

# IndusInd Bank

## DISCLOSURES UNDER BASEL III CAPITAL REGULATIONS – June 30, 2024

### **DF-2: Capital Adequacy**

#### **Qualitative Disclosures:**

##### **Assessment of Capital Adequacy**

Risk management is defined as the ability of the Bank to identify, measure, monitor and control risks. The Bank, through its Board, management and officials, shall be able to respond to changing circumstances and to address risks that might arise from changing business or economic conditions, a decline in the effectiveness of internal controls; the initiation of new business activities or the offering of new products and services. Bank views risk management as a core competency and tries to ensure that risks are identified, assessed and managed well in time. It is important to the success of the Bank's risk management efforts that risks be defined consistently throughout the Bank.

The diversified business segments require Bank to identify, assesses and manage risks at both an enterprise level ('top-down') and business level ('bottom-up'). The risk management framework lays emphasis on the Bank's risk philosophy, proper organizational structure, risk and reward balance and is supported by dedicated monitoring – Risk Data Analytics & Risk Management Department. Thus the Bank manages Risk under Enterprise Risk Management (ERM) framework which sets direction by defining clear standards, objectives, and responsibilities for different categories of Risks.

The ERM framework lays down the following components for effective Risk Management: -

- An Independent Risk Department and governance structure with a clear common framework of risk ownership and accountability for various types of risks:
  - i) Credit Risk Management
  - ii) Market Risk Management
  - iii) Liquidity Risk Management
  - iv) Operational Risk Management
- Governance standards and controls to identify, measure, monitor and manage risks.
- Risk Appetite Statements.
- Risk Management and Control Aspects.
- Risk Management Policy Framework.

##### **Risk Appetite**

Bank's risk appetite is the single most influencing factor in its fundamental risk attitude. Risk appetite is defined as the Bank's willingness to take on financial risks as quantified by the appropriate indicators (i.e. as a measure of the Bank's risk-seeking behavior). The definition of a suitable risk appetite is a basic operational prerequisite for the Bank to set risk limits.

The top-management is committed to assessing the risk appetite statement, risk management strategy and overall business strategy are integrated and clearly understood by management and staff at all levels and effectively embedded in the decision-making and operations of the business.

To ensure coherence between the Bank's strategic considerations regarding risk-taking and day-to-day decisions on transactions with customers, Bank has defined its risk appetite as a strategic tool. Risk appetite basically expresses the maximum risk that the Bank is willing to assume to meet business targets.

Bank's risk appetite is derived after duly considering the following factors:

- It is a process based on a thorough analysis of its current risk profile.
- Capital required, including future capital, as a protection towards the risks
- Amount of risk the Bank is willing to assume given the Average rate of return

### **Policy on ICAAP**

The Bank has in place a robust internal capital assessment and allocation process. The Bank set capital targets that are commensurate with the Bank's risk profile and control environment. Therefore, the Bank identifies the relevant risks and has in place a process for Internal Capital Adequacy Assessment to supplement the capital requirements computed as per Pillar-I. ICAAP is a self-assessment process to prove the Bank's capital adequacy by demonstrating the appropriateness of its risk management practices, which are employed to manage all the risks associated with its businesses' objectives.

Based on ICAAP, if the Bank finds any deficiency in the capital requirements, additional capital are brought to supplement its risks. However, infusing additional capital is not the only criteria or solution. The Bank also

- (i) strengthen its risk management process
- (ii) strengthen its control environment
- (iii) apply internal limits and
- (iv) strengthen the level of provisions and reserves, as capital is not a substitute to effective risk management.

At the time of review of ICAAP, Bank carries out comprehensive review of its risk appetite against the desired/target level. In the event of any deviations, following indicative suggestive measures are examined:

- Increase the collateral security
- Tighten underwriting requirement to reduce credit risk
- Diversify the portfolios
- Pricing in line with potential risk, partly compensated by increase in fee based income.
- Reduction/ exit in credit exposures from high risk exposures.
- Build up additional buffer capital to cope up with potential impact of stressed conditions
- Buying of credit protection

### **Stress Testing**

Stress testing is a key element of the ICAAP and an integral tool in the Risk Management framework that provides management a better understanding of how portfolios perform under adverse economic conditions. Based on the stress testing framework, the Bank conducts stress tests on its various portfolios to gauge the credit quality of the borrowers under extreme conditions.

### **Applicable Regulations:**

The Bank is subject to the capital adequacy guidelines stipulated by RBI, which are based on the framework of the Basel Committee on Banking Supervision. As per Basel III guidelines, the Bank is required to maintain a

minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9% {11.50% including Capital Conservation Buffer (CCB)}, with minimum Common Equity Tier I (CET1) of 5.5% (8% including CCB) effective 1<sup>st</sup> October 2021. These guidelines on Basel III have been implemented from 1<sup>st</sup> April 2013 in a phased manner. The minimum capital required to be maintained by the Bank for the quarter ended 30<sup>th</sup> June 2024 is 11.50% with minimum Common Equity Tier 1 (CET1) of 8.0% (including CCB of 2.50%).

### **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.

### **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 11.50% alongwith with minimum Common Equity Tier 1 (CET1) of 8.0% (including CCB of 2.5%).

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.

### **Risk Exposure and Assessment**

As a financial intermediary, the Bank is exposed to various types of risks including credit, market, liquidity, interest rate risk in banking book, operational, etc. The objective of the risk management framework at the Bank is to ensure that various risks are understood, measured and monitored and mitigated that the policies and procedures established to address these risks are strictly adhered to.

