

Presentation by Helen Wong
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14 March 2011



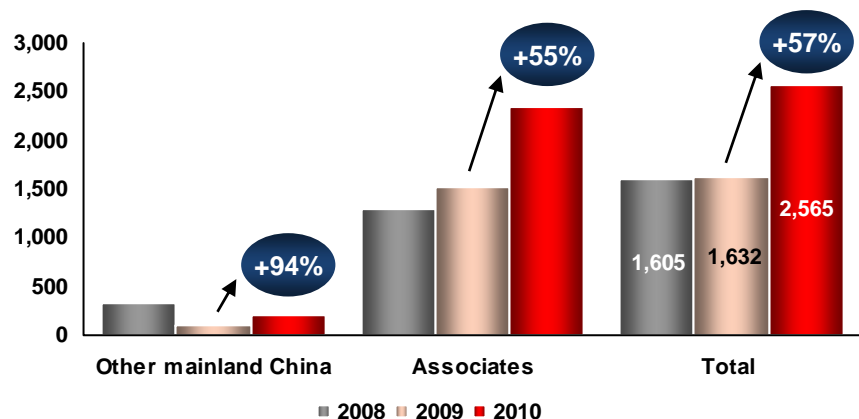
Forward-looking statements

- ▶ **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 and Accounts 2010. 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 are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.**

Biggest profit contributor in Asia outside Hong Kong

PBT up 57 per cent to USD2.6bn in 2010

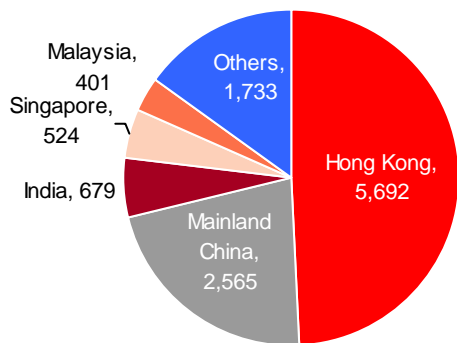
PBT (USDm)



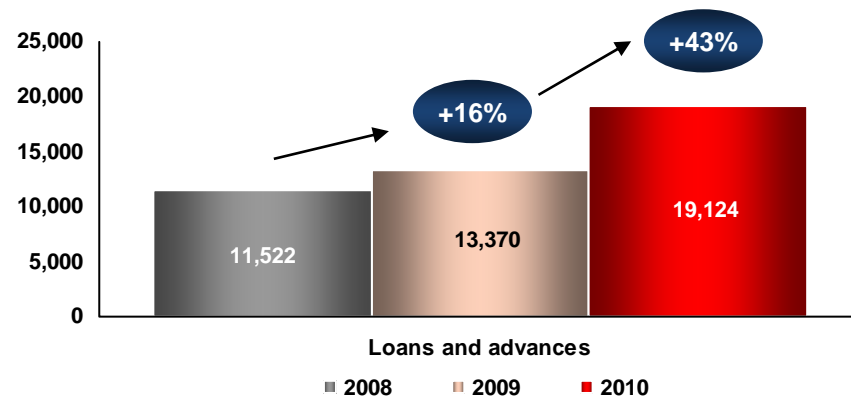
Highlights

- ▶ Strong performance from associates and organic businesses
- ▶ Organic business growth driven by balance sheet growth and higher fee income from wealth management sales and trade finance
- ▶ Dilution gain of USD188m from Ping An Insurance following its issuance of shares in May 2010
- ▶ Continued expansion of HSBC (8), Hang Seng (2) and HSBC Rural Bank (4) outlets in China
- ▶ Recognised as best foreign bank in China by various industry rankings and awards

PBT by Asia Pacific country, 2010 (USDm)



Gross Customer Loans and Advances (USDm)



