The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

Basel III – Pillar 3 disclosures of India Branches

For the period ended 30 September 2014

1 Scope of Application

The capital adequacy framework applies to The Hongkong and Shanghai Banking Corporation Limited – India Branches (the Bank). The Bank has a subsidiary, HSBC Agency (India) Private Limited, which is consolidated in line with AS 21 and full capital deduction is taken for stand-alone financials. The Bank does not have any other Group company where a pro-rata consolidation is done or any deduction is taken. The Bank holds minority interests (2.07% shareholding) in a Group entity HSBC Professional Services (India) Private Limited which is neither consolidated nor is capital deducted. The investment in this company is appropriately risk weighted.

(i) Capital in all subsidiaries not included in the consolidation

The aggregate amount of capital held by the Bank in HSBC Agency (India) Private Limited of Rs. 0.2 million is not included in the consolidation and is deducted from capital.

(ii) Bank's total interest in insurance entities

The Bank has no interest in any of the insurance entities of the Group.

(iii) List of Group entities in India not considered for consolidation both under the accounting and regulatory scope of consolidation :

(Rs '000)

Name of Entity /Country of Incorporation	Principle activity of the entity	Total balance sheet equity*	Total balance sheet assets*
HSBC Asset Management (India) Private Limited	Asset management/portfolio management	542,000	786,195
HSBC Bank Oman S.A.O.G, India branch	Banking branch	1,585,136	3,410,475
HSBC Electronic Data Processing India Private Limited	Back office / data processing / call centre activities	3,554,678	20,846,270
HSBC Global Shared Services (India) Private Limited	Non-operating company	25,000	47,131
HSBC InvestDirect (India) Limited	Holding company for HSBC InvestDirect Group.	712,712	4,963,150
HSBC InvestDirect Employees' Welfare Trust	Non-operating company	15	30,225
HSBC InvestDirect Financial Services (India) Limited	Non-banking Finance company.	1,462,847	4,621,514
HSBC InvestDirect Sales & Marketing (India) Limited	Non-operating company	101,158	132,683
HSBC InvestDirect Securities (India) Limited.	Retail securities broking and related activities (Discontinued).	Equity - 875,112 0.001% Compulsory Convertible Preference shares - 870,000	258,550
HSBC Professional Services (India) Private Limited	Providing internal audit services to Group companies	4,838	139,917
HSBC Securities and Capital Markets (India) Private Limited	Stock broking and corporate finance & advisory	Equity - 4,701,139 Preference – 250,000	6,708,755

HSBC Software Development (India) Private Limited	Software design, development and maintenance	327,260	19,357,830
Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited	Life insurance	9,500,000	89,672,353

* As stated in the accounting balance sheet of the legal entity as at 31 March 2014
Note 1: The Bank does not hold any stake in the total equity of the entities mentioned above with the exception of HSBC Professional Services (India) Private Limited.
Note 2: Since the Bank does not hold any stake in the total equity of the entities, the same have not been considered for any regulatory treatment.

2 Capital Adequacy & Structure

a. Capital Structure

(i) Composition of Tier 1 capital

(Rs '000)

	At 30 Sep 2014
Capital	**44,991,660**
Eligible Reserves	**95,113,300**
Less: Deductions from Tier I Capital	**(6,361,389)**
- Intangible Assets (Deferred Tax Asset)	**(5,651,811)**
- Investment in subsidiaries in India	**(200)**
- Debit Value Adjustments (DVA) (note 1)	**(607,825)**
- Defined Benefit Pension Fund Asset	**(101,553)**
Tier I Capital	**133,743,571**
Of Which Common Equity Tier I Capital	**133,743,571**
Additional Tier I Capital	**-**
Total Tier I Capital	**133,743,571**

Note 1: In line with the Master Circular – Basel-III Capital Regulations dated 1 July 2013 the Bank has deducted DVA from Tier 1 capital

2 Capital Adequacy & Structure *(Continued)*

a. Capital Structure *(continued)*

(ii) Tier 2 capital

(Rs '000)

	At 30 Sep 2014
Property revaluation reserves	**3,591,373**
General Loss Provisions / Other Eligible Reserves	**9,557,671**
Total Tier II Capital	**13,149,044**

(iii) Debt capital instruments in Tier 2 capital

No debt capital instruments are included in Tier 2 capital.

(iv) Subordinated debt in Tier 2 capital

There is no amount outstanding in respect of subordinated debt as at 30 September 2014.

(v) Other deductions from capital

There are no other deductions from capital.

(vi) Total eligible capital

The total eligible capital is Rs.146,893 million.

b. Capital Adequacy

The Bank's capital management framework is shaped by its structure, business model and strategic direction. There is a continuing need to focus on 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 light of the economic environment and advent of Basel III. The Basel III capital rules became effective from 1 April 2013 and the capital charge for Credit Valuation Adjustment (CVA) for over the counter derivatives and Unhedged Foreign Currency Exposures (UFCE) became effective from 1 April 2014 and 30 June 2014, respectively.

We continue to monitor developments and believe that our current robust capital adequacy position means we are well placed for continuing compliance with the Basel III framework.

The Bank maintains a strong discipline over capital allocation and ensures that returns on investment cover capital costs.

2 Capital Adequacy & Structure *(Continued)*

b. Capital Adequacy *(Continued)*

(i) Capital requirements for Credit Risk, Market Risk and Operational Risk

(Rs '000)

	At 30 Sep 2014
I. Capital required for Credit Risk	**70,473,257**
- For portfolios subject to Standardised approach	70,473,257
II. Capital required for Market Risk (Standard Duration Approach)	**11,920,195**
- Interest rate risk	**10,645,015**
- Foreign exchange risk	**720,000**
- Equity risk	**92,607**
- Securitisation exposure	**462,574**
III. Capital required for Operational Risk (Basic Indicator Approach)	**8,525,654**
Total capital requirement (I + II + III)	**90,919,106**
Total capital funds of the Bank	**146,892,615**
Total risk weighted assets	**1,010,212,292**
Consolidated total capital ratio	**14.54%**
Consolidated Common Equity Tier I Capital Ratio	**13.24%**
Consolidated Tier I capital ratio	**13.24%**

There is no significant subsidiary for which the above disclosure is required.

3 Credit risk:

a. General

Credit Risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance, marked-to-market exposure from derivative contracts and certain off-balance sheet products such as guarantees and from the Bank's holdings of assets in the form of debt securities.

