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

INDEPENDENT AUDITOR'S REPORT

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

Report on Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of **The Hongkong and Shanghai Banking Corporation Limited – India Branches** ('the Bank'), which comprise the Balance Sheet as at March 31, 2024, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and notes to the standalone financial statements including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time as applicable ("RBI Guidelines") as well as the Companies Act, 2013 ('the Act') in the manner so required for Banking Companies and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with Companies (Accounting Standards) Rules, 2021 and other accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2024, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Financial Statements' section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Bank's Executive Committee is responsible for the other information. The other information comprises the Basel III Pillar 3 Disclosures but does not include the standalone financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially inconsistent with the standalone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The other information is not made available to us at the date of the auditor's report.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

The Bank's Management is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, and provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Bank's Management is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings,including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 read with applicable provision of section 133 of the Act.

2) As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

   a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

   b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank;

   c) Since the financial accounting systems of the Bank are centralised and therefore, accounting returns for the purpose of preparing standalone financial statements are not required to be submitted by its branches; we have however, visited 7 branches for the purpose of our audit.

3) As required by section 143(3) of the Act, we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books, except for the matter stated in paragraph 3(i)(vi) below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014. As stated in Note 5.17 of Schedule 18 of the standalone financial statements, the Bank, which was previously maintaining periodic backups has, with effect from June 30, 2023, commenced maintaining daily back-ups of information on relevant applications and other relevant books and papers maintained in electronic mode on servers physically located in India.

   c) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with in this report are in agreement with the books of account;

   d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with relevant rules issued thereunder, to the extent they are not inconsistent with the accounting policies prescribed by RBI;

   e) The requirements of section 164(2) of the Act are not applicable considering that the Bank is a branch of The Hongkong and Shanghai Banking Corporation Limited which is incorporated and registered in the Hongkong Special Administration Region with limited liability;

   f) The observation relating to the maintenance of accounts and other matters connected therewith are as stated in the sub-paragraph (b) of paragraph 3 above on reporting under Section 143(3)(b) and paragraph 3(i)(vi) below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014.

g) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";

h) The provision of section 197(16) of the Act, read with Schedule V to the Act, are applicable to public companies. Accordingly, the Bank being a banking Company as defined under the Banking Regulation Act, 1949, the requirements prescribed under section 197 of the Act do not apply; and

i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 ("the Rules"), in our opinion and to the best of our information and according to the explanations given to us:

   i) The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Note 12 and Note 5.3 of Schedule 18 to the standalone financial statements;

   ii) The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 5.7(ae), (af) and (ag) of Schedule 18 to the standalone financial statements; and

   iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank during the year ended March 31, 2024;

   iv) The Management of the Bank has represented that:

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

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

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

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

   vi) Based on our examination, which included test checks, the Bank has used relevant accounting software programs for maintaining its books of account that have a feature of recording audit trail (edit log) facility. The audit trail feature has operated throughout the year for all relevant transactions recorded in the software programs, except that the audit trail has not been enabled at the database level to log any direct data changes. During the course of our audit, other than the aforesaid instances of audit trail not maintained at database level where the question of our commenting does not arise, we did not notice any instance of the audit trail feature being tampered with. (Refer Note 5.17 of Schedule 18 to the standalone financial statements).

   As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014, is applicable from April 1, 2023, reporting under Rule 11 (g) of the Rules on preservation of audit trail as per the statutory requirements for record retention is not applicable for the year ended March 31, 2024.

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

Sd/-
Sachin A. Negandhi
PARTNER
Membership No.: 112888
UDIN: 24112888BKBIUC5666

Place: Mumbai
Date: June 24, 2024.

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

Sd/-
Daraius Z. Fraser
PARTNER
Membership No.: 042454
UDIN: 24042454BKBKDM1902

Place: Mumbai
Date: June 24, 2024.

Annexure A to the Independent Auditor's Report

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

Report on the Internal Financial Controls with Reference to Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to standalone financial statements of **The Hongkong and Shanghai Banking Corporation Limited – India Branches** ("the Bank") as of March 31, 2024, in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (the "Act" or the "Companies Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to Standalone Financial Statements

A Bank's internal financial control with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial control with reference to financial statements includes those policies and procedures that:

1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Bank are being made only in accordance with authorizations of Management of the Bank; and
3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to Standalone Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper Management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, to the best of our knowledge and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2024, based on the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

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

Sd/-
Sachin A. Negandhi
PARTNER
Membership No.: 112888
UDIN: 24112888BKBIUC5666

Place: Mumbai
Date: June 24, 2024.

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

Sd/-
Daraius Z. Fraser
PARTNER
Membership No.: 042454
UDIN: 24042454BKBKDM1902

Place: Mumbai
Date: June 24, 2024.

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

Balance Sheet as at 31 March 2024

(Currency: Indian rupees in thousands)

	Schedules	**As at 31 March 2024**	As at 31 March 2023
Capital and liabilities			
Capital	*1*	**86,334,160**	86,334,160
Reserves and surplus	*2*	**326,152,085**	271,701,140
Deposits	*3*	**2,012,189,921**	1,878,511,754
Borrowings	*4*	**359,802,424**	448,193,457
Other liabilities and provisions	*5*	**183,251,911**	245,420,016
Total		**2,967,730,501**	2,930,160,527
Assets			
Cash and balances with Reserve Bank of India	*6*	**97,350,407**	94,485,937
Balances with banks and money at call and short notice	*7*	**83,647,632**	332,046,909
Investments	*8*	**1,485,239,304**	1,209,572,942
Advances	*9*	**1,092,161,352**	1,035,742,540
Fixed assets	*10*	**7,881,336**	7,542,076
Other assets	*11*	**201,450,470**	250,770,123
Total		**2,967,730,501**	2,930,160,527
Contingent liabilities	*12*	**29,456,678,525**	28,292,961,302
Bills for collection		**321,382,160**	295,748,447
Significant accounting policies and notes to the Financial Statements	*18*		

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

Profit and Loss Account for the year ended 31 March 2024

(Currency: Indian rupees in thousands)

	Schedules	**For the year ended 31 March 2024**	For the year ended 31 March 2023
Income			
Interest earned	*13*	**199,622,489**	156,027,614
Other income	*14*	**39,527,235**	17,310,069
Total		**239,149,724**	173,337,683
Expenditure			
Interest expended	*15*	**86,502,334**	61,136,469
Operating expenses	*16*	**56,945,292**	47,507,947
Provisions and contingencies	*17*	**41,338,768**	30,163,941
Total		**184,786,394**	138,808,357
Net profit for the year		**54,363,330**	34,529,326
Profit brought forward		**15,955,850**	60,831,696
Total		**70,319,180**	95,361,022
Appropriations			
Transfer to Statutory Reserve		**13,590,833**	8,632,332
Transfer to Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements		**6,327,242**	19,658,527
Transfer to Investment Reserve		**7,410,237**	–
Transfer to Specific Reserve		**1,563,964**	1,071,507
Profit Remitted to Head Office		–	44,875,846
Transfer to Investments Fluctuation Reserve		**5,692,000**	5,166,960
Transfer to Capital Reserves - Surplus on sale of Immovable properties		**7,626**	–
Balance carried over to balance sheet		**35,727,278**	15,955,850
Total		**70,319,180**	95,361,022
Significant accounting policies and notes to the Financial Statements	*18*		

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

This is the Balance Sheet referred to in our report of even date.

This is the Profit and Loss account referred to in our report of even date.

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

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

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

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

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

Sd/-
Amitabh Nevatia
Chief Financial Officer

Sd/-
Hitendra Dave
Chief Executive Officer

Mumbai
24 June 2024

HSBC

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

Cash flow statement for the year ended 31 March 2024

(Currency: Indian rupees in thousands)

		For the year ended 31 March 2024	For the year ended 31 March 2023
Cash flow from operating activities			
Net profit before taxes		**95,307,816**	63,674,446
Adjustments for:			
Depreciation on Bank's property		**938,240**	766,067
(Release) / Provision for depreciation on investments		**(17,543,172)**	8,203,966
Provision for advances		**(90,015)**	520,693
Other provisions		**484,297**	498,128
Profit on sale of fixed assets		**(5,878)**	(277)
		79,091,288	73,663,023
Adjustments for:			
Increase in investments		**(258,123,189)**	(263,624,515)
Increase in advances		**(55,947,617)**	(217,354,807)
Increase in deposits		**133,678,167**	23,694,257
Decrease / (Increase) in other assets		**53,011,302**	(65,585,456)
(Decrease) / Increase in other liabilities and provisions		**(63,034,753)**	73,988,771
		(190,416,090)	(448,881,750)
Direct taxes paid (Net)		**(44,638,000)**	(30,084,773)
Net cash used in operating activities	*(A)*	**(155,962,802)**	(405,303,500)
Cash flow from investing activities			
Purchase of fixed assets		**(1,254,554)**	(645,586)
Proceeds from sale of fixed assets		**73,582**	277
Net cash used in investing activities	*(B)*	**(1,180,972)**	(645,309)
Cash flow generated from financing activities			
(Decrease) / Increase in borrowings (Net)		**(88,391,033)**	327,170,760
Infusion of Capital		–	41,342,500
Profit remitted to Head Office		–	(44,875,846)
Net cash (used in) / generated from financing activities	*(C)*	**(88,391,033)**	323,637,414
Net decrease in cash and cash equivalents	*(A) + (B) + (C)*	**(245,534,807)**	(82,311,395)
Cash and cash equivalents as at 1 April		**426,532,846**	508,844,241
Cash and cash equivalents as at 31 March		**180,998,039**	426,532,846

Note: Cash and cash equivalents comprise cash in hand and in ATMs, balances with Reserve Bank of India and balances with banks and money at call and short notice (refer to schedule 6 and 7 of the Balance Sheet).
The above Cash Flow Statement has been prepared under "Indirect Method" as set out in Accounting Standard-3 "Cash Flow Statements" under Section 133 of Companies Act 2013 read with Rule 7 of Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Rules, 2021.

This is the Cash Flow Statement referrred to in our report of even date.

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

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

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

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

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

Sd/-
Amitabh Nevatia
Chief Financial Officer

Sd/-
Hitendra Dave
Chief Executive Officer

Mumbai
24 June 2024

HSBC

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

Schedules forming part of the Balance Sheet as at 31 March 2024

(Currency: Indian rupees in thousands)

	As at 31 March 2024	As at 31 March 2023
1 Capital		
I Amount of deposit kept with the Reserve Bank of India under Section 11(2) (b) of the Banking Regulation Act, 1949.	**112,580,000**	103,480,000
II Capital		
Opening balance	**86,334,160**	44,991,660
Add : Capital Infusion by Head Office	–	41,342,500
	86,334,160	86,334,160

An amount of Rs. 16,730,000 thousand (Previous year: Rs. 16,730,000 thousand) out of the amount held as deposit under Section 11(2) of the Banking Regulation Act, 1949 has been designated as credit risk mitigation (CRM) for offsetting of non-centrally cleared derivative exposures to Head Office (including overseas branches), and is not reckoned for regulatory capital and any other statutory requirements". (*Refer to schedule 18 note 5.7 (z)*).

	As at 31 March 2024	As at 31 March 2023
2 Reserves and Surplus		
I Statutory Reserve		
Opening balance	**92,978,421**	84,346,089
Additions during the year	**13,590,833**	8,632,332
	106,569,254	92,978,421
II Capital Reserves – Surplus on sale of Immovable properties		
Opening balance	**6,446,928**	6,446,928
Transfer on Sale of Property	**7,626**	–
Transfer from Revaluation Reserve	**60,584**	–
	6,515,138	6,446,928
III Capital Reserves		
Opening balance	–	13,261,565
Less: Transfer to Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements	–	(13,261,565)
	–	–
IV Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements		
Opening balance	**121,229,858**	88,309,766
Add : Transfer from profit and loss account *(refer to schedule 18 note 5.1)*	**6,327,242**	19,658,527
Add : Transfer from Capital Reserves	–	13,261,565
	127,557,100	121,229,858
V Revaluation Reserve		
Opening balance	**4,781,095**	4,513,735
Less : Transfer to Capital Reserve on account of Sale of Property	**(60,584)**	–
Add: Revaluation of premises net of depreciation on revaluation uplift	**87,615**	267,360
	4,808,126	4,781,095
VI Investment Reserve *(refer to schedule 18 note 5.5)*		
Opening balance	–	–
Transfer to the Profit and Loss account	**7,410,237**	–
	7,410,237	–
VII Specific Reserve *(refer to schedule 18 note 5.4)*		
Opening balance	**6,058,988**	4,987,481
Additions during the year	**1,563,964**	1,071,507
	7,622,952	6,058,988
VIII Investment Fluctuation Reserve *(refer to schedule 18 note 5.5)*		
Opening balance	**24,250,000**	19,083,040
Additions during the year	**5,692,000**	5,166,960
	29,942,000	24,250,000
IX Balance in Profit and Loss Account	**35,727,278**	15,955,850
TOTAL (I+II+III+IV+V+VI+VII+VIII+IX)	**326,152,085**	271,701,140
3 Deposits		
A. I. Demand Deposits		
i) From banks	**6,035,264**	7,663,711
ii) From others	**661,799,166**	605,503,013
Total i) and ii)	**667,834,430**	613,166,724
II. Savings Bank Deposits	**194,956,772**	183,075,276
III. Term Deposits		
i) From banks	–	505,866
ii) From others	**1,149,398,719**	1,081,763,888
Total i) and ii)	**1,149,398,719**	1,082,269,754
TOTAL (I+II+III)	**2,012,189,921**	1,878,511,754
B. I. Deposits of branches in India	**2,012,189,921**	1,878,511,754
II. Deposits of branches outside India	–	–
TOTAL (I+II)	**2,012,189,921**	1,878,511,754
4 Borrowings		
I Borrowings in India		
i) Reserve Bank of India	**81,890,000**	116,870,000
ii) Other banks	–	–
iii) Other institutions and agencies	**223,392,055**	308,212,754
iv) Subordinated debt	–	–
Total i), ii), iii) and iv)	**305,282,055**	425,082,754
II Borrowings outside India	**54,520,369**	23,110,703
TOTAL (I+II)	**359,802,424**	448,193,457
Secured borrowings included in I and II above	**295,691,905**	415,892,604
5 Other liabilities and provisions		
I Bills payable	**3,976,291**	4,588,651
II Inter-office adjustments (net)	–	–
III Interest accrued	**13,026,624**	10,426,224
IV Provision towards standard assets *(refer to schedule 18 Note 5.7 (o))*	**7,416,908**	7,798,088
V Others (including provisions) (refer to schedule 18 note 5.7 (aj))	**158,832,088**	222,607,053
TOTAL (I+II+III+IV+V)	**183,251,911**	245,420,016

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

Schedules forming part of the Balance Sheet as at 31 March 2024

(Currency: Indian rupees in thousands)

	As at 31 March 2024	As at 31 March 2023
6 Cash and balances with Reserve Bank of India		
I Cash in hand and in ATMs (including foreign currency notes)	**1,293,749**	1,729,743
II Balances with the Reserve Bank of India		
i) In current account	**96,056,658**	92,756,194
ii) In other accounts	**–**	–
Total i) and ii)	**96,056,658**	92,756,194
TOTAL (I+II)	**97,350,407**	94,485,937
7 Balances with banks and money at call and short notice		
I In India		
i) Balances with banks		
a) in current accounts	**2,133,813**	5,686,762
b) in other deposit accounts	**–**	–
Total a) and b)	**2,133,813**	5,686,762
ii) Money at call and short notice		
a) with banks	**–**	–
b) with other institutions	**79,570,152**	88,834,491
Total a) and b)	**79,570,152**	88,834,491
Total i) and ii)	**81,703,965**	94,521,253
II Outside India		
i) In current accounts	**1,943,667**	7,849,167
ii) In other deposit accounts	**–**	–
iii) Money at call and short notice	**–**	229,676,489
Total i), ii) and iii)	**1,943,667**	237,525,656
TOTAL (I+II)	**83,647,632**	332,046,909
8 Investments		
I. Investments in India in *(refer to schedule 18 note 5.7 (d))*		
i) Government securities	**1,282,055,400**	1,078,350,773
ii) Other approved securities	**–**	–
iii) Shares	**136,100**	136,100
iv) Debentures and bonds	**56,864,488**	34,951,466
v) Subsidiaries and/or joint ventures	**501**	501
vi) Others (Pass Through Certificates)	**146,182,815**	55,119,553
Total i), ii), iii), iv), v) and vi)	**1,485,239,304**	1,168,558,393
II. Investments outside India in *(refer to schedule 18 note 5.7 (d))*		
i) Government securities	**–**	41,014,549
TOTAL (I+II)	**1,485,239,304**	1,209,572,942

	As at 31 March 2024	As at 31 March 2023
9 Advances		
A. i) Bills purchased and discounted	**103,646,141**	74,458,188
ii) Cash credits, overdrafts and loans repayable on demand	**369,759,367**	344,568,658
iii) Term loans	**618,755,844**	616,715,694
Total i), ii) and iii)	**1,092,161,352**	1,035,742,540
B. i) Secured by tangible assets (including advances against book debt)	**633,980,979**	616,277,062
ii) Covered by Bank / Government guarantees	**30,534,986**	26,921,367
iii) Unsecured	**427,645,387**	392,544,111
TOTAL i), ii) and iii)	**1,092,161,352**	1,035,742,540
CI. Advances in India		
i) Priority sectors	**182,708,495**	164,482,703
ii) Public sector	**8,340,500**	34,024,907
iii) Banks	**1,600,280**	–
iv) Others	**899,512,077**	837,234,930
TOTAL i), ii), iii) and iv)	**1,092,161,352**	1,035,742,540
CII. Advances ouside India	**–**	–
TOTAL CI and CII	**1,092,161,352**	1,035,742,540
10 Fixed Assets		
I Premises (including leasehold improvements) *(refer to schedule 18 note 5.2)*		
Cost at 1 April (including revaluation)	**8,236,272**	7,959,969
Additions during the year	**9,639**	–
Revaluation of premises during the year	**94,859**	276,304
Deductions during the year	**(86,598)**	–
	8,254,172	8,236,273
Depreciation to date	**(2,475,203)**	(2,413,559)
Net book value of Premises (including leasehold improvements)	**5,778,969**	5,822,714
II Other Fixed Assets (including furniture and fixtures)		
Cost at 1 April	**4,879,483**	4,511,458
Additions during the year	**1,485,579**	468,676
Deductions during the year	**(71,825)**	(100,652)
	6,293,237	4,879,482
Depreciation to date	**(4,215,970)**	(3,425,885)
Net book value of Other Fixed Assets (including furniture and fixtures)	**2,077,267**	1,453,597
III Capital Work-in-progress	**25,100**	265,765
TOTAL (I+II+III)	**7,881,336**	7,542,076

