

Pillar 3 Disclosure Requirements

For the Quarter ended 30th June 2020

Table DF-2: Capital Adequacy

2.1. Qualitative Disclosures

- 2.1.1. Bank maintains capital as a cushion towards the risk of loss in value of exposure, businesses, etc., to protect the interest of stake holders, more particularly, depositors.
- 2.1.2. Bank has a comprehensive system in place for assessing bank-wide capital requirements based on current and future business activities and monitoring the same on an ongoing basis. The bank considers that capital availability is the central theme in the whole process and its computation is relatable to policy, strategy, business level/composition, and Supervisory concern and Disclosure issues. Towards this, bank has evolved a well laid down Internal Capital Adequacy Assessment Process (I-CAAP) policy framework and carries out capital calculation under Pillar-II besides Pillar 1 Capital calculation.
- 2.1.3. The Bank has implemented a Board approved Stress Testing 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 and to measure the impact of adverse stress scenarios on the adequacy of capital at periodical intervals.
- 2.1.4. In line with RBI guidelines, the bank has adopted following approaches for implementation of New Capital Adequacy Framework - Basel III.
 - Standardised Approach for Credit risk
 - Basic Indicator Approach for Operational risk
 - Standardised Duration Approach for Market risk
- 2.1.5. Bank plans capital requirements and reviews the same on quarterly basis. Bank has done capital assessment upto 2025, as a part of ICAAP framework.
- 2.1.6. Bank has taken initiatives to migrate to Advanced Approaches for Risk Weighted Assets computation, Bank is in the process of implementing a software solution.

2.2. Quantitative Disclosures

2.2.1. A summary of the bank's capital requirement for credit, market and operational risk and the capital adequacy ratio on standalone and consolidated basis as on 30th June 2020 is given as hereunder:

(Rs. in million)	
A. Capital Requirements for Credit Risk:	
- Portfolios subject to Standardized Approach	428406.21
- Securitisation Exposures	53.49
B. Capital Requirements for Market Risk	
• Standardized Duration Approach	29017.93
- Interest Rate Risk	21850.96
- Foreign Exchange Risk (including gold)	148.50
- Equity Position Risk	7018.47
C. Capital Requirements for Operational Risk	
• Basic Indicator Approach	45450.20

D. Capital Adequacy Ratios	Union Bank Group (Standalone)	Union Bank Group (Consolidated)
Common Equity Tier -1 CRAR	8.40	8.37
Tier -1 CRAR	9.48	9.45
Total CRAR	11.62	11.57