The principal objectives of our credit risk management function are:

- to maintain across HSBC a strong culture of responsible lending, and a robust credit risk policy and control framework;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation

Strategy and Processes

The HSBC Group Head Office formulates high-level risk management policies for the HSBC Group worldwide. The Bank has formulated local credit guidelines consistent with HSBC policy and Reserve Bank of India's (RBI) guidelines. The Bank's risk management policies and procedures are subject to a high degree of oversight and guidance to ensure that all types of risk are systematically identified, measured, analysed and actively managed.

The Bank has standards, policies and procedures dedicated to the monitoring and management of credit risk, which include the following:

- Establish a separate Risk Management unit independent of business with a matrix of delegated approval authorities for the approval of credit risks.
- Establish and maintain the exposure norms policy. This policy delineates the Bank's maximum exposures to individual customers, customer groups and other risk concentrations. This policy also ensures compliance with the ceilings and lending guidelines relating to specific market sectors and industries.
- Establish and monitor the credit appetite for particular sectors and the minimum criteria that must be met by new customers.
- A Risk Management Committee (RMC) consisting of senior executives, which reviews overall portfolio risks and key risks facing the Bank in India.
- Undertake independent review and objective assessment of the credit risk. All commercial non-bank credit facilities originated are subject to review prior to the facilities being committed to customers.
- Control exposures to banks and other financial institutions. The Group's credit and settlement risk limits to counterparties in the finance and government sectors are designed to optimise the use of credit availability and avoid excessive risk concentration.

3 Credit risk: *(Continued)*

a. General *(Continued)*

Strategy and Processes ***(Continued)***

- Manage exposures to debt securities by establishing controls in respect of the liquidity of securities held for trading and setting issuer limits for financial investments. Separate portfolio limits are established for asset-backed securities and similar instruments.
- Control cross-border exposures to manage country and cross-border risk through the imposition of country limits with sub-limits by maturity and type of business.
- Maintain and develop HSBC's risk rating framework and systems in order to classify exposures meaningfully and facilitate focused management of the risks involved. Rating methodologies are based upon a wide range of financial analytics together with market data-based tools, which are core inputs to the assessment of customer risk. For larger facilities, while full use is made of automated risk rating processes, the ultimate responsibility for setting risk ratings rests with the final approving executive. Risk grades are reviewed frequently and amendments, where necessary, are implemented promptly.

Structure and Organisation

Credit approval authorities are delegated from the Chief Risk Officer at the Regional Head Office in Hong Kong to the Chief Executive Officer, India and the Chief Risk Officer, India. The Chief Risk Officer in India maintains a strong functional reporting line to the Chief Risk Officer in Hong Kong.

The Risk Management function is responsible for the quality and performance of its credit portfolios and for monitoring and controlling all credit risks in its portfolios, including those subject to approval by the Regional Head Office in Hong Kong.

Scope and nature of risk reporting, measurement, monitoring and mitigation

The Bank manages and directs credit risk management systems initiatives. HSBC has constructed a centralized database covering substantially all of the Group's direct lending exposures, to deliver an increasingly granular level of management reporting.

The Bank is required to maintain regular reporting on its credit risk portfolio, to include information on large credit exposures, concentrations, industry exposures, levels of impairment provisioning and country exposures.

Non-performing advances

Non-performing advances are identified by periodic appraisals of the portfolio by management or in accordance with RBI guidelines, whichever is earlier.

Specific provisions are made on a case-by-case basis based on management's assessment of the degree of impairment of the advances (other than homogeneous unsecured retail loans), subject to the minimum provisioning levels prescribed by the RBI. When there is no longer any realistic prospect of recovery, the outstanding advance is written off.

3 Credit risk: *(Continued)*

a. General *(Continued)*

Non-performing advances *(Continued)*

Special attention is paid to problem exposures, which are subject to more frequent and intensive review and reporting, in order to accelerate remedial action. The bank engages with customers closely to work out of distress situations.

Subject to the minimum provisioning levels prescribed by the RBI, the provision on homogeneous unsecured loans relating to retail business is assessed on a portfolio basis using the historical loss and/or net flow rate method.

b. Quantitative disclosures for portfolios under the standardised approach

(i) Total gross credit risk exposures by geography

(Rs '000)

	Fund based [Note 1]	Non fund based [Note 2]	At 30 Sep 2014 Total
Overseas	-	-	-
Domestic	570,069,595	567,765,409	1,137,835,004
Total	570,069,595	567,765,409	1,137,835,004

Note 1: Amount represents funded exposure before credit risk mitigants.

Note 2: Amount represents non-funded exposure after applying credit conversion factor and before credit risk mitigants.

3 Credit risk: *(Continued)*

b. Quantitative disclosures for portfolios under the standardized approach *(Continued)*

(ii) Industry type distribution of exposures as at 30 September 2014

(Rs '000)

Industry	Fund based	Non Fund based	Total
Mining and Quarrying	27	37,242	37,269
Food Processing	4,570,770	3,309,892	7,880,662
Beverages and Tobacco	5,859,914	2,313,081	8,172,995
Textiles	4,773,745	6,071,016	10,844,761
Leather and Leather products	110,162	2,453	112,615
Wood and Wood Products	118,891	565	119,456
Paper and Paper Products	6,849,174	853,099	7,702,273
Petroleum	1,457,254	27,535,161	28,992,415
Chemicals and Chemical Products	47,933,990	56,564,592	104,498,582
Rubber, Plastic and their Products	7,126,783	2,967,543	10,094,326
Glass & Glassware	2,754,223	1,192,784	3,947,007
Cement and Cement Products	8,049,175	2,911,851	10,961,026
Basic Metal and Metal Products	13,351,157	26,837,764	40,188,921
All Engineering	21,419,561	35,341,257	56,760,818
Vehicles and Transport Equipments	18,230,121	20,160,315	38,390,436
Gems and Jewellery	308,245	2,480	310,725
Construction	27,922,254	1,595,971	29,518,225
Infrastructure	34,151,877	62,546,198	96,698,075
NBFCs and trading	42,765,162	24,166,543	66,931,705
Banking and finance	58,909,452	155,389,749	214,299,201
Computer Software	306,633	40,973,782	41,280,415
Other Industries	173,140,281	86,788,543	259,928,824
Retail	89,960,744	10,203,528	100,164,272
Total	570,069,595	567,765,409	1,137,835,004

3 Credit risk: *(Continued)*

b. Quantitative disclosures for portfolios under the standardised approach *(Continued)*

(iii) Residual contractual maturity breakdown of total assets

(Rs'000)

	At 30 Sep 2014
1 day	**220,980,073**
2 to 7 days	**32,790,846**
8 to 14 days	**27,404,700**
15 to 28 days	**61,423,272**
29 days & up to 3 months	**162,948,298**
Over 3 months and up to 6 months	**120,322,615**
Over 6 months and up to 1 year	**183,209,468**
Over 1 year and up to 3 years	**163,848,479**
Over 3 years and up to 5 years	**110,402,435**
Over 5 years	**145,456,371**
Total	**1,228,786,557**

(iv) Amount of Non-Performing Assets (NPAs) (Gross)

(Rs'000)

	At 30 Sep 2014
Substandard	1,327,719
Doubtful 1	923,400
Doubtful 2	2,476,726
Doubtful 3	1,144,049
Loss	703,070
Total	**6,574,964**

(v) Net NPAs

The net NPAs are Rs.681 million. Please see table (vii) below.

