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Asian Financials 2010

HSBC 
The world's local bank

Leading, investing and growing in Asia



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

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The leading international emerging markets bank

Emerging markets leading performance, 2009

US returning to profit

North America¹ (US\$bn), 2009

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

Europe stable

Europe¹ (US\$bn), 2009

▶ PBT:	6.6
▶ Loans and advances to customers:	329.2
▶ Customer accounts:	349.2

Key emerging market growth engines

Latin America¹ (US\$bn), 2009

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

Middle East¹ (US\$bn), 2009

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

Asia¹ (US\$bn), 2009

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

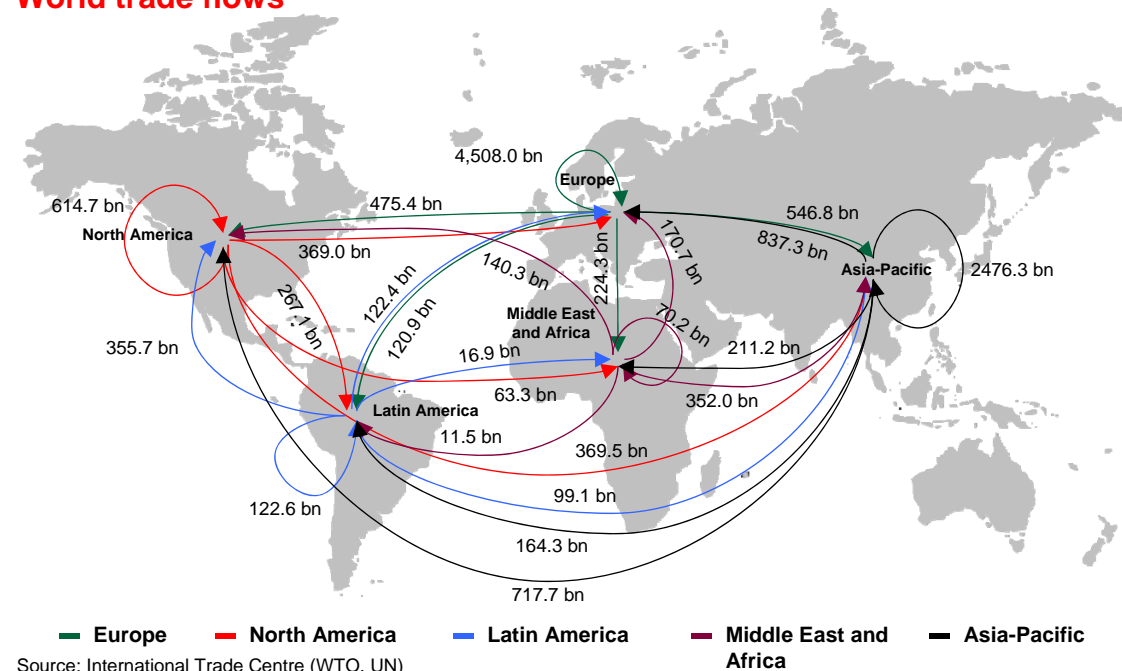
Note:
(1) Underlying basis

Opportunity

At the centre of global trade flows

Linking developing and developed markets

World trade flows



Global footprint²

- ▶ 8,000 properties in 88 countries and territories
- ▶ Around 100 million customers
- ▶ Around 300,000 employees
- ▶ No 1 in Trade and Supply Chain
- ▶ Best Global Trade Finance Bank 2009³
- ▶ Best Trade Finance Services in Asia-Pacific 2009⁴
- ▶ Best Trade Finance Bank 2009⁵

	Total assets	Total revenues ¹	Profit before tax (PBT)	Tier 1 capital ratio	Total capital ratio
2009	US\$2.36trn	US\$72.36bn	US\$13.29bn	10.8%	13.7%
2008	US\$2.67trn	US\$66.89bn	US\$8.54bn	8.3%	11.4%

Note:

All units are in US\$; underlying basis excluding goodwill impairment

(1) Net operating income before loan impairment charges

(2) As at 31 December 2009

(3) Global Trade Review

(4) Global Finance

(5) Cargonews Asia

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Emerging markets driving global economic recovery

