

# The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

## Basel III – Pillar 3 disclosures of India Branches

For the period ended 30 June 2024

### 1. Background and Scope of Applications

#### a. Background

The information contained in the document is for 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 United Kingdom. References to 'the Group' within this document mean HSBC Holdings plc together with its subsidiaries.

#### b. Scope of Application

The capital adequacy framework applies to the Bank as per Reserve Bank of India ('RBI') Basel III Capital Regulations vide RBI Circular RBI/2024-25/08 DOR.CAP.REC.4/21.06.201/2024-25 dated 01 April 2024 as amended from time to time. The Bank has a subsidiary, HSBC Agency (India) Private Limited ('HAPL'), which is consolidated in accordance with Accounting Standard ('AS') – 21 (consolidated financial statements). Full capital deduction is taken in regulatory capital for investment in HAPL. The Bank holds minority interests (2.07% shareholding) in a Group entity HSBC Professional Services (India) Private Limited which is neither consolidated nor is capital deducted. The investment in this company is appropriately risk weighted. The Bank does not have any other Group company where a pro-rata consolidation is done or any deduction is taken. The disclosure and analysis provided herein are in respect of the Bank, except where required and specifically elaborated, to include other Group entities operating in India.

##### (i) Accounting and prudential treatment / consolidation framework

###### a. Subsidiaries not included in the consolidation

The aggregate amount of capital held by the Bank in HAPL of Rs. 500,000 is not included in the regulatory scope of consolidation and is deducted from capital.

###### b. List of Group entities in India considered for consolidation under regulatory scope of consolidation:

The RBI guidelines on Financial Regulation of Systemically Important NBFCs and Banks' Relationship vide circular ref. DBOD. No. FSD. BC.46 / 24.01.028/ 2006-07 dated 12 December 2006 read with 'Guidelines for consolidated accounting and other quantitative methods to facilitate consolidated supervision' vide circular ref. DBOD.No.BP.BC.72/ 21.04.018/2001-02 dated 25 February 2003 mandate coverage of the 'Consolidated Bank'. This includes, in addition to the Bank the following Non-Banking Finance Company ('NBFC'), which is a subsidiary of HSBC Holdings plc, held through intermediary holding companies:

(Rs '000)

Name of Entity /Country of Incorporation	Principal activity of the entity	Total balance sheet equity*	Total balance sheet assets*
HSBC InvestDirect Financial Services (India) Limited (HIFSL) (Note 1)	Non-banking Finance company	1,462,847	21,103,191

\* As stated in the unaudited balance sheet of the legal entity as at 30 June 2024.

Note 1. HIFSL is 'Systemically important non-deposit taking non-banking financial company' ('NBFC-ND-SI') governed by Reserve Bank of India ('RBI'). Further, as per RBI circular dated February 22, 2019 on Harmonisation of different categories of NBFCs, the Company is classified as an Investment and Credit Company (NBFC - ICC).

# The Hongkong and Shanghai Banking Corporation Limited

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## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 1. Background and Scope of Application (Continued)

b. List of Group entities in India considered for consolidation under regulatory scope of consolidation: (Continued)

As prescribed in the above guidelines, the Bank is not required to prepare consolidated financial statements as it has no shareholding in this entity. However, HIFSL has been considered under regulatory scope of consolidation for the quantitative disclosures including that of capital adequacy computation under Basel III guidelines.

(ii) Bank's total interest in insurance entities

The Bank has no interest in any of the insurance entities of the Group.

(iii) List of Group entities in India not considered for consolidation both for accounting and regulatory scope of consolidation:

(Rs '000)

Name of Entity /Country of Incorporation	Principle activity of the entity	Total balance sheet equity	Total balance sheet assets
HSBC Asset Management (India) Private Limited#	Asset management/portfolio management	3,444,100	45,896,600
HSBC Electronic Data Processing (India) Private Limited#	Back office / data processing / call centre activities	3,554,678	46,131,662
HSBC Global Shared Services (India) Private Limited	Under liquidation	-	-
HSBC InvestDirect (India) Private Limited “ formerly known as HSBC InvestDirect (India) Limited” #	Holding company for HSBC InvestDirect Group	709,544	5,525,927
HSBC InvestDirect Employees' Welfare Trust#	Non-operating company	15	18,569
HSBC InvestDirect Sales & Marketing (India) Limited#	Non-operating company	1,000	34,810
HSBC InvestDirect Securities (India) Private Limited#	Retail securities broking and related activities (Discontinued)	1,745,112	145,990
HSBC Professional Services (India) Private Limited#	Providing internal audit services to Group companies	4,838	593,594
HSBC Securities and Capital Markets (India) Private Limited#	Stock broking and corporate finance & advisory	Equity - 16,602,900 Preference – 250,000	470,378,000
HSBC Software Development (India) Private Limited#	Software design, development and maintenance	327,000	42,238,000
Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited#	Life insurance	9,500,000	305,488,864
HSBC GIFT City International Banking Unit#	Banking	1,709,290	535,001,933

# As stated in the audited balance sheet of the legal entity as at 31 March 2024

Note 1: The Bank does not hold any stake in the total equity of the entities mentioned above with the exception of HSBC Professional Services (India) Private Limited.

Note 2: Since the Bank does not hold any stake in the total equity of the entities, the same have not been considered for any regulatory treatment.

# The Hongkong and Shanghai Banking Corporation Limited

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## Basel III – Pillar 3 disclosures of India Branches (*Continued*)

For the period ended 30 June 2024

### 2. Capital Adequacy & Structure

#### a. Capital Adequacy

The Bank's capital management framework is shaped by its structure, business model and strategic direction. The Bank carefully assesses its growth opportunities relative to the capital available to support them, particularly in light of the economic environment and tightening of regulations around capital requirements. The Bank's Executive Committee ('EXCO'), Risk Management Meeting ('RMM') and Asset-Liability Committee ('ALCO') maintains an active oversight over the Capital and Risk Management framework.

