# The Hongkong and Shanghai Banking Corporation Limited

*(Incorporated in Hong Kong SAR with limited liability)*

## Basel III – Pillar 3 disclosures of India Branches

*For the period ended 30 September 2022*

## 1. Background and Scope of Application

### a. Background

The information contained in the document is for the India Branches of The Hongkong and Shanghai Banking Corporation Limited ('the Bank'), which is incorporated and registered in Hong Kong Special Administrative Region ('SAR'). The Bank's ultimate holding company is HSBC Holdings plc, which is incorporated in the United Kingdom. References to 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries.

### b. Scope of Application

The capital adequacy framework applies to the Bank as per Reserve Bank of India ('RBI') Basel III Capital Regulations vide RBI Circular RBI/2022-23/12 DOR.CAP.REC.3/21.06.201/2022-23 dated April 1, 2022 as amended from time to time. The Bank has a subsidiary, HSBC Agency (India) Private Limited ('HAPL'), which is consolidated in accordance with Accounting Standard ('AS') – 21 (consolidated financial statements). Full capital deduction is taken in regulatory capital for investment in HAPL. The Bank holds minority interests (2.07% shareholding) in a Group entity HSBC Professional Services (India) Private Limited which is neither consolidated nor is capital deducted. The investment in this company is appropriately risk weighted. The Bank does not have any other Group company where a pro-rata consolidation is done or any deduction is taken. The disclosure and analysis provided herein are in respect of the Bank, except where required and specifically elaborated, to include other Group entities operating in India.

*(i) Accounting and prudential treatment / consolidation framework*

*a. Subsidiaries not included in the consolidation*

The aggregate amount of capital held by the Bank in HAPL of Rs. 500,000 is not included in the regulatory scope of consolidation and is deducted from capital.

*b. List of Group entities in India considered for consolidation under regulatory scope of consolidation:*

The RBI guidelines on Financial Regulation of Systemically Important NBFCs and Banks' Relationship vide circular ref. DBOD. No. FSD. BC.46 / 24.01.028/ 2006-07 dated 12 December 2006 read with 'Guidelines for consolidated accounting and other quantitative methods to facilitate consolidated supervision' vide circular ref. DBOD.No.BP.BC.72/ 21.04.018/2001-02 dated 25 February 2003 mandate coverage of the 'Consolidated Bank'. This includes, in addition to the Bank the following Non-Banking Finance Company ('NBFC'), which is a subsidiary of HSBC Holdings plc, held through intermediary holding companies:

(Rs '000)

| Name of Entity /Country of Incorporation | Principal activity of the entity | Total balance sheet equity* | Total balance sheet assets* |
|---|---|---|---|
| HSBC InvestDirect Financial Services (India) Limited (HIFSL) (Note1) | Non-banking Finance company | 1,462,847 | 9,372,228 |

* As stated in the audited balance sheet of the legal entity as at 31 March 2022

*Note 1. HIFSL is 'Systemically important non-deposit taking non-banking financial company' ('NBFC-ND-SI') governed by Reserve Bank of India ('RBI'). Further, as per RBI circular dated February 22, 2019 on Harmonisation of different categories of NBFCs, the Company is classifed as an Investment and Credit Company (NBFC - ICC).*



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## 1. Background and Scope of Application *(Continued)*

***b. List of Group entities in India considered for consolidation under regulatory scope of consolidation: (Continued)***

As prescribed in the above guidelines, the Bank is not required to prepare consolidated financial statements as it has no shareholding in this entity. However, HIFSL has been considered under regulatory scope of consolidation for the quantitative disclosures including that of capital adequacy computation under Basel III guidelines.

*(ii) Bank's total interest in insurance entities*

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

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

(Rs '000)

| Name of Entity /Country of Incorporation | Principle activity of the entity | Total balance sheet equity* | Total balance sheet assets* |
|---|---|---|---|
| HSBC Asset Management (India) Private Limited | Asset management/portfolio management | 615,909 | 2,346,105 |
| HSBC Electronic Data Processing (India) Private Limited | Back office / data processing / call centre activities | 3,554,678 | 28,712,810 |
| HSBC Global Shared Services (India) Private Limited | Under liquidation | - | - |
| HSBC InvestDirect (India) Private Limited " formerly known as HSBC InvestDirect (India) Limited" | Holding company for HSBC InvestDirect Group | 709,544 | 5,350,648 |
| HSBC InvestDirect Employees' Welfare Trust | Non-operating company | 15 | 18,623 |
| HSBC InvestDirect Sales & Marketing (India) Limited | Non-operating company | 1,000 | 39,015 |
| HSBC InvestDirect Securities (India) Private Limited | Retail securities broking and related activities (Discontinued) | 1,745,112 | 153,702 |
| HSBC Professional Services (India) Private Limited | Providing internal audit services to Group companies | 4,838 | 413,405 |
| HSBC Securities and Capital Markets (India) Private Limited | Stock broking and corporate finance & advisory | Equity - 4,701,139 Preference – 250,000 | 39,798,665 |
| HSBC Software Development (India) Private Limited | Software design, development and maintenance | 327,264 | 35,131,000 |
| Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited | Life insurance | 9,500,000 | 265,485,217 |
| HSBC GIFT City International Banking Unit | Banking | 1,669,930 | 183,477,816 |

** As stated in the audited balance sheet of the legal entity as at 31 March 2022*
*Note 1: The Bank does not hold any stake in the total equity of the entities mentioned above with the exception of HSBC Professional Services (India) Private Limited.*
*Note 2: Since the Bank does not hold any stake in the total equity of the entities, the same have not been considered for any regulatory treatment.*

## 2. Capital Adequacy & Structure

### a. Capital Adequacy

The Bank's capital management framework is shaped by its structure, business model and strategic direction. The Bank carefully assesses its growth opportunities relative to the capital available to support them, particularly in light of the economic environment and tightening of regulations around capital requirements. The Bank's Executive Committee ('EXCO'), Risk Management Meeting ('RMM') and Asset-Liability Committee ('ALCO') maintains an active oversight over the Capital and Risk Management framework.

Under Pillar 1 of the RBI guidelines on Basel III, the Bank currently follows Standardised Approach for Credit Risk, Standardised Duration Approach for Market Risk and Basic Indicator Approach for Operational risk capital charge for computation and reporting capital adequacy to RBI. Further, the Bank has a comprehensive Internal Capital Adequacy Assessment Process ('ICAAP'), which covers the capital management policy of the Bank, sets the process for assessment of the adequacy of capital to meet regulatory requirements, support current and future activities and meet the Pillar I and material Pillar II risks to which the bank is exposed to. The ICAAP also involves stress testing of extreme but plausible scenarios to assess the Bank's resilience to adverse economic or political developments and resultant impact on the Bank's risk profile and capital position for current and future periods. This ensures that the bank has robust, forward looking capital planning processes that account for unique and systemic risks. Further, the bank has put in place stringent risk appetite measures as per revised RBI guidelines on Prompt Corrective Action. In addition to the above, the Bank is also subject to Capital Buffers as prescribed by RBI from time to time.

As per the transitional arrangement, at 30 September 2022, the Bank is required to maintain minimum capital requirement including capital buffers as per the table below:

| **Regulatory Minimum in % as per RBI guidelines** | **As at 30 Sep 2022** |
|---|---:|
| (i) Common Equity Tier I (CET1) | **5.50%** |
| (ii) Capital Conservation Buffer (CCB) - (Refer note I) | 2.50% |
| (iii) Counter-cyclical Buffer (CCyB) - (Refer note II) | - |
| (iv) Global Systemically Important Bank (G-SIB) - (Refer note III) | 2.05% |
| **Minimum Common Equity Tier I (i+ii+iii+iv)** | **10.05%** |
| **Minimum Tier I Capital** | **11.55%** |
| **Total Minimum Capital Adequacy Ratio** | **13.55%** |



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## 2. Capital Adequacy & Structure *(Continued)*

### a. Capital Adequacy *(Continued)*

*Notes:*

I. *The CCB is designed to ensure that banks build up capital buffers during normal times, which can be drawn down during a stressed period. Banks in India are required to maintain a capital conservation buffer of 2.50% in a phased manner. Current CCB stands at 2.50% with effect from 01 October 2021.*

II. *RBI issued guidelines on CCyB framework for banks in India in February 2015. The CCyB may vary from 0 to 2.5% of total RWA and the decision would normally be pre-announced with a lead time of 4 quarters. The activation of CCyB will depend upon Credit to GDP gap in India along with supplementary indicators such as Credit-Deposit ratio for a moving period of 3 years, industry outlook assessment index and interest coverage ratio. As stated by RBI in press release date April 5, 2022, a review of CCyB indicators was carried out by the RBI and it has been decided that it is not necessary to activate CCyB in India at this point in time.*

III. *The Reserve Bank of India (RBI) released the framework on D-SIB requirements for banks operating in India in July 2014. Banks may become systemically important due to their size, cross-jurisdictional activity, complexity, interconnectedness and lack of substitutability. As per the RBI guidelines, a foreign bank having branch presence in India (such as the Bank) which is classified as Globally Systemically Important Bank (G-SIB) by Financial Stability Board (FSB), has to maintain additional CET1 capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India. Accordingly, 2.05% had been added to minimum requirement towards G-SIB as of 30 September 2022.*

The Bank continues to monitor developments and believes that current robust capital adequacy position means the bank is well placed for continuing compliance with the Basel III framework.

