

IndusInd Bank

DISCLOSURES UNDER BASEL III CAPITAL REGULATIONS – 31st December 2020

DF-2: Capital Adequacy

Applicable Regulations:

The Basel III capital regulation has been implemented from April 1, 2013 in India in phases. The Basel III Capital Regulations have been consolidated in Master Circular – Basel III Capital Regulations vide circular No. DBR.No.BP.BC.1/21.06.201/2015-16 dated July 1, 2015 and clarifications and amendments thereto issued from time to time. As per Basel III Capital Regulations, the CCB was to be implemented in tranches of 0.625 per cent and the transition to full CCB of 2.5 per cent was set to be completed by March 31, 2019. The implementation of the last tranche of 0.625 per cent of the CCB was earlier deferred from March 31, 2019 to March 31, 2020. Considering the potential stress on account of COVID-19, RBI has further deferred the implementation of the last tranche of 0.625 per cent to March 31, 2021.

Basel III Capital Regulations:

Basel III Capital regulations continue to be based on three-mutually reinforcing pillars, viz., minimum capital requirements, supervisory review of capital adequacy, and market discipline. This circular also prescribes the risk weights for the balance sheet assets, non-funded items and other off-balance sheet exposures and the minimum capital funds to be maintained as ratio to the aggregate of the risk weighted assets and other exposures, as also, capital requirements in the trading book, on an ongoing basis and operational risk.

These guidelines also incorporate instructions regarding the components of capital and capital charge required to be provided for by the banks for credit, market and operational risks. It deals with providing explicit capital charge for credit and market risk and addresses the issues involved in computing capital charges for interest rate related instruments in the trading book, equities in the trading book and foreign exchange risk (including gold and other precious metals) in both trading and banking books. Trading book for the purpose of these guidelines includes securities under the Held for Trading category, Available For Sale category, open gold position limits, open foreign exchange position limits, trading positions in derivatives, and derivatives entered into for hedging trading book exposures.

Basel III capital regulations have been implemented in India with effect from April 1, 2013. In order to ensure smooth migration to Basel III without aggravating any near term stress, appropriate transitional arrangements were made. The transitional arrangements for capital ratios began as on April 01, 2013. However, the phasing out of non-Basel III compliant regulatory capital instruments began as on January 01, 2013. Capital ratios and deductions from Common Equity will be fully phased-in and is presently scheduled for implementation with effect from March 31, 2021.

Minimum capital requirements:

The Bank is subject to the capital adequacy guidelines laid down by Reserve Bank of India, which are based on the framework of the Basel Committee on Banking Supervision. As per Basel III Capital Regulations, the Bank is required to maintain a minimum Capital to Risk Weighted Assets (CRAR) of 10.875% (including Capital Conversion Buffer of 1.875%). The Basel III Capital Regulations are implemented effective from April 1, 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the period ended December 31, 2020 is 10.875% with minimum Common Equity Tier 1 (CET1) of 7.375% (including CCB).

Besides computing CRAR under the Pillar I requirement, the Bank also periodically undertakes stress testing in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, interest rate, derivatives and forex on its profitability and capital adequacy.

The assessment of future capital needs is effectively done based on the business projections, asset mix, operating environment, growth outlook, new business avenues, regulatory changes and risk and return profile of the business segments. The future capital requirement is assessed by taking cognizance of all the risk elements viz. Credit, Market and Operational risk and mapping these to the respective business segments.

Summary of Capital requirements for Credit Risk, Market Risk and Operational Risk as on December 31, 2020 are mentioned below:

Risk Type	Rs in mio
Capital requirements for Credit Risk	206,096
Portfolio Subject to Standardized approach	206,096
Securitization exposures	-
Capital requirements for Market Risk	7,294
Standardized Duration Approach	
Interest Rate Risk	4,189
Foreign Exchange Risk (including gold)	304
Equity Risk	2,801
Capital requirements for Operational Risk	25,518
Basic Indicator Approach	25,518
Minimum Capital requirements at 9%	238,908
Minimum CRAR + CCB at 10.875%	288,680
Total Capital Funds	433,702
CRAR #	16.34%

including exposure at IFSC Banking Unit (GIFT City)

Organisation Structure:

Integrated Risk Management: Objectives and Organization Structure

The Bank has established an Enterprise-wide Risk Management Department, independent of the Business segments, responsible for Bank-wide risk management covering Credit risk, Market risk (including ALM) and Operational risk. The Risk Management Department focuses on identification, measurement, monitoring and controlling of risks across various segments. The Bank has been progressively adopting the best International practices so as to continually reinforce its Risk Management functions.

