

# The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

## Basel III – Pillar 3 disclosures of India Branches

For the period ended 30 June 2015

### 1 Scope of Application

The capital adequacy framework applies to The Hongkong and Shanghai Banking Corporation Limited – India Branches (the Bank). The Bank has a subsidiary, HSBC Agency (India) Private Limited, which is consolidated in line with AS 21 and full capital deduction is taken for stand-alone financials. The Bank does not have any other Group company where a pro-rata consolidation is done or any deduction is taken. 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.

(i) *Capital in all subsidiaries not included in the consolidation*

The aggregate amount of capital held by the Bank in HSBC Agency (India) Private Limited of Rs. 0.2 million is not included in the consolidation and is deducted from capital.

(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 under the 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	542,000	786,195
HSBC Electronic Data Processing India Private Limited	Back office / data processing / call centre activities	3,554,678	20,846,270
HSBC Global Shared Services (India) Private Limited	Non-operating company	25,000	47,131
HSBC InvestDirect (India) Limited	Holding company for HSBC InvestDirect Group	712,712	4,963,150
HSBC InvestDirect Employees' Welfare Trust	Non-operating company	15	30,225
HSBC InvestDirect Financial Services (India) Limited	Non-banking Finance company	1,462,847	4,621,514
HSBC InvestDirect Sales & Marketing (India) Limited	Non-operating company	101,158	132,683
HSBC InvestDirect Securities (India) Private Limited.	Retail securities broking and related activities (Discontinued)	Equity - 875,112 0.001% Compulsory Convertible Preference shares - 870,000	258,550
HSBC Professional Services (India) Private Limited	Providing internal audit services to Group companies	4,838	139,917
HSBC Securities and Capital Markets (India) Private Limited	Stock broking and corporate finance & advisory	Equity - 4,701,139 Preference – 250,000	6,708,755
HSBC Software Development (India) Private Limited	Software design, development and maintenance	327,260	19,357,830

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

For the period ended 30 June 2015

Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited	Life insurance	9,500,000	89,672,353
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\* As stated in the accounting balance sheet of the legal entity as at 31 March 2014

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.

## 2 Capital Adequacy & Structure

### a. Capital Structure

#### (i) Composition of Tier I capital

(Rs '000)

	At 30 June 2015	At 31 March 2015
<b>Capital</b>	<b>44,991,660</b>	44,991,660
<b>Eligible Reserves</b>	<b>108,921,168</b>	106,914,746
<b>Less: Deductions from Tier I Capital</b>	<b>(7,870,998)</b>	(7,873,029)
- Intangible Assets ( Deferred Tax Asset)	(7,179,568)	(7,179,568)
- Investment in subsidiaries in India	(200)	(200)
- Debit Value Adjustments (DVA) (note 1)	(662,676)	(638,862)
- Defined Benefit Pension Fund Asset	(28,553)	(54,399)
<b>Tier I Capital</b>	<b>146,041,830</b>	144,033,377
<b>Of Which Common Equity Tier I Capital</b>	<b>146,041,830</b>	144,033,377
<b>Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital</b>	<b>146,041,830</b>	144,033,377

# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

### 2 Capital Adequacy & Structure (Continued)

#### a. Capital Structure (continued)

(ii) Tier 2 capital

	At 30 June 2015	At 31 March 2015
Property revaluation reserves	3,443,086	3,777,757
General Loss Provisions / Other Eligible Reserves	8,397,253	7,955,931
<b>Total Tier II Capital</b>	<b>11,840,339</b>	11,733,688

(iii) Debt capital instruments in Tier 2 capital

No debt capital instruments are included in Tier 2 capital.

(iv) Subordinated debt in Tier 2 capital

There is no amount outstanding in respect of subordinated debt as at 30 June 2015.

(v) Other deductions from capital

There are no other deductions from capital.

(vi) Total eligible capital

The total eligible capital is Rs.157,882 million.