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

Schedules forming part of the Balance Sheet as at 31 March 2024

(Currency: Indian rupees in thousands)

		As at 31 March 2024	As at 31 March 2023
11	**Other Assets**		
I	Inter-office adjustments (net)	–	–
II	Interest accrued	28,855,575	23,393,256
III	Tax paid in advance/tax deducted at source (net of provision for tax)	18,100,614	13,935,066
IV	Deferred tax (net) *(refer to schedule 18 note 5.12)*	1,859,440	2,333,339
V	Stationery and stamps	2,753	2,812
VI	Non-banking assets acquired in satisfaction of claims	–	–
VII	Items in course of collection	–	–
VIII	Others* *(refer to schedule 18 note 5.7 (aj))*	152,632,088	211,105,650
	TOTAL (I+II+III+IV+V+VI+VII+VIII)	**201,450,470**	250,770,123

* Includes deposits placed with NABARD/NHB/SIDBI/MUDRA under priority sector lending schemes of Rs.19,303,109 thousand (previous year: Rs.21,899,040 thousand)

		As at 31 March 2024	As at 31 March 2023
12	**Contingent liabilities** *(refer to schedule 18 note 5.14)*		
I	Claims against the bank not acknowledged as debts (including tax matters) *(refer to schedule 18 note 5.3)*	9,300,433	11,070,418
II	Liability for partly paid investments	500	500
III	Liability on account of outstanding forward exchange and derivative contracts		
	i) Forward contracts	11,713,534,043	9,774,031,579
	ii) Currency options	1,510,335,794	1,085,148,278
	iii) Derivative contracts	15,444,945,468	16,702,310,175
	Total i), ii) and iii)	**28,668,815,305**	27,561,490,032
IV	Guarantees given on behalf of constituents		
	i) In India	482,327,473	431,107,139
	ii) Outside India	62,877,039	57,850,540
	Total i) and ii)	**545,204,512**	488,957,679
V	Acceptances, endorsements and other obligations	111,230,290	117,314,504
VI	Bills rediscounted	3,349,813	–
VII	Other items for which the bank is contingently liable	118,777,672	114,128,169
	TOTAL (I+II+III+IV+V+VI+VII)	**29,456,678,525**	28,292,961,302

Schedules forming part of the Profit and Loss Account for the year ended 31 March 2024

(Currency: Indian rupees in thousands)

		For the year ended 31 March 2024	For the year ended 31 March 2023
13	**Interest earned**		
I	Interest/discount on advances/bills	89,300,975	73,551,803
II	Income on investments	97,572,288	64,614,409
III	Interest on balances with Reserve Bank of India and other inter-bank funds	5,215,806	12,569,230
IV	Others	7,533,420	5,292,172
	TOTAL (I+II+III+IV)	**199,622,489**	156,027,614
14	**Other income**		
I	Commission, exchange and brokerage (net)	10,639,184	10,175,175
II	(Loss) on sale/maturity of investments (net)	(10,643,886)	(10,889,508)
III	Profit/(Loss) on revaluation of investments (net)	17,543,172	(8,203,966)
IV	Profit on disposal of land, buildings and other assets (net)	5,878	277
V	Profit on exchange transactions (net)	21,693,254	25,977,025
VI	Miscellaneous income	289,633	251,066
	TOTAL (I+II+III+IV+V +VI)	**39,527,235**	17,310,069
15	**Interest expended**		
I	Interest on deposits	73,622,787	54,119,737
II	Interest on Reserve Bank of India/inter-bank borrowings	2,012,306	1,364,830
III	Others	10,867,241	5,651,902
	TOTAL (I+II+III)	**86,502,334**	61,136,469
16	**Operating expenses**		
I	Payments to and provisions for employees	14,613,260	12,541,099
II	Rent, taxes and lighting	1,356,765	1,209,594
III	Printing and stationery	122,374	44,337
IV	Advertisement and publicity	1,748,963	1,614,995
V	Depreciation on Bank's property	938,240	766,067
VI	Auditors' fees and expenses	19,000	16,500
VII	Law charges	103,062	66,535
VIII	Postage, telegrams, telephones, etc.	222,441	191,255
IX	Repairs and maintenance	1,124,560	1,367,468
X	Insurance	2,850,345	2,752,555
XI	Other expenditure *(refer to schedule 18 note 5.7 (aj))*	33,846,282	26,937,542
	TOTAL (I+II+III+IV+V+VI+VII+VIII+IX+X+XI)	**56,945,292**	47,507,947
17	**Provisions and Contingencies** *(refer to schedule 18 note 5.7 (c))*		
I	Provision for advances	(90,015)	520,693
II	Taxation charge		
	– Current tax expense	40,470,586	28,789,235
	– Deferred tax charge	473,900	355,885
		40,944,486	29,145,120
III	Other provisions	484,297	498,128
	TOTAL (I+II+III)	**41,338,768**	30,163,941

Schedules forming part of the Financial Statements for the year ended 31 March 2024

(Currency: Indian rupees)

Schedule 18 – Significant accounting policies and notes to accounts

1 Background

The accompanying financial statements for the year ended 31 March 2024, comprise the accounts of the India Branches of The Hongkong and Shanghai Banking Corporation Limited ('the Bank'), which is incorporated and registered in Hong Kong Special Administrative Region ('SAR'). The Bank's ultimate holding company is HSBC Holdings plc, which is incorporated in the England.

2 Basis of preparation

The financial statements are prepared and presented under the historical cost convention and accrual basis of accounting, except where otherwise stated, and in accordance with the generally accepted accounting principles ('GAAP') in India and statutory requirements prescribed under the Banking Regulation Act, 1949, circulars and guidelines issued by the Reserve Bank of India ('RBI'), Accounting Standards ('AS') notified under Section 133 of the Companies Act, 2013 read together with Rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Rules, 2021 and the relevant provisions of the Companies Act 2013 to the extent applicable and current practices prevailing within the banking industry in India. The financial statements are presented in Indian Rupees rounded off to the nearest thousand, unless otherwise stated.

3 Use of estimates

The preparation of financial statements, in conformity with GAAP, requires Management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent liabilities as at the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

4 Significant accounting policies

4.1 Investments

(a) Accounting and Classification

Investments are recognised using the settlement date basis of accounting. In compliance with RBI guidelines, all investments, which cover both debt and equity securities, are categorised as "Held for trading" ('HFT'), "Available-for-sale" ('AFS') or "Held-to-maturity" ('HTM') at the time of acquisition. Investments acquired by the Bank with the intention of holding up to maturity are classified as HTM. Investments acquired with the intention to trade by taking advantage of short-term price/interest rate movements and to be sold within 90 days are classified as HFT. All other investments are classified as AFS.

(b) Acquisition cost

Brokerage and commission paid at the time of acquisition are charged to Profit and Loss Account. Further, cost of investments is determined based on weighted average cost method at a dealing position level.

(c) Valuation

Investments categorised under AFS and HFT are marked-to-market on a monthly and daily basis respectively. Net depreciation, if any, in any classification mentioned in Schedule 8 ('Investments') is recognised in the profit and loss account. The net appreciation if any, under each classification is ignored, except to the extent of depreciation previously provided. The book value of individual securities is not changed consequent to periodic valuation of investments.

The mark-to-market value of investments classified as HFT and AFS is determined using Yield to Maturity ('YTM') rates / prices as notified by Financial Benchmarks India Pvt. Ltd. (FBIL), Fixed Income Money Market and Derivatives Association ('FIMMDA') jointly with Primary Dealers Association of India ('PDAI'). The prices, base yield curve for GOI bonds, SDLs, Corporate Bonds are notified by FBIL, while the credit spreads over the GOI curve in bps is published by FIMMDA.

Investments classified under the HTM category are carried at their acquisition cost and any premium on acquisition is amortised on a straight line basis over the remaining period to maturity. In terms of RBI guidelines, discount on securities held under HTM category is not accrued and such securities are held at the acquisition cost till maturity. Where in the opinion of Management, a diminution, other than temporary in the value of investments classified under HTM has taken place, suitable provisions are made.

Pass Through Certificates ('PTC') purchased have been marked to market on the basis of the base yield curve and the applicable spreads as per the spread matrix relative to the weighted average maturity of the paper as notified by FBIL. Further to account for the illiquidity factor, an illiquidity spread is determined based on the bid/offer spreads being ` in the market at a rating category (AAA, AA+ etc) and maturity tenor bucket (upto 5 years, >5 years) level. This spread is considered for the valuation.

Quoted equity shares are valued based on the closing quotes published on the recognized stock exchanges. Unquoted equity shares are valued at break-up value if the latest balance sheet is available, if unavailable, at Re 1 per equity share.

Treasury Bills, Commercial Paper, Certificates of Deposit and Zero Coupon Bonds being discounted instruments, are valued at carrying cost.

(d) Transfer between categories

Transfer of investments between categories is accounted for in accordance with RBI guidelines vide RBI Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), as follows:

i) Investments classified as AFS/HFT are transferred to HTM category at the lower of book value (weighted average) and market value;

ii) Investments classified as HTM are transferred to AFS/HFT categories as follows:

- Investments originally placed in HTM at a discount, are transferred to AFS/HFT category at the acquisition price/ book value (weighted average) and;
- Investments originally placed in HTM at a premium, are transferred to AFS/HFT category at the amortised cost (weighted average);

iii) Investments classified as AFS/HFT are transferred to HFT/AFS category at book value (weighted average) and the provisions for the accumulated depreciation, if any, held is transferred to the provisions for depreciation against HFT/AFS.

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

4 Significant accounting policies *(Continued)*

4.1 Investments (Continued)

(e) Accounting for repos / reverse repos (including liquidity adjustment facility)

Repurchase (repos) and reverse repurchase (reverse repos) transactions are accounted for as collateralised borrowing and lending respectively with an agreement to repo on agreed terms in accordance with RBI guidelines vide master circular DBR No. BP. BC.6/21.04.141/2015-16 dated 1 July 2015. The difference between the consideration amounts of first and second leg is recognised as interest income / expense over the period of the transaction in the profit and loss account. Transactions with RBI under the Liquidity Adjustment Facility (LAF) are also accounted for as collateralised borrowing and lending transactions.

(f) Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. Such short positions are categorised under HFT category. These positions are marked-to-market along with the other securities under HFT portfolio and the resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments as explained under point 4.1(c).

4.2 Advances

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

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

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

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

Provisioning for restructured assets is made in accordance with the requirements prescribed by RBI guidelines.

Provision on standard assets is made in line with the existing RBI guidelines and included in Schedule 5 'Other Liabilities and Provisions'. The Bank also maintains provision for country risk exposures as per extant RBI guidelines and discloses the same in Schedule 5 - Other liabilities and provisions.

The Bank assesses the unhedged foreign currency exposure (UFCE) of corporate customers and adequate provisions are maintained as required by RBI guidelines. These provisions are included alongwith standard asset provision mentioned above.

The sale of financial assets or Non Performing Advances (NPA) to Securitisation Company (SC)/Reconstruction Company (RC) is accounted for in accordance with RBI guidelines on 'Sale of financial assets to SC/RC', wherein if the sale to SC/RC is for a value higher than the Net Book Value (NBV), the excess provision is reversed.

In case the sale of NPA is to non SC/RC then same is accounted for in accordance with the RBI guidelines on "Purchase/Sale of Non Performing Financial Assets", wherein if the sale of non-performing advances is for a value higher than the NBV of the loans, the excess provision is not reversed but is held back to meet the shortfall/loss on account of sale of other non-performing advances and classified as additional standard asset provision subject to an overall ceiling of 1.25% of risk weighted assets. In case of a sale at a value lower than NBV, the shortfall is recognised in the profit and loss account in the year of sale after setting off any earlier provision held back on sale of other non-performing advances.

The Bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of the participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

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

4.3 Securitisation (including assignment)

Securitisation transactions entered in to by the Bank, wherein corporate/retail loans are sold to a Special Purpose Vehicle ('SPV') are accounted for in accordance with the RBI guidelines.

Securitised assets are derecognised upon sale if the Bank surrenders control over the contractual rights that comprise the financial asset. In respect of credit enhancements provided or recourse obligations accepted by the Bank, appropriate provision / disclosure is made at the time of sale in accordance with AS 29 – 'Provisions, contingent liabilities and contingent assets'.

Gains on securitisations, being the excess of the consideration received over book value of the assets and provisions towards expected costs including servicing costs and expected delinquencies are amortised over the life of the securities issued by the SPV. Losses are recognised immediately.

Gain arising out of sale of loans through direct assignment is amortised over the life of underlying loans sold and loss arising is recorded immediately in the Profit and Loss account.

Sales and transfers that do not meet the criteria for surrender of control are accounted for as secured borrowings.

Securities issued by securitisation vehicles where the Bank is an investor are treated as AFS instrument and accounted in line with accounting policy under 4.1 (c).

4.4 Priority Sector Lending Certificates

The Bank enters into transactions for the sale or purchase of Priority Sector Lending Certificates (PSLCs). In the case of a sale transaction, the Bank sells the fulfilment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfilment of priority sector obligation through the RBI trading platform. There is no transfer of risks or loan assets. The fee received from the sale of PSLCs is recorded as miscellaneous income in schedule 14 (VI) and the fee paid for purchase of the PSLCs is recorded as expense in schedule 16 (XI) in Profit and Loss Account. These are amortised over the period of the certificate.

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

4 Significant accounting policies *(Continued)*

4.5 Foreign Exchange Transactions

Transactions denominated in foreign currencies are recorded at rates prevailing on the date of the transaction. Exchange differences arising on foreign currency transactions settled during the period are recognised in profit and loss account of the period. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at closing rates notified by Foreign Exchange Dealers Association of India ('FEDAI') and resultant exchange differences are recognised in the profit and loss account.

The premium or discount arising at the inception of a forward exchange contract not meant for trading or speculation is amortised as expense or income over the life of the contract. Exchange differences arising on such a contract are recognised in the profit and loss account in the reporting period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such a forward exchange contract is recognised as income or expense for the period.

Outstanding spot and forward exchange contracts and foreign currency swaps meant for trading or speculation are revalued based on the period end exchange rates notified by FEDAI. The contracts where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the FX yield curves of the respective currencies.

The forward exchange contracts are present valued using appropriate discount rates and the resultant gains or losses are recognised in the profit and loss account. Contingent liabilities denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

4.6 Derivative financial instruments

The Bank transacts derivatives for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business and to manage and hedge the bank's own risks. Derivatives (except for interest rate swaps which are designated as hedging instruments as per Forward Rate Agreement/Interest Rate Swap Circular Ref.No.MPD.BC.187/07.01.279/1999-2000 dated July 7, 1999) are held for trading.

Trading activities include sales, market-making and risk management while hedging transactions are entered into as part of the Bank's risk management strategy relating to the Bank's assets, liabilities, positions or cash flows.

Derivatives in the form of forwards, swaps and option contracts are undertaken by the Bank in the foreign exchange and interest rate markets.

Trading transactions are marked-to-market on a daily basis and the unrealised losses or gains are recognised into the profit and loss account as 'Other Income'. Currency Options are marked-to-market using market values after considering the premium received or paid. The profit or loss on revaluation is recorded in the profit and loss account and is included in 'Other assets' or 'Other liabilities'. Accordingly, premium received and paid is recognised in the profit and loss account upon expiry or exercise of the options.

Fair value adjustments as explained in schedule 18 note 5.7 (ae) are made on a monthly basis at the minimum with the adjustment accounted for in the profit and loss account and the corresponding debit/credit posted against 'Other Liabilities'.

Interest rate swaps designated as hedges are accounted for in line with the accounting of the underlying asset or liability. Where the underlying asset or liability is accounted for on an accrual basis the derivative is also accounted for on accrual basis. Where the designated asset or liability is carried at lower of cost or market value in the financial statements the derivatives are marked-to-market with the resulting gain or loss recorded as an adjustment to the market value of the designated asset or liability.

Gains and losses from changes in the fair value of derivatives, including the contractual interest, that do not qualify for hedge accounting are recognised immediately in the profit and loss account as 'Other income'.

4.7 Income recognition

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

Interest income is recognised in the profit and loss account on an accrual basis, except in the case of interest on non-performing assets and unless otherwise specified by RBI guidelines.

Fee and commission income are recognised on an accrual basis except in case of Non-Performing Assets. Commission on guarantees and letters of credit are recognised over the life of the instrument.

Dividends on equity shares are recognised as income when the right to receive dividends is established.

Given the uncertainty ascribed to non-performing assets, income thereon is only recognised in the profit and loss account on a receipt basis in accordance with RBI guidelines.

4.8 Employee benefits

The accounting policy followed by the Bank in respect of its Employee Benefit Schemes is set out below:

(a) Provident fund

The Bank contributes to recognised provident fund, which is a defined contribution scheme. The contributions are accounted for on an accrual basis and recognised in the profit and loss account.

