



11 May 2011

Asia

Investor Day

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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 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 'Reconciliations of reported and underlying profit before tax' supplement available at www.hsbc.com.

Key trends for Asia

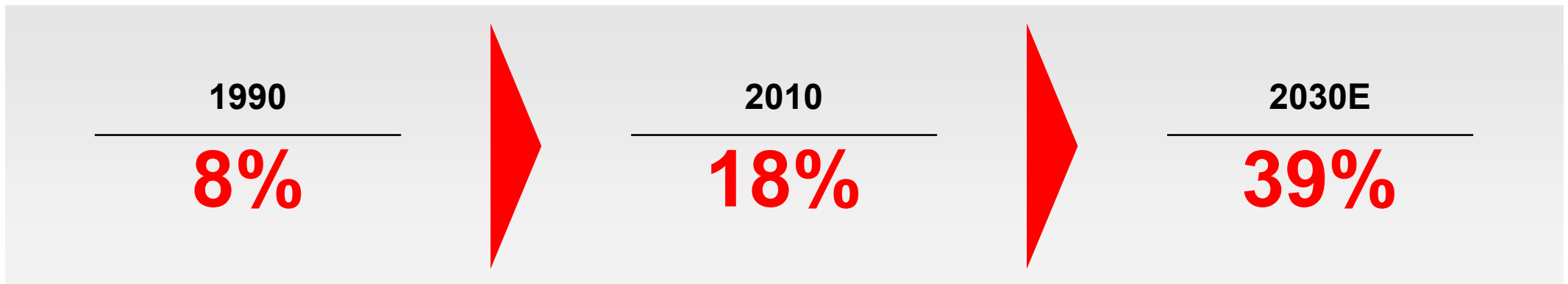
Emerging Asia is the growth engine of the world



Emerging Asia population in 2010: 3.8bn

(55% of world population)

