

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 2022

1. Background and Scope of Application

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/2022-23/12 DOR.CAP.REC.3/21.06.201/2022-23 dated April 1, 2022 as amended from time to time. The Bank has a subsidiary, HSBC Agency (India) Private Limited ('HAPL'), which is consolidated in accordance with Accounting Standard ('AS') – 21 (consolidated financial statements). Full capital deduction is taken in regulatory capital for investment in HAPL. The Bank holds minority interests (2.07% shareholding) in a Group entity HSBC Professional Services (India) Private Limited which is neither consolidated nor is capital deducted. The investment in this company is appropriately risk weighted. The Bank does not have any other Group company where a pro-rata consolidation is done or any deduction is taken. The disclosure and analysis provided herein are in respect of the Bank, except where required and specifically elaborated, to include other Group entities operating in India.

(i) Accounting and prudential treatment / consolidation framework

a. Subsidiaries not included in the consolidation

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

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

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

(Rs '000)

Name of Entity /Country of Incorporation	Principal activity of the entity	Total balance sheet equity*	Total balance sheet assets*
HSBC InvestDirect Financial Services (India) Limited (HIFSL) (Note 1)	Non-banking Finance company	1,462,847	9,372,228

* As stated in the audited balance sheet of the legal entity as at 31 March 2022

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).

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

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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	615,909	2,346,105
HSBC Electronic Data Processing (India) Private Limited#	Back office / data processing / call centre activities	3,554,678	31,033,280
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	5,350,648
HSBC InvestDirect Employees' Welfare Trust*	Non-operating company	15	18,623
HSBC InvestDirect Sales & Marketing (India) Limited*	Non-operating company	1,000	39,015
HSBC InvestDirect Securities (India) Private Limited*	Retail securities broking and related activities (Discontinued)	1,745,112	153,702
HSBC Professional Services (India) Private Limited#	Providing internal audit services to Group companies	4,838	372,978
HSBC Securities and Capital Markets (India) Private Limited*	Stock broking and corporate finance & advisory	Equity - 4,701,139 Preference – 250,000	3,97,98,665
HSBC Software Development (India) Private Limited#	Software design, development and maintenance	327,264	31,962,000
Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited*	Life insurance	9,500,000	265,485,217
HSBC GIFT City International Banking Unit#	Banking	1,454,885	2,204,726

* As stated in the audited balance sheet of the legal entity as at 31 March 2022

As stated in the audited balance sheet of the legal entity as at 31 March 2021

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.

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

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2. Capital Adequacy & Structure

a. Capital Adequacy

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

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

As per the transitional arrangement, at 30 June 2022, 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 Jun 2022
(i) Common Equity Tier I (CET1)	5.50%
(ii) Capital Conservation Buffer (CCB) - (Refer note I)	2.50%
(iii) Counter-cyclical Buffer (CCyB) - (Refer note II)	-
(iv) Global Systemically Important Bank (G-SIB) - (Refer note III)	2.03%
Minimum Common Equity Tier I (i+ii+iii+iv)	10.03%
Minimum Tier I Capital	11.53%
Total Minimum Capital Adequacy Ratio	13.53%

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

For the period ended 30 June 2022

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% in a phased manner. Current CCB stands at 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 5, 2022, 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, 2.03% had been added to minimum requirement towards G-SIB as of 30 June 2022.*

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

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

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2. Capital Adequacy & Structure (Continued)

b. Capital Structure

(i) Composition of Tier I capital for the bank

(Rs. '000)

