Risk review and disclosures under Basel III Framework for the period ended 30 Jun 2020

1. Background

The Standard Chartered Group (SCB Group or the Group) is an international banking and financial services group particularly focused on the markets of Asia, Africa and the Middle East. Standard Chartered Bank is regulated by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom (UK).

SCB India (SCBI or the Bank) is a branch of Standard Chartered Bank UK, which is part of the SCB Group. The ultimate parent company of the Bank is Standard Chartered PLC, which is listed on the London Stock Exchange and the Stock Exchanges of Hong Kong and India. Indian branch operations are conducted in accordance with the banking license granted by the Reserve Bank of India (RBI) under the Banking Regulation Act 1949.

2. Overview

The Basel Committee on Banking Supervision published a framework for International Convergence of Capital Measurement and Capital Standards (commonly referred to as Basel II), which replaced the original 1988 Basel I Accord. The RBI adopted the same in Mar 2008. Subsequently, post introduction of Basel III, RBI adopted implementation of the same from 1 April 2013 and is phased in through to 31 Mar 2020. Accordingly, for 31 Mar 2019 reporting purposes, the Bank has calculated its Pillar 1 capital requirement based on Basel III norms.

Basel III is structured around three "pillars" which are outlined below:

- Pillar 1 sets out minimum regulatory capital requirements – the minimum amount of regulatory capital banks must hold against the risks they assume;
- Pillar 2 sets out the key principles for supervisory review of a bank's risk management framework and its capital adequacy. It sets out specific oversight responsibilities for the Board and senior management, thus reinforcing principles of internal control and other corporate governance practices; and
- Pillar 3 aims to bolster market discipline through enhanced disclosure by banks.

Basel III provides three approaches of increasing sophistication to the calculation of credit risk capital; the Standardised Approach (SA), the Foundation Internal Ratings Based Approach and the Advanced Internal Ratings Based Approach (IRB). Basel II also introduced capital requirements for operational risk (OR) for the first time.

3. DF 1 - Scope of Application

Name of the head of the banking group to which the framework applies: <u>Standard Chartered Bank, India Branches</u>

<u>DF 1 - Qualitative Disclosures</u>

3.1. Pillar 1

The SCB Group and local management of the Indian operations recognise that Basel III is a driver for continuous improvement of risk management practices and believe that adoption of leading risk management practices are essential for achieving its strategic intent. Accordingly, the Group has adopted the IRB model for the measurement of credit risk covering substantial majority of the portfolio. The Group applies Internal Models Approach for market risk capital and the Standardised Approach for determining its OR capital requirements.

SCBI has adopted RBI's prevailing Basel III regulations related to SA for credit and market risk and Basic Indicator Approach (BIA) for OR for computing local regulatory Pillar 1 capital.

3.2. Pillar 2

Pillar 2 requires banks to undertake a comprehensive assessment of their risks and to determine the appropriate amounts of capital to be held against these risks where other suitable mitigants are not available. This risk and capital assessment is commonly referred to as an Internal Capital Adequacy Assessment Process (ICAAP). The range of risks that need to be covered by the ICAAP is much broader than Pillar 1, which covers only credit risk, market risk and OR.

The Group has developed an ICAAP framework which closely integrates the risk management and capital assessment processes and ensures that adequate levels of capital are maintained to support the current and projected demand for capital under expected and stressed conditions. The ICAAP framework has been designed to be applied consistently across the organisation to meet the Pillar 2 requirements of local regulators. As a branch of a foreign bank in India, the India ICAAP is largely based on the Group ICAAP framework, so as to maintain consistency in reporting of the risk and capital management aspects. However, wherever necessary, local customisation has been incorporated to align with the RBI requirements.

3.3. Pillar 3

Pillar 3 aims to provide a consistent and comprehensive disclosure framework that enhances comparability between banks and further promotes improvements in risk management practices. The Bank has implemented the requirements laid down by RBI for Pillar 3 disclosure, covering both the qualitative and quantitative items. These are also published in the Bank's annual report and hosted on the Bank's website.

The risk related disclosures and analysis provided herein below, are primarily in the context of the disclosures required under the RBI's Pillar 3 – Market Discipline of the Basel III Capital Regulations and are in respect of SCBI, except where required and specifically elaborated, to include other Group entities operating in India. The information provided has been reviewed by senior management and is in accordance with the guidelines prescribed by the RBI.

3.4. Accounting and Prudential Treatment / Consolidation Framework

The consolidation norms for accounting are determined by the prevailing Indian Generally Accepted Accounting Principles (GAAP). The regulatory requirements are governed by RBI guidelines. The differences between consolidation for accounting purposes and regulatory purposes are mainly on account of following reasons:

1) Control over other entities to govern the financial and operating policies of the subsidiaries or joint ventures

   As per Indian GAAP, existence of control/joint control to govern the financial and operating policies of the subsidiary or joint venture is necessary for accounting consolidation. However, certain entities such as Non Banking Finance Companies (NBFC) have to be consolidated for regulatory capital adequacy purposes even where the above requirement is not fulfilled. Such cases are where the ability to control financial and operating policies of the entities legally vests with the Parent or Group entities and not with the India branch operations.

2) Nature of business of the entities to be consolidated

As per Indian GAAP, subsidiaries are not excluded from consolidation because of dissimilar nature of business activities between subsidiary and other entities within the Group. However, RBI regulations do not require consolidation of entities engaged in insurance business and businesses not pertaining to financial services.

3) Method of consolidation

The accounting consolidation methodology requires 'line by line' consolidation and elimination of all inter-group balances. However, for the purpose of regulatory consolidation under the capital adequacy framework, the risk weighted assets (RWA) and capital requirements for each entity can be computed separately by applying the Basel III norms as applicable for a bank and simply added together with that of the lead bank in the consolidated group. The Bank has adopted the latter approach for consolidation of entities for limited purpose of capital adequacy framework, as the accounting consolidation method is not appropriate considering the legal ownership pattern of the consolidated entities.

List of group entities considered for consolidation for regulatory purposes is summarised below:

Name Of The Entity / Country Of Incorporation	Whether The Entity Is Included Under Accounting Scope Of Consolidation (Yes / No)	Explain The Method Of Consolidation	Whether The Entity Is Included Under Regulatory Scope Of Consolidation (Yes / No)	Explain The Method Of Consolidation	Explain The Reasons For Difference In The Method Of Consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
Standard Chartered Bank, India Branches	Yes	Full	Yes		For the purpose of regulatory consolidation under the capital adequacy framework, the RWA and capital requirements for each entity can be computed separately by applying the Basel III norms as applicable for a bank and simply added together with that of the lead bank in the consolidated group. The Bank has adopted this approach for consolidation of entities for limited purpose of capital adequacy framework, as the accounting consolidation method is not appropriate considering the legal ownership pattern of the consolidated entities.	
Standard Chartered Investments and Loans (India) Limited	No	Not Applicable	Yes			

Standard Chartered

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List of group entities in India not considered for consolidation both under the accounting and regulatory scope of consolidation:

(₹ in 000s)

