

Peter Wong, Chief Executive Officer, HSBC Asia-Pacific  
2010 Credit Suisse Investor Conference

HSBC   
The world's local bank

Leading, investing and growing in Asia



[www.hsbc.com](http://www.hsbc.com)

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

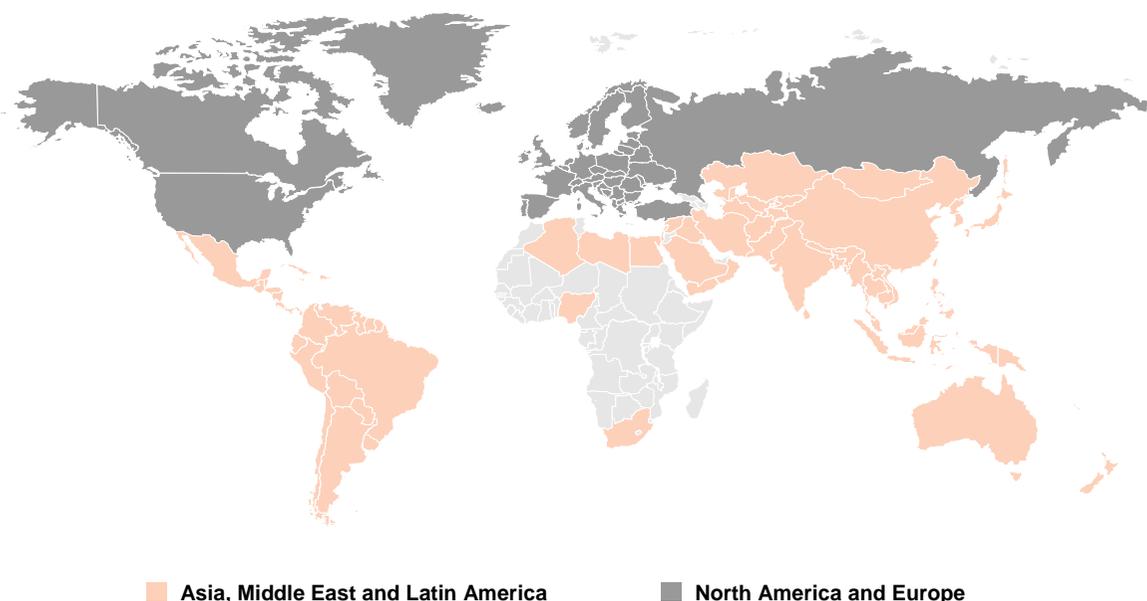
# Agenda

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# HSBC Group overview and performance

# Leading emerging markets international bank

Linking developing and developed markets



	Total assets	Total revenues <sup>1</sup>	Profit before tax (PBT)	Tier 1 capital ratio	Total capital ratio
2009	US\$2.36trn	US\$66.2bn	US\$7.1bn	10.8%	13.7%
2008	US\$2.53trn	US\$81.7bn	US\$9.3bn	8.3%	11.4%

## Global footprint<sup>2</sup>

- ▶ 8,000 offices in 88 countries and territories
- ▶ Listings in London, Hong Kong, New York, Paris and Bermuda
- ▶ 220,000 shareholders in 121 countries and territories
- ▶ Around 100 million customers
- ▶ Around 300,000 employees
- ▶ Personal Financial Services, Commercial Banking, Global Banking and Markets, and Private Banking

Note:

(1) Net operating income before loan impairment charges

(2) As at 31 Dec 2009

# Financial results 2009

Delivering results through the cycle

	2008		2009
Underlying profit before tax, excluding goodwill impairment, strongly up <sup>1</sup>	US\$8.5bn	➔	US\$13.3bn, +56%
Reported profit before tax	US\$9.3bn	➔	US\$7.1bn, -24%
Generated capital in each quarter: Tier 1 ratio (%) <sup>2</sup>	8.3%	➔	10.8%
Dividends <sup>3</sup>	US\$7.7bn	➔	US\$5.9bn

Notes:

(1) Underlying results eliminate the effects of foreign currency translation differences, acquisitions and disposals of businesses and changes in fair value (FV) of own debt due to credit spread.

