HSBC Holdings plc

Hong Kong

HSBC
The world's local bank

Presentation by Mark McCombe

Chief Executive Officer, HSBC Hong Kong

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.**

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial information to the most directly comparable measures under GAAP can be found in HSBC's 2010 Interim Report in the Operating and Financial Review.

Agenda

- Strong and sustainable economic growth
- HSBC: No. 1 bank in Hong Kong
- Capturing opportunities
- Uniquely and strongly positioned

Strong and sustainable economic growth

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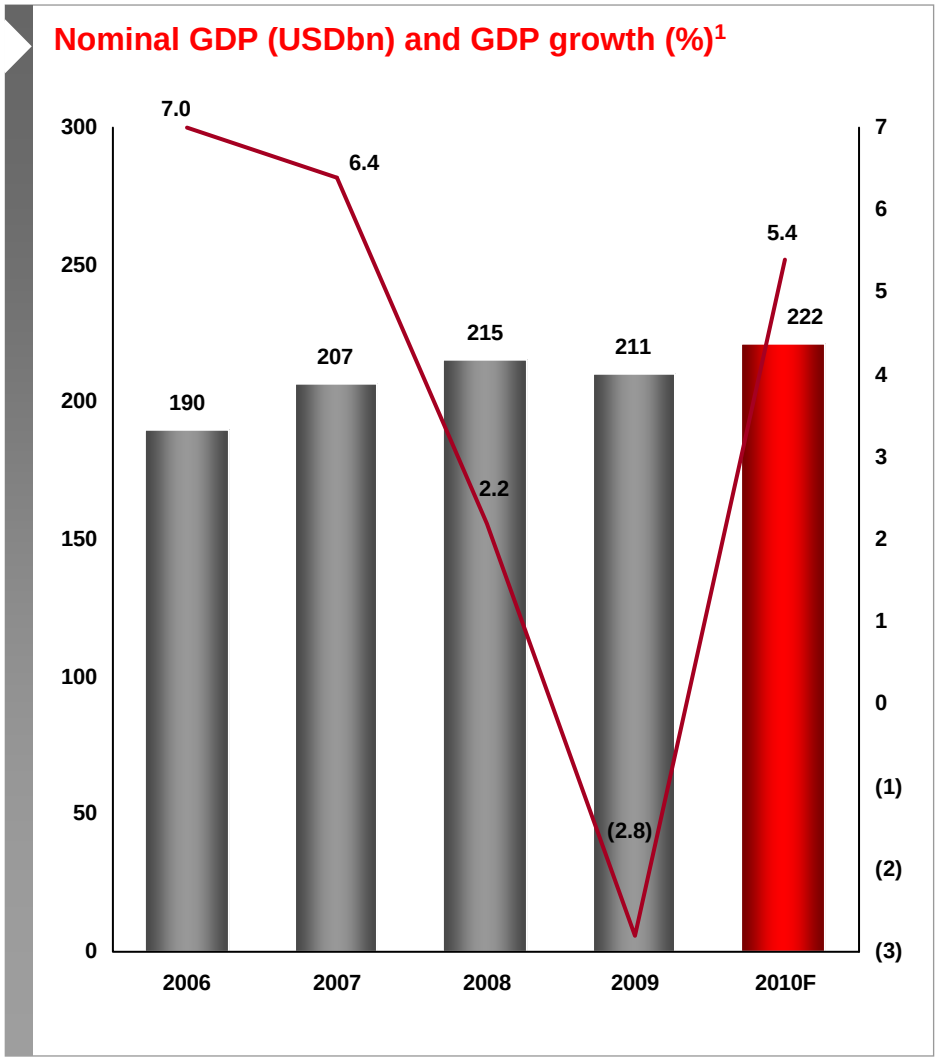
Hong Kong: A developed market with emerging markets potential

