Pillar III Disclosures for year ended December 31, 2024

2024-2025

Ujjivan Small Finance Bank (hereinafter called “the Bank”) is primarily subject to the BASEL II {New Capital Adequacy Framework (NCAF)} framework with some elements of Basel III regulations made applicable and has prepared this disclosure document in compliance with the directions of Reserve Bank of India (hereinafter referred to as “the Regulator” or “RBI”) vide its circular RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated 1st July 2015. The document provides a review of key observations pertaining to the Bank’s capital adequacy, credit quality, key business highlights and a review of its key risks as at December 31, 2024.

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1. *List of key abbreviations*

Abbreviation	Full form
ACR	Automated Cash Recycler
AFS	Available for Sale
ALCO	Asset Liability Committee
ANBC	Adjusted Net Bank Credit
ATM	Automated Teller Machine
AIF	Alternate Investment Fund
BC	Business Correspondent
BIA	Basic Indicator Approach
BRACO	Business Risk and Compliance Officer
BSE	Bombay Stock Exchange
BV	Book Value
CC	Cash Credit
CASA	Current Account Savings Account
CBDR	Common But Differentiated Responsibilities (CBDR) and respective capabilities
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest of India
CET1	Common Equity Tier 1 Capital
CFO	Chief Financial Officer
CFP	Contingency Funding Plan
CIC	Core Investment Company
CRAR	Capital to Risk-weighted Assets Ratio
CRMC	Credit Risk Management Committee
CRO	Chief Risk Officer
DPD	Days Past Due
DSA	Direct Selling Agent
DSCB	Domestic Scheduled Commercial Bank
ECL	Expected Credit Loss
ECLGS	Emergency Credit Line and Guarantee Scheme
ECRA	External Credit Rating Agency
ESG	Environment, Social and Governance
EWS	Early Warning Signal
FIG	Financial Institutions Group
FOIR	Fixed Obligation to Income Ratio
FLOD	First line of Defence
FP	Floating provision
FPI	Foreign Portfolio Investor
GDP	Gross Domestic Product
GA	Gross Advances
GLB	Gross Loan Book
GLC	General Ledger Code

GNPA	Gross Non-Performing Asset
GVA	Gross Value Added
HFT	Held for Trading
HHI	Household Income
HTM	Held to Maturity
HQLA	High Quality Liquid Assets
HUF	Hindu Undivided Family
IBPC	Inter Bank Participation Certificate
ICAAP	Internal Capital Adequacy Assessment Process
ICAI	Institute of Chartered Accountants of India
ICE	Internal Combustion Engine
IFSC	Indian Financial System Code
IGAAP	Indian Generally Accepted Accounting Principles
IMPS	Immediate Payment Service
IPDI	Innovative Perpetual Debt Instrument
IPO	Initial Public Offer
IRAC	Income Recognition and Asset Classification
IRRBB	Interest Rate Risk in Banking Book
IWG	Internal Working Group
KRI	Key Risk Indicator
LAP-SENP-SEP	Loan Against Property- Self Employed Nonprofessional- Self Employed Professional
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LMS	Loan Management System
LR	Leverage Ratio
LWE	Left Wing Extremism
MB	Micro banking
MCA	Ministry of Corporate Affairs
MD	Modified Duration
MD & CEO	Managing Director and Chief Executive Officer
MDG	Modified Duration Gap
MSE	Micro and Small Enterprises
MVE	Market value of Equity
MV	Market Value
NBFC-ND-SI-CIC	Non-Banking Financial Company-Non-Deposit-taking-Systemically Important-Core Investment Company
NE	North Eastern
NEFT	National Electronic Funds Transfer
NGFS	Network for Greening the Financial System
NPA	Non-Performing Asset
NNPA	Net Non-Performing Asset
NPI	Non-Performing Investment

NSE	National Stock Exchange
NSFR	Net Stable Funding Ratio
Non-URC	Non-Unbanked Rural Centre
OD	Overdraft
ORMC	Operational Risk Management Committee
OSP	Outstanding Principal
PAT	Profit After Tax
PAR	Portfolio at Risk
PB	Payments Bank
PD	Probability of Default
PNCPS	Perpetual Non-Cumulative Preference Shares
PPOP	Pre – provision operating profit
PSL	Priority Sector Lending
QIP	Qualified Institutional Placement
QR Code	Quick Response Code
QRT	Quick Response Team
RB	Rural Banking
RBI	Reserve Bank of India
RCA	Root Cause Analysis
RCSA	Risk Control and Self-Assessment
RMCB	Risk Management Committee of the Board
ROA	Return on Asset
ROE	Return on Equity
RSA	Risk Sensitive Assets
RSL	Risk Sensitive Liabilities
RWA	Risk Weighted Assets
SA	Standardized Approach
SDA	Standardized Duration Approach
SEBI	Securities and Exchange Board of India
SEL	Secured Enterprise Loan
SFB	Small Finance Bank
SLOD	Second Line of Defence
SLR	Statutory Liquidity Ratio
SMA	Special Mention Accounts
TVR	Tele verification report
UAT	User Acceptance Testing
UFSL	Ujjivan Financial Services Limited
UPI	Unified Payments Interface
URC	Unbanked Rural Centre
USD	United States Dollar
VaR	Value at Risk
WEO	World Economic Outlook
YTD	Year till Date

2. *Key Performance highlights of the Bank*

Ujjivan Small Finance Bank (hereinafter referred to as "the Bank") is required to publish disclosures under the Pillar III framework as required in terms of RBI guidelines on New Capital Adequacy Framework issued vide RBI/2015-16/58; DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015. This document provides a review of key observations pertaining to the Bank's capital adequacy, credit quality, key business highlights and a review of its key risks as at December 31, 2024. All exposure related figures quoted in the document are 'Rs. in lakh', unless otherwise specifically stated.

A. Branch network and distribution reach

The branch position of the Bank as at December 31, 2024 was as follows:

Particulars	Count
Total Banking outlets, of which	753
Banking outlets[1] (Non-URC)	563
Banking outlets (URC)[2], *of which*	190
i Qualifying URC Branches (Branches situated in tier 3-6 locations in NE[3] states and LWE[4] districts)	43
ii Business Correspondents (BC)	4

During the Quarter ended Q3 FY25, the Bank had opened 1 new branch (South-0, North-1, East-0, West-0). With 25.23% of Banking outlets in URC, the Bank is fully compliant with RBI guidelines in this regard.

The physical reach is also supplemented by a strong and focused investment in digital platforms to aid in business development, on both asset and the liabilities side. The Bank operated 611 Automated Teller Machines (ATM) including 62 Automated Cash Recycler (ACR) machines across the country as at December 31, 2024.

B. Financial highlights for Q3 FY 2024-25

Some of the key achievements made for the period ended December 31, 2024, were as follows:

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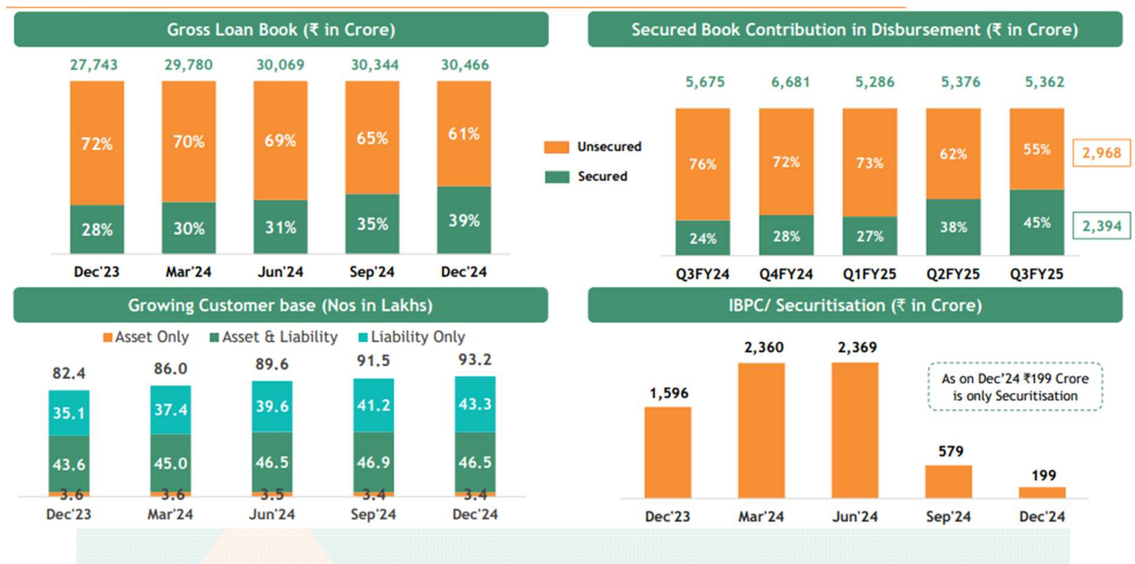
[1] A 'Banking Outlet' for a Domestic Scheduled Commercial Bank (DSCB), a Small Finance Bank (SFB) and a Payments Bank (PB) is a fixed-point service delivery unit, manned by either bank's staff or its Business Correspondent where services of acceptance of deposits, encashment of cheques/cash withdrawal or lending of money are provided for a minimum of 4 hours per day for at least five days a week. It carries uniform signage with name of the bank and authorisation from it, contact details of the controlling authorities and complaint escalation mechanism. The bank should have a regular off-site and on-site monitoring of the 'Banking Outlet' to ensure proper supervision, 'uninterrupted service' except temporary interruptions due to telecom connectivity, etc. and timely addressing of customer grievances. The working hours/days need to be displayed prominently.

' [2] An unbanked rural centre (URC) is defined as a rural (Tier 5 and 6) centre that does not have a CBS-enabled 'Banking Outlet' of a Scheduled Commercial Bank, a Payment Banks or an SFB or a Regional Rural Bank nor a branch of a Local Area Bank or licensed Co-operative Bank for carrying out customer-based banking transactions.

[3] North eastern states

[4] Districts with active Left-Wing Extremism (LWE)

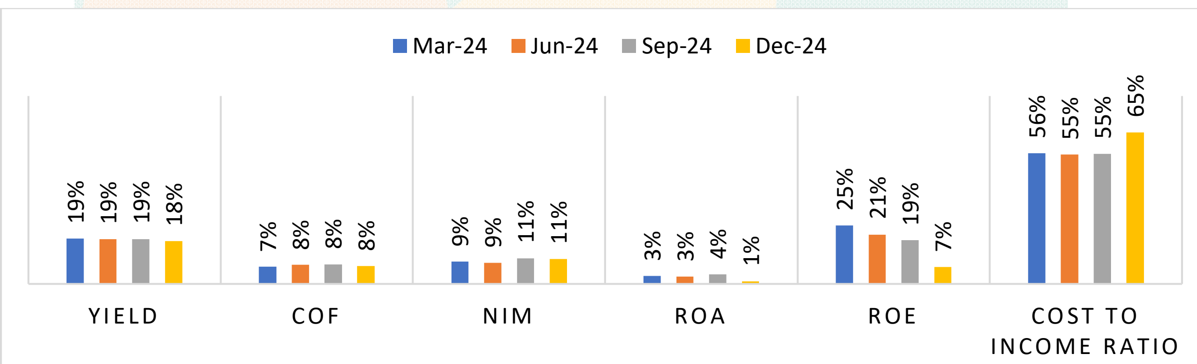


Customer base	• Total customer outreach was 93 lakh customer through 753 branches as at December 31, 2024 (86 lakh as at March 31, 2024; 77 lakh as at March 31, 2023)
Loan Portfolio	• Gross Loan Book (GLB) (without netting off IBPC/Securitization/Direct Assignment): Rs. 30,46,591 lakh as at December 31, 2024 (Rs. 29,77,954 lakh as at March 31, 2024, Rs. 24,08,512 lakh as at March 31, 2023). • Gross Advances (GA) (after netting off IBPC/Securitisation/Direct Assignment): Rs.30,26,728[5] lakh as at December 31, 2024, (Rs.27,41,915[6] lakh as at March 31, 2024, Rs. 21,91,123 lakh as at March 31 ,2023). • Secured book was 39% as at December 31, 2024 (30% as at March 31, 2024).
Deposit Portfolio	• Total Deposits (Retail plus Institutional): Rs.34,49,367 lakh as at Dec 31, 2024. (Rs. 31,46,216 lakh as at March 31, 2024, Rs. 25,53,768 lakh as at March 31, 2023). • CASA: 25.1% as at December 31, 2024 (26.7% as at March 31, 2024; 26.4% as at March 31, 2023).
Asset Quality	• Gross Non-Performing Assets (GNPA): 2.68[7]% as of December 31, 2024 (2.23%[8] as at March 31, 2024; 2.88% as at March 31, 2023) • Net Non-Performing Assets (NNPA): 0.56% as at December 31, 2024,

[5] Outstanding balance in IBPC/Securitisation/ Direct Assignment as on December 31, 2024 was Rs 19,862 lakh
[6] Outstanding balance in IBPC/Securitisation/ Direct Assignment as on March 31, 2024 was Rs 2,36,006 lakh
[7] Computed as a percentage to Gross advances. GNPA% on GLB basis was 2.68%
[8] Computed as a percentage to Gross advances. GNPA% on GLB basis was 2.07%

	(0.28% as at March 31, 2024[9], 0.04% as at March 31,2023)
Capital Adequacy	• CRAR ratio of the Bank as at December 31, 2024 was 23.90% (March 31, 2024 was 24.69%, 25.81% as at March 31, 2023)
Employee strength	• 24,293 as at December 31, 2024 (22,566 as at March 31, 2024; 17,870 as at March 31, 2023)
Provisions and Credit costs	• Total provisions including Floating Provision as at December 31, 2024 was Rs.79,998 lakh (Rs.67,637 lakh as at March 31, 2024; Rs. 73,530 lakh as at March 31, 2023) • Total NPA provision (excluding floating provision) held was Rs 47,629 lakh (Rs.41,623 lakh as at March 31, 2024, Rs.50,157 lakh as at March 31,2023). • Total NPA provision increased by Rs. 6,006 lakh during quarter ended December 31, 2024 as compared to March 31, 2024 due to industry level issues faced in the Microfinance industry.