Under Pillar 1 of the RBI guidelines on Basel III, the Bank currently follows Standardised Approach for Credit Risk, Standardised Duration Approach for Market Risk and Basic Indicator Approach for Operational risk capital charge for computation and reporting capital adequacy to RBI. Further, the Bank has a comprehensive Internal Capital Adequacy Assessment Process ('ICAAP'), which covers the capital management policy of the Bank, sets the process for assessment of the adequacy of capital to meet regulatory requirements, support current and future activities and meet the Pillar I and material Pillar II risks to which the bank is exposed to. The ICAAP also involves stress testing of extreme but plausible scenarios to assess the Bank's resilience to adverse economic or political developments and resultant impact on the Bank's risk profile and capital position for current and future periods. This ensures that the bank has robust, forward looking capital planning processes that account for unique and systemic risks. Further, the bank has put in place stringent risk appetite measures as per revised RBI guidelines on Prompt Corrective Action. In addition to the above, the Bank is also subject to Capital Buffers as prescribed by RBI from time to time.

As per the transitional arrangement, at 30 June 2024, the Bank is required to maintain minimum capital requirement including capital buffers as per the table below:

<b>Regulatory Minimum in % as per RBI guidelines</b>	<b>As at 30 June 2024</b>
(i) Common Equity Tier I (CET1)	<b>5.50%</b>
(ii) Capital Conservation Buffer (CCB) - (Refer note I)	<b>2.50%</b>
(iii) Counter-cyclical Buffer (CCyB) - (Refer note II)	-
(iv) Global Systemically Important Bank (G-SIB) - (Refer note III)	<b>1.79%</b>
<b>Minimum Common Equity Tier I (i+ii+iii+iv)</b>	<b>9.79%</b>
<b>Minimum Tier I Capital</b>	<b>11.29%</b>
<b>Total Minimum Capital Adequacy Ratio</b>	<b>13.29%</b>

# The Hongkong and Shanghai Banking Corporation Limited

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## Basel III – Pillar 3 disclosures of India Branches (*Continued*)

For the period ended 30 June 2024

### 2. Capital Adequacy & Structure (*Continued*)

#### a. Capital Adequacy (*Continued*)

Notes:

- I. *The CCB is designed to ensure that banks build up capital buffers during normal times, which can be drawn down during a stressed period. Banks in India are required to maintain a capital conservation buffer of 2.50% with effect from 01 October 2021.*
- II. *RBI issued guidelines on CCyB framework for banks in India in February 2015. The CCyB may vary from 0 to 2.5% of total RWA and the decision would normally be pre-announced with a lead time of 4 quarters. The activation of CCyB will depend upon Credit to GDP gap in India along with supplementary indicators such as Credit-Deposit ratio for a moving period of 3 years, industry outlook assessment index and interest coverage ratio. As stated by RBI in press release date April 20, 2023, a review of CCyB indicators was carried out by the RBI and it has been decided that it is not necessary to activate CCyB in India at this point in time.*
- III. *The Reserve Bank of India (RBI) released the framework on D-SIB requirements for banks operating in India in July 2014. Banks may become systemically important due to their size, cross-jurisdictional activity, complexity, interconnectedness and lack of substitutability. As per the RBI guidelines, a foreign bank having branch presence in India (such as the Bank) which is classified as Globally Systemically Important Bank (G-SIB) by Financial Stability Board (FSB), has to maintain additional CET1 capital surcharge in India as applicable to it as a G-SIB, proportionate to its Risk Weighted Assets (RWAs) in India. Accordingly, 1.79% had been added to minimum requirement towards G-SIB as of 30 June 2024.*

The Bank continues to monitor developments and believes that current robust capital adequacy position means the bank is well placed for continuing compliance with the Basel III framework.

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## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 2. Capital Adequacy & Structure (Continued)

#### b. Capital Structure

##### (i) Composition of Tier 1 capital for the bank

(Rs. '000)

	Standalone		Consolidated	
	As at 30 June 2024	As at 31 March 2024	As at 30 June 2024	As at 31 March 2024
<b>Capital</b>	<b>86,334,160</b>	86,334,160	<b>87,797,007</b>	87,797,007
<b>Eligible Reserves</b>	<b>252,174,303</b>	<b>248,793,044</b>	<b>256,199,128</b>	<b>252,736,913</b>
- Capital reserves (excl. revaluation reserve)	<b>134,072,238</b>	134,072,238	<b>134,072,238</b>	134,072,238
- Statutory Reserves	<b>106,569,254</b>	106,569,254	<b>106,569,254</b>	106,569,254
- Specific Reserves	<b>7,622,952</b>	7,622,952	<b>7,622,952</b>	7,622,952
- Free Reserves	-	-	<b>4,024,825</b>	3,943,869
- Revaluation Reserves at a discount of 55 per cent	<b>528,600</b>	528,600	<b>528,600</b>	528,600
- AFS Reserve	<b>3,381,259</b>	-	<b>3,381,259</b>	-
<b>Less: Deductions from Tier I Capital</b>	<b>(3,531,184)</b>	(1,061,237)	<b>(3,535,920)</b>	(1,065,319)
- Intangible Assets	<b>(554,065)</b>	(763,803)	<b>(558,801)</b>	(765,675)
- Intangible Assets Deferred Tax Asset ('DTA') (Note 1)	-	-	-	(2,210)
- Investment in subsidiaries in India	<b>(501)</b>	(501)	<b>(501)</b>	(501)
- Debit Value Adjustments (DVA)	<b>(62,335)</b>	(91,329)	<b>(62,335)</b>	(91,329)
- AFS reserves on Level 3 Financial Instruments	<b>(2,717,000)</b>	-	<b>(2,717,000)</b>	-
- Defined Benefit Pension Fund Asset	<b>(197,283)</b>	(205,604)	<b>(197,283)</b>	(205,604)
<b>Common Equity Tier I Capital</b>	<b>334,977,279</b>	334,065,967	<b>340,460,215</b>	339,468,601
<b>Additional Tier I Capital</b>	-	-	-	-
<b>Total Tier I Capital</b>	<b><u>334,977,279</u></b>	<b><u>334,065,967</u></b>	<b><u>340,460,215</u></b>	<b><u>339,468,601</u></b>

