

HDFC BANK LIMITED HONG KONG BRANCH
INTERIM DISCLOSURE STATEMENT
SECTION A - BRANCH INFORMATION (HONG KONG ONLY)

I. Profit and Loss Account
For the six months ended 30th September 2019

	<u>30.09.2019</u> (HK \$'000)	<u>30.09.2018</u> (HK \$'000)
<u>INCOME</u>		
Interest income	70,635	70,577
Interest expenses	50,377	50,427
Net interest income	<u>20,258</u>	<u>20,150</u>
<u>Other Operating Income</u>		
Gross fees and commission income(Expenses-Nil)	3,338	1,864
Gains less losses from trading in foreign currencies	984	2,193
Gains less losses from trading in securities	3,718	(1,703)
Others	92	68
Total Operating Income	<u>28,390</u>	<u>22,572</u>
<u>EXPENSES</u>		
<u>Operating Expenses</u>		
Staff expenses	4,707	5,661
Rent, taxes and lighting	794	781
Other expenses	1,244	2,006
Operating Profit before Impairment Losses	<u>21,645</u>	<u>14,124</u>
Impairment losses and provisions for impaired loans and receivables		
- Collective Provision	385	(6,079)
- Specific Provision	-	-
Profit before Taxation	21,260	20,203
Taxation Expense	-	-
Profit after Taxation	<u>21,260</u>	<u>20,203</u>



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II. Balance Sheet

As at 30th September 2019

	30.09.2019	31.03.2019
	(HK\$'000)	(HK\$'000)
ASSETS		
1 Cash and balances with banks	324,893	815,950
Placement with banks maturing between one and		
2 twelve months	590,777	372,875
3 Amount due from overseas offices	401,552	9,599
4 Trade Bills	304,086	496,692
5 Loans and Receivables		
Advances to customers	1,826,279	1,816,642
Advances to banks		
Accrued interest and other accounts	27,337	17,129
Provision for impaired loans and receivables		
	- collective	(26,862)
	- specific	-
6 Investment Securities	726,623	288,310
7 Property, plant and equipment	80	77
Total Assets	4,174,416	3,790,412
LIABILITIES		
8 Deposits and balances of banks	2,211,478	2,280,802
9 Deposits from customers		
Demand deposits and current accounts	238,361	334,896
Savings deposits		
Time, call and notice deposits	905,749	420,161
10 Amount due to overseas offices	797,114	737,366
11 Negotiable Debt Instruments		
12 Other liabilities	21,714	17,187
13 Other Provisions	-	-
Total Liabilities	4,174,416	3,790,412



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III. Additional Information

1. Impaired Loans and Advances

There were no impaired loans and advances to banks and other financial institutions as at 30th September 2019 and 31st March 2019 .

There were no impaired loans and advances to other customers as at 30th September 2019 and 31st March 2019.

	<u>30.09.2019</u> HK\$ '000	<u>31.03.2019</u> HK\$ '000
2. Derivatives		
a) Notional Amount		
i) Exchange rate contracts	524,653	197,378
ii) Interest rate contracts	117,596	-
TOTAL	642,249	197,378
b) Fair Value of Derivative contracts (Gross)		
i) Exchange rate contracts	735	2,240
ii) Interest rate contracts	443	-
TOTAL	1,177	2,240

There are no bilateral netting arrangements and hence there is no effect on the fair value of the derivatives.

3. Off Balance Sheet Exposure other than derivative transactions

	<u>30.09.2019</u> HK\$ '000	<u>31.03.2019</u> HK\$ '000
Notional Amount		
i) Direct credit substitutes	117,985	80,379
ii) Trade related contingent items	1,372,900	839,294
iii) Other commitments	-	-
TOTAL	1,490,885	919,673



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III. Additional Information - continued

