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 September 2015

1 Scope of Application

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

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

The aggregate amount of capital held by the Bank in HSBC Agency (India) Private Limited of Rs. 0.2 million is not included in the consolidation and is deducted from capital.

(ii) Bank's total interest in insurance entities

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

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

(Rs '000)

Name of Entity /Country of Incorporation	**Principle activity of the entity**	**Total balance sheet equity***	**Total balance sheet assets***
HSBC Asset Management (India) Private Limited	Asset management/portfolio management	615,909	964,768
HSBC Electronic Data Processing India Private Limited	Back office / data processing / call centre activities	3,554,678	24,659,528
HSBC Global Shared Services (India) Private Limited	Non-operating company	25,000	47,287
HSBC InvestDirect (India) Limited	Holding company for HSBC InvestDirect Group	712,713	4,908,045
HSBC InvestDirect Employees' Welfare Trust	Non-operating company	15	18,548
HSBC InvestDirect Financial Services (India) Limited	Non-banking Finance company	1,462,847	4,289,412
HSBC InvestDirect Sales & Marketing (India) Limited	Non-operating company	1000	36,796
HSBC InvestDirect Securities (India) Private Limited.	Retail securities broking and related activities (Discontinued)	Equity - 875,112 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 Structure

(i) Composition of Tier 1 capital

(Rs '000)

	At 30 September 2015	At 31 March 2015
Capital	**44,991,660**	44,991,660
Eligible Reserves	**114,837,830**	106,914,746
Less: Deductions from Tier I Capital	**(8,136,299)**	(7,873,029)
- Intangible Assets (Deferred Tax Asset)	**(7,179,568)**	(7,179,568)
- Investment in subsidiaries in India	**(200)**	(200)
- Debit Value Adjustments (DVA)	**(952,598)**	(638,862)
- Defined Benefit Pension Fund Asset	**(3,934)**	(54,399)
Tier I Capital	**151,693,191**	144,033,377
Of Which Common Equity Tier I Capital	**151,693,191**	144,033,377
Additional Tier I Capital	**-**	-
Total Tier I Capital	**151,693,191**	144,033,377

2 Capital Adequacy & Structure *(Continued)*

a. Capital Structure *(continued)*

(ii) Tier 2 capital

(Rs '000)

	At 30 September 2015	At 31 March 2015
Property revaluation reserves	**3,443,086**	3,777,757
General Loss Provisions / Other Eligible Reserves	**7,611,986**	7,955,931
Total Tier II Capital	**11,055,072**	11,733,688

(iii) Debt capital instruments in Tier 2 capital

No debt capital instruments are included in Tier 2 capital.

(iv) Subordinated debt in Tier 2 capital

There is no amount outstanding in respect of subordinated debt as at 30 September 2015.

(v) Other deductions from capital

There are no other deductions from capital.

(vi) Total eligible capital

The total eligible capital is Rs.162,748 million.

b. Capital Adequacy

The Bank's capital management framework is shaped by its structure, business model and strategic direction. There is a continuing need to focus on effective management of risk and commensurate capital to bear that risk. The Bank carefully assesses its growth opportunities relative to the capital available to support them, particularly in light of the economic environment and tightening of regulations around capital requirements.

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

RBI issued guidelines on Countercyclical Buffer (CCCB) framework for banks in India in February 2015. The CCCB may vary from 0 to 2.5% of total RWA and the decision would normally be pre-announced with a lead time of 4 quarters. The activation of CCCB will depend upon Credit to GDP gap (difference between Credit to GDP ratio and the long-term trend value of such ratio of any point in time) along with supplementary indicators such as Credit-Deposit ratio for a moving period of three years, industry outlook assessment index and interest coverage ratio. As stated by RBI in February 2015, the current economic situation does not warrant CCCB activation. Further, Capital Conservation Buffer (CCB) is scheduled to be implemented from 31 March 2016 in phased-in manner.

