HSBC Holdings plc

Australia

HSBC

The world's local bank

Presentation by Paulo Maia

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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

- Economic prospects
- Opportunity
- HSBC: leading international platform
- Strategy: taking the business to the next level
- Delivering growth
- Summary

Economic prospects

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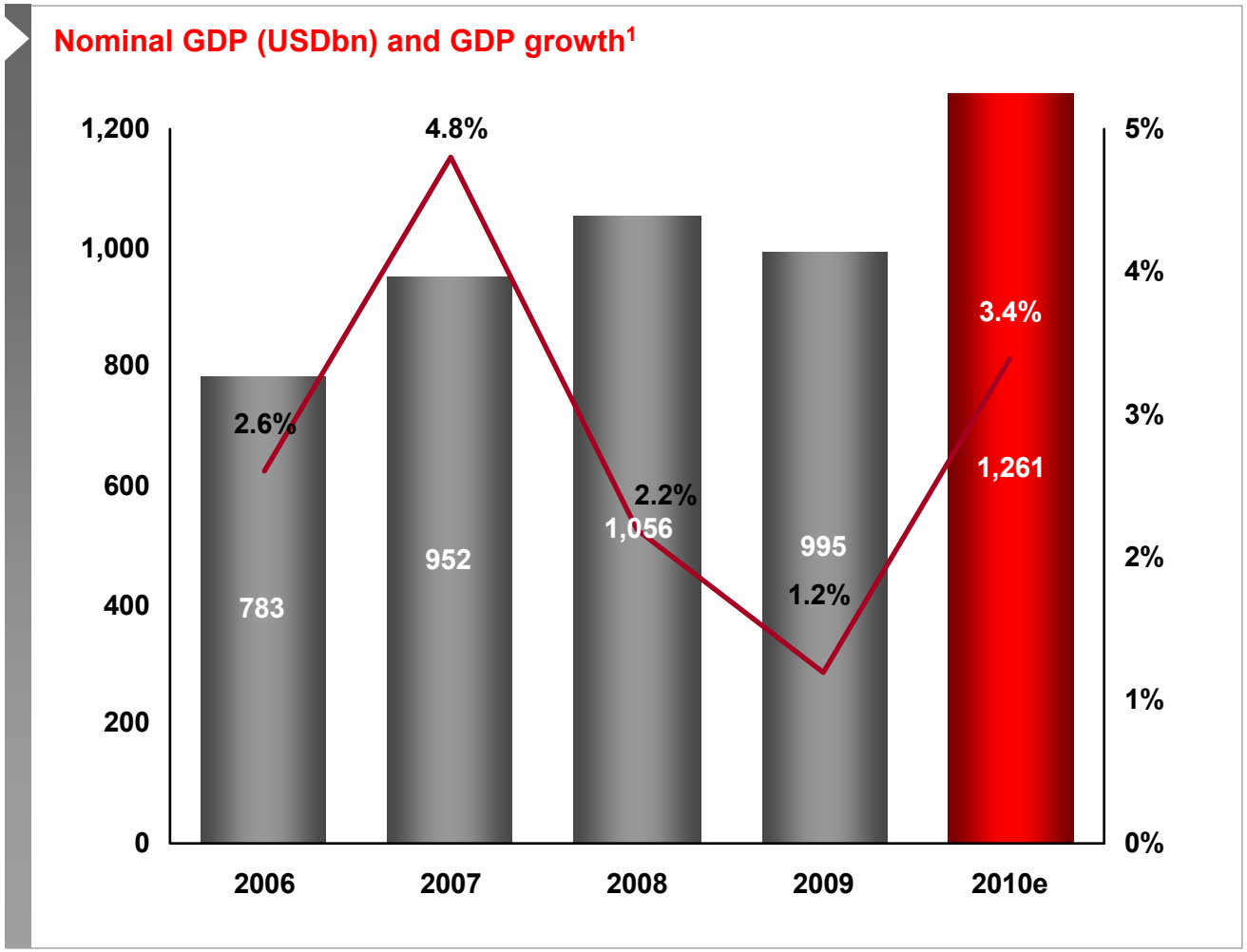
Resilient economy, stable and consistent GDP growth