(vi) NPA ratios

	At 30 Sep 2014
Gross NPAs to gross advances	**1.53%**
Net NPAs to net advances	**0.16%**

3 Credit risk: *(Continued)*

b. Quantitative disclosures for portfolios under the standardised approach *(Continued)*

(vii) Movement of NPAs

(Rs'000)

	At 30 Sep 2014		
	Gross NPA's	**Provision**	**Net NPA**
Opening balance as at 1 April 2014	**6,723,518**	**5,625,195**	**1,098,323**
Additions during the period	**1,144,860**	**316,570**	**828,290**
Reductions during the period	**(1,293,414)**	**(47,690)**	**(1,245,724)**
Closing balance as at 30 Sept 2014	**6,574,964**	**5,894,075**	**680,889**

(viii) Non-performing investments

Non-performing investments as at 30 Sept 2014 are Rs. 3 (as at 31 March 2014 Rs. 3).This represents 3 preference share investments which have each been written down to Rs.1 .

(ix) Movement of provisions for depreciation on investments

(Rs'000)

	At 30 Sep 2014
Opening balance	**662,401**
Provisions during the year	-
Write offs during the year	-
Write back of excess provisions during the year	(618,244)
Closing balance	**44,157**

4. Disclosures for portfolios under the standardised approach

The Bank uses the following External Credit Assessment Institutions (ECAIs) approved by RBI to calculate its capital adequacy requirements under the standardised approach to credit risk for Corporate, Bank and Sovereign counterparties.

Domestic ECAIs for external ratings of Indian Corporates:

a) Credit Analysis and Research Limited (CARE)

b) CRISIL Limited

c) India Ratings and Research Private Limited (FITCH)

d) ICRA Limited

e) Brickwork Ratings India Private Limited

The Bank used the ratings issued by the ECAIs (for both long term and short term facilities) to risk weight both funded as well as non-funded exposures to corporate customers.

The process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in line with RBI's Prudential Guidelines on Capital Adequacy and Market Discipline issued on 1 July 2013.

The mapping of external credit ratings and risk weights for corporate exposures is provided in the grids below:

Risk weight mapping of long term corporate ratings

Long term ratings	Risk weights
AAA	20%
AA	30%
A	50%
BBB	100%
BB & Below	150%
Unrated	100%

Risk weight mapping of short term corporate ratings

		Short Term Ratings			Risk weights
CARE	**CRISIL**	**FITCH**	**ICRA**	**BRICKWORK**	
CARE A1	CRISIL A1	FITCH A1	ICRA A1	BRICKWORK A1	30%
CARE A2	CRISIL A2	FITCH A2	ICRA A2	BRICKWORK A2	50%
CARE A3	CRISIL A3	FITCH A3	ICRA A3	BRICKWORK A3	100%
CARE A4	CRISIL A4	FITCH A4	ICRA A4	BRICKWORK A4	150%
CARE D	CRISIL D	FITCH D	ICRA D	BRICKWORK D	150%
Unrated	Unrated	Unrated	Unrated	Unrated	100%

4 Disclosures for portfolios under the standardised approach: *(Continued)*

The claims on banks incorporated in India and foreign banks branches in India, excluding investment in equity shares and other instruments eligible for capital status, are risk weighted as shown below:

Capital to Risk weighted Assets Ratio (CRAR)%	Scheduled Banks	Other Banks
> 9	20%	100%
6 to < 9	50%	150%
3 to < 6	100%	250%
0 < 3	150%	350%
Negative	625%	625%

International ECAIs for external ratings of Foreign Banks, Foreign Sovereigns, Foreign Public Sector Entities and Non-Resident Corporates:

a) Fitch;

b) Moodys; and

c) Standard & Poor's (S & P)

The process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in line with RBI Guidelines.

The mapping of external credit ratings and risk weights for the above entities are provided in the grids below:

Risk weight mapping of foreign banks

S&P and Fitch ratings	AAA to AA	A	BBB	BB to B	Below B	Unrated
Moody's rating	Aaa to Aa	A	Baa	Ba to B	Below B	Unrated
Risk weight	20%	50%	50%	100%	150%	50%

Risk weight mapping of foreign sovereigns

S&P and Fitch ratings	AAA to AA	A	BBB	BB to B	Below B	Unrated
Moody's rating	Aaa to Aa	A	Baa	Ba to B	Below B	Unrated
Risk weight	0%	20%	50%	100%	150%	100%

Risk weight mapping of foreign public sector entities

S&P and Fitch ratings	AAA to AA	A	BBB	Below BB	Unrated
Moody's rating	Aaa to Aa	A	Baa to Ba	Below Ba	Unrated
Risk weight	20%	50%	100%	150%	100%

Risk weight mapping of non resident corporates

S&P and Fitch ratings	AAA to AA	A	BBB	Below BB	Unrated
Moody's rating	Aaa to Aa	A	Baa to Ba	Below Ba	Unrated
Risk weight	20%	50%	100%	150%	100%

5. Policy for Collateral Valuation and Management

Our approach when granting credit facilities is to do so on the basis of capacity to repay rather than placing primary reliance on credit risk mitigants. Depending on a customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is nevertheless a key aspect of effective risk management and, in a diversified financial services organisation such as HSBC, takes many forms.

Where credit risk mitigation is available in the form of an eligible guarantee, the exposure is divided into covered and uncovered portions. The covered portion, which is determined after applying an appropriate 'haircut' for currency and maturity mismatch to the amount of the protection provided, attracts the risk weight of the protection provider. The uncovered portion attracts the risk weight of the obligor.

It is the Bank's policy that all corporate and institutional facilities be reviewed (and hence revalued) at least on an annual basis. All deeds of ownership/titles related to collateral are held in physical custody under control of executives independent of the business.