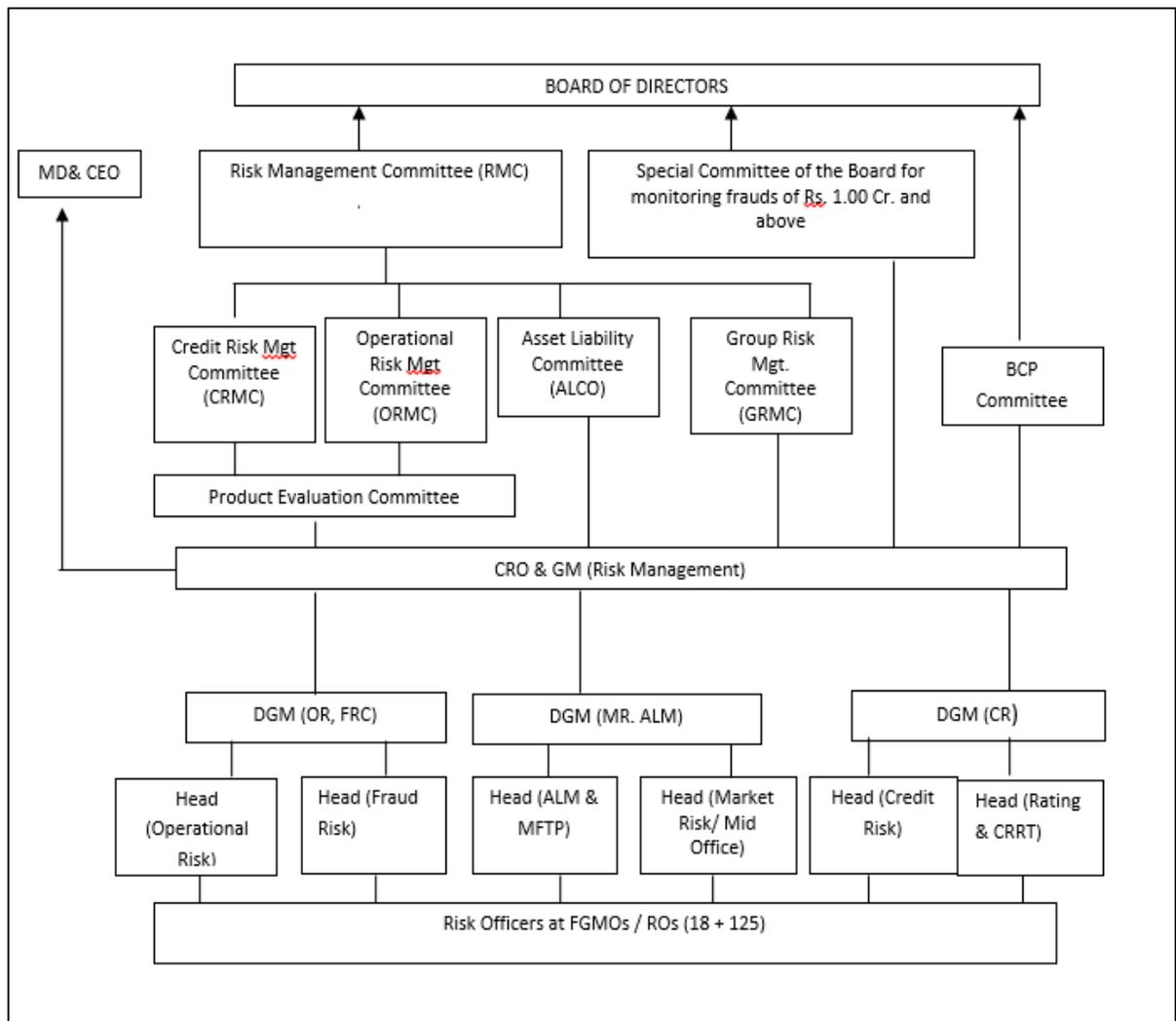
2.3. General Qualitative disclosures

a. Risk Management: Objectives and Organization Structure

- The bank has a credible and comprehensive risk management structure and has taken various initiatives to strengthen the risk management practices. The Bank has an integrated approach for management of risk. The risk management policies are commensurate with the business requirements and are as per the guidelines of Reserve Bank of India. The risk management system encompasses the different types of risks viz. credit risk, market risk and operational risk.
- The bank has also formulated Board approved Country specific risk policy for its foreign branches i.e. Hong Kong, DIFC Dubai and Sydney branch. The policies are drawn based on the risk dimensions of respective countries and the bank's risk appetite.

- The Board of Directors of the Bank has an oversight of Risk Management activities of the Bank. The Bank's Risk Management Committee of the Board (RMC) is the Apex Body/Committee to oversee various Risk Management activities. The Bank also has separate Committees of Top Executives i.e., Credit Risk Management Committee (CRMC), Asset & Liability Committee (ALCO) and Operational Risk Management Committee (ORMC) to deal with Credit, Market and Operational Risk respectively. Further, the bank has Risk Management organizational structure in place not only at corporate office but also at Regional Offices/Field General Manager's Offices. The broad risk management organizational structure of the bank is furnished as under:

RISK GOVERNANCE STRUCTURE



2.4. Credit Risk:

a. Credit Risk Governance

- Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or his ability to perform such obligation is impaired resulting in economic loss to the bank.
- The Bank is exposed to Credit Risk through Lending and Investment activities.
- Bank has well laid down Loan Policy, Credit Risk Management Policy, Real Estate Policy and Credit Risk Mitigation (CRM) Techniques, Collateral Management Policy & Internal Risk Rating Policy which covers guidelines on the entire gamut of Credit Risk Management Process. Loan Policy & Credit Risk Management Policy, spells out the target markets, risk acceptance/avoidance, risk tolerance, preferred levels of diversification and concentration, credit risk measurement, monitoring and controlling mechanisms.
- Bank has an appropriate and independent organizational structure with an oversight mechanism for management of credit risk, which includes Credit Risk Management Committee (CRMC) of Top Executives and a separate Credit Risk Management Cell looking after the Credit Risk. Besides, there is a separate Board Level Committee i.e., Risk Management Committee of the Board (RMC).
- CRMC deals with issues relating to credit policy, procedures and control measures for credit risk on a Bank-wide basis.

b. Credit Approval Process

- Loan Policy of the bank covers in detail guidelines on credit approval process which among other things include thrust area and non thrust area, due diligence criteria, KYC norms, method of assessment of finance, minimum credit standards, take over code norms, Prudential & Regulatory ceilings etc.

c. Credit Monitoring System

- Credit monitoring is a continuous process. Bank has separate policy on credit monitoring which includes guidelines on:
 - Identification and monitoring of Special Mention Accounts (SMA-0, SMA-1 and SMA-2) and trigger points for initiating timely action.
 - Periodicity of review of the borrowal accounts based on credit quality. Borrowers with lower credit rating are subject to more frequent reviews.
 - Submission of periodical monitoring reports.
 - Different hierarchical levels for monitoring.