## 2. Capital Adequacy & Structure *(Continued)*

### b. Capital Structure

*(i) Composition of Tier 1 capital for the bank*

(Rs. '000)

| | Standalone | | Consolidated | |
|---|---|---|---|---|
| | **As at 30 September 2022** | As at 31 March 2022 | **As at 30 September 2022** | As at 31 March 2022 |
| **Capital** | **44,991,660** | 44,991,660 | **46,454,507** | 46,454,507 |
| **Eligible Reserves** | **197,832,648** | 197,832,648 | **201,366,382** | 201,255,123 |
| - Capital reserves (excl. revaluation reserve) | **108,018,259** | 108,018,259 | **108,018,259** | 108,018,259 |
| - Statutory Reserves | **84,346,089** | 84,346,089 | **84,346,089** | 84,346,089 |
| - Specific Reserves | **4,987,481** | 4,987,481 | **4,987,481** | 4,987,481 |
| - Free Reserves | **-** | - | **3,533,734** | 3,422,475 |
| - Revaluation Reserves at a discount of 55 per cent | **480,819** | 480,819 | **480,819** | 480,819 |
| **Less: Deductions from Tier I Capital** | **(564,503)** | (422,836) | **(570,044)** | (428,473) |
| - Intangible asset | **(173,559)** | (146,440) | **(176,330)** | (149,967) |
| - Deferred Tax Asset ('DTA') (Note 1) | **-** | - | **(2,770)** | (2,110) |
| - Investment in subsidiaries in India | **(501)** | (501) | **(501)** | (501) |
| - Debit Value Adjustments (DVA) | **(342,137)** | (196,402) | **(342,137)** | (196,402) |
| - Defined Benefit Pension Fund Asset | **(48,306)** | (79,493) | **(48,306)** | (79,493) |
| **Common Equity Tier I Capital** | **242,259,805** | 242,401,472 | **247,250,845** | 247,281,157 |
| **Additional Tier I Capital** | **-** | - | **-** | - |
| **Total Tier I Capital** | **242,259,805** | 242,401,472 | **247,250,845** | 247,281,157 |
| | | | | |

*Note 1: For Standalone, as per RBI guidelines as on 01 April 2022, DTA which was deducted from CET1 capital, can be recognised in the CET1 up to a limit of 10% of Bank's CET1 capital (after application of regulatory adjustments mentioned in RBI Master Circular on Basel-III Capital Regulations dated 01 April 2022.). Accordingly, DTA of Rs. 2,689,225 ('000) (previous year 31 March 2022: Rs. 2,689,225 ('000)) is not deducted.*

*(ii) Tier 2 capital for the bank*

(Rs. '000)

| | Standalone | | Consolidated | |
|---|---|---|---|---|
| | **As at 30 September 2022** | As at 31 March 2022 | **As at 30 September 2022** | As at 31 March 2022 |
| General Loss Provisions | **8,334,255** | 7,352,148 | **8,335,256** | 7,353,006 |
| Other Eligible Reserves | **1,550,362** | 1,550,362 | **1,550,362** | 1,550,362 |
| Investment Fluctuation Reserves | **25,827,040** | 19,083,040 | **25,827,040** | 19,083,040 |
| **Total Tier II Capital** (Note 1) | **35,711,657** | 27,985,550 | **35,712,658** | 27,986,408 |

*Note 1: There is no debt capital instrument and subordinated debt outstanding as at 30 September 2022 (previous year: Nil) included in Tier II Capital.*

## 2. Capital Adequacy & Structure *(Continued)*

### b. Capital Structure *(Continued)*

*(iii) Capital requirements for Credit Risk, Market Risk and Operational Risk*

- *Standalone and Consolidated*

(Rs '000)

| | Standalone | | Consolidated | |
|---|---|---|---|---|
| | **As at 30 Sep 2022** | As at 31 Mar 2022 | **As at 31 Mar 2022** | As at 31 Mar 2022 |
| **I. Capital required for Credit Risk** | **194,917,145** | 161,427,688 | **196,437,354** | 162,748,985 |
| - For portfolios subject to Standardised approach | 194,917,145 | 161,427,688 | 196,437,354 | 162,748,985 |
| | | | | |
| **II. Capital required for Market Risk** | **35,295,258** | 36,691,867 | **35,295,258** | 36,691,867 |
| **(Standard Duration Approach)** | | | | |
| - Interest rate risk | **28,803,032** | 29,141,412 | **28,803,032** | 29,141,412 |
| - Foreign exchange risk | **3,353,625** | 3,341,250 | **3,353,625** | 3,341,250 |
| - Equity risk | **817,996** | 814,978 | **817,996** | 814,978 |
| - Securitisation exposure | **2,320,605** | 3,394,227 | **2,320,605** | 3,394,227 |
| **III. Capital required for Operational Risk** | **26,607,556** | 23,071,259 | **26,607,556** | 23,071,259 |
| **(Basic Indicator Approach)** | | | | |
| **Total capital requirement (I + II + III)** | **256,819,959** | 221,190,814 | **258,340,168** | 222,512,111 |
| **Total capital funds of the Bank** | **277,971,462** | 270,387,022 | **282,963,503** | 275,267,565 |
| **Total risk weighted assets** | **1,895,350,254** | 1,638,450,472 | **1,905,484,981** | 1,647,259,121 |
| **Total capital ratio** | **14.67%** | 16.50% | **14.85%** | 16.71% |
| **Common Equity Tier I Capital Ratio** | **12.78%** | 14.79% | **12.98%** | 15.01% |
| **Tier I capital ratio** | **12.78%** | 14.79% | **12.98%** | 15.01% |

## 3. Credit risk

### a. General

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

The principal objectives of our credit risk management function are:

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

**Strategy and Processes**

HSBC Holdings plc formulates high-level risk management policies for the HSBC Group entities worldwide. The Bank has also formulated local credit guidelines consistent with HSBC policy and RBI guidelines. The Bank's risk management policies and procedures are subject to a high degree of oversight and guidance to ensure that all types of risk are systematically identified, measured, analyzed and actively managed. The Bank remains a full service bank, servicing all major business groups- Global Banking and Markets (GBM), Commercial Banking (CMB) and Wealth and Personal Banking (WPB).

The Bank has standards, policies and procedures dedicated to the sanctioning, monitoring and management of various risks, which include the following:

- The Board of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong SAR (HBAP) has established the India Executive Committee (EXCO) to assist the Board in the running of the Bank. The EXCO is authorized to exercise all the powers, authorities and discretions of the HBAP on the management and day to day running of the Bank, in accordance with the policies and directions set by the Board from time to time. EXCO approves all the policies including credit policies. A Risk Management Meeting (RMM) consisting of senior executives, reviews overall portfolio risks and key risks faced by the bank in India on a monthly basis.
- Wholesale Credit Risk (WCR) independently assesses the credit profile of the customer and the applications are then approved in the committee. All the domestic credit proposals in wholesale banking are approved by Credit Committee. There are nine levels of credit committees, each with different membership and approval authorities, depending on the size and complexities of the proposal.

## 3. Credit risk *(Continued)*

### a. General *(Continued)*

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

- The WPB Risk function is responsible for monitoring the quality of the Wealth and Personal Banking lending portfolio. For retail lending, INM has developed credit application scorecards (which make use of statistical models & historical data) and defined policy parameters to assess the borrowers. The Bank also deploys other tools like external verifications, negative customer database search & most importantly credit bureau checks through the Credit Information Bureau (India) Limited (CIBIL). Policy rules are built into the system to enable online checks. This may also be supplemented with judgmental lending as appropriate. The judgmental aspect tries to identify the financial strength, ability and intentions of borrowers for repayment.
- WPB Credit Control Services (CCS) manages the First Line of Defense (FLOD) activities i.e. Underwriting and Collections. CCS at an entity level reports into the WPB Chief Operating Office and functionally into the Regional CCS structure. CCS underwriting team decisions cases within the approved policy parameters whereas exceptions / deviations in policy (ELA) and/or basis the exposure, cases are further recommended to the respective WPB Credit Committees for review and decisioning.
- For retail risk, the INM WPB Risk and Acquisition and Account Risk Management Team reviews and communicates the various internal risk policies. The RRPs (Risk reward program) defines the product parameters for WPB.
- All material risks are covered under robust framework for Risk Appetite Statements (RAS) and Risk Tolerance triggers. The Risk Management Meeting reviews and regularly monitors the compliance with RAS. The Bank has stipulated Credit Risk Appetite and tolerance triggers for asset quality, impairments, risk weighted assets, risk adjusted returns and concentration risks.
- The bank has various policies to support the management of the wholesale credit risk. Some of the key policies are highlighted below:
- Designing of comprehensive credit risk policies for management of Wholesale Exposure norms and Country Risk Plan. These policies delineate the Bank's risk appetite and maximum permissible exposures to individual customers, customer groups, industries, sensitive sectors and other forms of credit risk concentrations.
- The bank also has comprehensive policies for valuation, end use monitoring, real estate exposures, management of intra-group exposures, provisioning, distressed assets and recovery and sale of NPA.
- The bank has sustainability risk policies to ensure management of reputation risk in high risk sectors.
- Stress Testing Policy & Framework for rigorous risk specific and Enterprise-wide stress testing and reporting is used to assess the credit risk on the portfolio.
- Managing exposures to debt securities by establishing controls in respect of the liquidity of securities held for trading and setting issuer limits for financial investments. Separate portfolio limits are established for asset-backed securities and similar instruments.

## 3. Credit risk *(Continued)*

### a. General *(Continued)*

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

- Controlling of 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.
- Maintaining and developing HSBC's risk rating framework and systems to classify exposures meaningfully and facilitate focused management of the risks involved. Rating methodologies are based upon a wide range of financial analytics together with market data-based tools, which are core inputs to the assessment of customer risk. For larger facilities, while full use is made of automated risk rating processes, the ultimate responsibility for setting risk ratings rests with the final approving executive. Risk grades are reviewed frequently and amendments, where necessary, are implemented promptly.

**Structure and Organisation**

The Risk function is responsible for the quality and performance of its credit portfolios and for monitoring and controlling all credit risks in its portfolios.

Credit underwriting is processed at different levels (country, region, Group) depending on size and complexity of proposals and by different teams (FIs / Corporate / Trade / Cross-Border Approvals). Credit approval authorities are delegated from the Chief Risk Officer at the Regional Head Office in Hong Kong to the CEO, India and the CRO, India. The CRO in India maintains a functional reporting line to the CRO in Hong Kong. All the domestic credit proposals in wholesale banking are approved by Credit Committee as delegated by the CRO. There are nine levels of credit committees, each with different membership and approval authorities, depending on the size and complexities of the proposal. For Retail, EXCO will delegate lending authority to the Retail Credit Committees and delegate lending authority at a 'band' level to WPB officers. WPB Risk Head will communicate the EXCO delegated limits to individual WPB officers. For certain customer types, the approval is granted either by ASP Risk/ Group Risk basis the recommendation of India WCR. Relationship management of wholesale problem accounts or downgrades in certain internal ratings are transferred to SCR (Special Credit Unit) within Risk.

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

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

The Bank performs regular reporting on its credit risk portfolio (wholesale & retail), to include information on large credit exposures, concentrations, industry exposures, levels of impairment provisioning, delinquencies, LTVs and country exposures to various internal governance forums. Key portfolio metrics is reported to the RMM monthly.



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## 3. Credit risk *(Continued)*

### a. General *(Continued)*

**Non-performing advances**

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

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

Subject to the minimum provisioning levels prescribed by the RBI, provision on homogeneous loans relating to retail business (excluding mortgage loans) are assessed on a portfolio basis using the historical loss or net flow rate methods.

