The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in HongKong SAR with limited liability)

Basel III – Pillar 3 disclosures of India Branches

For the quarter ended 31 Dec 2019

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 Capital Regulations vide RBI Circular DBR. No. BP. BC. 1/21.06.201/2015-16 dated July 1, 2015 as amended from time to time. 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'. 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	7,733,707

* As stated in the audited balance sheet of the legal entity as at 31 March 2019

Note 1. HIFSL is 'Systemically important non-deposit taking non-banking financial company' ('NBFC-ND-SI') governed by Reserve Bank of India ('RBI').

1. Background and Scope of Application *(Continued)*

b. Scope of Application *(Continued)*

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.

(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	1,679,466
HSBC Electronic Data Processing India Private Limited	Back office / data processing / call centre activities	3,554,678	20,631,061
HSBC Global Shared Services (India) Private Limited	Non-operating company	25,000	50,074
HSBC InvestDirect (India) Limited	Holding company for HSBC InvestDirect Group	712,713	5,118,978
HSBC InvestDirect Employees Welfare Trust	Non-operating company	15	18,586
HSBC InvestDirect Sales & Marketing (India) Limited	Non-operating company	1,000	38,058
HSBC InvestDirect Securities (India) Private Limited	Retail securities broking and related activities	Equity - 875,112 0.001% Compulsory Convertible Preference shares - 870,000	151,066
HSBC Professional Services (India) Private Limited	Providing internal audit services to Group companies	4,838	295,345
HSBC Securities and Capital Markets (India) Private Limited	Stock broking and corporate finance & advisory	Equity - 4,701,139 Preference -250,000	6801819
HSBC Software Development (India) Private Limited	Software design, development and maintenance	327,264	25,006,000
Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited	Life insurance	9,500,000	150,902,863

* As stated in the accounting balance sheet of the legal entity as at 31 March 2019

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 ('RMM') 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 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 31 Dec 2019, 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 31 Dec 2019**
(i) Common Equity Tier I (CET1)	**5.50%**
(ii) Capital Conservation Buffer (CCB) - (Refer note I)	1.88%
(iii) Counter-cyclical Buffer (CCCB) - (Refer note II)	-
(iv) Global Systemically Important Bank (G-SIB) - (Refer note III)	1.82%
Minimum Common Equity Tier I (i+ii+iii+iv)	**9.19%**
Minimum Tier I Capital	**10.69%**
Total Minimum Capital Adequacy Ratio	**12.69%**

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. However as per Master circular RBI/2018-19/106 DBR.BP.BC.No.20/21.06.201/2018-19 dated January 10, 2019, the last tranche of 0.625% of Capital Conservation Buffer (CCB) has been deferred from March 31, 2019 to March 31, 2020. Current CCB stands at 1.88%

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, 2019-20 issued on 4th April 2019, 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 for FY 2019-20.

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. Accordingly, 1.82% had been added to minimum requirement towards G-SIB as of Dec 19.

The Bank continues to monitor developments and believes 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)

	Standalone		Consolidated (Note 1)	
	As at 31 Dec 2019	As at 31 Mar 2019	**As at 31 Dec 2019**	As at 31 Mar 2019
Capital	**44,991,660**	44,991,660	**46,454,507**	46,454,507
Eligible Reserves	**154,610,083**	156,037,756	**157,617,470**	158,843,975
- Capital reserves (excl. revaluation reserve)	**90,855,494**	90,855,495	**90,855,494**	90,855,494
- Statutory Reserves	**60,250,370**	60,250,370	**60,250,370**	60,250,370
- Specific Reserves	**2,576,669**	2,576,669	**2,576,669**	2,576,669
- Free Reserves	**0**	0	**3,007,387**	2,806,220
- Revaluation Reserves at a discount of 55 per cent	**927,550**	2,355,222	**927,550**	2,355,222
Less: Deductions from Tier I Capital	**-162,198**	-138,215	**-174,774**	-151,075
- Charge for Credit enhancement on Securitisation deal	**0**	-	**-**	-
- Intangible Assets Deferred Tax Asset ('DTA') (Note 2)	**0**	**0**	**-12,576**	-12860
- Investment in subsidiaries in India	**-35**	-35	**-35**	-35.0
- Debit Value Adjustments (DVA)	**-162,163**	-138,180	**-162,163**	-138,180
- Defined Benefit Pension Fund Asset	**0**	-	**-**	-
Common Equity Tier I Capital	**199,439,545**	200,891,201	**203,897,203**	205,147,407
Additional Tier I Capital	**0**	-	**-**	-
Total Tier I Capital	**199,439,545**	200,891,201	**203,897,203**	205,147,407

