IDBI Bank Ltd.

Consolidated Pillar III Disclosures (December 31, 2019)

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 behaviour 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. The Standalone CRAR position of the Bank as on December 31, 2019, is as given below:

CRAR	Basel III
CET 1	9.96%
Tier 1	10.16%
Tier 2	2.40%
Total(Tier 1 + Tier 2)	**12.56%**

For identification, quantification and estimation of current and future risks which are not captured at all or not fully captured under the Standardised Approach of Pillar-I , 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. ICAAP exercise is conducted periodically to determine that the Bank has adequate capital to meet regulatory requirements in line with its business requirements. ICAAP policy of the bank also lays down the roadmap for comprehensive stress testing, 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 tests exercises are carried out quarterly 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. Stress testing framework includes scenario analysis to study the likely impact of the adverse macro-economic indicators on the capital position and profitability of the Bank. The mechanism of reverse stress testing is used to find the level of stress which may adversely hit the capital to take it to a pre-determined floor level. The result of the exercise is reported to the suitable board level committee(s).

The Consolidated CRAR position, as on December 31, 2019 is as under:

(Amt. in ₹ Million)

Capital requirement	
Credit Risk Capital:	
Portfolios subject to standardised approach	121,514.21
Securitisation	0.00
Market Risk Capital:	
Standardised duration approach	11,213.94
Interest Rate Risk	6,263.25
Foreign exchange Risk (including Gold)	360.00
Equity Risk	4,583.09
On derivatives (FX Options)	7.60

Operational Risk Capital:	
Basic indicator approach	13,558.05
Total Minimum Capital required excluding CCB	146,286.20
Common Equity Tier 1, Tier 1 and Total capital ratio:	
CET 1	10.125%
Tier 1	10.324%
Tier 2	2.392%
Total(Tier 1 + Tier 2)	**12.716%**

2. Risk exposure and assessment

Table DF-3a: Credit Risk: General Disclosures:

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. A robust risk governance framework has been put in place to counter the effect of credit risks faced by the Bank. 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. 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.

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. 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.

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. to control concentration of credit risk. Norms have also been detailed for soliciting new business as well as for preliminary scrutiny of new clients. Bank abides by the directives issued by RBI, SEBI and other regulatory bodies in respect of lending to any industry including NBFCs, Real Estate, Capital Markets, Commodities, Gems and Jewelry 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. 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 senior officers in 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.

***Credit Portfolio Monitoring**:*

The credit portfolio of the Bank is monitored on regular basis to ensure compliance with internal and regulatory limits as well as to avoid undue concentration (borrower or Industry). The same is periodically reported to the senior management.

Further, to ensure high quality of the asset portfolio the Bank has adopted a two pronged strategy i.e., containment of incidence of asset slippages and resolution / recovery from NPAs. In this regard, the Bank has an NPA management policy, which sets out guidelines for restricting slippage of existing standard assets and recovery / resolution of NPA by close monitoring, constant follow-up and evolving a suitable proactive Corrective Action Plan.

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 and 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 also treated as 'out of order'. Other NPAs are as under:

- 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. 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.

b. & c. Total gross credit risk exposures & Geographic distribution of exposures, Fund based and Non-fund based

(Amt. in ₹ Million)

Particulars	Fund Based	Non Fund Based	Total
Total Gross Credit Exposures*	2055,382.37	889,517.09	2,944,899.47
Domestic	1,940,677.50	889,516.38	2,830,193.88
Overseas	114,704.87	0.71	114,705.59

* Credit Exposure exclude the Investment

d. 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*
Agriculture & Allied Activities	239,290.36	1,452.44	240,742.79
Transport Operators	12,639.71	1,653.31	14,293.02
Other Services	34,246.23	49,157.22	83,403.45
Computer Software	4,375.05	5,372.72	9,747.77
Tourism, Hotel and Restaurants	10,758.85	861.08	11,619.93
Shipping	3,386.35	0.80	3,387.15
Professional services	27,445.32	2,969.18	30,414.50
Trade	170,394.98	12,237.95	182,632.94
Commercial Real Estate	14,250.22	3,563.11	17,813.34
NBFCs	49,488.59	5,000.73	54,489.32
Housing Loans (Incl. priority sector housing)	438,190.85	58.43	438,249.28

