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 June 2023

1. Background and Scope of Applications

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/2023-24/31 DOR.CAP.REC.15/21.06.201/2023-24 dated May 12, 2023 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	14,310,765

* As stated in the audited balance sheet of the legal entity as at 30-June-2023.

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).

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	5,423,186
HSBC InvestDirect Employees' Welfare Trust*	Non-operating company	15	18,573
HSBC InvestDirect Sales & Marketing (India) Limited*	Non-operating company	1,000	34,214
HSBC InvestDirect Securities (India) Private Limited*	Retail securities broking and related activities (Discontinued)	1,745,112	163,576
HSBC Professional Services (India) Private Limited*	Providing internal audit services to Group companies	4,838	469,805
HSBC Securities and Capital Markets (India) Private Limited*	Stock broking and corporate finance & advisory	Equity - 16,602,900 Preference – 250,000	44,681,648
HSBC Software Development (India) Private Limited*	Software design, development and maintenance	327,000	39,612,000
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 2023*
\# *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 June 2023, 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 June 2023**
(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)	**1.87%**
Minimum Common Equity Tier I (i+ii+iii+iv)	**9.87%**
Minimum Tier I Capital	**11.37%**
Total Minimum Capital Adequacy Ratio	**13.37%**

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% 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 20, 2023, 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, 1.87% had been added to minimum requirement towards G-SIB as of 30 June 2023.*

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 June 2023	As at 31 March 2023	**As at 30 June 2023**	As at 31 March 2023
Capital	**86,334,160**	86,334,160	**87,797,007**	87,797,007
Eligible Reserves	**227,243,829**	227,243,828	**230,947,227**	230,891,858
- Capital reserves (excl. revaluation reserve)	**127,676,786**	127,676,786	**127,676,786**	127,676,786
- Statutory Reserves	**92,978,421**	92,978,421	**92,978,421**	92,978,421
- Specific Reserves	**6,058,989**	6,058,988	**6,058,989**	6,058,988
- Free Reserves	**-**	-	**3,703,398**	3,648,030
- Revaluation Reserves at a discount of 55 per cent	**529,633**	529,633	**529,633**	529,633
Less: Deductions from Tier I Capital	**(736,663)**	(679,612)	**(741,361)**	(683,808)
- Intangible asset	**(332,166)**	(238,046)	**(333,804)**	(240,062)
- Deferred Tax Asset ('DTA') (Note 1)	**-**	-	**(3,060)**	(2,180)
- Investment in subsidiaries in India	**(501)**	(501)	**(501)**	(501)
- Debit Value Adjustments (DVA)	**(236,398)**	(262,569)	**(236,398)**	(262,569)
- Defined Benefit Pension Fund Asset	**(167,598)**	(178,496)	**(167,598)**	(178,496)
Common Equity Tier I Capital	**312,841,326**	312,898,376	**318,002,873**	318,005,057
Additional Tier I Capital	**-**	-	**-**	-
Total Tier I Capital	**312,841,326**	312,898,376	**318,002,873**	318,005,057

Note 1: For Standalone, as per RBI guidelines as on 12 May 2023, 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 12 May 2023.). Accordingly, DTA of Rs. 2,333,339 ('000) (previous year 31 March 2023: Rs. 2,333,339 ('000)) is not deducted.

(ii) Tier 2 capital for the bank

(Rs. '000)

	Standalone		Consolidated	
	As at 30 June 2023	As at 31 March 2023	**As at 30 June 2023**	As at 31 March 2023
General Loss Provisions	**7,767,140**	7,496,937	**7,768,504**	7,498,084
Other Eligible Reserves	**1,621,859**	1,621,859	**1,621,859**	1,621,859
Investment Fluctuation Reserves	**24,250,000**	24,250,000	**24,250,000**	24,250,000
Total Tier II Capital (Note 1)	**33,638,999**	33,368,796	**33,640,364**	33,369,943

Note 1:There is no debt capital instrument and subordinated debt outstanding as at 30 June 2023 (previous year: Nil) included in Tier II Capital.

