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

INDEPENDENT AUDITOR'S REPORT

To the Chief Executive Officer of
The Hongkong and Shanghai Banking Corporation Limited – India Branches

Report on Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of **The Hongkong and Shanghai Banking Corporation Limited – India Branches** ('the Bank'), which comprise the Balance Sheet as at March 31, 2023, the Profit and Loss Account, the 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 (hereinafter referred to as "standalone financial statements").

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 Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time as applicable ("RBI Guidelines") as well as the Companies Act, 2013 ('the Act') in the manner so required for Banking Companies and are in conformity with accounting principles generally accepted in India and give a true and fair view of the state of affairs of the Bank as at March 31, 2023, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements 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 ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 auditor's report thereon.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, 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 that fact. The other information is not made available to us at the date of the auditor's report.

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 of the Banking Regulation Act, 1949 and 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 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 statements 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, 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 Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Bank's 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 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 skepticism 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 Companies Act, 2013, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- 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 are 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.
- Evaluate 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.

Materiality is the magnitude of the misstatements in the standalone financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

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) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 read with applicable provision of section 133 of the Act.
2) As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
    a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
    b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
    c) Since the financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing standalone financial statements are not required to be submitted by its branches; we have however, visited 11 branches for the purpose of our audit.
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 purpose 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. As stated in Note 5.19 of Schedule 18 of the standalone financial statement, the Bank has maintained periodic back-ups of information on certain applications and other relevant books and papers maintained in electronic mode on servers physically located in India. The bank is in the process of putting a system in place to take daily back-ups to comply with the requirement of the relevant Rules;
    c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with in 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 relevant rules issued thereunder, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
    e) The requirements of section 164(2) of the Act are not applicable considering that the Bank is a branch of The Hongkong and Shanghai Banking Corporation Limited which is incorporated and registered in the Hongkong Special Administration Region with limited liability;
    f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";

g) The provision of section 197(16) of the Act, read with Schedule V to the Act, are applicable to public companies. Accordingly, the Bank being a banking Company as defined under the Banking Regulation Act, 1949, 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 Note 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 5.7(ae), (af) and (ag) of Schedule 18 to the standalone financial statements; and

   iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank during the year ended March 31, 2023;

   iv) The Management of the Bank has represented that:

      a) to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

      b) to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the Bank from any persons or entities, including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

   Based on such audit procedures that were considered reasonable and appropriate by us in the circumstances, nothing has come to our notice that has caused us to believe that the representations under subclause (i) and (ii) of Rule 11(e) contain any material misstatement.

   v) The Bank is a branch of The Hongkong and Shanghai Banking Corporation Limited which is incorporated and registered in the Hongkong Special Administration Region with Limited Liability, hence section 123 of the Companies Act, 2013, regarding compliance with dividend declared or paid during the year by the Bank does not arise.

   vi) As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Bank only with effect from April 1, 2023, reporting under this clause is not applicable during the year.

For **K. S. AIYAR & Co.**
CHARTERED ACCOUNTANTS
Firm Registration No.: 100186W

Sd/-
Sachin A. Negandhi
PARTNER
Membership No.: 112888
UDIN: 23112888BGQVBS5678

Place: Mumbai
Date: June 26, 2023.

For **KALYANIWALLA & MISTRY LLP**
CHARTERED ACCOUNTANTS
Firm Registration No.: 104607W/W100166

Sd/-
Daraius Z. Fraser
PARTNER
Membership No.: 042454
UDIN: 23042454BGXFRJ9969

Place: Mumbai
Date: June 26, 2023.

Annexure A to the Independent Auditor's Report

(Referred to in paragraph 3(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date).

Report on the Internal Financial Controls with Reference to Financial Statements 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 Limited – India Branches** ("the Bank") as of March 31, 2023, 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 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 (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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 Companies Act, 2013 (the "Act" or the "Companies Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to 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 adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system with reference to 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 financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial control with reference to 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 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 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 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 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 financial statements to future periods are subject to the risk that the internal financial control with reference to 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, to the best of our knowledge and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

For **K. S. AIYAR & Co.**
CHARTERED ACCOUNTANTS
Firm Registration No.: 100186W

Sd/-
Sachin A. Negandhi
PARTNER
Membership No.: 112888
UDIN: 23112888BGQVBS5678

Place: Mumbai
Date: June 26, 2023.

For **KALYANIWALLA & MISTRY LLP**
CHARTERED ACCOUNTANTS
Firm Registration No.: 104607W/W100166

Sd/-
Daraius Z. Fraser
PARTNER
Membership No.: 042454
UDIN: 23042454BGXFRJ9969

Place: Mumbai
Date: June 26, 2023.

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

Balance Sheet as at 31 March 2023

(Currency: Indian rupees in thousands)

	Schedules	**As at 31 March 2023**	As at 31 March 2022
Capital and liabilities			
Capital	*1*	**86,334,160**	44,991,660
Reserves and surplus	*2*	**271,701,140**	281,780,300
Deposits	*3*	**1,878,511,754**	1,854,817,497
Borrowings	*4*	**448,193,457**	121,022,697
Other liabilities and provisions	*5*	**245,420,016**	170,488,666
Total		**2,930,160,527**	2,473,100,820
Assets			
Cash and balances with Reserve Bank of India	*6*	**94,485,937**	279,140,398
Balances with banks and money at call and short notice	*7*	**332,046,909**	229,703,843
Investments	*8*	**1,209,572,942**	954,152,393
Advances	*9*	**1,035,742,540**	818,462,488
Fixed assets	*10*	**7,542,076**	7,400,876
Other assets	*11*	**250,770,123**	184,240,822
Total		**2,930,160,527**	2,473,100,820
Contingent liabilities	*12*	**28,292,961,302**	20,112,981,819
Bills for collection		**295,748,447**	257,055,097
Significant accounting policies and notes to the Financial Statements	*18*		

Schedules referred to herein form an integral part of the Balance Sheet.

Profit and Loss Account for the year ended 31 March 2023

(Currency: Indian rupees in thousands)

	Schedules	**For the year ended 31 March 2023**	For the year ended 31 March 2022
Income			
Interest earned	*13*	**156,027,614**	131,298,495
Other income	*14*	**17,310,069**	11,711,989
Total		**173,337,683**	143,010,484
Expenditure			
Interest expended	*15*	**61,136,469**	43,707,984
Operating expenses	*16*	**47,507,947**	40,842,274
Provisions and contingencies	*17*	**30,163,941**	26,548,527
Total		**138,808,357**	111,098,785
Net profit for the year		**34,529,326**	31,911,699
Profit brought forward		**60,831,696**	54,078,584
Total		**95,361,022**	85,990,283
Appropriations			
Transfer to Statutory Reserve		**8,632,332**	8,071,881
Transfer to Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements		**19,658,527**	16,390,446
Transfer from Investment Reserve		**–**	(2,700,287)
Transfer to Specific Reserve		**1,071,507**	912,139
Profit Remitted to Head Office		**44,875,846**	–
Transfer to Investments Fluctuation Reserve		**5,166,960**	2,384,000
Transfer to Capital Reserves - Surplus on sale of Immovable properties		**–**	100,408
Balance carried over to balance sheet		**15,955,850**	60,831,696
Total		**95,361,022**	85,990,283
Significant accounting policies and notes to the Financial Statements	*18*		

Schedules referred to herein form an integral part of the Profit and Loss Account.

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 **K S Aiyar & Co.**
Chartered Accountants
Firm Regn No: 100186W

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
Firm Regn No: 104607W/W100166

For **The Hongkong and Shanghai Banking Corporation Limited - India Branches**

Sd/-
Sachin A. Negandhi
Partner
Membership No: 112888

Sd/-
Daraius Z. Fraser
Partner
Membership No: 042454

Sd/-
Amitabh Nevatia
Chief Financial Officer

Sd/-
Hitendra Dave
Chief Executive Officer

Mumbai
26 June 2023

HSBC

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

Cash flow statement for the year ended 31 March 2023

(Currency: Indian rupees in thousands)

		For the year ended 31 March 2023	For the year ended 31 March 2022
Cash flow from operating activities			
Net profit before taxes		**63,674,446**	57,190,318
Adjustments for:			
Depreciation on Bank's property		**766,067**	709,149
Provision for depreciation on investments		**8,203,966**	16,892,029
Provision for advances		**520,693**	1,085,315
Other provisions		**498,128**	184,593
Profit on sale of fixed assets		**(277)**	(80,546)
		73,663,023	75,980,858
Adjustments for:			
Increase in investments		**(263,624,515)**	(136,101,822)
Increase in advances		**(217,354,807)**	(103,448,676)
Increase in deposits		**23,694,257**	202,102,839
(Increase) / Decrease in other assets		**(65,585,456)**	43,011,784
Increase / (Decrease) in other liabilities and provisions		**73,988,771**	(46,835,210)
		(448,881,750)	(41,271,085)
Direct taxes paid (Net)		**(30,084,773)**	(30,878,078)
Net cash generated from / (used in) operating activities	*(A)*	**(405,303,500)**	3,831,695
Cash flow from investing activities			
Purchase of fixed assets		**(645,586)**	(850,052)
Proceeds from sale of fixed assets		**277**	835,494
Net cash used in investing activities	*(B)*	**(645,309)**	(14,558)
Cash flow generated from financing activities			
Increase / (Decrease) in borrowings (Net)		327,170,760	(13,273,105)
Infusion of Capital		41,342,500	–
Profit remitted to Head Office		(44,875,846)	–
Net cash generated from/ (used in) financing activities	*(C)*	**323,637,414**	(13,273,105)
Net decrease in cash and cash equivalents	*(A) + (B) + (C)*	**(82,311,395)**	(9,455,968)
Cash and cash equivalents as at 1 April		**508,844,241**	518,300,209
Cash and cash equivalents as at 31 March		**426,532,846**	508,844,241

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 **K S Aiyar & Co.**
Chartered Accountants
Firm Regn No: 100186W

For **Kalyaniwalla & Mistry LLP**
Chartered Accountants
Firm Regn No: 104607W/W100166

For **The Hongkong and Shanghai Banking Corporation Limited - India Branches**

Sd/-
Sachin A. Negandhi
Partner
Membership No: 112888

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Membership No: 042454

Sd/-
Amitabh Nevatia
Chief Financial Officer

Sd/-
Hitendra Dave
Chief Executive Officer

Mumbai
26 June 2023

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

Schedules forming part of the Balance Sheet as at 31 March 2023

(Currency: Indian rupees in thousands)

		As at 31 March 2023	As at 31 March 2022
1	**Capital**		
I	Amount of deposit kept with the Reserve Bank of India under Section 11(2) (b) of the Banking Regulation Act, 1949.	**103,480,000**	102,300,000
II	**Capital**		
	Opening balance	**44,991,660**	44,991,660
	Add : Capital Infusion by Head Office	**41,342,500**	–
		86,334,160	44,991,660
	An amount of Rs. 16,730,000 thousand (Previous year: Rs. 24,800,000 thousand) out of the amount held as deposit under Section 11(2) of the Banking Regulation Act, 1949 has been designated as credit risk mitigation (CRM) for offsetting of non-centrally cleared derivative exposures to Head Office (including overseas branches), and is not reckoned for regulatory capital and any other statutory requirements". (Refer to schedule 18 note 5.7 (z)).		
2	**Reserves and Surplus**		
I	**Statutory Reserve**		
	Opening balance	**84,346,089**	76,274,208
	Additions during the year	**8,632,332**	8,071,881
		92,978,421	84,346,089
II	**Capital Reserves – Surplus on sale of Immovable properties**		
	Opening balance	**6,446,928**	5,674,609
	Transfer on Sale of Property	–	100,408
	Transfer from Revaluation Reserve	–	671,911
		6,446,928	6,446,928
III	**Capital Reserves**		
	Opening balance	**13,261,565**	13,261,565
	Less: Transfer to Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements	**(13,261,565)**	–
		–	13,261,565
IV	**Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements**		
	Opening balance	**88,309,766**	71,919,320
	Add : Transfer from profit and loss account *(refer to schedule 18 note 5.1)*	**19,658,527**	16,390,446
	Add : Transfer from Capital Reserves	**13,261,565**	–
		121,229,858	88,309,766
V	**Revaluation Reserve**		
	Opening balance	**4,513,735**	4,979,121
	Less : Transfer to Capital Reserve on account of Sale of Property	–	(671,911)
	Add: Revaluation of premises net of depreciation on revaluation uplift	**267,360**	206,525
		4,781,095	4,513,735
VI	**Investment Reserve**		
	Opening balance	–	2,700,287
	Transfer to the Profit and Loss account	–	(2,700,287)
		–	–
VII	**Specific Reserve** *(refer to schedule 18 note 5.4)*		
	Opening balance	**4,987,481**	4,075,342
	Additions during the year	**1,071,507**	912,139
		6,058,988	4,987,481
VIII	**Investment Fluctuation Reserve** *(refer to schedule 18 note 5.5)*		
	Opening balance	**19,083,040**	16,699,040
	Additions during the year	**5,166,960**	2,384,000
		24,250,000	19,083,040
IX	**Balance in Profit and Loss Account**	**15,955,850**	60,831,696
	TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)	**271,701,140**	281,780,300

			As at 31 March 2023	As at 31 March 2022
3	**Deposits**			
A.	I.	**Demand Deposits**		
		i) From banks	**7,663,711**	5,193,488
		ii) From others	**605,503,013**	607,728,315
		Total i) and ii)	**613,166,724**	612,921,803
	II.	**Savings Bank Deposits**	**183,075,276**	179,250,240
	III.	**Term Deposits**		
		i) From banks	**505,866**	6,636,478
		ii) From others	**1,081,763,888**	1,056,008,976
		Total i) and ii)	**1,082,269,754**	1,062,645,454
		TOTAL (I+II+III)	**1,878,511,754**	1,854,817,497
B.	I.	Deposits of branches in India	**1,878,511,754**	1,854,817,497
	II.	Deposits of branches outside India	–	–
		TOTAL (I+II)	**1,878,511,754**	1,854,817,497
4	**Borrowings**			
	I	**Borrowings in India**		
		i) Reserve Bank of India	**116,870,000**	–
		ii) Other banks	–	–
		iii) Other institutions and agencies	**308,212,754**	114,269,191
		iv) Subordinated debt	–	–
		Total i), ii), iii) and iv)	**425,082,754**	114,269,191
	II	**Borrowings outside India**	**23,110,703**	6,753,506
		TOTAL (I+II)	**448,193,457**	121,022,697
		Secured borrowings included in I and II above	**415,892,604**	104,348,941
5	**Other liabilities and provisions**			
	I	Bills payable	**4,588,651**	3,537,415
	II	Inter-office adjustments (net)	–	–
	III	Interest accrued	**10,426,224**	9,608,707
	IV	Provision towards standard assets *(refer to schedule 18 Note 5.7 (o))*	**7,798,088**	7,352,148
	V	Others (including provisions) (refer to schedule 18 note 5.7 (aj))	**222,607,053**	149,990,396
		TOTAL (I+II+III+IV+V)	**245,420,016**	170,488,666

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

Schedules forming part of the Balance Sheet as at 31 March 2023

(Currency: Indian rupees in thousands)

	As at 31 March 2023	As at 31 March 2022
6 Cash and balances with Reserve Bank of India		
I Cash in hand and in ATMs (including foreign currency notes)	**1,729,743**	1,406,235
II Balances with the Reserve Bank of India		
i) In current account	**92,756,194**	94,194,163
ii) In other accounts	**–**	183,540,000
Total i) and ii)	**92,756,194**	277,734,163
TOTAL (I+II)	**94,485,937**	279,140,398
7 Balances with banks and money at call and short notice		
I In India		
i) Balances with banks		
a) in current accounts	**5,686,762**	4,212,126
b) in other deposit accounts	**–**	6,442,362
Total a) and b)	**5,686,762**	10,654,488
ii) Money at call and short notice		
a) with banks	**–**	–
b) with other institutions	**88,834,491**	74,860,065
Total a) and b)	**88,834,491**	74,860,065
Total i) and ii)	**94,521,253**	85,514,553
II Outside India		
i) In current accounts	**7,849,167**	3,959,863
ii) In other deposit accounts	**–**	–
iii) Money at call and short notice	**229,676,489**	140,229,427
Total i), ii) and iii)	**237,525,656**	144,189,290
TOTAL (I+II)	**332,046,909**	229,703,843
8 Investments		
I. Investments in India in *(refer to schedule 18 note 5.7 (d))*		
i) Government securities	**1,078,350,773**	747,340,996
ii) Other approved securities	**–**	–
iii) Shares	**136,100**	136,100
iv) Debentures and bonds	**34,951,466**	34,156,834
v) Subsidiaries and/or joint ventures	**501**	501
vi) Others (Pass Through Certificates)	**55,119,553**	70,395,198
Total i), ii), iii), iv), v) and vi)	**1,168,558,393**	852,029,629
II. Investments outside India in *(refer to schedule 18 note 5.7 (d))*		
i) Government securities	**41,014,549**	102,122,764
TOTAL (I+II)	**1,209,572,942**	954,152,393

	As at 31 March 2023	As at 31 March 2022
9 Advances*		
A. i) Bills purchased and discounted	**74,458,188**	94,568,695
ii) Cash credits, overdrafts and loans repayable on demand	**344,568,658**	305,663,496
iii) Term loans	**616,715,694**	418,230,297
Total i), ii) and iii)	**1,035,742,540**	818,462,488
B. i) Secured by tangible assets (including advances against book debt)	**616,277,062**	399,823,744
ii) Covered by Bank / Government guarantees	**26,921,367**	32,104,548
iii) Unsecured	**392,544,111**	386,534,196
TOTAL i), ii) and iii)	**1,035,742,540**	818,462,488
CI. Advances in India		
i) Priority sectors	**164,482,703**	135,003,906
ii) Public sector	**34,024,907**	31,524,907
iii) Banks	**–**	–
iv) Others	**837,234,930**	651,933,675
TOTAL i), ii), iii) and iv)	**1,035,742,540**	818,462,488
CII. Advances ouside India	**–**	–
TOTAL CI and CII	**1,035,742,540**	818,462,488
* Net off Interbank Participation Certificate (IBPC) of Rs.33,000,000 thousand with risk participation (previous year: Rs. 116,481,213 thousand)		
10 Fixed Assets		
I Premises (including leasehold improvements) *(refer to schedule 18 note 5.2)*		
Cost at 1 April (including revaluation)	**7,959,969**	8,538,181
Additions during the year	**–**	105,884
Revaluation of premises during the year	**276,304**	214,969
Deductions during the year	**–**	(899,065)
	8,236,273	7,959,969
Depreciation to date	**(2,413,559)**	(2,293,223)
Net book value of Premises (including leasehold improvements)	**5,822,714**	5,666,746
II Other Fixed Assets (including furniture and fixtures)		
Cost at 1 April	**4,511,458**	3,865,784
Additions during the year	**468,676**	897,989
Deductions during the year	**(100,652)**	(252,315)
	4,879,482	4,511,458
Depreciation to date	**(3,425,885)**	(2,866,184)
Net book value of Other Fixed Assets (including furniture and fixtures)	**1,453,597**	1,645,274
III Capital Work-in-progress	**265,765**	88,856
TOTAL (I+II+III)	**7,542,076**	7,400,876