	Standalone		Consolidated	
	As at 30 June 2022	As at 31 March 2022	As at 30 June 2022	As at 31 March 2022
Capital	44,991,660	44,991,660	46,454,507	46,454,507
Eligible Reserves	197,832,648	197,832,648	201,306,149	201,255,123
- Capital reserves (excl. revaluation reserve)	108,018,259	108,018,259	108,018,259	108,018,259
- Statutory Reserves	84,346,089	84,346,089	84,346,089	84,346,089
- Specific Reserves	4,987,481	4,987,481	4,987,481	4,987,481
- Free Reserves	-	-	3,473,501	3,422,475
- Revaluation Reserves at a discount of 55 per cent	480,819	480,819	480,819	480,819
Less: Deductions from Tier I Capital	(521,969)	(422,836)	(527,638)	(428,473)
- Intangible asset	(136,789)	(146,440)	(139,938)	(149,967)
- Deferred Tax Asset ('DTA') (Note 1)	-	-	(2,520)	(2,110)
- Investment in subsidiaries in India	(501)	(501)	(501)	(501)
- Debit Value Adjustments (DVA)	(331,157)	(196,402)	(331,157)	(196,402)
- Defined Benefit Pension Fund Asset	(53,522)	(79,493)	(53,522)	(79,493)
Common Equity Tier I Capital	242,302,339	242,401,472	247,233,018	247,281,157
Additional Tier I Capital	-	-	-	-
Total Tier I Capital	242,302,339	242,401,472	247,233,018	247,281,157

Note 1: For Standalone, as per RBI guidelines as on 01 March 2016, 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 2022.). Accordingly, DTA of Rs. 2,689,225 ('000) (previous year 31 March 2022: Rs. 2,689,225 ('000)) is not deducted.

(ii) Tier 2 capital for the bank

(Rs. '000)

	Standalone		Consolidated	
	As at 30 June 2022	As at 31 March 2022	As at 30 June 2022	As at 31 March 2022
General Loss Provisions	8,145,640	7,352,148	8,146,562	7,353,006
Other Eligible Reserves	1,550,362	1,550,362	1,550,362	1,550,362
Investment Fluctuation Reserves	19,083,040	19,083,040	19,083,040	19,083,040
Total Tier II Capital (Note 1)	28,779,042	27,985,550	28,779,964	27,986,408

Note 1: There is no debt capital instrument and subordinated debt outstanding as at 30 June 2022 (previous year: Nil) included in Tier II Capital.

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

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2. Capital Adequacy & Structure (Continued)

b. Capital Structure (Continued)

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

- Standalone and Consolidated

(Rs '000)

	Standalone		Consolidated	
	As at 30 June 2022	As at 31 March 2022	As at 30 June 2022	As at 31 March 2022
I. Capital required for Credit Risk	173,955,492	161,427,688	175,404,401	162,748,985
- For portfolios subject to Standardised approach	173,955,492	161,427,688	175,404,401	162,748,985
II. Capital required for Market Risk	33,592,838	36,691,867	33,592,838	36,691,867
(Standard Duration Approach)				
- Interest rate risk	26,471,450	29,141,412	26,471,450	29,141,412
- Foreign exchange risk	3,347,850	3,341,250	3,347,850	3,341,250
- Equity risk	816,588	814,978	816,588	814,978
- Securitisation exposure	2,956,950	3,394,227	2,956,950	3,394,227
III. Capital required for Operational Risk	26,561,738	23,071,259	26,561,738	23,071,259
(Basic Indicator Approach)				
Total capital requirement (I + II + III)	234,110,067	221,190,814	235,558,976	222,512,111
Total capital funds of the Bank	271,081,381	270,387,022	276,012,982	275,267,565
Total risk weighted assets	1,730,729,918	1,638,450,472	1,740,389,313	1,647,259,121
Total capital ratio	15.66%	16.50%	15.86%	16.71%
Common Equity Tier I Capital Ratio	14.00%	14.79%	14.21%	15.01%
Tier I capital ratio	14.00%	14.79%	14.21%	15.01%

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

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3. Credit risk

a. General

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

The principal objectives of our credit risk management function are:

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

Strategy and Processes

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

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

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

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

For the period ended 30 June 2022

3. Credit risk (*Continued*)

a. General (*Continued*)

Strategy and Processes (*Continued*)

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

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

For the period ended 30 June 2022

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 CRO. 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, EXCO will delegate lending authority to the Retail Credit Committees and delegate lending authority at a 'band' level to WPB officers. WPB Risk Head will communicate the EXCO delegated limits to individual WPB officers. For certain customer types, the approval is granted either by ASP Risk/ Group Risk basis the recommendation of India WCR. Relationship management of wholesale problem accounts or downgrades in certain internal ratings are transferred to SCR (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.

