

(Incorporated in Hong Kong SAR with limited liability)

INDEPENDENT AUDITOR'S REPORT

To the Chief Executive Officer

The Hongkong and Shanghai Banking Corporation Limited - India Branches

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of The Hongkong and Shanghai Banking Corporation Limited – India Branches ("the Bank"), which comprise the Balance Sheet as at March 31, 2021, and the Profit and Loss Account, and Cash Flow Statement for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulations Act, 1949 as well as the Companies Act, 2013 ("the Act") in the manner so required for banking companies and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with Companies (Accounts) Rules, 2014 as amended and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2021, and its profit, and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 5.6(ba) of Schedule 18 to the standalone financial statements, which describes the extent to which the Covid-19 pandemic will continue to impact the Bank's standalone financial statements will depend upon uncertain future developments.

Our opinion is not modified in respect of this matter.

Information Other than the Standalone Financial Statements and Auditor's Report thereon

The Bank's Executive Committee is responsible for the other information. The other information comprises the Basel III – Pillar 3 Disclosures but does not include the standalone financial statements and our audit report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

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

In preparing the standalone financial statements, the Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Management is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit
 procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk
 of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,
 forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.



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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

- 1. The Balance Sheet and the Statement of Profit and Loss have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act and relevant rules issued thereunder.
- 2. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
 - a. we have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - b. the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
 - c. during the course of our audit we visited seven branches to examine the books of accounts and other records maintained at the branch and performed other relevant audit procedures. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein; and
 - d. The Statement of Profit and Loss shows a true balance of profit for the year then ended.
- 3. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by the RBI;
 - e. The requirements of Section 164(2) of the Act are not applicable considering the Bank is a branch of The Hongkong and Shanghai Banking Corporation Limited which is incorporated and registered in the Hongkong Special Administrative Region with Limited Liability;
 - f. With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
 - g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, as amended, the Bank is a banking Company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Act do not apply; and
 - h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements Refer Schedule 12 and Note 5.3 of Schedule 18 to the standalone financial statements;
 - ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts Refer Note 5.6 (aj) and Note 5.13 of Schedule 18 to the standalone financial statements;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

For MSKA & Associates

Chartered Accountants ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner Membership No. 117812

UDIN: 21117812AAAAHI7930

Mumbai June 29, 2021



(Incorporated in Hong Kong SAR with limited liability)

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF THE HONKONG AND SHANGHAI BANKING CORPORATION LIMITED – INDIA BRANCHES

[Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of The Hongkong and Shanghai Banking Corporation Limited – India Branches on the Financial Statements for the year ended March 31, 2021]

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

We have audited the internal financial controls with reference to standalone financial statements of The Hongkong and Shanghai Banking Corporation – India Branches ("the Bank") as of March 31, 2021 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to standalone financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICA1) (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the internal financial controls with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls with reference to standalone financial statements included obtaining an understanding of internal financial controls with reference to standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to standalone financial statements.

Meaning of Internal Financial Controls with Reference to Standalone Financial Statements

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

Inherent Limitations of Internal Financial Controls with Reference to Standalone Financial Statements

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

Opinion

In our opinion, the Bank has, in all material respects, internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at March 31, 2021, based on the internal control with reference to standalone financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note.

For MSKA & Associates

Chartered Accountants ICAI Firm Registration No. 105047W

Sd/-

Swapnil Kale

Partner Membership No. 117812

UDIN: 21117812AAAAHI7930

Mumbai June 29, 2021



(Incorporated in Hong Kong SAR with limited liability)

Balance Sheet as	at 31 March 20	21	Profit and Loss Account for the year ended 31 March 2021 (Currency: Indian rupees in thousands)			
(Cı	rrency: Indian rupe	es in thousands)				
Schedule:	As at 31 March 2021	As at 31 March 2020	Schedules	For the year ended 31 March 2021	For the yea ended 3 March 202	
Capital and liabilities			Income			
			Interest earned 13	121,855,943	116,396,308	
Capital	, , , , , , , , , , , , , , , , , , , ,	44,991,660	Other income 14	22,539,538	21,626,155	
Reserves and surplus	. , . ,	213,627,232	Total	144,395,481	138,022,463	
Deposits	1 ' ' '	1,248,529,766	10141	=====	=======================================	
Borrowings	/ /	244,417,354	Expenditure			
Other liabilities and provisions	217,794,099	359,580,577	Interest expended 15	38,253,619	46,093,088	
Total	2,299,458,295	2,111,146,589	Operating expenses 16	39,519,655	35,253,238	
			Provisions and			
			contingencies 17	30,303,100	28,899,894	
Assets			Total	108,076,374	110,246,220	
Cash and balances with			Net profit for the year	36,319,107	27,776,243	
Reserve Bank of India	70,882,614	42,876,165	Profit brought forward	32,222,990	19,609,515	
Balances with banks and			Total	68,542,097	47,385,758	
money at call and short notice	447,417,595	207,344,109				
Investments	834,942,600	716,220,130	Appropriations			
Advances	-,,	765,806,656	Transfer to Statutory Reserve	9,079,777	6,944,061	
Fixed assets 10	, - ,	7,641,322	Transfer to Investment Reserve	30,115	174,615	
Other assets 1.	221,703,705	371,258,207	Transfer to Specific Reserve	830,621	668,052	
Total	2,299,458,295	2,111,146,589	Transfer to Investments	4.522.000	7.276.044	
10111	=======================================	=======================================	Fluctuation Reserve Balance carried over to	4,523,000	7,376,040	
Contingent liabilities 12	17,300,384,906	19,042,025,160	balance sheet	54,078,584	32,222,990	
Bills for collection	249,505,736	231,005,296	Total	68,542,097	47,385,758	
Significant accounting policies				=======================================		
and notes to the Financial			Significant accounting policies and notes to the Financial			
Statements 18	, [Statements 18			
Schedules referred to herein form a		;	Schedules referred to herein form Profit and Loss Account.	an integral part of the	he	

This is the Balance Sheet referred to in our report of even date.

This is the Profit and Loss account referred to in our report of even date.

For MSKA & Associates **Chartered Accountants**

Firm Registration No: 105047W

For The Hongkong and Shanghai Banking Corporation Limited – India Branches

Sd/-Swapnil Kale

Partner

Membership No: 117812

Mumbai 29 June 2021 Sd/-**Amitabh Nevatia**

Interim Chief Executive Officer Chief Financial Officer

Sd/-

Hitendra Dave

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(Incorporated in Hong Kong SAR with limited liability)

Cash flow statement for the year ended 31 March 2021

(Currency: Indian rupees in thousands)

	(Currency: Indian rupees in thousand			
		For the year ended 31 March 2021	For the year ended 31 March 2020	
Cash flow from operating activities				
Net profit before taxes		64,879,429	51,604,990	
Adjustments for:				
Depreciation on fixed assets		766,654	727,266	
Release of depreciation on investments		(71,295)	(413,388)	
Provision for advances		1,433,761	5,399,860	
Other provisions		380,312	84,675	
Profit on sale of fixed assets			(54)	
Adjustments for:		67,388,861	57,403,349	
Increase in investments (excluding held to maturity securities)		(118,651,175)	(6,069,121)	
Decrease /(increase) in advances		45,790,964	(98,363,655)	
Increase in deposits		404,184,892	222,933,164	
Decrease /(increase) in other assets		145,465,860	(166,085,452)	
(Decrease) /Increase in other liabilities and provisions		(140,317,069)	181,520,641	
		336,473,472	133,935,577	
Direct taxes paid (Net)		(24,473,948)	(25,535,000)	
Net cash from operating activities	(A)	379,388,385	165,803,926	
Cash flow from investing activities				
Purchase of fixed assets		(1,186,898)	(523,446)	
Proceeds from sale of fixed assets			995	
Net cash used in investing activities	<i>(B)</i>	(1,186,898)	(522,451	
Cash flow from financing activities				
Decrease in borrowings (Net)		(110,121,552)	(89,098,941)	
Net cash used in financing activities	(C)	(110,121,552)	(89,098,941)	
Net increase in cash and cash equivalents	(A) + (B) + (C)	268,079,935	76,182,534	
Cash and cash equivalents asCash flow at 1 April		250,220,274	174,037,740	
Cash and cash equivalents as at 31 March		518,300,209	250,220,274	

Note: Cash and cash equivalents comprise cash in hand and in ATMs, balances with Reserve Bank of India and balances with banks and money at call and short notice (refer to schedule 6 and 7 of the Balance Sheet).

The above Cash Flow Statement has been prepared under "Indirect Method" as set out in Accounting Standard-3 "Cash Flow Statements under Section 133 of Companies Act 2013 read with Rule 7 of Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016

This is the Cash Flow Statement referrred to in our report of even date.

For MSKA & Associates **Chartered Accountants**

Firm Registration No: 105047W

For The Hongkong and Shanghai Banking Corporation Limited - India Branches

Swapnil Kale Partner

Sd/-

Membership No: 117812

Mumbai 29 June 2021 Sd/-Sd/-Amitabh Nevatia

Hitendra Dave

Chief Financial Officer Interim Chief Executive Officer



(Incorporated in Hong Kong SAR with limited liability)

							(Currer	cy: Indian rupee	s in thousand
			As at 31 March 2021	As at 31 March 2020				As at 31 March 2021	As at 3 March 202
1	Capit I	Amount of deposit kept with the Reserve Bank of India			3 A.	Dep I.	oosits Demand Deposits i) From banks	6,398,022	3,888,04
		under Section 11(2) (b) of the Banking Regulation Act, 1949.	67,500,000	62,000,000			ii) From othersTotal i) and ii)	459,260,922	428,702,75
	II	Capital Opening balance	44,991,660	44,991,660		II.	Savings Bank Deposits	159,807,685	136,630,92
2	Reser I	ves and Surplus	44,991,660	44,991,660		III.	Term Deposits i) From banks ii) From others	6,207,788 1,021,040,241	12,020,70 667,287,34
	1	Statutory Reserve Opening balance Additions during the year	67,194,431 9,079,777	60,250,370 6,944,061			Total i) and ii)	1,027,248,029	679,308,04
		Additions during the year	76,274,208	67,194,431			TOTAL (I+II+III)	1,652,714,658	1,248,529,76
	П	Capital Reserves – Surplus on sale of Immovable properties		E 251 200	В.	I. II.	Deposits of branches in India Deposits of branches	1,652,714,658	1,248,529,76
		Opening balance	$\frac{5,674,609}{5,674,609}$	5,674,609			outside India		
	Ш	Capital Reserves					TOTAL (I+II)	1,652,714,658	1,248,529,76
	IV	Opening balance	13,261,565	13,261,565 13,261,565	4	Bor I	rowings Borrowings in India		00.050.00
	IV	Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements Opening balance	71,919,320	71,919,320			 i) Reserve Bank of India ii) Other banks iii) Other institutions and agencies iv) Subordinated debt 	131,401,304	98,250,8
		Add: Transfer from profit and loss account (refer to					Total i), ii), iii) and iv)	131,401,304	199,533,14
		schedule 18 note 5.1)	71,919,320	71,919,320		II	Borrowings outside India	2,894,498	44,884,21
	V	Revaluation Reserve Opening balance (Less)/Add: Revaluation of	5,263,384	5,233,827			TOTAL (I+II) Secured borrowings	134,295,802	244,417,3
		premises net of depreciation on revaluation uplift	(284,263)	29,557	5	Oth	included in I above er liabilities and provisions	<u>123,632,704</u>	186,760,74
			4,979,121	5,263,384		I	Bills payable	2,007,052	1,664,73
	VI	Investment Reserve Opening balance Transfer from the Profit and	2,670,172	2,495,557		II III IV	Inter-office adjustments (net) Interest accrued Provision towards standard	8,511,123	9,277,9
	1/11	Loss account	30,115 2,700,287	<u>174,615</u> <u>2,670,172</u>		v	assets (refer to schedule 18 Note 5.6 (s)) Others (including provisions)	6,720,534 200,555,390	8,571,72 340,066,13
	VII	Specific Reserve (refer to schedule 18 note 5.4) Opening balance Additions during the year	3,244,721 830,621	2,576,669			TOTAL (I+II+III+IV+V)	217,794,099	359,580,5
		Additions during the year	830,621 4,075,342	3,244,721	6	Ban	h and balances with Reserve		
	VIII	Investment Fluctuation Reserve (refer to schedule 18 note 5.5) Opening balance	12,176,040	4,800,000		I	Cash in hand and in ATMs (including foreign currency notes) Balances with the Reserve	1,711,297	1,572,99
	IV	Additions during the year	4,523,000 16,699,040	7,376,040			Bank of India i) In current account ii) In other accounts	69,171,317	41,303,10
	IX	Balance in Profit and Loss Account	54,078,584	32,222,990			Total i) and ii)	69,171,317	41,303,10
		TOTAL (I+II+III+IV+V+ VI+VII+VIII+IX)	249,662,076	213,627,232			TOTAL (I+II)	70,882,614	42,876,10



The Hongkong and Shanghai Banking Corporation Limited – India Branches (Incorporated in Hong Kong SAR with limited liability)

		Schedule	s forming p	art of the Ba	Balance Sheet as at 31 March 2021	
				ı	(Currency: Indian rupees in the	ousands)
			As at 31 March 2021	As at 31 March 2020	As at 31 March 2021 Mai	As at 31 rch 2020
7		ances with banks and money all and short notice In India Balances with banks a) in current accounts b) in other deposit accounts Total a) and b)	2,813,857 6,214,350 9,028,207	2,584,433 12,106,400 14,690,833	ii) Public sector 16,525,000 5, iii) Banks - 35, iv) Others 573,397,987 618,	,737,226 900,000 ,014,704 ,154,726 806,656
	ii)	Money at call and short notice a) with banks b) with other institutions Total a) and b)	264,840,000 45,204,349 310,044,349	102,000,000 51,359,940 153,359,940		806,656
	II i) ii) iii)	Total i) and ii) Outside India In current accounts In other deposit accounts Money at call and short notice Total i), ii) and iii)	319,072,556 4,058,039 124,287,000 128,345,039	4,026,686 35,266,650 39,293,336	Additions during the year Revaluation of premises 312,249	,170,383 10,748
8	Invo	estments Investments in India in (refer to schedule 18 note 5.6 (d)) i) Government securities ii) Other approved securities	710,272,221	581,479,691	S,538,181 9, (2,279,779) (2,100) (2,279,779) (2,100) (2,100)	12,008 (63,477) ,129,662 575,747)
		 iii) Shares iv) Debentures and bonds v) Subsidiaries and/or joint ventures vi) Others (CDs, CPs, Pass Through Certificates etc) TOTAL i), ii), iii), iv), v) and vi) 	136,100 22,070,853 275 69,563,738 802,043,187	136,100 46,427,069 35 88,177,235 716,220,130	II Other Fixed Assets (including furniture and fixtures) Cost at 1 April Additions during the year Deductions during the year (1,648,735)	,477,342 237,475 370,541) 344,276
	II.	Investments outside India in (refer to schedule 18 note 5.6 (d)) i) Government securities Total (I+II)	32,899,413 834,942,600	716,220,130	Depreciation to date Net book value of Other Fixed Assets (including furniture and fixtures) (2,585,825) (3, 1,279,959	795,141) 549,135
9	Adv A.	i) Bills purchased and discounted ii) Cash credits, overdrafts and loans repayable on demand iii) Term loans TOTAL i), ii) and iii)	106,155,608 210,357,686 400,217,448 716,730,742	84,932,014 304,236,610 376,638,032 765,806,656	TOTAL (I+II+III)	538,272 ,641,322 ,708,317
	В.	 i) Secured by tangible assets (including advances against book debt) ii) Covered by Bank / Government guarantees iii) Unsecured TOTAL i), ii) and iii) 	341,956,438 30,849,673 343,924,631 716,730,742	399,488,140 14,472,880 351,845,636 765,806,656	V Stationery and stamps VI Non-banking assets acquired in satisfaction of claims VII Items in course of collection VIII Others 1,651 - 196,133,052	,771,822 3,418 - ,809,705 258,207



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Balance Sheet as at 31 March 2021								
					(Cur	rency: Indian rupe	es in thousands)	
		As at 31 March 2021	As at 31 March 2020			As at 31 March 2021	As at 31 March 2020	
(r) I C. acc (ii) (r) (r) II Li pa III Li ot ar i) iii) Currency options	8,656,411 500 7,757,512,686 720,996,993 8,325,824,865 16,804,334,544	4,699,264 500 9,092,566,475 677,291,969 8,811,184,552 18,581,042,996	V VI VII	Guarantees given on behalf of constituents i) In India ii) Outside India Total i) and ii) Acceptances, endorsements and other obligations Bills rediscounted Other items for which the bank is contingently liable TOTAL (I+II+III+IV+V+VI+VII)	289,495,241 53,202,701 342,697,942 82,784,491 - 61,911,018 17,300,384,906	258,497,981 45,741,182 304,239,163 74,204,535 77,838,702 19,042,025,160	
	Schedules forming part of the Profit and Loss Account for the year ended 31 March 2021							
					(Cu	rrency: Indian rupe	es in thousands)	
		For the year ended 31 March 2021	For the year ended 31 March 2020			For the year ended 31 March 2021	For the year ended 31 March 2020	
13 In	nterest earned			16	Operating expenses			

					1		
		For the year	For the year ended 31			For the year	For the year
		ended 31 March 2021	March 2020			ended 31 March 2021	ended 31 March 2020
		March 2021	Widicii 2020			March 2021	Widicii 2020
13	Interest earned			16	Operating expenses		
I	Interest/discount on			I	Payments to and provisions		
	advances/bills	58,792,757	59,186,408		for employees	9,255,402	11,547,548
II	Income on investments	50,935,008	51,676,634	II	Rent, taxes and lighting	1,345,945	1,362,162
Ш	Interest on balances with	·		III IV	Printing and stationery	142,080	90,424
	Reserve Bank of India and			V	Advertisement and publicity Depreciation on Bank's	213,842	710,077
	other inter-bank funds	9,077,676	2,720,317	\ \	property	766,654	727,266
IV	Others	3,050,502	2,812,949	VI	Auditors' fees and expenses	9,500	8,500
					Law charges	56,690	83,842
	TOTAL (I+II+III+IV)	121,855,943	116,396,308		Postage, telegrams,	22,022	
					telephones, etc.	181,147	264,884
14	Other income			IX	Repairs and maintenance	886,359	662,146
I	Commission, exchange and			X	Insurance	2,009,718	1,369,953
	brokerage (net)	6,532,171	7,543,703	XI	Other expenditure (refer to		
II	Profit on sale/maturity of	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,,- ,-,, ,-		schedule 18 note 5.6 (ao))	24,652,318	18,426,436
	investments (net)	2,229,596	4,705,491		TOTAL (I+II+III+IV+V+		
Ш	()		.,,,,,,,,		VI+VII+VIII+IX+X+XI)	39,519,655	35,253,238
	buildings and other assets (net)	_	54				
IV	Profit on exchange/derivative		٥.	17	Provisions and		
- '	transactions (net)	13,524,502	9,152,638		Contingencies (refer to schedule 18 note 5.6 (c))		
V	Miscellaneous income	253,269	224,269	Ļ	(//	4 422 -	5.200.060
•	THE COURT THE CO			I	Provision for advances Release of depreciation on	1,433,761	5,399,860
	TOTAL (I+II+III+IV+V)	22,539,538	21,626,155	11	investments (refer to		
					schedule 18 note 5.6 (c) and (d))	(71,295)	(413,388)
15	Interest expended			III	Taxation charge	(71,273)	(415,500)
I	Interest on deposits	33,904,135	37,367,795		- Current tax expense	27,684,605	24,710,010
II	Interest on Reserve Bank	35,704,133	31,301,173		 Deferred tax charge/(release) 	875,717	(881,263)
11	of India/inter-bank borrowings	1,275,280	4,685,949		-	28,560,322	23,828,747
Ш	9	3,074,204	4,039,344	IV	Other provisions	380,312	84,675
	TOTAL (I+II+III)	38,253,619	46,093,088		TOTAL (I+II+III+IV)	30,303,100	28,899,894
					= ()		



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts

1. Background

The financial statements for the year ended 31 March 2021 comprise the accounts of 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.

2 Basis of preparation

The financial statements are prepared and presented under the historical cost convention and accrual basis of accounting, except where otherwise stated, and in accordance with the generally accepted accounting principles ('GAAP') in India and statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI'), Accounting Standards ('AS') prescribed by the Companies Act, 2013 read together with Paragraph 7 of the Companies (Accounts) Rules 2014 and Companies (Accounting Standards) Amendment Rules, 2016 and the relevant provisions of the Companies Act 2013 to the extent applicable and current practices prevailing within the banking industry in India. The financial statements are presented in Indian Rupees rounded off to the nearest thousand, unless otherwise stated.

