



# HSBC in China

RICHARD YORKE  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
HSBC BANK (CHINA) COMPANY LIMITED

April 2008

# 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 Annual Report.**

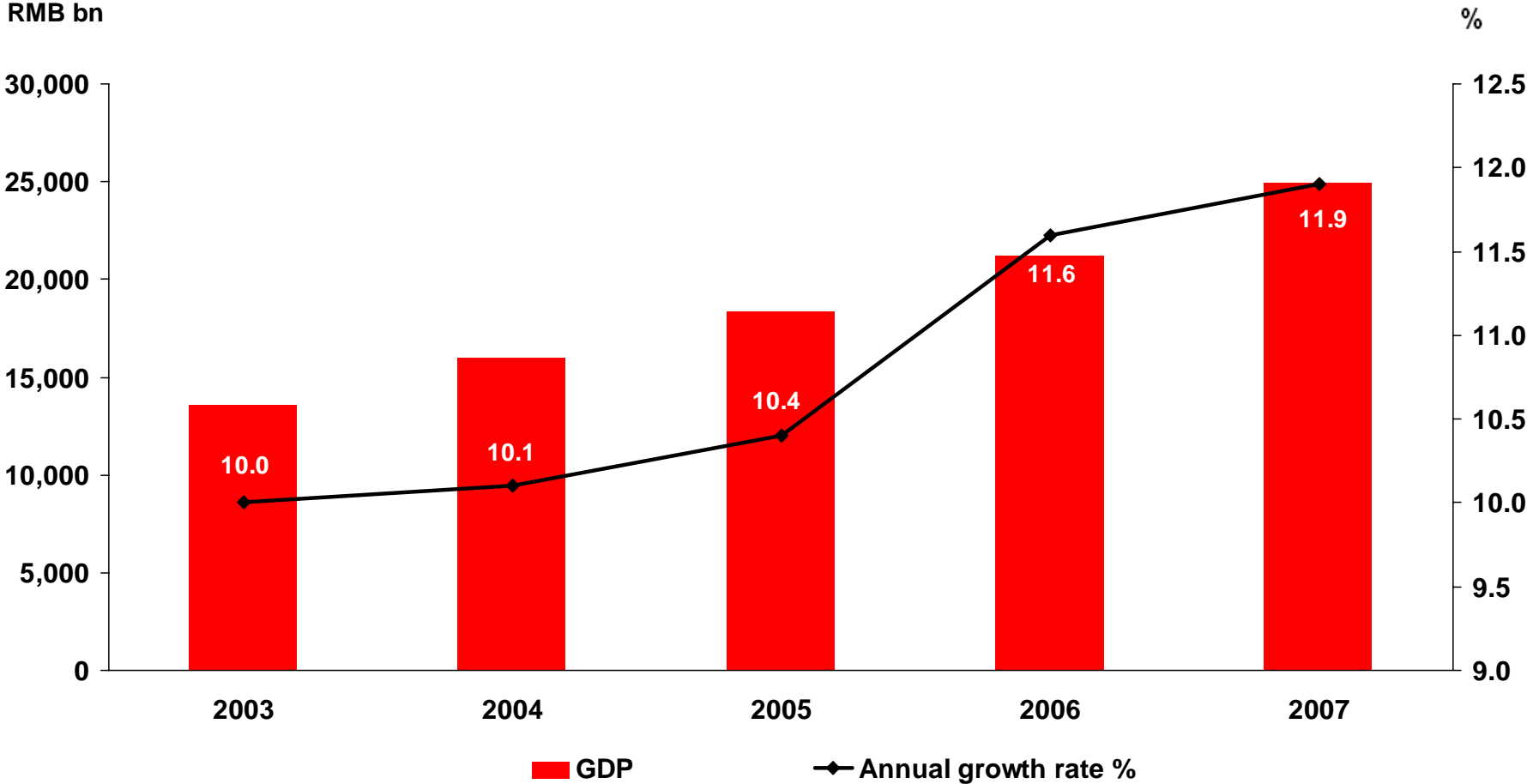
# Content

- China economic outlook
- Foreign banks in China
- HSBC's local incorporation
- Strategy and business focus
- 2007 organic growth



