HSBC Holdings plc

Personal Financial Services

HSBC
The world's local bank

Presentation by Louisa Cheang

Group General Manager, Regional Director, Personal Financial Services Asia-Pacific

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

- Leading platform for growth
- Strategy: taking the business to the next level
- Delivering growth
- Summary

Leading platform for growth

HSBC

The world's local bank

Solid platform – expanding scope and scale

13 million customers

1.1 million Premier customers

764 branches across 20 countries and territories[1]

Over 23,200 staff

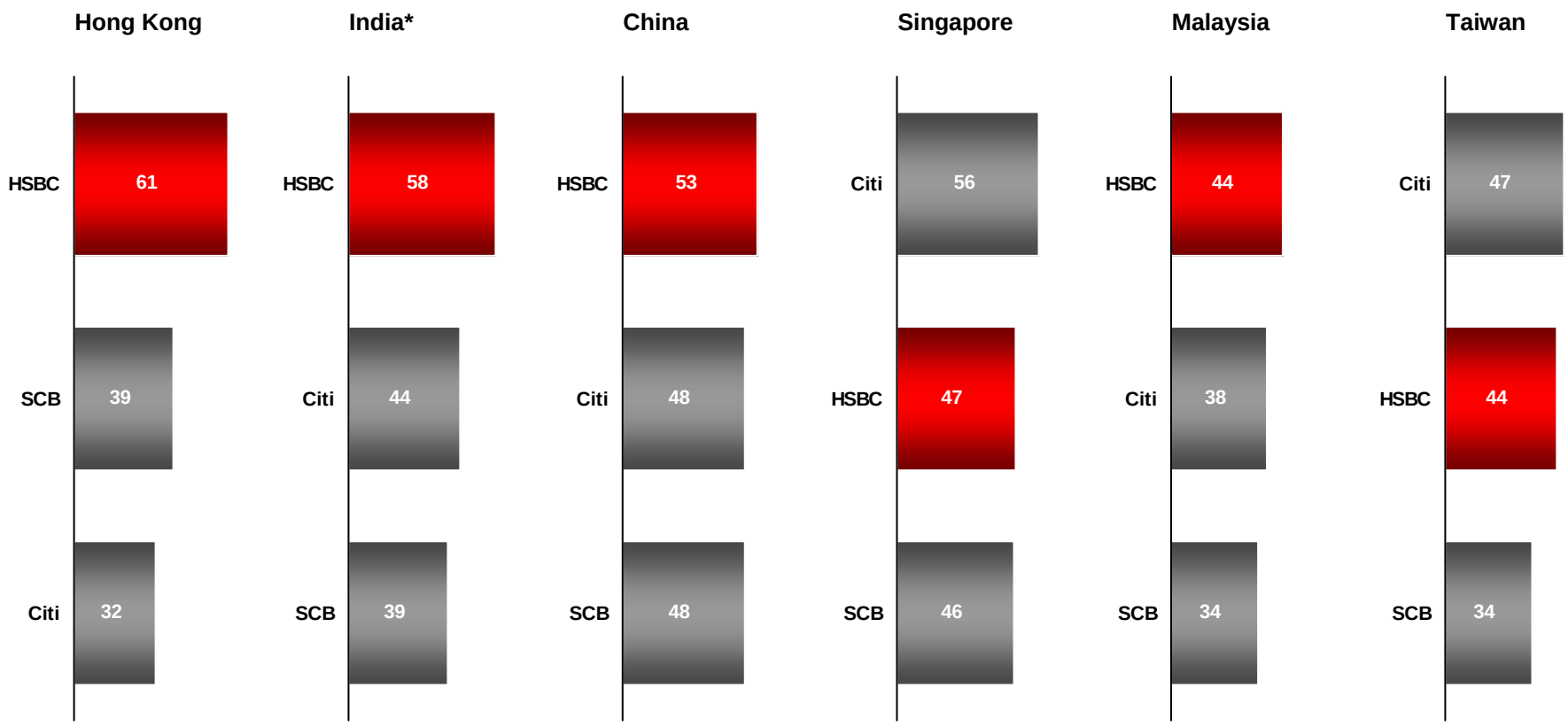
HSBC Personal Financial Services footprint in Asia

Notes:
(1) All figures exclude HASE
(2) Branches include sales offices and sub-branches

Strongest brand in key markets

Strong customer preference among leading international banking brands in key markets

Brand Health Index[1] – Q2 2010



Notes:
(1) Synovate Brand Track Study Q2 2010. For India, only Q4 2009 data available for comparison due to competitive set change in 2010.