3 Use of estimates

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent liabilities as at the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

4 Significant accounting policies

4.1 Investments

(a) Accounting and Classification

Investments are recognised using the settlement date basis of accounting. In compliance with RBI guidelines, all investments, which cover both debt and equity securities, are categorised as "Held for trading" ('HFT'), "Available-for-sale" ('AFS') or "Held-to-maturity" ('HTM'). Investments acquired by the Bank with the intention of holding up to maturity are classified as HTM. Investments acquired with the intention to trade by taking advantage of short-term price/interest rate movements and are to be sold within 90 days are classified as HFT. All other investments are classified as AFS. However for the purpose of disclosure in the balance sheet, investments are classified disclosed in Schedule 8 ('Investments').

(b) Acquisition cost

Brokerage and commission paid at the time of acquisition are charged to Profit and Loss Account. Further, cost of investments is determined based on weighted average cost method.

(c) Valuation

Investments categorised under AFS and HFT are marked-to-market on a monthly and daily basis respectively. Net depreciation, if any, in any classification mentioned in Schedule 8 ('Investments') is recognised in the profit and loss account. The net appreciation if any, under each classification is ignored, except to the extent of depreciation previously provided. The book value of individual securities is not changed consequent to periodic valuation of investments.

The mark-to-market value of investments classified as HFT and AFS is determined using Yield to Maturity ('YTM') rates/prices as notified by Financial Benchmarks India Pvt Ltd (FBIL), Fixed Income Money Market and Derivatives Association ('FIMMDA') jointly with Primary Dealers Association of India ('PDAI'). The prices, base yield curve for GOI bonds, SDLs, Corporate Bonds are notified by FBIL, while the credit spreads over the GOI curve in bps is published by FIMMDA.

Investments classified under the HTM category are carried at their acquisition cost and any premium on acquisition is amortised on a straight line basis over the remaining period to maturity. Where in the opinion of management, a diminution, other than temporary in the value of investments classified under HTM has taken place, suitable provisions are made.

Pass through certificates ('PTC') purchased 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 FIMMDA/FBIL.

Treasury Bills, Commercial Paper, Certificates of Deposit and Zero Coupon Bonds being discounted instruments, are valued at carrying cost.

(d) Transfer between categories

Transfer of investments between categories is accounted for in accordance with RBI guidelines vide master circular DBR No. BP.BC.6/21.04.141/2015-16 dated 1 July 2015 as follows:

- i) Investments classified as AFS/HFT are transferred to HTM category at the lower of book value (weighted average) and market value;
- ii) Investments classified as HTM are transferred to AFS/HFT categories as follows:
 - Investments originally placed in HTM at a discount, are transferred to AFS/HFT category at the acquisition price/ book value (weighted average) and;
 - Investments originally placed in HTM at a premium, are transferred to AFS/HFT category at the amortised cost (weighted average);
- iii) Investments classified as AFS/HFT are transferred to HFT/AFS category at book value (weighted average) and the provisions for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against HFT/AFS.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

4 Significant accounting policies (Continued)

4.1 Investments (Continued)

(e) Accounting for repos/reverse repos (including liquidity adjustment facility)

Repurchase (repos) and reverse repurchase (reverse repos) transactions are accounted for as collateralised borrowing and lending respectively with an agreement to repurchase on agreed terms in accordance with RBI guidelines vide master circular DBR No. BP.BC.6/21.04.141/2015-16 dated 1 July 2015. The difference between the consideration amounts of first and second leg is recognised as interest income/expense over the period of the transaction in the profit and loss account. Transactions with RBI under the Liquidity Adjustment Facility (LAF) are also accounted for as collateralised borrowing and lending transactions.

(f) Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. Such short positions are categorised under HFT category. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments as explained under point 4.1(c).

4.2 Advances

Advances are stated net of specific provisions and interest in suspense.

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.

Provisioning for restructured assets is made in accordance with the requirements prescribed by RBI guidelines.

Provision on standard assets is made in line with the existing RBI guidelines and included in Schedule 5 ('Other Liabilities and Provisions'). The Bank also maintains provision for country risk exposures as per extant RBI guidelines and discloses the same in Schedule 5 - Other liabilities and provisions.

The Bank assesses the unhedged foreign currency exposure (UFCE) of corporate customers and adequate provisions are maintained as required by RBI guidelines. These provisions are included along with standard asset provision mentioned above.

The sale of financial assets or Non Performing Advances (NPA) to Securitisation Company (SC)/Reconstruction Company (RC) is accounted for in accordance with RBI guidelines on 'Sale of financial assets to SC/RC', wherein if the sale to SC/RC is for a value higher than the Net Book Value (NBV), the excess provision is reversed.

In case the sale of NPA is to non SC/RC then same is accounted for in accordance with the RBI guidelines on "Purchase/Sale of Non Performing Financial Assets", wherein if the sale of non-performing advances is for a value higher than the NBV of the loans, the excess provision is not reversed but is held back to meet the shortfall/loss on account of sale of other non-performing advances and classified as additional standard asset provision subject to an overall ceiling of 1.25% of risk weighted assets. In case of a sale at a value lower than NBV, the shortfall is recognised in the profit and loss account in the year of sale after setting off any earlier provision held back on sale of other non-performing advances.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

4.3 Foreign Exchange Transactions

Transactions denominated in foreign currencies are recorded at rates prevailing on the date of the transaction. Exchange differences arising on foreign currency transactions settled during the period are recognised in profit and loss account of the period. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at closing rates notified by Foreign Exchange Dealers Association of India ('FEDAI') and resultant exchange differences are recognised in the profit and loss account.

The premium or discount arising at the inception of a forward exchange contract not meant for trading or speculation is amortised as expense or income over the life of the contract. Exchange differences arising on such a contract are recognised in the statement of profit and loss in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or expense for the period.

Outstanding spot and forward exchange contracts and foreign currency swaps meant for trading or speculation are revalued based on the period end exchange rates notified by FEDAI. The contracts where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the FX yield curves of the respective currencies. The forward exchange contracts are present valued using appropriate discount rates and the resultant gains or losses are recognised in the profit and loss account.

Contingent liabilities denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

4 Significant accounting policies (Continued)

4.4 Derivative financial instruments

The Bank transacts derivatives for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business and to manage and hedge the bank's own risks. Derivatives (except for interest rate swaps which are designated as hedging instruments as per Forward Rate Agreement/Interest Rate Swap Circular Ref.No.MPD.BC.187/07.01.279/1999-2000 dated July 7, 1999) are held for trading. Trading activities include sales, market-making and risk management while hedging transactions are entered into as part of the Bank's risk management strategy relating to the Bank's assets, liabilities, positions or cash flows.

Derivatives in the form of forwards, swaps and option contracts are undertaken by the Bank in the foreign exchange and interest rate markets.

Trading transactions are marked-to-market on a daily basis and the unrealised losses or gains are recognised into the profit and loss account as 'Other Income'. Currency Options are marked-to-market using market values after considering the premium received or paid. The profit or loss on revaluation is recorded in the profit and loss account and is included in 'Other assets' or 'Other liabilities'. Accordingly, premium received and paid is recognised in the profit and loss account upon expiry or exercise of the options.

Fair value adjustments as explained in schedule 18 note 5.6 (aj) are made on a monthly basis at the minimum with the adjustment accounted for in the profit and loss account and the corresponding debit/credit posted against 'Other Liabilities'.

Interest rate swaps designated as hedges are accounted for in line with the accounting of the underlying asset or liability. Where the underlying asset or liability is accounted for on an accrual basis the derivative is also accounted for on accrual basis. Where the designated asset or liability is carried at lower of cost or market value in the financial statements the derivatives are marked-to-market with the resulting gain or loss recorded as an adjustment to the market value of the designated asset or liability.

Gains and losses from changes in the fair value of derivatives, including the contractual interest, that do not qualify for hedge accounting are recognised immediately in the profit and loss account as 'Other income'.

4.5 Securitisation (including assignment)

Securitisation transactions entered in to by the Bank, wherein corporate/retail loans are sold to a Special Purpose Vehicle ('SPV') are accounted for in accordance with the RBI guidelines.

Securitised assets are derecognised upon sale if 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/disclosure is made at the time of sale in accordance with AS 29 – 'Provisions, contingent liabilities and contingent assets'.

Gains on securitisations, being the excess of the consideration received over book value of the assets and provisions towards expected costs including servicing costs and expected delinquencies are amortised over the life of the securities issued by the SPV. Losses are recognised immediately.

Gain arising out of sale of loans through direct assignment is amortised over the life of underlying loans sold and loss arising is recorded immediately in the Profit and Loss account.

Sales and transfers that do not meet the criteria for surrender of control are accounted for as secured borrowings.

Securities issued by securitisation vehicles where the Bank is an investor are treated as AFS instrument and accounted in line with accounting policy under 4.1 (c).

4.6 Income recognition

Interest income is recognised in the profit and loss account on an accrual basis, except in the case of interest on non-performing assets and unless otherwise specified by RBI guidelines.

Given the uncertainty ascribed to non-performing assets, income thereon is only recognised in the profit and loss account on a receipt basis in accordance with RBI guidelines.

Fee and commission income are recognised on an accrual basis. Commission on guarantees and letters of credit are recognised over the life of the instrument.

Dividends on equity shares are recognised as income when the right to receive dividends is established.

4.7 Employee benefits

The accounting policy followed by the Bank in respect of its Employee Benefit Schemes is set out below:

(a) Provident fund

The Bank contributes to recognised provident fund, which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the profit and loss account.

(b) Gratuity

The Bank provides for gratuity liability, which is a defined benefit scheme, based on an actuarial valuation using the projected unit credit method at the balance sheet date carried out by an independent qualified actuary.

Actuarial gains/losses for the gratuity liability are recognised in the profit and loss account.

(c) Pension

The Bank has an active pension scheme for award staff. This is defined benefit plan for employees who joined prior to 31 March 2002 and defined contribution plan for employees joined after 31 March 2002 till December 2016. In 2004, the bank introduced new salary terms for management staff and the pension benefits have been frozen based on the salary and service on the date of conversion. In respect of employees covered under the defined benefit plan, the Bank provides for the pension liability based on an actuarial valuation using the projected unit credit method at the balance sheet date carried out by an independent qualified actuary. In respect of other employees, the contributions are accounted for on an accrual basis and recognised in the profit and loss account. Actuarial gains/losses for the pension liability are recognised in the profit and loss account.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

4 Significant accounting policies (Continued)

4.7 Employee benefits (Continued)

(d) Compensated absences

The Bank has a leave encashment scheme for its award staff which is a defined benefit plan. The Bank provides for the leave encashment liability based on an actuarial valuation using the projected unit credit method at the balance sheet date carried out by an independent qualified actuary.

Actuarial gains/losses for the leave encashment liability are recognised in the profit and loss account.

4.8 Fixed assets and depreciation

Fixed assets are stated at acquisition cost less accumulated depreciation, with the exception of premises.

Premises are revalued annually and stated at revalued cost less accumulated depreciation. The revaluation of premises is done in line with RBI guidelines. The surplus arising on revaluation is credited to revaluation reserve account except to the extent such increase is related to and not greater than a decrease arising on revaluation previously recorded as a charge to the profit and loss account, wherein it is credited to profit and loss account. Deficit arising on revaluation is charged to the profit and loss account except to the extent such decrease is related to an increase previously recorded as a credit to revaluation reserve which has not been subsequently reversed or utilised, wherein it is charged directly to revaluation reserve account. On disposal of revalued premises, the amount standing to the credit of revaluation reserve is transferred to Capital Reserve in accordance with the RBI guidelines. Profit on disposal of premises is recognised in the Profit and Loss Account and subsequently appropriated to Capital Reserve. Losses are recognised in the Profit and Loss Account.

Fixed assets individually costing less than Rs. 35,000 are expensed in the year of purchase. Depreciation is provided on a straight line basis over the estimated useful life of the asset. The useful life estimates prescribed in Part C of Schedule II to the Companies Act, 2013 are generally adhered to, except in respect of few asset classes where, based on management evaluation and past experience, a different estimate of useful life is considered suitable. The rates applied by the Bank on different categories of fixed assets are as follows:

Category of Asset	Useful life of Assets
Freehold land	_
Premises	50 Years
Leasehold improvements	Over 5 years or remaining period of lease whichever is lower
Computers	3 Years
ATM	7 Years
Improvements at owned premises	5 - 10 Years
Other fixed assets	5 Years

Freehold land is not depreciated as it has an indefinite economic life.

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

4.9 Accounting for leases

Assets taken on lease are accounted for in accordance with provisions of AS 19-'Leases'. Lease payments under operating leases are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

4.10 Taxes on income

"Taxation charge" comprises current tax provision and net change in deferred tax asset and liability during the year.

Current tax provision represents the estimated income-tax liability determined in accordance with the provisions of the Income Tax Act, 1961 and the rules framed thereunder.

The Bank accounts for deferred taxes in accordance with the provisions of AS 22 "Accounting for Taxes on Income". Deferred tax is provided on timing differences between the accounting and tax treatment of income and expenditure. Deferred tax assets are recognised only if there is reasonable certainty that they will be realised in the future. However, where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if it is virtually certain that these assets will be realized supported by convincing evidence. Deferred tax assets are reviewed for appropriateness of their carrying value at each balance sheet date. Deferred tax liabilities are generally recognised for all taxable timing differences. Deferred tax assets and liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

4.11 Provision for reward points on credit cards

The Bank has a policy of awarding reward points for credit card spends by customers. Provision for credit card reward points is made on the basis of behavioral analysis of utilisation trends.

4.12 Provisions, contingent liabilities and contingent assets

The Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. In cases where available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reliably estimated, a disclosure to this effect is made in the financial statements. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

4 Significant accounting policies (Continued)

4.13 Priority Sector Lending Certificates

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received from the sale of PSLCs is recorded as miscellaneous income in schedule 14 (V) and the fee paid for purchase of the PSLCs is recorded as expense in schedule 16 (XI) in Profit and Loss Account. These are amortised over the period of the certificate.

5 Notes to accounts

5.1 Capitalisation of profit

In accordance with Head Office approval and in line with the RBI requirements in this regard, the Bank has appropriated Rs. Nil of accumulated profits to Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements (previous year: Rs. Nil).

5.2 Fixed assets

During the year, the Bank revalued its properties in accordance with the applicable RBI guidelines. For property valued above Rs. 500 million the valuation was obtained from two independent valuers. The Bank revalued its owned freehold premises downward by Rs. 347 million (previous year: upward by Rs. 12 million) based on an independent professional valuation.

Certain premises valued at Rs. 5,332 million (previous year: Rs. 5,503 million) acquired under a Scheme of Arrangement are held in the name of HSBC Agency (India) Private Limited, a wholly owned subsidiary, for the benefit of the Bank. Accordingly, these premises have been treated as assets of the Bank.

5.3 Taxation

Contingent liability of the Bank in respect of taxation for pending litigation for all the years where tax assessment/reassessment has been completed (i.e. upto assessment year 2017-18) amounts to Rs. 7,118 million (previous year: Rs. 3,150 million). This also includes potential liability of the Bank as per draft orders issued post balance sheet date. This is awaiting final outcome of the appeals filed by the Bank/Revenue authorities. Management considers that adequate provision has been made for tax liabilities relating to above assessment years.

5.4 Specific Reserve

This Reserve is created and maintained in accordance with the provisions of Section 36(1)(viii) of the Income-tax Act, 1961 and is tax deductible subject to limits prescribed therein. Any amounts subsequently withdrawn there from, if at all, is liable to income tax in the year in which withdrawn

5.5 Investment Fluctuation Reserve

As prescribed in the RBI circular dated 2 April 2018, the Bank has transferred an amount of Rs. 4,523 million during the year to Investment Fluctuation Reserve (previous year: Rs. 7,376 million).

5.6 Statutory disclosures

(a) Capital adequacy ratio

The capital adequacy ratio of the Bank, calculated as per RBI guidelines is set out below:

(Rs '000)

Particulars	As at 31 March 2021	As at 31 March 2020
Tier 1 capital	216,633,650	206,564,793
Tier 2 capital	27,597,812	24,860,603
Total capital	244,231,462	231,425,396
Total risk weighted assets	1,431,173,755	1,436,526,519
Common Equity Tier 1 Capital Ratio (%)	15.14%	14.38%
Tier I Capital Ratio (%)	15.14%	14.38%
Tier II capital Ratio (%)	1.93%	1.73%
Total Capital Ratio (CRAR)	17.07%	16.11%
Amount of subordinated debt raised as Tier II capital (see note 5.6–(am))		

The Bank has not raised any additional Tier I and Tier II capital during the years ended 31 March, 2021 and 31 March, 2020. Capital adequacy for the current year has been calculated based on the Guidelines in Master Circular – Basel III Capital Regulations, issued vide circular DBR. No. BP.BC.1/21.06.201 /2015-16 dated 1 July 2015.

(b) Business ratios/information

The details relating to business ratios are given below:

	For the year ended 31 March 2021	For the year ended 31 March 2020
Interest income as percentage to working funds	5.62%	6.75%
Non-interest income as percentage to working funds	1.04%	1.25%
Operating profits as percentage to working funds	3.07%	3.29%
Return on assets	1.67%	1.61%
Business (deposits plus advances) per employee (Rs '000)	622,131	506,120
Profit per employee (Rs '000)	9,587	7,158

The figures have been computed in accordance with RBI guidelines vide master circular DBR.BP.BC No.23/21.04.018/2015-16 dated 1 July 2015. Working funds represent average of total assets as reported to RBI in Form X. Return on assets is also based on average of total assets as reported to RBI in Form X.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

- 5 Notes to accounts (Continued)
- 5.6 Statutory disclosures (Continued)

(c) Provisions and Contingencies

(Rs '000)

head expenditure in Profit & Loss account	For the year ended 31 March 2021	For the year ended 31 March 2020
Release of depreciation on Investments	(71,295)	(413,388)
Provision towards NPA (including write-offs net of recoveries)	3,284,951	1,603,305
(Release)/provision towards standard assets	(2,051,275)	3,762,395
Provision towards country risk provision	200,085	34,160
Provision towards current tax expense	27,684,605	24,710,010
Provision/(release) towards deferred tax	875,717	(881,263)
Other Provisions and Contingencies (refer to note 5.13):	,	(, ,
Provision towards reward points	79,320	174,928
(Release)/provision towards claims under litigation	(388)	530
Provision/(release) of overdue income	8 ù. 757	(118,968)
Others	220,623	28,185
Total	30,303,100	28,899,894

(d) Investments

(Rs '000)

			(103 000)
		As at 31 March 2021	As at 31 March 2020
(1)	Value of investments		
	(i) Gross value of investments	834,943,265	716,292,090
	(a) In India	802,043,852	716,292,090
	(b) Outside India	32,899,413	· · · · · -
	(ii) Provision for depreciation	(665)	(71,960)
	(a) In India	(665)	(71,960)
	(b) Outside India	· <u>-</u>	<u> </u>
	(iii) Net value of investments	834,942,600	716,220,130
	(a) In India	802,043,187	716,220,130
	(b) Outside India	32,899,413	_

The Bank has no sale and transfer to/from HTM category during the year (previous year: Rs. Nil). Investments include government securities representing face value of Rs. 187,975 million (previous year: Rs. 252,424 million) deposited for settlement guarantee fund and collateralised borrowing and lending obligation (CBLO) with Clearing Corporation of India Limited (CCIL); and for repo transaction, liquidity adjustment facility (LAF) and to meet the requirement of section 11 (2) (b) of the Banking Regulation Act, 1949 with RBI.

(Rs '000)

		As at 31 March 2021	As at31 March 2020
(Movement of provisions held towards depreciation on investments (i) Opening balance (ii) Add: Provision made during the year	71,960	485,348
· ·	(iii) Less: Write back of excess provision during the year (iv) Closing balance	(71,295) 665	(413,388) 71,960

The outstanding commitments relating to securities purchase and sale contracts as at 31 March 2021 are Rs. 11,825 million (previous year: Rs. 17,957 million) and Rs. 15,708 million (previous year: Rs. 26,963 million) respectively.