Name Of The Entity /Country Of Incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets(as stated in the accounting balance sheet of the legal entity)
Standard Chartered Securities (India) Limited *	Category I merchant banker, rendering brokering services to retail clients and depository services	2,818,557	0%	Not Applicable	2,815,552
St. Helen's Nominees India Private Limited *	Nominee business - holding shares / debentures in limited companies on behalf of SCBI and its clients. Security trusteeship business for SCBI.	100	0%	Not Applicable	35,174
Standard Chartered Global Business Services Private Limited*	The company renders the following services to related parties: a) Software development, maintenance & support b) Back office transaction processing and data processing of various banking transactions c) IT support d) Voice call centre services	83,116	100%	Not Applicable	22,443,560
Standard Chartered Finance Private Limited *	Marketing services of financial products of Standard Chartered Bank and its Home Assist division provides search and other property related services.	71,907	0%	Not Applicable	881,179
Standard Chartered (India) Modeling And Analytics Centre Private Limited*	The company is a captive knowledge process outsourcing company which provides robust and contemporary analytical solutions to the Bank's businesses across the globe for the purpose of risk management and capital management.	500,000	100%	Not Applicable	779,135
Standard Chartered Private Equity Advisory (India) Private Limited *	The company is a research unit for Merlion India Fund carrying on activities of industry research and advice by furnishing industry and market feedback.	24,000	0%	Not Applicable	199,761

Note:
*Basis audited results as at 31 Mar 2020

DF 1 - Quantitative Disclosures

List of group entities considered for regulatory consolidation:

(₹ in 000s)

Name Of The Entity /Country Of Incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets(as stated in the accounting balance sheet of the legal entity)
Standard Chartered Bank, India Branches	Banking and Financial services	74,400,742	1,844,995,234
Standard Chartered Investments and Loans (India) Limited	Financial services acceptable for NBFC, other than accepting public deposits eg. lending, investments, etc.	4,543,900	25,056,528

Note: The above data is as per audited results as at 31 Mar 2020.

The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation, i.e., that are deducted and the name(s) of such subsidiaries.	NIL
The aggregate amounts (e.g., current book value) of the bank's total interests in insurance entities, which are risk-weighted, as well as, their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities. In addition, indicate the quantitative impact on regulatory capital of using this method versus using the deduction.	NIL
Any restrictions or impediments on transfer of funds or regulatory capital within the banking group.	As per extant RBI guidelines

4. DF 2 - Capital Adequacy

DF 2 - Qualitative Disclosures

4.1. Objectives

The Bank's capital management approach is driven by its desire to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

4.2. Approach

Strategic, business and capital plans are drawn up annually covering a one to five year horizon. The plans ensure that adequate levels of capital and an optimum mix are maintained by the Bank to support its strategy. This is integrated with the Bank's annual planning process which takes into consideration business growth assumptions across products and the related impact on capital resources.

The capital plan takes the following into account:
- Regulatory capital requirements and assessment of future standards;
- Demand for capital due to business growth, market stresses and potential risks; and
- Available supply of capital and capital raising options.

The Group uses internal models and other quantitative techniques in its internal risk and capital assessment at an overall Group level. The Bank also considers additional risk types other than those considered under Pillar 1 as part of its ICAAP. Each material risk is assessed, relevant mitigants considered, and appropriate levels of capital determined.

Stress testing and scenario/sensitivity analysis are used to assess the Bank's ability to sustain operations during periods of extreme but plausible events. They provide an insight into the potential impact of significant adverse events on the Bank's earnings, risk profile and capital position and how these could be mitigated.

The capital that the Bank is required to hold by the RBI is mainly determined by its balance sheet, off-balance sheet and market risk positions, after applying collateral and other risk mitigants.

4.3. Governance

The Group operates processes and controls to monitor and manage capital adequacy across the organisation. At a country level, capital is maintained on the basis of the local regulator's requirements. It is overseen by the country Asset and Liability Committee (ALCO), which is responsible for managing the country balance sheet, capital and liquidity, with the active support and guidance from Group ALCO (GALCO), Operational Balance Sheet Committee (OBSC) and Group Treasury (GT). The responsibility of capital management has been assigned to a dedicated sub-group of ALCO, the Capital Management Forum (CMF). The capital management process is governed by the Ca pital Planning Framework.

Suitable processes and controls are in place to monitor and manage capital adequacy and ensure compliance with local regulatory ratios in all legal entities. These processes are designed to ensure that each entity and the consolidated Bank have sufficient capital available to meet local regulatory capital requirements at all times.

4.4. Mobility of Capital Resources

The Bank operates as a branch in India, hence under current RBI regulations it cannot raise capital externally. The Group's policy in respect of profit repatriation requires that each local entity should remit its profits that are considered surplus to local regulatory minimum requirements. The amount to be remitted/injected and the mix/mode of capital (CET 1 v/s Tier 2) is determined in conjunction with GT, after taking into account local capital adequacy regulations (inclusive of any regulatory buffers), anticipated changes to those regulations, forecast organic growth and Head Office (HO) return expectations.

4.5. Capital Structure

CET 1/Tier 1 capital mainly comprises of:

i) Capital funds injected by HO.
ii) Net profits of each year retained as per statutory norms (currently 25%).
iii) Remittable net profits retained in India for meeting regulatory capital requirements.
iv) Capital reserves created out of profits on account of sale of immovable properties and held to maturity investments, as per RBI regulations.

The above are not repatriable/distributable to HO as long as the Bank operates in India.

Tier 2 capital mainly comprises of:
i) 45% of reserve created on revaluation of immovable properties in accordance with the Indian GAAP.
ii) General provisions on standard (performing) assets created as per RBI regulations.
iii) Reserve created out of unrealised gain on revaluation of investments as per RBI regulations.
iv) Investment fluctuation reserve created as per RBI regulations.

DF 2 - Quantitative Disclosures

Capital and RWA

As at 30 Jun 2020 **(₹ in 000s)**

	Solo bank*	Consolidated bank*
Tier 1 Capital :	**256,346,749**	**265,390,237**
Common Equity Tier I	**256,346,749**	**265,390,237**
Head Office Capital	74,400,742	74,400,742
Paid up capital	-	4,543,900
Eligible reserves	183,521,677	188,091,210
Benefit of DTA	-	-
Illiquid securities reserves	(747,786)	(747,786)
Intangible assets (excluding DTA)	(66,129)	(136,075)
Other regulatory adjustments	(761,754)	(761,754)
DTA deduction (Net of Benefit)	-	-
DTA Benefit	-	-
Total Tier 1 Capital	256,346,749	265,390,237
Additional Tier I	**-**	**-**
Tier 2 Capital :	**17,861,700**	**18,149,963**
Eligible revaluation reserves	2,590,903	2,590,903
General provision and other eligible reserves/provisions	15,270,797	15,559,060
Debt capital instruments eligible to be reckoned as capital funds and included in Lower Tier 2 (of which amount raised during the year Rs. Nil)		-
Less: Amortisation of qualifying subordinated debts	-	-
Other regulatory adjustments	-	-
Total capital base	**274,208,449**	**283,540,200**
Minimum regulatory capital requirements		
Credit risk	130,114,210	132,962,231
Standardised approach portfolios	108,186,708	111,015,875
Securitisation exposures	1,825,308	1,825,308
Counterparty/settlement risks	18,253,165	18,253,165
Benefit of DTA	1,849,028	1,867,883
Market risk - Standardised duration approach	17,351,079	17,351,079
Interest rate risk	16,307,544	16,307,544
Foreign exchange risk (including gold)	1,012,500	1,012,500
Equity risk	31,035	31,035
Counterparty/settlement risks	-	-
Operational risk - Basic indicator approach	13,675,393	13,867,677
Total minimum regulatory capital requirements	161,140,682	164,180,987

