



11 May 2011

# Asia

## Investor Day

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## 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 'Reconciliations of reported and underlying profit before tax' supplement available at [www.hsbc.com](http://www.hsbc.com).**

*Key trends for Asia*

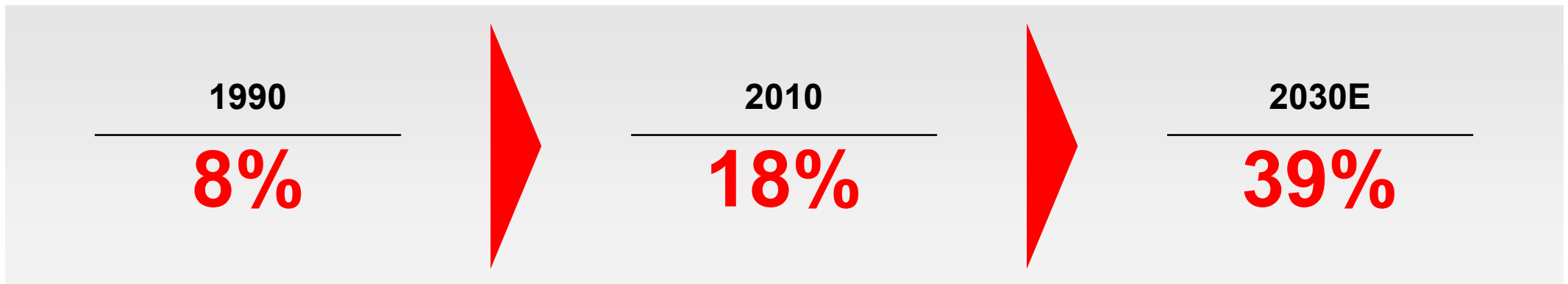
Emerging Asia is the growth engine of the world



**Emerging Asia population in 2010: 3.8bn**

(55% of world population)