(e) Issuer wise composition of non SLR investments

		As at 31 March 2021				
No.	Issuer	Amount	Extent of Private Placement *	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities**
(1)	(2)	(3)	(4) #	(5)#	(6)#	(7)#
(i)	Public Sector Undertakings	21,570,020	2,500,474	_	1,000	1,000
(ii)	Financial Institutions	· · · -		-	_	
(iii)	Banks	_	_	_	_	_
(iv)	Private Corporate	70,201,111	69,563,737	_	135,100	135,100
(v)	Subsidiaries/Joint Ventures	500	500	_	500	500
(vi)	Others	32,899,413	_	_	_	_
(vii)	Provision held towards depreciation	(665)	_	_	_	-
	Total	124,670,379	72,064,711		136,600	136,600



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

- 5 Notes to accounts (Continued)
- 5.6 Statutory disclosures (Continued)
 - (e) Issuer wise composition of non SLR investments (Continued)

(Rs '000)

			As	s at 31 March 2020		
No.	Issuer Amount	Extent of	Extent of	Extent of	Extent of	
			Private	'Below	'Unrated'	'Unlisted'
			Placement *	Investment	Securities	Securities*
				Grade' Securities		
(1)	(2)	(3)	(4) #	(5)#	(6) #	(7) #
(i)	Public Sector Undertakings	27,360,155	4,167,436	_	1,000	1,000
(ii)	Financial Institutions	_	_	_	_	_
(iii)	Banks	_	_	_	_	_
(iv)	Private Corporate	107,451,744	93,027,235	_	135,100	135,100
(v)	Subsidiaries/Joint Ventures	500	500	_	500	500
(vi)	Others	_	_	_	_	_
(vii)	Provision held towards depreciation	(71,960)	_	_	-	-
	Total	134,740,439	97,195,171		136,600	136,600

Note: Total investments include net investments in PTC of Rs. 69,564 million (previous year: Rs. 88,177 million)

- * The classification is based on the actual issue and not on the basis of secondary market purchases.
- # Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.
- ** Excludes PTCs in line with extant RBI guidelines.

(f) Non-performing non SLR investments

The non-performing investments as at 31 March 2021 are Rs. 2 (previous year: Rs. 2). This represents preference share/equity share investments which have been written down to Rs. 2.

(g) Details of Investment in security receipts backed by NPAs

The Bank has no such Investments (previous year: Rs. Nil).

(h) Repo transactions (in face value terms)

(Rs '000)

	Minimum Outstanding During the Year 2020-21	Maximum Outstanding During the Year 2020-21	Daily Average Outstanding During the Year 2020-21	Outstanding as at 31 March 2021
Securities sold under repos				
 Government securities 	2,521,600	221,702,210	99,121,701	80,445,300
ii. Corporate debt securities	2,500,000	2,500,000	47,945	_
Securities purchased under reverse repos				
i. Government securities	55,457,390	478,075,530	261,231,972	255,804,060
Corporate debt securities	3,000,000	6,000,000	2,186,301	· · · -

(Rs '000)

					` `
		Minimum	Maximum	Daily Average	Outstanding
		Outstanding	Outstanding	Outstanding	as at
		During the	During the	During the	31 March 2020
		Year 2019-20	Year 2019-20	Year 2019-20	
Secu	rrities sold under repos				
i.	Government securities	8,831,100	269,564,110	133,725,165	134,018,330
ii.	Corporate debt securities	4,000,000	4,000,000	76,503	-
Secu	rrities purchased under reverse repos				
i.	Government securities	480,800	315,198,610	36,170,987	126,156,690
ii.	Corporate debt securities	2,500,000	11,850,000	7,762,705	6,000,000
	•				

Notes:

- 1. The above figures also include liquidity adjustment facility/repo transactions undertaken with the RBI.
- 2. Minimum outstanding during the year excludes days with Nil outstanding.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

- 5 Notes to accounts (Continued)
- 5.6 Statutory disclosures (Continued)
 - (i) Movement of Gross NPAs

(Rs '000)

	For the year ended 31 March 2021	For the year ended 31 March 2020
Gross NPAs as on 1st April	6,693,266	5,977,082
Additions# (fresh NPAs during the year)	5,926,666	4,694,120
Sub-total (A)	12,619,932	10,671,202
Less: (i) Upgrades (ii) Recoveries#	(1,232,784)	(2,163,844)
(excluding recoveries made from upgraded accounts)	(409,559)	(629,116)
(iii) Write-offs	(1,851,550)	(1,184,976)
Sub-total (B)	(3,493,893)	(3,977,936)
Gross NPAs as on 31st March (A-B)	9,126,039	6,693,266

[#] Includes movement due to exchange fluctuation

The Honourable Supreme Court of India (Hon'ble SC), in a public interest litigation (Gajendra Sharma Vs. Union of India & Anr), vide an interim order dated September 03, 2020 ("Interim Order"), had directed banks that accounts which were not declared NPA till August 31, 2020 shall not be declared as NPA till further orders. Accordingly, the Bank did not classify any account which was not NPA as of August 31, 2020 as per the RBI IRAC norms, as NPA after August 31, 2020.

The interim order granted to not declare accounts as NPA stood vacated on March 23, 2021 vide the judgement of the Hon'ble SC in the matter of Small Scale Industrial Manufacturers Association vs. UOI & Ors. and other connected matters. In accordance with the instructions in paragraph 5 of the RBI circular dated April 07, 2021 issued in this connection, the Bank has continued with the asset classification of borrower accounts as per the extant RBI instructions/IRAC norms.

(j) Movements in NPAs (Rs '000)

		For the year ended 31 March 2021			For the y	ear ended 31 M	farch 2020
		Gross NPA	Provision	Net NPA	Gross NPA	Provision	Net NPA
(a)	Opening Balance	6,693,266	5,431,346	1,261,920	5,977,082	4,685,912	1,291,170
(b)	Additions during the period#	5,926,666	3,336,872	2,589,794	4,694,120	2,292,990	2,401,130
(c)	Reductions during the period#	(3,493,893)	(2,544,469)	(949,424)	(3,977,936)	(1,547,556)	(2,430,380)
(d)	Closing Balance	9,126,039	6,223,749	2,902,290	6,693,266	5,431,346	1,261,920

[#] Includes movement due to exchange fluctuation

Provision includes specific provisions on non-homogeneous loans and provisions created on portfolio basis using the historical loss and/or net flow method for homogeneous loans relating to retail business.

(k) Non-Performing Advances (NPA)

The percentage of net NPA to net advances is 0.40% as at 31 March 2021 (previous year: 0.16%).

(l) Floating Provision

The Bank does not have a policy of making floating provisions.

(m) Provision coverage ratio

The provision coverage ratio (ratio of provision to gross non-performing assets) computed in accordance with RBI circular no DBOD.No.BP.BC.64/21.04.048/2009-10 dated 1 December 2009 is 68.20 % as at 31 March 2021 (previous year: 81.15%).

(n) Concentration of Advances

(Rs '000)

	As at 31 March 2021	As at 31 March 2020
Total Advances of twenty largest borrowers Percentage of Advances of twenty largest borrowers to	515,835,543	372,108,194
Total Advances of the bank	15.42%	13.64%

(o) Concentration of Exposures

	As at 31 March 2021	As at 31 March 2020
Total Exposure to twenty largest borrowers/customers Percentage of Exposures of twenty largest borrowers/customers to	540,196,383	388,824,122
Total Exposure of the bank on borrowers/customers	15.57%	13.58%



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

5 Notes to accounts (Continued)

5.6 Statutory disclosures (Continued)

(p) Concentration of NPAs

Total exposure to top four NPA accounts is Rs. 2,195 million (previous year: Rs. 1,750 million). The exposure is computed on a gross basis.

(q) Unsecured Advances

The Bank does not have any advances secured by intangible assets.

(r) Sector-wise Advances

(Rs '000)

Sl.	Secto	r	As at 31 March 2021			As at 31 March 2020		
No.			Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Tota Advances in that secto
Α	Prior	ity Sector						
1		culture and allied activities	30,932,901	653,894	2.11	32,172,123	816,158	2.54
2		inces to industries sector eligible	/ /	,		- , - , -	,	
		iority sector lending	33,751,632	_	_	24,245,656	_	-
	2.1	Chemicals and Chemical Products	3,020,659	_	_	3,133,574	_	-
	2.2	Basic Metal and Metal Products	8,459,921	_	_	4,112,713	_	-
	2.3	Textiles	2,726,603	_	_	2,628,051	_	-
	2.4	Rubber, Plastic and their Products	1,977,650	_	_	3,001,858	_	-
	2.5	All Engineering	5,190,659	_	_	1,994,293	_	-
3	Serv	ices	62,783,320	127,063	0.20	50,920,412	449,490	0.88
	3.1	Professional Services	5,060,564	_	_	14,786,207	_	-
	3.2	Trade	19,914,333	52,049	0.26	25,176,811	102,012	0.4
	3.3	NBFC	27,160,085	75,014	0.28	9,221,280	89,035	0.9
	3.4	Commercial real estate	7,927,579	_	_	_	_	
4	Perso	onal loans	42,250	-	_	22,415	-	
	4.1	Housing	20,285	-	_	22,415	-	
	4.2	Other Personal Loans	21,965	_	_	_	_	
	Sub-	total (A)	127,510,103	780,957	0.61	107,360,606	1,265,648	1.13
В	Non	Priority Sector						
1	Agri	culture and allied activities	3,179,372	217,762	6.85	6,168,215	55,497	0.90
	1.1	Indirect Agriculture	3,179,372	217,762	6.85	6,168,215	55,497	0.90
2	Indu	stry	204,920,056	788,530	0.38	225,697,700	1,206,051	0.5
	2.1	Chemicals and Chemical Products	34,323,763	136,918	0.40	42,202,866	141,249	0.3
	2.2	All Engineering	30,589,680	_	_	49,069,577	34,887	0.0
	2.3	Infrastructure	44,221,590	134,734	0.30	40,258,485	433,946	1.0
	2.4	Vehicles, Vehicle Parts and						
		Transport Equipments	20,914,395	-	_	26,348,059	-	
3	Serv	ices	308,380,831	2,023,318	0.66	323,030,242	1,289,552	0.4
	3.1	Trade	50,341,402	1,718,969	3.41	26,687,651	953,905	3.5
	3.2	Commercial Real Estate	127,016,194	304,189	0.24	119,210,094	324,671	0.2
	3.3	NBFC	54,901,579	_	_	36,362,087	-	
	3.4	Professional services	37,723,601	159	0.00	45,288,987	10,976	0.0
	3.5	Housing Finance Companies (HFCs)	35,183,333	-	_	20,000,000	-	
	3.6	Banks	_	_	_	35,014,704	_	
4	Perso	onal loans`	78,964,129	5,315,472	6.73	108,981,239	2,876,518	2.6
	4.1	Housing	50,927,357	3,284,887	6.45	76,727,377	2,072,243	2.7
	4.2	Credit Card Receivables	15,136,662	1,481,382	9.79	16,994,516	594,713	3.5
	4.3	Other Retail Loans	12,186,078	524,670	4.31	14,433,999	192,638	1.3
	Sub-	total (B)	595,444,388	8,345,082	1.40	663,877,396	5,427,618	0.8
		(A+B)	722,954,491	9,126,039	1.26	771,238,002	6,693,266	0.8

Note: Classification into sectors as above has been done based on the Bank's internal norms.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

- 5 Notes to accounts (Continued)
- 5.6 Statutory disclosures (Continued)
 - (s) Provision towards Standard Assets

(Rs '000)

	As at 31 March 2021	As at 31 March 2020
Provision towards standard assets*	6,161,147	8,212,422
Provision towards country risk (Refer note 5.6 (ad))	307,933	107,848
Accumulated surplus arising on sale of NPA	251,454	251,454
Total	6,720,534	8,571,724

^{*} Comprises general provision towards standard assets. (including additional standard assets provision for stressed sectors as per RBI circular RBI/2016-17/282 DBR.No.BP.BC.64/21.04.048/2016-17 dated 18 April 2017), Unhedged Foreign Currency Exposure (UFCE) as per RBI Master Circular DBR No. BP.BC 2/21.04.048/2015-16 dated 1 July 2015 and COVID-19 provisions as per RBI circular RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2019-20 dated 17 April 2020.

(t) Unhedged Foreign Currency Exposure (UFCE)

The Bank has an approved policy and rigorous process for managing the currency induced credit risk of its customers. The Bank assesses the credit risk arising out of foreign currency exposures of customers, including unhedged foreign currency exposure (UFCE), at the time of sanctioning and subsequent review of credit facilities, along with the customer's strategy for risk mitigation. The Bank also factors in the inherent risk of UFCE in credit risk rating and credit risk premium. The foreign currency exposures and UFCE are analysed on a regular basis and adequate provisioning and risk weights are maintained as required by RBI guidelines. The Bank advises its customers to ensure adequate and appropriate hedging/other risk mitigation strategies.

The Bank has to maintain incremental provisions and RWAs for UFCE of its customers as stipulated by the RBI circular 'Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure' dated 15 January 2014. The Bank obtains quarterly information on UFCE from its customers and the incremental provision is computed based on relative riskiness of a customer in terms of likely loss due to forex volatility as a % of EBID (defined as PAT + Depreciation + Interest on debt + Lease Rentals). The incremental provisioning required is Rs. 1,247 million and the additional capital required is Rs. 7,930 million for UFCE as at 31 March 2021 (previous year; Rs. 923 million provision and capital required Rs. 5,896 million).

(u) Details of financial assets sold to Securitisation Companies (SC)/Reconstruction Companies (RC) for Asset Reconstruction

(Rs '000)

		(143 0
	For year ended	For year ended
	31 March 2021	31 March 2020
Number of accounts	_	-
Aggregate value (net of provisions) of accounts sold to SC/RC	_	
Aggregate consideration	_	
Additional consideration realised in respect of accounts transferred in earlier years	_	
Aggregate gain over net book value	_	

(v) Details of non performing financial assets purchased/sold

There has been no purchase of NPAs during the year ended 31 March 2021 (previous year: Rs. Nil).

There has been no sale of NPAs during the year ended 31 March 2021 (previous year: Rs. Nil).

(w) Securitisation of standard assets (including Direct Assignment)

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

The following disclosures are made in accordance with RBI circular dated 7 May 2012, with respect to transfer of assets through direct assignment of cash flows.

(Rs '000)

	As at 31 March 2021	As at 31 March 2020
Total amount of assets through Direct Assignment of Cash Flows Total amount of On Balance Sheet exposures retained by the bank	_	179,900
to comply with MRR as on the date of Balance Sheet	-	19,989

(x) PSLCs purchased and sold

	As at	As at	As at	As at
	31 March 2021	31 March 2021	31 March 2020	31 March 2020
	Purchased	Sold	Purchased	Sold
Agriculture	31,375,000	_	51,840,000	_
Small Farmer/Marginal Farmer	67,950,000	_	80,545,000	_
Micro Enterprises	22,857,500	_	35,200,000	_
General	215,500,000	_	54,500,000	-
Total	337,682,500		222,085,000	



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

5 Notes to accounts (Continued)

5.6 Statutory disclosures (Continued)

(y) Disclosure on technical write-offs and recoveries made thereon

There have been Nil technical write-offs and recoveries during the year. (previous year: Rs. Nil)

(z) Disclosure on divergence in the asset classification and provisioning

With reference to cicular RBI/2018-19/157 DBR.BP.BC.No.32/21.04.018/2018-19 dated January 1 2019, there is no divergence observed by RBI for the financial year 2019-20 (previous year: Rs. Nil).

(aa) Disclosure on implementation of Resolution Plan

Bank has not implemented any Resolution Plan during the financial year 2020-21 as per the Prudential Framework for Resolution of Stressed Assets laid down by RBI vide its circular RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated June 7, 2019 (previous year: Rs. Nil).

Further, the Bank has also not implemented any Resolution Plan during the financial year 2020-21 as per the Resolution Framework for COVID-19-related Stress laid down by RBI vide its circular RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 6, 2020.

(ab) Exposures:

Exposure to real estate sector

Categ	gory	As at 31 March 2021	As at 31 March 2020
A	Direct exposure	263,536,444	230,122,647
(i)	Residential mortgages –		
	Lendings fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented * Of which individual housing loans eligible for inclusion in priority	89,859,565	92,651,723
	sector advances	20,326	22,781
(ii)	Commercial real estate	171,216,369	134,551,584
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
	a. Residential	2,363,030	2,804,060
	b. Commercial Real estate	97,480	115,280
В	Indirect exposure	52,335,641	41,051,847
	Fund based and non-funded based exposures on National Housing		
	Bank (NHB) and Housing Finance Companies Others	52,335,641	41,051,847
	Total exposure to real estate sector (A+B)	315,872,085	271,174,494

^{*} Includes undrawn limits of Rs. 14,533 million (previous year: Rs. 15,499 million) pertaining to mortgages on residential property.

Exposure to capital market

		As at 31 March 2021	As at 31 March 2020
i.	direct investment in equity shares, convertible bonds, convertible debentures	3	
	and units of equity-oriented mutual funds the corpus of which is not		
	exclusively invested in corporate debt;	136,600	136,600
ii.	advances against shares/bonds/debentures or other securities or on clean basis	3	
	to individuals for investment in shares (including IPOs/ESOPs), convertible		
	bonds, convertible debentures, and units of equity-oriented mutual funds;	886	880
iii.	advances for any other purposes where shares or convertible bonds of	r	
	convertible debentures or units of equity oriented mutual funds are taken		
	as primary security;	-	•
iv.	advances for any other purposes to the extent secured by the collatera		
	security of shares or convertible bonds or convertible debentures or units		
	of equity oriented mutual funds i.e. where the primary security other than	1	
	shares/convertible bonds/convertible debentures/units of equity oriented	021 200	021.20
	mutual funds does not fully cover the advances;	821,300	821,30
V.	secured and unsecured advances to stockbrokers and guarantees issued or		2 020 20
	behalf of stockbrokers and market makers;	3,343,089	3,939,28
vi.	loans sanctioned to corporates against the security of shares/bonds/debentures		
	or other securities or on clean basis for meeting promoter's contribution to)	
	the equity of new companies in anticipation of raising resources;	_	
vii.	bridge loans to companies against expected equity flows/issues;	16,015,000	14,255,00
viii.	underwriting commitments taken up by the banks in respect of primary	<i>I</i>	
	issue of shares or convertible bonds or convertible debentures or units of		
	equity oriented mutual funds;	_	•
ix.	financing to stockbrokers for margin trading;	_	
x. xi.	all exposures to Venture Capital Funds (both registered and unregistered) Others	4,846,875	4,895,656
Λ1.			
	Total Exposure to Capital Market (i to xi)	25,163,750	24,048,72



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

- Notes to accounts (Continued)
- Statutory disclosures (Continued) 5.6
 - (ac) Restructured accounts

Particulars of accounts restructured

for the year ended 31 March 2021

(Rs. '000)

Sr	Type of Restructuri	ng		Unde	r CDR Mech	anism				Others					Total		
No	Asset Classification/Det	tails	Stand- ard	Sub- Stand- ard	Doubtful	Loss	Total	Stand- ard	Sub- Stand- ard	Doubtful	Loss	Total	Stand- ard	Sub- Stand- ard	Doubtful	Loss	Tota
1	Restructured accounts as on April 1 of the FY	No of borrowers	-	-	2	-	2	-	1	17	1	19	-	1	19	1	2
	(opening figures)*	Amount	-	-	89,035	-	89,035	-	460	4,854	53,562	58,876	-	460	93,889	53,562	147,91
		Provision thereon	-	-	117,567	-	117,567	-	267	4,863	53,562	58,692	-	267	122,430	53,562	176,25
2	Fresh Restructuring	No of borrowers	-	-	-	-	-	-	1,114	16	-	1,130	-	1,114	16	-	1,13
	during the year	Amount	-	-	-	-	-	-	740,322	3,568	-	743,890	-	740,322	3,568	-	743,89
		Provision thereon	-	-	2,794	-	2,794	-	185,081	3,568	-	188,649	-	185,081	6,362	-	191,4
3	Upgradations to restructured	No of borrowers	-	_	-	-	-	-	_	(3)	-	(3)	-	-	(3)	-	(
	standard category during the FY	Amount outstanding	-	-	-	-	-	-	-	(301)	-	(301)	-	-	(301)	-	(30
		Provision thereon	-	-	-	-	-	-	-	(301)	-	(301)	-	-	(301)	-	(30
4 Restructured standard advances which cease to attract higher	No of borrowers	-	_	-	-	-	-	-	-	-		-	-	-	-		
	to attract higher	Amount outstanding	-	-	-	-	-	-	-	-	-	-	-	_	-	-	
	provisioning and/or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	Provision thereon	-	-	-	-	_	-	-	_	-	_	-	-	-	-	
5	Downgradations of restructured	No of borrowers	_	_	1	ı	-	ı	(1)	1	ı	-	_	(1)	1	-	
	accounts during the FY	Amount	_	_	1	-	-	-	(457)	457	-	-	-	(457)	457	-	
		Provision thereon	-	-	_		-	-	(114)	457	-	343	-	(114)	457	-	3
6	Write-off of restructured	No of borrowers	-	-	-	-	_	-	-	(4)		(4)	-	-	(4)	_	
	accounts during the FY **	Amount outstanding Provision	_		(14,021)	-	(14,021)	-	(2)	(958)	(1,000)	(1,960)	-	(2)	(14,979)	(1,000)	(15,9
_	D. c. d. l.	thereon	-	-	(45,347)	-	(45,347)	-	(0)	(958)	-	(958)	-	(0)	(46,305)	-	(46,3
7	Restructured accounts as on March 31 of	No of borrowers	_	-	2	-	2	-	1,114	27	1	1,142	-	1,114	29	1	1,
	the FY (closing figures)*	Amount outstanding Provision	-	-	75,014	-	75,014	-	740,323	7,620	52,562	800,505	-	740,323	82,634	52,562	875,5
	(c.comg ngures)	thereon	-	-	75,014	-	75,014	-	185,234	7,629	53,562	246,425	-	185,234	82,643	53,562	321,4

^{*} Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).
** Includes recovery of restructured accounts as below.