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

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

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

2 Capital Adequacy & Structure *(Continued)*

b. Capital Adequacy *(Continued)*

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

(Rs '000)

	At 30 September 2015	At 31 March 2015
I. Capital required for Credit Risk	**70,059,313**	72,291,036
- For portfolios subject to Standardised approach	**70,059,313**	72,291,036
II. Capital required for Market Risk (Standard Duration Approach)	**13,511,366**	13,623,568
- Interest rate risk	**12,053,204**	12,134,395
- Foreign exchange risk	**720,000**	720,000
- Equity risk	**113,620**	113,620
- Securitisation exposure	**624,542**	655,553
III. Capital required for Operational Risk (Basic Indicator Approach)	**8,610,891**	8,525,654
Total capital requirement (I + II + III)	**92,181,570**	94,440,259
Total capital funds of the Bank	**162,748,263**	155,767,065
Total risk weighted assets	**1,054,965,019**	1,049,336,210
Consolidated total capital ratio	**15.43%**	14.84%
Consolidated Common Equity Tier I Capital Ratio	**14.38%**	13.73%
Consolidated Tier I capital ratio	**14.38%**	13.73%

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

3 Credit risk

a. General

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

The principal objectives of our credit risk management function are:

- to maintain a strong culture of responsible lending, and a robust credit risk policy and control framework;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

Strategy and Processes

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

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

- The Board of The Hongkong and Shanghai Banking Corporation Limited in Hongkong SAR (HBAP) has established the India Executive Committee (EXCO) to assist the Board in the running of the Bank. The EXCO is authorized to exercise all the powers, authorities and discretions of the HBAP on the management and day to day running of the Bank, in accordance with the policies and directions set by the Board from time to time. EXCO approves all the policies including credit policies. A Risk Management Committee (RMC) consisting of senior executives, which reviews overall portfolio risks and key risks facing the Bank in India on a monthly basis.
- A separate Risk Management unit independent of business with a matrix of delegated approval authorities for the approval of credit risks.
- A robust framework for Risk Appetite Statements (RAS) and Risk Tolerance triggers for all material risks. The Risk Management committee reviews and regularly monitors the compliance with RAS. The Bank has stipulated Credit Risk Appetite and tolerance triggers for asset quality, impairments, risk weighted assets, risk adjusted returns and concentration risks.

3 Credit risk *(Continued)*

a. General *(Continued)*

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

- Comprehensive Exposure norms policies and Country Risk Plan. This policy delineates the Bank's appetite and maximum permissible exposures to individual customers, customer groups, sectors and other forms of credit risk concentrations. This policy also ensures compliance with the exposure ceilings and lending guidelines relating to specific market sectors and industries.
- Independent review and objective assessment of the credit risk for all customers.
- The Bank also has sustainability risk policies to ensure sustainable financing in accordance with the group guidelines.
- Framework and policies for rigorous risk specific and Enterprise-wide stress testing practices and reporting.
- Manage exposures to debt securities by establishing controls in respect of the liquidity of securities held for trading and setting issuer limits for financial investments. Separate portfolio limits are established for asset-backed securities and similar instruments.
- Control cross-border exposures to manage country and cross-border risk through the imposition of country limits with sub-limits by maturity and type of business.
- Maintain and develop HSBC's risk rating framework and systems in order to classify exposures meaningfully and facilitate focused management of the risks involved. Rating methodologies are based upon a wide range of financial analytics together with market data-based tools, which are core inputs to the assessment of customer risk. For larger facilities, while full use is made of automated risk rating processes, the ultimate responsibility for setting risk ratings rests with the final approving executive. Risk grades are reviewed frequently and amendments, where necessary, are implemented promptly.

Structure and Organisation

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

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

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

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

The Bank performs regular reporting on its credit risk portfolio, to include information on large credit exposures, concentrations, industry exposures, levels of impairment provisioning and country exposures to various governance forums.

