

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

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 2019. Accordingly, for 30 June 2014 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. DF 1 - Scope of Application

Name of the head of the banking group to which the framework applies: Standard Chartered Bank India Branches

DF 1 - Qualitative Disclosures

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.

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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.

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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.

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			
Standard Chartered Investments and Loans (India) Limited	No	Not Applicable	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.
Standard Chartered Securities (India) Limited	No	Not Applicable	Yes			
St. Helen's Nominees India Private Limited	No	Not Applicable	Yes			

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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)
Scope International 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	0%	Not Applicable	7,403,800
Standard Chartered Finance 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	1,035,674
Standard Chartered (India) Wealth Advisory Services Pvt. Ltd.	Currently no business activity is being carried out through this entity.	500,000	0%	Not Applicable	572,417
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	236,336

Note: The above data is as per latest audited results as at 31st Mar 2014.

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	43,257,992	1,253,574,340		
Standard Chartered Investments and Loans (India) Limited	Financial services acceptable for NBFC, other than accepting public deposits eg. lending, investments, etc.	4,543,850	13,534,281		
Standard Chartered Securities (India) Limited	Category I merchant banker, rendering brokering services to retail and institutional clients and depository services	16,25,807	17,47,724		
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	9,004		

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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.

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014**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 Forum (CMF), 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 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, client deposits and deposits by banks.

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DF 2 - Quantitative Disclosures

Capital and RWA

As at 30 June 2014	(₹ in 000s)	
	Solo bank*	Consolidated bank*
	Basel III	Basel III
Tier 1 Capital :	164,588,077	172,067,605
Common Equity Tier I	164,588,077	172,067,605
Head Office Capital	43,257,992	43,257,992
Paid up capital	-	6,169,757
Eligible reserves	147,560,621	148,922,716
Minority interests	-	-
Innovative Tier 1 instruments	-	-
Less: Restriction on innovative Tier 1 instruments	-	-
Intangible assets	(26,222,257)	(26,274,581)
Other regulatory adjustments	(8,279)	(8,279)
Additional Tier I	-	-
Tier 2 Capital :	25,831,102	25,857,921
Eligible revaluation reserves	2,807,458	2,807,458
General provision and other eligible reserves/provisions	6,525,144	6,551,963
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	(10,999,000)	(10,999,000)
Other regulatory adjustments	-	-
Total capital base	190,419,179	197,925,526
Minimum regulatory capital requirements		
Credit risk	124,439,403	125,579,984
Standardised approach portfolios	90,780,418	91,920,999
Securitisation exposures	2,047,723	2,047,723
Counterparty/settlement risks	31,611,262	31,611,262
Market risk - Standardised duration approach	8,495,111	8,497,457

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Interest rate risk	7,880,760	7,880,760
Foreign exchange risk (including gold)	540,000	540,000
Equity risk	74,351	76,697
Counterparty/settlement risks	-	-
Operational risk - Basic indicator approach	11,713,700	12,001,553
Total minimum regulatory capital requirements	144,648,214	146,078,994

Risk weighted assets and contingents

Credit risk	1,382,660,037	1,395,333,157
Market risk (including counterparty/settlement risks)	94,390,130	94,416,189
Operational risk - Basic indicator approach	130,152,219	133,350,593
Total Risk weighted assets and contingents	1,607,202,386	1,623,099,939

Capital ratios

Common Equity Tier 1 capital	10.24%	10.60%
Tier 1 capital	10.24%	10.60%
Tier 2 capital	1.61%	1.59%
Total capital	11.85%	12.19%

As at 30 June 2013

(₹ in 000s)

	Solo bank* Basel II	Consolidated bank* Basel II
Tier 1 Capital :	143,238,847	150,753,096
Head Office Capital	27,257,992	27,257,992
Paid up capital	-	6,169,657
Eligible reserves	131,165,964	132,565,794
Intangible assets	(14,299,376)	(14,354,613)
Unconsolidated subsidiaries/associates	-	-
Other regulatory adjustments	(885,733)	(885,734)
Tier 2 Capital :	33,270,806	33,294,150
Eligible revaluation reserves	4,426,961	4,426,961
General provision and other eligible reserves/provisions	6,845,845	6,869,189
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)	21,998,000	21,998,000
Less: Amortisation of qualifying subordinated debts	-	-
Other regulatory adjustments	-	-
Total capital base	176,509,653	184,047,246

