HSBC Holdings plc

Indonesia

HSBC
The world's local bank

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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

- Emerging economic power
- Opportunity
- HSBC positioned for growth
- Strategy: taking the business to the next level
- Delivering growth
- Summary

Emerging economic power

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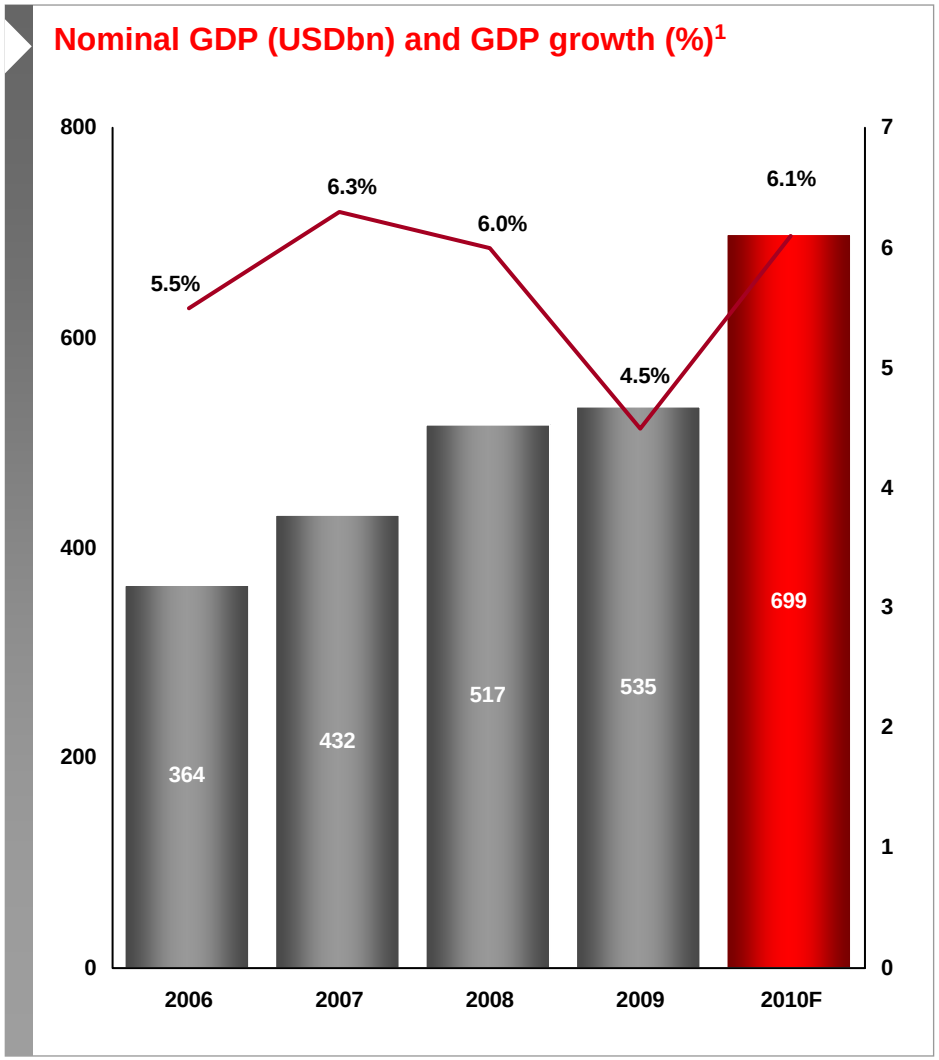
Steady and sustained growth



Population[2]: 235m	World's fourth-largest population and largest Muslim population
GDP growth[1]: 6.1 per cent	Rising private consumption and investment
Gross GDP (PPP)[2]: USD1.03trn	Southeast Asia's largest economy; by 2050, larger than UK or Germany[3]
Merchandise exports[1]: USD144.9bn	Traders among most confident in Asia[4]
Merchandise imports[1]: USD109.8bn	Driven by domestic demand