The Board of Directors has the overall responsibility for managing risks within the Bank. It is aided by the Risk Management Committee of the Board (RMC) in policy formulation and overseeing the risk management functions performed by the official- level committees of the Bank entrusted with the responsibility of managing risks on a day-to-day basis.

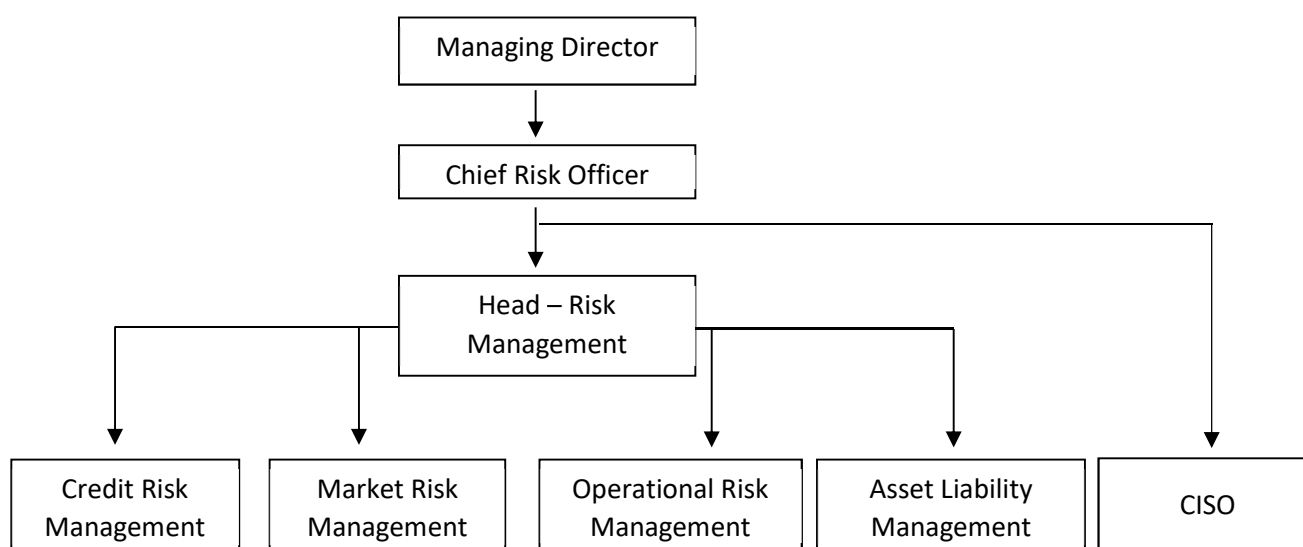
## General Qualitative Disclosure Requirement

### **Risk Management Department: Objectives and Organization Structure**

The Bank has established a 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.

### **Organization Structure:**

The set-up of Risk Management Department is hereunder:



The Chief Risk Officer (CRO) reports to MD and CEO of the Bank. The Risk Management Committee (RMC) has a complete oversight on the functioning of various sub committees set up for identification, measurement, management and mitigation of risks faced by the Bank.

The Bank undertakes a range of business activities necessitating it to identify, measure, control, monitor and report risks effectively. The Board of Directors and Risk Management Committee have oversight on the risk assumed by the Bank. 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)
- Business Continuity Management Steering Committee

The following table provides a brief overview on the roles of the various Risk Committees:

<b>Committee</b>	<b>Roles in brief</b>
Credit Risk Management Committee (CRMC)	Management of Credit Risk on a Bank wide basis, Credit Risk Rating Framework, Credit Risk Policies, Counterparty risk, Country risk, Industry & Sector Analysis, Credit Portfolio Analysis, Risk based pricing and Basel guidelines implementation
Market Risk Management Committee (MRMC)	Reviewing Market Risk policy, Market Risk Appetite, Market Risk Limits utilisation on Trading Portfolio, Portfolio Sensitivity for movement in Market Factors, Valuation Methodologies, VaR and Stressed VaR framework, Model Validation, Credit Exposure due to Market Related Instruments, Market Risk capital charge
Asset Liability Management Committee (ALCO)	Liquidity Risk; Interest Rate Risk – Strategy and Management; Funding Strategy; Asset-Liability Strategy and Gap Management; Composition and Pricing for Assets, Liabilities and Off Balance Sheet instruments, Maturity Profiles, reviewing stress test scenarios & results, Contingency Funding strategies, monitoring of risk limits including limits on liquidity and interest rate positions for the banking book and Asset-Liability Management (ALM) Policy.
Operational Risk Management Committee (ORMC)	Operational Risk Management Committee (ORMC) has oversight on effective management of Operational Risk, the Committee oversees the Operational Risk profile, Monitors the adequacy and effectiveness of Management of Operational Risk and Internal Controls, and ensures the development and ongoing review of appropriate Operational Risk related policies taking into account Bank's core business goals and objectives.
Business Continuity Management Steering Committee	Review BCM Policy, BCP plans and results of Mock Drills for various units, critical processes review and any specific actions, Invoke BCP and any other BCP related aspects.

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, 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 of Directors and implemented. The respective policies cover strategies and techniques to assess, monitor and mitigate/hedge the risks as applicable. Bank has also put in place risk policies for its IBU operations basis applicable IFSCA Guidelines.

