The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

Basel III – Pillar 3 disclosures of India Branches

For the period ended 30 June 2017

1 Scope of Application

The capital adequacy framework applies to The Hongkong and Shanghai Banking Corporation Limited – India Branches ('the Bank') as per Reserve Bank of India ('RBI') Basel III guidelines. The Bank has a subsidiary, HSBC Agency (India) Private Limited ('HAPL'), which is consolidated in line with Accounting Standard ('AS') – 21 (consolidated financial statements). Full capital deduction is taken in stand-alone financials for investment in HAPL. The Bank holds minority interests (2.07% shareholding) in a Group entity HSBC Professional Services (India) Private Limited which is neither consolidated nor is capital deducted. The Bank does not have any other Group company where a pro-rata consolidation is done or any deduction is taken. The investment in this company is appropriately risk weighted.

(i) Capital in all subsidiaries not included in the consolidation

The aggregate amount of capital held by the Bank in HSBC Agency (India) Private Limited of Rs. 500 ('000) is not included in the consolidation and is deducted from capital.

(ii) Bank's total interest in insurance entities

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

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

(Rs '000)

Name of Entity /Country of Incorporation	**Principle activity of the entity**	**Total balance sheet equity***	**Total balance sheet assets***
HSBC Asset Management (India) Private Limited	Asset management/portfolio management	615,909	1,893,873
HSBC Electronic Data Processing India Private Limited	Back office / data processing / call centre activities	3,554,678	26,949,000
HSBC Global Shared Services (India) Private Limited	Non-operating company	25,000	48,409
HSBC InvestDirect (India) Limited	Holding company for HSBC InvestDirect Group	712,713	4,991,780
HSBC InvestDirect Employees' Welfare Trust	Non-operating company	15	13,323
HSBC InvestDirect Sales & Marketing (India) Limited	Non-operating company	1000	36,599
HSBC InvestDirect Securities (India) Private Limited.	Retail securities broking and related activities (Discontinued)	Equity - 875,112 0.001% Compulsory Convertible Preference shares - 870,000	167,898
HSBC Professional Services (India) Private Limited	Providing internal audit services to Group companies	4,838	219,233
HSBC Securities and Capital Markets (India) Private Limited	Stock broking and corporate finance & advisory	Equity - 4,701,139 Preference – 250,000	6,199,900
HSBC Software Development (India) Private Limited	Software design, development and maintenance	327,264	33,060,244
Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited	Life insurance	9,500,000	116,550,708

* As stated in the accounting balance sheet of the legal entity as at 31 March 2017

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.

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

The Bank being a branch does not have any direct subsidiaries nor does it hold any significant stake in any company. 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' (herein also referred to as 'HSBC – India Branch'). This includes, in addition to the Bank as a branch of Hongkong and Shanghai Banking Corporation Limited, the following wholly/majority owned Non-Banking Finance Company ('NBFC'), which is a subsidiary of HSBC Holdings plc, held through intermediary holding companies:

(Rs '000)

Name of Entity /Country of Incorporation	**Principle activity of the entity**	**Total balance sheet equity***	**Total balance sheet assets***
HSBC InvestDirect Financial Services (India) Limited	Non-banking Finance company	1,462,847	4,385,224

* As stated in the accounting balance sheet of the legal entity as at 31 March 2017

HSBC InvestDirect Financial Services (India) Limited ('HIFSL') is registered with the Reserve Bank of India ('RBI') as a Non-Banking Financial Company ('NBFC').

As prescribed in the above guidelines, the Bank is not required to prepare consolidated financial statements. However, certain prudential guidelines apply on a Consolidated Bank basis, including that of capital adequacy computation under BASEL III guidelines. Accordingly, (HIFSL) has been considered under regulatory scope of consolidation for the quantitative disclosures.

