

HSBC Holdings plc

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Group Managing Director – Personal Financial Services & Marketing



Presentation to Investors – 13 May 2010



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

Personal Financial Services

Positioning for growth



Diversification – PFS business profitable in 1Q 2010



Growth – increasing premium market share with globally consistent propositions



Lending – balanced and sustainable relationship lending growth



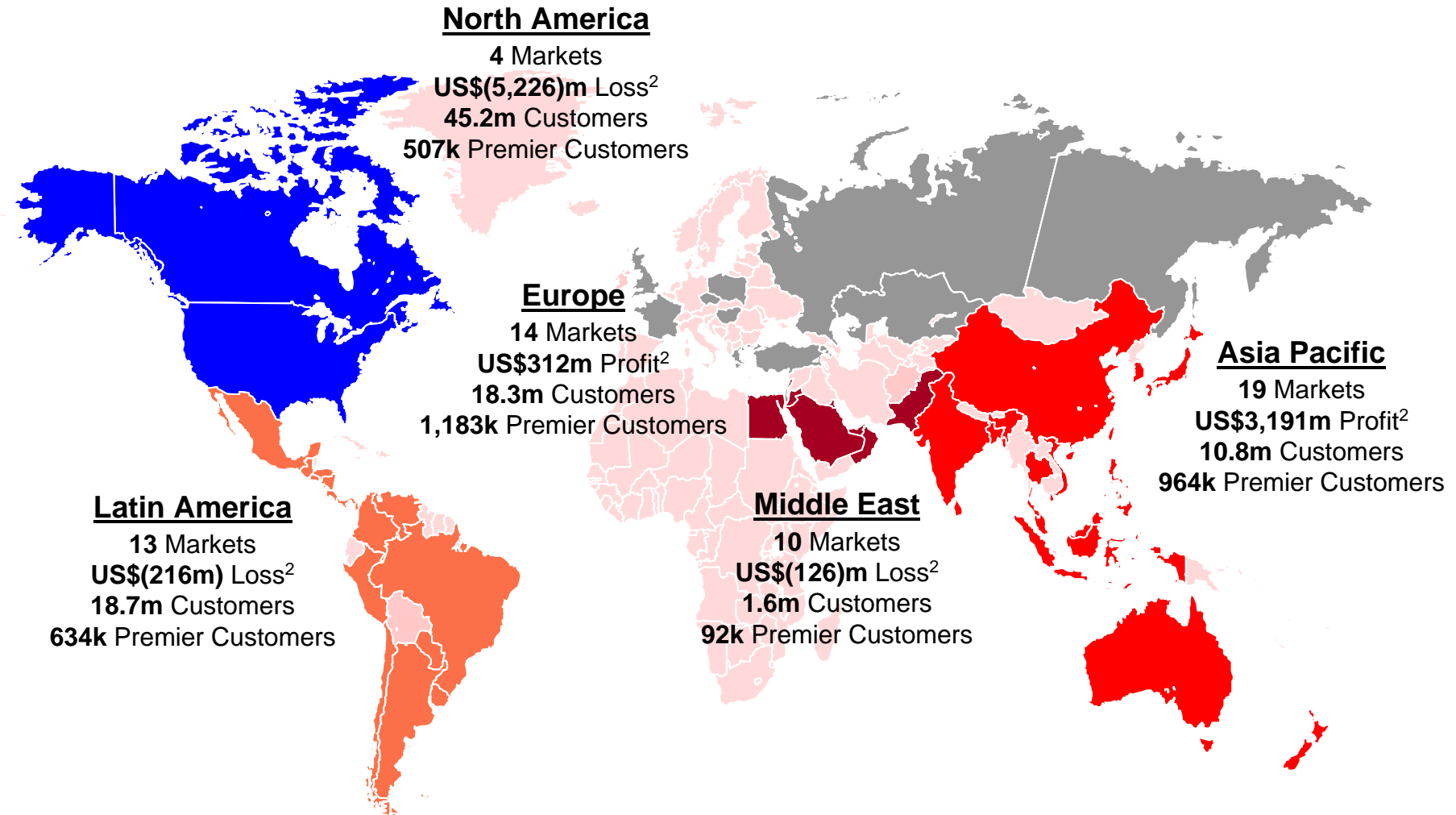
Brand – the leading banking brand in the world



Liquidity – major contributor to Group funding and liquidity position

Diversification

Representation in 60 countries and territories across 5 regions¹



Note:

(1) HSBC Holdings plc Annual Report & Accounts 2009 and HSBC Internal Management Reporting (for non-financial data).

(2) Profit / (Loss) reported before tax.

Diversification

Financial performance 2009¹

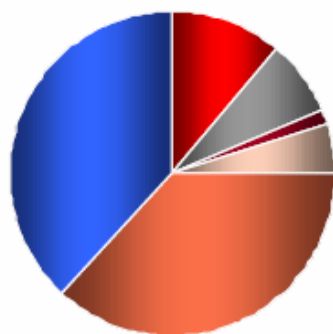
Regional mix, 2009

Profit / (loss) before tax, US\$m

	Reported	Underlying ²
Hong Kong	2,728	2,728
Rest of Asia-Pacific	463	460
Middle East	(126)	(126)
Latin America	(216)	(216)
Europe	312	312
North America	(5,226)	(5,226)
Total	(2,065)	(2,068)

Loans and advances to customers

31 Dec 2009, US\$bn

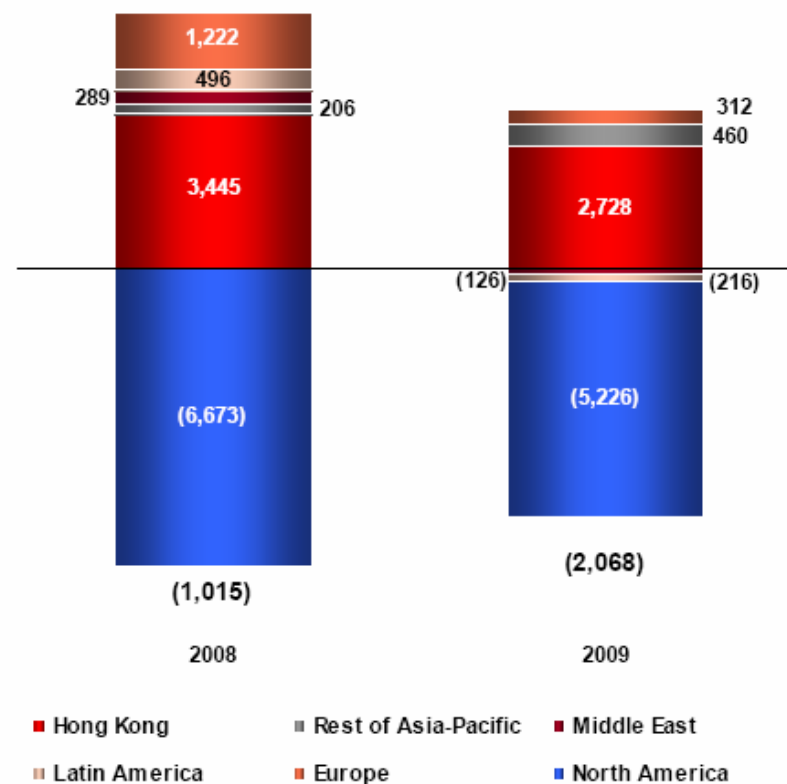


- Hong Kong (44, 11%)
- Rest of Asia-Pacific (30, 8%)
- Middle East (6, 1%)
- Latin America (20, 5%)
- Europe (148, 37%)
- North America (152, 38%)

US\$399.4bn

Regional mix

Profit / (loss) before tax, underlying, ex goodwill impairment, US\$m



Note:

(1) HSBC Holdings plc Annual Results 2009 – Presentation to Investors and Analysts 1 March 2010

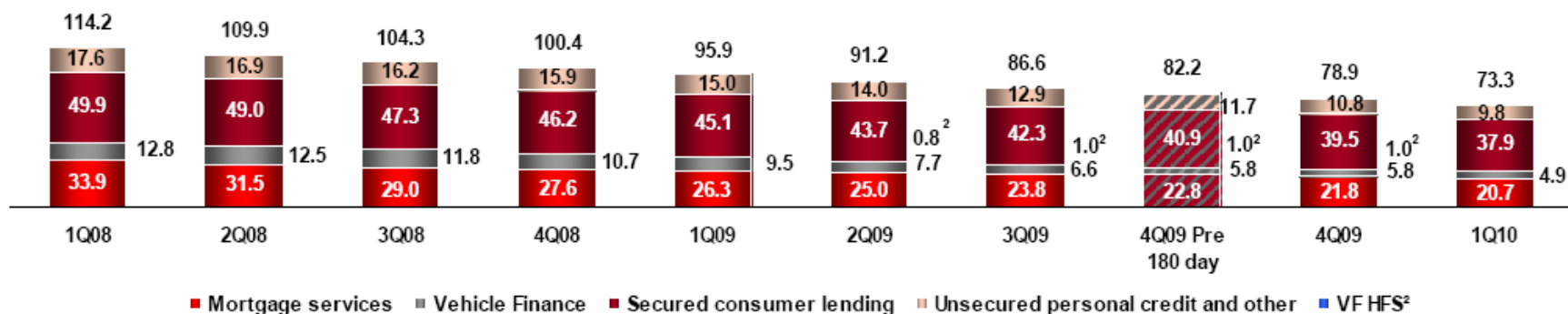
(2) Underlying basis (underlying results eliminate the effects of foreign currency translation differences, acquisitions and disposals of businesses and changes in fair value (FV) of own debt due to credit spread).

HSBC Finance Corporation – 1Q 2010 Results

US customer loans – Run-off portfolio: Down 7% from December 2009

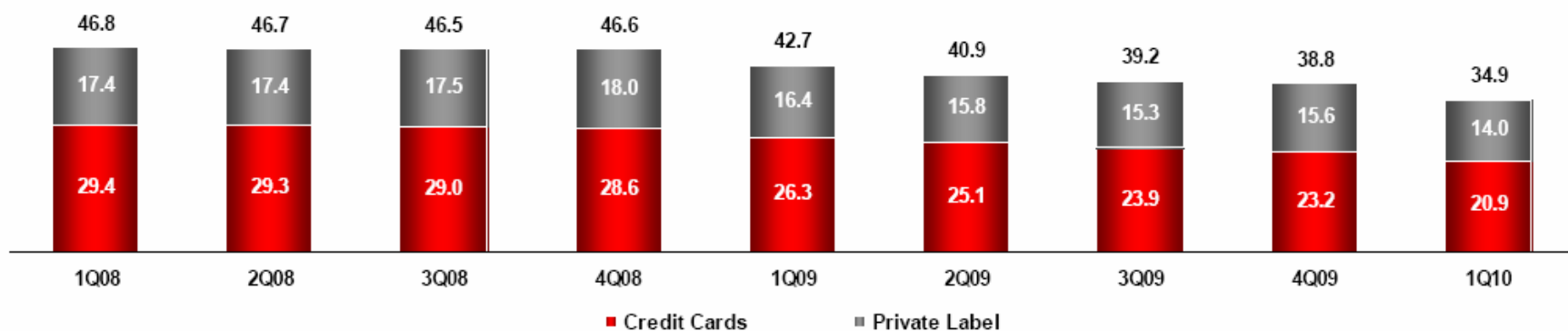
Customer loans¹

Run-off portfolio, US\$bn



Customer loans¹

Core portfolio, US\$bn



Notes:

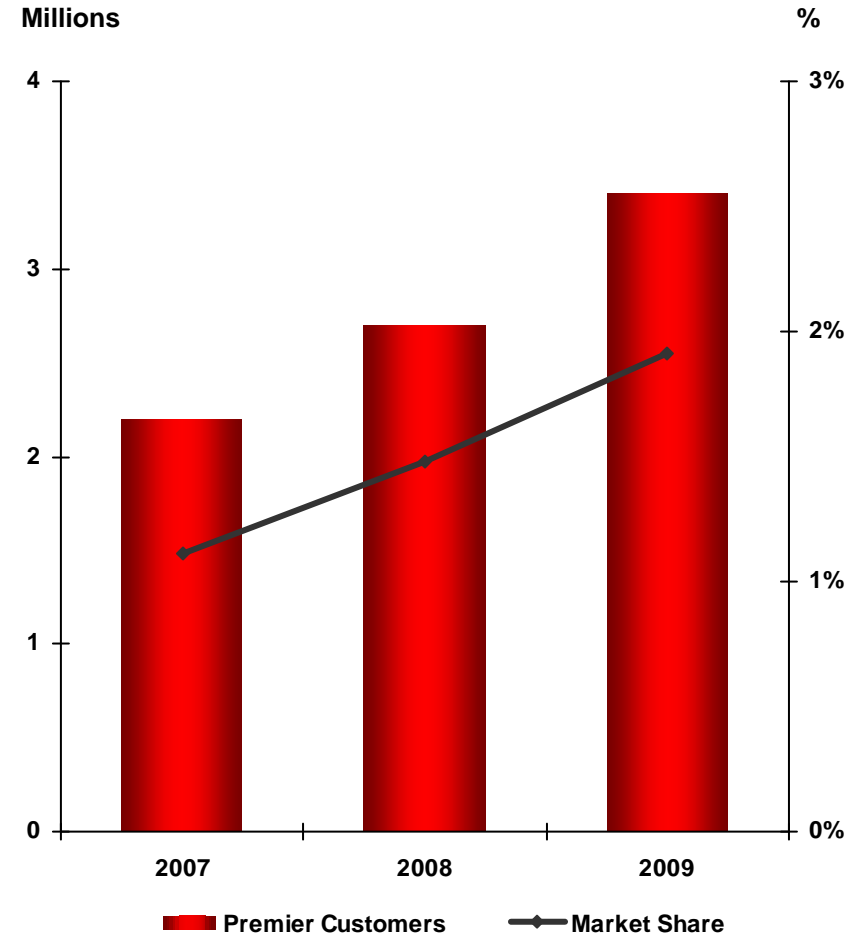
- (1) Excludes reverse repo balances
- (2) Vehicle finance loans held for sale

Growth

Increasing premium market share with globally consistent propositions

- ▶ **Strong Premier customer growth – up 27% in 2009 to 3.4m and growing to 3.6m in 1Q 2010**
- ▶ **Continue to increase our market share of ‘Affluent & Premier’¹ customers, more than 300 International Premier Centres in 45 markets**
- ▶ **More than 5,000 Premier Relationship Managers worldwide**
- ▶ **Launched HSBC Amanah Premier in 2009 – the world’s first Islamic premium banking service**
- ▶ **Launched HSBC Advance in 16 markets worldwide – targeting aspiring Premier customers**

Premier Customer Growth & ‘Affluent’ Market Share¹



Note:

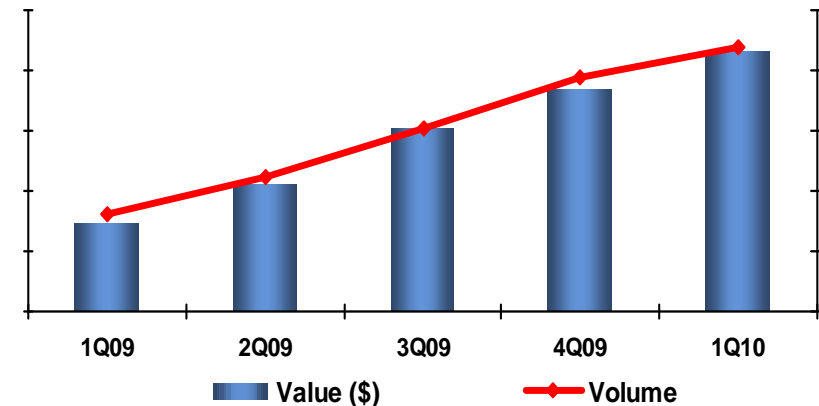
(1) ‘Affluent & Premier’ customer population based on 2008 Datamonitor figures and internal estimates for the mass affluent (US\$100k – US\$2m) segment.

Growth

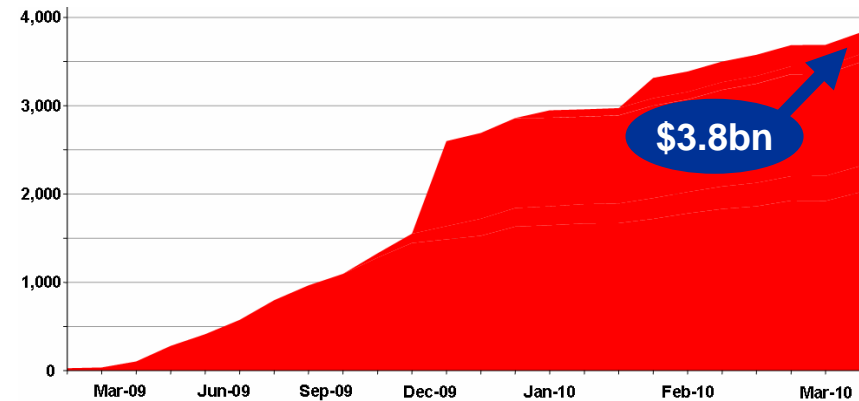
Offering customers unique benefits from connectivity

- ▶ Premier Global Transfers payment functionality offers unique international connectivity to our Premium customers
- ▶ Global Transfers experienced strong growth in both volume (173% YoY²) and value (191% YoY²) as at 1Q 2010
- ▶ Our innovative global investment offering, World Selection, was extended to 17 markets with total AUM of US\$3.8bn as at 1Q 2010

Global Transfers Value & Volume Trends²



World Selection AUM (US\$m)



Note:

(1) Premier Global Transfers MI – to end 1Q 2010.

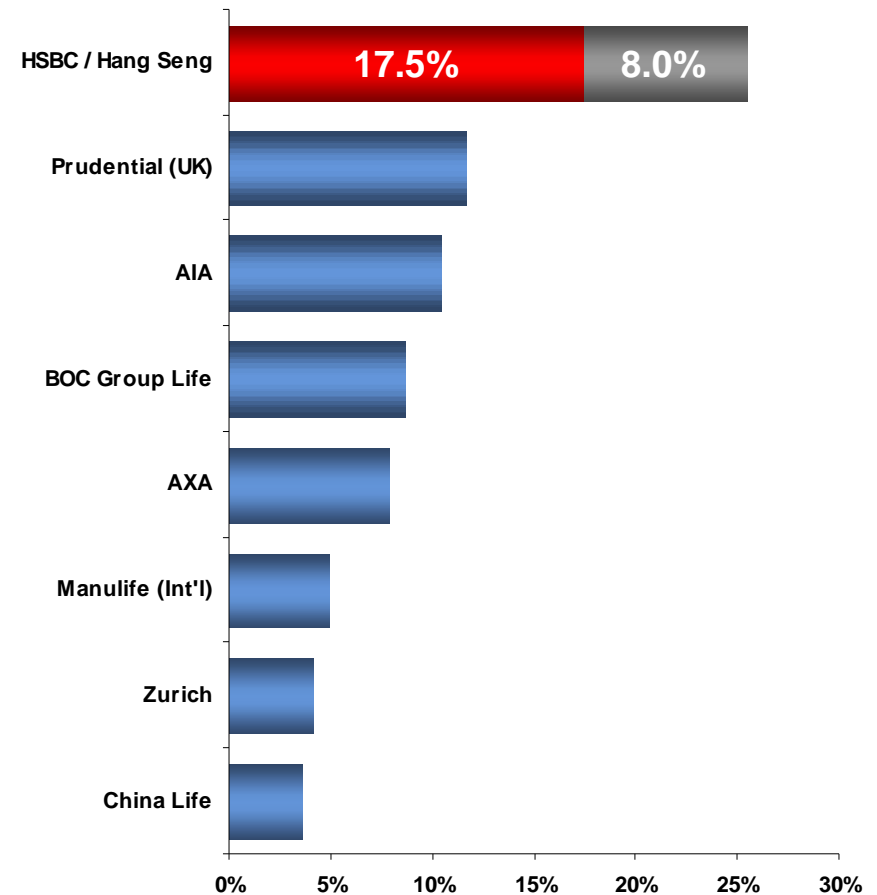
(2) 1st quarter 2010 year-to-date volume (no. of transfers) and value (sum transferred in US\$) vs. the same period in 2009.

Growth

Increasing wealth management penetration: Case Study Hong Kong

- ▶ In Hong Kong, HSBC remained in the # 1 position for new written premiums of life insurance business in 2009
- ▶ Leading both linked and non-linked regular premium (RP) business

Share of new life insurance premiums in Hong Kong¹



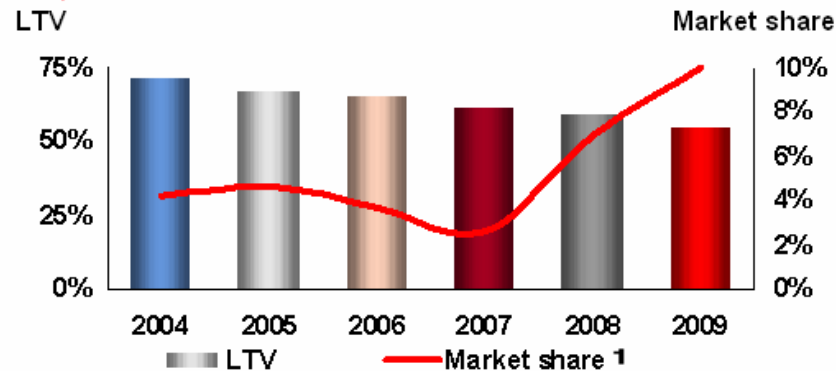
Note:

(1) Office of the Commissioner of Insurance (Full Year 2009 Provisional Statistics on Hong Kong Long Term Insurance Business). HSBC includes HSBC Life (17.5%) and Hang Seng Insurance (8.0%).

