



Morgan Stanley Conference

# HSBC Holdings plc

## Strength, Diversity and Resilience

Michael Geoghegan, Group Chief Executive

31 March 2009

# Forward-looking statements

## ADVERTISEMENT

**This presentation is an advertisement and not a prospectus and investors should not acquire shares or interests in shares pursuant to the proposed 5 for 12 rights issue to ordinary shareholders of HSBC Holdings plc (the “Company”) (the “Rights Issue”) except on the basis of information in any prospectus (or supplement thereto) published by the Company in connection with the Rights Issue (the “Prospectus”) and on the basis of the provisional allotment letter issued in connection therewith. The Prospectus will include a description of risk factors relevant to the Company.**

**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. Past performance cannot be relied on as a guide to future performance.**

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## **Strength, diversity and resilience**

**Strength from diversified business model and financial position**

**Strategy positions Group for long-term growth and attractive returns**

**Rights issue – strengthen competitive positioning**

**Managing capital allocation and balance sheet risk**

**Strength from diversified business model and financial position**  
**Profitable in all regions, except North America and all Customer groups, except**  
**Personal Financial Services**

**Regions**

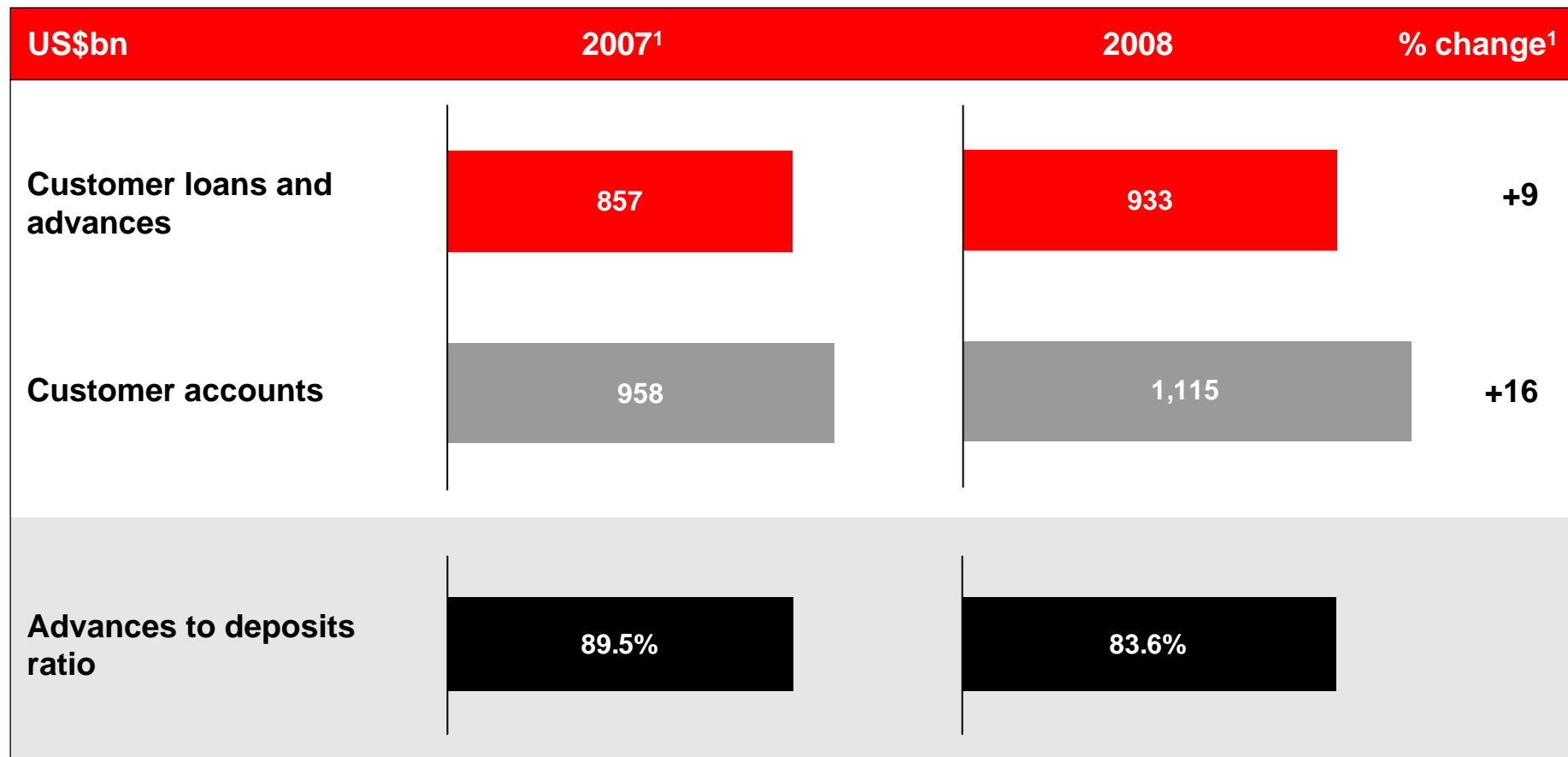
<b>Profit before tax US\$m</b>	<b>2008</b>	<b>% change</b>
Asia	11,929	-11
– <i>Excluding dilution gains</i>	11,929	-3
Latin America	2,037	-6
Europe	10,869	+36
<b>Total (excl. North America)</b>	<b>24,835</b>	<b>+3</b>
North America (excl. goodwill impairment)	(4,694)	n/a
<b>Total (excl. goodwill impairment)</b>	<b>19,871</b>	<b>-18</b>
Goodwill impairment (North America PFS)	(10,564)	n/a
<b>Total profit before tax</b>	<b>9,307</b>	<b>-62</b>