**Share of World GDP**



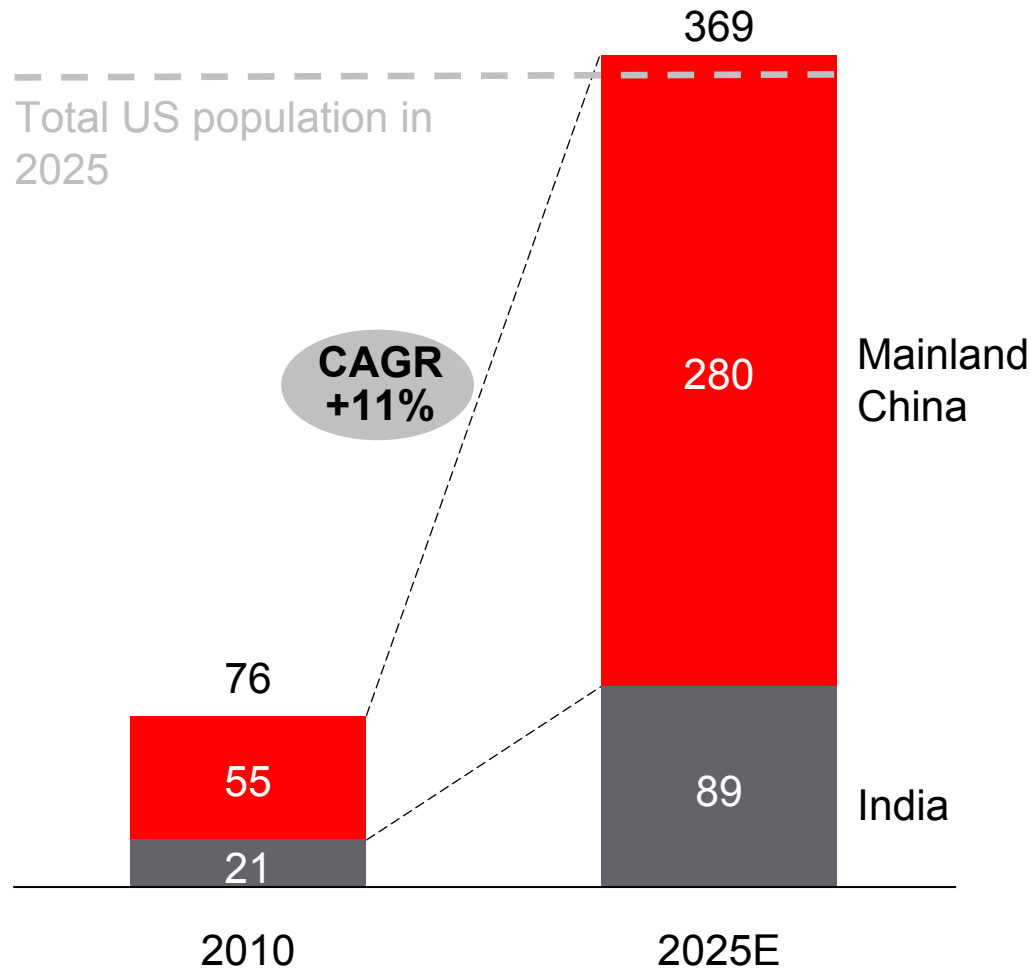
Key trends for Asia

# Increasing domestic consumption across Emerging Asia



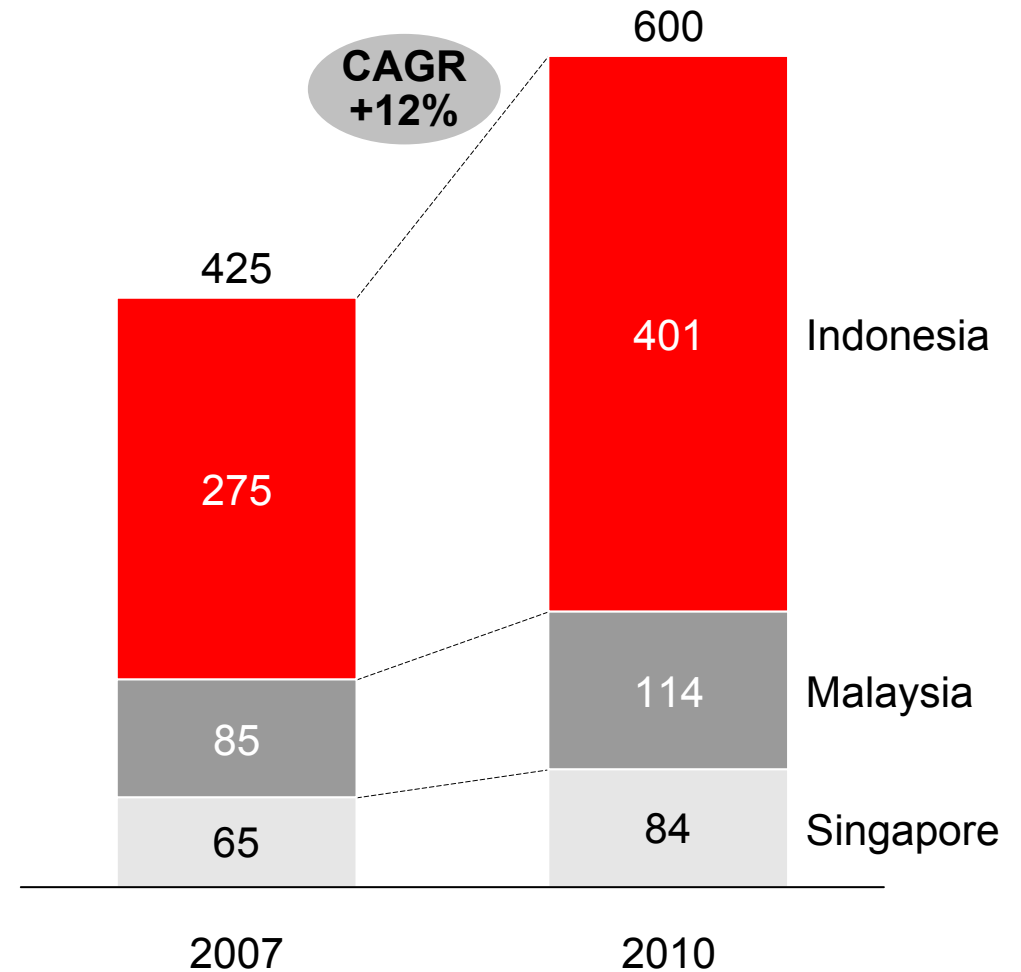
## Middle class households

Millions



## Domestic Consumption

USDbn

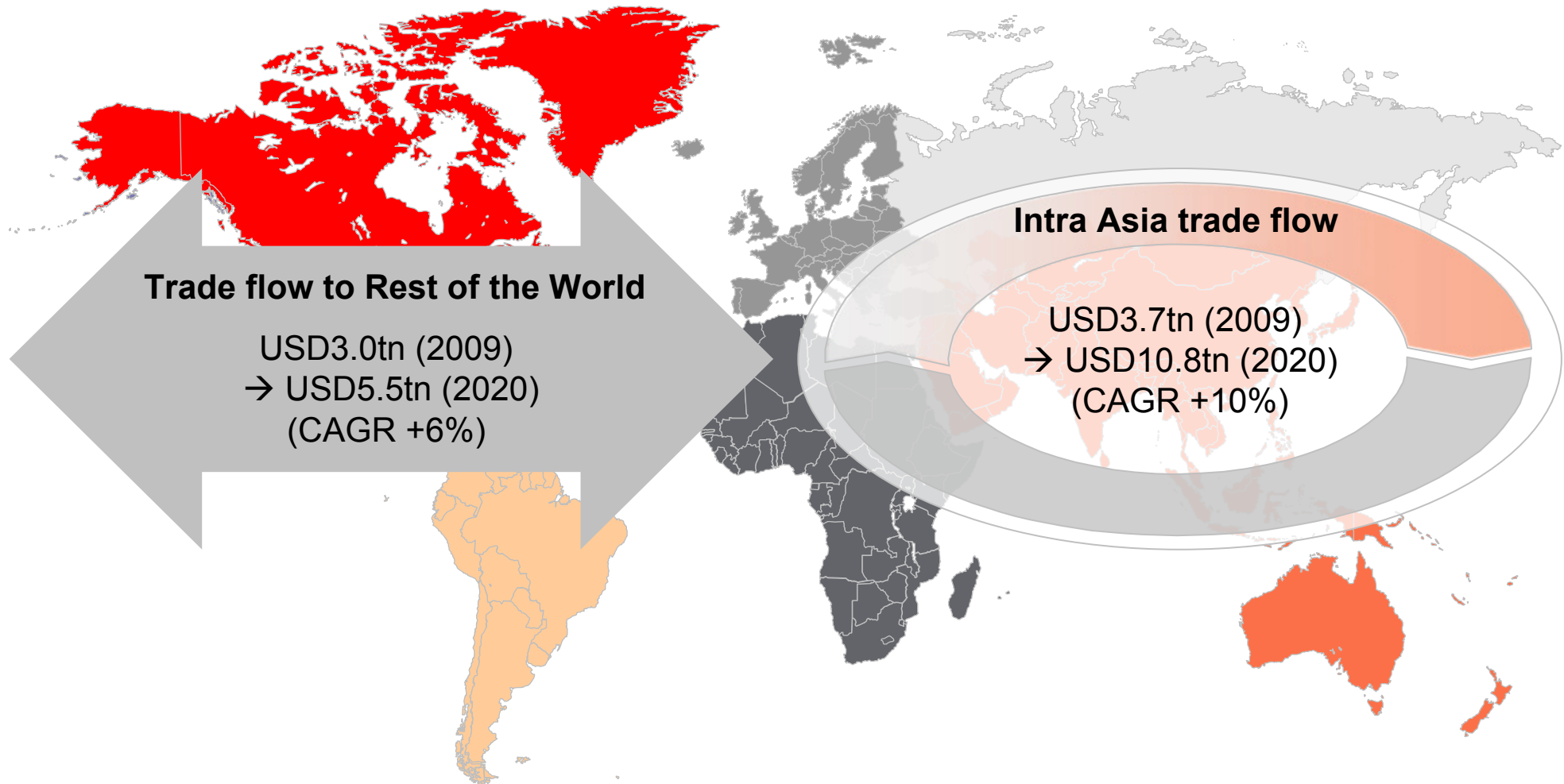


Source: McKinsey, EIU estimates

# Growing intra-regional and inter-regional flows



## Asia global merchandise trade flow



Key trends for Asia

# Asia will be home to three financial centres



## Shanghai<sup>3</sup>

- Expected to have 75% share of mainland China's equity market in terms of liquidity by 2020

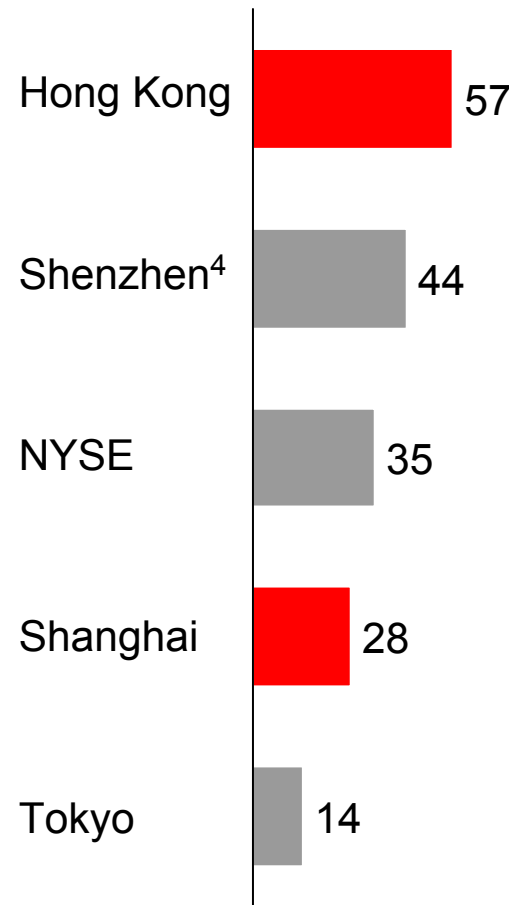
## Hong Kong

- # 1 global IPO centre in 2009 and 2010<sup>1</sup>
- # 1 International offshore RMB centre

