weighted Assets	**6388.36**
(d) Common Equity Tier 1, Tier 2 and Total Capital Ratios	
Common Equity Tier 1 CRAR (%)	10.52%
Tier 2 CRAR (%)	2.61%
Total CRAR % for the Bank	**13.13%**

<u>Structure and Organisation of the Risk Management function in the Bank</u>



Scope and Nature of Risk Reporting and/or Measurement Systems

The Bank has adopted an integrated approach for the management of risk. The Bank's Integrated Risk Management Department (IRMD) is the organisational arm for risk management functions. The Bank has developed a comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Major initiatives of IRMD are –

- Risk rating system is drawn up in a structured manner incorporating the parameters from the 5 main risk areas 1) Financial Risk, 2) Industry/ Market Risk, 3) Business Risk, 4) Management Risk, and 5) Facility risk
- Risk rating system is made applicable for loan accounts with total limits of Rs.2 lakhs and above.
- Different Rating Models are used for different types of exposures, for e.g. Traders, SME, NBFC, Corporate, Small Loans, Retail Loans etc.
- IRMD validates the ratings of all exposures of Rs.100 lakhs and above.
- An independent analysis is carried out of the various risks attached to the credit proposals including industry analysis.
- Conducting Rating Migration analysis covering all exposures of Rs.5 Cr and above is conducted on quarterly basis and migration analysis of exposures of Rs.1 Cr & above is conducted on a half yearly basis. Rating Migration analysis covering all exposures of Rs.25 lakhs and above is conducted on annual basis, Said analysis is carried out to evaluate the asset quality of the Bank by tracking the delinquencies and migration of borrower from one rating scale to another.

Credit facilities are sanctioned at various levels in accordance with the delegation approved by the Board. The Bank has in place the following hierarchical functionaries with delegated powers for credit sanction and administration:

- Branch Head with Branch Operational Manager, jointly,

- Retail Assets Credit Committee for Retail Loans (RACC)
- Retail Assets Credit Committee 1 for Retail Loans (RACC 1)
- Regional Credit Committee (RCC)
- Cluster Credit Approval Committee (CCAC)
- Corporate Credit Committee (CCC)
- Corporate Credit Committee (CCC1)
- Credit and Business Committee of the Board(CBCB)
- Board of Directors

Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants

The Bank has put in place a Board approved Policy on Credit Risk Mitigation Techniques and Collateral Management, covering the Credit Risk mitigation techniques used by the Bank for both risk management and capital computation purposes. Apart from the Basel defined collateral, the Bank ensures securities by way of inventories, Book Debts, Plant & Machineries, Land & Buildings and other moveable/ immovable assets/ properties. The Bank also accepts Personal/ Corporate guarantee as an additional comfort for Credit Risk mitigation. The securities are subjected to proper valuation as prescribed in the Credit Policy of the Bank.

Bank has laid down detailed guidelines on documentation to ensure legal certainty of Bank's charge on collaterals. In order to ensure that documents are properly executed, the function has been brought under the purview of Credit Officers. The Credit Officers at branches ensure documentation, ground level follow up, collection of feedback, closer monitoring of accounts, quality of asset portfolios, statistical analyses, reporting of irregularities, providing guidelines, compliance with policy prescriptions and adherence to terms of sanction.

The Bank has an exclusive set up for Credit Monitoring functions in order to have greater thrust on post sanction monitoring of loans and strengthen administering the various tools available under the Bank's policies on loan review mechanism. For effective loan review, the Bank has the following in place: -

- On site monitoring tools like Inspection of Assets/ Books/ Stock of the borrower, Stock audit, Operations in the account, Payment of statutory dues etc.
- Recording of loan sanctioned by each sanctioning authority by the next higher authority.
- Offsite monitoring tools like Financial Follow-up Reports, verification of various statutory returns, Audit Reports etc.

TABLE DF 3 –CREDIT RISK: GENERAL DISCLOSURES

Qualitative disclosures:

(a) General: -

Definitions of Past Due and Impaired (for accounting purposes)

The Bank has adopted the definition of the Past Due and Impaired (for accounting purposes) as defined by the Regulator for income recognition and these asset classification norms are furnished below:-

1. Non performing Assets

An asset, including a leased asset, becomes Non Performing when it ceases to generate income for the Bank. A Non Performing Asset (NPA) is a loan or an advance where;

a) interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,
b) the account remains 'out of order' as indicated at paragraph 2 below, in respect of an Overdraft/ Cash Credit (OD/ CC),
c) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
d) the installment of Principal or Interest thereon remains overdue for two crop seasons for short duration crops,
e) the installment of Principal or Interest thereon remains overdue for one crop season for long duration crops,
f) the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated Feb 1, 2006
g) in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

An account is classified as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

In addition, an account may also be classified as NPA in terms of any temporary deficiencies as defined by the Regulator.

2. 'Out of Order' status: An account is treated as **'Out of Order'** if the outstanding balance remains continuously in excess of the sanctioned limit/ drawing power. 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, these accounts are treated as **'Out of Order'**.

3. **'Overdue':** Any amount due to the Bank under any credit facility is '**Overdue**' if it is not paid on the due date fixed by the Bank.

Strategies and Processes for Credit Risk Management

Credit Risk Management Committee (CRMC) headed by MD&CEO is the highest level executive committee for Credit Risk management. The committee considers and takes decisions necessary to manage and control Credit Risk within overall quantitative prudential limit set up by Board. The committee is entrusted with the job of recommending to the Board for its approval, clear policies on standards for presentation of credit proposals, fine tuning required in various rating models based on feedbacks or change in market scenario, approval of any other action necessary to comply with requirements set forth in Credit Risk Management Policy/ RBI guidelines or otherwise required for managing credit risk.