Best in class in Asia

THE ASIAN BANKER™

- Best Retail Bank in Hong Kong
- Best Foreign Retail Bank in China
- Excellence in Bancassurance in Hong Kong

GLOBAL FINANCE

- Best Consumer Internet Banking in Australia, Brunei, Hong Kong, Japan, Sri Lanka, and Vietnam
- Best Information Security Initiative in Asia
- Best Online Deposit Acquisition in Asia

UnionPay 银联

- Six awards for highest spending, outstanding card growth, market share
- Best Promoter for CUP Cards Integrated Service

VISA MasterCard

- 14 awards from Visa and MasterCard in Hong Kong, including Bank of the Year for 10 consecutive years
- Visa Best International Bank (Greater China)

FT FINANCIAL TIMES

- China Banking Industry Special Achievement Award

- Best International Islamic Bank

Strategy: taking the business to the next level

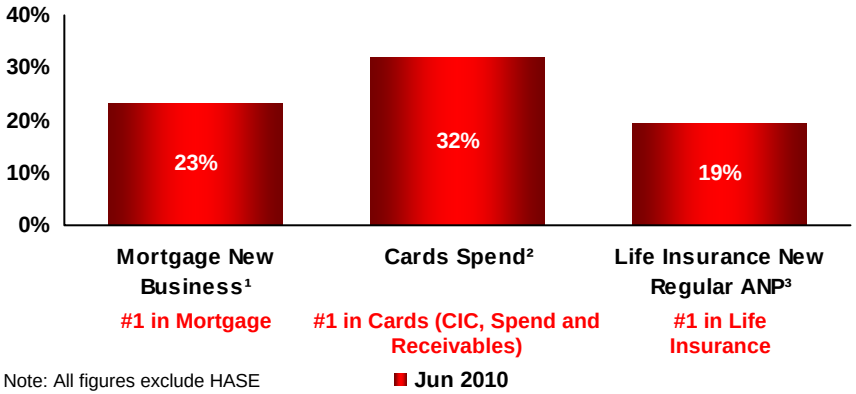
HSBC
The world's local bank

Strategy

Growth	Build on momentum in Hong Kong and grow contribution from rest of Asia-Pacific supported by cross-sales and referrals
Wealth	Grow wealth management penetration in mass affluent segment
Assets	Refocus and leverage assets for customer growth and sustainable income
Customers	Build customer base via unique global customer propositions
Connectivity	Leverage international connectivity through cross-border referrals

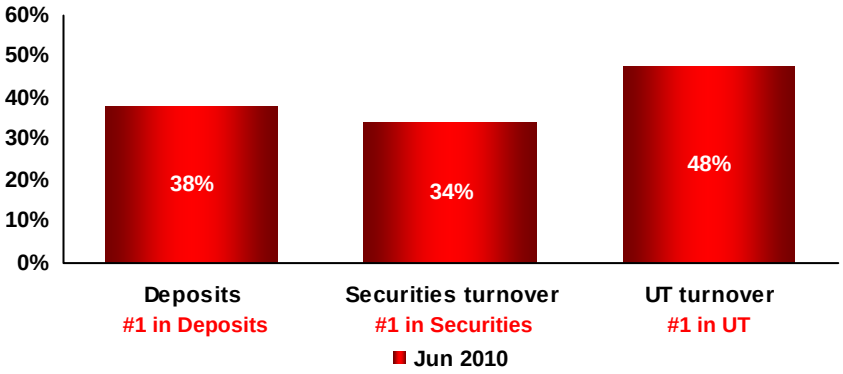
Build on leadership momentum in Hong Kong

Leading market share in Personal Financial Services asset products (overall)



Note: All figures exclude HASE

Leading value share in Personal Financial Services wealth management products (mass affluent segment)[4]



Maintain leadership in core products

Grow wealth management penetration via Premier and Advance

Lead in non-resident Chinese cross-border wealth management

Expand RMB-linked product range

Increase penetration into Gen Y segment

Sources:
(1) mReferral
(2) Visa and Master Card
(3) Office of the Commissioner of Insurance for Individual Life New Business; New Business Index defined total adjusted annual premiums for all regular premium products plus one tenth of Single Premium (Q2 2010)
(4) Market leadership by value in mass affluent segment "HSBC ASP WEM Tracker 2010" by Nielsen (Jun 2010)

Portfolio of markets to drive profit growth in Rest of Asia-Pacific

Near-term growth driven by more developed markets: Australia, Malaysia, Singapore and Taiwan

Focus on mass affluent and mid-market segments through both wealth management and asset products

Other specific areas of focus:

- **Australia: Selectively expand branch distribution network**
- **Malaysia: Expand Amanah branch network and enhance Amanah propositions**
- **Singapore: Grow offshore business**
- **Taiwan: Expand branch network and increase wealth management penetration**

Medium to long-term growth driven by emerging markets: China, India and Indonesia

Focus on Premier and Advance customer acquisition

Other specific areas of focus:

- **China: Grow secured lending and insurance products**
- **India: Grow NRI segment, grow secured lending and leverage expanded network**
- **Indonesia: Grow secured lending and insurance products**

Build on leading international bank position in China

Platform for growth

- Strengthened presence with opening of the new headquarters in Shanghai
- Largest network among foreign banks in China with 102 outlets opened
- Drive usage of self-service platform to enhance sales and services capability for the expanding customer base

Strategic priorities

- Sustain dominant exposure with extensive brand campaigns
- Grow Premier penetration and launch Advance to target upcoming customers
- Grow mortgages with streamlined end-to-end process
- Increase WEM penetration and identify referral opportunities from Hong Kong, Taiwan and international Chinese clients

