

HSBC Holdings plc
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HSBC 
The world's local bank

Opportunities and challenges on the road to recovery



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.

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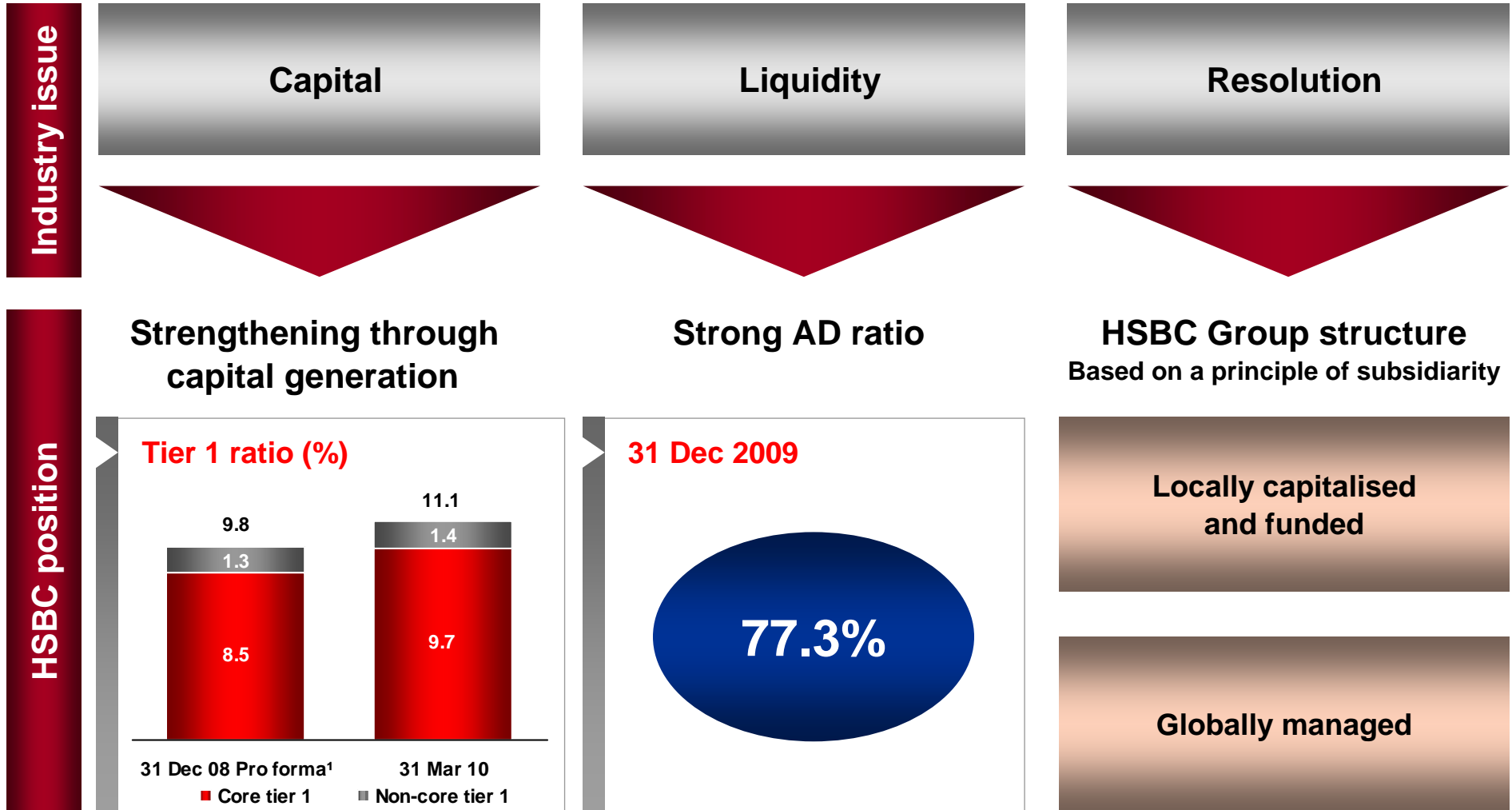
- ▶ **Positioning for growth**

- ▶ **Building on strong regional presence for growth in local businesses**

- ▶ **Serving connectivity between markets and geographies**

The new normal

The crisis has created more focus on business model and resolution



Note:
(1) Pro forma to include rights issue

Regulatory challenges and emerging themes

- ▶ Funding strength is likely to be the major identifier of winners and losers, as well as inorganic opportunities
- ▶ Risk of protectionism through ring fencing
- ▶ How extra territorial will be incoming US legislation?
- ▶ What risks would splitting off or carving out activities unearth or open up?
- ▶ Is a level playing field possible?
- ▶ Timing, grandfathering, transition?

