



Kotak Mahindra Bank Limited

BASEL III (PILLAR 3) DISCLOSURES (CONSOLIDATED) As at 31st December, 2019

Capital Adequacy

Kotak Mahindra Bank Limited and its subsidiaries (hereinafter referred to as “Group”) approach to capital adequacy is driven by strategic and organisational requirements while taking into account the regulatory and macro-economic environment.

The Group manages its capital position to maintain strong capital ratios well in excess of regulatory and Board approved minimum capital adequacy at all times. Capital management practices are built on an assessment of all identified risks and consider the risk reward balance. The objective is to maintain a strong capital base to support long-term stability, planned business growth and risks inherent in various businesses. The Group’s approach to capital management ensures that businesses are adequately capitalised to meet their business plans at all times, while holding adequate capital buffers to absorb the impact of stress events. The strong Tier I capital position of the Group is a source of competitive advantage and provides assurance to regulators, credit rating agencies, depositors and shareholders.

In accordance with the RBI guidelines on NCAF (New Capital Adequacy Framework under Basel norms), the Bank adopts the Standardized Approach for Credit Risk, Basic Indicator Approach for Operational Risk and Standardised Duration Approach for Market Risk.

Capital planning is an important element of overall financial planning and capital requirements of businesses are assessed based on the growth plans. Each legal entity within the Group, manages its capital base to support planned business growth and meet regulatory capital requirements. The Capital utilisation and requirement is monitored every quarter to ensure sufficient capital buffer above regulatory and internal requirements. The Bank and each legal entity in the Group are adequately capitalised above existing regulatory requirements.

Basel III Capital regulations are applicable to Banks in India from 1st April, 2013 With a view to strengthen the financial system and improve the shock absorbing capability, going forward, Banks are also expected to hold Capital buffers (Capital conservation buffer, countercyclical capital buffer and additional buffer for Domestic Systemically Important Banks) out of common equity. As per circular dated January 10, 2019, the last instalment of the Capital Conservation Buffer (CCB) of 0.625% will be fully phased in by 31st March, 2020. There are restrictions on Banks, including those on dividend distribution, if the buffer is not maintained.

Detailed guidelines on Basel III Capital Regulations and Guidelines on Composition of Capital Disclosure Requirements are issued by RBI and consolidated under the Master Circular – Basel III Capital Regulations July 2015.

The transitional arrangements for minimum Basel III capital ratios are given below.

Minimum capital ratios	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Minimum Common Equity Tier 1 (CET1)	5.0	5.5	5.5	5.5	5.5	5.5	5.5



Minimum capital ratios	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
Maximum Additional Tier 1 capital	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Minimum Tier 1 capital	6.5	7.0	7.0	7.0	7.0	7.0	7.0
Maximum Tier 2 Capital	2.5	2.0	2.0	2.0	2.0	2.0	2.0
Minimum Total Capital	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Capital conservation buffer (CCB)	-	-	0.625	1.25	1.875	1.875	2.5
Minimum Total Capital +CCB	9.0	9.0	9.625	10.25	10.875	10.875	11.5
Phase-in of all deductions from CET1 (in %)	40	60	80	100	100	100	100

Approach to Capital Adequacy Assessment to support business activities

The Group views risk management as a core competency and tries to ensure that risks are identified, assessed and managed well in time. The success of the Group is built on sound management of a broad range of inter-related risks. The diversified business activities require the Group to identify, measure, aggregate and manage risks effectively and to allocate capital among its businesses appropriately. The risk management framework lays emphasis on the Group's risk philosophy, proper organizational structure, risk and reward balance and is supported by dedicated monitoring and risk measuring mechanism.

The Group manages Risk under an Enterprise wide Risk Management (ERM) framework that aligns risk and capital management to business strategy, protects its financial strength, reputation and ensures support to business activities for adding value to customers while creating sustainable shareholder value.

The ERM framework sets the direction by defining clear standards, objectives and responsibilities for all areas. It supports the MD & CEO and CRO in embedding strong risk management and risk culture. The ERM framework lays down the following components for effective Risk Management across the Group

- An Independent Risk organization and governance structure with a clear common framework of risk ownership and accountability
- Governance standards and controls to identify, measure, monitor and manage risks
- Policies to support and guide risk taking activities across the Group
- Risk Appetite Statements
- Policies to support and guide risk taking activities across the Group
- Standardised risk metrics and risk reports to identify and communicate and risks
- Periodic stress testing to assess the impact of adverse business conditions on earnings, Capital and liquidity

Managing risk is a collective responsibility and Business and risk management work together to ensure that business strategies and activities are consistent with approved policies and defined risk appetite. The enterprise-wide risk management aligns with the three lines of defence model towards risk management. Responsibilities for risk management at each line of defence are defined, thereby providing clarity in the roles and responsibilities towards risk management function. The Group believes that all employees must play their part in risk management, regardless of position, function or location.