Build on expanded footprint in India

Expanded footprint to accelerate growth

- Second-largest foreign bank network in India
- Agreement to acquire retail and commercial business of Royal Bank of Scotland in India will add to existing network
- 1.8 million bank customers, with upside potential from RBS/InvestDirect

Strategic priorities

Leverage InvestDirect	Consolidate leadership in mass affluent segment and wealth management
Deepen customer relationships	Grow income from cross-sales into mass affluent and mid-market segments
Secured lending as entry point to propositions	Build on mortgages as a feeder to customer propositions

Drive innovation in wealth management platform

Innovative products

- Offer new investment solutions, eg FundMax, to increase mutual fund market share and to enhance sustainable recurring income
- Provide innovative wealth management products tailored to different risk-reward profiles, eg World Selection and structured products
- Expand RMB investment product range to capture return potential
- Continue to roll out investment-linked insurance products

Enhanced sales capabilities

- Drive online trading
  - FX platform launched in Japan
  - US stocks and bonds to be launched in Hong Kong
- Provide online financial planning and investment sales through LiveConnect

Refocus on assets for income and customer growth

Strategic priorities

- Refocus on secured and selective unsecured lending in Asia for sustainable income
- Leverage asset products for customer and proposition growth

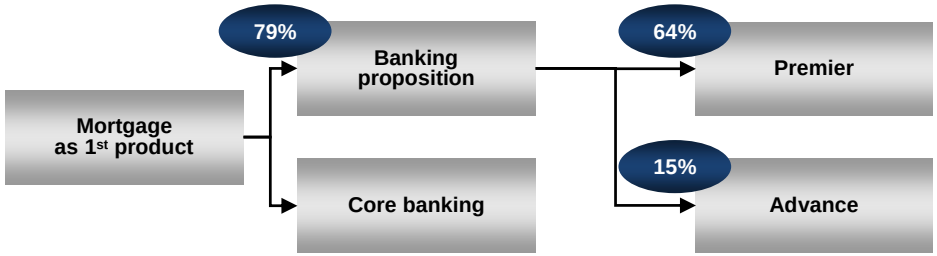
Mortgages

- Strengthen link with Premier and Advance propositions to tap into existing banking base
- Leverage the Group strengths and connections to build relationships with developer partners

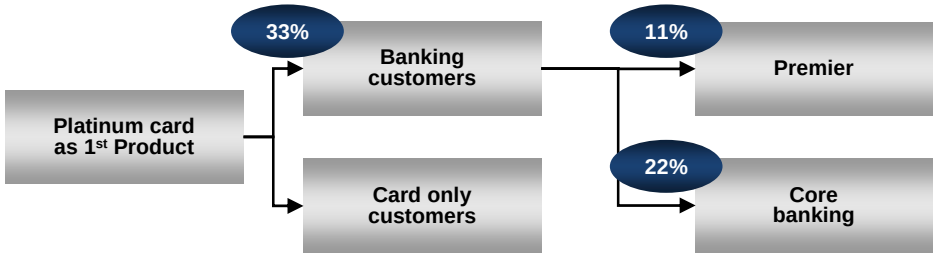
Cards

- Leverage as entry product for banking relationships
- Increase penetration of Premier/Advance cards in own base
- Focus on higher income segments for customer acquisition
- Increase distribution through dedicated sales force and direct channels
- Tap strong retail partnerships

CROSS-SELL OPPORTUNITY (eg Australia)
Mortgage customers X-sold into bank propositions

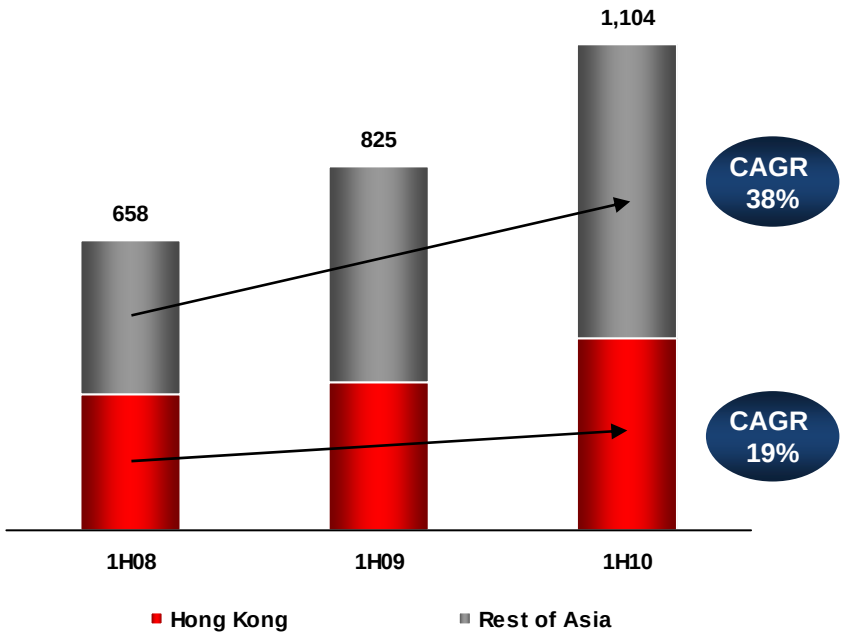


CROSS-SELL OPPORTUNITY (eg Malaysia)
Platinum cards customers X-Sold into bank propositions



