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 March 2016

1 Scope of Application

The capital adequacy framework applies to The Hongkong and Shanghai Banking Corporation Limited – India Branches ('the Bank') as per RBI Basel III guidelines. 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. 0.1 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 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 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 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 EXCO, Risk management Meeting and 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. 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 March 31, 2016, the Bank is required to maintain minimum capital requirement including capital buffers as mentioned below:

2 Capital Adequacy & Structure *(Continued)*

a. Capital Adequacy

Regulatory Minimum in % as per RBI guidelines	**As at March 2016**
Common Equity Tier I (CET1)(i)	**5.5%**
Capital Conservation Buffer (CCB) (ii) – (Refer note I)	0.625%
Counter-cyclical Buffer (CCCB) (iii) -(Refer note II)	NA
Domestically Systemically Important Bank (D-SIB) (iv) (Refer note III)	0.673%
Minimum Common Equity Tier I (i+ii+iii+iv)	**6.80%**
Minimum Tier I Capital	**8.30%**
Total Capital Adequacy Ratio	**10.30%**

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 05April2016,** 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.

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 is to be implemented from 31 March 2016 in phased-in manner, to become fully effective from 31 March 19.

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 31 March 2016	At 31 March 2015
Capital	**44,991,660**	44,991,660
Eligible Reserves	**123,423,391**	106,914,746
Less: Deductions from Tier I Capital	**(1,021,393)**	(7,873,029)
- Intangible Assets (Deferred Tax Asset - DTA)(Note 1)	-	(7,179,568)
- Investment in subsidiaries in India	**(111)**	(200)
- Debit Value Adjustments (DVA)	**(1,021,282)**	(638,862)
- Defined Benefit Pension Fund Asset	-	(54,399)
Tier I Capital	**167,393,657**	144,033,377
Of Which Common Equity Tier I Capital	**167,393,657**	144,033,377
Additional Tier I Capital	-	-
Total Tier I Capital	**167,393,657**	144,033,377

Note1: 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 4.17% of net CET1 capital. Further, property revaluation reserve which was included in Tier II Capital is now part of Tier I Capital

(ii) Tier 2 capital

(Rs '000)

	At 31 March 2016	At 31 March 2015
Property revaluation reserves (Note 2)	-	3,777,757
General Loss Provisions / Other Eligible Reserves	**7,438,746**	7,955,931
Total Tier II Capital (Note 3)	**7,438,746**	11,733,688

Note2: As per RBI guidelines as on 01 March 2016, property revaluation reserve has been moved to Tier I Capital.

Note 3: There is no debt capital instrument and subordinated debt outstanding as at 31 March 2016 included in Tier II Capital.

2 Capital Adequacy & Structure *(Continued)*

b. Capital Adequacy *(Continued)*

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

(Rs '000)

	At 31 March 2016	At 31 March 2015
I. Capital required for Credit Risk	**83,028,461**	72,291,036
- For portfolios subject to Standardised approach	83,028,461	72,291,036
II. Capital required for Market Risk (Standard Duration Approach)	**18,477,060**	13,623,568
- Interest rate risk	**16,305,104**	12,134,395
- Foreign exchange risk	**926,855**	720,000
- Equity risk	**140,638**	113,620
- Securitisation exposure	**1,104,463**	655,553
III. Capital required for Operational Risk (Basic Indicator Approach)	**11,084,606**	8,525,654
Total capital requirement (I + II + III)	**112,590,127**	94,440,259
Total capital funds of the Bank	**174,832,403**	155,767,065
Total risk weighted assets	**1,093,279,199**	1,049,336,210
Consolidated total capital ratio	**15.99%**	14.84%
Consolidated Common Equity Tier I Capital Ratio	**15.31%**	13.73%
Consolidated Tier I capital ratio	**15.31%**	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 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)*

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 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.
- For retail risk, the INM RBWM risk and Acquisition and Account Risk Management Team reviews and communicates the various internal risk policies. The RRPs (Risk reward program) defines the product parameters for RBWM.
- A robust framework for Risk Appetite Statements (RAS) and Risk Tolerance triggers for all material risks. The Risk Management committee reviews and regularly monitors the compliance with RAS. The Bank has stipulated Credit Risk Appetite and tolerance triggers for asset quality, impairments, risk weighted assets, risk adjusted returns and concentration risks.
- Designing of comprehensive credit risk policies for management of Exposure norms and Country Risk Plan. These policies 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.
- The Bank also has 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.
- 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.

