ANDHRA BANK
(A Govt. of India Undertaking)

Disclosures under Basel III Capital Regulations (Pillar III) as on 30.06.2017

Table DF-2: Capital Adequacy

Qualitative disclosures:

(a) **A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities:**

Bank is geared up to adopt global best practices while implementing risk management stipulations that are in conformity with the Basel II and Basel III framework. Comprehensive risk management architecture is in place to address various issues concerning Basel II and Basel III. For periodic assessment of Capital needs of the Bank, an Internal Capital Adequacy Assessment (ICAAP) Committee/ Capital Planning Committee comprising the top executives has been constituted, to monitor and assess the Capital requirement of the Bank over the medium horizon of 3-5 years, keeping in view the anticipated growth in the business and corresponding Risk Weighted Assets in Credit Risk, Market Risk and Operational Risk.

The Committee meets regularly and decides on the capital related issues, with due focus on different options available for capital augmentation and realignment of Capital structure duly undertaking the scenario analysis for capital optimization.

Quantitative disclosures:

(Rs. in Millions)

Items	Amount as on 30.06.2017
(b) Capital requirements for credit risk ▪ Portfolios subject to standardized approach ▪ Securitization exposures	 141426.51 NIL

(c) Capital requirements for market risk - Standardized duration approach ▪ Interest rate risk ▪ Foreign exchange risk (including gold) ▪ Equity position risk	5891.19 51.25 4000.06
(d) Capital requirements for operational risk - Basic indicator approach	12980.91
(e) Capital Adequacy Ratios (solo) ▪ Common Equity Tier I ▪ Tier 1 CRAR (%) ▪ Total CRAR (%)	7.45% 8.89% 11.98%
Capital Adequacy Ratios for the consolidated Position ▪ Common Equity Tier I ▪ Tier 1 CRAR (%) ▪ Total CRAR (%) Total and Tier I CRAR for the Significant Subsidiary which is not under consolidated group	7.52% 8.95% 12.05% NA

Table DF-3: Credit Risk: General Disclosures for All Banks

Qualitative Disclosures:

(a) General qualitative disclosures with respect to credit risk

Definition of past due and impaired (for accounting purposes):

An Asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. A "Non Performing Asset" (NPA) is a loan or an advance where:

i. interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a Term Loan,
ii. the account remains '**out of order'** as indicated below, in respect of an Overdraft/Cash Credit (OD/CC), *****
iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
iv. the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
v. the installment of principal or interest thereon remains overdue for one crop season for long duration crops,
vi. the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on Securitization dated February 1, 2006.
vii. 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.

In case of interest payments, banks should, classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

***Out of Order' status -** An account is treated as **'out of order'** if –

i. the outstanding balance remains continuously in excess of the sanctioned limit/drawing power;
ii. the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet; or
iii. credits are not enough to cover the interest debited during the same period.

Accounts with temporary deficiencies - The classification of an asset as NPA is based on the record of recovery. Bank does not classify an advance account as NPA merely due to the existence of some deficiencies which are temporary in nature such as non-availability of adequate drawing power based on the latest available stock statement, balance outstanding exceeding the limit temporarily, non-submission of stock statements and non-renewal of the limits on the due date, etc. In the matter of classification of accounts with such deficiencies the following guidelines are adopted:

Bank ensures that drawings in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress. Drawing power is arrived at based on the stock statement not older than 3 months. In case Drawings allowed against Stock statements and/or Book debts statements of more than three months old are treated as irregular drawings and accounts where such irregular drawings are allowed for a continuous period of 90 days are to be treated as NPA.

A working capital borrowal account will become NPA if drawings are permitted against stock statement of older than 3 months in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.

An account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.

Agricultural advances:

A loan granted for short duration crops is treated as NPA, if the installment of principal or interest thereon remains overdue for two crop seasons. A loan granted for long duration crops is treated as NPA, if the installment of principal or interest thereon remains overdue for one crop season. For the purpose of these guidelines, "long duration" crops are crops with crop season longer than one year and crops, which are not "long duration" crops are treated as "short duration" crops. The crop season for each crop, which means the period up to harvesting of the crops raised, would be as determined by the State Level Bankers' Committee in each State. Depending upon the duration of crops raised by an agriculturist, the above NPA norms are also made applicable to agricultural term loans availed of by him.

