SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

INDEPENDENT AUDITOR'S REPORT

To
The Chief Executive Officer in India
Shinhan Bank – India Branches

Report on the Financial Statements

1. We have audited the accompanying financial statements of Shinhan Bank – India Branches ("the Bank"), which comprises the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Bank's Management is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014, provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by the Reserve Bank of India ("RBI") from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the applicable provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Bank's management, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Act, in the manner so required for the banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India:
   a. in the case of the Balance Sheet, of the state of affairs of the Bank as at 31 March 2017;
   b. in the case of the Profit and Loss Account, of the profit of the Bank for the year ended on that date; and
   c. in the case of the Cash Flow Statement, of the cash flows of the Bank for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.
10. As required sub section (3) of section 30 of the Banking Regulation Act, 1949 and the appointment letter dated March 23, 2017, we report that:
    i. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
    ii. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
    iii. The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches. We have visited four Indian branches of the Bank for the purpose of our audit.
11. Further, as required by section 143(3) of the Act, we further report that:
    i. We have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit;
    ii. In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books. The financial accounting systems of the Bank are centralized and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by the branches.
    iii. The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
    iv. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting guidelines prescribed by the RBI.
    v. Reporting requirement pursuant to the provision of Section 164 (2) of the Companies Act, 2013 are not applicable considering the Bank is a branch of Shinhan Bank - Korea.
    vi. With respect to adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

Other Matters

12. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    i. The Bank has disclosed the impact of pending litigations on its financial position in its financial statements in Schedule 12 and Note 3.28 of Schedule 17(II) to the financial statements.
    ii. The Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    iii. There were no amounts which were required to be transferred to the Investor Education and Protection fund by the Bank.

For and on behalf of

Borkar & Muzumdar
Chartered Accountants
Firm's Reg. No. 101569W

Sd/-
Devang Vaghani
Partner
M. No. 109386
Place: Mumbai
Date: 29 June 2017

Annexure A to the Independent Auditor's Report of even date on the Standalone Financial Statements of Shinhan Bank – India Branches

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Shinhan Bank - India Branches ("the Bank") as of March 31, 2017 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For and on behalf of
Borkar & Muzumdar
Chartered Accountants
Firm's Reg. No. 101569W

Sd/-
Devang Vaghani
Partner
M. No. 109386
Place: Mumbai
Date: 29 June 2017

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

Balance Sheet as at 31st March, 2017

(Rupees in 000s)

	Schedule	As at 31st March 2017	As at 31st March 2016
CAPITAL & LIABILITIES			
Capital	1	**6,331,908**	6,331,908
Reserves & Surplus	2	**4,909,108**	4,190,969
Deposits	3	**42,425,672**	37,224,148
Borrowings	4	**6,809,250**	3,926,535
Other Liabilities and Provisions	5	**1,457,833**	1,244,446
Total		**61,933,771**	**52,918,006**
ASSETS			
Cash and Balances with Reserve Bank of India	6	**1,835,697**	1,548,623
Balances with Banks and Money at Call and Short Notice	7	**4,526,959**	9,088,234
Investments	8	**13,139,178**	10,545,194
Advances	9	**41,505,754**	30,875,981
Fixed Assets	10	**85,768**	33,767
Other Assets	11	**840,415**	826,207
Total		**61,933,771**	52,918,006
Contingent Liabilities	12	**7,692,874**	21,984,795
Bills for Collections		**2,266,785**	2,304,105
Significant Accounting Policies	17(I)		
Notes on Accounts	17(II)		

The Schedules referred to above form an integral part of the Balance Sheet

Profit & Loss Account for the year ended 31st March, 2017

(Rupees in 000s)

	Schedule	For the year ended 31st March 2017	For the year ended 31st March 2016
I. INCOME			
Interest Earned	13	**4,473,519**	3,319,117
Other Income	14	**3,79,513**	272,251
Total		**4,853,032**	3,591,368
II. EXPENDITURE			
Interest Expended	15	**2,819,213**	1,861,306
Operating Expenses	16	**753,405**	581,043
Provisions and Contingencies		**562,275**	498,650
Total		**4,134,893**	**2,940,999**
III. PROFIT			
Net profit for the year		**718,139**	650,369
Add: Profit brought forward		–	–
Total		**718,139**	650,369
IV. APPROPRIATIONS			
Transfer to Statutory Reserves		**718,139**	650,369
Balance carried over to Balance Sheet		–	–
Total		**718,139**	650,369
Significant Accounting Policies	17(I)		
Notes on Accounts	17(II)		

The Schedules referred to above form an integral part of the Profit & Loss Account.

As per our report of even date attached

For and on behalf of
Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Sd/-
Devang Vaghani
Partner
Membership No : 109386

Place : Mumbai
Dated : June 29, 2017

For **SHINHAN BANK**
Indian Operations

Sd/-
Y. D. Kim
Chief Executive Officer in India

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

Cash Flow Statement for the year ended 31 March 2017

(Rupees in 000s)

Particulars		As at 31st March 2017	As at 31st March 2016
I) Cash flow from operating activites			
Net Profit before taxation		**1,274,194**	1,075,736
Adjustment For:			
Depreciation for the year		**28,157**	38,688
(Profit)/Loss on sale of land, building and & other assets		**1**	(413)
(Profit)/Loss on sale of Investments		**46**	–
Amortization of Premium on Government Securities		**35,196**	23
Provision for Country risk exposure		**(16,008)**	9,382
Provision for Standard Advances		**22,066**	6,045
Provision for Others		**162**	57,856
		1,343,814	**1,187,318**
Adjustment For:			
(Increase)/Decrease in Investments (excluding HTM Investments)		**4,772,285**	(3,441,942)
(Increase)/Decrease in Advances		**(10,629,772)**	(5,103,617)
(Increase)/Decrease in Other Assets		**21,101**	(97,083)
Increase/(Decrease) in Deposits		**5,201,525**	17,909,285
Increase/(Decrease) in Other Liabilities and Provisions		**207,167**	159,318
Increase/(Decrease) in Borrowings		**2,882,715**	(4,898,465)
Direct taxes paid		**(591,366)**	(462,552)
Net Cash Flow from Operating Activities	**(A)**	**3,207,469**	**5,252,262**
II) Cash flow from investing activities			
Purchase of Fixed Assets		**(80,186)**	(10,095)
Proceeds from the sale of Fixed Assets		**27**	717
Sale Proceeds of HTM Security		**(7,401,511)**	(974,497)
Net Cash flow from investing activities	**(B)**	**(7,481,670)**	**(983,875)**
III) Cash flow from financing activities			
Fresh Capital fund from Head Office		–	–
Net Cash flow from financing activites	**(C)**	–	–
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)		**(4,274,201)**	**4,268,387**
Cash and Cash Equivalents at the beginning of year		**10,636,857**	6,368,470
Cash and Cash Equivalents at the closing of year		**6,362,656**	**10,636,857**

Note: Cash and cash equivalent comprise of cash in hand, balance with Reserve Bank of India and balances with Bank and money at call and short notice.

As per our report of even date attached

For and on behalf of
Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Sd/-
Devang Vaghani
Partner
Membership No : 109386

Place : Mumbai
Dated : June 29, 2017

For **SHINHAN BANK**
Indian Operations

Sd/-
Y. D. Kim
Chief Executive Officer in India

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

SCHEDULES TO THE BALANCE SHEET

(Rupees in 000s)

	As at 31st March 2017	As at 31st March 2016
SCHEDULE 1 – CAPITAL		
I. The amount brought in by Banks from Head Office		
Opening Balance	6,331,908	6,331,908
Add: Capital infusion during the year	–	–
TOTAL (I)	6,331,908	6,331,908
II. Amount/Face value of deposit kept with RBI in the form of securities under Section 11(2)(b) of the Banking Regulation Act, 1949: (Current Year Rs. 1,500,000,000) (Previous Year Rs. 1,263,175,000)	–	–
TOTAL (I & II)	**6,331,908**	**6,331,908**
SCHEDULE 2 – RESERVES & SURPLUS		
I. Statutory Reserve		
Opening Balance	4,190,969	3,540,600
Additions during the year:		
From Current year profit	718,139	650,369
TOTAL	**4,909,108**	**4,190,969**
SCHEDULE 3 – DEPOSITS		
A. I. Demand Deposits		
(i) From Banks	2,121	77
(ii) From Others	4,587,268	4,876,143
Sub Total (I)	4,589,389	4,876,220
II. Savings Bank Deposits	42,425,672	646,311
Sub Total (II)	740,367	646,311
III. Term Deposits		
(i) From Banks	5,150,000	519,200
(ii) From Others	31,945,916	31,182,417
Sub Total (III)	37,095,916	31,701,617
TOTAL (I, II & III)	**42,425,672**	**37,224,148**
B. (i) Deposits of branches in India	42,425,672	37,224,148
(ii) Deposits of branches outside India	–	–
TOTAL (i) + (ii)	**42,425,672**	**37,224,148**
SCHEDULE 4 – BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	–	–
(ii) Other Banks	–	150,000
(iii) Other institutions and agencies	–	–
Sub Total (I)	–	150,000
II. Borrowings outside India	6,809,250	3,776,535
Sub Total (II)	6,809,250	3,776,535
TOTAL (I & II)	**6,809,250**	**3,926,535**
Secured borrowings included in I & II above	NIL	NIL

(Rupees in 000s)

	As at 31st March 2017	As at 31st March 2016
SCHEDULE 5 – OTHER LIABILITIES AND PROVISIONS		
I. Bills payable	45,486	8,656
II. Inter-Office Adjustments (net)	–	–
III. Interest Accrued	540,387	481,612
IV. Contingent Provision against Standard Assets *	175,455	153,390
V. Others (including Provisions)	696,505	600,788
VI. Provision for taxation (net of advance tax/tax deducted at source)		
TOTAL (I, II, III, IV, V & VI)	**1,457,833**	**1,244,446**

* Includes provision on Unhedged FCE and Forward exchange contracts

	As at 31st March 2017	As at 31st March 2016
SCHEDULE 6 – CASH & BALANCES WITH RESERVE BANK OF INDIA		
I. Cash on Hand (including foreign currency notes)	18,732	16,644
Sub Total (I)	18,732	16,644
II. Balances with Reserve Bank of India		
(i) In Current Accounts	1,816,965	1,531,979
(ii) In Other Accounts	–	–
Sub Total (II)	1,816,965	1,531,979
TOTAL (I & II)	**1,835,697**	**1,548,623**
SCHEDULE 7 – BALANCES WITH BANKS & MONEY AT CALL & SHORT NOTICE		
I. In India		
(i) Balances with banks		
(a) In Current Accounts	56,130	79,916
(b) In Other Deposit Accounts	–	4,500,000
Sub Total (i)	56,130	4,579,916
(ii) Money at call and short notice		
(a) With banks	–	1,500,000
(b) With other institutions	–	–
(c) With RBI (lending under reverse repo)	700,000	350,000
Sub Total (ii)	700,000	1,850,000
TOTAL (i & ii)	**756,130**	**6,429,916**
II. Outside India		
(i) In Current Accounts	528,329	2,658,318
(ii) In Other Deposit Accounts	1,945,500	–
(iii) Money at call & short notice	1,297,000	–
TOTAL (i, ii & iii)	**3,770,829**	**2,658,318**
GRAND TOTAL (I & II)	**4,526,959**	**9,088,234**

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

SCHEDULES TO THE BALANCE SHEET

(Rupees in 000s)

	As at 31st March 2017	As at 31st March 2016
SCHEDULE 8 – INVESTMENTS		
I. Investments in India in:		
(i) Government Securities*	13,139,178	10,545,194
(ii) Other Approved Securities	–	–
(iii) Shares	–	–
(iv) Debentures and Bonds	–	–
(v) Subsidiaries and/or Joint Ventures	–	–
(vi) Others	–	–
Sub Total (I)	13,139,178	10,545,194
Less : Provision for Depreciation	–	–
	131,391,178	10,545,194
II. Investments outside India		
(i) Government Securities (including local authorities)	–	–
(ii) Subsidiaries and/or joint ventures abroad	–	–
(iii) Other Investments (to be specified)	–	–
Sub Total (II)	–	–
TOTAL (I & II)	**13,139,178**	**10,545,194**

* Includes securities of Face Value of Rs. 1,500,000,000 (P.Y Rs. 1,263,175,000) kept with RBI under section 11(2)(b) of Banking Regulation Act 1949.

