Basel III: Pillar 3 Disclosures

as at 31 March 2014

(Currency: Indian rupees in thousands)

1. Scope of application

Qualitative Disclosures

DBS Bank Ltd., India (‘the Bank’) operates in India as a branch of DBS Bank Ltd., Singapore a banking entity incorporated in Singapore with limited liability. As at 31 March 2014, the Bank has a presence of 12 branches across 12 cities. The Bank does not have any subsidiaries in India and interest in Insurance Entities. Thus, the disclosures contained herein only pertain to the Bank.

a. List of group entities considered for consolidation

Name of the entity / Country of incorpo-ration	Whether the entity is included under accounting scope of consolidation (yes / no)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation15 (yes / no)	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation
Not Applicable					

b. List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation

Name of the entity / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank’s holding in the total equity	Regulatory treatment of bank’s investments in the capital instruments of the entity	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
Not Applicable					

c. List of group entities considered for consolidation

Name of the entity / country of incorporation (as indicated in (i)a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
Not Applicable			

1. Scope of application *(Continued)*

Quantitative Disclosures (Continued)

d. The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted:

Name of the subsidiaries / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Capital deficiencies
		Not Applicable		

e. The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted:

Name of the insurance entities / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity / proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
		Not Applicable		

f. Any restrictions or impediments on transfer of funds or regulatory capital within the banking group:

There are no restrictions or impediments on transfer of funds or regulatory capital within the banking group.

2. Capital Adequacy

Qualitative disclosures

The CRAR of the Bank is 13.81% as computed under Basel III norms, which is higher than the minimum regulatory CRAR requirement of 9%.

The Bank's capital management framework is guided by the existing capital position, proposed growth and strategic direction. Growth opportunities have resulted in an increasing and continuing need to focus on the 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 the light of the economic environment and capital requirements under Basel III. The Bank maintains a strong discipline over capital allocation and ensuring that returns on investment cover capital costs.

(Currency: Indian rupees in thousands)

2. Capital Adequacy *(Continued)*

Quantitative disclosures

	Particulars	31st March 14
A	Capital requirements for Credit Risk *(Standardised Approach)*	**20,563,872**
B	Capital requirements for Market Risk *(Standardised Duration Approach)*	
	- Interest rate risk	**3,615,763**
	- Foreign exchange risk	**585,000**
	- Equity risk	**-**
	- Unearned Credit spreads	**609,437**
C	Capital requirements for Operational risk *(Basic Indicator Approach)*	**1,393,222**
D	CET1 Capital Ratio (%)	**11.77%**
E	Tier1 Capital Ratio (%)	**11.77%**
F	Total Capital Ratio (%)	**13.81%**

3. General Disclosures

As part of overall corporate governance, the Group Board has approved a comprehensive Integrated Risk Framework covering risk governance for all risk types and for all entities within the Group, including India. This framework defines authority levels, oversight responsibilities, policy structures and risk appetite limits to manage the risks that arise in connection with the use of financial instruments. On a day-to-day basis, business units have primary responsibility for managing specific risk exposures while Risk Management Group (RMG) exercises independent risk oversight on the Group as a whole. RMG is the central resource for quantifying and managing the portfolio of risks taken by the Group as a whole.

A) General Disclosures for Credit Risk

Qualitative Disclosures

Credit Risk Management Policy

The credit policies and basic procedures of the Bank relating to its lending activities are contained in the Local Credit / Loan Policy of the Bank, Core Credit Policy at Singapore and the Credit Manual. These are based on the general credit principles, directives / guidelines issued by the RBI from time to time as well as instructions and guidelines of DBS Bank Ltd, Singapore (hereinafter referred to as 'the Head Office'). In the unlikely event of any conflict amongst the RBI guidelines and Head Office Guidelines, the more conservative policy / guideline is followed.

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3. General Disclosures *(Continued)*

The Core Credit Policy and the Credit / Loan policy outlines the Bank's approach to Credit Risk Management and sets out the rules and guidelines under which the Bank would develop and grows its lending business. These policies provide guidance to the Bank's Corporate Banking, SME Banking and Financial Institutions Group to manage the growth of their portfolio of customer assets in line with the Bank's credit culture and profitability objectives, taking into account the capital needed to support the growth.

Supplementary policies to the main Core Credit Policy and the Credit / Loan policy have also been laid out, for certain types of lending and credit-related operations. These include subject specific policies relating to risk ratings, Default policy, Specialized Lending etc., as well as guidelines for Real Estate lending, NBFC lending, hedging of FX exposures, credit risk mitigation, sectoral and individual / group borrower limits, bridge loans, bill discounting, etc.

Responsibility for monitoring post-approval conditions and risk reporting resides with the Credit Control Unit (CCU), which reports in to Head of CCU in Singapore, with local oversight of the Senior Risk Executive (SRE) in India. The Risk Based Supervision (RBS) submission to RBI contains further details on the same.