### b. Quantitative disclosures for portfolios under the Standardised approach

*(i) Total gross credit risk exposures by geography for the Bank*

(Rs '000)

| | | | As at 30 Sep 2022 |
|---|---|---|---|
| | Fund based [Note 1] | Non fund based [Note 2] | Total |
| Overseas | - | - | - |
| Domestic | **1,481,499,508** | **1,080,952,785** | **2,562,452,293** |
| Total | **1,481,499,508** | **1,080,952,785** | **2,562,452,293** |

(Rs '000)

| | | | As at 31 Mar 2022 |
|---|---|---|---|
| | Fund based [Note 1] | Non fund based [Note 2] | Total |
| Overseas | - | - | - |
| Domestic | 1,473,209,469 | 837,495,563 | 2,310,705,032 |
| Total | 1,473,209,469 | 837,495,563 | 2,310,705,032 |

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

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



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## 3. Credit risk *(Continued)*

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

*(ii) Industry type distribution of exposures for the Bank as at 30 Sep 2022*

(Rs '000)

| Industry | Funded | Non Funded | Total |
|---|---|---|---|
| Mining and Quarrying | 407,517 | 2,654,784 | 3,062,301 |
| Food Processing | 15,053,705 | 4,559,623 | 19,613,328 |
| Beverages (excluding Tea & Coffee) and Tobacco | 2,511,759 | 582,295 | 3,094,054 |
| Textiles | 13,273,368 | 4,239,418 | 17,512,786 |
| Leather and Leather products | 269,058 | 86,928 | 355,986 |
| Wood and Wood Products | 1,027,636 | 297,819 | 1,325,455 |
| Paper and Paper Products | 4,922,855 | 456,844 | 5,379,699 |
| Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels | - | 5 | 5 |
| Chemicals and Chemical Products (Dyes, Paints, etc.) | 58,048,845 | 51,367,061 | 109,415,906 |
| Rubber, Plastic and their Products | 26,968,004 | 7,731,558 | 34,699,562 |
| Glass & Glassware | 272,055 | 1,607,368 | 1,879,423 |
| Cement and Cement Products | 13,199,156 | 4,673,976 | 17,873,132 |
| Basic Metal and Metal Products | 25,241,204 | 22,088,583 | 47,329,787 |
| All Engineering | 39,051,156 | 68,262,291 | 107,313,447 |
| Vehicles, Vehicle Parts and Transport Equipments | 29,380,923 | 22,058,636 | 51,439,559 |
| Gems and Jewellery | - | 1,136,633 | 1,136,633 |
| Construction | 13,666,391 | 30,645,586 | 44,311,977 |
| Infrastructure | 57,984,497 | 45,311,358 | 103,295,855 |
| NBFCs and trading | 207,874,320 | 101,278,900 | 309,153,220 |
| Banking and finance | 269,605,052 | 292,844,200 | 562,449,252 |
| Computer Software | 12,400,596 | 36,894,126 | 49,294,722 |
| Professional Services | 26,774,224 | 295,497,697 | 322,271,921 |
| Commercial Real Estate | 149,360,147 | 7,173,670 | 156,533,817 |
| Other Industries | 99,590,136 | 65,319,915 | 164,910,051 |
| Retail | 110,474,124 | 14,183,509 | 124,657,633 |
| Others* | 304,142,779 | - | 304,142,779 |
| Total | 1,481,499,508 | 1,080,952,785 | 2,562,452,293 |

*Note: Exposure is comprised of Loans & Advances, Credit equivalent of guarantees, acceptances, letters of credit, other Non-Market Related off balance sheet obligations, credit equivalent of derivative exposures, Balance with Banks and Money at call and short notice.*

** Others include Cash and balances with RBI, Fixed Assets and Other Assets*



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## 3. Credit risk *(Continued)*

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

*Industry type distribution of exposures as at 31 Mar 2022*

(Rs '000)

| Industry | Funded | Non Funded | Total |
|---|---|---|---|
| Mining and Quarrying | 230,427 | 2,150,934 | 2,381,361 |
| Food Processing | 14,116,823 | 3,017,295 | 17,134,118 |
| Beverages (excluding Tea & Coffee) and Tobacco | 2,996,359 | 1,825,975 | 4,822,334 |
| Textiles | 12,343,619 | 5,944,295 | 18,287,914 |
| Leather and Leather products | 459,560 | 101,090 | 560,650 |
| Wood and Wood Products | 1,818,256 | 118,506 | 1,936,762 |
| Paper and Paper Products | 4,551,877 | 526,687 | 5,078,564 |
| Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels | - | 205,736 | 205,736 |
| Chemicals and Chemical Products (Dyes, Paints, etc.) | 42,661,110 | 47,394,361 | 90,055,471 |
| Rubber, Plastic and their Products | 23,449,729 | 7,327,157 | 30,776,886 |
| Glass & Glassware | 302,944 | 1,245,821 | 1,548,765 |
| Cement and Cement Products | 8,440,373 | 3,785,119 | 12,225,492 |
| Basic Metal and Metal Products | 23,108,539 | 16,552,600 | 39,661,139 |
| All Engineering | 39,334,899 | 61,651,653 | 100,986,552 |
| Vehicles, Vehicle Parts and Transport Equipments | 29,453,838 | 19,304,720 | 48,758,558 |
| Gems and Jewellery | - | 2,512,533 | 2,512,533 |
| Construction | 11,073,163 | 24,461,793 | 35,534,956 |
| Infrastructure | 61,095,410 | 47,574,217 | 108,669,627 |
| NBFCs and trading | 236,828,656 | 67,325,410 | 304,154,066 |
| Banking and finance | 287,191,898 | 188,665,721 | 475,857,619 |
| Computer Software | 7,870,852 | 22,503,305 | 30,374,157 |
| Professional Services | 43,451,870 | 222,975,743 | 266,427,613 |
| Commercial Real Estate | 105,381,281 | 3,502,264 | 108,883,545 |
| Other Industries | 39,691,523 | 73,327,122 | 113,018,645 |
| Retail | 82,374,201 | 13,495,506 | 95,869,707 |
| Others* | 394,982,262 | - | 394,982,262 |
| Total | 1,473,209,469 | 837,495,563 | 2,310,705,032 |

** Others include Cash and balances with RBI, Fixed Assets and Other Assets*



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## 3. Credit risk *(Continued)*

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

*(iii) Residual contractual maturity breakdown of total assets for the bank*

*As at 30 Sep 2022* (Rs'000)

| | Cash & balances with RBI | Balance with Banks & Money at call & Short Notice | Investments | Advances | Fixed Assets | Other Assets |
|---|---|---|---|---|---|---|
| **1 day** | **2,270,894** | **172,529,774** | **732,323,696** | **13,821,369** | **-** | **12,626,555** |
| **2 to 7 days** | **-** | **39,045,600** | **53,887,701** | **(83,776,087)** | **-** | **8,512,492** |
| **8 to 14 days** | **-** | **-** | **48,031** | **26,096,411** | **-** | **2,858,333** |
| **15 to 30 days** | **57,329,823** | **39,869,144** | **27,770,767** | **74,979,798** | **-** | **8,115,884** |
| **31 days & upto 3 months** | **41,399,150** | **28,790,402** | **60,455,057** | **135,138,467** | **-** | **51,676,061** |
| **Over 3 months and upto 6 months** | **10,321,366** | **7,177,835** | **14,680,790** | **89,963,995** | **-** | **39,380,814** |
| **Over 6 months and upto 1 year** | **14,500,542** | **10,084,179** | **19,278,104** | **79,564,844** | **-** | **52,538,914** |
| **Over 1 year and upto 3 years** | **15,794,241** | **10,983,862** | **14,749,213** | **186,993,011** | **-** | **85,985,629** |
| **Over 3 years and upto 5 years** | **5,604,409** | **3,897,500** | **3,997,712** | **170,828,438** | **-** | **67,299,747** |
| **Over 5 years** | **67,983,302** | **47,277,941** | **24,337,397** | **209,429,716** | **7,284,967** | **41,894,860** |
| **TOTAL** | **215,203,727** | **359,656,237** | **951,528,468** | **903,039,962** | **7,284,967** | **370,889,289** |

*As at 31 March 2022* (Rs'000)

| | Cash & balances with RBI | Balance with Banks & Money at call & Short Notice | Investments | Advances | Fixed Assets | Other Assets |
|---|---|---|---|---|---|---|
| 1 day | 19,972,162 | 8,781,047 | 659,512,013 | 10,694,373 | - | 12,420,326 |
| 2 to 7 days | - | 171,418,427 | 59,049,168 | 21,507,616 | - | 6,208,495 |
| 8 to 14 days | - | - | 518,746 | 41,516,333 | - | 1,177,898 |
| 15 to 30 days | 64,204,352 | 10,634,130 | 32,855,055 | 65,319,708 | - | 8,262,933 |
| 31 days & upto 3 months | 40,300,820 | 6,675,001 | 86,637,729 | 11,396,672 | - | 12,849,441 |
| Over 3 months and upto 6 months | 16,498,602 | 9,175,016 | 12,235,198 | 88,004,454 | - | 7,811,290 |
| Over 6 months and upto 1 year | 18,621,776 | 3,084,314 | 27,274,288 | 104,174,569 | - | 23,832,259 |
| Over 1 year and upto 3 years | 24,739,140 | 4,097,529 | 40,724,833 | 173,412,641 | - | 47,845,617 |
| Over 3 years and upto 5 years | 6,343,282 | 1,050,634 | 8,640,914 | 172,799,494 | - | 30,000,929 |
| Over 5 years | 88,460,264 | 14,787,745 | 26,704,449 | 129,636,628 | 7,400,876 | 33,831,634 |
| TOTAL | 279,140,398 | 229,703,843 | 954,152,393 | 818,462,488 | 7,400,876 | 184,240,822 |



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## 3. Credit risk *(Continued)*

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

*(iv) Amount of Non-Performing Assets (NPAs) (Gross) for the bank*

(Rs'000)

| | **As at 30 Sep 2022** | As at 31 March 2022 |
|---|---|---|
| Substandard | **919,234** | 1,502,617 |
| Doubtful 1 | **1,503,389** | 1,670,295 |
| Doubtful 2 | **1,408,103** | 1,427,225 |
| Doubtful 3 | **255,742** | 311,560 |
| Loss | **1,752,556** | 1,526,288 |
| Total | **5,839,024** | 6,437,985 |

*(v) Net NPAs*

The net NPAs are Rs. 1,031 million (previous year: Rs. 1,501 million). Please see table (vi) below.

*(vi) Movement of NPAs for the bank*

(Rs'000)

| | | **As at 30 September 2022** | |
|---|---|---|---|
| | **Gross NPA's** | **Provision*** | **Net NPA** |
| Opening balance as at 1 April 2022 | **6,437,985** | **4,937,004** | **1,500,981** |
| Additions during the period | **1,005,323** | **438,648** | **566,675** |
| Reductions during the period | **(1,604,284)** | **(567,724)** | **(1,036,560)** |
| Closing balance as at 30 September 2022 | **5,839,024** | **4,807,928** | **1,031,096** |

*includes movement of Interest Capitalisation–Restructured NPA Account

(Rs'000)

| | | As at 31 March 2022 | |
|---|---|---|---|
| | Gross NPA's | Provision | Net NPA |
| Opening balance as at 1 April 2021 | 9,126,039 | 6,223,749 | 2,902,290 |
| Additions during the period | 4,380,136 | 2,492,220 | 1,887,916 |
| Reductions during the period | (7,068,190) | (3,778,965) | (3,289,225) |
| Closing balance as at 31 March 2022 | 6,437,985 | 4,937,004 | 1,500,981 |

*(vii) NPA ratios for the bank*

| | **As at 30 Sep 2022** | As at 31 Mar 2022 |
|---|---|---|
| Gross NPAs to gross advances | **0.64%** | 0.78% |
| Net NPAs to net advances | **0.11%** | 0.18% |



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## 3. Credit risk *(Continued)*

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

*(viii) General Provisions*

General provisions comprise of provision towards standard assets including additional provision for stressed sector, Covid-19 provision, Country Risk and Unhedged Foreign Currency Exposure (UFCE).

