



HSBC Asian Financials Conference

Anita Fung, Chief Executive Officer, Hong Kong

18 June 2012

HSBC 



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 HSBC Holdings plc Annual Report and Accounts 2011 and Interim Management Statement issued on 8 May 2012. 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 is provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.



Agenda

Financial highlights: Hong Kong and Rest of Asia-Pacific

Macroeconomic environment

Hong Kong strategic priorities

A leading bank for RMB internationalisation

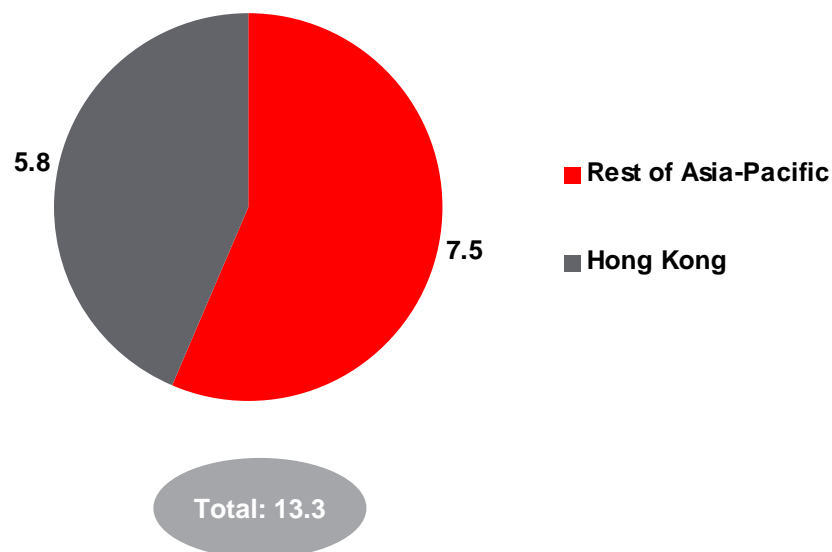
Capacity for sustainable growth in Hong Kong

Financial highlights: Hong Kong and Rest of Asia-Pacific



HSBC in Asia – 2011 financial highlights

PBT, 2011
(USDbn, reported)



**Reported PBT for Asia of USD13.3bn, up 15% v 2010
61% of Group PBT**

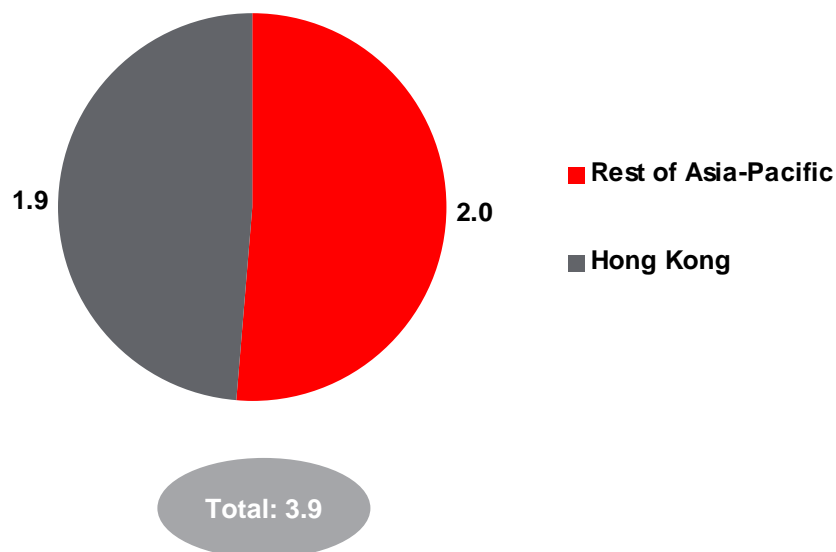
Financial highlights	HK	RoAP	Asia	% v 2010
Net operating income ¹ (USDbn)	10.7	10.7	21.4	10
Loan impairment charges (USDbn)	(0.16)	(0.27)	(0.42)	24
Loans and advances (gross) (USDbn)	158	125	283	13
Pre-tax return on risk-weighted assets (%)	5.3	3.1	n/d ²	n/a

Notes:

- 1 Before loan impairment charges and other credit risk provisions
- 2 Not disclosed

HSBC in Asia – Q1 12 financial highlights

PBT, Q1 12
(USDbn, reported)



**Reported PBT increased by 21% and 24% y-o-y in HK and RoAP, respectively
91% of Group PBT³**

Financial highlights	HK	RoAP	Asia	% v Q1 11
Net operating income ¹ (USDbn)	3.1	3.0	6.1	17
Loan impairment charges (USDbn)	(0.02)	(0.18)	(0.20)	(175)
Loans and advances (gross) (USDbn)	160	127	287	8
Pre-tax return on risk-weighted assets (%)	7.3	2.8	n/d ²	n/a

Notes:

1 Before loan impairment charges and other credit risk provisions

2 Not disclosed

3 Group PBT in Q1 12 was materially impacted by adverse credit spread movements of USD2.6bn on the fair value of our own debt, the majority of this was recognised in Europe