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

For the period ended 30 June 2023

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 June 2023	As at 31 Mar 2023	**As at 30 June 2023**	As at 31 Mar 2023
I. Capital required for Credit Risk	**208,704,006**	209,039,945	**210,765,985**	210,765,183
- For portfolios subject to Standardised approach	208,704,006	209,039,945	**210,765,985**	210,765,183
II. Capital required for Market Risk	**42,926,769**	44,522,858	**42,926,769**	44,522,858
(Standard Duration Approach)				
- Interest rate risk	**35,957,691**	37,525,974	**35,957,691**	37,525,974
- Foreign exchange risk	**3,308,250**	3,321,450	**3,308,250**	3,321,450
- Equity risk	**1,044,052**	1,048,217	**1,044,052**	1,048,217
- Securitisation exposure	**2,616,776**	2,627,217	**2,616,776**	2,627,217
III. Capital required for Operational Risk	**28,626,450**	26,352,281	**28,626,450**	26,352,281
(Basic Indicator Approach)				
Total capital requirement (I + II + III)	**280,257,225**	279,915,084	**282,319,204**	281,640,322
Total capital funds of the Bank	**346,480,325**	346,267,172	**351,643,236**	351,375,000
Total risk weighted assets	**2,096,687,467**	2,085,805,391	**2,110,433,997**	2,097,306,981
Total capital ratio	**16.53%**	16.60%	**16.66%**	16.75%
Common Equity Tier I Capital Ratio	**14.92%**	15.00%	**15.07%**	15.16%
Tier I capital ratio	**14.92%**	15.00%	**15.07%**	15.16%

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 cresdit 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.

<u>Strategy and Processes</u>

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 Fraud & Credit Control Services manages the First Line of Defense (FLOD) activities i.e. Underwriting, Fraud and Collections. 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 EXCO. 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, Credit approval authorities are assigned from the Chief Risk Officer at the Regional Head Office in Hong Kong to the CEO, India and WPB Risk Head, India. EXCO will assign lending authority to the Retail Credit Committees and assign lending authority at a 'band' level to WPB officers. WPB Risk Head will communicate the EXCO assign 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 SCU (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.

3. Credit risk *(Continued)*

a. General *(Continued)*

Non-performing advances

Advances are classified into performing and non-performing advances ('NPA') based on the RBI's prudential norms on classification. Further, NPAs are classified into substandard, doubtful and loss assets based on the criteria stipulated by RBI.

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)

	Fund based Note 1	Non fund based Note 2	As at 30 June 2023 Total
Overseas	-	-	-
Domestic	**1,216,763,135**	**1,028,849,226**	**2,245,612,361**
Total	**1,216,763,135**	**1,028,849,226**	**2,245,612,361**

(Rs '000)

	Fund based Note 1	Non fund based Note 2	As at 31 March 2023 Total
Overseas	-	-	-
Domestic	1,471,756,742	1,033,823,630	2,505,580,372
Total	1,471,756,742	1,033,823,630	2,505,580,372

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.

Basel III – Pillar 3 disclosures of India Branches *(Continued)*
For the period ended 30 June 2023

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 June 2023

(Rs '000)

Industry	Funded	Non Funded	Total
Mining and Quarrying	-	157,013	157,013
Food Processing	17,682,920	3,844,710	21,527,630
Beverages (excluding Tea & Coffee) and Tobacco	6,258,073	285,186	6,543,259
Textiles	14,505,071	3,704,083	18,209,154
Leather and Leather products	319,456	23,000	342,456
Wood and Wood Products	2,174,331	153,344	2,327,675
Paper and Paper Products	4,674,971	1,258,522	5,933,493
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	5	5
Chemicals and Chemical Products (Dyes, Paints, etc.)	47,952,562	51,752,097	99,704,659
Rubber, Plastic and their Products	24,150,565	5,131,556	29,282,121
Glass & Glassware	766,653	1,244,097	2,010,750
Cement and Cement Products	9,433,225	4,263,401	13,696,626
Basic Metal and Metal Products	28,263,960	17,756,092	46,020,052
All Engineering	45,198,594	49,045,190	94,243,784
Vehicles, Vehicle Parts and Transport Equipments	39,716,882	14,156,166	53,873,048
Gems and Jewellery	19,562	1,530,080	1,549,642
Construction	8,188,478	23,584,759	31,773,237
Infrastructure	76,257,404	178,756,083	255,013,487
NBFCs and trading	267,158,849	70,404,523	337,563,372
Banking and finance	54,809,348	251,845,484	306,654,832
Computer Software	11,035,612	35,096,155	46,131,767
Professional Services	25,315,439	233,510,854	258,826,293
Commercial Real Estate	136,241,558	15,636,535	151,878,093
Other Industries	104,254,240	50,403,329	154,657,570
Retail	107,079,206	15,306,962	122,386,167
Others*	185,306,176	-	185,306,176
Total	1,216,763,135	1,028,849,226	2,245,612,361

