DISCLOSURE REQUIRED UNDER BASEL III NORMS

Table 1
Scope of Application

Qualitative Disclosure

(a)	The Framework applies to BNP Paribas Indian Branches
(b)	BNP Paribas SA France has a 100% stake in BNP Paribas India Holding Private Limited which has an exempt CIC status and 20.01% stake in BNP Paribas Securities India Private Limited which is a broking entity. BNP Paribas India Holding Private Limited has a 100% stake in BNP Paribas India Consultancy Private Limited, which is under liquidation and has 79.99% stake in BNP Paribas Securities India Private Limited.
(c)	BNP Paribas SA France has a 100% stake in Human Value Developers Private Limited (HVDPL) and 72.76% stake in Sharekhan Limited. Sharekhan Limited is a broking entity with an NBFC subsidiary, Sharekhan Financial Services Private Limited.
(d)	Apart from consolidation of BNP Paribas India Consultancy Private Limited and Sharekhan BNP Paribas Financial Services Limited for regulatory purposes, there are no other companies whose financials are consolidated either for regulatory or for accounting purposes.

Quantitative Disclosure

(a)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation i.e, that are deducted **- Nil**
(b)	The aggregate amount of the bank's total interests in insurance entities which are risk-weighted as well as their name, their country of incorporation or residence, the proportion of ownership interest and, if different, the proportion of voting power in these entities.**- Nil**

Table 2
Capital Structure

Qualitative Disclosure

a) The Capital instruments of the bank are given as below:

- Tier I Capital: Being a Foreign bank, the Bank's Tier I Capital consists of interest free deposit received from Head office, Statutory reserve, Capital reserve, General Reserve & Remittable surplus retained in India for capital adequacy purpose. Bank does not have any hybrid debt instruments which are eligible for Tier I capital.

- Tier II Capital: Our Tier II Capital consists primarily of Subordinated debt instrument subscribed by Bank's Head Office, the issuance of these adhere to RBI guidelines. Apart from Subordinated debt instruments, General provision for debts, provision for unhedged foreign currency exposure & Investment reserve, Investment Fluctuation reserve & Revaluation reserve constitute Tier II Capital. Bank has not issued Hybrid debt instruments which are eligible to be included as Tier II Capital.

Capital Infusion for the Financial Year 2022-2023 is 'Nil'.

Capital Infusion for the Financial Year 2021-2022 is Rs. 2,597.35 crores. This amount has been designated as Credit Risk Mitigant (CRM) for offsetting of non-centrally cleared derivative exposures to Head Office (including overseas branches) and is not reckoned for regulatory capital and any other statutory requirements.

Accordingly, we present in the Tables below the position of capital funds:

Position as at March 31, 2023				
	Regulatory Capital as at March 31, 2023	**% of RWAs as per Basel III**	**Capital Funds of bank (Rs. Crore)**	**As a % of RWAs of bank**
(i)	Minimum Common Equity Tier 1 Ratio	5.50%	6,410.75	10.48%
(ii)	Capital Conservation Buffer (comprised of Common Equity)	2.50%	1,529.88	2.50%
(iii)	Minimum Common Equity Tier 1 Ratio plus Capital Conservation Buffer [(i)+(ii)]	8.00%	7,940.63	12.98%
(iv)	Additional Tier 1 Capital	1.50%	-	0.00%
(v)	Minimum Tier 1 Capital Ratio [(i) +(iv)]	7.00%	6,410.75	10.48%
(vi)	Tier 2 Capital	2.00%	1,745.40	2.85%
(vii)	Minimum Total Capital Ratio (MTC) [(v)+(vi)]	9.00%	8,156.14	13.33%
(viii)	Minimum Total Capital Ratio plus Capital Conservation Buffer [(vii)+(ii)]	11.50%	9,686.03	15.83%

Quantitative Disclosure

(a) The breakup of Tier I Capital as on 31st March 2023 is as given below (Rs. in Crores)

