

**Basel III: Pillar 3 Disclosures***as at 31 December 2015*

(Currency: Indian rupees in million)

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

The CRAR of the Bank as at 31<sup>st</sup> December 2015 is 15.92% 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. Impact of economic environment has 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 15 |
|-------------|---|-----------|
| A           | Capital requirements for Credit Risk ( <i>Standardised Approach</i> )*          | 20,375    |
| B           | Capital requirements for Market Risk ( <i>Standardised Duration Approach</i> )* |           |
|             | - Interest rate risk  | 3,867     |
|             | - Foreign exchange risk   | 360       |
|             | - Equity risk   | 24        |
| C           | Capital requirements for Operational risk ( <i>Basic Indicator Approach</i> )*  | 1,613     |
| D           | CET1 Capital Ratio (%)  | 9.84%     |
| E           | Tier1 Capital Ratio (%)   | 9.84%     |
| F           | Total Capital Ratio (%)   | 15.92%    |

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

**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 2015*

(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. NPA's are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

***Quantitative Disclosures*****Credit Exposure**

| <b>Particulars</b> | <b>31 Dec 15</b> |
|--------------------|------------------|
| Fund Based *       | 163,059          |
| Non Fund Based **  | 163,348          |

\* 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.

**Basel III: Pillar 3 Disclosures (Continued)**
*as at 31 December 2015*

(Currency: Indian rupees in million)

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

| Industry   | 31 Dec 15      |
|--|----------------|
| Bank *   | 32,371         |
| Construction   | 21,438         |
| Basic Metal & Metal products - Iron and Steel                                    | 8,879          |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers               | 8,771          |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals | 8,491          |
| Vehicles, Vehicle Parts and Transport Equipments                                 | 6,248          |
| Infrastructure - Telecommunication   | 6,191          |
| Food Processing - Edible Oils and Vanaspati                                      | 5,511          |
| Mining and Quarrying - Others  | 5,108          |
| Infrastructure - Transport - Roadways  | 4,575          |
| Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels              | 4,311          |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Others                    | 4,185          |
| Paper and Paper Products   | 4,075          |
| Non-Banking Financial Institutions/Companies                                     | 3,615          |
| All Engineering - Others   | 3,512          |
| Water sanitation   | 3,173          |
| Rubber, Plastic and their Products   | 2,668          |
| Food Processing - Others   | 2,567          |
| Infrastructure - Energy - others   | 2,446          |
| All Engineering - Electronics  | 2,307          |
| Transport Operators  | 2,206          |
| Home Loans   | 1,981          |
| Computer Software  | 1,901          |
| Infrastructure - Electricity (generation-transportation and distribution)        | 1,741          |
| Trading Activity   | 1,601          |
| Beverages  | 1,557          |
| Tourism, Hotel and Restaurants   | 1,418          |
| Other Industries   | 1,274          |
| Social & Commercial Infrastructure   | 1,221          |
| Metal and Metal Products   | 1,202          |
| Professional Services  | 986            |
| Glass & Glassware  | 879            |
| Other Services   | 777            |
| Coal   | 749            |
| Wood and Wood Products   | 538            |
| Textiles - Others  | 414            |
| Textiles - Cotton  | 406            |
| Loan Against Property  | 386            |
| Tea  | 373            |
| Aviation   | 299            |
| Cement and Cement Products   | 238            |
| Retail Trade   | 133            |
| Agriculture & allied activities  | 120            |
| Wholesale Trade (other than Food Procurement)                                    | 109            |
| Sugar  | 96             |
| Gems and Jewellery   | 12             |
| <b>Total Credit Exposure (fund based)</b>  | <b>163,059</b> |

\* Represents lending which is backed by Bank guarantee.

**Basel III: Pillar 3 Disclosures (Continued)**
*as at 31 December 2015*

(Currency: Indian rupees in million)