The key performance ratios (quarterly positions) of the Bank were as follows:



A persistent high cost borrowing environment, coupled with continuing industry level stress in the Bank's flagship business (Microfinance sector) has resulted in a marginal reduction to disbursements and profitability in Q3FY 2025. A summary of the key highlights of the Bank as at December 31, 2024 is given below:

- Pre-Provision Operating Profit (PPoP) for Q3 FY 2024-25 was Rs. 35,917 lakh down by 21% Y-o-Y;
- Deposits at Rs. 34,49,367 lakh as at December 2024 up by 16.3% YoY/1.2% QoQ, CASA at Rs. 8,66,226 lakh up 15% YoY; CASA ratio at 25.1% as of December 2024. Retail TD (Retail TDs are TDs less than Rs. 3 crores) increased 29.5% YoY/4.4% QoQ.

[9] Computed as a percentage to Net advances. NNPA% as a ratio to Net GLB was 0.56%

- **Other Key performance metrics**: Continued traction on collections with ~96% efficiency in December 2024; NDA collection at ~99%. Portfolio at risk was at 5.4% as at December 2024[10]. GNPA on GLB basis at 2.68% as of Dec 2024; NNPA continued to be negligible at 0.6% as at Dec 2024. Total of Rs.3,000 lakh written-off in Q3 FY25; Provision coverage ratio as at Dec 2024 was 79.67%%[11].

C. Macro-Economic Outlook

Geopolitical risks remain elevated due to ongoing conflicts, which pose significant risks to the global economic outlook. These risks can influence growth, inflation, financial markets, and supply chains. An intensification of the evolving conflicts in the Middle East, or the Russia-Ukraine conflict, could lead to market repricing of sovereign risk in the affected regions and disrupt global energy markets. The oil market is well-supplied for now. However, any damage to energy infrastructure could tighten supply, adding uncertainty to the global economic outlook. Inflationary pressures have been easing globally, though risks of synchronised price pressures linger due to potential geopolitical disruptions, such as tensions in the Middle East and the ongoing Russia-Ukraine conflict. Central banks have adopted more accommodative monetary policies. However, the pace of rate cuts varies across regions depending on the growth imperatives and the pace of disinflation, creating potential divergences in economic recovery. On the domestic front, rebounding rural demand augurs well for consumption. The agriculture sector is expected to rebound to a growth of 3.8 per cent in FY25. Investment activity is expected to pick up, supported by higher public capex and improving business expectations. Capacity utilisation in manufacturing remains above the long-term average, and private sector order books have shown steady growth, alongside a rise in investment intentions. The industrial sector is estimated to grow by 6.2 per cent in FY25. However, these gains could be tempered by the global excess capacities in sectors such as steel, leading to aggressive trade policies in search of demand.[12]

In recent budgetary announcement, income tax enhanced exemption and revised tax slab were introduced. This is seen as having a positive impact on economy as it will help in boosting demand and consumption. Indian economy has been driven by internal demand and consumption led growth. Additional disposable income with multiplier effect on economy, benefit is expected to trickle down in income pyramid. Banking sector may be benefitted with additional bank deposit and enhanced demand.

During FY 2024-25, at an industry level the Microfinance portfolio is facing higher delinquency levels in a few pockets of the country arising mainly from over leveraging by customers. The Bank's book has also been affected with an increase in GNPA on a quarter on quarter basis. However, the M-FIN (Microfinance Institutions Network India) has released guardrails for lending in microfinance. The Bank has adopted the guardrails laid down by M-FIN and adopted restrictive credit policies in pockets that are worst affected and in branches where the portfolio is under stress. With report of some incidence related to microfinance recovery, it is likely that in Q4 FY 25, Karnataka state government may come up with specific guidelines related to microfinance operational practice.

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[10] Without adjusting IBPC & Securitization of ₹ 579 / ₹ 2,369/ ₹ 1,685 crores as on Sep 2024/ Jun 2024/ Sep 2023

[11] Floating provision of ₹ 250 Cr continues to be on books & can be utilized for making specific provisions in future during extraordinary circumstances, with prior approval from the RBI ₹ 30 Cr was moved to Tier II capital in Jun'22 while ₹ 60 Cr, ₹ 10 Cr and ₹ 30 Cr were moved to other provision in Sep'22, Dec'22 and Mar'23 respectively

[12] Economic Survey of India 2024-2025

3. Table DF- 1: Scope of Application

3.1 Qualitative Disclosures

Parent Organization/Holding Company: NIL

The disclosures in this document pertain to the Bank as a stand-alone and independent entity. The Bank does not have any subsidiary (the operating guidelines for Small Finance Banks (SFBs) do not permit SFBs to have subsidiaries) nor does the Bank have any interest in any insurance entity.

3.1.1 List of group entities considered for consolidation

Name of the entity / country of incorporation	Principal activity of the entity	Total balance sheet equity	Total balance sheet assets
NIL	NIL	NIL	NIL

3.1.2 Aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation

Name of the subsidiaries/ country of incorporation	Principal activity of the entity	Total balance sheet equity	% of the Bank's holding in the total equity	Capital deficiencies
NIL	NIL	NIL	NIL	NIL

3.1.3 Aggregate amounts (e.g. current book value) of the Bank's total interests in insurance entities, which are risk-weighted

Name of the insurance entities/ country of incorporation	Principal activity of the entity	Total balance sheet equity	% of the Bank's holding in the total equity / proportion of voting power	Quantitative impact of regulatory capital using risk weighting methods versus using the full deduction method
Nil	Nil	Nil	Nil	Nil

3. Table DF-2: Capital Structure

4.1 Qualitative Disclosures

4.1.1 Tier I capital

The Bank has an authorized capital of Rs. 2,62,500 lakh in the form of Common Equity qualifying as Tier I capital.

As on December 31, 2024, the Bank had an issued, subscribed and paid-up equity capital of Rs. 1,93,454.37 Lakh, having 1,93,45,43,705 shares of face value Rs.10 each.

The licensing guidelines for SFBs permit the aggregate foreign investment in a private sector bank from all sources up to a maximum of 74% of the paid-up capital (automatic up to 49% and approval route beyond 49% to 74%). As foreign shareholding in the Bank was 25.11% comprising of (a) Foreign Portfolio investors (FPI), (b) Non-Residential Indians (NRI) and (c) Foreign Direct Investments (FDI) as at December 31, 2024, the Bank was compliant with RBI guidelines on SFBs.

4.1.1.1. Promoter contribution[13]:

The Bank is a 100% publicly held entity with no identified Promoter as at reporting date.

The shareholding pattern of the Bank as at December 31, 2024 is as under:

Category of the Shareholder	No. of shares held	%age of shareholding
Mutual Funds	7,40,75,677	3.83
Alternate Investment Funds (AIF)	3,62,91,380	1.88
Foreign Portfolio Investors (FPIs)	24,56,37,994	12.69
Foreign Direct Investments (FDIs)	10,02,56,456	5.18
Resident Individuals/Hindu Undivided Family (HUF)	1,20,69,32,234	62.38
Others*	27,13,49,964	14.00
Total	**1,93,45,43,705**	**100**

**Since Directors and Key Managerial Personnel are other categories, the same are included in Others and not in Resident Individuals.*

The Capital Structure of the Bank under Basel II norms is provided below:

Sl. No.	Instrument	Whether Tier I or II	Amount (Rs. in Lakh)
1	Equity[14]	Common Equity Tier 1 (CET 1)	1,93,454.37
2	Subordinated Debt Instruments	Tier II	30,000
	Total		**2,23,454.37**

4.1.2. Subordinated Debt Instrument

As per specific directions received from the Regulator[15], the Bank can issue Tier II capital instruments in compliance to either NCAF or Basel III guidelines of RBI. As on December 31, 2024 following are the Tier II Instruments raised by the Bank.

Capital	Description of the Security	Issue Amount (Rs. in Lakh)	Issue date	Date of Redemption	Contractual Dividend rate (% p.a.) (on a fixed rate basis)

[13] Refer RBI on Guidelines for Licensing of "Small Finance Banks" in the Private Sector dated November 27, 2014.

[14] Issued and Paid up equity capital

[15] RBI communication to the Bank vide email dated December 13,2017

Tier II – Subordinated Debt	Subordinated, rated, unlisted, unsecured, transferable, redeemable, fully paid up, non-convertible debentures	22,500	August 26, 2022	April 26, 2028	11.95% p.a.
		7,500	September 09, 2022[16]	April 26, 2028	11.95% p.a.
Total		30,000	-	-	-

4.1.3. Dividend policy

The Bank has formulated the Dividend Distribution Policy in compliance with the provisions of Banking Regulation Act, 1949 and Guidelines/circulars issued by Reserve Bank of India ("RBI") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). The objective of the Policy is to appropriately reward shareholders through dividends for reposing their confidence in Bank while retaining the capital required for supporting future growth. The payment of dividend is also subject to conditions as prescribed by RBI issued vide RBI/2004-05/451 DBOD.NO.BP.BC. 88 / 21.02.067 / 2004-05 dated May 4, 2005.

5. Table DF- 3: Capital Adequacy

5.1 Qualitative Disclosures

The Bank has been well capitalized since inception and its capital position was further augmented after equity raise through a QIP in Q2 FY 2022-23. In FY 2024 and as at reporting date, the internal capital generated through business operations was found to be adequate to maintain minimum capital requirements. As required by RBI in its operating guidelines to SFBs[17], the Bank is required to adopt the Standardized approach for Credit Risk and maintain a minimum Capital to Risk Weighted Assets Ratio (CRAR) of 15% segregated as under:

Requirement	Threshold
Minimum Capital Requirement	15%
Minimum Common Equity Tier 1	6%
Additional Tier I	1.5%
Minimum Tier I capital	7.5%
Tier II Capital	7.5%
Capital Conservation Buffer	Not applicable
Counter- cyclical capital buffer	Not Applicable
Pre-specified Trigger for conversion of AT I	CET1 at 7%

[16] Deemed Allotment Date: August 26, 2022

[17] Refer RBI guidelines on Operating Guidelines for Small Finance Banks issued vide DBR.NBD. No.26/16.13.218/2016-17 dated October 6, 2016.

While SFBs are required to comply with Basel II norms for Capital Adequacy calculation purposes, the structure and nature of capital instruments such as Common Equity, Additional Tier 1 instruments are required to be compliant with the Basel III guidelines. In essence therefore, in the case of SFBs, the Regulator has adopted a hybrid model.

SFBs are not required to have a separate capital charge for Market Risk and Operational Risk for the time being in terms of an RBI communication dated November 8, 2017 (DBR. NBD. No. 4502/16.13.218/2017-18). However, as a good governance practice, and as directed by its Board, and in anticipation of an eventual transition to a Universal Commercial Bank, the Bank separately computes capital charge for all the Pillar 1 risks viz. Credit, Market and Operational Risk following the Standardized Approach (SA) for Credit Risk, Standardized Duration Approach (SDA) for Market Risk and the New Standardized Approach (NSA) for Operational Risk. The Bank is also in the process of automating the CRAR computation using technology capabilities in a bid to improve efficiency and accuracy in reporting. The automation is expected to be completed by FY 2024-25.

