Basel III - Pillar 3 Disclosures

Consolidated Position as on December 31, 2023

The Board of Directors at its meeting held on April 04, 2022, approved a composite Scheme of amalgamation ("Scheme"), for the amalgamation of: (i) erstwhile HDFC Investments Limited ("eHDFC Investments") and erstwhile HDFC Holdings Limited ("eHDFC Holding"), with and into erstwhile Housing Development Finance Corporation Limited ("eHDFC Limited"); and thereafter (ii) eHDFC Limited into HDFC Bank Limited ("Bank"), and their respective shareholders and creditors, under Sections 230 to 232 of the Companies Act, 2013 and other applicable laws including the rules and regulations. The Scheme was approved by the shareholders at the National Company Law Tribunal ("NCLT") convened meeting of the shareholders of the Bank held on November 25, 2022. The NCLT, in accordance with Sections 230 to 232 of the Companies Act, 2013 and rules thereunder, vide its order dated March 17, 2023 sanctioned the Scheme. Upon receipt of all requisite approvals, the Bank filed form INC 28 with ROC on July 01, 2023 and accordingly, the scheme became effective on July 01, 2023. As per the Scheme, the appointed date for the amalgamation of eHDFC Limited with and into the Bank is the same as effective date of the Scheme i.e. July 01, 2023.

1. 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.

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
- Model Risk
- Outsourcing Risk
- People Risk
- Business Risk
- Strategic Risk
- Compliance Risk
- Reputation Risk
- Technology Risk
- Third Party Products 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'), etc 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 levels 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 Bank is required to maintain minimum ratio of capital to risk-weighted assets (RWAs) as at December 31, 2023 as below:

Minimum ratio of capital to RWAs	**% of RWAs**
CET1 capital ratio	8.20
Tier 1 capital ratio	9.70
Total capital ratio	11.70

The above minimum capital requirement includes capital conservation buffer of 2.50% and additional CET1 requirement of 0.20% 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**	**Consolidated**
	December 31, 2023	**December 31, 2023**
CET1 capital ratio	16.30%	16.20%
Tier 1 capital ratio	16.79%	16.68%
Total capital ratio	18.39%	18.21%

Capital requirements for credit risk

(₹ million)

Particulars	**December 31, 2023**
Portfolios subject to standardised approach	2,569,422.7
Securitisation exposures	2,329.6
Total	**2,571,752.3**

Capital requirements for market risk

(₹ million)

Standardised duration approach	**December 31, 2023**
Interest rate risk	72,151.2
Foreign exchange risk (including gold)	8,621.4
Equity risk	53,849.1
Total	**134,621.7**

Capital requirements for operational risk

(₹ million)

Particulars	December 31, 2023
Basic indicator approach	231,505.5

2. 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 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 as put by credit team.

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. The Chief Risk Officer will be associated in the credit sanction process in the role of an advisor. The Chief Risk Officer will highlight risks / concerns (if any) and will not have any sanctioning powers. 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 size businesses and is based largely on actuarial / statistical techniques and the management 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 through Credit Appetite Memorandum (CAM) which formalizes the Bank's maximum risk appetite for the borrower. 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 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, unsecured loans etc. For the other retail products which typically have relatively higher ticket sizes, loans are underwritten based on credit models along with credit norms, 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. 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.

   I. The account remains 'out of order', in respect of an Overdraft/ Cash Credit (OD/CC) In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, the extant instructions, inter alia, stipulate that the account should be treated as 'out of order' if 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. An account shall be treated as 'out of order' in the following scenarios:

      i) The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or

      ii) The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period (inclusive of the day for which the day-end process is being run).

   The definition of "out of order" as above shall be applicable to all loan products being offered as an overdraft facility, including those not meant for business purpose and/or which entail interest repayments as the only credits.

b) The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.

c) A loan granted for short duration crops will be treated as NPA, if the installment of principal or interest thereon remains overdue for two crop seasons. A loan granted for long duration crops will be treated as NPA, if the installment of principal or interest thereon remains overdue for one crop season.

d) The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken as per extant RBI regulations.

e) 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.

