



HSBC Bank Canada Investor Presentation

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HSBC 

The world's local bank

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Agenda

- **HSBC Bank Canada Profile**
- **Strategy**
- **2008 Performance**
 - Business
 - Financial
- **HSBC Holdings plc**

HSBC Bank Canada – Highlights

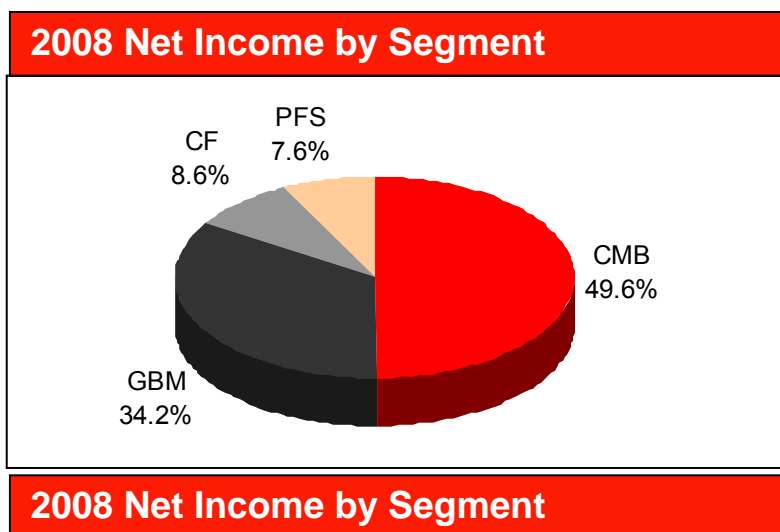
- **Well capitalized**
 - Tier 1 & Total Basel II Capital Ratios of 10.1% & 12.5% at Dec08
- **Strong diversified earnings base**
- **Largest international bank in Canada**
 - Over 140 branches and 290 offices in Canada
 - 1+ million customers and over 8,950 employees
 - Full service proposition (branch, ABM, Internet and Telephone)
- **Diversified funding base**
- **Strong ratings**
 - S&P: AA/negative/A-1+ and DBRS: AA/negative/R-1(high)

HSBC Bank Canada

Key contributor to one of the largest, most well capitalized, liquid banks in the world

Pre-tax profits as a % of Group profits		
Rank	2008	2007
1	UK	Hong Kong
2	Hong Kong	UK
3	France	China
4	Middle East	Middle East
5	China	France
6	Brazil	Canada
7	Canada	Mexico
8	Mexico	Brazil

HSBC Bank Canada – Full range of financial services



- **Commercial Banking (CMB)**
 - Payments and cash management
 - Mid Market and Commercial Real Estate
 - Business banking
 - Trade Finance
 - Private equity
- **Global Banking and Markets (GBM)**
 - Corporate and institutional banking
 - Treasury and FX
 - Debt & Equity capital markets
 - Global investment banking
- **Personal Financial Services (PFS)**
 - Premier and Wealth Management
 - Direct Banking
 - Personal banking
- **Consumer Finance (CF)**
 - Consumer lending
 - Credit Cards
 - Retail Services

Strategy – *The Leading International FI in Canada*



Strategy - Commercial Banking (CMB)

- ▶ Become Canada's Best Bank for Small Business
 - Leverage HSBC's global best practices
 - Invest in expanded and distinct sales force focused on gathering deposits and generating fee income from internationally-minded and liability-rich small businesses
- ▶ Improve position as Canada's top international bank
 - Leveraging HSBC's Leading International Business (LIB) network and best practices
 - Establish distinct specialist LIB teams in major markets
 - Increasing inward and outward Global Links referrals and cross-border revenue
- ▶ Optimize capital efficiency and returns, re-price loans and PCM products and generate incremental fees
- ▶ Improve operational efficiencies through the implementation of OneHSBC and aggressive use of centralization and Global Resourcing Centers
- ▶ Build a CMB Direct proposition to better serve and attract the Micro Segment
 - Develop more profitable "direct-led" solutions and raise deposits

Strategy - Global Banking and Markets (GBM)

- ▶ Leverage HSBC's international GBM presence with a disciplined focus on core sectors
 - Financial Institutions, Resource and Energy, Financial Sponsors/Infrastructure
- ▶ Capitalize on current market dislocation to grow in key areas focused on cross border financing, the commodity sector and large investors with a global outlook
- ▶ Expand successful CMB led and growing GBM FX franchise
- ▶ Continued focus of Private Equity and Mezzanine financing
- ▶ Continue to Improve operational platform