Macroeconomic environment



HSBC 

Asia economy

GDP (%)	2010	2011	2012f	2013f
China	10.4	9.2	8.6	8.8
Hong Kong	7.0	5.0	3.3	5.2
India	8.4	6.7	7.5	8.2
Indonesia	6.2	6.5	6.1	6.5
Korea	6.2	3.6	3.1	3.7
Malaysia	7.2	5.1	3.7	5.7
Philippines	7.6	3.7	3.6	5.2
Singapore	14.8	5.0	2.6	5.8
Taiwan	10.7	4.0	2.4	5.7
Thailand	7.8	0.1	5.5	4.5
Vietnam	6.8	5.9	5.7	6.1
Asia (ex Japan)	9.2	7.3	7.0	7.5
Inflation (%)	2010	2011	2012f	2013f
Asia (ex Japan)	4.3	5.5	3.9	3.7

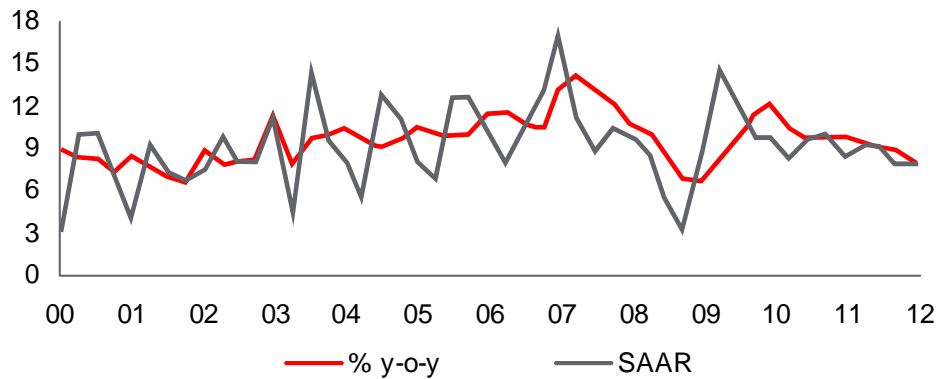
- Moderation in regional GDP growth due to milder export growth and falling consumer demand
- Further risks to growth – European instability, lacklustre US recovery, inflationary uncertainty
- Economic uncertainty impacting revenue growth
- Social instability is an increasing concern
- Regulators increasingly cautious on capital and liquidity, but remain supportive
- China remains on course for soft landing; expect a strong mix of monetary and fiscal easing