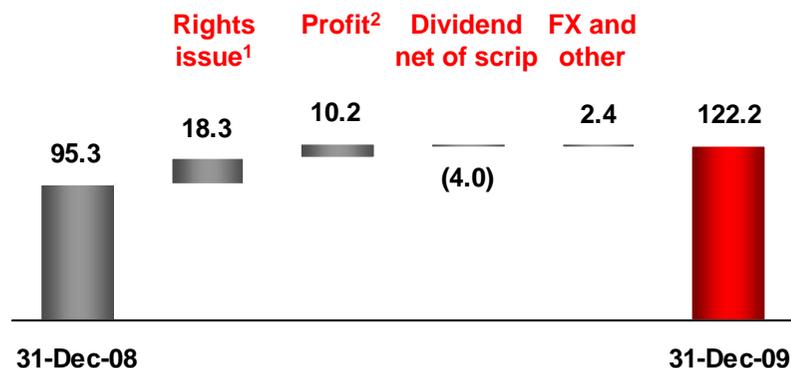
(2) As at 31 December 2009

(3) Declared in respect of 2008 and 2009

# Capital strength

Enhanced through capital generation and rights issue

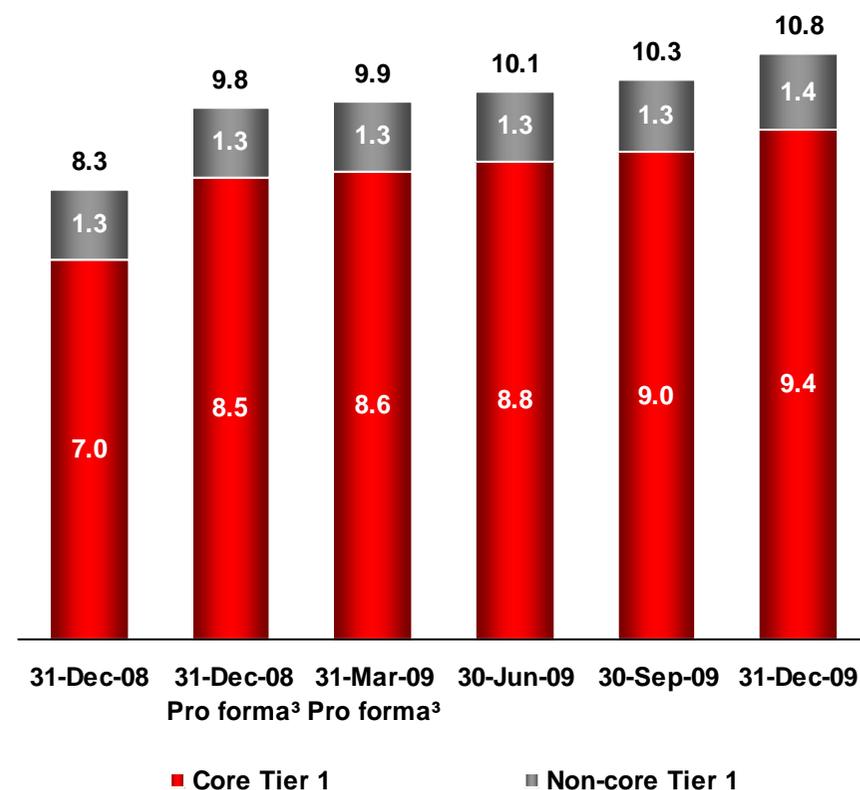
## Movement in Tier 1 capital, US\$bn



## Risk-weighted assets, US\$bn



## Tier 1 ratio (%)

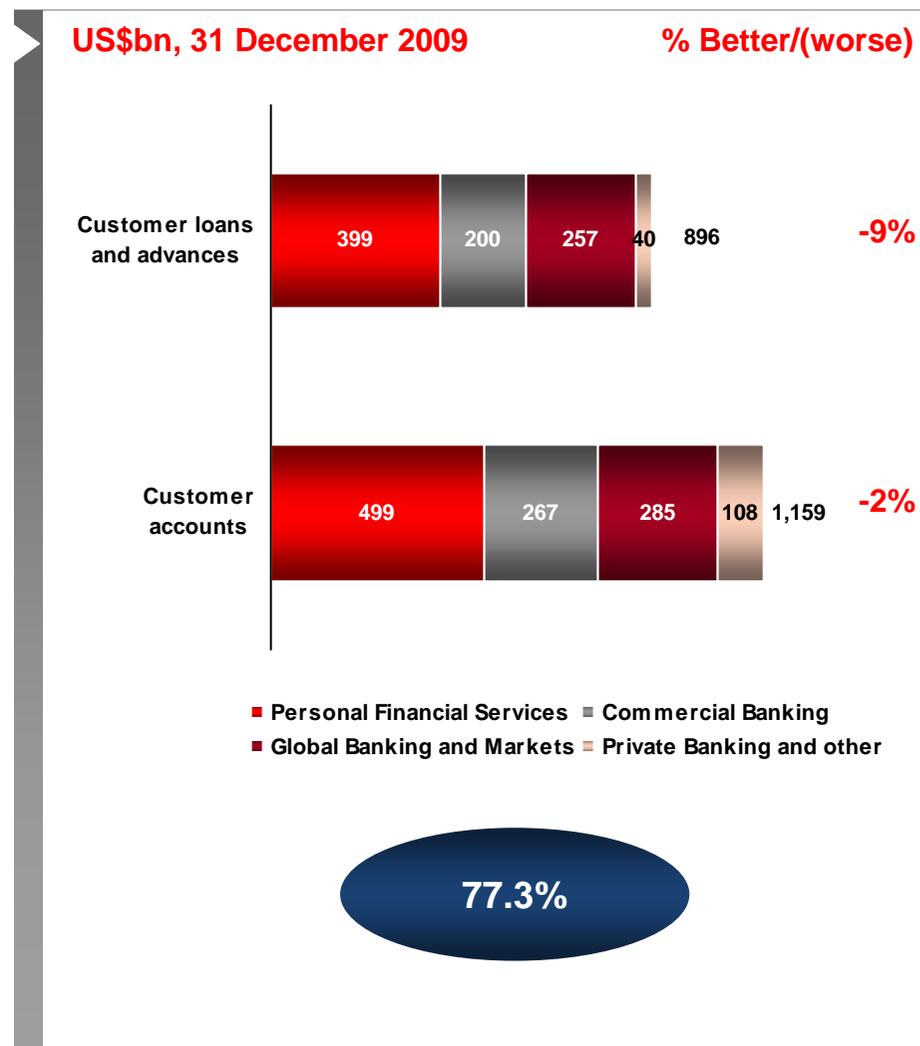
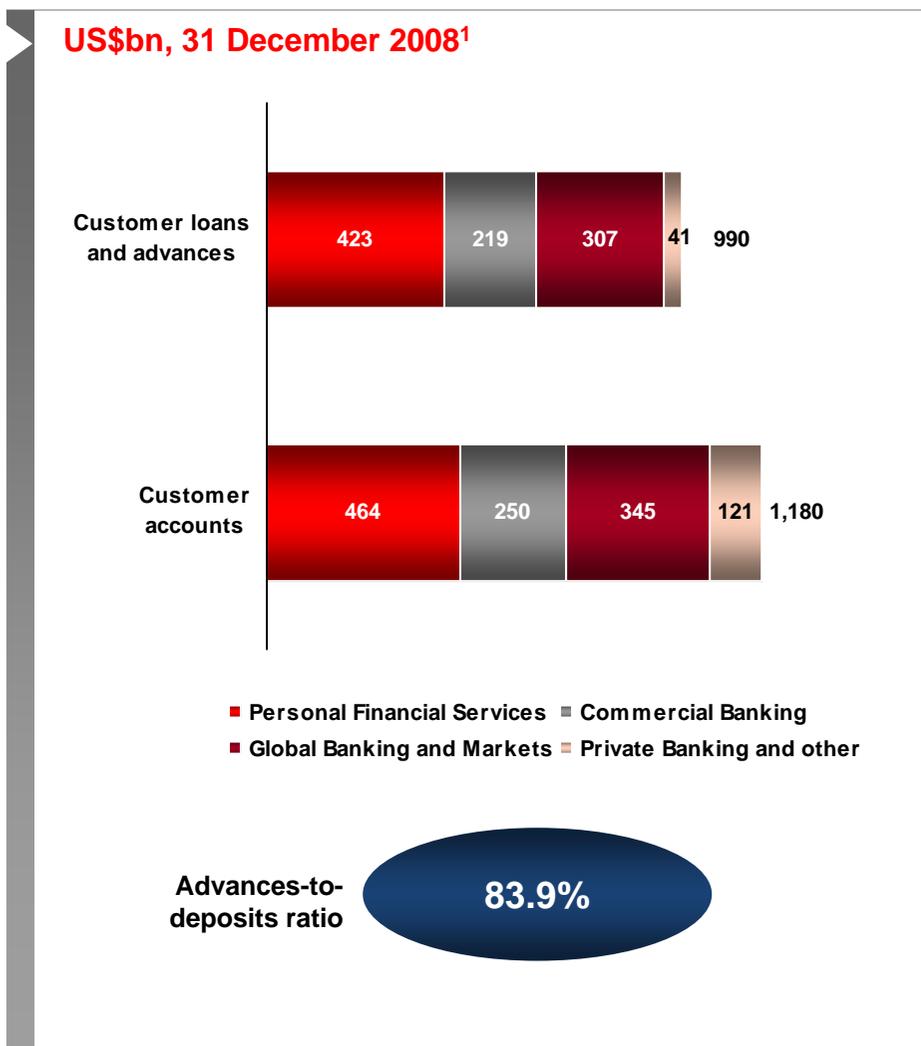


Notes:

- (1) Rights issue excludes US\$493m of losses arising on derivative contracts and certain fees, which are recognised in the income statement
- (2) Attributable profit adjusted for changes in FV of own debt due to credit spread, net of deferred tax
- (3) Pro forma to include rights issue

# Funding and liquidity

Prudent position maintained with advances-to-deposits ratio at 77.3 per cent



Note:  
(1) Underlying basis

# Geographical contribution

Emerging markets leading performance, 2009

## North America<sup>1</sup> (US\$bn)

- PBT: (4.1)
- Loans and advances to customers: 206.9
- Customer accounts: 149.2

## Europe<sup>1</sup> (US\$bn)

- PBT: 6.6
- Loans and advances to customers: 439.5
- Customer accounts: 495.0

## Latin America<sup>1</sup> (US\$bn)

- PBT: 1.1
- Loans and advances to customers: 47.6
- Customer accounts: 72.9

## Middle East<sup>1</sup> (US\$bn)

- PBT: 0.5
- Loans and advances to customers: 22.8
- Customer accounts: 32.5

## Asia<sup>1</sup> (US\$bn)

- PBT: 9.2
- Loans and advances to customers: 179.4
- Customer accounts: 409.4

Note:

(1) Underlying basis

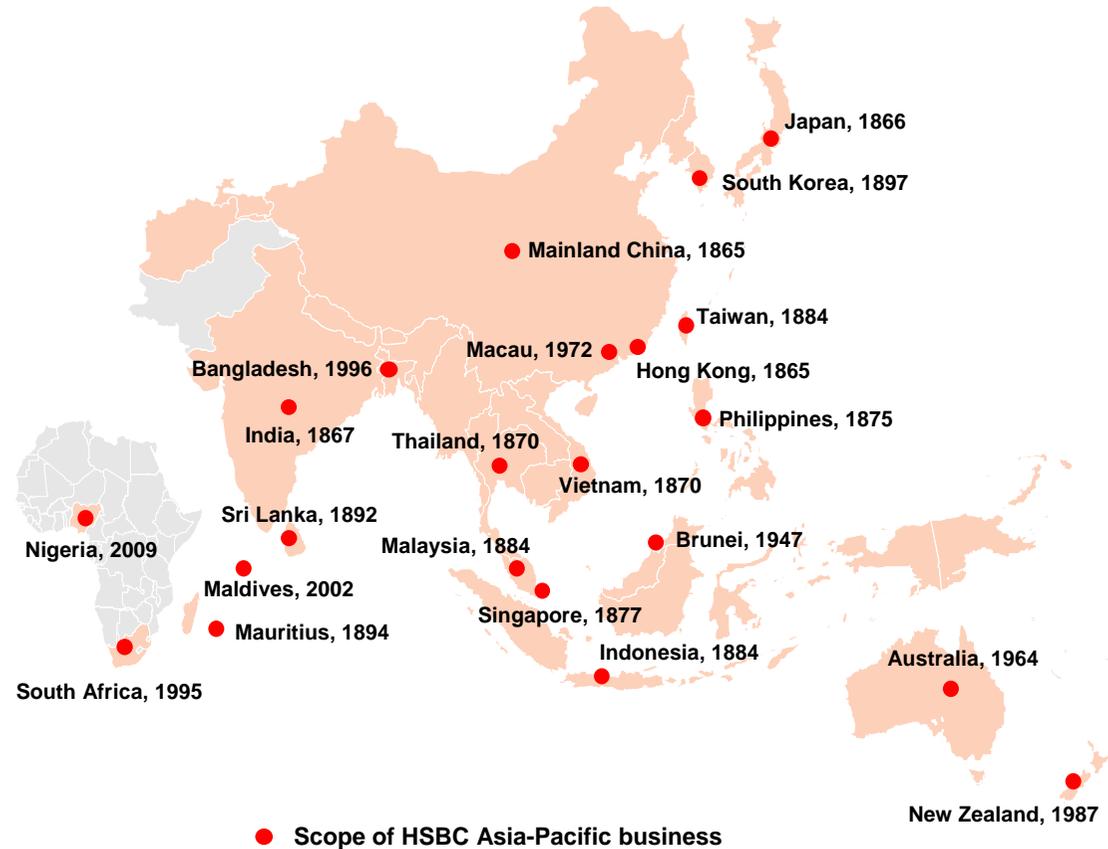
# Asia overview and performance

# Presence

Largest foreign bank<sup>1</sup> in mainland China, Hong Kong, India, Indonesia and Malaysia

## Footprint in Asia

- ▶ History in Asia spans 145 years
- ▶ Presence in 22 countries and territories<sup>2</sup>
- ▶ Access to over half of the world's population with combined GDP of US\$25.3 trillion, more than the combined GDP of the US, UK, Germany and France<sup>3</sup>
- ▶ Nearly 1,000 branches and offices in the region
- ▶ Over 3.9 million internet banking customers in Asia, nearly half located in Hong Kong<sup>4</sup>



### Notes:

- (1) In respect of branch network of all HSBC Group entities
- (2) Includes a representative office in Nigeria
- (3) IMF World Economic Outlook Database: Population and GDP (purchasing power parity)
- (4) As at 31 December 2009, excluding Hang Seng Bank

# Performance

Asia-Pacific driving Group profits with PBT of US\$9.2 billion in 2009

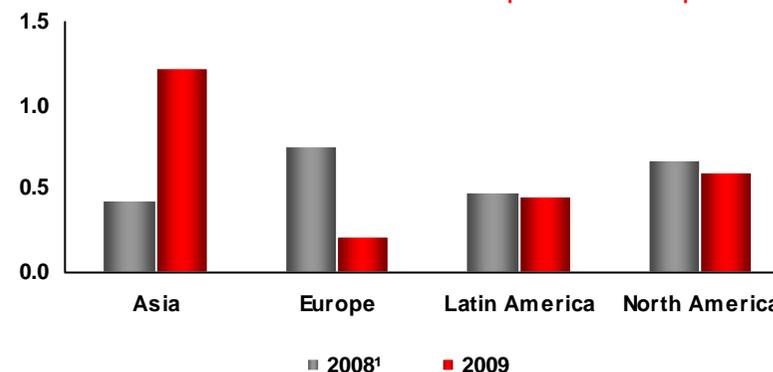
## Regional mix, 2009

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

	Reported		Underlying	
	US\$m	% share	US\$m	% share
<b>Hong Kong</b>	<b>5,029</b>	<b>71</b>	<b>5,030</b>	<b>38</b>
<b>Rest of Asia-Pacific</b>	<b>4,200</b>	<b>59</b>	<b>4,157</b>	<b>31</b>
Middle East	455	6	455	3
Latin America	1,124	16	1,124	8
Europe	4,009	57	6,570	50
North America	(7,738)	(109)	(4,050)	(30)
<b>Total</b>	<b>7,079</b>	<b>100</b>	<b>13,286</b>	<b>100</b>

