

GOLDMAN SACHS CHINA INVESTMENT FRONTIER CONFERENCE 2009

Delivering growth in Asia

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CORPORATION LIMITED

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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 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

HSBC Group overview

Presence in Asia-Pacific

Mainland China

Hong Kong

Rest of Asia-Pacific

Opportunity

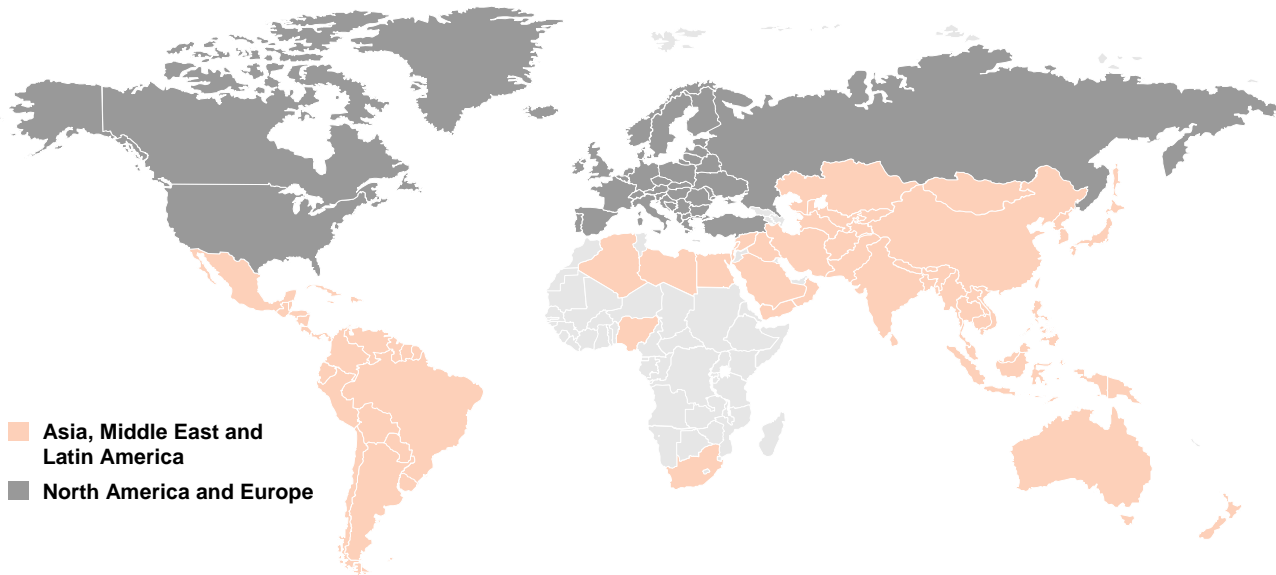
Strategy

Summary

HSBC Group overview

Leading emerging markets international bank

Linking developing and developed markets



■ Asia, Middle East and Latin America
■ North America and Europe

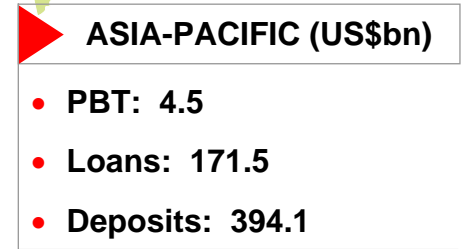
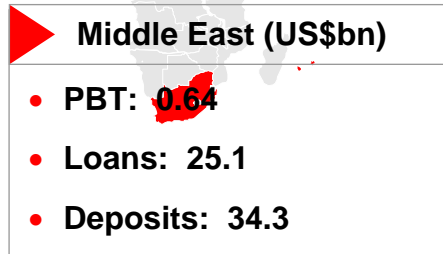
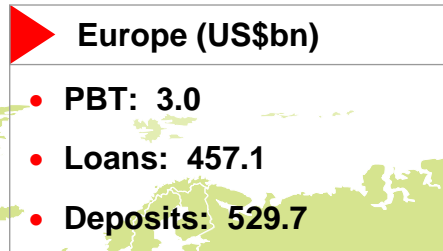
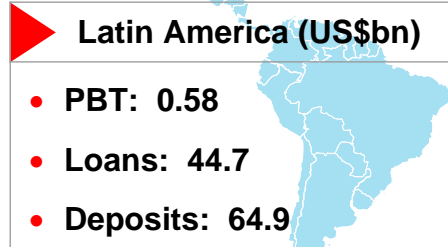
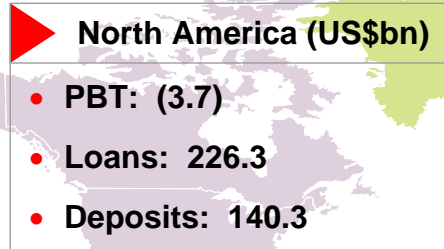
Global footprint

- 8,500 offices in 86 countries and territories
- Listings in London, Hong Kong, New York, Paris and Bermuda
- 220,000 shareholders in 119 countries and territories
- 100 million customers
- Over 295,000 staff
- Personal Financial Services, Commercial Banking, Global Banking and Markets and Private Banking