Asia at the centre of global economic power

Best Retail Bank in Hong Kong¹

Best Foreign Retail Bank in China¹

Bank of the Year – Largest and Strongest in Hong Kong²

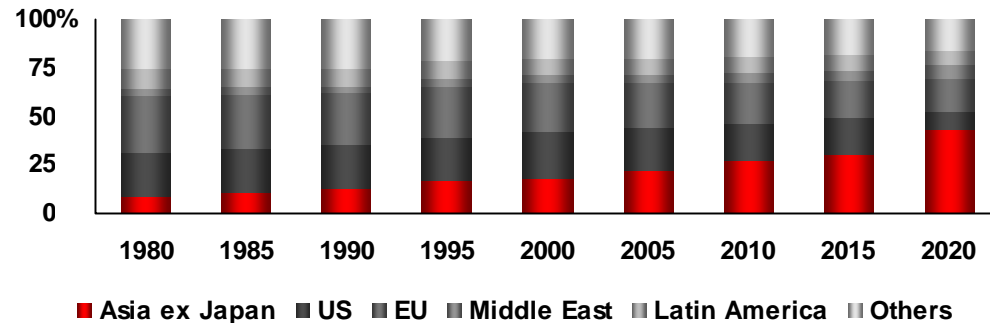
Hong Kong Bank of the Year³

Note:

- (1) Asian Banker 2009
- (2) Visa 2009
- (3) MasterCard 2009
- (4) International Monetary Fund
- (5) HSBC Global Research

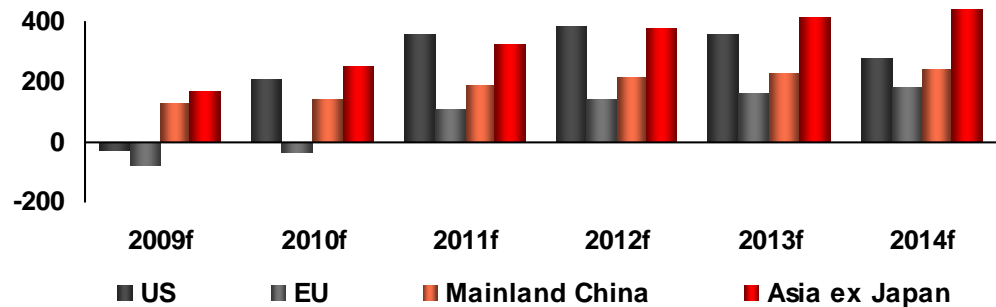
World GDP forecast, based on PPP, % of total⁴

