

HSBC Holdings plc

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HSBC 

The world's local bank

# INDIA INVESTOR PRESENTATION



# Forward-looking statements

- **This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report and Accounts 2010. Past performance cannot be relied on as a guide to future performance.**
- **This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial information to the most directly comparable measures under GAAP are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at [www.hsbc.com](http://www.hsbc.com).**

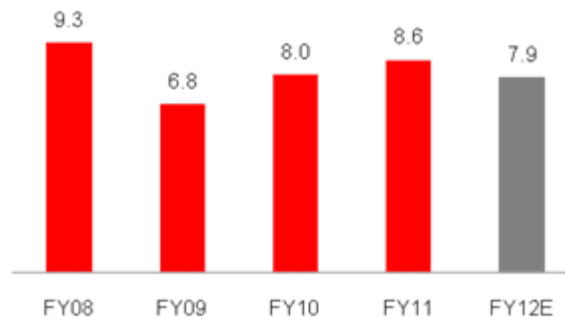
# Indian Economy

## Inflation a concern but growth momentum maintained

### 1 Strong Economic Growth to Continue

- Strong FY11 growth aided by agricultural rebound
- Growth momentum to be sustained by predicted normal monsoon, demand conditions and positive lead indicators for services

### India GDP Growth\* (%)



Source: Planning Commission, HSBC Research Estimates

### 2 But Inflation Continues to be a Concern

- Inflation may remain elevated despite current anti-inflationary monetary stance (9 rate hikes)
- High crude oil and commodity prices are key risks

### WPI<sup>2</sup> YoY Growth (%)



Source: Ministry of Commerce



### INDIA SNAPSHOT

4th highest GDP based on PPP<sup>1</sup>

10th Highest nominal GDP

5.5% share of world GDP (PPP)

1.2bn population. Favorable demographics

Source: IMF 2010 data

Indicators (FY11)	India
GDP Growth Rate (%)	8.6
FCY <sup>3</sup> Reserves (USD bn)	302
Annual FDI inflow (USD bn, Jan-Dec10)	21
Export Value (USD bn)	246
Import Value (USD bn)	351

Source: Planning Commission, RBI, Ministry of Commerce & Industry

Note: FY represents the Indian Financial Year ending 31 March

(1) PPP: Purchasing Power Parity

(2) WPI: Wholesale Price Index

(3) FCY: Foreign Currency

# Indian Economy

Driven by strong capital flows, trade and credit flows

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## Strong Capital Flows

- Whilst equity markets have been largely flat, Foreign Institutional Investments and Foreign Direct Investment capital flows have been substantial

### Net FII Flows (USDbn)



Source: SEBI. Data is for the calendar year ending Dec

## HSBC : Well positioned to harness this growth

- One of the largest custodians for foreign investors in India
- Substantial share of FII Assets Under Custody
- Ranked No. 1 by 'Leading clients' in the Global Custodian Survey

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## Exports at Record High

- Significant increase in exports helped bridge current account gap

### India Trade Flows (USDbn)



Source: Ministry of Commerce & Industry

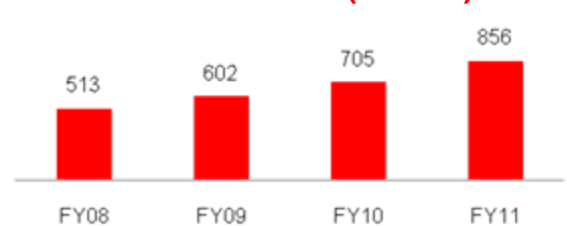
- Despite limited branch network, HSBC captures a c.6% share of India's trade flows<sup>1</sup>

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## Robust Credit Growth

- Strong credit off-take supporting economic growth
- Industry has been a major user of credit followed by services and personal loans

### Bank Credit (USDbn)



Source: RBI

- Strong Advances growth of 29% for HSBC in 2010 – above market levels
- c.0.8% Advances market share<sup>2</sup>
- Strong relations with leading Indian & multinational companies in India

