Standard Chartered

Risk review and disclosures under Basel III Framework for the period ended 31 December 2013

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 March 2008. The Basel III implementation schedule for India has commenced from 1 April 2013 and is phased in through to 31 March 2018. Accordingly, for 31 December 2013 reporting purposes, the Bank has calculated its Pillar 1 capital requirement based on Basel III norms.

Basel II/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 II/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. Scope of Basel II/III Framework

3.1. Pillar 1

The SCB Group and local management of the Indian operations recognise that Basel II/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 Value at Risk (VaR) model for market risk capital and The Standardised Approach for determining its OR capital requirements. SCBI has adopted RBI's prevailing Basel II/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 New Capital Adequacy Framework (commonly referred to as NCAF) 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 II/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.

Details of the entities consolidated 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 II/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.	
St. Helens Nominees India Pvt. Limited	Yes	Full	Yes			
Standard Chartered Investments and Loans (India) Limited	No	Not Applicable	Yes			
Standard Chartered Securities (India) Limited	No	Not Applicable	Yes			

4. Capital Management

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 our 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), Group Capital Management Committee (GCMC) and Group Treasury (GT). The responsibility of capital management has been assigned to a dedicated sub-group of ALCO, the Capital Management Group (CMG), which meets at least once a month. The capital management process is governed by the Capital 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 minimum 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 periodic 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) Subordinated debts from HO in foreign currency. These are unsecured, unguaranteed and subordinated to the claims of other creditors, including without limitation, customer deposits and deposits by banks.

4.6. Capital and RWA

(₹ in 000s)

	31.12.2013	
	Solo bank*	**Consolidated bank***
	Basel III	**Basel III**
Tier 1 Capital :	**143,037,957**	**150,568,559**
Common Equity Tier I	143,037,957	150,568,559
Head Office Capital	27,257,992	27,257,992
Paid up capital	-	6,169,657
Eligible reserves	133,688,227	135,107,296
Minority interests	-	-
Innovative Tier 1 instruments	-	-
Less: Restriction on innovative Tier 1 instruments	-	-
Intangible assets	(17,898,604)	(17,956,728)
Other regulatory adjustments	(9,658)	(9,658)
Additional Tier I	-	-

Tier 2 Capital :	**32,209,288**	**32,231,060**
Eligible revaluation reserves	3,291,943	3,291,943
General provision and other eligible reserves/provisions	6,919,345	6,941,117
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)	27,497,500	27,497,500
Less: Amortisation of qualifying subordinated debts	(5,499,500)	(5,499,500)
Other regulatory adjustments	-	-
Total capital base	**175,247,245**	**182,799,619**
Minimum regulatory capital requirements		
Credit risk	108,615,421	109,537,178
Standardised approach portfolios	89,067,256	89,989,013
Securitisation exposures	2,048,873	2,048,873
Counterparty/settlement risks	17,499,292	17,499,292
Market risk - Standardised duration approach	6,765,987	6,767,982
Interest rate risk	6,166,443	6,166,443
Foreign exchange risk (including gold)	540,000	540,000
Equity risk	59,544	61,539
Counterparty/settlement risks	-	-
Operational risk - Basic indicator approach	10,703,922	10,954,793
Total minimum regulatory capital requirements	126,085,330	127,259,953
Risk weighted assets and contingents		
Credit risk	1,206,838,011	1,217,079,744
Market risk *(including counterparty/settlement risks)*	75,177,628	75,199,795
Operational risk - Basic indicator approach	118,932,467	121,719,928
Total Risk weighted assets and contingents	**1,400,948,106**	**1,413,999,471**
Capital ratios		
Common Equity Tier 1 capital	10.21%	10.65%
Tier 1 capital	10.21%	10.65%
Tier 2 capital	2.30%	2.28%
Total capital	12.51%	12.93%

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

	31.12.2012	
	Solo bank* Basel II	**Consolidated bank* Basel II**
Tier 1 Capital :	**136,555,683**	**142,230,701**
Head Office Capital	27,257,992	27,257,992
Paid up capital	-	5,075,257
Eligible reserves	123,488,797	124,124,471
Intangible assets	(13,143,525)	(13,170,293)
Unconsolidated subsidiaries/associates	(50)	(50)