4. International Claims

As at 30th September 2019						
Non Bank Private Sector Non-						
	Banks	Official Sector	Non bank Financial Institutions	Financial private sector	Others	Total
(HK\$ in Million)						
Developed countries	592	-	-	-	66	658
of which United Kingdom	378	-	-	-	38	416
of which USA	107	-	-	-	28	135
of which Canada	82	-	-	-	-	82
Offshore centres	693	-	-	-	1,053	1,746
of which Singapore	-	-	-	-	481	481
of which Bahrain	392	-	-	-	504	896
Developing Africa & Middle East	216	-	-	-	14	230
of which Morocco	124	-	-	-	-	124
of which UAE	92	-	-	-	13	105
Developing Asia and Pacific	817	-	-	-	723	1,540
of which India	757	-	-	-	723	1,480
	2,318	-	-	-	1,856	4,174

As at 31st March 2019						
Non Bank Private Sector Non-						
	Banks	Official Sector	Non bank Financial Institutions	Financial private sector	Others	Total
(HK\$ in Million)						
Developed countries	966	-	-	31	-	997
of which United Kingdom	247	-	-	-	-	247
of which USA	212	-	-	31	-	243
of which Canada	314	-	-	-	-	314
Offshore centres	448	-	-	1,180	-	1,628
of which Bahrain	-	-	-	639	-	639
of which Singapore	-	-	-	464	-	464
Developing Africa & Middle East	95	9	-	15	-	119
of which Togo	91	-	-	-	-	91
Developing Asia and Pacific	421	-	-	649	-	1,070
of which India	386	-	-	649	-	1,035
	1,930	9	-	1,875	-	3,814

International claims are derived according to the location of counter parties on which the ultimate risk lies after taking into account any transfer of risk.



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III. Additional Information - continued

5. Advances to customers

	<u>30.9.2019</u>	<u>31.3.2019</u>
	HK\$ ('000)	HK\$ ('000)
i) <u>By Sectors</u>		
a) <u>Loans for use in Hong Kong</u>		
a) Industrial, commercial & financial	-	-
Wholesale and retail trade	-	3,095
b) Manufacturing	-	-
c) Individual & Professionals		
For other* business purposes		
For other* private purposes	67,457	73,951
d) Others	-	1
Trade Financing	-	-
<u>Loans for use outside Hong Kong</u>	1,758,822	1,739,595
TOTAL	<u>1,826,279</u>	<u>1,816,642</u>

* Other than for purchase of residential properties or credit card advances

**The total loans are covered by collateral or other security to the extent of \$ 1,381,064 (HK\$'000) as at 30th September 2019 and 1,013,398 (HK\$'000) as at 31st March 2019.

b) <u>By Geographical Areas</u>		
Hong Kong	29,474	77,047
India	934,527	592,483
Others	862,278	1,147,112
TOTAL	<u>1,826,279</u>	<u>1,816,642</u>

Geographical locations are based on the physical location of the borrower. Risk transfer is only made if the claim is guaranteed by a party in a country which is different from the counterparty.



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III. Additional Information - continued

6 Overdue and Rescheduled Assets

There were no loans and advances to customers overdue for more than 3 months as at 30th September 2019 and 31st March 2019.

There were no overdue of loans and advance to banks as at 30th September 2019 and 31st March 2019.

There were no rescheduled loans and advance to customers and banks as at 30th September 2019 and 31st March 2019.

There were no repossessed assets held as at 30th September 2019 and 31st March 2019.

There were no other overdue assets as at 30th September 2019 and 31st March 2019.



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III. Additional Information - continued

7. Mainland Activities Exposures

		30.9.2019 HK\$ million			31.3.2019 HK\$ million			
		On Balance Sheet Exposure	Off Balance Sheet Exposure	Total	On Balance Sheet Exposure	Off Balance Sheet Exposure	Total	
1	Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-	-	-	-	
2	Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-	-	-	-	
3	PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-	-	-	-	
4	Other entities of central government not reported in item 1 above	-	-	-	-	-	-	
5	Other entities of local governments not reported in item 2 above	-	-	-	-	-	-	
6	PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-	-	-	-	
7	Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China	-	-	-	-	-	-	
Total		-	-	-	-	-	-	
Total assets after provision		4,174			3,790			
On-balance sheet exposures as percentage of total assets		0%			0%			



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III. Additional Information - continued

8. Foreign Currency Exposure

The position in a particular currency is reported if the net position (in absolute terms) constitutes 10% or more of the total net position in all foreign currencies.