In case of interest payments in respect of term loans, an account will be classified as NPA by Bank if the interest applied at specified rests remains overdue for more than 90 days. All the facilities granted by a Bank to a borrower would have to be treated as NPA and not the particular facility or part thereof which has become irregular.

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.

Guidelines for Classification of Projects under implementation as NPA

Deferment of Date of Commencement of Commercial Operation (DCCO)

i. Deferment of DCCO and consequential shift in repayment schedule for equal or shorter duration (including the start date and end date of revised repayment schedule) will not be treated as restructuring provided that:
   a) The revised DCCO falls within the period of 2 years and one year from the original DCCO stipulated at the time of financial closure for infrastructure projects and non-infrastructure projects (including commercial real estate projects) respectively; and
   b) All other terms and conditions of the loan remain unchanged.

   As such project loans will be treated as standard assets in all respects, they will attract standard asset provision of 0.40%.

ii. Banks may restructure project loans, by way of revision of DCCO beyond the time limits quoted in the paragraph above and retain the ‘standard’ asset classification, if the fresh DCCO is fixed within the following limits, and the account continues to be serviced as per the restructured terms:
   a) Infrastructure Projects involving court cases
      Up to another 2 years (beyond the 2 years period quoted in paragraph i(a) above, i.e., total extension of 4 years), in case the reason for extension of DCCO is arbitration proceedings or a court case.
   b) Infrastructure Projects delayed for other reasons beyond the control of promoters
      Up to another 1 year (beyond the 2 years period quoted in paragraph i(a) above, i.e., total extension of 3 years), in case the reason for extension of DCCO is beyond the control of promoters (other than court cases).
   c) Project Loans for Non-Infrastructure Sector (including Commercial Real Estate Exposures delayed for reasons beyond the control of promoter(s))
      Up to another one year (beyond the one-year period quoted in paragraph i(a) above, i.e., total extension of 2 years).

iii. A loan for a project may be classified as NPA during any time before commencement of commercial operations as per record of recovery (90 days overdue). It is further re-iterated that the dispensation at paragraph (ii) is subject to the condition that the application for restructuring should be received before the expiry of period mentioned at paragraph (i) (a) above and when the account is still standard as per record of recovery.

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.

- **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	December 31, 2023		
	Fund based	**Non-fund based**	**Total**
Domestic	26,906,296.0	2,156,601.0	29,062,897.0
Overseas	551,990.9	29,182.2	581,173.1
Total	**27,458,286.9**	**2,185,783.2**	**29,644,070.1**

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.

Industry-wise distribution of exposures

(₹ million)

Industry	As on December 31, 2023	
	Fund based	Non-fund based
Agriculture – Allied	483,218.7	2,884.1
Agriculture Produce – Trade	116,876.0	12,928.7
Agriculture Production – Food	417,602.2	1,163.1
Agriculture Production - Non food	185,023.2	85.6
Animal Husbandry	102,502.3	132.7
Automobile & Auto Ancillary	507,504.6	51,860.8
Banks	268,557.4	197,076.8
Business Services	417,544.7	23,596.7
Capital Market Intermediaries	24,718.4	185,083.8
Cement & Products	95,310.2	45,432.4
Chemical and Products	195,198.6	43,936.4
Coal & Petroleum Products	230,482.0	134,056.4
Consumer Durables	214,602.7	26,607.0
Consumer Loans	9,782,702.6	1,344.9
Consumer Services	759,705.5	33,565.7
Drugs and Pharmaceuticals	180,040.6	15,100.8
Engineering	358,468.9	139,822.1
Financial Institutions*	1,111,167.1	5,575.8
Financial Intermediaries	238,336.8	36,778.8
FMCG & Personal Care	76,270.3	9,261.8
Food and Beverage	668,330.4	53,969.8
Gems and Jewellery	203,080.8	4,895.5
Housing Finance Companies	448,916.1	636.8
Information Technology	92,866.9	23,330.8
Infrastructure Development	433,156.6	338,986.4
Iron and Steel	447,243.8	112,466.1
Mining and Minerals	118,490.9	39,827.3
NBFCs	1,735,252.1	7,885.3
Non-ferrous Metals	91,558.4	71,637.5
Other Non-metalic Mineral Products	78,335.6	12,506.1
Paper, Printing and Stationery	123,436.3	14,220.8
Plastic & Products	115,665.4	18,899.8
Power	742,420.2	55,610.2
Real Estate & Property Services	1,230,718.5	51,162.5
Retail Trade	1,077,679.3	54,072.4
Road Transportation	670,984.2	11,252.4
Telecom	351,877.2	41,934.6
Textiles & Garments	490,348.5	41,715.8
Wholesale Trade – Industrial	454,674.8	100,859.6
Wholesale Trade - Non Industrial	488,826.8	21,197.6
Other Industries**	1,628,591.3	142,421.5
Total	**27,458,286.9**	**2,185,783.2**