HSBC

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

Schedules forming part of the Balance Sheet as at 31 March 2023

(Currency: Indian rupees in thousands)

		As at 31 March 2023	As at 31 March 2022
11	**Other Assets**		
I	Inter-office adjustments (net)	**–**	–
II	Interest accrued	**23,393,256**	15,782,483
III	Tax paid in advance/tax deducted at source (net of provision for tax)	**13,935,066**	12,635,335
IV	Deferred tax (net) (*refer to schedule 18 note 5.12)*	**2,333,339**	2,689,225
V	Stationery and stamps	**2,812**	3,249
VI	Non-banking assets acquired in satisfaction of claims	**–**	–
VII	Items in course of collection	**–**	–
VIII	Others* (*refer to schedule 18 note 5.7 (aj))*	**211,105,650**	153,130,530
	TOTAL (I+II+III+IV+V+VI+VII+VIII)	**250,770,123**	184,240,822

* Includes balances with Rural Infrastructure Development Fund of Rs.21,899,040 thousand (previous year: Rs. 26,188,011 thousand)

		As at 31 March 2023	As at 31 March 2022
12	**Contingent liabilities** (*refer to schedule 18 note 5.14)*		
I	Claims against the bank not acknowledged as debts (including tax matters) (*refer to schedule 18 note 5.3)*	**11,070,418**	11,253,745
II	Liability for partly paid investments	**500**	500
III	Liability on account of outstanding forward exchange and derivative contracts		
	i) Forward contracts	**9,774,031,579**	7,695,060,130
	ii) Currency options	**1,085,148,278**	971,153,817
	iii) Derivative contracts	**16,702,310,175**	10,809,049,536
	Total i), ii) and iii)	**27,561,490,032**	19,475,263,483
IV	Guarantees given on behalf of constituents		
	i) In India	**431,107,139**	337,718,610
	ii) Outside India	**57,850,540**	60,930,502
	Total i) and ii)	**488,957,679**	398,649,112
V	Acceptances, endorsements and other obligations	**117,314,504**	101,714,524
VI	Bills rediscounted	**–**	2,275,800
VII	Other items for which the bank is contingently liable	**114,128,169**	123,824,655
	TOTAL (I+II+III+IV+V+VI+VII)	**28,292,961,302**	20,112,981,819

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2023

(Currency: Indian rupees in thousands)

		For the year ended 31 March 2023	For the year ended 31 March 2022
13	**Interest earned**		
I	Interest/discount on advances/bills	**73,551,803**	55,791,230
II	Income on investments	**64,614,409**	57,502,025
III	Interest on balances with Reserve Bank of India and other inter-bank funds	**12,569,230**	16,306,894
IV	Others	**5,292,172**	1,698,346
	TOTAL (I+II+III+IV)	**156,027,614**	131,298,495
14	**Other income**		
I	Commission, exchange and brokerage (net)	**10,175,175**	8,196,115
II	Profit/(Loss) on sale/maturity of investments (net)	**(10,889,508)**	(3,049,013)
III	Profit/(Loss) on revaluation of investments (net)	**(8,203,966)**	(16,892,029)
IV	Profit/(Loss) on disposal of land, buildings and other assets (net)	**277**	80,546
V	Profit on exchange transactions (net)	**25,977,025**	23,132,911
VI	Miscellaneous income	**251,066**	243,459
	TOTAL (I+II+III+IV+V +VI)	**17,310,069**	11,711,989
15	**Interest expended**		
I	Interest on deposits	**54,119,737**	36,781,009
II	Interest on Reserve Bank of India/inter-bank borrowings	**1,364,830**	516,697
III	Others	**5,651,902**	6,410,278
	TOTAL (I+II+III)	**61,136,469**	43,707,984
16	**Operating expenses**		
I	Payments to and provisions for employees	**12,541,099**	10,966,810
II	Rent, taxes and lighting	**1,209,594**	1,255,869
III	Printing and stationery	**44,337**	40,218
IV	Advertisement and publicity	**1,614,995**	534,758
V	Depreciation on Bank's property	**766,067**	709,149
VI	Auditors' fees and expenses	**16,500**	16,500
VII	Law charges	**66,535**	57,791
VIII	Postage, telegrams, telephones, etc.	**191,255**	189,346
IX	Repairs and maintenance	**1,367,468**	659,150
X	Insurance	**2,752,555**	2,566,310
XI	Other expenditure (*refer to schedule 18 note 5.7 (aj))*	**26,937,542**	23,846,373
	TOTAL (I+II+III+IV+V+VI+VII+VIII+IX+X+XI)	**47,507,947**	40,842,274
17	**Provisions and Contingencies** (*refer to schedule 18 note 5.7 (c))*		
I	Provision for advances	**520,693**	1,085,315
II	Taxation charge		
	– Current tax expense	**28,789,235**	24,071,739
	– Deferred tax charge	**355,885**	1,206,880
		29,145,120	25,278,619
III	Other provisions	**498,128**	184,593
	TOTAL (I+II+III)	**30,163,941**	26,548,527

Schedules forming part of the Financial Statements for the year ended 31 March 2023

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts

1. Background

The accompanying financial statements for the year ended 31 March 2023, 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') notified under Sction 133 of the Companies Act, 2013 read together with Rule 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') at the time of acquisition. 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 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 and disclosed in Schedule 8 ('Investments') as per the requirements of the RBI guidelines.

(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. In terms of RBI guidelines, discount on securities held under HTM category is not accrued and such securities are held at the acquisition cost till 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 FBIL. Further to account for the illiquidity factor, an illiquidity spread is determined based on the bid/offer spreads being quoted in the market at a rating category (AAA, AA+ etc) and maturity tenor bucket (upto 5 years, >5 years) level. This spread is considered for the valuation.

Unquoted equity shares are valued at break-up value if the latest balance sheet is available, if unavailable, at Re 1 per equity share.

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 RBI Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 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.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*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 Frepo 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 classified into performing and non-performing advances ('NPA') based on the RBI's prudential norms on classification. Further, NPAs are classified into substandard, doubtful and loss assets based on the criteria stipulated by RBI.

Specific provisions are made on a case by case basis based on management's assessment of the degree of impairment of the advances (excluding mortgage loans and 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 net flow rate method.

Specific provisions are made for mortgages on a case by case basis in line with RBI requirements

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 alongwith 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.

Advances are stated net of bills rediscounted, inter-bank participation certificates issued, specific provisions made towards NPAs, provisions on homogeneous loans, interest in suspense for NPAs, claims received from Export Credit Guarantee Corporation, provision for funded interest on term loan classified as NPAs and provision in lieu of dimunition in fair value of restructured assets.

4.3 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).

4.4 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.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

4 Significant accounting policies *(Continued)*

4.5 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 profit and loss account 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.

4.6 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 5.7 (ae) 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'.

4.7 Income recognition

Revenue is recognised to the extent that it is possible, that the economic benefits will flow to the Bank and the revenue can be reliably measured, so far as it is consistent with the statutory provisions and the guidelines issued by the RBI

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.

Fee and commission income are recognised on an accrual basis except in case of Non-Performing Assets. 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.

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.

4.8 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.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

4 Significant accounting policies *(Continued)*

4.8 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.

4.9 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 technical evaluation, 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

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. 19,658,527 thousand amount of accumulated profits to Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements (previous year: Rs. 16,390,446 thousand).

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 upward by Rs. 276,304 thousand (previous year: upward by Rs. 214,969 thousand) based on an independent professional valuation.

Certain premises valued at Rs. 4,814,380 thousand (previous year: Rs. 4,661,900 thousand) 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 2019-20) amounts to Rs. 8,816,417 thousand (previous year: Rs. 8,865,259 thousand). 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 RBI/2017-18/147 DBR. NO.BP 102/21.04.048/2017-18 dated 2 April 2018, the Bank has transferred an amount of Rs. 5,166,960 thousand during the year to Investment Fluctuation Reserve (previous year: Rs. 2,384,000 thousand).

5.6 Implementation of IFRS converged Indian Accounting Standards (Ind AS)

In January 2016, the Ministry of Corporate Affairs issued the roadmap for implementation of new Indian Accounting Standards (Ind AS), which largely converges with International Financial Reporting Standards (IFRS), for scheduled commercial banks, insurance companies and non-banking financial companies (NBFCs). The Bank has been submitting proforma Ind AS financial statements to RBI on a half yearly basis, as required. The RBI in its press release issued on March 22, 2019 has deferred the applicability of Ind AS until further notice for Scheduled Commercial Banks.

5.7 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 2023**	As at 31 March 2022
i) Common Equity Tier 1 capital (CET 1) (net of deductions, if any	**312,898,376**	242,401,472
ii) Additional Tier 1 capital	–	–
Tier 1 capital (i + ii)	**312,898,376**	242,401,472
Tier 2 capital	**33,368,796**	27,985,550
Total capital (Tier 1+Tier 2)	**346,267,172**	270,387,022
Total Risk Weighted Assets (RWAs)	**2,085,805,391**	1,638,450,473
CET 1 Ratio (CET 1 as a percentage of RWAs)	**15.00%**	14.79%
Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	**15.00%**	14.79%
Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	**1.60%**	1.71%
(Total Capital as a percentage of RWAs)		
Capital to Risk Weighted Assets Ratio (CRAR)	**16.60%**	16.50%
Leverage Ratio	**8.15%**	7.24%
Percentage of the shareholding of		
a) Government of India	–	–
b) State Government	–	–
c) Sponsor Bank	–	–
Amount of paid-up equity capital raised during the year	**41,342,500***	–
Amount of non-equity Tier 1 capital raised during the year	–	–
Amount of Tier 2 capital raised during the year	–	–

* Represents Interest free funds received from Head Office during the year for capital purpose

Capital adequacy for the current year has been calculated based on the Guidelines in Master Circular – Basel III Capital Regulations, issued vide circular RBI/2022-23/12 DOR.CAP. REC. 3/21.06.201/2022-23 dated 1 April 2022 and relevant circulars issued thereafter.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(b) Business ratios/ information

The details relating to business ratios are given below:

	For the year ended 31 March 2023	For the year ended 31 March 2022
Interest income as percentage to Working Funds	**5.63%**	5.27%
Non-interest income as percentage to Working Funds	**0.63%**	0.47%
Cost of deposits	**2.78%**	2.06%
Net Interest Margin	**4.01%**	3.96%
Operating profits as percentage to Working Funds	**2.34%**	2.34%
Return on assets	**1.25%**	1.28%
Business (deposits plus advances) per employee (Rs '000)	**827,787**	752,330
Profit per employee (Rs '000)	**9,836**	9,021

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.

(c) Provisions and Contingencies

(Rs '000)

Break up of provisions and contingencies shown under the head expenditure in Profit & Loss account	**For the year ended 31 March 2023**	For the year ended 31 March 2022
Provision towards NPA (including write-offs net of recoveries)	**74,753**	453,703
Provision towards standard assets	**645,982**	539,863
(Release) / Provision towards country risk	**(200,042)**	91,749
Provision towards current tax expense	**28,789,235**	24,071,739
Provision towards deferred tax	**355,885**	1,206,880
Other Provisions and Contingencies (refer to note 5.14)		
Provision towards reward points	**248,452**	87,106
Provision towards claims under litigation	**1,155**	–
(Release) / Provision towards other receivables	**(116,129)**	71,743
Others	**364,650**	25,744
Total	**30,163,941**	26,548,527

(d) Investments

As at 31 March 2023 **(Rs '000)**

	Investments in India							**Investments outside India**				
	Government Securities	**Other Approved Securities**	**Shares**	**Debentures and Bonds**	**Sub-sidiaries and/ or joint ventures**	**Others**	**Total investments in India**	**Government securities (including local authorities)**	**Sub-sidiaries and/ or joint ventures**	**Others**	**Total Investments outside India**	**Total Investments**
Held to Maturity												
Gross	**241,284,499**	–	–	–	**501**	–	**241,285,000**	–	–	–	–	**241,285,000**
Less: Provision for non-performing investments (NPI)	–	–	–	–	–	–	–	–	–	–	–	–
Net	**241,284,499**	–	–	–	**501**	–	**241,285,000**	–	–	–	–	**241,285,000**
Available for Sale												
Gross	**838,939,461**	–	**136,100**	**34,951,466**	–	**55,964,234**	**929,991,261**	**41,014,549**	–	–	**41,014,549**	**971,005,810**
Less: Provision for depreciation and NPI	**(24,195,971)**	–	–	–	–	**(844,681)**	**(25,040,652)**	–	–	–	–	**(25,040,652)**
Net	**814,743,490**	–	**136,100**	**34,951,466**	–	**55,119,553**	**904,950,609**	**41,014,549**	–	–	**41,014,549**	**945,965,158**
Held for Trading												
Gross	**22,378,792**	–	–	–	–	–	**22,378,792**	–	–	–	–	**22,378,792**
Less: Provision for depreciation and NPI	**(56,008)**	–	–	–	–	–	**(56,008)**	–	–	–	–	**(56,008)**
Net	**22,322,784**	–	–	–	–	–	**22,322,784**	–	–	–	–	**22,322,784**

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(d) Investments (continued)

	Investments in India							Investments outside India				
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Sub-sidiaries and/ or joint ventures	Others	Total invest-ments in India	Government securities (including local authorities)	Sub-sidiaries and/ or joint ventures	Others	Total Investments outside India	Total Investments
Total Investments	**1,102,602,752**	**–**	**136,100**	**34,951,466**	**501**	**55,964,234**	**1,193,655,053**	**41,014,549**	**–**	**–**	**41,014,549**	**1,234,669,602**
Less: Provision for non-performing investments	–	–	–	–	–	–	–	–	–	–	–	–
Less: Provision for depreciation and NPI	**(24,251,979)**	–	–	–	–	**(844,681)**	**(25,096,660)**	–	–	–	–	**(25,096,660)**
Net	**1,078,350,773**	**–**	**136,100**	**34,951,466**	**501**	**55,119,553**	**1,168,558,393**	**41,014,549**	**–**	**–**	**41,014,549**	**1,209,572,942**

As at 31 March 2022 (Rs '000)

	Investments in India							Investments outside India				
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Sub sidiaries and/ or joint ventures	Others	Total invest-ments in India	Government securities (including local au-thorities)	Sub-sidiaries and/ or joint ventures	Others	Total Investments outside India	Total Investments
Held to Maturity												
Gross	–	–	–	–	501	–	501	–	–	–	–	501
Less: Provision for non-performing investments (NPI)	–	–	–	–	–	–	–	–	–	–	–	–
Net	–	–	–	–	501	–	501	–	–	–	–	501
Available for Sale												
Gross	746,044,658	–	136,100	32,704,276	–	70,395,198	849,280,232	102,122,764	–	–	102,122,764	951,402,996
Less: Provision for depreciation and NPI	(16,891,292)	–	–	–	–	–	(16,891,292)	–	–	–	–	(16,891,292)
Net	729,153,366	–	136,100	32,704,276	–	70,395,198	832,388,940	102,122,764	–	–	102,122,764	934,511,704
Held for Trading												
Gross	18,187,630	–	–	1,453,960	–	–	19,641,590	–	–	–	–	19,641,590
Less: Provision for depreciation and NPI	–	–	–	(1,402)	–	–	(1,402)	–	–	–	–	(1,402)
Net	18,187,630	–	–	1,452,558	–	–	19,640,188	–	–	–	–	19,640,188
Total Investments	764,232,288	–	136,100	34,158,236	501	70,395,198	868,922,323	102,122,764	–	–	102,122,764	971,045,087
Less: Provision for non-performing investments	–	–	–	–	–	–	–	–	–	–	–	–
Less: Provision for depreciation and NPI	(16,891,292)	–	–	(1,402)	–	–	(16,892,694)	–	–	–	–	(16,892,694)
Net	747,340,996	–	136,100	34,156,834	501	70,395,198	852,029,629	102,122,764	–	–	102,122,764	954,152,393

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. 582,328,636 thousand (previous year: Rs. 221,201,284 thousand) 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.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(d) Investments (continued)

(Rs '000)

Particulars			As at 31 March 2023	As at 31 March 2022
i)	**Movement of provisions held towards depreciation on investments**			
	a)	Opening balance	**16,892,694**	665
	b)	Add: Provisions made during the year	**8,203,966**	16,892,029
	c)	Less: Write off / write back of excess provisions during the year	**–**	–
	d)	Closing balance	**25,096,660**	16,892,694
ii)	**Movement of Investment Fluctuation Reserve**			
	a)	Opening balance	**19,083,040**	16,699,040
	b)	Add: Amount transferred during the year	**5,166,960**	2,384,000
	c)	Less: Drawdown	**–**	–
	d)	Closing balance	**24,250,000**	19,083,040
iii)	**Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/Current category**		**2.50**	2.00

The outstanding commitments relating to securities purchase and sale contracts as at 31 March 2023 are Rs. 23,947,324 thousand (previous year: Rs. 6,494,424 thousand) and Rs. 35,857,665 thousand (previous year: Rs. 13,844,461 thousand) respectively.

(e) Non-performing non-SLR investments

(Rs '000)

Sr. No.	Particulars	As at 31 March 2023	As at 31 March 2022
(1)	Opening balance*	–	–
(2)	Additions during the year since 1st April	–	–
(3)	Reductions during the above period	–	–
(4)	Closing balance*	–	–
(5)	Total provisions held	–	–

*The non-performing non-SLR investments as at 31 March 2023 are Rs. 2 (previous year: Rs. 2). This represents Preference share/Equity share investments which have been written down to Rs. 2.

(f) Issuer composition of non SLR investments

As at 31 March 2023

(Rs '000)

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	**25,431,511**	**5,325,528**	**–**	**1,000**	**1,000**
(ii)	Financial Institutions	**–**	**–**	**–**	**–**	**–**
(iii)	Banks	**–**	**–**	**–**	**–**	**–**
(iv)	Private Corporate	**65,620,289**	**62,694,031**	**–**	**135,100**	**135,100**
(v)	Subsidiaries/ Joint Ventures	**501**	**501**	**–**	**501**	**501**
(vi)	Others	**41,014,549**	**–**	**–**	**–**	**–**
(vii)	Provision held towards depreciation	**(844,681)**	**–**	**–**	**–**	**–**
	Total	**131,222,169**	**68,020,060**	**–**	**136,601**	**136,601**

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(f) Issuer composition of non SLR investments Continued)

As at 31 March 2022

(Rs '000)

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	25,310,270	2,500,474	–	1,000	1,000
(ii)	Financial Institutions	–	–	–	–	–
(iii)	Banks	–	–	–	–	-
(iv)	Private Corporate	79,379,265	71,895,198	–	135,100	135,100
(v)	Subsidiaries/ Joint Ventures	501	501	–	501	501
(vi)	Others	102,122,764	–	–	–	–
(vii)	Provision held towards depreciation	(1,402)	–	–	–	–
	Total	206,811,398	74,396,173	–	136,601	136,601

Note: Total investments include net investments in PTC of Rs. 55,119,553 thousand (previous year: Rs.70,395,198 thousand)

* 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.