Organisation Structure:

Set-up of Risk Management Department is hereunder:



Separate Committees, as specified below, are set up to manage and control various risks:

- Risk Management Committee (RMC)
- Credit Risk Management Committee (CRMC)
- Market Risk Management Committee (MRMC)
- Asset Liability Management Committee (ALCO)
- Operational Risk Management Committee (ORMC)

Bank has articulated various risk policies which specify the risks, controls and measurement techniques. The policies are framed keeping risk appetite as the central objective. Against this background, the Bank identifies a number of key risk components. For each of these components, the Bank determines a target that represents the Bank's perception of the component in question.

The risk policies are vetted by the sub-committees, viz. CRMC, MRMC, ALCO, ORMC, etc. and are put forth to RMC, which is a sub-committee of the Board. Upon vetting of the policies by RMC, the same are placed for the approval of the Board and implemented.

Bank has put in place a comprehensive policy on ICAAP, which presents a holistic view of the material risks faced, control environment, risk management processes, risk measurement techniques, capital adequacy and capital planning.

Policies are periodically reviewed and revised to address the changes in the economy / banking sector and Bank's risk profile. Monitoring of various risks is undertaken at periodic intervals and a report is submitted to Top Management / Board.

Credit Risk

Bank manages credit risk comprehensively; both at Transaction level and at Portfolio level. Some of the major initiatives taken are listed below :

- Bank uses a robust Risk rating framework for evaluating credit risk of the borrowers. The Bank uses segment-specific rating models that are aligned to target segment of the borrowers.
- Risks on various counter-parties such as corporates, banks, are monitored through counter-party exposure limits, also governed by country risk exposure limits in case of international trades.
- Bank manages risk at the portfolio level too, with portfolio level prudential exposure limits to mitigate concentration risk.
- Bank has a well-diversified portfolio across various industries and segments, as illustrated by the following data.
 - o Retail and schematic exposures (which provide wider diversification benefits) account for as much as 59% of the total fund-based advances.
 - o Bank's corporate exposure is fully diversified over 85 industries, thus insulated/minimised from individual industry cycles.

Above initiatives support qualitative business growth while managing inherent risks within the risk appetite.

Market Risk

Key sources of Market Risk are Liquidity Risk, Interest Rate Risk, Price Risk and Foreign Exchange Risk. Bank has implemented state-of-the-art Treasury and Market Risk Management systems that support robust risk management capabilities and facilitates Straight-through Processing.

Market Risk is effectively managed through comprehensive framework which supports various measures such as Mark-to-Market, Sensitivity analysis, Value-at-Risk, Back testing, Stress Testing and monitoring through operational limits such as stop-loss limits, exposure limits, deal-size limits, PV position limits, etc. Market risk measurement and monitoring is governed through a comprehensive Market Risk Management Policy.

Market Risk Management Committee are convened on a periodic basis wherein detailed discussion on the Market movements and outstanding Treasury portfolio and the risk associated with it are deliberated.

Asset Liability Management (ALM)

Bank's ALM system supports effective management of liquidity risk and interest rate risk, covering 100% of its assets and liabilities.

- Liquidity Risk is monitored through Structural Liquidity Gaps, Dynamic Liquidity position, Liquidity Coverage Ratios, Liquidity Ratios analysis and Behavioural analysis, with prudential limits for negative gaps in various time buckets.
- Interest Rate Sensitivity is monitored on Earning perspective and Economic Value perspective through prudential limits for Rate Sensitive Gaps, Modified Duration and other risk parameters.
- Interest Rate Risk on the Investment portfolio is monitored through Value at Risk and Risk Sensitivities on a daily basis. Optimum risk is assumed through duration, to balance between risk containment and profit generation from market movements.

ALCO meetings are convened frequently wherein detailed analysis are presented on liquidity position, interest rate risks, product mix, business growth v/s budgets, interest rate outlook, which helps to review the business strategies regularly and undertake new initiatives.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. The Operational Risk Management Policy documents the Bank's approach towards management of operational risk and defines roles and responsibilities of various stakeholders within the Bank. Based on this Policy, the Bank has initiated several measures to manage Operational Risk. The Bank has put in place a structure to effectively manage operational risk through the formation of several internal committees viz. Operational Risk Management Committee, Sub-ORMC, Fraud Risk Management Committee, BCP Steering Committee.

Bank has implemented various Operational Risk management tools such as Risk and Control Self-Assessment (RCSA), KRIs monitoring and Loss Data collection (Basel 8X7 matrix) including Near Miss Events. Bank assesses each new Product and Process enhancements under Operational Risk Assessment Process (ORAP) framework.