Note: There are no restructured accounts under SME restructuring mechanism.

Recovery of restructured	No of borrowers	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
accounts during the FY	Amount outstanding	-	ı	(14,021)	-	(14,021)	-	(2)	(621)	(1,000)	(1,623)		(2)	(14,642)	(1,000)	(15,644)
	Provision thereon	ı	ı	(45,347)	-	(45,347)	-	(0)	(621)	-	(621)	-	(0)	(45,968)	-	(45,968)



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

- Notes to accounts (Continued)
- Statutory disclosures (Continued)
 - (ac) Restructured accounts (Continued)
 - Particulars of accounts restructured

for the year ended 31 March 2020

Sr	Type of Restructurin	σ		Unde	er CDR Mech	anism				Others					Total		s. 000
No	Asset Classification/Deta	-	Stand- ard	Sub- Stand- ard	Doubtful	Loss	Total	Stand- ard	Sub- Stand- ard	Doubtful	Loss	Total	Stand- ard	Sub- Stand- ard	Doubtful	Loss	Tota
1	Restructured accounts as on	No of borrowers	-	-	2	-	2	-	3	114	1	118	-	3	116	1	12
	April 1 of the FY (opening figures)*	Amount	_	-	68,795	_	68,795	_	859	6,760	54,000	61,619	-	859	75,555	54,000	130,41
		Provision thereon	_	_	89,035	-	89,035	-	367	6,769	54,100	61,236	_	367	95,805	54,100	150,27
2	Fresh Restructuring	No of borrowers	_	_	_	_	_	_	1	27	-	28	_	1	27	_	:
	during the year	Amount	_	_	20,240	_	20,240	_	468	221	_	689	_	468	20,461	_	20,9
		Provision thereon	_	_	28,532	_	28,532	_	117	221	_	338	_	117	28,753	-	28,8
3	Upgradations to restructured	No of borrowers	_	-	_	-	-	-	-	(78)	-	(78)	_	_	(78)	-	(7
	standard category during the FY	Amount	_	_	-	_	_	_	_	(420)	_	(420)	-	_	(420)	_	(42
		Provision thereon	_	_	_	_	_	-	_	(420)	_	(420)	_	_	(420)	_	(42
4	4 Restructured standard advances which cease to attract higher provisioning and/or	No of borrowers	-	-	-	-	_	-	_	_	-	_	-	-	_	-	
		Amount outstanding Provision	_	_	_	-	_	-	_	_	-	_	_	_	_	_	
	additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	thereon	-	-	-	-	-	-	-	-	-	-	-	_	-	-	
5	Downgradations of restructured	No of borrowers	_	_	_	-	_	_	(3)	3	_	_	_	(3)	3	_	
	accounts during the FY	Amount outstanding	_	_	-	-	_	-	(867)	762	_	(105)	_	(867)	762	_	(10
		Provision thereon	-	-	-	-	-	-	(217)	762	-	545	-	(217)	762	_	5
6	Write-off of restructured	No of borrowers	-	_	-	-	_	-	_	(49)	-	(49)	-	_	(49)	-	(4
	accounts during the FY **	Amount outstanding	-	-	-	-	-	_	-	(2,469)	(438)	(2,907)	_	-	(2,469)	(438)	(2,90
		Provision thereon	_	_	_	_	_	_	_	(2,469)	(538)	(3,007)	_	_	(2,469)	(538)	(3,00
7	Restructured accounts as on	No of borrowers	_	-	2	_	2	_	1	17	1	19	_	1	19	1	
	March 31 of the FY	Amount outstanding	-	-	89,035	-	89,035	-	460	4,854	53,562	58,876	-	460	93,889	53,562	147,9
	(closing figures)*	Provision thereon	_		117,567	-	117,567	-	267	4,863	53,562	58,692	_	267	122,430	53,562	176,2

^{*} Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).
** Includes recovery of restructured accounts as below.
Note: There are no restructured accounts under SME restructuring mechanism.

Recovery of	No of															
restructured	borrowers	-	-	-	_	-	-	-	_	_	-	-	_	-	-	-
accounts during the FY	Amount outstanding	-	ı	-	-	ı	-	-	(1,769)	(438)	(2,207)	ı	-	(1,769)	(438)	(2,207)
	Provision thereon	-	-	-	-	-	-	-	(1,769)	(538)	(2,307)	-	-	(1,769)	(538)	(2,307)



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021(Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

- 5 Notes to accounts (Continued)
- 5.6 Statutory disclosures (Continued)

(ad) Risk category wise Country Exposure

Provision for country risk exposure in line with RBI guidelines is as follows:

(Rs '000)

Classification	Exposure as at 31 March 2021*	Provision held as at 31 March 2021	Exposure as at 31 March 2020*	Provision held as at 31 March 2020
Insignificant	326,134,696	307,933	226,059,166	107,848
Low Risk	24,237,396	_	11,572,278	_
Moderately Low Risk	3,062,801	_	168,721	_
Moderate Risk	454,229	_	2,191,076	_
Moderately High Risk	12,205	_	10,067	_
High Risk	23,581	_	10,037	_
Very High Risk	_	_	_	_
Total	353,924,908	307,933	240,011,345	107,848

The above provision has been classified as 'Standard Asset provision' in Schedule 5.

(ae) Disclosure on Large Exposure Framework

The RBI has prescribed exposure limits for banks in respect of their lending to single counterparty/group of connected counterparties in form of Large Exposure Framework (LEF). The exposure limits prescribed are 20% of the bank's available eligible capital base at all times in case of single counterparty (SCL) and 25% of the bank's available eligible capital base at all times in case of group of connected counterparties (GCL). SCL can also be increased by a further 5% of the bank's available eligible capital base in exceptional cases as per the board approved policy of the Bank. On account of COVID 19 pandemic, as a one-time measure applicable up to June 30, 2021, a bank's exposure limit to a GCL is increased from 25% to 30% of the bank's available eligible capital base.

Further, Large Exposure Framework clarifies that the interbank exposure limit of an Indian branch of a foreign G-SIB with its Head Office will be 20% of its Tier I capital in India.

During the year, there was no breach of LEF limits for any of the exposures. (previous year: there was one instance where the Bank exceeded the prescribed exposure limit for which the bank immediately took action to remediate the breach by reducing its exposure on the following day).

(af) Intra-group exposure

(Rs '000)

	As at 31 March 2021	As at 31 March 2020
Total amount of intra-group exposures	34,277,833	34,825,926
Total amount of top-20 intra-group exposures	33,981,559	34,585,867
Percentage of intra-group exposures to total exposure of the bank on borrowers/customers	0.99%	1.22%
Details of break of limits on intra group exposures and regulatory	****	
action theron, if any	Nil	Nil

(ag) Concentration of Deposits

(Rs'000)

	As at 31 March 2021	As at 31 March 2020
Total Deposits of twenty largest depositors	435,192,849	289,550,832
Percentage of Deposits of twenty largest depositors to		
Total Deposits of the bank	26.33%	23.18%

(ah) Deposit Education and Awareness Fund (DEAF)

		()
	As at 31 March 2021	As at 31 March 2020
Opening balance of amounts transferred to DEAF	1,545,698	1,345,282
Add: Amounts transferred to DEAF during the year	278,866	217,904
Less: Amounts reimbursed by DEAF towards claims	(10,334)	(17,488)
Closing balance of amounts transferred to DEAF	1,814,230	1,545,698

Exposures are computed on gross basis



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

- 5 Notes to accounts (Continued)
- 5.6 Statutory disclosures (Continued)
 - (ai) Off Balance Sheet SPVs

The Bank has not sponsored any off-balance sheet SPVs (previous year: Rs. Nil).

(aj) Risk exposure in derivatives

Qualitative disclosure

Derivatives Usage, the associated risks and business purposes served

The Bank transacts derivatives for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business and to manage and hedge its own risks.

Our control of market risk in derivatives is based on a policy of restricting individual operations to trading within a list of permissible instruments authorised for the Bank, of enforcing new product approval procedures, and of restricting trading in the more complex derivative products (as permitted by regulations) only where appropriate levels of product expertise and robust control systems exist.

Derivatives (except for derivatives which are designated as effective hedging instruments) are held for trading. Within the held-for-trading classification are two types of derivatives: those used in sales and trading activities, and those used for risk management purposes but which for various reasons do not meet the qualifying criteria for hedge accounting. These activities are described more fully below.

Trading derivatives

Most of the Bank's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities include market-making and risk management.

Market-making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume.

Risk management activity is undertaken to manage the risk arising from client transactions, with the principal purpose of retaining client margin.

Other derivatives classified as held for trading include ineffective hedging derivatives and the components of hedging derivatives that are excluded from assessing hedge effectiveness. These derivative portfolios are not risk managed on a trading intent basis and are treated as non-traded risk for value at risk (VaR) measurement purposes.

Structure & organisation for management of risk in derivatives trading

The management of market risk arising from derivatives is undertaken in Markets using risk limits approved by an independent Risk function. 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.

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, risk reporting and risk monitoring systems

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.

Our VaR and stressed VaR models are predominantly based on historical simulation. VaR measures are calculated to a 99% confidence level and use a one-day holding period. The accuracy of our VaR models is routinely validated by back-testing the actual daily profit and loss results, adjusted to remove non-modelled items such as fees and commissions, against the corresponding VaR numbers.

Market Risk Limits are proposed by Local Global Markets. 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 Markets, 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.

Counterparty credit risk (CCR) arises from derivative transactions and is the risk that the counterparty to a transaction may default before completing the satisfactory settlement of the transaction. The measurement of CCR takes into account the current mark-to-market value to the Bank of a derivative contract and the expected potential change in that value over time caused by movements in market rates. CCR on contracts having a negative mark-to-market value to the Bank is restricted to the expected potential change in the value.

CCR is monitored against limits approved by authorised individuals within a framework of delegated authorities. These limits represent the peak exposure or loss to which the Bank could be subjected should the counterparty fail to perform its contractual obligations. These credit limits are set based on the Bank's credit risk assessment for the counterparty which inter alia considers the ability of the counterparty to honour its obligations in the event of crystallisation of the exposure.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

- 5 Notes to accounts (Continued)
- 5.6 Statutory disclosures (Continued)
 - (aj) Risk exposure in derivatives (Continued)

The International Swaps and Derivatives Association ('ISDA') Master Agreement is our preferred agreement for documenting derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter ('OTC') products is conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or another pre-agreed termination event occurs. It is common, and our preferred practice, for the parties to execute a Credit Support Annex ('CSA') in conjunction with the ISDA Master Agreement. Under a CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions. Despite these being a standard credit mitigant for OTC derivatives globally, market practice in this respect is still evolving in India. The Bank has executed a few CSAs and is negotiating with some more counterparties.

Valuation & Provisioning of Derivatives Contracts

The accounting policy for derivative financial instruments is set out in schedule 18 note 4.4. Further, the Bank conforms to the RBI guidelines on provisioning.

All trading derivatives are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Bank recognises a trading gain or loss on inception of the financial instrument, being the difference between the transaction price and the fair value. When unobservable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value from the transaction price as indicated by the valuation model is not recognised immediately in the income statement. Instead, it is recognised over the life of the transaction (also known as Day 1 P&L reserve) on an appropriate basis, when the inputs become observable, the transaction matures or is closed out, or when the Bank enters into an offsetting transaction.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value are measured in accordance with the Bank's valuation methodologies, which are described below.

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk-taker.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Bank will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value adjustments are adopted when the Bank considers that there are additional factors that would be considered by a market participant which are not incorporated within the valuation model. The typical types of fair value adjustments carried by the Bank are bid-offer adjustments, uncertainty adjustments, credit and debit valuation adjustments (CVA and DVA), funding fair value adjustments (FFVA) and Day 1 Profit and Loss reserve. A bid-offer adjustment recognises the cost to the Bank to close out the open market risk positions in the market as valuation models typically generate mid-market values. Where uncertainty exists about a market data or quote an adjustment may be made to recognise the same. CVA adjusts the fair value of a derivative to reflect the probability of default (PD) of a counterparty to meet its obligations under a derivative contract whereas DVA adjusts the fair value of a derivative to reflect the PD of the Bank failing to meet its obligations under a derivative contract. FFVA is a portfolio valuation adjustment that seeks to recognise within fair value the present value of the expected future cost or benefit of funding the uncollateralised derivative counterparty exposure over its remaining life.

Quantitative disclosure (Rs '000)

		As at 31	March 2021	As at 31	March 2020
Sr. No.	Particular	Currency	Interest Rate	Currency	Interest Rate
		Derivatives	Derivatives	Derivatives	Derivatives
1	Derivatives (Notional Principal Amount)				
	a) for hedging	_	_	_	_
	b) for trading	8,832,032,778	7,972,301,766	10,086,350,742	8,494,692,254
2	Marked-to-Market Position				
	a) Asset (+)	70,229,872	76,440,026	194,110,374	105,462,262
	b) Liability (-)	70,646,365	80,489,364	189,620,514	111,045,088
3	Credit Exposure #	249,123,713	114,430,517	315,466,048	126,675,381
4	Likely impact of one percentage point change	, ,	, ,	, ,	, ,
	in interest rate (100 x PV01)				
	a) on hedging derivatives	_	_	_	_
	b) on trading derivatives	2,735,815	11,511,614	911,029	4,986,138
5	Maximum and Minimum of 100 x PV01	_,,	,,	,,,	1,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
	observed during the year				
	a) on hedging				
	Maximum	_	_	_	_
	Minimum	_	_	_	_
	b) on trading				
	Maximum	3,131,943	11,936,779	1,450,192	5,895,896
	Minimum	388,611	4,609,796	692,109	1,211,048

The credit exposure is computed based on the current exposure method specified in the RBI Basel III norms.



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Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

5 Notes to accounts (Continued)

5.6 Statutory disclosures (Continued)

(aj) Risk exposure in derivatives (Continued)

Quantitative disclosure (Continued)

Currency derivatives include forwards, currency options, currency swaps and Currency Futures.

Interest rate derivatives include Forward Rate Agreements, Interest Rate Options, Interest Rate Swaps and Interest Rate Futures. The Bank did not have exposure to Credit Default Swap as on 31 March 2021.

(ak) Disclosure on interest rate swaps and forward rate agreements ('FRA')

(Rs '000)

		As at 31 March 2021	As at 31 March 2020
(i)	The notional principal of swap agreements	7,971,590,284	8,493,605,827
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	76,439,018	105,460,559
(iii)	Collateral required by the bank upon entering into swaps	-	-
(iv)	Concentration of credit risk arising from the swaps		
	- maximum single industry exposure with banks	- 00/	600/
	(previous year with banks)	59%	68%
(v)	The fair value of the swap book	(4,049,338)	(5,582,826)

The nature and terms of interest rate swaps outstanding are set out below:

(Rs '000)

		As at 31 March 2021			
Nature	Terms	No.	Notional	No.	Notional
Trading swaps	Receive floating pay floating	20	45,798,590	26	54,932,790
Trading swaps	Receive floating pay fixed	5,844	4,047,981,715	6,098	4,282,621,071
Trading swaps	Receive fixed pay floating	5,849	3,794,034,432	6,458	4,119,256,737
Trading swaps	Receive fixed pay fixed	5	9,428,116	4	9,433,080

The nature and terms of forward rate agreements outstanding are set out below:

(Rs '000)

		As at 3	1 March 2021	As at 3	1 March 2020
Nature	Terms	No.	Notional	No.	Notional
Trading swaps	Receive fixed pay floating	182	74,347,430	98	27,362,150

(al) Exchange traded interest rate derivatives

(Rs '000)

No.	Particulars	31 March 2021	31 March 2020
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)*		
	10 Yrs G Secs	_	-
(ii)	Notional principal amount of exchange traded interest rate derivatives		
	outstanding	_	-
(iii)	Notional principal amount of exchange traded interest rate derivatives		
	outstanding and not "highly effective"	_	_
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding		
	and not "highly effective"	_	_

^{*} Includes both purchase and sale.

(am) Subordinated debt

There was no subordinated debt that was outstanding at any point of time during the year ended 31 March 2021 (previous year: Rs. Nil).

(an) Penalties imposed by RBI

No penalties were paid to RBI during the year. (Previous year: Rs.Nil).

(ao) Operating Expenses – other expenditure

"Other expenditure" includes the following:

	For the year ended 31 March 2021	For the year ended 31 March 2020
Head office costs allocated	1,271,464	1,671,162
Services contracted out	13,801,443	10,100,166
PSLC cost	3,005,910	1,733,474



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

- 5 Notes to accounts (Continued)
- 5.6 Statutory disclosures (Continued)

(ap) Bancassurance income

During the year, the Bank earned an amount of Rs.886 million towards bancassurance income (previous year: Rs. 1,071 million).

(Rs '000)

Nature of Income	For the year ended 31 March 2021	For the year ended 31 March 2020
For selling life insurance products For selling non life insurance products For selling mutual fund products	132,605 15,374 738,406	190,507 15,166 865,826
Total	886,385	1,071,499

The bank is a principal agent of Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited for Life Insurance product and Bharti AXA General Insurance Company Limited for non-life insurance products.

(aq) Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED), the following disclosure is made based on the information and records available with the management in respect of the Micro, Small and Medium Enterprises who have registered with the competent authorities:

(Rs '000)

	31 March 2021	31 March 2020
Principal amount remaining unpaid to any registered supplier as at the year end Interest due thereon	5,471 -	9,989
Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed		
day during the accounting year	-	_
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED act	_	_
Amount of interest accrued and remaining unpaid at the end of the accounting year	_	_
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, under Section 23 of the MSMED act	_	_

(ar) Maturity pattern

Management has made certain estimates and assumptions in respect of behavioural maturities of non-term assets and liabilities and trading securities while compiling their maturity profile which is consistent with the Bank's reporting to the RBI which have been relied upon by the auditors.

As at 31 March 2021 (Rs '000)

	Day 1	2 to 7 days	8 to 14 days	15-30 days	31 days to 2 months	2 months to 3 months	Over 3 months to 6 months	Over 6 months to 12 months	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans and Advances	5,243,861	9,252,014	18,697,172	59,557,787	63,099,881	15,370,847	82,034,688	72,923,124	145,019,080	136,397,060	109,135,228	716,730,742
Investment Securities	624,346,390	79,279,546	6,884,284	2,747,980	35,959,320	3,197,315	9,741,562	31,473,922	33,789,376	5,996,847	1,526,058	834,942,600
Deposits	108,884,963	196,095,800	101,949,121	211,754,212	114,006,721	87,603,058	81,020,386	169,033,623	97,439,475	484,925,676	1,623	1,652,714,658
Borrowings	2,894,498	117,250,396	6,992,708	277,500	332,900	610,400	1,563,700	1,997,400	2,376,300	· · · -	_	134,295,802
Foreign Currency												
Assets	4,276,549	126,600,106	1,649,234	5,557,673	41,048,688	5,679,620	9,378,734	4,516,228	19,723,585	7,075,229	5,837,950	231,343,596
Foreign Currency												
Liabilities	17,260,106	4,334,680	243,840	1,742,055	1,630,664	1,827,197	7,799,211	9,264,642	12,653,177	44,237,476	9,818,650	110,811,698

In accordance with the ALM guideline issued by RBI, the estimates and behavioural assumptions used by the Bank for classification of assets and liabilities under the different maturity buckets is based on the returns submitted to RBI for the relevant periods.