Government debt to GDP[2]: 17.8 per cent

Lower than almost every G20 country and below the world average of 56 per cent

2010 GDP growth[1]: 3.4 per cent

Policy stimulus and strong commodities sector

Gross GDP (PPP)[3]: USD882.3bn

Fourth-largest economy in Asia-Pacific[2]

Unemployment[2]: 5.1 per cent

Unemployment has fallen from the high of 5.8 per cent during the global financial crisis[1]

Note:
(1) HSBC Global Research, 2010 estimates
(2) Australian Bureau of Statistics
(3) IMF World Economic Outlook Database, 2010 estimates

Opportunity

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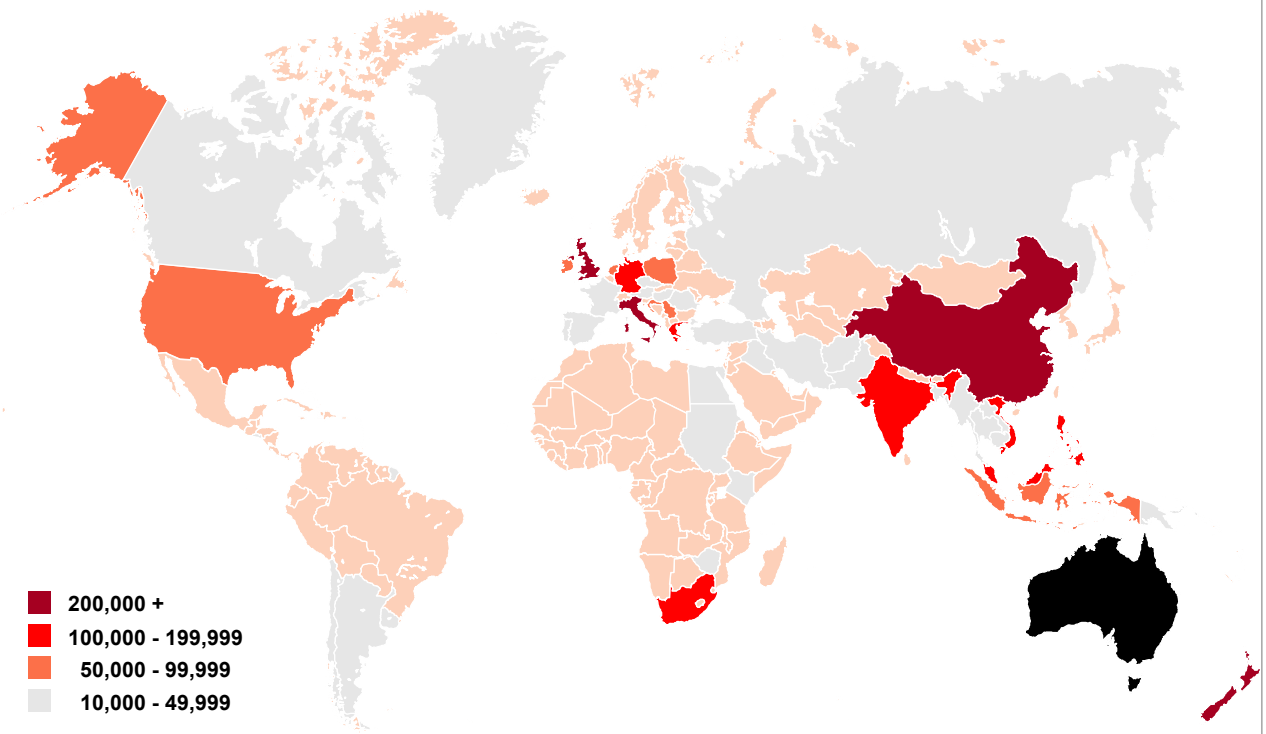
Diverse and global demographics

Australian permanent residents by country of birth[1]



Population[2]: 22.1m

Over 1.3 million mass affluent and over 3.1 mid-market individuals[3]