Discussion of the Bank's Credit Risk Management Policy

Strategies and Processes:

Credit Risk is defined as "**the possibility of losses associated with diminution in the credit quality of borrowers or counter parties".** There is always a possibility for the borrower to default from his commitments for various reasons, resulting in crystallization of Credit risk to the Bank. These losses could stem from outright default due to inability or unwillingness of a customer or counter party to meet commitments in relation to lending, trading, settlement and other financial transactions. Alternatively, losses result from reduction in portfolio value arising from actual or perceived deterioration in credit quality. Credit risk is, therefore, a combined outcome of Default Risk & Exposure Risk and arises from the Bank's dealings with or lending to a corporate, individual, bank, financial institution or a sovereign.

Credit risk may take the following forms:

- in the case of direct lending: principal/and or interest amount may not be repaid;
- in the case of guarantees or letters of credit: funds may not be forthcoming from the constituents upon crystallization of the liability;
- in the case of treasury operations: the payment or series of payments due from the counter parties under the respective contracts may not be forthcoming or ceases;
- in the case of securities trading businesses: funds/ securities settlement may not be effected;
- in the case of cross-border exposure: the availability and free transfer of foreign currency funds may either cease or restrictions may be imposed by the sovereign.

The effective management of credit risk is a critical component of comprehensive risk management and is essential for the long - term success of any banking institution. Credit Risk Management encompasses identification, measurement through credit rating/scoring, quantification through estimate of expected loan losses, pricing on a scientific basis and controlling through effective Loan Review Mechanism & Portfolio Management.

The Bank has in place a Credit Risk Management Policy which is reviewed from time to time. Over the years, the policy and procedures in this regard have been refined as a result of evolving concepts and actual experience. The policy and procedures have been aligned to the approach laid down in Basel II/Basel-III guidelines.

The Credit Risk Management Policy is designed with the following Objectives.

1. Enhance the risk management capabilities to ensure orderly and healthy credit growth.
2. Maintain the Asset Quality.
3. Maintain credit risk exposure within acceptable parameters/prudential exposures.
4. Manage the asset portfolio in a manner that ensures bank has adequate capital to hedge risks.
5. Build database necessary for migration to the Internal Ratings Based (IRB) approach, using the Credit Risk Rating Model implemented in the Bank.
6. Mitigate and reduce the risk by streamlining the Systems and Controls.

Structure and organization of the Credit Risk management function

Credit Risk Management structure of the Bank is as under-

- Board of Directors
- Risk Management Committee of the Board
- Credit Risk Management Committee (CRMC)
- Chief Risk Officer
- Credit Risk Management Cell, Integrated Risk Management Department, Head Office

Scope and nature of risk reporting and measurement systems:

The measurement of Credit Risk includes setting up exposure limits to achieve a well diversified portfolio across dimensions such as companies, group companies, industries, collateral type and geography. For better risk management and avoidance of concentration of Credit Risks, internal guidelines on prudential exposure norms in respect of individual companies, group companies, Banks, individual borrowers, non-corporate entities, sensitive sectors such as capital market, real estate, sensitive commodities, etc., are in place.

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

The bank also has a well defined Loan Policy in place. The bank has formulated policies & procedures on standards for presentation of credit proposals, financial covenants, rating standards and benchmarks, delegation of credit approving powers, prudential limits on large credit exposures, asset concentrations, standards for loan collateral, portfolio management, loan review mechanism, risk concentrations, risk monitoring and evaluation, pricing of loans, provisioning, regulatory/legal compliance etc.

Quantitative Disclosures:

a) The total Gross Credit Risk Exposures are :

(Rs. in Millions)

Category	Amount as on 30.06.2017
Fund Based	1458010.80
Non Fund Based	220014.20

b) Bank has no Overseas Branches. Hence, Geographical exposures are not given.

c) Industry type distribution of exposures:

INDUSTRY WISE INTERNAL (FUNDED) CREDIT EXPOSURE CEILINGS AND EXPOSURE AS ON 30.06.2017

TOTAL ADVANCES AS ON 31.03.2017 (PREVIOUS QUARTER) Rs. 1442319.70 Mio.

