

Asia's strongest brand in banking, banking the world's strongest economies



# 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 and Accounts 2010. 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 are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at [www.hsbc.com](http://www.hsbc.com).

# Agenda

- ▶ Group performance
- ▶ Asia performance
- ▶ Delivering on strategy
- ▶ Key markets
- ▶ Strong platform for 2011

# HSBC Group

Profitable across all regions and customer groups

	2009		2010	Change vs 2009	
Reported PBT (US\$bn)	7.1	▶	19.0	+169%	▶ Continued recovery in underlying profits
Underlying PBT <sup>1</sup> (US\$bn)	13.5	▶	18.4	+36%	
EPS (US\$)	0.34	▶	0.73	+115%	▶ Significantly improved credit quality
ROE (%)	5.1	▶	9.5	+440bps	▶ Strengthened capital position
Core tier 1 ratio <sup>2</sup> (%)	9.4	▶	10.5	+110bps	
Dividends <sup>3</sup> (US\$)	0.34	▶	0.36	6%	▶ Increased dividend

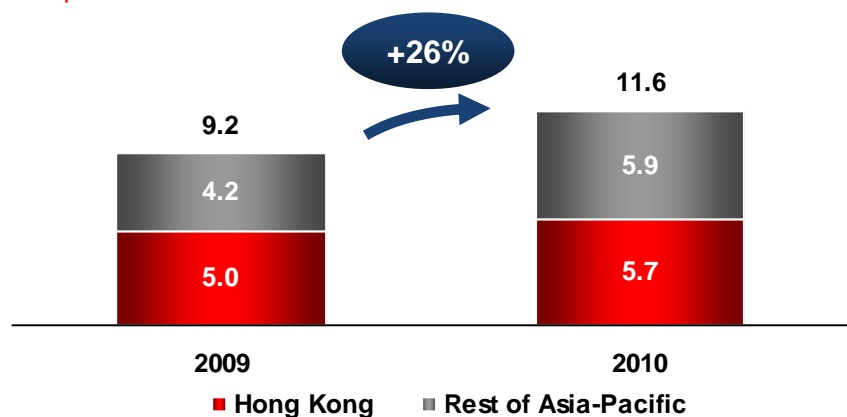
Notes:

- Underlying results eliminate the effects of foreign currency translation differences, acquisitions and disposal of businesses and changes in fair value (FV) due to movements in credit spread on long-term debt issued and designated at FV
- As at 31 December
- Declared on ordinary shares in respect of 2009 and 2010

# HSBC in Asia

Strong results, biggest contribution to Group

Profit before tax, reported  
US\$bn



Rest of Asia-Pacific contribution at par with Hong Kong

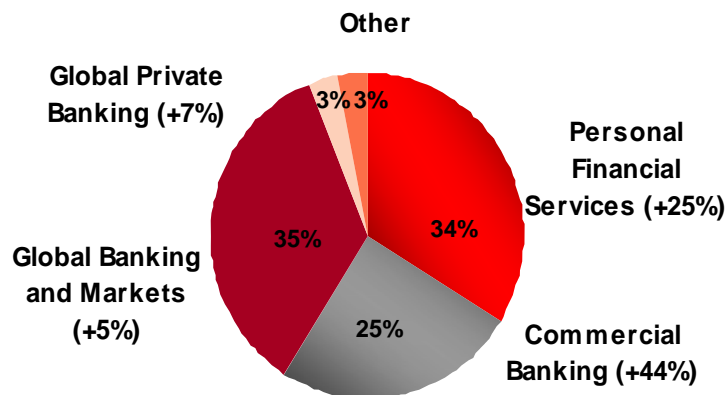
Share of total Group PBT, reported, US\$m	2009	2010	% share in 2010
Hong Kong	5,029	5,692	30
Rest of Asia-Pacific	4,200	5,902	31
Latin America	1,124	1,795	9
Middle East	455	892	5
Europe	4,009	4,302	23
North America	(7,738)	454	2
<b>Total</b>	<b>7,079</b>	<b>19,037</b>	<b>100</b>

US\$bn	2009	2010	Better / (worse)
Revenue	17.5	19.4	+11%
LICs	1.4	0.6	+57%
Cost efficiency ratio (%)	48.1	49.3	(120)bps
Loans to customers (gross)	181.2	251.0	+38%
Customer accounts	409.4	455.6	+11%

# HSBC in Asia

## Growth spread across businesses

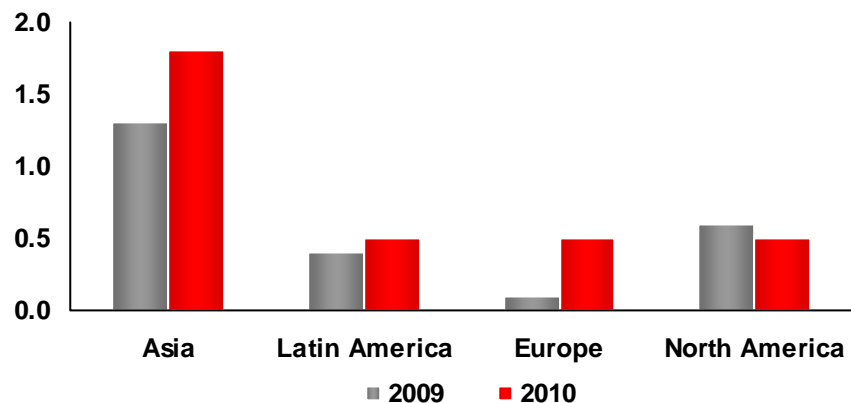
Profit before tax by customer group<sup>1</sup> (% change vs 2009)