Note 1: HIFSL is considered for consolidation purpose.

Note 2: 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. 3,890,559 ('000) (previous year ended Mar 19: Rs. 3,890,559 ('000)) is not deducted.

(ii) Tier 2 capital for the bank

(Rs. '000)

	Standalone		**Consolidated (Note 1)**	
	As at 31 Dec 19	**As at 31 Mar 2019**	**As at 31 Dec 19**	**As at 31 Mar 2019**
General Loss Provisions	**5,422,765**	**4,775,169**	**5,452,141**	**4,804,155**
Other Eligible Reserves	**2,495,557**	**2,495,557**	**2,495,557**	**2,495,557**
Revaluation Reserves at a discount of 55 per cent (CET -1)	**1,435,996**	**0**	**1,435,996**	**0**
Investment Fluctuation Reserves	**4,800,000**	**4800000**	**4,800,000**	**4,800,000**
Total Tier II Capital	**14,154,318**	**12,070,726**	**14,183,694**	**12,099,712**

Note 1: HIFSL is considered for consolidation purpose.

Basel III – Pillar 3 disclosures of India Branches *(Continued)*
For the quarter ended 31 Dec 2019

2. Capital Adequacy & Structure *(Continued)*

b. Capital Structure *(Continued)*

Note 3: There is no debt capital instrument and subordinated debt outstanding as at 31 Dec 2019 (previous year ended Mar 19: Nil) included in Tier II Capital.

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

- *Standalone and Consolidated*

(Rs '000)

	Standalone		**Consolidated (Note 1)***	
	As at 31 Dec 2019	**As at 31 Mar 2019**	**As at 31 Dec 2019**	**As at 31 Mar 2019**
I. Capital required for Credit Risk	**123,160,025**	**110,797,552**	**124,271,772**	**112,093,628**
- For portfolios subject to Standardised approach	123,160,025	110,797,552	124,271,772	**112,093,628**
II. Capital required for Market Risk	**26,992,359**	**25,976,177**	**26,992,359**	**25,976,177**
(Standard Duration Approach)				
- Interest rate risk	**23,336,773**	**19,992,130**	**23,336,773**	**19,992,130**
- Foreign exchange risk	**1,570,388**	**1,588,950**	**1,570,388**	**1,588,950**
- Equity risk	**387,882**	**392,467**	**387,882**	**392,467**
- Securitisation exposure	**1,697,317**	**4,002,630**	**1,697,317**	**4,002,630**
III. Capital required for Operational Risk	**16,940,123**	**16,065,991**	**16,940,123**	**16,065,991**
(Basic Indicator Approach)				
Total capital requirement (I + II + III)	**167,092,508**	**152,839,720**	**170,179,344**	**154,135,796**
Total capital funds of the Bank	**213,593,863**	**212,961,927**	**218,080,897**	**217,247,119**
Total risk weighted assets	**1,316,725,828**	**1,190,340,501**	**1,324,137,478**	**1,198,981,007**
Total capital ratio	**16.22%**	**17.89%**	**16.47%**	**18.12%**
Common Equity Tier I Capital Ratio	**15.15%**	**16.88%**	**15.40%**	**17.11%**
Tier I capital ratio	**15.15%**	**16.88%**	**15.40%**	**17.11%**

Note 1: HIFSL is considered for consolidation purpose.