Note 1: For Standalone, as per RBI guidelines as on 01 April 2024, DTA which was deducted from CET1 capital, can be recognised in the CET1 up to a limit of 10% of Bank's CET1 capital (after application of regulatory adjustments mentioned in RBI Master Circular on Basel-III Capital Regulations dated 01 April 2024.). Accordingly, DTA of Rs. 1,859,440 ('000) (previous year 31 March 2023: Rs. 1,859,440 ('000)) is not deducted.

##### (ii) Tier 2 capital for the bank

	Standalone		Consolidated	
	As at 30 June 2024	As at 31 Mar 2024	As at 30 June 2024	As at 31 Mar 2024
General Loss Provisions	<b>7,595,132</b>	14,555,340	<b>7,597,161</b>	14,557,158
Other Eligible Reserves	<b>1,635,056</b>	1,635,056	<b>1,635,056</b>	1,635,056
Investment Fluctuation Reserves	<b>29,942,000</b>	29,942,000	<b>29,942,000</b>	29,942,000
<b>Total Tier II Capital (Note 1)</b>	<b><u>39,172,188</u></b>	<b><u>46,132,396</u></b>	<b><u>39,174,217</u></b>	<b><u>46,134,214</u></b>

Note 1: General loss provisions includes Investment Reserve of Rs. Nil ('000) (previous year: 7,410,237 ('000)).

Note 2: There is no debt capital instrument and subordinated debt outstanding as at 30 June 2024 (previous year: Nil) included in Tier II Capital.

# The Hongkong and Shanghai Banking Corporation Limited

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## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 2. Capital Adequacy & Structure (Continued)

#### b. Capital Structure (Continued)

(iii) Capital requirements for Credit Risk, Market Risk and Operational Risk  
Standalone and Consolidated

(Rs. '000)

	Standalone		Consolidated	
	As at 30 June 2024	As at 31 Mar 2024	As at 30 June 2024	As at 31 Mar 2024
<b>I. Capital required for Credit Risk</b>	<b>238,151,452</b>	234,024,466	<b>241,581,291</b>	237,199,728
- For portfolios subject to Standardised approach	238,151,452	234,024,466	241,581,291	237,199,728
<b>II. Capital required for Market Risk (Standard Duration Approach)</b>	<b>37,474,705</b>	55,428,582	<b>37,474,705</b>	55,428,582
- Interest rate risk	33,856,502	43,285,194	33,856,502	43,285,194
- Foreign exchange risk	3,618,203	3,285,975	3,618,203	3,285,975
- Equity risk	-	1,606,225	-	1,606,225
- Securitisation exposure	-	7,251,188	-	7,251,188
<b>III. Capital required for Operational Risk (Basic Indicator Approach)</b>	<b>30,867,456</b>	28,433,703	<b>30,867,456</b>	28,433,703
<b>Total capital requirement (I + II + III)</b>	<b>306,493,613</b>	317,886,751	<b>309,923,452</b>	321,062,013
<b>Total capital funds of the Bank</b>	<b>374,149,467</b>	380,198,363	<b>379,634,432</b>	385,602,815
<b>Total risk weighted assets</b>	<b>2,306,197,237</b>	2,394,326,521	<b>2,329,062,827</b>	2,415,494,935
<b>Total capital ratio</b>	<b>16.22%</b>	15.88%	<b>16.27%</b>	15.96%
<b>Common Equity Tier I Capital Ratio</b>	<b>14.53%</b>	13.95%	<b>14.59%</b>	14.05%
<b>Tier I capital ratio</b>	<b>14.53%</b>	13.95%	<b>14.59%</b>	14.05%

# The Hongkong and Shanghai Banking Corporation Limited

*(Incorporated in Hong Kong SAR with limited liability)*

## **Basel III – Pillar 3 disclosures of India Branches (*Continued*)**

*For the period ended 30 June 2024*

### **3. Credit risk**

#### **a. General**

Credit Risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises principally from direct lending, trade finance, marked-to-market exposure from derivative contracts and certain off-balance sheet products such as guarantees and from the Bank's holdings of assets in the form of debt securities.

The principal objectives of our credit risk management function are:

- to maintain a strong culture of responsible lending, and a robust credit risk policy and control framework;
- to both partner and challenge our businesses in defining, implementing and continually re-evaluating our credit risk appetite under actual and stress scenario conditions; and
- to ensure there is independent, expert scrutiny of credit risks, their costs and their mitigation.

#### **Strategy and Processes**

HSBC Holdings plc formulates high-level risk management policies for the HSBC Group entities worldwide. The Bank has also formulated local credit guidelines consistent with HSBC policy and RBI guidelines. The Bank's risk management policies and procedures are subject to a high degree of oversight and guidance to ensure that all types of risk are systematically identified, measured, analyzed and actively managed. The Bank remains a full service bank, servicing all major business groups- Global Banking and Markets (GBM), Commercial Banking (CMB) and Wealth and Personal Banking (WPB).