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. The Capital Management framework is complemented by the Risk Management framework which covers the policies, processes, methodologies and frameworks established for management of material risks. The Bank also undertakes Stress Testing as an integral part of the ICAAP to assess the impact of extreme but possible scenarios on the capital adequacy position of the Bank.

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**

The Bank is exposed to credit risk in its lending activities. Credit risk is the risk of loss that may occur from the failure of any counterparty to abide by the terms and conditions of any financial contract with the Bank, principally the failure to make required payments as per the terms and conditions of the contracts 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 55% 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.

As per RBI Master Circular – Basel III capital regulations applicable from Apr 01, 2024, Market Risk Capital Charge has been computed for the risks pertaining to Interest rate related Instruments and equities in the Trading Book; and Foreign Exchange Risk for both Banking & Trading Book. Trading Book for the purpose of Capital Adequacy includes all Instruments that are classified as Held for Trading (HFT).

## **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 Management aims to meet all commitments as they fall due and also be able to fund asset growth by raising sufficient funds in the form of increasing fresh liabilities or by expeditious asset sell-off at fair market value without incurring unacceptable losses, both under normal and adverse conditions. These objectives are ensured by setting up policies, operational level committees, measurement tools and monitoring and reporting mechanism using effective use of IT systems.
- Liquidity Risk is monitored through flow and stock approaches. Liquidity is monitored through structural liquidity gaps, net funding gaps & Dynamic Liquidity position under the flow approach. All the assets and liabilities are bucketed basis the cash flow / maturity dates. Non-maturing assets / liabilities are bucketed basis behavioral analysis undertaken for such assets / liabilities.
- Liquidity risk is monitored through various ratios e.g. Liquidity Coverage Ratio (LCR), Liquidity Ratios & Net Stable Funding Ratio (NSFR) under the stock approach. Bank has adopted Basel III framework on liquidity standards and has put in place systems and processes for computation & monitoring of LCR & NSFR basis the extant guidelines.
- The concentration of large deposits is monitored on a periodic basis. The Bank's ability to meet its obligations and fund itself in a crisis scenario is critical and accordingly, liquidity stress tests are conducted under different scenarios at periodical intervals to assess the impact on liquidity to withstand stressed conditions.
- 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.
- Bank has put in place a board approved comprehensive Contingency Funding Plan (CFP). Bank monitors objective CFP triggers that are a combination of internal & external factors on regular basis. Contingency Management Group (CMG) has been constituted by the Bank to take corrective action in case of any liquidity contingency.

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**

RBI has defined Operational Risk (OR) as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". The Bank has also adopted the same definition for the purpose of management of operational risk. It includes risk of loss due to legal risk but excludes strategic and reputational risk. The Bank has put in place Board approved governance and organizational structure with clearly defined roles and responsibilities to mitigate operational risk arising out of the Bank's business and operations

## I. Governance and Organizational Structure

### Board of Directors

The Board of Directors (Board) is primarily responsible for approving the risk strategy of the bank and ensuring that management has identified key risks and that they are managed appropriately. Has delegated to the Risk Management Committee (RMC) responsibilities of the management of key risks including Operational Risk.

### Risk Management Committee (RMC)

The Risk Management Committee (RMC) is a delegated authority of the Board. The major responsibilities of RMC include:

- a. Approve policy related to Operational Risk Management
- b. Establish a management structure capable of implementing the Bank's Operational Risk Management framework
- c. Review risk profiles and key Operational Risk
- d. Approve Operational Risk Capital computation methodology
- e. Set and approve expressions of Risk Appetite, within overall parameters set by the Board
- f. Reinforce the culture and awareness regarding operational risk management

### Operational Risk Management Committee (ORMC)

Operational Risk Management Committee (ORMC) has oversight on effective management of Operational Risk, the Committee oversees the Operational Risk profile, Monitors the adequacy and effectiveness of Management of Operational Risk and Internal Controls, and ensures the development and ongoing review of appropriate Operational Risk related Policies taking into account Bank's core business goals and objectives.

### Other related Committees

Business Continuity Steering Management Committee (BCM SC) comprising of senior functionaries of the Bank monitors implementation of BCM Framework in the Bank.

The Bank has a Business Continuity policy which documents the Bank's approach to Business Continuity Management (BCM) and provides a consistent, overarching structure to develop, implement, maintain and continually improve the Bank's Business Continuity Management. The Policy document frames guidelines to develop a resilient management framework to achieve an effective and functional Business Continuity of critical processes of the Bank.

Business Continuity Strategies and Recovery Plans have been put in place to ensure timely recovery of the Bank's critical operations in the event of any significant disruption. Regular mock drills are carried out to ascertain preparedness of the recovery teams and validate the effectiveness of the recovery strategies.

**Product and Process Approval Committee:** The Bank has also put in place a structure to effectively manage operational risk through the formation of several internal committees e.g. Product and Process Approval Committee (PPAC).

## II. Risk Measurement and Monitoring

While the day-to-day operational risk management lies with First line of Defence i.e. business lines, and operations and support functions, the ORM (RMD) is responsible for overseeing the implementation of the operational risk management framework across the Bank. It designs and develops tools required for implementing the framework including policies and processes, guidelines towards implementation and maintenance of the framework. More specifically, ORM (RMD) plays the role of the Second line of Defence for management of Operational Risk within the Bank.