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



Incremental spending, US\$bn⁵

Asians to overtake US and EU consumers by 2013 as biggest incremental spenders



Biggest mass affluent potential in mainland China and India

Best Bancassurer in Hong Kong and Singapore¹

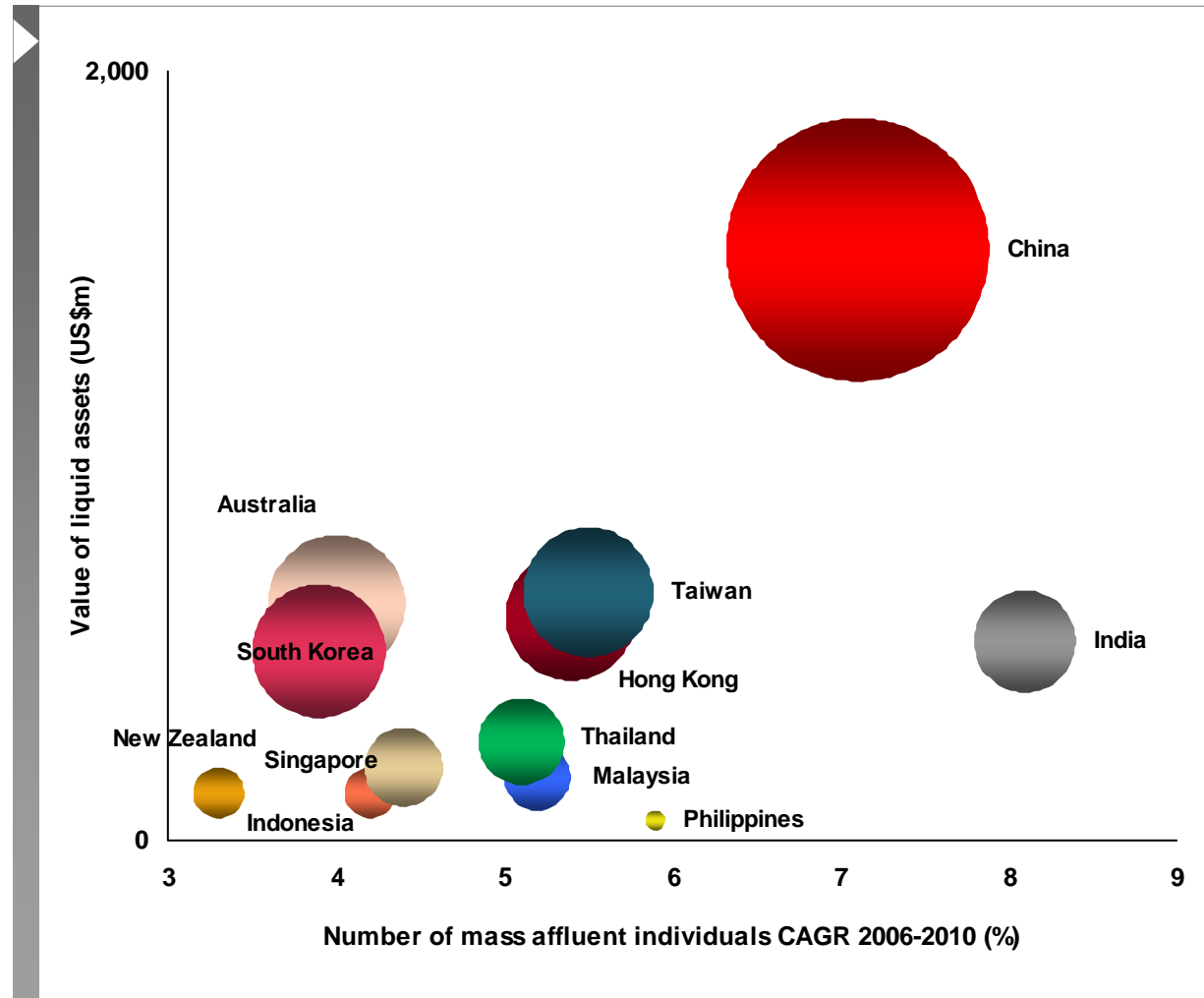
Total Private Banking client assets at US\$367bn globally

No 1 Best Private Bank in Asia²

No 1 Private Bank in Hong Kong and No 2 in Singapore³

No 1 Best Private Banking Services Overall³

No 1 Trustee Services³



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

(1) Asian Banker 2010 (Hong Kong); Life Insurance Association 2009 (amongst all foreign banks in Singapore)

