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 regulatory capital 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 regulatory scope of 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 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	Principal 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	8,413,816

* As stated in the audited balance sheet of the legal entity as at 31 March 2020

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

(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	Principal 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 center activities	3,554,678	20,631,061
HSBC Global Shared Services (India) Private Limited	Non-operating company (under liquidation)	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 (Non-operating company)	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	6,801,819
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 audited 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 31 March 2020, 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 31 March 2020**
(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)	1.80%
Minimum Common Equity Tier I (i+ii+iii+iv)	**9.18%**
Minimum Tier I Capital	**10.68%**
Total Minimum Capital Adequacy Ratio	**12.68%**

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% in a phased manner. Current CCB stands at 1.88%. As stated by RBI in Bi-monthly policy dated 27 Mach 2020, it has been decided to defer the implementation of the last tranche of 0.625% of the CCB from March 31, 2020 to September 30, 2020.

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 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, 1.80% had been added to minimum requirement towards G-SIB as of 31 March 2020.

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 31 March 2020	As at 31 March 2019	**As at 31 March 2020**	As at 31 March 2019
Capital	**44,991,660**	44,991,660	**46,454,507**	46,454,507
Eligible Reserves	**162,220,504**	156,037,756	**165,265,559**	158,843,975
- Capital reserves (excl. revaluation reserve)	**90,855,494**	90,855,495	**90,855,494**	90,855,494
- Statutory Reserves	**67,194,433**	60,250,370	**67,194,431**	60,250,370
- Specific Reserves	**3,244,721**	2,576,669	**3,244,721**	2,576,669
- Free Reserves	**-**	-	**3,045,057**	2,806,220
- Revaluation Reserves at a discount of 55 per cent	**925,856**	2,355,222	**925,856**	2,355,222
Less: Deductions from Tier I Capital	**(647,369)**	(138,215)	**(653,749)**	(151,075)
- Intangible asset	**(145,651)**	-	**(149,051)**	-
- Deferred Tax Asset ('DTA') (Note 1)	**-**	**-**	**(2,980)**	(12,860)
- Investment in subsidiaries in India	**(35)**	(35)	**(35)**	(35)
- Debit Value Adjustments (DVA)	**(501,683)**	(138,180)	**(501,683)**	(138,180)
- Defined Benefit Pension Fund Asset	**-**	-	**-**	-
Common Equity Tier I Capital	**206,564,795**	200,891,201	**211,066,317**	205,147,407
Additional Tier I Capital	**-**	-	**-**	-
Total Tier I Capital	**206,564,795**	200,891,201	**211,066,317**	205,147,407

Note 1: As per RBI guidelines as on 01 March 2016, DTA which was deducted from CET1 capital, can be recognised in the CET1 up to a limit of 10% of Bank's CET1 capital (after application of regulatory adjustments mentioned in RBI Master Circular on Basel-III Capital Regulations dated 01 July 2015.). Accordingly, DTA of Rs. 4,771,822 ('000) (previous year: Rs. 3,890,559 ('000)) is not deducted.

(ii) Tier 2 capital for the bank

(Rs. '000)

	Standalone		Consolidated	
	As at 31 March 2020	As at 31 March 2019	**As at 31 March 2020**	As at 31 March 2019
General Loss Provisions	**8,571,724**	4,775,169	**8,572,326**	4,804,155
Other Eligible Reserves	**4,112,839**	2,495,557	**4,112,839**	2,495,557
Investment Fluctuation Reserves	**12,176,040**	4,800,000	**12,176,040**	4,800,000
Total Tier II Capital (Note 1)	**24,860,603**	12,070,726	**24,861,205**	12,099,712

Note 1: There is no debt capital instrument and subordinated debt outstanding as at 31 March 2020 (previous year: Nil) included in Tier II Capital.

