

HSBC Asia Pacific

Positioned to ride on the golden era of Asia

HSBC 
The world's local bank

**Presentation by Peter Wong,
Chief Executive, The Hongkong and Shanghai Banking Corporation Ltd.**
Morgan Stanley 9th Annual Asia Pacific Summit, Singapore, 9 November 2010



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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.**

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial information to the most directly comparable measures under GAAP can be found in HSBC's 2010 Interim Report in the Operating and Financial Review.

Agenda

- ▶ **Our strength in Asia**
- ▶ **Our Asia opportunity**
- ▶ **Our Asia strategy – Capturing the Golden Era**
- ▶ **Key takeaways**

Our strength in Asia



Expanding in scope and scale

Investments and strategic partnerships extending reach and position¹

Mainland China

- ▶ 19.03 per cent in Bank of Communications
- ▶ 16.13 per cent in Ping An Insurance
- ▶ 12.80 per cent in Industrial Bank via Hang Seng Bank
- ▶ 20 per cent in Yantai City Commercial Bank via Hang Seng Bank
- ▶ 8 per cent in Bank of Shanghai
- ▶ 49 per cent in HSBC Jintrust Fund Management
- ▶ 50 per cent in HSBC Life Insurance Company Ltd

India

- ▶ 98.03 per cent in HSBC InvestDirect (IL&FS Investsmart)
- ▶ 26 per cent in Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited
- ▶ Agreement to acquire retail and commercial banking assets of the Royal Bank of Scotland

Indonesia

- ▶ 98.96 per cent in Bank Ekonomi

Malaysia

- ▶ 49 per cent 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 per cent less one share in Hana Life

Taiwan

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

Philippines

- ▶ 100 per cent in PCI Savings Bank

Singapore

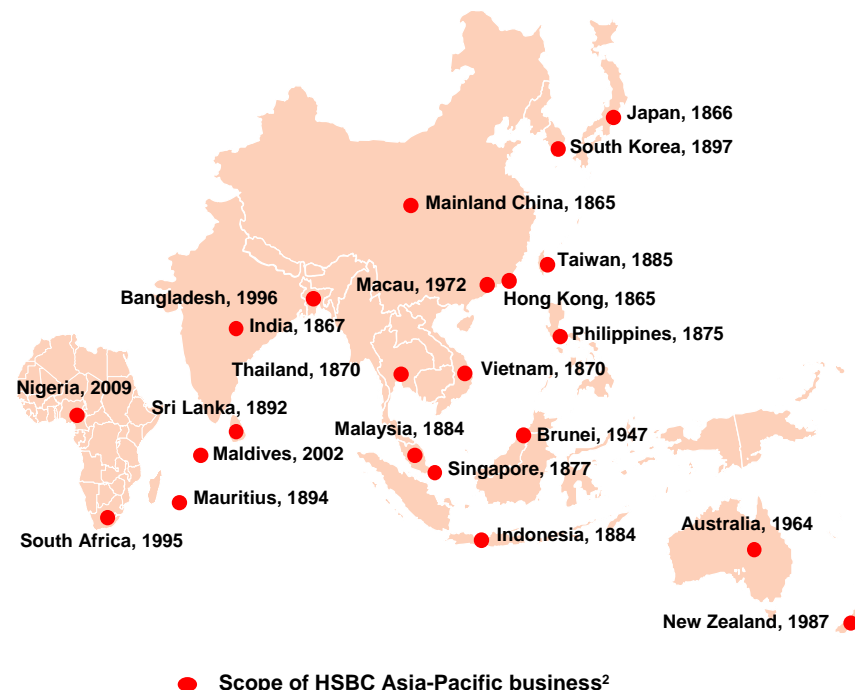
- ▶ 100 per cent in Keppel Insurance
- ▶ 100 per cent in Asia Fund Services

Australia

- ▶ 100 per cent in Westpac sub-custody business

Vietnam

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



● Scope of HSBC Asia-Pacific business²

Outlets ³		Staff ³		Advances to deposits ratio ⁴ (%)		Assets ⁵		Profit before tax ⁵	
1999	H1 2010	1999	H1 2010	1999	H1 2010	1999	H1 2010	1999	H1 2010
592	784	45,307	117,002	50.4	49.9	220,711	655,615	3,383	5,862

Notes:

(1) As at September 2010

(2) Includes a representative office in Nigeria (2009) and South Africa (1995)

