



Quantitative Basel II disclosures of the India Branches

for the period ended 30 September 2010

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 deducted from capital, 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*

	<i>Rs Millions</i>
	As at 30 September 2010
Capital	44,992
Reserves	55,558
Innovative instruments	-
Other capital instruments	-
Amounts deducted from Tier 1 capital	(7,449)
Total Tier 1 capital	93,101

(ii) *Tier 2 capital*

The amount of Tier 2 capital (net of deductions) is Rs 7,825 (‘Millions)

(iii) *Debt capital instruments in upper Tier 2 capital*

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



Basel II disclosures of the India Branches (Continued)
for the period ended 30 September 2010

2 Capital Structure (Continued)

(iv) *Subordinated debt in lower Tier 2 capital*

There is no amount outstanding in respect of subordinated debt as at 30 September 2010.

(v) *Other deductions from capital*

There are no other deductions from capital.

(vi) *Total eligible capital*

The total eligible capital is Rs 100,926 (Millions).

3 Capital Adequacy

(i) *Capital requirements for credit risk*

Rs 'Millions

	As at 30 September 2010
Portfolios subject to standardised approach	37,807
Securitisation exposures	-
Capital requirements for credit risk	37,807

(ii) *Capital requirements for market risk*

Rs 'Millions

	As at 30 September 2010
Standardised Duration Approach	
Interest rate risk	8,474
Foreign exchange risk	405
Equity risk	32
Capital requirements for market risk	8,911

(iii) *Capital requirements for operational risk*

The capital requirement for operational risk under the basic indicator approach is Rs 8,417 ('Millions).

Basel II disclosures of the India Branches (Continued)
for the period ended 30 September 2010

3 Capital Adequacy (Continued)

(iv) *Capital ratios*

	As at 30 September 2010
Consolidated total capital ratio	16.47%
Consolidated Tier 1 capital ratio	15.20%

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 2010	427,155 ^{Note 1}	516,375 ^{Note 2}	943,530

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

	As at 30 September 2010		
	Fund based	Non fund based	Total
Overseas	-	-	-
Domestic	427,155	516,375	943,530
Total	<u>427,155</u>	<u>516,375</u>	<u>943,530</u>



Basel II disclosures of the India Branches (Continued)
for the period ended 30 September 2010

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

(iii) Industry type distribution of exposures

As of 30th September 2010

Rs Millions

Industry	Fund based	Non fund based	Total
Coal	372	717	1,089
Mining	286	188	474
Iron & Steel	1,815	574	2,389
Other Metals & Metal Products	4,896	20,995	25,891
All Engineering	16,618	18,658	35,276
Electricity (Gen & Trans.)	-	-	-
Cotton Textiles	8	-	8
Jute Textiles	-	-	-
Other Textiles	6,174	5,703	11,877
Sugar	-	156	156
Tea	301	-	301
Food Processing	2,837	1,068	3,905
Vegetable Oils (including Vanaspati)	963	359	1,322
Tobacco & Tobacco Products	2,045	2,232	4,277
Paper & Paper Products	3,586	2,653	6,239
Rubber & Rubber Products	575	94	669
Chemicals, Dyes and Paint	23,843	23,158	47,001
Cement	3277	2,287	5,564
Leather and Leather Products	615	5	620
Gems and Jewellery	76	-	76
Construction	23,060	1,037	24,097
Petroleum	308	10,865	11,173
Automobiles including trucks	7,734	5,778	13,512
Computer Software	8,604	4,370	12,974
Infrastructure	36,221	38,498	74,719
Other Industries	83,747	121,971	205,718
NBFCs & Trading	19,293	2	19,295
Banking and Finance	116,073	251,145	367,218
Retail Advance	63,828	3,862	67,690
Total	427,155	516,375	943,530

Basel II disclosures of the India Branches (Continued)
for the period ended 30 September 2010

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

(iv) *Residual contractual maturity breakdown of total assets*

Rs 'Millions

	As at 30 September 2010
1 day	88,875
2 to 7 days	21,034
8 to 14 days	11,457
15 to 28 days	36,221
29 days & up to 3 months	131,693
Over 3 months & up to 6 months	120,840
Over 6 months & up to 1 year	119,566
Over 1 year & up to 3 years	157,198
Over 3 years & up to 5 years	104,800
Over 5 years	116,882
Total	* 908,566
*Total assets as per DSB-1	