Notes:
(1) HSBC Global Research, 2010 estimates
(2) IMF World Economic Outlook Database, 2010 estimates
(3) PricewaterhouseCoopers
(4) HSBC Trade Confidence Index, September 2010

Opportunity

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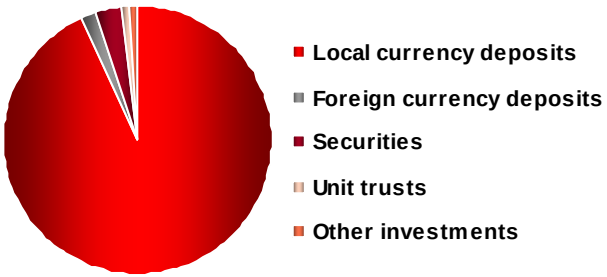
Emerging mass affluent investors and consumers

Room to diversify mass affluent assets

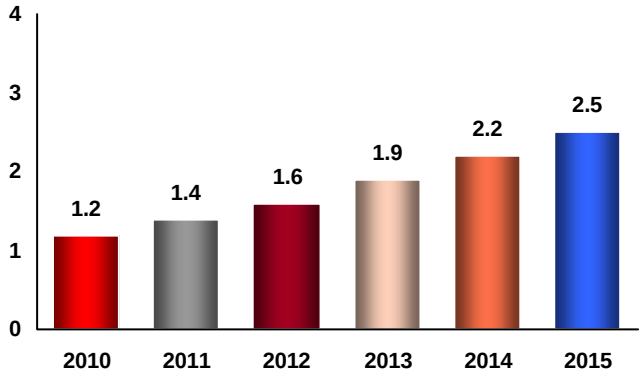
Deposit-to-investment ratio of liquid assets[1]



- Over 130,000 potential mass affluent and over 1.3 million mid-market segment[2]
- Currently cash-dominant asset strategy[1]
- Average stock turnover of USD4,900 and unit trust turnover of USD5,800 per transaction[1]
- Underpenetrated investment and insurance markets
- Return of offshore funds

Mass affluent discretionary spending to hit USD2.5bn in 2015

Discretionary spending (USDbn)[3]



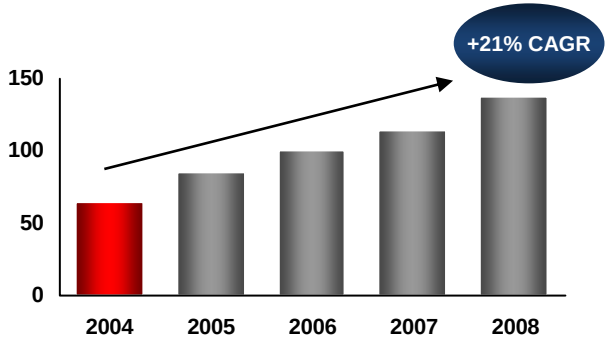
- Estimated over 300,000 mass affluent households in 2015
- Spending estimated at USD8,100 per household in 2015[3]

Notes:
(1) HSBC Affluent Asian Tracker, Nielsen (Q1 2010)
(2) HSBC Market Sizing Study (Synovate): mass affluent defined as individuals with minimum total relationship balance (TRB) of USD51,500; mid-market defined as individuals with minimum TRB of USD2,100. Survey covered cities where HSBC and Bank Ekonomi outlets are located
(3) 'Asia's affluent consumers – succeeding like success', Dr Yuwa Wong

Business expansion, growth in trade and investments

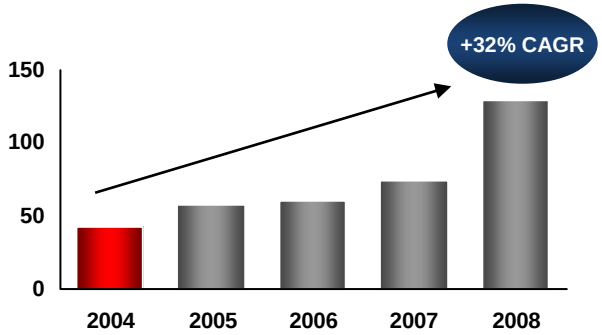
Robust trade growth

Indonesia exports (USDbn)[1]