The key elements in the operational risk management framework as defined in the Policy include:

- Identification and assessment of operational risks and controls through risk and control self-assessments (RCSA) and product and process approval;
- Measurement through incident reporting and loss data management;
- Monitoring through key risk indicators; and
- Mitigation through process and controls enhancement, outsourcing and insurance.

## III. Approach for Operational Risk Capital Assessment

As per the applicable RBI guidelines, the Bank is following the Basic Indicator Approach (BIA) for computing capital for Operational Risk. Master Direction on Minimum Capital Requirements for Operational Risk has been issued by the RBI in Jun 23. The effective date of implementation of these Directions shall be communicated separately by the RBI.

### Systems Risk

The Bank ensures that its Information Security measures are aligned with regulatory, compliance requirements and industry standard practices, and is committed to constantly upgrading its tools and improving its practices to safeguard its IT infrastructure and information, with a focus on achieving excellence in these areas.

The Bank prioritizes the security of its IT infrastructure and the protection of sensitive information. Utilizing top-tier Information Security capabilities, the Bank ensures the Confidentiality, Integrity, and Availability of its data. It continually enhances its security posture and adapts to evolving threats by embracing cutting-edge tools and practices. This proactive approach to information security enables the Bank to safeguard customer data and maintain the trust and confidence of its stakeholders.

The Bank is focused towards maintaining robust information security hygiene, by adopting industry best practices such as ISO/IEC 27001 standard. The implementation of the standard has helped Bank ensure compliance, business resiliency, security, privacy and meet Cyber related risks.

The Bank's Data-Centre's are certified to the ISO 27001:2013 standard. This certification is a globally recognized information security management system (ISMS) standard. The certification process ensures that the Bank's information security risks are systematically assessed and managed, while ensuring compliance with legal and regulatory requirements. The Bank's commitment to these standards is an assurance to its customers that it values their data security & privacy and is taking appropriate measures to protect their information. The certification also indicates that the Bank has implemented and maintained robust controls to secure its IT infrastructure and sensitive data, ensuring that its customers' data is always safe and secure.

The Bank has Board-approved Information Security Policy and Cyber Security Policy. The Bank has a Cyber Crisis Management Plan in place. This guides the Bank to mitigate the risks associated with Cyber Security incidents by providing comprehensive coverage for responding to various cyber security incidents in an efficient and effective manner. This establishes the Cyber Security resilience vision of the Bank. The framework and processes contribute to consistent approaches at various stages of detection, identification, containment, eradication, and recovery from specific Cyber Security incidents.

The Cyber Security function identifies risks, vulnerabilities and implements solutions to secure its IT infrastructure and protect sensitive information. Various other departments, divisions and groups of the Bank assist in the implementation of Information & Cyber Security practices effectively.

IndusInd Bank has a fault tolerant and resilient IT network infrastructure comprising servers with an optimal uptime. IndusInd Bank has a DR site with a strong backbone connectivity between DC and DR Centre. This enables IndusInd Bank to handle huge volume of transactions.

Bank has Security Operation Centre operating 24x7x365, which has capability to detect and respond to cyber risks in real time. The SOC monitors all security incidents that occur in the IndusInd Bank's infrastructure and correlate events, identify threats and support incident response in real time.

Bank also actively engages with regulatory bodies and enforcement agencies in communicating attacks and potential threats. In this regards, bank has a process in place for keeping the entities like CERT-In and CSITE of RBI informed through email, phone or online submission as applicable.

The Bank's security services partner uses a blend of on-site and off-site resources to provide security services. The Bank has implemented industry leading SIEM solution and also avails Anti-phishing, Anti-malware, DDoS protection services. The remote security team monitors alerts and responds promptly to potential threats. Incidents that qualify as security threats and lead to successful attacks or data breaches resulting in a substantial disruption of business operations or information/data breach are logged as security incidents.

The Bank has also partnered with external experts for Cyber Security Incident Response Management. The Incident Response Plan outlines the major categories of incidents and incident handling procedures. In the event of a critical cybersecurity incident, external experts have arrangements in place to assist the Bank and offer crucial expertise during the incident response. The Bank has Cyber Security incident insurance in place to help cover some of the expenses incurred after a data breach. The overall cyber insurance coverage is for Rs. 200 Cr, at a yearly premium of 1.28 Cr.

The Bank employs various channels, including the Surveillance Unit, to monitor and mitigate insider threats and internal frauds. The Bank communicates awareness messages and tips through emails, SMS, website, intranet, statements, e-learning, classroom training and workshops. The program is aimed at raising awareness around cyber frauds, safe use of internet and online banking, recognizing and avoiding phishing/vishing attempts, tips for safe use of credit/debit cards, protection from malware and malicious websites et al. The awareness program addresses internal users, customers and partners.

From a technology perspective, the Bank has taken several measures to detect and protect against such threats in a timely manner. The Bank has subscribed to services to detect any Rogue mobile application and phishing sites. On confirmation by the Bank about a suspected app/site to be unauthorized, the takedown is immediately commenced.

The Bank has subscribed to DDoS protection services from its ISPs to mitigate the risk of DDoS attacks. The Web Application Firewall adds an extra layer of defense against DOS attacks at the application level. The Bank has also initiated a special service to monitor feeds from the Dark Web through its Threat Intelligence Services to stay ahead of potential threats.