Strategic focus

Build on our heritage

Leading international network

Leading presence in faster growing markets

International management culture

Positioning for growth

Responding to global trends

Serving global connectivity

Building our regional and local presence

Operational transformation

OneHSBC

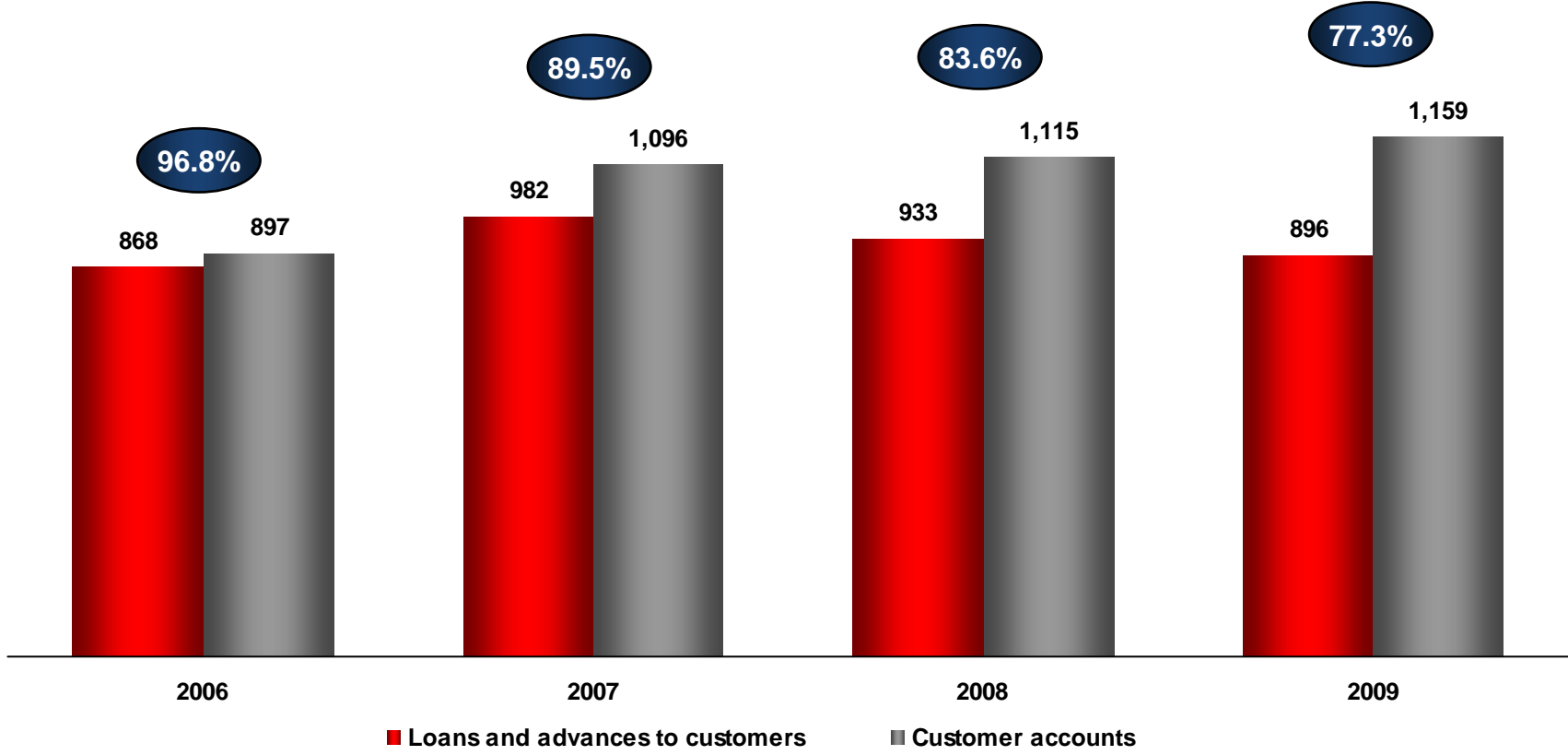
People engagement

Financial strength and brand

Positioning for growth - building our deposit base

Impacting revenues in the short-term

Customer accounts and loans and advances to customers
US\$bn



Positioning for growth - Asia is pivotal to the future

Group strategy in action in Asia

Cement emerging markets leadership

Maintain leadership in Hong Kong

Power up in rest of Asia-Pacific

Build on international connectivity

Grow organic business

Optimise strategic partnerships

Positioning for growth - Hong Kong strategy

Transforming the business

Retain market share

- ▶ Maintain leadership in deposits, insurance, wealth management, MPF, mortgages and cards
- ▶ Over 380,000 Premier customers
- ▶ Dominate SME/MME segment – SME loan fund of HK\$20 billion benefiting some 8,600 customers at end of December 2009
- ▶ Build on leadership in foreign exchange, treasury and capital markets
- ▶ Increase cross-sales within and across customer groups

Drive Greater China integration

- ▶ Capture potential of Hong Kong and Shanghai as international financial centres
- ▶ Build on Hong Kong's access to opportunities in the Pearl River Delta
- ▶ Tap cross-straits opportunities for Premier, cross-border trade and Global Banking and Markets

Build RMB business

- ▶ Capture dominant share of RMB trade, settlement and bond issuance businesses
- ▶ Be first-to-market RMB products and services as regulators allow

