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Regional Rural Bank's Financial Performance Based on the BASEL III Framework – An Evaluative Study on Andhra Pradesh Grameena Vikas Bank, India

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Abstract

Most of the rural banks have been successful in extending cheaper loans to rural households, encouraging rural savings for productive activities, generating employment, and lowering rural credit costs. Rural development banks invest heavily in expanding branches, mobilising deposits, and providing credit to underprivileged rural individuals. There were several factors that contributed to its failure, including slow lending activities, incoherent branch expansion, and rigid procedures. Consequently, the RBI restructured the RRBs to improve financial results and assist them in bridging operational and functional gaps. RBI has extended the Basel-III Capital framework to All India Financial Institutions (AIFIs) including Export-Import Bank of India (EXIM), NABARD, NHB, and SIDDBI. This paper compares APGVB's seven years of financial performance. Using BASEL III standards, the study analyzed and reported on capital adequacy, credit risk, market risk, and operational risk qualitative and quantitative disclosures.

Keywords: BASEL Accords, BASEL III Framework, Regional Rural Banks, Financial Evaluation of Banks.

1. Introduction

In accordance with the recommendations of the Narasimham committee, Regional Rural Banks (RRBs) were formed on October 2, 1975. RRBs were established to promote financial inclusion and to address the unnerved population in rural areas. Some apex level banking institutions were established to meet the unique needs of different sectors (Industry, Foreign Trade, Agriculture, Housing, Trade, industry) such as the NABARD (est. 1982), the EXIM (est. 1982), the NHB (est. 1988), and the SIDBI (est. 1990). The Reserve Bank of India set up some Regional Rural Banks in the late 1970s under the direction of both the central and state governments, as well as some major nationalized sponsored banks, to empower rural poor and encourage them to save. Rural regional banks in India are primarily responsible for advancing credit to Agri labour, small and medium entrepreneurs & farmers, artisans, and other rural people in order to boost trade, industry, agriculture and other economic activities in rural areas.

As a part of their special charter of operations, regional rural banks funding straight loans to rural people at affordable rates and obtain subsidies and offers from the Reserve Bank of India and their sponsoring banks. Additionally, RRBs functions to save rural poor from money lenders' extortion, acting as a linkage element between the customers and government, promoting financial literacy and mobilizing savings for rural economic development, enhancing employment opportunities by promoting business and trade in rural areas, supporting entrepreneurial activities in rural areas and thereby strive to remove economic imbalance among regions to achieve the balanced regional development.

As part of the 20 Point Programme, the IRDP and other programmes meant for scheduled castes and tribes, RRBs have actively participated in various programs for credit assistance to these identified beneficiaries during the past 30 years. Under differential rate of industrial (DRI) schemes, RRBs also advance loans to weaker sections and physically handicapped persons.

As a result of the Indian government's efforts, RRBs in India are doing quite well. Despite a big loss of Rs. 2200 Cr.in the FY 2020 due to COVID-19. Despite the economic downturn, the RRB generated a profit of over Rs. 1600 Cr. in 2021. Nevertheless, in some poor districts of India, human resources and technological advancements are in short supply. However, the Indian government plans to digitalize these banks as part of its Digital India program in order to improve their services. Despite commendable efforts made by the Indian government in the RRB sector, there are still many major issues facing these banks.

RRBs reported a consolidated net profit of Rs. 1,682 crores after two consecutive years of losses in FY 2020-21. For the first time since FY 1996-97, RRBs experienced consolidated losses due to the implementation of Regional Rural Bank (Employees') Pension Scheme, 2018 on 1 April 2018. Due to the huge pension liability associated with the initiation of the pension scheme, the RBI has allowed RRBs to amortize their complete pension liabilities over 5 years, at an average of 20% per year. A total of 30 RRBs posted net profits in FY 2020-21. The amount of accumulated losses carried by 17 RRBs as of 31 March 2021 was Rs. 8,264 cr. There were 5 RRBs that reported losses during FY 2019-20 but posted profits during FY 2020-21.

1.1 Andhra Pradesh Grameena Vikas Bank (APGVB):

Andhra Pradesh Grameena Vikas Bank (APGVB), established under an Act of Parliament in 2006 by amalgamating Sangameshwara Grameena Bank (Mahabubnagar), Manjeera Grameena Bank (Medak), Nagarjuna Grameena Bank (Khammam & Nalgonda), Sri Visakha Grameena Bank (Visakhapatnam, Vizianagaram & Srikakulam) and Kakatiya Grameena Bank (Warangal) with Head Office at Hanamkonda, Warangal (Urban District) operating in 21 districts of Telangana State and 3 districts of Andhra Pradesh sponsored by State Bank of India is .

The RRBs were owned by the Central Government and the State Government as well as the Sponsor Bank (State Bank of India sponsored APGVB), with respective shares of 50%, 15%, and 35% held by the Central Government, State Government, and Sponsor Bank.

Currently, APGVB has eleven locations in Telangana state, including Kothagudem, Khammam, Nalgonda, Warangal, Ashoknagar, Mahabubnagar, and Sangareddy, as well as Srikakulam, Vizianagaram, Visakhapatnam, and Parvathipuram in the state of Andhra Pradesh.

There are 3239 employees and 771 branches with 1526 Bank Mitra Points located across two states. At present, APGVB operates in 21 districts of Telangana and three districts of Andhra Pradesh including Visakhapatnam, Vizianagaram, and Srikakulam. According to the Forum for Development of North Andhra (FDNA), the ministry of finance should relocate Andhra Pradesh Grameena Vikas Bank's headquarters from Warangal to north Andhra. As of yet, it has not happened.

2. Literature Review

This study takes into account the case of APGVB (Andhra Pradesh Grameena Vikas Bank). Various research studies have been conducted on RRBs' functional and financial performance. This study examined a range of research papers, dissertations, conference papers, magazines, annual reports of banks, business reviews, and journals related to BASEL III implementation and its impact on Indian banking sectors, in particular RRBs.

Noor Ulain Rizvi, Smita Kashiramka, Shveta Singh (2021) aims to develop a comprehensive overview of how Basel III is being implemented in India. This study provides insights into their influence on the macroeconomy, NPAs, flow of capital, and changes needed in the Indian banking sector. The study also identifies the challenges bankers face in implementing Basel III. In spite of its high costs and roadblocks, its benefits are substantial, according to research. Tier 1 ratios, risk-weights, and ratings need to be revised. Ratings will affect India's capital and investment flows. This study adds significant value as an essential assessment of the importance of Basel III in India, as well as its requirements, impact, and future research in the field.

Madhu Srinivas, Sowmini Prasad, Amulya Neelam (2021) assessed the level and quality of transparency. A focus is placed on RBI regulations, SEBI regulations, and relevant accounting standards that require risk related information to be made public. Based on these regulations, the Basel Committee on Banking Supervision developed a five-dimensional transparency framework in 1998. Disclosures mandated by the regulations were compared to the framework to assess transparency across the five dimensions. Findings suggest qualitative and quantitative shortcomings in disclosures about risk exposures. In addition, disclosures for entities other than scheduled commercial banks are infrequent enough to miss building risks.