#### b. Capital Adequacy

The Bank's capital management framework is shaped by its structure, business model and strategic direction. There is a continuing need to focus on effective management of risk and commensurate capital to bear that risk. The Bank carefully assesses its growth opportunities relative to the capital available to support them, particularly in light of the economic environment and and tightening of regulations around capital requirements. In July 2014, RBI released framework for Domestically Systemically important Banks. The methodology to assess the systemic importance to be used by RBI is largely based on the indicator based approach being used by BCBS to identify Global Systemically Important Banks (G-SIBs). RBI will release the names of banks which are classified as DSIBs in August every year from 2015. Higher capital requirements applicable to D-SIBs will be applicable from 01Apr16 in a phased manner and would become fully effective from 01Apr19. On 15 February 2015, The Reserve Bank of India (RBI) issued guidelines on Countercyclical Buffer (CCCB) framework for banks in India. The CCCB 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 CCCB will depend upon Credit to GDP gap along with supplementary indicators such as C-D ratio for a moving period of three years, industry outlook assessment index and interest coverage ratio. As per RBI, the current economic situation does not warrant CCCB activation.

# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

We continue to monitor developments and believe that our current robust capital adequacy position means we are well placed for continuing compliance with the Basel III framework.

### 2 Capital Adequacy & Structure (Continued)

#### b. Capital Adequacy (Continued)

(i) Capital requirements for Credit Risk, Market Risk and Operational Risk

	At 30 June 2015	At 31 March 2015
<b>I. Capital required for Credit Risk</b>	<b>71,663,925</b>	72,291,036
- For portfolios subject to Standardised approach	71,663,925	72,291,036
<b>II. Capital required for Market Risk (Standard Duration Approach)</b>	<b>12,112,255</b>	13,623,568
- Interest rate risk	10,724,318	12,134,395
- Foreign exchange risk	720,000	720,000
- Equity risk	113,620	113,620
- Securitisation exposure	554,317	655,553
<b>III. Capital required for Operational Risk (Basic Indicator Approach)</b>	<b>9,687,253</b>	8,525,654
<b>Total capital requirement (I + II + III)</b>	<b>93,463,433</b>	94,440,259
<b>Total capital funds of the Bank</b>	<b>157,882,169</b>	155,767,065
<b>Total risk weighted assets</b>	<b>1,055,305,169</b>	1,049,336,210
<b>Consolidated total capital ratio</b>	<b>14.96%</b>	14.84%
<b>Consolidated Common Equity Tier I Capital Ratio</b>	<b>13.84%</b>	13.73%
<b>Consolidated Tier I capital ratio</b>	<b>13.84%</b>	13.73%

There is no significant subsidiary for which the above disclosure is required.

# The Hongkong and Shanghai Banking Corporation Limited

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

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

*For the period ended 30 June 2015*

### **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 across HSBC 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 (HSBC Group Head Office) formulates high-level risk management policies for the HSBC Group worldwide. The Bank has 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, analysed and actively managed.

The Bank has standards, policies and procedures dedicated to the monitoring and management of credit risk, which include the following:

- Establish a separate Risk Management unit independent of business with a matrix of delegated approval authorities for the approval of credit risks.
- Establish a Risk Appetite Statements (RAS) and Tolerance triggers for all material risks. The Risk Management committee reviews and regularly monitors the compliance with RAS. The Bank has stipulated Credit Risk Appetite for asset quality, impairments and concentration risks.
- Establish and maintain the exposure norms policy. This policy delineates the Bank's maximum exposures to individual customers, customer groups and other risk concentrations. This policy also ensures compliance with the ceilings and lending guidelines relating to specific market sectors and industries.
- A Risk Management Committee (RMC) consisting of senior executives, which reviews overall portfolio risks and key risks facing the Bank in India.
- Undertake independent review and objective assessment of the credit risk. All commercial non-bank credit facilities originated are subject to review prior to the facilities being committed to customers.
- Control exposures to banks and other financial institutions. The Group's credit and settlement risk limits to counterparties in the finance and government sectors are designed to optimise the use of credit availability and avoid excessive risk concentration.

# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

### 3 Credit risk (*Continued*)

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

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

- Manage 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.
- Control 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.
- Maintain and develop HSBC's risk rating framework and systems in order 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**

Credit approval authorities are delegated from the Chief Risk Officer at the Regional Head Office in Hong Kong to the Chief Executive Officer, India and the Chief Risk Officer, India. The Chief Risk Officer in India maintains a strong functional reporting line to the Chief Risk Officer in Hong Kong. The Bank has a Wholesale and Market Risk (WMR) unit which oversees Credit approvals for facilities in India.

The Risk Management function is responsible for the quality and performance of its credit portfolios and for monitoring and controlling all credit risks in its portfolios, including those subject to approval by the Regional Head Office in Hong Kong.

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

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

The Bank is required to maintain regular reporting on its credit risk portfolio, to include information on large credit exposures, concentrations, industry exposures, levels of impairment provisioning and country exposures.

##### **Non-performing advances**

Non-performing advances are identified by periodic appraisals of the portfolio by management or in accordance with RBI guidelines, whichever is earlier.

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.

# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

### 3 Credit risk (Continued)

#### a. General (Continued)

##### Non-performing advances (Continued)

Special attention is paid to high risk exposures, which are subject to more frequent and intensive review and reporting, in order to accelerate remedial action. The bank engages with customers closely to work out of distress situations.

Subject to the minimum provisioning levels prescribed by the RBI, the provision on homogeneous unsecured loans relating to retail business is assessed on a portfolio basis using the historical loss and/or net flow rate method.

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

##### (i) Total gross credit risk exposures by geography

*(Rs '000)*

	Fund based <sup>Note 1</sup>	Non fund based <sup>Note 2</sup>	At 30 June 2015 Total
Overseas	-	-	-
Domestic	710,980,658	494,000,795	1,204,981,453
<b>Total</b>	<b>710,980,658</b>	<b>494,000,795</b>	<b>1,204,981,453</b>

*(Rs '000)*

	Fund based <sup>Note 1</sup>	Non fund based <sup>Note 2</sup>	As at 31 March 2015 Total
Overseas	-	-	-
Domestic	779,995,481	536,968,025	1,316,963,506
<b>Total</b>	<b>779,995,481</b>	<b>536,968,025</b>	<b>1,316,963,506</b>

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

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

# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

### 3 Credit risk (Continued)

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

##### (ii) Industry type distribution of exposures as at 30 June 2015

(Rs '000)

Industry	Fund based	Non Fund based	Total
Mining and Quarrying	206,884	43,281	250,165
Food Processing	9,492,118	1,172,823	10,664,941
Beverages and Tobacco	11,352,186	2,572,034	13,924,220
Textiles	4,528,216	6,113,253	10,641,469
Leather and Leather products	5	3,141	3,146
Wood and Wood Products	185,558	565	186,123
Paper and Paper Products	5,730,472	430,673	6,161,145
Petroleum	954,185	6,718,417	7,672,602
Chemicals and Chemical Products	60,477,550	52,226,892	112,704,442
Rubber, Plastic and their Products	6,661,469	1,949,110	8,610,579
Glass & Glassware	3,316,555	236,483	3,553,038
Cement and Cement Products	6,924,925	2,962,780	9,887,705
Basic Metal and Metal Products	22,465,752	15,241,151	37,706,903
All Engineering	25,220,354	34,908,472	60,128,826
Vehicles and Transport Equipments	14,589,125	20,237,553	34,826,678
Gems and Jewellery	162,593	2,146	164,739
Construction	18,708,854	1,445,177	20,154,031
Infrastructure	60,952,276	56,334,164	117,286,440
NBFCs and trading	52,294,489	21,134,950	73,429,439
Banking and finance	135,219,750	85,511,195	220,730,945
Computer Software	2,283,037	40,197,500	42,480,537
Other Industries	166,133,077	133,528,647	299,661,724
Retail	103,121,228	11,030,388	114,151,616
<b>Total</b>	<b>710,980,658</b>	<b>494,000,795</b>	<b>1,204,981,453</b>



# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

### 3 Credit risk (Continued)

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

Industry type distribution of exposures as at 31 March 2015

(Rs '000)

Industry	Fund based	Non Fund based	Total
Mining and Quarrying	13	20,618	20,631
Food Processing	6,996,433	1,172,660	8,169,093
Beverages and Tobacco	8,245,496	2,807,798	11,053,294
Textiles	4,668,472	6,782,461	11,450,933
Leather and Leather products	16,427	6,439	22,866
Wood and Wood Products	134,023	565	134,588
Paper and Paper Products	6,003,934	515,960	6,519,894
Petroleum	1,052,391	4,097,396	5,149,787
Chemicals and Chemical Products	57,396,315	51,349,192	108,745,507
Rubber, Plastic and their Products	8,183,952	2,160,507	10,344,459
Glass & Glassware	3,396,672	245,785	3,642,457
Cement and Cement Products	7,410,162	3,269,070	10,679,232
Basic Metal and Metal Products	22,633,545	22,115,951	44,749,496
All Engineering	24,343,445	34,043,822	58,387,267
Vehicles and Transport Equipments	17,210,876	21,788,713	38,999,589
Gems and Jewellery	259,592	1,875	261,467
Construction	20,547,547	1,531,648	22,079,195
Infrastructure	39,328,376	67,149,828	106,478,204
NBFCs and trading	51,690,191	12,293,485	63,983,676
Banking and finance	217,626,914	112,053,322	329,680,236
Computer Software	1,894,105	9,217,173	11,111,278
Other Industries	181,085,433	173,964,593	355,050,026
Retail	99,871,167	10,379,164	110,250,331
<b>Total</b>	<b>779,995,481</b>	<b>536,968,025</b>	<b>1,316,936,506</b>

# The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

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

For the period ended 30 June 2015

### 3 Credit risk (Continued)

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

##### (iii) Residual contractual maturity breakdown of total assets

	At 30 June 2015	At 31 March 2015
1 day	201,606,053	218,673,800
2 to 7 days	41,771,499	113,863,234
8 to 14 days	19,843,520	36,147,530
15 to 28 days	54,999,452	96,742,606
29 days & up to 3 months	150,769,849	125,451,873
Over 3 months and up to 6 months	80,662,155	160,705,077
Over 6 months and up to 1 year	105,798,138	143,911,839
Over 1 year and up to 3 years	234,526,877	145,415,554
Over 3 years and up to 5 years	138,452,558	102,714,760
Over 5 years	158,417,394	232,687,114
<b>Total</b>	<b>1,186,847,495</b>	<b>1,376,313,387</b>

##### (iv) Amount of Non-Performing Assets (NPAs) (Gross)

	At 30 June 2015	At 31 March 2015
Substandard	3,229,795	3,265,828
Doubtful 1	1,056,087	1,035,612
Doubtful 2	1,435,657	1,473,430
Doubtful 3	1,713,591	1,778,257
Loss	367,869	361,447
<b>Total</b>	<b>7,802,998</b>	<b>7,914,574</b>

##### (v) Net NPAs

The net NPAs are Rs.2,286 million (as at 31 March 2015- Rs. 2,381 million). Please see table (vii) below.

