



# CLSA Investors' Forum

Anita Fung, Chief Executive Officer, Hong Kong

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## Forward-looking statements

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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 'Constant currency and underlying reconciliations' supplement available at [www.hsbc.com](http://www.hsbc.com).



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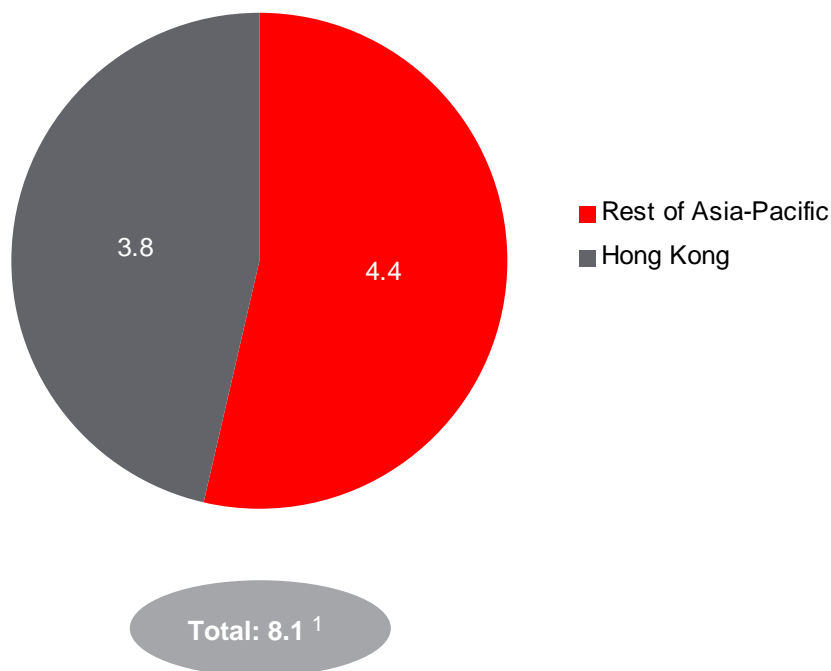


# Financial highlights: Hong Kong and Rest of Asia-Pacific



# HSBC in Asia – 1H12 financial highlights

**PBT, 1H12**  
(USDbn, reported)



**Reported PBT for Asia of USD8.1bn, up 19% v 1H11  
64% of Group PBT**

Financial highlights	HK	RoAP	Asia	% v 1H11
Net operating income <sup>2</sup> (USDbn)	6.1	5.9	12.1	12
Loan impairment charges (USDbn)	(0.03)	(0.30)	(0.33)	164
Loans and advances (gross) (USDbn)	166	130	296	5 <sup>3</sup>
Pre-tax return on risk- weighted assets (%)	7.1	3.0	n/d <sup>4</sup>	n/a

Notes:

1 not adjusted for rounding

2 Before loan impairment charges and other credit risk provisions

3 Change since 31 Dec 2011

4 Not disclosed

# Asia-Pacific: strategic direction

## Connecting Asia and the world



## Strategic actions



# Macroeconomic environment



# Asia economy

GDP (%)	2010	2011	2012F	2013F
China	10.4	9.2	8.0	8.3
Hong Kong	7.1	5.0	2.5	4.5
India	8.4	6.5	6.4	7.1
Indonesia	6.2	6.5	6.1	6.4
Korea	6.3	3.6	3.2	4.0
Malaysia	7.2	5.1	4.3	5.0
Philippines	7.6	3.9	4.8	4.8
Singapore	14.8	5.0	2.8	4.3
Taiwan	10.7	4.0	2.5	4.1
Thailand	7.8	0.1	5.0	4.7

- 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

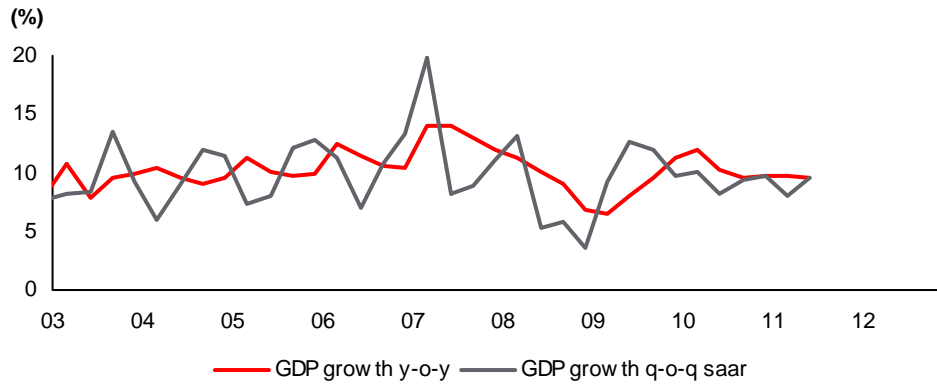
Source: FocusEconomics Consensus Forecast