1)	Capital received from HO:	7,078.64
2)	Statutory Reserve:	1,223.81
3)	Capital Reserve:	23.62
4)	General Reserve:	46.49
5)	Remittable surplus retained	2,206.43
6)	Intangible assets	(41.01)
7)	Regulatory Adjustments	(2,597.35)
	Total	**7,940.63**

b) The total amount of Tier II Capital as on 31st March 2023: INR **1,745.40 crores**

c) Debt capital instruments eligible for inclusion in Upper Tier II Capital- NIL

d) Subordinated debt eligible for inclusion in Lower Tier II Capital (Rs. in Crores)

1) Total amount outstanding:	946.73
Of which amount raised during the year:	263.06
2) Amount retired during the year	239.40
3) Amount eligible to be reckoned as capital funds	946.73

e) Other deduction from capital, if any: Nil

f) Total eligible capital as on 31st March 2023: INR **9,686.03** crores

Table 3
Capital Adequacy

Qualitative Disclosure

a) A summary discussion of the bank's approach to assessing the adequacy of capital to support current and future activities:

The Basel III capital regulations are being implemented in India with effect from April 1, 2013. Banks have to comply with the regulatory limits and minima as prescribed under Basel III capital regulations, on an ongoing basis.

Under RBI circular DBOD.No.BP.BC.102/21.06.201/2013-14 dated March 27, 2014, banks need to improve and strengthen their capital planning processes. While conducting the capital planning exercise, banks may consider the potential impact of the changing macro-economic conditions and other factors on the adequacy and composition of regulatory capital. A forward-looking capital planning process will enable banks to appropriately assess the level of capital needed to support their business strategies over the medium-term

As at March 31, 2023, as per Basel III guidelines bank is required to maintain minimum CET capital ratio of 5.5%, minimum Tier- 1 capital ratio of 7%, capital conservation buffer (CCB) of 2.5% and G-SIB buffer of 1.5% and minimum total capital ratio of 13%

The Bank has assessed its capital requirement taking into account the three main risks as defined in Pillar 1 of the Basel III norms viz: Credit Risk, Market Risk and Operational Risk. The Credit Risk is computed using the Standardised Approach, the Market Risk is calculated using the Standardised Duration Approach and the Operational Risk is calculated using the Basic Indicator Approach. The risk computation under each of these 3 categories is adequately covered by the Capital of the Bank

The capital adequacy of the Bank is placed before its Management Committee on a monthly basis wherein the same is discussed and the adequacy of the same is elaborated keeping in view the future growth plan of the Bank. Management places a note to the Group office as and when a need is felt for additional capital infusion

In accordance with BASEL requirements, the Bank also has an Internal Capital Adequacy Assessment Process (ICAAP) for BNPP India. The ICAAP depicts the various categories of risks to which the Bank is exposed, details the ongoing assessment of such risks, how risks are to be mitigated, and quantifies the amount of capital required currently and in the future to cope with these risks. The ICAAP is subjected to an independent review as required by RBI Guidelines and is reviewed annually.

Quantitative Disclosure

	Capital Requirement Under Pillar 1 of Basel III- Rs. in Crores	March 31, 2023	March 31, 2022
(i)	For Credit Risk under Standardised approach	5,776.12	5,647.40
(ii)	For Market Risk under Standardised Duration approach (details in the next table)	1,814.54	1,164.23
(iii)	For Operational Risk under Basic Indicator Approach	364.74	338.59
(iv)	Total Capital Requirement (i) + (ii) + (iii)	7,955.40	7,150.22
(v)	Total Tier 1 capital ratio : -for the top consolidated Group (Bank) -for significant bank subsidiaries : NA	 12.98% -	 14.22% -
(vi)	Total Tier 1 + Tier 2 Capital ratio -for the top consolidated Group (Bank) -for significant bank subsidiaries: NA	 15.83% -	 17.21% -

Further details of the capital requirement under Credit, Market and Operational Risk are provided in the Table below:

	Credit Risk (Rs. in Crores)	March 31, 2023	March 31, 2022
(i)	Details of Credit Risk capital requirement		
(a)	On Balance sheet exposure	2,442.09	2,215.06
(b)	Off Balance sheet exposure -Non Market related -Market related	 1,387.17 1,054.22	 1,312.33 976.04
(c)	Counterparty Risk as Borrower of funds	892.64	1,143.96
	Total	**5,776.12**	**5,647.40**