### Comments

- ▶ Well balanced and diversified businesses
- ▶ Profit growth generated by all customer groups in 2010
- ▶ Universal banking model – solid platform to grow customer base, deepen relationships
- ▶ Premier – over 1.2 million in Asia, up 31 per cent in Hong Kong and 33 per cent in Rest of Asia-Pacific year on year
- ▶ Insurance a key growth driver – driven primarily by sales in life, pensions and investments

Insurance profit before tax by region  
US\$bn

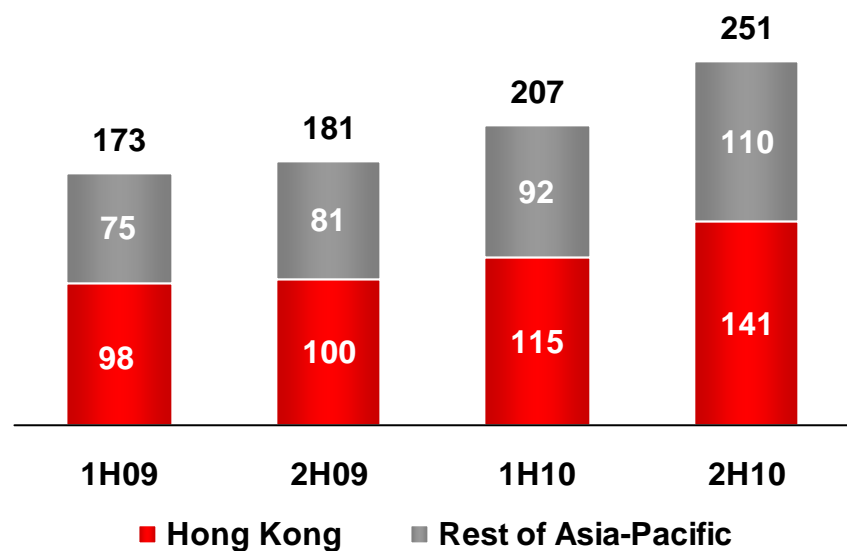


Notes:  
1. Reported

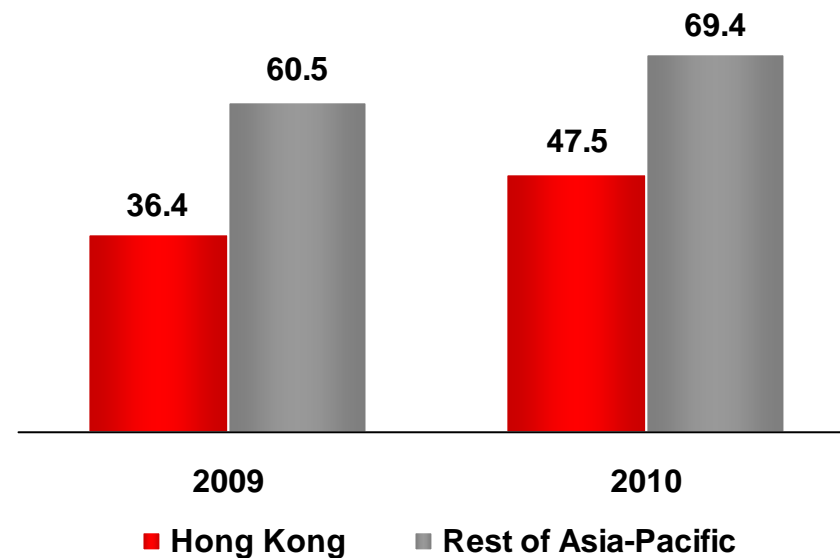
# Delivering on strategy

Grew assets in 2010

**Customer loans and advances (gross)  
US\$bn**



**Advances-to-deposits ratio (%)**



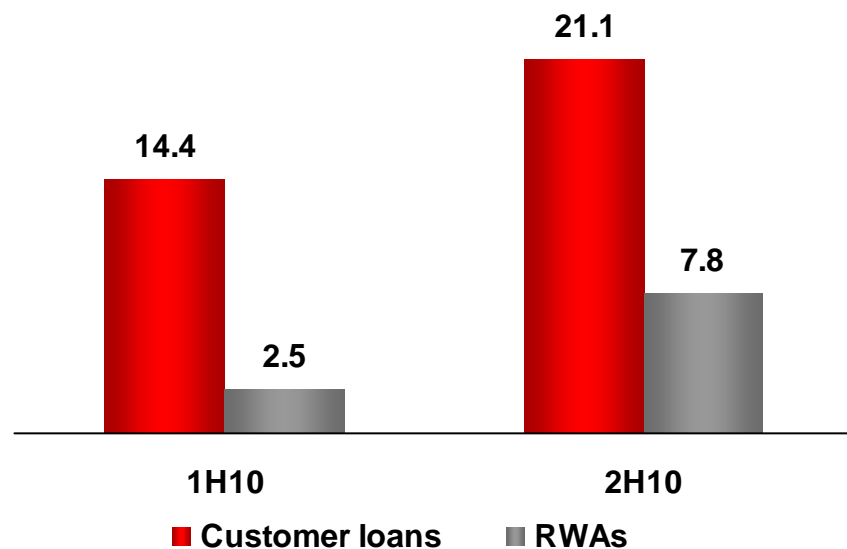
## Comments

- ▶ Loan growth accelerated over 2010: driven by lending in Commercial Banking (CMB) and Global Banking and Markets (GB&M), trade finance and residential mortgages
- ▶ Narrower spreads offset by strong volume growth and non-interest income growth