Positioning for growth - China strategy

Transforming the business

Fast-track organic growth

- ▶ Expand branch network as fast as regulations will allow
- ▶ Increase insurance and investment product range focusing on mass affluent and mid-market segments
- ▶ Tap internationally-focused outbound state-owned enterprises (SOEs) and privately-owned enterprises (POEs)
- ▶ Expand base of local Chinese and multinational companies
- ▶ Build RMB product range for individuals and businesses

Optimise synergies with strategic partners

- ▶ Build on planned credit card joint venture with BoCom
- ▶ Extend insurance capabilities through BoCom and National Trust partnerships
- ▶ Explore potential securities joint venture

Build Greater China platform and global connections

- ▶ Capture dominant share of cross-border trade, including RMB-denominated trade
- ▶ Become banker of choice for non-resident Chinese in Greater China and globally
- ▶ Build on global footprint and expertise to support large domestic companies expanding overseas

Positioning for growth - India strategy

Transforming the business

Integrate HSBC InvestDirect to grow wealth management

- ▶ Extend distribution of wealth management products through over 200 HSBC InvestDirect outlets
- ▶ Integrate HSBC InvestDirect retail broking services with bank's wealth management platform to target mid-market and mass affluent segments
- ▶ Grow share of non-resident Indian business

Build insurance business across customer groups

- ▶ Expand retail product range through Canara HSBC Oriental Bank of Commerce Life Insurance Company
- ▶ Cross-sell insurance to CMB customers and financial institutions
- ▶ Develop proposition for high net-worth CMB customers