(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 2022-23	Maximum Outstanding During the Year 2022-23	Daily Average Outstanding During the Year 2022-23	Outstanding as at 31 March 2023
Securities sold under repos				
i. Government securities	**16,800,000**	**275,552,550**	**87,715,897**	**275,552,550**
ii. Corporate debt securities	**100,000**	**3,200,000**	**61,918**	**–**
iii. Any other securities	**–**	**–**	**–**	**–**
Securities purchased under reverse repos				
i. Government securities	**4,767,810**	**507,048,930**	**198,946,532**	**90,860,300**
ii. Corporate debt securities	**500,000**	**500,000**	**9,589**	**–**
iii. Any other securities	**16,434,000**	**180,774,000**	**105,985,117**	**147,906,000**

(Rs '000)

	Minimum Outstanding During the Year 2021-22	Maximum Outstanding During the Year 2021-22	Daily Average Outstanding During the Year 2021-22	Outstanding as at 31 March 2022
Securities sold under repos				
i. Government securities	1,226,720	138,257,300	85,454,245	46,885,200
ii. Corporate debt securities	5,000,000	5,000,000	95,890	–
iii. Any other securities	–	–	–	–
Securities purchased under reverse repos				
i. Government securities	221,163,500	583,656,490	434,011,651	221,163,500
ii. Corporate debt securities	400,000	1,050,000	15,205	–
iii. Any other securities	380,900	109,899,125	5,242,078	109,899,125

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.

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

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(i) Classification of advances and provisions

As at 31 March 2023

(Rs '000)

	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening Balance	816,961,507	1,502,617	3,409,080	1,526,288	6,437,985	823,399,492
Add: Additions during the year[#]					2,089,508	
Less: Reductions during the year					(3,292,108)	
Closing balance	1,034,909,901	836,680	2,890,367	1,508,338	5,235,385	1,040,145,286
Reductions in Gross NPAs due to:						
i) Upgradation					(1,829,429)	
ii) Recoveries[#] (excluding recoveries from upgraded accounts)					(476,802)	
iii) Technical/ Prudential Write-offs					–	
iv) Write-offs other than those under (iii) above					(985,877)	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held**	4,492,942	524,169	2,886,547	1,526,288	4,937,004	9,429,946
Add: Fresh provisions made during the year**#					872,453	
Less: Excess provision reversed/ Write-off loans** #					(1,406,711)	
Closing balance of provisions held**	5,190,105	379,958	2,494,802	1,527,986	4,402,746	9,592,851
Net NPAs						
Opening Balance		978,448	522,533	–	1,500,981	
Add: Fresh additions during the year					1,217,055	
Less: Reductions during the year					(1,885,397)	
Closing Balance		456,722	395,565	(19,648)	832,639	
Floating Provisions						
Opening Balance	–	–	–	–	–	–
Add: Additional provisions made during the year						–
Less: Amount drawn down during the year						–
Closing balance of floating provisions						–
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						–
Add: Technical/ Prudential write-offs during the year						–
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						–
Closing balance						–

Includes movement due to exchange fluctuation
** includes movement of Interest Capitalisation–Restructured NPA Account

The Hongkong and Shanghai Banking Corporation Limited – India Branches
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Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)
Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*
5 Notes to accounts *(Continued)*
5.7 Statutory disclosures (Continued)
(i) Classification of advances and provisions (Continued)
As at 31 March 2022

(Rs '000)

	Standard	Non-Performing				Total
	Total Standard Advances	**Sub-standard**	**Doubtful**	**Loss**	**Total Non-Performing Advances**	
Gross Standard Advances and NPAs						
Opening Balance	713,828,452	4,742,888	3,916,587	466,564	9,126,039	722,954,491
Add: Additions during the year#					4,380,136	
Less: Reductions during the year					(7,068,190)	
Closing balance	816,961,507	1,502,617	3,409,080	1,526,288	6,437,985	823,399,492
Reductions in Gross NPAs due to:						
i) Upgradation					(3,992,207)	
ii) Recoveries# (excluding recoveries from upgraded accounts)					(733,923)	
iii) Technical/ Prudential Write-offs					–	
iv) Write-offs other than those under (iii) above					(2,342,060)	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held**	4,327,205	2,427,803	3,328,259	467,687	6,223,749	10,550,954
Add: Fresh provisions made during the year**#					2,492,220	
Less: Excess provision reversed/ Write-off loans** #					(3,778,965)	
Closing balance of provisions held**	4,492,942	524,169	2,886,547	1,526,288	4,937,004	9,429,946
Net NPAs						
Opening Balance		2,315,085	588,328	(1,123)	2,902,290	
Add: Fresh additions during the year					1,887,916	
Less: Reductions during the year					(3,289,225)	
Closing Balance		978,448	522,533	–	1,500,981	
Floating Provisions						
Opening Balance	–	–	–	–	–	–
Add: Additional provisions made during the year						–
Less: Amount drawn down during the year						–
Closing balance of floating provisions						–
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written–off accounts						–
Add: Technical/ Prudential write-offs during the year						–
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						–
Closing balance						–

Includes movement due to exchange fluctuation

Note : 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.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(i) Classification of advances and provisions (Continued)

Ratios	As at 31 March 2023	As at 31 March 2022
Gross NPA to Gross Advances	**0.50%**	0.78%
Net NPA to Net Advances	**0.08%**	0.18%
Provision coverage ratio	**83.32%**	75.20%

(j) Concentration of Advances

(Rs '000)

	As at 31 March 2023	As at 31 March 2022
Total Advances of twenty largest borrowers	**618,452,219**	495,951,676
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	**14.85%**	13.90%

(k) Concentration of Exposures

(Rs '000)

	As at 31 March 2023	As at 31 March 2022
Total Exposure to twenty largest borrowers / customers	**626,439,204**	567,978,651
Percentage of Exposures of twenty largest borrowers / customers to Total Exposure of the bank on borrowers / customers	**14.58%**	15.04%

(l) Concentration of NPAs

(Rs '000)

	As at 31 March 2023	As at 31 March 2022
Total Exposure to the top twenty NPA accounts	**3,457,326**	3,680,440
Percentage of Exposures to the twenty largest NPA Exposures to Total Gross NPAs.	**66.04%**	57.17%

(m) Unsecured Advances

(Rs '000)

	As at 31 March 2023	As at 31 March 2022
Total Unsecured Advances of the Bank	**392,544,111**	386,534,196
Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	**NIL**	NIL
Estimated value of such intangible securities	**N.A**	N.A

(n) Sector-wise Advances

(Rs '000)

Sl. No	Sector	As at 31 March 2023			As at 31 March 2022		
		Outstanding Total Advances	**Gross NPAs**	**Percentage of Gross NPAs to Total Advances in that sector**	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector (based on underlying borrower)**						
1	Agriculture and allied activities	**63,178,943**	**624,834**	**0.99**	46,739,068	685,485	1.47
2	Advances to industries sector eligible as priority sector lending	**63,961,125**	–	–	55,145,504	3	0.00
	2.1 Basic Metal and Metal Products	**11,775,665**	–	–	9,752,318	–	–
	2.2 Food Processing	**3,774,108**	–	–	5,737,325	–	–
	2.3 All Engineering	**10,755,680**	–	–	7,884,769	–	–
	2.4 Rubber, Plastic and their Products	**6,615,314**	–	–	4,534,772	–	–
	2.5 Chemicals and Chemical Products	**9,182,638**	–	–	5,070,133	2	–
	2.6 All other Industries	**6,818,243**	–	–	10,460,548	–	–
3	Services	**38,077,312**	**221,525**	**0.58**	33,824,648	88,052	0.26
	3.1 Professional Services	**7,655,556**	–	–	6,498,003	–	–
	3.2 Trade	**12,178,606**	**50,436**	**0.41**	15,207,705	–	–
	3.3 Commercial real estate	**9,313,021**	–	–	7,515,756	–	
	3.4 Other Services	**6,293,769**	**8,408**	**0.13**	2,846,591	10,785	0.38
4	Personal loans	**52,867**	–	–	29,503	–	–
	4.1 Housing	**52,867**	–	–	28,379	–	–
	Sub-total (A)	**165,270,247**	**846,359**	**0.51**	135,738,723	773,540	0.57

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(n) Sector-wise Advances (Continued)

Sl. No	Sector	As at 31 March 2023 Outstanding Total Advances	As at 31 March 2023 Gross NPAs	As at 31 March 2023 Percentage of Gross NPAs to Total Advances in that sector	As at 31 March 2022 Outstanding Total Advances	As at 31 March 2022 Gross NPAs	As at 31 March 2022 Percentage of Gross NPAs to Total Advances in that sector
B	**Non Priority Sector**						
1	Agriculture and allied activities	–	–	–	176,526	176,475	99.97
	1.1 Indirect Agriculture	–	–		176,526	176,475	99.97
2	Industry	**306,385,857**	**569,780**	**0.19**	231,998,310	542,290	0.23
	2.1 Chemicals and Chemical Products	**45,468,563**	–	–	37,590,977	122,403	0.33
	2.2 All Engineering	**31,665,271**	–	–	31,450,130	–	–
	2.3 Infrastructure	**74,381,468**	**134,740**	**0.18**	60,045,403	134,740	0.22
	2.4 Vehicles, Vehicle Parts and Transport Equipments	**26,151,608**	–	–	27,227,809	–	–
3	Services	**459,997,456**	**1,756,813**	**0.38**	373,141,236	1,879,761	0.50
	3.1 Trade	**71,005,001**	**1,691,046**	**2.38**	100,011,274	1,798,707	1.80
	3.2 Commercial Real Estate	**132,819,368**	**59,012**	**0.04**	102,407,555	78,810	0.08
	3.3 NBFC	**142,494,921**	–	–	99,805,620	–	–
4	Personal loans	**108,491,726**	**2,062,433**	**1.90**	82,344,697	3,065,919	3.72
	4.1 Housing	**79,072,245**	**1,623,857**	**2.05**	56,195,048	2,366,916	4.21
	4.2 Credit Card Receivables	**14,168,003**	**262,977**	**1.86**	13,490,367	371,893	2.76
	4.3 Other Retail Loans	**14,270,573**	**169,593**	**1.19**	11,807,439	317,510	2.69
	Sub-total (B)	**874,875,036**	**4,389,026**	**0.50**	687,660,769	5,664,445	0.82
	Total(A+B)	**1,040,145,286**	**5,235,385**	**0.50**	823,399,492	6,437,985	0.78

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

(o) Provision towards Standard Assets

(Rs '000)

	As at 31 March 2023	As at 31 March 2022
Provision towards standard assets*	**7,346,992**	6,701,010
Provision towards country risk (Refer note 5.7 (y))	**199,642**	399,684
Accumulated surplus arising on sale of NPA	**251,454**	251,454
Total	**7,798,088**	7,352,148

* 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 Directions RBI/2022-23/131 DOR.MRG.REC.76/00-00-007/2022-23 dated 11 October 2022.

(p) 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 'Reserve Bank of India (Unhedged Foreign Currency Exposure) Directions, 2022' dated 11 October 2022. 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 percentage of EBID (defined as PAT + Depreciation + Interest on debt + Lease Rentals). The incremental provisioning required is Rs. 1,688,836 thousand and the additional capital required is Rs. 10,457,557 thousand for UFCE as at 31 March 2023. (Previous Year: Rs. 1,775,763 thousand provision and capital required Rs. 10,776,227 thousand).

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

The Bank has not sold any financial assets to Securitisation Companies (SC) / Reconstruction Companies (RC) for Asset Reconstruction during the year ended 31 March 2023 (previous year: Rs. Nil).

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

The Bank has not purchased or sold NPAs during the year ended 31 March 2023 (previous year: Rs. Nil).

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(s) Securitisation and Transfer of Standard Assets (including Direct Assignment)

The following disclosures are made in accordance with RBI circular dated 24 September 2021 with respect to transfer of assets.

(i) *Details of loans not in default acquired through assignment as given below:*

(Rs '000)

	For the year ended 31 March 2023		For the year ended 31 March 2022	
	Direct Assignment	**Other Purchases**	Direct Assignment	Other Purchases
Aggregate amount of Loans acquired	**540,873**	**8,027,250**	–	–
Weighted Average residual maturity (in years)	**14.27**	**17**	–	–
Weighted Average holding period by the originator (in years)	**1.06**	**1.9**	–	–
Retention of beneficial economic interest by the originator	**10%**	**Nil**	–	–
Tangible Security coverage	**100%**	**115%**	–	–
Rating	**N.A**	**BBB+**		

(ii) *Details of loans not under default transferred during the year as given below:*

(Rs.'000)

	For the year ended 31 March 2023	For the year ended 31 March 2022
Aggregate principal outstanding of loans transferred	**2,884,296**	18,730,995
Weighted average maturity of the loans transferred (in years)	**0.19**	0.13
Weighted Average Holding period (in years)	**2.99**	0.04
Retention of Economic Beneficial Interest	**Nil**	28,207,400
Rating	**Unrated**	Unrated

(t) PSLCs purchased and sold

(Rs '000)

	As at 31 March 2023	**As at 31 March 2023**	As at 31 March 2022	As at 31 March 2022
	Purchased	**Sold**	Purchased	Sold
Agriculture	**24,750,000**	–	20,000,000	–
Small Farmer / Marginal Farmer	**81,100,000**	–	92,500,000	–
Micro Enterprises	**55,305,000**	–	63,565,000	–
General	**55,000,000**	–	107,000,000	–
Total	**216,155,000**	–	283,065,000	–

(u) 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)

(v) 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 1 January 2019 read with circular RBI/DOR/2021-22/ 83 DOR. ACC.REC.No.45/ 21.04.018/ 2021-22 there is no divergence observed by RBI for the financial year 2021-22 (previous year: Rs. Nil).

(w) Particulars of resolution plan and restructuring

(i) Particulars of implementation of resolution plan

The Bank has not implemented any Resolution Plan during the financial year 2022-23 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 7 June 2019 (previous year: Rs. Nil).

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Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued*)

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(w) Particulars of resolution plan and restructuring (Continued)

(i) Particulars of implementation of resolution plan (Continued)

The Bank has not implemented Resolution Plan during the financial year 2022-23 as per the Resolution Framework for COVID-19-related Stress laid down by RBI vide its circulars RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6 August 2020 and RBI/ 2021-22/32 DOR.STR.REC.12/21.04.048/2021-22 and RBI/2021-22/31 DOR.STR.REC.11 / 21.04.048/ 2021-22 dated 5 May 2021.

The Bank has implemented Resolution Plan during the financial year 2021-22 as given below.

As at 30 September 2021

(Rs ‘000)

	A	**B**	**C**	**D**	**E**
Type of borrower	**Number of accounts where resolution plan has been implemented under this window**	**exposure to accounts mentioned at (A) before implementation of the plan**	**Of (B), aggregate amount of debt that was converted into other securities**	**Additional funding sanctioned, if any, including between invocation of the plan and implementation**	**Increase in provisions on account of the implementation of the resolution plan***
Personal Loans					
Corporate persons	**1**	**750,000**	**–**	**82,414**	**430,790**
Of which, MSMEs	**–**				
Others					
Total	**1**	**750,000**	**–**	**82,414**	**430,790**

* This represents provision held for this account as on 30 September 2021

As at 31 March 2022

(Rs ‘000)

	A	B	C	D	E
Type of borrower	**Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year (A)#**	**Of (A), aggregate debt that slipped into NPA during the half-year ***	**Of (A) amount written off during the half-year**	**Of (A) amount paid by the borrowers during the half-year**	**Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year**
Personal Loans					
Corporate persons	832,414	832,414	–	10,607	–
Of which, MSMEs	–	–	–	–	–
Others					
Total	832,414	832,414	–	10,607	–

\# This represents balance for this account as on 1 October 2021

* This is outstanding as on 1 October 2021, excluding FITL from Oct 21 to Dec 21 and repayment made towards FITL in Mar 22. The net outstanding as on 31 March 2022 is Rs 836,753 thousand.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(w) Particulars of resolution plan and restructuring (Continued)

ii) Details of accounts subjected to restructuring

As at 31 March 2023

(Rs '000)

		Agriculture and allied activities	Corporates (excluding MSME)	Micro, Small and Medium Enterprises (MSME)	Retail (excluding agriculture and MSME)	Total
	Number of borrowers	–	–	–	–	–
Standard	Gross Amount	–	–	–	–	–
	Provision held	–	–	–	–	–
	Number of borrowers	–	–	–	**24**	**24**
Sub-standard	Gross Amount	–	–	–	**24,665**	**24,665**
	Provision held	–	–	–	**5,773**	**5,773**
	Number of borrowers	–	–	–	**405**	**405**
Doubtful	Gross Amount	–	–	–	**265,877**	**265,877**
	Provision held	–	–	–	**150,414**	**150,414**
	Number of borrowers	–	**1**	**2**	**6**	**9**
Loss	Gross Amount	–	**51,562**	**76,196**	**3,746**	**131,504**
	Provision held	–	**51,562**	**92,090**	**3,746**	**147,398**
	Number of borrowers	–	**1**	**2**	**435**	**438**
Total	Gross Amount	–	**51,562**	**76,196**	**294,288**	**422,046**
	Provision held	–	**51,562**	**92,090**	**159,933**	**303,585**

As at 31 March 2022

(Rs '000)

		Agriculture and allied activities	Corporates (excluding MSME)	Micro, Small and Medium Enterprises (MSME)	Retail (excluding agriculture and MSME)	Total
	Number of borrowers	–	–	–	–	–
Standard	Gross Amount	–	–	–	–	–
	Provision held	–	–	–	–	–
	Number of borrowers	–	–	–	650	650
Sub-standard	Gross Amount	–	–	–	620,885	620,885
	Provision held	–	–	–	169,377	169,377
	Number of borrowers	–	–	2	371	373
Doubtful	Gross Amount	–	–	77,266	180,197	257,463
	Provision held	–	–	86,241	132,268	218,509
	Number of borrowers	–	1	–	4	5
Loss	Gross Amount	–	51,562	–	2,381	53,943
	Provision held	–	51,562	–	2,381	53,943
	Number of borrowers	–	1	2	1,025	1,028
Total	Gross Amount	–	51,562	77,266	803,463	932,291
	Provision held	–	51,562	86,241	304,026	441,829

iii) 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.

(Rs '000)

	For the year ended 31 March 2023	For the year ended 31 March 2022
Number of accounts restructured	–	1
Amount outstanding	–	16,667

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Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(x) Exposures

Exposure to real estate sector

(Rs '000)

	Category	As at 31 March 2023	As at 31 March 2022
A	Direct exposure	**366,129,768**	320,125,592
(i)	Residential mortgages –		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	**121,897,748**	98,741,534
	Of which individual housing loans eligible for inclusion in priority sector advances	**424,333**	28,507
(ii)	Commercial real estate	**242,993,160**	219,610,849
	Lending secured by mortgages on commercial real estate		
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a.	Residential	**1,189,660**	1,702,560
b.	Commercial Real estate	**49,200**	70,650
B	Indirect exposure	**78,115,853**	63,129,286
	Fund based and non-funded based exposures on National Housing Bank (NHB) and Housing Finance Companies	**78,115,853**	63,129,286
	Total exposure to real estate sector (A+B)	**444,245,621**	383,254,878

Exposure to capital market

(Rs '000)

		As at 31 March 2023	As at 31 March 2022
i.	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	**136,601**	136,601
ii.	advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	**886**	886
iii.	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	**–**	–
iv.	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	**1,058,397**	685,485
v.	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	**1,602,137**	1,530,000
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;	**31,583,000**	8,915,000
viii	underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	**–**	–
ix.	financing to stockbrokers for margin trading;	**–**	–
x.	all exposures to Venture Capital Funds (both registered and unregistered)	**–**	–
xi.	Others	**200,900**	991,649
	Total Exposure to Capital Market (i to xi)	**34,581,921**	12,259,621

Schedules forming part of the Financial Statements for the year ended 31 March 2023*(Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(y) 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 2023*	Provision held as at 31 March 2023	Exposure as at 31 March 2022*	Provision held as at 31 March 2022
Insignificant	**367,925,388**	**94,142**	310,821,638	296,679
Low Risk	**168,634,090**	**105,500**	160,434,161	103,005
Moderately Low Risk	**1,204,101**	**–**	456,512	–
Moderate Risk	**532,353**	**–**	339,515	–
Moderately High Risk	**37,406**	**–**	244,130	–
High Risk	**211,313**	**–**	20,402	–
Very High Risk	**29,033**	**–**	–	–
Total	**538,573,684**	**199,642**	472,316,358	399,684

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

* Exposures are computed on gross basis

(z) 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 30 June 2021, a bank's exposure limit to a GCL was 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.