# China economic outlook

# China: accelerating growth



Source: National Bureau of Statistics of China

# Regional development

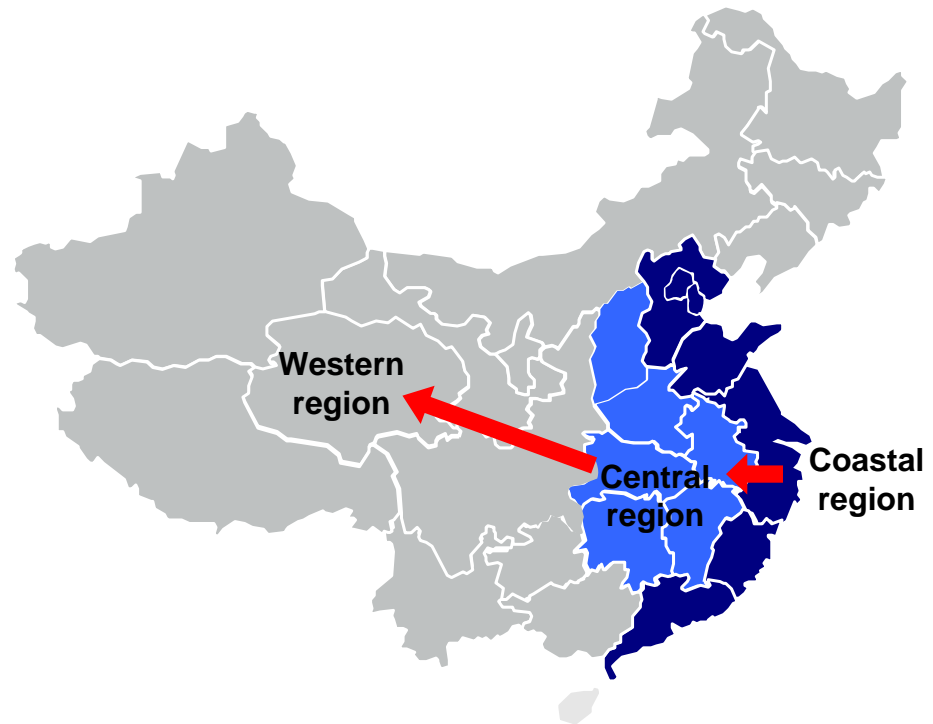
China is experiencing the following transition and development trends, driven by a proactive national development agenda:

## Transition 1

- Coastal provinces will remain as China's economic engines, with gradual diversification into higher value-added service sectors

## Transition 2

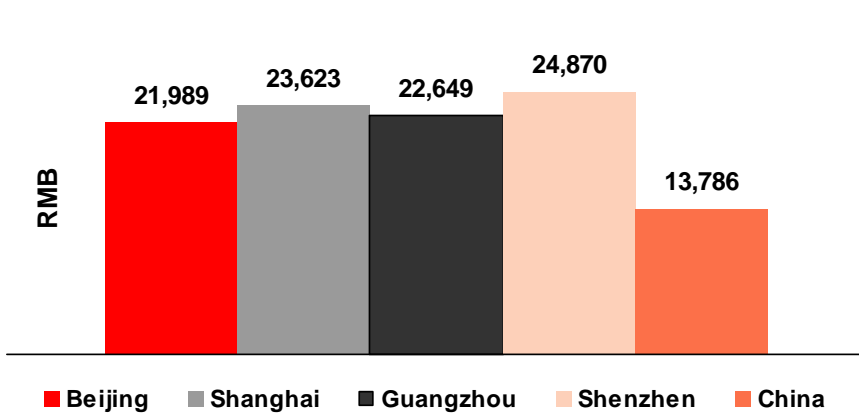
- Low value-added industries are migrating into central provinces and will eventually move into Western China