Economic growth to stay strong in spite of inflation concern

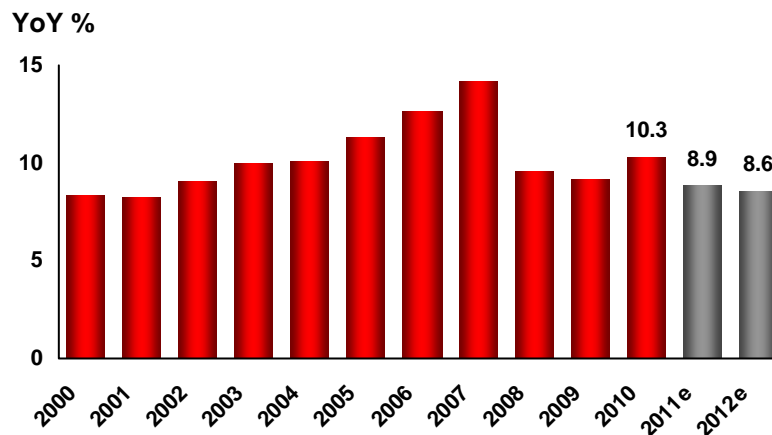
GDP to grow at 9 per cent in 2011

GDP growth to remain strong

Inflation remains policymakers' top concern

12th Five Year Plan to outline steps to rebalance economy

Gross Domestic Product Index¹

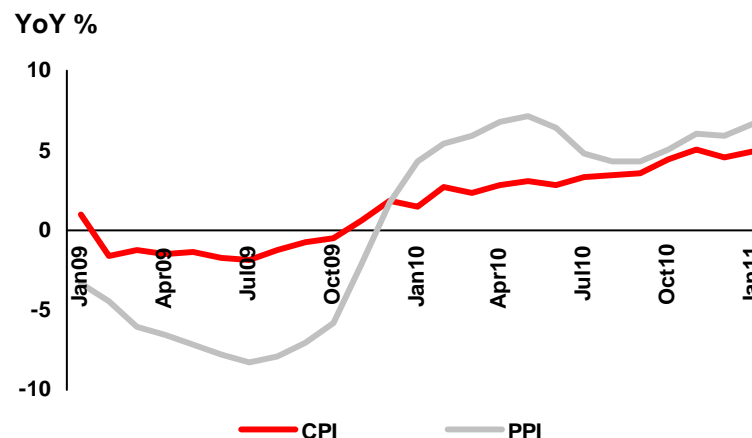


Domestic demand contributed 90% of growth in 2010

Continue to support around 9% growth in 2011, despite tightening efforts on inflation

Government targets 7% growth over the 12th Five-Year Plan (2011-2015)

Consumer and Producer Price Index²



Droughts, rising wages and oil prices add to inflation pressure

Impact to be mitigated by strong grain reserves, supply of rural workers and fiscal policies

12th Five Year Plan to outline actions for sustainable growth underpinned by consumption, environmental protection and equitable wealth distribution

Notes:

(1) HSBC Global Research, CEIC

(2) National Bureau of Statistics, CEIC

Operating and regulatory environment is changing

Cost of compliance has risen but remains manageable

Monetary policy shift to prudence

Measures to reduce asset and property speculation

New risk-based approach to control bank lending

Increased operational complexity from tighter regulations

Reserve Requirement Ratio and interest rate adjustments¹

	31DEC09	30JUN10	31DEC10	1MAR11
Reserve Requirement Ratio (%) ²	13.5	15.0	17.0	17.5
Benchmark (1-year) deposit rate (%)	2.25	2.25	2.75	3.00
Benchmark (1-year) lending rate (%)	5.31	5.31	5.81	6.06