Source: FocusEconomics Consensus Forecast

China/Hong Kong economic outlook

China: Economy slowing, not faltering

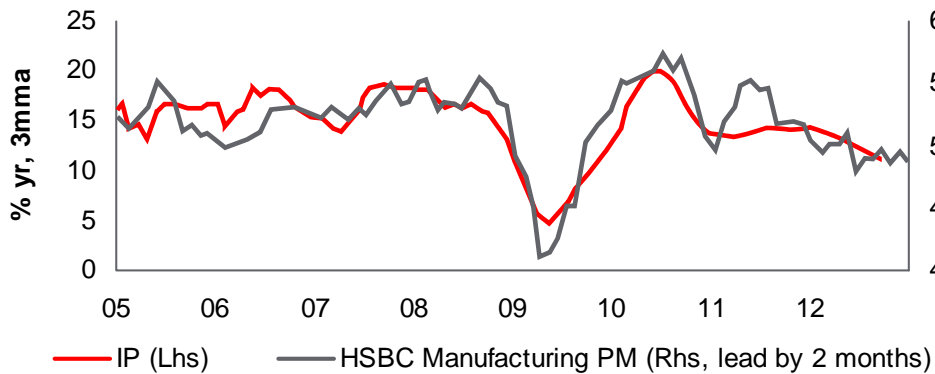
% y-o-y



Source: CEIC, HSBC Global Insights

China: PMI

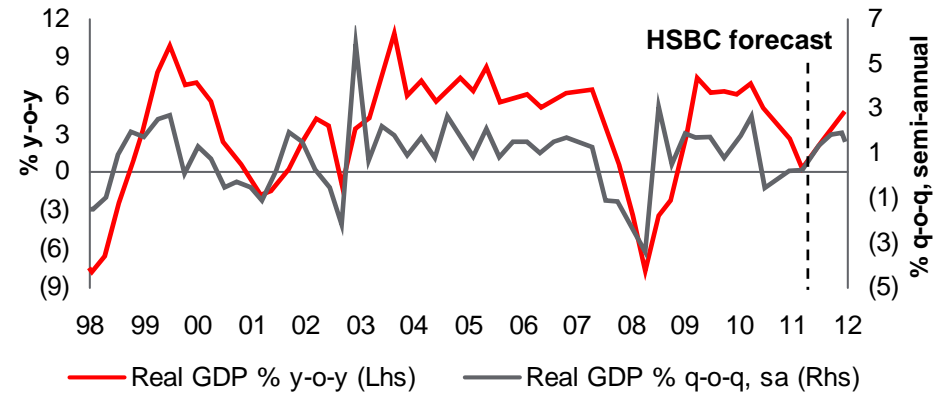
% y-o-y



Source: Markit, CEIC, HSBC Global Insights

Hong Kong: Moderating GDP growth

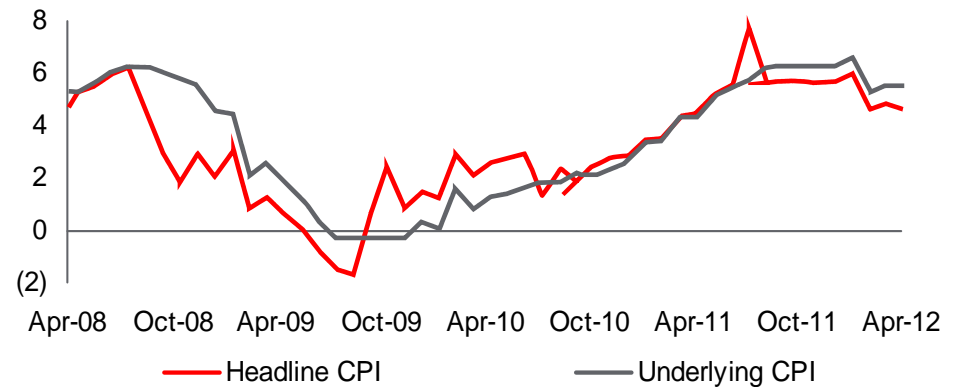
% y-o-y



Source: HK Censtat, CEIC, HSBC Global Insights

Hong Kong: Easing inflationary pressures

% y-o-y



Source: HK Censtat, CEIC, HSBC Global Insights

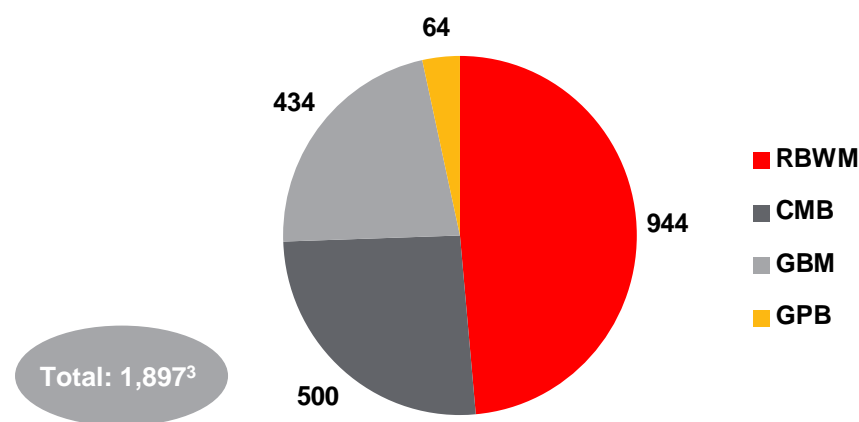
Hong Kong strategic priorities



Hong Kong strategic priorities

Capturing the connectivity	<ul style="list-style-type: none"> • Developing opportunities arising from increased China wealth • Tapping into mainland Chinese enterprises “going out” • Capturing business arising from HK and international companies “going into China”
Leading RMB international bank	<ul style="list-style-type: none"> • Leveraging HK’s strategic position as the leading offshore RMB centre • Capturing market share from increasing RMB trade settlement and capital flows • Capitalising on rising cross-border business opportunities
Maintaining market leadership	<ul style="list-style-type: none"> • Consolidating market leadership in total deposits, Mandatory Provident Fund, HKD and offshore RMB bonds, FX, Derivatives and Fixed Income • Maintaining scale in other strategic businesses

PBT, quarter ended Mar 2012
(USDm, reported)



Notes:

- 1 Before loan impairment charges and other credit risk provisions
- 2 Profit before tax basis
- 3 Includes Other operations, mainly central items, which recorded a loss of USD45m in the three months ended 31 March 2011

Full year, reported	2010	2011
Net operating income ¹ (USDbn)	10.2	10.7
Profit before tax (USDbn)	5.7	5.8
Cost efficiency ratio (%)	43.4	44.5
Return on risk-weighted assets ² (%)	5.0	5.3

Rise of China

Significant economic benefits for Hong Kong

People

- High net worth individuals (ie. individuals with wealth over RMB10m) in China reached 1.2m by the end of 2011, with a five-year average growth rate of 29%¹
- Spending power spilled over to HK
 - In 2011, 25.3m Mainland tourists² to HK and 16.2m to Macau

Trade

- China is the largest exporting country
 - USD1.9trn total exports in 2011³
 - By 2020, total trade will surge to around USD16.7trn (19.5% of global trade), with commodity trade export of USD7.6trn (22.3% of global trade)⁴
- HK/China trade closely linked
 - 47% exports/45% imports of HK are to/from mainland China⁵
 - RMB2trn, or 9% of China's global trade, were settled in RMB in 2011⁶

China

- 2nd largest economy in the world
- GDP grew 35x in three decades (USD200bn to USD7trn in 2011)