Other regulatory adjustments	(1,047,531)	(1,056,678)
Tier 2 Capital :	37,446,850	37,458,083
Eligible revaluation reserves	4,551,436	4,551,436
General provision and other eligible reserves/provisions	6,432,392	6,452,773
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)	27,497,500	27,497,500
Less: Amortisation of qualifying subordinated debts	-	-
Other regulatory adjustments	(1,034,478)	(1,043,625)
Total capital base	**174,002,533**	**179,688,783**
Minimum regulatory capital requirements		
Credit risk	103,319,788	104,220,164
Standardized approach portfolios	87,790,771	88,691,147
Securitisation exposures	9,000	9,000
Counterparty/settlement risks	15,520,017	15,520,017
Market risk - Standardised duration approach	8,388,714	8,392,029
Interest rate risk	7,934,099	7,934,099
Foreign exchange risk (including gold)	360,000	360,000
Equity risk	94,615	97,930
Counterparty/settlement risks	-	-
Operational risk - Basic indicator approach	10,159,913	10,342,932
Total minimum regulatory capital requirements	**121,868,415**	**122,955,125**
Risk weighted assets and contingents		
Credit risk	1,147,997,647	1,158,001,825
Market risk *(including counterparty/settlement risks)*	93,207,936	93,244,758
Operational risk - Basic indicator approach	112,887,923	114,921,478
Total Risk weighted assets and contingents	**1,354,093,503**	**1,366,168,059**
Capital ratios		
Tier 1 capital	10.08%	10.41%
Tier 2 capital	2.77%	2.74%
Total capital	12.85%	13.15%

* Solo Bank represents the main licensed bank of the Group in India and consolidated basis include Group controlled entities operating in India and consolidated for the limited purpose of capital adequacy framework.
Note: December 2012 computation based on BASEL II norms.

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 customised to meet the local regulatory requirements. One of the main risks incurred arises from extending credit to customers 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 (RMF)

The Bank adds value to customers and generates returns for shareholders by taking and managing risk in line with strategy and within 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 at the front-line.

The management of risk lies at the heart of the Bank's business. Effective risk management is a central part of the financial and operational management of the Bank and is fundamental to its ability to generate profits consistently and maximise the interest of its stakeholders.

The Bank's risk and capital assessment processes are built upon its RMF and governance structure. The RMF 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 RMF include the Bank's risk classifications, risk principles and standards, definitions of roles and responsibilities and governance structure. Under this framework, there are three lines of defence.

- The First Line of Defence is that all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities.

- The Second Line of Defence comprises the Risk Control Owners (RCO), supported by their respective control functions. RCOs are responsible for ensuring that the residual risks within the scope of their responsibilities remain within appetite. There are three central aspects to discharging this responsibility: the identification of material risks; maintaining an effective control environment; and understanding and accepting levels of residual risk. The Second Line is independent of the origination, trading and sales functions to ensure that the necessary balance and perspective is brought to risk/return decisions. This is particularly important given that revenues are recognised immediately while losses arising from risk positions only manifest themselves over time. The Second Line has the authority to challenge and stop business activities (within the scope of their control responsibilities) where risks are not aligned with control requirements or risk appetite.

- The Third Line of Defence comprises the independent assurance provided by the Group Internal Audit (GIA) function, which has no responsibilities for any of the activities it examines. GIA provides independent assurance of the effectiveness of management's control of its own business activities (the First Line) and of the processes maintained by the Risk Control Functions (the Second Line). As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the RMF. The findings from GIA's audits are reported to all relevant management and governance bodies – accountable line managers, relevant oversight function or committee and committees of the Board. The role of GIA is defined and overseen by the Audit Committee and is set out in the Group's Internal Audit Charter.

5.2. Risk Governance

The Bank has a committee governance structure which ensures that risk-taking authority and risk management policies are cascaded down from it's Management Committee (MANCO) to the appropriate functional, divisional and country-level 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.

Ultimate responsibility for overall management and governance of the Bank, approval of long-term objectives and commercial strategy, implementing risk appetite and risk management, capital management and optimisation; effective cooperation and coordination between businesses rests with the MANCO. It is chaired by the Country Chief Executive Officer (CEO). Its membership also includes functional heads of the businesses, control and support functions in India. The MANCO comprises senior bankers who are well qualified, experienced and competent individuals and are well acknowledged in their respective fields. The MANCO meets on a monthly basis.

The governance structure of the Bank also reflects the Group's functional structure, and therefore, the various functional heads and country committees have reporting lines to their Group functional heads and committees as well as to the Country CEO.