Tightened market liquidity from rate hikes

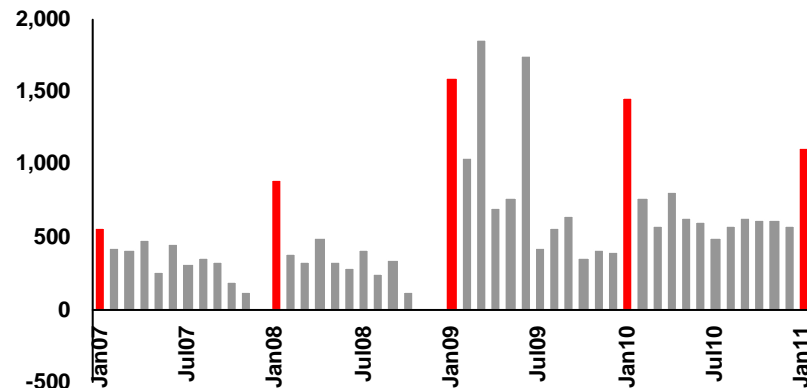
Measures to cool property market and to limit inflow and outflow of hot money

Banks required to strengthen due diligence on loan purpose and loan disbursement

Prudential requirements may be raised

Net new loans in China¹

RMBbn



Monitoring on a quarterly basis to discourage “front-loading”

Factors such as systemic importance, liquidity and capital adequacy are considered

New policy will encourage banks to be more prudent

Notes:

- (1) People's Bank of China, CEIC
- (2) As applicable to HSBC China

RMB trade and financing business gaining traction

To be the largest RMB bank outside China

Usage of RMB in overseas direct investments

Expansion of coverage area and eligible enterprises

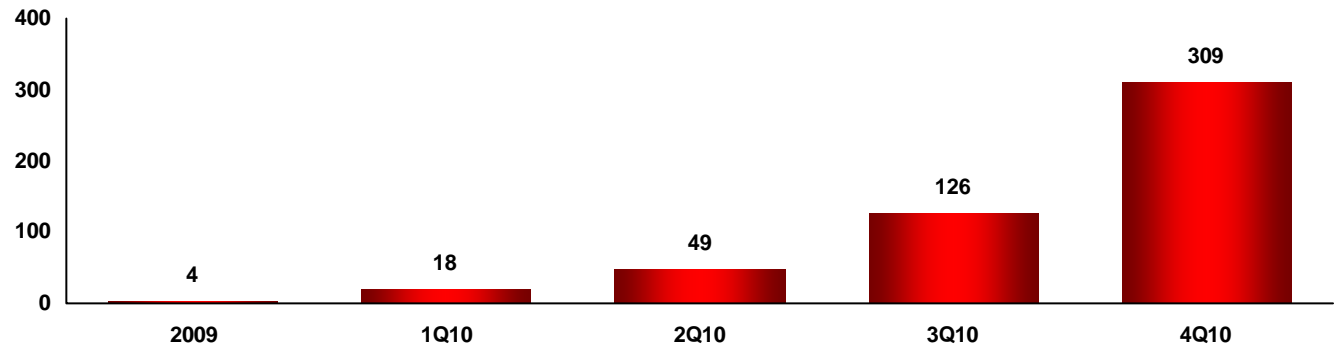
Estimated over a quarter of China's trade to be in RMB by 2012

RMB as top 3 major world currencies if fully convertible

Development of offshore RMB centre in Hong Kong

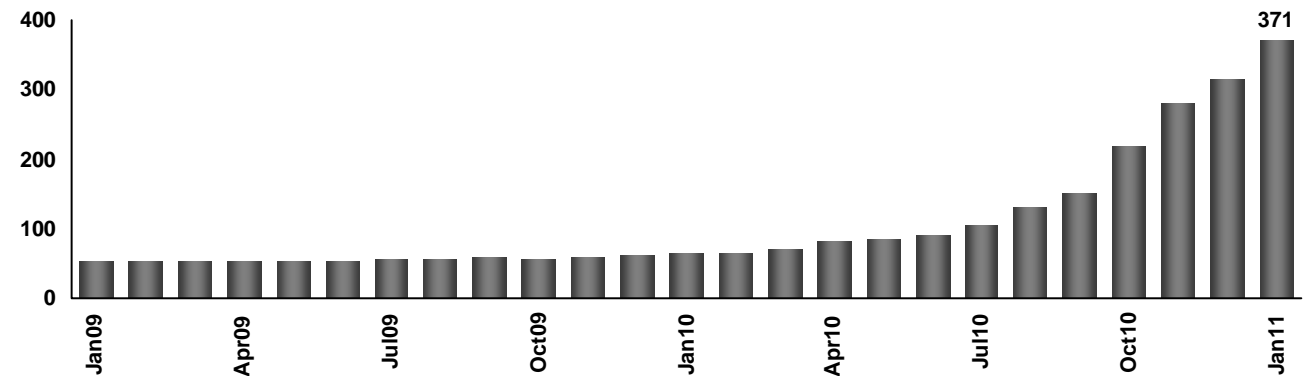
Quarterly RMB trade settlement in China¹