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 Management 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 (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 Chief Risk Officer in India maintains a strong functional reporting line to the CRO in Hong Kong. The CRO of India further delegates lending authorities to WMR executives. 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 *(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 March 2016 Total**
Overseas	-	-	-
Domestic	**795,500,976**	**446,638,086**	**1,242,139,062**
Total	**795,500,976**	**446,638,086**	**1,242,139,062**

(Rs '000)

	Fund based Note 1	Non fund based Note 2	As at 31 March 2015 Total
Overseas	-	-	-
Domestic	720,615,642	536,968,025	1,257,583,667
Total	720,615,642	536,968,025	1,257,583,667

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 March 2016

(Rs '000)

Industry	Fund based	Non Fund based	Total
Mining and Quarrying	185,547	49,560	235,107
Food Processing	10,811,609	2,419,630	13,231,239
Beverages and Tobacco	11,974,377	2,221,228	14,195,605
Textiles	5,470,786	5,451,995	10,922,781
Leather and Leather products	32,001	32	32,033
Wood and Wood Products	225,406	565	225,971
Paper and Paper Products	3,668,791	293,317	3,962,108
Petroleum	123,908	7,720,136	7,844,044
Chemicals and Chemical Products	74,664,832	27,541,696	102,206,528
Rubber, Plastic and their Products	7,859,341	1,498,459	9,357,800
Glass & Glassware	2,681,077	256,475	2,937,552
Cement and Cement Products	1,134,793	1,624,935	2,759,728
Basic Metal and Metal Products	11,965,606	14,358,506	26,324,112
All Engineering	34,170,977	39,749,616	73,920,593
Vehicles and Transport Equipments	19,813,316	17,375,569	37,188,885
Gems and Jewellery	205,150	1,391	206,541
Construction	14,772,689	547,627	15,320,316
Infrastructure	74,197,448	57,024,517	131,221,965
NBFCs and trading	51,955,256	19,792,743	71,747,999
Banking and finance	152,005,200	94,604,954	246,610,154
Computer Software	1,894,350	40,567,424	42,461,774
Professional Services	30,629,887	59,630,782	90,260,669
Other Industries	173,903,510	42,528,221	216,431,731
Retail	111,155,119	11,378,708	122,533,827
Total	795,500,976	446,638,086	1,242,139,062

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	22,229,814	73,920,005
Banking and finance	157,861,757	126,154,010	284,015,767
Computer Software	1,894,105	40,218,315	42,112,420
Professional Services	24,074,267	80,410,346	104,484,613
Other Industries	157,396,484	38,516,088	195,912,572
Retail	99,871,167	10,379,164	110,250,331
Total	720,615,642	536,968,025	1,257,583,667

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 March 2016	At 31 March 2015
1 day	**208,146,711**	219,822,667
2 to 7 days	**174,547,354**	113,863,234
8 to 14 days	**84,779,999**	36,147,530
15 to 28 days	**134,754,893**	96,742,606
29 days & up to 3 months	**135,842,120**	125,451,873
Over 3 months and up to 6 months	**107,026,679**	160,705,077
Over 6 months and up to 1 year	**147,988,870**	143,911,839
Over 1 year and up to 3 years	**112,308,089**	145,415,554
Over 3 years and up to 5 years	**87,237,238**	102,714,760
Over 5 years	**216,944,594**	231,770,849
Total	**1,409,576,548**	1,376,545,989

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

(Rs'000)

	At 31 March 2016	At 31 March2015
Substandard	**1,869,059**	3,259,070
Doubtful 1	**2,375,865**	1,035,612
Doubtful 2	**1,885,410**	1,473,430
Doubtful 3	**1,232,100**	1,663,918
Loss	**995,426**	482,543
Total	**8,357,860**	7,914,574

(v) Net NPAs

The net NPAs are Rs.2,113 million (as at 31 March 2015- Rs. 2,381 million). Please see table (vii) below.

