# 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 31 December 2015*

## 1 Scope of Application

The capital adequacy framework applies to The Hongkong and Shanghai Banking Corporation Limited – India Branches ('the Bank'). The Bank has a subsidiary, HSBC Agency (India) Private Limited, which is consolidated in line with AS 21 and full capital deduction is taken for stand-alone financials. The Bank does not have any other Group company where a pro-rata consolidation is done or any deduction is taken. 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.

*(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. 0.2 million 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 under the 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 | 964,768 |
| HSBC Electronic Data Processing India Private Limited | Back office / data processing / call centre activities | 3,554,678 | 24,659,528 |
| HSBC Global Shared Services (India) Private Limited | Non-operating company | 25,000 | 47,287 |
| HSBC InvestDirect (India) Limited | Holding company for HSBC InvestDirect Group | 712,713 | 4,908,045 |
| HSBC InvestDirect Employees' Welfare Trust | Non-operating company | 15 | 18,548 |
| HSBC InvestDirect Financial Services (India) Limited | Non-banking Finance company | 1,462,847 | 4,289,412 |
| HSBC InvestDirect Sales & Marketing (India) Limited | Non-operating company | 1000 | 36,796 |
| HSBC InvestDirect Securities (India) Private Limited. | Retail securities broking and related activities (Discontinued) | Equity - 875,112<br>0.001% Compulsory Convertible Preference shares - 870,000 | 198,077 |
| HSBC Professional Services (India) Private Limited | Providing internal audit services to Group companies | 4,838 | 168,671 |
| HSBC Securities and Capital Markets (India) Private Limited | Stock broking and corporate finance & advisory | Equity - 4,701,139<br>Preference – 250,000 | 6,655,670 |
| HSBC Software Development (India) Private Limited | Software design, development and maintenance | 327,264 | 21,578,616 |

| | | | |
|---|---|---|---|
| Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited | Life insurance | 9,500,000 | 103,017,014 |

* As stated in the accounting balance sheet of the legal entity as at 31 March 2015
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 Structure

*(i) Composition of Tier 1 capital*

*(Rs '000)*

| | **At 31 December 2015** | At 31 March 2015 |
|---|---|---|
| **Capital** | **44,991,660** | 44,991,660 |
| **Eligible Reserves** | **114,837,830** | 106,914,746 |
| **Less: Deductions from Tier I Capital** | **(9,518,495)** | (7,873,029) |
| - Intangible Assets ( Deferred Tax Asset) | **(8,874,793)** | (7,179,568) |
| - Investment in subsidiaries in India | **(200)** | (200) |
| - Debit Value Adjustments (DVA) | **(643,502)** | (638,862) |
| - Defined Benefit Pension Fund Asset | **-** | (54,399) |
| **Tier I Capital** | **150,310,995** | 144,033,377 |
| **Of Which Common Equity Tier I Capital** | **150,310,995** | 144,033,377 |
| **Additional Tier I Capital** | **-** | - |
| **Total Tier I Capital** | **150,310,995** | 144,033,377 |

## 2 Capital Adequacy & Structure *(Continued)*

### a. Capital Structure *(continued)*

*(ii) Tier 2 capital*

*(Rs '000)*

| | **At 31 December 2015** | At 31 March 2015 |
|---|---|---|
| Property revaluation reserves | **3,380,715** | 3,777,757 |
| General Loss Provisions / Other Eligible Reserves | **7,157,149** | 7,955,931 |
| **Total Tier II Capital** | **10,537,864** | 11,733,688 |

*(iii) Debt capital instruments in Tier 2 capital*

No debt capital instruments are included in Tier 2 capital.

*(iv) Subordinated debt in Tier 2 capital*

There is no amount outstanding in respect of subordinated debt as at 31 December 2015.

*(v) Other deductions from capital*

There are no other deductions from capital.

*(vi) Total eligible capital*

The total eligible capital is Rs.160,849 million.

## b. Capital Adequacy

The Bank's capital management framework is shaped by its structure, business model and strategic direction. There is a continuing need to focus on effective management of risk and commensurate capital to bear that risk. 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 Reserve Bank of India (RBI) released the framework on Domestically Systemically Important Bank (D-SIB) requirements for banks operating in India in July 2014. As per the guidelines, for a foreign bank having branch presence in India (such as the Bank) which is classified as Globally Systemically Important Bank (G-SIB), it has to maintain additional Common Equity Tier I (CET1) capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India. This requirement is scheduled to be implemented from 31 March 2016 in phased-in manner, until it becomes fully effective from 31 March 2019.