Advances are classified into performing and non-performing advances (NPAs) as per RBI guidelines as well as MAS Guidelines. NPA's are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI as well as MAS, using the more conservative approach wherever there is a difference.

Quantitative Disclosures

Credit Exposure

Particulars	31st March 14
Fund Based (Gross Advances)	**157,264,372**
Non Fund Based *	**235,825,413**

* The amount includes trade exposures after applying credit conversion factor, Bills rediscoutned and Credit equivalent of FX/derivative exposures.

The Bank does not have overseas operations and hence exposures are restricted to the domestic segment.

(Currency: Indian rupees in thousands)

3. General Disclosures *(Continued)*

Quantitative Disclosures (Continued)

Industry wise Exposures (Fund Based Advances)

Industry	31st March 14
Construction (incl Real Estate)	24,268,859
Bank Backed advances	16,975,106
Basic Metal & Metal products - Iron and Steel	10,757,959
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	9,160,926
Non-Banking Financial Institutions/Companies	8,249,601
Other Industries	7,868,234
Infrastructure - Transport - Roadways	7,580,495
All Engineering - Others	6,422,349
Vehicles, Vehicle Parts and Transport Equipments	5,949,731
Beverages	5,653,261
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers	4,981,012
Mining and Quarrying - Others	4,829,471
Water sanitation	4,653,031
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	4,098,920
Infrastructure - Telecommunication	4,019,619
Paper and Paper Products	3,830,363
Trading Activity	3,109,770
Metal and Metal Products	2,801,983
All Engineering - Electronics	2,727,363
Infrastructure - Electrcity (generation-transportation and distribution)	2,593,452
Professional Services	2,320,344
Food Processing - Others	2,253,395
Rubber, Plastic and their Products	2,103,043
Computer Software	1,821,959
Textiles - Cotton	1,572,115
Textiles - Others	1,355,640
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	1,115,023
Glass & Glassware	1,050,000
Agriculture & allied activities	893,562
Coal	750,000
Infrastructure - Transport - Others	382,006
Cement and Cement Products	361,120
Infrastructure - Energy - others	241,528
Chemicals and Chemical Products (Dyes, Paints, etc.) - Petro-chemicals (excluding under Infrastructure)	205,609
Wood and Wood Products	192,219
Retail Trade	58,085
Infrastructure - Transport - Waterways	34,600
Food Processing - Edible Oils and Vanaspati	11,170
Retail Others	6,030
Tea	4,640
Residual Advances	779
Total Credit Exposure	**157,264,372**

(Currency: Indian rupees in thousands)

3. General Disclosures *(Continued)*

Quantitative Disclosures (Continued)

Industry wise Exposures (Non - Fund Based)*

Industry	31st March 14
Bank	160,895,227
Infrastructure - Electrcity (generation-transportation and distribution)	8,927,694
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	6,797,935
Infrastructure - Energy - Oil/Gas/Liquefied Natural Gas (LNG) storage facility	5,347,355
Trading Activity	4,969,584
Retail Others	4,709,805
Vehicles, Vehicle Parts and Transport Equipments	3,194,755
Construction	3,024,548
Basic Metal & Metal products - Iron and Steel	2,897,172
Infrastructure - Telecommunication	2,608,726
Infrastructure - Energy - others	2,505,010
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers	2,472,003
Metal and Metal Products	2,311,479
Other Services	2,214,702
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	2,149,249
All Engineering - Others	2,120,138
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	2,092,519
Cement and Cement Products	1,708,660
Professional Services	1,460,973
Non-Banking Financial Institutions/Companies	1,448,398
Transport Operators	1,268,248
Wholesale Trade (other than Food Procurement)	1,249,832
Rubber, Plastic and their Products	1,233,007
All Engineering - Electronics	1,225,229
Food Processing - Edible Oils and Vanaspati	981,723
Tourism, Hotel and Restaurants	925,002
Paper and Paper Products	690,172
Mining and Quarrying - Others	682,288
Infrastructure - Transport - Roadways	670,144
Infrastructure - Water sanitation	574,930
Petro-chemicals	459,622
Other Industries	360,167
Computer Software	334,835
Textiles - Others	268,966
Beverages	246,425
Glass & Glassware	167,314
Textiles - Cotton	143,038
Food processing - Sugar	142,927
Coal	110,013
Agriculture & allied activities	77,475
Food Processing - Tea	67,665
Food Processing - Others	44,337
Shipping	24,444
Wood and Wood Products	11,261
Food processing - Coffee	10,417
Total Credit Exposure	**235,825,413**

* The amount includes trade exposures after applying credit conversion factor, Bills Rediscounted and Credit equivalent of FX/derivative exposures.