- Top five export partners: Japan, EU, Singapore, US and China

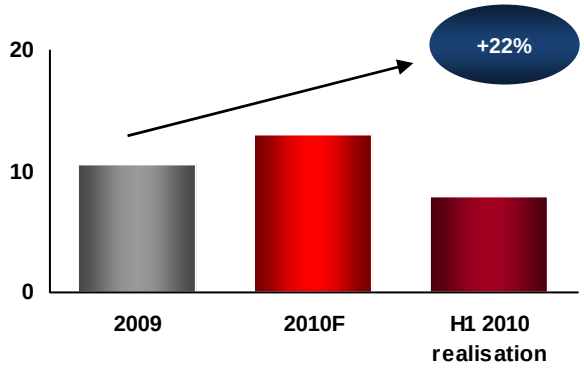
Indonesia imports (USDbn)[1]



- Top five import partners: Singapore, China, Japan, EU and Malaysia

Strong foreign direct investments

Discretionary spending (USDbn)[2]



- Expansion of multinationals into mining and telecoms
- Shift in business to Indonesia from Vietnam and mainland China
- Jakarta remains main FDI destination - Singapore, Hong Kong, US are biggest investors
- Strong focus by government, including Indonesia Investment Coordinating Board, Ministry of Finance and Ministry of Trade

Notes:
(1) OECD, WTO
(2) Indonesia Investment Coordinating Board

Significant Islamic banking market potential

The world's largest Muslim population

Industry outlook[1]

- 75 per cent of population are Muslim
- Islamic banking assets at USD8 billion at June 2010, up 36 per cent y-o-y – only 2.8 per cent of total banking assets
- Only 3.2 per cent of companies pass 3.4 per cent (USD27bn) of transaction volume through Islamic banking channels
- Currently 10 exclusively Islamic banks plus 23 Shariah-banking units
- Strong pipeline of offshore entrants

Amanah opportunity[1]

- USD5.1 billion leasing market offers opportunities for Islamic leasing (Ijarah)
- Sukuk for Indonesian government and corporates
- Syndicated Islamic financing for Indonesian sovereign/quasi-sovereign entities and state-owned enterprises
- Shariah-compliant trade finance products – documentary credits, import financing, term financing, guarantees etc
- Islamic insurance (Takaful)

Note:
(1) Bank Indonesia, Statistics Indonesia

HSBC positioned for growth

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Expanding network as platform for growth

Over 200 outlets in 27 cities

Largest foreign bank network[1]

- 110 HSBC outlets in 10 cities
- 121 HSBC ATMs
- Over 18,000 ATMs via Bersama network
- Over 5,000 staff[2]

Strategic investment[3]

- 98.96 per cent stake in Bank Ekonomi (BER)
- 95 outlets in 27 cities
- Doubled HSBC network to 205 outlets in 27 cities

Market strengths

- Leading market share for FX services[4]
- Leading Transactions services bank[5]
- First foreign bank offering Shariah banking and custody