3 Credit risk *(Continued)*

a. General *(Continued)*

Non-performing advances *(Continued)*

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

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

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

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

b. Quantitative disclosures for portfolios under the standardised approach

(i) Total gross credit risk exposures by geography

(Rs '000)

	Fund based Note 1	**Non fund based** Note 2	**At 30 September 2015 Total**
Overseas	-	-	-
Domestic	**719,116,840**	**482,273,875**	**1,201,390,715**
Total	**719,116,840**	**482,273,875**	**1,201,390,715**

(Rs '000)

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

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

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

3 Credit risk *(Continued)*

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

(ii) Industry type distribution of exposures as at 30 September 2015

(Rs '000)

Industry	Fund based	Non Fund based	Total
Mining and Quarrying	262,386	52,103	314,489
Food Processing	5,317,101	2,118,755	7,435,856
Beverages and Tobacco	11,685,165	2,359,167	14,044,332
Textiles	4,305,653	5,856,494	10,162,147
Leather and Leather products	57,303	3,113	60,416
Wood and Wood Products	226,813	565	227,378
Paper and Paper Products	4,423,036	317,770	4,740,806
Petroleum	72,736	7,662,346	7,735,082
Chemicals and Chemical Products	52,306,635	43,964,757	96,271,392
Rubber, Plastic and their Products	7,146,921	1,852,477	8,999,398
Glass & Glassware	3,330,678	244,814	3,575,492
Cement and Cement Products	4,163,861	2,679,527	6,843,388
Basic Metal and Metal Products	14,161,050	13,310,773	27,471,823
All Engineering	29,174,695	34,588,676	63,763,371
Vehicles and Transport Equipments	13,543,691	20,659,313	34,203,004
Gems and Jewellery	294,486	2,969	297,455
Construction	20,711,224	1,297,808	22,009,032
Infrastructure	63,106,520	57,545,780	120,652,300
NBFCs and trading	51,385,419	19,662,673	71,048,092
Banking and finance	126,221,765	90,256,898	216,478,663
Computer Software	1,961,530	39,976,927	41,938,457
Other Industries	199,058,947	126,900,437	325,959,384
Retail	106,199,225	10,959,733	117,158,958
Total	719,116,840	482,273,875	1,201,390,715

3 Credit risk *(Continued)*

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

Industry type distribution of exposures as at 31 March 2015

(Rs '000)

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

3 Credit risk *(Continued)*

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

(iii) Residual contractual maturity breakdown of total assets

(Rs'000)

	At 30 September 2015	At 31 March 2015
1 day	**298,698,978**	218,673,800
2 to 7 days	**34,506,490**	113,863,234
8 to 14 days	**31,122,251**	36,147,530
15 to 28 days	**44,313,880**	96,742,606
29 days & up to 3 months	**74,454,826**	125,451,873
Over 3 months and up to 6 months	**64,752,582**	160,705,077
Over 6 months and up to 1 year	**83,927,640**	143,911,839
Over 1 year and up to 3 years	**179,706,081**	145,415,554
Over 3 years and up to 5 years	**189,507,326**	102,714,760
Over 5 years	**230,922,145**	232,687,114
Total	**1,231,912,199**	1,376,313,387

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

(Rs'000)

	At 30 September 2015	At 31 March2015
Substandard	**3,572,029**	3,265,828
Doubtful 1	**861,315**	1,035,612
Doubtful 2	**1,550,136**	1,473,430
Doubtful 3	**1,763,969**	1,778,257
Loss	**375,947**	361,447
Total	**8,123,396**	7,914,574

(v) Net NPAs

The net NPAs are Rs.2,453 million (as at 31 March 2015- Rs. 2,381 million). Please see table (vii) below.