	As at 31st March 2017	As at 31st March 2016
SCHEDULE 9 – ADVANCES		
A. (i) Bills purchased and discounted	26,873,269	21,058,378
(ii) Cash Credits, Overdrafts and Loans Repayable on Demand	11,907,289	8,750,401
(iii) Term Loans	2,725,196	1,067,202
TOTAL (i), (ii) & (iii)	**41,505,754**	**30,875,981**
B. (i) Secured by tangible assets (includes Advances against Book Debts)	3,710,439	3,368,744
(ii) Covered by Bank/ Government Guarantee	30,596,237	20,704,964
(iii) Unsecured	7,199,078	6,802,273
TOTAL (i), (ii) & (iii)	**41,505,754**	**30,875,981**
C.I. Advances in India		
(i) Priority Sectors	14,675,132	9,182,626
(ii) Public Sector	–	–
(iii) Banks	–	–
(iv) Others	26,830,622	21,693,355
Sub Total (I)	**41,505,754**	**30,875,981**
II. Advances outside India		
(i) Due from banks	–	–
(ii) Due from others		
(a) Bills purchased and discounted	–	–
(b) Syndicated loans	–	–
(c) Others	–	–
Sub Total (II)	–	–
TOTAL (I &II)	**41,505,754**	**30,875,981**

(Rupees in 000s)

	As at 31st March 2017	As at 31st March 2016
SCHEDULE 10 – FIXED ASSETS		
I. Premises		
At cost as on 31 March of the preceding year	–	–
Additions during the year	–	–
Deductions during the year	–	–
Depreciation to date	–	–
Sub Total (I)	–	–
II. Other Fixed Assets (including furniture and fixtures)		
At cost as on 31 March of the preceding year	158,318	152,745
Additions during the year	79,541	10,345
Deductions during the year	(1,598)	(4,773)
Depreciation to date	(151,138)	(124,550)
Sub Total (II)	**85,123**	**33,767**
III. Capital Work-in-Progress	645	–
TOTAL (I, II & III)	**85,768**	**33,767**

	As at 31st March 2017	As at 31st March 2016
SCHEDULE 11 – OTHER ASSETS		
I. Inter-Office Adjustments (net)	–	–
II. Interest Accrued	410,629	279,486
III. Tax paid in advance/tax deducted at Source (Net of provision for taxation)	93,073	49,526
IV. Stationery and Stamps	49	33
V. Non-banking assets acquired in satisfaction of claims	–	–
VI. Deferred Tax Asset (Net)	59,769	68,006
VII. Others	276,895	429,156
TOTAL (I, II, III, IV, V, VI & VII)	**840,415**	**826,207**

	As at 31st March 2017	As at 31st March 2016
SCHEDULE 12–CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as Debts (including disputed tax liabilities)	476,073	442,986
II. Liability for partly paid Investments	–	–
III. Liability on account of outstanding Forward Exchange Contracts	567,765	12,802,643
IV. Guarantees given on behalf of constituents		
(a) In India	5,500,652	6,719,938
(b) Outside India	–	–
V. Acceptance, Endorsements and Other Obligations	1,147,036	2,018,419
VI. Others items for which the Bank is Contingently Liable	1,348	809
TOTAL (I, II, III, IV, V & VI)	**7,692,874**	**21,984,795**

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

SCHEDULES TO PROFIT & LOSS ACCOUNT

(Rupees in 000s)

	For the Year ended 31st March 2017	For the year ended 31st March 2016
SCHEDULE 13 – INTEREST EARNED		
I. Interest/Discount on Advances/Bills	3,001,377	1,816,121
II. Income on Investments	863,260	681,049
III. Interest on Balance with Reserve Bank of India and other Inter-Bank Funds	604,064	820,406
	–	–
IV. Others	4,818	1,541
TOTAL (I to IV)	**4,473,519**	**3,319,117**
SCHEDULE 14 – OTHER INCOME		
I. Commission, Exchange and Brokerage	170,184	116,696
II. Profit on Sale of Investments (Net)	(46)	–
III. Profit on Revaluation of Investments (Net)	–	–
IV. Profit/(Loss) on Sale of land, buildings and other assets	(1)	413
V. Profit on exchange transactions (Net)	203,089	139,204
VI. Income earned by way of dividends etc. from subsidiaries/ companies and/or joint ventures abroad/in India	–	–
VII. Miscellaneous Income *	6,287	15,938
* (Includes expenses provision no longer required written back)		
TOTAL (I, to VII)	**379,513**	**272,251**

(Rupees in 000s)

	For the Year ended 31st March 2017	For the year ended 31st March 2016
SCHEDULE 15 – INTEREST EXPENDED		
I. Interest on Deposits	2,707,719	1,809,288
II. Interest on Reserve Bank of India/ Inter-Bank Borrowings	111,494	52,018
III. Others	–	–
TOTAL (I to III)	**2,819,213**	**1,861,306**
SCHEDULE 16 – OPERATING EXPENSES		
I. Payment to and Provisions for Employees	431,849	314,447
II. Rent, Taxes and Lighting	133,915	115,740
III. Printing & Stationery	6,579	4,890
IV. Advertisement and Publicity	4,706	3,442
V. Depreciation on Bank's Property	28,157	38,688
VI. Directors fees, allowance & expenses	–	–
VII. Auditor's Fees and Expenses	800	726
VIII. Law Charges	718	1,281
IX. Postage, Telegrams, Telephones etc.	20,661	15,172
X. Repair and Maintenance	4,086	3,221
XI. Insurance	48,073	27,025
XII. Other Expenditure (Ref Notes No 3.19)	73,861	56,411
TOTAL (I to XII)	**753,405**	**581,043**

SCHEDULE 17 (I) – SIGNIFICANT ACCOUNTNG POLICIES

I. SIGNIFICANT ACCOUNTING POLICIES

Background:

The accompanying financial statements for the year ended March 31, 2017 comprise the accounts of India branches of Shinhan Bank (`the Bank), which is incorporated in Korea with limited liability.

1. Basis of Preparation

The financial statements have been prepared in accordance with historical cost convention on accrual basis, except as otherwise stated, in accordance with Generally Accepted Accounting Principles (GAAP) and comply with notified Accounting Standards (AS) specified under section 133 of the Companies Act, 2013, read with Paragraph 7 of the Companies (Accounts) Rules, 2014 to the extent applicable and conform to the statutory requirements prescribed under the Banking Regulation Act, 1949, 'Circulars & Notifications' issued by the Reserve Bank of India (RBI) from time to time till date and current practices prevailing within banking industry in the country.

2. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues & expenses and disclosure of contingent liabilities as at the date of financial statements. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Any revisions to accounting estimates are recognised prospectively in the current and future periods. Actual results could differ from the estimates.

3. Foreign Exchange Transactions

i) Assets and Liabilities denominated in foreign currencies are translated at the year end exchange rates notified by the Foreign Exchange Dealers' Association of India (FEDAI) and the resultant gains or losses are recognised in Profit and Loss Account.

ii) Income and expenditure in foreign currencies are translated at the rates prevailing on the date of the transaction.

iii) Contingent Liabilities on account of forward exchange contracts, guarantees, acceptance, endorsements and other obligations denominated in foreign currencies are disclosed in Indian rupee at year ended spot rates of exchanged notified by FEDAI.

iv) The forward exchange contract outstanding are Marked to Market using appropriate discounting rate in line with group policy/ FEDAI guidelines and resulting gain or loss are recognised in the Profit and Loss Account under 'Profit on Exchange transactions' (net). Such unrealized gains or losses are reflected in the Balance Sheet under Other Assets or Other Liabilities as applicable.

4. Investments

a) As per the guidelines for investments laid down by the RBI, the investment portfolio of the Bank is classified under "Held to Maturity", "Available for Sale" and "Held for Trading" categories. In accordance with the said guidelines, the investments are valued as under:

i) 'Held to Maturity' securities are carried at the acquisition cost, except where the acquisition cost is more than the face value, in which case the premium is amortised over the remaining maturity period and is disclosed in Schedule 13 after netting off from Interest Income on Investments.

ii) 'Available for Sale' & 'Held for Trading' securities are valued at lower of acquisition cost or market value, in aggregate for each Balance Sheet classification. Depreciation/Appreciation for individual securities within the category is aggregated under the respective classification. The resultant gain is ignored while depreciation, if any is provided for as per RBI prudential norms for "Classification, Valuation and Operation of Investment portfolio by Banks".

iii) Treasury Bills are valued at carrying cost.

b) Market value for quoted securities is considered as per prices declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIMMDA) and Stock Exchange quotations, wherever available. Market value for unquoted securities is taken as per RBI prudential norms for "Classification, Valuation and Operation of Investment portfolio by Banks".

c) Accounting for Repo/Reverse Repo

Repo and Reverse Repo transactions including those conducted under LAF with RBI are treated as collateralised borrowing and lending respectively in accordance with RBI guidelines. The difference between the clean price of first leg and the clean price of second leg is recognised as interest expense/income over the period of the transaction in cases of repo and reverse repo.

d) The bank follows settlement method for accounting of purchase & sale of G-Sec.

5. Fixed Assets & Depreciation

i) Fixed Assets are stated at historical cost less accumulated depreciation thereon reduced by loss on sale/scrapping of assets, if any.

ii) Depreciation on assets other than computers and software is provided on a reducing balance method over the estimated useful life of the asset as given below which is in accordance with Schedule II of Companies Act, 2013

Assets	Estimated Useful life of fixed Assets
Furniture and Fixtures	10 Years
Office Equipment	5 Years
Vehicles	8 Years

iii) Computers & Software are depreciated on SLM @ 33.33%.

iv) Depreciation on assets acquired/disposed off during the year is provided on a monthly pro–rata basis.

v) The improvements in leasehold premises are written off over the primary period of lease.

6. Revenue Recognition

a) Income and Expenditure are accounted for on accrual basis, except for interest on Non-Performing Advances & Investments, which are recognised on realisation basis as per prudential norms on Income Recognition and Asset Classification laid down by RBI.

b) Commission income on letters of credit is accounted on issuance of the letter of credit irrespective of the period for which it is issued.

c) Pre-received Income

Income Received in Advance (except for LC Commission) is amortised over the life of the underlying transaction.

7. Employee Benefits

a) Gratuity

Gratuity which is a defined benefit scheme, is provided for based on an actuarial valuation done by an independent actuary as at the year end, using the Projected Unit Credit Method. Actuarial gains/losses are taken to the Profit and Loss Account.

b) Provident Fund

The Bank contributes an amount equal to the employees' contribution on a monthly basis to the Regional Provident Fund Commissioner (RPFC).The Bank has no liability for future provident fund benefits apart from its monthly contribution which is charged to the Profit and Loss Account.

c) Compensated Absences

Employees are not entitled to encashment of sick leave & casual leave or carry forward the same. Privilege leave which is encashable is settled at the calendar year end. Provision for the three months from January to March which is not material amount is made on the basis of leave encashment availed in the previous calendar year.

8. Advances

Advances are classified as per prudential norms on "Income recognition and Asset Classification and Provisioning pertaining to Advances" as issued by RBI, into performing and non-performing assets and are stated net of specific provisions.

9. Provisions

a) Provisions for non-performing assets are made in accordance with the prudential norms on "Income recognition and Asset Classification and Provisioning pertaining to Advances", as issued by RBI.

b) The Bank maintains provision on Standard Assets, Country Risk Exposure and unhedged foreign currency exposures of borrowers at rates prescribed by RBI and the same is disclosed in Schedule 5 ('other liabilities and Provisions').

10. Taxes on Income

The Bank makes provision for Income-tax after considering both current and deferred taxes. The tax effect of timing differences between the book profit and taxable profits are reflected through deferred tax asset (DTA)/deferred tax liability (DTL). DTA is recognised keeping in view the consideration of prudence in respect of Deferred Tax Asset, as required by AS 22 "Accounting for Taxes on Income".

11. Net Profit

The net profit disclosed in the Profit and Loss Account is after:

i. Provision for taxes on income in accordance with statutory requirements

ii. Provision for non-performing advances, for standard advances, country risk and unhedged foreign currency exposures

iii. Provision for depreciation on Investments

iv. Other usual and necessary provisions and contingencies

12. Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as Operating Leases. Operating Lease payments in respect of assets taken on lease are recognized as an expense in the Profit and Loss Account over the lease term.

13. Impairment of Assets

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired and provides for impairment loss, if any, in the Profit and Loss Account.

14. Provisions, Contingent Liabilities and Contingent Assets

The Bank makes provisions when it has a present obligation as a result of past event (s), where it is probable that an outflow of resources embodying economic benefit to settle the obligation will be required and a reliable estimate can be made of such an obligation. Contingent assets are not recognized in the Financial Statements. A disclosure of Contingent Liability is made when there is:

i. A possible obligation, arising from a past event (s), the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank or

ii. Any present obligation that arises from past events but is not recognized because:

   a. It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

   b. A reliable estimate of the amount of obligation cannot be made.

15. Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks/institutions and money at call and short notice.

SCHEDULE 17 (II) - NOTES to ACCOUNTS

1. Disclosures in terms of RBI guidelines.

1.1 Capital

(As per Basel-III)

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
i)	Common Equity Tier 1 capital ratio (%)	38.83%	38.80%
ii)	Tier I Capital (%)	38.83%	38.80%
iii)	Tier II Capital (%)	0.65%	0.67%
iv)	Total Capital ratio (CRAR)(%)	39.48%	39.47%
v)	Percentage of the shareholding of the Government of India in public sector banks	Nil	Nil
vi)	Amount of equity capital raised	Nil	Nil
vii)	Amount of Addition Tier 1 capital raised; of which PNCPS: PDI:	Nil	Nil
viii)	Amount of Tier 2 capital raised; of which Debts capital instrument: Preference Share Capital Instruments [Perpetual Cumulative Preference Share(PCPS)/ Redeemable Non-Cumulative Preference Share (RNCPS)/ Redeemable Cumulative Preference Share (RCPS)	Nil	Nil

1.2 Investments

(Rs. in lacs)

Particulars	March 31, 2017	March 31, 2016
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	131,391.78	105,451.94
(b) Outside India	Nil	Nil
(ii) Provisions for Depreciation		
(a) In India	Nil	Nil
(b) Outside India	Nil	Nil
(iii) Net Value of Investments		
(a) In India	131,391.78	105,451.94
(b) Outside India	Nil	Nil
(2) Movement of Provisions held towards Depreciation on Investments.		
(i) Opening Balance	Nil	Nil
(ii) Add: Provisions made during the year	Nil	Nil
(iii) Less: Write-off/write-back of excess provisions during the year	Nil	Nil
(iv) Closing balance	Nil	Nil

1.3 Repo Transactions (in face value terms)

(Rs. in lacs)

Particulars	Minimum outstanding during year	Maximum outstanding during year	Daily Average outstanding during year	Outstanding as at year end
Securities sold under Repo				
i) Govt Securities	900	32,500	70.85	Nil
	(Nil)	(Nil)	(Nil)	(Nil)
ii) Corporate Debt Securities	Nil	Nil	Nil	Nil
	(Nil)	(Nil)	(Nil)	(Nil)
Securities purchased under Reverse Repo				
i) Govt Securities	208.00	141,440.00	663.31	7,280.00
	(520.00)	(93,080.00)	(674.95)	(3640.00)
ii) Corporate Debt Securities	Nil	Nil	Nil	*Nil*
	(Nil)	(Nil)	(Nil)	*(Nil)*

Note: A) Figures in bracket represent previous year figures
B) Above includes transaction with RBI under LAF
C) Minimum outstanding during the year excludes the days with nil outstanding.