(vi) NPA ratios

	At 31 March 2016	At 31 March 2015
Gross NPAs to gross advances	**1.50%**	1.68%
Net NPAs to net advances	**0.38%**	0.51%

3 Credit risk *(Continued)*

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

(vii) Movement of NPAs

(Rs'000)

	At 31 March 2016		
	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	**3,383,758**	**1,448,979**	**1,934,779**
Reductions during the period	**(2,940,472)**	**(737,643)**	**(2,202,829)**
Closing balance as at 31 March 2016	**8,357,860**	**6,244,737**	**2,113,123**

(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 Mar 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 March 2016 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 March 2016	At 31 March 2015
Opening balance	**300**	662,401
Provisions during the year	**89**	-
Write offs during the year	**-**	-
Write back of excess provisions during the year	**-**	(662,101)
Closing balance	**389**	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 March 2016 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	**3,233,947**	**1,219,547**	**2,715,013**	**790,626**	**13,579**
of which:					
2.1 Glass & Glassware	**2,078,006**	-	**1,556,968**	**746,743**	-
2.2 Infrastructure	**433,947**	-	**436,755**	-	-
2.3 Textiles	**417,616**	**121,102**	**418,052**	**9,053**	-
3. Services	**2,352,361**	**175,498**	**2,359,922**	**132,692**	**158,553**
of which:					
3.1 Trade	**1,788,255**	**64,324**	**1,795,469**	**78,957**	-
3.2 Computer Software	**226,302**	-	**226,300**	**17,954**	-
3.2 NBFC	**219,738**	-	**218,494**	**7,634**	**158,553**
4. Retail	**2,771,553**	**2,184,000**	**1,169,802**	**525,661**	**452,119**
Total	**8,357,860**	**3,579,044**	**6,244,737**	**1,448,979**	**624,251**

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	1,403,823	2,278,296	915,676	563,667
of which:					
2.1 Glass & Glassware	2,128,266	121,102	894,849	894,849	-
2.2 Infrastructure	433,947	-	436,755	2,445	-
2.3 Textiles	408,593	110,000	408,999	3,189	164,042
3. Services	2,358,581	105,436	2,286,795	35,795	-
of which:					
3.1 Trade	1,611,561	70,150	1,572,356	533	-
3.2 Computer Software	213,475	-	213,475	-	-
3.3 NBFC	400,409	-	411,539	34,951	-
4. Retail	2,043,330	2,901,461	968,310	437,718	870,241
Total	7,914,574	4,410,720	5,533,401	1,389,189	1,433,908

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 March 2016	At 31 March 2015
Write offs	**475,507**	489,177
Recoveries	**172,762**	173,134

(xiii) Ageing of past due loans

(Rs '000)

	At 31 March 2016	At 31 March 2015
Overdue less than 30 days	**3,111,246**	3,370,047
Overdue for 30 to 60 days	**379,632**	802,696
Overdue for 60 to 90 days	**88,166**	237,977
Total	**3,579,044**	4,410,720

(xiv) Amount of NPAs and past due loans by significant geographic areas as at 31 March 2016

(Rs '000)

	NPA	**Past Due Loans**
Overseas	-	-
Domestic	**8,357,860**	**3,579,044**
Total	**8,357,860**	**3,579,044**

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	4,410,720
Total	7,914,574	4,410,720

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%

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.

It is the Bank's policy that all corporate and institutional facilities be reviewed (and hence revalued) at least on an annual basis. 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% for loans greater than 7.5 Mn. The valuation of property is initiated through a bank-empanelled 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 empanelled lawyer who in exchange collects the security documents from the borrower. 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 (but are not limited to) cash on deposits, equities listed in a main index and/or a recognised exchange, units or shares in collective investment schemes and various recognised 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. Therefore the credit and/or market concentration risks are not material.

The total exposure (including non-funded post Credit Conversion Factors) that is covered by eligible financial collateral, after the application of haircuts is Rs. 110,296 as at 31 March 2016 million (as at 31 March 15: Rs. 56,506 million).

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

(i) Exposure under various risk buckets (post Credit Risk Mitigants)

(Rs'000)

	At 31 March 2016	At 31 March 2015
Below 100% risk weight	**726,180,194**	786,488,675
100% risk weight	**404,365,425**	396,379,199
Above 100% risk weight	**51,476,734**	29,861,758
Deductions*	**(1,021,282)**	(7,873,029)
Total	**1,181,001,070**	1,204,856,603
*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 4.17% of net CET1 capital. Accordingly, there is no deduction as on 31 March 2016.