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

Committee (delegated authority from)	Purpose	Members	Frequency of meetings
ALCO (MANCO)	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.	▪ CEO (Chair) ▪ Chief Financial Officer (CFO) ▪ Country Chief Risk Officer (CCRO) ▪ Business Heads ▪ Retail Banking products head ▪ Asset Liability Management (ALM) Head ▪ Economist ▪ Financial Controller ▪ Financial and Management Accounting Head	Monthly
Country Risk Committee (CRC) (MANCO)	Responsible for the effective management of risks in support of business strategy within the boundaries set by the MANCO and business level risk committees. It is responsible for implementing the RMF, including assignment of the roles and responsibilities of RCO 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 MANCO and business risk committees. Responsibility to manage Liquidity and Capital Risks remain with ALCO.	▪ CCRO (Chair) ▪ CEO (Alternate Chair) ▪ CFO ▪ Head of Compliance ▪ Business Heads	Bi-monthly

Key sub-committees include:

A. The Liquidity Management Committee (LMC) is a sub-committee of the ALCO which manages liquidity for the Bank. It includes members from Finance, ALM and the businesses. LMC meets monthly.

B. The CMG is a sub-committee of the ALCO which manages capital. It is chaired by the CFO and includes members from Finance, Risk and the businesses. CMG meets monthly.

C. The Stress Test Committee (STC) is a subcommittee of the CRC. It comprises members from the Finance and Risk functions and the Country Economist and is responsible for reviewing and challenging the stress scenario used in the ICAAP. It is also responsible for reviewing the results of the ongoing stress testing and providing recommendations to CRC. The STC is chaired by the CCRO and meets on a quarterly basis.

D. The Country Operational Risk Committee (CORC) is a sub-committee of the CRC. It exercises oversight of the Bank's OR exposure to ensure that it is managed in a manner consistent with the RMF. The CORC meets monthly to review the Bank's significant risk exposures and to ensure appropriateness and adequacy of mitigating action plans. The CEO/ CCRO is the chairman of the CORC.

5.3. The Risk function

The CCRO manages the Risk function which is independent of the businesses. The CCRO also chairs the CRC and is a member of the MANCO. The role of the Risk function is:

- To maintain the RMF, 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.

5.4. Risk Appetite

The Group/Bank manages its risks to build a sustainable franchise in the interests of all stakeholders. The Group Risk Appetite Statement (the RAS) 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. When setting risk appetite, it considers overall risk management strategy/approach and appropriate margin between actual risk exposure and its risk capacity. At a country level, a detailed risk appetite assessment is performed annually, where a country's portfolio is assessed for how it contributes towards upholding the RAS and to assess key issues and potential concerns around the country's business strategy and portfolio composition. The assessment of the country portfolio's contribution to the Group's risk appetite is performed through a 'bottom-up' analytical approach at a business/customer segment/product level.

Given the different revenue, cost and risk parameters associated with the various products offered by the Bank, changes to the assumptions about business mix, asset quality and collateral have a direct impact on the aggregate level of projected credit losses, profits, capital consumption and returns in all economic conditions. A number of levers are therefore used by management to adjust the risk profile, capital consumption and business performance ahead of stress events. Examples include caps on unsecured exposures in Consumer Bank (CB), portfolio caps by industry sectors and increasing collateralisation rates in Wholesale Bank (WB) to lower loss given default (LGD) in the portfolio.

The risk appetite forms the basis for establishing the risk parameters within which the businesses must operate, including policies, concentration limits and business mix. The Group Risk Committee (GRC) and GALCO are responsible for ensuring that the Group's risk profile is managed in compliance with the risk appetite set by the Board; MANCO, CRC and ALCO are responsible for the same at country level.

5.5. Stress Testing

Stress testing and scenario analysis are used to assess the Bank's ability to maintain operations that are consistent with it's risk appetite during periods of severe but plausible stress conditions and to simulate the set of feasible management 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 risk appetite;
- 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 STC, 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. The STC generates and considers pertinent and plausible scenarios that have the potential to adversely affect the Group/Bank's business.

The India STC 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 2013-14 included, auto sector review, refinance risk review, construction segment review, credit cards portfolio stress test etc.

6. Credit Risk

Credit risk is the potential for loss due to the failure of counterparty to meet its obligations to pay the Bank in accordance with agreed terms. 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 GRC, which also oversees the delegation of credit approval and loan impairment provisioning authorities. Policies and procedures specific to each business are established by authorised risk committees within WB and CB. The WB Monitoring and Control Policy and the CB Management Information Systems and Reporting Framework provide the outline for how credit risk should be monitored and managed in the Bank. These are consistent with the Group-wide credit policies, but are more detailed and adapted to reflect the different risk environments and portfolio characteristics. These Group policies/procedures are customised locally to incorporate any local regulatory and governance needs.