The risk management process is the responsibility of the Board of Directors which approves risk policies and the delegation matrix. The Board is supported by various management committees as part of the Risk Governance framework. The Bank and every legal entity in the Group, operates within overall limits set by the Board and Committees to whom powers are delegated by the Board. Every quarter, the CRO reports to the Board, on the risk appetite levels and the risk profile. Besides this, formal updates on various portfolios are provided to the Board periodically.

Risk Appetite

The Group faces a variety of risks across businesses. Defining acceptable levels of risk is fundamental to delivering consistent and sustainable performance over the long term. The success of the Group is dependent on its ability to manage the broad range of interrelated risks.

The Risk Appetite is an expression of the risks, the organisation is willing to take in pursuit of its financial and strategic objectives. The Risk Appetite thus sets the outer boundaries for risk taking. The risk appetite is set by the Board and is a top-down process consisting of specific quantitative and qualitative factors and provides an enforceable risk statement on the amount of risk the Group is willing to accept in support of its financial and strategic objectives. To ensure the organization stays within its risk appetite, performance against approved risk appetite is measured every quarter and reviewed by the Senior Management, RMC & Board. Action is taken as needed, to maintain balance of risk and return.

Risk Appetite forms a key input to the business and capital planning process by linking risk strategy to the business strategy, through a set of comprehensive indicators.

Risk Appetite is defined both quantitatively and qualitatively and covers key risk parameters.

The financial plans for the forthcoming year are tested against the Risk Appetite to ensure business strategy and plans are within approved Risk Appetite.

The framework is operational at the consolidated level as well as for key legal entities thereby ensuring that the Group's aggregate risk exposure is within the Group's desired risk bearing capacity. The overall Bank risk appetite is cascaded to key business segments thereby ensuring the aggregate risk exposure is within the desired risk bearing capacity.

ICAAP

The ICAAP encompasses Management's assessment of material risks and their governance, measurement and mitigants. It is linked to overall business planning for maintaining appropriate capital levels during the business horizon. The Group identifies risks to which it is exposed and determines the method and extent of risk mitigation. Risk mitigation takes place through strengthening policies, procedures, improving risk controls and having suitable contingency plans. Finally, the Group determines the risks that will be covered by capital and the level of capital sufficient to cover those risks. There are methodologies implemented that help in capital allocation towards quantifiable Pillar II risks.

Capital planning under ICAAP takes into account the demand for capital from businesses for their growth plans and ensures that the Group on an aggregate basis as well as the major legal entities on a standalone basis are sufficiently capitalized for the specified time horizon and hold sufficient capital buffers to withstand stress conditions.

The key risks assessed as part of the ICAAP are:

- Credit Risk
- Market Risk
- Operational Risk
- Credit Concentration risk
- Underestimation of Credit Risk under Standardised Approach
- Currency induced credit risk



- Interest Rate Risk in the Banking Book (IRRBB)
- Liquidity Risk
- Settlement Risk
- Reputation risk
- Strategic & Business Risk
- Model Risk
- Compliance Risk
- Country Risk
- Pension Obligation Risk
- Conduct Risk
- IT / Cyber Risks
- Group Risk

Based on the Group ICAAP outcome; the Group was well capitalized to cover Pillar I & Pillar II risks.

Stress Testing

Stress testing is a key element of the ICAAP and an integral tool in the Risk Management framework, as it provides management a better understanding of how portfolios perform under adverse economic conditions. Stress testing is integral to strengthening the predictive approach to risk management and supplements other risk management tools by providing an estimate of tail risks. The Bank is guided by a comprehensive Board approved stress testing policy, which is aligned to regulatory guidelines. The Bank tests its portfolio across a range of historical and hypothetical stress scenarios that provide for severe shocks to various risk parameters.