(Rs. in Millions)

Sr. No	Industry	Actual Fund based exposure as on 30.06.2017
1	TEXTILES	65029.30
2	PETROLEUM PRODUCTS	20597.50
3	POWER	145450.50
3.1	a) Renewable Energy	13684.90
4	ENGINEERING (HEAVY&LIGHT)	22822.60
5	NBFC	92572.40
5.1	a) NBFC of which against GOLD collaterals	13500.00
6	DIAMONDS GEMS & JEWELLERY	17703.40
7	RICE MILLS	38318.00
8	SUGAR	10659.90
9	DRUGS & PHARMACEUTICALS	22552.10
10	TOBACCO	9448.90
11	CEMENT & CEMENT PRODUCTS	9956.60
12	DISTILLERIES	1918.60
13	IRON & STEEL	80579.80
14	CONSTRUCTION & CONTRACTORS	52607.40
15	SOFTWARE	1180.30
16	HOSPITALS	6686.50
17	HOTELS	6937.20
18	EDUCATIONAL INSTITUTIONS	7790.10
19	REAL ESTATE	200740.50
19.1	COMMERCIAL REAL ESTATES	34708.80
19.2	HOUSING LOANS	166031.70
19.2.1	a) Housing Loans - Direct	151754.50
19.2.2	b) Housing Loans - Indirect	14277.20
	TOTAL	**813551.60**

INDUSTRY WISE INTERNAL (NON-FUNDED) EXPOSURE CEILINGS AND EXPOSURE AS ON 30.06.2017

TOTAL NON-FUNDED LIMITS AS ON 31.03.2017 (PREVIOUS QUARTER) Rs.340088.60 Mio.

(Rs. in Millions)

Sr. No	Industry	Actual Non Fund based exposure as on 30.06.2017
1	TEXTILES	8031.00
2	PETROLEUM PRODUCTS	1460.70
3	POWER	29345.10
3.1	a)Renewable Energy	2861.60
4	ENGINEERING (HEAVY&LIGHT)	22993.00
5	NBFC	1153.20
5.1	a) NBFC of which against GOLD collaterals	0.00
6	DIAMONDS GEMS & JEWELLERY	1119.30
7	RICE MILLS	5992.50
8	SUGAR	1949.90
9	DRUGS & PHARMACEUTICALS	8344.50
10	TOBACCO	307.60
11	CEMENT & CEMENT PRODUCTS	762.00
12	DISTILLERIES	117.00
13	IRON & STEEL	18931.50
14	CONSTRUCTION & CONTRACTORS	98251.60
15	SOFTWARE	481.80
16	HOSPITALS	1303.10
17	HOTELS	743.00
18	EDUCATIONAL INSTITUTIONS	1258.10
19	REAL ESTATE	1606.40
19.1	COMMERCIAL REAL ESTATES	1606.40
19.2	HOUSING LOANS	0.00
19.2.1	a)Housing Loans - Direct	0.00
19.2.2	b) Housing Loans - Indirect	0.00
	TOTAL	204151.30

As on 30.06.2017, the Bank's exposure to the industries with more than 5% of the total gross credit risk exposure (FB+NFB) are as given below:

ACTIVITY	% of Total gross credit risk exposure (FB+NFB)
HOUSING LOANS	9.19%
POWER	8.72%
CONSTRUCTION & CONTRACTORS	7.77%
IRON & STEEL	5.21%

e) Residual contractual Maturity breakdown of assets:

(Rs. in Millions)

Maturity Pattern	Advances (Net)	Investments	Foreign Currency Assets
0 to 1 day	3123.41	872.00	2398.90
2 to 7 days	10259.79	1412.70	178.40
8 to 14 days	18295.96	201.00	1652.80
15 to 30 days	13107.35	939.60	2312.00
31 days to 2 months	24890.32	7199.10	3965.40
2 months to 3 months	63233.59	16640.60	5298.20
Over 3 months & up to 6 months	80951.62	25737.00	5944.60
Over 6 months & up to 1 year	121655.30	72842.40	427.90
Over 1 year & up to 3 years	596117.71	53225.50	1.00
Over 3 year & up to 5 years	167942.28	41458.80	0.00
Over 5 years	274666.11	372131.20	0.00
Total	1374243.44	592659.90	22179.20

f) **Amount of NPAs (Gross):**

(Rs. in Millions)

CATEGORY	AMOUNT As on 30.06.2017
Sub-Std	58642.40
Doubtful-1	62037.10
Doubtful-2	49015.40
Doubtful-3	24036.50
Loss	549.00
Total	194280.40

g) **Net NPAs:**

(Rs. in Millions)