6.2. Credit Assessment Process

Wholesale Banking

Within the WB business a pre-sanction appraisal is carried out by the relationship manager through a Business Credit Application (BCA). BCAs are reviewed and duly approved by the relevant credit authority using an alphanumeric grading system for quantifying risks associated with counterparty. The grading is based on a Probability of Default (PD) measure, with customers 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 customers or accounts, while credit grades 13 and 14 are assigned to non-performing or defaulted customers. 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 rated poorly by an external rating agency is typically assigned a worse internal credit grade.

Nominal Limits, LGD, Expected Loss Exposure At Default (EAD) and Risk Weighted Assets (RWA) 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 through a credit committee. 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. Sufficient checks are also undertaken at various levels, to ensure that deviations are justified and appropriately approved and would not result in any undue loss/risk to the Bank.

Consumer Banking

For CB, standard credit application forms are generally used, which are processed in central units using largely automated approval processes. Where appropriate to the customer, the product or the market, a manual approval process is in place. As with WB, 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. Department level Key Control Standards and regular assurance reviews and audits ensure compliance to policy and delegated authorities.

Credit grades within CB are based on a PD calculated using IRB 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 have not yet been developed, the PD is calculated using portfolio delinquency flow rates and expert judgement, where applicable. An alphanumeric grading system identical to that of the WB is used as an index of portfolio quality.

6.3. Credit Approval

Major credit exposures to individual counterparties, groups of connected counterparties and portfolios of retail exposures are reviewed and approved by the Group Credit Committee (GCC). The GCC derives its authority from the GRC. All other credit approval authorities are delegated by the GRC to individuals based on their judgement and experience and based on a risk-adjusted scale which takes account of the estimated maximum potential loss from a given customer or portfolio. Credit origination and approval roles are segregated in all exposures.

6.4. Credit Monitoring

The Bank regularly monitors credit exposures, portfolio performance and external trends which may impact risk management outcomes. Internal risk management reports are presented to risk committees, containing information on key environmental, political and economic trends across major portfolios, portfolio delinquency and loan impairment performance.

In WB, 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, financial deterioration, a breach of covenants, non-performance of an obligation within the stipulated period or there are concerns relating to ownership or management. Such accounts and portfolios are subjected to a dedicated process overseen by the Early Alert Committee (EAC). 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 Group Special Assets Management (GSAM), the specialist recovery unit, which is independent of the main businesses.

In CB, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behaviour is also tracked and is considered for lending decisions. Accounts which are past due are subject to a collections process, managed independently by the Risk function. Charged-off accounts are managed by a specialist recovery team. The small and medium-sized enterprise business is managed within CB in two distinct customer sub-segments, small businesses and medium enterprises, differentiated by the annual turnover of the counterparty. The credit processes are further refined based on exposure at risk. Larger exposures are managed through the Discretionary Lending approach, in line with WB procedures, and smaller exposures are managed through Programmed Lending, in line with CB procedures.

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

The Regional Credit Issues Forum (RCIF), a sub-committee of CRC chaired by the Regional Credit Officer, meets monthly to assess the impact of external events and trends on the credit risk profile and to initiate appropriate measures to realign the portfolio and underwriting standards where necessary.

The EAC, a sub-committee of CRC, meets monthly and is responsible for identifying and monitoring corporate customers showing potential signs of weakness and/or may be exposed to higher risks. The EAC reviews the existing Early Alert portfolio and new accounts presented to the committee. It is chaired by the CEO and its membership also includes business heads, CCRO, Regional Credit Officer (RCO) / Country Credit Officer (COO), WB Senior Credit Officer (SCO), Head GSAM and Head of Credit Documentation Unit (CDU).

6.5. Concentration Risk

Credit concentration risk can arise from pools of exposures with similar characteristics which may lead to highly correlated changes in credit quality, for example individual large exposures or significantly large groups of exposures whose likelihood of default is driven by common underlying factors.

Credit concentration risk is governed by the Group's Large Exposure Policy and MANCO approved Local Lending Policy (LLP) for WB. Respective risk functions ensure adherence to these policies under the ambit of the CRC. For CB, credit concentration risk is monitored and managed by products.

Credit concentration risk is principally managed based on two components: single-name borrower exposure and industry concentrations. For managing single-name concentrations, the Bank monitors compliance to the single and group borrower regulatory guidelines. The LLP establishes industry and credit grade concentration limits. The CRC monitors adherence to these prescribed limits. Any excesses from the ceilings prescribed in the LLP are escalated to the CCRO and/or CRC/MANCO for approval in accordance with the escalation grid established in the LLP.