	Total assets	Total revenues	Profit before tax	Tier 1 capital ratio	Total capital ratio
1H09	US\$2.42trn	US\$34.7bn	US\$5.0bn	10.1%	13.4%
2008	US\$2.53trn	US\$81.7bn	US\$9.3bn	8.3%	11.4%

Geographically diversified

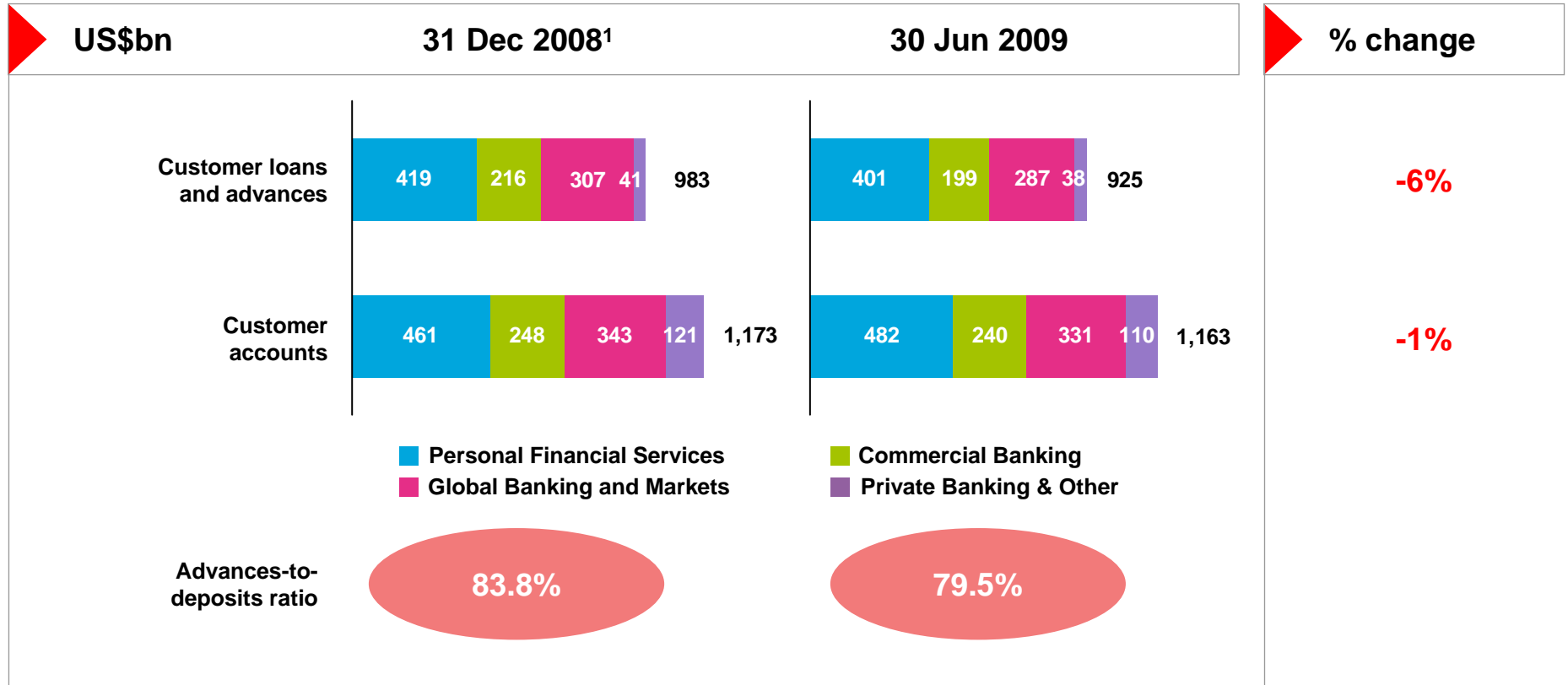
Emerging markets leading performance



Note:
All figures are as at 1H09

Financial strength

Funding and liquidity

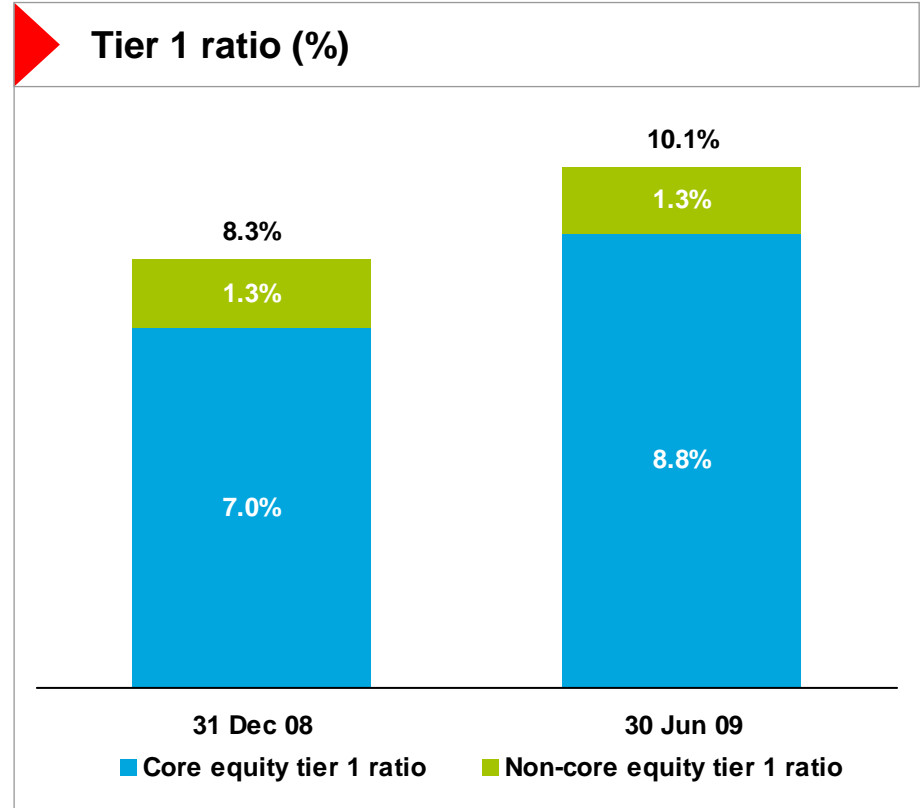
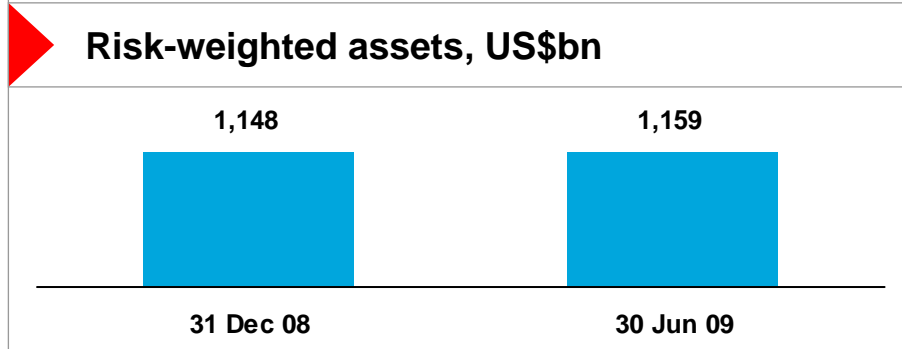
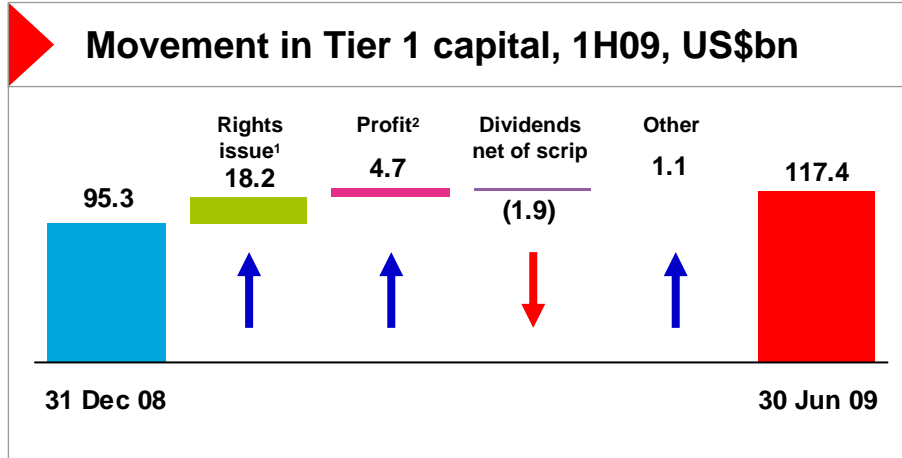


Note:

(1) Restated for constant currency, acquisitions and disposals

Financial strength

Capital



Notes:

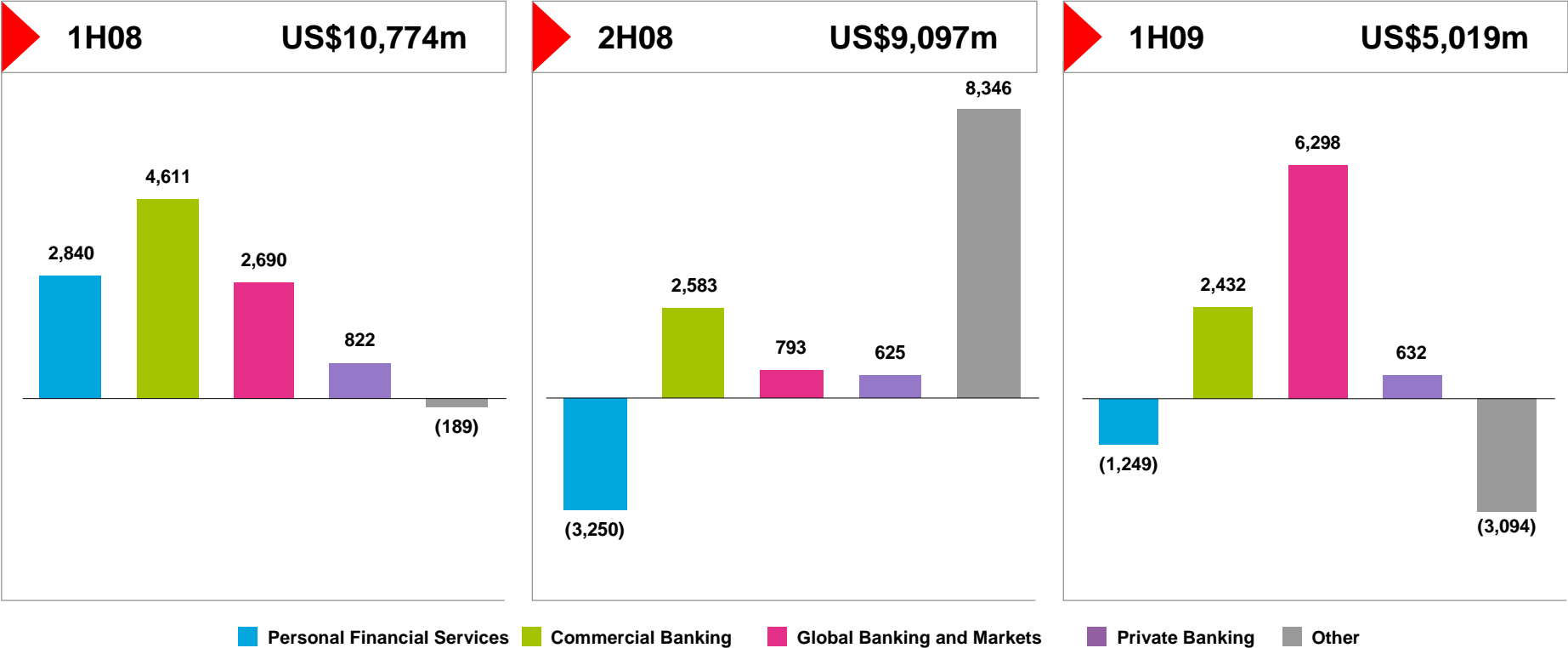
(1) Rights issue excludes US\$344m loss on a forward foreign exchange contract associated with hedging the proceeds of the rights issue, recognised in net trading income

(2) Attributable profit adjusted for movements in fair value on own debt net of deferred tax

A diversified business

By customer group

Profit before tax¹



Note:
 (1) Excluding goodwill impairment on North American PFS business

Presence in Asia-Pacific

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 The 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
- 20% 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 entity with National Trust

India

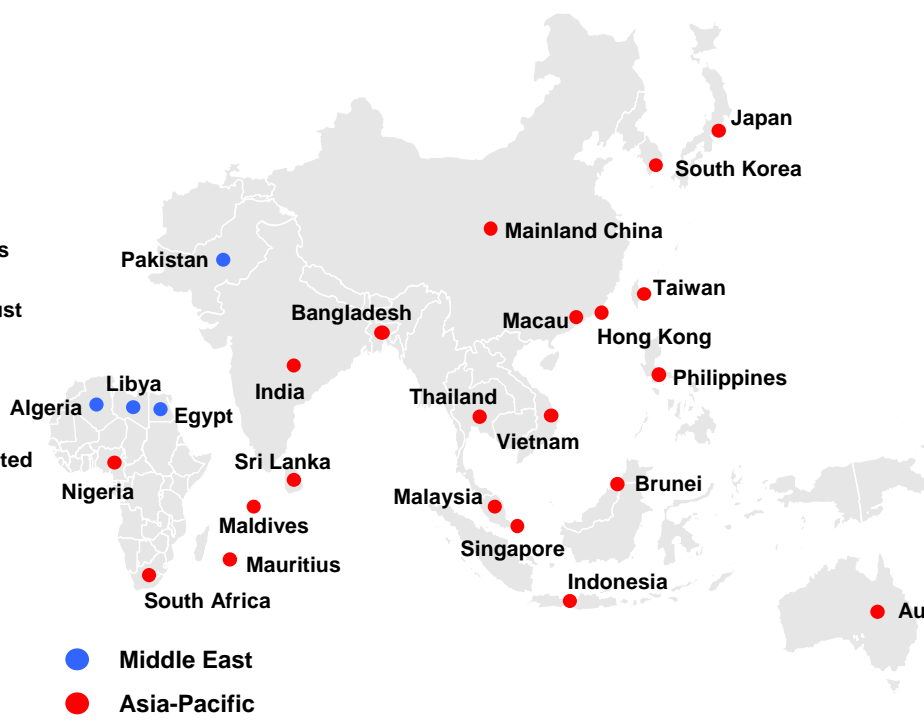
- 93.86% in HSBC InvestDirect (IL&FS Investsmart)
- 26% in Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited

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
- Agreement to increase stake in Bao Viet to 18% from 10.3%