In addition to the hybrid model for complying with capital adequacy requirement, for its internal and regulatory reporting, the Bank also complies with certain aspects of Basel III requirement, such as computation and maintenance of RBI prescribed minimum Liquidity Coverage Ratio (LCR) at 100%, NSFR at 100% and Leverage Ratio at 4.5%.

The disclosures pertaining to capital adequacy are as per the Generally Accepted Accounting Practices (GAAP). Preparation of Financial statements under Ind-AS regime by banks have been deferred by RBI until further notice and hence a comparison of capital adequacy under both the regimes will be made part of disclosures after the same is made applicable to banks. There are indications that the Regulator may consider adopting a dynamic loan loss provisioning under IFRS9/Ind-AS framework. To this effect, a Discussion Paper was released by the Regulator on January 16,2023 and formal guidelines in the matter are awaited. From the readiness standpoint, the Bank has put in place the necessary processes to compute Expected Credit Loss (ECL) and Ind-AS compliant financial statements. While the Bank has utilized internal capabilities in automating ECL components, the preparation of Ind-AS compliant financial statements continues to be manual. A final guideline from the Regulator is awaited to commence engagement with technology partners in developing necessary systems.

The Bank has a comprehensive Internal Capital Adequacy Assessment Process (‘ICAAP’). The Bank’s ICAAP covers the capital management policy of the Bank, sets the process for assessment of the adequacy of capital to support current and future activities / risks and a report on the capital projections. The Bank has a structured ICAAP framework for the identification and evaluation of the material risks that the Bank faces, which may have a bearing on its business and financial position. The Bank considers the following as material risks it is exposed to in the course of its business and therefore, factors these while assessing / planning capital:

Credit Risk	Underestimation of Credit Risk (Under ICAAP framework)
Operational Risk	Reputational Risk
Market Risk	Strategic Risk
Interest Rate Risk in Banking Book	Compliance Risk

(IRRBB)	
Liquidity Risk	People Risk
Concentration Risk	Information Technology and Information Security Risk
Outsourcing Risk	Group Risk[18]
Securitization Risk	Fintech Risks
Climate induced financial risks	ESG risks

The Bank has implemented a Board approved Stress Testing policy and framework which forms an integral part of the Bank's ICAAP. Stress Testing involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible stressed business conditions. The changes in the levels of credit risk, market risk, liquidity risk, IRRBB, operational risk and reputational risk are assessed under assumed "stress" scenarios and sensitivity factors. Typically, these relate, inter alia, to the impact on the Bank's profitability and capital adequacy. The stress tests are conducted and the results are placed to the Risk Management Committee of the Board (RMCB), for their review and guidance. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of business environment conditions. The stress tests are used in conjunction with the Bank's business plans for the purpose of capital planning in the ICAAP.

5.2 Quantitative Disclosures

5.2.1. Basel II capital calculation

The break-up of Basel II capital funds as December 31, 2024 was as follows:

Rs. in lakh

	Description	Amount
	Core Equity Tier 1 Capital - Instruments and Reserves	
	Directly issued qualifying common share capital plus related stock surplus (share premium)	1,93,454
	Retained earnings	3,97,724
A	CET1 capital before regulatory adjustments	5,91,178
	Core Equity Tier 1 Capital - Regulatory Adjustments	
	Deferred tax assets arising from temporary differences	19,895
	Intangibles (Prepaid Expenses & Computer Software)	14,471
	Credit Enhancements	2,021
	Regulatory Adjustments applied to CET1 Capital due to insufficient funds in Tier 2 to cover deductions	0
	Deduction on Net unrealised gains on Level 3 Investments	32
B	Total regulatory adjustments to CET1 Capital	36,419
C	**CET1 capital (A-B)**	5,54,759

[18] As per RBI guidelines on Guidelines on Management of Intra-Group Transactions and Exposures issued vide RBI/2013-14/487DBOD.No.BP.BC.96/21.06.102/2013-14 dated 11th February 2014

	Additional Tier 1 Capital - Instruments and Reserves	
	Preference Shares	
E	AT1 capital before regulatory adjustments	
	Additional Tier 1 Capital - Regulatory Adjustments	
F	Total regulatory adjustments to AT1 Capital	-
G	AT1 Capital	
H	**Tier 1 Capital (C + G)**	5,54,759
	Tier 2 Capital - Instruments and Provisions	
	Sub - debt eligible as Tier 2 capital	18,000
	General Provisions on Std. Assets admissible as Tier 2	18,369
	Investment Fluctuation Reserve	8,948
	Investment Reserve Account	
I	Tier 2 Capital before regulatory adjustments	45,317
	Tier 2 Capital - Regulatory Adjustments	
J	Total Regulatory Adjustments to Tier 2 Capital	-
K	**Tier 2 Capital (I - J)**	45,317
L	**Total Regulatory Capital (H + K)**	6,00,077

5.2.2. Credit Risk RWA

The detailed break up of Credit RWA is as follows:

Rs. in lakh

Asset Description	RWA
Cash and Balances with Reserve Bank of India	0.00
Balances with Banks and Money at Call and Short Notice	6,740
Investments	1,493
Advances	23,83,926
Fixed Assets	31,491
Other Assets	71,522
Off Balance Sheet	15,611
Total Credit RWA	**25,10,783**

5.2.3. Operational Risk RWA

The Regulator has issued Master Directions on Minimum Capital Requirements for Operational Risk under the New Standardized Approach (NSA) which will be applicable with effect from April 1, 2023 for Universal Banks. While the Regulator is yet to take a decision on its applicability for SFBs, the Bank has already commenced computation of Operational RWA under this new approach for internal reporting purposes. The detailed computation is as follows:

Rs. in lakh

Particulars	T	T-1	T-2
	FY'24	**FY'23**	**FY'22**
Total amount of operational losses net of recoveries (no exclusion)	1,264	527	907

Total number of operational risk losses	1,322	1,416	1,253
Total amount of excluded operational risk losses#	867	475	809
Total number of exclusions	1,152	1,255	990
Total amount of operational losses net of recoveries and net of excluded losses	397	53	99

Rs. in lakh

Sr. No.	Business Indicator (BI) and its sub components	T	T-1	T-2
1	**Interest, lease, and dividend component**			
1a	Interest and lease income	5,67,715	4,16,499	2,81,280
1b	Interest and lease expenses	2,26,770	1,46,709	1,03,921
1c	Interest earning assets	36,64,893	30,42,154	21,64,059
1d	Dividend Income	0	0	0
2	**Services component**	0	0	0
2a	Fee and commission income	39,631	31,737	21,875
2b	**Fee and commission expense**	1,851	1,418	1,393
2c	Other operating income	27,811	22,822	11,466
2d	Other operating expense	63,573	51036	40,062
3	**Financial Component**			
3a	Net P&L on the trading book	2,076	178	1,576
3b	Net P&L on the banking book	326	0	185
4	BI	1,50,619.52	1,15,607	92,414
5	Business Indicator Components (BIC)	18,074.34	13,873	11,090

6a	BI gross of excluded divested activities	**1,50,620**
6b	Reduction in BI due to excluded divested activities	-

Disclosure on the BI **Rs. in lakh**

1	Business indicator component (BIC)	**18,074**
2	Internal loss multiplier (ILM)	0.60
3	Minimum required operational risk capital (ORC)	18,074
4	**Operational risk RWA**	**2,25,929**

5.2.4. Market Risk RWA

On September 12, 2023, the Regulator issued revised guideline for computation of Market Risk RWA which was effective from April 1, 2024. The computation of the Market risk RWA is performed basis the revised guidelines. As at December 31 2024, the AFS book consisted of Government of India Securities and Treasury Bills for which no market risk capital charge is applicable since AFS book is classified as Banking Book as per said revised guidelines. HFT book consisted of Government

Securities, Commercial Paper, Treasury Bills, Certificate of Deposits, Non-Convertible Debentures, unlisted equity and PTC investments. The Market Risk capital charge has been computed for HFT portfolio both for specific charge and general market risk charge.

Rs. in lakh

Capital Requirement for Market Risk	Amount
Interest Rate Risk	4,968
Equity Position Risk	12
Foreign Exchange Risk	-
Total	**4,981**
Total Market Risk RWA	**62,260**

5.2.5. Basel II CRAR (with only Credit RWA)

Rs. in lakh

Particulars	RBI thresholds	Amount/Ratio (Only Credit RWA)
Tier I Capital	--	5,54,759
Tier II Capital	--	45,317
Total Capital	**--**	6,00,077
Total Credit RWA	**--**	25,10,783
CET Ratio	Minimum 6%	22.10% (Complied)
Tier I Ratio	Minimum 7.5%	22.10% (Complied)
Tier II Ratio	Maximum cap at 7.5% of CRWA	1.80% (Complied)
CRAR	**Minimum 15%**	**23.90% (Complied)**

Presently, the operating guidelines for SFBs mandate that the minimum CRAR be computed in relation to only the Credit Risk Weighted Assets (CRWA). The CRAR of the Bank at **23.90%** is well above the minimum ratio of 15% as applicable for SFBs.

5.2.6. Capital Adequacy under Pillar I Risk (Credit, Market and Operational risks)- as part of preparedness to transition to Universal Bank.

Particulars	Amount/ Ratio (all Pillar 1 risks)
Tier I Capital	5,54,759
Tier II Capital	45,317
Total Capital	6,00,077
Total RWA	**27,98,972**
CET Ratio	19.82%
Tier I Ratio	19.82%
Tier II Ratio	1.62%
CRAR	**21.44%**

It may be noted that the Bank's CRAR is assessed at 21.44% after inclusion of Credit RWA, Operational Risk RWA and Market Risk RWA. The capital adequacy is higher than the mandated SFB requirement of 15%, which is solely on the basis of CRWA, and also considerably higher than the minimum mandated for Universal Commercial Banks. Presently, the Regulator is yet to notify the applicability of the other two pillar 1 risks for SFBs.

Hence, not only from a governance perspective but also to meet its future projections of growth on midterm basis, the Bank has always been well capitalized, when taking into consideration capital charges for Credit Risk, Market Risk and Operational Risk.

6. *Table DF- 4: Credit Risk: General Disclosures*

6.1. Qualitative disclosures

Credit risk arises as a result of failure or unwillingness on part of customer or counterparties to fulfil their contractual obligations. The Bank is exposed to credit risk in its lending operations. Credit risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank, principally the failure to make required payments as per the terms and conditions of the contracts.

The Bank has implemented an extensive credit risk management architecture. The Board of Directors of the Bank endorses the credit risk strategy and approves the credit risk policies. This is done taking into consideration the Bank's risk appetite, derived from perceived risks in the business and balanced by the targeted profitability level for the risks taken up. The Board oversees the credit risk management functions of the Bank. The Risk Management Committee of the Board (RMCB) is entrusted with the development of policies, procedures and systems for managing credit risk and towards implementing a robust credit risk strategy of the Bank. The RMCB reviews the credit risk profile and keeps an eye on both internal and external contexts, their impact on the Bank's portfolio and devises management strategies accordingly. The RMCB regularly reviews the Bank's portfolio composition and the status of impaired assets.

The Bank's Risk Management department drives credit risk management centrally. It is primarily responsible for implementing the risk strategy approved by the Board, developing procedures and systems for managing risk, carrying out an independent assessment of various risks, providing guidance in individual credit exposures for accepting deviations and monitoring portfolio composition and quality. With regard to the Institutional Lending business, the Bank's Risk Management functions are centralised. In respect to the Bank's retail assets business, while the various functions relating to policy, portfolio management and analytics are centralised, the underwriting function is distributed across various geographies within the country. The Risk Management function in the Bank is clearly demarcated and independent from the operations and business units of the Bank. The Risk Management department is not assigned with any business targets.

The Credit Risk Management Committee (CRMC) is responsible for overseeing implementation of the credit risk management framework across the Bank and providing recommendations to the RMCB. CRMC ensures monitoring of credit risks on Bank wide basis and in ensuring compliance with the Board approved risk parameters/prudential limits and monitor risk concentrations. It also reviews the status of portfolio management, loan review mechanism, risk monitoring and evaluation, regulatory/legal compliance, adequacy of provision, risk concentrations, industry reviews, and suggests corrective measures and activity reviews for credit management. It reviews and approves the use of credit scorecards for business and risk management purposes, tests its performance and effectiveness and places recommendations before the RMCB.

The Bank's Credit Policy, Credit Risk Management Policy, Credit Manuals, Product Programs, NPA Management Policy, Collateral Management Policy and Interest Rate Policy, form the core set of internal guidelines for management of credit risk in various activities and products. These articulate the credit risk strategy of the Bank and thereby the approach for credit origination, approval and maintenance. These policies define the Bank's overall credit granting criteria, including the general terms and conditions. The policies / programs typically address areas such as target markets / customer segmentation, qualitative and quantitative assessment parameters, portfolio mix, prudential exposure ceilings, concentration limits, price and non-price terms, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms. They take cognizance of prudent and prevalent banking practices, relevant regulatory requirements, nature and complexity of the Bank's activities, market dynamics etc.