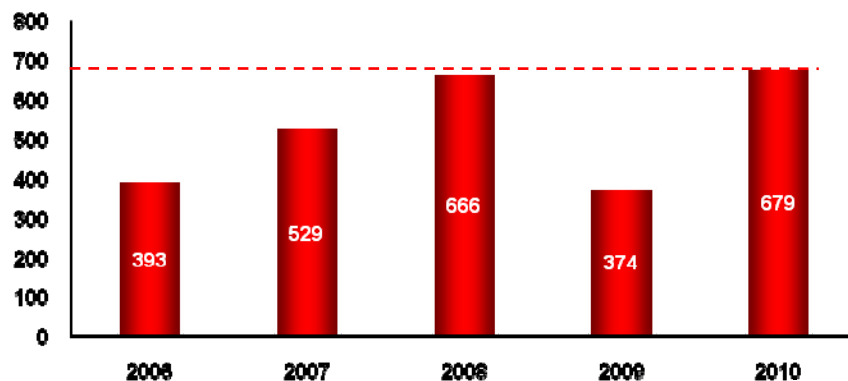
Note: FY represents the Indian Financial Year ending 31 March

(1) Source: Based on Ministry of Commerce Data

(2) Source: Based on RBI advances data for Scheduled Commercial Banks in India as on 31Dec10

# Strong results in 2010

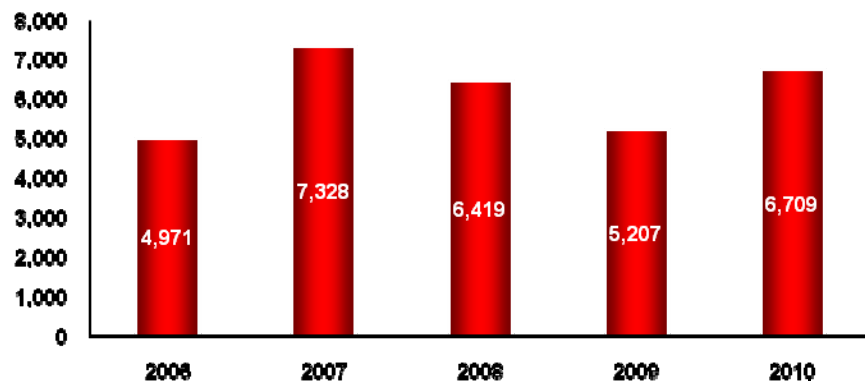
## Profit before tax, USDm (reported)



## PBT by customer group (reported)

	2009 (USDm)	2010 (USDm)	% better/ (worse)
Retail Banking and Wealth Management (RBWM)	(219)	(82)	63%
Commercial Banking (CMB)	(41)	71	NA
Global Banking and Markets (GBM)	393	507	29%
Private Banking (GPB)	1	4	400%
Other	240	179	(25%)
<b>Total</b>	<b>374</b>	<b>679</b>	<b>82%</b>

