

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 September 2025

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/2025-26/08 DOR.CAP.REC.2/21.06.201/2025-26 dated 01 April 2025 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) (Note1)	Non-banking Finance company	1,462,847	23,013,898

* As stated in the unaudited balance sheet of the legal entity as at 30 Sep 2025.

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

(Incorporated in Hong Kong SAR with limited liability)

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

For the period ended 30 September 2025

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	50,691,400
HSBC Electronic Data Processing (India) Private Limited [#]	Back office / data processing / call centre activities	3,554,678	53,610,666
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	5,632,557
HSBC InvestDirect Employees' Welfare Trust [#]	Non-operating company	15	17,615
HSBC InvestDirect Sales & Marketing (India) Limited [#]	Non-operating company	1,000	34,876
HSBC InvestDirect Securities (India) Private Limited [#]	Retail securities broking and related activities (Discontinued)	1,745,112	141,991
HSBC Professional Services (India) Private Limited [#]	Providing internal audit services to Group companies	4,838	719,148
HSBC Securities and Capital Markets (India) Private Limited [#]	Stock broking and corporate finance & advisory	Equity - 16,602,900 Preference – 250,000	47,745,600
HSBC Software Development (India) Private Limited [#]	Software design, development and maintenance	327,000	50,948,000
Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited [#]	Life insurance	9,500,000	418,520,800
HSBC GIFT City International Banking Unit [#]	Banking	1,752,238	872,621,797

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

As stated in the audited balance sheet of the legal entity as at 31 March 2025

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

(Incorporated in Hong Kong SAR with limited liability)

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

For the period ended 30 September 2025

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 Sep 2025, the Bank is required to maintain minimum capital requirement including capital buffers as per the table below:

Regulatory Minimum in % as per RBI guidelines	As at 30 Sep 2025
(i) Common Equity Tier I (CET1)	5.5%
(ii) Capital Conservation Buffer (CCB) - (Refer note I)	2.5%
(iii) Counter-cyclical Buffer (CCyB) - (Refer note II)	-
(iv) Global Systemically Important Bank (G-SIB) - (Refer note III)	1.79%
Minimum Common Equity Tier I (i+ii+iii+iv)	9.79%
Minimum Tier I Capital	11.29%
Total Minimum Capital Adequacy Ratio	13.29%

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 September 2025

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 15, 2025, 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 Sep 2025.*

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.

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 September 2025

2. Capital Adequacy & Structure (Continued)

b. Capital Structure

(i) Composition of Tier I capital for the bank

(Rs. '000)

	Standalone		Consolidated	
	As at 30 Sep 2025	As at 31 Mar 2025	As at 30 Sep 2025	As at 31 March 2025
Capital	86,334,160	86,334,160	87,797,007	87,797,007
Eligible Reserves	341,947,337	335,436,674	346,506,620	339,748,955
- Capital reserves (excl. revaluation reserve)	191,449,927	191,449,927	191,449,927	191,449,927
- Statutory Reserves	122,011,405	122,011,405	122,011,406	122,011,405
- Specific Reserves	9,391,457	9,391,457	9,391,457	9,391,457
- Free Reserves	-	-	4,559,282	4,312,281
- Revaluation Reserves at a discount of 55 per cent	2,170,092	2,170,092	2,170,092	2,170,092
- AFS Reserve	16,924,456	10,413,793	16,924,456	10,413,793
Less: Deductions from Tier I Capital	(2,998,059)	(3,382,931)	(3,007,295)	(3,393,189)
- Intangible Assets	(559,660)	(654,405)	(565,366)	(662,213)
- Intangible Assets Deferred Tax Asset ('DTA') (Note 1)	-	-	(3,530)	(2,450)
- Investment in subsidiaries in India	(501)	(501)	(501)	(501)
- Debit Value Adjustments (DVA)	(57,586)	(67,502)	(57,586)	(67,502)
- AFS reserves on Level 3 Financial Instruments	(2,380,312)	(2,660,523)	(2,380,312)	(2,660,523)
- Defined Benefit Pension Fund Asset	-	-	-	-
Common Equity Tier I Capital	425,283,438	418,387,903	431,296,332	424,152,773
Additional Tier I Capital	-	-	-	-
Total Tier I Capital	<u>425,283,438</u>	<u>418,387,903</u>	<u>431,296,332</u>	<u>424,152,773</u>

Note 1: For Standalone, as per RBI guidelines as on 01 April 2025, 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 2025.). Accordingly, DTA of Rs. Nil (previous year 31 March 2025: Rs. NIL) is not deducted.

(ii) Tier 2 capital for the bank

	Standalone		Consolidated	
	As at 30 Sep 2025	As at 31 Mar 2025	As at 30 Sep 2025	As at 31 Mar 2025
General Loss Provisions	10,522,500	9,609,709	10,524,742	9,611,470
Other Eligible Reserves	-	-	-	-
Investment Fluctuation Reserves (Note 1)	29,029,000	29,029,000	29,029,000	29,029,000
Total Tier II Capital (Note 2)	<u>39,551,500</u>	<u>38,638,709</u>	<u>39,553,742</u>	<u>38,640,470</u>

Note 1: General loss provisions includes Investment Reserve of Rs. Nil (previous year: 7,410,237 ('000)) on account of RBI circular on Classification, Valuation and Operation of Investment Portfolio of Commercial banks (Directions) dated 12 September 2023, which required transfer of balance in the Investment reserve account to General Reserve / Investment Fluctuation Reserve, as per requirement of said circular.

Note 2: There is no debt capital instrument and subordinated debt outstanding as at 30 Sep 2025 (previous year: Nil) included in Tier II Capital.

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 September 2025

2. Capital Adequacy & Structure (Continued)

b. Capital Structure (Continued)

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

	Standalone		Consolidated	
	As at 30 Sep 2025	As at 31 Mar 2025	As at 30 Sep 2025	As at 31 Mar 2025
I. Capital required for Credit Risk	309,544,467	282,704,780	313,359,871	285,728,849
- For portfolios subject to Standardised approach	309,544,467	282,704,780	313,359,871	285,728,849
II. Capital required for Market Risk (Standard Duration Approach)	54,391,169	57,671,175	54,391,169	57,671,175
- Interest rate risk	50,773,874	54,057,510	50,773,874	54,057,510
- Foreign exchange risk	3,617,295	3,613,665	3,617,295	3,613,665
- Equity risk	-	-	-	-
- Securitisation exposure	-	-	-	-
III. Capital required for Operational Risk (Basic Indicator Approach)	36,148,090	30,828,746	36,148,090	30,828,746
Total capital requirement (I + II + III)	400,083,726	371,204,701	403,899,130	374,228,770
Total capital funds of the Bank	464,834,938	457,026,612	470,850,074	462,793,243
Total risk weighted assets	3,011,167,034	2,796,620,041	3,036,603,060	2,816,780,505
Total capital ratio	15.44%	16.34%	15.51%	16.43%
Common Equity Tier I Capital Ratio	14.12%	14.96%	14.20%	15.06%
Tier I capital ratio	14.12%	14.96%	14.20%	15.06%

(Rs. '000)

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 September 2025

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 International Wealth and Premier Banking (IIWBP).