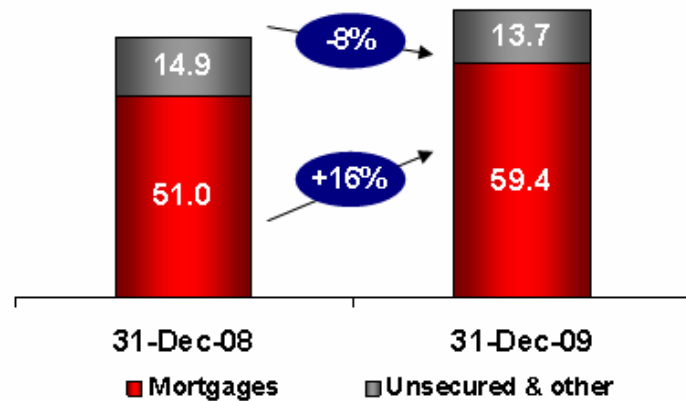
Lending

Growing quality assets: Case Study United Kingdom

LTV and market share of new mortgage business in the UK, US\$bn



PFS loans and advances, £bn



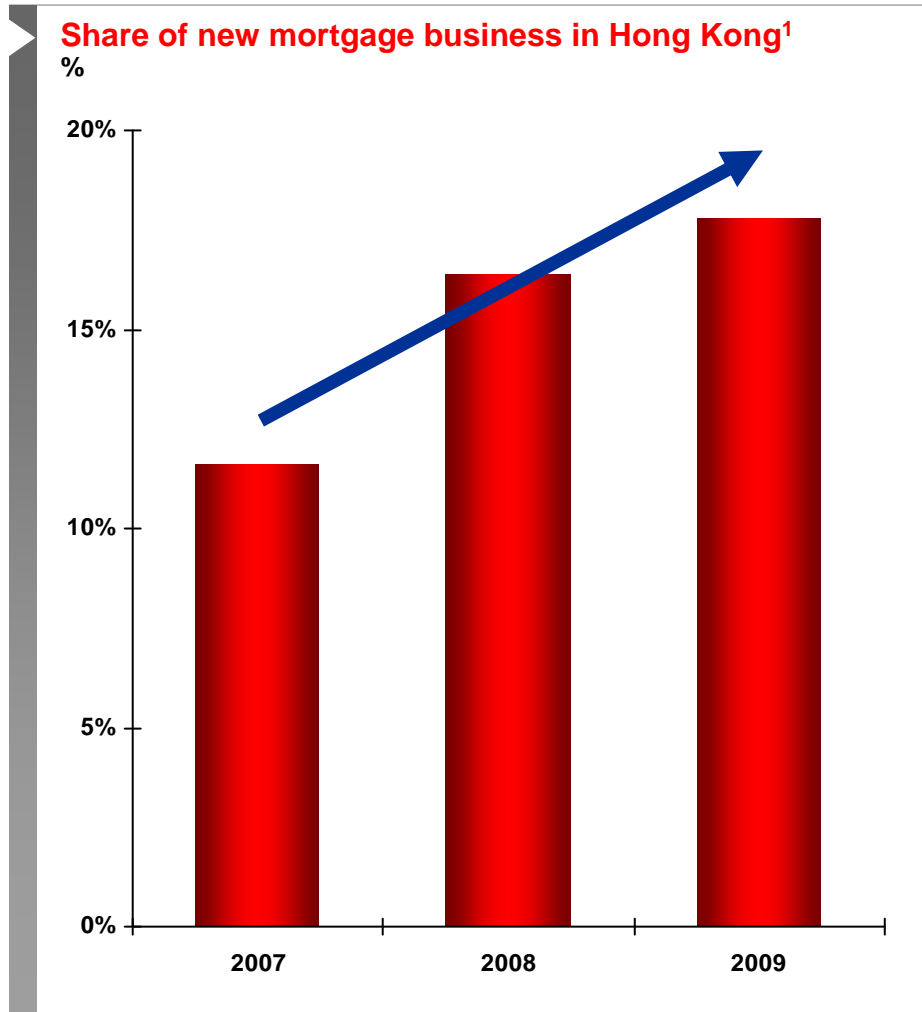
- ▶ **Strong liquidity position (85% A:D ratio in 2009) allows for measured growth in quality assets**
- ▶ **Market share of new gross mortgage lending increased from 7% in 2008 to 10% in 2009**
- ▶ **Reduced unsecured lending through tightening credit policies from 4Q 2008 and focus on new customers with full banking relationships**
- ▶ **Loan impairment charges as a percentage of advances remained below half that of the level seen during the 1990s recession**

Note:

(1) Percentage of HSBC gross mortgage advances to Council of Mortgage Lenders published market size.

Lending

Growing market share: Case Study Hong Kong



- ▶ **Achieved # 1 market share for new residential mortgages in 2009**
- ▶ **Launch of HIBOR based plans and a renewed focus on mortgages expected to drive growth in 2010**
- ▶ **Maintained dominance in cards as the largest credit card issuer in Hong Kong (CIC)**

Note:

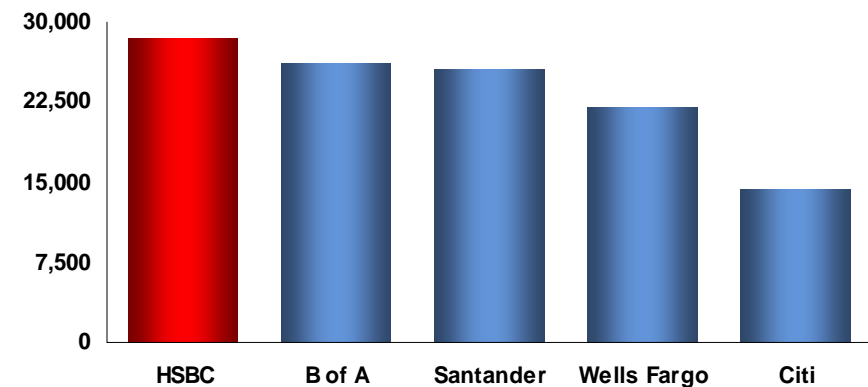
(1) Source: mReferral, based on new residential mortgages

Brand

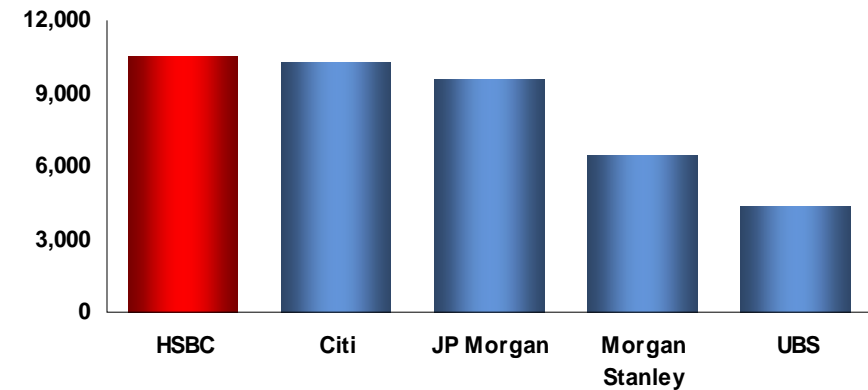
The leading banking brand in the world

- ▶ The HSBC brand is stronger and more valuable than it has ever been
- ▶ Brand Finance and Interbrand both value the HSBC brand as the most valuable banking brand in the world
- ▶ Active brand positioning – *'HSBC helps you unlock the world's potential'*

Brand Finance – Banking Brand Value 2010 (US\$m)



Interbrand – Banking Brand Value 2009 (US\$m)

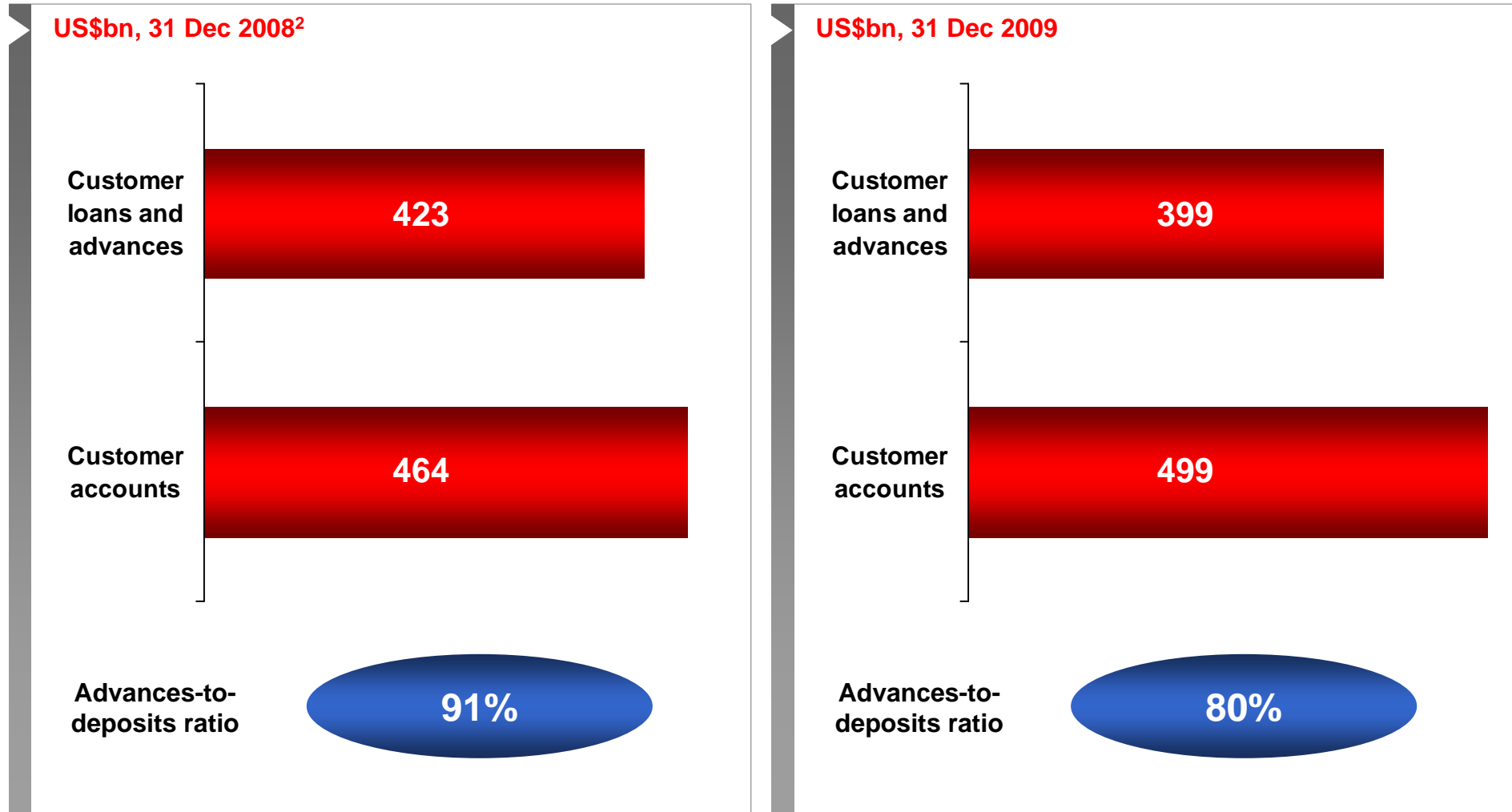


Note:

(1) Source: Brand Finance Top 500 Banking Brands 2010, Interbrand Best Global Brands 2009.