	Market Risk (Rs. in Crores)	March 31, 2023	March 31, 2022
(i)	Details of Market Risk capital requirement		
(a)	Interest Rate risk	1,639.04	988.73
(b)	Foreign exchange risk	175.50	175.50
(c)	Equity risk	-	-
	Total	**1,814.54**	**1,164.23**

Operational Risk

Per the Basic Indicator approach for Operational Risk, the Bank is required to maintain capital at the rate of 15% of average gross income of previous three financial years. The notional risk weighted assets for operational risk is calculated by multiplying the operational risk capital charge by 12.5. The Capital required for operational risk is Rs. 364.74 crores (March 31, 2022: Rs. 338.59 crores).

Table 4
Credit risk: General disclosures

Qualitative Disclosure

Credit Risk:

BNP Paribas- Indian Branches' credit risk categories in the ICAAP cover a wide range of credit risk types, as follows:
-Classical credit risk
-Counterparty risk

Classical Credit risk is defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. Evaluating accurately the probability of default and the expected recovery on the loan or receivable in the event of default are key components of credit quality assessment

Counterparty risk is the translation of the credit risk embedded in the market, investment and/or payment transactions. Those transactions include bilateral contracts (i.e. Over-The-Counter - OTC) which potentially expose the Bank to the risk of default of the counterparty faced.

Credit risk Management Policies:

The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Board. The policy document defines organizational structure, role and responsibilities and the processes whereby the Credit Risks carried by the Bank can be identified, quantified and managed within the framework that Bank considers consistent with its mandate and risk tolerance.

Credit Rating and Appraisal Process:

The Bank manages its Credit Risk through regular measuring and monitoring of risks at each obligor and portfolio level. The Bank has robust internal Credit rating framework and well established standardized Credit appraisal / approval processes. Credit Rating is a facilitating process that enables the Bank to assess the borrower's inherent ability to honour its credit obligations. It is a decision support tool that helps the Bank to take a view on acceptability or otherwise of any borrower.

The internal rating factors, quantitative and qualitative issues relating to management risk, business risk, industry risk, financial risk and project risk besides, such ratings also consider the relevant transaction specific credit enhancement features while assessing the overall ratings of the borrower. The data on industry risk is regularly updated based on market conditions.

Definitions of Non - Performing assets:

The bank follows the prudential guidelines issued by the RBI on classification of Non – Performing Assets as under:
1. Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of term loan.
2. The account remains 'out of order' if the outstanding balance remains continuously in excess of sanctioned limits/DP for more than 90 days in respect of overdraft or cash credit
3. The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted
Where the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter, the asset is classified as non-performing. A non-performing asset ceases to generate income of the bank.

The Bank also maintains general provision as a percentage of performing standard advances and on unhedged foreign currency exposures as prescribed by the RBI, to cover the inherent risk of losses. The credit portfolio is monitored and reported to Central Repository of Information on Large Credits (CRILC).in accordance to guidelines prescribed from time to time by RBI.

Quantitative Disclosure

a) Gross Credit exposure (Rs in crores)

Fund based:	11,597.88	(Gross advances)
Non Fund based:	12,138.21	(Guarantees, LCs, Endorsement and Acceptances)

b) Geographic distribution of exposures (Rs in crores)

Domestic

Fund based:	11,597.88
Non Fund based:	12,138.21

Overseas

Fund based:	Nil
Non Fund based:	Nil

c) Industry wise distribution of exposure

(Rs. in crores)