*(ix) Non-performing investments*

Non-performing investments as at 30 September 2022 are Rs. 2 (previous year: Rs. 2). This represents preference/equity share investments which have been written down to Rs.2.

*(x) Movement of provisions for depreciation on investments for the bank*

(Rs'000)

| | **As at 30 Sep 2022** | As at 31 Mar 2022 |
|---|---|---|
| Opening balance | **16,892,694** | 665 |
| Provisions during the year | **11,448,109** | 16,892,029 |
| Write offs during the year | **-** | - |
| Write back of excess provisions during the year | **-** | - |
| **Closing balance** | **28,340,803** | 16,892,694 |

*(xi) Classification (by major industry) of NPA, Provision, past due loans and Specific Provision and Write off during the year for the bank*

*As at 30 September 2022*

(Rs '000)

| | **NPA** | **Past Due Loans** | **Provision*** | **Specific Provision during the year** | **Write off during the year** |
|---|---|---|---|---|---|
| 1.Agriculture | **848,436** | **1,842** | **795,594** | **-** | **13,526** |
| 2. Advances to Industries sector of which: | **544,742** | **646,398** | **544,742** | **2,450** | **-** |
| 2.1 Chemicals and Chemical Products | 124,956 | 72,891 | 124,956 | 2,450 | - |
| 2.2 All Engineering | 0 | 21,217 | - | - | - |
| 2.3 Infrastructure | 134,740 | - | 134,740 | - | - |
| 2.4 Paper and Paper Products | 281,441 | 21,020 | 281,441 | - | - |
| 2.5 Textile | 93 | 104,636 | 93 | - | - |
| 3. Services of which: | **1,964,972** | **126,546** | **2,096,792** | **52,112** | **1,071** |
| 3.1 Trade | 1,835,372 | 116,557 | 1,954,126 | 49,491 | - |
| 3.2 Commercial Real Estate | - | - | - | - | - |
| 3.3 NBFC | 76,196 | - | 88,862 | - | - |
| 4. Retail | **2,480,874** | **1,268,901** | **1,370,801** | **385,400** | **387,791** |
| Total | **5,839,024** | **2,043,687** | **4,807,928** | **439,962** | **402,388** |

* includes Interest Capitalisation–Restructured NPA Account



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## 3. Credit risk *(Continued)*

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

*As at 31 March 2022*

(Rs '000)

| | NPA | Past Due Loans | Provision | Specific Provision during the year | Write off during the year |
|---|---|---|---|---|---|
| 1.Agriculture | **848,436** | - | **796,907** | **40** | - |
| 2. Advances to Industries sector | **542,294** | **907,851** | **542,292** | **5,695** | **223,205** |
| of which: | | | | | |
| 2.1 Chemicals and Chemical Products | 122,405 | 56,375 | 122,404 | 2,636 | 9,709 |
| 2.2 All Engineering | 0 | 98,709 | - | - | - |
| 2.3 Infrastructure | 134,740 | - | 134,740 | 6 | - |
| 2.4 Paper and Paper Products | 281,441 | 16,093 | 281,441 | 20 | - |
| 2.5 Textile | 195 | 118,299 | 195 | 3,031 | 213,491 |
| 3. Services | **1,929,778** | **50,522** | **2,044,683** | **1,027,012** | **71,326** |
| of which: | | | | | |
| 3.1 Trade | 1,798,707 | 42,330 | 1,904,637 | 1,013,543 | - |
| 3.2 Commercial Real Estate | - | - | - | - | 70,701 |
| 3.3 NBFC | 77,266 | - | 86,241 | - | - |
| 4. Retail | **3,117,477** | **1,969,111** | **1,553,122** | **1,459,473** | **2,047,529** |
| Total | **6,437,985** | **2,927,484** | **4,937,004** | **2,492,220** | **2,342,060** |

*(xii) Write offs and recoveries directly booked to income statement for the bank*

(Rs '000)

| | **For the period ended 30 Sep 2022** | For the period ended 31 Mar 2022 |
|---|---|---|
| Write offs | **438,790** | 1,893,766 |
| Recoveries | **313,483** | 685,775 |

*(xiii) Ageing of past due loans for the bank*

(Rs '000)

| | **As at 30 Sep 2022** | As at 31 Mar 2022 |
|---|---|---|
| Overdue less than 30 days | **1,745,428** | 2,527,503 |
| Overdue for 30 to 60 days | **241,699** | 271,583 |
| Overdue for 60 to 90 days | **56,560** | 128,398 |
| *Total* | **2,043,687** | 2,927,484 |

## 3. Credit risk *(Continued)*

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

*(xiv) Amount of NPAs and past due loans by significant geographic areas for the bank*

*As at 30 Sep 2022* (Rs '000)

| | **NPA** | **Past Due Loan** |
|---|---|---|
| Overseas | **-** | **-** |
| Domestic | **5,839,024** | **2,043,687** |
| Total | **5,839,024** | **2,043,687** |

*As at 31 Mar 2022* (Rs '000)

| | NPA | Past Due Loan |
|---|---|---|
| Overseas | - | - |
| Domestic | 6,437,985 | 2,927,484 |
| Total | 6,437,985 | 2,927,484 |

## 4. Disclosures for portfolios under the Standardised approach

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

Domestic ECAIs for external ratings of Indian Corporates:

a) Credit Analysis and Research Limited (CARE)

b) CRISIL Limited

c) India Ratings and Research Private Limited (FITCH)

d) ICRA Limited

e) Brickwork Ratings India Pvt Limited

f) Acuite Ratings & Research Limited (ACUITE)

g) Infomerics Valuation and Rating Pvt Ltd. (INFOMERICS)

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

The process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in accordance with RBI Master Circular on Basel-III Capital Regulations dated 01 April 2022.

For assets in the Bank's portfolio that have contractual maturity less than or equal to one year, short term ratings accorded by the chosen credit rating agencies are considered relevant. For other assets, which have a contractual maturity of more than one year, long term ratings accorded by the chosen credit rating agencies are considered relevant.

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



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## 4. Disclosures for portfolios under the Standardised approach *(Continued)*

Risk weight mapping of Long term and short term corporate ratings

| **Long Term Ratings of all** ECAIs | **Risk weights** |
|---|---|
| AAA | 20% |
| AA | 30% |
| A | 50% |
| BBB | 100% |
| BB & Below | 150% |
| Unrated | 100%* |

| **Short Term Ratings** | | | | | | | **Risk weights** |
|---|---|---|---|---|---|---|---|
| **CARE** | **CRISIL** | **FITCH** | **ICRA** | **BRICKWORK** | **ACUITE** | **INFOMERICS** | |
| CARE A1 + | CRISIL A1 + | FITCH A1 + | ICRA A1 + | BRICKWORK A1+ | ACUITE A1+ | IVRA1+ | 20% |
| CARE A1 | CRISIL A1 | FITCH A1 | ICRA A1 | BRICKWORK A1 | ACUITE A1 | IVR A1 | 30% |
| CARE A2 | CRISIL A2 | FITCH A2 | ICRA A2 | BRICKWORK A2 | ACUITE A2 | IVR A2 | 50% |
| CARE A3 | CRISIL A3 | FITCH A3 | ICRA A3 | BRICKWORK A3 | ACUITE A3 | IVR A3 | 100% |
| CARE A4 | CRISIL A4 | FITCH A4 | ICRA A4 | BRICKWORK A4 | ACUITE A4 | IVR A4 | 150% |
| CARE D | CRISIL D | FITCH D | ICRA D | BRICKWORK D | ACUITE D | IVR D | 150% |
| Unrated | Unrated | Unrated | Unrated | Unrated | Unrated | Unrated | 100%* |

*
As per RBI guidelines dated 25th Aug 2016, Exposures to Corporates, AFCs and NBFC-IFCs having aggregate exposure to banking system > INR 100 crores which are currently rated but becomes unrated subsequently, the risk weights need to be increased to 150% with immediate effect.

In August 2016, RBI issued guidelines for revising the risk weights for unrated exposures to Corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system > INR 200 crore to 150% from 100%. The implementation of these guidelines was deferred by RBI till 31 March 19, however the same is applicable from April 2019.

The claims on banks incorporated in India and foreign banks branches in India, excluding investment in equity shares and other instruments eligible for capital status *(Investments referred to in paragraph 5.6.1 (i) & (ii) of RBI Master circular on Basel-III Capital Regulations dated 01 April 2022)*, are risk weighted as shown below:

| **Claims on Banks Incorporated in India and Foreign Bank Branches in India** | **Risk Weights%** | |
|---|---|---|
| **Level of Common Equity Tier 1 capital (CET1) including applicable capital conservation buffer (CCB) (%) of the investee bank (where applicable)** | **Scheduled Banks** | **Other Banks** |
| Applicable Minimum CET1 + Applicable CCB and above | 20% | 100% |
| Applicable Minimum CET1 + CCB = 75% and <100% of applicable CCB | 50% | 150% |
| Applicable Minimum CET1 + CCB = 50% and <75% of applicable CCB | 100% | 250% |
| Applicable Minimum CET1 + CCB = 0% and <50% of applicable CCB | 150% | 350% |
| Minimum CET1 less than applicable minimum | 625% | 625% |



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## 4. Disclosures for portfolios under the Standardised approach *(Continued)*

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

a) Fitch Ratings;

b) Moodys; and

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

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

Risk weight mapping of foreign banks

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

Risk weight mapping of foreign sovereigns / foreign central banks

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

Risk weight mapping of foreign public sector entities

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

Risk weight mapping of non-resident corporates

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

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

(Rs'000)

| | **As at 30 Sep 2022** | As at 31 Mar 2022 |
|---|---|---|
| Below 100% risk weight | **1,578,954,502** | 1,500,203,729 |
| 100% risk weight | **340,997,139** | 321,696,436 |
| Above 100% risk weight | **439,578,390** | 353,094,675 |
| Deductions* | **(564,503)** | (422,836) |
| **Total** | **2,358,965,528** | 2,174,572,004 |
| *Deduction represents amounts deducted from Tier I Capital | | |

Note: *Exposure comprises of Loans & Advances, Credit equivalent of guarantees, acceptances, letter of credit, other Non-Market Related off balance sheet obligations, credit equivalent of derivative exposures post Credit Risk Mitigants (CRM).*

**As per RBI guidelines as on 01 April 2022, DTA which was deducted from CET1 capital, can be recognised in the CET1 up to a limit of 10% of Bank's CET1 capital (after application of regulatory adjustments mentioned in RBI Master Circular on Basel-III Capital Regulations dated 01 April 2022). Currently DTA is 1.12% of Bank's CET1 capital. Accordingly, there is no deduction on account of DTA for 31 Mar 2022.*



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## 5. Policy for Collateral Valuation and Management

The Bank has policies and manuals for collateral management and credit risk mitigation techniques, which include among other aspects guidelines on acceptable types of collateral, ongoing monitoring of collateral including the frequency and basis of valuation and application of credit risk mitigation techniques.