Investment

- HK as a gateway for foreign enterprises to access the China market and vice versa
 - HK is the largest source of FDI for China, accounting for 66% of the total amount in 2011⁷
 - 60% of China's Overseas Direct Investment (ODI) flows to HK⁸
 - 45% of Mainland accumulated foreign capital comes from HK³
 - 640 Mainland companies listed in HK⁹

Currency

- RMB internationalisation
- Reserve currency potential
- Targeting full convertibility

Notes:

1 Source: "2012 China Private Banking Development Report", CITIC Bank & Central University of Finance and Economics

2 Source: Tourism Commission, Hong Kong SAR; China Tourism Academy

3 Source: Ministry of Commerce, PRC

4 Quoted from Pei Changhong (裴长洪, Institute of Economics Chinese Academy of Social Sciences)

5 Source: Census and Statistics Department, Hong Kong SAR

6 Source: PBoC

7 Source: Ministry of Commerce of the People's Republic of China ("MoF")

8 Source: HKMA

9 Source: HKEx Fact Book, 2011

Connecting Guangdong globally through Hong Kong

Guangdong and Hong Kong in context



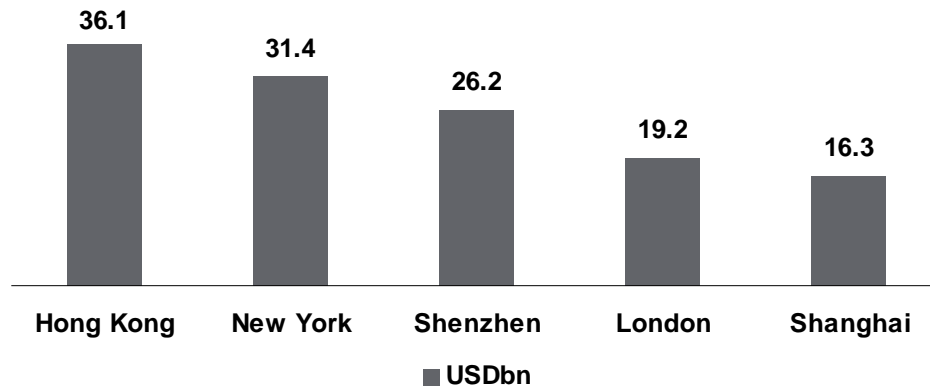
Note:
1 CEPA: Closer Economic Partnership Arrangement

Opportunity for HSBC

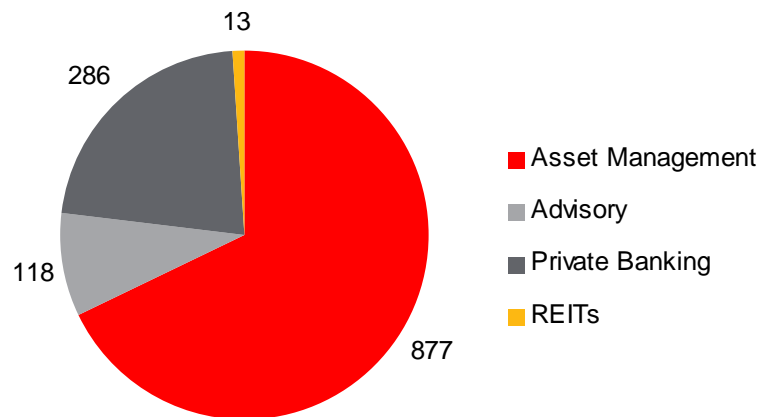
- Guangdong importance to China, 11% of GDP, 9% of population
- An average of 11.5% annual GDP growth over the past 5 years
- Financial hub and foreign trade leader, exports still account for 65% of GDP, trade represents 91% of GDP
- CEPA¹ increases economic connectivity with Hong Kong
- Significant opportunities for HSBC in Guangdong region to build on strong Hong Kong presence

The evolution of Hong Kong as a financial centre

IPO funds raised in 2011
(USDbn)¹



Assets Under Management in HK 2010
(USDbn)²



- World's largest Initial Public Offering (IPO) market in 2010 and 2011
- Highly liquid HKD and offshore RMB bond market
- World's sixth-largest exchange, as measured by market capitalisation
- Approximately USD1.3trn in AUM in Hong Kong fund management sector
- Leading hub for hedge funds investing in Asia
- Second-largest hub for Private Equity funds in Asia
- Premier offshore RMB business centre
- Largest hub for Qualified Foreign Institutional Investors (QFII) and Qualified Domestic Institutional Investors (QDII) managers
- Ongoing support from central government under 12th Five-Year Plan