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

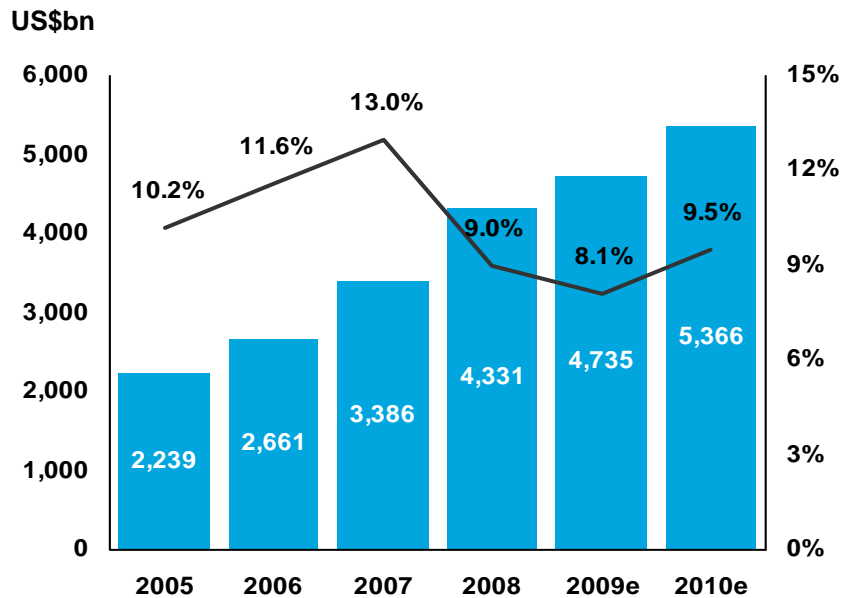
(2) In US\$m; includes Middle East; 1999 PBT and total assets reported in accordance with UK GAAP

Mainland China

Economic outlook

Recovery expected

GDP growth¹



Note:
(1) HSBC Asian Economics 4Q09 (nominal GDP in US\$bn)

China in transition

Transition 1

- Coastal provinces will remain China's economic engines, with diversification into higher value-added service sectors

Transition 2

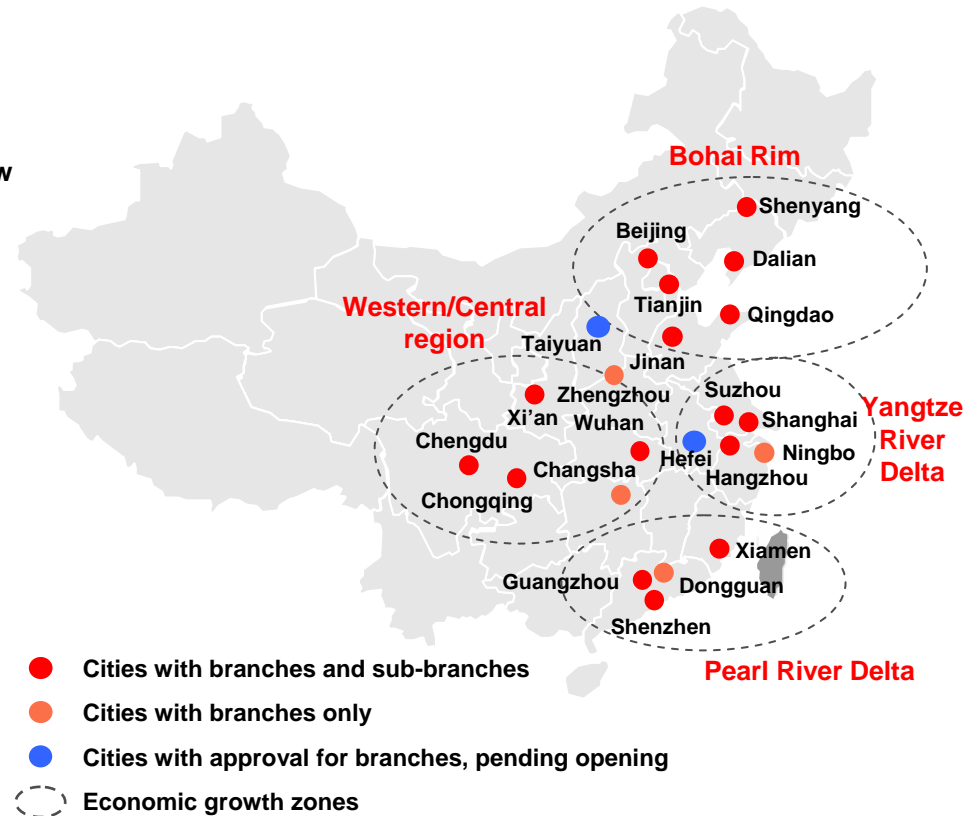
- Low value-added industries are migrating to central provinces and will eventually move into western China



