

**Basel III: Pillar 3 Disclosures***as at 31 December 2016*

(Currency: Indian rupees in million)

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

The CRAR of the Bank is 17.64% as computed under Basel III norms, which is higher than the minimum regulatory CRAR requirement (including CCB) of 9.625%.

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 16
A Capital requirements for Credit Risk ( <i>Standardised Approach</i> ) *	26,530
B Capital requirements for Market Risk ( <i>Standardised Duration Approach</i> ) *	
- Interest rate risk	4,225
- Foreign exchange risk	360
- Equity risk	153
C Capital requirements for Operational risk ( <i>Basic Indicator Approach</i> ) *	1,554
D CET1 Capital Ratio (%)	12.34%
E Tier1 Capital Ratio (%)	12.34%
F Total Capital Ratio (%)	17.64%

\* Capital required is calculated at 8% of Risk Weighted Assets for CVA, Market Risk and Operational Risk and at 9.625% 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 16
Fund Based *	237,859
Non Fund Based **	182,337

\* Represents Gross Advances and Bank exposures.

\*\* 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.

**Basel III: Pillar 3 Disclosures**
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(Currency: Indian rupees in million)

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

Industry	31 Dec 16
Bank Backed *	85,371
Construction	21,441
Infrastructure - Telecommunication	14,010
Basic Metal & Metal products - Iron and Steel	9,448
Mining and Quarrying - Others	7,073
Vehicles, Vehicle Parts and Transport Equipments	5,970
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	5,941
Home Loans	5,852
Food Processing - Edible Oils and Vanaspati	4,911
Non-Banking Financial Institutions/Companies	4,865
Infrastructure - Energy - others	4,576
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	4,553
Infrastructure - Electricity (generation-transportation and distribution)	4,378
Paper and Paper Products	4,210
Infrastructure - Transport - Roadways	4,046
Food Processing - Others	3,896
Metal and Metal Products	3,783
Water sanitation	3,363
Other Services	3,053
Trading Activity	3,018
All Engineering - Electronics	2,731
Rubber, Plastic and their Products	2,399
Beverages	2,311
Transport Operators	2,192
All Engineering - Others	2,171
Retail Trade	1,642
Other Industries	1,459
Computer Software	1,386
Professional Services	1,104
Textiles - Others	1,076
Wholesale Trade (other than Food Procurement)	1,055
Loan Against Property	964
Wood and Wood Products	931
Social & Commercial Infrastructure	911
Textiles - Cotton	711
Tourism, Hotel and Restaurants	555
Tea	371
Glass & Glassware	299
Cement and Cement Products	286
Leather and Leather products	226
Coffee	162
Sugar	161
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers	45
Coal	43
<b>Total Credit Exposure (fund based)</b>	<b>237,859</b>

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

**Basel III: Pillar 3 Disclosures**
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(Currency: Indian rupees in million)

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

Industry	31 Dec 16
Banks	61,532
Financial Institutions	33,103
Infrastructure - Electricity (generation-transportation and distribution)	8,703
Non-Banking Financial Institutions/Companies	8,090
Metal and Metal Products	7,393
Trading Activity	5,678
Infrastructure - Energy - Oil/Gas/Liquefied Natural Gas (LNG) storage facility	5,031
Infrastructure - Transport - Ports	4,643
Retail Others	4,140
Other Services	3,967
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	3,235
All Engineering - Others	2,985
Cement and Cement Products	2,836
Vehicles, Vehicle Parts and Transport Equipments	2,782
Computer Software	2,738
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	2,703
Construction	2,222
Other Industries	2,109
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	2,084
Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers	1,909
Basic Metal & Metal products - Iron and Steel	1,856
Rubber, Plastic and their Products	1,666
All Engineering - Electronics	1,253
Infrastructure - Energy - others	1,137
Paper and Paper Products	1,125
Mining and Quarrying - Others	1,055
Professional Services	997
Infrastructure - Telecommunication	808
Food Processing - Others	758
Food Processing - Edible Oils and Vanaspati	615
Petro-chemicals	589
Infrastructure - Transport - Roadways	562
Wholesale Trade (other than Food Procurement)	465
Textiles - Others	392
Beverages	284
Wood and Wood Products	271
Transport Operators	219
Glass & Glassware	135
Food processing - Coffee	107
Food Processing - Tea	35
Food processing - Sugar	32
Infrastructure - Water sanitation	30
Coal	26