Turnover (RMBbn)



RMB deposits in Hong Kong²

RMBbn



Notes:

- (1) People's Bank of China, CEIC
- (2) Hong Kong Monetary Authority, CEIC

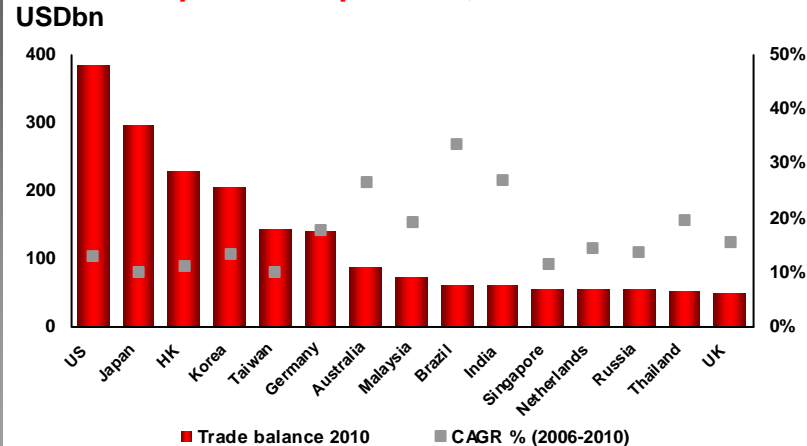
Deeper international connectivity drives demand for cross-border financial services

Trade volume to sustain growth at c.15% per year¹

'Go out' policy to deploy excess foreign reserves

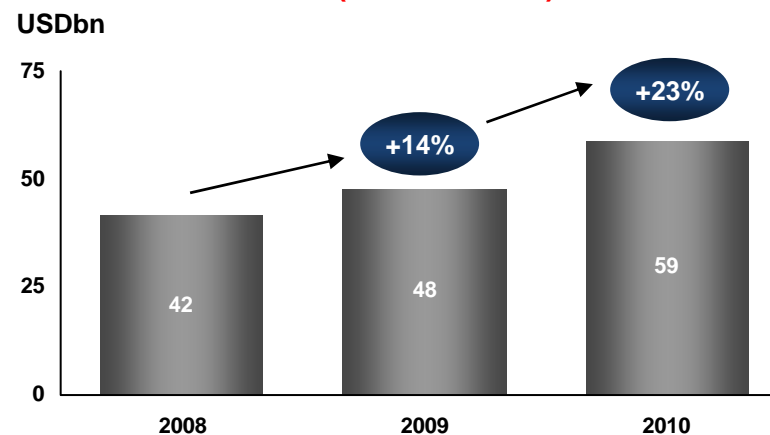
HSBC uniquely placed to serve these needs

China's top 15 trade partners, 2010²



- ▶ Rapid growth in trade with emerging market and resource-rich countries
- ▶ Trade and investments in Greater China to grow after the signing of various economic cooperation agreements
- ▶ Steady growth in China's trade with Asia and Europe
- ▶ HSBC has presence in all top trading partners

Outward investment (non-financial) from mainland China²



- ▶ China's outward investments largest in Asia
- ▶ China's outward investments to emerging markets growing
- ▶ China's major outward investment deals in energy / commodities and infrastructure in LatAm, Africa, Australia
- ▶ Hong Kong a key platform for outward investment