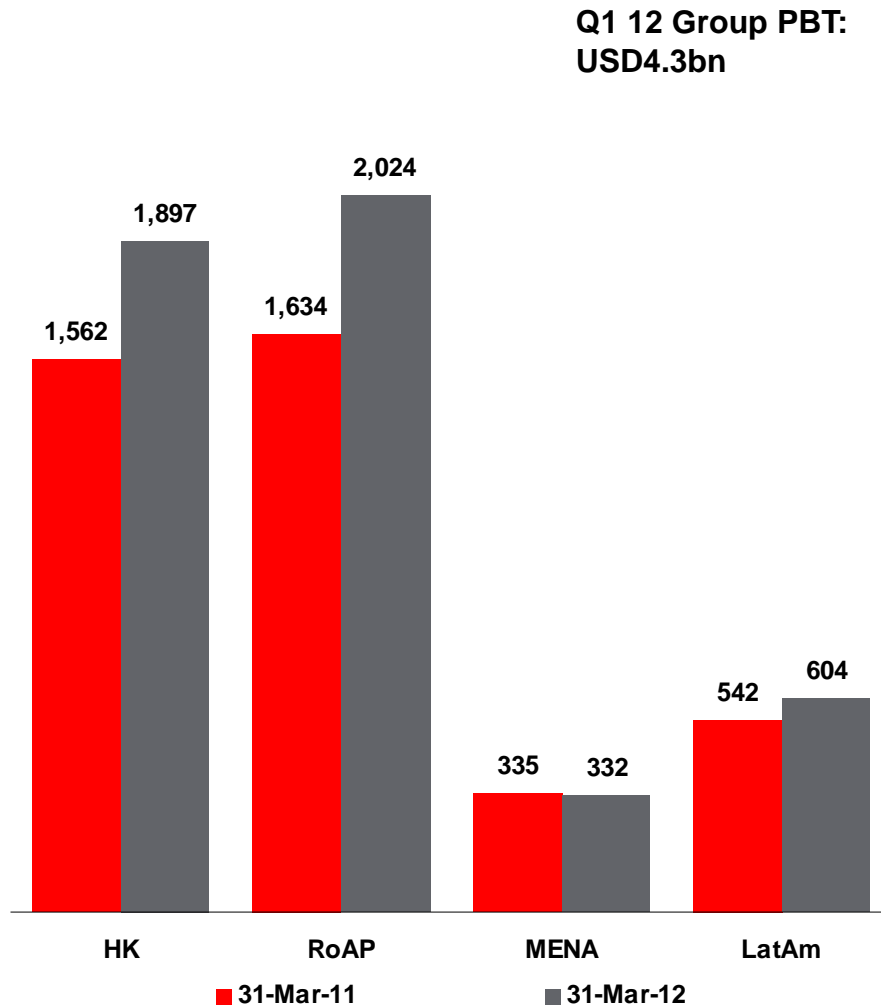
Notes:

1 Source: Exchange websites, Dealogic

2 Source: Fund Management Activities Survey 2010, Securities and Futures Commission

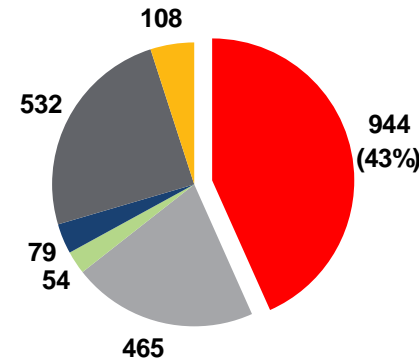
Hong Kong contribution to Group performance

Q1 12 PBT contribution from faster growing regions
(USDm, reported)

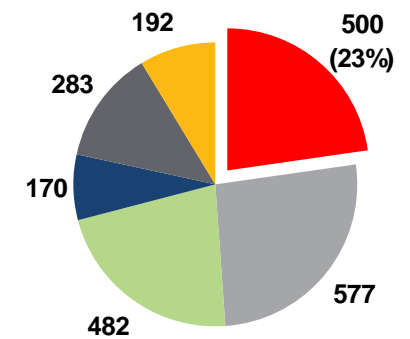


Q1 12 PBT contribution by Global Business
(USDm, reported)