Risk weighted assets and contingents

Credit risk	1,445,713,444	1,477,358,138
Market risk *(including counterparty/settlement risks)*	192,789,767	192,789,767
Operational risk - Basic indicator approach	151,948,808	154,085,295
Total Risk weighted assets and contingents	**1,790,452,020**	**1,824,233,200**
Capital ratios		
Common Equity Tier 1 capital	14.32%	14.55%
Tier 1 capital	14.32%	14.55%
Tier 2 capital	1.00%	0.99%
Total capital	15.32%	15.54%

Capital and RWA As at 30 Jun 2019 (₹ in 000s)

	Solo bank*	Consolidated bank*
Tier 1 Capital :	**245,612,464**	**254,434,156**
Common Equity Tier I	**245,612,464**	**254,434,156**
Head Office Capital	74,400,742	74,400,742
Paid up capital	-	4,543,850
Eligible reserves	176,426,523	180,031,596
Benefit of DTA	-	-
Illiquid securities reserves	(833,991)	(833,991)
Intangible assets (excluding DTA)	(51,832)	(143,317)
Other regulatory adjustments	(3,005,239)	(3,005,239)
DTA deduction (Net of Benefit)	(1,323,739)	(559,484)
DTA Benefit	-	-
Total Tier 1 Capital	245,612,464	254,434,156
Additional Tier I	-	-
Tier 2 Capital :	**12,982,616**	**13,071,523**
Eligible revaluation reserves	2,291,754	2,291,754
General provision and other eligible reserves/provisions	10,690,862	10,779,769
Debt capital instruments eligible to be reckoned as capital funds and included in Lower Tier 2 (of which amount raised during the year Rs. Nil)	-	-
Less: Amortisation of qualifying subordinated debts	-	-
Other regulatory adjustments	-	-
Total capital base	**258,595,080**	**267,505,679**
Minimum regulatory capital requirements		
Credit risk	130,423,821	132,962,742
Standardised approach portfolios	107,206,735	109,564,363
Securitisation exposures	1,833,509	1,833,509
Counterparty/settlement risks	15,741,130	15,741,130
Benefit of DTA	5,642,447	5,823,740
Market risk - Standardised duration approach	16,456,952	16,456,952
Interest rate risk	15,804,052	15,804,052
Foreign exchange risk (including gold)	607,500	607,500
Equity risk	45,400	45,400
Counterparty/settlement risks	-	-
Operational risk - Basic indicator approach	12,890,512	13,053,743
Total minimum regulatory capital requirements	159,771,285	162,473,437

Risk weighted assets and contingents		
Credit risk	1,449,153,562	1,477,363,795
Market risk *(including counterparty/settlement risks)*	182,855,022	182,855,022
Operational risk - Basic indicator approach	143,227,912	145,041,590
Total Risk weighted assets and contingents	**1,775,236,495**	**1,805,260,407**
Capital ratios		
Common Equity Tier 1 capital	13.84%	14.09%
Tier 1 capital	13.84%	14.09%
Tier 2 capital	0.73%	0.72%
Total capital	14.57%	14.82%

* Solo Bank represents the main licensed bank of the Group in India and consolidated bank includes Group controlled entities operating in India and consolidated for the limited purpose of capital adequacy framework.

5. Risk Management

The Bank has a strong governance culture and framework for risk management. The Bank's risk management principles align with those established at a Group level and are customized to meet the local regulatory requirements. One of the main risks incurred arises from extending credit to clients through trading and lending operations. Beyond credit risk, the Bank is also exposed to a range of other risk types such as market, operational, liquidity, pension, country cross border, reputational, strategic and other risks that are inherent to its strategy, product range and geographical coverage.

5.1. Risk Management Framework

The Bank adds value to clients and generates returns for shareholders by taking and managing risk in line with strategy and risk appetite. Risk management is the set of end-to-end activities through which the Bank makes risk-taking decisions and controls and optimises its risk-return profile. It is a Bank-wide activity and starts right at the front-line.

The management of risk lies at the heart of the Bank's business, as a central role of the Bank is to "warehouse" risk by extending credit to selected clients and to provide products which enable clients to lay off their price and liquidity risks to the Bank. Effective risk management is a central part of the financial and operational management of the Bank and fundamental to its ability to generate profits consistently and maximise the interest of its shareholders and other stakeholders.

The foundation of all risk assessment is aligned to the Group's Enterprise Risk Management Framework ("ERMF") and governance structure which has been adopted locally. The Group's ERMF establishes common principles and standards for the management of and control of all risks, and to inform behaviour across the organisation. The core components of the ERMF include risk culture, principle risk types, source of authorities, enterprise risk identification, assessment, mitigation & monitoring.

Under this framework, there are three lines of defence.

- The First Line of Defence is business and functions engaged in or supporting revenue generating activities that own and manage the risks.

- The Second Line of Defence comprises the Risk Framework Owners ("RFOs") supported by their respective control functions. The control functions independent of the First Line that provide oversight and challenge of risk management to provide confidence to the GCRO, the Senior Management and the Board.
- The Third Line of Defence is the Internal Audit function that provides independent assurance of the effectiveness of controls that support First Line's risk management of business activities, and the processes maintained by the Second Line.

5.2. Risk Governance

The Group's committee governance structure ensures that risk-taking authority and risk management policies are cascaded down from the GALCO and Group Chief Risk Officer to the appropriate functional and divisional committees. Information regarding material risk issues and compliance with policies and standards is communicated through the business and functional committees up to the Group-level committees, as appropriate.

The Country Management Team (CMT) drives and executes the business and governance agenda bringing alignment across the business and the functions so as to maximise and protect the value of the Group's operations in India. It is responsible for the overall strategic direction of the Bank. It is chaired by Country Chief Executive Officer (CEO) and comprises senior executive members of the Bank.

The following committees are the primary committees with oversight of risk and capital for the Bank:

1. ALCO – responsible for the management of capital and liquidity and the establishment of and compliance with policies relating to balance sheet management, including management of the Bank's liquidity and capital adequacy. It includes the CEO, Chief Financial Officer (CFO), Country Chief Risk Officer (CCRO) and members from the businesses and economist.

2. Country Risk Committee (CRC) – responsible for the effective management of risks in support of business strategy within the boundaries set by the CMT and business level risk committees. It is responsible for implementing the ERMF, including assignment of the roles and responsibilities of RFOs locally. It is also responsible for ensuring that the risk exposures for all types of risks, including liquidity risk, remain within the overall risk appetite and within any specific boundaries advised by CMT and business risk committees. It includes the CEO, CCRO, CFO and members from the businesses and compliance.

Key sub-committees / forums include:

A. The Liquidity Management Forum (LMF) is a sub-group of the ALCO which manages liquidity. It includes members from Finance, Asset Liability Management (ALM) (also referred to as Treasury Markets) and the businesses.

B. The CMF is a sub-group of the ALCO which manages capital. It includes members from Finance, Risk and the businesses.

C. The Stress Test Forum (STF) is a sub-committee of the CRC which is responsible for reviewing the results of ongoing stress testing including for ICAAP. It includes members from the Finance and Risk functions and the Country Economist.