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 September 2025

3. Credit risk (*Continued*)

a. General (*Continued*)

Strategy and Processes (*Continued*)

- The IWBP Risk function is responsible for monitoring the quality of the International Wealth and Premier Banking lending portfolio. For retail lending, INM has developed credit application scorecards for unsecured products (which make use of statistical models & historical data) and defined policy parameters to assess the borrowers for unsecured and secured products. 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.
- IWBP Fraud & Credit Control Services manages the First Line of Defense (FLOD) activities i.e. Underwriting, Fraud and Collections. CCS underwriting team decisions cases as per the credit policy parameters in line with the INM OpCo approved Policy on Credit Committee & individual lending & written-off authorities for Retail Banking.
- For retail risk, the INM IWBP Risk and Acquisition and Account Risk Management Team reviews and communicates the various internal risk policies. The RRP (Risk reward program) defines the product parameters for IWBP.
- 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

(Incorporated in Hong Kong SAR with limited liability)

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

For the period ended 30 September 2025

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. OpCo will assign lending authority to the Retail Credit Committees and assign lending authority at a 'band' level to IWBP officers. IWBP Risk Head will communicate the OpCo assign limits to individual IWBP 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

(Incorporated in Hong Kong SAR with limited liability)

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

For the period ended 30 September 2025

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 ^{Note 1}	Non fund based ^{Note 2}	As at 30 Sep 2025 Total
Overseas	-	-	-
Domestic	1,870,462,042	1,827,760,676	3,698,222,718
Total	1,870,462,042	1,827,760,676	3,698,222,718

(Rs '000)

	Fund based ^{Note 1}	Non fund based ^{Note 2}	As at 31 March 2025 Total
Overseas	-	-	-
Domestic	1,827,820,103	1,592,978,613	3,420,798,716
Total	1,827,820,103	1,592,978,613	3,420,798,716

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

(Incorporated in Hong Kong SAR with limited liability)

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

For the period ended 30 September 2025

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 Sep 2025

	(Rs '000)		
Industry	Funded	Non Funded	Total
Mining and Quarrying	-	29,750	29,750
Food Processing	14,572,593	8,466,506	23,039,099
Beverages (excluding Tea & Coffee) and Tobacco	3,123,785	922,075	4,045,860
Textiles	15,890,752	4,584,882	20,475,634
Leather and Leather products	522,131	48,436	570,567
Wood and Wood Products	1,554,683	236,527	1,791,210
Paper and Paper Products	4,864,121	529,742	5,393,863
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	3,145	3,145
Chemicals and Chemical Products (Dyes, Paints, etc.)	45,711,139	71,162,393	116,873,532
Rubber, Plastic and their Products	18,819,303	10,334,344	29,153,647
Glass & Glassware	123,653	1,429,795	1,553,448
Cement and Cement Products	5,778,705	4,454,940	10,233,645
Basic Metal and Metal Products	42,845,980	22,709,817	65,555,797
All Engineering	61,634,992	101,489,293	163,124,285
Vehicles, Vehicle Parts and Transport Equipments	55,387,296	23,006,802	78,394,098
Gems and Jewellery	-	277,790	277,790
Construction	7,209,105	27,667,845	34,876,950
Infrastructure	125,645,457	94,889,945	220,535,402
NBFCs and trading	196,140,949	0	196,140,949
Banking and finance	378,076,462	1,124,712	379,201,174
Computer Software	26,127,771	47,880,957	74,008,728
Professional Services	36,551,802	0	36,551,802
Commercial Real Estate	161,513,872	0	161,513,872
Other Industries	265,137,408	1,393,340,607	1,658,478,015
Retail	179,176,872	13,170,373	192,347,245
Others*	224,053,211	0	224,053,211
Total	1,870,462,042	1,827,760,676	3,698,222,718

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 September 2025

3. Credit risk (Continued)

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

Industry type distribution of exposures as at 31 March 2025

	(Rs '000)		
Industry	Funded	Non Funded	Total
Mining and Quarrying	-	29,750	29,750
Food Processing	21,284,073	12,122,311	33,406,384
Beverages (excluding Tea & Coffee) and Tobacco	4,850,349	1,159,665	6,010,014
Textiles	16,632,818	4,429,548	21,062,366
Leather and Leather products	364,640	76,479	441,119
Wood and Wood Products	2,250,501	148,091	2,398,592
Paper and Paper Products	3,401,212	391,158	3,792,370
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	734	734
Chemicals and Chemical Products (Dyes, Paints, etc.)	88,111,056	57,187,284	145,298,340
Rubber, Plastic and their Products	26,294,868	6,035,934	32,330,802
Glass & Glassware	636,197	659,759	1,295,956
Cement and Cement Products	7,295,303	5,398,350	12,693,653
Basic Metal and Metal Products	38,120,758	28,153,069	66,273,827
All Engineering	54,356,143	92,187,151	146,543,294
Vehicles, Vehicle Parts and Transport Equipments	51,039,782	26,535,807	77,575,589
Gems and Jewellery	43,319	277,861	321,180
Construction	8,655,805	28,038,453	36,694,258
Infrastructure	123,288,967	83,699,141	206,988,108
NBFCs and trading	215,691,721	-	215,691,721
Banking and finance	262,474,009	1,247,601	263,721,610
Computer Software	23,579,582	37,225,178	60,804,760
Professional Services	37,234,942	-	37,234,942
Commercial Real Estate	205,656,638	-	205,656,638
Other Industries	139,854,164	1,198,234,058	1,338,088,222
Retail	231,319,283	9,741,231	241,060,514
Others*	265,383,973	-	265,383,973
Total	1,827,820,103	1,592,978,613	3,420,798,716

* 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 September 2025

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 Sep 2025

(Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	1,446,519	110,144,060	994,672,186	22,779,011	-	18,519,725
2 to 7 days	-	293,815,267	11,409,693	33,696,603	-	8,022,807
8 to 14 days	-	-	8,519,194	36,416,828	-	2,698,546
15 to 30 days	34,425,400	25,651,915	170,565,601	91,807,358	-	27,234,468
31 days & upto 3 months	6,954,726	5,182,279	32,434,188	109,361,049	-	29,019,334
Over 3 months and upto 6 months	7,113,278	5,300,423	63,701,191	78,711,964	-	85,815,945
Over 6 months and upto 1 year	3,398,754	2,532,564	57,327,622	142,156,424	-	66,033,223
Over 1 year and upto 3 years	13,721,821	10,224,747	145,668,089	315,009,638	-	95,407,843
Over 3 years and upto 5 years	4,066,108	3,029,841	31,061,149	232,662,338	-	48,734,204
Over 5 years	28,091,331	20,932,115	115,098,155	178,236,709	7,432,497	65,548,256
TOTAL	99,217,937	476,813,211	1,630,457,068	1,240,837,922	7,432,497	447,034,351

As at 31 March 2025

(Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	86,978,464	15,171,719	613,466,390	16,970,821	-	11,733,531
2 to 7 days	-	216,835,416	454,120,681	48,487,247	-	20,295,000
8 to 14 days	-	1,995,580	9,371,182	40,921,205	-	977,319
15 to 30 days	30,749,819	22,972,877	122,678,467	93,550,801	-	31,291,457
31 days & upto 3 months	7,813,998	5,837,758	31,964,859	87,983,129	-	13,195,907
Over 3 months and upto 6 months	9,582,483	7,158,976	58,543,330	237,466,905	-	38,688,357
Over 6 months and upto 1 year	3,248,658	2,427,039	53,368,992	135,195,369	-	45,394,893
Over 1 year and upto 3 years	9,678,323	7,230,577	117,204,676	325,485,534	-	63,269,389
Over 3 years and upto 5 years	5,785,703	4,322,440	35,000,055	226,949,078	-	39,249,784
Over 5 years	27,516,016	20,556,936	107,116,584	169,768,130	7,561,983	46,273,488
TOTAL	181,353,464	304,509,318	1,602,835,216	1,382,778,219	7,561,983	310,369,125

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 September 2025

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 Sep 2025	As at 31 Mar 2025
Substandard	1,501,277	1,251,898
Doubtful 1	380,157	236,249
Doubtful 2	239,453	339,818
Doubtful 3	913,004	879,175
Loss	1,794,206	1,882,289
Total	<u>4,828,097</u>	<u>4,589,429</u>

(v) Net NPAs

The net NPAs are Rs. 477 million (previous year: Rs. 386 million). Please see table (vi) below.