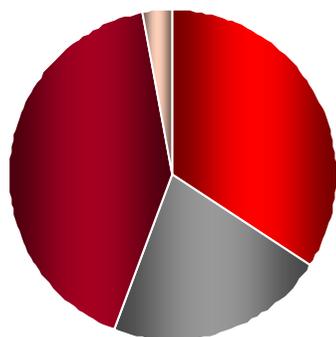
## Insurance PBT, US\$bn

Asia contributed close to half of Group Insurance profit



## Asia-Pacific business mix, 2009

PBT, US\$bn, (% of total)



- Personal Financial Services (3,191, 35%)
- Commercial Banking (2,020, 22%)
- Global Banking and Markets (3,826, 41%)
- Private Banking (287, 3%)

Other (-95, -1%)

## Strong funding position in Asia-Pacific

A fifth of Group's customer loans and advances

	2008 <sup>2</sup>	2009 <sup>2</sup>	% change
Customer loans and advances	186.1	179.4	-4
Customer accounts	380.3	409.4	+8

Advances-to-deposits ratio

48.9%

43.8%

Notes:

(1) 2008 adjusted for constant currency

(2) Underlying basis

# 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 HSBC Life Insurance Company Ltd.

### 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

- ▶ 50% less one share in Hana Life

### Taiwan

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

### Philippines

- ▶ 100% in PCI Savings Bank

### Singapore

- ▶ 100% in Keppel Insurance
- ▶ 100% in Asia Fund Services

### Australia

- ▶ 100% in Westpac sub-custody business

### Vietnam

- ▶ 19.91% in Techcombank
- ▶ 18% in Bao Viet

Outlets <sup>1</sup>		Staff <sup>1</sup>		Assets <sup>2</sup>		Profit before tax <sup>2</sup>	
1999	2009	1999	2009	1999	2009	1999	2009
592	910	45,307	114,755	220,711	621,382	3,383	9,229

Notes:

- (1) Outlets and staff in 1999 include Middle East; outlets in 2009 belong to The Hongkong and Shanghai Banking Corporation Limited and exclude the Middle East; staff in 2009 excludes Middle East  
 (2) In US\$m; 1999 assets and PBT include Middle East and are reported in accordance with UK GAAP while 2009 assets and PBT exclude Middle East

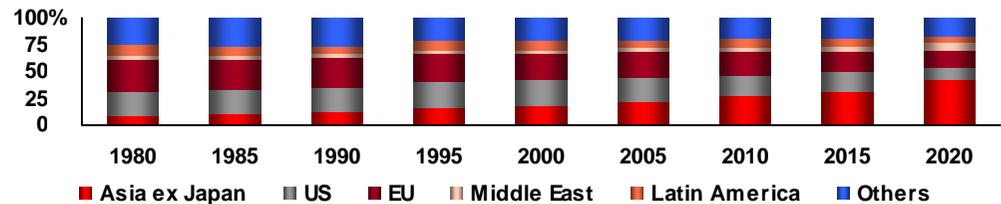
Opportunity

# World economic trends shaping the future

## Asia at the centre of global economic power

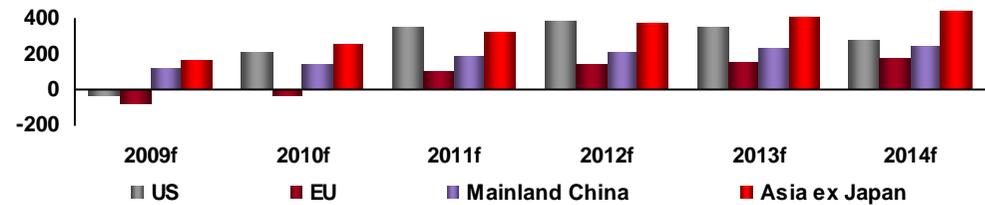
Asia to contribute largest share of global GDP, surpassing EU and USA by 2015

World GDP forecast, based on PPP, % of total<sup>1</sup>



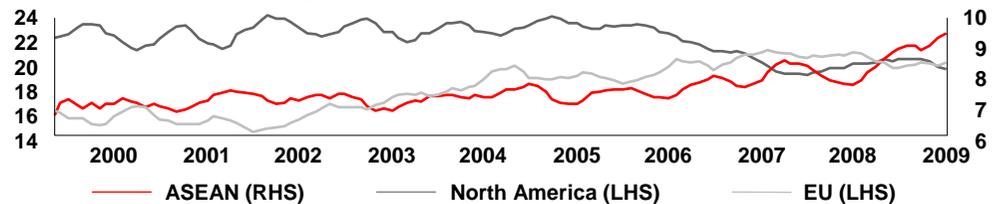
Asian consumers to become biggest incremental spenders, overtaking US and European customers by 2013

Incremental spending, US\$bn<sup>2</sup>



Mainland China export growth driven by intra-regional activity

Share of China's exports (%)<sup>2</sup>



Notes:

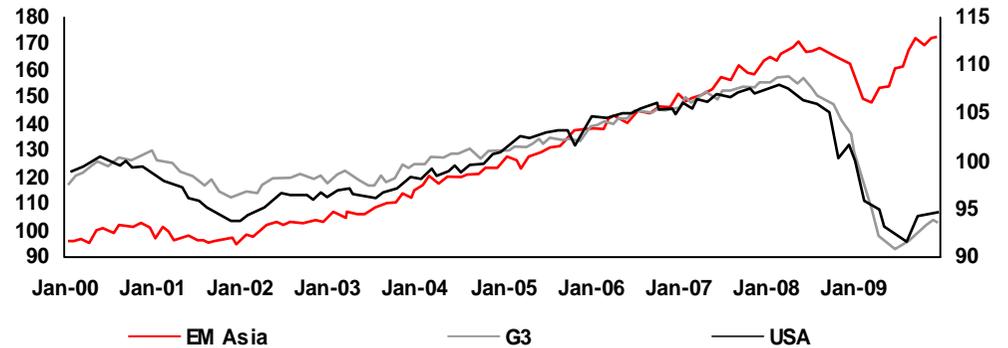
- (1) International Monetary Fund
- (2) HSBC Global Research

# Domestic and regional forces shaping Asia

Asian consumer demand to support future growth

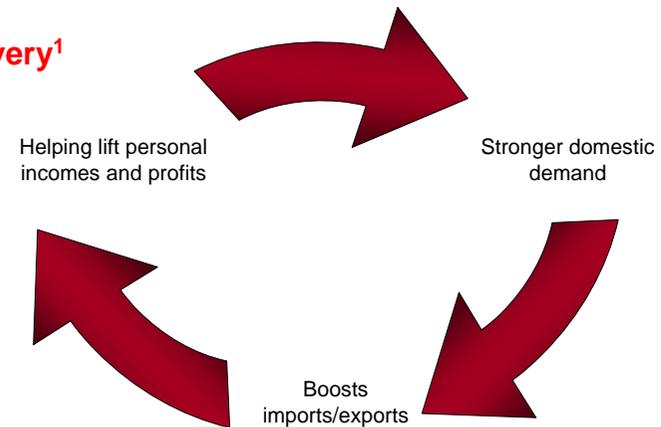
Industrial output in Asia already passed its previous peak while USA and G3 still lagging