* *Includes public financial institutions. Certain public financial institutions which were hitherto classified as Financial institutions, have now been classified as NBFCs according to their regulatory classification.*

***Covers industries such as Airlines, Fertilisers & Pesticides, Fishing, Glass & Products, Leather & Products, Media & Entertainment, Other Retail Assets, 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 December 31, 2023
NBFC	***5.9%***

Residual contractual maturity breakdown of assets

- **As on December 31, 2023**

(₹ 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	147,019.7	286,386.3	1,816,032.0	187,850.6	-	4,859.8	2,442,148.4
2 to 7 days	26,948.1	117,681.6	209,629.5	295,072.9	-	2,797.5	652,129.6
8 to 14 days	20,263.7	2,770.1	68,163.9	28,886.1	-	4,131.2	124,215.0
15 to 30 days	29,513.9	9,148.8	106,892.4	200,412.2	-	271,140.6	617,107.9
31 days to 2 months	35,594.7	9,424.2	135,438.1	655,967.9	-	480.6	836,905.5
2 months to 3 months	33,660.8	1,930.5	159,830.1	805,141.9	-	3,889.0	1,004,452.3
3 months to 6 months	86,985.3	41,605.4	359,986.2	1,535,179.5	-	1,705.0	2,025,461.4
Over 6 months to 1 Year	120,023.9	66,003.4	471,923.4	1,706,621.3	0.1	297,958.2	2,662,530.3
Over 1 year to 3 Years	439,776.8	3,111.9	1,853,264.3	10,068,467.0	-	905,630.4	13,270,250.4
3 years and upto 5 Years	17,344.1	1.9	159,173.8	3,097,304.2	259.1	93,794.5	3,367,877.6
Over 5 Years	321,901.9	3.0	1,444,545.5	6,617,464.6	107,147.5	338,277.8	8,829,340.3
Total	**1,279,032.9**	**538,067.1**	**6,784,879.2**	**25,198,368.1**	**107,406.7**	**1,924,664.6**	**35,832,418.6**

Asset quality

- **NPA ratios**

Particulars	December 31, 2023
Gross NPAs to Gross Advances	1.29%
Net NPAs to Net Advances	0.33%

- **Amount of Net NPAs**

(₹ million)

Particulars	December 31, 2023
Gross NPAs	328,149.0
Less : Provisions	(245,295.5)
Net NPAs	**82,853.5**

- **Classification of Gross NPAs**

(₹ million)

Particulars	December 31, 2023
Sub-standard	124,365.6
Doubtful*	
▪ Doubtful 1	52,999.6
▪ Doubtful 2	92,359.5
▪ Doubtful 3	32,283.1
Loss	26,141.2
Total Gross NPAs	**328,149.0**

**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	December 31, 2023
Opening balance	198,858.2
Additions^	359,097.4
Reductions	(229,806.6)
Closing balance	**328,149.0**

^ Includes additions of ₹ 124,999.7 million as on July 01, 2023 on account of amalgamation of eHDFC Limited with the Bank.