1.4 Non-SLR Investment portfolio

i) Issuer Composition of Non-SLR Investments

(Rs. in lacs)

Sr. No.	Issuer	Amount	Extent of Private Placement	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities
(i)	PSUs	Nil	Nil	Nil	Nil	Nil
(ii)	FIs	Nil	Nil	Nil	Nil	Nil
(iii)	Banks	Nil	Nil	Nil	Nil	Nil
(iv)	Private Corporates	Nil	Nil	Nil	Nil	Nil
(v)	Subsidiaries/Joint ventures	Nil	Nil	Nil	Nil	Nil
(vi)	Others	Nil	Nil	Nil	Nil	Nil
(vii)	Provision held towards depreciation	Nil				
	Total	**Nil**	**Nil**	**Nil**	**Nil**	**Nil**

Note: Previous year's figures are also Nil in above table

ii) Non-Performing Non-SLR Investments

(Rs. in lacs)

Particulars	2016-17	2015-16
Opening Balance (as on 1st April)	Nil	Nil
Additions during the year since 1st April	Nil	Nil
Reductions during the above period	Nil	Nil
Closing balance (as on 31st March)	Nil	Nil
Total Provisions held	Nil	Nil

1.5 Sale and Transfers to/from HTM Category

There were no sale and transfers to/from HTM category during the year 2016-17 (PY 2015-16- Nil).

1.6 Derivatives

1.6.1 Details of Forward Rate Agreement/Interest Rate Swap

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
(i)	The notional principal of swap agreements	Nil	Nil
(ii)	Losses which would be incurred if the counterparties failed to fulfil their obligations under the agreements.	Nil	Nil
(iii)	Collateral required by bank upon entering into swaps	Nil	Nil
(iv)	Concentration of credit risk arising from the swaps	Nil	Nil
(v)	The fair value of the swap book	Nil	Nil

1.6.2 Exchange Traded Interest Rate Derivatives

(Rs. in lacs)

Sr. No.	Particulars	2016-17	2015-16
(i)	Notional principal amount of exchange traded interest rate derivative undertaken during the year (instrument-wise) a) b) c)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivative outstanding as on 31st March, 2017 (instrument-wise) a) b) c)	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivative outstanding and not "highly effective" (instrument-wise) a) b) c)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument-wise) a) b) c)	Nil	Nil

1.6.3 Disclosures on Risk Exposure in Derivatives

a) <u>Qualitative disclosure for forward/forex contract</u>

a. The Bank enters into derivative contracts in the normal course of business to meet customer requirements and to manage its own exposure to fluctuations in price and exchange rates.

b. The Bank undertakes foreign exchange transactions not with intention to trade but covering customer transaction.

c. The risks arising out of derivative products are measured using various tools such as Value at Risk, Open Position, Structural Liquidity Analysis, etc. The risk monitoring reports are submitted to the Internal Committees of the Bank for deciding the further course of action.

d. The forward contracts are undertaken mainly for mitigating the exchange risk arising out of exposure towards liabilities in foreign currency of the bank and contract entered by constituents, which is permissible under the regulations of Foreign Exchange Management Act, 1999.

e. In case of hedge contracts, the income, premium and discounts are amortized over the life of the contract.

f. The outstanding forward exchange contracts are stated at the closing rates notified by FEDAI and at interpolated rates for contracts of in–between the specified maturities. The forward exchange contract outstanding are Marked to Market using appropriate discounting rate in the line with group policy/FEDAI guidelines and resulting gain or loss are recognised in the Profit and Loss Account under 'Profit or loss on Exchange transactions' (net).

g. The Bank applies Current Exposure Method to assess credit risk associated with foreign exchange contracts. Credit risk on a contract is computed as sum of its mark to mark value if positive and its potential future exposure which is calculated based on its national value.

b) **Quantitative disclosures**

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2017		March 31, 2016	
		Currency Derivatives*	Interest Rate derivatives	Currency* Derivatives*	Interest Rate derivatives
	1 Derivatives (Notional Principal Amount)				
	a) For Hedging	Nil	Nil	Nil	Nil
	b) For Trading #	5,677.65	Nil	63,232.95	Nil
	2 Marked to Market Positions [1]				
	a) Asset (+)	51.54	Nil	784.76	Nil
	b) Liability (-)	1.67	Nil	509.56	Nil
	3 Credit Exposure [2]	165.09	Nil	2,049.42	Nil
	4 Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	Nil	Nil	Nil	Nil
	b) on trading derivatives	Nil	Nil	Nil	Nil
	5 Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	Nil	Nil	Nil	Nil
	b) on trading	Nil	Nil	Nil	Nil

* Currency derivative includes foreign exchange contracts.

\# includes for covering customer transactions.

1.7 Asset Quality

1.7.1 Non-Performing Assets

(Rs. in lacs)

Sr. No.	Particulars	2016-17	2015-16
(i)	Net NPAs to Net Advances (%)	Nil	Nil
(ii)	Movement of NPAs (Gross)		
	(a) Opening Balance	Nil	Nil
	(b) Additions during the year.	Nil	582.70
	(c) Reductions during the year	Nil	
	– Recovery		4.14
	– Write off		578.56
	(d) Closing balance	Nil	Nil
(iii)	Movement of Net NPAs		
	(a) Opening balance	Nil	Nil
	(b) Additions during the year.	Nil	Nil
	(c) Reductions during the year	Nil	Nil
	(d) Closing balance	Nil	Nil
(iv)	Movement of provisions for NPAs (excluding provision on standard assets)		
	(a) Opening balance	Nil	Nil
	(b) Provisions made during the year.	Nil	578.56
	(c) Write-off/write-back of excess provisions	Nil	578.56
	(d) Closing balance	Nil	Nil

1.7.2 Particulars of Accounts Restructured

(Rs. in lacs)

Sl No	Type of Restructuring		Under SME Debt Restructuring Mechanism					Others					Total				
	Asset Classification		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
	Details																
1	Restructured Accounts as on April 1 of the FY (opening figures)	No. of borrowers						– (1)	–	–	–	– (1)	– (1)	–	–	–	– (1)
		Amount outstanding						– (443.03)	-	–	-	– (443.03)	- (443.03)	–	-	-	– (443.03)
		Provision thereon						– (19.81)	–	–	–	– (19.81)	– (19.81)	–	–	–	– (19.81)
2	Fresh restructuring during the year	No. of borrowers															
		Amount outstanding															
		Provision thereon															
3	Upgradations to restructured standard category during the FY	No. of borrowers															
		Amount outstanding															
		Provision thereon															
4	Restructured standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY (notes:11)	No. of borrowers															
		Amount outstanding															
		Provision thereon															
5	Downgradations of restructured accounts during the FY	No. of borrowers															
		Amount outstanding															
		Provision thereon															
6	Write-offs of restructured accounts during the FY	No. of borrowers															
		Amount outstanding															
		Provision thereon															
7	Restructured Accounts as on March 31, 2015 (closing figures) (notes:11)	No. of borrowers															
		Amount outstanding						-	-	-	-	-	-	-	-	-	–
		Provision thereon						-	-	-	-	-	-	-	-	-	-

Notes:

- Figures in bracket represent previous year figures
- There is no account restructured under CDR Mechanism (Previous Year: Nil)
- Last year, there was a reduction of Rs. 443.03 lasc from restructured account by way of normal repayment on due date. Thus last year closing balance reflected is Nil.

1.7.3 Details of financial assets sold to Securitisation/Reconstruction Company for Asset Reconstruction

A. Details of Sales

(Rs. in lacs)

Sr. No.	Particulars	2016–17	2015–16
(i)	No. of Accounts	Nil	Nil
(ii)	Aggregate value (net of provisions) of accounts sold to SC/RC	Nil	Nil
(iii)	Aggregate consideration	Nil	Nil
(iv)	Additional consideration realized in respect of accounts transferred in earlier years.	Nil	Nil
(v)	Aggregate gain/loss over net book value	Nil	Nil

B. Details of book value of Investment in Security Receipts

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
(i)	Backed by NPAs sold by the bank as underlying	Nil	Nil
(ii)	Backed by NPAs sold by other banks /Financial institutes /non banking financial companies as underlying	Nil	Nil
	Total	Nil	Nil

1.7.4 Details of non-performing financial assets purchased/sold

A. Details of non-performing financial assets purchased

(Rs. in lacs)

Sr. No.	Particulars	2016-17	2015-16
1.	(a) No of accounts purchased during the year	Nil	Nil
	(b) Aggregate outstanding	Nil	Nil
2.	(a) of these, number of accounts restructured during the year	Nil	Nil
	(b) Aggregate outstanding	Nil	Nil

B. Details of Non-Performing Financial Assets Sold

(Rs. in lacs)

Sr. No.	Particulars	2016-17	2015-16
1.	No of accounts sold	Nil	Nil
2.	Aggregate outstanding	Nil	Nil
3.	Aggregate consideration received	Nil	Nil

1.7.5 Divergence in Asset Classification and Provisioning for NPAs –

(Ref DBR.BP.BC.No. 63/21.04.018/2016-17 dated April 18, 2017 on divergence in the assets classification and provision) Reserve Bank of India (RBI) has advised banks to include disclosure with respect to the divergence observed by RBI in last inspection. There has been no divergence in NPA as assessed by RBI in last inspection and as just published in the financial statement.

1.7.6 Priority Sector Lending Certificate (PSLCs) purchased/sold during the year 2016-2017

(Rs. in lacs)

Type of PSLC	PSLC bought	PSLC sold
PSLC – Agriculture	–	–
PSLC – Small and Marginal Farmers	–	–
PSLC – Micro Enterprises	–	10,250
PSLC – General	–	110,100

1.7.7 Provisions on Standard Assets (excluding Country Risk provision)

(Rs. in lacs)

Particulars	March 31, 2017	March 31, 2016
Provision towards Standard Assets*	1,754.55	1,533.90

* The above includes provision towards Unhedged Foreign Currency Exposure amounting to Rs.179.45 lacs (Previous Year: Rs. 333.87 lacs).

1.8 Business Ratios

Sr. No.	Particulars	March 31, 2017	March 31, 2016
(i)	Interest Income as a percentage to Working Funds	7.13%	7.27%
(ii)	Non-Interest Income as a percentage to Working Funds	0.61%	0.60%
(iii)	Operating Profit as a percentage to Working Funds	2.04%	2.52%
(iv)	Return on Assets	1.15%	1.42%
(v)	Business (Deposit plus advances) per employee (Rs. in Lacs)	3,647.19	4,505.39
(vi)	Profit per Employee (Rs. in Lacs)	33.25	43.36

Notes:

- Working funds represents the average of total assets as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949.
- For the purpose of computation of business per employee (deposits plus advances) interbank deposits may be excluded and numbers of employee as on 31st March have been considered.
- Average of total assets taken for Return on Assets

1.9 Asset Liability Management

Maturity pattern of certain items of Assets & Liabilities (as on March 31, 2017)

(Rs. in lacs)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days and upto 2 months	2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	2,942.93	42,341.22	26,590.89	86,158.03	91,106.99	32,407.71	48,812.84	49,865.19	44,000.61	30.32	0.00	424,256.72
Loans & Advances	1,580.43	31,111.87	25,101.45	69,076.49	84,578.18	91,192.51	74,184.92	26,298.34	10,078.68	1,147.74	706.93	415,057.54
Investments	14,109.98	9,529.86	7,253.33	18,893.64	26,378.35	7,109.06	17,814.69	10,934.97	9,649.68	6.65	9,711.57	131,391.78
Borrowings	0.00	0.00	6,485.00	0.00	29,182.50	0.00	32,425.00	0.00	0.00	0	0.00	68,092.50
Foreign Currency Assets	6,050.80	18,361.07	3,277.86	11,223.16	17,243.46	19,666.91	26,949.05	237.24	27.34	-	-	103,036.89
Foreign Currency liabilities	499.37	4,422.10	7,215.02	659.51	29,182.50	0.00	32,851.31	0.00	4,175.92	0	494.98	79,500.71

Maturity pattern of certain items of Assets & Liabilities (as on March 31, 2016)

(Rs. in lacs)