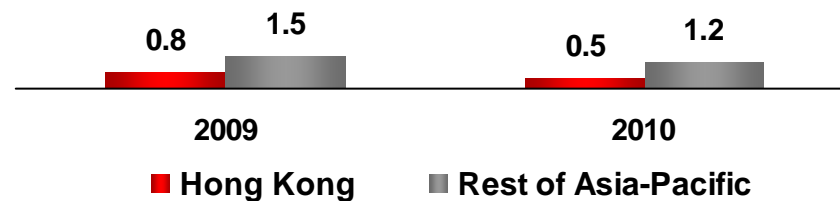
# Delivering on strategy

Good quality lending growth

Growth in customer loans and Risk Weighted Assets in Asia (%)



Impaired loan ratio<sup>1</sup> (%)



## Comments

- ▶ Positive credit grade migration, particularly in Hong Kong
- ▶ Reduced unsecured personal loans, particularly in India

Notes:

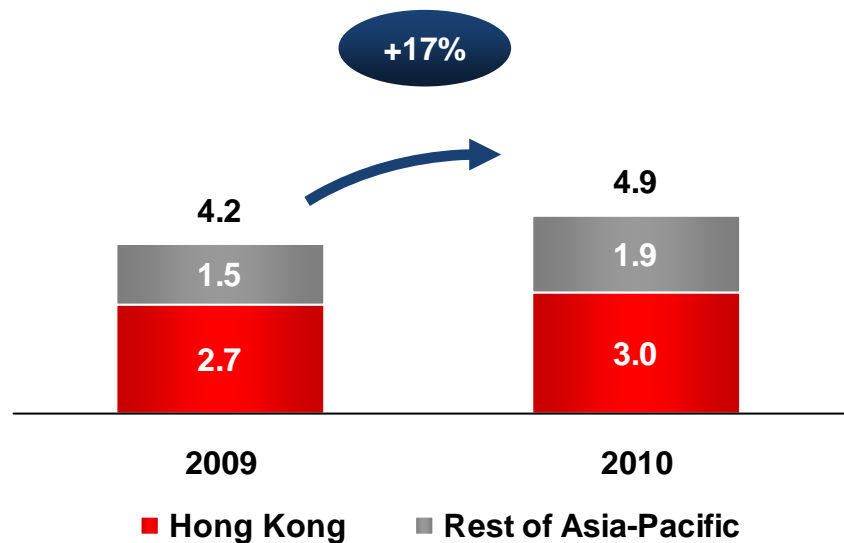
1. Impaired loans as a percentage of gross loans and advances to customers