Mainland China

Largest foreign bank

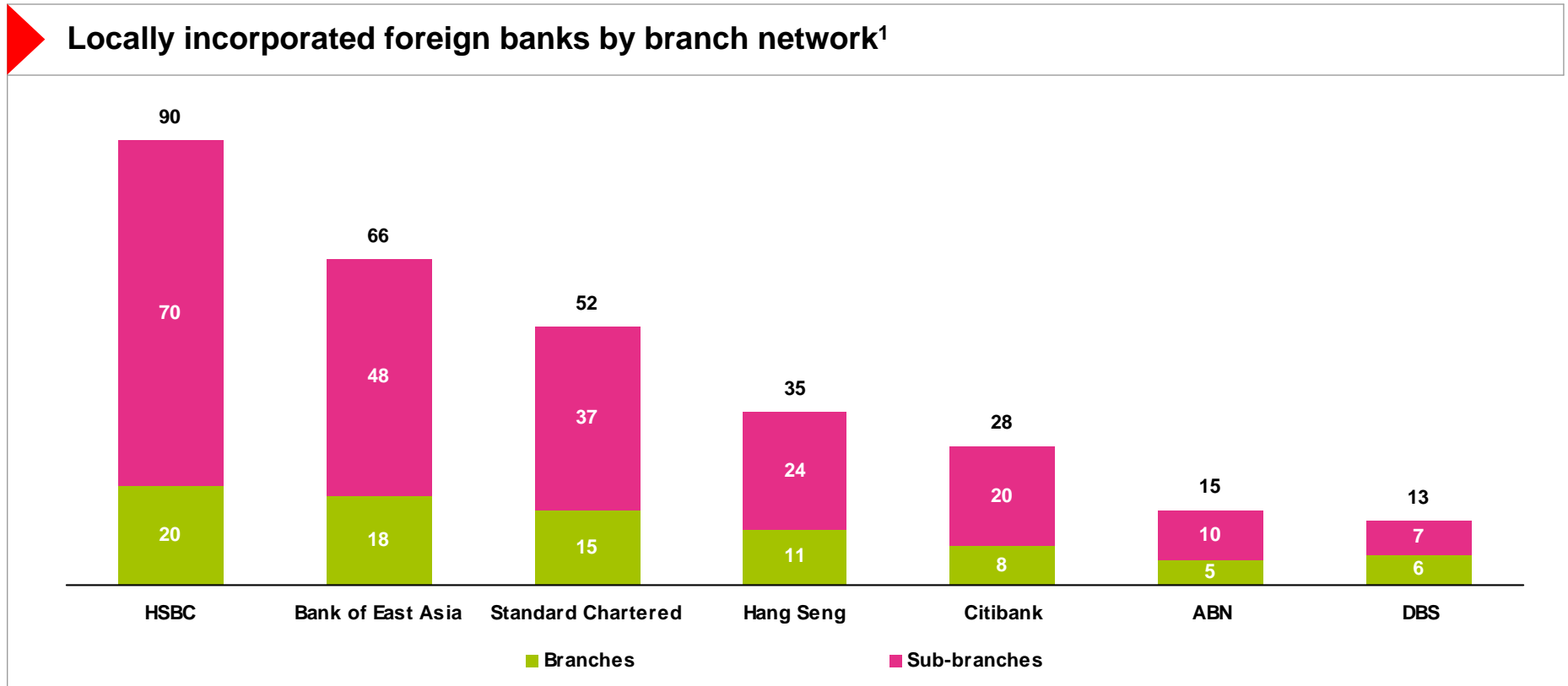
- Aim to grow organically and optimise strategic partnerships
- Fast-growing presence:
 - 90 HSBC Bank China outlets in 20 cities at Sept 09 with 11 new outlets year-to-date
 - 5 rural banks – 6 outlets (Sept 09)
 - 35 Hang Seng outlets¹ in 11 cities (Jun 09)
- Focusing on four economic growth zones
- 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 entity with National Trust
- Top foreign bank in 10 categories, as chosen by peers²



Note:
 (1) Hang Seng Bank (China)
 (2) PricewaterhouseCoopers Survey of Foreign Banks in China 2009

Competition

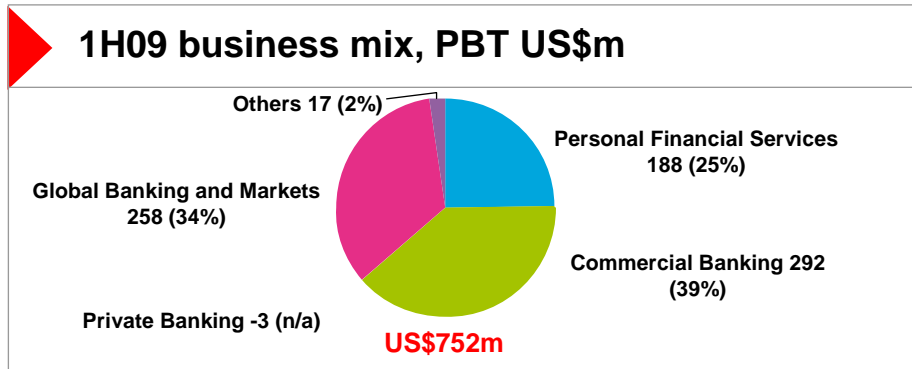
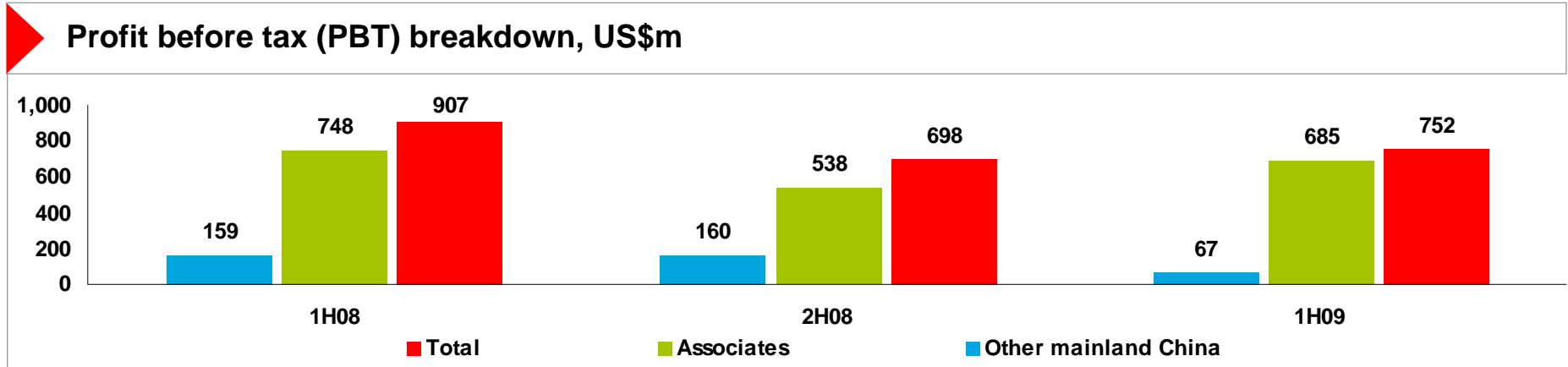
Largest and most geographically widespread of all foreign banks in mainland China



