

IDBI Bank Ltd.

Pillar III Disclosures (December 31, 2021)

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, 2021, is as given below:

Capital Adequacy Ratios	
CET 1	14.13%
Tier 1	14.13%
Tier 2	02.62%
CRAR	16.75%

Risk exposure & Assessment

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 understand the impact of further increase in Gross NPA, crystallization of NFB facilities of NPA and Technically Written Off accounts and illiquid securities on capital 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, 2021 is as under:

(Amt. in ₹ Crore)

Capital requirement	
Credit Risk Capital:	
Portfolios subject to standardised approach	10,840.78
Securitisation	0.00
Market Risk Capital:	
Standardised duration approach	899.58
<i>Interest Rate Risk</i>	384.19
<i>Foreign exchange Risk (including Gold)</i>	36.00
<i>Equity Risk</i>	479.21
<i>On derivatives (FX Options)</i>	0.18
Operational Risk Capital:	
Basic indicator approach	1,615.97
Total Minimum Capital required excluding CCB	13,356.33
Common Equity Tier 1, Tier 1 and Total capital ratio:	
CET 1	14.30%
Tier 1	14.30%
Tier 2	02.60%
Total(Tier 1 + Tier 2)	16.90%

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 risk 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. The policy document lays down broad approaches and guidance for lending to different business segment, besides guidance on credit process, credit risk management, control and monitoring with emphasis on maintaining asset quality as well as risk adjusted return. The policy also addresses more granular factors such as diversification of the portfolio across counter parties, 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 for 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. In line with regulatory guidelines, the Bank also computes exposure under Large Exposure Framework (LEF) following the net accounting method.

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. Bank has extended the regulatory dispensations allowed under Covid relief package to its borrowers to minimize the stress which emanated from pandemic.

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 i.interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan and the account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC). An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power for 90 days. 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 should be 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,
- the instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- the instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
- the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021.
- in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.
- In case of interest payments, banks should, classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter

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 a period of 12 months. A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly.

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 and Non-fund based

(Amt. in ₹ Crore)

Particulars	Fund Based	Non Fund Based	Total
Domestic	1,71,937.87	83,793.62	2,55,731.48
Overseas	6,553.49	Nil	6,553.49
Total Gross Credit Exposures*	1,78,491.36	83,793.62	2,62,284.98

* Credit Exposure excludes the Investment

d. Industry type distribution of Gross credit exposures: Fund and Non-fund based :

(Amt. in ₹ Crore)

Industry	FB Credit Exposure	NFB Credit Exposure	Total Credit Exposure*
Agriculture & Allied Activities	24,346.70	208.38	24,555.08
Transport Operators	580.50	92.20	672.70
Computer Software	367.23	418.89	786.12
Tourism, Hotel and Resturants	995.63	29.95	1,025.59
Shipping	68.50	142.69	211.19
Professional services	1,708.04	352.81	2,060.85
Trade	13,628.66	1,987.54	15,616.21
Commercial Real Estate	1,365.99	281.48	1,647.47
NBFCs	5,275.84	1,342.29	6,618.13
Other Services	2,517.64	3,580.59	6,098.23
Housing Loans (Incl priority sector housing)	51,868.04	6.92	51,874.96
Consumer Durables	7.50	0.02	7.52
Credit Card Receivables	251.12	1.56	252.68
Vehical/Auto Loans	1,605.94	23.33	1,629.27