Industry Name	Funded Credit	Non Funded Credit	Total Credit Outstanding
Agriculture	0.16	-	0.16
Mining	46.00	0.29	46.29
Food Processing	621.08	862.19	1,483.27
Beverages (excluding Tea & Coffee) and Tobacco	-	1.84	1.84
Textiles	88.67	2.30	90.97
Paper and Paper Products	210.00	-	210.00
Chemicals and chemical products (Dyes, Paints, etc.)	**1,150.72**	**409.12**	**1,559.84**
of which Fertilizers	7.76	330.80	338.57
of which Drugs and Pharmaceuticals	92.50	47.35	139.85
of which Petro- chemicals(excluding under Infrastructure)	134.33	1.35	135.68
of which others	916.12	29.62	945.75
Rubber and Rubber Products	467.20	43.58	510.77
Glass & Glassware	32.46	25.72	58.18
Cement and Cement Products	273.00	116.15	389.15
Iron and Steel	191.52	670.16	861.68
All Engineering	**2,222.00**	**2,303.57**	**4,525.57**
of which Electronics	704.73	77.46	782.19
of which others	1,517.27	2,226.11	3,743.38
Vehicles, vehicle Parts and Transport Equipment’s	1,017.64	58.94	1,076.59
Construction	784.34	-	784.34
Infrastructure	**1,164.19**	**904.53**	**2,068.72**
Of which Energy	1,140.19	661.35	1,801.54
Of which Telecommunication	-	31.13	31.13
Of which Others	24.00	212.05	236.05
Other Industries	443.08	41.74	484.82
Service sector	2,885.83	6,698.07	9,583.90
Total Exposure	**11,597.88**	**12,138.21**	**23,736.09**

d) Residual Maturity of assets

Bucket	Cash & Balances with RBI	Balances with other Banks	Investments	Advances	Fixed asset & Other assets	Total
1 Day	91.86	237.35	21,958.78	21.70	60.43	**22,370.12**
2-7 Days	-	1,691.97	1,091.41	802.86	654.68	**4,240.92**
8 to 14 days	-	-	430.53	834.05	64.87	**1,329.45**
15 to 30 days	331.45	-	660.23	787.11	15.81	**1,794.60**
31 days to 2 months	128.81	-	1,441.35	502.96	15,648.87	**17,721.99**
Over 2 months and upto 3 months	219.12	205.43	605.98	654.64	145.40	**1,830.57**
Over 3 months and upto 6 months	39.76	-	539.18	576.03	22.84	**1,177.81**
Over 6 months and upto 1 year	29.83	821.70	108.37	699.17	31.04	**1,690.11**
Over 1 year and upto 3 years	194.77	0.05	868.47	6,088.73	203.60	**7,355.62**
Over 3 years and upto 5 years	0.30	-	671.00	630.62	0.24	**1,302.16**
Over 5 years	45.44	-	93.52	-	680.13	**819.09**
Total	**1,081.34**	**2,956.50**	**28,468.82**	**11,597.87**	**17,527.91**	**61,632.44**

e) Amount of Gross NPAs (Rs. in crores)

Substandard	-
Doubtful 1	-
Doubtful 2	-
Doubtful 3	-
Loss	-

f) Net NPAs – Nil

g) NPA Ratios

Gross NPAs to Gross Advances:	Nil
Net NPAs to Net Advances:	Nil

h) Movement of Gross NPAs (Rs. in crores)

Opening balance:	6.12
Additions:	-
Reduction:	-
Write off:	6.12
Closing balance	-

i) Movement of provisions for NPAs (Rs. in crores)

Opening balance:	6.12
Additions:	-
Reduction:	-
Write off	6.12
Closing balance	**-**

j) Movement in General Provision for standard advances (Rs. in crores)

Opening balance:	123.21
Provisions made during the period	9.50
Write-off	-
Write back of excess provision	-
Closing balance	**132.71**

(k) Amount of Non-performing investments: Nil

(l) Amount of provision held for Non-performing investments: Nil

(m) Movement of provisions for depreciation on investments (Rs. in crores)

Opening balance	488.66
Provisions made during the year	46.30
Write off	-
Write back of provisions during the period	-
Closing balance	**534.96**

Table 5
Credit risk: Disclosure for portfolios subject to the standardized approach

Qualitative Disclosure

General Principle:

In accordance with the RBI guidelines, the bank has adopted Standardized Approach of Basel III Capital Regulations for computation of capital for credit risk. In computation of capital, the bank has assigned risk weights to different asset classes as prescribed by the RBI.