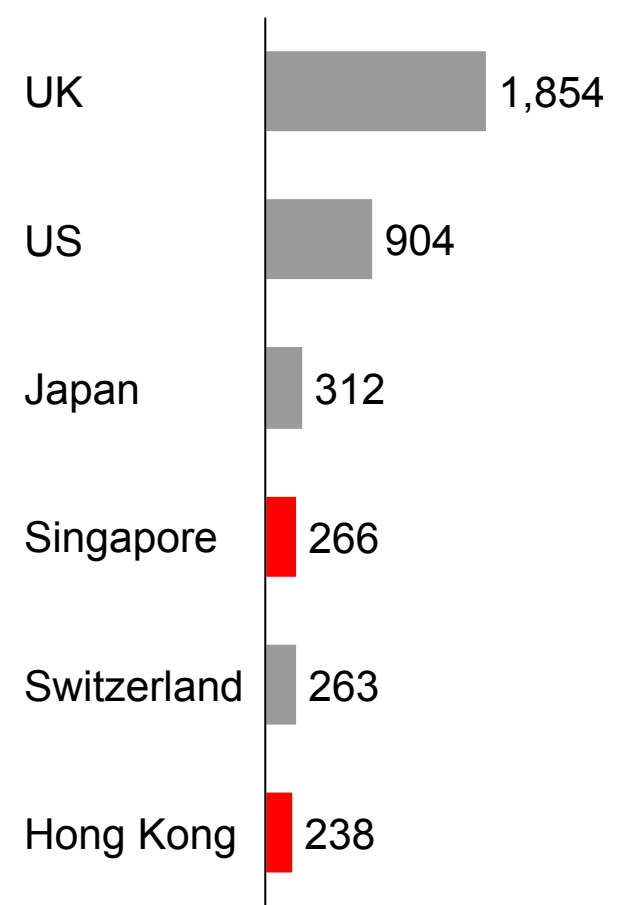
## Singapore

- World's 4th largest FX centre by turnover
- ASEAN wealth management hub

### World's Top 5 IPO markets<sup>1</sup> USDbn, 2010



### FX market daily turnover<sup>2</sup> USDbn, Apr 2010



<sup>1</sup> Ernst and Young "Global IPO Trends 2011"

<sup>2</sup> BIS (2010)

<sup>3</sup> GS report "Shanghai in 2020" (Jun10)

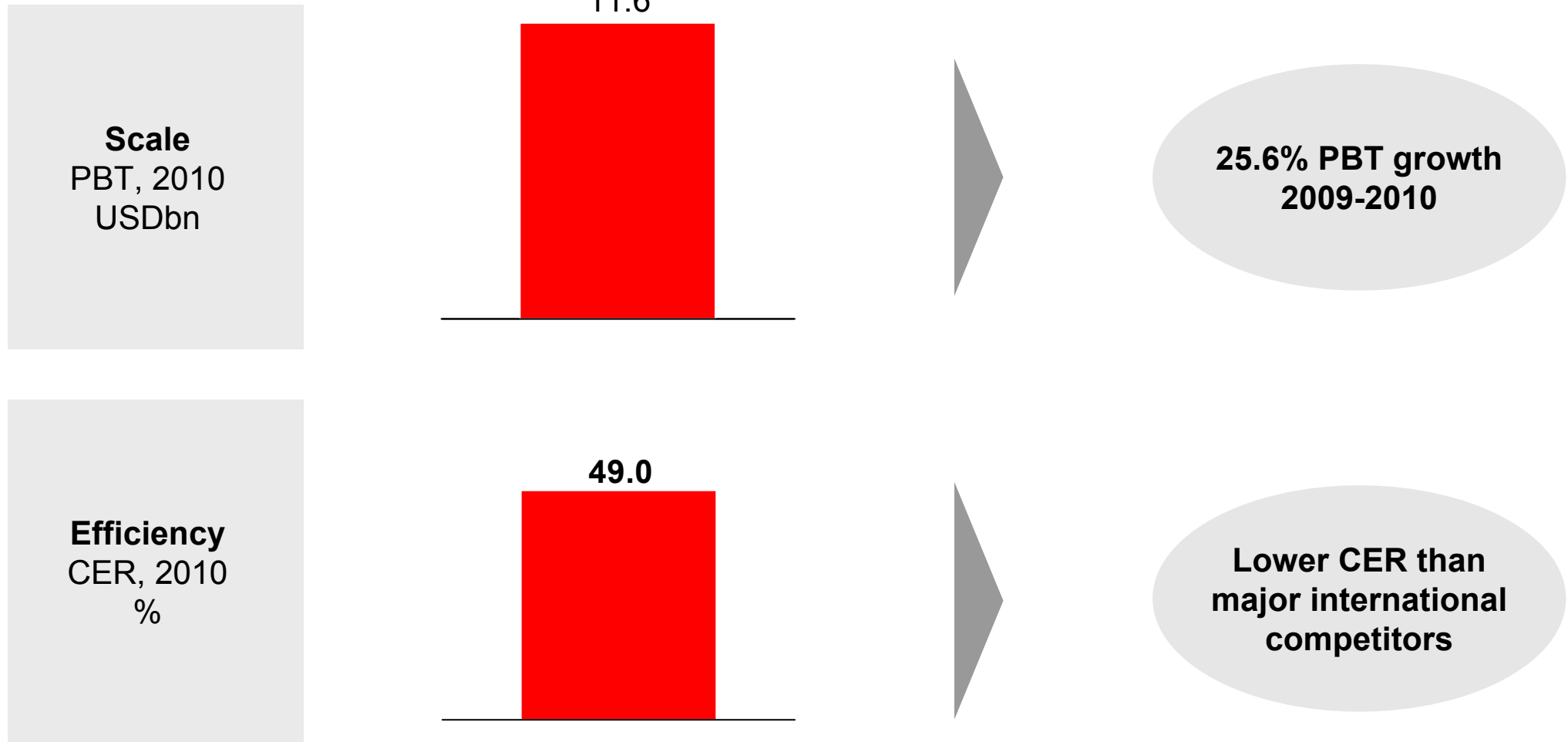
<sup>4</sup> Includes ChiNext

*HSBC position and competitive advantages*

A very sizeable presence and strong delivery vs. competitors in Asia



**HSBC – Asia**



# Breadth and depth and the ability to connect the world



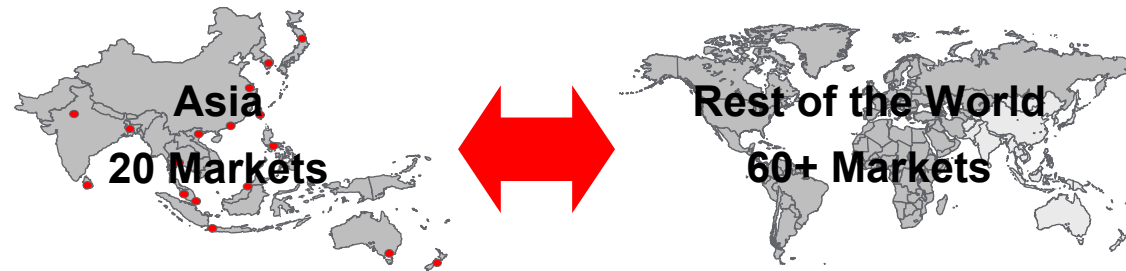
## Leadership in Trade, Capital...

