BASEL - PILLAR 3 DISCLOSURES

for the year ending

December 31, 2022

Index	Page

I. Background

ICICI Bank Canada (the "Bank") is a chartered bank, incorporated and domiciled in Canada. It is a wholly owned subsidiary of ICICI Bank Limited (the "Parent Bank") and regulated by the Office of the Superintendent of Financial Institutions ("OSFI"). Effective January 1, 2013, the Bank has adopted the Basel III framework ("Basel III"), as required by OSFI. OSFI has issued a revised Capital Adequacy Requirements ("CAR") Guideline encompassing Basel II and Basel III requirements. The most significant aspects of Basel III are measures to improve the quality of capital and increase capital requirements for the global financial system. Common equity is now required to be the predominant form of capital.

Further, OSFI has issued the Leverage Requirements ("LR") Guideline in October 2014, effective from January 1, 2015. In accordance with the CAR Guideline, OSFI expects all institutions to maintain a leverage ratio that meets or exceeds 3% at all times and has also prescribed authorized "Leverage Ratio" requirements for individual institutions.

The CAR and LR Guidelines establish two minimum standards, the risk-based capital ratio and the leverage ratio, to provide a framework for assessing the adequacy of capital for all institutions. The leverage ratio test provides an overall measure of the adequacy of an institution's capital while the risk-based capital ratio focuses on risk faced by the institution. These capital adequacy and leverage ratio requirements apply on a consolidated basis and apply to all regulated financial institutions as defined in the CAR Guideline.

OSFI requires all banks to maintain sufficient capital to meet or exceed its capital adequacy requirements. While, the current CAR Guideline has prescribed minimum risk-based capital targets, OSFI may also set higher target capital ratios for individual institutions. The current thresholds of Common Equity Tier 1 ("CET1"), Tier 1 and total capital adequacy ratios (including capital conservation buffer) as per the CAR Guideline are 7%, 8.5% and 10.5%, respectively. The Bank is in compliance with OSFI's capital adequacy requirements in respect of risk-based CET 1, Tier 1 and Total capital ratios as well as the Leverage Ratio requirements.

The Basel II framework consists of the following three-mutually reinforcing pillars:

• Pillar 1: Minimum capital requirements for credit risk, market risk and operational risk;
• Pillar 2: Supervisory review of capital adequacy; and
• Pillar 3: Market discipline.

Market discipline (Pillar 3) comprises disclosures on the capital adequacy and risk management framework of the Bank. There are no entities that are required to be consolidated with the Bank or that require deduction treatment.

This document sets out the Pillar 3 disclosure requirements and is in addition to the consolidated Basel III – Pillar 3 Disclosures made by the Parent Bank.

II. Basis of Disclosures

1. Scope of Application of Pillar 3 Requirements

The Pillar 3 disclosures of the Bank have been prepared in accordance with *International Convergence of Capital Measurement and Capital Standards: A Revised Framework - Comprehensive Version (the Basel II framework)* issued by the Basel Committee on Banking Supervision ("BCBS") in June 2006. Subsequently BCBS issued *Enhancements to the Basel II Framework* in July 2009 and Revisions to the *Basel II Market Risk Framework* in February 2011 followed by *Pillar 3 Disclosure Requirements for Remuneration* in July 2011.

The third pillar of this framework describes the disclosure requirements for institutions subject to the Basel Accord, which in Canada includes banks, bank holding companies and federally regulated trust and loan companies (collectively, the “institutions”). Further, in June 2012, BCBS had issued *Composition of capital disclosure requirements – Rules text*. This publication sets out a framework to ensure that the components of banks’ capital bases are publicly disclosed in standardized formats across and within jurisdictions for banks subject to Basel III. Accordingly, OSFI had issued an advisory on Public Capital Disclosure Requirements related to Basel III - Pillar 3 disclosures in July 2013 (with subsequent revisions) that provided expectations for Domestic Systemically Important Banks (“DSIBs”) and non-DSIBs. The Bank has been providing quarterly disclosures on its website beginning in 2013 in line with these requirements. These Pillar 3 disclosures have been prepared in accordance with OSFI's disclosure requirements issued from time to time.

In January 2014, BCBS published the *Basel III leverage ratio framework and disclosure requirements*. This framework introduces a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements and includes public disclosure requirements starting January 1, 2015. Accordingly, OSFI had issued the revised advisory on Public Disclosure Requirements related to Basel III Leverage Ratio in November 2014 incorporating the expectations from DSIBs and non-DSIBs. The Bank has commenced its Public Disclosure Requirements for Leverage Ratio from December 31, 2015.

OSFI has issued the revised advisory on Pillar 3 Disclosure Requirements in April 2014. This advisory has been revised to provide guidance on the disclosure modifications required as a result of OSFI’s guidance on Credit Valuation Adjustment (CVA) grandfathering and to provide minor clarification edits to address queries received since the initial issuance of this Advisory.

OSFI has also issued the Liquidity Adequacy Requirements (LAR) Guideline in November 2014 to assess whether a bank, a bank holding company, a trust and loan company or cooperative credit association maintains adequate liquidity. The LAR Guideline builds on the BCBS Basel III liquidity framework, which encompasses Basel III: The Liquidity Coverage Ratio and the liquidity risk monitoring tools published in January 2013, Basel III: the Net Stable Funding Ratio - consultative document published for comment in January 2014, and the Monitoring tools for intraday liquidity management published in April 2013. The LAR Guideline is applicable for the Bank effective January 2015.

In November 2018, OSFI has released the final version of its Leverage Ratio Disclosure Requirements Guideline for implementation effective Q1, 2019. The revisions, which reflect the recent changes to the Leverage Requirements guideline and the Capital Adequacy Requirements (CAR) guideline, incorporate a new line to capture the treatment of securitized assets that meet the operational requirements for recognition of significant risk transfer. OSFI requires institutions to fully implement the revised disclosures as described in this guideline in the first quarter of 2019.

Further, Pillar 3 Disclosure Requirements guideline was released in April 2017 setting OSFI's expectations for D-SIBs on the domestic implementation of the Revised Pillar 3 Disclosure Requirements, issued by the Basel Committee in January 2015. Effective October 31, 2018, this guideline has replaced the existing disclosure requirements issued under Basel II (including Basel 2.5 enhancements and revisions) in the areas of credit risk, counterparty credit risk, market risk and securitization activities. The revised requirements mark the Phase I of the Basel Committee's work on the Pillar 3 disclosure framework, which seeks to promote market discipline through regulatory disclosure requirements.

In January 2022, OSFI released final version of its Pillar 3 Disclosure guidelines for Small and Medium Sized Deposit-Taking Institutions (SMSBs) Capital and Liquidity Requirements incorporating final round of Basel-III reforms. OSFI's disclosure requirements for SMSBs are determined by SMSB segmentation category. OSFI requires institutions to fully implement the revised disclosures as described in this guideline in the fiscal Q2-2023 onwards. The primary changes include, separate Pillar 3 Disclosure Guidelines for D-SIBS and SMSBs, incorporation of the complete set of disclosures from the Basel framework for D-SIBs and clearer and more proportional disclosure requirements for SMSBs.

2. Functional and Presentation Currency

The Pillar 3 disclosures are presented in Canadian currency, which is the Bank's functional currency. Except as otherwise indicated, financial information presented in Canadian dollars has been rounded to the nearest thousand.

3. Frequency of Disclosures

The Pillar 3 disclosures are made on an annual basis and published after the audit of the year-end financial statements. In addition, quantitative disclosures on regulatory capital and leverage ratios are published on a quarterly basis.

4. Location of Disclosures

The Basel - Pillar 3 disclosures are located under the "Regulatory Disclosures" link on the home page of the Bank's website www.icicibank.ca. The Parent Bank's consolidated disclosures are available at the following link:

https://www.icicibank.com/regulatory-disclosure.page

5. Limitation of Disclosures

The Pillar 3 disclosures are unaudited and have been prepared only for complying with OSFI's disclosure requirements explaining the basis on which the Bank has prepared and disclosed information about capital requirements and the management of certain risks and for no other purpose. They do not constitute any form of financial statements and may not be relied upon in making any judgment or investment on the Bank or the Parent Bank.

III. Capital Structure

The Bank's total regulatory capital currently comprises Tier 1 and Tier 2 capital components which are subject to the various limits, restrictions and regulatory adjustments as described in Chapter 2 of the CAR Guideline. Tier 1 capital consists of CET 1 capital. CET 1 capital includes common shares, retained earnings, and accumulated other comprehensive income and other disclosed reserves. Tier 2 capital consists of certain eligible loan loss allowances termed as general allowances in CAR Guideline and defined as Stage 1 & Stage 2 allowances under IFRS 9.

The Bank’s Capital Management Policy, which is reviewed and approved annually by the Board of Directors, governs the quantity and quality of capital to be maintained by the Bank. The objective of this policy is to maintain strong and efficient capital at levels that are appropriate for business requirements from time to time. The Bank also seeks to optimize return to shareholders and implement systems for monitoring the capital position.