(vi) NPA ratios

	At 30 September 2015	At 31 March 2015
Gross NPAs to gross advances	**1.60%**	1.68%
Net NPAs to net advances	**0.49%**	0.51%

3 Credit risk *(Continued)*

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

(vii) Movement of NPAs

(Rs'000)

	At 30 September 2015		
	Gross NPA's	**Provision**	**Net NPA**
Opening balance as at 1 April 2015	**7,914,574**	**5,533,401**	**2,381,173**
Additions during the period	**1,818,499**	**720,017**	**1,098,482**
Reductions during the period	**(1,609,677)**	**(583,200)**	**(1,026,477)**
Closing balance as at 30 September 2015	**8,123,396**	**5,670,218**	**2,453,178**

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

(x) Movement of provisions for depreciation on investments

(Rs'000)

	At 30 September 2015	At 31 March 2015
Opening balance	**300**	662,401
Provisions during the year	**-**	-
Write offs during the year	**-**	-
Write back of excess provisions during the year	**-**	(662,101)
Closing balance	**300**	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 30 September 2015 and Specific Provision and Write off during the quarter

(Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the quarter	Write off during the quarter
1.Agriculture	-	-	-	-	-
1.1 Direct Agriculture	-	-	-	-	-
1.2 Indirect Agriculture	-	-	-	-	-
2. Advances to Industries sector	**3,389,516**	**1,337,846**	**2,309,238**	**199,847**	**13,579**
of which:					
2.1 Textiles	**416,022**	**43,467**	**416,457**	**4,639**	-
2.2 Glass & Glassware	**2,078,006**	**4,505**	**1,003,712**	**159,897**	-
2.3 Infrastructure	**433,947**	**2,393**	**436,755**	-	-
3. Services	**2,370,463**	**511,597**	**2,374,633**	**83,124**	-
of which:					
3.1 Trade	**1,624,554**	**41,964**	**1,630,893**	**36,828**	-
3.2 NBFC	**400,409**	-	**396,187**	**5,548**	-
4. Retail	**2,36,417**	**2,338,742**	**986,347**	**437,046**	-
Total	**8,123,396**	**4,188,145**	**5,670,218**	**720,071**	**13,579**

3 Credit risk *(Continued)*

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

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

(Rs '000)

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

3 Credit risk *(Continued)*

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

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

(Rs '000)

	At 30 September 2015	At 31 March 2015
Write offs	**264,105**	489,177
Recoveries	**79,201**	173,134

(xiii) Ageing of past due loans

(Rs '000)

	At 30 September 2015	At 31 March 2015
Overdue less than 30 days	**3,364,474**	13,789,944
Overdue for 30 to 60 days	**555,348**	802,696
Overdue for 60 to 90 days	**268,323**	237,977
Total	**4,188,145**	14,830,617

(xiv) Amount of NPAs and past due loans by significant geographic areas as at 30 September 2015

(Rs '000)

	NPA	**Past Due Loans**
Overseas	-	-
Domestic	**8,123,396**	**4,188,145**
Total	**8,123,396**	**4,188,145**

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

(Rs '000)

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

4. Disclosures for portfolios under the standardised approach

The Bank uses the following External Credit Assessment Institutions (ECAIs) approved by RBI to calculate its capital adequacy requirements under the standardised approach to credit risk for Corporate, Bank and Sovereign counterparties.

Domestic ECAIs for external ratings of Indian Corporates:

a) Credit Analysis and Research Limited (CARE)

b) CRISIL Limited

c) India Ratings and Research Private Limited (FITCH)

d) ICRA Limited

e) Brickwork Ratings India Pvt Limited

f) SMERA Ratings Limited (SMERA)

The Bank used the ratings issued by the ECAIs (for both long term and short term facilities) to risk weight both funded as well as non-funded exposures to corporate customers.

The process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in line with RBI Master circular on Basel-III Capital Regulations dated 01 July 2015.

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

Risk weight mapping of Long term and short term corporate ratings

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

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

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

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

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

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

a) Fitch Ratings;

b) Moodys; and

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

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

Risk weight mapping of foreign banks

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

Risk weight mapping of foreign sovereigns

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

Risk weight mapping of foreign public sector entities

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

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

Risk weight mapping of non resident corporates

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

5. Policy for Collateral Valuation and Management

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.