Vighneswara Swamy (2021) investigated Basel III and bank lending rates. According to the study, a 1% increase in capital ratios would be recovered by 16 basis points of increases in bank lending rates and 94 basis points for a 6% increase in RWAs. Variations in risk-weighted assets affect return on equity and cost of debt. Because of the impact of Basel III on banks, this research outcome benefits practitioners in the industry and the researchers.

Deependra Sharma and S. Yadav (2020) examined BASEL-III's impact on the Indian banking system. According to the authors, the macroprudential framework Basel III has established needs to be continuously researched, monitored, and evaluated by regulators. Before adopting BASEL-III norms, India should be evaluated in light of capital adequacy and liquidity position in order to achieve stability and growth.

Krishan Kumar, Savita (2020) assessed Indian banks' responses to Basel III norms. This study provides an overview of the literature on Basel III and its impact on Indian public sector banks. The study reviews empirical studies conducted over the past seven years (2013-2020). In addition to strengthening and stabilizing the financial system, revised capital regulations will increase banks' ability to absorb shocks. Indian banks will face various difficulties in implementing this regulation, including lower profitability, greater NPAs, and higher borrowing costs.

Mohar Singh and Charu Watts (2020) proposed a theoretical model for implementing Basel agreements. The authors were intrigued by the theoretical foundations of the Basel accords as a risk manager in a Basel accord environment. This document explains capital requirements, transition stages, and guidelines by the Reserve Bank of India for Indian banks. In spite of meeting the minimum capital requirements, the study concludes there are still many challenges for Public and Private Sector Banks to increase capital to mitigate credit, market and operational risks.

Siddharth Shukla (2017) points out that Indian banks need to adhere to international regulations and to those prescribed by the Reserve Bank. Basel III has not been fully implemented. This paper examines how Basel III implementation might affect Indian banks given specific deadlines. The study considers the ratio’s i.e., CAR, LR, LCR, and NSFR. Study findings indicate Basel III guidelines are theoretically effective in protecting the banking system from financial adversity; however, their actual effectiveness is uncertain. Additionally, Basel III implementation

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would be inconsistent across nations.

Swami, Madhu (2016) analyzes how Basel standards were implemented up to Basel III from 1994 onwards, and what challenges were encountered. In 2013, Indian banks started following Basel III norms and will be fully compliant by 31st March 2019. As a result of capital adequacy requirements, Indian banks face various challenges. These new norms may result in banks' return on capital (ROA) declining sharply, especially in developing countries. India is currently at a crossroads, balancing financial inclusion and building a resilient financial system. Taking proactive steps to reduce their non-performing assets and streamline their operations can help Indian banks comply with international banking standards.

Mani Bhatia and Palak Mehta (2016) have explored whether India needs Basel III norms to be a strong, stable banking sector. The study concluded that banks can become more resilient by implementing world class risk management practices through Basel III. The authors opined that, it is crucial to draft a cost-effective model for each bank before implementing Basel III norms. In terms of risk sensitivity, Basel III guidelines are necessary for developing a resilient banking sector through complicated measurement techniques.

3. Financial and Operational Performance of APGVB:

Over the years APGVB has registered a considerable growth in its business and the performance highlights are given Table-1.

Table-1: *Overall Financial Performance of APGVB*

(Rs. In Crores)

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Net Profit	223	352	503	112	618	1,010	814
Deposits	10,202	12,819	14,334	16,056	18,496	21,838	22,732
Advances	10,602	12,369	14,347	16,658	19,323	22,160	23,962
Operating Profit	341	552	828	958	1,213	1,534	1,523
Gross NPA	252	210	196	189	198	235	299
Net NPA	147	88	40	56	0.00	0.00	0.00
Non-Interest Income	161	197	297	288	410	454	384
Net Interest Margin (%)	3.48	3.71	4.18	4.42	4.73	4.85	5.21
Business per Branch	27.7	32.8	36.3	42.21	48.79	56.77	60.56
Business per employee	7.5	8.45	9.07	10.28	11.44	13.58	14.26
Net Profit per Branch	8.05	10.73	13.49	2.65	12.66	17.78	13.44
Net Profit per Employee	0.8	0.12	0.15	0.03	0.19	0.31	0.25
Reserves	1,304	1,656	2,159	2,287	2,905	3,913	4,711

As a result of wise decision making by Management and effective implementation by its employees, Bank delivered significant results and achieved a optimal growth in operating profit, net interest income and balance sheet size without compromising on asset quality. For FY 2022, the operating profit was Rs.1,523 Crore, little down from 1,534 Cr. FY 2020, and the balance sheet size increased by 11.2% to Rs.34,780.91 Crore. The Net Interest Income decreased Rs. 70 Cr. From Rs. 454 Cr. It is a growth indicator of the variance between interest paid and interest earned. Compared to FY 2021, the Bank's net profit decreased Rs. 196 Cr. In 2021-22 compared to Rs.1,009.66 Crore in FY 2021. There was a healthy 5.21% net interest margin in FY2022 (4.85% in FY 2021).

In terms of total business, the Bank has recorded a progress of Rs 2,685 Crore at 6,13 % to reach Rs. 46,694 Cr. as of 31 March 2022 from Rs. 43,999 Cr. in 2021. The deposits grew by 4% to Rs. 22,732 Cr. from Rs.21,838 Cr. in FY 2021, while the credit raised by 14.68% to Rs.22,160.23 Cr. Credit performance is primarily driven by growth in Gold & Housing loans. Following the outbreak of COVID, the Bank immediately revamped its existing Gold Loan scheme to make it more convenient, competitive, and customer-friendly. There was a spectacular 97% growth in the banks' gold loan portfolios in FY 2021.

As a result of prudent capital planning, the Bank's capital adequacy increased from 16.15% in March last year to 19.27% in March 2021. A total of Rs. 1,2705.68 Crore was invested by the Bank in FY 2021 compared with Rs. 11,970.07 Crore in FY 2020. In response to the COVID-induced slowdown, many agencies forecast an increase in NPA levels for Indian banks. The financial stress in the system was mitigated by timely interventions by Government and supervisory agencies with rational intervention measures combined with a normal downpour season. During the pandemic, the Reserve Bank of India introduced two measures that helped alleviate the socioeconomic effects and supported economic growth. Customer loan repayments were temporarily suspended (March to August 2020), but were eased up to a maximum of two years by the second moratorium.

In response to the pandemic, the loan restructure scheme aimed to ease the burden of monthly repayments for eligible customers. Customers who qualified for loan restructuring were offered lower payment structures, with extended tenors of up to 24 months, and could reschedule their loan repayments. Despite all this, the Bank ended the year with a Gross NPA level of 1.06%, up from 1.03% the previous year. Due to the fact that the bank caters to agriculture activities & self-help groups in all the districts it serves, its overall performance under NPA was satisfactory. Provision coverage ratio of the Bank remained at 100%.

