



2009 CLSA CONFERENCE

Delivering growth in Asia

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THE HONGKONG AND SHANGHAI BANKING
CORPORATION LIMITED

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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. Past performance cannot be relied on as a guide to future performance

All financial information used in this presentation is reported in accordance with IFRS and extracted from HSBC Holdings plc's 2009 Interim Report unless indicated otherwise. 'Hong Kong' includes Hang Seng Bank and 'Asia-Pacific' includes Hong Kong and the rest of Asia-Pacific

Agenda

Performance

Presence

Opportunity

Strategy

Progress in Hong Kong, mainland China and the rest of Asia-Pacific

Country in focus: Indonesia

Summary

Performance

Group financial results

First half 2009

Profit before tax	US\$5.0bn, down 51%¹
Attributable profit	US\$3.3bn, down 57%¹
Earnings per share	US\$0.21, down 63%¹
Return on total shareholders' equity	6.4% compared to 12.1%¹
Tier 1 ratio	10.1%, vs 8.3% at end 31 Dec 2008 Core equity tier 1 ratio 8.8%
Dividends per share²	US\$0.16, down 56%¹

Notes:

(1) Comparison of results vs 1H08

(2) In respect of 1H09

Personal Financial Services

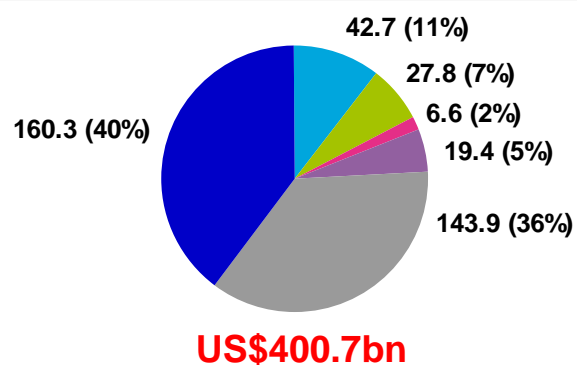
US losses and narrow deposit spreads

Regional mix, 1H09

▶ Profit / (loss) before tax

	US\$m
Hong Kong	1,337
Rest of Asia-Pacific (RoAP)	135
Middle East	35
Latin America	(125)
Europe	212
North America	(2,843)
Profit before tax	(1,249)

▶ Customer lending, 30 Jun 09, US\$bn²

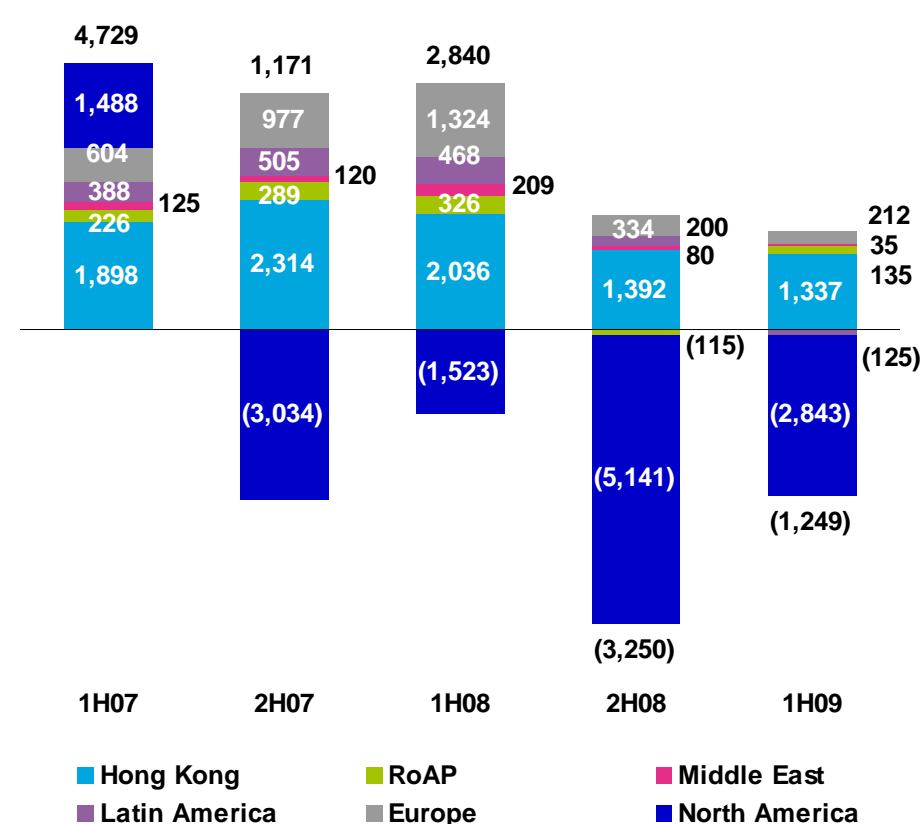


Notes:

- (1) Excluding goodwill impairment charge for PFS in North America
- (2) Figures may not add up to exactly 100 per cent due to rounding

Regional mix, 1H07 – 1H09¹

▶ Profit / (loss) before tax, US\$m



Commercial Banking

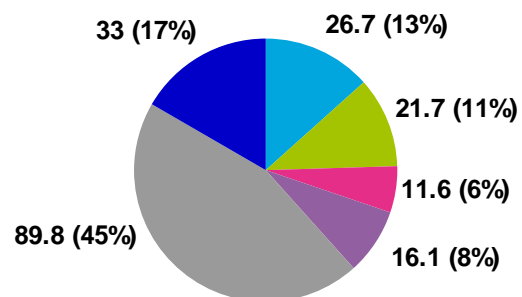
Solidly profitable in all regions

Regional mix, 1H09

▶ Profit before tax

	US\$m
Hong Kong	424
RoAP	459
Middle East	252
Latin America	221
Europe	852
North America	224
Profit before tax	2,432

