

ASIA-PACIFIC

Asia update

VINCENT CHENG
CHAIRMAN
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

30-31 MARCH 2009

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.

Overview

HSBC Group

- The world's leading international bank in emerging markets
- Our strategy is aligned with global trends: growth in emerging markets, trade 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

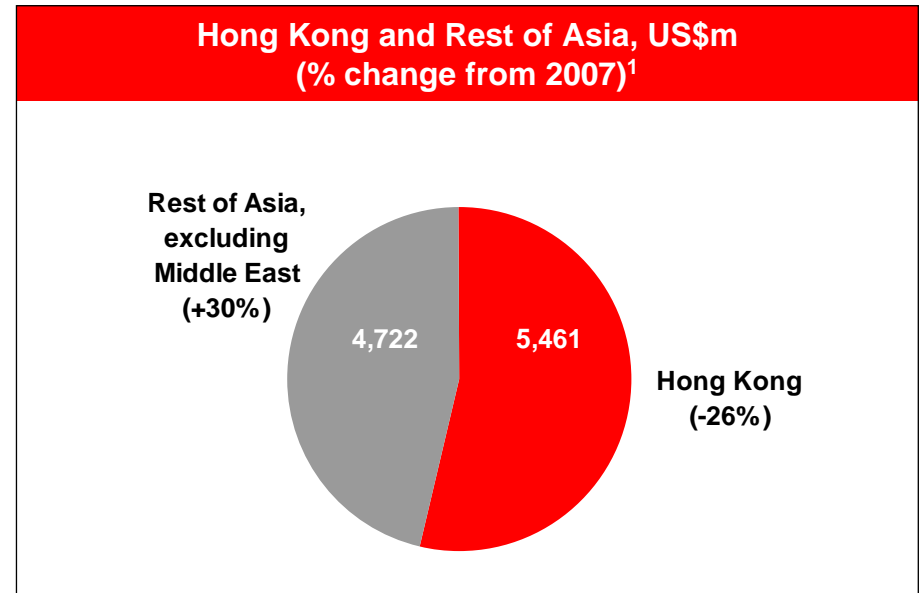
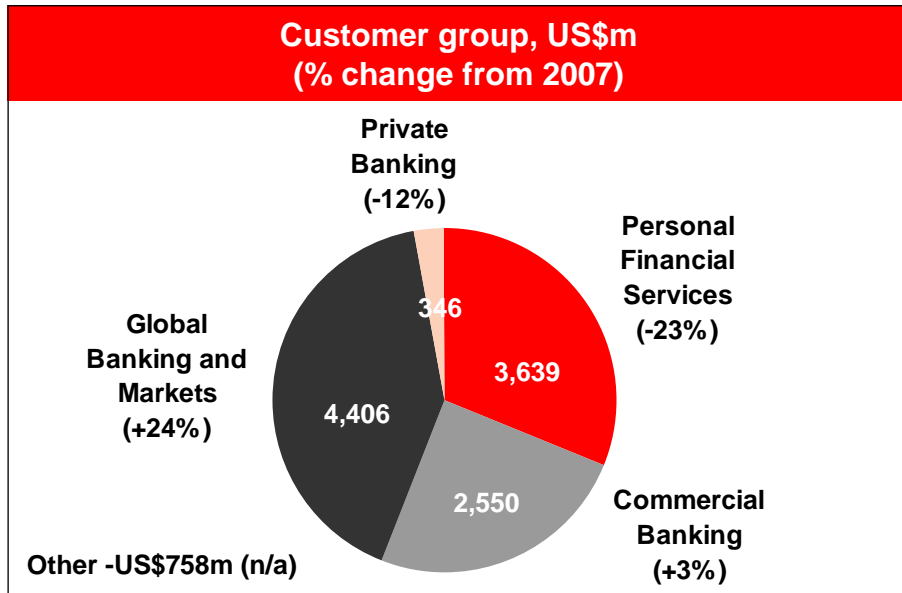
- Asia-Pacific contributed 51% of the US\$19.9bn Group profit before tax in 2008, excluding good will impairment
- Two-pronged strategy: organic growth supplemented by strategic investments and acquisitions
- Building on connectivity and scale in our businesses which are tailored to each country in the region
- Solid capital and conservative liquidity positions driven from HK

