The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in HongKong SAR with limited liability)

Basel III – Pillar 3 disclosures of India Branches

For the quarter ended 30 Sep 2019

1. Background and Scope of Application

a. Background

The information contained in the document is for the India Branches of The Hongkong and Shanghai Banking Corporation Limited ('the Bank'), which is incorporated and registered in Hong Kong Special Administrative Region ('SAR'). The Bank's ultimate holding company is HSBC Holdings plc, which is incorporated in the United Kingdom. References to 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries.

b. Scope of Application

The capital adequacy framework applies to the Bank as per Reserve Bank of India ('RBI') Basel III Capital Regulations vide RBI Circular DBR. No. BP. BC. 1/21.06.201/2015-16 dated July 1, 2015 as amended from time to time. The Bank has a subsidiary, HSBC Agency (India) Private Limited ('HAPL'), which is consolidated in line with Accounting Standard ('AS') – 21 (consolidated financial statements). Full capital deduction is taken in stand-alone financials for investment in HAPL. The Bank holds minority interests (2.07% shareholding) in a Group entity HSBC Professional Services (India) Private Limited which is neither consolidated nor is capital deducted. The investment in this company is appropriately risk weighted. The Bank does not have any other Group company where a pro-rata consolidation is done or any deduction is taken. The disclosure and analysis provided herein are in respect of the Bank, except where required and specifically elaborated, to include other Group entities operating in India.

(i) Accounting and prudential treatment / consolidation framework

a. Subsidiaries not included in the consolidation

The aggregate amount of capital held by the Bank in HAPL of Rs. 500,000 is not included in the consolidation and is deducted from capital.

b. List of Group entities in India considered for consolidation under regulatory scope of consolidation:

The RBI guidelines on Financial Regulation of Systemically Important NBFCs and Banks' Relationship vide circular ref. DBOD. No. FSD. BC.46 / 24.01.028/ 2006-07 dated 12 December 2006 read with 'Guidelines for consolidated accounting and other quantitative methods to facilitate consolidated supervision' vide circular ref. DBOD.No.BP.BC.72/ 21.04.018/2001-02 dated 25 February 2003 mandate coverage of the 'Consolidated Bank'. This includes, in addition to the Bank as a branch of Hongkong and Shanghai Banking Corporation Limited, the following Non-Banking Finance Company ('NBFC'), which is a subsidiary of HSBC Holdings plc, held through intermediary holding companies:

(Rs '000)

Name of Entity /Country of Incorporation	Principle activity of the entity	Total balance sheet equity*	Total balance sheet assets*
HSBC InvestDirect Financial Services (India) Limited (HIFSL) (Note1)	Non-banking Finance company	1,462,847	7,733,707

* As stated in the audited balance sheet of the legal entity as at 31 March 2019

Note 1. HIFSL is 'Systemically important non-deposit taking non-banking financial company' ('NBFC-ND-SI') governed by Reserve Bank of India ('RBI').

1. Background and Scope of Application *(Continued)*

b. Scope of Application *(Continued)*

As prescribed in the above guidelines, the Bank is not required to prepare consolidated financial statements as it has no shareholding in this entity. However, HIFSL has been considered under regulatory scope of consolidation for the quantitative disclosures including that of capital adequacy computation under Basel III guidelines. Accordingly, HIFSL has been considered under regulatory scope of consolidation.

(ii) Bank's total interest in insurance entities

The Bank has no interest in any of the insurance entities of the Group.

(iii) List of Group entities in India not considered for consolidation both for accounting and regulatory scope of consolidation:

(Rs '000)

Name of Entity /Country of Incorporation	Principle activity of the entity	Total balance sheet equity*	Total balance sheet assets*
HSBC Asset Management (India) Private Limited	Asset management/portfolio management	615,909	1,679,466
HSBC Electronic Data Processing India Private Limited	Back office / data processing / call centre activities	3,554,678	20,631,061
HSBC Global Shared Services (India) Private Limited	Non-operating company	25,000	50,074
HSBC InvestDirect (India) Limited	Holding company for HSBC InvestDirect Group	712,713	5,118,978
HSBC InvestDirect Employees Welfare Trust	Non-operating company	15	18,586
HSBC InvestDirect Sales & Marketing (India) Limited	Non-operating company	1,000	38,058
HSBC InvestDirect Securities (India) Private Limited	Retail securities broking and related activities	Equity - 875,112 0.001% Compulsory Convertible Preference shares - 870,000	151,066
HSBC Professional Services (India) Private Limited	Providing internal audit services to Group companies	4,838	295,345
HSBC Securities and Capital Markets (India) Private Limited	Stock broking and corporate finance & advisory	Equity - 4,701,139 Preference -250,000	6801819
HSBC Software Development (India) Private Limited	Software design, development and maintenance	327,264	25,006,000
Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited	Life insurance	9,500,000	150,902,863

* As stated in the accounting balance sheet of the legal entity as at 31 March 2019

Note 1: The Bank does not hold any stake in the total equity of the entities mentioned above with the exception of HSBC Professional Services (India) Private Limited.

Note 2: Since the Bank does not hold any stake in the total equity of the entities, the same have not been considered for any regulatory treatment.

2. Capital Adequacy & Structure

a. Capital Adequacy

The Bank's capital management framework is shaped by its structure, business model and strategic direction. The Bank carefully assesses its growth opportunities relative to the capital available to support them, particularly in light of the economic environment and tightening of regulations around capital requirements. The Bank's Executive Committee ('EXCO'), Risk Management Meeting ('RMM') and Asset-Liability Committee ('ALCO') maintains an active oversight over the Capital and Risk Management framework.

Under Pillar 1 of the RBI guidelines on Basel III, the Bank currently follows Standardised Approach for Credit Risk, Standardised Duration Approach for Market Risk and Basic Indicator Approach for Operational risk capital charge for computation and reporting capital adequacy to RBI. Further, the Bank has a comprehensive Internal Capital Adequacy Assessment Process ('ICAAP'), which covers the capital management policy of the Bank, sets the process for assessment of the adequacy of capital to meet regulatory requirements, support current and future activities and meet the Pillar I and material Pillar II risks to which the bank is exposed to. The ICAAP also involves stress testing of extreme but plausible scenarios to assess the Bank's resilience to adverse economic or political developments and resultant impact on the Bank's risk profile and capital position for current and future periods. This ensures that the bank has robust, forward looking capital planning processes that account for unique and systemic risks. Further, the bank has put in place stringent risk appetite measures as per revised RBI guidelines on Prompt Corrective Action. In addition to the above, the Bank is also subject to Capital Buffers as prescribed by RBI from time to time.

As per the transitional arrangement, at 30 Sep 2019, the Bank is required to maintain minimum capital requirement including capital buffers as per the table below:

Regulatory Minimum in % as per RBI guidelines	**As at 30 Sep 2019**
(i) Common Equity Tier I (CET1)	**5.50%**
(ii) Capital Conservation Buffer (CCB) - (Refer note I)	1.88%
(iii) Counter-cyclical Buffer (CCCB) - (Refer note II)	-
(iv) Global Systemically Important Bank (G-SIB) - (Refer note III)	1.92%
Minimum Common Equity Tier I (i+ii+iii+iv)	**9.29%**
Minimum Tier I Capital	**10.79%**
Total Minimum Capital Adequacy Ratio	**12.79%**

2. Capital Adequacy & Structure *(Continued)*

a. Capital Adequacy *(Continued)*

Notes:

I. The CCB is designed to ensure that banks build up capital buffers during normal times, which can be drawn down during a stressed period. Banks in India are required to maintain a capital conservation buffer of 2.5%, comprised of CET1 capital, over and above the regulatory minimum capital requirement. The CCB has been implemented w.e.f 31 March 2016 starting with 0.625% in 2016, increasing in a phased-in manner and reaching 2.5% by 31 March 2019. However as per Master circular RBI/2018-19/106 DBR.BP.BC.No.20/21.06.201/2018-19 dated January 10, 2019, the last tranche of 0.625% of Capital Conservation Buffer (CCB) has been deferred from March 31, 2019 to March 31, 2020. Current CCB stands at 1.88%

II. RBI issued guidelines on CCCB framework for banks in India in February 2015. The CCCB may vary from 0 to 2.5% of total RWA and the decision would normally be pre-announced with a lead time of 4 quarters. The activation of CCCB will depend upon Credit to GDP gap in India (difference between Credit to GDP ratio and the long-term trend value of such ratio of any point in time) along with supplementary indicators such as Credit-Deposit ratio for a moving period of 3 years, industry outlook assessment index and interest coverage ratio. As stated by RBI in First Bi-monthly Monetary Policy Statement, 2019-20 issued on 4th April 2019, a review of CCCB indicators was carried out by the RBI and it has been decided that it is not necessary to activate CCCB in India for FY 2019-20.

III. The Reserve Bank of India (RBI) released the framework on D-SIB requirements for banks operating in India in July 2014. Banks may become systemically important due to their size, cross-jurisdictional activity, complexity, interconnectedness and lack of substitutability. As per the RBI guidelines, a foreign bank having branch presence in India (such as the Bank) which is classified as Globally Systemically Important Bank (G-SIB) by Financial Stability Board (FSB), has to maintain additional CET1 capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India. Accordingly, 1.92% had been added to minimum requirement towards G-SIB as of Sep 19.

The Bank continues to monitor developments and believes that current robust capital adequacy position means the bank is well placed for continuing compliance with the Basel III framework.