Impact of the stress scenarios is then assessed on profit and loss and capital levels to determine the level of additional capital if any, that will be needed to absorb losses experienced during a stress condition. Key companies within the Group also perform stress tests relevant to their portfolios. Stress-testing provides senior management with an assessment of the financial impact of identified extreme events. Stress testing is integral to strengthening the predictive approach to risk management and is a key component in managing risks. The stress tests determine the level of capital needed to absorb losses that may be experienced during stress conditions.

The Bank performs Reverse Stress testing across key risk areas to test the stress levels at which capital falls below the internal capital threshold. Results of stress tests are reported to management and the Board.

The stress testing exercise provides an opportunity to the Bank to develop suitable mitigating response prior to onset of actual conditions exhibiting the stress scenarios. The Bank was above regulatory and internal target capital ratios under all approved stress scenarios.

Capital requirements for various risk categories as at 31st December, 2019

₹ in million	
Items	Amount
(a) Capital requirements for credit risk	
Portfolios subject to standardised approach	234,201.2
Securitisation exposures	12.7
(b) Capital requirements for market risk	
Using standardised duration approach	
Interest rate risk	9,039.0
Equity position risk	10,442.9
Foreign exchange risk (including gold)	710.3



(c) Capital requirements for operational risk	
Measured using basic indicator approach	30,004.9

Computed as per Basel III guidelines

Capital Adequacy Ratios	Consolidated	Standalone
Common Equity Tier I	18.9%	17.5%
Tier I	19.0%	17.7%
Total CRAR	19.4%	18.2%

Credit Risk

Credit risk arises as a result of failure or unwillingness on part of customer or counterparties' to fulfill their contractual obligations. These obligations arise from wholesale, retail advances and off balance sheet items. Credit risks also emanate from investment and trading portfolio by way of issuer risk in debt paper, settlement risk on OTC trades and downgrade risk on non SLR investments and OTC contracts. The Group assumes credit risk in a wide range of lending and other activities in diverse markets.

Credit risk is managed through committees that approve credit and an enterprise wide risk management framework which sets out policies and procedures covering the measurement and management of credit risk. The Group has a comprehensive top down credit risk framework defined by Credit policies & Standards that sets out the principles and control requirements under which credit is extended to customers in various business divisions. The policies and standards cover all stages of the credit cycle including Origination; client ratings, risk assessment; credit approval; risk mitigation; documentation, administration, monitoring and recovery. The Group aims to have a consistent approach across legal entities when measuring, monitoring and managing credit risk. Formal credit standards apply to all credit risks, with specific standards in major lending areas.

The credit policies and process notes articulate the credit risk strategy and thereby the approach for credit origination, approval and maintenance. These policies define the overall credit sanction criteria, including the general terms and conditions. The policies / processes generally address such areas as target markets / customer segmentation, qualitative-quantitative assessment parameters, portfolio mix, prudential exposure ceilings, concentration limits, structure of limits, approval authorities, exception reporting system, prudential accounting and provisioning norms, etc. They take cognisance of prudent and prevalent banking practices, relevant regulatory requirements, nature and complexity of the activities, market dynamics, etc.

The Credit philosophy in the Group mandates that lending is based on credit analysis, with full understanding of the purpose of the loan and is commensurate to customer financials and ability to repay. The Bank's credit exposure is primarily categorised into wholesale and retail borrowers.

Wholesale and retail portfolios are managed separately owing to difference in the risk profile of the assets. Wholesale lending is managed on a name-by-name basis for each type of counterparty and borrower Group. Credit rating models provide a consistent and structured assessment, which, supplemented with expert judgment determines Credit Approval. Wholesale credit is monitored at an aggregate portfolio, industry, and individual client, borrower Group level. Annual credit reviews of borrowers are a key credit control measure and all wholesale accounts are reviewed at least once, annually with updated information on financial position, market position, industry and economic condition and account conduct.. Besides client account reviews, sectoral outlook and performance of borrower within sectors are monitored and reported to senior management

Retail portfolios are typically consist of a large number accounts of relatively small value loans. They comprise of mortgage loans, vehicle loans, personal loans, credit cards, small business loans etc. These are mainly schematic lending within pre-approved parameters. The credit assessment in such portfolios is



typically done using a combination of client scoring, product policy, external credit reporting information such as credit bureaus where available and is also supplemented by Credit officer's judgment. Internal historical information from previous borrowers also forms an input into credit decisions. There are specific guidelines in place for each product, the credit decision will take into account the parameters like loan to value, borrower demographics, income, loan tenor, availability of guarantors etc. There is a loan origination system (LOS) on which cases are tracked for completion and policy deviations if any.