**Customer groups**

<b>Profit before tax US\$m</b>	<b>2008</b>	<b>% change</b>
Personal Financial Services (excl. goodwill impairments)		
– Group excl. US	6,390	-17
– US	(6,800)	-273
	<b>(410)</b>	<b>n/a</b>
Commercial Banking	7,194	+1
Global Banking and Markets	3,483	-43
Private Banking	1,447	-4
Other	8,157	+131
<b>Total (excl. goodwill impairment)</b>	<b>19,871</b>	<b>-18</b>
Goodwill impairment (North America PFS)	(10,564)	n/a
<b>Total profit before tax</b>	<b>9,307</b>	<b>-62</b>

# Strength from diversified business model and financial position

*Funding and liquidity – improving the advances to deposits ratio*



Note:

(1) Adjusted for constant currency and acquisitions & disposals

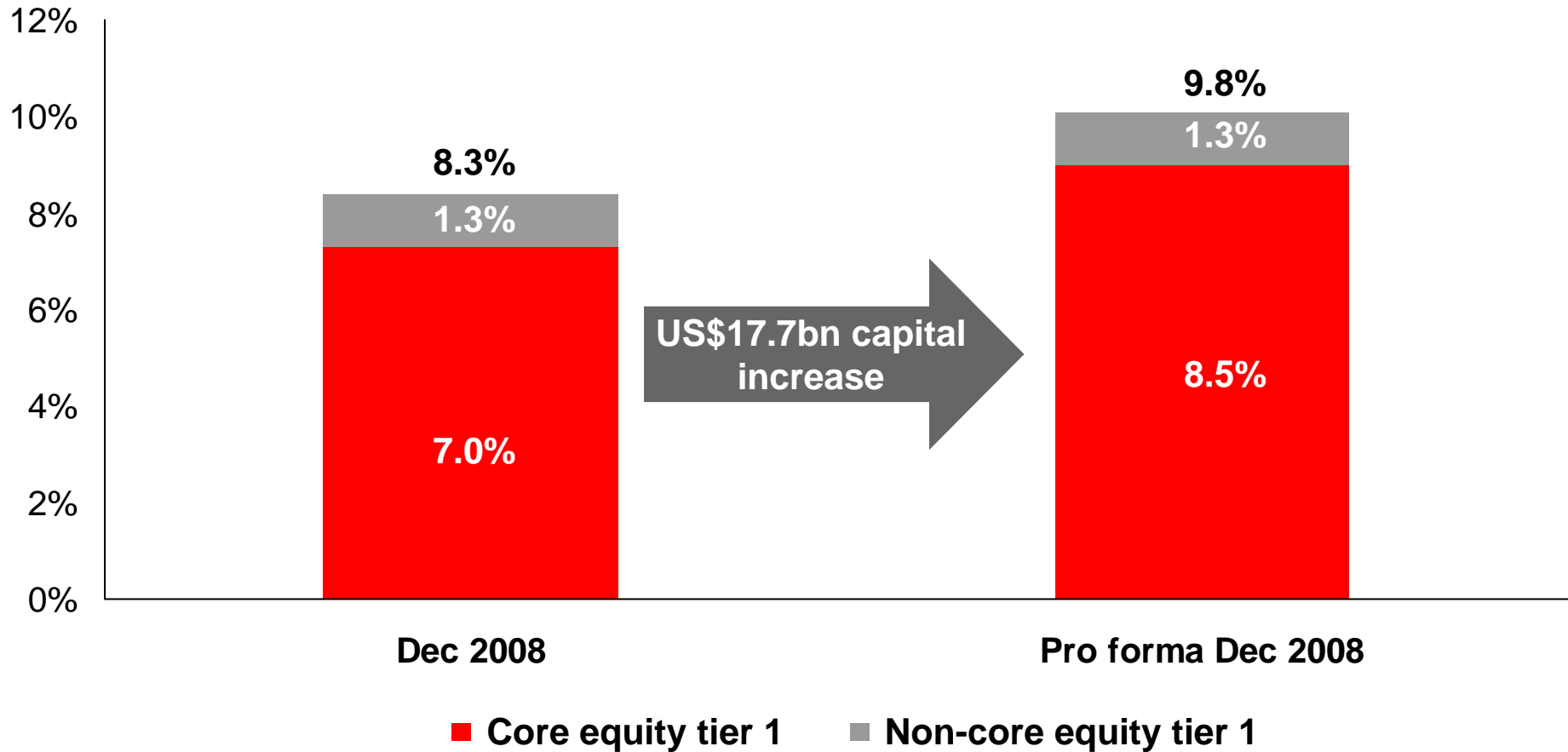
## **Strategy positions Group for long-term growth and attractive returns**