Industry	FB Credit Exposure	NFB Credit Exposure	Total Credit Exposure*
Education Loans	1,377.17	0.26	1,377.43
Advances against Fixed Deposits (incl. FCNR(B), etc.)	3.35	0.00	3.35
Other Retail Loans	1,989.61	96.94	2,086.55
Mining and Quarrying	6,135.24	1,918.49	8,053.74
Food Processing	3,568.40	459.11	4,027.52
Beverages (excluding Tea & Coffee) and Tobacco	180.96	17.13	198.09
Textiles	3,495.04	921.70	4,416.74
Leather and Leather products	105.92	25.12	131.04
Wood and Wood Products	57.52	2.35	59.87
Paper and Paper Products	906.39	459.63	1,366.02
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	1,035.06	2,723.73	3,758.79
Chemicals and Chemical Products (Dyes, Paints, etc.)	6,110.70	3,867.66	9,978.36
Rubber, Plastic and their Products	1,226.78	495.61	1,722.39
Glass & Glassware	41.92	3.80	45.72
Cement and Cement Products	1,284.69	823.61	2,108.30
Basic Metal and Metal Products	5,741.03	8,760.65	14,501.68
All Engineering	6,658.16	9,787.56	16,445.71
Vehicles, Vehicle Parts and Transport Equipments	847.59	1,349.89	2,197.48
Gems and Jewellery	1,903.38	35.83	1,939.21
Construction	4,159.36	1,277.13	5,436.49
Residuary other advances (to tally with gross advances)	2,654.44	11,065.78	13,720.22

Industry	FB Credit Exposure	NFB Credit Exposure	Total Credit Exposure*
Infrastructure	23,874.48	31,114.60	54,989.08
Other Industries	546.81	118.40	665.21
Total	1,78,491.36	83,793.62	2,62,284.98

* Credit Exposure excludes the Investment

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

Industry Name	(Amt. in ₹ Crore)			
	Fund Based	Non Fund Based	Total	%
Infrastructure	23,874.48	31,114.60	54,989.08	20.97%
Housing Loans (Incl. priority sector housing)	51,868.04	6.92	51,874.96	19.78%
Agriculture & Allied Activities	24,346.70	208.38	24,555.08	9.36%
All Engineering	6,658.16	9,787.56	16,445.71	6.27%
Trade	13,628.66	1,987.54	15,616.21	5.95%
Basic Metal and Metal Products	5,741.03	8,760.65	14,501.68	5.53%

* Credit Exposure excludes the Investment

e. Residual contractual maturity breakdown of assets:

(Amt. in ₹ Crore)

Maturity Buckets	Assets as on December 31, 2021				
	Cash & Balances with RBI and Other Banks	Investments	Advances	Fixed Assets & Other Assets	Total Assets
Day 1	6,863.81	21,432.03	790.38	0.76	29,086.98
2 to 7 days	7,498.21	7,919.23	795.98	18.38	16,231.80
8 to 14 days	248.60	759.57	1,084.73	5.33	2,098.23
15 to 30 days	1,852.90	782.81	9,395.69	1,799.07	13,830.47
31 days & upto 2 months	5,452.67	1,378.79	2,369.97	444.20	9,645.62
Over 2 months & upto 3 months	3,358.07	1,702.24	4,162.87	96.47	9,319.65
Over 3 months & upto 6 months	1,054.05	4,868.91	4,215.63	702.14	10,840.73
Over 6 months & upto 1 year	1,398.11	6,658.06	9,230.16	2,162.84	19,449.18
Over 1 year & upto 3 years	4,751.48	18,264.83	42,481.71	3,016.53	68,514.55

Maturity Buckets	Assets as on December 31, 2021				
	Cash & Balances with RBI and Other Banks	Investments	Advances	Fixed Assets & Other Assets	Total Assets
Over 3 years & upto 5 years	387.21	4,309.39	11,110.96	23,584.84	39,392.39
Over 5 yrs	143.51	10,225.13	49,333.71	13,137.13	72,839.48
Total	33,008.62	78,301.01	1,34,971.79	44,967.68	2,91,249.09

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

(Amt. in ₹ Crore)

Particulars	
Gross Advances	1,67,317.46
Net Advances	1,34,971.79
Gross NPA as on December 31, 2021	
<i>a. Substandard</i>	1,510.73
<i>b. Doubtful 1</i>	1,728.36
<i>c. Doubtful 2</i>	4,196.36
<i>d. Doubtful 3</i>	9,676.66
<i>e. Loss</i>	17,293.27
Total	34,405.38
NPA Provision*	32,116.10
Net NPA	2,289.27
NPA Ratios	
Gross NPAs to Gross Advances (%)	20.56%
Net NPAs to Net Advances (%)	1.70%