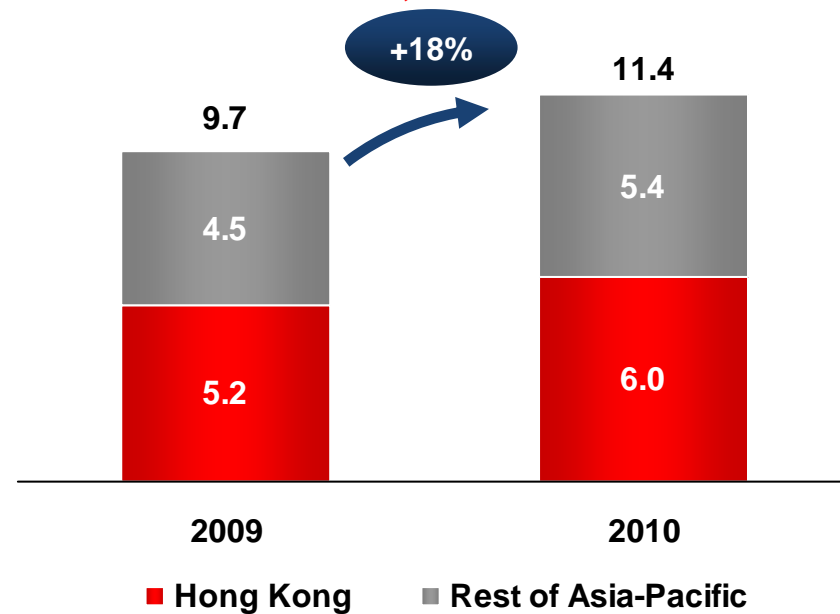
# Delivering on strategy

Grew non-interest income in 2010

Net fee income, US\$bn



Total non-interest income, US\$bn



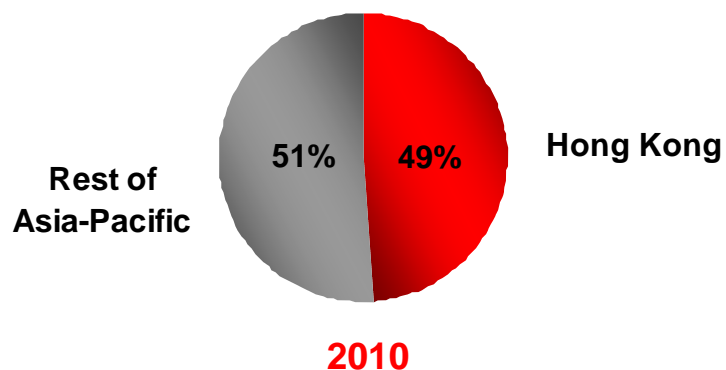
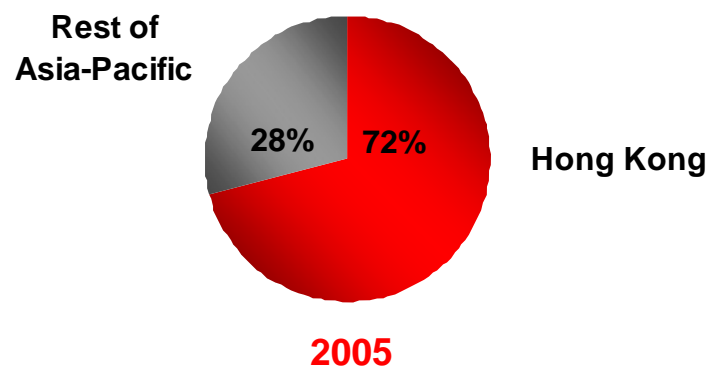
## Comments

- ▶ Driven by growth in funds under management and increased sales of unit trusts and insurance products
- ▶ The recovery in trade activity also generated increased fees
- ▶ Strategy to develop products and services to boost share of fee income in total revenue

# Key markets

Growing profits in the world's strongest economies

## Share of profit before tax, HSBC in Asia



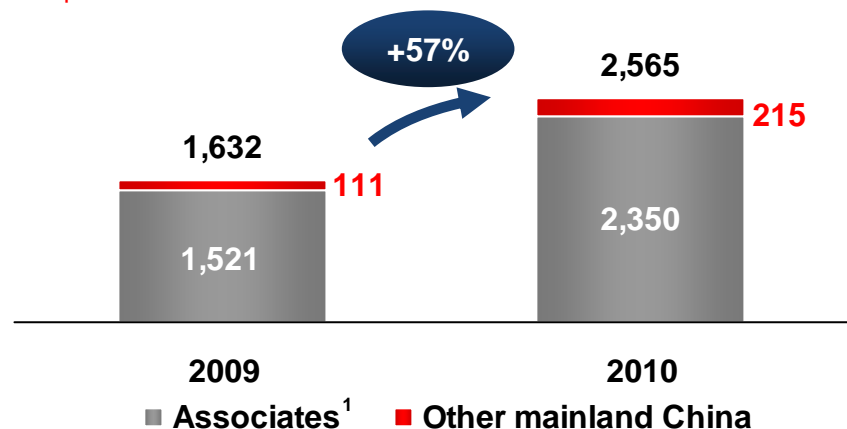
## Profit contribution from priority markets growing US\$m

	1H09	2H09	1H10	2H10	2009	2010
<b>Hong Kong</b>	<b>2,501</b>	<b>2,528</b>	<b>2,877</b>	<b>2,815</b>	<b>5,029</b>	<b>5,692</b>
Mainland China	752	880	1,281	1,284	1,632	2,565
India	201	173	340	339	374	679
Singapore	283	259	264	260	542	524
Malaysia	139	147	201	200	286	401
Australia	84	114	136	122	198	258
Indonesia	80	74	102	117	154	219
Other markets	483	531	661	595	1,014	1,256
<b>Rest of Asia-Pacific</b>	<b>2,022</b>	<b>2,178</b>	<b>2,985</b>	<b>2,917</b>	<b>4,200</b>	<b>5,902</b>
<b>Total Asia</b>	<b>4,523</b>	<b>4,706</b>	<b>5,862</b>	<b>5,732</b>	<b>9,229</b>	<b>11,594</b>

# HSBC in mainland China

Dual growth strategy delivering

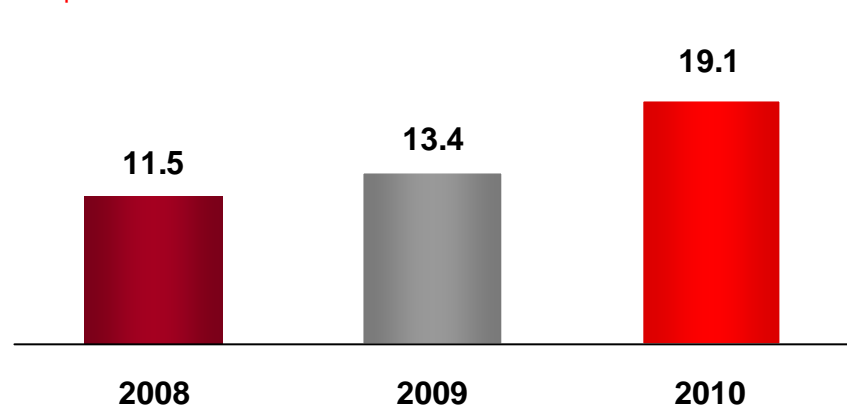
Profit before tax, reported  
US\$m



## Comments

- ▶ Largest foreign bank: 108 outlets in 28 cities<sup>2</sup>
- ▶ First foreign bank in rural banking: 16 outlets
- ▶ Strong performance from associates
- ▶ Organic business growth driven by balance sheet growth and higher fee income from trade related revenue
- ▶ Cross-border referrals to Hong Kong from mainland China more than doubled, reflecting increased appetite for international business among Chinese companies