The Bank estimates the regulatory capital requirements in line with the CAR Guideline issued by OSFI. Capital is provided for the purpose of unforeseen and unexpected events based on the risk assessment for each of the underlying asset classes in the Bank’s portfolio. Further, in line with industry practice, the Bank acknowledges that capital is not the only mitigating factor for all unforeseen events and contingencies and, therefore, appropriate risk management and governance practices are in place to actively monitor the risks the Bank is exposed to in the course of carrying on its business.

In May 2020, OSFI has taken various steps to address operational issues stemming from COVID-19 and certain temporary adjustments have been permitted to the existing capital requirements, for e.g. transitional arrangements for capital treatment of expected loss provisioning or the temporary exclusion of certain exposures from the leverage ratio exposure measure.

The Bank is in compliance with OSFI’s capital adequacy requirements. The Senior Management of the Bank reviews the capital adequacy ratios on a monthly basis. In addition, the capital adequacy position and the risk weighted assets are reported to the Board of Directors on a quarterly basis.

Common shares

The Bank is authorized to issue an unlimited number of common shares without par value and an unlimited number of non-voting preferred shares without par value. OSFI must approve any plan to redeem the Bank's capital for cash. The Bank has issued 839,500,000 common shares for cash consideration to the Parent Bank.

The following table summarizes the amount and composition of the Bank's regulatory capital and capital ratios as at December 31, 2022:-

Capital Components	Amount in 000s CAD
Regulatory Capital	
Common Equity Tier 1 (CET1) Capital	
Common shares	249,500
Surplus (share premium) relating to common shares@	-
Retained earnings for accounting purposes	165,387
Accumulated other comprehensive income for capital purposes	(9,152)
	405,735
Regulatory adjustments to CET1 Capital	
Other deductions or regulatory adjustments to CET1 as determined by OSFI*	686
Debit valuation adjustment on derivatives	-
Net CET1 Capital	406,421
Net Tier 1 Capital	406,421
Tier 2 Capital	
Eligble Stage 1 and Stage 2 allowance (re standardized approach) adusted for ECL Transitional Arrangements	18,870
Net Tier 2 Capital	18,870
Total Capital	425,291

@ Effective April 2014, only surplus (share premium) resulting from the issue of instruments can be included in CET1 capital. Since the additional paid-in capital recorded by the Bank is not related to issue of common shares, it is ineligible for inclusion as CET1 capital.

* Transitional add-back to CET1 for ECL Transitional Arrangement

IV. Capital Adequacy

1. Approaches

The amount and composition of the Bank's capital requirement is determined by assessing the minimum capital requirement under Pillar 1 based upon the CAR Guideline, the impact of stress and scenario tests, the Bank's risk appetite and also the capital requirement that is consistent with the Bank's business plan.

Further, the CET 1, Tier 1 and Total capital ratios are computed by dividing CET 1, Tier 1 and total capital by total adjusted RWA determined under Pillar 1 as per OSFI's CAR Guideline. OSFI has stipulated the minimum capital requirements in Chapter 1 of CAR Guideline and expects all institutions to attain a target CET 1 ratio of 7% by Q1, 2013, 8.5% for total tier 1 and 10.5% for total capital.

The Bank determines its Pillar 1 regulatory capital requirement based on the following approaches:

a) Credit risk - Standardized Approach

The Bank has adopted the Standardized Approach for computing capital requirements under credit risk. Under the Standardized Approach, the Bank applies risk weights to various on-balance sheet and off-balance sheet (credit equivalent amounts) exposures with the exception of items that are deducted from capital as regulatory adjustments pursuant to the CAR Guideline, section 2.3 of Chapter 2 – Definition of Capital. On-balance sheet exposures include claims on sovereigns, banks, corporates, residential mortgages, regulatory retail portfolio, equity, securitization exposure, etc. Off-balance sheet exposures include undrawn commitments, direct credit substitutes, transaction-related contingencies, trade-related contingencies, interest rate swaps, forward foreign exchange contracts, cross currency swaps, etc.

Further, the exposures are categorized into drawn, undrawn commitments, repo-style transactions, OTC derivatives and other off-balance sheet exposures. The Bank computes gross exposure as the sum of the total on-balance sheet exposures and credit equivalent amount for off-balance sheet exposures gross of allowances for credit loss. Further, "net exposure" refers to gross exposure net of individual allowances. Net exposures after applying Credit Risk Mitigation are risk weighted as per CAR Guideline for computation of total adjusted risk weighted assets ("RWA") for credit risk.

b) Market risk Approach

Paragraph 2 of Chapter 9 of OSFI CAR Guideline 2019 specifies that market risk requirements apply only to internationally active institutions. Further, paragraph 3 of the Chapter 9 mentions that OSFI retains the right to apply the framework to other institutions, on a case by case basis and all institutions designated by OSFI as domestic systemically important banks ("D-SIBS") shall meet the requirements of this Chapter. Thus the market risk framework was not applicable to the Bank as at December 31, 2022. Also as required by OSFI's CAR Guideline, the trading book exposures have been included as part of the banking book exposures.

c) Operational risk - Basic Indicator Approach ("BIA")

The Bank has adopted the Basic Indicator Approach for computing capital requirements under operational risk. Under this approach the Bank is required to hold capital for operational risk equal to the average over the previous three years of a fixed percentage (currently 15%) of positive annual gross income. Year 3 captures the most recent rolling four quarters ending with the current quarter. Amounts for any year in which annual gross income is negative or zero are required to be excluded from both the numerator and denominator when calculating the average gross income. The CAR Guideline defines "gross income" as net interest income plus net non-interest income and excludes realized profits/losses from the sale of securities in the banking book and any extraordinary or irregular items as well as income derived from insurance. The RWA for operational risk is calculated as 12.5 times the operational risk capital charge under BIA.

Leverage Ratio

Effective January 1, 2015, the Bank calculates Leverage Ratio ("LR"). The Leverage Ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator) and is expressed as a percentage. OSFI expects all institutions to maintain a leverage ratio that meets or exceeds 3% at all times beginning in Q1 2015. The Superintendent may also prescribe authorized leverage ratio requirements for individual institutions.

Approaches to assessing capital adequacy

The Bank, in line with the regulatory capital requirements of OSFI and the Parent Bank's regulator, the Reserve Bank of India ("RBI"), has instituted an Internal Capital Adequacy Assessment Process ("ICAAP") which is used to estimate the capital requirements in line with the risk appetite of the Bank. The ICAAP is approved by the Risk Committee ("RC") of the Board of Directors.

The Bank's capital management framework includes a comprehensive ICAAP conducted annually which determines the adequate level of capitalization for the Bank to meet regulatory norms as well as current and future business needs, including under stress scenarios. The ICAAP encompasses capital planning for a three-year time horizon, identification and measurement of material risks and the relationship between risk and capital.

The capital management framework is complemented by the risk management framework, which includes a comprehensive assessment of material risks. Stress testing, is conducted to assess the impact of stress events on the Bank's risk profile and internal capital adequacy requirements. Stress testing, which is a key aspect of the ICAAP and the risk management framework, provides an insight on the impact of extreme but plausible scenarios on the Bank's risk profile and capital position. Based on the Board-approved stress testing framework, the Bank conducts stress tests on its various portfolios and assesses the impact on its capital ratios and the adequacy of capital buffers for current and future periods.

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 market conditions. The Bank uses the ICAAP to determine the Bank's growth strategy, risk profile and minimum capital resource requirements and formulates its internal capital level targets based on the ICAAP and endeavors to maintain its capital adequacy level in accordance with the targeted levels at all times. The business and capital plans and the stress testing results of the group entities are integrated into the ICAAP.

Based on the ICAAP, the Bank determines the level of capital that needs to be maintained by considering the following in an integrated manner:

• Bank’s strategic focus, business plan and growth objectives;
• Regulatory capital requirements as per OSFI guidelines;
• Assessment of material risks (Pillar 1 and Pillar 2);
• Impact of stress testing and scenario analysis; and
• Potential management actions in the event of stress.

Monitoring and reporting

The Board of Directors of the Bank maintains an active oversight of the Bank’s capital adequacy levels. A summary of the capital adequacy position, the risk weighted assets and the leverage ratio are reported to the Board of Directors on a quarterly basis. Further, the ICAAP also serves as a mechanism for the Board to assess and monitor the Bank’s capital adequacy position over a three year time horizon.

