

Basel III - Pillar 3 Disclosures

Consolidated Position as on March 31, 2022

1. Scope of Application

Top bank in the group

The Basel III Capital Regulation ('Basel III') is applicable to HDFC Bank Limited (hereinafter referred to as the 'Bank') and its two subsidiaries (HDFC Securities Limited and HDB Financial Services Limited) which together constitute the Group in line with the Reserve Bank of India ('RBI') guidelines on the preparation of consolidated prudential reports.

Accounting and regulatory consolidation

For the purpose of financial reporting, the Bank consolidates its subsidiaries in accordance with Accounting Standard ('AS') 21, Consolidated Financial Statements, on a line-by-line basis by adding together like items of assets, liabilities, income and expenditure. Investments in associates are accounted for by the equity method in accordance with AS-23, Accounting for Investments in Associates in Consolidated Financial Statements.

For the purpose of consolidated prudential regulatory reporting, the consolidated Bank includes all group entities under its control, except group companies which are engaged in insurance business and businesses not pertaining to financial services. Details of subsidiaries and associates of the Bank along with the consolidation status for accounting and regulatory purposes are given below:

Name of entity [Country of incorporation]	Included under accounting scope of consolidation	Method of accounting consolidation	Included under regulatory scope of consolidation	Method of regulatory consolidation	Reasons for difference in the method of consolidation	Reasons for consolidation under one of the scopes of consolidation
HDFC Securities Limited ('HSL') [India]	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements.	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements.	Not applicable	Not applicable
HDB Financial Services Limited ('HDBFS') [India]	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements.	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements.	Not applicable	Not applicable
HDB Employee Welfare Trust ('HDBEWT') [India]	Yes	Consolidated in accordance with AS-21, Consolidated Financial Statements.	No	Not applicable	Not applicable	HDBEWT provides relief to employees and/or their dependents such as medical relief, educational relief. The Bank has no investment in this entity.

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Group entities not considered for consolidation under both accounting scope and regulatory scope

There are no group entities that are not considered for consolidation under both the accounting scope of consolidation and regulatory scope of consolidation.

Group entities considered for regulatory scope of consolidation

Regulatory scope of consolidation refers to consolidation in such a way as to result in the assets of the underlying group entities being included in the calculation of consolidated risk-weighted assets of the group. Following is the list of group entities considered under regulatory scope of consolidation.

(₹ million)

Name of entity [Country of incorporation]	Principal activity of the entity	Total balance sheet equity* as of March 31, 2022 (per accounting balance sheet)	Total balance sheet assets as of March 31, 2022 (per accounting balance sheet)
HDFC Securities Limited ('HSL') [India]	Stock broking	16,447.1 (14,773.5)	78,730.2 (47,101.4)
HDB Financial Services Limited ('HDBFS') [India]	Retail assets financing	98,236.1 (87,219.6)	643,940.8 (626,399.7)

*comprised of equity share capital and reserves & surplus.

Previous year numbers have been denoted in brackets.

Capital deficiency in subsidiaries

There is no capital deficiency in the subsidiaries of the Bank as of March 31, 2022 (previous year: Nil).

Investment in insurance entities

As of March 31, 2022, the Bank does not have investment in any insurance entity (previous year: Nil).

Restrictions on transfer of funds within the Group

There are no restrictions or impediments on transfer of funds or regulatory capital within the Group as of March 31, 2022 (previous year: Nil).

2. Capital Adequacy

Assessment of capital adequacy

The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The process provides an assurance that the Bank has adequate capital to support all risks inherent to its business and an appropriate capital buffer based on its business profile. The Bank identifies, assesses and manages comprehensively the risks that it is exposed to through sound governance and control practices, robust risk management framework and an elaborate process for capital calculation and planning.

The Bank has a comprehensive Internal Capital Adequacy Assessment Process ('ICAAP'). The Bank's ICAAP covers the capital management of the Bank, sets the process for assessment of the adequacy of capital to support current and future activities / risks and a report on the capital projections for a period of 3 years.

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The Bank has a structured management framework in the internal capital adequacy assessment process for the identification and evaluation of the significance of all risks that the Bank faces, which may have a material adverse impact on its business and financial position. The Bank considers the following as material risks it is exposed to in the course of its business and therefore, factors these while assessing / planning capital:

- Credit Risk, including residual risks
- Market Risk
- Operational Risk
- Interest Rate Risk in the Banking Book
- Liquidity Risk
- Intraday Liquidity Risk
- Intraday Credit Risk
- Credit Concentration Risk
- Counterparty Credit Risk
- Model Risk
- Outsourcing Risk
- People Risk
- Business Risk
- Strategic Risk
- Compliance Risk
- Reputation Risk
- Technology Risk
- Group Risk

The Bank has implemented a Board approved Stress Testing Policy & Framework which forms an integral part of the Bank's ICAAP. Stress Testing involves the use of various techniques to assess the Bank's potential vulnerability to extreme but plausible stressed business conditions. The changes in the levels of credit risk, market risk, liquidity risk and Interest Rate Risk in the Banking Book ('IRRBB') and the changes in the on and off balance sheet positions of the Bank are assessed under assumed "stress" scenarios and sensitivity factors. The suite of stress scenarios include topical themes as well depending on prevailing geopolitical / macroeconomic / sectoral and other trends. Stress tests are conducted on a quarterly basis at consolidated level including subsidiaries (HDB Financial Services Limited and HDFC Securities Limited) in order to assess the impact on capital adequacy of the Group. The stress test results are put up to the Risk Policy & Monitoring Committee of the Board on a half yearly basis and to the Board annually, for their review and guidance. The Bank periodically assesses and refines its stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of business environment conditions. The stress tests are used in conjunction with the Bank's business plans for the purpose of capital planning in the ICAAP.

Common Equity Tier 1 ('CET1'), Tier 1 and Total capital ratios

The minimum capital requirements under Basel III are being phased-in as per the guidelines prescribed by RBI. Accordingly, the Bank is required to maintain a minimum CET1 capital ratio of 8.2% (previous year: 7.575%), a minimum Tier 1 capital ratio of 9.7% (previous year: 9.075%) and a minimum total capital ratio of 11.7% (previous year: 11.075%) as of March 31, 2022. The given minimum capital requirement includes capital conservation buffer of 2.5% (previous year: 1.875%) and additional CET1 requirement of 0.2% (previous year: 0.2%) on account of the Bank being identified as a Domestic Systemically Important Bank (D-SIB).

The Bank's position in this regard is as follows:

Particulars	Standalone	
	March 31, 2022	March 31, 2021
CET1 capital ratio	16.67%	16.85%
Tier 1 capital ratio	17.87%	17.56%
Total capital ratio	18.90%	18.79%

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Particulars	Consolidated	
	March 31, 2022	March 31, 2021
CET1 capital ratio	16.54%	16.66%
Tier 1 capital ratio	17.67%	17.33%
Total capital ratio	18.66%	18.51%

Note: Subordinated debt instruments issued by HDB Financial Services Limited have not been considered as eligible capital instruments.

Capital requirements for credit risk

Particulars	(₹ million)	
	March 31, 2022	March 31, 2021
Portfolios subject to standardised approach	1,370,520.9	1,064,703.7
Securitisation exposures	41,360.6	34,394.4
Total	1,411,881.5	1,099,098.1

Capital requirements for market risk

Standardised duration approach	(₹ million)	
	March 31, 2022	March 31, 2021
Interest rate risk	52,706.1	50,190.2
Foreign exchange risk (including gold)	2,002.0	1,895.1
Equity risk	32,145.6	37,904.8
Total	86,853.7	89,990.1

Capital requirements for operational risk

Particulars	(₹ million)	
	March 31, 2022	March 31, 2021
Basic indicator approach	174,433.2	142,636.5

3. Credit Risk

Credit Risk Management

Credit risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. Alternatively, losses result from reduction in portfolio value arising from actual or perceived deterioration in credit quality. Credit risk typically emanates from a bank's dealings with an individual, corporate, bank, financial institution or a sovereign.

Architecture

The Bank has a comprehensive credit risk management architecture. The Board of Directors of the Bank endorses the credit risk strategy and approves the credit risk policies of the Bank. This is done taking into consideration the Bank's risk appetite, derived from perceived risks in the business, balanced by the targeted profitability level for the risks taken up. The Board oversees the credit risk management functions of the Bank. The Risk Policy & Monitoring

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Committee ('RPMC'), which is a committee of the Board, guides the development of policies, procedures and systems for managing credit risk, towards implementing the credit risk strategy of the Bank. The RPMC ensures that these are adequate and appropriate to changing business conditions, the structure and needs of the Bank and the risk appetite of the Bank. The RPMC periodically reviews the Bank's portfolio composition and the status of impaired assets.

The Risk Management Group, under the Chief Risk Officer (CRO), drives credit risk management centrally in the Bank. It is primarily responsible for implementing the risk strategy approved by the Board, developing procedures and systems for managing risk and ensuring portfolio composition and quality. Within the Risk Management Group, and independent of the credit approval process, there is a framework for review and approval of credit ratings. The risk management function is clearly demarcated and independent from the operations, credit and business units of the Bank.

The Credit Group, under the Chief Credit Officer (CCO) is primarily responsible for carrying out an independent assessment of credit, approving individual credit exposures and ensuring portfolio composition and quality. It is not assigned any business target.

Credit Process

The Bank expects to achieve its earnings objectives and to satisfy its customers' needs while maintaining a sound portfolio. Credit exposures are managed through target market identification, appropriate credit approval processes, post-disbursement monitoring and remedial management procedures.

There are two different credit management models within which the credit process operates - the Retail Credit Model and the Wholesale Credit Model. The Retail Credit Model is geared towards high volume, small transaction sized businesses wherein credit appraisals of fresh exposures are guided by statistical models and are managed on the basis of aggregate product portfolios. The Wholesale Credit Model on the other hand, is relevant to lower volume, larger transaction size, customised products and relies on a judgmental process for the origination, approval and maintenance of credit exposures.

The credit models have two alternatives for managing the credit process – Product Programs and Credit Transactions. In Product Programs, the Bank approves maximum levels of credit exposure to a set of customers with similar characteristics, profiles and / or product needs, under clearly defined standard terms and conditions. This is a cost-effective approach to managing credit where credit risks and expected returns lend themselves to a template-based approach or predictable portfolio behavior in terms of yield, delinquency and write-off. Given the high volume environment, automated tracking and reporting mechanisms are important to identify trends in portfolio behavior early and to initiate timely adjustments. In the case of credit transactions, the risk process focuses on individual customers or borrower relationships. The approval process in such cases is based on detailed analysis and the individual judgment of credit officials, often involving complex products or risks, multiple facilities / structures and types of securities.