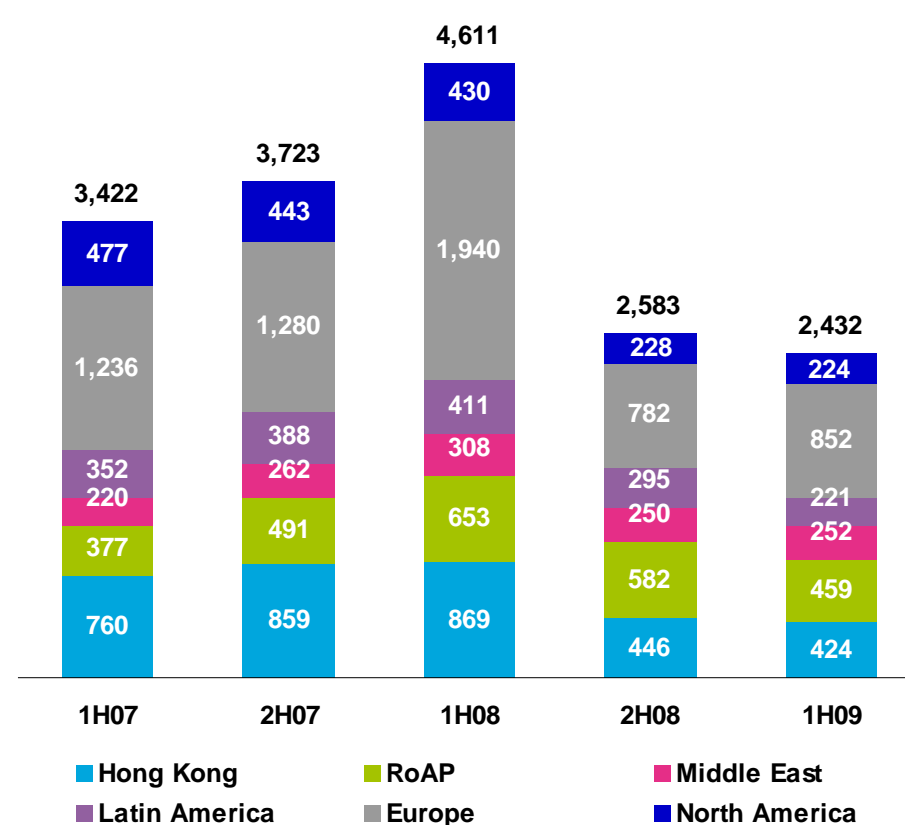
▶ Customer lending, 30 Jun 09, US\$bn



US\$198.9bn

Regional mix, 1H07 – 1H09

▶ Profit before tax, US\$m



Global Banking and Markets

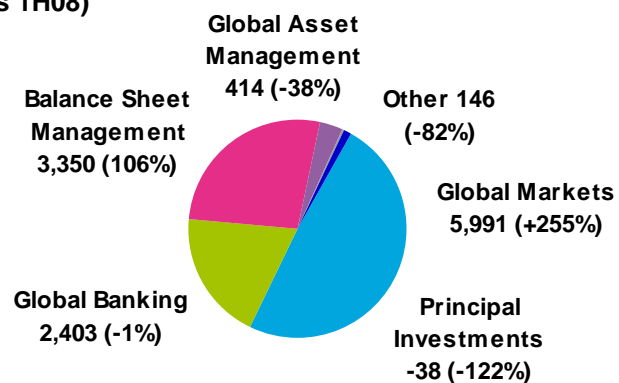
Record performance; balanced business model

Regional mix, 1H09

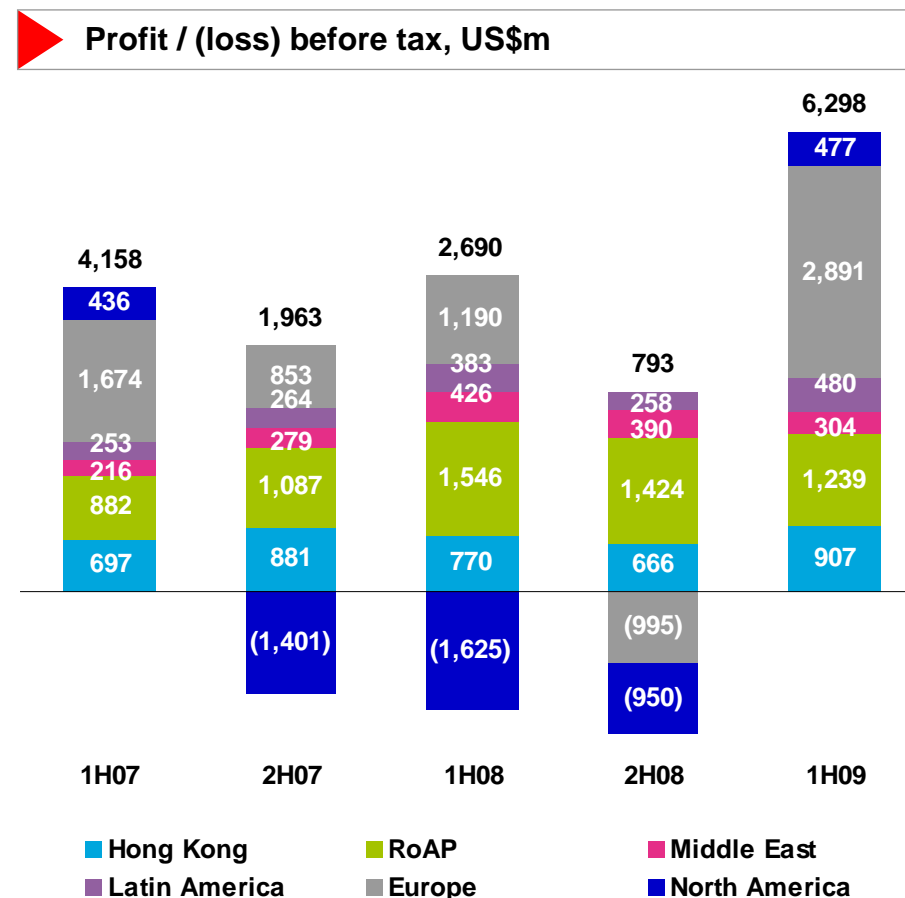
▶ Profit / (loss) before tax	
	US\$m
Hong Kong	907
RoAP	1,239
Middle East	304
Latin America	480
Europe	2,891
North America	477
Profit before tax	6,298

▶ Management view of total operating income, US\$m

(% change vs 1H08)



Regional mix, 1H07 – 1H09



Private Banking

Sustained profitability

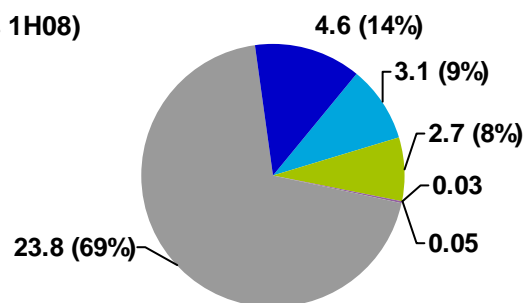
Regional mix, 1H09

▶ Profit before tax

	US\$m
Hong Kong	106
RoAP	47
Middle East	5
Latin America	4
Europe	447
North America	23
Profit before tax	632