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

| Industry   | 31 Dec 15      |
|--|----------------|
| Exposure to Banks  | 56,622         |
| Financial Institutions   | 25,191         |
| Metal and Metal Products   | 7,562          |
| Trading Activity   | 6,838          |
| Infrastructure - Energy - Oil/Gas/Liquefied Natural Gas (LNG) storage facility   | 6,315          |
| Non-Banking Financial Institutions/Companies                                     | 5,818          |
| Infrastructure - Electricity (generation-transportation and distribution)        | 4,658          |
| Vehicles, Vehicle Parts and Transport Equipments                                 | 4,453          |
| Infrastructure - Transport - Ports   | 4,330          |
| Retail Others  | 4,131          |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Others                    | 3,671          |
| Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels              | 2,924          |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers               | 2,895          |
| Infrastructure - Energy - others   | 2,717          |
| Other Industries   | 2,462          |
| All Engineering - Others   | 2,432          |
| Construction   | 2,258          |
| Infrastructure - Telecommunication   | 1,952          |
| Basic Metal & Metal products - Iron and Steel                                    | 1,715          |
| Other Services   | 1,672          |
| Rubber, Plastic and their Products   | 1,555          |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals | 1,202          |
| Food Processing - Edible Oils and Vanaspati                                      | 1,180          |
| All Engineering - Electronics  | 1,111          |
| Cement and Cement Products   | 913            |
| Tourism, Hotel and Restaurants   | 882            |
| Computer Software  | 860            |
| Paper and Paper Products   | 815            |
| Mining and Quarrying - Others  | 600            |
| Professional Services  | 561            |
| Infrastructure - Transport - Roadways  | 529            |
| Beverages  | 414            |
| Glass & Glassware  | 342            |
| Petro-chemicals  | 309            |
| Food Processing - Others   | 307            |
| Textiles - Others  | 271            |
| Transport Operators  | 245            |
| Infrastructure - Others  | 238            |
| Wholesale Trade (other than Food Procurement)                                    | 210            |
| Wood and Wood Products   | 104            |
| Food Processing - Tea  | 46             |
| Agriculture & allied activities  | 24             |
| Aviation   | 12             |
| Textiles - Spinning Mills  | 1              |
| Food processing - Sugar  | 1              |
| <b>Total Credit Exposure (non-fund based)</b>                                    | <b>163,348</b> |

**Basel III: Pillar 3 Disclosures (Continued)**
*as at 31 December 2015*

(Currency: Indian rupees in million)

**2. General Disclosures (Continued)**
**Maturity of Assets as at 31 December 2015**

| Particulars       | Cash      | Balance with RBI | Balance with Banks | Investments    | Loans & Advances<br>(net of provisions) | Fixed Assets | Other Assets  |
|-------------------|-----------|------------------|--------------------|----------------|---|--------------|---------------|
| 1 day             | 41        | 82               | 403                | 63,844         | 11,006                                  | -            | 18,547        |
| 2-7 days          | -         | 692              | -                  | 3,744          | 3,710                                   | -            | 145           |
| 8-14 Days         | -         | 476              | -                  | 2,518          | 9,041                                   | -            | 74            |
| 15-28 Days        | -         | 519              | -                  | 2,746          | 16,929                                  | -            | 491           |
| 29 Days-3 Months  | -         | 1,216            | -                  | 6,437          | 35,816                                  | -            | 1,986         |
| 3-6 Months        | -         | 296              | -                  | 1,569          | 32,345                                  | -            | 2,057         |
| 6 Months - 1 Year | -         | 117              | -                  | 620            | 12,275                                  | -            | 3,399         |
| 1-3 Years         | -         | 441              | 1,654              | 3,588          | 7,223                                   | -            | 7,329         |
| 3-5Years          | -         | 108              | 3,308              | 1,743          | 9,702                                   | -            | 1,148         |
| Over 5Years       | -         | 4,022            | -                  | 22,336         | 15,551                                  | 657          | 11,002        |
| <b>Total</b>      | <b>41</b> | <b>7,968</b>     | <b>5,364</b>       | <b>109,145</b> | <b>153,599</b>                          | <b>657</b>   | <b>46,178</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 2015*

(Currency: Indian rupees in million)

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

| Particulars            | 31 Dec 15 |
|------------------------|-----------|
| Amount of NPAs (Gross) | 15,320    |
| Substandard            | 3,051     |
| Doubtful 1             | 6,531     |
| Doubtful 2             | 4,806     |
| Doubtful 3             | 749       |
| Loss                   | 183       |