- **Movement of provisions for NPAs**

(₹ million)

Particulars	December 31, 2023
Opening balance	147,884.9
Provisions made during the year ^	264,212.6
Write-off	(98,014.1)
Any other adjustment, including transfer between provisions	-
Write-back of excess provisions	(68,787.9)
Closing balance	**245,295.5**

Recoveries from written-off accounts aggregating ₹ 31,910.4 million and write-offs aggregating ₹ 788.5 million have been recognized in the statement of profit and loss.
^ Includes additions of ₹ 92,171.7 million as on July 01, 2023 on account of amalgamation of eHDFC Limited with the Bank.

- **Non-performing investments**

(₹ million)

Particulars	December 31, 2023
Gross non-performing investments	1,758.7
Less: Provisions	(1,705.4)
Net non-performing investments	**53.3**

- **Provision for depreciation on investments**

(₹ million)

Particulars	December 31, 2023
Opening balance	14,128.6
Provisions made ^	8,113.7
Write-off	-
Any other adjustment, including transfer between provisions	-
Write-back of excess provisions	(9,633.2)
Closing balance	**12,609.1**

Movements in provisions held towards depreciation on investments have been reckoned on a yearly basis.
^ Includes additions of ₹ 1,059.3 million as on July 01, 2023 on account of amalgamation of eHDFC Limited with the Bank.

- **Provision for standard assets**

(₹ million)

Particulars	December 31, 2023
Opening balance	72,520.6
Provision made/reverse during the year ^	35,390.3
Any other adjustments, including transfers between provisions *	-
Closing balance	**107,910.9**

**Refers to foreign currency translation adjustment relating to provision for standard assets in the Bank's overseas branches.*
^ Includes additions of ₹ 28,487.9 million as of July 01, 2023 on account of amalgamation of eHDFC Limited with the Bank.

- **Geographic distribution**

(₹ million)

Particulars	December 31, 2023		
	Domestic	Overseas	Total
Gross NPA	327,228.0	921.1	328,149.0
Provisions for NPA	244,395.6	898.9	245,295.5
Provision for standard assets	107,511.3	399.5	107,910.9

Industry-wise distribution

(₹ million)