Strategy - Personal Financial Services (PFS)

- ▶ Continue implementation of Direct Bank with Branches channel strategy to raise deposits, acquire clients
- ▶ Premier and integrated Wealth Management
- ▶ Build a differentiated “Challenger Brand” character and client experience
- ▶ Achieve operational efficiencies through aggressive implementation of One HSBC, process re-engineering, greater centralization and increased off-shoring to Global Resourcing Centers
- ▶ Optimize and refurbish branch network, focusing new branches in fast growing target segment markets of Canada
- ▶ Grow Insurance through direct channel distribution & increased branch & Securities focus

Strategy - Consumer Finance (CF)

▶ Reduce Risk Profile

- Managing Credit Quality
- Reduce exposure to higher risk portfolios
- Collections in the branches
- Loss mitigation
- Credit line management

▶ Focus on 3 Core Businesses

- Branch Network
- Private Label Credit Card
- MasterCard

▶ Business Transformation

- Leverage relationship with HSBC branches to manage through this economic downturn
- Implementation of “right size” cost structure and branch network
- Improve productivity through investments in technology

Performance - 2008 Business Highlights

Our Customers

Our Brand

Our Culture

Our Global Distribution

Our Businesses

Our Technology and Process

Our Organization

Realigned branch network

Airport branding in Toronto & Vancouver

One of Canada's Top 100 Employers

Premier network extended to 41 countries

Launched *BusinessVantage*

One HSBC development

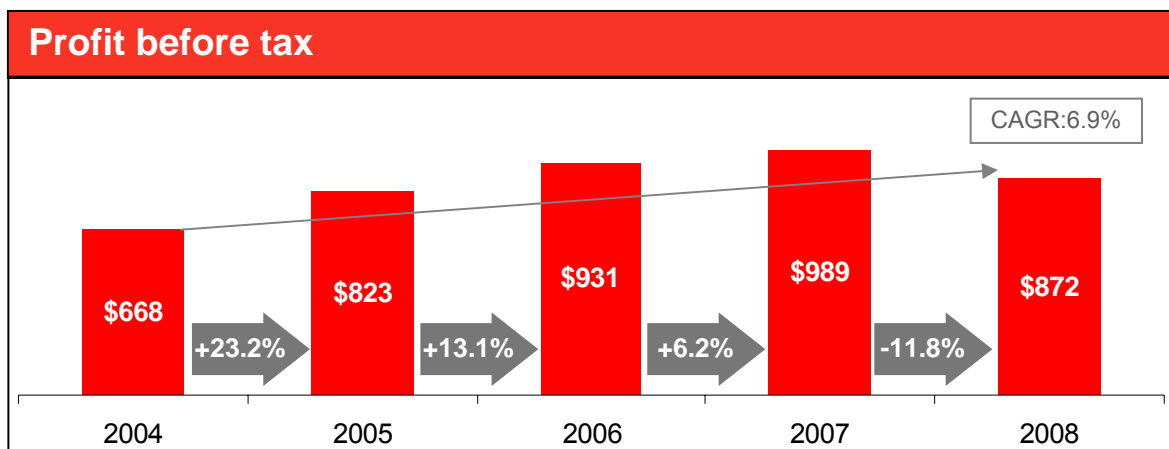
Implemented Basle II framework

Performance - 2008 Financial (C\$, Canadian GAAP)

