THE NAINITAL BANK LIMITED
(Regd. Office: G.B.Pant Road, Nainital)

Basel III Pillar 3 Disclosures (30.06.2024)

Table DF- 1: Scope of Application

Name of the head of the banking group to which the framework applies: The Nainital Bank Ltd.

(i) Qualitative Disclosures:

a. List of group entities considered for consolidation

There is no such entity which may be considered under accounting scope of consolidation.

Name of the entity/ (Country of Incorporation)	Whether the entity is included under accounting scope of consolidation (Yes/No)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (Yes/No)	Explain the method of consolidation	Explain the reasons for difference in method of consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
Nil						

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

Name of the entity / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)

There are no entities in the group which are considered for consolidation under both accounting and regulatory scope of consolidation.

(ii) Quantitative Disclosures:

c. List of group entities considered for consolidation

Name of the entity / country of incorporation (as indicated in (i)a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)

There is no such entity which may be considered for consolidation.

d. The aggregate amount of capital deficiencies in all subsidiaries which

are not included in the regulatory scope of consolidation i.e. that are deducted

Name of the subsidiaries / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Capital deficiencies

Bank does not have any subsidiary as such there is no scope of capital deficiency in any of subsidiary.

e. The 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	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity / proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method

The bank has no interest in insurance entity.

f. Any restrictions or impediments on transfer of funds or regulatory capital within the banking group

There is no restriction.

Table DF-2: Capital Adequacy

(i) Qualitative Disclosures

a. The Bank has put in place a robust Risk Management Architecture with due focus on Capital optimization and on profit maximization, i.e. to do maximum business out of the available capital which in turn maximize profit or return on equity. Bank is benchmarking on globally accepted sound risk management system, conforming to Basel III framework, enabling a more efficient equitable and prudent allocation of resources.
In Capital Planning process the bank reviews:

- Current capital requirement of the Bank
- The targeted and sustainable capital in terms of business strategy and risk appetite.

Capital needs are monitored periodically by the Internal Risk Management Committee comprising Top Executives. Capital requirement is projected annually considering the expected growth in advances, investments, Deposits, NPA, Operating Profit etc.

Bank maintains capital to cushion the risk of loss in value of exposure, businesses etc. so as to protect the depositors and general creditors against losses. Bank has a well-defined Internal Capital Adequacy Assessment Policy (ICAAP) to comprehensively evaluate and document all risks.

In line with the guidelines of the Reserve Bank of India, the Bank has adopted Standardised Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Standardized Duration Approach for Market Risk for computing CRAR.

The capital requirement is affected by the economic environment, the regulatory requirement and by the risk arising from bank's activities. The purpose of capital planning of the bank is to ensure the adequacy of capital at the times of changing economic conditions, even at times of economic recession. In capital planning process the bank reviews:

- Current capital requirement of the bank.
- The targeted and sustainable capital in terms of business strategy and risk appetite.
- The future capital planning is done on a three-year outlook.

(ii) Quantitative Disclosures

S. No.	Items	Amount (Rs. in Crores) 30.06.2024
(b)	**Capital requirements for Credit Risk**	
	• Portfolios subject to Standardized Approach	482.50
	• Securitization Exposures	----
(c)	**Capital requirements for Market Risk**	
	• Standardized Duration Approach	----
	• Interest Rate Risk	----
	• Foreign Exchange Risk (including Gold)	----
	• Equity Risk	----
(d)	**Capital requirements for Operational Risk**	
	• Basic Indicator Approach	65.58
(e)	**Common Equity Tier 1, tier 1 and Total Capital ratios:**	
	• Group CRAR	
	• CET 1 Ratio	----
	• Tier 1 Ratio	----
	• Tier 2 Ratio	----
	• CRAR	----
	• Standalone CRAR	
	• CET 1 Ratio	14.82%
	• Tier 1 Ratio	14.82%
	• Tier 2 Ratio	0.91%
	• CRAR	15.73%

Table DF-3: Credit Risk

(i) Qualitative Disclosures

a. The policy of the bank for classifying bank's loan assets is as under:

NON PERFORMING ASSETS (NPA): A non performing asset (NPA) is a loan or an advance where;

- interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan,
- the account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC),
- the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- the installment of principal or interest thereon remains overdue for one crop season for long duration crops.