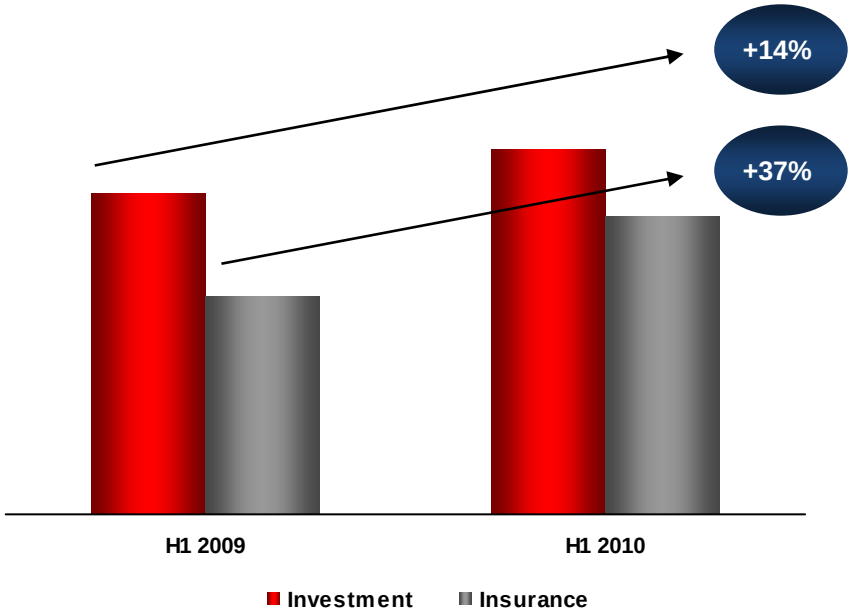
Grow wealth income through Premier base

HSBC Premier customers (in 000s)[1]



- Robust growth in mass affluent customer base
- Nearly a third of Premier customers globally are from Asia

Average wealth product income per Premier customer in Asia (USD)



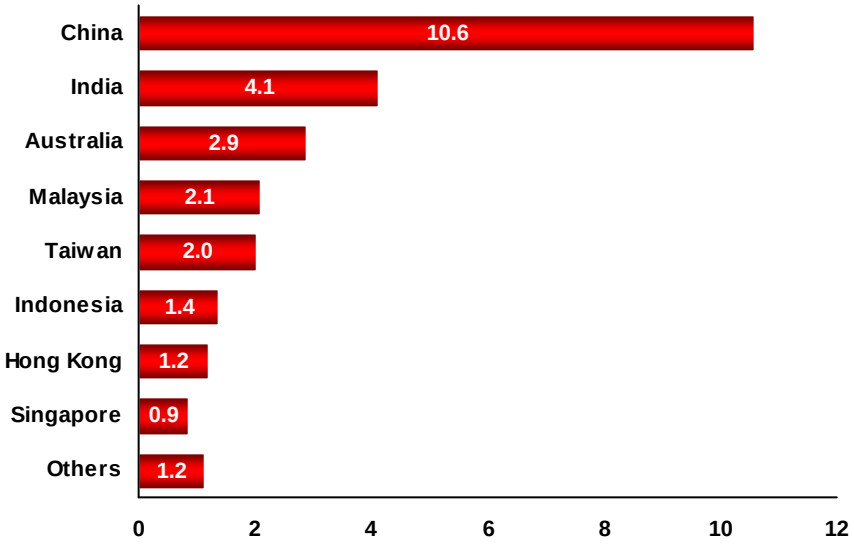
- Strong income growth from wealth management products
- Compensating for subdued deposit margins

Note:
(1) Excludes Hang Seng Bank

Grow mid-market share via Advance

- **Tap potential of Asia-Pacific's upwardly mobile mid-market segment: estimated at over 26 million mid-market customers in Asia[1]**
- **An integrated proposition covering all customer needs and offering our unique connectivity**

Mid-market segment population (millions)



- **Significant market potential for HSBC**
- **Feeder for Premier proposition**

Launched in 2010

Brunei
Hong Kong
India
Indonesia
Malaysia
Philippines
Singapore
Sri Lanka
Taiwan

In roadmap

Australia
China

Over 1.3 million Advance customers to date

Note:
(1) Market size of Hong Kong is based on IFS Monitor 2009 (Oracle Added Value), other countries are based on Synovate Market Sizing studies 2010 which include all countries with HSBC Advance launched/planned to launch, limited to cities with HSBC presence and customers with reasonable assets