(vi) Movement of NPAs for the bank

	Gross NPA's	Provision*	As at 30 Sep 2025 Net NPA
Opening balance as at 1 April 2025	4,589,429	4,203,467	385,962
Additions during the period	1,656,929	459,917	1,197,012
Reductions during the period	(1,418,261)	(312,268)	(1,105,993)
Closing balance as at 30 June 2025	<u>4,828,097</u>	<u>4,351,116</u>	<u>476,981</u>

*includes movement of Interest Capitalisation–Restructured NPA Account

	Gross NPA's	Provision	As at 31 Mar 2025 Net NPA
Opening balance as at 1 April 2024	4,581,303	4,078,288	503,015
Additions during the period	2,711,092	1,101,821	1,609,271
Reductions during the period	(2,702,966)	(976,642)	(1,726,324)
Closing balance as at 31 Mar 2025	<u>4,589,429</u>	<u>4,203,467</u>	<u>385,962</u>

(vii) NPA ratios for the bank

	As at 30 Sep 2025	As at 31 Mar 2025
Gross NPAs to gross advances	0.39%	0.33%
Net NPAs to net advances	0.04%	0.03%

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 September 2025

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).

(ix) Non-performing investments

Non-performing investments as at 30 Sep 2025 is Rs 1 (previous year: Rs. 1).

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

	As at 30 Sep 2025	As at 31 Mar 2025*
Opening balance	(26,434,451)	7,553,489
Provisions during the year	-	-
Write offs during the year	-	-
Write back of excess provisions during the year	(2,104,496)	(33,987,940)
Closing balance	(28,538,947)	(26,434,451)

*indicates net depreciation / (appreciation) in the value of investments as on 31 March 2025 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 Sep 2025

	NPA	Past Due Loans	Provision *	Specific Provision during the year	Write off during the year
1.Agriculture	625,184	1,559,414	654,665	65,807	-
2. Advances to Industries sector	547,390	5,002,408	551,245	849	108,233
of which:					
2.1 Chemicals and Chemical Products	-	723,870	-	-	-
2.2 All Engineering	-	1,262,518	-	-	-
2.3 Infrastructure	-	-	-	-	92,985
2.4 Paper and Paper Products	-	-	-	-	-
2.5 Textile	10,051	65,189	10,051	-	-
3. Services	1,960,828	7,750,643	1,948,691	35,702	-
of which:					
3.1 Trade	1,674,944	1,517,480	1,675,111	30,336	-
3.2 Commercial Real Estate	-	-	-	-	-
3.3 NBFC	201,389	-	201,389	-	-
4. Retail	1,694,695	5,213,647	1,196,515	357,559	610,195
Total	4,828,097	19,526,112	4,351,116	459,917	718,428

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 September 2025

3. Credit risk (Continued)

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

As at 31 March 2025

(Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1. Agriculture	691,421	537,414	729,415	98,768	-
2. Advances to Industries sector	485,495	3,624,264	496,249	235,931	4
of which:					
2.1 Chemicals and Chemical Products	-	760,532	-	604	4
2.2 All Engineering	-	214,674	-	-	-
2.3 Infrastructure	92,985	-	92,985	-	-
2.4 Paper and Paper Products	-	-	-	-	-
2.5 Textile	11,001	283,565	11,006	11,006	-
3. Services	2,015,878	3,126,663	2,008,675	282,674	83,634
of which:					
3.1 Trade	1,736,948	1,788,739	1,736,949	68,701	81,953
3.2 Commercial Real Estate	-	-	-	-	-
3.3 NBFC	201,389	-	201,389	201,389	-
4. Retail	1,396,635	2,951,671	969,128	484,448	829,088
Total	4,589,429	10,240,012	4,203,467	1,101,821	912,726

* includes Interest Capitalisation–Restructured NPA Account

includes movement due to exchange rate fluctuation

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

(Rs '000)

	For the period ended 30 Sep 2025	For the period ended 31 Mar 2025
Write offs	637,887	898,473
Recoveries	233,873	422,697

(xiii) Ageing of past due loans for the bank

(Rs '000)

	As at 30 Sep 2025	As at 31 Mar 2025
Overdue less than 30 days	18,767,032	9,336,523
Overdue for 30 to 60 days	485,857	724,586
Overdue for 60 to 90 days	273,223	178,903
Total	19,526,112	10,240,012

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 September 2025

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 Sep 2025 (Rs '000)

	NPA	Past Due Loan
Overseas	-	-
Domestic	4,828,097	19,526,112
Total	4,828,097	19,526,112

As at 31 March 2025 (Rs '000)

	NPA	Past Due Loan
Overseas	-	-
Domestic	4,589,429	10,240,012
Total	4,589,429	10,240,012

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 2025.

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

(Incorporated in Hong Kong SAR with limited liability)

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

For the period ended 30 September 2025

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%

* As per RBI guidelines dated 25th Aug 2016, Exposures to Corporates, AFCs and NBFC-IFCs having aggregate exposure to banking system > INR 100 crores which are currently rated but becomes unrated subsequently, the risk weights need to be increased to 150% with immediate effect.

In August 2016, RBI issued guidelines for revising the risk weights for unrated exposures to Corporates, AFCs, and NBFC-IFCs having aggregate exposure from banking system > INR 200 crore to 150% from 100%. The implementation of these guidelines was deferred by RBI till 31 March 19, however the same is applicable from April 2019.

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 September 2025

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 01 April 2025*), are risk weighted as shown below:

Claims on Banks Incorporated in India and Foreign Bank Branches in India Level of Common Equity Tier 1 capital (CET1) including applicable capital conservation buffer (CCB) (%) of the investee bank (where applicable)	Risk Weights%	
	Scheduled Banks	Other Banks
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

(Incorporated in Hong Kong SAR with limited liability)

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

For the period ended 30 September 2025

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

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

Risk weight mapping of foreign sovereigns / foreign central banks

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

Risk weight mapping of foreign public sector entities

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

Risk weight mapping of non-resident corporates

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

Exposure under various risk buckets (post Credit Risk Mitigants)

	As at 30 Sep 2025	As at 31 Mar 2025
Below 100% risk weight	1,901,408,393	1,955,565,845
100% risk weight	536,541,908	590,506,986
Above 100% risk weight	897,079,877	633,138,600
Deductions*	-2,998,059	(3,382,931)
Total	3,332,032,119	3,175,828,500

*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 2025, 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 2025). Currently DTA is NIL % of Bank's CET1 capital. Accordingly, there is no deduction on account of DTA for 30 Sep 2025.

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

For the period ended 30 September 2025

5. Policy for Collateral Valuation and Management

The Bank has policies and manuals for collateral management and credit risk mitigation techniques, which include among other aspects guidelines on acceptable types of collateral, ongoing monitoring of collateral including the frequency and basis of valuation and application of credit risk mitigation techniques.

The Bank's approach when granting credit facilities is to do so on the basis of capacity to repay rather than placing primary reliance on credit risk mitigants. Depending on a customer's standing and the type of product, facilities may be provided unsecured. Mitigation of credit risk is a key aspect of effective risk management for the bank.