For retail 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% of the mortgaged property for loans upto INR 7.5 Mn and at 75% for loans greater than INR 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. 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 attached to the credit file and sent to central archives where the same is stored 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

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. 74,279 as at 30 September 2015 million (as at 31 March 15: Rs. 56,506 million).

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

(Rs'000)

	At 30 September 2015	At 31 March 2015
Below 100% risk weight	**763,764,808**	908,602,963
100% risk weight	**397,825,943**	495,005,835
Above 100% risk weight	**84,840,509**	29,861,758
Deductions*	**(8,136,299)**	(7,873,029)
Total	**1,238,294,961**	1,425,597,527
*Deduction represents amounts deducted from Tier I Capital		

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. 34,696 million as at 30 September 2015 (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

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.

Market risk is the risk that movements in market factors, including foreign exchange rates, interest rates, credit spreads and equity prices will reduce our income or the value of our portfolios Market risk arises on financial instruments, which are measured at fair value in the trading book.

Strategy and Processes

The Bank separates exposure to market risk into trading and non-trading portfolios. Trading portfolios include those positions arising from market-making, customer demand driven inventory and other marked-to-market positions so designated.

Non-trading portfolios (included in the banking book) include 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.

The level of market risk limits set for each operation depends upon: the size, 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.

Structure and Organisation of management of risk

The management of market risk exposure in derivatives is principally undertaken by the Markets division, where the majority of value at risk (VaR) of the Bank and almost all trading VaR resides, using approved risk limits. Limits are set for portfolios, products and risk types, with market liquidity being a primary factor in determining the level of limits set. Global Risk, an independent unit within HSBC, is responsible for the bank's market risk management policies and measurement techniques.

The Bank has an independent market risk management and control function which is responsible for measuring market risk exposures in accordance with the policies defined by Global Risk, 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.

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 30 September 2015**	At 31 March 2015
Interest rate risk	**12,053,204**	12,134,395
Foreign exchange risk	**720,000**	720,000
Equity risk	**113,620**	113,620
Securitisation exposure	**624,542**	655,553
Capital requirements for market risk	**13,511,366**	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 RMC of the Bank, a sub-committee of EXCO, is responsible for the Operational Risk management of the Bank. The RMC meets monthly, or more frequently if required, to assess and monitor operational risks and, where appropriate, authorise mitigating actions. The RMC 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.

The Bank has a 'Three lines of defence' model in place which provides a format within which to structure and demonstrate roles, responsibilities and accountabilities for decision making, risk and control to achieve effective governance, risk management and assurance. The first line of defence ensures all key risks within their operations are identified, mitigated and monitored by appropriate internal controls within an overall control environment. Every employee is responsible for the risks that are a part of their day to day jobs. The second line of defence consists of the Global Functions which includes Global Risk, Finance and HR who are also responsible for providing assurance, challenge and oversight of the activities conducted by the first line. The third line of defence covers the role of Internal Audit, who provides independent assurance over the effective management of risks.

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.

8 Operational risk *(Continued)*

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 RMC. 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 Bank monitors the sensitivity of projected net interest income under varying interest rate scenarios. The Bank effectively identifies, measures, monitors and controls the interest rate risk in the banking book, to mitigate the impact of prospective interest rate movements which could reduce future net interest income, whilst balancing the cost of such hedging activities on the current net revenue stream.

The Bank manages the interest rate risk arising from commercial banking activities in order to maximise the return commensurate with its capital base, without exposing the Bank to undue risk arising from movements in market interest rates. This involves the use of money market and derivative instruments available in the interbank market, in order to achieve the economic perspective set by Management on future market rates and market liquidity.

(i) Impact on Economic Value of Equity(EVE) due to upward shocks

(Rs'000)

IRRBB: Sensitivity to upwards 100 bps movement in interest rates by currency	**At 30 September 2015**	At 31 March 2015
INR	**(4,316,051)**	(8,428,240)
USD	**18,454**	14,309
Other FCY	**5,213**	19,184
Total	**(4,292,384)**	(8,394,748)

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

(ii) Impact on EVE due to downward shocks

(Rs '000)

IRRBB: Sensitivity to downwards 100 bps movement in interest rates by currency	**At 30 September 2015**	At 31 March 2015
INR	**1,794,784**	2,989,709
USD	**926**	(5,336)
Other FCY	**(763)**	(7,117)
Total	**(1,794,947)**	2,977,256

The above does not include investments and derivatives in the banking book as these are classified as held for trading for capital calculations.