RBI issued guidelines on Countercyclical Buffer (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 (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 three years, industry outlook assessment index and interest coverage ratio. As stated by RBI in February 2015, the current economic situation does not warrant CCCB activation. Further, Capital Conservation Buffer (CCB) is scheduled to be implemented from 31 March 2016 in phased-in manner.

Accordingly, the minimum prescribed Common Equity Tier I capital, Tier I capital and total CAR for 31 March 2016 should be 6.75%, 8.25% and 10.25% respectively (see table below).

| **Regulatory Minimum in %** | **As at March 2016** |
|---|---|
| **Common Equity Tier I (i)** | **5.5%** |
| Capital Conservation Buffer (CCB) (ii) | 0.625% |
| Counter-cyclical Buffer (CCCB) (iii) | NA |
| Domestically Systemically Important Bank (D-SIB) (iv) | 0.625% |
| **Minimum Common Equity Tier I (i+ii+iii+iv)** | **6.75%** |
| **Minimum Tier I Capital** | **8.25%** |
| **Total Capital Adequacy Ratio** | **10.25%** |

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 Adequacy *(Continued)*

*(i) Capital requirements for Credit Risk, Market Risk and Operational Risk*

*(Rs '000)*

| | At 31 December 2015 | At 31 March 2015 |
|---|---|---|
| **I. Capital required for Credit Risk** | **67,940,513** | 72,291,036 |
| - For portfolios subject to Standardised approach | **67,940,513** | 72,291,036 |
| **II. Capital required for Market Risk (Standard Duration Approach)** | **12,852,784** | 13,623,568 |
| - Interest rate risk | **11,511,185** | 12,134,395 |
| - Foreign exchange risk | **720,000** | 720,000 |
| - Equity risk | **113,620** | 113,620 |
| - Securitisation exposure | **507,979** | 655,553 |
| **III. Capital required for Operational Risk (Basic Indicator Approach)** | **8,610,891** | 8,525,654 |
| **Total capital requirement (I + II + III)** | **89,404,188** | 94,440,259 |
| **Total capital funds of the Bank** | **160,848,860** | 155,767,065 |
| **Total risk weighted assets** | **1,023,190,528** | 1,049,336,210 |
| **Consolidated total capital ratio** | **15.72%** | 14.84% |
| **Consolidated Common Equity Tier I Capital Ratio** | **14.69%** | 13.73% |
| **Consolidated Tier I capital ratio** | **14.69%** | 13.73% |

There is no significant subsidiary for which the above disclosure is required.

## 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 (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), and Global Private Banking (GPB).

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 Committee (RMC) consisting of senior executives, which reviews overall portfolio risks and key risks facing the Bank in India on a monthly basis.
- A separate Risk Management unit independent of business with a matrix of delegated approval authorities for the approval of credit risks.
- 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.

## 3 Credit risk *(Continued)*

### a. General *(Continued)*

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

- Comprehensive Exposure norms policies and Country Risk Plan. This policy delineates the Bank's appetite and maximum permissible exposures to individual customers, customer groups, sectors and other forms of credit risk concentrations. This policy also ensures compliance with the exposure ceilings and lending guidelines relating to specific market sectors and industries.
- Independent review and objective assessment of the credit risk for all customers.
- The Bank also has sustainability risk policies to ensure sustainable financing in accordance with the group guidelines.
- Framework and policies for rigorous risk specific and Enterprise-wide stress testing practices and reporting.
- Manage 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.
- Control 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.
- Maintain and develop HSBC's risk rating framework and systems in order 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**

Credit approval authorities are delegated from the Chief Risk Officer of HBAP in Hongkong to the Chief Executive Officer, India and the Chief Risk Officer, India. The Chief Risk Officer in India maintains a strong functional reporting line to the Chief Risk Officer in Hongkong. The Bank has a Wholesale and Market Risk (WMR) unit which oversees Credit approvals for facilities in India.

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

**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, to include information on large credit exposures, concentrations, industry exposures, levels of impairment provisioning and country exposures to various governance forums.