*Regulatory Minimum Capital Requirement of 15% is applicable for HIFSL.

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) and defined policy parameters to assess the borrowers. 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). Policy rules are built into the system to enable online checks. This may also be supplemented with judgmental lending as appropriate. The judgmental aspect tries to identify the financial strength, ability and intentions of borrowers for repayment.
- Starting 1 Jan 2017, First Line of Defense (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. Cases beyond the limit of Head-RBWM Risk are approved by the Retail Credit Committee (RCC).
- 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 delineate 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 (FIs / 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 delegation of limits to Head WMR, WMR executives including LMU will be approved by EXCO, and the CRO will only communicate the delegated limits to the respective staff. 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 centralized 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)*

<u>Non-performing advances</u>

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 for the Bank

(Rs '000)

	Fund based Note 1	Non fund based Note 2	As at 31 Dec 2019 Total
Overseas	-	-	-
Domestic	**825,687,572**	**666,961,658**	**1,492,649,230**
Total	**825,687,572**	**666,961,658**	**1,492,649,230**

(Rs '000)

	Fund based Note 1	Non fund based Note 2	As at 31 Mar 2019 Total
Overseas	-	-	-
Domestic	944,385,293	509,711,156	1,454,096,449
Total	944,385,293	509,711,156	1,454,096,449

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 for the Bank as at 31 Dec 19

(Rs '000)

Industry	Funded	Non Funded	Total
Mining and Quarrying	-	29,019	29,018.92
Food Processing	5,708,135	2,625,619	8,333,754
Beverages (excluding Tea & Coffee) and Tobacco	1,153,975	1,349,226	2,503,201
Textiles	11,105,229	4,057,018	15,162,247
Leather and Leather products	297,914	35,923	333,837
Wood and Wood Products	1,599,828	132,936	1,732,764
Paper and Paper Products	3,144,264	1,254,180	4,398,444
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	13,833	922,066	935,899
Chemicals and Chemical Products (Dyes, Paints, etc.)	47,046,972	36,962,422	84,009,394
Rubber, Plastic and their Products	16,449,572	6,181,199	22,630,771
Glass & Glassware	1,467,557	1,476,102	2,943,659
Cement and Cement Products	6,218,682	703,160	6,921,842
Basic Metal and Metal Products	14,378,216	9,381,297	23,759,513
All Engineering	59,054,996	74,839,367	133,894,363
Vehicles, Vehicle Parts and Transport Equipments	20,294,777	29,708,266	50,003,043
Gems and Jewellery	89	428	517
Construction	580,347	2,701,986	3,282,333
Infrastructure	37,246,580	33,132,826	70,379,406
NBFCs and trading	96,839,961	26,899,933	123,739,894
Banking and finance	36,611,375	171,586,727	208,198,102
Computer Software	1,829,441	24,453,880	26,283,321
Professional Services	49,625,536	153,975,852	203,601,388
Commercial Real Estate	112,514,354	2,387,566	114,901,920
Other Industries	69,121,922	68,905,682	138,027,604
Retail	108,282,043	13,258,977	121,541,020
Others*	125,101,974	0	125,101,974
Total	825,687,572	666,961,658	1,492,649,230

Note: Exposure is comprised of Loans & Advances, Credit equivalent of guarantees, acceptances, letters of credit, other Non-Market Related off balance sheet obligations, credit equivalent of derivative exposures, Balance with Banks and Money at call and short notice.