**Movement of NPAs and Provision for NPAs**

| Particulars   | 31 Dec 15 |
|---|-----------|
| <b>A</b> Amount of NPAs (Gross)                             | 15,320    |
| <b>B</b> Net NPAs   | 6,414     |
| <b>C</b> NPA Ratios   |           |
| - Gross NPAs to gross advances (%)                          | 9.42%     |
| - Net NPAs to net advances (%)                              | 4.18%     |
| <b>D</b> Movement of NPAs (Gross)                           |           |
| - Opening balance as of the beginning of the financial year | 12,839    |
| - Additions   | 3,107     |
| - Reductions on account of recoveries/ write - offs         | 626       |
| - Closing balance   | 15,320    |
| <b>E</b> Movement of Provision for NPAs                     |           |
| - Opening balance as of the beginning of the financial year | 6,263     |
| - Provision made during the year                            | 2,998     |
| - Write - offs / Write - back of excess provision           | 355       |
| - Closing balance   | 8,906     |

**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 provision (including UFCE) is detailed below:

| Particulars   | 31 Dec 15  |
|---|------------|
| Opening Balance   | 1,085      |
| Add: Provisions Made During the Year                              | -          |
| Less: Write off / Write back of Excess provisions during the Year | 115        |
| <b>Closing Balance</b>  | <b>970</b> |

**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 15  |
|---|------------|
| <b>A</b> Amount of Non-Performing Investments (Gross)             | <b>113</b> |
| <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 15 |
|---|-----------|
| Opening Balance   | 22        |
| Add: Provisions Made During the Year                              | 6         |
| Less: Write off / Write back of Excess provisions during the Year | -         |
| <b>Closing Balance</b>  | <b>28</b> |

**Industry wise Past Due Loans**

| Particulars  | 31 Dec 15    |
|--|--------------|
| Construction   | 2,635        |
| Basic Metal & Metal products - Iron and Steel                                    | 2,220        |
| Infrastructure - Transport - Roads & Bridges                                     | 1,884        |
| Construction   | 737          |
| Infrastructure - Transport - Roads & Bridges                                     | 445          |
| Textiles - Cotton - Spinning Mills   | 406          |
| Glass & Glassware  | 299          |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Others                    | 200          |
| Basic Metal & Metal products - Iron and Steel                                    | 100          |
| All Engineering - Others   | 100          |
| Tourism, Hotel and Restaurants   | 97           |
| Basic Metal & Metal products - Other Metal and Metal Products                    | 86           |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals | 54           |
| Food Processing - Others   | 10           |
| <b>Total</b>   | <b>9,273</b> |

**Ageing of Past Due Loans**

| Particulars                    | 31 Dec 15    |
|--------------------------------|--------------|
| Overdue upto 30 Days           | 1,587        |
| Overdue between 31 and 60 Days | 2,761        |
| Overdue between 61 and 90 Days | 4,925        |
| <b>Total</b>                   | <b>9,273</b> |

**Basel III: Pillar 3 Disclosures (Continued)**
*as at 31 December 2015*

(Currency: Indian rupees in million)

**Industry wise NPAs**

| <b>Particulars</b>   | <b>Amount of NPA</b> | <b>Specific Provision</b> |
|--|----------------------|---------------------------|
| Water sanitation   | 3,173                | 1,350                     |
| Infrastructure - Electricity (generation-transportation and distribution)        | 1,741                | 777                       |
| Infrastructure - Transport - Roadways  | 1,245                | 905                       |
| All Engineering - Others   | 1,167                | 1,167                     |
| Social & Commercial Infrastructure   | 1,153                | 751                       |
| Tourism, Hotel and Restaurants   | 1,113                | 446                       |
| Computer Software  | 983                  | 912                       |
| Transport Operators  | 802                  | 284                       |
| Coal   | 749                  | 353                       |
| Construction   | 713                  | 405                       |
| Mining and Quarrying - Others  | 489                  | 366                       |
| Food Processing - Edible Oils and Vanaspati                                      | 316                  | 109                       |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals | 282                  | 113                       |
| Metal and Metal Products   | 221                  | 221                       |
| All Engineering - Electronics  | 218                  | 33                        |
| Food Processing - Others   | 213                  | 105                       |
| Rubber, Plastic and their Products   | 212                  | 212                       |
| Vehicles, Vehicle Parts and Transport Equipments                                 | 183                  | 183                       |
| Textiles - Others  | 147                  | 76                        |
| Beverages  | 142                  | 80                        |
| Infrastructure - Telecommunication   | 49                   | 49                        |
| Basic Metal & Metal products - Iron and Steel                                    | 9                    | 9                         |
| <b>Total</b>   | <b>15,320</b>        | <b>8,906</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 2015*

(Currency: Indian rupees in million)