Global community[1]:

Over 4.9 million residents born outside Australia

1 million Australians overseas[4]

Chinese links[1]:

Nearly 1 million people in Australia either born in China or claim Chinese ancestry

Attracting skilled migrants[1]:

Top three sources in 2009 were the UK, India and the People's Republic of China

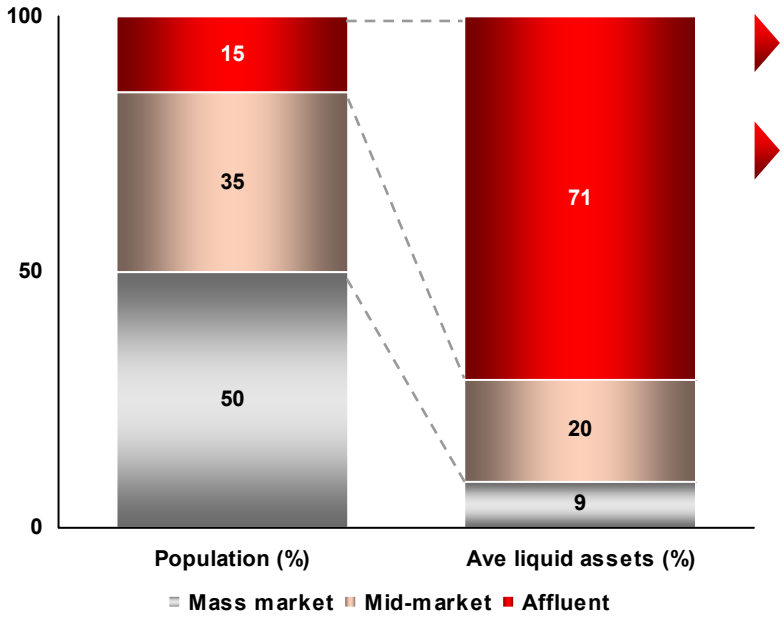
Note:
(1) Australian Bureau of Statistics 2006 Census
(2) Australian Bureau of Statistics
(3) HSBC Market Sizing study (Synovate): mass affluent defined as individuals with minimum total relationship balance (TRB) of USD168,800 and mid-market defined as individuals with minimum TRB of USD84,400. Survey covered Sydney, Melbourne, Canberra, Adelaide, Perth and Brisbane (including Gold Coast)
(4) Australian Government Department of Foreign Affairs and Trade

Sophisticated and international affluent market segment

Affluent population hold majority of total liquid assets

Growing segment of affluent customers in large urban areas

Share of affluent population and average liquid assets[1]



- **Over 1.3 million mass affluent market**
- **Average liquid assets of USD391,000**

Active retail investors

- **Around 6.7 million Australians (4 in 10 adults) own shares directly or indirectly through investments[2]**
- **On average, each Australian invests approximately USD52,600 in managed funds – the highest in the world[2]**

Notes:
(1) HSBC Market Sizing study (Synovate): mass affluent defined as individuals with minimum total relationship balance (TRB) of USD168,800 and mid-market defined as individuals with minimum TRB of USD84,400. Survey covered Sydney, Melbourne, Canberra, Adelaide, Perth and Brisbane (including Gold Coast)
(2) Australian Trade Commission