(iii) Impact on Earnings (NII)

Parallel Movement in Yield curve

(Rs '000)

+100 Bps	**Commercial Banking**	**ALCO Pool**	**Treasury**	**Sub-total**	**Intersegment Elimination**	**At 30 September 2015**
INR	**1,388,179**	**750,118**	**(1,781,265)**	**357,032**	**542,448**	**899,480**
USD	**226,962**	**-**	**956,165**	**1,183,128**	**(1,175,029)**	**8,099**
Other FCY	**64,610**	**-**	**9,640**	**74,249**	**(10,703)**	**63,546**
Total	**1,679,751**	**750,118**	**(815,461)**	**1,614,409**	**(643,284)**	**971,125**

(Rs '000)

+100 Bps	Commercial Banking	ALCO Pool	Treasury	Sub-total	Intersegment Elimination	At 31 March 2015
INR	1,508,223	725,034	(1,528,973)	704,284	1,426,138	2,130,421
USD	47,301	-	847,821	895,122	(493,239)	401,883
Other FCY	66,495	-	14,179	80,674	(58)	80,616
Total	1,622,018	725,034	(666,973)	1,680,079	932,841	2,612,920

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

(Rs '000)

-100 Bps	**Commercial Banking**	**ALCO Pool**	**Treasury**	**Sub-total**	**Intersegment Elimination**	**At 30 September 2015**
INR	**(1,088,443)**	**(751,407)**	**1,783,965**	**(55,885)**	**(542,447)**	**(598,332)**
USD	**(292,863)**	-	**(402,506)**	**(695,369)**	**484,924**	**(210,445)**
Other FCY	**(95,881)**	-	**(7,578)**	**(103,458)**	**34,310**	**(69,148)**
Total	**(1,477,187)**	**(751,407)**	**1,373,881**	**(854,712)**	**(23,213)**	**(877,925)**

(Rs '000)

-100 Bps	Commercial Banking	ALCO Pool	Treasury	Sub-total	Intersegment Elimination	At 31 March 2015
INR	(1,094,709)	(715,015)	1,502,308	(307,416)	(1,426,138)	(1,733,553)
USD	(244,138)	-	(352,773)	(596,911)	187,937	(408,974)
Other FCY	(103,057)	-	(7,686)	(110,743)	54	(110,689)
Total	(1,441,904)	(715,015)	1,141,848	(1,015,070)	(1,238,147)	(2,253,217)

*Ramp Movements in Yield Curve**

(Rs '000)

+100 Bps	**Commercial Banking**	**ALCO Pool**	**Treasury**	**Sub-total**	**Intersegment Elimination**	**At 31 September 2015**
INR	**778,261**	**433,217**	**(1,124,522)**	**86,956**	**349,966**	**436,922**
USD	**190,357**	-	**599,180**	**789,537**	**(775,945)**	**13,592**
Other FCY	**43,907**	-	**4,640**	**48,547**	**(5,325)**	**43,222**
Total	**1,012,525**	**433,217**	**(520,701)**	**925,040**	**(431,304)**	**493,736**

(Rs '000)

+100 Bps	Commercial Banking	ALCO Pool	Treasury	Sub-total	Intersegment Elimination	At 31 March 2015
INR	880,442	410,055	(1,007,605)	282,892	942,931	1,225,823
USD	108,381	-	489,147	597,528	(328,374)	269,154
Other FCY	43,443	-	7,339	50,782	(38)	50,744
Total	1,032,266	410,055	(511,119)	931,202	614,519	1,545,721

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

(Rs '000)