The Bank has adopted Business Continuity Policy wherein critical processes other enablers like applications / systems have been identified, recovery plans has been put in place for these critical processes and applications / systems to ensure timely recovery of the Bank's critical operations and services in the event of any crisis event. Regular mock drills are carried out to ascertain BCP preparedness. Business Continuity Steering Management Committee comprising of senior functionaries of the Bank monitors BCM framework implementation in the Bank.

As per the RBI guidelines, the Bank is following the Basic Indicator Approach for computing capital for Operational Risk.

Systems Risk

The Bank's Information Security Policy provides the security framework upon which all subsequent security efforts are based, and to guide the development and maintenance of a comprehensive information security program. It deals with security of information in various forms like spoken, written, printed and electronic or any other medium and handling of information in terms of creation, viewing, transportation, storage or destruction. It contains the principles that direct managerial decision making and facilitates secure business operations. It is designed to enable management of the Bank to ensure the security of information assets and maintain accountability. It also defines the appropriate and authorized behaviour

for personnel approved to use the Bank's information assets. The policies and procedures are built around the following principles:

- Treat Information Security Risk in line with Business, Regulatory and Legal requirements;
- Ensure Availability, Integrity, Confidentiality of Information, establish Accountability and provide Assurance;
- Focus on People, Process and Technology for implementation;
- Apply least privilege, need to know / use principles;
- Promote Information Security Awareness to create security-aware culture within employees, contractors, third parties and customers;
- Deal with exceptions and violations appropriately;
- Focus on Information Security Governance, Assurance and Evolution to ensure suitability, adequacy and effectiveness;
- Participation of security team during initial stages of system acquisition and development;
- Structured approach towards Information Security Awareness.

The Bank subscribes to threat intelligence feeds from global security partners. Bank also receives and acts on alerts from authorities and regulators that are analysed for applicability to the Bank's environment. Bank also conducts proactive assessments of its technology environment and security controls for early identification and remediation of risks, if any. The Bank has engaged external experts to assess effectiveness of the controls to handle cyber threats and frauds on digital channels. The Bank participates in security drills conducted by IDRBT and has a crisis management plan in place. The Bank also subscribes to Cyber Insurance cover.

Considering the importance of Access Control, Bank provides access to various information assets basis least privilege, need to know / use principles.

Awareness plays a very important role in mitigating cyber risks. Periodic Information Security Awareness is communicated to employees, contractors and customers.

Exceptions to the policies and controls are reviewed and approved basis the risks and justifications.

Bank adopts secure development life cycle which helps reduce security vulnerabilities in the applications being developed and helps mitigate the risks due to insecure coding.

Bank conducts quarterly VA and PT exercises for proactive identification and remediation of vulnerabilities. Bank also conducts Red Team exercises to proactively identify potential issues and remediate.

DF-3: Credit Risk: General Disclosures

“Credit Risk” is defined as the probability / potential that the borrower or counter-party may fail to meet its obligations in accordance with agreed terms. It involves inability or unwillingness of a borrower or counter-party to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions.

Credit Risk is made up of two components:

1. **Transaction Risk (or Default Risk)**, which represents the risk arising from individual credit exposures and
2. **Portfolio Risk**, which represents the risk inherent in the portfolio of credit assets (concentration of assets, correlation among portfolios, etc.).

Credit risk is found in a variety of transactions across Bank's portfolio including not only loans, off balance sheet exposures, investments and financial guarantees, but also the risk of a counterparty in a

derivative transaction becoming unable to meet its obligations. Credit risk constitutes the largest risk to which the Bank is exposed. Bank has adequate system support which facilitates credit risk management and measurement across its portfolio. The system support is strengthened and expanded as and when new exposures are added to the Bank's portfolio.

Bank has articulated comprehensive guidelines for managing credit risk as a part of Credit Risk Policy and related policies framework, Bank Risk Policy, Country Risk Policy, Loan Review Policy and Recovery Policy. Credit risk management systems used at the Bank have been implemented in accordance with these guidelines and best market practices. Credit risk management process focuses on both specific transactions and on groups of specific exposures as portfolios.