The Bank has standards, policies and procedures dedicated to the sanctioning, monitoring and management of various risks, which include the following:

- The Board of The Hongkong and Shanghai Banking Corporation Limited in Hong Kong SAR (HBAP) has established the India Executive Committee (EXCO) to assist the Board in the running of the Bank. The EXCO is authorized to exercise all the powers, authorities and discretions of the HBAP on the management and day to day running of the Bank, in accordance with the policies and directions set by the Board from time to time. EXCO approves all the policies including credit policies. A Risk Management Meeting (RMM) consisting of senior executives, reviews overall portfolio risks and key risks faced by the bank in India on a monthly basis.
- Wholesale Credit Risk (WCR) independently assesses the credit profile of the customer and the applications are then approved in the committee. All the domestic credit proposals in wholesale banking are approved by Credit Committee. There are nine levels of credit committees, each with different membership and approval authorities, depending on the size and complexities of the proposal.

# The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

## Basel III – Pillar 3 disclosures of India Branches (*Continued*)

For the period ended 30 June 2024

### 3. Credit risk (*Continued*)

#### a. General (*Continued*)

##### Strategy and Processes (*Continued*)

- The WPB Risk function is responsible for monitoring the quality of the Wealth and Personal Banking lending portfolio. For retail lending, INM has developed credit application scorecards (which make use of statistical models & historical data) and defined policy parameters to assess the borrowers. The Bank also deploys other tools like external verifications, negative customer database search & most importantly credit bureau checks through the Credit Information Bureau (India) Limited (CIBIL). Policy rules are built into the system to enable online checks. This may also be supplemented with judgmental lending as appropriate. The judgmental aspect tries to identify the financial strength, ability and intentions of borrowers for repayment.
- WPB Fraud & Credit Control Services manages the First Line of Defense (FLOD) activities i.e. Underwriting, Fraud and Collections. CCS underwriting team decisions cases within the approved policy parameters whereas exceptions / deviations in policy (ELA) and/or basis the exposure, cases are further recommended to the respective WPB Credit Committees for review and decisioning.
- For retail risk, the INM WPB Risk and Acquisition and Account Risk Management Team reviews and communicates the various internal risk policies. The RRPs (Risk reward program) defines the product parameters for WPB.
- All material risks are covered under robust framework for Risk Appetite Statements (RAS) and Risk Tolerance triggers. The Risk Management Meeting reviews and regularly monitors the compliance with RAS. The Bank has stipulated Credit Risk Appetite and tolerance triggers for asset quality, impairments, risk weighted assets, risk adjusted returns and concentration risks.
- The bank has various policies to support the management of the wholesale credit risk. Some of the key policies are highlighted below:
  - Designing of comprehensive credit risk policies for management of Wholesale Exposure norms and Country Risk Plan. These policies delineate the Bank's risk appetite and maximum permissible exposures to individual customers, customer groups, industries, sensitive sectors and other forms of credit risk concentrations.
  - The bank also has comprehensive policies for valuation, end use monitoring, real estate exposures, management of intra-group exposures, provisioning, distressed assets and recovery and sale of NPA.
  - The bank has sustainability risk policies to ensure management of reputation risk in high risk sectors.
  - Stress Testing Policy & Framework for rigorous risk specific and Enterprise-wide stress testing and reporting is used to assess the credit risk on the portfolio.
  - Managing exposures to debt securities by establishing controls in respect of the liquidity of securities held for trading and setting issuer limits for financial investments. Separate portfolio limits are established for asset-backed securities and similar instruments.



# The Hongkong and Shanghai Banking Corporation Limited

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## Basel III – Pillar 3 disclosures of India Branches (*Continued*)

For the period ended 30 June 2024

### 3. Credit risk (*Continued*)

#### a. General (*Continued*)

##### Strategy and Processes (*Continued*)

- Controlling of cross-border exposures to manage country and cross-border risk through the imposition of country limits with sub-limits by maturity and type of business.
- Maintaining and developing HSBC's risk rating framework and systems to classify exposures meaningfully and facilitate focused management of the risks involved. Rating methodologies are based upon a wide range of financial analytics together with market data-based tools, which are core inputs to the assessment of customer risk. For larger facilities, while full use is made of automated risk rating processes, the ultimate responsibility for setting risk ratings rests with the final approving executive. Risk grades are reviewed frequently and amendments, where necessary, are implemented promptly.

##### Structure and Organisation

The Risk function is responsible for the quality and performance of its credit portfolios and for monitoring and controlling all credit risks in its portfolios.

Credit underwriting is processed at different levels (country, region, Group) depending on size and complexity of proposals and by different teams (FIs / Corporate / Trade / Cross-Border Approvals). Credit approval authorities are delegated from the Chief Risk Officer at the Regional Head Office in Hong Kong to the CEO, India and the CRO, India. The CRO in India maintains a functional reporting line to the CRO in Hong Kong. All the domestic credit proposals in wholesale banking are approved by Credit Committee as delegated by the EXCO. There are nine levels of credit committees, each with different membership and approval authorities, depending on the size and complexities of the proposal. For Retail, Credit approval authorities are assigned from the Chief Risk Officer at the Regional Head Office in Hong Kong to the CEO, India and WPB Risk Head, India. EXCO will assign lending authority to the Retail Credit Committees and assign lending authority at a 'band' level to WPB officers. WPB Risk Head will communicate the EXCO assign limits to individual WPB officers. For certain customer types, the approval is granted either by ASP Risk/ Group Risk basis the recommendation of India WCR. Relationship management of wholesale problem accounts or downgrades in certain internal ratings are transferred to SCU (Special Credit Unit) within Risk.

##### Scope and nature of risk reporting, measurement, monitoring and mitigation

The Bank manages and directs credit risk management systems initiatives. HSBC has constructed a centralized database covering substantially all of the Group's direct lending exposures, to deliver an increasingly granular level of management reporting.