(b) Gratuity

The Bank provides for gratuity liability, which is a defined benefit scheme, based on an actuarial valuation using the projected unit credit method at the balance sheet date carried out by an independent qualified actuary.

Actuarial gains/losses for the gratuity liability are recognised in the profit and loss account.

(c) Pension

The Bank has an active pension scheme for award staff. This is defined benefit plan for employees who joined prior to 31 March 2002 and defined contribution plan for employees joined after 31 March 2002 till December 2016. In 2004, the bank introduced new salary terms for management staff and the pension benefits have been frozen based on the salary and service on the date of conversion. In respect of employees covered under the defined benefit plan, the Bank provides for the pension liability based on an actuarial valuation using the projected unit credit method at the balance sheet date carried out by an independent qualified actuary. In respect of other employees, the contributions are accounted for on an accrual basis and recognised in the profit and loss account.

Actuarial gains/losses for the pension liability are recognised in the profit and loss account.

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

4 Significant accounting policies ***(Continued)***

4.8 Employee benefits (Continued)

(d) Compensated absences

The Bank has a leave encashment scheme for its award staff which is a defined benefit plan. The Bank provides for the leave encashment liability based on an actuarial valuation using the projected unit credit method at the balance sheet date carried out by an independent qualified actuary.

Actuarial gains/losses for the leave encashment liability are recognised in the profit and loss account.

4.9 Fixed assets and depreciation

Fixed assets are stated at acquisition cost less accumulated depreciation, with the exception of premises.

Premises are revalued annually and stated at revalued cost less accumulated depreciation. The revaluation of premises is done in line with RBI guidelines. The surplus arising on revaluation is credited to revaluation reserve account except to the extent such increase is related to and not greater than a decrease arising on revaluation previously recorded as a charge to the profit and loss account, wherein it is credited to profit and loss account. Deficit arising on revaluation is charged to the profit and loss account except to the extent such decrease is related to an increase previously recorded as a credit to revaluation reserve which has not been subsequently reversed or utilised, wherein it is charged directly to revaluation reserve account. On disposal of revalued premises, the amount standing to the credit of revaluation reserve is transferred to Capital Reserve in accordance with the RBI guidelines. Profit on disposal of premises is recognised in the Profit and Loss Account and subsequently appropriated to Capital Reserve. Losses are recognised in the Profit and Loss Account.

Fixed assets individually costing less than Rs.85,000 are expensed in the year of purchase. Depreciation is provided on a straight line basis over the estimated useful life of the asset. The useful life estimates prescribed in Part C of Schedule II to the Companies Act, 2013 are generally adhered to, except in respect of few asset classes where, based on technical evaluation, Management evaluation and past experience, a different estimate of useful life is considered suitable. The rates applied by the Bank on different categories of fixed assets are as follows:

Category of Asset	Useful life of Assets
Freehold land	–
Premises	50 Years
Leasehold improvements	Over 5 years or remaining period of lease whichever is lower
Computers	3 Years
ATM	7 Years
Improvements at owned premises	5 - 10 Years
Other fixed assets	5 Years

Freehold land is not depreciated as it has an indefinite economic life.

The Bank assesses at each balance sheet date whether there is any indication that an asset may be impaired and provides for impairment loss, if any, in the profit and loss account.

4.10 Accounting for leases

Assets taken on lease are accounted for in accordance with provisions of AS 19-‘Leases’. Lease payments under operating leases are recognised as an expense in the profit and loss account on a straight line basis over the lease term.

4.11 Taxes on income

“Taxation charge” comprises current tax provision and net change in deferred tax asset and liability during the year.

Current tax provision represents the estimated income-tax liability determined in accordance with the provisions of the Income Tax Act, 1961 and the rules framed thereunder.

The Bank accounts for deferred taxes in accordance with the provisions of AS 22 “Accounting for Taxes on Income”. Deferred tax is provided on timing differences between the accounting and tax treatment of income and expenditure. Deferred tax assets are recognised only if there is reasonable certainty that they will be realised in the future. However, where there are unabsorbed depreciation or carry forward losses, deferred tax assets are recognised only if it is virtually certain that these assets will be realized supported by convincing evidence. Deferred tax assets are reviewed for appropriateness of their carrying value at each balance sheet date. Deferred tax liabilities are generally recognised for all taxable timing differences. Deferred tax assets and liabilities are measured using the tax rates that have been enacted or substantively enacted by the balance sheet date.

4.12 Provision for reward points on credit cards

The Bank has a policy of awarding reward points for credit card spends by customers. Provision for credit card reward points is made on the basis of behavioral analysis of utilisation trends.

4.13 Provisions, contingent liabilities and contingent assets

The Bank creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. In cases where available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reliably estimated, a disclosure to this effect is made in the financial statements. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts

5.1 Capitalisation of profit

The Bank has appropriated Rs. 6,327,242 thousand amount of accumulated profits to Remittable Surplus retained in India for Capital to Risk-weighted Assets Ratio (CRAR) requirements (previous year: Rs. 19,658,527 thousand).

5.2 Fixed assets

During the year, the Bank revalued its properties in accordance with the applicable RBI guidelines. For property valued above Rs. 500 million the valuation was obtained from two independent valuers. The Bank revalued its owned freehold premises upward by Rs. 94,859 thousand (previous year: upward by Rs. 276,304 thousand) based on an independent professional valuation.

Certain premises valued at Rs. 4,841,910 thousand (previous year: Rs. 4,814,380 thousand) acquired under a Scheme of Arrangement are held in the name of HSBC Agency (India) Private Limited, a wholly owned subsidiary, for the benefit of the Bank. Accordingly, these premises have been treated as assets of the Bank.

5.3 Taxation

Contingent liability of the Bank in respect of taxation for pending litigation for all the years where tax assessment/reassessment has been completed (i.e. upto assessment year 2021-22) amounts to Rs. 7,082,786 thousand (previous year: Rs. 8,816,417 thousand upto assessment year 2019-20). This is awaiting final outcome of the appeals filed by the Bank/Revenue authorities. Management considers that adequate provision has been made for tax liabilities relating to above assessment years.

5.4 Specific Reserve

This Reserve is created and maintained in accordance with the provisions of Section 36(1)(viii) of the Income-tax Act, 1961 and is tax deductible subject to limits prescribed therein. Any amounts subsequently withdrawn there from, if at all, is liable to income tax in the year in which withdrawn.

5.5 Investment Fluctuation Reserve and Investment Reserve

As prescribed in the RBI Master Circular DOR.MRG.42/21.04.141/2021-22 dated 25 August 2021, and amendments thereto, the Bank has transferred an amount of Rs. 5,692,000 thousand during the year to Investment Fluctuation Reserve (previous year: Rs. 5,166,960 thousand) and Rs. 7,410,237 thousand to Investment Reserve (previous year: Rs. Nil).

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

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

5.7 Statutory disclosures

(a) Capital adequacy ratio

The capital adequacy ratio of the Bank, calculated as per RBI guidelines is set out below:

(Rs '000)

Particulars	**As at 31 March 2024**	As at 31 March 2023
i) Common Equity Tier 1 capital (CET 1) (net of deductions, if any)	**334,065,967**	312,898,376
ii) Additional Tier 1 capital	–	–
Tier 1 capital (i + ii)	**334,065,967**	312,898,376
Tier 2 capital	**46,132,396**	33,368,796
Total capital (Tier 1+Tier 2)	**380,198,363**	346,267,172
Total Risk Weighted Assets (RWAs)	**2,394,326,521**	2,085,805,391
CET 1 Ratio (CET 1 as a percentage of RWAs)	**13.95%**	15.00%
Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	**13.95%**	15.00%
Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	**1.93%**	1.60%
Capital to Risk Weighted Assets Ratio (CRAR)	**15.88%**	16.60%
(Total Capital as a percentage of RWAs)		
Leverage Ratio	**8.23%**	8.15%
Percentage of the shareholding of		
a) Government of India	–	–
b) State Government	–	–
c) Sponsor Bank	–	–
Amount of paid-up equity capital raised during the year	–	41,342,500*
Amount of non-equity Tier 1 capital raised during the year	–	–
Amount of Tier 2 capital raised during the year	–	–

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

Capital adequacy for the current year has been calculated based on the Guidelines in Master Circular – Basel III Capital Regulations, issued vide circular RBI/2022-23/12 DOR.CAP. REC. 3/21.06.201/2022-23 dated 12 May 2023 and relevant circulars issued thereafter.

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

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(b) Business ratios/ information

The details relating to business ratios are given below:

	For the year ended 31 March 2024	For the year ended 31 March 2023
Interest income as percentage to Working Funds	**6.93%**	5.63%
Non-interest income as percentage to Working Funds	**1.37%**	0.63%
Cost of deposits	**3.59%**	2.78%
Net Interest Margin	**4.49%**	4.01%
Operating profits as percentage to Working Funds	**3.32%**	2.34%
Return on assets	**1.89%**	1.25%
Business (deposits plus advances) per employee (Rs '000)	**792,269**	827,787
Profit per employee (Rs '000)	**13,908**	9,836

The figures have been computed in accordance with RBI guidelines vide master circular DBR.BP.BC No.23/21.04.018/2015-16 dated 1 July 2015. Working funds represent average of total assets as reported to RBI in Form X. Return on assets is also based on average of total assets as reported to RBI in Form X.

(c) Provisions and Contingencies

(Rs '000)

Break up of provisions and contingencies shown under the head expenditure in Profit & Loss account	**For the year ended 31 March 2024**	For the year ended 31 March 2023
Provision towards NPA (including write-offs net of recoveries)	**291,165**	74,753
Provision towards standard assets	**(181,538)**	645,982
Release towards country risk	**(199,642)**	(200,042)
Provision towards current tax expense	**40,470,586**	28,789,235
Provision towards deferred tax	**473,900**	355,885
Other Provisions and Contingencies (refer to note 5.14)		
Provision towards reward points	**420,853**	248,452
(Release) / Provision towards claims under litigation	**(14,706)**	1,155
Provision / (Release) towards other receivables	**97,868**	(116,129)
Others	**(19,718)**	364,650
Total	**41,338,768**	30,163,941

(d) Investments

As at 31 March 2024

(Rs '000)

	Investments in India							Investments outside India				
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Subsidiaries and/or joint ventures	Others	Total investments in India	Government securities (including local authorities)	Subsidiaries and/or joint ventures	Others	Total Investments outside India	Total Investments
Held to Maturity												
Gross	**287,573,195**	–	–	–	**501**	–	**287,573,696**	–	–	–	–	**287,573,696**
Less: Provision for non-performing investments (NPI)	–	–	–	–	–	–	–	–	–	–	–	–
Net	**287,573,195**	–	–	–	**501**	–	**287,573,696**	–	–	–	–	**287,573,696**
Available for Sale												
Gross	**916,040,172**	–	**136,100**	**54,861,012**	–	**146,711,326**	**1,117,748,610**	–	–	–	–	**1,117,748,610**
Less: Provision for depreciation and NPI	**(6,975,808)**	–	–	–	–	**(528,511)**	**(7,504,319)**	–	–	–	–	**(7,504,319)**
Net	**909,064,364**	–	**136,100**	**54,861,012**	–	**146,182,815**	**1,110,244,291**	–	–	–	–	**1,110,244,291**
Held for Trading												
Gross	**85,467,010**	–	–	**2,003,476**	–	–	**87,470,486**	–	–	–	–	**87,470,486**
Less: Provision for depreciation and NPI	**(49,169)**	–	–	–	–	–	**(49,169)**	–	–	–	–	**(49,169)**
Net	**85,417,841**	–	–	**2,003,476**	–	–	**87,421,317**	–	–	–	–	**87,421,317**
Total Investments	1,289,080,377	–	136,100	56,864,488	501	146,711,326	1,492,792,792	–	–	–	–	1,492,792,792
Less: Provision for depreciation and NPI	**(7,024,977)**	–	–	–	–	**(528,511)**	**(7,553,488)**	–	–	–	–	**(7,553,488)**
Net	**1,282,055,400**	–	**136,100**	**56,864,488**	**501**	**146,182,815**	**1,485,239,304**	–	–	–	–	**1,485,239,304**

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(d) Investments (continued)

As at 31 March 2023

(Rs '000)

	Investments in India							Investments outside India				
	Government Securities	Other Approved Securities	Shares	Debentures and Bonds	Sub-sidiaries and/ or joint ventures	Others	Total invest-ments in India	Government securities (including local authorities)	Sub-sidiaries and/ or joint ventures	Others	Total Investments outside India	Total Investments
Held to Maturity												
Gross	241,284,499	–	–	–	501	–	241,285,000	–	–	–	–	241,285,000
Less: Provision for non-performing investments (NPI)	–	–	–	–	–	–	–	–	–	–	–	–
Net	241,284,499	–	–	–	501	–	241,285,000	–	–	–	–	241,285,000
Available for Sale												
Gross	838,939,461	–	136,100	34,951,466	–	55,964,234	929,991,261	41,014,549	–	–	41,014,549	971,005,810
Less: Provision for depreciation and NPI	(24,195,971)	–	–	–	–	(844,681)	(25,040,652)	–	–	–	–	(25,040,652)
Net	814,743,490	–	136,100	34,951,466	–	55,119,553	904,950,609	41,014,549	–	–	41,014,549	945,965,158
Held for Trading												
Gross	22,378,792	–	–	–	–	–	22,378,792	–	–	–	–	22,378,792
Less: Provision for depreciation and NPI	(56,008)	–	–	–	–	–	(56,008)	–	–	–	–	(56,008)
Net	22,322,784	–	–	–	–	–	22,322,784	–	–	–	–	22,322,784
Total Investments	1,102,602,752	–	136,100	34,951,466	501	55,964,234	1,193,655,053	41,014,549	–	–	41,014,549	1,234,669,602
Less: Provision for non-performing investments	–	–	–	–	–	–	–	–	–	–	–	–
Less: Provision for depreciation and NPI	(24,251,979)	–	–	–	–	(844,681)	(25,096,660)	–	–	–	–	(25,096,660)
Net	1,078,350,773	–	136,100	34,951,466	501	55,119,553	1,168,558,393	41,014,549	–	–	41,014,549	1,209,572,942

The Bank has no sale and transfer to/from HTM category during the year (Previous Year: Rs. Nil). Investments include government securities representing face value of Rs. 480,275,884 thousand (previous year: Rs. 582,328,636 thousand) deposited for settlement guarantee fund and collateralised borrowing and lending obligation (CBLO) with Clearing Corporation of India Limited (CCIL); and for repo transaction, liquidity adjustment facility (LAF) and to meet the requirement of section 11 (2) (b) of the Banking Regulation Act, 1949 with RBI.

(Rs '000)

Particulars			**As at 31 March 2024**	As at 31 March 2023
i)	**Movement of provisions held towards depreciation on investments**			
	a)	Opening balance	**25,096,660**	16,892,694
	b)	Add: Provisions made during the year	**–**	8,203,966
	c)	Less: Write off / write back of excess provisions during the year	**(17,543,172)**	–
	d)	Closing balance	**7,553,488**	25,096,660
ii)	**Movement of Investment Fluctuation Reserve**			
	a)	Opening balance	**24,250,000**	19,083,040
	b)	Add: Amount transferred during the year	**5,692,000**	5,166,960
	c)	Less: Drawdown	**–**	–
	d)	Closing balance	**29,942,000**	24,250,000
iii)	**Closing balance in IFR as a percentage of closing balance of investments in AFS and HFT/Current category**		**2.50**	2.50

The outstanding commitments relating to securities purchase and sale contracts as at 31 March 2024 are Rs. 21,780,621 thousand (previous year: Rs.23,947,324 thousand) and Rs. 23,107,158 thousand (previous year: Rs. 35,857,665 thousand) respectively.

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(e) Non-performing non-SLR investments

(Rs '000)

Sr. No.	Particulars	As at 31 March 2024	As at 31 March 2023
(1)	Opening balance*	–	–
(2)	Additions during the year since 1st April	–	–
(3)	Reductions during the above period	–	–
(4)	Closing balance*	–	–
(5)	Total provisions held	–	–

* The non-performing non-SLR investments as at 31 March 2024 are Re. 1 (previous year: Rs. 2). This represents Preference share/ Equity share investments which have been written down to Re. 1.

(f) Issuer composition of non-SLR investments

As at 31 March 2024

(Rs '000)

No.	Issuer	Amount	Extent of Private Placement *	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities**
(1)	(2)	(3)	(4) #	(5) #	(6) #	(7) #
(i)	Public Sector Undertakings	35,312,285	4,848,825	–	1,000	1,000
(ii)	Financial Institutions	–	–	–	–	–
(iii)	Banks	2,195,440	–	–	–	–
(iv)	Private Corporate	166,204,189	155,696,636	–	135,100	120,100
(v)	Subsidiaries/ Joint Ventures	501	501	–	501	501
(vi)	Others	–	–	–	–	–
(vii)	Provision held towards depreciation	(528,511)	–	–	–	–
	Total	203,183,904	160,545,962	–	136,601	121,601

As at 31 March 2023

(Rs '000)

No.	Issuer	Amount	Extent of Private Placement *	Extent of 'Below Investment Grade' Securities	Extent of 'Unrated' Securities	Extent of 'Unlisted' Securities**
(1)	(2)	(3)	(4) #	(5) #	(6) #	(7) #
(i)	Public Sector Undertakings	25,431,511	5,325,528	–	1,000	1,000
(ii)	Financial Institutions	–	–	–	–	–
(iii)	Banks	–	–	–	–	–
(iv)	Private Corporate	65,620,289	62,694,031	–	135,100	135,100
(v)	Subsidiaries/ Joint Ventures	501	501	–	501	501
(vi)	Others	41,014,549	–	–	–	–
(vii)	Provision held towards depreciation	(844,681)	–	–	–	–
	Total	131,222,169	68,020,060	–	136,601	136,601

Note: Total investments include net investments in PTC of Rs. 146,182,815 thousand (previous year: Rs. 55,119,553 thousand)

* The classification is based on the actual issue and not on the basis of secondary market purchases.