2. Capital Adequacy & Structure *(Continued)*

b. Capital Structure

(i) Composition of Tier 1 capital for the bank

(Rs. '000)

	Standalone		Consolidated	
	As at 30 Sep 2019	As at 31 Mar 2019	**As at 30 Sep 2019**	As at 31 Mar 2019
Capital	**44,991,660**	44,991,660	**46,454,507**	46,454,507
Eligible Reserves	**156,037,755**	156,037,756	**158,967,565**	158,843,975
- Capital reserves (excl. revaluation reserve)	**90,855,494**	90,855,495	**90,855,494**	90,855,494
- Statutory Reserves	**60,250,370**	60,250,370	**60,250,370**	60,250,370
- Specific Reserves	**2,576,669**	2,576,669	**2,576,669**	2,576,669
- Free Reserves	**0**	0	**2,929,810**	2,806,220
- Revaluation Reserves at a discount of 55 per cent	**2,355,222**	2,355,222	**2,355,222**	2,355,222
Less: Deductions from Tier I Capital	**-205,564**	-138,215	**-218,173**	-151,075
- Charge for Credit enhancement on Securitisation deal	**0**	-	**-**	-
- Intangible Assets Deferred Tax Asset ('DTA') (Note 2)	**0**	**0**	**-12,610**	-12,860
- Investment in subsidiaries in India	**-35**	-35	**-35**	-35.0
- Debit Value Adjustments (DVA)	**-205,529**	-138,180	**-205,529**	-138,180
- Defined Benefit Pension Fund Asset	**0**	-	**-**	-
Common Equity Tier I Capital	**200,823,852**	200,891,201	**205,203,899**	205,147,407
Additional Tier I Capital	**0**	-	**-**	-
Total Tier I Capital	**200,823,852**	200,891,201	**205,203,899**	205,147,407

Note 1: HIFSL is considered for consolidation purpose.

Note 2: As per RBI guidelines as on 1 March 2016, DTA which was deducted from CET1 capital, can be recognised in the CET1 with a limit of 10% of net CET1 (after deducting DTA). Accordingly, DTA of Rs. 3,890,559 ('000) (previous year ended Mar 19: Rs. 3,890,559 ('000)) is not deducted.

(ii) Tier 2 capital for the bank

(Rs. '000)

	Standalone		Consolidated (Note 1)	
	As at 30 Sep19	**As at 31 Mar 2019**	**As at 30 Sep 19**	**As at 31 Mar 2019**
General Loss Provisions	**5,613,795**	**4,775,169**	**5,644,877**	**4,804,155**
Other Eligible Reserves	**2,495,557**	**2,495,557**	**2,495,557**	**2,495,557**
Investment Fluctuation Reserves (Note 2)	**4,800,000**	**4,800,000**	**4,800,000**	**4,800,000**
Total Tier II Capital (Note 3)	**12,909,352**	**12,070,726**	**12,940,434**	**12,099,712**

Note 1: HIFSL is considered for consolidation purpose.

Note 2: RBI via its circular dated 2nd April 2018 has mandated banks for creation of Investment Fluctuation Reserve (IFR) with effect from the year 2018-19. An amount not less than the lower of (a) net profit on sale of investments during the year (b) net profit for the year less mandatory appropriations shall be transferred to the IFR, until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis and where feasible, this should be achieved within a period of 3 years. Accordingly, the Bank has created an Investment Fluctuation Reserve of Rs. 4,800 million for FY 2018-19.

2. Capital Adequacy & Structure *(Continued)*

b. Capital Structure *(Continued)*

Note 3: There is no debt capital instrument and subordinated debt outstanding as at 30 Sep 2019 (previous year ended Mar 19: Nil) included in Tier II Capital.

(iii) Capital requirements for Credit Risk, Market Risk and Operational Risk

- *Standalone and Consolidated*

(Rs '000)

	Standalone		**Consolidated (Note 1)***	
	As at 30 Sep 2019	**As at 31 Mar 2019**	**As at 30 Sep 2019**	**As at 31 Mar 2019**
I. Capital required for Credit Risk	**133,558,354**	**110,797,552**	**134,735,200**	**112,093,628**
- For portfolios subject to Standardised approach	133,558,354	110,797,552	134,735,200	**112,093,628**
II. Capital required for Market Risk	**28,678,330**	**25,976,177**	**28,678,330**	**25,976,177**
(Standard Duration Approach)				
- Interest rate risk	**24,993,937**	**19,992,130**	**24,993,937**	**19,992,130**
- Foreign exchange risk	**1,582,763**	**1,588,950**	**1,582,763**	**1,588,950**
- Equity risk	**390,939**	**392,467**	**390,939**	**392,467**
- Securitisation exposure	**1,710,692**	**4,002,630**	**1,710,692**	**4,002,630**
III. Capital required for Operational Risk	**17,073,615**	**16,065,991**	**17,073,615**	**16,065,991**
(Basic Indicator Approach)				
Total capital requirement (I + II + III)	**179,310,300**	**152,839,720**	**181,188,124**	**154,135,796**
Total capital funds of the Bank	**213,733,204**	**212,961,927**	**218,144,333**	**217,247,119**
Total risk weighted assets	**1,401,956,995**	**1,190,340,501**	**1,409,802,634**	**1,198,981,007**
Total capital ratio	**15.25%**	**17.89%**	**15.47%**	**18.12%**
Common Equity Tier I Capital Ratio	**14.32%**	**16.88%**	**14.56%**	**17.11%**
Tier I capital ratio	**14.32%**	**16.88%**	**14.56%**	**17.11%**

Note 1: HIFSL is considered for consolidation purpose.

*Regulatory Minimum Capital Requirement of 15% is applicable for HIFSL.

3. Credit risk

a. General

Credit Risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance, marked-to-market exposure from derivative contracts and certain off-balance sheet products such as guarantees and from the Bank's holdings of assets in the form of debt securities.

The principal objectives of our credit risk management function are:

- to maintain a strong culture of responsible lending, and a robust credit risk policy and control framework;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

Strategy and Processes

HSBC Holdings plc formulates high-level risk management policies for the HSBC Group entities worldwide. The Bank has also formulated local credit guidelines consistent with HSBC policy and RBI guidelines. The Bank's risk management policies and procedures are subject to a high degree of oversight and guidance to ensure that all types of risk are systematically identified, measured, analyzed and actively managed. The Bank remains a full service bank, servicing all major business groups- Global Banking and Markets (GBM), Commercial Banking (CMB) and Retail Banking and Wealth Management (RBWM).

The Bank has standards, policies and procedures dedicated to the sanctioning, monitoring and management of various risks, which include the following:

- The Board of The Hongkong and Shanghai Banking Corporation Limited in Hongkong SAR (HBAP) has established the India Executive Committee (EXCO) to assist the Board in the running of the Bank. The EXCO is authorized to exercise all the powers, authorities and discretions of the HBAP on the management and day to day running of the Bank, in accordance with the policies and directions set by the Board from time to time. EXCO approves all the policies including credit policies. A Risk Management Meeting (RMM) consisting of senior executives, reviews overall portfolio risks and key risks faced by the bank in India on a monthly basis.
- A Wholesale Credit and Market Risk Management (WMR) unit independent of business with a matrix of delegated approval authorities, undertaking independent reviews and objective assessment of the credit risk for all customers. All large value proposals will be tabled and approved by the Credit Committee (CC). The WMR function has the responsibility of setting and managing strategy, policy, appetite, expectations and standards for wholesale credit and market risk.

3. Credit risk *(Continued)*

a. General *(Continued)*

Strategy and Processes ***(Continued)***

- The RBWM Risk function is responsible for monitoring the quality of the Retail Banking and Wealth Management (RBWM) lending portfolio. For retail lending, INM has developed credit application scorecards (which make use of statistical models & historical data) and defined policy parameters to assess the borrowers. The Bank also deploys other tools like external verifications, negative customer database search & most importantly credit bureau checks through the Credit Information Bureau (India) Limited (CIBIL). Policy rules are built into the system to enable online checks. This may also be supplemented with judgmental lending as appropriate. The judgmental aspect tries to identify the financial strength, ability and intentions of borrowers for repayment.
- Starting 1 Jan 2017, First Line of Defense (FLOD) activities of Underwriting and Collections team have been merged into a new unit called Credit Control Services (CCS) which at an entity level reports into the RBWM Chief Operating Office and functionally into the Regional CCS structure. FLOD underwriting decisions cases within the approved policy parameters whereas exceptions / deviation proposals are approved by the RBWM Risk Second Line of Defense (SLOD) underwriting team. Cases beyond the limit of Head-RBWM Risk are approved by the Retail Credit Committee (RCC).
- For retail risk, the INM RBWM risk and Acquisition and Account Risk Management Team reviews and communicates the various internal risk policies. The RRPs (Risk reward program) defines the product parameters for RBWM.
- A robust framework for Risk Appetite Statements (RAS) and Risk Tolerance triggers for all material risks. The Risk Management committee reviews and regularly monitors the compliance with RAS. The Bank has stipulated Credit Risk Appetite and tolerance triggers for asset quality, impairments, risk weighted assets, risk adjusted returns and concentration risks.
- Designing of comprehensive credit risk policies for management of Exposure norms and Country Risk Plan. These policies delineate the Bank's risk appetite and maximum permissible exposures to individual customers, customer groups, industries, sensitive sectors and other forms of credit risk concentrations.
- The bank also has comprehensive policies for valuation, end use monitoring, real estate exposures, management of intra-group exposures, provisioning, distressed assets and recovery and sale of NPA.
- Sustainability risk policies to ensure sustainable financing in accordance with the group guidelines.
- Stress Testing Policy & Framework for rigorous risk specific and Enterprise-wide stress testing and reporting.
- Managing exposures to debt securities by establishing controls in respect of the liquidity of securities held for trading and setting issuer limits for financial investments. Separate portfolio limits are established for asset-backed securities and similar instruments.
- Controlling of cross-border exposures to manage country and cross-border risk through the imposition of country limits with sub-limits by maturity and type of business.

3. Credit risk *(Continued)*

a. General *(Continued)*

Strategy and Processes ***(Continued)***

- Maintaining and developing HSBC's risk rating framework and systems to classify exposures meaningfully and facilitate focused management of the risks involved. Rating methodologies are based upon a wide range of financial analytics together with market data-based tools, which are core inputs to the assessment of customer risk. For larger facilities, while full use is made of automated risk rating processes, the ultimate responsibility for setting risk ratings rests with the final approving executive. Risk grades are reviewed frequently and amendments, where necessary, are implemented promptly.