Achieve balanced customer group contribution

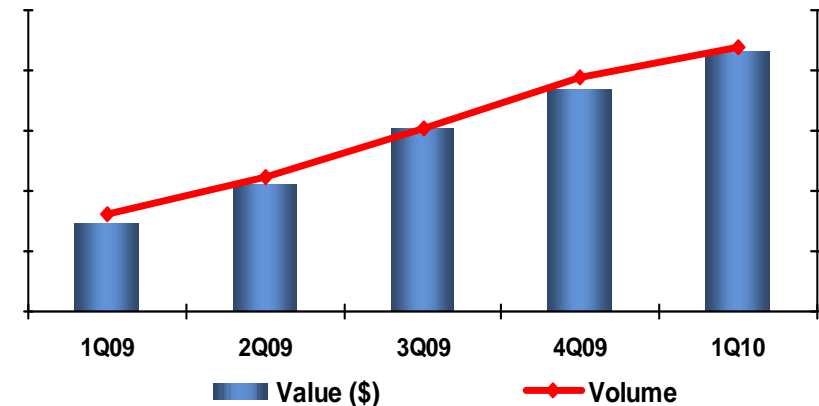
- ▶ Increase cross-sales and liabilities-led acquisition in PFS and CMB
- ▶ Focus on internationally-oriented SMEs/MMEs and large corporates to build asset book
- ▶ Expand CMB product range in insurance and investments
- ▶ Increase wallet share among multinationals via global transaction banking, working capital finance and securities services

Positioning for growth

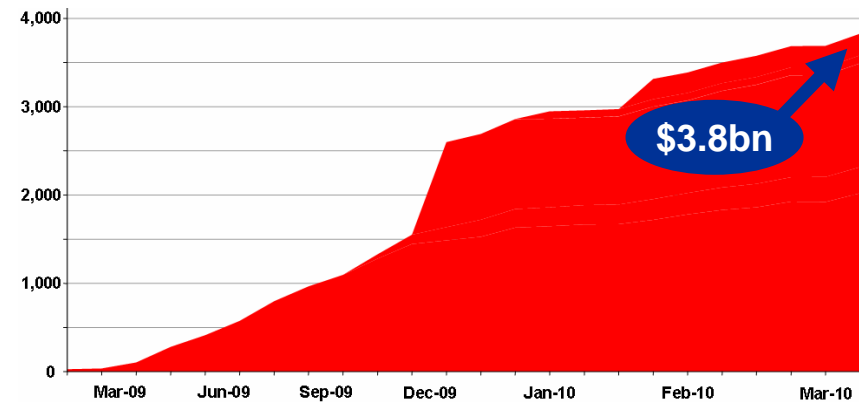
Offering customers unique benefits from connectivity

- ▶ **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**
- ▶ **Serving international business is at the core of our Commercial Banking proposition**

Global Transfers Value & Volume Trends²



World Selection AUM (US\$m)



Note:

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

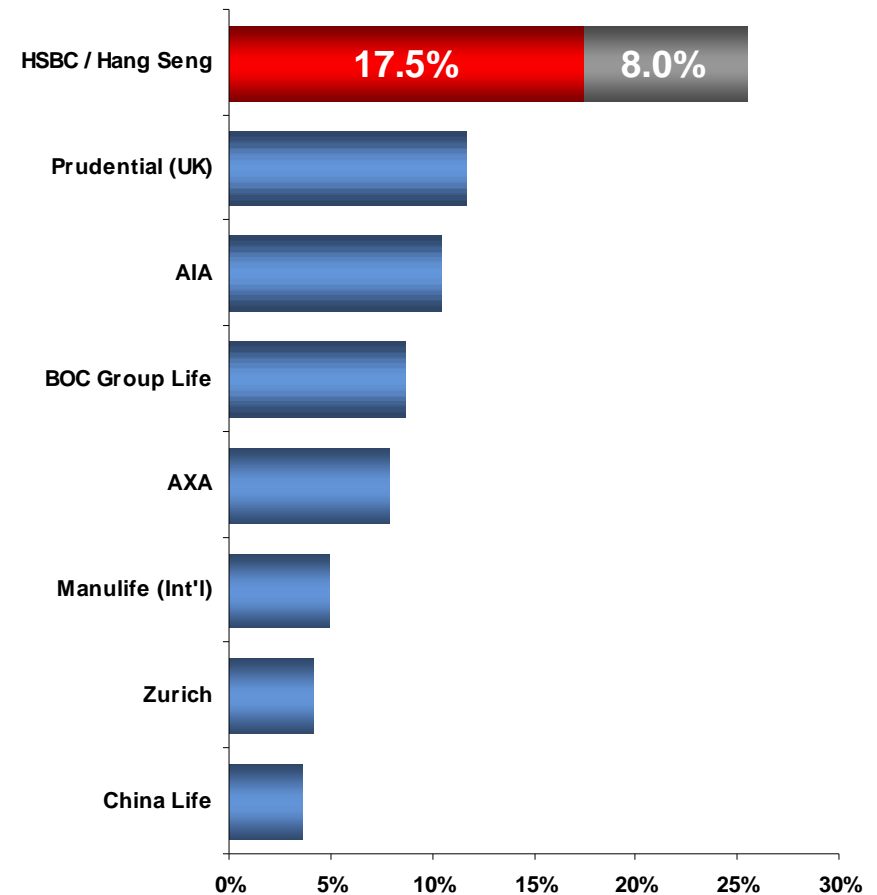
(2) 1st quarter 2010 year-to-date volume (no. of transfers) and value (sum transferred in US\$) vs. the same period in 2009.