** Others include Cash and balances with RBI, Fixed Assets and Other Assets*

3. Credit risk *(Continued)*

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

Industry type distribution of exposures as at 31 March 2019

(Rs '000)

Industry	Funded	Non Funded	Total
Mining and Quarrying	-	29,019	29,019
Food Processing	5,973,540	1,372,767	7,346,307
Beverages (excluding Tea & Coffee) and Tobacco	394,101	1,128,156	1,527,732
Textiles	11,220,210	2,167,727	13,387,937
Leather and Leather products	97,450	32	97,482
Wood and Wood Products	1,180,199	62,600	1,242,799
Paper and Paper Products	4,018,401	736,736	4,527,952
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	3,044,559	3,044,559
Chemicals and Chemical Products (Dyes, Paints, etc.)	52,597,477	27,302,023	79,921,993
Rubber, Plastic and their Products	14,024,325	4,731,238	18,748,603
Glass & Glassware	988,899	1,840,863	2,829,762
Cement and Cement Products	3,677,564	1,931,610	5,609,174
Basic Metal and Metal Products	16,695,673	6,250,587	22,946,260
All Engineering	59,108,064	55,790,511	115,127,881
Vehicles, Vehicle Parts and Transport Equipments	26,825,288	22,020,856	48,846,144
Gems and Jewellery	238	2,075	2,313
Construction	48,547	2,280,197	2,328,744
Infrastructure	42,593,467	29,565,387	71,205,248
NBFCs and trading	116,026,581	25,070,156	120,960,651
Banking and finance	145,419,530	123,406,616	241,595,344
Computer Software	3,097,619	13,593,660	16,691,279
Professional Services	33,798,767	126,223,663	133,582,028
Commercial Real Estate	99,952,320	3,476,533	102,542,395
Other Industries	76,098,982	44,735,874	196,459,081
Retail	105,314,506	12,947,711	118,262,217
Others*	125,233,545	0	125,233,545
Total	944,385,293	509,711,156	1,454,096,449

** Others include Cash and balances with RBI, Fixed Assets and Other Assets*

3. Credit risk *(Continued)*

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

(iii) Residual contractual maturity breakdown of total assets for the bank

As at 31 Dec 2019 (Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	7,844,461	19,356,823	319,129,519	7,961,160	-	5,404,021
2 to 7 days	-	-	9,179,434	44,386,788	-	15,650,093
8 to 14 days	-	-	20,934,045	25,929,430	-	1,763,090
15 to 30 days	10,049,315	-	57,702,116	64,176,749	-	8,945,455
31 days & upto 3 months	7,947,076	-	45,581,492	78,175,527	-	15,066,204
Over 3 months and upto 6 months	2,671,079	3,569,250	22,797,040	51,185,905	-	13,891,012
Over 6 months and upto 1 year	1,670,918	-	27,276,381	46,264,972	-	21,495,894
Over 1 year and upto 3 years	4,714,796	7,852,350	78,172,013	103,484,785	-	57,521,876
Over 3 years and upto 5 years	2,690,715	-	18,180,838	101,901,315	-	24,745,661
Over 5 years	15,131,103	-	76,143,824	138,504,669	7,648,617	11,495,658
TOTAL	**52,719,461**	**30,778,423**	**675,096,701**	**661,971,299**	**7,648,617**	**175,978,965**

As at 31 March 2019 (Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	1,265,091	120,435,652	88,660,439	8,164,196	-	16,892
2 to 7 days	-	-	161,880,236	49,071,750	-	15,263,557
8 to 14 days	-	-	114,426,479	29,331,016	-	525,763
15 to 30 days	11,799,686	-	65,934,966	57,296,963	-	9,312,831
31 days & upto 3 months	6,721,929	-	70,638,027	89,032,890	-	22,430,557
Over 3 months and upto 6 months	2,986,331	-	24,956,064	48,475,503	-	27,646,117
Over 6 months and upto 1 year	2,478,603	-	36,840,982	44,465,416	-	27,699,734
Over 1 year and upto 3 years	2,001,478	5,186,625	66,377,837	89,023,799	-	65,058,986
Over 3 years and upto 5 years	2,496,313	5,878,175	16,164,519	105,304,486	-	25,012,239
Over 5 years	12,787,857	-	63,858,072	148,880,286	7,801,275	11,085,649
TOTAL	**42,537,288**	**131,500,452**	**709,737,621**	**669,046,305**	**7,801,275**	**204,052,325**