d. Credit Rating Framework

- Bank has comprehensive internal credit rating/scoring models being applied in the Credit Administration and Approval process. Credit rating framework is a combination of quantitative and qualitative aspects. Credit Rating depicts credit quality and predicts probability of default.
- Credit Rating models are in place for Credit Rating of Borrowers.
- Credit scoring models are in place for retail lending schemes.
- Independent assignment of Credit Rating is in place. The Credit Rating is reviewed annually for investment grade borrowers and half-yearly for non-investment grade borrowers.
- In terms of Bank's credit rating framework, there are 8 risk-rating grades in standard category and 'investment grade' is fixed up to Credit Rating-5.
- The bank carries out analysis on rating wise distribution of borrowers on obligor basis and portfolio basis at periodical intervals and monitors the same.

e. Credit Approval Committees:

- As per the government guidelines and as per the Board approved structure, Bank has introduced Credit Approval Committee (CAC) at SARAL Regional Offices, FGMO and Central Office for credit sanction. Risk Management Department is represented in all CACs.

f. Credit Concentration Risk

- Credit concentration is addressed with the following measures :
- The bank has fixed prudential / regulatory ceilings for various categories of advances for diversifying the credit portfolio and the same is monitored periodically. The bank has well diversified credit portfolio.
- Bank monitors the adherence to the exposure ceilings on a quarterly basis. Bank also has a well-established system of monitoring large exposure through monthly monitoring report. The credit portfolio of the bank is well diversified so as to reduce concentration in any area.
- Credit Risk appetite of the Bank is defined as a part of Internal Capital Adequacy Assessment Process (ICAAP) by fixing ceilings limits for various parameters. They are monitored on quarterly basis by undertaking the assessment of ICAAP.

2.5. Market Risk

- Market Risk Management is covered in Treasury Policy, Market Risk Policy and ALM Policy.
- There is a clear-cut separation between front office, back office and mid-office in Treasury operations.
- Mid-office directly reports to the Risk Management Department.
- Various Limits - for domestic and foreign exchange operations, e.g. Overnight Position limit, Daylight Open Position limit, VaR limits, Deal size limits, Stop Loss limits, Aggregate Gap Limit (AGL), Individual Gap Limit (IGL), counterparty limits etc. are in place.
- Value at Risk (VaR) is being monitored on AFS & HFT G-sec, equity Portfolio and forex transactions on a daily basis.

2.6. Interest Rate Risk In banking Book:

- Bank carries out Duration Gap Analysis (DGA) to capture impact of changes in interest rates by 200 bps on market value of equity in terms of RBI Guidelines.

2.7. Operational Risk

- A well laid down board approved Operational Risk Management Policy is in place.
- Presently, Operational Risk is managed through Internal Control System, Internal Audit Process.
- New Product Approval Process is in place.
- Analysis of frauds is done from the angle of operational risk to assess the adequacy and efficacy of internal controls.
- Bank conducts Risk and Control Self Assessment (RCSA) in respect of various products/ process.

Table DF-3: Credit Risk: General Disclosures

Qualitative Disclosures

a. General Qualitative disclosure pertaining to credit risk:

▪ **Overdue:**

Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank. For example;

- i. In case of temporary overdrafts, the outstanding will not be overdue upto 15 days. Hence, temporary overdraft, if remaining outstanding for more than 15 days only should be reported as overdue.
- ii. In case of excesses over sanctioned limit/drawing power, the accounts become overdue from the date of such excesses.
- iii. In case of Term Loans and Loans Repayable on Demand, the installments become overdue from the due date of installments.
- iv. Interest due and charged remaining unadjusted becomes overdue from the last day of the quarter, irrespective of interest charged at monthly intervals.
- v. A Bill becomes overdue from its due date. In case of Sight Bill, it becomes overdue if it remains unpaid on presentation.

▪ **Non-Performing Assets:**

An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank. Hence, non-performing asset is required to be classified correctly at the right time so that unrealized income on such assets is not recognized in the books of the Bank.

A non-performing asset (NPA) is a loan or an advance where;

- i. Interest and/ or instalment 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' in respect of an Overdraft/Cash Credit (OD/CC)
- iii. The bill remains overdue for a period of more than 90 days in 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 due to the Bank under any credit facility is overdue for a period of more than 90 days
- vii. The account where the regular/adhoc credit limits have not been reviewed/renewed within 180 days from due date/date of adhoc sanction
- viii. The drawings allowed against Stock/Book Debt statements older than 180 days (i.e., if the outstanding in the account based on drawing power calculated from stock statements older than 3 months would be deemed as irregular and if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrowers' financial position is satisfactory, the borrower account will become NPA)
- ix. 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 01.02.2006.
- x. 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.
- xi. **NPA classification of Credit Card Accounts:**
 - a) In Credit Card Accounts, the amount spent is billed to the card users through a monthly statement with a definite due date for repayment. Banks give an option to the card users to pay either the full amount or a fraction of it, i.e., minimum amount due, on the due date and roll-over the balance amount to the subsequent months' billing cycle.
 - b) A Credit Card Account will be treated as Non-Performing Asset (NPA) if the minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the next statement date. The gap between two statements should not be more than a month.
 - c) Banks should follow this uniform method of determining over-due status for Credit Card Accounts while reporting to credit information companies and for the purpose of levying penal changes, viz., late payment charges, etc., if any.