Bank's Credit Risk Policy and related policies and systems are framed to achieve the following key objectives:

- Monitoring concentration risk in particular products, segments, geographies etc thereby avoiding concentration risk from excessive exposures to any particular products, segments, geographies etc.
- Assisting in building quality credit portfolio and balancing risks and returns in line with Bank's risk appetite
- Tracking Credit quality migration
- Determining how much capital to hold against each class of assets
- Undertaking Stress testing to evaluate credit portfolio strength
- To develop greater ability to recognize and avoid potential problems
- Alignment of Risk Strategy with Business Strategy
- Adherence to regulatory guidelines

Credit Risk Management at specific transaction level

The central objective for managing credit risk at each transaction level is development of risk measurement and monitoring systems that cover the entire life cycle of the exposure, i.e. opportunity for transaction, assessing the credit risk, granting of credit, disbursement and subsequent monitoring, identifying the obligors with emerging credit problems, remedial action in the event of credit quality deterioration and repayment or termination of the obligation.

The Credit Policies of the Bank stipulates applicability of various norms for managing credit risk at a specific transaction level and more relevant to the target segment of the obligors. It covers all the types of obligors, viz. Corporate, SME, Trader and Schematic Loans such as Loan against Property, Business Loan, Retail Agri, LAS, Gold Loan, Home Loan, Personal Loan, etc.

Major components of Credit Risk and related Policies are mentioned below:

- Transaction with customer/ prospective customer is undertaken with an aim to build long term relationship.
- All the related internal and regulatory guidelines such as KYC norms, RBI prudential norms, etc. are adhered to while assessing the credit request of the borrower.
- Credit is granted with due diligence and detailed insight into the customer's circumstances and of specific assessments that provide a context for such credits.
- Facility is granted based on customer's creditworthiness, capital base or assets to assure that the customer is able to substantiate the repayment. Due regard is also placed to the industry in which the customer is operating, the business specific risks and management capability and their risk appetite.
- Regular follow-up of overall health of the borrower is undertaken to assess whether the basis of granting credit has changed.
- When loans and credits are granted to borrowers falling outside preferred credit rating, the Bank normally obtains sufficient collateral. However, collaterals are not the sole criterion for lending, which is generally done based on assessing the business viability of the borrower and the adequacy of the expected cash flows.
- Bank has defined exposures limit on the basis of internal risk rating of the borrower.

- Bank is particularly cautious while granting credits to businesses in affected or seasonal industries.
- Bank also grants unsecured credit to borrowers with high standing and low credit risk profile based on detailed financial analysis & established credit history.
- In terms of Bank's Country risk Policy, due caution is exercised when assuming risk in countries with an unstable economic or political scenario.

Beside the acceptability norms defined in the policies/manual for an individual transaction, Bank has also implemented various credit related product programmes which enables efficient appraisal, assessment, delivery, supervision and control of tailor made loan products targeted at specific customer segments. Customers covered under Business Banking product programme are evaluated using a scoring/rating model developed based on segment specific risk profile.

Consumer Finance Division appraises loan application based on robust set criteria defined in the respective product programmes. Further as a mechanism to assess the credit quality, customers are also evaluated through application scoring models which are segment specific. Further, post disbursement, the quality of the account is tracked by means of a Behavioral score.

Customers under Credit Cards segment are evaluated by means of robust customer selection criteria that include variety of factors.

Bank has also put in place a detailed policy for portfolio acquisition which stipulates various criteria for asset selection including due diligence, transfer of risks and rewards of the underlying portfolio, credit enhancements, portfolio risk management and monitoring in accordance with RBI guidelines.

Credit Approval Committee

In general, the Bank has put in place the principle of 'Committee' or 'Approval Grids' approach while according sanctions to credit proposals. This provides for an unbiased, objective assessment/evaluation of credit proposals. Such Committees include atleast one official from an independent department, which has no volume or profits targets to achieve. The official of the independent department is a mandatory member of the Credit Committee. The spirit of the credit approving system is that no credit proposals are approved or recommended to higher authorities unless all the members of the 'Committee' or 'Approval Grids' agree on the acceptability of the proposal in all respects. In case of disagreement the proposal is referred to next higher Committee whose decision to approve or decline with conditions is final.

All approvals are by constituted Credit Committees, with representation from Business as well as Risk Departments.