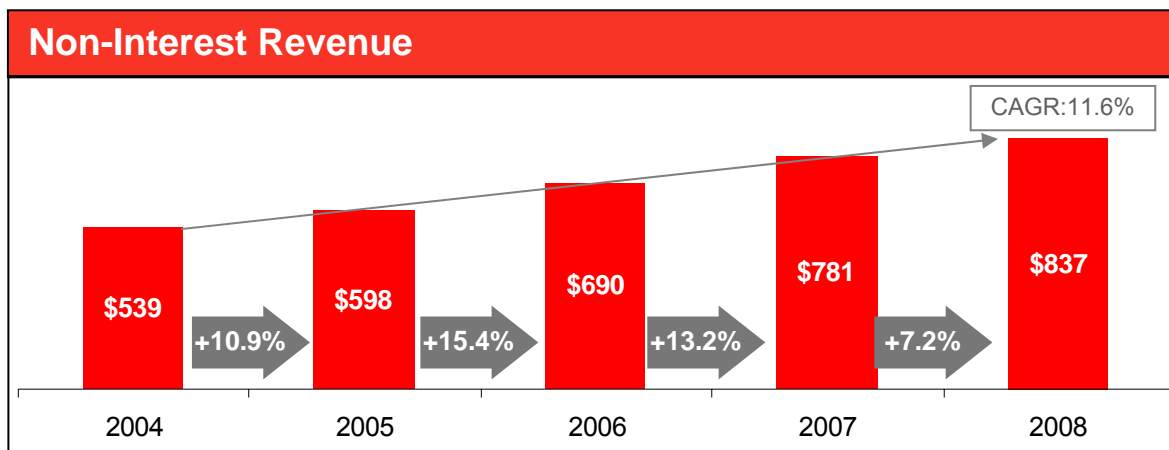
- **Total revenue:** \$2,481 million (2007: \$2,499 million)
- **Income before taxes:** \$872 million (2007: \$989 million)
- **Cost efficiency ratio:** 49.6% (2007: 50.9%)
- **Total assets:** \$72,049 million (2007: \$68,130 million)
- **Total assets under administration:** \$30,508 million (2007: \$37,127 million)
- **Net loans ⁽¹⁾:** \$48,855 million (2007: \$49,322 million)
- **Personal deposit growth:** \$21,064 million (2007: \$18,292 million)

(1) Gross loans less allowance for credit losses

Performance - Solid Steady Growth Trend

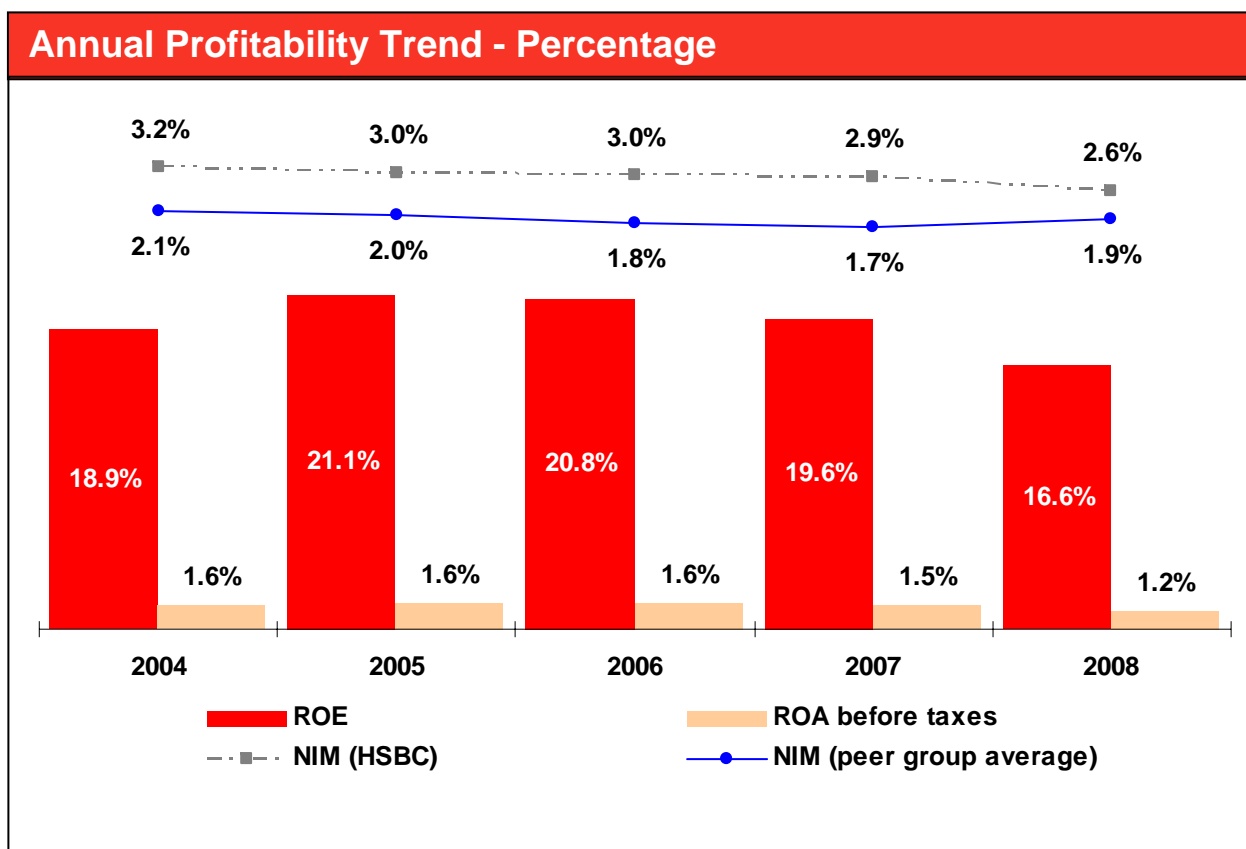


- 4-year Compound Annual Growth Rate of 6.9%
- Strong organic growth



- 4-year Compound Annual Growth Rate of 11.6%
- Steady increase has resulted from continued investment in our business