##### (vi) NPA ratios

	At 30 June 2015	At 31 March 2015
Gross NPAs to gross advances	1.55%	1.68%
Net NPAs to net advances	0.46%	0.51%

# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

### 3 Credit risk (Continued)

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

##### (vii) Movement of NPAs

(Rs '000)

	At 30 June 2015		
	Gross NPA's	Provision	Net NPA
Opening balance as at 1 April 2015	7,914,574	5,533,401	2,381,173
Additions during the period	655,204	111,019	544,185
Reductions during the period	(766,780)	(127,442)	(639,338)
Closing balance as at 30 June 2015	<b>7,802,998</b>	<b>5,516,979</b>	<b>2,286,019</b>

(Rs '000)

	At 31 March 2015		
	Gross NPA's	Provision	Net NPA
Opening balance as at 1 April 2014	6,601,422	5,625,195	976,227
Additions during the period	5,447,068	1,389,189	4,057,879
Reductions during the period	(4,133,916)	(1,480,983)	(2,652,933)
Closing balance as at 31 Mar 2015	<b>7,914,574</b>	<b>5,533,401</b>	<b>2,381,173</b>

##### (viii) General Provisions

General provisions comprises of provision towards standard assets and Unhedged Foreign Currency Exposure (UFCE) in accordance with RBI Master Circular DBR No. .BP.BC.2/21.04.048/2015-16 dated 01 July 2015.

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

Non-performing investments as at 30 June 2015 are Rs. 3 (as at 31 March 2015 Rs. 3). This represents 3 preference share investments which have each been written down to Rs.1 .

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

(Rs '000)

	At 30 June 2015	At 31 Mar 2015
Opening balance	300	662,401
Provisions during the year	69,137	-
Write offs during the year	-	-
Write back of excess provisions during the year	-	(662,101)
<b>Closing balance</b>	<b>69,437</b>	<b>300</b>

# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

### 3 Credit risk (Continued)

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

(xi) Classification (by major industry) of NPA, Provision, past due loans as at 30 June 2015 and Specific Provision and Write off during the quarter

(Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the quarter	Write off during the quarter
1. Agriculture	-	-	-	-	-
1.1 Direct Agriculture	-	-	-	-	-
1.2 Indirect Agriculture	-	-	-	-	-
2. Advances to Industries sector	3,382,678	5,536,544	2,257,817	111,879	8,055
of which:					
2.1 Textiles	411,380	57,393	411,819	-	-
2.2 Glass & Glassware	2,078,085	-	979,235	105,229	-
2.3 Infrastructure	433,947	843,899	436,755	-	-
3. Services	2,328,706	717,768	2,326,926	35,205	-
of which:					
3.1 Trade	1,590,200	646,271	1,594,064	-	-
3.2 NBFC	398,472	-	392,855	2,003	-
4. Retail	2,091,614	2,642,646	932,236	-	55,993
<b>Total</b>	<b>7,802,998</b>	<b>8,896,958</b>	<b>5,516,979</b>	<b>147,084</b>	<b>64,048</b>

# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

### 3 Credit risk (Continued)

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

Classification (by major industry) of NPA, Provision, past due loans as at 31 March 2015 and Specific Provision and Write off during the year

(Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1. Agriculture	-	-	-	-	-
1.1 Direct Agriculture	-	-	-	-	-
1.2 Indirect Agriculture	-	-	-	-	-
2. Advances to Industries sector	3,512,663	10,257,543	2,278,296	915,676	563,667
of which:					
2.1 Textiles	408,593	121,102	408,999	3,189	164,042
2.2 Glass & Glassware	2,128,266	-	894,849	894,849	-
2.3 Infrastructure	433,947	109,999	436,755	2,445	-
3. Services	2,358,581	1,671,611	2,286,795	35,795	-
of which:					
3.1 Trade	1,611,561	523,541	1,572,356	533	-
3.2 NBFC	400,409	-	411,539	34,951	-
4. Retail	2,043,330	2,901,463	968,310	437,720	391,353
<b>Total</b>	<b>7,914,574</b>	<b>14,830,617</b>	<b>5,533,401</b>	<b>1,389,191</b>	<b>955,020</b>

# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

### 3 Credit risk (Continued)

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

##### (xii) Write offs and recoveries directly booked to income statement.

	(Rs '000)	
	At 30 June 2015	At 31 March 2015
Write offs	111,382	489,177
Recoveries	47,876	173,134