The Bank performs regular reporting on its credit risk portfolio (wholesale & retail), to include information on large credit exposures, concentrations, industry exposures, levels of impairment provisioning, delinquencies, LTVs and country exposures to various internal governance forums. Key portfolio metrics is reported to the RMM monthly.

# The Hongkong and Shanghai Banking Corporation Limited

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## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 3. Credit risk (Continued)

#### a. General (Continued)

##### Non-performing 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 (including mortgage loans but excluding 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 historical loss or net flow rate methods.

#### b. Quantitative disclosures for portfolios under the Standardised approach

##### (i) Total gross credit risk exposures by geography for the Bank

(Rs '000)

	Fund based <sup>Note 1</sup>	Non fund based <sup>Note 2</sup>	As at 30 June 2024 Total
Overseas	-	-	-
Domestic	1,430,792,599	1,174,921,273	2,605,713,872
Total	1,430,792,599	1,174,921,273	2,605,713,872

(Rs '000)

	Fund based <sup>Note 1</sup>	Non fund based <sup>Note 2</sup>	As at 31 March 2024 Total
Overseas	-	-	-
Domestic	1,306,468,026	1,185,402,692	2,491,870,718
Total	1,306,468,026	1,185,402,692	2,491,870,718

Note 1: Amount represents funded exposure before credit risk mitigants.

Note 2: Amount represents non-funded exposure after applying credit conversion factor and before credit risk mitigants.

# The Hongkong and Shanghai Banking Corporation Limited

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## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 3. Credit risk (Continued)

#### b. Quantitative disclosures for portfolios under the standardized approach (Continued)

(ii) Industry type distribution of exposures for the Bank as at 30 June 2024

Industry	Funded	Non Funded	Total	(Rs '000)
Mining and Quarrying	-	43,810	43,810	
Food Processing	19,653,682	7,769,496	27,423,178	
Beverages (excluding Tea & Coffee) and Tobacco	5,670,479	1,083,300	6,753,779	
Textiles	16,245,838	3,977,459	20,223,297	
Leather and Leather products	370,861	47,704	418,565	
Wood and Wood Products	2,438,838	129,104	2,567,942	
Paper and Paper Products	4,246,613	301,433	4,548,046	
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	58,633	58,633	
Chemicals and Chemical Products (Dyes, Paints, etc.)	76,500,426	46,347,322	122,847,748	
Rubber, Plastic and their Products	25,847,611	6,600,121	32,447,732	
Glass & Glassware	852,154	2,254,898	3,107,052	
Cement and Cement Products	6,972,850	3,648,237	10,621,087	
Basic Metal and Metal Products	34,266,400	30,963,571	65,229,971	
All Engineering	42,867,830	84,726,284	127,594,114	
Vehicles, Vehicle Parts and Transport Equipments	44,199,519	21,699,696	65,899,215	
Gems and Jewellery	57,144	220,150	277,294	
Construction	4,256,261	21,571,681	25,827,942	
Infrastructure	98,280,130	67,377,932	165,658,062	
NBFCs and trading	206,448,730	-	206,448,730	
Banking and finance	83,024,954	1,414,117	84,439,071	
Computer Software	12,061,992	34,278,034	46,340,026	
Professional Services	38,199,974	-	38,199,974	
Commercial Real Estate	160,293,792	-	160,293,792	
Other Industries	166,333,330	820,285,638	986,618,968	
Retail	157,527,429	20,122,651	177,650,080	
Others*	224,175,763	-	224,175,763	
<b>Total</b>	<b>1,430,792,599</b>	<b>1,174,921,273</b>	<b>2,605,713,872</b>	

Note: Exposure is comprised of Loans & Advances, Credit equivalent of guarantees, acceptances, letters of credit, other Non-Market Related off balance sheet obligations, credit equivalent of derivative exposures, Balance with Banks and Money at call and short notice.

\* Others include Cash and balances with RBI, Fixed Assets and Other Assets

# The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 3. Credit risk (Continued)

#### b. Quantitative disclosures for portfolios under the Standardized approach (Continued)

Industry type distribution of exposures as at 31 March 2024

Industry	Funded	Non Funded	Total
Mining and Quarrying	-	82,034	82,034
Food Processing	15,814,182	7,298,599	23,112,781
Beverages (excluding Tea & Coffee) and Tobacco	7,039,057	483,726	7,522,783
Textiles	15,569,474	3,347,098	18,916,572
Leather and Leather products	251,298	45,132	296,430
Wood and Wood Products	1,832,369	139,657	1,972,026
Paper and Paper Products	3,912,122	243,097	4,155,219
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	58,633	58,633
Chemicals and Chemical Products (Dyes, Paints, etc.)	78,948,855	38,254,986	117,203,841
Rubber, Plastic and their Products	25,687,556	6,546,379	32,233,935
Glass & Glassware	782,474	2,249,589	3,032,063
Cement and Cement Products	5,646,570	3,382,956	9,029,526
Basic Metal and Metal Products	37,530,115	26,368,052	63,898,167
All Engineering	48,790,759	82,079,650	130,870,409
Vehicles, Vehicle Parts and Transport Equipments	46,408,415	24,656,052	71,064,467
Gems and Jewellery	36,788	2,660,321	2,697,109
Construction	4,506,993	25,092,129	29,599,122
Infrastructure	97,455,953	66,450,421	163,906,374
NBFCs and trading	204,168,481	-	204,168,481
Banking and finance	8,928,160	1,268,502	10,196,662
Computer Software	9,779,539	36,857,360	46,636,899
Professional Services	38,488,884	-	38,488,884
Commercial Real Estate	148,628,714	-	148,628,714
Other Industries	159,546,479	840,028,498	999,574,977
Retail	139,050,982	17,809,821	156,860,803
Others*	207,663,807	-	207,663,807
<b>Total</b>	<b>1,306,468,026</b>	<b>1,185,402,692</b>	<b>2,491,870,718</b>

