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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 and Interim Reports. Past performance cannot be relied on as a guide to future performance.

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- **Progress on strategy – Asia**
- **2011 interim financial highlights**
- **Resilient economies – H2 11 outlook**
- **Strong platform for sustainable growth**
- **Improve cost-efficiency and organisational effectiveness**
- **Outlook**

Progress on strategy – Asia



On track towards strategy goals

Strong results from diversified revenues

- **Asset and deposit growth**
- **Strong quality loan portfolio**
- **Focus on non-interest income**

RMB expertise and global connectivity delivering new business

Investing for sustainable growth while improving efficiencies

2011 interim financial highlights – HSBC Group



Summary financial highlights	H1 10	H2 10	H1 11	% Better / (worse)	
				H1 / H1	H1 / H2
Reported PBT (USDbn)	11.1	7.9	11.5	3	45
EPS (USD)	0.38	0.35	0.51	34	46
Dividends ¹ (USD)	0.16	0.20	0.18	13	n/a

Financial ratios (%)	H1 10	H2 10	H1 11	KPI
Return on average ordinary shareholders' funds	10.4	8.9	12.3	12–15 ²
Cost efficiency ratio	50.9	59.9	57.5	48–52
Advances-to-deposits ratio	77.9	78.1	78.7	<90
Core tier 1 ratio	9.9	10.5	10.8	9.5–10.5 ³

1 In respect of the period

2 Basel III basis

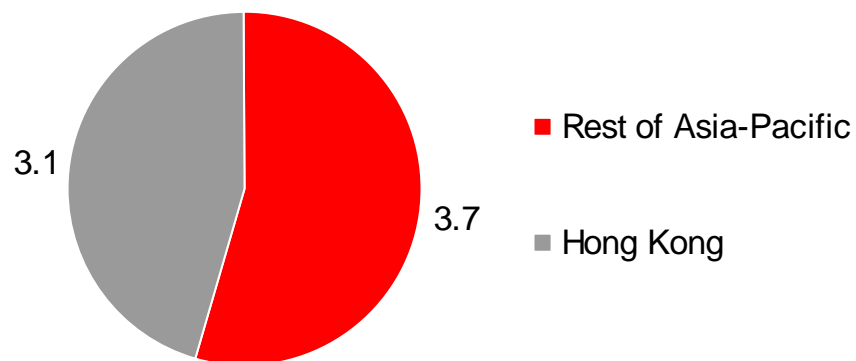
3 Assumed common equity tier 1 ratio under Basel III

2011 interim financial highlights – HSBC in Asia



Reported pre-tax profits of USD6.8bn, up 16% vs H1 10

PBT, H1 11
(USDbn, reported)



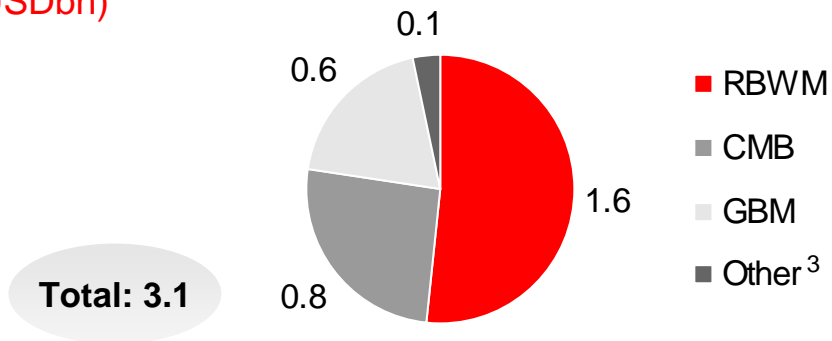
Financial highlights	HK	RoAP	Asia	% vs H1 10
Net fee income (USDbn)	1.6	1.1	2.7	17
Loans and advances (net) ¹ (USDbn)	159	121	281	36
Customer deposits ¹ (USDbn)	306	169	474	15
AD ratio ² (%)	52	72	59	n/a

1 Numbers not adjusted for rounding

2 49.9% AD ratio in H1 10

	H1 10 ¹	H2 10 ¹	H1 11 ¹
Profit / (loss) before tax (USDbn)	2.8	2.7	3.1
Cost efficiency ratio (%)	40.7	47.1	43.2
Return on risk-weighted assets ² (%)	4.9	4.9	5.6
Advances-to-deposits ratio (%)	41.7	47.3	52.1