Industry	As on December 31, 2023			For quarter year ended December 31, 2023	
	Gross NPA	Provisions for NPA	Provision for standard assets	Write offs	Provisions for NPA
Agriculture – Allied	14,992.6	10,346.8	2,013.8	3,799.0	3,951.2
Agriculture Produce – Trade	3,652.8	3,103.4	496.4	28.1	535.2
Agriculture Production – Food	34,307.1	26,869.0	1,773.6	1,899.7	5,795.7
Agriculture Production - Non food	8,132.3	5,903.0	785.8	2,876.1	2,407.5
Animal Husbandry	1,933.3	927.3	435.3	118.2	350.1
Automobile & Auto Ancillary	6,302.8	5,777.1	2,122.6	268.3	191.8
Banks	-	-	110.5	-	-
Business Services	4,527.5	2,998.7	1,772.4	2,202.1	2,087.7
Capital Market Intermediaries	3,312.7	3,312.7	104.2	0.1	(5.6)
Cement & Products	407.7	244.7	383.7	26.4	47.1
Chemical and Products	793.6	449.0	828.3	36.2	174.4
Coal & Petroleum Products	535.7	372.2	902.2	70.5	121.0
Consumer Durables	1,357.3	926.7	911.5	442.3	529.1
Consumer Loans	68,410.1	37,722.4	40,855.8	60,143.9	52,158.5
Consumer Services	15,703.9	13,927.2	3,203.3	3,209.4	2,679.2
Drugs and Pharmaceuticals	745.8	578.1	760.5	116.0	309.4
Engineering	4,838.0	3,982.5	1,501.8	141.8	735.1
Financial Institutions	4.7	3.3	113.8	7.9	7.8
Financial Intermediaries	35.4	19.6	68.6	41.3	22.5
FMCG & Personal Care	579.9	488.2	251.6	662.9	905.7
Food and Beverage	10,266.0	8,473.9	2,824.0	276.0	1,698.3
Gems and Jewellery	714.1	534.4	858.6	42.0	141.3
Housing Finance Companies	20.0	19.6	1,878.5	-	19.6
Information Technology	823.7	680.4	389.9	153.7	281.8
Infrastructure Development	5,882.1	5,051.1	1,773.1	602.5	581.7
Iron and Steel	1,015.0	746.3	1,873.5	63.3	176.4
Mining and Minerals	981.7	717.5	425.2	133.6	(284.8)
NBFCs	2,355.3	2,355.1	7,424.2	1.0	(379.5)
Non-ferrous Metals	583.7	505.5	384.0	257.5	277.6
Other Non-metalic Mineral Products	161.9	116.2	331.4	35.7	64.4
Paper, Printing and Stationery	1,544.5	992.1	522.4	37.8	292.0
Plastic & Products	554.8	399.0	488.7	43.8	108.2
Power	5,604.6	4,796.3	2,974.0	0.9	(252.8)
Real Estate & Property Services	65,890.8	56,587.2	5,205.7	3,430.9	2,464.8
Retail Trade	15,115.9	11,045.3	4,469.1	7,341.3	7,520.2
Road Transportation	11,000.0	7,357.0	2,701.0	4,980.4	5,817.8
Telecom	133.5	113.5	1,492.2	15.9	34.1
Textiles & Garments	4,671.3	3,917.5	2,070.1	414.2	1,099.8
Wholesale Trade - Industrial	6,841.1	5,579.4	1,931.1	22.9	805.3
Wholesale Trade - Non Industrial	6,493.3	5,007.8	2,064.2	160.5	223.4
Other Industries	16,922.5	12,348.5	6,434.3	3910.0	5,324.6
Total	**328,149.0**	**245,295.5**	**107,910.9**	**98,014.1**	**99,017.6**

3. 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	**December 31, 2023**
Below 100% risk weight	15,855,845.7
100% risk weight	7,585,608.2
More than 100% risk weight	6,116,169.0
Deducted	86,447.2
Total	**29,644,070.1**

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[1]
- 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,

[1] In line with RBI circular dated October 12, 2022 and January 9, 2023 on cancellation of the Certificate of Registration of Brickwork Ratings India Private Limited by SEBI and Basel III Capital Regulations - Eligible Credit Rating Agencies respectively, the Bank does not consider any fresh ratings/ renewal information on or after October 12, 2022 from the said rating agency for the purpose of capital computation.

for risk weighting claims on overseas entities:

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

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 and NBFCs, except CICs 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, all unrated claims on corporates and NBFCs, except CICs having aggregate exposure from banking system of more than INR 200 crore are applied a risk weight of 150%.

Further, inline with the RBI circular dated 16th November 23 "Regulatory measures towards consumer credit and bank credit to NBFCs", for all NBFCs excluding CICs, HFCs and NBFCs which are eligible for classification under priority sector lending, the Bank applies an additional 25% risk weight over and above the extant risk weight corresponding to an external rating where the extant risk weight is below 100%.

- 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.

  (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[2] 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

[2] The Bank currently does not have any exposure wherein it uses long term rating assigned to an assessed claim of other bank (i.e: other than HDFC Bank Limited) for deriving rating on its own long term un-assessed claim. Whenever it shall use such derived rating of other bank it shall always ensure that the names of the banks are disclosed in press release/ rationale, etc. in line with the RBI circular dated October 10, 2022 on Review of Prudential Norms – Risk Weights for Exposures to Corporates and NBFCs.

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.

- 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.

4. 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:
https://www.hdfcbank.com/personal/resources/regulatory-disclosures .