2009 INVESTOR ROADSHOW – HONG KONG AND SHANGHAI

Hong Kong

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DAY 1, 16 NOVEMBER 2009

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

Performance

Leadership in Hong Kong

Hong Kong market

Challenges

Hong Kong strategy

Building our RMB business

Summary

Performance

Our achievement: Profit before tax up 5% from 2H08

US$m	1H08	2H08	1H09	% change vs 1H08	% change vs 2H08
Net operating income before loan impairment charges	5,108	5,046	4,714	-8	-7
Loan impairment charges and other credit risk provisions	(81)	(684)	(273)	+237	-60
Net operating income	5,027	4,362	4,441	-12	+2
Total operating expenses	(1,975)	(1,968)	(1,935)	-2	-2
Operating profit	3,052	2,394	2,506	-18	+4
Associates and joint ventures	21	(6)	(5)	-124	-17
Profit before tax	**3,073**	**2,388**	**2,501**	**-19**	**+5**
Customer loans and advances (US$bn)	99.7	100.2	97.5	-2	-3
Customer accounts (US$bn)	231.7	250.5	267.5	+15	+7

Performance

Our position: Back to expansion

Business mix, 1H09

Profit / (loss) before tax

	US$m	% share
Personal Financial Services	1,337	53
Commercial Banking	424	17
Global Banking and Markets	907	36
Private Banking	106	4
Other	(273)	(11)
Total	2,501	100

Customer lending, 30 Jun 09, US$bn

US$97.5bn

Business mix, 1H07 – 1H09

Profit / (loss) before tax, US$m

Note:
Percentage totals may not add up to exactly 100% due to rounding

Leadership in Hong Kong

Our strength: The largest and leading bank

Largest bank by total assets in Hong Kong

Extensive network and channels – 100 manned outlets in the territory

Euromoney Awards for Excellence 2009
Best Bank in Hong Kong
Best Debt House in Hong Kong

Best Bank in Hong Kong

FinanceAsia Country Awards for Achievement 2009
Best Bank in Hong Kong
Best Bond House
Best Cash Management Bank
Best Trade Finance Bank
Best Foreign Exchange Bank

The Hong Kong Chamber of Small and Medium Business Ltd
SME's Best Partner Award 2009

Total assets[1]

Notes:
(1) KPMG Banking Survey Report 2008
(2) The Hongkong and Shanghai Banking Corporation
(3) Bank of China (Hong Kong)
(4) Hang Seng Bank
(5) Standard Chartered Bank (Hong Kong)
(6) The Bank of East Asia
(7) Industrial and Commercial Bank of China (Asia)
(8) Wing Hang Bank
(9) Nanyang Commercial Bank
(10) CITIC Ka Wah Bank

Hong Kong market

Our challenge: The changing operating environment

- **Competition with Shanghai – renminbi (RMB) internationalisation**
- **Competition in the local market**
- **Integration with Guangdong Province – the Closer Economic Partnership Arrangement (CEPA)**
- **Prolonged period of low interest rates**

Challenges

Competition with Shanghai

- **Shanghai as the international finance centre of mainland China by 2020**
- **Hong Kong as a pilot offshore RMB centre – RMB as a trade settlement currency**
- **A regional fund management centre**

Challenges

Competition in the local market

- **Mainland Chinese banks' aggressive branch expansion and local acquisitions**
- **Unparalleled access to the Mainland and Hong Kong markets**
- **Hong Kong as a platform for mainland China's global business expansion**

Challenges

Integration with Guangdong Province

- **Hong Kong's economic hinterland – high GDP per capita and growth**
- **An aggregate market of over 100 million people**
- **Preferential access to Guangdong for Hong Kong services**

Challenges

Prolonged low interest rate environment

- **Squeeze in net interest margin – down from 1.84% in 2H08 to 1.55% in 1H09 sector-wide**
- **Re-pricing of loans and boosted trading incomes**
- **Drive sales of bancassurance and investment products**

Hong Kong strategy

Our strategy: Position for growth

- **Defend our market share – strengthening capability in cross sales**
- **Maintain our leadership in products and services – meeting customers' needs**
- **Leverage our global platform – Hong Kong a gateway for mainland China business**
- **Build our RMB business**

Building our RMB business

Key priority

- **Capture dominant share of RMB trade settlement business**
- **Launch more RMB products and banking services – from deposits to trade finance**
- **A-share listing in Shanghai**

Summary

The world's local bank

The largest and leading bank in Hong Kong

Unparalleled global platform

Unquestioned financial strength

Focus back to Asia