Increase penetration in Islamic segment through HSBC Amanah

Platform for growth

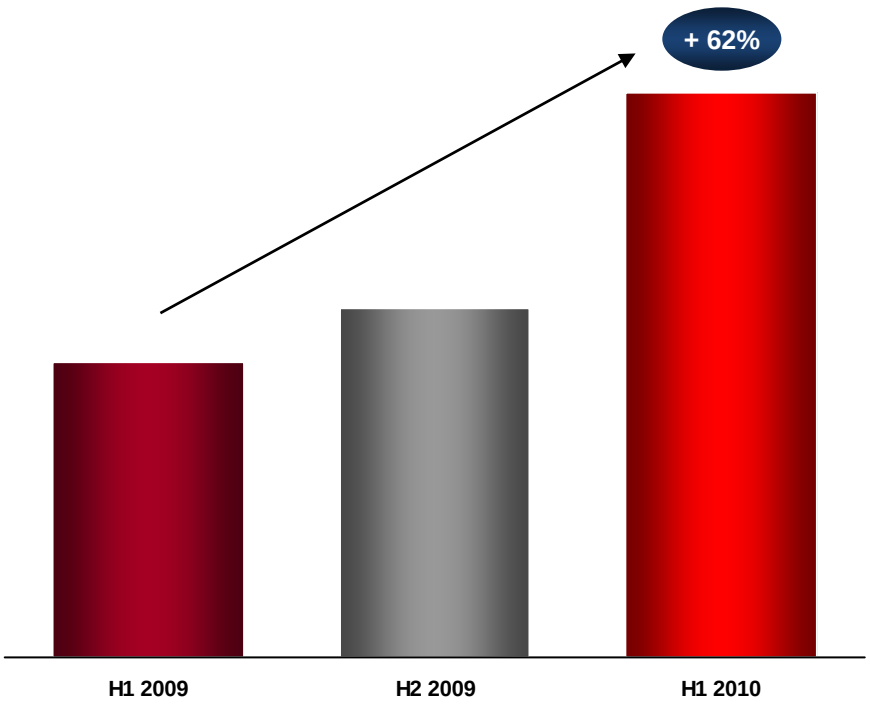
- Launched Amanah Premier and Amanah Advance in Indonesia and Malaysia
- Over 300,000 Amanah customers in Bangladesh, Indonesia and Malaysia
- Integrated asset management products into HSBC Malaysia Takaful

Strategic priorities

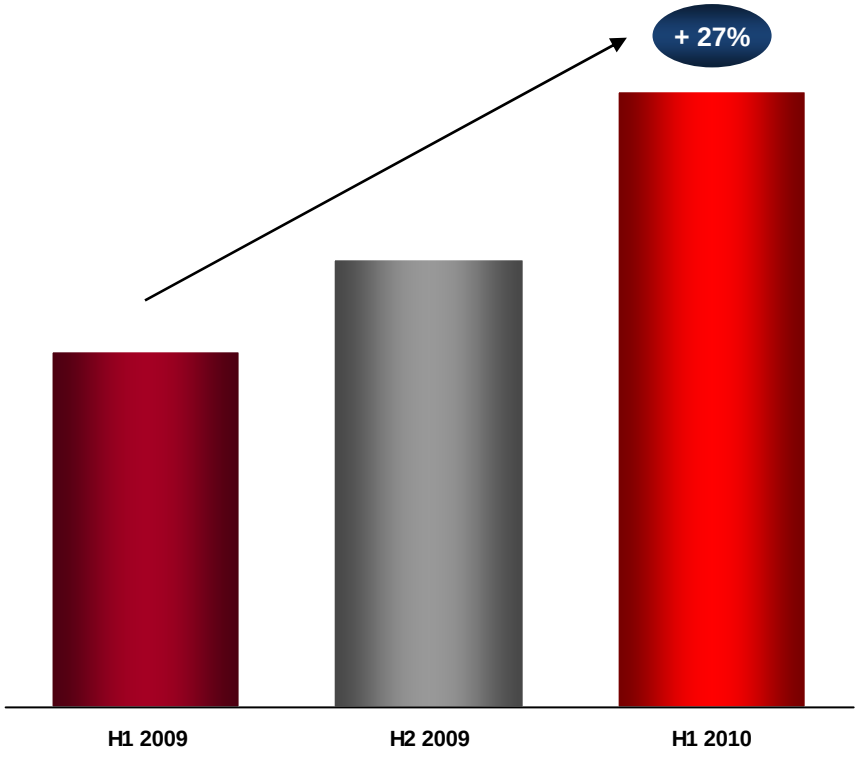
- Build awareness of HSBC Amanah
- Strengthen wealth management capabilities for Amanah Premier and Amanah Advance
- Expand HSBC Amanah's distribution capabilities

Strengthen Hong Kong and Singapore as offshore banking hubs

Hong Kong offshore Premier customers



Singapore offshore Premier customers



Income per offshore Premier customer is on average three times that of domestic Premier[1]

