

Our Strategy

OUR VISION

HSBC's strategy is to continue to invest primarily in the faster-growing emerging markets and focus on business models that have international connectivity and scale advantages. Central to our strategy is a policy of maintaining HSBC's capital strength and strong liquidity.

OUR HERITAGE

- Asian trade origins
- Deep roots in many countries
- International management culture
- Financial strength

OUR STRATEGY

- Align presence with global trends
- Invest primarily in faster-growing emerging markets
- Focus businesses on international connectivity and scale advantages
- Maintain financial strength

OUR EXECUTION

- Joining up for our customers
- Joining up for our people
- Joining up through our technology

Our strategy is built on HSBC's core strengths and heritage, but looks firmly forward. Founded 145 years ago to finance trade between East and West, HSBC has built an extensive presence in many parts of the world, with around 8,000 offices in 88 countries and territories.

HSBC's strategy is aligned with three key trends that will shape the world economy in the 21st century: emerging markets growing faster than mature economies; world trade expanding at a faster rate than GDP; and longevity increasing virtually everywhere.

The Group has identified three main business models for its customer groups and global businesses that embody HSBC's areas of natural advantage (see below). These business models make HSBC 'the world's local bank' and form the foundation blocks for future growth.

OUR BUSINESS MODELS



- 1 Businesses with international customers for whom developing markets connectivity is crucial



- 2 Businesses with local customers where efficiency can be enhanced through global scale



- 3 Products where global scale is possible through building efficiency, expertise and brand

The following pages illustrate our strategy in action, focusing on business successes in some of our key markets.

Our strategy in action

Personal Financial Services

HSBC Premier Family Services

Standing on Santa Teresa hill, on the cobbled streets of Rio de Janeiro's artistic community, this gap year student is about to message his parents a photo of Sugar Loaf Mountain and the bay from Corcovado – one of the world's iconic views.

Back in the UK, his parents eagerly await contact, proud of his independence and

sharing in the excitement of his discovery in Brazil. But like all parents, they also worry – something HSBC understands. This is why we have introduced HSBC Premier Family Services. As children travel the world, study abroad and settle in other countries, parents want to know they are secure.

Today, it doesn't matter where life takes you. Premier will provide the same financial safety net for the whole family. This includes, for children travelling on their own, up to US\$2,000 emergency cash, next day credit card replacement, a worldwide helpline, and cover on a parent's insurance.

BUSINESS MODEL

1

Businesses with international customers for whom developing markets connectivity is crucial

During 2009, Premier was launched in Russia and Colombia, taking its global reach to 43 markets. HSBC now has 3.4 million Premier customers. Each has a dedicated relationship manager, so all your finances can be in one place, even if your family isn't.