# China/Hong Kong economic outlook

## China: Economy slowing, not faltering

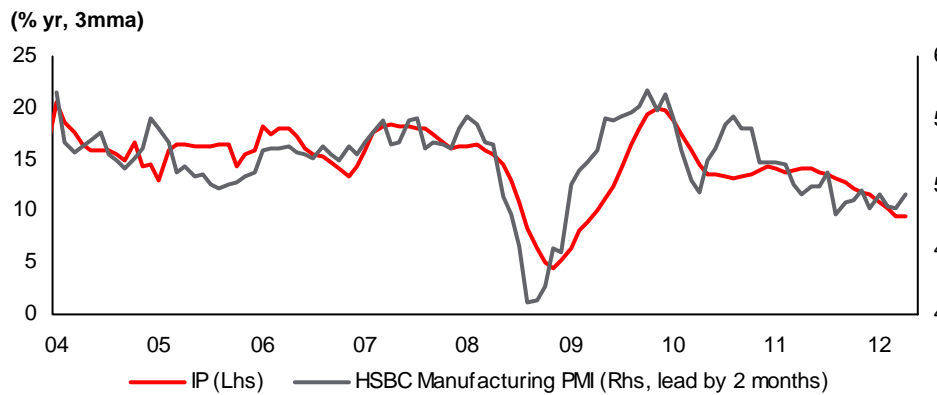
% y-o-y



Source: CEIC, HSBC Global Insights

## China: PMI

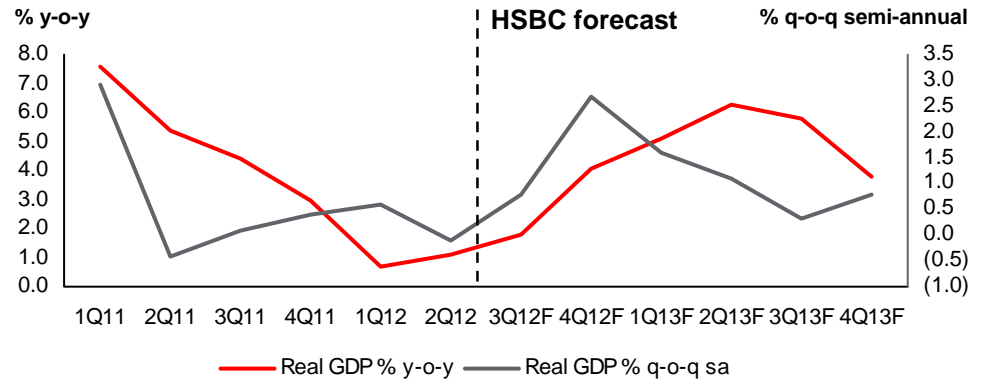
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Source: Markit, CEIC, HSBC Global Insights