For mortgages, the credit policy clearly outlines the acceptable Loan to value ratio (LVR) for different types of properties. The maximum LVR offered to customers was capped at 80% of the mortgaged property since 1 April 2011, except if approved under a special lending authority.

The valuation of property is initiated through a bank-empanelled valuer who is an expert on the subject matter. Additionally, as per the Bank's Risk Valuation Policy, in some cases where real estate is held as a security, dual valuations are initiated in order to have the benefit of a second opinion on the mortgaged property. The disbursal of the loan is handled through an empanelled lawyer who in exchange collects the security documents from the borrower. The property documents thus collected are attached to the credit file and sent to central archives where the same is stored in a secure manner.

An in-house Property Price Index (PPI) has been developed which is used to measure the actual LVR of the properties financed by the Bank. The methodology for PPI development has been approved by Risk and refreshed every 6 months. However, should a loan become a non-performing asset (NPA), a fresh valuation is initiated through the bank-empanelled valuer and the provisions applicable are calculated accordingly.

5. Policy for Collateral Valuation and Management: *(Continued)*

Main Types of Collateral taken by HSBC

The main types of recognised collateral taken by the Bank appear in the list of eligible financial collaterals advised in Section 7.3.5 of RBI's Prudential Guidelines on Capital Adequacy and Market Discipline, and include (but are not limited to) cash on deposits, equities listed in a main index and/or a recognised exchange, units or shares in collective investment schemes and various recognised debt securities. Further the main types of recognised collateral taken by the Bank for mortgages include plots of land, ready possession and under construction properties.

Main Types of Guarantor Counterparty and their Creditworthiness

As stated in Section 7.5 of the RBI's Prudential Guidelines on Capital Adequacy and Market Discipline, certain guarantees are recognised for credit risk mitigation purposes. The main types of guarantees are from sovereigns, corporates and banks. For a corporate guarantee to be recognised as a credit risk mitigant for the purposes of capital adequacy calculation, the guarantee provider must have a credit rating equivalent to AA- or better from an ECAI recognised by the RBI.

Information about (Market or Credit) Risk Concentrations within the mitigation taken

The quantum of the credit portfolio which benefits from financial collaterals and/or guarantees as credit risk mitigants is an insignificant portion of the customer advances of the Bank. Therefore the credit and/or market concentration risks are not material

The total exposure (including non-funded post Credit Conversion Factors) that is covered by eligible financial collateral, after the application of haircuts is Rs. 46,914 million as at 31 March 14: Rs. 43,862 million).

(i) Exposure under various risk buckets (post Credit Risk Mitigants)

(Rs'000)

	At 30 Sep 2014
Below 100% risk weight	**846,898,596**
100% risk weight	**391,228,252**
Above 100% risk weight	**24,004,831**
Deductions*	**(6,423,743)**
Total	**1,255,707,936**

* Deduction represents amounts deducted from Tier I Capital

6. Securitisation: disclosure for standardised approach

The Bank acts as originator, servicer and investor in securitisation transactions. Our strategy is to use securitisations to diversify our sources of funding for asset origination, capital efficiency, managing liquidity and meet the priority sector lending (PSL) requirements. The Bank also undertakes 'purchase' transactions through the direct assignment route.

The Bank participates in securitisation transactions in any or all of the following roles:

- Originator: The Bank uses Special Purpose Vehicle (SPV) to securitise customer loans and advances that we have originated, in order to diversify our sources of funding for asset origination and for capital efficiency purposes. In such cases, we transfer the loans and advances to the SPVs for cash, and the SPVs issue debt securities to investors to fund the cash purchases. Credit enhancements to the underlying assets may be used to obtain investment grade ratings on the senior debt issued by the SPVs.
- Servicer: For sold assets, the Bank undertakes the activity of collections and other servicing activities such as managing collections and monthly payouts to investors / assignee with respect to the underlying assets.
- Investor: The Bank invests in Pass Through Certificates (PTCs) for yield and priority sector lending opportunities. We have exposure to third-party securitisations which are reported as investments. These securitisation positions are managed by a dedicated team that uses a combination of market standard systems and third party data providers to monitor performance and manage market and credit risks.

Valuation of securitisation positions

The investments of the Bank in PTCs have been marked to market on the basis of the Base Yield Curve and the applicable spreads as per the spread matrix relative to the Weighted Average Maturity of the paper as notified by Fixed Income Money Market and Derivative Association of India (FIMMDA).

Securitisation accounting treatment

The accounting treatment applied is as below:

- Originator: Securitised assets are derecognised upon sale if the true sale criteria are fully met and the bank surrenders control over the contractual rights that comprise the financial asset. In respect of credit enhancements provided or recourse obligations accepted by the Bank, appropriate provision/ disclosures is made in accordance with AS 29 – 'Provisions, contingent liability and contingent assets'. Gains on securitisation, being the excess of consideration received over the book value of the loans and provisions against expected costs including servicing costs and the expected delinquencies are amortised over the life of the securities issued by the SPV. Losses are recognised immediately. Sale and transfer that do not meet the above criteria are accounted for as secured borrowings.
- Servicer: In case the Bank acts as servicer of the securitisation deal the fees charged for servicing the loans would be recognised on an accrual basis.
- Investor: The investment in PTCs are accounted for as Available for Sale (AFS) investments and valued as per the note above. The loan assignment deals are classified as advances.

6. Securitisation: disclosure for standardised approach *(Continued)*

Securitisation regulatory treatment

- Originator: In case the loan is derecognised from the books, no capital needs to be maintained by the Bank, however the Bank is required to maintain capital for credit enhancements provided in line with the RBI guidelines.
- Servicer: No impact on capital.
- Investor: The Bank uses the issue specific rating assigned by eligible ECAI's to compute the RWAs of the investment in the PTCs.

<u>ECAI's used</u>

The Bank uses one of the following ECAIs for all types of securitisation deals:

a) Credit Analysis and Research Limited

b) CRISIL Limited

c) India Ratings and Research Private Limited

d) ICRA Limited

e) Brickwork Ratings India Private Limited

(i) *Details of securitisation of standard assets*

(Rs'000)

	At 30 Sep 2014
Total number of loan assets securitised during the year	**-**
Total book value of loan assets securitised during the year	**-**
Sale consideration received for the securitised assets	**-**
Gain on sale on account of securitisation during the year	**-**
Gain on securitisation recognised in Income Statement	**652**
The unamortised gain as at 30 Sept 2014	**814**
Outstanding value of services provided by way of Credit Enhancement	**40,025**

The gain on sale on account of securitisation for corporate loans represents the difference between the sale consideration and the book value. The gain on sale on account of securitisation on retail loans represents the discounted value of the excess interest strip retained by the Bank.