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Minimum regulatory capital requirements		
Credit risk	110,605,349	111,568,494
Standardized approach portfolios	90,889,139	91,852,284
Securitisation exposures	2,068,649	2,068,649
Counterparty/settlement risks	17,647,561	17,647,561
Market risk - Standardised duration approach	6,551,745	6,553,739
Interest rate risk	5,668,966	5,668,966
Foreign exchange risk (including gold)	810,000	810,000
Equity risk	72,779	74,773
Counterparty/settlement risks	-	-
Operational risk - Basic indicator approach	10,703,922	10,954,127
Total minimum regulatory capital requirements	127,861,016	129,076,360
Risk weighted assets and contingents		
Credit risk	1,228,948,329	1,239,649,931
Market risk (<i>including counterparty/settlement risks</i>)	72,797,167	72,819,328
Operational risk - Basic indicator approach	118,932,467	121,712,521
Total Risk weighted assets and contingents	1,420,677,963	1,434,181,780
Capital ratios		
Tier 1 capital	10.08%	10.51%
Tier 2 capital	2.34%	2.32%
Total capital	12.42%	12.83%

* 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.

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 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. 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 shareholder value. The foundation of all risk assessment is aligned to the Group's Risk Management Framework (RMF). Under this framework, there are three lines of defence.

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- 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. They are responsible for ensuring that the residual risks within the scope of their responsibilities remain within appetite.
- The Third Line of Defence comprises the independent assurance provided by the Group Internal Audit (GIA) function, which has no management 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.

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, 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.

The Country Management Group (CMG) 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 including management of its capital position. It is chaired by Country Chief Executive Officer (CEO). Its membership also includes functional heads of the businesses, control and support functions in India. The CMG meets on a monthly basis.

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. ALCO meets monthly.
2. Country Risk Committee (CRC) – responsible for the effective management of risks in support of business strategy within the boundaries set by the CMG and business level risk committees. It is responsible for implementing the RMF, including assignment of the roles and responsibilities of RCOs 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 CMG and business risk committees. It includes the CEO, CCRO, CFO and members from the businesses and compliance. CRC meets bi – monthly.

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) and the businesses. LMF meets monthly.

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- B. The CMF is a sub-group of the ALCO which manages capital. It includes members from Finance, Risk and the businesses. CMF meets monthly.
- 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 comprises members from the Finance and Risk functions and the Country Economist. STF meets quarterly.
- D. The Country Operational Risk Committee (CORC) is a sub-committee of the CRC which exercises oversight of the Bank's OR exposure to ensure that it is managed in accordance 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.

5.3. 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 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/client segment/product level.

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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 retail exposures, portfolio caps by industry sectors and increasing collateralisation rates for corporate exposures, etc.

The risk appetite forms the basis for establishing the risk parameters within which the businesses must operate, including policies, concentration limits and business mix.

5.5. 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 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 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 2013-14 included, auto sector review, refinance risk review, construction segment review, credit cards portfolio stress test 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 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.

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Group-wide credit policies and standards are considered and approved by the Group Risk Committee (GRC), which also oversees the delegation of credit approval and loan impairment provisioning authorities. 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 Corporate and Institutional (C&I) Clients*

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 clients analyzed 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 rated poorly by an external rating agency is typically assigned a worse internal credit grade.

Nominal Limits, Loss Given Default (LGD), Expected Loss, Exposure At Default (EAD) and 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.

For Retail Clients

Standard credit application forms are generally used, which are processed in central units using largely automated approval processes. Where appropriate to the client, the product or the market, a manual approval process 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. Department level Key Control Standards and regular assurance reviews and audits ensure compliance to policy and delegated authorities.

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Credit grades are based on a Probability of Default (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 for C&I clients 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 Approval Committee (CAC). The Group CAC derives its authority from the GRC. All other credit approval authorities are delegated by the Group CAC 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 client 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.