Growing investment links spur international business

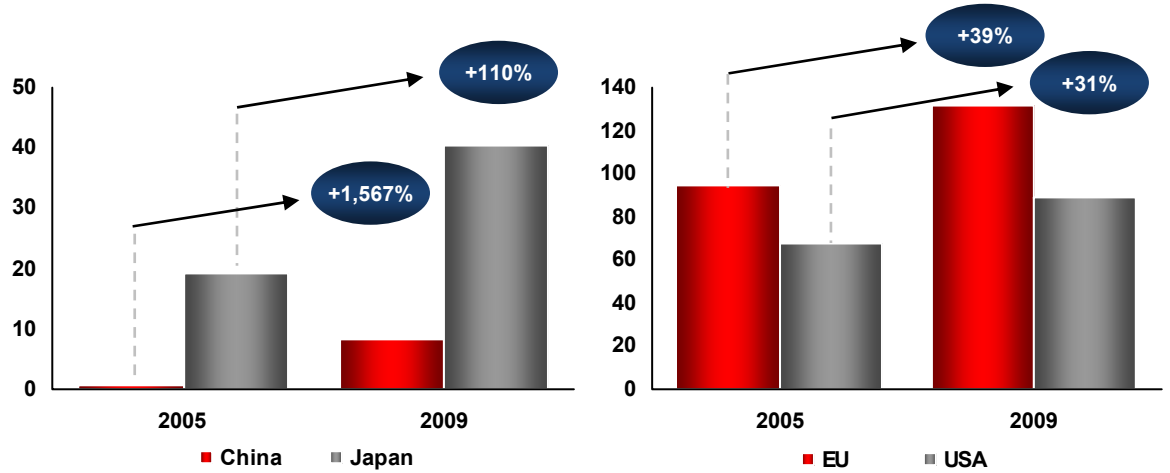
Australia remains a net importer of capital[1]

USD91.5 billion of FDI inflow into Australia in 2008-09[1]

China's total investments in Australia boosted to over USD9 billion – focus on natural resources and infrastructure[2]

Stock market capitalisation at USD1.4 trillion – 4th largest in Asia ex-Japan[4]

Total levels of foreign direct investment (FDI) in Australia (USDbn)[1]



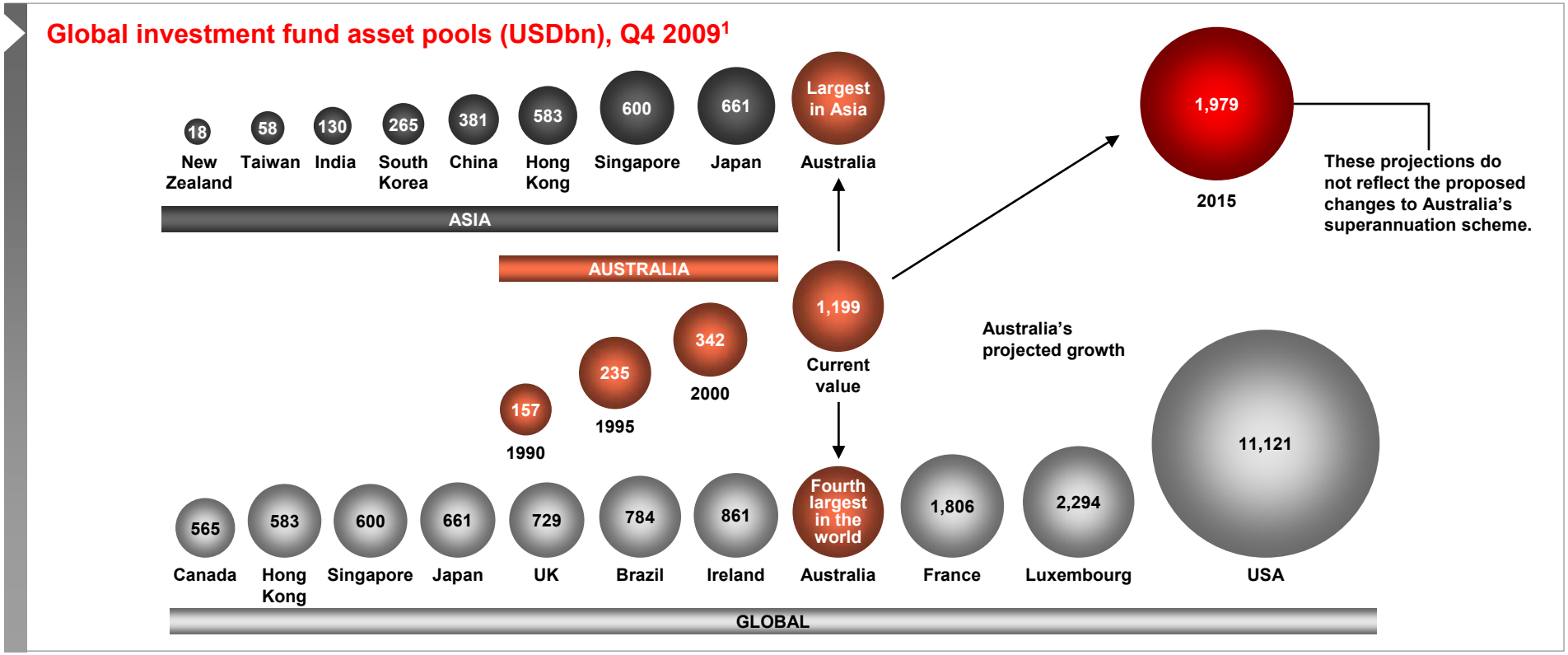
14,000 companies in Australia with revenues over USD10 million have an international presence or trade requirement[3]