RBI in its annual inspection for FY 2021-22 had highlighted LEF breaches due to incorrect Credit Risk Mitigation (CRM) benefit on the gross exposures with Head office. CRM was not considered eligible due to technical breach which was subsequently rectified effective September 2022. During the year, there was no other breach of LEF limits for any of the exposures.

The bank has placed securities with face value of Rs. 16,730,000 thousand with RBI under Section 11(2) of the Banking Regulation Act, 1949 which has been designated as Credit Risk Mitigation (CRM) for offsetting of non-centrally cleared derivative exposures to Head Office. The amount of CRM considered for the purpose of computation of Head Office exposures is lower of the amount of remittable surplus earmarked as CRM, cost and market value of the securities placed under section 11(2) of the Banking Regulation Act, 1949.

(aa) Factoring services

The Bank has receivables acquired under factoring services amounting to Rs 26,511,631 thousand as on 31 March 2023 (previous year: Rs 21,498,366 thousand).

(ab) Intra-group exposure

(Rs '000)

	As at 31 March 2023	As at 31 March 2022
Total amount of intra-group exposures#	**44,839,391**	43,577,435
Total amount of top-20 intra-group exposures#	**44,685,991**	43,189,366
Percentage of intra-group exposures to total exposure* of the bank on borrowers / customers	**1.04%**	1.15%
Details of breach of limits on intra group exposures and regulatory action theron, if any	**Nil**	Nil

\# includes credit equivalent of derivative exposures

* includes credit equivalent of derivative exposures on gross basis

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ac) Concentration of Deposits

(Rs '000)

	As at 31 March 2023	As at 31 March 2022
Total Deposits of twenty largest depositors	**408,631,292**	444,247,794
Percentage of Deposits of twenty largest depositors to Total Deposits of the bank	**21.75%**	23.95%

(ad) Off Balance Sheet SPVs

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

(ae) Risk exposure in derivatives

<u>Qualitative disclosure</u>

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.

The 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 as well as proprietary transactions.

Banking book 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. The 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 loss results, against the corresponding VaR numbers.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ae) Risk exposure in derivatives (Continued)

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.

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. In line with globally accepted practice of having these as standard credit mitigant for OTC derivatives, the Bank has executed CSAs with eligible counterparties.

Valuation & Provisioning of Derivatives Contracts

The accounting policy for derivative financial instruments is set out in schedule 18 note 4.6. 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.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)
Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ae) Risk exposure in derivatives (Continued)

Quantitative disclosure

(Rs '000)

No	Particular	As at 31 March 2023 Currency Derivatives	As at 31 March 2023 Interest Rate Derivatives	As at 31 March 2022 Currency Derivatives	As at 31 March 2022 Interest Rate Derivatives
1	**Derivatives (Notional Principal Amount)**				
	a) for hedging	–	–	–	–
	b) for trading	**11,204,762,262**	**16,356,727,770**	9,040,359,226	10,434,904,257
2	**Marked-to-Market Position**				
	a) Asset (+)	**65,797,990**	**97,805,567**	53,174,347	54,901,898
	b) Liability (-)	**66,863,319**	**99,757,595**	51,802,387	55,112,728
3	**Credit Exposure #**	**352,968,562**	**173,546,909**	277,070,641	113,787,096
4	**Likely impact of one percentage point change in interest rate (100 x PV01)**				
	a) on hedging derivatives	–	–	–	–
	b) on trading derivatives	**1,846,499**	**22,288,381**	2,756,217	12,691,742
5	**Maximum and Minimum of 100 x PV01 observed during the year**				
	a) on hedging				
	Maximum	–	–	–	–
	Minimum	–	–	–	–
	b) on trading				
	Maximum	**2,889,436**	**22,920,959**	2,795,215	12,777,363
	Minimum	**466,110**	**12,000,293**	1,051,404	10,700,836

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

Note :
1. Currency derivatives include forwards, currency options, currency swaps and Currency Futures.
2. Interest rate derivatives include Forward Rate Agreements, Interest Rate Options, Interest Rate Swaps and Interest Rate Futures.
3. The Bank did not have exposure to Credit Default Swap as on 31 March 2023.(previous year : NIL)

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

(Rs '000)

		As at 31 March 2023	As at 31 March 2022
(i)	The notional principal of swap agreements	**16,352,615,967**	10,434,693,707
(ii)	Losses (gross positive mark to market) which would be incurred if counterparties failed to fulfill their obligations under the agreements	**97,804,584**	54,901,790
(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 (previous year with banks)	**41%**	45%
(v)	The fair value of the swap book	**(1,938,427)**	(210,830)

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

(Rs '000)

		As at 31 March 2023		As at 31 March 2022	
Nature	**Terms**	**No.**	**Notional principal**	No.	Notional principal
Trading swaps	Receive floating pay floating	**29**	**72,802,620**	32	69,274,345
Trading swaps	Receive floating pay fixed	**15,565**	**8,207,325,675**	8,740	5,208,321,851
Trading swaps	Receive fixed pay floating	**16,066**	**7,887,526,933**	9,266	5,038,356,702
Trading swaps	Receive fixed pay fixed	**116**	**82,749**	8	9,422,999

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

(Rs '000)

		As at 31 March 2023		As at 31 March 2022	
Nature	**Terms**	**No.**	**Notional principal**	No.	Notional principal
Trading swaps	Receive fixed pay floating	**1,157**	**184,877,990**	261	109,317,810

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ag) Exchange traded interest rate derivatives

(Rs '000)

No.	Particulars	31 March 2023	31 March 2022
(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.

(ah) Subordinated debt

There was no subordinated debt that was outstanding at any point of time during the year ended 31 March 2023 (previous year: Rs. Nil).

(ai) Penalties imposed by RBI

No penalties were paid to RBI during the year ended 31 March 2023 (previous year: Rs. Nil).

RBI imposed a penalty of Rs. 17,375 thousand vide order dated 2 May 2023 under section 47A of the Banking Regulation Act, 1949 and sections 25(1)(iii) of the Credit Information Companies (Regulation) Act, 2005 due to contravention of the provisions of Credit Information Companies (Regulation) Act, 2006. The Bank paid the penalty to RBI on 15 May 2023.

(aj) Other Assets and Liabilities and Operating Expenses – other expenditure

(i) Items of "Other expenditure" exceeding one percent of the total income includes the following unless disclosed elsewhere in the financial statements:

(Rs '000)

	For the year ended 31 March 2023	For the year ended 31 March 2022
Outsourcing Cost	**13,632,885**	10,666,967
Services received from group entities	**4,136,927**	3,273,949
PSLC cost	**2,201,322**	3,928,998
GST Expense	**1,970,516**	2,003,660
Head Office costs Allocated	**1,339,112**	1,230,913

(ii) Items of "Other Assets and Liabilities" exceeding one percent of the total assets includes the following:

(Rs '000)

	For the year ended 31 March 2023	For the year ended 31 March 2022
Marked-to-Market Position – Asset	**163,603,557**	108,076,245
Marked-to-Market Position – Liabilty	**166,620,914**	106,915,115

(ak) Bancassurance income

During the year, the Bank earned an amount of Rs.336,198 thousand towards bancassurance income (previous year: Rs. 198,918 thousand).

(Rs '000)

Nature of Income	For the year ended 31 March 2023	For the year ended 31 March 2022
For selling life insurance products	**324,848**	186,597
For selling non life insurance products	**11,350**	12,321
Total	**336,198**	198,918

The bank is a corporate agent of Canara HSBC Life Insurance Company Limited for Life Insurance products and ICICI Lombard General Insurance Company Limited for non-life insurance products.

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

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(al) Marketing and distribution

(Rs '000)

Nature of Income	For the year ended 31 March 2023	For the year ended 31 March 2022
For selling of investment products	**1,239,853**	1,039,418
Total	**1,239,853**	1,039,418

(am) 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 2023 (Rs '000)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 30 Days	31 days to 2 month	2 month to 3 months	Over 3 month to 6 months	Over 6 month to 12 months	Over 1 years to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans and Advances	**10,960,933**	**3,778,797**	**43,502,074**	**81,435,099**	**70,095,403**	**72,837,911**	**77,870,182**	**112,420,724**	**260,302,501**	**180,059,596**	**122,479,320**	**1,035,742,540**
Investment Securities	**575,894,708**	**300,301,934**	**16,674,012**	**72,423,449**	**19,862,947**	**19,415,109**	**20,425,537**	**34,916,052**	**56,660,698**	**12,754,849**	**80,243,647**	**1,209,572,942**
Deposits	**97,045,782**	**247,613,511**	**115,508,662**	**159,039,729**	**156,528,313**	**95,740,163**	**128,294,647**	**166,461,716**	**57,611,348**	**654,667,454**	**429**	**1,878,511,754**
Borrowings	**23,110,703**	**415,892,604**	**376,500**	**-**	**375,100**	**375,100**	**1,125,300**	**2,250,600**	**4,687,550**	**–**	**–**	**448,193,457**
Foreign Currency Assets	**8,982,123**	**243,382,903**	**37,062,503**	**16,118,323**	**11,654,473**	**7,304,447**	**15,942,698**	**8,275,909**	**19,517,899**	**5,951,582**	**16,921,701**	**391,114,561**
Foreign Currency Liabilities	**38,901,669**	**8,069,470**	**566,751**	**11,509,328**	**5,685,074**	**2,730,430**	**12,498,870**	**16,879,845**	**13,538,960**	**55,992,380**	**13,052,926**	**179,425,703**

As at 31 March 2022 (Rs '000)

	Day 1	2 to 7 Days	8 to 14 Days	15 to 30 Days	31 days to 2 month	2 month to 3 months	Over 3 month to 6 months	Over 6 month to 12 months	Over 1 years to 3 years	Over 3 years to 5 years	Over 5 years	Total
Loans and Advances	10,694,311	21,507,616	41,516,333	67,003,848	62,495,998	(52,709,045)	88,004,454	104,174,569	173,412,641	172,798,906	129,562,857	818,462,488
Investment Securities	642,645,400	59,049,168	518,746	32,855,055	38,323,439	52,526,589	13,570,664	27,834,102	45,103,330	11,482,999	30,242,901	954,152,393
Deposits	111,510,260	175,105,431	133,067,728	165,429,818	135,768,717	124,750,821	138,218,174	187,737,325	45,302,888	637,911,049	15,286	1,854,817,497
Borrowings	6,753,505	104,349,342	570,600	-	570,600	570,600	1,631,200	1,885,700	4,691,150	–	–	121,022,697
Foreign Currency Assets	5,382,801	161,129,102	1,422,774	26,425,741	39,334,637	51,299,823	19,064,981	6,787,349	10,978,560	4,782,765	3,362,788	329,971,321
Foreign Currency Liabilities	22,552,429	6,991,951	469,874	4,088,234	7,502,532	1,557,431	5,293,865	10,342,115	8,451,507	58,484,785	2,565,695	128,300,418

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.

(an) Overseas Assets, NPAs and Revenue

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

(ao) 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 average LCR ratio of 126% for the financial year ending March 2023 (based on the simple average of the daily values for the year ended March 31, 2023) which remains well above the minimum regulatory requirement (previous year 140%)

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ao) Liquidity Coverage Ratio (Continued)

Qualitative disclosure *(Continued)*

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 Mar 2023.

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 17 April 2020 has lowered the LCR requirement to 80% from April 17, 2020 with gradual phase back to 90% from 1 October 2020 and to 100% from 1 April 2021.

iii. Composition of HQLA

Level 1 assets for the Bank comprise 98% of the total average HQLAs for the period 1 April 2022 to 31 March 2023 which are in the form of cash, excess CRR, excess SLR securities and US Treasury Bills. This also includes the regulatory dispensation allowed for SLR securities up to 18% 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 2022 to March 2023, the Bank held investments in papers that qualified as Level 2A assets with a haircut of 15% and which constituted approximately 1% of the total average HQLAs, well below the maximum cap of 40%. For Level 2B marketable securities representing claims on or claims guaranteed by sovereigns having risk weights higher than 20% but not higher than 50%, i.e., they should have a credit rating not lower than BBB- as per our Master Circular on 'Basel III – Capital Regulations'. Bank held investments that qualified as Level 2B assets with a haircut of 50% and which constituted approximately 0.50% of the total average HQLAs

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 with around 95% share in balance sheet. The foreign currency advances are mainly in USD with less than 5% share in balance sheet and are primarily funded through foreign currency deposits.

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.

Nil.

The Hongkong and Shanghai Banking Corporation Limited – India Branches
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Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ao) Liquidity Coverage Ratio (Continued)

(Rs in million)

Particulars	Three months ended 31 March 2023		Three months ended 31 December 2022		Three months ended 30 September 2022		Three months ended 30 June 2022		Three months ended 31 March 2022	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High quality liquid assets										
1. Total high quality liquid assets		992,173		1,030,445		1,059,884		1,064,928		1,046,667
Cash Outflows										
2. **Retail deposits and deposits from small business customers, of which:**	301,294	27,225	294,808	26,571	288,835	25,987	281,928	25,314	275,425	24,691
(i) Stable Deposits	58,096	2,905	58,196	2,910	57,922	2,896	57,585	2,879	57,040	2,852
(ii) Less Stable Deposits	243,199	24,320	236,612	23,661	230,913	23,091	224,343	22,434	218,386	21,839
3. **Unsecured wholesale funding, of which:**	1,892,876	1,035,696	1,975,282	1,073,493	1,942,205	1,060,350	1,861,048	988,204	1,742,824	927,830
(i) Operational deposits (all counterparties)	364,406	91,091	364,132	91,022	334,913	83,718	329,763	82,432	319,163	79,787
(ii) Non-operational deposits (all counterparties)	1,528,469	944,606	1,611,150	982,470	1,607,292	976,632	1,531,284	905,772	1,423,661	848,043
(iii) Unsecured debt	–	–	–	–	–	–	–	–	–	–
4. Secured wholesale funding	NA	–	NA	–	NA	–	NA	–	NA	–
5. Additional requirements, of which	108,342	21,546	111,946	26,068	122,861	23,185	137,171	22,350	116,506	21,132
(i) Outflows related to derivative exposures and other collateral requirements	8,634	8,634	13,486	13,486	10,329	10,329	5,643	5,643	6,830	6,830
(ii) Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–	–	–
(iii) Credit and liquidity facilities	99,708	12,912	98,460	12,582	112,532	12,856	131,528	16,707	109,676	14,302
6. Other contractual funding obligations	40,271	40,271	43,159	43,159	45,091	45,091	39,177	39,177	38,805	38,805
7. Other contingent funding obligations	2,046,186	85,082	1,951,599	80,231	1,864,768	77,019	1,718,955	71,319	1,584,828	66,050
8. TOTAL CASH OUTFLOWS		**1,209,820**		**1,249,522**		**1,231,633**		**1,146,364**		**1,078,507**
Cash Inflows	–	–	–	–	–	–	–	–	–	–
9. Secured Lending (e.g. reverse repo)	214,586	–	274,939	–	392,507	–	459,081	–	499,439	–
10. Inflows from fully performing exposures	460,554	391,141	447,102	380,237	433,000	365,756	376,983	312,472	363,922	301,955
11. Other cash inflows	40,608	23,821	45,604	27,839	34,946	20,577	35,108	20,069	26,475	15,482
12. TOTAL CASH INFLOWS	**715,748**	**414,962**	**767,645**	**408,076**	**860,453**	**386,333**	**871,173**	**332,541**	**889,836**	**317,437**
		Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13. Total HQLA		**992,173**		**1,030,445**		**1,059,884**		**1,064,928**		**1,046,667**
14. Total net cash outflows		**794,858**		**841,445**		**845,300**		**813,823**		**761,070**
15. Liquidty Coverage Ratio (%)		**124.8%**		**122.5%**		**125.4%**		**130.9%**		**137.5%**

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ap) Net stable funding Ratio

Qualitative disclosure

The Basel Committee on Banking Supervision (BCBS) had introduced the Net Stable Funding Ratio (NSFR) in order to ensure resilience over a longer-term time horizon by requiring banks to fund their activities with more stable sources of funding. The NSFR limits overreliance on short-term wholesale funding, encourages better assessment of funding risk across all on and off-balance sheet items, and promotes funding stability.

The Bank has maintained an NSFR ratio of 127.54% as at 31 Mar 2023 (previous year 143.12%) which remains well above the minimum regulatory requirement. The minimum NSFR requirement set out in the RBI guideline for the standalone Bank and for Group effective 1 October 2021 is 100%.

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

The key components/drivers of the NSFR are (i) Available stable funding (ASF) and (ii) Required stable funding (RSF). "Available stable funding" (ASF) is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required stable funding") (RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.

ii. Intra period changes as well as changes over time

The RBI guidelines for NSFR were effective from 1 October 2021, with the minimum requirement of 100%. The bank had submitted 1st NSFR to regulators for the quarter ending Dec-21.

iii. Composition of ASF and RSF

The ASF is computed by assigning a stability percentage to the liabilities (Funding sources), the highest stability of 100% is given to the capital and deposits with residual maturity of more than 1 year, followed by 90% / 95% to the deposits from retail and small banking customers. The 50% stability is assigned to corporate/sovereign deposits with residual maturity of less than 1 year, operational deposits and to deposits from financial customers with residual maturity between 6 months to 1 year.

The RSF is computed by assigning a required stability percentage to the assets (Funding utilisation), the lowest required stability of 0% is given to the cash, balances with RBI and claims on RBI with residual maturity of less then 6 months, followed by 5-15% to the SLR securities, unencumbered loans to financial institution with maturity of less than 6 months and unemcumbered level 2A assets. The 50% required stability is assigned to unencumbered level 2B assets, HQLA encumbered for a period of 6 months to 1year, loans to financial institutions with residual maturity of 6 months to 1 year and loans to non-financial institutions with residual maturity of less than 1 year. The 65% to 85% required stability is assigned to loans with maturity of more than 1 year based on RWA percentage of the counterparty. The largest required stability of 100% is assigned to encumbered assets for a perioed of more than 1 year, net NSFR derivatives assets, 5% of derivatives liabilities and loans to financial institution with residual maturity of more than 1 year. Off balance sheet exposure required a stability percentage of 3-5%.

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 derivative assets attract 100% RSF where as net derivative liabilities is assigned 0% ASF, in addition 5% of derivative liabilities attracts 100% RSF. The cash, securities or other assets posted as initial margin and default fund contribution to CCP attracts 85% RSF.