▪ **Credit Risk Management Policy:**

Bank has board-approved Credit Risk Management Policy besides Loan Policy. Credit Risk Management Policy covers guidelines on the Credit Approval process - Credit Risk Framework, loan pricing and concessions, Loan Monitoring & Controls, Credit Risk Rating Systems - pricing - capital allocation, Portfolio Management & Exposure ceilings, Prudential/Regulatory ceilings, such as industry wise exposure, sensitive sector exposure (capital market/ real estate exposure) and Risk Management of off-balance sheet exposure.

Quantitative Disclosures

b. The total gross credit risk exposures are:

(Rs. in million)

Category	Amount
Fund Based	8527924.14
Non Fund Based	1442525.42
Total	9970449.56

c. The geographic distribution of exposures is:

(Rs. in million)

	Domestic	Overseas	Gross Advances
Fund Based	8319077.50	208846.64	8527924.14
Non-fund based	1437564.77	4960.65	1442525.42
Total	9756642.27	213807.29	9970449.56

d. Industry type distribution of exposures (Fund Based and Non-Fund Based) are as under:

(Rs. in million)

DSB Code	INDUSTRY NAME	Fund Based	Non-Fund Based
A	Mining and Quarrying (Incl. Coal)	57340.08	29551.89
A.1	Coal	22011.73	12967.25
A.2	Others	35328.36	16584.63
B	Food Processing	253743.99	36868.20
B.1	Sugar	47350.10	1682.51
B.2	Edible Oils and Vanaspati	41171.12	16520.84
B.3	Tea	4010.29	143.39
B.4	Coffee	597.70	0.48
B.5	Others	160614.77	18520.98
C	Beverages (excluding Tea & Coffee) and Tobacco	16285.62	1069.66

(Rs. in million)

DSB Code	INDUSTRY NAME	Fund Based	Non-Fund Based
C.1	Of which Tobacco and tobacco products	10159.55	70.40
C.2	Others	6126.07	999.26
D.	Textiles	211386.48	22676.92
D.1	Cotton	89790.89	8423.36
D.2	Jute	3628.66	268.96
D.3	Man-made	0.00	0.00
D.4	Others	117966.93	13984.59
	Out of 'D' Spinning Mills	0.00	0.00
E	Leather and Leather products	14171.67	587.14
F	Wood & Wood Products	20974.01	3970.05
G	Paper & Paper Products	34913.05	5581.23
H	Petroleum(non-infra),Coal Products(non-mining) and Nuclear fuels	156061.66	62319.85
I	Chemical & Chemical Products	164796.13	34357.14
I.1	Fertiliser	44896.80	2464.05
I.2	Drugs & Pharmaceuticals	64166.17	13820.13
I.3	Petro Chemicals(excl under Infra)	9266.32	575.29
I.4	Others	46466.84	17497.67
J	Rubber, Plastic & their Products	35689.74	8486.44
K	Glass & Glass Ware	7852.71	951.99
L	Cement & Cement Products	45264.29	2318.57
M	Basic Metal & Metal Products	299662.86	70975.87
M.1	Iron & Steel	239732.84	60105.54
M.2	Other Metal & Metal Products	59930.02	10870.32
N	All Engineering	149676.88	160868.11
N.1	Electronics	33863.98	15042.75
N.2	Others	115812.90	145825.36
O	Vehicles, Vehicle Parts & Transport Equipments	89449.08	34948.06
P	Gems & Jewellery	103071.64	2980.16
Q	Construction	162752.01	273400.16
R	Infrastructure	1111149.16	110626.45
R.1	Transport (R.1.1 to R.1.5)	278449.31	10548.63
R.1.1	Railways	10760.72	0.00
R.1.2	Roadways	225134.16	9452.68
R.1.3	Airport	314.81	0.00
R.1.4	Waterways	20899.03	0.00

(Rs. in million)

DSB Code	INDUSTRY NAME	Fund Based	Non-Fund Based
R.1.5	Others	21340.60	1095.95
R.2	Energy	533343.71	57115.70
R.2.1	Electricity (GEN+DIS+TRA)	510471.63	49184.16
R.2.1.1	State Electricity board	151621.56	14441.02
R.2.1.2	Others	358850.07	34743.15
R.2.2	Oil (Storage & Pipeline)	1322.84	0.00
R.2.3	Gas/LNG (Storage & Pipeline)	21549.19	7931.54
R.2.4	Others	0.00	0.00
R.3	Telecommunication	160520.73	36806.39
R.4	Others	138835.40	6155.73
R.4.1	Water Sanitation	68076.59	12.78
R.4.2	Social and Commercial Infrastructure	28942.18	2438.25
R.4.3	Others	41816.63	3704.70
S	Other Industries	189597.15	47276.18
	All Industries (A to S)	3123838.21	909814.07
	Residuary & Other Advances	5404085.93	532711.35
	a. Aviation	7218.46	6158.54
	b. Other Residuary Advances	5396867.47	526552.81
	Total	8527924.14	1442525.42

e. The residual contractual maturity break down of assets is:

(Rs.in millions)

Maturity Pattern	Advances	Investments	Foreign Currency Assets
Next day	95285.73	844914.30	49238.50
2 - 7 days	117954.27	104846.20	4948.30
8 -14 days	91737.79	28735.50	5715.32
15- 30 days	146586.85	28524.30	36983.27
31 days - 2 months	151167.33	42414.71	31619.10
2 months - 3 months	327565.36	72798.15	46147.48
>3 months-6 months	326330.09	266779.97	50003.57
>6 months-1 yr	527032.53	126432.90	46400.17
>1 yr-3 yrs	2226476.84	340216.48	134136.98
>3 yrs-5 yrs	605352.76	172216.09	57452.56
>5 yrs	1201682.51	1237442.87	337799.84
Total	5817172.04	3265321.47	800445.08

f. The Amount of NPAs (Gross) are:

Category	(Rs. in million)
Sub Standard	133743.62
Doubtful - 1	147075.11
Doubtful - 2	221568.32
Doubtful - 3	225795.82
Loss	243716.60
Total NPAs (Gross)	971899.47

g. The amount of net NPAs is **Rs. 289134.95** million.

h. The NPA ratios are as under:

- Gross NPAs to Gross Advances: **14.95 %**
- Net NPAs to Net Advances: **4.97 %**

i. The movement of gross NPAs is as under:

(Rs. in million)	
i) Opening Balance at the beginning of the year	971928.60
ii) Addition during the year	17498.67
iii) Reduction during the year	17527.80
iv) Closing Balance as at the end of the year (i+ii-iii)	971899.47

j. (a) The movement of Specific Provision (Provisions for NPAs) is as under:

(Rs. in million)	
i) Opening Balance at the beginning of the year	652612.10
ii) Provisions made during the year	24511.20
iii) Write-off/ Write -back of excess provisions	663.74
iv) Closing Balance as at the end of the year (i+ii-iii)	676459.56

(b) The movement of General Provision (provision for standard assets) is as under:

(Rs. in million)

	Std. prov. for Advances	Std. prov. for Derivatives	Total
	A	B	C=(A+B)
i) Opening Balance at the beginning of the year	37985.43	92.34	38077.77
ii) Provisions made during the year	4887.13	-30.26	4856.87
iii) Write-off made during the year	0	0	0
iv) Write -back of excess provisions	0	0	0
v) Any other adjustments, including transfers between provisions	0	0	0
vi) Closing Balance as at the end of the year(01/04/2020 to 30/06/2020)	42872.56	62.07	42934.63

k. The amount of Non-Performing Investment is Rs. 46,588.00 million.

l. The amount of provisions held for Non-Performing Investment is Rs. 42,874.06 million.

m. The movement of provisions for depreciation on investments is as under:

(Rs. in million)

i) Opening balance at the beginning of the year	63,146.49
ii) Provisions made during the year	101.30
iii) Write-off made during the year	0.00
iv) Write -back of excess provisions	698.31
iv) Closing balance as at the end of the year (i + ii - iii-iv)	62549.48

n. By major industry or counterparty type:

(a) Details of Specific Provisions:

Rs. in million)

DSB Code	DSB Code	INDUSTRY NAME	GROSS NPA	WRITE OFFS	PROVISIONS FOR NPA
1	A	Mining & Quarrying	1753.50	418.90	1221.73
1.1	A.1	Coal	200.13	155.08	35.17
1.2	A.2	Others	1553.38	263.82	1186.56