30.9.2019

	US\$	GBP	JPY (HK\$ Million)	EURO	AUD	Total
Spot assets	3,992	41	14	116	4	4,167
Spot liabilities	(4,149)	(3)	(1)	(2)	-	(4,155)
Forward purchases	215	11	5	9	-	240
Forward sales	(49)	(51)	(21)	(123)	(8)	(252)
Net options	-	-	-	-	-	-
Net long (short) position	9	-2	-3	0	-4	0

31.3.2019

	US\$	GBP	JPY (HK\$ Million)	EURO	Total
Spot assets	3,740	12	6	23	3,781
Spot liabilities	(3,757)	(2)	(4)	(1)	(3,764)
Forward purchases	62	10	2	-	74
Forward sales	(40)	(21)	(4)	(22)	(87)
Net options	-	-	-	-	-
	5	-1	0	0	4



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III. Additional Information - continued

9. Liquidity

	Six Months ended 30.9.2019	Six Months ended 30.9.2018
Average Liquidity Maintenance Ratio	<u>151.56%</u>	<u>150.05%</u>

Average Liquidity Maintenance Ratio is calculated as the simple average of each month's average liquidity ratio for the first six months of the financial year computed in accordance with Banking Liquidity Rules.

	Three Months ended 30.9.2019	Three Months ended 30.6.2019	Three Months ended 30.9.2018	Three Months ended 30.6.2018
Quarterly Average Liquidity Maintenance Ratio	<u>205.46%</u>	<u>97.67%</u>	<u>223.41%</u>	<u>76.69%</u>

Average Liquidity Maintenance Ratio is calculated as the simple average of each month's average liquidity ratio for the three months of the quarter computed in accordance with Banking Liquidity Rules.

LIQUIDITY RISK MANAGEMENT FRAMEWORK

The liquidity risk management process is centralized at the Head Office and guided by the Board approved ALM policies for the Hong Kong Branch as well as entire Bank. The risk management process operates in the following hierarchical manner:

Board of Directors

The Board has the overall responsibility for management of liquidity and interest rate risks. The Board decides the strategy, policies and procedures of the Bank to manage liquidity and interest rate risk in accordance with the risk tolerance/ limits.

Risk Policy & Monitoring Committee ('RPMC') of the Board

The Risk Policy and Monitoring Committee (RPMC) a Board level committee, which supports the Board by supervising the implementation of the risk strategy. It guides the development of policies, procedures and systems for managing risk.

Asset Liability Committee ('ALCO')

ALCO is a decision-making unit responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity and interest rate risk management strategy of the Bank in line with the Bank's risk management objectives and risk tolerance. ALCO at Head Office oversees functioning of liquidity and interest rate risk management at the Branch.

ALM Support Group

ALM support group is responsible for analyzing, monitoring and reporting the relevant risk profiles to senior management and relevant committees.

Funding Strategy

The Hong Kong treasury department follows a funding strategy that ensures the risk limits are not breached and applicable regulations are complied with. The Hong Kong treasury department ensures diversified and stable funding sources on an ongoing basis across money market borrowing, retail/wholesale deposits, trade borrowings and loans. Hong Kong branch is also enabled under the Medium Term Notes Programme of the Bank to issue bonds as and when required. Further, it optimizes the funding through intra-group borrowings.



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Liquidity Risk Mitigation

The Liquidity risk management includes analysis of sources and uses of funds, an understanding of the funding markets in which the bank operates.

Liquidity Risk is measured using flow approach and stock approach. Flow approach involves comprehensive tracking of cash flow mismatches. For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates is adopted as a standard tool.

Stock approach involves measurement of certain critical ratios in respect of liquidity risk. Bank has also adopted the Basel III framework on liquidity standards at consolidated level. It has also put in place requisite systems and processes to compute and maintains LMR for the Hong Kong Branch. In addition to the regulatory limit, Branch also maintains Target LMR which is higher than the regulatory minimum requirement which acts as liquidity cushion above the regulatory requirements.