- **Robust outlook for Hong Kong**
- **HSBC, the largest and leading banking group in Hong Kong**
- **Greater China as most significant opportunity**
- **Actively positioning our franchise for the future**

Resilience powered by domestic demand and Greater China links



GDP growth[1]: 5.4 per cent	Improved labour market and resilient private consumption
Gross GDP (PPP)[2]: USD322.5bn	Among the world's 10 wealthiest in terms of per capita
Population[2]: 7.1m	7 in 10 Hong Kong people bank with HSBC[3]
Merchandise exports[1]: USD390.9bn	28 per cent of Hong Kong trade handled by HSBC[4]
Merchandise imports[1]: USD424.2bn	Strong domestic demand; Mainland as top import source

Notes:
(1) HSBC Global Research, 2010 estimates
(2) IMF World Economic Outlook Database, 2010 estimates
(3) HSBC Wealth Management Tracker, Apr 2010 (Nielsen)
(4) SWIFT and internal estimates

HSBC: No. 1 bank in Hong Kong

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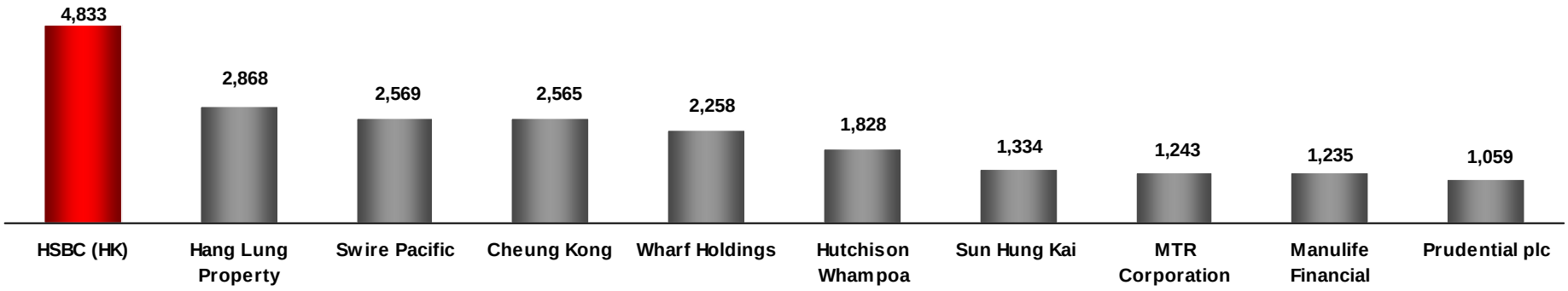
Largest and most profitable bank in Hong Kong

HSBC Hong Kong vs publicly-listed companies in Hong Kong

Net operating income (USDm), H1 2010[1]



Best Bank in Hong Kong
Best Debt House
Best Provider for Trust Services

FinanceAsia Country Awards 2010
Best Bank in Hong Kong
Best Investment Bank
Best Equity House
Best Bond House

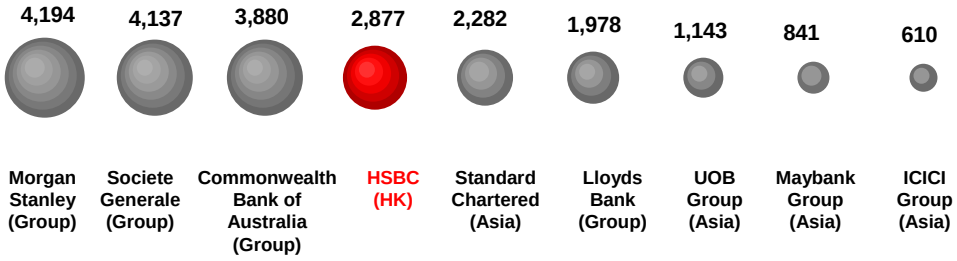
Winner of MPF
Winner for Life Insurance
Winner for Medical Insurance
Winner for SME Banking