For 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, 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 Credit Issues Committee (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 Group Special Assets Management (GSAM), the specialist recovery unit, which is independent of the main businesses.

For Retail clients, portfolio delinquency trends are monitored continuously at a detailed level. 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 by the Risk function. Charged-off accounts are managed by a specialist recovery team. The small and medium-sized enterprise business is managed in two distinct client 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 C&I client procedures, and smaller exposures are managed through Programmed Lending, in line with procedures for Retail clients.

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

The CIC, a sub-committee of CRC, is responsible for identifying and monitoring corporate clients showing potential signs of weakness and/or may be exposed to higher risks. The CIC reviews the existing Early Alert portfolio and new accounts presented to the committee. It is chaired by the CEO and its membership includes business heads, CCRO, credit officers, Head GSAM and Head of Credit Documentation Unit. CIC meets monthly.

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

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 Local Lending Policy (LLP); adherence to these policies is monitored by the CRC. These policies are managed via portfolio standards and within concentration caps set for counterparties or groups of connected counterparties. Concentration caps are also set for industry sectors, credit grade bands, business segments and collateralisation for C&I clients and for products in case of 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 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/CRC/CMG for approval in accordance with the delegated authorities outlined in 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 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. The exposures are tracked on a monthly basis against Credit Approval Document limits. All significant portfolio issues are reported to the CIC.

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/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 are defined. For example, excesses and past dues are reviewed on daily basis by business and credit officials. Covenants and risk

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

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 CIC for additional review. In addition, portfolio level review for both 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.

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 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, 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 Monitoring & Control Policy, Large Exposure Policy, Credit Initiation and Approval Policy and Risk Mitigation Policy, as well as extant local regulations/guidelines prescribed from time to time by RBI, e.g. Early Recognition of Financial Distress, Prompt Steps for Resolution and Fair Recovery for Lenders-Framework for Revitalising Distressed Assets in the Economy and reporting to Central Repository of Information on Large Credits (CRILC).

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

DF 3 - 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	
	30.6.2014	30.6.2013
Inter bank exposures	6,061,232	14,249,777
Investments (HTM)	-	-
Advances	720,086,933	695,952,424
Total gross fund based exposures	726,148,165	710,202,201
Specific provisions / Provisions for depreciation in the value of investment ¹	(57,352,345)	(30,231,231)
Total net fund based exposures	668,795,820	679,970,970
Fx and derivative contracts	422,864,453	421,498,599
Guarantees, acceptances, endorsements and other obligations	309,357,796	327,701,192
Other commitments and credit lines ²	47,997,055	71,428,149
Total gross non-fund based exposures³	780,219,304	820,627,940
Specific provisions	(737)	(737)
Total net non fund based exposures	780,218,567	820,627,203

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 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 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.

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

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

(₹ in 000s)

