IDBI Bank Ltd.

Consolidated Pillar III Disclosures (June 30, 2016)

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, 2016 is as below:

CRAR %	Basel III (Standalone)
CET 1 (%)	7.762%
Tier 1 (%)	8.650%
Total (%)	**11.795%**

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, 2016 is as follows:

(Amt. in ₹ Million)

Capital requirement	
Credit Risk Capital:	
Portfolios subject to standardised approach	254,659.90
Securitisation	1,561.43
Market Risk Capital:	
Standardised duration approach	17,193.01
- Interest Rate Risk	*6,171.17*
- Foreign exchange Risk (including Gold)	*360.00*
- Equity Risk	*10,661.84*
Operational Risk Capital:	
Basic indicator approach	13,386.54
Total Minimum Capital required	286,800.84
(Percentage)	
Common Equity Tier 1, Tier 1 and Total capital ratio:	
CET 1 (%)	7.842%
Tier 1 (%)	8.735%
Total (%)	11.883%

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.

Credit Portfolio Monitoring:

The credit portfolio of the Bank is monitored on regular based 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 and resolution / recovery of NPAs. In this regards, the bank has NPA 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,
- 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*	2,836,840.24	1,404,089.71	4,240,929.95
Domestic	2,526,341.15	1,376,443.76	3,902,784.91
Overseas	310,499.09	27,645.95	338,145.05

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

b. 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	220,833	2,756	223,590
All Engineering	133,091	164,947	298,039
Aviation	6,581	11,139	17,720
Basic Metal and Metal Products	176,972	125,557	302,529
Beverages (excluding Tea & Coffee)	9,144	393	9,536
Cement and Cement Products	55,692	4,884	60,576
Chemicals and Chemical Products	151,996	86,499	238,495

Commercial Real Estate	36,113	5,033	41,146
Construction	27,414	66,549	93,963
Food Processing	96,732	29,848	126,580
Gems and Jewellery	29,569	29,210	58,779
Glass & Glassware	1,508	11	1,518
Housing Loans	286,439	77	286,516
Infrastructure	675,209	396,689	1,071,898
Leather and Leather products	5,701	111	5,812
Mining and Quarrying	71,212	57,765	128,978
NBFCs	157,807	12,103	169,910
Other Retail Loans	74,922	9,235	84,156
Paper and Paper Products	24,166	5,852	30,018
Residual Industry and Services	191,381	281,649	473,030
Rubber, Plastic and their Products	36,753	10,292	47,045
Textiles	84,362	20,292	104,653
Tourism, Hotel and Restaurants	2,375	759	3,133
General Trade	181,020	42,653	223,672
Transport Operators	29,160	2,244	31,405
Vehicles, Vehicle Parts and Transport Equipments	66,787	36,226	103,013
Wood and Wood Products	3,902	1,316	5,218
Total Credit Exposure	**2,836,840**	**1,404,090**	**4,240,930**

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

(Amt. in ₹ Million)

Industry Name	Fund Based	Non Fund Based	Total	%
Infrastructure *	675,209	396,689	1,071,898	25.28%
Basic Metal and Metal Products	176,972	125,557	302,529	7.13%
All Engineering	133,091	164,947	298,039	7.03%
Housing Loans	286,439	77	286,516	6.76%
Chemicals and Chemical Products	151,996	86,499	238,495	5.62%
General Trade	181,020	42,653	223,672	5.27%
Agriculture & Allied Activities	220,833	2,756	223,590	5.27%

* Includes Energy (11.75%), Transport (6.60%), Communication (4.08%) and others (2.85%)

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	98,612	101,944	17,078	5,029	222,663
2 to 7 days	4,285	63,806	32,114	661	100,866
8 to 14 days	1,254	105	29,446	15,801	46,606
15 to 30 days	4,726	1,244	32,710	1,316	39,996
31 days & upto 2 months	9,494	2,681	37,730	17,989	67,894
Over 2 months & upto 3 months	12,383	2,645	35,791	10,722	61,541
Over 3 months & upto 6 months	12,540	8,253	100,359	19,872	141,024
Over 6 months & upto 1 year	19,405	15,970	149,200	30,580	215,155
Over 1 year & upto 3 years	21,269	118,264	801,040	18,265	958,838
Over 3 years & upto 5 years	6,182	48,700	351,288	120,894	527,064
Over 5 yrs	10,175	476,246	586,870	200,381	1,273,672
Total	**200,325**	**839,858**	**2,173,626**	**441,510**	**3,655,319**

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

(Amt. in ₹ Millions)

Particulars	As on June 30, 2016
Gross Advances	2,287,383.20
Net Advances	2,173,626.00
Gross NPA as on	
a. Substandard	121,976.35
b. Doubtful 1	25,817.73
c. Doubtful 2	114,309.10
d. Doubtful 3	7,276.24
e. Loss	3,372.09

Particulars	As on June 30, 2016
NPA Provision*	109,384.97
Net NPA	162,478.09
NPA Ratios	
Gross NPAs to Gross Advances (%)	11.92%
Net NPAs to Net Advances (%)	7.47%

*Provision amount does not include NPV loss on NPA asset of Rs. 88.85 Crore

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

(Amt. in ₹ Millions)

Particulars (NPA Gross)	As on June 30, 2016
Opening Balance	248,750.66
Additions	32,094.41
Write Offs	4,547.12
Reductions	3,546.42
Closing Balances	272,751.54

g. Movement of Specific & General NPA Provisions#: (Amt. in ₹ Millions)

Particulars	As on June 30, 2016
	Specific Provisions*
Opening Balance	101,413.58
Add : Provision made during the period	14,515.89
Less : Transfer to Countercyclical Provisional Buffer	0.00
Less : Write offs	4,547.12
Less : Write Back of excess provision	1,997.38
Closing Balances	109,384.98

 # 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, 2016

(Amt. in ₹ Millions)

Particulars	As on June 30, 2016
Amount of Non-performing Investments (NPI)	11,516.84
Amount of provisions held for Non-performing Investments	9,356.13

j. Movement of provisions for depreciation on investments as on June 30, 2016

(Amt. in ₹ Millions)

Particulars	As on June 30, 2016
Opening Balance	17,312.23
Provisions made during the period	1,191.31
Write offs / Write Back of excess provisions	226.51
Closing Balance	18,277.03

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

(Amt. in ₹ Millions)

Particulars	As on June 30, 2016		
	Domestic	Overseas	Total
Gross NPA	217,242	55,509	272,751
Provision for NPA	90,062	19,323	109,385

 # General NPA Provisions: - NIL

l. Break-up of NPAs and Specific Provisions (NPA) in Major Industries*

(Amt. in ₹ Millions)

	As on June 30, 2016		
	Gross NPA	Specific Provision(NPA)	Write-Offs
NPAs and Specific Provisions in Top 5 Industries	155,763	60,996	3,762

* Major Industries identified based on Gross Credit (FB) to Industries (other than residuals, Housing and Agriculture).

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 higher risk weight, where there are two ratings and the second lowest risk weight, 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%	2,322,388.19
At 100%	1,059,550.18
More than 100%	623,136.60
Deduction from Capital	310.98
Total	4,005,385.96

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, 2016
1	Tier –I Capital	265,935.97
2	Exposure Measure	4,498,596.10
3	Basel III Leverage Ratio	5.91%

****