The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

Basel III – Pillar 3 disclosures of India Branches

For the period ended 30 June 2018

1 Background and Scope of Application

a. Background

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

b. Scope of Application

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

(i) Accounting and prudential treatment/ consolidation framework

a. Subsidiaries not included in the consolidation

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

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

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

(Rs '000)

Name of Entity /Country of Incorporation	**Principle activity of the entity**	**Total balance sheet equity***	**Total balance sheet assets***
HSBC InvestDirect Financial Services (India) Limited (HIFSL)(Note1)	Non-banking Finance company	1,462,847	4,385,224

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

Note 1. HIFSL is registered with the Reserve Bank of India ('RBI') as a Non-Banking Financial Company ('NBFC').

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

1 Background and Scope of Application *(Continued)*

b. Scope of Application *(Continued)*

(ii) Bank's total interest in insurance entities

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

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

(Rs '000)

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

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

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

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

2 Capital Adequacy & Structure

a. Capital Adequacy

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

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

As per the transitional arrangement, at 30 Jun 2018, the Bank is required to maintain minimum capital requirement including capital buffers as per the table below:

Regulatory Minimum in % as per RBI guidelines	**As at 30 June 2018**
Common Equity Tier I (CET1)(i)	**5.50%**
Capital Conservation Buffer (CCB) (ii) – (Refer note I)	1.88%
Counter-cyclical Buffer (CCCB) (iii) -(Refer note II)	-
Domestically Systemically Important Bank (D-SIB) (iv) (Refer note III)	1.46%
Minimum Common Equity Tier I (i+ii+iii+iv)	**8.84%**
Minimum Tier I Capital	**10.34%**
Total Minimum Capital Adequacy Ratio	**12.34%**

2 Capital Adequacy & Structure *(Continued)*

a. Capital Adequacy *(Continued)*

Notes:

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

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, 2018-19 issued on 5 April 2018, 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. There are no further updates till date from RBI.

III. The Reserve Bank of India (RBI) released the framework on D-SIB requirements for banks operating in India in July 2014. Banks may become systemically important due to their size, cross-jurisdictional activity, complexity, interconnectedness and lack of substitutability. As per the RBI guidelines, a foreign bank having branch presence in India (such as the Bank) which is classified as Globally Systemically Important Bank (G-SIB) by Financial Stability Board (FSB), has to maintain additional CET1 capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India. This requirement has been implemented from 31 March 2016 in phased-in manner, to become fully effective from 31 March 2019. Accordingly 1.46% had been added to minimum requirement towards D-SIB.

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

2 Capital Adequacy & Structure *(Continued)*

b. Capital Structure

(i) Composition of Tier 1 capital for the bank

(Rs '000)

	As at 30 Jun 2018	As at 31 Mar 2018
Capital	**44,991,660**	44,991,660
Eligible Reserves (Note 1)	**142,832,461**	142,832,462
Less: Deductions from Tier I Capital	**(119,028)**	(91,007)
- Charge for Credit enhancement on Securitisation deal		
- Intangible Assets Deferred Tax Asset ('DTA') (Note 2)	**-**	-
- Investment in subsidiaries in India	**(35)**	(35)
- Debit Value Adjustments (DVA)	**(118,993)**	(90,972)
- Defined Benefit Pension Fund Asset	**-**	-
Tier I Capital	**187,705,093**	187,733,115
Of Which Common Equity Tier I Capital	**187,705,093**	187,733,115
Additional Tier I Capital	**-**	**-**
Total Tier I Capital	**187,705,093**	**187,733,115**

Notes:

1 As per RBI guidelines as on 1 March 2016, DTA which was deducted from CET1 capital, can be recognised in the CET1 with a limit of 10% of net CET1 (after deducting DTA). Accordingly DTA of Rs.5,026,169 ('000) (previous year ended Mar 18: Rs. 5,026,169 ('000s)) is not deducted.

(ii) Tier 2 capital for the bank

(Rs. '000)

Note 1: There is no debt capital instrument and subordinated debt outstanding as at 30 June 2018 (previous year ended Mar 18 : Nil) included in Tier II Capital.