Approximately 50 per cent of ASX-listed companies have a relationship with HSBC. HSBC banks 9 out of the top 10 ASX-listed companies

Current penetration of Global Banking multinational customers with a presence in Australia is ~ 50 per cent, aspiration to increase penetration by 10 per cent per annum

Notes:
(1) Australian Bureau of Statistics. Constant currency used for historical comparison: 1USD = 0.9 AUD
(2) Australian Trade Commission
(3) Dun and Bradstreet
(4) World Federation of Exchanges

One of the world's largest pension markets



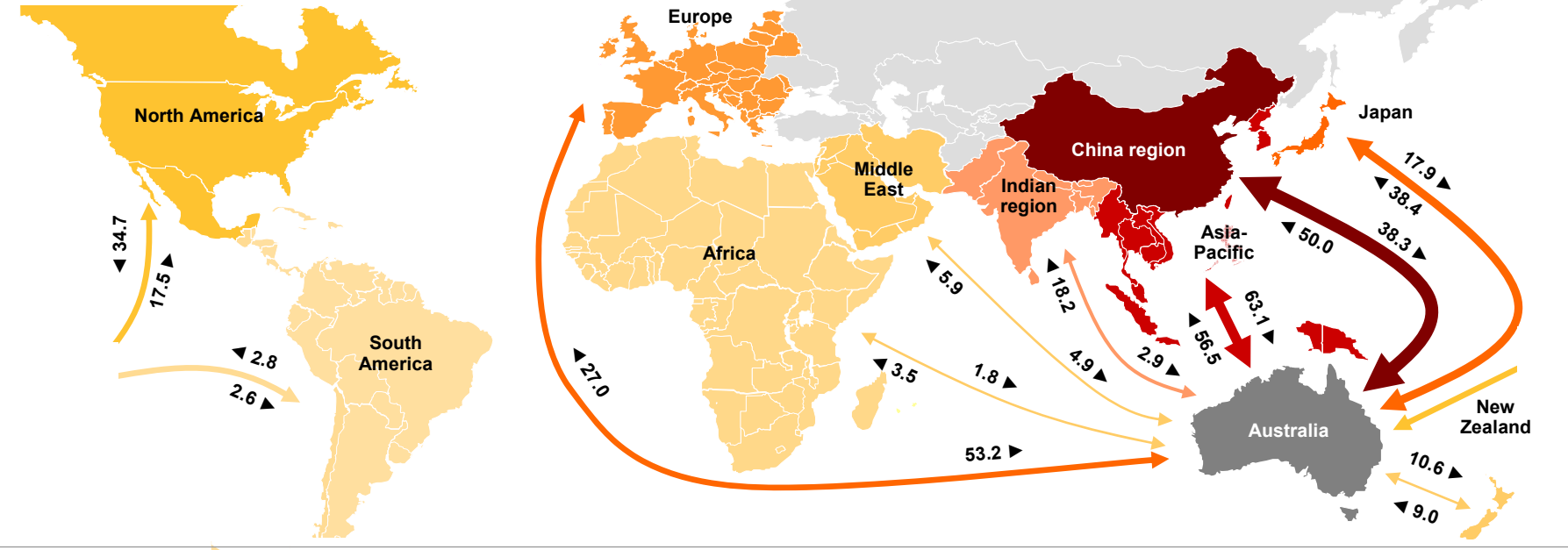
The USD1.2 trillion investment management industry is the largest in Asia[1]