\# Amounts reported under columns (4), (5), (6) and (7) above are not mutually exclusive.

** Excludes PTCs in line with extant RBI guidelines.

(g) Details of Investment in security receipts backed by NPAs

The Bank has no such Investments (previous year: Rs. Nil).

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(h) Repo transactions (in face value terms)

(Rs '000)

	Minimum Outstanding During the Year 2023-24	Maximum Outstanding During the Year 2023-24	Daily Average Outstanding During the Year 2023-24	Outstanding as at 31 March 2024
Securities sold under repos				
i. Government securities	**25,052,700**	**296,841,760**	**117,223,266**	**125,702,070**
ii. Corporate debt securities	**3,950,000**	**3,950,000**	**75,546**	**–**
iii. Any other securities	**–**	**–**	**–**	**–**
Securities purchased under reverse repos				
i. Government securities	**38,993,700**	**231,159,100**	**88,318,282**	**44,517,200**
ii. Corporate debt securities	**2,000,000**	**2,880,000**	**1,454,617**	**2,000,000**
iii. Any other securities	**831,625**	**147,906,000**	**29,409,311**	**–**

(Rs '000)

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

Notes:
1. The above figures also include liquidity adjustment facility / repo transactions undertaken with the RBI.
2. Minimum outstanding during the year excludes days with Nil outstanding.

(i) Classification of advances and provisions
As at 31 March 2024

(Rs '000)

	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Gross Standard Advances and NPAs						
Opening Balance	**1,034,909,901**	**836,680**	**2,890,367**	**1,508,338**	**5,235,385**	**1,040,145,286**
Add: Additions during the year#					**2,293,713**	
Less: Reductions during the year					**(2,947,795)**	
Closing balance	**1,091,658,336**	**871,995**	**2,425,325**	**1,283,983**	**4,581,303**	**1,096,239,639**
Reductions in Gross NPAs due to:						
i) Upgradation					**(1,464,269)**	
ii) Recoveries# (excluding recoveries from upgraded accounts)					**(482,496)**	
iii) Technical/ Prudential Write-offs					**–**	
iv) Write-offs other than those under (iii) above					**(1,001,030)**	
Provisions (excluding Floating Provisions)						
Opening balance of provisions held**	**5,190,105**	**379,958**	**2,494,802**	**1,527,986**	**4,402,746**	**9,592,851**
Add: Fresh provisions made during the year**#					**1,048,310**	
Less: Excess provision reversed/ Write-off loans** #					**(1,372,768)**	
Closing balance of provisions held**	**5,433,995**	**535,334**	**2,244,459**	**1,298,495**	**4,078,288**	**9,512,283**

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(i) Classification of advances and provisions (Continued)

	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Net NPAs						
Opening Balance		**456,722**	**395,565**	**(19,648)**	**832,639**	
Add: Fresh additions during the year					**1,245,403**	
Less: Reductions during the year					**(1,575,027)**	
Closing Balance		**336,661**	**180,866**	**(14,512)**	**503,015**	
Floating Provisions						
Opening Balance						–
Add: Additional provisions made during the year						–
Less: Amount drawn down during the year						–
Closing balance of floating provisions						–
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						–
Add: Technical/ Prudential write-offs during the year						–
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						–
Closing balance						–

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

As at 31 March 2023

(Rs '000)

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

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

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(i) Classification of advances and provisions (Continued)

	Standard	Non-Performing				Total
	Total Standard Advances	Sub-standard	Doubtful	Loss	Total Non-Performing Advances	
Net NPAs						
Opening Balance		978,448	522,533	–	1,500,981	
Add: Fresh additions during the year					1,217,055	
Less: Reductions during the year					(1,885,397)	
Closing Balance		456,722	395,565	(19,648)	832,639	
Floating Provisions						
Opening Balance	–	–	–	–	–	–
Add: Additional provisions made during the year						–
Less: Amount drawn down during the year						–
Closing balance of floating provisions						–
Technical write-offs and the recoveries made thereon						
Opening balance of Technical/ Prudential written-off accounts						–
Add: Technical/ Prudential write-offs during the year						–
Less: Recoveries made from previously technical/ prudential written-off accounts during the year						–
Closing balance						–

\# Includes movement due to exchange fluctuation
** includes movement of Interest Capitalisation–Restructured NPA Account
Note: Provision includes specific provisions on non-homogeneous loans and provisions created on portfolio basis using the historical loss and/or net flow method for homogeneous loans relating to retail business.

Ratios	**As at 31 March 2024**	As at 31 March 2023
Gross NPA to Gross Advances	**0.42%**	0.50%
Net NPA to Net Advances	**0.05%**	0.08%
Provision coverage ratio	**88.14%**	83.32%

(j) Concentration of Advances

(Rs '000)

	As at 31 March 2024	As at 31 March 2023
Total Advances of twenty largest borrowers	**713,972,873**	618,452,219
Percentage of Advances of twenty largest borrowers to Total Advances of the bank	**15.24%**	14.85%

(k) Concentration of Exposures

(Rs '000)

	As at 31 March 2024	As at 31 March 2023
Total Exposure to twenty largest borrowers / customers	**721,027,546**	626,439,204
Percentage of Exposures of twenty largest borrowers / customers to Total Exposure of the bank on borrowers / customers	**14.75%**	14.58%

(l) Concentration of NPAs

(Rs '000)

	As at 31 March 2024	As at 31 March 2023
Total Exposure to the top twenty NPA accounts	**3,204,240**	3,457,326
Percentage of Exposures to the twenty largest NPA Exposures to Total Gross NPAs.	**69.94%**	66.04%

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(m) Unsecured Advances

(Rs '000)

	As at 31 March 2024	As at 31 March 2023
Total Unsecured Advances of the Bank	**427,645,387**	392,544,111
Out of the above, amount of advances for which intangible securities such as charge over the rights, licenses, authority, etc. have been taken	**Nil**	Nil
Estimated value of such intangible securities	**N.A**	N.A

(n) Sector-wise Advances

(Rs '000)

Sl. No	Sector	As at 31 March 2024			As at 31 March 2023		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
A	**Priority Sector (based on underlying borrower)**						
1	Agriculture and allied activities	**84,194,987**	**607,505**	**0.72**	63,178,943	624,834	0.99
2	Advances to industries sector eligible as priority sector lending	**71,406,314**	**119,319**	**0.17**	63,961,125	–	–
	2.1 Basic Metal and Metal Products	**9,313,585**	–	–	11,775,665	–	–
	2.2 All Engineering	**9,599,259**	–	–	10,755,680	–	–
	2.3 Rubber, Plastic and their Products	**5,067,859**	–	–	6,615,314	–	–
	2.4 Chemicals and Chemical Products	**8,103,067**	–	–	9,182,638	–	–
	2.5 All other Industries	**21,850,595**	**112,646**	**0.52**	6,818,243	–	–
3	Services	**27,966,759**	**126,323**	**0.45**	38,077,312	221,525	0.58
	3.1 Professional Services	**4,089,029**	–	–	7,655,556	–	–
	3.2 Trade	**11,668,118**	**23,442**	**0.20**	12,178,606	50,436	0.41
	3.3 Commercial Real Estate	**2,263,603**	–	–	9,313,021	–	–
	3.3 Other Services	**5,087,026**	**8,378**	**0.16**	6,293,769	8,408	0.13
4	Personal loans	**50,064**	–	–	52,867	–	–
	4.1 Housing	**50,064**	–	–	52,867	–	–
	Sub-total (A)	**183,618,124**	**853,147**	**0.46**	165,270,247	846,359	0.51
B	**Non Priority Sector**						
1	Agriculture and allied activities	–	–	–	–	–	–
2	Industry	**346,056,185**	**322,733**	**0.09**	306,385,857	569,780	0.19
	2.1 Chemicals and Chemical Products	**70,845,768**	–	–	45,468,563	–	–
	2.2 All Engineering	**39,191,542**	–	–	31,665,271	–	–
	2.3 Infrastructure	**96,293,988**	**134,740**	**0.14**	74,381,468	134,740	0.18
	2.4 Vehicles, Vehicle Parts and Transport Equipments	**42,731,014**	–	–	26,151,608	–	–
3	Services	**427,563,905**	**1,765,685**	**0.41**	459,997,456	1,756,813	0.38
	3.1 Trade	**71,735,701**	**1,762,269**	**2.46**	71,005,001	1,691,046	2.38
	3.2 Commercial Real Estate	**146,365,112**	**2,458**	–	132,819,368	59,012	0.04
	3.3 NBFC	**101,651,046**	–	–	142,494,921	–	–
4	Personal loans	**139,001,425**	**1,639,738**	**1.18**	108,491,726	2,062,433	1.90
	4.1 Housing	**103,130,152**	**1,278,025**	**1.24**	79,072,245	1,623,857	2.05
	4.2 Credit Card Receivables	**17,226,089**	**239,211**	**1.39**	14,168,003	262,977	1.86
	4.3 Other Retail Loans	**17,827,505**	**117,204**	**0.66**	14,270,573	169,593	1.19
	Sub-total (B)	**912,621,515**	**3,728,156**	**0.41**	874,875,036	4,389,026	0.50
	Total (A+B)	**1,096,239,639**	**4,581,303**	**0.42**	1,040,145,286	5,235,385	0.50

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

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(o) Provision towards Standard Assets

(Rs '000)

	As at 31 March 2024	As at 31 March 2023
Provision towards standard assets*	**7,165,454**	7,346,992
Provision towards country risk (Refer note 5.7 (y))	–	199,642
Accumulated surplus arising on sale of NPA	**251,454**	251,454
Total	**7,416,908**	7,798,088

* Comprises general provision towards standard assets. (including additional standard assets provision for stressed sectors as per RBI circular RBI /2016-17/282 DBR.No.BP.BC.64/21.04.048/2016-17 dated 18 April 2017), Unhedged Foreign Currency Exposure (UFCE) as per RBI Master Directions RBI/2022-23/131 DOR.MRG.REC.76/00-00-007/2022-23 dated 11 October 2022

(p) Unhedged Foreign Currency Exposure (UFCE)

The Bank has an approved policy and rigorous process for managing the currency induced credit risk of its customers. The Bank assesses the credit risk arising out of foreign currency exposures of customers, including unhedged foreign currency exposure (UFCE), at the time of sanctioning and subsequent review of credit facilities, along with the customer's strategy for risk mitigation. The Bank also factors in the inherent risk of UFCE in credit risk rating and credit risk premium. The foreign currency exposures and UFCE are analysed on a regular basis and adequate provisioning and risk weights are maintained as required by RBI guidelines. The Bank advises its customers to ensure adequate and appropriate hedging/other risk mitigation strategies.

The Bank has to maintain incremental provisions and RWAs for UFCE of its customers as stipulated by the RBI circular 'Reserve Bank of India (Unhedged Foreign Currency Exposure) Directions, 2022' dated 11 October 2022. The Bank obtains quarterly information on UFCE from its customers and the incremental provision is computed based on relative riskiness of a customer in terms of likely loss due to forex volatility as a percentage of EBID (defined as PAT + Depreciation + Interest on debt + Lease Rentals). The incremental provisioning required is Rs. 1,467,259 thousand and the additional capital required is Rs. 7,261,940 thousand for UFCE as at 31 March 2024. (Previous Year: Rs. 1,688,836 thousand provision and capital required Rs. 10,457,557 thousand).

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

The Bank has not sold any financial assets to Securitisation Companies (SC) / Reconstruction Companies (RC) for Asset Reconstruction during the year ended 31 March 2024 (previous year: Rs. Nil).

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

The Bank has not purchased or sold NPAs during the year ended 31 March 2024 (previous year: Rs. Nil).

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

The following disclosures are made in accordance with Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 circular dated 24 September 2021 with respect to transfer of assets.

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

For the year ended 31 March 2024 (Rs '000)

Transaction	Aggregate amount of Loans acquired	Weighted Average residual maturity (in years)	Weighted Average holding period by the originator (in years)	Retention of beneficial economic interest by the originator	Tangible Security coverage
Direct Assignment	**1,032,497**	**13.11**	**0.87**	**10%**	**Fully secured**
Direct Assignment	**628,285**	**2.8**	**1.14**	**10%**	**Fully secured**

For the year ended 31 March 2023 (Rs '000)

Transaction	Aggregate amount of Loans acquired	Weighted Average residual maturity (in years)	Weighted Average holding period by the originator (in years)	Retention of beneficial economic interest by the originator	Tangible Security coverage
Direct Assignment	540,873	14.27	1.06	10%	Fully secured

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

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

(Rs '000)

	For the year ended 31 March 2024	For the year ended 31 March 2023
	Other Purchases	Other Purchases
Aggregate amount of Loans acquired	–	8,027,250
Weighted Average residual maturity (in years)	–	17
Weighted Average holding period by the originator (in years)	–	1.9
Retention of beneficial economic interest by the originator	–	Nil
Tangible Security coverage	–	115%
Rating	–	BBB+

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

(Rs.'000)

	For the year ended 31 March 2024	For the year ended 31 March 2023
Aggregate principal outstanding of loans transferred	**697,990**	2,884,296
Weighted average maturity of the loans transferred (in years)	**15.17**	0.19
Weighted Average Holding period (in years)	**0.60**	2.99
Retention of Economic Beneficial Interest	**61.09%**	Nil
Rating	**A+**	Unrated

(t) PSLCs purchased and sold

(Rs '000)

	As at 31 March 2024	**As at 31 March 2024**	As at 31 March 2023	As at 31 March 2023
	Purchased	**Sold**	Purchased	Sold
Agriculture	**52,500,000**	–	24,750,000	–
Small Farmer / Marginal Farmer	**67,200,000**	–	81,100,000	–
Micro Enterprises	**43,500,000**	–	55,305,000	–
General	**78,000,000**	–	55,000,000	–
Total	**241,200,000**	–	216,155,000	–

(u) Disclosure on technical write-offs and recoveries made thereon

There have been Nil technical write-offs and recoveries during the year. (previous year: Rs. Nil)

(v) Disclosure on divergence in the asset classification and provisioning

With reference to cicular RBI/2018-19/157 DBR.BP.BC.No.32/21.04.018/2018-19 dated 1 January 2019 read with circular RBI/DOR/2021-22/ 83 DOR. ACC.REC.No.45/ 21.04.018/ 2021-22 there is no divergence observed by RBI for the financial year 2022-23 (previous year: Rs. Nil).

(w) Particulars of resolution plan and restructuring

(i) Particulars of implementation of resolution plan

The Bank has not implemented any Resolution Plan during the financial year 2023-24 as per the Prudential Framework for Resolution of Stressed Assets laid down by RBI vide its circular RBI/2018-19/203 DBR.No.BP.BC.45/21.04.048/2018-19 dated 7 June 2019 (previous year: Rs. Nil).

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

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

(ii) Details of accounts subjected to restructuring

As at 31 March 2024 (Rs '000)

		Agriculture and allied activities	Corporates (excluding MSME)	Micro, Small and Medium Enterprises (MSME)	Retail (excluding agriculture and MSME)	Total
Standard	Number of borrowers	–	–	–	–	–
	Gross Amount	–	–	–	–	–
	Provision held	–	–	–	–	–
Sub-standard	Number of borrowers	–	–	–	**14**	**14**
	Gross Amount	–	–	–	**41,110**	**41,110**
	Provision held	–	–	–	**6,358**	**6,358**
Doubtful	Number of borrowers	–	–	–	**173**	**173**
	Gross Amount	–	–	–	**164,812**	**164,812**
	Provision held	–	–	–	**123,102**	**123,102**
Loss	Number of borrowers	–	**1**	–	**1**	**2**
	Gross Amount	–	**37,062**	–	**571**	**37,633**
	Provision held	–	**51,562**	–	**571**	**52,133**
Total	Number of borrowers	–	**1**	–	**188**	**189**
	Gross Amount	–	**37,062**	–	**206,493**	**243,555**
	Provision held	–	**51,562**	–	**130,031**	**181,593**

As at 31 March 2023 (Rs '000)

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

(iii) Details of MSME advances subjected to restructuring

The following table sets forth, for the periods indicated, the details of MSME advances subjected to restructuring as per RBI circular RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated 6 August 2020.