6. Securitisation disclosure for standardised approach

The Bank acts as originator, servicer and investor in securitisation transactions. The Bank's strategy is to use securitisations 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) for yield and priority sector lending opportunities. We have exposure to third-party securitisations 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 derecognised 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 amortised 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 derecognised 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

b) CRISIL Limited

c) India Ratings and Research Private Limited

d) ICRA Limited

e) Brickwork Ratings India Pvt Limited

f) SMERA Ratings Limited (SMERA)

(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 (31 March 2015: Nil).

(iii) Loss recognised on securitisation of assets

The Bank has not recognised any losses during the current year for any securitisation deal (31 March 2015: Nil).

(iv) Securitisation exposures retained or purchased

The Bank has made investments in Pass Through Certificates (PTCs) of Rs. 46,392 million as at 31 March 2016 (as at 31 March 2015 : Rs. 35,659 million). The portfolio consists of Commercial Vehicle Loans which are used for business purposes. These attract a risk weight of 20% since they are AAA rated instruments.

7 Market risk in trading book

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.

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

Strategy and Processes

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

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

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

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

Structure and Organisation of management of risk

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

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

7 Market risk in trading book *(Continued)*

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 measures are calculated to a 99% confidence level and use a one-day holding period, whereas stressed VaR uses a 10-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 the Head of Treasury and are endorsed by CRO and CEO before submission to Regional/Group Risk for approval. Upon approval of country limits, they are delegated by entity's CEO to Head of Treasury, who delegates it downward within his team. 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.

(i) Capital requirements for market risk

(Rs'000)

Standardised Duration Approach	At 31 March 2016	At 31 March 2015
Interest rate risk	**16,305,104**	12,134,395
Foreign exchange risk	**926,855**	720,000
Equity risk	**140,638**	113,620
Securitisation exposure	**1,104,463**	655,553
Capital requirements for market risk	**18,477,060**	13,623,568

8 Operational risk

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

Strategy and Process

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

Structure and Organisation

The RMM of the Bank, a sub-committee of EXCO, is responsible for the Operational Risk management of the Bank. The RMM meets monthly, or more frequently if required, to assess and monitor operational risks and, where appropriate, authorise mitigating actions. The RMM is supported by an independent Operational Risk Management team within the Risk function. Furthermore, senior representatives from each business and function are tasked with responsibility for ongoing operational risk management.

Three Lines of Defence (3LOD) Overview

The 3LOD outlines three essential columns of responsibilities, defined by activities performed. It is applicable to all individuals within the Bank. There should be a clear separation between the First, Second and Third Line of Defence responsibilities. The First Line has ultimate ownership for risk and controls, with an independent Second Line providing oversight, challenge and advice to the First Line of Defence (LOD). It should be noted that the 3LOD applies to all risk categories, not only operational risk categories. Functions can have both First and Second LOD responsibilities, although these must be segregated across teams. Individuals will therefore be aligned to a single LOD. At an appropriate level of seniority (normally executive level), a single individual may have responsibilities across the First and Second LOD.

First Line of Defence

The First Line of Defence is comprised of ‘Risk Owners’ and 'Control Owners’. Individuals can be both Risk Owners and Control Owners, depending on the activity they are undertaking. ‘Risk Owners’ own risk on behalf of the organisation. They are accountable for owning and managing the risks associated with their business activities, to ensure that they remain within the stated risk appetite. Risk Owners are responsible for ensuring day-to-day controls are in place to identify, assess, control and monitor their risks. Performance of the controls may remain with the Risk Owner, or may be outsourced to Global Functions, HOST or a Third party. The party that performs the control (i.e. the ‘Control Owner’) is accountable to the Risk Owner for the effectiveness and management of the controls. 'Control Owners' therefore have day-to-day responsibility for the process or activity that provides the control to mitigate the risks associated with our business activities. They own the control monitoring process to ensure the effectiveness of the controls relied upon by the Risk Owners to manage their risks.

8 Operational risk *(Continued)*

Extending and approving limits are examples of First Line activities performed by Risk and Control Owners.

Second Line of Defence

The Second Line of Defence consists of 'Risk Stewards' who are independent of the risk-taking activities in the First Line of Defence. 'Risk Stewards' and their teams sit within Global Risk and other Global Functions. Risk Stewards are specialists in a risk area, set policies and limits in accordance with the stated risk appetite, and provide advice, guidance and challenge relating to their risk area. They assess and opine on the overall risk management activities relating to their risk area carried out by the First Line. Local Heads of Functions or Risk sub-functions are the lead Risk Stewards for their area. Credit policy definition is an example of a Second Line activity. Operational Risk is responsible for embedding the Operational Risk Management Framework and assurance of adherence to associated policies and processes (e.g. Risk and Control Assessments) across First and Second Lines.