2. Capital Adequacy & Structure *(Continued)*

b. Capital Structure *(Continued)*

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

- *Standalone and Consolidated*

(Rs '000)

	Standalone		**Consolidated**	
	As at 31 March 2020	As at 31 March 2019	**As at 31 March 2020**	As at 31 March 2019
I. Capital required for Credit Risk	**132,049,945**	110,797,552	**133,198,147**	112,093,628
- For portfolios subject to Standardised approach	132,049,945	110,797,552	133,198,147	112,093,628
II. Capital required for Market Risk	**33,095,430**	25,976,177	**33,095,430**	25,976,177
(Standard Duration Approach)				
- Interest rate risk	**26,661,228**	19,992,130	**26,661,228**	19,992,130
- Foreign exchange risk	**1,569,150**	1,588,950	**1,569,150**	1,588,950
- Equity risk	**472,461**	392,467	**472,461**	392,467
- Securitisation exposure	**4,392,591**	4,002,630	**4,392,591**	4,002,630
III. Capital required for Operational Risk	**17,006,188**	16,065,991	**17,006,188**	16,065,991
(Basic Indicator Approach)				
Total capital requirement (I + II + III)	**182,151,563**	152,839,720	**183,299,764**	154,135,796
Total capital funds of the Bank	**231,425,396**	212,961,927	**235,927,522**	217,247,119
Total risk weighted assets	**1,436,526,519**	1,190,340,501	**1,444,181,198**	1,198,981,007
Total capital ratio	**16.11%**	17.89%	**16.34%**	18.12%
Common Equity Tier I Capital Ratio	**14.38%**	16.88%	**14.61%**	17.11%
Tier I capital ratio	**14.38%**	16.88%	**14.61%**	17.11%

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 Hong Kong 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 wholesale 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.
- 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.
- All material risks are covered under robust framework for Risk Appetite Statements (RAS) and Risk Tolerance triggers. 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.

3. Credit risk *(Continued)*

a. General *(Continued)*

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

- 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.
- 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)

	Fund based Note 1	**Non fund based** Note 2	**As at 31 March 2020 Total**
Overseas	**-**	**-**	**-**
Domestic	**1,131,425,842**	**769,916,559**	**1,901,342,401**
Total	**1,131,425,842**	**769,916,559**	**1,901,342,401**

(Rs '000)

	Fund based Note 1	Non fund based Note 2	As at 31 March 2019 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 31 March 2020

(Rs '000)

Industry	Funded	Non Funded	Total
Mining and Quarrying	-	39,019	39,019
Food Processing	5,678,884	2,266,304	7,945,188
Beverages (excluding Tea & Coffee) and Tobacco	1,500,010	966,308	2,466,318
Textiles	12,618,139	2,939,341	15,557,480
Leather and Leather products	145,530	36,015	181,545
Wood and Wood Products	1,464,728	177,329	1,642,057
Paper and Paper Products	2,749,596	1,520,837	4,270,433
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	4,083,397	4,083,397
Chemicals and Chemical Products (Dyes, Paints, etc.)	45,336,440	37,300,538	82,636,978
Rubber, Plastic and their Products	19,260,650	6,039,482	25,300,132
Glass & Glassware	1,113,198	1,507,248	2,620,446
Cement and Cement Products	6,739,295	2,040,642	8,779,937
Basic Metal and Metal Products	15,386,489	11,575,418	26,961,907
All Engineering	51,063,870	66,506,811	117,570,681
Vehicles, Vehicle Parts and Transport Equipments	26,688,625	21,774,760	48,463,385
Gems and Jewellery	-	428	428
Construction	350,000	2,767,332	3,117,332
Infrastructure	40,270,534	39,231,290	79,501,824
NBFCs and trading	117,447,828	28,357,292	145,805,120
Banking and finance	276,517,042	193,268,523	469,785,565
Computer Software	2,840,101	25,978,949	28,819,050
Professional Services	60,075,194	229,163,675	289,238,869
Commercial Real Estate	119,210,094	1,849,847	121,059,941
Other Industries	97,287,682	77,166,325	174,454,007
Retail	109,003,655	13,359,450	122,363,105
Others*	118,678,257	-	118,678,257
Total	1,131,425,842	769,916,559	1,901,342,401

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	-	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*

Basel III – Pillar 3 disclosures of India Branches *(Continued)*

For the period ended 31 March 2020

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 31 March 2020 (Rs'000)