Share of World GDP



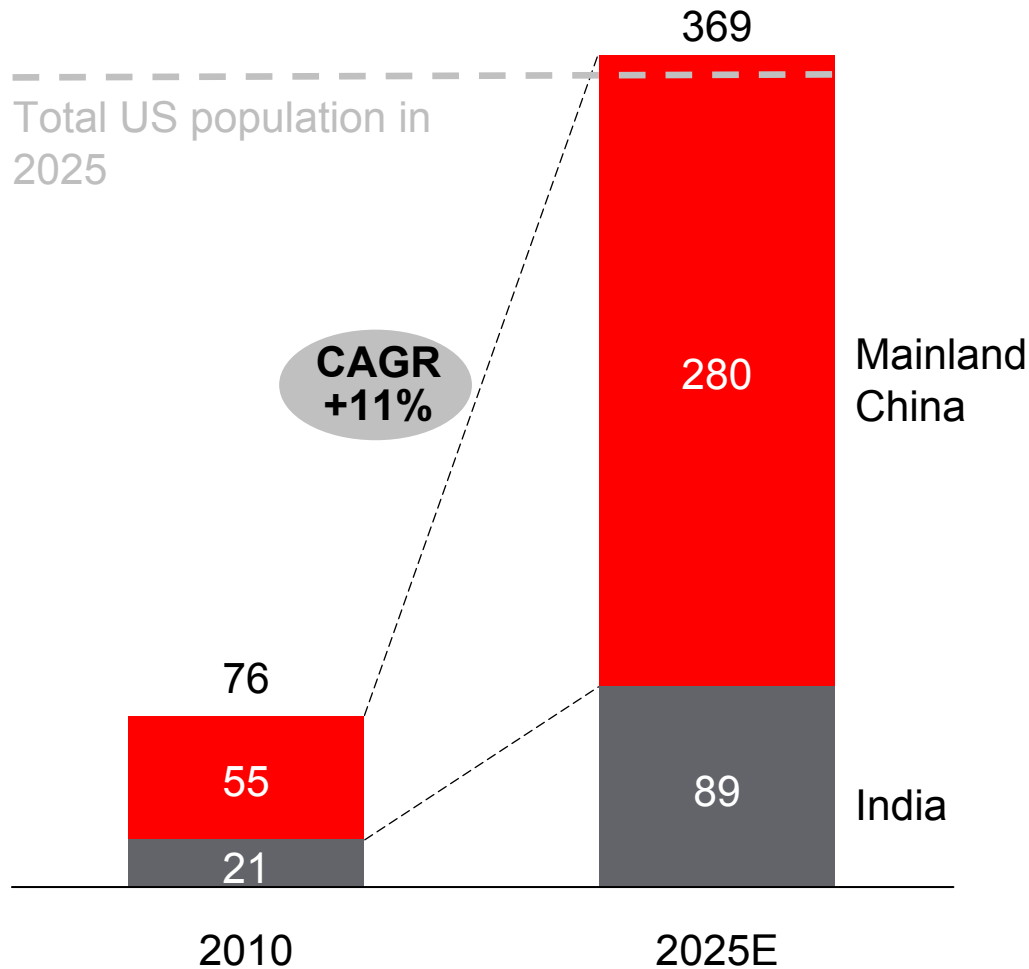
Key trends for Asia

Increasing domestic consumption across Emerging Asia



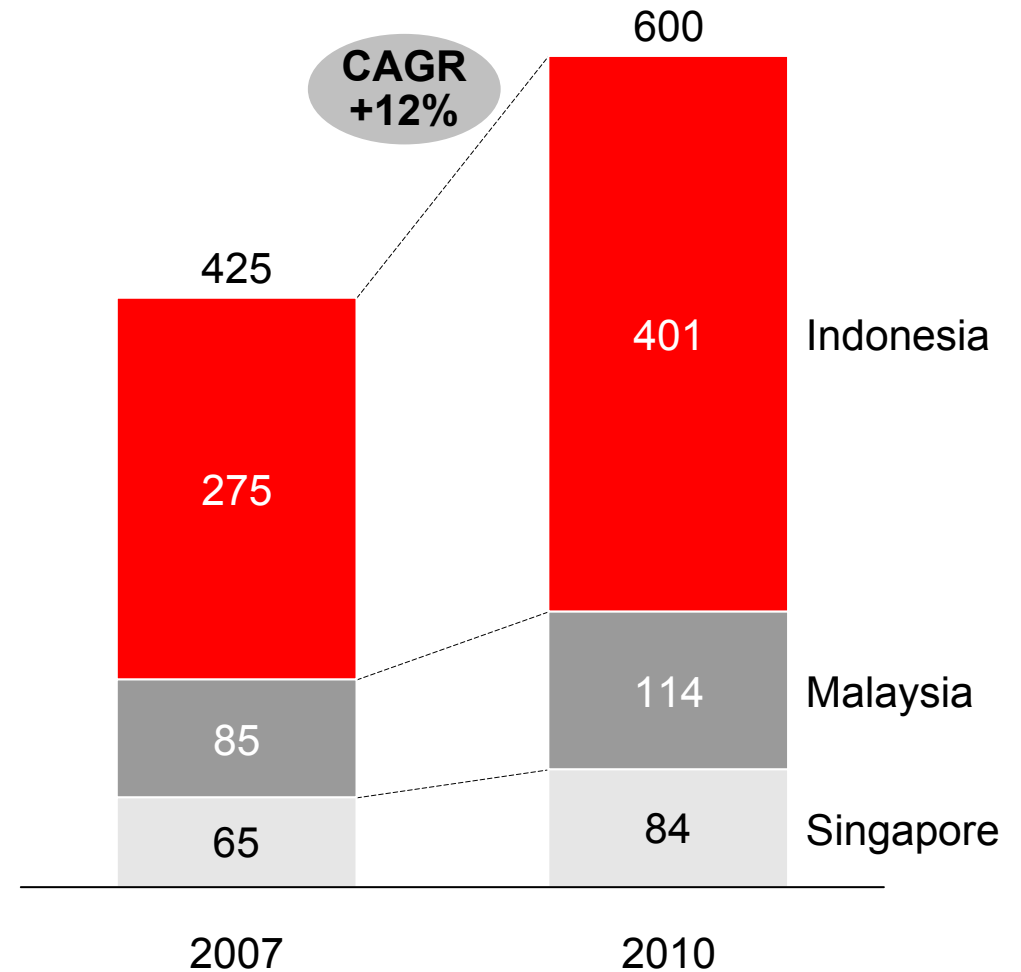
Middle class households

Millions



Domestic Consumption

USDbn

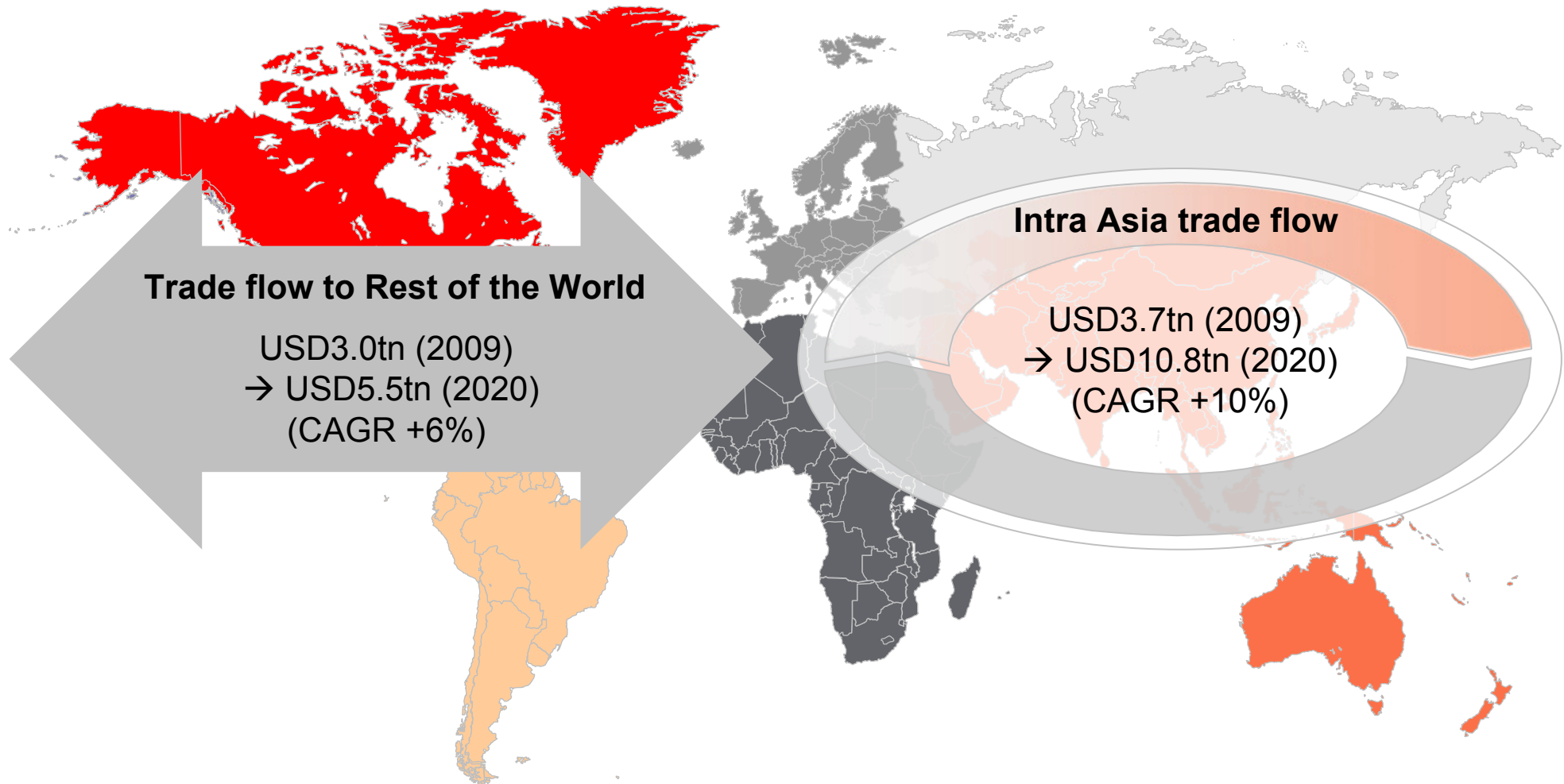


Source: McKinsey, EIU estimates

Growing intra-regional and inter-regional flows



Asia global merchandise trade flow



Key trends for Asia

Asia will be home to three financial centres



Shanghai³

- Expected to have 75% share of mainland China's equity market in terms of liquidity by 2020

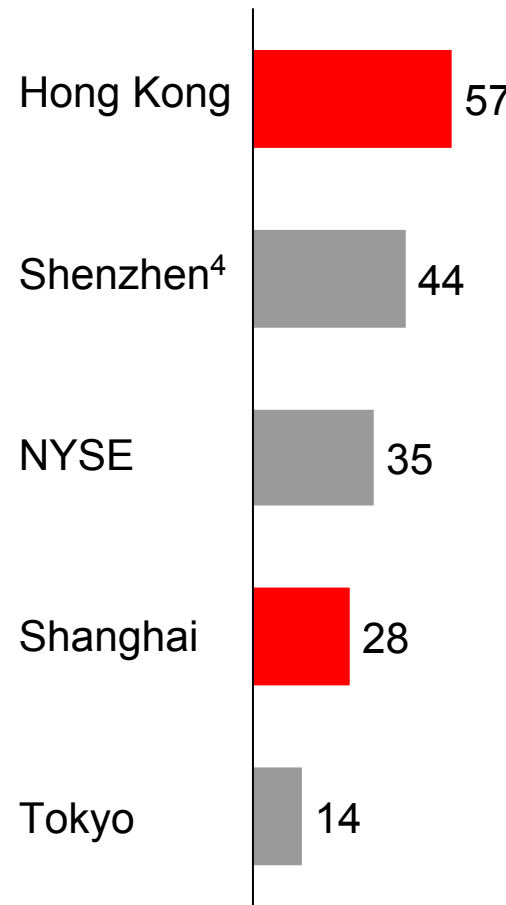
Hong Kong

- # 1 global IPO centre in 2009 and 2010¹
- # 1 International offshore RMB centre