	As at 30 Jun 2018	As at 31 Mar 2018
General Loss Provisions	**5,017,756**	4,738,207
Other Eligible Reserves	**2,251,944**	2,251,944
Total Tier II Capital (Note 1)	**7,269,700**	6,990,151

2 Capital Adequacy & Structure *(Continued)*

b. Capital Structure *(Continued)*

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

(Rs '000)

	As at 30 Jun 2018	As at 31 Mar 2018
I. Capital required for Credit Risk	**99,911681**	85,713,970
- For portfolios subject to Standardised approach	99,911681	85,713,970
II. Capital required for Market Risk (Standard Duration Approach)	**19,550,321**	16,964,723
- Interest rate risk	**15,982,056**	14,050,319
- Foreign exchange risk	**1,110,600**	1,029,873
- Equity risk	**335,622**	247,991
- Securitisation exposure	**2,122,043**	1,636,540
III. Capital required for Operational Risk (Basic Indicator Approach)	**15,440,368**	12,529,353
Total capital requirement (I + II + III)	**134,902,370**	115,208,046
Total capital funds of the Bank	**194,974,793**	188,894,055
Total risk weighted assets	**1,093,212,073**	1,006,795,865
Total capital ratio	**17.84%**	18.76%
Common Equity Tier I Capital Ratio	**17.17%**	18.04%
Tier I capital ratio	**17.17%**	18.04%

(iv) Capital adequacy ratio for consolidated entity(the Bank and HIFSL)

	As at 30 Jun 2018	As at 31 Mar 2018
Consolidated Total Capital Ratio	**18.08%**	18.77%
Consolidated Tier I Capital Ratio	**17.41%**	18.11%

3 Credit risk

a. General

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

The principal objectives of our credit risk management function are:

- to maintain a strong culture of responsible lending, and a robust credit risk policy and control framework;

- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and

- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

Strategy and Processes

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

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

- The Board of The Hongkong and Shanghai Banking Corporation Limited in Hongkong SAR (HBAP) has established the India Executive Committee (EXCO) to assist the Board in the running of the Bank. The EXCO is authorized to exercise all the powers, authorities and discretions of the HBAP on the management and day to day running of the Bank, in accordance with the policies and directions set by the Board from time to time. EXCO approves all the policies including credit policies. A Risk Management Meeting (RMM) consisting of senior executives, reviews overall portfolio risks and key risks faced by the bank in India on a monthly basis.

- A Wholesale Credit and Market Risk Management (WMR) unit independent of business with a matrix of delegated approval authorities, undertaking independent reviews and objective assessment of the credit risk for all customers. All large value proposals will be tabled and approved by the Credit Committee (CC). The WMR function has the responsibility of setting and managing strategy, policy, appetite, expectations and standards for wholesale credit and market risk.

3 Credit risk *(Continued)*

a. General *(Continued)*

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

- The RBWM Risk function is responsible for monitoring the quality of the Retail Banking and Wealth Management (RBWM) lending portfolio. For retail lending, INM has developed credit application scorecards, which make use of statistical models & historical data to scientifically assess the borrowers. This may also be supplemented with judgmental lending as appropriate. Policy rules are built into the system to enable online checks. The Bank also deploys other tools like external verifications, negative customer database search & most importantly credit bureau checks through the Credit Information Bureau (India) Limited (CIBIL). The judgmental aspect also tries to identify the financial strength, ability and intentions of borrowers for repayment.
- Starting 1 Jan 2017, First Line Of Defence (FLOD) activities of Underwriting and Collections team have been merged into a new unit called Credit Control Services (CCS) which at an entity level reports into the RBWM Chief Operating Office and functionally into the Regional CCS structure. FLOD underwriting decisions cases within the approved policy parameters whereas exceptions / deviation proposals are approved by the RBWM Risk Second Line of Defense (SLOD) underwriting team.
- 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.
- Sustainability risk policies to ensure sustainable financing in accordance with the group guidelines.
- Stress Testing Policy & Framework for rigorous risk specific and Enterprise-wide stress testing and reporting.
- Managing exposures to debt securities by establishing controls in respect of the liquidity of securities held for trading and setting issuer limits for financial investments. Separate portfolio limits are established for asset-backed securities and similar instruments.
- Controlling of cross-border exposures to manage country and cross-border risk through the imposition of country limits with sub-limits by maturity and type of business.