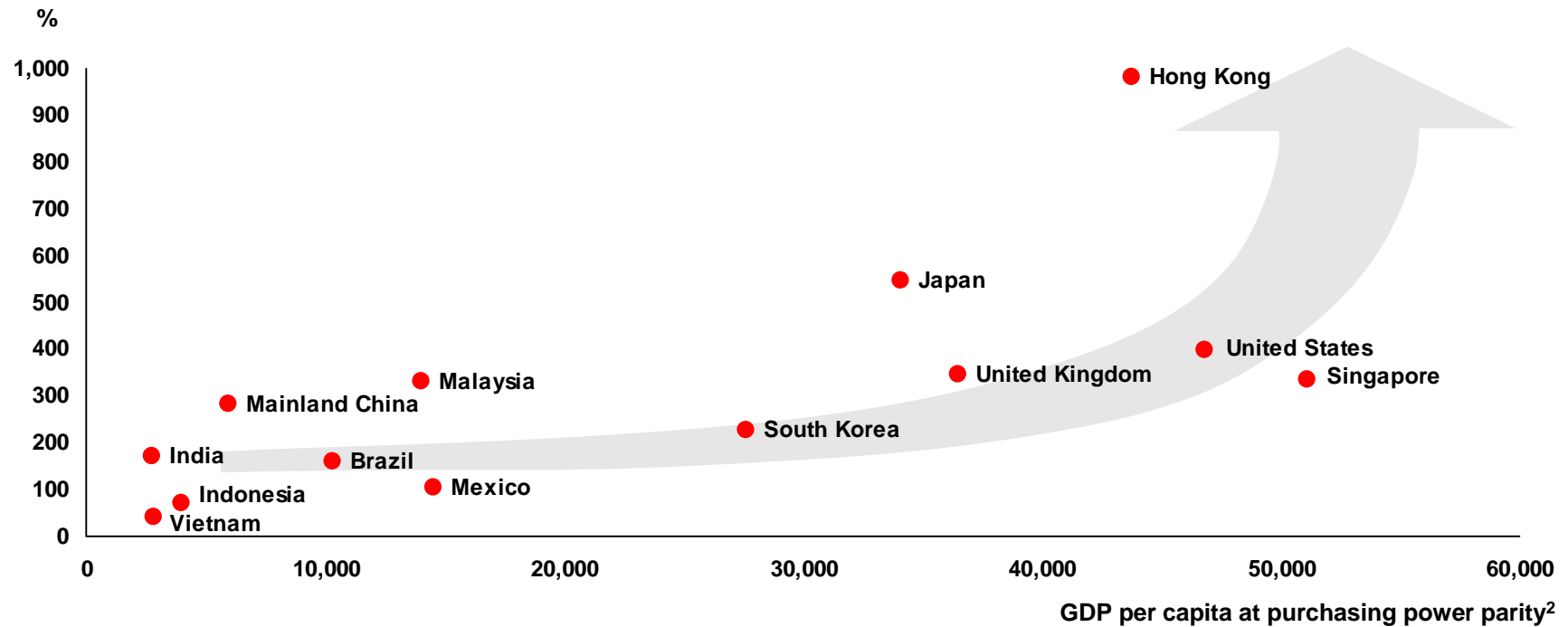
(2) Financial Times Global Private Banking Awards 2009

(3) Euromoney Private Banking Survey 2010

Room to grow in emerging financial markets

Scope for growth: emerging markets versus mature markets¹

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



Emerging markets

Mature markets

Note:

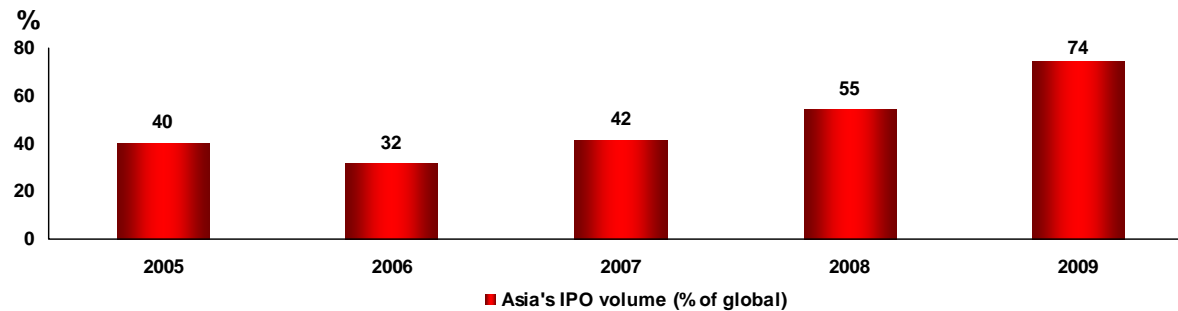
(1) Source: McKinsey Global Institute Global Financial Assets database, HSBC Global Research, CEIC, IMF

(2) Log scale

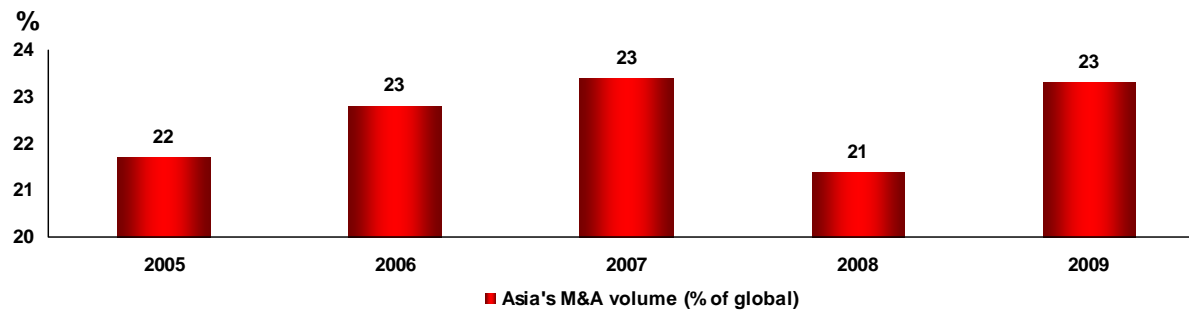
Asia debt and capital markets growth surging