- Finance Asia: Best Trade Finance Bank in Asia (1997–2010)
- Euromoney: No.1 Cash Management Provider in Asia (2009–2010)
- FX week: “Best Bank for FX in Asia-Pacific” (1993–2010)

## ... and Wealth flows

- Euromoney: Best Private Bank in Asia (2009–2011)
- Strength in premium banking (1.3m Premier customers +32% vs. 2009)

## Network to connect Asia, and Asia to the Rest of the World



## No.1 brand in Asia

- TNS: No.1 Bank in Asia’s Top 1,000 Brands 2010 survey
- Strong Asian heritage with over 146 years of presence

## Well funded subsidiary model

- Model in-line with possible regulation
- Ability to raise local funding



# Strategic direction and actions overview



## Asia

### Connecting Asia and the world

#### 1 Expand leadership in Greater China

- Maintain leadership in Hong Kong
- Continued leadership as mainland China's top foreign bank
- Be the leading international bank for RMB worldwide

#### 2 Build scale in other key markets

- Continue to invest to build scale in key markets:
  - India
  - Singapore
  - Malaysia
  - Indonesia
  - Australia

#### 3 Maintain leadership in connectivity

- Focus resources in other markets to maintain leadership in intermediating Trade, Capital and Wealth flows

# Investing in building a leading domestic franchise



## Key opportunities

- Corporate banking profits projected to grow at CAGR 9% to 2015<sup>1</sup>
- Middle class household numbers expected to increase by CAGR 11% to 2025<sup>2</sup>

## HSBC position

- Largest foreign bank in mainland China, ranked by peers as #1 foreign bank in 9 categories<sup>3</sup>
- Deposit-led strategy that supports strong asset growth delivering 17% CAGR (2005-2010) PBT growth
- Strong corporate proposition as: “Best Cash Management Bank in China”<sup>4</sup>, and “Best International Trade Bank in China”<sup>5</sup>
- Strong retail proposition: Premier customers increased 59% YoY in 2010

## Key actions

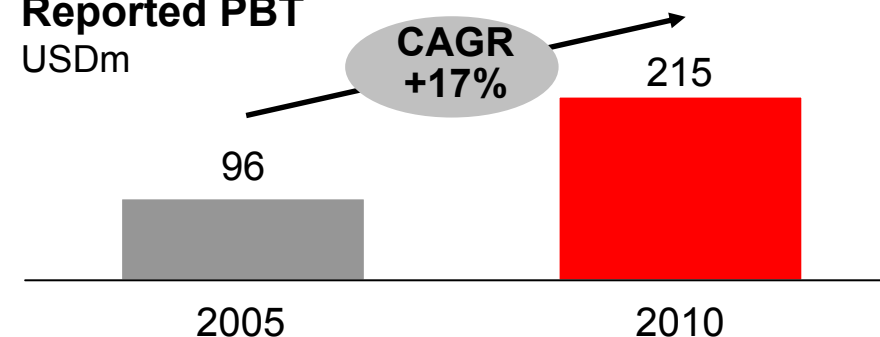
Continue to invest in a comprehensive distribution network and technologies

Invest in people and build bench strength

Launch of HSBC Advance and HSBC Premier credit cards to capture retail opportunities

## Reported PBT

USDm



Note: mainland China PBT includes Hang Seng Bank China, and excludes associates

1 McKinsey “China’s changing wholesale landscape” MAR2011

2 McKinsey “Comparing urbanization in China and India” JUL2010

3 PricewaterhouseCoopers “Foreign Banks in China” survey, MAY2010

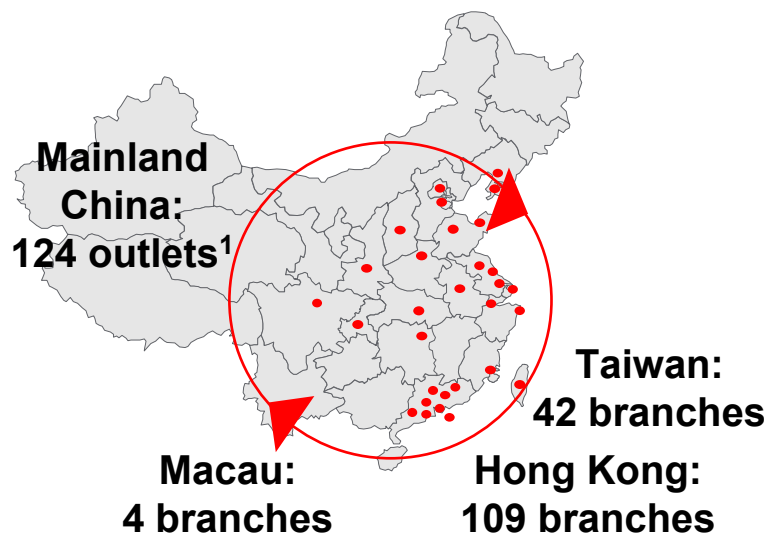
4 By Treasury Management International 2010

5 By Trade Finance 2008-2009

# Connecting China to the rest of Asia

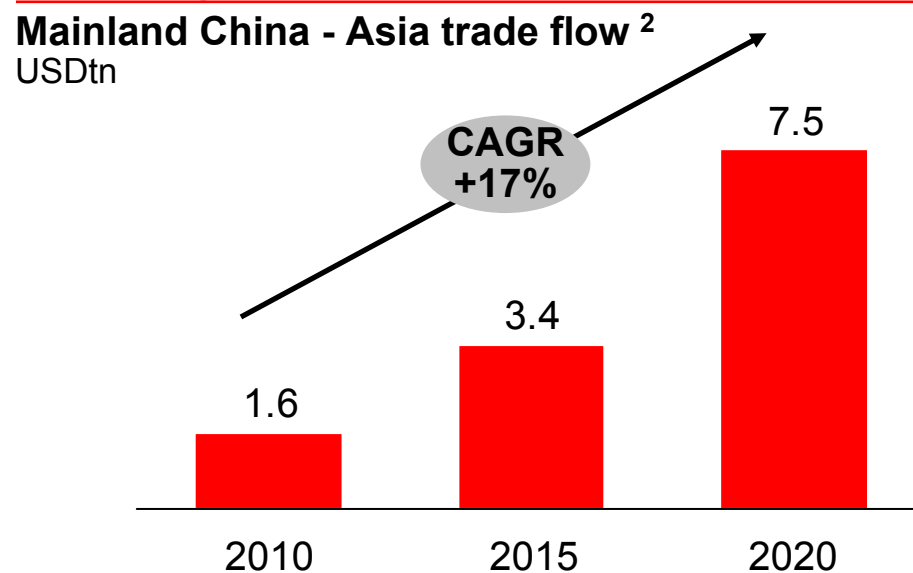


## Capturing the intra Greater China flows



- Successful cross-border referrals within Greater China reached USD3.7bn, 53% higher than 2009
- Enhanced Taiwan presence (post acquisition of The Chinese Bank) provides stronger customer coverage

## Capturing mainland China and intra-Asia flows



- Mainland China supply chain is expected to become more intra-regional e.g., production diversifying to Vietnam where HSBC is the leading foreign bank
- HSBC is well positioned to capture this flow, e.g., almost 30% of HSBC Australia trade turnover in 2010 is with mainland China