Notes:
 (1) HSBC Economic Research
 (2) Ministry of Commerce, CEIC

Connecting Chinese customers with the world and international customers with China



Bridging the financial service gap for Chinese corporates

Domestic Business

Bringing the best of the world to China

- ▶ Foreign currency loans and deposits
- ▶ Raise cost competitive financing via offshore IPOs or bond transactions
- ▶ Risk management – onshore and offshore treasury products and services
- ▶ Trade financing and cash management

“Going Out”

Facilitating overseas expansion

- ▶ Global sector and market expertise
- ▶ M&A advisory
- ▶ Acquisition financing
- ▶ Project finance
- ▶ Hedging

Overseas Business

First class service to Chinese corporates across HSBC's network

- ▶ Global Relationship Management
- ▶ China country desks
- ▶ RMB settlement capabilities in 38 countries spanning 6 continents
- ▶ Loans to overseas entities

Linking China and the world for our customers

Global network to support overseas ambitions of mainland Chinese companies

HSBC offices in 38 countries are RMB ready, which cover 75% of China's trade

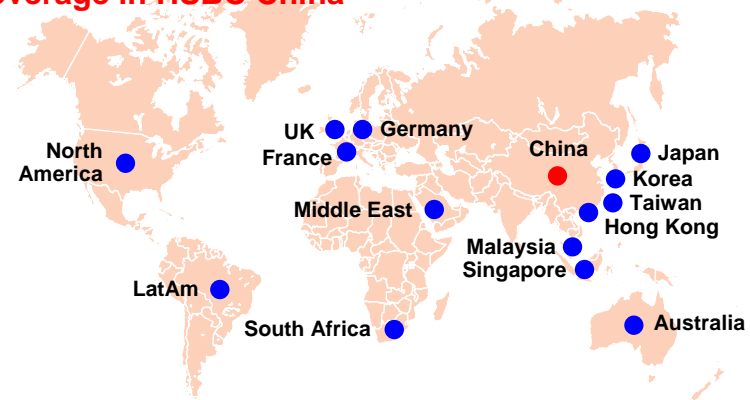
Strong onshore capabilities for multinational clients' banking needs in China

Differentiation through country desks and dedicated coverage

China country desks / coverage in HSBC Group offices



Foreign country desks / coverage in HSBC China



Stepping up action to leverage our presence in mainland China, Hong Kong and Taiwan

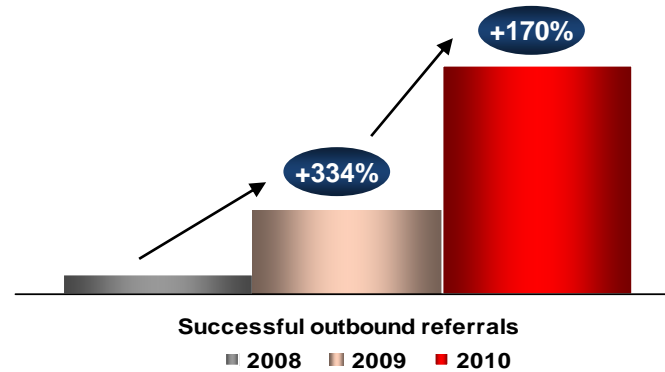
Flexing our capabilities in mainland China, Hong Kong and Taiwan to drive up cross-site referrals

Collaboration between customer coverage and product groups to deliver customised solutions

Support international banking needs of mobile affluent in mainland China, Hong Kong and Taiwan