An OD/CC account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the

date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as 'out of order'.
An amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

Non-Performing Assets of the Bank are further classified in to three categories as under:

Sub standard Assets

A sub standard asset would be one, which has remained NPA for a period less than or equal to 12 months. All the recovery measures are relevant in substandard assets also. If the entire overdues are recovered by way of cash recovery, the account can be upgraded to standard category immediately. Similarly, if an account is classified as NPA due to technical reasons, the account shall be upgraded on clearance of technical reasons.

Doubtful Assets

An asset would be classified as doubtful if it remained in the sub standard category for 12 months. Substandard and Doubtful accounts which are subjected to restructuring/rescheduling, can be upgraded to standard category only after a period of one year after the date when first payment of interest or of principal, whichever is earlier, falls due, subject to satisfactory performance during the period.

Loss Assets

A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection. In Loss assets, realizable value of security available is not more than 10% of balance outstanding/ dues. Since security back up will not be available, the restructuring/ rehabilitation, if required, is considered with utmost care.

Strategies and Processes:
The bank has a well defined Loan Policy, Credit Risk Policy & Investment Policy covering the important areas of credit risk management as under:

- Exposure ceilings to different sectors of the economy, different types of borrowers and their group and industry
- Fair Practice Code in dispensation of credit.
- Discretionary Lending Powers for different levels of authority of the bank.
- Processes involved in dispensation of credit – pre sanction inspection, rejection, appraisal, sanction, documentation, monitoring, and recovery.
- Fixation of pricing.

The Credit Risk philosophy, architecture and systems of the bank are as under:

Credit Risk Philosophy:

- To Optimize the Credit and return envisaged in order that the Economic Value Addition to Shareholders is maximized and the interests of all the Stakeholders are protected alongside ensuring corporate growth and prosperity with safety of bank's resources.
- To regulate and streamline the financial resources of the bank in an orderly manner to enable the various channels to incline and achieve the common goal and objectives of the Bank.
- To comply with the national priorities in the matter of deployment of institutional finance to facilitate achieving planned growth in various

productive sectors of the economy.

- To instill a sense of credit culture enterprise-wide and to assist the operating staff.
- To provide need-based and timely availability of credit to various borrower segments.
- To strengthen the credit management skills namely pre-sanction, post-sanction monitoring, supervision and follow-up measures so as to promote a healthy credit culture and maintain quality credit portfolio in the bank.
- To deal with credit proposals more effectively with quality assessment, speed and in full compliance with extant guidelines.
- To comply with various regulatory requirements, more particularly on Exposure norms, Priority Sector norms, Income Recognition and Asset Classification guidelines, Capital Adequacy, Credit Risk Management guidelines etc. of RBI/other Authorities.

Architecture and Systems of the Bank:

- A Sub-Committee of Directors has been constituted by the Board to specifically oversee and co-ordinate Risk Management functions in the bank.
- Credit Policy Committee has been set up to formulate and implement various credit risk strategy including lending policies and to monitor Bank's Risk Management function on a regular basis.
- The CRMC (Credit Risk Management Committee) is responsible for measuring, controlling and managing the credit risk within the prescribed limits and to ensure compliance to functioning within the prudential limits set by the Board.
- Formulating of policies on standards for credit proposals, financial covenants, rating standards and benchmarks.
- Credit Department deal with identification, measurement, monitoring and controlling credit risk within the prescribed limits.
- Credit Risk Management department does the portfolio analysis on quarterly basis as per the defined methods under credit risk policy.
- Enforcement and compliance of the risk parameters and prudential limits set by the Board/regulator etc.,
- Laying down risk assessment systems, developing MIS, and monitoring quality of loan portfolio, identification of problems, correction of deficiencies.
- Improving credit delivery system upon full compliance of laid down norms and guidelines.