Basel III: Pillar 3 Disclosures *(Continued)*

as at 31 March 2014

(Currency: Indian rupees in thousands)

3. General Disclosures *(Continued)*

Maturity of Assets as at 31 March 2014

Particulars	Cash	Balance with RBI	Balance with Banks	Investments	Loans & Advances	Fixed Assets	Other Assets
1 day	26,401	174,943	7,395,042	73,518,793	4,315,625	-	469,519
2–7 days	-	1,202,982	5,085,612	7,545,102	8,585,776	-	128,892
8–14 Days	-	334,446	-	6,378,708	5,164,595	-	77,658
15–28 Days	-	413,452	-	4,994,467	15,728,664	-	203,498
29 Days–3 Months	-	1,735,257	179,745	13,895,340	42,005,072	-	470,533
3–6 Months	-	1,062,296	838,810	14,081,697	26,829,594	-	360,266
6 Months – 1 Year	-	623,993	-	45,673,736	8,859,357	-	446,398
1–3 Years	-	405,421	-	6,498,486	14,271,266	-	601,370
3–5Years	-	57,130	-	176,623	22,959,439	-	392,290
Over 5Years	-	2,652,759	-	8,054,128	2,828,981	515,725	96,409,249
Total	**26,401**	**8,662,679**	**13,496,209**	**180,817,080**	**151,548,369**	**515,725**	**99,559,673**

Basel III: Pillar 3 Disclosures *(Continued)*

as at 31 March 2014

(Currency: Indian rupees in thousands)

3. General Disclosures *(Continued)*

Classification of NPA's

Particulars	31st March 14
Amount of NPAs (Gross)	**21,156,381**
Substandard	**17,499,904**
Doubtful 1	**2,732,070**
Doubtful 2	**924,407**
Doubtful 3	**-**
Loss	**-**

Movement of NPAs and Provision for NPAs

	Particulars	31st March 14
A	Amount of NPAs (Gross)	**21,156,381**
B	Net NPAs	**15,440,377**
C	NPA Ratios	
	- Gross NPAs to gross advances (%)	**13.45%**
	- Net NPAs to net advances (%)	**10.19%**
D	Movement of NPAs (Gross)	
	- Opening balance as of the beginning of the financial year	**5,820,327**
	- Additions	**17,676,995**
	- Reductions on account of recoveries/ write - offs	**2,340,941**
	- Closing balance	**21,156,381**
E	Movement of Provision for NPAs	
	- Opening balance as of the beginning of the financial year	**2,530,690**
	- Provision made during the year	**5,259,599**
	- Write – offs / Write – back of excess provision	**2,074,285**
	- Closing balance	**5,716,004**

Amount of Non-Performing Investments and amount of provisions held for non-performing investments: INR Nil

Movement in Provisions Held towards Depreciation on Investments

Particulars	31st March 14
Opening Balance	**3,549**
Add: Provisions Made During the Year	**186,980**
Less: Write off / Write back of Excess provisions during the Year	**-**
Closing Balance	**190,529**

(Currency: Indian rupees in thousands)

4. Disclosures for Credit Risk: Portfolios subject to Standardised approach

Qualitative Disclosures

Currently based on our clientele, ratings of the following agencies have been used i.e. CARE, CRISIL, India Ratings and Research Private Ltd., ICRA, Brickwork, SME Rating Agency Pvt Ltd (SMERA), Standards & Poors, Moody's and Fitch for all exposures. The Bank assigns Long term credit ratings accorded by the chosen credit rating agencies for assets which have a contractual maturity of more than one year. However, in accordance with RBI guidelines, the Bank classifies all cash credit exposures as long term exposures and accordingly the long term ratings accorded by the chosen credit rating agencies are assigned. Currently the Bank uses issuer ratings. In accordance with RBI guidelines, for risk-weighting purposes, short-term ratings are deemed to be issue-specific.

Quantitative Disclosures

Categorization of Advances (outstanding net of provisions) classified on the basis of Risk Weightage is provided below:

Particulars	31st March 14
< 100 % Risk Weight	**72,656,090**
100 % Risk Weight	**43,711,701**
> 100 % Risk Weight	**35,180,578**
Total	**151,548,369**

5. Disclosures for Credit Risk Mitigation on Standardised approach

Qualitative Disclosures

This is detailed in our policy on Credit Risk Mitigation techniques and Collateral Management.

Quantitative Disclosures

As of 31st March 2014, the Bank has not availed of Credit Mitigation techniques.

6. Disclosure on Securitisation for Standardised approach

Objective:

DBS Bank's primary objective of investment in securitisation transactions is to meet its Priority Sector Lending requirement.

Key Risks Involved

Credit Risk

- Rise in default rates in the underlying portfolios
- Adequacy of credit enhancement to cover default risk in the pool portfolio
- Deteriorating financial performance of the originator or default by originator
- Deteriorating financial performance of the originator or default by originator

6. Disclosure on Securitisation for Standardised approach *(Continued)*

Prepayment Risk

- Rise in prepayment rates due to fall in rate of interest rates or rise in income levels of the borrowers.

Market Risk

- Fall in credit rating of the PTC issue will result in decline in the market value of the PTC security.
- Downgrade in rating of Servicer/Originator will result in decline in the market value of the PTC security.
- High utilisation of credit enhancements will result in decline in the market value of the PTC security

Liquidity Risk

- Drying up of liquidity in the PTC market will make it difficult for the bank to sell the investments in case of high credit, market or comingling risk. In such a situation, there would be a high cost involved, if we were to exit the position.