	30.06.2017
Net NPAs	111202.40

h) **NPA Ratios:**

	30.06.2017
Gross NPA to Gross Advances (%)	13.33%
Net NPA to Net Advances (%)	8.09%

i) **Movement of NPAs (Gross):**

(Rs. in Millions)

	30.06.2017
(a) Opening Balance	176699.80
(b) Additions during the year	22142.40
(c) Reductions during the year	4561.80
(d) Closing Balance	194280.40

j) **Movement of Provision for NPAs:**

(Rs. in Millions)

	30.06.2017
Movement of Specific Provisions for NPAs	
(a) Opening Balance	73151.70
(b) Provisions made during the year	12092.50
(c) Write-off / Write-back of excess provisions	2166.20
(d) Closing Balance	83078.00

(Rs. in Millions)

Write-offs and recoveries that have been booked directly to the income statement during the FY 2017-18	
Recovery in Technically Write Off accounts	245.60
Interest recovery in NPA accounts directly booked to Income statement	735.40

k) **Amount of Non-Performing Investments:** Rs. 4700.00 Mio.

l) **Amount of provisions held for non-performing investments:** Rs. 2923.90 Mio.

m) **Movement of provisions for depreciation on investments:**

(Rs. in Millions)

	30.06.2017
(a) Opening Balance	4329.70
(b) Provisions made during the period	1410.70
(c) Write –off	5.80
(d)Write back of excess provisions	796.80
(e) Closing Balance	**4937.80**

n) By major **industry or counter party type:**

INDUSTRY-WISE AS ON 30.06.2017

(Rs. in Millions)

Industry	NPA Amount	Provisions	Write-offs during the current year
IRON & STEEL	47326.00	15215.80	105.00
INFRASTRUCTURE	33758.70	18658.20	609.60
TEXTILES - COTTON	14079.40	7058.30	29.90
CONSTRUCTION	12796.30	6302.90	0.00
ENGINEERING - OTHERS	11780.80	3201.50	0.00
OTHER INDUSTRIES	6748.50	4364.50	195.60
FOOD PRODUCTS - OTHERS	5002.60	1947.20	0.60
OTHER METAL & METAL PRODUCTS	4726.90	2100.00	39.30
VEHICLES, VEHICLE PARTS	4722.90	1184.20	0.00
CHEMICALS - OTHERS	3070.70	1574.70	0.00
FOOD PRODUCTS - SUGAR	2314.00	930.50	0.00
GEMS & JEWELLERY	2195.30	777.00	46.30
CHEMICALS - DRUGS AND PHARMACEUTICALS	2129.30	369.40	0.00
PETROLEUM	2038.50	509.70	0.00
TEXTILES - OTHERS	1946.70	1175.60	1.30
FOOD PRODUCTS - EDIBLE OILS & VANASPATHI	1170.00	193.60	0.00
MINING AND QUARRYING	976.60	719.50	0.10
RUBBER, PLASTIC AND THEIR PRODUCTS	799.10	382.30	136.70
TEXTILES - JUTE	785.80	754.00	317.00
CEMENT AND CEMENT PRODUCTS	670.10	209.50	0.40
CHEMICALS - FERTILIZERS	586.60	241.90	0.00
WOOD AND WOOD PRODUCTS	576.30	100.00	0.00
PAPER AND PAPER PRODUCTS	515.80	252.80	18.10
GLASS & GLASSWARE	338.20	133.50	0.00
ENGINEERING - ELECTRONICS	102.90	30.40	305.30
BEVERAGES	82.60	22.10	0.00
LEATHER AND LEATHER PRODUCTS	64.60	21.20	0.00
TEXTILES - MAN-MADE	21.70	8.30	0.60
TOTAL	**161326.90**	**68438.60**	**1805.80**

o) Amount of NPAs broken down by significant geographic areas including the amounts of specific provisions related to each geographical area.