(ii) *Securitisation of impaired/past due assets*

The Bank has not securitised any impaired/past due assets (31 March 2014: NIL).

(iii) *Loss recognised on securitisation of assets*

The Bank has not recognised any losses during the current year for any securitisation deal (31 March 2014: NIL).

(iv) *Securitisation exposures retained or purchased*

The Bank has made investments in Pass Through Certificates (PTCs) of Rs. 25,325 million as at 30 Sep 2014 (as at 31 Mar 2014 - Rs. 24,975 million). The portfolio consists of Commercial Vehicle Loans which are used for business purposes. These attract a risk weight of 20% since they are AAA rated instruments.

7 Market risk in trading book

The objective of the Group's market risk management is to manage and control market risk exposures in order to optimise return on risk while maintaining a market profile consistent with the Group's status as one of the world's largest banking and financial services institutions.

Market risk is the risk that movements in foreign exchange rates, interest rates, or equity prices will result in profits or losses to the Bank. Market risk arises on financial instruments, which are measured at fair value in the trading book. The objective of market risk management is to control market risk exposures to achieve an optimal return while maintaining risk at acceptable levels.

Strategy and Processes

The Bank separates exposure to market risk into trading and non-trading portfolios. Trading portfolios include those positions arising from market-making, position taking and other marked-to-market positions so designated.

Non-trading portfolios (included in the banking book) include positions that arise from the interest rate management of the Bank's retail and commercial banking assets and liabilities, financial investments designated as available-for-sale and held-to-maturity.

The risk components apply equally to cash and to derivative instruments. All open market risk is subject to approved limits. Limits are established to control the level of market risk and are complementary to counterparty credit limits.

The existence of a market risk trading limit does not confer any credit, counterparty, country or sovereign risk limit; they are established separately through normal credit procedures.

The level of market risk limits set for each operation depends upon: the size, financial and capital resources of the business, the business plan, the experience and track record of the management, dealers and market environment, as well as the Group's risk appetite.

Market risk limits are reviewed annually.

Structure and Organisation of management of risk

The management of market risk exposure in derivatives is principally undertaken in Markets, where the majority of value at risk (VaR) of the Bank and almost all trading VaR resides, using approved risk limits. Limits are set for portfolios, products and risk types, with market liquidity being a primary factor in determining the level of limits set. Global Risk, an independent unit within the Bank, is responsible for our market risk management policies and measurement techniques.

The Bank has an independent market risk management and control function which is responsible for measuring market risk exposures in accordance with the policies defined by Risk, and monitoring and reporting these exposures against the prescribed limits on a daily basis.

7 Market risk in trading book *(Continued)*

Scope and nature of risk measurement, reporting and monitoring

The Bank's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels. Derivatives market risk arises from interest rates, foreign exchange, and credit spreads within Global Banking and Markets.

The Bank employs a range of tools to monitor and limit market risk exposures. These include sensitivity analysis, VaR, stressed VaR and stress testing.

While VaR provides a measure of the market risk in the Bank, sensitivity analysis (e.g Present Value of 1 basis point (PV01)) and VaR are more commonly utilised for the management of the business units. Stress testing and stressed VaR complement these measures with estimates of potential losses arising from market turmoil. Market risk is managed and controlled through approved limits.

Our VaR and stressed VaR models are predominantly based on historical simulation. VaR measures are calculated to a 99% confidence level and use a one-day holding period, whereas stressed VaR uses a 10-day holding period. The accuracy of our VaR models is routinely validated by back-testing the actual daily profit and loss results, adjusted to remove non-modelled items such as fees and commissions, against the corresponding VaR numbers.

Limits are proposed by the Head of Treasury and are endorsed by local Chief Risk Officer (CRO) and Chief Executive Officer (CEO) before submission to Group Risk for approval. Upon approval of country limits, they are delegated by entity's CEO to Head of Treasury, who delegates it downward within his team.

These limits are monitored daily by the Bank's Global Markets Product Control Department through system reports and advised to senior management on an ongoing basis.

(i) Capital requirements for market risk

(Rs'000)

Standardised Duration Approach	**At 30 Sept 2014**
Interest rate risk	10,645,015
Foreign exchange risk	720,000
Equity risk	92,607
Securitisation exposure	462,574
Capital requirements for market risk	11,920,195

8 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. It is inherent in every business organisation and covers a wide spectrum of issues.

Strategy and Process

The Bank manages this risk within a control-based environment in which processes are documented, authorisation is independent and transactions are reconciled and monitored. This is supported by an independent programme of periodic reviews undertaken by internal audit and internal control departments, and continuous reviews by concurrent audit and by monitoring external operational risk events, which ensure that the Bank stays in line with industry best practice and takes account of learnings from publicised operational failures within the financial services industry.

Structure and Organisation

The Risk Management Committee (RMC) of the Bank, a sub-committee of INM Executive Committee (EXCO), is responsible for the Operational Risk management of the Bank. The RMC meets monthly, or more frequently if required, to assess and monitor operational risks and, where appropriate, authorise mitigating actions. The RMC is supported by an independent Operational Risk Management team within the Risk function. Furthermore, senior representatives from each business and function are tasked with responsibility for ongoing operational risk management.

The Bank has a ‘Three lines of defence’ model in place which provides a format within which to structure and demonstrate roles, responsibilities and accountabilities for decision making, risk and control to achieve effective governance, risk management and assurance. The first line of defence ensures all key risks within their operations are identified, mitigated and monitored by appropriate internal controls within an overall control environment. Every employee is responsible for the risks that are a part of their day to day jobs. The second line of defence consists of the Global Functions such as Global Risk, Finance and HR who are responsible for providing assurance, challenge and oversight of the activities conducted by the first line. The third line of defence covers the role of Internal Audit, who provide independent assurance over the first and second lines of defence.

Scope and Nature of Risk reporting, monitoring and mitigation

The Bank has codified its operational risk management process in a high level standard, supplemented by more detailed formal guidance. This explains how the Bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with RBI requirements.

8 Operational risk *(Continued)*

Information systems are used to record the identification and assessment of operational risks and to generate appropriate, regular management reporting.

Assessments are undertaken of the operational risks facing businesses and the risks inherent in its processes, activities and products. Risk and Control Assessment is done on a regular basis.

A regular report on operational losses is made to the Bank's senior management through the RMC. A consolidated summary and scorecard of the operational loss incidents affecting the key businesses is shared with the Bank's senior management on a bi-monthly basis and significant loss events, gaps, mitigants etc are discussed.