Particulars	Day 1	2 to 7 days	8 to 14 days	15 to 30 days	31 days and upto 2 months	2 months and upto 3 months	Over 3 months and upto 6 months	Over 6 months and upto 1 year	Over 1 year and upto 3 years	Over 3 years and upto 5 years	Over 5 years	Total
Deposits	3,818.88	33,487.46	7,913.17	54,739.52	85,776.45	78,468.89	26,814.74	35,850.14	45,306.12	65.46	0.65	372,241.48
Loans & Advances	15,029.52	9,760.14	19,727.23	32,794.88	73,052.11	50,333.44	79,243.60	19,649.06	8,636.32	211.76	321.75	308,759.81
Investments	20,127.99	8,119.78	1,521.67	11,800.27	13,755.50	20,633.26	7,355.91	6,893.85	8,712.20	12.59	6,518.90	105,451.92
Borrowings	0.00	6,625.50	0.00	6,625.50	5,830.44	8,745.66	11,438.25	0.00	0.00	0.00	0.00	39,265.35
Foreign Currency Assets	26,704.83	1,623.35	5,417.42	4,836.04	11,662.62	17,493.94	14,211.56	102.79	650.51	0.00	0.00	82,703.06
Foreign Currency liabilities	223.81	6,964.83	339.33	6,625.50	5,830.44	8,745.66	9,938.25		2,544.96		1,648.91	42,861.69

1.10 Exposures

1.10.1 Exposure to Real Estate Sector

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
a)	**Direct exposure**		
	(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	990.17	250.26
	(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc) Exposure would also include non-fund based (NFB) limits;	37.33	Nil
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures- (a) Residential (b) Commercial Real Estate	Nil	Nil
b)	**Indirect Exposure** Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	5,700	3,200
	Total Exposure to Real Estate Sector	**6,727.50**	**3,450.26**

1.10.2 Exposure to Capital Market

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
(i)	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	Nil	Nil
(ii)	advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	Nil	Nil
(iii)	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	Nil	Nil

1.10.2 Exposure to Capital Market *(Continued)*

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
(iv)	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds 'does not fully cover the advances;	Nil	Nil
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	Nil	Nil
(vi)	loans sanctioned to corporates against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	Nil	Nil
(vii)	bridge loans to companies against expected equity flows/issues;	Nil	Nil
(viii)	underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	Nil	Nil
(ix)	financing to stockbrokers for margin trading;	Nil	Nil
(x)	All exposures to Venture Capital Funds (both registered and unregistered)	Nil	Nil
	Total Exposure to Capital Market	**Nil**	**Nil**

1.10.3 Risk Category wise Country Exposure

(Rs. in lacs)

Risk Category	Exposure (net) as at March 31, 2017	Provision held as at March 31, 2017	Exposure (net) as at March 31, 2016	Provision held as at March 31, 2016
Insignificant	124,610.43	113.12	64,299.39	88.06
Low Risk	31,153.68	13.58	19,581.82	18.20
Moderately Low Risk	1,393.41	Nil	8,596.37	180.52
Moderate Risk	5,053.1	Nil	Nil	Nil
Moderately High Risk	Nil	Nil	Nil	Nil
High Risk	1,344.13	Nil	Nil	Nil
Very High Risk	Nil	Nil	Nil	Nil
Total	**163,554.75**	**126.70**	**92,477.58**	**286.78**

1.11 Details of Single Borrower Limit (SBL), Group Borrower Limit (GBL) exceeded by the bank

1.11.1 Single Borrower Limits exceeded during the year 2016-17:

The Bank has not exceeded the prudential credit exposure limit in respect of any single account (Previous Year: not exceeded).

1.11.2 Group borrower Limits exceeded during the year 2016-17

The Bank has not exceeded the prudential credit exposure limit in respect of any group account (Previous Year: not exceeded).

1.12 Unsecured Advances

There were no advances for which intangible security such as charges over the right, licenses, authority etc. have been taken.

1.13 Disclosure of penalties imposed by RBI:

No penalties were imposed upon the Bank by RBI during the year (Previous Year: Nil) under the provisions of section 46 (4) of the Banking Regulation Act, 1949.

1.14 I.T. Governance

In terms of guidelines issued by RBI vide circular no DBS.Co/CSITE/BC.11/33.01.001/2015-16 on "Cyber Security Framework in Banks" the Bank has submitted the report to the RBI.

2. Disclosure Requirements as per Accounting Standards (AS)

2.1 Accounting of Property, Plant & Equipment, the details are disclosed as under:

(Rs. in lacs)

Particulars	Gross Block (At Cost)				Depreciation				Net Block	
	As at 31.03.16	Additions during the Year	Deduction during the Year	As at 31.03.17	Up to 31.03.16	For the Year	Deduction	Up to 31.03.17	As at 31.03.17	As at 31.03.16
Computer Software	145.34	25.42	–	170.76	136.28	7.19	–	143.47	27.30	9.06
Computer Hardware	330.83	185.57	1.64	514.77	274.39	59.01	1.64	331.76	183.00	56.44
Office Equipments	192.78	71.91	6.62	258.08	154.71	36.76	6.59	184.88	73.20	38.07
Furniture and fixtures	378.63	67.33	2.10	443.86	270.53	49.33	1.90	317.97	125.89	108.09
Leasehold Improvement	323.70	307.42	–	631.12	272.98	80.97	–	353.95	277.17	50.72
Electric Equipment	70.96	36.90	5.62	102.24	61.52	8.71	5.56	64.67	37.58	9.44
Motor Car	140.94	100.85	–	241.79	75.10	39.60	–	114.69	127.10	65.84
Total	**1,583.18**	**795.41**	**15.98**	**2,362.61**	**1,245.51**	**281.57**	**15.69**	**1,511.38**	**851.23**	**337.67**

2.2 Employee Benefits

Disclosure prescribed under AS 15 (revised) on "Employees Benefits":

A) Provident Fund

The Bank contributes an amount equal to the employees' contribution on a monthly basis to the Regional Provident Fund Commissioner (RPFC). The Bank has no liability for future provident fund benefits apart from its monthly contribution which is charged to the Profit and Loss Account. The Bank has recognized current year Rs. 93.40 lacs (Previous year 65.55 lacs) in the profit and loss account towards contribution to provident fund.

B) Gratuity

(Rs. in lacs)

Particulars	March 31, 2017	March 31, 2016
Assumption as at		
Interest/Discount Rate	7.26 %	7.99 %
Rate of increase in compensation/salary escalation	6.00 %	6.00 %
Rate of return (expected) on plan assets	0.00 %	0.00 %
Attrition Rate	5.00 %	5.00 %
Changes in present value of obligations		
Present Value of Obligation at beginning of period	70.24	67.99
Interest cost	5.61	5.37
Current Service Cost	18.31	14.60
Benefits Paid	(3.02)	(13.73)
Actuarial (gain)/loss on obligation	23.61	(3.99)
Present Value of Obligation at end of period	114.76	70.24
Changes in fair value of plan assets		
Fair Value of Plan Assets at beginning of period	0.00	0.00
Expected Return on Plan Assets	0.00	0.00
Contributions	0.00	0.00
Benefit Paid	0.00	0.00
Actuarial gain/(loss) on plan assets	0.00	0.00
Fair Value of Plan Assets at end of period	0.00	0.00
Fair Value of Plan Assets		
Fair Value of Plan Assets at beginning of period	0.00	0.00
Actual Return on Plan Assets	0.00	0.00
Contributions	0.00	0.00
Fair Value of Plan Assets at end of period	0.00	0.00
Funded Status	0.00	0.00
Excess of actual over estimated return on Plan Assets	0.00	0.00
Actuarial Gain/(Loss) Recognized		
Actuarial Gain/(Loss) for the period (Obligation)	23.62	(3.99)
Actuarial Gain/(Loss) for the period (Plan Assets)	0.00	0.00
Total Gain/(Loss) for the period	23.62	(3.99)
Actuarial Gain/(Loss) recognized for the period	23.62	(3.99)
Unrecognized Actuarial Gain/(Loss) at end of period	0.00	0.00
Amounts to be recognized in the balance sheet and profit & loss account		
PVO at end of period	114.76	70.24
Fair Value of Plan Assets at end of period	0.00	0.00
Funded Status	0.00	0.00
Unrecognized Actuarial Gain/(Loss)	0.00	0.00
Net Asset/(Liability) recognized in the balance sheet	(114.76)	(70.24)
Expense recognized in the P & L A/C		
Current Service Cost	18.31	14.60
Interest cost	5.61	5.37
Expected Return on Plan Assets	0.00	0.00
Net Actuarial (Gain)/Loss recognized for the period	23.62	(3.99)
Expense recognized in the statement of P & L A/C	47.54	15.98
Movements in the Liability recognized in Balance Sheet		
Opening Net Liability	70.24	67.99
Expenses as above	47.54	15.98
Contribution paid	(3.01)	(13.73)
Closing Net Liability	114.76	70.24

(Rs. in lacs)

Particulars	For the year ended March 31st				
	2017	2016	2015	2014	2013
Experience Adjustment:					
On Plan Liability (Gains)/Losses	16.68	(3.43)	5.53	1.77	0.44
On Plan Assets (Losses)/Gains		–			

The above gratuity information is as certified by the actuary and relied upon by the auditor.

b) Compensated Absences:

Having encashed leave at the end of calendar year 2016, the Bank has made a provision for leave encashment in the current year of Rs. 17.96 lacs (Previous year 12.55 lacs) in respect of leave accruing for the period to March, 2017.

2.3 In terms of the AS 17, the following additional information is disclosed:

Segment Information – Basis of Preparation

1. The treasury segment undertakes investment in SLR & Non–SLR securities, foreign exchange operations, hedging activities for own account & on constituents behalf. Revenue of this segment consists of interest earned on funding, interest income from government securities & bonds, gain on government securities, debentures/bonds and profit on exchange & derivatives transactions. The principal expenses of this segment consist of interest expenses on funds borrowed from external sources.
2. The corporate and wholesale banking segments consist of revenue arising out of funding corporate and commission on bank guarantees. The principal cost consists of interest on account of borrowing from customers by way of deposits.
3. The retail banking segment consists of revenue arising out of personal loan, housing loan etc.
4. The other banking operations segments consist of all other activities other than the above mentioned operations.
5. The entire operating expenses are considered as un–allocable expenses, since the Treasury activities and other banking operations are conducted from the same premises.

Part A: Business Segment

PARTICULARS	2016-17					2015-16				
	Rs in Lacs					Rs in Lacs				
Business Segment	**Treasury**	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other banking operations/ others**	**Total**	**Treasury**	**Corporate/ Wholesale Banking**	**Retail Banking**	**Other banking operations/ others**	**Total**
Segment Revenue	16,764.95	31,518.30	197.15	49.93	48,530.33	16,465.06	19,245.85	82.41	120.36	35,913.68
Segment Result	13,855.95	6,657.44	(287.32)	49.93	20,276.00	15,162.43	1,578.23	(395.15)	120.37	16,465.88
Unallocated Expenses					7,534.04					(5,708.52)
Operating Profit					12,741.96					10,757.36
Income Taxes					5,560.56					(4,253.67)
Extraordinary P/L					–					–
Net Profit					7,181.40					6,503.69
Segment Assets	197,388.76	415,492.80	1,449.01	Nil	614,233.70	214,196.49	309,354.59	608.86	Nil	524,159.94
Unallocated Assets					5,007.13					5,020.12
Total Assets					619,337.71					529,180.06
Segment Liabilities	119,835.65	362,262.04	17,993.19	Nil	500,090.88	40,174.54	370,150.95	8,355.6	Nil	418,681.09
Unallocated Liabilities					119,246.83					110,498.97
Total Liabilities					619,337.71					529,180.06

Part B: Geographical Segment:

The Bank does not have overseas operation and operates only in the domestic segment.

2.4 Related party disclosures

Related party disclosures as required by AS 18 "Related Party Disclosures are given below:

1. Relationship during the year *

a) Parent

Shinhan Bank, Seoul and its branches

b) Key management personnel

Mr. Y D Kim – CEO in India

Having regards to RBI Circular No. DBR.BP.BC No.23/21.04.018/2015-16 dated July 1, 2015 regarding disclosure of related party transaction where there is only one entity in any category of the related parties particulars of transactions have not been disclosed.

The bank has disclosed that subsidiaries/Joint venture of the parent as related parties with whom it has entered into transaction during the current and previous financial year.

Details of transaction with related party during the year are given below -:

Sl. No	Name	Nature of transaction	Amount (in lacs)
1.	Shinhan Serve	Miscellaneous purchase	1.71 (1.90)
2.	iShinhan	Miscellaneous purchase	2.21 (Nil)

Notes: Figures in bracket represent previous year figures

2.5 Leases

The Bank has operating leases for premises taken on lease and the disclosures under AS 19 on 'Leases' are as follows

1. Total of future minimum lease payments are as follows:

(Rs. in lacs)

Sr. No.	Particulars	2016-17	2015-16
(i)	Not later than one year	742.24	413.56
(ii)	Later than one year and not later than five years	1,008.30	341.00
(iii)	Later than five years	------	------

2. Lease payment related to office premises of Rs.695.12 (Previous Year Rs. 651.98 lacs) has been recognised in the profit and loss for the year being minimum lease payments.
3. The lease agreement entered into pertains to use of premises by the branches. The lease agreements do not have any undue restrictive or onerous clause other than those normally prevalent in similar agreement regarding use of assets, lease escalation, renewals and a restriction on sub-lease.

2.6 Earning Per Share

The Bank is a branch of a Foreign Bank and as such does not have Share Capital. Hence the computation of Earnings per Share is not applicable. Accordingly, the disclosure as required by AS 20 'Earnings per Share' is not applicable in case of the Bank

2.7 Taxes on Income

The Bank has accounted for Income–tax in compliance with AS 22 "Accounting for Taxes on Income". Deferred Tax of Rs. 82.37 lacs has been debited to the Profit and Loss account for the period ended March 31, 2017. The major components of deferred tax asset (net) as at March 31, 2017 are as under:

Particulars	Amount (Rs. in Lacs)	
	March 31, 2017	**March 31, 2016**
Deferred Tax Assets		
Provision for Gratuity	49.64	30.39
Depreciation on Fixed Assets	321.15	292.57
Upfront Guarantee Commission	–	77.28
Property Taxes	124.96	124.96
Unhedged FCE	77.63	144.43
Others	63.11	129.48
Total	**636.49**	**799.11**
Deferred Tax Liability		
Upfront Guarantee Commission	38.80	–
Others	–	119.05
Total	**38.80**	**119.05**
Net Deferred tax asset	**597.69**	**680.06**

2.8 Impairment of Assets

As at March 31, 2017 there were no events or changes in circumstances which indicate any material impairment in the carrying value of the assets covered by AS 28 on "Impairment of Assets".