As at 31 March 2020 (Rs '000)

	Day 1	2 to 7 days	8 to 14 days	15-30 days	31 days to 2 months	2 months to 3	Over 3 months to	Over 6 months to	Over 1 year to	Over 3 years to	Over 5 years	Total
						months	6 months	12 months	3 years	5 years		
Loans and Advances	9,639,602	60,320,410	21,099,449	70,912,948	48,341,399	57,734,033	77,865,715	74,129,817	118,143,421	111,846,185	115,773,677	765,806,656
Investment Securities	385,314,220	49,676,878	91,343,796	24,800,713	6,293,753	7,523,531	13,965,340	22,950,717	77,215,793	11,742,141	25,393,248	716,220,130
Deposits	62,395,515	166,007,536	69,263,356	136,798,703	67,137,304	64,163,471	56,528,390	94,600,096	62,761,615	468,873,402	378	1,248,529,766
Borrowings	1,092,637	110,837,987	94,721,179	277,500	243,400	520,900	2,562,700	13,408,573	20,752,478	-	_	244,417,354
Foreign Currency												
Assets	32,914,905	18,789,206	7,778,701	41,876,765	34,359,895	36,333,348	41,284,168	51,792,299	30,453,126	9,124,381	11,562,830	316,269,624
Foreign Currency												
Liabilities	10,586,763	51,007,032	1,125,512	35,799,355	24,043,275	25,097,224	39,551,855	52,122,728	23,893,243	52,257,910	12,157,722	327,642,619

Moratorium offered to customers based on RBI COVID-19 relief package announced on 27th March 2020 has been adjusted in above maturity profile except for credit cards as same are reported based on behavioral study.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

- 5 Notes to accounts (Continued)
- 5.6 Statutory disclosures (Continued)
 - (as) Overseas Assets, NPAs and Revenue

As the Bank is a branch of a foreign bank, this disclosure is not considered applicable.

(at) Liquidity Coverage Ratio

Qualitative disclosure

The Liquidity Coverage Ratio (LCR) promotes the short term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient unencumbered High Quality Liquid Assets (HQLAs) (which can be converted readily into cash) to survive in an acute scenario lasting for 30 days, by which time it is assumed that appropriate corrective action would be taken.

The Bank has maintained an LCR of 135% as at 31 Mar 2021 and average LCR ratio as of 177% for the financial year ending March 2021 (based on the simple average of the daily values for the year ended March 31, 2021) which remains well above the minimum regulatory requirement.

i. Main drivers of LCR results and evolution of contribution of inputs to LCR's calculation over time

The key components/drivers of the LCR are (i) stock of HQLA and (ii) Net cash outflows over the next 30 calendar days. HQLA comprises high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. They should be unencumbered and easily convertible into cash at little or no loss of value. Net cash outflows are the total expected cash outflows minus expected cash inflows for the subsequent 30 calendar days. Cash outflows and inflows are calculated by multiplying outstanding balances of various types of liabilities and off-balance sheet commitment and various categories of contractual receivables by the prescribed outflows/inflows rates. Total inflows are capped at 75% of total outflows for LCR computation. The contribution of Facility to Avail Liquidity for LCR (FALLCR) and Marginal Standing Facility (MSF) has increased over time with RBI permitting up to 18% of Net Demand and Time Liabilities (NDTL) as at 31 March 2021. As a part of COVID-19 liquidity support measure, additional MSF of 1% is available till 30 September 2021.

ii. Intra period changes as well as changes over time

The LCR requirement is binding for banks from 1 January 2015; with the minimum requirement of 100% applicable from 1 January 2019. As a part of COVID-19 liquidity support measure, RBI, vide its notification dated April 17, 2020 has lowered the LCR requirement to 80% from April 17, 2020 with gradual phase back to 90% from October 1, 2020 and to 100% from April 1, 2021.

The change in LCR from Q3 2020-21 to Q4 2020-21 is attributable to the change in treatment of unsecured wholesale funding for computation of outflows in accordance with extant RBI circular on LCR.

iii. Composition of HQLA

Level 1 assets for the Bank comprise 97% of the total average HQLAs for the period 01 April 2020 to 31 March 2021 which are in the form of cash, excess CRR, excess SLR securities and US Treasury Bills. This also includes the regulatory dispensation allowed up to 18% (including 1% increase in Marginal Standing facility) of Net Demand and Time Liabilities in the form of borrowing limit available through MSF and FALLCR.

Level 2 assets are further divided as Level 2A and Level 2B. For the Bank, Level 2A assets consist of bonds issued by Public Sector Entities that are assigned a 20% risk weight under the BASEL II Standardised Approach for credit risk. Bonds issued by non-financial corporate and commercial papers that are assigned a credit rating of AA- or above are also classified as Level 2A. For the period April 2020 to March 2021, the Bank held investments in papers that qualified as Level 2A assets with a haircut of 15% and which constituted approximately 3% of the total average HQLAs, well below the maximum cap of 40%.

iv. Concentration of funding sources

The purpose of monitoring the funding sources is to ensure that there is no significant source, the withdrawal of which could trigger liquidity problems. The Bank relies on the customer deposits as the primary source of stable funds. The level of customer deposits continues to exceed the level of loans to customers. The Bank's customer deposits are diversified across retail, commercial, corporate and institutional clients as well as across products, tenors.

v. Derivative exposure and potential collateral calls

The net of outflows and inflows of derivative exposures in the next 30 calendar days are included in the LCR calculations. Further, historical look back approach is considered to arrive at an expected outflow related to market valuation changes. The largest absolute net 30-day collateral flow realized during the preceding 24 months is taken as outflow for LCR computation.

vi. Currency mismatch in LCR

LCR computation is aggregated across currencies, with the predominant currency being INR. The foreign currency advances are mainly in USD and are primarily funded through foreign currency deposits.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

- 5 Notes to accounts (Continued)
- 5.6 Statutory disclosures (Continued)
 - (at) Liquidity Coverage Ratio (Continued)

vii. Description of the degree of centralization of liquidity management and interaction between group's units.

The Bank's liquidity and funding management activities are managed centrally by the Markets Treasury team. The framework and policy around the liquidity and funding management is driven through the Asset, Liability and Capital Management (ALCM) and Treasury Risk function. The liquidity risk management policies are approved by the Asset and Liability Management Committee (ALCO)/Executive Committee (EXCO). The Bank has in place its internal framework for monitoring of the balance sheet on a daily basis against the prescribed internal limits. The Bank also maintains a Contingency Funding Plan, which outlines the actions to be taken to meet any liquidity crisis scenarios that may emerge.

viii. Other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile.

N1l.

Sr. No.	Particulars	Three mon 31 Marc		Three mon 31 Decem		Three mon 30 Septem		Three mont 30 June		Three mon 31 Marc	
		Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighted Value (average)	Unweighted Value (average)	Total Weighte Value (average
Hig	h quality liquid assets										
1.	Total high quality liquid assets	s NA	924,677	NA	920,425	NA	790,918	NA	601,584	NA	520,03
	h Outflows										
2.	Retail deposits and deposits										
	from small business customers	,									
	of which:	262,446	23,329	258,775	22,963	260,501	23,125	261,860	23,349	238,308	22,90
	(i) Stable Deposits	58,316	2,916	58,288	2,914	58,500	2,925	56,742	2,837	18,504	92
	(ii) Less Stable Deposits	204,130	20,413	200,487	20,049	202,001	20,200	205,119	20,512	219,804	21,98
3.	Unsecured wholesale funding,										
	of which:	1,434,029	795,737	1,084,633	510,503	993,095	458,260	902,746	410,163	740,175	347,44
	(i) Operational deposits										
	(all counterparties)	_	_	222,208	55,426	209,145	52,278	206,029	51,397	200,589	50,00
	(ii) Non-operational deposits										
	(all counterparties)	1,429,165	790,873	854,892	447,544	779,654	401,686	688,707	350,757	539,586	297,3
	(iii) Unsecured debt	4,864	4,864	7,533	7,533	4,296	4,296	8,010	8,010	_	
4.	Secured wholesale funding	NA	_	NA	_	NA	-	NA	_	NA	
5.	Additional requirements,										
	of which	64,111	12,487	75,387	15,067	70,026	15,481	83,592	21,782	65,240	11,70
	(i) Outflows related to										
	derivative exposures and										
	other collateral requiremen	its 7,165	7,165	6,116	6,116	7,321	7,321	7,673	7,673	3,725	3,72
	(ii) Outflows related to loss of										
	funding on debt products	_	_	-	-	_	-	_	_	-	
	(iii) Credit and liquidity facilities	es 56,946	5,322	69,271	8,951	62,705	8,160	75,919	14,109	61,515	8,03
6.	Other contractual funding										
	obligations	36,525	36,525	23,386	23,386	17,949	17,949	15,126	15,126	5,688	5,68
7.	Other contingent funding										
	obligations	1,449,283	60,838	1,364,817	56,695	1,274,425	53,014	1,207,627	50,011	1,211,962	49,93
8.	TOTAL CASH OUTFLOWS	NA	928,916	NA	628,614	NA	567,829	NA	520,431	NA	437,73
Cas	h Inflows										
	Secured Lending Inflows from fully	429,110	-	329,701	-	252,978	-	139,592	-	58,922	
	performing exposures	312,503	264,125	242,558	191,334	219,239	170,123	212,016	154,082	210,065	144,62
11.	Other cash inflows	15,270	10,344	12,423	8,782	9,286	6,676	15,393	12,008	12,581	8,38
12.	TOTAL CASH INFLOWS	756,883	274,469	584,682	200,116	481,503	176,799	367,001	166,090	281,568	153,00
13.	Total HQLA	NA	924,677	NA	920,425	NA	790,918	NA	601,584	NA	520,03
14.	Total net cash outflows	NA	654,447	NA	428,498	NA	391,030	NA	354,341	NA	284,72
15.	Liquidty Coverage Ratio (%)	NA	141.3%	NA	214.8%	NA	202.3%	NA	169.8%	NA	182.6



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

- 5 Notes to accounts (Continued)
- 5.6 Statutory disclosures (Continued)
 - (au) Letters of comfort

The Bank has not issued any letters of comfort during the year ended 31 March 2021 (previous year: Rs. Nil).

(av) Remuneration policy

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

(aw) Drawdown from reserves

The Bank has not drawn down from reserves during the year ended 31 March 2021 (previous year: Rs. Nil).

(ax) Disclosure of complaints

	Summary information on complaints received by the bank from	n customers and from	the OBOs
Sr.No.	No. Particulars For the year end 31 March 20		For the year ended 31 March 2020
	Complaints received by the bank from its customers		
1.	No. of complaints pending at the beginning of the year	218	487
2.	No. of complaints received during the year	12,987	14,904
3.	No. of complaints disposed during the year	12,846	15,173
3.1	Of which, number of complaints rejected by the bank	2,621	4,068
4.	No. of complaints pending at the end of the year	359	218
	Maintainable complaints received by the bank from OBOs		
5.	Number of maintainable complaints received by the bank from OBO	s 513	229
5.1	Of 5, number of complaints resolved in favour of the bank by BOs	238	78
5.2	Of 5, number of complaints resolved through conciliation/mediation	/	
	advisories issued by BOs	275	151
5.3	Of 5, number of complaints resolved after passing of Awards by BOs	}	
	against the bank	0	0
6.	Number of Awards unimplemented within the stipulated time		
	(other than those appealed)	0	0

^{1.} Maintainable complaints have been identified as per data provided by CEPD, RBI for the period under review.

Complaints have been recorded from date received by OBO Office and closed during the specified periods, including those brought forward from the previous year.

	Top five gro	ounds of comp	laints received by	the bank from cu	stomers
Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ (decrease) in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6 1 0 1
		For the	year ended 31 Ma	rch 2021	
Credit Cards	69	3,390	(22.92%)	103	1
ATM/Debit Cards	57	1,605	(37.01%)	57	0
Loans and advances	19	1,525	25.62%	47	1
Account opening/difficulty in					
operation of accounts	12	1,135	22.70%	19	
Internet/Mobile/Electronic Banking	12	955	(9.74%)	27	1
Others	49	4,377	(8.07%)	106	5
Total	218	12,987	(12.86%)	359	9
		For th	e year ended 31 Ma	arch 2020	
Credit Cards	178	4,398	(24.08%)	69	0
ATM/Debit Cards	142	2,548	(31.41%)	57	0
Loans and advances	19	1,214	(26.51%)	19	1
Internet/Mobile/Electronic Banking	28	1,058	(29.84%)	12	4
Account opening/difficulty in operation					
of accounts	11	925	(46.56%)	12	0
Others	109	4,761	(33.06%)	49	6
Total	487	14,904	(30.71%)	218	11



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

5 Notes to accounts (Continued)

5.6 Statutory disclosures (Continued)

(ay) Factoring services

The Bank has receivables acquired under factoring services amounting to Rs. 18,407 million as on 31 March 2021 (previous year: Rs 6.065 million).

(az) Details of provisioning pertaining to fraud accounts

The following table sets forth, for the periods indicated, the details of provisioning pertaining to fraud acounts.

(Rs '000)

	For the year ended 31 March 2021	For the year ended 31 March 2020
Number of frauds reported	2,579	3,624
Amount involved in frauds	92,351	102,174
Provision made	8,395	14,638
Unamortised provision debited from balance in profit and loss account		
under 'Reserves and Surplus'	_	_

(ba) Disclosure - COVID-19 Regulatory Package

Consequent to the outbreak of the COVID-19 pandemic, the Indian government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the government, but regional lockdowns continue to be implemented in areas with a significant number of COVID-19 cases.

The impact of COVID-19, including changes in customer behaviour and pandemic fears, as well as restrictions on business and individual activities, has led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activities. The slowdown during the year led to a decrease in loan originations, the sale of third party products, the use of credit and debit cards by customers and the efficiency in collection efforts. This may lead to a rise in the number of customer defaults and consequently an increase in provisions there against. The extent to which the COVID-19 pandemic, including the current "second wave" that has significantly increased the number of cases in India, will continue to impact the Bank's results will depend on ongoing as well as future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by us.

In accordance with the COVID-19 Regulatory Packages announced by the RBI on March 27, 2020, April 17, 2020 and May 23, 2020, the Bank, in accordance with its board approved policy, offered a moratorium on the repayment of all instalments and/or interest, as applicable, due between March 1, 2020 and August 31, 2020 to all eligible borrowers classified as standard, even if overdue, as on February 29, 2020. In respect of such accounts that were granted moratorium, the asset classification remained standstill during the moratorium period.

The quantitative disclosures as required by the above referred RBI circular dated April 17, 2020 are given below:

(Rs '000)

Particulars	For the year ended 31 March 2021
Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended, in terms of paragraph 2 and 3 of the circular#	834,276
Respective amount where asset classification benefits is extended*	695,786
Provisions made during the quarter ended 31 March 2020 and 30 June 2020 in terms of para 5 of the circular	209,461
Provisions adjusted during the respective accounting periods against slippages in terms of paragraph 6 of the circular**	126,033
Residual provisions as of 31 March 2021 in terms of paragraph 6 of the circular	83,428

[#] represents balance in respect of SMA accounts as on 31 March 2021

(bb) Details of MSME advances subjected to restructuring

The following table sets forth, for the periods indicated, the details of MSME advances subjected to restructuring as per RBI circular RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated 6 August 2020.

	For the year ended 31 March 2021	For the year ended 31 March 2020
Number of accounts restructured	1	-
Amount outstanding	131,950	-

^{*} represents SMA accounts where asset classification benefit is extended

^{**} This includes provision adjusted against slippages and release of provision for accounts which opted out of moratorium



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Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

5 Notes to accounts (Continued)

5.6 Statutory disclosures (Continued)

(bc) Refund/adjustment of 'interest on interest'

In accordance with the instructions in the paragraph 5 of the RBI circular dated April 07, 2021, the Bank shall refund/adjust 'interest on interest' to all borrowers including those who had availed of working capital facilities during the moratorium period, irrespective of whether moratorium had been fully or partially availed, or not availed. Pursuant to these instructions, the methodology for calculation of the amount of such 'interest on interest' is finalised by the Indian Banks Association (IBA) in consultation with other industry participants/bodies. Based on the IBA Methodology the Bank has created a liability towards estimated interest relief of Rs. 51 million and has reduced the same from interest earned for the year ended 31 March 2021.

5.7 Employee benefits

a) Summary

(Rs '000)

	As at 31 M	As at 31 March 2021		March 2020
	Gratuity	Pension	Gratuity	Pension
Defined benefit obligation	1,418,083	2,209,622	1,305,582	3,687,716
Fair value of plan assets	1,349,163	1,628,250	1,158,716	1,559,886
Net Deficit	68,920	581,372	146,866	2,127,830
			:	

The pension liability includes a liability in respect of the unfunded plans of Rs. 347 million (previous year: Rs. 356 million).

The majority of the plan assets are invested in government securities, corporate bonds, special deposit schemes and mutual funds.

b) Changes in present value of defined benefit obligations

(Rs '000)

	For the year ended For the year 31 March 2021 31 March		year ended irch 2020	
	Gratuity	Pension	Gratuity	Pension
Opening balance	1,305,582	3,687,716	1,154,801	2,745,030
Current service cost	86,494	76,479	80,690	93,795
Interest cost	83,816	164,435	84,064	206,040
Plan amendment		(1,623,293)	· –	· –
Benefits paid	(71,273)	(132,656)	(97,394)	(84,707)
Actuarial loss/(gain) recognised during the year	13,464	36,941	83,421	727,558
Closing Balance	1,418,083	2,209,622	1,305,582	3,687,716

c) Changes in the fair value of plan assets

(Rs '000)

	For the year ended 31 March 2021			year ended rch 2020
	Gratuity	Pension	Gratuity	Pension
Opening balance	1,158,716	1,559,886	1,008,097	1,459,457
Expected return on plan assets	95,726	120,536	82,632	114,455
Contributions by the bank	147,000	_	147,000	_
Benefits paid	(71,273)	(106,379)	(97,394)	(57,528)
Actuarial gain recognised during the year	18,994	54,207	18,381	43,502
Closing Balance	1,349,163	1,628,250	1,158,716	1,559,886
Actual return on plan assets	114,720	174,743	101,013	157,957

Based on actuarial valuation report expected contribution of the Bank is Rs. 69 million to the gratuity plan assets and Rs. 235 million to the pension assets for the annual period ending on 31 March 2022.

d) Total expense recognised in the profit and loss account in schedule 16 (1)

	For the year ended 31 March 2021			
	Gratuity	Pension	Gratuity	Pension
Current service cost	86,494	76,479	80,690	93,795
Interest cost	83,816	164,435	84,064	206,040
Plan amendment	_	(1,623,293)	_	-
Expected return on plan assets	(95,726)	(120,536)	(82,632)	(114,455)
Net actuarial (gain)/loss recognised during the year	(5,530)	(17,266)	65,040	684,056
	69,054	(1,520,181)	147,162	869,436



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

5 Notes to accounts (Continued)

5.7 Employee benefits (Continued)

e) Key assumptions

	For the year ended 31 March 2021			year ended rch 2020
	Gratuity	Pension	Gratuity	Pension
Salary Escalation#	5.5%-11%	11%	6%-11%	11%
Discount rate*	6.4%	6.3%	6.6%	6.6%
Expected rate of return on plan assets	8%	8%	8%	8%
Attrition rate	1.5%-14%	1.5%-14%	1.5%-14%	1.5%-14%

[#] Salary escalation rate varies based on the category of employees, their salary terms and future period of employment. Further, the estimates of future salary increases, considered in actuarial valuation, take into consideration inflation, seniority, promotion, bipartite settlements and other relevant factors such as supply and demand in the employment market.

f) Experience adjustments

(Rs '000)

	For the year ended 31 March					
	2021	2020	2019	2018	201	
Gratuity						
Defined benefit obligation	1,418,083	1,305,582	1,154,801	1,058,961	924,93	
Fair value of plan assets	1,349,163	1,158,716	1,008,097	843,257	983,22	
Net deficit/(surplus)	68,920	146,866	146,704	215,704	(58,290	
Experience loss on plan liabilities	27,596	18,923	28,283	20,632	49,79	
Experience (gain)/loss on plan assets	(18,994)	(18,381)	6,849	108,455	(122,150	
Pension						
Defined benefit obligation	2,209,622	3,687,716	2,745,030	2,515,636	3,580,16	
Fair value of plan assets	1,628,250	1,559,886	1,459,457	1,380,705	1,557,60	
Net deficit	581,372	2,127,830	1,285,573	1,134,931	2,022,56	
Experience (gain)/loss on plan liabilities	(67,954)	77,365	(76,764)	184,361	(71,258	
Experience (gain)/loss on plan assets	(54,207)	(43,502)	(15,533)	51,944	(106,663	

g) Defined contribution plan

The Bank has recognised an amount of Rs. 378 million as an expense for the defined contribution plan of provident fund (previous year: Rs. 355 million) and Rs. 11 million towards defined contribution plan of pension fund (previous year: Rs. 11 million).

5.8 Employee share-based payments

Eligible employees of the Bank have been granted options/awards of equity shares of the ultimate holding company HSBC Holdings plc. As per the schemes, these options/awards vest in a graded manner over an average period of one to five years. During the year the Bank has included these costs under "Payments to and provisions for employees" as compensation cost.

5.9 Segment Reporting

Segment Description

In line with the RBI guidelines, the Bank has identified "Treasury", "Retail Banking", "Corporate Banking", and "Other Banking Business" as the primary reporting segments.