9 Interest rate risk in the banking book (IRRBB)

Interest rate risk in non-trading portfolios arises principally from mismatches between the future yield on assets and their funding cost as a result of interest rate changes.

Asset, Liability & Capital Management ('ALCM') is responsible for measuring and controlling non-trading interest rate risk under the supervision of the Asset and Liability Management Committee (ALCO).

Its primary responsibilities are

- To define the rules governing the transfer of interest rate risk from the commercial bank to Balance Sheet Management ('BSM');
- To ensure that all market interest rate risk that can be hedged is effectively transferred from the global businesses to BSM; and
- To define the rules and metrics for monitoring the residual interest rate risk in the global businesses.

Market risk in the banking book arises principally from structural mismatches in assets and liabilities and from off-balance-sheet instruments arising from repricing risk, yield curve risk and basis risk.

Further, an analysis of these risks incorporates assumptions on optionality in certain products such as in mortgage prepayments, and from behavioural assumptions regarding the economic duration of liabilities which are contractually repayable on demand, for example, current accounts.

IRRBB is monitored as part of the Bank's Internal Capital Adequacy Assessment Process and capital maintained, if required, based on this assessment.

Strategy and Process

In order to manage this risk efficiently, interest rate risk in the banking book is transferred to the supervision of the Treasurer.

The transfer of market risk to the Treasury is achieved through a formal transfer pricing framework wherein a series of internal deals are executed between the business units and Treasury. In certain products, the interest rate risk behaviour may differ from the contractual nature thereby requiring a study to determine the correct approach in managing the risk. This is achieved through a behaviouralisation study that is periodically updated and placed before the Asset and Liability Management Committee for approval, along with underlying assumptions.

9 Interest rate risk in the banking book (IRRBB) *(Continued)*

The different type of non-trading interest rate risk and controls which the Group uses to quantify and limit its exposure to these risks are categorised as follows:

- Risk transferred to BSM and managed by BSM within a defined risk mandate
- Risk which remains outside BSM because it cannot be hedged or which arises due to behaviouralised transfer pricing assumptions.
- Basis risk which is transferred to BSM when it can be hedged.
- Model risks not captured by above

Structure and Organisation

The Bank has an independent market risk management and control function which is responsible for measuring interest rate risk exposures in accordance with prescribed policies, monitoring and reporting these exposures against the approved limits on a daily basis. This monitoring process effectively builds on the level of interest rate risk that is commensurate with the capital held.

Scope and nature of Risk reporting, measurement, monitoring and mitigation

The Bank monitors the sensitivity of projected net interest income under varying interest rate scenarios. The Bank effectively identifies, measures, monitors and controls the interest rate risk in the banking book, to mitigate the impact of prospective interest rate movements which could reduce future net interest income, whilst balancing the cost of such hedging activities on the current net revenue stream.

The Bank manages the interest rate risk arising from commercial banking activities in order to maximise the return commensurate with its capital base, without exposing the Bank to undue risk arising from movements in market interest rates. This involves the use of money market and derivative instruments available in the interbank market, in order to achieve the economic perspective set by Management on future market rates and market liquidity.

(i) Impact on Economic Value of Equity(EVE) due to upward shocks

(Rs'000)

IRRBB: Sensitivity to upwards 100 bps movement in interest rates by currency	**At 30 Sept 2014**
INR	**(2,984,636)**
USD	**19,068**
Other FCY	**5,749**
Total	**(2,959,819)**

9 Interest rate risk in the banking book (IRRBB) *(Continued)*

(ii) Impact on EVE due to downward shocks

(Rs '000)

IRRBB: Sensitivity to downwards 100 bps movement in interest rates by currency	At 30 Sept 2014
INR	**(996,683)**
USD	**4,611**
Other FCY	**(1,127)**
Total	**(993,199)**

The above does not include investments and derivatives in the banking book as these are classified as held for trading for capital calculations.

(iii) Impact on Earnings (NII)

Parallel Movement in Yield curve

(Rs '000)

+100 Bps	Commercial Banking	ALCO Pool	Treasury	Sub-total	Intersegment Elimination	At 30 Sep 2014
INR	**1,014,663**	**588,689**	**(1,225,227)**	**378,125**	**959,354**	**1,337,479**
USD	**179,629**	**-**	**852,806**	**1,032,435**	**(1,195,962)**	**(163,527)**
Other FCY	**49,371**	**-**	**17,669**	**67,041**	**(42,062)**	**24,979**
Total	**1,243,663**	**588,689**	**(354.751)**	**1,477,601**	**(278,671)**	**1,198,930**

-100 Bps	Commercial Banking	ALCO Pool	Treasury	Sub-total	Intersegment Elimination	At 30 Sep 2014
INR	**(728,209)**	**(591,449)**	**1,232,926**	**(86,731)**	**(959,354)**	**(1,046,085)**
USD	**(248,590)**	**-**	**(263,510)**	**(512,100)**	**367,353**	**(144,747)**
Other FCY	**(60,400)**	**-**	**(9,940)**	**(70,340)**	**36,853**	**(33,487)**
Total	**(1,037,199)**	**(591,449)**	**959,476**	**(669,171)**	**(555,147)**	**(1,224,319)**

9 Interest rate risk in the banking book (IRRBB) (Continued)

*Ramp Movements in Yield Curve**

(Rs '000)

+100 Bps	Commercial Banking	ALCO Pool	Treasury	Sub-total	Intersegment Elimination	At 30 Sep 2014
INR	**592,637**	**324,906**	**(824,985)**	**92,558**	**643,193**	**735,751**
USD	**154,870**	**-**	**584,110**	**738,980**	**(792,026)**	**(53,046)**
Other FCY	**36,905**	**-**	**8,495**	**45,399**	**(26,037)**	**19,362**
Total	**784,411**	**324,906**	**(232,380)**	**876,937**	**(174,870)**	**702,068**

(Rs '000)

-100 Bps	Commercial Banking	ALCO Pool	Treasury	Sub-total	Intersegment Elimination	At 30 Sep 2014
INR	**(2,732,462)**	**(327,665)**	**832,684**	**(2,227,443)**	**(643,193)**	**(2,870,637)**
USD	**(139,871)**	**-**	**(267,524)**	**(407,396)**	**367,353**	**(40,043)**
Other FCY	**(42,179)**	**-**	**(11,501)**	**(53,679)**	**32,883**	**(20,796)**
Total	**(2,914,513)**	**(327,655)**	**553,659**	**(2,688,519)**	**(242,957)**	**(2,931,476)**

* rates are assumed to rise/fall in parallel by 25bps on the first day of each quarter.