The Bank's approach when granting credit facilities is to do so on the basis of capacity to repay rather than placing primary reliance on credit risk mitigants. Depending on a customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is a key aspect of effective risk management for the bank.

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

All deeds of ownership/titles related to collateral are held in physical custody under control of executives independent of the business.

Valuation strategies are established to monitor collateral mitigants to ensure that they will continue to provide the anticipated secure secondary repayment source. For mortgages, the credit policy clearly outlines the acceptable Loan to value ratio (LVR) for different types of properties. The maximum LVR offered to customers has been capped at 80% for loans upto INR 7.5 Mn and 75% or lower for loans greater than INR 7.5 Mn subject to LTV on agreement value not to exceed 90% (in case of Home purchase loans). For unionized staff loans (under which maximum loan amount is capped at INR 2 Mn), maximum LVR can extend up to 90%. The valuation of property is initiated through a bank-empaneled valuer who is an expert on the subject matter. Additionally, as per the Bank's Risk Valuation Policy, in some cases where real estate is held as a security, dual valuations are initiated in order to have the benefit of a second opinion on the mortgaged property. Retail risk has a board-approved valuation policy which includes conditions when dual valuation is done. The disbursal of the loan is handled through an empaneled lawyer who in exchange collects the security documents from the borrower. In some scenarios security documents are also collected post disbursal and there is a framework in place for tracking and collecting these documents. The property documents thus collected are stored in central archives in a secure manner.

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



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

**Main Types of Collateral taken by the Bank**

As stipulated by the RBI guidelines, the Bank uses the comprehensive approach for collateral valuation for RWA computation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible collateral as specified in the Basel III guidelines. The Bank adjusts the value of any collateral received to adjust for possible future fluctuations in the value of the collateral in accordance with the requirements specified by RBI guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights. The Bank reckons the permitted credit risk mitigants for obtaining capital relief only when the credit risk mitigant fulfills the conditions stipulated for eligibility and legal certainty by RBI in its guidelines on Basel III.

The main types of recognised collateral taken by the Bank appear in the list of eligible financial collaterals advised in RBI Master circular on Basel III Capital Regulations issued in April 2022, and include cash on deposits and eligible debt securities. Further the main types of recognised collateral taken by the Bank for mortgages include plots of land, ready possession and under construction properties.

**Main Types of Guarantor Counterparty and their Creditworthiness**

As stated in Section 7.5.6 of the RBI's Master circular on Basel-III guidelines, certain guarantees are recognised for credit risk mitigation purposes. Where guarantees are direct, explicit, irrevocable, unconditional and meeting all operating guidelines prescribed by RBI, the Bank may take account of such credit protection in calculating capital requirements. The main types of guarantees are from Sovereigns, sovereign entities (including Bank for International Settlements (BIS), International Monetary Fund (IMF), European Central Bank and European Community as well as those Multilateral Development Banks (MDBs) referred to in paragraph 5.5 of the RBI's Master circular on Basel-III guidelines, Export Credit Guarantee Corporation of India Ltd (ECGC) and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTSI), National Credit Guarantee Trustee Ltd (NCGTC), Credit Guarantee Fund Trust for Low Income Housing (CRGFTLIH)), banks and primary dealers with a lower risk weight than the counterparty. Other entities that are externally rated are also eligible guarantors, except when credit protection is provided to a securitisation exposure. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

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

The quantum of the credit portfolio which benefits from financial collaterals and/or guarantees as credit risk mitigants is an insignificant portion of the customer advances of the Bank.

The total exposure (including non-funded post Credit Conversion Factors) that is covered by eligible financial collateral and eligible Guarantees is as below

(Rs '000)

| | **As at 30 Sep 2022** | As at 31 March 2022 |
|---|---|---|
| Exposure covered by Financial Collaterals | 202,922,261 | 135,710,192 |
| Exposure covered by Guarantees | 65,429,014 | 78,433,289 |



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## 6. Securitisation disclosure for Standardised approach

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

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

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

**Valuation of securitisation positions**

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

**Securitisation accounting treatment**

The accounting treatment applied is as below:

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



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## 6. Securitisation disclosure for Standardised approach *(Continued)*

**Securitisation regulatory treatment**

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

**ECAI's used**

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

a) Credit Analysis and Research Limited (CARE)

b) CRISIL Limited

c) India Ratings and Research Private Limited (FITCH)

d) ICRA Limited

e) Brickwork Ratings India Pvt Limited

f) Acuite Ratings & Research Limited (ACUITE)

g) Infomerics Valuation and Rating Pvt Ltd. (INFOMERICS)

**Details of Securitisation trades of the Bank**

*(i) Details of securitisation of standard assets*

The Bank has not Securitised any standard assets in the current year (previous year: Nil)

The RBI issued Master Direction on securitisation of standard assets on 24 September 2021. The Bank has not originated any securitisation transaction as on 30 September 2022.

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

The Bank has not Securitised any impaired/past due assets (previous year: Nil).

*(iii) Loss recognised on securitisation of assets*

The Bank has not recognised any losses during the current year for any securitisation deal (previous year: Nil).

*(iv) Securitisation exposures retained or purchased*

The Bank has made investments in Pass Through Certificates (PTCs) of Rs. 49,897 million (market value) as at 30 September 2022 (previous year: Rs. 70,664 million) which are classified under Available for Sale category. These attracts Specific Risk capital charge of 1.8% equivalent to a risk weight of 23% since these are AAA rated instruments. PTC's where underlying exposure is CRE, the Specific risk capital charge of 9% is applicable equivalent to risk weight of 113%.

## 6. Securitisation disclosure for Standardised approach *(Continued)*

Aggregate amount of securitisation exposures retained or purchased and the associated capital charge, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach

*Securitisation exposures broken down into different risk weight bands*

| | | As at 30 September 2022 | | As at 31 March 2022 | |
|---|---|---|---|---|---|
| **Risk weight bands** | **Exposure type** | **Exposure** | **Capital charge** | **Exposure** | **Capital charge** |
| Less than 100% | Vehicle/Auto loans | **48,453,608** | **1,298,845** | 68,882,544 | 1,922,491 |
| At 100% | Vehicle/Auto loans | **-** | **-** | - | - |
| More than 100% | Vehicle/Auto loans | **-** | **-** | - | - |
| Total | | **48,453,608** | **1,298,845** | 68,882,544 | 1,922,491 |

| | | As at 30 September 2022 | | As at 31 March 2022 | |
|---|---|---|---|---|---|
| **Risk weight bands** | **Exposure type** | **Exposure** | **Capital charge** | **Exposure** | **Capital charge** |
| Less than 100% | Housing loan | **1,384,104** | **65,888** | 1,711,019 | 82,544 |
| At 100% | Housing loan | **-** | **-** | - | - |
| More than 100% | Housing loan | **59,620** | **5,365** | 70,650 | 6,359 |
| Total | | **1,443,724** | **71,253** | 1,781,669 | 88,903 |

## 7. Market risk in trading book

The objective of the HSBC's market risk management is to manage and control market risk exposures in order to optimize return on risk while maintaining a market profile consistent with our risk appetite.

Market risk is the risk that movements in market factors, including foreign exchange rates, interest rates, credit spreads and equity prices will reduce our income or the value of our portfolios. Market risk arises on financial instruments, which are measured at fair value in the trading book.

**Strategy and Processes**

The Bank maintains capital for market risk on Trading book which comprises of Held for Trading (HFT) and Available for Sale (AFS). HFT book includes positions arising from market-making customer demand driven inventory. AFS book includes positions that arise from the interest rate risk management of the Bank's retail/ commercial banking assets/ liabilities and financial investments designated as AFS and held-to-maturity.

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

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

## 7. Market risk in trading book *(Continued)*

**Structure and Organisation of management of risk**

The management of market risk is undertaken in Market & Securities Services (MSS) and Market Treasury (MKTY) using risk limits approved by an independent Risk function. Limits are set for portfolios, products and risk types. The level of market risk limits set for each operation depends upon the market liquidity, financial and capital resources of the business, the business plan, the experience and track record of the management, dealers and market environment, as well as the Group's risk appetite. Market risk limits are reviewed annually.

Global Risk, an independent unit within the Group, is responsible for our market risk management policies and measurement techniques. At local level, the Bank has a Market Risk Management function, independent of Markets, which is responsible for measuring market risk exposures in accordance with the Group policies, and monitoring and reporting these exposures against the prescribed limits on a daily basis.

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

The Bank employs a range of tools to monitor and limit market risk exposures. These include position limits, sensitivity analysis (PVBP limits), stop loss limit, VaR, Stressed VaR and stress testing.

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

The Bank's VaR and stressed VaR models are predominantly based on historical simulation. VaR and Stressed VaR measures are calculated to a 99% confidence level and use a one-day holding period. The accuracy of VaR model output is validated by back-testing the daily Actual and Hypothetical profit and loss results against the corresponding VaR numbers.

Market Risk Limits are proposed by Local MSS & MKTY. The Local Market Risk function reviews the market risk limits and provides its endorsement as appropriate to the Regional Market Risk Management for approval. After regional concurrence, the proposed mandates are tabled to INM EXCO for approval. Upon approval, the limits are formally delegated by the CEO to the Head of Global MSS, who in turns delegates limits to its different Front office desks. These limits are monitored daily by the Bank's Market Risk Management function through system reports and advised to senior management on an ongoing basis. Any breaches in the internal and regulatory market risk limits set as part of internal risk policy is reported to the senior management immediately and is also tabled at the RMM and EXCO for discussion.

Market risk charge is computed on net basis for cases where an underlying of same notional is purchased/sold to hedge the risk of the derivative contract.

*(i) Capital requirements for market risk for the bank*

(Rs'000)

| **Standardised Duration Approach** | **As at 30 Sep 2022** | As at 31 Mar 2022 |
|---|---|---|
| Interest rate risk | **28,803,032** | 29,141,412 |
| Foreign exchange risk | **3,353,625** | 3,341,250 |
| Equity risk | **817,996** | 814,978 |
| Securitisation exposure | **2,320,605** | 3,394,227 |
| **Capital requirements for market risk** | **35,295,258** | 36,691,867 |



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## 8. Operational risk/ Non-Financial Risk

Non-financial risk is the risk of loss resulting from people, inadequate or failed internal processes, data or systems, or external events. These risks arise during our day-to-day operations, while taking financial risks. Non-financial risks may have an impact on our management of financial risks.

**Purpose and Risk management approach**

The HSBC Risk Management Framework ("RMF") supports our Global Principles. Our Global Principles connect our purpose, values, strategy and how we manage change and risks.

Compliance with the Global Principles and the RMF is mandatory. Instances of non-Compliance require the approval of the Group Chief Executive and mitigating actions must be established to address any gaps.

The RMF describes our approach to managing risk to the Group. It is applicable to all employees and is supplemented by specialist principles, risk frameworks, and guidance documentsThe RMF is governed by the Risk Management Meeting.