CB manages product concentration risk through portfolio management approach in order to limit concentration, reduce volatility and improve profitability. As part of the annual budget, the product mix of the portfolio and the secured/unsecured share is planned and is monitored on a bi-monthly basis and reported to the CRC in country; portfolio reviews are also undertaken by the Credit Governance Committee (CGC). The exposure and the recession loss are tracked on a monthly basis against Credit Approval Document (CAD) limits on peak exposure and peak recession loss. Breaches to triggers and significant variations in thresholds are reported to the regional CB Chief Risk Officer. All significant portfolio issues, breaches to CAD triggers, and significant variations in CAD thresholds are reported to the CGC.

Both WB and CB portfolios are reviewed periodically to ensure compliance with caps and risk appetite. In respect of industry/sectoral concentration caps, the CRC monitors adherence to approved limits based on a bi-monthly review of the Bank's portfolio.

6.6. Risk Reporting and Measurement

Risk measurement plays a central role, along with judgement 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 II, these include systems to calculate 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 are defined. For example, excesses and past dues are reviewed on daily basis by business and credit officials. 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. Account conduct is also tracked on a monthly basis in terms of past dues, 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 EAC for additional review. In addition, portfolio level review for both WB and CB is undertaken to track portfolio performance against local underwriting standards/Group policy. Outcomes of such reviews are placed before the CRC.

Wholesale Banking

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.

Consumer Banking

Within CB, an account is considered to be delinquent when payment is not received on the due date. For credit cards, an account is considered delinquent on the statement due date upon non receipt of payment till the payment due date. 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.

The process used for raising provisions is dependent on the product category and adheres to the Bank's internal policy, subject to minimum provisions required under the RBI guidelines. In case of unsecured products, outstanding balances are written off at 150 days past due except discretionary lending. Unsecured products under discretionary lending are fully provided for at 90 days past due. In case of secured products like Mortgages, provision is raised after considering the realisable value of the collateral. For all products there are certain accounts such as cases involving bankruptcy, fraud and death, where the loss recognition process is accelerated.

The Bank also maintains general provision as a percentage of performing standard advances (across both WB and CB) as prescribed by the RBI to cover the inherent risk of losses.

6.8. Quantitative Disclosures

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

(₹ in 000s)

Nature & category of exposures	Credit risk exposures	
	31.12.2013	31.12.2012
Inter bank exposures	4,914,158	26,587,807
Investments (HTM)	-	-
Advances	716,556,662	639,267,922
Total gross fund based exposures	**721,470,820**	665,855,729
Specific provisions / Provisions for depreciation in the value of investment[1]	(38,807,794)	(28,011,795)
Total net fund based exposures	**682,663,026**	637,843,934
Fx and derivative contracts	423,749,011	389,391,073
Guarantees, acceptances, endorsements and other obligations	294,670,659	307,734,344
Other commitments and credit lines[2]	70,740,544	47,381,617
Total gross non-fund based exposures[3]	**789,160,214**	744,507,034
Specific provisions	(737)	(737)
Total net non fund based exposures	**789,159,477**	744,506,297

[1] Excluding provision on standard assets (Previous Year: excluding floating provision and 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 II/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 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 6.8.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)

Nature and category of industry	31.12.2013			31.12.2012		
	Credit Risk Exposures			Credit Risk Exposures		
	Fund based	Non fund based	Total	Fund based	Non fund based	Total
Mining and Quarrying	618,400	1,105,118	1,723,518	5,094,727	228,011	5,322,738
Of which:						
- Coal	149,506	31,612	181,118	321,489	55,485	376,974
- Others	468,894	1,073,506	1,542,400	4,773,238	172,526	4,945,764
Food Processing	15,074,781	7,561,021	22,635,802	15,914,680	9,246,278	25,160,958
Of which:						
- Sugar	3,847,478	2,473,745	6,321,223	2,921,479	2,201,175	5,122,654
- Edible Oils and Vanaspati	1,183,758	3,078,861	4,262,619	2,896,022	4,199,285	7,095,307
- Tea	162,577	438,021	600,598	275,120	1,598,335	1,873,455
- Others	9,880,968	1,570,394	11,451,362	9,822,059	1,247,483	11,069,542
Beverages (excluding Tea & Coffee) and Tobacco	11,028,651	1,064,641	12,093,292	8,511,641	831,057	9,342,698
Of which:						-
- Tobacco and tobacco products	4,683,154	418,219	5,101,373	6,302,258	246,857	6,549,115
- Others	6,345,497	646,422	6,991,919	2,209,384	584,200	2,793,584
Textiles	19,687,620	3,500,705	23,188,325	21,641,251	3,701,697	25,342,948
Of which:					-	-
- Cotton	152,051	-	152,051	263,327	-	263,327
- Others	19,535,569	3,500,705	23,036,274	21,377,923	3,701,697	25,079,620
Out of Total Textiles to Spinning Mills	1,012,911	-	1,012,911	985,767	-	985,767
Leather and Leather products	956,491	172,293	1,128,784	1,034,185	59,957	1,094,142
Wood and Wood Products	765,100	1,045,294	1,810,394	708,992	1,489,351	2,198,343
Paper and Paper Products	7,075,054	1,582,695	8,657,749	5,812,708	687,328	6,500,036
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	1,545,500	3,098,694	4,644,194	478,970	10,102,786	10,581,756
Chemicals and Chemical Products (Dyes, Paints, etc.)	35,332,377	16,573,227	51,905,604	34,434,632	17,802,183	52,236,815
Of which:						-
- Fertilisers	306,603	288,730	595,333	1,203,207	1,387,993	2,591,200