D. The Country Non-Financial Risk Committee (CNFRC) is a sub-committee of the CRC which exercises oversight of the Bank's OR exposures to ensure that it is aligned with the Bank's ERMF. The CNFRC reviews the Bank's significant risk exposures and ensures appropriateness and adequacy of mitigating action plans.

E. The Credit Issues Committee (CIC) is a sub-committee of the CRC which is responsible for identifying and monitoring corporate clients which show potential signs of weakness and/or may be exposed to higher risks. The CIC reviews the existing Early Alert, Retail and Group Special Assets Management (GSAM) portfolio and new accounts presented to the committee.

5.2.1. The Risk function

The CCRO manages the Risk function which is independent of the businesses. The role of the Risk function is:

- To maintain the ERMF, ensuring it remains appropriate to the Bank's activities and is effectively communicated and implemented across the Bank and for administering related governance and reporting processes.
- To uphold the integrity of the Bank's risk/return decisions, and in particular for ensuring that risks are properly assessed, that risk/return decisions are made transparently on the basis of this proper assessment, and are controlled in accordance with its standards and risk appetite.
- To exercise direct risk control ownership for credit, market, country cross-border, liquidity and operational risk types.

The Risk function is independent of the origination, trading and sales functions to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. This is particularly important given that most revenues are recognised immediately while losses arising from risk positions only manifest themselves over time.

In addition, the Risk function is a centre of excellence that provides specialist capabilities of relevance to risk management processes in the wider organisation.

5.3. Risk Appetite/Tolerance

The Group/Bank manages its risks to build a sustainable franchise in the interests of all stakeholders. The Group Risk Tolerance Statement is the Standard Chartered PLC's Board of Directors' articulation of the amount of risk that the Group is willing to take in the pursuit of its strategic goals. The Risk Tolerance benchmarks provide a lens to identify risks and concentrations that may cause the Group to exceed its risk appetite. Within the Bank, these risks and concentrations are addressed and governed by various policies and frameworks (eg. ERMF, Local Lending Policy, Liquidity Risk Framework, etc) which contain specific limits and parameters (i.e., risk thresholds) to manage them. A consolidation of the key thresholds is monitored on an on-going basis through SCB India ERMF.

5.4. Stress Testing

Stress testing and scenario analysis are used to assess the Bank's ability to maintain operations during periods of severe but plausible stress conditions and to simulate the set of feasible management mitigating actions and their impact on the Bank's earnings, risk profile and capital position, should such conditions materialise. These conditions may arise from economic, liquidity, legal, political or physical events, or from materialisation of risks that are unique to the Bank.

The stress testing framework is designed to:

- Contribute to the setting and monitoring of the Bank's ability to take risk;
- Identify the key risks to strategy, financial position and reputation;
- Support the development of mitigating actions and contingency plans;
- Ensure effective governance, processes and systems are in place to co-ordinate and integrate stress testing;
- Inform senior management; and
- Ensure adherence to regulatory requirements.

A Group level equivalent of STF, led by the Risk function with participation from the businesses, Group Finance, Global Research and GT, aims to ensure that the earnings and capital implications of specific stress scenarios are fully understood allowing informed mitigation actions and construction of contingency plans. This group forum generates and considers pertinent and plausible scenarios that have the potential to adversely affect the Group/Bank's business.

The India STF leverages on work done by Group and, in addition, reviews scenarios specific to the local context, including for ICAAP. Stress tests/impact analysis done in India during 2018-19 included impact of trade wars, currency depreciation, oil price surge on the SCB India portfolio as well as RBI mandated bottom-up stress test, derivatives portfolio stress test, liquidity and price risk stress tests, etc.

6. DF 3 - Credit Risk: General disclosures

DF 3 - Qualitative Disclosures

Credit risk is the potential for loss due to the failure of counterparty to meet its agreed obligations to pay the group. Credit exposures may arise from both, the banking and trading books.

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators who are in the business units and approvers in the risk function. All credit exposure limits are approved within a defined credit approval authority framework.

6.1. Credit Policies

Group-wide credit policies and standards are considered and approved by the Group Risk Committee (GRC), which also defines the overall risk management framework. Policies and procedures specific to each business are established and provide the outline for how credit risk should be monitored and managed in the Bank. These Group policies/procedures are customised locally to incorporate any local regulatory and governance needs.

6.2. Credit Assessment Process

For Commercial, Corporate and Institutional (C&I) Clients

A pre-sanction appraisal is carried out by the relationship manager team through a Business Credit Application (BCA). BCAs are reviewed and duly approved by the credit officer based on the authority delegation given to him. Every account is graded using an alphanumeric grading system for quantifying the risks associated with the counterparty. The grading is based on a Probability of Default (PD) measure, with clients analysed against a range of quantitative and qualitative measures. The numeric grades run from 1 to 14 and some of the grades are further sub-classified A, B or C. Lower credit grades are indicative of a lower likelihood of default. Credit grades 1A to 12C are assigned to performing clients or accounts, while credit grades 13 and 14 are assigned to non-performing or defaulted clients. The Bank's credit grades are not intended to replicate external credit grades, and ratings assigned by external ratings agencies are not used in determining the Bank's internal credit grades. Nonetheless, as the factors used to grade a borrower may be similar, a borrower's poor external rating is kept in mind while assessing his internal credit grade.

Nominal Limits, Loss Given Default (LGD), Expected Loss, Exposure At Default (EAD) and RWA (as per AIRB) are used in the assessment of individual exposures and portfolio analysis. LGD is the credit loss incurred if an obligor defaults. Nominal Limits are used in the delegation of credit approval authority and must be calculated for every transaction to determine the appropriate level of approval. In accordance with the credit authority delegation, significant exposures are reviewed and approved centrally under dual approval framework or by Group Chief Risk officer or delegate. All the credit facilities are subject to an annual credit review process.

The Bank's Credit Policy, including local/governance/regulatory needs, requires strict adherence to laid down credit procedures and deviations, if any, are approved and captured through the credit appraisal process. Deviation from pre defined policy and procedures/local regulations are flagged off and approved by the relevant authority, if allowed, to ensure that deviations are justified and appropriately approved to avoid any undue loss/risk to the Bank.

For Retail Clients

Standard application forms are used, which are processed in central units using largely automated processes. Where appropriate to the client, product or market, a manual approval process by SCB officers is in place. Origination and approval roles are segregated.

Distribution of credit products through the new business channel is governed by the New Business Management and Risk Policy and Procedures, which among other requirements, lays down policies governing recruitment, verification, training and monitoring of sales staff. Credit decisions are independent of the sales/marketing functions and there are clear and specific delegated authorities. Regular assurance reviews through Control Self Testing/Key Control Indicators and audits ensure compliance to policy and delegated authorities.

Credit scores, where used, are based on PD calculated using IRB score models. These models are based on application and behavioural scorecards which make use of external credit bureau information as well as the Bank's own data. In case of portfolios where such IRB models / credit grades have not yet been developed, the PD is calculated using portfolio delinquency flow rates and expert judgment, where applicable. An alphanumeric grading system identical to that for C&I clients is used as an index of portfolio quality.

6.3. Credit Approval

All credit approval authorities are delegated to individuals based on their judgment and experience the delegation is guided by the matrix set out in the Credit Policy for CIB & CB based on a risk-adjusted scale which takes account of the estimated

maximum potential loss from a given client or portfolio. Credit origination and approval roles are segregated in all exposures.