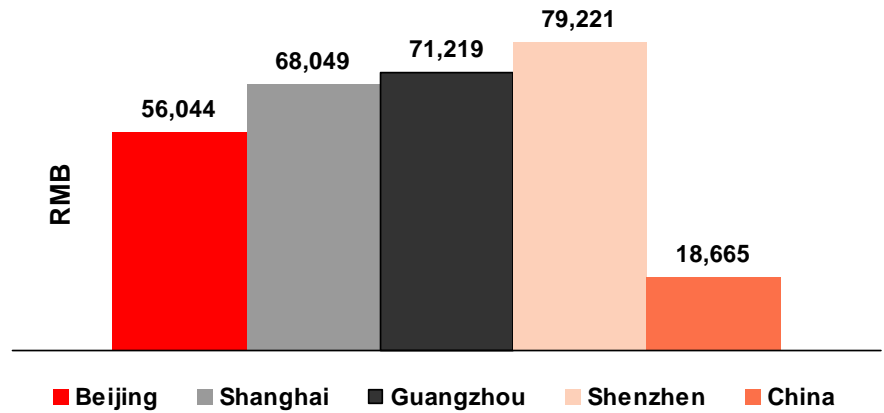
# Strong economy in key urban centres

Key cities of our business focus	Population (in millions)	Geographic location
Beijing	16.33	Capital city
Shanghai	18.58	Yangtze River Delta (YRD)
Guangzhou	10.05	Pearl River Delta (PRD)
Shenzhen	8.62	Pearl River Delta (PRD)

Per capita disposable income of urban households, 2007



Per capita GDP, 2007<sup>1</sup>



Note: 1. China estimate based on official GDP and population data

Sources: China ([www.stats.gov.cn/](http://www.stats.gov.cn/)), Beijing ([www.beijing.gov.cn/](http://www.beijing.gov.cn/)), Shanghai ([www.shanghai.gov.cn/](http://www.shanghai.gov.cn/)), Guangzhou ([www.gz.gov.cn/](http://www.gz.gov.cn/)), Shenzhen ([www.sz.gov.cn/](http://www.sz.gov.cn/))

# Foreign banks in China



# Foreign banks in China

21 foreign banks have locally incorporated or have received initial approval to do so.  
18 institutions have completed the local incorporation process.

These banks account for the majority of foreign bank assets, lending, deposits and profits within China.

- HSBC
- Standard Chartered
- Citibank
- BEA
- Hang Seng Bank
- DBS
- Bank of Tokyo-Mitsubishi
- OCBC
- Mizuho Corporate Bank
- Wing Hang Bank
- ABN Amro
- Woori Bank
- JPMorgan Chase
- Hana Bank
- Nanyang Commercial Bank
- Deutsche Bank
- UOB
- Shinhan Bank (February 2008)
- Societe Generale\*
- CITIC Ka Wah Bank\*
- UBS\*

\*Awaiting approval

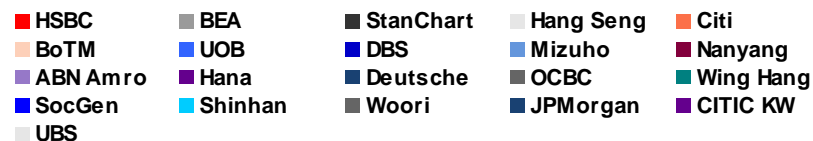
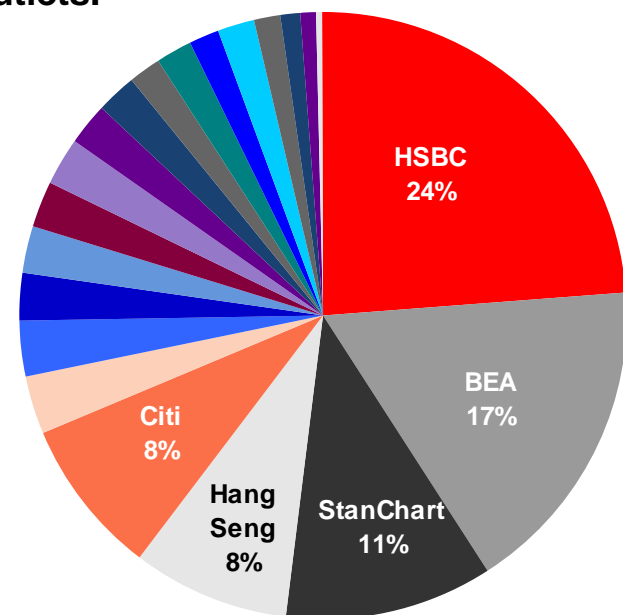
# Locally incorporated foreign banks by network