Comingling Risk

- The loan payments are paid directly by the obligors to the servicer at the end of each month. The servicer keeps the payments before the payout date of the PTC notes which exposes the monthly collections to comingling risk.
- There are also other risks which include performance risk of the collection and processing agent, and regulatory and legal risk.

Roles played by the Bank

As part of the securitsation programme, DBS Bank has played the role of an investor i.e. acquiring investment grade securitised debt instruments backed by financial assets originated by third parties.

Processes in place to monitor change in risks of securitisation exposures:

Credit Risk: The Bank monitors on an ongoing basis and in a timely manner, performance information on the exposures underlying its securitization positions and takes appropriate action, if required.

Market Risk: The Bank ascertains market value of the securitisation exposures based on extant norms, which is compared with their book value to assess the marked to market impact of these exposures. Further, a fall in rating of the credit enhancers resulting in a fall in market value of securities is mitigated by the incorporation of the various triggers in the transaction documents.

Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitisation exposures

The Bank has not securitised any assets.

7. Disclosure on Market Risk in Trading book

Qualitative disclosures

Market Risk arises from changes in value from changes in interest rates yields, foreign exchange rates, equity prices, commodity prices, credit spreads and the impact of changes in the correlations and volatilities of these risk factors. The Banks market risk appetite is determined by the Group Board of Directors, with detailed limit frameworks recommended by the appropriate risk committees. The Group Market & Liquidity Risk Committee, which reports into the Group Risk Executive Committee, oversees the market risk management infrastructure, sets market risk control limits and provides enterprise-wide oversight of all market risks and their management.

The Group's market risk framework identifies the types of the market risk to be covered, the risk metrics and methodologies to be used to capture such risk and the standards governing the management of market risk within the Group including the limit setting and independent model validation, monitoring and valuation.

The principal market risk appetite measure is Value at Risk (VaR). The VaR is supplemented by risk control measures, such as sensitivities to risk factors, including their volatilities, as well as P&L loss triggers (Management Action Triggers) for management action.

VaR estimates the potential loss on the current portfolio assuming a specified time horizon and level of confidence. The VaR methodology uses a historical simulation approach to forecast the Group's market risk. The methodology is also used to compute average tail loss metrics. VaR risk factor scenarios are aligned to parameters and market data used for valuation. The VaR is calculated for T&M trading, T&M banking and ALCO book (T&M banking and ALCO book constitute banking VaR).

On a daily basis, the Bank computes trading VaR for each business unit and location, and at the Group level. Banking VaR is computed on a weekly basis for each business unit and location. The trading VaR forecasts are back-tested against the profit and loss of the trading book to monitor its predictive power.

To complement the VaR framework, regular stress testing is carried out to monitor the Banks vulnerability to shocks. Also, monthly and annual P/L stop loss limits is monitored on a daily basis for the Trading book.

The risk control measures such as Interest rate PV01 (IRPV01) and FX delta measures the interest rate and FX rate risk to the current portfolio. The IR PV01 measures the change in the Net present value (NPV) due to an increase of 1 basis point in interest rates .The FX delta measures the change in NPV due to an increase of 1 unit in FX rates. The currency wise IRPV01 and FX Delta is calculated daily for T&M trading, T&M banking and ALCO book.

The other risk control measures such as Credit spread PV01 (CSPV01) and Jump to default (JTD) measures the change in the NPV due to an increase of 1 basis point in credit spreads and the expected loss due to immediate default respectively. The CSPV01 and JTD are calculated daily for T&M trading book.

7. Disclosure on Market Risk in Trading book *(Continued)*

Quantitative Disclosures

Capital Requirement for Market Risk

Particulars	31st March 14
Interest rate risk	**3,615,763**
Foreign exchange risk (including gold)	**585,000**
Equity position risk	-
Unearned credit spreads	**609,437**

8. Operational Risk

Qualitative Disclosures

Strategy and Process

The Bank's Operational Risk Management (ORM) framework:

– Defines operational risk and the scope of its application;

– Establishes the dimensions of operational risk;

– Provides a consistent framework for managing operational risk across the Bank.

Operational Risk is defined as "the risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events, including legal risk, but does not include strategic or reputational risk".

DBS adopts a zero tolerance mindset towards major operational risk that can endanger the franchise.

The Group's Operational Risk Management (ORM) Framework has been developed to ensure that operational risks within the Group are properly identified, addressed, monitored, managed and reported in a structured, systematic and consistent manner.

The ORM Framework developed by the Group Head Office has been adopted by the branches in India.