Retail clients are monitored on a portfolio basis. Business-specific credit risk policies and procedures including client acceptance criteria, approving authorities, frequency of reviews, as well as portfolio monitoring frameworks and robust collections and recovery processes are in place.

Credit Risk Management Process

The Group focuses on ensuring that credit risk taking is in line with approved policies, while meeting risk-reward objectives. The Group expects to achieve its earnings objectives and to satisfy its customers' needs while maintaining a sound portfolio.

The Board has delegated credit approval authority to the Credit Committee and other approval authorities. Credit Committee may further delegate the responsibility as required from time to time.

The Bank's credit process is divided into three stages - pre-sanction, sanction and post-sanction. At the pre-sanction stage, the independent credit function within respective businesses conduct credit appraisal and assign a credit rating based on internal rating model. The appraisal note prepared by Credit, analyses the credit risk, financial status of borrower, industry risk, the quantum of financing needed etc. Reference checks, bureau data and NCIF checks are completed as part of the credit appraisal process.

Based on the independent credit risk assessment, appropriate credit decisions are taken by the sanctioning authorities. The Bank has a tiered credit sanction process where credit approvals are reported to the next higher level.

As part of the post sanction process, the credit administration team processes documentation, on the completion of which, credit is disbursed.

In accordance with credit policies, the borrowers are subject to periodic review with updated information on financial position, market position, industry and economic condition, delinquency trends and account conduct.

Retail monitoring teams monitor the retail portfolio through delinquency monitoring, early warning indicators identification, collection efficiency analysis, churning and utilization.

Borrowers are monitored regularly, commensurate with their level of risk. Credit managers use a variety of measures to conduct follow-up on accounts. The Bank has an enterprise wide Early Warning Signal (EWS) framework that helps identify signs of credit weakness at an early stage for the Bank to take suitable remedial actions. In case of loans where there is significant deterioration, the Bank employs various recovery mechanisms, including transferring the account to an internal unit specialized in managing problem accounts, to maximize collection from these accounts. Accounts categorized under EWS are discussed at the EWS committee meetings and have enhanced monitoring. Compliance and progress against the committee decisions is reported regularly to management.

Besides the EWS framework, the Bank has also implemented a Loan Review Mechanism (LRM) that does a comprehensive assessment of the overall credit across credit appraisal, assessment, sanction, post sanction activities and also checks compliance with internal policies and regulatory framework. The LRM framework helps to identify weaknesses if any in the credit value chain and suitable controls are implemented to strengthen the credit process. To maintain a diversified portfolio, the Bank operates within Board approved limits in its credit portfolio. The Bank also constantly reviews its concentration across borrowers, groups, portfolio segments, geography, sectors and ratings. This helps the Bank maintain a diversified portfolio.



Credit Risk Management Principles

The Bank measures and manages its credit risk based on the following principles:

- The Bank has a Basic Customer Acceptance Criteria for appraisal of corporate and mid-market customers. The Retail business is governed by approved product papers in selection of customers.
- The approval of all limits to counterparties should be in line with the credit policy of the Bank. Such approval should generally be within the Bank's portfolio guidelines and credit strategies.
- The credit worthiness of borrowers is regularly reviewed and monitored at least once a year. Customers with emerging credit problems are identified early and classified accordingly. For retail loans, delinquency trends are monitored on an ongoing basis to identify any deterioration of portfolio quality. Remedial action is initiated promptly to minimize the potential loss to the Bank.
- All business units have a credit monitoring function which monitors conduct of the account post disbursement.

Credit Risk measurement systems

Credit Rating is an integral part of the lending decision. The Bank has a two scale internal rating model for wholesale exposures that assigns obligor ratings & facility ratings. The rating model is capable of rating large and emerging corporates, traders, brokers, Non-Banking Finance Companies (NBFCs), real estate clients and service sector clients. Ratings are supported by financial analysis and combined with credit head's judgment to arrive at the final rating for a borrower / counterparty. The Bank uses an 18 point scale to grade borrowers.

The obligor rating provides an estimate of the probability of default of the borrower in the next year. The obligor rating is independent of the type/nature of facilities and collaterals offered. The obligor rating consists of quantitative and qualitative factors and includes assessment of customer's financial position including Net Worth, Profitability, Cash Flows, Repayment Capacity, Debt protection metrics and credit standing. Besides financial parameters, industry in which the customer operates business & management risks are also considered while arriving at the obligor rating. The underwriting process is based on obligor rating.