DSB Code	DSB Code	INDUSTRY NAME	GROSS NPA	WRITE OFFS	PROVISIONS FOR NPA
2	B	Food Processing	47012.49	2748.71	35528.32
2.1	B.1	Sugar	9661.39	771.31	7287.66
2.2	B.2	Edible Oils & Vanaspati	10786.45	350.65	8652.79
2.3	B.3	Tea	4.87	11.48	1.67
2.4	B.4	Coffee	2.97	1.48	1.05
2.5	B.5	Others	26556.81	1613.78	19585.14
3	C	Beverages (excl. Tea & Coffee) & Tobacco	3730.24	345.33	1632.07
3.1	C.1	Tobacco & Tobacco Products	2973.46	22.51	1160.52
3.2	C.2	Others	756.77	322.83	471.55
4	D	Textiles	38541.68	9895.40	21137.99
4.1	D.1	Cotton	14408.84	4401.11	7879.71
4.2	D.2	Jute	1064.98	5.90	934.14
4.3	D.3	Handicraft/Khadi (Non Priority)	400.99	0.05	236.40
4.4	D.4	Silk	388.71	0.06	134.34
4.5	D.5	Woolen	39.88	0.00	20.48
4.6	D.6	Others	22238.27	5488.27	11932.91
4.7		Out of 'D' Spinning Mills	31.74	0.00	11.00
5	E	Leather & Leather Products	831.92	109.74	289.48
6	F	Wood & Wood Products	6405.57	416.24	5518.70
7	G	Paper & Paper Products	6112.17	741.11	5052.82
8	H	Petroleum (Non-Infra), Coal Products (Non-Mining) & Nuclear Fuels	10032.70	537.94	21095.79
9	I	Chemicals & Chemical Products (Dyes, Paints Etc.)	18817.23	1829.92	11408.82
9.1	I.1	Fertilizer	7937.06	0.90	3858.38
9.2	I.2	Drug & Pharmaceuticals	4284.41	1325.54	3416.82
9.3	I.3	Petrochemicals (Excl Infra)	11.98	349.76	5.11
9.4	I.4	Others	6583.79	153.73	4128.51
10	J	Rubber, Plastic & Their Products	3919.96	355.93	2205.19
11	K	Glass & Glassware	627.88	230.84	506.57
12	L	Cement & Cement Products	2660.74	5585.33	1611.84
13	M	Basic Metal & Metal Products	102918.51	10830.82	89278.90
13.1	M.1	Iron & Steel	86400.74	6416.89	76850.94
13.2	M.2	Other Metal & Metal Products	16517.78	4413.93	12427.96
14	N	All Engineering	49660.30	6903.56	40244.57
14.1	N.1	Electronics	9294.56	277.05	8899.23
14.2	N.2	Others	40365.74	6626.51	31345.34

DSB Code	DSB Code	INDUSTRY NAME	GROSS NPA	WRITE OFFS	PROVISIONS FOR NPA
15	O	Vehicle, Vehicle Parts & Transport Equipments	19988.60	10932.72	18089.37
16	P	Gems & Jewellery	28156.99	1444.78	21328.06
17	Q	Construction	46069.61	17237.71	23799.12
18	R	Infrastructure	166479.67	43198.80	124243.57
18.1	R.1	Transport	69965.03	15252.14	40591.07
18.1.1	R.1.1	Railways	0.00	0.00	0.00
18.1.2	R.1.2	Roadways	69227.87	15252.14	39853.90
18.1.3	R.1.3	Airport	0.00	0.00	0.00
18.1.4	R.1.4	Waterways	0.00	0.00	0.00
18.1.5	R.1.5	Others	737.16	0.00	737.17
18.2	R.2	Energy	75389.64	16374.94	67272.37
18.2.1	R.2.1	Electricity (Gen-Trans-Distr)	75389.64	16374.94	67272.37
18.2.1.1	R.2.1.1	State Electricity Boards	36135.26	1956.18	30917.13
18.2.1.2	R.2.1.2	Others	39254.38	14418.76	36355.24
18.2.2	R.2.2	Oil (Storage & Pipeline)	0.00	0.00	0.00
18.2.3	R.2.3	Gas/LNG (Storage & Pipeline)	0.00	0.00	0.00
18.2.4	R.2.4	Others	0.00	0.00	0.00
18.3	R.3	Telecommunication	12520.27	7598.16	11869.58
18.4	R.4	Others	8604.72	3973.56	4510.55
18.4.1	R.4.1	Water Sanitation	1507.37	2.96	1483.71
18.4.2	R.4.2	Social & Commercial Infrastructure	7097.35	3970.60	3026.84
18.4.3	R.4.3	Others	0.00	0.00	0.00
19	S	Other Industries	55348.66	17681.51	39836.76
20		ALL INDUSTRIES	609068.41	131445.28	464029.67
21		Residuary & Other Advances	362830.98	332692.83	212429.88
21.1	a	Education	3114.17	1107.31	1963.68
21.2	b	Aviation	0.00	0.00	0.00
21.3	c	Other Residuary Advances	359716.88	331585.52	210466.20
22		TOTAL	971899.47	464138.10	676459.56

(b) Details of General Provisions:

(Rs. In million)

Standard Advance	Provision as on 30.06.2020
i) SME and Agri Advance	3780.37
ii) Commercial Real Estate	975.94
iii) Commercial Real Estate (RH)	137.80
iv) Home Loan (Teaser Rate)	7.70
v) Restructured Standard Advances	2771.16
vi) Balance Standard Advance (excluding FITL - Std. Advance)	33663.29
vii) Total Domestic Standard Advance (i+ii+iii+iv+v+vi)	41336.26
viii) Overseas Standard Advance	1536.30
ix) Total Standard Advance	42872.56

o. (a)Geographic distribution of NPAs and Specific Provisions (Provisions for NPAs):