(3) Outlets and staff in 1999 include Middle East; outlets in H1 2010 belong to The Hongkong and Shanghai Banking Corporation Limited and exclude the Middle East; staff in H1 2010 excludes Middle East

(4) 1999 and H1 2010 exclude the Middle East based on the accounts of The Hongkong and Shanghai Banking Corporation Limited

(5) In USDm; 1999 assets and PBT include Middle East and are reported in accordance with UK GAAP while H1 2010 assets and PBT exclude Middle East

Solid contribution – 58 per cent of Group profits from Asia

PBT at USD5.6bn, up 20 per cent year-on-year in H1 2010

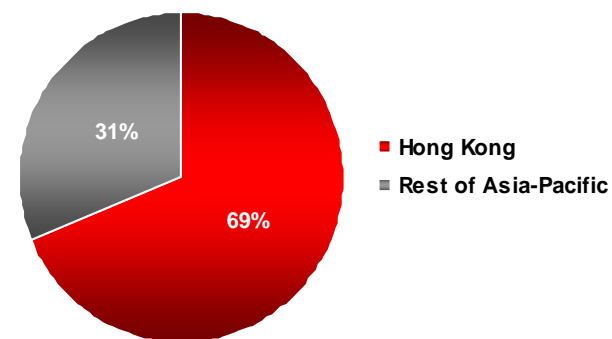
Underlying profit before tax, H1 2010

USDm

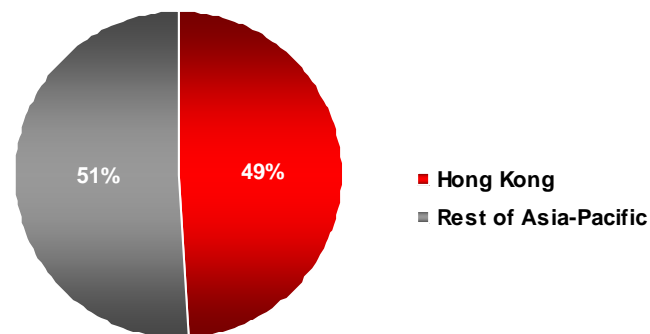
	H1 2009	H1 2010	% better / (worse) H1 2010 vs H1 2009
Hong Kong	2,499	2,821	+13
Rest of Asia-Pacific	2,149	2,773	+29
Latin America	647	883	+36
Middle East	643	393	(39)
Europe	3,497	2,840	(19)
North America	(2,050)	(80)	+96
Total	7,385	9,630	+30

Growing contribution from markets outside of Hong Kong

Asia PBT¹, H1 2005



Asia PBT¹, H1 2010



Notes:
(1) On a reported basis

Diversified profit streams

Profitable across all customer groups

Profit before tax¹, H1 2010 (Hong Kong and Rest of Asia-Pacific)

USDm

	H1 2009	H1 2010	% better / (worse) H1 2010 vs H1 2009
Personal Financial Services (PFS)	1,472	1,898	+29
Commercial Banking (CMB)	883	1,429	+62
Global Banking and Markets (GBM)	2,146	2,036	(5)
Private Banking (PB)	153	162	+6
Other	(131)	337	+357
Total	4,523	5,862	+30

Notes:

(1) On a reported basis

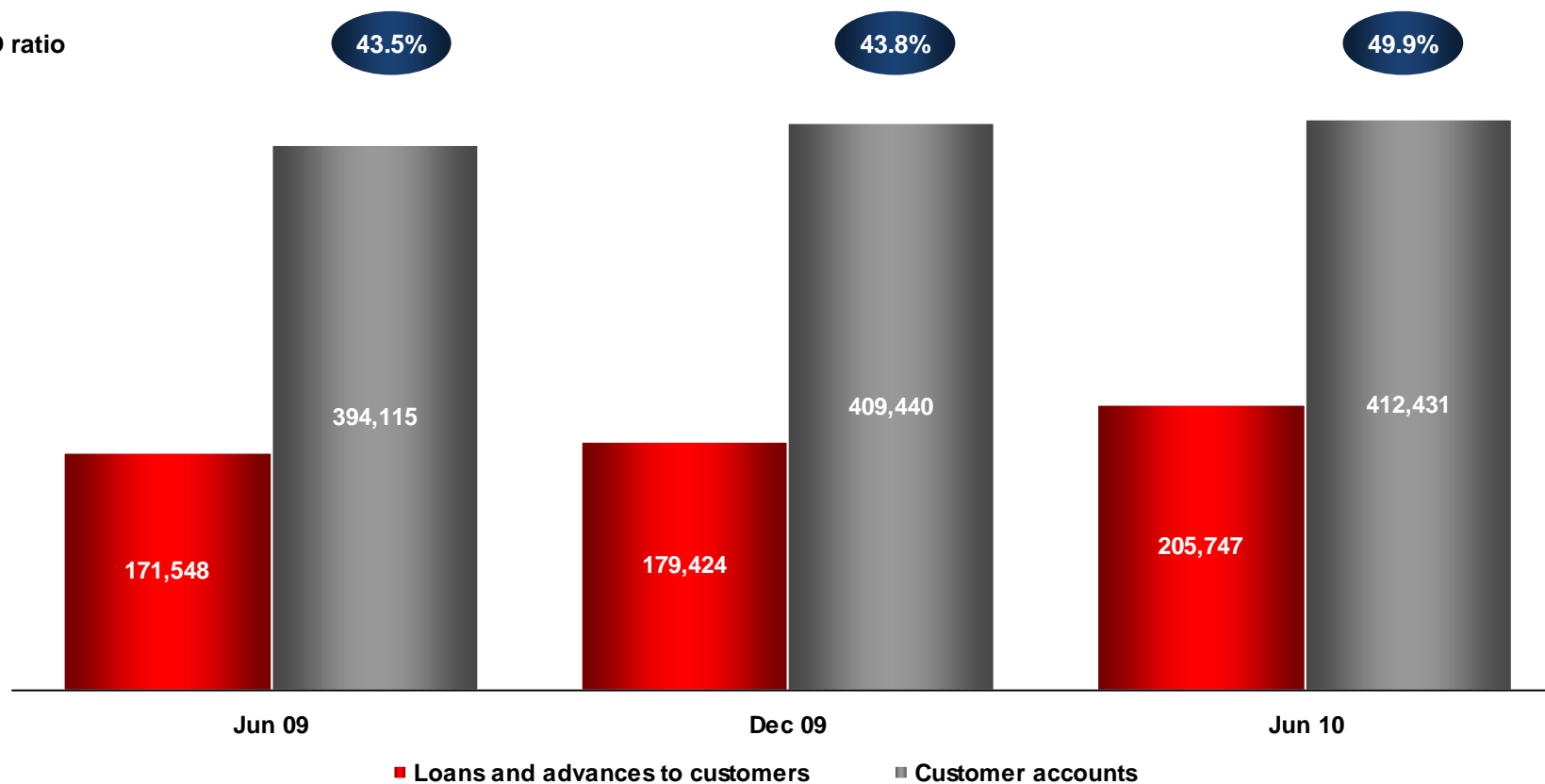
Positioning for growth

Building our balance sheet

Customer accounts and loans and advances to customers (Hong Kong and Rest of Asia-Pacific)

USDm

AD ratio



Our Asia opportunity



Asia to drive global growth

Economic centre moving East

Faster economic growth

- ▶ World GDP will expand by 4.2% in 2011, while Asia will grow 8.4%.¹
- ▶ Developing Asia will account for close to two thirds (61.6%) of the world economy in 2030.²

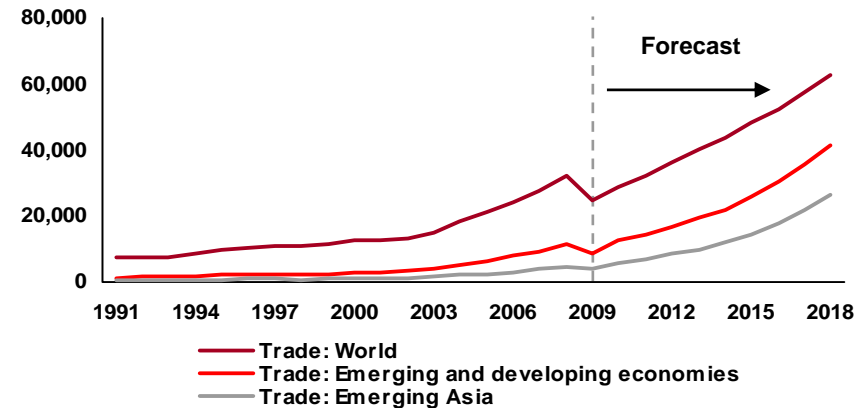
Largest trade bloc by 2020

- ▶ Developing Asia will account for over half of global trade by 2020.³
- ▶ Intra-regional trade in Asia will be the biggest trading bloc in the world.²