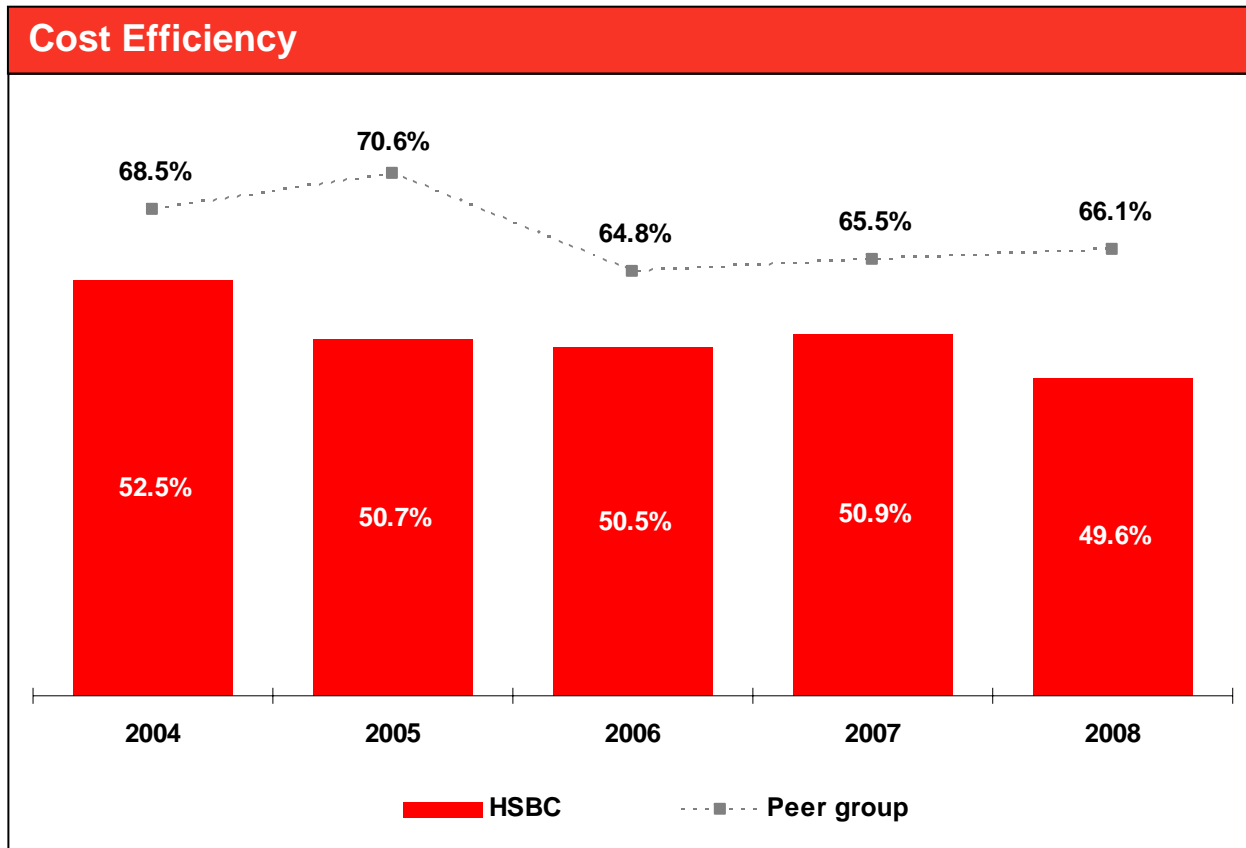
Performance - Strong return on Equity and Assets



- Net Interest Margin (“NIM”) higher than peers
- Strong, steady ROE and ROA performance