3 Credit risk *(Continued)*

a. General *(Continued)*

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

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

Structure and Organisation

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

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

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

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

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

3 Credit risk *(Continued)*

a. General *(Continued)*

Non-performing advances

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

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

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

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

b. Quantitative disclosures for portfolios under the standardised approach

(i) Total gross credit risk exposures by geography

(Rs '000)

	Fund based Note 1	Non fund based Note 2	As at 30 Jun 2018 Total
Overseas	-	-	-
Domestic	**727,885,629**	**457,601,894**	**1,185,487,523**
Total	**727,885,629**	**457,601,894**	**1,185,487,523**

(Rs '000)

	Fund based Note 1	Non fund based Note 2	As at 31 March 2018 Total
Overseas	-	-	-
Domestic	**804,597,753**	**445,507,260**	**1,250,105,013**
Total	**804,597,753**	**445,507,260**	**1,250,105,013**

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

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

3 Credit risk *(Continued)*

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

(ii) Industry type distribution of exposures as at 30 June 2018

(Rs '000)

Industry	Funded	Non Funded	Total
Mining and Quarrying	-	29,794	29,794
Food Processing	7,318,724	2,879,731	10,198,455
Beverages (excluding Tea & Coffee) and Tobacco	5,004,297	2,380,284	7,384,581
Textiles	7,494,915	2,389,609	9,884,524
Leather and Leather products	4,668	32	4,700
Wood and Wood Products	800,000	25,565	825,565
Paper and Paper Products	7,186,525	681,884	7,868,409
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	15,370	2,827,483	2,842,853
Chemicals and Chemical Products (Dyes, Paints, etc.)	50,174,424	37,178,306	87,352,730
Rubber, Plastic and their Products	7,782,992	3,700,581	11,483,573
Glass & Glassware	1,041,699	891,908	1,933,607
Cement and Cement Products	900,908	872,949	1,773,857
Basic Metal and Metal Products	13,115,715	6,085,236	19,200,951
All Engineering	50,335,473	48,493,639	98,829,112
Vehicles, Vehicle Parts and Transport Equipments	19,487,319	16,014,402	35,501,721
Gems and Jewellery	142	4,569	4,711
Construction	57,670	876,654	934,324
Infrastructure	22,776,300	47,581,499	70,357,799
NBFCs and trading	111,604,607	12,803,787	131,084,129
Banking and finance	81,420,843	109,055,936	190,476,779
Computer Software	1,420,209	12,105,676	13,525,885
Professional Services	16,816,576	86,627,725	103,444,301
Commercial Real Estate	79,970,100	1,583,003	81,553,103
Other Industries	163,587,753	49,488,472	274,199,608
Retail	79,568,400	13,023,173	24,792,456
Total	**727,885,629**	**457,601,894**	**1,185,487,523**

3 Credit risk *(Continued)*

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

Industry type distribution of exposures as at 31 March 2018

(Rs '000)

Industry	Funded	Non Funded	Total
Mining and Quarrying	-	29,794	29,794
Food Processing	11,201,450	1,726,106	12,927,556
Beverages (excluding Tea & Coffee) and Tobacco	6,758,661	2,468,667	9,227,328
Textiles	6,400,216	2,341,659	8,741,875
Leather and Leather products	23,577	32	23,609
Wood and Wood Products	925,000	13,065	938,065
Paper and Paper Products	6,579,068	3,307,685	9,886,753
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	28,070	2,270,517	2,298,587
Chemicals and Chemical Products (Dyes, Paints, etc.)	54,283,797	34,722,247	89,006,044
Rubber, Plastic and their Products	8,775,513	3,248,206	12,023,719
Glass & Glassware	288,806	791,028	1,079,834
Cement and Cement Products	1,409,744	845,168	2,254,912
Basic Metal and Metal Products	12,222,305	4,724,778	16,947,083
All Engineering	47,458,187	52,262,867	99,721,054
Vehicles, Vehicle Parts and Transport Equipments	20,382,224	15,029,002	35,411,226
Gems and Jewellery	42,145	2,656	44,801
Construction	883,452	1,019,976	1,903,428
Infrastructure	26,364,965	58,313,307	84,678,272
NBFCs and trading	87,182,367	19,031,136	106,213,503
Banking and finance	173,283,686	82,982,937	256,266,623
Computer Software	956,490	10,016,378	10,972,868
Professional Services	17,347,536	84,764,454	102,111,990
Commercial Real Estate	81,102,217	1,108,527	82,210,744
Other Industries	161,401,002	51,887,096	280,994,367
Retail	79,297,275	12,599,972	24,190,978
Total	**804,597,753**	**445,507,260**	**1,250,105,013**

