

IDBI Bank Ltd.

Consolidated Pillar III Disclosures (June 30, 2015)

1. Scope of Application and Capital Adequacy

Table DF-2: Capital Adequacy

The Bank maintains and manages capital as a cushion against the risk of probable losses and to protect its stakeholders, depositors and creditors. The future capital requirement of the Bank is projected as a part of its annual business plan, in accordance with its business strategy. To calculate the future capital requirements of the Bank a view on the market behavior is taken after considering various factors such as interest rate, exchange rate and liquidity positions. In addition, broad parameters like balance sheet composition, portfolio mix, growth rate and relevant discounting are also considered. Further, the loan composition and rating matrix is factored in to reflect precision in projections.

In line with the Basel III guidelines which are effective since April 01, 2013, the Bank has been calculating its capital ratios as per the extant RBI guidelines.

The main focus of Basel III norms is on the quality and quantity of Tier I capital and these regulatory requirements are currently met with the quantum of capital available with the Bank. At present the Bank is operating well above the minimum requirements as stipulated by the guidelines. The Standalone CRAR position of the Bank as on June 30, 2015 is as below:

CRAR %	Basel III
CET 1 (%)	7.24%
Tier 1 (%)	8.13%
Total (%)	11.74%

For identification, quantification and estimation of current and future risks, the Bank has a Board approved Internal Capital Adequacy Assessment Process (ICAAP) policy. The policy covers the process for addressing such risks, measuring their impact on the financial position of the Bank and formulating appropriate strategies for their containment & mitigation; thereby maintaining an adequate level of capital. The ICAAP exercise is conducted periodically to determine that the Bank has adequate capital to meet regulatory requirements in line with its business requirements. The Bank also has a comprehensive stress test policy covering regulatory stress conditions to give an insight into the impact of severe but plausible stress scenarios on the Bank's risk profile and capital position. The stress test exercises are carried out regularly based on the board approved stress testing framework incorporating RBI guidelines on Stress testing dated December 02, 2013. The impact of stress scenarios on the profitability and capital adequacy of the Bank are analyzed. The results of the exercise is reported to the suitable board level committee(s).

The Consolidated CRAR position, as on June 30, 2015 is as follows:

(Amt. in ₹ Million)

Capital requirement	
Credit Risk Capital:	
Portfolios subject to standardised approach	2,20,577
Securitisation	166
Market Risk Capital:	
Standardised duration approach	20,884
Interest Rate Risk	10,204
Foreign exchange Risk (including Gold)	450
Equity Risk	10,230
Operational Risk Capital:	
Basic indicator approach	13,088
Total Minimum Capital required	2,54,715
(Percentage)	
Common Equity Tier 1, Tier 1 and Total capital ratio:	
CET 1 (%)	7.31%
Tier 1 (%)	8.21%
Total (%)	11.84%

2. Risk exposure and assessment

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

Credit risk is the risk of loss that may occur due to default of the counterparty or from its failure to meet its obligations as per terms of the financial contract. Any such event will have an adverse effect on the financial performance of the Bank. The Bank faces credit risk through its lending, investment and contractual arrangements. To counter the effect of credit risks faced by the Bank, a robust risk governance framework has been put in place. The framework provides a clear definition of roles as well as allocation of responsibilities with regard to ownership and management of risks. Allocation of responsibilities is further substantiated by defining clear hierarchy with respect to reporting relationships and Management Information System (MIS) mechanism.

Bank's Credit risk management policies

The Bank has defined and implemented various risk management policies, procedures and standards with an objective to clearly articulate processes and procedural requirements that are binding on all concerned Business groups. The Credit Policy of the Bank is guided by the objective to build, sustain

and maintain a high quality credit portfolio by measurement, monitoring and control of the credit exposures. The policy also addresses more granular factors such as diversification of the portfolio across companies, business groups, industries, geographies and sectors. The policy reflects the Bank's approach towards lending to corporate clients in light of prevailing business environment and regulatory stipulations.