Where credit risk mitigation is available in the form of an eligible guarantee, the exposure is divided into covered and uncovered portions. The covered portion, which is determined after applying an appropriate 'haircut' for currency and maturity mismatch to the amount of the protection provided, attracts the risk weight of the protection provider. The uncovered portion attracts the risk weight of the obligor.

All deeds of ownership/titles related to collateral are held in physical custody under control of executives independent of the business.

Valuation strategies are established to monitor collateral mitigants to ensure that they will continue to provide the anticipated secure secondary repayment source. For mortgages, the credit policy clearly outlines the acceptable Loan to value ratio (LVR) for different types of properties. The maximum LVR offered to customers has been capped at 80% for loans upto INR 7.5 Mn and 75% or lower for loans greater than INR 7.5 Mn subject to LTV on agreement value not to exceed 90% (in case of Home purchase loans). For unionized staff loans (under which maximum loan amount is capped at INR 2 Mn), maximum LVR can extend up to 90%. The valuation of property is initiated through a bank-empaneled valuer who is an expert on the subject matter. Additionally, as per the Bank's Risk Valuation Policy, in some cases where real estate is held as a security, dual valuations are initiated in order to have the benefit of a second opinion on the mortgaged property. Retail risk has a board-approved valuation policy which includes conditions when dual valuation is done. The disbursal of the loan is handled through an empaneled lawyer who in exchange collects the security documents from the borrower. In some scenarios security documents are also collected post disbursal and there is a framework in place for tracking and collecting these documents. The property documents thus collected are stored in central archives in a secure manner.

An in-house Property Price Index (PPI) has been developed which is used to measure the actual LVR of the properties financed by the Bank. The methodology for PPI development has been approved by Retail Risk and refreshed every 3 months. However, should a loan become a non-performing asset (NPA), a fresh valuation is initiated through the bank-empaneled valuer and the provisions applicable are calculated accordingly.

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 September 2025

5. Policy for Collateral Valuation and Management (Continued)

Main Types of Collateral taken by the Bank

As stipulated by the RBI guidelines, the Bank uses the comprehensive approach for collateral valuation for RWA computation. Under this approach, the Bank reduces its credit exposure to counterparty when calculating its capital requirements to the extent of risk mitigation provided by the eligible collateral as specified in the Basel III guidelines. The Bank adjusts the value of any collateral received to adjust for possible future fluctuations in the value of the collateral in accordance with the requirements specified by RBI guidelines. These adjustments, also referred to as 'haircuts', to produce volatility-adjusted amounts for collateral, are reduced from the exposure to compute the capital charge based on the applicable risk weights. The Bank reckons the permitted credit risk mitigants for obtaining capital relief only when the credit risk mitigant fulfills the conditions stipulated for eligibility and legal certainty by RBI in its guidelines on Basel III.

The main types of recognised collateral taken by the Bank appear in the list of eligible financial collaterals advised in RBI Master circular on Basel III Capital Regulations issued in April 2024, and include cash on deposits and eligible debt securities. Further the main types of recognised collateral taken by the Bank for mortgages include plots of land, ready possession and under construction properties.

Main Types of Guarantor Counterparty and their Creditworthiness

As stated in Section 7.5.6 of the RBI's Master circular on Basel-III guidelines, certain guarantees are recognised for credit risk mitigation purposes. Where guarantees are direct, explicit, irrevocable, unconditional and meeting all operating guidelines prescribed by RBI, the Bank may take account of such credit protection in calculating capital requirements. The main types of guarantees are from Sovereigns, sovereign entities (including Bank for International Settlements (BIS), International Monetary Fund (IMF), European Central Bank and European Community as well as those Multilateral Development Banks (MDBs) referred to in paragraph 5.5 of the RBI's Master circular on Basel-III guidelines, Export Credit Guarantee Corporation of India Ltd (ECGC) and Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTSE), National Credit Guarantee Trustee Ltd (NCGTC), Credit Guarantee Fund Trust for Low Income Housing (CRGFTLIH), banks and primary dealers with a lower risk weight than the counterparty. Other entities that are externally rated are also eligible guarantors, except when credit protection is provided to a securitisation exposure. This would include credit protection provided by parent, subsidiary and affiliate companies when they have a lower risk weight than the obligor.

Information about (Market or Credit) Risk Concentrations within the mitigation taken

The quantum of the credit portfolio which benefits from financial collaterals and/or guarantees as credit risk mitigants is an insignificant portion of the customer advances of the Bank.

The total exposure (including non-funded post Credit Conversion Factors) that is covered by eligible financial collateral and eligible Guarantees is as below

	(Rs '000)	
	As at 30 Sep 2025	As at 31 Mar 2025
Exposure covered by Financial Collaterals	363,192,540	241,587,286
Exposure covered by Guarantees	94,667,760	40,020,362

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

For the period ended 30 September 2025

6. Securitisation disclosure for Standardised approach

The Bank acts as originator, servicer and investor in securitisation transactions. The Bank's strategy is to use securitisation to diversify our sources of funding for asset origination, capital efficiency, managing liquidity and meet the priority sector lending (PSL) requirements. The Bank also undertakes 'purchase' transactions through the direct assignment route.

The Bank participates in securitisation transactions in any or all of the following roles:

- **Originator:** The Bank uses Special Purpose Vehicle (SPV) to securitise customer loans and advances that we have originated, in order to diversify our sources of funding for asset origination and for capital efficiency purposes. In such cases, we transfer the loans and advances to the SPVs for cash, and the SPVs issue debt securities to investors to fund the cash purchases. Credit enhancements to the underlying assets may be used to obtain investment grade ratings on the senior debt issued by the SPVs.
- **Servicer:** For sold assets, the Bank undertakes the activity of collections and other servicing activities such as managing collections and monthly payouts to investors / assignee with respect to the underlying assets.
- **Investor:** The Bank invests in Pass through certificates (PTCs) primarily to meet its priority sector lending requirements. We have exposure to third-party securitizations which are reported as investments. These securitisation positions are managed by a dedicated team that uses a combination of market standard systems and third party data providers to monitor performance and manage market and credit risks.

Securitisation accounting treatment

The accounting treatment applied is as below:

- **Originator:** Securitised assets are derecognized upon sale if the true sale criteria are fully met and 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/ disclosures is made in accordance with AS 29 – 'Provisions, contingent liability and contingent assets'. Gains on securitisation, being the excess of consideration received over the book value of the loans and provisions against expected costs including servicing costs and the expected delinquencies are amortized over the life of the securities issued by the SPV. Losses are recognised immediately. Sale and transfer that do not meet the above criteria are accounted for as secured borrowings.
- **Servicer:** In case the Bank acts as servicer of the securitisation deal the fees charged for servicing the loans would be recognised on an accrual basis.
- **Investor:** The investment in PTCs are accounted for as Held to Maturity (HTM) investments. The loan assignment deals are classified as advances.

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

For the period ended 30 September 2025

6. Securitisation disclosure for Standardised approach (Continued)

Securitisation regulatory treatment

- Originator: In case the loan is de-recognised from the books, no capital needs to be maintained by the Bank, however the Bank is required to maintain capital for credit enhancements provided in accordance with the RBI guidelines.
- Servicer: No impact on capital.
- Investor: The Bank uses the issue specific rating assigned by eligible ECAI's to compute the RWAs of the investment in the PTCs.

ECAI's used

The Bank uses one of the following ECAIs for all types of securitisation deals:

- 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)

Details of Securitisation trades of the Bank

(i) Details of securitisation of standard assets

The Bank has not Securitised any standard assets in the current year (previous year: Nil)

The RBI issued Master Direction on securitisation of standard assets on 24 September 2021. The Bank has not originated any securitisation transaction as on 31 March 2025.