Positioning for 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

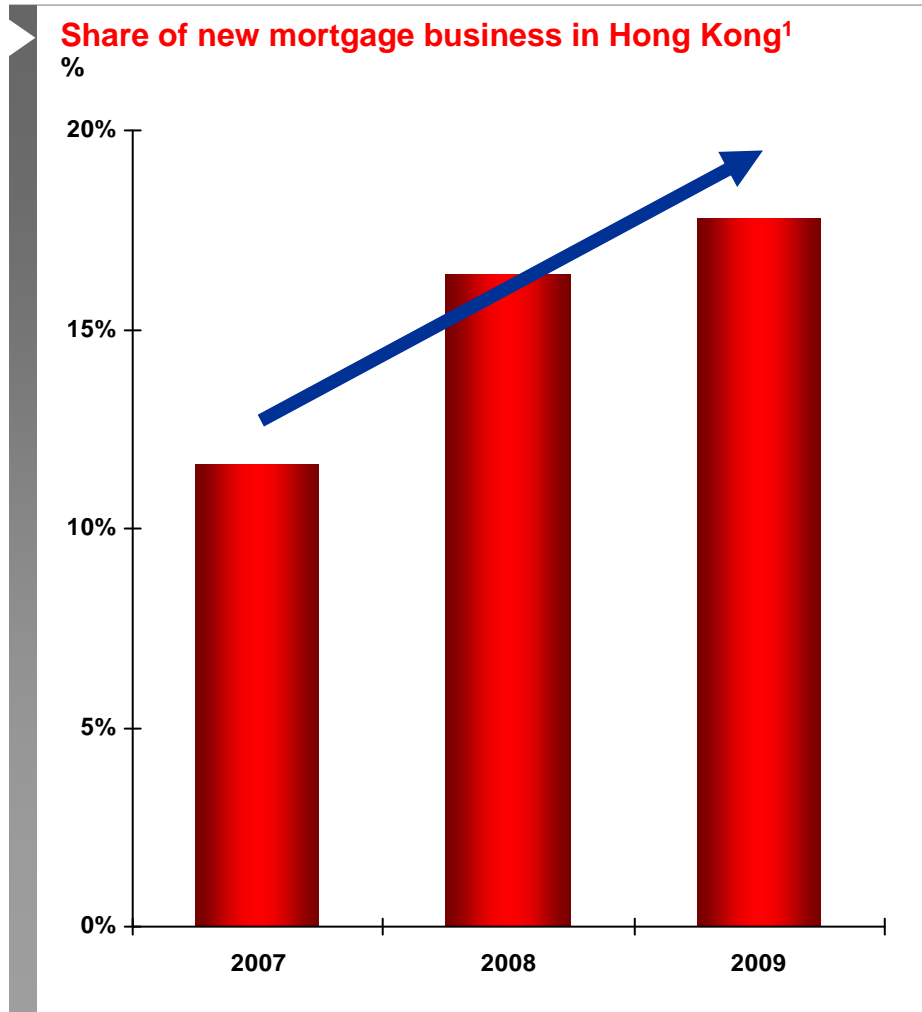


Note:

(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%).