The facility ratings take into account structuring features of specific facilities and the collaterals offered. The facility rating provides an estimate of the loss given default (LGD) for the facility. The product of the obligor rating (Probability of Default) and Facility rating (LGD) provides an estimate of the expected loss against each facility.

The Bank has governance structure covering the rating models and framework for changes to the model or enhancements and operates under the Board approved Model Risk Policy. The rating model is drawn up in accordance with the Basel framework.

For the retail portfolio, the Bank has processes for risk assessment of retail loan exposures. These are through product notes, processes or policies, that specify entry criteria for loan origination, bureau data, minimum margins on collaterals, maximum Loan to Value Ratios (LTV) for products, product tenor etc. The Bank aims to constantly improve the quality of origination through better understanding of its portfolio and improved underwriting standards. Portfolio delinquency trends are monitored periodically.

All credit proposals are put up under the approved framework of policies. Discussions are also done on whether the credit portfolio is within the overall Board approved risk appetite. Performance against key Board approved limits are periodically reported and discussed at the Board. This enables the Board to analyse exceptions level and also assess compliance with its policies.

The Bank has a defined stress testing policy that lays down the framework for stress testing. Credit risk framework covers corporate as well as retail portfolio and the portfolios are stressed on approved scenarios to assess the impact of stress conditions on profitability and capital adequacy. The stress tests are



performed periodically and results of these stress tests are placed before the Risk Management Committee (RMC) & the Board.

Credit Risk Concentration

Concentration of credit risk arises when a number of obligors are engaged in similar activities, or operate in the same geographical areas or belong to the same industry. The Bank has defined internal limits for managing borrower concentrations, which are tighter than regulatory norms. Risk appetite of the Bank mandates a well-diversified portfolio and has quantitative metrics for credit concentration. The Bank operates within Board approved limits in its loan portfolio that cover obligor concentration, group concentration, substantial exposures, sector & industry concentration & unsecured lending. These limits are monitored periodically and reported to senior management. Assessment of credit concentration risk is part of the ICAAP.

Risk Profile

The Bank prepares its risk profile on a periodic basis and monitors the level of credit risk (low / moderate / high) and direction of change in credit risk (increasing / decreasing / stable) at the portfolio level on a regular basis. The risk profile is reported to the senior management and the Board.

Definition and Classification of Non-Performing Assets (NPA)

The Bank classifies its advances into performing and non-performing advances in accordance with extant RBI guidelines.

An NPA is defined as a loan or an advance where;

- interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan;
- the account remains 'out of order' – in respect of an overdraft/cash credit (OD/CC); and
- the bill remains overdue for more than 90 days in case of bills purchased and discounted.
- 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
- An existing NPA account is upgraded to standard category only on collection of all overdues.

In respect of NBFCs, if the overdue is in excess of 90 days, the loan is classified into sub-standard, doubtful, and loss as required by RBI guidelines. Cheques deposited at quarter end but returned in subsequent month are considered for NPA and provisioning.

Out of Order

An account should be treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power for a continuous period of 90 days. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as 'out of order'.

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.

Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. A sub-standard asset is one, which has remained NPA for a period less than or equal to 12 months. An asset is classified as doubtful if it has remained in the sub-standard category for a period exceeding 12



months. A loss asset is one where loss has been identified by the Bank or internal or external auditors or during RBI inspection but the amount has not been written off fully. The advances of subsidiaries are classified as non-performing in accordance with the guidelines prescribed by their respective regulators.

Total credit risk exposures as at 31st December, 2019

₹ in million

Overall credit exposure	Fund based	Non-fund based	Total
Total gross credit exposures	2,795,354.6	428,753.5	3,224,108.1

Includes all entities considered for Basel III capital adequacy computation

Credit exposure include term loans, working capital facilities (i.e. funded facilities like cash credit, demand loans, temporary limits, credit substitutes, non-funded facilities like letter of credits, acceptances and guarantees) and current exposure for derivatives.

Exposure management measures

The Corporate Credit policy of the Bank defines the exposure management measures. Exposure includes credit exposure (funded and non-funded credit limits), investment exposure (including underwriting and similar commitments) and derivatives exposure which includes MTM and Potential Future exposure as per current exposure method.