(ii) Securitisation of impaired/past due assets

The Bank has not Securitised any impaired/past due assets (previous year: Nil).

(iii) Loss recognised on securitisation of assets

The Bank has not recognised any losses during the current year for any securitisation deal (previous year: Nil).

(iv) Securitisation exposures retained or purchased

The Bank has made investments in Pass Through Certificates (PTCs) of Rs. 192,135 million (Carrying Value) as at 31 March 2025 (previous year: Rs. 166,695 million, held in trading book) which are classified under Held to Maturity category in current year.

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 September 2025

6. Securitisation disclosure for Standardised approach (Continued)

Aggregate amount of securitisation exposures retained or purchased and the associated capital charge, broken down between exposures and further broken down into different risk weight bands for each regulatory capital approach

Securitisation exposures broken down into different risk weight bands

Risk weight bands	Exposure type	As at 30 Sep 2025		As at 31 Mar 2025*	
		Exposure	Capital charge	Exposure	Capital charge
Less than 100%	Vehicle/Auto loans	163,310,645	5,123,206	161,391,847	5,163,280
At 100%	Vehicle/Auto loans	-	-	-	-
More than 100%	Vehicle/Auto loans	-	-	-	-
Total		163,310,645	5,123,206	161,391,847	5,163,280

Risk weight bands	Exposure type	As at 30 Sep 2025		As at 31 Mar 2025*	
		Exposure	Capital charge	Exposure	Exposure
Less than 100%	Housing loan	-	-	263,406	6,993
At 100%	Housing loan	-	-	7,790	1,034
More than 100%	Housing loan	-	-	-	-
Total		-	-	271,196	8,027

Risk weight bands	Exposure type	As at 30 Sep 2025		As at 31 Mar 2025*	
		Exposure	Capital charge	Exposure	Capital charge
Less than 100%	Microfinance loans	28,823,948	920,126	5,031,857	200,369
At 100%	Microfinance loans	-	-	-	-
More than 100%	Microfinance loans	-	-	-	-
Total		28,823,948	920,126	5,031,857	200,369

*As per RBI 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, PTCs have been reclassified under HTM i.e. Banking Book and accordingly Credit Risk RWAs are being computed on the same. PTCs were classified under AFS i.e. trading book until 31 March 2024.

7. Market risk in trading book

The objective of the HSBC's market risk management is to manage and control market risk exposures in order to optimize return on risk while maintaining a market profile consistent with our risk appetite.

Market risk is the risk that movements in market factors, including foreign exchange rates, interest rates, credit spreads and equity prices will reduce our income or the value of our portfolios. Market risk arises on financial instruments, which are measured at fair value in the trading book.

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 September 2025

7. Market risk in trading book (*Continued*)

Strategy and Processes

The Bank maintains capital for market risk on Trading book which comprises of Held for Trading (HFT). HFT book includes positions arising from market-making customer demand driven inventory.

The risk components apply equally to cash and to derivative instruments. All open market risk is subject to approved limits. Limits are established to control the level of market risk and are complementary to counterparty credit limits.

The existence of a market risk trading limit does not confer any credit, counterparty, country or sovereign risk limit; they are established separately through normal credit procedures.

Structure and Organisation of management of risk

The management of market risk is undertaken in Market & Securities Services (MSS) and Market Treasury (MKTY) using risk limits approved by an independent Risk function. Limits are set for portfolios, products and risk types. 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. Market risk limits are reviewed annually.

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, reporting and monitoring

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 Bank's VaR and stressed VaR models are predominantly based on historical simulation. VaR and Stressed VaR measures are calculated to a 99% confidence level and use a one / ten-day holding period. The accuracy of VaR model output is validated by back-testing the daily Actual and Hypothetical profit and loss results against the corresponding VaR numbers.

Market Risk Limits are proposed by Local MSS & MKTY. 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 MSS, 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.

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 September 2025

7. Market risk in trading book (Continued)

Market risk charge is computed on net basis for cases where an underlying of same notional is purchased/sold to hedge the risk of the derivative contract.

(i) Capital requirements for market risk for the bank

	(Rs'000)	
Standardised Duration Approach	As at 30 Sep 2025	As at 31 Mar 2025
Interest rate risk	50,773,874	54,057,510
Foreign exchange risk	3,617,295	3,613,665
Equity risk	0	-
Securitisation exposure	0	-
Capital requirements for market risk	54,391,169	57,671,175

8. Operational risk/ Non-Financial Risk

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

Purpose and Risk management approach

The HSBC Risk Management Framework (“RMF”) defines approach to managing risk. It covers all the types of risk that we face across all Businesses, and Infrastructure teams. The RMF helps manage risks, including operational risk, in a way that supports the successful delivery of HSBC strategy. It enables deliberate and responsible risk-taking that aligns with strategic objectives, regulatory obligations, and capacity to mitigate and/or absorb risks. In doing so, it safeguards the financial and operational resilience of the Group.

The risk management approach integrates the different RMF elements to form an enterprise-wide view of risk. This view reflects the relationship between the risks we take in delivering our strategy and the resources available to manage them, resulting in a net risk position. It enables us to make considered, forward-looking decisions that align with our capacity and strategic objectives. It is a dynamic assessment based on judgement, informed by both the level of risk we face, and our ability to mitigate and/or absorb it responsibly.

This approach is applied consistently across the Group through five core steps in managing risk:

- Define and enable by setting clear risk appetite and control expectations, and reinforcing risk culture and accountability
- Identify and assess risks to the business, and evaluate their potential impact
- Manage risks within appetite using the resources available to mitigate or absorb them
- Aggregate and report data to generate insight and inform decisions
- Govern risks through oversight, challenge, escalation, and remediation

These steps help align decisions with our capacity, support early action where pressure is building, and focus attention where it matters most. They also support strategic decisions by

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 September 2025

helping determine when risk-taking is appropriate, when intervention is needed, and where additional resources may be required to remain within appetite.

Structure and Organisation

The INM Risk Management Meeting (RMM) is the apex risk management body at an entity level that is responsible for oversight and management of all risks in INM at an entity level. This governance meeting reports to the INM EXCO. INM Operational Risk Working Group (ORWG) is responsible for providing oversight on the Operational Risk environment in INM. The ORWG reports into the RMM.

Three Lines of Defence (3LOD) Overview

HSBC's Three Lines of Defence ("LOD") model defines clear accountabilities and responsibilities across risk ownership, oversight and independent assurance. It supports effective risk management by ensuring that:

- The **First Line of Defence** ("First LOD") owns and manages risks.
- The **Second Line of Defence** ("Second LOD") provides risk oversight and challenge.
- The **Third Line of Defence** ("Third LOD") delivers independent assurance.

The model applies to all individuals and all risk types

Risk appetite represents the level of risk HSBC is willing to take in pursuit of its strategy, based on its capacity to manage those risks.

The Risk Appetite is articulated through Risk Appetite Statements ("RAS"), which combine Board-approved (INM OpCo) qualitative statements and quantitative metrics. Together, these statements enable HSBC to assess whether risk profile and exposure remains within acceptable levels, and to take timely action where adjustments are needed. The RAS is reviewed at least annually by Senior Management to ensure it remains appropriate and aligned with the strategy, risk environment and capacity to mitigate and absorb risks.

Enterprise Risk reporting

Enterprise risk reporting provides a consolidated view of material risks across the Group, assessed through the risk taxonomy and in relation to risk appetite. It enables decision-makers to monitor key exposures, identify emerging themes, and assess whether risks remain aligned with the Group's strategic objectives. This includes insights from risk-type reports, thematic reviews, and emerging risks. Enterprise risk reports such as Top and Emerging Risk, Risk MAP, SLOD Risk Steward updates are tabled regularly in the INM RMM.