Largest pension fund industry in Asia ex Japan[1]

Note:
(1) Investment Company Institute, Worldwide Mutual Fund Assets and Flows, December Quarter 2009; Hong Kong's data, December 2008, sourced from Securities and Futures Commission, Fund Management Activities Survey 2008; Singapore's data sourced from the Monetary Authority of Singapore; the projected figures of Australia's investment fund assets were provided by Standard & Poor's Investment Consulting; Austrade

Stronger trade connectivity with emerging markets

Exports from and imports to Australia 2009[1] (USDbn)



Total trade[1]: USD479bn

Even split of exports 49 per cent, imports 51 per cent

Region	% of Imports		% of Exports	
	2000	2009	2000	2009
North and South America	23%	15%	14%	8%
Europe	23%	22%	14%	11%
Asia inc NZ	46%	53%	60%	66%
Japan	11%	7%	17%	16%
China region[2]	8%	16%	8%	21%

Note:
(1) Source: Australian Government Department of Foreign Affairs and Trade, Australian Bureau of Statistics
(2) China region includes Hong Kong

HSBC: leading international platform

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Leading international platform

Network

- 26 branches and growing
- Over 1,800 staff; increasing headcount by 15 per cent in 2010

Customer presence – relationship-driven

- 600,000+ Personal Financial Services customers
- 48,000+ Premier customers
- 8,000+ Business Banking customers
- 1,000+ Commercial Banking customers
- 430+ Global Banking and Markets customers

Market leadership

- Assets under custody[1] – foreign investors – 1st (61%)
- Trade finance CMB/GBM[2] – 3rd (13.8%/12.4%)
- Debt capital markets[3] – International bonds – 3rd (9.7%)

HSBC branches

Notes:
(1) Australian Custodial Services Association, December 2009
(2) East and Partners - February 2010 Trade Finance report
(3) Bloomberg (July 2010)

Strategy: taking the business to the next level

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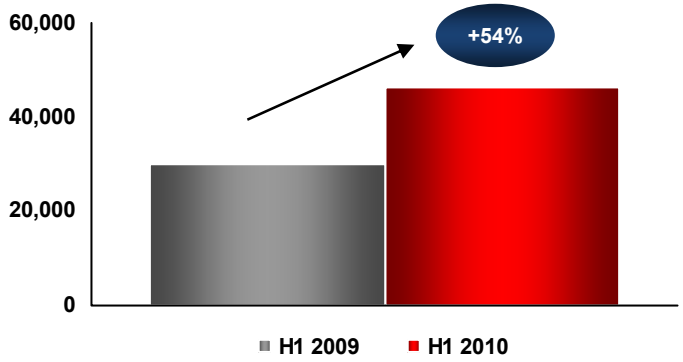
Cross-sales to drive move to main bank relationship in PFS

- Expand retail branch distribution
- Grow mortgages, credit cards and other consumer assets
- Strengthen cross-sell links with CMB and GBM
- Expand wealth management product range

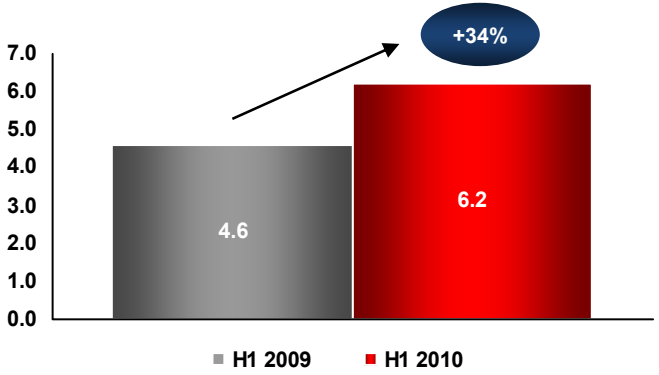
Build international mass affluent share

Premier customer growth



- 30 per cent of Premier customers have accounts in different countries
- Mortgages key driver of growth in Premier
- New to bank customers averaging 4.5 new products