▶ Customer lending, 30 Jun 09, US\$bn¹

(% change vs 1H08)



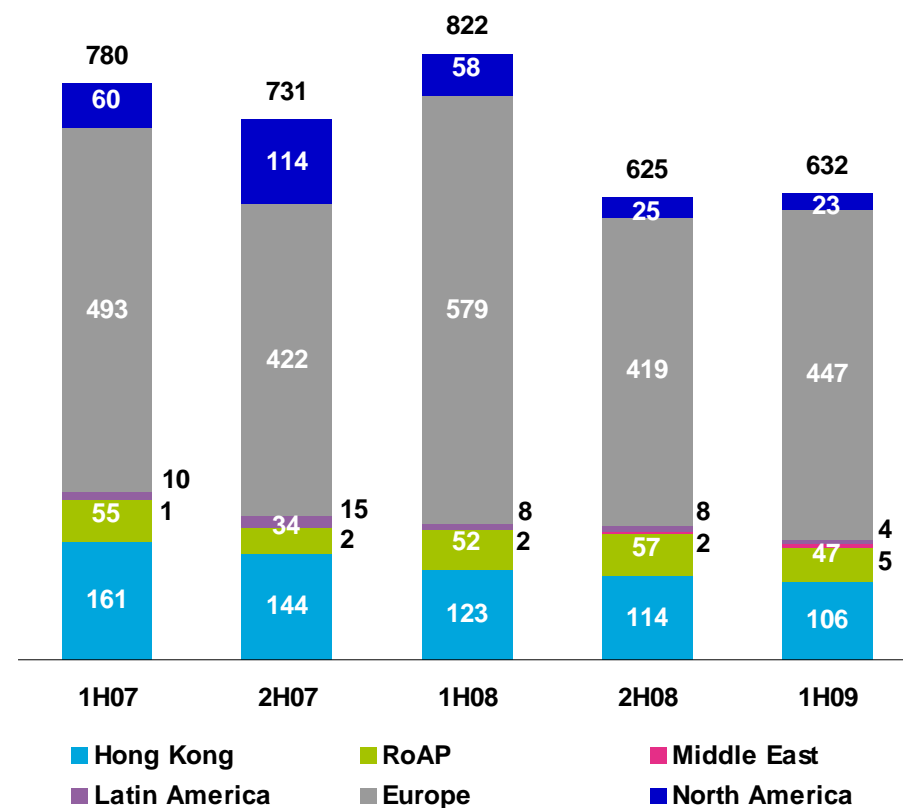
US\$34.3bn

Notes:

(1) Figures may not add up to exactly 100 per cent due to rounding

Regional mix, 1H07 – 1H09

▶ Profit before tax, US\$m



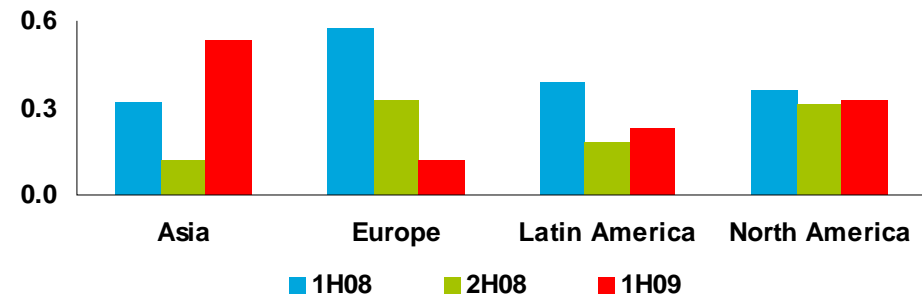
Insurance

Growing contribution

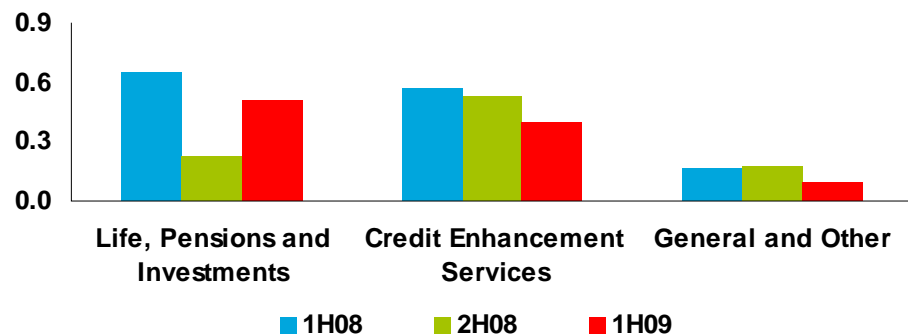
Milestones

- Contributed PBT of US\$1.2bn in 1H09, representing 16% of Group profit¹
- Strengthening position of bancassurance in faster-growing emerging markets
- Market leader in Hong Kong, expanding footprint in Asia-Pacific

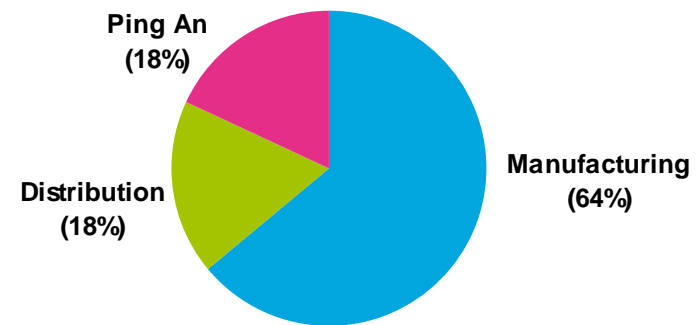
PBT by region, US\$bn



PBT² by product category, US\$bn



PBT by insurance business, 1H09



Notes:

(1) Group profit before tax excluding movements in FV on own debt

(2) Excludes Ping An

Asia-Pacific

PBT of US\$4.5bn in 1H09

Hong Kong mix, 1H09

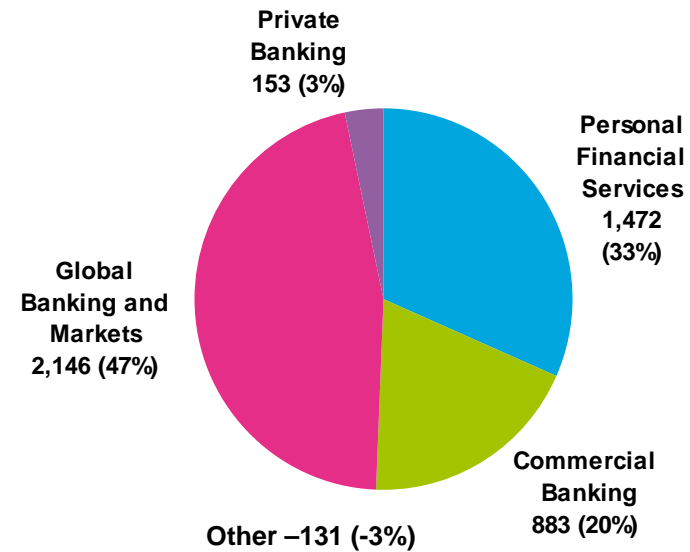
▶ Profit / (loss) before tax		
	US\$m	% share
Personal Financial Services	1,337	54
Commercial Banking	424	17
Global Banking and Markets	907	36
Private Banking	106	4
Other	(273)	(11)
Total	2,501	100