(Rs '000)

	For the year ended 31 March 2024	For the year ended 31 March 2023
Number of accounts restructured	–	–
Amount outstanding	–	–

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts ***(Continued)***

5.7 Statutory disclosures (Continued)

(x) Exposures

Exposure to real estate sector

(Rs '000)

	Category	As at 31 March 2024	As at 31 March 2023
A	Direct exposure	**413,036,274**	366,129,768
	(i) Residential mortgages –		
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	**159,712,871**	121,897,748
	Of which individual housing loans eligible for inclusion in priority sector advances	**175,141**	424,333
	(ii) Commercial real estate	**252,502,253**	242,993,160
	Lending secured by mortgages on commercial real estate		
	(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
	a. Residential	**788,720**	1,189,660
	b. Commercial real estate	**32,430**	49,200
B	Indirect exposure	**60,193,513**	78,115,853
	Fund based and non-funded based exposures on National Housing Bank (NHB) and Housing Finance Companies	**60,193,513**	78,115,853
	Total exposure to real estate sector (A+B)	**473,229,787**	444,245,621

Exposure to capital market

(Rs '000)

		As at 31 March 2024	As at 31 March 2023
i.	direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	**136,601**	136,601
ii.	advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	–	886
iii.	advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	–	–
iv.	advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	**157,813**	1,058,397
v.	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	**39,072,872**	1,602,137
vi.	loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	–	–
vii.	bridge loans to companies against expected equity flows/issues;	**7,270,014**	31,583,000
viii	underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	–	–
ix.	financing to stockbrokers for margin trading;	–	–
x.	all exposures to Venture Capital Funds (both registered and unregistered)	–	–
xi.	Others	**739,530**	200,900
	Total Exposure to Capital Market (i to xi)	**47,376,830**	34,581,921

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(y) Risk category wise Country Exposure

Provision for country risk exposure in line with RBI guidelines is as follows:

(Rs '000)

Risk Category	Exposure as at 31 March 2024*	Provision held as at 31 March 2024	Exposure as at 31 March 2023*	Provision held as at 31 March 2023
Insignificant	**248,282,239**	–	367,925,388	94,142
Low	**13,730,653**	–	168,634,090	105,500
Moderately Low	**1,364,745**	–	1,204,101	–
Moderate	**118,096**	–	532,353	–
Moderately High	**74,400**	–	37,406	–
High	**19,134**	–	211,313	–
Very High	**45,572**	–	29,033	–
Total	**263,634,839**	–	538,573,684	199,642

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

* Exposures are computed on gross basis

(z) Disclosure on Large Exposure Framework

The RBI has prescribed exposure limits for banks in respect of their lending to single counterparty / group of connected counterparties in form of Large Exposure Framework (LEF). The exposure limits prescribed are 20% of the bank's available eligible capital base at all times in case of single counterparty (SCL) and 25% of the bank's available eligible capital base at all times in case of group of connected counterparties (GCL). SCL can also be increased by a further 5% of the bank's available eligible capital base in exceptional cases as per the board approved policy of the Bank. Further, Large Exposure Framework clarifies that the interbank exposure limit of an Indian branch of a foreign G-SIB with its Head Office will be 20% of its Tier I capital in India.

During the year, there was no breach of LEF limits for any of the exposures.

(aa) Intra-group exposure

(Rs '000)

	As at 31 March 2024	As at 31 March 2023
Total amount of intra-group exposures#	**42,598,495**	44,839,391
Total amount of top-20 intra-group exposures#	**42,598,495**	44,685,991
Percentage of intra-group exposures* to total exposure of the bank on borrowers / customers	**0.87%**	1.04%
Details of breach of limits on intra group exposures and regulatory action theron, if any	**Nil**	Nil

\# includes credit equivalent of derivative exposures

* includes credit equivalent of derivative exposures on gross basis

(ab) Factoring services

The Bank has receivables acquired under factoring services amounting to Rs. 54,122,515 thousand as on 31 March 2024 (previous year: Rs. 26,511,631 thousand).

(ac) Concentration of Deposits

(Rs '000)

	As at 31 March 2024	As at 31 March 2023
Total Deposits of twenty largest depositors	**383,833,419**	408,631,292
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	**19.08%**	21.75%

(ad) Off Balance Sheet SPVs

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

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

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ae) Risk exposure in derivatives

Qualitative disclosure

Derivatives Usage, the associated risks and business purposes served

The Bank transacts derivatives for three primary purposes: to create risk management solutions for clients, to manage the portfolio risks arising from client business and to manage and hedge its own risks.

The control of market risk in derivatives is based on a policy of restricting individual operations to trading within a list of permissible instruments authorised for the Bank, of enforcing new product approval procedures, and of restricting trading in the more complex derivative products (as permitted by regulations) only where appropriate levels of product expertise and robust control systems exist.

Derivatives (except for derivatives which are designated as effective hedging instruments) are held for trading. Within the held-for-trading classification are two types of derivatives: those used in sales and trading activities, and those used for risk management purposes but which for various reasons do not meet the qualifying criteria for hedge accounting. These activities are described more fully below.

Trading derivatives

Most of the Bank's derivative transactions relate to sales and trading activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Trading activities include market-making and risk management.

Market-making entails quoting bid and offer prices to other market participants for the purpose of generating revenues based on spread and volume.

Risk management activity is undertaken to manage the risk arising from client transactions as well as proprietary transactions.

Banking book derivative portfolios are not risk managed on a trading intent basis and are treated as non-traded risk for value at risk (VaR) measurement purposes.

Structure & organisation for management of risk in derivatives trading

The management of market risk arising from derivatives is undertaken in Markets using risk limits approved by an independent Risk function. The level of market risk limits set for each operation depends upon the market liquidity, financial and capital resources of the business, the business plan, the experience and track record of the management, dealers and market environment, as well as the Group's risk appetite.

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

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

The Bank employs a range of tools to monitor and limit market risk exposures. These include position limits, sensitivity analysis (pvbp limits), stop loss limit, VaR, Stressed VaR and stress testing. While VaR provides a measure of the market risk in the Bank, sensitivity analysis (e.g Present Value of 1 basis point (PV01)) and VaR are more commonly utilised for the management of the business units. Stress testing and stressed VaR complement these measures with estimates of potential losses arising from market turmoil. The VaR and stressed VaR models are predominantly based on historical simulation. VaR measures are calculated to a 99% confidence level and use a one-day holding period. The accuracy of our VaR models is routinely validated by back-testing the actual daily loss results, against the corresponding VaR numbers.

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

Counterparty credit risk (CCR) arises from derivative transactions and is the risk that the counterparty to a transaction may default before completing the satisfactory settlement of the transaction. The measurement of CCR takes into account the current mark-to-market value to the Bank of a derivative contract and the expected potential change in that value over time caused by movements in market rates. CCR on contracts having a negative mark-to-market value to the Bank is restricted to the expected potential change in the value.

CCR is monitored against limits approved by authorised individuals within a framework of delegated authorities. These limits represent the peak exposure or loss to which the Bank could be subjected should the counterparty fail to perform its contractual obligations. These credit limits are set based on the Bank's credit risk assessment for the counterparty which inter alia considers the ability of the counterparty to honour its obligations in the event of crystallisation of the exposure.

The International Swaps and Derivatives Association ('ISDA') Master Agreement is our preferred agreement for documenting derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter ('OTC') products is conducted, and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or another pre-agreed termination event occurs. It is common, and our preferred practice, for the parties to execute a Credit Support Annex ('CSA') in conjunction with the ISDA Master Agreement. Under a CSA, collateral is passed between the parties to mitigate the counterparty risk inherent in outstanding positions. In line with globally accepted practice of having these as standard credit mitigant for OTC derivatives, the Bank has executed CSAs with eligible counterparties.

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ae) Risk exposure in derivatives (Continued)

Qualitative disclosure (Continued)

Valuation & Provisioning of Derivatives Contracts

The accounting policy for derivative financial instruments is set out in schedule 18 note 4.6. Further, the Bank conforms to the RBI guidelines on provisioning.

All trading derivatives are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

In certain circumstances, however, the fair value will be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only data from observable markets, such as interest rate yield curves, option volatilities and currency rates. When such evidence exists, the Bank recognises a trading gain or loss on inception of the financial instrument, being the difference between the transaction price and the fair value. When unobservable market data have a significant impact on the valuation of financial instruments, the entire initial difference in fair value from the transaction price as indicated by the valuation model is not recognised immediately in the income statement. Instead, it is recognised over the life of the transaction (also known as Day 1 P&L reserve) on an appropriate basis, when the inputs become observable, the transaction matures or is closed out, or when the Bank enters into an offsetting transaction.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value are measured in accordance with the Bank's valuation methodologies, which are described below.

Fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk-taker.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is utilised. In inactive markets, direct observation of a traded price may not be possible. In these circumstances, the Bank will source alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value adjustments are adopted when the Bank considers that there are additional factors that would be considered by a market participant which are not incorporated within the valuation model. The typical types of fair value adjustments carried by the Bank are bid-offer adjustments, uncertainty adjustments, credit and debit valuation adjustments (CVA and DVA), funding fair value adjustments (FFVA) and Day 1 Profit and Loss reserve. A bid-offer adjustment recognises the cost to the Bank to close out the open market risk positions in the market as valuation models typically generate mid-market values. Where uncertainty exists about a market data or quote an adjustment may be made to recognise the same. CVA adjusts the fair value of a derivative to reflect the probability of default (PD) of a counterparty to meet its obligations under a derivative contract whereas DVA adjusts the fair value of a derivative to reflect the PD of the Bank failing to meet its obligations under a derivative contract. FFVA is a portfolio valuation adjustment that seeks to recognise within fair value the present value of the expected future cost or benefit of funding the uncollateralised derivative counterparty exposure over its remaining life. Products where valuation is based on trader marks, an Independent Price Verification (IPV) adjustment is recognized

Quantitative disclosure

(Rs '000)

No	Particular	**As at 31 March 2024** Currency Derivatives	**As at 31 March 2024** Interest Rate Derivatives	As at 31 March 2023 Currency Derivatives	As at 31 March 2023 Interest Rate Derivatives
1	**Derivatives (Notional Principal Amount)**				
	a) for hedging	–	–	–	–
	b) for trading	**13,838,241,218**	**14,830,574,087**	11,204,762,262	16,356,727,770
2	**Marked-to-Market Position**	–	–		
	a) Asset (+)	**47,203,338**	**51,815,064**	65,797,990	97,805,567
	b) Liability (-)	**50,501,865**	**55,397,093**	66,863,319	99,757,595
3	Credit Exposure #	**465,979,172**	**150,993,426**	352,968,562	173,546,909
4	**Likely impact of one percentage point change in interest rate (100 x PV01)**				
	a) on hedging derivatives	–	–	–	–
	b) on trading derivatives	**3,934,590**	**26,276,209**	1,846,499	22,288,381
5	**Maximum and Minimum of 100 x PV01 observed during the year**				
	a) on hedging				
	Maximum	–	–	–	–
	Minimum	–	–	–	–
	b) on trading				
	Maximum	**4,423,423**	**26,276,209**	2,889,436	22,920,959
	Minimum	**78,708**	**20,916,896**	466,110	12,000,293

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

Note : 1. Currency derivatives include forwards, currency options, currency swaps and currency futures

2. Interest rate derivatives include Forward Rate Agreements, Interest Rate Options, Interest Rate Swaps and Interest Rate futures

3. The Bank did not have exposure to Credit Default Swap as on 31 March 2024 (previous year : Nil)

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

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

(Rs '000)

		As at 31 March 2024	As at 31 March 2023
(i)	The notional principal of swap agreements	**14,821,574,086**	16,352,615,967
(ii)	Losses (gross positive mark to market) which would be incurred if counterparties failed to fulfill their obligations under the agreements	**51,815,064**	97,804,584
(iii)	Collateral required by the bank upon entering into swaps	**–**	–
(iv)	Concentration of credit risk arising from the swaps		
	– maximum single industry exposure with banks (previous year with banks)	**36%**	41%
(v)	The fair value of the swap book	**(3,555,067)**	(1,938,427)

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

(Rs '000)

		As at 31 March 2024		As at 31 March 2023	
Nature	**Terms**	**No.**	**Notional principal**	No.	Notional principal
Trading swaps	Receive floating pay floating	**14**	**22,852,970**	29	72,802,620
Trading swaps	Receive floating pay fixed	**12,953**	**7,433,700,773**	15,565	8,207,325,675
Trading swaps	Receive fixed pay floating	**12,827**	**7,164,288,695**	16,066	7,887,526,933
Trading swaps	Receive fixed pay fixed	**241**	**4,504,588**	116	82,749

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

(Rs '000)

		As at 31 March 2024		As at 31 March 2023	
Nature	**Terms**	**No.**	**Notional principal**	No.	Notional principal
Trading swaps	Receive fixed pay floating	**1,233**	**196,227,060**	1,157	184,877,990

(ag) Exchange traded interest rate derivatives

(Rs '000)

No.	**Particulars**	**31 March 2024**	31 March 2023
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)*		
	10 Yrs G Secs	**–**	–
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding	**–**	–
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	**–**	–
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	**–**	–

* Includes both purchase and sale.

(ah) Subordinated debt

There was no subordinated debt that was outstanding at any point of time during the year ended 31 March 2024 (previous year: Rs. Nil).

(ai) Penalties imposed by RBI

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

RBI imposed a penalty of Rs. 3,638 thousand vide order dated 29 May 2024 under section 11(3) of FEMA, 1999 for violation of Reserve Bank of India's instructions on reporting requirements under Liberalised Remittance Scheme of FEMA 1999. The Bank paid the penalty to RBI on 30 May 2024.

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts ***(Continued)***

5.7 Statutory disclosures (Continued)

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

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

(Rs '000)

	For the year ended 31 March 2024	For the year ended 31 March 2023
Outsourcing Cost	**17,298,613**	13,632,885
Services received from group entities	**6,859,915**	4,136,927
GST Expense	**2,502,325**	1,970,516
PSLC cost	**1,520,243**	2,201,322
Head Office costs Allocated	**1,060,808**	1,339,112

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

(Rs '000)

	For the year ended 31 March 2024	For the year ended 31 March 2023
Marked-to-Market Position – Asset	**99,018,402**	163,603,557
Marked-to-Market Position – Liabilty	**105,848,958**	166,620,914

(ak) Bancassurance income

During the year, the Bank earned an amount of Rs.348,719 thousand towards bancassurance income (previous year: Rs. 336,198, thousand).

(Rs '000)

Nature of Income	**For the year ended 31 March 2024**	For the year ended 31 March 2023
For selling life insurance products	**330,979**	324,848
For selling non life insurance products	**17,740**	11,350
Total	**348,719**	336,198

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

(al) Marketing and distribution

(Rs '000)

Nature of Income	**For the year ended 31 March 2024**	For the year ended 31 March 2023
For selling of investment products	**1,604,584**	1,239,853
Total	**1,604,584**	1,239,853

(am) Maturity pattern

Management has made certain estimates and assumptions in respect of behavioural maturities of non-term assets and liabilities and trading securities while compiling their maturity profile which is consistent with the Bank's reporting to the RBI which have been relied upon by the auditors.

As at 31 March 2024

(Rs '000)

	Day 1	**2 to 7 Days**	**8 to 14 Days**	**15 to 30 Days**	**31 days to 2 months**	**2 months to 3 months**	**over 3 months to 6 months**	**over 6 months to 12 months**	**Over 1 year to 3 years**	**Over 3 years to 5 years**	**Over 5 years**	**Total**
Loans and Advances	**17,120,138**	**46,346,679**	**40,901,713**	**105,914,806**	**69,847,977**	**79,336,876**	**96,357,772**	**137,310,957**	**243,633,277**	**145,666,410**	**109,724,747**	**1,092,161,352**
Investment Securities	**864,712,912**	**125,316,461**	**735,378**	**86,268,012**	**35,281,489**	**26,558,455**	**31,483,789**	**47,777,589**	**128,412,100**	**41,646,851**	**97,046,268**	**1,485,239,304**
Deposits	**128,203,127**	**216,556,409**	**102,742,212**	**235,502,706**	**169,294,032**	**117,130,188**	**99,749,259**	**192,329,260**	**73,498,799**	**677,183,772**	**157**	**2,012,189,921**
Borrowings	**13,083,063**	**295,691,905**	**375,100**	**–**	**375,100**	**375,100**	**1,051,000**	**1,311,250**	**47,539,906**	**–**	**–**	**359,802,424**
Foreign Currency Assets	**5,340,285**	**1,463,253**	**1,838,218**	**6,458,089**	**5,340,349**	**7,779,910**	**14,251,652**	**28,229,807**	**10,112,209**	**3,432,883**	**6,642,947**	**90,889,602**
Foreign Currency Liabilities	**24,471,513**	**7,650,101**	**577,095**	**5,464,801**	**943,957**	**3,875,830**	**5,660,879**	**11,310,438**	**50,631,139**	**47,494,155**	**4,907,269**	**162,987,177**

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(am) Maturity pattern (continued)

As at 31 March 2023

(Rs '000)

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

In accordance with the ALM guideline issued by RBI, the estimates and behavioural assumptions used by the Bank for classification of assets and liabilities under the different maturity buckets is based on the returns submitted to RBI for the relevant periods.

(an) Overseas Assets, NPAs and Revenue

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

(ao) Liquidity Coverage Ratio

<u>Qualitative disclosure</u>

The Liquidity Coverage Ratio (LCR) promotes the short term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient unencumbered High Quality Liquid Assets (HQLAs) (which can be converted readily into cash) to survive an acute stress scenario lasting for 30 days, by which time it is assumed that appropriate corrective action would be taken to manage liquidity risk.

The Bank has maintained an average LCR ratio of 131% for the financial year ending 31 March 2024* (based on the simple average of the daily values for the year ended 31 March 2024) which remains well above the minimum regulatory requirement (previous year 126%).

Note:**The Bank has considered average of all days except the holidays to calculate the average figures in template above.*

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

The key components/drivers of the LCR are (i) stock of HQLA and (ii) Net cash outflows over the next 30 calendar days. HQLA comprises high quality assets that can be readily sold or used as collateral to obtain funds in a range of stress scenarios. They should be unencumbered and easily convertible into cash at little or no loss of value. Net cash outflows are the total expected cash outflows minus expected cash inflows for the subsequent 30 calendar days. Cash outflows and inflows are calculated by multiplying outstanding balances of various types of liabilities and off-balance sheet commitment and various categories of contractual receivables by the prescribed outflows/inflows rates. Total inflows are capped at 75% of total outflows for LCR computation. The contribution of Facility to Avail Liquidity for LCR (FALLCR) and Marginal Standing Facility (MSF) has increased over time with RBI permitting up to 18% of Net Demand and Time Liabilities (NDTL) as of 31 March 2024.

ii. Intra period changes as well as changes over time

The LCR requirement is binding for banks from 1 January 2015; with the minimum requirement of 100% applicable from 1 January 2019.

The table below highlights the intra period changes as well as changes over time in LCR values-

Quarter Ended	LCR maintained (average)
31 March 2024	127.0%
31 December 2023	131.0%
30 September 2023	133.9%
30 June 2023	132.6%
31 March 2023	124.8%

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)
Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ao) Liquidity Coverage Ratio (Continued)

Qualitative disclosure (Continued)

iii. Composition of HQLA

Level 1 assets for the Bank comprise 97% of the total average HQLAs for the period 1 April 2023 to 31 March 2024 which are in the form of cash, excess CRR, excess SLR securities and US Treasury Bills. This also includes the regulatory dispensation allowed for SLR securities up to 18% of Net Demand and Time Liabilities in the form of borrowing limit available through MSF and FALLCR.