-100 Bps	**Commercial Banking**	**ALCO Pool**	**Treasury**	**Sub-total**	**Intersegment Elimination**	**At 30 September 2015**
INR	**(624,120)**	**(434,505)**	**1,127,221**	**(68,596)**	**(349,966)**	**(281,370)**
USD	**(169,753)**	-	**(378,283)**	**(548,036)**	**479,558**	**(68,478)**
Other FCY	**(65,689)**	-	**(8,029)**	**(73,718)**	**30,967**	**(42,751)**
Total	**(859,563)**	**(434,505)**	**740,910**	**(553,158)**	**(160,559)**	**(392,599)**

(Rs '000)

-100 Bps	Commercial Banking	ALCO Pool	Treasury	Sub-total	Intersegment Elimination	At 31 March 2015
INR	(637,844)	(400,036)	980,939	(56,941)	(942,931)	(999,872)
USD	(106,184)	-	(305,177)	(411,361)	187,937	(223,424)
Other FCY	(69,198)	-	(8,270)	(77,468)	38	(77,430)
Total	(813,226)	(400,036)	667,492	(545,770)	(754,956)	(1,300,726)

* rates are assumed to rise/fall in parallel by 25bps on the first day of each quarter.

The earnings risk analysis is based on the management's internal method to assess risk on earnings to interest rate movements over the next year and factors in certain assumptions on business growth over the next twelve months.

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 30 September 2015**	At 31 March 2015
Gross positive fair value of contracts	**87,211,461**	104,281,552
Netting benefits	**8,296,930**	17,887,158
Netted current credit exposure	**78,914,531**	86,394,394
Collateral held	**-**	-
Net derivatives credit exposure	**78,914,531**	86,394,394
Potential Future Exposure (PFE)	**152,584,276**	176,600,348
Measures for exposure at default, or exposure amount, under CEM.	**239,795,737**	280,881,900
Notional value of credit derivative hedges	**-**	-
Distribution of current credit exposure by types of credit exposure		
Current credit exposure - Interest Rates	**77,477,567**	71,776,593
Current credit exposure – Forex	**154,021,240**	191,218,149

11. Leverage Ratio

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 30 September 2015	At 31 March 2015
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**1,101,327**	1,208,272
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**(8,136)**	(7,873)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**1,093,190**	1,200,399
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**79,223**	86,780
5	Add-on amounts for PFE associated with all derivatives transactions	**155,762**	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)**	**234,985**	276,944
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**51,363**	81,262
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**(7,083)**	(81,262)
14	CCR exposure for SFT assets	**-**	-
15	Agent transaction exposures	**-**	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**44,280**	-
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**1,073,982**	1,054,600
18	Adjustments for conversion to credit equivalent amounts	**(733,628)**	(689,674)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**340,355**	364,926
	Capital and total exposures		
20	**Tier 1 capital**	**151,693**	144,033
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1,712,810**	1,842,269
	Leverage ratio		
22	**Basel III leverage ratio (per cent)**	**8.86%**	7.82%

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

For the period ended 30 September 2015

Comparison of accounting assets vs leverage ratio exposure measure:

(Rs in Million)

Sr No	Item	At 30 September 2015	At 31 March 2015
1	Total consolidated assets as per published financial statements	**1,231,912**	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	**155,762**	190,165
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	**(7,083)**	(81,262)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balancehseet exposures)	**340,355**	364,926
7	Other adjustments	**(8,136)**	(7,873)
	Total Exposure (point 21 in Table I)	**1,712,810**	**1,842,269**

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))	114,837	-	B1+B2+B3+B4+B5
3	Accumulated other comprehensive income (and other reserves)	-	-	
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	159,829	-	
	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	7,180	-	C
11	Cash-flow hedge reserve	-	-	

Basel III – Pillar 3 disclosures of India Branches *(Continued)*
For the period ended 30 September 2015

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	952	-	
15	Defined-benefit pension fund net assets	4	-	
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	8,136	-	
29	Common Equity Tier 1 capital (CET1)	151,693	-	
	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)	151,693	-	
	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)	11,055	-	D1*45% +D2+D3