The Bank's strategies to manage the credit risks in its lending operations are as under:

a) The Bank has a Comprehensive Board Approved Credit Risk Management Policy which is reviewed and revised annually. In addition to the above, various strategies with regard to Credit Risk management are covered under Bank's Credit Policy, Credit Monitoring Policy and Recovery Policy which are periodically reviewed by the Board.
b) Defined segment exposures are delineated into Retail, SME and Corporates
c) Industry wise exposure caps on aggregate lending by Bank
d) Individual borrower wise caps on lending as well as borrower group wise lending caps linked as a percentage to the Bank's capital funds in line with RBI guidelines.
e) Credit rating of borrowers and allowing credit exposures only to defined thresholds of risk levels
f) A well defined approach to sourcing and preliminary due diligence while sourcing fresh credit accounts
g) A clear and well defined delegation of authority within the Bank with regard to decision making, linking exposure, rating and transaction risks.
h) Regular review of all credit structures and caps, continuously strengthening credit processes, and monitoring oversight which are regularly reviewed and duly approved by the Board of the Bank.
i) Credit Risk Management Cell is validating the rating assigned to all individual credit exposures of Rs100 Lakh and above.

j) Bank has an ever improving procedures and structures with respect to Credit Approval Process, Credit Rating, Prudential Limits, Documentation, Credit Monitoring and Review Mechanism.

k) Credit Audit System by Internal/ External Auditors has been put in place for all Rs.1Cr and above advances. For all loans/ advances of aggregate sanctioned amount of Rs.1 Cr and above, Credit Audit is conducted within 30 days from the date of disbursement. For Takeover accounts of Rs.1 Cr and above, Credit Audit is conducted within 15 days from the date of disbursement and one more Credit Audit is conducted in the immediate succeeding year. In respect of standard accounts with fund based working capital limit of Rs.3 Cr and above and in respect of stand alone Term loans of Rs.5 Cr and above, Credit audit is conducted every year.

l) Legal Audit is conducted for all eligible loan accounts having an exposure of Rs.1 Cr and above mandatorily. In respect of advances of Rs.1 Cr and below Rs.5 Cr, Legal Audit is conducted as a one time measure and in respect of advances of Rs.5 Cr and above, Legal Audit is conducted every year.

m) The review of accounts is usually done once in a year. But in case of deterioration of the quality of advance the frequency of review is shortened to half yearly or quarterly as per the case.

n) The Credit Officers at branch level take care of the security creation and account management

o) Credit Monitoring Department monitors the performance of loan assets of the Bank.

p) Bank also carries out industry study which would provide necessary information to Business line to increase/ hold/ decrease exposure under various industries.

Quantitative disclosures:

(a) Total Gross Credit exposures as on 31st December 2021: (After accounting offsets in accordance with applicable accounting regime and without taking into account the effects of credit risk mitigation techniques e.g. Collateral and netting)

Overall credit exposure		**Amount**	**Total (Rs in Cr)**
Fund Based	Loans & advances	7551.72	8843.89
	Cash, RBI and Banks	645.88	
	Others (Fixed Assets & other Assets)	646.30	
Non Fund Based	LC, BG etc	245.43	956.23
	Forward Contracts/ Interest rate SWAPS	134.52	
	Others	576.28	

Overall credit exposure		Amount	Total (Rs in Cr)
Investments (Banking Book only)	--	2868.60	2868.60
Total of Credit Risk exposure	**--**	**12668.73**	**12668.73**

(b) **Geographic distribution of exposures:**

Exposures	31.12.2021 (Rs. in Cr)		
	Fund based	**Non Fund Based**	**TOTAL**
Domestic operations	11712.50	956.23	12668.73
Overseas operations	Bank has no overseas operations		

(c) **Industry type distribution of exposures as on 31.12.2021:**

Particulars	Funded (Rs in Cr)
	Gross Advance
A. Mining and Quarrying	2.81
B. Food Processing	72.70
C. Beverages (excluding Tea & Coffee) and Tobacco	18.72
D. Textiles	82.74
E. Leather and Leather products	10.52
F. Wood and Wood Products	3.94
G. Paper and Paper Products	8.80
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear fuels	0.00
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	12.72
J. Rubber, Plastic and their Products	3.76
K. Glass & Glassware	8.45
L. Cement and Cement Products	3.99
M. Basic Metal and Metal Products	11.88
N. All Engineering	30.22
O. Vehicles, Vehicle Parts and Transport Equipments	19.07
P. Gems and Jewellery	293.93
Q. Construction	121.77
R. Infrastructure	245.23
S. Other Industries	22.04
All Industries (A to S)	973.28
Residuary other advances	6578.43
Gross Advances	**7551.72**

Exposures to Gems and Jewellery and Infrastructure (Transport, Energy, Water sanitation, Communication etc.) accounted for 3.89% and 3.25% of Gross Advances outstanding, respectively. The coverage of advances to the above 2 industries occupy the top 2 positions among the total industry sectors.

(Rs in Cr.)

Sl. No.	Industry	Gross Advance	Gross NPA	Provision
1	Gems and Jewellery	293.93	0.89	0.23
2	Infrastructure	245.23	9.39	0.23
3	Construction	121.77	8.39	4.60
4	Textiles	82.74	11.75	0.08
5	Food Processing	72.70	10.85	8.62
	Total	**816.37**	**41.27**	**13.76**

(d) Residual maturity breakdown of assets as on 31.12.2021:

(Rs. in Cr)

Maturity Pattern	Advances (Net)	Investments (Gross)	Foreign Currency Assets
Assets			
Next Day	448.18	-	50.05
2 - 7 Days	31.02	-	13.07
8 - 14 Days	40.19	-	-
15 - 30 Days	136.88	24.43	11.81
31 D - 2 M	492.64	-	26.36
2 - 3 Months	390.24	69.16	20.92
3 - 6 Months	752.17	151.95	27.71
6 Months - 1 Year	1513.95	453.83	10.76
1 Year - 3 Years	1385.09	417.99	-
3 - 5 Years	906.80	1993.17	-
Over 5 Years	1162.15	1733.44	-
Total	**7259.32**	**4843.96**	**160.68**

(e) Non Performing Assets:

Sl No	Items	Amount in Rs. in Million
		31.12.2021
1	**Gross NPAs**	**5698.71**
1.1	Substandard	872.53
1.2	Doubtful 1	2287.41
1.3	Doubtful 2	708.71
1.4	Doubtful 3	1092.21
1.5	Loss	737.83
2	**Net NPAs**	2777.16
	NPA Ratios	
3.1	Gross NPAs to Gross Advances (%)	7.55%
3.2	Net NPA s to Net Advances (%)	3.83%

4	**Movement of NPAs (Gross)**	
4.1	Opening balance	6572.07
4.2	Additions	3551.73
4.3	Reductions	4425.08
4.4	Closing balance	5698.71
5	**Movement of provisions for NPAs**	
5.1	Opening balance	3334.78
5.2	Provisions made during the FY	1113.02
5.3	Write-off	791.70
5.4	Write back of excess provisions	742.91
5.5	Closing balance	2913.19
6	**Amount of Non Performing Investments (NPI)**	482.37
7	**Amount of provisions held for NPI**	482.37
8	**Movement of Provisions held for NPIs**	
8.1	Opening balance	359.92
8.2	Provisions made during the period	122.45
8.3	Write-off/ Write back of excess provisions	-
8.4	Closing balance	482.37

Table DF 4 DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

Qualitative disclosures:

(a) For Portfolios under the Standardised Approach

1	Names of credit rating agencies used	Bank has approved all the External Credit Rating agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts, i.e. CRISIL, CARE, India Ratings & Research Pvt. Ltd., ICRA, Brick Work Ratings, ACUITE, Infomerics and International Credit Rating agencies, i.e, Standard and Poor, Moody’s and FITCH.
2	Changes if any, since prior period disclosure in the identified rating agencies and reasons for the same.	No change
3	Types of exposure for which each agency is used	The External Credit Rating assigned by an agency is considered only if it fully takes into account the credit exposure of the Bank. Bank is entitled to use the ratings of all the above identified Rating Agency rating for various types of exposures as follows :

		(i) For Exposure with a contractual maturity of less than or equal to one year (except Cash Credit , Overdraft and other Revolving Credits) , Short -Term Rating given by ECRA will be applicable
		(ii) For Domestic Cash Credit, Overdrafts and other Revolving Credits (irrespective of the period) and/ or Term Loan exposures of over one year, Long Term Rating will be applicable.
		(iii) For Overseas exposures, irrespective of the contractual maturity, Long Term Rating given by IRAs will be applicable.
		(iv) Rating by the agencies is used for both fund based and non-fund based exposures.
		(iv) Rating assigned to one particular entity within a corporate group cannot be used to risk weight other entities within the same group.
4	Description of the process used to transfer public issue rating on to comparable assets in the Banking book.	Long –term Issue Specific (our own exposures or other issuance of debt by the same borrower-constituent/ counter-party) Ratings or Issuer (borrower-constituent/ counter-party) Ratings can be applied to other unrated exposures of the same borrower-constituent/ counterparty in the following cases :
		(i) If the Issue Specific Rating or Issuer Rating maps to Risk Weight equal to or higher than the unrated exposures, any other unrated exposure on the same counter-party will be assigned the same Risk Weight , if the exposure ranks paripassu or junior to the rated exposure in all aspects
		(ii) In cases where the borrower-constituent/ counter-party has issued a debt (which is not a borrowing from our Bank), the rating given to that debt may be applied to Bank's unrated exposures if the Bank's exposure ranks paripassu or senior to the specific rated debt in all respects and the maturity of unrated Bank's exposure is not later than Maturity of rated debt.

Quantitative disclosures

Amount of Bank's outstanding in major risk buckets under Standardised approach after factoring risk mitigants (i.e., collaterals) (includes Banking Book exposure of Investments):

(Rs. in Cr)

Particulars	Total
Below 100% risk weight	7240.16
100% risk weight	1635.26
More than 100% risk weight	851.92
Total Net Exposure	**9727.34**

TABLE DF 5 –CREDIT RISK MITIGATION- STANDARDISED APPROACH

Qualitative Disclosure:

(a) General

Policies and processes for collateral valuation and management:

The Bank has put in place a Board approved policy on Credit Risk Mitigation Techniques and Collateral Management, covering the Credit Risk mitigation techniques used by the Bank for both risk management and capital computation purposes.

A description of the main types of collateral taken by the Bank

Collateral used by the Bank as risk mitigants for capital computation under Standardised Approach comprise eligible financial collaterals namely: -

- Cash and fixed deposits of the counterparty with the Bank.
- Gold: value arrived at after notionally converting these to 99.99% purity.
- Securities issued by Central and State Governments.
- KisanVikas Patra and National Savings Certificates.
- Life Insurance Policies restricted to their surrender value.
- Debt securities rated by an approved Rating Agency.
- Unrated Debt securities issued by Banks, listed in Stock Exchange.
- Units of Mutual Funds.

Bank has no practice of 'On Balance Sheet' netting for Credit Risk mitigation.

The main types of Guarantor Counterparties and their creditworthiness

Bank accepts guarantees of Individuals or Corporates with 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. Main types of guarantor counterparty as per RBI guidelines are: -

- Sovereigns (Central/ State Governments)
- Sovereign entities like ECGC, CGTMSE, CRGFTLIH, NCGTC.
- Bank and Primary Dealers with a lower risk weight than the counterparty
- Other entities rated AA (-) and above. The Guarantees has to be issued by entities with a lower risk weight than the counterparty.

Information about risk concentrations of collaterals within the mitigation taken as on 31.12.2021:

Financial Risk Mitigants	Outstanding Covered by Risk Mitigants (Rs in Cr)	Risk Concentration %
Gold	1679.74	83.54%
Cash & Deposits	328.36	16.33%
KVP/ IVP/ NSC	1.38	0.07%
LIC Policy	1.20	0.06%
Total	**2010.69**	**100.00%**

Majority of the financial collaterals held by the Bank are by way of Gold, own Deposits, Life Insurance Policies and other approved securities. Bank does not envisage market liquidity risk in respect of financial collaterals.

Concentration on account of collateral is also relevant in the case of Land & Building. However, as Land & Building is not recognised as eligible collateral under Basel II Standardised Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge. It is used only in the case of Housing Loan to individuals and Non Performing Assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.

Quantitative Disclosures:

For the disclosed Credit Risk portfolio under the Standardised Approach, the total Exposure that is covered by:
(i) Eligible Financial Collateral : Rs. 2010.69 Cr
(ii) Other eligible Collateral (after Hair Cuts) : Rs. Nil

TABLE DF 6- SECURITISATION – STANDARDISED APPROACH:

Qualitative Disclosures:

- Bank has not securitised any of its standard assets till date.

TABLE DF7 - MARKET RISK IN TRADING BOOK- STANDARDISED MODIFIED DURATION APPROACH:

Qualitative Disclosures:

(a) General : -

Strategies and processes

The overall objective of Market Risk management is to maximise shareholder value by improving the Bank's competitive advantage and reducing loss from all types of market risk loss events. For effective management of Market Risk, Bank has put in place a well established framework with the Integrated Treasury Management Policy, Market Risk Management Policy and Asset Liability Management Policy. The Asset Liability Management Committee is responsible for establishing Market Risk management and Asset Liability management in the Bank. ALCO is a decision making unit responsible for Balance Sheet planning from risk return perspective including the strategic management of Interest Rate and Liquidity Risks. Bank is computing LCR (Liquidity Coverage Ratio) on a daily basis. ALCO ensures adherence to the limits set by RBI as well as the Board.

Scope and nature of risk reporting/ measurement systems

The Bank has put in place regulatory/ internal limits for various products and business activities relating to Trading book. Various exposure limits for Market Risk management such as Overnight limit, VaR limit, Daylight limit, Aggregate/ Individual Gap limit, Investment limits etc. are in place. The reporting system ensures time lines, reasonable accuracy with automation, highlight Portfolio risk concentrations and include written analysis. The reporting formats and frequency of reporting are periodically reviewed to ensure that they suffice for risk monitoring, measuring and mitigation requirements of the Bank. Bank also subjects Non SLR investments to credit rating.

Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of Hedges/ Mitigants:

Board approved policies viz., Integrated Treasury Management Policy and Asset Liability Management Policy provides the framework for risk assessment, identification, measurement and mitigation, risk limits & triggers, risk monitoring and reporting.

Liquidity risk of the Bank is assessed through Structural Liquidity Statement which is prepared on a daily basis. The Bank also reviews various Liquidity Ratios on a monthly basis in order to control the liquidity position. Interest Rate Risk is analysed from earnings perspective using Traditional Gap Analysis and economic value perspective using Duration Gap Analysis on a monthly basis. Stress Tests are conducted at half yearly intervals to assess the impact of various contingencies on the Bank's earnings and the capital position.

The Bank uses Standardised Duration Approach for computation of Market Risk Capital charge on the Investment Portfolio held under HFT and AFS, Gold and Forex Open positions. The Market Risk Capital charge is calculated on a daily basis and reported to ALCO.

Quantitative Disclosures:

Particulars	Capital requirement for market risk-Standardised Duration approach 31.12.2021 (Rs. in Cr)
Interest rate risk	**55.99**
Equity position risk	**10.37**
Foreign exchange risk	**0.90**

TABLE DF 08- OPERATIONAL RISK:

Qualitative disclosures:

(a) General

Strategies and processes: The Bank’s strategy is to ensure that (1) the Operational risks which are inherent in Process, People and System and (2) the residual risks are well managed by the implementation of effective Risk management techniques. Keeping this in view, the Bank has been following risk management measures which address the risks before and after implementation of a Process, Product and System. All new Products, Processes and Systems which are cleared by the Product & Process Approval Committee (PPAC) are risk vetted by the Operational Risk Management (ORM) cell, before implementation. The ORM cell has completed Risk & Control Self Assessment (RCSA) at Thrust Branches and other core functions highlighting the potential risks that can happen during the course of operations and to assess whether the controls are adequate to manage/ mitigate these risks. Risk Based Internal Audit is in place in all the Branches. The Bank has a RCSA Document approved by the Risk Management Committee of the Board (RMCB) and Board, in place.

The framework for Operational Risk Management is well defined in the Operational Risk Management (ORM) Policy which is reviewed and revised annually. The ORM Committee at the executive level, which meets at regular intervals oversees Bank wide implementation of Board approved policies and process in this regard. The Bank has put in place important policies like Information System Security Policy, Policy on Know Your Customer & Anti Money Laundering, Fraud Risk Management Policy, Business Continuity and Disaster Recovery Management Plan.

Scope and nature of risk reporting/ measurement systems: -

The Bank has adopted Operational Loss Data Reporting Format from the Loss Data Methodology Document for collection of Loss Data, which will enable the Bank to eventually ease the transition to Advanced Measurement Approach for Capital Calculation. The ORM cell has a well built internal Loss Data collection system in place. The risk reporting consists of operational risk loss incidents/ events occurred in branches/ offices relating to people, process, technology and external events.

Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:

Internal control mechanism is in place to control and minimise the operational risks. If any controls are found to be ineffective during the course of Risk & Control Self Assessment (RCSA), corrective measures are adopted in due course. A monitoring system is also in place for tracking the corrective actions plan periodically. Bank is using insurance for mitigating operational risk. The various Board approved policies viz., Operational Risk Management Policy, Outsourcing Policy, Compliance Policy, Internal Inspection & Audit Policy, Internet Banking Security Policy; Policy on KYC & AML; Information Systems Security Policy and Business Continuity Plans addresses issues pertaining to Operational Risk Management.

Operational Risk Capital assessment:

The Bank has adopted Basic Indicator Approach for calculating capital charge for Operational Risk, as stipulated by the Reserve Bank of India. The ORM Cell is focusing on the qualitative and quantitative requirements (RCSA, KRI identification, Business Line mapping etc) prescribed by the regulator and these are being adopted by the Bank to move on to the Advanced Approaches in due course.

TABLE DF 09- INTEREST RATE RISK IN THE BANKING BOOK (IRRBB):

(a) Qualitative Disclosures:

Strategies and processes

The Bank has put in place a comprehensive Market Risk management framework to address market risks. The Asset Liability Management Policy prescribes the measurement of the Interest Rate Risk under two perspectives – Earnings Perspective and Economic Value Perspective.

Under Earnings perspective, Bank uses the Traditional Gap Analysis method to calculate the Earnings at Risk (EaR), which is the quantity by which net income might change in the event of an adverse change in interest rate. EaR is calculated on a fortnightly basis.

Under Economic Value Perspective, Bank uses Duration Gap Analysis to assess the impact of interest rate risk. The Duration Gap Analysis monitors the impact of changes in the interest rates on the Market Value of Equity (MVE). It is calculated on a monthly basis.

The framework for managing Interest Rate Risk on the Economic Value of Equity (EVE) under Pillar II of Basel II is put in place through ICAAP Policy Document.

Scope and nature of risk reporting/ measurement systems

Interest Rate Risk under Duration Gap Analysis is evaluated on a monthly basis. The likely drop in Market Value of Equity for a 200 bps change in interest rates is computed. Earnings at Risk based on Traditional Gap Analysis are calculated on a fortnightly basis and adherence to tolerance limits set in this regard is monitored and reported to ALCO. Stress Tests are conducted to assess the impact of Interest Rate Risk under different stress scenarios on earnings of the Bank.

Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants

Bank has operationalised mitigating/ hedging measures prescribed by Integrated Treasury Management Policy, Asset Liability Management Policy and Stress Testing Policy. The strategy adopted by ALCO for mitigating the risk is by clearly articulating the acceptable levels of exposure to specific risk types (Interest Rate, Liquidity etc). The process for mitigating the risk is initiated by altering the mix of Asset and Liability composition and with the proper pricing of Advances and Deposits.

Brief description of the approach used for computation of Interest Rate risk

The Interest Rate Risk (EVE) is computed through Duration Gap Analysis. The step-by-step approach for computing Modified Duration Gap is as follows:

i) Identify variables such as principal amount, maturity date/ re pricing date, coupon rate, yield, frequency and basis of interest calculation for each item/ category of Rate Sensitive Asset/ Rate Sensitive Liability (RSA/ RSL).
ii) Plot each item/ category of RSA/ RSL under the various time buckets. For this purpose, the absolute notional amount of rate sensitive off Balance Sheet items in each time bucket are included in RSA if positive or included in RSL if negative.
iii) The mid-point of each time bucket is taken as a proxy for the maturity of all assets and liabilities in that time bucket.
iv) Determine the coupon and the yield curve for arriving at the yields based on current market yields or current replacement cost for computation of Modified Duration (MD) of RSAs and RSLs.

v) Calculate the Modified Duration (MD) in each time band of each item/ category of RSA/ RSL using the maturity date, yield, coupon rate, frequency, yield and basis for interest calculation.
vi) Calculate the Modified Duration (MD) of each item/ category of RSA/ RSL as weighted average Modified Duration (MD) of each time band for that item.
vii) Calculate the weighted average Modified Duration (MD) of all RSA (MDA) and RSL (MDL) to arrive at Modified Duration Gap (MDG).