Liquidity Risk Stress Testing

The liquidity stress testing framework is guided by relevant guidelines issued by RBI and HKMA. The liquidity stress testing framework covers a range of scenarios viz. "institution specific stress," "general market stress" and "combined" stress scenario and is done on a quarterly basis. The stress testing exercise is conducted at Hong Kong Branch level as well as consolidated Bank level.

ALCO is responsible for the implementation of the stress testing framework. It shall periodically review the results of the stress testing assessed for the various risk exposures and guide the bank on adopting mitigating measures. Stress testing results are also tabled at the ICAAP Review Committee on a quarterly basis, to RPMC on half yearly basis and to Board on an annual basis.

Contingency Funding Plan

The Bank has put in place an ALCO/Board approved "Contingency Funding Plan" (CFP) as per the guidelines issued by Reserve Bank of India. The objective of the CFP is to provide a process for managing liquidity under adverse conditions. In case of any contingency at the Hong Kong branch, HO shall provide requisite funding when such contingency is conveyed by the branch. There are no legal and regulatory restrictions in India in term of HO lending funds to a branch overseas.

In case of any contingency at HO, the Bank has set up a comprehensive plan covering early warning indicators, formation of crisis management team, reporting and communication plan and mitigation measures. However, no support will be assumed from overseas branches in case of contingency for the HO.

In addition to the Bank level contingency plan and the stress testing framework applicable to the Hong Kong branch, the Hong Kong branch has also defined early warning indicators specific to the branch to identify potential liquidity stress, if any.



III. Additional Information - continued

10. Remuneration Policy

a) The design and implementation of the remuneration system.

The Remuneration policy of the Bank is decided by the Board of Directors and is detailed in the Bank's Global Financial Statements available in the Bank's Website.

b) Aggregate quantitative information on remuneration for senior management and key personnel(Note) for the six months ended 30th September 2019 are as follows

	HK\$	Number of Beneficiaries
Fixed Remuneration	1,556,740	2
Variable Remuneration	556,302	2
Deferred Remuneration	0	0
Total	<u>2,113,042</u>	<u>2</u>

No senior management or key personnel has been awarded with new sign-on or severance payment during the for the six months ended 30th September 2019

Note: As advised in the CG 5- Guidelines on a sound remuneration system issued by HKMA, senior management personnel are those who are responsible for oversight of either the Bank's company-wide strategy or activities or those of the Bank's main business lines. Key personnel are individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on material exposure on behalf of the Bank.



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SECTION B - BANK INFORMATION CONSOLIDATED BASIS

AVAILABLE FROM THE BANK'S WEBSITE

1. Capital and Capital Adequacy

	31.3.2019	31.3.2018
	HK\$('000s)	HK\$('000s)
i) Shareholders' Funds	173,877,189 *	131,967,639

ii) Capital Adequacy Ratio***

***Capital Adequacy Ratio is calculated in accordance with the requirements of Reserve Bank of India.

16.77%	14.82%
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2. Other financial information

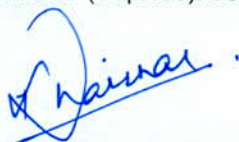
Total Assets	1,462,780,840 *	1,328,339,759
Total Liabilities	1,288,903,651 *	1,196,372,119
Total Advances	983,506,068 *	842,906,486*
Total Customer Deposits	1,033,101,420 *	937,235,158
	Year ended	Year ended
	31.3.2019	31.3.2018
Pre-tax Profit	38,702,172 *	34,212,049

*Indian Rupee converted to HK\$ @ 8.838 (31st March 2019)

**Indian Rupee converted to HK\$ @ 8.305 (31st March 2018)

Declaration of Chief Executive

We have prepared the financial disclosure statement of HDFC Bank , Hong Kong Branch for the six months ended 30th September 2019. The information disclosed complies fully with the Banking (Disclosure) Rules made by the Hong Kong Monetary Authority under Section 60A of the Banking Ordinance (Cap.155). To the best of my knowledge, the Disclosure Statement is not false or misleading.



DNYANESH KHAIRNAR
Chief Executive
Hong Kong