Institution	Service outlets (as at end-Q1 08) <sup>1</sup>
HSBC China	66 (17 branches, 49 sub-branches)
Bank of East Asia	47 (15 branches, 22 sub-branches)
Standard Chartered	30 (13 branches, 17 sub-branches)
Hang Seng Bank	23 (9 branches, 14 sub-branches)
Citi	23 (6 branches, 17 sub-branches)
Bank of Tokyo-Mitsubishi	9 (7 branches, 2 sub branches)
UOB	8 (7 branches, 1 sub-branch)
DBS	7 (6 branches, 1 sub-branch)
Mizuho Corporate Bank	7 (6 branches, 1 sub-branch)
Nanyang Commercial	7 (6 branches, 1 sub-branch)
ABN Amro	7 (4 branches, 3 sub-branches)
Hana Bank	6 (5 branches, 1 sub-branch)
Deutsche Bank	6 (3 branches, 3 sub-branches)
OCBC	5 (5 branches)
Wing Hang Bank	5 (3 branches, 2 sub-branches)
Societe Generale <sup>2</sup>	5 (5 branches)
Shinhan Bank	5 (4 branches, 1 sub-branch)
Woori Bank	4 (3 branches, 1 sub-branch)
JP Morgan Chase	3 (3 branches)
CITIC Ka Wah Bank <sup>2</sup>	2 (2 branches)
UBS <sup>2</sup>	1 (1 branch)
<b>Total:</b>	<b>276</b>

Notes: 1. Not including representative offices, administrative offices, etc.  
2. Local incorporation approval received but process not completed.

Sources: Official bank websites, press reports

At end-Q1 08, HSBC China accounted for almost one-quarter of all locally incorporated foreign bank outlets.



# Foreign banks in China

Foreign banks in China (YT-October 2007)	All foreign banks (YoY growth)	Market share	Locally incorporated foreign banks <sup>1</sup>	% Foreign banks
Total assets	USD153.9bn (+41%)	2.24%	USD89.0bn	58%
Total liabilities	USD138.9bn (+65%)	2.14%	USD80.6bn	58%
Total Loans	USD88.8bn (+58%)	2.43%	USD51.8bn	58%
Total deposits	USD50.9bn (+39%)	1.04%	USD38.9bn	77%
Impairment ratio	0.59%	N/A	N/A	N/A

Note: 1. Locally incorporated foreign banks as at 31 October 2007: BNP, HSBC, BEA, SCB, CITI, DBS, HASE, Mizuho, Wing Hang, MUFJ, ABN, OCBC, JPMorgan, Woori

Source: CBRC

# Foreign investment in Chinese banks

As of end 2007, foreign institutions have invested in more than 30 mainland Chinese banks. Major banks and strategic partners/investors include:

Chinese bank	Foreign investor (stake purchased as a percentage)	USDm
Industrial and Commercial Bank of China	Goldman Sachs , Allianz and American Express (8.45%)	3,800
China Construction Bank	Bank of America (9.1%), Temasek (5.1%)	3,960
Bank of China	RBS (10%) Merrill Lynch/Li Ka-Shing (5%), Temasek (5%), Bank of Tokyo-Mitsubishi, BEA, Chow Tai Fook, Kuok Group, NanFung Group, and Hutchison (0.2% each) UBS (1.6%), ADB (0.24%)	7,755
Bank of Communications	HSBC (19%)	2,027
Industrial Bank	Hang Seng Bank (12.78%), IFC (3.2%), GIC Singapore (4%)	325
Minsheng Bank	IFC (0.93%), Temasek (3.3%)	133
Shenzhen Development Bank	Newbridge Capital (15.8%)	150
Bank of Shanghai	HSBC (8%), Shanghai Commercial Bank (3%), IFC (7%)	133
Shanghai Pudong Development Bank	Citigroup (3.78%)	67
Guangdong Development Bank	Citigroup (20%), IBM (4.74%)	862
Bank of Beijing	ING Group (16.1%), IFC (4%)	269
Bank of Nanjing	IFC (5%), BNP Paribas (19.2%)	114
CITIC Bank	BBVA (5%), Mizuho Bank (0.18%)	699
China Bohai Bank	Standard Chartered (19.99%)	123

Source: KPMG Mainland China Banking Survey 2007

# HSBC's local incorporation

# HSBC's local incorporation

- HSBC was among the first batch of four foreign banks approved for local incorporation on 20 March 2007. As a locally incorporated entity, HSBC Bank (China) Company Limited (HBCN) officially opened for business on 2 April 2007, starting a new chapter of HSBC's 143-year history in China
- Local incorporation enables HSBC to further expand our network, providing a wider range of financial products and services to the local market



# About HSBC China

- **Name** HSBC Bank (China) Company Limited
- **City of incorporation** Shanghai, the People's Republic of China
- **Relationship with parent** 100 per cent subsidiary of The Hongkong and Shanghai Banking Corporation Limited
- **Headquarters** HSBC Tower, 1000 Lujiazui Ring Road, Pudong, Shanghai
- **Employees** 4,968 (as at end-March 2008)
- **Network** 66 outlets (17 branches and 49 sub-branches)
- **Registered capital** RMB8 billion
- **Moody's rating** A1 (long-term)  
The highest possible rating for a locally incorporated bank in China