Notes:

(1) Excludes the Middle East

Core business highlights – Asia ex-Middle East

PBT of US\$10.2bn in 2008, down 7%¹ from 2007; over half of Group PBT²



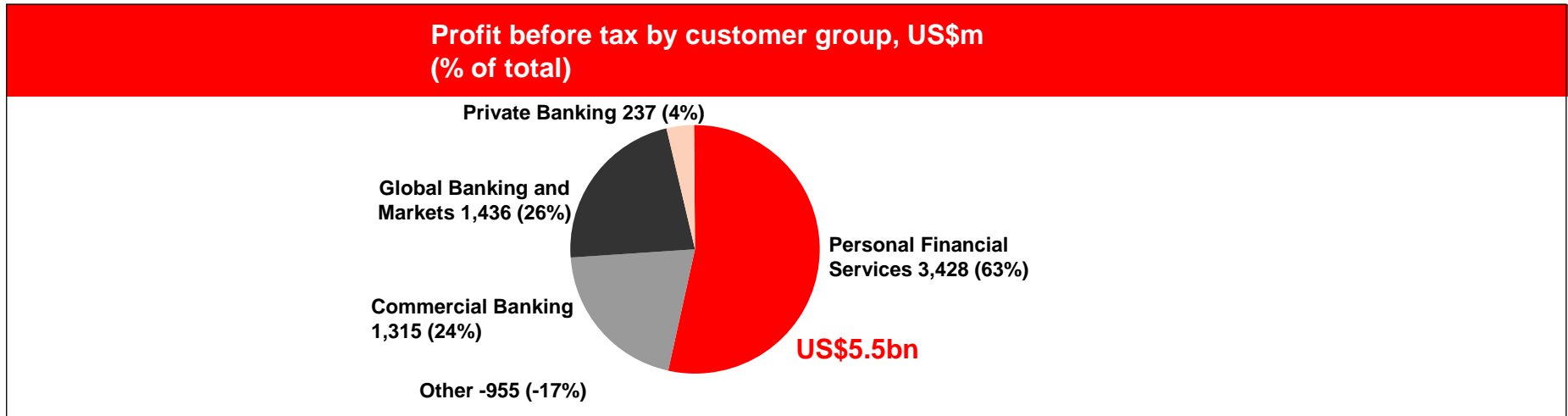
- Hong Kong down from record 2007, affected by weak equity markets
- Strong performance across most other markets
- Rest of Asia comprised 46% of total Asia PBT in 2008 (vs 33% of total Asia PBT in 2007)

Notes:

- (1) Excluding Middle East and dilution gains on Chinese associates
 (2) Group profit before tax excluding goodwill impairment

Hong Kong: solid results against exceptional 2007

PBT of US\$5.5bn in 2008



- PBT down by 26%, due to lower wealth management and insurance income and impairments on investments
- Largest credit card issuer – 5.3 million cards in circulation at end December 2008
- Expanding network and channels – 243 manned outlets in the territory
- Leading bancassurer¹
- Largest SME bank – 280,000 SME customers
- 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 3Q08 [regular premium], No 2 in New Single Premium in 1H08 and No 1 in MPF in 3Q08)
(2) *Finance Asia* Country Awards 2008

Hong Kong Strategy

PFS

Strengthen market share

- Grow HSBC Premier – 320,000+ 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 strengthen community links

CMB

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

- Drive customer acquisition via liabilities and remittances – over 4,000 new accounts monthly
- Support SME financing needs
 - SME fund increased to HK\$8bn from HK\$4bn – 46% utilisation as at 24 March 2009
 - Customer lending up 14% to HK\$245bn in 2008
- Cement leadership in Trade and Supply Chain (TSC) – dedicated TSC client management
- Expand wealth management and insurance products to diversify long-term income stream

