

# Basel – Pillar 3 Disclosures - March 31, 2018

Utkarsh Small Finance Bank Limited (hereafter referred as the “Bank”), is a wholly owned subsidiary promoted by Utkarsh Micro Finance Limited incorporated on April 30, 2016 under the provision of the Companies Act, 2013. It is licenced by the Reserve Bank of India to operate as Small Finance Bank under the Banking Regulation Act, 1949 on November 25, 2016. Soft launching of banking operations commenced on January 23, 2017 with the opening of five branches in Delhi, Nagpur, Patna and Varanasi and full-fledged launching of the banking operations commenced on September 22, 2017. It aims to provide affordable & accessible banking services which are process centric, technology enabled and people oriented resulting in reliable, scalable and sustainable institution facilitating socioeconomic change. The purpose is to provide banking products to the unserved and underserved sections of the country, which includes small and marginal farmers, micro and small industries, and other organized sector entities, at an affordable cost. The Bank's vision is to be the trusted financial service provider to over 10 million customers by 2021.

As per the Business Transfer Agreement, the entire Balance Sheet of Utkarsh Micro Finance Ltd. was transferred to Utkarsh Small Finance Bank Limited as at the close of business on January 21, 2017. Subsequently, the Bank started operations with effect from January 23, 2017. In terms of the operating guidelines issued by the Reserve Bank of India (RBI) for Small Finance Banks (SFBs), all SFBs are required to follow the Basel II Standardized Approach for Credit Risk.

As per the directions of RBI on Guidelines for Licencing of Small Finance Banks in the Private Sector dated September 19, 2015, being a newly launched bank, Utkarsh Small Finance Bank Limited is required to maintain a minimum capital adequacy of 15 per cent of its Risk Weighted Assets (RWA) subject to any higher percentage as may be prescribed by RBI from time to time.

Utkarsh Small Finance Bank Limited aims to operate within an effective risk management framework to actively manage all the material risks faced by the Bank, in a manner consistent with the Bank's risk appetite. This document covers the Capital Adequacy status for Utkarsh Small Finance Bank Limited. It also describes the Risk Process and Governance at the Bank to effectively on-board, monitor and report risk.

## Scope of Application

The framework of disclosures applies to Utkarsh Small Finance Bank Limited. The Bank does not have any subsidiary nor does it have any interest in any insurance entity. All the information in this document are made as a standalone entity.

## Capital Adequacy

The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The process provides an assurance that the Bank has adequate capital to support all risks inherent to its business and an appropriate capital buffer based on its business profile. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through sound governance and control practices, robust risk management framework and an elaborate process for capital calculation and planning.

In line with the Basel guidelines, the Bank has calculated its capital ratios as per the RBI guidelines. The main focus of Basel III norms is on the quality and quantity of Tier I capital and these regulatory requirements are currently met with the quantum of capital available with the Bank.

The Pillar I, which defines the minimum Capital Requirement, Risk Weighted Assets (RWA) Calculation covers the following risks:

- Credit Risk (Standardized Approach)
- Market Risk (Standardized Approach)
- Operational Risk (Basic Indicator Approach)

The Bank had a total capital of ₹490.29 Crore, out of which Tier-I capital was ₹364.84 Crore, as on March 31, 2018. Based on RBI guidelines on Capital Adequacy, the CRAR of the Bank as on March 31, 2018 was 17.40% against regulatory requirement of 15%.

**Break up of capital requirements for various risks:**

(₹ in Crores)

Sl.	Particulars	Amount as on March 31, 2018	Amount as on March 31, 2017
<b>(a)</b>	<b>Capital Requirement for Credit Risk:</b>		
	Portfolios subject to Standardised Approach	2,817.25	1,632.02
	Securitisation		
<b>(b)</b>	<b>Capital Requirement for Market Risk:</b>		
	Standardised Duration Approach		
	Interest Rate Risk	-	12.55
	Foreign Exchange Risk (including Gold)		
	Equity Risk		
<b>(c)</b>	<b>Capital Requirement for Operational Risk:</b>		
	Basic Indicator Approach	-	35.73
<b>(d)</b>	<b>Total Capital Requirement</b>		
<b>(e)</b>	<b>Total Risk Weighted Assets</b>	2,817.25	1,680.29
<b>(f)</b>	<b>Capital Adequacy Ratio</b>		
	Common Equity Tier-1	12.95%	17.15%
	Tier-1	12.95%	17.15%
	Tier-2	4.45%	8.72%
<b>(g)</b>	<b>Total CRAR</b>	17.40%	25.87%

**Risk Exposure and Assessment**

The Bank encourages calculated risk-taking, where risks are known, and are within the risk limits arising from the approved risk appetite. Also while evaluating the risks, the associated returns are also considered.