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Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ap) Net stable funding Ratio (Continued)

Quantitative disclosure (Continued)

As at 31 Mar 2023

(Rs in million)

		Unweighted value by residual maturity				Weighted value
	ASF Item	**No maturity***	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	
1	Capital: (2+3)	**349,280**	**–**	**–**	**–**	**349,280**
2	Regulatory capital	**349,280**	**–**	**–**	**–**	**349,280**
3	Other capital instruments	**–**	**–**	**–**	**–**	**–**
4	Retail deposits and deposits from small business customers: (5+6)	**208,712**	**42,407**	**23,511**	**44,807**	**295,147**
5	Stable deposits	**1,661**	**7,883**	**5,091**	**9,702**	**69,965**
6	Less stable deposits	**207,051**	**34,524**	**18,420**	**35,105**	**225,182**
7	Wholesale funding: (8+9)	**613,670**	**679,920**	**13,647**	**29,983**	**683,601**
8	Operational deposits	**386,601**	**–**	**–**	**–**	**193,300**
9	Other wholesale funding	**227,069**	**679,920**	**13,647**	**29,983**	**490,301**
10	Other liabilities: (11+12)	**9,386**	**794,285**	**–**	**–**	**–**
11	NSFR derivative liabilities	**9,386**	**–**	**–**	**–**	**–**
12	All other liabilities and equity not included in the above categories	**–**	**794,285**	**–**	**–**	**–**
13	**Total ASF (1+4+7+10)**	**1,181,048**	**1,516,612**	**37,158**	**74,790**	**1,328,028**
14	Total NSFR high-quality liquid assets (HQLA)	**–**	**–**	**–**	**–**	**82,988**
15	Deposits held at other financial institutions for operational purposes	**–**	**–**	**–**	**–**	**–**
16	Performing loans and securities: (17+18+19+21+20+22+23)	**–**	**770,136**	**120,418**	**416,296**	**621,432**
17	Performing loans to financial institutions secured by Level 1 HQLA	**–**	**250,284**	**–**	**–**	**25,028**
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	**–**	**140,867**	**37,342**	**–**	**39,801**
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	**–**	**372,170**	**77,568**	**378,525**	**524,615**
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	**–**	**–**	**–**	**–**	**–**
21	Performing residential mortgages, of which:	**–**	**6,815**	**5,508**	**31,397**	**26,570**
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	**–**	**–**	**–**	**–**	**–**
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	**–**	**–**	**–**	**6,374**	**5,418**
24	Other assets: (sum of rows 25 to 29)	**8,555**	**–**	**–**	**234,265**	**241,779**
25	Physical traded commodities, including gold	**–**	**–**	**–**	**–**	**–**
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	**6,938**	**–**	**–**	**–**	**5,897**
27	NSFR derivative assets	**–**	**–**	**–**	**–**	**–**
28	NSFR derivative liabilities before deduction of variation margin posted	**1,617**	**–**	**–**	**–**	**1,617**
29	All other assets not included in the above categories	**–**	**–**	**–**	**234,265**	**234,265**
30	Off-balance sheet items	**2,273,279**	**–**	**–**	**–**	**95,028**
31	**Total RSF (14+15+16+24+30)**	**2,281,834**	**770,136**	**120,418**	**650,561**	**1,041,227**
32	**Net Stable Funding Ratio (%)**					**128%**

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Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ap) Net stable funding Ratio (Continued)

Quantitative disclosure (Continued)

As at 31 Dec 2022 (Rs in million)

	ASF Item	Unweighted value by residual maturity				Weighted value
		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
1	Capital: (2+3)	304,322	–	–	–	304,322
2	Regulatory capital	304,322	–	–	–	304,322
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers: (5+6)	200,001	39,682	24,997	37,054	274,587
5	Stable deposits	1,469	7,637	5,340	7,915	57,500
6	Less stable deposits	198,532	32,045	19,657	29,139	217,087
7	Wholesale funding: (8+9)	582,616	713,696	60,326	42,026	720,345
8	Operational deposits	362,211	–	–	–	181,105
9	Other wholesale funding	220,405	713,696	60,326	42,026	539,240
10	Other liabilities: (11+12)	14,411	489,255	11,083	–	5,542
11	NSFR derivative liabilities	1,472	–	–	–	–
12	All other liabilities and equity not included in the above categories	12,939	489,255	11,083	–	5,542
13	**Total ASF (1+4+7+10)**	1,101,350	1,242,633	96,406	79,080	1,304,796
14	Total NSFR high-quality liquid assets (HQLA)	–		–	–	97,125
15	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
16	Performing loans and securities: (17+18+19+21+20+22+23)	–	579,701	121,306	426,107	596,291
17	Performing loans to financial institutions secured by Level 1 HQLA	–	190,729	–	–	19,073
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	71,033	31,318	–	26,314
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	–	313,095	85,208	349,623	496,331
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
21	Performing residential mortgages, of which:	–	4,844	4,780	76,256	54,379
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	228	194
24	Other assets: (sum of rows 25 to 29)	12,025	–	–	177,175	188,093
25	Physical traded commodities, including gold	–	–	–	–	–
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	7,382	–	–	–	6,275.00
27	NSFR derivative assets	–	–	–	–	–
28	NSFR derivative liabilities before deduction of variation margin posted	4,643	–	–	–	4,643
29	All other assets not included in the above categories	–	–	–	177,175	177,175
30	Off-balance sheet items	2,114,287	–	–	–	88,805
31	**Total RSF (14+15+16+24+30)**	2,126,312	579,701	121,306	603,282	970,314
32	**Net Stable Funding Ratio (%)**					134%

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Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*
5 Notes to accounts *(Continued)*
5.7 Statutory disclosures (Continued)
(ap) Net stable funding Ratio (Continued)
Quantitative disclosure (Continued)
As at 30 Sep 2022 (Rs in million)

		Unweighted value by residual maturity				Weighted value
	ASF Item	**No maturity***	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	
1	Capital: (2+3)	**293,738**	**–**	**–**	**–**	**293,738**
2	Regulatory capital	**293,738**	**–**	**–**	**–**	**293,738**
3	Other capital instruments	**–**	**–**	**–**	**–**	**–**
4	Retail deposits and deposits from small business customers: (5+6)	**200,969**	**41,858**	**23,075**	**29,297**	**268,725**
5	Stable deposits	**1,092**	**8,400**	**5,080**	**6,450**	**57,890**
6	Less stable deposits	**199,877**	**33,458**	**17,995**	**22,847**	**210,835**
7	Wholesale funding: (8+9)	**593,736**	**840,334**	**68,675**	**49,584**	**800,957**
8	Operational deposits	**348,078**	**–**	**–**	**–**	**174,039**
9	Other wholesale funding	**245,658**	**840,334**	**68,675**	**49,584**	**626,918**
10	Other liabilities: (11+12)	**18,500**	**441,592**	**12,134**	**–**	**6,067**
11	NSFR derivative liabilities	**–**	**–**	**–**	**–**	**–**
12	All other liabilities and equity not included in the above categories	**18,500**	**441,592**	**12,134**	**–**	**6,067**
13	**Total ASF (1+4+7+10)**	**1,106,943**	**1,323,784**	**103,884**	**78,881**	**1,369,487**
14	Total NSFR high-quality liquid assets (HQLA)	**–**	**–**	**–**	**–**	**100,513**
15	Deposits held at other financial institutions for operational purposes	**–**	**–**	**–**	**–**	**–**
16	Performing loans and securities: (17+18+19+21+20+22+23)	**–**	**734,026**	**96,878**	**491,154**	**651,306**
17	Performing loans to financial institutions secured by Level 1 HQLA	**–**	**311,918**	**–**	**–**	**31,192**
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	**–**	**98,227**	**31,442**	**–**	**30,455**
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	**–**	**319,301**	**60,899**	**377,111**	**510,644**
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	**–**	**–**	**–**	**–**	**–**
21	Performing residential mortgages, of which:	**–**	**4,580**	**4,537**	**112,395**	**77,615**
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	**–**	**–**	**–**	**–**	**–**
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	**–**	**–**	**–**	**1,648**	**1,400**
24	Other assets: (sum of rows 25 to 29)	**14,946**	**–**	**–**	**172,031**	**185,777**
25	Physical traded commodities, including gold	**–**	**–**	**–**	**–**	**–**
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	**7,998**	**–**	**–**	**–**	**6,798**
27	NSFR derivative assets	**906**	**–**	**–**	**–**	**906**
28	NSFR derivative liabilities before deduction of variation margin posted	**6,042**	**–**	**–**	**–**	**6,042**
29	All other assets not included in the above categories	**–**	**–**	**–**	**172,031**	**172,031**
30	Off-balance sheet items	**2,043,308**	**–**	**–**	**–**	**84,669**
31	**Total RSF (14+15+16+24+30)**	**2,058,254**	**734,026**	**96,878**	**663,185**	**1,022,265**
32	**Net Stable Funding Ratio (%)**					**134%**

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Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ap) Net stable funding Ratio (Continued)

Quantitative disclosure (Continued)

As at 30 June 2022 (Rs in Million)

		Unweighted value by residual maturity				Weighted value
	ASF Item	**No maturity***	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	
1	Capital: (2+3)	**281,898**	**–**	**–**	**–**	**281,898**
2	Regulatory capital	**281,898**	**–**	**–**	**–**	**281,898**
3	Other capital instruments	**–**	**–**	**–**	**–**	**–**
4	Retail deposits and deposits from small business customers: (5+6)	**197,047**	**45,359**	**23,371**	**24,002**	**263,789**
5	Stable deposits	**1,073**	**9,223**	**5,120**	**5,258**	**56,785**
6	Less stable deposits	**195,974**	**36,136**	**18,251**	**18,744**	**207,004**
7	Wholesale funding: (8+9)	**606,238**	**754,910**	**100,691**	**50,357**	**781,277**
8	Operational deposits	**347,157**	**–**	**–**	**–**	**173,579**
9	Other wholesale funding	**259,081**	**754,910**	**100,691**	**50,357**	**607,698**
10	Other liabilities: (11+12)	**12,076**	**507,130**	**11,588**	**–**	**5,794**
11	NSFR derivative liabilities	**–**	**–**	**–**	**–**	**–**
12	All other liabilities and equity not included in the above categories	**12,076**	**507,130**	**11,588**	**–**	**5,794**
13	**Total ASF (1+4+7+10)**	**1,097,259**	**1,307,399**	**135,650**	**74,359**	**1,332,758**
14	Total NSFR high-quality liquid assets (HQLA)	**–**	**–**	**–**	**–**	**81,682**
15	Deposits held at other financial institutions for operational purposes	**–**	**–**	**–**	**–**	**–**
16	Performing loans and securities: (17+18+19+21+20+22+23)	**–**	**635,952**	**125,597**	**464,015**	**637,926**
17	Performing loans to financial institutions secured by Level 1 HQLA	**–**	**241,123**	**–**	**–**	**24,112**
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	**–**	**62,827**	**37,544**	**–**	**28,196.00**
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	**–**	**327,691**	**83,798**	**357,891**	**509,952**
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	**–**	**–**	**–**	**–**	**–**
21	Performing residential mortgages, of which:	**–**	**4,311**	**4,255**	**100,535**	**70,915**
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	**–**	**–**	**–**	**–**	**–**
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	**–**	**–**	**–**	**5,589**	**4,751**
24	Other assets: (sum of rows 25 to 29)	**10,549**	**–**	**–**	**152,805**	**162,710**
25	Physical traded commodities, including gold	**–**	**–**	**–**	**–**	**–**
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	**4,296**	**–**	**–**	**–**	**3,652.00**
27	NSFR derivative assets	**1,812**	**–**	**–**	**–**	**1,812**
28	NSFR derivative liabilities before deduction of variation margin posted	**4,441**	**–**	**–**	**–**	**4,441**
29	All other assets not included in the above categories	**–**	**–**	**–**	**152,805**	**152,805**
30	Off-balance sheet items	**2,041,027**	**–**	**–**	**–**	**85,196**
31	**Total RSF (14+15+16+24+30)**	**2,051,576**	**635,952**	**125,597**	**616,820**	**967,514**
32	**Net Stable Funding Ratio (%)**					**138%**

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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*
5 Notes to accounts *(Continued)*
5.7 Statutory disclosures (Continued)
(ap) Net stable funding Ratio (Continued)
Quantitative disclosure (Continued)
As at 31 March 2022 (Rs in million)

		Unweighted value by residual maturity				Weighted value
	ASF Item	No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
1	Capital: (2+3)	326,053	–	–	–	326,053
2	Regulatory capital	326,053	–	–	–	326,053
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers: (5+6)	196,933	43,174	24,728	20,874	260,193
5	Stable deposits	1,025	9,045	5,596	4,724	58,053
6	Less stable deposits	195,908	34,129	19,132	16,150	202,140
7	Wholesale funding: (8+9)	592,235	524,463	100,077	364,210	683,027
8	Operational deposits	386,002	–	–	–	193,001
9	Other wholesale funding	206,233	524,463	100,077	364,210	490,026
10	Other liabilities: (11+12)	–	158,399	30,225	144,884	34,885
11	NSFR derivative liabilities	–	–	–	–	–
12	All other liabilities and equity not included in the above categories	–	158,399	30,225	144,884	34,885
13	**Total ASF (1+4+7+10)**	1,115,221	726,036	155,031	529,969	1,304,158
14	Total NSFR high-quality liquid assets (HQLA)	–	–	–	–	43,568
15	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
16	Performing loans and securities: (17+18+19+21+20+22+23)	–	594,844	113,337	445,562	607,216
17	Performing loans to financial institutions secured by Level 1 HQLA	–	180,983	–	–	18,098
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	94,551	39,589	–	33,977
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	–	315,241	69,764	324,461	468,294
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
21	Performing residential mortgages, of which:	–	4,069	3,984	106,623	74,540
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	14,478	12,307
24	Other assets: (sum of rows 25 to 29)	9,536	–	–	173,183	181,880
25	Physical traded commodities, including gold	–	–	–	–	–
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	5,591	–	–	–	4,752.00
27	NSFR derivative assets	1,015	–	–	–	1,015
28	NSFR derivative liabilities before deduction of variation margin posted	2,930	–	–	–	2,930
29	All other assets not included in the above categories	–	–	–	173,183	173,183
30	Off-balance sheet items	1,864,087	–	–	–	78,598
31	**Total RSF (14+15+16+24+30)**	1,873,623	594,844	113,337	618,745	911,262
32	**Net Stable Funding Ratio (%)**					143.12%

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(aq) Letters of comfort

The Bank has not issued any letters of comfort during the year ended 31 March 2023 (previous year: Rs. Nil).

(ar) Remuneration policy

In accordance with the requirements of the RBI Circular No. 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 CEO's, is in conformity with the Financial Stability Board principles and standards.

(as) Drawdown from reserves

As per the requirements vide circular RBI/DOR/2021-22/81 DOR.MRG.42/21.04.141/2021-22 dated 23 March 2022, the Bank has appropriated Rs. Nil from Investment Reserves to Profit & Loss account during the year ended 31 March 2023 (previous year: Rs. 2,700,287 thousand).

(at) Disclosure of complaints

Summary information on complaints received by the bank from customers and from the Office of Banking Ombudsman (OBOs)

Sr. No.	Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
	Complaints received by the bank from its customers		
1.	No. of complaints pending at beginning of the year	**451**	359
2.	No. of complaints received during the year	**20,006**	12,302
3.	No. of complaints disposed during the year	**20,117**	12,210
3.1	Of which, number of complaints rejected by the bank	**4,847**	3,114
4	No. of complaints pending at the end of the year	**340**	451
	Maintainable complaints received by the bank from OBOs		
5.	Number of maintainable complaints received by the bank from OBOs	**258**	259
5.1	Of 5, number of complaints resolved in favour of the bank by OBOs	**117**	112
5.2	Of 5, number of complaints resolved through conciliation / mediation/ advisories issued by OBOs	**141**	147
5.3	Of 5, number of complaints resolved after passing of Awards by OBOs against the bank	**Nil**	0
6.	Number of Awards unimplemented within the stipulated time (other than those appealed)	**Nil**	0

1. Maintainable complaints have been identified as per data provided by CEPD, RBI for the period under review.
2. Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Banking Ombudsman Scheme,2006) and covered within the ambit of the Scheme.
3. 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 grounds of complaints received by the bank from customers

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**
			For the year ended 31 March 2023		
Credit Cards	**177**	**5,258**	**31.09%**	**129**	**13**
ATM/Debit Cards	**45**	**1,565**	**17.23%**	**46**	**19**
Loans and advances	**46**	**1,912**	**87.08%**	**33**	**2**
Internet/Mobile/Electronic Banking	**59**	**3,310**	**131.15%**	**31**	**3**
Account opening/difficulty in operation of accounts	**28**	**2,488**	**217.35%**	**27**	**1**
Others	**96**	**5,473**	**47.20%**	**74**	**4**
Total	**451**	**20,006**	**62.62%**	**340**	**42**

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(at) Disclosure of complaints (Continued)

Top five grounds of complaints received by the bank from customers

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
			For the year ended 31 March 2022		
Credit Cards	103	4,011	18.32%	177	9
ATM/Debit Cards	57	1,335	(16.82%)	45	0
Loans and advances	47	1,022	(32.98%)	46	3
Internet/Mobile/Electronic Banking	27	1,432	49.95%	59	5
Account opening/difficulty in operation of accounts	19	784	(30.93%)	28	1
Others	106	3,718	(15.06%)	96	10
Total	359	12,302	(5.27%)	451	28

(au) Deposit Education and Awareness Fund (DEAF)

(Rs '000)

	As at 31 March 2023	As at 31 March 2022
Opening balance of amounts transferred to DEA Fund	**2,321,744**	1,814,230
Add: Amounts transferred to DEA Fund during the year	**479,290**	520,888
Less: Amounts reimbursed by DEA Fund towards claims	**(55,436)**	(13,374)
Closing balance of amounts transferred to DEA Fund	**2,745,598**	2,321,744

(av) 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 2023	For the year ended 31 March 2022
Number of frauds reported	**1,717**	2,455
Amount involved in frauds	**60,489**	822,415
Provision made*	**2,081**	449,228
Unamortised provision debited from balance in profit and loss account under 'Reserves and Surplus'	**–**	–

* Provision made for the year ended 31 March 2022 includes impairment provision made in earlier years towards two corporate loans and is net of recoveries made.

