

Basel III: Pillar 3 Disclosures
as at 31 December 2017

(Currency: Indian rupees in million)

1. Capital Adequacy
Qualitative disclosures

The CRAR of the Bank is 15.30% as computed under Basel III norms, which is higher than the minimum regulatory CRAR requirement of 10.25%.

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.

Quantitative disclosures

Particulars	31 Dec 17
A Capital requirements for Credit Risk (<i>Standardised Approach</i>) *	28,135
B Capital requirements for Market Risk (<i>Standardised Duration Approach</i>) *	
- Interest rate risk	5,079
- Foreign exchange risk	360
- Equity risk	248
C Capital requirements for Operational risk (<i>Basic Indicator Approach</i>) *	1,705
D CET1 Capital Ratio (%)	10.51%
E Tier1 Capital Ratio (%)	10.51%
F Total Capital Ratio (%)	15.30%

* Capital required is calculated at 8% of Risk Weighted Assets for CVA, Market Risk and Operational Risk and at 10.25% of Risk Weighted Assets for others.

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 Bank. RMG is the central resource for quantifying and managing the portfolio of risks taken by the Group as a whole.

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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.

The Credit Risk management approach for Consumer banking business is derived from the Consumer Banking Credit Risk Policy (CBCRP), supplemented by the Risk Acceptance Criteria (RACs). These policies provide guidance on various aspects such as Policy Governance, Roles & Responsibilities, Credit Approval, Credit Management Process, evaluation of higher Risk Credits etc.

Responsibility for monitoring post-approval conditions 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 responsibility for risk reporting is with the Credit Risk - COO team which reports to the 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. NPA's are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

Quantitative Disclosures**Credit Exposure**

Particulars	31 Dec 17
Fund Based *	228,423
Non Fund Based **	216,776

* This amount represents Gross Advances and Bank exposures.

** This amount represents trade and unutilized 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.

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

Industry	31 Dec 17
Bank *	86,759
Metal and Metal Products	15,748
Home Loan	12,164
Vehicles, Vehicle Parts and Transport Equipments	8,920
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	8,783
Infrastructure - Telecommunication	8,329
Construction	7,825
Oil (storage and pipeline)	7,096
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	7,034
Basic Metal & Metal products - Iron and Steel	6,346
Non-Banking Financial Institutions/Companies	5,989
Other Industries	4,716
Computer Software	4,075
Infrastructure - Electricity (generation-transportation and distribution)	4,035
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	3,947
Trading Activity	3,938
All Engineering - Others	3,550
Food Processing - Others	3,310
Food Processing - Edible Oils and Vanaspati	3,222
Paper and Paper Products	2,968
Rubber, Plastic and their Products	2,541
Petro-chemicals	2,331
Loan Against Property	2,304
Retail Trade	1,766
All Engineering - Electronics	1,539
Textiles - Others	1,409
Other Services	1,259
Transport Operators	1,120
Wood and Wood Products	784
Cement and Cement Products	687
Transport	623
Textiles - Cotton	554
Tourism, Hotel and Restaurants	533
Beverages	403
Glass & Glassware	346
Professional Services	304
Leather and Leather products	276
Infrastructure - Social and Commercial Infrastructure -Education Institutions	250
Coffee	213
Wholesale Trade (other than Food Procurement)	168

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

Industry	31 Dec 17
Sugar	139
Tea	72
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers	48
Total Credit Exposure (fund based)	228,423

* Includes advances covered by Letters of Credit issued by other Banks.

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

Industry	31 Dec 17
Banks	71,448
Financial Institutions	48,318
Infrastructure - Electricity (generation-transportation and distribution)	11,136
Metal and Metal Products	8,680
Infrastructure - Transport - Ports	7,947
Construction	7,488
Non-Banking Financial Institutions/Companies	6,170
Other Industries	5,400
Vehicles, Vehicle Parts and Transport Equipments	5,380
Retail Others	5,038
Trading Activity	4,248
Infrastructure - Telecommunication	4,056
Infrastructure - Energy - Oil/Gas/Liquefied Natural Gas (LNG) storage facility	3,148
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	2,873
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	2,854
Rubber, Plastic and their Products	2,208
Basic Metal & Metal products - Iron and Steel	2,201
Computer Software	1,964
Paper and Paper Products	1,737
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	1,730
Food Processing - Edible Oils and Vanaspati	1,711
All Engineering - Electronics	1,664
All Engineering - Others	1,586
Other Services	1,429
Professional Services	1,107
Cement and Cement Products	970
Food Processing - Others	941
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers	719
Petro-chemicals	535
Wood and Wood Products	494
Wholesale Trade (other than Food Procurement)	342
Textiles - Others	308
Transport Operators	296
Glass & Glassware	227
Coal	123
Beverages	80
Infrastructure - Transport - Roadways	60
Mining and Quarrying - Others	58
Food processing - Sugar	40
Food processing - Coffee	21