(v) *Amount of Non Performing Assets (NPA) (Gross)*

Rs Million

	As at 30 September 2010
Substandard	4,088
Doubtful 1	5,498
Doubtful 2	910
Doubtful 3	382
Loss	2,311
Total	13,189

(vi) *Net NPA: Rs 3,619 million*

(vii) *NPA ratios*

	As at 30 September 2010
Gross NPAs to gross advances	4.82%
Net NPAs to net advances	1.37%



Basel II disclosures of the India Branches (Continued)
for the period ended 30 September 2010

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

(viii) *Movement of NPAs*

Rs 'Million

	For the period ended 30 September 2010		
	Gross NPAs*	Provision	Net NPA
Opening balance	16,833	11,402	5,431
Additions	3,355	2,044	1,311
Reductions (including write back/write off of excess provisions)	(6,999)	(3,876)	(3,123)
Closing balance	<u>13,189</u>	<u>9,570</u>	<u>3,619</u>

* *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 2010	
Opening balance	5,826
Provisions made during the period	
Write Off	-
Write back of excess provisions	171
Closing balance	<u>5,655</u>

5 Credit risk: disclosures for portfolios under the standardised approach

(i) *Amount outstanding under various risk buckets (post Credit Risk Mitigant - CRM)*

Rs 'Millions

	As at 30 September 2010
Below 100% risk weight	690,444
100% risk weight	188,197
Above 100% risk weight	44,750
Deductions (from capital funds)	(7,482)
Total	<u>915,909</u>

Basel II disclosures of the India Branches (Continued)
for the period ended 30 September 2010

6 Credit risk mitigation: disclosures for standardised approaches

(i) *Eligible financial collateral*

The total exposure (including non-funded post Credit Conversion Factor - CCF) that is covered by eligible financial collateral, after the application of haircuts is Rs. 34,114 ('Millions).

7 Securitisation: disclosure for standardised approach

(i) *Details of securitisation of standard assets*

For the period ended 30 September 2010

	<i>Rs 'Millions</i>	
	Retail Loans	Corporate Loans
Total number of loan assets securitized	-	-
Total book value of loan assets securitized (Rs 'Millions)	-	-
Sale consideration received for the securitised assets (Rs 'Millions)	-	-
Gain/(loss) on sale on account of securitisation (Rs 'Millions) (1)	-	-
Gain/(loss) on securitisation recognised in Income Statement (Rs 'Millions)	2	17
The unamortized gain as at 30 September 2010 (Rs 'Millions)	6	12
Form and quantum (outstanding value) of services provided by way of Credit Enhancement (Rs 'Millions)	40	-

Notes:

- 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 transaction.

(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 2010

8 Market risk in trading book

(i) *Capital requirements for market risk*

<i>Rs 'Millions</i>	
As at 30 September 2010	
Interest rate risk	8,474
Foreign exchange risk	405
Equity position risk	32
Total	8,911

9 Interest rate risk in the banking book (IRRBB)

Impact on Economic Value.

(i) *Sensitivity to upward movement in interest rate*

Millions

IRRBB: Sensitivity to upwards 100 bps movement					By currency	
Currency	INR	USD	EUR	GBP	Total	
Sensitivity	92.27	2.87	0.63	5.42	101.19	

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 in interest rate*

Millions

IRRBB: Sensitivity to downwards 100 bps movement					By currency	
Currency	INR	USD	EUR	GBP	Total	
Sensitivity	(92.27)	(2.87)	(0.63)	(5.42)	(101.19)	

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 2010

Impact on Earnings (NII)

INR Millions	Commercial Banking	ALCO Pool	Treasury	Sub-total	Intersegment Elimination	Total (Oct-10 to Sep-11)
Parallel Movement in Yield curve						
+100 Bps	2,141	64	(37)	2,168	(382)	1,786
-100 Bps	(2,247)	(64)	37	(2,274)	459	(1,815)
Ramp Movements in Yield Curve*						
+100 Bps	1,372	(3)	99	1,468	(262)	1,206
-100 Bps	(1,380)	3	(108)	(1,485)	271	(1,214)

* 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