Utkarsh has an evolving and robust risk management model of proven effectiveness, aligned with regulatory standards and best practices, and proportional to the scale and complexity of its activities. Utkarsh is exposed to various risks that are an inherent part of any banking business. The major risks are credit risk, market risk, liquidity risk and operational risk which includes IT related risk. Bank has policies and procedures in place to measure, assess, monitor and manage these risks systematically across all its portfolios. RBI Guidelines on Basel III Capital Regulations have been implemented and our Bank is adequately capitalized as per the current requirements under Basel III. An independent Risk Governance Structure, in line with best practices, has been put in place, in the context of segregation of duties and ensuring independence of Risk Measurement, Monitoring and Control functions.

Employees at all levels are responsible for the management and escalation of risks. This is within a framework of risk limits and risk strategy as approved by the Board and communicated by the Bank's Senior Management.

Risk transparency is fostered through reporting, disclosure, sharing of information and open dialogue about the risks arising from different activities across the Bank.

### **Risk Governance Model**

The Bank has established a system for directing and controlling the management of risk within the Bank. This governance model defines three key roles:

- Businesses that take, manage and monitor risk;
- Risk Management to provide policy, guidance and analysis; and
- Internal Audit to provide independent assurance.

Risk Management Department is responsible for setting up the appropriate risk control mechanism, quantifying and monitoring risks.

### **Risk Governance Framework**

The Bank believes that the role of risk management should not be biased by consideration of profits or performance evaluation of units. It should be in line with regulatory guidelines and international good practices. The risk governance framework has been designed taking this into account. All new processes and products introduced in the Bank have a rigorous due diligence process that includes a risk review before these are formally introduced.

### **Governance Committees**

- Board of Directors

The Board of Directors ("the Board") is the ultimate authority in the Bank to lay down the policies. The Board can, however, form committees to oversee the risk management processes, procedures and systems in the Bank.

- Risk Management Committee of the Board (RMC)

The Risk Management Committee of the Board is a Board level sub-committee. The primary role of the Committee is to report to the Board and provide appropriate advice and recommendations on matters relevant to Risk Management.

RMC constitutes:

- Three members of the Board of Directors, as nominated by the Board, including Managing Director & CEO
  - Chief Risk Officer - Permanent Invitee
  - The Chief Financial Officer - Permanent Invitee
  - The Company Secretary - Convener and Secretary
- Management Level Committees

At a management level, three separate committees for Credit Risk Management, Operational Risk Management and Asset Liability Management & Market Risk Management. All these committees meet at regular intervals.

### **Credit Risk: General Disclosure for All Banks**

Credit risk is the risk of loss that may occur due to default of the counterparty or from its failure to meet its obligations as per the terms of the financial contract. Any such event will have an adverse effect on the financial performance of the Bank.

The Bank faces credit risk through its lending, investment and contractual arrangements. To counter the effect of credit risks faced by the Bank, a robust risk governance framework is in place.

The framework provides a clear definition of roles as well as allocation of responsibilities with regard to ownership and management of risks. Allocation of responsibilities is further substantiated by defining clear hierarchy with respect to reporting relationships and Management Information System (MIS) mechanism.

#### **Strategies and Processes**

The Bank has defined and implemented various risk management policies, procedures and standards with an objective to clearly articulate processes and procedural requirements that are binding on all the Business groups concerned. The Credit Policy and the Credit Risk Management Policy of the Bank are guided by the objective to build, sustain and maintain a high quality credit portfolio by measurement, monitoring and control of the credit exposures. The policies also address more granular factors such as diversification of the portfolio across companies, business groups, industries, geographies and sectors. The policies reflect the Bank's approach towards lending to borrowers in light of prevailing business environment and regulatory stipulations. All these policies are approved by the Board of Directors of the Bank and are reviewed regularly.