The RMF applies to all the types of risk both financial and non-financial that we face in our business and operational activities. It is used throughout the Group, including all subsidiaries, legal entities, regions, Global Businesses, Functions and HSBC Digital Business Services (DBS).

Our risk management approach follows five steps: 1) define and enable, 2) identify and assess, 3) manage, 4) aggregate and report, and 5) govern.

Our culture is defined as the shared attitudes, beliefs, values and norms that shape our behaviour. Our culture is rooted in our purpose and shaped by our values: We value difference; We succeed together; We take responsibility and We get it done. These guide our actions, underpin our culture and clarify the behaviours we promote, reward and encourage. The group-wide behaviours underpinning our values are designed to support a wide range of outcomes – including a risk culture that is effective in managing risk and that leads to good conduct outcomes. Our risk culture is a specific way of looking at how our overall culture supports, and appropriately rewards risk-taking and risk management. It is our risk management framework brought to life. It is most clearly expressed through our behaviours that support robust risk-based decision making and day-to-day risk management, across all three Lines of Defence ("LOD"). Eight risk behaviours, based on those that already underpin our Global values, help us better understand in practice what good risk culture looks like:

**We take responsibility**

We are accountable for managing risk - "risk is everyone's business". Our leaders set the tone from the top and we all understand, embrace and discharge our responsibilities;

- We speak up when something is not right about how we are managing risk and escalate issues promptly without fear of retribution;
- We make good judgements by looking at risk holistically and considering different perspectives, always keeping customer and market outcomes in mind.

## 8. Operational risk / Non Financial risk *(Continued)*

**We get it done**
We take smart risks that balance risk and financial return and do not exceed our risk appetite;

- We actively manage risk by understanding and adhering to our policies, controls and regulatory environment;
- We have the curiosity to identify vulnerabilities, uncertainties and emerging risks. We learn from our mistakes, share those learnings and ensure we remediate issues quickly.

**We value difference**
We champion diversity of viewpoints and inclusivity in risk policies, governance and decision making

**We succeed together**
We invest in our people and tools to help manage risk better, and celebrate behaviours that support a strong risk culture.

**Structure and Organisation**

The Risk Management Meeting (RMM) is the apex body at an entity level that is responsible for oversight and management of all risks in INM at an entity level. This governance meeting is the apex risk management body of the bank and reports to the INM EXCO. INM Operational Risk Working Group (ORWG) is responsible for providing oversight and management of the Non Financial Risk and Controls in INM and reports into the RMM.
At individual business level, there are Business Control Committees (BCC)/ Risk Management forum that are responsible for oversight and management of all risks.

**Three Lines of Defence (3LOD) Overview**

The three Lines of Defence ("LOD") model is used to define roles responsibilities and clear accountabilities within HSBC. The activity-based model delineates accountabilities and responsibilities for risk management and the control environment within each LOD. The model applies to all individuals and all risk types, and supports the delivery of conduct outcomes and a positive risk culture.
There must be a clear segregation between risk ownership (First LOD), risk oversight and stewardship (Second LOD) and independent assurance (Third LOD) to help support effective identification, assessment, management, and reporting of risks. It is our activities, not our job titles, which determine where we sit in the three LOD model.
Global Functions may have responsibilities across both the First and Second LODs, and therefore must segregate these responsibilities across teams. At an appropriate level of seniority (normally executive committee member level or their direct reports), a single individual may have responsibilities across the First and Second LOD. However, any such dual accountability cannot create unmanageable conflicts for the responsible person, particularly if they have regulatory accountability

## 8. Operational risk / Non Financial risk *(Continued)*

**First Line of Defence**

The First LOD has ultimate ownership for risk and controls including read across assessments of identified issues, events and near misses and delivery of good conduct outcomes. The First LOD includes four key roles: Risk Owners, Control Owners, Business Service Owners and Chief Control Officers.

**Risk Owners** are accountable for identifying, assessing, managing and reporting key existing and emerging risks that they own for their business or function in accordance with the risk appetite set by the Board. Their key responsibilities include:

**Business Service Owners** are responsible for overseeing and managing each of HSBC's prioritised Business Services end-to-end, including the risk, control effectiveness and resilience of that service.

There is no requirement for our regions and entities to have standalone Business Service Owners outside of those assigned by the Global Businesses. BSO requirements apply to our most prioritised business services globally. Where there is a local regulatory requirement for a Business Service Owner, regional heads of business should be engaged to calibrate requirements and if necessary ensure that the role holder is integrated in the Global Business Service Owner framework.

**Control Owners** are accountable for operating controls on behalf of Risk Owners/ Business Service Owners, and for the control monitoring processes to assess and report control effectiveness.

**Chief Control Officers** are accountable for driving the effective governance and management of non-financial risks in the First LOD.

**Second Line of Defence**

The Second LOD, provides subject matter expertise, advice, guidance and review and challenge of the First LOD's activities to help ensure that risk management decisions and actions are appropriate, within risk appetite and support the delivery of conduct outcomes. The Second LOD is independent of the risk-taking activities undertaken by the First LOD and includes CROs, Risk Stewards, the Operational and Resilience Risk (ORR) function and Second LoD Assurance teams.

Operational and Resilience Risk is a combined Risk Stewardship and Oversight function, which ensures governance and management of Operational, Resilience Risk and Operational Resilience through the delivery and embedding of effective frameworks, and continuous oversight and assurance of end-to-end processes, risks and controls.

**Chief Risk Officers** are accountable for the holistic risk oversight on an enterprise wide basis for areas within their remit, including the impact on conduct outcomes and the provision of advice, guidance and challenge to the first LoD for key business decisions.

**Risk Stewards** sit within the Global Functions. They are subject matter experts who set policies and oversee the First LOD activities by risk type. There are Global Business, Regional and Country Risk Stewards throughout the organisation who execute the responsibilities cascaded to them by the Global Risk Steward, as well as local requirements. Where there is no Risk Steward in Country, the Regional Risk Steward retains responsibility including to the Country CRO in the oversight of country risks and in meeting local regulatory expectations.



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## 8. Operational risk / Non Financial risk *(Continued)*

Where there is no Risk Steward in Region, then the Global Risk Steward retains responsibility including to the Regional CRO and Country CRO in the oversight of country risks and in meeting local regulatory expectations. In instances where regulatory expectations differ, the in country approach should be agreed with the regional risk steward alongside the Country CRO, to meet these expectations.

Risk Stewards are accountable for setting policy and control standards to manage risks, providing advice and guidance to support these policies, and providing challenge and oversight to the First LOD to ensure it is managing risk effectively.

**Third Line of Defence**

Third LOD is Global Internal Audit (GIA) which provides independent assurance to management and the non-executive Risk and Audit Committees as to whether risk management, governance and internal control processes are designed and operating effectively.

**Risk Appetite :** Risk Appetite is defined as the level and types of risks that we are willing to take in order to achieve our strategic objectives. Risk Appetite is set to ensure that our risks can be properly managed, for example, through:

- Alignment with our strategy, purpose, values and customer needs
- Compliance with applicable laws and regulations
- Level of available staff with the required competencies to manage the risks;
- Functionality, capacity and resilience of available systems to manage the risks;
- Effectiveness of the applicable control environment to mitigate the risks; and
- Sufficiency of available capital, liquidity and balance sheet leverage to absorb the risks

Risk Appetite is articulated through the Risk Appetite Statement (“RAS”). A RAS consists of qualitative statements and quantitative metrics covering financial and non-financial risks with defined Risk Appetite and Tolerance thresholds. The Group RAS is approved by the Board and provides the foundation for the Second LOD to produce policies and limits for the Group. These form the basis of the processes and decision making that the First LOD undertakes in its management of risks. A regular report on the INM Risk Appetite is made to the Bank’s senior management through the RMM.

**Risk reporting**

Risk reporting enables senior management and stakeholders to make informed decisions by providing insightful analysis from accurate and timely data together with subject matter expert perspectives from across the Three LOD. Risk reporting helps senior management to understand what the top risks are and if they are managed within risk appetite. It also provides visibility of common themes and systemic issues across the organisation, which enables us to manage risks more proactively and effectively.

In order to provide a consistent end-to-end view of risk management across the Global Businesses, Functions, Regions, Markets and legal entities, risk reporting is based on key principles:

- Data is recorded timely and accurately in the appropriate system of record

## 8. Operational risk / Non Financial risk *(Continued)*

- Data is aggregated into meaningful risk information and consistently reported through governance committees
- Risk information is used by the business to make better decisions

Risk data aggregation and reporting must be in line with all relevant FIMs and legislation / regulation including "Principles for effective risk data aggregation and risk reporting" published by the Basel Committee on Banking Supervision in 2013. Risk reporting procedures should include the reporting of relevant data quality issues, limitations and issues identified through appropriate validation checks and resolved.

HSBC meets local and global regulatory risk reporting requirements and makes sufficient public disclosures of how it manages risk. All risk reporting disclosed to supervisory and regulatory authorities are subject to quality assurance. A regular report on non-financial risk is made to the Bank's senior management through the RMM.

*(i) Capital requirements for Operational risk for the Bank* (Rs'000)

| | **As at 30 Sep 2022** | As at 31 March 2022 |
|---|---|---|
| Capital required for Operational Risk (Basic Indicator Approach) | **26,607,556** | 23,071,259 |

## 9. Interest rate risk in the banking book (IRRBB)

Qualitative Disclosure

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value. Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its Net Interest Income (NII).

Asset, Liability & Capital Management (ALCM)/Markets Treasury (MKTY) is responsible for measuring and controlling IRRBB under the supervision of the Asset and Liability Management Committee (ALCO).

Its primary responsibilities are

- To define the rules governing the transfer of interest rate risk from the commercial bank to MKTY; and
- To ensure that all market interest rate risk that can be hedged is effectively transferred from the global businesses to MKTY

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

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

IRRBB also forms a part of the Pillar 2 risk assessment as part of the Bank's Internal Capital Adequacy Assessment Process and capital is maintained, if required, based on this assessment.

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

**Strategy and Process**

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

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

**Structure and Organisation**

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

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

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

The Bank manages the interest rate risk arising from commercial banking activities in order to maximize the return commensurate with its capital base, without exposing the Bank to undue risk arising from movements in market interest rates.

The bank uses following tools for analysis-

**Gap analysis:** The interest rate gap or mismatch risk is measured by calculating gaps over different time intervals at a given date. This static analysis measures mismatches between rate sensitive liabilities (“RSL”) and rate sensitive assets (“RSA”). The report is prepared monthly by grouping rate sensitive liabilities, assets and off-balance sheet positions into time buckets according to residual maturity or next re-pricing period, whichever is earlier. The difference between RSA and RSL for each time bucket signifies the gap in that time bucket. These are monitored through the Traditional Gap Analysis/Duration Gap Analysis (TGA / DGA) reports in line with RBI guidelines. The interest rate sensitivity reports are submitted to the RBI and tabled at the ALCO on a monthly basis.