To avoid undue concentration in credit exposures and maintain diversification, the Bank operates within Board approved limits or operational controls in its loan portfolio. Concentration limits represent the maximum exposure levels the Bank will hold on its books. Key portfolio limits include:

- Single borrower limits
- Exposure to borrower groups
- Substantial exposure limits
- Limits on capital market exposure
- Limits on real estate exposure
- Limits on exposure to NBFCs
- Industry exposure limits
- Limits on Unsecured lending Country / Bank exposure limits

Performance against these limits are monitored periodically and reported to the appropriate authorities. The risk appetite of the Bank mandates a diversified portfolio and has suitable metrics for avoiding excessive concentration of credit risk.

The Bank has a policy on exposure to Borrowers with Unhedged Foreign Exchange. The Corporate Credit Policy stipulates review of unhedged forex exposure as part of every credit appraisal for sanction of facilities to a borrower. The Bank maintains provisions and capital on its exposure to borrowers with unhedged foreign currency exposure, as per regulatory guidelines.

To manage credit risk exposure on treasury contracts, the Bank operates within approved limits on Countries, Inter Bank counterparties and corporates.

Geographic distribution of exposures as at 31st December, 2019

₹ in million

Exposures	Fund based	Non-fund based	Total
Domestic	2,731,609.3	428,412.0	3,160,021.3
Overseas	63,745.3	341.5	64,086.8
Total	2,795,354.6	428,753.5	3,224,108.1



Includes all entities considered for Basel III capital adequacy computation

Industry-wise distribution of exposures as at 31st December, 2019

₹ in million

Industry	Fund Based	Non Fund Based	Total
Banks	148,942.0	35,057.1	183,999.1
Commercial Real Estate, of which	177,295.2	4,347.8	181,643.0
<i>LRD</i>	53,512.6	-	53,512.6
NBFCs	143,902.9	65.3	143,968.2
Automobiles incl ancillaries	93,413.8	15,417.7	108,831.5
Engineering	64,311.3	36,823.0	101,134.3
Wholesale Trade	88,455.4	11,083.2	99,538.6
Iron and steel	65,225.6	13,376.3	78,601.9
Food Processing	75,899.3	4,055.5	79,954.8
Drugs and Pharmaceuticals	51,680.0	9,342.7	61,022.7
Logistics and Auxillary transport activities	62,092.7	6,633.1	68,725.8
Crude oil Petroleum and Natural Gas	7,689.2	41,181.6	48,870.8
Construction	34,205.2	38,591.4	72,796.6
Telecommunication	23,342.4	29,081.2	52,423.6
Power, of which	41,602.6	4,514.2	46,116.8
Generation-Thermal, Nuclear	18,075.9	1,731.6	19,807.5
Generation-Renewable	21,335.2	2,527.4	23,862.6
Others (Transmission, Distribution, Trading)	2,191.5	255.2	2,446.7
IT services	13,779.5	14,865.4	28,644.9
Infrastructure ex telecom, power, roads and ports	9,841.8	39,117.4	48,959.2
Chemical, dyes, paints etc.	37,097.4	5,596.5	42,693.9
Man Made textiles	41,705.2	3,500.8	45,206.0
Gems and Jewellery	45,362.0	827.6	46,189.6
Agriculture Related Service Activity	37,774.4	903.3	38,677.7
Retail Trade	36,480.7	1,659.1	38,139.8
Hospitality and Tourism	43,379.5	4,045.4	47,424.9
Plastic and plastic products	19,259.3	5,007.3	24,266.6
Non-ferrous metals	21,088.8	6,918.1	28,006.9
Apparels and Accessories	32,192.9	1,477.3	33,670.2
Fertilisers	21,538.3	6,733.3	28,271.6
Education	25,330.6	623.6	25,954.2
Entertainment and Media	16,874.3	3,415.4	20,289.7
Paper and Paper products	17,697.7	1,421.7	19,119.4
Organised Retail	11,237.4	1,880.8	13,118.2
Stock Broking	8,331.5	10,799.2	19,130.7
Cotton textiles	14,203.2	677.8	14,881.0
Mutual Funds	21,090.6	-	21,090.6
Roads and Ports	9,066.6	7,009.3	16,075.9



Industry	Fund Based	Non Fund Based	Total
Other Industries	283,946.7	62,704.1	346,650.8
Auto loans	334,656.6	-	334,656.6
Personal and Other retails loans (including Agri)	265,375.0	-	265,375.0
Home loans/Loan against property	298,541.1	-	298,541.1
Credit cards	51,445.9	-	51,445.9
Total Gross Exposure	2,795,354.6	428,753.5	3,224,108.1

(i) Includes all entities considered for Basel III capital adequacy computation

(ii) Other industries include entities from sectors such as Cables, retail trade financial intermediation, Beverages, Edible Oil, Packaging etc.