Sno	Nature and category of industry	30.6.2014			30.6.2013		
		Fund based	Non fund based	Total	Fund based	Non fund based	Total
1.	Mining and Quarrying	1,087,989	1,652,220	2,740,209	926,135	1,051,656	1,977,791
	<i>Of which:</i>						
	- Coal	139,497	88,510	228,007	131,249	33,275	164,524
	- Others	948,492	1,563,710	2,512,202	794,886	1,018,381	1,813,267
2.	Food Processing	13,471,641	7,626,740	21,098,381	14,966,948	8,830,289	23,797,237
	<i>Of which:</i>						
	- Sugar	2,672,597	2,408,504	5,081,101	2,637,549	2,377,085	5,014,634
	- Edible Oils and Vanaspati	606,242	3,778,807	4,385,049	1,912,815	4,957,254	6,870,069
	- Tea	602,816	43,333	646,149	693,165	469,404	1,162,569
	- Others	9,589,986	1,396,096	10,986,082	9,723,419	1,026,546	10,749,965
3.	Beverages (excluding Tea & Coffee) and Tobacco	13,936,957	1,071,368	15,008,325	6,601,209	887,143	7,488,352
	<i>Of which:</i>						
	- Tobacco and tobacco products	2,830,898	434,863	3,265,761	3,977,742	421,116	4,398,858
	- Others	11,106,059	636,505	11,742,564	2,623,467	466,027	3,089,494
4.	Textiles	20,927,930	2,628,468	23,556,398	21,395,737	3,746,103	25,141,840
	<i>Of which:</i>						
	- Cotton	413,304	-	413,304	94,438	-	94,438
	- Others	20,514,626	2,628,468	23,143,094	21,301,299	3,746,103	25,047,402
	<i>Out of Total Textiles to Spinning Mills</i>	751,374	-	751,374	1,082,502	-	1,082,502
5.	Leather and Leather products	923,580	192,472	1,116,052	943,968	187,793	1,131,761
6.	Wood and Wood Products	897,546	894,259	1,791,805	770,444	1,337,238	2,107,682
7.	Paper and Paper Products	7,892,475	2,049,443	9,941,918	6,648,480	1,588,794	8,237,274
8.	Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	3,402,594	7,196,170	10,598,764	6,831,148	6,732,144	13,563,292
9.	Chemicals and Chemical Products (Dyes, Paints, etc.)	39,032,607	15,503,303	54,535,911	33,923,569	22,766,217	56,689,786
	<i>Of which:</i>						
	- Fertilisers	536,227	438,151	974,378	414,893	4,422,937	4,837,830
	- Drugs and Pharmaceuticals	21,263,292	1,816,217	23,079,509	17,704,493	2,246,385	19,950,878
	- Petro-chemicals (excluding under Infrastructure)	8,759,220	3,046,008	11,805,228	7,678,439	4,177,080	11,855,519
	- Others	8,473,869	10,202,927	18,676,796	8,125,744	11,919,815	20,045,559
10.	Rubber, Plastic and their Products	5,169,274	2,624,894	7,794,168	6,108,830	4,124,812	10,233,642
11.	Glass & Glassware	1,881,097	1,096,128	2,977,225	2,736,592	1,125,122	3,861,714

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

12.	Cement and Cement Products	14,424,404	2,459,895	16,884,299	10,424,173	3,733,723	14,157,896
13.	Basic Metal and Metal Products	50,790,935	19,490,266	70,281,202	45,487,064	24,272,018	69,759,082
	<i>Of which:</i>						
	- Iron and Steel	21,800,283	10,933,004	32,733,287	18,650,306	13,570,735	32,221,041
	- Other Metal and Metal Products	28,990,652	8,557,263	37,547,915	26,836,758	10,701,283	37,538,041
14.	All Engineering	36,438,832	26,173,228	62,612,060	35,296,216	35,882,064	71,178,280
	<i>Of which:</i>						
	- Electronics	10,283,335	10,692,616	20,975,951	10,159,557	16,738,107	26,897,664
	- Others	26,155,497	15,480,612	41,636,109	25,136,659	19,143,956	44,280,615
15.	Vehicles, Vehicle Parts and Transport Equipments	14,476,196	9,953,929	24,430,125	16,868,869	18,975,487	35,844,356
16.	Gems & Jewellery	28,223,135	331,850	28,554,985	30,361,650	2,570,483	32,932,133
17.	Construction	8,771,657	11,130,938	19,902,595	12,229,457	10,426,673	22,656,130
18.	Aviation	3,309,625	20,305,595	23,615,220	-	17,962,388	17,962,388
19.	Infrastructure	54,429,471	26,722,416	81,151,887	64,880,071	31,549,602	96,429,673
	<i>Of which:</i>						
	- Roads and Bridges	17,193,467	5,269,799	22,463,266	11,399,240	3,763,767	15,163,007
	- Ports	-	-	-	-	-	-
	- Inland Waterways	8,433,503	2,602,823	11,036,326	8,932,831	3,261,060	12,193,891
	- Airport	193,815	1,870	195,685	136,100	1,620	137,720
	- Railway Track, tunnels, viaducts, bridges	-	-	-	-	-	-
	- Electricity (Generation)	2,067,647	1,336,199	3,403,846	2,480,648	1,403,858	3,884,506
	- Electricity (Transmission)	-	-	-	-	-	-
	- Electricity (Distribution)	-	-	-	-	-	-
	- Oilpipelines	-	-	-	-	-	-
	- Oil/Gas/Liquefied Natural Gas (LNG) storage facility	-	-	-	-	-	-
	- Gas pipelines	-	-	-	-	-	-
	- Water and sanitation	-	-	-	-	-	-
	- Communication	19,946,467	11,120,694	31,067,161	30,830,537	14,557,180	45,387,717
	- Other Infrastructure	6,594,572	6,391,030	12,985,602	11,100,717	8,562,117	19,662,834
20.	Trading & NBFC	57,048,875	25,596,904	82,645,779	52,410,254	28,528,251	80,938,505
21.	Mortgage	98,573,848	-	98,573,848	96,491,165	-	96,491,165
22.	Retail Others	72,351,300	1,328,508	73,679,808	61,555,750	1,328,508	62,884,258
23.	Real Estate	88,939,927	873,036	89,812,963	68,649,199	2,037,842	70,687,041
24.	Other Industries	83,685,038	122,455,766	206,140,804	99,445,494	98,056,842	197,502,336
	Total Gross Advances	720,086,933	309,357,796	1,029,444,729	695,952,424	327,701,192	1,023,653,616
	Specific provisions	(57,352,345)	(737)	(57,353,082)	(30,231,231)	(737)	(30,231,968)
	Total Net Advances	662,734,588	309,357,059	972,091,647	665,721,193	327,700,455	993,421,648
	Total Inter-bank exposures	6,061,232	-	6,061,232	14,249,777	-	14,249,777
	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.