Credit concentration risk arises mainly on account of concentration of exposures under various categories including industry, products, geography, underlying collateral nature and single / group borrower exposures. To ensure adequate diversification of risk, concentration ceilings have been set up by the Bank on different risk dimensions, in terms of borrower/ business group, geographic state, unsecured lending ratio and risk grading (for institutional lending).

The Board sets concentration ceilings which are monitored by the respective credit verticals and by the independent credit risk department. The Risk Management department reviews the exposure level under each dimension and ensures that the portfolio profile meets the approved concentration limits. Any breaches to these limits are periodically reported to CRMC and the RMCB. The regulatory prudential norms with respect to ceilings on credit exposure to individual borrowers or group of borrowers also ensure that the Bank avoids concentration of exposure.

Definitions of past due and impaired loans

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. A Non-Performing Asset (NPA), as defined by the RBI, shall be a loan or an advance where-

- Interest and/or instalment remains overdue for a period of more than 90 days in respect of a Term Loan;
- The account remains out of order with respect to CC/ OD for 90 days on a continuous basis;
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- In case of advances granted for Agricultural purposes
    - The instalment or interest thereon remains overdue for two crop seasons for short duration crops;
    - The instalment or interest thereon remains overdue for one crop season for long duration crops;
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021.
- 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. The Bank had no derivative transaction on its books.

The Bank is guided by the provisions laid down in Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated April 2nd 2024 as amended from time to time.

Provisioning and Regulatory norms applicable to the Bank

1) The Board reviews the provisioning norms of the Bank at regular intervals to determine if any enhanced provisioning is required based on credit performance. Despite a history of low Portfolio at Risk (PAR) and delinquencies, the microfinance portfolio of the Bank (the Bank's flagship offering) is unsecured where adverse and acute events (such as political events and natural disasters) can impact the portfolio quality. To enhance the coverage on MB portfolio, the Bank has adopted an accelerated provisioning policy across all asset classification categories.
2) The Bank's NPA Management Policy, on the directions of the Board, has adopted an accelerated provisioning regime which is higher than the RBI mandated provisioning norms since inception. The Bank's Risk Management Department undertakes a proactive assessment of the likely GNPAs, NNPA, Provision Coverage Ratio (PCR) and incremental credit/provisioning costs by studying historical delinquency trends and external developments which can have a bearing on the asset quality and credit costs. During the financial year FY 21-22, as a one-time measure, the Bank had created a Floating Provision amounting to Rs. 25,000 lakhs to address the risk of any recurrence of pandemic associated mobility restrictions. While the chances of a fresh wave with similar levels of severity are low, the presence of the floating provision acts as a strong bulwark to protect against unexpected losses of any kind.
3) As on December 31, 2024, out of Rs. 25,000 lakhs, Rs. 17,000 lakhs are allocated for netting off Gross NPA for the purpose of computing NNPA/ PCR, while Rs. 3,000 lakhs have been factored as part of Tier II capital. The residual balance has been grouped as part of other provisions without utilising the same towards Tier II capital. This amount continues to be earmarked for netting off GNPA as and when warranted.

Credit Risk Portfolio review and Monitoring:

Micro Banking (including Rural Banking) Portfolio:

A comprehensive review of the MBRB Portfolio for past quarters is given below:

Rs. in lakh

MBRB	Mar-24	Jun-24	Sep-24	Dec-24
Gross Advances*	18,78,573	18,70,883	19,67,283	18,82,621
GNPA(Value)	40,707	48,308	52,906	60,799
GNPA%	2.17%	2.58%	2.69%	3.23%

**Excluding IBPC/ Securitization/DA transactions.*

The Bank undertakes portfolio monitoring on a periodic basis with specific focus on key portfolio triggers. Continuous review of portfolio enables the Bank to identify incipient stress at cluster/region/state/branch level. Breach in the internal thresholds for default is the starting point for identifying risk in the portfolio. Risk indicators such as PAR30+, PAR90+, early delinquencies, quick mortality, non-starters, On Time Repayment Rates (OTRR), Collection Efficiency (CoE), stressed assets percentage and lagged PAR estimates provide useful insights in risk identification.

The Bank monitors collection trends at a bucket level on a daily basis and findings are reported to top management. Collection monitoring is aided by a strong and dedicated collection team at ground level with extensive use of analytics and digital tools. Digital collection continues to scale up through existing and new channels like Fintech, Payment Banks, Money Mitra outlets (BC outlets) and the Hello Ujjivan Mobile application.

The composite collection efficiency (CE%) had reached nearly 96% in the month of December 2024. The efforts of enhanced monitoring and collections enabled the Bank to arrest fresh slippages (incremental overdues) and also increase the recovery rates in delinquency buckets.

Given that the microfinance portfolio is subject to adverse event risks, the Bank also monitors area specific communal issues, protests, sub-lending/ring leader issues, snatching attempts and others. In addition to the above, industry level information is also collected from the credit bureau/s to compare the performance in states or districts. The business unit has also revamped its end use monitoring mechanism during the year which is effective from September 1, 2024. The revised approach allows the Bank to improve the overall credit risk oversight and aides in early identification for instances in diversion of funds.

Affordable Housing Loans (including Micro mortgages)

A comprehensive review of the Housing Portfolio for past quarters is given below:

Amt in Rs. Lakh

Housing Loans	Mar-24	Jun-24	Sep-24	Dec-24
Gross Advances*	4,69,357	4,97,953	5,57,541	6,19,410
GNPA(Value)	6,889	7,109	7,390	6,855
GNPA%	1.47%	1.43%	1.33%	1.11%

**Excluding IBPC/ Securitization/DA transactions*

Credit risk monitoring of Secured Housing loans is broadly done at two levels – account level and portfolio level. While regular portfolio reviews are undertaken to assess the health of the portfolio, the Bank also assesses inter-linkages of risks especially legal risk induced credit risk. Collateral related processes and procedures are reviewed to ascertain various gaps in the process. The Bank has designed monitoring mechanisms at process level encompassing credit deviations, collateral management, documentation etc. Regular reports are placed to the CRMC for further direction and actionable.

Micro mortgages as a product offering, was launched within the Housing unit to cater to the financing needs of customers with a collateral. The product is launched majorly in Tamil Nadu, Karnataka and recently introduced in in Maharashtra and Gujarat. The disbursement trends (in value) of the Product are given below:

Rs. in lakh

Particulars	Q3 FY 2023-24	Q4 FY 2023-24	Q1 FY 2024-25	Q2 FY 2024-25	Q3 FY 2024-25
Disbursement-MLAP Actuals	5,556	7,965	7,762	12,902	15,031

MSME (Micro and Small and Medium Enterprise)

A comprehensive review of the MSME Portfolio given below:

Rs. in lakh

MSME	Mar-24	Jun-24	Sep-24	Dec-24
Gross Advances*	1,41,413	1,41,507	1,51,416	1,69,382
GNPA(Value)	11,838	12,518	12,983	11,658
GNPA%	8.37%	8.85%	8.57%	6.88%

**Excluding IBPC/ Securitization/DA transactions*

The MSME business focuses on providing Loan Against Property (LAP) with semi-formal and formal customers as the target segment and tailored products on working capital facilities, supply chain financing and Fintech based loans. This vertical leverage analytical capabilities to monitor portfolio quality and also identify areas for business development. On the portfolio quality, much of the GNPA is from the discontinued line of MSME products. The repackaged semi formal LAP product that has now run for a period marginally in excess of 12 months, continues to perform well with no apparent signs of stress. However, cognizant of the fact that stress tends to build up as the portfolio ages, the Bank now has an independent monitoring unit within the MSME unit, which leverages on the EWS triggers to take proactive corrective action at the first sign of stress.

Health council, under the ambit of **Credit Risk Monitoring Unit (CRMU)** is mandated to specifically review delinquency cases and deliberate on ways to improve the asset quality of the MSME portfolio. The Health Council is convened at monthly intervals with representation from Credit, Risk, Collections and Business teams who are empowered to take decisions against erring borrowers.

Institutional Lending

A comprehensive review of the Institutional Lending Portfolio is given below:

Rs. in lakh

FIG	Mar-24	Jun-24	Sep-24	Dec-24
Gross Advances	1,73,054	1,79,974	2,04,234	2,25,732
GNPA(Value)	442	442	442	442
GNPA%	0.26%	0.25%	0.22%	0.20%

As at December 31, 2024, the institutional lending portfolio has increased by 11% on a Quarter on Quarter in gross advances. The share of the institutional lending book of the Bank comprises of ~6.8 % of the overall lending book and continues to register an excellent collection rate of 100%. As part of monitoring, the Bank regularly reviews compliance to financial covenants (Capital Adequacy Ratio, GNPA, NNPA, Debt/Equity ratio as stipulated in sanction letter), collection of CA certified receivables statement and potential Early Warning Signals (EWS) alerts.

Vehicle Loans

The Vehicle Loans vertical was also considerably revamped and sought to focus only on two-wheeler financing during the year. As a step towards the relaunch, a new LOS was adopted, and the Bank has also embedded a scorecard in the LOS to facilitate decision making. New locations for the business were identified and locations where business was suspended were revived. A comprehensive review of the Vehicle loan Portfolio is given below:

Rs. in lakh

VF	Mar-24	Jun-24	Sep-24	Dec-24
Gross Advances*	19,590	23,945	28,540	40,097
GNPA(Value)	643	630	628	719
GNPA%	3.28%	2.63%	2.20%	1.79%

**Excluding IBPC/ Securitization/DA transactions*

As at December 31, 2024, the vertical has registered a 43% quarter on quarter increase in its gross advances. Functionality to collect repayments through third party payment aggregators and other online portals were also enabled to provide ease of transaction. The vertical actively engaged in new dealerships for Two-wheeler financing. The business model is focused on sourcing new loans through tie-ups with direct dealerships. The Bank has also developed a trade advance facility to dealers which is now active.

Gold Loans:

With an objective to diversify away from Microfinance which is largely unsecured and reduce concentration risk, the Bank has placed top priority on venturing into new business lines which are secured by underlying collateral. The Bank intends on leveraging the synergy in the target customer segment and has identified Gold loans as a key enabler to meet the dual target of secured loans ratio and profitability targets. Gold loan has registered an impressive 85% growth in portfolio size, as compared to the previous quarter.

The Gold Loan product is now being offered in **199** branches covering **16** states with a plan to expand to **400** branches in the ensuing financial year.

Credit Risk Monitoring Unit (CRMU)

Some of the key activities undertaken by CRMU are as follows:

- Conducted monthly Health Council (HC) with CRO, ED and CCrO as council members. The idea of these health councils is to provide an insight into ongoing concerns in the MSME portfolio and get case specific feedbacks directly from the field which includes Regional Credit Managers, Business as well Collection Team

- Quarterly Quick Mortality analysis is reviewed by the CRMU and a report on the findings is placed at CRMC.

- File review of new products such as Elite LAP and Woking capital loans on sample basis was commence in March 2024.

- Developed a dashboard internally to monitor the Bank’s portfolio at a snap shot which includes IOD’S, NPA, Bucket Movements, Roll Rates, etc.

Other Credit Risk management initiatives:

In a continuous endeavour to improve risk management practices, the Bank has, over time, transitioned from being reactive to proactive. In the post pandemic period, the Bank has put in place tools and techniques in order to transition to a proactive approach.

- An initiative which the credit risk team took is on analysing the policy gap in various verticals.
- A control testing framework (POC- proof of concept) was approved at the RMCB and the Credit Risk Unit (Policy and CRMU) will test the framework against the process / activities identified and the commencement of testing of some parameters will begin from Q4 FY 2024-25. The Control testing framework will be open to incorporate any additional activities as and when they deem fit.
- Collection productivity analysis for Micro-banking was developed during the year to analyse the performance of the In-house Collections officers, Off roll collections officers and Agencies.
- The Bank performed PDD and OTC documents analysis for Retail verticals on a timely basis.
- The Bank performed deviation analysis for Housing and MSME verticals during the quarter.

- During the year, the Bank’s board approved the Quick Mortality framework for all the loans in the Bank.

- The Bank has developed an Early Warning System (EWS) framework at an account level to detect and monitor account level behaviour patterns. This framework aids in identifying early signs of stress in loan accounts for early intervention and follow-up. The Bank has onboarded a vendor to put in place a system to capture feedback and enable on going monitoring. The system is currently under configuration and is expected to go-live sometime in Q4 FY 2024-25.

