



2008 CLSA CONFERENCE

Delivering growth in Asia

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THE HONGKONG AND SHANGHAI BANKING CORPORATION

22 SEPTEMBER 2008

HSBC 
The world's local bank

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 Interim Report.

All financial information used in this presentation is reported in accordance with IFRS and extracted from HSBC Holdings plc's 2008 Interim Report and Accounts unless indicated otherwise. 'Hong Kong' includes Hang Seng Bank and 'Asia-Pacific ex Hong Kong' also excludes dilution gains from associates and results from the Middle East.

Agenda

- Overview and performance
- Strategy
- Progress
 - Staying ahead in Hong Kong
 - Building scale in China
 - Positioning for growth in India
- Country showcases
 - Organic growth in Indonesia
 - Acquisition in Taiwan
- Outlook

Overview

HSBC Group

- **The world's leading international bank in emerging markets**
- **Our strategy is aligned with global trends: growth in emerging markets and longevity**
- **We are reshaping our business models to focus on the 'right to win'**
- **Strength in capital management and liquidity**

HSBC in Asia-Pacific¹

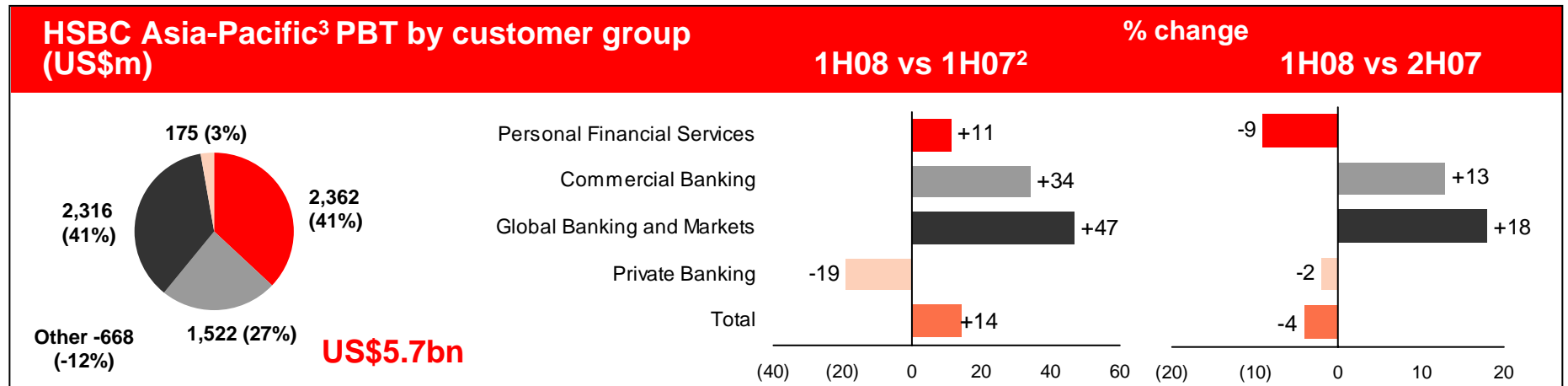
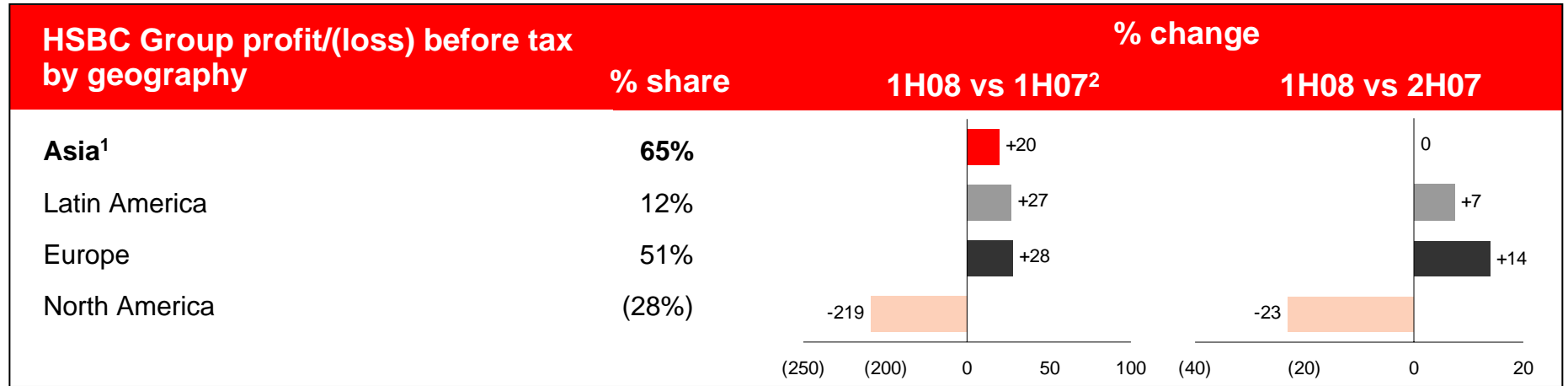
- **Asia-Pacific contributed 56% of the US\$10.2bn Group PBT in 1H08**
- **Two-pronged strategy: organic growth supplemented by strategic investments and acquisitions**
- **Building on connectivity and scale in our businesses which are tailored to each country in the region**
- **Solid capital and conservative liquidity positions driven from HK**