Structure and Organisation

The Risk function is responsible for the quality and performance of its credit portfolios and for monitoring and controlling all credit risks in its portfolios.

Credit underwriting is processed at different levels (country, region, Group) depending on size and complexity of proposals and by different teams (FIs / Corporate / Trade / Cross-Border Approvals). Credit approval authorities are delegated from the Chief Risk Officer at the Regional Head Office in Hong Kong to the CEO, India and the CRO, India. The CRO in India maintains a functional reporting line to the CRO in Hong Kong. The delegation of limits to Head WMR, WMR executives including LMU will be approved by EXCO, and the CRO will only communicate the delegated limits to the respective staff. For Retail, the ASP Head of RBWM Risk delegates lending authority to the India RBWM Risk Head who, in turn, delegates the lending authority to underwriters in RBWM Risk and CCS. For certain customer types, the approval is granted either ASP Risk/ Group Risk basis the recommendation of India WMR. Relationship management of problem accounts or downgrades in certain internal ratings are transferred to LMU (Loan Management Unit) within Risk.

Scope and nature of risk reporting, measurement, monitoring and mitigation

The Bank manages and directs credit risk management systems initiatives. HSBC has constructed a centralized database covering substantially all of the Group's direct lending exposures, to deliver an increasingly granular level of management reporting.

The Bank performs regular reporting on its credit risk portfolio (wholesale & retail), to include information on large credit exposures, concentrations, industry exposures, levels of impairment provisioning, delinquencies, LTVs and country exposures to various internal governance forums. The analysis of the portfolio is also presented to the RMM monthly.

3. Credit risk *(Continued)*

a. General *(Continued)*

Non-performing advances

Non-performing advances are identified by periodic appraisals of the portfolio by management or in accordance with RBI guidelines, whichever is earlier.

Specific provisions are made on a case by case basis based on management's assessment of the degree of impairment of the advances (including mortgage loans but excluding other homogeneous retail loans), subject to the minimum provisioning levels prescribed by the RBI. Where there is no longer any realistic prospect of recovery, the outstanding advance is written off.

Special attention is paid to high risk exposures, which are subject to more frequent and intensive review and reporting, in order to accelerate remedial action. The bank engages with customers closely to work out of distress situations.

Subject to the minimum provisioning levels prescribed by the RBI, the provision on homogeneous unsecured loans relating to retail business is assessed on a portfolio basis using the historical loss and/or net flow rate method.

b. Quantitative disclosures for portfolios under the Standardised approach

(i) Total gross credit risk exposures by geography for the Bank

(Rs '000)

			As at 30 Sep 2019
	Fund based [Note 1]	**Non fund based [Note 2]**	**Total**
Overseas	**-**	**-**	**-**
Domestic	**932,608,280**	**629,474,074**	**1,562,082,353**
Total	**932,608,280**	**629,474,074**	**1,562,082,353**

(Rs '000)

			As at 31 Mar 2019
	Fund based [Note 1]	Non fund based [Note 2]	Total
Overseas	-	-	-
Domestic	944,385,293	509,711,156	1,454,096,449
Total	944,385,293	509,711,156	1,454,096,449

Note 1: Amount represents funded exposure before credit risk mitigants.

Note 2: Amount represents non-funded exposure after applying credit conversion factor and before credit risk mitigants.

3. Credit risk *(Continued)*

b. Quantitative disclosures for portfolios under the standardized approach *(Continued)*

(ii) Industry type distribution of exposures for the Bank as at 30 Sep 19

(Rs '000)

Industry	Funded	Non Funded	Total
Mining and Quarrying	-	31,044	31,043.59
Food Processing	5,659,466	2,618,658	8,278,124
Beverages (excluding Tea & Coffee) and Tobacco	1,504,742	1,479,484	2,984,226
Textiles	12,163,166	2,169,851	14,333,017
Leather and Leather products	342,368	34,570	376,938
Wood and Wood Products	1,756,932	120,094	1,877,026
Paper and Paper Products	2,414,334	1,358,096	3,772,430
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	3,591,786	3,591,786
Chemicals and Chemical Products (Dyes, Paints, etc.)	47,637,195	31,263,388	78,900,583
Rubber, Plastic and their Products	16,254,805	5,313,959	21,568,764
Glass & Glassware	1,529,165	1,331,867	2,861,032
Cement and Cement Products	6,375,423	1,524,617	7,900,040
Basic Metal and Metal Products	13,851,725	7,870,665	21,722,390
All Engineering	64,367,736	65,468,765	129,836,501
Vehicles, Vehicle Parts and Transport Equipments	25,065,844	23,003,062	48,068,906
Gems and Jewellery	340	2,126	2,466
Construction	301,083	2,714,848	3,015,931
Infrastructure	37,716,710	31,682,235	69,398,945
NBFCs and trading	127,758,426	30,529,882	158,288,308
Banking and finance	97,636,314	160,336,372	257,972,685
Computer Software	3,835,211	15,374,586	19,209,797
Professional Services	49,501,775	162,263,675	211,765,450
Commercial Real Estate	108,322,072	1,666,257	109,988,329
Other Industries	78,593,688	64,143,818	142,737,506
Retail	107,593,213	13,580,369	121,173,582
Others*	122,426,547	0	122,426,547
Total	**932,608,280**	**629,474,074**	**1,562,082,353**

Note: Exposure is comprised of Loans & Advances, Credit equivalent of guarantees, acceptances, letters of credit, other Non-Market Related off balance sheet obligations, credit equivalent of derivative exposures, Balance with Banks and Money at call and short notice.

** Others include Cash and balances with RBI, Fixed Assets and Other Assets*

3. Credit risk *(Continued)*

b. Quantitative disclosures for portfolios under the Standardized approach *(Continued)*

Industry type distribution of exposures as at 31 March 2019

(Rs '000)

Industry	Funded	Non Funded	Total
Mining and Quarrying	-	29,019	29,019
Food Processing	5,973,540	1,372,767	7,346,307
Beverages (excluding Tea & Coffee) and Tobacco	394,101	1,128,156	1,527,732
Textiles	11,220,210	2,167,727	13,387,937
Leather and Leather products	97,450	32	97,482
Wood and Wood Products	1,180,199	62,600	1,242,799
Paper and Paper Products	4,018,401	736,736	4,527,952
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	3,044,559	3,044,559
Chemicals and Chemical Products (Dyes, Paints, etc.)	52,597,477	27,302,023	79,921,993
Rubber, Plastic and their Products	14,024,325	4,731,238	18,748,603
Glass & Glassware	988,899	1,840,863	2,829,762
Cement and Cement Products	3,677,564	1,931,610	5,609,174
Basic Metal and Metal Products	16,695,673	6,250,587	22,946,260
All Engineering	59,108,064	55,790,511	115,127,881
Vehicles, Vehicle Parts and Transport Equipments	26,825,288	22,020,856	48,846,144
Gems and Jewellery	238	2,075	2,313
Construction	48,547	2,280,197	2,328,744
Infrastructure	42,593,467	29,565,387	71,205,248
NBFCs and trading	116,026,581	25,070,156	120,960,651
Banking and finance	145,419,530	123,406,616	241,595,344
Computer Software	3,097,619	13,593,660	16,691,279
Professional Services	33,798,767	126,223,663	133,582,028
Commercial Real Estate	99,952,320	3,476,533	102,542,395
Other Industries	76,098,982	44,735,874	196,459,081
Retail	105,314,506	12,947,711	118,262,217
Others*	125,233,545	0	125,233,545
Total	944,385,293	509,711,156	1,454,096,449

** Others include Cash and balances with RBI, Fixed Assets and Other Assets*

3. Credit risk *(Continued)*

b. Quantitative disclosures for portfolios under the Standardised approach *(Continued)*

(iii) Residual contractual maturity breakdown of total assets for the bank

As at 30 Sep 2019 (Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	1,475,425	36,293,748	265,334,498	16,662,092	-	8,380,883
2 to 7 days	-	-	68,471,839	45,384,567	-	17,379,975
8 to 14 days	-	-	39,158,482	26,227,505	-	2,266,072
15 to 30 days	9,532,315	-	54,622,363	75,477,300	-	12,318,453
31 days & upto 3 months	8,234,135	-	42,153,523	102,765,750	-	22,136,398
Over 3 months and upto 6 months	1,921,456	-	19,478,111	48,920,952	-	13,560,183
Over 6 months and upto 1 year	2,275,210	3,543,750	29,409,121	47,444,354	-	21,557,885
Over 1 year and upto 3 years	5,657,908	7,796,250	81,240,758	97,336,615	-	67,545,002
Over 3 years and upto 5 years	2,680,665	-	17,232,266	105,394,643	-	31,820,795
Over 5 years	13,094,286	-	61,076,208	142,452,736	7,621,144	12,320,181
TOTAL	**44,871,400**	**47,633,748**	**678,177,169**	**708,066,515**	**7,621,144**	**209,285,826**

As at 31 March 2019 (Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	1,265,091	120,435,652	88,660,439	8,164,196	-	16,892
2 to 7 days	-	-	161,880,236	49,071,750	-	15,263,557
8 to 14 days	-	-	114,426,479	29,331,016	-	525,763
15 to 30 days	11,799,686	-	65,934,966	57,296,963	-	9,312,831
31 days & upto 3 months	6,721,929	-	70,638,027	89,032,890	-	22,430,557
Over 3 months and upto 6 months	2,986,331	-	24,956,064	48,475,503	-	27,646,117
Over 6 months and upto 1 year	2,478,603	-	36,840,982	44,465,416	-	27,699,734
Over 1 year and upto 3 years	2,001,478	5,186,625	66,377,837	89,023,799	-	65,058,986
Over 3 years and upto 5 years	2,496,313	5,878,175	16,164,519	105,304,486	-	25,012,239
Over 5 years	12,787,857	-	63,858,072	148,880,286	7,801,275	11,085,649
TOTAL	**42,537,288**	**131,500,452**	**709,737,621**	**669,046,305**	**7,801,275**	**204,052,325**

3. Credit risk *(Continued)*

b. Quantitative disclosures for portfolios under the Standardised approach *(Continued)*

(iv) Amount of Non-Performing Assets (NPAs) (Gross) for the bank

(Rs‘000)

	As at 30 Sep2019	As at 31 Mar 2019
Substandard	**1,496,145**	1,622,388
Doubtful 1	**332,928**	493,940
Doubtful 2	**720,372**	811,307
Doubtful 3	**2,260,816**	2,161,056
Loss	**785,679**	888,391
Total	**5,595,940**	5,977,082

(v) Net NPAs

The net NPAs are Rs. 1,177 million (previous year ended 31 March 2019, Rs. 1,291 million). Please see table (vi) below.