Following 'Approval Grids' are constituted:

▶ **Corporate & Commercial Banking Segment:**

- ☞ Powers are delegated to various credit committees at Zonal, Segment and Corporate Office level based on the internal risk rating. Presence of representative from Risk Management Department, Credit Risk Department and the Business vertical is required.
- ☞ Credit Committee 1 (Zonal level) & Credit Committee 2 (Segment Level)
- ☞ Corporate Office Credit Committee (COCC)
- ☞ Executive Credit Committee (ECC)

▶ **Consumer Banking (CB) Segment (A):**

Scheme of delegation under Consumer Banking Segment includes Vehicle financing, personal loans, housing loans and other schematic loans under multi-tier Committee based approach as under:

- ☞ Branch Credit Committee – Consumer Banking (BCC – CB)
- ☞ Regional Credit Committee – Consumer Banking (RCC - CB)

- ☞ Corporate Office Credit Committee – Consumer Banking (COCC- CB I & II)
- ☞ Executive Credit Committee

▶ **Consumer Banking (CB) Segment (B):**

The scheme of delegation under Consumer Banking Segment includes Business Banking, Loan against Property, Business loans, Retail Agri (KCC), Supply Chain Finance, Health Care Finance and other schematic loans under multi-tier Committee based approach as under:

- ☞ Joint Sanction on Four Eye Principle
- ☞ Zonal Credit Committee (ZCC)
- ☞ Corporate Office Credit Committee – I & II
- ☞ Executive Credit Committee

Apart from this, Bank has schematic loans also like Gold Loan & LAS which are sanctioned by branches / Operations upto defined limit of exposure under the respective product program. These are relatively smaller loans and fully secured by liquid collaterals.

Scheme of delegation of power applicable for all business segments are approved by Board of Directors.

The credit proposals which are beyond the delegated powers of ECC are placed to Committee of Directors (COD) for approval.

Risk Classification

Bank monitors the overall health of its customers on an on-going basis to ensure that any signal of weakening of a customer's earnings or liquidity is detected as early as possible. As part of the credit process, customers are classified according to the credit quality in terms of internal rating, and the classification is regularly updated on receipt of new information/ changes in the factors affecting the position of the customer.

Bank has operationalized following risk rating/ scoring models basis on the target segment of the borrower:

- Large Corporate, Small & Medium Enterprises, NBFC and other borrower segments
- Trading entities, Capital Market Broker and Commodity Exchange Broker
- Financial Institutions/Primary Dealers and Banks
- Retail customers (Schematic Loans) – who are assigned credit scoring

Customers under Business Banking segment, Retail Agri, Loan against credit card receivables are assessed for credit quality using a scoring/rating model. The score serves a measure to categorise the customers into various risk classes which are further calibrated to different risk grades. Bank has also implemented rating models for assessing risk under Lease Rental Discounting and Warehouse Receipts Financing products.

Rating grades in each rating model, other than the segments driven by product programmes, is on a scale of 1 to 8, which are further categorised by assigning +/- modifiers to reflect the relative standing of the borrower within the specific risk grade. Model-specific rating grades are named distinctly. Each model-specific rating grade reflects the relative ratings of the borrowers under that particular segment. For instance, L4 indicates a superior risk profile of a Large Corporate, when compared to another Large Corporate rated L5.

In order to have a common risk yardstick across the Bank, these model specific ratings are mapped to common scale ratings which facilitate measurement of risk profile of different segments of borrower by means of common risk ladder.

Various purposes for which the rating/scoring models are used are mentioned hereunder:

- ☞ Portfolio Management
- ☞ Efficiency in lending decision
- ☞ To assess the quality of the borrower – single point reference of credit risk of the borrower
- ☞ Preferred rating norms for assuming exposures
- ☞ Prudential ceiling for single borrower exposures – linked to rating
- ☞ Frequency of review of exposures
- ☞ Frequency of internal auditing of exposures
- ☞ To measure the portfolio quality
- ☞ Target for quality of advances portfolio is monitored by way of Weighted Average Credit Rating (WACR).
- ☞ Pricing credit
- ☞ Capital allocation (under IRB approaches)

Credit Quality Assurance:

Bank has also adopted Loan Review Mechanism (LRM), which involves independent assessment of quality of an advance, effectiveness of loan administration, compliance with internal policies of Bank and regulatory framework and portfolio quality. It also helps in tracking weaknesses developing in the account for initiating corrective measures in time. LRM is carried out by Credit Quality Assurance team, which is independent of Credit and Business functions.

Credit Risk Management at Portfolio level:

Accumulation of individual exposures leads to portfolio, which creates the possibility of concentration risk. Concentration risk, on account of borrowers/ products with similar risk profile, may arise in various forms such as Single Borrower, Group of Borrowers, Sensitive Sector, Industry-wise exposure, Unsecured exposure, Rating wise exposure, Off Balance sheet exposure, Product wise exposure, etc. Credit risk concentration is addressed by means of structural and prudential limits stipulated in the Credit Risk Policy and other related policies.