Additionally, bank has implemented web gateway solution that filters unwanted software/malware from user-initiated Web/Internet traffic. The web gateway analyses the nature and intent of all content and code entering the network from requested web pages, provides immediate protection against malware and other hidden threats. Over and above, data leak prevention (DLP) has been implemented which complements the web gateway to restrict the data leakage from internal network. Further, bank has deployed honeypots based breach detection solution to identify lateral movements inside the network and take appropriate actions.

The Bank has a detailed and periodic Disaster Recovery Strategy designed to protect against unforeseen events such as ransomware, natural disasters, or single points of failure etc. These strategies are a part of the Business Continuity Management (BCM) plan and ensures minimal downtime by recovering information, restoring systems, and resuming operations.

The Bank employs a structured Vulnerability Management Plan to proactively identify and address vulnerabilities in applications or systems. Testing, auditing, and scanning plays a crucial role in detecting and resolving potential issues.

The Bank is implementing threat hunting capabilities that involve verifying specific hypothesis related to emerging threat scenarios.

The Bank deploys a variety of tools for fine-grained authentication and authorization to restrict unauthorized users from accessing private information. These measures help the Bank to prevent harm related to information theft, modification, or loss.

The Bank is using Cloud for services and have similar protections to application and infrastructure security but is more focused on cloud or cloud-connected components and information. The Bank's Cloud security adds extra protections and tools to focus on the vulnerabilities that may come from Internet-facing services and shared environments, such as public clouds.

With the advent of IT service management at the Bank, the Bank was to plan, design, implement, operate, support and improve IT services and align them with the business needs. This helps to map the processes with the right process owners and right process champions, functions with clear roles and responsibilities.

These various capabilities ensure that the Bank is deploying a safe and secure banking experience to the customers and building trust in the digital properties of the Bank.

#### **Quantitative Disclosures:**

In line with the guidelines of the Reserve Bank of India, the Bank has adopted Standardized Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Standardized Duration Approach for Market Risk for computing CRAR.

The Summary of Capital requirements for Credit Risk, Market Risk and Operational Risk as on June 30, 2024 is mentioned below:

Risk Type	Rs in mio.
<b>Capital requirements for Credit Risk</b>	<b>3,03,225</b>
Portfolio Subject to Standardised approach	3,03,225
Securitisation exposures	-
<b>Capital requirements for Market Risk:</b>	
<b>Standardised Duration Approach</b>	<b>2,891</b>
Interest Rate Risk	2,275
Foreign Exchange Risk (including gold)	557
Equity Risk	59
<b>Capital requirements for Operational Risk</b>	<b>43,838</b>
Basic Indicator Approach	43,838
<b>Minimum Capital requirements at 9%</b>	<b>3,49,955</b>
<b>Minimum CRAR + CCB at 11.5%</b>	<b>4,47,164</b>
<b>Total Capital Funds</b>	<b>6,82,219</b>
<b>Total CRAR #</b>	<b>17.55%</b>
<b>Tier 1 CRAR #</b>	<b>16.15%</b>
<b>CET 1 CRAR #</b>	<b>16.15%</b>

# including exposure at IFSC Banking Unit (GIFT City)

The Capital Adequacy position of the Bank is reviewed by the Board of the Bank on quarterly basis.

### DF-3: Credit Risk: General Disclosures

#### Qualitative 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, Policy on Collateral Management, Sector/Industry risk assessment framework, Policy on Exposure to Real Estate Sector, Policy on Unhedged Foreign Currency Exposures 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:

- Providing guide post for due diligence of the credit proposals based on the borrower's cash flows and ability to repay.
- Defining Risk Appetite in alignment with business strategies and ensuring its compliance through regular monitoring
- 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
- Review and Monitoring of credit exposures and portfolio limits
- 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, Vehicle Loan, etc.

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

- Defining Risk Appetite in line with business strategies
- 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 monitoring 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 at least 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 Credit Committees are constituted:

- ▶ **Corporate & Commercial Banking Segment (Committees are shown in descending order of sanctioning powers):**
  - Committee of Directors (COD)
  - Executive Credit Committee (ECC)
  - Corporate Office Credit Committee (COCC)
  - Credit Committee 2 (CC2)
  - Credit Committee 1 (CC1)
  
- ▶ **Consumer Finance Division (CFD)**
  - Committee of Directors (COD)
  - Executive Credit Committee (ECC)
  - Corporate Office Credit Committee II - Consumer Finance Division (COCC II-CFD)
  - Corporate Office Credit Committee I - Consumer Finance Division (COCC I-CFD)
  - Central Credit Committee – Consumer Finance Division (CCC-CFD)
  - Zonal Credit committee – Consumer Finance Division (ZCC –CFD)
  - State Credit Committee/Regional Credit Committee –Consumer Finance Division (RCC/SCC-CFD)
  - Area Credit Committee - ACC
  - Branch Credit Committee – Consumer Finance Division (BCC-CFD)
  
- ▶ **Consumer Banking & Supply Chain Finance (other than CFD, PL & Cards)**
  - Committee of Directors (COD)
  - Executive Credit Committee (ECC)
  - Corporate Office Credit Committee (COCC)
  - Credit Committee -2 (CC-2)
  - Zonal Credit Committee (ZCC)
  - Joint Approvals

Apart from this, Bank has schematic loans also like Gold Loan & LAD 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**

There exists a structured credit approval process including a comprehensive credit risk assessment process, which encompasses analysis of relevant quantitative and qualitative information to arrive at the internal credit rating of the Borrower. 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, Gems & Jewellery, MFI and Real Estate Developers
- 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, Business Loans, 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 categorized 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)

#### **Loan Review Mechanism:**

Bank has also implemented Loan Review Mechanism (LRM), which involves independent assessment of quality of advances, 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 the Corporate Banking Audit Domain within Internal Audit Department.