The ORM framework includes inter-alia:

a) ORM Governance Structure (Board, Senior Management, Location / Business level)

b) ORM Governance Principles

c) Accountability & Responsibility

d) Operational Risk policies comprising:

- Group ORM Framework (Level 1)
- Core Operational Risk Standards (CORS) and Corporate Operational Risk Policies (Level 2); and
- Location / Unit-specific Operational Risk Policies & Standards (Level 3)

8. Operational Risk *(Continued)*

e) Risk Mitigation Programmes comprising:

- Internal controls
- Global Insurance Programme; and
- Business Continuity Management

f) Risk Tools and Mechanisms comprising:

- Control Self Assessment (CSA)
- Risk Event Management (REM)
- Key Risk Indicators (KRI)
- New Product Approval Process (NPA)
- Outsourcing Risk Review
- Issue Management & Action Tracking
- Risk Analysis, Reporting and Profiling

g) Risk Quantification – Loss Provisioning / Capital Allocation

Structure and Organisation

The Bank also has in place an India Operational Risk Committee (IORC) which meets on a monthly basis to discuss operational risk issues. This committee is managed by the Head - Operational Risk and reports to the IMC. This ensures appropriate management oversight of operational risks facing the Bank.

The IORC comprises the CEO and the heads of the Institutional Banking Group, Consumer Banking Group, Treasury & Markets, Technology & Operations, Risk Management Group, Finance, Legal & Compliance, Group Audit and Operational Risk.

As part of the Bank's ORM structure, an independent Operational Risk function is in place led by the local Head of Operational Risk, who reports to the Senior Risk Executive, India and functionally to the Group Head of Operational Risk at the Head Office in Singapore.

Coverage includes identifying, assessing, controlling / mitigating risk, monitoring and reporting risk and also ensuring compliance with DBS Group standards and regulatory requirements relating to Operational Risk.

In addition to the independent Operational Risk resources, Unit Operational Risk Managers (UORM) are appointed within key Business Units (BU) and Support Units (SU) to support operationalisation of the risk management policy & process and to ensure maintenance of adequate controls on an ongoing basis. Regular training / orientations are conducted to keep UORM updated with key developments.

Risk Mitigation Programs

Internal Controls

The day-to-day management of Operational Risk within the Bank is through maintenance of a comprehensive system of internal controls. An effective internal control system is a combination of a strong control environment and appropriate internal control procedures. These internal controls comprise preventive, detective, escalation and corrective controls.

8. Operational Risk *(Continued)*

Global Insurance Programme (GIP)

The key objectives of the GIP are to reduce financial loss of risk events via transfer of loss to external funding sources (insurers). The GIP provides cover for low-frequency high-impact loss incidents, while the high frequency low impact operational losses are managed through strong internal controls.

Business Continuity Management (BCM) is a key Operational Risk program to minimize the impact of a business disruption, irrespective of cause, and to provide an acceptable level of business until normal business operations are resumed. BCM includes the following:

– Establishing ownership, roles and responsibilities

– Risk analysis

– Business impact analysis

– Recovery strategies

– Familiarisation of emergency response and crisis management plans

– Regular review and maintenance

– Regular, complete and meaningful testing

Risk Reporting and Measurement

Operational Risk related MIS is reported through the central ORM system (ROR - Reveleus Operational Risk), as follows:

– Incident Management (IM) Module - for reporting of Risk Events

– Issue and Action Management(IAM) Module - for tracking of Issues and Actions emanating from Risk Events, Audit Issues, Regulatory Issues and other risk related issues

– Key Indicator (KI) Module - for reporting of Key Risk Indicators (KRI)

– Control Self Assessment (CSA) Module - to facilitate the half-yearly Control Self Assessment process

The Operational Risk Profile including MIS relating to the above is placed at the monthly meetings of the India Operational Risk Committee (IORC).

Approach for operational risk capital assessment

– The Bank currently adopts the Basic Indicator Approach to calculate capital for operational risk.

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

Qualitative Disclosures

The Asset and Liability Committee ("ALCO") oversees the structural interest rate risk and funding liquidity risk in the Bank. The ALCO ensures that the exposures are within prudent levels. Structural interest rate risk arises from mismatches in the interest rate profile of customer loans and deposits. This interest rate risk has several aspects: basis risk arising from different interest rate benchmarks, interest rate re-pricing risk, yield curve risks and embedded optionality. To monitor the structural interest rate risk, the tools used by DBS include re-pricing gap reports based on traditional as well as duration gap approach, sensitivity analysis and income simulations under various scenarios.

Quantitative Disclosures

The Bank uses the Duration Gap approach to measure the impact of Market Value of Equity (MVE) for upward and downward rate shocks. This measures the potential change in MVE of the Bank for a 200 bps change in interest rates. The change in MVE due to a 200 change in interest rates are:-

Change in MVE due to a 200 bps change in interest rates	INR Million
31st March 2014	(1,259.94)

The impact on Earnings is computed as per the definition laid down in the ALM Policy of the Bank. Per the policy, Earnings-at-Risk (EaR) measures the interest rate risk from the earnings perspective. It is computed as an impact (over a 1-year horizon) of a 1% parallel shift in the yield curve on the Bank's earning. This is computed using the net IRS gaps for each bucket up to 1 year and the mark-to-market impact of 1% rise in interest rates on the AFS and HFT portfolio is to this. The aggregate of these approximates the net revenue impact of a 1% parallel shift (increase in interest rates) in the yield curve over a 1 year horizon and acts as a useful tool in the hands of the ALCO to monitor and assess the impact of Interest rate risk exposure of the Bank on its revenue.

