Bolstering our safeguards in an uncertain business environment

We are exposed to various risks that are integral to any banking business, with the major risks being credit risk, market (including liquidity) risk and operational risk.

Our objective is to ensure that there is an appropriate balance between risks and return; and we have implemented comprehensive policies and procedures to identify, monitor and manage risk throughout our Bank. Our risk-management mechanism is based on the understanding of various types of risks, disciplined risk assessment and continuous monitoring, including relying on comprehensive processes and internal control mechanisms for effective and continuous monitoring and control of risks.

During fiscal 2020-21, we continued to strengthen our risk management framework and implemented several steps to improve our policies, structures and processes. These measures include:

Focused on portfolio diversification to reduce concentration risks, including less exposure to project loans and added emphasis on transaction banking and working capital businesses.

Higher quality credit portfolio, with fresh originations predominantly from entities rated A- or better.

Continuous credit monitoring and improved early warning systems for potential stress.

More collections through optimised queuing strategy and channel selection.

Objectives and policies

Our risk management processes are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors.

The Board sets the overall risk appetite and philosophy for our Bank.

The Committee of Directors, the Risk Management Committee and the Audit Committee of the Board, which are sub-committees of the Board, review various aspects of risk arising from our businesses.

Various senior management committees such as:

- **The Asset Liability Management Committee (ALCO)**
- **Operational Risk Management Committee (ORMC)**
- **Credit Risk Management Committee (CRMC)**

and so on operate within the broad policy framework, and oversee risks of their respective functional areas.

We have put in place a reputation risk management framework and policies relating to the management of credit risk, market risk, operational risk, information security risk, subsidiary risk and asset-liability both for the domestic as well as overseas operations, along with overseas subsidiaries. The overseas policies are drawn, based on the risk perceptions of these economies and our risk appetite.

We have also formulated a comprehensive Stress Testing Policy to measure the impact of adverse stress scenarios on capital adequacy.

All the risk policies are approved by the Risk Management Committee of the Board (RMC).

Structure for risk management

The Chief Risk Officer reports to the Managing Director & CEO and the Risk Management Committee of the Board oversees the functioning of the Risk Department.

The Department has separate teams for Pandemic Risk, Credit Risk, Market Risk (including Treasury Mid Office), Enterprise Risk, Operational Risk, Risk Analytics, Risk Data Management and Information Security Risk. These teams report to the Chief Risk Officer.

Strategic risks	Risk description	Risk class	Mitigation measures
Pandemic risk (industry productive capacity, fluctuations or variability in prices of products/services, stress on gross margins)	Risk of disruption to Bank's operations due to the COVID-19 pandemic and lockdown response thereto.	←→	Set up a Central Emergency Response Team (CERT) which is monitoring key aspects of the Bank operations on a continuous basis. This includes: a) Ensuring health of staff b) Ensuring channel operations continuity c) Rolling out and monitoring remote working to ensure operations are conducted smoothly and seamlessly
Credit risk (includes country risk and counterparty risk)	Risk of loss on account of non-payment of obligations owed to the Bank.	↑	– Transaction approval/Onboarding process – Rating models and scorecards
Concentration risk	Risk of large exposures to specific borrowers, groups, sectors, geographies etc. which carry higher correlation inter se.	↑	– Portfolio limits
Market risk	Risk of loss in trading positions due to adverse movement in market factors.	↑	– Dealer limits – Portfolio limits – Dealer conduct monitoring
Liquidity risk	Risk of inability to meet obligations of the Bank as and when they come up for paying.	↓	– Monitoring of liquidity position – Limits around structural liquidity – LCR and NSFR limits
Operational risk	Risk of loss due to factors linked to people, process or systems or external events.	↓	– Product and process change approval process – Monitoring of key operational risk indicators – Review of processes and systems and controls therein

↑ High ←→ Medium ↓ Low