## Hong Kong: Moderating GDP growth

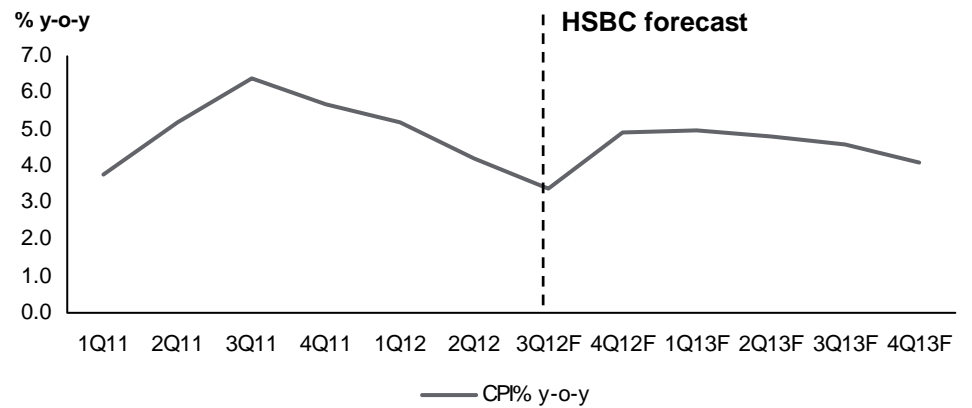
% y-o-y



Source: HK Censtatd, CEIC, HSBC Global Insights

## Hong Kong: Easing inflationary pressures

% y-o-y



Source: HK Censtatd, CEIC, HSBC Global Insights

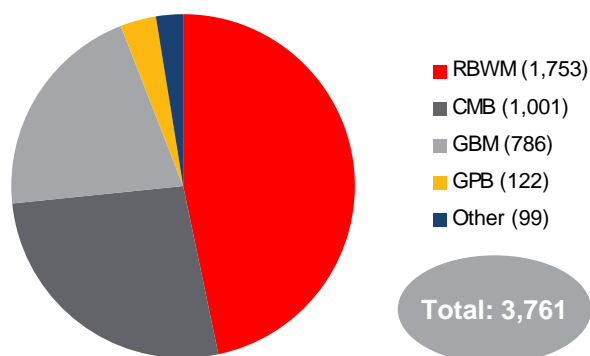
# Hong Kong strategic priorities



# Hong Kong strategic priorities

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

## PBT, 1H12 (USDm, reported)



### Notes:

1 Before loan impairment charges and other credit risk provisions

2 Profit before tax basis

Reported	2011	1H 11	1H 12
Net operating income <sup>1</sup> (USDbn)	10.7	5.4	6.1
Profit before tax (USDbn)	5.8	3.1	3.8
Cost efficiency ratio (%)	44.5	43.2	39.1
Return on risk-weighted assets <sup>2</sup> (%)	5.3	5.6	7.1

# Rise of China

## Significant economic benefits for Hong Kong



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 PRC

8 Source: HKMA

9 Source: HKEx

10 Source: World Economic outlook-IMF, APR12



# Connecting Guangdong globally through Hong Kong

## Guangdong and Hong Kong in context



Note:  
1 Source: National Bureau of Statistics of China  
2 CEPA: Closer Economic Partnership Arrangement

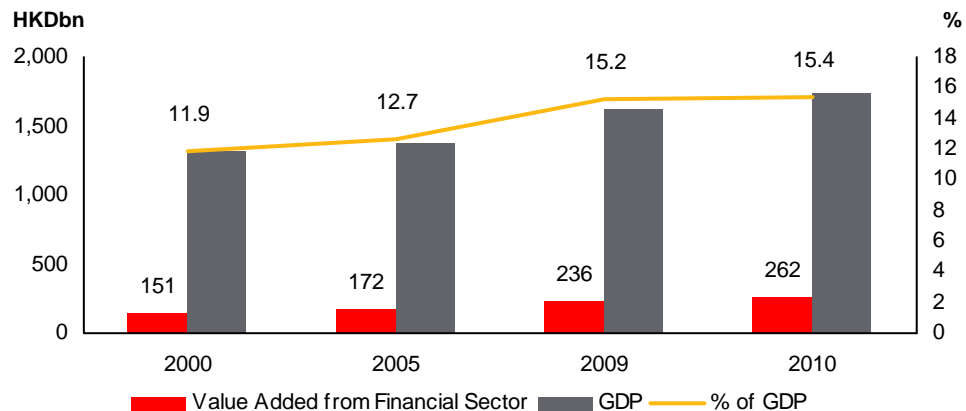
## Opportunity for HSBC

- Guangdong importance to China, 11% of GDP, 9% of population<sup>1</sup>
- An average of 11.5% annual GDP growth over the past 5 years<sup>1</sup>
- Financial hub and foreign trade leader, exports still account for 65% of GDP, trade represents 91% of GDP<sup>1</sup>
- Top down policy support for Guangdong and HK cooperation
  - Supplement IX of CEPA<sup>2</sup>
  - “Strengthen closer cooperation with Hong Kong and Macau” under Guangdong’s 12<sup>th</sup> Five-Year Plan
  - Financial integration in the Pearl River Delta region
  - Qianhai Shenzhen-HK Modern Service Industry Cooperation Zone
- Significant opportunities for HSBC in Guangdong region to build on strong Hong Kong presence