(b) Quantitative Disclosures

The impact on Earnings at Risk and Economic Value of Equity for notional interest rate shocks as on 31.12.2021.

Earnings at Risk

Change in interest rate	Change in NII (Rs. in Cr)
± 25 bps	3.86
± 50 bps	7.72
± 75 bps	11.58
± 100 bps	15.45

The Bank is computing Market Value of Equity based on Duration Gap Analysis.

For a 200 bps rate shock, the drop in equity value as on 31.12.2021	**-13.34%**

Table DF -10: GENERAL DISCLOSURE FOR EXPOSURE RELATED TO COUNTERPARTY CREDIT RISK

Qualitative disclosures

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on a number of financial parameters like Net Worth, Capital Adequacy Ratio, Rating etc of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardised Approach

Quantitative disclosures

The Bank does not recognise bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method. The derivative exposure is calculated using Current Exposure Method and the balance outstanding as on December 31, 2021 is given below.

(Rs. in Million)

Particulars	Notional Amounts	Credit Equivalent
Forward Exchange Contracts	1245.21	25.93

Table DF-11: COMPOSITION OF CAPITAL

(Rs. in Million)

Table DF-11 : Composition of Capital				
Part II : Template to be used during the transition period of Basel III regulatory requirements				
Basel III common disclosure template			**Amounts subject to Pre-Basel III Treatment**	**Ref No.**
Common Equity Tier 1 capital: instruments and reserves (Rs.in Million)				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	12,584.60		
2	Retained earnings	-		
3	Accumulated other comprehensive income (and other reserves)	3386.42		
4	Directly issued capital subject to phase out fromCET1 (only applicable to non-joint stock CET1 (only applicable to non-joint stock companies)	0		
	Public sector capital injections grandfathered until January 1, 2018	0		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0		
6	**Common Equity Tier 1 capital before regulatory adjustments**	**15971.02**		
Common Equity Tier 1 capital: regulatory adjustments				
7	Prudential valuation adjustments	-		
8	Goodwill (net of related tax liability)	-		
9	Intangibles other than mortgage-servicing rights (net of related tax liability) - (accumulated loss-Rs.8367.49 mio, and other intangible assets-Rs.369.79 mio)	8737.27		
10	Deferred Tax assets	513.24		
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	-		

Table DF-11 : Composition of Capital				
Part II : Template to be used during the transition period of Basel III regulatory requirements				
	credit risk on fair valued liabilities			
15	Defined-benefit pension fund net assets	-		
16	Investments in own shares (if not already netted off paid- in capital on reported balance sheet)	-		
17	Reciprocal cross-holdings in common equity	-		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-		
20	Mortgage servicing rights (amount above 10% threshold)	NA		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	NA		
22	Amount exceeding the 15% threshold	NA		
23	of which: significant investments in the common stock of financial entities	NA		
24	of which: mortgage servicing rights	NA		
25	of which: deferred tax assets arising from temporary differences	NA		
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00		
26a	*of which:* Investments in the equity capital of the unconsolidated insurance subsidiaries	-		
26b	*of which:* Investments in the equity capital of unconsolidated non-financial subsidiaries	-		
26c	*of which:* Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	-		
26d	*of which:* Unamortised pension funds expenditures	0.00		
	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-basel treatment	-		

Table DF-11 : Composition of Capital				
Part II : Template to be used during the transition period of Basel III regulatory requirements				
	of which: [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)	-		
	of which: [INSERT TYPE OF ADJUSTMENT]	-		
	of which: [INSERT TYPE OF ADJUSTMENT]	-		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions			
28	**Total regulatory adjustments to Common equity Tier 1**	9250.51		
29	**Common Equity Tier 1 capital (CET1)**	**6720.51**		
Additional Tier 1 capital: instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-		
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-		
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-		
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-		
35	*of which: instruments issued by subsidiaries subject to phase out*	-		
36	Additional Tier 1 capital before regulatory adjustments	-		
Additional Tier 1 capital: regulatory instruments				
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	-		

Table DF-11 : Composition of Capital				
Part II : Template to be used during the transition period of Basel III regulatory requirements				
	outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		
41	National specific regulatory adjustments (41a+41b)	-		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-		
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-		
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	of which: Deferred Tax Assets (not associated with accumulated losses) net of Deferred Tax Liabilities	-		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	-		
	of which: [INSERT TYPE OF ADJUSTMENT]	-		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		
43	Total regulatory adjustments to Additional Tier 1 capital	-		
44	Additional Tier 1 capital (AT1)	-		
44a	Additional Tier 1 capital reckoned for capital adequacy			
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	**6720.51**		
Tier 2 capital: instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-		
47	Directly issued capital instruments subject to phase out from Tier 2	900.00		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34)	-		

Table DF-11 : Composition of Capital				
Part II : Template to be used during the transition period of Basel III regulatory requirements				
	issued by subsidiaries and held by third parties (amount allowed in group Tier 2)			
49	of which: instruments issued by subsidiaries subject to phase out	-		
50	Provisions	854.41		
51	Tier 2 capital before regulatory adjustments	1754.41		
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 in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-		
56	National specific regulatory adjustments (56a+56b)	-		
56a	*of which:* Investments in the Tier 2 capital of unconsolidated subsidiaries	-		
56b	*of which:* Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-		
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	-		
	of which: [INSERT TYPE OF ADJUSTMENT	-		
57	Total regulatory adjustments to Tier 2 capital	84.18		
58	**Tier 2 capital (T2)**	1754.41		
58a	**Tier 2 capital reckoned for capital adequacy**	1670.23		
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	0		