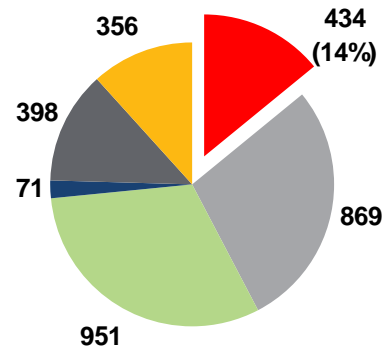
Retail Banking and Wealth Management



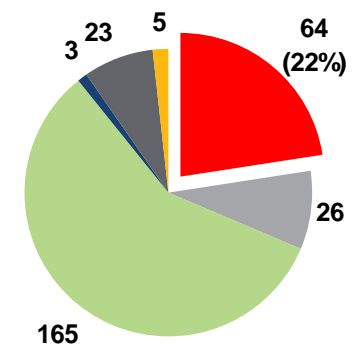
Commercial Banking



Global Banking and Markets



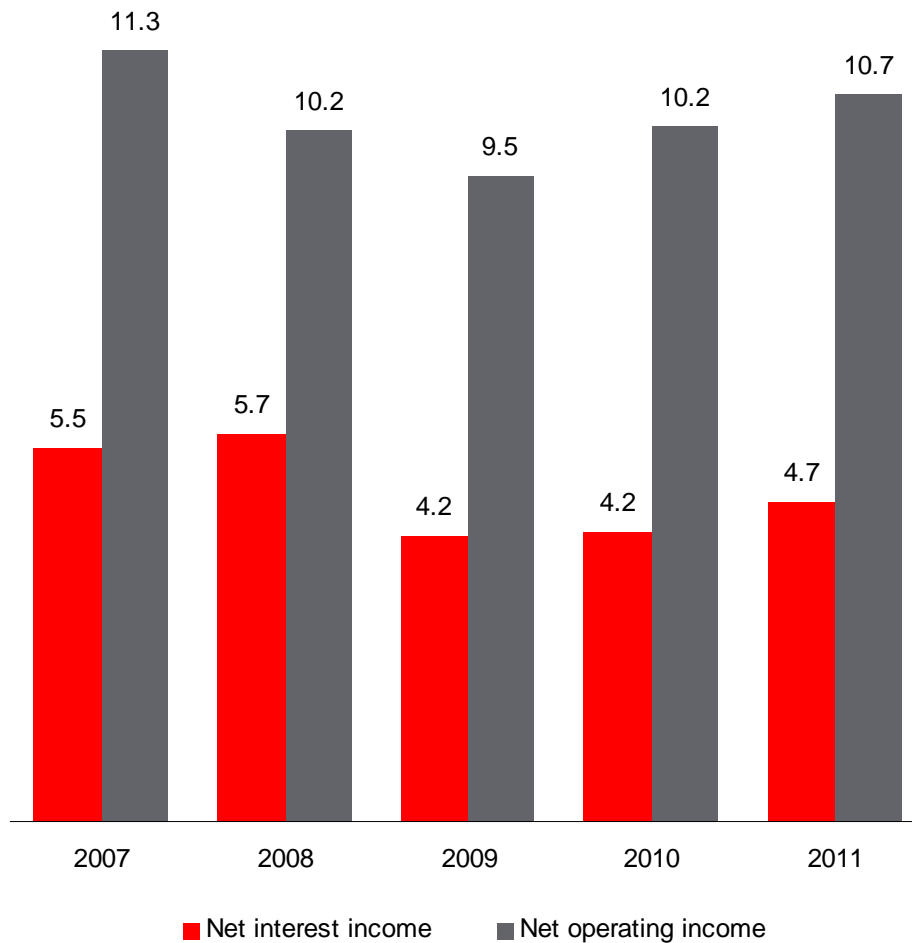
Global Private Banking



■ HK ■ RoAP ■ EU ■ MENA ■ NA ■ LatAm

Enhancing income through leveraging connectivity

Hong Kong NII/NOI performance (2007-2011) (USDbn, reported)