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*

3. Credit risk *(Continued)*

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

Industry type distribution of exposures as at 31 March 2023

(Rs '000)

Industry	Funded	Non Funded	Total
Mining and Quarrying	7,100	85,002	92,102
Food Processing	18,552,847	3,857,555	22,410,402
Beverages (excluding Tea & Coffee) and Tobacco	5,591,350	266,368	5,857,718
Textiles	16,440,025	3,039,513	19,479,538
Leather and Leather products	194,683	-	194,683
Wood and Wood Products	2,107,159	30,308	2,137,467
Paper and Paper Products	5,344,298	596,856	5,941,154
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	2,906,491	5	2,906,496
Chemicals and Chemical Products (Dyes, Paints, etc.)	54,651,238	18,771,581	73,422,819
Rubber, Plastic and their Products	29,873,333	4,110,747	33,984,080
Glass & Glassware	900,742	411,881	1,312,623
Cement and Cement Products	15,570,308	3,486,976	19,057,284
Basic Metal and Metal Products	31,687,178	17,701,382	49,388,560
All Engineering	42,417,578	33,668,843	76,086,421
Vehicles, Vehicle Parts and Transport Equipments	31,702,043	8,136,844	39,838,887
Gems and Jewellery	-	3,213,920	3,213,920
Construction	12,562,154	5,675,135	18,237,289
Infrastructure	74,435,172	230,317,813	304,752,985
NBFCs and trading	283,610,004	59,962,124	343,572,128
Banking and finance	269,812,001	230,957,229	500,769,230
Computer Software	6,794,939	19,465,352	26,260,291
Professional Services	40,831,432	277,758,401	318,589,833
Commercial Real Estate	134,881,838	8,005,636	142,887,474
Other Industries	93,138,757	89,792,412	182,931,169
Retail	108,549,499	14,511,747	123,061,246
Others*	189,194,573	-	189,194,573
Total	1,471,756,742	1,033,823,630	2,505,580,372

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

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 June 2023 (Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	**1,592,835**	**64,050,336**	**859,521,499**	**14,552,924**	**-**	**12,702,342**
2 to 7 days	**-**	**-**	**28,103,921**	**38,513,016**	**-**	**4,320,523**
8 to 14 days	**-**	**-**	**1,002,089**	**37,513,931**	**-**	**1,274,378**
15 to 30 days	**20,457,177**	**6,851,671**	**68,587,870**	**69,273,765**	**-**	**9,558,005**
31 days & upto 3 months	**15,032,006**	**5,034,632**	**53,321,445**	**145,822,388**	**-**	**16,460,274**
Over 3 months and upto 6 months	**5,178,642**	**1,734,470**	**27,790,378**	**(36,923,226)**	**-**	**17,359,024**
Over 6 months and upto 1 year	**3,711,995**	**1,243,249**	**34,647,838**	**119,128,226**	**-**	**30,604,250**
Over 1 year and upto 3 years	**7,511,177**	**2,515,700**	**89,356,400**	**290,157,818**	**-**	**67,699,403**
Over 3 years and upto 5 years	**3,110,982**	**1,041,953**	**19,990,684**	**188,140,032**	**-**	**34,100,497**
Over 5 years	**27,987,107**	**9,373,651**	**94,731,065**	**130,994,119**	**7,530,939**	**41,808,085**
TOTAL	**84,581,921**	**91,845,662**	**1,277,053,189**	**997,172,993**	**7,530,939**	**235,886,781**