Note:

(1) Excludes the Middle East

HSBC Group: US\$10.2bn profit before tax (1H08)

Profitable in key geographies with the exception of the US

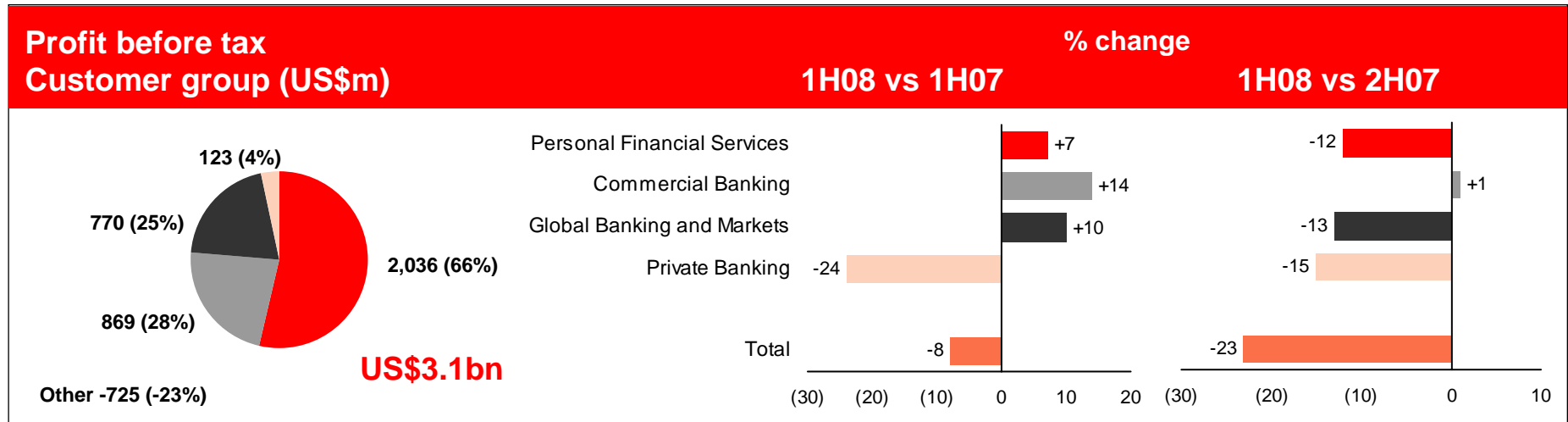


Notes:

- (1) Includes Middle East
- (2) Excludes gains arising from dilution of interests in Chinese and other associates
- (3) Excludes Middle East

Hong Kong: solid results against exceptional 2H07

PBT of US\$3.1bn



- PBT down by 8%, but flat excluding impairments in value of regional strategic investments
- Largest credit card issuer – 5.2 million cards in circulation at end-June 2008
- Expanding network and channels – nearly 200 outlets in the territory; undertaking US\$40m refurbishment
- Over 4 million PFS customers
- Leading bancassurer¹
- Largest SME bank – 139,000 BusinessVantage accounts, up 13% in 1H08 vs 1H07
- Best bank in trade, payments and cash management, foreign exchange and bonds²

Notes:
 (1) Office of the Commissioner of Insurance (No 1 in Individual Life New Business for 1H08 [regular premium], No 1 in New Single Premium in 1H08 and No 1 in MPF in 1H08)
 (2) Finance Asia Country Awards 2008