Table DF-11 : Composition of Capital				
Part II : Template to be used during the transition period of Basel III regulatory requirements				
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	1670.23		
59	**Total capital (TC = T1 + T2) (45 + 58c)**	**8390.74**		
	Risk Weighted Assets in respect of Amounts subject to Pre-Basel III Treatment	-		
	of which:	-		
	of which: …	-		
60	**Total risk weighted assets (60a + 60b + 60c)**	**63883.64**		
60a	*of which: total credit risk weighted assets*	47301.83		
60b	*of which: total market risk weighted assets*	8408.33		
60c	*of which: total operational risk weighted assets*	8173.48		
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	10.52%		
62	Tier 1 (as a percentage of risk weighted assets)	10.52%		
63	**Total capital (as a percentage of risk weighted assets)**	**13.13%**		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	NA		
65	of which: capital conservation buffer requirement	NA		
66	of which: bank specific countercyclical buffer requirement	NA		
67	of which: G-SIB buffer requirement	NA		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) National minima (if different from Basel III)	-		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum) - including CCB of 2.5%	9.50%		
71	National total capital minimum ratio (if different from Basel III minimum) - including CCB of 2.5%	11.50%		
Amounts below the thresholds for deduction (before risk weighting)				

Table DF-11 : Composition of Capital				
Part II : Template to be used during the transition period of Basel III regulatory requirements				
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)	-		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings- based approach (prior to application of cap)	-		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-		
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-		
82	Current cap on AT1 instruments subject to phase out arrangements	-		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-		
84	Current cap on T2 instruments subject to phase out arrangements	-		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-		

Notes to Template

Row No. of the template	Particulars	(Rs. in Million)
10	Deferred tax assets associated with accumulated losses	227.12

	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred Tax Liability	286.12
	Total as indicated in row 10	513.24
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	-
	of which: Increase in Common Equity Tier 1 capital	-
	of which: Increase in Additional Tier 1 capital	-
	of which: Increase in Tier 2 capital	-
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	-
	(i) Increase in Common Equity Tier 1 capital	-
	(ii) Increase in risk weighted assets	-
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 Capital under row 58b	-
50	Eligible Provisions included in Tier 2 capital	591.27
	Eligible Revaluation Reserves included in Tier 2 capital	-
	Total of row 50	591.27
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	84.18

Table DF-12 : COMPOSITION OF CAPITAL - RECONCILIATION REQUIREMENT		
		Balance Sheet as in financial statements
Step 1		**As on reporting date, 31st December 2021 (Rs.in Million)**
A	**Capital & Liabilities**	
i.	Paid-up Capital	2,530.12
	Reserves & Surplus	6235.71
	Minority Interest	-
	Total Capital	8765.83
ii	Deposits	121007.08
	of which: Deposits from banks	0.01
	of which: Customer deposits	121007.07
	of which: Other deposits (pl. specify)	-
iii	Borrowings	2499.71
	of which: From RBI	999.71
	of which: From banks	-
	of which: From other institutions & agencies	
	of which: Others - book credit balances in foreign currency minor accounts	-
	Of which: Tier 2 Capital instruments	1500.00
iv.	Other liabilities & provisions	2803.29
	Total	**135075.90**
B	**Assets**	
i	Cash and balances with Reserve Bank of India	6142.10
	Balance with banks and money at call and short	316.67
ii	Investments:	47344.41
	of which: Government securities	38275.71
	of which: Other approved securities	-
	of which: Shares	215.71
	of which: Debentures & Bonds	6367.16
	of which: Subsidiaries / Joint Ventures / Associates	-
	of which: Others (Certificate of Deposit: Rs.2041.24 Mio and Security Receipt: Rs.444.60 Mio)	2485.85
iii	Loans and advances	72593.22
	of which: Loans and advances to banks	-
	of which: Loans and advances to	72593.22

	customers	
iv	Fixed assets	2219.12
v	Other assets	6460.39
	of which: Goodwill and intangible assets	-
	of which: Deferred tax assets	513.24
vi	Good will on consolidation	-
vii	Debit balance in Profit & Loss account	
	Total Assets	**135075.90**

*Bank has no subsidiaries

Step 2		**Balance sheet under regulatory scope of consolidation**	**Ref No.**
		As on reporting date, 31st December 2021 (Rs.in million)	
A	**Capital & Liabilities**		
i	**Paid-up Capital**	2530.12	**(a)**
	of which : Amount eligible for CET1	2530.12	**(a) (i)**
	of which : Amount eligible for AT1	-	
	Reserves & Surplus	6235.71	**(b)**
	of which : Amount eligible for CET1	5073.41	**(b) (i)**
	Statutory Reserve	1090.29	**(b)(ii)**
	Share Premium	10054.48	**(b) (iii)**
	General Reserve	910.44	**(b)(iv)**
	Capital Reserve (excluding Revaluation Reserves)	703.71	**(b)(v)**
	Special Reserve under Section 36(i) (viii)	59.86	**(b)(vi)**
	Balance in P/L a/c at the end of the previous FY	(8367.49)	**(b)(vii)**
	Current Financial Year Profit (Not eligible)		(b)(viii)
	Revaluation Reserve (part of Tier 2 capital at a discount of 55 percentage)	622.11	**(b)(ix)**
	Minority Interest	-	
	Total Capital	8765.83	**(a)+(b)**

ii	Deposits	121007.08	**(c)**
	of which: Deposits from banks	0.01	**(c)(i)**
	of which: Customer deposits	121007.07	**(c)(ii)**
	of which: Other deposits (pl. specify)	-	
iii	Borrowings	2499.71	**(d)**
	of which: From RBI	999.71	**(d)(i)**
	of which: From banks	-	**(d)(ii)**
	of which: From other institutions &	-	**(d)(iii)**
	of which: Others (Book Credit balances in foreign currency accounts)	-	**(d)(iv)**
	of which: Capital instruments -	1500.00	**(d)(v)**
iv	Other liabilities & provisions	2803.29	**(e)**
	of which: Standard Asset provision included under Tier 2 Capital	266.49	**(e)(i)**
	of which : DTLs related to goodwill	-	
	of which : Details related to intangible	-	
	Total Assets	**135075.90**	**(a)+(b)+(c) +(d)+(e)**
B	**Assets**		
i	Cash and balances with Reserve Bank of India	**6142.10**	**(f)**
	Balance in India with banks and money at call	316.67	**(g)**
ii	Investments:	47344.41	**(h)**
	of which: Government	38275.71	**(h)(i)**
	of which: Other approved securities	-	**-**
	of which: Shares	215.71	**(h)(ii)**
	of which: Debentures & Bonds	6367.16	**(h)(iii)**
	of which: Subsidiaries / Joint Ventures /	-	**-**

	of which: Others (Certificate of Deposit: Rs.2041.24 Mio and Security Receipt: Rs.444.60 Mio)	2485.85	**(h)(iv)**
iii	Loans and advances	72593.22	**(i)**
	of which: Loans and advances to banks	-	**(i)(i)**
	of which: Loans and advances to Customers	72593.22	**(i)(ii)**
iv	Fixed assets	2219.12	**(j)**
v	Other assets	6460.39	**(k)**
	of which: Goodwill and intangible assets Out of which :	-	**-**
	Goodwill	-	**-**
	Other Intangibles (excluding MSRs)	-	**-**
	Deferred tax assets	513.24	**(k)(i)**
vi	Good will on consolidation	-	
vii	Debit balance in Profit & Loss account		
	Total Assets	135075.90	**(f)+(g)+(h)+ (i)+(j)+(k)**