PBT, H1 11¹ (USDbn)



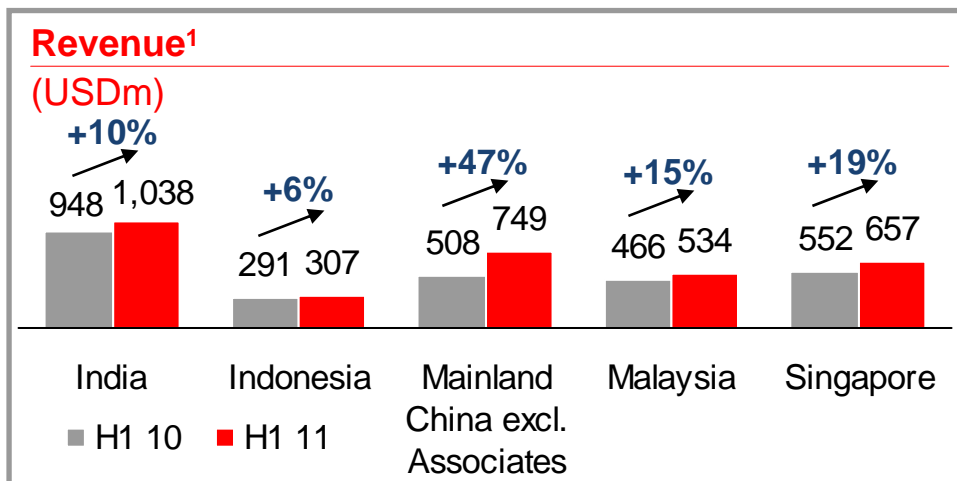
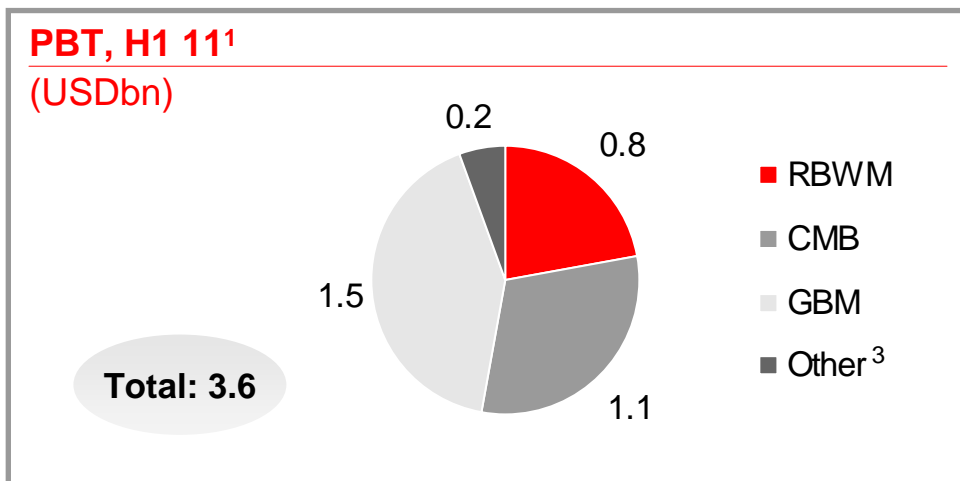
- Volume-driven and trade-related growth in CMB and GBM, with a significant increase in cross-border referrals with mainland China
- Strong sales in Wealth Management products
- Asset spreads narrowed due to competitive pressures
- Continued good credit quality
- Investment in staff and systems and wage inflation driven cost growth

1 Underlying basis
 2 Profit before tax basis
 3 Other includes GPB and Other Customer Groups

Rest of Asia-Pacific

	H1 10 ¹	H2 10 ¹	H1 11 ¹
Profit / (loss) before tax (USDbn)	2.9	3.0	3.6
Cost efficiency ratio (%)	56.1	57.6	54.9
Return on risk-weighted assets ² (%)	3.1	2.8	3.1
Advances-to-deposits ratio (%)	67.1	69.0	72.0

- Growth in GBM and CMB loan and trade volume
- Wealth Management revenue growth in RBWM
- LICs fell in RBWM
- Costs rose from increased FTE, higher volumes and wage inflation
- Contribution from associates up