The earnings risk analysis is based on the management's internal method to assess risk on earnings to interest rate movements over the next year and factors in certain assumptions on business growth over the next twelve months.

10 Counterparty Credit Risk

Methodology used to assign economic capital and credit limits for counterparty credit exposures

Counterparty credit risk arising from over-the-counter (OTC) derivatives is calculated in both the trading and non-trading books, and is the risk that a counterparty to a transaction may default before completing the satisfactory settlement of the transaction on any foreign exchange, interest rates, or equity contracts. An economic loss occurs if the transaction or portfolio of transactions with the counterparty has a positive economic value at the time of default.

As per the Master Circular - Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework (NCAF) of RBI dated 1 July 2013, banks are expected to use the standardised method for computation of counterparty credit exposure using the Current Exposure Method (CEM) for market related off balance sheet exposures. Under this method the exposure on all the derivative contracts is calculated as the sum of current credit exposure/replacement cost i.e. the sum of the positive mark-to-market (MTM) of the contracts (negative MTMs are to be ignored) and the potential future exposure (PFE). PFE is determined based on a set percentage multiplied by the notional of the deal. The percentage by which the notional is multiplied is dependent upon the type of the product and the tenor as prescribed in RBI guidelines. PFE so obtained is added to the gross positive replacement cost to arrive at the final exposure at default.

Bilateral netting of counterparty credit exposures, in derivative contracts, i.e bilateral netting of MTM values arising on account of such derivative contracts is not permitted. Accordingly, only gross positive MTM value of such contracts is considered for the purposes of exposure computation for capital adequacy.

The Group assesses total economic capital requirements centrally for the risk by utilising the embedded operational infrastructure used for the Pillar 1 capital calculation.

Limits for counterparty credit risk exposures are assigned within the overall credit process for distinct customer limit approval. The measure used for counterparty credit risk management – both limits and utilisations – is the 95th percentile of potential future exposure.

Policies for securing collateral and establishing credit reserves

Despite these being a standard credit mitigant for OTC derivatives in most jurisdictions, market practice in this respect is still evolving in India. The bank has executed a few Credit Support Annexes (CSA's) and is currently negotiating with some more counterparties.

The credit valuation adjustment (CVA) is an adjustment to the value of OTC derivative transaction contracts to reflect, within fair value, the possibility that the counterparty may default or migrate to a lower credit grade, and we may not receive the full market value of the transactions. We calculate a separate CVA for each counterparty to which we have exposure. The adjustment aims to calculate the potential loss arising from the portfolio of derivative transactions against each third party, based upon a modeled expected positive exposure profile, including allowance for credit risk mitigants such as netting agreements and CSA's.

10 Counterparty Credit Risk *(Continued)*

The bank computes a CVA for its markets related off balance sheet exposures and takes it to the profit and loss account for financial reporting purposes. The same was implemented for capital adequacy purposes under Basel III in line with RBI Guidelines from quarter ending June 2014.

Wrong-way Risk exposures

Wrong-way risk is a form of concentration risk and arises when there is a strong correlation between the counterparty's Probability of Default (PD) and the MTM value of the underlying transaction. We use a range of procedures to monitor and control wrong-way risk, including requiring prior approval before undertaking wrong-way risk transactions outside pre-agreed guidelines.

Central Counterparties.

Whilst exchange traded derivatives have been cleared through central counterparties ('CCP's) for many years, recent regulatory initiatives designed to reduce systemic risk in the banking system are directing increasing volumes of OTC derivatives to be cleared through CCPs. We have accordingly developed a risk appetite framework to manage risk on CCPs

Impact of Credit Rating Downgrade

The Credit rating downgrade clause in an International Swaps and Derivatives Association (ISDA) Master Agreement is designed to trigger a series of events which may include the requirement to pay or increase collateral, the termination of transactions by the non-affected party, or assignment by the affected party, if the credit rating of the affected party falls below a specified level. At the Group level, we assess additional collateral requirements where credit ratings downgrade language affects the threshold levels within a collateral agreement.

Quantitative Disclosures

(Rs '000)

Particulars	At 30 Sept 2014
Gross positive fair value of contracts	**109,434,305**
Netting benefits	**4,521,711**
Netted current credit exposure,	**104,912,594**
Collateral held	**-**
Net derivatives credit exposure	**104,912,594**
Potential Future Exposure (PFE)	**156,963,373**
Measures for exposure at default, or exposure amount, under CEM.	**266,397,678**
Notional value of credit derivative hedges	**-**
Distribution of current credit exposure by types of credit exposure	
Current credit exposure - Interest Rates	**67,265,293**
Current credit exposure – Forex	**194,610,674**

11 Composition of Capital

(Rs Million)

	Basel III common disclosure template	Basel-III Amounts At Sep 2014	Amounts subject to pre-Basel III treatment	Reference with Table 12
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	44,992	-	**A**
2	Retained earnings ***(incl.Statutory Reserves, Capital Reserves and Remittable Surplus retained for Capital to Risk-weighted Assets Ratio (CRAR))***	95,113	-	**B1+B2+B3+B4**
3	Accumulated other comprehensive income (and other reserves)	-	-	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	-	
	Public sector capital injections grandfathered until 1 January 2018			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in Group CET1)	-	-	
6	Common Equity Tier 1 capital before regulatory adjustments	140,105	-	
	Common Equity Tier 1 capital: regulatory adjustments		-	
7	Prudential valuation adjustments	-	-	
8	Goodwill (net of related tax liability)	-	-	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)			
10	Deferred tax assets	5,652	-	**C**
11	Cash-flow hedge reserve	-	-	
12	Shortfall of provisions to expected losses	-	-	
13	Securitisation gain on sale	-	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	608	-	
15	Defined-benefit pension fund net assets	102	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-	
17	Reciprocal cross-holdings in common equity	-	-	

Basel III – Pillar 3 disclosures of India Branches *(Continued)*
For the period ended 30 September 2014

18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	
22	Amount exceeding the 15% threshold	-	-	
23	of which: significant investments in the common stock of financial entities	-	-	
24	of which: mortgage servicing rights	-	-	
25	of which: deferred tax assets arising from temporary differences	-	-	
26	National specific regulatory adjustments7 (26a+26b+26c+26d)	-	-	
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	-	-	
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries8	-	-	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank9	-	-	
26d	of which: Unamortised pension funds expenditures	-	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-	
28	**Total regulatory adjustments to Common equity Tier 1**	**6,362**	**-**	
29	**Common Equity Tier 1 capital (CET1)**	**133,744**	**-**	
	Additional Tier 1 capital: instruments	**-**	**-**	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-	-	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-	-	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in Group AT1)	-	-	