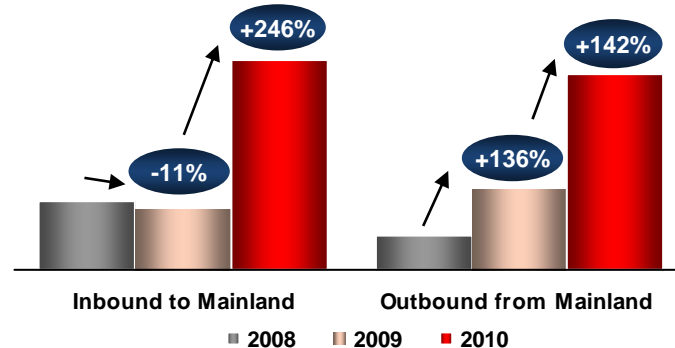
Active collaboration between mainland China, Hong Kong and Taiwan offices

CMB successful referrals from HSBC China to other Greater China sites¹



- ▶ Onshore customer coverage and full suite of products and services
- ▶ Supplemented by GB&M opportunities in Hong Kong for financing, risk management and overseas expansion

Premier referrals from/to mainland China to HK and Taiwan¹



- ▶ Leverage HSBC brand and Greater China / International propositions
- ▶ Dedicated Taiwan business development team in mainland China
- ▶ Greater China staff exchange programme

Notes:
(1) Management information

Building scale in China



Fast-growing, market-leading

Long-standing history, long-term commitment

- ▶ Established in Hong Kong and Shanghai in 1865
- ▶ Locally incorporated in China in 2007
- ▶ Focus on high growth regions
- ▶ Target A-share listing

Fast-growing presence

- ▶ 108 HSBC Bank China outlets in 28 cities
- ▶ 16 rural bank outlets
- ▶ 38 Hang Seng outlets in 13 cities

Pioneering industry development

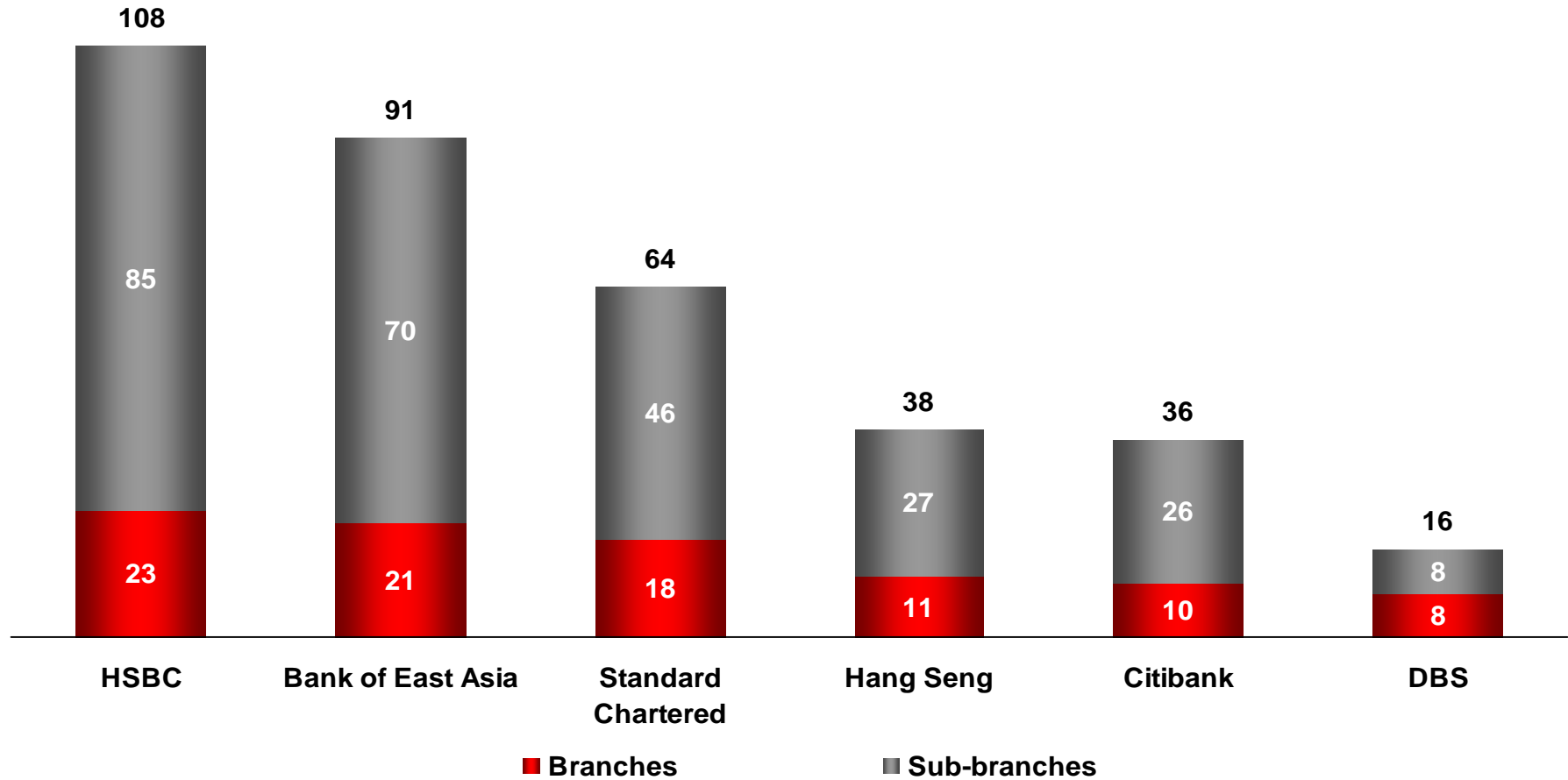
- ▶ First foreign bank to settle cross-border RMB trade
- ▶ First foreign bank to issue RMB bonds in Hong Kong
- ▶ First foreign market maker to trade RMB and ringgit
- ▶ First foreign bank to launch rural banking
- ▶ A1 (long-term) Moody's deposit rating – highest for a locally incorporated foreign bank in mainland China