Industrial output, 2000-2009<sup>1</sup>



Asia has entered into a virtuous self-sustaining growth cycle

Asia recovery<sup>1</sup>

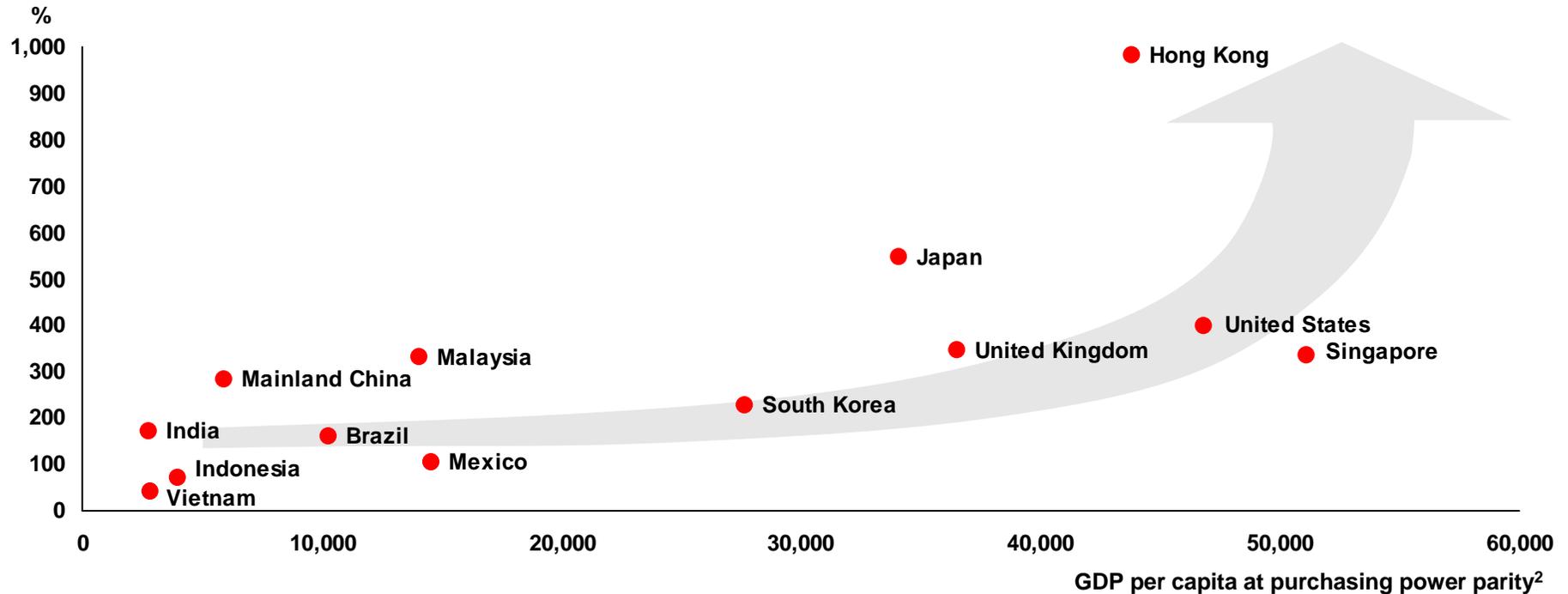


Note:  
(1) HSBC Global Research

# Emerging financial markets have significant room to grow

## Scope for growth: emerging markets versus mature markets<sup>1</sup>

Financial depth: value of bank deposits, bonds and equities as a % of GDP, 2008



Emerging markets

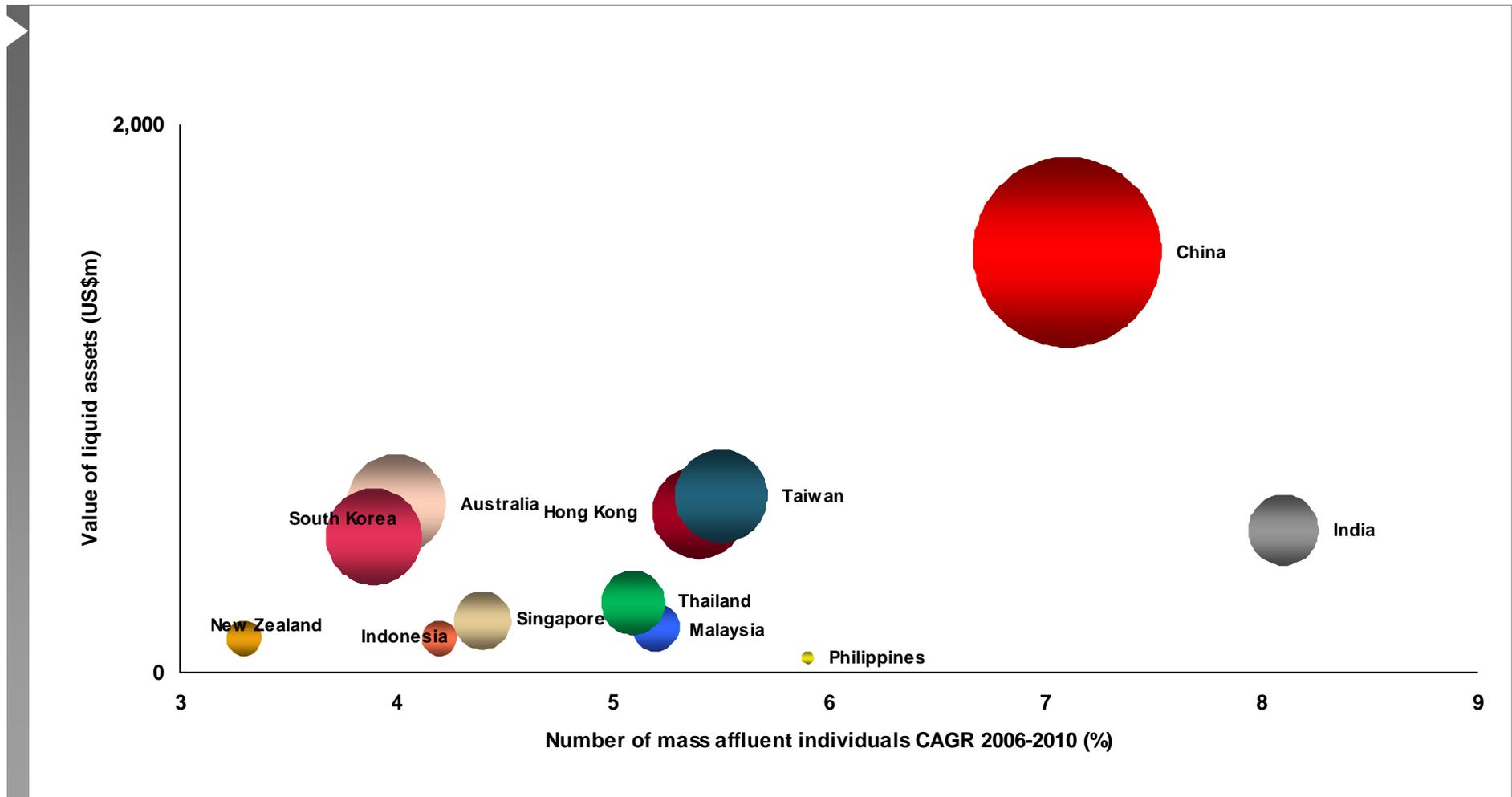
Mature markets

Note:

(1) Source: McKinsey Global Institute Global Financial Assets database, HSBC Global Research, CEIC, IMF

(2) Log scale

# Mass affluent potential biggest in mainland China and India



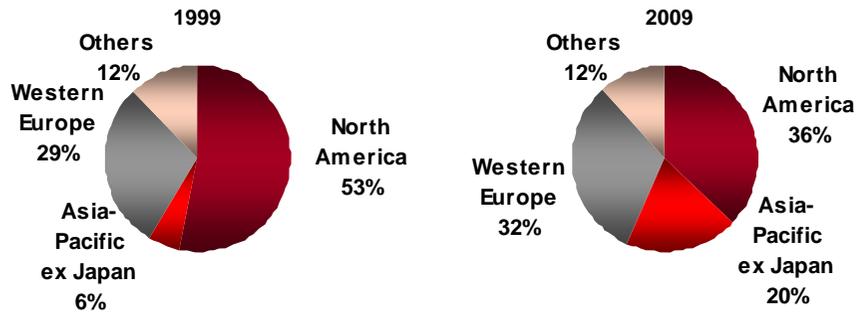
Source: Datamonitor; size of bubbles indicate number of mass affluent individuals

# Asia debt and capital markets growth surging

Asia's share of debt and equity issuance more than tripled in the last decade

Asia dominating global IPO market share; holds close to a quarter of global M&As

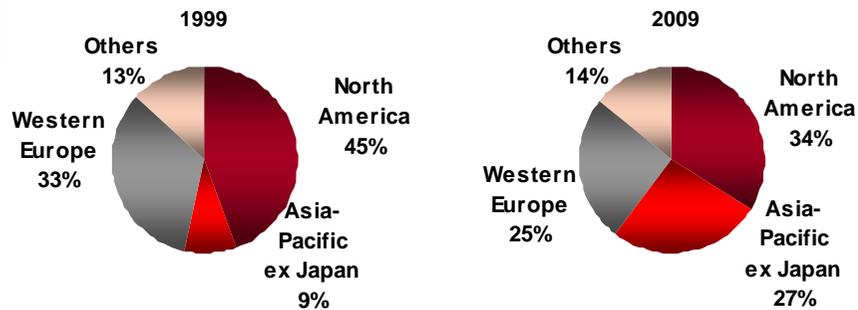
Debt issuance 1999 versus 2009



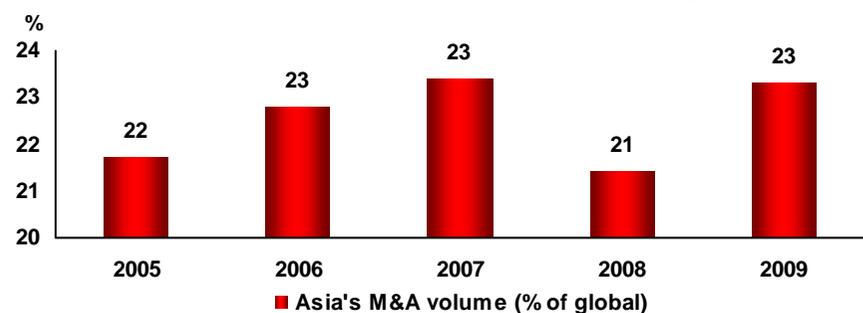
Asia IPO volume by number of deals (% of global)



Equity issuance 1999 versus 2009



Asia M&A volume by number of deals (% of global)