Customer loans and advances (gross)  
US\$bn



Notes:

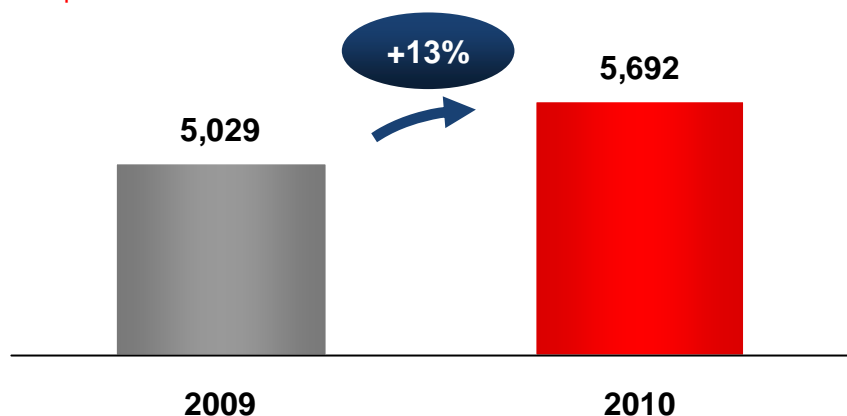
1. Principal associates are Bank of Communications, Ping An Insurance and Industrial Bank

2. As at 15Mar11

# HSBC in Hong Kong

## Cementing market leadership

### Profit before tax, reported US\$m



### Comments

- ▶ Reported PBT increased 13 per cent to US\$5.7bn
- ▶ Income growth from higher investment and insurance sales in Personal Financial Services and trade-related business in Commercial Banking
- ▶ Strong lending growth in CMB, GB&M and residential mortgages
- ▶ No 1 in residential mortgages, credit cards, life insurance and deposits
- ▶ Premier customer numbers grew 31 per cent to over 500,000 as at the end of 2010; over 670,000 Advance customers
- ▶ No 1 in offshore RMB bonds: 23 issues totaling RMB14.1bn, 27.7 per cent market share<sup>1</sup>
- ▶ Total RMB trade transactions exceeded US\$6.7bn in 2010

US\$bn	2009	2010	Better/ (worse)
Revenue	9.5	10.2	+7%
LICs	0.5	0.1	+77%
Cost efficiency ratio (%)	41.7	43.4	(170)bps
Loans to customers (gross)	100.2	141.3	+41%
Customer accounts	275.4	297.5	+8%

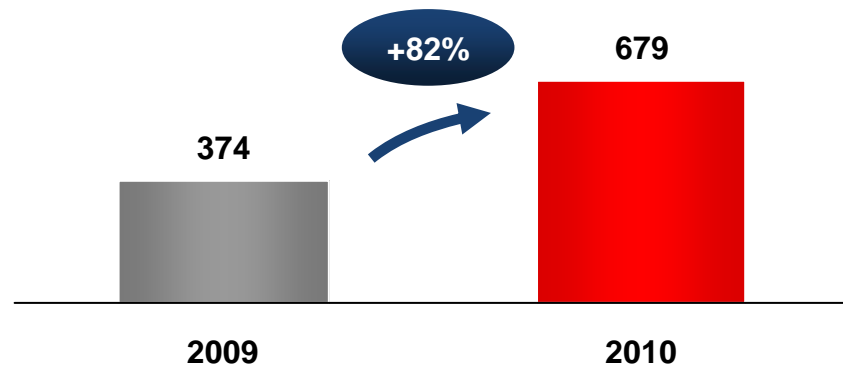
Notes:

1. Bloomberg (1Jan10 to 18Mar11)

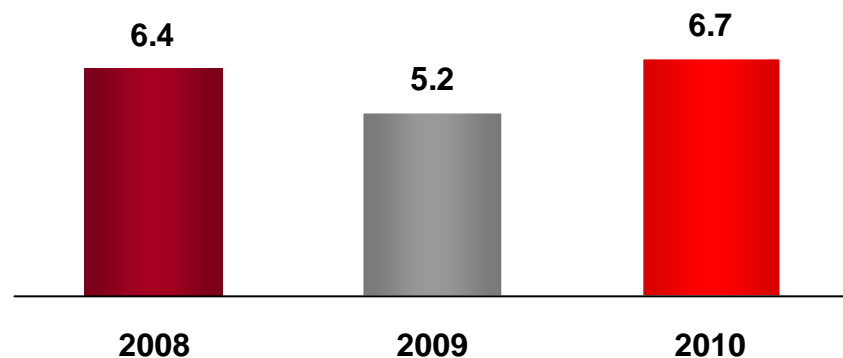
# HSBC in India

## Building scale and profitability

Profit before tax, reported  
US\$m



Customer loans and advances (gross)  
US\$bn



- ▶ 174 outlets in 63 cities
- ▶ Strong performance across businesses
- ▶ Credit quality improved significantly
- ▶ Building on HSBC InvestDirect and Canara HSBC Oriental Bank Life Insurance joint venture to expand wealth management platform
- ▶ Capturing nearly 6 per cent of India's trade<sup>1</sup>
- ▶ 2 in 5 Indian Premier customers are non-resident Indians (NRIs)
- ▶ 21 NRI centres across UK, Singapore, Hong Kong, Middle East and Australia
- ▶ Agreement to acquire the commercial and retail assets of The Royal Bank of Scotland Group plc
- ▶ Over 34,000 staff – largest in HSBC in Asia

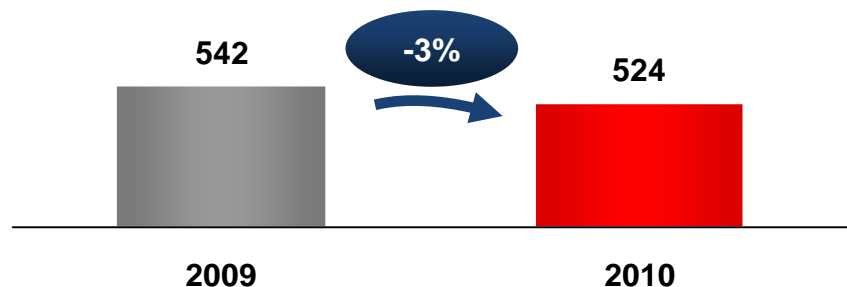
Notes:

1. Reserve Bank of India

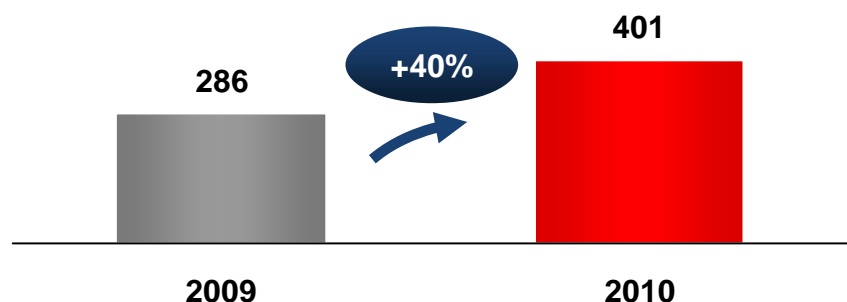
# HSBC in Singapore, Malaysia and Indonesia

Solid performance, strong potential

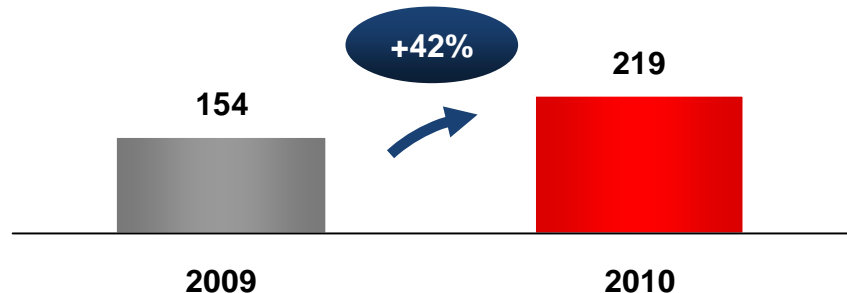
## Singapore, profit before tax, reported, US\$m



## Malaysia, profit before tax, reported, US\$m



## Indonesia, profit before tax, reported, US\$m



## Singapore

- ▶ Grew customer deposits, personal lending and residential mortgage volumes
- ▶ Leading unit trust market share<sup>1</sup>

## Malaysia

- ▶ First foreign bank in Islamic banking - 8 Amanah branches
- ▶ Strong growth across all businesses

## Indonesia

- ▶ Leading foreign bank in foreign exchange<sup>2</sup>, international trade<sup>3</sup>, payments and cash management<sup>4</sup> and custody<sup>5</sup>
- ▶ Top bookrunner of Indonesia syndicated loans<sup>6</sup>