(vi) Movement of NPAs for the bank

(Rs‘000)

		As at 30 Sep 2019	
	Gross NPA's	**Provision**	**Net NPA**
Opening balance as at 1 April 2019	**5,977,082**	**4,685,911**	**1,291,171**
Additions during the period	**2,047,236**	**755,736**	**1,291,500**
Reductions during the period	**(2,428,378)**	**(962,743)**	**(1,465,635)**
Closing balance as at 30 Sep 19	**5,595,940**	**4,478,904**	**1,117,036**

(Rs‘000)

		As at 31 March 2019	
	Gross NPA's	Provision	Net NPA
Opening balance as at 1 April 2018	9,242,663	7,802,562	1,440,101
Additions during the period	3,914,319	1,394,098	2,520,221
Reductions during the period	(7,179,900)	(4,510,748)	(2,669,152)
Closing balance as at 31 Mar 19	5,977,082	4,685,912	1,291,170

(vii) NPA ratios for the bank

	As at 30 Sep 2019	As at 31 Mar 2019
Gross NPAs to gross advances	**0.79%**	0.89%
Net NPAs to net advances	**0.16%**	0.19%

3. Credit risk *(Continued)*

b. Quantitative disclosures for portfolios under the Standardised approach *(Continued)*

(viii) General Provisions

General provisions comprise of provision towards standard assets and Unhedged Foreign Currency Exposure (UFCE) in accordance with RBI Master Circular RBI/2013-14/448 DBOD.No.BP.BC. 85 /21.06.200/2013-14 dated 15 January 2014.

(ix) Non-performing investments

Non-performing investments as at 30 Sep 2019 are Rs. 2 (previous year ended 31 March 2019 Rs. 2). This represents preference/equity share investments which have been written down to Rs.2.

(x) Movement of provisions for depreciation on investments for the bank

(Rs‘000)

	As at 30 Sep 2019	As at 31 Mar 2019
Opening balance	**485,348**	1,062,084
Provisions during the year	**-**	-
Write offs during the year	**-**	-
Write back of excess provisions during the year	**(484,882)**	(576736)
Closing balance	**466**	485,348

(xi) Classification (by major industry) of NPA, Provision, past due loans and Specific Provision and Write off during the year for the bank

As at 30 Sep 2019 (Rs ‘000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.Agriculture	-	2,665	-	-	-
2. Advances to Industries sector	**1,194,281**	**727,460**	**1,198,595**	**8,480**	**122,051**
of which:					
2.1 Chemicals and Chemical Products	139,032	344,416	145,085	-	-
2.2 All Engineering	34,887	11,372	104,916	-	62,779
2.3 Infrastructure	433,947	-	612,325	-	-
2.4 Paper and Paper Products	282,089	15,738	282,090	-	-
2.5 Textile	304,320	26,124	323,938	4,458	59,273
3. Services	**1,755,991**	**68,020**	**1,766,446**	**111,096**	**125,194**
of which:					
3.1 Trade	1,144,224	-	1,170,125	66,253	62,159
3.2 Commercial Real Estate	265,664	-	224,415	-	-
3.3 NBFC	64,927	-	89,035	-	-
4. Retail	**2,645,668**	**2,168,795**	**1,513,863**	**636,160**	**416,302**
Total	**5,595,940**	**2,966,940**	**4,478,904**	**755,736**	**663,547**

3. Credit risk *(Continued)*

b. Quantitative disclosures for portfolios under the Standardised approach *(Continued)*

As at 31 March 2019 (Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.Agriculture	-	6,269	-	-	-
2. Advances to Industries sector	**1,452,583**	**1,746,520**	**1,468,354**	**137,185**	**1,928,835**
of which:					
2.1 Chemicals and Chemical Products	140,578	852,368	145,085	-	-
2.2 All Engineering	104,916	777,915	104,916	-	-
2.3 Infrastructure	601,057	-	612,325	137,121	16,271
2.4 Paper and Paper Products	282,090	17,887	282,090	-	1,773,646
2.5 Textile	323,939	16,050	323,938	-	87,118
3. Services	**1,712,231**	**173,159**	**1,515,639**	**163,662**	**828,347**
of which:					
3.1 Trade	1,101,842	-	1,125,459	144,438	828,347
3.2 Commercial Real Estate	266,080	-	54,148	-	-
3.3 NBFC	68,796	-	89,035	7,923	-
4. Retail	**2,812,268**	**2,112,357**	**1,701,919**	**1,093,249**	**834,847**
Total	**5,977,082**	**4,038,305**	**4,685,912**	**1,394,098**	**3,592,029**

(xii) Write offs and recoveries directly booked to income statement for the bank

(Rs '000)

	For the period ended 30 Sep 2019	For the year ended 31 Mar 2019
Write offs	**451,325**	**892,737**
Recoveries	**159,360**	**359,527**

(xiii) Ageing of past due loans for the bank

(Rs '000)

	As at 30 Sep 2019	As at 31 Mar 2019
Overdue less than 30 days	**2,274,464**	3,097,001
Overdue for 30 to 60 days	**444,975**	641,896
Overdue for 60 to 90 days	**247,501**	299,408
	2,966,940	4,038,305

3. Credit risk *(Continued)*

b. Quantitative disclosures for portfolios under the Standardised approach *(Continued)*

(xiv) Amount of NPAs and past due loans by significant geographic areas for the bank

As at 30 Sep 2019 (Rs '000)

	NPA	**Past Due Loan**
Overseas	**-**	**-**
Domestic	**5,595,940**	**2,966,940**
Total	**5,595,940**	**2,966,940**

As at 31 March 2019 (Rs '000)

	NPA	Past Due Loan
Overseas	-	-
Domestic	5,977,082	4,038,305
Total	5,977,082	4,038,305

4. Disclosures for portfolios under the Standardised approach

The Bank uses the following External Credit Assessment Institutions (ECAIs) approved by RBI to calculate its capital adequacy requirements under the Standardised approach to credit risk for Corporate, Bank and Sovereign counterparties.

Domestic ECAIs for external ratings of Indian Corporates:

a) Credit Analysis and Research Limited (CARE)

b) CRISIL Limited

c) India Ratings and Research Private Limited (FITCH)

d) ICRA Limited

e) Brickwork Ratings India Pvt Limited

f) ACUITE

g) Infomerics

The Bank used the ratings issued by the ECAIs (for both long term and short term facilities) to risk weight both funded as well as non-funded exposures to corporate customers.

The process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in line with RBI Master Circular on Basel-III Capital Regulations dated 01 July 2015.

For assets in the Bank's portfolio that have contractual maturity less than or equal to one year, short term ratings accorded by the chosen credit rating agencies are considered relevant. For other assets, which have a contractual maturity of more than one year, long term ratings accorded by the chosen credit rating agencies are considered relevant.

The mapping of external credit ratings and risk weights for corporate exposures is provided in the grids below:

4. Disclosures for portfolios under the Standardised approach *(Continued)*

Risk weight mapping of Long term and short term corporate ratings

Long Term Ratings of all ECAIs	**Risk weights**
AAA	20%
AA	30%
A	50%
BBB	100%
BB & Below	150%
Unrated	100%*

Short Term Ratings						**Risk weights**
CARE	**CRISIL**	**FITCH**	**ICRA**	**BRICKWORK**	**ACUITE**	
CARE A1 +	CRISIL A1 +	FITCH A1 +	ICRA A1 +	BRICKWORK A1+	ACUITE A1+	20%
CARE A1	CRISIL A1	FITCH A1	ICRA A1	BRICKWORK A1	ACUITE A1	30%
CARE A2	CRISIL A2	FITCH A2	ICRA A2	BRICKWORK A2	ACUITE A2	50%
CARE A3	CRISIL A3	FITCH A3	ICRA A3	BRICKWORK A3	ACUITE A3	100%
CARE A4	CRISIL A4	FITCH A4	ICRA A4	BRICKWORK A4	ACUITE A4	150%
CARE D	CRISIL D	FITCH D	ICRA D	BRICKWORK D	ACUITE D	150%
Unrated	Unrated	Unrated	Unrated	Unrated	Unrated	100%*

* As per RBI guidelines dated 25th Aug 2016, Exposures to Corporates, AFCs and NBFC-IFCs having aggregate exposure to banking system > INR 100 crores which are currently rated but becomes unrated subsequently, the risk weights need to be increased to 150% with immediate effect.

In August 2016, RBI issued guidelines for revising the risk weights for unrated exposures to Corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system > INR 200 crore to 150% from 100%. The implementation of these guidelines was deferred by RBI till 31 Mar 19, however the same is applicable from April 2019.