Source: Bloomberg, HSBC Global Research

# Strategy

# Asia is the future

Group strategy in action in Asia

**Cement emerging markets leadership**

**Maintain leadership in Hong Kong**

**Power up in rest of Asia-Pacific**

**Build on international connectivity**

**Grow organic business**

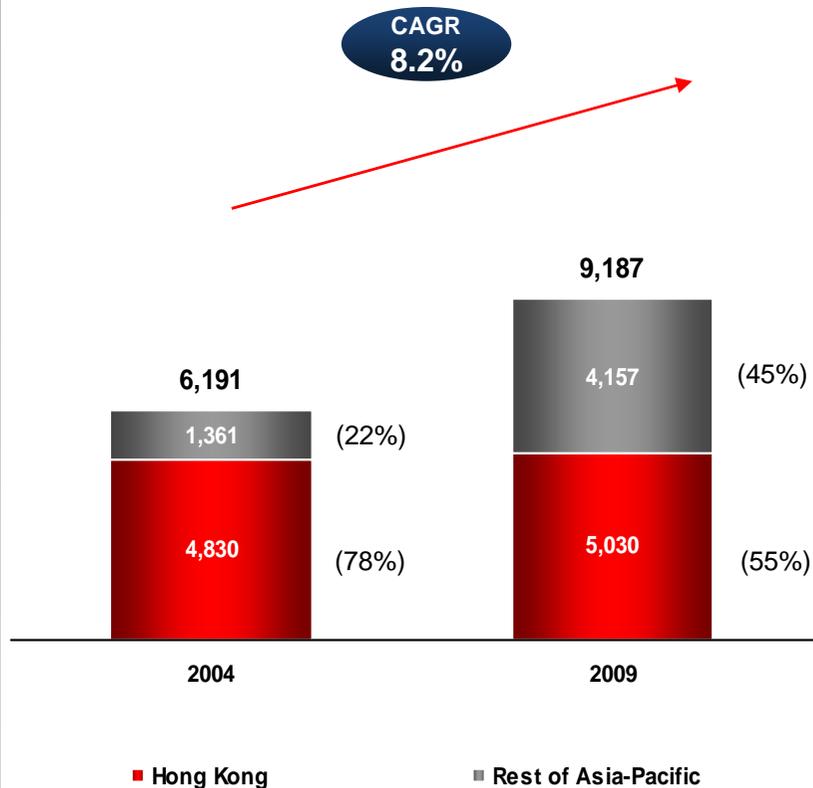
**Optimise strategic partnerships**

# Balancing contribution

Diversified income split between Hong Kong and rest of Asia

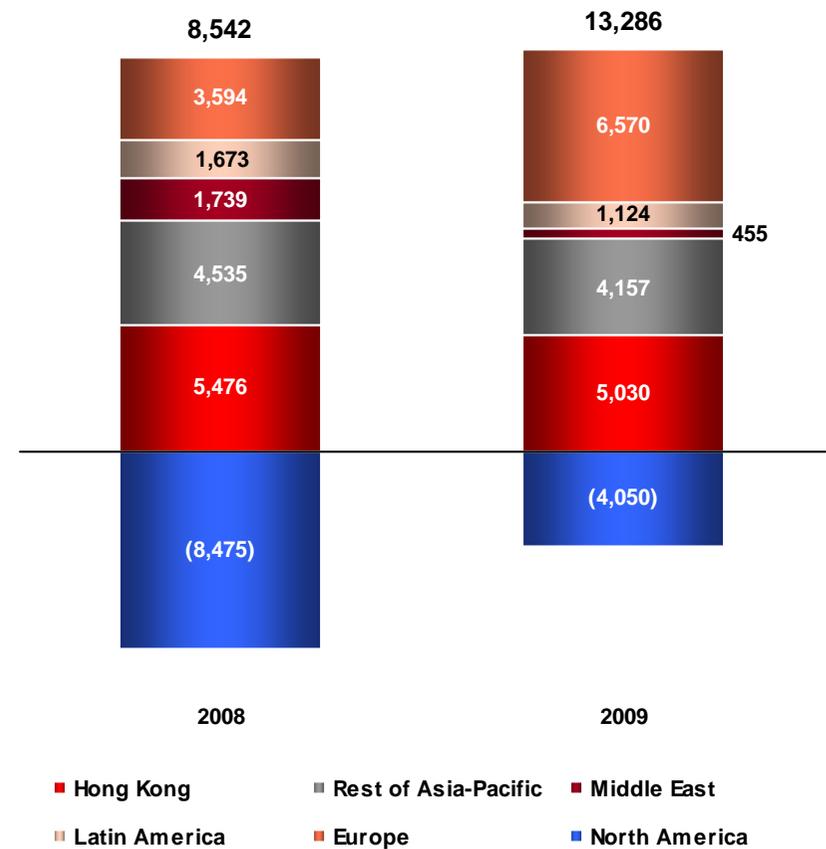
## Asia-Pacific

Profit/(loss) before tax<sup>1</sup>, US\$m (% of total)



## HSBC Group

Profit/(loss) before tax<sup>1</sup>, US\$m (% of total)



Note:

(1) 2008 and 2009 PBT on an underlying basis, ex goodwill impairments

Hong Kong

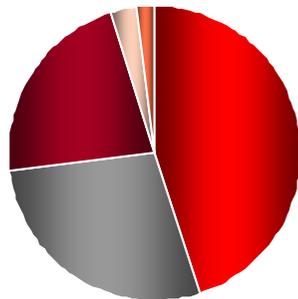
# Performance

PBT of US\$5.03 billion in 2009

## Highlights

- ▶ Market leader in mortgages<sup>1</sup> and deposits<sup>2</sup>
- ▶ Largest credit card issuer – 5.3 million cards in circulation, 47 per cent market share by card balances<sup>3</sup>
- ▶ Over 200 manned outlets in the territory
- ▶ Leading bancassurer<sup>4</sup> with 25.9 per cent market share in individual life new business and 32.5 per cent share in Mandatory Provident Fund (MPF) assets
- ▶ Largest SME bank – over 340,000 SME customers
- ▶ Best bank in trade, payments and cash management, foreign exchange and bonds<sup>5</sup>

## Loans and advances to customers 31 December 2009, US\$bn, (% of total)

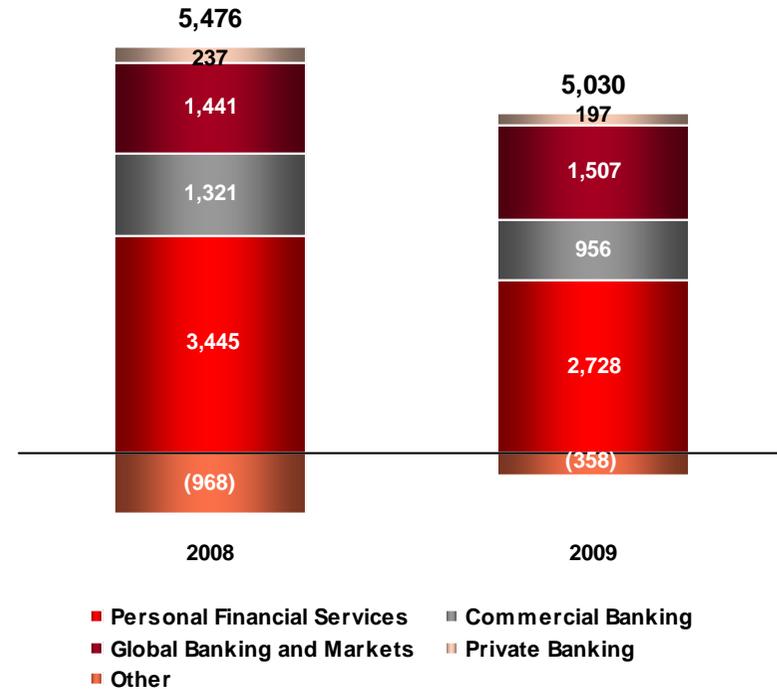


- Personal Financial Services (44, 45%)
- Commercial Banking (28, 28%)
- Global Banking and Markets (22, 22%)
- Private Banking (3, 3%)
- Other (2, 2%)

**US\$99.4bn**

## Business mix

Profit/(loss) before tax, underlying, US\$m



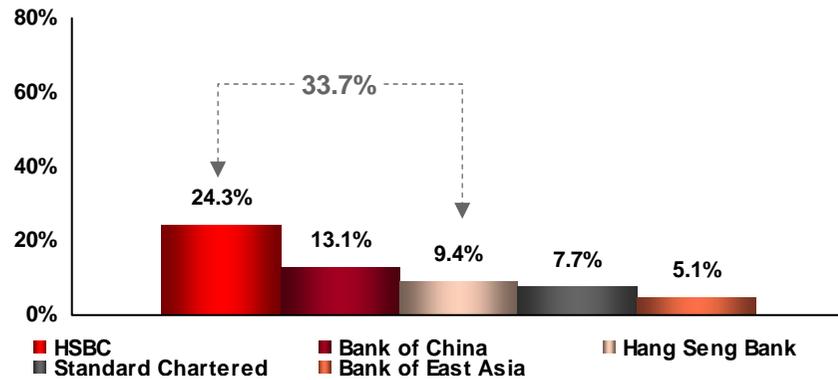
Notes:

- (1) No 1 in new mortgage business with 30.3 per cent combined market share based on count in 2009 (17.8 per cent HBAP and 12.5 per cent HASE, mReferral, December 2009)
- (2) No 1 with 33.7 per cent combined market share in customer deposits (24.3 per cent HBAP and 9.4 per cent HASE, Hong Kong Monetary Authority (HKMA), H1 2009)
- (3) No 1 combined market share (29 per cent HBAP and 18.1 per cent HASE) (HKMA and other bank reports, H1 2009)
- (4) No 1 combined market share (17.4 per cent HSBC and 8 per cent HASE) for Individual Life New Business [regular premiums] (Office of the Commissioner of Insurance, 2009). No. 1 combined market share (24.8 per cent HSBC and 7.6 per cent HASE) in MPF assets (Gadbury Group Limited, December 2009)
- (5) FinanceAsia Country Awards 2009

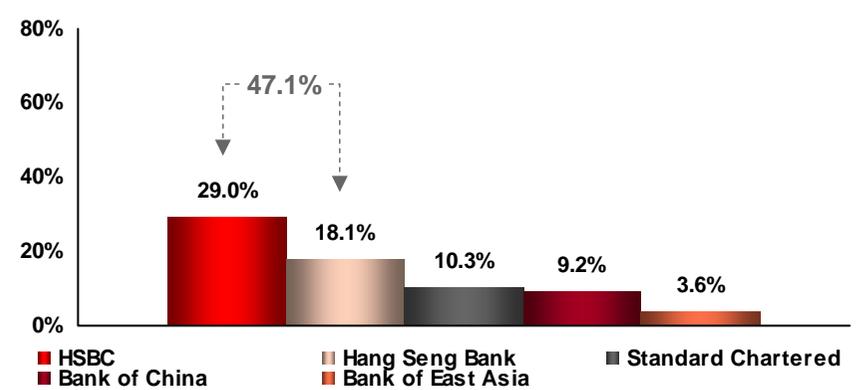
# Competition

## Market leader

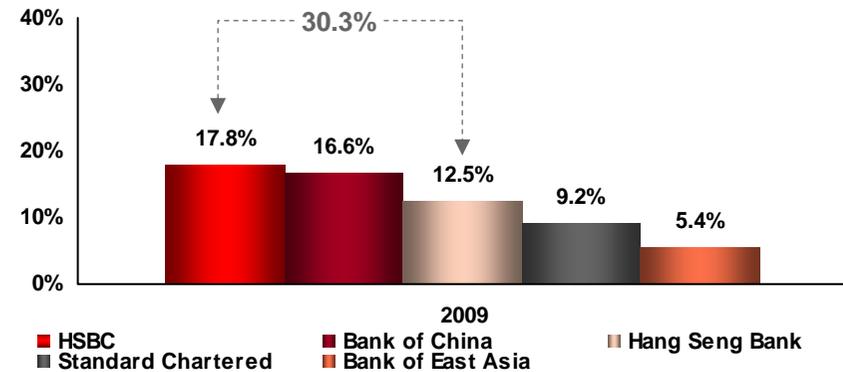
Market share in deposits<sup>1</sup>



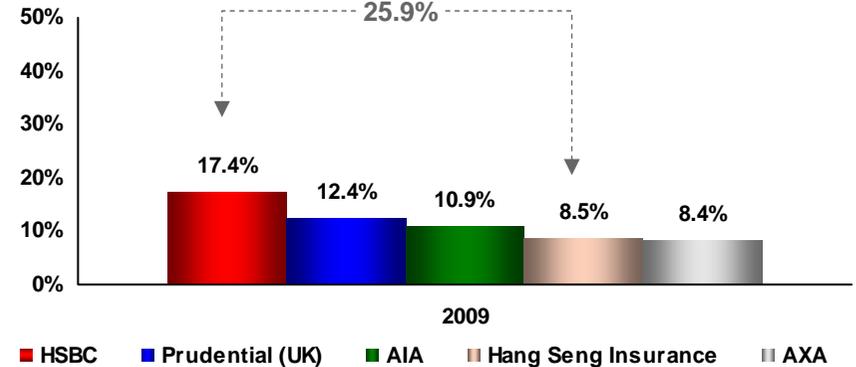
Market share in card balances<sup>2</sup>