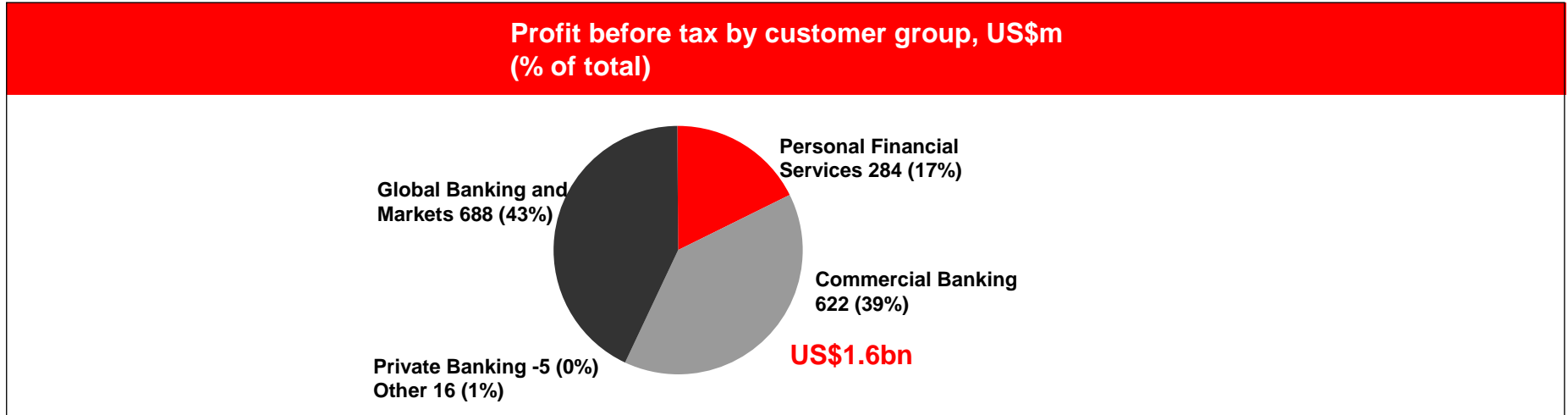
Global Banking and Markets

Hub-and-spoke model for Asia and the Group

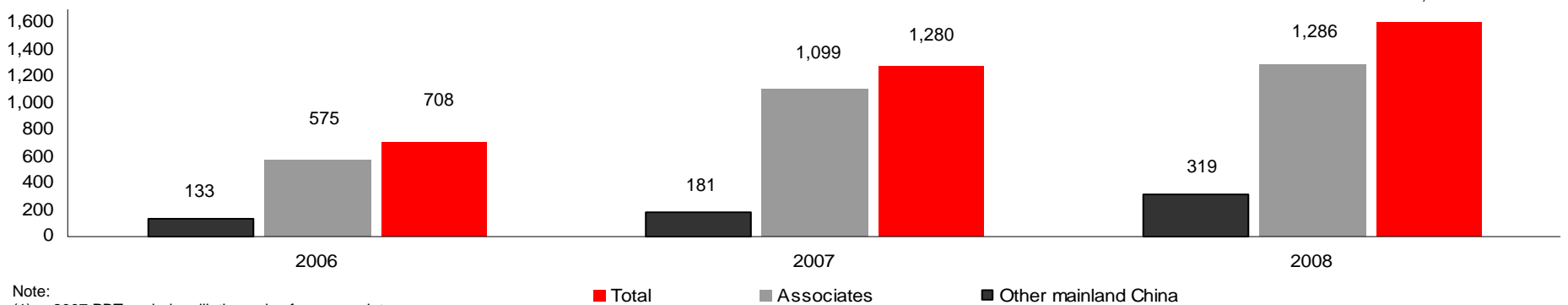
- Expand and deepen relationships by cross-selling and tapping into supply chain of companies with cross-border activities in Asia, Latin America, Africa and the Middle East
- Take market share from competition retreating from foreign markets
- Maximise capability as regional hub and centre of excellence 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