- With the availability of credit and loan performance data in the post pandemic period, the Bank has restarted its risk analytics journey for development of statistical application scorecards. Application scorecards are being redeveloped with post pandemic data for microfinance, vehicle and housing loans. Leveraging on the EWS outputs, the Bank also intends on developing behavioural scorecards, the outputs of which will be used in advanced capital charge calculation frameworks (FIRB approach).

- The credit risk models are intended to aid banks in quantifying, aggregating and managing risk across geographical and product lines. The outputs of these models also play increasingly important roles in banks’ risk management and performance measurement processes, customer profitability analysis, risk-based pricing, active portfolio management and capital structure decisions. Credit risk modelling will aid in better internal risk management and have the potential to be used in the supervisory oversight of banking operations. The Bank has commenced development of scorecards in GL and

IL. IL and VF scorecard are directly used in pricing models warranting regular review. As part of ECL preparedness, Bank has developed PD and LGD models using historical data and statistical techniques. Therefore, the Bank's Board approved a policy to govern Model development, validation and ongoing monitoring. The Credit risk model validation essentially has qualitative as well as quantitative components.

RBI guidelines on loan pricing mandates delineation of spread components and assignment of benchmarks (MCLR or EBLR) to loan pricing, the Bank undertook an internal exercise to evaluate the reasonableness and effectiveness in pricing of loans to meet strategic imperatives. The Bank developed customised pricing models using internal data estimates and external benchmarking, wherever applicable. Further, these pricing models were carefully evaluated for alignment to business strategy, budgets, system feasibility, adherence to prudential risk management norms and also ensure compliance to RBI guidelines on interest rate management on advances. A salient feature in these pricing models includes adoption of a differential pricing matrix, in that, pricing of loans to borrowers would be risk adjusted to reflect the borrower's creditworthiness. The Bank believes that the introduction of Risk Based Pricing (RBP) will aide in encouraging and incentivising borrower/s to maintain a long-term relationship.

6.2. <u>Quantitative Disclosures</u>

The overall distribution of Gross advances and Gross Loan Book as at December 31, 2024 was as under:

Rs. in lakh

Vertical	Gross Advances	%	Gross Loan Book	%
MB&RB	18,82,621	62.20%	18,82,621	61.79%
FIG Lending	2,25,732	7.46%	2,25,732	7.41%
Housing	6,19,410	20.46%	6,39,252	20.98%
MSE	1,69,382	5.60%	1,69,382	5.56%
Personal Loans	3,565	0.12%	3,565	0.12%
Staff Loan	22,322	0.74%	22,341	0.73%
Vehicle Finance	40,097	1.32%	40,097	1.32%
Loan/OD Against Deposit/Gold loan	63,602	2.10%	63,602	2.09%
Total	30,26,728	100.00%	30,46,591	100.00%

<u>Exposure summary: Facility type</u>

Exposure Type	Domestic (Rs. in Lakh)	Overseas
Fund- Based exposure[19]	44,85,425	--
Non- Fund Based Exposure*	52,070	--
LESS: CRM DEDUCTIONS (GNPA Provisions held)	-47,629	
Total	44,89,867	**--**

*Non-fund-based exposure for purpose of computation of CRAR includes undrawn limits of MSME

[19] Fund Based exposure is computed as per Basel II guidelines

Overdrafts and KPC, yet to be disbursed portion of Secured Housing, MSME and FIG customers and Contingent liabilities.

Geographic Distribution of advances (State-wise)[20] (Rs in lakh)

States	Advances (excluding IBPC/ Securitization/ Direct Assignment)	% Share
Tamil Nadu	4,27,593	14.04%
Karnataka	4,03,276	13.24%
West Bengal	3,57,806	11.74%
Maharashtra	2,95,144	9.69%
Gujarat	2,49,522	8.19%
Uttar Pradesh	2,05,917	6.76%
Bihar	1,91,087	6.27%
New Delhi	1,65,956	5.45%
Haryana	1,64,190	5.39%
Rajasthan	1,36,826	4.49%
Jharkhand	70,808	2.32%
Punjab	66,900	2.20%
Kerala	57,942	1.90%
Odisha	56,238	1.85%
Madhya Pradesh	48,874	1.60%
Tripura	36,340	1.19%
Assam	29,979	0.98%
Telangana	26,167	0.86%
Uttarakhand	16,287	0.53%
Chhattisgarh	13,469	0.44%
Pondicherry	12,205	0.40%
Chandigarh(UT)	5,894	0.19%
Himachal Pradesh	3,642	0.12%
Meghalaya	3,454	0.11%
Goa	1,076	0.04%
Andhra Pradesh	0	0.00%

Maturity pattern of assets and liabilities

Rs. in lakh

Buckets	Net Advances	Investments	Deposits	Borrowings
Day - 1	2,132	3,64,336	10,621	1,48,503
2-7 Days	29,897	10,885	68,215	20,000
8-14 Days	59,812	14,703	68,209	60,000
15-30 Days	63,306	21,488	80,402	-
31 Days and up to 2 months	1,62,702	53,023	1,63,832	-

[20] Geography wise loans and advances is Including IBPC, Securitization and DA

Over 2 months and up to 3 months	1,51,826	49,490	1,99,775	9,050
Over 3 Months and up to 6 months	4,26,883	1,33,222	3,99,320	10,936
Over 6 Months and up to 1 year	6,80,785	3,49,064	15,43,654	10,077
Over 1 Year and up to 3 years	7,44,007	1,57,000	8,93,009	37,108
Over 3 Year and up to 5 years	1,31,383	19,893	20,648	47,908
Over 5 years	5,09,366	6,637	1,682	28,867
Total	29,62,099	11,79,741	34,49,367	3,72,449

Gross Non-performing assets (NPA)

Rs. In Lakh

Category of Gross NPA	Dec-23	Mar -24	June-24	Sept-24	Dec-24
Sub-standard	31,310	37,994	47,781	58,677	70,945
Doubtful	24,844	21,852	20,752	15,151	9193
Loss	920	1,407	1,187	1,168	985
Total	**57,074**	**61,252**	**69,724**	**74,996**	**81,123**

Rs. In Lakh

NNPA	**Dec-23**	**Mar-24**	**Jun-24**	**Sep-24**	**Dec-24**
Net NPA	16,275	19,629	23,124	28,408	33,494
NNPA after factoring Floating Provisions	4,275	7,629	11,124	16,408	16,494

NPA Ratios	**Dec-23**	**Mar-24**	**Jun-24**	**Sep-24**	**Dec-24**
Gross NPA to Gross Advances (excluding IBPC/Securitisation/DA) [21]	2.18%	2.23%	2.52%	2.52%	2.68%
Net NPA to Net Advances (excluding IBPC/Securitisation/ DA)[22]	0.17%	0.28%	0.41%	0.56%	0.56%

Movement of Net NPAs (Quarterly basis)

Rs. In lakh

Particulars	**Dec-23**	**Mar-24**	**June-24**	**Sept-24**	**Dec-2024**
Opening Balance is Year Opening Balance	904	904	7,629	7,629	7,629

[21] Gross NPA to Gross Loan Book (including IBPC/Securitisation/Direct Assignment) was 2.68% as on December 31, 2024

[22] Net NPA to Net Loan Book (including IBPC/Securitisation/Direct Assignment) was 0.56% as December 31, 2024

Additions during the period	19,016	25,846	13,358	23,906	39,088
Reductions during the period	15,644	19,120	9863	15,127	25,223
Closing Balance	**4,275**	**7,629**	**11,124**	**16,408**	**16,494**

Movement of Provisions for NPAs (excluding provisions on standard assets)

Rs. in lakh

Particulars	Dec-23	Mar-24	June-24	Sept-24	Dec 2024
Opening Balance	50,157	50,157	41,623	41,623	41,623
Provisions made during the period	19,732	25,578	12,449	26,301	41,399
Write back of excess provisions	29,090	34,112	7,473	21,336	35,394
Closing Balance	**40,799**	**41,623**	**46,600**	**46,588**	**47,629**

Provision Coverage Ratio (PCR)

Rs. in lakh

Category	Gross Advances after netting off IBPC, Securitization & Direct Assignment	GNPA on gross advances	GNPA Provisions on gross advances	Floating Provisions Considered for NNPA*	PCR% on gross advances	PCR% on gross Loan Book
MB-RB	18,82,621	60,799	35,328	15,500	83.60%	83.60%
FIG Lending	2,25,732	442	442	0	100.00%	100.00%
Housing	6,19,410	6,855	3,513	0	51.25%	51.69%
MSME	1,69,382	11,658	7,354	1,500	75.94%	75.94%
Personal Loans	3,565	456	332	0	72.88%	72.88%
Staff Loan	22,322	28	23	0	80.33%	80.33%
Vehicle Finance	40,097	719	512	0	71.25%	71.25%
Loan/OD Against Deposit	63,602	165	125	0	75.67%	75.67%
Grand Total	**30,26,728**	**81,123**	**47,629**	**17,000**	**79.67%**	**79.54%**

*Rs.17,000 lakh considered for the purpose of netting of GNPA and factoring the benefit in NNPA/PCR computation.

Write off:[23]

Rs. in lakh

Particulars	Total Write off undertaken
Q1 FY 2024-25	5,887

[23] Write off includes actual write off and technical write off

Q2 FY 2024-25	14,013
Q3 FY 2024-25	4,170

Non-performing Investments (NPI)

Amount of Non-performing investments	**NIL**
Amount of provisions held for non-performing investments	NIL

Movement of provisions for depreciation on investments

Particulars	**Amount**
Opening Balance	--
Provisions made during the period	--
Write-off	--
Write- Back of excess provisions	--
Closing Balance	**--**

7. *Table DF-5: Credit Risk: Disclosures for portfolios subject to the Standardised Approach*

7.1. Qualitative Disclosures

a. The Bank has adopted Standardized Approach for computation of capital charge for Credit Risk as per RBI guidelines. These guidelines envisage different risk weights for different asset classes, which have been duly applied.

b. The loan book of the Bank predominantly comprises retail category loans. Therefore, the risk weights as applicable to Regulatory Retail, claims under Residential Mortgage and staff loans are applied. For consumer loans within its microfinance portfolio, the risk weight of 125% is applied.

c. Institutional lending is risk-weighted as per ratings assigned by Eligible Credit Rating Agencies (ECRA) as prescribed by RBI. During the year, the Regulator had issued specific guidelines with respect to treatment of exposures with instances of rating withdrawal and unrated exposures in relation to total borrowings from industry. The Bank has taken cognizance of the same.

d. In terms of circular No. DBR.BP.BC.No.72/08.12.015/2016-17 dated June 7, 2017, the capital charge for claims secured by residential property falling under the category of individual housing loans is assigned differential risk weights based on the size of the loan as well as the loan to value ratio (LTV). As a countercyclical measure, RBI has decided to rationalise the risk weights, irrespective of the amount and only on the basis of LTV vide a notification on October 16, 2020. The Bank has taken cognizance of the same and these were incorporated for all loans sanctioned after the date of issuance of this circular. The Bank has factored the directions of RBI circular dated April 8, 2022 wherein, it was directed to continue with risk weights contained in the circular ibid for all new individual housing loans sanctioned up to March 31 ,2023.

e. Short note of CRAR automation:

7.2. Quantitative Disclosures

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk Weight – Position as on December 31, 2024		
Sl. No.	**Risk Weight**	**Rs. in lakh**
1	Below 100% Risk Weight	34,26,012
2	100% Risk Weight	3,88,741
3	More than 100% Risk Weight	7,22,742
4	Deductions (GNPA PROVISION)	(47,629)
5	**Total**	**44,89,867**

8. Table DF-6: Credit Risk Mitigation: Disclosures for Standardised Approach

8.1. Qualitative Disclosure

The Group Loan and Individual Loan portfolio, under microfinance is unsecured. Loans to the Affordable Housing segment are collateralized by a mortgage over the property financed. There are primarily secured product variants under MSME loans. Loans to Financial Institutions are secured by a charge over book debts which are registered with CERSAI. Vehicle loans are collateralised by a charge over the vehicle financed.

The Bank accepts Eligible Financial Collateral[24] in a few instances for risk mitigation under secured Institutional lending and MSME loans. These financial collaterals are netted off for its collateralized transactions under comprehensive approach[25] while computing its Risk Weighted Assets (RWA). The Bank regularly reviews the health of the portfolio/ borrowers and works on mitigation of any risk associated with the portfolio or borrower in particular through a combination of limits and restrictions.

The Bank has in place the following risk mitigation techniques for its loan portfolio which are as follows:

- Life insurance cover is voluntary for all the borrowers availing of the Bank's microfinance loans. Housing, two-wheeler, and gold loans are provided with an option to avail a life insurance cover, though this is not a bundled offering along with the loan products.
- The Bank works with 4 Credit Information Companies (CICs) and ensures 100% application screening through the bureaus using their comprehensive credit reports.
- The Bank also undertakes independent surveys and analysis to identify negative areas/No- go areas based on historical events. These surveys enable the Bank to discourage increasing business from these areas as identified above.
- The Bank has also set borrower wise limits in compliance to RBI mandated exposure norms and also mitigate any concentration risks building in the portfolio.
- A negative list/negative area profile is maintained at a branch level to avoid exposure to those categories.