Exposure to industries (other than retail assets) in excess of 5% of total exposure

₹ in million

Industry	Fund based	Non-fund based	Total
Banks	148,942.0	35,057.1	183,999.1
Commercial Real Estate	177,295.2	4,347.8	181,643.0

Residual contractual maturity break-down of assets as at 31st December, 2019

₹ in million

Maturity Pattern	Cash and balances with monetary authority	Balances with other banks	Investments	Advances	Fixed Assets	Other Assets
1 day	22,387.8	74,182.8	218,465.9	9,567.4	-	1,222.9
2 to 7 days	2,950.9	5,572.2	15,284.8	38,113.3	-	6,048.8
8 to 14 days	3,107.2	-	13,964.4	38,268.3	-	7,234.4
15 to 30 days	3,343.5	-	17,613.7	67,896.3	-	5,071.5
31 days to 2 months	4,919.7	-	31,475.3	141,955.9	-	5,166.9
Over 2 months & upto 3 months	3,719.0	7,113.2	38,311.3	126,360.9	-	2,519.4
Over 3 months & upto 6 months	11,954.9	5,050.0	60,446.9	178,894.4	-	7,200.2
Over 6 months & upto 1 year	14,145.6	145.8	77,523.6	221,841.8	-	10,677.6
Over 1 year & upto 3 years	48,646.5	6.6	248,131.2	1,072,971.0	-	19,803.9
Over 3 year & upto 5 years	427.5	-	6,878.9	272,086.7	-	13,845.6
Over 5 years	1,155.4	1.4	51,136.1	325,992.4	16,521.1	21,421.1
Total	116,758.0	92,072.0	779,232.1	2,493,948.4	16,521.1	100,212.3

Consolidated figures for lending entities, other entities are primarily engaged in fee based activities only.



Amount of non-performing advances as at 31st December, 2019

₹ in million

Items	Amount	
	Gross NPA	Net NPA
Substandard	25,790.5	16,152.6
Doubtful 1	7,788.0	3,197.8
Doubtful 2	15,262.1	2,369.0
Doubtful 3	5,442.2	27.8
Loss	4,866.4	-
Total	59,149.2	21,747.2
NPA Ratio (%)	2.33%	0.87%
Movement of NPAs		
Opening balance as at 1 st April, 2019	47,892.3	16,958.2
Additions	32,228.9	15,273.7
Reductions	(20,972.0)	(10,484.7)
Closing balance as at 31 st December, 2019	59,149.2	21,747.2

Includes all entities considered for Basel III capital adequacy computation

Gross NPA ratio is computed as a ratio of gross non-performing advances to gross advances

Net NPA ratio is computed as a ratio of net non-performing advances to net advances

Movement of provisions for NPAs

₹ in million

	Amount
Opening balance as at 1 st April, 2019	30,934.1
Provisions made during the year	16,955.3
Write-off/ Write back of excess provisions	(10,487.4)
Closing balance as at 31 st December, 2019	37,402.0

₹ in million

	Q3FY20
Write offs booked directly to income statement	1,848.4
Recoveries booked directly to income statement	305.3

Amount of Non-performing investments (NPI)

₹ in million

	Amount
Gross NPI as at 31 st December, 2019	2,743.9
Amount of provisions held for NPI	2,623.2
Net NPI as at 31 st December, 2019	120.7

Movement of provisions for depreciation on investments

₹ in million

	Amount
Opening balance as at 1 st April, 2019	2,391.6
Additional provisions during the year	437.8
Write off /Write back of provisions during the year	(206.2)
Closing balance as at 31 st December, 2019	2,623.2



Geographic distribution

₹ in million

	Domestic	Overseas	Total
Gross NPA	59,149.2	-	59,149.2
Provisions for NPA	37,402.0	-	37,402.0
Provision for standard assets	10,549.4	-	10,549.4

Industry-wise distribution

₹ in million

	Gross	Specific Provision
NPA in top 5 Industries	8,629.2	5,327.1

Credit risk – portfolios subject to the standardised approach

External Ratings

As per the NCAF, the Bank has adopted standardised approach for measurement of credit risk. The risk weights under this approach are based on external ratings of borrowers. The Bank has identified the following External Credit Assessment Institutions (ECAIs) as approved rating agencies for risk weighting purposes:

- Domestic credit rating agencies: CRISIL, ICRA, CARE, India Ratings (erstwhile FITCH India), Brickwork Ratings India Private Limited (Brickwork) and SMERA Ratings Limited (SMERA), ,
- International rating agencies: S&P, FITCH and Moody's

The Bank assigns risk weight on the basis of long-term and short-term rating of the borrower, as appropriate for the transaction. The issue/issuer ratings of the ECAI's are considered for the borrowers and the risk weights are then derived on a case by case basis in accordance with the rules laid down by RBI as part of the New Capital Adequacy Framework.