1 Underlying basis
 2 Profit before tax basis
 3 Other includes GPB and other customer groups

League tables¹



No 1 in offshore RMB bonds with 24.5% market share in H1 11

Rank	Underwriter	Amount (USDm)	Issues	Market share
1	HSBC	19,777	34	24.5%
2	Standard Chartered	8,273	21	10.2%
3	Deutsche Bank	7,050	13	8.7%
4	RBS	7,015	13	8.7%
5	JP Morgan	6,200	7	7.7%

No 1 in Asian local currency bonds with 166 issues in H1 11

Rank	Underwriter	Amount (USDm)	Issues	Market share
1	HSBC	7,055	166	7.9%
2	Standard Chartered	5,594	159	6.3%
3	KB Inv. & Sec.	3,533	57	4.0%
4	Woori Inv. & Sec.	3,448	63	3.9%
5	CIMB	3,307	54	3.7%

No 1 in Hong Kong dollar bonds with 28.7% market share in H1 11

Rank	Underwriter	Amount (USDm)	Issues	Market share
1	HSBC	20,470	70	28.7%
2	Standard Chartered	14,822	47	20.8%
3	BNP Paribas	8,161	31	11.4%
4	Bank of China	5,600	9	7.8%
5	Citi	3,626	13	5.1%

No 1 in Asia-Pacific ex-Japan bonds with 201 issues in H1 11

Rank	Underwriter	Amount (USDm)	Issues	Market share
1	HSBC	16,001	201	4.7%
2	Deutsche Bank	13,871	97	4.1%
3	UBS	12,993	66	3.9%
4	Citi	12,322	104	3.7%
5	JP Morgan	11,251	88	3.3%

¹ Bloomberg, 15 July 2011

Resilient economies – H2 11 outlook

Slower growth in H2 11, but Asian domestic economy still robust

Despite weak western demand, intra-regional and South-South trade still a key support

Fiscal strength of Asia provides a buffer for economic slowdown when needed

Inflation challenge being tackled by monetary and policy tightening

Asia becoming more reliant on domestic markets for growth



	Real GDP, Annual variation in %				
	2008	2009	2010	2011	2012
World	1.6	(2.2)	4.4	3.4	3.9
United States	(0.3)	(3.5)	3.0	2.4	2.9
Euro area	0.2	(4.1)	1.7	2.0	1.7
Asia	4.1	2.2	7.0	6.0	6.2
Japan	(1.2)	(6.3)	4.0	(0.7)	2.7
Asia (ex-Japan)	7.0	6.3	9.2	7.7	7.7
China	9.6	9.2	10.3	9.2	8.9
India	6.9	8.0	8.5	7.8	8.3
Asean	4.4	1.4	7.8	5.6	5.7
Indonesia	6.0	4.6	6.1	6.4	6.4
Malaysia	4.8	(1.6)	7.2	5.2	5.4
Philippines	4.2	1.1	7.6	5.0	5.4
Thailand	2.5	(2.3)	7.8	4.2	4.8
Vietnam	6.3	5.3	6.8	6.1	6.8
NIEs	1.9	(0.7)	8.3	4.7	4.7
Hong Kong	2.3	(2.7)	7.0	5.7	4.7
Korea	2.3	0.3	6.2	4.2	4.5
Singapore	1.5	(0.8)	14.5	5.7	5.2
Taiwan	0.7	(1.9)	10.9	5.0	4.7

← **Stable and robust growth in Asia throughout the global crisis, resilient to downturn in the West**

Strong platform for sustainable growth



Strategy

Drivers

Grow quality assets and deposits

- Re-price assets into tighter credit environment to support net interest margin
- Continue to grow deposits for cross-selling in a robust domestic environment
- Maintain strong credit standards and focus on growing quality assets

Grow non-interest income

- Grow non-interest income in view of continued low rate environment
- Robust domestic demand in Asia provides substantial room for expansion
- Trade-related fee income may slow but focus shifting to intra-regional and RMB trade