	Cash & balances with RBI	**Balance with Banks & Money at call & Short Notice**	**Investments**	**Advances**	**Fixed Assets**	**Other Assets**
1 day	**7,238,165**	**34,689,594**	**248,971,206**	**9,639,604**	**-**	**6,988,437**
2 to 7 days	**-**	**160,548,115**	**49,676,878**	**60,320,410**	**-**	**25,267,930**
8 to 14 days	**-**	**3,783,250**	**91,343,796**	**21,099,449**	**-**	**4,716,960**
15 to 30 days	**9,847,543**	**-**	**62,475,202**	**70,912,948**	**-**	**40,263,306**
31 days & upto 3 months	**5,877,993**	**-**	**36,305,171**	**106,075,432**	**-**	**57,786,256**
Over 3 months and upto 6 months	**1,662,228**	**-**	**20,324,652**	**77,865,715**	**-**	**36,163,388**
Over 6 months and upto 1 year	**1,463,146**	**1,891,625**	**28,548,388**	**74,129,817**	**-**	**54,406,734**
Over 1 year and upto 3 years	**2,791,166**	**6,431,525**	**87,894,169**	**118,143,421**	**-**	**86,301,295**
Over 3 years and upto 5 years	**1,875,170**	**-**	**18,916,120**	**111,846,185**	**-**	**41,412,457**
Over 5 years	**12,120,754**	**-**	**71,764,548**	**115,773,675**	**7,641,322**	**18,543,117**
TOTAL	**42,876,165**	**207,344,109**	**716,220,130**	**765,806,656**	**7,641,322**	**371,849,880**

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 31 March 2020	As at 31 March 2019
Substandard	**2,529,194**	1,622,388
Doubtful 1	**416,818**	493,940
Doubtful 2	**860,223**	811,307
Doubtful 3	**2,136,738**	2,161,056
Loss	**750,293**	888,391
Total	**6,693,266**	5,977,082

(v) Net NPAs

The net NPAs are Rs. 1,262 million (previous year: Rs. 1,291 million). Please see table (vi) below.

(vi) Movement of NPAs for the bank

(Rs‘000)

		As at 31 March 2020	
	Gross NPA's	**Provision**	**Net NPA**
Opening balance as at 1 April 2019	**5,977,082**	**4,685,912**	**1,291,170**
Additions during the period	**4,694,120**	**2,292,990**	**2,401,130**
Reductions during the period	**(3,977,936)**	**(1,547,556)**	**(2,430,380)**
Closing balance as at 31 March 2020	**6,693,266**	**5,431,346**	**1,261,920**

(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 March 2019	5,977,082	4,685,912	1,291,170

(vii) NPA ratios for the bank

	As at 31 March 2020	As at 31 March 2019
Gross NPAs to gross advances	**0.87%**	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 including additional provision for stressed sector, Covid-19 provision, country risk and Unhedged Foreign Currency Exposure (UFCE).

(ix) Non-performing investments

Non-performing investments as at 31 March 2020 are Rs. 2 (previous year: 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 31 March 2020	As at 31 March 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	**(413,388)**	(576,736)
Closing balance	**71,960**	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 31 March 2020

(Rs '000)

	NPA	**Past Due Loans**	**Provision**	**Specific Provision during the year**	**Write off during the year**
1.Agriculture	**871,655**	**1,606**	**643,427**	**587,931**	**-**
2. Advances to Industries sector of which:	**1,206,050**	**2,635,499**	**1,209,001**	**23,024**	**178,223**
2.1 Chemicals and Chemical Products	141,249	1,457,358	141,397	8,346	-
2.2 All Engineering	34,887	408,232	34,887	-	61,038
2.3 Infrastructure	433,946	6,555	436,754	-	-
2.4 Paper and Paper Products	281,421	24,745	281,421	-	-
2.5 Textile	314,541	224,705	314,541	14,678	59,272
3. Services of which:	**1,467,933**	**103,129**	**1,653,478**	**265,065**	**62,134**
3.1 Trade	1,055,917	97,629	1,213,091	92,245	63,899
3.2 Commercial Real Estate	53,562	-	53,562	75,998	-
3.3 NBFC	89,035	-	117,567	44,099	-
4. Retail	**3,147,627**	**2,451,796**	**1,925,439**	**1,416,970**	**944,620**
Total	**6,693,266**	**5,192,031**	**5,431,346**	**2,292,990**	**1,184,977**

Basel III – Pillar 3 disclosures of India Branches *(Continued)*
For the period ended 31 March 2020

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 year ended 31 March 2020	For the year ended 31 March 2019
Write offs	**1,007,425**	892,737
Recoveries	**301,318**	359,527