6.4. Credit Monitoring

The Bank monitors its credit exposures and assesses the impact of trends in the macroeconomic environment which may impact its portfolio performance.

For Commercial and C&I clients, clients or portfolios are placed on 'Early Alert' when they display signs of actual or potential weakness. For example, where there is a decline in the client's position within the industry, market perception, management, financial leverage or behavioural patterns. Such accounts are subjected to a dedicated process overseen by the CIC. Client account plans, documentation for existing facilities, and credit grades are re-evaluated. In addition, remedial actions are agreed and monitored. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exiting the account or immediate movement of the account into the control of GSAM, the specialist recovery unit, which is independent of the main businesses.

For Retail clients, portfolio delinquency trends are monitored and reviewed at pre determined frequency. Individual client behaviour is also tracked and is considered for lending decisions. Accounts which are past due are subject to a collections process, managed independently within the Risk function. Charged-off accounts are managed by a specialist recovery team. The micro and small-sized enterprise business is managed in small businesses segment. The credit processes are refined based on exposure at risk and are managed through Programmed Lending, in line with procedures for Retail clients. For BWC, some of the practices for portfolio monitoring are adapted from the CB segment portfolio management processes including accounts being managed by Relationship Managers and periodic Special Alert Reviews (SAR)

The CRC is responsible for the effective management of credit risk, among other risks.

6.5. Concentration Risk

Credit concentration risk is the risk of material losses arising from sub-optimally diversified exposures. This may be due to the portfolio's sizeable single name exposure or high correlation across geographies and sectors. The risk arises that, due to a change in circumstances, having a concentration may give rise to potential losses.

Credit concentration risk is governed by the risk appetite framework and Local Lending Policy (LLP) / Credit Approval Document (CAD); adherence to these policies is monitored by CMT. Credit concentration risk is managed via Country Risk Appetite Mandates and within concentration caps set for counterparties or groups of connected counterparties, and for industry sectors, credit grade bands, business segments and collateralisation for Commercial and C&I clients and by products for Retail clients.

Credit concentration risk is principally managed based on three components: single-name borrower exposure, industry concentrations and product concentration. For managing single-name concentrations, the Bank monitors compliance to the single and group borrower regulatory guidelines. The LLP
For Retail clients, product concentration risk is managed through portfolio management approach in order to limit concentration, reduce volatility and improve profitability. As part of this approach, the Bank monitors product concentration on a bi-monthly basis.

6.6. Risk Reporting and Measurement

Risk measurement plays a central role, along with judgment and experience, in informing risk-taking and portfolio management decisions. It is a primary area for sustained investment and senior management attention.

Various risk measurement systems are available to risk officers to enable them to assess and manage the credit portfolio. As the Group has adopted IRB for credit risk under Basel III, these include systems to calculate nominal exposure, PD, LGD and EAD on a transaction, counterparty and portfolio basis. The Group has implemented a single risk reporting system to aggregate risk data. This is used to generate management information to assist business and Risk users with risk monitoring and management.

A number of internal risk management reports are produced on a regular basis, providing information on; individual counterparty, counterparty group, portfolio exposure, credit grade migration, the status of accounts or portfolios showing signs of weakness or financial deterioration, models performance and updates on credit markets. IRB portfolio metrics are widely used in these reports. Regular portfolio risk reports are made available at-risk committee meetings.

6.7. Problem Credit Management and Provisioning

Credit monitoring is a continuous process. The frequency for each type of monitoring processes is defined. For example, excesses and past dues are reviewed on daily basis by business and credit officers. Covenants and risk triggers are normally linked to an event e.g. quarter on quarter drop in sales, exchange rate, crude prices, etc. For corporate accounts identified in risk-based manner, a Quarterly Performance Review (QPR) is also carried out, if necessary. Account conduct is also tracked on a monthly basis in terms of unauthorized excesses, documentation, compliance with covenants and progress on exit accounts through the Account Subject to Additional Review Process (ASTAR) reporting process. Potential problem credits are identified through the credit monitoring process and reported to the CIC for additional review. In addition, portfolio level review for Commercial, C&I and Retail clients is undertaken to track portfolio performance against local underwriting standards/Group policy. Outcomes of such reviews are placed before the CRC/CMT.

Commercial and C&I Exposures

Loans are classified as impaired and considered non-performing where analysis and review indicates that full payment of either interest or principal becomes questionable, or as soon as payment of interest or principal is 90 days or more overdue. Impaired accounts are managed by GSAM.

Specific provisions are made in accordance with the Bank's internal policy, subject to minimum provisions required under the RBI guidelines. When all sources of recovery have been exhausted and no further source of recovery is apparent, then the debt is written off by applying the impairment provision held.

Retail Exposures

An account is considered to be delinquent when payment is not received on the due date. For credit cards, an account is required to be considered delinquent on the payment due date upon non-receipt of payment till the payment due date (for NPA calculation) plus 3 grace days (for bureau reporting). For delinquency reporting purposes, the Bank follows industry standards measuring delinquency as of 1, 30, 60 and 90 days past due. Accounts that are overdue are closely monitored. Loans are classified as impaired and considered non-performing where analysis and review indicates that full payment of either interest or principal becomes questionable, or as soon as payment of interest or principal is 90 days or more overdue.

Process used for raising provisions adheres to minimum provisions required under the RBI guidelines. In case of unsecured products, outstanding balances are written off at 150 days past due. In case of secured products like Mortgages, provision is raised after considering the realisable value of the collateral. Charge off for secured products happens at 720 days past due. For all products there are certain accounts such as cases involving fraud and death, where the loss recognition process is accelerated.

The Bank also maintains general provision as a percentage of performing standard advances and on unhedged foreign currency exposures, as prescribed by the RBI, to cover the inherent risk of losses.

The credit portfolio is monitored and reported to appropriate authorities in accordance with extant Group Policies/Procedures including Credit Policy for CIB & CB and Risk Mitigation Policy, as well as extant local regulations/guidelines prescribed from time to time by RBI.

DF 3 - Quantitative Disclosures

a) Analysis of total gross credit risk exposures; fund based and non-fund based separately

		(Rs 000s)
Nature & category of exposures	**Credit risk exposures**	
	30.06.2020	**30.06.2019**
Inter bank exposures	44,043,088	91,488,602
Investments (HTM)	-	-
Advances	775,151,717	715,690,235
Total gross fund based exposures	**819,194,805**	807,178,837
Specific provisions / Provisions for depreciation in the value of investment[1]	(47,481,932)	(62,040,873)
Total net fund based exposures	**771,712,873**	745,137,964
Fx and derivative contracts	514,263,309	517,752,877
Guarantees, acceptances, endorsements and other obligations	384,164,436	370,808,646
Other commitments and credit lines[2]	47,127,349	45,869,205
Total gross non-fund based exposures[3]	**945,555,094**	934,430,728
Specific provisions	(69,282)	-
Total net non fund based exposures	**945,485,812**	934,430,728

[1] Excluding provision on standard assets

[2] Excluding credit lines which are unconditionally cancellable at the Bank's sole discretion or, effectively provide for automatic cancellation of credit lines due to deterioration of borrower's creditworthiness.