2.9 Indian Accounting Standards (Ind-As)

The ministry of corporate Affairs (MCA), Government of India has notified the companies (Indian Accounting Standards) Rules, 2015 and press release was issued by MCA outlining the road map for implementation of Indian Accounting Standards (Ind-AS) converged with international financial reporting standards (IFRS) for banks. Banks in India shall comply with IND-AS for financial statement for accounting period beginning from April 1, 2018 onwards with comparative for the period ended March 31, 2018 or thereafter. In preparedness towards achieving the same, the bank had prepared performa financial statement as per IND-AS as on 30th September 2016 as per extant regulatory guideline and submitted the same to the RBI. The bank will continue its preparation towards migration to adopting IND-AS as per regulatory requirement.

3. Additional Disclosures

3.1 Provisions & Contingencies includes (debited to Profit & Loss Account)

(Rs. in lacs)

Sr. No.	Particulars	March 31, 2017	March 31, 2016
(i)	Provision for depreciation on Investment	Nil	Nil
(ii)	Provision/write off towards non-performing assets (Net)	Nil	578.56
(iii)	Provision for/(write back) of Tax during the year		
	– Income tax	5,355.00	4,575.00
	– Income tax – (Earlier Year including interest)	123.19	(255.07)
	– Deferred tax	82.37	(66.69)
	– Wealth Tax	–	0.43
(iv)	Other Provisions & Contingencies		
	– Provision for Standard Assets /(Write back of provision) including provision towards Unhedged FCE	220.66	61.43
	– Provision/(Write back of provision) for Diminution in FV	–	(0.98)
	– Provision for Country Risk Exposure/(Write back of provision)	(160.08)	93.82
	– Provision on fraud	1.62	–
	Total	**5,622.76**	**4,986.50**

3.2 Floating Provisions:

The Bank did not hold any floating provision in its books during the year as well as at 31 March 2017 (Previous Year: Nil)

3.3 Drawn Down from Reserves:

There was no draw down from Reserves during the year ended 31 March 2017 (Previous Year: Nil).

3.4 Disclosure of complaints

A. Customer Complaints

Sr. No.	Particulars	2016-17	2015-16
(a)	No. of complaints pending at the beginning of the year	Nil	Nil
(b)	No. of complaints received during the year	Nil	Nil
(c)	No. of complaints redressed during the year	Nil	Nil
(d)	No. of complaints pending at the end of the year	Nil	Nil

B. Awards passed by the Banking Ombudsman

Sr. No	Particulars	2016-17	2015-16
(a)	No. of unimplemented Awards at the beginning of the year	Nil	Nil
(b)	No. of Awards passed by the Banking Ombudsmen during the year	Nil	Nil
(c)	No. of Awards implemented during the year	Nil	Nil
(d)	No. of unimplemented Awards at the end of the year	Nil	Nil

3.5 Letters of Comfort (LoCs)

The Bank did not issue any LoCs during the year nor were there any outstanding LoCs at year end. (Previous Year: Nil).

3.6 Provisioning Coverage Ratio (Rs. in lacs)

Particulars	March 31, 2017	March 31, 2016
Total gross non-performing assets (Amount)	Nil	Nil
Provisioning Coverage Ratio (Ratio of provision to gross non-performing assets)	N.A.	N.A.

3.7 Insurance Business:

The bank has not earned fees/brokerage in respect of Insurance broking, agency and Bancassurance business. (Previous Year: Nil)

3.8 Concentration of Deposits, Advances, Exposures and NPAs

A. Concentration of Deposits

Particulars	March 31, 2017	March 31, 2016
Total Deposits of twenty largest depositors (Rs in Lacs)	326,740.24	298,656.39
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	77.07 %	80.23%

B. Concentration of Advances

Particulars	March 31, 2017	March 31, 2016
Total Advances to twenty largest borrower (Rs. in Lacs)	222,802.91	176,506.72
Percentage of Advances to twenty largest borrowers to Total Advances of the bank	53.68%	57.17%

C. Concentration of Exposures

Particulars	March 31, 2017	March 31, 2016
Total Exposure to twenty largest borrowers/customers (Rs. in Lacs) (on Gross exposure basis)	446,442.20	379,445.65
Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the bank on borrower/customers	41.43%	40.38%

D. Concentration of NPAs

Particulars	March 31, 2017	March 31, 2016
Total Exposure to top four NPA accounts (Rs. in Lacs)	Nil	Nil

3.9 Sector-wise Advances

Rs in lacs

Sr. No	Sector	March 31, 2017			March 31, 2016		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector**						
1	Agriculture and allied activities						
2	Industry	70,263.99			29,782.92		
3	Services	25,347.82			5,842.08		
4	Personal loans	48.42			24.27		
5	Export Finance	51,091.09			56,176.99		
	Sub-total (A)	**146,751.32**			**91,826.26**		
B	**Non Priority Sector**						
1	Agriculture and allied activities	2,500			5,000		
2	*Industry*	*157,676.92*			*171,453.87*		
	*Of Which,***						
	Wires/Cables	*47,722.98*			*53,968.53*		
	Engineering - Industrial Equipment and Machinery	*8,450.39*			–		
	Auto Components and Ancillaries	*11,836.60*			*23,283.11*		
	Steel and Related Products	*20,240.47*			*23,622.59*		
3	*Services*	*106,758.20*			*39,900.85*		
	Of Which,						
	NBFC	–			–		
	Trade	68,700.42			26,333.75		
	Engineering, Procurement and Construction	30,057.77			8,502.14		
4	Personal loans	*1371.09*			*578.83*		
	Sub-total (B)	**268,306.22**			**216,933.55**		
	Total (A+B)	**415,057.54**			**308,759.81**		

** Amount represent where the outstanding advances exceeding 10% of the outstanding total advances to that sector.

3.10 Movement of NPAs

(Rs. in lacs)

Particulars	March 31, 2017	March 31, 2016
Gross NPAs as on 1st April of particular year (Opening Balance)	Nil	Nil
Additions (Fresh NPAs) during the year	Nil	582.70
Sub-total (A)	Nil	582.70
Less:-		
(i) Upgradations	Nil	Nil
(ii) Recoveries (excluding recoveries made from upgraded accounts)	Nil	4.14
(iii) Technical/Prudential Write-offs		
(iv) Write-offs other than those under (iii) above	Nil	578.56
Sub-total (B)	Nil	582.70
Gross NPAs as on 31st March of following year (closing balance) (A-B)	Nil	Nil

Particulars	March 31, 2017	March 31, 2016
Opening balance of Technical/Prudential written-off accounts as at April 1	Nil	Nil
Add: Technical/Prudential write-offs during the year	Nil	Nil
Sub-total (A)	Nil	Nil
Less:-	Nil	
Recoveries made from previously technical/prudential written-off accounts during the year (B)	Nil	Nil
Closing balance as at March 31 (A-B)	Nil	Nil

3.11 Overseas Assets, NPAs and Revenue (Rs. in lacs)

Particulars	March 31, 2017	March 31, 2016
Total Assets	37,708.29	26,583.18
Total NPAs	Nil	Nil
Total Revenue	92.82	62.16

3.12 Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

Name of the SPV Sponsored	
Domestic	Overseas
N.A.	N.A.

3.13 Classification of Net Investment under various categories is as under

(Rs. in lacs)

Particulars	March 31, 2017	March 31, 2016
Held to maturity	86,302.89	12,639.74
Available for sale	45,088.89	92,812.20
Held for trading	–	–
Total	131,391.78	105,451.94

3.14 Unamortised Pension and Gratuity Liabilities

The Bank does not provide any pension to the employees. Hence, there is no policy regarding amortization of pension. Gratuity is provided for based on an acturial valuation and accordingly taken in the profit and loss account.

3.15 Disclosures on Remuneration

The Head Office of the Bank has in place compensation policies and practices which are in accordance with the FSB principles, including appropriate balancing between fixed and variable pay, building adequate deferrals in the variable component and cost/ income ratio's supporting the remuneration package consistent with maintenance of sound capital adequacy ratio. The Head Office has also submitted a declaration to the effective that its compensation structure in India is in conformity with the FSB principles and standards as required in terms of RBI circulars.

3.16 The Bank has not financed any margin trading activities during the year nor is there any outstanding at year end. (Previous Year: Nil).

3.17 Securtisation exposure

The Bank did not have securtisation exposure during the year (Previous Year: Nil).

3.18 Operating Expenses

None of the expenses included under Other Expenses in Schedule 16 – 'Operating expense' has exceeded the limit of 1% of total income during the year ended 31 March 2017 (Previous Year: Nil).

The Bank has not dealt in Credit default swaps during the year (Previous Year: Nil).

3.20 Intra Group Exposure

RBI Circular No. RBI/2013-14/487 DBOD.No.BP.BC.96/21.06.102/2013-14 dated Feb 11, 2014 deals with Management of Intra Group Exposure and Transactions. As per Point no. 2.4 c on Entities exempted from Definition of Group Entities of the said circular, exposure of Foreign Banks' (operating as branches in India) to their Head Office and overseas branches of the parent bank except for proprietary derivative transactions undertaken with them, are not covered under these guidelines. The bank has not proprietary derivative transaction with the group. Also, the Bank has no other Group Entities in India and thus no Intra-Group exposure to be reported as on March 31, 2017.

3.21 Transfers to Depositor Education and Awareness Fund (DEAF)

(Rs. in lacs)

Particulars	March 31, 2017	March 31, 2016
Opening balance of amounts transferred to DEAF	8.09	3.85
Add: Amounts transferred to DEAF during the year	5.39	4.24
Less: Amounts reimbursed by DEAF towards claims	–	–
Closing balance of amounts transferred to DEAF	13.48	8.09

3.22 Unhedged Foreign Currency Exposure

The Bank is in the process of updating/streamlining its policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy would be to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency product portfolio and encouraging them to cover the unhedged portion.

The Bank maintains incremental provision towards the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines.

(Rs. in lacs)

Particulars	March 31, 2017	March 31, 2016
Incremental Provision	179.45	333.87
Incremental capital held	352.31	710.51

3.23 Liquidity Coverage Ratio

a. Quantitative Disclosures

(Rs. in lacs)

	March 31, 2017		March 31, 2016	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets				
1 Total High Quality Liquid Assets (HQLA)		**102,610.99**		**47,111.63**
Cash Outflows				
2 Retail deposits and deposits from small business customers, of which:				
(i) Stable deposits	2,119.13	105.96	2,789.18	139.46
(ii) Less stable deposits	15,247.47	1,524.75	12,599.52	1,259.95
3 Unsecured wholesale funding, of which :				
(i) Operational deposits (all counterparties)				
(ii) Non-operational deposits (all counterparties)	231,436.14	106,640.41	133,796.04	65,333.54
(iii) Unsecured debt				
4 Secured wholesale funding		-		-
5 Additional requirements, of which				
(i) Outflows related to derivative exposures and other collateral requirements				
(ii) Outflows related to loss of funding on debt products				
(iii) Credit and liquidity facilities				
6 Other contractual funding obligations	22,757.18	22,757.18	20,795.49	20,795.49
7 Other contingent funding obligations	9,251.19	277.54	4,833.87	236.44
8 Total Cash Outflows		131,305.83		87,764.88
Cash Inflows				
9 Secured lending (e.g. reverse repos)	26,391.11	26,391.11	3,500	3,500
10 Inflows from fully performing exposures	127,184.82	63,592.41	124,874.43	86,218.55
11 Other cash inflows	51,871.60	51,871.60	2767.83	2767.83
12 Total Cash Inflows	**205,447.52**	**141,855.12**	**131,142.26**	**92,486.38**
		Total Adjusted Value		**Total Adjusted Value**
21 TOTAL HQLA		102,610.99		47,111.63
22 Total Net Cash Outflows		32,826.46		21,941.22
23 Liquidity Coverage Ratio (%)		312.59%		214.72%

(Rs. in lacs)

	December 31, 2016		September 30, 2016		June 30, 2016	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets						
1 Total High Quality Liquid Assets (HQLA)		93,922.66		69,245.59		50,743.26
Cash Outflows						
2 Retail deposits and deposits from small business customers, of which:						
(i) Stable deposits	2,060.08	103.00	2,574.98	94.49	2,881.90	143.13
(ii) Less stable deposits	15,492.50	1,549.25	14,126.33	1,412.63	13,180.97	1,295.82
3 Unsecured wholesale funding, of which :						
(i) Operational deposits (all counterparties)					73.92	7.01
(ii) Non-operational deposits (all counterparties)	222,361.15	98,866.39	180,035.94	72,014.38	148,029.64	59,211.86
(iii) Unsecured debt	19,700.13	21,334.76	12,305.06	12,305.06	11,834.80	11,834.80
4 Secured wholesale funding						
5 Additional requirements, of which						
(i) Outflows related to derivative exposures and other collateral requirements						
(ii) Outflows related to loss of funding on debt products						
(iii) Credit and liquidity facilities						
6 Other contractual funding obligations	57,068.73	51,774.59	15,747.89	15,747.89	3470.75	104.12
7 Other contingent funding obligations	14,613.19	460.97	16,183.01	485.49	15,645.14	15,645.14
8 Total Cash Outflows		174,096.96		102,094.19		88,241.87
Cash Inflows						
9 Secured lending (e.g. reverse repos)	13,500.00	12,000.00	12,400.00	12,400.00	4,106.66	4,106.66
10 Inflows from fully performing exposures	105,395.08	52,008.22	85,016.16	59,954.97	118,093.11	76,474.30
11 Other cash inflows	32,206.65	30,838.44	43,115.04	43,115.04		
12 Total Cash Inflows	151,101.73	94,846.66	140,531.20	115,470.01	122,199.76	80,580.96
		Total Adjusted Value				
21 TOTAL HQLA		93,922.66		69,245.59		50,743.26
22 Total Net Cash Outflows		78,845.33		32,337.55		24,950.63
23 Liquidity Coverage Ratio (%)		161.89%		221.44%		203.53%

b. Qualitative Disclosures

The Bank measures and monitors the LCR in line with the RBI's circular dated June 9, 2014 on "Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards". The LCR guidelines aim to ensure that a bank maintains an adequate level of unencumbered High Quality Liquid Assets (HQLAs) that can be converted into cash to meet its liquidity needs for time horizon under a significantly severe liquidity stress scenario.