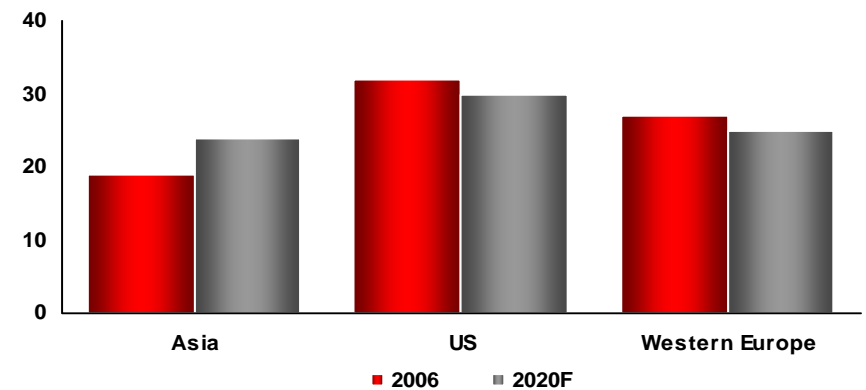
Consumption

- ▶ Asia to spend over USD24 trillion in 2020, matching Western Europe³
- ▶ Some 1 billion people travelling globally today. Asia's share to rise from 20% to 26% by 2020.⁴

Emerging markets trade (USDbn)³



Global household consumption (% share)³



Notes:

- (1) International Monetary Fund (Asia refers to Asia ex-Japan)
- (2) Asian Development Bank
- (3) HSBC Global Research
- (4) World Tourism Organization

Emergence of internationally-oriented consumers and businesses

Financial aspirations extending cross-border

Asian affluent

Increasing cross-border wealth with growing family migration and business expansion

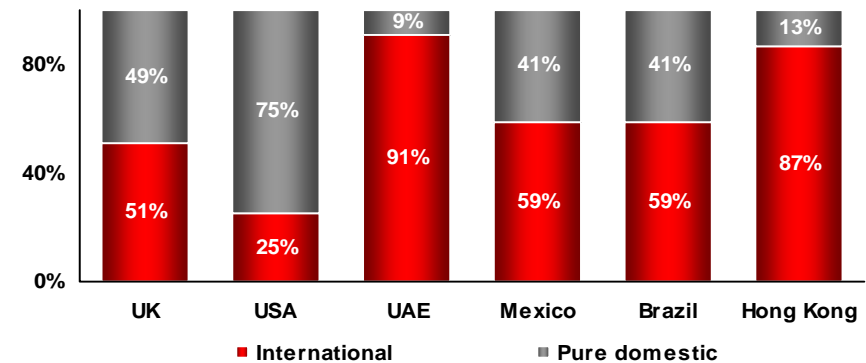
Asian multinational

Number of Asian companies in Fortune Global 500 surpassed North America in 2009

Notes:
(1)UNCTAD

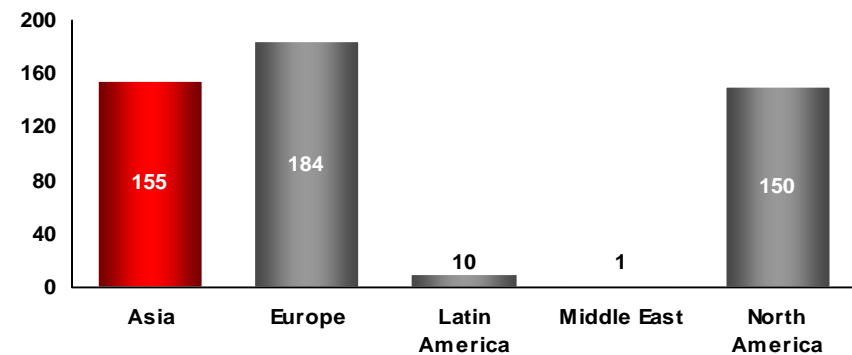
38 per cent of businesses have international needs¹

% of businesses with international needs



Fortune Global 500, 2009

Global – by continent



The RMB opportunity

The next trading currency for Asia

Shanghai as IFC by 2020

- ▶ China is determined to internationalise RMB to offset pressure on RMB.
- ▶ Shanghai to be made IFC by 2020 and RMB could then become fully convertible.