Industry	FB Credit Exposure	NFB Credit Exposure	Total Credit Exposure*
Consumer Durables	16.85	0.16	17.02
Credt Card Receivables	2,687.90	16.31	2,704.21
Vehical/Auto Loans	6,979.81	165.87	7,145.69
Education Loans	14,607.09	7.06	14,614.15
Advances against Fixed Deposits (incl. FCNR(B), etc.)	60.41	1,253.69	1,314.09
Other Retail Loans	15,853.06	959.69	16,812.75
Mining and Quarrying	67,608.61	18,075.20	85,683.80
Food Processing	49,920.82	10,043.54	59,964.36
Beverages (excluding Tea & Coffee) and Tobacco	2,687.27	223.21	2,910.48
Textiles	75,082.94	4,878.84	79,961.78
Leather and Leather products	1,167.16	392.41	1,559.57
Wood and Wood Products	742.96	624.52	1,367.48
Paper and Paper Products	16,584.84	3,873.63	20,458.48
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	16,081.38	39,169.71	55,251.08
Chemicals and Chemical Products (Dyes, Paints, etc.)	90,456.95	39,731.26	130,188.21
Rubber, Plastic and their Products	24,991.78	5,408.69	30,400.47
Glass & Glassware	510.85	50.77	561.61
Cement and Cement Products	17,050.73	6,564.15	23,614.89
Basic Metal and Metal Products	73,053.90	101,505.88	174,559.78
All Engineering	100,516.51	118,590.96	219,107.46
Vehicles, Vehicle Parts and Transport Equipments	41,742.44	12,882.80	54,625.24
Gems and Jewellery	25,456.30	357.84	25,814.14
Construction	51,751.97	41,493.76	93,245.73
Residuary other advances	39,490.38	84,221.31	123,711.69
Infrastructure	308,764.63	315,491.37	624,256.00

Industry	FB Credit Exposure	NFB Credit Exposure	Total Credit Exposure*
Other Industries	7,048.33	1,207.48	8,255.81
Total	2,055,382.37	889,517.09	2,944,899.47

* Credit Exposure exclude the Investment

Industries having more than 5% of the Gross credit exposures*

(Amt. in ₹ Million)

Industry Name	Fund Based	Non Fund Based	Total	%
Infrastructure	308,764.63	315,491.37	624,256.00	21.20
Housing Loans (Incl. priority sector housing)	438,190.85	58.43	438,249.28	14.88
Agriculture & Allied Activities	239,290.36	1,452.44	240,742.79	8.17
All Engineering	100,516.51	118,590.96	219,107.46	7.44
Trade	170,394.98	12,237.95	182,632.94	6.20
Basic Metal and Metal Products	73,053.90	101,505.88	174,559.78	5.93

* Credit Exposure exclude the Investment

e. 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	156,918.93	143,931.45	6,927.43	6,591.76	314,369.56
2 to 7 days	14,060.82	100,993.28	8,195.92	403.76	123,653.78
8 to 14 days	9,544.37	51.38	9,814.07	4,596.49	24,006.31
15 to 30 days	2,086.92	53.19	6,753.62	3,683.76	12,577.49
31 days & upto 2 months	3,339.82	1,900.31	20,264.34	8,484.22	33,988.69
Over 2 months & upto 3 months	4,016.82	1,455.43	27,840.56	5,025.43	38,338.24
Over 3 months & upto 6 months	10,327.48	1,497.42	39,089.36	7,268.51	58,182.77
Over 6 months & upto 1 year	11,608.95	7,846.14	70,475.15	32,321.39	122,251.63
Over 1 year & upto 3 years	48,794.28	9,035.66	472,377.59	69,339.84	599,547.37
Over 3 years & upto 5 years	1,030.51	39,067.51	158,297.18	301,075.49	499,470.69
Over 5 yrs	7,152.72	541,306.97	476,675.20	127,928.07	1,153,062.96
Total	268,881.62	847,138.74	1,296,710.42	566,718.72	2,979,449.49

f. g & h. Amount of NPAs (Gross) & Net NPAs & NPA Ratios

(Amt. in ₹ Million)

Particulars x`	
Gross Advances	1,723,855.90
Net Advances	1,296,710.40
Gross NPA as on December 31, 2019	
a. Substandard	44,509.70
b. Doubtful 1	57,585.00
c. Doubtful 2	209,018.90
d. Doubtful 3	49,907.90
e. Loss	134,005.40
Total	495,026.70
NPA Provision*	426,971.90
Net NPA	68,054.90
NPA Ratios	
Gross NPAs to Gross Advances (%)	28.72
Net NPAs to Net Advances (%)	5.25

*Including NPV Loss on NPA and NCLT Provision.