External Credit Ratings (ECRA):

Ratings of borrowers by External Credit Rating Agencies (ECRA) assume importance in the light of guidelines for implementation of the Basel III Framework. Exposures on Corporates / PSEs / Primary Dealers are assigned with risk weights based on the external ratings. For this purpose, the RBI has permitted banks to use the ratings of domestic ECRAs namely Credit Analysis and Research Ltd. (CARE), CRISIL Ltd, India Ratings, Infomerics, Acuite Ratings & Research Limited and ICRA Ltd. In consideration of the above guidelines, the bank has decided to accept ratings assigned by all these ECRAs.

Where the borrowers have not obtained a rating from the credit rating agencies the exposure is considered as unrated and appropriate risk weights are applied.

Rating benefit has been considered only when the lenders name is mentioned in the rating letter. In case of absence of lender details the exposure is considered as unrated and assign applicable risk weights.

Quantitative Disclosure

For exposure amounts after risk mitigation subject to the standardized approach, amount of a bank's outstanding in the following three major risk buckets as well as those that are deducted. (Rs in crores)

Particulars	**Mar-23**
Below 100% risk weight	41,041.74
100% risk weight	3,699.47
More than 100% risk weight	14,305.98
Deducted from capital	Nil

Table 6
Credit risk mitigation

Qualitative Disclosure

Policy on credit risk mitigation:

In line with the regulatory requirements, the bank has put in place a well-articulated policy on Collateral Management and Credit Risk Mitigation Techniques, duly approved by the bank's Board. The policy lays down the types of securities normally accepted by the bank for lending and administration / monitoring of such securities in order to safeguard / protect the interest of the bank so as to minimize the risks associated with it. Systems, processes and policies are critical components of our risk management capability.

The main type of securities (both prime and collateral) accepted by the bank includes bank's own deposits, Mutual Fund units, Immovable Properties, Plant and Machinery, Goods and Merchandise, Documents of Title to Goods, Book Debts, Vehicles and other moveable assets. The bank may also explore negotiating for intangible cover such as Corporate Guarantees, Stand-By Letters of Credit from acceptable banks, Letters of Credit, Letters of Comfort, etc. The bank has also framed well defined policy on valuation of immovable properties, Plant and Machineries, duly approved by the Board.

Credit Risk Mitigation under Standardized Approach:

As advised by the RBI, the bank has adopted the comprehensive approach relating to credit risk mitigation under Standardized Approach, which allows fuller offset of securities (prime and collateral) against exposure, by effectively reducing the exposure amount by the value ascribed to the securities. Thus, the eligible financial collaterals are fully made use of to reduce the credit exposure in computation of credit risk capital. In doing so, the bank has recognised specific securities namely, Bank Deposits, Government securities, Units of Mutual Funds, etc in line with the RBI guidelines.

Besides, other approved forms of credit risk mitigation are 'On Balance Sheet netting' and availability of 'Eligible Guarantees'. On balance sheet nettings have been reckoned to the extent of the deposits available against the loans / advances of the borrower (to the extent of exposure) as per the RBI guidelines. Further, in computation of credit risk capital, the types of guarantees recognised for taking mitigation, in line with RBI guidelines are Central Government Guarantee (0%), State Government (20%), CGTSI (0%), ECGC (20%), Bank Guarantee in the form of Bill purchased / discounted under Letter of Credit (20% or as per rating of foreign banks), The bank has ensured compliance of legal certainty as prescribed by the RBI in the matter of credit risk mitigation.

Concentration Risk in Credit Risk Mitigation:

Securities eligible for mitigation are easily typically realizable financial securities. As such, presently no limit / ceiling have been prescribed to address the concentration risk in credit risk mitigants recognised by the bank.

Quantitative Disclosure

A) Under the standardized Approach, the total credit exposure covered by eligible financial collaterals after application of haircuts as on 31st March 2023 is Rs. 980.75 crores.

B) Under the standardized Approach, the total credit exposure covered by guarantee / credit derivative as on 31st March 2023 is Rs. 2,598.04 crores.
(As at March 31, 2023, the Bank has accepted Rs. 2,645.89 crores (previous year Rs. 2,167.95 crores) and placed Rs. 653.90 crores (previous year Rs. 439.25 crores) as cash collaterals under credit support agreement from counterparties for exposure arising out of derivative contracts.)