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[24] Refer section 7.3.5 of Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF) dated July 1, 2015

[25] Refer section 7.3 of Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline New Capital Adequacy Framework (NCAF) dated July 1, 2015

9. *Table DF-7: Securitisation Exposures: Disclosure for Standardised Approach*

9.1. Qualitative Disclosure

9.1.1. Securitisation Objectives

The Bank undertakes Securitisation transactions to increase the efficiency of capital and enhance the return on capital employed by diversifying sources of funds, managing liquidity and maximising yield on asset opportunities.

The RBI issued 'Updated Securitisation Guidelines' on December 5th 2022 (hereinafter, the 'revised securitisation guidelines') covering Securitisation of Standard Assets. The said guidelines define minimum holding period, minimum retention requirements, due diligence, credit monitoring, stress testing requirements etc. The Regulator has also revised "Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021' dated September 24, 2021 (updated on December 5, 2022) covering transfer of loan exposures (herein after, the 'transfer of loan exposure guidelines'). In compliance to the guidelines, the Bank has put in place appropriate policies for undertaking these transactions.

The overall framework for the Securitisation of Standard Assets for the Bank is specified in the Board approved policy on Securitisation of Standard Assets. During the Q1 2022-23 the Bank had undertaken 'sale' transactions through securitisation route and Direct assignment.

9.1.2. The major risks inherent in Securitisation of Standard Assets and Transfer of Loans are given below:

Credit Risk: In case of Securitisation transactions, where credit enhancement is provided by the originator or any third party as permitted under the revised guidelines, the investor bears the loss in case the shortfall in collections exceeds the credit enhancement provided. If credit enhancement is provided in the form of a corporate guarantee, the investor bears the loss that could arise due to default by the guarantor which is also reflected in the rating downgrade of the corporate guarantor.

Market Risk:

- **Liquidity Risk:** This is the risk arising on account of absence of a secondary market, which provides exit options to the investor/participant.
- **Interest Rate Risk:** This is the mark-to-market risk arising on account of interest rate fluctuations.

Regulatory and Legal Risk: These risks may arise when transactions are not compliant with applicable laws which may result in the transaction being rendered invalid. Conflict between the provisions of the transaction documents and those of the underlying financial facility agreement.

Operational Risk

- **Co-mingling risk:** Risk arising on account of co-mingling of funds belonging to investor(s) with that of the originator and /or collection and processing servicer, when there exists a time lag between collecting amount due from the obligors and payment made to the investors.

Reputational Risk:

- This risk may arise due to rating downgrade of a securitised instrument due to unsatisfactory performance of the underlying asset pool.

- Inappropriate practices followed by the collection and processing agents

Prepayment Risk:

- This risk arises on account of prepayment of dues by obligors/borrowers in the securitised pool.

In addition to above, originators are exposed to pipeline and warehousing risks which refers to the event where originating banks are unable to off-load assets, which were originated with an intention of selling thus potentially exposing them to losses arising on declining values of these assets. The Bank does not follow the "originator to distribute" model and hence is not exposed to the pipelining and warehousing risks.

The Bank has established appropriate risk management processes to monitor the risks on Securitisation of Standard Assets which include:

Monitoring credit risk

The Bank, in the capacity of collection and processing agent prepares monthly performance reports which are circulated to investors/ rating agencies. The securitised pools are continuously monitored and those requiring attention are subjected to specific interventions (e.g. focused collection efforts in affected geographies) to improve their performance. The pool is also monitored by the rating agencies based on amortisation level, collection efficiency, credit enhancement utilisation levels and credit cover available for balance deal tenor.

Monitoring market risk

The Bank ascertains market value of the securitisation exposures based on extant norms, which is compared with their book value to assess the marked to market impact of these exposures monthly.

9.1.3 <u>Roles Played by the Bank</u>

Originator / Seller

The Bank originates assets in its book and subsequently sells down through the securitisation or assignment route.

Servicer

For sold assets, the Bank undertakes the activity of collections and other servicing activities including preparation of monthly pay out reports.

Provider of Liquidity Facilities

The Bank may provide liquidity facility to address temporary mismatches on account of the timing differences between the receipt of cash flows from the underlying performing assets and the fulfilment of obligations to the beneficiaries.

Credit Enhancement provider

The Bank provides credit enhancement on Securitisation 'sale' transactions undertaken by the Bank for meeting shortfalls arising on account of delinquencies and prepayment losses in the underlying pool sold.

9.1.4 Significant Accounting Policy for Securitisation and Direct Assignment of Standard Assets

The Bank as originator sells assets to a special purpose entity only on cash basis. Standard Assets transferred through securitisation are de-recognised in the Balance Sheet when they are sold (true sale criteria being fully met with) and consideration is received. Sales / transfers that do not meet true sale criteria are accounted for as borrowings. Standard assets transferred through direct assignment are de-recognised in the Balance Sheet of the Bank to the extent a portion of the rights, title and interest of the Bank in the underlying loans has been assigned. The Bank follows the accounting treatment specified in the revised securitisation guidelines and transfer of loan exposure guidelines for any realised and unrealised gain arising from the securitisation transactions.
The Bank transfers advances through inter-bank participation with risk. In the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances.

9.1.5 Rating of Securitisation Transaction
The Bank used the ratings provided by CARE Ratings limited for the securitisation of retail pools and there has been no change to this rating since origination.

9.2. Quantitative Disclosures
Details of Securitisation exposures in the Banking Book

Rs.in Lakh

Total Exposures Securitised by the Bank*	-

*Represents total exposure of loans securitised and sell-downs via Direct Assignment during Q3 FY 2024-25

For exposures securitised, losses recognised by the Bank during the current period broken by the exposure type

Rs.in Lakh

Exposure type	Losses
PTC (underlying assets being Loan against property) *	-
Total	-

*PTC- Pass Through Certificate

Assets to be securitised within a year as on Dec 31, 2024

Rs.in Lakh

Exposure type	Amount
Amount of assets intended to be securitized within a year	-
Of which amount of assets originated within a year before Securitization	-

Total outstanding exposures securitised by the Bank and the related unrecognised gains/(losses) Rs.in Lakh

Exposure Type	Amount*	Unrecognised gains / (losses)
PTC (underlying assets being Loan against	13,457	-

property)		
Direct Assignment	6,404	
Total	**19,861**	**-**

*The amount represents the total outstanding for Securitization and Direct Assignment as on Dec 31, 2024.

Securitisation exposures retained or purchased

Rs.in Lakh

Exposure Type	On Balance Sheet*	Off Balance Sheet	Total
Equity Tranche	1,263	-	1,263
Overcollateralization	-	758	758
Direct Assignment	723	-	723
Total	**1986**	**758**	**2,744**

***** Represents total principal amount of investment in Equity Tranche, Overcollateralization and Direct Assignment outstanding under risk sharing as at December 31, 2024.

Risk weight bands break-up of securitisation exposures retained or purchased

Rs. In lakh

Exposure Type	50% weight	75% risk weight	114% risk weight*	125% risk weight	Total
Equity Tranche (underlying assets being Loan against property)			1,263		1,263
Total			**1,263**		**1,263**

* Calculated as per formula prescribed in Master Direction – Reserve Bank of India (Securitisation of Standard Assets) Directions, 2022

Securitisation exposures deducted from capital –

Exposure Type	Exposure deducted entirely from Tier-1 capital	Credit enhancing interest-only strips deducted from total capital	Other exposures deducted from total capital
Overcollateralization	758	-	-
First Loss Credit Enhancement	1263	-	-
Total	**2021**	**-**	**-**

Details of Securitisation Exposures in the Trading Book

- NIL

10. Table DF- 8: Market Risk and Liquidity Risk

10.1. Qualitative Disclosures

10.1.1. Overview of Market Risk Management

The Bank defines Market Risk as the risk of loss in on-balance sheet and off-balance sheet positions arising from movements in market process, in particular, changes in interest rates, exchange rates and equity and commodity prices. The Bank has adopted the Standardized Duration Approach (SDA) for Market Risk capital charge computation. While this is not a regulatory requirement as per SFB guidelines, the Bank has considered it prudent to undertake capital adequacy assessment for all Pillar I risk i.e. Credit, Market and Operational Risk from a governance perspective.

The Bank has a well-defined Investment and Market Risk Management Policy. This policy covers all important areas of market risk identification, monitoring and measurement. The policies set various prudential exposure limits and risk limits for ensuring that the investment and trading operations are in line with the Bank's expectations of return and risk appetite.

The Treasury Department of the Bank comprises 3 independent units i.e. Front Office, Middle Office and Back office. The Front Office is responsible for trading, investment and fund management activity. Front Office is headed by Head of Treasury and is guided by Board approved Investment Policy. Middle Office is responsible for limit monitoring, valuation, regulatory / internal reporting and risk evaluation. Middle Office reports to Chief Risk Officer. Back office is responsible for settlement and reconciliation activities which reports to Head of Operations.

Investments: The Bank has a Board approved policy to make investments in both SLR and Non SLR securities. The Bank had investments in the following instruments: Government of India Securities (G Sec), Treasury Bills (T Bills), State Development Loans (SDL), Certificate of Deposits (CD), Commercial Papers (CP), Debt Mutual Funds (MF), Non-Convertible Debentures (NCD) and one legacy investment in an unquoted equity. The Bank had also made a token investment in a New Umbrella Entity (NUE) in association with National Payment Corporation of India (NPCI) and investment of Rs. 1,263 lakhs as Pass through Certificates as part of the Securitisation deal executed during FY 2022. The Bank resumed investments in non SLR securities such as certificate of deposits, commercial papers, NCDs and Mutual Funds after successfully completing the automation of NPI module. During the year the Bank also secured necessary approvals to commence investments in select IPOs as a way to deploy short term surpluses and generate the alpha. This aspect of the investment business is at a nascent stage and limited investments were made during the period. As on December 31, 2024, the investment holdings in various SLR and Non SLR instruments were as under:

Rs. in lakh

	AFS		HFT+FVTPL		HTM	
Instruments	**BV**	**MV**	**BV**	**MV**	**BV**	**MV**
SLR						
G Sec	2,045	2,042	6,567	6,570	4,99,872	4,99,728
SDL	0.00	0.00	0.00	0.00	2,32,438	2,34,144
STRIPS	-	-	-	-	-	-
T Bill	1,45,154	1,45,154	2,484	2,484	0.00	0.00

Total SLR	**1,47,199**	**1,47,196**	**9,051**	**9,054**	**7,32,310**	**7,33,872**
NON-SLR						
PTC	0.00	0.00	1,261	1,407	0.00	0.00
Equity	0.00	0.00	42	42	0.00	0.00
CP	0.00	0.00	52,030	52,030	0.00	0.00
CD	0.00	0.00	2,00,273	2,00,273	0.00	0.00
NCD	0.00	0.00	37,578	37,573	0.00	0.00
MF	-	-	-	-	-	-
Total NSLR	**0.00**	**0.00**	**2,91,186**	**2,91,326**	**0.00**	**0.00**
Total Investment	**1,47,199**	**1,47,196**	**3,00,236**	**3,00,380**	**7,32,310**	**7,33,872**

During the quarter, the Bank had added ~Rs. 79,109 lakh of securities in its HTM portfolio. As at December 31, 2024, there was positive MTM of ~Rs. 173.59 lakh from positions held in HFT and AFS. The Bank started purchasing securities of slightly higher Yield in HTM portfolio in order to capture the benefit of reduction in interest rate during Q4 of FY 2025. The HTM duration stands at 4.53 years. The Bank monitors the market signals and yield curve for any investment opportunity which can maximise yield. The current investment mix of the HTM portfolio is well poised to generate a positive MTM in the event of interest rate reduction. From risk management standpoint, the duration mix of the investment portfolio is also strategically maintained in a manner to limit incremental negative MTM in the event of recommencement of rate hikes.