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

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3. Credit risk (Continued)

a. General (Continued)

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.

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 June 2022 Total
Overseas	-	-	-
Domestic	1,567,170,286	919,325,178	2,486,495,464
Total	1,567,170,286	919,325,178	2,486,495,464

(Rs '000)

	Fund based ^{Note 1}	Non fund based ^{Note 2}	As at 31 March 2022 Total
Overseas	-	-	-
Domestic	1,473,209,469	837,495,563	2,310,705,032
Total	1,473,209,469	837,495,563	2,310,705,032

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.

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

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3. Credit risk (Continued)

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

(ii) Industry type distribution of exposures for the Bank as at 30 June 2022

Industry	Funded	Non Funded	Total
Mining and Quarrying	338,027	2,674,784	3,012,811
Food Processing	15,746,411	4,271,252	20,017,663
Beverages (excluding Tea & Coffee) and Tobacco	3,095,520	439,625	3,535,145
Textiles	12,914,604	4,499,298	17,413,902
Leather and Leather products	355,439	134,276	489,715
Wood and Wood Products	1,322,404	160,639	1,483,043
Paper and Paper Products	4,515,799	467,452	4,983,251
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	6	6,872	6,878
Chemicals and Chemical Products (Dyes, Paints, etc.)	46,035,578	35,673,213	81,708,791
Rubber, Plastic and their Products	25,373,392	8,496,579	33,869,971
Glass & Glassware	421,852	1,448,762	1,870,614
Cement and Cement Products	9,109,937	5,516,294	14,626,231
Basic Metal and Metal Products	23,957,038	19,139,270	43,096,308
All Engineering	41,696,576	59,290,028	100,986,604
Vehicles, Vehicle Parts and Transport Equipments	28,881,189	20,518,582	49,399,771
Gems and Jewellery	-	2,529,365	2,529,365
Construction	7,909,640	31,716,673	39,626,313
Infrastructure	59,120,106	51,434,680	110,554,786
NBFCs and trading	217,244,171	79,980,843	297,225,014
Banking and finance	185,860,391	234,238,651	420,099,043
Computer Software	4,623,579	28,049,807	32,673,386
Professional Services	54,257,670	244,360,829	298,618,499
Commercial Real Estate	137,649,567	5,071,574	142,721,141
Other Industries	62,400,921	65,209,521	127,610,442
Retail	84,060,928	13,996,311	98,057,239
Others*	540,279,541	-	540,279,541
Total	1,567,170,286	919,325,178	2,486,495,464

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

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

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3. Credit risk (Continued)