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 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 locally 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 June 30, 2017, the Bank is required to maintain minimum capital requirement including capital buffers as mentioned below:

Regulatory Minimum in % as per RBI guidelines	**As at June 2017**
Common Equity Tier I (CET1)(i)	**5.5%**
Capital Conservation Buffer (CCB) (ii) – (Refer note I)	1.25%
Counter-cyclical Buffer (CCCB) (iii) -(Refer note II)	NA
Domestically Systemically Important Bank (D-SIB) (iv) (Refer note III)	1.19%
Minimum Common Equity Tier I (i+ii+iii+iv)	**7.94%**
Minimum Tier I Capital	**9.44%**
Total Minimum Capital Adequacy Ratio	**11.44%**

2 Capital Adequacy & Structure *(Continued)*

a. Capital Adequacy *(Continued)*

Notes:

I. The CCB is designed to ensure that banks build up capital buffers during normal times, which can be drawn down during a stressed period. Banks in India are required to maintain a capital conservation buffer of 2.5%, comprised of CET1 capital, over and above the regulatory minimum capital requirement. The CCB has been implemented w.e.f 31 March 2016 starting with 0.625% in 2016, increasing in a phased-in manner and reaching 2.5% by March 2019.

II. RBI issued guidelines on CCCB framework for banks in India in February 2015. The CCCB may vary from 0 to 2.5% of total RWA and the decision would normally be pre-announced with a lead time of 4 quarters. The activation of CCCB will depend upon Credit to GDP gap in India (difference between Credit to GDP ratio and the long-term trend value of such ratio of any point in time) along with supplementary indicators such as Credit-Deposit ratio for a moving period of 3 years, industry outlook assessment index and interest coverage ratio. As stated by RBI in First Bi-monthly Monetary Policy Statement, 2016-17 issued on 5 April 2016, 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 at this point in time. There was no further update in First, Second and Third Bi-monthly Monetary Policy Statement, 2017-18 issued on 6 April 2017, 7 June 2017 and 2 Aug 2017.

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, for 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), it 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. This requirement has been implemented from 31 March 2016 in phased-in manner, to become fully effective from 31 March 2019. Accordingly 1.19% had been added to minimum requirement towards D-SIB.

The Bank continues to monitor developments and believe 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

(Rs '000)

	At 30 June 2017	At 31 March 2017
Capital	**44,991,660**	44,991,660
Eligible Reserves (Note 1)	**136,978,718**	136,978,630
Less: Deductions from Tier I Capital	**(154,585)**	(367,615)
- Charge for Credit enhancement on Securitisation deal		
- Intangible Assets Deferred Tax Asset ('DTA') (Note 2)	**-**	-
- Investment in subsidiaries in India	**(75)**	(75)
- Debit Value Adjustments (DVA)	**(105,172)**	(308,950)
- Defined Benefit Pension Fund Asset	**(49,338)**	(58,590)
		-
Tier I Capital	**181,815,793**	181,602,675
Of Which Common Equity Tier I Capital	**181,815,793**	181,602,675
Additional Tier I Capital	**-**	-
Total Tier I Capital	**181,815,793**	181,602,675

Notes:

1 As per RBI guidelines as on 1 March 2016, DTA which was deducted from CET1 capital, can be recognised in the CET1 with a limit of 10% of net CET1 (after deducting DTA). Currently DTA @ Rs. 6,221,236 ('000) is 3.54% of net CET1 capital.

2 Property revaluation reserve which was included in Tier II Capital is now part of Tier I Capital

(ii) Tier 2 capital

(Rs '000)

	At 30 June 2017	At 31 March 2017
General Loss Provisions	**4,680,443**	4,740,654
Other Eligible Reserves	**2,550,726**	2,550,726
Total Tier II Capital (Note 1)	**7,231,169**	7,291,380

Note 1: There is no debt capital instrument and subordinated debt outstanding as at 30 June 2017 included in Tier II Capital.

2 Capital Adequacy & Structure *(Continued)*

b. Capital Adequacy *(Continued)*

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

(Rs '000)

	At 30 June 2017	At 31 March 2017
I. Capital required for Credit Risk	**86,900,638**	85,713,970
- For portfolios subject to Standardised approach	86,900,638	85,713,970
II. Capital required for Market Risk	**18,901,946**	16,964,723
(Standard Duration Approach)		
- Interest rate risk	**15,888,040**	14,050,319
- Foreign exchange risk	**1,029,874**	1,029,873
- Equity risk	**247,991**	247,991
- Securitisation exposure	**1,736,042**	1,636,540
III. Capital required for Operational Risk	**13,715,562**	12,529,353
(Basic Indicator Approach)		
Total capital requirement (I + II + III)	**119,518,147**	115,208,046
Total capital funds of the Bank	**189,046,962**	188,894,055
Total risk weighted assets	**1,044,461,561**	1,006,795,865
Total capital ratio	**18.10%**	18.76%
Common Equity Tier I Capital Ratio	**17.41%**	18.04%
Tier I capital ratio	**17.41%**	18.04%