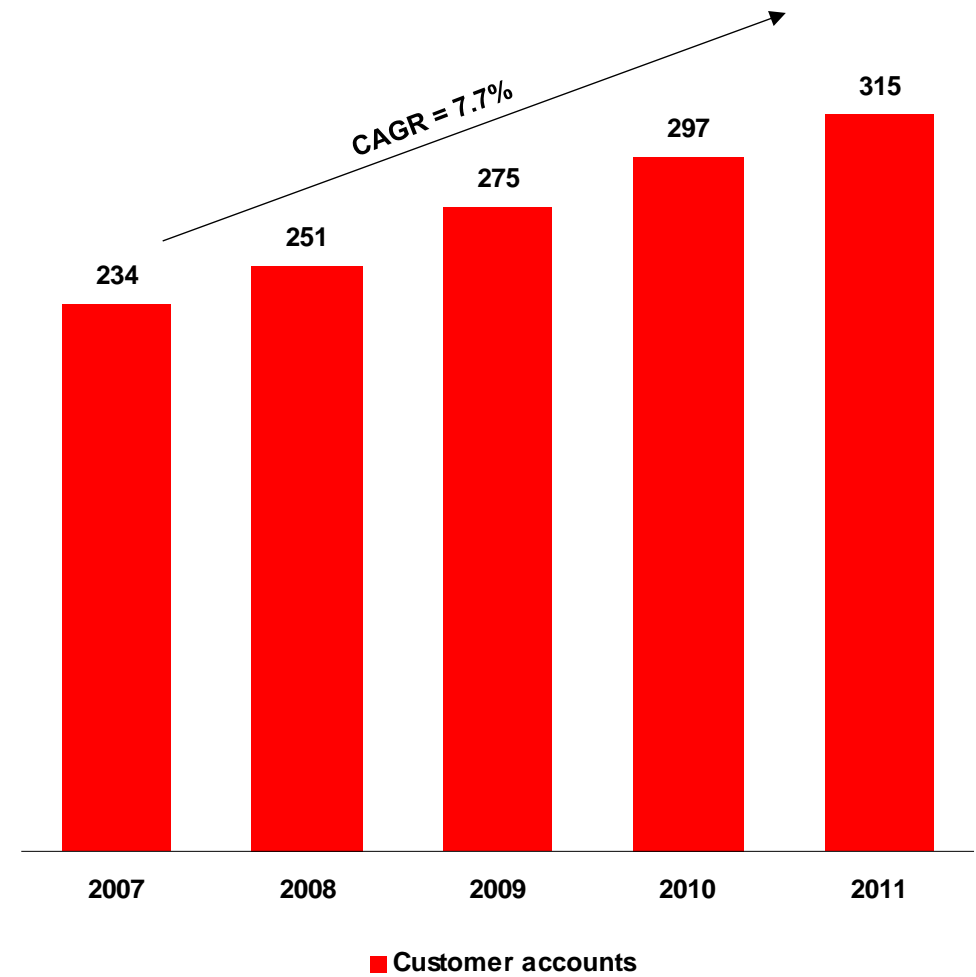
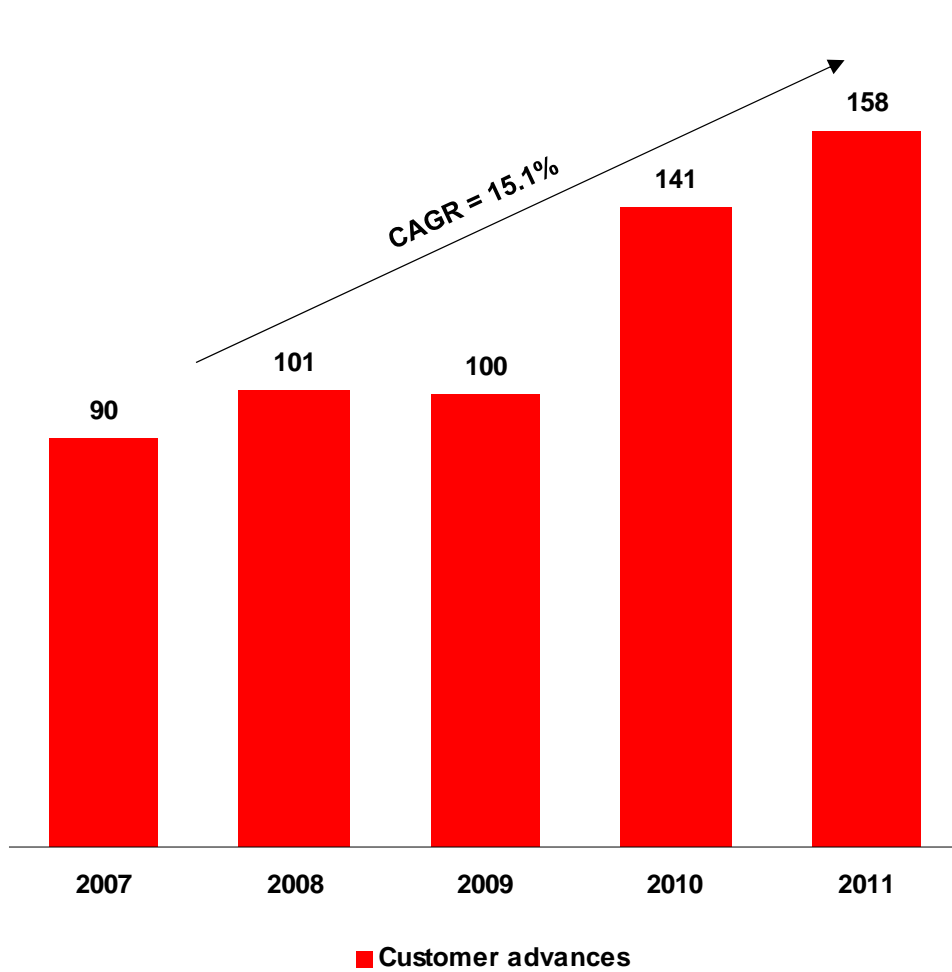
Leveraging connectivity through cross-selling Collaboration highlights

- A dual-currency term loan facility for a long-standing CMB client, with cross-sell made on corporate trust and agency, Global Markets (GM) products and HBCN accounts services
- HSBC's first dual tranche HKD/CNH syndicated loan facility for a CMB client
- A high-yield bond issuance for a China property developer, with seamless collaboration among CMB, DCM, Ratings and GB advisory
- USD/CNY cross-currency swap for a CMB client with a tailor-made solution from GM
- An equity placement transaction for a Hong Kong family office client with coverage by ECM, Advisory, Equities and Client Management Team

Changing loan growth and funding dynamics

Hong Kong customer advances¹
(USDbn, reported)

Hong Kong customer accounts
(USDbn, reported)