5.8 Employee benefits

a) Summary

(Rs '000)

	As at 31 March 2023		As at 31 March 2022	
	Gratuity	**Pension**	Gratuity	Pension
Defined benefit obligation	**1,429,275**	**1,847,315**	1,405,383	1,996,966
Fair value of plan assets	**1,291,828**	**1,718,486**	1,369,102	1,756,107
Net Deficit	**137,447**	**128,829**	36,281	240,859

The pension liability includes a liability in respect of the unfunded plans of Rs. 307,325 thousand (previous year: Rs. 320,352 thousand). The majority of the plan assets are invested in government securities, corporate bonds, special deposit schemes and mutual funds.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.8 Employee benefits (Continued)

b) Changes in present value of defined benefit obligations

(Rs '000)

	For the year ended 31 March 2023		For the year ended 31 March 2022	
	Gratuity	**Pension**	Gratuity	Pension
Opening balance	**1,405,383**	**1,996,966**	1,418,083	2,209,622
Current service cost	**82,964**	**55,439**	85,573	61,574
Interest cost	**90,794**	**131,439**	86,428	135,307
Plan amendment	**–**	**–**	–	–
Benefits paid	**(179,043)**	**(125,635)**	(135,285)	(187,568)
Actuarial loss / (gain) recognised during the year	**29,177**	**(210,894)**	(49,416)	(221,969)
Closing Balance	**1,429,275**	**1,847,315**	1,405,383	1,996,966

c) Changes in the fair value of plan assets

(Rs '000)

	For the year ended 31 March 2023		For the year ended 31 March 2022	
	Gratuity	**Pension**	Gratuity	Pension
Opening balance	**1,369,102**	**1,756,107**	1,349,163	1,628,250
Expected return on plan assets	**98,069**	**127,895**	98,702	124,824
Contributions by the bank	**56,000**	**-**	69,000	235,000
Benefits paid	**(179,043)**	**(101,687)**	(135,285)	(162,866)
Actuarial (loss) recognised during the year	**(52,300)**	**(63,829)**	(12,478)	(69,101)
Closing Balance	**1,291,828**	**1,718,486**	1,369,102	1,756,107
Actual return on plan assets	**45,769**	**64,066**	86,224	55,723

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

(Rs '000)

	For the year ended 31 March 2023		For the year ended 31 March 2022	
	Gratuity	**Pension**	Gratuity	Pension
Current service cost	**82,964**	**55,439**	85,573	61,574
Interest cost	**90,794**	**131,439**	86,428	135,307
Plan amendment	**–**	**–**	–	–
Expected return on plan assets	**(98,069)**	**(127,895)**	(98,702)	(124,824)
Net actuarial loss / (gain) recognised during the year	**81,477**	**(147,065)**	(36,938)	(152,868)
Charge / (release)	**157,166**	**(88,082)**	36,361	(80,811)

e) Key assumptions

	For the year ended 31 March 2023		For the year ended 31 March 2022	
	Gratuity	**Pension**	Gratuity	Pension
Salary Escalation #	**6%-12%**	**12%**	5.5%-11%	11%
Discount rate*	**7.5%**	**7.4%**	6.9%	6.7%
Expected rate of return on plan assets	**7.5%**	**7.5%**	7.5%	7.5%
Attrition rate	**2%-14%**	**2%-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.

***7.5%** for unfunded pension schemes (previous year: 7.3%).

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.8 Employee benefits (Continued)

f) Experience adjustments (Rs '000)

	For the year ended 31 March				
	2023	2022	2021	2020	2019
Gratuity					
Defined benefit obligation	**1,429,275**	1,405,383	1,418,083	1,305,582	1,154,801
Fair value of plan assets	**1,291,828**	1,369,102	1,349,163	1,158,716	1,008,097
Net deficit	**137,447**	36,281	68,920	146,866	146,704
Experience loss on plan liabilities	**55,353**	17,278	27,596	18,923	28,283
Experience loss / (gain) on plan assets	**52,300**	12,478	(18,994)	(18,381)	6,849
Pension					
Defined benefit obligation	**1,847,315**	1,996,966	2,209,622	3,687,716	2,745,030
Fair value of plan assets	**1,718,486**	1,756,107	1,628,250	1,559,886	1,459,457
Net deficit	**128,829**	240,859	581,372	2,127,830	1,285,573
Experience (gain) / loss on plan liabilities	**(6,436)**	(16,678)	(67,954)	77,365	(76,764)
Experience loss / (gain) on plan assets	**63,829**	69,101	(54,207)	(43,502)	(15,533)

g) Defined contribution plan

The Bank has recognised an amount of Rs. 569,153 thousand as an expense for the defined contribution plan of provident fund (previous year: Rs. 385,674 thousand) and Rs. 7,057 thousand towards defined contribution plan of pension fund (previous year: Rs. 7,775 thousand).

h) The Bank has not incurred any expenditure on account of enhancement in family pension of employees of Bank.

5.9 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.

5.10 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.

The Bank does not have a Digital Banking Unit (DBU) or digital banking products for its retail Banking segment as defined in the RBI circular RBI/2022-23/19 DOR.AUT.REC.12/22.01.001/2022-23.

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.

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.

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

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.10 Segment Reporting (Continued)

Segment Description (Continued)

(Rs '000)

Business Segments	**Treasury**	**Retail Banking**	**Corporate Banking**	**Other Banking Business**	**Total**
Particulars			**For the year ended 31 March 2023**		
Segment Revenue	**23,181,306**	**21,176,054**	**127,017,210**	**1,963,113**	**173,337,683**
Segment Result	**14,235,763**	**(7,423)**	**53,265,143**	**(2,479,925)**	**65,013,558**
Unallocated expenses					**(1,339,112)**
Unallocated provisions					–
Extraordinary items					–
Profit before taxes					**63,674,446**
Income taxes					**(29,145,120)**
Net profit					**34,529,326**
			As at 31 March 2023		
Other information					
Segment assets	**1,790,753,923**	**117,066,469**	**984,931,444**	**21,140,286**	**2,913,892,122**
Unallocated assets					**16,268,405**
Total assets					**2,930,160,527**
Segment liabilities	**595,829,293**	**296,109,929**	**1,656,000,013**	**24,185,992**	**2,572,125,227**
Unallocated liabilities					–
Total net assets					**358,035,300**
Depreciation	**1,162**	**78,704**	**8,843**	**677,358**	**766,067**
Non cash Expense other than depreciation	**(51,008)**	**254,235**	**815,594**	–	**1,018,821**

(Rs '000)

Business Segments	Treasury	Retail Banking	Corporate Banking	Other Banking Business	Total
Particulars			For the year ended 31 March 2022		
Segment Revenue	**30,907,256**	**18,450,963**	**92,154,559**	**1,497,706**	**143,010,484**
Segment Result	**20,669,033**	**(399,361)**	**40,231,813**	**(2,080,254)**	**58,421,231**
Unallocated expenses					**(1,230,913)**
Unallocated provisions					–
Extraordinary items					–
Profit before taxes					**57,190,318**
Income taxes					**(25,278,619)**
Net profit					**31,911,699**
			As at 31 March 2022		
Other information					
Segment assets	**1,518,395,103**	**89,818,454**	**833,276,514**	**15,902,939**	**2,457,393,010**
Unallocated assets					**15,707,810**
Total assets					**2,473,100,820**
Segment liabilities	**225,829,429**	**271,409,130**	**1,632,924,908**	**16,165,393**	**2,146,328,860**
Unallocated liabilities					–
Total net assets					**326,771,960**
Depreciation	**337**	**93,998**	**5,775**	**609,039**	**709,149**
Non cash Expense other than depreciation	**(72,640)**	**166,359**	**1,180,181**	**(3,992)**	**1,269,908**

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.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.11 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 Holdings plc.

HSBC Bank plc and branches

HSBC Bank plc UK ops

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 Continental Europe

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 Asset Management (India) Private Limited

HSBC Professional Services (India) Private Limited

HSBC Electronic Data Processing India Private Limited

HSBC Invest Direct (India) Private 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

HSBC Services Japan Limited

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.11 Related parties (Continued)

c) Fellow subsidiaries (Continued)

HSBC Service Delivery (Poland) Sp. z o.o
HSBC Group Management Services Limited
HSBC Markets (USA) Inc.
HSBC Electronic Data Processing Malaysia
HSBC Electronic Data Processing (Philippines), Inc.
HSBC Electronic Data Processing Lanka (Private) Limited
HSBC Bank Uruguay S.A.
Hongkong Bank Agency Pvt Ltd
PT Bank HSBC Indonesia

d) Other Related Parties

Canara HSBC Oriental Bank of Commerce Insurance Company Limited
Saudi Awwal Bank

e) Key management personnel and subsidiaries

Chief Executive Officer, Mr. Hitendra Dave is the CEO of the Bank as at 31 March 2023 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 1 July 2015):

Income/Expense during the year with related parties is as follows:

(Rs '000)

	Parent		**Fellow Subsidiaries & Other Related Parties**	
	31 March 2023	31 March 2022	**31 March 2023**	31 March 2022
Interest Paid	–	–	**671,244**	386,901
Interest Received	–	–	**94,416**	1,827
Rendering of Services	–	–	**818,985**	674,771
Receiving of Services	**1,339,112**	1,230,913	**11,358,204**	9,667,543

(Rs '000)

	Branch offices	
	31 March 2023	31 March 2022
Interest Paid	**70,305**	1,736
Interest Received	**2,760,064**	3,261
Rendering of Services	**553,303**	483,128
Receiving of Services	**5,568,253**	5,268,578

Balances with related parties are as follows

(Rs '000)

Parent	**As at 31 March 2023**	**Maximum during the year 2023**	As at 31 March 2022	Maximum during the year 2022
Borrowings	–	–	–	–
Deposit	–	–	–	–
Placement of deposits/ other asset			383,250	383,250
Advances	–	–	–	–
Nostro balances	–	–	–	–
Other liabilities	**398,425**	**413,746**	–	–
Non Funded Commitments	–	–	–	–

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*
(Currency: Indian rupees)
Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*
5 Notes to accounts *(Continued)*
5.11 Related parties (Continued)
e) Key management personnel and subsidiaries (Continued)

(Rs '000)

Branch offices	**As at 31 March 2023**	**Maximum during the year 2023**	As at 31 March 2022	Maximum during the year 2022
Borrowings	**1,013,570**	**32,336,474**	229,707	33,533,997
Deposit/other liability	**7,455,991**	**7,455,991**	4,561,328	12,924,591
Placement of deposits/ other asset	**140,896,383**	**166,725,848**	106,460,295	107,783,964
Advances	–	–	–	–
Nostro balances	**3,377,811**	**4,242,013**	1,478,481	3,104,778
Positive MTMs	**5,014,287**	**15,282,878**	5,929,920	15,570,739
Negative MTMs	**6,172,235**	**17,162,009**	8,198,904	21,102,831
Derivative notionals	**602,873,130**	**1,055,934,363**	966,385,407	1,576,657,344
Non Funded Commitments	**19,572,499**	**21,268,314**	20,720,970	21,923,871

(Rs '000)

Fellow Subsidiaries & Other Related Parties	**As at 31 March 2023**	**Maximum[1] during the year 2023**	As at 31 March 2022	Maximum1 during the year 2022
Borrowings	**22,097,133**	**92,595,085**	6,523,798	55,736,829
Deposit/other liability	**33,511,948**	**90,450,462**	34,319,574	91,547,767
Placement of deposits/ other asset	**3,533,826**	**7,473,750**	2,646,525	2,738,507
Advances	–	–	–	48,206
Nostro balances	**3,613,702**	**6,903,343**	2,316,693	19,681,485
Positive MTMs	**12,402,624**	**35,869,095**	5,689,807	6,499,701
Negative MTMs	**16,520,982**	**33,856,537**	8,082,393	9,351,751
Derivative notionals	**1,995,478,925**	**2,165,725,853**	1,125,896,450	1,216,988,883
Investments	**100**	**100**	100	100
Non Funded Commitments	**22,248,704**	**22,249,943**	19,110,778	21,369,409

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.

Capital Infused

The Parent infused capital of Rs. 41,343 during the FY 2022–23

Interest paid:

HSBC Electronic Data Processing India Private Limited Rs. **333,036** (previous year: Rs. 237,704), HSBC Software Development (India) Private Limited Rs. **15,144** (previous year: Rs. 102,109), HSBC Secs and Capital Mkts (India) Private Limited Rs. **285,945** (previous year: Rs. 15,021).

Interest received:

HBAP Hong Kong Branch Rs. **2,759,751** (previous year: Rs. 3,261), HSBC Bank (China) Company Limited Rs. **961** (previous year: Rs. 858), HSBC Bank plc UK ops Rs. **93,052** (previous year: Rs. 760).

Rendering of services:

HBAP Hong Kong Branch Rs. **208,226** (previous year: Rs. 279,031), HSBC Electronic Data Processing India Private Limited Rs. **48,595** (previous year: Rs. 41,290), HSBC Secs and Capital Mkts (India) Private Limited Rs. **54,093** (previous year: Rs. 103,521), HSBC Asset Management (India) Private Limited Rs. **57,764** (previous year: Rs. 37,693), HBAP Singapore Branch Rs. **87,166** (previous year: Rs. 203,900), HUSI North America Rs. **225,417** (previous year: Rs. 191,422), HBME UAE Rs. **256,913** (previous year: Rs. 172,541), HSBC Bank Plc UK Ops Rs. **131,133** (previous year: Rs. 86,744), HSBC Bank Gift City Rs. **257,839** (previous year: NIL).

Receiving of services:

HSBC Software Develop (India) Private Limited Rs. **2,923,469** (previous year: Rs. 1,997,978), HSBC Electronic Data Processing India Private Limited Rs. **2,189,909** (previous year: Rs. 1,952,478), HSBC Group Management Services Ltd Rs. **4,160,138** (previous year: Rs. 3,331,834), HSBC Software Develop (Guangdong) Private Limited Rs. **1,821,038** (previous year: Rs. 1,428,808), HBAP Hong Kong Branch Rs. **6,893,005** (previous year: Rs. 5,192,776), HSBC Bank Plc UK Ops Rs. **75,874** (previous year: Rs. 730,701), HUSI North America Rs. **100,225** (previous year: Rs. 20,257).

Borrowings:

HBAP Hong Kong Branch Rs. **589,106** (previous year: Rs. 229,707), HBAP Singapore Rs. **266,550** (previous year Nil), HBAP New Zealand Rs. **144,757** (previous year Nil), HUSI North America Rs.**16,344,192** (previous year: Rs. 5,618,424), HSBC France Rs. **2,490,980** (previous year: Rs.835,391).

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.11 Related parties (Continued)

c) Fellow subsidiaries (Continued)

Placement of deposits/other asset:

HBAP Hong Kong Branch Rs. **139,895,170** (previous year: Rs. 106,353,347), HSBC Bank plc Rs. **3,533,463** (previous year: Rs. 2,646,273).

Nostros:

HBAP Japan Rs. **1,802,108** (previous year: Rs. 492,567), HBAP Hong Kong Branch Rs. **1,573,990** (previous year: Rs. 729,602), HSBC Bank Plc Rs. **1,668,999** (previous year: Rs. 2,093,775), HBME UAE Rs. **82,763** (previous year: Rs.), HBAP China Rs. **748,247** (previous year: Rs. Nil).

Deposits/other liability:

HBAP Hong Kong Rs. **4,775,023** (previous year: Rs. 1,451,857), HBAP Bangladesh Rs. **1,016,786**, (previous year: Rs. 501,280), HBAP Sri Lanka Rs. **1,555,938** (previous year: Rs. 1,299,520), HBAP Singapore Rs. **445,738** (previous year Rs. 151,373), HSBC Electronic Data Processing India Private Limited Rs. **9,656,511** (previous year: Rs. 7,012,023), HSBC Software Development (India) Private Limited Rs. **19,321,581** (previous year: Rs. 16,358,984).

Non Funded Commitments:

HBAP Hong Kong Branch Rs. **12,752,000** (previous year: Rs. 15,961,814), HBAP Singapore Rs. **5,695,056** (previous year Rs. 4,162,505), HSBC France Rs. **3,537,878** (previous year: Rs. 3,855,430), HSBC Bank Plc Rs. **2,472,041** (previous year: Rs. 2,558,343), HSBC Bank USA Rs. **3,150,655** (previous year: Rs. 2,813,498), HSBC China Rs. **2,632,859** (previous year: Rs. 2,328,499), HSBC Trinkaus and Burkhardt AG Rs. **2,797,525** (previous year: Rs . 2,083,282).

Derivative Notionals:

HBAP Hong Kong Branch Rs. **570,176,002** (previous year: Rs. 955,108,237), HSBC Bank plc Rs. **1,986,289,050** (previous year: Rs. 1,115,256,105).

Positive MTM:

HBAP Hong Kong Branch Rs. **4,814,433** (previous year: Rs. 5,929,651), HSBC Bank Plc Rs. **12,362,197** (previous year: Rs. 5,658,383).

Negative MTM:

HBAP Hong Kong Branch Rs. **6,137,827** (previous year: Rs. 7,096,502), HSBC Bank Plc Rs. **16,308,450** (previous year: Rs. 7,845,493).

5.12 Deferred taxes

There is a deferred tax charge of Rs. 355,885 thousand for the year ended 31 March 2023 (previous year: deferred tax charge of Rs. 1,206,880 thousand) 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)

Deferred tax assets	**As at 31 March 2023**	As at 31 March 2022
Provision for doubtful advances	**3,748,537**	3,718,588
Employee benefits	**799,435**	673,949
Fixed Assets	**143,040**	186,326
Provisions	**108,423**	108,423
Others	**180,471**	180,471
Gross Deferred tax assets	**4,979,906**	4,867,757
Deferred tax liability		
Specific reserve	**(2,646,567)**	(2,178,532)
Fixed Assets	**–**	–
Net Deferred Tax Asset	**2,333,339**	2,689,225

5.13 Operating leases

Total lease rental of Rs. 1,012,843 thousand (previous year: Rs. 1,066,515 thousand) 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)

	As at 31 March 2023	As at 31 March 2022
Not later than one year	**68,490**	88,348
Later than one year and no later than five years	**30,718**	96,069
Later than five years	**–**	–
Total	**99,208**	184,417

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.14 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)

	For year ended 31 March 2023		For year ended 31 March 2022	
	Reward points	**Other provisions**	Reward points	Other provisions
Opening balance at the beginning of the period	**268,933**	**598,086**	356,445	500,990
Add: Provision/(release) made during the period (Note 5.7.(c))	**248,452**	**249,676**	87,106	97,487
Less: Utilisation during the period	**(221,751)**	**(535)**	(174,618)	(391)
Closing balance at the end of the period	**295,634**	**847,227**	268,933	598,086

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

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.

5.15 Disclosure of CSR Expenditure

a) Gross amount required to be spent by the Bank and approved by the CSR committee during the year was Rs. 1,157,835 thousand (previous year: Rs. 1,079,541 thousand).

b) Amount spent during the year: (Rs '000)

For the Year ended 31 March 2023	**In Cash**	**Yet to be paid in Cash**	**Total**
i) Construction/acquisition of any asset	–	–	–
ii) On purpose other than (i) above	**1,157,835**	–	**1,157,835**

b) Amount spent during the year: (Rs '000)

For the Year ended 31 March 2022	In Cash	Yet to be paid in Cash	Total
i) Construction/acquisition of any asset	–	–	–
ii) On purpose other than (i) above	1,079,541	–	1,079,541

c) None of the CSR expenditure incurred by the Bank is to entities controlled by the Related Parties identified by the Management as per AS 18-'Related Party Disclosures'.

Schedules forming part of the Financial Statements for the year ended 31 March 2023 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.16 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)

	As at 31 March 2023	As at 31 March 2022
Principal amount remaining unpaid to any registered supplier as at the year end	–	6,220
Interest due thereon	–	–
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	–	–

5. 17 Payment of DICGC Insurance Premium

(Rs '000)

Sr. No	Particulars	**For the year ended 31 March 2023**	For the year ended 31 March 2022
(i)	Payment of DICGC Insurance premium	**2,636,074**	2,325,602
(ii)	Arrears in payment of DICGC premium	–	–

5. 18 Disclosure on borrowings and lending activities

The Bank, as part of its normal banking business, grants loans and advances, makes investments, provides guarantees to and accept deposits and borrowings from its customers, other entities and persons. These transactions are part of the Bank's normal banking business and are undertaken in accordance with the guidelines prescribed by the Reserve Bank of India. Other than the transactions described above, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other persons or entities, including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in other persons or entities identified by or on behalf of the Bank (Ultimate Beneficiaries) or provide any guarantee, security or like on behalf of the Ultimate Beneficiaries.