STATE-WISE NPA &PROVISIONS AS ON 30.06.2017

(Rs. in Millions)

Sr. No.	Name of State	NPA Amount	Provision
1.	DELHI	48397.00	18452.90
2.	TELANGANA	44707.20	20466.90
3.	MAHARASHTRA	40740.90	19185.80
4.	TAMILNADU	13328.50	5088.10
5.	CHANDIGARH	12841.10	2628.10
6.	ANDHRA PRADESH	12250.00	6919.40
7.	WEST BENGAL	8830.70	4004.40
8.	KARNATAKA	3093.20	1206.80
9.	ODISHA	2730.50	2020.40
10.	GUJARAT	2610.80	1430.90
11.	PUNJAB	1999.30	735.50
12.	UTTAR PRADESH	511.90	153.10
13.	GOA	506.50	95.10
14.	HARYANA	493.90	110.90
15.	MADHYA PRADESH	354.40	78.00
16.	RAJASTHAN	350.50	262.90
17.	CHATTISGARH	157.60	99.50
18.	KERALA	141.90	44.70
19.	JHARKHAND	96.50	54.30
20.	PUDUCHERRY	65.30	14.90
21.	UTTARAKHAND	43.80	14.00
22.	JAMMU & KASHMIR	12.20	2.30
23.	BIHAR	12.00	7.20
24.	DADRA NAGAR HAVELI	2.40	0.70
25.	HIMACHAL PRADESH	1.30	0.30
26.	ASSAM	1.00	0.90
TOTAL		**194280.40**	**83078.00**

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

Qualitative Disclosures:

(a) For portfolios under the standardized approach:

Names of the credit rating agencies approved by the Reserve Bank of India and used:

- Credit Rating Information Services India Limited (CRISIL)
- Credit Analysis and Research Limited (CARE)
- India Ratings and Research Private Limited
- ICRA Limited
- SMERA Ratings Limited
- Brick Work Ratings India Private Limited

Types of exposure for which each agency is used:

- For exposures with a contractual maturity of less than or equal to one year (except cash credit, overdraft) Short term rating given by approved Rating Agencies is used.
- For domestic cash credit, overdraft and for term loan exposures of over 1 year, long Term Rating is used.
- The Bank uses only publicly available solicited ratings that are valid and reviewed by the recognized ECAIs.
- The Bank does not simultaneously use the rating of one ECAI for one exposure and that of another ECAI for another exposure to the same borrower, unless the respective exposures are rated by only one of the chosen ECAIs. Further, the bank does not use rating assigned to a particular entity within a corporate group to risk weight other entities within the same group.
- Where exposures/ borrowers have multiple ratings from the chosen ECAIs, the bank has adopted the following procedure for risk weight calculations:
  i. If there are two ratings accorded by chosen ECAIs, which map into different risk weights, the higher risk weight is applied.
  ii. If there are three or more ratings accorded by the chosen ECAIs which map into different risk weights, the ratings corresponding to the lowest 2 ratings are referred to and higher of those two risk weights is applied.

A description of the process used to transfer public issue ratings onto comparable assets in the banking book: No such process is applied.

Quantitative Disclosures:

(b) For exposure amounts after risk mitigation subject to the standardized approach, amount of bank's outstanding (rated & unrated) in the following major risk buckets as well as those that are deducted:

(Rs. in Millions)

	Fund Based	Non Fund Based
Below 100% risk weight	622741.50	77995.00
100% risk weight	488172.00	75522.70
More than 100% risk weight	243861.30	44050.60
Deducted (Mitigants)	103236.00	22445.90
Total	1458010.80	220014.20

Table DF-17: Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure Measure

The Basel III leverage ratio is defined as the capital measure (Tier-1 capital of the risk based capital framework) divided by the exposure measure, expressed as a percentage. As per RBI guidelines, disclosures required for leverage ratio for the Bank at the consolidated level at June 30, 2017 is as follows.

(Rs. in Millions)

Sr. No	Particulars	Amount
1	Total consolidated assets as per published financial statements	2185761.35
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-32106.97
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)	220592.32
7	Other adjustments	-790.21
8	**Leverage ratio exposure**	2373456.49

DF-18 – Leverage ratio common disclosure template

(Rs. in Millions)

Leverage ratio framework		
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2153654.38
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-790.21
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	**2152864.17**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	305.64
5	Add-on amounts for PFE associated with all derivatives transactions	737.51
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)**	**1043.15**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for	-
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	551029.90
18	(Adjustments for conversion to credit equivalent amounts)	-331480.73
19	**Off-balance sheet items (sum of lines 17 and 18)**	**219549.17**
Capital and total exposures		
20	**Tier 1 capital**	**143360.66**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	2373456.49
Leverage Ratio		**6.04%**