(Rs. in million)

Particulars	Domestic	Overseas	Total
Gross NPA	945361.27	26538.20	971899.47
Provisions for NPA	663952.59	12506.97	676459.56

(b) Geographic distribution of General Provisions (Provisions for Standard Assets):

(Rs. in million)

Particulars	Domestic	Overseas	Total
Provision for Standard Assets	41336.26	1536.30	42872.56
Provisions for Standard Derivatives	62.07	0	62.07
Total	41398.33	1536.30	42934.63

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

Qualitative Disclosures

a. For portfolios subject to the standardized approach

- Bank has approved the following domestic credit rating agencies accredited by RBI for all eligible exposures.
 - a) CARE;

- b) CRISIL Limited;
 - c) India Ratings and Research Private Limited (India Ratings);
 - d) ICRA Limited;
 - e) Brickwork Ratings India Pvt. Limited (Brickwork);
 - f) Acuite Rating & Research Limited; and
 - g) Infomerics valuation and Ratings Private Limited.
- Bank has also approved the following 3 international credit rating agencies identified by RBI.
 - a) Standard & Poor's
 - b) Moody's
 - c) FITCH
 - Corporate borrowers and Public Sector Enterprises are being encouraged to solicit ratings from approved external rating agencies. The ratings available in public domain are mapped for the purpose of calculation of risk-weighted assets as per RBI guidelines on mapping.

Quantitative Disclosures

- b. The exposure amounts after risk mitigation subject to the standardized approach, amount of a bank's outstandings (rated and unrated) in the following three major risk buckets as well as those that are deducted:

	(Rs. in million)
i) Below 100% risk weight exposure outstanding	3062612.27
ii) 100% risk weight exposure outstanding	1198429.38
iii) More than 100% risk weight exposure outstanding	426906.81
iv) Deduction	0.00
Total	4687948.45

DF 17- Summary comparison of accounting assets vs. leverage ratio exposure measure		
	Item	(Rs. in Million)
1	Total consolidated assets as per published financial statements	1,08,53,299.90
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(73,749.93)
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	65,471.33
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)	5,89,863.62
7	Other adjustments	(1,03,533.95)
8	Leverage ratio exposure	1,13,31,350.97

(Rs. in Million)

DF-18 - Leverage ratio common disclosure template		
	Item	Leverage ratio framework
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1,04,22,208.70
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(1,03,533.95)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	1,03,18,674.75

DF-18 - Leverage ratio common disclosure template		
	Item	Leverage ratio framework
4	Replacement cost associated with all <i>derivatives</i> transactions (i.e. net of eligible cash variation margin)	13,598.53
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions	65,471.33
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)	79,069.87
12	Gross SFT <i>assets</i> (with no recognition of netting), after adjusting for sale accounting transactions	6,08,000.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(3,34,910.00)
14	CCR exposure for SFT assets	70,652.74
15	Agent transaction exposures	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	3,43,742.74
17	Off-balance sheet exposure at gross notional amount	13,15,692.89
18	(Adjustments for conversion to credit equivalent amounts)	(7,25,829.27)
19	Off-balance sheet items (sum of lines 17 and 18)	5,89,863.62
20	Tier 1 capital	5,40,215.91
21	Total exposures (sum of lines 3, 11, 16 and 19)	1,13,31,350.97
22	Basel III leverage ratio	4.77%

UNION BANK OF INDIA

RISK MANAGEMENT DEPARTMENT

Liquidity Coverage Ratio (LCR) Qualitative Disclosure: June 2020

LCR aims to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by RBI.

LCR is the ratio of HQLA to Net Cash Outflow.

$$\text{LCR} = \frac{\text{HQLA}}{\text{Net Cash Outflows over 30 days}}$$

Where Net Cash Outflow = Max ((Cash Outflows-Cash Inflows), 25% of Cash Outflow)

Minimum requirement of LCR as stipulated by RBI is 100% for the calendar year 2019 onwards. LCR is applicable to Bank's domestic operations as well as overseas operations.

According to RBI, the LCR has been introduced in a phased manner starting with a minimum requirement of 60% from January 1, 2015 and reaching minimum 100% on January 1, 2019.

	January 1, 2015	January 1, 2016	January 1, 2017	January 1, 2018	January 1, 2019
Minimum LCR	60%	70%	80%	90%	100%

HQLA:

Liquid assets comprise of high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. They should be unencumbered i.e. without legal, regulatory or operational impediments. Assets are considered to be high quality liquid assets if they can be easily and immediately converted into cash at little or no loss of value.

HQLA is categorized into two a) Level 1 Assets, and b) Level 2 Assets. Level 2 Assets are further sub divided into Level 2A Assets & Level 2B Assets based on Liquidity & Price Volatility.