[3] For non-fund-based exposures, credit risk exposures or, equivalents are computed as under:

- In case of exposures other than FX and derivative contracts, credit equivalent is arrived at by multiplying the underlying contract or notional principal amounts with the credit conversion factors prescribed by the RBI under the Basel III capital framework.
- In case of FX and derivative contracts, credit equivalents are computed using the current exposure method which includes, two steps as under:
  - Computation of current credit exposure, which is sum of the positive Mark to Market (MTM) value of the outstanding contracts.
  - Potential future credit exposure (PFE), which is determined by multiplying the notional principal amounts by the relevant 'add-on' factor based on tenor and type of underlying contracts.

b) Analysis of geographic distribution of exposures; fund based and non-fund based separately

As all the exposures under Para (a) above are domestic, the analysis of geographic distribution of exposures into fund and non-fund based has not been disclosed separately.

c) Analysis of industry wise distribution of exposures; fund based and non-fund based separately

(₹ in 000s)

Sno	Nature and category of industry	30.06.2020 Credit Risk Exposures Fund based	30.06.2020 Credit Risk Exposures Non fund based	30.06.2020 Total	30.06.2019 Credit Risk Exposures Fund based	30.06.2019 Credit Risk Exposures Non fund based	30.06.2019 Total
1.	Mining and Quarrying	955,729	722,651	1,678,380	661,193	516,998	1,178,191
	Of which:						
	- Coal	*168,767*	*182,877*	*351,644*	*120,000*	*31,030*	*151,030*
	- Others	*786,962*	*539,774*	*1,326,736*	*541,193*	*485,968*	*1,027,161*
2.	Food Processing	3,812,478	3,958,419	7,770,897	13,674,109	4,984,062	18,658,171
	Of which:						
	- Sugar	*43,997*	-	*43,997*	*337,447*	-	*337,447*
	- Edible Oils and Vanaspati	*1,541,710*	*3,362,805*	*4,904,515*	*4,228,079*	*4,537,934*	*8,766,013*
	- Tea	-	-	-	-	-	-
	- Coffee	-	-	-	-	-	-
	- Others	*2,226,770*	*595,614*	*2,822,384*	*9,108,582*	*446,128*	*9,554,710*
3.	Beverages (excluding Tea & Coffee) and Tobacco	700,057	1,823,484	2,523,541	3,973,515	2,033,502	6,007,017
	Of which:						
	- Tobacco and tobacco products	*53,861*	*721,809*	*775,670*	*69,165*	*815,000*	*884,165*
	- Others	*646,196*	*1,101,675*	*1,747,871*	*3,904,350*	*1,218,502*	*5,122,852*
4.	Textiles	20,826,840	2,480,234	23,307,074	19,780,339	4,209,021	23,989,360
	Of which:						
	- Cotton	-	-	-	-	-	-
	- Others	*20,826,840*	*2,480,234*	*23,307,074*	*19,780,339*	*4,209,021*	*23,989,360*
	Out of Total Textiles to Spinning Mills	-	-	-	-	-	-
5.	Leather and Leather products	2,074,038	129,604	2,203,642	2,014,089	148,337	2,162,426
6.	Wood and Wood Products	938,622	254,712	1,193,334	973,946	274,460	1,248,406
7.	Paper and Paper Products	5,717,561	909,205	6,626,766	6,627,184	1,122,848	7,750,032
8.	Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	559,586	8,630,319	9,189,905	212,268	10,817,194	11,029,462
9.	Chemicals and Chemical Products (Dyes, Paints, etc.)	17,352,327	11,933,540	29,285,867	20,241,262	10,145,631	30,386,893
	Of which:						
	- Fertilisers	*340,199*	*1,818,028*	*2,158,227*	*1,474,222*	*2,198,113*	*3,672,335*
	- Drugs and Pharmaceuticals	*7,862,408*	*3,678,043*	*11,540,451*	*6,017,393*	*2,418,014*	*8,435,407*
	- Petro-chemicals (excluding under Infrastructure)	*3,951,787*	*3,118,966*	*7,070,753*	*7,967,196*	*2,988,865*	*10,956,061*
	- Others	*5,197,934*	*3,318,502*	*8,516,436*	*4,782,451*	*2,540,638*	*7,323,089*
10.	Rubber, Plastic and their Products	12,104,717	3,712,955	15,817,672	10,586,174	5,267,910	15,854,084
11.	Glass & Glassware	1,454,734	1,061,764	2,516,498	1,782,886	2,217,125	4,000,011
12.	Cement and Cement Products	12,968,209	5,720,540	18,688,749	8,928,902	6,067,967	14,996,869
13.	Basic Metal and Metal	24,695,228	10,830,674	35,525,902	26,949,389	7,879,400	34,828,789

	Products						
	Of which:						
	- Iron and Steel	*16,207,269*	*4,519,945*	*20,727,214*	*16,104,096*	*1,403,436*	*17,507,532*
	- Other Metal and Metal Products	*8,487,960*	*6,310,730*	*14,798,690*	*10,845,293*	*6,475,964*	*17,321,257*
14.	All Engineering	23,090,060	51,874,477	74,964,537	23,359,271	50,252,214	73,611,485
	Of which:						
	- Electronics	*9,101,994*	*31,411,982*	*40,513,976*	*7,446,356*	*32,489,810*	*39,936,166*
	- Others	*13,988,066*	*20,462,495*	*34,450,561*	*15,912,915*	*17,762,404*	*33,675,319*
15.	Vehicles, Vehicle Parts and Transport Equipments	16,323,180	13,057,965	29,381,145	17,500,790	10,473,583	27,974,373
16.	Gems & Jewellery	2,169,041	3,191,001	5,360,042	2,866,797	2,039,767	4,906,564
17.	Construction	30,508,010	18,767,007	49,275,017	7,255,366	19,871,453	27,126,819
18.	Aviation	331,879	60,386	392,265	1,047,554	210,381	1,257,935
19.	Infrastructure	77,864,729	42,613,782	120,478,511	49,477,144	42,586,998	92,064,142
	Of which:						
	- Roads and Bridges	*12,182,136*	*5,491,645*	*17,673,781*	*12,890,166*	*5,151,695*	*18,041,861*
	- Ports	-	-	-	-	-	-
	- Inland Waterways	*475,237*	*12,010*	*487,247*	-	*47,745*	*47,745*
	- Airport	-	-	-	-	-	-
	- Railway Track, tunnels, viaducts, bridges	-	-	-	-	-	-
	- Electricity (Generation)	*9,323,328*	*9,952,637*	*19,275,965*	*2,652,109*	*9,384,880*	*12,036,989*
	- Oil/Gas/Liquefied Natural Gas (LNG) storage facility	-	*238,998*	*238,998*	-	*267,774*	*267,774*
	- Communication	*52,201,869*	*26,918,493*	*79,120,362*	*31,008,359*	*27,734,905*	*58,743,264*
	- Other Infrastructure	*3,682,160*	-	*3,682,160*	*2,926,510*	-	*2,926,510*
20.	Trading & NBFC	88,571,613	4,497,986	93,069,599	88,129,361	6,485,230	94,614,591
21.	Mortgage	64,579,579	-	64,579,579	80,266,585	-	80,266,585
22.	Retail Others	45,841,465	1,328,508	47,169,973	51,682,492	1,328,508	53,011,000
23.	Real Estate	94,737,087	-	94,737,087	98,998,729	1,632,706	100,631,435
24.	Others	226,974,946	196,605,221	423,580,167	178,700,891	180,243,352	358,944,243
	Total Gross Advances	**775,151,715**	**384,164,435**	**1,159,316,152**	**715,690,236**	**370,808,648**	**1,086,498,886**
	Specific provisions	**(47,481,932)**	**(69,282)**	**(47,551,214)**	**(62,040,873)**	**-**	**(62,040,873)**
	Total Net Advances	**727,669,783**	**384,095,153**	**1,111,764,938**	**653,649,363**	**370,808,648**	**1,024,458,013**
	Total Inter-bank exposures	**44,043,088**	**-**	**44,043,088**	**91,488,602**	**-**	**91,488,602**
	Total Investments (HTM)	**-**	-	**-**	-	-	-