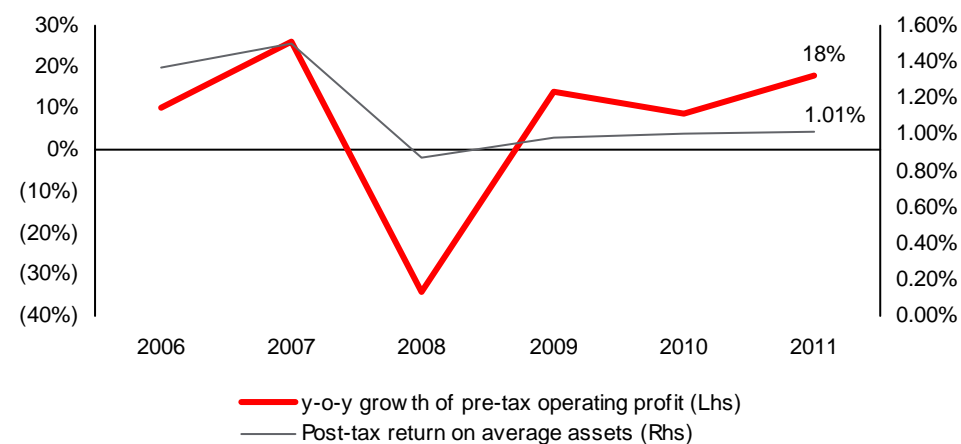
# The evolution of Hong Kong as a financial centre

## Financial sector's contribution to GDP<sup>1</sup>

2005-2010 average annual growth: 9% vs. 4% growth rate of GDP



## Profitability of the financial sector (Y-o-Y growth of PBT & RoA)<sup>2</sup>



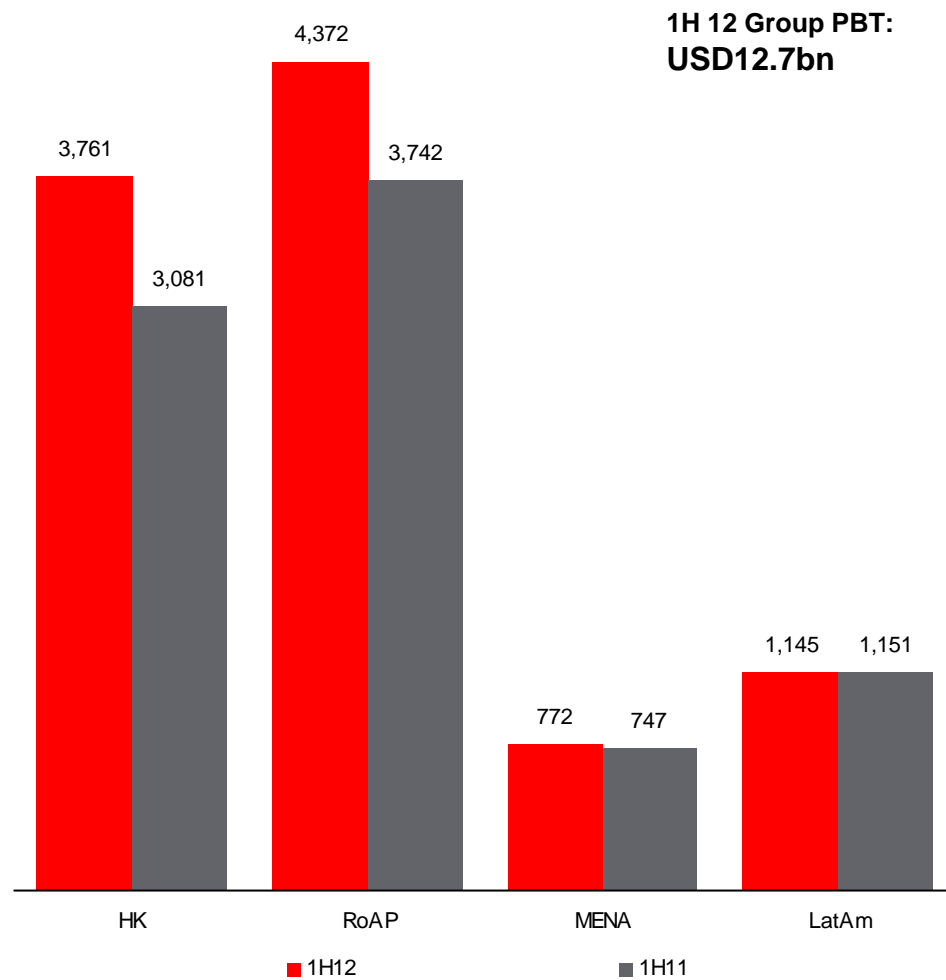
Notes:  
<sup>1</sup> Census and Statistics Department, HK SAR  
<sup>2</sup> HKMA