Third Line of Defence

The Third Line of Defence, Global Internal Audit, provides independent assurance to management and the non-executive Risk and Audit Committees that HSBC's risk management, governance and internal control processes are operating effectively.

Scope and Nature of Risk reporting, monitoring and mitigation

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

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

Assessments are undertaken of the operational risks facing businesses and the risks inherent in its processes, activities and products. Risk and Control Assessment is done on a regular basis.

A regular report on operational losses is made to the Bank's senior management through the RMM. A consolidated summary of the operational loss incidents affecting the key businesses is shared with the Bank's Business Risk and Control Management (BRCM) teams on a bi-monthly basis and significant loss events, gaps, mitigants etc are discussed.

9 Interest rate risk in the banking book (IRRBB)

Interest rate risk in non-trading portfolios arises principally from mismatches between the future yield on assets and their funding cost as a result of interest rate changes.

Asset, Liability & Capital Management (ALCM) is responsible for measuring and controlling non-trading interest rate risk 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 behavioural 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.

<u>Strategy and Process</u>

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

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

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

The different type of non-trading interest rate risk and controls which the Group uses to quantify and limit its exposure to these risks are categorised as follows:

- Risk transferred to BSM and managed by BSM within a defined risk mandate
- Risk which remains outside BSM because it cannot be hedged or which arises due to behaviouralised transfer pricing assumptions.
- Basis risk which is transferred to BSM when it can be hedged.
- Model risks not captured by above

Structure and Organisation

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

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

The report computes the net exposure / net gap of rate sensitive assets and liabilities in defined time buckets. Rate sensitive assets, liabilities and off balance sheet positions are grouped into time buckets according to residual maturity or next re-pricing period, whichever is earlier. The Gap refers to the difference between rate sensitive assets (RSA) and rate sensitive liabilities (RSL) for each time bucket. A positive gap indicates that it has more RSA whereas negative gap indicates that it has more RSLs.

Traditional Gap Analysis (TGA) AS AT 31 Mar 16 Net Gap	**1-28 days**	**29 days and up to 3 months**	**Over 3 months and up to 6 months**	**Over 6 months and up to 1 year**	**Over 1 year and up to 3 years**	**Over 3 years and up to 5 years**	**Over 5 years and up to 7 years**	**Over 7 years and up to 10 years**	**Over 10 year and up to 15 years**	**Over 15 years**
Net Gap	**0.02%**	**0.01%**	**0.00%**	**0.00%**	**0.00%**	**0.01%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Limit	**0.75%**	**0.75%**	**0.75%**	**0.75%**	**0.75%**	**0.75%**	**0.75%**	**0.75%**	**0.75%**	**0.75%**
Cumulative Gap	**0.02%**	**0.01%**	**0.00%**	**0.01%**	**0.01%**	**0.00%**	**0.01%**	**0.01%**	**0.01%**	**0.01%**
Limit	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**

Traditional Gap Analysis (TGA) AS AT 31 Mar 15 Net Gap	1-28 days	29 days and up to 3 months	Over 3 months and up to 6 months	Over 6 months and up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Over 5 years and up to 7 years	Over 7 years and up to 10 years	Over 10 year and up to 15 years	Over 15 years
Net Gap	0.16%	0.02%	0.25%	0.37%	0.03%	0.10%	0.04%	0.01%	0.00%	0.00%
Limit	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Cumulative Gap	0.16%	0.14%	0.40%	0.03%	0.06%	0.04%	0.08%	0.09%	0.09%	0.09%
Limit	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

Duration Approach

The report computes change in value of a banking entity's equity due to change in interest rates. The change in value of equity is computed based on Modified duration Gap which is the difference between modified duration of rate sensitive assets and liabilities. Under this, Banks are permitted to use book value of rate sensitive assets and liabilities instead of market value to compute change in value of Equity. The Modified Duration (MD) of Rate sensitive assets and liabilities are computed taking into account its tenor, coupon and yield. The weighted average MD of assets and liabilities is computed to arrive at Modified Duration Gap, based on the MD of each item.