To avoid concentration of credit risk, the Bank has put in place internal guidelines on exposure norms in respect of single borrower, groups, exposure to sensitive sector, industry exposure, unsecured exposures, etc. based on various guidelines issued by regulators.

The delegation structure for approval of credit limits is approved by the Board of Directors. Credit Committees, comprising of various senior officials from the Bank including representation from the Risk Department, are constituted for approval of various loan proposals. All credit proposals other than Micro Finance loans are approved through these Committees only.

## Structure and Organization

The organizational structure for Credit Risk Management is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Credit Risk Management Committee (CRMC)
- Chief Risk Officer (CRO)
- Head - Credit Risk Department
- Credit Risk Department

## Scope and Nature of Measurement Systems

The Bank's approach for credit risk identification and assessment of credit risks underlying both funded and non-funded exposures is explicitly set out. All credit proposals are subject to a credit scoring process / rating process based on the quantum of advance value to support credit approvals.

## Policies for Hedging and / or Mitigating Risk

Credit risk at the Bank arises from the following sources:

- In case of direct lending (including the Micro lending): Principal and / or interest amount may not be repaid;
- In case of guarantees, letters of credit and letters of comfort (LoC) issued by the Bank: Funds may not be coming from the constituents upon crystallization of the liability;
- In case of treasury operations: The payment or series of payments due from the counterparties under respective contracts may not be forthcoming;
- In case of securities trading businesses: Funds / securities settlement may be effected; and
- In case of cross-border exposures: Availability and free transfer of foreign currency funds may either cease or restrictions may be imposed by the Sovereign;
- Non-SLR Investment arising from the delay or default by the counterparties in repayment of principal or interest.

The Bank's credit risk governance framework is being build up to strengthen risk evaluation and management of credit whilst positioning the Bank to effectively and efficiently manage changes in the environment.

The responsibilities for managing credit risk extend throughout the Bank. Key steps for credit risk management is as follows:

## Credit Risk Assessment

First hand preliminary assessment of risks embedded in products and services is conducted by related functional departments. Credit Risk Management Department (CRMD), in consultation with related functional departments, pursues the process of identification and assessment of credit risk involved in each of the loan products or services offered by the Bank and the findings are used in risk profiling of the Bank.

The Bank's initial loan portfolio consists of its legacy micro banking loan portfolio and MSME portfolio. The focus of the Bank to augment or diversify its credit portfolio not only with a mix of retail, MSME & priority sector loans but also lending to small / medium corporate also.

However, the Bank ensures that it meets all the priority sector targets as per regulatory guidelines for Small Finance Banks. Priority sector includes the following segments:

- Agriculture
- Micro, Small and Medium Enterprises
- Export Credit
- Education
- Housing
- Social Infrastructure
- Renewable Energy
- Others (as defined in the Circular)

### General Parameters used for Credit Risk Assessment

Risks used to be analyzed on the basis of various parameters and key risk drivers.

An indicative list of parameters is as follows:

- Purpose of the credit and sources of repayment;
- Financial considerations, borrower's repayment history, capacity to repay based on future cash flow projections under different scenarios;
- Commercial and technical aspects of the operations of the borrower including terms of trade;
- Risk profile of the borrower and its sensitivity to economic and market developments;
- Integrity of borrowers through reference checks and other means;
- Quality, type and adequacy of collaterals, including their enforceability;
- Management quality (in case of loans extended to corporate entities);
- Evaluation of the Borrower's industry or industries; and
- Borrower's business position in the industry and techno-economic aspects of the project, if any (in case of loans extended to corporate entities).

### Credit Risk Measurement

Quantitative dimension of risk management involves measuring risk in credit portfolio, making provisions as per "Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" and holding capital as per "Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF)".