35	of which: instruments issued by subsidiaries subject to phase out	-	-	
36	**Additional Tier 1 capital before regulatory adjustments**	**-**	**-**	
	Additional Tier 1 capital regulatory adjustments	-	-	
37	Investments in own Additional Tier 1 instruments	-	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	
41	National specific regulatory adjustments (41a+41b)	-	-	
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-	-	
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-	-	
42	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-	-	
43	**Total regulatory adjustments to Additional Tier 1 capital**	**-**	**-**	
44	**Additional Tier 1 capital (AT1)**	**-**	**-**	
44a	**Additional Tier 1 capital reckoned for capital adequacy11**	**-**	**-**	
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)**	**133,744**	**-**	
	Tier 2 capital: instruments and provisions	-	-	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	
47	Directly issued capital instruments subject to phase out from Tier 2	-	-	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in Group Tier 2)	-	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Provisions *(incl. eligible reserves)*	13,149	-	**D1*45% +D2+D3+D4**
51	**Tier 2 capital before regulatory adjustments**	**13,149**	**-**	
	Tier 2 capital: regulatory adjustments	**-**	**-**	
52	Investments in own Tier 2 instruments	-	-	

53	Reciprocal cross-holdings in Tier 2 instruments	-	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	
56	National specific regulatory adjustments (56a+56b)	-	-	
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	-	-	
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-	-	
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	-	-	
	of which:	-	-	
	of which:	-	-	
57	**Total regulatory adjustments to Tier 2 capital**	**-**	**-**	
58	**58 Tier 2 capital (T2)**	**13,149**	**-**	
58a	**Tier 2 capital reckoned for capital adequacy**	**13,149**	**-**	
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	**-**	**-**	
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**13,149**	**-**	
59	**Total capital (TC = T1 + T2) (45 + 58c)**	**146,893**	**-**	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	**-**	**-**	
	of which:	**-**	**-**	
	of which:	**-**	**-**	
60	**Total risk weighted assets (60a + 60b + 60c)**	**1,010,212**	**-**	
60a	of which: total credit risk weighted assets	783,036	-	
60b	of which: total market risk weighted assets	132,447	-	
60c	of which: total operational risk weighted assets	94,729	-	
	Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.24%	-	
62	Tier 1 (as a percentage of risk weighted assets)	13.24%	-	
63	Total capital (as a percentage of risk weighted assets)	14.54%	-	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	**-**	**-**	
65	of which: capital conservation buffer requirement	-	-	

66	of which: bank specific countercyclical buffer requirement	-	-	
67	of which: G-SIB buffer requirement	-	-	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	-	-	
	National minima (if different from Basel III)	**-**	**-**	
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	-	
71	National total capital minimum ratio (if different from Basel III minimum)	-	-	
	Amounts below the thresholds for deduction (before risk weighting)	**-**	**-**	
72	Non-significant investments in the capital of other financial entities	-	-	
73	Significant investments in the common stock of financial entities	-	-	
74	Mortgage servicing rights (net of related tax liability)	-	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	
	Applicable caps on the inclusion of provisions in Tier 2	**-**	**-**	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-	-	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	-	-	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	
	Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)	**-**	**-**	
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	

12 Composition of Capital – Reconciliation

(Rs Million)

		Balance sheet as in financial statements At Sep 2014	**Balance sheet under regulatory scope of consolidation** At Sep 2014	**Reference – Table 11**
A	**Capital & Liabilities**			
i	Paid-up Capital	44,992	44,992	A
	Reserves & Surplus	126,016	126,016	
	a. Statutory Reserve	33,168	33,168	B1
	b. Capital Reserve - Surplus on sale of Immovable assets	1,732	1,732	B2
	c. Capital Reserves	13,262	13,262	B3
	d. Remittable surplus retained in India for CRAR purposes	46,953	46,953	B4
	e. Revaluation Reserve	7,981	7,981	D1
	f. Investment Reserve	2,422	2,422	D2
	g. Special Reserve	1,131	1,131	D3
	h. Balance in Profit & Loss Account	19,369	19,369	
	Minority Interest	-	-	
	Total Capital	171,007	171,007	
ii	Deposits	741,417	741,417	
	of which: Deposits from banks	27,453	27,453	
	of which: Customer deposits	713,965	713,965	
	of which: Other deposits (pl. specify)	-	-	
iii	Borrowings in India	73,063	73,063	
	of which: From RBI	35,370	35,370	
	of which: From banks	3,250	3,250	
	of which: From other institutions & agencies	34,443	34,443	
	Borrowings outside India	65,904	65,904	
	of which: Others (pl. specify)	-	-	
	of which: Capital instruments	-	-	
iv	Other liabilities & provisions	171,375	171,375	
	of which: Provisions towards Standard Assets	6,005	6,005	D4
	Total Capital and Liabilities	**1,222,767**	**1,222,767**	

B	**Assets**		-	
i	Cash and balances with Reserve Bank of India	33,945	33,945	
ii	Balance with banks and money at call and short notice	55,734	55,734	
iii	Investments:	548,568	548,568	
	of which: Government securities	471,431	471,431	
	of which: Other approved securities	-	-	
	of which: Shares	161	161	
	of which: Debentures & Bonds	9,549	9,549	
	of which: Subsidiaries / Joint Ventures / Associates	-	-	
	of which: Others (Commercial Papers, Mutual Funds etc.)	67,427	67,427	
iv	Loans and advances	424,940	424,940	
	of which: Loans and advances to banks	-	-	
	of which: Loans and advances to customers	424,940	424,940	
v	Fixed assets	9,577	9,577	
vi	Other assets	150,003	150,003	
	of which: Goodwill and intangible assets	-	-	
	of which: Deferred tax assets	5,652	5,652	C
vii	Goodwill on consolidation	-	-	
viii	Debit balance in Profit & Loss account	-	-	
	Total Assets	**1,222,767**	**1,222,767**	

13 Regulatory capital Instruments

The Bank has not issued any regulatory capital instruments in India.

14 Disclosure Requirements for Remuneration

In accordance with the requirements of the RBI Circular No.DBOD.NO.BC. 72/29.67/001/2011-12 dated 13 January 2012, the Head Office of the Bank has submitted a declaration to RBI that the Bank's compensation policies including that of CEO's, is in conformity with the Financial Stability Board principles and standards. Accordingly, no disclosure is required to be made in this regard.