The claims on banks incorporated in India and foreign banks branches in India, excluding investment in equity shares and other instruments eligible for capital status *(Investments referred to in paragraph 5.6.1 (i) & (ii) of RBI Master circular on Basel-III Capital Regulations dated 01 July 2015)*, are risk weighted as shown below:

Claims on Banks Incorporated in India and Foreign Bank Branches in India	**Risk Weights%**	
Level of Common Equity Tier 1 capital (CET1) including applicable capital conservation buffer (CCB) (%) of the investee bank (where applicable)	**Scheduled Banks**	**Other Banks**
Applicable Minimum CET1 + Applicable CCB and above	20%	100%
Applicable Minimum CET1 + CCB = 75% and <100% of applicable CCB	50%	150%
Applicable Minimum CET1 + CCB = 50% and <75% of applicable CCB	100%	250%
Applicable Minimum CET1 + CCB = 0% and <50% of applicable CCB	150%	350%
Minimum CET1 less than applicable minimum	625%	625%

4. Disclosures for portfolios under the Standardised approach *(Continued)*

International ECAIs for external ratings of Foreign Banks, Foreign Sovereigns, Foreign Public Sector Entities and Non-Resident Corporates:

a) Fitch Ratings;

b) Moodys; and

c) Standard & Poor's Ratings Services (S&P)

The mapping of external credit ratings and risk weights for the above entities are provided in the grids below:

Risk weight mapping of foreign banks

S&P and Fitch ratings	AAA to AA	A	BBB	BB to B	Below B	Unrated
Moody's rating	Aaa to Aa	A	Baa	Ba to B	Below B	Unrated
Risk weight	20%	50%	50%	100%	150%	50%

Risk weight mapping of foreign sovereigns / foreign central banks

S&P and Fitch ratings	AAA to AA	A	BBB	BB to B	Below B	Unrated
Moody's rating	Aaa to Aa	A	Baa	Ba to B	Below B	Unrated
Risk weight	0%	20%	50%	100%	150%	100%

Risk weight mapping of foreign public sector entities

S&P and Fitch ratings	AAA to AA	A	BBB	Below BB	Unrated
Moody's rating	Aaa to Aa	A	Baa to Ba	Below Ba	Unrated
Risk weight	20%	50%	100%	150%	100%

Risk weight mapping of non-resident corporates

S&P and Fitch ratings	AAA to AA	A	BBB	Below BB	Unrated
Moody's rating	Aaa to Aa	A	Baa to Ba	Below Ba	Unrated
Risk weight	20%	50%	100%	150%	100%

Exposure under various risk buckets (post Credit Risk Mitigants)

(Rs'000)

	As at 30 Sep 2019	**As at 31 Mar 2019**
Below 100% risk weight	**941,617,484**	**850,723,688**
100% risk weight	**282,125,793**	**426,431,527**
Above 100% risk weight	**315,608,105**	**144,947,618**
Deductions*	**(205,564)**	**(138,215)**
Total	**1,539,145,819**	**1,421,964,618**
*Deduction represents amounts deducted from Tier I Capital		

Note: *Exposure is comprised of Loans & Advances, Credit equivalent of guarantees, acceptances, letter of credit, other Non-Market Related off balance sheet obligations, credit equivalent of derivative exposures post CRM.*

**As per RBI guidelines as on 01 March 2016, DTA which was deducted from CET1 capital, can be recognised in the CET1 with a limit of 10% of net CET1 (after deducting DTA). Currently DTA is 1.98% of net CET1 capital. Accordingly, there is no deduction as on 30 Sp 2019. Deductions in above table are due to Debit Value adjustments (DVA).*

5. Policy for Collateral Valuation and Management

The Bank has policies and manuals for collateral management and credit risk mitigation techniques, which include among other aspects guidelines on acceptable types of collateral, ongoing monitoring of collateral including the frequency and basis of valuation and application of credit risk mitigation techniques.

The Bank's approach when granting credit facilities is to do so on the basis of capacity to repay rather than placing primary reliance on credit risk mitigants. Depending on a customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is a key aspect of effective risk management for the bank.

Where credit risk mitigation is available in the form of an eligible guarantee, the exposure is divided into covered and uncovered portions. The covered portion, which is determined after

applying an appropriate 'haircut' for currency and maturity mismatch to the amount of the protection provided, attracts the risk weight of the protection provider. The uncovered portion attracts the risk weight of the obligor.

All deeds of ownership/titles related to collateral are held in physical custody under control of executives independent of the business.

Valuation strategies are established to monitor collateral mitigants to ensure that they will continue to provide the anticipated secure secondary repayment source. For mortgages, the credit policy clearly outlines the acceptable Loan to value ratio (LVR) for different types of properties. The maximum LVR offered to customers has been capped at 80% for loans upto INR 7.5 Mn and 75% or lower for loans greater than INR 7.5 Mn. The valuation of property is initiated through a bank-empaneled valuer who is an expert on the subject matter. Additionally, as per the Bank's Risk Valuation Policy, in some cases where real estate is held as a security, dual valuations are initiated in order to have the benefit of a second opinion on the mortgaged property. Retail risk has a board-approved valuation policy which includes conditions when dual valuation is done. The disbursal of the loan is handled through an empaneled lawyer who in exchange collects the security documents from the borrower. In some scenarios security documents are also collected post disbursal and there is a framework in place for tracking and collecting these documents. The property documents thus collected are stored in central archives in a secure manner.

An in-house Property Price Index (PPI) has been developed which is used to measure the actual LVR of the properties financed by the Bank. The methodology for PPI development has been approved by Retail Risk and refreshed every 6 months. However, should a loan become a non-performing asset (NPA), a fresh valuation is initiated through the bank-empanelled valuer and the provisions applicable are calculated accordingly.

5. Policy for Collateral Valuation and Management *(Continued)*

Main Types of Collateral taken by the Bank

As stipulated by the RBI guidelines, the Bank uses the comprehensive approach for collateral valuation for RWA computation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible collateral as specified in the Basel III guidelines. The Bank adjusts the value of any collateral received to adjust for possible future fluctuations in the value of the collateral in line with the requirements specified by RBI guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights. The Bank reckons the permitted credit risk mitigants for obtaining capital relief only when the credit risk mitigant fulfills the conditions stipulated for eligibility and legal certainty by RBI in its guidelines on Basel III.

The main types of recognised collateral taken by the Bank appear in the list of eligible financial collaterals advised in RBI Master circular on Basel III Capital Regulations issued in July 2015, and include cash on deposits. Further the main types of recognised collateral taken by the Bank for mortgages include plots of land, ready possession and under construction properties.

Main Types of Guarantor Counterparty and their Creditworthiness

As stated in Section 7.5.6 of the RBI's Master circular on Basel-III guidelines, certain guarantees are recognised for credit risk mitigation purposes. Where guarantees are direct, explicit, irrevocable, unconditional and meeting all operating guidelines prescribed by RBI, the Bank may take account of such credit protection in calculating capital requirements. The main types of guarantees are from Sovereigns, sovereign entities (including Bank for International Settlements (BIS), International Monetary Fund (IMF), European Central Bank and European Community as well as those Multilateral Development Banks (MDBs) referred to in paragraph 5.5 of the RBI's Master circular on Basel-III guidelines, Export Credit Guarantee Corporation of India Ltd (ECGC) and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTSI), Credit Guarantee Fund Trust for Low Income Housing (CRGFTLIH)), banks and primary dealers with a lower risk weight than the counterparty. Other entities that are externally rated are also eligible guarantors, except when credit protection is provided to a securitisation exposure. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

Information about (Market or Credit) Risk Concentrations within the mitigation taken

The quantum of the credit portfolio which benefits from financial collaterals and/or guarantees as credit risk mitigants is an insignificant portion of the customer advances of the Bank.

The total exposure (including non-funded post Credit Conversion Factors) that is covered by eligible financial collateral and eligible Guarantees is as below

(Rs '000)

	As at 30 Sep 19	**As at 31 Mar 19**
Exposure covered by Financial Collaterals	29,096,870	31,993,616
Exposure covered by Guarantees	45,231,598	39,956,138

6. Securitisation disclosure for Standardised approach

The Bank acts as originator, servicer and investor in securitisation transactions. The Bank's strategy is to use securitisation to diversify our sources of funding for asset origination, capital efficiency, managing liquidity and meet the priority sector lending (PSL) requirements. The Bank also undertakes 'purchase' transactions through the direct assignment route.

The Bank participates in securitisation transactions in any or all of the following roles:

- Originator: The Bank uses Special Purpose Vehicle (SPV) to securitise customer loans and advances that we have originated, in order to diversify our sources of funding for asset origination and for capital efficiency purposes. In such cases, we transfer the loans and advances to the SPVs for cash, and the SPVs issue debt securities to investors to fund the cash purchases. Credit enhancements to the underlying assets may be used to obtain investment grade ratings on the senior debt issued by the SPVs.
- Servicer: For sold assets, the Bank undertakes the activity of collections and other servicing activities such as managing collections and monthly payouts to investors / assignee with respect to the underlying assets.
- Investor: The Bank invests in Pass Through Certificates (PTCs) primarily to meet its priority sector lending requirements. We have exposure to third-party securitizations which are reported as investments. These securitisation positions are managed by a dedicated team that uses a combination of market standard systems and third party data providers to monitor performance and manage market and credit risks.

Valuation of securitisation positions

The investments of the Bank in PTCs have been marked to market on the basis of the Base Yield Curve and the applicable spreads as per the spread matrix relative to the Weighted Average Maturity of the paper as notified by Fixed Income Money Market and Derivative Association of India (FIMMDA).

Securitisation accounting treatment

The accounting treatment applied is as below:

- Originator: Securitised assets are derecognized upon sale if the true sale criteria are fully met and the bank surrenders control over the contractual rights that comprise the financial asset. In respect of credit enhancements provided or recourse obligations accepted by the Bank, appropriate provision/ disclosures is made in accordance with AS 29 – 'Provisions, contingent liability and contingent assets'. Gains on securitisation, being the excess of consideration received over the book value of the loans and provisions against expected costs including servicing costs and the expected delinquencies are amortized over the life of the securities issued by the SPV. Losses are recognised immediately. Sale and transfer that do not meet the above criteria are accounted for as secured borrowings.
- Servicer: In case the Bank acts as servicer of the securitisation deal the fees charged for servicing the loans would be recognised on an accrual basis.
- Investor: The investment in PTCs are accounted for as Available for Sale (AFS) investments and valued as per the note above. The loan assignment deals are classified as advances.