- Drugs and Pharmaceuticals	18,281,536	2,133,283	20,414,819	18,597,716	2,905,336	21,503,052
- Petro-chemicals (excluding under Infrastructure)	8,152,205	3,617,850	11,770,055	5,123,657	4,279,265	9,402,922
- Others	8,592,033	10,533,364	19,125,397	9,510,052	9,229,589	18,739,641
Rubber, Plastic and their Products	4,643,943	2,749,880	7,393,823	4,105,675	3,923,586	8,029,261
Glass & Glassware	2,043,843	795,575	2,839,418	1,450,673	984,130	2,434,803
Cement and Cement Products	15,645,723	1,037,248	16,682,971	6,294,466	1,454,431	7,748,897
Basic Metal and Metal Products	47,169,983	20,941,446	68,111,428	41,352,151	27,605,678	68,957,829
Of which:						-
- Iron and Steel	24,266,297	12,234,694	36,500,991	18,791,095	13,873,828	32,664,923
- Other Metal and Metal Products	22,903,685	8,706,752	31,610,437	22,561,056	13,731,851	36,292,907
All Engineering	33,301,626	35,924,145	69,225,771	31,156,581	38,782,585	69,939,166
Of which:						-
- Electronics	9,268,189	14,848,332	24,116,521	7,466,678	15,719,601	23,186,279
- Others	24,033,437	21,075,813	45,109,250	23,689,903	23,062,984	46,752,887
Vehicles, Vehicle Parts and Transport Equipments	9,847,916	12,455,796	22,303,712	15,881,816	8,289,792	24,171,608
Gems & Jewellery	29,806,818	918,093	30,724,911	28,124,191	4,305,769	32,429,960
Construction	11,679,845	10,808,018	22,487,863	11,143,855	10,699,965	21,843,820
Aviation		18,653,394	18,653,394		16,291,951	16,291,951
Infrastructure	71,797,356	26,023,082	97,820,438	60,450,153	30,372,747	90,822,900
Of which:						-
- Roads and Bridges	14,270,627	2,338,900	16,609,527	8,529,979	2,559,135	11,089,114
- Inland Waterways	9,210,651	2,637,614	11,848,265	7,521,336	3,021,279	10,542,615
- Airport	97,497	343,450	440,947	144,000	2,308	146,308
- Railway Track, tunnels, viaducts, bridges	12,411	2,232,956	2,245,367		702,025	702,025
- Electricity (Generation)	1,924,642	2,734,735	4,659,377	380,924	3,248,742	3,629,666
- Oil/Gas/Liquefied Natural Gas (LNG) storage facility	63,107		63,107	257,842	92,968	350,810
- Communication	37,279,309	8,167,004	45,446,313	30,649,585	11,742,091	42,391,676
- Other Infrastructure	8,939,112	7,568,423	16,507,535	12,966,487	9,004,199	21,970,686
Trading & NBFC	58,016,941	25,992,839	84,009,780	47,827,176	19,239,114	67,066,290
Mortgage	100,330,852	-	100,330,852	86,832,554	-	86,832,554
Retail Others	66,448,686	-	66,448,686	60,985,895	-	60,985,895
Real Estate	77,218,227	-	77,218,227	66,299,283	2,301,408	68,600,691
Other Industries	96,520,929	121,320,849	217,841,779	83,731,667	115,626,491	199,358,158
Total Gross Advances	**716,556,662**	**294,670,659**	**1,011,227,321**	**639,267,922**	**307,734,344**	**947,002,266**
Specific provisions	**(38,807,794)**	**(737)**	**(38,808,531)**	(28,011,795)	(737)	(28,012,532)
Total Net Advances	**677,748,868**	**294,669,922**	**972,418,790**	611,256,127	307,733,607	918,989,734
Total Inter-bank exposures	**4,914,158**	**-**	**4,914,158**	26,587,807	-	26,587,807
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 31 December 2013 (₹ 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)	10,313,862	4,429,659	76,657,703	47,078,256	-	15,219,833
2d-7d	5,554,130	9,500	33,572,122	47,226,298	-	753,672
8d - 14d	6,232,219	25,000	36,832,189	54,586,069	-	-
15d - 28d	2,090,036	88,000	13,761,513	31,130,810	-	2,071,116
29d - 3month (m)	4,514,311	362,000	37,114,434	118,272,338	-	53,117,172
3m - 6m	3,880,975	-	26,195,866	52,678,306	-	29,564,916
6m - 1year (y)	2,279,205	-	17,767,302	42,654,721	-	26,556,249
1y - 3y	1,145,079	-	27,082,058	109,284,884	-	54,712,080
3y - 5y	1,340,223	-	23,627,270	43,224,446	-	21,754,654
> 5y	526,832	-	209,383	131,485,205	21,635,868	40,285,657
Total	37,876,872	4,914,159	292,819,840	677,621,333	21,635,868	244,035,349