*Including NPV Loss on NPA , ICA Provision and NCLT.

i. Movement of Non-Performing Assets (NPA):**(Amt. in ₹ Crore)**

Particulars (NPA Gross)	As on December 31, 2021
Opening Balance as on October 01, 2021	34,407.79
Additions	1,840.87
Write Offs	1,313.42
Reductions	529.88
Closing Balances	34,405.37

j. a) Movement of Specific NPA Provisions:**(Amt in ₹ crore)**

Particulars	As December 31, 2021
	Specific Provisions*
Opening Balance as on October 01, 2021	32,275.41
Add : Provision made during the period	1,380.48
Less : Transfer to Countercyclical Provisional Buffer	0.00
Less : Write offs	1,313.42
Less : Write Back of excess provision	226.37
Closing Balances	32,116.10

*Including NPV Loss on NPA , ICA Provision and NCLT.

b) Movement of General Provisions:**(Amt. in ₹ Crore)**

Particulars	As December 31, 2021
	General Provisions
Opening Balance as on October 01, 2021	1,298.96
Add : Provision made during the period	20.74
Less : Transfer to Countercyclical Provisional Buffer	0
Less : Write offs	0
Less : Write Back of excess provision	
Closing Balances	1,319.70

Write-offs and recoveries that have been booked directly to the income statement is ₹ 308.39 Cr. for December 31, 2021 quarter.

k & l. Position of Non-Performing Investments (NPI) as on December 31, 2021**(Amt. in ₹ Crore)**

Particulars	As on December 31, 2021
Amount of Non-performing Investments (NPI)	1,419.18
Amount of provisions held for Non-performing Investments	1,382.58

m. Movement of provisions for depreciation on investments (Q2Q)**(Amt. in ₹ Crore)**

Particulars	As on December 31, 2021
Opening Balance as on October 01, 2021	5,314.81
Provisions made during the period	111.52
Write offs / Write Back of excess provisions	38.62
Closing Balance	5,387.71

n. By major industry wise NPA, Specific Provisions & Write-Offs ***(Amt. in ₹ Crore)**

Particulars	As of December 31, 2021		During the current Period	
	Gross NPA	Specific Provision (NPA)	Specific Provision (NPA)	Write-Offs
NPAs and Specific Provisions in Top 5 Industries	20,584.63	20,223.36	Nil	749.18

* Industries identified based on Gross Credit Exposure to Industries.

o. a) Geography based position of NPA & Specific Provision break-up:**(Amt. in ₹ Crore)**

Particulars	As on December 31, 2021		
	Domestic	Overseas	Total
Gross NPA	30,563.27	3,842.10	34,405.37
Specific Provision for NPA	28,274.00	3,842.10	32,116.10

b) Geography based position General Provision break-up:**(Amt. in ₹ Crore)**

Particulars	As on December 31, 2021		
	Domestic	Overseas	Total
General Provision	1,310.53	9.17	1,319.70

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 there are two ratings, attracting different risk weights, the higher risk weight are applied. In case of three or more ratings, the rating with second lowest risk weight 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 ₹ Crore)

Risk Weight	Net Exposure
Less than 100%	2,37,645.11
At 100%	38,462.72
More than 100%	15,951.76
Deduction from Capital	46.10
Total	2,92,105.69

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 is given below:

(Amt. in Rs. Crore)

Sr.No	Item	As on December 31, 2021 (Conso.)	As on December 31, 2021 (Solo)
1	Tier –I Capital	21,718.56	21,358.89
2	Total Exposure as per Leverage Ratio	3,35,524.60	3,34,754.54
3	Basel III Leverage Ratio	6.47%	6.38%