\* Others include Cash and balances with RBI, Fixed Assets and Other Assets

# The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 3. Credit risk (Continued)

#### b. Quantitative disclosures for portfolios under the Standardised approach (Continued)

(iii) Residual contractual maturity breakdown of total assets for the bank

As at 30 June 2024

(Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	1,358,209	77,209,644	1,025,259,762	18,271,114	-	16,980,043
2 to 7 days	-	59,490,217	7,038,187	39,653,512	-	4,398,795
8 to 14 days	-	-	8,568,865	30,688,445	-	1,980,453
15 to 30 days	40,284,344	(8,750,198)	109,099,592	86,706,992	-	6,713,571
31 days & upto 3 months	10,096,714	2,348,055	40,121,952	76,412,281	-	7,208,218
Over 3 months and upto 6 months	16,653,263	3,872,822	77,815,100	66,846,754	-	20,507,903
Over 6 months and upto 1 year	5,156,224	1,199,113	49,402,606	152,787,438	-	16,916,204
Over 1 year and upto 3 years	7,944,650	1,847,579	115,476,731	300,231,840	-	44,878,628
Over 3 years and upto 5 years	5,291,728	1,230,625	34,991,350	203,283,474	-	19,403,669
Over 5 years	31,061,418	7,223,530	114,040,913	150,880,852	7,541,893	48,232,590
<b>Total</b>	<b>117,846,550</b>	<b>145,671,387</b>	<b>1,581,815,058</b>	<b>1,125,762,702</b>	<b>7,541,893</b>	<b>187,220,074</b>

As at 31 March 2024

(Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	2,315,408	4,077,480	864,712,907	17,120,138	-	18,136,271
2 to 7 days	-	34,163,132	125,316,461	46,346,679	-	8,101,283
8 to 14 days	-	-	735,378	40,901,713	-	1,292,866
15 to 30 days	26,341,989	12,586,007	86,268,012	105,914,806	-	9,612,895
31 days & upto 3 months	9,930,901	4,744,911	35,281,489	69,847,977	-	5,418,321
Over 3 months and upto 6 months	11,907,259	5,689,200	58,042,244	175,694,648	-	15,515,109
Over 6 months and upto 1 year	4,755,086	2,271,945	47,777,589	137,310,957	-	20,554,297
Over 1 year and upto 3 years	7,998,685	3,821,712	128,412,100	243,633,277	-	49,891,380
Over 3 years and upto 5 years	5,037,324	2,406,796	41,646,851	145,666,650	-	23,082,689
Over 5 years	29,063,755	13,886,449	97,046,273	109,724,507	7,881,336	49,845,359
<b>Total</b>	<b>97,350,407</b>	<b>83,647,632</b>	<b>1,485,239,304</b>	<b>1,092,161,352</b>	<b>7,881,336</b>	<b>201,450,470</b>

# The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 3. Credit risk (Continued)

#### b. Quantitative disclosures for portfolios under the Standardised approach (Continued)

(iv) Amount of Non-Performing Assets (NPAs) (Gross) for the bank

	As at 30 June 2024	As at 31 Mar 2024
Substandard	837,555	871,995
Doubtful 1	226,237	160,053
Doubtful 2	1,363,887	1,399,615
Doubtful 3	836,365	865,657
Loss	1,274,493	1,283,982
Total	<u>4,538,537</u>	<u>4,581,303</u>

(Rs'000)

(v) Net NPAs

The net NPAs are Rs. 463 million (previous year: Rs. 503 million). Please see table (vi) below.

(vi) Movement of NPAs for the bank

	Gross NPA's	Provision*	Net NPA
Opening balance as at 1 April 2024	4,581,303	4,078,288	503,015
Additions during the period	526,998	293,302	233,756
Reductions during the period	(569,764)	(296,501)	(273,263)
Closing balance as at 30 June 2024	<u>4,538,537</u>	<u>4,075,089</u>	<u>463,508</u>

\*includes movement of Interest Capitalisation–Restructured NPA Account

(Rs'000)

	Gross NPA's	Provision	Net NPA
Opening balance as at 1 April 2023	5,235,385	4,402,746	832,639
Additions during the period	2,293,713	1,048,310	1,245,403
Reductions during the period	(2,947,795)	(1,372,768)	(1,575,027)
Closing balance as at 31 March 2024	<u>4,581,303</u>	<u>4,078,288</u>	<u>503,015</u>

(vii) NPA ratios for the bank

	As at 30 June 2024	As at 31 Mar 2024
Gross NPAs to gross advances	0.40%	0.42%
Net NPAs to net advances	0.04%	0.05%

# The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 3. Credit risk (Continued)

#### b. Quantitative disclosures for portfolios under the Standardised approach (Continued)

##### (viii) General Provisions

General provisions comprise of provision towards standard assets including additional provision for stressed sector, Country Risk and Unhedged Foreign Currency Exposure (UFCE) and Investment Reserve.

##### (ix) Non-performing investments

Non-performing investments as at 30 June 2024 is Rs 1 (previous year: Rs. 1).

##### (x) Movement of provisions for depreciation on investments for the bank

	As at 30 June 2024*	As at 31 Mar 2024
Opening balance	7,553,488	25,096,660
Provisions during the year	-	-
Write offs during the year		
Write back of excess provisions during the year	(18,956,702)	(17,543,172)
<b>Closing balance</b>	<b>(11,403,214)</b>	<b>7,553,488</b>

\*indicates net depreciation / (appreciation) in the value of investments as on 30 June 2024 in accordance with circular RBI/DOR/2023-24/104 DOR.MRG.36/21.04.141/2023-24 Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023 dated 12 September 2023.