Hong Kong Strategy

PFS

Strengthen market share



- Grow HSBC Premier – 300,000+ customers, high cross-sell ratio and growing deposits
- Maintain leadership in mortgages and cards
- Adapt wealth management and investment products
- Increase penetration of life and pension products
- Boost branch and channel presence to enhance service and cement community links

CMB

To be the leading international business bank and The best bank for small businesses



- Drive customer acquisition via liabilities and remittances
 - Average of 4,000 new-to-bank SMEs per month; over one-third are from mainland China
- Cement leadership in Trade and Supply Chain (TSC); dedicated TSC client management
- Re-price assets to improve interest margins
- Expand wealth management and insurance products to diversify long-term income stream

Global Banking and Markets

Hub-and-spoke model for Asia and the Group



- Expand and deepen relationships by cross-selling and tapping into supply chain of companies with cross-border activities in Asia, Latin America, Africa and the Middle East
- Re-price assets in line with widening credit spreads and provide more bundled solutions
- Maximise capability as regional hub and centre of excellence for product innovation and risk management to drive Global Markets business in Hong Kong and Asia
- Work with CMB, PFS and Private Banking to cross-sell wealth and risk management products

Mainland China: building scale

PBT¹ up 92% to US\$907m in 1H08 vs 1H07

- Growing organically and optimising strategic partnerships
- Largest foreign bank network – target of more than 80 HSBC-branded outlets by end-2008
 - 75 HSBC Bank China outlets in 18 cities in September 2008
 - 1 rural bank at end-August 2008
 - 32 Hang Seng outlets in 10 cities in 1H08
- Targeting four economic growth zones
- Build Private Banking business – opened in March 2008 in Beijing, Guangzhou and Shanghai
- Develop rural bank business – opened a second rural bank in Chongqing in September 2008



Notes:
(1) Excludes dilution gains from associates

Mainland China Strategy

PFS

Focus on Premier



- 53 Premier Centres at end-August 2008
- Target to issue debit cards in 4Q08 (CBRC approval received)
- Expand RMB service – currently the widest foreign bank coverage, in 16 cities

CMB

To be the leading international business bank



- Set up specialist teams in branches to expand local base and work with “China desks” in Hong Kong, Tokyo, New York and London
- Deliver one-stop solutions for outbound Chinese companies
- Target internationally-focused SMEs in YRD and PRD