2. Pillar 1 Regulatory Capital Requirement

The following table summarizes the Bank's Pillar 1 credit Risk Weighted Assets ("RWA") under each of the standardized exposure classes as at December 31, 2022:

Standardized approach – credit risk asset classes	Amount in 000s CAD RWA
Banking Book (excl. securitizations)	
Corporate	1,433,233
Sovereign	-
Bank	97,936
Retail Residential Mortgages	654,064
Other Retail excl. SBE	13,500
SBE treated as Other Retail	-
Equity	1,382
Trading Book	-
Securitizations	-
Other credit risk-weighted assets	70,150
Total adjusted risk-weighted assets for credit risk	2,270,265

Standardized Approach	
Market Risk	-

Basic Indicator Approach	
Operational Risk	144,525
Total adjusted RWA	2,414,790

The following table summarizes the Bank's regulatory capital ratios and Leverage Ratio as at December 31, 2022:-

Regulatory capital ratios

CET 1 Capital (%)	16.83%
Tier 1 Capital (%)	16.83%
Tier 2 Capital (%)	0.78%
Total Capital (%)	17.61%
Leverage ratio	6.47%

3. Credit Risk

a) Credit Risk Management

Credit risk is the risk that the bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations and arises principally from the Bank's loans and advances to customers and other banks, derivative assets and investment in debt securities. The Bank's Corporate and Commercial Credit & Recovery Policy ("CCCRP"), Retail Credit & Recovery Policy ("RCRP") and Residential Mortgage Underwriting Policy ("RMUP"), which are approved by its Board, together describe the principles which underlie and drive the Bank's approach to credit risk management together with the systems and processes through which it is implemented and administered. The CCCRP aims to maximize the Bank's risk-adjusted rate of return while maintaining the Bank's credit risk exposure on corporate and commercial counterparties within limits and parameters as approved by the Board. Additionally, the Bank has implemented RCRP and RMUP which provide guidelines in respect of the manner in which lending and recovery activities of retail lending business and residential mortgage business shall be conducted respectively. The principles underlying overall credit risk management are covered in CCCRP, RCRP and RMUP for the Bank's corporate credit, retail credit and mortgage lending businesses respectively.

The Bank takes a two-tier approach to assessment of credit risk for its corporate and commercial lending business: initially, by a commercial lending officer proposing the transaction, followed by a risk officer independently assessing the same. The CCCRP lays down a structured and standardized credit approval process, which includes a well-established procedure of independent and comprehensive credit risk assessment and the assignment of an internal risk rating to the borrower. The risk rating is a critical input for the credit approval process and is used as an input in arriving at the credit risk spread, and also subsequently, in arriving at the loan loss allowance against the credit.

Credit proposals are approved by either the Risk Committee ("RC") or the Management Credit Committee ("MCC") based on, inter alia, the amount and internal risk rating of the facility. All credit proposals are approved by the MCC before being recommended to the RC by the Chief Risk Officer ("CRO"). The credit middle office function is responsible for credit administration, which includes monitoring compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation and creation of security for assets financed and post-disbursement monitoring as per stipulated terms and conditions.

The residential mortgage applications are electronically transmitted from the mortgage brokers into an underwriting system with built-in business rules to determine parameters/approval authorities to facilitate the underwriting process. The applications for insured mortgages are also submitted to mortgage insurer for approval. For insured mortgages, only the applications approved by the mortgage insurer are adjudicated by the underwriting team based on the Bank's RMUP. The underwriting team is also responsible for credit administration, which includes monitoring compliance with the terms and conditions for the committed mortgages prior to disbursement. The closing centers review the completeness of documentation and creation of security including title insurance for the mortgage.

The Bank follows an approach consistent with the Parent Bank in terms of dealing with sovereign and financial institutions worldwide. The primary responsibility for evaluating global financial institution exposures rests with the Parent Bank's International Financial Institutions Group (IFIG). Global bank lines are advised by the Parent Bank annually. The Bank adopts the lower of the globally approved limit or the maximum permissible limits as applicable under large exposure limit under the ERMF. Lending officers approach IFIG and obtain their first line approval for entering in to a relationship, before progressing on a proposal for a particular bank or non-bank financial institution or counterparty and present their evaluation in writing to MCC. The Bank has also setup aggregate exposure limits which are monitored and reported to MCC on a monthly basis and to RC on a quarterly basis.

The Bank has put in place a Board-approved comprehensive limit framework (as included in CCCRP, RCRP, RMUP and ERMF) to prudently manage the credit risk profile of the Bank. The Bank complies with the norms on exposure stipulated by OSFI for both single borrower as well as at a connection level. Limits have been set as a percentage of the Bank's capital funds and are regularly monitored. The material limits included as part of the ERMF include (i) limits on single party exposure, risk rating category, industry, geographical exposures, portfolio exposures, type of borrower, class of security, tenor, and LGD profile for the corporate and commercial portfolio, (ii) limits on single borrower exposure, risk rating, bank exposures, geographical exposures, portfolio exposures, and tenor for the retail credit portfolio, and (iii) limits on un-securitized mortgages, fixed rate commitments, fixed rate per-approvals, provincial exposures, high-rise condominiums, and rental properties for the residential mortgage portfolio.

All credit exposures are measured and monitored using a centralized exposure management system. The analysis of the composition of the portfolio and limits compliance is presented quarterly to RC. In addition, credit limits for Corporate and Treasury clients are monitored by the Middle Office Groups and the monitoring reports which detail deficiencies and limit breaches, are sent to Senior Management on a regular basis.

Monitoring of credits, while ongoing as part of scheduled periodic credit reviews, can also be triggered by any material credit event coming to the Bank's notice through either primary or secondary sources. All borrower accounts, including their ratings and underlying collateral, are reviewed at least on an annual basis or in a shorter interval if recommended by the CRO or the relevant sanctioning committee.

Credit risk is also managed at the portfolio level by monitoring and reporting to the MCC and RC, the key parameters of risk concentration; namely, product specific exposures, large exposures, industry/sectoral exposures, country/geographical exposures and rating category-based exposures.

Equity exposure:

The Bank's equity exposure includes an investment of $82 [£50,000] in ICICI Bank UK PLC and Cirque Du SolielL Inc. of $1,300 which is risk weighted at 100% under the Standardized Approach for credit RWA.

The following table summarizes the Bank's total gross credit risk exposure (credit-equivalent amount for OTC derivative exposures) and risk-weighted assets ("RWA") as at December 31, 2022:

Amount in 000s CAD

Portfolio	Drawn	Undrawn Commitments[1]	OTC Derivatives	Other Off Balance sheet Items[1]	Total	RWA
Corporate	1,376,129	324,431	1,142	35,295	1,736,997	1,433,233
Sovereign	608,925	-	-	-	608,925	-
Bank	279,872	20,000	27,851	18,516	346,239	97,936
Total Institutional Credit Exposures	**2,264,926**	**344,431**	**28,993**	**53,811**	**2,692,161**	**1,531,169**
Residential Mortgages	3,744,011	58,224	-	-	3,802,235	654,064
Other Retail (excl. SMEs)	18,480	21,057	-	-	39,537	13,500
Retail SME	-	-	-	-	-	-
Total Retail Credit Exposures	**3,762,491**	**79,281**	**-**	**-**	**3,841,772**	**667,564**
Equity Exposures	**1,382**	**-**	**-**	**-**	**1,382**	**1,382**
Securitization Exposures	**-**	**-**	**-**	**-**	**-**	**-**
Other credit risk-weighted assets[2]	**62,585**	**-**	**-**	**-**	**62,585**	**70,150**
Total Gross Credit Exposures	**6,091,384**	**423,712**	**28,993**	**53,811**	**6,597,900**	**2,270,265**

Note: Gross credit exposure is gross of all allowances for credit loss.
1. Undrawn commitments and other Off B/S items have been included at notional principal value.
2. Includes RWA on Credit Valuation Adjustments on Bilateral OTC Derivatives.

The following table summarizes the Bank's total average gross credit risk exposure (credit-equivalent amount for OTC derivative exposures) and risk-weighted assets ("RWA") as at December 31, 2022:

Amount in 000s CAD

Portfolio	Drawn	Undrawn Commitments[1]	OTC Derivatives	Other Off Balance sheet Items[1]	Total	RWA
Corporate	1,345,052	380,555	984	40,591	1,767,182	1,438,710
Sovereign	585,324	-	-	-	585,324	-
Bank	214,131	20,000	24,064	14,884	273,078	91,120
Total Institutional Credit Exposures	**2,144,507**	**400,555**	**25,048**	**55,474**	**2,625,584**	**1,529,830**
Residential Mortgages	3,713,065	133,647	-	-	3,846,712	635,391
Other Retail (excl. SMEs)	17,309	45,573	-	-	62,882	12,439
Retail SME	-	-	-	-	-	-
Total Retail Credit Exposures	**3,730,374**	**179,220**	**-**	**-**	**3,909,594**	**647,830**
Equity Exposures	**1,356**	**-**	**-**	**-**	**1,356**	**1,356**
Securitization Exposures	**-**	**-**	**-**	**-**	**-**	**-**
Other credit risk-weighted assets[2]	**62,996**	**-**	**-**	**-**	**62,996**	**66,988**
Total Gross Credit Exposures	**5,939,232**	**579,775**	**25,048**	**55,474**	**6,599,530**	**2,246,004**

Note: Gross credit exposure is gross of all allowances for credit loss and average exposure has been calculated based on monthly average exposures.
1. Undrawn commitments and other Off B/S items have been included at notional principal value.
2. Includes RWA on Credit Valuation Adjustments on Bilateral OTC Derivatives.