Note:
(1) Official bank websites and press reports (as at end-Sep 09; excluding representative offices, administrative offices, etc.)

Mainland China












PBT of US\$752m in 1H09



- ### Business highlights
- Established in 1865, locally incorporated in Mar 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 as of 1H09
 - Bank of Communications, 19.01%
 - Ping An Insurance, 16.78%
 - Industrial Bank, 12.78% via Hang Seng Bank

Strategic partnerships

Largest foreign bank investor in the Mainland

 HSBC in China	% ownership	Outlets
 HSBC Bank (China) Company Limited	100%	90
 HSBC Jintrust	49.00%	1
 Beijing HSBC Insurance Brokers	24.90%	1
 HSBC Rural Bank Company Limited	100%	6
 HSBC Life Insurance Company Limited	50%	30
 Hang Seng Bank (China) Limited	62.14%	35
 Bank of Communications	19.01%	2,600+
 Ping An Insurance	16.78%	356,000 agents
 Bank of Shanghai	8.00%	200+
 Industrial Bank	12.78% (via Hang Seng Bank)	400+

Mainland China

Strategy

Personal Financial Services Focus on Premier

- Continue to grow distribution network – 62 Premier Centres in 18 cities at end-Sept 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 11 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 (SOEs) and privately owned enterprises (POEs)
- 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

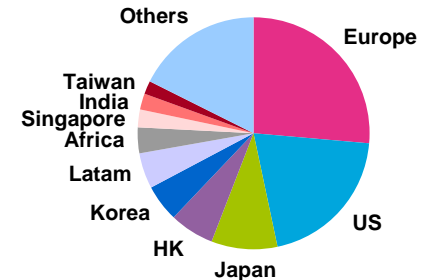
Internationalising the renminbi

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 Hong Kong
- Expand RMB bond issuance – HSBC first foreign bank to issue RMB bond in Hong Kong
- Boost liquidity of RMB non-deliverable forward 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

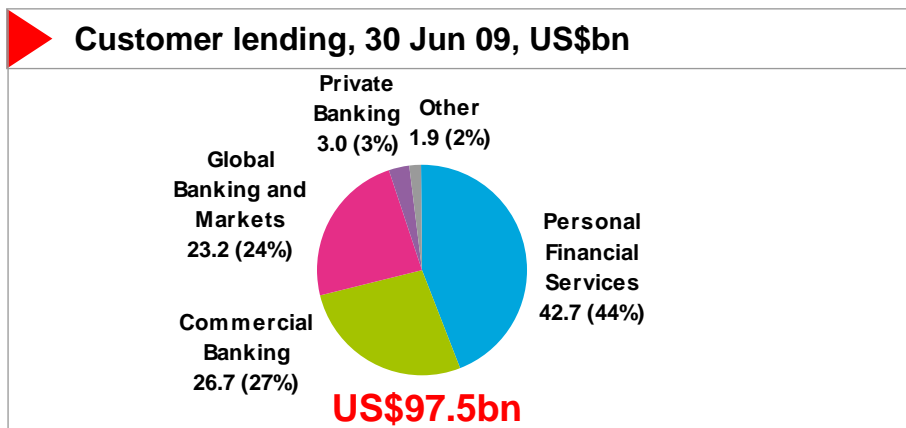
Hong Kong

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



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 bancassurer with 35% market share in individual life new business⁴
 - 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 in deposits 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, mandatory provident fund (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\$17.6bn in approved loans to some 7,500 customers at end-Oct 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

Rest of Asia-Pacific

Rest of Asia-Pacific

PBT of US\$2bn in 1H09¹, 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>Indonesia US\$80m PBT (+21%)</p>	<p>Optimise expanded network of 209 branches in 26 cities and cross-sell opportunities from Bank Ekonomi acquisition</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>Develop 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%; agreed to increase stake in Bao Viet to 18% from 10.3% First locally incorporated foreign bank</p>