Concentration risk on account of exposures to counter-parties (both single borrower and group of borrowers), Industry-wise, Rating-wise, Product-wise, etc., is being monitored by Risk Management Dept (RMD). For the purpose, exposures in all business units, viz. branches, treasury, investment banking, etc., by way of all instruments (loans, equity/debt investments, derivative exposures, etc.) are considered. Such monitoring is carried out at monthly intervals. Besides this, respective business units are monitoring the exposure on continuous real-time basis.

Concentration risk is further evaluated in terms of statistical measures and benchmarks. Detail analysis of portfolio risk and control measures is carried out on a monthly basis on various parameters. Further, a comprehensive Stress Testing framework based on several factors and risk drivers assessing the impact of stressed scenario on Credit quality, its impact on Bank's profitability and capital adequacy is placed to Top Management /Board every quarter. The framework highlights the Bank's credit portfolio under 3 different levels of intensity across default, i.e. mild, medium and severe, and analyses its impact on the portfolio quality and solvency level.

Impaired credit - Non Performing Assets (NPAs):

Bank has an independent Credit Administration Department that constantly monitors accounts for irregularities, identifies accounts for early warning signals for potential problems and identifies individual NPA accounts systematically.

Bank has also set up Financial Restructuring and Reconstruction (FRR) Dept for managing and monitoring defaulted accounts, carrying out restructuring, wherever feasible and following up for recoveries of dues.

Bank follows applicable RBI guidelines while classifying Non-performing Assets (NPAs). The guidelines are as under:

- a) An asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank
- b) A Non-Performing Asset (NPA) is a loan or an advance where;
 - i. interest and / or installment of principal remains overdue for a period of more than 90 days in respect of a term loan,
 - ii. the account remains 'out of order', in respect of an Overdraft / Cash Credit (OD/ CC),
 - iii. the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
 - iv. installment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
 - v. installment of principal or interest thereon remains overdue for one crop season for long duration crops,
 - vi. amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of RBI guidelines on Securitisation dated February 1, 2006.
 - vii. 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.

Out of Order status: An account should be treated as 'out of order' if the 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 should be treated as 'out of order'.

Overdue: Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

Credit Risk Exposures

(a) Total Gross Credit Risk Exposures as on 31st December 2020

Particulars	Rs in mio
Fund Based*	32,54,059
Non-Fund Based**	10,82,412
Total Exposures#	43,36,471

* Includes all exposures such as Cash Credit, Overdrafts, Term Loan, Cash, SLR securities etc., which are held in banking book.

** Off-Balance items such as Letter of Credit, Bank Guarantee and credit exposure equivalent Inter-bank forwards, merchant forward contracts and derivatives, etc.

including exposure at IFSC Banking Unit (GIFT City)

(b) Geographic Distribution of Exposures as on 31st December 2020

Particulars	Domestic (Rs in mio)	Overseas (Rs in mio)
Fund Based	32,54,059	-
Non-Fund Based	10,82,412	-
Total Exposures	43,36,471	-

(c) Industry-Wise Distribution of Exposures as on 31st December 2020

Industry Name	Fund Based (Rs in mio)	Non-Fund Based (Rs in mio)
NBFCs		
NBFCs (other than HFCs)	49,554	10,863
Micro Finance Institutions	6,860	608
Construction		
Constn related to infra.- EPC	8,059	39,887
Roads/other infra project	20,463	15,846
Contract Construction - Civil	12,430	33,547
Real Estate		
Real Estate – Residential and Commercial	71,470	5,384
Lease Rental Discounting - Real Estate	88,066	
Housing Finance Companies	23,015	1,277
Real Estate – Others (Affordable Housing, SEZ, Infra, etc.)	30,949	852
Power		
Power Generation:		
- Renewable	37,315	83,940
- Non-Renewable	12,486	11,847
Power Transmission	15,403	10,059
Power Distribution	1,164	195
Power Trading	0	5,448
Cables		
Telecom Cables	318	4,657
Power Cables	1,107	1,696
Steel		
Steel-Long Products	6,921	600
Steel Flats-CR,GP/GC	28,591	8,983
Steel Flats- HR	495	6,886
Steel – Alloy	9,160	1,115
Steel Pipes	4,159	4,446
Sponge Iron	163	72
Casting & Forgings	4,796	1,574
Stainless Steel	9,749	862
Pig Iron	475	-
Textiles		
Textiles - Readymade Garments	5,963	372
Textiles - Cotton fabrics	3,815	1,960
Textiles -Cotton fibre / yarn	3,483	637
Textiles - Manmade fibres / yarn	3,528	582
Textiles-Texturising	206	0
Textile-Blended Yarn	692	2
Textile – Jute	245	1
Textiles - Synthetic Fabrics	1,880	612