(xiii) Ageing of past due loans for the bank

(Rs '000)

	As at 31 March 2020	As at 31 March 2019
Overdue less than 30 days	**4,468,545**	3,097,001
Overdue for 30 to 60 days	**488,093**	641,896
Overdue for 60 to 90 days	**235,393**	299,408
Total	**5,192,031**	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 31 March 2020 (Rs '000)

	NPA	**Past Due Loan**
Overseas	-	-
Domestic	**6,693,266**	**5,192,031**
Total	**6,693,266**	**5,192,031**

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 March 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 31 March 2020	As at 31 March 2019
Below 100% risk weight	**1,322,831,438**	850,723,688
100% risk weight	**281,907,583**	426,431,527
Above 100% risk weight	**239,276,098**	144,947,618
Deductions*	**(647,369)**	(138,215)
Total	**1,843,367,750**	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 up to a limit of 10% of Bank's CET1 capital (after application of regulatory adjustments mentioned in RBI Master Circular on Basel-III Capital Regulations dated 01 July 2015.). Currently DTA is 2.36% of Bank's CET1 capital. Accordingly, there is no deduction on account of DTA for 31 March 2020.*

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 and eligible debt securities. 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 31 March 2020	As at 31 March 2019
Exposure covered by Financial Collaterals	**57,327,282**	31,993,616
Exposure covered by Guarantees	**44,895,920**	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. 94,754 million as at 31 March 2020 (previous year: Rs. 85,703 million) which are classified under Available for Sale category. These attracts a capital charge of 1.8% equivalent to a risk weight of 23% since these are AAA rated instruments. PTC's where underlying exposure is CRE the capital charge of 9% is applicable equivalent to risk weight of 113%.

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

Aggregate amount of securitisation exposures retained or purchased and the associated capital charge, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach

Securitisation exposures broken down into different risk weight bands as at 31 March 2020

(Rs. '000)

Risk weight bands	Exposure type	Exposure	Capital charge
Less than 100%	Vehicle/Auto loans	92,735,156	1,700,150
At 100%	Vehicle/Auto loans	-	-
More than 100%	Vehicle/Auto loans	-	-
Total		**92,735,156**	**1,700,150**

(Rs. '000)

Risk weight bands	Exposure type	Exposure	Capital charge
Less than 100%	Housing loan	2,961,585	56,231
At 100%	Housing loan	-	-
More than 100%	Housing loan	115,280	10,375
Total		**3,076,865**	**66,606**

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 maintains capital for market risk on Trading book which comprises of Held for Trading (HFT) and Available for Sale (AFS). HFT book includes positions arising from market-making customer demand driven inventory. AFS book includes positions that arise from the interest rate management of the Bank's retail/ commercial banking assets/ liabilities and financial investments designated as AFS 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.

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

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.

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.

Market risk charge is computed on net basis for cases where an underlying of same notional is purchased/sold to hedge the risk of the derivative contract

(i) Capital requirements for market risk for the bank

(Rs'000)

Standardised Duration Approach	**As at 31 March 2020**	As at 31 March 2019
Interest rate risk	**26,661,228**	19,992,130
Foreign exchange risk	**1,569,150**	1,588,950
Equity risk	**472,461**	392,467
Securitisation exposure	**4,392,591**	4,002,630
Capital requirements for market risk	**33,095,430**	25,976,177

8. Operational risk/ Non-Financial Risk

Non-financial risk is the risk of loss resulting from people, inadequate or failed internal processes, data or systems, or external events. These risks arise during our day-to-day operations, while taking financial risks. Non-financial risks may have an impact on our management of financial risks, **Purpose and Risk management approach**

The HSBC Risk Management Framework ("RMF") supports our Global Principles. The Global Principles guide all that we do at HSBC, embodied in our strategy, our values, how we conduct our business, and how we manage risk.

Compliance with the Global Principles and the RMF is mandatory. Compliance exceptions require the approval of the Group Chief Executive and mitigating actions must be established to address any gaps.

The RMF describes our approach to managing risk. It is applicable to all employees. The RMF is governed by the Risk Management Meeting.

The RMF applies to all the types of risk that we face in our business and operational activities. It is used throughout the Group, including all subsidiaries, jurisdictions, Global Businesses, Functions and HSBC Operations Services and Technology ("HOST").