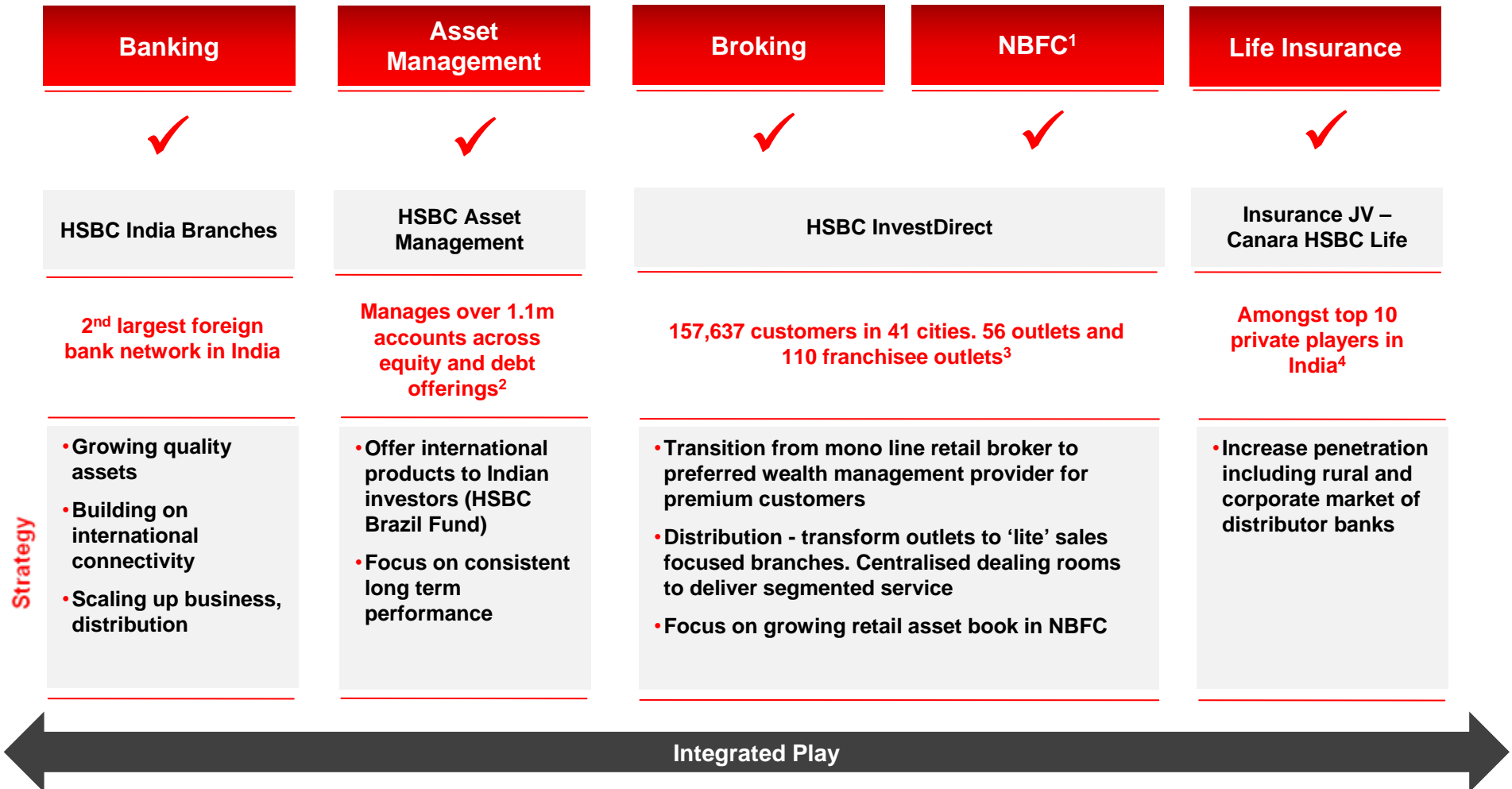
## Gross loans and advances, USDm



## Highlights

- USD679m profit before tax in 2010, up 82% vs 2009
- Strong performance across all businesses with strong turnaround in RBWM and CMB
- Credit quality improved significantly
- Maintained strong Global Banking and Markets performance and contribution: capacity expansion in domestic corporates
- Commercial Banking returned to profitability – strong asset growth and reduction in impairments

# HSBC India: Presence across the financial services spectrum



Notes:


- (1) Non Banking Financial Company
- (2) As at Apr 2011
- (3) As at Apr 2011
- (4) Out of 22 players in terms of Weighted Premium Income (April 2010 - March 2011)

# Retail Banking

Liability led, wealth management driven, standalone profitable RBWM business

 Focus on mass affluent, NRI & domestic liabilities business to fund growth in India while building a standalone profitable Retail Banking and Wealth Management business