The Bank's Credit Policy also details the standards, processes and systems for growing and maintaining its Retail Assets portfolio. The policy also guides the formulation of Individual Product Program Guidelines for various retail products. The Credit policy is reviewed annually in anticipation of or in response to the dynamics of the environment (regulatory & market) in which the Bank operates or to change in strategic direction, risk tolerance, etc. The policy is approved by the Board of Directors of the Bank.

To avoid concentration of credit risk, the Bank has put in place internal guidelines on exposure norms in respect of single borrower, groups, exposure to sensitive sector, industry exposure, unsecured exposures, etc. Norms have also been detailed for soliciting new business as well as for preliminary scrutiny of new clients. The Bank abides by the directives issued by RBI, SEBI and other regulatory bodies in respect of lending to any industry including NBFCs, Commercial Real Estate, Capital Markets and Infrastructure. In addition, internal limits have been prescribed for certain specific segments based on prudential considerations.

The Bank has a specific policy on Counter Party Credit Risk pertaining to exposure on domestic & international banks and a policy on Country Risk Management pertaining to exposure on various countries.

Credit risk assessment process:

The sanction of credit proposals is in accordance with the delegation structure approved by the Board of Directors. Credit risk rating, used by the Bank is one of the key tools for assessing its credit proposals.

The Bank has implemented internal rating model Risk Assessment Module (RAM), a two - dimensional module for rating viz.; obligor and facility, in line with Basel requirements. Different risk parameters such as financial, business, management and industry are used for different rating models in accordance with the category and characteristics of the borrower. Qualitative and quantitative information of the proposal is evaluated by the credit risk analyst to ascertain the credit rating of the borrower.

Proposals over a certain threshold amount are rated centrally by rating analysts of the Bank. Suitable committee based approach is followed to validate the internal credit ratings. The committees comprise of senior officials of the Bank. Approval of credit for retail products are guided by the individual retail product paper guidelines and each proposal is appraised through a scoring model.

In addition to the above, a Credit audit process is in place, which aims at reviewing the loans and acts as an effective tool to evaluate the efficacy of credit assessment, monitoring and mitigation process.

Definitions of non-performing assets:

The Bank classifies its advances into performing and non-performing advances in accordance with the extant RBI guidelines.

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

- Interest and/ or installment of principal remains overdue for more than 90 days for a term loan,
- The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC). 'Out of order' means if the account outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as 'out of order'.
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- In respect of an agricultural loan, the interest and / or installment of principal remains overdue for two crop seasons for short duration crops and for one crop season for long duration crops.

NPAs are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A substandard asset is one, which has remained as NPA for a period less than or equal to 12 months. An asset is classified as doubtful if it has remained in the sub-standard category for more than 12 months. A loss asset is one where loss has been identified by the Bank or by the internal / external auditors or the RBI inspection but the amount has not been written off fully.

In respect of investments in securities, where interest / principal is in arrears, the Bank does not reckon income on such securities and makes provisions as per provisioning norms prescribed by RBI for depreciation in the value of investments.

a. Total gross credit risk exposures, Fund based and Non-fund based separately.

(Amt. in ₹ Million)

Particulars	Fund Based	Non Fund Based	Total
Total Gross Credit Exposures*	28,91,244	13,96,761	42,88,005
Domestic	26,58,713	13,72,998	40,31,711
Overseas	2,32,531	23,763	2,56,294

* includes advances, LCs, BGs, LERs, acceptances & undrawn sanctions

Top 20 industry type distribution of Gross credit exposures- fund based and non-fund based

(Amt. in ₹ Million)