The RMF is designed to ensure we:

- Manage risk in the same way across the Group
- Have a strong risk culture: managing risk is simply part of how we work
- Are aware of risks, identify our material risks and take better decisions as a result
- Have sufficient controls in place to ensure we only take the right type and amount of risk to grow our business safely and within our appetite
- Deliver fair outcomes for customers and maintain the orderly and transparent operation of financial markets

The RMF is supported by supplementary guidance, detailed user guides, and training materials, which are targeted to specific risk roles.

Active risk management helps us to achieve our strategy, serve our customers and communities, and grow our business safely.

Our risk management approach follows five steps: 1) define and enable, 2) identify and assess, 3) manage, 4) aggregate and report, and 5) govern.

Risk management starts with a strong risk culture, clear accountability, and a formally-defined risk appetite that articulates the level and types of risks the Group accepts to achieve our strategic objectives. Our Risk Appetite shapes our requisite controls and dictates risk behaviours. We identify risks to our business and assess their materiality by considering their likelihood and potential customer, financial, reputational and regulatory impacts, as well as market conduct and competition outcomes. We manage these risks through a combination of limits and controls to ensure risks are within our appetite. We then aggregate and report risk data to highlight material risks and support good decision making. Where necessary, these risks are escalated to senior management and risk governance committees to facilitate management decisions, challenge and remediation.

8. Operational risk *(Continued)*

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)

is responsible for providing guidance, advice and challenge in embedding of the Non Financial Risk and Controls 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 three Lines of Defence ("LOD") model is used to define roles and responsibilities within HSBC. The activity-based model delineates accountabilities and responsibilities for risk management and the control environment within each LOD. The model applies to all individuals and all risk types, and supports the delivery of conduct outcomes.

There must be a clear segregation between risk ownership (First LOD), risk oversight and stewardship (Second LOD) and independent assurance (Third LOD) to help support effective identification, assessment, management, and reporting of risks. It is our activities, not our job titles, which determine where we sit in the three LOD model.

Global Functions may have responsibilities across both the First and Second LODs, and therefore must segregate these responsibilities across teams. At an appropriate level of seniority (normally executive committee member level or their direct reports), a single individual may have responsibilities across the First and Second LOD.**First Line of Defence**

The First LOD has ultimate ownership for risk and controls and delivering fair conduct outcomes. The First LOD includes three key roles: Risk Owners, Control Owners and Chief Control Officers

Risk Owners are accountable for identifying, assessing, managing and reporting key existing and emerging risks that they own for their business or function in line with the risk appetite set by the Board. Their key responsibilities include:

1. Actively identifying and understanding key existing and emerging risks they own.

2. Operating within the stated risk appetite, or outside of risk appetite with an agreed plan for moving back into tolerance

3. Ensuring that front to back processes underpinning their business activities are robust, understood and include effective controls to manage the risks inherent within the activities for which they are accountable

4. Understanding key controls that mitigate their risks, and are able to evidence that the Control Owners have a plan to monitor appropriately (including those controls performed outside of their area, e.g. HOST, third parties)

5. Monitoring and assessing their risk exposure over time

8. Operational risk *(Continued)*

6. Responsible for assessing, identifying and understanding the conduct impacts across the risk types they own and identifying and understanding the controls they rely on to support the delivery of fair conduct outcomes

7. Escalating risks through governance when they are outside of appetite or there is an emerging threat or theme

8. Remediation of control gaps in a prioritised and timely manner

9. Clearly articulating and documenting their key risks, key controls, remediation and mechanisms they use to manage their risk

10. Being able to explain and evidence their risks, key controls, what is being done to fix key controls or otherwise mitigate inherent risks if key controls are not working effectively, and the mechanisms they use to manage their risks.

