Appendix-I

IDBI Bank Ltd.

Consolidated Pillar III Disclosures (June 30, 2017)

Pillar III disclosures are designed to allow the market to have a better picture of the overall risk position of the Bank. As per RBI guidelines on composition of Capital Disclosures Requirement dated May 28, 2013, Pillar III disclosures have become effective from July 01, 2013. Banks are required to make the following disclosures on quarterly basis.

i. Capital Adequacy (Table, DF -2)
ii. Credit Risk : General Disclosures (DF -3) and
iii. Disclosures for portfolio (DF-4)

Disclosures for the quarter ended June 30, 2017 are as under:

1. Scope of Application and Capital Adequacy

Capital Adequacy (Table DF -2)

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.

The Standalone Capital requirement as on June 30, 2017 is as below:

Capital requirement	
Credit Risk Capital:	
Portfolios subject to standardised approach	226,296.77
Securitisation	204.20
Market Risk Capital:	
Standardised duration approach	16,341.20

Interest Rate Risk	*8,263.10*
Foreign exchange Risk (including Gold)	*270.00*
Equity Risk	*7808.10*
Operational Risk Capital:	
Basic indicator approach	15,659.62
Total Minimum Capital required	258,501.78
Actual CRAR position as on June 30, 2017 (Percentage)	
Common Equity Tier 1, Tier 1 and Total capital ratio:	
CET 1 (%)	5.710%
Tier 1 (%)	7.976%
Total (%)	10.923%

The Consolidated Capital requirement as on June 30, 2017 is as below:

(Amt. in ₹Million)

Capital requirement	
Credit Risk Capital:	
Portfolios subject to standardised approach	226,749.31
Securitisation	204.20
Market Risk Capital:	
Standardised duration approach	16,341.20
Interest Rate Risk	*8,263.10*
Foreign exchange Risk (including Gold)	*270.00*
Equity Risk	*7,808.10*
Operational Risk Capital:	
Basic indicator approach	15,799.90
Total Minimum Capital required	259,094.61

Actual CRAR position as on June 30, 2017 (Percentage)	
Common Equity Tier 1, Tier 1 and Total capital ratio:	
CET 1 (%)	5.831%
Tier 1 (%)	8.092%
Total (%)	11.032%

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 result of the exercise is reported to the suitable board level committee(s).

2. Risk exposure and assessment

Table DF-3: 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. To counter the effect of credit risks faced by the Bank, a 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:

Credit risk rating, used by the Bank is one of the key tools for assessing its credit proposals. All credit proposals are evaluated / rated through appropriate rating/ scoring models depending upon the type and quantum of assistance.

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. Minimum acceptable rating standards have been put in place for sanction of credit proposals. Proposals over a certain threshold amount are rated centrally by rating analysts of the Bank. Suitable committee based approaches followed to validate the internal credit ratings. Rating of the retail products are guided by the individual retail product paper guidelines and each proposal is appraised through a scoring model. Rating grades are taken into consideration in the lending decision process and also act as one of the inputs for pricing of fund based/ non fund based facilities. Risk concerns outlined in the rating rationale are important inputs for credit decisions and subsequent credit monitoring.

An internal Credit audit process is in place in the Bank, 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.

The Disclosures of Credit Risk DF – 3 are as under:

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*	2,663,271.34	1,370,755.80	4,034,027.14
Domestic	2,376,370.10	1,349,827.27	3,726,197.37
Overseas	286,901.24	20,928.53	307,829.77

* 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	229,506.82	3,029.69	232,536.51
All Engineering	123,096.45	166,147.98	289,244.43
Aviation	6,625.10	9,497.24	16,122.34
Basic Metal and Metal Products	173,737.17	150,314.37	324,051.54
Beverages (excluding Tea & Coffee) and Tobacco	7,611.66	309.91	7,921.57
Cement and Cement Products	33,844.47	6,786.83	40,631.29
Chemicals and Chemical Products	144,747.94	107,893.45	252,641.40
Commercial Real Estate	38,355.67	5,319.94	43,675.61
Computer Software	5,376.63	7,587.90	12,964.54
Construction	51,042.92	70,427.02	121,469.94

Consumer Durables	76.20	0.16	76.36
Education Loans	14,006.15	271.97	14,278.12
Food Processing	92,854.10	23,043.69	115,897.79
Gems and Jewellery	24,959.15	27,267.18	52,226.33
Glass & Glassware	1,434.74	32.15	1,466.89
Housing Loans (Incl priority sector housing)	298,295.23	63.65	298,358.88
Infrastructure	603,201.52	385,375.85	988,577.37
Leather and Leather products	1,720.74	46.00	1,766.74
Mining and Quarrying	75,484.05	78,883.43	154,367.47
NBFCs	136,832.19	22,361.14	159,193.33
Other Industries	6,165.47	4,333.59	10,499.05
Other Retail Loans	39,239.31	1,804.31	41,043.62
Other Services	88,597.98	78,005.00	166,602.98
Paper and Paper Products	26,266.46	3,683.12	29,949.59
Professional services	6,072.59	311.05	6,383.64
Residuary other advances	21,215.19	125,134.81	146,350.00
Rubber Plastic and their Products	32,343.30	7,910.04	40,253.35
Textiles	85,972.55	18,746.12	104,718.68
Tourism Hotel and Restaurants	2,703.87	708.43	3,412.30
Trade	192,186.87	36,192.97	228,379.84
Transport Operators	9,812.89	2,763.09	12,575.98
Vehical/ Auto Loans	10,759.33	32.98	10,792.30
Vehicles Vehicle Parts and Transport Equipments	75,321.96	25,411.26	100,733.21
Wood and Wood Products	3,804.66	1,059.49	4,864.15
Gross Credit Exposure	**2,663,271.34**	**1,370,755.80**	**4,034,027.14**