(i) *Capital requirements for Operational risk for the Bank* (Rs*000)

	As at 30 Sep 2025	As at 31 Mar 2025
Capital required for Operational Risk (Basic Indicator Approach)	36,148,090	30,828,746

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 September 2025

9. Interest rate risk in the banking book (IRRBB)

Qualitative Disclosure

Interest rate risk in the banking book (IRRBB) refers to the current or prospective risk to the bank's capital and earnings arising from adverse movements in interest rates that affect the bank's banking book positions. When interest rates change, the present value and timing of future cash flows change. This in turn changes the underlying value of a bank's assets, liabilities and off-balance sheet items and hence its economic value. Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its Net Interest Income (NII).

Asset, Liability & Capital Management (ALCM)/Markets Treasury (MKTY) is responsible for measuring and controlling IRRBB under the supervision of the Asset and Liability Management Committee (ALCO).

Its primary responsibilities are

- To define the rules governing the transfer of interest rate risk from the commercial bank to MKTY; and
- To ensure that all market interest rate risk that can be hedged is effectively transferred from the global businesses to MKTY

9. Interest rate risk in the banking book (IRRBB) (Continued)

IRRBB in the banking book arises principally from structural mismatches in assets and liabilities and off-balance-sheet instruments and creating repricing risk, yield curve risk and basis risk.

Further, an analysis of these risks incorporates assumptions on optionality in certain products and from behavioral assumptions regarding the economic duration of liabilities which are contractually repayable on demand, for example, current accounts.

IRRBB also forms a part of the Pillar 2 risk assessment as part of the Bank's Internal Capital Adequacy Assessment Process and capital is maintained, if required, based on this assessment.

Strategy and Process

In order to manage this risk efficiently, interest rate risk in the banking book is transferred to MKTY.

The transfer of interest risk to the MKTY is achieved through a formal transfer pricing framework wherein a series of internal deals are executed between the business units and MKTY. In certain products, the interest rate risk behaviour may differ from the contractual nature thereby requiring a study to determine the correct approach in managing the risk. This is achieved through a behaviouralisation study that is periodically updated and placed before the ALCO for approval, along with underlying assumptions.

Structure and Organisation

The Bank has an independent interest rate risk management and control function which is responsible for measuring interest rate risk exposures in accordance with prescribed policies, monitoring and reporting these exposures against the approved limits on a daily basis. This monitoring process effectively builds on the level of interest rate risk that is commensurate with the capital held.

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 September 2025

Scope and nature of Risk reporting, measurement, monitoring and mitigation

The Bank monitors the sensitivity of projected net interest income under varying interest rate scenarios. The Bank effectively identifies, measures, monitors and controls the interest rate risk in the banking book, to mitigate the impact of prospective interest rate movements which could reduce future net interest income, whilst balancing the cost of such hedging activities on the current income stream.

The Bank manages the interest rate risk arising from commercial banking activities in order to maximize the return commensurate with its capital base, without exposing the Bank to undue risk arising from movements in market interest rates.

The bank uses following tools for analysis-

Gap analysis: The interest rate gap or mismatch risk is measured by calculating gaps over different time intervals at a given date. This static analysis measures mismatches between rate sensitive liabilities (“RSL”) and rate sensitive assets (“RSA”). The report is prepared monthly by grouping rate sensitive liabilities, assets and off-balance sheet positions into time buckets according to residual maturity or next re-pricing period, whichever is earlier. The difference between RSA and RSL for each time bucket signifies the gap in that time bucket. These are monitored through the Traditional Gap Analysis/Duration Gap Analysis (TGA / DGA) reports in line with RBI guidelines. The interest rate sensitivity reports are submitted to the RBI and tabled at the ALCO on a monthly basis.

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 September 2025

9. Interest rate risk in the banking book (IRRBB) (Continued)

Economic Value of Equity sensitivity (EVE): Change in the interest rates have a long-term impact on the capital position of the Bank, as the economic value of the Bank's assets, liabilities and off-balance sheet positions get affected by these rate changes which impact the present value and timing of future cash flows. The EVE sensitivity is tabled at the ALCO on a quarterly basis.

Earnings sensitivity : Changes in interest rates also affect a bank's earnings by altering interest rate-sensitive income and expenses, affecting its earnings in the banking book. The earnings sensitivity is tabled at the ALCO on a quarterly basis.

Quantitative Disclosure

(i) Impact on Economic Value of Equity(EVE)

INR Mn	EVE Sensitivity (30-Jun-2025)		EVE Sensitivity (31-Mar-2025)	
	+200 basis points	+200 basis points	+200 basis points	-200 basis points
Currency				
INR	(24,961)	28,368	(25,280)	28,719
USD	(38)	39	(29)	32
Others	(16)	17	(49)	52
Total Sensitivity	(25,015)	28,424	(25,358)	28,803
Total Capital	438,487		457,027	
Sensitivity as % of capital	(5.70%)	6.48%	(5.55%)	6.30%

(ii) Impact on Earnings

INR Mn	NII sensitivity (30-Jun-2025)		NII sensitivity (31-Mar-2025)	
	+100 basis points	+100 basis points	+100 basis points	-100 basis points
Currency				
INR	243	(459)	5,474	(5,529)
USD	3,290	(3,290)	520	(520)
Others	83	(84)	45	(45)
Total	3,617	(3,834)	6,039	(6,094)

Note: This metric includes the sensitivity arising from the use of banking book liabilities to fund trading assets, as well as the impacts of vanilla foreign exchange swaps to optimize cash management.

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 September 2025

10. Counterparty Credit Risk

Methodology used to assign economic capital and credit limits for counterparty credit exposures

Counterparty credit risk arising from over-the-counter (OTC) derivatives is calculated in both the trading and non-trading books, and is the risk that a counterparty to a transaction may default before completing the satisfactory settlement of the transaction on any foreign exchange, interest rates, or equity contracts. An economic loss occurs if the transaction or portfolio of transactions with the counterparty has a positive economic value at the time of default.

As per the RBI Master circular on Basel-III Capital Regulations dated 01 April 2024, banks are expected to use the Standardised method for computation of counterparty credit exposure using the Current Exposure Method (CEM) for market related off balance sheet exposures. Under this method the exposure on all the derivative contracts is calculated as the sum of current credit exposure/replacement cost i.e. the sum of the positive mark-to-market (MTM) of the contracts (negative MTMs are to be ignored) and the potential future exposure (PFE). PFE is determined based on a set percentage multiplied by the notional of the deal. The percentage by which the notional is multiplied is dependent upon the type of the product and the tenor as prescribed in RBI guidelines. PFE so obtained is added to the gross positive replacement cost to arrive at the final exposure at default.

Bilateral Netting: RBI has issued guidelines on “Bilateral Netting of Qualified Financial Contracts - Amendments to Prudential Guidelines” on 30 March 2021 effective immediately. Accordingly, capital charge for Market related Off-balance sheet instruments and CVA has been computed considering exposure on netted basis in accordance with the extant guidelines. The Group assesses total economic capital requirements centrally for the risk by utilising the embedded operational infrastructure used for the Pillar 1 capital calculation.

Limits for counterparty credit risk exposures are assigned within the overall credit process for distinct customer limit approval.

Policies for securing collateral and establishing credit reserves

Despite these being a standard credit mitigant for OTC derivatives in most jurisdictions, market practice in this respect is still evolving in India. The bank has executed a few Credit Support Annexes (CSA's) and is currently negotiating with some more counterparties.