PBT of US\$1.6bn in 2008, up 25%¹ from 2007



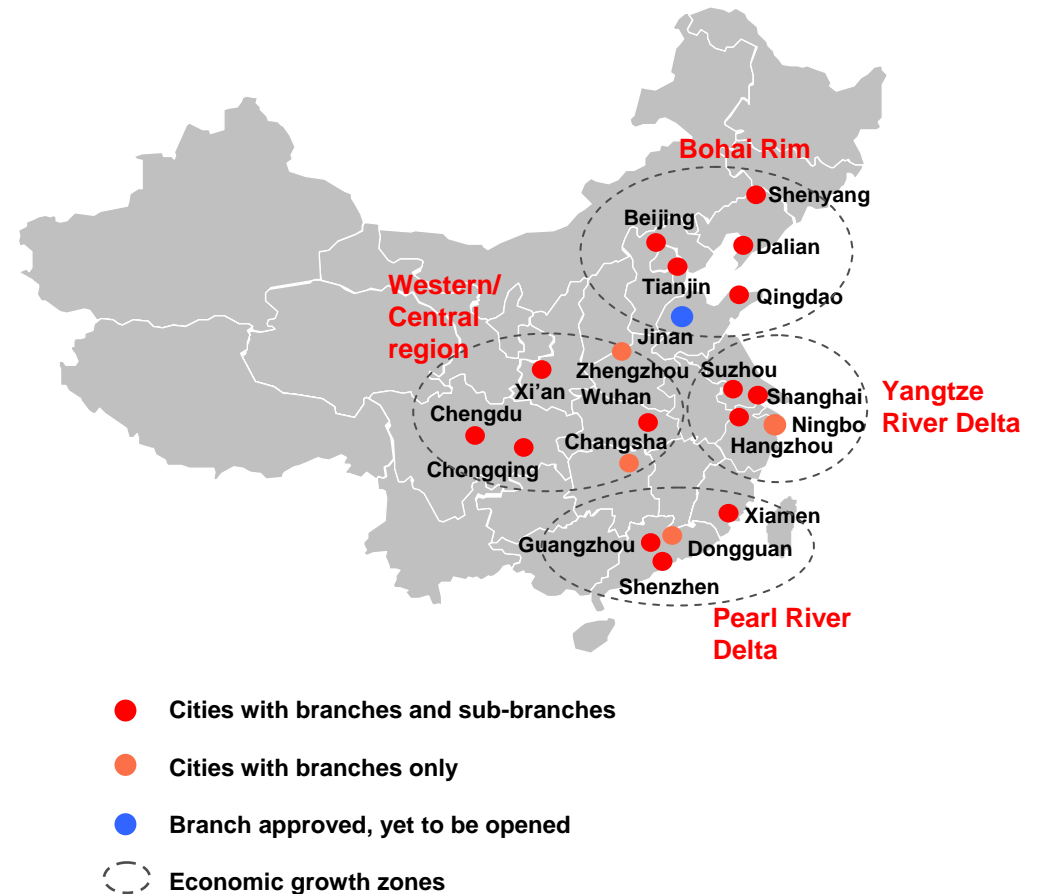
Profit before tax¹, US\$m



Note:
(1) 2007 PBT excludes dilution gains from associates

Mainland China: building scale

- Growing organically and optimising strategic partnerships
- Largest foreign bank network – target 100 HSBC-branded outlets by end 2009
 - 82 HSBC Bank China outlets in 19 cities (March 2009)
 - 5 rural banks (March 2009)
 - 33 Hang Seng outlets in 11 cities as (December 2008)
- Targeting four economic growth zones
- Build Private Banking business – opened in March 2008 in Beijing, Guangzhou and Shanghai
- Develop rural bank business – opened fifth rural bank in Enping in March 2009



Mainland China Strategy

PFS

Focus on Premier

- 54 Premier Centres in 17 cities by end March 2008
- Expand product range – launched debit cards in November 2008; adding capital-protected products and insurance
- Expand RMB service – currently the widest foreign bank coverage, in 18 cities

CMB

To be the leading international business bank

- Drive trade and supply chain business
- Specialist teams in branches working 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