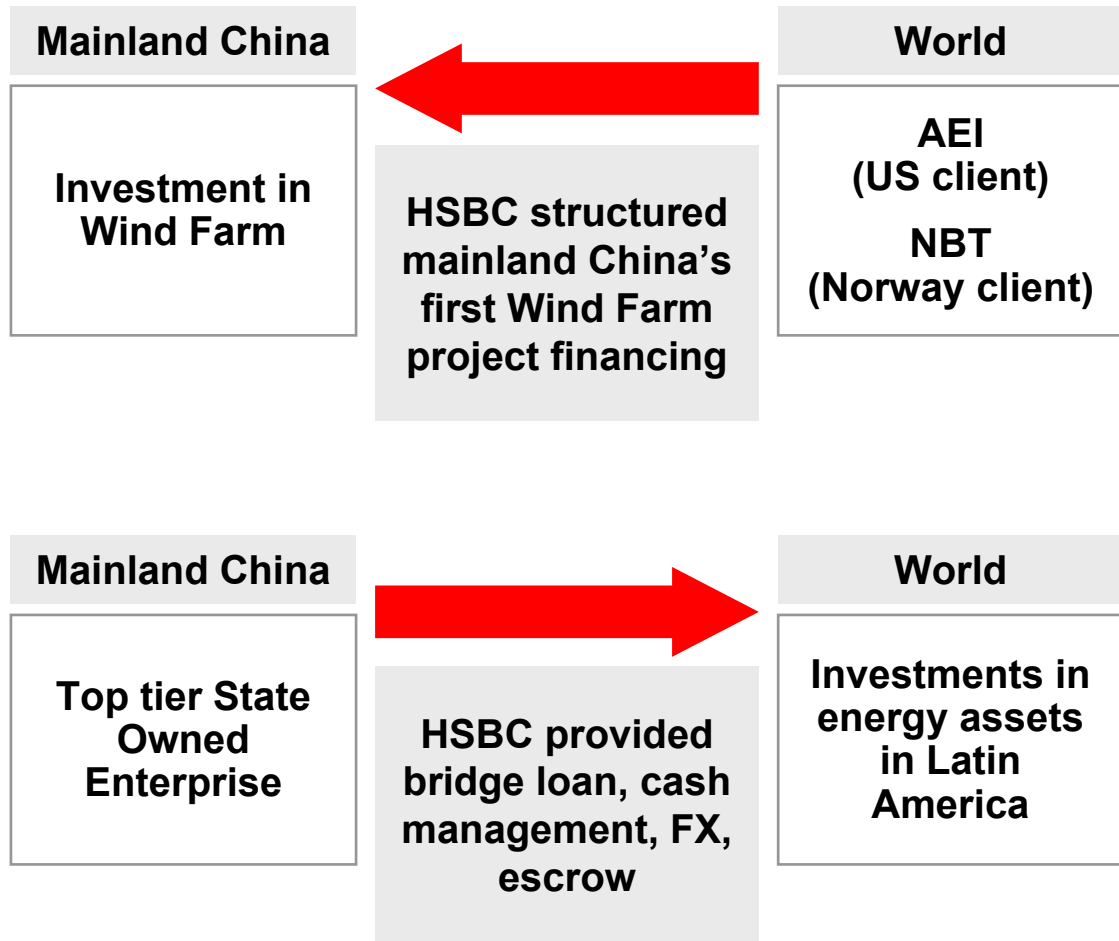
<sup>1</sup> Mainland China's 124 outlets include 108 HSBC China outlets and 16 HSBC Rural Banks outlets (exclude Hang Seng Bank)

<sup>2</sup> CEIC and HSBC forecast

# Connecting China and the rest of the World



## Example: facilitating outbound and inbound flows

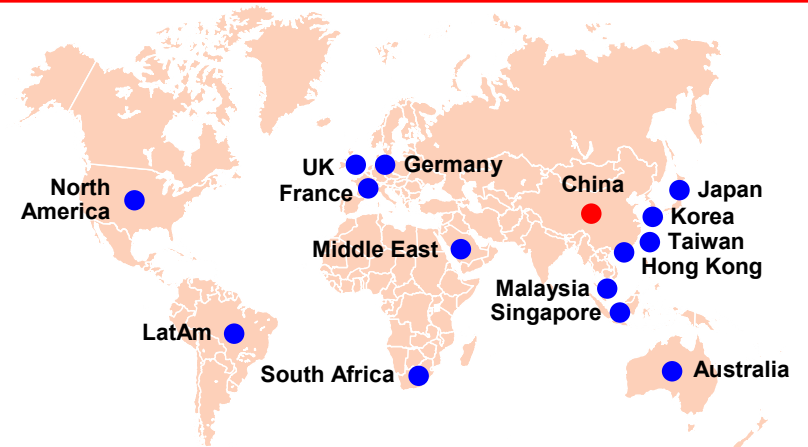


## Key actions

Expand China desks to capture cross-border opportunities

Expand and deepen relationships with PRC enterprises with overseas investments

## HSBC position



- China desks in 14 markets
- Banking relationships with c.60% of top 100 PRC enterprises with overseas investments<sup>1</sup>

<sup>1</sup> Based on list of PRC enterprises that had overseas non-bond investments of above USD 100m between 2007 and 2010 as produced by the Heritage Foundation

# Sustained leadership through the economic cycle



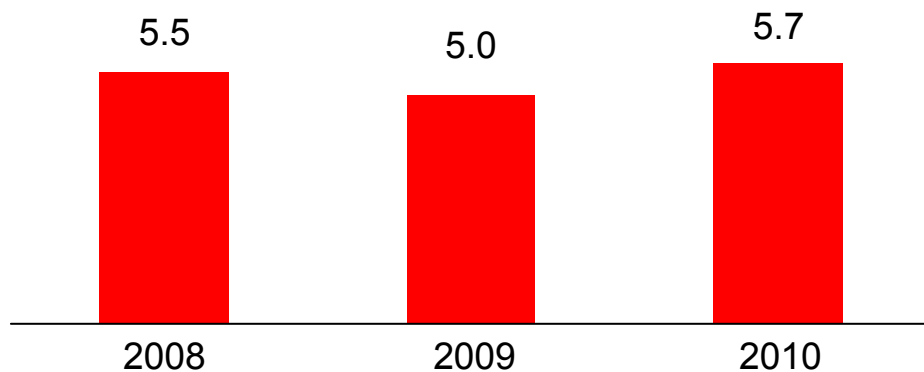
## HSBC position

Leading player with # 1 market shares

	HSBC only <sup>1</sup>	Hong Kong
Deposits (Dec 10)	25%	34%
Mortgages <sup>2</sup> (Dec 10)	19%	34%
HKD Bonds (Dec 10)	34%	34%

Ability to generate profits through the economic downturn

Hong Kong PBT  
USDbn, Reported



## Key actions

Continue to invest to maintain leadership<sup>1</sup>

- Top advertising spend (15% of industry) with # 1 in Brand Health
- USD1.4bn IT & delivery channel spend over past three years

Build new leadership segments<sup>1</sup>

- # 1 in life insurance new business 18.1% and Mandatory Provident Fund 24.8% market share
- Building ECM capability. “Best Equity House” 2010 by Finance Asia