\*As at 31 December 2007

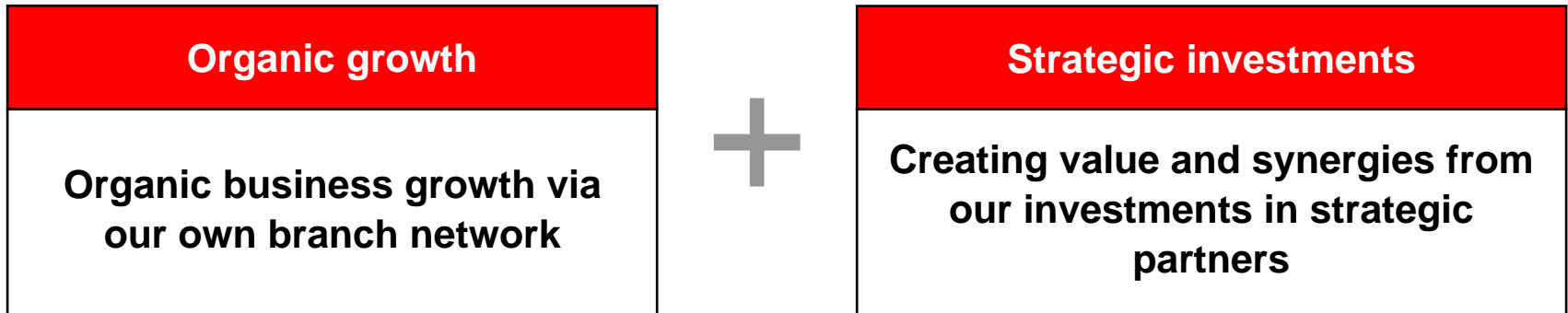
# Strategy and business focus





# Strategy

**Two-pronged**

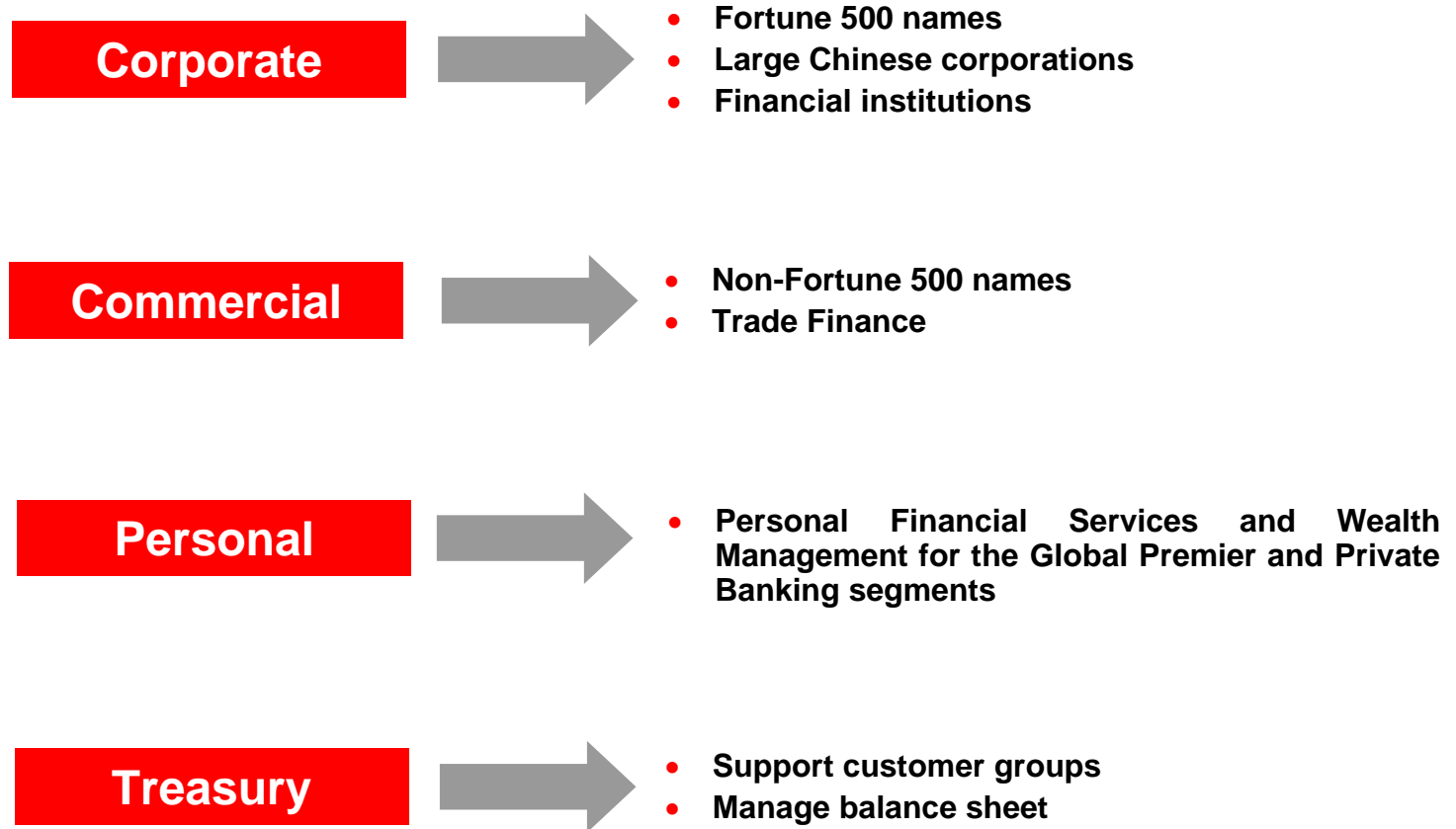
**Grow business organically and through cooperation with strategic partners**



