

**Basel III: Pillar 3 Disclosures**
*as at 31 December 2013*

(Currency: Indian rupees in thousands)

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

The CRAR of the Bank is 14.53% 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.

***Quantitative disclosures***

Particulars	31 Dec 13
A Capital requirements for Credit Risk ( <i>Standardised Approach</i> )	<b>20,806,503</b>
B Capital requirements for Market Risk ( <i>Standardised Duration Approach</i> )	
- Interest rate risk	<b>4,386,114</b>
- Foreign exchange risk	<b>585,000</b>
- Equity risk	<b>-</b>
- Unearned Credit spreads	<b>631,231</b>
C Capital requirements for Operational risk ( <i>Basic Indicator Approach</i> )	<b>1,393,222</b>
D CET1 Capital Ratio (%)	<b>11.44 %</b>
E Tier1 Capital Ratio (%)	<b>11.44%</b>
F Total Capital Ratio (%)	<b>14.53%</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 2013*

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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.

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 13</b>
Fund Based (Gross Advances)	<b>171,402,476</b>
Non Fund Based *	<b>219,231,381</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 2013*

(Currency: Indian rupees in thousands)

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

Industry	31 Dec 13
Bank	27,454,879
Construction	19,572,950
Basic Metal & Metal products - Iron and Steel	11,165,779
Non-Banking Financial Institutions/Companies	8,270,464
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	7,481,613
All Engineering - Others	7,123,628
Beverages	6,682,511
Infrastructure - Transport - Roadways	6,160,609
Infrastructure - Electricity (generation-transportation and distribution)	5,908,294
Vehicles, Vehicle Parts and Transport Equipments	5,533,311
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	5,490,849
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers	5,386,231
Metal and Metal Products	4,939,999
Chemicals and Chemical Products (Dyes, Paints, etc.)	4,466,458
Infrastructure - Water sanitation	4,375,025
Other Industries	4,233,945
Paper and Paper Products	3,704,957
Other Services	2,657,827
Professional Services	2,590,670
Infrastructure - Telecommunication	2,562,735
All Engineering - Electronics	2,493,788
Mining and Quarrying - Others	2,339,677
Trading Activity	2,236,350
Food Processing	2,179,904
Rubber, Plastic and their Products	2,108,915
Infrastructure - Others - Others	1,800,000
Textiles - Others	1,689,596
Computer Software	1,380,976
Tourism, Hotel and Restaurants	1,345,224
Textiles - Cotton	1,335,537
Transport Operators	1,133,805
Glass & Glassware	1,050,000
Gems and Jewellery	1,000,000
Agriculture & allied activities	909,242
Coal	750,000
Cement and Cement Products	571,022
Food Processing - Edible Oils and Vanaspati	377,100
Wood and Wood Products	321,814
Infrastructure - Energy - others	272,329
Food Processing - Tea	187,226
Leather and Leather products	121,819
Infrastructure - Transport - Waterways	34,600
Residual Advances	818
<b>Total Credit Exposure</b>	<b>171,402,476</b>

**Basel III: Pillar 3 Disclosures (Continued)**
*as at 31 December 2013*

(Currency: Indian rupees in thousands)

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

Industry	31 Dec 13
Bank	144,813,628
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	8,037,645
Other Industries	7,113,559
Infrastructure - Electricity (generation-transportation and distribution)	7,017,022
Infrastructure - Energy - Oil/Gas/Liquefied Natural Gas (LNG) storage facility	5,623,391
Trading Activity	4,794,043
Vehicles, Vehicle Parts and Transport Equipments	3,388,513
Infrastructure - Telecommunication	3,066,402
Construction	2,952,317
Infrastructure - Energy - others	2,808,654
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers	2,771,296
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	2,541,910
Non-Banking Financial Institutions/Companies	2,499,410
Basic Metal & Metal products - Iron and Steel	2,363,069
Computer Software	2,123,594
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	1,991,026
Metal and Metal Products	1,887,877
Transport Operators	1,355,801
Rubber, Plastic and their Products	1,237,371
All Engineering - Electronics	1,158,670
Tourism, Hotel and Restaurants	987,185
Cement and Cement Products	985,808
Infrastructure - Transport - Roadways	939,242
All Engineering - Others	883,071
Other Services	816,526
Professional Services	740,956
Mining and Quarrying - Others	713,212
Food Processing - Others	621,380
Paper and Paper Products	472,912
Food Processing - Tea	313,018
Wholesale Trade (other than Food Procurement)	293,830
Beverages	246,425
Textiles - Cotton	209,369
Agriculture & allied activities	195,678
Petro-chemicals	195,322
Textiles - Others	181,081
Glass & Glassware	167,314
Food processing - Sugar	147,137
Infrastructure - Water sanitation	88,255
Drugs and Pharmaceuticals	86,855
Food Processing - Edible Oils and Vanaspati	84,880
Shipping	65,510
Food processing - Coffee	54,420
Iron and Steel	47,201
Wood and Wood Products	44,765
Oil (storage and pipeline)	42,475
Coal	36,866