Treasury undertakes trading operations, derivatives trading and foreign exchange operations. Principal expenses of this segment comprise interest on market borrowings, personnel costs and other direct overheads and allocated expenses.

Retail Banking includes personal banking business of the Bank, servicing retail customers and offering personal banking products. This segment includes exposures, which fulfill the four criteria of orientation, product, granularity and low value of individual exposures for retail exposures as detailed in the RBI guidelines for "Segment Reporting". Credit card operations and home loans are also included in Retail Banking.

Corporate Banking caters to the Corporate and Institutional customers. This segment includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under "Retail Banking". These also include custody operations, payment and settlement operations and factoring advances. Small and medium enterprises are also included in Corporate Banking.

Other Banking Business includes all other banking operations not covered under "Treasury", "Retail Banking" and "Corporate Banking" segments. It also includes all other residual operations such as para banking transactions/activities, except for credit card, factoring business, custody operations and payment and settlement operations.

^{* 6.9%} for unfunded pension schemes (previous year: 6.9%).



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Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

5 Notes to accounts (Continued)

5.9 Segment Reporting (Continued)

Segment Description (Continued)

Expense of these segments comprises interest expense on deposits, infrastructure cost for the branch network, personnel costs, other direct overheads and allocated expenses.

Segment revenues stated below are aggregate of Schedule 13 - Interest income and Schedule 14 - Other income and after considering the net fund transfer pricing adjustment. Treasury gives notional interest benefit to other divisions for the funds mobilised by the latter through deposits, and similarly charges notional interest to other divisions for the funds utilised by them for lending and investment purposes. Based on tenor of assets/liabilities and market scenarios, Treasury calculates notional interest rates used for this purpose.

(Rs '000)

Business Segments	Treasury	Retail Banking	Corporate Banking	Other Banking Business	Total
Particulars		For th	e year ended 31 N	March 2021	
Segment Revenue	37,277,022	20,382,883	85,656,135	1,079,441	144,395,481
Segment Result Unallocated expenses Unallocated provisions Extraordinary items	29,992,685	(3,791,857)	41,602,553	(1,652,488)	66,150,893 (1,271,464)
Profit before taxes Income taxes					64,879,429 (28,560,322)
Net profit					36,319,107
			As at 31 March 20	021	
Other information Segment assets Unallocated assets	1,448,854,430	80,882,033	713,353,936	46,956,003	2,290,046,402 9,411,893
Total assets Segment liabilities Unallocated liabilities Total net assets	300,278,368	258,095,685	1,430,667,866	15,182,422	2,299,458,295 2,004,224,341 580,218 294,653,736
Depreciation Non cash Expense other than depreciatio	250 n (674,572)	37,695 3,112,617	4,183 (695,267)	724,526 -	766,654 1,742,778

(Rs '000)

Business Segments	Treasury	Retail Banking	Corporate Banking	Other Banking Business	Total	
Particulars	For the year ended 31 March 2020					
Segment Revenue	34,040,700	23,485,276	79,231,262	1,265,225	138,022,463	
Segment Result Unallocated expenses Unallocated provisions Extraordinary items	22,382,873	708,908	30,796,601	(612,230)	53,276,152 (1,671,162) - -	
Profit before taxes Income taxes					51,604,990 (23,828,747)	
Net profit		As	at 31 March 2020		<u>27,776,243</u>	
Other information Segment assets Unallocated assets	1,198,558,537	112,595,154	748,676,254	38,579,877	2,098,409,822 12,736,767	
Total assets Segment liabilities Unallocated liabilities	525,492,411	252,410,542	1,047,016,147	27,513,473	2,111,146,589 1,852,432,573 95,124	
Total net assets					258,618,892	
Depreciation	114	19,703	1,655	705,794	727,266	
Non cash Expense other than depreciation	282,248	1,084,269	3,704,630	_	5,071,147	

In computing the above information, certain estimates and assumptions have been made by the management which were relied upon by the auditors.

Geographical segments

The Bank does not have overseas operations and is considered to operate only in the domestic segment.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

5 Notes to accounts (Continued)

5.10 Related parties

The related parties of the Bank are broadly classified as follows:

a) Parent

The Hongkong and Shanghai Banking Corporation Limited, Hong Kong (HBAP) is the Head office of the Bank and HSBC Holdings plc is the ultimate holding company of the Bank.

b) Branch Offices

Branch offices comprise all branches of The Hongkong and Shanghai Banking Corporation Limited outside India and The Hongkong and Shanghai Banking Corporation Limited, GIFT City branch.

c) Fellow subsidiaries

Fellow subsidiaries comprise companies, which have a common ultimate holding company, HSBC Holdings plc. These are as follows:

HSBC Bank plc and branches

HSBC Bank plc UK ops

HSBC Holdings

HSBC Private Equity Management (Mauritius) Limited (Liaison office)

HSBC Bank Canada

HSBC Bank Malaysia Berhad

HSBC Trinkaus and Burkhardt AG

HSBC Bank Mauritius Limited

HSBC Bank Australia Limited

HSBC France and branches

HSBC Bank (China) Company Limited

HSBC Software Development (Guangdong) Limited

HSBC Bank Oman SAOG

HSBC Bank A.S. Turkey

HSBC Bank Polska S.A.

HSBC Bank (RR) Moscow

HSBC Software Development (Malaysia) Sdn Bhd

HSBC Service Delivery (Czech Republic) S.R.O

HUSI North America

HSBC Bank (Taiwan) Limited

HSBC Bank (Singapore) Limited

HSBC Bank (Vietnam) Limited

HSBC Germany Holdings GmbH

HSBC Global Services (UK) Limited

HSBC Global Services (HK) Limited

HSBC Bank Middle East Limited and branches

HSBC Private Banking Holdings (Suisse) SA

HSBC Bank USA, N.A.

HSBC Global Services Limited

HSBC Investsmart Financial Services Limited

HSBC Asset Management (India) Private Limited

HSBC Professional Services (India) Private Limited

HSBC Electronic Data Processing India Private Limited

HSBC Invest Direct (India) Limited

HSBC Invest Direct Securities (India) Private Limited

HSBC Securities and Capital Markets (India) Private Limited

HSBC Software Development (India) Private Limited

HSBC Invest Direct Financial Services (India) Limited

HSBC Invest Direct Sales & Marketing (India) Limited

Republic Leasing Uruguay SA

HSBC Services Japan Limited

HSBC Service Delivery (Poland) Sp. z o.o

HSBC Group Management Services Limited

HSBC Markets (USA) Inc.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

5 Notes to accounts (Continued)

5.10 Related parties (Continued)

d) Other Related Parties

Canara HSBC Oriental Bank of Commerce Insurance Company Limited

Saudi British Bank

e) Key management personnel and subsidiaries

Group Managing Director and Co-Chief Executive Officer, Asia Pacific Mr. Surendra Rosha who was the CEO of the Bank as at 31 March 2021 is considered the Key Management Personnel of the Bank.

HSBC Agency (India) Private Limited is the only subsidiary of the Bank.

The transactions of the Bank with related parties are detailed below except where there is only one related party (i.e. key management personnel and subsidiary in line with RBI circular DBR.BP.BC No.23/21.04.018/2015-16 dated 01 July 2015): Income/Expense during the year with related parties is as follows:

(Rs '000)

	Pai	rent	Fellow Subs Other Relat	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Interest Paid	_	_	331,774	183,522
Interest Received	_	_	131,336	986,825
Rendering of Services	_	_	505,341	341,153
Receiving of Services	1,271,464	1,671,162	14,769,522	8,635,365

(Rs '000)

	Branch offices	
	31 March 2021	31 March 2020
Interest Paid	38,749	487,763
Interest Received	11	89,860
Rendering of Services	314,356	286,380
Receiving of Services	641,537	884,012

Balances with related parties are as follows:

(Rs '000)

Parent	As at 31 March 2021	Maximum during the year 2021	As at 31 March 2020	Maximum during the year 2020
Borrowings	_	_	_	_
Deposit	_	_	_	_
Placement of deposits/other as	set –	_	_	
Advances	_	_	_	_
Nostro balances	_	_	_	_
Other liabilities	580,218	580,218	95,124	392,459
Non Funded Commitments	_	_	_	_

Branch offices	As at 31 March 2021	Maximum during the year 2021	As at 31 March 2020	Maximum ¹ duri the year 20
Borrowings	_	45,304,873	43,791,573	52,097,1
Deposit/other liability	3,978,263	14,020,284	1,723,284	10,510,7
Placement of deposits/other ass	et 160,326	2,529,652	651,664	27,689,4
Advances	_	_	_	
Nostro balances	1,225,416	4,601,695	1,918,678	6,266,4
Positive MTMs	13,233,057	28,499,038	27,356,382	34,397,6
Negative MTMs	19,363,216	24,268,613	31,880,415	31,880,4
Derivative notionals	1,256,197,183	1,470,188,362	1,454,085,988	1,663,615,3
Non Funded Commitments	12,007,884	17,573,154	15,198,356	17,178,7



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

5 Notes to accounts (Continued)

5.10 Related parties (Continued)

e) Key management personnel and subsidiaries (Continued)

(Rs '000)

Fellow Subsidiaries & Other Related Parties	As at 31 March 2021	Maximum ¹ during the year 2021	As at 31 March 2020	Maximum ¹ during the year 2020
Borrowings	2,687,542	74,213,550	1,092,638	22,589,439
Deposit/other liability	27,069,593	46,863,239	25,349,946	46,406,604
Placement of deposits/other asset	19,337	74,802	4,035	77,562
Advances	_	7,080,000	7,080,000	9,980,000
Nostro balances	2,359,281	18,076,084	1,739,339	12,998,540
Positive MTMs	372,954	637,814	508,957	1,744,395
Negative MTMs	314,936	10,785,998	593,156	15,455,912
Derivative notionals	50,221,187	100,337,082	45,304,361	176,879,835
Investments	100	100	100	100
Non Funded Commitments	15,969,632	18,393,359	18,039,229	18,823,356

Disclosure of maximum balances has been enhanced and presented based on comparison of the total outstanding daily balances during the financial year.

Material related party transactions (Amounts in Rs. 000's)

A related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category. Following are such related party transactions. All amounts are Indian Rupees in thousands.

Interest paid:

Payment of interest to HBAP Hong Kong Branch Rs. 38,715 (previous year: Rs. 487,276), HSBC Electronic Data Processing India Private Limited Rs. 172,409 (previous year: Rs. 120,485), HSBC Software Development (India) Private Limited Rs. 124,936 (previous year: Rs. 37,955).

Interest received:

Interest received from HBAP Hong Kong Branch Rs. 11 (previous year: Rs. 89,860), HSBC Electronic Data Processing India Private Limited Rs. 29,613 (previous year: Rs. 298,562), HSBC Software Development (India) Private Limited Rs. 100,716 (previous year: Rs. 686,350).

Rendering of services:

HBAP Hong Kong Branch Rs. 300,091 (previous year: Rs. 258,784), HUSI North America Rs. 157,494 (previous year: Rs. 144,261), HSBC Bank plc UK ops Rs. 187,194 (previous year: Rs. 19,130), HSBC Securities and Capital Markets (India) Private Limited Rs. 52,317 (previous year: Rs. 59,671) and HSBC Asset Management (India) Private Limited Rs. 38,765 (previous year: Rs. 42,534).

Receiving of services:

Expenses for receiving of services from HBAP Hong Kong Branch Rs. 588,816 (previous year: Rs. 809,666), HSBC Electronic Data Processing India Private Limited Rs. 1,790,892 (previous year: Rs. 2,000,260), HSBC Global Services (UK) Limited Rs. 3,155,359 (previous year: Rs. 1,997,235), HSBC Software Development (India) Private Limited Rs. 2,050,810 (previous year: Rs. 1,218,129), HSBC Global Services (HK) Limited Rs. 3,064,429 (previous year: Rs. 2,241,353), HSBC Holdings Rs. 2,099,569 (previous year: Rs. Nil) and HBAP (Head Office) Rs. 1,271,464 (previous year: Rs. 1,671,162).

Borrowings:

HBAP Hong Kong Branch Rs. Nil (previous year: Rs. 43,791,573), HUSI North America Rs. 1,270,604 (previous year: Rs. 1,004,101) and HSBC France Rs. 1,378,540 (previous year: Rs. Nil)

Placement of deposits/other asset:

HBAP Hong Kong Branch Rs. 147,379 (previous year: Rs. 651,664).

Nostros:

HBAP Japan Rs. 41,440 (previous year: Rs. 638,835), HBAP Hong Kong Branch Rs. 922,025 (previous year: Rs. 579,825), HBAP Singapore Rs. 96,561 (previous year: Rs. 311,407), HSBC Bank plc Rs. 1,500,056 (previous year: Rs. 466,785), HSBC Bank Australia Limited Rs. 204,274 (previous year: Rs. 344,183), HSBC China Rs 338,445 (previous year: Rs. 219,287) and HSBC Bank Canada Rs. 127,786 (previous year: Rs. 192,427).

Deposits/other liability:

HBAP Hong Kong Branch Rs. 2,017,595 (previous year: Rs. 734,845), HBAP Bangladesh Rs. 977,530 (previous year: Rs. 100,695) HBAP Sri Lanka Rs. 644,584 (previous year: Rs. 708,215), HSBC Electronic Data Processing India Private Limited Rs. 12,090,534 (previous year: Rs. 10,333,074) and HSBC Software Development (India) Private Limited Rs. 13,350,130 (previous year: Rs. 12,443,047).

Advances:

HSBC Software Development (India) Private Limited Rs. Nil (previous year: Rs. 5,580,000) and HSBC Electronic Data Processing India Private Limited Rs. Nil (previous year: Rs. 1,500,000).

Non Funded Commitments:

HBAP Hong Kong Branch Rs. 9,962,689 (previous year: Rs. 12,396,429) and HSBC France Rs. 3,855,430 (previous year: Rs. 4,217,662).



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts (Continued)

5 Notes to accounts (Continued)

5.10 Related parties (Continued)

Material related party transactions (Continued)

Derivative Notionals:

HBAP Hong Kong Branch Rs. 1,230,854,102 (previous year: Rs. 1,414,505,589) and HSBC Bank plc Rs. 40,737,391 (previous year: Rs. 35,679,993) and HSBC Bank USA Rs. 2,000,000 (previous year: Rs 7,826,205).

Positive MTM

HBAP Hong Kong Branch Rs. 13,228,901 (previous year: Rs. 27,274,297) and HSBC Bank plc Rs. 345,015 (previous year: Rs. 503,683).

Negative MTM

HBAP Hong Kong Branch Rs. 18,434,728 (previous year: Rs. 29,261,084), HSBC Bank plc Rs. 120,324 (previous year: Rs. 264,764) and HSBC Bank USA Rs. 193,435 (previous year: Rs. 317,557).

5.11 Deferred taxes

There is a deferred tax charge of Rs. 876 million for the year ended 31 March 2021 (previous year: deferred tax release of Rs. 881 million) which is included in the provision for taxation for the year.

The primary components that gave rise to deferred tax assets and liabilities included in the balance sheet are as follows:

(Rs '000)

	As at 31 March 2021	As at 31 March 2020
Deferred tax assets		
Provision for doubtful advances	4,430,864	4,444,191
Employee benefits	766,946	1,442,423
Fixed Assets	177,281	1,378
Provisions	108,423	108,423
Others	192,702	192,702
Gross Deferred tax assets	5,676,216	6,189,117
Deferred tax liability		
Specific reserve	(1,780,110)	(1,417,295)
Fixed Assets	<u>-</u>	
Net Deferred Tax Asset	3,896,106	4,771,822

5.12 Operating leases

Total lease rental of Rs. 1,191 million (previous year: Rs. 1,190 million) has been included under Operating expenses - rent, taxes and lighting in the profit and loss account. The terms of escalation clauses are those normally prevalent in similar agreements.

Details of total future minimum lease payments under non-cancellable operating leases are set out below:

(Rs '000)

		(165 000)
	As at 31 March 2021	As at 31 March 2020
Not later than one year Later than one year and no later than five years	88,489 29,642	61,120 103,270
Later than five years		
Total	118,131	164,390

5.13 Provisions and contingencies

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and ensured that adequate provision as required under any law/accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts. Details of provisions for reward points on credit cards and debit cards and other provisions are set out below:

(Rs '000)

	•	r ended ch 2021	,	ar ended rch 2020
	Reward points	Other provisions	Reward points	Other provisions
Opening balance at the beginning of the period Add: Provision/(release) made during the period	364,902	199,998	383,779	290,251
(Note 5.6.(c)) Less: Utilisation during the period	79,320 (87,777)	300,992 -	174,928 (193,805)	(90,253)
Closing balance at the end of the period	356,445	500,990	364,902	199,998

Note: Other provisions represent provision made for legal cases, overdue receivables, impaired non-financial assets and onerous contracts.



(Incorporated in Hong Kong SAR with limited liability)

Schedules forming part of the Financial Statements for the year ended 31 March 2021 (Continued)

(Currency: Indian rupees)

Schedule 18 - Significant accounting policies and notes to accounts (Continued)

Notes to accounts (Continued)

Description of contingent liabilities (included in schedule 12)

Claims against the Bank not acknowledged as debts - others

These represent various legal claims filed against the Bank in its normal course of business. It also includes claims/demands raised by Income tax authorities, which are disputed by the Bank. The Bank has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements.

Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps, interest rate swaps and interest rate options on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. Currency swaps are commitments to exchange cash flows by way of interest/principal in one currency against another, based on predetermined rates. Forward Rate Agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are typically amounts used as a benchmark for the calculation of the interest component of the contracts.

Guarantees given on behalf of constituents, acceptances, endorsements and other obligations

As a part of its normal banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits, such as letters of credit, enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

Other items for which the Bank is contingently liable

These include non-unconditionally cancellable undrawn commitments, indemnity, capital commitments and credit enhancements given in relation to securitisation transactions undertaken by the Bank.

5.14 Disclosure of CSR Expenditure

- Gross amount required to be spent by the Bank during the year was Rs. 915 million (previous year: Rs. 833 million).
- Amount spent during the year: b)

(Rs '000)

For	the Year ended 31 March 2021	In Cash	Yet to be paid in Cash	Total
i)	Construction/acquisition of any asset	_	_	-
ii)	On purpose other than (i) above	914,848	_	914,848

(Rs'000)

					(115 000)
	Fort	the Year ended 31 March 2020	In Cash	Yet to be paid in Cash	Total
	i)	Construction/acquisition of any asset	_	-	-
	ii)	On purpose other than (i) above	832,955	_	832,955
-1					

5.15 Prior period comparatives

Previous year figures have been regrouped and reclassified where necessary to conform to current year's presentation.

Sd/-

For MSKA & Associates **Chartered Accountants**

Firm Registration No: 105047W

For The Hongkong and Shanghai Banking Corporation Limited - India Branches

Swapnil Kale

Sd/-

Partner

Membership No: 117812

Mumbai 29 June 2021 Sd/-

Amitabh Nevatia Hitendra Dave

Interim Chief Executive Officer Chief Financial Officer



(Incorporated in Hong Kong SAR with limited liability)

Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021

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 DBR. No. BP. BC. 1/21.06.201/2015-16 dated July 1, 2015 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	Principal activity of the entity	Total balance	Total balance
Country of Incorporation		sheet assets*	sheet equity*
HSBC InvestDirect Financial Services (India) Limited (HIFSL) (Note 1)	Non-banking Finance company	1,462,847	6,664,110

^{*} As stated in the audited balance sheet of the legal entity as at 31 March 2021

Note 1. HIFSL is 'Systemically important non-deposit taking non-banking financial company' ('NBFC-ND-SI') governed by Reserve Bank of India ('RBI').