Global Banking and Markets

Positioned for the next wave of global growth

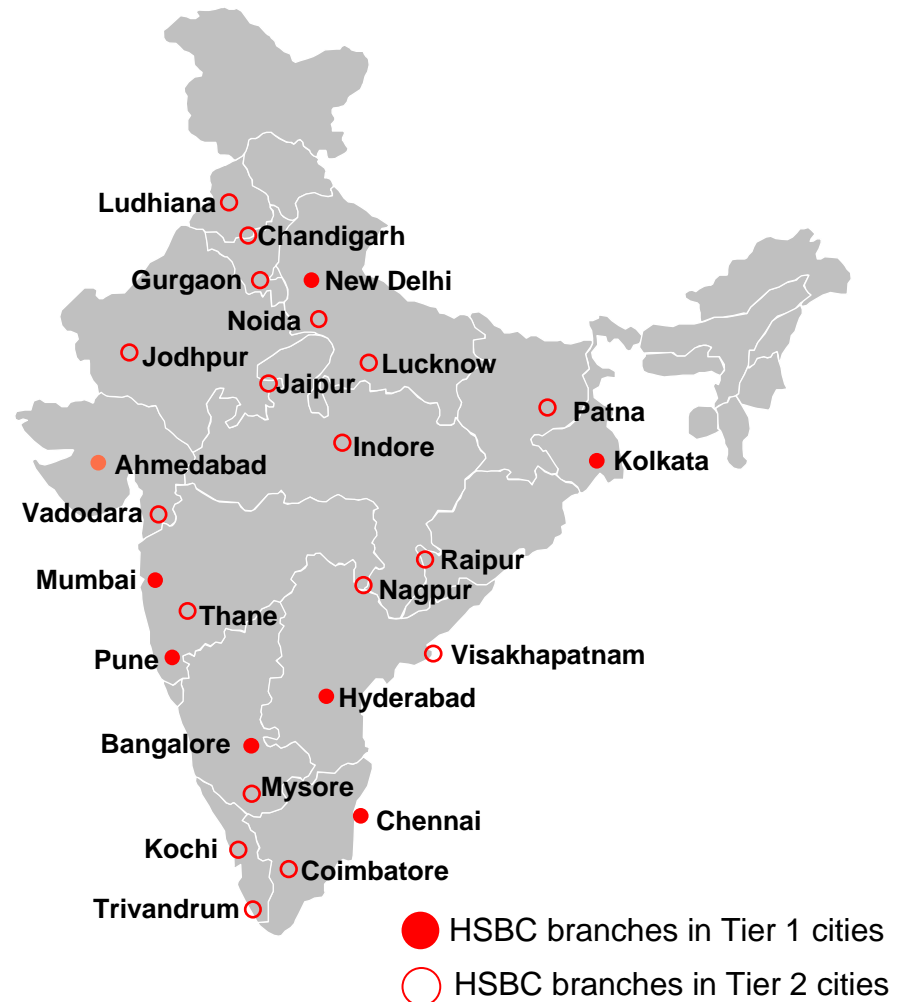


- Expand leading position in foreign exchange, corporate lending and trade finance to support onshore and cross-border needs of local companies and multinationals
- Build on the tri-hub strategy (Shanghai/Beijing/PRD) to increase customer coverage capability
- Expand sales into Tier 2 cities

India: positioned for growth

PBT up 24% to US\$371m in 1H08 vs 1H07

- **Second largest foreign bank network**
 - 47 branches
 - 8 Global Resourcing Centres
 - 4 Global Technology Centres
 - 15 Asset Management offices
- **10% of HSBC Group staff based in India**
- **Closing on IL&FS Investsmart acquisition**
 - Access to over 143,000 customers in 128 cities through 92 branches and 203 franchisee outlets¹
- **Building on initial success of Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited, operating through a head office and 29 regional offices**
 - Increasing branch coverage from 400 to 4,000, reaching 40 million customers
 - Expanding product set



Notes:

(1) IL&FS Investsmart, 31 July 2008

India Strategy

PFS

Focus on Premier, credit cards and NRIs



- Build on leadership position in Premier and wealth management – 10.4% penetration of mass affluent segment¹; 9.7% market share in retail funds under management²
- Cross-sell wealth management and liability products to growing active credit card base
- Drive a global NRI proposition with our global presence, global wealth management platform and strong remittance proposition

CMB

To be the leading international business bank and The best bank for small businesses



SME:

- Extend penetration into existing markets and Tier 2 cities with a liabilities-driven, transaction banking-led proposition
- Launched Business Direct in July 2008 – add 9,900 customers in 2008 and 41,000 in 2009

MME and Local Large Corporates:

- Set up dedicated resources to focus on investment banking, enhanced treasury products and structured products

Global Banking and Markets

Positioned for the next wave of global growth



- Focus on large and mid-market Indian corporates undertaking cross-border acquisitions
- Maintain leadership in corporate banking, treasury and capital markets, custody services, investment banking, equity capital markets and private equity

Notes:

(1) Datamonitor

(2) Based on estimates from Computer Age Management Services, Association of Mutual Funds in India and Asset Management Company (FUM market share as at July 2008)

Asia-Pacific ex Hong Kong PBT in 1H08 vs 1H07

Australia
\$100m PBT (+96%)



- Focused strategy in challenging banking environment drove strong performance growth
- Launch white label credit card with Woolworths in 2H08

Indonesia
\$66m PBT (+14%)



- Strong distribution growth

Japan
\$4m PBT (-78%)



- Launched Premier in January 2008 with 7 branches planned by end-2008

Malaysia
\$209m PBT (+44%)



- Opened HSBC Amanah Malaysia Berhad in August 2008 – first locally incorporated Islamic banking subsidiary of a foreign bank
- Significant branch expansion for HSBC Bank Malaysia Berhad planned

South Korea
\$177m PBT (+205%)



- Insurance JV – Hana Life

Taiwan
\$115m PBT (+167%)



- Integration of The Chinese Bank

Vietnam
PBT not disclosed



- Increased stake in Techcombank to 20% in September 2008
- Local incorporation announced