As at 31 December 2012 (₹ 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)	17,143,924	14,111,554	101,950,199	15,988,117	-	17,409,560
2d-7d	1,423,761	11,907,400	7,869,387	35,371,793	-	6,156,449
8d - 14d	1,823,390	20,000	9,867,755	38,476,228	-	86,833
15d - 28d	2,111,800	226,000	11,925,691	39,748,510	-	1,397,556
29d - 3month (m)	5,925,480	322,840	54,092,638	115,237,690	-	47,764,817
3m - 6m	3,424,066	-	18,530,238	61,151,861	-	25,423,907
6m - 1year (y)	3,815,199	-	20,646,958	40,247,709	-	29,567,475
1y - 3y	7,107,132	-	47,192,600	92,344,478	-	29,730,482
3y - 5y	-	-	15,680,068	56,296,387	-	23,031,407
> 5y	1,634,183	-	8,938,145	116,325,219	24,621,780	22,419,673
Total	44,408,935	26,587,794	296,693,679	611,187,992	24,621,780	202,988,159

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

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

(₹ in 000s)

Particulars	31.12.2013	31.12.2012
Sub Standard	15,908,606	12,737,605
Doubtful	16,226,550	5,470,136
- Doubtful 1	*12,719,421*	*2,891,743*
- Doubtful 2	*3,091,241*	*2,183,392*
- Doubtful 3	*415,888*	*395,001*
Loss	25,000,744	19,751,587
Gross NPAs	57,135,900	37,959,328
Provisions	(38,807,794)	(28,073,254)
Net NPAs	18,328,106	9,886,074
Cover ratio	67.92%	73.96%

f) NPA Ratios

Particulars	31.12.2013	31.12.2012
Gross NPAs to gross advances	7.97%	5.94%
Net NPAs to net advances	2.72%	1.62%

g) Movement of NPAs

(₹ in 000s)

	31.12.2013		31.12.2012	
Particulars	Gross	Net	Gross	Net
Balance, 1st April	38,800,624	10,098,172	32,121,562	3,868,066
Additions during the period	27,089,255	13,383,199	15,128,524	9,013,520
Reductions during the period	(8,753,979)	(5,153,265)	(9,290,758)	(2,995,512)
Balance, end of the period	57,135,900	18,328,106	37,959,328	9,886,074

h) Movement of provisions for NPAs

(₹ in 000s)

Particulars	31.12.2013	31.12.2012
Balance, 1st April	28,702,452	28,253,496
Add: Provisions during the period	13,706,056	6,875,105
Less: Utilisation / writeback of provisions no longer required	(3,600,714)	(7,055,346)
Balance, end of the period	38,807,794	28,073,254

i) Amount of non-performing Investments and amount of provisions held for non-performing investments

(₹ in 000s)

Particulars	31.12.2013	31.12.2012
Balance, 1st April	405,842	45,092
Additions during the period	2,236,298	356,581
Reductions during the period	(12,369)	(2)
Balance, end of the period	2,629,771	401,671
Total provisions held at the end of the period	1,473,243	45,090

j) Movement of provisions for depreciation on investments

(₹ in 000s)

Particulars	31.12.2013	31.12.2012
Balance, 1st April	1,014,504	1,268,109
Add: Provisions during the period	2,369,500	22,234
Less: Utilisation / writeback of provisions no longer required	(397,621)	(1,223,028)
Balance, end of the period	2,986,383	67,316

6.9. Credit Risk: Disclosures for portfolios subject to the standardised approach

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	
SME Rating Agency of India Limited	
Brickworks Ratings India 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.