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	Name of Entity / Country of Incorporation Principle activity of the entity		Total balance sheet assets*
HSBC Asset Management (India) Private Limited Private Limited	Asset management/portfolio management	615,909	1,839,815
HSBC Electronic Data Processing (India) Private Limited	Back office data processing call centre activities	3,554,678	32,064,079
HSBC Global Shared Services (India) Private Limited	Non-operating company	0	23,558
HSBC InvestDirect (India) Limited	Holding company for HSBC InvestDirect Group	709,544	5,206,525
HSBC InvestDirect Employees' Welfare Trust	Non-operating company	15	18,569
HSBC InvestDirect Sales & Marketing (India) Limited	Non-operating company	1,000	38,549
HSBC InvestDirect Securities (India) Private Limited	Retail securities broking and related activities (Discontinued)	1,745,112	152,391
HSBC Professional Services (India) Private Limited	Providing internal audit services to Group companies	4,838	338,689
HSBC Securities and Capital Markets (India) Private Limited	Stock broking and corporate finance & advisory	Equity - 4,701,139	7,561,303
		Preference - 250,000	
HSBC Software Development (India) Private Limited Canara HSBC Oriental Bank of Commerce Life	Software design, development and maintenance	327,264	34,748,000
Insurance Company Limited	Life insurance	9,500,000	155,415,252
HSBC GIFT City International Banking Unit#	Banking	1,456,822	2,203,697

^{*} As stated in the audited balance sheet of the legal entity as at 31 March 2020

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. # This is based on Unaudited March 2021 numbers



(Incorporated in Hong Kong SAR with limited liability)

Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

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 31 March 2021, 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 31 March 2021
(i) Common Equity Tier I (CET1)	5.50%
(ii) Capital Conservation Buffer (CCB) - (Refer note I) (iii) Counter-cyclical Buffer (CCyB) - (Refer note II)	1.88%
(iv) Global Systemically Important Bank (G-SIB) - (Refer note III)	1.90%
Minimum Common Equity Tier I (i+ii+iii+iv)	9.28%
Minimum Tier I Capital	10.78%
Total Minimum Capital Adequacy Ratio	12.78%

- 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 2.5% in a phased manner. Current CCB stands at 1.88%. As stated by RBI in Notification issued on 5th Feb 2021, it has been decided to defer the implementation of the last tranche of 0.625 per cent of the Capital Conservation Buffer (CCB) from April 1, 2021 to October 1, 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 1, 2020, 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 CETI capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India. Accordingly, 1.90% had been added to minimum requirement towards G-SIB as of 31 March 2021.

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.

b. Capital Structure

(i) Composition of Tier 1 capital for the bank

(Rs '000)

	Stand	dalone	Conso	lidated
	As at	As at	As at	As at
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Capital	44,991,660	44,991,660	46,454,507	46,454,507
Eligible Reserves	171,967,699	162,220,504	175,191,069	165,265,559
 Capital reserves (excl. revaluation reserve) 	90,855,494	90,855,494	90,855,494	90,855,494
 Statutory Reserves 	76,274,208	67,194,433	76,274,208	67,194,431
 Specific Reserves 	4,075,342	3,244,721	4,075,342	3,244,721
 Free Reserves 		_	3,223,371	3,045,057
 Revaluation Reserves at a discount of 55 per cent 	762,655	925,856	762,655	925,856
Less: Deductions from Tier I Capital	(325,708)	(647, 369)	(331,738)	(653,749)
 Intangible asset 	(152,308)	(145,651)	(155,708)	(149,051)
 Deferred Tax Asset ('DTA') (Note 1) 	` <u> </u>	· · · · ·	(2,630)	(2,980)
 Investment in subsidiaries in India 	(275)	(35)	(275)	(35)
 Debit Value Adjustments (DVA) 	(173,125)	(501,683)	(173,125)	(501,683)
 Defined Benefit Pension Fund Asset 	_	_	_	_
Common Equity Tier I Capital	216,633,650	206,564,795	221,313,838	211,066,317
Additional Tier I Capital	_			
Total Tier I Capital	216,633,650	206,564,795	221,313,838	211,066,317
_				

Note 1: For Standalone, as per RBI guidelines as on 01 March 2016, 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 July 2015.). Accordingly, DTA of Rs. 3,896,106 ('000) (previous year: Rs. 4,771,822 ('000)) is not deducted.



(Incorporated in Hong Kong SAR with limited liability)

Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

2 Capital Adequacy & Structure (Continued)

b. Capital Structure (Continued)

(ii) Tier 2 capital for the bank

(Rs. '000)

	Stand	Standalone		olidated
	As at	As at	As at	As at
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
General Loss Provisions	8,198,485	8,571,724	8,199,082	8,572,326
Other Eligible Reserves	2,700,287	4,112,839	2,700,287	4,112,839
Investment Fluctuation Reserves	<u>16,699,040</u>	12,176,040	16,699,040	12,176,040
Total Tier II Capital (Note 1)	27,597,812	24,860,603	27,598,409	24,861,205

Note 1: There is no debt capital instrument and subordinated debt outstanding as at 31 March 2021 (previous year: Nil) included in Tier II Capital.

ii) Capital requirements for Credit Risk, Market Risk and Operational Risk Standalone and Consolidated

		Stand	dalone	Consc	lidated
		As at	As at	As at	As at
		31 March 2021	31 March 2020	31 March 2021	31 March 2020
I.	Capital required for Credit Risk For portfolios subject to Standardised	131,068,627	132,049,945	131,983,540	133,198,147
	approach	131,068,627	132,049,945	131,983,540	133,198,147
II.	Capital required for Market Risk	32,967,887	33,095,430	32,967,887	33,095,430
	(Standard Duration Approach)				
	 Interest rate risk 	24,690,224	26,661,228	24,690,224	26,661,228
	 Foreign exchange risk 	3,163,050	1,569,150	3,163,050	1,569,150
	 Equity risk 	669,362	472,461	669,362	472,461
	 Securitisation exposure 	4,445,251	4,392,591	4,445,251	4,392,591
III.	Capital required for Operational Risk	18,867,492	17,006,188	18,867,492	17,006,188
	(Basic Indicator Approach)				
	Total capital requirement (I + II + III)	182,904,006	182,151,563	183,818,919	183,299,764
	Total capital funds of the Bank	244,231,462	231,425,396	248,912,247	235,927,522
	Total risk weighted assets	1,431,173,755	1,436,526,519	1,437,273,176	1,444,181,198
	Total capital ratio	17.07%	16.11%	17.32%	16.34%
	Common Equity Tier I Capital Ratio	15.14%	14.38%	15.40%	14.61%
	Tier I capital ratio	15.14%	14.38%	15.40%	14.61%

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.



(Incorporated in Hong Kong SAR with limited liability)

Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

- 3 Credit risk (Continued)
- a. General (Continued)

Strategy and Processes (Continued)

- Wholesale Credit and Market Risk Management (WMR) independently assesses the credit profile of the customer and the
 applications are then approved in the committee. All the credit proposals in wholesale banking are approved by Credit Committee.
 There are eight levels of credit committees, each with different membership and approval authorities, depending on the size and
 complexities of the proposal. The WMR function has the responsibility of setting and managing strategy, policy, appetite,
 expectations and standards for wholesale credit and market risk.
- 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 decides cases within the approved policy parameters whereas exceptions deviations in policy (ELA) and/or basis the exposure,
 cases are further recommended to the respective 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 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.
- Controlling of cross-border exposures to manage country and cross-border risk through the imposition of country limits with sublimits 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 credit proposals in wholesale banking are approved by Credit Committee as delegated by the CRO. There are eight 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 ASP Risk/Group Risk basis the recommendation of India WMR. Relationship management of problem accounts or downgrades in certain internal ratings are transferred to LMU (Loan Management 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. The analysis of the portfolio is also presented to the RMM monthly.



(Incorporated in Hong Kong SAR with limited liability)

Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

- 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	s at 31 March 2021
	Fund based Note 1	Non-fund based Note 2	Total
Overseas	_	_	_
Domestic	1,468,725,351	729,247,185	2,197,972,536
Total	1,468,725,351	729,247,185	2,197,972,536

(Rs '000)

			As at 31 March 2020
	Fund based Note 1	Non fund based Note 2	Total
Overseas	-	_	_
Domestic	1,131,425,842	769,916,559	1,901,342,401
Total	1,131,425,842	769,916,559	1,901,342,401

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.

(ii) Industry type distribution of exposures for the Bank as at 31 March 2021

(Rs '000)

Industry			
illusti y	Funded	Non Funded	Total
Mining and Quarrying	_	934	934
Food Processing	9,052,312	3,371,507	12,423,819
Beverages (excluding Tea & Coffee) and Tobacco	3,483,062	3,634,538	7,117,600
Textiles	8,755,502	4,397,620	13,153,122
Leather and Leather products	181,423	41,281	222,704
Wood and Wood Products	1,390,984	305,538	1,696,522
Paper and Paper Products	3,148,838	686,247	3,835,085
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	666,091	243,116	909,207
Chemicals and Chemical Products (Dyes, Paints, etc.)	37,344,422	49,413,306	86,757,728
Rubber, Plastic and their Products	14,118,515	4,450,129	18,568,644
Glass & Glassware	53,182	1,434,167	1,487,349
Cement and Cement Products	6,715,890	3,869,816	10,585,706
Basic Metal and Metal Products	24,609,149	13,880,469	38,489,618
All Engineering	35,774,227	60,512,936	96,287,163
Vehicles, Vehicle Parts and Transport Equipments	22,145,445	21,123,043	43,268,488
Gems and Jewellery	41	1,337,918	1,337,959
Construction	5,556,935	19,965,477	25,522,412
Infrastructure	44,740,254	28,931,249	73,671,503
NBFCs and trading	152,317,399	51,845,338	204,162,737
Banking and finance	591,764,084	167,746,937	759,511,022
Computer Software	1,156,461	20,120,988	21,277,449
Professional Services	37,784,164	201,281,385	239,065,550
Commercial Real Estate	134,943,772	2,985,971	137,929,744
Other Industries	97,618,187	54,276,954	151,895,141
Retail	79,006,378	13,390,320	92,396,699
Others*	156,398,633	· · · · · -	156,398,633
Total	1,468,725,351	729,247,185	2,197,972,536

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



(Incorporated in Hong Kong SAR with limited liability)

Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

3 Credit risk (Continued)

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

Industry type distribution of exposures as at 31 March 2020

(Rs '000) Non Funded Total Funded Mining and Quarrying 39,019 39,019 Food Processing 5,678,884 2,266,304 7,945,188 Beverages (excluding Tea & Coffee) and Tobacco 1,500,010 966,308 2,466,318 Textiles 12,618,139 2,939,341 15,557,480 Leather and Leather products 145,530 36,015 181,545 Wood and Wood Products 1,464,728 177,329 1,642,057 Paper and Paper Products 2,749,596 1,520,837 4,270,433 Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels 4,083,397 4,083,397 37,300,538 Chemicals and Chemical Products (Dyes, Paints, etc.) 45,336,440 82,636,978 Rubber, Plastic and their Products 19,260,650 6,039,482 25,300,132 Glass & Glassware 1,113,198 1,507,248 2,620,446 Cement and Cement Products 6,739,295 2,040,642 8,779,937 Basic Metal and Metal Products 11,575,418 26,961,907 15,386,489 117,570,681 All Engineering 51,063,870 66,506,811 Vehicles, Vehicle Parts and Transport Equipments 26,688,625 21,774,760 48,463,385 Gems and Jewellery 428 428 350,000 Construction 2,767,332 3,117,332 Infrastructure 40,270,534 39,231,290 79,501,824 NBFCs and trading 117,447,828 28,357,292 145,805,120 Banking and finance 276,517,042 193,268,523 469,785,565 Computer Software 2,840,101 25,978,949 28,819,050 Professional Services 60,075,194 229,163,675 289,238,869 Commercial Real Estate 119,210,094 1,849,847 121,059,941 Other Industries 97,287,682 77,166,325 174,454,007 Retail 109,003,655 13,359,450 122,363,105 Others* 118,678,257 118,678,257 Total 1,131,425,842 769,916,559 1,901,342,401

As at 31 March 2021 (Rs 000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Othe Asset
1 day	12,866,176	29,947,978	624,346,414	5,243,861	-	311,69
2 to 7 days	_	162,269,384	79,279,688	9,252,014	_	12,432,89
8 to 14 days	_	_	6,884,449	18,697,172	_	3,365,60
15 to 30 days	14,961,495	64,209,408	2,748,090	59,557,787	_	12,491,89
31 days & upto 3 months	10,872,896	46,662,595	39,156,635	78,470,728	_	23,108,47
Over 3 months and upto 6 months	2,919,415	12,529,089	9,741,562	82,034,688	_	25,723,30
Over 6 months and upto 1 year	2,809,858	12,058,909	31,473,922	72,921,889	_	29,278,08
Over 1 year and upto 3 years	5,646,937	30,448,994	33,789,376	145,020,614	-	66,978,31
Over 3 years and upto 5 years	3,423,709	14,693,340	5,996,407	136,396,760	_	25,057,06
Over 5 years	17,382,128	74,597,899	1,526,058	109,135,229	7,781,039	22,956,36
TOTAL	70,882,614	447,417,595	834,942,600	716,730,742	7,781,039	221,703,70

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

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



(Incorporated in Hong Kong SAR with limited liability)

Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

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 (Continued)

As at 31 March 2020 (Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Othe Asset
1 day	7,238,165	34,689,594	385,314,220	9,639,604	_	6,988,43
2 to 7 days	_	24,205,101	49,676,878	60,320,410	_	25,267,93
8 to 14 days	_	3,783,250	91,343,796	21,099,449	_	4,716,96
15 to 30 days	9,847,543	37,674,495	24,800,713	70,912,948	_	40,263,30
31 days & upto 3 months	5,877,993	22,487,887	13,817,284	106,075,432	_	57,786,25
Over 3 months and upto 6 months	1,662,228	6,359,312	13,965,340	77,865,715	_	36,163,38
Over 6 months and upto 1 year	1,463,146	7,489,296	22,950,717	74,129,817	_	54,406,73
Over 1 year and upto 3 years	2,791,166	17,109,901	77,215,793	118,143,421	_	86,301,29
Over 3 years and upto 5 years	1,875,170	7,173,979	11,742,141	111,846,185	_	41,412,45
Over 5 years	12,120,754	46,371,294	25,393,248	115,773,675	7,641,322	17,951,44
TOTAL	42,876,165	207,344,109	716,220,130	765,806,656	7,641,322	371,258,20

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

(Rs'000)

As at 31 Mar 2021	As at 31 Mar 2020
4,742,888	2,529,194
1,627,210	416,818
403,560	860,223
1,885,817	2,136,738
466,564	750,293
9,126,039	6,693,266
	4,742,888 1,627,210 403,560 1,885,817 466,564

(v) Net NPAs

The net NPAs are Rs. 2,902 million (previous year: Rs. 1,262 million). Please see table (vi) below.

(vi) Movement of NPAs for the bank

(Rs'000)

			As at 31 March 2021
	Gross NPA's	Provision	Net NPA
Opening balance as at 1 April 2020	6,693,266	5,431,346	1,261,920
Additions during the period	5,926,666	3,336,872	2,589,794
Reductions during the period	(3,493,893)	(2,544,469)	(949,424)
Closing balance as at 31 March 2021	9,126,039	6,223,749	2,902,290

(Rs'000)

			As at 31 March 2020
	Gross NPA's	Provision	Net NPA
Opening balance as at 1 April 2019	5,977,082	4,685,912	1,291,170
Additions during the period	4,694,120	2,292,990	2,401,130
Reductions during the period	(3,977,936)	(1,547,556)	(2,430,380)
Closing balance as at 31 March 2020	6,693,266	5,431,346	1,261,920

(vii) NPA ratios for the bank

	As at 31 March 2021	As at 31 March 2020
Gross NPAs to gross advances	1.26%	0.87%
Net NPAs to net advances	0.40%	0.16%

(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 31st March 2021 are Rs. 2 (previous year: Rs. 2). This represents preference/equity share investments which have been written down to Rs.2.



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Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

3 Credit risk (Continued)

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

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

(Rs'000)

	As at 31 Mar 2021	As at 31 March 2020
Opening balance	71,960	485,348
Provisions during the year	_	
Write offs during the year	_	
Write back of excess provisions during the year	(71,295)	(413,388
Closing balance	665	71,96

(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 31 March 2021 (Rs '000)

		NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.	Agriculture	871,655	_	807,207	165,027	_
2.	Advances to Industries sector	793,397	749,967	796,849	1,171	494,754
	of which:					
	2.1 Chemicals and Chemical Products	136,918	85,569	139,418	289	_
	2.2 All Engineering	497	51,815	797	797	34,887
	2.3 Infrastructure	134,734	2,883	134,734	_	302,021
	2.4 Paper and Paper Products	281,421	25,712	281,421	1	_
	2.5 Textile	235,451	28,777	235,451	85	73,640
3.	Services	1,894,382	130,158	1,523,846	455,112	269,259
	of which:					
	3.1 Trade	1,771,018	126,049	1,400,299	452,316	_
	3.2 Commercial Real Estate	_	_	_	_	_
	3.3 NBFC	75,014	_	75,014	_	_
4.	Retail	5,566,605	948,459	3,095,846	2,715,562	1,087,537
Total		9,126,039	1,828,584	6,223,749	3,336,872	1,851,550

As at 31 March 2020 (Rs '000)

		NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1.	Agriculture	871,655	1,606	643,427	587,931	_
2.	Advances to Industries sector	1,206,050	2,635,499	1,209,001	23,024	178,22
	of which:					
	2.1 Chemicals and Chemical Proc	ducts 141,249	1,457,358	141,397	8,346	-
	2.2 All Engineering	34,887	408,232	34,887	_	61,03
	2.3 Infrastructure	433,946	6,555	436,754	_	
	2.4 Paper and Paper Products	281,421	24,745	281,421	_	
	2.5 Textile	314,541	224,705	314,541	14,678	59,27
3.	Services	1,467,933	103,129	1,653,478	265,065	62,13
	of which:					
	3.1 Trade	1,055,917	97,629	1,213,091	92,245	63,89
	3.2 Commercial Real Estate	53,562	_	53,562	75,998	
	3.3 NBFC	89,035	_	117,567	44,099	
4.	Retail	3,147,627	2,451,796	1,925,439	1,416,970	944,62
Total		6,693,266	5,192,031	5,431,346	2,292,990	1,184,97

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

(Rs '000)

	For the year ended 31 Mar 2021	For the year ended 31 Mar 2020
Write offs	1,925,820	1,007,425
Recoveries	240,611	301,318



(Incorporated in Hong Kong SAR with limited liability)

Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

3 Credit risk (Continued)

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

(xiii) Ageing of past due loans for the bank

(Rs '000)

	As at 31 Mar 2021	As at 31 Mar 2020
Overdue less than 30 days Overdue for 30 to 60 days	1,430,527 273,532	4,468,545 488,093
Overdue for 60 to 90 days	124,525	235,393
Total	1,828,584	5,192,031

(xiv) Amount of NPAs and past due loans by significant geographic areas for the bank As at 31 March 2021

(Rs '000)

	NPA	Past Due Loan
Overseas	0.124 0.20	1 020 504
Domestic	9,126,039	1,828,584
Total	9,126,039	1,828,584

As at 31 March 2020		(Rs '000)
	NPA	Past Due Loan
Overseas	_	_
Domestic	6,693,266	5,192,031
Total	6,693,266	5,192,031

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
- g) 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 July 2015.

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:

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	Ü
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%
CARED	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.



(Incorporated in Hong Kong SAR with limited liability)

Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

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

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 July 2015*), 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%	

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

a) Fitch Ratings;

Risk weight

- 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%
weight mapping of foreign sover	reigns foreign central bar	ıks				
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%
weight mapping of foreign public S&P and Fitch ratings	ic sector entities AAA to AA	A	BF	BB	Below BB	Unrated
Moody's rating	Aaa to Aa	A	Baa to I	Ba	Below Ba	Unrated
Risk weight	20%	50%	100	1%	150%	100%
weight mapping of non-resident	corporates					
S&P and Fitch ratings	AAA to AA	A	BE	BB	Below BB	Unrated
Moody's rating						

Exposure under various risk buckets (post Credit Risk Mitigants)

(Rs'000)

100%

150%

	As at 31 March 2021	As at 31 March 2020
Below 100% risk weight	1,598,603,985	1,322,831,438
100% risk weight	341,264,775	281,907,583
Above 100% risk weight	234,159,017	239,276,098
Deductions*	(325,468)	(647,369)
Total	2,173,702,309	1,843,367,750

100%

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).

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.

^{*} Deduction represents amounts deducted from Tier I Capital

^{*} As per RBI guidelines as on 01 March 2016, 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 July 2015.). Currently DTA is 1.83% of Bank's CET1 capital. Accordingly, there is no deduction on account of DTA for 31 March 2021.



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Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

5. Policy for Collateral Valuation and Management (Continued)

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. 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.

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 July 2015, 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 31 March 2021	As at 31 March 2020
Exposure covered by Financial Collaterals	23,944,759	57,327,282
Exposure covered by Guarantees	55,879,810	44,895,920

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.



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Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

6. Securitisation disclosure for Standardised approach (Continued)

- 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.

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
- g) Infomerics

Details of Securitisation trades of the Bank

Details of securitisation of standard assets

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

The RBI issued addendum guidelines on securitisation of standard assets vide its circular dated 7 May2012, subsequent to this date the Bank has not originated any securitisation transaction.

(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. 74,143 million (market value) as at 31 March 2021 (previous year: Rs. 94,754 million) which are classified under Available for Sale category. These attracts Specific Risk capital charge of 2.7% equivalent to a risk weight of 34% since these are AA rated instruments. PTC's where underlying exposure is CRE, the Specific risk capital charge of 9% is applicable equivalent to risk weight of 113%.