The Bank's Credit Policies & Procedures Manual and Credit Programs, where applicable, form the core to controlling credit risk in various activities and products. These articulate the credit risk strategy of the Bank and thereby the approach for credit origination, approval and maintenance. These policies define the Bank's overall credit granting criteria, including the general terms and conditions. The policies / programs typically address areas such as target markets / customer segmentation, qualitative and quantitative assessment parameters, portfolio mix, prudential exposure ceilings, concentration limits, price and non-price terms, structure of limits, approval

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authorities, exception reporting system, prudential accounting and provisioning norms. They take cognizance of prudent and prevalent banking practices, relevant regulatory requirements, nature and complexity of the Bank's activities, market dynamics etc.

Credit concentration risk arises mainly on account of concentration of exposures under various categories including industry, products, geography, underlying collateral nature and single / group borrower exposures. To ensure adequate diversification of risk, concentration ceilings have been set up by the Bank on different risk dimensions, in terms of borrower/ business group, industry and risk grading.

The Board sets concentration ceilings which are monitored by the independent operations department. The Risk Management Group reviews the exposure level under each dimension and ensures that the portfolio profile meets the approved concentration limits. These concentration ceilings and exposure levels are periodically reported to the RPMC and the Board. The regulatory prudential norms with respect to ceilings on credit exposure to individual borrowers or group of borrowers also ensure that the Bank avoids concentration of exposure.

As an integral part of the credit process, the Bank has a fairly sophisticated credit rating model appropriate to each market segment in Wholesale Credit. In Retail Credit, score cards have been introduced in the smaller ticket, higher volume products like credit cards, two wheeler loans, auto loans, personal loans and small commercial vehicle loans. For the other retail products which are typically less granular or have higher ticket sizes, loans are underwritten based on the credit policies, which are in turn governed by the respective Board approved product programs. All retail portfolios are monitored regularly at a highly segmented level.

Management monitors overall portfolio quality and high-risk exposures periodically, including the weighted risk grade of the portfolio and industry diversification. Additional to, and independent of, the internal grading system and the RBI norms on asset classification, the Bank has a labeling system, where individual credits are labeled based on the degree of risk perceived in them by the Bank. Remedial strategies are developed once a loan is identified as an adversely labeled credit.

Definition of Non-Performing Assets

The Bank follows extant guidelines of the RBI on income recognition, asset classification and provisioning. A Non-Performing Asset ('NPA') is a loan or an advance where:

- a) Interest and / or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- b) The account remains 'out of order', in respect of an overdraft / cash credit ('OD' / 'CC'). An account is treated as 'out of order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power or where there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period.
- c) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- d) The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
- e) The installment of principal or interest thereon remains overdue for one crop season for long duration crops.
- f) Any amount to be received remains overdue for a period of more than 90 days in respect of other accounts.
- g) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of RBI's guidelines on securitisation dated February 1, 2006.

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- h) In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

Any amount due to the Bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the Bank. The Bank will classify an account as NPA if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter. When a particular facility of a borrower has become non-performing, the facilities granted by the Bank to that borrower (whether a wholesale or retail borrower) will be classified as NPA and not the particular facility alone which triggered the NPA classification for that borrower.

Advances against term deposits, National Savings Certificates eligible for surrender, Indira Vikas Patras, Kisan Vikas Patras and Life Insurance policies need not be treated as NPAs, provided adequate margin is available in the accounts. Credit facilities backed by the Central Government though overdue may be treated as NPA only when the Government repudiates its guarantee when invoked. State Government guaranteed advances and investments in State Government guaranteed securities would attract asset classification and provisioning norms if interest and / or principal or any other amount due to the Bank remains overdue for more than 90 days.

A loan for an infrastructure project will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines. A loan for an infrastructure project will be classified as NPA if it fails to commence commercial operations within two years from the original Date of Commencement of Commercial Operations ('DCCO'), even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines.

A loan for a non-infrastructure project (including commercial real estate exposures) will be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue), unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines. A loan for a non-infrastructure project (including commercial real estate exposures) will be classified as NPA if it fails to commence commercial operations within one year from the original DCCO, even if is regular as per record of recovery, unless it is restructured and becomes eligible for classification as 'standard asset' in terms of conditions laid down in the related RBI guidelines.

Non-performing assets are classified into the following three categories:

- **Substandard Assets**

A substandard asset is one, which has remained NPA for a period less than or equal to 12 months. In such cases, the current net worth of the borrower / guarantor or the current market value of the security charged is not enough to ensure recovery of the dues to the banks in full. In other words, such an asset will have well defined credit weaknesses that jeopardize the liquidation of the debt and are characterised by the distinct possibility that banks will sustain some loss, if deficiencies are not corrected.

- **Doubtful Assets**

A doubtful asset is one, which remained NPA for a period exceeding 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

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▪ Loss Assets

A loss asset is one where loss has been identified by the Bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

Interest on non-performing assets is not recognised in the profit / loss account until received. Specific provision for non-performing assets is made based on Management's assessment of their degree of impairment subject to the minimum provisioning level prescribed by RBI.

Geographic distribution of gross credit risk exposures

(₹ million)

Exposure distribution	March 31, 2022			March 31, 2021		
	Fund based	Non-fund based	Total	Fund based	Non-fund based	Total
Domestic	15,278,908.1	1,592,765.8	16,871,673.9	12,696,809.1	1,258,612.9	13,955,422.0
Overseas	476,297.7	23,124.1	499,421.8	353,017.6	11,024.5	364,042.1
Total	15,755,205.8	1,615,889.9	17,371,095.7	13,049,826.7	1,269,637.4	14,319,464.1

Note: Exposure is comprised of outstanding loans & advances, lendings, margins, investments in debenture & bonds, commercial papers, equity shares, preference shares, units of mutual funds, certificate of deposits, security receipts, on-balance sheet securitisation exposures purchased or retained, deposits with NABARD, SIDBI & NHB under the priority/weaker section lending schemes, guarantees, acceptances & endorsements, letters of credit and credit equivalent of foreign exchange and derivative exposures.

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Industry-wise distribution of exposures

(₹ million)

Industry	As on March 31, 2022	
	Fund based	Non-fund based
Agriculture – Allied	315,829.4	2,141.9
Agriculture Produce – Trade	88,369.9	11,347.1
Agriculture Production – Food	350,859.3	970.0
Agriculture Production - Non food	168,486.0	48.6
Automobile & Auto Ancillary	463,300.5	40,802.1
Banks	196,204.1	129,568.6
Business Services	289,119.3	20,023.0
Capital Market Intermediaries	17,752.8	103,311.3
Cement & Products	97,619.0	34,539.7
Chemical and Products	152,158.6	39,787.8
Coal & Petroleum Products	406,213.7	151,771.1
Consumer Durables	127,131.7	17,613.5
Consumer Loans	3,890,024.5	5,716.0
Consumer Services	464,945.8	29,116.6
Drugs and Pharmaceuticals	127,359.7	16,841.8
Engineering	259,744.7	106,777.8
Fertilisers & Pesticides	33,239.8	17,404.3
Financial Institutions*	1,117,112.0	5,006.6
Financial Intermediaries	65,084.9	5,851.4
FMCG & Personal Care	54,291.5	7,236.0
Food and Beverage	433,029.7	40,643.4
Gems and Jewellery	131,799.4	2,727.0
Housing Finance Companies	306,023.1	373.1
Information Technology	58,650.7	22,554.9
Infrastructure Development	290,711.8	221,953.1
Iron and Steel	333,840.1	81,707.6
Mining and Minerals	111,079.6	19,955.4
NBFCs	622,181.9	2,498.6
Non-ferrous Metals	122,544.5	38,773.0
Other Non-metallic Mineral Products	53,367.8	9,843.6
Paper, Printing and Stationery	93,286.9	8,947.9
Plastic & Products	89,171.8	13,700.0
Power	741,362.5	54,522.7
Real Estate & Property Services	388,388.4	40,696.2
Retail Trade	589,048.9	29,731.1
Road Transportation	403,416.9	10,276.7
Telecom	334,133.8	43,510.7
Textiles & Garments	330,561.2	47,175.9
Wholesale Trade – Industrial	347,203.0	75,613.6
Wholesale Trade - Non Industrial	417,955.2	29,169.6
Other Industries**	872,601.4	75,640.6
Total	15,755,205.8	1,615,889.9

* Includes public financial institutions

** Covers industries such as airlines, animal husbandry, fishing, glass & products, leather & products, media and entertainment, railways, rubber & products, shipping, tobacco & products, wood & products, each of which is less than 0.25% of the total exposure.

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Exposures to industries (other than consumer loans) in excess of 5% of total exposure:

Industry	As on March 31, 2022
Financial Institutions	6.5%

Industry-wise distribution of exposures

(₹ million)

Industry	As on March 31, 2021	
	Fund based	Non-fund based
Agriculture – Allied	251,950.9	1,951.2
Agriculture Produce – Trade	145,992.8	7,709.5
Agriculture Production – Food	337,900.7	1,021.1
Agriculture Production - Non food	163,442.5	129.3
Automobile & Auto Ancillary	399,600.9	40,217.3
Banks	182,313.5	85,023.5
Business Services	248,936.9	17,914.1
Capital Market Intermediaries	13,156.3	61,695.6
Cement & Products	118,356.3	27,934.1
Chemical and Products	108,500.3	29,984.1
Coal & Petroleum Products	358,765.7	64,344.1
Consumer Durables	85,193.0	16,706.3
Consumer Loans	3,395,634.6	2,666.8
Consumer Services	425,085.1	18,355.5
Drugs and Pharmaceuticals	96,315.2	12,765.2
Engineering	202,356.3	96,684.5
Fertilisers & Pesticides	104,237.7	13,226.2
Financial Institutions*	568,013.9	533.1
Financial Intermediaries	78,823.9	3,473.3
FMCG & Personal Care	45,365.2	9,425.9
Food and Beverage	342,723.6	30,562.8
Gems and Jewellery	124,790.3	11,335.6
Housing Finance Companies	274,390.5	2,024.0
Information Technology	41,629.1	16,669.6
Infrastructure Development	183,078.0	191,224.9
Iron and Steel	260,897.5	54,099.8
Mining and Minerals	132,422.5	17,419.0
NBFCs	523,455.1	4,956.7
Non-ferrous Metals	117,305.2	35,476.7
Other Non-metallic Mineral Products	33,378.3	5,016.1
Paper, Printing and Stationery	65,075.2	6,394.0
Plastic & Products	68,177.1	10,980.9
Power	704,662.5	32,824.0
Real Estate & Property Services	302,655.5	35,743.5
Retail Trade	536,542.9	22,293.0
Road Transportation	364,740.3	8,574.1
Telecom	172,835.2	103,000.5
Textiles & Garments	264,179.0	28,562.7

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Industry	As on March 31, 2021	
	Fund based	Non-fund based
Wholesale Trade – Industrial	258,855.8	52,859.2
Wholesale Trade - Non Industrial	303,515.3	19,086.3
Other Industries**	644,576.1	68,773.3
Total	13,049,826.7	1,269,637.4

* Includes public financial institutions

**Covers industries such as airlines, animal husbandry, fishing, glass & products, leather & products, media and entertainment, railways, rubber & products, shipping, tobacco & products, wood & products, each of which is less than 0.25% of the total exposure.