# Strategy – HSBC’s investment in China

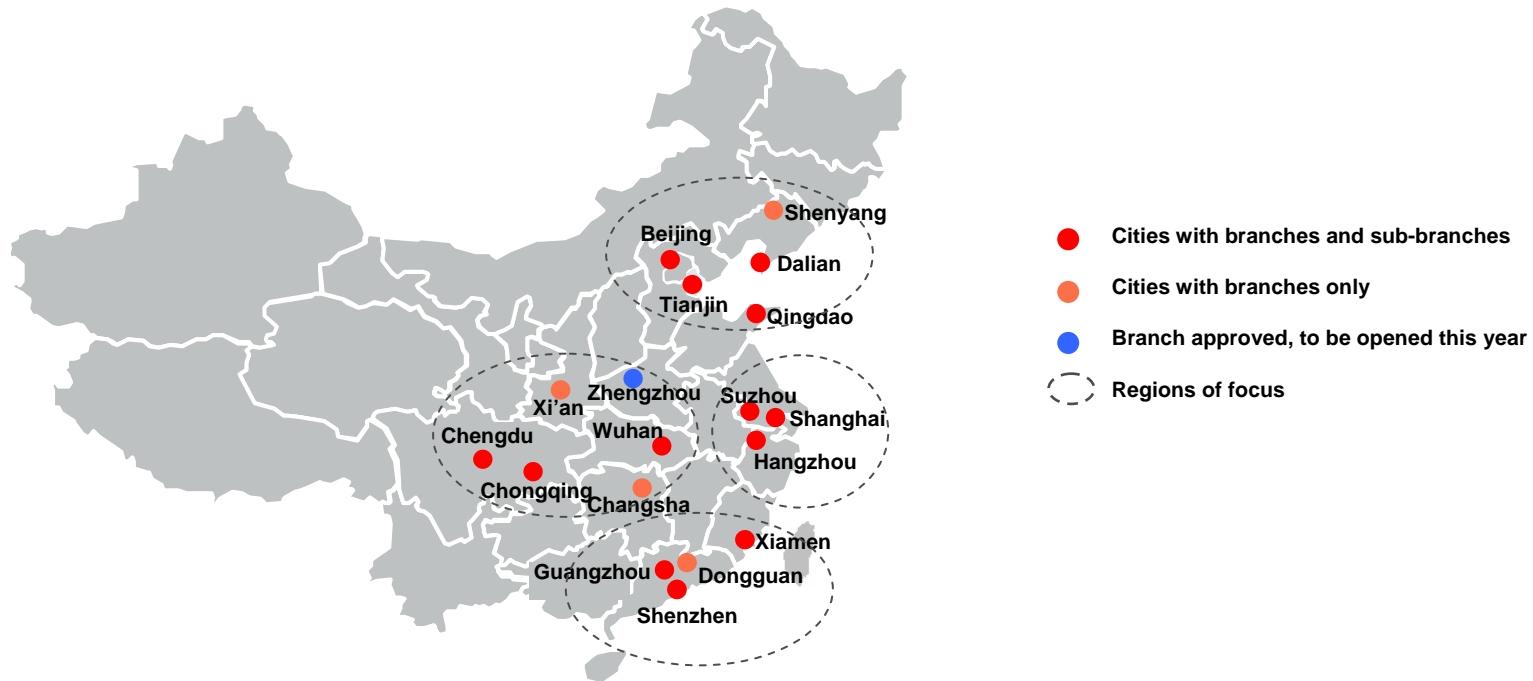
HSBC in China (USDm)		% Ownership	Outlets
	HSBC Bank (China) Company Limited	100%	66
	HSBC Jintrust	49.0%	1
	Beijing HSBC Insurance Broker	24.9%	1
	Hubei Suizhou Cengdu HSBC Rural Bank	100%	1
	Bank of Communications	19%	2,600+
	Ping An Insurance	16.8%	200,000 agents
	Bank of Shanghai	8.0%	246
	Industrial Bank	12.78% (via Hang Seng)	About 400

# Business focus



# Strategy – expand network

- 66 service outlets: the largest network among foreign banks in China
- Regional focus: Bohai Rim, Yangtze River Delta, Pearl River Delta and Western region



Thank you