Requirements as per RBI's Master Circular – Basel III Capital Regulations" and applicability on the Bank

Disclosures for Q3FY25

Table	Disclosure	Applicable/Not Applicable
DF-1	Scope of Application	Not Applicable
DF-2	Capital Adequacy	Applicable
DF-3	Credit Risk: General Disclosures for All Banks	Applicable
DF-4	Credit Risk: Disclosures for Portfolios subject to the Standardized Approach	Applicable
DF-5	Credit Risk Mitigation: Disclosures for Standardized Approach	Not Applicable
DF-6	Securitization: Disclosure for Standardized Approach	Not Applicable
DF-7	Market Risk in Trading Book	Not Compiled
DF-8	Operational Risk	Not Compiled
DF-9	Interest Rate Risk in the Banking Book (IRRBB)	Not Compiled
DF-10	General Disclosure for Exposures Related to Counterparty Credit Risk	Not Applicable
DF-11	Composition of Capital	Not Compiled
DF-12	Composition of Capital – Reconciliation Requirements	Not Compiled
DF-13	Main Features of Regulatory Capital Instruments	Not Compiled
DF-14	Full Terms and Conditions of Regulatory Capital Instruments	Not Applicable
DF-15	Disclosure Requirements for Remuneration	Not Compiled
DF-16	Equities – Disclosure for Banking Book Positions	Not Compiled
DF-17	Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure Measure	Not Compiled
DF-18	Leverage Ratio Common Disclosure Template	Not Compiled

Table DF-2
Capital Adequacy

Qualitative disclosures

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

1. Payment Banks are subject to Credit Risk under Basel II Standardized Approach per Operating Guidelines issued by RBI for Payments Banks on 6th October, 2016.
2. RBI in a separate letter dated 8th November, 2017 had advised Payments Banks that no separate capital charge is being prescribed for Market Risk and Operational Risk for the time being. The Reserve Bank will review the position on a future date.
3. However, as a conservative approach, bank provides Market Risk Capital (MRC) Charge on whole investment portfolio as on December 31, 2024 consist of investments in T-bills (bank maintains DDB in the form of investments in T-bills, State Development Loans (SDL) & Government Securities (G-sec)) under Available for Sale (AFS) category, and also investments in State Development Loans (SDL) & Government Securities (G-sec) are made out of own funds and categorised under Held Till Maturity (HTM) and Equity Investment.

Quantitative disclosures

(b) Capital requirements

	Particulars	Amount (Rs. mn)
A	**Capital Requirement for Credit Risk**	1,240.84
A. 1	Portfolios subject to Standardized approach (Risk Weighted Assets)	8,275.39
A.2	Securitization exposures	Nil
B	**Capital requirements for Market Risk**	115.16
C	**Capital requirements for Operational Risk**	Not applicable
D	**Total Capital requirement (A+B+C)**	1,356.00
E	**Total Risk Weighted Assets**	8,390.55
F	**Total Capital funds of Bank**	5,519.16

Total and Tier I Capital Ratio Particulars	Dec-24
Tier - I Ratio	61.13%
Total Capital Adequacy Ratio	65.78%

2. Risk exposure and assessment

The Bank has set up a Risk Framework Structure headed by the Chief Risk Officer overseeing the activities of Risk Management Function viz. Liquidity Risk Management, Market Risk Management and Operational Risk Management. The Board exercises oversight over Risk Management through the Risk and Asset Liability Management Committee of the Board (RALMC).

ALM team and Mid-Office constitute part of the Risk Management headed by the Chief Risk Officer. Market risk Mid-Office (MO) unit is independent of Treasury Front-Office (FO) and Back-Office (BO) to ensure that risks related to treasury operations are monitored independently.

The Risk Management structure within the Bank is as follows.

a. Board of Directors;
b. Risk & Asset Liability Management Committee of the Board (RALMCB);
c. Investment & Market Risk Management Committee (IMRC);
d. Asset Liability Management Committee (ALCO);
e. Operational Risk Management Committee;
f. Outsourcing Committee;
g. Market Risk Unit/Mid Office; and
h. Chief Risk Officer (CRO).