The Bank has also not received any fund from any persons or entities, including foreign entities ('Funding Party') with the understanding, whether recorded in writing or otherwise, that the Bank shall whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

5.19 Maintenance of Books of Accounts

As required by the Bank under MCA notification dated August 05, 2022, and the Companies (Accounts) Fourth Amendment Rules, 2022, to maintain backups of books of account on servers physically located in India on a daily basis, the Bank has maintained periodic back-ups of information on certain applications and other relevant books and papers maintained in electronic mode on servers physically located in India. This is in addition to the daily backups on the Bank's Global Servers. The Bank is in the process of putting a system in place to take daily back-ups to comply with the requirement of the relevant Rules.

5. 20 Prior period comparatives

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

For K. S. Aiyar & Co.
Chartered Accountants
Firm's Registration No: 100186W

Sachin A. Negandhi
Partner
Membership No: 112888

For Kalyaniwalla & Mistry LLP
Chartered Accountants
Firm's Registration No: 104607W /W100166

Daraius Z. Fraser
Partner
Membership No: 042454

For The Hongkong and Shanghai Banking Corporation Limited – India Branches

Amitabh Nevatia
Chief Financial Officer

Hitendra Dave
Chief Executive Officer

Mumbai
26 June 2023

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

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023

1. Background and Scope of Application

a. Background

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

b. Scope of Application

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

(i) Accounting and prudential treatment / consolidation framework

a. Subsidiaries not included in the consolidation

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

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

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

(Rs '000)

Name of Entity /Country of Incorporation	Principal activity of the entity	Total balance sheet equity*	Total balance sheet assets*
HSBC InvestDirect Financial Services (India) Limited (HIFSL) (Note1)	Non-banking Finance company	1,462,847	12,065,925

* As stated in the audited balance sheet of the legal entity as at 31 March 2023

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

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

(ii) Bank's total interest in insurance entities

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

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

(Rs '000)

Name of Entity /Country of Incorporation	Principle activity of the entity	Total balance sheet equity*	Total balance sheet assets*
HSBC Asset Management (India) Private Limited	Asset management/portfolio management	615,909	2,346,105
HSBC Electronic Data Processing (India) Private Limited	Back office / data processing / call centre activities	3,554,678	28,712,810
HSBC Global Shared Services (India) Private Limited	Under liquidation	–	–
HSBC InvestDirect (India) Private Limited " formerly known as HSBC InvestDirect (India) Limited"	Holding company for HSBC InvestDirect Group	709,544	5,350,648
HSBC InvestDirect Employees' Welfare Trust	Non-operating company	15	18,623
HSBC InvestDirect Sales & Marketing (India) Limited	Non-operating company	1,000	39,015
HSBC InvestDirect Securities (India) Private Limited	Retail securities broking and related activities (Discontinued)	1,745,112	153,702
HSBC Professional Services (India) Private Limited	Providing internal audit services to Group companies	4,838	413,405
HSBC Securities and Capital Markets (India) Private Limited	Stock broking and corporate finance & advisory	Equity - 4,701,139 Preference - 250,000	39,798,665

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

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

b. Scope of Application *(Continued)*

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

Name of Entity /Country of Incorporation	Principle activity of the entity	Total balance sheet equity*	Total balance sheet assets*
HSBC Software Development (India) Private Limited	Software design, development and maintenance	327,264	35,131,000
Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited	Life insurance	9,500,000	265,485,217
HSBC GIFT City International Banking Unit	Banking	1,669,930	183,477,816

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

Note 1: The Bank does not hold any stake in the total equity of the entities mentioned above with the exception of HSBC Professional Services (India) Private Limited.

Note 2: Since the Bank does not hold any stake in the total equity of the entities, the same have not been considered for any regulatory treatment.

2. Capital Adequacy & Structure

a. Capital Adequacy

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

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

As per the transitional arrangement, at 31 March 2023, the Bank is required to maintain minimum capital requirement including capital buffers as per the table below:

Regulatory Minimum in % as per RBI guidelines		As at 31 Mar 2023
(i)	Common Equity Tier I (CET1)	5.50%
(ii)	Capital Conservation Buffer (CCB) – (Refer note I)	2.50%
(iii)	Counter-cyclical Buffer (CCyB) – (Refer note II)	–
(iv)	Global Systemically Important Bank (G-SIB) – (Refer note III)	1.92%
Minimum Common Equity Tier I (i+ii+iii+iv)		**9.92%**
Minimum Tier I Capital		**11.42%**
Total Minimum Capital Adequacy Ratio		**13.42%**

Notes:

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

II. RBI issued guidelines on CCyB framework for banks in India in February 2015. The CCyB may vary from 0 to 2.5% of total RWA and the decision would normally be pre-announced with a lead time of 4 quarters. The activation of CCyB will depend upon Credit to GDP gap in India along with supplementary indicators such as Credit-Deposit ratio for a moving period of 3 years, industry outlook assessment index and interest coverage ratio. As stated by RBI in press release date April 20, 2023, a review of CCyB indicators was carried out by the RBI and it has been decided that it is not necessary to activate CCyB in India at this point in time.

III. The Reserve Bank of India (RBI) released the framework on D-SIB requirements for banks operating in India in July 2014. Banks may become systemically important due to their size, cross-jurisdictional activity, complexity, interconnectedness and lack of substitutability. As per the RBI guidelines, a foreign bank having branch presence in India (such as the Bank) which is classified as Globally Systemically Important Bank (G-SIB) by Financial Stability Board (FSB), has to maintain additional CET1 capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India. Accordingly, 1.92% had been added to minimum requirement towards G-SIB as of 31 March 2023.

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

HSBC

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

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

2 Capital Adequacy & Structure *(Continued)*

b. Capital Structure (*Continued)*

(i) Composition of Tier 1 capital for the bank

(Rs. '000)

	Standalone		Consolidated	
	As at 31 March 2023	As at 31 March 2022	**As at 31 March 2023**	As at 31 March 2022
Capital	**86,334,160**	44,991,660	**87,797,007**	46,454,507
Eligible Reserves	**227,243,828**	197,832,648	**230,891,858**	201,255,123
– Capital reserves (excl. revaluation reserve)	**127,676,786**	108,018,259	**127,676,786**	108,018,259
– Statutory Reserves	**92,978,421**	84,346,089	**92,978,421**	84,346,089
– Specific Reserves	**6,058,988**	4,987,481	**6,058,988**	4,987,481
– Free Reserves	**–**	–	**3,648,030**	3,422,475
– Revaluation Reserves at a discount of 55 per cent	**529,633**	480,819	**529,633**	480,819
Less: Deductions from Tier I Capital	**(679,612)**	(422,836)	**(683,808)**	(428,473)
– Intangible asset	**(238,046)**	(146,440)	**(240,062)**	(149,967)
– Deferred Tax Asset ('DTA') (Note 1)	**–**	–	**(2,180)**	(2,110)
– Investment in subsidiaries in India	**(501)**	(501)	**(501)**	(501)
– Debit Value Adjustments (DVA)	**(262,569)**	(196,402)	**(262,569)**	(196,402)
– Defined Benefit Pension Fund Asset	**(178,496)**	(79,493)	**(178,496)**	(79,493)
Common Equity Tier I Capital	**312,898,376**	**242,401,472**	**318,005,057**	**247,281,157**
Additional Tier I Capital	**–**	**–**	**–**	**–**
Total Tier I Capital	**312,898,376**	**242,401,472**	**318,005,057**	**247,281,157**

Note 1: For Standalone, as per RBI guidelines as on 01 April 2022, DTA which was deducted from CET1 capital, can be recognised in the CET1 up to a limit of 10% of Bank's CET1 capital (after application of regulatory adjustments mentioned in RBI Master Circular on Basel-III Capital Regulations dated 01 April 2022). Accordingly, DTA of Rs. 2,333,339 ('000) (previous year 31 March 2022: Rs. 2,689,225 ('000)) is not deducted.

(ii) Tier 2 capital for the bank

(Rs. '000)

	Standalone		Consolidated	
	As at 31 March 2023	As at 31 March 2022	**As at 31 March 2023**	As at 31 March 2022
General Loss Provisions	**7,496,937**	7,352,148	**7,498,084**	7,353,006
Other Eligible Reserves	**1,621,859**	1,550,362	**1,621,859**	1,550,362
Investment Fluctuation Reserves	**24,250,000**	19,083,040	**24,250,000**	19,083,040
Total Tier II Capital (Note 1)	**33,368,796**	27,985,550	**33,369,943**	27,986,408

Note 1: There is no debt capital instrument and subordinated debt outstanding as at 31 March 2023 (previous year: Nil) included in Tier II Capital.

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

Standalone and Consolidated

(Rs. '000)

	Standalone		Consolidated	
	As at 31 Mar 2023	As at 31 Mar 2022	**As at 31 Mar 2023**	As at 31 Mar 2022
I. Capital required for Credit Risk	**209,039,945**	161,427,688	**210,765,183**	162,748,985
– For portfolios subject to Standardised approach	**209,039,945**	161,427,688	**210,765,183**	162,748,985
II. Capital required for Market Risk (Standard Duration Approach)	**44,522,858**	36,691,867	**44,522,858**	36,691,867
– Interest rate risk	**37,525,974**	29,141,412	**37,525,974**	29,141,412
– Foreign exchange risk	**3,321,450**	3,341,250	**3,321,450**	3,341,250
– Equity risk	**1,048,217**	814,978	**1,048,217**	814,978
Securitisation exposure	**2,627,217**	3,394,227	**2,627,217**	3,394,227
III. Capital required for Operational Risk (Basic Indicator Approach)	**26,352,281**	23,071,259	**26,352,281**	23,071,259
Total capital requirement (I + II + III)	**279,915,084**	221,190,814	**281,640,322**	222,512,111
Total capital funds of the Bank	**346,267,172**	270,387,022	**351,375,000**	275,267,565
Total risk weighted assets	**2,085,805,391**	1,638,450,472	**2,097,306,981**	1,647,259,121
Total capital ratio	**16.60%**	16.50%	**16.75%**	16.71%
Common Equity Tier I Capital Ratio	**15.00%**	14.79%	**15.16%**	15.01%
Tier I capital ratio	**15.00%**	14.79%	**15.16%**	**15.01%**

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

3. Credit risk

a. General

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

The principal objectives of our credit risk management function are:

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

Strategy and Processes

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

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

- The Board of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong SAR (HBAP) has established the India Executive Committee (EXCO) to assist the Board in the running of the Bank. The EXCO is authorized to exercise all the powers, authorities and discretions of the HBAP on the management and day to day running of the Bank, in accordance with the policies and directions set by the Board from time to time. EXCO approves all the policies including credit policies. A Risk Management Meeting (RMM) consisting of senior executives, reviews overall portfolio risks and key risks faced by the bank in India on a monthly basis.
- Wholesale Credit Risk (WCR) independently assesses the credit profile of the customer and the applications are then approved in the committee. All the domestic credit proposals in wholesale banking are approved by Credit Committee. There are nine levels of credit committees, each with different membership and approval authorities, depending on the size and complexities of the proposal.
- The WPB Risk function is responsible for monitoring the quality of the Wealth and Personal Banking lending portfolio. For retail lending, INM has developed credit application scorecards (which make use of statistical models & historical data) and defined policy parameters to assess the borrowers. The Bank also deploys other tools like external verifications, negative customer database search & most importantly credit bureau checks through the Credit Information Bureau (India) Limited (CIBIL). Policy rules are built into the system to enable online checks. This may also be supplemented with judgmental lending as appropriate. The judgmental aspect tries to identify the financial strength, ability and intentions of borrowers for repayment.
- WPB Fraud & Credit Control Services manages the First Line of Defense (FLOD) activities i.e. Underwriting, Fraud and Collections. CCS underwriting team decisions cases within the approved policy parameters whereas exceptions / deviations in policy (ELA) and/or basis the exposure, cases are further recommended to the respective WPB Credit Committees for review and decisioning.
- For retail risk, the INM WPB Risk and Acquisition and Account Risk Management Team reviews and communicates the various internal risk policies. The RRPs (Risk reward program) defines the product parameters for WPB.
- All material risks are covered under robust framework for Risk Appetite Statements (RAS) and Risk Tolerance triggers. The Risk Management Meeting reviews and regularly monitors the compliance with RAS. The Bank has stipulated Credit Risk Appetite and tolerance triggers for asset quality, impairments, risk weighted assets, risk adjusted returns and concentration risks.
- The bank has various policies to support the management of the wholesale credit risk. Some of the key policies are highlighted below:
  - Designing of comprehensive credit risk policies for management of Wholesale Exposure norms and Country Risk Plan. These policies delineate the Bank's risk appetite and maximum permissible exposures to individual customers, customer groups, industries, sensitive sectors and other forms of credit risk concentrations.
  - The bank also has comprehensive policies for valuation, end use monitoring, real estate exposures, management of intra-group exposures, provisioning, distressed assets and recovery and sale of NPA.
  - The bank has sustainability risk policies to ensure management of reputation risk in high risk sectors.
  - Stress Testing Policy & Framework for rigorous risk specific and Enterprise-wide stress testing and reporting is used to assess the credit risk on the portfolio.
  - Managing exposures to debt securities by establishing controls in respect of the liquidity of securities held for trading and setting issuer limits for financial investments. Separate portfolio limits are established for asset-backed securities and similar instruments.
  - Controlling of cross-border exposures to manage country and cross-border risk through the imposition of country limits with sub-limits by maturity and type of business.
  - Maintaining and developing HSBC's risk rating framework and systems to classify exposures meaningfully and facilitate focused management of the risks involved. Rating methodologies are based upon a wide range of financial analytics together with market data-based tools, which are core inputs to the assessment of customer risk. For larger facilities, while full use is made of automated risk rating processes, the ultimate responsibility for setting risk ratings rests with the final approving executive. Risk grades are reviewed frequently and amendments, where necessary, are implemented promptly.

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

3 Credit risk *(Continued)*

a. General *(Continued)*

Structure and Organisation

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

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

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

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

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

Non-performing advances

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

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

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

b. Quantitative disclosures for portfolios under the Standardised approach

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

(Rs '000)

			As at 31 Mar 2023
	Fund based [Note 1]	Non fund based [Note 2]	Total
Overseas	–	–	–
Domestic	**1,471,756,742**	**1,033,823,630**	**2,505,580,372**
Total	**1,471,756,742**	**1,033,823,630**	**2,505,580,372**

(Rs '000)

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

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

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

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

3 Credit risk *(Continued)*

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

(ii) Industry type distribution of exposures for the Bank as at 31 Mar 2023

(Rs '000)

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

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

Industry type distribution of exposures as at 31 Mar 2022

(Rs '000)

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

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

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

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(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 2023 (Rs'000)

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

As at 31 March 2022 (Rs'000)

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

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

(Rs'000)

	As at 31 Mar 2023	As at 31 March 2022
Substandard	**836,680**	1,502,617
Doubtful 1	**344,875**	1,670,295
Doubtful 2	**2,251,450**	1,427,225
Doubtful 3	**294,042**	311,560
Loss	**1,508,338**	1,526,288
Total	**5,235,385**	6,437,985

(v) Net NPAs

The net NPAs are Rs. 833 million (previous year: Rs. 1,501 million). Please see table (vi) below.

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

3 Credit risk *(Continued)*

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

(vi) Movement of NPAs for the bank

(Rs '000)

			As at 31 March 2023
	Gross NPA's	**Provision***	**Net NPA**
Opening balance as at 1 April 2022	**6,437,985**	**4,937,004**	**1,500,981**
Additions during the period	**2,089,508**	**872,453**	**1,217,055**
Reductions during the period	**(3,292,108)**	**(1,406,711)**	**(1,885,397)**
Closing balance as at 31 March 2023	**5,235,385**	**4,402,746**	**832,639**

* *includes movement of Interest Capitalisation–Restructured NPA Account*

(Rs '000)

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

(vii) NPA ratios for the bank

	As at 31 Mar 2023	As at 31 Mar 2022
Gross NPAs to gross advances	**0.50%**	0.78%
Net NPAs to net advances	**0.08%**	0.18%

(viii) General Provisions

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

(ix) Non-performing investments

Non-performing investments as at 31 March 2023 are Rs. 2 (previous year: Rs. 2). This represents preference/equity share investments which have been written down to Rs.2.

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

(Rs '000)

	As at 31 Mar 2023	As at 31 Mar 2022
Opening balance	**16,892,694**	665
Provisions during the year	**8,203,966**	16,892,029
Write offs during the year	**–**	–
Write back of excess provisions during the year	**–**	–
Closing balance	**25,096,660**	16,892,694

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

As at 31 March 2023

(Rs '000)

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

* includes Interest Capitalisation–Restructured NPA Account

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

3 Credit risk *(Continued)*

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

As at 31 March 2022 (Rs '000)

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

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

(Rs '000)

	For the period ended 31 Mar 2023	For the period ended 31 Mar 2022
Write offs	**810,071**	1,893,766
Recoveries	**548,076**	685,775

(xiii) Ageing of past due loans for the bank

(Rs '000)

	As at 31 Mar 2023	As at 31 Mar 2022
Overdue less than 30 days	**2,922,281**	2,527,503
Overdue for 30 to 60 days	**318,742**	271,583
Overdue for 60 to 90 days	**93,250**	128,398
Total	**3,334,273**	2,927,484

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

As at 31 Mar 2023 (Rs '000)

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

As at 31 Mar 2022 (Rs '000)

	NPA	Past Due Loan
Overseas	**–**	–
Domestic	**6,437,985**	2,927,484
Total	**6,437,985**	2,927,484

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

4. Disclosures for portfolios under the Standardised approach

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

Domestic ECAIs for external ratings of Indian Corporates:

a) Credit Analysis and Research Limited (CARE)
b) CRISIL Limited
c) India Ratings and Research Private Limited (FITCH)
d) ICRA Limited
e) Acuite Ratings & Research Limited (ACUITE)
f) Infomerics Valuation and Rating Pvt Ltd. (INFOMERICS)

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

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

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

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

Risk weight mapping of Long term and short term corporate ratings

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

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

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

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

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

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

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

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

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

a) Fitch Ratings;

b) Moodys; and

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

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

Risk weight mapping of foreign banks

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

Risk weight mapping of foreign sovereigns / foreign central banks

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

Risk weight mapping of foreign public sector entities

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

Risk weight mapping of non-resident corporates

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

Exposure under various risk buckets (post Credit Risk Mitigants)

(Rs'000)

	As at 31 Mar 2023	As at 31 Mar 2022
Below 100% risk weight	**1,431,613,135**	1,500,203,729
100% risk weight	**365,022,606**	321,696,436
Above 100% risk weight	**536,806,731**	353,094,675
Deductions*	**(679,612)**	(422,836)
Total	**2,332,762,860**	2,174,572,004

* Deduction represents amounts deducted from Tier I Capital

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

* *As per RBI guidelines as on 01 April 2022, DTA which was deducted from CET1 capital, can be recognised in the CET1 up to a limit of 10% of Bank's CET1 capital (after application of regulatory adjustments mentioned in RBI Master Circular on Basel-III Capital Regulations dated 01 April 2022). Currently DTA is 0.75% of Bank's CET1 capital. Accordingly, there is no deduction on account of DTA for 31 Mar 2023.*

5. Policy for Collateral Valuation and Management

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

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

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

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

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

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

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

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

Main Types of Collateral taken by the Bank

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

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

Main Types of Guarantor Counterparty and their Creditworthiness

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

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

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

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

(Rs '000)

	As at 31 Mar 2023	As at 31 March 2022
Exposure covered by Financial Collaterals	**173,118,805**	135,710,192
Exposure covered by Guarantees	**57,497,086**	78,433,289

6. Securitisation disclosure for Standardised approach

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

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

- Originator: The Bank uses Special Purpose Vehicle (SPV) to securitise customer loans and advances that we have originated, in order to diversify our sources of funding for asset origination and for capital efficiency purposes. In such cases, we transfer the loans and advances to the SPVs for cash, and the SPVs issue debt securities to investors to fund the cash purchases. Credit enhancements to the underlying assets may be used to obtain investment grade ratings on the senior debt issued by the SPVs.
- Servicer: For sold assets, the Bank undertakes the activity of collections and other servicing activities such as managing collections and monthly payouts to investors / assignee with respect to the underlying assets.