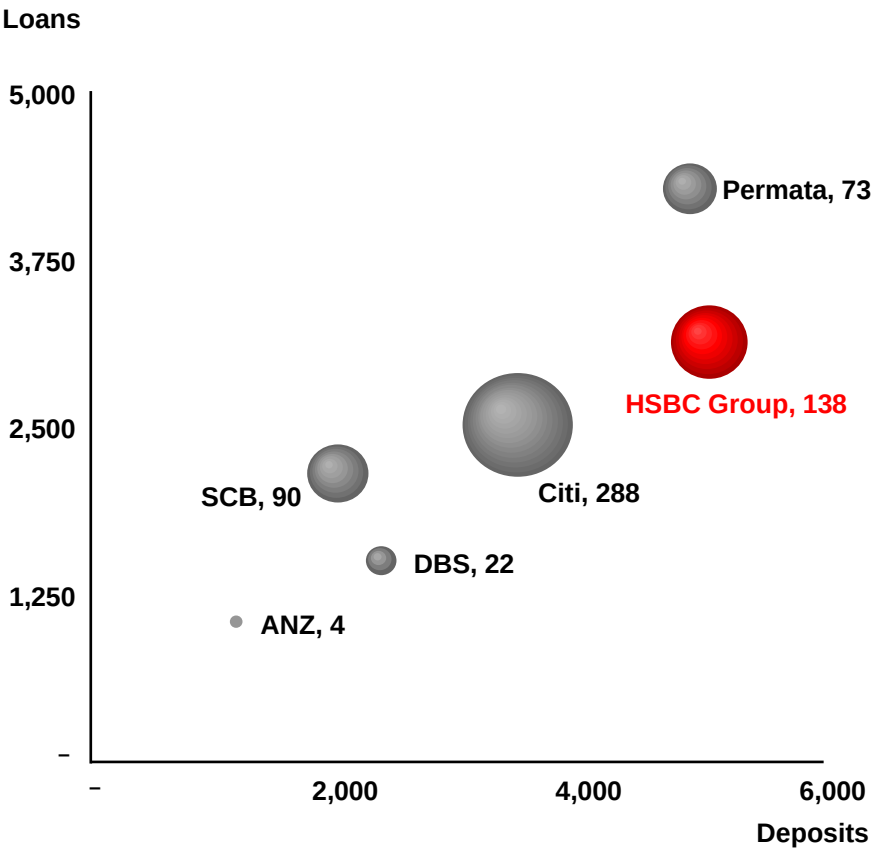
- Cities/municipalities with HSBC branches
- Cities/municipalities with Bank Ekonomi branches (acquired since May 2009)

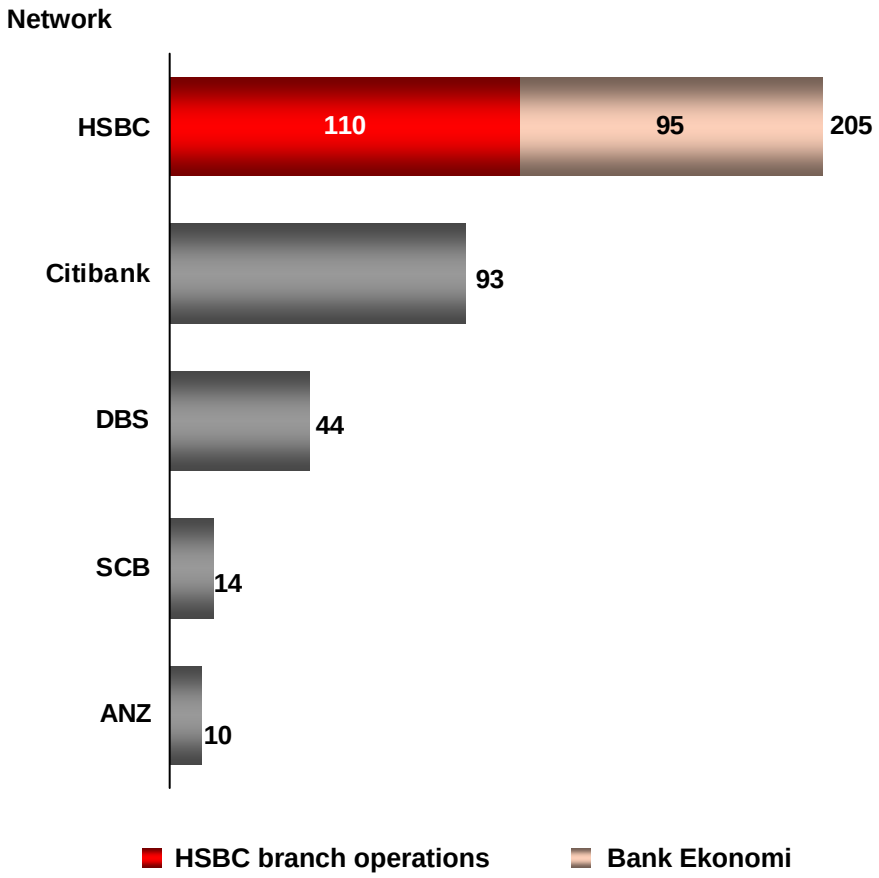
Notes:
(1) As at Q3 2010
(2) Includes Bank Ekonomi
(3) As at May 2009
(4) Greenwich FX survey 2009
(5) Bank of Indonesia