HSBC in mainland China



Largest foreign bank with widest coverage

Locally incorporated foreign banks by branch network¹



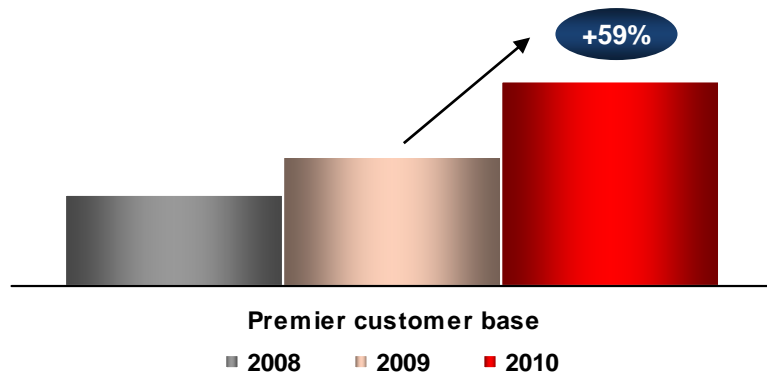
Notes:

(1) Official bank websites and press reports (as at February 2011; excluding representative offices, administrative offices etc)

To be the leading foreign provider of wealth management services in China

Active expansion of customer base

Premier customer base in China¹



- ▶ Acquisition through network expansion and referrals within HSBC China and other Group offices
- ▶ HSBC Premier targets mass affluent segment in China with international wealth management proposition
- ▶ Launch of HSBC Advance in China to target emerging affluent segment through the use of direct channels