The following table summarizes the Bank's total gross credit exposures (credit-equivalent amount for OTC derivative exposures) by risk weights as at December 31, 2022:

Amount in 000s CAD

Exposure Category	Drawn	Undrawn Commitments[1]	OTC Derivatives	Other Off Balance sheet Items[1]	Total
0% risk weight	614,185	-	-	-	614,185
More than 0% but Less than 100% risk weight	4,002,049	99,229	27,670	482	4,129,430
100% risk weight	1,469,959	324,483	1,323	53,329	1,849,094
More than 100% risk weight	5,191	-	-	-	5,191
Total Gross Credit Exposures	**6,091,384**	**423,712**	**28,993**	**53,811**	**6,597,900**

1. Undrawn commitments and other Off B/S items have been included at notional principal value.

The following table summarizes the Bank's total net credit exposures after credit risk mitigation ("CRM") by risk weights as at December 31, 2022:

Amount in 000s CAD

Exposure Category	Rated	Unrated	Total
0% risk weight	608,925	5,260	614,185
More than 0% but Less than 100% risk weight	274,765	1,644,910	1,919,675
100% risk weight	42,135	1,491,123	1,533,258
More than 100% risk weight	-	5,191	5,191
Total Net Credit Exposures after CRM	**925,825**	**3,146,484**	**4,072,309**

Note: Net credit exposure is gross credit exposure (credit equivalent amount for Off B/S exposures) less specific allowances, eligible financial collateral and eligible guarantees/credit derivatives.

The following table summarizes the Bank's total gross credit exposures by geography based on the location of ultimate risk as at December 31, 2022:-

Amount in 000s CAD

Category	Canada	India	Others	Total
Deposit with Bank	78,404	2,102	26,515	**107,021**
Securities	750,366	-	-	**750,366**
Loans	4,849,896	74,639	249,180	**5,173,715**
Undrawn Commitments	422,527	575	610	**423,712**
OTC Derivatives	25,003	181	3,809	**28,993**
Other Off Balance Sheet Items	35,440	18,371	-	**53,811**
Equity	1,300		82	**1,382**
Total	**6,162,936**	**95,868**	**280,196**	**6,539,000**

Note: Gross credit exposure (credit equivalent amount for Off B/S exposures) by geography excludes accrued interest of CAD 9,505 and other assets of CAD 49,395.

The following table summarizes the Bank's industry-wise distribution of total gross credit exposures as at December 31, 2022:

Amount in 000s CAD

Category	Deposit with Bank	Securities	Loans	Undrawn Commitments[1]	OTC Derivatives	Other Off Balance sheet Items[1]	Equity	Total
Residential mortgages			3,754,716	58,224				3,812,940
Personal loans			18,443	21,056				39,499
Total Gross Retail Exposures			**3,773,159**	**79,280**				**3,852,439**
Accommodation and food services			63,095	-				63,095
Admin & Support, Waste Mgmt and Remediation			73,572	24,504				98,076
Arts, entertainment and recreation			7,587					7,587
Automobile dealers			-					-
Construction			71,437	13,200		18,358		102,995
Educational services			186	14				200
Energy					1,142			1,142
Finance & Insurance	107,021	153,336	337,871	100,103	27,852	19,564	82	745,829
Government & Sovereign		595,730	-					595,730
Health care and social assistance			16,992	8,633				25,625
Information and Cultural Industries			30,090	14,156				44,246
Manufacturing			330,353	27,698	-	3,375		361,426
Mining, Quarrying and Oil and Gas Extraction			19,826	105,751		423		126,000
Professional, Scientific, & Technical Services			14,791	24,872		182		39,845
Real Estate and Rental and Leasing			69,522	1,647		-		71,169
Retail Trade			81,780	12,000		2,494		96,274
Transportation & Warehousing			136,925	10,528		41		147,494
Utilities			68,340	-				68,340
Wholesale Trade			85,012	1,026		27		86,065
Service-Others							1,300	1,300
Others		1,300	-	299	-	9,347		10,946
Deferred loan fees and premium			(6,823)					(6,823)
Total Gross Exposures Excluding Retail	**107,021**	**750,366**	**1,400,556**	**344,431**	**28,994**	**53,811**	**1,382**	**2,686,561**
Total Gross Credit Exposures	**107,021**	**750,366**	**5,173,715**	**423,711**	**28,994**	**53,811**	**1,382**	**6,539,000**

1. Undrawn commitments and other Off B/S items have been included at notional principal value.

2. Others include securitization exposure and cash back transactions under securities and other off balance sheet items respectively.

The following table summarizes the Bank's maturity pattern of assets as at December 31, 2022:

Amount in 000s CAD

Maturity buckets	Cash	Balances with banks & money at call and short notice	Investments	Loan Advances net of allowances for credit losses	Fixed assets	Other assets	Total assets
Next day	2,503	107,021	581,530	2,101	-	62	693,217
2 to 7 days	-	-	19,987	55,500	-	434	75,921
8 to 14 days	-	-	50,706	13,853	-	438	64,998
15 to 30 days	-	-	18,951	68,528	-	1,001	88,480
31 days upto 2 months	-	-	63,691	103,831	-	1,929	169,452
More than 2 months and upto 3 months	-	-	-	47,083	-	1,929	49,013
More than 3 months and upto 6 months	-	-	-	152,897	-	6,533	159,430
More than 6 months and upto 1 year	-	-	-	456,132	-	1,221	457,353
More than 1 year and upto 3 years	-	-	-	2,605,846	-	14	2,605,860
More than 3 year and upto 5 years	-	-	-	1,450,134	-	-	1,450,134
Above 5 years	-	-	15,500	187,617	5,512	38,705	247,333
Total	**2,503**	**107,021**	**750,366**	**5,143,522**	**5,512**	**52,267**	**6,061,191**

b) Credit Risk Mitigation

Collateral management

Collateral is obtained when the loan is initially granted and is monitored periodically. For impaired loans, the available collateral has been considered in determining loan loss allowances. The types of acceptable collateral are documented in various relevant policy documents. The main types of collateral obtained are as follows:

• For corporate/commercial lending, assets of the borrower/corporate guarantors, personal assets of the principals and/or pledge of equity interests, charge on equipment and current assets, hypothecation of movables. Generally, for commercial lending, the Bank also obtains guarantees from parent companies for loans to their subsidiaries;
• For retail lending on a case to case basis, charge on personal assets, including real estate/property; and
• For residential mortgages, first/second mortgage charge in favor of the Bank, as well as insurance by Canada Mortgage and Housing Corporation ("CMHC") or approved private insurers.

All borrower accounts, including their ratings and underlying collateral, are reviewed at least on an annual basis or in a shorter interval if recommended by the CRO or the relevant sanctioning committee.

Credit Risk Mitigation techniques

The OSFI Guideline on CAR allows the following credit risk mitigants to be recognized for regulatory capital purposes:

• Eligible financial collaterals, which include cash (deposited with the Bank), and securities issued by Federal and Provincial Government; and
• Eligible guarantees/credit derivatives including for residential mortgages insured by CMHC/private insurer.

The Bank reckons the permitted credit risk mitigants for obtaining capital relief through a reduction in RWA only when the credit risk mitigant fulfills the conditions stipulated for eligibility by OSFI in its guidelines on CAR.

Concentrations within credit risk mitigation

The CAR Guideline, among its conditions for eligible credit risk mitigants, requires that there should not be a material positive correlation between the credit quality of the counterparty and the value of the collateral being considered. Currently, the Bank does not have any concentration risk within credit risk mitigation.

The following table summarizes the portfolio covered by eligible financial collateral and guarantees/credit derivatives as at December 31, 2022:

Amount in 000s CAD

Risk-weighted assets	Eligible financial collateral	Eligible guarantees/credit derivatives
Corporate	8,841	93,431
Sovereign	-	-
Bank	-	-
Total Institutional Credit Exposures	**8,841**	**93,431**
Residential Mortgages	-	2,127,223
Other Retail (excl. SMEs)	889	-
Retail SME	-	-
Total Retail Credit Exposures	**889**	**2,127,223**
Total Gross Credit Exposures	**9,730**	**2,220,654**

External ratings

The Bank uses external ratings of recognized rating agencies identified in the CAR Guideline for its sovereign, bank and securitization exposures. Accordingly, ratings from external rating agencies S&P, Fitch, Moody's and DBRS are used for capital adequacy purposes. The Bank also uses the standard mapping published in the CAR guidelines.

c) Counterparty Credit Risk

Counterparty credit risk ("CCR") in the context of Pillar 3 disclosure is the risk that the counterparty to a derivative transaction posted to either the Banking Book or Trading Book could default before the final settlement of the transaction's cash flows. The Bank uses the Standardized Approach for Counterparty Credit Risk (SA-CCR) to measure the credit equivalent amount of counterparty credit exposures as defined in the CAR guidelines. Further, the risk-weighted amounts represent the credit equivalent amount risk weighted according to the creditworthiness of the counterparty.

The following table summarizes the notional principal values of the derivative instruments along with the gross positive and gross negative fair value, credit equivalent amount and risk-weighted assets as at December 31, 2022:

Amount in 000s CAD

	Notional Principal Amount	**Gross Positive Fair Value**	**Gross Negative Fair Value**	**Credit Equivalent Amount**	**Risk-weighted assets**
Trading					
Forward foreign exchange contracts	-	-	-	-	-
Foreign currency swaps	1,208,642	2,234	35,858	26,704	5,341
Interest rate swaps	23,333	526	526	1,323	1,323
Hedging					
Bond forwards	-	-	-	-	-
Interest rate swaps	75,000	15	371	966	193
Total	**1,306,975**	**2,775**	**36,755**	**28,993**	**6,857**

d) Impairment

Scope

The Bank applies a three-stage approach to measure allowance for credit losses, using an ECL approach as required under IFRS 9, for the following categories of financial instruments that are not measured at fair value through profit or loss:

• Amortized cost financial assets;
• Debt securities classified as at FVOCI

Off-balance sheet items subject to impairment assessment include financial guarantees and undrawn loan commitments.