Positioning for growth - 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)**

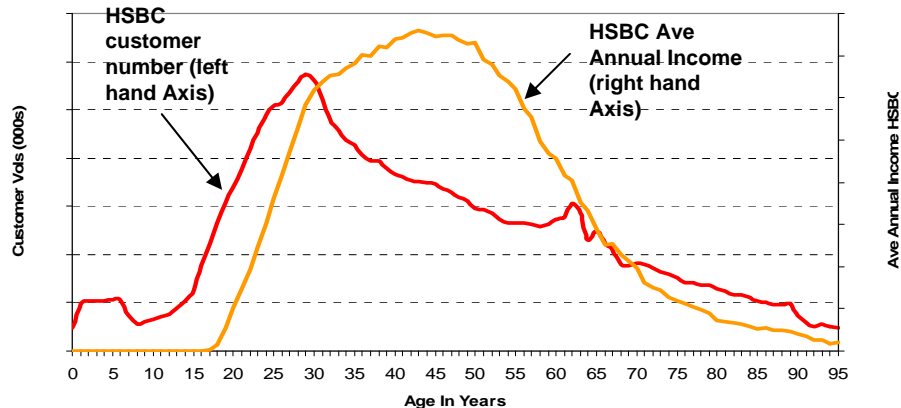
Note:

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

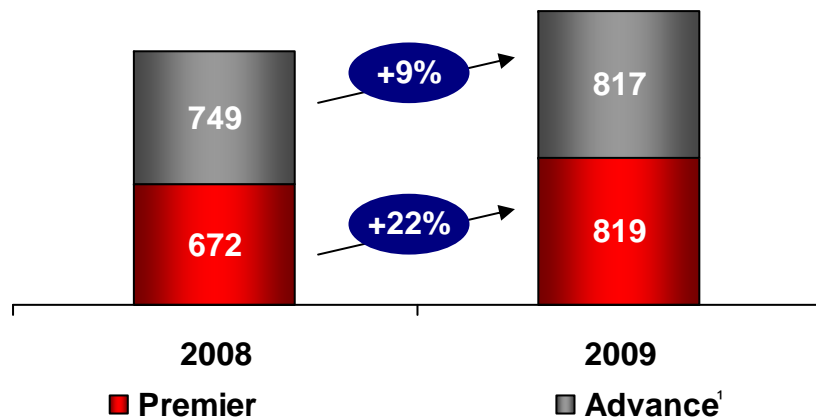
Positioning for growth - UK personal customer profile

High quality, young, affluent premium personal customer base

PFS customer age profile



Number of premium customers '000s



- On average, HSBC current account customers earn 9% more than current account holders at other banks with a high street presence ²
- 60% of HSBC current account holders are A, B or C1 social grades, compared to 51% of current account holders at other banks with a high street presence ²
- HSBC are currently the most recommended high street bank amongst mass affluent customers earning over £30k per year and have been so since June 2009 (Source: TNS RI Brand Tracking Survey)
- As HSBC customers get older their spend on financial services is likely to increase, particularly on insurance, investments and pensions
- Our wealth-led strategy is focused on ensuring we meet the needs of the maturing customer base
- Funds under management increased 10% in 2009 driven by success of World Selection
- Amongst the premium target segment, HSBC customer recommendation has risen since Q109 and is now a clear leader from the rest of the UK banks
- The age profile of HSBC customers is complemented by the M&S and firstdirect brands – source of sustainable income growth

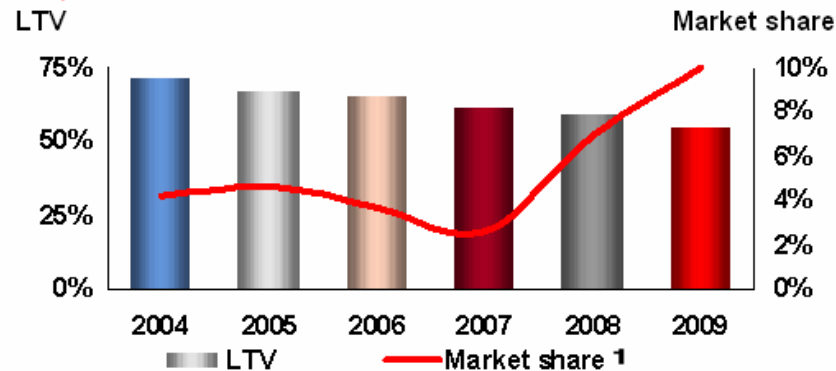
¹ Represents existing Plus customers who are being migrated to Advance