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

(Amt. in ₹Million)

Industry Name	Fund Based	Non Fund Based	Total	%
Infrastructure	603,201.52	385,375.85	988,577.37	24.51%
Basic Metal and Metal Products	173,737.17	150,314.37	324,051.54	8.03%
Housing Loans (Incl. priority sector housing)	298,295.23	63.65	298,358.88	7.40%
All Engineering	123,096.45	166,147.98	289,244.43	7.17%
Chemicals and Chemical Products (Dyes, Paints, etc.	144,747.94	107,893.45	252,641.40	6.26%
Agriculture & Allied Activities	229,506.82	3,029.69	232,536.51	5.76%
General Trade	192,186.87	36,192.97	228,379.84	5.66%
Total Credit Exposure	**1,764,772.00**	**849,017.97**	**2,613,789.96**	

d. Residual contractual maturity breakdown of assets:

(Amt. in ₹ Millions)

Maturity Buckets	**Assets**				
	Cash & Balances with RBI and Other Banks	Investments	Advances	Fixed Assets & Other Assets	Total Assets
Day 1	34,175.58	115,446.01	11,783.59	3,572.02	164,977.20
2 to 7 days	17,775.27	65,018.63	22,010.10	284.97	105,088.97
8 to 14 days	2,024.68	58.54	18,186.53	4,090.24	24,359.99
15 to 30 days	1,532.83	723.91	18,552.46	4,503.21	25,312.41
31 days & upto 2 months	3,829.41	4,271.66	37,643.02	16,324.11	62,068.20
Over 2 months & upto 3 months	3,465.65	1,803.64	28,209.52	11,946.08	45,424.89
Over 3 months & upto 6 months	11,609.58	9,075.66	99,721.34	15,454.43	135,861.01
Over 6 months & upto 1 year	19,273.96	26,374.24	109,744.11	14,378.68	169,770.99
Over 1 year & upto 3 years	37,710.67	115,901.89	623,209.86	24,871.17	801,693.59

Over 3 years & upto 5 years	6,631.57	46,287.84	246,717.21	187,071.44	486,708.06
Over 5 yrs	15,047.38	489,991.29	656,885.49	182,873.04	1,344,797.20
Total	153,076.58	874,953.31	1,872,663.23	465,369.39	3,366,062.51

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

(Amt. in ₹ Millions)

Particulars	**As on June 30, 2017**
Gross Advances	2,080,851.60
Net Advances	1,872,663.20
Gross NPA as on	*501,731.90*
a. Substandard	*132,712.30*
b. Doubtful 1	*155,800.00*
c. Doubtful 2	*184,423.90*
d. Doubtful 3	*18,356.00*
e. Loss	*10,439.70*
Particulars	**As on June 30, 2017**
NPA Provision*	205,414.30
Net NPA	295,798.00
NPA Ratios	
Gross NPAs to Gross Advances (%)	24.11%
Net NPAs to Net Advances (%)	15.80%

*Provision amount does not include NPV loss on NPA asset of. ₹ 519.70 Million

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

(Amt. in ₹ Millions)

Particulars (NPA Gross)	
Opening Balance as on April 01, 2017	447,525.90
Additions	83,639.00
Write Offs	8,250.30
Reductions	21,182.70
Closing Balances as on June 30, 2017	501,731.90

g. Movement of Specific & General NPA Provisions#:

(Amt. in ₹ Millions)

Particulars	Specific Provisions*
Opening Balance, as on April 01, 2017	194,845.90
Add : Provision made during the period	26,546.30
Less : Transfer to Countercyclical Provisional Buffer	0.00
Less : Write offs	8,250.30
Less : Write Back of excess provision	7,727.60
Closing Balances, as on June 30, 2017	205,414.30

*Provision amount does not include NPV loss on NPA asset of. ₹ 519.70 Million

 # 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	
Amount of Non-performing Investments (NPI)	18,662.13
Amount of provisions held for Non-performing Investments	14,192.72

j. Movement of provisions for depreciation on investments as on June 30, 2017

(Amt. in ₹ Millions)

Particulars	
Opening Balance, as on April 01, 2017	27,820.71
Provisions made during the period	3,744.94
Write offs / Write Back of excess provisions	851.86
Closing Balance, as on June 30, 2017	30,713.79

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

(Amt. in ₹ Millions)

Particulars	As on June 30, 2017		
	Domestic	Overseas	Total
Gross NPA	434,219.70	67,512.20	501,731.90
Provision for NPA	182,445.54	22,968.76	205,414.30

 # General NPA Provisions: - NIL

l. Break-up of NPAs and Specific Provisions (NPA) in Major Industries* –as on June 30, 2017

(Amt. in ₹ Millions)

	Gross NPA	Specific Provision(NPA)
NPAs and Specific Provisions in Top 5 Industries	273,447.41	109,764.02

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

m. Break-up of Specific Provisions (NPA) & Write-off in Major Industries during the current period– For period ended June 30, 2017

(Amt. in ₹ Millions)

	Specific Provision(NPA)	Write-Offs
Specific Provisions in Top 5 Industries	10,670.45	169.87

* 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 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%	2,323,676.89
At 100%	830,184.00
More than 100%	511,699.73
Deduction from Capital	310.98
Total	3,665,871.59

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, 2017
1	Tier –I Capital	209,534
2	Exposure Measure	4,109,280
3	Basel III Leverage Ratio	5.10%

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