## 3 Credit risk *(Continued)*

### a. General *(Continued)*

**Non-performing advances *(Continued)***

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 31 December 2015 Total** |
|---|---|---|---|
| **Overseas** | - | - | - |
| **Domestic** | **761,716,078** | **460,181,719** | **1,221,897,797** |
| **Total** | **761,716,078** | **460,181,719** | **1,221,897,797** |

*(Rs '000)*

| | Fund based Note 1 | Non fund based Note 2 | As at 31 March 2015 Total |
|---|---|---|---|
| Overseas | - | - | - |
| Domestic | 779,995,481 | 536,968,025 | 1,316,963,506 |
| Total | 779,995,481 | 536,968,025 | 1,316,963,506 |

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 31 December 2015*

*(Rs '000)*

| Industry | **Fund based** | **Non Fund based** | **Total** |
|---|---|---|---|
| Mining and Quarrying | **148,870** | **47,924** | **196,794** |
| Food Processing | **7,506,353** | **2,519,089** | **10,025,442** |
| Beverages and Tobacco | **12,099,429** | **2,173,541** | **14,272,970** |
| Textiles | **4,309,125** | **5,667,292** | **9,976,417** |
| Leather and Leather products | **9,814** | **1,556** | **11,370** |
| Wood and Wood Products | **227,259** | **565** | **227,824** |
| Paper and Paper Products | **4,185,223** | **237,340** | **4,422,563** |
| Petroleum | **74,271** | **8,262,384** | **8,336,655** |
| Chemicals and Chemical Products | **49,665,719** | **37,370,120** | **87,035,839** |
| Rubber, Plastic and their Products | **5,824,867** | **1,880,040** | **7,704,907** |
| Glass & Glassware | **3,428,369** | **231,711** | **3,660,080** |
| Cement and Cement Products | **4,395,419** | **2,429,237** | **6,824,656** |
| Basic Metal and Metal Products | **9,825,149** | **14,569,240** | **24,394,389** |
| All Engineering | **28,438,673** | **36,082,888** | **64,521,561** |
| Vehicles and Transport Equipments | **14,901,021** | **19,845,456** | **34,746,477** |
| Gems and Jewellery | **204,837** | **2,666** | **207,503** |
| Construction | **18,068,067** | **830,555** | **18,898,402** |
| Infrastructure | **72,943,940** | **53,770,282** | **126,714,222** |
| NBFCs and trading | **52,250,873** | **19,211,512** | **71,462,385** |
| Banking and finance | **109,189,549** | **106,790,560** | **215,980,109** |
| Computer Software | **603,611** | **41,133,534** | **41,737,145** |
| Other Industries | **255,607,277** | **96,179,268** | **351,786,545** |
| Retail | **107,808,363** | **10,945,179** | **118,753,542** |
| Total | **761,716,078** | **460,181,719** | **1,221,897,797** |

## 3 Credit risk *(Continued)*

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

*Industry type distribution of exposures as at 31 March 2015*

*(Rs '000)*

| Industry | Fund based | Non Fund based | Total |
|---|---|---|---|
| Mining and Quarrying | 13 | 20,618 | 20,631 |
| Food Processing | 6,996,433 | 1,172,660 | 8,169,093 |
| Beverages and Tobacco | 8,245,496 | 2,807,798 | 11,053,294 |
| Textiles | 4,668,472 | 6,782,461 | 11,450,933 |
| Leather and Leather products | 16,427 | 6,439 | 22,866 |
| Wood and Wood Products | 134,023 | 565 | 134,588 |
| Paper and Paper Products | 6,003,934 | 515,960 | 6,519,894 |
| Petroleum | 1,052,391 | 4,097,396 | 5,149,787 |
| Chemicals and Chemical Products | 57,396,315 | 51,349,192 | 108,745,507 |
| Rubber, Plastic and their Products | 8,183,952 | 2,160,507 | 10,344,459 |
| Glass & Glassware | 3,396,672 | 245,785 | 3,642,457 |
| Cement and Cement Products | 7,410,162 | 3,269,070 | 10,679,232 |
| Basic Metal and Metal Products | 22,633,545 | 22,115,951 | 44,749,496 |
| All Engineering | 24,343,445 | 34,043,822 | 58,387,267 |
| Vehicles and Transport Equipments | 17,210,876 | 21,788,713 | 38,999,589 |
| Gems and Jewellery | 259,592 | 1,875 | 261,467 |
| Construction | 20,547,547 | 1,531,648 | 22,079,195 |
| Infrastructure | 39,328,376 | 67,149,828 | 106,478,204 |
| NBFCs and trading | 51,690,191 | 12,293,485 | 63,983,676 |
| Banking and finance | 217,626,914 | 112,053,322 | 329,680,236 |
| Computer Software | 1,894,105 | 9,217,173 | 11,111,278 |
| Other Industries | 181,085,433 | 173,964,593 | 355,050,026 |
| Retail | 99,871,167 | 10,379,164 | 110,250,331 |
| Total | 779,995,481 | 536,968,025 | 1,316,936,506 |