(iv) Capital adequacy ratio for consolidated entity:

	At 30 June 2017	At 31 March 2017
Consolidated Total Capital Ratio	**18.39%**	**19.05%**
Consolidated Tier I Capital Ratio	**17.70%**	**18.33%**

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.

<u>Strategy and Processes</u>

HSBC Holdings plc (HSBC Group Head Office) 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), Retail Banking and Wealth Management (RBWM).

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

- The Board of The Hongkong and Shanghai Banking Corporation Limited in Hongkong SAR (HBAP) has established the India Executive Committee (EXCO) to assist the Board in the running of the Bank. The EXCO is authorized to exercise all the powers, authorities and discretions of the HBAP on the management and day to day running of the Bank, in accordance with the policies and directions set by the Board from time to time. EXCO approves all the policies including credit policies. A Risk Management Meeting (RMM) consisting of senior executives, reviews overall portfolio risks and key risks faced by the bank in India on a monthly basis.
- A Wholesale Credit and Market Risk Management (WMR) unit independent of business with a matrix of delegated approval authorities, undertaking independent reviews and objective assessment of the credit risk for all customers. 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)*

<u>Strategy and Processes</u> *(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 to scientifically assess the borrowers. This may also be supplemented with judgmental lending as appropriate. Policy rules are built into the system to enable online checks. 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). The judgmental aspect also tries to identify the financial strength, ability and intentions of borrowers for repayment.
- Starting 1 Jan 2017, First Line Of Defence 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.
- For retail lending, the Acquisition and Account Risk Management Team within INM RBWM Risk reviews and communicates the various internal risk policies. The RRPs (Risk reward program) defines the product parameters for RBWM.
- A robust framework for Risk Appetite Statements (RAS) and Risk Tolerance triggers for all material risks. The Risk Management committee reviews and regularly monitors the compliance with RAS. The Bank has stipulated Credit Risk Appetite and tolerance triggers for asset quality, impairments, risk weighted assets, risk adjusted returns and concentration risks.
- Designing of comprehensive credit risk policies for management of Exposure norms and Country Risk Plan. These policies delineates the Bank’s risk appetite and maximum permissible exposures to individual customers, customer groups, industries, sensitive sectors and other forms of credit risk concentrations.
- The bank also has comprehensive policies for valuation, end use monitoring, real estate exposures, management of intra-group exposures, provisioning, distressed assets and recovery and sale of NPA.
- Sustainability risk policies to ensure sustainable financing in accordance with the group guidelines.
- Stress Testing Policy & Framework for rigorous risk specific and Enterprise-wide stress testing and reporting.
- Managing exposures to debt securities by establishing controls in respect of the liquidity of securities held for trading and setting issuer limits for financial investments. Separate portfolio limits are established for asset-backed securities and similar instruments.
- Controlling of cross-border exposures to manage country and cross-border risk through the imposition of country limits with sub-limits by maturity and type of business.

3 Credit risk *(Continued)*

a. General *(Continued)*

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

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

Structure and Organisation

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

Assessment of Credit is performed at different levels (country, region, Group) depending on size and complexity of proposals and by different teams (F.Is / 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 CRO of India further delegates lending authorities to WMR and RBWM Risk executives. 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 centralised 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

(Rs '000)

	Fund based Note 1	Non fund based Note 2	At 30 June 2017 Total
Overseas	-	-	-
Domestic	**674,207,270**	**375,825,174**	**1,050,032,444**
Total	**674,207,270**	**375,825,174**	**1,050,032,444**

(Rs '000)

	Fund based Note 1	Non fund based Note 2	As at 31 March 2017 Total
Overseas	-	-	-
Domestic	**712,688,346**	**389,479,252**	**1,102,167,598**
Total	**712,688,346**	**389,479,252**	**1,102,167,598**