Market share in mortgages<sup>3</sup>



Market share in life insurance<sup>4</sup>



Note:

- (1) Hong Kong Monetary Authority (HKMA); banks' annual/interim reports (H1 2009)
- (2) HKMA and other banks' reports (H1 2009)
- (3) mReferral; based on new business count (2009)
- (4) New regular and single premium, Office of the Commissioner of Insurance (Q3 2009)

# Strategy

## Transforming the business

### Retain market share

- ▶ Maintain leadership in deposits, insurance, wealth management, MPF, mortgages and cards
- ▶ Over 380,000 Premier customers
- ▶ Dominate SME/MME segment – SME loan fund of HK\$20 billion benefiting some 8,600 customers at end of December 2009
- ▶ Build on leadership in foreign exchange, treasury and capital markets
- ▶ Increase cross-sales within and across customer groups

### Drive Greater China integration

- ▶ Capture potential of Hong Kong and Shanghai as international financial centres
- ▶ Build on Hong Kong's access to opportunities in the Pearl River Delta
- ▶ Tap cross-straits opportunities for Premier, cross-border trade and Global Banking and Markets

### Build RMB business

- ▶ Capture dominant share of RMB trade, settlement and bond issuance businesses
- ▶ Be first-to-market RMB products and services as regulators allow

Mainland China

# Performance

PBT of US\$111 million in 2009

## Business mix, 2009

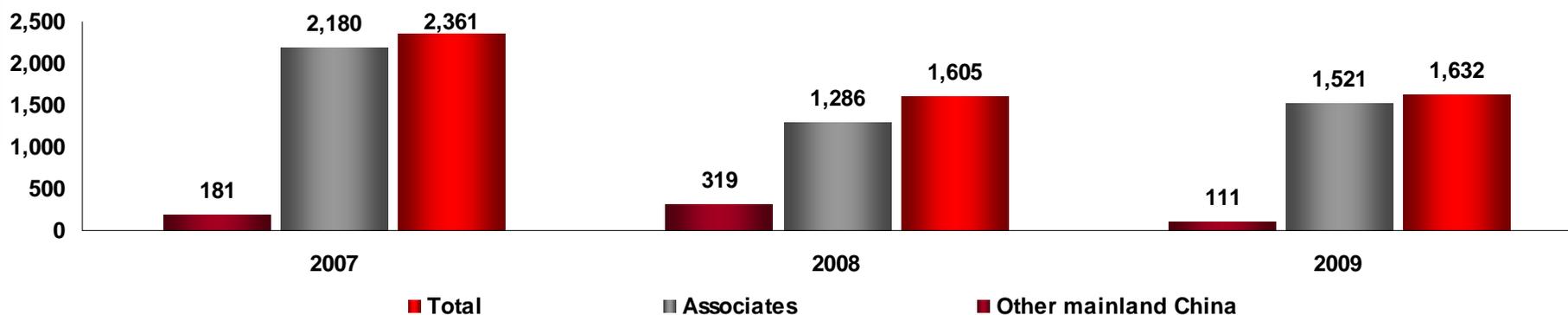
Profit/(loss) before tax, US\$m

	2008	2009	% change
Personal Financial Services	(109)	(184)	(69)
Commercial Banking	64	58	(9)
Global Banking and Markets	353	194	(45)
Private Banking	(5)	(7)	40
Other	16	50	213
<b>Total</b>	<b>319</b>	<b>111</b>	<b>(65)</b>

## Highlights, 2009

- ▶ Established in 1865, locally incorporated in April 2007
- ▶ Largest foreign bank network – 99 HSBC-branded outlets in January 2010
- ▶ Investments in mainland China total US\$5 billion
- ▶ Market value of strategic investments up to US\$25.4 billion in 2009
  - ▶ Bank of Communications, 19.01 per cent
  - ▶ Ping An Insurance, 16.78 per cent
  - ▶ Industrial Bank, 12.78 per cent via Hang Seng Bank

## PBT breakdown, US\$m

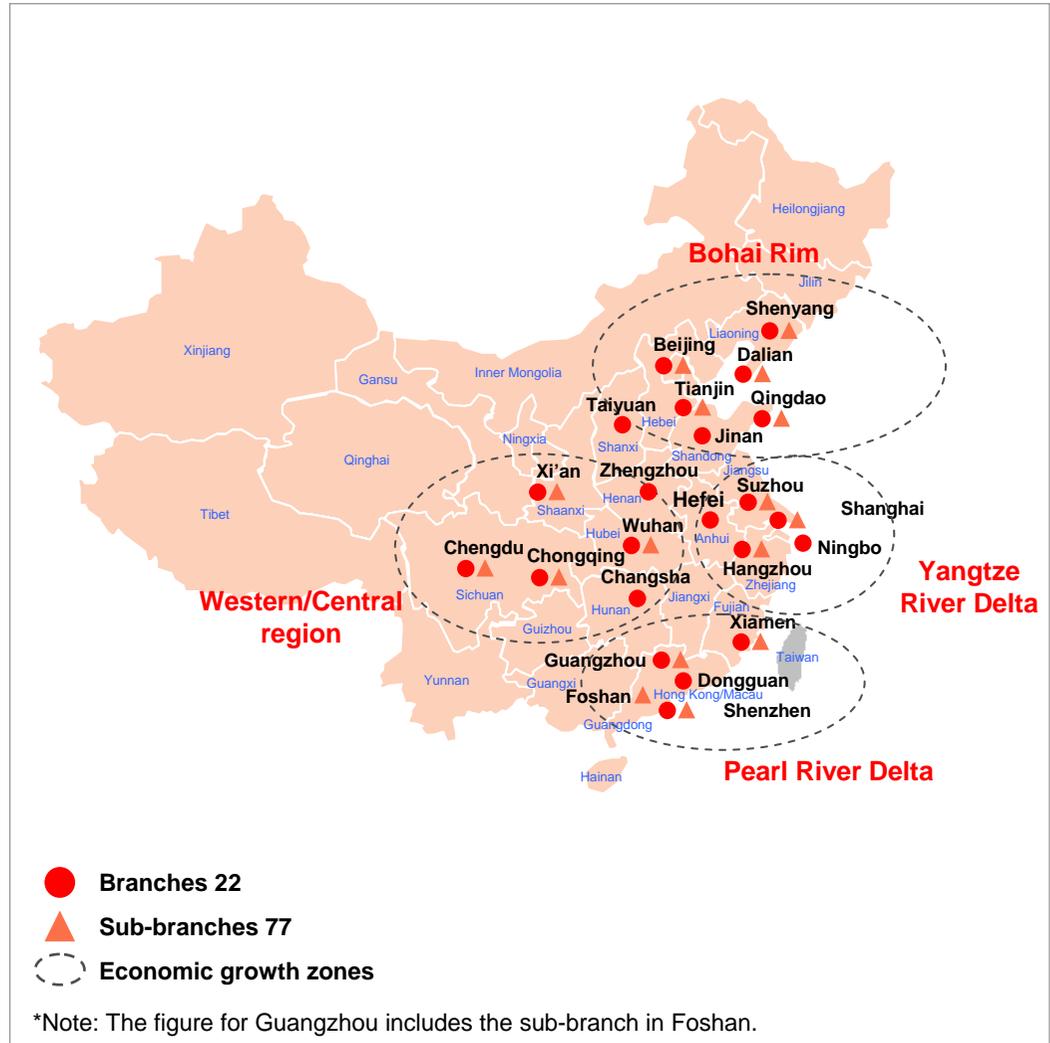


# Presence

## Largest foreign bank

### Business highlights, 2009

- ▶ Grow organically and optimise strategic partnerships
- ▶ Fast-growing presence:
  - ▶ 99 HSBC Bank China outlets in 23 cities at January 2010
  - ▶ 12 rural bank outlets (January 2010)
  - ▶ 38 Hang Seng outlets in 11 cities (December 2009)
- ▶ Focusing on four economic growth zones
- ▶ Targeting A-share listing
- ▶ First foreign bank to issue RMB bonds in Hong Kong
- ▶ First foreign bank to settle cross-border trade in RMB and first to launch RMB trade settlement in seven ASEAN countries
- ▶ First foreign bank in rural banking
- ▶ Launched 50:50 jointly-owned insurance entity with National Trust
- ▶ Top foreign bank in 10 categories, as chosen by peers<sup>1</sup>