Level 2 assets are further divided as Level 2A and Level 2B. For the Bank, Level 2A assets consist of bonds issued by Public Sector Entities that are assigned a 20% risk weight under RBI "Master Circular - Basel III Capital Regulations". Bonds issued by non-financial corporate and commercial papers that are assigned a credit rating of AA- or above are also classified as Level 2A. For the period April 2023 to March 2024, the Bank held investments in papers that qualified as Level 2A assets with a haircut of 15% and which constituted approximately 2% of the total average HQLAs, well below the maximum cap of 40%. For Level 2B marketable securities representing claims on or claims guaranteed by sovereigns having risk weights higher than 20% but not higher than 50%, i.e., they should have a credit rating not lower than BBB- as per RBI "Master Circular - Basel III Capital Regulations. Bank held investments that qualified as Level 2B assets with a haircut of 50% and which constituted approximately 1% of the total average HQLAs.

iv. Concentration of funding sources

The purpose of monitoring the funding sources is to ensure that there is no significant source, the withdrawal of which could trigger liquidity problems. The Bank relies on the customer deposits as the primary source of stable funds. The level of customer deposits continues to exceed the level of loans to customers. The Bank's customer deposits are diversified across retail, commercial, corporate and institutional clients as well as across products, tenors.

v. Derivative exposure and potential collateral calls

The net of outflows and inflows of derivative exposures in the next 30 calendar days are included in the LCR calculations. Further, historical look back approach is considered to arrive at an expected outflow related to market valuation changes. The largest absolute net 30-day collateral flow realized during the preceding 24 months is taken as outflow for LCR computation.

vi. Currency mismatch in LCR

LCR computation is aggregated across currencies, with the predominant currency being INR with around 95% share in balance sheet. The foreign currency advances are mainly in USD with less than 5% share in balance sheet and are primarily funded through foreign currency deposits.

viii. Description of the degree of centralization of liquidity management and interaction between group's units.

The Bank's liquidity and funding management activities are managed centrally by the Markets Treasury team. The framework and policy around the liquidity and funding management is driven through the Asset, Liability and Capital Management (ALCM) and Treasury Risk function. The liquidity risk management policies are approved by the Asset and Liability Management Committee (ALCO)/ Executive Committee (EXCO). The Bank has in place its internal framework for monitoring of the balance sheet on a daily basis against the prescribed internal limits. The Bank also maintains a Contingency Funding Plan, which outlines the actions to be taken to meet any liquidity crisis scenarios that may emerge.

viiii. Other inflows and outflows in the LCR calculation that are not captured in the LCR common template but which the institution considers to be relevant for its liquidity profile.

Nil.

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

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ao) Liquidity Coverage Ratio (Continued)

Quantitative disclosure

Particulars	Three months ended 31 March 2024		Three months ended 31 December 2023		Three months ended 30 September 2023		Three months ended 30 June 2023		Three months ended 31 March 2023	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
High quality liquid assets										
1. Total high quality liquid assets		1,141,133		1,192,814		1,142,459		1,044,194		992,173
Cash Outflows										
2. **Retail deposits and deposits from small business customers, of which:**	344,484	31,315	342,888	31,185	337,256	30,678	321,352	29,148	301,295	27,225
(i) Stable Deposits	62,674	3,134	62,075	3,104	60,913	3,046	59,738	2,987	58,096	2,905
(ii) Less Stable Deposits	281,810	28,181	280,813	28,081	276,343	27,632	261,615	26,161	243,199	24,320
3. **Unsecured wholesale funding, of which:**	2,176,836	1,280,908	2,188,933	1,256,384	2,116,437	1,191,784	1,898,363	1,070,532	1,892,875	1,035,696
(i) Operational deposits (all counterparties)	410,551	102,626	398,848	99,701	383,228	95,810	369,520	92,369	364,406	91,091
(ii) Non-operational deposits (all counterparties)	1,766,285	1,178,282	1,790,085	1,156,683	1,733,209	1,095,974	1,528,842	978,163	1,528,469	944,605
(iii) Unsecured debt	–	–	–	–	–	–	–	–	–	–
4. **Secured wholesale funding**	–	–	–	–	–	–	–	–	NA	–
5. **Additional requirements, of which**	141,245	24,155	146,806	23,632	131,919	22,258	129,859	22,409	108,342	21,546
(i) Outflows related to derivative exposures and other collateral requirements	7,838	7,838	6,346	6,346	6,946	6,970	7,020	7,020	8,634	8,634
(ii) Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–	–	–
(iii) Credit and liquidity facilities	133,407	16,317	140,460	17,286	124,973	15,288	122,839	15,389	99,708	12,912
6. **Other contractual funding obligations**	51,430	51,430	49,654	49,654	48,695	48,693	40,104	40,104	40,271	40,271
7. **Other contingent funding obligations**	2,303,640	95,005	2,161,793	88,740	2,069,513	85,128	2,110,105	87,596	2,046,186	85,082
8. **TOTAL CASH OUTFLOWS**		**1,482,813**		**1,449,595**		**1,378,541**		**1,249,789**		**1,209,820**
Cash Inflows	–	–	–	–	–	–	–	–	–	–
9. Secured Lending (e.g. reverse repo)	133,126	-	117,424	-	145,315	-	148,404	-	214,586	-
10. Inflows from fully performing exposures	613,990	541,670	570,095	496,999	551,676	484,711	504,100	437,255	460,554	391,141
11. Other cash inflows	82,361	42,610	81,121	41,722	79,121	40,750	47,520	25,275	40,608	23,821
12. **TOTAL CASH INFLOWS**		**584,280**		**538,721**		**525,461**		**462,530**		**414,962**
		Total Adjusted Value		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**		**Total Adjusted Value**
13. Total HQLA		**1,141,133**		**1,192,814**		**1,142,459**		**1,044,194**		**992,173**
14. Total net cash outflows		**898,533**		**910,874**		**853,080**		**787,260**		**794,858**
15. **Liquidty Coverage Ratio (%)**		**127.0%**		**131.0%**		**133.9%**		**132.6%**		**124.8%**

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ap) Net stable funding Ratio

Qualitative disclosure

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

The Bank has maintained NSFR ratio of 127% as at 31 March 2024, as against 128% as at March 31, 2023, which remains well above the minimum regulatory requirement. The minimum NSFR requirement set out in the RBI guideline for the standalone Bank effective 01 October 2021 is 100%.

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

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

x. Intra period changes as well as changes over time

The RBI guidelines for NSFR were effective from 01 October 2021, with the minimum requirement of 100%. The table below highlights the quarterly changes in the NSFR for the last five quarters -

As at	NSFR
31 March 2024	127%
31 December 2023	133%
30 September 2023	144%
30 June 2023	140%
31 March 2023	128%

xi. Composition of ASF and RSF

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

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

xii. Concentration of funding sources

The purpose of monitoring the funding sources is to ensure that there is no significant source, the withdrawal of which could trigger liquidity problems. The Bank relies on the customer deposits as the primary source of stable funds. The level of customer deposits continues to exceed the level of loans to customers. The Bank's customer deposits are diversified across retail, commercial, corporate and institutional clients as well as across products, tenors.

xiii. Derivative exposure and potential collateral calls

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

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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*
5 Notes to accounts *(Continued)*
5.7 Statutory disclosures (Continued)
(ap) Net stable funding Ratio (Continued)
Quantitative disclosure
As at 31 Mar 2024 (Rs in million)

	ASF Item	Unweighted value by residual maturity				Weighted value
		No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	
1	Capital: (2+3)	383,119	–	–	–	383,119
2	Regulatory capital	383,119	–	–	–	383,119
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers: (5+6)	220,489	34,827	25,576	66,771	322,931
5	Stable deposits	48,252	6,855	5,034	13,142	78,150
6	Less stable deposits	172,237	27,972	20,542	53,629	244,781
7	Wholesale funding: (8+9)	667,740	685,626	23,254	33,789	722,099
8	Operational deposits	445,493	–	–	–	222,747
9	Other wholesale funding	222,247	685,626	23,254	33,789	499,352
10	Other liabilities: (11+12)	591	746,341	–	–	–
11	NSFR derivative liabilities	591	–	–	–	–
12	All other liabilities and equity not included in the above categories	–	746,341	–	–	–
13	**Total ASF (1+4+7+10)**	1,271,939	1,466,794	48,830	100,560	1,428,149
14	Total NSFR high-quality liquid assets (HQLA)	1,403,283	–	–	–	85,511
15	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
16	Performing loans and securities: (17+18+19+21+20+22+23)	–	595,966	160,580	407,756	649,124
17	Performing loans to financial institutions secured by Level 1 HQLA	–	79,570	–	–	7,957
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	80,040	64,316	–	44,164
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	–	427,614	88,856	369,385	559,647
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
21	Performing residential mortgages, of which:	–	8,742	7,408	16,673	18,913
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	21,698	18,443
24	Other assets: (sum of rows 25 to 29)	6,487	–	–	285,986	291,693
25	Physical traded commodities, including gold	–	–	–	–	–
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	5,201	–	–	–	4,421
27	NSFR derivative assets	–	–	–	–	–
28	NSFR derivative liabilities before deduction of variation margin posted	1,286	–	–	–	1,286
29	All other assets not included in the above categories	–	–	–	285,986	285,986
30	Off-balance sheet items	2,452,300	–	–	–	101,243
31	**Total RSF (14+15+16+24+30)**	3,862,070	595,966	160,580	693,742	1,127,571
32	**Net Stable Funding Ratio (%)**					127%

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ap) Net stable funding Ratio (Continued)

Quantitative disclosure (Continued)

As at 31 Dec 2023 (Rs in million)

		Unweighted value by residual maturity				Weighted value
	ASF Item	**No maturity***	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	
1	Capital: (2+3)	**351,376**	–	–	–	**351,376**
2	Regulatory capital	**351,376**	–	–	–	**351,376**
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers: (5+6)	**217,379**	**33,682**	**23,355**	**66,021**	**316,286**
5	Stable deposits	**54,542**	**6,512**	**4,515**	**12,764**	**75,289**
6	Less stable deposits	**162,837**	**27,170**	**18,840**	**53,257**	**240,997**
7	Wholesale funding: (8+9)	**604,664**	**731,056**	**13,864**	**37,424**	**712,216**
8	Operational deposits	**395,976**	–	–	–	**197,988**
9	Other wholesale funding	**208,688**	**731,056**	**13,864**	**37,424**	**514,228**
10	Other liabilities: (11+12)	**835**	**591,351**	–	–	–
11	NSFR derivative liabilities	**835**	–	–	–	–
12	All other liabilities and equity not included in the above categories	–	**591,351**	–	–	–
13	**Total ASF (1+4+7+10)**	**1,174,254**	**1,356,089**	**37,219**	**103,445**	**1,379,878**
14	Total NSFR high-quality liquid assets (HQLA)	**1,305,963**	–	–	–	**80,414**
15	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
16	Performing loans and securities: (17+18+19+21+20+22+23)	–	**574,617**	**138,931**	**339,718**	**567,265**
17	Performing loans to financial institutions secured by Level 1 HQLA	–	**103,612**	–	–	**10,361**
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	**61,400**	**60,174**	–	**39,297**
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	–	**402,322**	**71,326**	**304,783**	**484,729**
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
21	Performing residential mortgages, of which:	–	**7,283**	**7,431**	**20,874**	**20,926**
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	**14,061**	**11,952**
24	Other assets: (sum of rows 25 to 29)	**6,313**	–	–	**284,463**	**290,026**
25	Physical traded commodities, including gold	–	–	–	–	–
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	**5,001**	–	–	–	**4,251**
27	NSFR derivative assets	–	–	–	–	–
28	NSFR derivative liabilities before deduction of variation margin posted	**1,312**	–	–	–	**1,312**
29	All other assets not included in the above categories	–	–	–	**284,463**	**284,463**
30	Off-balance sheet items	**2,491,264**	–	–	–	**103,643**
31	**Total RSF (14+15+16+24+30)**	**3,803,540**	**574,617**	**138,931**	**624,181**	**1,041,348**
32	**Net Stable Funding Ratio (%)**					**133%**

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Schedule 18 – Significant accounting policies and notes to accounts *(Continued)*
5 Notes to accounts *(Continued)*
5.7 Statutory disclosures (Continued)
(ap) Net stable funding Ratio (Continued)
Quantitative disclosure (Continued)
As at 30 Sep 2023 (Rs in million)

		Unweighted value by residual maturity				Weighted value
	ASF Item	**No maturity***	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	
1	Capital: (2+3)	**349,604**	**–**	**–**	**–**	**349,604**
2	Regulatory capital	**349,604**	**–**	**–**	**–**	**349,604**
3	Other capital instruments	**–**	**–**	**–**	**–**	**–**
4	Retail deposits and deposits from small business customers: (5+6)	**225,552**	**35,106**	**20,516**	**64,174**	**320,490**
5	Stable deposits	**53,190**	**6,627**	**3,873**	**12,113**	**74,042**
6	Less stable deposits	**172,362**	**28,479**	**16,643**	**52,061**	**246,448**
7	Wholesale funding: (8+9)	**695,395**	**775,815**	**27,246**	**54,113**	**803,341**
8	Operational deposits	**430,442**	**–**	**–**	**–**	**215,221**
9	Other wholesale funding	**264,953**	**775,815**	**27,246**	**54,113**	**588,120**
10	Other liabilities: (11+12)	**3,144**	**507,608**	**–**	**–**	**–**
11	NSFR derivative liabilities	**3,144**	**–**	**–**	**–**	**–**
12	All other liabilities and equity not included in the above categories	**–**	**507,608**	**–**	**–**	**–**
13	**Total ASF (1+4+7+10)**	**1,273,695**	**1,318,529**	**47,762**	**118,287**	**1,473,435**
14	Total NSFR high-quality liquid assets (HQLA)	**1,346,770**	**–**	**–**	**–**	**80,833**
15	Deposits held at other financial institutions for operational purposes	**–**	**–**	**–**	**–**	**–**
16	Performing loans and securities: (17+18+19+21+20+22+23)	**–**	**642,901**	**130,536**	**360,058**	**597,666**
17	Performing loans to financial institutions secured by Level 1 HQLA	**–**	**96,922**	**–**	**–**	**9,692**
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	**–**	**112,444**	**49,002**	**–**	**41,368**
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	**–**	**425,830**	**75,068**	**322,078**	**511,376**
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	**–**	**–**	**–**	**–**	**–**
21	Performing residential mortgages, of which:	**–**	**7,705**	**6,466**	**20,688**	**20,532**
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	**–**	**–**	**–**	**–**	**–**
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	**–**	**–**	**–**	**17,292**	**14,698**
24	Other assets: (sum of rows 25 to 29)	**6,580**	**–**	**–**	**245,013**	**250,844**
25	Physical traded commodities, including gold	**–**	**–**	**–**	**–**	**–**
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	**4,992**	**–**	**–**	**–**	**4,243**
27	NSFR derivative assets	**–**	**–**	**–**	**–**	**–**
28	NSFR derivative liabilities before deduction of variation margin posted	**1,588**	**–**	**–**	**–**	**1,588**
29	All other assets not included in the above categories	**–**	**–**	**–**	**245,013**	**245,013**
30	Off-balance sheet items	**2,305,683**	**–**	**–**	**–**	**95,665**
31	**Total RSF (14+15+16+24+30)**	**3,659,033**	**642,901**	**130,536**	**605,071**	**1,025,008**
32	**Net Stable Funding Ratio (%)**					**144%**

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Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ap) Net stable funding Ratio (Continued)

<u>Quantitative disclosure</u> (Continued)

As at 30 Jun 2023 (Rs in million)

	ASF Item	Unweighted value by residual maturity: No maturity*	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
1	Capital: (2+3)	349,550	–	–	–	349,550
2	Regulatory capital	349,550	–	–	–	349,550
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers: (5+6)	217,956	41,454	20,216	55,157	309,978
5	Stable deposits	50,467	7,841	3,824	10,433	70,592
6	Less stable deposits	167,489	33,613	16,392	44,724	239,386
7	Wholesale funding: (8+9)	647,819	735,468	41,469	31,846	744,224
8	Operational deposits	397,723	–	–	–	198,861
9	Other wholesale funding	250,096	735,468	41,469	31,846	545,363
10	Other liabilities: (11+12)	3,621	438,015	–	–	–
11	NSFR derivative liabilities	3,621	–	–	–	–
12	All other liabilities and equity not included in the above categories	–	438,015	–	–	–
13	**Total ASF (1+4+7+10)**	1,218,946	1,214,937	61,685	87,003	1,403,752
14	Total NSFR high-quality liquid assets (HQLA)	1,262,850	–	–	–	85,285
15	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
16	Performing loans and securities: (17+18+19+21+20+22+23)	–	567,650	127,286	332,033	560,882
17	Performing loans to financial institutions secured by Level 1 HQLA	–	62,439	–	–	6,244
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	94,992	47,644	–	38,071
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	–	400,022	73,881	293,877	480,250
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
21	Performing residential mortgages, of which:	–	10,197	5,761	20,475	21,288
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	17,681	15,029
24	Other assets: (sum of rows 25 to 29)	7,887	–	–	260,428	267,348
25	Physical traded commodities, including gold	–	–	–	–	–
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	6,448	–	–	–	5,481
27	NSFR derivative assets	–	–	–	–	–
28	NSFR derivative liabilities before deduction of variation margin posted	1,439	–	–	–	1,439
29	All other assets not included in the above categories	–	–	–	260,428	260,428
30	Off-balance sheet items	2,216,600	–	–	–	91,226
31	**Total RSF (14+15+16+24+30)**	3,487,337	567,650	127,286	592,461	1,004,741
32	**Net Stable Funding Ratio (%)**					140%