 Wealth management and asset offering to support the liability franchise

 Revised strategy implementation commenced in 2010 by successfully reducing credit losses and aligning costs with revised revenue model

 RBS acquisition (Retail & Commercial) & the InvestDirect “Lite” branches provide viable option to enhance distribution network & scale the business

# HSBC India Distribution Network

One of the largest financial services groups



**One of the largest financial services groups  
–152 offices in 60 cities<sup>1</sup>**

**50 HSBC Branches**

**56 HSBC InvestDirect outlets**

**10 Global Resourcing Centres**

**5 Global Technology Centres**

**31 offices via HSBC Insurance JV**

**1.8 million bank customers**

**Over 35,000 staff**

**Acquisition of RBS's retail and commercial banking business<sup>2</sup> will further help in scaling up business, distribution, staff and customers**

Notes:

(1) As at Apr 2011

(2) Subject to regulatory approval

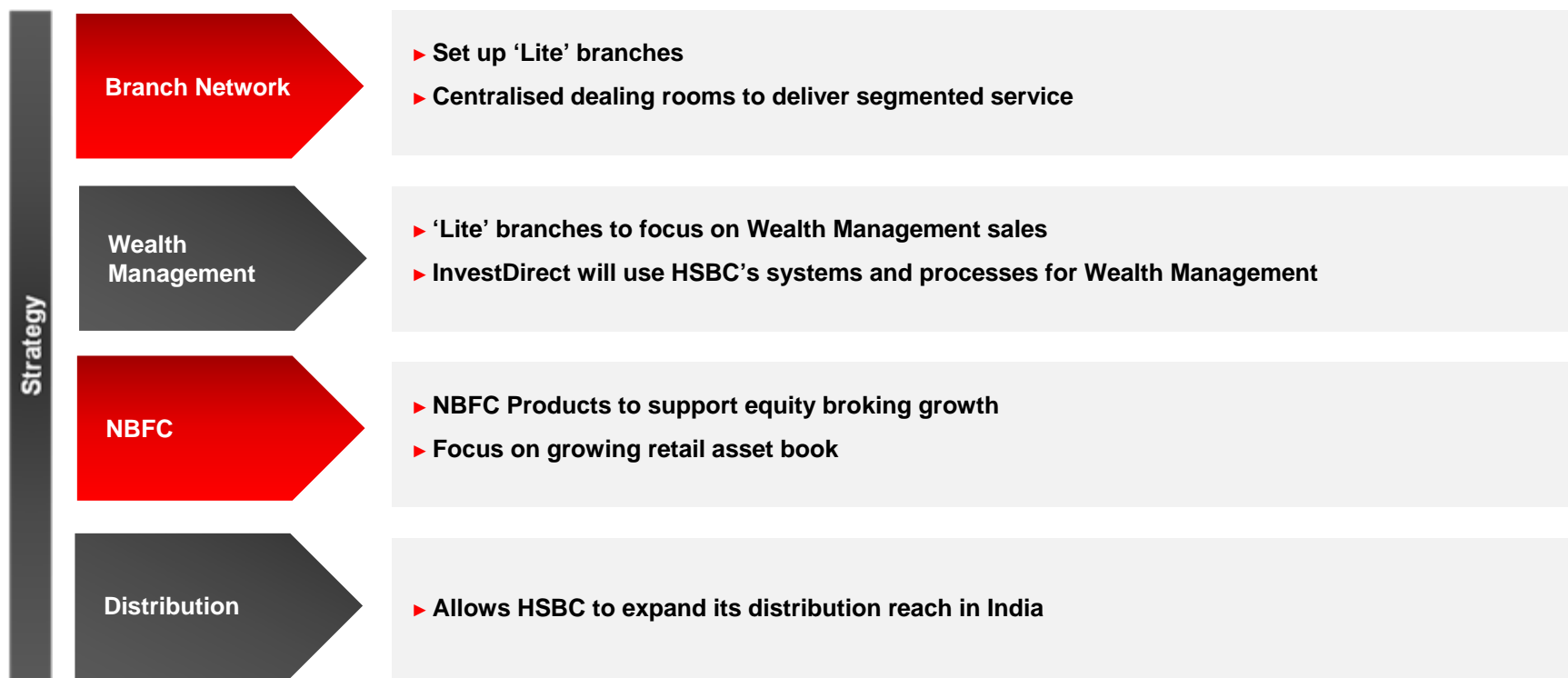


# HSBC InvestDirect

## Expanding HSBC's footprint

### Background:

- HSBC acquired HSBC InvestDirect in 2008. It currently serves a customer base of 157,637 in 41 cities via 56 outlets and 110 franchisee outlets<sup>1</sup>



**HSBC InvestDirect will transition from a mono line retail broker to a preferred wealth management provider to Premium customers, while expanding HSBC's distribution reach in India**

# Commercial Banking

## Strong growth and deeper penetration

Corporate Banking

Deepen existing relationships. Selective high quality customer acquisitions in Corporate Banking

Focus on increased cross sell and international business

Target upper end in Business Banking – Transaction banking focus. Secured Lending to be key

- **Build share across segments**
- **Achieve core bank status for our top end Corporate Banking names**
- **Focus on building offshore advances**
- **Drive FX income through structured solutions for Corporate Banking and Business Banking**
- **Launched secured lending in the Business Banking space**

ECM/M&A

- **Strong Start to 2011**