Rest of Asia-Pacific mix, 1H09

▶ Profit / (loss) before tax		
	US\$m	% share
Personal Financial Services	135	7
Commercial Banking	459	23
Global Banking and Markets	1,239	61
Private Banking	47	2
Other	142	7
Total	2,022	100

Asia-Pacific mix, 1H09

▶ Profit / (loss) before tax, US\$m	
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US\$4.5bn

Benchmarks

	Target range	1H09
Return on total shareholders' equity	15 – 19% through the cycle	6.4%
Cost efficiency ratio	48 – 52%	47.9%
Tier 1 ratio (Basel II)	7.5 – 10.0%	10.1%

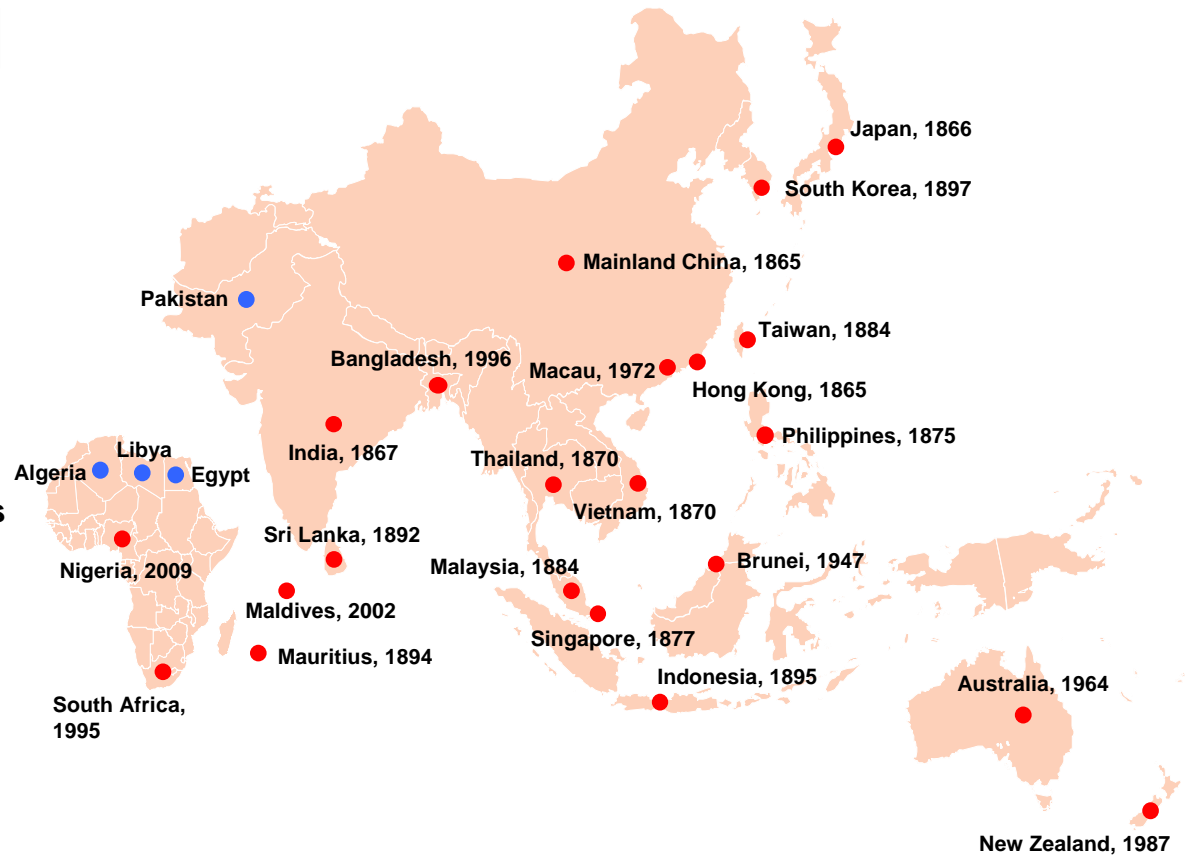
Presence

Presence

Largest foreign bank¹ in mainland China, Hong Kong, Indonesia and Malaysia

▶ Footprint in Asia-Pacific

- History in Asia spans nearly 150 years
- Presence in 22 countries and territories²
- Access to half of the world's population with combined GDP of US\$21.3trn, the size of the combined GDP of the US, UK, Germany and France³
- Nearly 1,000 branches and offices in the region
- Over 3 million internet banking customers in Asia, over half located in Hong Kong



Notes:

- (1) In respect of branch network
- (2) Includes a representative office in Nigeria
- (3) CIA World Factbook 2008: Population and GDP (purchasing power parity)

Investments

A decade of expansion in Asia

Mainland China

- 19.01% in Bank of Communications
- 16.78% in Ping An Insurance
- 12.78% in Industrial Bank via Hang Seng Bank
- 12.4% in Yantai City Commercial Bank via Hang Seng Bank
- 8% in Bank of Shanghai
- 24.9% in Beijing HSBC Insurance Brokers
- 49% in HSBC Jintrust Fund Management
- 50% in insurance JV with National Trust

India

- 93.86% in HSBC InvestDirect (IL&FS Investsmart)
- 26% in Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited

Indonesia

- 98.96% in Bank Ekonomi

Malaysia

- 49% in HSBC Amanah Takaful Malaysia
- First foreign bank to locally incorporate Islamic bank
- Purchased ABN AMRO's retail mortgage portfolio in 2002



South Korea

- Acquired 50% less one share in Hana Life

Taiwan

- Integrated assets and operations of The Chinese Bank
- Acquired 100% of Chailease Credit Services