## 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 31 December 2015 | At 31 March 2015 |
|---|---|---|
| 1 day | **288,534,793** | 218,673,800 |
| 2 to 7 days | **37,601,407** | 113,863,234 |
| 8 to 14 days | **24,898,166** | 36,147,530 |
| 15 to 28 days | **88,209,968** | 96,742,606 |
| 29 days & up to 3 months | **91,249,275** | 125,451,873 |
| Over 3 months and up to 6 months | **114,862,138** | 160,705,077 |
| Over 6 months and up to 1 year | **63,149,167** | 143,911,839 |
| Over 1 year and up to 3 years | **141,408,092** | 145,415,554 |
| Over 3 years and up to 5 years | **124,955,745** | 102,714,760 |
| Over 5 years | **239,304,868** | 232,687,114 |
| **Total** | **1,214,173,619** | 1,376,313,387 |

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

*(Rs'000)*

| | At 31 December 2015 | At 31 March2015 |
|---|---|---|
| Substandard | **3,555,157** | 3,265,828 |
| Doubtful 1 | **571,347** | 1,035,612 |
| Doubtful 2 | **1,669,046** | 1,473,430 |
| Doubtful 3 | **1,731,278** | 1,778,257 |
| Loss | **376,983** | 361,447 |
| ***Total*** | **7,903,811** | 7,914,574 |

*(v) Net NPAs*

The net NPAs are Rs.1,555 million (as at 31 March 2015- Rs. 2,381 million). Please see table (vii) below.

*(vi) NPA ratios*

| | At 31 December 2015 | At 31 March 2015 |
|---|---|---|
| Gross NPAs to gross advances | **1.63%** | 1.68% |
| Net NPAs to net advances | **0.32%** | 0.51% |

## 3 Credit risk *(Continued)*

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

*(vii) Movement of NPAs*

*(Rs'000)*

| | At 31 December 2015 | | |
|---|---|---|---|
| | **Gross NPA's** | **Provision** | **Net NPA** |
| Opening balance as at 1 April 2015 | **7,914,574** | **5,533,401** | **2,381,173** |
| Additions during the period | **2,956,499** | **1,497,591** | **1,458,838** |
| Reductions during the period | **(2,967,262)** | **(681,930)** | **(2,285,262)** |
| Closing balance as at 31 December 2015 | **7,903,811** | **6,349,062** | **1,554,749** |

*(Rs'000)*

| | At 31 March 2015 | | |
|---|---|---|---|
| | Gross NPA's | Provision | Net NPA |
| Opening balance as at 1 April 2014 | 6,601,422 | 5,625,195 | 976,227 |
| Additions during the period | 5,447,068 | 1,389,189 | 4,057,879 |
| Reductions during the period | (4,133,916) | (1,480,983) | (2,652,933) |
| Closing balance as at 31 March 2015 | 7,914,574 | 5,533,401 | 2,381,173 |

*(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 01 July 2015.

*(ix) Non-performing investments*

Non-performing investments as at 31 December 2015 are Rs. 3 (as at 31 March 2015 Rs. 3).This represents 3 preference share investments which have each been written down to Rs.1.

*(x) Movement of provisions for depreciation on investments*

*(Rs'000)*

| | **At 31 December 2015** | At 31 March 2015 |
|---|---|---|
| Opening balance | **300** | 662,401 |
| Provisions during the year | **50,628** | - |
| Write offs during the year | **-** | - |
| Write back of excess provisions during the year | **-** | (662,101) |
| **Closing balance** | **50,928** | 300 |

## 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 as at 31 December 2015 and Specific Provision and Write off during the period 01April2015 to 31Dec2015.*