Liquidity

PFS advances-to-deposits ratio improved from **91%** in 2008 to **80%** in 2009¹



Note:

- (1) Adapted from HSBC Holdings plc Annual Results 2009 – Presentation to Investors and Analysts 1 March 2010
- (2) Underlying basis

Appendix 1: PFS Financial performance in 2009

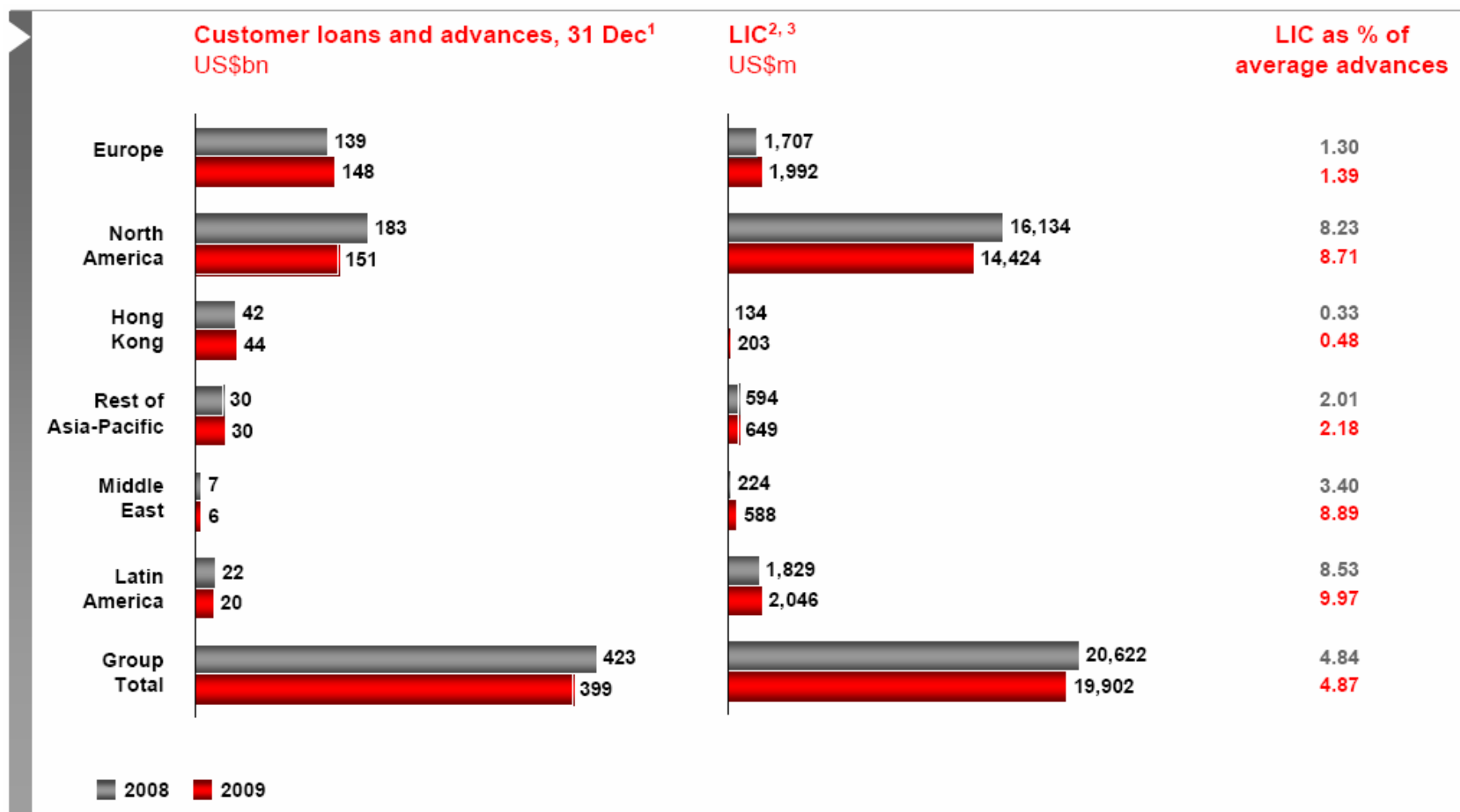
Personal Financial Services 2009¹

US\$m	Reported		Underlying		% Better / (worse) 2009 vs 2008	
	2008	2009	2008	2009	Reported	Underlying
Net operating income before loan impairment charges	41,489	35,415	38,863	35,411	(15)	(9)
Loan impairment charges and other credit risk provisions	(21,220)	(19,902)	(20,622)	(19,902)	6	3
Net operating income	20,269	15,513	18,241	15,509	(23)	(15)
Total operating expenses, ex goodwill impairment	(21,140)	(18,292)	(19,730)	(18,291)	13	7
Operating profit	(871)	(2,779)	(1,489)	(2,782)	(219)	(87)
Associates and joint ventures	461	714	474	714	55	51
Profit before tax, ex goodwill impairment	(410)	(2,065)	(1,015)	(2,068)	(404)	(104)
Goodwill impairment	(10,564)	-	(10,564)	-	n/a	n/a
Profit before tax	(10,974)	(2,065)	(11,579)	(2,068)	81	82
Customer loans and advances	401,402	399,460	422,520	399,460	-	(5)
Customer accounts	440,338	499,109	464,367	499,109	13	7
Cost efficiency ratio (%)	51.0	51.7	50.8	51.7		

Note:

(1) HSBC Holdings plc Annual Results 2009 – Presentation to Investors and Analysts 1 March 2010

Credit Quality 2009



Notes:

- (1) 2008 figures for customer loans and advances are on an underlying basis
- (2) Loan impairment charge and other credit risk provisions
- (3) 2008 figures for LIC are on an underlying basis

Appendix 2: HSBC Finance 1Q 2010 Results

HSBC Finance Corporation

1Q 2010 Financial Results¹

US\$m	1Q 2009	1Q 2010	% Better / (worse) 2010 vs 2009
Net operating income before loan impairment charges ex changes in Fair Value Option (FVO)	3,284	2,616	(20)
Loan impairment charges and other credit risk provisions	(3,946)	(2,294)	42
Total operating expenses, ex goodwill impairment	(1,100)	(794)	28
Loss before tax ex goodwill and FVO	(1,762)	(472)	73
Customer loans and advances (as at 31 March) ²	139,609	109,884	(21)

Notes:

(1) The figures are presented on an IFRS management basis. Loss before tax ex goodwill and FVO can be reconciled to profit (loss) before tax as reported in Form 10-Q as follows:

	1Q 2009	1Q 2010
Loss before tax ex goodwill and FVO	\$ (1,762)	\$ (472)
Adjustments		
FVO income/(loss)	3,991	(78)
Goodwill	(1,815)	-
Profit (loss) before tax as reported in Form 10-Q	<u>\$ 614</u>	<u>\$ (550)</u>

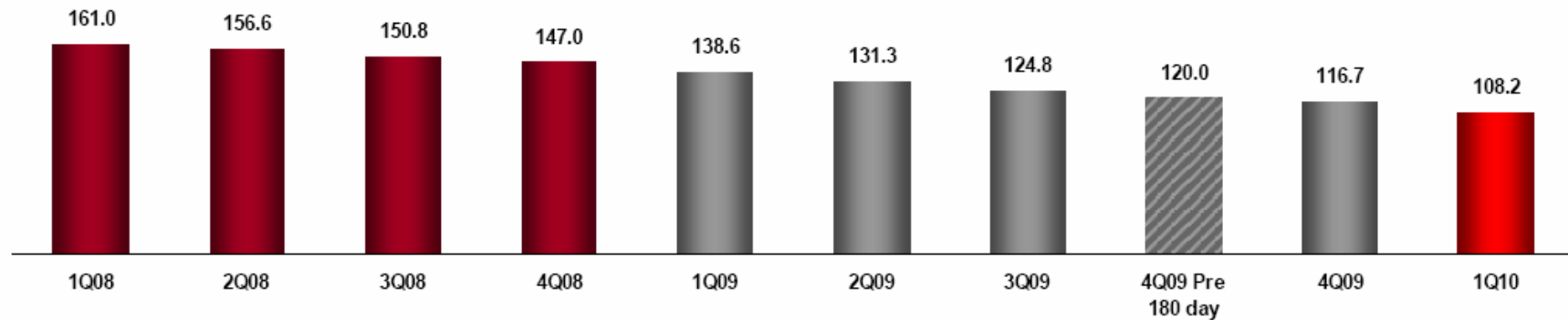
See note 15 'Business Segments' of Form 10-Q for the period ended 31 Mar 2010 for reconciliation of IFRS to US GAAP

(2) Customer loans and advances included reverse repo balances of US\$1,700m at 31 Mar 2010 (\$1,000m at 31 Mar 2009)

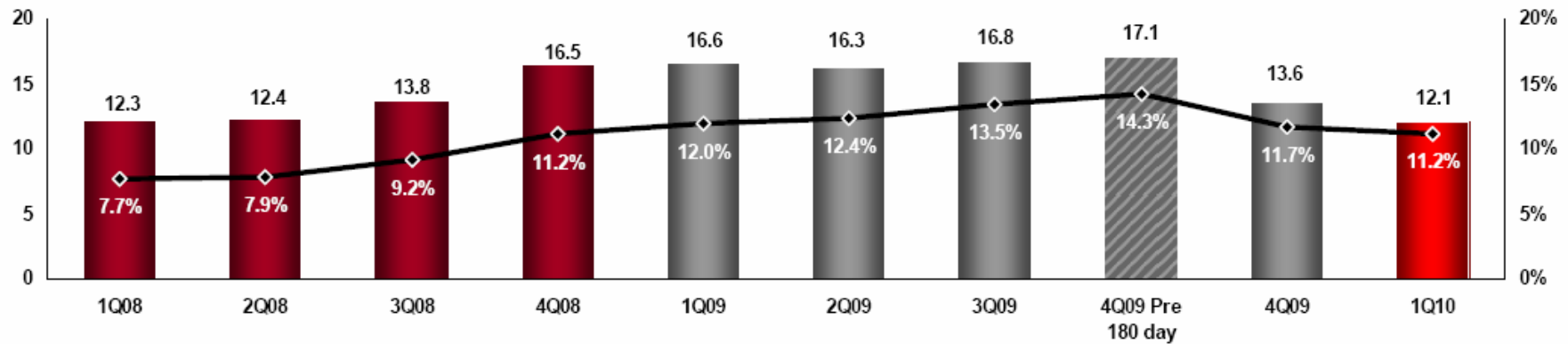
HSBC Finance Corporation

Continued reduction of balance sheet in the US

Customer loans¹, US\$bn



2+ Delinquency^{1, 2}, US\$bn



Notes:

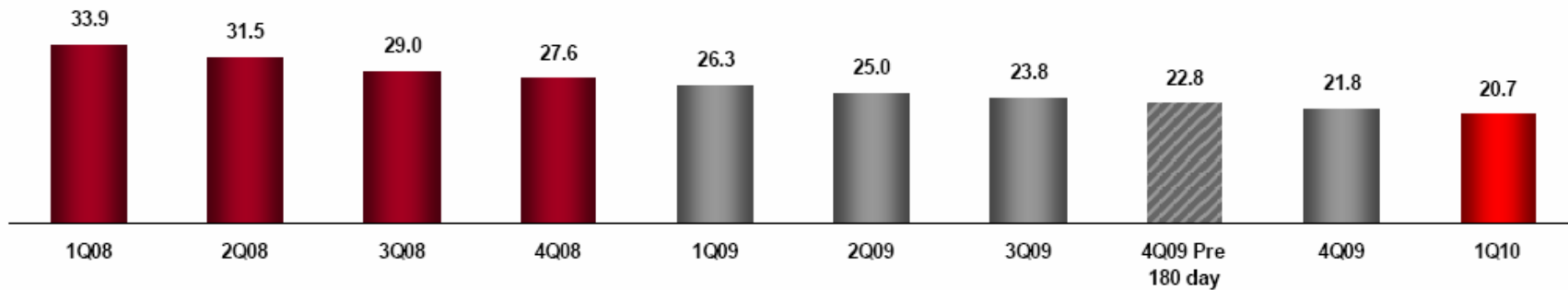
(1) Excludes reverse repo balances and vehicle finance loans held for sale