A key priority of the Bank is to ensure financial inclusion and customer convenience and for this it has created several touch points. There are 2251 Bank Mithras serving customers at their doorsteps. Bank Mithras played a key role in increasing the Bank's services to people during COVID lockdown by successfully using technology. Bank Mithra channel was strengthened to offer core banking services to customers as part of the bank's focus on strengthening the channel. In addition to enabling customers to stay safe at home, Bank Mithra has seen a substantial rise in transactions at its points.

Doorstep Banking was also launched at selected branches for differently abled and senior citizens. Online banking is now available to eligible customers. As a result of these challenging times, the bank conducted customer meetings to hear feedback and suggestions on how to improve customer service. To promote awareness of using online banking and Social Security benefits, the bank held digital financial literacy workshops and acquired 9 new Mobile ATM Demo Vans (Total - 15).

In order to improve monitoring mechanisms and to enhance customer satisfaction, Telangana Bank now has two regional offices in Nagarkurnool and Bhongir. The Bank also got approval to open a Regional Office in Andhra Pradesh at Anakapalli.

Bank has launched a mobile app for digital onboarding of new customers, including video KYC. By doing this, the account opening TAT has been reduced and conversions have been higher. The Bank also received authorization to provide Internet Banking with transaction rights to its customers. During this pandemic period, the Bank has deployed 111 kiosk passbook printers in its Branches to minimize congestion in the Branches. As part of its green banking initiatives, the Bank has also developed several in-house paperless solutions for internal correspondence & approval processes. Business continuity remained a key challenge during the COVID pandemic, and Bank ensured uninterrupted services to its customers by adopting a detailed business continuity plan. Transactions across all alternative delivery channels registered a significant improvement in response to the COVID pandemic.

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4. Financial performance of APGVB based on BASEL III Norms:

4.1 DF-1 Scope of Application of Capital Adequacy Framework:

Due to the Individual Bank operations of APGVB the study considered Capital Adequacy at Solo Level. Aside from its financial subsidiaries, the Bank does not have any non-financial subsidiaries. Each regulatory adjustment must be made while assessing a bank's capital adequacy. In addition, the bank's capital instruments will be deducted for investments in subsidiaries' capital instruments, which will be combined in the consolidated financial statements.

Qualitative Disclosures:

Table 2: *Scope of the Application*

Entity / incorporation country	Is the entity is included in the scope of consolidation accounting? (yes / no)	method of consolidation	Does the entity fall under the regulatory scope of consolidation? (yes / no)	What is the consolidation method?	Differences in consolidation methods	If consolidated under only one of the consolidation scopes, explain why
Andhra Pradesh Grameena Vikas Bank	Yes	ICAI	Yes	ICAI	NA	NA

4.2 DF-2: Capital Adequacy:

From April 01, 2013, the Bank calculated its capital ratios in accordance with BASEL III guidelines. As per Basel III norms, Tier I capital must meet certain quality and quantity criteria; the Bank's capital currently meets these requirements. Risk Weighted Assets (RWA) under Piller-1 include the risks:

i. Credit Risk (Standardized Approach)

ii. Market Risk (Standardized Approach)

iii. Operational Risk (Basic Indicator Approach)

Credit Risk Assessment:

Bank has implemented a system for assessing capital requirements based on present and future business operations and assessing the same on an ongoing basis. In accordance with the APGVB DF-1 (Scope of Application), the bank was included under the accounting scope of amalgamation, following ICAI, and it is included under the regularity scope of consolidation. The qualitative disclosure does not mention any specific reasons for the method of consolidation. As advised by SBI Corporate Centre, Mumbai, the Bank is implementing the scoring models used in our Sponsor Bank-State Bank of India for 15 products: Housing loan, Car loan, Rent plus, Tractor loan and SME smart score. A CRA (Credit Risk Assessment) model adopted by the Bank will consider all factors that contribute to assessing a loan's risk. They are categorized into financial, business & industry, and management risks. To determine the risk associated with a credit decision, the weighing factors are aggregated and calibrated. Thus, borrowers and facilities are rated on different scales.

Market Risk:

i. ALM Policy, Treasury Policy, and Market Risk Policy all cover Market Risk Management.

ii. Treasury operations are clearly divided into front, back, and mid-office operations.

iii. Risk Management Department reports directly to Mid-Office.

iv. Limits for domestic and foreign operations, such as Overnight Position limit, Daylight Open Position limit, VaR limits, Deal size limits, Stop Loss limits, Aggregate Gap Limit

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(AGL), Individual Gap Limit (IGL), counterparty limits etc. are in place.

v. AFS & HFT G-sec, equity portfolio and forex transactions are monitored on a daily basis.

Operational Risk:

i. Well-defined Operational Risk Management Policy in place.

ii. Operational Risk is currently managed by Internal Control Systems and Internal Audit Process.

iii. Process for product approval in place.

iv. Frauds are analyzed from an operational risk perspective to evaluate internal controls.

v. An RCSA is conducted by the bank for various products/processes.

Qualitative Disclosures:

Table 3: *Breakup of Capital Funds*

(₹ in Cr.)

Particulars	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Common Equity Tier 1 Capital (CET 1) / Reserves and Paid-up share capital (Deductions)	2,364.86	2,983.03	3,986.35	4,781.82
Capital Tier-I	2,364.86	2,983.03	3,986.35	4,781.82
Capital Tier-II	65.08	75.64	76.03	155.35
Total Tier I + Tier II Capital	2,429.94	3,058.67	4,062.38	4,937.17
Risk Weighted Assets	15,675.16	3,134.31	4,138.41	5,092.52
Tier I Ratio	15.09	15.75	18.91	22.72
Tier II Ratio	0.42	0.4	0.36	0.74
Capital Risk Weighted Assets Ratio (CRAR)	15.5	16.15	19.27	23.46
% of the Shareholding of				
a) Govt. of India	50	50	50	50
b) State Government	15	15	15	15
c) Sponsor Bank	35	35	35	35
Paid-up equity capital raised during the year	Nil	Nil	Nil	Nil

Capital Requirement for Credit Risk:

Table 4: *Capital Requirement for Credit Risk*

(₹ Cr.)

Particulars	**2018-19**	**2019-20**	**2021-21**	**2021-22**
Portfolios subject to standardised approach	15675.16	3134.31	4138.41	5092.52
Total	15675.16	3134.31	4138.41	5092.52

Table 5: *Capital Requirement for Market Risk*

(₹ Cr.)

Particulars of Risks	**2018-19**	**2019-20**	**2021-21**	**2021-22**
Interest rate	21.47	39.52	151.75	176.32
Equity	9.40	9.40	9.40	9.40
Total	30.87	48.92	161.15	185.72

Credit Risk:

4.3 DF-3: Credit Risk: General Disclosures:

Credit Risk Exposure by Facility

Table 6: *Total gross credit risk exposure*

(₹ Cr.)