**Basel III: Pillar 3 Disclosures**

*as at 31 December 2016*

(Currency: Indian rupees in million)

**3. General Disclosures (*Continued*)**

*Quantitative Disclosures (Continued)*

**Industry wise Exposures (Non - Fund Based exposures)**

<b>Industry (<i>Continued</i>)</b>	<b>31 Dec 16</b>
Leather and Leather products	20
Tourism, Hotel and Restaurants	16
Infrastructure - Others	1
<b>Total Credit Exposure (non-fund based)</b>	<b>182,337</b>

**Basel III: Pillar 3 Disclosures**
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(Currency: Indian rupees in million)

**2. General Disclosures (*Continued*)**
**Maturity of Assets as at 31 December 2016**

Particulars	Cash	Balance with RBI	Balance with Banks	Investments	Loans & Advances (net of provisions)	Fixed Assets	Other Assets
1 day	126	104	6,374	10,112	3,374	-	588
2-7 days	-	8,457	-	123,628	14,160	-	2,942
8-14 Days	-	615	-	772	12,332	-	195
15-28 Days	-	480	-	1,675	16,969	-	281
29 Days-3 Months	-	1,245	-	861	29,030	-	468
3-6 Months	-	903	-	532	40,370	-	539
6 Months - 1 Year	-	1,007	1,359	1,483	26,593	-	427
1-3 Years	-	607	1,698	1,910	48,470	-	731
3-5Years	-	245	8,830	2,416	7,136	-	187
Over 5Years	-	4,082	-	4,613	11,163	610	48,846
<b>Total</b>	<b>126</b>	<b>17,744</b>	<b>18,261</b>	<b>148,001</b>	<b>209,597</b>	<b>610</b>	<b>55,203</b>

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)**
*as at 31 December 2016*

(Currency: Indian rupees in million)

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

Particulars	31 Dec 16
Amount of NPAs (Gross)	19,038
Substandard	7,285
Doubtful 1	5,559
Doubtful 2	5,610
Doubtful 3	584
Loss	-

**Movement of NPAs and Provision for NPAs**

Particulars	31 Dec 16
<b>A</b> Amount of NPAs (Gross)	19,038
<b>B</b> Net NPAs	9,090
<b>C</b> NPA Ratios	
- Gross NPAs to gross advances (%)	8.67%
- Net NPAs to net advances (%)	4.34%
<b>D</b> Movement of NPAs (Gross)	
- Opening balance as of the beginning of the financial year	16,327
- Additions	5,862
- Reductions on account of upgradations / recoveries / write - offs	3,151
- Closing balance	19,038
<b>E</b> Movement of Provision for NPAs	
- Opening balance as of the beginning of the financial year	8,661
- Provision made during the period	3,479
- Write – offs / Write – back of excess provision	2,192
- Closing balance	9,948

**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 16
Opening Balance	1,117
Add: Provisions Made During the period	62
Less: Write off / Write back of Excess provisions during the period	-
<b>Closing Balance</b>	<b>1,179</b>

**Basel III: Pillar 3 Disclosures (Continued)**
*as at 31 December 2016*

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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 16
<b>A</b> Amount of Non-Performing Investments (Gross)	485
<b>B</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 16
Opening Balance	24
Add: Provisions made during the year	7
Less: Write off / Write back of excess provisions during the period	-
<b>Closing Balance</b>	<b>31</b>

**Industry wise Past Due Loans**

Particulars	31 Dec 16
Basic Metal & Metal products - Iron and Steel	3,577
Glass & Glassware	249
Tourism, Hotel and Restaurants	177
Basic Metal & Metal products - Other Metal and Metal Products	108
Textiles - Others	108
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	22
Food Processing - Others	6
Trading Activity	1
<b>Total</b>	<b>4,248</b>

**Ageing of Past Due Loans**

Particulars	31 Dec 16
Overdue upto 30 Days	612
Overdue between 31 and 60 Days	114
Overdue between 61 and 90 Days	3,522
<b>Total</b>	<b>4,248</b>