The investment into SLR securities is undertaken for the purpose of regulatory compliance i.e. SLR maintenance and for Asset Liability Management (ALM). Investment in SLR securities is held as both HTM and AFS; majority of investments in AFS is in the form of Treasury Bills with small part of the AFS portfolio held in Central Government securities. The mandatory requirement for maintenance of SLR as stipulated by RBI is 18.00% of Net Demand and Time Liabilities (NDTL). The Bank has complied with the regulatory SLR requirement and has maintained SLR much above the requirement. During the quarter, the average SLR requirement and maintenance was as below:

Rs. in lakhs

Month	Average SLR requirement	Average SLR maintenance	Average SLR requirement maintained as a % of NDTL
Oct-24	5,81,937	7,86,937	24.35%
Nov-24	5,92,751	7,56,505	22.97%
Dec-24	5,98,161	7,46,880	22.47%

The maintenance of SLR was higher than the minimum requirement which is in line with its Board directive. The Bank maintains a higher SLR on account of two reasons viz. 1) risk management, in that, to ensure a cushion in case of a contingency, to keep a healthy Liquidity Coverage Ratio (LCR) at all times and also to ensure that the regulatory thresholds for the Structural Liquidity Statement (SLS) limits are not breached and 2) availability of liquid assets for non-SLR investments as an avenue to optimise the yield on investment portfolio.

Trading: The Bank is actively trading in G-sec market on an intraday basis and also carries overnight position in HFT portfolio, the trading positions are governed by stop loss limits to minimise the loss should there be a volatility in the market. The trading limits in the form of duration limits, PV01 limits, trading book limit, exposure limits and Value at Risk (VaR) are monitored regularly by the Middle Office. Any instance of breach in limits is brought to the notice of stakeholders and remedial measures taken.

The Bank resumed non SLR investments from June 2023 onwards and has made investments in CD, CP, NCD and debt and liquid mutual funds. The investment is undertaken with an objective of diversifying the investment portfolio and maximising the yield on the investment portfolio by deploying surplus liquidity. The transactions in non SLR investments were within the Board approved policies and regulatory thresholds. The Bank had made selective investments in equity IPO during first nine month of FY 2025 and the investments were within the Board approved policies and thresholds.

10.1.2. <u>Liquidity and Liquidity Risk Management</u>:

Treasury Department is primarily responsible for the day to day liquidity and fund management with an oversight by the ALM desk. The day to day fund excess or shortfall is arrived at based on a daily liquidity statement prepared by Front Office in co-ordination with Finance department. Based on the daily shortage or excess funds, Front Office undertakes money market borrowing and lending activity. The source of borrowing and lending amongst Call money, Repo, TREPS and CROMS is decided based on the most favourable rate. The regulatory limit on Call/Notice money borrowing and lending is monitored on a daily basis by Middle office and reported to all stakeholders.

Market Risk team keeps the senior management and the Board apprised of the Liquidity situation of the Bank through regular updates to the ALCO and RMCB. As a part of the update, a detailed analysis on cash flow projections, recommendations, constraints (if any), scenario analysis on various regulatory ratios and ALM position of the Bank are being placed at regular intervals.

Liquidity Risk Management is governed as per the provisions of the ALM policy. The ALM position for the Bank was well managed and regulatory thresholds complied during the quarter. The Bank has various avenues to leverage upon in mitigating any future liquidity shortfalls. Some of the measures include securitization, Direct Assignment, IBPC transactions, refinance and term loan facilities from Bank. The Bank is prioritizing long-term funding through deposit mobilization.

10.2. <u>Quantitative Disclosures</u>

Liquidity Coverage Ratio (LCR)

The objective of the LCR is to promote the short-term resilience of a bank's liquidity risk profile, ensuring that it has adequate stock of unencumbered high-quality liquid assets that can easily be converted into cash to meet its liquidity needs in an acute stress scenario lasting for 30 days.

Liquidity Coverage Ratio			
	Q3 Quarterly Average		**Rs. in lakh**
		Amount	**Adjusted Amount**
A	**High Quality Liquid Assets**		
	Level 1 Assets	**7,63,755**	**7,63,755**

B	Total Stock of HQLAs	-	7,63,755
C	Cash Outflows	28,00,902	7,12,012
D	Cash Inflows	2,18,535	1,33,852
E	Net Cash flow	**25,82,367**	**5,78,160**
F	25% of Total Cash Outflow	**7,00,226**	**1,78,003**
G	Higher of E or F	**-**	**5,78,160**
Liquidity Coverage Ratio		**132.10%**	

Net Stable Funding Ratio (NSFR): NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available Stable Funding" (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required Stable Funding") (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures. The minimum NSFR requirement set out in the RBI guideline is 100%.

The Bank's NSFR as at December 31, 2024 was 130.12% as against RBI minimum requirement of 100%.

Rs. In Lakh

NSFR	Weighted Amount
Total Available Stable Funding (ASF)	28,96,698
Total Required Stable Funding (RSF)	22,26,259
NSFR	**130.12%**

11. Table DF- 9: Operational Risk

11.1. Qualitative Disclosures

11.1.1. Operational Risk Management Policy and Governance Structure

Operational Risk is "the risk of loss resulting from inadequate or failed internal processes, people, systems or from external events. It excludes Strategic and Reputational Risks but includes Legal Risk". Strategic or Reputational risks are second order effect of Operational Risk. Legal risk includes, however is not limited to, exposure to penalties, fines, punitive damages arising out of supervisory action, civil litigation damages, related legal costs and any private settlements. Operational Risk arises due to errors in processes, frauds and unforeseen natural calamities / events. Though the occurrence of such instances could be less, the impact in value terms could be significant.

For effective management of Operational Risk, the Bank has constituted an Operational Risk Management Committee (ORMC) chaired by MD & CEO. This Committee which is convened by Chief Risk Officer meets every quarter to provide an oversight on Key Operational Risk issues, the summary of which is presented to the Risk Management Committee Board (RMCB). The ORMC supports the RMCB and is responsible for implementing the best practices in managing Operational Risk. The Bank has in place a Board approved Operational Risk Management policy to mitigate and manage Operational Risk. Operational Risk Team enhanced the existing Operational Risk Management Policy based on the Guidance note on Operational Risk Management and Operational Resilience published by RBI issued on 30th April 24 and approved by ORMC & RMCB held in the month of July'24. The Operational Risk management process is a top-down approach and is driven by strong and sound operating procedures and internal control culture with well-defined reporting and Business Continuity Management. This is a continuing process and the Bank is continuously striving to enhance its processes.

In the post pandemic era, the Bank has largely been successful in mitigating the risks of credit quality deterioration, collection risks, liquidity risks and interest rate risks which were largely triggered on account of external dynamics. The Bank has taken concerted efforts in reviewing the operational risk framework to identify and mitigate idiosyncratic risks in processes and systems. For instance, the Bank has identified various deficiencies in branch level operations which can exacerbate internal and external frauds.

11.1.2. Risk identification, measurement, monitoring and reporting

Following are some of the key techniques applied to manage Operational Risk within the Bank. It involves both a qualitative and quantitative approach.

Process reviews: All new processes (including enhancements) are subject to a mandatory comprehensive review by the Operational Risk department. For process related approvals, PrAC (Process Approval Committee) has been constituted with effect from February 2021 and meetings are held at defined frequency. The Bank's Operational Risk team reviews and provides their observations for including additional controls for the risks identified during the assessment, if warranted. Subsequent to closure, the new/enhanced processes are placed at the PrAC for approval. The Bank continuously reviews and enhances its key processes to adapt to industry best practices. Operational Risk Management Department (ORMD) had reviewed 49 processes in Q3 FY'25. Few of them to record are process note on Introduction of PM SVANidhi Tranche 3, SOP on Corporate Bond Repo, SOP on Risk Based Pricing, Addendum on PFRDA guidelines and Insta Banking Services through WhatsApp Banking Channel.

UAT Testing (including BRD and FSD): For any change management/ automation of products and processes, the respective department owners prepare a Business Requirement Document (BRD). The BRD is to be approved by the Department's Head, post which it is reviewed by the control functions (namely Compliance and Operational Risk) for further improvements (if any). Subsequently, the same is sent to the IT department who then prepare a Functional Specification Document (FSD) detailing the scope of the project. Once the project is moved to the testing stage, the Business and IT teams are to sign-off on the requirements developed in the User Acceptance Testing UAT environment. With these sign-offs, the ORMD performs UAT along with other key stake holders (wherever needed) to identify gaps (if any) in the actual deliverable versus changes proposed in the BRD. These gaps are further addressed and closed by the Business and IT team before moving the development to production. As on December 31, 2024, 100 BRDs and 18 FSDs were reviewed and UAT was undertaken for 102 new developments/changes/fixes provided by IT. A few key projects undertaken were Non-Resident to Resident conversion and Vice versa, Safe Deposit Locker Finacle development, Digital Current Account, Opening Minor SA through HHD, 2791-Finpower-MLAP- New functionality introduction- Income sanction etc.

RCSA: RCSA (Risk and Control Self-Assessment) is a forward-looking tool to identify and assess the level of risk inherent in any activity / process, the causes responsible for that risk and the status of existing controls to minimize the risk. The outcome of RCSA provides insight into known as well as potential Operational Risk areas in various process / business lines. Business teams, being the first line of defence, are responsible for carrying out RCSA activity. ORMD, being second line of defence is responsible for providing necessary guidance, training and inputs to the First Line of Defence (FLOD) for carrying out the RCSA. To create a Risk culture in FLOD and assume ownership for this activity, a Special Point of Contact (SPOC) is identified in each department who is designated as Business Risk and Compliance Officer (BRACO) with whom ORMD shall engage. In FY'25, RCSA will be commenced for 24 identified departments through BRACOs of the vertical and completed by April 2025, it has also been advised to the departments to ensure that RCSA is done on an ongoing basis by them as a First line of defense.

Key Risk Indicators: In FY'25, 40 KRIs continued to be monitored at an Organizational level. At functional level 124 KRIs are being monitored, 14 KRI's are monitored for Branch Banking vertical, 14 KRI's are monitored for Micro Banking vertical, 9 KRI's for Secured Housing Loans, 25 KRI's for Digital Banking, 7 KRI's for Agricultural Banking, 7 KRI's for MSME, 9 KRI's for Vehicle Loan as part of the ORM framework. All the KRIs published till from Apr'24 to Dec'24.
ORM has identified 25 KRIs for Operations department in Q2 FY'25 and published for the period Apr'24 to Dec'24. For Gold Loan department, 11 KRIs were identified and monitoring commenced from Jul'24 and published till Dec'24. The thresholds for the KRIs have been set in consultation with the respective stakeholders. These KRIs are analysed on the monthly basis and wherever breached those KRI's are shared with the respective stakeholders for their action plan. The KRI's across all the 10 functions (Organisation, Branch Banking, Micro Banking, Secured Housing Loans, Digital Banking, Agricultural, MSME & Vehicle Loan, Operations & Gold Loan) were computed till Q3'25. Operational Risk has presented the KRIs along with the action plan provided by the department to ORMC held in the month of Jan'25.

Operational Risk Index (ORI): ORMD developed an Operational Risk Index for the Micro Banking business unit, which monitors 22 parameters pertaining to People and Process risk. The index is monitored on a monthly basis and the output classifies the branches into High, Medium and Low risk basis the branch's performance against the parameters. The output is shared with the OR regional team, the Audit team and the Micro Banking Business Unit to better plan their branch visits and closely monitor the breached parameters in order to identify the root cause of the lapses.

Loss Data Management is in place to record material incidents and learnings from errors and strengthening existing controls. Incidents are recorded as operational loss and near miss events. This is followed by a Root Cause Analysis (RCA) for critical incidents. Bank has onboarded new vendor M/s. Acies to replace existing EGRC module from SAS which was in place to record all loss events across the Bank till 30th June'2023. Significantly, the efforts of the Operational Risk team have resulted in greater reporting of operational risk incidents from the branches. The Bank has created a separate General Ledger Code (GLC) to record losses (separate for fraud and non-fraud) on account of these incidents and these are reported to the Board at regular intervals. The Bank encourages its personnel to report incidents in an unbiased manner without fear of any retribution.

The incident reporting process enables creation of loss database as per Basel definitions. The activities broadly include the following:

- Reconciliation of General Ledgers (GL) to operational loss as recorded by ORMD;
- Root Cause Analysis (RCA) of critical events;
- Quarterly loss data submission to Board;

The Bank records instances along the Basel defined lines of Operational Risk events.

Loss Dashboard for YTD FY 24-25 (as on Dec'24):

Event Type	Count		Loss in lakhs			
	YTD Dec'23	YTD Dec'24	YTD Dec'24			YTD Dec'23
	Total	Total	Gross	Net	Ops Loss	Ops Loss
Business Disruption and Systems Failures	287	182	₹ 6.30	₹ 2.19	₹ 2.14	₹ 9.49
Clients, Products, and Business Practice	3	11	₹ 2.22	₹ 1.12	₹ 0.74	₹ 0.03
Damage to Physical Assets	5	22	₹ 0.00	₹ 0.00	₹ 0.00	₹ 0.00
Employment Practices and Workplace Safety	1	22	₹ 0.08	₹ 0.08	₹ 0.00	₹ 0.00
Execution, Delivery, and Process Management	1281	1,463	₹ 4.76	₹ 46.01	₹ 20.02	₹ 18.07
External Fraud	184	189	₹ 165.20	₹ 90.08	₹ 11.83	₹ 16.18
Internal Fraud	192	399	₹ 338.62	₹ 184.29	₹ 113.83	₹ 0.08
Total	**1,953**	**2,288**	**₹ 517.18**	**₹ 324.57**	**₹ 148.56**	**₹ 43.85**

>Gross loss refers to total amount involved in the reported incidents, Net loss refer to loss which got netted off post recoveries and Operational loss refer to the actual loss booked in Operational loss GL (Fraud & Non-fraud) in case of unsuccessful recovery efforts.
> Out of the 2288 incidents reported in YTD Dec'24, 1084 (~50%) were from "Cash Excess" and "Cash Shortage", owing to inclusion of all incidents reported, irrespective of amount.