(2) 2+ Delinquency ratio as a percentage of end-of-period customer loans

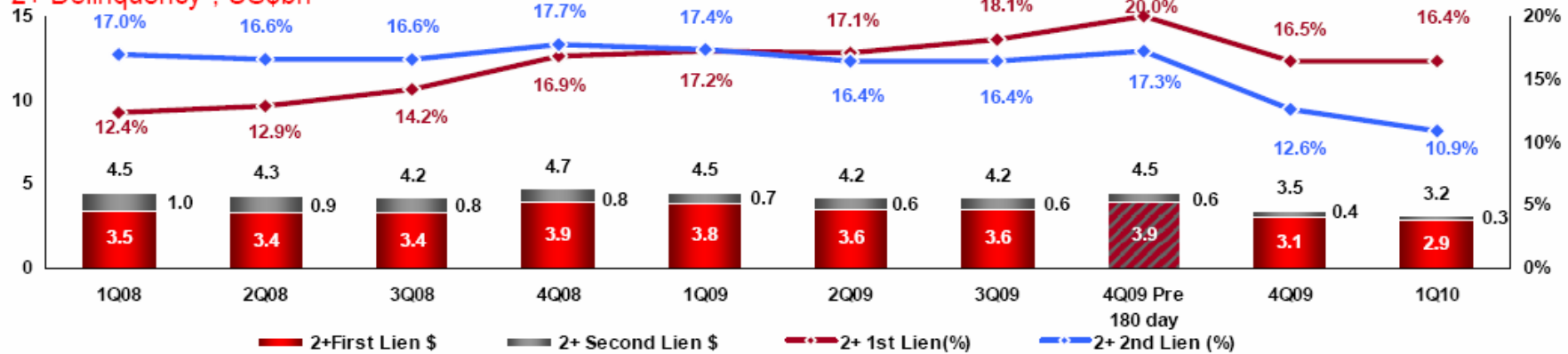
HSBC Finance Corporation

US Mortgages: Continuing to shrink the Mortgage Services portfolio

Mortgages Services
Customer loans, US\$bn



Mortgages Services
2+ Delinquency¹, US\$bn

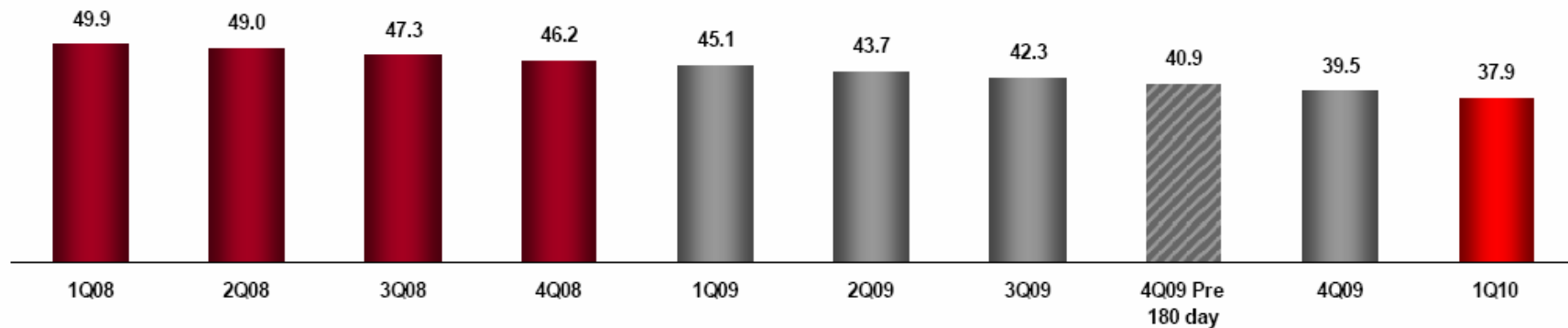


Note:
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans

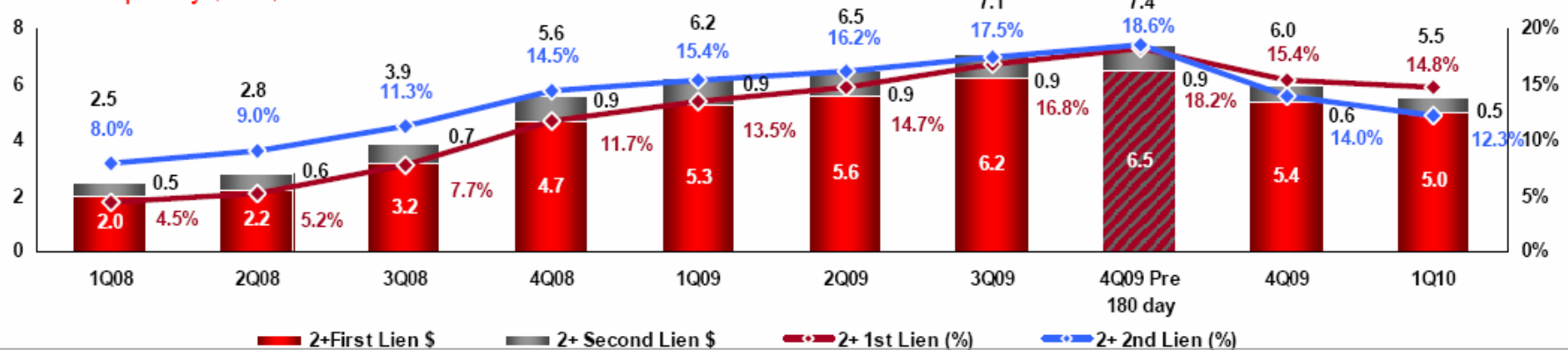
HSBC Finance Corporation

US Mortgages: Continuing to shrink the Consumer Lending portfolio

Consumer Lending
Customer loans, US\$bn



Consumer Lending
2+ Delinquency¹, US\$bn



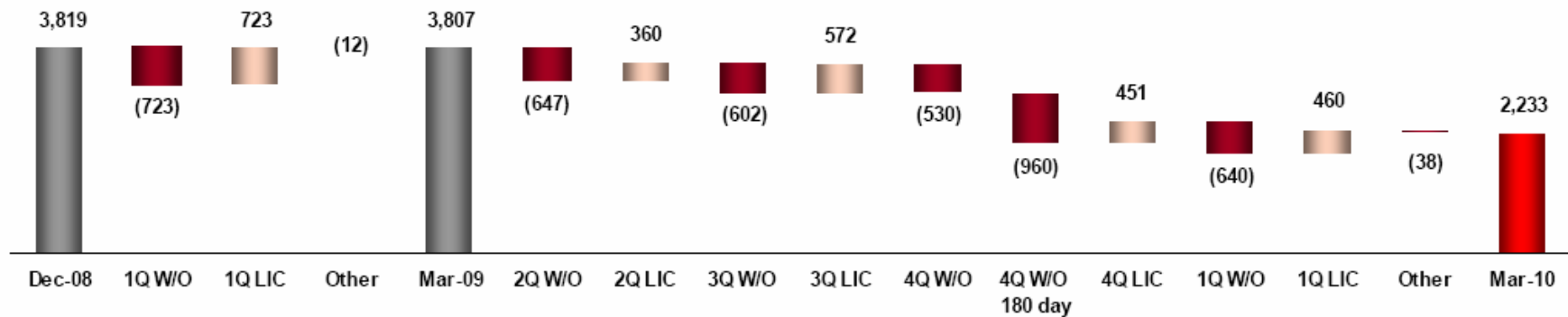
Note:

(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans

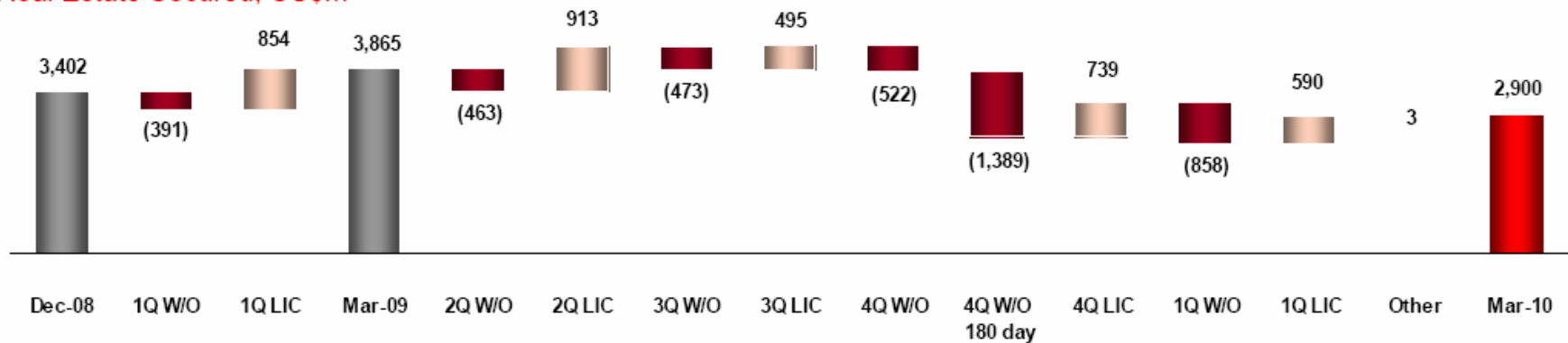
HSBC Finance Corporation

Impairment Allowance

Mortgage Services Real Estate Secured, US\$m

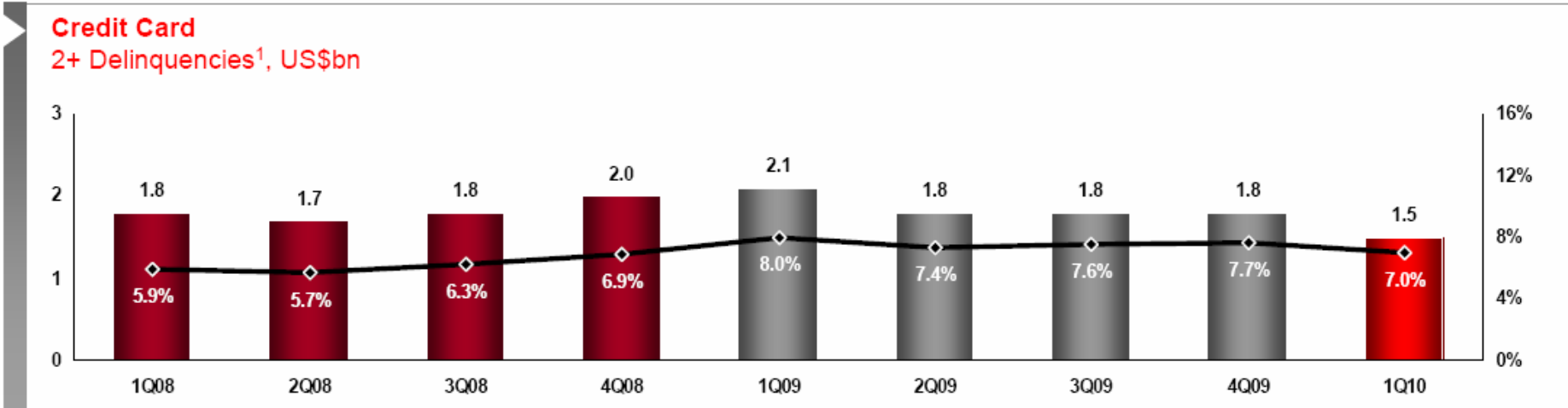
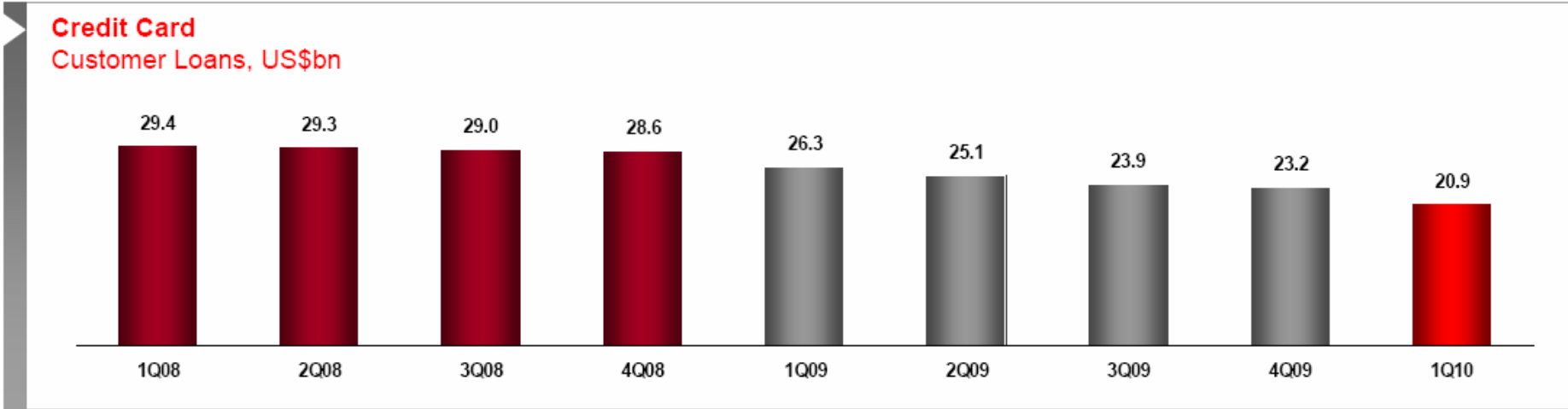