Financial Insight Innovation Awards
Innovation in Corporate Online Payments
Product Innovation

Best Retail Bank in Hong Kong

HSBC Hong Kong vs regional and global banks

Profit before tax (USDm), H1 2010[2]

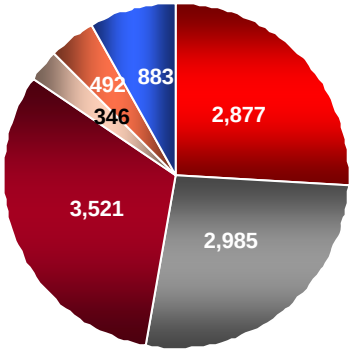


Notes:
(1) Hong Kong Stock Exchange, H1 2010 (excluding H-share companies)
(2) Based on company annual reports, H1 2010

Strong results

PBT up 15 per cent year-on-year to USD2.9 billion in H1 2010

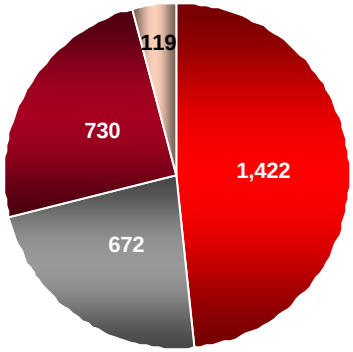
Group profit before tax (PBT), H1 2010 (USDm)



- Hong Kong
- Rest of Asia
- Europe
- Middle East
- North America
- Latin America

- 26 per cent of Group profits
- 49 per cent of Asia profits

PBT by customer group, H1 2010 (USDm)

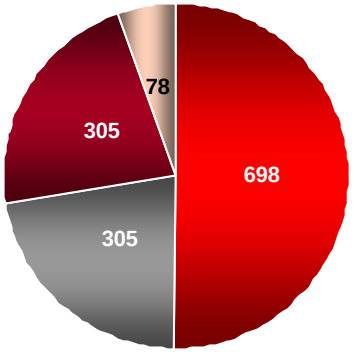


- Personal Financial Services (+6.4%)
- Commercial Banking (+58.5%)
- Global Banking and Markets (-19.5%)
- Private Banking (+12.3%)

Other: (USD66m) (+75.8%)

- Nearly 440,000 Premier clients
- Inbound CMB cross-border referrals tripled

Net fee income up 16 per cent y-o-y to USD1.4 billion, H1 2010 (USDm)

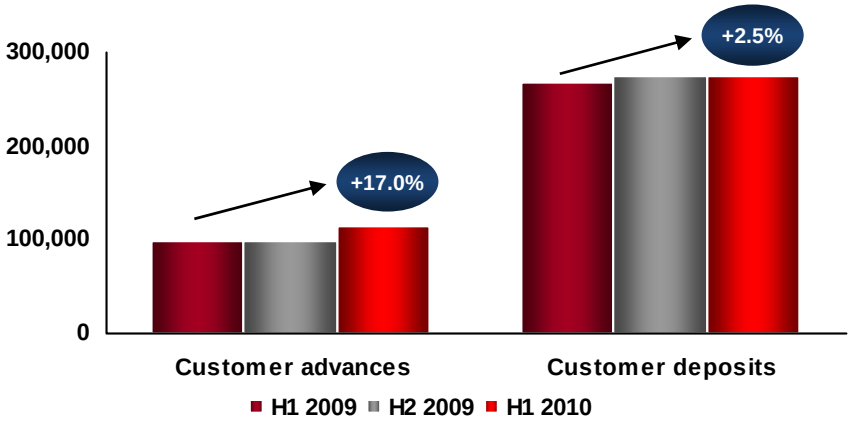


- Personal Financial Services (+8.6%)
- Commercial Banking (+25.0%)
- Global Banking and Markets (+32.6%)
- Private Banking (+36.8%)