Step 3: Table DF-12 (Part II) EXTRACT OF BASEL III COMMON DISCLOSURE TEMPLATE (WITH ADDED COLUMN)-

Common Equity Tier 1 Capital : Instruments and reserves			
		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	12,584.60	**(a)+ (b) (iii)**
2	Retained earnings	2000.74	**b (viii)**
3	Accumulated other comprehensive income (and other reserves)	703.71	**b(ii)+b(iv)+b(v)+b(vi)+b(ix)**
4	Directly issued capital subject to phase out from CET-1 (only applicable to non-joint stock companies)	-	-
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CER 1)	-	-
6	Common Equity Tier 1 capital before regulatory adjustments	15289.05	**(a)+ (b)(ii)+ (b)(iii)+ (b)(iv) + (b)(v)+b(vi)+b(viii)+b(ix)**
7	Prudential valuation adjustments		-
8	Goodwill (net of related tax liability)		-

Table DF -13: MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS– ELIGIBLE INSTRUMENTS

Item	Particular	Equity Shares	Lower Tier II
			Series XV
1	Issuer	Dhanlaxmi Bank Ltd	Dhanlaxmi Bank Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	680A01011	INE680A08081
3	Governing law(s) of the instrument. (Regulatory treatment)	Applicable Indian Statutory and Regulatory	Applicable Indian Statutory and Regulatory Requirements

Item	Particular	Equity Shares	Lower Tier II
			Series XV
		Requirements	
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2
5	Post-transitional Basel III rules	Common Equity Tier 1	Eligible
6	Eligible at solo/group/ group & solo	Solo	Solo
7	Instrument type	Common Shares	Tier 2 Debt Instruments
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	2530.12	1500.00
9	Par value of instrument	Shares of Rs.10/ each	Rs. 1 million
10	Accounting classification	Shareholder's Equity	Liability
11	Original date of issuance	Various	29.03.2018
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date (dd/mm/yyyy) / No maturity	No maturity	28.03.2025
14	Issuer call subject to prior supervisory approval	No	Yes, Exercise of Call Option is subject to prior approval of RBI
15	Optional call date, contingent call dates and redemption amount	NA	Bank can exercise Call Option to redeem the Bonds at par at the end of 5th Year from the Deemed Date of Allotment. Optional Call Date is 29.03.2023 and redemption amount is in full.
16	Subsequent call dates, if applicable Coupons / dividends	NA	NA
17	Fixed or floating dividend/coupon	NA	Fixed
18	Coupon rate and any related index	NA	11.00%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step up or other incentive to redeem	No	No
22	Noncumulative or	Non Cumulative	Non Cumulative

Item	Particular	Equity Shares	Lower Tier II
			Series XV
	cumulative		
23	Convertible or non-convertible	Non Convertible	Non Convertible
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Write-down feature	No	No
31	If write-down, write-down trigger(s)	NA	NA
32	If write-down, full or partial	NA	NA
33	If write-down, permanent or temporary	NA	NA
34	If temporary write-down, description of write-up mechanism	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated claim in case of liquidation	All Depositors and other Creditors of the Bank
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	NA	NA

Table DF-14 FULL TERMS AND CONDITIONS OF REGULATORY CAPITAL INSTRUMENTS (ELIGIBLE INSTRUMENTS)

	Series XV
Nature of Instrument	##
Amount Subscribed	Rs 1500 million
Face value of the Bond	Rs.1 million
Date of Allotment	29.03.2018

Date of Redemption	29.03.2025
Put and Call option (if yes, give details)	####
Coupon rate and Frequency	11.00%
Listing	NSE

Unsecured, Redeemable, Non-convertible, Subordinated Lower Tier-II Bonds in the nature of Debentures

The Bank reserves Call Option to redeem the bonds only after a minimum period of five years post allotment of Bonds, subject to prior approval from RBI.

Table DF 15: DISCLOSURE REQUIREMENTS FOR REMUNERATION

Qualitative disclosures

a. Information relating to the composition and mandate of the Nomination & Remuneration Committee.

- **Composition**

The Board constituted a Remuneration Committee on 29.02.2008, which was later reconstituted on 27.09.2008, 06.10.2009 and 28.02.2013. The Committee was renamed/ reconstituted as Nomination & Remuneration Committee of the Board at its meeting held on 26.10.2015. The Nomination & Remuneration Committee comprises of Dr (Capt.) Suseela Menon R as Chairperson, Shri Gopinathan C K and Shri G Rajagopalan Nair as members of the Committee as on 31.12.2021.

- **The terms of reference of the Committee are as follows:-**

1. Recommending to the Board for its consideration and approval on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills and judgment of the Directors;
2. Reviewing, from time to time, possible candidates for current and potential Board vacancies, including Directors who are to retire and are eligible for re-appointment or reelection and other persons who may be recommended by the Chairman or the MD&CEO or other Directors, shareholders or others;
3. Recommending to the Board, candidates for election (including reelection) or appointment (including reappointment) to the Board;
4. Carrying out evaluation of every Director’s performance;
5. Deciding on the matter of whether to extent or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors;

6. Identifying persons who are qualified to became Directors and who may be appointed in Senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal; formulation of the criteria for determining qualifications, positive attributes and Independence of a Director;
7. Devising a policy on diversity of Board of Directors;
8. Recommending to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees;

   [The committee shall ensure the following while formulating the policy on the aforesaid matters:

   a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, Key Managerial Personnel and Senior Management of the quality required to run the Bank successfully;
   b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
   c) Remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals.]
9. Formulating and determining the Bank's policies on remuneration packages payable to the Directors and Key Managerial Personnel including Performance/ Achievement Bonus, Perquisites, Retirals, Sitting fees.
10. Considering grant of Stock Options to employees.
11. Reviewing the composition of the existing Committees of the Board.
12. Formulation of criteria for performance evaluation of independent Directors and the Board;
13. Validation of 'Fit and Proper' status of all Directors on the Board of the Bank in terms of the guidelines issued by the RBI or other regulatory authorities;
14. Developing and recommending to the Board the Corporate Governance guidelines applicable to the Bank for incorporating best practices from time to time

The roles and responsibilities of the Nomination & Remuneration Committee (NRC) are as follows:

- To oversee the framing, review and implementation of Compensation Policy of the Bank on behalf of the Board.
- To ensure the Cost/ Income Ratio of the Bank supports the remuneration package consistent with maintenance of sound Capital Adequacy Ratio.

