HSBC

Quantitative Basel II disclosures of the India Branches

for the period ended 30 September 2009

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. The Bank does not have any other group company where a pro-rata consolidation is done or any deduction is taken. The group entities in which the Bank has minority interests, which are neither consolidated nor capital deducted, are HSBC Professional Services (India) Private Limited and HSBC Consumer Finance (India) Private Limited. The investments in these companies are appropriately risk weighted. As required by RBI for September reporting, the figures reported are on a standalone basis.

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

The aggregate amount of capital in HSBC Agency (India) Private Limited deducted from capital is Rs 0.5 ('Millions).

(ii) Banks total interest in insurance entities

The Bank has no interests in any of the insurance entities of the group.

2 Capital Structure

(i) Composition of Tier 1 capital

Rs Millions

	As at 30 September 2009
Capital	**44,992**
Reserves	**52,467**
Innovative instruments	-
Other capital instruments	-
Amounts deducted from Tier 1 capital	**(6,507)**
Total Tier 1 capital	**90,952**

(ii) Tier 2 capital

The amount of Tier 2 capital (net of deductions) is Rs 7,604 ('Millions)

(iii) Debt capital instruments in upper Tier 2 capital

No debt capital instruments are included in upper Tier 2 capital.

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Basel II disclosures of the India Branches *(Continued)*

for the period ended 30 September 2009

2 Capital Structure *(Continued)*

(iv) Subordinated debt in lower Tier 2 capital

There is no amount outstanding in respect of subordinated debt as at 30September 2009.

(v) Other deductions from capital

There are no other deductions from capital.

(vi) Total eligible capital

The total eligible capital is Rs 98,556 (Millions).

3 Capital Adequacy

(i) Capital requirements for credit risk

Rs 'Millions

	As at 30 September 2009
Portfolios subject to standardised approach	**35,863**
Securitisation exposures	-
Capital requirements for credit risk	**35,863**

(ii) Capital requirements for market risk

Rs 'Millions

Standardised Duration Approach	**As at 30 September 2009**
Interest rate risk	**7,067**
Foreign exchange risk	**405**
Equity risk	**22**
Capital requirements for market risk	**7,494**

(iii) Capital requirements for operational risk

The capital requirement for operational risk under the basic indicator approach is Rs 7,463 ('Millions).

Basel II disclosures of the India Branches *(Continued)*

for the period ended 30 September 2009

3 Capital Adequacy *(Continued)*

(iv) Capital ratios

	As at 30 September 2009
Consolidated total capital ratio	**17.45%**
Consolidated Tier 1 capital ratio	**16.11%**

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

4 Credit risk: general disclosures for all banks

(i) Total gross credit risk exposures

Rs 'Millions

	Fund based	Non fund based	Total
As at 30 September 2009	370,203 Note 1	467,691 Note 2	**837,894**

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

(ii) Geographical distribution of exposures

Rs 'Millions

	Fund based	Non fund based	As at 30 September 2009 Total
Overseas	-	-	-
Domestic	370,203	467,691	**837,894**
Total	370,203	467,691	**837,894**

Basel II disclosures of the India Branches *(Continued)*

for the period ended 30 September 2009

4 Credit risk: general disclosures for all banks *(Continued)*

(iii) Industry type distribution of exposures

As of 30th September 2009 *Rs Millions*

Industry	**Fund based**	**Non fund based**	**Total**
Coal	-	461	461
Mining	565	187	752
Iron & Steel	1,724	4,285	6,009
Other Metals & Metal Products	8,173	6,348	14,521
Electricity (Gen & Trans.)	-	-	-
Cotton Textiles	292	-	292
Jute Textiles	-	-	-
Other Textiles	10,235	5,141	15,376
Sugar	30	1,228	1,258
Tea	370	32	402
Food Processing	2,971	461	3,432
Vegetable Oils (including Vanaspati)	522	858	1,380
Tobacco & Tobacco Products	3,556	1,508	5,064
Paper & Paper Products	2,634	1,290	3,924
Rubber & Rubber Products	667	113	780
Chemicals, Engineering and Infrastructure	38,059	75,854	113,913
Cement	1,030	-	1,030
Leather and Leather Products	378	157	535
Gems and Jewellery	1,330	481	1,811
Construction	12,902	2,631	15,533
Petroleum	611	10,771	11,382
Automobiles including trucks	6,931	7,481	14,412
Computer Software	9,694	5,124	14,818
Other Industries	94,609	113,513	208,122
NBFCs & Trading	16,750	-	16,750
Banking and Finance	65,477	226,239	291,716
Retail Advance	90,693	3,528	94,221
Total	370,203	467,691	837,894

HSBC

Basel II disclosures of the India Branches *(Continued)*

for the period ended 30 September 2009

4 Credit risk: general disclosures for all banks *(Continued)*

(iv) Residual contractual maturity breakdown of total assets

Rs 'Millions

	As at 30 September 2009
1 day	40,620
2 to 7 days	28,496
8 to 14 days	19,868
15 to 28 days	35,099
29 days & up to 3 months	72,813
Over 3 months & up to 6 months	98,662
Over 6 months & up to 1 year	97,105
Over 1 year & up to 3 years	162,453
Over 3 years & up to 5 years	137,154
Over 5 years	237,988
Total	*** 930,258**
*Total assets as per DSB-1	

(v) Amount of NPAs (Gross)