Fund based exposure comprises loans and advances, inter-bank exposures and HTM Investments. Non-fund based exposure comprises guarantees, acceptances, endorsements and letters of credit.

d) Analysis of residual contractual maturity of assets

As at 30 Jun 2020 **(₹ in 000s)**

Maturity Bucket	Cash and Bank balances with RBI	Balances with Banks and money at call and short notice	Investments	Advances	Fixed Assets	Other Assets
1day (d)	3,845,279	71,058,304	215,796,057	8,035,364	-	45,352,360
2 - 7 days	3,935,835	10,000	24,781,517	25,695,273	-	8,195,181
8 - 14 days	4,066,120	-	25,563,100	30,213,246	-	463,215
15 - 30 days	3,147,783	3,793,250	19,789,653	28,560,565	-	6,335,194
31 days - 2 months	2,134,323	63,500	27,415,299	67,419,999	-	16,019,766
2 months - 3 months	1,182,736	40,000	14,411,736	52,506,782	-	15,582,860
Over 3 months - 6 months	926,501	-	24,983,138	58,709,193	-	23,186,100
Over 6 month - 1 year	1,265,828	-	19,842,747	86,473,872	-	31,084,519
Over 1 year - 3 years	12,018,264	2,486	107,950,879	172,982,069	-	118,636,985
Over 3 year - 5 years	3,099	-	11,126,919	69,796,463	-	58,743,617
Over 5 years	165,450	-	1,101,519	127,276,957	13,703,872	13,634,188
Total	**32,691,218**	**74,967,540**	**492,762,564**	**727,669,783**	**13,703,872**	**337,233,985**

As at 30 Jun 2019 **(₹ in 000s)**

Maturity Bucket	Cash and Bank balances with RBI	Balances with Banks and money at call and short notice	Investments	Advances	Fixed Assets	Other Assets
1day (d)	3,656,787	70,139,952	138,708,525	9,949,894	-	87,620,596
2 - 7 days	4,701,452	43,867,700	97,058,958	40,200,804	-	5,372,832
8 - 14 days	4,604,177	45,000	25,858,225	40,932,192	-	1,020,980
15 - 30 days	3,282,549	6,240,000	15,583,897	23,327,843	-	5,291,006
31 days - 2 months	3,104,712	130,000	30,813,954	42,560,862	-	32,375,344
2 months - 3 months	3,412,615	40,000	47,771,610	29,519,416	-	(28,054,876)
Over 3 months - 6 months	3,553,155	-	41,484,356	51,147,574	-	49,084,006
Over 6 month - 1 year	2,956,805	-	15,385,894	45,998,478	-	31,948,383
Over 1 year - 3 years	14,057,907	4,701	78,638,589	205,326,772	-	53,695,094
Over 3 year - 5 years	6,939	-	32,363,137	75,655,622	-	44,607,648
Over 5 years	260,335	-	1,360,954	89,029,906	13,031,992	30,328,257
Total	**43,597,433**	**120,467,353**	**525,028,099**	**653,649,363**	**13,031,992**	**313,289,270**

The above has been prepared on similar guidelines as used for the statement of structural liquidity.

e) Details of Non-Performing Advances (NPAs) - Gross and Net

(₹ in 000s)

Particulars	**30.06.2020**	**30.06.2019**
Sub Standard	**20,435,330**	8,165,749
Doubtful	**28,137,884**	42,744,529
- Doubtful 1	***5,275,653***	*16,399,676*
- Doubtful 2	***10,251,352***	*21,303,813*
- Doubtful 3	***12,610,879***	*5,041,032*
Loss	**7,319,417**	14,077,854
Gross NPAs	**55,892,631**	64,988,132

Provisions	(47,481,934)	(62,040,873)
Net NPAs	8,410,697	2,947,259
Cover ratio	84.95%	95.46%

f) NPA Ratios

Particulars	30.06.2020	30.06.2019
Gross NPAs to gross advances	7.21%	9.08%
Net NPAs to net advances	1.16%	0.45%

g) Movement of NPAs

(₹ in 000s)

	30.06.2020		30.06.2019	
Particulars	Gross	Net	Gross	Net
Balance, 1st April	51,512,362	6,089,131	66,907,776	2,598,362
Additions during the period	8,568,750	3,246,018	5,416,166	1,330,586
Reductions during the period	(4,188,481)	(924,449)	(7,335,810)	(981,697)
Balance, end of the period	55,892,631	8,410,700	64,988,132	2,947,251

h) Movement of Provisions for NPAs

Specific Provisions (₹ in 000s)

Particulars	30.06.2020	30.06.2019
Balance, 1st April	45,423,231	64,309,415
Provisions made during the period	5,322,735	4,085,572
Write-off	-	(5,314,344)
Write-back of excess provisions	(3,012,307)	(1,039,770)
Any other adjustments, including transfer between provisions	(251,725)	-
Balance, end of the period	47,481,934	62,040,873

General Provisions (₹ in 000s)

Particulars	30.06.2020	30.06.2019
Balance, 1st April	18,746,084	10,123,710
Provisions made during the period	1,591,455	13,779
Write-off	-	(670,508)
Write-back of excess provisions	(234,458)	-
Any other adjustments, including transfer between provisions	-	-
Balance, end of the period	20,103,081	9,466,982

(₹ in 000s)

Particulars	30.06.2020	30.06.2019
Write-off that have been booked directly to the income statement	-	-
Recoveries that have been booked directly to the income statement	451,725	(26,071)

i) Movement of Non-Performing Investments and amount of Provisions held for Non-Performing Investments

(₹ in 000s)

Particulars	30.06.2020	30.06.2019
Balance, 1st April	5,878,448	6,909,816
Additions during the period	-	-
Reductions during the period	(601,404)	-
Balance, end of the period	5,277,044	6,909,816
Total provisions held at the end of the period	5,277,044	6,855,382

j) Movement of Provision for Depreciation on Investments

(₹ in 000s)

Particulars	30.06.2020	30.06.2019
Balance, 1st April	7,766,684	11,200,293
Provisions made during the period	8,622	-
Write-off	-	-
Write-back of excess provisions	(511,541)	(289,067)
Any other adjustments, including transfer between provisions	(603,219)	-
Balance, end of the period	6,660,546	10,911,227

k) NPA by Major Industries (Top 5 Industries)

(₹ in 000s)

As on	Gross NPA	Specific provisions	General Provisions	Specific provision during the current period	Write-off during the current period
30-Jun-20	20,999,432	19,806,042	0	(15,648,952)	1,700,626
30-Jun-19	38,117,079	37,823,930	0	(1,529,629)	4,041,147

7. DF 4 - Credit Risk: Disclosures for portfolios subject to the standardised approach

<u>DF 4 - Qualitative Disclosures</u>

As per the provisions of the Basel framework in India, SCBI has adopted the SA for measurement of credit risk. The risk weights applied under the SA are prescribed by the RBI and are based on the asset class to which the exposure is assigned. This approach permits use of external ratings for credit exposures to counterparties in the category of sovereigns, international banks, corporate and securitisation exposures. The specified credit rating agencies used for these types of exposures are as under:

Domestic Credit Rating Agencies	International Credit Rating Agencies
Credit Rating Information Services of India Limited	Standard and Poor's
ICRA Limited	Moody's
India Ratings and Research Private Limited (India Ratings)	
Credit Analysis and Research Limited	
Acuite Ratings and Research Limited	
Brickworks Ratings India Pvt. Limited	
Infomerics Valuation and Rating Pvt. Limited	

Rated facilities have generally been considered as those facilities where the Bank's exposure has been explicitly considered; else, the exposure has been treated by the Bank as unrated. The process used to transfer public issue ratings onto comparable assets in the banking book is in accordance with the requirements laid down by RBI.