  - #3 in Bloomberg M&A League Tables for 1Q11 (#9 in 2010)
  - #4 in Domestic Fund Raising (IPO, Follow-on Public Offer, Rights, Qualified Institutional Placements (QIP) League Table for 1Q11
- **Sole advisor for the two largest open offer transactions in India (ABB and Siemens)**

#### ABB

Acquisition of 22.89% stake in ABB India  
 USD965m  
 Sole Advisor

#### KKR

Acquisition of a minority stake in Dalmia Cements  
 USD166m  
 Advisor

#### Godrej Consumer Products

Acquisition of 51% stake in Godrej Sara Lee Limited  
 USD235m  
 Sole Advisor

#### Reliance Life Insurance

Sale of 26% stake of Reliance Life to Nippon Life  
 USD 680m  
 Co-advisor

#### Siemens

Acquisition of 19.7% stake in Siemens India  
 c. USD1.4bn  
 Sole Advisor

#### Aditya Birla Group

Acquisition of 100% stake in Columbian Chemicals  
 c. USD850m  
 Financial Advisor

# Global Markets

## Preferred Fixed Income and Forex House in India

### Preferred Bond House in India

- **Leading origination and distribution capabilities**
  - #1 Bookrunner of Indian USD bonds since 2009 (Bloomberg)
  - #1 foreign bank in India for INR bonds (2010, Bloomberg league tables)
- **Strong deal execution**
  - Led one of the largest sole led deals from India (BPCL)
- **Broad variety of bond deals in India**
  - Sole arranger to a wide variety of issues across private and public sector institutions

### Awards

- **Greenwich Associates FX Survey 2010**
  - #1, Overall service quality, sales coverage, market making and research, competitive quoting (**spot/forward**)
  - Sales Reps ranked 1st on “top 3” and “best sales rep”
  - #1, Overall market penetration, overall market share (Tied)
  - Emerging Market Currencies - # 1 – market penetration, sales, research and market making capabilities
- **Greenwich Associates Interest Rate Derivatives Survey 2010**
  - #1, Overall service quality, overall market share, overall market penetration and “top 3” relationship
  - #1, Overall quality in sales coverage and market making
  - Sales Reps ranked 1st on “top 3” and “best sales rep”