Rs Million

	As at 30 September 2009
Substandard	14,905
Doubtful 1	1,178
Doubtful 2	456
Doubtful 3	196
Loss	307
Total	**17,042**

(vi) Net NPA: Rs 4,620 million

(vii) NPA ratios

	As at 30 September 2009
Gross NPAs to gross advances	6.73%
Net NPAs to net advances	1.92%

4 Credit risk: general disclosures for all banks *(Continued)*

(viii) Movement of NPAs

Rs 'Million

	For the period ended 30 September 2009		
	Gross NPA's*	**Provision**	**Net NPA**
Opening balance	13,161	9,251	3,910
Additions	23,321	3,983	19,338
Reductions (including write back/write off of excess provisions)	(19,440)	(812)	(18,628)
Closing balance	**17,042**	**12,422**	**4,620**

** net of interest in suspense*

(ix) *Non performing investments* –Rs 3. This represents three equity investments which have each been written down to Re. 1 each.

(x) Movement of provisions for depreciation on investments

Rs 'Million

	For the period ended 30 September 2009
Opening balance	3,408
Provisions made during the period	4,251
Write Off	-
Write back of excess provisions	(3,363)
Closing balance	**4,296**

5 Credit risk: disclosures for portfolios under the standardised approach

(i) Amount outstanding under various risk buckets (post CRM)

Rs 'Millions

	As at 30 September 2009
Below 100% risk weight	556,981
100% risk weight	198,951
Above 100% risk weight	61,090
Deductions (from capital funds)	(6,539)
Total	**810,483**

6 Credit risk mitigation: disclosures for standardised approaches

(i) Eligible financial collateral

The total exposure that is covered by eligible financial collateral, after the application of haircuts is Rs 51,593 ('Millions).

7 Securitisation: disclosure for standardised approach

(i) Details of securitisation of standard assets

For the year ended 30 September 2009

Rs 'Millions

	Retail Loans	**Corporate Loans**
Total number of loan assets securitized	-	3
Total book value of loan assets securitised **(Rs 'Millions)**	-	4,501
Sale consideration received for the securitised assets **(Rs 'Millions)**	-	4,532
Gain/(loss) on sale on account of securitisation **(Rs 'Millions) (1)**	-	31
Gain/(loss) on securitisation recognised in Income Statement **(Rs 'Millions)**	4	101
The unamortized gain as at 30 September 2009 **(Rs 'Millions)**	9	101
Form and quantum (outstanding value) of services provided by way of Credit Enhancement **(Rs 'Millions)**	40	-

Notes:

1. The gain on sale on account of securitisation for corporate loans represents the difference between the sale consideration and the book value. The gain on sale on account of securitisation on retail loans represents the discounted value of the excess interest strip retained by the Bank.

(ii) Securitisation of impaired/past due assets

The Bank has not securitized any impaired/past due assets.

(iii) Loss recognised on securitisation of assets

The Bank has not recognised any losses during the current period for any securitisation deal.

(iv) Securitisation exposures retained or purchased

The Bank has not purchased any securitisation exposures nor does it have any retained securitisation exposure.

Basel II disclosures of the India Branches *(Continued)*

for the period ended 30 September 2009

8 Market risk in trading book

(i) Capital requirements for market risk

Rs 'Millions

	As at 30 September 2009
Interest rate risk	**7,067**
Foreign exchange risk	**405**
Equity position risk	**22**
Total	**7,494**

9 Interest rate risk in the banking book (IRRBB)

Impact on Economic Value.

(i) Sensitivity to upward movement

IRRBB: Sensitivity to upwards 100 bps movement in Rs ' Millions					By currency
Currency	INR	USD	EUR	GBP	Total
Sensitivity	117.99	10.26	1.08	12.59	141.92

The above does not include investments and derivatives in the banking book as these are classified as held for trading for capital calculations.

(ii) Sensitivity to downward movement

IRBBB: Sensitivity to downwards 100 bps movement in Rs ' Millions					By currency
Currency	INR	USD	EUR	GBP	Total
Sensitivity	(117.99)	(10.26)	(1.08)	(12.59)	(141.92)

The above does not include investments and derivatives in the banking book as these are classified as held for trading for capital calculations

Note: *The above table quantifies the economic value impact on the Banking Book (defined as per the Reserve Bank of India Capital Adequacy Guidelines section : 8.2) of a 100 bps up/downward instantaneous interest rate movement by currency , assuming no offsets across currencies*

Basel II disclosures of the India Branches *(Continued)*

for the period ended 30 September 2009

Impact on Earnings (NII)

INR Millions	Commercial Banking	ALCO Pool	Treasury	Sub-total	Intersegment Elimination	Total (Oct-09 to Sep-10)
Parallel Movement in Yield curve						
+100 Bps	2,994	(105)	-	2,889	(414)	2,475
-100 Bps	(2,581)	105	-	(2,476)	414	(2,062)
Ramp Movements in Yield Curve*						
+100 Bps	1,595	(53)	-	1,542	(207)	1,335
-100 Bps	(1,410)	53	-	(1,357)	207	(1,150)

*** rates are assumed to rise/fall in parallel by 25bps on the first day of each quarter.**

Note: The earnings risk analysis is based on the management's internal method to assess risk on earnings to interest rate movements over the next one year and factors in certain assumptions on business growth over the next twelve months