As at 31 March 2023 (Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	6,566,938	13,535,929	575,894,708	10,960,933	-	12,038,153
2 to 7 days	-	237,873,583	300,301,934	3,778,797	-	12,260,345
8 to 14 days	-	11,829,522	16,674,012	43,502,074	-	1,733,217
15 to 30 days	26,161,108	20,474,417	72,421,643	81,434,923	-	15,821,932
31 days & upto 3 months	13,342,263	10,442,030	39,277,546	142,933,264	-	15,346,982
Over 3 months and upto 6 months	4,024,798	3,149,920	20,425,337	77,870,162	-	17,293,320
Over 6 months and upto 1 year	5,816,473	4,552,135	34,916,565	112,420,774	-	27,766,796
Over 1 year and upto 3 years	6,996,589	5,475,727	56,660,350	260,302,467	-	72,238,900
Over 3 years and upto 5 years	2,868,783	2,245,190	12,755,428	180,059,654	-	35,967,215
Over 5 years	28,708,985	22,468,456	80,245,419	122,479,492	7,542,076	40,303,263
TOTAL	94,485,937	332,046,909	1,209,572,942	1,035,742,540	7,542,076	250,770,123

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 June 2023	As at 31 Mar 2023
Substandard	**677,007**	836,680
Doubtful 1	**280,439**	344,875
Doubtful 2	**2,070,261**	2,251,450
Doubtful 3	**253,318**	294,042
Loss	**1,539,755**	1,508,338
Total	**4,820,780**	5,235,385

(v) Net NPAs

The net NPAs are Rs. 617 million (previous year: Rs. 833 million). Please see table (vi) below.

(vi) Movement of NPAs for the bank

	As at 30 June 2023		
	Gross NPA's	Provision*	Net NPA
Opening balance as at 1 April 2023	**5,235,385**	**4,402,746**	**832,639**
Additions during the period	**520,409**	**238,574**	**281,835**
Reductions during the period	**(935,014)**	**(437,776)**	**(497,239)**
Closing balance as at 30 June 2023	**4,820,780**	**4,203,544**	**617,235**

*includes movement of Interest Capitalisation–Restructured NPA Account

(Rs'000)

	As at 31 March 2023		
	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	2,089,508	872,453	1,217,055
Reductions during the period	(3,292,108)	(1,406,711)	(1,885,397)
Closing balance as at 31 March 2023	5,235,385	4,402,746	832,639

(vii) NPA ratios for the bank

	As at 30 June 2023	As at 31 Mar 2023
Gross NPAs to gross advances	**0.48%**	0.50%
Net NPAs to net advances	**0.06%**	0.08%

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, Country Risk and Unhedged Foreign Currency Exposure (UFCE).

(ix) Non-performing investments

Non-performing investments as at 30 June 2023 is Nil (previous year: Rs. 2).

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

(Rs'000)

	As at 30 June 2023	As at 31 March2023
Opening balance	**25,096,661**	**16,892,694**
Provisions during the year	**-**	**8,203,966**
Write offs during the year	-	-
Write back of excess provisions during the year	**(3,023,596)**	-
Closing balance	**22,073,065**	**25,096,660**

(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 June 2023

(Rs '000)

	NPA	Past Due Loans	Provision*	Specific Provision during the year#	Write off during the year
1.Agriculture	**778,436**	**535,182**	**778,504**	**-**	**-**
2. Advances to Industries sector of which:	**528,827**	**7,114,663**	**527,383**	**111,203**	**0**
2.1 Chemicals and Chemical Products	-	414,569	-	-	-
2.2 All Engineering	-	514,869	-	-	-
2.3 Infrastructure	134,740	2,806,825	134,740	-	-
2.4 Paper and Paper Products	281,441	1,735	281,441	-	-
2.5 Textile	87,529	39,015	86,279	86,279	-
3. Services of which:	**1,834,132**	**3,022,384**	**1,799,755**	**(4,920)**	**38,701**
3.1 Trade	1,688,833	424,738	1,700,794	(4,920)	4,587
3.2 Commercial Real Estate	-	-	-	-	-
3.3 NBFC	-	-	-	-	34,114
4. Retail	**1,679,385**	**4,203,731**	**1,097,902**	**132,291**	**177,063**
Total	**4,820,780**	**14,875,960**	**4,203,544**	**238,574**	**215,764**

* includes Interest Capitalisation–Restructured NPA Account
# due to exchange rate fluctuation