*(Rs '000)*

| | NPA | Past Due Loans | Provision | Specific Provision during the period | Write off during the period |
|---|---|---|---|---|---|
| 1.Agriculture | - | - | - | - | - |
| 1.1 Direct Agriculture | - | - | - | - | - |
| 1.2 Indirect Agriculture | - | - | - | - | - |
| 2. Advances to Industries sector | **3,234,015** | **936,744** | **2,676,995** | **734,932** | **13,579** |
| of which: | | | | | |
| 2.1 Textiles | **417,382** | **88,651** | **417,813** | **5,994** | - |
| 2.2 Glass & Glassware | **2,078,006** | - | **1,520,693** | **693,026** | - |
| 2.3 Infrastructure | **433,947** | **16,075** | **436,755** | - | - |
| 3. Services | **2,547,287** | **220,579** | **2,541,638** | **102,125** | - |
| of which: | | | | | |
| 3.1 Trade | **1,792,438** | - | **1,793,417** | **48,763** | - |
| 3.2 NBFC | **387,692** | - | **395,976** | **5,548** | - |
| 4. Retail | **2,122,509** | **3,351,000** | **1,130,429** | **660,500** | - |
| Total | **7,903,811** | **4,508,323** | **6,349,062** | **1,497,557** | **13,579** |

## 3 Credit risk *(Continued)*

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

*Classification (by major industry) of NPA, Provision, past due loans as at 31 March 2015 and Specific Provision and Write off during the year*

*(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 | 3,512,663 | 10,257,543 | 2,278,296 | 915,676 | 563,667 |
| of which: | | | | | |
| 2.1 Textiles | 408,593 | 121,102 | 408,999 | 3,189 | 164,042 |
| 2.2 Glass & Glassware | 2,128,266 | - | 894,849 | 894,849 | - |
| 2.3 Infrastructure | 433,947 | 109,999 | 436,755 | 2,445 | - |
| 3. Services | 2,358,581 | 1,671,611 | 2,286,795 | 35,795 | - |
| of which: | | | | | |
| 3.1 Trade | 1,611,561 | 523,541 | 1,572,356 | 533 | - |
| 3.2 NBFC | 400,409 | - | 411,539 | 34,951 | - |
| 4. Retail | 2,043,330 | 2,901,463 | 968,310 | 437,720 | 391,353 |
| Total | 7,914,574 | 14,830,617 | 5,533,401 | 1,389,191 | 955,020 |

## 3 Credit risk *(Continued)*

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

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

*(Rs '000)*

| | **At 31 December 2015** | At 31 March 2015 |
|---|---|---|
| Write offs | **396,950** | 489,177 |
| Recoveries | **120,557** | 173,134 |

*(xiii) Ageing of past due loans*

*(Rs '000)*

| | **At 31 December 2015** | At 31 March 2015 |
|---|---|---|
| Overdue less than 30 days | **3,131,917** | 13,789,944 |
| Overdue for 30 to 60 days | **928,124** | 802,696 |
| Overdue for 60 to 90 days | **448,282** | 237,977 |
| Total | **4,508,323** | 14,830,617 |

*(xiv) Amount of NPAs and past due loans by significant geographic areas as at 31 December 2015*

*(Rs '000)*

| | **NPA** | **Past Due Loans** |
|---|---|---|
| Overseas | **-** | **-** |
| Domestic | **7,903,811** | **4,508,323** |
| Total | **7,903,811** | **4,508,323** |

*Amount of NPAs and past due loans by significant geographic areas as at 31 March 2015*

*(Rs '000)*

| | NPA | Past Due Loans |
|---|---|---|
| Overseas | - | - |
| Domestic | 7,914,574 | 14,830,617 |
| Total | 7,914,574 | 14,830,617 |

**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)*

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

| | | | | | | |
|---|---|---|---|---|---|---|
| **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% |

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

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 31 December 2015** | At 31 March 2015 |
|---|---|---|
| Below 100% risk weight | **721,323,757** | 908,602,963 |
| 100% risk weight | **400,965,314** | 495,005,835 |
| Above 100% risk weight | **42,429,441** | 29,861,758 |
| Deductions* | **(9,518,495)** | (7,873,029) |
| Total | **1,155,200,017** | 1,425,597,527 |
| *Deduction represents amounts deducted from Tier I Capital | | |

## 5. Leverage Ratio

(Rs '000)

| **Particulars** | **At 31 March 2015** | **At 30 June 2015** | **At 30 September 2015** | **At 31 December 2015** |
|---|---|---|---|---|
| Tier 1 Capital | 144,033,376 | 146,041,830 | 151,693,191 | 150,310,995 |
| Exposure Measure | 1,842,268,886 | 1,686,566,189 | 1,712,809,735 | 1,663,504,724 |
| **Leverage Ratio*** | **7.82%** | **8.66%** | **8.86%** | **9.04%** |

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