2.1 General qualitative disclosure requirement

<u>Credit risk</u>

1. 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.
2. Currently, the Bank is exposed to Credit Risk through its Investment activities. These investments also include investments in fixed deposits of scheduled commercial banks besides maintaining balances in current accounts with scheduled commercial banks.
3. Demand Deposit Balances (DDB) portion maintained in the form of FDs are subject to RBI's Operating Guidelines issued on 6th October, 2016 meant for Payment Banks. As per RBI clarification dated November 15, 2016,the exposure in regard to investments in deposits of scheduled commercial banks shall not be more than 5% of the total outside liabilities of PB and investments in other scheduled commercial banks, made out of the payment bank's own funds, shall not be covered under the said exposure limits. Bank adheres to the limit.
4. As per RBI letter dated January 24, 2020, para 5.1 of circular on Large Exposure Framework (LEF) dated December 01, 2016 is not applicable to Fino Payments Bank.

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

Qualitative Disclosures

(a) The general qualitative disclosure requirement with respect to credit risk, including:

- Definitions of past due and impaired (for accounting purposes) –Not Applicable
- Discussion of the bank's credit risk management policy –Not Applicable

<u>Credit risk</u>

1. 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.
2. Currently, the Bank is exposed to Credit Risk through its Investment activities. These investments also include investments in fixed deposits of scheduled commercial banks besides maintaining balances in current accounts with scheduled commercial banks.
3. Demand Deposit Balances (DDB) portion maintained in the form of FDs are subject to RBI's Operating Guidelines dated 6th October, 2016 meant for Payment Banks. As per guidelines, the exposure in regard to investments in deposits of a scheduled commercial banks shall not be more than 5% of the total outside liabilities of PB. However, investments in other scheduled commercial banks, made out of the payment bank's own funds, are not covered under the said exposure limit. Bank adheres to the limit.

Quantitative Disclosures

a. Total gross credit risk exposure – Fund Based stands at **Rs.26,997.87 mn**, comprising as follows:

Particulars	Amt. in Rs. Mn
Investments in T-bills	15,177.55
Investments in SDL	2,431.40
Investments in G-sec	2,469.14
Money at Call and Short Notice, Term Deposits and other placements	6,918.96
Loan to Employees - Short Term	0.82
Total	**26,997.87**

b. Residual contractual maturity breakdown of assets (Advances, Investments & Fixed Deposits)

				Rs. In Mn
Particulars	**Advances**	**Investments**	**Fixed Deposits**	**Foreign Currency Assets**
1 day	-	15,916.19	-	-
2 to 7 days	-	-	60.04	-
8 to 14 days	-	-	97.91	-
15 to 30 Days	-	4,050.27	1280.62	-
31 Days to 2 months	-	69.36	433.18	-
Over 2 months to 3 months	-	-	149.58	-
Over 3 months to 6 months	-	1.15	559.44	4.56
Over 6 months to 1 year	0.82	3.17	843.15	-
Over 1 year to 3 years	-	8.74	3,479.07	-
Over 3 years to 5 years	-	25.16	7.10	-
Over 5 years	-	0.78	4.51	-
Total	**0.82**	**20,074.82**	**6,914.60**	**4.56**

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

Qualitative Disclosures

(a) For portfolios under the standardized approach:

Payments Banks (PB) as per Operating Guidelines are required to assess credit risk as per BASEL II Standardized Approach. Accordingly, the Bank has measured the capital requirements for credit risk. To measure credit risk, different risk weights for different asset classes are applied by the Bank, as defined in BASEL II (NCAF) framework. At present there is NIL credit exposure on account of loan portfolio as PBs are not permitted to lend to any person including their directors. However, PBs may lend to their own employees out of the bank's own funds, as per a Board approved policy outlining the caps on such loans.

(b) Following are the Risk Weights prescribed by RBI which is used at present to arrive at Risk Weighted Assets (RWA):

Asset item	Risk Weight (%)
Claims on Banks and notified PFIs	20.00
Interest bearing staff loans & advances not covered by superannuation benefits / mortgage of flat / house	100.00
OA - (Int. Accd.) - All others	100.00
OA - (Res. OA) - Residuary other assets - 100% risk weight	100.00
Fixed assets (net)	100.00

Quantitative Disclosures

Particulars	**Amount (Rs. in Mn)**
i) Below 100% risk weight exposure outstanding	1,707.58
ii) 100% risk weight exposure outstanding	6,566.84
iii) More than 100% risk weight exposure outstanding	0.97
iv) Deduction	Nil
Total	**8,275.39**

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