Exposures to industries (other than consumer loans) in excess of 5% of total exposure:

Industry	As on March 31, 2021
Power	5.2%

Residual contractual maturity breakdown of assets

▪ As on March 31, 2022

(₹ million)

Maturity buckets	Cash and balances with RBI	Balances with banks and money at call and short notice	Investments	Advances	Fixed assets	Other assets	Total
1 Day	335,482.3	102,619.9	1,045,256.3	158,892.3	-	669.7	1,642,920.5
2 to 7 days	135,346.0	110,472.4	231,367.4	234,565.3	-	386.7	712,137.8
8 to 14 days	260,733.9	1,479.0	41,134.7	153,715.0	-	805.8	457,868.4
15 to 30 days	13,909.4	10,524.4	70,468.1	460,415.4	-	137,446.5	692,763.8
31 days to 2 months	19,002.8	16,725.0	96,443.2	529,645.4	-	568.1	662,384.5
2 months to 3 months	15,237.9	5,505.6	83,256.1	548,984.2	-	2,956.8	655,940.6
3 months to 6 months	30,408.0	5,422.3	236,384.1	948,528.8	-	44,128.9	1,264,872.1
Over 6 months to 1 Year	41,310.3	743.0	279,893.5	1,096,323.9	-	144,820.0	1,563,090.7
Over 1 year to 3 Years	259,720.6	56.7	1,543,595.8	5,790,801.0	-	451,352.8	8,045,526.9
3 years and upto 5 Years	5,860.4	1.9	126,746.4	1,940,799.8	-	64,867.7	2,138,276.2
Over 5 Years	183,295.5	-	738,093.0	2,346,751.7	62,832.8	62,588.5	3,393,561.5
Total	1,300,307.1	253,550.2	4,492,638.6	14,209,422.8	62,832.8	910,591.5	21,229,343.0

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▪ As on March 31, 2021

(₹ million)

Maturity buckets	Cash and balances with RBI	Balances with banks and money at call and short notice	Investments	Advances	Fixed assets	Other assets	Total
1 Day	231,249.2	127,757.8	1,138,657.8	99,124.4	-	2,221.3	1,599,010.5
2 to 7 days	299,531.3	91,736.5	433,852.7	219,883.9	-	459.4	1,045,463.8
8 to 14 days	10,234.8	1,719.5	43,820.4	107,863.3	-	277.3	163,915.3
15 to 30 days	12,039.5	1,850.0	57,174.3	452,628.0	-	124,804.0	648,495.8
31 days to 2 months	17,661.4	3,568.8	98,232.9	515,547.4	-	3,028.9	638,039.4
2 months to 3 months	11,280.3	6,381.7	95,316.4	497,241.1	-	2,763.9	612,983.4
3 months to 6 months	29,898.5	4,284.2	165,528.6	1,013,583.7	-	8,357.6	1,221,652.6
Over 6 months to 1 Year	33,583.4	1,660.5	237,070.9	1,166,792.5	-	21,451.1	1,460,558.4
Over 1 year to 3 Years	186,323.7	57.7	1,423,192.9	5,033,144.0	-	254,615.6	6,897,333.9
3 years and upto 5 Years	5,059.0	4.9	93,004.6	1,335,645.1	-	22,186.1	1,455,899.7
Over 5 Years	136,842.4	-	602,379.6	1,411,381.8	50,995.6	50,114.1	2,251,713.5
Total	973,703.5	239,021.6	4,388,231.1	11,852,835.2	50,995.6	490,279.3	17,995,066.3

Basel III - Pillar 3 Disclosures

Asset quality

▪ NPA ratios

Particulars	March 31, 2022	March 31, 2021
Gross NPAs to gross advances	1.33%	1.53%
Net NPAs to net advances	0.39%	0.58%

▪ Amount of Net NPAs

(₹ million)

Particulars	March 31, 2022	March 31, 2021
Gross NPAs	190,592.1	182,929.8
Less: Provisions	135,130.5	114,611.6
Net NPAs	55,461.6	68,318.2

▪ Classification of Gross NPAs

(₹ million)

Particulars	March 31, 2022	March 31, 2021
Sub-standard	111,137.3	112,058.9
Doubtful*		
▪ Doubtful 1	24,116.9	28,138.8
▪ Doubtful 2	29,421.0	19,152.0
▪ Doubtful 3	11,860.5	7,559.2
Loss	14,056.4	16,020.9
Total Gross NPAs	190,592.1	182,929.8

* Doubtful 1, 2 and 3 categories correspond to the period for which asset has been doubtful viz., up to one year ('Doubtful 1'), one to three years ('Doubtful 2') and more than three years ('Doubtful 3').

Note: NPAs include all assets that are classified as non-performing.

▪ Movement of Gross NPAs

(₹ million)

Particulars	March 31, 2022	March 31, 2021
Opening balance	182,929.8	151,062.3
Additions	346,895.6	205,135.5
Reductions	(339,233.3)	(173,268.0)
Closing balance	190,592.1	182,929.8

Basel III - Pillar 3 Disclosures

▪ Movement of provisions for NPAs

(₹ million)

Particulars	March 31, 2022	March 31, 2021
Opening balance	114,611.6	98,892.1
Provisions made during the year	226,741.2	150,209.0
Write-off	(110,327.2)	(112,648.9)
Any other adjustment, including transfer between provisions	0.5	-
Write-back of excess provisions	(95,895.6)	(21,840.6)
Closing balance	135,130.5	114,611.6

Recoveries from written-off accounts aggregating ₹ 34,864.7 million (previous year: ₹ 28,835.3 million) and write-offs aggregating ₹ 110,327.2 million (previous year: ₹ 112,648.9 million) have been recognised in the statement of profit and loss.

▪ Non-performing investments

(₹ million)

Particulars	March 31, 2022	March 31, 2021
Gross non-performing investments	1,753.1	847.4
Less: Provisions	565.8	616.4
Net non-performing investments	1,187.3	231.0

▪ Provision for depreciation on investments

(₹ million)

Particulars	March 31, 2022	March 31, 2021
Opening balance	8,526.4	9,798.3
Provisions made	327.0	7,909.9
Write-off	-	-
Any other adjustment, including transfer between provisions	-	-
Write-back of excess provisions	(4,531.5)	(9,181.8)
Closing balance	4,321.9	8,526.4

Movements in provisions held towards depreciation on investments have been reckoned on a yearly basis.

▪ Provision for standard assets

(₹ million)

Particulars	March 31, 2022	March 31, 2021
Opening balance	55,258.6	46,517.6
Provisions made/reversed	12,639.8	8,752.2
Any other adjustment, including transfer between provisions*	14.3	(11.2)
Closing balance	67,912.7	55,258.6

*Refers to foreign currency translation adjustment relating to provision for standard assets in the Bank's overseas branches.

Basel III - Pillar 3 Disclosures

- **Geographic distribution**

(₹ million)

Particulars	March 31, 2022			March 31, 2021		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Gross NPA	188,639.5	1,952.6	190,592.1	181,046.4	1,883.4	182,929.8
Provisions for NPA	133,177.9	1,952.6	135,130.5	112,728.2	1,883.4	114,611.6
Provision for standard assets	67,515.7	397.0	67,912.7	54,830.1	428.5	55,258.6

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Industry-wise distribution

(₹ million)

Industry	As on March 31, 2022			Financial year ended March 31, 2022	
	Gross NPA	Provisions for NPA	Provision for standard assets	Write offs	Provisions for NPA
Agriculture – Allied	12,955.8	9,573.6	1,460.0	4,104.3	6,105.3
Agriculture Produce – Trade	2,527.1	2,079.0	420.0	152.6	385.3
Agriculture Production – Food	23,569.4	19,011.6	1,667.9	2,758.0	2,409.9
Agriculture Production - Non food	8,323.6	5,695.9	800.9	4,739.7	4,812.8
Automobile & Auto Ancillary	7,747.6	7,162.9	2,097.8	528.2	1,210.5
Banks	-	-	122.8	-	-
Business Services	4,619.1	2,861.2	1,333.6	3,541.7	4,304.7
Capital Market Intermediaries	3,356.2	3,356.1	83.8	-	(318.4)
Cement & Products	252.4	160.1	414.0	49.6	103.5
Chemical and Products	226.6	141.2	715.4	38.3	99.5
Coal & Petroleum Products	350.9	220.6	1,109.0	107.5	156.1
Consumer Durables	899.1	636.9	604.3	450.3	633.8
Consumer Loans	31,453.4	15,905.3	17,791.7	61,045.4	60,449.0
Consumer Services	9,832.3	8,148.0	2,194.0	4,026.3	5,432.8
Drugs and Pharmaceuticals	675.4	375.6	580.4	82.7	318.5
Engineering	4,131.9	2,936.4	1,198.3	327.8	1,263.8
Fertilisers & Pesticides	19.1	17.6	158.0	4.9	15.6
Financial Institutions	24.3	21.9	2,939.7	16.3	27.4
Financial Intermediaries	-	-	-	-	-
FMCG & Personal Care	590.4	480.1	164.7	311.7	562.8
Food and Beverage	6,673.1	5,738.9	2,049.0	434.3	1,514.5
Gems and Jewellery	945.6	590.6	621.0	95.6	389.1
Housing Finance Companies	1,416.8	1,416.8	1,341.3	1,931.5	(1,564.5)
Information Technology	2,051.3	846.0	269.2	196.0	714.2
Infrastructure Development	6,124.1	5,032.4	1,270.0	630.2	1,692.7
Iron and Steel	763.3	581.1	1,523.2	583.9	426.3
Mining and Minerals	1,603.3	1,242.9	480.5	298.6	362.2
NBFCs	107.3	106.9	2,710.2	3.5	10.7
Non-ferrous Metals	716.8	632.2	431.3	387.6	485.4
Other Non-metalic Mineral Products	143.0	76.2	252.7	76.1	63.5
Paper, Printing and Stationery	648.4	542.3	441.3	78.4	281.1
Plastic & Products	2,604.2	2,520.4	420.5	72.6	127.0
Power	2,217.8	923.1	3,193.7	1.4	(133.1)
Real Estate & Property Services	1,927.4	1,347.7	1,816.3	794.0	733.0
Retail Trade	14,216.2	10,348.2	2,703.5	9,682.1	14,207.2
Road Transportation	12,123.4	6,445.6	1,796.0	7,361.1	8,495.6
Telecom	160.6	134.9	1,573.3	29.5	56.3
Textiles & Garments	3,533.6	2,788.6	1,522.1	697.5	1,459.9
Wholesale Trade - Industrial	4,586.9	3,763.0	1,650.5	140.1	1,319.1
Wholesale Trade - Non Industrial	5,190.3	4,033.2	1,984.4	296.8	839.4
Other Industries	11,284.1	7,235.5	4,006.4	4,251.1	5,617.9
Total	190,592.1	135,130.5	67,912.7	110,327.2	125,070.4