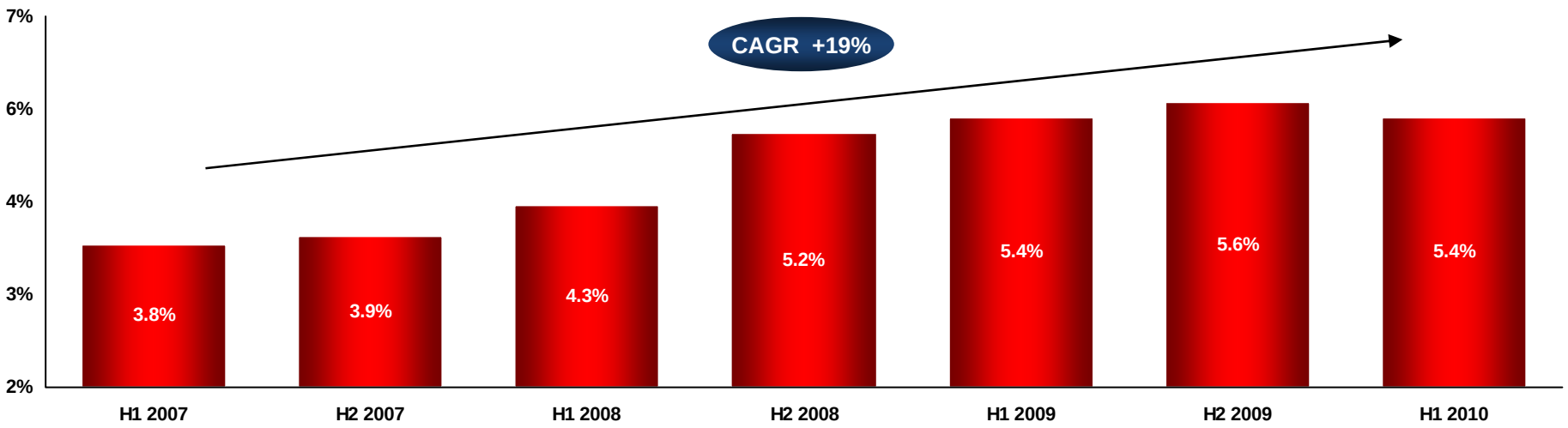
Note:
(1) Based on HSBC Singapore offshore customers

International connectivity key to tapping non-resident Indian potential

Global Indian initiative

- NRI customers in the Group managed by Indian RMs
- Significant referrals to India PFS through NRI
- NRI liabilities account for 60 per cent of India retail liability book
- NRI services coverage includes US, UK, Middle East, Canada, Australia, Hong Kong and Singapore
- Globally consistent Premier and Wealth Management platform helps to deepen relationships

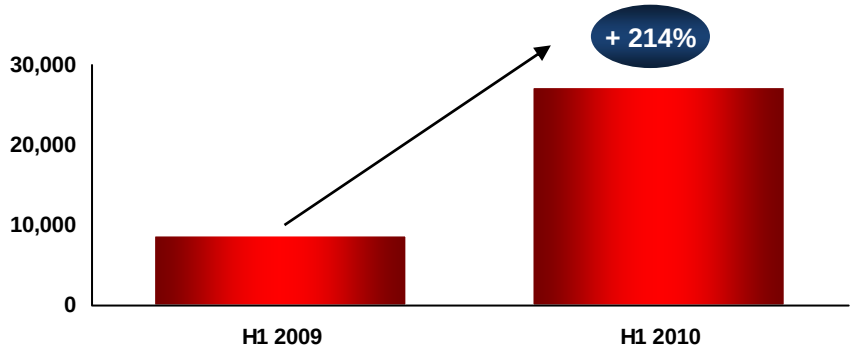
Steady growth in HSBC NRI deposit market share[1]



Note:
(1) Reserve Bank of India

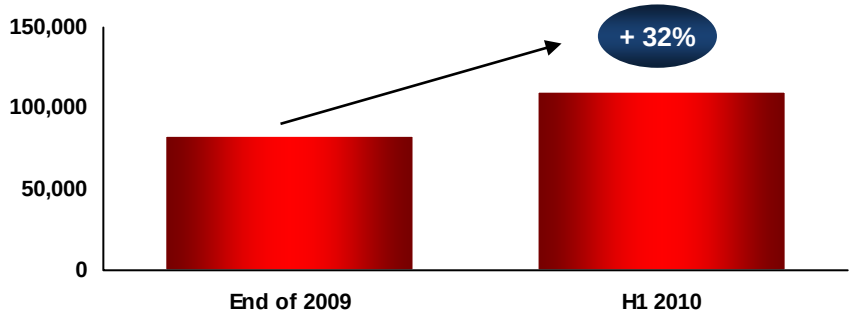
Expand Greater China capabilities and connectivity

Greater China outward referrals



Greater China outward referrals up 214 per cent[1]

Number of NRC customers[2]



Non-resident Chinese customers up 32 per cent

Build out effective referral process and model to increase cross-referrals

Tailor products and services to Greater China customer needs

Strengthen channel capabilities to support cross-border servicing

Notes:
(1) Outward referrals include new Premier customers that are residents of other Greater China countries and successful 'resident' referrals by another GC country eg Hong Kong residents successfully referred by China to Hong Kong
(2) NRC customers refers to any Greater China resident opening an HSBC account outside his/her region of residence, eg Hong Kong customer in China