Basel III: Pillar 3 Disclosures*as at 31 December 2017*

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

Infrastructure - Water sanitation	20
Food Processing - Tea	10
Leather and Leather products	7
Textiles - Cotton	4
Total Credit Exposure (non-fund based)	216,776

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2. General Disclosures (*Continued*)
Maturity of Assets as at 31 December 2017

Particulars	Cash	Balance with RBI	Balance with Banks	Investments	Loans & Advances (net of provisions)	Fixed Assets	Other Assets
1 day	69	7,096	16,404	10,820	801	-	180
2-7 days	-	78	-	82,757	3,260	-	672
8-14 Days	-	66	-	3,551	5,932	-	84
15-30 Days	-	87	-	4,404	17,196	-	208
31 Days - 2 months	-	59	-	3,130	17,762	-	230
2-3 months	-	26	100	3,736	10,440	-	145
3-6 Months	-	57	-	2,923	21,683	-	314
6 Months - 1 Year	-	73	1,597	3,915	20,735	-	300
1-3 Years	-	50	3,194	2,524	51,909	-	671
3-5 Years	-	44	21,078	2,998	4,535	-	234
Over 5 Years	-	10,947	-	30,263	23,746	712	60,472
Total	69	18,583	42,373	151,021	177,999	712	63,510

Note: The same maturity bands as used for reporting positions in the ALM returns have been used by the Bank.

Basel III: Pillar 3 Disclosures (Continued)
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2. General Disclosures (Continued)
Classification of NPA's

Particulars	31 Dec 17
Amount of NPAs (Gross)	12,367
Substandard	4,182
Doubtful 1	5,872
Doubtful 2	860
Doubtful 3	1,453
Loss	-

Movement of NPAs and Provision for NPAs

Particulars	31 Dec 17
A Amount of NPAs (Gross)	12,367
B Net NPAs	4,357
C NPA Ratios	
- Gross NPAs to gross advances (%)	6.65%
- Net NPAs to net advances (%)	2.45%
D Movement of NPAs (Gross)	
- Opening balance as of the beginning of the financial year	8,384
- Additions	4,899
- Reductions on account of recoveries/ write - offs	916
- Closing balance	12,367
E Movement of Provision for NPAs	
- Opening balance as of the beginning of the financial year	3,759
- Provision made during the year	4,401
- Write – offs / Write – back of excess provision	150
- Closing balance	8,010

General Provisions

In accordance with RBI guidelines, the Bank maintains provision on standard advances, standard derivative exposures and provision on Unhedged Foreign Currency Exposure (UFCE). Movement in general provisions is detailed below

Particulars	31 Dec 17
Opening Balance	1,305
Add: Provisions Made During the Year	-
Less: Write off / Write back of Excess provisions during the Year	25
Closing Balance	1,280

Basel III: Pillar 3 Disclosures (Continued)
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Amount of Non-Performing Investments and Provision for NPIs

Non-Performing Investments and Provision for NPIs is given below:

Particulars	31 Dec 17
A Amount of Non-Performing Investments (Gross)	784
B Amount of provisions held for non-performing investments	-

Movement in Provisions Held towards Depreciation on Investments

Movement in Provisions Held towards Depreciation on Investments is given below:

Particulars	31 Dec 17
Opening Balance	440
Add: Provisions Made During the Year	596
Less: Write off / Write back of Excess provisions during the Year	-
Closing Balance	1,036

Industry wise Past Due Loans

Particulars	31 Dec 17
Basic Metal & Metal products - Iron and Steel	3,500
All Engineering - Others	253
Trading Activity	190
Tourism, Hotel and Restaurants	175
Textiles - Others	159
Wood and Wood Products	128
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	39
Total	4,444