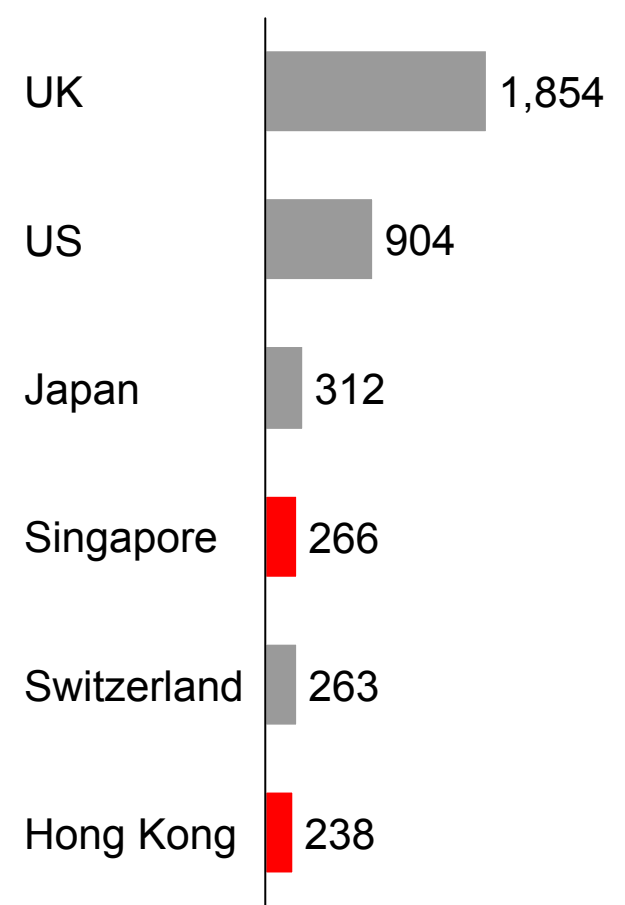
Singapore

- World's 4th largest FX centre by turnover
- ASEAN wealth management hub

World's Top 5 IPO markets¹ USDbn, 2010



FX market daily turnover² USDbn, Apr 2010



¹ Ernst and Young "Global IPO Trends 2011"

² BIS (2010)

³ GS report "Shanghai in 2020" (Jun10)

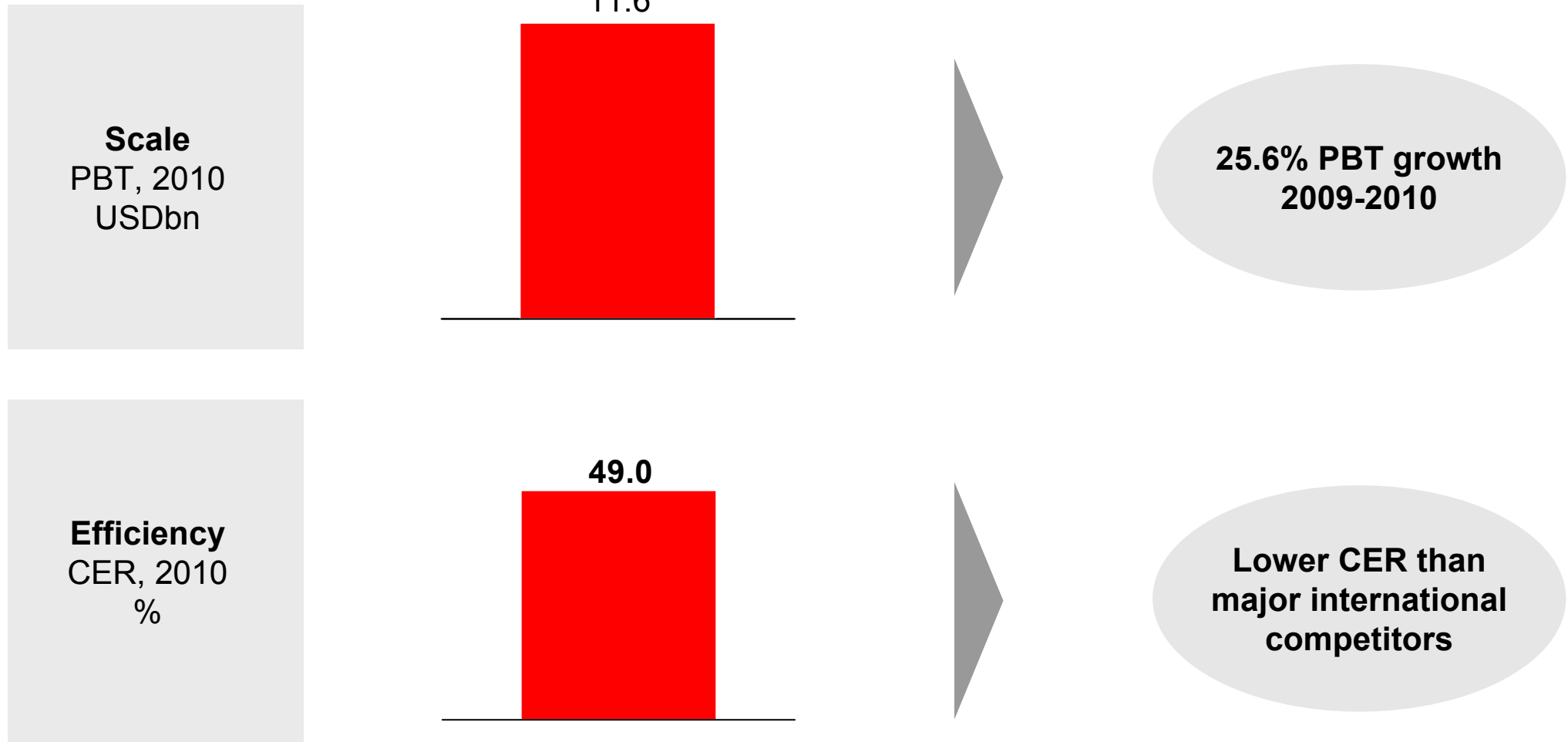
⁴ Includes ChiNext

HSBC position and competitive advantages

A very sizeable presence and strong delivery vs. competitors in Asia



HSBC – Asia



Breadth and depth and the ability to connect the world



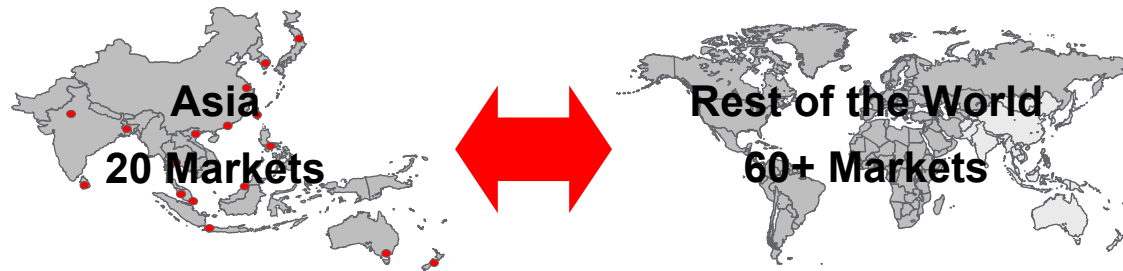
Leadership in Trade, Capital...