Continue advances and deposits growth

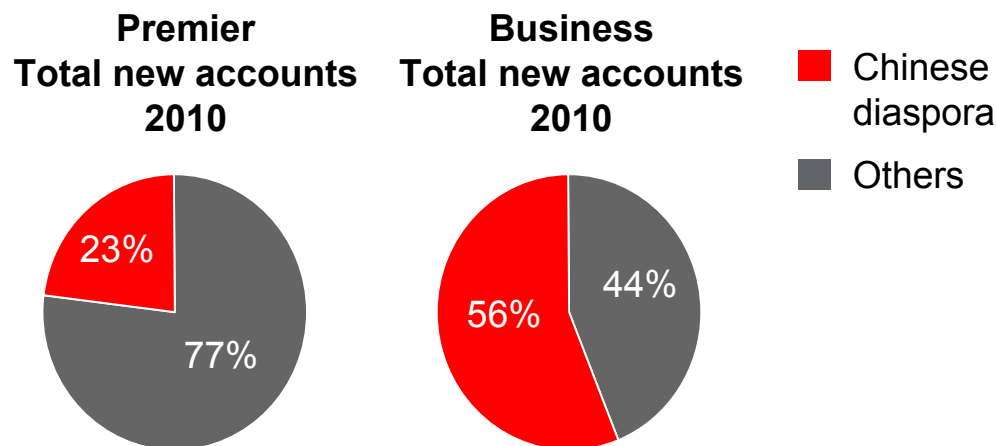
USDbn, Reported	2008	2009	2010	CAGR (08-10)
<b>Deposits</b>	251	275	297	9%
<b>Advances</b>	100	99	141	19%
<b>A/D ratio</b>	40%	36%	47%	

<sup>1</sup> HSBC excluding Hang Seng Bank, 2m Referral data

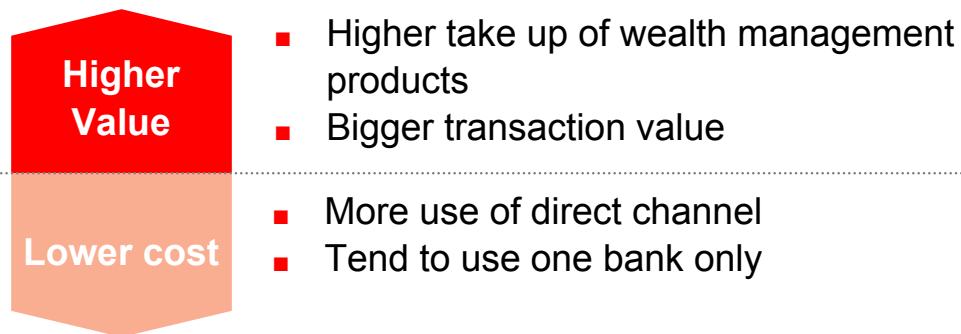
# Ideally positioned to capture cross-border opportunities



## Chinese diaspora: a major source of new customers<sup>1</sup>



## Chinese diaspora key behaviours



## Key actions<sup>3</sup>

Leveraging on cross-border connectivity to capture commercial clients

- 35% of new locally incorporated companies in HK bank with HSBC
- Commercial Banking referrals.
  - HK to mainland: +25%
  - Mainland to HK: +70%

Strengthening sales force to capture retail clients

- Recruited 1,500 frontline staff (70% Mandarin speaking)
- 112% YoY growth in new Chinese diaspora Premier accounts<sup>2</sup>
- Premier referrals
  - HK to mainland: +332%
  - mainland to HK: +150%

<sup>1</sup> Companies Registry, HKSAR / HSBC in-house figures, all excluding Hang Seng Bank

<sup>2</sup> FY 2010

<sup>3</sup> HSBC excluding Hang Seng Bank

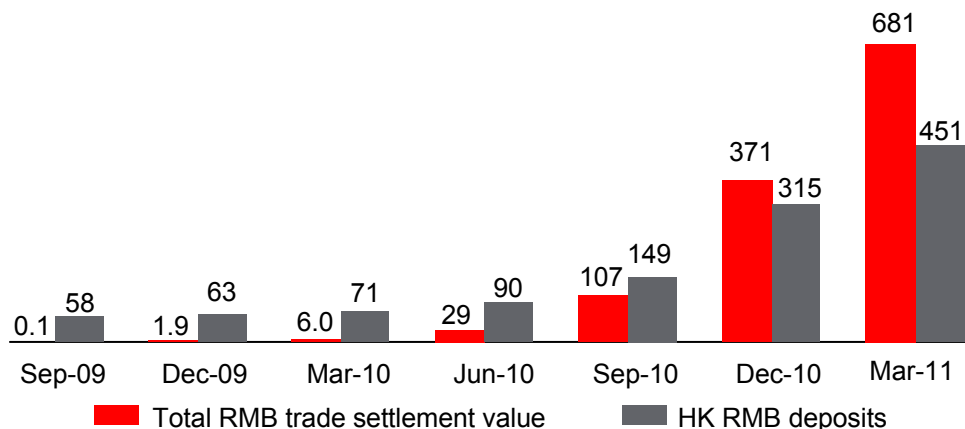
Strategic direction and actions for Hong Kong

# HSBC – The leading international RMB Bank



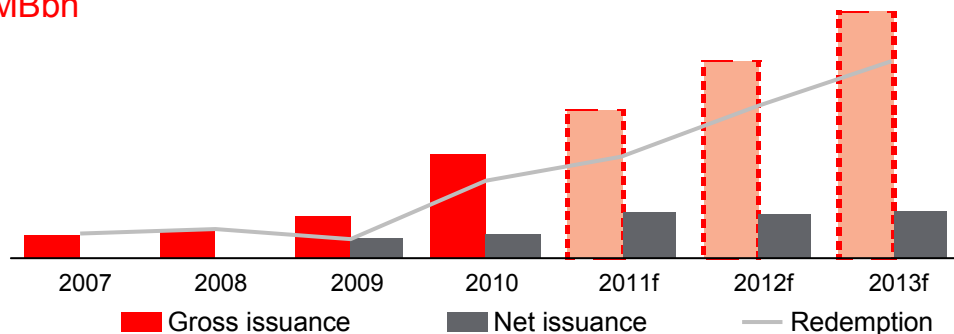
## Hong Kong RMB deposits vs. RMB trade settlement<sup>1</sup>

RMBbn, cumulative



## CNH bond new issuance forecast<sup>3</sup>

RMBbn



## Key actions

### Leveraging on first mover advantage

- Joint-Listing Agent on HK's first RMB IPO
- First RMB structured deposits. Launched RMB insurance, RMB Bond Fund
- Pioneered Offshore RMB (CNH) Bond Index

### Capitalising on international connectivity to further increase market share<sup>2</sup>

- HK's RMB deposits estimated to grow 300% in 2011
- RMB bond issuance: #1Rank YTD 2011. Issuance includes World Bank, Unilever, etc.
- RMB trade services in 45 markets on all 6 continents, settlement volume reaches RMB45bn FY2010

1 HKMA

2 HSBC in-house figures (exclude Hang Seng Bank)

3 Bloomberg

# Strategic direction and actions overview



## Asia

### Connecting Asia and the world

1

#### Expand leadership in Greater China

- Maintain leadership in Hong Kong
- Continued leadership as mainland China's top foreign bank
- Be the leading international bank for RMB worldwide

2

#### Build scale in other key markets

- Continue to invest to build scale in key markets:
  - India
  - Singapore
  - Malaysia
  - Indonesia
  - Australia

3

#### Maintain leadership in connectivity

- Focus resources in other markets to maintain leadership in intermediating Trade, Capital and Wealth flows