Industry Name	Fund Based (Rs in mio)	Non-Fund Based (Rs in mio)
Textile – Silk	178	15
Textile – Machinery	163	13
Cotton ginning, Cleaning, Baling	7,569	-
Telecom		
Telecom – Cellular	9,951	40,626
Telecom Equipments	676	350
Pharmaceuticals		
Pharmaceuticals - Bulk Drugs	7,375	4,351
Pharmaceuticals – Formulations	8,196	1,104
Chemicals		
Chemicals – Organic	4,717	6,068
Chemicals – Inorganic	14,708	1,716
Fertilisers		
Fertilisers – Phosphatic	108	1
Fertilizers – Nitrogenous	699	16,779
Paper		
Paper - Writing and Printing	6,388	2,383
Paper – Industrial	4,193	2,140
Paper Newsprint	21	-
Petroleum & Products	1,095	45,892
Gas Distribution	750	77,281
Engineering & Machinery	7,513	36,768
Gems and Jewellery	73,550	9,170
Edible Oils	2,890	2,175
Auto Ancillaries	14,870	6,317
Diversified	12,864	12,437
Hospital & Medical Services	14,081	320
Food Credit	12,874	2,867
Aluminium	924	1,754
Capital Market Brokers	1,851	8,554
Rubber & Rubber Products	1,054	154
Lease Rental Discounting - Others	1,790	-
Plastic & Plastic Products	8,862	3,116
Food Product & Beverages and other food processing	19,012	2,840
Sugar	1,439	801
SME - Miscellaneous-Mfg.	8,828	2,436
Electronic components	1,051	1,146
Commodity Market Brokers	103	43
Beverage, Breweries, Distilleries	3,611	330
Hotels & Tourism	17,875	2,587
Glass & Glass Products	862	383
Shipping	11,082	5,531
Educational Institutions	26,860	1,491
Computers - Hardware	271	567
Coal	5	170

Industry Name	Fund Based (Rs in mio)	Non-Fund Based (Rs in mio)
IT Enabled Services	8,102	1,848
Electrical fittings	645	828
Petrochemicals	114	16,804
Banks	70,762	1,41,838
Animal Husbandry	724	51
Mining, Quarrying & Minerals	12,791	9,787
Construction Equipment	777	168
Airlines	4,213	4
Wood and Wood Product	1,081	43
Leather & leather Products	2,188	1,066
Tiles / Sanitaryware	4,128	738
Transport Services	843	643
Oil and Gas Exploration	33	25,188
Electric Equipment	2,878	4,715
Media, Entertainment & Advt.	9,396	2,005
Organised Retailing	4,770	156
Trading – Wholesale	40,242	18,656
Trading – Retail	34,678	4,213
Services	21,436	28,951
Credit Cards	52,250	-
Micro Finance	2,30,080	-
Other Retail Assets	82,821	-
Consumer Finance	7,05,140	-
Other Industries	90,735	2,69,227
Residual Assets	10,99,347	-
Total Exposure	32,54,059	10,82,412

Exposures to industries (other than consumer finance division) in excess of 5% of total exposure

Industry	Fund Based(Rs in mio)	Non-Fund Based (Rs in mio)
-	-	-

(d) Residual Contractual Maturity breakdown of assets

(Rs in mio)

Assets	1D	2-7D	8-14D	15-30D	31D-2M	>2M-3M	>3M-6M	>6M-1Y	>1Y-3Y	>3Y-5Y	>5Y-7Y	>7Y-10Y	>10Y-15Y	>15Y	Total
Cash	12,847	-	-	-	-	-	-	-	-	-	-	-	-	-	12,847
Balances with RBI	2,280	2,678	1,952	4,515	3,794	3,575	8,647	15,015	10,696	2,931	2,417	3,494	3,227	2,622	67,842
Balances with other Banks	3,93,092	4,750	-	-	10,961	1	0	14,614	1	-	3	-	-	-	4,23,421
Investments	2,06,961	19,803	11,375	26,189	22,780	20,913	51,649	86,903	67,575	23,092	9,959	22,646	18,605	22,534	6,10,985
Advances	18,901	50,847	42,694	53,690	1,05,611	1,06,379	1,54,237	2,77,095	7,42,410	2,42,412	90,891	97,632	76,947	11,533	20,71,280
Fixed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	18,153	18,153
Other Assets	54,615	11	1,994	12,632	5,654	12,889	49,545	18,490	28,494	13,271	11,674	4,147	-	-	2,13,416