The maintenance of LCR, both at end of period and on an average basis, has been on account of increase in excess CRR and SLR. The Bank has been maintaining HQLA primarily in the form of SLR investments over and above mandatory requirement, Marginal Standing Facility (MSF), FALLCR. SLR investments of the Bank considered for HQLA consists of Treasury Bills and government securities which provides timely liquidity to the Branch.

Outflows majorly comprise of Term Deposits and Borrowings. Inflows consist of Loan & Advances, inter bank lending & T-Bills.

Based on the banks current business profile, bank has fairly simple loans and deposit portfolio with plain vanilla products and hence bank has captured the major liquidity risk.

LCR of the Bank is monitored by Asset Liability Management Committee which also strategizes the Balance Sheet profile of the Bank. There is no other material inflow or outflow not captured in the LCR common template.

3.24 Factoring exposure

The bank has nil factoring exposure as on March 31, 2017 (Previous Year Nil).

3.25 Details of provisioning pertaining to fraud accounts

(Rs. in lacs)

Particulars	March 31, 2017
No of fraud reported	5
Amount involved	2.16
Recovery during the year	Nil
Provision/Write off made net of recovery	1.62
Unamortised provision debited from "other reserve"	Nil

3.26 Corporate Social Responsibility (CSR)

The Bank has in place a local initiative on CSR activity that supported promotion of education to children through voluntary services by each employee. Based on the said policies, each year the Bank has been putting efforts towards CSR. Pursuant to introduction of section 135 of the Companies Act, 2013, the Bank was required to incur CSR expenditure to the extent of Rs. 221.88 lacs. However, during FY 2016-17, the amount incurred towards CSR activities based on guidelines under Companies Act, 2013 was Rs 23.33 lacs. The Bank has CSR Policy duly approved by the CSR committee. The focus of the said policy is on healthcare, education and empowerment of women. The committee is in process to identify appropriate agencies to whom it may contribute sum in future after proper due diligence.

3.27 Contingent Liabilities

Claims against the Bank not acknowledged as debts include disputed dues with tax authorities (Direct and Indirect tax) where based on opinion from consultants, the Bank does not expect the outcome of the proceedings to have a material adverse effect on the Banks financial condition, result of operations or cash flow. Further, in case of disputed income tax matters, in many matters, the disclosure is also based on favourable decisions for the Bank in its own earlier appeals, where these demands were not held sustainable. It also includes legal proceedings against the Bank where the outcome is not expected to be materially unfavourable to the Bank or where probable liability if any, cannot be ascertained reasonably.

The Bank enters into foreign exchange contracts on its own account as well as for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. The notional amounts are recorded as contingent liability of the contract.

Contingent liabilities in respect of guarantees, acceptances, letter of credit are all entered with banks under approved credit limits and the liability thereon is dependent upon terms of contractual obligations, development and raising of demand by the concerned parties. These amounts are partly collateralized and partly reimbursable by margins/guarantees/secured charges.

Other items for which the bank is contingently liable include capital commitments, amounts transferred to DEAF.

3.28 As per RBI norms the Bank is required to transfer at least 25% of net profits to statutory reserves. However the Bank has transferred the entire profits of the current year to Statutory Reserves to shore up its capital funds for the purpose of meeting the credit exposure norms.

3.29 The disclosure with respect to holding or dealing in specified bank notes as defined in the notification GSR.308 (E) dated 30th March 2017, during the period from 8th November to 30th December 2016 as required under amendment to schedule 3 to the Companies Act 2013, is not applicable to the financial statement of the bank. Since they are prepared under section 29 and third schedule of Banking Regulation Act 1949.

3.30 Under the Micro, Small and Medium Enterprises Development Act, 2006, (MSMED), which comes into force from 2 Oct 2006, certain disclosures are required to be made relating to Micro , Small and Medium Enterprises. There have been no reported cases of interest payments due to delays in such payments to Micro, Small and Medium enterprises. Auditors have relied upon the above management assertion. (Previous Year: Nil).

3.31 Bank has a Policy for Prevention of Sexual Harassment in line with the 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal)' Act & Rules, 2013. No complaints were received during the year in these regards.

4. Previous year figures have been regrouped and rearranged, wherever necessary to confirm to the current year's presentation. Previous year figures were audited by another firm of chartered accountant.

As per our report of even date attached

Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Sd/-
Devang Vaghani
Partner
Membership No : 109386

For **SHINHAN BANK**
Indian Operations

Sd/-
Y. D. Kim
Chief Executive Officer in India

Place : Mumbai
Dated : June 29, 2017

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

1. **Scope of Application**

Reserve Bank of India (RBI) issued Basel III guidelines applicable with effect from April 1, 2013. The guidelines provide a transition schedule for Basel III implementation till March 31, 2019. Upon full implementation, Basel III guidelines target minimum capital to risk-weighted assets ratio (CRAR) would be 11.5%, minimum Common Equity Tier-1 (CET1) CRAR ratio would be 8.0% and minimum Tier-1 CRAR ratio would be 9.5%.

As per the transitional arrangement, at March 31, 2017, Shinhan Bank – India branches (the Bank) is required to maintain minimum capital requirement of 10.25% including capital conservation buffer (CCB).

Qualitative Disclosures:

(a) The capital Adequacy framework applies to Shinhan Bank – India branches. Shinhan Bank India ("hereinafter referred to as the 'Bank') are the Indian Operations of Shinhan Bank ("hereinafter referred to as 'H.O.'), a South Korean company incorporated in 1897 operating as commercial bank through network of branches in South Korea and various overseas branches including India. The Bank has a network of six branches in India as on 31st March 2017.

(b) The Bank does not have any subsidiaries.

Quantitative Disclosures:

(c) 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

(d) The aggregate amounts of the bank's total interests in insurance entities : NIL

(e) Restrictions or impediments on transfer of funds or regulatory capital within the banking group: NIL

2. **Capital Structure:**

Qualitative Disclosures:

(a) Summary information and main features of capital instruments are given below.

- Tier I capital: - consists of funds from H.O. for the purpose of meeting capital adequacy norms & statutory reserves minus deferred tax asset.
- Tier II capital comprises of general loan loss provisions.

(b) The Composition of capital structure:

(Rs. lacs)

Particulars	**March 31, 2017**
Funds from H.O.	63,319.08
Statutory Reserve	49,091.08
Deferred Tax Assets	(597.69)
Total - Tier I	**111,812.47**
Provision for Standard Assets	1,754.55
Provision for Country Risk Exposure	126.70
Total – Tier II	**1,881.25**
Total Eligible Capital	**113,693.72**

3. **Capital Adequacy:**

Qualitative disclosures:-

Every year Bank fixes its corporate goals, commensurate with its risk appetite. Capital requirement is assessed taking into account: Business growth plans, Capital funds available with Bank after accounting for redeployment of projected internal accruals, minimum regulatory capital required, buffer above minimum capital required to take care of non-Pillar-I risks. For the purpose, bank has a well defined Internal Capital Adequacy Assessment Policy (ICAAP) to comprehensively evaluate and document all the risks like Interest Rate Risk in Banking Book, Liquidity Risk, Reputation Risk, Compliance Risk, Strategic Risk and Credit Concentration Risk etc. and substantiate appropriate capital allocation so as to evolve a fully integrated risk/capital model for both regulatory and economic capital.

The bank carefully assesses its growth opportunities relative to the capital available to support them, particularly in light of the economic environment and advent of Basel II. The Bank maintains a strong discipline over capital allocation and ensuring that returns on investment cover capital costs. The bank is fully committed in implementing the Basel II norms as adopted by the Reserve Bank of India. The bank has adopted the following approaches for its capital adequacy under BASEL II in line with the guidelines of the Reserve Bank of India.

- Credit Risk – Standardised approach.
- Market Risk – Standardised duration approach.
- Operational Risk – Basic Indicator approach.

Quantitative disclosures:

The Capital requirement for credit, market and operational risk given below is arrived at after multiplying the risk weighted assets by 9% of the bank as on 31st March 2017 is as follows:

(Rs in lacs)

	Particulars	Amount
A	**Capital requirement for credit risk**	
	– Portfolios subject to standardised approach	22,013.55
	– Securitisation exposures	
B	**Capital requirement for market risk**	
	Standardised duration approach	
	– Interest rate risk	424.02
	– Foreign exchange risk	324.84
	– Equity risk	
C	**Capital requirement for operational risk**	
	– Basic indicator approach	3,153.95
D	**Capital Adequacy ratio of the Bank (%)**	**39.48%**
E	**Tier I CRAR (%)**	**38.83%**

General Disclosures:

Risk Exposure and Assessment

Shinhan Bank's Risk Management policies and procedures are subject to a high degree of oversight and guidance to ensure that all types of risks are systematically identified, measured analysed and actively managed. Specific details relating to all major business functions are elaborated in the respective policies and manuals of the bank, which may be guided by for specific business activities.

Risk Management is the responsibility of every member of the management as well as part of the job of each staff members of the bank. Individual risk management efforts are coordinated and supervised by the CEO. The H.O. has the responsibility for coordination of overall risk management with respect to the business of the India branches of the bank.

Risk Management

The bank has a Risk Management Department in place which oversees all types of risks in an integrated fashion. Shinhan bank has established a series of risk management system to prepare for the full- scale implementation of the revised Capital Accord. The H.O. assumes overall supervision of the global operations of the Bank. The Board of Directors assumes the ultimate responsibility of supervision, and exercises its supervisory authority through the President and CEO.

Risk Management Framework

The Risk Management Framework aims to integrate the sound principles of Risk Management system and practices into the overall functioning and set up of the Bank. Shinhan Bank has created in its organizational structure a Risk Management Committee to oversee and discharge efficiently the risk management functions. The Management Committee defines risk strategies and policies of the bank. The bank's risk profile is regularly examined by the Risk Management Committee. The Risk Management Committee is headed by the CEO and is represented by members from Credit Risk, Treasury, Information Technology and Operations departments.

4. Credit Risk:

General Disclosure

Credit risk covers the inability of a borrower/customer or counter-party to honour commitments under an agreement/contract and any such failure has an adverse impact on the financial performance of the Bank. The Bank is exposed to credit risk through lending, certain off balance-sheet items and some holdings in debt securities. Various credit exposure limits are fixed and approved by the appropriate authority. These limits are being monitored on a regular basis.

Strategy and Processes

The Bank's credit risk management process integrates risk management into the business management processes, while preserving the independence and integrity of risk assessment. The Bank's, H.O. formulates risk management policies for the Bank worldwide. The Bank in India has formulated local credit guidelines consistent with the HO policy. The goal of credit risk management during the year has been to maintain a healthy credit portfolio by managing risk at the portfolio level. The Bank's risk management policies and procedures establish the parameters for risk appetite, which is defined quantitatively and qualitatively in accordance with the laid-down strategic business plan. The process is established through a combination of governance structures and control processes.

The other guiding principles and processes behind Credit Risk Management Framework are:

- ➢ The acceptability of credit exposure is primarily based on the sustainability and adequacy of borrower's normal business operations and not based solely on the availability of security.
- ➢ Sound credit approval process with well laid credit-granting criteria.
- ➢ Portfolio level risk analytics and reporting to ensure optimal spread of risk across various rating classes, prevent undue risk concentration across any particular industry segments and monitor credit risk quality migration.
- ➢ 'Know your Customer' is a leading principle for all activities.
- ➢ Appropriate covenants are stipulated for risk containment and monitoring.
- ➢ Industry-wise exposure ceilings are based on the industry performance, prospects and the competitiveness of the sector.
- ➢ Separate risk limits are set up for credit portfolios like advances to NBFC and unsecured loans that require special monitoring

Structure and Organization

The Bank has committee approach in place for credit sanction and review. Credit approval authorities are delegated from the H.O. to the Chief Executive Officer, India. The Head of Credit Risk Management in India maintains a functional reporting to the Global Business Division at the HO through the CEO of India Operations.

Scope and nature of risk reporting and measurement

Credit Rating System

Credit rating tools are an integral part of risk-assessment of the corporate borrowers and the Bank has developed rating model that has distinct risk characteristics. The Bank periodically carries out a comprehensive portfolio level analysis of its asset portfolio with a risk-return perspective. The credit rating tool uses a combination of quantitative inputs and qualitative inputs to arrive at a 'point-in-time' view of the rating of counterparty. Each internal rating grade corresponds to a distinct probability of default. The output of the rating model is primarily to assess the chances of delinquency over a one year time horizon.