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 as at 30 June 2017

(Rs '000)

Industry	Fund based	Non fund based	Total
Mining and Quarrying	530,400	60,794	591,194
Food Processing	7,950,000	2,698,245	10,648,245
Beverages and Tobacco	11,947,500	2,515,453	14,462,953
Textiles	5,337,300	2,191,909	7,529,209
Leather and Leather products	31,300	32	31,332
Wood and Wood Products	375,000	88,065	463,065
Paper and Paper Products	3,730,500	283,438	4,013,938
Petroleum	-	3,160,751	3,160,751
Chemicals and Chemical Products	48,875,700	30,282,132	79,157,832
Rubber, Plastic and their Products	6,005,000	2,030,945	8,035,945
Glass & Glassware	942,600	663,945	1,606,545
Cement and Cement Products	60,400	928,242	988,642
Basic Metal and Metal Products	11,475,300	5,301,421	16,776,721
All Engineering	40,311,600	30,992,323	71,303,923
Vehicles and Transport Equipments	16,955,100	14,180,235	31,135,335
Gems and Jewellery	85,200	2,041	87,241
Construction	465,800	1,190,299	1,656,099
Infrastructure	23,450,500	59,153,972	82,604,472
NBFCs and trading	60,901,936	16,872,555	77,774,491
Banking and finance	129,436,875	64,786,359	194,223,234
Computer Software	1,426,961	9,502,570	10,929,531
Professional Services	16,759,578	70,820,405	87,579,983
Other Industries	208,358,581	46,198,238	254,556,819
Retail	78,794,139	12,761,987	91,556,126
Total	**674,207,270**	**376,666,356**	**1,050,873,626**

3 Credit risk *(Continued)*

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

Industry type distribution of exposures as at 31 March 2017

(Rs '000)

Industry	Fund based	Non fund based	Total
Mining and Quarrying	25,944	60,794	86,738
Food Processing	7,545,710	2,676,142	10,221,852
Beverages and Tobacco	12,957,625	2,484,445	15,442,070
Textiles	4,380,496	1,969,225	6,349,721
Leather and Leather products	81	32	113
Wood and Wood Products	-	565	565
Paper and Paper Products	3,357,228	253,102	3,610,330
Petroleum	2,841	12,306,680	12,309,521
Chemicals and Chemical Products	53,084,716	28,302,365	81,387,081
Rubber, Plastic and their Products	6,095,565	2,316,188	8,411,753
Glass & Glassware	1,154,990	261,659	1,416,649
Cement and Cement Products	658,686	436,909	1,095,595
Basic Metal and Metal Products	13,856,242	6,640,099	20,496,341
All Engineering	33,622,683	34,695,034	68,317,717
Vehicles and Transport Equipments	17,931,230	15,152,775	33,084,005
Gems and Jewellery	129,389	1,167	130,556
Construction	408,168	924,062	1,332,230
Infrastructure	25,016,799	56,646,113	81,662,912
NBFCs and trading	54,404,373	21,759,810	76,164,183
Banking and finance	154,014,190	72,354,814	226,369,004
Computer Software	1,205,976	9,599,388	10,805,364
Professional Services	16,521,722	73,316,703	89,838,425
Other Industries	224,907,515	37,888,651	262,796,166
Retail	81,406,177	9,432,530	90,838,707
Total	712,688,346	389,479,252	1,102,167,598

3 Credit risk *(Continued)*

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

(iii) Residual contractual maturity breakdown of total assets

(Rs'000)

	At 30 June 2017	At 31 March 2017
1 day	**282,339,958**	270,448,932
2 to 7 days	**47,994,017**	58,560,210
8 to 14 days	**23,593,086**	22,707,296
15 to 28 days	**103,427,552**	68,843,612
29 days & up to 3 months	**144,122,145**	119,745,859
Over 3 months and up to 6 months	**62,928,857**	53,267,942
Over 6 months and up to 1 year	**101,957,359**	82,260,552
Over 1 year and up to 3 years	**136,520,467**	243,611,801
Over 3 years and up to 5 years	**124,778,241**	201,520,182
Over 5 years	**307,412,100**	183,785,758
Total	**1,335,073,782**	1,304,752,144