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 2016*

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**Industry wise NPAs**

Particulars	Amount of NPA	Specific Provision
Water sanitation	3,363	1,830
Construction	2,900	1,350
Paper and Paper Products	2,668	800
Basic Metal & Metal products - Iron and Steel	2,247	427
Infrastructure - Electricity (generation-transportation and distribution)	1,741	1,396
Transport Operators	802	618
Infrastructure - Transport - Roadways	798	568
Social & Commercial Infrastructure	784	644
Textiles - Cotton	611	242
Food Processing - Edible Oils and Vanaspati	602	466
Retail Trade	489	279
Mining and Quarrying - Others	480	360
Computer Software	382	337
All Engineering - Electronics	296	113
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	282	134
Food Processing - Others	214	159
Textiles - Others	147	147
Infrastructure - Energy - others	144	22
Beverages	45	45
Coal	43	11
<b>Total</b>	<b>19,038</b>	<b>9,948</b>

**Industry wise General Provisions**

Particulars	31 Dec 16
Financial Institutions / Advances backed by Banks	304
Construction	137
Infrastructure - Telecommunication	95
Other Industries	86
Non-Banking Financial Institutions/Companies	67
Basic Metal & Metal products - Iron and Steel	44
Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals	37
Other Services	35
Infrastructure - Energy - Oil/Gas/Liquefied Natural Gas (LNG) storage facility	35
Vehicles, Vehicle Parts and Transport Equipments	32
Mining and Quarrying - Others	27
Beverages	22
Retail Others	20
Rubber, Plastic and their Products	17
Food Processing - Edible Oils and Vanaspati	17
Infrastructure - Transport - Roadways	17
Food Processing - Others	16
Metal and Metal Products	16
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	16
Chemicals and Chemical Products (Dyes, Paints, etc.) - Others	15
Trading Activity	14
Infrastructure - Transport - Ports	13
All Engineering - Others	12
Infrastructure - Electricity (generation-transportation and distribution)	11
Wholesale Trade (other than Food Procurement)	11

**Basel III: Pillar 3 Disclosures (Continued)**
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(Currency: Indian rupees in million)

**Industry wise General Provisions (Continued)**

Particulars	31 Dec 16
All Engineering - Electronics	10
Transport Operators	8
Paper and Paper Products	7
Wood and Wood Products	6
Petro-chemicals	5
Professional Services	5
Computer Software	4
Infrastructure - Energy - Others	4
Textiles - Others	3
Tourism, Hotel and Restaurants	2
Food Processing - Tea	2
Cement and Cement Products	2
Glass & Glassware	1
Leather and Leather products	1
Textiles - Spinning Mills	1
Food processing - Sugar	1
Infrastructure - Others	1
<b>Total</b>	<b>1,179</b>

**Industry wise Specific Provisions (net of write-backs) during the period**

Particulars	31 Dec 16
Paper and Paper Products	800
Construction	608
Infrastructure - Water sanitation	368
Coal	364
Food Processing - Edible Oils and Vanaspati	357
Trading Activity	278
Infrastructure - Electricity (generation-transportation and distribution)	190
Textiles - Cotton	151
Transport Operators	126
All Engineering - Electronics	80
Infrastructure - Transport - Roadways	79
Food Processing - Others	54
Infrastructure - Energy - Oil/Gas/Liquefied Natural Gas (LNG) storage facility	22
Other Industries	2
Infrastructure - Others	(4)
Basic Metal & Metal products - Iron and Steel	(10)
Beverages	(35)
Computer Software	(163)
<b>Total</b>	<b>3,267</b>

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

**Industry wise write-off's**

Particulars	31 Dec 16
All Engineering - Others	1,167
Coal	706
Infrastructure - Telecommunication	47
<b>Total</b>	<b>1,920</b>

**Basel III: Pillar 3 Disclosures (Continued)***as at 31 December 2016*

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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. 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:

<b>Particulars</b>	<b>31 Dec 16</b>
< 100 % Risk Weight	273,900
100 % Risk Weight	113,947
> 100 % Risk Weight	22,348
<b>Total</b>	<b>410,195</b>

\* Credit Exposures are reported net of NPA provisions and provision for diminution in fair value of restructured advances classified as 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:

<b>Particulars</b>	<b>31 Dec 16</b>
Tier I Capital @	42,286
Exposure Measure	596,578
<b>Leverage Ratio</b>	<b>7.09%</b>

@ Net of Capital Conservation Buffer (CCB)