Consumer Lending Real Estate Secured, US\$m



HSBC Finance Corporation

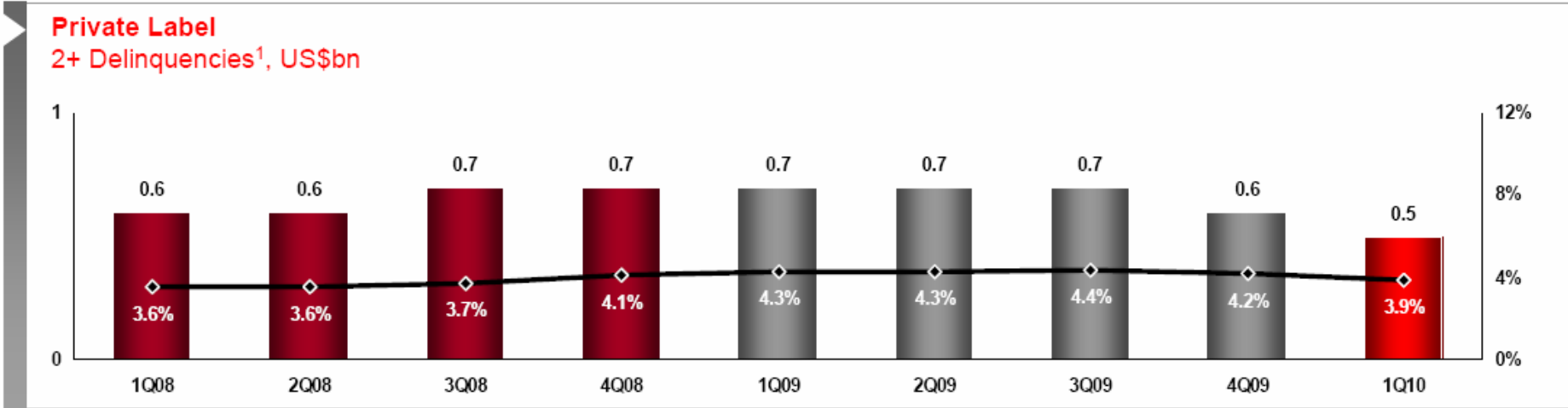
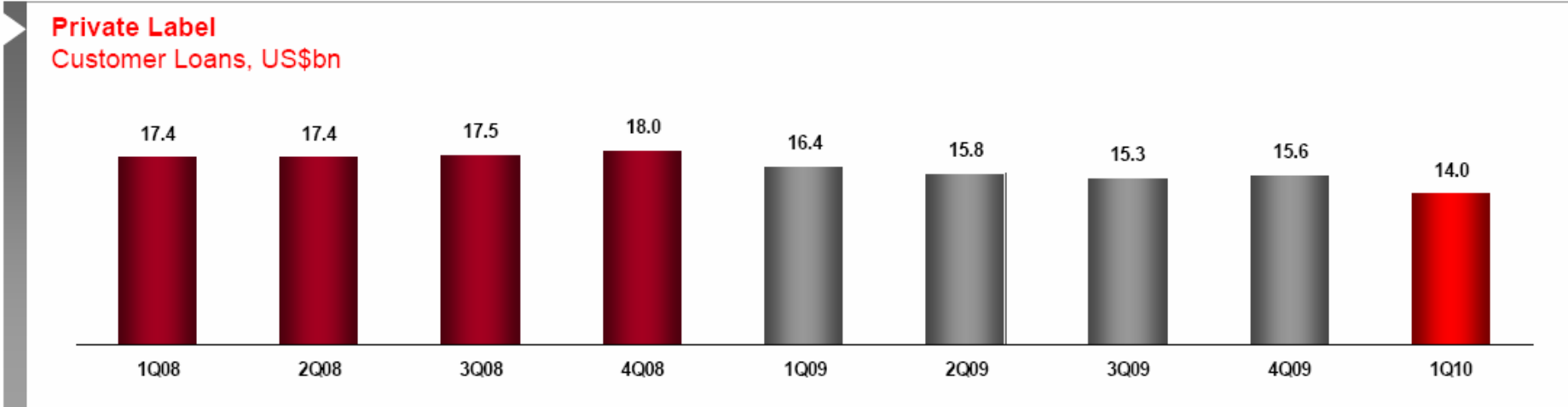
Managing risk in cards: Credit Card