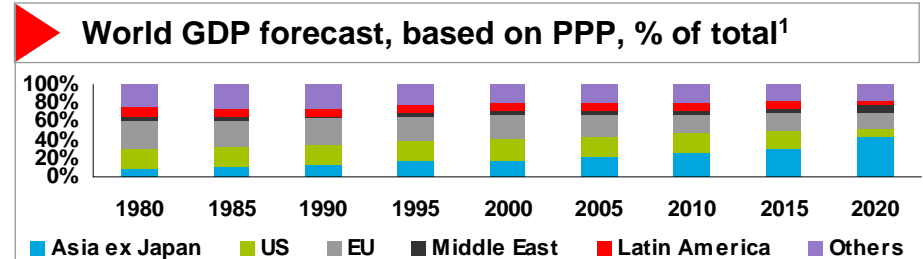
Note:

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

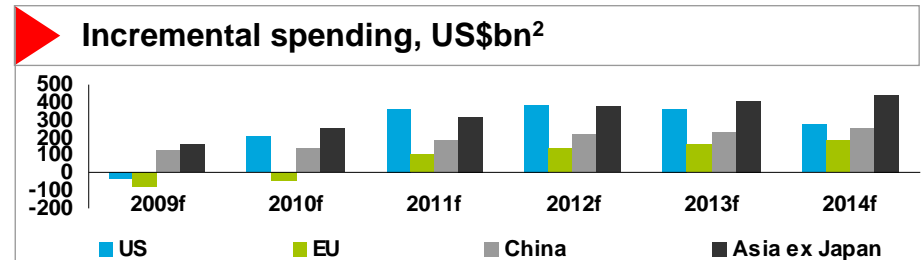
Opportunity

Opportunity

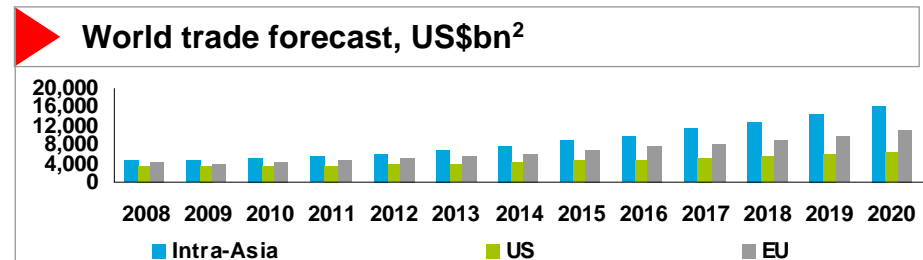
Asia to contribute largest share of global GDP, surpassing EU and US by 2016



Asian consumers to become biggest incremental spenders, overtaking US and European consumers by 2013



Asian intra-regional trade growing significantly faster than world trade overall



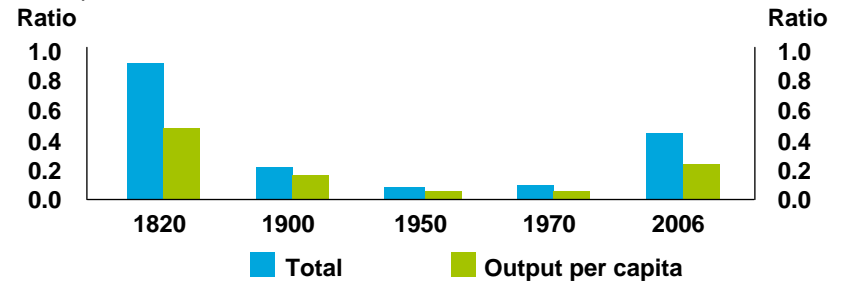
Notes:
 (1) IMF
 (2) HSBC Global Research

Opportunity

Mainland China output now 45% of output of Western economies

China: a catch-up of epic proportions

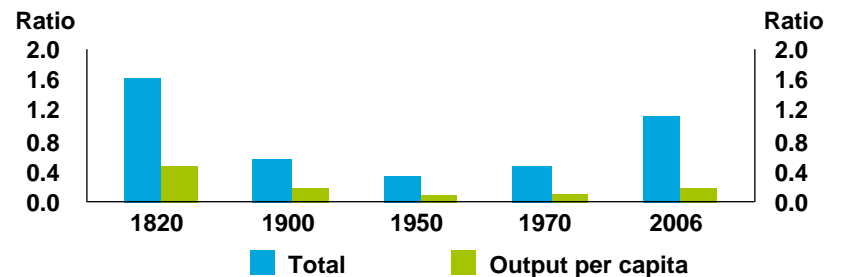
China output as share of Western economies¹



Asian output now 110% of output of Western economies

Asia: catching up for decades

Asia output as share of Western economies¹



Note:

(1) Groningen Growth and Development Centre and HSBC calculations; Western economies include Western Europe, US, Canada, Australia and New Zealand

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

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 PBT¹

98% take-up in Hong Kong for rights issue

Advances-to-deposit ratio improved to 45.8% from 49.9%²

Asia-Pacific total operating expenses down 5%¹

One-third of Global Banking and Markets PBT from Asia-Pacific¹

Notes:

(1) 1H09 figures

(2) The Hongkong and Shanghai Banking Corporation Limited, as at 1H09