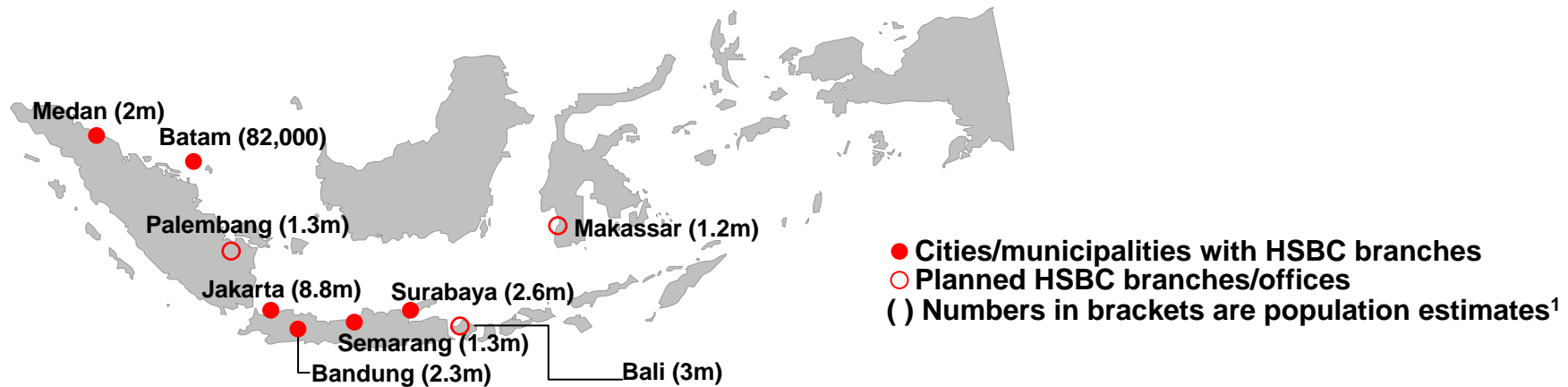
Country showcases

Indonesia organic growth:
extending channel and market reach

Taiwan growth by acquisition:
integration of The Chinese Bank

Indonesia

Extending channel and market reach



- Exploit expanded distribution and channels to support a “lean” mass-market strategy
 - Largest foreign bank network – target 110 outlets by end-2008 (currently 104 outlets nationwide)
 - Increase ATMs to 129 by end-2008 (currently 56 proprietary ATMs, linked to 13,000 ATMs via ATM Bersama network)
 - By end-October 2008, Amanah available in 5 cities – Jakarta, Bandung, Surabaya, Semarang and Medan
- Strengthen cross-sell capabilities across PFS, CMB and GBM
- Capture Amanah potential by repositioning Islamic banking services
- Invest in direct channels to extend market reach

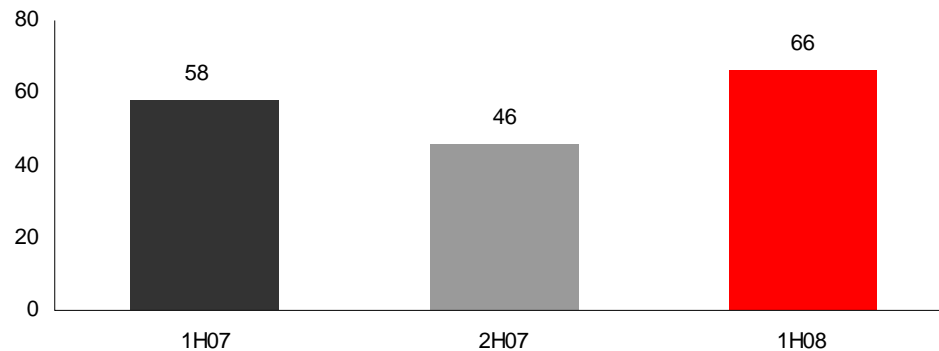
Note:
(1) Citypopulation.com (2005 estimates)

Indonesia

Profit before tax up 13% to US\$66m in 1H08 vs 1H07



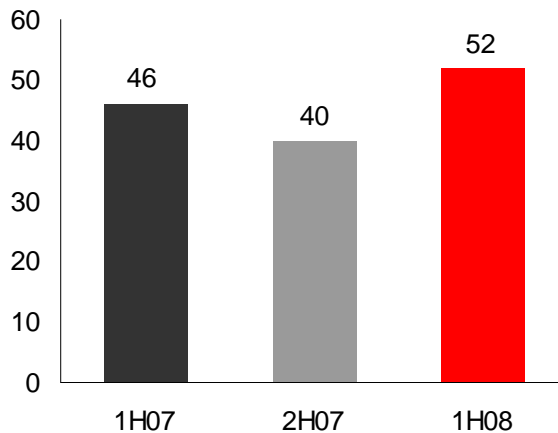
Profit before tax (US\$m)