Delivering growth

HSBC

The world's local bank

Delivering on our strategy

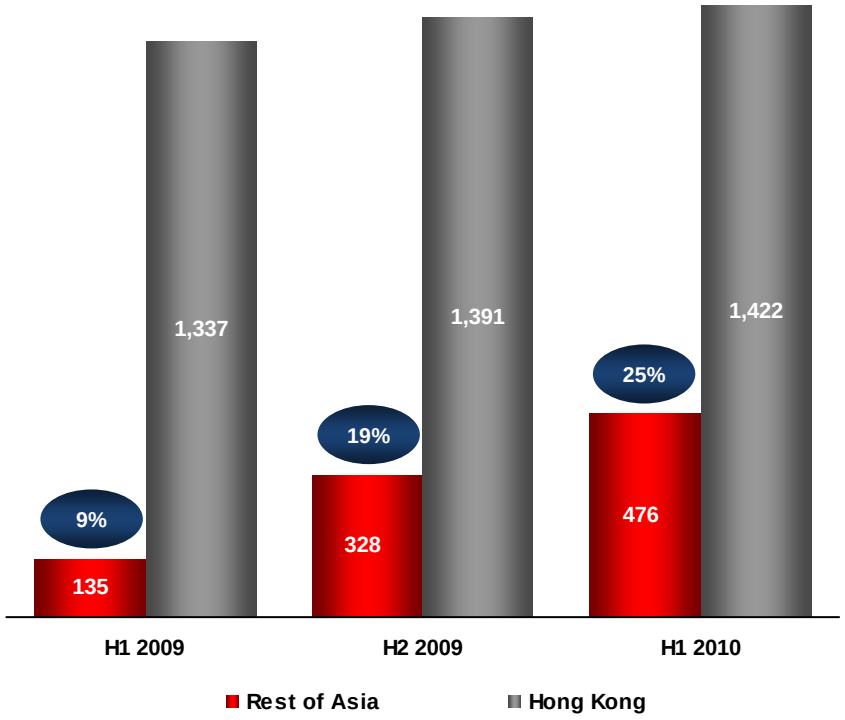
	Achievements H1 2010
Grew mass affluent market share	Over 1 million Premier customers as at H1 2010, up 34 per cent year-on-year
Growing penetration in mid-market segment	Launched Advance in nine markets: Hong Kong, Brunei, India, Indonesia, Malaysia, Philippines, Singapore, Sri Lanka, Taiwan
Leveraged international connectivity	Offshore banking customers up 27 per cent in Singapore and 62 per cent in Hong Kong y-o-y[1] Non-resident Indian market share up to 5.4 per cent[2] Launched non-resident Chinese zones in Hong Kong
Focused on wealth management	Launched new products – FundMax unit trust service and renminbi products in Hong Kong Launched new platforms – LiveConnect online financial planning service
Built new enablers	Launched One HSBC account opening system and process Consolidated contact centres and upgraded sales capabilities
Pursued inorganic growth opportunities	Agreement to acquire retail banking business of Royal Bank of Scotland in India

Notes:
(1) Internal estimates
(2) Reserve Bank of India

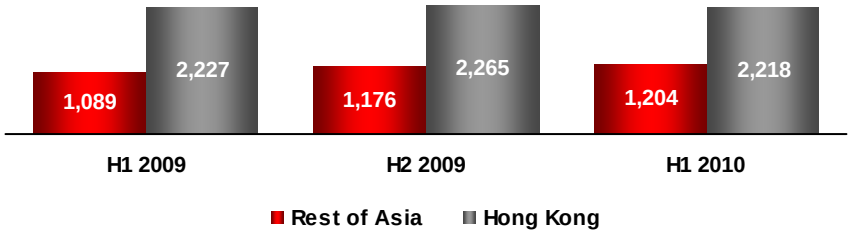
Increasing profit contribution from Rest of Asia-Pacific

PBT up 29 per cent y-o-y to USD1.9bn in H1 2010

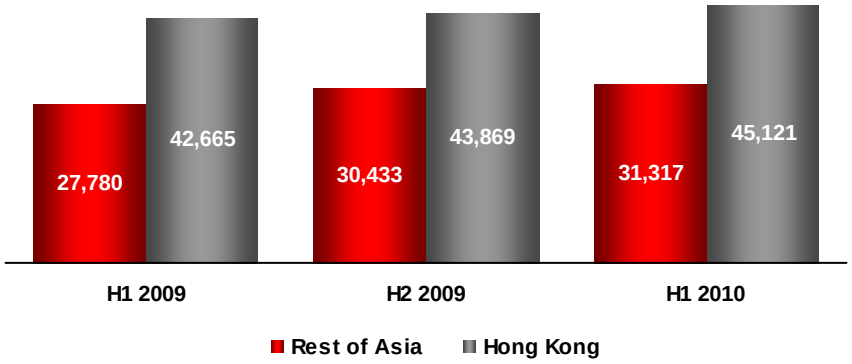
PBT (USDm)