Duration Gap Analysis (DGA) as at 31 Mar 2016	
Modified Duration Gap	0.12
% change in MVE	
200 bps change in interest rates	-10.5%
Limit	-20%

Duration Gap Analysis (DGA) as at 31 Mar 2015	
Modified Duration Gap	0.07
% change in MVE	
200 bps change in interest rates	-10.20%
Limit	-20%

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.

10 Counterparty Credit Risk *(Continued)*

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

Wrong-way Risk exposures

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

Central Counterparties

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

Impact of Credit Rating Downgrade

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

Quantitative Disclosures

(Rs '000)

Particulars	**At 31 March 2016**	At 31 March 2015
Gross positive fair value of contracts	**83,598,179**	104,281,552
Netting benefits	**18,902,819**	17,887,158
Netted current credit exposure	**64,695,360**	86,394,394
Collateral held	**-**	-
Net derivatives credit exposure	**64,695,360**	86,394,394
Potential Future Exposure (PFE)	**127,131,052**	176,600,348
Measures for exposure at default, or exposure amount, under CEM.	**191,826,412**	262,994,742
Notional value of credit derivative hedges	**-**	-
Distribution of current credit exposure by types of credit exposure		
Current credit exposure - Interest Rates	**56,085,046**	71,776,593
Current credit exposure – Forex	**135,741,366**	191,218,149

Note: The above credit exposure excludes deals less than equal to 14 days.

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 RBI guidelines, the bank is required to maintain a minimum leverage ratio of 4.5%. The bank's leverage ratio is calculated as per RBI guidelines as follows:

Leverage Common disclosure: (Rs in Million)

		At 31March 2016	At 31 March 2015
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**1,326,843**	1,208,272
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**(1,021)**	(7,873)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**1,325,822**	1,200,399
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**64,896**	86,780
5	Add-on amounts for PFE associated with all derivatives transactions	**129,772**	190,165
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)**	**194,668**	276,944
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**17,838**	81,262
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)**	**17,838**	81,262
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**1,053,929**	1,054,600
18	Adjustments for conversion to credit equivalent amounts	**(719,874)**	(689,674)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**334,055**	364,926
	Capital and total exposures		
20	**Tier 1 capital**	**167,394**	144,033
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1,872,383**	1,923,531
	Leverage ratio		
22	**Basel III leverage ratio (per cent)**	**8.94%**	7.49%

Note: The final minimum leverage ratio for Banks in India will be stipulated by RBI after considering the final rules prescribed by the Basel Committee post parallel run by the end of 2017.

11. Leverage Ratio (Continued)

Comparison of accounting assets vs leverage ratio exposure measure:

(Rs in Million)

Sr No	Item	At 31March 2016	At 31 March 2015
1	Total consolidated assets as per published financial statements	**1,409,577**	1,376,313
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	**129,772**	190,165
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-balancehseet exposures)	**334,055**	364,926
7	Other adjustments	**(1,021)**	(7,873)
	Total Exposure (point 21 in Table I)	**1,872,383**	1,923,531

12 Composition of Capital

(Rs in Million)

	Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)	**Basel-III Amounts**	**Amounts subject to pre-Basel III treatment**	**Reference with DF-12**
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	44,992	-	A
2	Retained earnings (incl.Statutory Reserves, Capital Reserves and Remittable Surplus retained for Capital to Risk-weighted Assets Ratio (CRAR))	119,854	-	B1+B2+B3+B4+B5
3	Accumulated other comprehensive income (and other reserves)	3,569	-	C*45%
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	-	
	Public sector capital injections grandfathered until 1 January 2018			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in Group CET1)	-	-	
6	Common Equity Tier 1 capital before regulatory adjustments	168,415	-	
	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)			
10	Deferred tax assets	-	-	
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	1,021	-	
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	1,021	-	
29	Common Equity Tier 1 capital (CET1)	167,394	-	
	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)	167,394	-	
	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)	7,439	-	D1 +D2

Basel III – Pillar 3 disclosures of India Branches *(Continued)*
For the period ended 31 March 2016

51	Tier 2 capital before regulatory adjustments	7,439	-	
	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)	7,439	-	
58a	Tier 2 capital reckoned for capital adequacy	7,439	-	
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital		-	