Table 7
Securitisation disclosure

The Bank has not undertaken any securitisation and hence this disclosure is not applicable**.**

Table 8
Market risk in trading book

Qualitative Disclosure

Market Risk:

Market risk is the risk of incurring a loss of value due to adverse trends in market prices or parameters, whether directly observable or not.

Observable market parameters include, but are not limited to exchange rates, prices of securities and commodities (whether listed or obtained by reference to a similar asset), prices of derivatives, and other parameters that can be directly inferred from them, such as interest rates, credit spreads, volatilities and implied correlations or other similar parameters.

Non-observable factors are those based on working assumptions such as parameters contained in models or based on statistical or economic analyses, non-ascertainable in the market.

Risk Strategy and Measurement:

The Market Risk positions subject to capital charge requirement are:
• The risks pertaining to interest rate related instruments in the Banking as well as in books subject to Fair value through Profit and Loss account (market making activity).
• Foreign exchange risk throughout the Bank in both Banking and books subject to Fair Value through P&L.

The Bank has a robust risk management system in place. The management Board reviews and approves our risk appetite and capacity on an annual basis, or more frequently in the event of unexpected changes to the risk environment, with the aim of ensuring that they are consistent with our Group's strategy, business and regulatory environment and stakeholder's requirements. Market Risk is continuously monitored and assessed by the Risk – Global Markets (R-GM) department. R-GM works as a part of the Group Risk Management Department. Market & Liquidity Risk for Indian books is monitored by India R-GM department, in co-ordination with regional and global R-IM departments. R-GM contributes to the definition of the Bank's risk appetite, its risk decision making process and the optimisation of capital allocation.

To maintain the neutrality in operations of the R-GM department for unbiased controls of Market Risk, the R- GM department is independent of front office and operations (back office & middle office) functions.

Mechanism for market Risk monitoring:
To ensure that the Market Risk is properly monitored and in line with the capital adequacy of the Bank, stringent market limits are placed on each business line within Fixed Income and ALMT (ALM Treasury). The same include Cumulative Gapping limits, OYE limits, PV01 limits, VaR limits, Spread limits, Issuer Risk Limits etc. In addition to this, the limits as prescribed by the RBI are enforced. The Bank has various limits in place for monitoring of Market Risk.

The Market Risk of trading transactions in terms of sensitivities and VaR are system generated with no manual intervention. R-GM monitors the actual positions vis-à-vis the limits on a daily basis and report the same to the concerned heads of the business lines and regional R-GM departments. In case of any excess, R-GM staffs will follow-up for the approval of the excess with the relevant approving authority or will instruct the business to reduce the position. R-GM will report any such excess to the regional business heads as well as to the Bank's management.

The Bank believes in strong assessment and estimation of the capital required to cover Market Risks arising from the business. The Bank has robust stress testing and back testing mechanisms to ensure that the capital adequacy is maintained.

The Bank has a detailed Stress Testing Policy. Monitoring, stress testing tools and escalation processes are in place for key capital and liquidity thresholds. The results of stress testing are included into our internal capital adequacy assessment process (ICAAP) which is submitted to the regulators.

Quantitative Disclosure

a) Capital requirements for Market risk: (Figures as on 31st March 2023 and in Rs. Crore)

Standardized duration approach:

1) Interest Rate risk	1,639.04
2) Foreign exchange risk	175.50
3) Equity risk	-
Total Market Risk Capital Requirement	**1,814.54**

Table 9
Operational risk

Qualitative Disclosure

Operational Risk:

Operational and compliance risks come under a specific regulatory framework:

•Directive 36/2013/UE (CRD 4) and Regulation (EU) No. 575/2013 (CRR) governing prudential supervision and the methods for calculating the amount of capital requirements to cover the operational risk
•French Ministry of Finance Decree of 3 November 2014, which defines the roles and responsibilities of the RISK Function (covering all types of risks) and an internal control system which ensures the efficiency and quality of the Bank's internal operations, the reliability of internal and external information, the security of transactions, as well as compliance with applicable laws, regulations and internal policies.

Banking regulation divides operational loss events into seven categories:
(i) internal fraud, (ii) external fraud, (iii) employment practices and workplace safety (such as an anomaly arising from recruitment management), (iv) clients, products and business practices (such as product defects, mis-selling, professional misconduct, etc.), (v) damage to physical assets, (vi) business disruption and system failures, (vii) execution, delivery and process management (data entry error, error in documentation, etc.).