ECL impairment model

The Bank measures the ECL through an assessment of quantitative and qualitative factors. The estimate of the ECL is arrived at using an internally developed model, based on default probabilities ("PD"), loss given default ("LGD") rates, exposure at default ("EAD"), staging classification criteria, expected life of the exposure and EIR. A key component of ECL methodology is the appropriate segmentation of the portfolio, based on common risk factors within the group of loans.

The Bank uses a ‘three-stage’ model for assessment of ECL based on changes in credit risk since origination.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since origination or that have low credit risk at the reporting date. For these assets, 12-month ECL are recognized. 12-month ECL are the ECL that result from default events that are possible within 12 months after the reporting date.

Stage 2 includes financial instruments that have had a significant increase in credit risk since origination but are not credit impaired. For these assets, lifetime ECL are recognized. Lifetime ECL comprises the ECL that result from all possible default events over the expected life of the financial instrument.

Stage 3 includes financial assets that are credit impaired at the reporting date. For these assets, lifetime ECL are recognized. ECL is assessed based on estimates of recovery from the borrower under future scenarios.

Measurement of ECL

The measurement of ECL is the product of the instrument’s PD, LGD, and EAD discounted to the reporting date. The calculation horizon is the primary difference for Stage 1 and Stage 2 ECL for performing financial assets. Stage 1 estimates project PD, LGD and EAD over a maximum period of 12 months while Stage 2 estimates project PD, LGD and EAD over the remaining lifetime of the instrument.

• PD measures the likelihood that a borrower, with an assigned risk rating, will impair/ default within a defined time horizon.

• EAD measures the expected exposure on a facility in the event of a borrower’s default.
• LGD measures the severity of loss on a facility in the event of a borrower’s default.

Forward-looking information

The estimation of ECL for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

Macroeconomic factors

An ECL estimate is produced for each individual exposure. Relevant parameters are modeled on a collective basis using portfolio segmentation that allows for appropriate incorporation of forward looking information. To reflect other characteristics that are not already considered through modelling, expert credit judgment is exercised in determining the final ECL. For its corporate and commercial banking portfolio, the Bank relies on external data for estimating forward looking PDs such as annual one-year observed default rates, annual GDP growth rate and Oil prices. For its residential mortgage portfolio, the Bank uses quarterly one-year observed default rates obtained from external sources, GDP annual growth rate and unemployment rate. The inputs and models used for calculating ECL may not capture all the risks inherent in the financial assets and to reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment. These approaches have been designed to maximize the available information that is reliable and supportable for each portfolio and may be collective in nature.

Multiple forward-looking scenarios

IFRS 9 also requires that multiple scenarios be created for estimation of future PDs and a probability weighted average PD be used for the estimation of ECL. In this regards, the Bank creates three scenarios for PD: Base, Optimistic and Pessimistic. The base scenario represents the most likely outcome. The optimistic and pessimistic scenarios are set by adjusting our base projections to construct reasonably possible scenarios that are more optimistic and pessimistic, respectively. Similarly, for its corporate and commercial banking portfolio, the historical default data is not sufficient in creating an LGD estimate based on historical experience, the Bank uses three LGD scenarios (i) stress asset cover scenario, (ii) Basel LGD scenario, (iii) distress scenario to estimate LGD on a case by case basis.

Assessment of Significant Increase in Credit Risk (SICR)

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition. The assessment of a significant increase in credit risk ("SICR") is carried out on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Bank compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators. IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk. The Bank does not rebut this presumption. Financial assets can move in both directions through the stages of the impairment model and will allow credit risk of financial assets to move back to Stage 1 if increase in the credit risk since origination reduces and is determined to be no longer significant.

Expected life

The Bank considers the maximum contractual period over which it is exposed to credit risk. All contractual terms are considered when determining the expected life, including extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity and where credit losses would not be mitigated by management actions, the expected life is estimated based on the period over which the Bank is exposed to credit risk. For term lending products, the period till contractual maturity is considered as the expected life. For revolving products, expected life is analyzed based on historical experience of the product.

Presentation of allowance for credit losses in the Statements of Financial Position

• Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the financial assets;

• Debt instruments measured at fair value through other comprehensive income: no allowance is recognized in the Statements of Financial Position because the carrying value of these assets is their fair value. However, the allowance determined is presented in the Accumulated other comprehensive income;

• Off-balance sheet credit risks include undrawn lending commitments, letters of credit and letters of guarantee: as a part of accounts payable and other liabilities.

Modified financial assets

An assessment is made to determine if the existing financial asset should be derecognized whenever the terms of a financial asset are modified or an existing asset is replaced. The date of origination continues to be used to determine SICR whenever a modification does not result in derecognition. Where a modification results in derecognition, the new financial asset is recognized at its fair value on the modification date.

Contractual terms of financial assets may be modified for commercial or credit reasons. The terms of a performing asset may be modified to provide market pricing to borrowers. Financial assets may be modified for credit reasons and the contractual terms modified to grant a concession to a borrower due to the borrower experiencing financial difficulty.

If the modifications to the contractual terms (eg. interest rate, authorized amount, term, or collateral) are considered substantial, it will result in derecognition of the original asset. The original financial asset is derecognized and the new financial asset is recognized at fair value. The difference between the carrying value of the derecognized asset and the fair value of the new asset is recognized in the Statements of Comprehensive Income.

Where a modification of the terms does not result in derecognition of the financial asset, the gross carrying amount of the modified asset is recalculated based on the present value of modified cash flows which are discounted at the original EIR. Any resulting gain or loss from such modification is recorded on the provision for credit losses line in the Statements of Comprehensive Income.

Definition of default

The definition of default used in the measurement of ECL and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

• The Bank considers that the obligor is unlikely to pay its credit obligations in full, without recourse to actions such as realizing security (if held).

• The obligor is past due more than 90 days on any material credit obligation.

Write-off policy

A write-off is an accounting treatment that recognizes the reduced value of an impaired asset. A write off occurs upon the realization that an asset no longer can be converted into cash or has no market/economic value. A decision to write-off a loan will be taken based on the specific circumstances of each case. A loan can be written off when there has been a marked deterioration in the financial affairs of the Borrower/Obligor, such that there is no longer reasonable assurance of timely collectability of principal or interest.

The following table shows the Stage 1 and Stage 2 allowances by industry as at December 31, 2022:

	CAD in 000's
Industries	**Stage 1 and 2 allowances**
Residential mortgages	1,795
Personal loans	355
Total Retail Loans	**2,150**
Accommodation and food services	1,151
Admin & Support, Waste Mgmt and Remediation	317
Agriculture, forestry, fishing and hunting	-
Arts, entertainment and recreation	3,339
Automobile dealers	-
Construction	99
Educational services	2
Electric Power Generation, transmission and distribution	-
Finance & Insurance	155
Health care and social assistance	114
Information and Cultural Industries	4,938
Manufacturing	4,381
Mining, Quarrying and Oil & Gas Extraction	434
Professional, Scientific and Technical Services	33
Real Estate and Rental & Leasing	36
Retail Trade	91
Scheduled Air transportation	-
Transportation & Warehousing	108
Utilities	472
Wholesale Trade	673
Total Corporate & Commercial Loans	**16,343**
Total Loans	**18,493**

The following table shows the movement of Stage 1 and Stage 2 allowances during the year ended December 31, 2022:

	CAD in 000's
Opening Balance (January 1, 2022)	**12,301**
Write-off during the year	-
Provisions/ (Write-back of excess provisions) made during the year, net [1]	6,192
Closing balance (December 31, 2022)	**18,493**

1 Provisions/ (Write-back of excess provisions) during the year during the year excludes net charge back of CAD 742 on undrawn commitments and other credit instruments.

The following table shows the geography wise distribution of Stage 1 and Stage 2 allowances [2] based on country of risk as at December 31, 2022:

	CAD in 000's
Canada	17,542
India	23
Others	928
Total	**18,493**

2 excludes CAD 1,063 on undrawn commitments and other credit instruments.