- Finance Asia: Best Trade Finance Bank in Asia (1997–2010)
- Euromoney: No.1 Cash Management Provider in Asia (2009–2010)
- FX week: “Best Bank for FX in Asia-Pacific” (1993–2010)

... and Wealth flows

- Euromoney: Best Private Bank in Asia (2009–2011)
- Strength in premium banking (1.3m Premier customers +32% vs. 2009)

Network to connect Asia, and Asia to the Rest of the World



No.1 brand in Asia

- TNS: No.1 Bank in Asia’s Top 1,000 Brands 2010 survey
- Strong Asian heritage with over 146 years of presence

Well funded subsidiary model

- Model in-line with possible regulation
- Ability to raise local funding

Strategic direction and actions overview



Asia

Connecting Asia and the world

1 Expand leadership in Greater China

- Maintain leadership in Hong Kong
- Continued leadership as mainland China's top foreign bank
- Be the leading international bank for RMB worldwide

2 Build scale in other key markets

- Continue to invest to build scale in key markets:
 - India
 - Singapore
 - Malaysia
 - Indonesia
 - Australia

3 Maintain leadership in connectivity

- Focus resources in other markets to maintain leadership in intermediating Trade, Capital and Wealth flows

Investing in building a leading domestic franchise



Key opportunities

- Corporate banking profits projected to grow at CAGR 9% to 2015¹
- Middle class household numbers expected to increase by CAGR 11% to 2025²

HSBC position

- Largest foreign bank in mainland China, ranked by peers as #1 foreign bank in 9 categories³
- Deposit-led strategy that supports strong asset growth delivering 17% CAGR (2005-2010) PBT growth
- Strong corporate proposition as: “Best Cash Management Bank in China”⁴, and “Best International Trade Bank in China”⁵
- Strong retail proposition: Premier customers increased 59% YoY in 2010

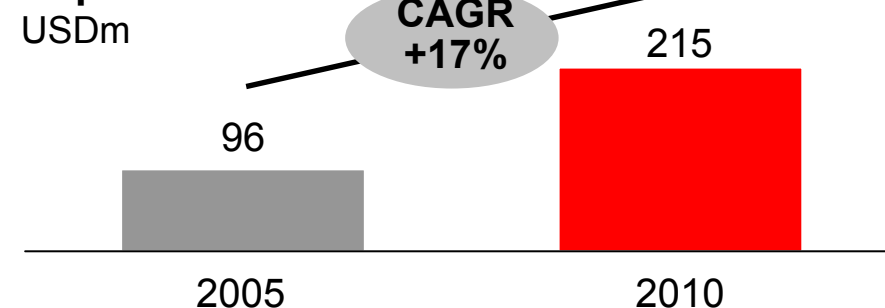
Key actions

Continue to invest in a comprehensive distribution network and technologies

Invest in people and build bench strength

Launch of HSBC Advance and HSBC Premier credit cards to capture retail opportunities

Reported PBT



Note: mainland China PBT includes Hang Seng Bank China, and excludes associates

1 McKinsey “China’s changing wholesale landscape” MAR2011

2 McKinsey “Comparing urbanization in China and India” JUL2010

3 PricewaterhouseCoopers “Foreign Banks in China” survey, MAY2010

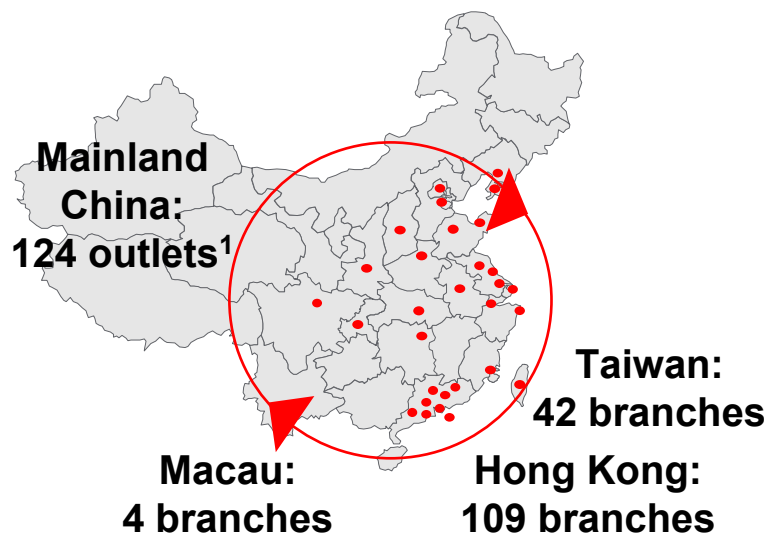
4 By Treasury Management International 2010

5 By Trade Finance 2008-2009

Connecting China to the rest of Asia

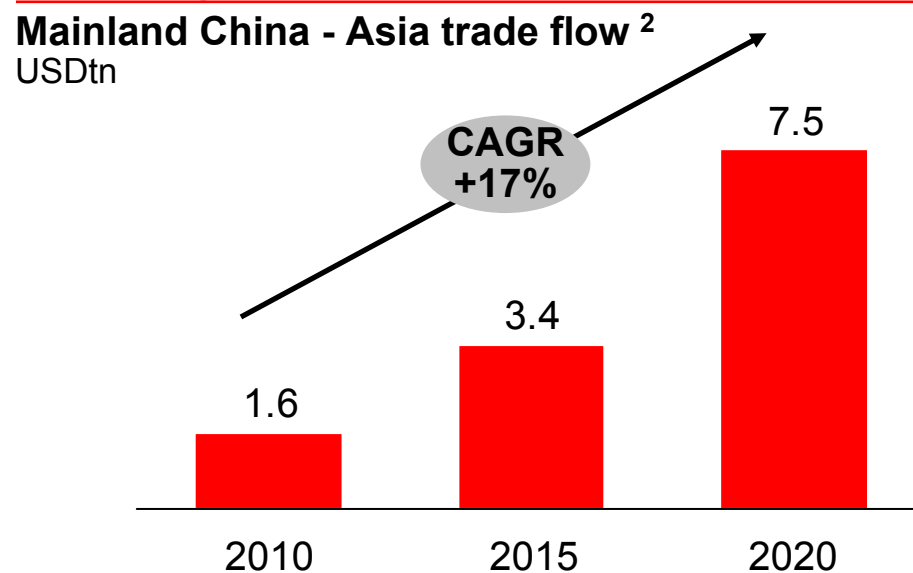


Capturing the intra Greater China flows



- Successful cross-border referrals within Greater China reached USD3.7bn, 53% higher than 2009
- Enhanced Taiwan presence (post acquisition of The Chinese Bank) provides stronger customer coverage