Hong Kong as offshore RMB center

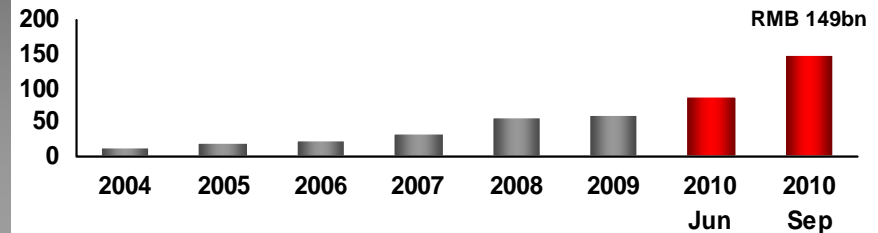
- ▶ HK will play a leading role to develop RMB denominated products.
- ▶ HK to handle RMB2.2 trillion trade settlements by 2020 and to be a key offshore fund center.¹

RMB to be the world's 3rd largest trading currency

- ▶ Once RMB becomes fully convertible, its daily turnover will be the world's 3rd largest.¹
- ▶ Asia and emerging markets to lead RMB trade and investment.

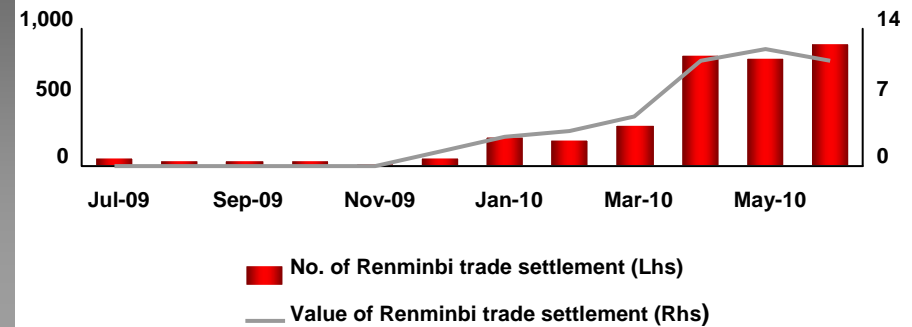
RMB deposits, 2010

(RMBbn)



RMB trade settlement, 2010

(RMBbn)



Notes:
(1) HSBC internal estimate

Our Asia strategy – Capturing the Golden Era



Building on our distinct strengths

4 pillars of unrivaled strength

Global platform

Unparalleled network, diverse customer and product bases, global capabilities

Connectivity

Strength in cross sell and cross border referrals, building on our global footprint

Local knowledge

Long presence in Asian markets, key player, good relationship, strong brand

Funding and capital

Strong balance sheet and tier 1 capital, capability to invest and grow

Delivering long-term sustainable growth

International connectivity

Cross sell

Excellent achievement in cross sell amongst customer groups, providing comprehensive service package to companies and their executives and staff

Cross border

Dedicated teams and country desks to build up globally connected business, serving our customers' needs on a global basis

Priority countries

7 priority Asian countries to build up unparalleled connected network for international businesses as well as to develop strong domestic business

Dedicated management

Pro-active management approach for country's developments; benchmarking to country's growth; targeting local development opportunities; acquiring talents

Riding on RMB internationalisation

To be the largest RMB bank outside China

- ▶ First foreign bank to settle cross-border RMB Trade in **Hong Kong & Macau**
- ▶ First foreign bank to settle cross-border RMB Trade in **all ASEAN countries** with HSBC presence
- ▶ First to issue **RMB Bonds** in Hong Kong
- ▶ First-in-the-market: **HSBC RMB Trade Finance Standard Rate: 3.88%**
- ▶ **>160,000 Commercial accounts** with RMB capabilities
- ▶ First to launch **RMB structured deposit**
- ▶ Launched **RMB insurance** (one of the earliest in the market)
- ▶ First offshore **RMB Certificate of Deposits**
- ▶ First to complete transactions in all the 2nd batch provinces/cities in China
- ▶ Only foreign bank market maker of RMB-Ringgit direct quotation
- ▶ RMB capability in **33 countries, across all continents**



HSBC – first international bank
to settle cross-border trade in RMB

Our direct RMB trade services include:

- No daily limit on the amount of RMB remittances or deposits
- RMB denominated Documentary Credit issuance and advising
- RMB trade finance solutions
- Integrated business accounts to manage funds in RMB and 11 other currencies via one single account number

Enquiry Hotline 2748 8238

Commercial Banking
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Challenges

Growing the business in a fast-changing world

Regulation

Well-positioned for the regulatory framework of the future

Competition

Differentiated competitive strengths to outperform competition

Economic cycle

Building quality revenues by growing, broadening and deepening relationships

Key takeaways



HSBC – Leading International bank in growth markets