**Concentrating on core emerging markets and faster growing businesses**

**Benefiting from combination of world's leading emerging market bank with extensive international network**

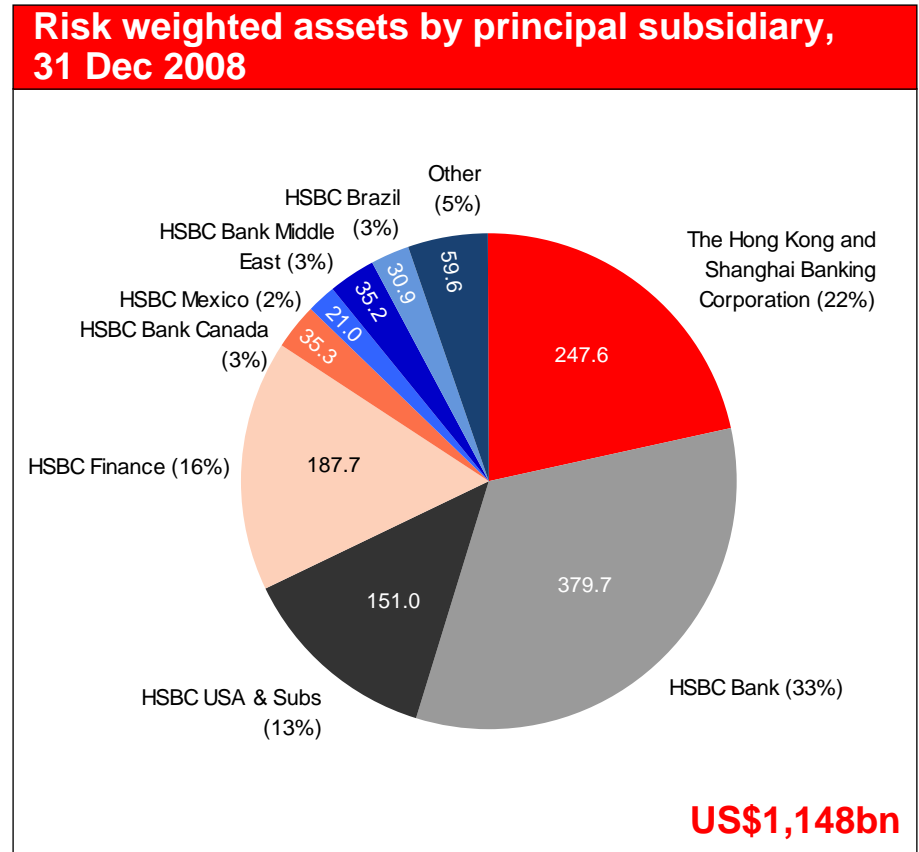
## Rights issue rationale – strengthen competitive positioning

*Raising tier 1 ratio target range to 7.5 - 10.0% to maintain signature financial strength*



# Strengthen competitive positioning

Return on ordinary shareholders' funds <sup>1</sup>	%
The Hongkong and Shanghai Banking Corporation	24
HSBC Bank plc	14
HSBC Bank USA	(18)
HSBC Finance Corporation	(21)
HSBC Bank Canada	17
HSBC Mexico	11
HSBC Bank Brazil	24
<b>Group<sup>2</sup></b>	<b>13</b>



Note:

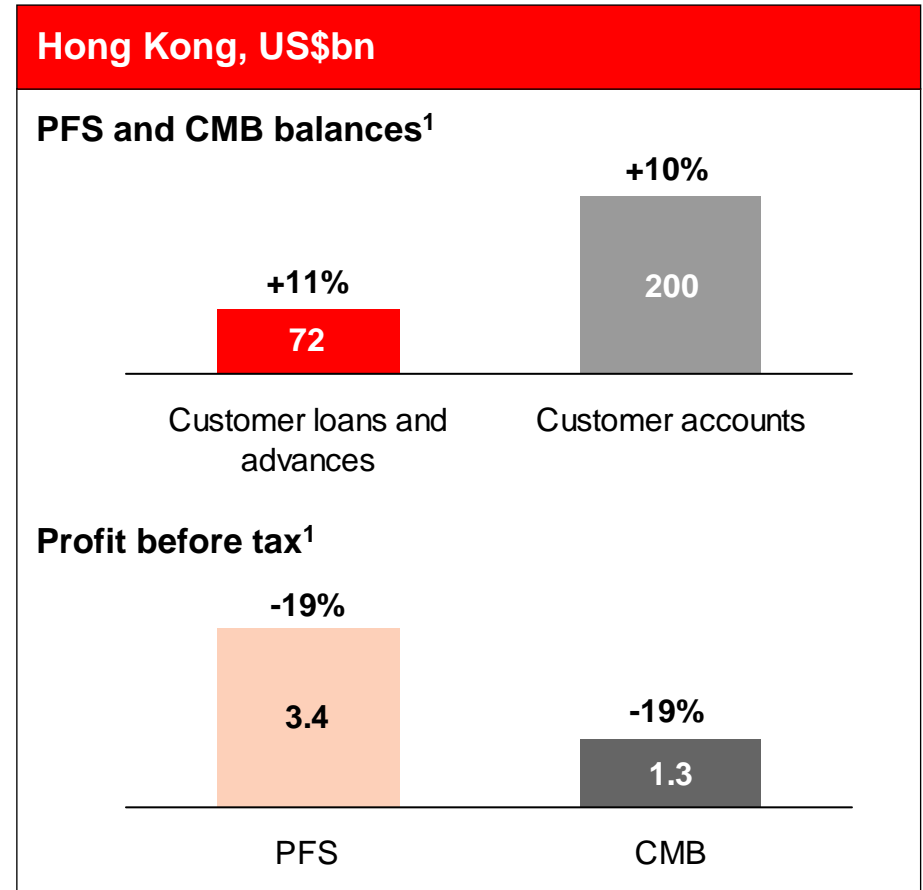
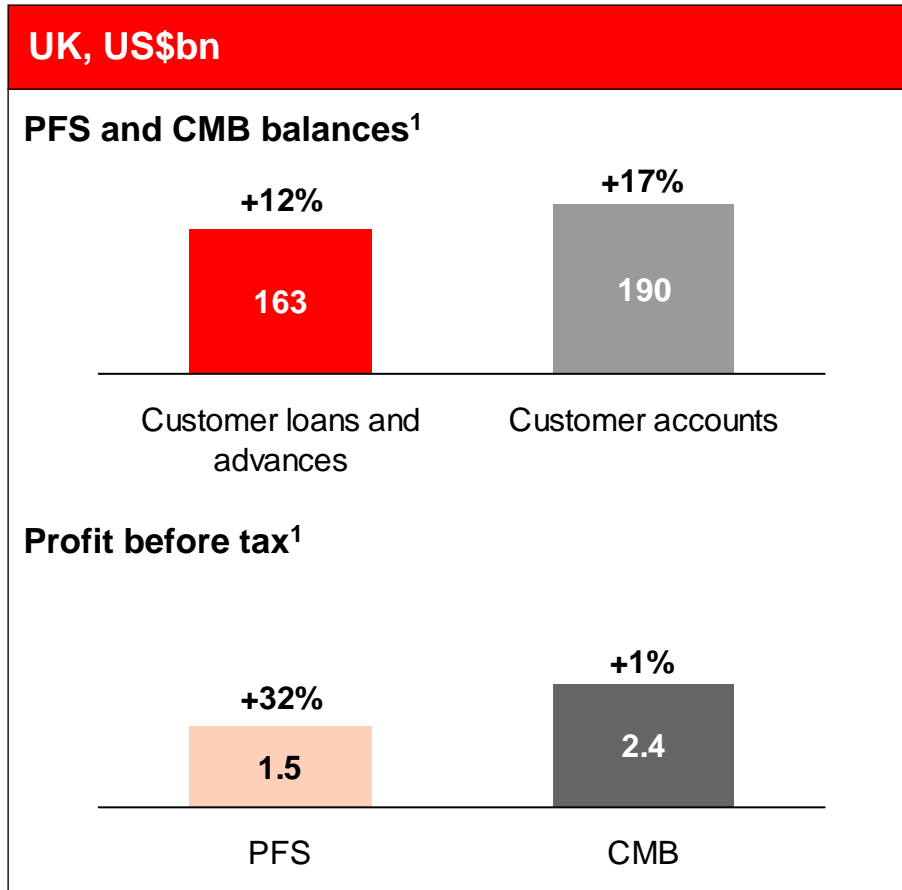
(1) Local accounting basis, 2008

(2) Excluding goodwill impairment for North American PFS



# Strengthen competitive positioning

*Open for business in core markets for Personal Financial Services and Commercial Banking*