- Peer group represented by RBC, BMO, CIBC, TD, Scotiabank and National

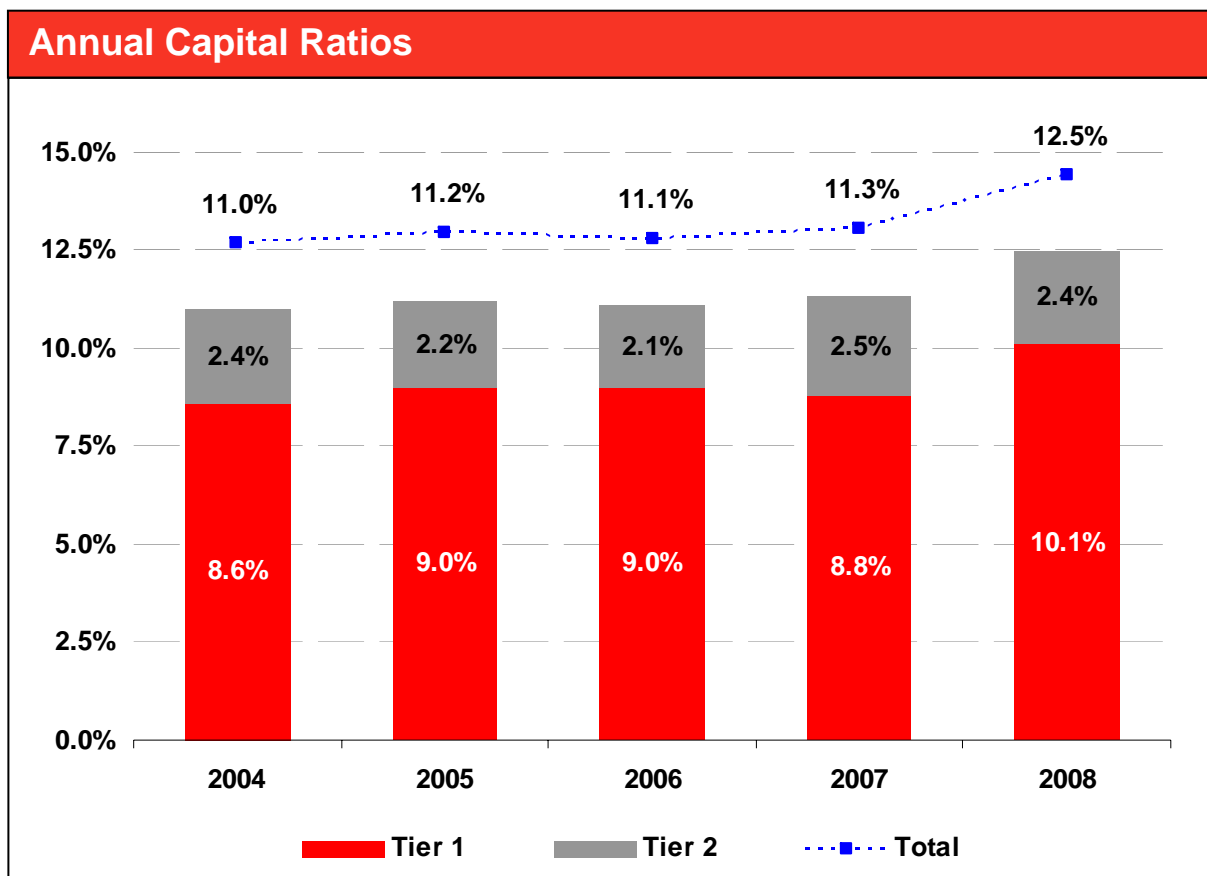
Performance - Low Cost Producer



- Demonstrated ability to control costs while continuing to invest in our business

- Peer group represented by RBC, BMO, CIBC, TD, Scotiabank and National

Performance - Strong Capital Position (1) (2)



- Capital ratios have consistently been maintained
- Acquisition capital held at Group level