Capturing mainland China and intra-Asia flows



- Mainland China supply chain is expected to become more intra-regional e.g., production diversifying to Vietnam where HSBC is the leading foreign bank
- HSBC is well positioned to capture this flow, e.g., almost 30% of HSBC Australia trade turnover in 2010 is with mainland China

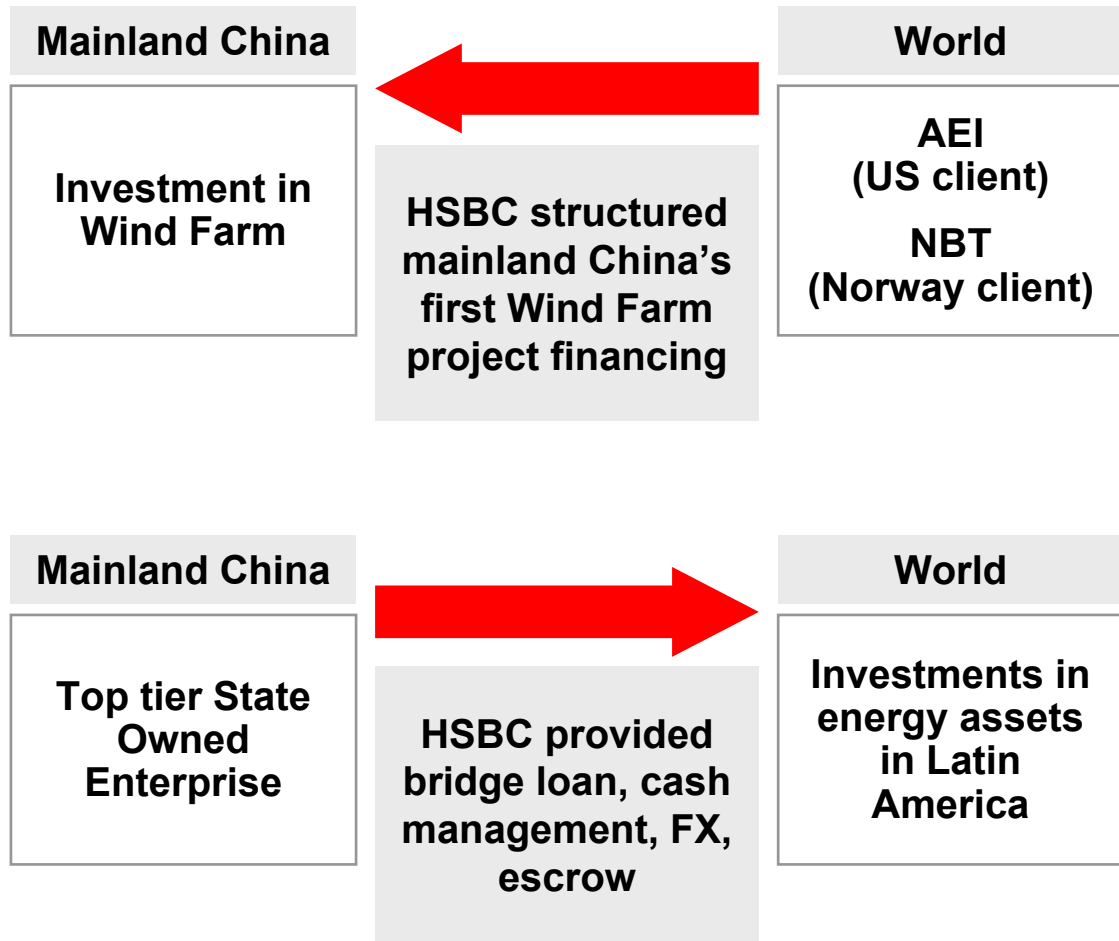
¹ Mainland China's 124 outlets include 108 HSBC China outlets and 16 HSBC Rural Banks outlets (exclude Hang Seng Bank)

² CEIC and HSBC forecast

Connecting China and the rest of the World



Example: facilitating outbound and inbound flows

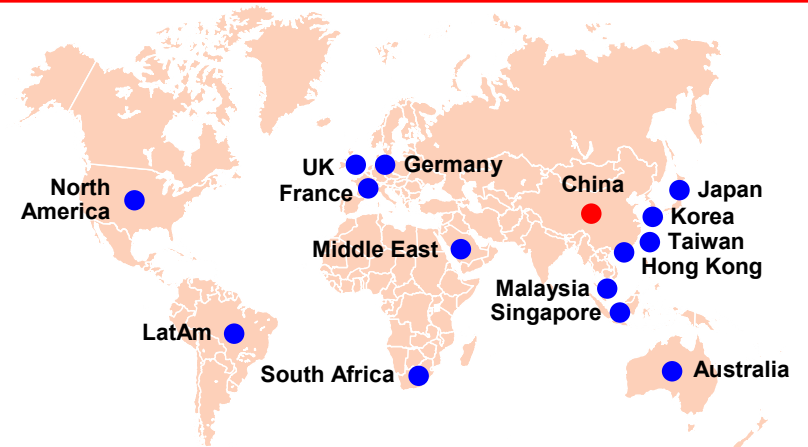


Key actions

Expand China desks to capture cross-border opportunities

Expand and deepen relationships with PRC enterprises with overseas investments

HSBC position



- China desks in 14 markets
- Banking relationships with c.60% of top 100 PRC enterprises with overseas investments¹

¹ Based on list of PRC enterprises that had overseas non-bond investments of above USD 100m between 2007 and 2010 as produced by the Heritage Foundation

Sustained leadership through the economic cycle



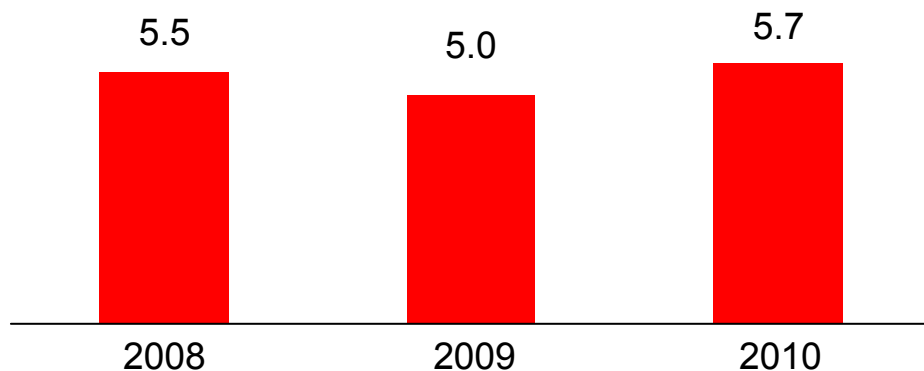
HSBC position

Leading player with # 1 market shares

	HSBC only ¹	Hong Kong
Deposits (Dec 10)	25%	34%
Mortgages ² (Dec 10)	19%	34%
HKD Bonds (Dec 10)	34%	34%