Industry	FB Credit Exposure	NFB Credit Exposure	Total Credit Exposure
POWER	3,18,754	1,05,086	4,23,840
HOUSING LOANS	2,83,017	0	2,83,017
OIL AND GAS/PETROLEUM PRODUCTS	1,48,932	1,18,599	2,67,531
ROADS AND BRIDGES / PORTS	1,66,053	89,202	2,55,255
IRON AND STEEL	1,23,957	1,16,227	2,40,184
INFRASTRUCTURE OTHERS	1,11,389	1,14,299	2,25,688
TELECOM	80,308	86,176	1,66,484
NBFC	1,36,719	5,981	1,42,700
BANKING	39,763	90,298	1,30,061
TEXTILES	98,672	18,858	1,17,530
CONSTRUCTION	33,068	78,983	1,12,051
GENERAL MACHINERY AND EQUIPMENTS	26,829	68,242	95,072
TRADING	54,548	36,821	91,369
CHEMICAL AND CHEMICAL PRODUCTS	44,820	34,875	79,694
CEMENT	59,655	11,208	70,863
FERTILIZERS	26,544	43,433	69,977
FINANCIAL INSTITUTIONS	63,321	2,159	65,480
GEMS AND JEWELLERY	33,178	29,436	62,614
ELECTRICAL MACHINERY AND EQUIPMENTS	18,781	43,544	62,325
METALS AND METAL PRODUCTS(OTHER THAN MFG.OF BASIC IRON AND STEEL)	34,286	26,286	60,572
OTHERS	9,88,650	2,77,048	12,65,698
Gross Credit Exposure	28,91,244	13,96,761	42,88,005

c. Industries having more than 5% of the Gross credit exposures

(Amt. in ₹ Million)

Industry Name	Fund Based	Non Fund Based	Total	%
POWER	3,18,754	1,05,086	4,23,840	9.88%
HOUSING LOANS	2,83,017	0	2,83,017	6.60%
OIL AND GAS/PETROLEUM PRODUCTS	1,48,932	1,18,599	2,67,531	6.24%
ROADS AND BRIDGES / PORTS	1,66,053	89,202	2,55,255	5.95%
IRON AND STEEL	1,23,957	1,16,227	2,40,184	5.60%
INFRASTRUCTURE OTHERS	1,11,389	1,14,299	2,25,688	5.26%

d. Residual contractual maturity breakdown of assets

(Amt. in ₹ Million)

Maturity Buckets	Assets				
	Cash & Balances with RBI and Other Banks	Investments	Advances	Fixed Assets & Other Assets	Total Assets
Day 1	25,629	1,21,981	14,717	12,430	1,74,757
2 to 7 days	5,493	73,765	16,128	840.5	96,227
8 to 14 days	1,443	49.6	18,438	2,293	22,224
15 to 28 days	2,653	5,167	28,532	2,128	38,481
29 days & upto 3 months	11,247	32,148	1,01,585	57,013	2,01,993
Over 3 months & upto 6 months	14,833	9,261	80,695	48,324	1,53,112
Over 6 months & upto 1 year	21,617	26,301	1,30,874	14,629	1,93,421
Over 1 year & upto 3 years	24,990	82,613	8,07,492	29,450	9,44,545
Over 3 years & upto 5 years	6,551	1,35,857	2,85,709	1,20,749	5,48,866
Over 5 yrs	12,385	3,96,918	5,59,221	78,013	10,46,537
Total	1,26,840	8,84,059	20,43,393	3,65,870	34,20,163

e. Position of Non-Performing Assets (NPA):

(Amt. in ₹ Millions)

Particulars	As on June 30, 2015
Gross Advances	21,24,129.50
Net Advances	20,43,392.80
Gross NPA as on	
a. Substandard	30,144.32
b. Doubtful 1	33,741.27
c. Doubtful 2	61,191.56
d. Doubtful 3	12,909.81
e. Loss	3,134.85

Particulars	As on June 30, 2015
NPA Provision*	75,743.65
Net NPA	64,961.70
NPA Ratios	
Gross NPAs to Gross Advances (%)	6.64%
Net NPAs to Net Advances (%)	3.18%

*Provision amount does not include NPV loss on NPA asset of Rs.41.65 Crore

f. Movement of Non-Performing Assets (NPA):

(Amt. in ₹ Millions)

Particulars (NPA Gross)	As on June 30, 2015
Opening Balance	1,26,849.72
Additions	16,138.75
Write Offs	8.98
Reductions	1,857.67
Closing Balances	1,41,121.82

g. Movement of Specific & General NPA Provisions#:

(Amt. in ₹ Millions)

