IDBI Bank Ltd.

Consolidated Pillar III Disclosures (December 31, 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 andliquidity 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 December 31, 2015 is as below:

CRAR %	Basel III (Standalone)
CET 1 (%)	7.84%
Tier 1 (%)	8.71%
Total (%)	**13.00%**

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 conditionsto 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 December 31, 2015 is as follows:

(Amt. in `Million)

Capital requirement	
Credit Risk Capital:	
Portfolios subject to standardised approach	226,845
Securitisation	1,526
Market Risk Capital:	
Standardised duration approach	19,391
Interest Rate Risk	8,753
Foreign exchange Risk (including Gold)	450
Equity Risk	10,188
Operational Risk Capital:	
Basic indicator approach	13,073
Total Minimum Capital required	260,835
(Percentage)	
Common Equity Tier 1, Tier 1 and Total capital ratio:	
CET 1 (%)	7.91%
Tier 1 (%)	8.79%
Total (%)	13.09%

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 committeebased approachis 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*	**2,888,346**	**1,497,531**	**4,385,877**
Domestic	2,596,898	1,478,809	4,075,707
Overseas	291,448	18,722	310,170

* 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
Advances to individuals against shares bonds	232	-	232
Agriculture & Allied Activities	206,020	3,391	209,411
All Engineering	105,298	151,161	256,459
Aviation	13,237	11,534	24,771
Basic Metal and Metal Products	174,701	125,468	300,169
Beverages (excluding Tea & Coffee) and Tobacco	9,224	218	9,442

Cement and Cement Products	62,207	5,644	67,851
Chemicals and Chemical Products	119,235	60,186	179,421
Commercial Real Estate	22,015	5,517	27,531
Computer Software	8,629	12,412	21,041
Construction	42,316	64,831	107,147
Consumer Durables	114	0	114
Credit Card Receivables	4	-	4
Education Loans	18,112	6	18,118
Food Processing	94,486	22,561	117,047
Gems and Jewellery	39,611	22,731	62,342
Glass & Glassware	2,336	11	2,346
Housing Loans (Incl priority sector housing)	283,564	74	283,638
Infrastructure	684,753	360,253	1,045,006
Leather and Leather products	5,529	281	5,809
Mining and Quarrying	102,188	41,219	143,407
NBFCs	133,478	12,066	145,543
Other Industries	25,761	5,401	31,163
Other Retail Loans	54,492	1	54,493
Other Services	157,727	52,605	210,332
Paper and Paper Products	23,079	5,655	28,734
Petroleum Coal Products and Nuclear Fuels	44,224	1,626	45,850
Professional services	5,764	35	5,798
Rubber Plastic and their Products	38,830	9,827	48,657
Shipping	11,823	148	11,971
Textiles	80,899	15,611	96,510

Tourism Hotel and Restaurants	2,416	457	2,873
Trade	143,806	42,602	186,409
Transport Operators	27,893	3,323	31,216
Vehical/ Auto Loans	8,649	18	8,666
Vehicles Vehicle Parts and Transport Equipments	64,419	38,207	102,626
Wood and Wood Products	4,360	61	4,421
Residuary other advances	66,916	422,392	489,308
Gross Credit Exposure	2,888,346	1,497,531	4,385,877

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

(Amt. in `Million)

Industry Name	Fund Based	Non Fund Based	Total	%
Infrastructure	684,753	360,253	1,045,006	23.83
Basic Metal and Metal Products	174,701	125,468	300,169	6.84
Housing Loans (Incl. priority sector housing)	283,564	74	283,638	6.47
All Engineering	105,298	151,161	256,459	5.85

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	44,189.30	95,688.10	16,843.40	1,845.10	158,565.90
2 to 7 days	7,260.30	55,184.80	24,252.40	415.90	87,113.40
8 to 14 days	1,392.60	10.30	18,034.60	2,140.70	21,578.20

15 to 28 days	2,573.50	840.40	14,053.50	7,941.40	25,408.80
29 days & upto 3 months	10,054.20	4,897.00	116,241.50	77,798.90	208,991.60
Over 3 months & upto 6 months	16,257.30	15,348.40	83,608.50	8,377.70	123,591.90
Over 6 months & upto 1 year	18,852.40	13,802.70	117,255.80	43,605.80	193,516.70
Over 1 year & upto 3 years	24,525.40	63,396.90	829,284.80	21,020.90	938,228.00
Over 3 years & upto 5 years	6,421.30	135,350.50	276,805.90	115,850.10	534,427.80
Over 5 yrs	11,759.45	390,999.21	592,856.85	97,857.16	1,093,472.67
Total	**143,285.75**	**775,518.31**	**2,089,237.25**	**376,853.66**	**3,384,894.97**

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

(Amt. in ` Millions)

Particulars	**As on December 31, 2015**
Gross Advances	2193934
Net Advances	2089237
Gross NPA as on	196152
a. Substandard	49066
b. Doubtful 1	66853
c. Doubtful 2	58198
d. Doubtful 3	16676
e. Loss	5358
Particulars	**As on December 31, 2015**
NPA Provision*	99577
Net NPA	96128
NPA Ratios	
Gross NPAs to Gross Advances (%)	8.94%
Net NPAs to Net Advances (%)	4.60%

*Provision amount does not include NPV loss on NPA asset of Rs.44.70 Crore

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

(Amt. in ` Millions)

Particulars (NPA Gross)	As on December 31, 2015
Opening Balance	126849
Additions	88261
Write Offs	12091
Reductions	6868
Closing Balances	196152

g. Movement of Specific & General NPA Provisions#:

(Amt. in ` Millions)

Particulars	As on December 31, 2015
	Specific Provisions*
Opening Balance	66340
Add : Provision made during the period	48642
Less : Transfer to Countercyclical Provisional Buffer	0
Less : Write offs	12091
Less : Write Back of excess provision	3314
Closing Balances	99577

*Provision amount does not include NPV loss on NPA asset of Rs.44.70 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 December 31, 2015

(Amt. in ` Millions)

Particulars	As on June 30, 2015
Amount of Non-performing Investments (NPI)	10106
Amount of provisions held for Non-performing Investments	6516

j. Movement of provisions for depreciation on investments as on December 31, 2015

(Amt. in ` Millions)

Particulars	As on December 31, 2015
Opening Balance	14 ,567
Provisions made during the period	3 ,316
Write offs / Write Back of excess provisions	2 ,864

Closing Balance	15,018

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

(Amt. in ` Millions)

Particulars	**As on December 31, 2015**		
	Domestic	**Overseas**	**Total**
Gross NPA	170,102	26,049	196,152
Provision for NPA	93,698	6,326	100,024

 # General NPA Provisions:- NIL

l.Break-up of NPAs and Specific Provisions (NPA) in Major Industries* –as on December 31, 2015

(Amt. in ` Millions)

	Gross NPA	**Specific Provision(NPA)**
NPAs and Specific Provisions in Top 5 Industries	85,358	41301

* 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 December 31, 2015

(Amt. in ` Millions)

	Specific Provision(NPA)	**Write-Offs**
Specific Provisions in Top 5 Industries	11,606	1,333

* 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%	2,198,023.62
At 100%	965,802.28
More than 100%	640,962.05
Deduction from Capital	310.98
Total	3,805,098.93

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 Dec 31, 2015
1	Tier –I Capital	258,779
2	Exposure Measure	4,249,413
3	Basel III Leverage Ratio	6.10%

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