Control Owners are accountable for operating controls on behalf of Risk Owners, and for the control monitoring processes to assess and report control effectiveness. Their key responsibilities include:

1. Understanding the inherent risks to be mitigated

2. Designing and implementing key controls (and understanding and documenting how they prevent/mitigate/ detect the risk)

3. Defining and implementing mechanisms to monitor and assess their control effectiveness (e.g. key indicators, exception reports, alerts)

4. Promptly escalating control weaknesses and gaps to the Risk Owner(s), including how and when they will be fixed

5. Fixing controls that are not designed or working effectively in a timely manner. Being able to explain and evidence how their key controls operate; whether they are working effectively and supporting the delivery of the conduct outcomes; how they monitor their controls and what is being done to fix key controls if they are not working effectively

Chief Control Officers are accountable for driving the effective governance and management of non-financial risks in the First LOD. Their key responsibilities include:

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

2. Enable the business to clearly, consistently and comprehensively articulate the risk profile of the business/service/process including the integrity of processes and controls

3. Support Risk and Control Owners in identifying anomalies in control effectiveness or the aggregation of risks that may take the risk profile of the business outside of tolerance

4. Assess and promote improvements to the Accountability, Roles and Responsibilities matrix for a given set of activities

5. Support Risk Owners through proactive advice based on risk and control knowledge and insights and present risk management solutions where appropriate

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

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

8. Operational risk *(Continued)*

8. Challenge Control Owners on the design and implementation of control monitoring to confirm it is fit for purpose

9. Drive the development and implementation of future-fit risk management frameworks, in collaboration with Risk Stewards and taking regulatory requirements into account

10. Promoting desired behaviours and a positive risk culture, and supporting the delivery of the conduct outcomes.

Second Line of Defence

The Second LOD review and challenge the First LOD's activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and support the delivery of conduct outcomes. The Second LOD is independent of the risk-taking activities undertaken by the First LOD and includes CROs, Risk Stewards and the Operational Risk function.

The Operational Risk function provides direction, insight and challenge on the management of non-financial risks, along with an overall assessment of the non-financial risk exposure versus Board appetite.Risk Stewards sit within the Global Functions. They are subject matter experts who set policies and oversee the First LOD activities by risk type. There are Global Business, Regional and Country Risk Stewards throughout the organisation who execute the responsibilities cascaded to them by the Global Risk Steward, as well as local requirements. Where there is no Risk Steward in Country, the Regional Risk Steward retains responsibility. Where there is no Risk Steward in Region, then the Global Risk Steward retains responsibility.

Risk Stewards are accountable for setting policy and control standards to manage risks, providing advice and guidance to support these policies, and challenging the First LOD to ensure it is managing risk effectively. Their key responsibilities include:

1. Provide subject matter expertise, advice, guidance, and effective challenge to the Risk and Control Owners
2. Support in setting the Risk Appetite, and oversee risk appetite monitoring
3. Write, own and monitor compliance with a comprehensive set of clear and concise policies that outline the key principles and minimum requirements applicable to the management of their risk
4. Report on the risk and control profile, including impacts of external environment changes, emerging risks and changes to the business strategy
5. Work with the business to understand the impact of emerging risks that require changes to controls, resources and business operations to ensure they remain within appetite
6. Overseeing, escalating and providing guidance on the identification of conduct impacts across their risk types and activities owned by the First LOD, including where control weaknesses and risk events impact the delivery of fair outcomes
7. Define the Risk and Control Library, including minimum control standards, with input from Risk Owners, and Control Owners, specifying key risks and key controls and providing guidance on continuous monitoring expectations
8. Recommend Risk and Control Assessment ("RCA") scoping, and challenge where this is not appropriately applied in the RCA
9. Challenge Risk and Control Owners on risk and control management, including inherent risk, residual risk, control effectiveness ratings, issues, actions and events

8. Operational risk *(Continued)*

Third Line of Defence

Third LOD is Internal Audit. Internal Audit provides independent assurance to management and the non-executive Risk and Audit Committees that our risk management, governance and internal control processes are designed and operating effectively.

Scope and Nature of Risk reporting

Risk reporting enables senior management and stakeholders to make informed decisions by providing insightful analysis from accurate and timely data together with subject matter expert perspectives from across the Three LOD. Risk reporting helps senior management to understand what the top risks are and if they are managed within risk appetite. It also provides visibility of common themes and systemic issues across the organisation, which enables us to manage risks more proactively and effectively.

In order to provide a consistent end-to-end view of risk management across the Global Businesses, Functions, Regions, Countries and legal entities, risk reporting is based on key principles:

- Data is recorded timely and accurately in the appropriate system of record
- Data is aggregated into meaningful risk information and consistently reported through governance committees
- Risk information is used by the business to make better decisions

Risk data aggregation and reporting must be in line with all relevant FIMs and legislation / regulation including "Principles for effective risk data aggregation and risk reporting" published by the Basel Committee on Banking Supervision in 2013. Risk reporting procedures should include the identification of relevant data quality issues, limitations and issues identified through appropriate validation checks and resolved.