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(₹ million)

Industry	As on March 31, 2021			Financial year ended March 31, 2021	
	Gross NPA	Provisions for NPA	Provision for standard assets	Write offs	Provisions for NPA
Agriculture – Allied	9,685.0	6,403.9	1,131.9	1,749.6	3,278.3
Agriculture Produce – Trade	2,235.1	1,821.3	677.2	508.3	(563.4)
Agriculture Production – Food	21,024.4	18,823.4	1,567.4	197.6	1,131.0
Agriculture Production - Non food	6,644.7	4,563.3	758.1	994.7	2,120.1
Automobile & Auto Ancillary	7,854.6	6,345.5	1,759.0	565.4	2,034.5
Banks	-	-	167.3	-	-
Business Services	3,961.1	1,994.5	1,154.7	1,531.8	1,828.1
Capital Market Intermediaries	3,876.8	3,672.8	60.5	0.4	2,121.9
Cement & Products	252.9	100.5	510.1	34.2	79.6
Chemical and Products	174.6	76.2	502.4	73.7	26.1
Coal & Petroleum Products	374.8	170.5	800.8	79.9	119.0
Consumer Durables	809.3	439.3	388.9	330.5	443.5
Consumer Loans	31,872.8	15,893.3	14,961.0	80,145.7	93,659.0
Consumer Services	8,284.6	6,029.1	1,942.6	1,747.5	4,262.2
Drugs and Pharmaceuticals	305.1	116.4	427.1	184.4	14.2
Engineering	2,480.2	1,974.3	875.3	429.2	505.5
Fertilisers & Pesticides	10.6	6.6	483.5	-	(22.7)
Financial Institutions	16.7	5.1	2,055.6	23.4	24.4
Financial Intermediaries	139.6	64.5	56.0	21.7	(437.8)
FMCG & Personal Care	563.5	190.5	122.3	445.3	505.3
Food and Beverage	6,145.7	4,564.9	1,577.7	1,785.7	131.2
Gems and Jewellery	564.7	294.7	573.5	113.7	50.6
Housing Finance Companies	4,912.8	4,912.8	1,089.8	-	2,068.9
Information Technology	739.7	295.8	186.8	306.9	30.1
Infrastructure Development	5,254.1	3,948.6	753.4	568.1	831.2
Iron and Steel	1,079.2	736.8	1,145.2	114.9	76.3
Mining and Minerals	1,778.8	1,153.4	590.2	292.9	252.4
NBFCs	102.0	99.7	2,187.2	-	949.9
Non-ferrous Metals	795.9	460.7	366.1	813.9	878.7
Other Non-metallic Mineral Products	196.2	83.9	153.8	55.0	77.8
Paper, Printing and Stationery	468.8	320.2	299.8	62.0	(83.4)
Plastic & Products	2,495.2	2,340.5	313.2	119.7	791.3
Power	3,973.4	1,057.2	2,922.8	11.5	986.2
Real Estate & Property Services	2,294.5	1,396.1	1,372.8	544.6	(2,113.2)
Retail Trade	13,469.6	5,516.4	2,390.2	7,158.0	8,237.8
Road Transportation	15,338.7	5,182.4	1,562.7	6,161.6	5,776.5
Telecom	147.2	106.8	754.5	44.4	120.4
Textiles & Garments	3,828.2	1,993.9	1,174.8	1,005.5	1,187.0
Wholesale Trade - Industrial	3,525.4	2,575.5	1,200.7	178.0	(246.1)
Wholesale Trade - Non Industrial	4,954.6	3,486.0	1,395.3	165.5	642.0
Other Industries	10,298.7	5,394.3	2,846.4	4,083.7	3,797.8
Total	182,929.8	114,611.6	55,258.6	112,648.9	135,572.2

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4. Credit Risk: Portfolios subject to the Standardised Approach

Standardised approach

The Bank has used the Standardised Approach under the RBI's Basel III capital regulations for its credit portfolio. For exposure amounts after risk mitigation subject to the standardised approach (including exposures under bills re-discounting transactions, if any), the Bank's outstanding (rated and unrated) in three major risk buckets as well as those that are deducted, are as follows:

(₹ million)		
Particulars	March 31, 2022	March 31, 2021
Below 100% risk weight	9,161,207.2	7,394,649.4
100% risk weight	6,215,008.1	5,191,706.6
More than 100% risk weight	1,993,161.9	1,732,089.6
Deducted	1,718.5	1,018.5
Total	17,371,095.7	14,319,464.1

Note: Exposure includes loans & advances, lendings, margins, investments in debenture & bonds, commercial papers, equity shares, preference shares, units of mutual funds, certificate of deposits, security receipts, on-balance sheet securitisation exposures purchased or retained, deposits with NABARD, SIDBI & NHB under the priority/weaker section lending schemes, guarantees, acceptances & endorsements, letters of credit and credit equivalent of foreign exchange and derivative exposures.

Treatment of undrawn exposures

As required by the regulatory norms, the Bank holds capital even for the undrawn portion of credit facilities which are not unconditionally cancellable without prior notice by the Bank, by converting such exposures into a credit exposure equivalent based on the applicable Credit Conversion Factor ('CCF'). For credit facilities which are unconditionally cancellable without prior notice, the Bank applies a CCF of zero percent on the undrawn exposure. However, undrawn portion of cash credit/overdraft limits sanctioned to large borrowers classified as per the guidelines on loan system for delivery of Bank Credit are applied a CCF of 20% irrespective of whether unconditionally cancellable or not.

Credit rating agencies

The Bank is using the ratings assigned by the following domestic external credit rating agencies, approved by the RBI, for risk weighting claims on domestic entities:

- CARE Ratings Limited
- CRISIL Ratings Limited
- ICRA Limited
- India Ratings and Research Private Limited
- Brickwork Ratings India Private Limited
- Acuite Ratings and Research Limited
- Infomerics Valuation and Rating Private Limited

The Bank is using the ratings assigned by the following international credit rating agencies, approved by the RBI, for risk weighting claims on overseas entities:

- Fitch Ratings
- Moody's
- Standard & Poor's

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Types of exposures for which each agency is used

The Bank has used the solicited ratings assigned by the above approved credit rating agencies for all eligible exposures, both on balance sheet and off balance sheet, whether short term or long term, in the manner permitted in the RBI guidelines on Basel III capital regulations. The Bank has not made any discrimination among ratings assigned by these agencies nor has restricted their usage to any particular type of exposure.

Public issue ratings transferred onto comparable assets

The Bank has, in accordance with RBI guidelines on Basel III capital regulations, transferred public ratings on to comparable assets in the banking books in the following manner:

Issue Specific Ratings

- All long term and short term ratings assigned by the credit rating agencies specifically to the Bank's long term and short term exposures respectively are considered by the Bank as issue specific ratings.
- 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.
- Long term ratings issued by the chosen domestic credit rating agencies have been mapped to the appropriate risk weights applicable as per the standardised approach. The rating to risk weight mapping furnished below was adopted for domestic corporate exposures, as per RBI guidelines:

Long Term Rating	AAA	AA	A	BBB	BB & Below	Unrated*
Risk weight	20%	30%	50%	100%	150%	100%

- In respect of issue specific short term ratings the following risk weight mapping has been adopted by the Bank, as provided in the RBI guidelines:

Short Term Rating equivalent	A1+	A1	A2	A3	A4 & D	Unrated*
Risk weight	20%	30%	50%	100%	150%	100%

*Claims on corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system of more than INR 100 crore which were rated earlier and subsequently have become unrated are applied a risk weight of 150%. Additionally, claims on corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system of more than INR 200 crore which are unrated are applied a risk weight of 150%.

Risk Weights for exposures to NBFCs, excluding Core Investment Companies (CICs), is risk weighted as per the ratings assigned by the rating agencies in a manner similar to that of corporates.

- Where multiple issue specific ratings are assigned to the Bank's exposure by the various credit rating agencies, the risk weight is determined as follows :
 - (i) If there is only one rating by a chosen credit rating agency for a particular claim, then that rating is used to determine the risk weight of the claim.

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- (ii) If there are two ratings accorded by chosen credit rating agencies, which map into different risk weights, the higher risk weight is applied.
- (iii) If there are three or more ratings accorded by chosen credit rating agencies with different risk weights, the ratings corresponding to the two lowest risk weights are referred to and the higher of those two risk weights is applied, i.e., the second lowest risk weight.