6. Securitisation disclosure for Standardised approach *(Continued)*

Securitisation regulatory treatment

- Originator: In case the loan is de-recognised from the books, no capital needs to be maintained by the Bank, however the Bank is required to maintain capital for credit enhancements provided in line with the RBI guidelines.
- Servicer: No impact on capital.
- Investor: The Bank uses the issue specific rating assigned by eligible ECAI's to compute the RWAs of the investment in the PTCs.

ECAI's used

The Bank uses one of the following ECAIs for all types of securitisation deals:

a) Credit Analysis and Research Limited (CARE)

b) CRISIL Limited

c) India Ratings and Research Private Limited (FITCH)

d) ICRA Limited

e) Brickwork Ratings India Pvt Limited

f) ACUITE

g) Infomerics

Details of Securitisation trades of the Bank

(i) Details of securitisation of standard assets

The Bank has not Securitised any standard assets in the current year (previous year-Nil)

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated 7 May2012, subsequent to this date the Bank has not originated any securitisation transaction.

(ii) Securitisation of impaired/past due assets

The Bank has not Securitised any impaired/past due assets (Previous year Nil).

(iii) Loss recognised on securitisation of assets

The Bank has not recognised any losses during the current year for any securitisation deal (Previous year Nil).

(iv) Securitisation exposures retained or purchased

The Bank has made investments in Pass Through Certificates (PTCs) of Rs. 91,564 million as at 31 March 2019 (previous year (Mar 19)- Rs. 85,703 million). These attract a risk weight of 20% since they are AAA rated instruments.

7. Market risk in trading book

The objective of the HSBC's market risk management is to manage and control market risk exposures in order to optimize return on risk while maintaining a market profile consistent with our risk appetite.

Market risk is the risk that movements in market factors, including foreign exchange rates, interest rates, credit spreads and equity prices will reduce our income or the value of our portfolios. Market risk arises on financial instruments, which are measured at fair value in the trading book.

Strategy and Processes

The Bank separates exposure to market risk into Trading book and Accrual book. Trading book includes positions arising from market-making customer demand driven inventory.

Accrual book includes positions that arise from the interest rate management of the Bank's retail and commercial banking assets and liabilities, financial investments designated as available-for-sale and held-to-maturity.

The risk components apply equally to cash and to derivative instruments. All open market risk is subject to approved limits. Limits are established to control the level of market risk and are complementary to counterparty credit limits.

The existence of a market risk trading limit does not confer any credit, counterparty, country or sovereign risk limit; they are established separately through normal credit procedures.

Structure and Organisation of management of risk

The management of market risk is undertaken in Markets using risk limits approved by an independent Risk function. Limits are set for portfolios, products and risk types. The level of market risk limits set for each operation depends upon the market liquidity, financial and capital resources of the business, the business plan, the experience and track record of the management, dealers and market environment, as well as the Group's risk appetite. Market risk limits are reviewed annually.

Global Risk, an independent unit within the Group, is responsible for our market risk management policies and measurement techniques. At local level, the Bank has a Market Risk Management function, independent of Markets, which is responsible for measuring market risk exposures in accordance with the Group policies, and monitoring and reporting these exposures against the prescribed limits on a daily basis.

Scope and nature of risk measurement, reporting and monitoring

The Bank employs a range of tools to monitor and limit market risk exposures. These include position limits, sensitivity analysis (PVBP limits), stop loss limit, VaR, Stressed VaR and stress testing.

While VaR provides a measure of the market risk in the Bank, sensitivity analysis (e.g Present Value of 1 basis point (PV01)) and VaR are more commonly utilised for the management of the business units. Stress testing and stressed VaR complement these measures with estimates of potential losses arising from market turmoil.

7. Market risk in trading book *(Continued)*

The Bank's VaR and stressed VaR models are predominantly based on historical simulation. VaR and Stressed VaR measures are calculated to a 99% confidence level and use a one-day holding period. The accuracy of VaR models is routinely validated by back-testing the actual daily profit and loss results, adjusted to remove non-modelled items such as fees and commissions, against the corresponding VaR numbers.

Market Risk Limits are proposed by Local Global Markets. The Local Market Risk function reviews the market risk limits and provides its endorsement as appropriate to the Regional Market Risk Management for approval. After regional concurrence, the proposed mandates are tabled to INM EXCO for approval. Upon approval, the limits are formally delegated by the CEO to the Head of Global Markets, who in turns delegates limits to its different Front office desks. These limits are monitored daily by the Bank's Market Risk Management function through system reports and advised to senior management on an ongoing basis. Any breaches in the internal and regulatory market risk limits set as part of internal risk policy is reported to the senior management immediately and is also tabled at the RMM and EXCO for discussion.

(i) Capital requirements for market risk for the bank

(Rs'000)

Standardised Duration Approach	**As at 30 Sep 2019**	As at 31 Mar 2019
Interest rate risk	**24,993,937**	19,992,130
Foreign exchange risk	**1,582,763**	1,588,950
Equity risk	**390,939**	392,467
Securitisation exposure	**1,710,692**	4,002,630
Capital requirements for market risk	**28,678,330**	25,976,177

8. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. It is inherent in every business organisation and covers a wide spectrum of issues.

Strategy and Process

The Bank manages this risk within a control-based environment in which processes are documented, authorisation is independent and transactions are reconciled and monitored. This is supported by an independent programme of periodic reviews undertaken by internal audit and internal control departments, and continuous reviews by concurrent audit and by monitoring external operational risk events, which ensure that the Bank stays in line with industry best practice and takes account of learnings from publicised operational failures within the financial services industry.

Structure and Organisation

The Risk Management Meeting (RMM) is the apex body at an entity level that is responsible for oversight and management of all risks in INM. Additionally, for Financial Crime risk (FCR) management and oversight, INM has a Financial Crime Risk Management Committee (FCRMC) at an entity level. Both these governance meetings are the apex risk management bodies of the bank and report to the EXCO. INM Operational Risk Working Group (ORWG)

8. Operational risk *(Continued)*

Structure and Organisation *(continued)*

is responsible for providing guidance, advice and challenge in embedding of the ORMF in INM and reports into FCRMC and RMM.

At individual business level, there are Business Control Committees (BCC)/ Risk Management forum that are responsible for oversight and management of all risks. Similar bodies specializing in FCR risks also exists at business level. Theses bodies escalate/ report to RMM and FCRMC respectively.

Three Lines of Defence (3LOD) Overview
The 3LOD model is an organisational structure that outlines the division of roles and responsibilities, defined by the activities performed. It is applicable to all individuals and to all risk types. There should be a clear segregation between risk ownership (First LOD), risk oversight (Second LOD) and independent assurance (Third LOD) to help support the Bank in the effective identification, assessment, monitoring, management, and reporting of risks.

First Line of Defence

The 1LOD has ultimate ownership of risks and controls and should manage these in accordance with the minimum requirements of the Operational Risk Mandatory Policy. There are four key 1LOD roles within the framework: Risk Owner, Control Owner, CCO and BRCM.

Risk Owners: are accountable for agreeing risk appetite, identifying, owning and managing operational risks for their business in line with appetite (i.e. within the limits set out by the Group).

Control Owners: may sit within a global business, global function, HOST function or a Third Party, assess and manage the processes, activities, or systems to ensure that they are operating effectively. They work with the Risk Owners to understand and manage the risks.

CCOs: responsible for driving the effective governance and management of operational risks in the 1LOD. The core tasks of CCOs are:

a. Promote accountable risk and control decision-making based on quality data and commercial analysis

b. Provide specialist risk and control knowledge and insights

c. Identify trends to anticipate future developments in the risk and control environment

d. Actively challenge poor, inefficient or excessive controls, related tasks and behaviours

e. Drive the development and implementation of future-fit risk management frameworks

f. Influence and shape the development of regulatory frameworks in collaboration with internal parties

g. Promoting desired behaviours and a positive risk culture

8. Operational risk *(Continued)*

BRCMs: may sit within a global business, global function, HOST function or geographic CEO or COO structure, provide operational risk advice and control testing for their organisational area. They work closely with Risk Owners and Control Owners to ensure operational risk management activities are effectively executed.

Second Line of Defence

The 2LOD review and challenge the activities of the 1LOD to ensure that the minimum requirements of the Operational Risk Mandatory Policy are met. The 2LOD is independent of the day to day commercial risk-taking activities undertaken by the 1LOD. The Operational Risk function, as owners of the ORMF and Risk Stewards comprise the 2LOD.
Risk Stewards: sit within the global functions (largely within the global risk function), perform the specialist role in the oversight of the 1LOD activities for a given risk type.

The Operational Risk function: Partner with 1LOD leadership to ensure risk management enables delivery of HSBC's growth strategy safely within appetite, and partner with Risk Stewards to oversee consistent and efficient risk management practices.

Third Line of Defence

The third line of defence is Global Internal Audit who provide independent assurance to management and the Risk and Audit Committees that HSBC's operational risk management, governance and internal control processes are operating effectively and in compliance with the Operational Risk Mandatory Policy.

Global Internal Audit: independently assures that Group entities are managing operational risk effectively.

Scope and Nature of Risk reporting, monitoring and mitigation

The Bank has codified its operational risk management process in a high level standard, supplemented by more detailed formal guidance. This explains how the Bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with RBI requirements.

Information systems are used to record the identification and assessment of operational risks and to generate appropriate, regular management reporting.

Assessments are undertaken of the operational risks facing businesses and the risks inherent in its processes, activities and products. Risk and Control Assessment is done dynamically on occurrence of 'Trigger Event'.

A regular report on operational losses is made to the Bank's senior management through the RMM.

(i) Capital requirements for Operational risk for the Bank

(Rs'000)

	As at 30 Sep 19	**As at 31 Mar 19**
Capital required for Operational Risk (Basic Indicator Approach)	**17,073,615**	16,065,991

9. Interest rate risk in the banking book (IRRBB)

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value. Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its Net Interest Income (NII).