- Grew net fee income to partly offset reduced net interest income

Other: USD9m (-65.0%)

Asset and deposits growth (USDm)



Strategic importance: No. 1 bank

Leading market share	**No. 1 in mortgages;** 22 per cent market share[1]	**No. 1 in life insurance;** 26.7 per cent market share[2]	**No. 1 in MPF;** 32 per cent market share[3]	**No 1. in cards with** 4.26 million in force; 47 per cent share in balances[4]
Leading mass affluent and mid-market share	**No. 1 in penetration into premium banking segment (46 per cent)[5]**	**No. 1 in penetration into mid-market integrated accounts (49 per cent)[5]**		
Leading SME and cross-border bank	**Over 350,000** SME customers	**Over half** of CMB customers are international	**50 per cent** of new CMB accounts are mainland Chinese companies	
Top-ranked in trade, cash management, FX, investment banking[6]	**No. 1 in Asia ex Japan bonds** since 2006[7]	**No. 1 in HKD bonds** since 2002[7]	**Best Domestic Cash Management House** in Hong Kong[6]	Led **9 of 13** RMB bond issuances since 2007

Notes:
(1) mReferral
(2) Office of the Commissioner of Insurance, H1 2010 (combined HSBC and Hang Seng share)
(3) Hong Kong Mandatory Provident Fund
(4) Hong Kong Monetary Authority Q1 2010
(5) HSBC Wealth Management Tracker, OracleAddedValue
(6) *FinanceAsia* 2010
(7) Bloomberg

Capturing opportunities

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HSBC Hong Kong potential – challenging misconceptions

	Issues	HSBC position
Competition from mainland Chinese banks	Mainland Chinese banks aggressively positioning for market share	HSBC international network, brand and customer base unmatched
Rise of Greater China	Shanghai as international financial centre	Hong Kong's unique circumstances provide unmatched advantage
Increasingly stringent regulatory environment	Impact of the competition law	Competition law will not affect HSBC growth potential
Impact of commercial surplus on income growth	Impact of low interest rates; low asset-to-deposit ratio	Actively growing fee income and assets; AD ratio up from 36 per cent to 42 per cent
Lack of new growth drivers	A saturated market	New growth opportunities with non-resident Chinese migration and Hong Kong as offshore RMB centre

The rise of Greater China – economic benefits for Hong Kong

Growing wealth, trade and enterprise between Hong Kong and the Mainland

Spending power	**10.5 million Mainland tourists** to Hong Kong in H1 2010[1]	**30 per cent of luxury retail sales** in H1 2010 to Mainland tourists[2]	**One in four Hong Kong flats** sold to Mainland buyers in January-May 2010[3]
Robust trade	**53 per cent of Hong Kong exports** to mainland China[4]	**44 per cent of Hong Kong imports** from mainland China[4]	**62 per cent of re-exports** from Mainland; **51 per cent** to Mainland[5]
Capital flows	**Over a third of FDI** originated from mainland China in 2009 [5]	Largest source of FDI into mainland China – **45 per cent of overseas projects** with Hong Kong links[5]	**524 Mainland companies** listed in Hong Kong – 58 per cent of total[5]

Notes:
(1) Hong Kong Tourism Board
(2) Bloomberg Businessweek
(3) Centaline Property Agency, Jan-May 2010 (luxury flat defined as property worth HKD12 million and above)
(4) Census and Statistics Department, Jan-Jun 2010
(5) World Trade Organisation