Basel III – Pillar 3 disclosures of India Branches *(Continued)*
For the period ended 30 June 2023

3. Credit risk *(Continued)*

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

As at 31 March 2023 (Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.Agriculture	**778,436**	**-**	**778,504**	**51,991**	**-**
2. Advances to Industries sector	**416,181**	**825,593**	**416,181**	**-**	**122,405**
of which:					
2.1 Chemicals and Chemical Products	-	178,182	-	-	122,405
2.2 All Engineering	0	27,147	-	-	-
2.3 Infrastructure	134,740	184	134,740	-	-
2.4 Paper and Paper Products	281,441	18,623	281,441	-	-
2.5 Textile	-	130,382	-	-	-
3. Services	**1,962,478**	**1,409,985**	**1,936,852**	**144,254**	**125,367**
of which:					
3.1 Trade	1,741,482	956,323	1,746,300	91,505	123,525
3.2 Commercial Real Estate	-	-	-	-	-
3.3 NBFC	76,196	-	92,090	5,849	
4. Retail	**2,078,290**	**1,098,695**	**1,271,209**	**676,208**	**738,105**
Total	**5,235,385**	**3,334,273**	**4,402,746**	**872,453**	**985,877**

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

(Rs '000)

	For the period ended 30 June 2023	For the period ended 31 March 2023
Write offs	**197,510**	810,071
Recoveries	**114,831**	548,076

(xiii) Ageing of past due loans for the bank

(Rs '000)

	As at 30 June 2023	As at 31 March 2023
Overdue less than 30 days	14,434,040	2,922,281
Overdue for 30 to 60 days	271,188	318,742
Overdue for 60 to 90 days	170,732	93,250
Total	14,875,960	3,334,273

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 June 2023 (Rs '000)

	NPA	Past Due Loan
Overseas	-	-
Domestic	4,820,780	14,875,960
Total	4,820,780	14,875,960

As at 31 March 2023 (Rs '000)

	NPA	Past Due Loan
Overseas	-	-
Domestic	5,235,385	3,334,273
Total	5,235,385	3,334,273

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) Acuite Ratings & Research Limited (ACUITE)

f) 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 12 May 2023.

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:

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**	**ACUITE**	**INFOMERICS**	
CARE A1 +	CRISIL A1 +	FITCH A1 +	ICRA A1 +	ACUITE A1+	IVRA1+	20%
CARE A1	CRISIL A1	FITCH A1	ICRA A1	ACUITE A1	IVR A1	30%
CARE A2	CRISIL A2	FITCH A2	ICRA A2	ACUITE A2	IVR A2	50%
CARE A3	CRISIL A3	FITCH A3	ICRA A3	ACUITE A3	IVR A3	100%
CARE A4	CRISIL A4	FITCH A4	ICRA A4	ACUITE A4	IVR A4	150%
CARE D	CRISIL D	FITCH D	ICRA D	ACUITE D	IVR D	150%
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 12 May 2023)*, 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%

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 June 2023	As at 31 March 2023
Below 100% risk weight	**1,300,309,877**	1,431,613,135
100% risk weight	**354,332,319**	365,022,606
Above 100% risk weight	**551,174,663**	536,806,731
Deductions*	**(736,663)**	(679,612)
Total	**2,205,080,196**	2,332,762,860
*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 12 May 2023, 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 12 May 2023). Currently DTA is 0.75% of Bank's CET1 capital. Accordingly, there is no deduction on account of DTA for 30 June 2023.*

5. Leverage Ratio

Standalone Leverage ratio as of 30 June 2023 (Rs '000)

Particulars	At 30 Jun 2023	At 31 Mar 2023	At 31 Dec 2022	At 30 Sep 2022
Tier1 Capital	312,841,326	312,898,376	242,236,334	242,259,805
Exposure Measure	3,632,831,044	3,838,555,075	3,559,054,221	3,619,862,017
Leverage Ratio*	**8.61%**	**8.15%**	**6.81%**	**6.69%**

*As per RBI Master circular no. DOR.CAP.REC.15/21.06.201/2023-24 dated 12 May 2023.

Note: The consolidated leverage ratio is 8.72% as on 30 June 23.