

**Basel III: Pillar 3 Disclosures**
*as at 31 December 2014*

(Currency: Indian rupees in million)

**1. Capital Adequacy**
***Qualitative disclosures***

The CRAR of the Bank as at 31<sup>st</sup> December is 13.32% 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, financial estimates including level of NPA, provision for NPA, 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.

***Quantitative disclosures***

Particulars	31 Dec 14
A Capital requirements for Credit Risk ( <i>Standardised Approach</i> )	<b>19,247</b>
B Capital requirements for Market Risk ( <i>Standardised Duration Approach</i> )	
- Interest rate risk	<b>3,348</b>
- Foreign exchange risk	<b>360</b>
- Equity risk	-
C Capital requirements for Operational risk ( <i>Basic Indicator Approach</i> )	<b>1,630</b>
D CET1 Capital Ratio (%)	<b>11.69%</b>
E Tier1 Capital Ratio (%)	<b>11.69%</b>
F Total Capital Ratio (%)	<b>13.32%</b>

**2. 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.

**Basel III: Pillar 3 Disclosures (Continued)**

as at 31 December 2014

(Currency: Indian rupees in million)

**2. General Disclosures (Continued)****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.

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**

<b>Particulars</b>	<b>31 Dec 14</b>
Fund Based (Gross Advances)	<b>150,407</b>
Non Fund Based *	<b>192,591</b>

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

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

**Basel III: Pillar 3 Disclosures (Continued)**
*as at 31 December 2014*

(Currency: Indian rupees in million)

**2. General Disclosures (Continued)**
*Quantitative Disclosures (Continued)*
**Industry wise Exposures (Fund Based Advances)**

Industry	31 Dec 14
Advances backed by Banks	25,134
Construction (including Real Estate)	22,109
Basic Metal & Metal products - Iron and Steel	13,587
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	10,065
Other Industries	7,783
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	6,227
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	5,879
Food Processing - Edible Oils and Vanaspati	5,236
Infrastructure - Transport - Roadways	4,636
Water sanitation	4,521
Beverages	4,517
Vehicles, Vehicle Parts and Transport Equipments	4,225
Paper and Paper Products	3,852
Food Processing - Others	2,928
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers	2,900
All Engineering - Electronics	2,788
Non-Banking Financial Institutions/Companies	2,740
Infrastructure - Electricity (generation-transportation and distribution)	2,637
Professional Services	2,443
All Engineering - Others	2,347
Rubber, Plastic and their Products	2,154
Computer Software	1,803
Other Services	1,537
Metal and Metal Products	1,478
Infrastructure - Telecommunication	956
Trading Activity	929
Textiles - Cotton	817
Coal	750
Mining and Quarrying - Others	733
Glass & Glassware	700
Textiles - Others	398
Transport	376
Wood and Wood Products	342
Cement and Cement Products	305
Infrastructure - Energy - others	263
Tea	260
Infrastructure - Transport - Waterways	35
Gems and Jewellery	13
Residual Advances	4
<b>Total Credit Exposure</b>	<b>150,407</b>

**Basel III: Pillar 3 Disclosures (Continued)**
*as at 31 December 2014*

(Currency: Indian rupees in million)

**2. General Disclosures (Continued)**
**Quantitative Disclosures (Continued)**
**Industry wise Exposures (Non - Fund Based)\***