**Industry wise General Provisions**

| Particulars  | 31 Dec 15  |
|--|------------|
| Construction   | 219        |
| Financial Institutions / Advances backed by Banks                                | 191        |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals | 53         |
| Basic Metal & Metal products - Iron and Steel                                    | 46         |
| Vehicles, Vehicle Parts and Transport Equipments                                 | 44         |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Fertilisers               | 36         |
| Infrastructure - Energy - Oil/Gas/Liquefied Natural Gas (LNG) storage facility   | 27         |
| Non-Banking Financial Institutions/Companies                                     | 26         |
| Infrastructure - Telecommunication   | 25         |
| Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels              | 24         |
| Food Processing - Edible Oils and Vanaspati                                      | 21         |
| Retail Others  | 21         |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Others                    | 20         |
| Mining and Quarrying - Others  | 19         |
| Infrastructure - Transport - Roadways  | 17         |
| Paper and Paper Products   | 17         |
| Beverages  | 17         |
| Rubber, Plastic and their Products   | 15         |
| All Engineering - Electronics  | 14         |
| All Engineering - Others   | 13         |
| Food Processing - Others   | 12         |
| Other Industries   | 11         |
| Trading Activity   | 10         |
| Infrastructure - Energy - Others   | 9          |
| Infrastructure - Transport - Ports   | 8          |
| Professional Services  | 6          |
| Coal   | 6          |
| Transport Operators  | 6          |
| Metal and Metal Products   | 5          |
| Tourism, Hotel and Restaurants   | 5          |
| Computer Software  | 4          |
| Glass & Glassware  | 4          |
| Other Services   | 3          |
| Petro-chemicals  | 3          |
| Textiles - Cotton  | 2          |
| Textiles - Others  | 2          |
| Wood and Wood Products   | 2          |
| Cement and Cement Products   | 2          |
| Infrastructure - Electricity (generation-transportation and distribution)        | 2          |
| Food Processing - Tea  | 2          |
| Aviation   | 1          |
| Wholesale Trade (other than Food Procurement)                                    | 1          |
| <b>Total</b>   | <b>970</b> |

**Basel III: Pillar 3 Disclosures (*Continued*)**
*as at 31 December 2015*

(Currency: Indian rupees in million)

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

| Particulars  | 31 Dec 15    |
|--|--------------|
| Infrastructure - Water sanitation  | 529          |
| Infrastructure - Electricity (generation-transportation and distribution)        | 506          |
| Infrastructure - Transport - Roadways  | 408          |
| Coal   | 353          |
| Transport Operators  | 284          |
| Tourism, Hotel and Restaurants   | 166          |
| Mining and Quarrying - Others  | 122          |
| Food Processing - Edible Oils and Vanaspati                                      | 109          |
| Food Processing - Others   | 105          |
| Beverages  | 80           |
| Infrastructure - Others  | 69           |
| Construction   | 61           |
| Rubber, Plastic and their Products   | 53           |
| Computer Software  | 53           |
| Metal and Metal Products   | 44           |
| All Engineering - Electronics  | 33           |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Drugs and Pharmaceuticals | 22           |
| Infrastructure - Telecommunication   | (10)         |
| Infrastructure - Transport - Inland Waterways                                    | (14)         |
| Basic Metal & Metal products - Iron and Steel                                    | (33)         |
| <b>Total</b>   | <b>2,940</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 during the current period**

| Particulars   | 31 Dec 15  |
|---|------------|
| Computer Software   | 101        |
| Infrastructure - Communication - Telecommunication and Telecom Services | 90         |
| Infrastructure - Transport - Roads & Bridges                            | 52         |
| Chemicals and Chemical Products (Dyes, Paints, etc.) - Others           | 29         |
| Basic Metal & Metal products - Iron and Steel                           | 19         |
| <b>Total</b>  | <b>291</b> |

**Basel III: Pillar 3 Disclosures (Continued)***as at 31 December 2015*

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

| <b>Particulars</b>  | <b>31 Dec 15</b> |
|---------------------|------------------|
| < 100 % Risk Weight | 192,505          |
| 100 % Risk Weight   | 108,524          |
| > 100 % Risk Weight | 16,310           |
| <b>Total</b>        | <b>317,339</b>   |

\* 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:

| <b>Particulars</b>    | <b>31 Dec 15</b> |
|-----------------------|------------------|
| Tier I Capital        | <b>29,881</b>    |
| Exposure Measure      | <b>453,956</b>   |
| <b>Leverage Ratio</b> | <b>6.58%</b>     |