Indonesia

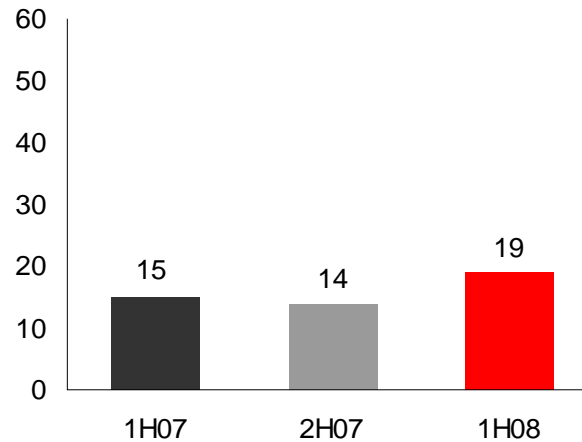
Strong growth and contribution from Global Markets and CMB

**Global Banking and Markets
PBT (US\$m)**



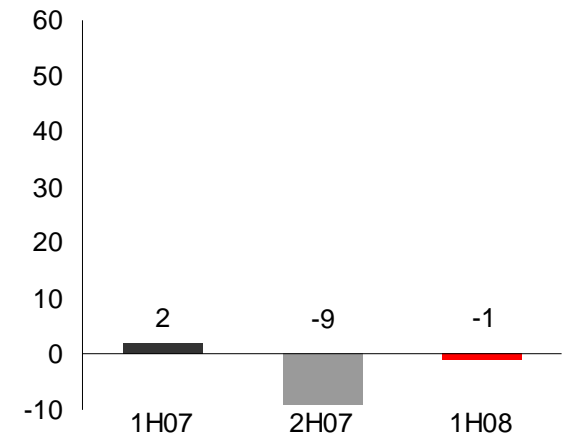
- Performance from strong transaction banking and markets activity

**Commercial Banking
PBT (US\$m)**



- Business benefiting from strong customer-related activity in trade and transaction banking

**Personal Financial Services
PBT (US\$m)**



- Continuing to invest in distribution and wealth management platforms

Indonesia Strategy

PFS

**Focus on Premier
and credit cards**

- Grow Premier customer base and continue to expand product and service capabilities
- Upgrade credit card base to platinum and gold cards to spur usage (728,000 credit cards at end-June 2008; second-largest issuer¹ by card spend in the country)
- Retool consumer finance business to target entrepreneurs and self-employed

CMB

**To be the leading
international
business bank
and
The best bank for
small businesses**

- Launch Business Direct, introduce scorecard lending for SMEs and expand cash management coverage for SMEs
- Drive payroll proposition to expand customer base
- Target top 100 mid-segment companies with focus on growth and under-penetrated sectors to build wholesale business
- Increase cross-sales and referrals with Private Bank and Premier

Global Banking and Markets

**Positioned for the
next wave of global
growth**

- Grow client base with focus on major local conglomerates
- Increase customer penetration using currency and interest rate hedging solutions
- Use debt capital markets capability to capture major institutional transactions
- Grow Islamic finance business

Note:

(1) Visa International

Indonesia Strategy

HSBC Amanah Syariah

Develop products
and distribution



Opportunity:

- More than 85% of population¹ is Muslim – largest in the world at more than 200 million
- Low penetration – only 1.7% have Shariah accounts²
- HSBC Amanah Syariah is the only foreign bank with an Islamic banking unit

Strategy

- Reposition proposition – make Shariah banking a ‘positive’ customer choice
- Develop innovative Shariah products and services for PFS, CMB and GBM
- Extend distribution of Shariah products to all HSBC branches
- Focus on offshore Shariah syndication and Sukuk markets
- Leverage HSBC’s regional and global Amanah expertise

Notes:

(1) Central Intelligence Agency, *The World FactBook*

(2) Fellowship of Indonesian Christians in America

Country showcases

Indonesia organic growth:
extending channel and market reach

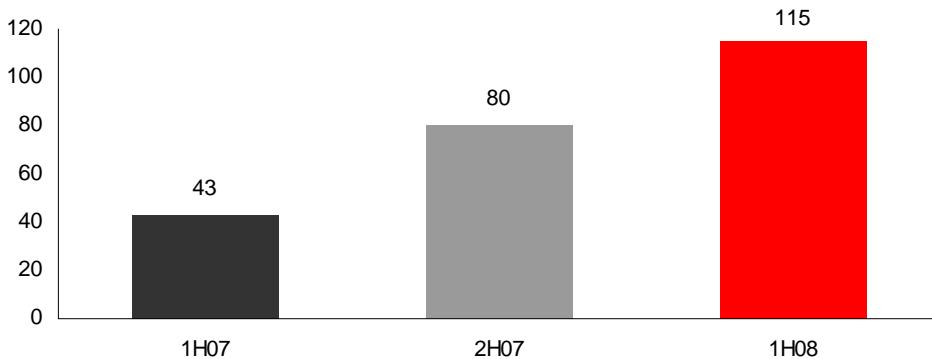
Taiwan growth by acquisition:
integration of The Chinese Bank

Taiwan

Profit before tax up 167% to US\$115m in 1H08 vs 1H07



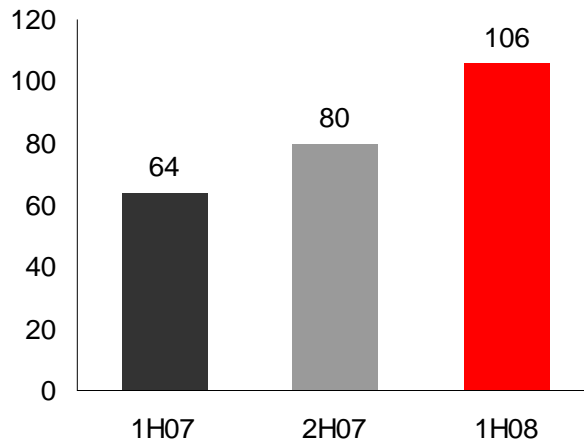
Profit before tax (US\$m)



Taiwan

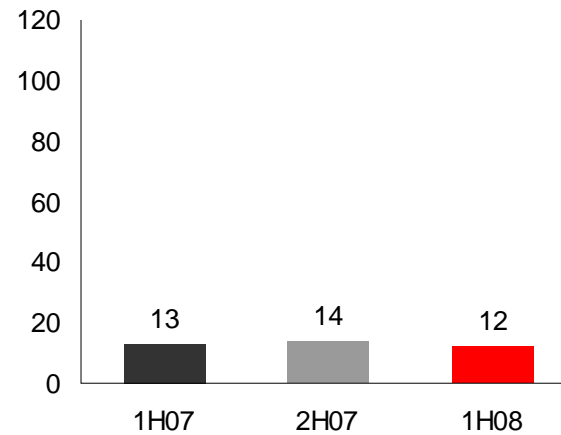
Strong growth and contribution from Global Banking and Markets

**Global Banking and Markets
PBT (US\$m)**



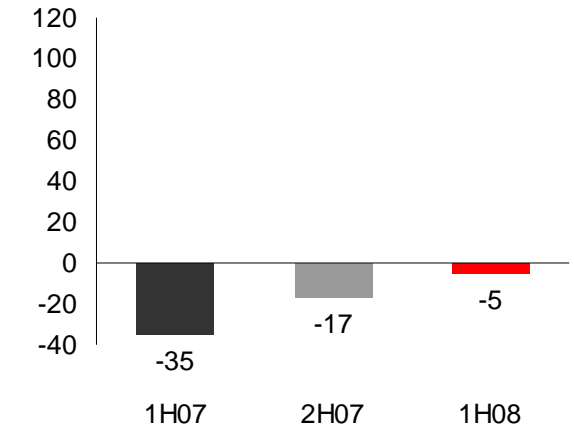
- Increased penetration of Global Markets products into large corporates and CMB customers with Greater China cross-border needs