Level 1 assets are stock of HQLA without any haircut. Level 1 Assets mainly comprise Cash including excess CRR (Cash Reserve Ratio), Excess SLR (Statutory Liquidity Ratio) securities, Marginal Standing Facility (3 % of Net demand & time liability) & FALLCR (15.00 % of Net demand & time liability). On account of the ongoing pandemic situation and resultant adverse impact on economic activity, RBI on 17th April 2020 has brought down the LCR minimum requirement to 80% till 30th September 2020, which is to be gradually restored to 90% from 1st October 2020 and 100% from 1st April 2021. Other relaxation extended are as under:

- Enhanced Marginal Standing Facility (MSF) from 2% to 3% of NDTL till 30th September 2020.
- Reduced CRR limit from 4% to 3% for 1 year (till 26th March 2021)

A haircut of 15% is applied on current market value of Level 2A asset. Level 2A assets mainly comprise of securities with 20% risk weight. A 50% haircut is applied on current market value of

Level 2B asset. Level 2B assets should not be more than 15% of the total stock of HQLA. Level 2B assets mainly comprise Securities with risk weights higher than 20% but not higher than 50%.

Net Cash Outflows

The total net cash outflow is defined as the total expected cash outflows minus total expected cash inflows. In order to determine cash outflows, the Bank, in terms of RBI guidelines, segregates its deposits into various customer segments, viz Retail (which include deposits from Natural Persons), Small Business Customers (those with total aggregated funding upto Rs. 5 crore) and deposits from Non Financial Customers (NFC) and Other Legal Entity Customers (OLE). Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in, up to an aggregate cap of 75% of total expected cash outflows.

Brief about LCR of the Bank

As per the Government of India order dated 4th March 2020 Andhra Bank and Corporation Bank have been merged with Union Bank of India. Since 1st April 2020, Liquidity Coverage Ratio (LCR) is being computed on daily basis as per RBI guidelines for amalgamated entity.

The Bank during the three months ended June 30, 2020 maintained average HQLA of Rs. 242578.44 crores. Level 1 assets are the main drivers of HQLA for the bank. They contribute to 94% of the total stock of HQLA. Based on daily averages for the quarter ended 30th June 2020, Facility to avail Liquidity for Liquidity Coverage Ratio (FALLCR) constitutes the highest portion to HQLA i.e. around 56% of the total HQLA. Level 2 assets which are lower in quality as compared to Level 1 assets, constitute 6.00% of the total stock of HQLA against maximum permissible level of 40%.

Bank's exposure is mainly in Indian Rupees. Unsecured wholesale funding constitute major portion of total funding sources. Retail deposits and deposits from small business customers contributed around 23% and 5% of the total weighted cash outflows, respectively. Deposits from non-financial corporates contributed around 44% of the total weighted cash outflows. The other contingent funding obligations primarily include bank guarantees (BGs) and letters of credit (LCs) issued on behalf of the Bank's clients. Inflows by various counterparties contribute to around 58% of the total weighted cash inflows.

Bank has calculated LCR for all working days over the June 2020 quarter. The average of the daily observation of 66 data points is calculated. The average LCR for the quarter ended 30th June, 2020 is 163.84%, and is well above the present minimum requirement prescribed by RBI of 80% for the Quarter ended June 2020.

LCR Disclosure for Quarter ended June' 2020 (Consolidated)			
		Total Unweighted Value (Average)	Total Weighted Value (Average)
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLA)	245615.55	242578.44
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	565866.08	43884.75
(i)	Stable deposits	254037.15	12701.86
(ii)	Less stable deposits	311828.93	31182.89
3	Unsecured wholesale funding, of which:	190921.57	88514.48
(i)	Operational deposits (all counterparties)	0.00	0.00
(ii)	Non-operational deposits (all counterparties)	190921.57	88514.48
(iii)	Unsecured debt		
4	Secured wholesale funding	7634.23	8.56
5	Additional requirements, of which	97303.63	15887.06
(i)	Outflows related to derivative exposures and other collateral requirements	119.99	119.99
(ii)	Outflows related to loss of funding on debt products	0.00	0.00
(iii)	Credit and liquidity facilities	97183.64	15767.07
6	Other contractual funding obligations	4593.42	4593.42
7	Other contingent funding obligations	82996.79	2609.95
8	TOTAL CASH OUTFLOWS	949315.71	155498.21
Cash Inflows			
9	Secured lending (e.g. reverse repos)	40157.20	0.00
10	Inflows from fully performing exposures	2998.57	2998.57
11	Other cash inflows	5003.40	4441.02
12	TOTAL CASH INFLOWS	48159.17	7439.59
			Total Adjusted Value
13	TOTAL HQLA		242578.44
14	TOTAL NET CASH OUTFLOWS		148058.62
15	LIQUIDITY COVERAGE RATIO (%)		163.84%