Effective management of compliance risk aims to ensure compliance with applicable laws, regulations, rules of ethics and instructions, protect the Group's reputation, that of its investors and that of its customers, ensure ethical professional behaviour, prevent conflicts of interest, protect customers' interests and market integrity, fight against money laundering, corruption and the financing of terrorist activities, as well as ensure compliance with financial embargoes.

Policies on Management of Operational Risks:

The Bank has adopted Group Operational Risk Management Policy. Other policies adopted by the Bank which deal with management of Operational Risk are Know Your Customers (KYC) and Anti Money Laundering Procedures, IT Business Continuity and Disaster Recovery Plan (IT – BC DRP). Within the general management of operational risk, Fraud risk relevant aspects are part of self-assessment process.

The Operational Risk management policy adopted by the Bank outlines organization structure and detail processes for management of Operational Risk. The basic objective of the policy is to closely integrate Operational Risk management system into day-to-day risk management processes of the Bank by clearly assigning roles for effectively identifying, assessing, measuring, monitoring and controlling / mitigating Operational Risks and by timely reporting of Operational Risk exposures, including material Operational losses. Operational Risks in the Bank are managed through comprehensive and well-articulated internal control frameworks.

As per BIA, the capital requirement as on March 31, 2023 is Rs. 364.74 crores.

Table 10
Interest rate risk in the banking book (IRRBB)

Qualitative Disclosure

Interest Rate Risk in the Banking Book:

Interest rate risk in the Banking Book is measured on the prudential Banking Book. The application of the European banking prudential framework to the IFRS-consolidated Group defines the Banking Group (excluding in particular insurance entities, for which interest rate risk is covered by capital held at the level of these entities) and divides it into a Prudential Banking Book and a Prudential Trading Book.

The Prudential Banking Book comprises essentially:
•Banking intermediation activities such as Retail, financing and banking activities for corporates and financial institutions (including raising wholesale liabilities)
•Banking corporate-like activities such as investments in equity in non-banking entities (including the participation in the insurance entities), own funds, premises and equipment
•Transactions that are mitigating liquidity risk, interest rate risk, foreign exchange risk and credit spread risk derived from banking intermediation activities and banking corporate-like activities.

The Bank incurs interest rate risk in its Banking Book due to discrepancies in interest rate indices on which loans and deposits are indexed on. Indeed, the interest that the Bank receives on loans and pays on deposits may be fixed or indexed on various reference rates (Eonia, Euribor, Libor…) and on different maturities. Hence, when interest rates move, the charges paid on deposits and other liabilities on one hand, and the interest income received on loans and other assets on the other hand, do not vary, in general, in the same way with interest rates moves, generating changes on its earning. This risk is named Interest Rate Risk in the Banking Book (IRRBB).

IRRBB Risk Management:

Interest Rate Risk in the Banking Book (IRRBB) is managed by the Bank on an ongoing basis. The Bank has identified the critical risks associated with the changing interest rates for its on and off-balance sheet items in the Banking book from a short-medium-long term perspective. In order to assess IRRBB, the Bank takes into account the impact of changes due to parallel shifts in yield curve, yield curve twists, yield curve inversions, changes in the relationships of rates (better known as basis risk) and other relevant scenarios. The Bank adequately supports its assumptions about the base characteristics of its non-maturity deposits and other assets / liabilities, especially those exposures characterized by embedded options. Given the uncertainty in such assumptions, stress testing is used as prime tool for assessing the impact of IRRBB.

The Bank has a detailed ALM policy. The ALM policy specifically deals with Liquidity Risk management and Interest Rate Risk management framework. As envisaged in the policy, liquidity is managed through the gapping module, based on residual maturity of assets and liabilities, on a daily basis The Bank has put in place mechanism of short-term dynamic liquidity management and contingent funding plan. Prudential limits are prescribed for different residual maturity time buckets for efficient asset liability management. Liquidity profile of the Bank is evaluated through various liquidity ratios. The Bank has also drawn various contingent measures to deal with any kind of stress on liquidity position. Bank ensures adequate liquidity managed on a real time basis by domestic treasury through systematic and stable funds planning.