## A good place to do business

- A mature and competitive financial industry<sup>1</sup>:
  - Currently 153 fully licensed banks in HK
  - ~10,000 financial services companies in HK
  - Employ over 220,000 staff- more than 6% of total employment
- World's largest Initial Public Offering (IPO) market in 2010 and 2011<sup>2</sup>
- World's sixth-largest exchange, as measured by market capitalisation<sup>2</sup>
- Approximately USD1.3trn in AUM in Hong Kong fund management sector<sup>2</sup>
- Leading hub for hedge funds investing in Asia<sup>2</sup>
- Second-largest hub for Private Equity funds in Asia<sup>2</sup>
- Premier offshore RMB business centre
- Largest hub for Qualified Foreign Institutional Investors (QFII) and Qualified Domestic Institutional Investors (QDII) managers<sup>2</sup>
- AAA sovereign credit rating of HK SAR by S&P

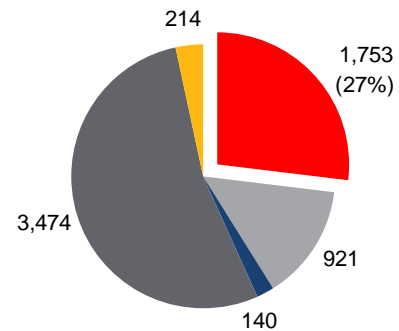
# Hong Kong contribution to Group performance

1H12 PBT contribution from faster growing regions  
(USDm, reported)

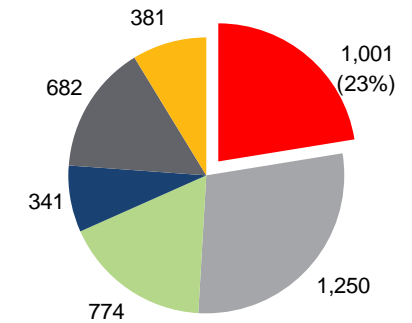


1H12 PBT contribution by Global Business  
(USDm, reported)

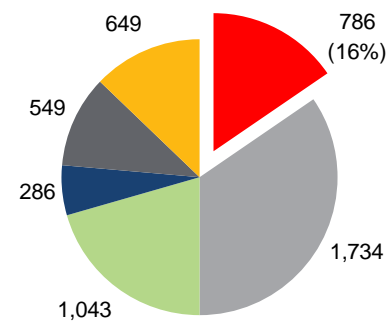
Retail Banking and Wealth Management<sup>1</sup>