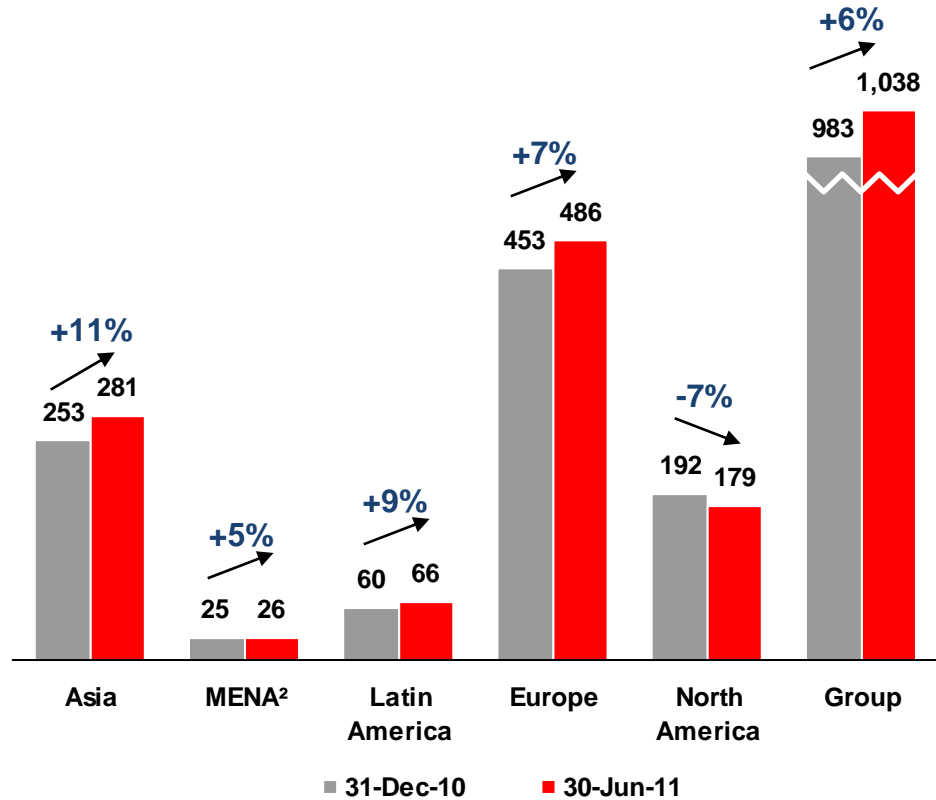
Grow in priority markets

- China will remain the growth engine of Asia and create opportunities via offshore RMB
- India, Indonesia and Malaysia forecast to sustain growth through a global slowdown
- Strengthen our position in Singapore to access offshore wealth opportunity