Ability to generate profits through the economic downturn

Hong Kong PBT
USDbn, Reported



Key actions

Continue to invest to maintain leadership¹

- Top advertising spend (15% of industry) with # 1 in Brand Health
- USD1.4bn IT & delivery channel spend over past three years

Build new leadership segments¹

- # 1 in life insurance new business 18.1% and Mandatory Provident Fund 24.8% market share
- Building ECM capability. “Best Equity House” 2010 by Finance Asia

Continue advances and deposits growth

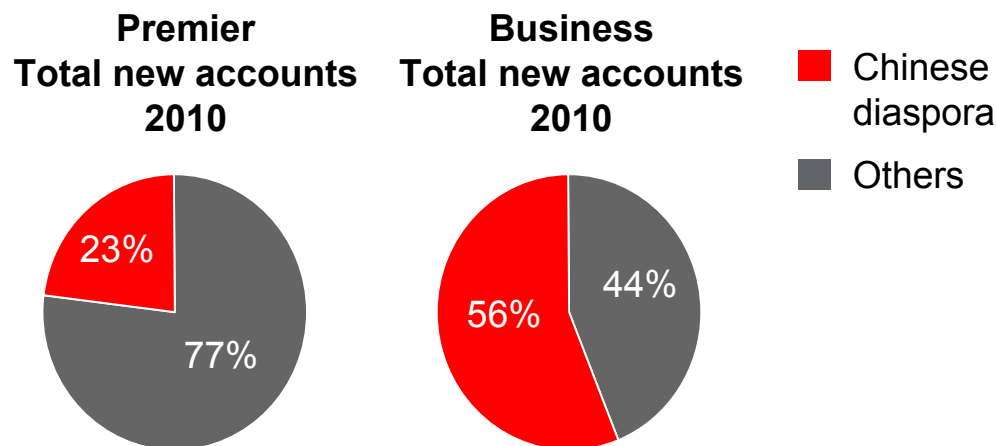
USDbn, Reported	2008	2009	2010	CAGR (08-10)
Deposits	251	275	297	9%
Advances	100	99	141	19%
A/D ratio	40%	36%	47%	

¹ HSBC excluding Hang Seng Bank, 2m Referral data

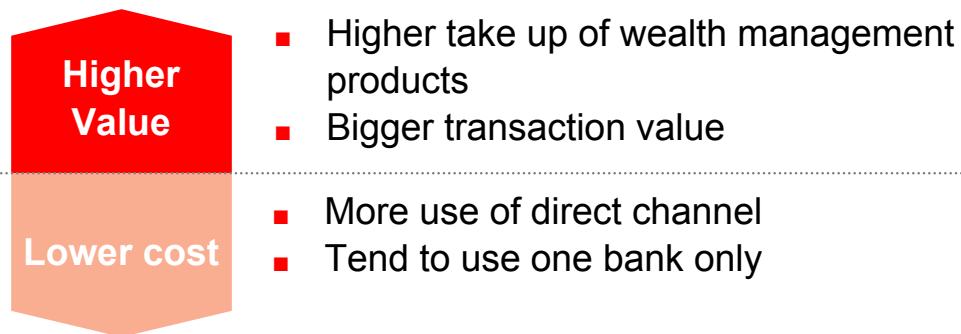
Ideally positioned to capture cross-border opportunities



Chinese diaspora: a major source of new customers¹



Chinese diaspora key behaviours



Key actions³

Leveraging on cross-border connectivity to capture commercial clients

- 35% of new locally incorporated companies in HK bank with HSBC
- Commercial Banking referrals.
 - HK to mainland: +25%
 - Mainland to HK: +70%

Strengthening sales force to capture retail clients

- Recruited 1,500 frontline staff (70% Mandarin speaking)
- 112% YoY growth in new Chinese diaspora Premier accounts²
- Premier referrals
 - HK to mainland: +332%
 - mainland to HK: +150%

¹ Companies Registry, HKSAR / HSBC in-house figures, all excluding Hang Seng Bank

² FY 2010

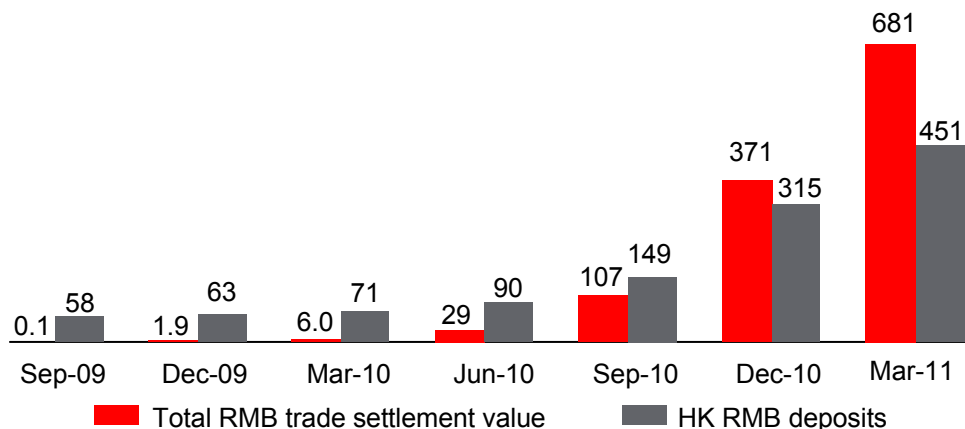
³ HSBC excluding Hang Seng Bank

HSBC – The leading international RMB Bank



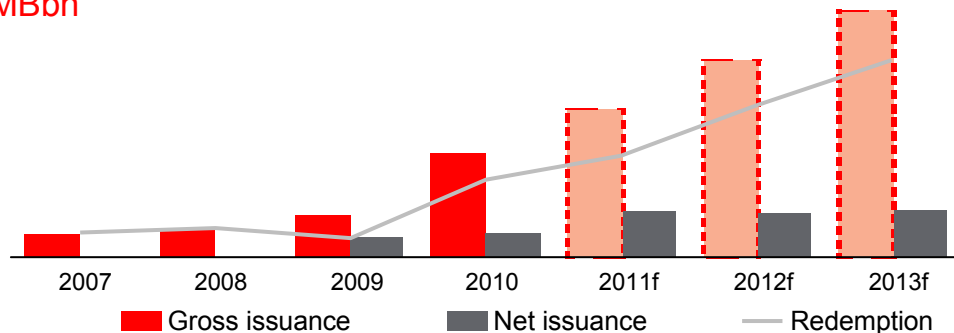
Hong Kong RMB deposits vs. RMB trade settlement¹

RMBbn, cumulative



CNH bond new issuance forecast³

RMBbn



Key actions

Leveraging on first mover advantage

- Joint-Listing Agent on HK's first RMB IPO
- First RMB structured deposits. Launched RMB insurance, RMB Bond Fund
- Pioneered Offshore RMB (CNH) Bond Index