Competition
HSBC well positioned

A selection of peers[1]

Loans, deposits and PBT (USDm) – FY2009





Note:
(1) HSBC Group includes branch operations and Bank Ekonomi. Financial data as per Indonesian GAAP. Data sourced through bank websites and press releases. Permata Bank is 44.5 per cent owned by Standard Chartered Bank

Strategy: taking the business to the next level

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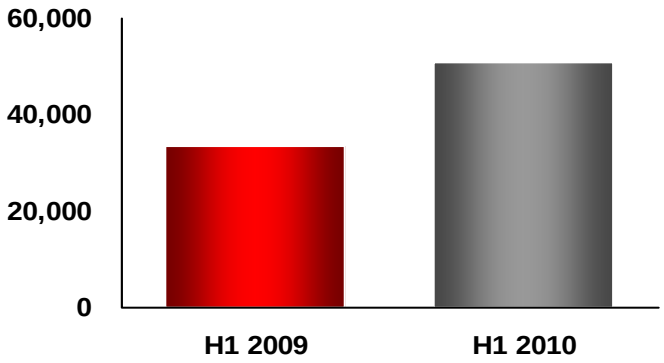
Cross-sales to extend retail market share

Lead in affluent and mid-market segments

Grow Premier and Advance customer base

Premier customer growth, H1 2009 versus H1 2010



- Premier base up 52 per cent to over 51,000
- Over 59,500 Advance customers
- Growing penetration into investments and insurance

Tailor investment and insurance product range to increase wallet share

Extend multi-channel delivery to support sales and service

- Drive sales through conversion of consumer finance outlets
- Boost Premier and Advance staff by half; financial planners by 20 per cent
- Integrate outbound and inbound call centres for better customer experience and sales focus

Strengthen cards franchise

- Build assets and boost penetration with new Air Asia co-branded card

Cross-border leadership to grow scale in wholesale market

Build on international connectivity

Grow market share in state-owned enterprises, global banking clients and 'Indonesia Inc'

- Provide innovative solutions and access to Global Markets product expertise
- Leverage equity and debt capital market leadership to win key deals
- Balance sheet support for key corporates

Build position as leading international business bank

- Target Indonesia's top seven trade and FDI partners
- Build on strengths in trade and cash management to lead cross-border business

Bank Ekonomi taking the business to the next level

	Exploit BER strengths
Grow CMB scope in economic growth zones	Expand delivery platform with BER's network Build on HSBC's origination capabilities Participate in key syndication deals
Target 'international' customers	Build BER's capabilities and connectivity Expand product set to support full range of needs
Cross-sell trade, payments and cash management, insurance, treasury and advisory services	Conducted first cross-border RMB trade settlement in Indonesia
Strengthen cross-border trade referral process	
MME/Corporate loan syndications to capture surplus liquidity	Build risk capabilities Set up dedicated MME team to promote transaction banking and expand coverage outside branch network

Cement Amanah leadership

Tap personal, corporate and institutional customers

Grow Amanah Premier and Amanah Advance customer base

- Success with embedded model
- Amanah customers up 77 per cent year-on-year
- Amanah debit card launched in April 2010
- Amanah home finance to launch in October 2010