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

Industry type distribution of exposures as at 31 March 2022

	(Rs '000)		
Industry	Funded	Non Funded	Total
Mining and Quarrying	230,427	2,150,934	2,381,361
Food Processing	14,116,823	3,017,295	17,134,118
Beverages (excluding Tea & Coffee) and Tobacco	2,996,359	1,825,975	4,822,334
Textiles	12,343,619	5,944,295	18,287,914
Leather and Leather products	459,560	101,090	560,650
Wood and Wood Products	1,818,256	118,506	1,936,762
Paper and Paper Products	4,551,877	526,687	5,078,564
Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	-	205,736	205,736
Chemicals and Chemical Products (Dyes, Paints, etc.)	42,661,110	47,394,361	90,055,471
Rubber, Plastic and their Products	23,449,729	7,327,157	30,776,886
Glass & Glassware	302,944	1,245,821	1,548,765
Cement and Cement Products	8,440,373	3,785,119	12,225,492
Basic Metal and Metal Products	23,108,539	16,552,600	39,661,139
All Engineering	39,334,899	61,651,653	100,986,552
Vehicles, Vehicle Parts and Transport Equipments	29,453,838	19,304,720	48,758,558
Gems and Jewellery	-	2,512,533	2,512,533
Construction	11,073,163	24,461,793	35,534,956
Infrastructure	61,095,410	47,574,217	108,669,627
NBFCs and trading	236,828,656	67,325,410	304,154,066
Banking and finance	287,191,898	188,665,721	475,857,619
Computer Software	7,870,852	22,503,305	30,374,157
Professional Services	43,451,870	222,975,743	266,427,613
Commercial Real Estate	105,381,281	3,502,264	108,883,545
Other Industries	39,691,523	73,327,122	113,018,645
Retail	82,374,201	13,495,506	95,869,707
Others*	394,982,262	-	394,982,262
Total	1,473,209,469	837,495,563	2,310,705,032

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

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

For the period ended 30 June 2022

3. Credit risk (Continued)

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

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

As at 30 June 2022

(Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	64,984,212	230,657,355	678,707,613	19,837,837	-	8,987,412
2 to 7 days	-	6,712,663	2,485,129	(24,287,231)	-	4,850,180
8 to 14 days	-	-	124,695	30,501,429	-	2,838,263
15 to 30 days	100,237,779	5,843,251	3,240,603	67,571,957	-	13,776,434
31 days & upto 3 months	68,459,220	3,990,755	4,385,499	19,833,639	-	16,829,676
Over 3 months and upto 6 months	20,760,303	1,210,199	12,566,533	88,389,111	-	17,681,450
Over 6 months and upto 1 year	23,153,379	1,349,701	17,724,707	112,421,737	-	39,676,639
Over 1 year and upto 3 years	37,810,252	2,204,107	21,725,334	166,561,161	-	77,208,633
Over 3 years and upto 5 years	9,930,095	578,864	3,146,850	166,014,353	-	61,371,387
Over 5 years	129,240,754	7,533,949	1,729,108	189,467,285	7,358,154	41,629,754
TOTAL	454,575,994	260,080,844	745,836,071	836,311,277	7,358,154	284,849,828

As at 31 March 2022

(Rs'000)

	Cash & balances with RBI	Balance with Banks & Money at call & Short Notice	Investments	Advances	Fixed Assets	Other Assets
1 day	19,972,162	8,781,047	659,512,013	10,694,373	-	12,420,326
2 to 7 days	-	171,418,427	59,049,168	21,507,616	-	6,208,495
8 to 14 days	-	-	518,746	41,516,333	-	1,177,898
15 to 30 days	64,204,352	10,634,130	32,855,055	65,319,708	-	8,262,933
31 days & upto 3 months	40,300,820	6,675,001	86,637,729	11,396,672	-	12,849,441
Over 3 months and upto 6 months	16,498,602	9,175,016	12,235,198	88,004,454	-	7,811,290
Over 6 months and upto 1 year	18,621,776	3,084,314	27,274,288	104,174,569	-	23,832,259
Over 1 year and upto 3 years	24,739,140	4,097,529	40,724,833	173,412,641	-	47,845,617
Over 3 years and upto 5 years	6,343,282	1,050,634	8,640,914	172,799,494	-	30,000,929
Over 5 years	88,460,264	14,787,745	26,704,449	129,636,628	7,400,876	33,831,634
TOTAL	279,140,398	229,703,843	954,152,393	818,462,488	7,400,876	184,240,822

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

For the period ended 30 June 2022

3. Credit risk (Continued)

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

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

	As at 30 June 2022	As at 31 March 2022
Substandard	1,207,043	1,502,617
Doubtful 1	1,600,607	1,670,295
Doubtful 2	1,431,073	1,427,225
Doubtful 3	97,948	311,560
Loss	1,774,990	1,526,288
Total	6,111,661	6,437,985

(v) Net NPAs

The net NPAs are Rs. 1,293 million (previous year: Rs. 1,501 million). Please see table (vi) below.