### Total Gross Credit Risk exposure by facility:

(₹ in Crores)

Sl.	Facility Type	Credit Exposure as on March 31, 2018	Credit Exposure as on March 31, 2017
1	Fund Based	3,106.28	1,593.91
2	Non-Fund Based	-	-
<b>Total</b>		<b>3,106.28</b>	<b>1,593.91</b>

**Total Gross Credit Risk exposure by geography:**
*(₹ in Crores)*

Sl.	Facility Type	Domestic Credit Exposure as on March 31, 2018	Overseas Credit Exposure as on March 31, 2018	Domestic Credit Exposure as on March 31, 2017	Overseas Credit Exposure as on March 31, 2017
1	Fund Based	3,106.28	-	1,593.91	-
2	Non-Fund Based	-	-	-	-
<b>Total</b>		<b>3,106.28</b>	<b>-</b>	<b>1,593.91</b>	<b>-</b>

**Total Gross Credit Risk exposure by industry:**
*(₹ in Crores)*

Sl.	Industry	Fund Based as on as on March 31, 2018	Non-Fund Based as on as on March 31, 2018	Total Credit Exposure as on March 31, 2018	Fund Based as on March 31, 2017	Non-Fund Based as on as on March 31, 2017	Total Credit Exposure as on March 31, 2017
1	Other Industries	246.74	-	246.74	37.17	-	37.17
2	Residuary other advances (to tally with gross advances)	2,859.54	-	2,859.54	1,556.74	-	1,556.74
<b>Total</b>		<b>3,106.28</b>	<b>-</b>	<b>3,106.28</b>	<b>1,593.91</b>	<b>-</b>	<b>1,593.91</b>

**Residual Maturity Breakdown of Assets:**
*(₹ in Crores)*

Particulars	As at March 31, 2018					
	Loans & Advances	Investment	Deposit	Borrowing	Foreign Currency Assets	Foreign Currency Liabilities
1 day	39.73	-	0.03	-	-	-
2 to 7 days	48.42	49.96	164.53	5.00	-	-
8 to 14 days	37.04	15.00	85.07	13.42	-	-
15 to 30 Days	95.86	24.91	77.91	39.81	-	-
31 Days to 2 months	184.00	-	201.70	65.37	-	-
Over 2 months to 3 months	167.05	-	142.04	37.63	-	-
Over 3 months to 6 months	513.43	9.72	375.39	160.30	-	4.07
Over 6 months to 1 year	889.12	20.23	688.88	178.30	-	4.07
Over 1 year to 3 years	1,091.18	194.08	451.62	591.40	-	16.28
Over 3 years to 5 years	29.41	99.97	6.70	255.33	-	8.10
Over 5 years	11.04	247.40	-	409.77	-	-
<b>Total</b>	<b>3,106.28</b>	<b>661.27</b>	<b>2,193.87</b>	<b>1,756.33</b>	<b>-</b>	<b>32.52</b>

**Position of Non - Performing Assets (NPA):***(₹ in Crores)*

Particulars	Amount as on March 31, 2018	Amount as on March 31, 2017
<b>Gross Advances</b>	3,106.28	1,593.91
<b>Net Advances</b>	3,082.52	1,593.91
<b>Gross NPA</b>	57.47	-
Substandard	56.19	-
Doubtful 1	1.28	-
Doubtful 2	-	-
Doubtful 3	-	-
Loss	-	-
<b>NPA Provision</b>	23.75	-
<b>Net NPA</b>	33.72	-
<b>NPA Ratios</b>		
<b>Gross NPA to Gross Advances (%)</b>	1.85%	-
<b>Net NPA to Net Advances (%)</b>	1.09%	-

**Movement of Non - Performing Assets (NPA Gross):***(₹ in Crores)*

Particulars	Amount as on March 31, 2018	Amount as on March 31, 2017
Opening Balances (As on Jan 23, 2017)	-	-
Add: Additions	200.04	-
Less : Write Offs	142.57	-
Less : Reductions	-	-
<b>Closing Balances</b>	<b>57.47</b>	-

**Movement of Specific & General NPA Provisions:***(₹ in Crores)*

Particulars	Amount as on March 31, 2018	Amount as on March 31, 2017
Opening Balances (As on Jan 23, 2017)	-	-
Add: Provisions made during the period	84.52	-
Less : Transfer to Countercyclical Provisional Buffer	-	-
Less : Write offs	-	-
Less : Write Back of excess provision	60.77	-
<b>Closing Balances</b>	<b>23.75</b>	-