Review and Monitoring

- The Bank has developed monitoring tool that helps in objectively assessing the credit quality of the borrower taking into cognizance the actual behavior post-disbursement.
- All credit exposures, once approved, are monitored and reviewed periodically against the approved limits.
- Borrowers with lower credit rating are subject to more frequent reviews.
- Credit audit involves independent review of credit risk assessment, compliance with internal policies of the Bank and with the regulatory framework, compliance of sanction terms and conditions and effectiveness of loan administration.

Concentration Risk

Concentration Risk in the context of banking operations generally denotes the risk arising from an uneven distribution of counter- parties in credit or any other business relationship or from a concentration in business sectors or geographical regions which may generate losses large enough to jeopardize the Bank's position. The Bank controls and limits concentration risk by means of appropriate structural limits and borrower limits based on creditworthiness.

Industry Concentration Risk

Industry analysis plays an important part in assessing the industry concentration risk within the loan portfolio. Particular attention is given to industry sectors where the Bank believes there is a high degree of risk or potential for volatility in the future. The Bank has fixed internal limits for aggregate commitments to different sectors so that the exposures are evenly spread over various sectors.

Reporting

Regular internal reporting and oversight of assets and guidance to ensure that all types of risk are systematically dealt with is principally differentiated by the credit ratings applied which includes information on large credit exposures, credit concentration, industry exposures, levels of impairment, provisioning and country exposures are being reported to the Credit Committee on a monthly basis.

Non performing advances

Advances are classified into performing and non-performing advances (NPAs) as per Reserve Bank of India (RBI) guidelines. NPAs are further classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI. An asset, including a leased asset, becomes non-performing when it ceases to generate income for the Bank and an NPA is a loan or an advance where Interest and/or instalment of principal remains overdue for a period of more than 90 days in respect of term loan, the account remains "out-of-order" in respect of an Overdraft or Cash Credit (OD/CC), the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted and the regular/ad hoc credit limits have not been reviewed/renewed within 180 days from the due date/date of ad hoc sanction.

As on 31st March 2017, the bank does not have any non performing assets in its credit portfolio.

Credit quality/Impairment of Loans:

All loans and advances of the Bank are classified according to asset quality, nature and passage of time and at each balance sheet date, the Bank ascertains if there is any impairment in its assets. If such an indication is detected, the Bank estimates the recoverable amount of the assets from the date of identification of credit weaknesses in accordance with RBI guidelines. The irrecoverable amount is treated as an impairment loss and is recognized in the profit and loss account. Standard accounts include all facilities which demonstrate good financial condition, minimum risk factors and capacity to repay in line with the original terms of sanction.

Credit Risk Management Policy

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

- The Credit policy delineates the bank's maximum exposures to individual customers, customer groups and other risk concentrations. Ensure compliance with lending guidelines to specified market sectors and industries in compliance with RBI guidelines and HO policies.
- Control cross-border exposures to manage country and cross-border risk through the imposition of country limits with sub-limits by maturity and type of business.
- Undertake independent review and objective assessment of credit risk. All commercial credit facilities are subject to review prior to the facilities being committed to customers.
- Maintain and develop the bank's risk rating framework and systems, in order to classify exposures meaningfully and facilitate focused management of the risks involved. Rating methodologies are based upon a wide range of financial analytics together with market database tools, which are core inputs to the assessment of customer risk. Risk grades are reviewed frequently and amendments, where necessary, are implemented promptly.

SHINHAN BANK

(Incorporated in Korea with limited liability)

INDIAN OPERATIONS

Net credit risk exposures including Geographic Distribution of Exposure

(Rs. lacs)

Particulars	March 31, 2017	March 31, 2016
Fund Based	415,057.53	305,547.65
Non Fund Based	66,476.88	81,227.86
Total	**481,534.41**	**386,775.51**

Note:

- Fund base exposure represents funded loans & advances
- Non fund exposures are guarantees given on behalf of constituents, Letters of credit, acceptance and endorsements.
- The bank has no overseas operation and hence exposures are restricted to the domestic segment.
- The exposure amount is the net outstanding (i.e. net of provision & credit risk mitigants, if any)

Distribution of credit risk exposure by industry sector as on March 31, 2017:

(Rs. in lacs)

Industry Name	Funded	Non Funded	Total
A. Mining and Quarrying (A.1 + A.2)	1,393.59	–	1,393.59
A.1 Coal			
A.2 Others	1,393.59	–	1,393.59
B. Food Processing	14,788.87	–	14,788.87
B.1 Sugar			
B.2 Edible Oils and Vanaspati			
B.3 Tea			
B.4 Coffee			
B.5 Others	14,788.87	-	14,788.87
C. Beverages (excluding Tea & Coffee) and Tobacco			
Of which Tobacco and tobacco products			
D. Textiles (a to f)	16,702.60	14,055.46	30,758.06
a. Cotton			
b. Jute			
c. Handicraft/Khadi (Non Priority)			
d. Silk			
e. Woolen			
f. Others	16,702.60	14,055.46	30,758.06
Out of D (i.e. Total Textiles) to Spinning Mills			
E. Leather and Leather products			
F. Wood and Wood Products	6,074.32	-	6,074.32
G. Paper and Paper Products	776.69	-	776.69
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels			
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	26,476.97	476.90	21,953.87
I.1 Fertilisers	5,000.00	-	5,000.00
I.2 Drugs and Pharmaceuticals	2,160.46	378.17	2,538.63
I.3 Petro-chemicals (excluding under Infrastructure)	1,276.07	1.00	1,277.07
I.4 Others	18,040.44	97.73	18,138.17
J. Rubber, Plastic and their Products	10,750.44	31.40	10,781.84
K. Glass & Glassware			
L. Cement and Cement Products			
M. Basic Metal and Metal Products (M.1 + M.2)	53,814.81	1,225.52	55,040.33
M.1 Iron and Steel	33,367.28	1,016.64	34,383.92
M.2 Other Metal and Metal Products	20,447.53	208.88	20,656.41
N. All Engineering (N.1 + N.2)	132,538.36	18,592.63	151,130.99
N.1 Electronics	24,729.82	7,130.14	31,859.96
N.2 Others	107,808.54	11,462.49	119,271.03
O. Vehicles, Vehicle Parts and Transport Equipment	30,148.00	1,251.35	31,399.35
P. Gems and Jewelry			
Q. Construction	11,398.02	3,569.61	14,967.63
R. Aviation			
S. Infrastructure (a to d)			
a. Transport (a.1 to a.5)			
a.1 Railways			
a.2 Roadways			
a.3 Airport			
a.4 Waterways			
a.5 Others			
b. Energy (b1 to b6)			
b.1 Electricity (Generation)			
b.1.1 Central Govt PSUs			
b.1.2 State Govt PSUs (incl. SEBs)			
b.1.3 Private Sector			

Distribution of credit risk exposure by industry sector as on March 31, 2017 *(Continued)*

(Rs. in lacs)

Industry Name	Funded	Non Funded	Total
b.2 Electricity (Transmission)			
b.2.1 Central Govt PSUs			
b.2.2 State Govt PSUs (incl. SEBs)			
b.2.3 Private Sector			
b.3 Electricity (Distribution)			
b.3.1 Central Govt PSUs			
b.3.2 State Govt PSUs (incl. SEBs)			
b.3.3 Private Sector			
b.4 Oil (storage and pipeline)			
b.5 Gas/LNG (storage and pipeline)			
b.6 Others			
c. Telecommunication			
d. Others			
Of which Water sanitation			
Of which Social & Commercial Infrastructure			
T. Other Industries			
All Industries (A to T)			
Residuary other advances (to tally with gross advances)	110,194.86	16,067.02	126,261.89
Total Loans and Advances	415,057.53	55,391.82	470,449.35

Residual Contractual maturity breaks down of Assets

(Rs lacs)

MATURITY BUCKETS	Cash, balances with RBI and other Banks	Investment Securities	Loans and Advances	Other Assets including fixed assets
Next Day	7,023.63	14,109.98	1,580.43	2,676.76
2 TO 7 Days	14,362.97	9,529.86	31,111.87	0
8 TO 14 Days	1,060.21	7,253.33	25,101.45	0
15 to 28 days	2,761.66	18,893.64	69,076.49	0
29 days to 3 months	3,855.69	26,378.35	84,578.18	0
Over 3 months upto 6 months	1,039.12	7,109.06	91,192.51	0
over 6 months upto 12 months	22,058.95	17,814.69	74,184.92	0
Over 1 year to 3 years	1,598.35	10,934.97	26,298.34	0
Over 3 years to 5 years	1,445.47	9,649.68	10,078.68	1,542.28
Over 5 years	0.97	6.65	1,147.74	49.81
Total	**56,626.55**	**131,391.77**	**415,057.53**	**41,729.27**

Movement of NPA's and Provision for NPA's

Gross NPAs in various categories (Sub standard, doubtful, loss etc):

(Rs.lacs)

Particulars	2015-16
A Amount of NPA's (Gross)	Nil
B Net NPA's	Nil
C NPA's ratios	
Gross NPAs to gross advances	Nil
Net NPAs to net advances	Nil
D Movement of NPA's (Gross)	
Opening Balance	Nil
Additions including recoveries	Nil
Reductions	Nil
Closing Balance	Nil
E Movement of Provision for NPA's	
Opening Balance	Nil
Write offs/Provision made during the year	Nil
Write back of excess provision	Nil
Closing balance	Nil
F Amount of Non performing investments and Provisions	Nil
Amount of provisions held for Non performing investments	Nil
G Movement of provisions for depreciation on investment	
Opening Balance	Nil
Add: Provision made during the year	Nil
Less: Write back of excess provisions	Nil
Add: Amortisation of premium on HTM category	Nil
Closing balance	Nil

5. Disclosures of portfolios under the Standardised Approach:

Qualitative Disclosures:

As per the RBI guidelines on the Basel II to calculate capital adequacy under the standardised approach for credit risk, require banks to use rating assigned by specific External Credit Assessment Agencies (ECAIs) namely CRISIL, ICRA, Fitch(India) & CARE for domestic counterparties and Standard & Poor's, Moody's and Fitch for foreign counterparties.

The Bank is using issuer ratings, short-term and long-term instrument/bank facilities ratings which are assigned by the accredited rating agencies (as specified by RBI) and published in the public domain to assign risk-weights in terms of RBI guidelines for its customers. In respect of claims on non-resident corporate and foreign banks ratings assigned by international rating agencies (as specified by RBI) is used. For exposures with contractual maturity of less than one year, a short-term rating is used. For cash credit facilities and exposures with contractual maturity of more than one year, long-term rating is used.

The process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in line with the provisions advised in Reserve Bank of India's Master circular on New Capital Adequacy Framework.

For non funded advances secured by SBLC, the bank is using the rating assigned by S & P/Fitch/Moody's.

Quantitative Disclosures:

The amount under each credit risk category is as follows:

(Rs. lacs)

Risk Bucket	March 31, 2017
Below 100% Risk Weight	110,212.47
100% risk weight	134,038.53
More than 100% risk weight	343.96
Risk Weighted Assets	**244,594.96**

Note: The Unhedged foreign currency exposures are incorporated in above figure and additional risk weight on Unhedged FCE considered under below 100% risk weight.

6. Credit Risk Mitigation:

Credit Risk Mitigants (CRM) like financial collateral, non-financial collateral and guarantees are used to mitigate credit risk exposure. Availability of CRM either reduces effective exposure on the borrower (in case of collaterals) or transfers the risk to the more creditworthy party (in case of guarantees). A major part of the eligible financial collaterals is in the form of cash, the most liquid of assets and thus free from any market and liquidity risks

The bank has arrived at credit exposure for the credit risk capital before Credit Risk Mitigation.

7. Securitisation:

Qualitative and Quantitative disclosures:

Securitisation is mainly done in order to diversify the bank's source of funding. The bank has neither securitized any assets nor have any investments in securities issued by any Special Purpose Vehicle (SPV).

8. Market Risks in the trading book/Banking book

Market risk is the risk that movements in foreign exchange rates, interest rates, or equity prices will result in profits or losses to the Bank. The Bank assumes market risk in its lending and deposit taking businesses and in its investment activities, including position taking and trading. The objective of market risk management is to control market risk exposures to achieve an optimal return while maintaining risk at acceptable levels.

The bank monitors the net open position for foreign exchange and undertakes VaR technique as per FEDAI model on FX risk position to estimate the potential loss as a result of movements in market rates. Stress testing on foreign exchange position is carried out to quantify the impact on capital of defined market movements.

As per H.O. policy the bank does not trade in the securities and Foreign exchange products except to maintain the SLR requirement and for hedging respectively.

9. Operational Risk:

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. It is inherent in every business organization and covers a wide spectrum of issues. The Bank has put in place a management approved Operational Risk Management Policy which outlines overall framework for management of Operational Risk.

Strategy and Process

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

Structure and Organization

The operational risk management responsibility is assigned to senior officials within each business operation. The operational risk loss data is collected and reported to the senior management and to the Bank's Risk Management Committee.

Scope/Nature of Risk reporting/measurement

The Bank has documented its operational risk management policy. One of the major tools for managing operational risk is the well-established internal control system, which includes segregation of duties, clear management reporting lines and adequate operating procedures.