HSBC meets local and global regulatory risk reporting requirements and makes sufficient public disclosures of how it manages risk. All risk reporting disclosed to supervisory and regulatory authorities are subject to quality assurance. A regular report on non-financial risk is made to the Bank's senior management through the RMM.

(i) Capital requirements for Operational risk for the Bank

(Rs'000)

	As at 31 March 2020	As at 31 March 2019
Capital required for Operational Risk (Basic Indicator Approach)	**17,006,188**	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.

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

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

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 31 March 2020	As at 31 March 2019
Base		
Total EVE	**255,993**	282,982
Total Regulatory Capital	**231,425**	212,962
+200 bps		
EVE	**252,309**	260,092
EVE Sensitivity	**(3,684)**	(22,890)
EVE Sensitivity / Total Regulatory Capital	**1.59%**	10.75%
-200 bps		
EVE	**260,550**	308,155
EVE Sensitivity	**4,557**	25,173
EVE Sensitivity / Total Regulatory Capital	**1.97%**	11.82%
EVE Limit	**18.00%**	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).

(Rs in Million)

	As at 31 March 2020	As at 31 March 2019
Projected NII for next 12months	**69,380**	48,794
Parallel movement in yield curve		
+100 bps	**1,495**	(1,783)
-100 bps	**(1,727)**	2,104

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 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

10. Counterparty Credit Risk *(Continued)*

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 31 March 20**		As at 31 March 19	
	Notional	**Current credit exposures**	Notional	Current credit exposures
Currency Swaps	**316,492,298**	**32,176,806**	191,430,718	31,077,580
Forward Contracts	**2,070,517,713**	**109,838,523**	1,427,215,453	64,930,424
FX options	**334,256,372**	**21,644,337**	392,642,430	17,822,694
Interest rate options	**2,855,214**	**30,255**	430,298	7,314
Interest Rate swaps	**4,244,764,918**	**93,136,700**	2,925,987,777	47,576,077
Single currency Floating Floating	**51,149,540**	**38,821**	44,950,750	5,246
Forward Rate Agreements	**27,362,150**	**371,563**	3,220,000	56,039
Grand Total	**6,996,248,665**	**257,237,005**	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 31 March 2020	At 31 March 2019
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**1,670,622**	1,604,453
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**(647)**	(138)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**1,669,975**	1,604,315
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**116,335**	56,708
5	Add-on amounts for PFE associated with all derivatives transactions	**419,137**	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)**	**535,472**	268,622
	Securities financing transaction exposures		-
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**141,543**	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)**	**141,543**	30,907
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**1,316,668**	1,194,514
18	Adjustments for conversion to credit equivalent amounts	**(913,305)**	(841,476)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**403,363**	353,038
	Capital and total exposures		-
20	**Tier 1 capital**	**206,565**	200,891
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**2,750,353**	2,256,882
	Leverage ratio		
22	**Basel III leverage ratio (per cent)**	**7.51%**	8.90%

11. Leverage Ratio *(Continued)*

Comparison of accounting assets vs leverage ratio exposure measure:

(Rs in Million)

Sr No	Item	At 31 March 2020	At 31 March 2019
1	Total consolidated assets as per published financial statements	**2,111,738**	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	**235,899**	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)	**403,363**	353,038
7	Other adjustments	**(647)**	(138)
	Total Exposure (point 21 in Table 1)	**2,750,353**	2,256,882

Note: The consolidated leverage ratio is 7.65% as on 31 March 2020.