Residential mortgage lending growth[2] (USDbn)



- Awarded 'Mortgage Lender of the Year' by AFR Smart Investor[1]
- Increasing distribution, relationship managers and advertising

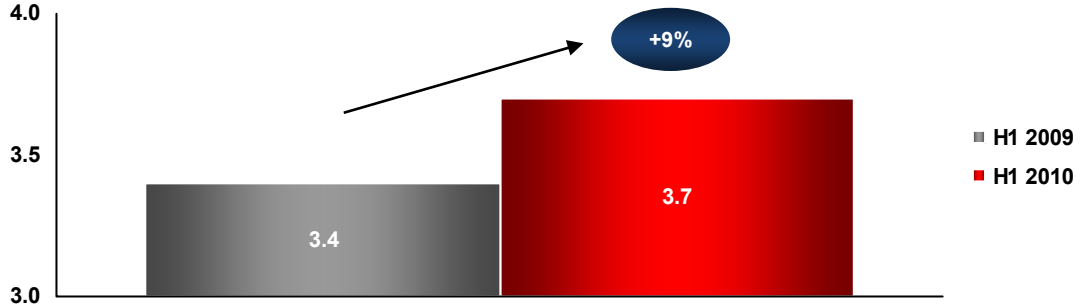
Note:
(1) AFR Smart Investor is operated by The Australian Financial Review
(2) Growth on an underlying basis at 28%

Leverage trade and international transaction banking strengths to build commercial business

- Build on trade and payments and cash management market positions
- Launch business banking products for SMEs
- The only international bank in Australia supporting the MME segment
- Continue to target customers with international ties or aspirations

Build on global capabilities

Commercial, international trade and other lending growth[2] (USDbn)



- Grow penetration of target customers in the ASX
- Deepen relationships – increasing referrals to PFS and cross border will continue to be a focus
- Build on leading market share:
  - No. 1 market share in Primary International transaction banking in corporate (20.6 per cent) and institutional (21.0 per cent) segments[3]
  - No. 2 share in exports in corporate (23.5 per cent) and institutional (15.7 per cent) segments[1]
  - No. 3 in overall trade market share[1]

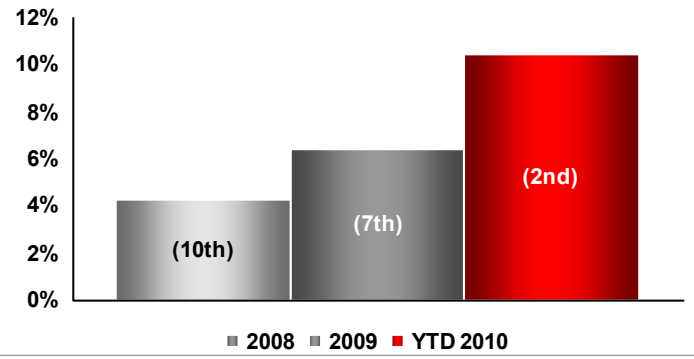
Note:
(1) East and Partners – February 2010 Trade Finance report
(2) Growth on an underlying basis at 4%
(3) East and Partners – May 2010 Trade Finance report

Global Banking and Markets to support customers' domestic and overseas operations

- Increase penetration into world's fourth-largest institutional market
- Strengthen FX IR, swaps, fixed income trading and sales and distribute HSBC Global Asset Management products
- Lead offshore and inbound capital markets deals
- Maintain leadership in sub-custody and broaden into global custody

Build on international connectivity

Market share in issued international bonds[1]



- Build on success of local debt capital markets team
- Leverage project and export capabilities
- Be the Bank for Infrastructure in Australia

Balance sheet

June 2010	July 2010	February 2010	February 2010
vodafone	CCA COCA-COLA AMATIL	acciona Energy	QANTAS
AUD214m AUD3bn Club Debt Facility MLA	AUD32.02m IRS Sole Execution Party	AUD338m Waubra Wind Farm Lead Arranger/Coordinator	USD408m Syndicated ECA Facility Arranger/Underwriter