**Basel III: Pillar 3 Disclosures (Continued)***as at 31 December 2013*

(Currency: Indian rupees in thousands)

Information & Technology/Communication	24,104
Manufacturing	1,386
<b>Total Credit Exposure</b>	<b>219,231,381</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 2013*

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**3. General Disclosures (Continued)**
**Maturity of Assets as at 31 December 2013**

Particulars	Cash	Balance with RBI	Balance with Banks	Investments	Loans & Advances	Fixed Assets	Other Assets
1 day	38,854	348,853	5,345,871	49,153,158	18,365,230	-	410,687
2-7 days	-	987,377	-	5,870,224	5,184,883	-	76,024
8-14 Days	-	801,667	-	1,702,032	15,092,138	-	126,312
15-28 Days	-	745,848	-	3,520,565	13,896,720	-	134,526
29 Days-3 Months	-	1,795,005	-	15,833,047	45,909,329	-	509,920
3-6 Months	-	1,242,571	-	5,826,309	36,174,177	-	417,334
6 Months - 1 Year	-	1,720,144	-	30,592,200	8,937,046	-	365,310
1-3 Years	-	478,652	-	8,407,736	12,646,884	-	559,430
3-5 Years	-	117,558	-	474,975	8,152,211	-	391,943
Over 5 Years	-	3,522,548	-	8,685,896	1,865,148	524,485	83,362,007
<b>Total</b>	<b>38,854</b>	<b>11,760,223</b>	<b>5,345,871</b>	<b>130,066,142</b>	<b>166,223,766</b>	<b>524,485</b>	<b>86,353,493</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 2013*

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

Particulars	31 Dec 13
Amount of NPAs (Gross)	<b>10,975,912</b>
Substandard	<b>7,629,395</b>
Doubtful 1	<b>2,010,608</b>
Doubtful 2	<b>1,189,611</b>
Doubtful 3	<b>146,300</b>
Loss	-

**Movement of NPAs and Provision for NPAs**

Particulars	31 Dec 13
<b>A</b> Amount of NPAs (Gross)	<b>10,975,912</b>
<b>B</b> Net NPAs	<b>5,797,206</b>
<b>C</b> NPA Ratios	
- Gross NPAs to gross advances (%)	<b>6.40%</b>
- Net NPAs to net advances (%)	<b>3.49%</b>
<b>D</b> Movement of NPAs (Gross)	
- Opening balance as of the beginning of the financial year	<b>5,820,327</b>
- Additions	<b>5,693,698</b>
- Reductions on account of recoveries/ write - offs	<b>538,113</b>
- Closing balance	<b>10,975,912</b>
<b>E</b> Movement of Provision for NPAs	
- Opening balance as of the beginning of the financial year	<b>2,530,690</b>
- Provision made during the year	<b>2,899,324</b>
- Write - offs / Write - back of excess provision	<b>251,309</b>
- Closing balance	<b>5,178,705</b>

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 13
Opening Balance	<b>3,549</b>
Add: Provisions Made During the Year	<b>240,455</b>
Less: Write off / Write back of Excess provisions during the Year	-
<b>Closing Balance</b>	<b>244,004</b>

**Basel III: Pillar 3 Disclosures (Continued)***as at 31 December 2013*

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**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:

<b>Particulars</b>	<b>31 Dec 13</b>
< 100 % Risk Weight	<b>85,800,551</b>
100 % Risk Weight	<b>45,690,786</b>
> 100 % Risk Weight	<b>34,732,429</b>
<b>Total</b>	<b>166,223,766</b>