##### (xiii) Ageing of past due loans

	(Rs '000)	
	At 30 June 2015	At 31 March 2015
Overdue less than 30 days	7,877,545	13,789,944
Overdue for 30 to 60 days	718,460	802,696
Overdue for 60 to 90 days	300,953	237,977
Total	<u>8,896,958</u>	<u>14,830,617</u>

##### (xiv) Amount of NPAs and past due loans by significant geographic areas as at 30 June 2015

	(Rs '000)	
	NPA	Past Due Loans
Overseas	-	-
Domestic	7,802,998	8,896,958
Total	<u>7,802,998</u>	<u>8,896,958</u>

##### Amount of NPAs and past due loans by significant geographic areas as at 31 March 2015

	(Rs '000)	
	NPA	Past Due Loans
Overseas	-	-
Domestic	7,914,574	14,830,617
Total	<u>7,914,574</u>	<u>14,830,617</u>

# The Hongkong and Shanghai Banking Corporation Limited

(Incorporated in Hong Kong SAR with limited liability)

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

For the period ended 30 June 2015

### 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) Brickwork Ratings India Pvt Limited
- f) SMERA Ratings Limited (SMERA)

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 line with RBI Master circular on Basel-III Capital Regulations dated 01 July 2015.

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

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	BRICKWORK	SMERA	
CARE A1 +	CRISIL A1 +	FITCH A1 +	ICRA A1 +	BRICKWORK A1+	SMERA A1+	20%
CARE A1	CRISIL A1	FITCH A1	ICRA A1	BRICKWORK A1	SMERA A1	30%
CARE A2	CRISIL A2	FITCH A2	ICRA A2	BRICKWORK A2	SMERA A2	50%
CARE A3	CRISIL A3	FITCH A3	ICRA A3	BRICKWORK A3	SMERA A3	100%
CARE A4	CRISIL A4	FITCH A4	ICRA A4	BRICKWORK A4	SMERA A4	150%
CARE D	CRISIL D	FITCH D	ICRA D	BRICKWORK D	SMERA D	150%
Unrated	Unrated	Unrated	Unrated	Unrated	Unrated	100%

# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

### 4 Disclosures for portfolios under the standardised approach (Continued)

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 July 2015*), 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%

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 process used by the Bank to transfer public issue ratings onto comparable assets in the banking book is in line with RBI Guidelines. The mapping of external credit ratings and risk weights for the above entities are provided in the grids below:

#### Risk weight mapping of foreign banks

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

#### Risk weight mapping of foreign sovereigns

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

#### Risk weight mapping of foreign public sector entities

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



# The Hongkong and Shanghai Banking Corporation Limited

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

For the period ended 30 June 2015

### 4 Disclosures for portfolios under the standardised approach (Continued)

Risk weight mapping of non resident corporates

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

(i) Exposure under various risk buckets (post Credit Risk Mitigants)

	<i>(Rs '000)</i>	
	At 30 June 2015	At 31 March 2015
Below 100% risk weight	<b>810,346,509</b>	908,602,963
100% risk weight	<b>392,835,455</b>	495,005,835
Above 100% risk weight	<b>43,285,496</b>	29,861,758
Deductions*	<b>(7,870,998)</b>	(7,873,029)
<b>Total</b>	<b>1,238,596,463</b>	1,425,597,527
*Deduction represents amounts deducted from Tier I 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 June 2015

### 5. Leverage Ratio

	(Rs '000)			
Particulars	At 30 September 2014	At 31 December 2014	At 31 March 2015	At 30 June 2015
Tier 1 Capital	133,743,571	140,392,402	144,033,376	<b>146,041,830</b>
Exposure Measure	1,761,229,032	1,757,870,772	1,842,268,886	<b>1,686,566,189</b>
<b>Leverage Ratio*</b>	<b>7.59%</b>	<b>7.99%</b>	<b>7.82%</b>	<b>8.66%</b>

\*As per RBI Master circular no. DBR.No.BP.BC.1/21.06.201/2015-16 dated 01 July 2015.