2009 INVESTOR ROADSHOW – HONG KONG AND SHANGHAI

# Commercial Banking – Mainland China

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HSBC
The world's local bank

# 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 Interim Report. Past performance cannot be relied on as a guide to future performance.**

All financial information used in this presentation is reported in accordance with IFRS and extracted from HSBC Holdings plc's 2009 Interim Report unless indicated otherwise. 'Hong Kong' includes Hang Seng Bank, 'Asia' includes Hong Kong and Rest of Asia and 'Asia-Pacific' includes Asia and the Middle East, unless stated otherwise.

# Agenda

**Opportunity**

**Performance**

**Market coverage**

**Delivering on strategy**

**Summary**

# Opportunity

*Positioned to support external and domestic demand*

**Mainland China is Asia's export hub – importing from Asia exporting to the rest of the world**

**Trade and cash management opportunities across Greater China**

**Top emerging market trade partners: Middle East, South Africa, India, Latin America**

**Potential US$1trn in annual RMB trade flows[2]**

**China 'going out' – growing trend of Chinese companies establishing overseas presence**

## Mainland China's top 10 trading partners[1]

**Imports and exports, year-to-date Aug 09 (US$m)**

| No. | Country | Imports | Exports | Total |
|---|---|---|---|---|
| 1 | US | 47,623 | 136,154 | 183,776 |
| 2 | Japan | 78,608 | 59,994 | 138,601 |
| 3 | Hong Kong SAR | 5,267 | 98,377 | 103,644 |
| 4 | South Korea | 61,890 | 32,579 | 94,468 |
| 5 | Germany | 34,723 | 30,493 | 65,215 |
| 6 | Taiwan | 50,428 | 11,843 | 62,271 |
| 7 | Australia | 24,407 | 12,246 | 36,654 |
| 8 | Malaysia | 18,302 | 11,844 | 30,145 |
| 9 | Singapore | 10,238 | 17,803 | 28,041 |
| 10 | India | 8,388 | 18,503 | 26,892 |

## Emerging market trading partners (Jan-Aug 09)[1]

Notes:
(1) Goodwill China Business Information Limited (figures may not total 100% due to rounding)
(2) HSBC Global Research Jul 09

# Performance

*Profit before tax (PBT) at US$292m in 1H09*

## PBT breakdown, US$m

# Market coverage

*Reaching key customers in target regions*

## Regional breakdown[1]

## Segment breakdown[2]

- 45 sites in 20 cities across mainland China, making HSBC Commercial Banking the leader among all foreign players in the country
- Expand footprint from eastern and southern coastal areas to northern and western regions, in line with China's economic policy priorities
- Develop a well balanced portfolio between local and international companies, in line with the strategic ambition of providing China solutions to foreign-invested enterprises (FIEs) and international solutions to Chinese companies

Notes:
(1) HSBC Bank China's Commercial Banking total operating income by region 1H09
(2) HSBC Bank China's Commercial Banking total exposure by segment 1H09
(3) Limited liability company and middle market enterprise

# Delivering on strategy

*Leading international business bank*

| Strategy | Delivering on strategy |
|---|---|
| **To be local bank of choice for international companies in mainland China** | More than 1,000 inbound referrals[1] from overseas HSBC branches since end-2008 |
| | Using dedicated 'country desks' to facilitate business between specific markets |
| | More than 3,000 outbound referrals[1] to HSBC offices overseas since 2008 |
| **To be the international bank of choice for outbound Mainland companies** | Strengthened mainland China division in Hong Kong to support outbound Chinese companies |
| | Launched RMB cross-border trade settlement services across four Mainland cities in Sep 09 – widest coverage among foreign banks |

Note:
(1) HSBC Global Links 2009

# Delivering on strategy

*Best bank for business*

| Strategy | Delivering on strategy |
| --- | --- |
| **Focus on customers engaged in international business** | Growing the customer base by an average 5% per month |
| **Focus on transactional services – trade, remittances and foreign exchange** | Servicing customers from 45 CMB sites in 20 cities |
| **Build on Greater China franchise** | Enhancing call centre and Business Internet Banking capabilities |
| **Grow insurance sales in 2010** | Delivering full range of trade finance, cash management and FX products through relationship teams and product specialists |
| | Rolling out Business Banking to all CMB sites |
| | Driving cross-referral program with overseas offices and customer groups: Personal Financial Services and Global Banking and Markets |

# Delivering on strategy

*International team, local knowledge*

- **Over 800 Commercial Banking staff across mainland China**
- **International talent from over 10 countries and territories**
- **Experienced commercial bankers managing 5 regions**
- **Professional team leaders managing 5 customer segments (local, Hong Kong, Taiwan, International and Business Banking)**
- **Balanced team with both segment / industry knowledge and local know-how**

# Summary

| | |
|---|---|
| **Best local bank for foreign-invested enterprises in mainland China** | • Strong brand<br>• Largest CMB distribution network among foreign banks<br>• Full range of financial services and products<br>• Steady flow of new companies introduced by HSBC worldwide |
| **Best international bank for local companies** | • Successful growth of local customers with international business<br>• A fast-growing Business Banking customer base |
| **Leader in fast-growing commercial banking market** | • Large team serving multinationals and local clients<br>• Experienced team dedicated to customer segments<br>• Good balance between local and international companies in the portfolio |