The rise of Greater China – business opportunities

Tapping rising affluent and international businesses with Greater China links

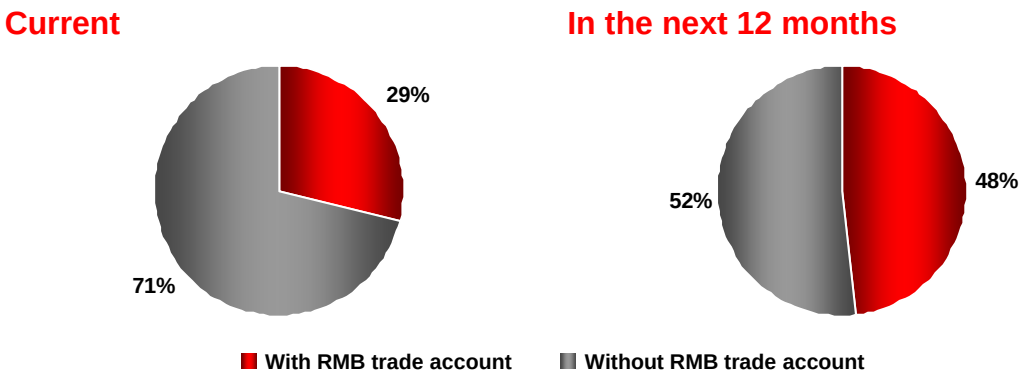
Estimated three million mass affluent across HSBC network[1]

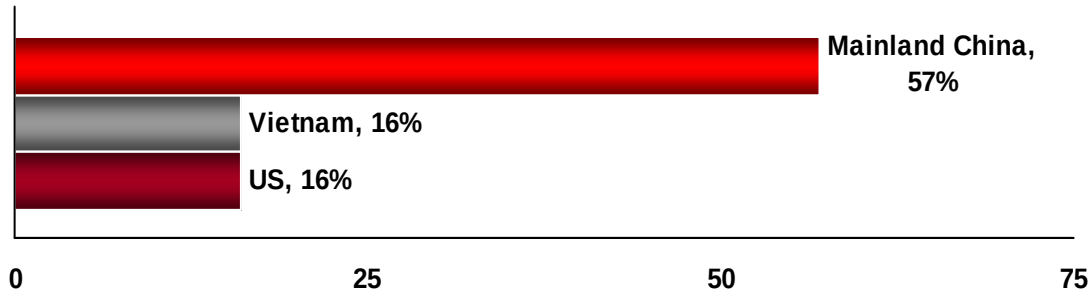
Close to half of Hong Kong SMEs plan to hold RMB accounts in the next 12 months[2]

50 per cent of new Hong Kong SME accounts are mainland Chinese companies

Over half of Hong Kong MMEs plan to expand into mainland China in the next two years[2]

Estimated 560,000 potential investors in Hong Kong



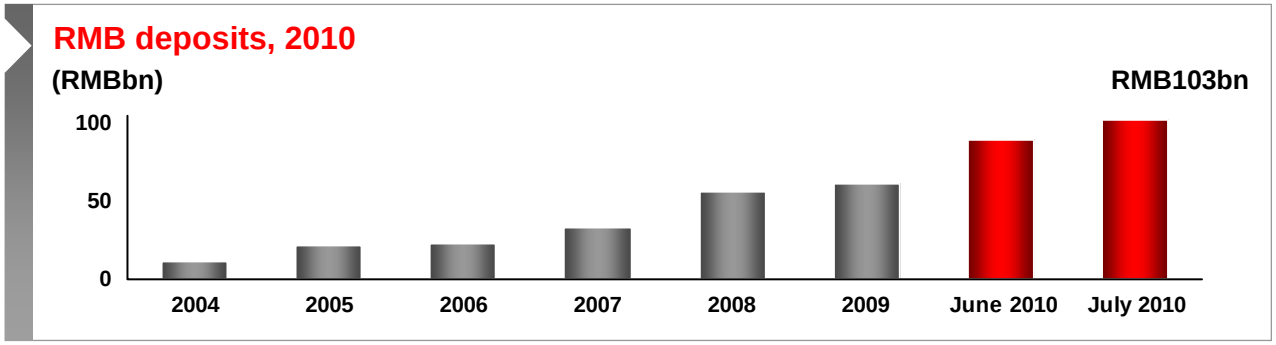


Notes:
(1) HSBC Market Sizing Study (Synovate)
(2) HSBC Small Business Confidence Monitor, July 2010