	Credit Exposure			
Facility Type	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Fund Based	15,653.69	18,902.77	20,925.97	20,866.50
Non-Fund Based	21.47	39.52	151.75	176.32
Total	15,675.16	18,942.29	21,077.72	21,042.82

Table 7: *Total gross credit risk exposure by industry*

(₹ Cr.)

Priority Sector	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Agriculture	11,169.20	13,154.80	15,390.30	16,308.30
Industries	2,012.68	2,263.34	1,306.93	1,385.62
Services	60.18	71.59	271.62	315.07
Personal Loans	1,971.49	1,886.77	2,044.68	2,152.05
Non-Priority Sector	-	-	-	-
Agriculture	-	-	-	-
Industries	-	-	-	3,657.35
Services	-	-	-	75.49
Personal Loans	1,444.90	1,946.43	3,146.71	68.15

Table 8: *Maturity Pattern of Assets*

(₹ Cr.

Particulars	**Year**	**Deposits**	**Advances**	**Borrowings**	**Investments & STDRs**	**Foreign Currency Assets**	**Foreign Currency Liabilities**
1 - 14 Days	2018-19	9,860.13	27.084	Nil	1,131.58	NIL	NIL
	2019-20	10,196.73	45,182.74	0	9.79	NIL	NIL
	2020-21	18,858.994	42,810.38	376.68	44,231.07	NIL	NIL
15 to 28 days	2018-19	4,002.79	2,565.38	0	500	NIL	NIL
	2019-20	3,507.92	1,144.15	0	4420	NIL	NIL
	2020-21	4,701.1	105.52	0	1850	NIL	NIL
29 days to 3 months	2018-19	13,439.7	1,0356.24	50	0	NIL	NIL
	2019-20	15,514.78	6157.07	48.97	16,500	NIL	NIL
	2020-21	3,2774.3	18,959.46	995.7	21,617.49	NIL	NIL
Over 3 months and up to 6 months	2018-19	17,614.79	25,780.76	10,590.27	1,4250	NIL	NIL
	2019-20	20,928.7	11,884.17	13,647.97	39,408.7	NIL	NIL
	2020-21	21,043.3	44,399.41	1,2802.9	28,427.14	NIL	NIL
Over 6 months and up to 1 year	2018-19	38,994.79	90,294.86	15,183.26	12,947.3	NIL	NIL
	2019-20	50,196.01	57,726.63	31,528.83	20,078.5	NIL	NIL
	2020-21	53,033.6	70,923.88	20,071.2	11,549.47	NIL	NIL

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Over 1 Year and Up to 3 Years	2018-19	1687.63	4733.9	11496.06	1063.53	NIL	NIL
	2019-20	1591.58	304.51	10439.75	1083.84	NIL	NIL
	2020-21	2339	3435.67	23155.3	16234.86	NIL	NIL
Over 3 year and up to 5 years	2018-19	1687.63	4733.9	11496.06	1063.53	NIL	NIL
	2019-20	1591.58	304.51	10439.75	1083.84	NIL	NIL
	2020-21	2339	3435.67	23155.3	16234.86	NIL	NIL
Over 5 years	2018-19	1001.44	25260.11	111.11	1176.18	NIL	NIL
	2019-20	1230.53	49650.4	602.43	36447.4	NIL	NIL
	2020-21	1711.34	36540.79	1164.8	2.5	NIL	NIL
Total		1,02,021.15	98624.36	51960.78	37337.98	NIL	NIL

Disclosures of NPAs:

Table 9: *Distribution of Credit Exposure*

(₹ Cr.)

Classification of Assets	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Gross Advances				
Standard Assets	16,469.31	19,124.46	21,924.69	23,546.04
Sub Standard Assets	49.53	81.38	122.71	233.03
Bad & Doubtful Assets	139.56	117.10	112.82	18.18
Loss	0.00	0.00	0.00	0.00
Total	16,658.40	19,322.94	22,160.22	23,961.99
Net Advances				
Standard Assets	16,469.31	19,064.87	21,864.66	23,546.04
Sub Standard Assets	41.93	0.00	0.00	0.00
Bad & Doubtful Assets	13.67	0.00	0.00	0.00
Total	16,524.91	19,064.87	21,864.66	23,546.04
Sub-Standard and Doubtful Assets etc. (Provisions)	133.48	198.49	235.51	415.94
Movement of Gross NPA				
Particulars	2018-19	2019-20	2020-21	2021-22
Opening Balance	195.64	189.10	198.49	235.53
Additions During the Period	293.46	426.90	767.78	233.01
Less Reduction during the Period	300.00	417.50	730.74	214.97
Closing Balance	189.10	198.50	235.53	415.95
Movement of Net NPA				
Particulars	2018-19	2019-20	2020-21	2021-22
Opening Balance	28.02	55.62	0.00	0.00
Additions During the Period	75.53	131.36	105.45	428.60
Less Reduction during the Period	47.95	186.98	105.45	428.60
Closing Balance	55.60	0.00	0.00	0.00
Gross NPA	195.64	189.10	198.49	235.53
Net NPA	55.60	0.00	0.00	0.00
Gross NPA (Provisions)	70.57	0.00	0.00	0.00
% Gross NPA	1.14	1.03	1.06	1.74
% Net NPA	0.34	0.00	0.00	0.00

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Table 10: *Industry wise Distribution NPAs*

(₹ Cr.)

Sl. No	Sector		2018-19	2019-20	2020-21	2021-22
A	**Priority Sector**					
1	Agriculture	Advances	11,169.16	13,154.83	15,390.28	16,308.26
		Gross NPAs	109.54	130.92	155.34	298.65
		(%) Gross NPAs	0.98	1	0.01	1.83
2	Industry	Advances	2,012.68	2,263.34	1,306.93	1,385.62
		Gross NPAs	37.94	43.8	39.83	58.48
		(%) Gross NPAs	1.89	0.02	0.03	4.22
3	Services	Advances	60.18	71.59	271.62	315.07
		Gross NPAs	6.83	5.98	24.59	21.1
		(%) Gross NPAs	11.35	0.08	0.09	6.7
4	Personal Loans	Advances	1,971.49	1,886.77	2,044.68	2,152.05
		Gross NPAs	27.08	9.72	8.61	2.68
		(%) Gross NPAs	1.37	0.01	0	0.12
Total (A)		Advances	15,213.51	17,376.53	19,013.51	20,161.00
		Gross NPAs	181.39	190.42	229.3	380.91
		(%) Gross NPAs	1.19	0.01	0.01	1.89
B	Non-Priority Sector					
1	Agriculture	Advances	-	-	-	-
		Gross NPAs	-	-	-	-
		(%) Gross NPAs	-	-	-	-
2	Industry	Advances	-	-	-	3,657.35
		Gross NPAs	-	-	-	25.36
		(%) Gross NPAs	-	-	-	0.69
3	Services	Advances	-	-	-	75.49
		Gross NPAs	-	-	-	3.36
		(%) Gross NPAs	-	-	-	4.45
4	Personal Loans	Advances	1,444.90	1,946.43	3,146.71	68.15
		Gross NPAs	7.71	8.08	6.23	5.56
		(%) Gross NPAs	0.53	0	0	8.16
Total (B)		Advances	1,444.90	1,946.43	3,146.71	58,141.59
		Gross NPAs	7.71	8.08	6.23	623.13
		(%) Gross NPAs	0.53	0	0	0.9
Total (A+ B)		Advances	16,658.41	19,322.96	22,160.22	23,961.99
		Gross NPAs	189.1	198.5	235.53	415.19
		(%) Gross NPAs	1.14	0.01	0.01	1.74

Table 11: *Exposure to Real Estate Sector.*

(₹ Cr.)