EaR is computed at a Bank-wide level. It is not computed individually for the trading and banking books. Hence the impact on Earnings for the Banking book alone cannot be assessed. The EAR (trading and banking) is:

EaR on the INR book (trading and banking)	INR Million
31st March 2014	(1,298.85)

10. General Disclosure for Exposures Related to Counterparty Credit Risk

Qualitative Disclosures

USE OF ECONOMIC CAPITAL (EC) FOR CONCENTRATION RISK MANAGEMENT

While the Group firmly complies with regulatory capital requirements at all times, we recognize the need to have more robust methodologies to measure capital usage. Effective concentration management requires a robust metric that can accurately capture the portfolio risk characteristics including granular portfolio segment profile, risk concentrations and correlation of risks in the portfolio. The metric has to be sensitive to changes made to adjust the portfolio shape and direction of growth.

We have therefore adopted the EC metric as our primary concentration risk management tool and have integrated it into our risk processes. EC is deployed as a core component in our ICAAP and it also serves as a key metric in cascading Risk Appetite and limits setting.

CREDIT RISK MITIGANTS

Collateral

Where possible, the Group takes collateral as a secondary recourse to the borrower. Collateral includes cash, marketable securities, properties, trade receivables, inventory and equipment and other physical and financial collateral. The Group may also take fixed and floating charges on the assets of borrowers. It has put in place policies to determine the eligibility of collateral for credit risk mitigation, which include requiring specific collaterals to meet minimum operational requirements in order to be considered as effective risk mitigants.

When a collateral arrangement is in place for financial market counterparties covered under market standard documentation (such as Master Repurchase Agreements and International Swaps and Derivatives Association (ISDA) agreements), collateral received is marked to market on a frequency mutually agreed with the counterparties.

The Group is required to post additional collateral in the event of a rating downgrade. As at 31 December 2013, for a one notch downgrade of its Standard & Poor's Ratings Services and Moody's Investors Services ratings, the Group would have to post additional collateral amounting to SGD 363 million and SGD 63 million respectively.

Other Risk Mitigants

The Group manages its credit exposure from derivatives, repo and other repo-style transactions by entering into netting and collateral arrangements with counterparties where it is appropriate and feasible to do so. The credit risk associated with outstanding contracts with positive mark to market is reduced by master netting arrangements to the extent that if an event of default occurs, all amounts with a single counterparty in a netting-eligible jurisdiction are settled on a net basis.

The Group may also enter into agreements which govern the posting of collateral with derivative counterparties for credit risk mitigation (e.g. Credit Support Annexes under ISDA master agreements). These are governed by internal guidelines with respect to the eligibility of collateral types and the frequency of collateral calls.

In addition, the Group also uses guarantees as credit risk mitigants. While the Group may accept guarantees from any counterparty, it sets internal thresholds for considering guarantors to be eligible for credit risk mitigation.

10 General Disclosure for Exposures Related to Counterparty Credit Risk *(Continued)*

COUNTER PARTY RISK MANAGEMENT

Counterparty risk that may arise from traded products and securities is measured on a loan equivalent basis and included under the Group's overall credit limits to counterparties. Issuer Default Risk that may arise from traded products and securities are generally measured based on jump-to-default computations.

The Group actively monitors and manages its exposure to counterparties in over-the-counter (OTC) derivative trades to protect its balance sheet in the event of a counterparty default. Counterparty risk exposures which may be materially and adversely affected by market risk events are identified, reviewed and acted upon by management and highlighted to the appropriate risk committees. In addition, the Group's risk measurement methodology takes into account the higher risks associated with transactions that exhibit a strong relationship between the creditworthiness of a counterparty and the expected future replacement value of a relevant transaction (so called wrong-way risk) as identified during the trade booking process. The current exposure method is used for calculating the Group's net credit exposure and regulatory capital for counterparty exposures, using the mark-to-market exposures with an appropriate add-on factor for potential future exposures.