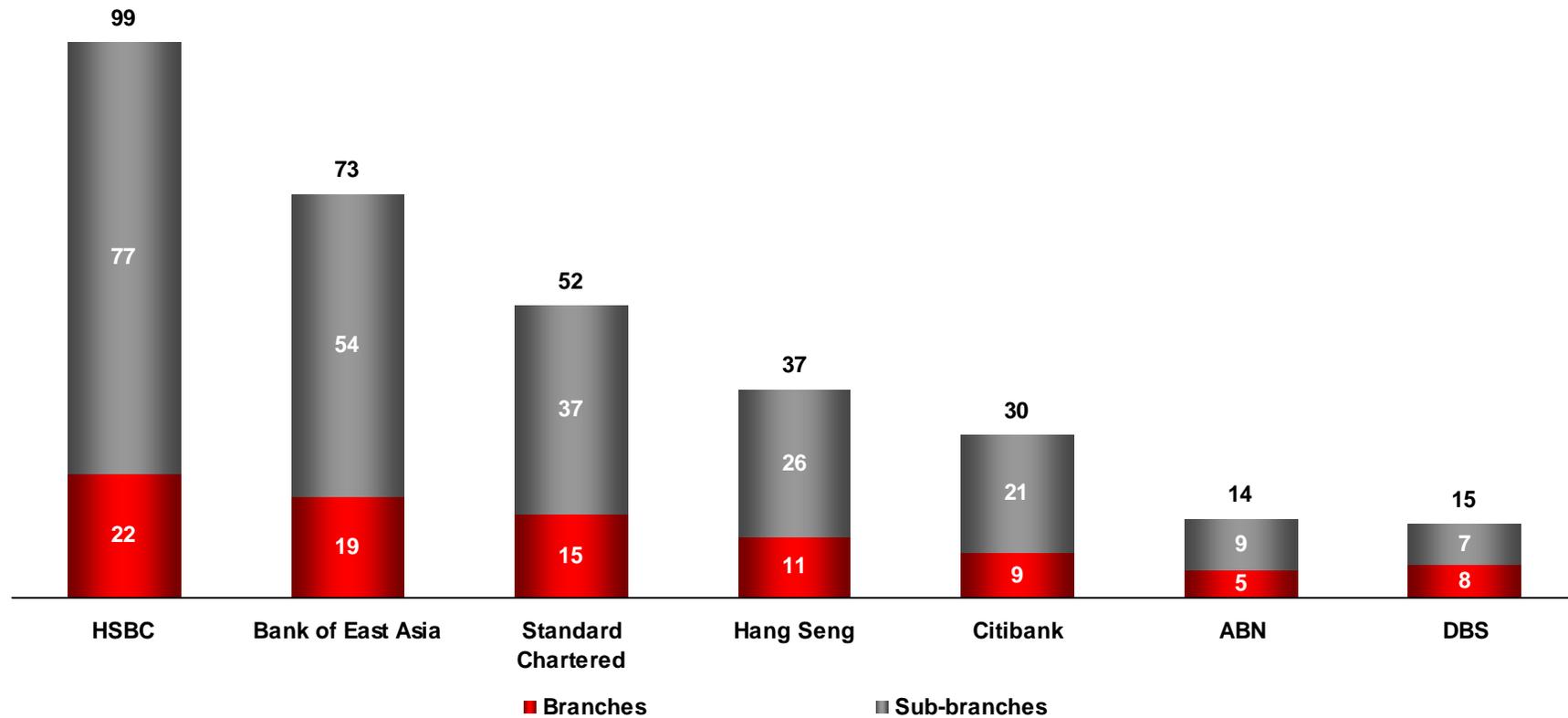
Notes:

(1) PricewaterhouseCoopers Survey of Foreign Banks in China 2009

# Competition

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

Locally incorporated foreign banks by branch network<sup>1</sup>



Notes:

(1) Official bank websites and press reports (as at end December 2009; excluding representative offices, administrative offices, etc)

# Strategy

## Transforming the business

### Fast-track organic growth

- ▶ Expand branch network as fast as regulations will allow
- ▶ Increase insurance and investment product range focusing on mass affluent and mid-market segments
- ▶ Tap internationally-focused outbound state-owned enterprises (SOEs) and privately-owned enterprises (POEs)
- ▶ Expand base of local Chinese and multinational companies
- ▶ Build RMB product range for individuals and businesses

### Optimise synergies with strategic partners

- ▶ Build on planned credit card joint venture with BoCom – over 12 million cards
- ▶ Extend insurance capabilities through BoCom and National Trust partnerships
- ▶ Explore potential securities joint venture

### Build Greater China platform and global connections

- ▶ Capture dominant share of cross-border trade, including RMB-denominated trade
- ▶ Become banker of choice for non-resident Chinese in Greater China and globally
- ▶ Build on global footprint and expertise to support large domestic companies expanding overseas

India

# Performance

PBT of US\$374 million in 2009

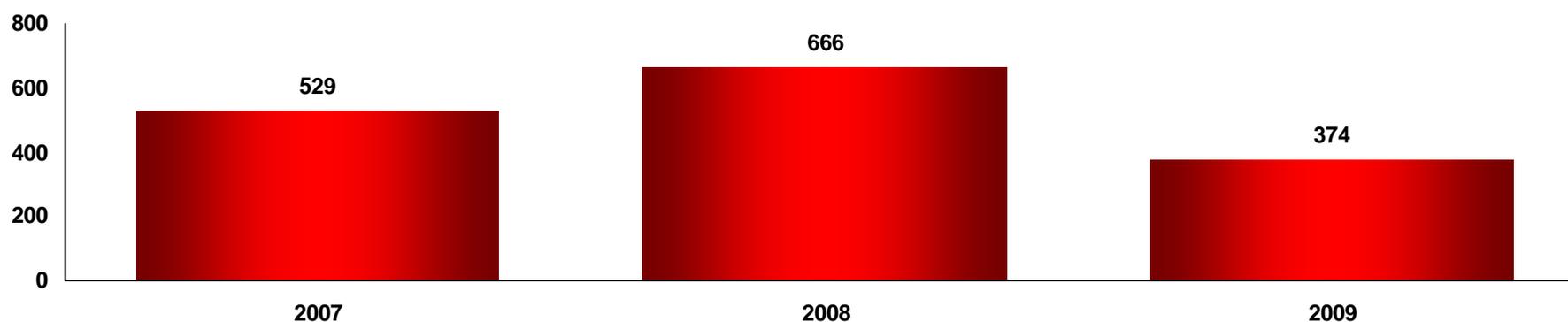
## Business mix, 2009 Profit before tax, US\$m

	2008	2009	% change
Personal Financial Services	(155)	(219)	(41)
Commercial Banking	118	(41)	(135)
Global Banking and Markets	578	393	(32)
Private Banking	2	1	(50)
Other	123	240	95
<b>Total</b>	<b>666</b>	<b>374</b>	<b>(44)</b>

## Highlights

- ▶ No. 1 distributor of equity mutual funds<sup>1</sup>
- ▶ Mass affluent leadership – 16 per cent penetration into Premier market<sup>2</sup>
- ▶ Three new branches in January 2010
- ▶ Two new non-resident Indian centres in Canada and Australia
- ▶ Over 9,700 new Business Direct accounts in 2009
- ▶ Joint lead manager and bookrunner for State Bank of India's five-year US\$750 million bond issue

## Profit before tax (PBT) US\$m



Notes:

(1) Based on non-corporate segment, Computer Age Management Services Report November 2009

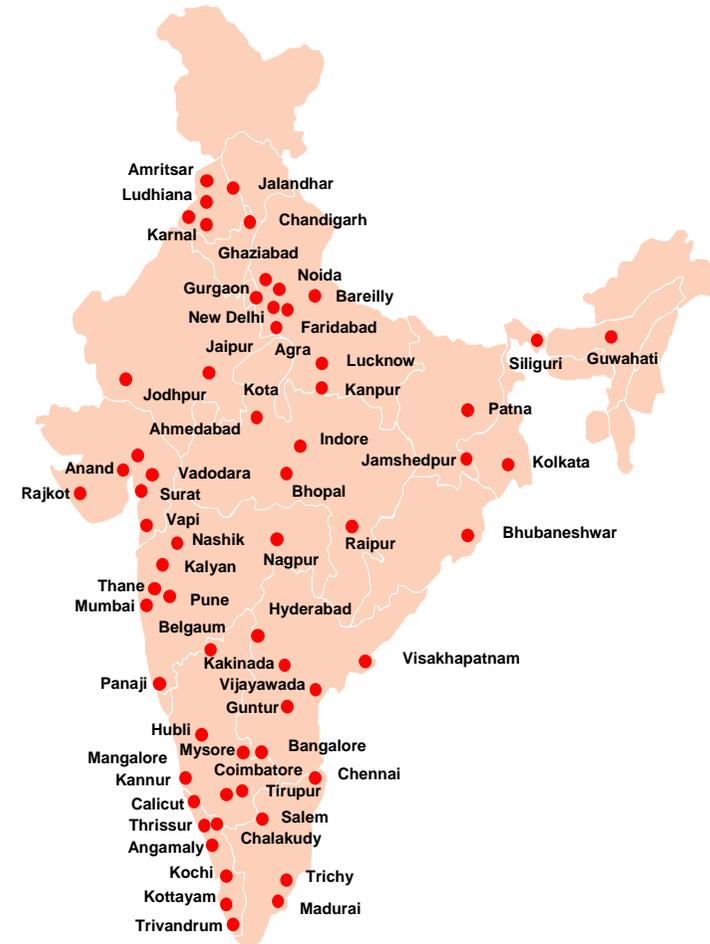
(2) Based on number of mass affluent households, Indian Readership Survey 2009

# Presence

## Expanded footprint via acquisitions

### Highlights

- ▶ **Second largest foreign bank network – 174 outlets in 63 cities as at January 2010**
  - ▶ 50 HSBC branches
  - ▶ 77 HSBC InvestDirect outlets
  - ▶ 10 Global Resourcing Centres
  - ▶ 5 Global Technology Centres
  - ▶ 32 offices through HSBC's 26% stake in life insurance JV<sup>1</sup>
- ▶ **Major stake holdings**
  - ▶ HSBC Asset Management: 100%-owned; one outlet
  - ▶ HSBC InvestDirect: 93.86%-owned ; 77 outlets
  - ▶ Canara HSBC Oriental Bank of Commerce Life Insurance: 26%-owned; 4,100 outlets
- ▶ **Over two million bank customers**
- ▶ **HSBC Asset Management manages over one million portfolios and assets of over US\$5 billion**
- ▶ **Over 130,000 customers in 52 cities through HSBC InvestDirect's 77 outlets and 147 franchisee outlets**
- ▶ **Access to 48 million customers through 4,100 branches through life insurance JV<sup>1</sup>**
- ▶ **Over 35,000 staff<sup>2</sup> – largest in Asia**