Philippines

- Acquired 100% of PCI Savings Bank

Singapore

- Acquired 100% of Keppel Insurance
- Acquired 100% of Asia Fund Services

Australia

- Acquired 100% of Westpac sub-custody business

Vietnam

- 20% in Techcombank
- 10% in Bao Viet; plans to increase to 18%

Outlets ¹		Staff ¹		Assets ²		Profit before tax ²	
1999	2008	1999	2008	1999	2008	1999	2008
592	910	45,307	127,489	220,711	669,456	3,383	11,929

Notes:

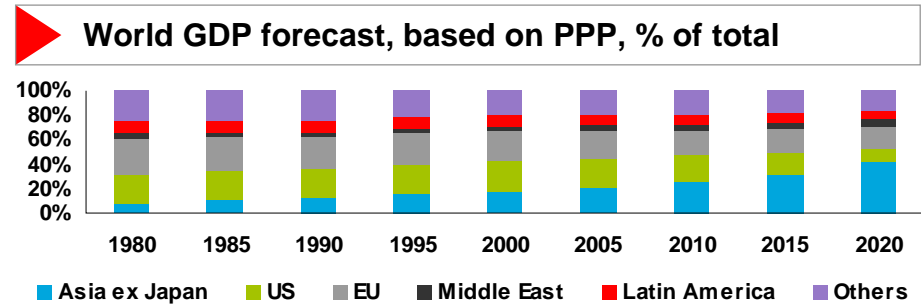
(1) Outlets and staff in 1999 include Middle East, outlets in 2008 belong to The Hongkong and Shanghai Banking Corporation Limited and exclude the Middle East; staff in 2008 includes Middle East

(2) In US\$m; includes Middle East

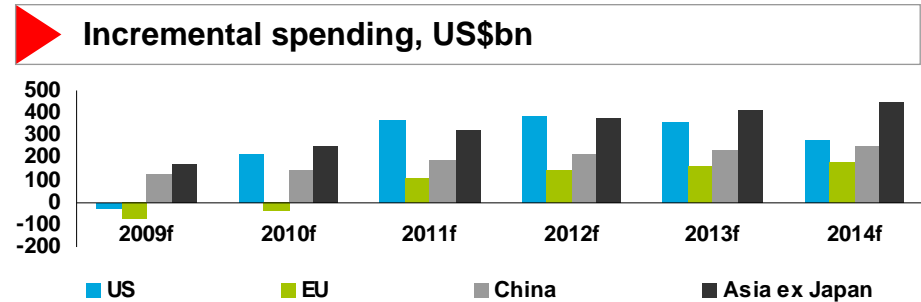
Opportunity

Opportunity

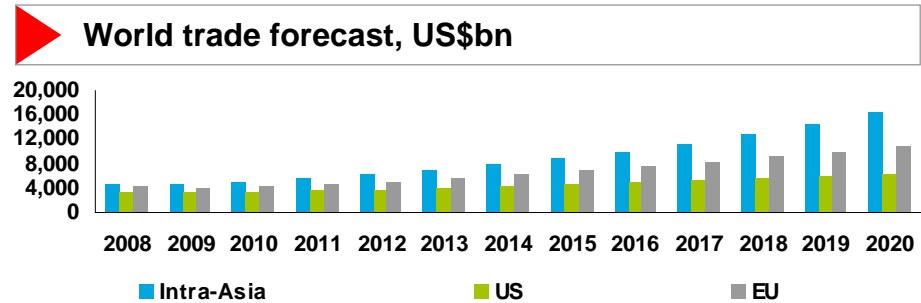
▶ **Asia to contribute largest share of global GDP, surpassing EU and US by 2016¹**



▶ **Asian consumers to become biggest incremental spenders, overtaking US and European consumers by 2013²**



▶ **Asian intra-regional trade growing significantly faster than world trade overall²**



Notes:
 (1) Source: IMF
 (2) Source: HSBC Global Research

Strategy

Group strategy

Aligned with key trends

Developing markets are growing faster than mature economies

World trade expanding at a greater rate than gross domestic product



Life expectancy increasing around the world

Combine emerging markets leadership with global network

Build on international connectivity and scale

Asia-Pacific strategy

To grow organically, supported by strategic partnerships and investments

 Personal Financial Services	<ul style="list-style-type: none">• Target mass affluent and mobile wealthy in Asia• Target growing mid-market consumer segments in select markets• Expand multi-channel distribution – branches, internet and phone banking
 Commercial Banking	<ul style="list-style-type: none">• Target small, mid-size and large corporations with international banking needs• Target growing small business sector in select markets
 Global Banking and Markets	<ul style="list-style-type: none">• Support international ambitions of Asian corporates and onshore needs of multinationals in Asia• Capture business from growing trade, payments and investment flows
 Private Banking	<ul style="list-style-type: none">• Capture growth in the high-net-worth segment in key markets of Hong Kong, Singapore, India, Japan and mainland China
 Insurance	<ul style="list-style-type: none">• Maintain market leadership in Hong Kong• Build footprint in key markets in Asia organically and through strategic partnerships

Hong Kong

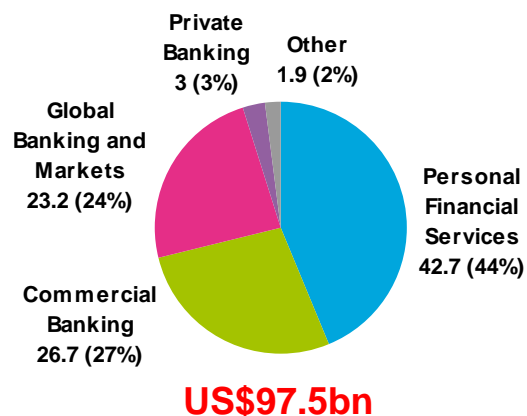
Hong Kong

PBT of US\$2.5bn in 1H09

Business mix, 1H09

▶ Profit / (loss) before tax	US\$m	% share
Personal Financial Services	1,337	54
Commercial Banking	424	17
Global Banking and Markets	907	36
Private Banking	106	4
Other	(273)	(11)
Total	2,501	100

▶ Customer lending, 30 Jun 09, US\$bn



Business highlights, 1H09

▶ Achievements

- Market leader in mortgages¹ and deposits²
- Largest credit card issuer – 5.3 million cards in circulation, 37% market share by card spend³
- Expanding network and channels – over 200 manned outlets in the territory
- Leading bancassurer⁴ with 35% market share in individual life new business
- Largest SME bank – nearly 450,000 SME customers
- Best bank in trade, payments and cash management, foreign exchange and bonds⁵

Notes:

- (1) No 1 in new mortgage business with 32% combined market share in 1H09 (mReferral, 30 Jun 09)
- (2) No 1 with 33% combined market share as at May 09 (Hong Kong Monetary Authority, May 09)
- (3) Visa, MasterCard Apr 09
- (4) No 1 in combined market share for HBAP and HASE for Individual Life New Business [regular premium] for 2Q09 (Office of the Commissioner of Insurance); No 1 in MPF in 4Q08 (Mandatory Provident Fund Authority)
- (5) FinanceAsia Country Awards 2009

Hong Kong

Strategy

Personal Financial Services

Maintain leadership position and increase wallet share

- Grow HSBC Premier from 320,000 to 370,000 customers by end-2009 – high cross-sell ratio and growing deposits
- Maintain leadership in deposits, insurance, MPF, mortgages and cards
- Adapt wealth management and investment products
- Boost branch and channel presence to enhance service and strengthen community links

Commercial Banking

Leading international business bank and best bank for small businesses

- Drive customer acquisition via liabilities – 6.8% deposit growth in 1H09 led by SME and mainland China-related customers
- Support SME financing needs – SME loan fund of HK\$20bn – 5 times the original fund in Dec 08, with HK\$16.8bn in approved loans to some 7,100 customers at mid-Sep 09
- Capture dominant share of RMB trade and settlement business – first foreign bank to settle cross-border trade in RMB
- Increase referrals and cross sales from Premier, Private Banking and GBM

Global Banking and Markets

Hub-and-spoke model for Asia and the Group

- Cross-sell and tap into supply chain of companies with cross-border activities in Asia, Latin America, Africa and the Middle East
- 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
- Support funding needs of key customers as companies position themselves for economic recovery
- Work with Commercial Banking, PFS and Private Banking to cross-sell wealth and risk management products

Mainland China

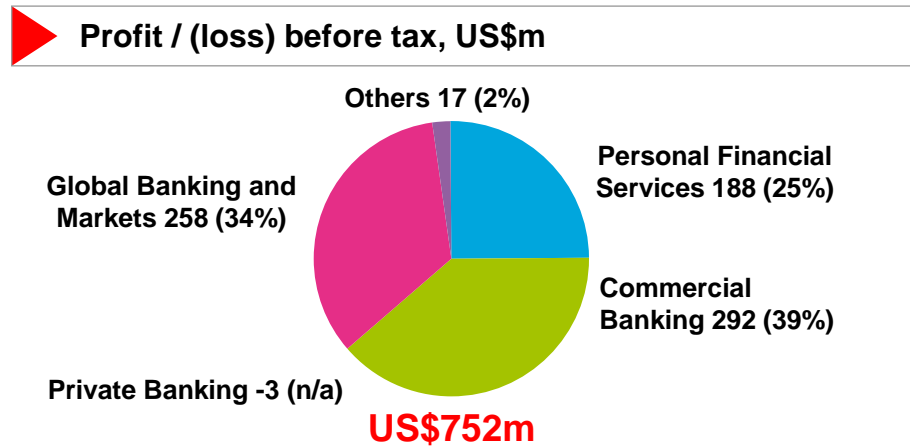


The world's local bank

Mainland China

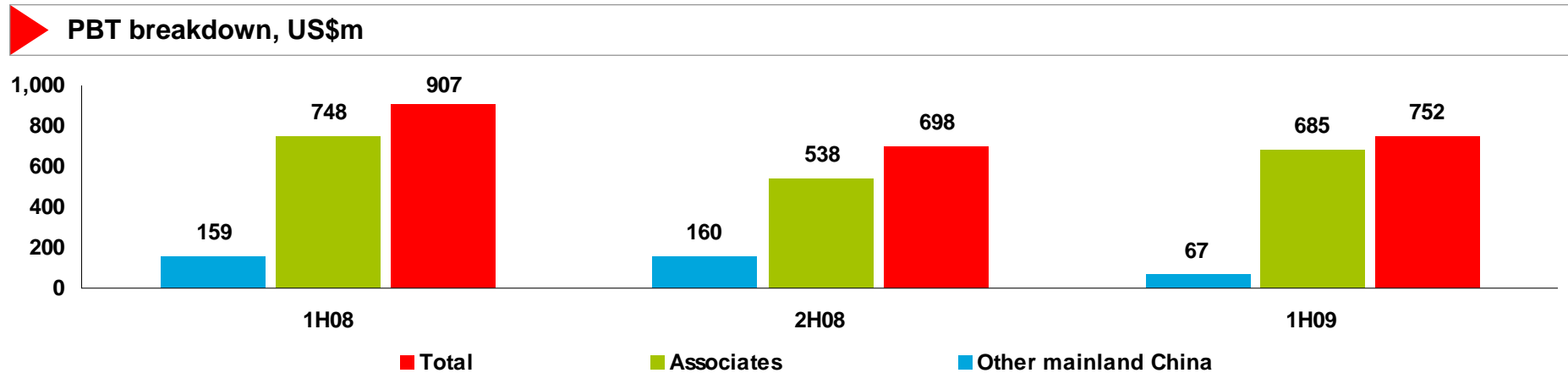
PBT of US\$752m in 1H09

Business mix, 1H09



Business highlights, 1H09

- ▶ Achievements
- Established in 1865, locally incorporated in Apr 07
 - Largest foreign bank network – on track for 100 HSBC-branded outlets by end-2009
 - Market value of 3 largest strategic investments up by US\$8.2bn in 1H09
 - Bank of Communications, 19.01%
 - Ping An Insurance, 16.78%
 - Industrial Bank, 12.78% via Hang Seng Bank



Mainland China

Largest foreign bank

- Aim to grow organically and optimise strategic partnerships
- Fast-growing presence:
 - 89 HSBC Bank China outlets in 20 cities at Aug 09 with 10 new outlets year-to-date
 - 5 rural banks (Jun 09)
 - 36 Hang Seng outlets in 11 cities (Jun 09)
- Focusing on four economic growth zones
- First foreign bank to issue RMB bond in Hong Kong
- First foreign bank to settle cross-border trade in RMB
- First foreign bank in rural banking
- Launched 50-50 insurance JV with National Trust
- Top foreign bank in 10 categories, as chosen by peers¹



- Cities with branches and sub-branches
- Cities with branches only
- Cities with approval for branches, pending opening
- Economic growth zones

Notes:

(1) PricewaterhouseCoopers Survey of Foreign Banks in China 2009

Mainland China

Strategy

Personal Financial Services

Focus on Premier

- Continue to expand distribution network – 59 Premier Centres in 18 cities at 30 Jun 09
- Expand product range to insurance, unit trusts and Premier Family services – first foreign bank to offer international bank family proposition
- Extend RMB services and debit cards in 19 cities – currently the widest foreign bank coverage
- Expand co-branded credit card business with Bank of Communications – over 10 million cards