Quantitative Disclosures

		INR Crores
Particulars	Notionals	Credit Exposures
- Currency Derivatives	311,366.19	16,165.96
- Interest Rate Derivatives	199,895.83	2,570.43

(Currency: Indian rupees in thousands)

11. 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)		Amounts Subject to Pre-Basel III Treatment	Ref No
Common Equity Tier 1 capital : instruments and reserves				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	25,438.86		A
2	Retained earnings	12,868.57		B+C+E
3	Accumulated other comprehensive income (and other reserves)	-		C
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-		
	Public sector capital injections grandfathered until January 1, 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**	38,307.43		
Common Equity Tier 1 capital : regulatory adjustments				
7	Prudential valuation adjustments	150.16		
8	Goodwill (net of related tax liability)	-		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	-		
10	Deferred tax assets	3,137.64		F
11	Cash-flow hedge reserve	-		
12	Shortfall of provisions to expected losses	-		
13	Securitisation gain on sale	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-		
15	Defined-benefit pension fund net assets	-		
16	Investments in own shares (if not already netted off paid-up 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)	-		

(Currency: Indian rupees in thousands)

11. Composition of Capital *(Continued)*

(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)		Amounts Subject to Pre-Basel III Treatment	Ref No
Common Equity Tier 1 capital : regulatory adjustments				
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 adjustments (26a+26b+26c+26d)	-		
	a.of which : Investments in the equity capital of unconsolidated insurance subsidiaries	-		
	b.of which : Investments in the equity capital of unconsolidated non-financial subsidiaries	-		
	c.of which : Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	-		
	d.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**	3,287.80		
29	**Common Equity Tier 1 capital (CET1)**	35,019.63		
Additional Tier 1 capital : instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (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**	-		

(Currency: Indian rupees in thousands)

11. Composition of Capital *(Continued)*

(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)		Amounts Subject to Pre-Basel III Treatment	Ref No
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)	-		
	a. of which : Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-		
	b. of which : Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-		
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-		
	of which:	-		
	of which:	-		
	of which:			
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-		
43	**Total regulatory adjustments to Additional Tier 1 capital**	-		
44	**Additional Tier 1 capital (AT1)**	-		
	a. Additional Tier 1 capital reckoned for capital adequacy	-		
45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	35,019.63		
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	4,793.20		I
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	1,266.33		D+J+K

(Currency: Indian rupees in thousands)

11. Composition of Capital *(Continued)*

(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)		**Amounts Subject to Pre-Basel III Treatment**	Ref No
51	**Tier 2 capital before regulatory adjustments**	6,059.53		
	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)	-		
	a. of which : Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	-		
	b. 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: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	-		
	of which: [INSERT TYPE OF ADJUSTMENT]	-		
57	Total regulatory adjustments to Tier 2 capital	-		
58	Tier 2 capital (T2)	6,059.53		
	a. Tier 2 capital reckoned for capital adequacy	6,059.53		
	b. Excess Additional Tier 1 capital reckoned as Tier 2 capital	-		
	c. Total Tier 2 capital admissible for capital adequacy (58a + 58b)			
59	**Total capital (TC = T1 + Admissible T2) (45 + 58c)**	41,079.16		
60	**Total risk weighted assets (60a + 60b + 60c)**	297,414.38		
	a. of which: total credit risk weighted assets	228,487.47		
	b. of which: total market risk weighted assets	53,446.67		
	c. of which: total operational risk weighted assets	15,480.24		

(Currency: Indian rupees in thousands)

11. Composition of Capital *(Continued)*

(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)		Amounts Subject to Pre-Basel III Treatment	Ref No
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	11.77%		
62	Tier 1 (as a percentage of risk weighted assets)	11.77%		
63	Total capital (as a percentage of risk weighted assets)	13.81%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	4.50%		
65	of which : capital conservation buffer requirement	0%		
66	of which : bank specific countercyclical buffer requirement	0%		
67	of which : G-SIB buffer requirement	0%		
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	7.27%		
National minima (if different from Basel III)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	4.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	6.00%		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%		
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)	1,266.33		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	3,717.68		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA		

(Currency: Indian rupees in thousands)

11. Composition of Capital *(Continued)*

(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)		Amounts Subject to Pre-Basel III Treatment	Ref No
	(only applicable between March 31, 2017 and March 31, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	NA		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA		
82	Current cap on AT1 instruments subject to phase out arrangements	NA		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA		
84	Current cap on T2 instruments subject to phase out arrangements	NA		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA		

Notes to the above Template

Row No. of the template	Particular	(Rs. in million)
10	Deferred tax assets associated with accumulated losses	-
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	3,137.64
	Total as indicated in row 10	3,137.64
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	-
	of which : Increase in Common Equity Tier 1 capital	-
	of which : Increase in Additional Tier 1 capital	-
	of which : Increase in Tier 2 capital	-
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then :	-
	i) Increase in Common Equity Tier 1 capital	-
	ii) Increase in risk weighted assets	-
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	-
	of which : Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	-
50	Eligible Provisions included in Tier 2 capital	1,266.33
	Eligible Revaluation Reserves included in Tier 2 capital	-
	Total of row 50	1,266.33
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	-

(Currency: Indian rupees in thousands)

12. Composition of Capital – Reconciliation Requirements

(Rs. in million)