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

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



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



Source: Bloomberg, HSBC Global Research

HSBC – No 1 in the region

Asia-Pacific ex Japan all currency bonds 1 Apr 09 – 31 Mar 10

Rank	Name	US\$m	Issues	%
1	HSBC	30,554	394	5.1
2	Deutsche Bank	29,177	153	4.9
3	UBS	26,521	130	4.4
4	JP Morgan	22,002	90	3.7
5	Goldman Sachs	21,149	63	3.5

No 1 in cross-border transactions

Cross-border Asian local currency bonds 1 Apr 09 – 31 Mar 10

Rank	Name	US\$m	Issues
1	HSBC	4,624	115
2	Standard Chartered	2,799	70
3	Deutsche Bank	945	40
4	Barclays	727	24
5	Citi	306	16

Source: Bloomberg standard league table, Asian local currency bonds. Cross-border defined as nationality of issuer different from the nationality of the transaction currency, includes selected comparables only

No 1 in volume

Asian local currency bonds 1 Apr 09 – 31 Mar 10

Rank	Name	US\$m	Issues	%
1	HSBC	16,330	410	11.5
2	Standard Chartered	13,671	393	9.6
3	CIMB	6,113	171	4.3
4	Tong Yang Securities	5,353	139	3.8
5	Axis Bank	4,800	182	3.4

Source: Bloomberg standard league table, Asian local currency bonds

HSBC in Asia

A decade of expansion in Asia

Investing to grow scope and scale

Mainland China

- ▶ 19.01% in Bank of Communications
- ▶ 16.13% 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

- ▶ First foreign bank to locally incorporate
- ▶ 19.91% in Techcombank
- ▶ 18% in Bao Viet

Outlets ¹		Staff ¹		Advances to deposits ratio ² (%)		Assets ³		Profit before tax ³	
1999	2009	1999	2009	1999	2009	1999	2009	1999	2009
592	1,060	45,307	114,755	50.36	45.87	220,711	621,382	3,383	9,229

Note:

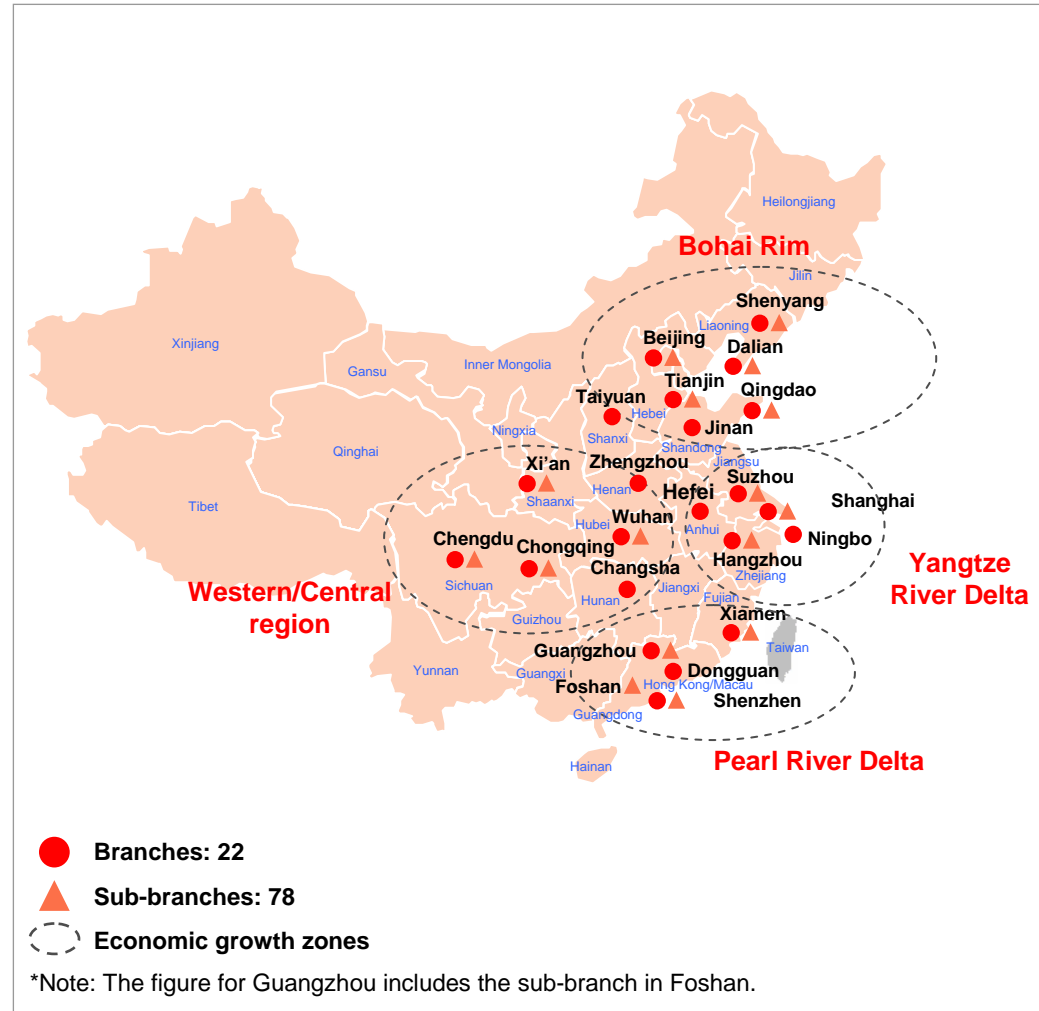
- (1) Outlets and staff in 1999 include Middle East; outlets in 2009 belong to The Hongkong and Shanghai Banking Corporation Limited and exclude the Middle East; staff in 2009 excludes Middle East
- (2) 1999 and 2009 exclude the Middle East based on the accounts of The Hongkong and Shanghai Banking Corporation Limited
- (3) 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

Mainland China

Largest foreign bank

Highlights

- ▶ Grow organically and optimise strategic partnerships
- ▶ Fast-growing presence:
 - ▶ 100 HSBC Bank China outlets in 23 cities as at June 2010
 - ▶ 12 rural bank outlets as at June 2010
 - ▶ 38 Hang Seng outlets in 13 cities as at May 2010
- ▶ Focus on four economic growth zones
- ▶ Target 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
- ▶ Top foreign bank in 10 categories, as chosen by peers¹



Note:

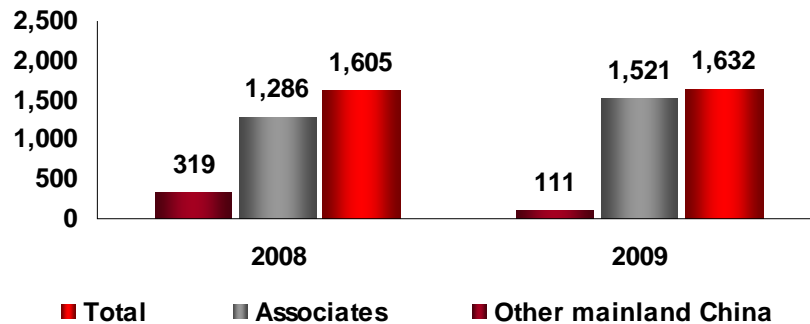
(1) PricewaterhouseCoopers Survey of Foreign Banks in China 2009

Mainland China

Grow organically and optimise strategic partnerships

Business mix, 2009

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



Highlights

- ▶ Established in 1865, locally incorporated in April 2007
- ▶ Largest foreign bank network – 100 HSBC-branded outlets in June 2010
- ▶ Investments in mainland China total US\$5 billion
- ▶ Market value of strategic investments at US\$25.4 billion in 2009
 - ▶ Bank of Communications, 19.01%
 - ▶ Ping An Insurance, 16.13%
 - ▶ Industrial Bank, 12.78% via Hang Seng Bank