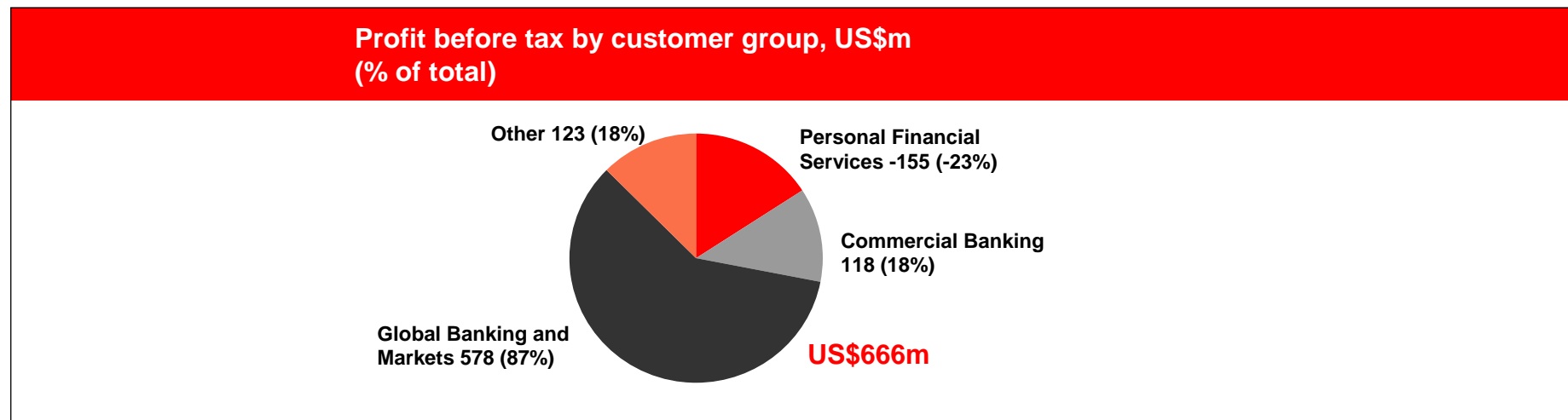
Global Banking and Markets

Positioned for the next wave of global growth

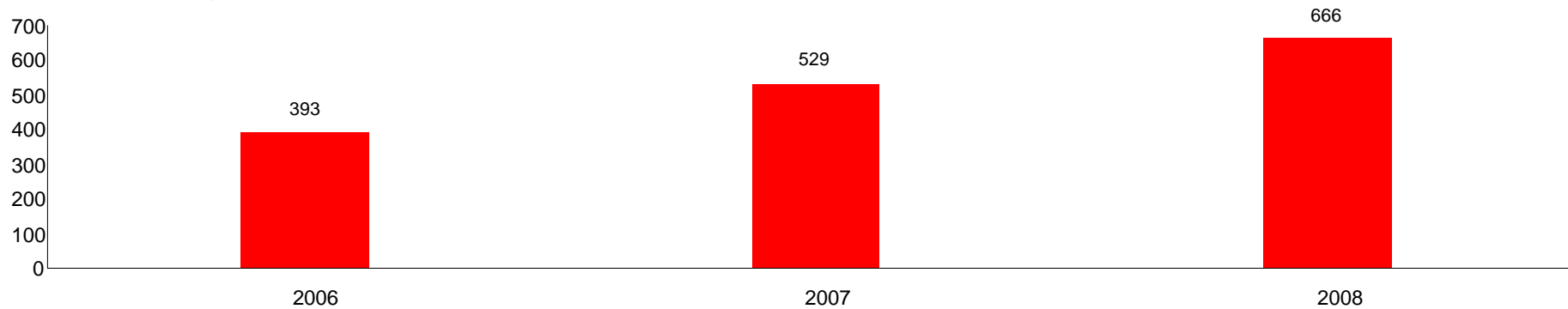
- Expand leading position in foreign exchange, corporate lending and trade finance to support onshore and cross-border needs of local companies and multinationals
- Build on the tri-hub strategy (Shanghai/Beijing/PRD) to increase customer coverage capability
- Expand sales into Tier 2 cities