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



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Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

6. Securitisation disclosure for Standardised approach (Continued)

Securitisation exposures broken down into different risk weight bands

(Rs'000)

		As at 31 Mar 2021		As at 3	31 Mar 2020
Risk weight bands Less than 100%	Exposure type vehicle/Auto loans	Exposure 71,637,981	Capital charge 2,633,168	Exposure 91,769,005	Capital charge 1,700,150
At 100% More than 100%	vehicle/Auto loans vehicle/Auto loans	_	_	_	
Total		71,637,981	2,633,168	91,769,005	1,700,150

		As at	As at 31 Mar 2021		1 Mar 2020
Risk weight bands	Exposure type	Exposure	Capital charge	Exposure	Capital charge
Less than 100% At 100%	Housing loan Housing loan	2,408,197	140,688	2,870,267	56,231
More than 100%	Housing loan	97,480	8,773	115,280	10,375
Total		2,505,677	149,461	2,985,547	66,606

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.

Structure and Organisation of management of risk

The management of market risk is undertaken in Global Markets 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 Global Markets. 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 Markets, 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.



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Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

7. Market risk in trading book (Continued)

(i) Capital requirements for market risk for the bank

(Rs'000)

Standardised Duration Approach	As at 31 March 2021	As at 31 March 2020
Interest rate risk	24,690,224	26,661,228
Foreign exchange risk	3,163,050	1,569,150
Equity risk	669,362	472,461
Securitisation exposure	4,445,251	4,392,591
Capital requirements for market risk	32,967,887	33,095,430

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. The Global Principles guide all that we do at HSBC, embodied in our strategy, our values, how we conduct our business, and how we manage risk.

Compliance with the Global Principles and the RMF is mandatory. Compliance exceptions 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. It is applicable to all employees. The RMF is governed by the Risk Management Meeting. The RMF applies to all the types of risk that we face in our business and operational activities. It is used throughout the Group, including all subsidiaries, jurisdictions, Global Businesses, Functions and Digital Business Services (DBS).

The RMF is designed to ensure we:

- Manage risk in the same way across the Group
- Have a strong risk culture: managing risk is simply part of how we work
- Are aware of risks, identify our material risks and take better decisions as a result
- Have sufficient controls in place to ensure we only take the right type and amount of risk to grow our business safely and within our
 appetite
- Deliver fair outcomes for customers and maintain the orderly and transparent operation of financial markets

The RMF is supported by supplementary guidance, detailed user guides, and training materials, which are targeted to specific risk roles.

Active risk management helps us to achieve our strategy, serve our customers and communities, and grow our business safely.

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

Risk management starts with a strong risk culture, clear accountability, and a formally-defined risk appetite that articulates the level and types of risks the Group accepts to achieve our strategic objectives. Our Risk Appetite shapes our requisite controls and dictates risk behaviours. We identify risks to our business and assess their materiality by considering their likelihood and potential customer, financial, reputational and regulatory impacts, as well as market conduct and competition outcomes. We manage these risks through a combination of limits and controls to ensure risks are within our appetite. We then aggregate and report risk data to highlight material risks and support good decision making. Where necessary, these risks are escalated to senior management and risk governance committees to facilitate management decisions, challenge and remediation.

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 including Financial Crime risk (FCR) management and oversight at an entity level. This governance meeting is the apex risk management body of the bank and reports to the EXCO. INM Operational Risk Working Group (ORWG) is responsible for providing guidance, advice and challenge in embedding 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. The BCC /Risk Management Forums includes financial compliance risk and regulatory compliance risk in the respective forum.

Three Lines of Defence (3LOD) Overview

The three Lines of Defence ("LOD") model is used to define roles and responsibilities 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.

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.



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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

8. Operational risk/Non-Financial Risk (Continued)

First Line of Defence

The First LOD has ultimate ownership for risk and controls and delivering fair 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:

- 1. Actively identifying and understanding key existing and emerging risks they own.
- 2. Operating within the stated risk appetite, or outside of risk appetite with an agreed plan for moving back into tolerance
- 3. Ensuring that front to back processes underpinning their business activities are robust, understood and include effective controls to manage the risks inherent within the activities for which they are accountable
- 4. Understanding key controls that mitigate their risks, and are able to evidence that the Control Owners have a plan to monitor appropriately (including those controls performed outside of their area, e.g. DBS, third parties)
- 5. Monitoring and assessing their risk exposure over time
- 6. Responsible for assessing, identifying and understanding the conduct impacts across the risk types they own and identifying and understanding the controls they rely on to support the delivery of fair conduct outcomes
- 7. Escalating risks through governance when they are outside of appetite or there is an emerging threat or theme
- 8. Remediation of control gaps in a prioritised and timely manner
- 9. Clearly articulating and documenting their key risks, key controls, remediation and mechanisms they use to manage their risk
- 10. Being able to explain and evidence their risks, key controls, what is being done to fix key controls or otherwise mitigate inherent risks if key controls are not working effectively, and the mechanisms they use to manage their risks.

Business Service Owners are responsible for overseeing and managing each of HSBC's critical and material Business Services end-toend, including the risk, control effectiveness and resilience of that service. Their key responsibilities include:

- 1. Ownership of the end-to-end delivery of a service to our customers, including the risk, control effectiveness and resilience of that service.
- 2. This is done by managing input from multiple process owners, risk owners and control owners, both internal and external service providers, to understand the entirety of the service.
- Accountable for ensuring process maps for the end-to-end critical and material business services (including critical assets) are up-to-date and signed-off.
- 4. Provide oversight of the end-to-end risk and control environment for a Business Service.
- 5. Report the position of the service including the risks and control status to RMM.
- 6. Agree the Impact Tolerance Statement for the Business Service and associated metrics and, thresholds.
- 7. Own and develop appropriate plans to ensure service continuity and effective internal & external communications during disruption.
- 8. Establishing a "Responsible, Accountable, Consulted and Informed" (RACI) matrix and Service Level Agreements with internal and external service providers that ensure dependencies are managed within the Service Impact Tolerance.
- 9. Prioritise and de-conflict change to ensure the appropriate balance of cost effectiveness and resilience.

The responsibilities listed above represent the BSO role target state which is being implemented through a phased approach.

There is no requirement for our regions and entities to have standalone BSOs outside of those assigned by the Global Businesses. BSO requirements apply to our most critical and material business services globally. Where there is a local regulatory requirement for a BSO, regional heads of business should be engaged to calibrate requirements and if necessary ensure that the role holder is integrated in the Global BSO 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. Their key responsibilities include:

- 1. Understanding the inherent risks to be mitigated
- 2. Designing and implementing key controls (and understanding and documenting how they prevent/mitigate/detect the risk)
- 3. Defining and implementing mechanisms to monitor and assess their control effectiveness (e.g. key indicators, exception reports, alerts)
- 4. Promptly escalating control weaknesses and gaps to the Risk Owner(s), including how and when they will be fixed
- 5. Fixing controls that are not designed or working effectively in a timely manner. Being able to explain and evidence how their key controls operate; whether they are working effectively and supporting the delivery of the conduct outcomes; how they monitor their controls and what is being done to fix key controls if they are not working effectively

Chief Control Officers are accountable for driving the effective governance and management of non-financial risks in the First LOD. Their key responsibilities include:

- 1. Promote accountable risk and control decision-making based on quality data and commercial analysis
- 2. Enable the business to clearly, consistently and comprehensively articulate the risk profile of the business/service/process including the integrity of processes and controls
- 3. Support Risk and Control Owners in identifying anomalies in control effectiveness or the aggregation of risks that may take the risk profile of the business outside of tolerance
- 4. Assess and promote improvements to the Accountability, Roles and Responsibilities matrix for a given set of activities
- 5. Support Risk Owners through proactive advice based on risk and control knowledge and insights and present risk management solutions where appropriate



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Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

8. Operational risk/Non-Financial Risk (Continued)

First Line of Defence

- 6. Identify trends to anticipate future developments in the risk and control environment
- 7. Actively challenge poor, inefficient or excessive controls, related tasks and behaviours
- 8. Challenge Control Owners on the design and implementation of control monitoring to confirm it is fit for purpose
- 9. Drive the development and implementation of future-fit risk management frameworks, in collaboration with Risk Stewards and taking regulatory requirements into account
- 10. Promoting desired behaviours and a positive risk culture, and supporting the delivery of the conduct outcomes.

Second Line of Defence

The Second LOD review and challenge 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 and the Operational Risk function.

Operational and Resilience Risk is a combined Risk Stewardship and Oversight function, which ensures governance and management of Operational and Resilience Risk through the delivery and embedding of effective frameworks, and continuous oversight and assurance of end-to-end processes, risks and controls. The effectiveness of First LOD Risk and Control owners, and 2LOD Risk Stewards in managing HSBC's Non-Financial Risk (NFR) processes and practices is reported through Risk Management Meetings (RMMs) and the Non-Financial Risk Management Board (NFRMB); 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. 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 challenging the First LOD to ensure it is managing risk effectively. Their key responsibilities include:

- 1. Provide subject matter expertise, advice, guidance, and effective challenge to the Risk and Control Owners
- 2. Support in setting the Risk Appetite, and oversee risk appetite monitoring
- 3. Write, own and monitor compliance with a comprehensive set of clear and concise policies that outline the key principles and minimum requirements applicable to the management of their risk
- 4. Report on the risk and control profile, including impacts of external environment changes, emerging risks and changes to the business strategy
- 5. Work with the business to understand the impact of emerging risks that require changes to controls, resources and business operations to ensure they remain within appetite
- 6. Overseeing, escalating and providing guidance on the identification of conduct impacts across their risk types and activities owned by the First LOD, including where control weaknesses and risk events impact the delivery of fair outcomes
- 7. Define the Risk and Control Library, including minimum control standards, with input from Risk Owners, and Control Owners, specifying key risks and key controls and providing guidance on continuous monitoring expectations
- 8. Recommend Risk and Control Assessment ("RCA") scoping, and challenge where this is not appropriately applied in the RCA
- Challenge Risk and Control Owners on risk and control management, including inherent risk, residual risk, control effectiveness ratings, issues, actions and events

Third Line of Defence

Third LOD is Internal Audit which provides independent assurance to management and the non-executive Risk and Audit Committees that our risk management, governance and internal control processes are designed and operating effectively.

Scope and Nature of 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, Countries and legal entities, risk reporting is based on key principles:

- Data is recorded timely and accurately in the appropriate system of record
- 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 accordance 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 identification of relevant data quality issues, limitations and issues identified through appropriate validation checks and resolved.



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Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

8. Operational risk/Non-Financial Risk (Continued)

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 31 March 2021	As at 31 March 2020
Capital required for Operational Risk (Basic Indicator Approach)	18,867,492	17,006,188

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) 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 Markets Treasury (MKTY);
- To ensure that all market interest rate risk that can be hedged is effectively transferred from the global businesses to MKTY; and
- To monitor the basis risk in the global businesses

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.

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



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Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

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

Quantitative Disclosure

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

INR Mn	EVE Sensitivity	(31-March-2021)	EVE Sensitivity (31-March-2020)		
Currency	+200 basis points	-200 basis points	+200 basis points	-200 basis points	
INR	(5,957)	7,130	(3,546)	4,486	
USD	(57)	30	(135)	74	
Others	(43)	9	(3)	(4)	
Total Sensitivity	(6,057)	7,168	(3,684)	4,557	
Total Capital		244,231		231,425	
Sensitivity as % of capital	2.48%	2.94%	1.59%	1.97%	
Internal Limits		18%	18%		
RBI limits		15%		15%	

(ii) Impact on Earnings (NII)

INR Mn	NII sensitivit	y (31-March-2021)	NII sensitivity (31-March-2020)		
Currency	+100 basis points	-100 basis points	+100 basis points	-100 basis points	
INR	1,533	(1,524)	1,702	(1,831)	
USD	409	(426)	(240)	109	
Others	54	(27)	33	(4)	
Total	1,996	(1,977)	1,495	(1,727)	

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 July 2015, 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.

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.



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Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

10. Counterparty Credit Risk (Continued)

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 31 M	As at 31 March 2021 As at		arch 2020
	Notional	Current credit exposures	Notional	Current credit exposures
Currency Swaps	353,523,099	9,923,258	316,492,298	16,940,269
Forward Contracts	1,385,215,096	11,419,190	2,070,517,713	36,010,373
FX options	388,371,162	3,255,282	334,256,372	5,005,235
Interest rate options	355,741	1,008	2,855,214	1,703
Interest Rate swaps	3,939,426,609	38,642,545	4,244,764,918	55,025,597
Single currency Floating Floating	0	17,696	0	38,821
Forward Rate Agreements	74,347,430	305,996	27,362,150	128,664
Grand Total	6,141,239,137	63,564,975	6,996,248,665	113,150,662

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:

Sr No	Item	At 31 March 2021	At 31 March 2020
110	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1,842,744	1,670,622
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(326)	(647)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	` ′	` ′
	(sum of lines 1 and 2)	1,842,418	1,669,975
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions		
	(i.e. net of eligible cash variation margin)	70,927	116,335
5	Add-on amounts for PFE associated with all derivatives transactions	425,522	419,137
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)	496,449	535,472
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale		
	accounting transactions	310,044	141,543
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)	310,044	141,543
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	1,585,308	1,316,668
18	Adjustments for conversion to credit equivalent amounts	(1,136,239)	(913,305)
19	Off-balance sheet items (sum of lines 17 and 18)	449,069	403,363
	Capital and total exposures		
20	Tier 1 capital	216,634	206,565
21	Total exposures (sum of lines 3, 11, 16 and 19)	3,097,980	2,750,353
	Leverage ratio		
22	Basel III leverage ratio (per cent)	6.99%	7.51%



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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

11. Leverage Ratio (Continued)

Comparison of accounting assets vs leverage ratio exposure measure:

(Rs in Million)

Sr No	Item	At 31 March 2021	At 31 March 2020
1	Total consolidated assets as per published financial statements	2,299,458	2,111,738
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	349,779	235,899
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending) Adjustment for off-balance sheet items (i.e. conversion to credit equivalent	-	_
	amounts of off-balance sheet exposures)	449,069	403,363
7	Other adjustments	(326)	(647)
	Total Exposure (point 21 in Table 1)	3,097,980	2,750,353

Note: The consolidated leverage ratio is 7.13% as on 31 March 2021.

12. Composition of Capital

В	Sasel 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))	171,205	174,427	B1+B2+ B3+B4+ B5+B6+B7
3	Accumulated other comprehensive income (and other reserves)	763	763	C1*45%
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	_	_	
	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)	_	_	
6	Common Equity Tier 1 capital before regulatory adjustments	216,959	221,645	
	Common Equity Tier 1 capital: regulatory adjustments		_	
7	Prudential valuation adjustments	_	_	
8	Goodwill (net of related tax liability)	_	_	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	152	153	
10	Deferred tax assets	_	6	
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	173	173	
15	Defined-benefit pension fund net assets	_	_	
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)	_	_	



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Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

12 Composition of Capital (Continued)

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	(Rs in Millio Reference with DF-13
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)	_	_	
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	0	0	
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	326	332	
29	Common Equity Tier 1 capital (CET1)	216,634	221,313	
	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 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		_	



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Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

12 Composition of Capital (Continued)

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
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)	216,634	221,313	
	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)	27,598	27,598	D1+D2+D3+ C2*45%
51	Tier 2 capital before regulatory adjustments	27,598	27,598	
	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			
56	(net of eligible short positions) 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	_	_	
ļ	of which:	_	_	
ļ	of which:	_	_	
57	Total regulatory adjustments to Tier 2 capital	_	_	
58	Tier 2 capital (T2)	27,598	27,598	
58a	Tier 2 capital reckoned for capital adequacy	27,598	27,598	
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital			
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	27,598	27,598	
59	Total capital ($TC = T1 + T2$) (45 + 58c)	244,231	248,912	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	_	_	
Ī	of which:	_	_	
ļ	of which:	_	_	



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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

12 Composition of Capital (Continued)

_	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
60	Total risk weighted assets (60a + 60b + 60c)	1,431,174	1,437,273	
60a	of which: total credit risk weighted assets	1,025,576	1,031,676	
60b	of which: total market risk weighted assets	257,965	257,965	
60c	of which: total operational risk weighted assets	147,633	147,633	
	Capital ratios		_	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.14%	15.40%	
62	Tier 1 (as a percentage of risk weighted assets)	15.14%	15.40%	
63	Total capital (as a percentage of risk weighted assets)	17.07%	17.32%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	9.28%	9.28%	
65	of which: capital conservation buffer requirement	1.88%	1.88%	
66	of which: bank specific countercyclical buffer requirement	-	-	
67	of which: G-SIB buffer requirement	1.90%	1.90%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	9.64%	9.90%	
	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)	9,421	9,421	D1+D2
77	Cap on inclusion of provisions in Tier 2 under standardised approach	12,820	12,896	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	_	_	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	_	_	
	Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)	_	_	
80	Current cap on CET1 instruments subject to phase out arrangements	_	_	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	_	_	
82	Current cap on AT1 instruments subject to phase out arrangements	_	_	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	_	_	
84	Current cap on T2 instruments subject to phase out arrangements	_	_	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	_	_	



(Incorporated in Hong Kong SAR with limited liability)

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

13. Composition of Capital - Reconciliation

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation As on reporting date	Reference No DF-12
A	Capital & Liabilities			
i	Paid-up Capital	44,992	46,454	A
•	Reserves & Surplus	249,662	252,910	
	a. Statutory Reserve	76,274	76,702	B1
	b. Capital Reserve - Surplus on sale of Immovable assets	5,675	5,675	B2
	c. Capital Reserves	13,262	13,262	B3
	d. Remittable surplus retained in India for CRAR purposes	71,919	71,919	B4
İ	e.(i). Revaluation Reserve eligible for Tier 1	1,695	1,695	C1
	e.(ii) Revaluation Reserve eligible for Tier 2	3,284	3,284	C2
	f. Investment Reserve	2,700	2,700	Di
	g. Specific Reserve	4,075	6,027	B5
	h. Investment Fluctation Reserve (refer to schedule 18 note 5.5)	16,699	16,699	D3
ł	h. Balance in Profit & Loss Account	54,079	54,922	
t	i. General Reserve	2.,077		Ве
	j. Security Premium		_	B
	k. Impairment Reserve		25	
-	Minority Interest		_	
	Total Capital	294,654	299,363	
ii	Deposits	1,652,715	1,652,715	
	of which: Deposits from banks	12,606	12,606	
+	of which: Customer deposits	1,640,109	1,640,109	
	of which: Other deposits (pl. specify)	-		
iii	Borrowings	134,296	136,194	
İ	Borrowings in India	131,401	133,300	
	of which: From RBI	-	31	
	of which: From banks	_	_	
	of which: From other institutions & agencies	131,401	133,269	
	Borrowings outside India	2,894	2,894	
İ	of which: Others (pl. specify)		_	
	of which: Capital instruments		_	
iv	Other liabilities & provisions	217,794	217,850	
	of which: Provisions towards Standard Assets and Country risk	6,721	6,721	D2
İ	Total Capital and Liabilities	2,299,458	2,306,122	
В	Assets	, ,	_	
i	Cash and balances with Reserve Bank of India	70,883	70,884	
ii	Balance with banks and money at call and short notice	447,418	447,823	
iii	Investments:	834,943	835,053	
ļ	Investments in India	,	,	
ļ	of which: Government securities	710,272	710,272	
	of which: Other approved securities	_	_	
1	of which: Shares	136	136	
	of which: Debentures & Bonds	22,071	22,071	
İ	of which: Subsidiaries Joint Ventures Associates	0	0	
t	of which: Others (Commercial Papers, Mutual Funds etc.)	69,564	69,674	
	Investments Outside India		,	
+	Of which: Government securities (Including local authorities)	32,899	32,899	



(Incorporated in Hong Kong SAR with limited liability)

Basel III - Pillar 3 disclosures of India Branches for the year ended 31 March 2021 (Continued)

13. Composition of Capital - Reconciliation (Continued)

(Rs in Million)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No DF-12
iv	Loans and advances	716,731	722,697	
	of which: Loans and advances to banks	_	-	
	of which: Loans and advances to customers	716,731	722,697	
v	Fixed assets	7,781	7,785	
vi	Other assets	221,704	221,880	
	of which: Goodwill and intangible assets	_	_	
	of which: Deferred tax assets	3,896	3,899	
vii	Goodwill on consolidation	_	_	
viii	Debit balance in Profit & Loss account	_	_	
	Total Assets	2,299,458	2,306,122	

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 31 March 2021 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 31 March 2021 is Rs.136 million.
- 2. All equity investments are held in private limited companies.
- 3. The cumulative realised gain on sale of shares is Nil as at 31 March 2021.
- 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 31 March 2021 is Rs. 2,069 million. The difference between break-up value and current cost of equity investment is Rs. 1,933 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.670 million (previous year Rs.472 million).