The credit valuation adjustment (CVA) is an adjustment to the value of OTC derivative transaction contracts to reflect, within fair value, the possibility that the counterparty may default or migrate to a lower credit grade, and we may not receive the full market value of the transactions. The Bank calculates a separate CVA for each counterparty to which the bank has exposure. The adjustment aims to calculate the potential loss arising from the portfolio of derivative transactions against each third party, based upon a modeled expected positive exposure profile, including allowance for credit risk mitigants such as netting agreements and CSA's.

The bank computes a CVA for its markets related off balance sheet exposures and takes it to the profit and loss account for financial reporting purposes. The same was implemented for capital adequacy purposes under Basel III in accordance with RBI Guidelines from quarter ending June 2014.

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 September 2025

10. Counterparty Credit Risk (Continued)

Wrong-way Risk exposures

Wrong-way risk is a form of concentration risk and arises when there is a strong correlation between the counterparty's Probability of Default (PD) and the MTM value of the underlying transaction. The Bank uses a range of procedures to monitor and control wrong-way risk, including requiring prior approval before undertaking wrong-way risk transactions outside pre-agreed guidelines.

Central Counterparties

Whilst exchange traded derivatives have been cleared through central counterparties ('CCP's) for many years, recent regulatory initiatives designed to reduce systemic risk in the banking system are directing increasing volumes of OTC derivatives to be cleared through CCPs. The Bank has accordingly developed a risk appetite framework to manage risk on CCPs.

Impact of Credit Rating Downgrade

The Credit rating downgrade clause in an International Swaps and Derivatives Association (ISDA) Master Agreement is designed to trigger a series of events which may include the requirement to pay or increase collateral, the termination of transactions by the non-affected party, or assignment by the affected party, if the credit rating of the affected party falls below a specified level. At the Group level, we assess additional collateral requirements where credit ratings downgrade language affects the threshold levels within a collateral agreement.

The derivative exposure is calculated using Current Exposure Method ('CEM'). The outstanding balances are given below:

Particulars	As at 30 Sep 2025		As at 31 Mar 2025	
	Notional	Current credit exposures	Notional	Current credit exposures
Currency Swaps	1,340,177,285	17,324,786	1,272,714,583	12,173,402
Forward Contracts	3,562,491,370	39,392,829	3,362,422,058	20,970,751
FX options	2,767,211,503	20,304,944	2,678,375,251	11,074,126
Interest rate options	3,000,000	-	12,000,000	-
Interest Rate swaps	5,965,519,447	17,862,418	5,400,643,836	15,257,363
Single currency Floating Floating	-	-	-	-
Forward Rate Agreements	249,052,530	4,386,823	217,850,560	89,831
Grand Total	13,887,452,135	99,271,800	12,944,006,288	59,565,473

Note: The above does not include Exposure to QCCP and RBI.

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 September 2025

11. Leverage Ratio

The leverage ratio requirement was introduced into the Basel III framework as a non-risk-based limit, to supplement risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector. As per the Bi-Monthly Monetary Policy Committee held on 6th Jun 2019, RBI has advised banks to maintain the minimum leverage ratio at 3.5%. The bank's leverage ratio is calculated as per RBI guidelines as follows:

Leverage Common disclosure:		(Rs in Million)	
Sr No	Item	30-Sep-25	At 31 Mar 2025
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	3,347,971	3,270,280
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(2,998)	(3,383)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	3,344,973	3,266,897
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	104,336	66,399
5	Add-on amounts for PFE associated with all derivatives transactions	909,141	751,074
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework		-
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions		-
8	Exempted CCP leg of client-cleared trade exposures		-
9	Adjusted effective notional amount of written credit derivatives		-
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives		-
11	Total derivative exposures (sum of lines 4 to 10)	1,013,477	817,473
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	233,699	313,349
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)		-
14	CCR exposure for SFT assets		-
15	Agent transaction exposures		-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	233,699	313,349
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	2,875,005	2,656,050
18	Adjustments for conversion to credit equivalent amounts	(2,080,449)	(1,920,155)
19	Off-balance sheet items (sum of lines 17 and 18)	794,556	735,895
Capital and total exposures			
20	Tier 1 capital	425,283	418,388
21	Total exposures (sum of lines 3, 11, 16 and 19)	5,386,705	5,133,614
Leverage ratio			
22	Basel III leverage ratio (per cent)	7.90%	8.15%

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 September 2025

11. Leverage Ratio (Continued)

Comparison of accounting assets vs leverage ratio exposure measure:

		(Rs in Million)	
Sr No	Item	At 30 Sep 2025	At 31 Mar 2025
1	Total consolidated assets as per published financial statements	3,901,793	3,789,407
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	693,354	611,695
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	794,556	735,895
7	Other adjustments	(2,998)	(3,383)
	Total Exposure (point 21 in Table 1)	5,386,705	5,133,614

Note: The consolidated leverage ratio is 7.97% as on 30 September 2025.

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 September 2025

12. Composition of Capital

(Rs in Million)

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
	Common Equity Tier 1 capital: instruments and reserves			
1	Directly issued qualifying common share capital plus related stock surplus (share premium)		87,797	A
2	Retained earnings (incl. Statutory Reserves, Capital Reserves and Remittable Surplus retained for Capital to Risk-weighted Assets Ratio (CRAR))	339,778	344,338	B1+B2+B3+B4+B5+B6+B7
3	Accumulated other comprehensive income (and other reserves)	2,170	2,170	C1*45%
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	-	-	
	Public sector capital injections grandfathered until 1 January 2018			
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in Group CET1)	-	-	
6	Common Equity Tier 1 capital before regulatory adjustments	428,282	434,305	
	Common Equity Tier 1 capital: regulatory adjustments		-	
7	Prudential valuation adjustments	2,591	2,591	
8	Goodwill (net of related tax liability)	-	-	
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	349	355	
10	Deferred tax assets	-	4	
11	Cash-flow hedge reserve	-	-	
12	Shortfall of provisions to expected losses	-	-	
13	Securitisation gain on sale	-	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	58	58	
15	Defined-benefit pension fund net assets	-	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-	
17	Reciprocal cross-holdings in common equity	-	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	

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 September 2025

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-	
20	Mortgage servicing rights (amount above 10% threshold)	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	
22	Amount exceeding the 15% threshold	-	-	
23	of which: significant investments in the common stock of financial entities	-	-	
24	of which: mortgage servicing rights	-	-	
25	of which: deferred tax assets arising from temporary differences	-	-	
26	National specific regulatory adjustments (26a+26b+26c+26d)	1	1	
26a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	-	-	
26b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	1	1	
26c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	-	-	
26d	of which: Unamortised pension funds expenditures	-	-	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-	
28	Total regulatory adjustments to Common equity Tier 1	2,999	3,009	
29	Common Equity Tier 1 capital (CET1)	425,283	431,296	
	Additional Tier 1 capital: instruments	-	-	
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	-	-	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	-	-	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	-	-	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	-	

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 September 2025

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in Group AT1)	-	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	-	
36	Additional Tier 1 capital before regulatory adjustments	-	-	
	Additional Tier 1 capital regulatory adjustments	-	-	
37	Investments in own Additional Tier 1 instruments	-	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	
41	National specific regulatory adjustments (41a+41b)	-	-	
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	-	-	
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	-	-	
42	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	-	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	-	
44	Additional Tier 1 capital (AT1)	-	-	
44a	Additional Tier 1 capital reckoned for capital adequacy¹¹	-	-	
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)	425,283	431,296	
	Tier 2 capital: instruments and provisions	-	-	
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	
47	Directly issued capital instruments subject to phase out from Tier 2	-	-	