The Scope and Nature of Risk Reporting and/or Measurement System:
The Bank has in place a robust credit risk rating system for its credit exposures. An effective way to mitigate credit risks is to identify potential risks in a particular asset, maintain a healthy asset quality and at the same time impart flexibility in pricing assets to meet the required risk-return parameters as per the bank's overall strategy and credit policy. However Bank has a separate Credit Risk Policy where portfolio credit risk is analysed on quarterly interval on the basis defined methods.

(ii) Quantitative Disclosures

(b) Total Gross Credit Risk Exposure:

	Amount (Rs. in Crores)
Particulars	**30.06.2024**
Fund Based Exposure	5365.89
Non-fund Based Exposure	49.46
Total Gross Credit Exposure	**5415.35**

(c) Geographic Distribution of Exposures:

Exposures	Amount (Rs. in Crores)	
	Fund Based Exposure	Non-fund Based Exposure
Domestic operations	5365.89	49.46
Overseas operations	----	----
Total	5365.89	49.46

(d) Industry Type Distribution of Exposures

(Rs. in Crore)

Industry Name	Total Funded Credit Exposure	Total Non-funded Credit Exposure	Total Credit Exposure (Funded and Non-Funded)
A	B	C	D
A. Mining and Quarrying	91.26	0.84	92.10
A.1 Coal	0.00	0.00	0.00
A.2 Others	91.26	0.84	92.10
B. Food Processing	25.86	0.00	25.86
B.1 Sugar	0.00	0.00	0.00
B.2 Edible Oils and Vanaspati	1.38	0.00	1.38
B.3 Tea	0.48	0.00	0.48
B.4 Coffee	0.00	0.00	0.00
B.5 Others	24.00	0.00	24.00
C. Beverages (excluding Tea & Coffee) and Tobacco	0.30	0.00	0.30
C.1 Tobacco and tobacco products	0.00	0.00	0.00
C.2 Others	0.30	0.00	0.30
D. Textiles	31.58	0.00	31.58
D.1 Cotton	1.74	0.00	1.74
D.2 Jute	0.00	0.00	0.00
D.3 Man-made	20.30	0.00	20.30
D.4 Others	9.53	0.00	9.53
Out of D (i.e., Total Textiles) to Spinning Mills	0.00	0.00	0.00
E. Leather and Leather products	1.85	0.00	1.85
F. Wood and Wood Products	5.89	0.00	5.89
G. Paper and Paper Products	4.65	0.00	4.65
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	0.45	0.00	0.45
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	11.25	0.00	11.25
I.1 Fertilizers	0.01	0.00	0.01
I.2 Drugs and Pharmaceuticals	5.45	0.00	5.45
I.3 Petro-chemicals (excluding under Infrastructure)	0.00	0.00	0.00
I.4 Others	5.79	0.00	5.79
J. Rubber, Plastic and their Products	5.63	0.00	5.63

K. Glass, Glassware and other non-metallic mineral products (Except Cement and Cement products)	5.11	0.00	5.11
L. Cement and Cement Products	2.61	0.00	2.61
M. Basic Metal and Metal Products	15.08	0.00	15.08
M.1 Iron and Steel	9.95	0.00	9.95
M.2 Other Metal and Metal Products	5.13	0.00	5.13
N. All Engineering	114.76	0.24	115.00
N.1 Electronics	0.57	0.00	0.57
N.2 Others	114.19	0.24	114.43
O. Vehicles, Vehicle Parts and Transport Equipments	10.81	0.00	10.81
P. Gems and Jewellery	0.14	0.00	0.14
Q. Construction	4.12	0.85	4.97
R. Infrastructure (Pertaining to Industries Sector Only)	55.06	0.12	55.18
S. Other Industries, pl. specify	317.54	4.78	322.33
Other	317.54	4.78	322.33
T. All Industries (Sub Total: A+B+……..+S)	703.95	6.83	710.78
U. Residuary Other Advances	4,661.94	42.63	4,704.57
U.1 Aviation Sector	-		-
U.2 NBFC	35.00		35.00
U.3 Other residuary Advances	4,626.94	42.63	4,669.57
Total Exposure (T+U)	5,365.89	49.46	5,415.35