Note:
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans

HSBC Finance Corporation

Managing risk in cards: Private Label

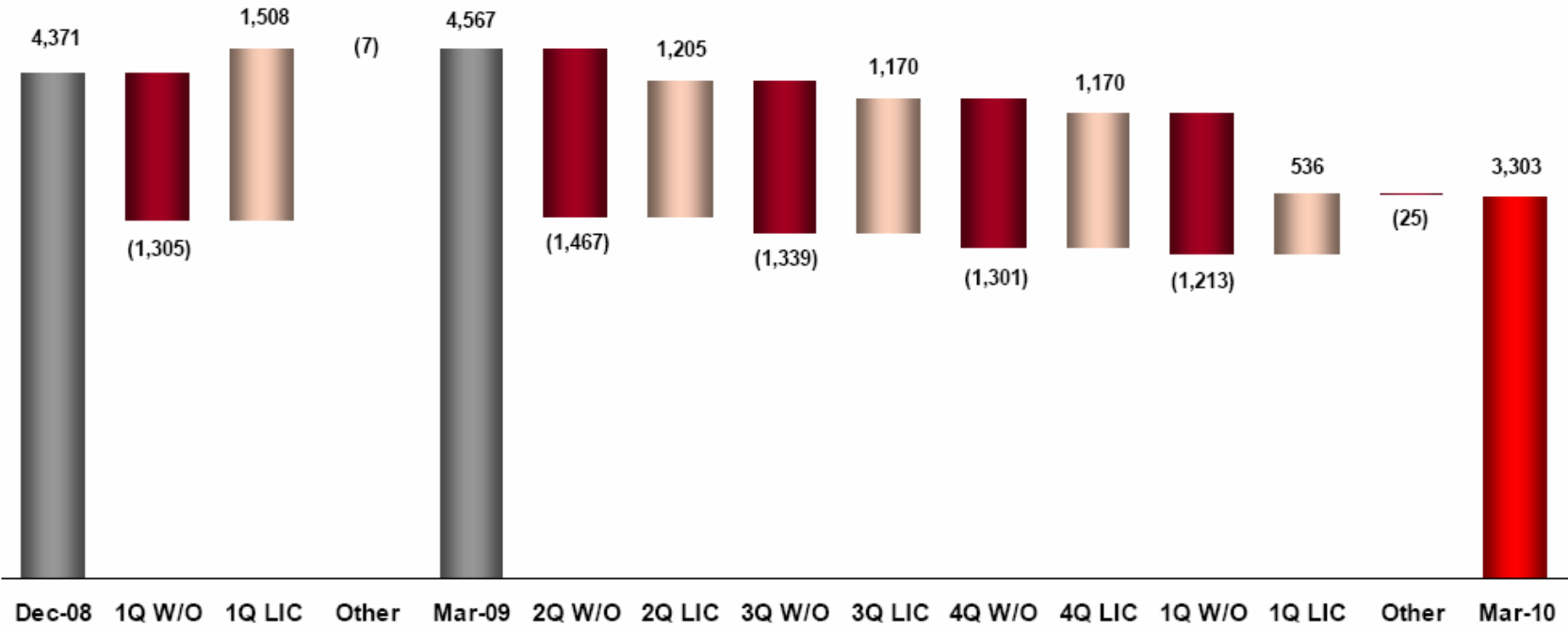


Note:
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans

HSBC Finance Corporation

Impairment allowance

Credit Card and Private Label, US\$m

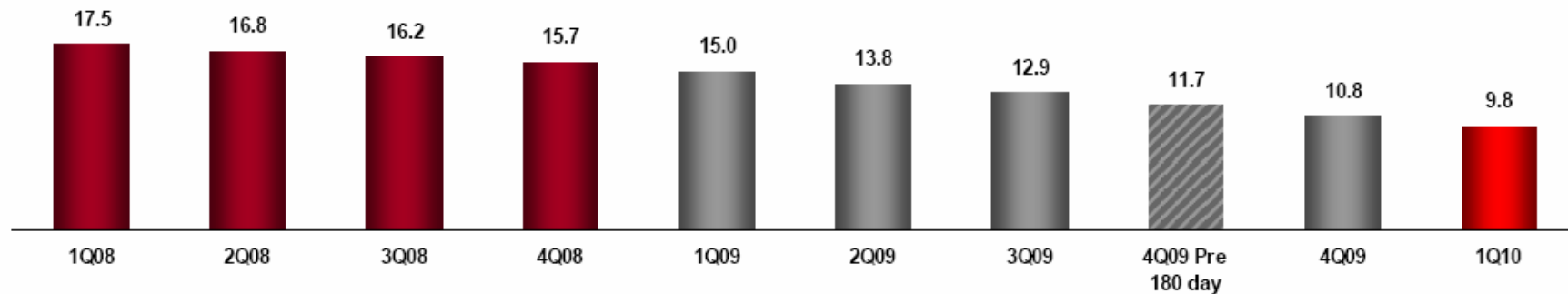


Note:
 (1) 2+ Delinquency ratio as a percentage of end-of-period customer loans

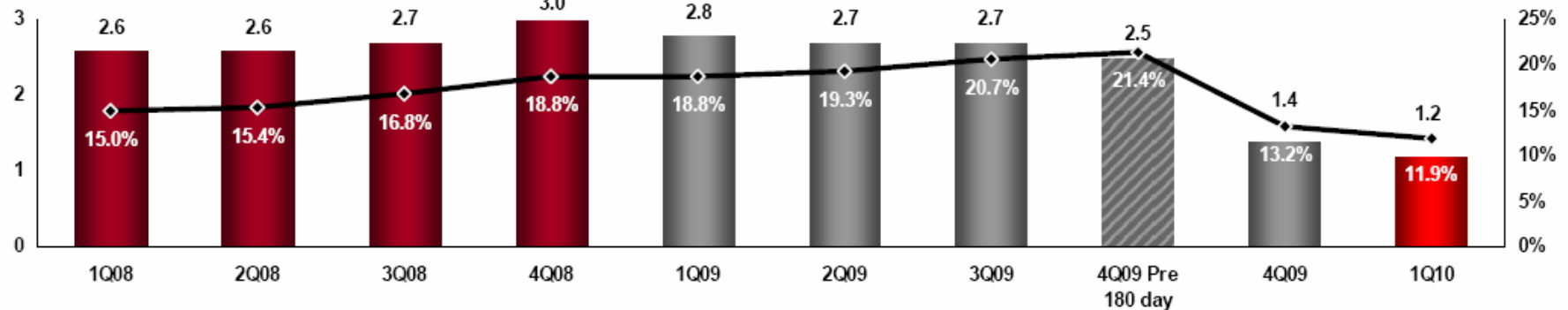
HSBC Finance Corporation

Manage personal non-credit card run-off

Personal Non-Credit Card and Other Unsecured Customer Loans, US\$bn



Personal Non-Credit Card and Other Unsecured 2+ Delinquencies¹, US\$bn



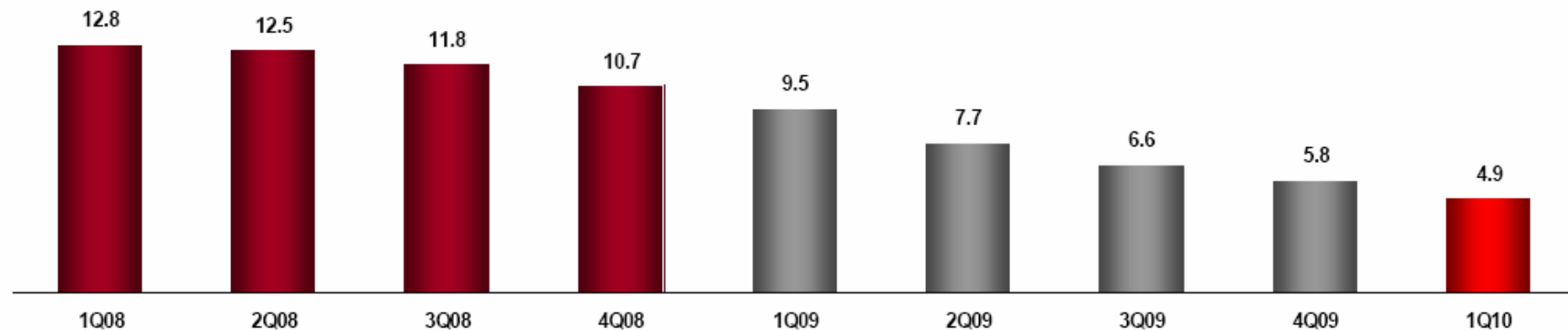
Note:

(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans

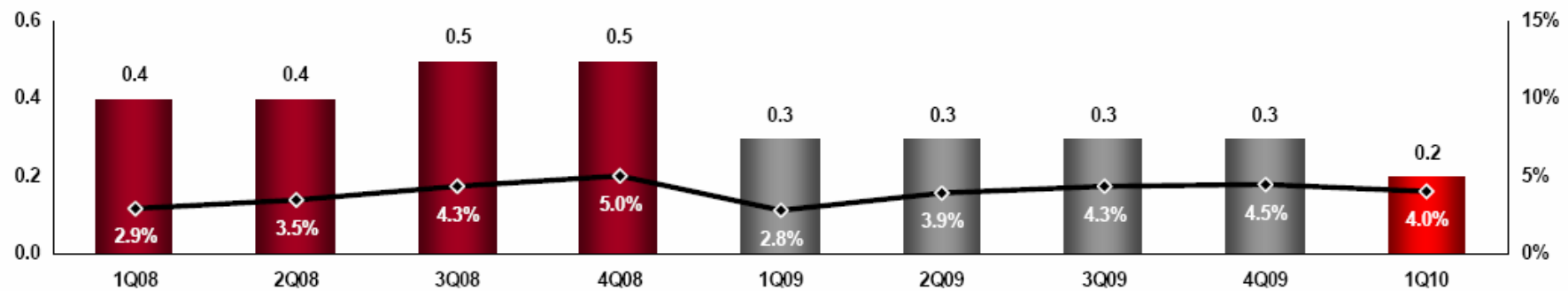
HSBC Finance Corporation

Manage vehicle finance run-off¹

Vehicle Finance
Customer Loans⁽²⁾, US\$bn



Vehicle Finance
2+ Delinquencies⁽¹⁾⁽²⁾, US\$bn



Notes:

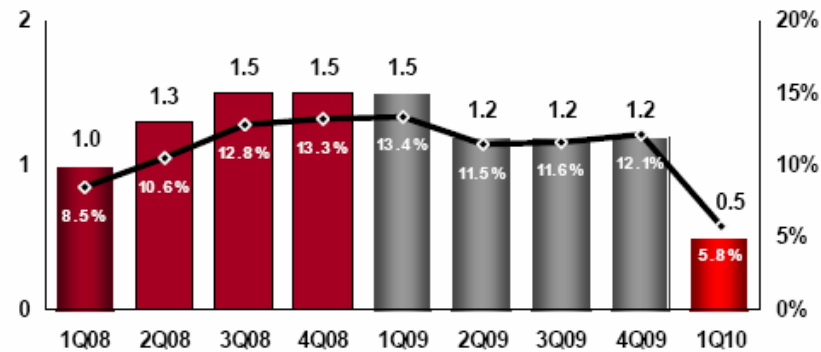
(1) 2+ Delinquency ratio as a percentage of end-of-period customer loans

(2) Excludes vehicle finance held for sale loans

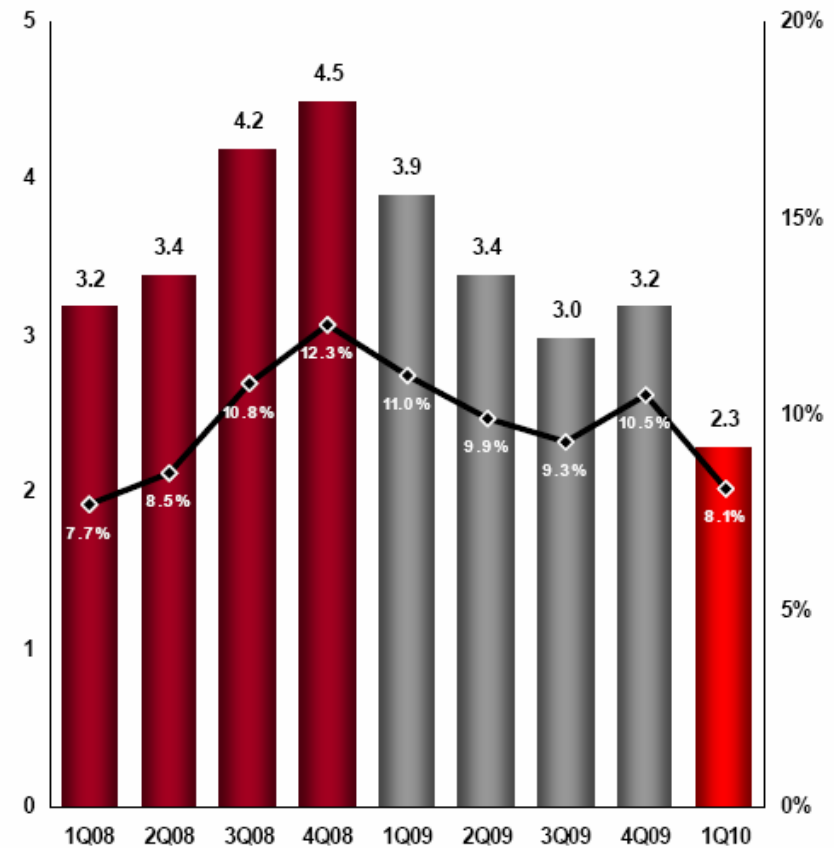
HSBC Finance Corporation

Loan impairment charges^{1,2}

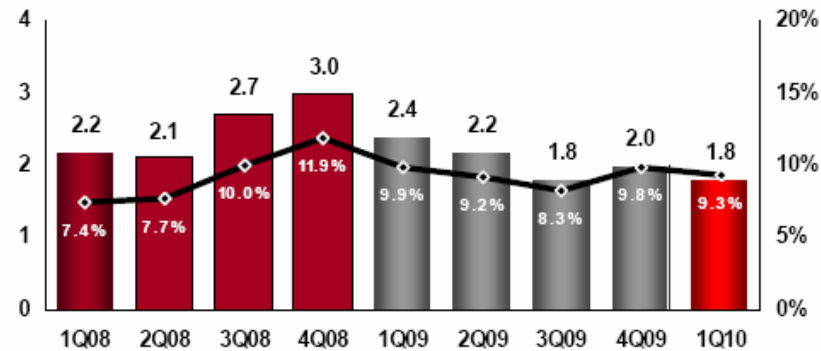
Core Portfolio, US\$bn



Total HSBC Finance Corp, US\$bn



Run-off Portfolio, US\$bn



Notes:

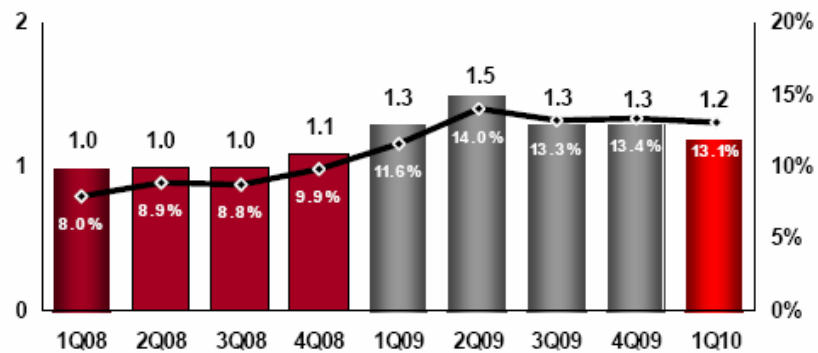
(1) Excludes reverse repo balances

(2) Loan impairment charge ratio as a percentage of average total loans (quarter annualised)