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

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

- 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

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 FBIL. Further to account for the illiquidity factor, an illiquidity spread is determined based on the bid/offer spreads being quoted in the market at a rating category (AAA, AA+ etc) and maturity tenor bucket (upto 5 years, >5 years) level. This spread is considered for the valuation.

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) Acuite Ratings & Research Limited (ACUITE)
f) Infomerics Valuation and Rating Pvt Ltd. (INFOMERICS)

Details of Securitisation trades of the Bank

(i) Details of securitisation of standard assets

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

The RBI issued Master Direction on securitisation of standard assets on 24 September 2021. The Bank has not originated any securitisation transaction as on 31 March 2023.

(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. 55,120 million (market value) as at 31 March 2023 (previous year: Rs. 70,664 million) which are classified under Available for Sale category. These attracts Specific Risk capital charge of 1.8% and 2.7% equivalent to a risk weight of 23% and 34% since these are AAA and AA rated instruments respectively. 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

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

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

Securitisation exposures broken down into different risk weight bands

		As at 31 March 2023		As at 31 March 2022	
Risk weight bands	**Exposure type**	**Exposure**	**Capital charge**	**Exposure**	**Capital charge**
Less than 100%	Vehicle/Auto loans	**53,947,488**	**1,517,096**	68,882,544	1,922,491
At 100%	Vehicle/Auto loans	**–**	**–**	–	–
More than 100%	Vehicle/Auto loans	**–**	**–**	–	–
Total		**53,947,488**	**1,517,096**	68,882,544	1,922,491

		As at 31 March 2023		As at 31 March 2022	
Risk weight bands	**Exposure type**	**Exposure**	**Capital charge**	**Exposure**	**Capital charge**
Less than 100%	Housing loan	**1,122,865**	**61,185**	1,711,019	82,544
At 100%	Housing loan	**–**	**–**	–	–
More than 100%	Housing loan	**49,200**	**4,428**	70,650	6,359
Total		**1,172,065**	**65,613**	1,781,669	88,903

7. Market risk in trading book

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

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

Strategy and Processes

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

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

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

Structure and Organisation of management of risk

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

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

Scope and nature of risk measurement, reporting and monitoring

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

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

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

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

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

Scope and nature of risk measurement, reporting and monitoring *(Continued)*

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

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

(i) Capital requirements for market risk for the bank

(Rs'000)

Standardised Duration Approach	**As at 31 Mar 2023**	As at 31 Mar 2022
Interest rate risk	**37,525,974**	29,141,412
Foreign exchange risk	**3,321,450**	3,341,250
Equity risk	**1,048,217**	814,978
Securitisation exposure	**2,627,217**	3,394,227
Capital requirements for market risk	**44,522,858**	36,691,867

8. Operational risk/ Non-Financial Risk

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

Purpose and Risk management approach

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

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

The RMF applies to all the types of risk both financial and non-financial that we face in our business and operational activities..

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

Structure and Organisation

The INM Risk Management Meeting (RMM) is the apex body at an entity level that is responsible for oversight and management of all risks in INM at an entity level. This governance meeting is the apex risk management body of the bank and reports to the INM EXCO. INM Operational Risk Working Group (ORWG) is responsible for reviewing the Non Financial Risk environment in INM and reports into the RMM.

At individual business level, there are Business Control Committees (BCC)/ Risk Management forum that are responsible for oversight and management of all risks.

Three Lines of Defence (3LOD) Overview

We follow a three Lines of Defence ("LOD") model which is an activity-based model and delineates accountabilities and responsibilities for risk management and the control environment within each LOD. The model applies to all individuals and all risk types, and supports the delivery of conduct outcomes and a positive risk culture.

There needs to be 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.

Global Functions may have responsibilities across both the First and Second LODs, and therefore must segregate these responsibilities across teams.

First Line of Defence

The First LOD has ultimate ownership for risk and controls including read across assessments of identified issues, events and near misses and delivery of good conduct outcomes. The First LOD in INM includes: Risk Owners, Control 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 linewith the risk appetite set by the Board.

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

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

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

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

Second Line of Defence

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

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

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

Risk Stewards sit within the Global Functions. They are subject matter experts who set policies and oversee the First LOD activities by risk type.

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

Third Line of Defence

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

Risk Appetite: Risk Appetite is defined as the level and types of risks that we are willing to take in order to achieve our strategic objectives.

Risk Appetite is articulated through the Risk Appetite Statement ("RAS"). A RAS consists of qualitative statements and quantitative metrics covering financial and non-financial risks with defined Risk Appetite and Tolerance thresholds. Risk Appetite is one of the key Enterprise Risk tools and requires bi-annual review to ensure that it remains fit for purpose given changing environments including stakeholder expectations. INM RAS is approved by INM RMM and INM EXCO These form the basis of the processes and decision making that the First LOD undertakes in its management of risks. A regular report on the INM Risk Appetite is made to the Bank's senior management through the RMM reporting of Risk Appetite metrics continues to be supplemented by the Key Risk MI report.

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. Enterprise risk reports such as Top and Emerging Risk, Risk MAP, SLOD / Risk Steward updates are tabled regularly in the INM RMM.

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 Mar 2023	As at 31 March 2022
Capital required for Operational Risk (Basic Indicator Approach)	**26,352,281**	23,071,259

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

Qualitative Disclosure

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

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

Its primary responsibilities are

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

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

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

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

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

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

Second Line of Defence *(Continued)*

Strategy and Process

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

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

Structure and Organisation

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

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

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

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

The bank uses following tools for analysis-

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

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

Net Interest Income sensitivity (NII): Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its Net Interest Income (NII). The NII sensitivity is tabled at the ALCO on a quarterly basis.

Quantitative Disclosure

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

INR Mn	EVE Sensitivity (31-March-2023)		EVE Sensitivity (31-March-2022)	
Currency	**+200 basis points**	**-200 basis points**	**+200 basis points**	**-200 basis points**
INR	(6,256)	7,428	(5,928)	7,138
USD	52	(53)	11	(22)
Others	(20)	21	209	(111)
Total Sensitivity	**(6,224)**	**7,396**	**(5,708)**	**7,005**
Total Capital	**346,267**		**270,387**	
Sensitivity as % of capital	**1.80%**	**2.14%**	**2.11%**	**2.59%**

(ii) Impact on Earnings (NII)

INR Mn	NII sensitivity (31-March-2023)		NII sensitivity (31-March-2022)	
Currency	**+100 basis points**	**-100 basis points**	**+100 basis points**	**-100 basis points**
INR	(1,058)	1,072	370	(365)
USD	2,574	(2,574)	1,954	(1,954)
Others	82	(82)	32	(32)
Total	**1,598**	**(1,584)**	**2,356**	**(2,351)**

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.

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

10. Counterparty Credit Risk *(Continued)*

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

Bilateral Netting:RBI has issued guidelines on "Bilateral Netting of Qualified Financial Contracts - Amendments to Prudential Guidelines" on March 30th, 2021 effective immediately. Accordingly, capital charge for Market related Off-balance sheet instruments and CVA has been computed considering exposure on netted basis in accordance with the extant guidelines.

The Group assesses total economic capital requirements centrally for the risk by utilising the embedded operational infrastructure used for the Pillar 1 capital calculation.

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

Policies for securing collateral and establishing credit reserves

Despite these being a standard credit mitigant for OTC derivatives in most jurisdictions, market practice in this respect is still evolving in India. The bank has executed a few Credit Support Annexes (CSA's) and is currently negotiating with some more counterparties.

The credit valuation adjustment (CVA) is an adjustment to the value of OTC derivative transaction contracts to reflect, within fair value, the possibility that the counterparty may default or migrate to a lower credit grade, and we may not receive the full market value of the transactions. The Bank calculates a separate CVA for each counterparty to which the bank has exposure. The adjustment aims to calculate the potential loss arising from the portfolio of derivative transactions against each third party, based upon a modeled expected positive exposure profile, including allowance for credit risk mitigants such as netting agreements and CSA's.

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

Wrong-way Risk exposures

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

Central Counterparties

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

Impact of Credit Rating Downgrade

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

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

(Rs'000)

Particulars	**As at 31 March 2023**		As at 31 March 22	
	Notional	**Current credit exposures**	Notional	Current credit exposures
Currency Swaps	345,582,405	10,097,538	374,145,279	5,641,399
Forward Contracts	2,582,585,862	19,081,349	2,434,840,426	18,763,552
FX options	1,085,148,278	5,256,880	536,511,373	5,469,598
Interest rate options	–	–	875,942	107
Interest Rate swaps	4,811,843,097	38,880,875	3,850,596,016	22,938,691
Single currency Floating Floating	–	70,601	–	12,941
Forward Rate Agreements	188,989,793	2,000,754	109,317,810	2,012,868
Grand Total	**9,014,149,435**	**75,387,997**	**7,306,286,846**	**54,839,156**

Note: The above does not include Exposure to QCCP.

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

11. Leverage Ratio

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

Leverage Common disclosure: (Rs in Million)

Sr No	Item	At 31 March 2023	At 31 March 2022
	On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	**2,538,022**	2,000,502
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**(680)**	(423)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	**2,537,343**	2,000,079
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	**75,388**	60,763
5	Add-on amounts for PFE associated with all derivatives transactions	**358,340**	395,429
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	–	–
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	–	–
8	Exempted CCP leg of client-cleared trade exposures	–	–
9	Adjusted effective notional amount of written credit derivatives	–	–
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	–	–
11	Total derivative exposures (sum of lines 4 to 10)	**433,728**	456,192
	Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**228,535**	364,523
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
14	CCR exposure for SFT assets		
15	Agent transaction exposures		
16	Total securities financing transaction exposures (sum of lines 12 to 15)	**228,535**	364,523
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**2,295,929**	1,786,315
18	Adjustments for conversion to credit equivalent amounts	**(1,656,979)**	(1,259,869)
19	Off-balance sheet items (sum of lines 17 and 18)	**638,950**	526,446
	Capital and total exposures		
20	Tier 1 capital	**312,898**	242,401
21	Total exposures (sum of lines 3, 11, 16 and 19)	**3,838,555**	3,347,240
	Leverage ratio		
22	Basel III leverage ratio (per cent)	**8.15%**	7.24%

Comparison of accounting assets vs leverage ratio exposure measure:

(Rs in Million)

Sr No	Item	At 31 March 2023	At 31 March 2022
1	Total consolidated assets as per published financial statements	**2,930,161**	2,473,101
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	–	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	–	–
4	Adjustments for derivative financial instruments	**270,124**	348,116
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	–	–
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	**638,950**	526,446
7	Other adjustments	**(680)**	(423)
	Total Exposure (point 21 in Table 1)	**3,838,555**	3,347,240

Note: The consolidated leverage ratio is 8.26% as on 31 March 2023.

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

12. Composition of Capital

(Rs in Million)

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	86,334	87,797	**A**
2	Retained earnings (***incl. Statutory Reserves, Capital Reserves and Remittable Surplus retained for Capital to Risk-weighted Assets Ratio (CRAR)***)	226,714	230,362	**B1+B2+B3+B4+ B5+B6+B7**
3	Accumulated other comprehensive income (and other reserves)	530	530	**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	313,578	318,689	
	Common Equity Tier 1 capital: regulatory adjustments		–	
7	Prudential valuation adjustments	140	140	
8	Goodwill (net of related tax liability)	–	–	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	98	100	
10	Deferred tax assets	–	2	
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	263	263	
15	Defined-benefit pension fund net assets	178	178	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	–	–	
17	Reciprocal cross-holdings in common equity	–	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	–	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	–	
22	Amount exceeding the 15% threshold	–	–	
23	of which: significant investments in the common stock of financial entities	–	–	
24	of which: mortgage servicing rights	–	–	
25	of which: deferred tax assets arising from temporary differences	–	–	
26	National specific regulatory adjustments7 (26a+26b+26c+26d)	–	–	
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	–	–	

Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(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
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries8	1	1	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank9	–	–	
26d	of which: Unamortised pension funds expenditures	–	–	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–	–	
28	**Total regulatory adjustments to Common equity Tier 1**	**680**	**684**	
29	**Common Equity Tier 1 capital (CET1)**	**312,898**	**318,005**	
	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	–	–	
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)**	**312,898**	**318,005**	
	Tier 2 capital: instruments and provisions	**–**	**–**	

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(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
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)	33,369	33,370	**D1+D2+D3+ C2*45%**
51	**Tier 2 capital before regulatory adjustments**	**33,369**	**33,370**	
	Tier 2 capital: regulatory adjustments	**–**	**–**	
52	Investments in own Tier 2 instruments	–	–	
53	Reciprocal cross-holdings in Tier 2 instruments	–	–	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	–	–	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	–	
56	National specific regulatory adjustments (56a+56b)	–	–	
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	–	–	
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	–	–	
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which:	–	–	
	of which:	–	–	
57	**Total regulatory adjustments to Tier 2 capital**	**–**	**–**	
58	**Tier 2 capital (T2)**	**33,369**	**33,370**	
58a	**Tier 2 capital reckoned for capital adequacy**	**33,369**	**33,370**	
58b	**Excess Additional Tier 1 capital reckoned as Tier 2 capital**	**–**	**–**	
58c	**Total Tier 2 capital admissible for capital adequacy (58a + 58b)**	**33,369**	**33,370**	
59	**Total capital (TC = T1 + T2) (45 + 58c)**	**346,267**	**351,375**	
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	–	–	
	of which:	–	–	
	of which:	–	–	
60	**Total risk weighted assets (60a + 60b + 60c)**	**2,085,805**	**2,097,307**	
60a	of which: total credit risk weighted assets	1,557,674	1,569,176	
60b	of which: total market risk weighted assets	331,765	331,765	
60c	of which: total operational risk weighted assets	196,366	196,366	
	Capital ratios			

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(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
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.00%	15.16%	
62	Tier 1 (as a percentage of risk weighted assets)	15.00%	15.16%	
63	Total capital (as a percentage of risk weighted assets)	16.60%	16.75%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	9.92%	9.92%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: bank specific countercyclical buffer requirement	–	–	
67	of which: G-SIB buffer requirement	1.92%	1.92%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	9.50%	9.66%	
	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)	7,798	7,799	**D1+D2**
77	Cap on inclusion of provisions in Tier 2 under standardised approach	19,471	19,471	
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)	–	–	

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

13. Composition of Capital – Reconciliation

(Rs Million)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No. DF-12
		As on reporting date	As on reporting date	
A	**Capital & Liabilities**			
i	Paid-up Capital	86,334	87,797	A
	Reserves & Surplus	271,701	275,394	
	a. Statutory Reserve	92,978	93,492	B1
	b. Capital Reserve - Surplus on sale of Immovable assets	6,447	6,447	B2
	c. Capital Reserves	–	–	B3
	d. Remittable surplus retained in India for CRAR purposes	121,230	121,230	B4
	e.(i). Revaluation Reserve eligible for Tier 1	1,177	1,177	C1
	e.(ii) Revaluation Reserve eligible for Tier 2	3,604	3,604	C2
	f. Investment Reserve	–	–	D1
	g. Specific Reserve	6,059	6,076	B5
	h.Investment Fluctation Reserve	24,250	24,250	D3
	h. Balance in Profit & Loss Account	15,956	17,121	
	i. General Reserve	–	17	B6
	j. Security Premium	–	1,935	B7
	k. Impairment Reserve	–	45	
	Minority Interest	–	–	
	Total Capital	358,035	363,191	
ii	Deposits	1,878,512	1,878,512	
	of which: Deposits from banks	8,170	8,170	
	of which: Customer deposits	1,870,342	1,870,342	
	of which: Other deposits (pl. specify)	–	–	
iii	Borrowings	448,194	455,082	
	Borrowings in India	425,083	431,971	
	of which: From RBI	116,870	116,870	
	of which: From banks	–	–	
	of which: From other institutions & agencies	308,213	315,101	
	Borrowings outside India	23,111	23,111	
	of which: Others (pl. specify)	–	–	
	of which: Capital instruments	–	–	
iv	Other liabilities & provisions	245,420	245,443	
	of which: Provisions towards Standard Assets and Country risk	7,798	7,799	D2
	Total Capital and Liabilities	**2,930,161**	**2,942,228**	

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Basel III – Pillar 3 disclosures of India Branches for the year ended 31 March 2023 *(Continued)*

13. Composition of Capital – Reconciliation

(Rs Million)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No. DF-12
		As on reporting date	As on reporting date	
B	**Assets**			
i	Cash and balances with Reserve Bank of India	94,486	94,490	
ii	Balance with banks and money at call and short notice	332,047	332,450	
iii	Investments:	1,209,573	1,209,590	
	Investments in India	1,168,558	1,168,575	
	of which: Government securities	1,078,350	1,078,350	
	of which: Other approved securities	–	–	
	of which: Shares	136	136	
	of which: Debentures & Bonds	34,951	34,951	
	of which: Subsidiaries / Joint Ventures / Associates	1	18	
	of which: Others (Commercial Papers, Mutual Funds etc.)	55,120	55,120	
	Investments Outside India	41,015	41,015	
	Of which: Government securities (Including local authorities)	41,015	41,015	
iv	Loans and advances	1,035,743	1,047,214	
	of which: Loans and advances to banks	–	–	
	of which: Loans and advances to customers	1,035,743	1,047,214	
v	Fixed assets	7,542	7,545	
vi	Other assets	250,770	250,939	
	of which: Goodwill and intangible assets	–	2	
	of which: Deferred tax assets	2,333	2,336	
vii	Goodwill on consolidation	–	–	
viii	Debit balance in Profit & Loss account	–	–	
	Total Assets	**2,930,161**	**2,942,228**	

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 2023 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 2023 is Rs.136 million.
2. All equity investments are held in private limited companies.
3. The cumulative realised gain or loss on sale of shares is Nil for the period ended 31 March 2023.
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 2023 is Rs. 3,085 million. The difference between break-up value and current cost of equity investment is Rs. 2,950 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. 1,048 million (previous year Rs. 815 million).