Inferred Ratings

- The specific rating assigned by a credit rating agency to a debt or issuance of a borrower or a counterparty (to which the Bank may or may not have an exposure), which the Bank applies to an un-assessed claim of the Bank on such borrower or counterparty is considered by the Bank as inferred ratings.
- In terms of guidelines on Basel III capital regulations, the Bank uses a long term rating as an inferred rating for an un-assessed long term claim on the borrower, where the following conditions are met:
 - (i) The Bank's claim ranks pari-passu or senior to the specific rated debt in all respects
 - (ii) The maturity of the Bank's claim is not later than the maturity of the rated claim.
- The un-assessed long term claim is assigned the risk weight corresponding to an inferred long term rating as given in the table under Issue Specific Ratings.
- For an un-assessed short term claim, the Bank uses a long term or short term rating as an inferred rating, where the Bank's claim ranks pari-passu to the specified rated debt.
- Where a long term rating is used as an inferred rating for a short term un-assessed claim, the risk weight corresponding to an inferred long term rating as given in the table under Issue Specific Rating is considered by the Bank.
- Where a short term rating is used as an inferred rating for a short term un-assessed claim, the risk weight corresponding to an inferred short term rating as given in the table under Issue Specific Rating is considered, however with notch up of the risk weight. Notwithstanding the restriction on using an issue specific short term rating for other short term exposures, an unrated short term claim on a counterparty is given a risk weight of at least one level higher than the risk weight applicable to the rated short term claim on that counterparty. If a short term rated facility to a counterparty attracts a 20% or a 50% risk weight, the unrated short term claims to the same counterparty will get a risk weight not lower than 30% or 100% respectively.
- If long term ratings corresponding to different risk weights are applicable for a long term exposure, the ratings corresponding to the two lowest risk weights are referred and the higher of those two risk weights is applied, i.e., the second lowest risk weight is considered by the Bank. Similarly, if short term ratings corresponding to different risk weights are applicable for a short term exposure, the ratings corresponding to the two lowest risk weights are referred and the higher of those two risk weights is applied, i.e., the second lowest risk weight is considered. However, where both long term and short term corresponding to different risk weights are applicable to a short term exposure, the highest of the risk weight is considered by the Bank for determination of capital charge.

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- If a counterparty has a long term exposure with an external long term rating that warrants a risk weight of 150%, all unrated claims on the same counterparty, whether short term or long term, receives a 150% risk weight, unless recognised credit risk mitigation techniques have been used for such claims. Similarly, if the counterparty has a short term exposure with an external short term rating that warrants a risk weight of 150%, all unrated claims on the same counterparty, whether long term or short term, receive a 150% risk weight.

Issuer Ratings

- Ratings assigned by the credit rating agencies to an entity conveying an opinion on the general creditworthiness of the rated entity are considered as issuer ratings.
- Where multiple issuer ratings are assigned to an entity by various credit rating agencies, the risk weight for the Bank's claims are as follows:
 - (i) If there is only one rating by a chosen credit rating agency for a particular claim, then that rating is used to determine the risk weight of the claim.
 - (ii) If there are two ratings accorded by chosen credit rating agencies, which map into different risk weights, the higher risk weight is applied.
 - (iii) If there are three or more ratings accorded by chosen credit rating agencies with different risk weights, the ratings corresponding to the two lowest risk weights are referred to and the higher of those two risk weights is applied, i.e., the second lowest risk weight.
- The risk weight assigned to claims on counterparty based on issuer ratings are as those mentioned under Issue Specific Ratings.

5. Credit Risk Mitigation: Disclosures for Standardised Approach

Policies and process

The Bank's Credit Policies & Procedures Manual and Product Programs include the risk mitigation and collateral management policy of the Bank. The policy covers aspects such as the nature of risk mitigants/collaterals acceptable to the Bank, the documentation and custodial arrangement of the collateral, the valuation approach and periodicity etc.

For purposes of computation of capital requirement for Credit Risk, the Bank recognises only those collaterals that are considered as eligible for risk mitigation in the RBI Basel III guidelines on standardised approach, which are as follows:

- Cash deposit with the Bank
- Gold, including bullion and jewellery
- Securities issued by Central and State Governments
- Kisan Vikas Patra and National Savings Certificates (Kisan Vikas Patra is a safe and long term investment option backed by the Government of India and provides interest income similar to bonds; National Savings Certificates are certificates issued by the Department of Post, Government of India – it is a long term safe savings option for the investor and combines growth in money with reductions in tax liability as per the provisions of the Indian Income Tax Act, 1961)

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- Life insurance policies with a declared surrender value of an insurance company which is regulated by the insurance sector regulator
- Units of Mutual Funds, where the investment is in instruments mentioned above

The Bank uses the comprehensive approach in capital assessment. In the comprehensive approach, when taking collateral, the Bank calculates the adjusted exposure to a counterparty for capital adequacy purposes by netting off the effects of that collateral. The Bank adjusts the value of any collateral by a haircut to take into account possible future fluctuations in the value of the security occasioned by market movements.

For purposes of capital calculation, the Bank recognises the credit protection given by the following entities, considered eligible as per RBI guidelines:

- Sovereigns, sovereign entities (including Bank for International Settlements ('BIS'), the International Monetary Fund ('IMF'), European Central Bank and European Community as well as Multi-lateral Development Banks like World Bank Group, IBRD, IFC, Asian Development Bank, African Development Bank, European Bank for Reconstruction & Development, Inter-American Development Bank, European Investment Bank, European Investment Fund, Nordic Investment Bank, Caribbean Development Bank, Islamic Development Bank & Council of Europe Development Bank, Export Credit Guarantee Corporation and Credit Guarantee Fund Trust for Small Industries ('CGTSI'), 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. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

The credit risk mitigation taken is largely in the form of cash deposit with the Bank and thus the risk (credit and market) concentration of the mitigants is low.

Exposure covered by financial collateral post haircuts

Total exposure that is covered by eligible financial collateral after the application of haircuts is given below:

(₹ million)

Particulars	March 31, 2022	March 31, 2021
Total exposure covered by eligible financial collateral	721,275.1	624,215.9

Exposure covered by guarantees / credit derivatives

The total exposure for each separately disclosed credit risk portfolio that is covered by guarantees/ credit derivatives is given below:

(₹ million)

Particulars	March 31, 2022	March 31, 2021
Total exposure covered by guarantees	395,833.8	354,419.1

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6. Securitisation Exposures

Objectives, Policies, Monitoring

The Bank may undertake securitisation / loan assignment transactions with the objective of maximising return on capital employed, managing liquidity, maximising yield on asset opportunities and meeting priority sector lending requirements.

The RBI issued 'Revised Securitisation Guidelines' on September 24, 2021 (hereinafter, the 'revised securitisation guidelines') covering both Securitisation of Standard Assets and Transfer of Loan exposures separately. The said guidelines define minimum holding period, minimum retention requirements, due diligence, credit monitoring, stress testing requirements etc. For loan assignment transactions, credit enhancement has been disallowed for transactions undertaken on or after May 7, 2012.

The Bank undertakes both 'purchase' and 'sale', transactions through both securitisation and loan assignment routes and has Board approved policies for both.

The Bank participates in Securitisation and Loan Assignment transactions in the following roles:

- **Originator / Seller**

The Bank originates assets in its book and subsequently down-sells them through the securitisation or assignment route.

- **Servicing and Collection agent**

For sold assets, the Bank undertakes the activity of collections and other servicing activities including preparation of monthly payout reports.

- **Investor**

The Bank invests in Pass Through Certificates ('PTCs') backed by financial assets originated by third parties for the purposes of holding/trading/maximizing yield opportunities and meeting priority sector lending requirements.

- **Assignee**

The Bank purchases loans through the direct assignment route for purposes of book building, meeting priority sector lending requirements and yield optimisation.

- **Liquidity facility provider**

In case of sale transactions undertaken through the securitisation route, the Bank may also provide liquidity facility. This is a type of credit support used to meet temporary collection mismatches on account of timing differences between the receipt of cash flows from the underlying performing assets and the fulfillment of obligations to the beneficiaries. The Bank may also undertake to be a third party liquidity facility provider for other securitisation transactions.

- **Credit Enhancement provider**

Under the revised securitisation guidelines, the Bank may provide credit enhancement on Securitisation 'sale' transactions undertaken by the Bank / a third party for meeting shortfalls arising on account of delinquencies

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and prepayment losses in the underlying pool sold. The Bank may also undertake to be a credit enhancement provider for securitisation transactions originated by third parties.

- **Underwriter**

The Bank may underwrite in whole or part of an issuance of securitised debt instruments, with the intent of selling them at a later stage subject to stipulations under the extant RBI guidelines.

The major risks inherent in Securitisation/Loan Assignment transactions are given below:

- **Credit Risk**

In case of Securitisation transactions, where credit enhancement is provided by the originator or any third party as permitted under the revised guidelines, the investor bears the loss in case the shortfalls in collections exceed the credit enhancement provided. If credit enhancement is provided in the form of a corporate guarantee, the investor bears the loss that could arise due to default by the guarantor which is also reflected in the rating downgrade of the corporate guarantor. In case of Loan Assignment transactions, the assignee bears the loss arising from defaults/delinquencies by the underlying obligors.

- **Market Risk:**

- ✓ **Liquidity Risk**

This is the risk arising on account of absence of a secondary market, which provides exit options to the investor/participant.

- ✓ **Interest Rate Risk**

This is the mark-to-market risk arising on account of interest rate fluctuations.

- **Prepayment Risk**

Prepayments in the securitised /assigned pool result in early amortisation and loss of future interest (re-investment risk) to the investor on the outstanding amounts.

- **Co-mingling Risk**

This is the risk arising from co-mingling of funds belonging to the investor(s) with other funds of the originator and/or servicer. This risk occurs when there is a time lag between collection of amounts due from the obligors and payouts made to the investors/assignee.

- **Servicer Risk**

Servicer risk is the risk arising on account of the inability of a collection and processing agent to collect monies from the underlying obligors and operational difficulties in processing the payments. In long tenor pools, the investor is exposed to the risk of servicer defaulting or discontinuing its operations in totality.

Regulatory and Legal Risk

These are risks arising on account of non-compliance of transaction structures with the extant regulatory guidelines which may result in higher risk weight and hence higher capital charge being applied on the transaction or the Bank not being able to classify the transactions as priority sector lending. These risks also arise when transactions are not compliant with applicable laws which may result in the transaction being rendered invalid. Conflict between the provisions of the transaction documents and those of the underlying financial facility agreement or non-enforceability of security/claims due to imperfection in execution of the underlying facility agreements with the

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borrowers could also lead to an increase in legal risk. Risk could also arise due to issues on interpretation of tax laws leading to changes in scheduled transaction cash flows.