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

(Amt. in ₹ Million)

Particulars (NPA Gross)	**As on December 31, 2019**
Opening Balance as on October 01,2019	520,527.80
Additions	31,192.20
Write Offs	22,389.00
Reductions	34,304.30
Closing Balances	495,026.70

j. a) Movement of Specific NPA Provisions:

(Amt. in ₹ Million)

Particulars	**As December 31, 2019**
	Specific Provisions*

Opening Balance as on October 01,2019	441,341.70
Add : Provision made during the period	36,019.30
Less : Transfer to Countercyclical Provisional Buffer	0.00
Less : Write offs	22,389.00
Less : Write Back of excess provision	28,000.10
Closing Balances	426,971.90

*Including NPV Loss on NPA and NCLT Provision.

b) Movement of General Provisions:

(Amt. in ₹ Million)

Particulars	**As December 31, 2019**
	General Provisions
Opening Balance as on October 01,2019	5,833.67
Add : Provision made during the period	897.15
Less : Transfer to Countercyclical Provisional Buffer	0
Less : Write offs	0
Less : Write Back of excess provision	815.10
Closing Balances	5,915.72

Write-offs and recoveries that have been booked directly to the income statement is Rs. 3077.33 mn. for December 2019 quarter.

k & l. Position of Non-Performing Investments (NPI) as on December 31, 2019

(Amt. in ₹ Million)

Particulars	**As on December 31, 2019**
Amount of Non-performing Investments (NPI)	17,476.63
Amount of provisions held for Non-performing Investments	14,399.67

m. Movement of provisions for depreciation on investments (Q2Q)

(Amt. in ₹ Million)

Particulars	**As on December 31, 2019**
Opening Balance as on October 01,2019	26,754.60
Provisions made during the period	5,394.70
Write offs / Write Back of excess provisions	529.28
Closing Balance	31,620.03

n. By major industry wise NPA, Specific Provisions & Write-Offs *

(Amt. in ₹ Million)

	As of December 31, 2019		**During the current Period**	
	Gross NPA	**Specific Provision**	**Specific Provision (NPA)**	**Write-Offs**

		(NPA)		
NPAs and Specific Provisions in Top 5 Industries	257,985.78	22,6762.50	39,428.90	38,649.37

* Industries identified based on Gross Credit Exposure to Industries.

o. a) Geography based position of NPA & Specific Provision break-up:

(Amt. in ₹ Million)

Particulars	**As on December 31, 2019**		
	Domestic	**Overseas**	**Total**
Gross NPA	420,639.34	74,387.43	495,026.77
Specific Provision for NPA	368,222.66	58,749.25	426,971.91

b)Geography based position General Provision break-up:

(Amt. in ₹ Million)

Particulars	**As on December 31, 2019**		
	Domestic	**Overseas**	**Total**
General Provision	5,777.96	137.76	5,915.72

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, Brickwork, ACUTIE, INFOMERICS and international credit rating agencies Fitch, Moody's and Standard & Poor's. The ratings assigned, are used for all eligible on balance sheet & off balance sheet exposure. Only those ratings which are publicly available and are in force as per the monthly bulletin of the rating agencies are considered.

The entire amount of credit risk exposure to the Bank is taken into account for external credit assessment, to be eligible for risk weighting purposes. 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%	2,417,429.68
At 100%	393,272.10
More than 100%	221,114.67
Deduction from Capital	310.98
Total	3,032,127.42

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 3.5%.

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

(Amt. in Rs. Million)

Sr.No	Item	As on December 31, 2019
1	Tier –I Capital	171,356
2	Total Exposure	3,378,916
3	Basel III Leverage Ratio	5.07%

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