Commercial Banking

To be the leading international business bank

- Capture dominant share of RMB-denominated cross-border trade
- Grow customer base through referrals from dedicated 'China desks' in Hong Kong, Tokyo, New York and London
- Deliver one-stop solutions for outbound Chinese companies, including state-owned enterprises (SOE) and privately owned enterprises (POE)
- Target internationally-focussed SMEs in Yangtze and Pearl River Deltas

Global Banking and Markets

Positioned for the next wave of growth

- Expand leading position in foreign exchange, corporate lending and trade finance to support onshore and cross-border needs of local companies and multinationals
- Capture outbound business from large domestic companies in Beijing, Shanghai and Shenzhen
- Build capacity to support onshore and offshore bond issuance opportunities
- Broaden range of treasury products as regulations permit

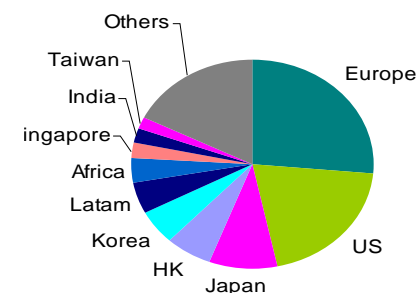
Internationalising the renminbi

Capturing a share of the RMB potential

RMB in international trade

- Pilot programme allows use of RMB for settlement of cross-border trade between 5 mainland Chinese trading cities¹ and Hong Kong, Macau and ASEAN²
- Potential US\$1trn in annual trade flows – 30% of mainland China's total trade in RMB long term

China's exports (by destination)



RMB bond and equity markets

- Potential opening up of the RMB local bond market to foreign investors
- RMB poised to become international currency

Hong Kong as offshore centre for RMB trading

- Double RMB deposit base in medium term
- Increase RMB-denominated capital markets products issued and traded in HK
- Expand RMB bond issuance – HSBC first foreign bank to issue RMB bond in HK
- Boost liquidity of RMB NDF markets in Hong Kong
- Broaden RMB banking services – from deposits to trade finance

Notes:

(1) Guangzhou, Shenzhen, Dongguan, Zhuhai and Shanghai, which accounted for 45% of China's total trade in 2008

(2) Association of Southeast Asian Nations includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Burma, Cambodia, Laos and Vietnam

Rest of Asia-Pacific

Rest of Asia-Pacific

PBT of US\$2bn in 1H09, 45% of total Asia-Pacific PBT

US\$m (% change vs 1H08)

<p>Australia US\$84m PBT (-16%)</p>	<p>Focus on Premier and Commercial Banking, ie trade and transaction banking</p>
<p>India US\$201m PBT (-46%)</p>	<p>HSBC InvestDirect integration added 77 outlets to existing branch network Canara HSBC Oriental Bank of Commerce Life Insurance among top 10 insurers</p>
<p>Japan US\$8m loss (n/a)</p>	<p>Maintain leadership in Global Banking and Markets, ie sub-custody</p>
<p>Malaysia US\$139m PBT (-33%)</p>	<p>Build presence of HSBC Amanah Malaysia Berhad – added two branches in 1H09</p>
<p>Singapore US\$283m PBT (-17%)</p>	<p>Develop hub for regional Premier and offshore business</p>
<p>South Korea US\$185m PBT (+5%)</p>	<p>Focus on Global Banking and Markets Expand insurance business through Hana HSBC Life</p>
<p>Taiwan US\$81m PBT (-30%)</p>	<p>Exploit Greater China connectivity to build Premier and SME businesses Local incorporation pending regulatory approvals</p>
<p>Vietnam PBT not disclosed</p>	<p>Increased stake in Techcombank to 20% First locally incorporated foreign bank</p>

Note:

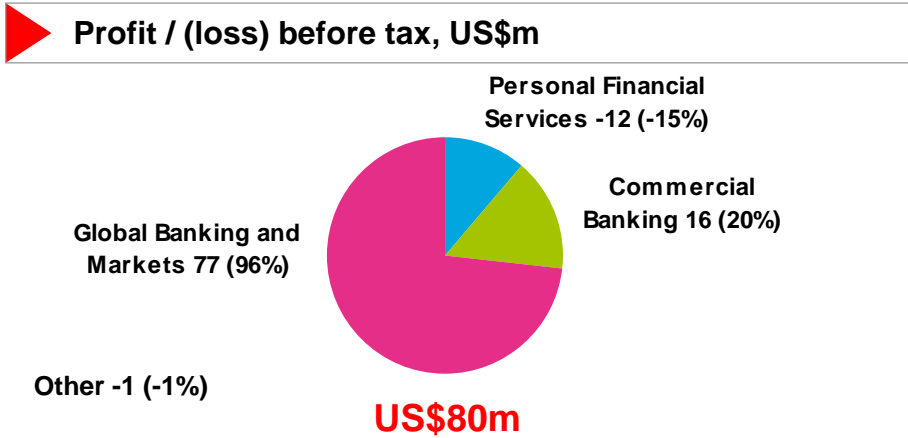
(1) RoAP PBT total includes mainland China (US\$752m) and Indonesia (US\$80m)