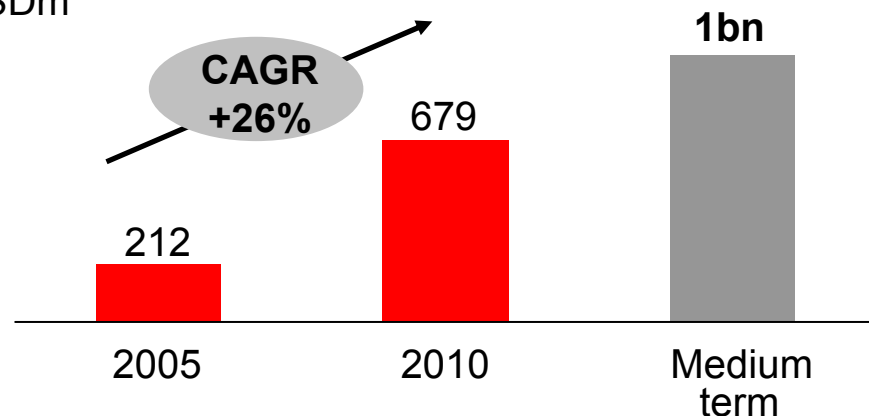


# India strategy – Well positioned across business lines to reach USD1bn PBT



## PBT aspiration

USDm



## Key actions

**Corporate:** Financing led strategy to build domestic corporate franchise serving our local and international customers' needs

**Retail:** Continuing to expand distribution to capture the retail opportunity e.g., RBS business acquisition<sup>3</sup>

## Key opportunities

- GDP expected to grow at over 8%, with middle class households growing 10% CAGR up to 2025<sup>1</sup>
- Wholesale banking revenue pool expected to grow 2.5x to USD40bn in 2015<sup>1</sup>
- Retail and Corporate profit pool related to Indians based overseas estimated at USD4bn<sup>2</sup>

## HSBC position

- HSBC is present in 50 cities with 106 outlets (driven by acquisition of InvestDirect in 2008)
- Strong GBM and CMB franchise (PBT grew 3x from 2005 to 2010)
- HSBC has a presence in most countries that have significant overseas Indian population

<sup>1</sup> Estimated by McKinsey

<sup>2</sup> Estimated by HSBC

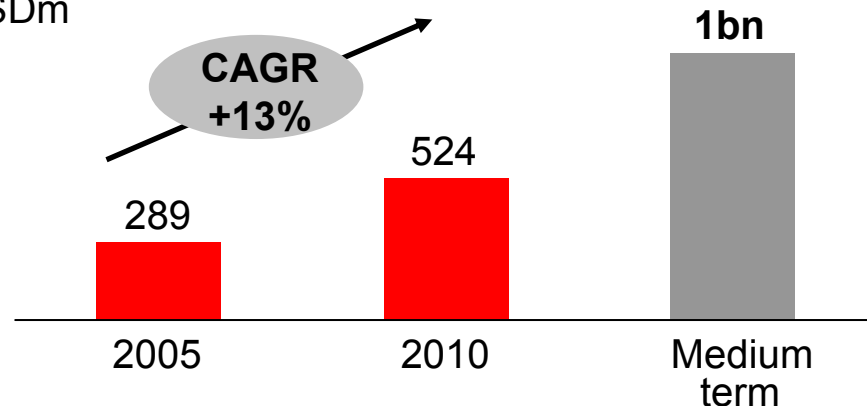
<sup>3</sup> Subject to Regulatory approval

# Singapore strategy – Wealth and Trading hub opportunity to provide USD1bn PBT



## PBT aspiration

USDm



## Key actions

**Wealth:** Investing in Relationship Managers for Premier and Private Banking, and enhancing distribution

**Trade:** Enhancing Trade Finance capability to serve the region

## Key opportunities

- Fastest growing offshore wealth centre: 28% CAGR from 2005 to 2008
- Merchandise export and import increased by 30% YoY to USD672bn in 2010 (3.0x GDP)<sup>1</sup>
- Asia (ex. Japan) largest FX exchange<sup>4</sup>

## HSBC position

- Best Cash Management Bank in South East Asia<sup>2</sup>, Best Trade Bank in Singapore<sup>3</sup>
- Most individual offshore AuM is from markets where HSBC has a strong presence
- HSBC has a strong presence with its top trading partners: mainland China, Malaysia, EU (e.g., UK, France, Germany), HK, USA

1 HSBC Research

2 Asset Asian Award 2009

3 Trade Finance 2009

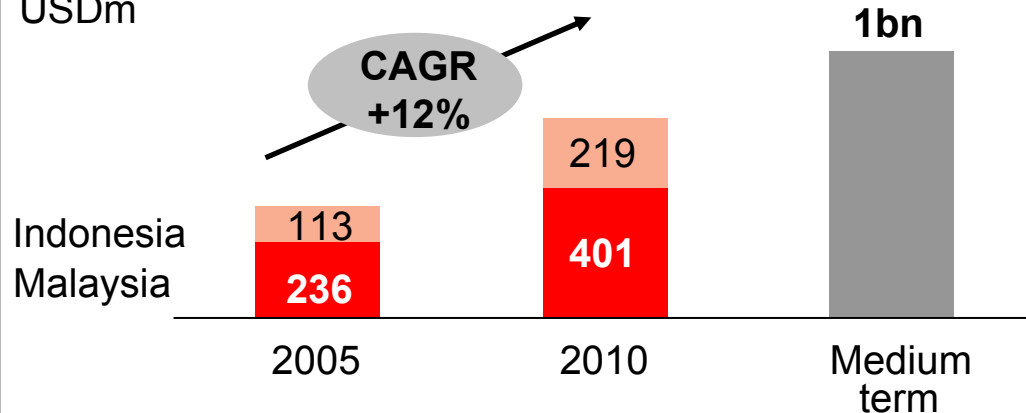
4 BIS 2010 survey

# Other key markets strategy – Malaysia and Indonesia positioned for strong growth to generate USD1bn combined



## PBT aspiration

USDm



## Key actions

**Malaysia:** Invest in distribution and Islamic Finance capabilities

**Indonesia:** Invest in Bank Ekonomi to capture SME opportunity and HSBC-Indonesia for wealth management and corporate opportunities

## Key opportunities and HSBC position

### Malaysia

- GDP growth of over 5% and development as a global Islamic Financial Centre
- HSBC is the leading foreign bank by total assets and branch network
- HSBC is World's # 1 Sukuk underwriter in 1Q11<sup>1</sup>

### Indonesia

- Strong domestic consumption growing at 13% CAGR (2007-2010) and commodity led export<sup>2</sup>
- HSBC positioned to capture domestic growth with 196 HSBC and Bank Ekonomi outlets<sup>3</sup>
- HSBC well positioned to capture cross-border flows: "Best International Trade Bank"<sup>4</sup>