##### (xi) Classification (by major industry) of NPA, Provision, past due loans and Specific Provision and Write off during the year for the bank

As at 30 June 2024

	NPA	Past Due Loans	Provision *	Specific Provision during the year#	Write off during the year
1. Agriculture	732,471	311,679	754,132	96,992	-
2. Advances to Industries sector	374,333	5,901,048	431,211	-	-
of which:					
2.1 Chemicals and Chemical Products	-	1,165,628	-	-	-
2.2 All Engineering	-	600,817	-	-	-
2.3 Infrastructure	126,822	1,625,113	134,740	-	-
2.4 Paper and Paper Products	-	-	-	-	-
2.5 Textile	-	624,021	-	-	-
3. Services	1,898,550	2,832,685	1,912,070	48,794	-
of which:					
3.1 Trade	1,036,240	1,625,113	812,007	48,286	-
3.2 Commercial Real Estate	-	-	-	-	-
3.3 NBFC	-	-	-	-	-
4. Retail	1,533,183	2,397,837	977,676	147,516	187,028
<b>Total</b>	<b>4,538,537</b>	<b>11,443,249</b>	<b>4,075,089</b>	<b>293,302</b>	<b>187,028</b>

\* includes Interest Capitalisation–Restructured NPA Account

# includes movement due to exchange rate fluctuation

# The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 3. Credit risk (Continued)

#### b. Quantitative disclosures for portfolios under the Standardised approach (Continued)

As at 31 March 2024

(Rs '000)

	NPA	Past Due Loans	Provision*	Specific Provision during the year <sup>#</sup>	Write off during the year
1. Agriculture	657,141	-	624,834	-	-
2. Advances to Industries sector	392,414	4,167,577	453,551	204,820	265,262
of which:					
2.1 Chemicals and Chemical Products	-	-	-	-	-
2.2 All Engineering	-	-	-	-	-
2.3 Infrastructure	134,740	-	134,740	-	-
2.4 Paper and Paper Products	-	-	-	-	265,262
2.5 Textile	4,305	-	646	-	-
3. Services	1,880,314	5,191,430	1,908,207	80,850	39,216
of which:					
3.1 Trade	1,785,710	1,920,316	-	-	4,603
3.2 Commercial Real Estate	-	-	-	-	-
3.3 NBFC	-	-	-	-	-
4. Retail	1,651,434	2,039,916	1,091,696	762,640	696,552
<b>Total</b>	<b>4,581,303</b>	<b>11,398,923</b>	<b>4,078,288</b>	<b>1,048,310</b>	<b>1,001,030</b>

#### (xii) Write offs and recoveries directly booked to income statement for the bank

(Rs '000)

	For the period ended 30 June 2024	For the period ended 31 Mar 2024
Write offs	206,584	758,506
Recoveries	144,899	410,019

#### (xiii) Ageing of past due loans for the bank

(Rs '000)

	As at 30 June 2024	As at 31 Mar 2024
Overdue less than 30 days	11,053,881	10,410,161
Overdue for 30 to 60 days	294,167	918,375
Overdue for 60 to 90 days	95,201	70,387
<b>Total</b>	<b>11,443,249</b>	<b>11,398,923</b>



# The Hongkong and Shanghai Banking Corporation Limited

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## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 3. Credit risk (Continued)

#### b. Quantitative disclosures for portfolios under the Standardised approach (Continued)

(xiv) Amount of NPAs and past due loans by significant geographic areas for the bank

As at 30 June 2024		(Rs '000)	
	NPA	Past Due Loan	
Overseas	-	-	
Domestic	4,538,537	11,443,249	
Total	4,538,537	11,443,249	

As at 31 March 2024		(Rs '000)	
	NPA	Past Due Loan	
Overseas	-	-	
Domestic	4,581,303	11,398,923	
Total	4,581,303	11,398,923	

### 4. Disclosures for portfolios under the Standardised approach

The Bank uses the following External Credit Assessment Institutions (ECAIs) approved by RBI to calculate its capital adequacy requirements under the Standardised approach to credit risk for Corporate, Bank and Sovereign counterparties.

Domestic ECAIs for external ratings of Indian Corporates:

- a) Credit Analysis and Research Limited (CARE)
- b) CRISIL Limited
- c) India Ratings and Research Private Limited (FITCH)
- d) ICRA Limited
- e) Acuite Ratings & Research Limited (ACUITE)
- f) Infomerics Valuation and Rating Pvt Ltd. (INFOMERICS)

The Bank used the ratings issued by the ECAIs (for both long term and short term facilities) to risk weight both funded as well as non-funded exposures to corporate customers.

The process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in accordance with RBI Master Circular on Basel-III Capital Regulations dated 01 April 2024.

For assets in the Bank's portfolio that have contractual maturity less than or equal to one year, short term ratings accorded by the chosen credit rating agencies are considered relevant. For other assets, which have a contractual maturity of more than one year, long term ratings accorded by the chosen credit rating agencies are considered relevant.