Asset, Liability & Capital Management (ALCM) is responsible for measuring and controlling IRRBB under the supervision of the Asset and Liability Management Committee (ALCO).

Its primary responsibilities are

- To define the rules governing the transfer of interest rate risk from the commercial bank to Balance Sheet Management (BSM);
- To ensure that all market interest rate risk that can be hedged is effectively transferred from the global businesses to BSM; and
- To define the rules and metrics for monitoring the residual interest rate risk in the global businesses.

Market risk in the banking book arises principally from structural mismatches in assets and liabilities and from off-balance-sheet instruments arising from repricing risk, yield curve risk and basis risk.

Further, an analysis of these risks incorporates assumptions on optionality in certain products such as in mortgage prepayments, and from behavioral assumptions regarding the economic duration of liabilities which are contractually repayable on demand, for example, current accounts.

IRRBB is monitored as part of the Bank's Internal Capital Adequacy Assessment Process and capital maintained, if required, based on this assessment.

Strategy and Process

In order to manage this risk efficiently, interest rate risk in the banking book is transferred to BSM.

The transfer of interest risk to the BSM is achieved through a formal transfer pricing framework wherein a series of internal deals are executed between the business units and BSM. In certain products, the interest rate risk behaviour may differ from the contractual nature thereby requiring a study to determine the correct approach in managing the risk. This is achieved through a behaviouralisation study that is periodically updated and placed before the ALCO for approval, along with underlying assumptions.

9. Interest rate risk in the banking book (IRRBB) *(Continued)*

Structure and Organisation

The Bank has an independent interest rate risk management and control function which is responsible for measuring interest rate risk exposures in accordance with prescribed policies, monitoring and reporting these exposures against the approved limits on a daily basis. This monitoring process effectively builds on the level of interest rate risk that is commensurate with the capital held.

Scope and nature of Risk reporting, measurement, monitoring and mitigation

The Bank monitors the sensitivity of projected net interest income under varying interest rate scenarios. The Bank effectively identifies, measures, monitors and controls the interest rate risk in the banking book, to mitigate the impact of prospective interest rate movements which could reduce future net interest income, whilst balancing the cost of such hedging activities on the current income stream.

The Bank manages the interest rate risk arising from commercial banking activities in order to maximize the return commensurate with its capital base, without exposing the Bank to undue risk arising from movements in market interest rates.

(i) *Impact on Economic Value of Equity(EVE)*

Economic Value of Equity (EVE) measures the impact of 200 bps movement in interest rates on capital. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value.

(Rs in Million)

	As at 30 Sep 2019
Base	
Total EVE	255,772
Total Regulatory Capital	213,759
+200 bps	
EVE	249,966
EVE Sensitivity	(5,806)
EVE Sensitivity / Total Regulatory Capital	2.72%
-200 bps	
EVE	262,205
EVE Sensitivity	6,433
EVE Sensitivity / Total Regulatory Capital	3.01%
EVE Limit	18.00%

(ii) *Impact on Earnings (NII)*

Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its Net Interest Income (NII).

9. Interest rate risk in the banking book (IRRBB) *(Continued)*

(Rs in Million)

	As at 30 Sep 2019
Projected NII for next 12 months	62,761
Parallel movement in yield curve	
+100bps	833
-100bps	-698

10. Counterparty Credit Risk

Methodology used to assign economic capital and credit limits for counterparty credit exposures

Counterparty credit risk arising from over-the-counter (OTC) derivatives is calculated in both the trading and non-trading books, and is the risk that a counterparty to a transaction may default before completing the satisfactory settlement of the transaction on any foreign exchange, interest rates, or equity contracts. An economic loss occurs if the transaction or portfolio of transactions with the counterparty has a positive economic value at the time of default.

As per the RBI Master circular on Basel-III Capital Regulations dated 01 July 2015, banks are expected to use the Standardised method for computation of counterparty credit exposure using the Current Exposure Method (CEM) for market related off balance sheet exposures. Under this method the exposure on all the derivative contracts is calculated as the sum of current credit exposure/replacement cost i.e. the sum of the positive mark-to-market (MTM) of the contracts (negative MTMs are to be ignored) and the potential future exposure (PFE). PFE is determined based on a set percentage multiplied by the notional of the deal. The percentage by which the notional is multiplied is dependent upon the type of the product and the tenor as prescribed in RBI guidelines. PFE so obtained is added to the gross positive replacement cost to arrive at the final exposure at default.

Bilateral netting of counterparty credit exposures, in derivative contracts, i.e bilateral netting of MTM values arising on account of such derivative contracts is not permitted. Accordingly, only gross positive MTM value of such contracts is considered for the purposes of exposure computation for capital adequacy.

The Group assesses total economic capital requirements centrally for the risk by utilising the embedded operational infrastructure used for the Pillar 1 capital calculation.

Limits for counterparty credit risk exposures are assigned within the overall credit process for distinct customer limit approval.

Policies for securing collateral and establishing credit reserves

Despite these being a standard credit mitigant for OTC derivatives in most jurisdictions, market practice in this respect is still evolving in India. The bank has executed a few Credit Support Annexes (CSA's) and is currently negotiating with some more counterparties.
The credit valuation adjustment (CVA) is an adjustment to the value of OTC derivative transaction contracts to reflect, within fair value, the possibility that the counterparty may

10. Counterparty Credit Risk *(Continued)*

default or migrate to a lower credit grade, and we may not receive the full market value of the transactions. The Bank calculates a separate CVA for each counterparty to which the bank has exposure. The adjustment aims to calculate the potential loss arising from the portfolio of derivative transactions against each third party, based upon a modeled expected positive exposure profile, including allowance for credit risk mitigants such as netting agreements and CSA's.

The bank computes a CVA for its markets related off balance sheet exposures and takes it to the profit and loss account for financial reporting purposes. The same was implemented for capital adequacy purposes under Basel III in line with RBI Guidelines from quarter ending June 2014.

Wrong-way Risk exposures

Wrong-way risk is a form of concentration risk and arises when there is a strong correlation between the counterparty's Probability of Default (PD) and the MTM value of the underlying transaction. The Bank uses a range of procedures to monitor and control wrong-way risk, including requiring prior approval before undertaking wrong-way risk transactions outside pre-agreed guidelines.

Central Counterparties

Whilst exchange traded derivatives have been cleared through central counterparties ('CCP's) for many years, recent regulatory initiatives designed to reduce systemic risk in the banking system are directing increasing volumes of OTC derivatives to be cleared through CCPs. The Bank has accordingly developed a risk appetite framework to manage risk on CCPs.

Impact of Credit Rating Downgrade

The Credit rating downgrade clause in an International Swaps and Derivatives Association (ISDA) Master Agreement is designed to trigger a series of events which may include the requirement to pay or increase collateral, the termination of transactions by the non-affected party, or assignment by the affected party, if the credit rating of the affected party falls below a specified level. At the Group level, we assess additional collateral requirements where credit ratings downgrade language affects the threshold levels within a collateral agreement.
The derivative exposure is calculated using Current Exposure Method ('CEM'). The outstanding balances are given below:

(Rs'000)

Particulars		**As at 30-Sep-19**		As at 31-Mar-19
	Notional	**Current credit exposures**	Notional	Current credit exposures
Currency Swaps	**234,539,558**	**30,782,992**	191,430,718	31,077,580
Forward Contracts	**1,991,347,476**	**88,085,128**	1,427,215,453	64,930,424
FX options	**336,447,851**	**16,491,807**	392,642,430	17,822,694
Interest rate options	**571,293**	**7,685**	430,298	7,314
Interest Rate swaps	**3,574,186,001**	**63,619,005**	2,925,987,777	47,576,077
Single currency Floating Floating	**-**	**10,772**	-	5,246
Forward Rate Agreement	**6,920,000**	**149,704**	3,220,000	56,039
Grand Total	**6,144,012,181**	**199,147,097**	4,940,926,676	161,475,374

Note: The above does not include Exposure to QCCP.

11. Leverage Ratio

The leverage ratio requirement was introduced into the Basel III framework as a non-risk-based limit, to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector. As per the Bi-Monthly Monetary policy committee held on 6th Jun 2019, RBI has advised banks to maintain the minimum leverage ratio at 3.5%. The bank's leverage ratio is calculated as per RBI guidelines as follows:

Leverage Common disclosure: (Rs in Million)

Sr No	Item	At 30 Sep 2019	At 31 March 2019
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**1,544,323**	**1,604,453**
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**(206)**	**(138)**
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**1,544,117**	**1,604,315**
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**71,725**	**56,708**
5	Add-on amounts for PFE associated with all derivatives transactions	**310,040**	**211,914**
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	**-**	**-**
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	**-**	**-**
8	Exempted CCP leg of client-cleared trade exposures	**-**	**-**
9	Adjusted effective notional amount of written credit derivatives	**-**	**-**
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	**-**	**-**
11	**Total derivative exposures (sum of lines 4 to 10)**	**381,765**	**268,622**
	Securities financing transaction exposures	**-**	**-**
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**16,900**	**30,907**
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**-**	**-**
14	CCR exposure for SFT assets	**-**	**-**
15	Agent transaction exposures	**-**	**-**
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**16,900**	**30,907**
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**1,223,006**	**1,194,514**
18	Adjustments for conversion to credit equivalent amounts	**(857,535)**	**(841,476)**
19	**Off-balance sheet items (sum of lines 17 and 18)**	**365,471**	**353,038**
	Capital and total exposures	**-**	**-**
20	**Tier 1 capital**	**200,824**	**200,891**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**2,308,252**	**2,256,882**
	Leverage ratio		
22	**Basel III leverage ratio (per cent)**	**8.70%**	**8.90%**

11. Leverage Ratio *(Continued)*

Comparison of accounting assets vs leverage ratio exposure measure:

(Rs in Million)

Sr No	Item	At 30 Sep 2019	At 31 March 2019
1	Total consolidated assets as per published financial statements	**1,695,656**	**1,764,675**
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**-**	**-**
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**-**	**-**
4	Adjustments for derivative financial instruments	**247,331**	**139,307**
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	**-**	**-**
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**365,471**	**353,038**
7	Other adjustments	**(206)**	**(138)**
	Total Exposure (point 21 in Table 1)	**2,308,252**	**2,256,882**

Note: The consolidated leverage ratio is 9.21% as on 30 Sep 2019 (based on un-audited figures of HIFSL for Mar'19).