(iv) Amount of Non-Performing Assets (NPAs) (Gross)

(Rs'000)

	At 30 June 2017	At 31 March 2017
Substandard	**4,255,380**	**4,091,934**
Doubtful 1	**699,858**	**849,102**
Doubtful 2	**804,931**	**719,068**
Doubtful 3	**2,316,994**	**2,358,408**
Loss	**950,288**	**951,239**
Total	**9,027,451**	**8,969,751**

(v) Net NPAs

The net NPAs are Rs. 2,110 million (previous year Rs. 2,040 million). Please see table (vii) below.

(vi) NPA ratios

	At 30 June 2017	**At 31 March 2017**
Gross NPAs to gross advances	**1.99%**	**1.91%**
Net NPAs to net advances	**0.47%**	**0.44%**

3 Credit risk *(Continued)*

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

(vii) Movement of NPAs

(Rs‘000)

	At 30 June 2017		
	Gross NPA's	**Provision**	**Net NPA**
Opening balance as at 1 April 2017	**8,969,751**	**6,929,968**	**2,039,783**
Additions during the period	**769,385**	**12,658**	**756,727**
Reductions during the period	**(711,685)**	**(24,882)**	**(686,803)**
Closing balance as at 30 June 2017	**9,027,451**	**6,917,744**	**2,109,707**

(Rs‘000)

	At 31 March 2017		
	Gross NPA's	Provision	Net NPA
Opening balance as at 1 April 2016	8,357,860	6,244,737	2,113,123
Additions during the period	5,608,391	3,137,287	2,471,104
Reductions during the period	(4,996,500)	(2,452,056)	(2,544,444)
Closing balance as at 31 March 2017	8,969,751	6,929,968	2,039,783

(viii) General Provisions

General provisions comprises of provision towards standard assets and Unhedged Foreign Currency Exposure (UFCE) in accordance with RBI Master Circular DBR No. .BP.BC.2/21.04.048/2015-16 dated 1 July 2015.

(ix) Non-performing investments

Non-performing investments as at 30 June 2017 are Rs. 2 (previous year 31 March 2017 Rs. 2).This represents 2 preference share investments which have each been written down to Rs.1.

(x) Movement of provisions for depreciation on investments

(Rs‘000)

	At 30 June 2017	At 31 March 2017
Opening balance	**359,977**	389
Provisions during the year	**69,615**	359,588
Write offs during the year	-	-
Write back of excess provisions during the year	-	-
Closing balance	**429,592**	359,977

3 Credit risk *(Continued)*

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

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

As at 30 June 2017

(Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.Agriculture	-	-	-	-	-
1.1 Direct Agriculture	-	-	-	-	-
1.2 Indirect Agriculture	-	-	-	-	-
2. Advances to Industries sector	**3,979,190**	**6,908,624**	**3,337,133**	**-**	**-**
of which:					
2.1 Textiles	415,617	191,200	414,632	-	-
2.2 Infrastructure	433,947	4,665	436,755	-	-
2.3 Paper and Paper products	2,831,823	20,262	2,187,943	-	-
3. Services	**2,223,549**	**2,309,069**	**2,225,790**	**12,658**	**-**
of which:					
3.1 Trade	1,761,544	-	1,760,004	-	-
3.2 Computer Software	220,581	-	220,579	-	-
3.3 NBFC	120,254	-	120,223	-	-
4. Retail	**2,824,711**	**2,565,213**	**1,354,821**	**0**	**136,804**
Total	**9,027,451**	**11,782,906**	**6,917,744**	**12,658**	**136,804**