## Geography based position of NPAs, Specific provisions and General Provisions:

(₹ in Crores)

Particulars	Amount as on March 31, 2018			Amount as on March 31, 2017		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Gross NPA	57.47	-	57.47	-	-	-
Provision for NPA	23.75	-	23.75	-	-	-

## Position of Non-Performing Investments (NPI):

(₹ in Crores)

Particulars	Amount as on March 31, 2018	Amount as on March 31, 2017
Amount of Non-performing Investments (NPI)	-	-
Amount of provisions held for Non - Performing	-	-

## Movement of Provisions for Depreciation on Investments:

(₹ in Crores)

Particulars	Amount as on March 31, 2018	Amount as on March 31, 2017
Opening Balance (As on Apr 01, 2017)	0.50	-
Add : Provisions made during the period	1.08	0.50
Less : Write offs / Write Back of excess provisions	0.66	-
Closing Balance	0.92	0.50

## Industry wise Distribution

(₹ in Crores)

Particulars	Financial Year ended March 31, 2018	Financial Year ended March 31, 2017
Agriculture and Allied Activities	9.04	2.15
Services	21.74	1.73
Other Industries	0.62	0.11
<b>Total</b>	<b>31.39</b>	<b>3.99</b>

## Credit Risk - Disclosures for Portfolios Subject to Standardized Approach

In line with the RBI guidelines on Small Finance Banks, Bank ensures that at least 50 per cent of its loan portfolio should constitute loans and advances of upto ₹25 lakh.

The Bank has used the Standardized Approach under the RBI's Basel capital regulations for its credit portfolio.

(₹ in Crores)

Category	Amount as on March 31, 2018	Amount as on March 31, 2017
Below 100% Risk Weight	2,343.10	1,593.91
100% Risk Weight	763.18	-
More than 100% Risk Weight	-	-
<b>Closing Balance</b>	<b>3,106.28</b>	<b>1,593.91</b>

### Collaterals & Guarantees

Borrower's financial strength and debt-servicing capacity shall be the primary consideration while granting credit limits and bank shall not rely, solely on collateral or guarantees as the primary source of repayment or as a substitute for evaluating the borrower's creditworthiness.

Nevertheless, collateral and guarantees, if properly taken and managed serve a number of important functions in credit risk management.

### Collateral Acceptance Criteria

Assets accepted as collateral shall satisfy the following criteria:

- The market value of the asset is readily determinable or can be reasonably established and verified;
- The asset is marketable and there exists a readily available secondary market for disposing of the asset;
- Bank's right to repossess the asset is legally enforceable and without impediment;
- Bank is able to secure control over the asset if necessary. In the case of a movable asset, bank should manage the either have physical custody of the asset (e.g. gold, precious metal) or have the means of locating its whereabouts (e.g. vehicle, machinery or equipment); and bank has the expertise & systems to manage the asset concerned.

### Loan-to-Value Ratio (LTV Ratio)

Bank specifies the maximum loan-to-value ratio for major types of assets to be accepted as collateral. Such ratios are commensurate with the relative risk of the assets and be able to provide an adequate buffer against potential losses in realizing the collateral Valuation.

## Market Risk in Trading Book

The Bank for International Settlements defines market risk as “the risk that the value of 'on' and 'off' balance sheet positions will be adversely affected by movements in market interest rate, currency exchange rates, equity and commodity prices.” This definition is adopted by the Bank for the purposes of identifying and managing the risk. Market risk has the following components:

- **Interest Rate Risk:** The risk that changes in market interest rates may adversely affect the Bank's financial condition. While the immediate impact is on the Net Interest Income (NII) and also the value of investments, the long term variations in interest rates would also impact the Bank's net worth.
- **Equity Risk:** The risk that changes in the equity prices of various stocks may diminish the value of equity portfolio held by the Bank (also includes investments in equity based mutual funds).
- **Exchange Rate Risk:** The risk that the Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either spot or forward, or a combination of the two, in any foreign currency.