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(ap) Net stable funding Ratio (Continued)

Quantitative disclosure (Continued)

As at 31 Mar 2023 (Rs in million)

		Unweighted value by residual maturity				Weighted value
	ASF Item	**No maturity***	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	
1	Capital: (2+3)	**349,280**	–	–	–	**349,280**
2	Regulatory capital	**349,280**	–	–	–	**349,280**
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from small business customers: (5+6)	**214,889**	**38,729**	**21,019**	**44,806**	**295,146**
5	Stable deposits	**50,052**	**7,691**	**4,174**	**8,898**	**69,160**
6	Less stable deposits	**164,837**	**31,038**	**16,845**	**35,908**	**225,986**
7	Wholesale funding: (8+9)	**613,670**	**679,920**	**13,647**	**29,984**	**683,602**
8	Operational deposits	**386,601**	–	–	–	**193,300**
9	Other wholesale funding	**227,069**	**679,920**	**13,647**	**29,984**	**490,302**
10	Other liabilities: (11+12)	**9,386**	**794,285**	–	–	–
11	NSFR derivative liabilities	**9,386**	–	–	–	–
12	All other liabilities and equity not included in the above categories	–	**794,285**	–	–	–
13	**Total ASF (1+4+7+10)**	**1,187,225**	**1,512,934**	**34,666**	**74,790**	**1,328,028**
14	Total NSFR high-quality liquid assets (HQLA)	–	–	–	–	**82,988**
15	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
16	Performing loans and securities: (17+18+19+21+20+22+23)	–	**770,136**	**120,418**	**416,296**	**621,432**
17	Performing loans to financial institutions secured by Level 1 HQLA	–	**250,284**	–	–	**25,028**
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	**140,867**	**37,342**	–	**39,801**
19	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks, and PSEs, of which:	–	**372,170**	**77,568**	**378,525**	**524,615**
20	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
21	Performing residential mortgages, of which:	–	**6,815**	**5,508**	**31,397**	**26,570**
22	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	–	–	–	–	–
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	**6,374**	**5,418**
24	Other assets: (sum of rows 25 to 29)	**8,555**	–	–	**234,265**	**241,779**
25	Physical traded commodities, including gold	–	–	–	–	–
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	**6,938**	–	–	–	**5,897**
27	NSFR derivative assets	–	–	–	–	–
28	NSFR derivative liabilities before deduction of variation margin posted	**1,617**	–	–	–	**1,617**
29	All other assets not included in the above categories	–	–	–	**234,265**	**234,265**
30	Off-balance sheet items	**2,273,279**	–	–	–	**95,028**
31	**Total RSF (14+15+16+24+30)**	**2,281,834**	**770,136**	**120,418**	**650,561**	**1,041,227**
32	**Net Stable Funding Ratio (%)**					**128%**

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.7 Statutory disclosures (Continued)

(aq) Letters of comfort

The Bank has not issued any letters of comfort during the year ended 31 March 2024 (previous year: Rs. Nil).

(ar) Remuneration policy

In accordance with the requirements of the RBI Circular No. DOR.Appt.BC.No.23/29.67.001/2019-20 dated 4 November 2019, the Head Office of the Bank has submitted a declaration to RBI that the Bank's compensation policies including that of CEO's, is in conformity with the Financial Stability Board principles and standards.

(as) Drawdown from reserves

The Bank has not drawn down from reserves during the year ended 31 March 2024 (previous year: Rs. Nil).

(at) Disclosure of complaints

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

Sr. No.	Particulars	For the year ended 31 March 2024	For the year ended 31 March 2023
	Complaints received by the bank from its customers		
1.	No. of complaints pending at beginning of the year	**340**	451
2.	No. of complaints received during the year	**22,840**	20,006
3.	No. of complaints disposed during the year	**22,041**	20,117
3.1	Of which, number of complaints rejected by the bank	**2,509**	4,847
4	No. of complaints pending at the end of the year	**1,139**	340
	Maintainable complaints received by the bank from OBOs		
5.	Number of maintainable complaints received by the bank from OBOs	**320**	258
5.1	Of 5, number of complaints resolved in favour of the bank by OBOs	**105**	117
5.2	Of 5, number of complaints resolved through conciliation / mediation/ advisories issued by OBOs	**215**	141
5.3	Of 5, number of complaints resolved after passing of Awards by OBOs against the bank	**Nil**	Nil
6.	Number of Awards unimplemented within the stipulated time (other than those appealed)	**Nil**	Nil

1. Maintainable complaints have been identified as per data provided by CEPD, RBI for the period under review.
2. Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Banking Ombudsman Scheme, 2006) and covered within the ambit of the Scheme.
3. Complaints have been recorded from date received by OBO Office and closed during the specified periods, including those brought forward from the previous year.

Top five grounds of complaints received by the bank from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase / (decrease) in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
			For the year ended 31 March 2024		
Credit Cards	**129**	**9,158**	**74.17%**	**786**	**181**
ATM/Debit Cards	**46**	**2,238**	**43.00%**	**87**	**34**
Loans and advances	**33**	**821**	**(57.06%)**	**13**	**1**
Internet/Mobile/Electronic Banking	**31**	**2,708**	**(18.19%)**	**65**	**1**
Account opening/difficulty in operation of accounts	**27**	**3,046**	**22.43%**	**80**	**2**
Others	**74**	**4,869**	**(11.04%)**	**108**	**3**
Total	**340**	**22,840**	**14.17%**	**1,139**	**222**
			For the year ended 31 March 2023		
Credit Cards	177	5,258	31.09%	129	13
ATM/Debit Cards	45	1,565	17.23%	46	19
Loans and advances	46	1,912	87.08%	33	2
Internet/Mobile/Electronic Banking	59	3,310	131.15%	31	3
Account opening/difficulty in operation of accounts	28	2,488	217.35%	27	1
Others	96	5,473	47.20%	74	4
Total	451	20,006	62.62%	340	42

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.8 Statutory disclosures (Continued)

(au) Depositor Education and Awareness Fund (DEAF)

(Rs '000)

	As at 31 March 2024	As at 31 March 2023
Opening balance of amounts transferred to DEA Fund	**2,745,598**	2,321,744
Add: Amounts transferred to DEA Fund during the year	**391,300**	479,290
Less: Amounts reimbursed by DEA Fund towards claims	**(95,933)**	(55,436)
Closing balance of amounts transferred to DEA Fund	**3,040,965**	2,745,598

All unclaimed liabilities (where amount due has been transferred to the Depositors Education and Awareness Fund established under the Depositor Education and Awareness Fund Scheme 2014) are covered under Schedule 12 Contingent Liabilities.

(av) Details of provisioning pertaining to fraud accounts

The following table sets forth, for the periods indicated, the details of provisioning pertaining to fraud acounts.

(Rs '000)

	For the year ended 31 March 2024	For the year ended 31 March 2023
Number of frauds reported	**3,019**	1,717
Amount involved in frauds	**229,160**	60,489
Provision made	**131,986**	2,081
Unamortised provision debited from balance in profit and loss account under 'Reserves and Surplus'	**–**	–

(aw) Payment of DICGC Insurance Premium

(Rs '000)

Sr. No	**Particulars**	**For the year ended 31 March 2024**	For the year ended 31 March 2023
(i)	Payment of DICGC Insurance premium	**2,711,820**	2,636,074
(ii)	Arrears in payment of DICGC premium	**–**	–

(ax) Disclosure on borrowings and lending activities

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

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

(ay) Portfolio-level information on the use of funds raised from green deposits

The Bank has not accepted any fresh deposits from 1 June 2023, the date of the framework for acceptance of green deposits coming into effect.

5.8 Employee benefits

a) Summary

(Rs '000)

	As at 31 March 2024		As at 31 March 2023	
	Gratuity	**Pension**	Gratuity	Pension
Defined benefit obligation	**1,532,466**	**1,870,254**	1,429,275	1,847,315
Fair value of plan assets	**1,407,114**	**1,770,815**	1,291,828	1,718,486
Net Deficit	**125,352**	**99,439**	137,447	128,829

The pension liability includes a liability in respect of the unfunded plans of Rs. 305,043 thousand (previous year: Rs. 307,325 thousand). The majority of the plan assets are invested in government securities, corporate bonds, special deposit schemes and mutual funds.

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

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.8 Statutory disclosures (Continued)

b) Changes in present value of defined benefit obligations

(Rs '000)

	For the year ended 31 March 2024		For the year ended 31 March 2023	
	Gratuity	**Pension**	Gratuity	Pension
Opening balance	**1,429,275**	**1,847,315**	1,405,383	1,996,966
Current service cost	**84,611**	**49,335**	82,964	55,439
Interest cost	**100,886**	**131,201**	90,794	131,439
Plan amendment	**–**	**–**	–	–
Benefits paid	**(168,257)**	**(156,648)**	(179,043)	(125,635)
Actuarial loss / (gain) recognised during the year	**85,951**	**(949)**	29,177	(210,894)
Closing Balance	**1,532,466**	**1,870,254**	1,429,275	1,847,315

c) Changes in the fair value of plan assets

(Rs '000)

	For the year ended 31 March 2024		For the year ended 31 March 2023	
	Gratuity	**Pension**	Gratuity	Pension
Opening balance	**1,291,828**	**1,718,486**	1,369,102	1,756,107
Expected return on plan assets	**95,715**	**123,887**	98,069	127,895
Contributions by the bank	**137,000**	**–**	56,000	–
Benefits paid	**(168,257)**	**(133,320)**	(179,043)	(101,687)
Actuarial gain / (loss) recognised during the year	**50,828**	**61,762**	(52,300)	(63,829)
Closing Balance	**1,407,114**	**1,770,815**	1,291,828	1,718,486
Actual return on plan assets	**146,543**	**185,649**	45,769	64,066

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

(Rs '000)

	For the year ended 31 March 2024		For the year ended 31 March 2023	
	Gratuity	**Pension**	Gratuity	Pension
Current service cost	**84,611**	**49,335**	82,964	55,439
Interest cost	**100,886**	**131,201**	90,794	131,439
Plan amendment	**–**	**–**	–	–
Expected return on plan assets	**(95,715)**	**(123,887)**	(98,069)	(127,895)
Net actuarial loss / (gain) recognised during the year	**35,123**	**(62,711)**	81,477	(147,065)
Charge / (release)	**124,905**	**(6,062)**	157,166	(88,082)

e) Key assumptions

	For the year ended 31 March 2024		For the year ended 31 March 2023	
	Gratuity	**Pension**	Gratuity	Pension
Salary Escalation #	**7%-12%**	**12%**	6%-12%	12%
Discount rate*	**7.2%**	**7.2%**	7.5%	7.4%
Expected rate of return on plan assets	**7.5%**	**7.5%**	7.5%	7.5%
Attrition rate	**2%-15%**	**2%-15%**	2%-14%	2%-14%

\# Salary escalation rate varies based on the category of employees, their salary terms and future period of employment. Further, the estimates of future salary increases, considered in actuarial valuation, take into consideration inflation, seniority, promotion, bipartite settlements and other relevant factors such as supply and demand in the employment market.

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

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.10 Segment Reporting (Continued)

f) Experience adjustments

(Rs '000)

	For the year ended 31 March				
	2024	2023	2022	2021	2020
Gratuity					
Defined benefit obligation	**1,532,466**	1,429,275	1,405,383	1,418,083	1,305,582
Fair value of plan assets	**1,407,114**	1,291,828	1,369,102	1,349,163	1,158,716
Net deficit	**125,352**	137,447	36,281	68,920	146,866
Experience loss on plan liabilities	**42,473**	55,353	17,278	27,596	18,923
Experience gain/ (loss) on plan assets	**50,828**	(52,300)	(12,478)	18,994	18,381
Pension					
Defined benefit obligation	**1,870,254**	1,847,315	1,996,966	2,209,622	3,687,716
Fair value of plan assets	**1,770,815**	1,718,486	1,756,107	1,628,250	1,559,886
Net deficit	**99,439**	128,829	240,859	581,372	2,127,830
Experience gain / (loss) on plan liabilities	**28,978**	6,436	16,678	67,954	(77,365)
Experience gain / (loss) on plan assets	**61,762**	(63,829)	(69,101)	54,207	43,502

g) Defined contribution plan

The Bank has recognised an amount of Rs. 395,121 thousand as an expense for the defined contribution plan of provident fund (previous year: Rs. 569,153 thousand) and Rs. 7,842 thousand towards defined contribution plan of pension fund (previous year: Rs. 7,057 thousand).

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

5.9 Employee share-based payments

Eligible employees of the Bank have been granted options/awards of equity shares of the ultimate holding company HSBC Holdings plc. As per the schemes, these options/awards vest in a graded manner over an average period of one to five years. During the year the Bank has included these costs under "Payments to and provisions for employees" as compensation cost.

5.10 Segment Reporting

Segment Description

In line with the RBI guidelines, the Bank has identified "Treasury", "Retail Banking", "Corporate Banking", and "Other Banking Business" as the primary reporting segments.

Treasury undertakes trading operations, derivatives trading and foreign exchange operations. Principal expenses of this segment comprise interest on market borrowings, personnel costs and other direct overheads and allocated expenses.

Retail Banking includes personal banking business of the Bank, servicing retail customers and offering personal banking products. This segment includes exposures, which fulfill the four criteria of orientation, product, granularity and low value of individual exposures for retail exposures as detailed in the RBI guidelines for "Segment Reporting". Credit card operations and home loans are also included in Retail Banking.

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

Corporate Banking caters to the Corporate and Institutional customers. This segment includes all advances to trusts, partnership firms, companies and statutory bodies, which are not included under "Retail Banking". These also include custody operations, payment and settlement operations and factoring advances. Small and medium enterprises are also included in Corporate Banking.

Other Banking Business includes all other banking operations not covered under "Treasury", "Retail Banking" and "Corporate Banking" segments. It also includes all other residual operations such as para banking transactions/activities, except for credit card, factoring business, custody operations and payment and settlement operations.

Expense of these segments comprises interest expense on deposits, infrastructure cost for the branch network, personnel costs, other direct overheads and allocated expenses.

Segment revenues stated below are aggregate of Schedule 13 - Interest income and Schedule 14 - Other income and after considering the net fund transfer pricing adjustment. Treasury gives notional interest benefit to other divisions for the funds mobilised by the latter through deposits, and similarly charges notional interest to other divisions for the funds utilised by them for lending and investment purposes. Based on tenor of assets/ liabilities and market scenarios, Treasury calculates notional interest rates used for this purpose.

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.10 Segment Reporting (Continued)

(Rs '000)

Business Segments	**Treasury**	**Retail Banking**	**Corporate Banking**	**Other Banking Business**	**Total**
Particulars	**For the year ended 31 March 2024**				
Segment Revenue	**51,661,362**	**27,491,495**	**158,373,444**	**1,623,423**	**239,149,724**
Segment Result	**36,122,564**	**(1,223,888)**	**64,051,454**	**(2,581,506)**	**96,368,624**
Unallocated expenses					**(1,060,808)**
Unallocated provisions					**–**
Extraordinary items					**–**
Profit before taxes					**95,307,816**
Income taxes					**(40,944,486)**
Net profit					**54,363,330**
	As at 31 March 2024				
Other information					
Segment assets	**1,659,578,748**	**150,166,629**	**1,114,035,149**	**23,989,921**	**2,947,770,447**
Unallocated assets					**19,960,054**
Total assets					**2,967,730,501**
Segment liabilities	**411,932,945**	**334,807,129**	**1,785,144,154**	**23,277,396**	**2,555,161,624**
Unallocated liabilities					**82,632**
Total net assets					**412,486,245**
Depreciation	**2,970**	**112,593**	**10,055**	**812,622**	**938,240**
Non cash Expense other than depreciation	**(411,658)**	**736,729**	**67,320**	**1,891**	**394,282**

(Rs '000)

Business Segments	Treasury	Retail Banking	Corporate Banking	Other Banking Business	Total
Particulars	For the year ended 31 March 2023				
Segment Revenue	23,181,306	21,176,054	127,017,210	1,963,113	173,337,683
Segment Result	14,235,763	(7,423)	53,265,143	(2,479,925)	65,013,558
Unallocated expenses					(1,339,112)
Unallocated provisions					–
Extraordinary items					–
Profit before taxes					63,674,446
Income taxes					(29,145,120)
Net profit					34,529,326
	As at 31 March 2023				
Other information					
Segment assets	1,790,753,923	117,066,469	984,931,444	21,140,286	2,913,892,122
Unallocated assets					16,268,405
Total assets					2,930,160,527
Segment liabilities	595,829,293	296,109,929	1,656,000,013	23,787,567	2,571,726,802
Unallocated liabilities					398,425
Total net assets					358,035,300
Depreciation	1,162	78,704	8,843	677,358	766,067
Non cash Expense other than depreciation	(51,008)	254,235	815,594	–	1,018,821

In computing the above information, certain estimates and assumptions have been made by the Management which were relied upon by the auditors.

Geographical segments

The Bank does not have overseas operations and is considered to operate only in the domestic segment.

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.11 Related parties

The related parties of the Bank are broadly classified as follows:

a) Parent

The Hongkong and Shanghai Banking Corporation Limited, Hong Kong (HBAP) is the Head office of the Bank and HSBC Holdings plc is the ultimate holding company of the Bank.

b) Branch Offices

Branch offices comprise all branches of The Hongkong and Shanghai Banking Corporation Limited outside India and The Hongkong and Shanghai Banking Corporation Limited, GIFT City branch.

c) Fellow subsidiaries

Fellow subsidiaries comprise companies, which have a common ultimate holding company, HSBC Holdings plc. These are as follows:

HSBC Holdings plc.