#### **Credit Rating**

Bank has adopted internal rating for credit risk management. Borrower rating corresponds to an assessment of the counterparty's level of default risk, expressed on an internal rating scale, and is a key element in the credit sanctioning process. To quantitatively measure the level of risk of borrower rating grades, each grade corresponds to a particular default probability.

**Review and Monitoring**

All the credit exposures are monitored on an ongoing basis to identify any signs of incipient weakness in the borrower so as to take timely remedial action. For this purpose, the Bank has implemented automated Early Warning Signals (EWS) which provides timely alerts which facilitates in deciding account level strategies.

Retail Credits are managed at the Portfolio level by carrying out analysis across various dimensions and portfolio cuts. The outcome from such analysis facilitates in identifying hot spots, focusing in remedial actions and undertaking enhancements in the retail product programmes.

**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, Geography wise or 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 Department (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.

The Board approved Credit Risk Policy of the Bank specifies various limits to mitigate the Concentration risk like ceilings on exposure to Group of connected counterparties, Unsecured exposure ceilings, ceiling on long tenor exposure and aggregate value of large value exposures along with exposure ceilings to certain segments like Capital Market, Real Estate, Microfinance, etc. The actual values of the exposures are monitored and reported to Risk Management Committee and Board of Directors on a regular 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 independent functional units 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) Department 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 instalment 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. instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
  - v. instalment 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.

#### **Bank's Credit Risk Management Policy:**

Credit Risk Policy lays down the roles and responsibilities, risk appetite, key processes and reporting framework. Corporate credit is managed through internal rating of borrowers and the transaction, thorough due diligence through an appraisal process alongside risk vetting of individual exposures at origination and thorough periodic review (including portfolio review) after sanctioning. Retail credit to individuals and small business is managed through definition of product criteria, appropriate credit filters and subsequent portfolio monitoring.

The broad objectives of Bank's credit risk policy are:

- To build a high quality portfolio in line with the Bank's risk appetite and strategy.
- To identify, measure, monitor, manage and control risk effectively and to ensure that the Bank gets compensated for the risk assumed
- To maximize Bank's Risk-Adjusted Return by maintaining credit risk exposure within acceptable parameters.
- To develop a greater ability to recognize and avoid potential problems.
- To support sustainable business growth within the overall Risk appetite of the Bank.

- Diversifying the risk profile across different segments of Products, Geographies, Group etc. in order to minimise the concentration risk and maximise returns.
- To facilitate Bank in adoption of more risk sensitive approaches for measurement of credit risk under Basel III norms.

## Quantitative Disclosures:

### Credit Risk Exposures

#### a) Total Gross Credit Risk Exposures as on 30<sup>th</sup> June 2024

	Rs in mio
Fund Based*	52,16,263
Non-Fund Based**	9,73,435
<b>Total Exposures<sup>#</sup></b>	<b>61,89,698</b>

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

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

<sup>#</sup>Includes all entities considered for Basel III capital adequacy computation.

#### b) Geographic Distribution of Exposures as on 30<sup>th</sup> June 2024

	Domestic (Rs in mio)	Overseas* (Rs in mio)
Fund Based	51,13,130	1,03,133
Non-Fund Based	9,07,716	65,719
<b>Total Exposures</b>	<b>60,20,846</b>	<b>1,68,852</b>

\* Exposures pertaining to IBU GIFT City Branch

#### c) Industry-Wise Distribution of Exposures as on 30<sup>th</sup> June 2024

Industry Name	Fund Based (Rs in mio)	Non-Fund Based (Rs in mio)
<b>NBFCs</b>		
NBFCs (other than HFCs)	1,85,752	12,799
NBFC (Gold Loans)	27,174	656
NBFC - Micro Finance Institutions	3,599	59
<b>Construction</b>		
Construction related to infra.- EPC	26,806	74,757
Roads/other infra project	4,723	14,676
Contract Construction – Civil	10,474	29,622

Industry Name	Fund Based (Rs in mio)	Non-Fund Based (Rs in mio)
<b>Real Estate</b>		
Real Estate Developers	1,36,418	9,338
Lease Rental Discounting - Real Estate	22,744	
Housing Finance Companies	35,969	269
RE Infra/LAP Corporate, etc.	2,995	291
<b>Power</b>		
Power Generation:		
- Renewable	41,045	55,010
- Non-Renewable	65,217	15,637
Power Transmission	14,726	3,613
Power Distribution	5,139	3,539
Power Trading	1,000	4,402
<b>Cables</b>		
Telecom Cables	1,249	1,969
Power Cables	2,950	4,428
<b>Steel</b>		
Steel-Long Products	12,583	9,011
Steel Flats – CR,GP/GC	13,471	1,341
Steel Flats- HR	17,081	12,240
Steel – Alloy	6,640	1,813
Steel Pipes	9,748	7,247
Sponge Iron	3,269	975
Casting & Forgings	6,531	1,503
Stainless Steel	10,719	3,064
Pig Iron	2,474	1
<b>Textiles</b>		
Textiles – Readymade Garments	9,465	784
Textiles – Cotton fabrics	5,135	409
Textiles – Cotton fibre / yarn	5,583	504
Textiles – Manmade fibres / yarn	1,626	1,977
Textiles – Texturising	373	0
Textile – Blended Yarn	1,262	187
Textile – Jute	125	11
Textiles – Synthetic Fabrics	2,777	5
Textile – Silk	159	0
Textile – Machinery	221	1
Cotton ginning, Cleaning, Baling	196	-
<b>Telecom</b>		
Telecom – Cellular	12,112	22,671