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 September 2025

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in Group Tier 2)	-	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Provisions (<i>incl. eligible reserves</i>)	39,552	39,554	D1+D2+D3+C2*45%
51	Tier 2 capital before regulatory adjustments	39,552	39,554	
	Tier 2 capital: regulatory adjustments	-	-	
52	Investments in own Tier 2 instruments	-	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	-	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	-	-	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	
56	National specific regulatory adjustments (56a+56b)	-	-	
56a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	-	-	
56b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	-	-	
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	-	-	
	of which:	-	-	
	of which:	-	-	
57	Total regulatory adjustments to Tier 2 capital	-	-	
58	Tier 2 capital (T2)	39,551	39,554	
58a	Tier 2 capital reckoned for capital adequacy	39,551	39,554	
58b	Excess Additional Tier 1 capital reckoned as Tier 2 capital	-	-	
58c	Total Tier 2 capital admissible for capital adequacy (58a + 58b)	39,551	39,554	
59	Total capital (TC = T1 + T2) (45 + 58c)	464,835	470,850	

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 September 2025

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment	-	-	
	of which:	-	-	
	of which:	-	-	
60	Total risk weighted assets (60a + 60b + 60c)	3,011,167	3,036,603	
60a	of which: total credit risk weighted assets	2,329,737	2,355,173	
60b	of which: total market risk weighted assets	409,367	409,367	
60c	of which: total operational risk weighted assets	272,063	272,063	
	Capital ratios		-	
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.12%	14.20%	
62	Tier 1 (as a percentage of risk weighted assets)	14.12%	14.20%	
63	Total capital (as a percentage of risk weighted assets)	15.44%	15.51%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	9.79%	9.79%	
65	of which: capital conservation buffer requirement	2.50%	2.50%	
66	of which: bank specific countercyclical buffer requirement	-	-	
67	of which: G-SIB buffer requirement	1.79%	1.79%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	8.62%	8.70%	
	National minima (if different from Basel III)	-	-	
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	-	
71	National total capital minimum ratio (if different from Basel III minimum)	-	-	
	Amounts below the thresholds for deduction (before risk weighting)	-	-	
72	Non-significant investments in the capital of other financial entities	-	-	
73	Significant investments in the common stock of financial entities	-	-	
74	Mortgage servicing rights (net of related tax liability)	-	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	

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 September 2025

	Basel III common disclosure template	Basel-III Amounts	Basel-III Amounts under regulatory scope of consolidation	Reference with DF-13
	Applicable caps on the inclusion of provisions in Tier 2	-	-	
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	11,451	11,453	D1+D2
77	Cap on inclusion of provisions in Tier 2 under standardised approach	29,122	29,122	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	
	Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)	-	-	
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	

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 September 2025

13. Composition of Capital – Reconciliation

(Rs Million)

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No.
				DF-12
		As on reporting date	As on reporting date	
A	Capital & Liabilities			
I	Paid-up Capital	86,334	87,797	A
	Reserves & Surplus	438,919	443,567	
	a. Statutory Reserve	122,011	122,665	B1
	b. Capital Reserve - Surplus on sale of Immovable assets	6,714	6,714	B2
	c. Capital Reserves	-	-	B3
	d. Remittable surplus retained in India for CRAR purposes	184,736	184,736	B4
	e.(i). Revaluation Reserve eligible for Tier 1	4,822	4,822	C1
	e.(ii) Revaluation Reserve eligible for Tier 2	-	-	C2
	f. Investment Reserve	-	-	D1
	g. Specific Reserve	9,391	9,409	B5
	h. Investment Fluctuation Reserve	29,029	29,029	D3
	h. Balance in Profit & Loss Account	63,546	65,483	
	i. General Reserve	1,746	1,763	B6
	j. Security Premium	-	1,935	B7
	k. Impairment Reserve	-	87	
	l. AFS Reserve	16,924	16,924	
	Minority Interest	-	-	
		Total Capital	525,253	531,364
ii	Deposits	2,417,575	2,417,575	
	of which: Deposits from banks	4,478	4,478	
	of which: Customer deposits	2,413,097	2,413,097	
	of which: Other deposits (pl. specify)	-	-	
iii	Borrowings	494,523	511,371	
	Borrowings in India	479,812	496,660	
	of which: From RBI	10,660	10,660	
	of which: From banks	-	800	
	of which: From other institutions & agencies	469,152	485,200	
	Borrowings outside India	14,711	14,711	
	of which: Others (pl. specify)	-	-	
of which: Capital instruments	-	-		
iv	Other liabilities & provisions	464,440	464,499	
	of which: Provisions towards Standard Assets and Country risk	11,451	11,453	D2
	Total Capital and Liabilities	3,901,791	3,924,809	

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 September 2025

		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Reference No. DF-12
		As on reporting date	As on reporting date	
B	Assets			
i	Cash and balances with Reserve Bank of India	99,218	99,234	
ii	Balance with banks and money at call and short notice	476,813	477,219	
iii	Investments:	1,630,457	1,630,545	
	Investments in India	1,603,905	1,603,992	
	of which: Government securities	1,329,108	1,329,108	
	of which: Other approved securities	-	-	
	of which: Shares	12,609	12,609	
	of which: Debentures & Bonds	60,934	60,934	
	of which: Subsidiaries / Joint Ventures / Associates	1	18	
	of which: Others (PTCs etc.)	201,253	201,323	
	Investments Outside India	26,552	26,552	
	Of which: Government securities (Including local authorities)	26,552	26,552	
iv	Loans and advances	1,240,837	1,263,256	
	of which: Loans and advances to banks	9,509	9,509	
	of which: Loans and advances to customers	1,231,329	1,253,748	
v	Fixed assets	7,432	7,434	
vi	Other assets	447,034	447,121	
	of which: Goodwill and intangible assets		2	
	of which: Deferred tax assets	-	4	
vii	Goodwill on consolidation	-	-	
viii	Debit balance in Profit & Loss account	-	-	
	Total Assets	3,901,791	3,924,809	

14. Regulatory capital Instruments

The Bank has not issued any regulatory capital instruments in India.

15. Disclosure Requirements for Remuneration

In accordance with the requirements of the RBI Circular 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 the CEO, is in conformity with the Financial Stability Board principles and standard on sound compensation practices.

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 September 2025

16. Equities - Disclosure for Banking Book Positions

Investment in equity shares as at 31 March 2025 is Rs.136 million (Cost Value). This includes investment in shares of private limited companies held either for:

- (i) business facilitation purpose;
- (ii) acquired as part of Corporate Restructured Debt(CDR) package; or
- (iii) in one instance investment in group subsidiary.

These investments are classified as ‘Available for Sale’(AFS). Investments in equity shares are held in listed and unlisted limited companies. 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.

Quantitative Disclosures

1. The value of equity investments (quoted and unquoted) as at 30 Sep 2025 is Rs.12,609 million.
2. All equity investments are held in publicly traded and private held companies.
3. The cumulative realised gain or loss on sale of shares is Nil for the period ended 30 Sep 2025.
4. The unrealised gain or loss recognised in the balance sheet and not through the profit and loss account is Rs. 12,473 million.
5. The break-up value of equity investments as at 30 Sep 2025 is Rs. 12,609 million. The difference between break-up value and current cost of equity investment is Rs. 12,473 million.
6. Investment in equity included in Tier 1 and Tier 2 capital – Nil.
7. These investments are risk weighted for capital adequacy purposes. The capital requirement for credit risk relating to these investments amounts to Rs. 1,454.30 million.