Grow customer lending and funding

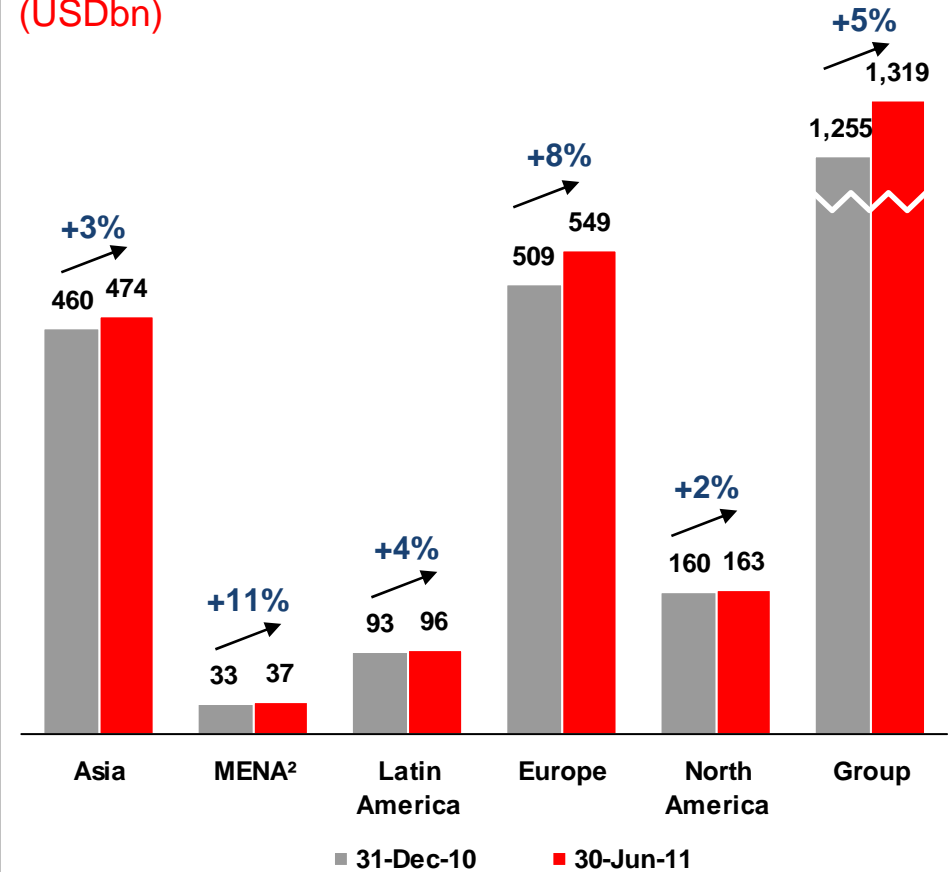
Customer loans and advances, net¹

(USDbn)



Customer accounts¹

(USDbn)



1 Underlying basis
2 Middle East and North Africa

Build quality assets

USDbn	H2 10	H1 11	% vs H2 10
<u>Risk-weighted assets</u>			
Hong Kong	106.9	110.8	3.6
Rest of Asia-Pacific	217.5	241.1	10.9
Total	324.4	351.9	8.5
<u>Gross customer loans¹</u>			
Hong Kong	141.3	159.9	13.2
Rest of Asia-Pacific	109.7	122.3	11.5
Total	251.0	282.2	12.4
Of which			
Commercial ²	96.2	113.8	18.3
Property ³	49.1	51.8	5.5
Other ⁴	105.7	116.6	10.3

1 Reported basis

2 Commercial, industrial, and international trade, and other commercial

3 Commercial real estate and other property-related

USDm	H1 10	H1 11
<u>LIC⁵</u>		
Hong Kong	63	25
Rest of Asia-Pacific	147	100
<u>Impaired loans⁶ (%)</u>		
Hong Kong	0.7	0.3
Rest of Asia-Pacific	1.2	1.0

4 Personal, government and financial

5 Loan impairment charges and other credit risk provisions

6 Impaired loans as a percentage of gross loans and advances to customers

Grow non-interest income

USDm	H1 10	H2 10	H1 11	% vs H1 10
<u>Hong Kong and Rest of Asia-Pacific</u>				
Net interest income	3,816	4,258	4,630	21.3
Net fee income	2,329	2,565	2,729	17.2
Net trading income	1,468	1,462	1,531	4.3
Other	1,781	1,755	1,872	5.1
Total non-interest income	5,578	5,782	6,132	9.9
Net operating income	9,394	10,040	10,762	14.6

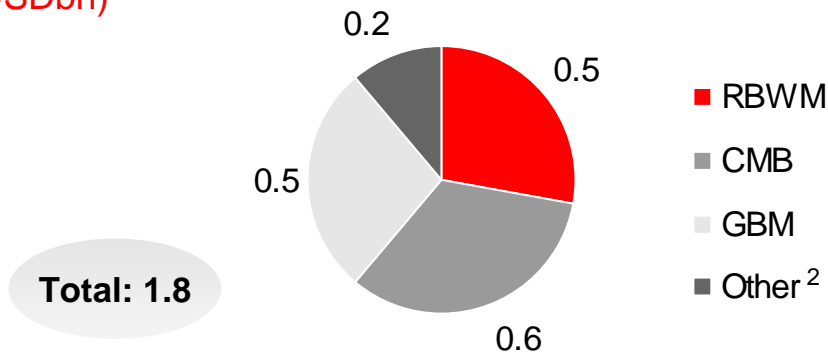
Non-interest income – key sources of growth

- Insurance
- Unit trusts
- Trade fees
- Securities and broking
- Cards
- Remittances
- Funds under management
- Global markets
- Account services and credit facilities

Grow in priority markets – mainland China

Mainland China	H1 10 ¹	H2 10 ¹	H1 11 ¹
Profit before tax (USDbn)	1.3	1.3	1.8
Associates (USDbn)	1.2	1.2	1.5
Other mainland China (USDbn)	0.1	0.1	0.3
Advances-to-deposits ratio (%)	70.2	70.8	74.4

PBT, H1 11¹ (USDbn)