Provide Amanah solutions for GB and CMB clients

- USD33m Murabaha financing for Krakatau Steel
- Successful delivery of Murabaha financing solutions
- Launching Islamic leasing

Awarded 'Best Foreign Islamic Finance House in Indonesia' by Alpha South East Asia

Delivering growth

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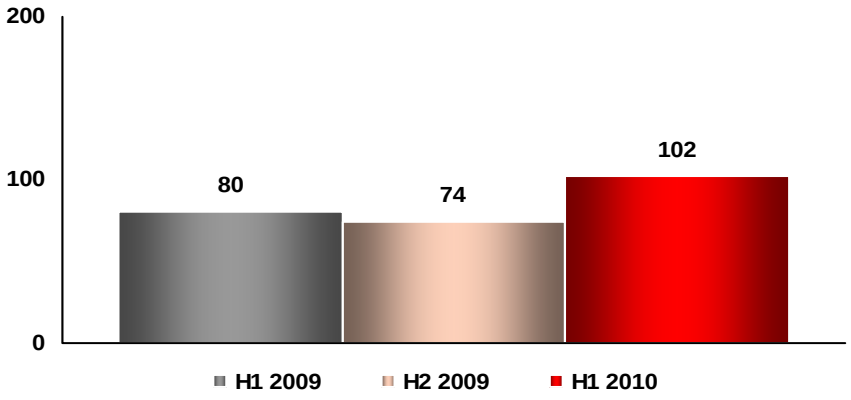
Strong profits

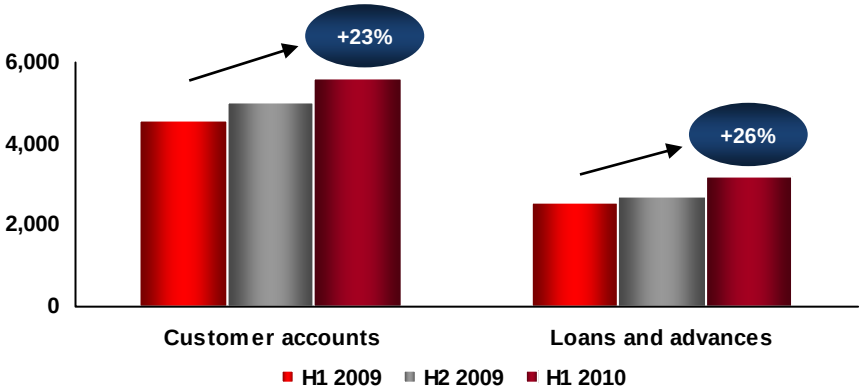
PBT up 28 per cent year-on-year to USD102m in H1 2010

Profit before tax[1] (USDm), H1 2010



Customer accounts; loans and advances[1]

(USDm), H1 2010



PBT[1] by customer group, H1 2010

	H1 2009 (USDm)	H1 2010 (USDm)	% better/ (worse)
Personal Financial Services	(12)	(3)	+75
Commercial Banking	16	48	+200
Global Banking and Markets	77	60	-22
Other	(1)	(3)	+67
Total	**80**	**102**	**+27.5**

Highlights

- **Loans up 26 per cent by USD660m y-o-y in H1 2010**
- **Deposit growth driven by cash management initiatives**
- **Net fee income growth as a result of strong contribution from transaction banking services**
- **Robust risk management reduced impairments**
- **Retail performance significantly improved**
- **Increased penetration into 'Indonesia Inc' – top local corporates and families**

Note:
(1) Includes branch and Bank Ekonomi

Summary

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Expanded network and capabilities to power growth

- **Cross-sales to drive penetration into mass affluent segment**
- **International connectivity key to lead in cross-border trade and investment and debt capital markets**
- **BER franchise to expand mid-market business coverage**
- **Wholesale bank leadership to deepen coverage of corporates, SOEs and multinationals**
- **Building out Amanah capabilities to accelerate momentum**