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Global Banking and Markets – 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

Presence

Delivering on strategy

Summary

Opportunity

China leading the global economic recovery

Continued economic growth supported by government stimulus package

World economic focus is moving towards China. Increasing number of Chinese names in the Fortune 500 list, who demand more internationally competitive banking services

China's continuous focus on "Going Out" policy

Growing two-way trade and investment flows (QFII, QDII, and RMB bonds in HK)[4]

Liberalisation and opening up of domestic equity and capital markets

- **IPOs on H-share was reactivated in Jun09**
- **China's launch of Growth Enterprises Market in Oct09**

More Mainland companies in Fortune 500[1]

Outward investment from Mainland growing[2]

IPO funds raised from A-shares and H-shares in mainland China[3]

Notes:
(1) Fortune 500 2005-2009
(2) CEIC
(3) China Securities Regulatory Commission (CSRC)
(4) Qualified Foreign Institutional Investor, Qualified Domestic Institutional Investor and renminbi

Performance

Group profit before tax (PBT), US$m

Mainland China PBT, excluding associates

Presence

Largest foreign bank

Our aim: from bank of choice as a leading local foreign bank for multinational corporations to bank of choice as a leading international bank for Mainland companies

Largest foreign bank service network in China (90 outlets across 20 cities) and extensive local partnerships, including Bank of Communications, Ping An Insurance, Bank of Shanghai, HSBC Jintrust Fund Management and HSBC Life Insurance to serve both foreign investment enterprises and Mainland, corporates

- Leading QFII custodian with one-third market share[1]
- Well positioned to support PRC corporates' "going-out" strategy
- Hong Kong remains the key channel for PRC companies' overseas expansion; HSBC has strong presence in Hong Kong and other developed and emerging markets; areas with growth potential: Asia, Middle East and Latin America
- Broaden investment banking franchise/product platform in mainland China through potential securities joint venture with local partner
- Aim to be the first foreign bank to achieve domestic listing in Shanghai

Note:
(1) CSRC website, 30 Sep 09

Delivering on strategy

Leading local bank for international companies

Strategy	Delivering on strategy
Continue to support HSBC's international clients' banking needs in mainland China	International coverage team in Shanghai, Beijing and Shenzhen based on sector structure reflecting the regional Group overlay
	Strengthen Greater China alignment with the establishment of a dedicated customer service team across the Mainland, Hong Kong and Taiwan
Improve market penetration of multinational clients	Optimise dedicated 'country desks', including French and German desks, and strengthen co-operation with Global Banking operations in Asia, Middle East and Latin America
	Dedicated bankers in 20 Mainland cities to maximise client coverage and foreign exchange and cash management services. Leverage the largest branch network of any foreign bank in China to maximise account and wallet penetration

Delivering on strategy

To be the international bank of choice for mainland Chinese companies

Strategy	Delivering on strategy
Strengthen coverage of Mainland corporates and financial institutions and deepen existing client relationships	Tap mainland Chinese Fortune 500 names, large corporates and financial institutions
	Align Global Banking's global sector expertise in industries with growth potential and international ambitions
	Deliver full range of trade finance, cash and liquidity management and risk management products through relationship teams and product specialists both onshore and offshore
Global network well-placed to capture opportunities from the "going-out" strategy of Chinese companies	Align with our Investment Bank to promote equity and debt financing and M&A capabilities
	Leverage on Global Banking's well-established global platform to support PRC clients' expansion into overseas markets especially in Asia, Middle East and Latin America

Delivering on strategy

Opportunities for Global Markets – RMB's growing international role

Mainland China's international trade

Mainland China's exports to Asia[1]

Mainland China's imports from Asia[1]

Need for RMB investment and risk management tools

- RMB settlement pilot programme launched
- Opening of RMB bond market to foreign investors
- Increasing sophistication in on/ offshore RMB products and broadening of RMB banking services

HSBC's competitive positioning

- One of the largest Global Markets operations among foreign banks in mainland China
- First foreign bank to underwrite RMB government bonds (2007)
- First and only foreign bank appointed as People's Bank of China Open Market Operations primary dealer (2007)
- First foreign bank to trade on Shanghai Gold Exchange (2008)
- First foreign bank to issue bonds in Hong Kong (2009)

Note:
(1) CEIC

Summary

Our strength	Our aim
Global network well placed to capture opportunities from the "going-out" strategy	• First bank of choice for international business • Full range of financial services and products with integrated global delivery channel
Targeting investment banking-driven business while Chinese financial market is being liberalised	• Develop the product platform as regulations permit • Introduce and develop innovative and suitable financial products to the market • Capture the growing flow of China cross-border mergers and acquisitions
Most reputable international bank with strong commitment to the Mainland market	• Strong risk management culture and discipline • Trustworthy long-term banking partner