The following measures, which have laid down clear relevant systems, procedures, policies, monitoring and control, are in place to control the operational risk:

- Manuals/Job Cards/Circular/Instructions to ensure adherence to proper systems and procedures
- Risk Based Internal Audit System
- Well laid down policy guidelines covering various activities
- System of monitoring operations and performance
- Delegation of financial powers at appropriate levels
- Appropriate reporting and review system
- System (IT) monitoring with Disaster Recovery System and Business Continuity Plans
- Legal Compliance certificate

For addressing risk of system failure, a Disaster Recovery System is in place. For mitigating risk due to disruption of business, a Business Continuity Plan has been put in place.

10. Interest Rate Risk in the Banking Books (IRRBB)

Interest rate risk is the potential change in Net Interest Income or Economic Value of Equity caused by unexpected changes in market interest rates.

Qualitative Disclosures

Interest Rate Risk:

The banking book is defined as:

i) Investments held in the Available for Sale (AFS) portfolio.

ii) Funding transactions to manage the liquidity of the bank.

Market risk in non trading portfolio (banking book) arises principally from mismatches between the future yield on assets and their funding cost, as a result of interest rate changes.

Analysis of this risk incorporates behavioural assumptions regarding the economic duration of liabilities which are contractually repayable on demand, for example, current accounts.

Strategy and Process

When the behavioural characteristics of a product differ from its contractual characteristics, the behavioural characteristics are assessed to determine the true underlying interest rate risk. Asset and Liability Committee (ALCO) regularly monitor all such behavioural assumptions and interest rate risk positions, to ensure that they comply with interest rate risk limits.

Structure and Organization

ALCO is responsible for measuring interest rate risk exposures in accordance with prescribed policies, monitoring and reporting these exposures against the approved limits on a daily basis.

Scope/Nature of Risk reporting/measurement system and mitigation techniques

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

The Bank manages the interest rate risk arising from commercial banking activities in order to maximize yield, without exposing the bank to undue risk arising from movements in market interest rates. This involves the use of derivative instruments available in the inter bank market.

Duration Gap Analysis

Bank carries out Duration Gap Analysis (on quarterly basis) to estimate the impact of change in Interest Rates on Market Value of Equity (MVE), as per the RBI Guidelines.

Disclosures on Remuneration

The Head Office of the Bank has in place compensation policies and practices which are in accordance with the FSB principles, including appropriate balancing between fixed and variable pay, building adequate deferrals in the variable component and cost/income ratio's supporting the remuneration package consistent with maintenance of sound capital adequacy ratio. The Head Office has also submitted a declaration to the effective that its compensation structure in India is in conformity with the FSB principles and standards as required in terms of RBI circulars.

Leverage ratio disclosure

As on March 31, 2017 the leverage ratio is 16.58%. The summary comparison of accounting assets vs leverage ratio exposure measure as per table DF-17 and leverage ratio common disclosure as per table DF-18 are provided as separate annexure to this disclosure.

Quantitative Disclosures:

Earning at Risk (EaR) (For time bucket up to one year)

(Rs Lacs)

Assets	Liabilities	Impact on NII
Lending rate/yield on investment **Increase** by **200 bps**	Term Deposit/Borrowing Cost **Increase** by **200 bps**	1530.00

Table DF-11 : Composition of Capital
Part II : Template to be used before March 31, 2017
(i.e. during the transition period of Basel III regulatory adjustments)

Rs. in Lacs

	Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2017)		**Amounts Subject to Pre-Basel III Treatment**	**Ref No.**
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium) (Funds from Head Office)	63,319.08		
2	Retained earnings	49,091.08		
3	Accumulated other comprehensive income (and other reserves)			
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)			
	Public sector capital injections grandfathered until January 1, 2018			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)			
6	Common Equity Tier 1 capital before regulatory adjustments	112,410.16		
Common Equity Tier 1 capital : regulatory adjustments				
7	Prudential valuation adjustments			
8	Goodwill (net of related tax liability)			
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	---		
10	Deferred tax assets	(597.69)		
11	Cash-flow hedge reserve			
12	Shortfall of provisions to expected losses			
13	Securitisation gain on sale			
14	Gains and losses due to changes in own credit risk on fair valued liabilities			
15	Defined-benefit pension fund net assets			
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)			
17	Reciprocal cross-holdings in common equity			
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)			
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)			
20	Mortgage servicing rights (amount above 10% threshold)	N.A		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)			
22	Amount exceeding the 15% threshold	N.A		
23	of which: significant investments in the common stock of financial entities			
24	of which: mortgage servicing rights			
25	of which: deferred tax assets arising from temporary differences			
26	National specific regulatory adjustments (26a+26b+26c+26d)			
26a	of which: Investments in the equity capital of unconsolidated insurance subsidiaries			
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries			
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank			
26d	of which: Unamortised pension funds expenditures			
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)			

			Amounts Subject to Pre-Basel III Treatment	Ref No.
	of which : [INSERT TYPE OF ADJUSTMENT]			
	of which : [INSERT TYPE OF ADJUSTMENT]			
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions			
28	**Total regulatory adjustments to Common equity Tier 1**	(597.69)		
29	**Common Equity Tier 1 capital (CET1)**	**111,812.47**		
Additional Tier 1 capital : instruments				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)			
31	of which : classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)			
32	of which : classified as liabilities under applicable accounting standards (Perpetual debt Instruments)			
33	Directly issued capital instruments subject to phase out from Additional Tier 1			
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)			
35	of which : instruments issued by subsidiaries subject to phase out			
36	**Additional Tier 1 capital before regulatory adjustments**			
Additional Tier 1 capital: regulatory adjustments				
37	Investments in own Additional Tier 1 instruments			
38	Reciprocal cross-holdings in Additional Tier 1 instruments			
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)			
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
41	National specific regulatory adjustments (41a+41b)			
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries			
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank			
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT e.g. DTAs]			
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]			
	of which : [INSERT TYPE OF ADJUSTMENT]			
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions			
43	**Total regulatory adjustments to Additional Tier 1 capital**			
44	**Additional Tier 1 capital (AT1)**			
44a	Additional Tier 1 capital reckoned for capital adequacy			
45	**Tier 1 capital (T1 = CET1 + Admissible AT1) (29 + 44a)**	**111,812.47**		
Tier 2 capital : instruments and provisions				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus			
47	Directly issued capital instruments subject to phase out from Tier 2			
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)			
49	of which : instruments issued by subsidiaries subject to phase out			
50	Provisions (Please refer to Note to Template Point 50)	1,881.25		
51	**Tier 2 capital before regulatory adjustments**	1,881.25		

			Amounts Subject to Pre-Basel III Treatment	Ref No.
Tier 2 capital: regulatory adjustments				
52	Investments in own Tier 2 instruments			
53	Reciprocal cross-holdings in Tier 2 instruments			
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)			
55	Significant investments13in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)			
56	National specific regulatory adjustments (56a+56b)			
56a	of which : Investments in the Tier 2 capital of unconsolidated insurance subsidiaries			
56b	of which : Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank			
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]			
	of which : [INSERT TYPE OF ADJUSTMENT]			
57	**Total regulatory adjustments to Tier 2 capital**			
58	**Tier 2 capital (T2)**	1,881.25		
58a	Tier 2 capital reckoned for capital adequacy	1,881.25		
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**			
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	1,881.25		
59	Total capital (TC = T1 + Admissible T2) (45 + 58c)	113,693.72		
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment			
	of which : [INSERT TYPE OF ADJUSTMENT]			
	of which : …			
60	**Total risk weighted assets (60a + 60b + 60c)**	**287,959.59**		
60a	of which : total credit risk weighted assets	244,594.96		
60b	of which : total market risk weighted assets	8,320.74		
60c	of which : total operational risk weighted assets	35,043.89		
Capital ratios				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	38.83%		
62	Tier 1 (as a percentage of risk weighted assets)	38.83%		
63	Total capital (as a percentage of risk weighted assets)	39.48%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	6.75%		
65	of which : capital conservation buffer requirement	1.25%		
66	of which : bank specific countercyclical buffer requirement			
67	of which : G-SIB buffer requirement			
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	32.08%		
National minima (if different from Basel III)				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%		
Amounts below the thresholds for deduction (before risk weighting)				
72	Non-significant investments in the capital of other financial entities			

			Amounts Subject to Pre-Basel III Treatment	Ref No.
73	Significant investments in the common stock of financial entities			
74	Mortgage servicing rights (net of related tax liability)			
75	Deferred tax assets arising from temporary differences (net of related tax liability)			
Applicable caps on the inclusion of provisions in Tier 2				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)			
77	Cap on inclusion of provisions in Tier 2 under standardised approach			
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)			
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach			
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements			
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)			
82	Current cap on AT1 instruments subject to phase out arrangements			
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)			
84	Current cap on T2 instruments subject to phase out arrangements			
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)			
86	Current cap on CET1 instruments subject to phase out arrangements			

Note to the template

Row No. of the template	Particular	Rs. in Lacs
10	Deferred tax assets associated with accumulated losses	
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	
	Total as indicated in row 10	
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	
	of which : Increase in Common Equity Tier 1 capital	
	of which : Increase in Additional Tier 1 capital	
	of which : Increase in Tier 2 capital	
26b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then :	
	(i) Increase in Common Equity Tier 1 capital	
	(ii) Increase in risk weighted assets	
44a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	
	of which : Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	
50	Eligible Provisions included in Tier 2 capital	1,881.25
	Eligible Revaluation Reserves included in Tier 2 capital	
	Total of row 50	1,881.25
58a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	

Table DF-12: Composition of Capital–Reconciliation requirements as of March 31, 2017

Step 1

The Scope of regulatory consolidation and accounting consolidation is identical accordingly the step 1 of the reconciliation is not required.

Step 2

Rs. In Lacs

			Balance sheet as in published financial statements	Under regulatory scope of consolidation
			As at 31.03.2017	**As at 31.03.2017**
A	**Capital & Liabilities**			
	i	Paid-up Capital (funds from HO)	63,319.08	63,319.08
		Reserves & Surplus	49,091.08	49,091.08
		Minority Interest		
		Total Capital	112,410.16	112,410.16
	ii	Deposits	424,256.72	423,958.76
		of which : Deposits from banks	51,521.21	51,520.30
		of which : Customer deposits	372,735.51	372,438.46
		of which : Other deposits (pl. specify)		
	iii	Borrowings	39,265.35	39,265.35
		of which : From RBI		
		of which : From banks	68,092.5	68,092.5
		of which : From other institutions & agencies		
		of which : Others (pl. specify)		
		of which : Capital instruments		
	iv	Other liabilities & provisions	14,876.29	14,876.29
		Total Capital & Liabilities	**619,337.71**	**619,337.72**
B		**Assets**		
	i	Cash and balances with Reserve Bank of India	18,356.97	18,356.98
		Balance with banks and money at call and short notice	45,269.59	45,269.59
	ii	Investments :	131,391.78	131,391.78
		of which : Government securities	131,391.78	131,391.78
		of which : Other approved securities		
		of which : Shares		
		of which : Debentures & Bonds		
		of which : Subsidiaries/Joint Ventures/Associates		
		of which : Others (Commercial Papers, Mutual Funds etc.)		
	iii	Loans and advances	415,057.54	415,057.53
		of which : Loans and advances to banks		
		of which : Loans and advances to customers	415,057.54	415,057.53
	iv	Fixed assets	857.68	857.68
	v	Other assets	8,404.16	8,404.16
		of which : Goodwill and intangible assets		
		of which : Deferred tax assets	597.69	597.69
		Goodwill on consolidation		
		Debit balance in Profit & Loss account		
		Total Assets	**619,337.71**	**619,337.72**

Step 3

Rs. in Lacs

Common Equity Tier 1 capital: instruments and reserves			
		Component of regulatory capital reported by bank	**Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation from**
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	63,319.08	
2	Retained earnings	49,091.08	
3	Accumulated other comprehensive income (and other reserves)		
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	**Common Equity Tier 1 capital before regulatory adjustments**	112,410.16	
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)		
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(597.69)	
11	Regulatory adjustments applied to Common Equity Tier 1 and Tier 2 to cover deductions		
12	**Common Equity Tier 1 capital (CET1)**	**111,812.47**	

Table DF 17 – Summary comparison of accounting assets vs. leverage ratio exposure measure as of March 31, 2017

Sl. No	Particulars	Rs. in Lacs
1	Total consolidated assets as per published financial statements	619,337.71
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	(597.69)
4	Adjustments for derivative financial instruments	165.09
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	–
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off- balance sheet exposures)	55,487.80
7	Other adjustments	–
8	Leverage ratio exposure	674,392.91

Table DF 18: Leverage ratio common disclosure template as of March 31, 2017

Sl. No	Particulars	Rs. In Lacs
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	619,337.71
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(597.69)
3	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of lines 1 and 2)	618,740.02
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	51.54
5	Add-on amounts for PFE associated with all derivatives transactions	113.55
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	–
8	(Exempted CCP leg of client-cleared trade exposures)	–
9	Adjusted effective notional amount of written credit derivatives	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	165.09
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	–
14	CCR exposure for SFT assets	–
15	Agent transaction exposures	–
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	–
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	144,245.99
18	(Adjustments for conversion to credit equivalent amounts)	(88,758.19)
19	**Off-balance sheet items (sum of lines 17 and 18)**	55,487.80
	Capital and total exposures	
20	Tier 1 capital	111,812.47
21	Total exposures (sum of lines 3, 11, 16 and 19)	674,392.91
	Leverage ratio	
22	Basel III leverage ratio	16.58%

For **SHINHAN BANK**
Indian Operations

Sd/-
Y D Kim
Chief Executive Officer in India

Place: Mumbai
Mumbai: 29th June, 2017