DF 4 - Quantitative Disclosures

Analysis of outstanding credit exposures (after considering credit risk mitigation) and credit risk by regulatory risk weight

As at 30 Jun 2020 **(₹ in 000s)**

Nature & category of exposures	Total gross credit exposure	Credit risk mitigation	Net exposure (before provision)	Credit risk weight buckets summary			
				< 100%	100%	> 100%	Deduction from capital
Inter bank exposures	44,043,088	-	44,043,088	40,223,738	3,819,350	-	-
Investments (HTM)	-	-	-	-	-	-	-
Advances	775,151,717	(636,781)	774,514,936	267,458,393	302,312,734	204,743,809	-
Total fund based exposures	**819,194,805**	**(636,781)**	**818,558,024**	**307,682,131**	**306,132,084**	**204,743,809**	**-**
Fx and derivative contracts	514,263,309	-	514,263,309	475,454,261	26,076,472	12,732,576	-
Guarantees, Acceptances, endorsements and other obligations	384,164,436	(97,351)	384,067,085	201,831,947	1,132,186	181,102,952	-
Undrawn Commitments and others	47,127,349	-	47,127,349	-	39,366,952	7,760,397	-
Total non fund based exposures	**945,555,094**	**(97,351)**	**945,457,743**	**677,286,208**	**66,575,610**	**201,595,925**	**-**

As at 30 Jun 2019 (₹ in 000s)

Nature & category of exposures	Total gross credit exposure	Credit risk mitigation	Net exposure (before provision)	Credit risk weight buckets summary < 100%	100%	> 100%	Deduction from capital
Inter bank exposures	91,488,602	-	91,488,602	91,474,890	13,712	-	-
Investments (HTM)	-	-	-	-	-	-	-
Advances	715,690,235	(9,472,672)	706,217,563	195,288,805	314,751,679	196,177,079	-
Total fund based exposures	807,178,837	(9,472,672)	797,706,165	286,763,695	314,765,391	196,177,079	-
Fx and derivative contracts	517,752,877	-	517,752,877	470,819,825	17,155,535	29,777,517	-
Guarantees, Acceptances, endorsements and other obligations	370,808,646	(28,226)	370,780,420	138,999,664	(61,105,593)	292,886,350	-
Undrawn Commitments and others	45,869,205	-	45,869,205	-	37,714,423	8,456,059	-
Total non fund based exposures	934,430,728	(28,226)	934,402,502	609,819,489	(6,235,635)	331,119,926	-

8. DF 13 - Main Features of Regulatory Capital Instruments

There were no regulatory capital instruments issued by SCBI as of 30 Jun 2020.

9. DF 14 - Full Terms and Conditions of Regulatory Capital Instruments

There were no regulatory capital instruments issued by SCBI as of 30 Jun 2020.

10. Leverage Ratio

The bank is required to maintain a minimum leverage ratio of 4.5%. The bank's leverage ratio, calculated in accordance with the RBI guidelines under consolidated framework is 8.96% as of 30 Jun 2020 (Previous Year: 8.72%).

DF 17 Quantitative disclosures

Summary comparison of accounting assets vs. leverage ratio exposure measure **(₹ in M)**

Sr. No.	Item	30 Jun 2020 Solo	30 Jun 2020 Consol	30 Jun 2019 Solo	30 Jun 2019 Consol
1	Total consolidated assets as per published financial statements	1,694,545	1,728,011	1,685,604	1,713,115
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-	-	-

4	Adjustments for derivative financial instruments	177,336	177,336	164,895	164,895
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	30,939	30,939	21,000	21,000
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	521,959	522,034	493,949	494,199
7	Other adjustments	(32,500)	(32,570)	(34,194)	(33,521)
8	**Leverage ratio exposure**	**2,392,279**	**2,425,749**	**2,331,254**	**2,359,688**

DF 18 Quantitative disclosures

Leverage ratio common disclosure **(₹ in M)**

Sr. No.	Item	30 Jun 2020 Solo	30 Jun 2020 Consol	30 Jun 2019 Solo	30 Jun 2019 Consol
	On-balance sheet exposures				
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1,449,257	1,482,722	1,463,644	1,491,155
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(1,576)	(1,646)	(5,215)	(4,542)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**1,447,681**	**1,481,076**	**1,458,429**	**1,486,613**
	On-balance sheet exposures				
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	214,364	214,364	192,981	192,981
5	Add-on amounts for PFE associated with all derivatives transactions	300,301	300,301	306,680	306,680
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	-	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-	-	-
8	(Exempted CCP leg of client-cleared trade exposures)	(122,965)	(122,965)	(141,785)	(141,785)
9	Adjusted effective notional amount of written credit derivatives	-	-	-	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**391,700**	**391,700**	**357,876**	**357,876**

	Securities financing transaction exposures				
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	30,924	30,924	28,979	28,979
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	(7,979)	(7,979)
14	CCR exposure for SFT assets	15	15	-	-
15	Agent transaction exposures	-	-	-	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**30,939**	**30,939**	**21,000**	**21,000**
	Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	1,702,994	1,703,069	1,536,086	1,536,336
18	(Adjustments for conversion to credit equivalent amounts)	(1,181,035)	(1,181,035)	(1,042,137)	(1,042,137)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**521,959**	**522,034**	**493,949**	**494,199**
	Capital and total exposures				
20	**Tier 1 capital**	209,280	217,432	197,782	205,795
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	2,392,279	2,425,749	2,331,254	2,359,688
	Leverage ratio				
22	**Basel III leverage ratio**	8.75%	8.96%	8.48%	8.72%

Reconciliation of total published balance sheet size and on balance sheet exposure (₹ in M)

Sr. No.	Item	30 Jun 2020 Solo	30 Jun 2020 Consol	30 Jun 2019 Solo	30 Jun 2019 Consol
1	Total consolidated assets as per published financial statements	1,694,545	1,728,011	1,685,604	1,713,115
2	Replacement cost associated with all derivatives transactions i.e. net of eligible cash variation margin	(214,364)	(214,364)	(192,981)	(192,981)
3	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	(30,924)	(30,924)	(28,979)	(28,979)
4	Adjustments for entities outside the scope of regulatory consolidation	-	-	-	
	On-balance sheet exposures under leverage ratio (excluding derivatives and SFTs)	**1,449,257**	**1,482,722**	**1,463,644**	**1,491,155**