Exposure to Real Estate Sector					
	Category	2018-19	2019-20	2020-21	2021-22
A	Direct Exposure				
i	Housing loans over Rs. 20.00 lakhs, either fully secured or rented (individual housing loans up to Rs. 20 lakhs may be shown separately).	884.87	1,423.88	1,783.82	3,271.39
	Up to Rs. 20.00 lakhs	1,006.99	1,222.42	1,401.65	
ii	Real Estate (Commercial)				

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	Lending secured by mortgages on commercial real estates (office buildings, retail space, etc., as well as non-fund based limits.	Nil	10.97	17.56	28.19
iii	Mortgage-backed securities (MBS) and other securitized investments	Nil	Nil	Nil	Nil
	a. Residential	Nil	Nil	Nil	Nil
	b. Real Estate (Commercial)	Nil	Nil	Nil	Nil
B	Indirect Exposure				
	Fund and non-fund-based exposures on NHB and HFCs	Nil	Nil	Nil	Nil
	Total Real Estate Sector (Exposures)	1,891.86	2,657.27	3,203.03	3,299.58

4.4 DF-4: Credit Risk Disclosures:

The APGVB uses standardized capital requirements for credit risk. Integrated Risk Management processes assess the credit risk level of a client before issuing a credit facility. Ratings from RBI approved ECAIs (External Credit Assessment Institutions) are used for calculating risk weighted assets wherever they are available. Currently, the Bank is implementing the scoring models used by our Sponsor Bank i.e., State Bank of India, as advised by the SBI Corporate Centre, in respect of the products: Loans on housing, Car, Tractor, Rent plus, and SME smart score. Based on RBI Guidelines, the sponsor bank has identified CARE, CRISIL, ICRA, India Rating, Brickwork, ACUITE Ratings and Research, and INFOMERICs (Domestic Credit Rating Agencies) and FITCH, Moody's, and S&P (International Rating Agencies) as approved rating agencies for domestic and overseas exposures.

4.5 DF-5: Credit Risk Mitigation: disclosures for standardized approaches:

Qualitative Disclosures:

A board approved policy on Credit Risk Mitigation (CRM) Techniques and Collateral Management specifies guidelines for selecting collateral, valuing collateral, monitoring collateral, risks in collateral, eligible financial collaterals, guarantees, RBI haircuts, and the Collateral Management Framework for Advanced Approaches. As per the policy:

i. As per RBI guidelines on BASEL – III Capital Regulations, eligible financial collaterals are recognized as Credit Risk Mitigants.

ii. It is normally used to reduce risk and sustain promoter interests in a venture. Loans up to Rs.10 lacs are not subject to collateral security (except retail trade) for MSE units covered by the Credit Guarantee Scheme of CGTMSE. Under MSME Policy, the HOCC-I/II may waive collateral security for loans over Rs.10.00 lac and up to Rs.50 lacs if certain conditions are met.

iii. Branches must obtain collateral security as usual for CGTMSE loans, but collateral security with a value of 125%-150% may be accepted for SME loans (instead of normal 200% collateral security).

iv. For crop loans up to Rs.1.00 lac, collateral security is generally waived by RBI. When the limit exceeds Rs.1.00 lakh, and the outstanding does not exceed Rs.1.50 lakh, renewal can be done without collateral security, by the same Sanctioning Authority or Branch Manager, unless the Field Officer sanctioned earlier, with a renewal limit of Rs.1.50 lakh.

v. Apart from specified categories like trade advances, where collateral security is prescribed, obtaining or waiving collateral security is up to the HOCC. In general, collateral security will be sought on a case-by-case basis. Here are some points to keep in mind:

   i. As long as the project is viable, collateral may be taken.

   ii. New connections may be differentiated from existing connections when deciding/demanding collateral security.

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Description of the main types of collateral taken by the Bank:

Credit Risk Mitigants are typically considered under the Standardised Approach:

i. Cash or Cash equivalent (Bank Deposits/NSCs/KVP/LIC Policy, etc.)

ii. Gold

iii. Securities issued by Central / State Governments

iv. Debt Securities rated BBB- or better/ PR3/P3/F3/A3 for Short-Term Debt Instrument

4.6 DF-6: Securitization: disclosure for standardized approach:

For securitization of standard assets, the Bank follows RBI guidelines. Transactions involving direct assignment of assets are also governed by the Bank.

Concentrations of (Market or Credit) risks taken:

Various types of collateral secure the Bank's assets, such as: -

i. List of eligible financial collaterals

ii. Well-rated sovereigns and corporates,

iii. Assets of the counterparty.

Quantitative Disclosures:

Quantitative Disclosure for Securitization Assets is Not Applicable.

4.7 DF-7: Market Risk in Trading Book:

Market Risk:

An adverse change in market variables such as interest rates, foreign currency exchange rates, and equity prices can cause a bank to lose money. It is exposed to market risk through domestic investments (interest related instruments and equities), trading book (both AFS and HFT categories), and foreign exchange positions. Bank does not trade commodities. Market risk management minimizes losses on earnings and equity resulting from market risk.

a. Standardised Measurement Method (SMM) is used to compute capital requirements for Market Risk.

b. MRMD functions as a part of Risk Management Department of the Bank, as approved by the Board of the Bank.

c. MRMD assesses, monitors and reports market risk associated with Treasury Operations.

d. Board-approved policies with defined Market Risk Management parameters are in place:

(a) Market Risk Management Policy

(b) Market Risk Limits

(c) Investment Policy

(d) Trading Policy

(e) Stress Test Policy for Market Risk

e. During risk monitoring, risk positions are analysed and reported to the Bank's top management, Market Risk Management Committee, and Risk Management Committee of the Board.

f. Based on global best practices, risk management and reporting are based on parameters such as Modified Duration, PV01, Option Greeks, Maximum permissible exposures, Value at

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Risk Limits, Concentration Risk Limits, and Lower and Upper Management Action Triggers.

g. Value at Risk (VaR) is calculated daily. On a daily basis, VaR numbers are back-tested. At quarterly intervals, Stress Testing complements Value at Risk. Reports are sent to Top Management, Market Risk Management Committee, and Risk Management Committee of the Board.