Credit Exposure of industries where outstanding exposure is more than 5% of the Total Gross Credit Exposure of the Bank is as follows:

S.No.	Industry	Total Exposure/ (O/s bal.) (in Crores)	% of Total Gross Credit Exposure
	NIL		

(e) Residual maturity breakdown of assets

(Rs. in Crores)

	Cash & Balances with RBI	**Balances with other Banks & Money at call & short notice**	**Invest-ments**	**Advances**	**Fixed Assets**	**Other Assets**	**Total**
1Day	215.70	150.82	477.66	13.91	0.00	0.98	859.07
2-7Days	0.00	10.00	0.00	82.73	0.00	56.66	149.39
8-14Days	0.00	55.00	0.00	98.51	0.00	4.85	158.36
15-30Days	41.62	117.00	166.20	244.28	0.00	9.64	578.74
31days – upto2Months	16.65	111.00	66.47	123.08	0.00	23.37	340.57

Over 2months upto 3Months	17.93	171.00	71.59	567.82	0.00	23.37	851.71
Over 3 upto 6 Months	54.43	397.01	217.35	79.82	0.00	96.13	844.74
Over 6 upto 12 Months	79.93	546.00	319.16	182.93	0.00	9.73	1137.75
Over 1 year upto 3 Years	133.07	0.48	577.98	1742.26	0.00	204.73	2658.52
Over 3 upto 5 Years	1.48	0.00	5.90	490.57	0.00	77.81	575.76
Over 5 Years	1.50	0.00	55.88	865.27	77.42	80.06	1080.13
TOTAL	562.31	1558.31	1958.19	4491.18	77.42	587.33	9234.74

S.No.	Asset Category	Amount (Rs. in Crores)
a)	**NPAs (Gross):**	443.53
	Substandard	114.69
	Doubtful 1	39.01
	Doubtful 2	80.15
	Doubtful 3	186.68
	Loss	23.00
b)	**Net NPAs**	85.11
c)	**NPA Ratios**	
	Gross NPAs to gross advances (%)	9.27%
	Net NPAs to net advances (%)	1.92%
d)	**Movement of NPA(Gross)**	
	Opening balance	398.67@
	Additions	71.61
	Reductions	26.75
	Any other adjustments due to Exchange Diff	0.00
	Closing balance	443.53**
e)	**SPECIFIC PROVISION**	
	Movement of provisions for NPAs	
	Opening balance	292.86
	Provisions made during the period	11.82
	Write offs/ Write back of excess provisions	10.16
	Any other adjustments, including transfers between provisions	0.00
	Closing balance	294.52
	GENERAL PROVISION	
f)	**Movement of provisions for NPAs**	
	Opening balance	62.85
	Provisions made during the period	0.00
	Write offs	0.00
	Write back of excess provisions	0.00
	Any other adjustments, including transfers between provisions	0.00
	Closing balance	62.85
Write-offs that have been booked directly to the income statement		0.00
Recoveries that have been booked directly to the income statement		0.01
g)	**Amount of Non-Performing Investments**	0.00
h)	**Amount of provisions held for non- performing investment**	0.00

i)	**Movement of provisions for depreciation on investments**		
	Opening balance		3.68
	Provisions made during the period		0.00
	Write-off		
	Write back of excess provisions		-3.68
	Closing balance		0.00
j)	**By major industry or counter type**		
		Amount of NPAs	**Provision**
	Top 5 Industries	121.72	117.73
k)	**Geographic-wise breakup**	**Gross NPA**	**Provision**
	Domestic	443.53	294.52

@Excluding interest suspense of Rs. 7.33 crore
**Excluding interest suspense of Rs. 8.27 crore

Table DF-4: Credit Risk Disclosures for portfolios subject to Standardized Approach

(i) Qualitative Disclosures

(a) For portfolios under the Standardized Approach:

The Bank has recognized following credit rating agencies for the purpose of rating of an exposure & assigning risk weights for computation of capital charge under standardized approach.