Industry Name	Fund Based (Rs in mio)	Non-Fund Based (Rs in mio)
Telecom Infrastructure	17,528	2,462
Telecom Services	28,533	390
<b>Pharmaceuticals</b>		
Pharmaceuticals – Bulk Drugs	12,968	1,801
Pharmaceuticals – Formulations	14,432	895
<b>Fertilisers</b>		
Fertilisers – Phosphatic	2,037	9,869
Fertilisers – Nitrogenous	14,371	12,231
<b>Paper</b>		
Paper – Writing and Printing	5,126	5,647
Paper – Industrial	4,113	1,871
Paper Newsprint	39	-
Chemicals	33,280	10,052
Petroleum & Products	18,120	14,107
Gas Distribution	224	72,788
Engineering & Machinery	12,452	35,382
Gems and Jewellery	1,06,056	9,219
Edible Oils	9,209	41,206
Agriculture	44,156	207
Auto Ancillaries	29,099	8,360
Diversified	6,604	8,755
Food Credit	10,213	-
Capital Market Brokers	1,034	21,224
Lease Rental Discounting – Equipments	839	21
Plastic & Plastic Products	11,376	3,110
Food Product & Beverages and other food processing	68,238	3,432
Sugar	1,553	74
SME - Miscellaneous-Mfg.	5,655	895
Electronic components	4,298	1,887
Commodity Market Brokers	69	-
Hotels & Tourism	14,954	2,173
Shipping	6,505	4,764
Educational Institutions	32,900	1,902
Coal	158	525
IT Enabled Services	13,707	3,518
Petrochemicals	9,996	8,557
Banks	3,87,847	1,47,968
Mining, Quarrying & Minerals	24,319	20,073
Construction Equipments	2,868	2,385
Airlines	-	-

Industry Name	Fund Based (Rs in mio)	Non-Fund Based (Rs in mio)
Transport Services	8,465	9,811
Oil and Gas Exploration	5,700	26,731
Electric Equipment	4,715	4,641
Media, Entertainment & Advt.	16,684	166
Organised Retailing	22,962	165
Road Projects (Operational)	33,074	9,419
Trading – Wholesale	28,508	6,830
Trading – Retail	17,627	800
Services	39,958	13,523
Cement	17,417	2,957
Other Industries	1,19,447	1,45,833
<b>Residual Exposures</b>		
Credit Cards	1,07,860	-
Micro-Finance	3,38,278	-
Other Micro Loans #	32,182	-
Merchant Advances	53,040	-
Other Retail Assets	1,98,190	-
Consumer Finance	10,09,870	-
GOI Securities / Reverse Repo and Balances with RBI	11,54,496	
Residual Assets	3,43,384	-
<b>Total Assets</b>	<b>52,16,263</b>	<b>9,73,435</b>

# Loans to borrowers with Household Income (HHI) below Rs 3 lacs. Retail Advances are reported on net basis.

**d) Exposures to industries (other than Consumer Finance) in excess of 5% of total exposure**

Industry	Fund Based(Rs in mio)	Non-Fund Based (Rs in mio)
Banks	3,87,847	1,47,968

**e) Residual Contractual Maturity breakdown of assets**

(Rs in mio)

Time Bucket	Cash	Balances with RBI	Balances with other Banks	Investments	Advances*	Fixed Assets	Other Assets	Total
Day 1	12,228	1,78,580	52,777	2,83,047	12,669	-	71,565	6,10,866
2 to 7 Days	-	4,032	51,117	18,630	90,237	-	7,204	1,71,219
8 to 14 Days	-	6,148	12,925	36,401	99,713	-	-	1,55,186
15 to 30 Days	-	6,222	24,859	32,661	1,27,187	-	16,214	2,07,143
31 days to 2 months	-	10,043	6,107	37,883	2,29,580	-	2,693	2,86,306
Over 2 months to 3 months	-	5,691	5,189	20,763	1,88,160	-	11,615	2,31,419

Over 3 months to 6 months	-	25,022	7,784	91,879	4,05,694	-	85,324	6,15,703
Over 6 months to 1 year	-	41,907	2,595	1,72,491	5,00,946	-	13,823	7,31,761
Over 1 year to 3 years	-	35,919	-	1,52,597	11,79,172	-	21,979	13,89,667
Over 3 years to 5 years	-	5,892	-	35,962	3,68,074	-	17,919	4,27,847
Over 5 years to 7 years	-	7,750	-	17,150	72,582	-	10,888	1,08,370
Over 7 years to 10 years	-	11,589	-	53,457	79,166	-	-	1,44,211
Over 10 years to 15 years	-	9,281	-	34,724	94,092	-	-	1,38,097
Above 15 years	-	5,424	-	23,000	31,708	22,531	-	82,663
<b>Total</b>	<b>12,228</b>	<b>3,53,500</b>	<b>1,63,352</b>	<b>10,10,644</b>	<b>34,78,980</b>	<b>22,531</b>	<b>2,59,224</b>	<b>53,00,459</b>