The following table presents the gross exposure and Stage 3 allowances for credit losses in respect of impaired loans as at December 31, 2022:

Amount in 000s CAD

	Gross outstanding amount	**Allowances**	**Net carrying amount**
Non-mortgage loans			
To individuals for non-business purposes	2,025	1,848	177
Others	9,827	9,827	-
Mortgage loans			
Residential	1,619	25	1,594
Non-residential	-	-	-
Total	**13,471**	**11,700**	**1,771**

The following table shows the gross exposure and Stage 3 allowances in respect of impaired loans by geography based on the location of ultimate risk as at December 31, 2022:

Amount in 000s CAD

	Gross outstanding	**Allowances**	**Net carrying amount**
Canada	3,644	1,873	1,771
India	9,827	9,827	-
Others	-	-	-
Total	**13,471**	**11,700**	**1,771**

The following table shows the gross exposure and allowances for credit losses in respect of impaired loans by industry as at December 31, 2022:

Amount in 000s CAD

Industries	Gross Outstanding Amount	Allowance for credit losses	Net Amount
Residential mortgages	1,619	25	1,594
Personal loans	2,025	1,848	177
Total Retail Loans	**3,644**	**1,873**	**1,771**
Accommodation and food services	-	-	-
Admin & Support, Waste Mgmt and Remediation	-	-	-
Agriculture, forestry, fishing and hunting	-	-	-
Arts, entertainment and recreation	-	-	-
Construction	6,772	6,772	-
Finance & Insurance	-	-	-
Health care and social assistance	-	-	-
Information and Cultural Industries	-	-	-
Manufacturing	3,055	3,055	-
Mining, Quarrying and Oil & Gas Extraction	-	-	-
Professional, Scientific and Technical Services	-	-	-
Real Estate and Rental & Leasing	-	-	-
Retail Trade	-	-	-
Transportation & Warehousing	-	-	-
Utilities	-	-	-
Wholesale Trade	-	-	-
Total Corporate & Commercial Loans	**9,827**	**9,827**	**-**
Total Loans	**13,471**	**11,700**	**1,771**

The following table shows the movement in impaired loans for the year ended December 31, 2022:

	CAD in 000's
Gross Loans	**Amount**
Opening Balance (January 1, 2022)	13,387
Additions during the year	2,097
Reductions during the year	(2,013)
Closing balance (December 31, 2022)	**13,471**

Net Loans	**Amount**
Opening Balance (January 1, 2022)	1,121
Additions during the year	1,200
Reductions during the year	(550)
Closing balance (December 31, 2022)	**1,771**

The following table shows the movement of allowances on impaired loans for the year ended December 31, 2022:

	CAD in 000's
Opening Balance (January 1, 2022) @	12,266
Net provisions made during the year	255
Write-off during the year	(1,449)
Foreign exchange movements	628
Closing balance (December 31, 2022)	**11,700**

The following table shows the Stage 3 allowances by industry accounted in the statements of comprehensive income for the year ended December 31, 2022:

Industries	CAD in 000's
Residential mortgages	25
Personal loans	302
Total Retail Loans	**327**
Accommodation and food services	-
Admin & Support, Waste Mgmt and Remediation	
Arts, entertainment and recreation	-
Construction	-
Finance & Insurance	
Government & Sovereign	
Health care and social assistance	
Information and Cultural Industries	
Manufacturing	-
Mining, Quarrying and Oil & Gas Extraction	(72)
Multiproduct conglomerates	
Professional, Scientific and Technical Services#	
Real Estate and Rental & Leasing	
Retail Trade	
Transportation & Warehousing	
Utilities	
Wholesale Trade	
Total Corporate & Commercial Loans	**(72)**
Total	**255**

e) Securitization

The Bank's primary objective of securitization activities is to increase the efficiency of capital and enhance the return on capital employed by diversifying the sources of funding.

The Bank has entered into securitization arrangements in respect of its originated and purchased (originated by third parties) mortgages, in order to issue National Housing Act ("NHA-MBS") and also participates in Canada Mortgage Bonds ("CMB") program as a seller. The NHA MBS are backed by pools of amortizing residential mortgages insured by the CMHC or approved third party insurers. The CMB, introduced by CMHC, is a guaranteed, semi-annual coupon, bullet-maturity bond. CMBs are issued by a special purpose trust, known as the "Canada Housing Trust".

For mortgages securitized and sold into the CMB program, the Bank retains substantially all the risks and rewards, comprising primarily prepayment risk related to ownership of these mortgages and hence, these mortgage securitizations do not qualify for de-recognition accounting under IFRS 9. For mortgages that are securitized and for the resulting MBS that are sold outside of the CMB program, the Bank has determined that it neither transfers nor retains substantially all the risks and rewards associated with the ownership of these mortgages. However, the Bank retains control over these mortgages and hence, it continues to recognize the mortgages securitized. For all mortgage securitizations, the amounts received through securitization and sale are recognized as "Secured borrowings".

As required under the CMB program, the Bank, as an issuer, has undertaken to remit monthly to the Central Payor and Transfer Agent (the "CPTA") the payments of principal and interest accrued and due on the mortgage loans in the pools. The Bank has also undertaken to make the payments to the CPTA on the due dates even if the corresponding amounts have not been received and collected by the Bank in respect of the pools.

The Bank did not securitize any of its assets except the residential insured mortgages under NHA-MBS and CMB programs as an originator during the year ended on December 31, 2018. However, such securitization is not subject to a securitization framework under the CAR Guideline. Accordingly, these securitized insured mortgages are risk-weighted as per the standardized approach for credit risk.

The Bank is also an investor in securitized debt instruments backed by financial assets originated by third parties. The Bank uses the standardized approach under the securitization framework for its securitization exposures as an investor. The Asset & Liability Committee ("ALCO") reviews the investments held in securitized debt instruments on a monthly basis.

The following table shows the amount of assets intended to be securitized during the year in the banking book as at December 31, 2022:

	Amount in CAD '000s
Amount of assets intended to be securitized within a year	820,000
Of which:	
Amount of assets originated within a year before securitization	820,000

The Bank did not hold any retained or purchased securitization exposures in its trading or banking book as at December 31, 2022 and accordingly there are no disclosures to be provided.

4. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk.

The Bank has developed and implemented an Operational Risk Management Policy, which defines the guidelines adopted by the Bank towards minimizing losses due to process failures, product design flaws that can expose the Bank to losses due to fraud, impact of failures in technology/systems and continuity of Banking operations in contrary conditions.

The Bank has also developed and implemented an Information Security Policy. The policy gives direction towards development, maintenance and review of Information Security (IS) standards and procedures adopted by the Bank across people, process and technology. The policy endeavors to ensure compliance with all internal and regulatory IS requirements, including customer data protection.

The senior management of the Bank is responsible for establishment and maintenance of an adequate and effective system of internal controls, a measurement system for assessing the various risks of the Bank’s activities, a system for relating risks to the Bank’s capital level appropriate methods for monitoring compliance with laws, regulations and supervisory and internal policies. The senior management reports to the Board on these issues. The Bank has implemented its risk and control self-assessment approach to identify and ensure effective control of its operational risks.

To identify operational risks in new products/processes, all such proposals are approved by the Product and Process Approval Committee ("PAC"). The PAC comprises of senior executives and approval is granted after obtaining inputs from the relevant groups and control functions in the Bank. The Operational Risk Management Group (“ORMG”) under the supervision of Chief Risk Officer is responsible for providing oversight over operational risk within the Bank. The ORMG does this by undertaking activities of operational risk identification, assessment, measurement, monitoring and reporting to management level Non-Financial Risk Committee ("NFRC") and the Risk Committee and the Board. All PAC proposals are internally rated by ORMG. ORMG performs the independent challenge process in all areas of operational risk. Independent challenge process at the time of PAC note review is documented in the PAC instructions.

The Bank has developed and implemented a Business Continuity Plan ("BCP"). This plan is designed to facilitate continuity in critical business operations in the event of a disaster or an emergency situation. The BCP has been formulated on the basis of a business impact analysis carried out for the individual groups involving identification of critical activities and determination of their recovery time objectives.

The Bank has outsourced certain activities in the interest of cost and process efficiencies, including mid-office operations for treasury and corporate banking, information technology, corporate operations and trade finance operations to the Parent, terms of which are governed through a master service level agreement ("SLA") and specific SLAs. All these activities are closely monitored under the framework of outsourcing risk with regular monitoring of SLA performance dashboards. Material performance shortfalls within these SLA’s are taken up with the service provider and the same is reported to management and Board level committees.

The Bank has developed and implemented an Third Party Risk Management Policy to mitigate outsourcing risks and ensure the application of a standardized approach for all outsourcing arrangements entered into by the Bank. All proposed outsourcing arrangements are assessed for their criticality prior to outsourcing. For all such arrangements deemed to be critical, a detailed assessment is conducted and the proposal is approved by the NFRC. The performance of outsourcing arrangements are periodically reviewed and assessment reports are presented to the RC.

Operational risk incidents are reported regularly and transactions resulting in losses are routed through operational risk account. Root cause analysis is carried out for the significant operational risk incidents (beyond the threshold limits) reported and corrective actions are incorporated back into respective processes. The Bank has implemented incident reporting process, which facilitate capturing of operational risk incidents by the employees of the Bank.

The operational risk losses and incident analysis are submitted to the Risk Committee and to the Board on a periodic basis. Operational risk exposures (risk and control self-assessment results, operational risk incidents analysis and key risk indicators) are monitored by the NFRC on a regular basis and reported to the Senior Management in the form of dashboards on a periodic basis.

In keeping with the Bank's enterprise-wide approach for managing Regulatory and Compliance Risks, the Bank has implemented a Regulatory Compliance Management ("RCM") Policy. The Policy applies to every aspect of the Bank's operations and activities without exception. The Bank recognizes the risk of legal and regulatory sanctions, material financial loss, and loss to reputation that it may suffer in the event of non-compliance with any of regulatory requirements. The Bank has implemented a formal risk assessment methodology which outlines the overall Regulatory Risk management process. This methodology uses international standards and best practices including the COSO Internal Control Framework and COSO ERM Integrated Framework, as guidelines.