India

PBT of US\$666m in 2008, up 26% from 2007

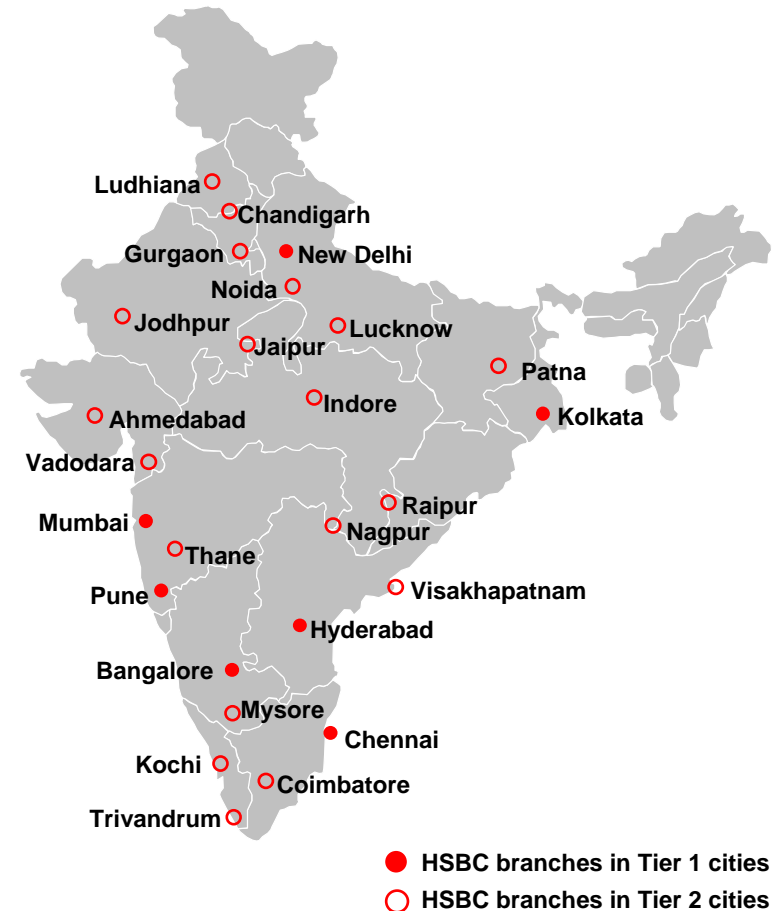


Profit before tax, US\$m



India: positioned for growth

- Second largest foreign bank network
 - 47 branches
 - 8 Global Resourcing Centres
 - 4 Global Technology Centres
 - 15 Asset Management offices
- Grow mass affluent/mid-market base via IL&FS Investsmart
 - Access to over 143,000 customers in 128 cities through 92 branches and 203 franchisee outlets¹
- Expand insurance footprint via 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



Note:
(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 non-resident Indian (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
- Expand customer base through Business Direct

MME and Local Large Corporates:

- Grow businesses in 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
- Take market share from competition retreating from foreign markets by maintaining leadership in corporate banking, treasury and capital markets, custody services, investment banking, equity capital markets and private equity
- Integrate Investsmart's wholesale capabilities – target domestic/mid-market capital markets transactions








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)

Rest of Asia-Pacific

PBT in 2008 (% change from 2007)

Australia US\$176m PBT (+42%)		<ul style="list-style-type: none">• Focus on Premier, trade and transaction banking• Launched white label credit card with Woolworths in 2H08
Indonesia US\$121m PBT (+16%)		<ul style="list-style-type: none">• Agreed to acquire 88.89% of Bank Ekonomi to nearly double branch network, pending regulatory approval
Japan US\$4m PBT (-91%)		<ul style="list-style-type: none">• Opened seven new Premier Centres in 2008
Malaysia US\$369m PBT (+12%)		<ul style="list-style-type: none">• Opened HSBC Amanah Malaysia Berhad in August 2008 – first locally incorporated Islamic banking subsidiary of a foreign bank
Singapore US\$597m PBT (+9%)		<ul style="list-style-type: none">• Focus on Premier and Private Banking
South Korea US\$313m PBT (+154%)		<ul style="list-style-type: none">• Drive sales in Hana HSBC Life Insurance via expanded product range and channel network
Taiwan US\$175m PBT (+42%)		<ul style="list-style-type: none">• Completed integration of The Chinese Bank• Local incorporation pending regulatory approvals

Conclusion and outlook

Group strengthened and well-placed in today's environment

Performance and outlook

- Resilient performance in 2008
 - Hong Kong although down in 2008 over 2007 continued to deliver strong contribution to Group
 - Rest of Asia contributed robust profits
- Continued economic strain
 - Asia not immune to slowdown – expect weak corporate activity and weak consumer appetite for investments
 - Rest of Asia to continue growth trend, albeit slower – expect to recover faster than developed markets

Confidence in HSBC

- Maintaining HSBC's signature financial strength
 - Strong internal capital generation
 - Rights Issue
 - Dividend rebasing
- Long-term confidence in the Group's business
 - HSBC's Asian strategy intact and sound
 - Take advantage of organic and potential acquisition opportunities in Asia
- Building on international network and diversity of businesses and customers