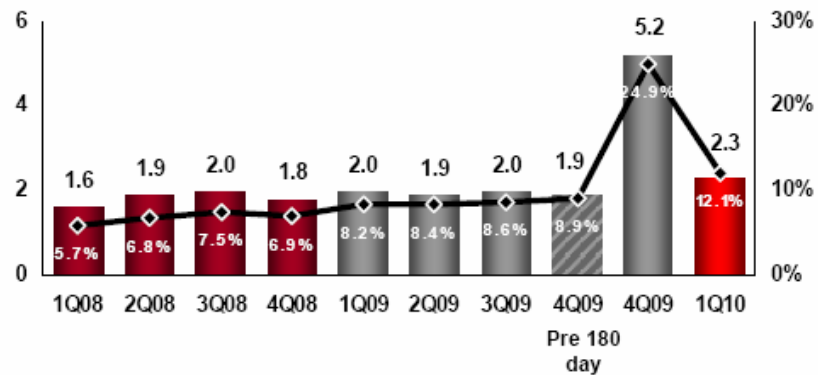
HSBC Finance Corporation

Amount written off^{1,2}

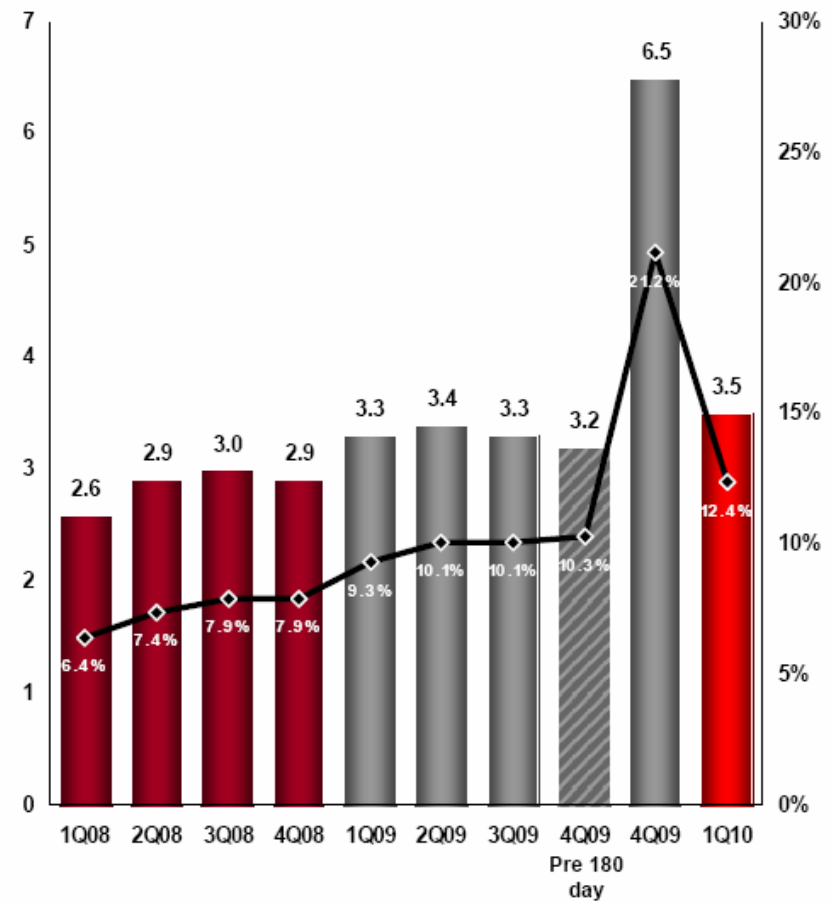
Core Portfolio, US\$bn



Run-off Portfolio, US\$bn



Total HSBC Finance Corp, US\$bn



Notes:

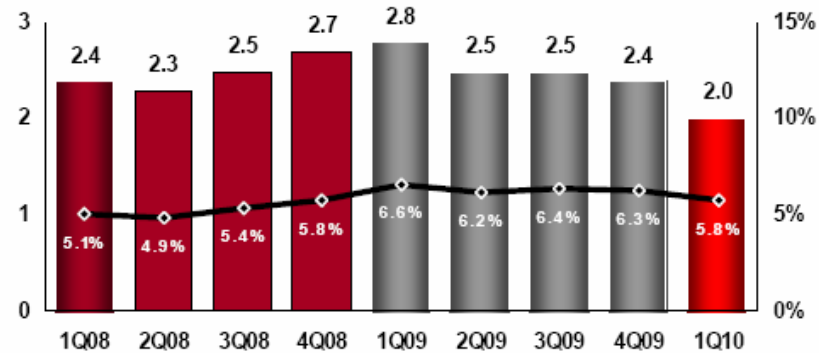
(1) Excludes reverse repo balances

(2) Loans written-off ratio as a percentage of average total loans (quarter annualised)

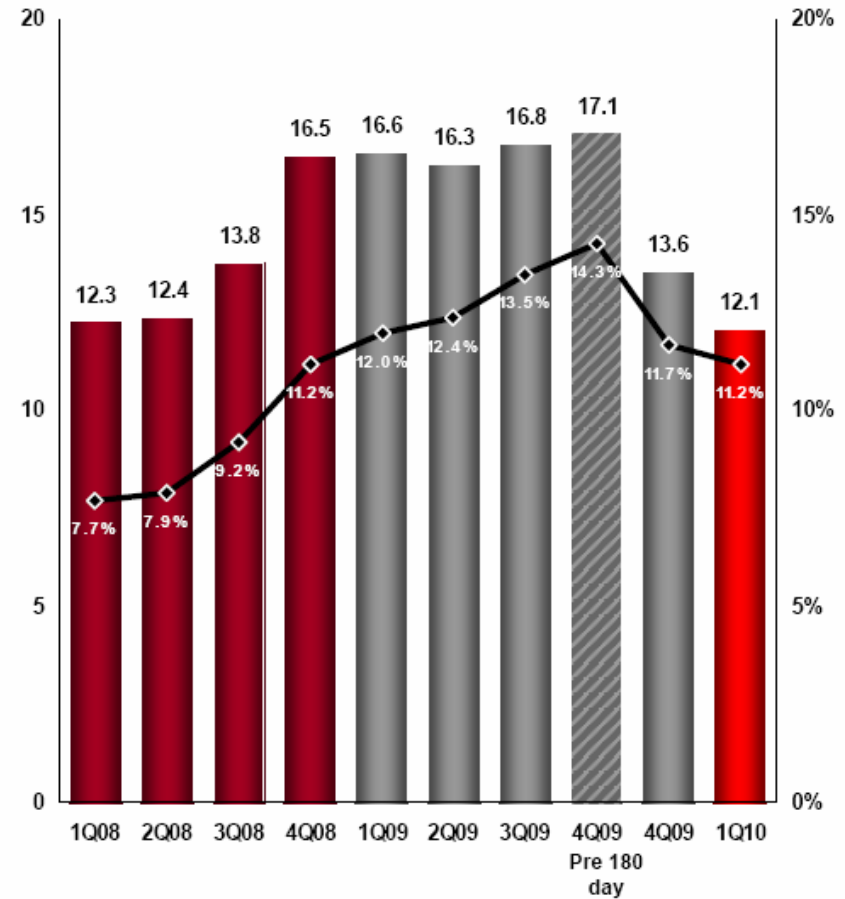
HSBC Finance Corporation

2+ Delinquency^{1,2}

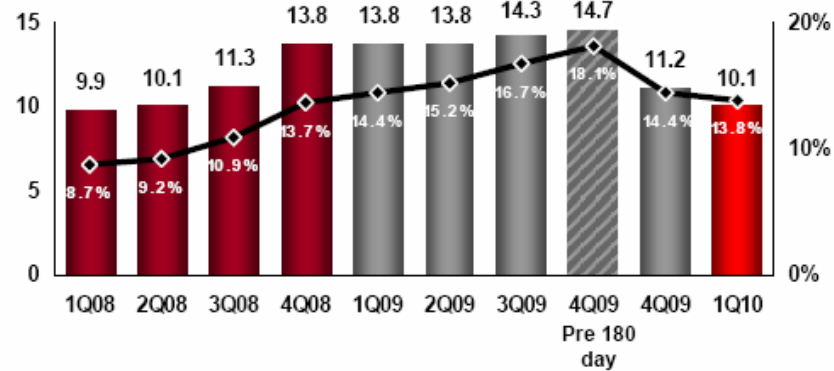
Core Portfolio, US\$bn



Total HSBC Finance Corp, US\$bn



Run-off Portfolio, US\$bn



Notes:

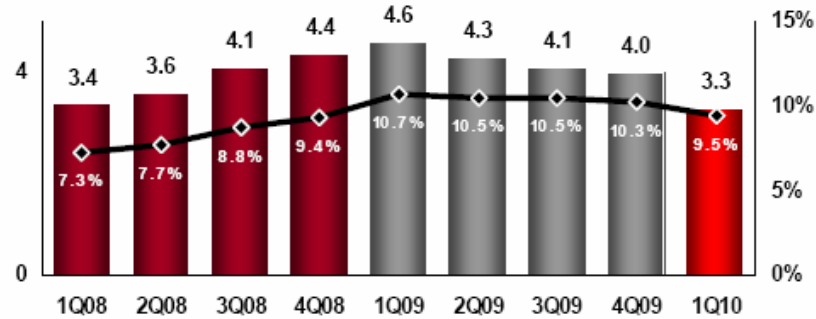
(1) Excludes reverse repo balances

(2) 2+ Delinquency ratio as a percentage of end-of-period customer loans

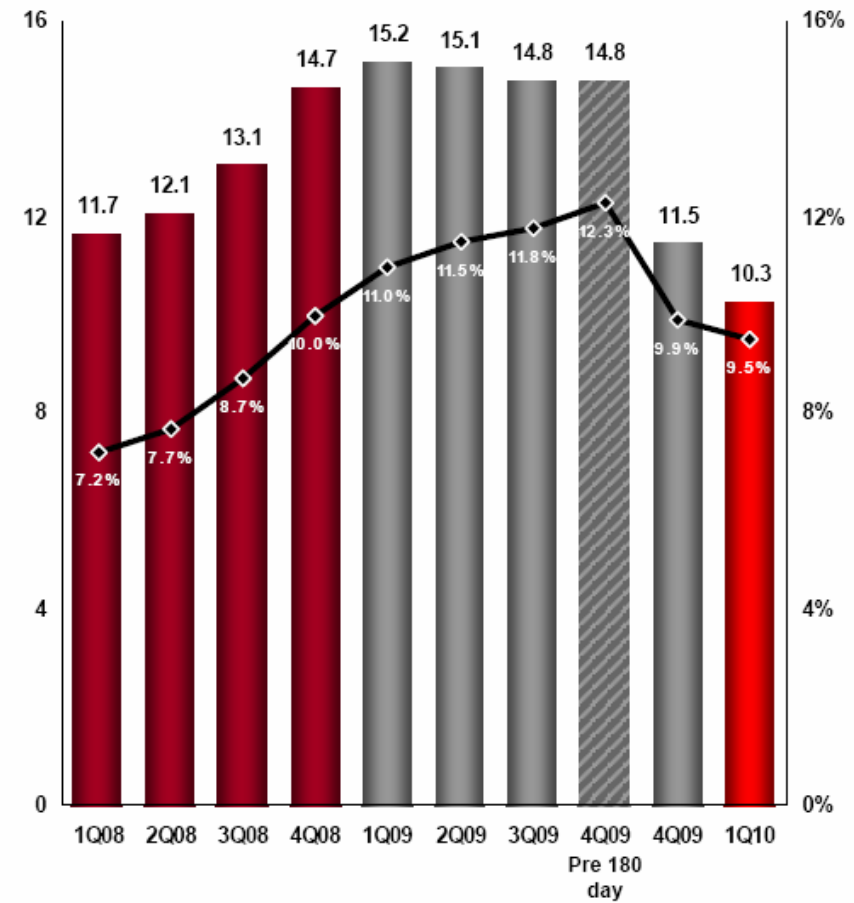
HSBC Finance Corporation

Impairment allowance^{1,2}

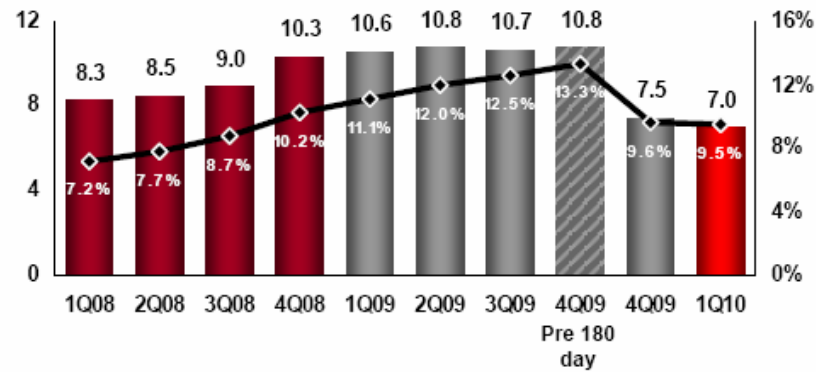
Core Portfolio, US\$bn



Total HSBC Finance Corp, US\$bn



Run-off Portfolio, US\$bn



Notes:

(1) Excludes reverse repo balances

(2) Impairment allowance ratio as a percentage of end-of-period total loans, excluding vehicle finance loans classified as held for sale