Quantitative Disclosures:

Table 12: *Investments Risk*

Particulars	2018-19	2019-20	2020-21	2021-22
Investments in India	-	-	-	-
Government Securities	5,317.05	3,753.85	5,944.75	6,617.58
Shares	-	-	-	0.24
Debentures/Bonds	-	-	-	-
Subsidiaries / Joint Ventures	-	-	-	-
Equity shares of NPCI (Long term)	0.24	0.24	0.24	-
Others (Mutual Funds)	75.00	84.75	121.69	165.98
Total	5,392.30	3,838.85	6,066.69	6,783.82
Investments outside India	NIL			

4.8 DF-8: Operational Risk:

1. **Qualitative Disclosures:** Other Group entities are managing operational risk under the overall control of their Chief Risk Officers depending on their business models and regulators. For effective credit monitoring, a detailed operational guideline covers the following aspects, such as post-sanction responsibilities, reporting for control, security documents, stock statements, drawing power calculation on eligible current assets, maintaining DP register, verifying assets, and inspection by branch functionaries.

2. **Policies and Framework Documents:** A comprehensive Operational Risk Management Policy encompasses the identification, mitigation, assessment, measurement, monitoring and reporting of Operational Risks; IT Policy (Mobile Banking); Cyber Security Policy; Business Continuity, Data Management Policy; Information Security Policy and Standards and Operational Resilience (BC& OR) Policy; Policy on Fraud Risk Management; Bank's Outsourcing Policy; Business Continuity Management System (BCMS) Policy; Policy on Know Your Customer (KYC) Standards and Anti Money Laundering (AML) / Combating Financing of Terrorism Measures; and Policy on Insurance.

3. **Strategies and Processes:** Establish Risk Management Committees at different levels, such as RMCAOs, RMCCs, and RMCs. As Basel defined 8 Business Lines and 7 Loss Event Types, a comprehensive database is being created for internal and external losses caused by operational risks. To improve risk management practices, Near Miss Events and external losses are also captured. During Risk and Control Self-Assessment (RCSA), gaps in existing controls are identified and suggestions are invited for improving System & Controls to mitigate the risks. The RCSA also generates staff risk awareness. Businesses and Support Groups have identified Key Indicators (KIs) with thresholds and monitoring mechanisms. RMCs monitor KIs quarterly. In accordance with Basel II guidelines, internal systems have been developed to quantify and monitor operational risk

The RBI has issued guidelines to banks for discontinuing the submission of operational risk capital charges based on standardized approaches. As a result of revisions to the Basel III framework

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by the Basel Committee on Banking Supervision, the 'Revised Standardized Approach' has been proposed. As soon as the regulator issues necessary guidelines, the bank will adopt this approach. In the meantime, Operational Risk capital charge will be calculated using Basic Indicator Approach (BIA).

4.9 DF-9: Interest Rate Risk (Interest rate risk in the banking book):

Policies for hedging and mitigating risk

Hedge transactions are part of the Bank's policy. In response to market conditions, the Bank enters into hedge transactions for identified assets or liabilities. Banks use derivatives like Interest Rate Swaps, OIS, Forward Rate Agreements, and Cross Currency Swaps for hedging.

Derivates:

i. Swap notional principal
ii. Contractual losses incurred by counterparties that fail to perform
iii. A bank's collateral requirement for swaps
iv. Swap-induced credit risk concentration
v. Swap book fair value

Note: No derivative transactions in current or previous years.

Exchange traded interest rate derivatives:

i. Principal amount of exchange traded interest rate derivatives (instrument by instrument)
ii. Exchange traded interest rate derivatives outstanding on 31st March,2022 (instrument wise)
iii. Not 'highly effective' exchange traded interest rate derivatives (instrument wise)
iv. Exchange traded interest rate derivatives that are not highly effective (instrument-wise)

Note: No derivative transactions in recent years.

4.10 DF 10: General Disclosure for Exposures Related to Counterparty Credit Risk:
Quantitative Disclosures:

Table 5.13: *Intra-Group Exposures*

(₹ Cr.)

Particulars	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Refinance received from State Bank of India	-	-	-	-
Interest paid to State Bank of India	58.82	68.81	4.07	1.11
Investments made with				
SBI - STDRs	2219.21	260.8	188.21	195.34
SBI Fund Management Private Limited	-	-	82.95	43.99
Interest received from SBI	168.15	27.36	20.62	5.74
Profit on sale of Investments on SBI	7.79	0.7	3.7	3.74
Contributions to Gratuity Fund with SBI Life Insurance Co. Ltd	-	4.78	Nil	Nil
Contributions to Group Leave Encashment Policy with SBI Life Insurance Company Limited	9.87	8.83	Nil	Nil
Contributions to Pension Trust Policy with SBI Life Insurance	-	-	-	-
Company Limited on behalf of Trust	-	-	225.28	-
Current Account Balance with SBI	1.48	3.48	8.27	0.08
Breach of limits on intra-group exposures and regulatory action thereon, if any	-	-	-	-

Table 5.14: *Concentration of Deposits*

(₹ Cr.)

Particulars	2018-19	2019-20	2020-21	2021-22
Twenty largest depositors' deposits	1407.00	2309.52	4524.28	4600.82
The percent of deposits held by the twenty largest depositors	8.77	12.49	20.72	20.24

Table 5.15: *Concentration of Advances*

(₹ Cr.)

Particulars	2018-19	2019-20	2020-21	2021-22
Twenty largest borrowers' advances	17.13	23.47	22.87	22.21
Twenty largest borrowers' advances to total advances	0.11	0.12	0.10	0.09

Table 5.16: *Concentration of Exposures*

(₹ Cr.)

Particulars	2018-19	2019-20	2020-21	2021-22
Borrowers/customers' total exposure	1407.56	27.56	23.14	23.75
Borrower/Customer Exposures to the twenty largest borrowers/customers.	4.30	0.14	0.11	0.10

Table 5.17: *Concentration of NPA*

(₹ Cr.)

Particulars	2018-19	2019-20	2020-21	2021-22
Top four NPA exposures	-	1.12	1.07	4.25
Exposure to the top twenty largest NPAs	2.00	0.56	1.07	1.02

Table 5.18: *Business Ratios*

(₹ Cr.)

Particulars	2018-19	2019-20	2020-21	2021-22
Ratio of interest income to working capital	9.32	9.01	8.88	8.70
Ratio of non-interest income to working capital	1.13	1.32	1.35	1.09
Cost of Deposits	5.88	5.98	5.27	4.70
Net Interest Margin	3.67	4.09	4.85	5.21
Working Funds to Operating Profit	3.75	3.68	4.55	4.34
Return on Assets	0.44	2.44	2.99	2.32
Employees' deposits plus advances (in crores)	10.28	9.02	12.26	12.95
Profit per employee (in ` crore)	0.35	0.15	0.31	0.25

Table 5.19: *Summary of advances sold and bought through PSLC*

(₹ Cr.)