**Economic Value of Equity sensitivity (EVE):** Change in the interest rates have a long-term impact on the capital position of the Bank, as the economic value of the Bank’s assets, liabilities and off-balance sheet positions get affected by these rate changes which impact the present value and timing of future cash flows. The EVE sensitivity is tabled at the ALCO on a quarterly basis.

**Net Interest Income sensitivity (NII):** Changes in interest rates also affect a bank’s earnings by altering interest rate-sensitive income and expenses, affecting its Net Interest Income (NII). This indicates whether the Bank is in a position to benefit from rising interest rates by having a positive gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates



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

by having a negative gap (RSL > RSA. The NII sensitivity is tabled at the ALCO on a quarterly basis.

Quantitative Disclosure

*(i) Impact on Economic Value of Equity(EVE)*

| **INR Mn** | **EVE Sensitivity (30-Sep-2022)** | | **EVE Sensitivity (31-March-2022)** | |
|---|---|---|---|---|
| **Currency** | **+200 basis points** | **-200 basis points** | **+200 basis points** | **-200 basis points** |
| INR | (5,115) | 6,069 | (5,928) | 7,138 |
| USD | (135) | 142 | 11 | (22) |
| Others | (12) | 12 | 209 | (111) |
| **Total Sensitivity** | **(5,262)** | **6,223** | **(5,708)** | **7,005** |
| **Total Capital** | **277,971** | | **270,387** | |
| **Sensitivity as % of capital** | **1.89%** | **2.24%** | **2.11%** | **2.59%** |
| **Limits** | **18%** | | **18%** | |

(ii) *Impact on Earnings (NII)*

| **INR Mn** | **NII sensitivity (31-March-2022)** | | **NII sensitivity (31-March-2021)** | |
|---|---|---|---|---|
| **Currency** | **+100 basis points** | **-100 basis points** | **+100 basis points** | **-100 basis points** |
| INR | 469 | (468) | 370 | (365) |
| USD | 2,261 | (2,261) | 1,954 | (1,954) |
| Others | 44 | (44) | 32 | (32) |
| **Total** | **2,774** | **(2,773)** | **2,356** | **(2,351)** |

NII sensitivity has increased for USD currency due to increase in USD Treasury bills and balances for reverse repos and bank lending.



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## 10. Counterparty Credit Risk

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

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

As per the RBI Master circular on Basel-III Capital Regulations dated 01 April 2022, banks are expected to use the Standardised method for computation of counterparty credit exposure using the Current Exposure Method (CEM) for market related off balance sheet exposures. Under this method the exposure on all the derivative contracts is calculated as the sum of current credit exposure/replacement cost i.e. the sum of the positive mark-to-market (MTM) of the contracts (negative MTMs are to be ignored) and the potential future exposure (PFE). PFE is determined based on a set percentage multiplied by the notional of the deal. The percentage by which the notional is multiplied is dependent upon the type of the product and the tenor as prescribed in RBI guidelines. PFE so obtained is added to the gross positive replacement cost to arrive at the final exposure at default.

Bilateral Netting:RBI has issued guidelines on “Bilateral Netting of Qualified Financial Contracts - Amendments to Prudential Guidelines” on March 30th, 2021 effective immediately. Accordingly, capital charge for Market related Off-balance sheet instruments and CVA has been computed considering exposure on netted basis in accordance with the extant guidelines.
The Group assesses total economic capital requirements centrally for the risk by utilising the embedded operational infrastructure used for the Pillar 1 capital calculation.

Limits for counterparty credit risk exposures are assigned within the overall credit process for distinct customer limit approval.

**Policies for securing collateral and establishing credit reserves**

Despite these being a standard credit mitigant for OTC derivatives in most jurisdictions, market practice in this respect is still evolving in India. The bank has executed a few Credit Support Annexes (CSA’s) and is currently negotiating with some more counterparties.
The credit valuation adjustment (CVA) is an adjustment to the value of OTC derivative transaction contracts to reflect, within fair value, the possibility that the counterparty may default or migrate to a lower credit grade, and we may not receive the full market value of the transactions. The Bank calculates a separate CVA for each counterparty to which the bank has exposure. The adjustment aims to calculate the potential loss arising from the portfolio of derivative transactions against each third party, based upon a modeled expected positive exposure profile, including allowance for credit risk mitigants such as netting agreements and CSA’s.

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



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## 10. Counterparty Credit Risk (Continued)

### Wrong-way Risk exposures

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

### Central Counterparties

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

### Impact of Credit Rating Downgrade

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

The derivative exposure is calculated using Current Exposure Method ('CEM'). The outstanding balances are given below:

(Rs'000)

| **Particulars** | **As at 30 September 2022** | | As at 31 March 22 | |
|---|---|---|---|---|
| | **Notional** | **Current credit exposures** | Notional | Current credit exposures |
| Currency Swaps | 418,612,790 | 13,166,172 | 374,145,279 | 5,641,399 |
| Forward Contracts | 2,745,874,609 | 51,667,738 | 2,434,840,426 | 18,763,552 |
| FX options | 1,102,113,815 | 6,341,644 | 536,511,373 | 5,469,598 |
| Interest rate options | - | - | 875,942 | 107 |
| Interest Rate swaps | 4,973,651,707 | 50,894,163 | 3,850,596,016 | 22,938,691 |
| Single currency Floating Floating | - | 40,000 | - | 12,941 |
| Forward Rate Agreements | 139,398,348 | 2,021,833 | 109,317,810 | 2,012,868 |
| **Grand Total** | **9,379,651,269** | **124,131,550** | **7,306,286,846** | **54,839,156** |

*Note: The above does not include Exposure to QCCP.*

## 11. Leverage Ratio

The leverage ratio requirement was introduced into the Basel III framework as a non-risk-based limit, to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector. As per the Bi-Monthly Monetary Policy Committee held on 6th Jun 2019, RBI has advised banks to maintain the minimum leverage ratio at 3.5%. The bank's leverage ratio is calculated as per RBI guidelines as follows:

**Leverage Common disclosure:** (Rs in Million)

| Sr No | Item | At 30 Sep 2022 | At 31 March 2022 |
|---|---|---|---|
| | **On-balance sheet exposures** | | |
| 1 | On-balance sheet items (excluding derivatives and SFTs, but including collateral) | **2,086,449** | 2,000,502 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | **(515)** | (423) |
| 3 | **Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)** | **2,085,935** | 2,000,079 |
| | **Derivative exposures** | | |
| 4 | Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin) | **124,132** | 60,763 |
| 5 | Add-on amounts for PFE associated with all derivatives transactions | **366,253** | 395,429 |
| 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)** | **490,385** | 456,192 |
| | **Securities financing transaction exposures** | | |
| 12 | Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions | **431,918** | 364,523 |
| 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)** | **431,918** | 364,523 |
| | **Other off-balance sheet exposures** | | |
| 17 | Off-balance sheet exposure at gross notional amount | **2,096,473** | 1,786,315 |
| 18 | Adjustments for conversion to credit equivalent amounts | **(1,484,849)** | (1,259,869) |
| 19 | **Off-balance sheet items (sum of lines 17 and 18)** | **611,625** | 526,446 |
| | **Capital and total exposures** | | |
| 20 | **Tier 1 capital** | **242,260** | 242,401 |
| 21 | **Total exposures (sum of lines 3, 11, 16 and 19)** | **3,619,862** | 3,347,240 |
| | **Leverage ratio** | | |
| 22 | **Basel III leverage ratio (per cent)** | **6.69%** | 7.24% |



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## 11. Leverage Ratio *(Continued)*

**Comparison of accounting assets vs leverage ratio exposure measure:**

(Rs in Million)

| Sr No | Item | At 30 Sep 2022 | At 31 March 2022 |
|---|---|---|---|
| 1 | Total consolidated assets as per published financial statements | **2,807,603** | 2,473,101 |
| 2 | Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | **-** | - |
| 3 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | **-** | - |
| 4 | Adjustments for derivative financial instruments | **201,149** | 348,116 |
| 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) | **611,625** | 526,446 |
| 7 | Other adjustments | **(515)** | (423) |
| | **Total Exposure (point 21 in Table 1)** | **3,619,862** | 3,347,240 |

Note: The consolidated leverage ratio is 6.81% as on 30 September 2022.

## 12. Composition of Capital

(Rs in Million)

| | **Basel III common disclosure template** | **Basel-III Amounts** | **Basel-III Amounts under regulatory scope of consolidation** | **Reference with DF-13** |
|---|---|---|---|---|
| | **Common Equity Tier 1 capital: instruments and reserves** | | | |
| 1 | Directly issued qualifying common share capital plus related stock surplus (share premium) | 44,992 | 46,455 | **A** |
| 2 | Retained earnings ***(incl. Statutory Reserves, Capital Reserves and Remittable Surplus retained for Capital to Risk-weighted Assets Ratio (CRAR))*** | 197,351 | 200,885 | **B1+B2+B3+B4+B5+B6+B7** |
| 3 | Accumulated other comprehensive income (and other reserves) | 481 | 481 | **C1*45%** |
| 4 | Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)<br>**Public sector capital injections grandfathered until 1 January 2018** | - | - | |
| 5 | Common share capital issued by subsidiaries and held by third parties (amount allowed in Group CET1) | - | - | |

## Basel III – Pillar 3 disclosures of India Branches *(Continued)*

*For the period ended 30 September 2022*

| | | | | |
|---|---|---|---|---|
| 6 | Common Equity Tier 1 capital before regulatory adjustments | 242,824 | 247,821 | |
| | **Common Equity Tier 1 capital: regulatory adjustments** | | - | |
| 7 | Prudential valuation adjustments | 50 | 50 | |
| 8 | Goodwill (net of related tax liability) | - | - | |
| 9 | Intangibles other than mortgage-servicing rights (net of related tax liability) | 123 | 126 | |
| 10 | Deferred tax assets | - | 3 | |
| 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 | 342 | 342 | |
| 15 | Defined-benefit pension fund net assets | 48 | 48 | |
| 16 | Investments in own shares (if not already netted off paid-in 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) | - | - | |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | - | - | |
| 22 | Amount exceeding the 15% threshold | - | - | |
| 23 | of which: significant investments in the common stock of financial entities | - | - | |
| 24 | of which: mortgage servicing rights | - | - | |
| 25 | of which: deferred tax assets arising from temporary differences | - | - | |
| 26 | National specific regulatory adjustments7 (26a+26b+26c+26d) | - | - | |



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|---|---|---|---|---|
| 26a | of which: Investments in the equity capital of the unconsolidated insurance subsidiaries | - | - | |
| 26b | of which: Investments in the equity capital of unconsolidated non-financial subsidiaries8 | 1 | 1 | |
| 26c | of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank9 | - | - | |
| 26d | of which: Unamortised pension funds expenditures | - | - | |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | - | - | |
| **28** | **Total regulatory adjustments to Common equity Tier 1** | **564** | **570** | |
| **29** | **Common Equity Tier 1 capital (CET1)** | **242,260** | **247,251** | |
| | **Additional Tier 1 capital: instruments** | **-** | **-** | |
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32) | - | - | |
| 31 | of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares) | - | - | |
| 32 | of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments) | - | - | |
| 33 | Directly issued capital instruments subject to phase out from Additional Tier 1 | - | - | |
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in Group AT1) | - | - | |
| 35 | of which: instruments issued by subsidiaries subject to phase out | - | - | |
| **36** | **Additional Tier 1 capital before regulatory adjustments** | **-** | **-** | |
| | **Additional Tier 1 capital regulatory adjustments** | - | - | |
| 37 | Investments in own Additional Tier 1 instruments | - | - | |
| 38 | Reciprocal cross-holdings in Additional Tier 1 instruments | - | - | |
| 39 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued | - | - | |



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|---|---|---|---|---|
| | common share capital of the entity (amount above 10% threshold) | | | |
| 40 | Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | - | |
| 41 | National specific regulatory adjustments (41a+41b) | - | - | |
| 41a | Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries | - | - | |
| 41b | Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank | - | - | |
| 42 | Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment | - | - | |
| **43** | **Total regulatory adjustments to Additional Tier 1 capital** | **-** | **-** | |
| **44** | **Additional Tier 1 capital (AT1)** | **-** | **-** | |
| **44a** | **Additional Tier 1 capital reckoned for capital adequacy11** | **-** | **-** | |
| **45** | **Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)** | **242,260** | **247,251** | |
| | **Tier 2 capital: instruments and provisions** | - | - | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | - | - | |
| 47 | Directly issued capital instruments subject to phase out from Tier 2 | - | - | |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in Group Tier 2) | - | - | |
| 49 | of which: instruments issued by subsidiaries subject to phase out | - | - | |
| 50 | Provisions *(incl. eligible reserves)* | 35,712 | 35,713 | D1+D2+D3+ C2*45% |
| **51** | **Tier 2 capital before regulatory adjustments** | **35,712** | **35,713** | |
| | **Tier 2 capital: regulatory adjustments** | **-** | **-** | |
| 52 | Investments in own Tier 2 instruments | - | - | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments | - | - | |

| | | | | |
|---|---|---|---|---|
| 54 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) | - | - | |
| 55 | Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | - | - | |
| 56 | National specific regulatory adjustments (56a+56b) | - | - | |
| 56a | of which: Investments in the Tier 2 capital of unconsolidated subsidiaries | - | - | |
| 56b | of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank | - | - | |
| | Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment | - | - | |
| | of which: | - | - | |
| | of which: | - | - | |
| **57** | **Total regulatory adjustments to Tier 2 capital** | **-** | **-** | |
| **58** | **Tier 2 capital (T2)** | **35,712** | **35,713** | |
| **58a** | **Tier 2 capital reckoned for capital adequacy** | **35,712** | **35,713** | |
| **58b** | **Excess Additional Tier 1 capital reckoned as Tier 2 capital** | **-** | **-** | |
| **58c** | **Total Tier 2 capital admissible for capital adequacy (58a + 58b)** | **35,712** | **35,713** | |
| **59** | **Total capital (TC = T1 + T2) (45 + 58c)** | **277,971** | **282,964** | |
| | Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment | **-** | **-** | |
| | of which: | **-** | **-** | |
| | of which: | **-** | **-** | |
| **60** | **Total risk weighted assets (60a + 60b + 60c)** | **1,895,350** | **1,905,485** | |
| 60a | of which: total credit risk weighted assets | 1,438,503 | 1,448,638 | |
| 60b | of which: total market risk weighted assets | 260,482 | 260,482 | |
| 60c | of which: total operational risk weighted assets | 196,366 | 196,366 | |
| | **Capital ratios** | | | |
| 61 | Common Equity Tier 1 (as a percentage of risk weighted assets) | 12.78% | 12.98% | |
| 62 | Tier 1 (as a percentage of risk | 12.78% | 12.98% | |

| | | | | |
|---|---|---|---|---|
| | weighted assets) | | | |
| 63 | Total capital (as a percentage of risk weighted assets) | 14.67% | 14.85% | |
| 64 | Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets) | **10.05%** | **10.05%** | |
| 65 | of which: capital conservation buffer requirement | 2.50% | 2.50% | |
| 66 | of which: bank specific countercyclical buffer requirement | - | - | |
| 67 | of which: G-SIB buffer requirement | 2.05% | 2.05% | |
| 68 | Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) | 7.28% | 7.48% | |
| | **National minima (if different from Basel III)** | **-** | **-** | |
| 69 | National Common Equity Tier 1 minimum ratio (if different from Basel III minimum) | - | - | |
| 70 | National Tier 1 minimum ratio (if different from Basel III minimum) | - | - | |
| 71 | National total capital minimum ratio (if different from Basel III minimum) | - | - | |
| | **Amounts below the thresholds for deduction (before risk weighting)** | **-** | **-** | |
| 72 | Non-significant investments in the capital of other financial entities | - | - | |
| 73 | Significant investments in the common stock of financial entities | - | - | |
| 74 | Mortgage servicing rights (net of related tax liability) | - | - | |
| 75 | Deferred tax assets arising from temporary differences (net of related tax liability) | - | - | |
| | **Applicable caps on the inclusion of provisions in Tier 2** | **-** | **-** | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap) | 8,610 | 8,611 | **D1+D2** |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | 17,981 | 18,108 | |
| 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** | **-** | **-** | |



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| | **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) | - | - | |

## 13. Composition of Capital – Reconciliation

(Rs Million)

| | | **Balance sheet as in financial statements** | **Balance sheet under regulatory scope of consolidation** | **Reference No.** |
|---|---|---|---|---|
| | | | | **DF-12** |
| | | As on reporting date | As on reporting date | |
| **A** | **Capital & Liabilities** | | | |
| I | Paid-up Capital | 44,992 | 46,455 | A |
| | Reserves & Surplus | 248,746 | 252,320 | |
| | a. Statutory Reserve | 84,346 | 84,812 | B1 |
| | b. Capital Reserve - Surplus on sale of Immovable assets | 6,447 | 6,447 | B2 |
| | c. Capital Reserves | 13,262 | 13,262 | B3 |
| | d. Remittable surplus retained in India for CRAR purposes | 88,310 | 88,310 | B4 |
| | e.(i). Revaluation Reserve eligible for Tier 1 | 1,068 | 1,068 | C1 |
| | e.(ii) Revaluation Reserve eligible for Tier 2 | 3,445 | 3,445 | C2 |
| | f. Investment Reserve | - | - | D1 |
| | g. Specific Reserve | 4,987 | 5,005 | B5 |
| | h.Investment Fluctation Reserve | 25,827 | 25,827 | D3 |
| | h. Balance in Profit & Loss Account | 21,054 | 22,142 | |
| | i. General Reserve | - | 39 | B6 |
| | j. Security Premium | - | 1,935 | B7 |
| | k. Impairment Reserve | - | 17 | |
| | Minority Interest | - | - | |



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| | | | | |
|---|---|---|---|---|
| | Total Capital | 293,738 | 298,775 | |
| ii | Deposits | 2,014,685 | 2,014,685 | |
| | of which: Deposits from banks | 6,375 | 6,375 | |
| | of which: Customer deposits | 2,008,310 | 2,008,310 | |
| | of which: Other deposits (pl. specify) | - | - | |
| iii | Borrowings | 111,132 | 116,806 | |
| | Borrowings in India | 97,481 | 103,156 | |
| | of which: From RBI | 4,440 | 4,440 | |
| | of which: From banks | 13 | 13 | |
| | of which: From other institutions & agencies | 93,028 | 98,703 | |
| | Borrowings outside India | 13,651 | 13,651 | |
| | of which: Others (pl. specify) | - | - | |
| | of which: Capital instruments | - | - | |
| iv | Other liabilities & provisions | 388,048 | 388,070 | |
| | of which: Provisions towards Standard Assets and Country risk | 8,610 | 8,611 | D2 |
| | **Total Capital and Liabilities** | **2,807,603** | **2,818,336** | |
| **B** | **Assets** | | | |
| i | Cash and balances with Reserve Bank of India | 215,204 | 215,237 | |
| ii | Balance with banks and money at call and short notice | 359,656 | 360,060 | |
| iii | Investments: | 951,528 | 951,631 | |
| | Investments in India | 911,154 | 911,257 | |
| | of which: Government securities | 844,767 | 844,767 | |
| | of which: Other approved securities | - | - | |
| | of which: Shares | 136 | 136 | |
| | of which: Debentures & Bonds | 12,364 | 12,364 | |
| | of which: Subsidiaries / Joint Ventures / Associates | 1 | 18 | |
| | of which: Others (Commercial Papers, Mutual Funds etc.) | 53,886 | 53,972 | |
| | Investments Outside India | 40,374 | 40,374 | |
| | Of which: Government securities (Including local authorities) | 40,374 | 40,374 | |
| iv | Loans and advances | 903,040 | 913,054 | |
| | of which: Loans and advances to banks | - | - | |
| | of which: Loans and advances to customers | 903,040 | 913,054 | |
| v | Fixed assets | 7,286 | 7,289 | |
| vi | Other assets | 370,889 | 371,065 | |
| | of which: Goodwill and intangible assets | - | 3 | |
| | of which: Deferred tax assets | 2,689 | 2,692 | |
| vii | Goodwill on consolidation | - | - | |
| viii | Debit balance in Profit & Loss account | - | - | |
| | **Total Assets** | **2,807,603** | **2,818,336** | |



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## 14. Regulatory capital Instruments

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

## 15. Disclosure Requirements for Remuneration

In accordance with the requirements of the RBI Circular DOR.Appt.BC.No.23/29.67.001/2019-20 dated 4 November 2019, the Head office of the Bank has submitted a declaration to RBI that the Bank's compensation policies, including that of the CEO, is in conformity with the Financial Stability Board principles and standard on sound compensation practices.

## 16. Equities - Disclosure for Banking Book Positions

Investment in equity shares as at 30 September 2022 is Rs.136 million. This includes investment in shares of private limited companies held either for:

(i) business facilitation purpose;
(ii) acquired as part of Corporate Restructured Debt(CDR) package; or
(iii) in one instance investment in group subsidiary.

These investments are classified as 'Available for Sale'(AFS). All investments in equity shares are held in Unlisted limited companies. There are no quoted market prices for these securities. Accordingly, these are valued at lower of cost or break-up value basis the latest available balance sheet.

**Quantitative Disclosures**

1. The value of equity investments (unquoted) as at 30 September 2022 is Rs.136 million.

2. All equity investments are held in private limited companies.

3. The cumulative realised gain or loss on sale of shares is Nil for the period ended 30 September 2022.

4. The unrealised gain or loss recognised in the balance sheet and not through the profit and loss account is Nil.

5. The break-up value of unquoted equity investment as at 30 September 2022 is Rs. 2,385 million. The difference between break-up value and current cost of equity investment is Rs. 2,249 million.

6. Investment in equity included in Tier 1 and Tier 2 capital – Nil.

7. These investments are risk weighted for capital adequacy purposes. The capital requirement for credit risk relating to these investments amounts to Rs. 818 million (previous year Rs. 815 million)



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