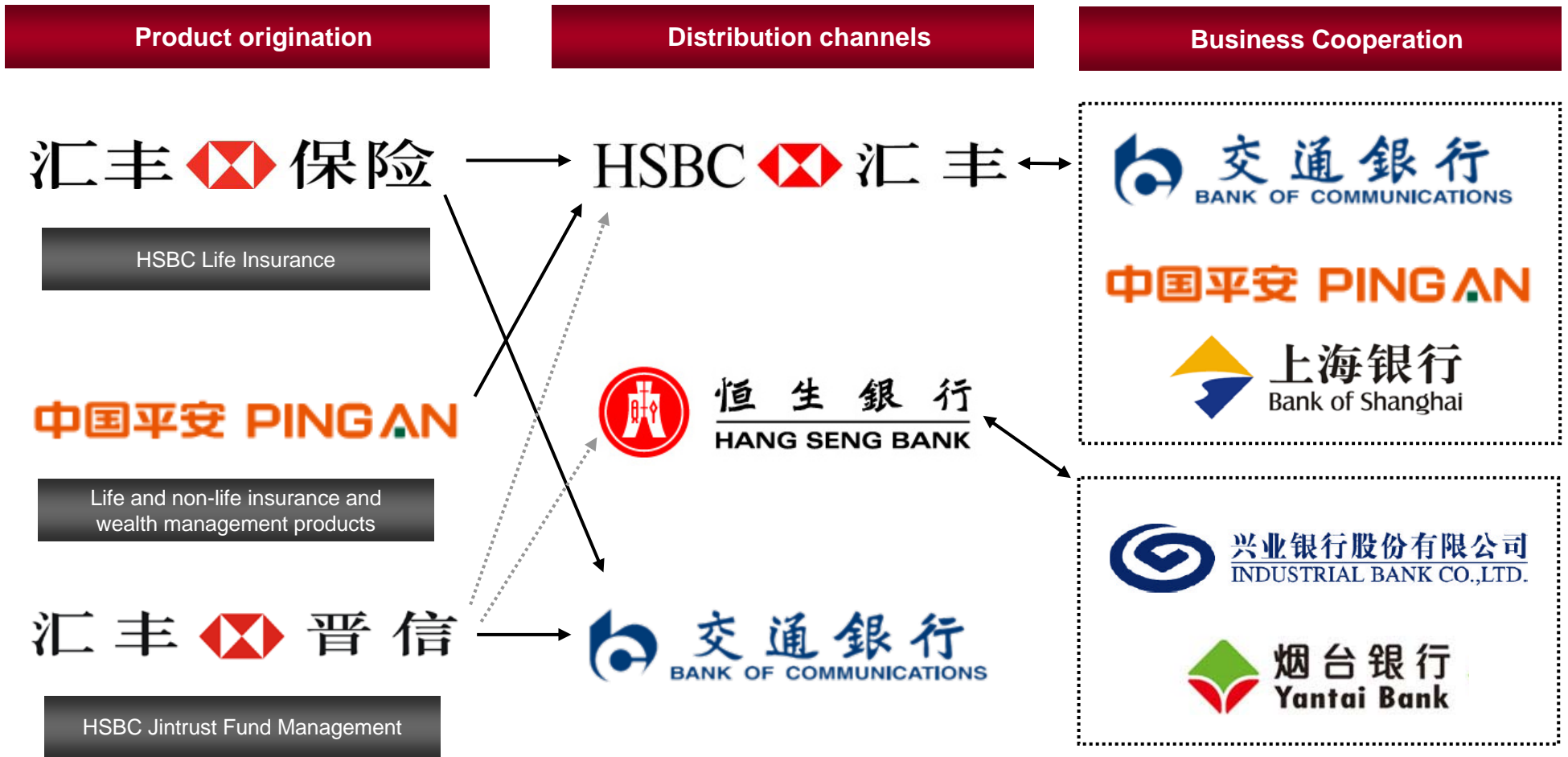
HSBC Advance
汇丰运筹理财

Boost wealth management sales and expand product suite



- ▶ Boost fee income from high margin investment and insurance product sales
- ▶ Accelerate growth in mortgage and deposit acquisition
- ▶ Plans to launch HSBC Premier credit cards in China
- ▶ Expand product range addressing local needs
- ▶ Named Best Foreign Bank in China by Asian Banker for the 3rd consecutive year

Increasing business flow through our unique platform in China



→ Existing arrangement

...▶ Arrangement subject to regulatory approval