The mapping of external credit ratings and risk weights for corporate exposures is provided in the grids below:

# The Hongkong and Shanghai Banking Corporation Limited

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## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 4. Disclosures for portfolios under the Standardised approach (Continued)

Risk weight mapping of Long term and short term corporate ratings

Long Term Ratings of all ECAIs	Risk weights
AAA	20%
AA	30%
A	50%
BBB	100%
BB & Below	150%
Unrated	100%*

Short Term Ratings						Risk weights
CARE	CRISIL	FITCH	ICRA	ACUITE	INFOMERICS	
CARE A1 +	CRISIL A1 +	FITCH A1 +	ICRA A1 +	ACUITE A1+	IVRA1+	20%
CARE A1	CRISIL A1	FITCH A1	ICRA A1	ACUITE A1	IVR A1	30%
CARE A2	CRISIL A2	FITCH A2	ICRA A2	ACUITE A2	IVR A2	50%
CARE A3	CRISIL A3	FITCH A3	ICRA A3	ACUITE A3	IVR A3	100%
CARE A4	CRISIL A4	FITCH A4	ICRA A4	ACUITE A4	IVR A4	150%
CARE D	CRISIL D	FITCH D	ICRA D	ACUITE D	IVR D	150%
Unrated	Unrated	Unrated	Unrated	Unrated	Unrated	100%

The claims on banks incorporated in India and foreign banks branches in India, excluding investment in equity shares and other instruments eligible for capital status (*Investments referred to in paragraph 5.6.1 (i) & (ii) of RBI Master circular on Basel-III Capital Regulations dated 12 May 2023*), are risk weighted as shown below:

Claims on Banks Incorporated in India and Foreign Bank Branches in India	Risk Weights%	
	Scheduled Banks	Other Banks
Level of Common Equity Tier 1 capital (CET1) including applicable capital conservation buffer (CCB) (%) of the investee bank (where applicable)		
Applicable Minimum CET1 + Applicable CCB and above	20%	100%
Applicable Minimum CET1 + CCB = 75% and <100% of applicable CCB	50%	150%
Applicable Minimum CET1 + CCB = 50% and <75% of applicable CCB	100%	250%
Applicable Minimum CET1 + CCB = 0% and <50% of applicable CCB	150%	350%
Minimum CET1 less than applicable minimum	625%	625%

# The Hongkong and Shanghai Banking Corporation Limited

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## Basel III – Pillar 3 disclosures of India Branches (Continued)

For the period ended 30 June 2024

### 4. Disclosures for portfolios under the Standardised approach (Continued)

International ECAs for external ratings of Foreign Banks, Foreign Sovereigns, Foreign Public Sector Entities and Non-Resident Corporates:

- Fitch Ratings;
- Moody's; and
- Standard & Poor's Ratings Services (S&P)

The mapping of external credit ratings and risk weights for the above entities are provided in the grids below:

Risk weight mapping of foreign banks

<b>S&amp;P and Fitch ratings</b>	AAA to AA	A	BBB	BB to B	Below B	Unrated
<b>Moody's rating</b>	Aaa to Aa	A	Baa	Ba to B	Below B	Unrated
<b>Risk weight</b>	20%	50%	50%	100%	150%	50%

Risk weight mapping of foreign sovereigns / foreign central banks

<b>S&amp;P and Fitch ratings</b>	AAA to AA	A	BBB	BB to B	Below B	Unrated
<b>Moody's rating</b>	Aaa to Aa	A	Baa	Ba to B	Below B	Unrated
<b>Risk weight</b>	0%	20%	50%	100%	150%	100%

Risk weight mapping of foreign public sector entities

<b>S&amp;P and Fitch ratings</b>	AAA to AA	A	BBB	Below BB	Unrated
<b>Moody's rating</b>	Aaa to Aa	A	Baa to Ba	Below Ba	Unrated
<b>Risk weight</b>	20%	50%	100%	150%	100%

Risk weight mapping of non-resident corporates

<b>S&amp;P and Fitch ratings</b>	AAA to AA	A	BBB	Below BB	Unrated
<b>Moody's rating</b>	Aaa to Aa	A	Baa to Ba	Below Ba	Unrated
<b>Risk weight</b>	20%	50%	100%	150%	100%

Exposure under various risk buckets (post Credit Risk Mitigants)

(Rs'000)

	As at 30 June 2024	As at 31 Mar 2024
Below 100% risk weight	1,512,723,577	1,457,418,374
100% risk weight	522,215,413	351,372,691
Above 100% risk weight	537,151,242	644,343,481
Deductions*	(3,531,184)	(1,061,237)
<b>Total</b>	<b>2,568,559,048</b>	<b>2,452,073,309</b>

\*Deduction represents amounts deducted from Tier I Capital

Note: Exposure comprises of Loans & Advances, Credit equivalent of guarantees, acceptances, letter of credit, other Non-Market Related off balance sheet obligations, credit equivalent of derivative exposures post Credit Risk Mitigants (CRM).

\*As per RBI guidelines as on 01 April 2024, DTA which was deducted from CET1 capital, can be recognised in the CET1 up to a limit of 10% of Bank's CET1 capital (after application of regulatory adjustments mentioned in RBI Master Circular on Basel-III Capital Regulations dated 01 April 2024). Currently DTA is 0.56% of Bank's CET1 capital. Accordingly, there is no deduction on account of DTA for 30 June 2024.

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**Basel III – Pillar 3 disclosures of India Branches (Continued)**

For the period ended 30 June 2024

**5. Leverage Ratio**

Standalone Leverage ratio as of 30 June 2024

(Rs '000)

Particulars	At 30 June 2024	At 31 March 2024	At 31 Dec 2023	At 30 Sep 2023
Tier1 Capital	4,266,909,726	4,056,929,570	3,846,989,307	3,875,626,807
Exposure Measure	334,977,279	334,065,967	312,892,059	313,033,198
<b>Leverage Ratio*</b>	<b>7.85%</b>	<b>8.23%</b>	<b>8.13%</b>	<b>8.08%</b>

\*As per RBI Master circular no. RBI/2024-25/08 DOR.CAP.REC.4/21.06.201/2024-25 dated 01 April 2024

Note: The consolidated leverage ratio is 7.98% as on 30 June 2024.