Industry	31 Dec 14
Financial Institutions / Advances backed by Banks	127,147
Infrastructure - Energy - Oil/Gas/Liquefied Natural Gas (LNG) storage facility	5,930
Infrastructure - Electricity (generation-transportation and distribution)	5,759
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers	5,077
Trading Activity	4,469
Retail Others	3,551
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	3,508
Vehicles, Vehicle Parts and Transport Equipments	3,439
Infrastructure - Energy - others	2,631
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	2,606
Metal and Metal Products	2,546
All Engineering - Others	2,481
Non-Banking Financial Institutions/Companies	2,416
Cement and Cement Products	2,147
Infrastructure - Telecommunication	1,956
Construction	1,706
Basic Metal & Metal products - Iron and Steel	1,566
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	1,474
Wholesale Trade (other than Food Procurement)	1,233
Food Processing - Edible Oils and Vanaspati	1,196
Professional Services	1,135
Rubber, Plastic and their Products	1,078
Transport Operators	892
Tourism, Hotel and Restaurants	885
Other Services	872
Other Industries	827
Paper and Paper Products	799
Infrastructure - Transport - Roadways	591
Mining and Quarrying - Others	475
Computer Software	462
Petro-chemicals	365
Beverages	246
Food Processing - Others	243
All Engineering - Electronics	234
Textiles - Others	161
Glass & Glassware	112
Food processing – Coffee	77
Infrastructure - Water sanitation	70
Coal	63
Food Processing – Tea	61
Textiles – Cotton	56
Wood and Wood Products	35
Shipping	13
Leather and Leather products	1
<b>Total Credit Exposure</b>	<b>192,591</b>

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

**Basel III: Pillar 3 Disclosures (Continued)**
*as at 31 December 2014*

(Currency: Indian rupees in million)

**2. General Disclosures (Continued)**
**Maturity of Assets as at 31 December 2014**

Particulars	Cash	Balance with RBI	Balance with Banks	Investments	Loans & Advances	Fixed Assets	Other Assets
1 day	33	132	10,394	45,245	14,149	-	532
2-7 days	-	1,132	-	18,390	5,668	-	135
8-14 Days	-	322	-	9,474	14,166	-	115
15-28 Days	-	618	-	6,399	28,532	-	168
29 Days-3 Months	-	593	-	6,267	23,552	-	202
3-6 Months	-	417	-	2,010	16,433	-	154
6 Months - 1 Year	-	831	-	6,374	4,885	-	197
1-3 Years	-	524	-	6,606	13,410	-	459
3-5Years	-	23	-	3,505	20,926	-	213
Over 5Years	-	2,938	-	14,608	8,686	503	52,998
<b>Total</b>	<b>33</b>	<b>7,530</b>	<b>10,394</b>	<b>118,878</b>	<b>150,407</b>	<b>503</b>	<b>55,173</b>

The classification of assets and liabilities under the different maturity buckets are compiled by management on the same estimates and assumptions as used by the Bank for compiling the returns submitted to RBI.

**Basel III: Pillar 3 Disclosures (Continued)**
*as at 31 December 2014*

(Currency: Indian rupees in million)

**2. General Disclosures (Continued)**
**Classification of NPA's**

Particulars	31 Dec 14
Amount of NPAs (Gross)	17,568
Substandard	6,588
Doubtful 1	9,458
Doubtful 2	1,522
Doubtful 3	-
Loss	-

**Movement of NPAs and Provision for NPAs**

Particulars	31 Dec 14
<b>A</b> Amount of NPAs (Gross)	17,568
<b>B</b> Net NPAs	8,032
<b>C</b> NPA Ratios	
- Gross NPAs to gross advances (%)	11.68%
- Net NPAs to net advances (%)	5.70%
<b>D</b> Movement of NPAs (Gross)	
- Opening balance as of the beginning of the financial year	21,156
- Additions	2,886
- Reductions on account of recoveries/ write - offs	6,474
- Closing balance	17,568
<b>E</b> Movement of Provision for NPAs	
- Opening balance as of the beginning of the financial year	5,716
- Provision made during the year	5,434
- Write – offs / Write – back of excess provision	1,615
- Closing balance	9,535

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	31 Dec 14
Opening Balance	191
Add: Provisions Made During the Year	-
Less: Write off / Write back of Excess provisions during the Year	191
<b>Closing Balance</b>	-

**Basel III: Pillar 3 Disclosures (Continued)***as at 31 December 2014*

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**3. 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:

<b>Particulars</b>	<b>31 Dec 14</b>
< 100 % Risk Weight	<b>70,723</b>
100 % Risk Weight	<b>56,493</b>
> 100 % Risk Weight	<b>23,191</b>
<b>Total</b>	<b>150,407</b>