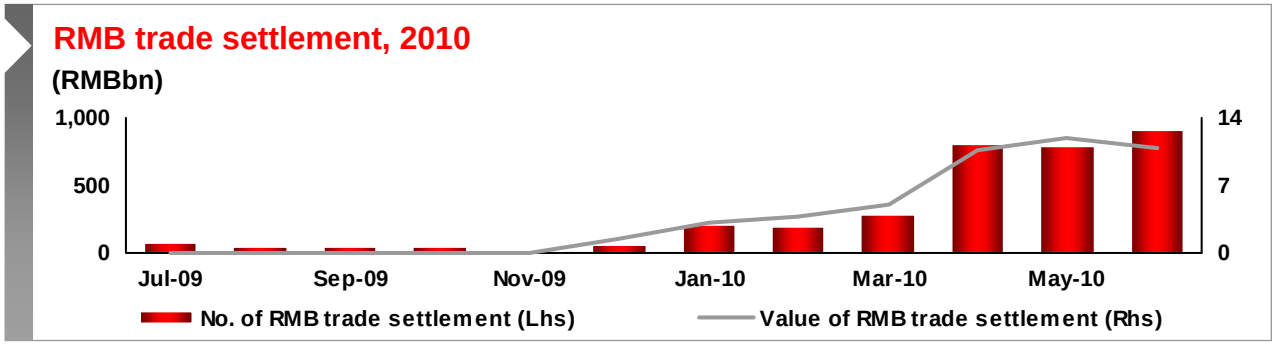
RMB potential

Hong Kong as offshore RMB centre

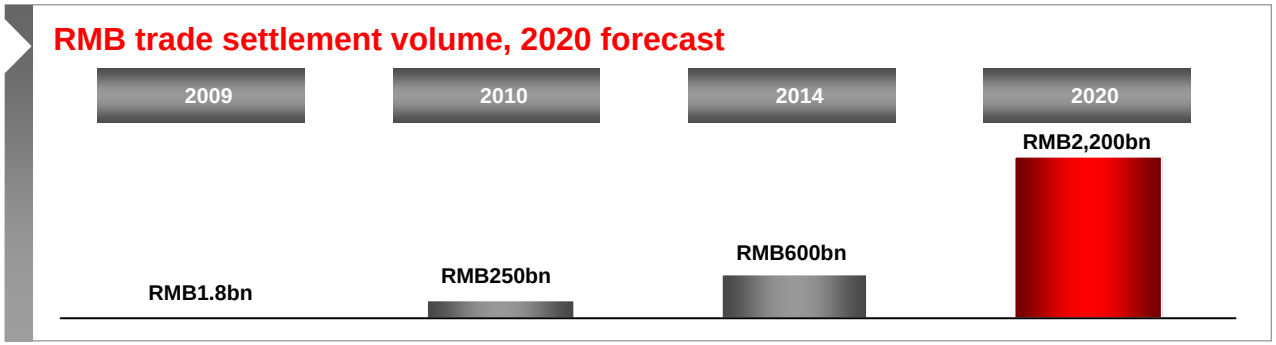
RMB deposits in Hong Kong surpassed RMB100bn in July 2010



Hong Kong as pilot centre for RMB internationalisation



RMB trade settlement in Hong Kong to grow to RMB2.2 trillion by 2020, same size of trade in all currencies today



Notes:
(1) HSBC Global Research

Uniquely and strongly positioned

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A dynamic business in Hong Kong

- **Delivering strong profits and outperforming the competition**
- **Base of opportunity is growing – driven by Greater China potential**
- **Cross-sales and cross-referrals driving top-line growth – not solely balance sheet driven**
- **Unparalleled international connectivity advantage to differentiate our business**