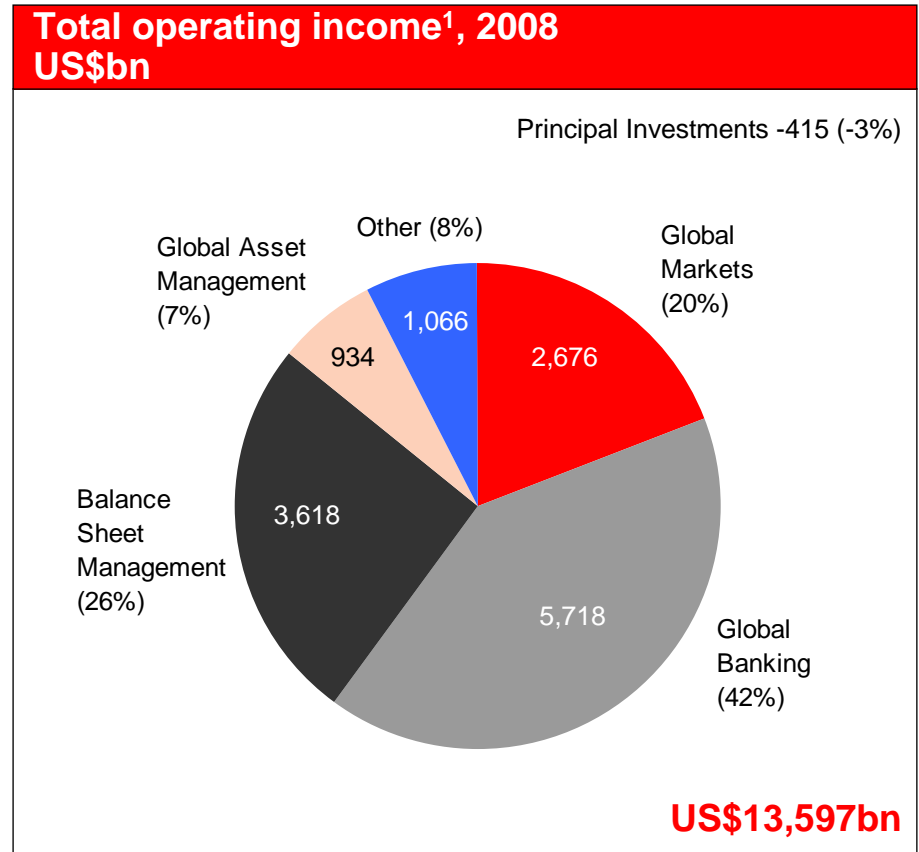
Note:

(1) Restated for constant currency, acquisitions and disposals

# Strengthen competitive positioning

*Global Banking and Markets – successful focus on ‘emerging markets-led, financing focused’ strategy*

US\$m	2008	% chg v 2007
Total operating income	13,597	-11
Net insurance claim	(79)	+13
Loan impairment charges and other credit risk provisions	(1,471)	n/a
Net operating income	12,047	-21
Total operating expenses	(9,092)	-3
Operating profit	2,955	-49
Associates and JVs	528	+72
<b>Profit before tax</b>	<b>3,483</b>	<b>-43</b>



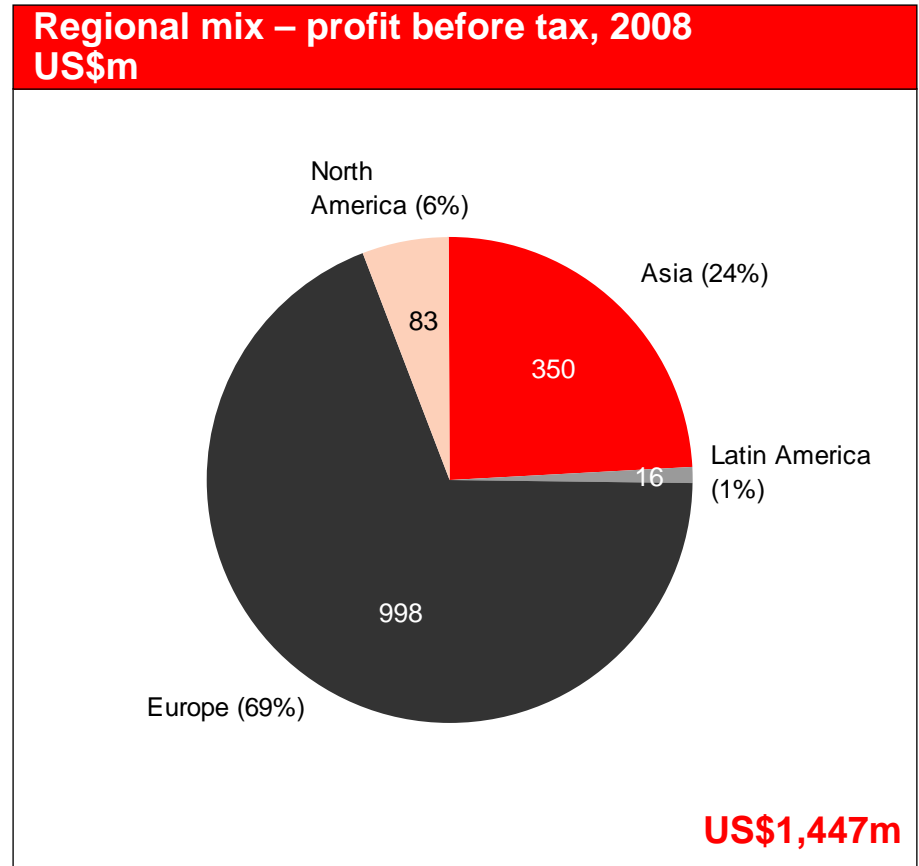
Note:

(1) Management view of total operating income

# Strengthen competitive positioning

*Private Banking – the world's private bank*

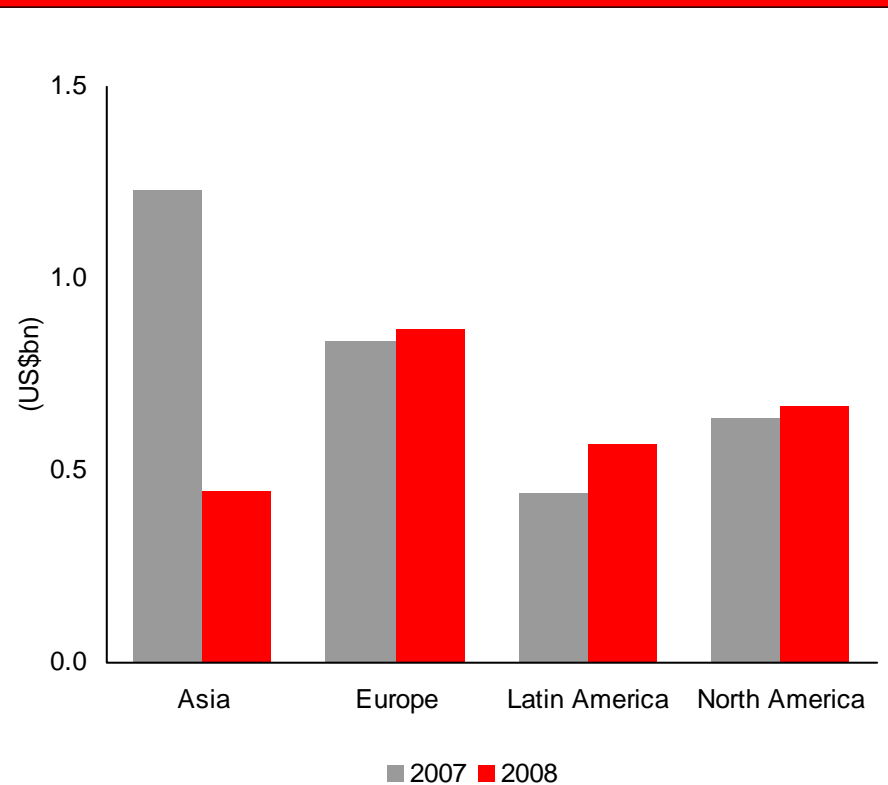
US\$m	2008	% chg v 2007
Net operating income before loan impairment charges	3,631	+2
Loan impairment charges and other credit risk provisions	(68)	+386
Net operating income	3,563	--1
Total operating expenses	(2,116)	+4
Operating profit	1,447	-4
Associates and JVs	0	-100
<b>Profit before tax</b>	<b>1,447</b>	<b>-4</b>