3. Credit risk *(Continued)*

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

(iv) Amount of Non-Performing Assets (NPAs) (Gross) for the bank

(Rs'000)

	As at 31 Dec 2019	As at 31 Mar 2019
Substandard	**1,436,170**	1,622,388
Doubtful 1	**427,409**	493,940
Doubtful 2	**714,958**	811,307
Doubtful 3	**2,219,941**	2,161,056
Loss	**713,250**	888,391
Total	**5,511,728**	5,977,082

(v) Net NPAs

The net NPAs are Rs. 968 million (previous year ended 31 March 2019, Rs. 1,291 million). Please see table (vi) below.

(vi) Movement of NPAs for the bank

(Rs'000)

			As at 31 Dec 2019
	Gross NPA's	**Provision**	**Net NPA**
Opening balance as at 1 April 2019	**5,977,082**	**4,685,911**	**1,291,171**
Additions during the period	**2,859,616**	**1,114,838**	**1,744,778**
Reductions during the period	**(3,324,970)**	**(1,256,676)**	**(2,068,294)**
Closing balance as at 31 Dec 19	**5,511,728**	**4,544,073**	**967,655**

(Rs'000)

			As at 31 March 2019
	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	3,914,319	1,394,098	2,520,221
Reductions during the period	(7,179,900)	(4,510,748)	(2,669,152)
Closing balance as at 31 Mar 19	5,977,082	4,685,912	1,291,170

(vii) NPA ratios for the bank

	As at 31 Dec 2019	As at 31 Mar 2019
Gross NPAs to gross advances	**0.83%**	0.89%
Net NPAs to net advances	**0.15%**	0.19%

3. Credit risk *(Continued)*

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

(viii) General Provisions

General provisions comprise 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 31 Dec 2019 are Rs. 2 (previous year ended 31 March 2019 Rs. 2). This represents preference/equity share investments which have been written down to Rs.2.

(x) Movement of provisions for depreciation on investments for the bank

(Rs'000)

	As at 31 Dec 2019	As at 31 Mar 2019
Opening balance	**485,348**	1,062,084
Provisions during the year	**-**	-
Write offs during the year	**-**	-
Write back of excess provisions during the year	**(484,882)**	(576736)
Closing balance	**466**	485,348

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

As at 31 Dec 2019 (Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.Agriculture	-	237,105	-	-	-
2. Advances to Industries sector of which:	**1,193,846**	**447,162**	**1,200,129**	**10,014**	**120,309**
2.1 Chemicals and Chemical Products	137,508	154,345	145,085	-	-
2.2 All Engineering	34,887	53,094	104,916	-	61,037
2.3 Infrastructure	433,948	-	612,325	-	-
2.4 Paper and Paper Products	282,090	14,523	282,090	-	-
2.5 Textile	305,407	15,808	323,938	5,546	59,272
3. Services of which:	**1,669,651**	**139,239**	**1,759,313**	**141,608**	**125,194**
3.1 Trade	1,011,110	-	1,175,859	71,989	62,158
3.2 Commercial Real Estate	325,341	-	224,415	-	-
3.3 NBFC	78,407	-	104,425	-	-
4. Retail	**2,648,231**	**1,932,981**	**1,584,631**	**963,217**	**693,944**
Total	**5,511,728**	**2,756,487**	**4,544,073**	**1,114,838**	**939,447**