Group risk management framework

The Bank is aligned with the Parent's risk management framework, which has been developed in order to identify, evaluate and manage key risks on a worldwide basis. The framework is applicable to all overseas banking entities of the Parent. The policies applicable to the Bank are formulated in consultation with the Risk Management Group of the Parent and are independently reviewed and approved by the Bank's Board.

The Bank has adopted the Basic Indicator Approach in determining its operational risk capital requirement. The capital charge and the corresponding RWA for operational risk as at December 31, 2022 were CAD 11,562 and CAD 144,525 respectively.

5. Market Risk

Market risk is the uncertainty of earnings faced by the Bank as a result of volatility in market factors (i.e., interest rates, currency exchange rates, market liquidity and asset prices). Market risk events may impact the valuation of investments and the net interest income and net interest margin resulting in an impact on the profit and loss account. The policies approved by the Board for addressing market and liquidity risks are the Liquidity Management Policy ("LMP"), Market Risk Management Policy ("MRMP") and Liquidity Contingency Plan ("LCP").

The MRMP covers the policies governing overnight Treasury investments as well as long-term investments, Treasury organization structure, authorization, product guidelines, limits, classification and valuation norms, audit control and reporting.

The Board has delegated the responsibility for market-risk management to the RC and the ALCO within the broad parameters laid down in the MRMP. The ALCO considers various Investment and Treasury operations matters, implementation of risk mitigation measures, and recommends major policy changes governing Treasury activities to the RC. The Committee reviews adherence to OSFI market-risk requirements as well as internal control guidelines and limits. The ALCO ensures that the Bank's balance sheet is managed in accordance with the risk parameters/ prudential limits stipulated by the MRMP. Also, independent control groups have been formed, with clear functional separation, including:

- Front Office;
- Monitoring and control i.e. Treasury Securities and Services Group ("TSSG"); and
- Risk Management.

The Market Risk Management Group with inputs from the Global Market Risk Management Group recommends changes in risk policies and controls and the processes and methodologies for quantifying and assessing market risks. The TSSG, which is independent of business groups, carries out an independent verification of transactions entered into by the Front Office prior to confirmation of each transaction and associated reporting requirements. TSSG also monitors and reports the various risk limits set through the LMP and the MRMP.

The MRMP sets out the deal-size limits for various products. These limits have been set up based on a hierarchy of executives. Various coherence checks are inserted in the system for ensuring that the appropriate deal-size limits are enforced.

The Bank has put in place a Board-approved comprehensive limit framework (as included in the MRMP) to prudently measure and manage the market risk profile of the Bank. The material limits include Earnings at Risk ("EaR") limits, Duration of Equity ("DoE") limits, net overnight open position limit, investment limits, hedge limits, transaction size limits, counterparty limits, deal size limits, Foreign Exchange Value at Risk limit, daily MTM volatility triggers, and cumulative stop loss triggers. The TSSG monitors compliance with various internal and regulatory limits and guidelines. The Bank reports exposures and compliance to limits on a monthly basis to ALCO and on a quarterly basis to RC.

Further, the Bank does not maintain any proprietary trading book. It manages the interest rate and price risk on its balance sheet within Board approved MTM volatility trigger and cumulative stop loss trigger for treasury products/derivatives (excluding forex swaps) of CAD 2,500 and CAD (8,000) respectively with temporary enhancement in cumulative stop loss trigger to CAD (11,000) from June 10, 2022 to December 31, 2022. The average and peak utilization of the MTM volatility trigger based on month-end business days during 2022 was CAD 1,501 and CAD 2,307 respectively. With respect to Bank's unhedged currency positions, the Bank had a limit on NOOP of USD 15,000,000; its average and peak utilization based on month-end business days during 2022 were USD 4,060,078 and USD 8,914,510 respectively. Further, the average and peak utilization of the cumulative stop loss trigger for treasury products/derivatives (excluding forex swaps) based on month- end business days during 2022 was CAD (7,001) and CAD (10,220) respectively.

The key risks to which the Bank is exposed from a market risk perspective relate to interest rate risk, foreign exchange risk, liquidity and funding risk.

Market risk linkage to the balance sheet:

The following table provides a breakdown of the Bank's balance sheet into assets and liabilities and the primary risks those are exposed to:

Amount in CAD '000s

	Primary risk	**December 31, 2022**	**December 31, 2021**
Assets subject to market risk			
Interest bearing deposits with banks	Interest rate, Foreign exchange	13,930	33,992
Derivatives	Foreign exchange, Interest	2,757	1,899
Investment securities	Interest rate	747,257	774,620
Loans, net of allowance for loan losses	Foreign exchange, Interest rate	5,143,522	4,992,157
Other assets	Foreign exchange	52,054	58,987
Assets not exposed to market risk	N/A	101,671	130,286
Total assets		**6,061,191**	**5,991,941**
Liabilities subject to market risk			
Deposits from customers	Interest rate, Foreign	3,204,164	2,772,195
Derivative liabilities	Foreign exchange, Interest	36,755	14,254
Deposits from banks	Interest rate	9,571	7,067
Securitized borrowing	Interest rate	2,329,951	2,400,434
Other liabilities	Foreign exchange, Interest	6,907	100,881
Liabilities not exposed to market risk and Shareholder's Equity	N/A	473,843	697,110
Total liabilities		**6,061,191**	**5,991,941**

6. Structural Interest Rate Risk

Interest rate risk is defined as the exposure of a bank's financial condition to adverse movements in interest rates. Earnings from interest-sensitive investments and the overall value of the investment portfolio will be impacted by changes in interest rates. The MRMP currently sets out the measurement process to include the use of re-pricing gap reports and estimation of the sensitivity of the Bank's net interest income to a 100 bps adverse change in the level of interest rates, defined as EaR. The EaR for the Bank over a 4-quarter horizon for an adverse 100 bps parallel shift in interest rates shall not exceed 3% of the Bank's current Tier 1 plus Tier 2 capital or CAD 10,000 (whichever is lower). At December 31, 2022, the actual limit utilization was CAD 5,885 i.e. 1.38% of the Bank's current Tier 1 plus Tier 2 capital. The peak EaR during 2022 was 1.55% (CAD 6,196).

Further, the Bank uses various measures, including DoE, which takes into consideration duration and value of both assets and liabilities. DoE is a measure of interest rate sensitivity, which indicates how much the market value of equity would change if interest rates change by 1%. The Bank has set a maximum limit of (+/-) 4% of Tier 1 capital given a 100 bps change in interest rates and as at December 31, 2022, the actual DoE was 0.81, based on which the actual limit utilization was 0.81% of Tier 1 capital. The peak DoE during 2022 was 1.20, based on which the actual limit utilization was 1.20%.

The Head of Treasury is responsible for managing the interest rate risk of the Bank. Interest rate risk is subject to periodic review by ALCO and the RC.

The MVE Sensitivity measures the impact of a specified interest rate shock to the change in the net present value of the Bank's banking book assets and liabilities. The NII Sensitivity measures the NII change over a twelve-month horizon for a specified change in interest rates for banking book assets and liabilities assuming a constant balance sheet over the period.

The following table shows the potential before-tax impact of an immediate and sustained 100 bps increase or decrease in interest rates on the Bank's MVE and NII. No interest rate floors are applied to the decrease in rates scenario.

Pre-tax impact of:			**100 bps upwards movement**	**100 bps downwards movement**
December 31, 2022	MVE sensitivity	CAD	4.20	(4.20)
		USD	(0.61)	0.61
		Overall	3.60	(3.60)
	NII sensitivity	CAD	4.82	(4.82)
		USD	1.07	(1.07)
		Overall	5.89	(5.89)
December 31, 2021	MVE sensitivity	CAD	(2.03)	2.03
		USD	(0.87)	0.87
		Overall	(2.90)	2.90
	NII sensitivity	CAD	3.91	(3.91)
		USD	0.79	(0.79)
		Overall	4.69	(4.69)

7. Foreign Exchange Risk

The foreign exchange risk arises due to positions in non-Canadian denominated currencies, which in turn arises from assets and liabilities in those currencies. The risk originates as a result of the impact on revenue due to the potential revaluation of non-Canadian assets and liabilities. The aggregate net overnight open exchange position across all foreign currencies as per the MRMP shall not exceed USD 15,000,000. Generally, Value-at-Risk ("VaR") is a tool for measuring market risk on trading positions. It seeks to ascertain the maximum loss on a portfolio at a given confidence level over a specific holding period. As per the MRMP, a VaR limit (99%-1day) of USD 250,000 has been set on the aggregate overnight open position and the actual VaR as at December 31, 2022 was USD 14,250. The Bank uses one-year data to compute VaR and there have been no breaches of the VaR limit in the year ended December 31, 2022.