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

d) Analysis of residual contractual maturity of assets

As at 30 June 2014 (₹ 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)	9,458,450	11,216,993	111,823,200	33,114,155	-	11,315,523
2d-7d	2,710,036	40,000	15,246,020	43,283,455	-	6,190,513
8d - 14d	3,068,472	55,100	23,460,158	51,998,247	-	854,778
15d - 28d	1,617,254	74,000	9,097,052	33,161,855	-	1,646,257
29d - 3month (m)	4,588,980	282,400	25,813,017	120,403,695	-	44,685,144
3m - 6m	1,628,989	-	9,163,063	67,651,509	-	27,739,877
6m - 1year (y)	2,767,528	-	30,209,211	37,331,205	-	35,182,914
1y - 3y	8,712,413	34,000	54,562,419	115,275,546	-	36,616,167
3y - 5y	1,216,903	-	8,464,332	33,702,034	-	16,650,932
>5y	309,543	-	1,220,718	126,654,967	18,277,223	44,651,600
Total	36,078,568	11,702,493	289,059,190	662,576,668	18,277,223	225,533,705

As at 30 June 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)	14,175,506	9,694,772	70,342,018	31,595,375	-	13,434,971
2d-7d	2,911,253	5,007,000	17,106,838	46,038,690	-	1,770,561
8d - 14d	3,101,488	25,000	17,833,555	51,688,757	-	2,421,286
15d - 28d	2,280,126	117,500	13,110,722	32,861,127	-	3,221,793
29d - 3month (m)	5,935,249	401,505	35,308,075	118,384,040	-	77,172,175
3m - 6m	2,468,035	-	14,191,200	70,115,028	-	19,972,894
6m - 1year (y)	3,559,256	-	47,472,398	42,357,027	-	46,130,516
1y - 3y	7,212,742	4,000	48,196,664	82,686,229	-	34,916,730
3y - 5y	55,858	-	13,098,604	67,280,411	-	25,359,789
>5y	1,696,779	-	8,794,288	122,518,969	24,141,976	12,765,577
Total	43,396,292	15,249,777	285,454,362	665,525,653	24,141,976	237,166,292

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

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

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

Particulars	(₹ in 000s)	
	30.6.2014	30.6.2013
Sub Standard	16,541,755	19,781,021
Doubtful	17,108,066	6,943,012
- Doubtful 1	10,237,565	4,415,245
- Doubtful 2	6,697,851	2,171,309
- Doubtful 3	172,649	356,458
Loss	27,068,326	20,002,578
Gross NPAs	60,718,147	46,726,611
Provisions	(57,352,345)	(30,231,231)
Net NPAs	3,365,802	16,495,380
Cover ratio	94.46%	64.70%