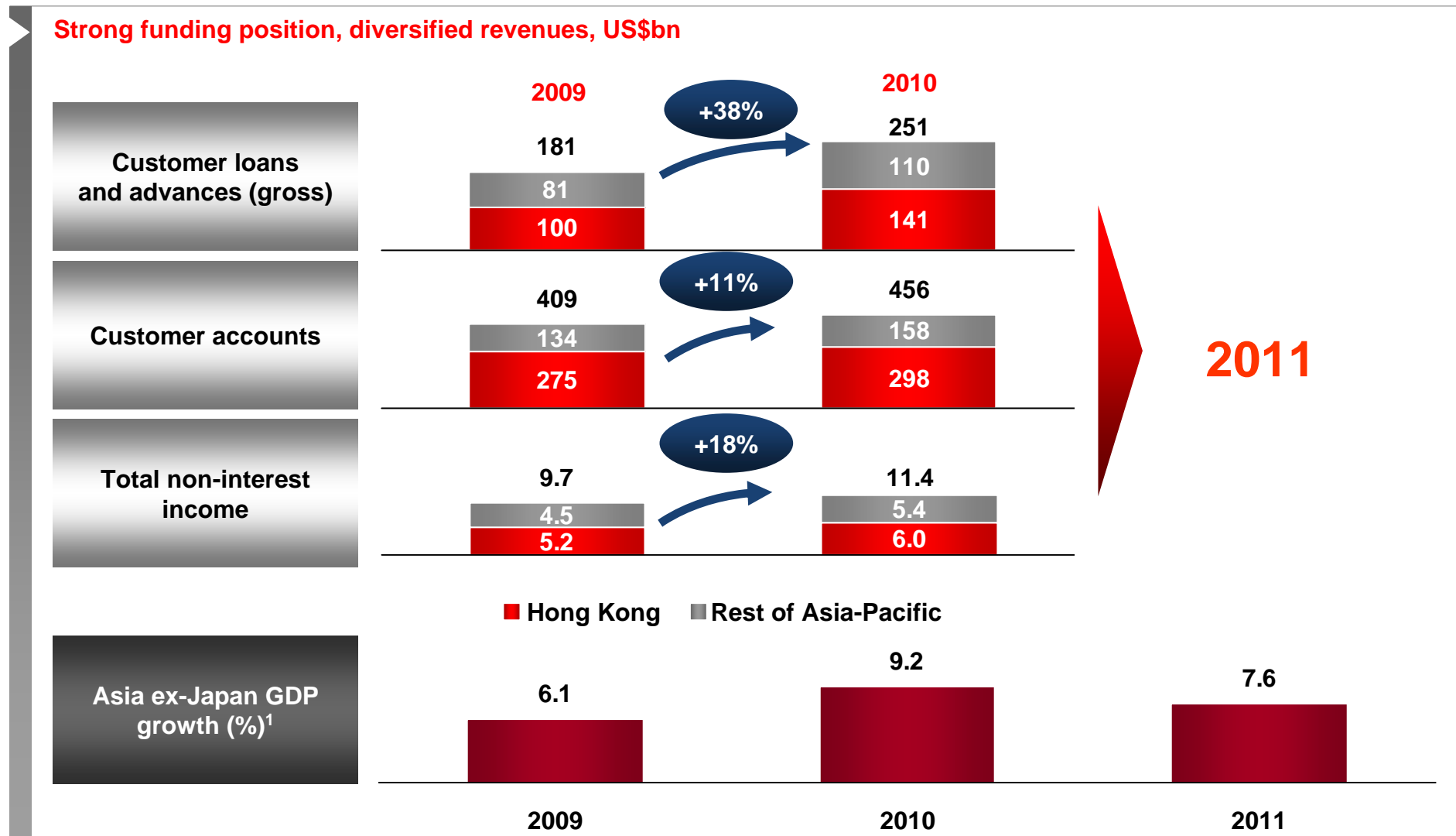
### Notes:

1. Investment Management Association of Singapore, September 2010
2. Greenwich 2010
3. TradeFinance 2010

4. Bank of Indonesia 2010
5. Global Custody 2010
6. IFR league tables

# HSBC in Asia

Strong platform for revenue growth in 2011



Notes:  
1. HSBC Global Research

# Asia outlook

## Sustainable growth amid challenges

### Sustained Asia growth

Asia-ex Japan estimated to grow at 7.4% in 2012 outpacing world GDP forecast at 3.5%<sup>1</sup>

### Greater economic connectivity

Asian exports comprise over half of intra-regional trade in Asia<sup>2</sup>

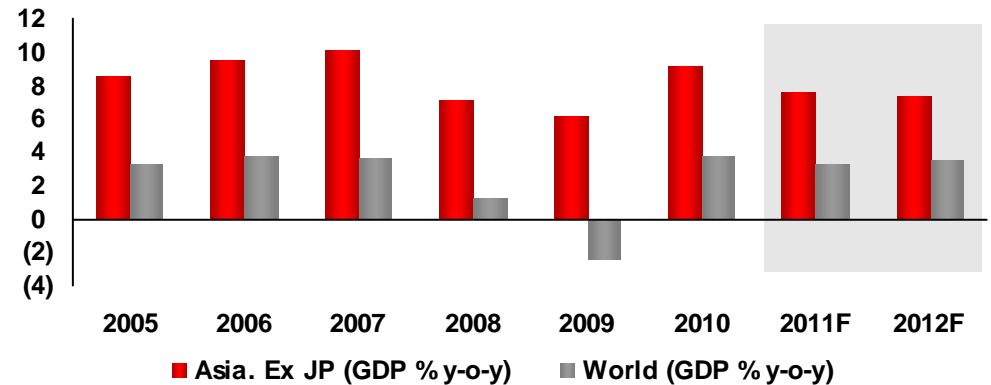
### New wealth in Asia

Wealth across Asia's high net worth individuals at US\$9.7tn, surpassing Europe's in 2009<sup>3</sup>