58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	7,439	-	
59	Total capital (TC = T1 + T2) (45 + 58c)	174,833	-	
	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)	1,093,279	-	
60a	of which: total credit risk weighted assets	806,228	-	
60b	of which: total market risk weighted assets	179,417	-	
60c	of which: total operational risk weighted assets	107,634	-	
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.31%	-	
62	Tier 1 (as a percentage of risk weighted assets)	15.31%	-	
63	Total capital (as a percentage of risk weighted assets)	15.99%	-	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	6.80%	-	
65	of which: capital conservation buffer requirement	0.625%	-	
66	of which: bank specific countercyclical buffer requirement	-	-	
67	of which: G-SIB buffer requirement	0.673%	-	

68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	15.31%	-	
	National minima (if different from Basel III)	-	-	
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	-	
71	National total capital minimum ratio (if different from Basel III minimum)	-	-	
	Amounts below the thresholds for deduction (before risk weighting)	-	-	
72	Non-significant investments in the capital of other financial entities	-	-	
73	Significant investments in the common stock of financial entities	-	-	
74	Mortgage servicing rights (net of related tax liability)	-	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	
	Applicable caps on the inclusion of provisions in Tier 2	-	-	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-	-	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-	-	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	
	Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)	-	-	

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

13 Composition of Capital – Reconciliation

(Rs Million)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No. DF-11
		As on reporting date	As on reporting date	
A	**Capital & Liabilities**			
I	Paid-up Capital	44,992	44,992	A
	Reserves & Surplus	143,549	143,549	
	a. Statutory Reserve	42,076	42,076	B1
	b. Capital Reserve - Surplus on sale of Immovable assets	3,738	3,738	B2
	c. Capital Reserves	13,261	13,261	B3
	d. Remittable surplus retained in India for CRAR purposes	59,361	59,361	B4
	e. Revaluation Reserve	7,931	7,931	C
	f. Investment Reserve	2,704	2,704	D1
	g. Specific Reserve	1,418	1,418	B5
	h. Balance in Profit & Loss Account	13,060	13,060	
	Minority Interest	-	-	
	Total Capital	188,541	188,541	
ii	Deposits	879,439	879,439	
	of which: Deposits from banks	49,130	49,130	
	of which: Customer deposits	830,309	830,309	
	of which: Other deposits (pl. specify)	-	-	
iii	Borrowings in India	114,027	114,027	

	of which: From RBI	102,390	102,390	
	of which: From banks	0	0	
	of which: From other institutions & agencies	11,637	11,637	
	Borrowings outside India	81,196	81,196	
	of which: Others (pl. specify)	-	-	
	of which: Capital instruments	-	-	
iv	Other liabilities & provisions	146,374	146,374	
	of which: Provisions towards Standard Assets	4,735	4,735	D2
	Total Capital and Liabilities	**1,409,577**	**1,409,577**	
B	**Assets**		-	
i	Cash and balances with Reserve Bank of India	35,037	35,037	
ii	Balance with banks and money at call and short notice	148,575	148,575	
iii	Investments:	534,255	534,255	
	of which: Government securities	424,002	424,002	
	of which: Other approved securities	-	-	
	of which: Shares	136	136	
	of which: Debentures & Bonds	51,329	51,329	
	of which: Subsidiaries / Joint Ventures / Associates	0	0	
	of which: Others (Commercial Papers, Mutual Funds etc.)	58,788	58,788	
iv	Loans and advances	549,702	549,702	
	of which: Loans and advances to banks	1,956	1,956	
	of which: Loans and advances to customers	547,746	547,746	
v	Fixed assets	11,227	11,227	
vi	Other assets	130,781	130,781	

	of which: Goodwill and intangible assets	-	-	
	of which: Deferred tax assets	6,696	6,696	
vii	Goodwill on consolidation	-	-	
viii	Debit balance in Profit & Loss account	-	-	
	Total Assets	**1,409,577**	**1,409,577**	

14 Regulatory capital Instruments

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

15 Disclosure Requirements for Remuneration

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

16. Equities - Disclosure for Banking Book Positions

Investment in equity shares as at 31 March 2016 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 private 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 2016 is Rs.136 million.

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

3. The cumulative realised gain on sale of shares is Rs.928 million as at 31 March 2016.

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 2016 is Rs.607 million. The difference between break-up value and current cost of equity investment is Rs.471 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.141 million.