Notes:

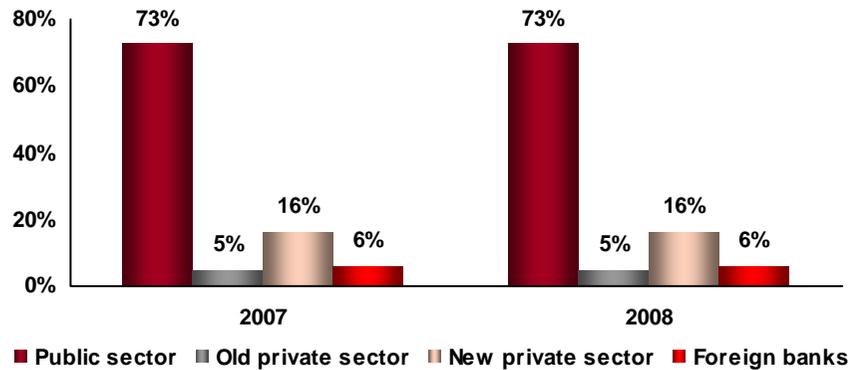
(1) Canara HSBC Oriental Bank of Commerce Life Insurance Company

(2) 18,000 work in HSBC's 10 Global Resourcing Centres

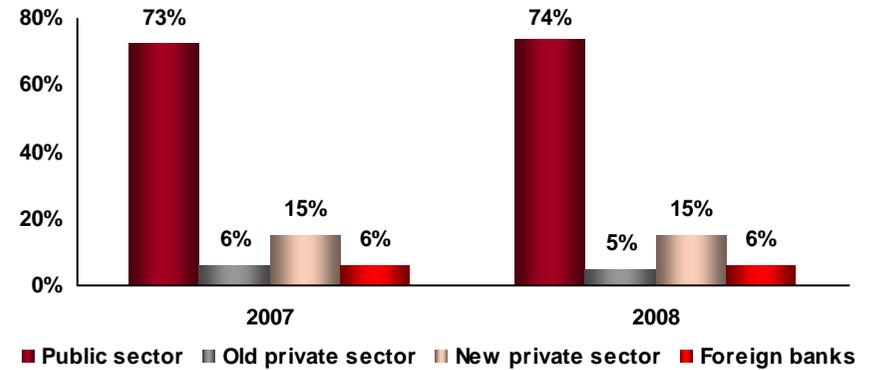
# Competition

Foreign banks, big opportunity but slow progress

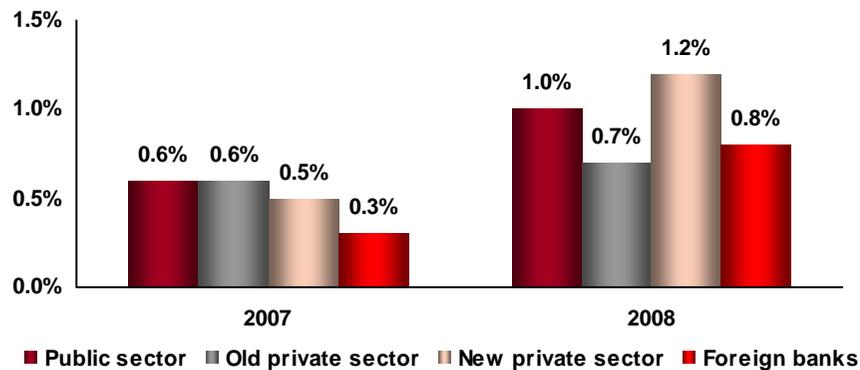
### Market share in advances



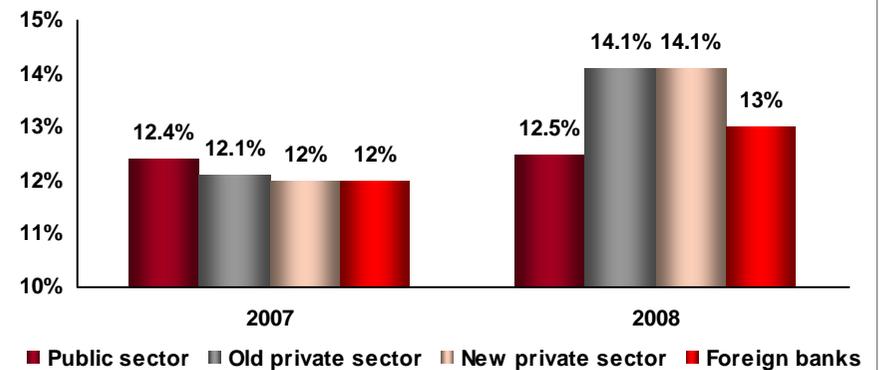
### Market share in deposits



### Asset quality – net non-performing assets



### Capital adequacy levels



Source: Reserve Bank of India

# Strategy

## Transforming the business

### **Integrate HSBC InvestDirect to grow wealth management**

- ▶ **Extend distribution of wealth management products through over 200 HSBC InvestDirect outlets**
- ▶ **Integrate HSBC InvestDirect retail broking services with bank's wealth management platform to target mid-market and mass affluent segments**
- ▶ **Grow share of non-resident Indian business**

### **Build insurance business across customer groups**

- ▶ **Expand retail product range through Canara HSBC Oriental Bank of Commerce Life Insurance Company**
- ▶ **Cross-sell insurance to CMB customers and financial institutions**
- ▶ **Develop proposition for high net-worth CMB customers**

### **Achieve balanced customer group contribution**

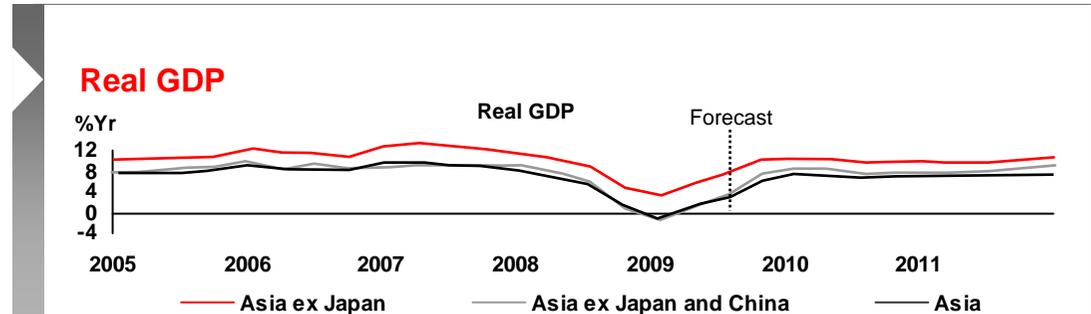
- ▶ **Increase cross-sales and liabilities-led acquisition in PFS and CMB**
- ▶ **Focus on internationally-oriented SMEs/MMEs and large corporates to build asset book**
- ▶ **Expand CMB product range in insurance and investments**
- ▶ **Increase wallet share among multinationals via global transaction banking, working capital finance and securities services**

# Outlook

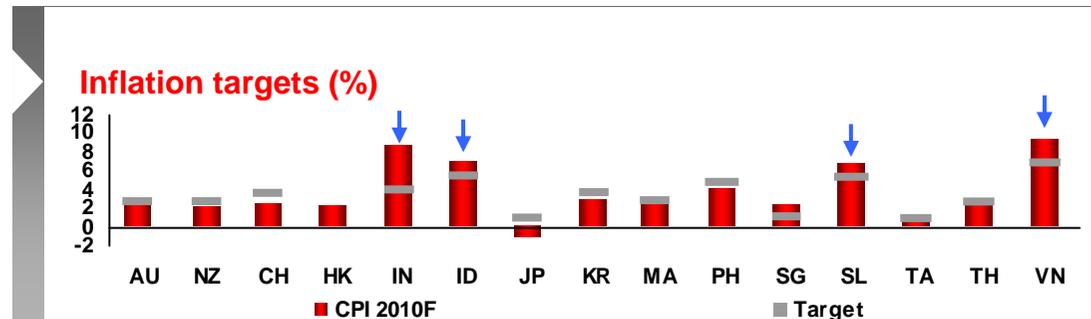
# Emerging markets leading global recovery and growth

Key role in world economic agenda

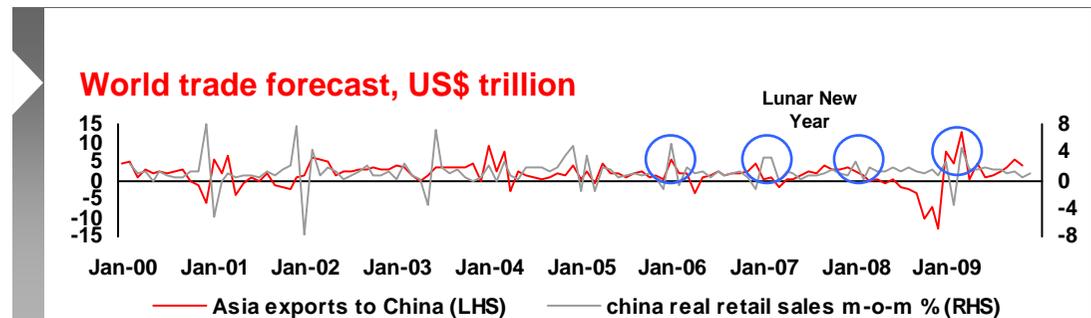
No double dipping in Asia



Rising inflation pressure but targets mostly achievable



Mainland China supports recovery with stimulus focused on consumption, healthcare and education



Source: HSBC Global Research

# Outlook

Positioning the business for the future

## Two-speed recovery

Emerging markets growing faster than developed markets

## Macro global trends

Remain unchanged

### Personal Financial Services

Increasingly focused on wealth

### Commercial Banking

Developing international capabilities and connectivity

### Global Banking and Markets

Strengthening its position as an emerging markets-led and financing-focused business

### Private Banking

Increasing the connectivity of the Group's global businesses

**Taking opportunities in Greater China and ASEAN**

**HSBC's financial structure and business model position us strongly and competitively to meet the challenges of the future.**