DCM deals

January 2010	July 2010	May 2010	March 2010
INTER-AMERICAN DEVELOPMENT BANK	Westpac	Leighton Holdings	CommonwealthBank
AUD750m 5.375% due May 2014 Joint Bookrunner	USD3.0bn Fixed and FRNs due 2013 and 2015 Joint Bookrunner	USD350m USPP due 2015, 2017 and 2020 Joint Placement Agent	USD3.5bn Fixed and FRNs due 2013, 2015 and 2020 Joint Bookrunner

Note:
(1) Bloomberg – Australian and New Zealand international bonds. Figures are for calendar year except for 2010, which is YTD – September 16 (market rank in brackets)

Delivering growth

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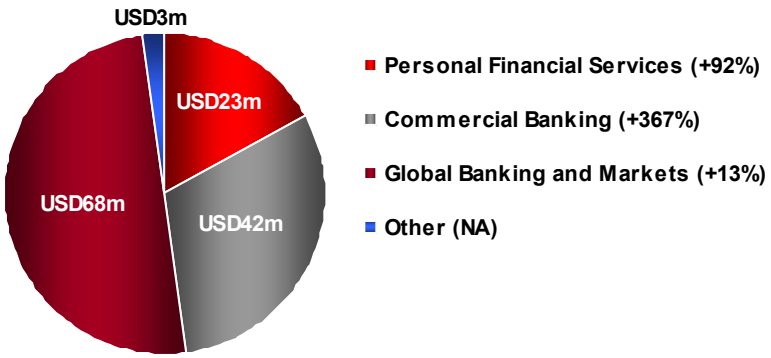
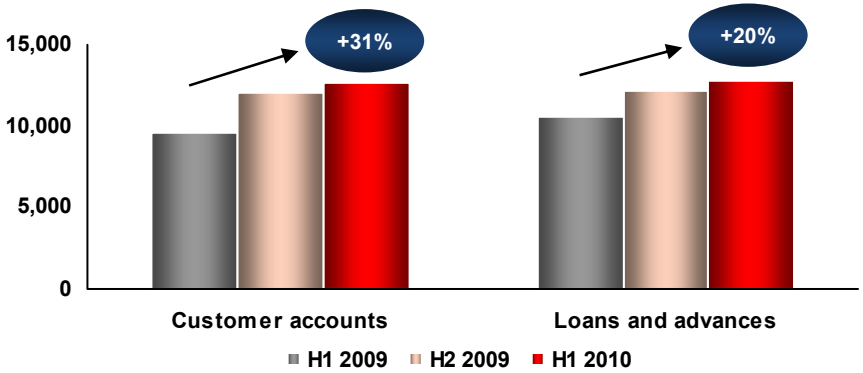
Strong profits, focused growth

PBT up 62 per cent year-on-year to USD136m – underlying growth in AUD of 28 per cent

PBT by customer group, H1 2010 (% change y-o-y)



Customer accounts and loans and advances, USDm, (% change y-o-y)



Highlights

- **Profitable across all business lines – focus on international connectivity and relationship banking**
- **Low provisions**
- **Strong funding and liquidity position – 31 per cent increase (26 per cent underlying) in customer deposits**
- **Lending growth driven by mortgages, up 34 per cent (28 per cent underlying) y-o-y**
- **Premier customers up 54 per cent y-o-y**
- **Card receivables double the pace of overall credit card market[1]**
- **Increased lending to international SMEs/MMEs, corporate and institutional sectors**

Note:
(1) MWE Consulting – June 2010

Summary

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Cementing international banking leadership

- Resilient economy and mature financial markets with increasing international linkages
- Leading international bank in Australia delivering on focused strategy
- Strategic focus on international connectivity – particularly with Asia
- Cross-sales to expand relationships and to increase wallet share of existing customers
- Focus on quality asset growth and deposit generation
- Well-positioned to support Australia's international population and businesses