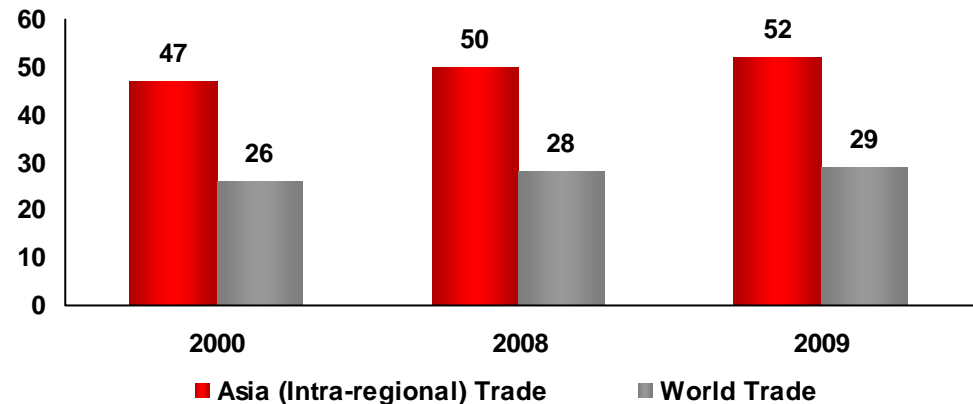
### Inflation a risk

Asia's growth challenged by inflation, asset and property bubbles

### Asia ex-Japan to grow faster than world GDP<sup>1</sup>



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



Notes:

1. Global Economic Research

2. World Trade Organization, International Monetary Fund

3. Caggemini, 2010 Asia-Pacific Wealth Report



# The RMB opportunity

HSBC's global RMB capabilities in 39 markets across 6 continents

Shanghai planned to become an international financial centre by 2020

- ▶ Continued developments to promote RMB internationalisation
- ▶ RMB could become fully convertible once Shanghai becomes an IFC

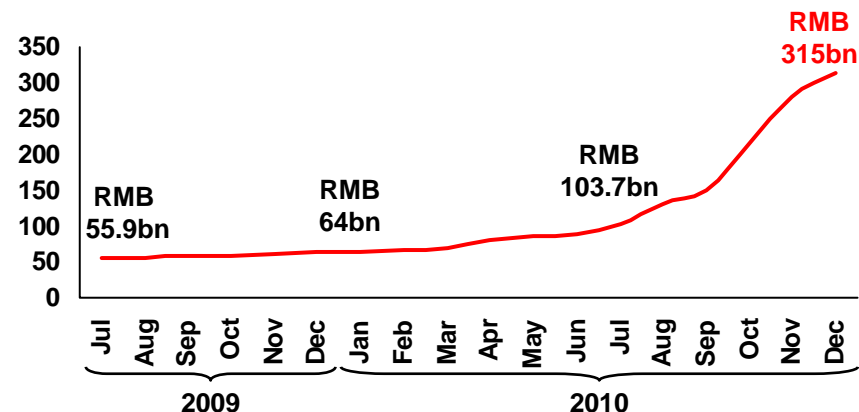
Hong Kong as offshore RMB center

- ▶ RMB deposits in Hong Kong estimated at RMB1.2tn by 2012, over 20 per cent of Hong Kong's total deposits<sup>1</sup>
- ▶ Hong Kong's offshore RMB bond market to grow 50 per cent to RMB110bn in 2011<sup>1</sup>

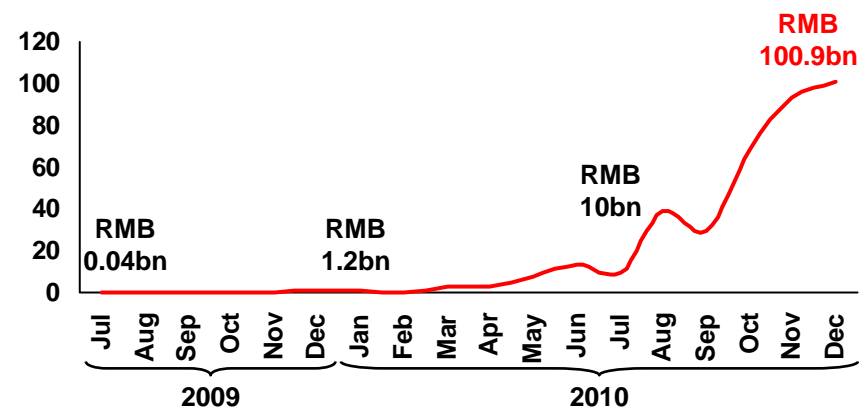
RMB to be the world's 3rd largest trading currency<sup>1</sup>

- ▶ Total offshore RMB (CNH) liquidity to reach RMB1.3tn in 2011<sup>1</sup>
- ▶ Asia and emerging markets to lead RMB trade and investment

RMB deposits<sup>2</sup>, 2010



RMB trade settlement<sup>2</sup>, 2010



Notes:

1. HSBC Global Research

2. Hong Kong Monetary Authority

# HSBC in Asia

Clear strategy for 2011



**Grow quality assets to build on strong demand in Asia**



**Boost non-interest income by diversifying revenue channels**



**Build liabilities to capture benefits of rising interest rates**

Asia's strongest brand in banking, banking the world's strongest economies