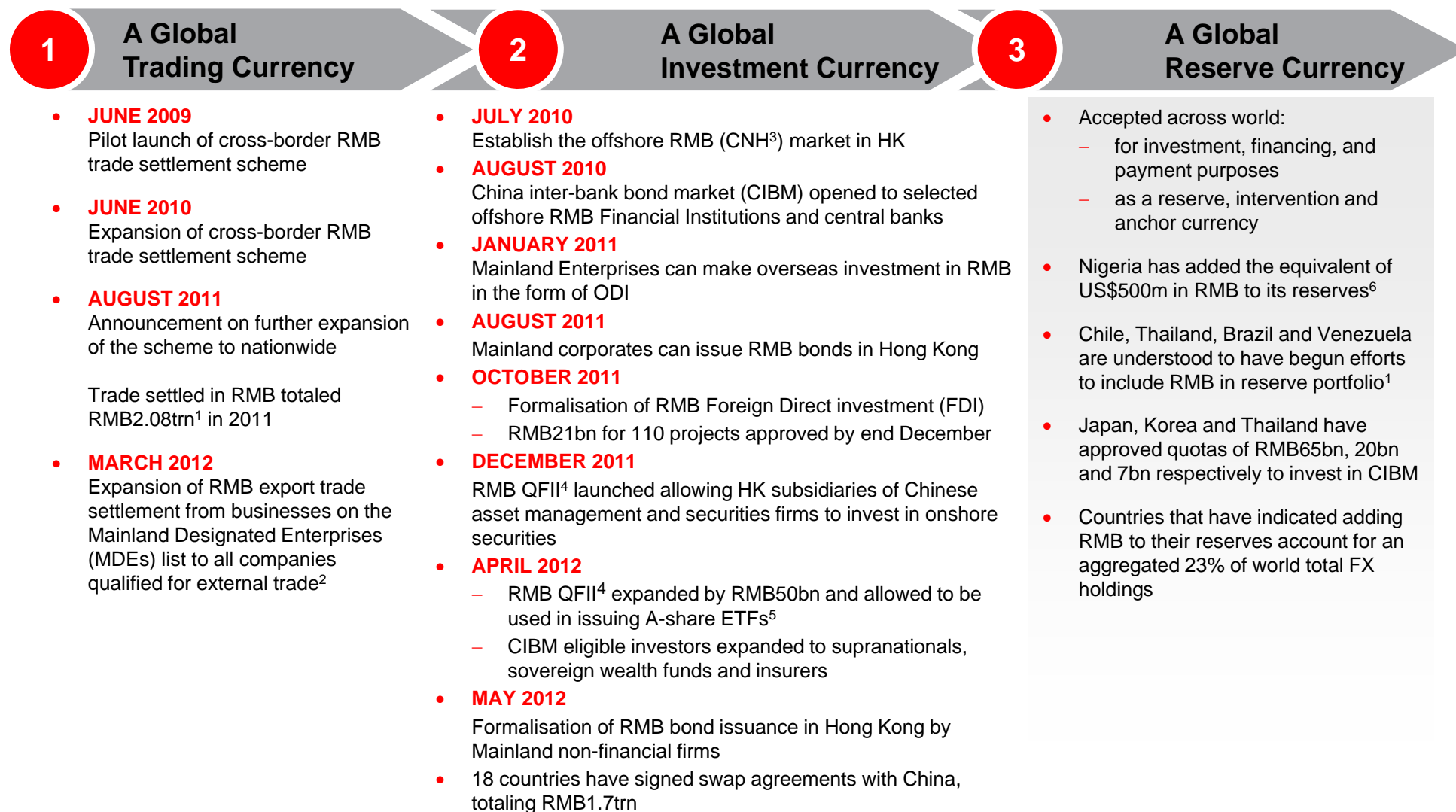
Note:
1 Gross loans and advances to customers

A leading bank for RMB internationalisation



HSBC 

Harnessing the opportunity as a leading bank for RMB internationalisation



Notes:

1. Source: PBoC
2. Actual implementation date to be confirmed
3. CNH is the name used in the market to refer to offshore deliverable RMB
4. Qualified Foreign Institutional Investors
5. Source: HSBC – Details of some measures to be announced
6. Source: Wall Street Journal

Hong Kong's global RMB leadership

RMB Deposits in Hong Kong¹	Dec 2010 RMB315bn	Dec 2011 RMB588bn	↑ 87%	Mar 2012 RMB554bn	↓ 6% (vs. Dec 2011)
RMB Trade Settlement HK ↔ Mainland China¹	2010 RMB369bn	2011 RMB1,941bn	↑ 5x	Q1 2012 RMB571bn	↑ 84% (Y-o-Y)
RMB Trade Settlement China ↔ RoW²	2010 RMB506bn	2011 RMB2,080bn	↑ 4x	Q1 2012 RMB580bn	↑ 61% (Y-o-Y)
Dim Sum Bonds¹	2010 16 issuers RMB35.8bn	2011 87 issuers RMB104bn	↑ 3x	Mid-Apr 2012 RMB34.2bn	—

Notes:

1 Source: HKMA

2 Source: Ministry of Commerce of the People's Republic of China ("MoF") and the People's Bank of China ("PBOC")

Capacity for sustainable growth in Hong Kong



Capacity for sustainable growth in HK

- Strong start in Q1 12
- Good progress in achieving key strategic priorities across Global Businesses
- Focused on growth opportunities in a challenging environment
- China and RMB provide sustainable growth opportunities
- Accelerating collaboration between Global Businesses
- Strong liquidity provides foundation for further balance sheet and revenue growth

Contacts and further information

Hugh Pye

Head of Investor Relations, Asia Pacific

hugh.pye@hsbc.com

+85 22822 4908

Guy Lewis

Senior Manager, Investor Relations

guylewis@hsbc.com

+44 (0) 207 992 1938

Bloomberg / Website

HSBA LN <EQUITY> <GO>

HSBC <CORP> <GO>

www.hsbc.com/1/2/investor-relations