(iii) Residual contractual maturity breakdown of total assets

(Rs'000)

	As at 30 Jun 2018	As at 31 Mar 2018
1 day	**330,420,652**	189,809,898
2 to 7 days	**74,500,524**	130,902,398
8 to 14 days	**46,090,231**	84,069,239
15 to 28 days	**134,004,724**	151,878,927
29 days & up to 3 months	**124,297,569**	127,039,209
Over 3 months and up to 6 months	**73,215,442**	87,888,779
Over 6 months and up to 1 year	**109,890,271**	94,665,263
Over 1 year and up to 3 years	**169,241,208**	167,368,038
Over 3 years and up to 5 years	**153,415,216**	133,530,064
Over 5 years	**208,100,100**	277,096,065
Total	**1,423,175,937**	1,444,247,881

3 Credit risk *(Continued)*

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

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

(Rs‘000)

	At 30 Jun 2018	At 31 Mar 2018
Substandard	**1,513,453**	1,472,645
Doubtful 1	**510,336**	3,414,135
Doubtful 2	**3,662,406**	1,072,635
Doubtful 3	**2,717,086**	2,343,406
Loss	**957,625**	939,842
Total	**9,360,906**	9,242,663

(v) Net NPAs

The net NPAs are Rs. 1,377 million (previous year ended March 2018, Rs. 1,440 million). Please see table (vii) below.

(vi) NPA ratios

	At 30 Jun 2018	At 31 Mar 2018
Gross NPAs to gross advances	**1.71%**	1.77%
Net NPAs to net advances	**0.25%**	0.28%

(vii) Movement of NPAs

(Rs‘000)

			At 30 Jun 2018
	Gross NPA's	**Provision**	**Net NPA**
Opening balance as at 1 April 2018	**9,242,663**	**7,802,562**	**1,440,101**
Additions during the period	**847,420**	**275,259**	**572,161**
Reductions during the period	**(729,177)**	**(93,847)**	**(635,330)**
Closing balance as at 30 Jun 18	**9,360,906**	**7,983,974**	**1,376,932**

(Rs‘000)

			As at 31 March 2018
	Gross NPA's	**Provision**	**Net NPA**
Opening balance as at 1 April 2017	**8,969,751**	**6,929,968**	**2,039,783**
Additions during the period	**3,385,256**	**1,408,264**	**1,976,992**
Reductions during the period	**(3,112,344)**	**(535,670)**	**(2,576,674)**
Closing balance as at 31 March 18	**9,242,663**	**7,802,562**	**1,440,101**

3 Credit risk *(Continued)*

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

(viii) General Provisions

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

(ix) Non-performing investments

Non-performing investments as at 30 Jun 2018 are Rs. 2 (previous year 31 March 2018 Rs. 2).This represents 2 preference share investments which have each been written down to Rs.1.

(x) Movement of provisions for depreciation on investments

(Rs‘000)

	As at 30 Jun 2018	As at 31 Mar 2018
Opening balance	**1,062,084**	359,977
Provisions during the year	**454,340**	702,107
Write offs during the year	-	-
Write back of excess provisions during the year	-	-
Closing balance	**1,516,424**	1,062,084

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

As at 30 June 2018 (Rs ‘000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.Agriculture	-	120,848	-	-	-
1.1 Direct Agriculture	-		-	-	-
1.2 Indirect Agriculture	-	**120,848**	-	-	-
2. Advances to Industries sector	**4,050,091**	**4,492,431**	**4,139,141**	-	**0**
of which:					
2.1 Chemicals and Chemical Products	144,486	283,017	144,487	-	-
2.2 All Engineering	104,916	3,187,269	104,916	-	-
2.3 Infrastructure	362,225	-	436,755	-	-
3. Services	**2,496,659**	**1,611,670**	**2,445,811**	**46,294**	-
of which:					
3.1 Trade	2,029,140	9,667	1,968,351	-	-
3.2 Commercial Real Estate	53,978	-	54,148	-	-
3.3 NBFC	120,254	-	120,254	-	-
4. Retail	**2,814,156**	**1,991,853**	**1,399,023**	**228,965**	**163,167**
Total	**9,360,906**	**8,216,802**	**7,983,975**	**275,259**	**163,167**