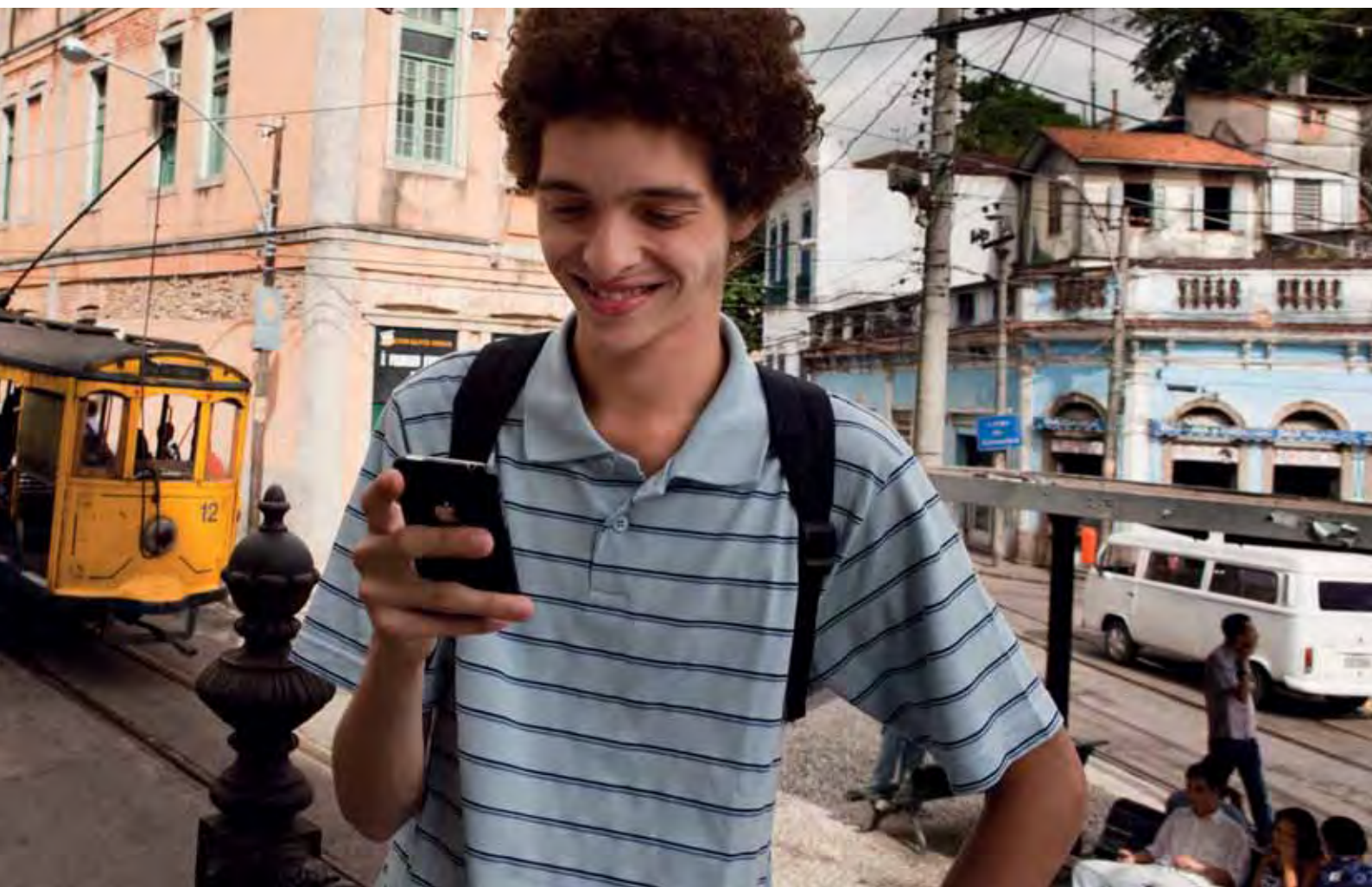


BUSINESS MODEL

2

Businesses with local customers where efficiency can be enhanced through global scale





Commercial Banking Bank Ekonomi joins the Group

Workers at PT Sahabat Tani, a rice factory in Cikarang, West Java, Indonesia, lay out paddy in the sun to dry. This is an important part of the production process as the paddy needs to be dried before it is threshed to become ready-to-cook rice. Indonesia is the fourth largest rice producer in the world.

Sahabat Tani buys paddy from local farmers. After threshing, which removes the husks, Sahabat Tani sells the rice to retail customers and distributors. A typical small and medium-sized enterprise (SME), the company became a Bank Ekonomi customer over a decade ago. Since then, the proprietor has taken out a loan to invest in the business. During harvest season, he provides employment for 30 local people.

Bank Ekonomi was acquired by the HSBC Group in 2009. Through its US\$680 million investment in the bank, HSBC is now supporting Sahabat Tani and other business banking customers in Indonesia.

HSBC serves its customers through more than 200 outlets in 27 cities across the country. This includes the network of The Hongkong and Shanghai Banking Corporation Limited.

Indonesia's 112 million-strong workforce is now the fifth-largest in the world. Bank Ekonomi will continue to play an important role supporting business growth for customers like Sahabat Tani and in fuelling Indonesia's economic expansion.