The Ops Loss Recovery done as on date (31st Dec'24) pertaining to Operational Losses booked in previous financial years is Rs. 20.01 Lakh.

Thematic reviews: While carrying out RCSA, KRIs, UAT testing, incident reporting etc., Operational Risk team identifies few risk indicators warranting a special thematic review of the entire process. This enables the Bank to identify issues and gaps at minute level which are then taken up for rectification. These thematic reviews do not follow standardized risk identification techniques and therefore provide wider scope for a deeper and customized study of issues and gaps. Such thematic studies have enabled the Bank to further refine its existing processes and plug gaps that had been identified. In Q3 FY'25, ORMD team performed Gold Loan process review, Review of NPCI circulars and Trend of suspicious pattern in Digital accounts to identify the gaps and to recommend measures to mitigate the risk if any. Key gaps identified during the review were highlighted with the respective stake holders and discussed in ORMC and RMCB held in the month of Jan'25.

User Access reviews are conducted for critical applications to ensure that access and role matrix are well defined and that access is commensurate with the responsibility assigned. In FY'25, user access review was performed for Critical applications which are used by the Bank as a part of Semi-annual review and findings & recommendations were shared with respective stake holders for initiating corrective action. The Bank has a process for user access review covering all the critical aspects of user life cycle starting from activation to de-activation of ID's, review frequency, process to be followed for managing vendor ID’s, contractor’s ID’s, generic ID’s and system ID’s. Role Based Access provision reviews and process to be followed for user de-activation on exit from organisation is under review.

Exceptions Handling Mechanism is an initiative, which was initiated from July 2020 as guided by the National Controls and Compliance Committee. A list of 32 exception reports was identified and tagged to Operational Risk department of the Bank for initiating the review. In Q1 FY’25, the existing list of exception reports was revamped with a change in frequency of monitoring from Quarterly to Daily/Monthly which will help to take action on a priority basis. A list of 30 exception reports was identified post revamp and ORM started monitoring from Q1 FY’25. A total of 28 exception reports was revised for monitoring on a daily/monthly frequency. Observations identified in exception reports during the monitoring activity till the month of December 2024 have been taken up with respective stakeholders for discussing the gaps observed to undertake appropriate corrective actions.

Branch Assurance: Branches across regions are reviewed against a checklist devised by ORMD of the Bank to ensure adherence to branch processes. The checklist is reviewed and enhanced as and when required to strengthen monitoring of branches. Critical and repeat observations are shared with the leadership team for remedial /corrective actions. Checklist was reviewed and enhanced further. In Q3 FY’25, ORM team had reviewed 139 branches PAN India, apart from the branches review, ORM started monitoring other areas as second level checker like 6 RAC (Retail Asset Center), 3 IBC (Individual Business Correspondences) and 3 CBC (Corporate Business Correspondences). A monthly connect is also called for with leadership team at regional level to discuss on critical and key observations made by ORM team as part of their branch visit, also connected with respective corporate business teams for RACs and BCs observations. These critical observations were presented in ORMC meeting in the month of Jan’25.

Outsourcing Risk: ‘Outsourcing’ is defined as the Bank's use of a third party (either an affiliated entity within the corporate group or an entity that is external to the corporate group) to perform certain activities on a continuing basis that would normally be undertaken by the Bank itself, now or in the future. ORMD has developed the Outsourcing Policy which includes directions from the “Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Nov 3, 2006” as well as “Master Direction on Outsourcing of Information Technology Services April 10, 2023”. This has been approved by all relevant stakeholders and by the Board. Outsourcing undertaken by the Bank is also subject to an annual audit by the Internal Audit team who provide the required compliance certificate to RBI. Key activities undertaken during Outsourcing are as follows:

Pre-onboarding risk assessment: All outsourcing vendors, deemed as material, are subjected to a rigorous pre-on boarding risk assessment which is done by both Operational Risk team and the Information Security team, and this is repeated at annual intervals. Observations from these risk assessments are then shared with concerned functions for resolution. In Q3 FY’25, pre-on boarding risk assessment was carried out for 4 vendors as on December 31, 2024.

Post-onboarding risk assessment: All material vendors are also subjected to a periodic post on boarding risk assessment. This assessment is carried out by the respective unit that has outsourced the activity, and it is monitored by the Alliance & Electronic Payments team.

Annual review of material vendors: ORMD of the Bank along with Information security team of the Bank carries out annual risk review of material vendors. In the FY’25, the assessment is to be carried out for 41 vendors out of which 10 are bulk vendors and 31, non-bulk.

Business Continuity Planning (BCP): Business Continuity Management is a requirement for a Bank to minimize the adverse effect on critical areas of Operational Risk with respect to High-Impact and Low-Probability Disruptions. Through this, the Bank maintains confidence levels of its shareholders and satisfies relevant compliance requirements. The plans and procedures are in line with the guidelines issued by the RBI and these are reviewed at regular intervals.

The Business Continuity Management Policy (BCMP) of the Bank provides guidance to ensure continuity of Business through implementation of contingency plans to restore normal business functioning of branches, if disrupted during any type of disaster / crisis situation to provide continuous and reliable services and delivery of key products to customers.

The Bank's critical systems undergo periodical disaster recovery drills/tests in order to make sure that the recovery process becomes more robust and efficient to recover from any disaster /crisis situations. The observations of DR drills along with root cause and learnings are recorded and the same are placed to the IT Strategy Committee of the Board on quarterly basis. In H2 FY'25, the bank is performing the Planned Dr drill as per the calendar for all Critical applications. The Bank also has a Board approved Cyber Crisis Management Plan for tackling cyber threats/ attacks.

The Bank reviews BCM policy and plan documents annually and enhances the documents as per the changes made in the Bank's critical processes and activities. Bank also conducts periodic BCP testing considering various disruptive scenarios which helps identify the gaps in ensuring smooth recovery and resumption of the processes. On an ongoing basis, BCP testing for randomly selected branches is also conducted to ensure that the recovery process becomes more robust and efficient to recover from any disaster / crisis situation. Learnings are documented in the Business Continuity Plan for corrective action. In Q3 FY'24-25, 78 planned and 14 unplanned BCPs were conducted across branches in regions. Also 2 planned BCP exercises were conducted by corporate functions viz., Treasury Front Office and Clearing operations. As part of annual review of Critical Processes and defining the BIA to achieve a robust operational resilience at Bank level, Operational Risk department has initiated and completed the exercise by coordinating with 27 Critical business/functional units in Bank for reviewing and updating the Critical/Essential/Desirable processes in place. ORM added 10 new verticals/Processes as well to the review process for FY'25, where BIA need to be prepared and formalized.

Internal Financial Control (IFC) testing: This is an annual exercise and carried out by ORMD of the Bank. The team along with concerned stakeholders prepares and enhances Risk and Control Matrices (RCMs) for activities performed by process owners. The financial and operational controls in these RCMs are then tested by collecting samples from across the review period covering different regions, which are then evaluated for success or failure of the control effectiveness. The critical gaps observed during such testing are discussed with concerned functions for upgrading controls which may include automation of the controls. The results of this evaluation are also presented to ORMC, RMCB & ACB to update them on effectiveness of the internal controls of the Bank and take guidance. These results are also shared with the Bank's statutory auditor to provide insight on adequacy and effectiveness of the controls in the Bank. The RCMs enhancement was completed and the control testing is in progress FY'25, post obtaining samples from respective departments.

12. Table DF- 10: Interest Rate Risk in Banking Book (IRRBB)

12.1. Qualitative Disclosures

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings and economic value of a bank's banking book as a consequence of movement in interest rates. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL). The Bank has identified the risks associated with changing interest rates on its exposures in the banking book from both a short-term and long-term perspective.

The interest rate risk is measured and monitored through two approaches:

- Earnings at risk (Traditional Gap Analysis): The impact of change in interest rates on net interest income is analysed under this approach and calculated under yield curve approach. Under this approach a parallel shift of 200 basis points is assumed both in assets and liabilities.
- Economic Value of Equity (Duration Gap Approach): Modified duration of assets and liabilities is computed separately to arrive at modified duration gap. A parallel shift in yield curve by 200 basis points is assumed for calculating the impact on economic value of equity. Additionally, the Bank has also performed steepening of yield curve wherein a change in 100 basis points was considered linearly between 15-day and over 25-year maturities and using an inversion of the yield curve wherein One -year rates were increased by 250 basis points and 10-year rates were decreased by 100 basis points. Such shocks are monitored regularly in order to assess the impact of interest risk on the Bank's book and its potential impact on the Bank's business projections. These scenarios are as per the RBI guidelines on stress testing dated 02 Dec 2013.
- The Bank has also undertaken various simulations to understand the impact of reduction in the valuation of Housing portfolio on account of rate hikes.
- As a risk measurement tool, the Bank has developed an IRRVaR model to aid in applying a Pillar II capital charge under ICAAP under pre-specified breaches to internal limits.

12.2. Quantitative Disclosures

12.2.1. Earnings at Risk (Earnings Perspective)

Rs. in Lakh

Interest Rate Risk in the Banking Book (IRRBB)			
Sl. No.	**Country**	**Interest Rate Shock**	
		+200 bps shock	**-200 bps shock**
1	India	**-3,031**	**3,031**
2	Overseas	-	-
	Total	**-3,031**	**3,031**

12.2.2. Economic Value Perspective (MDG Approach)

Rs. in Lakh

Category	Items	Amount
A	Computation of Aggregate RSA	38,21,816
B	Computation of Aggregate RSL	42,44,181
C	Weighted Avg. MD of RSL across all currencies	0.84
D	Weighted Avg. MD of RSA across all currencies	1.75
E	Modified Duration Gap (MDG)	0.99
F	Change in MVE as % of equity for 200 bps change in	15.09%

	interest rate	
G	**Change in MVE in absolute terms**	**84,313**

12.2.3. Economic Value Perspective (Steeping of Yield Curve)

The Bank calculated the change in MVE using steepening of yield curve wherein a change of 100 basis points was considered linearly between 15-day and over 25-year maturities. Change in MVE under this scenario was (Rs.34,285 lakh).

12.2.4. Economic Value Perspective (Inversion of Yield Curve)

The Bank calculated the change in MVE using Inversion of yield curve wherein one -year rate was increased by 250 basis points and 10-year rate was decreased by 100 basis points. Change in MVE under this scenario was (Rs.1,609 lakh)

16. Table DF-17: Summary Comparison of Accounting assets vs. Leverage ratio exposure measure

Rs. in lakh

Summary comparison of accounting assets versus leverage ratio exposure measure		
	Item	**Amount**
1	Total consolidated assets as per published financial statements	45,24,856
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
4	Adjustments for derivative financial instruments	
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)	31,597
7	Other Adjustments	-36,419
8	**Leverage ratio exposure**	45,20,035

17. Table DF 18: Leverage ratio common disclosure

Rs. in lakh

	Table DF-18: Leverage ratio common disclosure template	
	Item	**Amount**
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	45,24,856
	Domestic Sovereign	8,88,396
	Banks in India	33,620
	Corporates	2,25,528

	Exposure to default fund contribution of CCPs	172
	Other Exposure to CCPs	
	Others	33,71,141
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-36,419
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	44,88,438
	Derivative exposures	-
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	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	-
	Securities financing transaction exposures	-
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	CCR exposure for SFT assets	-
15	Agent transaction exposures	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	-
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	65,179
18	(Adjustments for conversion to credit equivalent amounts)	33,581
19	**Off-balance sheet items (sum of lines 17 and 18)**	31,597
	Capital and total exposures	
20	**Tier 1 capital**	5,54,759
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	45,20,035
	Leverage ratio	
22	**Basel III leverage ratio**	**12.27%**

Presently the contribution of Tier I capital to Total Basel II capital is 92.45%. The business model of the Bank is relatively simple with a significant portion as fund-based assets. Gross advances were primarily in the nature of term loans. Since the exposure to Off Balance Items is presently low, the Leverage ratio is well above the benchmark of 4.5%.

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