The overall framework for both securitisation and loan assignment transactions is specified in the respective Board approved policies. The said policies define the covenants for evaluation and the key requirements that need to be adhered to for all such transactions such as the Minimum Holding Period ('MHP') and Minimum Retention Requirement ('MRR') stipulations, credit enhancement (for securitisation transactions), structure, rating and accounting treatment. Additionally, for purchase transactions, the Bank examines parameters such as the profile and track record of the originator, the type and nature of underlying assets, pool characteristics, rating & credit enhancement provided (if applicable).

Risk Monitoring

The Bank also has a process for monitoring the performance of all pools purchased under securitisation or the loan assignment route (both prior to as well as post the issuance of the revised securitisation guidelines) basis information received from the servicing agent / trustee. The performance of pools is measured by analysing parameters such as collection ratios, delinquencies, credit enhancement utilisation and level of available credit enhancement (where applicable). The Bank undertakes regular escalation to the Management on performance of pools which show concerning trends (if any). In case of sold pools, a memorandum on transactions undertaken is put up to the Audit & Compliance Committee of the Board on a quarterly basis. The Bank ascertains market value of securitisation exposures based on extant norms, which is compared with their book value to assess the marked to market impact of these exposures at monthly interval.

Policy governing the use of credit risk mitigation to mitigate the risks retained through securitization exposures.

The Bank has not used credit risk mitigants to mitigate the credit risk.

Significant accounting policy for securitisation and transfer of assets

Assets transferred through securitisation and direct assignment of cash flows are de-recognised in the Balance Sheet when they are sold (true sale criteria being fully met with) and consideration is received. Sales / transfers that do not meet true sale criteria are accounted for as borrowings. For a securitisation or direct assignment transaction, the Bank recognises profit upon receipt of the funds and loss is recognised at the time of sale.

On sale of stressed assets, if the sale is at a price below the net book value (i.e., funded outstanding less specific provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year when the sum of cash received by way of initial consideration and / or redemption or transfer of security receipts issued by SC/RC exceeds the net book value of the loan at the time of transfer.

In respect of stressed assets sold under an asset securitisation, where the investment by the bank in security receipts (SRs) backed by the assets sold by it is more than 10 percent of such SRs, provisions held are higher of the provisions required in terms of net asset value declared by the Securitisation Company ('SC') / Reconstruction Company ('RC') and provisions as per the extant norms applicable to the underlying loans, notionally treating the

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book value of these SRs as the corresponding stressed loans assuming the loans remained in the books of the Bank.

The Bank invests in Pass Through Certificates (PTCs) issued by other Special Purpose Vehicles (SPVs). These are accounted at acquisition cost and are classified as investments. The Bank also buys loans through the direct assignment route which are classified as advances. These are carried at acquisition cost unless it is more than the face value, in which case the premium is amortised based on effective interest rate method.

The Bank transfers advances through inter-bank participation with and without risk. In the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances. In case where the Bank is assuming risk by participation, the aggregate amount of the participation is classified under advances. In the case of issue of participation certificate without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is acquiring participation certificate, the aggregate amount of participation acquired is shown as due from banks under advances.

External credit rating agencies

In the banking book, following were the external credit rating agencies involved with the Bank's Securitisation and Loan Assignment transactions:

- CARE Ratings
- CRISIL Ratings Ltd
- ICRA Limited
- India Ratings and Research Private Limited

The ratings declared / issued by the above agencies were used to cover the following securitisation and loan assignment exposures:

- Securitised Debt Instruments / PTCs / Purchased assets
- Second loss credit enhancement facilities
- Liquidity facilities

Securitisation exposures in banking book

- Details of securitisation exposures in banking book

(₹ million)		
Particulars	March 31, 2022	March 31, 2021
Amount securitised-out outstanding	182.2	254.7
Amount securitised-out during the period	-	-
Losses recognised during the current period for loans exposures securitised earlier	(7.8)	8.2
Amount of assets intended to be securitised within a year*	-	-
Of which amount of assets originated within a year before securitisation	-	-

*The Bank has made no projection of the assets it intends to securitise-out during the fiscal year beginning April 1, 2021. Securitisation transactions are undertaken on a need basis to meet the objectives articulated under 'Objectives, Policy, Monitoring'.

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- The total amount of exposures securitised and unrecognised gain or losses on sale

(₹ million)

Exposure type	March 31, 2022		March 31, 2021	
	Outstanding amount of exposures securitised	Outstanding amount of exposures securitised	Outstanding amount of exposures securitised	Outstanding unrecognised gain or loss on sale
Housing loans	182.1	-	254.5	-
Loans against property and rent receivables	0.1	-	0.2	-
Total	182.2	-	254.7	-

- Aggregate amount of on-balance sheet securitisation exposures retained or purchased

(₹ million)

Exposure type	March 31, 2022	March 31, 2021
Housing loans*	777,610.9	652,715.3
Mixed assets	57,575.7	57,073.1
Total	835,186.6	709,788.4

* includes home equity and non-residential loans.

- Aggregate amount of off-balance sheet securitisation exposures

(₹ million)

Exposure type	March 31, 2022	March 31, 2021
Housing loans	1,642.4	1,652.7
Mixed assets*	564.4	564.5
Total	2,206.8	2,217.2

* includes loans against property and loans against rent receivables

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

(₹ million)

Risk weight bands	Exposure type	March 31, 2022		March 31, 2021	
		Exposure	Capital charge	Exposure	Capital charge
Less than 100%	Housing loans	777,579.7	33,197.1	652,649.1	26,404.2
	Mixed assets	24,784.8	1,104.6	22,803.7	1,135.9
At 100%	Housing loans*	31.2	3.5	66.2	7.2
	Mixed assets	32,790.4	3,828.0	34,269.4	3,777.7
More than 100%	Mixed assets	0.5	0.1	-	-
Total		835,186.6	38,133.3	709,788.4	31,325.0

* includes home equity and non-residential loans.

Securitisation exposures in trading book

- Aggregate amount of exposure securitised-out for which some exposure has been retained and which is subject to market risk approach as of March 31, 2022 was ₹ 175.1 million (previous year: ₹ 417.2 million). The exposure type was commercial vehicle loans.
- Aggregate amount of on-balance sheet securitisation exposures retained or purchased

(₹ million)

Exposure type	March 31, 2022	March 31, 2021
Commercial vehicle loans	2,012.6	4,124.7
Housing loans	1,488.6	1,906.6
Micro finance	-	135.4
Mixed assets*	143,842.9	163,606.1
Tractor loans	-	549.4
Total	147,344.1	170,322.2

* includes auto loans, commercial vehicle loans, construction equipment loans, two wheeler loan, tractors loans and three wheeler loans.

- Off-balance sheet securitisation exposures as of March 31, 2022 were Nil (previous year: Nil), which is risk weighted for capital adequacy purposes.
- Aggregate amount of securitisation exposures retained or purchased, subject to the securitisation framework for specific risk broken down into different risk weight bands:

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- ✓ Securitisation exposures broken down into different risk weight bands at book value

(₹ million)

Risk weight band	March 31, 2022	March 31, 2021
Less than 100%	147,396.4	170,739.4
At 100%	-	-
More than 100%	122.85	-
Total	147,519.2	170,739.4

- ✓ Aggregate amount of capital requirements for securitisation exposures

(₹ million)

Risk weight band	March 31, 2022	March 31, 2021
Less than 100%	6,337.4	7,181.4
At 100%	-	-
More than 100%	17.4	-
Total	6,354.8	7,181.4

7. Market Risk in Trading Book

Market Risk Management Strategies and Processes

The Market Risk management process at the Bank consists of identification and measurement of risks, control measures and reporting systems. It ensures that the trading risk of the Bank's treasury desks and the investments by non-treasury units is within the risk appetite defined by the treasury limits package and specific limits/trigger levels, if any, as approved by the Board from time to time. The Board approved limits are further delegated to the respective trading desks as applicable. The prescribed limits are monitored by the treasury mid office and reported as per the guidelines laid down from time to time. The market risk objective, framework and architecture along with the functions of market risk are detailed in the Board approved Market Risk Policy.

Market Risk Architecture

The market risk process includes the following key participants:

- The Board of Directors of the Bank is responsible for managing the comprehensive risks faced by the Bank. The Board endorses the trading risk strategy, approves the policies pertaining to market risk exposures of the Bank and sets the Bank's tolerance and appetite for risks. It also oversees the overall risk management functions of the Bank, including market risk, which is used as a guideline by business groups to define their business strategy and product-wise risk appetite. Further, the Board defines the minimum internal capital ratios threshold for the Bank.
- The Risk Policy & Monitoring Committee ('RPMC') is a Board level committee, which supports the Board by supervising the implementation of the risk strategy. It guides and reviews the designing of market risk policies, procedures and systems for managing risk. It ensures that these are adequate and appropriate to changing business conditions, the structure and needs of the Bank and the risk appetite of the Bank. It also monitors compliance of aggregate trading risk exposures within the appetite set by the Board and ratifies

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the limit excesses. It ensures that frameworks are established for assessing and managing various risks faced by the Bank, systems are developed to relate risk to the Bank's capital level and methods are in place for monitoring compliance with internal risk management policies and processes.