## Strategies and Processes

Risk identification entails ensuring all instruments that result in Market Risk both 'on' and 'off' the balance sheet of the Bank are identified and monitored centrally. To achieve this objective, all new instruments / products in which the Bank engages should be assessed. The Asset Liability Management Committee (ALCO) reviews all new instruments to evaluate whether they result in market risk. Modifications to existing instruments are reported to the ALCO to enable such evaluation.

## Structure and Organization

The organizational structure for Market Risk Management is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Asset Liability Management Committee (ALCO)
- Chief Risk Officer (CRO)
- Head - Market Risk Department
- Market Risk Department

## Scope and Nature of Measurement Systems

There are a number of methods for measuring market risks encountered in trading operations. All these require adequate information on current positions, market conditions and instrument characteristics.

Of the various measures available, the Bank have many early warning indicators for market risk measurement. Different products are measured by certain parameters. At present, in the trading book, Bank only has Interest Rate Sensitive products.

## Processes for Monitoring

The Bank fixes appropriate action triggers or stop loss limits for all marked to market risk taking activities. The Bank has procedure that monitors activity to ensure that they remain within the approved limits at all times. Limits are classified into general (applicable to all portfolios) and specific portfolio related limit. For the purpose of market risk management, the following minimum limits are monitored:

- General Limits (Applicable to all portfolios) at Day 0
- Portfolio - wide Position limits
- Dealer - wise limits
- Single Deal Size Limit
- Stop-loss limits
- General Limits (Applicable to all portfolios) at Year 2-3
- Value at Risk (VaR) limits – for all portfolios (explained below in separate section)
- Specific Limits (Interest Rate Related Instruments)
- Modified Duration Limit
- PV01 Limit (Tenor Wise and Portfolio Level)

## Capital Requirement

(₹ in Crores)

Risk Weighted Assets for Market Risk	Amount as on March 31, 2018	Amount as on March 31, 2017
Standardised Duration Approach	-	-
Interest Rate Risk	-	12.55
Foreign Exchange Risk (including Gold)	-	-
Equity Risk	-	-

## Operational Risk Qualitative Disclosures

Operational Risk, which is intrinsic to all the material products, activities, processes and systems, has emerged as an important component of the enterprise-wide risk management system. Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may result from various internal and external factors e.g. failure to obtain proper internal authorizations, improperly documented transactions, breach of information security procedures, failure of IT and / or communication infrastructure / equipment, non-compliance of regulatory requirements, contractual terms and corporate policies & procedures, commitment of fraud, natural disasters, inadequate training to employees etc.

### Strategies and Processes

The Bank's strategy for Operational Risk Management focuses on:

- Minimizing the losses to an acceptable level as per risk appetite of the Bank;
- Providing operational risk capital which is sensitive to the Bank's risk profile;
- Using results of operational risk management in day to day business operations and decision making process;
- Carrying out risk based performance measurement;
- Analyzing the impact of failures in technology / systems and develop mitigants to minimize the impact; and
- Developing plans for external shocks that will adversely impact the continuity in the Bank's operations.

### Structure and Organization

The operational risk management governance structure is as follows:

- Board of Directors
- Risk Management Committee of Board (RMCB)
- Operational Risk Management Committee (ORMC)
- Chief Risk Officer (CRO)
- Head - Operational Risk Department
- Operational Risk Department

### Scope and Nature of Measurement Systems

As per the Basel III Capital Regulations issued by RBI for banking institutions based on the Basel framework, banks need to use an approach that is risk sophisticated and commensurate to the risk profile of the institution. The Bank is currently performing risk measurement under the Basic Indicator Approach (BIA).

## Processes for Monitoring

The Bank plans to have risk mitigants like a strong internal control system, resorting to an optimal insurance cover, outsourcing of activities, Business Continuity Planning (BCP) / Disaster Recovery Plan (DRP) etc. For example, losses that might arise on account of natural disasters are insured; losses that might arise from business disruptions due to telecommunication or electrical failures are mitigated by establishing available backup facilities, loss due to internal factors like employee fraud or product flaws, will be mitigated through strong internal auditing procedures.