Indonesia

Indonesia

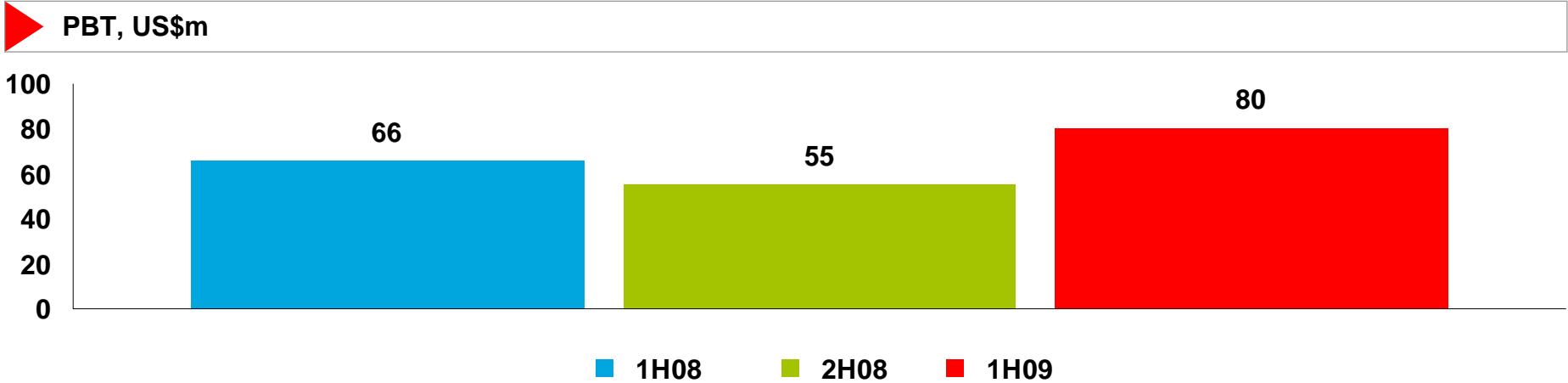
PBT of US\$80m in 1H09

Business mix, 1H09



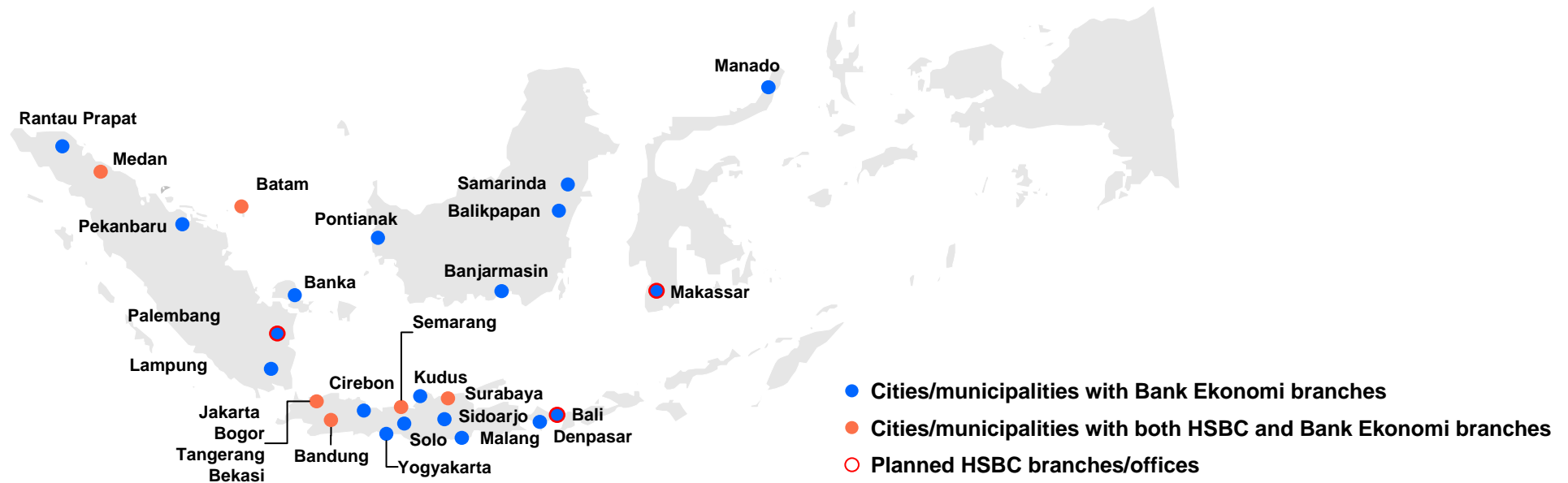
Business highlights, 1H09

- Achievements**
- Acquisition of 98.96% of Bank Ekonomi
 - Doubles presence to 207 branches in 26 cities
 - Developing cross-sell capabilities between HSBC and Bank Ekonomi with focus on PFS, trade finance and GBM businesses



Indonesia

Largest foreign bank network



- Population at 240.3 million (5th largest globally)¹
- GDP growth at 6.1%²
- Gross GDP PPP at US\$940bn³
- Total exports at US\$139.3bn¹
- Total imports at US\$116bn¹

Notes:

(1) CIA, The World Factbook 2009 (using 2008 estimates, except for population at Jul 09 estimates)

(2) HSBC Global Research (2008)

(3) IMF April 2009 World Economic Outlook (2009 estimates)

Indonesia

Strategy

Personal Financial Services Focus on Premier

- Grow Premier customer base and continue to expand product and service capabilities
- Upgrade credit card base to platinum and gold cards to spur usage
- Build payroll services to capture mid-market salaried segment and tap Commercial Banking/Global Banking and Markets customers
- Strengthen cross-sell efforts in insurance
- Expand channels with focus on ATMs and internet banking

Commercial Banking To be the leading international business bank

- Capture new SME business from Bank Ekonomi acquisition – one of the largest SME service providers in Indonesia
- Expand customer base through cross-sales and referrals with Private Banking and Premier
- Build on expertise in transaction banking and trade finance to drive cross-border business
- Chase local currency liabilities aggressively; selectively grow assets

Global Banking and Markets Positioned for the next wave of 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
- Expand cash management coverage to SMEs and Korean, mainland Chinese, India and Australian corporates
- Support PFS product development

HSBC Amanah Syariah

Strategy

Opportunity

- More than 85% of population¹ is Muslim – largest Muslim community in the world at more than 200 million
- Islamic banking assets comprised 2.2% of total banking system as at Apr 09²
- Islamic banking assets estimated at IDR55trn as at Jun 09 – average annual growth of 38% over past 5 years³
- Only 12 in 20 local banks in Indonesia offer Shariah banking
- HSBC Amanah Syariah is first and only foreign bank in Shariah banking – available in 37 HSBC offices in and outside Jakarta

Develop products and distribution

- Develop innovative Shariah products and services for PFS, Commercial Banking and Global Banking and Markets
- Extend distribution of Shariah products to all HSBC branches
- Focus on offshore Shariah syndications and Sukuk transactions
 - IDR9.3trn Sukuk and MTN issuances in the year to date³
- Develop leasing as a main product offering

Note:

(1) CIA World Factbook 2008

(2) Moody's, Bank Indonesia

(3) Bank Indonesia, Indonesian Capital Market and Financial Institutions Supervisory Agency

Summary

Summary

HSBC Group highlights

Business performance broadly maintained and strengthened position in faster-growing markets

Capital strength boosted

Strong liability-led balance sheet

Costs down

Record profit before tax in Global Banking and Markets

Asia-Pacific highlights

Asia-Pacific contributed 90% of total Group PBT

98% take-up in Hong Kong for rights issue

Advances-to-deposit ratio improved to 45.8% from 49.9%¹

Asia-Pacific total operating expenses down 5%

One-third of global GBM profits from Asia-Pacific

Note:

(1) The Hongkong and Shanghai Banking Corporation Limited