12. Composition of Capital

(Rs in Million)

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	44,992	46,455	**A**
2	Retained earnings ***(incl. Statutory Reserves, Capital Reserves and Remittable Surplus retained for Capital to Risk-weighted Assets Ratio (CRAR))***	153,683	156,612	**B1+B2+B3+B4+ B5+B6+B7**
3	Accumulated other comprehensive income (and other reserves)	2,355	2,355	**C*45%**
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	-	

	Public sector capital injections grandfathered until 1 January 2018			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in Group CET1)	-	-	
6	Common Equity Tier 1 capital before regulatory adjustments	201,029	205,422	
	Common Equity Tier 1 capital: regulatory adjustments		**-**	
7	Prudential valuation adjustments	-	-	
8	Goodwill (net of related tax liability)	-	-	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)		0	
10	Deferred tax assets	-	13	
11	Cash-flow hedge reserve	-	-	
12	Shortfall of provisions to expected losses	-	-	
13	Securitisation gain on sale	-	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	206	206	
15	Defined-benefit pension fund net assets	-	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-	
17	Reciprocal cross-holdings in common equity	-	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	
22	Amount exceeding the 15% threshold	-	-	
23	of which: significant investments in the common stock of financial entities	-	-	

24	of which: mortgage servicing rights	-	-	
25	of which: deferred tax assets arising from temporary differences	-	-	
26	National specific regulatory adjustments7 (26a+26b+26c+26d)	-	-	
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	-	-	
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries8	0	0	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank9	-	-	
26d	of which: Unamortised pension funds expenditures	-	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-	
28	**Total regulatory adjustments to Common equity Tier 1**	**206**	**218**	
29	**Common Equity Tier 1 capital (CET1)**	**200,824**	**205,204**	
	Additional Tier 1 capital: instruments	**-**	**-**	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-	-	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-	-	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in Group AT1)	-	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	-	
36	**Additional Tier 1 capital before regulatory adjustments**	**-**	**-**	
	Additional Tier 1 capital regulatory adjustments	-	-	
37	Investments in own Additional Tier 1 instruments	-	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	

39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	
41	National specific regulatory adjustments (41a+41b)	-	-	
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-	-	
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-	-	
42	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	**-**	**-**	
44	**Additional Tier 1 capital (AT1)**	**-**	**-**	
44a	**Additional Tier 1 capital reckoned for capital adequacy11**	**-**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	**200,824**	**205,204**	
	Tier 2 capital: instruments and provisions	-	-	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	
47	Directly issued capital instruments subject to phase out from Tier 2	-	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in Group Tier 2)	-	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Provisions *(incl. eligible reserves)*	12,909	12,940	D1+D2
51	**Tier 2 capital before regulatory adjustments**	**12,909**	**12,940**	
	Tier 2 capital: regulatory adjustments	**-**	**-**	
52	Investments in own Tier 2 instruments	-	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	-	

54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	
56	National specific regulatory adjustments (56a+56b)	-	-	
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	-	-	
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-	-	
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	-	-	
	of which:	-	-	
	of which:	-	-	
57	**Total regulatory adjustments to Tier 2 capital**	**-**	**-**	
58	**Tier 2 capital (T2)**	**12,909**	**12,940**	
58a	**Tier 2 capital reckoned for capital adequacy**	**12,909**	**12,940**	
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**		**-**	
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**12,909**	**12,940**	
59	**Total capital (TC = T1 + T2) (45 + 58c)**	**213,733**	**218,144**	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	**-**	**-**	
	of which:	**-**	**-**	
	of which:	**-**	**-**	
60	**Total risk weighted assets (60a + 60b + 60c)**	**1,401,957**	**1,409,803**	
60a	of which: total credit risk weighted assets	1,044,240	1,052,086	
60b	of which: total market risk weighted assets	224,225	224,225	
60c	of which: total operational risk weighted assets	133,492	133,492	
	Capital ratios		**-**	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.32%	14.56%	
62	Tier 1 (as a percentage of risk	14.32%	14.56%	

	weighted assets)			
63	Total capital (as a percentage of risk weighted assets)	15.25%	15.47%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	**9.29%**	**9.29%**	
65	of which: capital conservation buffer requirement	1.88%	1.88%	
66	of which: bank specific countercyclical buffer requirement	-	-	
67	of which: G-SIB buffer requirement	1.91%	1.91%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	8.82%	9.06%	
	National minima (if different from Basel III)	**-**	**-**	
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	-	
71	National total capital minimum ratio (if different from Basel III minimum)	-	-	
	Amounts below the thresholds for deduction (before risk weighting)	**-**	**-**	
72	Non-significant investments in the capital of other financial entities	-	-	
73	Significant investments in the common stock of financial entities	-	-	
74	Mortgage servicing rights (net of related tax liability)	-	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	
	Applicable caps on the inclusion of provisions in Tier 2	**-**	**-**	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-	-	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-	-	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	
	Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017	**-**	**-**	

	and March 31, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	

13. Composition of Capital – Reconciliation

(Rs Million)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No. DF-12
		As on reporting date	As on reporting date	
A	**Capital & Liabilities**			
i	Paid-up Capital	44,992	46,455	A
	Reserves & Surplus	201,547	204,353	
	a. Statutory Reserve	60,250	60,250	B1
	b. Capital Reserve - Surplus on sale of Immovable assets	5,675	5,675	B2
	c. Capital Reserves	13,262	13,772	B3
	d. Remittable surplus retained in India for CRAR purposes	71,919	71,919	B4
	e. Revaluation Reserve	5,234	5,234	C
	f. Investment Reserve	2,496	2,496	D1
	g. Specific Reserve	2,577	2,921	B5
	h.Investment Fluctation Reserve (refer to schedule 18 note 5.5)	4,800	4,800	
	h. Balance in Profit & Loss Account	35,335	35,335	
	i. General Reserve		17	B6
	j. Security Premium		1,935	B7
	Minority Interest	-	-	
	Total Capital	246,538	250,808	
ii	Deposits	1,082,420	1,082,420	
	of which: Deposits from banks	21,284	21,284	
	of which: Customer deposits	1,061,136	1,061,136	

	of which: Other deposits (pl. specify)	-	-	
iii	Borrowings	170,784	170,784	
	Borrowings in India	157,066	157,066	
	of which: From RBI	90,000	90,000	
	of which: From banks	-	-	
	of which: From other institutions & agencies	67,066	67,066	
	Borrowings outside India	13,717	13,717	
	of which: Others (pl. specify)	13,717	13,717	
	of which: Capital instruments	-	-	
iv	Other liabilities & provisions	195,914	199,409	
	of which: Provisions towards Standard Assets	5,614	5,643	D2
	Total Capital and Liabilities	**1,695,656**	**1,703,420**	
B	**Assets**		-	
i	Cash and balances with Reserve Bank of India	44,871	45,132	
ii	Balance with banks and money at call and short notice	47,634	47,634	
iii	Investments:	678,177	678,177	
	of which: Government securities	519,574	519,574	
	of which: Other approved securities	-	-	
	of which: Shares	136	136	
	of which: Debentures & Bonds	65,542	65,542	
	of which: Subsidiaries / Joint Ventures / Associates	0	0	
	of which: Others (Commercial Papers, Mutual Funds etc.)	92,925	92,925	
iv	Loans and advances	708,067	715,502	
	of which: Loans and advances to banks	5,082	5,082	
	of which: Loans and advances to customers	702,984.22	710,419	
v	Fixed assets	7,621	7,624	
vi	Other assets	209,286	209,351	
	of which: Goodwill and intangible assets	-	-	
	of which: Deferred tax assets	3,891	3,903	
vii	Goodwill on consolidation	-	-	
viii	Debit balance in Profit & Loss account	-	-	
	Total Assets	**1,695,656**	**1,703,420**	

14. Regulatory capital Instruments

The Bank has not issued any regulatory capital instruments in India.

15. Disclosure Requirements for Remuneration

In accordance with the requirements of the RBI Circular No.DBOD.NO.BC. 72/29.67/001/2011-12 dated 13 January 2012, the Head office of the Bank has submitted a declaration to RBI that the Bank's compensation policies including that of the CEO, is in conformity with the Financial Stability Board principles and standards.

16. Equities - Disclosure for Banking Book Positions

Investment in equity shares as at 30 Sep 2019 is Rs.136 million. This includes investment in shares of private limited companies held either for:

(i) business facilitation purpose;
(ii) acquired as part of Corporate Restructured Debt(CDR) package; or
(iii) in one instance investment in group subsidiary.

These investments are classified as 'Available for Sale'(AFS). All investments in equity shares are held in Unlisted limited companies. There are no quoted market prices for these securities. Accordingly, these are valued at lower of cost or break-up value basis the latest available balance sheet.

Quantitative Disclosures

1. The value of equity investments (unquoted) as at 30 Sep 2019 is Rs.136 million.

2. All equity investments are held in private limited companies.

3. The cumulative realised gain on sale of shares is Nil as at 30 Sep 2019.

4. The unrealised gain or loss recognised in the balance sheet and not through the profit and loss account is nil.

5. The break-up value of unquoted equity investment as at 30 Sep 2019 is Rs. 1,207 million. The difference between break-up value and current cost of equity investment is Rs. 1,071 million.

6. Investment in equity included in Tier 1 and Tier 2 capital – nil.

7. These investments are risk weighted for capital adequacy purposes. The capital requirement for credit risk relating to these investments amounts to Rs.391 million.