(vi) Movement of NPAs for the bank

	As at 30 June 2022		
	Gross NPA's	Provision*	Net NPA
Opening balance as at 1 April 2021	6,437,985	4,937,004	1,500,981
Additions during the period	623,794	230,035	393,759
Reductions during the period	(950,118)	(347,954)	(602,164)
Closing balance as at 31 March 2022	6,111,661	4,819,085	1,292,576

*includes movement of Interest Capitalisation–Restructured NPA Account

	As at 31 March 2022		
	Gross NPA's	Provision	Net NPA
Opening balance as at 1 April 2020	9,126,039	6,223,749	2,902,290
Additions during the period	4,380,136	2,492,220	1,887,916
Reductions during the period	(7,068,190)	(3,778,965)	(3,289,225)
Closing balance as at 31 March 2021	6,437,985	4,937,004	1,500,981

(vii) NPA ratios for the bank

	As at 30 June 2022	As at 31 March 2022
Gross NPAs to gross advances	0.73%	0.78%
Net NPAs to net advances	0.15%	0.18%

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

For the period ended 30 June 2022

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, Covid-19 provision, Country Risk and Unhedged Foreign Currency Exposure (UFCE).

(ix) Non-performing investments

Non-performing investments as at 30 June 2022 are Rs. 2 (previous year: Rs. 2). This represents preference/equity share investments which have been written down to Rs.2.

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

	As at 30 June 2022	As at 31 March 2022
Opening balance	16,892,694	665
Provisions during the year	12,938,315	16,892,029
Write offs during the year	-	-
Write back of excess provisions during the year	-	-
Closing balance	29,831,009	16,892,694

(Rs'000)

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

As at 30 June 2022

	NPA	Past Due Loans	Provision*	Specific Provision during the year	Write off during the year
1.Agriculture	848,436	215	796,907	-	13,525
2. Advances to Industries sector	543,436	307,618	550,083	7,790	-
of which:					
2.1 Chemicals and Chemical Products	123,547	68,895	130,195	7,790	-
2.2 All Engineering	0	73	-	-	-
2.3 Infrastructure	134,740	-	134,740	-	-
2.4 Paper and Paper Products	281,441	11,253	281,441	-	-
2.5 Textile	195	10,005	195	-	-
3. Services	1,954,927	74,112	2,074,801	28,801	-
of which:					
3.1 Trade	1,827,787	55,725	1,933,438	28,801	-
3.2 Commercial Real Estate	-	-	-	-	-
3.3 NBFC	73,734	-	87,558	-	-
4. Retail	2,764,862	1,317,193	1,397,294	192,127	193,315
Total	6,111,661	1,699,138	4,819,085	230,035	206,840

(Rs '000)

* includes Interest Capitalisation–Restructured NPA Account

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

For the period ended 30 June 2022

3. Credit risk (Continued)

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

As at 31 March 2022

(Rs '000)

	NPA	Past Due Loans	Provision	Specific Provision during the year	Write off during the year
1. Agriculture	848,436	-	796,907	40	-
2. Advances to Industries sector	542,294	907,851	542,292	5,695	223,205
of which:					
2.1 Chemicals and Chemical Products	122,405	56,375	122,404	2,636	9,709
2.2 All Engineering	0	98,709	-	-	-
2.3 Infrastructure	134,740	-	134,740	6	-
2.4 Paper and Paper Products	281,441	16,093	281,441	20	-
2.5 Textile	195	118,299	195	3,031	213,491
3. Services	1,929,778	50,522	2,044,683	1,027,012	71,326
of which:					
3.1 Trade	1,798,707	42,330	1,904,637	1,013,543	-
3.2 Commercial Real Estate	-	-	-	-	70,701
3.3 NBFC	77,266	-	86,241	-	-
4. Retail	3,117,477	1,969,111	1,553,122	1,459,473	2,047,529
Total	6,437,985	2,927,484	4,937,004	2,492,220	2,342,060