\*Includes BRDS of Rs. 28500 mn

**f) Movement of NPAs and Provision for NPAs as on 30<sup>th</sup> June 2024**

(Rs in mio)	
<b>A) Amount of NPAs (Gross)</b>	<b>71,268</b>
Sub-standard	27,158
Doubtful 1	8,842
Doubtful 2	16,750
Doubtful 3	1,214
Loss	17,304
<b>B) Net NPAs</b>	<b>20,955</b>
<b>C) NPA ratios</b>	
Gross NPA to Gross advances (%)	2.02%
Net NPA to Net advances (%)	0.60%
<b>D) Movement of NPAs (Gross)</b>	
Opening Balance as on 01.04.2024	66,934
Additions during the period	15,359
Reductions during the period	11,025
<b>Closing Balance as on 30.06.2024</b>	<b>71,268</b>
<b>E) Movement of provision for NPAs</b>	
Opening as on 01.04.2024	47,245
Provision made till 30.06.2024	10,427
Write off	6,141

Write back of excess provisions	1,218
Any other adjustments, including transfers between provisions	-
<b>Closing as on 30.06.2024</b>	<b>50,313</b>

Particulars	Amount (Rs in mio)
Write offs booked directly to income statement	Refer to E above
Recoveries booked directly to income statement	841

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

A	Amount of Non-Performing Investments	762
B	Amount of provisions held for non-performing investments	762
C	Movement of provisions for depreciation / appreciation on investments (including NPI Investments)	
	Opening as on 01.04.2024	12,058
	Add: Provisions made during the year	-
	Less: Write-off/ write-back of excess provisions *	(654)
	<b>Closing Balance as on 30.06.2024</b>	<b>11,404</b>

\* includes transfer of opening provision to reserves and subsequent MTM on AFS and FVTPL category as per RBI circular on Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023' dated 12th September 2023, applicable to the Bank. (w.e.f. April 1<sup>st</sup>, 2024)

**h) Major Industry Break up of NPA and Provision**

	(Rs in mio)	
Industry	Gross NPA	Specific Provision
NPA in Top 5 Industry	1080	879

**i) Geography wise Distribution of NPA and Provision**

	(Rs in mio)	
Geography	Gross NPA	Provision
Domestic	69,567	48,952
Overseas*	1,701	1,361
<b>Total</b>	<b>71,268</b>	<b>50,313</b>

\* Exposures pertaining to IBU GIFT City Branch

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

**Qualitative Disclosures:**

The Bank uses the Standardised Approach under the RBI's Basel III capital regulations for its credit portfolio. As per the Basel III guidelines on Standardised approach, the risk weight on certain categories of domestic counter parties is determined based on the external rating assigned by specified External Credit Assessment Agencies (ECAIs) assigned by any one of the accredited rating agencies, i.e. CRISIL Ratings Ltd, ICRA, CARE, India

Ratings, Acuite, and Infomeric. 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. As per the recent notifications all the external rating agencies shall mention the amount of loan rated in public domain. Bank follow below mentioned procedures as laid down in Basel III guidelines for usage of external ratings:

- Ratings assigned by external credit rating agency (conservative approach is used as per regulatory guidelines in case multiple rating agency has rated the borrower) is used for all the types of claims on the borrowing entity.
- Long term ratings are used for facilities with contractual maturity of more than one year. Short term ratings are generally applied for facilities with contractual maturity of less than or equal to 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 be 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.
- Bank also ensures that the external rating of the facility/borrower is reviewed at least once by the ECAI during the previous 15 months and is valid.

In line with the RBI circular dated 16th November 2023, Bank has complied with the regulatory measures towards additional 25% risk weight on unsecured consumer credit exposures (including personal loans, but excluding housing loans, education loans, vehicle loans and loans secured by gold and gold jewellery), credit card receivables, exposure to NBFCs where extant risk weight as per external rating of NBFC is below 100% (excluding loans to HFCs and loans to NBFCs which are eligible for classification as priority sector).

In line with the RBI circular dated February 28<sup>th</sup>, 2024, Bank has classified HTM, AFS, FVTPL (non-HFT) and investments in own subsidiaries, joint ventures and associates under banking book. Risk weight applied on banking book on the basis master circular "Basel III Capital Regulations" capital charged for credit risk.

#### **Quantitative Disclosures:**

##### **Risk Weight-wise distribution of Gross Credit Exposures –**

<b>Category</b>	<b>Rs in mio.</b>
Below 100% Risk Weights	43,33,257
100% Risk Weights	9,42,188
More than 100% Risk Weights	6,49,073
Deducted	2,65,180

### 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

#### Leverage Ratio Trend

Particulars		Rs in mio				
		Jun 2023	Sep 2023	Dec 2023	Mar 2024	Jun 2024
(i)	Tier 1 capital	5,64,696	5,86,974	6,09,981	6,07,105	6,27,969
(ii)	Exposure measure	56,51,163	57,89,379	59,26,370	62,04,752	63,55,997
(iii)	<b>Leverage ratio %</b>	<b>9.99%</b>	<b>10.14%</b>	<b>10.29%</b>	<b>9.78%</b>	<b>9.88%</b>

The Leverage Ratio of the bank has increased from 9.78 % as of Mar 2024 to 9.88% as of Jun 2024 on account of increase in Tier 1 capital to the tune of Rs. 20,863 million.