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

As at 31 December 2013 (₹ 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	4,914,158	-	4,914,158	4,914,158	-	-	-
Investments (HTM)	-	-	-	-	-	-	-
Advances	716,556,662	(17,784,563)	698,772,099	156,612,658	478,888,353	63,271,100	-
Total fund based exposures	**721,470,820**	**(17,784,563)**	**703,686,257**	**161,526,816**	**478,888,353**	**63,271,100**	**-**
Fx and derivative contracts	423,749,011	-	423,749,011	300,541,273	121,819,968	1,387,770	-
Guarantees,Acceptances, endorsements and other obligations	294,670,659	(3,370,506)	291,300,153	82,924,815	199,855,754	8,519,586	-
Undrawn Commitments and others	70,740,544	-	70,740,544	21,751,362	48,268,612	720,570	-
Total non fund based exposures	**789,160,214**	**(3,370,506)**	**785,789,708**	**405,217,450**	**369,944,334**	**10,627,926**	**-**

As at 31 December 2012 (₹ 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	26,587,807	-	26,587,807	26,587,807	-	-	-
Investments (HTM)	-	-	-	-	-	-	-
Advances	639,267,922	(11,007,464)	628,260,458	81,267,633	457,557,610	89,435,215	-
Total fund based exposures	**665,855,729**	**(11,007,464)**	**654,848,265**	**107,855,440**	**457,557,610**	**89,435,215**	**-**
Fx and derivative contracts	389,391,073	-	389,391,073	290,305,732	98,704,744	380,597	-
Guarantees,Acceptances, endorsements and other obligations	307,734,344	(3,041,247)	304,693,097	83,847,906	214,480,238	5,036,444	1,328,508
Undrawn Commitments and others	47,381,617	-	47,381,617	1,760,000	44,881,269	-	740,347
Total non fund based exposures	**744,507,034**	**(3,041,247)**	**741,465,787**	**375,913,638**	**358,066,251**	**5,417,041**	**2,068,855**

7. Basel III Disclosure template for main features of regulatory capital instruments:

S.NO.	Item	Details
1	Issuer	Standard Chartered Bank, India Branches
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument Regulatory treatment	-Reserve Bank Of India Act, 1934 -Banking Regulation Act, 1949 -Circulars issued by Reserve Bank of India
4	Transitional Basel III rules	Tier 2
5	Post-transitional Basel III rules	Ineligible
6	Eligible at solo/group/ group & solo	Solo and Group
7	Instrument type	Tier 2 Subordinated Debt
8	Amount recognised in regulatory capital (Rs. in million, as of most recent reporting date)	2 Tranches of Subordinated Debt raised from Head Office of which INR 21,998mn is the amount recognised as regulatory capital as at 31 December 2013
9	Par value of instrument	Tranche 1 –US $250mn Tranche 2- US $250mn
10	Accounting classification	Liability (Borrowings Outside India -Subordinated Debt)
11	Original date of issuance	Tranche 1 - 3rd March 2008 Tranche 2 - 30th June 2008
12	Perpetual or dated	Dated
13	Original maturity date	Tranche 1 - 2nd March 2018 Tranche 2 - 29th June 2018
14	Issuer call subject to prior supervisory approval	Issuer call is subject to RBI regulations and approvals on the same
15	Optional call date, contingent call dates and redemption amount	Call option only in case of regulatory event but subject to RBI approval
16	Subsequent call dates, if applicable Coupons / dividends	NA
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Tranche 1 - LIBOR + 220 Basis Points Tranche 2 - LIBOR + 250 Basis Points
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Mandatory

S.NO.	Item	Details
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non Cumulative
23	Convertible or non-convertible	Non- Convertible
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Write-down feature	No
31	If write-down, write-down trigger(s)	NA
32	If write-down, full or partial	NA
33	If write-down, permanent or temporary	NA
34	If temporary write-down, description of write-up mechanism	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinate to all other external liabilities
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	It does not contain write-down/conversion feature to enable loss absorbency