Capitalising on international connectivity to further increase market share²

- HK's RMB deposits estimated to grow 300% in 2011
- RMB bond issuance: #1Rank YTD 2011. Issuance includes World Bank, Unilever, etc.
- RMB trade services in 45 markets on all 6 continents, settlement volume reaches RMB45bn FY2010

1 HKMA

2 HSBC in-house figures (exclude Hang Seng Bank)

3 Bloomberg

Strategic direction and actions overview



Asia

Connecting Asia and the world

1

Expand leadership in Greater China

- Maintain leadership in Hong Kong
- Continued leadership as mainland China's top foreign bank
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2

Build scale in other key markets

- Continue to invest to build scale in key markets:
 - India
 - Singapore
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 - Indonesia
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3

Maintain leadership in connectivity

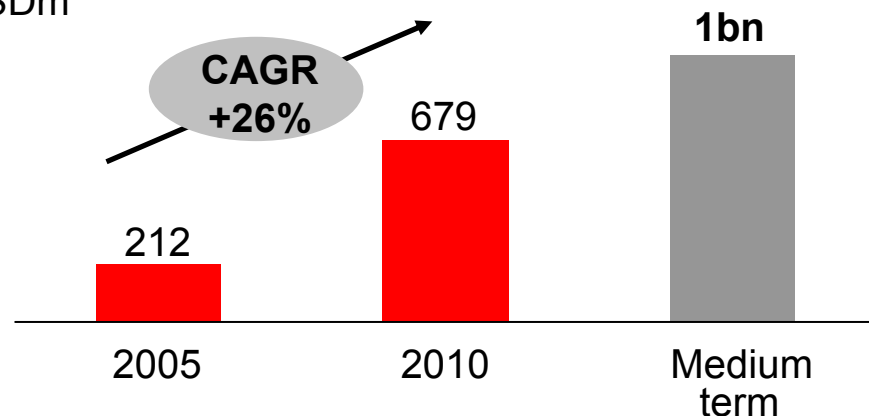
- Focus resources in other markets to maintain leadership in intermediating Trade, Capital and Wealth flows

India strategy – Well positioned across business lines to reach USD1bn PBT



PBT aspiration

USDm



Key actions

Corporate: Financing led strategy to build domestic corporate franchise serving our local and international customers' needs

Retail: Continuing to expand distribution to capture the retail opportunity e.g., RBS business acquisition³

Key opportunities

- GDP expected to grow at over 8%, with middle class households growing 10% CAGR up to 2025¹
- Wholesale banking revenue pool expected to grow 2.5x to USD40bn in 2015¹
- Retail and Corporate profit pool related to Indians based overseas estimated at USD4bn²

HSBC position

- HSBC is present in 50 cities with 106 outlets (driven by acquisition of InvestDirect in 2008)
- Strong GBM and CMB franchise (PBT grew 3x from 2005 to 2010)
- HSBC has a presence in most countries that have significant overseas Indian population

¹ Estimated by McKinsey

² Estimated by HSBC

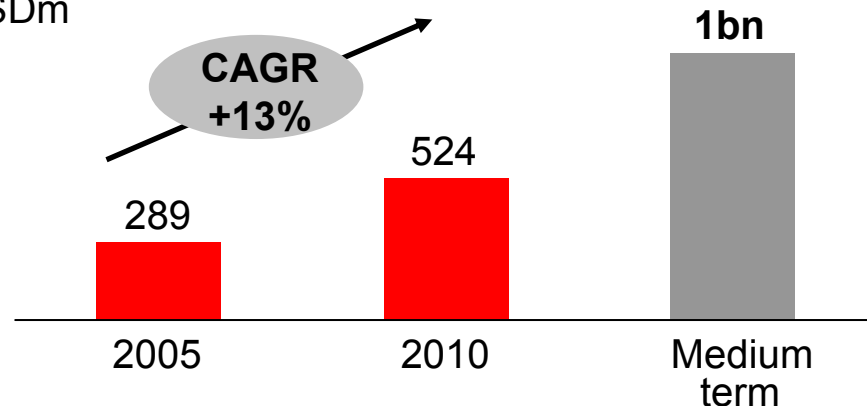
³ Subject to Regulatory approval

Singapore strategy – Wealth and Trading hub opportunity to provide USD1bn PBT



PBT aspiration

USDm



Key actions

Wealth: Investing in Relationship Managers for Premier and Private Banking, and enhancing distribution

Trade: Enhancing Trade Finance capability to serve the region

Key opportunities

- Fastest growing offshore wealth centre: 28% CAGR from 2005 to 2008
- Merchandise export and import increased by 30% YoY to USD672bn in 2010 (3.0x GDP)¹
- Asia (ex. Japan) largest FX exchange⁴

HSBC position

- Best Cash Management Bank in South East Asia², Best Trade Bank in Singapore³
- Most individual offshore AuM is from markets where HSBC has a strong presence
- HSBC has a strong presence with its top trading partners: mainland China, Malaysia, EU (e.g., UK, France, Germany), HK, USA

1 HSBC Research

2 Asset Asian Award 2009

3 Trade Finance 2009

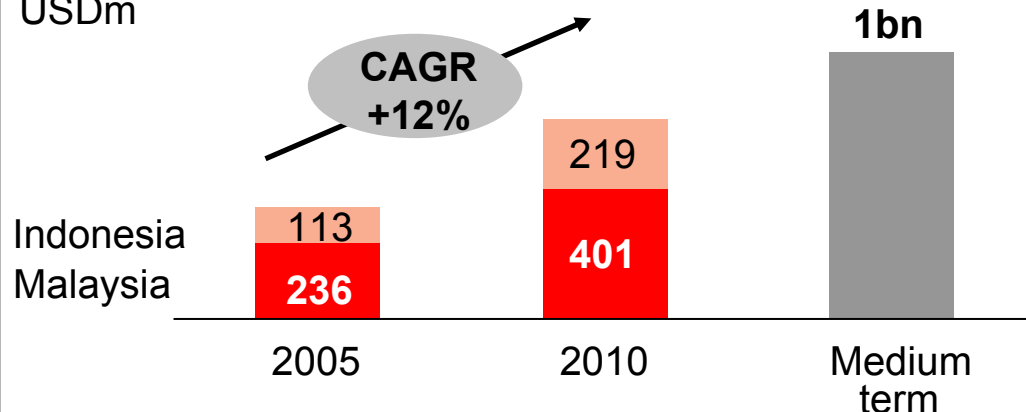
4 BIS 2010 survey

Other key markets strategy – Malaysia and Indonesia positioned for strong growth to generate USD1bn combined



PBT aspiration

USDm



Key actions

Malaysia: Invest in distribution and Islamic Finance capabilities

Indonesia: Invest in Bank Ekonomi to capture SME opportunity and HSBC-Indonesia for wealth management and corporate opportunities

Key opportunities and HSBC position

Malaysia

- GDP growth of over 5% and development as a global Islamic Financial Centre
- HSBC is the leading foreign bank by total assets and branch network
- HSBC is World's # 1 Sukuk underwriter in 1Q11¹