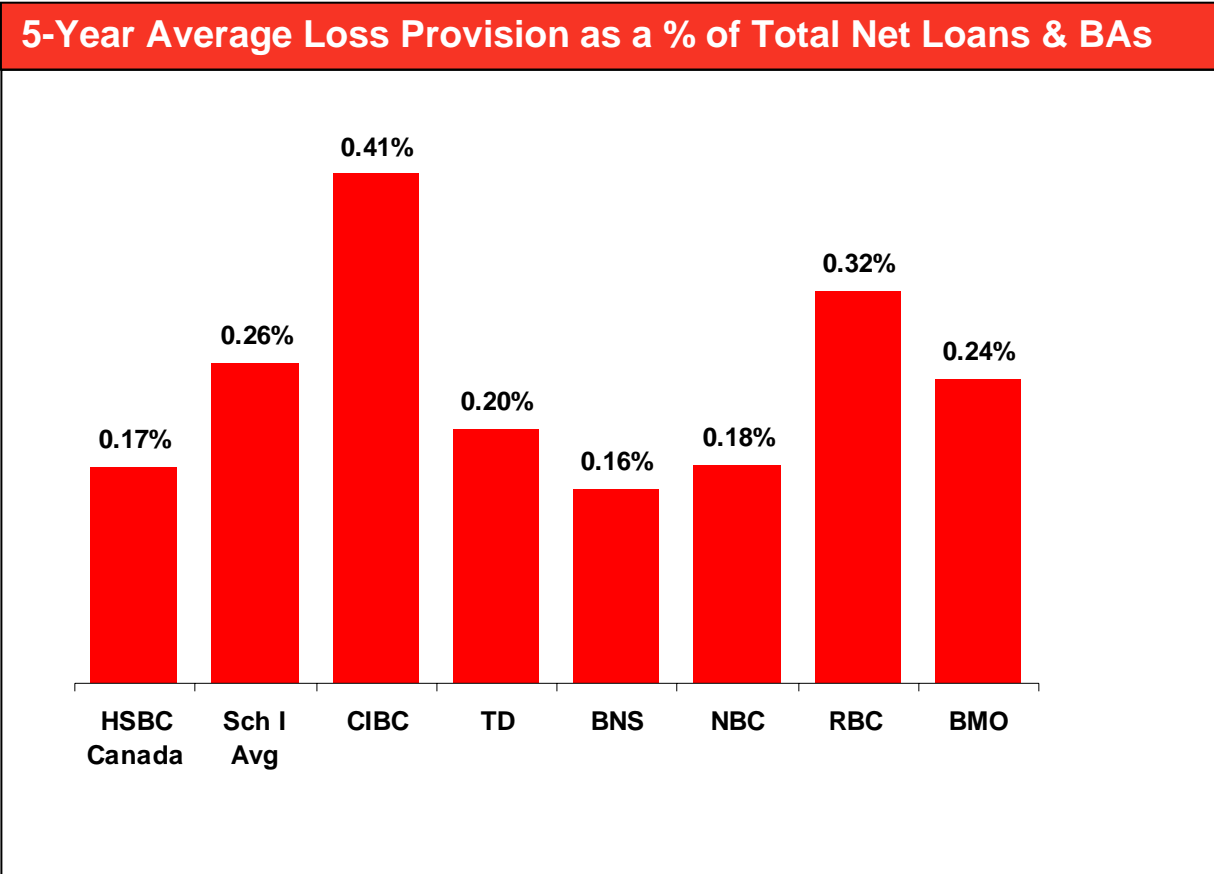
COMPARED TO PEERS *		
	Tier 1	Total
SCOTIA	9.5%	11.4%
RBC	10.6%	12.5%
HSBC	10.1%	12.5%
BMO	10.2%	12.9%
TD	10.1%	13.7%
NATIONAL	10.0%	14.1%
CIBC	9.8%	14.8%

* HSBC is at Dec 31/08,
Peer Group is at Jan 31/09

(1) Effective Jan 1, 2008, the Bank adopted and implemented the new regulatory capital framework, Basel II.

(2) 2007 and prior ratios calculated under Basel I have not been restated to reflect the acquisition of HSBC Financial.

Performance - Provision for Credit Losses (excl Consumer Finance)



- **Low Loss Provision, measured as a percentage of Total Net Loans and BAs**

Performance - Lines of Business

▶ **Personal Financial Services (PFS)**

- Income before taxes of \$70 million (2007 - \$111 million).
- Deposit growth was strong
- NIM decreased due to the challenging interest rate and competitive environment

▶ **Commercial Banking (CMB)**

- Income before taxes of \$428 million (2007 - \$511 million)
- High funding costs arising from dislocated financial markets and widening credit spreads adversely impacting net interest margins, but was partially offset by continued growth in business volumes despite weaker market conditions

Performance - Lines of Business

▶ **Global Banking and Markets (GBM)**

- Income before taxes of \$289 million (2007 - \$244 million)
- Net interest income decreased as falling interest rates and widening credit spreads resulted in higher funding and liquidity costs, which compressed interest margins
- Non-interest revenue increased

▶ **Consumer Finance (CF)**

- Income before taxes of \$85 million (2007 - \$123 million)
- The provision for credit losses increased due to higher charge-offs resulting from portfolio seasoning, a slower economy, lower real estate values, and higher delinquency levels at year-end

Performance - Peer Group Analysis

	HSBC Bank Canada			2008 Peer Group Average ⁽¹⁾
	2008 C\$000's / %	2008 Rank	2007 Rank	
Revenue Growth ⁽²⁾	0.8%	4	2	0.5%
Net Interest Margin	1.99%	3	1	1.90%
Revenue/Employee	\$330	1	2	\$250
Cost/Employee	\$171	3	2	\$166
Cost/Income Ratio	51.8%	1	1	66.1%
Net Income/Employee (before taxes)	\$129	1	1	\$66
ROA (before taxes)	1.1%	1	1	0.8%
ROE ⁽³⁾	21.3%	2	4	17.0%

- **Consistent strong performance relative to the peer group**

(1) Peer Group consists of the top 6 Canadian banks and average based on 12 months ended October 31, 2008.