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))***	161,295	164,340	**B1+B2+B3+B4+ B5+B6+B7**
3	Accumulated other comprehensive income (and other reserves)	926	926	**C1*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	207,212	211,720	
	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)	146	149	
10	Deferred tax assets	-	3	
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	502	502	
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	-	-	
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**	**647**	**654**	
29	**Common Equity Tier 1 capital (CET1)**	**206,565**	**211,066**	
	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)**	**206,565**	**211,066**	
	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)***	24,861	24,861	D1+D2+D3+ C2*45%
51	**Tier 2 capital before regulatory adjustments**	**24,861**	**24,861**	
	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)**	**24,861**	**24,861**	
58a	**Tier 2 capital reckoned for capital adequacy**	**24,861**	**24,861**	
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**		**-**	
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**24,861**	**24,861**	
59	**Total capital (TC = T1 + T2) (45 + 58c)**	**231,425**	**235,928**	
	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)**	**1,436,527**	**1,444,181**	
60a	of which: total credit risk weighted assets	1,041,403	1,049,058	
60b	of which: total market risk weighted assets	261,005	261,005	
60c	of which: total operational risk weighted assets	134,118	134,118	
	Capital ratios		**-**	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.38%	14.61%	
62	Tier 1 (as a percentage of risk	14.38%	14.61%	

	weighted assets)			
63	Total capital (as a percentage of risk weighted assets)	16.11%	16.34%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	**9.18%**	**9.18%**	
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	1.80%	1.80%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	8.88%	9.11%	
	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)	4,772	4,775	
	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)	11,242	11,266	**D1+D2**
77	Cap on inclusion of provisions in Tier 2 under standardised approach	13,018	13,018	
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	213,627	216,696	
	a. Statutory Reserve	67,194	67,194	B1
	b. Capital Reserve - Surplus on sale of Immovable assets	5,675	5,675	B2
	c. Capital Reserves	13,262	13,278	B3
	d. Remittable surplus retained in India for CRAR purposes	71,919	71,919	B4
	e.(i). Revaluation Reserve eligible for Tier 1	2,058	2,058	C1
	e.(ii) Revaluation Reserve eligible for Tier 2	3,205	3,205	C2
	f. Investment Reserve	2,670	2,670	D1
	g. Specific Reserve	3,245	3,636	B5
	h.Investment Fluctation Reserve (refer to schedule 18 note 5.5)	12,176	12,176	D3
	h. Balance in Profit & Loss Account	32,223	32,925	
	i. General Reserve	-	23	B6
	j. Security Premium	-	1,935	B7
	Minority Interest	-	-	
	Total Capital	258,619	263,150	
ii	Deposits	1,249,030	1,249,030	

	of which: Deposits from banks	15,909	15,909	
	of which: Customer deposits	1,233,121	1,233,121	
	of which: Other deposits (pl. specify)	-	-	
iii	Borrowings	244,417	248,257	
	Borrowings in India	199,533	203,373	
	of which: From RBI	98,251	98,251	
	of which: From banks	-	-	
	of which: From other institutions & agencies	101,282	105,123	
	Borrowings outside India	44,884	44,884	
	of which: Others (pl. specify)	44,884	44,884	
	of which: Capital instruments	-	-	
iv	Other liabilities & provisions	359,672	359,714	
	of which: Provisions towards Standard Assets	8,572	8,596	D2
	Total Capital and Liabilities	**2,111,738**	**2,120,152**	
B	**Assets**		-	
i	Cash and balances with Reserve Bank of India	42,876	42,876	
ii	Balance with banks and money at call and short notice	207,344	207,951	
Iii	Investments:	716,220	717,699	
	of which: Government securities	581,480	581,480	
	of which: Other approved securities	-	-	
	of which: Shares	136	136	
	of which: Debentures & Bonds	46,427	46,427	
	of which: Subsidiaries / Joint Ventures / Associates	0	0	
	of which: Others (Commercial Papers, Mutual Funds etc.)	88,177	88,177	
iv	Loans and advances	765,807	771,826	
	of which: Loans and advances to banks	35,015	35,015	
	of which: Loans and advances to customers	730,792	736,812	
v	Fixed assets	7,641	7,643	
vi	Other assets	371,850	372,157	
	of which: Goodwill and intangible assets	-	-	
	of which: Deferred tax assets	4,772	4,775	
vii	Goodwill on consolidation	-	-	
viii	Debit balance in Profit & Loss account	-	-	
	Total Assets	**2,111,738**	**2,120,152**	

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 DOR.Appt.BC.No.23/29.67.001/2019-20 dated 4 November 2019, 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 standard on sound compensation practices.

16. Equities - Disclosure for Banking Book Positions

Investment in equity shares as at 31 March 2020 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 31 March 2020 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 31 March 2020.

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 31 March 2020 is Rs. 1,472 million. The difference between break-up value and current cost of equity investment is Rs. 1,336 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.472 million.