- The Market Risk Function covers the assessment of the market risk for treasury portfolio (including Investment Banking restricted to Primary Underwriting and Distribution Program) and non-treasury positions, evaluate/validate methods for monitoring market risk, prescribe the control processes and define the framework for trading risk appetite in form of limits/trigger levels. They also conduct review of the valuation models, the mnemonics definition and the conventions for various market risk factors in the valuation and risk system that are proposed by Treasury Analytics department. Additionally, market risk evaluates the market risk exposure arising from collateral-based client funding transactions in respect of non-treasury business and prescribe volatility factors, as per the approved product/process notes or on demand from credit approvers, for collateral valuation held by the Bank to mitigate exposure on account of such transactions.
- The Treasury Mid-Office is responsible for the day-to-day monitoring and reporting of internal and regulatory market risk controls and counterparty risk limits. Mid-Office is independent of Treasury Front-Office and its responsibilities include monitoring and reporting internal and regulatory market risk limits and counterparty risk limits, providing MIS, maintaining market data, including historical market data for VaR as well as stress testing and periodic marking to market of various trading portfolios, carrying out hedge tests as per the hedge policy/document, and identification of open position deals, if any, with respect to products where open exposure is not allowed by the regulator/s. Mid-Office also carries out the rate scan and Day 1 P&L monitoring, wherever applicable, of traded products. Mid-Office reports all limit transgressions to concerned departments, senior management and wherever applicable to the RPMC/Board of Directors. Mid-Office is also responsible for maintaining market data in Treasury System and verifies the benchmark submissions done by Treasury Front Office as per the Benchmark Submission Policy of the Bank. The Mid-Office functions for all locations (including overseas branches), is centrally located.
- The Investment Committee oversees and reviews any direct investments in Shares, Convertible Bonds, Convertible Debentures and any other Equity linked instruments.
- Treasury desk is responsible for originating positions in various approved treasury products within the stipulated market risk limits and other applicable limits/trigger levels. In addition, front office personnel shall always ensure compliance of all the product approval notes /treasury policies and procedures laid down by the bank, guidelines /code of conduct prescribed by the regulators (local/overseas) and other governing bodies. Front office is organised in various desks, such as Foreign Exchange Desk, Money Market & Balance Sheet Management Desk, Interest Rate Trading Desk, Trading Derivatives Desk, etc., which is responsible for taking positions in different product categories. Front office also offers treasury products to customers through Treasury Advisory Group (TAG).
- Non treasury units can also invest into corporate bonds or commercial papers within the risk limits / triggers as approved by the Board from time to time.

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- Treasury Analytics unit is responsible for validation of the pricing model, creation of valuation templates, periodic review of the policy laid down for valuation and validation of pricing models including prescription for market data source and mnemonics definition/conventions. They also conduct review of the risk models and the risk parameters proposed by Market Risk department. They also conduct market data benchmarking on monthly intervals to ascertain that the market data captured for valuations of treasury products is accurate.

Market Risk Limits Reporting

Market risks in the Bank's books are managed by setting various limits/trigger levels. Types of limits/trigger levels could include position limits, tenor specifications, duration limits, PV01 limits, stop loss trigger level, value-at-risk limits, scenario or potential loss trigger level and option Greek limits. Additional controls such as order size and outstanding exposure limits are prescribed, wherever applicable, based on case-by-case review. Moreover, measures such as investment limits and deal size thresholds are prescribed as part of the investment policy for managing outstanding investment or trading positions. These limits / trigger levels may or may not apply to all portfolios and are appropriately applied as market risk controls in the various limits packages. The market risk limits/trigger levels are measured and monitored by the Mid Office, and subsequently reported to the concerned departments / senior management. Any major variations in the utilisations of the limit are analysed and reviewed with Market Risk prior to circulation of reports. Any excess utilization of the treasury limits/trigger levels is acted upon by Treasury Front Office as per the Board approved processes, which is mentioned in the Market Risk Policy / Investment Policy/ Treasury limits package or special limit package.

The Bank enters into derivative deals with counterparties based on their financial strength and understanding of derivative products and its risks. In this regard, the Bank has a Customer Suitability and Appropriateness Policy in place. The Bank sets up appropriate counterparty/client limits considering the ability of the counterparty to honor its obligations in the event of crystallisation of the exposure. Appropriate credit covenants are stipulated wherever required to contain risk and to facilitate trigger events such as call for additional collaterals, terminate a transaction, etc. The Bank also books derivative deals to hedge the interest rate/currency risks in borrowings or investments within the ambit of Bank's hedging processes and policies. The Bank has adopted CVA capital charge and provides for incurred CVA losses on the derivative positions. In-addition, illiquidity adjustments are computed on trading portfolio positions that are subject to mark-to-market.

Market risk capital requirement

	(₹ million)	
Standardised duration approach	March 31, 2022	March 31, 2021
Interest rate risk	52,706.1	50,190.2
Equity risk	32,145.6	37,904.8
Foreign exchange risk (including gold)	2,002.0	1,895.1
Total	86,853.7	89,990.1

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8. Operational Risk

Basel Committee and subsequently RBI have defined Operational Risk (OR) as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events”. The bank also adopts the same definition for the purpose of management of operational risk within the bank. It includes risk of loss due to legal risk but excludes strategic and reputational risk. The Bank has put in place Board approved governance and organisational structure with clearly defined roles and responsibilities to mitigate operational risk arising out of the Bank’s business and operations.

Governance and Organisational Structure for Managing Operational Risk

The Board of Directors (Board) is primarily responsible for ensuring effective management of the operational risks of the bank. The Board sets the overall strategy and direction for Operational Risk Management (ORM) within the Bank.

The Risk Policy and Monitoring Committee (RPMC) is responsible for overseeing the effective implementation of the ORM framework approved by the Board of Directors; it creates a strong ORM culture and responsibility at every level in the organization.

A committee comprised of senior management personnel namely Operational Risk Management Committee (‘ORMC’) guides and oversees the functioning, implementation and maintenance of operational risk management activities of Bank. It reinforces culture and awareness of operational risk management throughout the organization and updates the RPMC with major changes to the Operational Risk Framework. It also approves relevant policy and process documents for the effective implementation of the framework within the overall operational risk management policy objectives and reviews the risk profile, understand future changes and threats, and prioritize action steps. The ORMC members include the Chief Risk Officer (Chairman), Chief Credit Officer, Group Head – Operations, Chief Financial Officer, Group Head Treasury and Chief Compliance Officer.

An independent Operational Risk Management Department (ORMD) is responsible for implementation of the framework across the Bank. Board approved operational risk management policy stipulates the roles and responsibilities of employees, business units, operations and support function in managing operational risk.

Risk Measurement and Monitoring

While the day-to-day operational risk management lies with business lines, operations and support functions, the ORMD is responsible for implementing the operational risk management framework across the Bank. It designs and develops tools required for implementing the framework including policies and processes, guidelines towards implementation and maintenance of the framework. More specifically, ORMD plays the role of the second line of defence against Operational Risk.

Internal audit is the third line of defense in containing operational risk exposures. It evaluates the adequacy and effectiveness of the internal control systems and procedures, in the risk management functions as well as across the various business and support units of the bank.

The Bank applies a number of risk management techniques to effectively manage operational risks:

- Risk and Control Self Assessment (RCSA) is a process of regular, transparent and subjective assessment of the bank’s operational risk and controls undertaken by nominated representatives in Business units. This helps in identifying control gaps and consequent actions proposed to close the gaps. RCSA is used for identification & mitigation of operational risks, reporting of control deficiencies, monitoring of changes in control environment

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and assessment of operational risk profile. The focus of RCSA process is to ensure that all operational risks are understood and are being effectively monitored and controlled to improve business and operational efficiency.

- Key Risk Indicators are metrics/ measures that are derived from various factors to indicate an early warning of or to monitor increasing risk or control failures in an activity. As these indicators are quantifiable, they can be measured continuously to identify trends in values.
- Material operational risk losses are subjected to detailed risk analysis to identify areas of risk exposures and gaps in controls basis which appropriate risk mitigating actions are initiated.
- Bank conducts periodic scenario analysis to derive information on hypothetical severe loss situations and uses the information for risk management actions, apart from analysing the plausible financial impact.
- Periodic reporting on risk assessment and monitoring is made to the line as well as to senior management to enable them to take timely corrective action.

Information Technology Risk and Information Security

Bank operates in a highly automated environment and makes use of latest technological framework for supporting various operations. Use of technology brings in newer kind of operational risks like business disruption, risks related to information assets, data security, integrity, reliability and availability etc. Bank has put in a governance framework, information security practices and business continuity plan to mitigate information technology related risks. An independent assurance team as part of the internal audit provides assurance on the management of information technology related risks.

The Bank has a robust Business Continuity and Disaster Recovery plan which is periodically tested to adhere to the contingency requirements of the Bank.

A well-documented, Board approved information security policy is put in place. There is an independent information security group which addresses information security related risks. Mandatory information security trainings are administered to the employees of the bank. Periodical sensitization exercise is ensured to update employees on information security practices.

Capital Requirement

The Bank currently follows the Basic Indicator Approach for computing operational risk capital charge.

BCBS had published a document titled 'Basel III: Finalizing post-crisis reforms' in December 2017, containing details of the Standardized Approach (SA) for estimating minimum operational risk capital charge, which would replace all the existing methods for computation of operational risk capital.

In December 2021, RBI had released the draft guidelines on minimum capital requirements for operational risk as per SA, which is based on the guidelines issued by BCBS. The Bank would be implementing the revised approach once the final RBI guidelines are notified.

9. Asset Liability Management ('ALM') Risk Management

Asset Liability Management (ALM) provides a comprehensive and dynamic framework for measuring, monitoring and managing liquidity risk and interest rate risk in the Banking Book. Liquidity risk is the risk that the Bank may not be able to fund increases in assets or meet obligations as they fall due without incurring unacceptable losses. IRRBB refers to the potential adverse financial impact on the Bank's banking book from changes in interest rates. The Bank carries various assets, liabilities and off-balance sheet items across markets, maturities and benchmarks

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exposing it to risks from changing interest rates. The Bank's objective is to maintain liquidity risk and IRRBB within tolerable limits.

Structure and Organisation:

The ALM risk management process of the Bank operates in the following hierarchical manner:

▪ **Board of Directors**

The Board has the overall responsibility for management of liquidity and interest rate risks. The Board decides the strategy, policies and procedures of the Bank to manage liquidity and interest rate risk including setting of risk tolerance/limits.

▪ **Risk Policy & Monitoring Committee ('RPMC') of the Board**

RPMC is a Board level committee, which supports the Board by supervising the implementation of the risk strategy. It guides the development of policies, procedures and systems for managing risk. It ensures that these are adequate and appropriate to changing business conditions, the structure and needs of the Bank and the risk appetite of the Bank. It ensures that frameworks are established for assessing and managing liquidity and interest rate risks faced by the Bank and ratifies the limit excesses, wherever applicable.