(2) Adjusted for 2008 loss on sale of auto portfolio (\$289 million) and 2007 gain on sale of Montreal Exchange shares (\$25 million)

(3) HSBC Canada's 2008 & 2007 ROE is calculated as adjusted net income after tax (using average peer tax rate) over adjusted common equity (RWA YTD x average peer Tier 1 capital % x estimated common portion of Tier 1 capital). Adjusted net income is reported net income less earnings on additional capital.

Performance - Credit Ratings

	S&P	DBRS
Short-term instruments	A-1+	R-1 (high)
Deposits and senior debt	AA	AA
Subordinated debt	AA-	AA (low)
Preferred shares	P-1 (Low) ⁽¹⁾	Pfd-1
HSBC HaTS TM	P-1 (Low) ⁽¹⁾	A (high)
Outlook / Trends	Negative ⁽²⁾	Negative ⁽³⁾

(1) Based on S&P's Canadian national preferred share scale. Ratings are A on S&P global preferred share scale.

(2) On December 19, 2008, S&P revised its outlook for the bank from stable to negative in conjunction with a similar revision in the outlook of HSBC Holdings and other HSBC subsidiaries.

(3) On March 3, 2009, DBRS revised its rating trends for the bank from stable to negative in conjunction with a revision to the trend of HSBC Holding's long-term debt ratings.

HSBC Holdings plc - Overview

Resilience in extraordinary times

	Target range	2008	
		Reported	Excl. goodwill ¹
Return on total shareholders' equity	15 – 19% through the cycle	4.7%	13.3%
Cost efficiency ratio	48 – 52%	60.1%	47.2%
Tier 1 capital (Basel II)	7.5 – 9.0%	8.3%	
Total shareholder return	Above peer group average	Ranked 4th	

Note:

(1) Goodwill impairment related to North America Personal Financial Services

HSBC Holdings plc - Financial overview

Summary of results

US\$m	2007	2008	% change
Net operating income before loan impairment charges	78,993	81,682	+3
Loan impairment charges and other credit risk provisions	(17,242)	(24,937)	+45
Net operating income	61,751	56,745	-8
Total operating expenses (excluding goodwill impairment)	(39,042)	(38,535)	-1
Associates and joint ventures	1,503	1,661	+11
Profit before tax (excluding goodwill impairment)	24,212	19,871	-18
Goodwill impairment (North America PFS)	-	(10,564)	n/a
Profit before tax	24,212	9,307	-62