**Commercial Banking
PBT (US\$m)**



- Stable CMB business with significant market share in factoring business

**Personal Financial Services
PBT (US\$m)**

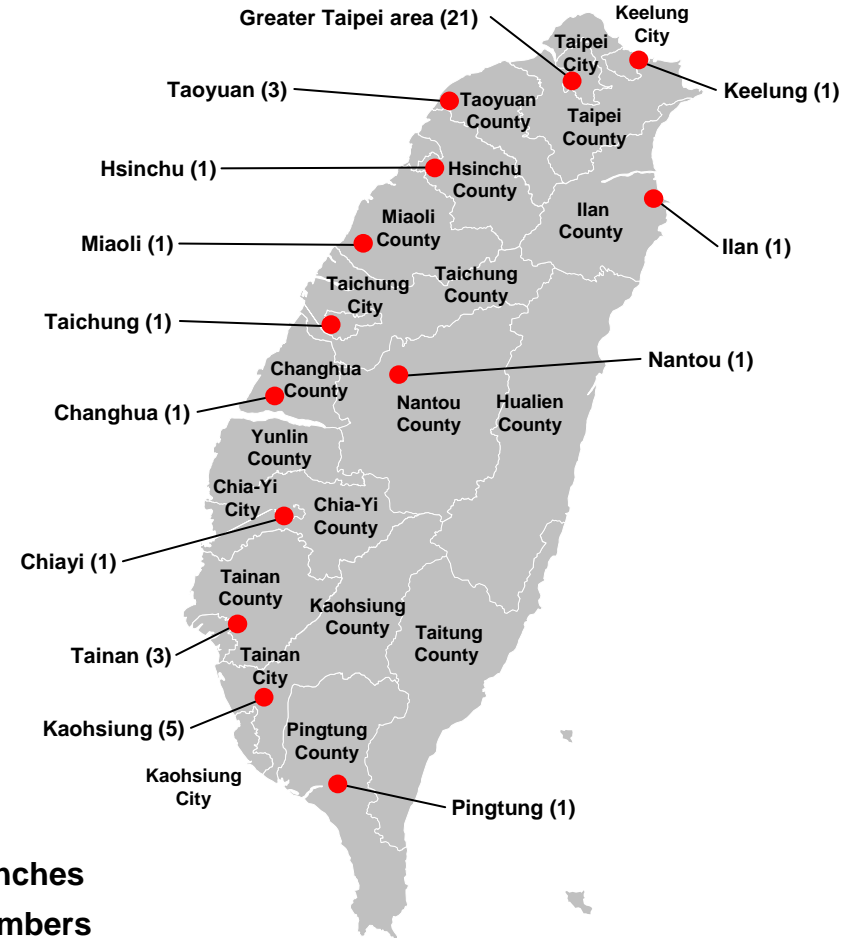


- Repositioned business with focus on wealth management; investment continues

Taiwan

Integration to drive Greater China connectivity

- **Integrate The Chinese Bank (TCB) and fully exploit combined network of 44 branches (+ 3 additional branches)**
 - 29 March 2008 – deal closed, branches re-branded
 - August 2008 – branch refurbishments ongoing; 11 branches to be relocated before end-2008
 - November 2008 – target ATM network upgrade/credit cards systems conversion
 - Branch staff integration underway
- **Strengthen Taiwan component of HSBC's Greater China proposition**



- Cities/municipalities with HSBC branches
- () Numbers in brackets are branch numbers

Taiwan Strategy

PFS

Focus on Premier

- Use wider network to grow wealth management business via Premier and Private Banking
- Tap into cross-border wealth flows within Greater China
- Expand HSBC Direct product range to extend reach to mid- and mass-market segments
- Continue to improve asset quality in the credit card business
- Strengthen product and distribution capabilities of HSBC Life via extended branch network

CMB

To be the leading international business bank and the best bank for small businesses

- Extend coverage in local SME sector through the expanded network to drive receivables and trade finance and payments and cash management
- Support Greater China platform for Taiwanese corporates, with teams in Hong Kong, mainland China and Vietnam
- Expand product range to transactional, treasury, lending and risk management services to MMEs and SMEs in manufacturing and trade in Greater China and Rest of Asia-Pacific

Global Banking and Markets

Positioned for the next wave of global growth

- Global Markets: expand product range with a focus on RMB hedging, cross-border funding, liabilities solutions, research and brokerage services
- Global Banking: build out Greater China loan and transaction banking portfolio; enhance Hong Kong IPO, advisory capabilities and Euro Convertible Bond underwriting solutions
- Transaction Banking: provide full spectrum of payments, cash, trade and supply chain solutions for large corporates in manufacturing and trading in Greater China

Outlook

Asia

- Challenging operating environment
- Inflation still a concern, but fundamentals remain generally sound
- Growth in emerging markets to continue, albeit slower
- Corporate activity slowing
- Reduced appetite for equity-linked and similar wealth management products

HSBC in Asia-Pacific

- Continue to focus on strategy and execution, adapting to the economic cycle and credit conditions for long-term growth
- Cost management and control are a priority
- Drive IT investment to common Group systems and processes to achieve efficiency gains from standardisation and process re-engineering
- Solid capital and conservative liquidity positions provide ability to invest in Asia for the long term