Strategy

Fast track organic growth

Expand branch network and build product range as regulations allow
Focus on mass affluent individuals and internationally-focused businesses

Optimise synergies with strategic partners

Focus on credit card joint venture with BoCom – over 13 million cards in circulation
Expand insurance product range and target to distribute through 40 outlets from 30 by year-end
Explore potential securities partnership

Build Greater China platform

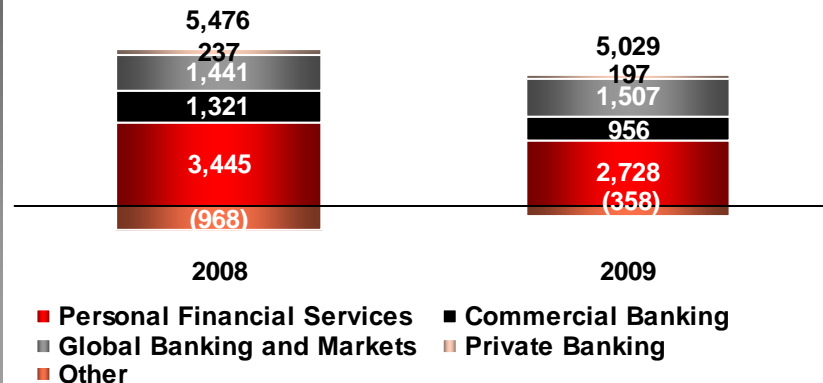
Capture non-resident Chinese wealth management business
Build RMB cross-border trade and capital markets businesses

Hong Kong

Cement market leadership

Business mix

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



Highlights

- ▶ Market leader in mortgages¹ and deposits²
- ▶ Largest credit card issuer – over 5.4 million cards in circulation, 49% market share by card balances³
- ▶ Over 200 manned outlets in the territory
- ▶ Leading bancassurer⁴ with 25.8% market share in individual life new business and 32.5% share in Mandatory Provident Fund (MPF) assets
- ▶ Largest SME bank – over 350,000 SME customers
- ▶ Best bank in trade, payments and cash management, foreign exchange and bonds⁵

Strategy

Retain market share

Grow customer base for Premier and Advance, and capture rising wealth management demand
Dominate SME/MME segments and maintain leadership in Global Banking and Markets

Drive Greater China integration

Build on Hong Kong's access to opportunities in the Pearl River Delta
Tap cross-straits business for Premier, cross-border trade and Global Banking and Markets

Build RMB business

Capture dominant share of RMB trade, settlement and bond issuance businesses
Expand RMB product range

Notes:

(1) No 1 in new mortgage business with 19.4% market share based on count in May 2010 (HBAP, mReferral)

(2) No 1 with 33.8% combined market share in customer deposits (24.2% HBAP and 9.6% HASE, bank annual reports, 2009)

(3) No 1 combined market share (29.8% HBAP and 18.9% HASE) (Hong Kong Monetary Authority and other bank reports, 2009)

(4) No 1 combined market share (15.9% HSBC and 9.9% HASE) for Individual Life New Business [regular premiums] (Office of the Commissioner of Insurance, 1Q10). No. 1 combined market share (24.8% HSBC and 7.6% HASE) in MPF assets (Gadbury Group Limited, December 2009)

(5) FinanceAsia Country Awards 2009

India

Build on expanded footprint

Highlights

- ▶ **Second largest foreign bank network – 174 outlets in 63 cities as at May 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 JV¹
- ▶ **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 JV¹**
- ▶ **Over 35,000 staff² – largest in Asia**