The Asset Liability Management Committee (ALCO) monitors adherence of prudential norms fixed by the Bank and ALCO will decide, the interest rate structure of the asset & liability products. However, the individual pricing for any product may be determined by the respective heads of the business, within the framework of the structure determined by the ALCO & ALM Policy. The back office Group at the Treasury & Local Finance monitors adherence of prudential limits on continuous basis.

Quantitative Disclosure

Under the Pillar III norms, the increase / decline in earnings and economic value for an upward / downward rate shock of 100 basis points and 200 basis points respectively as on March 31, 2023, broken down by currency is as follows:

Earnings Perspective

(Rs. in crores)

Currency	Interest rate shock	
	1% Increase	1% Decrease
Rupees	(9.57)	9.57
US Dollar	1.24	(1.24)

Economic Value Perspective

(Rs.in crores)

Currency	Interest rate shock	
	2% increase	2% decrease
Rupees	59.56	(59.56)
US Dollar	(9.10)	9.10

Table 11
Counterparty Credit Risk

Counterparty risk is the translation of the credit risk embedded in the market, investment and/or payment transactions. Those transactions include bilateral contracts (i.e. Over-The-Counter - OTC) which potentially expose the Bank to the risk of default of the counterparty faced.

Counterparty risk identification is governed in BNP Paribas, including BNP Paribas- Indian Branches, according to the principles and practices that underlie classical credit risk identification. In particular, it shall be noted that concentration risks are jointly analysed for credit and counterparty risks when monitoring countries, industries or single names.

Management of Counterparty Risk

The bank manages Counterparty Credit Risk (CCR) through continuous measuring and monitoring of risks at each obligor and portfolio level. Capital for CCR exposure is assessed based on Standardized Approach. With effect from 1st October 2021, the Bank has implemented Bilateral Netting with eligible counterparties with whom ISDA documentation has been executed. The interbank trades in Government Securities, Interest Rate Swaps and Forex Forwards are settled through CCIL as a Central Counterparty. The bank participates in portfolio compression exercises conducted for netting off exposures to other inter-bank counterparties on OTC derivative trades that are subject to centralized settlement through Central Counterparties.

Bank also enters into financial instruments that are traded or cleared on an exchange for currency futures and options.

The outstanding balance as on March 31, 2023 and the derivative exposure calculated using Current Exposure Method (CEM) is provided below.

(Rs.in Crores)

Particulars	Notional Amounts	Current Exposure
Foreign Exchange Contracts	262,488.69	9,502.08
Interest Rate Swaps	1,102,755.84	9,724.33
Cross Currency Swaps	124,126.62	12,639.41
Currency Options	48,138.45	1,591.63
Forward Rate Agreement	7,755.22	237.60
Currency Futures	2.76	0.06
Total	**1,545,267.58**	**33,695.11**

Leverage Ratio

The Basel III leverage ratio is defined as the capital measure (Tier-1 capital of the risk based capital framework) divided by the exposure measure, with this ratio expressed as a percentage.

As per RBI guidelines, disclosures required for leverage ratio for the Bank at March 31, 2023 are as follows:

Leverage Ratio	Rs. in Crores
Tier 1 capital	7,940.63
Total exposures	94,110.22
Basel III leverage ratio (per cent)	**8.44%**

NSFR

NSFR Ratio	Rs. in Crores
Panel I - Available Stable Funding (Sources of funds)	18,344.13
Panel II - Required Stable Funding (Uses of funds)	17,165.75
NSFR Ratio	**106.86%**

Data Tables for Balance Sheet Disclosure as at March 31, 2023.

Particulars	**Attachment**
DF11 Capital Composition	DF11 Capital_Composition_
DF12 Capital Composition and Reconciliation	DF12 Capital_Composition_
DF13 Main Features of Capital Instruments	DF13 Main_Features_of_Ca
DF14 Terms & Conditions of Capital Instruments	DF14 Full Terms & Conditions of Regulat
DF 15 Remuneration	DF15 Disclosure for Remuneration Mar 23