Our strategy in action

BUSINESS MODEL 2

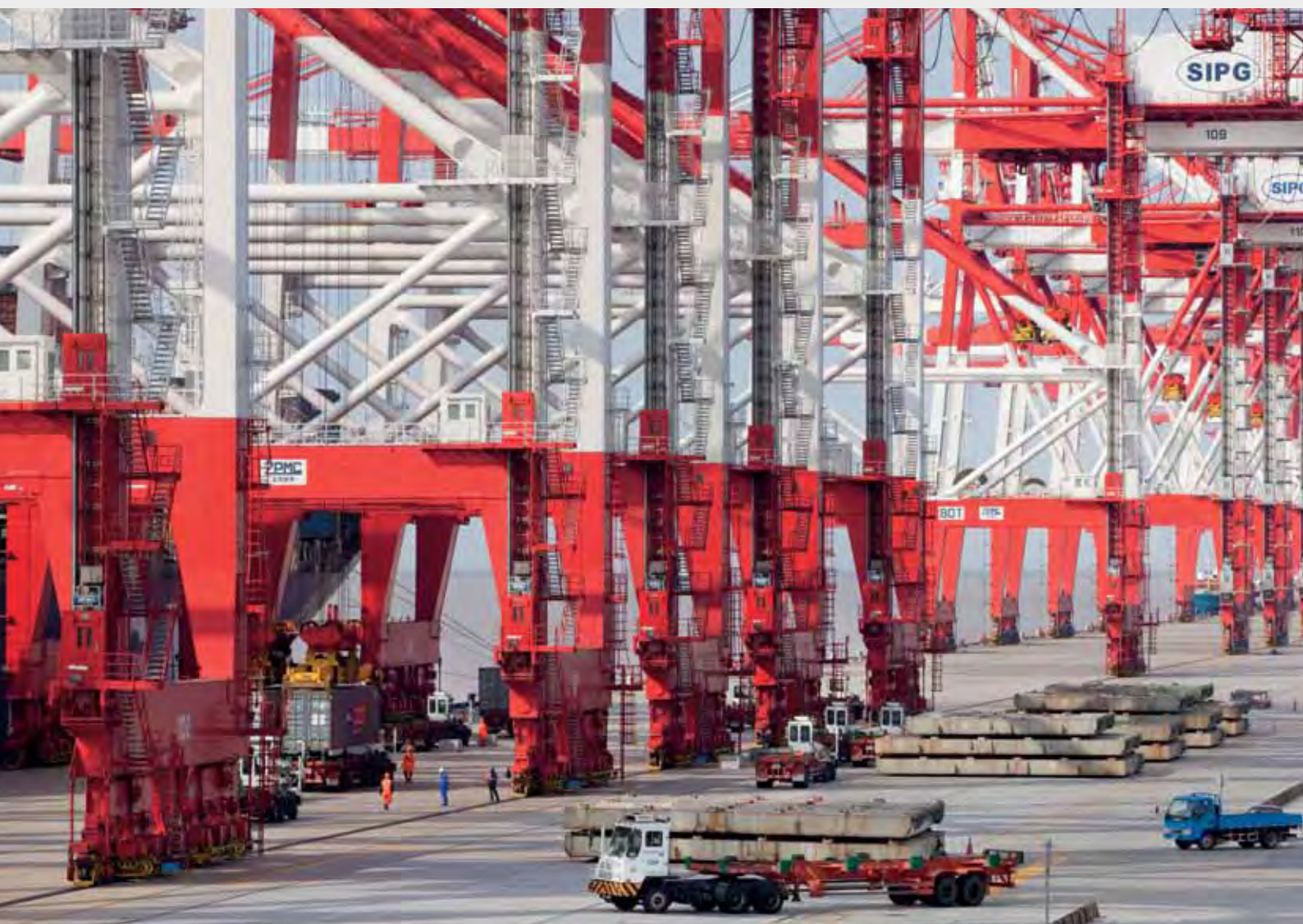
Businesses with local customers where efficiency can be enhanced through global scale

Personal Financial Services Serving the mass market

It is another busy day on the street outside HSBC's Central branch, one of the largest branches in the Hong Kong SAR. Hong Kong is where we were founded 145 years ago, it is where you will find the principal office of our Group Chief Executive, and it is where HSBC is simply known as 'The Bank'. Moreover, one in two people in Hong Kong – out of a population of seven million – holds a bank account, life insurance or a pension

with HSBC. This is just one example of the world's local bank in action.

In Personal Financial Services, more than 116,000 colleagues look after 98 million customers across the world. In many markets, like the UK and Hong Kong, we operate a full personal banking service, offering a wide range of products from savings accounts to credit cards, and life insurance to pensions. In others, we focus on premium banking and wealth management, making the most of our brand and our global reach, connecting customers to other areas of HSBC's business. We develop products and services to help such customers around the world plan for a financially secure future for them and their families.





BUSINESS MODEL

3

Products where global scale is possible through building efficiency, expertise and brand

Commercial Banking, and Global Banking and Markets **First foreign bank to settle cross-border trade in renminbi**

This century, global trade will grow faster than GDP. One of the world's largest deep-water ports at the centre of these trade flows is Yangshan on the East China Sea (see picture at left), which serves Shanghai. The port will have taken 18 years to construct by the time it is completed in 2020 and is expected to reach a cargo volume of 15 million 20-foot containers annually.

In 2008, exports from mainland China to markets in the Association of South-East Asian Nations (ASEAN) grew year-on-year by over 20 per cent, to US\$114 billion. In response, HSBC recently became the first foreign bank to settle a cross-border trade in renminbi outside mainland China, in co-operation with our strategic partner, Bank of Communications. This followed the Chinese government's launch of a pilot programme to permit the use of renminbi in cross-border trade.

These services can assist our Commercial Banking, and Global Banking and Markets clients of all sizes – from the largest multinational corporations to middle-market and small and medium-sized enterprises – in reducing their foreign exchange risks. In November 2009, we started to provide renminbi trade transaction services in all our ASEAN markets: Brunei, Indonesia, Malaysia, Singapore, Thailand, the Philippines and Vietnam. By developing such capabilities, HSBC is well-positioned to help customers across the region grow their international trade business with mainland China.