As per RBI guidelines dated 25 August 2016, claims on corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system of more than ₹ 100 crore which were rated earlier and subsequently have become unrated are risk weighted at 150%.

Credit exposures by risk weights as at 31st December, 2019

₹ in million

Exposure category	Fund based	Non-fund based	Total
Below 100% risk weight	1,147,798.0	242,942.7	1,390,740.7
100% risk weight	1,180,510.5	77,726.7	1,258,237.2
More than 100% risk weight	429,473.1	71,886.1	501,359.2
TOTAL	2,757,781.6	392,555.5	3,150,337.1

Includes all entities considered for Basel III capital adequacy computation, net of risk mitigation as per the standardised approach

Credit Risk Mitigation

Risk mitigation, begins with proper customer selection through assessment of the borrower, along financial and non-financial parameters, to meet commitments. A number of methods to mitigate credit risk are used, depending on suitability of the mitigant for the credit, legal enforceability, type of customer and the internal experience to manage the particular risk mitigation technique.

When granting credit facilities, the sanctioning authorities base their decision on credit standing of the borrower, source of repayment and debt servicing ability. Based on the risk profile of the borrower while



unsecured facilities may be provided, within the Board approved limits for unsecured lending, collateral is taken wherever needed, depending upon the level of borrower risk and the type of loan granted. Common credit risk mitigation techniques are facility structuring, obtaining security / collateral, guarantees and lending covenants. Mitigating mechanisms like syndication, loan assignments as well as reduction in the amount of credit granted are also used. The credit policies lay down parameters for acceptable level of credit risk.

The Bank has a credit risk mitigation policy that lists possible credit risk mitigation techniques and associated haircuts as envisaged in RBI guidelines. The objective of this Policy is to enable classification and valuation of credit risk mitigants in a manner that allows regulatory capital adjustment to reflect them. The Policy adopts the Comprehensive Approach, which allows full offset of collateral wherever applicable against exposures, by effectively reducing the exposure amount by the value ascribed to the collateral. The collateral values are suitably adjusted by (appropriate haircuts to take account of possible future fluctuations in their value due to market movements).

Legal enforceability of collateral obtained is critical, to improve recoveries in the event of a default. The Bank has specific requirements in its internal policies with regards to security verification and appropriate legal documentation. The control process for various credit risk mitigation techniques includes credit review and approval requirements, specific credit product policies, credit risk monitoring and control.

The list of eligible financial collaterals recognised by the Bank for risk Mitigation is as follows:

- Cash / Fixed deposits with the Bank
- Gold – including Bullion & Jewelry
- Central & State Government securities
- Kisan Vikas Patra and National Savings Certificates
- Life Insurance policies with a declared surrender value of an insurance company which is regulated by the insurance sector regulator
- Debt securities rated investment grade or better
- Mutual Fund units where investment is in debt instruments

Where available, the Bank also makes use of credit mitigation by way of guarantees / letters of credit provided by other eligible guarantors / banks as per RBI guidelines. Where eligible guarantees are used towards credit mitigation, the Bank follows a substitution approach and applies the risk weight of the guarantor in lieu of the obligor risk weight.

The Bank has taken ₹ 73,770.8 million of eligible financial collateral benefit in the capital computation as at 31st December, 2019.

The highest share of Financial Collaterals considered for Credit Risk Mitigation, is by way Cash/FD's and thus there is not much risk concentration envisaged on account of these mitigants.

₹ in million		
Type of Credit exposure	Eligible financial collateral after haircut	Covered by Guarantees/Credit derivatives
Total Exposure	73,770.8	34,955.2



Disclosure on Leverage Ratio

Leverage ratio

	₹ in million As at 31st December, 2019
Tier I Capital	600,871.4
Exposure Measure	4,177,473.4
Leverage Ratio	14.4%