<sup>1</sup> Euromoney

<sup>2</sup> EIU

<sup>3</sup> As of February 2011

<sup>4</sup> Trade Finance 2010



## Competitive advantages

Cross-border leadership in trade, capital and wealth flows

Network to connect Asia and the rest of the world

#1 brand in Asia

Well-funded subsidiaries business model

## Strategic actions

Grow quality assets and build scale in key markets

Deepen customer relationships to boost non-interest income

Build liabilities to capture benefits of rising interest rates

Continue cross-border leadership in trade, capital and wealth

### Target RoRWA

- 3.4-4.2%

### New USD1bn+ PBT markets

- India
- Singapore
- Malaysia and Indonesia

# Basis of preparation (1/2)



<b>Actuals</b>	Actual numbers presented are on a reported basis and include the effect of movements in the fair value of HSBC's own debt related to credit spreads
<b>AMG</b>	The Global Asset Management business formed part of GBM in 2010, but has been included in RBWM for the RoRWA targets. Comparative data will be presented to reflect this reclassification in the Interim Report 2011
<b>Asia</b>	Data for 'Asia' comprises the sum of reported figures for the Hong Kong and Rest of Asia-Pacific geographical regions without the elimination of inter-segment items
<b>Composition of the Group</b>	No changes to the composition of the Group have been assumed other than those described in this presentation
<b>Financial targets</b>	Financial targets are prepared on the basis of the Group's accounting policies as set out in the Annual Report and Accounts 2010, and on the basis of tax rates and laws enacted or substantively enacted as at 31 December 2010. The potential effects on HSBC's operations and performance of the Dodd-Frank Act in the US, the deliberations of the UK Independent Commission on Banking, and a range of evolving regulatory changes which may or may not affect HSBC have not been included in the targets
<b>Other</b>	The main items reported under 'Other' are certain property activities, the estimated impact of the UK bank levy, unallocated investment activities, centrally held investment companies, gains arising from the dilution of interests in associates, movements in the fair value of own debt designated at fair value (the remainder of the Group's gain on own debt is included in GBM) and HSBC's holding company and financing operations. The results also include net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, and costs incurred by the Group Service Centres and Shared Service Organisations and associated recoveries

## Basis of preparation (2/2)



<b>RoE</b>	Return on equity ('RoE') is profit attributable to ordinary shareholders of the parent company divided by average ordinary shareholders' equity
<b>RoRWA</b>	The metric, return on risk weighted assets ('RoRWA'), is the profit before tax divided by average RWAs. The RWAs have been calculated using FSA rules for the 2010 metrics. The regional and customer group targets are adjusted for Basel 3 rules specific to the GBM business. In all cases, RWAs or financial metrics based on RWAs for geographical segments or customer groups are on a third party basis and exclude intra-HSBC exposures
<b>RoRWA target for Europe</b>	The Europe RoRWA target includes the Group's head office costs, intra-HSBC recharges and the total estimated impact of the UK bank levy
<b>RoRWA target for 'Other'</b>	No RoRWA target has been set for the 'Other' customer group as it is not considered to be a meaningful measure in terms of performance assessment and resource allocation
<b>RWAs for the mainland China associates</b>	RWAs for the mainland China associates have been reallocated from the 'Other' customer group to RBWM, CMB and GBM to align better with the basis for the allocation of their profits. This represents a reclassification from the basis used in HSBC's 2010 Pillar 3 Disclosures. Comparative customer group RWAs will be presented on the new basis in the Interim Report 2011

# Acronyms and definitions



<b>A/D ratio</b>	Ratio of customer advances to customer deposits	<b>ETF</b>	Exchange traded funds	<b>NYSE</b>	New York Stock Exchange
<b>Advance</b>	HSBC Advance, a global banking proposition for the mass-affluent segment of customers	<b>EU</b>	European Union	<b>OCC</b>	Office of the Comptroller of Currency
<b>AFS</b>	Available for sale	<b>FCA</b>	UK Financial Conduct Authority	<b>OTC</b>	Over the counter
<b>AMG</b>	Global Asset Management	<b>FDI</b>	Foreign direct investment	<b>PBT</b>	Profit before tax
<b>APS</b>	Asset Protection Scheme	<b>FIG</b>	Financial Institutions Group	<b>PCM</b>	Payment and Cash Management, a division of Global Banking and Markets
<b>ASEAN</b>	The Association of South East Asian Nations	<b>FPC</b>	UK Financial Policy Committee	<b>PFS</b>	Personal Financial Services
<b>ASP</b>	Asia-Pacific	<b>FRB</b>	Federal Reserve Board	<b>PPI</b>	Payment protection insurance
<b>AUM</b>	Assets under management	<b>FSA</b>	Financial Services Authority	<b>PRA</b>	UK Prudential Regulation Authority
<b>BoCom</b>	Bank of Communications Co., Limited, mainland China's fourth largest bank by market capitalisation	<b>FSB</b>	Financial Stability Board	<b>Premier</b>	HSBC's premium global banking service
<b>bps</b>	Basis points (a basis point is 1/100 of a percentage point)	<b>FVOD</b>	Fair value of own debt related to credit spreads	<b>RBWM</b>	Retail Banking and Wealth Management global business, which comprises the existing Personal Financial Services customer group and Global Asset Management
<b>BSM</b>	Balance Sheet Management, a division of Global Banking and Markets	<b>FX</b>	Foreign exchange		
<b>CAGR</b>	Compound annual growth rate	<b>GBM</b>	Global Banking and Markets global business	<b>RMs</b>	Relationship managers
<b>CER</b>	The cost efficiency ratio is total operating expenses divided by net operating income before loan impairment charges and other credit risk provisions	<b>GDP</b>	Gross Domestic Product	<b>RMB</b>	Renminbi
<b>CHF</b>	Swiss franc	<b>GPB</b>	Global Private Banking global business	<b>ROE</b>	Return on equity
<b>CMB</b>	Commercial Banking customer group	<b>GTB</b>	Global Transaction Banking	<b>RoRWA</b>	Pre-tax return on risk weighted assets
<b>CML</b>	Consumer and Mortgage Lending	<b>HK</b>	Hong Kong Special Administrative Region of the People's Republic of China	<b>RWAs</b>	Risk weighted assets
<b>CoEs</b>	Centres of excellence	<b>HNWI</b>	High net worth individuals	<b>SIFIs</b>	Systemically Important Financial Institutions
<b>Core Tier 1 capital</b>	The highest quality form of regulatory capital that comprises total shareholders' equity and related non-controlling interests, less goodwill and intangible assets and certain other regulatory adjustments	<b>HSS</b>	HSBC Securities Services	<b>SMEs</b>	Small and medium-sized enterprises
	Capital Requirements Directive	<b>ICB</b>	Independent Commission on Banking	<b>STP</b>	Straight through processing
<b>CRD</b>	Capital Requirements Directive	<b>IPO</b>	Initial public offering	<b>TARP</b>	Troubled Asset Relief Program
<b>CRM</b>	Customer relationship management	<b>IT</b>	Information technology	<b>Tier 2 capital</b>	A component of regulatory capital, comprising qualifying subordinated loan capital, related non-controlling interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties
<b>CVA</b>	Credit valuation adjustment	<b>KYC</b>	Know your customer		
<b>DCM</b>	Debt capital markets	<b>LC</b>	Letters of credit	<b>UHNW</b>	Ultra high net worth individuals
<b>DTA</b>	Deferred tax asset	<b>LIC</b>	Loan impairment charges	<b>UK</b>	United Kingdom
<b>EBA</b>	European Banking Authority	<b>M&amp;A</b>	Mergers and acquisitions	<b>US</b>	United States of America
<b>ECA</b>	Export credit agency	<b>Mainland China</b>	People's Republic of China excluding Hong Kong	<b>VaR</b>	Value at risk: a measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence
<b>EM</b>	Emerging markets	<b>MENA</b>	Middle East and North Africa		
<b>EMEA</b>	Europe, Middle East and Africa	<b>MLA</b>	Mandated lead arranger	<b>YoY</b>	Year on year
<b>ESMA</b>	European Securities and Markets Authority	<b>MMEs</b>	Mid-market enterprises		
		<b>NAFTA</b>	North American Free Trade Agreement		
		<b>NNM</b>	Net new money		