* includes Interest Capitalisation–Restructured NPA Account

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

(Rs '000)

	For the period ended 30 June 2022	For the year ended 31 March 2022
Write offs	157,467	1,893,766
Recoveries	156,769	685,775

(xiii) Ageing of past due loans for the bank

(Rs '000)

	As at 30 June 2022	As at 31 March 2022
Overdue less than 30 days	1,367,675	2,527,503
Overdue for 30 to 60 days	220,162	271,583
Overdue for 60 to 90 days	111,301	128,398
Total	1,699,138	2,927,484

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

For the period ended 30 June 2022

3. Credit risk (Continued)

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

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

As at 30 June 2022 (Rs '000)

	NPA	Past Due Loan
Overseas	-	-
Domestic	6,111,661	1,699,138
Total	6,111,661	1,699,138

As at 31 March 2022 (Rs '000)

	NPA	Past Due Loan
Overseas	-	-
Domestic	6,437,985	2,927,484
Total	6,437,985	2,927,484

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:

- Credit Analysis and Research Limited (CARE)
- CRISIL Limited
- India Ratings and Research Private Limited (FITCH)
- ICRA Limited
- Brickwork Ratings India Pvt Limited
- Acuite Ratings & Research Limited (ACUITE)
- 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 2022.

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:

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

For the period ended 30 June 2022

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 ECAs	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	ACUITE	INFOM ERICS	
CARE A1 +	CRISIL A1 +	FITCH A1 +	ICRA A1 +	BRICKWORK A1+	ACUITE A1+	IVRA1+	20%
CARE A1	CRISIL A1	FITCH A1	ICRA A1	BRICKWORK A1	ACUITE A1	IVR A1	30%
CARE A2	CRISIL A2	FITCH A2	ICRA A2	BRICKWORK A2	ACUITE A2	IVR A2	50%
CARE A3	CRISIL A3	FITCH A3	ICRA A3	BRICKWORK A3	ACUITE A3	IVR A3	100%
CARE A4	CRISIL A4	FITCH A4	ICRA A4	BRICKWORK A4	ACUITE A4	IVR A4	150%
CARE D	CRISIL D	FITCH D	ICRA D	BRICKWORK D	ACUITE D	IVR D	150%
Unrated	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 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 2022*), 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%

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

For the period ended 30 June 2022

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)

	(Rs'000)	
	As at 31 Mar 2022	As at 31 Mar 2021
Below 100% risk weight	1,635,576,194	1,500,203,729
100% risk weight	354,741,710	321,696,436
Above 100% risk weight	382,595,362	353,094,675
Deductions*	(521,969)	(422,836)
Total	2,372,391,297	2,174,572,004

*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 March 2016, 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 2022). Currently DTA is 1.12% of Bank's CET1 capital. Accordingly, there is no deduction on account of DTA for 30 Jun 2022.

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

For the period ended 30 June 2022

5. Leverage Ratio

Standalone Leverage ratio as of 30 June 2022

(Rs '000)

Particulars	At 30 Jun 2022	At 31 Mar 2022	At 31 Dec 2021	At 30 Sep 2021
Tier 1 Capital	242,302,340	242,401,472	217,128,759	217,100,451
Exposure Measure	3,395,759,089	3,347,240,075	3,157,771,157	3,141,986,255
Leverage Ratio*	7.14%	7.24%	6.88%	6.91%

* RBI/2022-23/12 DOR.CAP.REC.3/21.06.201/2022-23 dated April 1, 2022.

Note: The consolidated leverage ratio is 7.26% as on 30 June 22