HSBC Holdings plc - Funding and liquidity

Improving the advances to deposits ratio

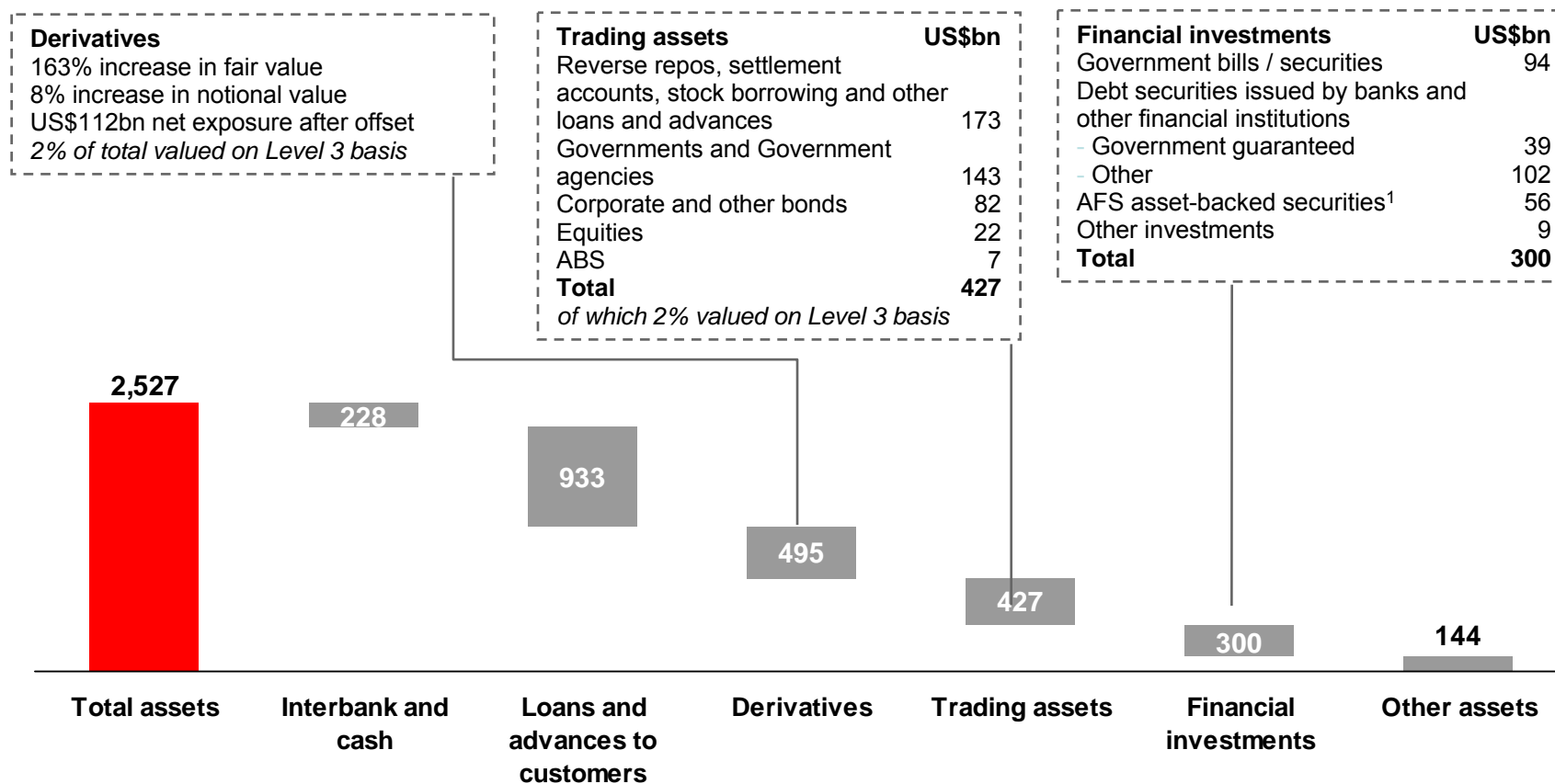
US\$bn	2007 ¹	2008	% change ¹
Customer loans and advances	857	933	+9
Customer accounts	958	1,115	+16
Advances to deposits ratio	89.5%	83.6%	

(1) Adjusted for constant currency and acquisitions & disposals

HSBC Holdings plc - Managing balance sheet risk

Overview of Group consolidated assets

2008, US\$bn



(1) Includes securities supported by an explicit guarantee issued by the US Government

HSBC Holdings plc - Reasons for the Rights Issue

Strengthen competitive positioning

Progress on strategy

- **Concentrating on core emerging markets and faster-growing businesses**
 - Restructuring of loss-making operations
 - Disposal of non-core businesses, eg French regional banks
- **Confident we are well-placed in today's environment**
 - Combination of world's leading emerging markets bank and extensive international network
 - Position improving as competitors' capacity and capabilities are reduced

Reasons for Rights Issue

- **Adds to strong planned internal capital generation**
- **Capital raising enhances ability to deal with uncertain economic environment and unforeseen events**
- **Strength gives options regarding opportunities**
 - Organic investment in taking of market share
 - Possible targeted acquisitions aligned with strategy and where risks are understood

HSBC Holdings plc - Conclusion and outlook

Group strengthened and well-placed in today's environment

Performance and outlook

- **Resilient performance in 2008**
 - Profitable from a broad-based earnings platform
 - Financial strength underpinned by conservative culture
- **Continued economic strain**
 - Difficult 2009 with unemployment rising and continuing declines in house prices in US and UK
 - Parts of Asia, Middle East and Latin America continue to outperform Western economies

Confidence in HSBC

- **Maintaining HSBC's signature financial strength**
 - Strong internal capital generation
 - Rights Issue
 - Dividend rebasing
- **Long-term confidence in the Group's business**
 - HSBC strategy intact and sound
 - Take advantage of organic and possible inorganic opportunities

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