## Composition of Capital

Disclosures pertaining to composition of capital, including the capital disclosure templates, main features of equity and debt capital instruments, the terms and conditions of equity and debt capital instruments and leverage ratio have been disclosed separately on the Bank's website under the Regulatory Disclosures Section.

Capital Funds		₹ in Crores	
Sl.	Particulars	Amount as on March 31, 2018	Amount as on March 31, 2017
A	<b>Tier I Capital</b>	<b>411.87</b>	<b>304.88</b>
	Paid-up Share Capital	470.05	300.05
	Reserves	(58.18)	4.83
	Innovative Tier 1 Capital instruments	-	-
	Minority Interest	-	-
B	<b>Deductions</b>	<b>47.03</b>	<b>16.67</b>
	Investments in instruments eligible for regulatory capital of financial subsidiaries / associates	-	-
	Securitisation exposures including credit enhancements	2.19	1.65
	Deferred Tax Assets	34.53	2.27
	Goodwill and Adjustments for less liquid position	-	-
	Deferred revenue expenditure	7.06	10.60
	Intangible Assets	3.25	2.15
C	<b>Net Tier 1 Capital (A-B)</b>	<b>364.84</b>	<b>288.21</b>
D	<b>Tier II Capital</b>	<b>127.64</b>	<b>148.09</b>
	General Provisions	7.64	3.99
	Upper Tier 2 capital instruments	120.00	144.10
	Lower Tier 2 capital instruments	-	-
E	<b>Deductions</b>	<b>2.19</b>	<b>1.65</b>
	Investments in instruments eligible for regulatory capital of financial subsidiaries / associates	-	-
	Securitisation exposures including credit enhancements	2.19	1.65
F	<b>Net Tier 2 Capital (D-E)</b>	<b>125.45</b>	<b>146.44</b>
	<b>Total Eligible Capital (C+F)</b>	<b>490.29</b>	<b>434.65</b>

## Summary Comparison of Accounting Assets and Leverage Ratio Exposure

(₹ in Crores)

Sl.	Particulars	Amount as on March 31, 2018	Amount as on March 31, 2017
1	Total consolidated assets as per published financial statements	4,523.72	2,675.83
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)	103.77	22.02
7	Other adjustments	-	-
8	Leverage Ratio exposure	7.9%	10.7%

## Leverage Ratio Common Disclosure

The Leverage Ratio acts as a credible supplementary measure to the risk based capital requirement. The Bank's leverage ratio, calculated in accordance with RBI guidelines under consolidated framework, is as follows:

(₹ in Crores)

Sl.	Particulars	Amount as on March 31, 2018	Amount as on March 31, 2017
<b>Leverage ratio framework</b>			
<b>On-Balance sheet exposure</b>			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	4,523.72	2,675.83
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	-	-
3	<b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)</b>	4,523.72	2,675.83
<b>Derivative exposure</b>			
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	<b>Total derivative exposures (sum of lines 4 to 10)</b>	-	-
<b>Securities financing transaction exposures</b>			
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	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
16	Other off-balance sheet exposures	103.77	22.02
17	Off-balance sheet exposure at gross notional amount	-	-
18	(Adjustments for conversion to credit equivalent amounts)	-	-
19	Off-balance sheet items (sum of lines 17 and 18)	-	-
<b>Capital and total exposures</b>			
20	Tier 1 capital	364.84	288.21
21	Total exposures (sum of lines 3, 11, 16 and 19)	4,627.49	2,697.85
<b>Leverage Ratio</b>			
22	Basel III Leverage Ratio	<b>7.9%</b>	<b>10.7%</b>

### Reconciliation of total published balance sheet size and on balance sheet exposure

(₹ in Crores)

Sl.	Particulars	Amount as on March 31, 2018	Amount as on March 31, 2017
<b>Leverage ratio framework</b>			
1	Total consolidated assets as per published financial statements	4,523.72	2,675.83
2	Replacement cost associated with all derivatives transactions, i.e. net of eligible cash variation margin	-	-
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-
4	Adjustment for entities outside the scope of regulatory consolidation	-	-
5	<b>On-balance sheet exposure under leverage ratio (excluding derivatives and SFTs)</b>	<b>4,523.72</b>	<b>2,675.83</b>