Particulars	As on June 30, 2015
	Specific Provisions*
Opening Balance	66,339.66
Add : Provision made during the period	10,247.01
Less : Transfer to Countercyclical Provisional Buffer	0.00
Less : Write offs	8.98
Less : Write Back of excess provision	834.03
Closing Balances	75,743.65

*Provision amount does not include NPV loss on NPA asset of Rs.41.65 Crore

General NPA Provisions:- NIL

h. Write-offs and recoveries that have been booked directly to the income statement is NIL

i. Position of Non-Performing Investments (NPI) as on June 30, 2015

(Amt. in ₹ Millions)

Particulars	As on June 30, 2015
Amount of Non-performing Investments (NPI)	10,953.35
Amount of provisions held for Non-performing Investments	7,708.87

j. Movement of provisions for depreciation on investments as on June 30, 2015

(Amt. in ₹ Millions)

Particulars	As on June 30, 2015
Opening Balance	14,566.58
Provisions made during the period	856.36
Write offs / Write Back of excess provisions	574.31
Closing Balance	14,848.63

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

(Amt. in ₹ Millions)

Particulars	As on June 30, 2015		
	Domestic	Overseas	Total
Gross NPA	1,39,419.41	1702.41	1,41,121.82
Provision for NPA	75,435.78	307.87	75,743.65

General NPA Provisions:- NIL

l. Break-up of NPAs and Specific Provisions (NPA) in Major Industries* – as on June 30, 2015

(Amt. in ₹ Millions)

	Gross NPA	Specific Provision(NPA)
NPAs and Specific Provisions in Top 5 Industries	59,884	29,303

* Major Industries identified based on Gross Credit (FB) to Industries.

m. Break-up of Specific Provisions (NPA) & Write-off in Major Industries during the current period– For Quarter Ended June 30, 2015

(Amt. in ₹ Millions)

	Specific Provision(NPA)	Write-Offs
Specific Provisions in Top 5 Industries	6,157	0.00

Table DF-4: Credit Risk: Disclosures for Portfolios Subject to the Standardised approach

The Bank uses the solicited ratings assigned by the external credit rating agencies specified by RBI for calculating risk weights on its exposures for capital calculations. In line with the Basel guidelines, banks are required to use the external ratings assigned by domestic credit rating agencies viz. Crisil, CARE, ICRA, India Ratings (formerly Fitch India), Brickwork and SMERA and international credit rating agencies Fitch, Moody's and Standard & Poor's. The ratings assigned, are used for all eligible exposures; on balance sheet & off balance sheet; short term & long term in the manner permitted by the guidelines. Only those ratings which are publicly available and in force as per the monthly bulletin of the rating agencies are considered.

To be eligible for risk weighting purposes, the entire amount of credit risk exposure to the Bank is taken into account for external credit assessment. The Bank uses short term ratings for exposures with contractual maturity of less than or equal to one year and long term ratings for those exposures which have a contractual maturity of over one year.

The process used to assign the ratings to a corporate exposure and apply the appropriate risk weight is as per the regulatory guidelines prescribed by RBI. In cases where multiple external ratings are available for a given corporate, the lower rating, where there are two ratings and the second lowest rating, where there are three or more ratings is applied. The table given below gives the breakup of net outstanding amounts of assets in Banking Book and Non Fund Based Facilities after Credit Risk Mitigation in 3 major risk buckets as well as those that are deducted:

(Amt. in ₹ million)

Risk Weight	Net Exposure
Less than 100%	21,82,856
At 100%	10,05,333
More than 100%	5,57,910
Deduction from Capital	311
Total	37,46,410

Leverage Ratio

The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements and is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage. RBI will monitor individual banks against an indicative leverage ratio of 4.5%.

The Bank's Leverage ratio is calculated in accordance with the RBI guidelines under consolidated framework is as given below:

(Amt. in ₹ million)

Sr.No	Item	As on June 30, 2015
1	Tier –I Capital	2,36,451
2	Exposure Measure	42,82,770
3	Basel III Leverage Ratio	5.52%