Domestic credit rating agencies:

- Credit Analysis & Research Limited (CARE),
- CRISIL Limited,
- ICRA Limited,
- India Ratings (Formerly FITCH India)
- Brickwork
- SMERA

Types of exposure for which each agency is used:
All the above agencies are recognized for rating all types of exposures.

A description of the process used to transfer public issue ratings onto comparable assets in the banking books:

- Bank has used short term ratings for assets with maturity up to one year and long term ratings for assets maturing after one year as accorded by the approved external credit rating agencies.
- Bank has not used one rating of a CRA (Credit Rating Agency) for one exposure and another CRA's rating for another exposure on the same counterparty unless only one rating is available for given exposure.
- The Bank will comply with the Basel norms in respect of obtaining rating from RBI approved external agencies in case of fresh credit exposures having aggregate sanctioned limit above Rs.20.00 Crore. However, an undertaking from the borrowers having sanctioned aggregate credit facilities of Rs.7.50 Crores and above and up to Rs.20.00 Crores to be obtained for obtaining/submitting of such ratings as & when the same is required as per regulator's guidelines.
- Bank has used only solicited rating from the recognized CRAs.

(ii) Quantitative Disclosures

(b) Amount of the Bank's Exposures- Gross Advances (Rated & Unrated) in Major Risk Buckets -under Standardized Approach, after factoring Risk Mitigants (i.e. Collaterals):

The amount of exposure including non-fund based after risk mitigation subject to Standardized Approach (rated and unrated) in the following three major risk buckets are as under:

S.No.	Particulars	Outstanding Amount(Rs. in Crores)	
		Fund Based	**Non –Fund Based**
		30.06.2024	**30.06.2024**
1	Below 100% risk weight	2456.80	
2	100% risk weight	1611.48	49.46
3	More than 100% risk weight	127.70	
4	CRM Deducted	590.78	28.64
5	Total	**4786.76**	**78.10**

Leverage Ratio Disclosures

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, with this ratio expressed as a percentage. The Bank is required to maintain a minimum leverage ratio of 3.50%. As per RBI guidelines, disclosures required for leverage ratio for the Bank as of **June 30th, 2024** is as follows:

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

S.No.	Item	(Rs. in Million)
1	Total consolidated assets as per published financial statements	92347.48
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)	8988.55
7	Other adjustments	-5868.84
8	**Leverage ratio exposure**	**95467.19**

Table DF-18: Leverage Ratio Common Disclosure Template

S. No.	Item	Leverage ratio framework(Rs. in Million)
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	92347.48
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	0.00
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	92347.48
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	0.00
5	Add-on amounts for PFE associated with all derivatives Transactions	0.00
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00
9	Adjusted effective notional amount of written credit Derivatives	0.00
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11	**Total derivative exposures (sum of lines 4 to 10)**	0.00
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after	0.00
	adjusting for sale accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14	CCR exposure for SFT assets	0.00
15	Agent transaction exposures	0.00
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	
	Other off-balance sheet exposure	
17	Off-balance sheet exposure at gross notional amount	8988.55
18	(Adjustments for conversion to credit equivalent amounts)	-5868.84
19	**Off-balance sheet items (sum of lines 17 and 18)**	**3119.71**
	Capital and total exposures	
20	**Tier 1 capital**	**7064.29**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**95467.19**
	Leverage ratio	
22	**Basel III leverage ratio**	**7.40%**

Submitted for kind perusal.

Sachin Kumar
Chief Risk Officer