Step 1		Balance sheet as in financial statements As on 31 Mar 2014	Balance sheet under regulatory scope of consolidation As on 31 Mar 2014
A	**Capital & Liabilities**		
i.	Paid-up Capital	25,438.86	25,438.86
	Reserves & Surplus	14,722.53	14,722.53
	Minority Interest	-	-
	Total Capital	**40,161.39**	**40,161.39**
ii.	Deposits	**174,718.85**	**174,718.85**
	of which : Deposits from banks	-	-
	of which : Customer deposits	174,718.85	174,718.85
	of which : Other deposits (pl. specify)	-	-
iii.	Borrowings	**145,606.44**	**145,606.44**
	of which : From RBI	57,090.00	57,090.00
	of which : From banks	53,114.73	53114.73
	of which : From other institutions & agencies	11,435.71	11,435.71
	of which : Others (pl. specify)	-	-
	of which : Capital instruments	23,966.00	23,966.00
iv.	Other liabilities & provisions	**94,139.46**	**94,139.46**
	Total	**454,626.14**	**454,626.14**
B	**Assets**		
i.	Cash and balances with Reserve Bank of India	**8,689.08**	**8,689.08**
	Balance with banks and money at call and short notice	**13,496.21**	**13,496.21**
ii.	Investments :	**180,817.08**	**180,817.08**
	of which : Government securities	115,864.35	115,864.35
	of which : Other approved securities	-	-
	of which : Shares	-	-
	of which : Debentures & Bonds	3,500.92	3,500.92
	of which : Subsidiaries / Joint Ventures / Associates	-	-
	of which : Others (Commercial Papers, Certificate of deposits, PTCs and SIDBI Deposits)	61,451.81	61,451.81
iii.	Loans and advances	**151,548.37**	**151,548.37**
	of which : Loans and advances to banks	-	-
	of which : Loans and advances to customers	151,548.37	151,548.37
iv.	Fixed assets	515.73	515.73
v.	Other assets	**99,559.67**	**99,559.67**
	of which : Goodwill and intangible assets	-	-
	of which : Deferred tax assets	3,137.64	3,137.64
vi.	Goodwill on consolidation	-	-
vii.	Debit balance in Profit & Loss account	-	-
	Total Assets	**454,626.14**	**454,626.14**

(Currency: Indian rupees in thousands)

12. Composition of Capital – Reconciliation Requirements *(Continued)*

(Rs. in million)

Step 2		Balance sheet as in financial statements As on 31 Mar 2014	Balance sheet under regulatory scope of consolidation As on 31 Mar 2014	Ref No.
A	**Capital & Liabilities**			
i.	Paid-up Capital	25,438.86	25,438.86	
	of which : Amount eligible for CET1	25,438.86	25,438.86	A
	of which : Amount eligible for AT1	-	-	
	Reserves & Surplus	14,722.53	14,722.53	
	of which :			
	Statutory Reserve	3,703.38	3,703.38	B
	Capital Reserve	5.10	5.10	C
	Investment Reserve	156.95	156.95	D
	Amount Retained in India for CAPAD	9,160.09	9,160.09	E
	Defferred Tax Reserve	0.54	0.54	
	Balance in Profit and Loss account	1,696.47	1,696.47	
	Minority Interest			
	Total Capital	**40,169.39**	**40,169.39**	
ii.	Deposits	**174,718.85**	**174,718.85**	
	of which : Deposits from banks	-	-	
	of which : Customer deposits	174,718.85	174,718.85	
	of which : Other deposits (pl. specify)	-	-	
iii.	Borrowings	**145,606.44**	**145,606.44**	
	of which : From RBI	57,090.00	57,090.00	
	of which : From banks	53,114.73	53,114.73	
	of which : From other institutions & agencies	11,435.71	11,435.71	
	of which : Others			
	of which : Capital instruments	23,966.00	23,966.00	
	- of which Eligible for T2 capital			I
iv.	Other liabilities & provisions	**94,139.46**	**94,139.46**	
	of which : Provision against standard asset and country risk	988.38	988.38	J
	of which : Provision for Sale to Reconstruction	121.00	121.00	K
	Total	**454,626.14**	**454,626.14**	
B	**Assets**			
i.	Cash and balances with Reserve Bank of India	**8,689.08**	**8,689.08**	
	Balance with banks and money at call and short notice	**13,496.21**	**13,496.21**	
ii.	Investments :	**180,817.08**	**180,817.08**	
	of which : Government securities	115,864.35	115,864.35	
	of which : Other approved securities	-	-	
	of which : Shares	-	-	
	of which : Debentures & Bonds	3,500.92	3,500.92	
	of which : Subsidiaries / Joint Ventures / Associates	-	-	
	of which : Others (Commercial Papers, Certificate of deposits, PTCs and SIDBI Deposits)	61,451.81	61,451.81	
iii.	Loans and advances	**151,548.37**	**151,548.37**	
	of which : Loans and advances to banks	-	-	
	of which : Loans and advances to customers	151,548.37	151,548.37	
iv.	Fixed assets	515.73	515.73	
v.	Other assets	**99,559.67**	**99,559.67**	
	of which : Goodwill and intangible assets	-	-	
	of which : Deferred tax assets	3,137.64	3,137.64	F
vi.	Goodwill on consolidation	-	-	
vii.	Debit balance in Profit & Loss account	-	-	
	Total	**454,626.14**	**454,626.14**	