8. Liquidity and Funding Risk

Liquidity risk relates to the potential difficulty in accessing financial markets in order to meet payment obligations. Liquidity risk is the potential for losses that could be incurred from holding insufficient liquidity to survive a liquidity contingent stress event, whether name-specific, market-specific or combined (market and name specific) scenarios. It includes the risk of unexpected increases in the cost of funding the assets, and the risk of being unable to access the market or to liquidate investments in a timely manner at a reasonable price.

The Bank has established the LMP to manage the liquidity and funding risk for the Bank. The Policy details the Bank's tolerance for assuming liquidity risk and methods for identification, measurement, monitoring, controlling and reporting liquidity risk and is reviewed by the RC of the Board of Directors on an annual basis. The ALCO of the Bank formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the LMP.

The goal of liquidity risk management is to be able, even under adverse conditions, to meet all liability repayments on time and to fund all investment opportunities by raising sufficient funds either by increasing liabilities or by converting assets into cash expeditiously and at reasonable cost.

The LMP captures the details of the risk appetite framework and risk capacity of the Bank. The Bank expresses its liquidity risk appetite through a range of limits across liquidity gaps covering the entire spectrum of the balance sheet, including limits specified in major currencies (Canadian and U.S. dollars). The Bank also monitors liquidity risk through liquidity ratios and regulatory reports such as Net Cumulative Cash Flows (NCCF) and Liquidity Coverage Ratio (LCR) on a periodic basis.

The LMP also captures the details of stress test scenarios (Bank-specific, Market-specific and Combined scenarios) for different short-term stress horizons. Under each of the stress scenarios, certain factors like deposits, unfunded authorizations from corporate, mortgage and other retail commitments, non-fund commitments like stand by letter of credit (SBLCs) are subjected to varying degrees of severity to estimate the outflows. These stressed outflows are expected to be offset using appropriate funding plan. Such assessments are carried out for 30-day, 60-day and 90-day stress horizons.

The Bank proactively manages liquidity risk as a part of its ALM activities. The Bank uses various tools for measurement of liquidity risk including the statement of structural liquidity ("SSL"), liquidity ratios and stress testing through scenario analysis.

The Bank has also framed a LCP, which serves as a framework for early identification and calibrated action in the event of tight liquidity conditions. The LCP includes various indicators which are monitored regularly, and lays down the mechanism for escalation, remedial action and crisis management until return to normalcy.

The Treasury team manages the market risk of treasury positions and the day-to-day liquidity of the Bank. It is subject to periodic review by Internal Audit, and is approved by the Board of Directors. Treasury ensures that adequate liquidity is maintained at all times through systematic funds planning and maintenance of liquid investments. The Bank at all times seeks to maintain diversification in the sources and tenor of its funding. The Bank's liabilities are largely drawn from retail deposits, commercial deposits, other financial institutions, inter bank borrowings, securitizations and other funding sources which may become available from time to time. In addition, liquidity stress testing analysis as per the LCP are regularly performed to assess the Bank's ability to withstand extreme crisis situation.

The Senior Management also regularly monitors the liquidity positions taken on a daily basis. The ALCO and the RC undertake a periodic review of the market risk and liquidity position of the Bank. The liquidity position of the Bank including utilization against gap limits and compliance with liquidity ratios as well as results of stress tests are presented to ALCO on a monthly basis and to the RC on a quarterly basis. It may be noted that as at December 31, 2022, the Bank maintained Liquidity Coverage Ratio ("LCR") of 355% against a regulatory minimum of 100%.

V. Remuneration Process Disclosure

The Bank follows a conservative and comprehensive approach for Compensation Management.

1. Governance & Board Involvement

The Board Governance & Remuneration Committee ("BGRC") of the Bank is responsible for the overview of the Compensation processes, policies and practices. Further, the BGRC is also mandated with finalizing remuneration of all Management Committee members, including the President & CEO of the Bank.

The BGRC reviews and approves all compensation decisions of the Bank as submitted by the Human Resources Department. This is in line with current regulatory recommendations with regard to the BGRC's involvement in approving remuneration for Directors and the Bank's Senior Management.

The BGRC reviews the compensation strategy adopted by the Bank in the context of the regulatory environment and the changing market dynamics at periodic intervals.

The BGRC members do not hold any executive position with the Bank. The BGRC comprises of members who chair the Audit and Conduct Review Committees of the Bank.

2. Performance and Pay

The Bank follows the principles of a balanced scorecard in designing its performance management system. An appropriate focus is given to goal sheets to ensure a balance of financial goals with non-financial goals. The non-financial goals cover relevant areas of customer service, process improvement, adherence to both risk and compliance norms and employee capability building.

Staff engaged in the control functions including Compliance, Risk, Finance, Audit and others do not carry business profit targets in their respective goal sheets and hence, their compensation is dependent on achievement of key results in their respective domain.

Performance bonus is strongly linked to corporate performance and individual performance. For employees carrying business performance targets, business performance is also looked at along with corporate performance and individual performance in order to determine the quantum of performance bonus. The Bank's revenue target is approved by the Board, which periodically reviews the performance against the target and the means adopted for performance.

3. Design and Structure of Compensation

Compensation is aligned to both financial and non-financial indicators of performance. An appropriate focus is given to performance on parameters like customer service, process improvement, adherence to risk and compliance norms and employee capability building.

Further, employee compensation takes into account a balanced mix of external market pay and internal equity considerations. The compensation outlay is based on cost and income ratios for the Bank.

The Bank has a judicious and prudent approach to compensation and does not use compensation as the only lever to attract and retain employees. No single business or functional leader determines the compensation structure. Good governance dictates a BGRC-approved and supervised compensation approach.

The Bank does not encourage any kind of guaranteed bonus.

The Bank follows a bonus distribution method based on individual performance levels. The performance based bonus distribution matrix is determined by the BGRC and the Bank does not follow a business-wise bonus pool concept. No single individual determines the quantity of bonus available to a person. The performance level of an individual is decided by skip levels and this determines in each case the individual's payout as a percentage of one's base salary.

The BGRC reviews the performance and approves the rate of bonus to be paid in each case, the increments to be given to the President & CEO and to members of the Management Committee and also the bonus rates to be paid to various levels as per the performance of the Bank, business group and each individual employee.

The BGRC approves the threshold organisational performance gates for bonus to be paid. The Committee may also fix the annual bonus as nil if the data and analysis show that the performance is far below the expected levels.

4. Deferral of Variable Component Including Risk Adjustments

The Bank is not a listed company in Canada and its employees may be granted options under the Employee Stock Options Scheme (ESOS) of ICICI Bank Limited (the Parent Bank). This scheme is approved by the shareholders of ICICI Bank Limited.

Total compensation is a prudent mix of fixed pay and variable pay. The variable pay is higher at senior levels and lower at junior levels. The variable compensation will consist of performance bonus and Employee Stock Options ("ESOS").

At senior levels, the Bank pays 100% of the deferred variable remuneration in ESOS for a vesting period spanning three or more years. This is paid based on compliance with performance norms both in financial and non-financial areas and does not favour inappropriate risk-taking. As a result, this approach aligns senior management interests with those of the shareholders. All non-vested options lapse in the event of termination of the employment.

The ESOS program aims at achieving the twin objectives of aligning senior and middle management compensation to long-term shareholders' interests and the retention of employees. The ESOS program aims at aligning senior management behavior to the long-term view of the Bank's performance and also to create individual stakes in the Bank's success.

The ESOPs granted by the Bank have a minimum one year vesting period, and thereafter vesting occurs (subject to meeting prescribed vesting criteria) as per vesting schedule on an annual basis over three or more years.

The Bank follows a conservative approach to cash bonus payouts. The quantum of bonus for an employee does not exceed 70% of the base salary and is paid on an annual basis. If the annual cash bonus is more than or equal to CAD value of INR 2,500,000, then 50% will be paid upfront and balance will be deferred equally over a period of three years.

The audited financial statements of the Bank also contain the requisite disclosures in respect of the remuneration paid to the key management personnel ("KMP"). KMP are those persons who have the authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, and comprise the directors of the Bank, the Chief Executive Officer ("CEO") and all direct reports of the CEO. The definition of KMP in IAS 24 Related Party Disclosures, specifies a role and is not limited to a person. KMP include directors (both executive and non-executive) and other members of the management team with significant authority and responsibility for planning, directing and controlling the Bank's activities.

The following table summarizes the compensation paid to the KMP in respect of short-term and other post-employment benefits, during the year ended December 31, 2022:

Amount in CAD 000s

Short-term employee benefits	2,965
Post-employee benefits	191
Total	**3,155**

The Parent grants stock options to the employees of the Bank under the Employee Stock Option Plan of the Parent. Personnel expenses include the cost of stock options granted to employees of the Bank, primarily KMP. Further to the reimbursement agreement entered into with the Parent, the cost of options granted on or after March 22, 2021 would be reimbursed to the Parent. In respect of options granted prior to March 22, 2021, no such reimbursements are to be made and accordingly, the paid-in capital is credited. For the current year, $729 (2021 - $734) have been expensed as the total cost of stock options. For the year ended December 31, 2022, an amount of $558 (2021 - 299) would be reimbursed to the Parent in respect of options granted on or after March 22, 2021 and $171 (2021 - $435) has been credited to the paid-in capital in respect of options granted prior to March 22, 2021.