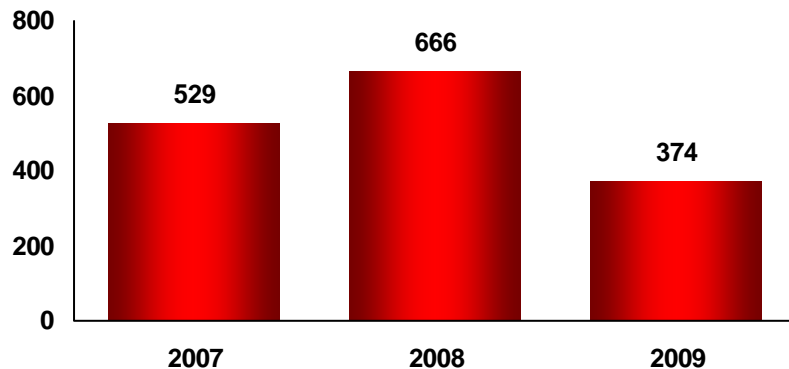
Note:

- (1) Canara HSBC Oriental Bank of Commerce Life Insurance Company
- (2) 18,000 work in HSBC's 10 Global Resourcing Centres

India

Positioning for growth

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



Highlights

- ▶ Strong Global Banking and Markets business
- ▶ No 1 distributor of equity mutual funds¹
- ▶ Mass affluent leadership – 16% penetration into Premier market²
- ▶ 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
- ▶ Canara HSBC Insurance ranked 13 out of 22 private players in terms of Weighted Premium Income³

Strategy

Integrate HSBC InvestDirect

Extend distribution of wealth management products through expanded network

Build insurance business

Expand product range and increase cross-sales
Develop propositions for large CMB and Private Bank customers

Balance customer group contribution

Focus on internationally oriented SMEs/MMEs and increase wallet share among multinationals

Note:

- (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
- (3) IRDA (Insurance Regulatory and Development Authority), February 2010

Gearing up and growing assets in rest of Asia-Pacific

Key markets to power growth

Singapore

- ▶ Fortify position as leading international wealth management centre in Asia
- ▶ Grow assets with focus on trade, receivables finance and business property finance
- ▶ Grow insurance market share from current top 3 player¹
- ▶ Boost cross-sales – PFS referrals comprised 40% of new SME clients in 2009
- ▶ No 1 in overall penetration, share in lead and core relationships and FX product cross-sell²
- ▶ No 1 foreign bank bookrunner for SGD bonds³

Australia

- ▶ Expand branch network to increase mass affluent market share through mortgages, Premier and wealth management services
- ▶ Grow credit card business directly and through retail alliances
- ▶ Launch HSBC Business expanding product range for SME customers
- ▶ Tap mid-market to large corporates with international banking needs
- ▶ Increase penetration of institutional sector for Global Markets, Global Investments and Securities Services

Indonesia

- ▶ Optimise acquisition of 98.96% of Bank Ekonomi
- ▶ Build on expanded network of 210 outlets in 27 cities
- ▶ Focus on growing mass affluent and mid-market wealth management segments
- ▶ Cement leadership in cards⁴, trade finance⁵, sub-custody⁶ and sukuk⁷ transactions
- ▶ Embed Amanah products and propositions in customer group core products

Malaysia

- ▶ Maintain organic growth momentum
 - ▶ Strengthen wealth management for mid-market and mass affluent
 - ▶ Build on growing cross-border referrals for trade and international business
 - ▶ Cement market share in foreign exchange among multinationals
- ▶ Boost leadership in Islamic banking by growing Amanah and Takaful businesses
 - ▶ Launched Amanah Premier in January 2010
 - ▶ Expanded Amanah trade product range
 - ▶ Led key Islamic corporate and sovereign financing deals

Note:

(1) Top 3 Bancassurer among all banks (Life Insurance Association, 2009)

(2) Greenwich 2010 Global Banking Survey

(3) Bloomberg 2010

(4) Top 3 largest card issuer with 15% market share (Bank of Indonesia, Bank Central Asia)

(5) Largest market share in DC volume among foreign banks with 18% share in exports and 10% share in imports (Swift)

(6) Over 30% market share (Central Depository)

(7) Best Islamic Financing 2009 (FinanceAsia)

Outlook

Focused strategy playing to strengths

Two-speed recovery

Emerging markets growing faster than developed markets

Personal Financial Services

Focused on wealth

Commercial Banking

Developing SME and international connectivity

Global Banking and Markets

Emerging markets-led and financing-focused

Private Banking

Connecting with Group's global businesses

Asia growth focused on Hong Kong and six key markets – Mainland China, India, Singapore, Australia, Indonesia and Malaysia