3. Credit risk *(Continued)*

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

As at 31 March 2019 (Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.Agriculture	-	6,269	-	-	-
2. Advances to Industries sector	**1,452,583**	**1,746,520**	**1,468,354**	**137,185**	**1,928,835**
of which:					
2.1 Chemicals and Chemical Products	140,578	852,368	145,085	-	-
2.2 All Engineering	104,916	777,915	104,916	-	-
2.3 Infrastructure	601,057	-	612,325	137,121	16,271
2.4 Paper and Paper Products	282,090	17,887	282,090	-	1,773,646
2.5 Textile	323,939	16,050	323,938	-	87,118
3. Services	**1,712,231**	**173,159**	**1,515,639**	**163,662**	**828,347**
of which:					
3.1 Trade	1,101,842	-	1,125,459	144,438	828,347
3.2 Commercial Real Estate	266,080	-	54,148	-	-
3.3 NBFC	68,796	-	89,035	7,923	-
4. Retail	**2,812,268**	**2,112,357**	**1,701,919**	**1,093,249**	**834,847**
Total	**5,977,082**	**4,038,305**	**4,685,912**	**1,394,098**	**3,592,029**

(xii) Write offs and recoveries directly booked to income statement for the bank

(Rs '000)

	For the period ended 31 Dec 2019	For the year ended 31 Mar 2019
Write offs	**739,746**	**892,737**
Recoveries	**218,886**	**359,527**

(xiii) Ageing of past due loans for the bank

(Rs '000)

	As at 31 Dec 2019	As at 31 Mar 2019
Overdue less than 30 days	**1,922,374**	3,097,001
Overdue for 30 to 60 days	**400,853**	641,896
Overdue for 60 to 90 days	**433,260**	299,408
	2,756,487	4,038,305

3. Credit risk *(Continued)*

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

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

As at 31 Dec 2019 (Rs '000)

	NPA	Past Due Loan
Overseas	-	-
Domestic	**5,511,728**	**2,966,940**
Total	**5,511,728**	**2,966,940**

As at 31 March 2019 (Rs '000)

	NPA	Past Due Loan
Overseas	-	-
Domestic	5,977,082	4,038,305
Total	5,977,082	4,038,305

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 Corporates.

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) ACUITE

g) Infomerics

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.

For assets in the Bank's portfolio that have contractual maturity less than or equal to one year, short term ratings accorded by the chosen credit rating agencies are considered relevant. For other assets, which have a contractual maturity of more than one year, long term ratings accorded by the chosen credit rating agencies are considered relevant.

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

4. Disclosures for portfolios under the Standardised approach *(Continued)*

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

*

As per RBI guidelines dated 25th Aug 2016, 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.

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%. This became applicable from April 2019.

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%

4. Disclosures for portfolios under the Standardised approach *(Continued)*

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 mapping of external credit ratings and risk weights for the above entities are provided in the grids below:

Risk weight mapping of foreign banks

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

Risk weight mapping of foreign sovereigns / foreign central banks

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

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 Sep 2019	As at 31 Mar 2019
Below 100% risk weight	**870,790,011**	850,723,688
100% risk weight	**311,634,076**	426,431,527
Above 100% risk weight	**285,958,771**	144,947,618
Deductions*	**(162,198)**	(138,215)
Total	**1,468,220,659**	1,421,964,618
*Deduction represents amounts deducted from Tier I Capital		

Note: *Exposure is comprised of Loans & Advances, Credit equivalent of guarantees, acceptances, letter of credit, other Non-Market Related off balance sheet obligations, credit equivalent of derivative exposures post CRM.*

**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 1.99% of net CET1 capital. Accordingly, there is no deduction as on 31 Dec 2019. Deductions in above table are due to Debit Value adjustments (DVA).*

5. Leverage Ratio

(Rs '000)

Particulars	At 31 Dec 2019	At 30 Sep 2019	At 31 Mar 2019
Tier 1 Capital	199,439,545	205,203,899	200,891,201
Exposure Measure	2,263,298,178	2,317,735,710	2,256,881,593
Leverage Ratio*	**8.81%**	**8.85%**	**8.90%**

*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 8.98% as on 31 Dec 19.