² Source: © GfK NOP Financial Research Survey (FRS) 12 months ending February 2010, 59,000 adults interviewed (Banks with high street presence includes: Abbey, A&L, BoS, Barclays, Clydesdale, Co-op, Halifax, Lloyds, Nationwide, NatWest, RBS, Santander, Yorkshire Bank)

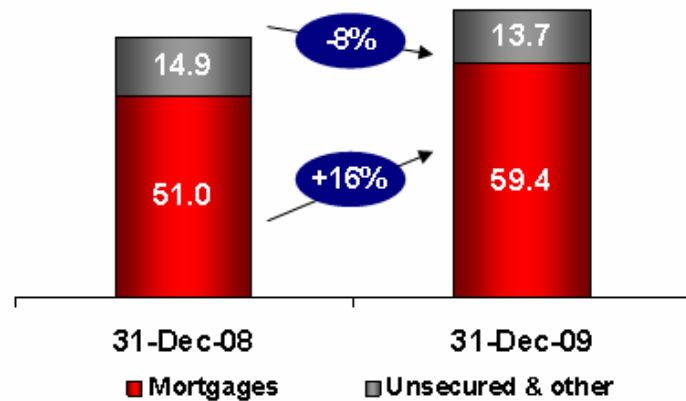
Positioning for growth - lending

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**

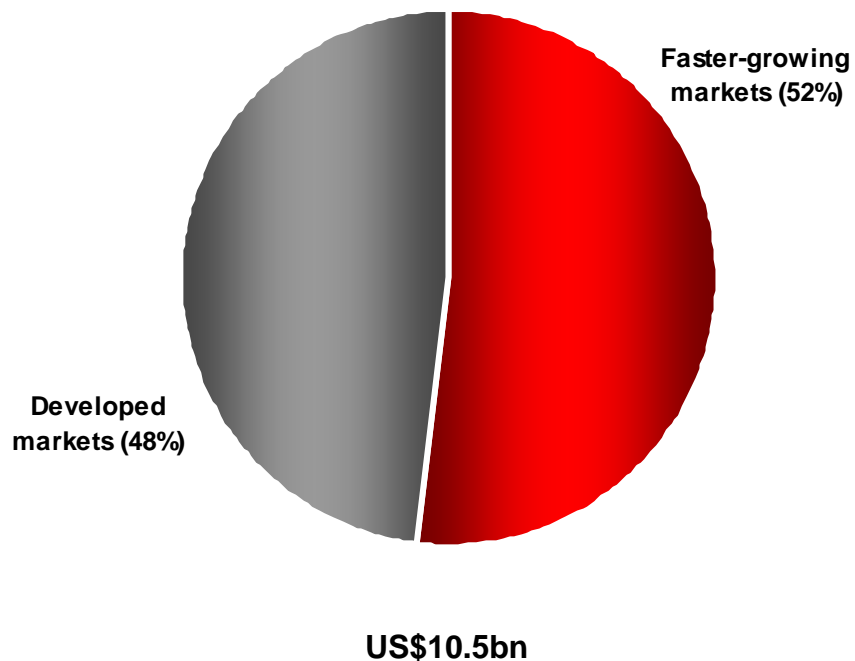
Note:

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

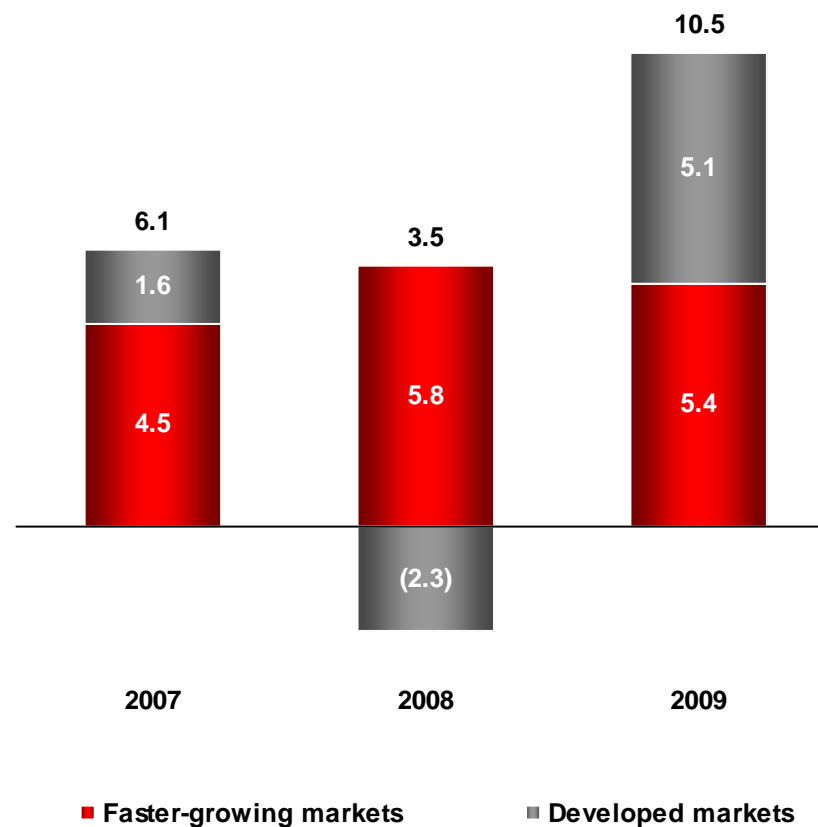
Positioning for growth - Global Banking and Markets

Strengthening its position in emerging markets-led and financing focused business

Profit before tax, 2009



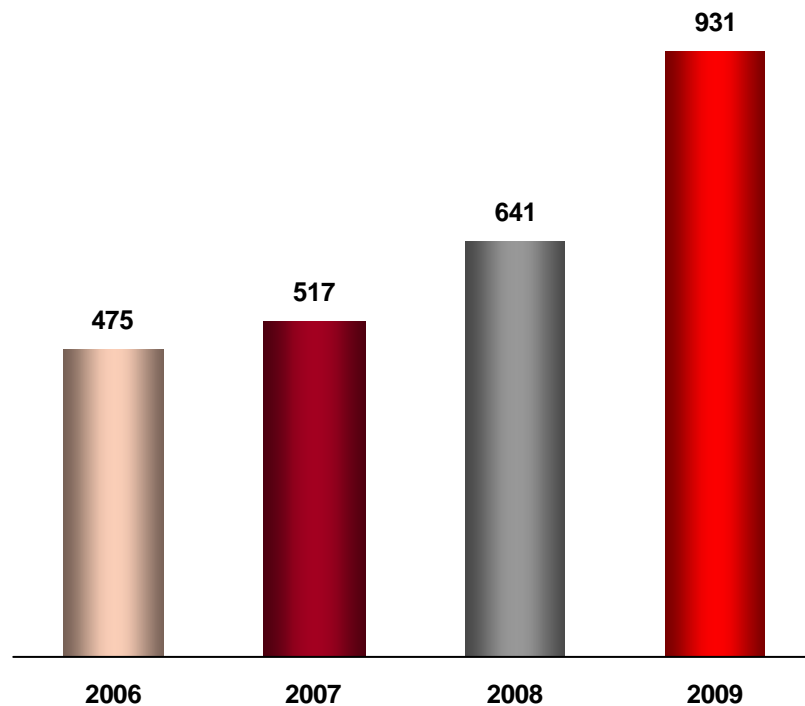
Regional mix, 2007 – 2009
Reported profit / (loss) before tax, US\$bn



Positioning for growth - Global Banking and Markets

Strengthening its position in emerging markets-led and financing focused business

Global Banking and Markets, Latin America profit before tax
US\$m



Use of 'hub and spoke' model to grow business and profit in Latin America

- ▶ Centralised control of risk management
- ▶ Leverage product / service expertise from main financial centres
- ▶ Onshore operations with highly focused business relevant to both local and multi-national clients

Your questions