51	Tier 2 capital before regulatory adjustments	11,055	-	
	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)	11,055	-	
58a	Tier 2 capital reckoned for capital adequacy	11,055	-	
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	-	-	

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

For the period ended 30 September 2015

58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	11,055	-	
59	Total capital (TC = T1 + T2) (45 + 58c)	162,748	-	
	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)	1,054,965	-	
60a	of which: total credit risk weighted assets	778,437	-	
60b	of which: total market risk weighted assets	168,892	-	
60c	of which: total operational risk weighted assets	107,636	-	
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.38%	-	
62	Tier 1 (as a percentage of risk weighted assets)		-	
63	Total capital (as a percentage of risk weighted assets)	15.43%	-	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	-	-	
65	of which: capital conservation buffer requirement	-	-	
66	of which: bank specific countercyclical buffer requirement	-	-	
67	of which: G-SIB buffer requirement	-	-	

Basel III – Pillar 3 disclosures of India Branches *(Continued)*
For the period ended 30 September 2015

68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted	-	-	
	assets)			
	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)	-	-	

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

For the period ended 30 September 2015

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)	-	-	

Basel III – Pillar 3 disclosures of India Branches *(Continued)*
For the period ended 30 September 2015

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	134,596	134,596	
	a. Statutory Reserve	37,241	37,241	B1
	b. Capital Reserve - Surplus on sale of Immovable assets	3,737	3,738	B2
	c. Capital Reserves	13,262	13,262	B3
	d. Remittable surplus retained in India for CRAR purposes	59,361	59,361	B4
	e. Revaluation Reserve	7,651	7,651	D1
	f. Investment Reserve	2,704	2,704	D2
	g. Specific Reserve	1,236	1,236	B5
	h. Balance in Profit & Loss Account	9,404	9,403	
	Minority Interest	-	-	
	Total Capital	179,588	179,587	
ii	Deposits	823,430	823,430	
	of which: Deposits from banks	45,249	45,249	
	of which: Customer deposits	778,182	778,182	
	of which: Other deposits (pl. specify)	-	-	
iii	Borrowings in India	15,221	15,221	
	of which: From RBI	-	-	
	of which: From banks	8,139	8,139	
	of which: From other institutions & agencies	7,082	7,082	
	Borrowings outside India	65,604	65,604	
	of which: Others (pl. specify)	-	-	
	of which: Capital instruments	-	-	
iv	Other liabilities & provisions	148,070	148,070	
	of which: Provisions towards Standard Assets	4,908	4,908	D3

	Total Capital and Liabilities	**1,231,913**	**1,231,913**	
B	**Assets**		-	
i	Cash and balances with Reserve Bank of India	33,752	33,752	
ii	Balance with banks and money at call and short notice	126,222	126,222	
iii	Investments:	428,729	428,729	
	of which: Government securities	363,084	363,084	
	of which: Other approved securities	65,509	65,509	
	of which: Shares	136	136	
	of which: Debentures & Bonds	5,248	5,248	
	of which: Subsidiaries / Joint Ventures / Associates	-	-	
	of which: Others (Commercial Papers, Mutual Funds etc.)	60,261	60,261	
iv	Loans and advances	502,563	502,563	
	of which: Loans and advances to banks	-	-	
	of which: Loans and advances to customers	502,563	502,563	
v	Fixed assets	11,117	11,117	
vi	Other assets	129,530	129,530	
	of which: Goodwill and intangible assets	-	-	
	of which: Deferred tax assets	7,180	7,180	C
vii	Goodwill on consolidation	-	-	
viii	Debit balance in Profit & Loss account	-	-	
	Total Assets	**1,231,913**	**1,231,913**	

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 30 September 2015 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 30 September 2015 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 30 September 2015.

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 30 September 2015 is Rs.474 million. The difference between break-up value and current cost of equity investment is Rs.338 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.114 million.