- To determine on their behalf and on behalf of the shareholders with agreed terms of reference, the Bank's policy on specific remuneration packages for Executive Directors including Pension rights and any compensation payment.
- For determining the modalities of providing appropriate incentives to employees, including stock options (i) to foster employee commitment and a feeling of ownership (ii) to retain employees or skill groups among them (iii) attract talented professionals (iv) to instill a sense of belonging to the Bank, among employees.

b. Information relating to the design and structure of remuneration processes and the key features and objectives of Remuneration Policy.

Remuneration and other perquisites paid to the Chairman and Managing Director & CEO are as approved by the Reserve Bank of India. Non Executive Directors are being paid sitting fees for each meeting attended by them. During the year, no remuneration, excepting sitting fees and reimbursement of actual travel and out-of-pocket expenses was paid.

The Bank has formed the Compensation Policy based on the Reserve Bank of India guidelines vide its circular no. DBOD.No.BC.72/29.67.001/2011-12 dt. 13/01/2012 and was last reviewed on 01.02.2022. For employees coming under IBA pattern the compensation will be as per Bi-partite settlement and Joint Note signed between Indian Bank Association (based on mandate given by Bank) and Employees/ Officers' representatives, which will be revised once in five years. Cost To Company (CTC) compensation is individual based in character and fixed at the time of recruitment based on the Bank's assessment of the individual's potential and experience. CTC Employees will be compensated to a maximum of 120% of their IBA equivalent salary. Annual increments will be linked to Bank's performance and their individual performance, as decided by the Managing Director & CEO.

c. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

The Board of Directors through the Nomination & Remuneration Committee of the Board shall exercise oversight and effective governance over the framing and implementation of the Compensation policy. Human Resource Management under the guidance of MD&CEO shall administer the Compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.

d. Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.

The factors taken in to account for the annual performance review are:

- The performance of the Bank
- The performance of the business unit
- Individual performance of the employee,
- Other risk perceptions and economic considerations

e. A discussion of the Bank's policy on deferral and vesting of variable remuneration and a discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting.

- As of now, Bank is not offering variable pay and hence no such deferrals of variable except for MD&CEO.
- Employee Stock Option Scheme/ Employee Stock Option Plan as may be framed by the Board from time to time in conformity with relevant statutory provisions and SEBI guidelines as applicable will be excluded from the components of variable pay.

f. Description of the different forms of variable remuneration (i.e. cash, shares, ESOPs and other forms) that the Bank utilises and the rationale for using these different forms.

Variable pay means the compensation as fixed by the Board on recommendation of the Committee, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as:

- Performance Linked Incentives to those employees who are eligible for incentives
- Ex-gratia for other employees who are not eligible for Performance linked Incentives.
- Bonus for those staff members who are eligible for bonus under the Payment of Bonus Act, 1965.

As of now, Bank is not having a variable pay structure except for MD & CEO.

Quantitative disclosures

Number of meetings held by the Nomination & Remuneration Committee during the quarter ended on December 31, 2021	4
Remuneration paid to the members of Nomination & Remuneration Committee (Sitting fees) during the Quarter ended December 31, 2021	Rs.2,40,000
Number of employees having received a variable remuneration award during the financial year.	NIL
Number of sign-on awards made during the financial year.	NIL

Total amount of sign-on awards made during the financial year.		NIL
Details of guaranteed bonus, if any, paid as joining / sign on bonus.		NIL
Details of severance pay, in addition to accrued benefits, if any.		NIL
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.		NIL
Total amount of deferred remuneration paid out in the financial year.		NIL
Breakdown of amount of remuneration awards for the quarter ended December 31, 2021		
	Fixed	NIL
	Variable	NIL

Table DF-16: Equities – DISCLOSURE FOR BANKING BOOK POSITIONS:

The Bank does not have Equities in Banking Book and hence not applicable.

Table DF17- DISCLOSURE OF COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO

Leverage Ratio

Leverage ratio is a non-risk based measure of all exposures for the Tier-I capital. The Leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The Basel III Leverage ratio is defined as the Capital measure (the numerator) divided by the Exposure measure (the denominator), with this ratio expressed as a percentage. Effective from the quarter commencing October 1, 2019, the minimum leverage ratio shall be 3.50%.

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

Table DF 17- Summary comparison of accounting assets vs. Leverage Ratio		
	Item	(Rs. in Million)
1	Total consolidated assets as per published financial statements	135075.90
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(1088.06)
3	Adjustment for fiduciary assets recognized on the Balance Sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	(883.02)
4	Adjustments for derivative financial instruments	25.93
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0.00
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	2759.63
7	Other adjustments	1213.26
8	Leverage ratio exposure	137103.63

	Table DF-18: Leverage Ratio common disclosure template	
	Item	**Leverage ratio framework (Rs. in Million)**
	On-Balance Sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	135201.10
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	883.02
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	**134318.08**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1.02
5	Add-on amounts for PFE associated with all derivatives transactions	24.90
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0
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)	**25.93**
	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	
15	Agent transaction exposures	0
16	Total securities financing transaction exposures (sum of lines 12 to 15)	**0**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	2759.63
18	(Adjustments for conversion to credit equivalent amounts)	0
19	Off-balance sheet items (sum of lines 17 and 18)	**2759.63**
	Capital and Total exposures	
20	Tier 1 capital	**6720.51**
21	Total exposures (sum of lines 3, 11, 16 and 19)	**137103.63**
	Leverage ratio	
22	Basel III leverage ratio	**4.90%**

Liquidity Coverage Ratios (LCR)

The LCR promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Assets (HQLAs) to survive an acute stress scenario lasting for 30 days. As per RBI guidelines on 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and LCR Disclosure Standards' dated June 9, 2014, LCR is introduced in a phased manner starting with a minimum requirement of 60% from January 1, 2015. Vide RBI/2019-20/217 DOR.BP.BC.No.65/21.04.098/2019-20 dated April 17, 2020, currently Banks are required to maintain LCR of 100 percent.

Definition of LCR

$$\frac{\text{Stock of High Quality Liquid Assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}} \geq 100\%$$

Liquidity Coverage Ratio computed based on daily simple average for the Quarter ended December 31, 2021 is 587.10%

Definition of NSFR

The NSFR promotes resilience over longer-term time horizons by requiring banks to fund their activities with more stable sources of funding on an ongoing basis.

$$\text{NSFR} = \frac{\text{Available Stable Funding (ASF)}}{\text{Required Stable Funding (RSF)}} * 100$$

NSFR calculated as on December 31, 2021 is 140.17%.