Year	PSLC SOLD		PSLC Purchased		Net Profit/Loss During the Year
	Total Sold	Premium Received	Total Purchased	Premium Paid	
2018-19	3850.00	38.15	3150.00	6.30	31.85
2019-20	8800.00	127.92	6250.00	15.79	112.13
2020-21	9961.75	161.89	7500.00	49.85	112.04
2021-22	4160.00	2.82	4360.00	4.31	-1.49

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Table 5.20: *Provisions and contingencies*

(₹ Cr.)

Provision debited to Profit and Loss Account	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Provisions for NPI				
Provision towards NPA	31.44	198.50	62.48	183.01
Provision made towards Income tax	45.00	276.92	320.06	251.21
Provision on Standard Assets	49.03	59.60	0.42	95.13
Provision on Frauds	0.06	0.05	-0.04	0.93
Depreciation on SLR Securities under AFS category			-	112.80
Provision on Wage revision		206.31	115.00	-20.31
Investment Fluctuation reserve			-	-15.99
Audit Fee provision	0.80	0.84	0.90	-0.20
Provision on Pension	831.87	206.31	27.00	102.07

4.11 DF-11: Composition of Capital- Reconciliation Requirements:

Table 5.21: *Statement of Capital Funds, Risk Assets/Exposures and Risk Asset Ratio*

(₹ Cr.)

		Particulars	**2018-19**	**2019-20**	**2020-21**	**2021-22**
I	A	Tier I Capital				
	a	Paid up Capital	94.08	94.09	94.09	94.09
		Share Capital Deposits				
		Less: Intangible Assets and Losses			5.07	23.42
		Total	94.08	94.09	89.02	70.67
b	1	Reserves & Surplus				
	2	Statutory Reserves & Surplus	455.49	579	780.94	943.7
	3	Capital Reserves	0.01	11.1	11.1	11.1
	4	Other Reserves	14.31	14.31	14.31	14.31
	5	Special Reserve U/s 36(1)(viii) of the I.T. Act, 1961	14.47	39.01	62.46	90.17
	6	Surplus in Profit and Loss account	1786.5	2245.53	3028.52	3651.87
		Total	2,270.78	2,888.95	3,897.33	4,711.15
		Total Tier I Capital	2,364.86	2,983.04	3,986.35	4,781.82
	B	Tier II Capital				
	1	Undisclosed Reserves				
	2	Revaluation Reserves				
	3	General Provisions and loss Reserves	49.09	59.65	60.04	155.35
	4	Investment fluctuation Reserves/Funds	15.99	15.99	15.99	
		Total Tier II Capital	65.08	75.64	76.03	155.35
		Total Tier I + Tier II capital	2,429.94	3,058.68	4,062.38	4,937.17
II						
	a	Adjusted value of funded risk assets i.e., Balance Sheet Items	15653.7	18902.8	20926	20866.5
	b	Nonfunded risk assets, i.e., balance sheet items	21.47	39.52	151.75	176.32
	c	Total risk weighted Assets(a+b)	15675.2	18942.3	21077.7	21042.8
III		Percentage of capital funds to Risk	15.5	16.15	19.27	23.46
		Weighted Assets (I:II)				
		Tier I Capital Ratio	15.09	15.75	18.91	22.72
		Tier II Capital Ratio	0.42	0.4	0.36	0.74

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

Table 5.22: *Comparison of Accounting Assets vs. Leverage Ratio Exposure Measure Funded Risk Assets*

S. No	Item Asset/Liability	2021-22			2020-21		
		Balance	Risk Weight (%)	Adjusted Value	Balance	Risk Weight (%)	Adjusted Value
I	1.Cash & Balances with RBI	1007.44	0		889.98	0	0
	2. Account balance with other banks	53.2	20	10.64	100.32	20	20.064
	3. Bank STDRs - claims on banks	3054.82	20	610.964	6638.98	20	1327.8
II	Investments						
	1.Investment in Govt. Sec.	6617.58	2.5	165.4395	6066.69	2.5	151.667
	2. Securities guaranteed by the Govt.	-	2.5	-	-	-	2.5
	3. Securities where interest and principal repayment are guaranteed by the Govt. (Including Indira/Kisan Vikas Patra (IVP/KVP) and bonds whose interest and principal repayment are guaranteed by Central Government.)	-	2.5	-	-	-	2.5
	4. Other securities where repayment of principle and interest is guaranteed by state govt.	-	2.5	-	-	-	2.5
	Note: State government-guaranteed bonds with non-performing investments will attract a risk weight of 102.5 percent.	-	-	-	-	-	-
	5. Investment in other securities not guaranteed by Central/State Govt.	-	22.5	-	-	-	22.5
	6. Government-guaranteed securities. Non-approved market borrowing undertakings	-	22.5	-	-	-	22.5
	7.claims on commercial banks		22.5	0			22.5
	8. Securities that are guaranteed by banks as to interest and principal repayment	-	-	-	-	-	-
	9. Investing in bonds issued by PFIs for Tier II capital.	-	-	-	-	-	-
	10. Public financial institutions' investments in securities.	165.98	102.5	170.13	121.69	102.5	124.73
	Note: Tier I capital should not include intangible assets and losses.	-	-	-	-	-	-
	11. Equity shares, convertible bonds, debentures, and units of equity oriented mutual funds, including those exempt from capital market exposure.	0.24	127.5	0.306	-	127.5	127.5
III	Bills purchased and discounted, as well as other credit facilities						
	Govt. Guarantees loans and advances of India	-	-	-	-	-	-
	2. State-guaranteed loans.	-	-	-	-	-	-
	3. A State Government guaranteed loan that is now a non-performing asset.	-	100	-	-	100	-
	4.Loans granted to PSUs of GOI	-	100	-	-	100	-
	5. Public sector loans granted by state governments.	-	100	-	-	100	-
	6. Others including PFIs	1648.48	100	-	-	100	-
	7(i) Discounted or negotiated bills purchased under LC (not subject to reserve) are treated as interbank exposures and assigned risk weights accordingly.	-	-	-	-	-	-
	7(ii) LCs under reserve will be considered exposure on the borrower constituent, which includes bills purchased, discounted, and negotiated without LCs. Accordingly, the exposure will attract a risk	-	-	-	-	-	-
	Weight appropriate for borrower.						
	1.Government	-	-	-	-	-	-
	2.Banks		20			20	
	3.Others		100			100	
	8. Advances guaranteed by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) up to the guaranteed portion.	1564.94	0	1564.94	-	-	-