Net operating income[1] up 3 per cent y-o-y to USD3.4bn



Customer advances up 9 per cent y-o-y to USD76bn

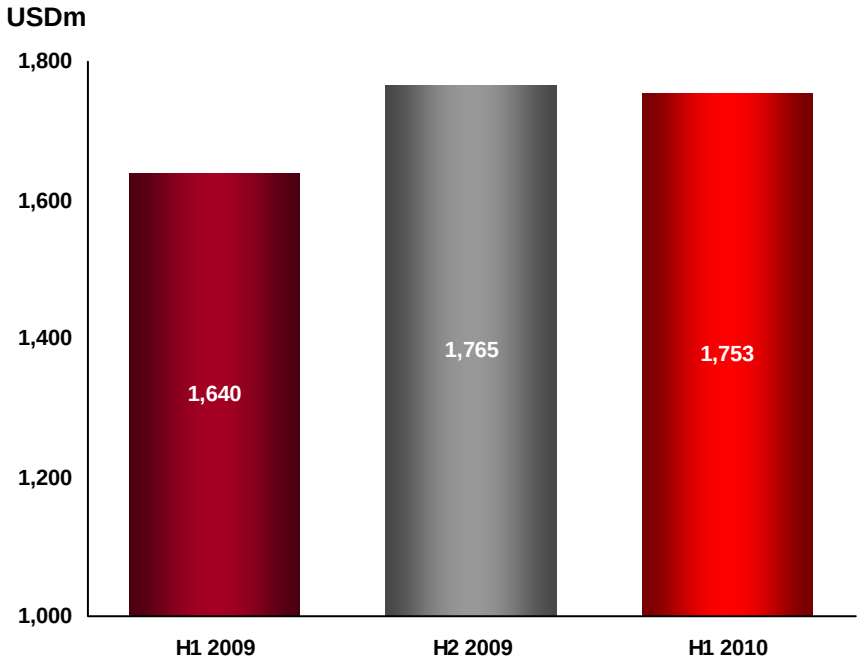


Rest of Asia accounted for 25 per cent of Asia's profit in H1 2010 vs only 9 per cent in H1 2009

Note:
(1) Net operating income before loan impairment charges

Growing staff and network while managing costs

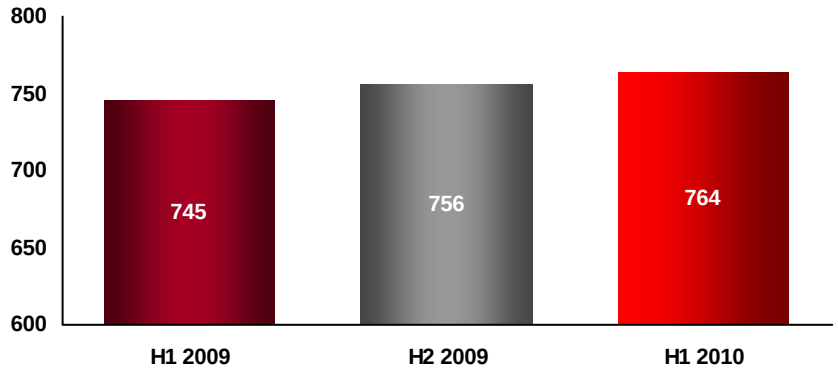
Operating expenses (USDm)



Grew network/channels and staff while maintaining costs at below H2 2009 level

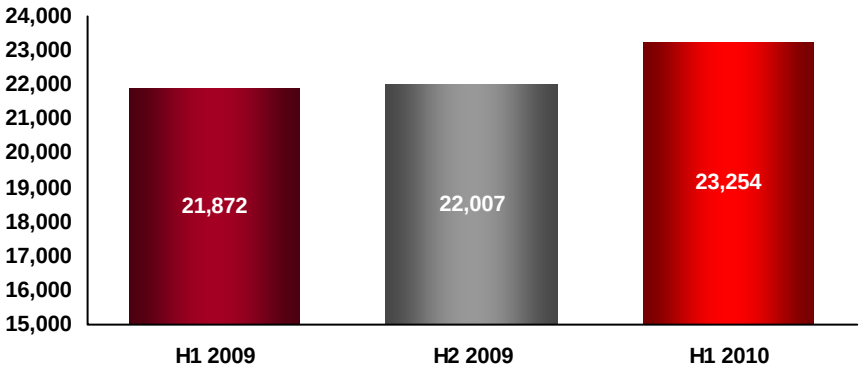
New branches in Australia, Bangladesh, China, India, Malaysia, Sri Lanka and Taiwan

Number of branches



Note: Excludes HASE

Number of FTE



Note: Excludes HASE

Summary

HSBC

The world's local bank

Building on growth momentum

- Grew profit before tax by 29 per cent y-o-y in H1 2010
- Continue to build scale in rest of Asia and strengthen leadership in Hong Kong
- Drive innovation in wealth management to grow non-fund income to offset subdued deposit margins
- Refocus on assets for sustainable income and customer growth
- Lead in mass affluent and mid-market segments via HSBC Premier and HSBC Advance
- Leverage international connectivity to drive cross-border referrals and sales
- Invest further in people, distribution and capabilities to remain the leader in Asia