Indonesia

- Strong domestic consumption growing at 13% CAGR (2007-2010) and commodity led export²
- HSBC positioned to capture domestic growth with 196 HSBC and Bank Ekonomi outlets³
- HSBC well positioned to capture cross-border flows: "Best International Trade Bank"⁴

¹ Euromoney

² EIU

³ As of February 2011

⁴ Trade Finance 2010



Competitive advantages

Cross-border leadership in trade, capital and wealth flows

Network to connect Asia and the rest of the world

#1 brand in Asia

Well-funded subsidiaries business model

Strategic actions

Grow quality assets and build scale in key markets

Deepen customer relationships to boost non-interest income

Build liabilities to capture benefits of rising interest rates

Continue cross-border leadership in trade, capital and wealth

Target RoRWA

- 3.4-4.2%

New USD1bn+ PBT markets

- India
- Singapore
- Malaysia and Indonesia

Basis of preparation (1/2)



Actuals	Actual numbers presented are on a reported basis and include the effect of movements in the fair value of HSBC's own debt related to credit spreads
AMG	The Global Asset Management business formed part of GBM in 2010, but has been included in RBWM for the RoRWA targets. Comparative data will be presented to reflect this reclassification in the Interim Report 2011
Asia	Data for 'Asia' comprises the sum of reported figures for the Hong Kong and Rest of Asia-Pacific geographical regions without the elimination of inter-segment items
Composition of the Group	No changes to the composition of the Group have been assumed other than those described in this presentation
Financial targets	Financial targets are prepared on the basis of the Group's accounting policies as set out in the Annual Report and Accounts 2010, and on the basis of tax rates and laws enacted or substantively enacted as at 31 December 2010. The potential effects on HSBC's operations and performance of the Dodd-Frank Act in the US, the deliberations of the UK Independent Commission on Banking, and a range of evolving regulatory changes which may or may not affect HSBC have not been included in the targets
Other	The main items reported under 'Other' are certain property activities, the estimated impact of the UK bank levy, unallocated investment activities, centrally held investment companies, gains arising from the dilution of interests in associates, movements in the fair value of own debt designated at fair value (the remainder of the Group's gain on own debt is included in GBM) and HSBC's holding company and financing operations. The results also include net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, and costs incurred by the Group Service Centres and Shared Service Organisations and associated recoveries

Basis of preparation (2/2)

RoE	Return on equity ('RoE') is profit attributable to ordinary shareholders of the parent company divided by average ordinary shareholders' equity
RoRWA	The metric, return on risk weighted assets ('RoRWA'), is the profit before tax divided by average RWAs. The RWAs have been calculated using FSA rules for the 2010 metrics. The regional and customer group targets are adjusted for Basel 3 rules specific to the GBM business. In all cases, RWAs or financial metrics based on RWAs for geographical segments or customer groups are on a third party basis and exclude intra-HSBC exposures
RoRWA target for Europe	The Europe RoRWA target includes the Group's head office costs, intra-HSBC recharges and the total estimated impact of the UK bank levy
RoRWA target for 'Other'	No RoRWA target has been set for the 'Other' customer group as it is not considered to be a meaningful measure in terms of performance assessment and resource allocation
RWAs for the mainland China associates	RWAs for the mainland China associates have been reallocated from the 'Other' customer group to RBWM, CMB and GBM to align better with the basis for the allocation of their profits. This represents a reclassification from the basis used in HSBC's 2010 Pillar 3 Disclosures. Comparative customer group RWAs will be presented on the new basis in the Interim Report 2011

Acronyms and definitions



A/D ratio	Ratio of customer advances to customer deposits	ETF	Exchange traded funds	NYSE	New York Stock Exchange
Advance	HSBC Advance, a global banking proposition for the mass-affluent segment of customers	EU	European Union	OCC	Office of the Comptroller of Currency
AFS	Available for sale	FCA	UK Financial Conduct Authority	OTC	Over the counter
AMG	Global Asset Management	FDI	Foreign direct investment	PBT	Profit before tax
APS	Asset Protection Scheme	FIG	Financial Institutions Group	PCM	Payment and Cash Management, a division of Global Banking and Markets
ASEAN	The Association of South East Asian Nations	FPC	UK Financial Policy Committee	PFS	Personal Financial Services
ASP	Asia-Pacific	FRB	Federal Reserve Board	PPI	Payment protection insurance
AUM	Assets under management	FSA	Financial Services Authority	PRA	UK Prudential Regulation Authority
BoCom	Bank of Communications Co., Limited, mainland China's fourth largest bank by market capitalisation	FSB	Financial Stability Board	Premier	HSBC's premium global banking service
bps	Basis points (a basis point is 1/100 of a percentage point)	FVOD	Fair value of own debt related to credit spreads	RBWM	Retail Banking and Wealth Management global business, which comprises the existing Personal Financial Services customer group and Global Asset Management
BSM	Balance Sheet Management, a division of Global Banking and Markets	FX	Foreign exchange		
CAGR	Compound annual growth rate	GBM	Global Banking and Markets global business	RMs	Relationship managers
CER	The cost efficiency ratio is total operating expenses divided by net operating income before loan impairment charges and other credit risk provisions	GDP	Gross Domestic Product	RMB	Renminbi
CHF	Swiss franc	GPB	Global Private Banking global business	ROE	Return on equity
CMB	Commercial Banking customer group	GTB	Global Transaction Banking	RoRWA	Pre-tax return on risk weighted assets
CML	Consumer and Mortgage Lending	HK	Hong Kong Special Administrative Region of the People's Republic of China	RWAs	Risk weighted assets
CoEs	Centres of excellence	HNWI	High net worth individuals	SIFIs	Systemically Important Financial Institutions
Core Tier 1 capital	The highest quality form of regulatory capital that comprises total shareholders' equity and related non-controlling interests, less goodwill and intangible assets and certain other regulatory adjustments	HSS	HSBC Securities Services	SMEs	Small and medium-sized enterprises
	Capital Requirements Directive	ICB	Independent Commission on Banking	STP	Straight through processing
CRD	Capital Requirements Directive	IPO	Initial public offering	TARP	Troubled Asset Relief Program
CRM	Customer relationship management	IT	Information technology	Tier 2 capital	A component of regulatory capital, comprising qualifying subordinated loan capital, related non-controlling interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties
CVA	Credit valuation adjustment	KYC	Know your customer		
DCM	Debt capital markets	LC	Letters of credit	UHNW	Ultra high net worth individuals
DTA	Deferred tax asset	LIC	Loan impairment charges	UK	United Kingdom
EBA	European Banking Authority	M&A	Mergers and acquisitions	US	United States of America
ECA	Export credit agency	Mainland China	People's Republic of China excluding Hong Kong	VaR	Value at risk: a measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence
EM	Emerging markets	MENA	Middle East and North Africa		
EMEA	Europe, Middle East and Africa	MLA	Mandated lead arranger	YoY	Year on year
ESMA	European Securities and Markets Authority	MMEs	Mid-market enterprises		
		NAFTA	North American Free Trade Agreement		
		NNM	Net new money		