3 Credit risk *(Continued)*

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

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

As at 31 March 2017

(Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.Agriculture	-	-	-	-	-
1.1 Direct Agriculture	-	-	-	-	-
1.2 Indirect Agriculture	-	-	-	-	-
2. Advances to Industries sector	**3,978,103**	**1,767,688**	**3,337,179**	**2,519,205**	**837,479**
of which:					
2.1 Glass & Glassware	-	-	-	266,592	837,479
2.2 Infrastructure	433,947	45,792	436,755	-	-
2.3 Paper and Paper products	2,830,647	2,443	2,187,943	2,218,446	-
3. Services	**2,226,658**	**104,843**	**2,232,399**	**213,038**	**-**
of which:					
3.1 Trade	1,764,360	12,278	1,765,690	26,696	-
3.2 Computer Software	221,503	-	221,501	4,338	-
3.3 NBFC	120,254	-	120,223	4,503	-
4. Retail	**2,764,990**	**2,261,747**	**1,360,390**	**-**	**538,626**
Total	**8,969,751**	**4,134,278**	**6,929,968**	**2,732,243**	**1,376,105**

(xii) Write offs and recoveries directly booked to income statement.

(Rs '000)

	At 30 June 2017	At 31 March 2017
Write offs	**145,070**	533,741
Recoveries	**40,401**	191,614

3 Credit risk *(Continued)*

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

(xiii) Ageing of past due loans

(Rs '000)

	At 30 June 2017	At 31 March 2017
Overdue less than 30 days	**8,836,362**	**3,413,823**
Overdue for 30 to 60 days	**2,669,780**	**488,014**
Overdue for 60 to 90 days	**276,765**	**232,441**
Total	**11,782,906**	**4,134,278**

(xiv) Amount of NPAs and past due loans by significant geographic areas
As at 30 June 2017

(Rs '000)

	NPA	**Past Due Loans**
Overseas	-	-
Domestic	**9,027,451**	**11,782,906**
Total	**9,027,451**	**11,782,906**

As at 31 March 2017

(Rs '000)

	NPA	Past Due Loans
Overseas	-	-
Domestic	8,969,751	4,134,278
Total	8,969,751	4,134,278

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) SMERA Ratings Limited (SMERA)

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.

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

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**	**SMERA**	
CARE A1 +	CRISIL A1 +	FITCH A1 +	ICRA A1 +	BRICKWORK A1+	SMERA A1+	20%
CARE A1	CRISIL A1	FITCH A1	ICRA A1	BRICKWORK A1	SMERA A1	30%
CARE A2	CRISIL A2	FITCH A2	ICRA A2	BRICKWORK A2	SMERA A2	50%
CARE A3	CRISIL A3	FITCH A3	ICRA A3	BRICKWORK A3	SMERA A3	100%
CARE A4	CRISIL A4	FITCH A4	ICRA A4	BRICKWORK A4	SMERA A4	150%
CARE D	CRISIL D	FITCH D	ICRA D	BRICKWORK D	SMERA D	150%
Unrated	Unrated	Unrated	Unrated	Unrated	Unrated	100%

4 Disclosures for portfolios under the standardised approach *(Continued)*

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% w.e.f 30 June 2017. Further, for 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.

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%

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 process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in line with RBI Guidelines. 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%

4 Disclosures for portfolios under the standardised approach *(Continued)*

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)

	At 30 June 2017	At 31 March 2017
Below 100% risk weight	**524,657,226**	569,765,029
100% risk weight	**209,595,067**	410,885,392
Above 100% risk weight	**185,763,335**	74,316,029
Deductions*	**(154,510)**	(367,615)
Total	**919,861,119**	1,054,598,835

*Deduction represents amounts deducted from Tier I Capital

Note: As per RBI guidelines as on 01 March 2016, DTA which was deducted from CET1 capital, can be recognised in the CET1 with a limit of 10% of net CET1 (after deducting DTA). Currently DTA is 3.54% of net CET1 capital. Accordingly, there is no deduction as on 30 June 2017.

5. Leverage Ratio

(Rs '000)

Particulars	**At 30 September 2016**	**At 31 December 2016**	**At 31 March 2017**	**At 30 June 2017**
Tier 1 Capital	171,613,188	178,016,809	181,602,675	181,815,793
Exposure Measure	2,108,770,315	1,724,437,140	1,739,290,908	1,754,415,491
Leverage Ratio*	**8.14%**	**10.32%**	**10.44%**	**10.36%**

*As per RBI Master circular no. DBR.No.BP.BC.1/21.06.201/2015-16 dated 01 July 2015.

Note: The consolidated leverage ratio is 10.55% as on 30 June 2017