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

For the period ended 30 June 2018

3 Credit risk *(Continued)*

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

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

As at 31 March 2018 (Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.Agriculture	-	13,101	-	-	-
1.1 Direct Agriculture	-		-	-	-
1.2 Indirect Agriculture	-	**13,101**	-	-	-
2. Advances to Industries sector	**4,040,683**	**4,428,382**	**4,048,697**	**736,156**	**0**
of which:					
2.1 Chemicals and Chemical Products	141,606	3,340,109		-	-
2.2 All Engineering	104,916	408,211	104,916	-	-
2.3 Infrastructure	433,683	31,087	436,755	-	-
3. Services	**2,364,369**	**155,969**	**2,319,104**	**141,315**	**982**
of which:					
3.1 Trade	1,898,170	-	1,852,898	134,436	-
3.2 Commercial Real Estate	53,978	-	54,148	-	-
3.3 NBFC	120,254	-	-	-	-
4. Retail	**2,837,611**	**2,241,323**	**1,434,761**	**530,794**	**658,634**
Total	**9,242,663**	**6,838,775**	**7,802,562**	**1,408,264**	**659,616**

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

(Rs.'000)

	At 30 Jun 2018	At 31 March 2018
Write offs	**181,663**	578,034
Recoveries	**91,531**	262,249
	273,194	840,283

(xiii) Ageing of past due loans

(Rs.'000)

	At 30 Jun 2018	At 31 March 2018
Overdue less than 30 days	**6,192,826**	6,063,566
Overdue for 30 to 60 days	**1,709,586**	581,539
Overdue for 60 to 90 days	**314,390**	193,670
	8,216,802	6,838,775

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

As at 30 June 2018 (Rs '000)

	NPA	**Past Due Loan**
Overseas	-	-
Domestic	**9,360,906**	**8,216,802**
Total	**9,360,906**	**8,216,802**

3 Credit risk *(Continued)*

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

As at 31 March 2018 (Rs '000)

	NPA	Past Due Loan
Overseas	-	-
Domestic	9,242,663	6,838,775
Total	9,242,663	6,838,775

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)

g) Informerics

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

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

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%

In August 2016, RBI issued guidelines for revising the risk weights for unrated exposures to Corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system > INR 200 crore to 150% from 100% w.e.f 30 June 2017. These guidelines are kept on hold by RBI till March 19 quarter. Further, for exposures to Corporates, AFCs and NBFC-IFCs having aggregate exposure to banking system > INR 100 crores which are currently rated but becomes unrated subsequently, the risk weights need to be increased to 150% with immediate effect.

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

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

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

a) Fitch Ratings;

b) Moodys; and

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

The process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in line with RBI Guidelines. The mapping of external credit ratings and risk weights for the above entities are provided in the grids below:

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

Risk weight mapping of foreign banks

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

Risk weight mapping of foreign sovereigns / foreign central banks

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

Risk weight mapping of foreign public sector entities

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

Risk weight mapping of non-resident corporates

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

Exposure under various risk buckets (post Credit Risk Mitigants)

(Rs'000)

	As at 30 Jun 2018	As at 31 March 2018
Below 100% risk weight	**620,317,838**	725,281,767
100% risk weight	**396,367,254**	366,444,739
Above 100% risk weight	**124,232,564**	115,656,286
Deductions*	**(119,028)**	(91,007)
Total	**1,140,798,628**	1,207,291,786

*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 2.75% of net CET1 capital. Accordingly, there is no deduction as on 30 June 18.

5. Leverage Ratio

(Rs '000)

Particulars	**As at September 2017**	**At 31 December 2017**	**At 31 March 2018**	**At 30 June 2018**
Tier 1 Capital	181,857,747	181,781,385	187,733,115	187,705,093
Exposure Measure	1,776,272,416	1,721,615,694	1,951,177,974	1,888,258,521
Leverage Ratio*	**10.24%**	**10.56%**	**9.62%**	**9.94%**

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

Note: The consolidated leverage ratio is 10.12% as on 30 June 2018.