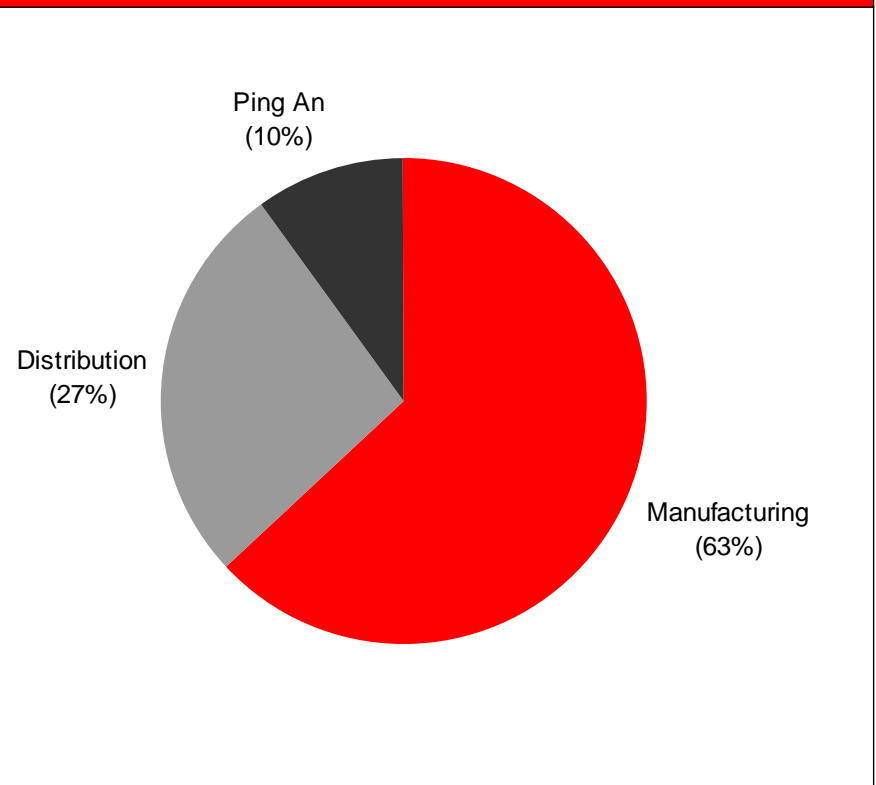
# Strengthen competitive positioning

*Insurance – resilience of bancassurance model*

PBT by region, 2008 & 2007

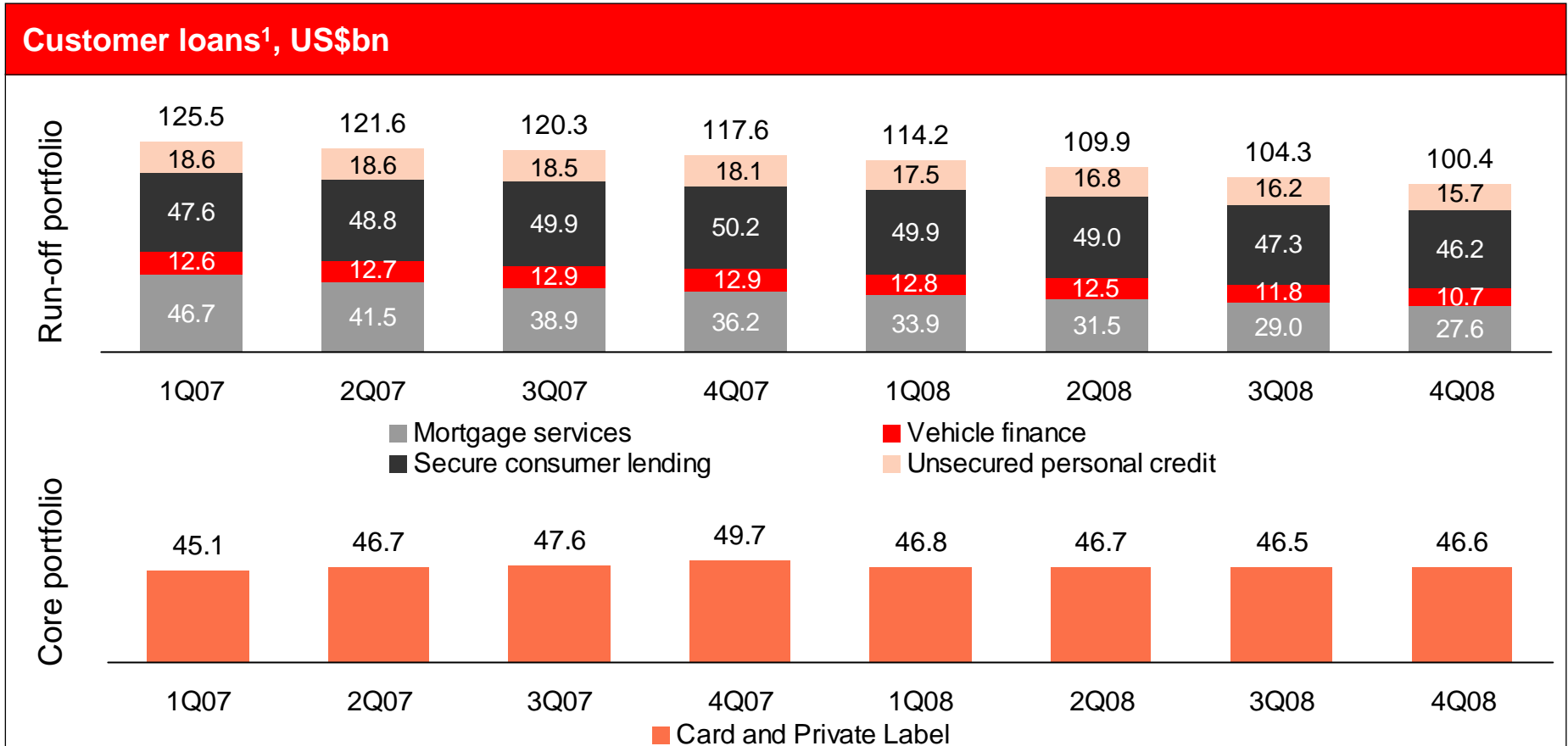


PBT by insurance business, 2008



# Managing capital allocation and balance sheet risk

## Run-off portfolio, US\$100bn in HSBC Finance Corporation



Note:  
 (1) IFRS management basis for US; excludes operations in UK and Canada

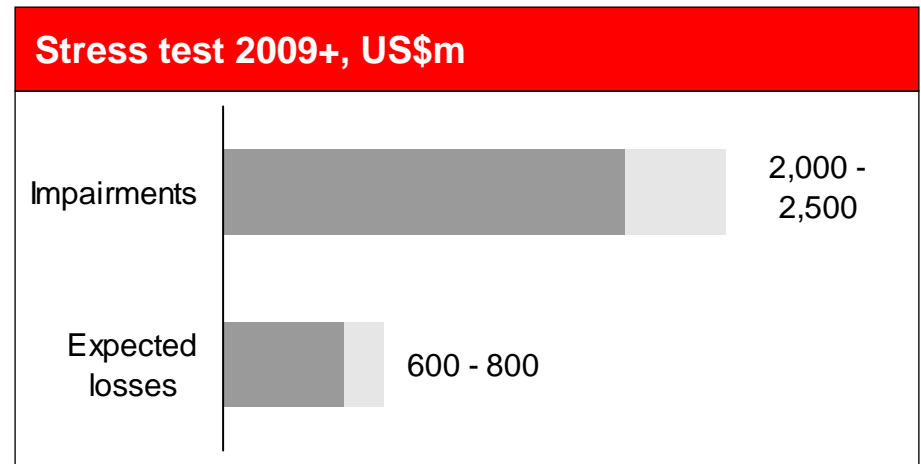
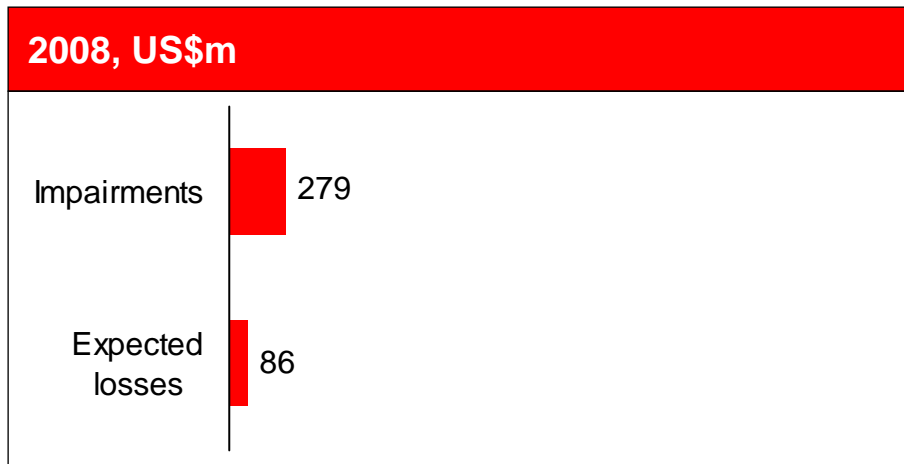
# Managing capital allocation and balance sheet risk

## Available-for-sale (AFS) Asset-Backed Securities (ABS)

US\$bn, 31 Dec 08	Carrying value	AFS reserve
Government agency	20.3	0.3
Structured Investment Conduits (SICs)	14.6	(7.2)