HSBC Bank plc and branches

HSBC UK Bank plc

HSBC Bank Canada

HSBC Bank Malaysia Berhad

HSBC Trinkaus and Burkhardt AG

HSBC Bank Mauritius Limited

HSBC Bank Australia Limited

HSBC Continental Europe

HSBC Bank (China) Company Limited

HSBC Software Development (Guangdong) Limited

HSBC Bank Oman SAOG

HSBC Bank A.S. Turkey

HSBC Bank Polska S.A.

HSBC Bank (RR) Moscow

HSBC Software Development (Malaysia) Sdn Bhd

HSBC Service Delivery (Czech Republic) S.R.O

HUSI North America

HSBC Bank (Taiwan) Limited

HSBC Bank (Singapore) Limited

HSBC Bank (Vietnam) Limited

HSBC Global Services (UK) Limited

HSBC Global Services (HK) Limited

HSBC Bank Middle East Limited and branches

HSBC Private Banking Holdings (Suisse) SA

HSBC Bank USA N.A.

HSBC Asset Management (India) Private Limited

HSBC Professional Services (India) Private Limited

HSBC Electronic Data Processing India Private Limited

HSBC Invest Direct (India) Private Limited

HSBC Invest Direct Securities (India) Private Limited

HSBC Securities and Capital Markets (India) Private Limited

HSBC Software Development (India) Private Limited

HSBC Invest Direct Financial Services (India) Limited

HSBC Invest Direct Sales & Marketing (India) Limited

HSBC Services Japan Limited

HSBC Service Delivery (Poland) Sp. z o.o

HSBC Group Management Services Limited

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.11 Related parties

c) Fellow subsidiaries (Continued)

HSBC Markets (USA) Inc.

HSBC Electronic Data Processing Malaysia

HSBC Electronic Data Processing (Philippines), Inc.

HSBC Electronic Data Processing Lanka (Private) Limited

HSBC Bank Uruguay S.A.

Hongkong Bank Agency Pvt Ltd

PT Bank HSBC Indonesia

HSBC EDP (Guangdong) Ltd

d) Other Related Parties

Canara HSBC Life Insurance Company

Saudi Awwal Bank

e) Key management personnel and subsidiaries

Chief Executive Officer, Mr. Hitendra Dave is the CEO of the Bank as at 31 March 2024 is considered the Key Management Personnel of the Bank.

HSBC Agency (India) Private Limited is the only subsidiary of the Bank.

The transactions of the Bank with related parties are detailed below except where there is only one related party (i.e. key management personnel and subsidiary in line with RBI circular DBR.BP.BC No.23/21.04.018/2015-16 dated 1 July 2015):

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

(Rs '000)

	Parent		**Branch Offices**	
	31 March 2024	31 March 2023	**31 March 2024**	31 March 2023
Interest Paid	**–**	–	**91,701**	70,305
Interest Received	**–**	–	**1,429,442**	2,760,064
Rendering of Services	**–**	–	**756,131**	553,303
Receiving of Services	**1,060,808**	1,339,112	**9,721,098**	5,568,253

(Rs '000)

	Fellow Subsidiaries & Other Related Parties	
	31 March 2024	31 March 2023
Interest Paid	**840,244**	671,244
Interest Received	**239,140**	94,416
Rendering of Services	**832,387**	818,985
Receiving of Services	**13,554,256**	11,358,204

Balances with related parties are as follows

(Rs '000)

Parent	**As at 31 March 2024**	**Maximum during the year 2024**	As at 31 March 2023	Maximum during the year 2023
Borrowings	**–**	**–**	–	–
Deposit	**–**	**–**	–	–
Placement of deposits/other asset				
Advances	**–**	**–**	–	–
Nostro balances	**–**	**–**	–	–
Other liabilities	**82,632**	**849,065**	398,425	413,746
Non Funded Commitments	**–**	**–**	–	–

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.11 Related parties (Continued)

Balances with related parties are as follows *(continued)*

(Rs '000)

Branch offices	**As at 31 March 2024**	**Maximum during the year 2024**	As at 31 March 2023	Maximum during the year 2023
Borrowings	**43,773,078**	**83,343,974**	1,013,570	32,336,474
Deposit/other liability	**3,436,484**	**13,788,517**	7,455,991	7,455,991
Placement of deposits/other asset	**452,786**	**140,933,219**	140,896,383	166,725,848
Advances	**–**	**–**	–	–
Nostro balances	**556,114**	**7,197,976**	3,377,811	4,242,013
Positive MTMs	**2,742,906**	**6,730,487**	5,014,287	15,282,878
Negative MTMs	**2,495,398**	**8,305,959**	6,172,235	17,162,009
Derivative notionals	**605,011,597**	**867,183,662**	602,873,130	1,055,934,363
Non Funded Commitments	**17,451,959**	**20,910,639**	19,572,499	21,268,314

(Rs '000)

Fellow Subsidiaries & Other Related Parties	**As at 31 March 2024**	**Maximum during the year 2024**	As at 31 March 2023	Maximum during the year 2023
Borrowings	**12,698,088**	**121,425,402**	22,097,133	92,595,085
Deposit/other liability	**38,607,075**	**55,928,048**	33,511,948	90,450,462
Placement of deposits/other asset	**1,861,299**	**9,384,146**	3,533,826	7,473,750
Advances	**–**	**–**	–	–
Nostro balances	**794,241**	**7,534,804**	3,613,702	6,903,343
Positive MTMs	**12,152,745**	**18,184,361**	12,402,624	35,869,095
Negative MTMs	**13,277,786**	**30,780,824**	16,520,982	33,856,537
Derivative notionals	**2,217,772,469**	**2,320,081,357**	1,995,478,925	2,165,725,853
Investments	**100**	**100**	100	100
Non Funded Commitments	**22,388,283**	**26,309,779**	22,248,704	22,249,943

Material related party transactions (Amounts in Rs. 000's)

A related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category. Following are such related party transactions. All amounts are Indian Rupees in thousands.

Capital Infused

The Parent infused **Nil** capital during the FY 2023-24 (previous Year : Rs. 41,342,500)

Interest paid:

HSBC Electronic Data Processing India Private Limited **Rs. 646,959** (previous year: Rs. 333,036), HSBC Software Development (India) Private Limited **Rs. 97,846** (previous year: Rs. 15,144), HSBC Securities and Capital Mkts (India) Private Limited **Rs. 57,009** (previous year: Rs. 285,945).

Interest received:

HBAP Hong Kong Branch **Rs. 1,429,442** (previous year: Rs. 2,759,751), HSBC Bank plc **Rs. 238,635** (previous year: Rs. 93,052).

Rendering of services:

HBAP Hong Kong Branch Rs. 508,742 (previous year: Rs. 208,226), HUSI North America **Rs. 250,347** (previous year: Rs. 225,417), HBME UAE **Rs. 119,582** (previous year: Rs. 256,913), HSBC Bank plc **Rs. 208,479** (previous year: Rs. 131,133), HSBC Bank Gift City **Rs. 245,918** (previous year: Rs. 257,839).

Receiving of services:

HSBC Software Development (India) Private Limited **Rs. 3,823,019** (previous year: Rs. 2,923,469), HSBC Electronic Data Processing India Private Limited **Rs. 2,787,421** (previous year: Rs. 2,189,909), HSBC Group Management Services Ltd **Rs. 6,607,154** (previous year:Rs 4,160,138), HSBC Software Development (Guangdong) Private Limited **Rs. Nil** (previous year: Rs. 1,821,038), HBAP Hong Kong Branch **Rs. 9,337,532** (previous year: Rs. 6,893,005), HSBC Bank plc **Rs. 27,595** (previous year: Rs. 75,874), HUSI North America **Rs. 200,811** (previous year: Rs. 100,225).

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*
(Currency: Indian rupees)

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

5 **Notes to accounts *(Continued)***

Material related party transactions (Amounts in Rs. 000's) (continued)

Borrowings:

HBAP Hong Kong Branch **Rs. 41,440,175** (previous year: Rs. 589,106), HBAP Singapore **Nil** (previous year Rs. 266,550), HBAP New Zealand **Rs. 8,894** (previous year Rs. 144,757), HUSI North America **Rs. 3,616,815** (previous year: Rs. 16,344,192), HSBC Continental Europe **Rs. 4,270,875** (previous year: Rs. 2,490,980), HSBC Bank plc **Rs. 2,543,354** (previous year: Rs. 1,796,816).

Placement of deposits/other asset:

HBAP Hong Kong Branch **Rs.155,390** (previous year: Rs. 139,895,170), GIFT City **Rs. 228,553** (previous year : Rs. 919,282), HSBC Bank plc **Rs. 1,860,855** (previous year: Rs. 3,533,463).

Nostro:

HBAP Japan **Rs. 330,065** (previous year: Rs. 1,802,108), HBAP Thailand **Rs. 90,016** (previous year: Rs. Nil), HBAP Hong Kong Branch **Rs. 111,557** (previous year: Rs. 1,573,990), HSBC Bank plc **Rs. 105,918** (previous year : Rs. 1,668,999), HSBC Qatar **Rs. 493,505** (previous year : Rs. 339,090), HSBC Australia **Rs. 143,469** (previous year : Rs. Nil), BBME Dubai **Rs. Nil** (previous year : Rs. 492,817), HSBC China **Rs. Nil** (previous year : Rs. 748,247).

Deposits/other liability:

HBAP Hong Kong **Rs. 1,322,251** (previous year: Rs. 4,775,023), HBAP Bangladesh **Rs. 223,393**, (previous year: Rs. 1,016,786), HBAP Sri Lanka **Rs. 10,732** (previous year: Rs. 1,555,938), HBAP Singapore **Rs. 1,740,021** (previous year Rs. 445,738), HSBC Electronic Data Processing India Private Limited **Rs. 15,599,399** (previous year: Rs. 9,656,511), HSBC Software Development (India) Private Limited **Rs. 18,223,581** (previous year: Rs. 19,321,581).

Non Funded Commitments:

HBAP Hong Kong Branch **Rs. 9,184,102** (previous year: Rs 12,752,000), HBAP Singapore **Rs. 7,157,125** (previous year Rs. 5,695,056), HSBC Bank plc **Rs. 2,606,228** (previous year: Rs. 2,472,041), HSBC Continental Europe **Rs. 6,704,384** (previous year Rs. 3,537,878), HSBC Bank USA **Rs. 2,790,936** (previous year: Rs. 3,150,655), HSBC China **Rs. 2,310,511** (previous year: Rs. 2,632,859), HSBC Trinkaus and Burkhardt AG Rs. Nil (previous year: Rs. 2,797,525).

Derivative Notionals:

HBAP Hong Kong Branch **Rs. 316,870,847** (previous year: Rs 570,176,002), HSBC Bank plc **Rs. 2,206,052,679** (previous year: Rs. 1,986,289,050), HSBC Singapore **Rs. 233,783,075** (previous year: Rs. 32,627,077).

Positive MTM:

HBAP Hong Kong Branch **Rs. 1,799,761** (previous year: Rs. 4,814,433), HSBC Bank plc **Rs. 12,075,204** (previous year: Rs. 12,362,197), HSBC Singapore **Rs. 836,086** (previous year: Rs.199,810) .

Negative MTM:

HBAP Hong Kong Branch **Rs. 1,576,036** (previous year: Rs 6,137,827), HSBC Singapore Branch **Rs. 784,671** (previous year: Rs. 34,408), HSBC Bank plc **Rs. 13,277,785** (previous year: Rs. 16,308,450)..

5.12 ***Deferred taxes***

There is a deferred tax charge of **Rs. 473,900** thousand for the year ended 31 March 2024 (previous year: deferred tax charge of Rs. 355,885 thousand) which is included in the provision for taxation for the year.

The primary components that gave rise to deferred tax assets and liabilities included in the balance sheet are as follows:

(Rs '000)

Deferred tax assets	**As at 31 March 2024**	As at 31 March 2023
Provision for doubtful advances	**3,627,034**	3,748,537
Employee benefits	**914,258**	799,435
Fixed Assets	**358,960**	143,040
Provisions	**108,423**	108,423
Others	**180,471**	180,471
Gross Deferred tax assets	**5,189,146**	4,979,906
Deferred tax liability		
Specific reserve	**(3,329,706)**	(2,646,567)
Fixed Assets	–	–
Net Deferred Tax Asset	**1,859,440**	2,333,339

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.13 Operating leases

Total lease rental of **Rs. 1,153,981** thousand (previous year: Rs. 1,012,843 thousand) has been included under Operating expenses - rent, taxes and lighting in the profit and loss account. The terms of escalation clauses are those normally prevalent in similar agreements.

Details of total future minimum lease payments under non-cancellable operating leases are set out below:

(Rs '000)

	As at 31 March 2024	As at 31 March 2023
Not later than one year	**76,994**	68,490
Later than one year and no later than five years	**177,306**	30,718
Later than five years	**–**	–
Total	**254,300**	99,208

5.14 Provisions and contingencies

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Bank has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

Details of provisions for reward points on credit cards and debit cards and other provisions are set out below:

(Rs '000)

	For year ended 31 March 2024		For year ende31 March 2023	
	Reward points	**Other provisions**	Reward points	Other provisions
Opening balance at the beginning of the period	**295,634**	**847,227**	268,933	598,086
Add: Provision/(release) made during the period (Note 5.7.(c))	**420,853**	**107,962**	248,452	249,676
Less: Utilisation during the period	**(314,756)**	**(44,518)**	(221,751)	(535)
Closing balance at the end of the period	**401,731**	**910,671**	295,634	847,227

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

Claims against the Bank not acknowledged as debts - others

These represent various legal claims filed against the Bank in its normal course of business. It also includes claims / demands raised by Income tax authorities, which are disputed by the Bank. The Bank has reviewed all its pending litigations and proceedings and has adequately provided for where provisions are required and disclosed the contingent liabilities where applicable, in its financial statements.

Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts, currency options, forward rate agreements, currency swaps, interest rate swaps and interest rate options on its own account and for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. A foreign currency option is an agreement between two parties in which one grants to the other the right to buy or sell a specified amount of currency at a specific price within a specified time period or at a specified future time. Currency swaps are commitments to exchange cash flows by way of interest / principal in one currency against another, based on predetermined rates. Forward Rate Agreements are agreements to pay or receive a certain sum based on a differential interest rate on a notional amount for an agreed period. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. The notional amounts that are recorded as contingent liabilities are typically amounts used as a benchmark for the calculation of the interest component of the contracts.

Guarantees given on behalf of constituents, acceptances, endorsements and other obligations

As a part of its normal banking activities the Bank issues documentary credit and guarantees on behalf of its customers. Documentary credits, such as letters of credit, enhance the credit standing of the customers of the Bank. Guarantees generally represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

Other items for which the Bank is contingently liable

These include non-unconditionally cancellable undrawn commitments, indemnity, capital commitments and credit enhancements given in relation to securitisation transactions undertaken by the Bank.

5.15 Disclosure of CSR Expenditure

a) Gross amount required to be spent by the Bank and approved by the CSR committee during the year was **Rs. 1,237,758** thousand (previous year: Rs. 1,157,835 thousand).

b) Amount spent during the year:

(Rs '000)

For the Year ended 31 March 2024		**In Cash**	**Yet to be paid in Cash**	**Total**
i)	Construction/acquisition of any asset	–	–	–
ii)	On purpose other than (i) above	**1,237,759**	–	**1,237,759**

Schedules forming part of the Financial Statements for the year ended 31 March 2024 (*Continued)*

(Currency: Indian rupees)

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

5 Notes to accounts *(Continued)*

5.15 Disclosure of CSR Expenditure (Continued)

b) Amount spent during the year: *(Continued)*

(Rs '000)

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

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

5.16 Micro, Small and Medium Enterprises

Under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED), the following disclosure is made based on the information and records available with the Management in respect of the Micro, Small and Medium Enterprises who have registered with the competent authorities:

(Rs '000)

	As at 31 March 2024	As at 31 March 2023
Principal amount remaining unpaid to any registered supplier as at the year end	–	–
Interest due thereon	–	–
Amount of interest paid by the Company in terms of section 16 of the MSMED, along with the amount of the payment made to the supplier beyond the appointed day during the accounting year	–	–
Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED act	–	–
Amount of interest accrued and remaining unpaid at the end of the accounting year	–	–
Amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises, under Section 23 of the MSMED act	–	–

5.17 Maintenance of Books of Accounts

As required by the Bank under MCA notification dated 5 August 2022, and the Companies (Accounts) Fourth Amendment Rules, 2022, to maintain backups of books of account on servers physically located in India on a daily basis, the Bank has maintained periodic back-ups of information on certain applications and other relevant books and papers maintained in electronic mode on servers physically located in India. From 30 June 2023, the Bank has put a system in place to take daily back-ups on servers in India to comply with the requirement of the relevant Rules.

Further, as per the definition of MCA, the Company has identified applications which meet the definition of books of accounts. All these applications have a feature of recording audit trail (edit log) facility. This has operated throughout the year for all transactions recorded in these applications.

At a database level the audit trail does not contain the pre-modified values i.e old value and new value of the changes made to the masters/ transactions. Access to inscope databases is controlled via privilege access management tool – "Total Privilege Access Management Tool" (TPAM) and access is granted on need basis only which is controlled through the access management process of the Bank. All activities performed on databases are recorded through privilege session monitoring via IBM Guardium. In addition, while the backend update in this database is not frequent, the Guardium logs capture the details around user who got the access, the query executed by the user and date of execution.

Based on the factors above, the Bank has established and maintained an adequate internal control framework and based on its assessment, believes that there is no impact of this on the financial statements as on 31 March 2024.

5. 18 Prior period comparatives

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

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For The Hongkong and Shanghai Banking Corporation Limited – India Branches

Amitabh Nevatia
Chief Financial Officer

Hitendra Dave
Chief Executive Officer

Mumbai
24 June 2024