▪ **Asset Liability Committee ('ALCO')**

ALCO is a decision-making unit responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity and interest rate risk management strategy of the Bank in line with the Bank's risk management objectives and risk tolerance. The ALCO is also responsible for balance sheet planning from risk-return perspective including strategic management of liquidity and interest rate risks. The role of the ALCO includes the following:

- i. Product pricing for deposits and advances
- ii. Deciding the desired maturity profile and mix of incremental assets and liabilities
- iii. Articulating interest rate view of the Bank and deciding on the future business strategy
- iv. Reviewing funding strategy and deciding funding mixes
- v. Ensuring the adherence to the liquidity and interest rate risk limits set by the Board of Directors and ratification of excess utilization, wherever applicable as per the ALM Limit Package
- vi. Determining the structure, responsibilities and controls for managing liquidity and interest rate risk and overseeing the liquidity positions at Bank level (including domestic and overseas branches). Further, the ALCO reviews the liquidity risk and interest rate risk in banking book positions at Group level (including Bank and its subsidiaries)
- vii. Ensuring adequate representation of Risk Management function on the ALCO to adhere with operational independence of liquidity management and risk monitoring
- viii. Reviewing the liquidity stress test scenarios and results for ensuring a well-documented contingency funding plan is in place
- ix. Deciding on the transfer pricing policy of the Bank and making liquidity costs and benefits an integral part of Bank's strategic planning.
- x. Regularly reporting to Board on the ALM risk profile of the Bank. ALCO minutes are placed to Board by Treasury front office

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▪ **ALM Support Groups**

ALM support group is responsible for analysing, monitoring, and reporting the relevant risk profiles to senior management and relevant committees.

Risk Measurement Systems and reporting:

Liquidity Risk

Liquidity Risk is measured using flow approach and stock approach. Flow approach involves comprehensive tracking of cash flow mismatches. Stock approach involves measurement of critical ratios in respect of liquidity risk. Flow approach to measurement involves comprehensive tracking of cash flow mismatches. For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates shall be adopted as a standard tool.

Stock approach involves measurement of certain critical ratios in respect of liquidity risk. Further, Bank has also adopted the Basel III framework on liquidity standards and has put in place requisite systems and processes to enable monitoring and reporting of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), as per the extant regulations.

The Bank has a Board approved liquidity stress framework guided by the regulatory instructions. Bank has also set up a formal contingency funding plan (CFP) that sets out the strategies for addressing liquidity shortfalls in emergency situations.

The Bank has an extensive intraday liquidity risk management framework for monitoring intraday positions during the day.

Interest Rate Risk in banking book (IRRBB)

Interest rate risk is the risk where changes in market interest rates affect a bank's financial position. Changes in interest rates impact a bank's earnings through changes in its Net Interest Income (NII). Changes in interest rates also impact a bank's Market Value of Equity (MVE) or Net Worth through changes in the economic value of its rate sensitive assets, liabilities and off-balance sheet positions. The interest rate risk, when viewed from these two perspectives, is known as 'earnings perspective' and 'economic value perspective', respectively.

The Bank measures and controls IRRBB using both Earnings Perspective (measured using Traditional Gap Analysis) and Economic Value Perspective (measured using Duration Gap Analysis). These methods involve bucketing of rate sensitive assets (RSA) and rate sensitive liabilities (RSL), including off-balance sheet items, based on the maturity/re-pricing dates.

The Bank classifies an asset/liability as rate sensitive if:

- i. Within the time interval under consideration, there is a cash flow.
- ii. The interest rate resets / re-prices contractually during the interval.
- iii. RBI changes the interest rates in cases where interest rates are administered.

Significant portion of non-maturing deposits (Current Account and Saving Account) is bucketed in "over 1 year – 3 year". Non-rate sensitive liabilities and assets primarily comprise of capital, reserves and surplus, other liabilities, cash and balances with RBI, current account balances with banks, fixed assets and other assets.

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The Banking Book is represented by excluding the trading book (on and off-balance sheet items) from the total book.

▪ Earnings Perspective (impact on net interest income)

Traditional Gap Analysis (TGA) measures the level of a bank's exposure to interest rate risk in terms of sensitivity of its NII to interest rate movements over one-year horizon. It involves bucketing of all rate sensitive assets (RSA) and rate sensitive liabilities (RSL) and off-balance sheet items maturing or getting re-priced in the next one year and computing change of income under 200 basis points upward and downward parallel rate shocks over a one-year horizon. Assumption on asset/liability bucketing used in the traditional gap analysis is as per the RBI guidelines.

The increase / decline in earnings for an upward / downward rate shock of 200 basis points ('bps'), broken down by currency, are as follows:

(₹ million)

Currency	March 31, 2022		March 31, 2021	
	If interest rate were to go down by 200 bps	If interest rate were to go up by 200 bps	If interest rate were to go down by 200 bps	If interest rate were to go up by 200 bps
INR	(65,862.5)	65,862.5	(60,044.8)	60,044.8
USD	432.5	(432.5)	(4,859.5)	4,859.5
Others	394.0	(394.0)	(540.3)	540.3
Total	(65,036.0)	65,036.0	(65,444.6)	65,444.6

▪ Economic Value Perspective (impact on market value of equity)

While earnings perspective calculates the short-term impact of the rate changes, the Economic Value Perspective calculates the long-term impact on the market value of equity (MVE) of the Bank through changes in the economic value of its rate sensitive assets, liabilities and off-balance sheet positions. Economic value perspective is measured using Duration Gap Analysis (DGA). DGA involves computing of the Modified Duration Gap (MDG) between RSA and RSL and thereby the Duration of Equity (DoE). The DoE is a measure of sensitivity of market value of equity to changes in interest rates. Using the DoE, the Bank estimates the change in MVE under 200 basis points upward and downward parallel rate shocks. Assumptions on asset/liability bucketing, coupons and yields to be used in the duration gap analysis are as per the RBI guidelines.

The increase / decline in economic value for an upward / downward rate shock of 200 basis points ('bps'), broken down by currency, are as follows:

(₹ million)

Currency	March 31, 2022		March 31, 2021	
	If interest rate were to go down by 200 bps	If interest rate were to go up by 200 bps	If interest rate were to go down by 200 bps	If interest rate were to go up by 200 bps
INR	93,269.2	(93,269.2)	61,737.2	(61,737.2)
USD	(1,198.8)	1,198.8	(2,526.1)	2,526.1
Others	(1,374.1)	1,374.1	(1,187.8)	1,187.8
Total	90,696.3	(90,696.3)	58,023.3	(58,023.3)

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10. General Disclosures for Exposures Related to Counterparty Credit Risk

Counterparty Credit Risk ('CCR') limits for the banking counterparties are assessed based on an internal model that considers the parameters viz. credit rating, solvency ratio and net worth of counterparties, net worth of the Bank and business requirements. In all other cases, CCR limit is approved based on credit assessment process followed by the Bank as per the Credit Policies and Procedures Manual. CCR limits are set on the amount and tenor while fixing the limits to respective counterparties with distinct limits for each type of exposure. Capital for CCR exposure is assessed based on Standardised Approach (both for default risk capital and CVA capital charges).

The Bank has entered into Credit Support Annex ('CSA') agreements with some of the major international counterparty banks and few Indian financial institutions. CSA defines the terms or rules under which collateral is posted or transferred between derivative counterparties to mitigate the credit risk arising from "in the money" derivative positions on OTC Derivative contracts.

Exposure to Central counterparties arising from over-the-counter derivative trades (subsequently guaranteed by CCP), exchange traded derivatives transactions and security financing transactions (SFTs), attracts capital charges applicable to Central Counterparty.

Applicable risk weights for trades, guaranteed by central counterparties, which are recognised as qualifying central counterparty (QCCP) by Reserve Bank of India or SEBI, are comparatively lower than OTC deals.

In India, presently there are six QCCPs viz. Clearing Corporation of India (CCIL), National Securities Clearing Corporation Ltd (NSCCL), Indian Clearing Corporation Ltd (ICCL), MCX-SX Clearing Corporation Ltd (MCX-SXCCL), India International Clearing Corporation (IFSC) Limited and NSE IFSC Clearing Corporation Limited. These QCCPs are subjected, on an ongoing basis, to rules and regulations that are consistent with CPSS-IOSCO Principles for Financial Market Infrastructures.

Bank has computed the exposure under the Current Exposure Method for counterparty credit risk capital computation based on the guidelines issued by RBI on "Bilateral Netting of Qualified Financial Contracts – Amendments to Prudential Guidelines" dated March 30, 2021.

The product-wise derivative exposure calculated using Current Exposure Method ('CEM') without netting benefits and the balance outstanding as on March 31, 2022 is given below.

(₹ million)			
Particulars	Notional amounts	Current Credit Exposure	Credit Exposure*
Foreign exchange contracts	6,551,871.8	24,600.5	169,111.8
Interest rate derivative contracts	5,193,223.0	23,201.9	68,969.1
Currency swaps	310,191.6	9,219.3	40,528.1
Currency options	434,371.3	1,135.5	4,649.8
Total	12,489,657.6	58,157.3	283,258.8

Basel III - Pillar 3 Disclosures

*As the collateral is received at counterparty-wise and not product wise, details of collateral held is not provided in the above table. As of 31st March 2022, the value of collateral received is ₹ 11,401.45 million.

11. Equities – Disclosure for Banking Book Positions

In accordance with the RBI guidelines on investment classification and valuation, Investments are classified on the date of purchase into “Held for Trading” (‘HFT’), “Available for Sale” (‘AFS’) and “Held to Maturity” (‘HTM’) categories (hereinafter called “categories”). Investments which the Bank intends to hold till maturity are classified as HTM securities. In accordance with the RBI guidelines, equity investments held under the HTM category are classified as banking book for capital adequacy purpose.

Investments in equity of subsidiaries and joint ventures (a Joint Venture would be one in which the bank, along with its subsidiaries, holds more than 25 percent of the equity) are required to be classified under HTM category in accordance with the RBI guidelines. These are held with a strategic objective to maintain strategic relationships or for strategic business purposes.

Investments classified under HTM category are carried at their acquisition cost and not marked to market. Any diminution, other than temporary, in the value of equity investments is provided for. Any loss on sale of investments in HTM category is recognised in the Statement of Profit and Loss. Any gain from sale of investments under HTM category is recognised in the Statement of Profit and Loss and is appropriated, net of taxes and statutory reserve, to “Capital Reserve” in accordance with the RBI Guidelines.

The book value of Bank’s investment HTM portfolio was ₹ 38,264.9 million as at March 31, 2022 (previous year: ₹ 38,264.9 million). There has been no sale or liquidation of this investment during the period ended March 31, 2022.

12. Composition of Capital

Disclosures pertaining to main features of equity and debt capital instruments, the terms and conditions of equity and debt capital instruments and leverage ratio have been disclosed separately on the Bank’s website under the ‘Regulatory Disclosures Section’. The link to the Regulatory Disclosures Section is as follows: http://www.hdfcbank.com/aboutus/basel_disclosures/default.htm .