Other	21.3	(11.8)
<b>Total</b>	<b>56.2</b>	<b>(18.7)</b>

First loss protection	
SICs	US\$2.2bn

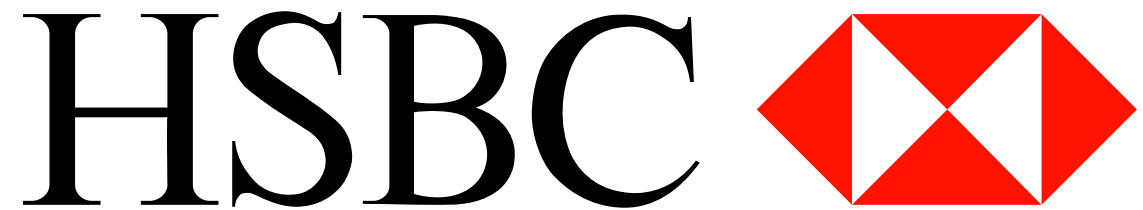
Sector (US\$bn)	Carrying value	AFS reserve
RMBS	5.5	(5.0)
Home Equity Line of Credit (HELOC)	0.3	(0.5)
CMBS	3.1	(1.7)
CDO	3.2	(1.4)
Student loans ABS	2.6	(1.6)
Other	6.6	(1.6)
<b>Total AFS ABS</b>	<b>21.3</b>	<b>(11.8)</b>



## Competitive position strengthened by rights issue to better deliver sustained value over time

	Target range
Return on shareholders' total equity	15 – 19% through the cycle
Cost efficiency ratio	48 – 52%
Tier 1 capital	7.5 – 10.0%
Total shareholder return	Above peer group average

**Strength, diversity and resilience**



**The world's local bank**