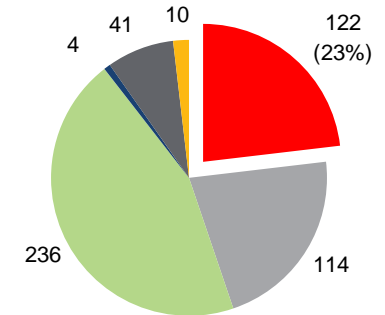
Commercial Banking



Global Banking and Markets



Global Private Banking



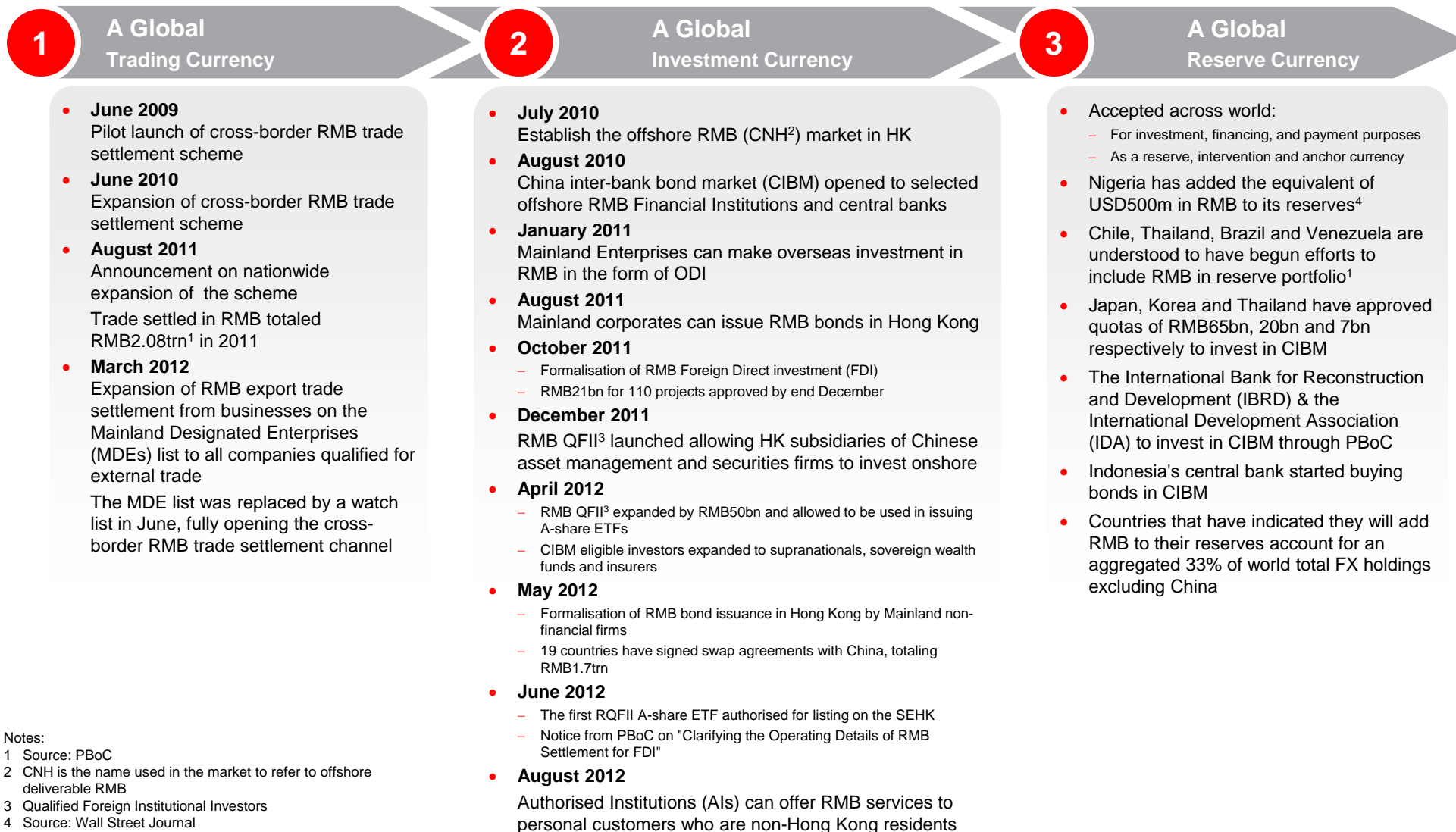
Note:  
1 EU's RBWM business reported a loss of USD92m in 1H12

# A leading bank for RMB internationalisation





# Harnessing the opportunity as a leading bank for RMB internationalisation



Notes:

- 1 Source: PBoC
- 2 CNH is the name used in the market to refer to offshore deliverable RMB
- 3 Qualified Foreign Institutional Investors
- 4 Source: Wall Street Journal

# Hong Kong's global RMB leadership

RMB Deposits in Hong Kong <sup>1</sup>	Dec 2010 RMB315bn	Dec 2011 RMB588bn	↑ 87%	June 2012 RMB558bn	↓ 5% (vs. Dec 2011)
RMB Trade Settlement HK ↔ Mainland China <sup>1</sup>	2010 RMB369bn	2011 RMB1,941bn	↑ 5x	1H 2012 RMB1,210bn	↑ 51% (Y-o-Y)
RMB Trade Settlement China ↔ RoW <sup>2</sup>	2010 RMB506bn	2011 RMB2,080bn	↑ 4x	1H 2012 RMB1,252bn	↑ 147% (vs. 2010)
Dim Sum Bonds <sup>1</sup> (excluding CD)	2010 16 issuers RMB35.8bn	2011 87 issuers RMB108bn	↑ 3x	1H 2012 RMB72.7bn	↑ 65% (Y-o-Y)

Notes:

1 Source: HKMA

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

# Capacity for sustainable growth in Hong Kong



## Capacity for sustainable growth in HK

- Hong Kong is a sound and dynamic financial centre
- Hong Kong is a critical element of the Group
- Strong performance in 1H12
- 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](mailto:hugh.pye@hsbc.com)

+852 2822 4908

### **Guy Lewis**

Senior Manager, Investor Relations

[guylewis@hsbc.com](mailto:guylewis@hsbc.com)

+44 (0) 207 992 1938

### **Bloomberg / Website**

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