### Select INR transactions

**EMAS EXPRESSWAY PRIVATE LIMITED / MAPEX INFRASTRUCTURE PRIVATE LIMITED**

INR1.8bn and INR3.2bn  
Fixed Rate NCDs  
Sole Arranger  
June 2010

**Bharat Petroleum Corp Ltd**

INR 10bn  
1.5yr Fixed Rate Bonds  
Sole Arranger  
April 2010

**NABARD**

INR 5bn  
3 yr Fixed Rate Bonds  
Sole Arranger  
January 2011

**LIC Housing Finance**

INR 4.5bn  
2 yr Fixed Rate Bonds  
Sole Arranger  
March 2011

**Reliance Industries Limited**

INR 5bn Bond + Swap  
Sole Arranger  
August 2010

**Power Finance Corporation**

INR 1bn  
3 yr Fixed Rate Bonds  
Lead Arranger  
March 2010

# Cross-border leadership to differentiate our business

## Leveraging our international connectivity

**Focus NRI referrals in key locations via Premier**

**Build offshore advances and cross-border trade transactions**

**Secure key role in international M&As and transactions**

### Build on international connectivity

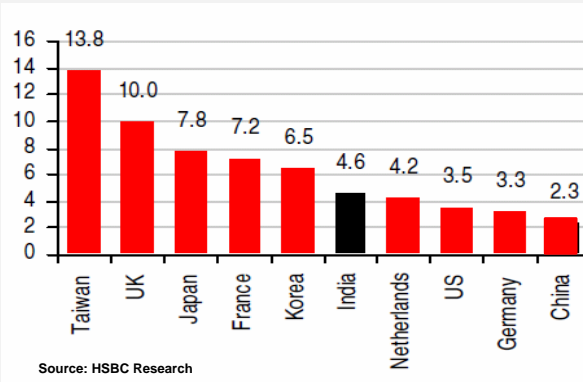
- **Geographical distribution of HSBC NRI customers maps global network**
- **5.21% share in NRI deposits and 42% of Premier base are NRIs**
  
- **International Banking Teams set up across CMB locations**
- **182 successful business referrals to 27 countries in 2010**
- **Support Indian corporates with foreign currency loan transactions and bilateral trade propositions**
  
- **Strategic dialogue with core Indian clients for cross-border issuances/M&A/balance sheet support**
- **Proactive management of HSBC Group multinational relationships to grow share of wallet and attract new clients setting up in India**

# Life Insurance JV

## On a strong growth trajectory

Low Life Insurance Penetration

Life Insurance Penetration as a % of GDP



- Penetration of Life Insurance as percentage of GDP has increased from 1.8% in 2001 to 4.6% in 2011; a nearly 12-fold increase in the number of life policies in force from 20m in 2001 to 230m in 2010 (BCG)
- However, life insurance penetration in terms of population remains low at 1.6%
- India's insurance sector likely to touch c.USD400bn in premium income by 2020. Will be amongst top three life and top 15 non-life markets by 2020 (BCG)

### Strong Growth Trajectory

- Amongst top 10 private players (out of 22) in terms of Weighted Premium Income (Apr10-Mar11)
- Ranked 4th in bancassurance (Apr-Dec10)
- Best 13 month persistency in the industry (Apr-Dec10)

### Strategy

- Increase penetration including rural and corporate market of distributor banks
- Focus on cross-sales and explore feasibility of new channels

### Achievements

- First to launch 'Immediate Payouts on Death Claim' – the same is now being adopted by other life insurers.
- Top-three Finalist for Life Insurance Company of the year at the 14th Asia Insurance Industry Awards 2010



HSBC well positioned

# Strong platform for growth in 2011

**HSBC India well positioned to deliver on Indian growth opportunities**

**Presence across financial services helps to leverage integrated distribution model of bank, InvestDirect and proposed RBS acquisition**

**Focus on growing liabilities and quality assets**

**HSBC global connectivity helping to drive revenues**

**Boost non-interest income, diversify revenue channels**