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	Note: For the guaranteed portion, banks may assign no risk weight. Any balance in excess of the guaranteed portion would attract a risk-weight.						
	9(a)Housing Loans to Individuals: RBI	-	-	-	-	-	-
	Circular DBR: BP.BC.No.44/08.12.015/2015-						
	16 dated 08.10.2015						
	(a) Up to Rs. 20 Lakh LTV Ratio - 90%)	1397.99	50	699		50	
	(b) Above Rs.20 Lakh	2026.91	50	1013.46		50	
	and Up to Rs.75 lakh (LTV Ratio - 80%)						
	(c) Above Rs.75 lakhs (LTV Ratio - 75%)	22.3	75	16.73		75	
	9 (b) Housing loans guaranteed by CRGFTLIH up to guaranteed portion.	-	-	-	-	-	-
	Note: Guaranteed portions may have zero risk weight. A risk-weight would be applied to the outstanding balance in excess of the guaranteed portion.						
	10.Consumer credit including personal loans	152.32	100	152.32	-	-	-
	11. Credit up to Rs.1 lakh on gold and silver ornaments.	1245.56	50	622.78	-	-	-
	Note: For loans exceeding Rs.1 lakh, the entire amount has to be risk weighted.						
	12.Education Loans	43.95	100	43.95	48.82	100	48.82
	13. Debentures / shares as collateral for loans	-	125	0	-	125	-
	14. Loans covered by DICGC / ECGC Note: 50% risk weight should be applied only to guaranteed amounts and not to the entire outstanding balance in accounts. In other words, the outstanding in excess of the amount guaranteed, will carry 100% risk weight.	-	50	-	-	50	-
	15. NSC IVPs, KVPs, and Term Deposits advances with adequate margins	228.82	0	228.82	-	0	-
	16. Employee loans and advances by RRBs	371.3	20	74.26		20	0
	17.Take out finance	-	-	-	-	-	-
	(i). Unconditional takeover (by lending institute)						
	a. Taking over full credit risk	-	20	-	-	20	-
	b. Taking over a partial credit risk	-	-	-	-	-	-
	(i) The amount taken over	-	20	-	-	20	-
	(ii) The amount not to be taken over	-	100	0	-	100	-
	(ii) Conditional taking over (in the lending institution's books)	-	100	-	-	100	-
	Notes: For the purpose of assigning risk weight to a borrower, the bank may 'net-off' the funded and non-funded exposures of the borrower.	-	-	-	-	-	-
	(a) Cash margins or deposits collagenized advances	-	-	-	-	-	-
	(b) current or other accounts of the borrower with credit balances earmarked for specific purposes and free of lien.	-	-	-	-	-	-
	(c) for assets where depreciation or bad debt provisions have been made,	-	-	-	-	-	-
	(d) DICGC/ECGC claims are kept in a separate account pending adjustment as they are not adjusted against outstanding dues,	-	-	-	-	-	-
	(e) Subsidies received for various schemes and kept separately.	-	-	-	-	-	-
IV	Other Assets						
	1.Premises, furniture and fixtures	80.63	100	80.63	59.67	100	59.67
	2.Int.due on Govt. Securities	124.15	0	0		0	0
	3. Received/receivable subsidies from the Government/Accrued interest on CRR balances maintained with RBI @ Net of claims against banks for such transactions.	372.78	0	372.78	-	0	-
	4. Deduction of income tax (net provisions)	1.37	0	1.37	-	0	-
	5.Advance tax paid (Net of provision)	590.83	0	590.83	-	0	-
	6. All other Assets	721.01	100	721.01	1085.72	100	1085.72
	Total Assets	36329.08			34780.9		
V	Market Risk on Open Position	-	-	-	-	-	-
	1. Foreign exchange market risk (For Authorised Dealers only)	-	100	-	-	100	-
	2. Market risk on open gold position	-	100	-	-	100	-
	Leverage Ratio	NA			NA		

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5. Findings and Conclusions

Based on the analysis, several elements of Basel III were considered, including Internal Ratings-Based Approach for credit risk, Internal Models Approach for market risk, and Advanced Measurement Approach for operational risk. There are several changes are still required in implementing BASEL norms as it is objected to improve risk management, regulation and supervision within the global banking sector and to addressing the deficiencies of Basel I and Basel II, revealing the subprime mortgage crisis in 2007–2008. According to the BASEL III framework, the Regional Rural Banks reporting pattern is having few differences comparatively with the other commercial banks due to few banking operations in terms of international banking operations, investment patterns, other incorporated banking institutions, group entities, Risk Management organizational structure, credit risk analysis, credit appraisal methods and monitoring system, credit rating framework, credit approval committees, various market risk entities, different operational risks, credit risk management policies etc. RRBs has been submitting their financial reports in the prescribed format proposed by RRB and NABARD guidelines. As few operations are not performed by the RRBs so those are excluded from their report.

It is found from the qualitative and quantitative disclosures regarding the Credit Risk has revealed that, the bank was considered under the accounting scope of consolidation, following ICAI, and it is included under the regularity scope of consolidation. A CRA (Credit Risk Assessment) model adopted by the Bank will consider all factors that contribute to assessing a loan's risk. They are categorized into financial, business & industry, and management risks. The analysis of data reveals that, the Common Equity Tier 1 Capital (CET 1) / Paid up share capital and Reserves (Net of Deductions) shows a continues growth during the study period (2015-16 to 2021-22) and Tier-II Capital also recorded a standard growth. The Total Risk Weighted Assets registered a continues decline which is a remarkable performance by APGVB. Whereas, the RWA percentage of Tier-I and Tier-II is also showing a continues growth and Capital Risk Weighted Assets Ratio (CRAR) is registered a continues growth. The Capital Requirement for Market Risk quantitative disclosures revels, the Interest Rate risk has been recorded a continues growth from 0.00% (2015-16) to 176.32 Cr. (2021-22), the Equity Risk is stand at the 9.40 Cr. For all the years and there is no foreign exchange risk recorded in the disclosure due to non-performing operation of banking services in other countries.

6. Suggestions and Recommendations

Implementation of BASEL III is still in its infancy, and RRBs are the only ones with limited components excluded**.** For RRBs, implementing BASEL III norms means increasing capital, liquidity, and reducing leverage. It could affect banks' profit margins. The capacity to lend money is reduced when banks keep more money for capital or liquidity. Thus, it is suggested to RRBs, they should focus on this issue and formulate strategies accordingly to overcome it. Even though RRBs have achieved impressive achievements in terms of rural outreach and financial inclusion, there remains divided opinion on their future role for many reasons. Additionally, their role and viability in the developing architecture are still major concerns, for which specific actions must be taken and incentives created so that these organizations can fulfill their mandate. Finally, RBI should issue guidelines/manuals on various prominent risks to cooperative banks exclusively for RRBs.

7. Conclusion

The study on Andhra Pradesh Grameena Vikas Bank" from different functional and operational perspectives to investigate its financial performance and evaluation using BASEL III norms and ascertain how the model can improvise the efficiency of the banks financial performance to face the credit risk, market risk and operational risk. APGVB is well poised in maintaining consistency in capital adequacy, liquidity, asset management and operational efficiency through maintaining well versed technology to meet the objectives for which it was established. A wellformulated policies on credit & asset management, dealing with NPAs, technology implementation, customer rights, grievances handling, and mobile banking enabled the bank to make significant progress. However, the research shows that APGVB has a lot more potential. Data analysis revealed ample opportunity for improvement in all of its operations and functions by refining the application of skills and efficiencies, utilizing resources and capacity effectively, and taking calculated risks when necessary. However, APGVB's financial performance meets the standards of the current Basel III framework, despite the fact that Basel III norms are not been fully mandated to RRBs.

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