Ageing of Past Due Loans

Particulars	31 Dec 17
Overdue upto 30 Days	3,994
Overdue between 31 and 60 Days	450
Overdue between 61 and 90 Days	-
Total	4,444

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Industry wise NPAs

Particulars	Amount of NPA	Specific Provision
Infrastructure - Telecommunication	3,000	962
Basic Metal & Metal products - Iron and Steel	2,301	1,383
Paper and Paper Products	2,241	2,037
Construction	1,761	1,227
Infrastructure - Transport - Roadways	623	435
Trading Activity	562	505
Computer Software	362	321
Glass & Glassware	297	45
Food Processing - Edible Oils and Vanaspati	286	286
Infrastructure - Social and Commercial Institutions	250	250
All Engineering - Electronics	218	218
Other Metal and Metal Products	152	106
Textiles - Others	147	147
Gas/LNG (storage and pipeline)	145	77
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	22	11
Total	12,367	8,010

Industry wise Write-off's

Particulars	31 Dec 17
Other Industries	1
Total	1

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Industry wise General Provisions

Particulars	31 Dec 17
Banks	239
Infrastructure - Telecommunication	155
Construction	114
Retail Others	68
Metal and Metal Products	67
Financial Institutions	66
Non-Banking Financial Institutions/Companies	64
Other Industries	60
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	41
Vehicles, Vehicle Parts and Transport Equipments	41
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	40
Infrastructure - Energy - Oil/Gas/Liquefied Natural Gas (LNG) storage facility	38
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	29
Infrastructure - Transport - Ports	27
Trading Activity	25
Infrastructure - Electricity (generation-transportation and distribution)	23
All Engineering - Others	22
Food Processing - Edible Oils and Vanaspati	21
Basic Metal & Metal products - Iron and Steel	19
Rubber, Plastic and their Products	17
Food Processing - Others	17
Computer Software	16
Petro-chemicals	14
All Engineering - Electronics	9
Textiles - Others	8
Transport Operators	7
Other Services	6
Wood and Wood Products	4
Cement and Cement Products	3
Paper and Paper Products	3
Glass & Glassware	3
Textiles - Cotton	3
Food processing - Sugar	2

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Industry wise General Provisions (Continued)

Beverages	2
Wholesale Trade (other than Food Procurement)	1
Professional Services	1
Leather and Leather products	1
Food processing - Coffee	1
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers	1
Food Processing - Tea	1
Tourism, Hotel and Restaurants	1
Total	1,280

Industry wise Specific Provisions (net of write-backs)

Particulars	31 Dec 17
Paper and Paper Products	1,237
Infrastructure - Telecommunication	962
Basic Metal & Metal products - Iron and Steel	833
Construction	780
Trading Activity	164
Metal and Metal Products	106
Infrastructure - Electricity (generation-transportation and distribution)	103
Food Processing - Edible Oils and Vanaspati	76
Infrastructure - Energy - Oil/Gas/Liquefied Natural Gas (LNG) storage facility	55
Glass & Glassware	45
Other Industries	(2)
Computer Software	(16)
Beverages	(26)
Infrastructure - Social and Commercial Infrastructure -Education Institutions	(66)
Total	4,251

The Bank does not have overseas operations and hence amount of NPAs and past due loans are restricted to the domestic segment.

Basel III: Pillar 3 Disclosures (Continued)*as at 31 December 2017*

(Currency: Indian rupees in million)

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. The Bank uses both issue specific and issuer ratings. In accordance with RBI guidelines, for risk-weighting purposes, short-term ratings are deemed to be issue-specific.

Quantitative Disclosures

Categorization of Credit Exposures (Fund and Non Fund based) * classified on the basis of Risk Weightage is provided below:

Particulars	31 Dec 17
< 100 % Risk Weight	299,377
100 % Risk Weight	117,215
> 100 % Risk Weight	20,556
Total	437,148

* Credit Exposures are reported net of NPA provisions and provision for diminution in fair value of advances classified as Restructured Standard.

LEVERAGE RATIO

The leverage ratio has been calculated using the definitions of capital and total exposure. The Bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is as follows:

Particulars	31 Dec 17
Tier I Capital	39,462
Exposure Measure	626,150
Leverage Ratio	6.30%