f) NPA Ratios

Particulars	(₹ in 000s)	
	30.6.2014	30.6.2013
Gross NPAs to gross advances	8.43%	6.71%
Net NPAs to net advances	0.51%	2.48%

g) Movement of NPAs

Particulars	(₹ in 000s)			
	30.6.2014		30.6.2013	
	Gross	Net	Gross	Net
Balance, 1st April	57,826,468	3,063,474	38,800,624	10,098,172
Additions during the period	5,044,081	535,369	10,350,836	7,571,496
Reductions during the period	(2,152,402)	(233,041)	(2,424,849)	(1,174,288)
Balance, end of the period	60,718,147	3,365,802	46,726,611	16,495,380

h) Movement of Provisions for NPAs

Particulars	(₹ in 000s)	
	30.6.2014	30.6.2013
Balance, 1st April	54,762,994	28,702,452
Additions during the period	4,508,712	2,779,340
Reductions during the period	(1,919,361)	(1,250,561)
Balance, end of the period	57,352,345	30,231,231

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

i) Movement of Non-Performing Investments and amount of Provisions held for Non-Performing Investments (₹ in 000s)

Particulars	30.6.2014	30.6.2013
Balance, 1st April	2,211,381	405,842
Additions during the period	-	-
Reductions during the period	(14,752)	-
Balance, end of the period	2,196,629	405,842
Total provisions held at the end of the period	1,727,207	400,990

j) Movement of Provisions for Depreciation on Investments (₹ in 000s)

Particulars	30.6.2014	30.6.2013
Balance, 1st April	3,160,699	1,014,504
Additions during the period	-	199,926
Reductions during the period	(458,234)	(49,060)
Balance, end of the period	2,702,465	1,165,370

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

DF 4 - Qualitative Disclosures

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.

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

DF 4 - Quantitative Disclosures

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

As at 30 June 2014 (₹ in 000s)

Nature & category of exposures	Total gross credit exposure	Credit risk mitigation	Net exposure (before provision)	Credit risk weight buckets summary			Deduction from capital
				< 100%	100%	> 100%	
Inter bank exposures	6,061,232	-	6,061,232	6,061,232	-	-	-
Investments (HTM)	-	-	-	-	-	-	-
Advances	720,086,933	(13,130,066)	706,956,867	169,488,951	473,135,372	64,332,544	-
Total fund based exposures	726,148,165	(13,130,066)	713,018,099	175,550,183	473,135,372	64,332,544	-
Fx and derivative contracts	422,864,453	-	422,864,453	304,012,071	118,422,911	429,470	-
Guarantees, Acceptances, endorsements and other obligations	309,357,796	(4,220,511)	305,137,285	65,453,250	227,787,457	11,896,579	-
Undrawn Commitments and others	47,997,055	-	47,997,055	-	47,997,055	-	-
Total non fund based exposures	780,219,304	(4,220,511)	775,998,793	369,465,321	394,207,423	12,326,049	-

As at 30 June 2013 (₹ in 000s)

Nature & category of exposures	Total gross credit exposure	Credit risk mitigation	Net exposure (before provision)	Credit risk weight buckets summary			Deduction from capital
				< 100%	100%	> 100%	
Inter bank exposures	14,249,777	-	14,249,777	14,249,777	-	-	-
Investments (HTM)	-	-	-	-	-	-	-
Advances	695,952,424	(14,816,721)	681,135,703	136,240,906	469,273,261	75,632,085	-
Total fund based exposures	710,202,201	(14,816,721)	695,385,480	150,490,683	469,273,261	75,632,085	-
Fx and derivative contracts	421,498,599	-	421,498,599	300,136,257	118,784,046	2,578,296	-
Guarantees, Acceptances, endorsements and other obligations	327,701,192	(4,732,603)	322,968,589	82,238,268	230,655,175	10,075,146	-
Undrawn Commitments and others	71,428,149	-	71,428,149	32,871,785	36,487,508	2,068,856	-
Total non fund based exposures	820,627,940	(4,732,603)	815,895,337	415,246,310	385,926,729	14,722,298	-

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

8. DF 13 - 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 16,499mn is the amount recognised as regulatory capital as at 30 June 2014
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

Risk review and disclosures under Basel III Framework for the period ended 30 June 2014

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