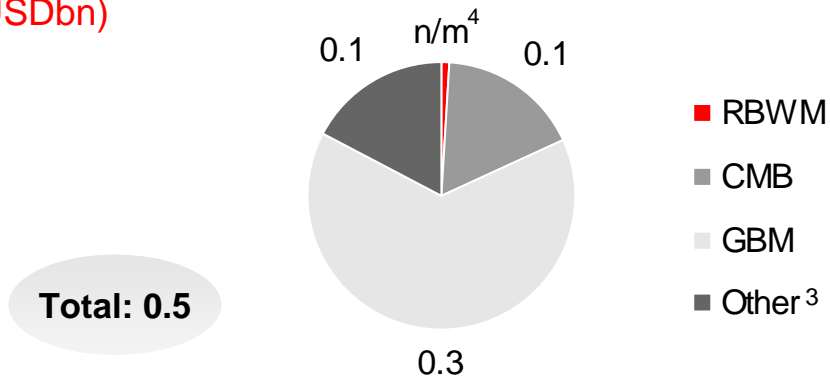
- Largest foreign bank in China: 126 outlets in 29 cities
- Maintain a sustainable branch network presence
- Position as the leading international bank for RMB
- Drive China's offshore business through global connectivity
- Close cooperation with key strategic partners

1 Reported basis
2 Other includes GPB and other customer groups

Grow in priority markets – India

India	H1 10 ¹	H2 10 ¹	H1 11 ¹
Profit before tax (USDbn)	0.3	0.3	0.5
Loans and advances to customers (USDbn) ²	6.2	6.7	6.1
Customer deposits (USDbn)	11.3	12.1	11.7
Advances-to-deposits ratio (%)	54.9	55.4	52.1

PBT, H1 11¹ (USDbn)



- Strong presence: 152 offices in 60 cities
- Grow PBT to USD1bn in the medium term
- Strong GBM and CMB franchise – financing-led strategy across businesses to build scale
- Continue to expand retail distribution, RBWM will be a key growth driver

1 Reported basis
 2 Gross loans and advances to customers
 3 Other includes GPB and Other Customer Groups
 4 Not material

Grow in priority markets

Singapore

- Target USD1bn PBT in the medium term
- Grow wealth management as Singapore develops as a major offshore wealth hub
- Enhance trade finance capabilities to serve the ASEAN region

Malaysia / Indonesia

- Target USD1bn PBT combined in the medium term
- Invest in Islamic Finance capabilities
- Invest in Bank Ekonomi to capture SME opportunities
- Grow wealth management & corporate business

Taiwan

- Indispensable market for greater China business, leveraged on global connectivity
- Capture opportunities arising from policy relaxation on cross straits integration
- Target upper segments and wealth business, as well as cross border transactions

Vietnam

- Leading foreign bank in GBM, targeting SOEs¹ and SOBs²
- Growing customer base by targeting upper SME and large corporate
- Achieve sustainable scale for retail base, targeting affluent segment

1 State owned enterprises
2 State owned banks

Combining RMB expertise and global connectivity



Offshore RMB leadership in Hong Kong

- 24.5% market share of offshore RMB bond issuance
- First offshore RMB equity IPO
- First foreign bank to offer RMB business card to CMB customers

Expanding RMB capabilities

- RMB trade capabilities in 50+ markets globally
- RMB retail services in 11 Asian markets
- Among the first to offer RMB FX options to corporates in China
- Launched RMB FX, transaction and capital markets services in Australia and UK

Connecting across markets and businesses

- CMB and Premier referrals between Hong Kong and mainland China
- Cross-border referrals between mainland China and rest of the world
- CMB and GBM collaboration provides mid-market companies FX services, derivatives products and access to debt and equity markets

Improve cost-efficiency and organisational effectiveness

**USD2.5–3.5bn
sustainable cost
savings in 3 years**

- Gross reduction of 30,000 Group positions over 3 years towards approx 10% Group cost base savings
- Reductions focused on back office, partly offset by front-office hiring in growth markets
- Target excluding businesses sold to third parties

**Achieve 48–52%
CER by 2013**

- HK's CER already at 43.2% in H1 11, while RoAP at 53.0%
- Measures to contain cost rises amid high inflation environment
- Streamlining IT functions regionally
- Re-engineering processes globally

**Clear objective to
achieve positive
jaws**

- Implement consistent business models
- Grow revenue and contain costs through better resource deployment
- Achieve positive jaws across customer groups and countries

Positive on resilient emerging markets

Geopolitical, economic and regulatory uncertainty

Results demonstrate progress on journey to achieve long-term targets

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