(e) Movement of NPAs and Provision for NPAs as on 31st December 2020**(Rs in mio)**

A Amount of NPAs (Gross)	
Sub-standard	21531
Doubtful 1	6928
Doubtful 2	4252
Doubtful 3	2667
Loss	1129
B Net NPAs	4643
C NPA ratios	
Gross NPA to Gross advances (%)	1.74%
Net NPA to Net advances (%)	0.22%
D Movement of NPAs (Gross)	
Opening Balance as on 01.04.20	51467
Additions during the period	19942
Reductions during the period	34902
Closing Balance as on 31.12.2020	36507
E Movement of provision for NPAs	
Opening as on 01.04.20	32602
Provision made till 31.12.2020	27688
Write off	26329
Write back of excess provisions	2097
Any other adjustments, including transfers between provisions	
Closing as on 31.12.2020	31864

Particulars	Amount (Rs in mio)
Write offs booked directly to income statement	Refer to E above
Recoveries booked directly to income statement	441

(f) Non Performing Investments and Movement of provision for depreciation on Non Performing Investments**(Rs in mio)**

A	Amount of Non-Performing Investments	745
B	Amount of provisions held for non-performing investments	745
C	Movement of provisions for depreciation on investments	
	Opening as on 01.04.20	13611
	Add: Provisions made till 31.12.2020	-
	Less: Write-off/ write-back of excess provisions	7335
	Closing Balance as on 31.12.2020	6276

(g) Major Industry Break up of NPA and Provision**(Rs in mio)**

Industry	Gross NPA	Specific Provision
NPA in Top 5 Industry	50	19

(h) Geography wise Distribution of NPA and Provision

(Rs in mio)

Geography	Gross NPA	Provision
Domestic	36,507	31,864
Overseas	-	-
Total	36,507	31,864

DF-4: Credit risk: Disclosures for Portfolios Subject to the Standardised Approach

As per the Basel II guidelines on Standardised approach, the risk weight on certain categories of domestic counter parties is determined based on the external rating assigned by any one of the accredited rating agencies, i.e. CRISIL, ICRA, CARE, India Ratings, Brickworks Ratings, Infomeric and Acuite. For Foreign counterparties and banks, rating assigned by S&P, Moody's and Fitch are used.

Bank computes risk weight on the basis of external rating assigned, both Long Term and Short Term, for the facilities availed by the borrower. The external ratings assigned are generally facility specific. Bank follow below mentioned procedures as laid down in Basel II guidelines for usage of external ratings:

- Ratings assigned by one rating agency are used for all the types of claims on the borrowing entity.
- Long term ratings are used for facilities with contractual maturity of one year & above. Short term ratings are generally applied for facilities with contractual maturity of less than one year.
- If either the short term or long term ratings attracts 150% risk weight on any of the claims on the borrower, Bank assigns uniform risk weight of 150% on all the unrated claims, both short term and long term unless the exposure is subjected to credit risk mitigation.
- In case of multiple ratings, if there are two ratings assigned to the facility that maps to different risk weights, the rating that maps to higher risk weight is used. In case of three or more ratings, the ratings corresponding to the two lowest risk weights is referred to and the higher of those two risk weights is applied. i.e., the second lowest risk weight.
- For securitized and guaranteed transactions, SO ratings assigned by the rating agency are applied for arriving at the risk weights.

Risk Weight-wise distribution of Gross Credit Exposures

Category	Rs in mio
Below 100% Risk Weights	31,09,469
100% Risk Weights	8,05,511
More than 100% Risk Weights	4,21,491
Deducted	-

DF-18: Leverage ratio

Leverage ratio is a non-risk based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements.

The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the Exposure Measure (the denominator), with this ratio expressed as a percentage.

$$\text{Leverage Ratio} = \frac{\text{Capital Measure (Tier I Capital)}}{\text{Exposure Measure}}$$

		Rs in mio			
Particulars		Mar-20	Jun-20	Sept-20	Dec-20
(i)	Tier 1 capital	376,853	379,254	414,320	414,517
(ii)	Exposure measure	39,65,994	40,55,866	41,99,135	42,89,932
(iii)	Leverage ratio %	9.50%	9.35%	9.87%	9.66%

The Leverage Ratio has increased from 9.50% (March 2020) to 9.66% (December 2020) in line with the increase in Tier 1 capital funds from Rs 376,853 mio (March 2020) to Rs 414,517 mio (December 2020).