HSBC Holdings plc

Insurance

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The world's local bank

Presentation by David Fried

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www.hsbc.com

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

- HSBC Insurance: one of the world's leading bancassurers
- Delivering growth
- Opportunity: strategic alignment with global trends
- Taking the business to the next level
- Summary
- Appendix

HSBC Insurance: one of the world’s leading bancassurers

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The leading bancassurer in emerging markets

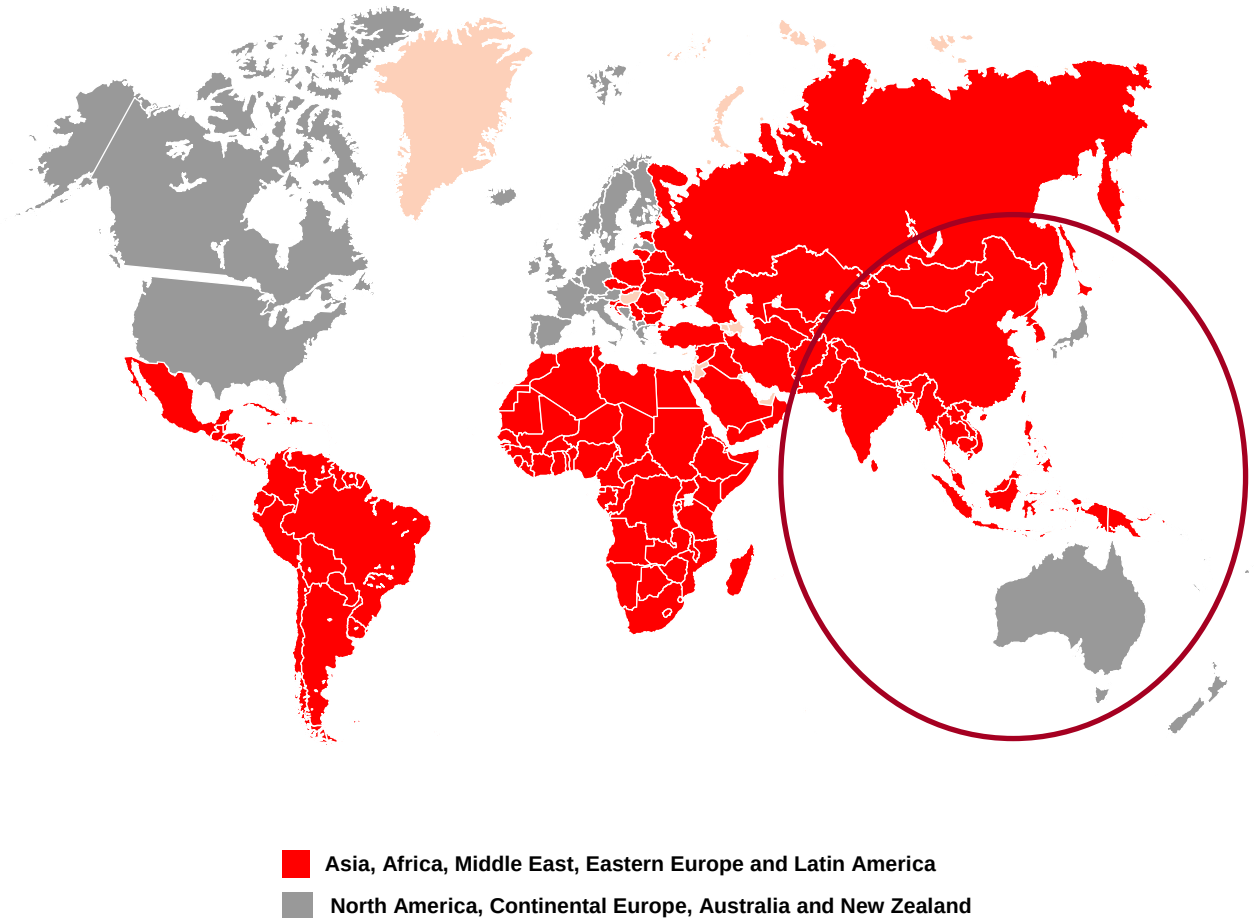
Maximising growth by utilising existing infrastructure

HSBC Insurance globally

- Manufacturing life, non-life and pensions businesses in more than 20 countries and territories
- Distribution capability in around 50 countries and territories
- 6,500 staff plus 2,000 in joint venture companies
- c20 million policyholders and access to HSBC's customer base of 100 million

HSBC Insurance in Asia

- Manufacturing life, non-life and pensions businesses in 9 markets
- Distribution capability in 18 markets
- 2,500 staff



Notes:
All figures are as at 30 June 2010 except otherwise specified. Staff numbers include joint ventures

Delivering growth

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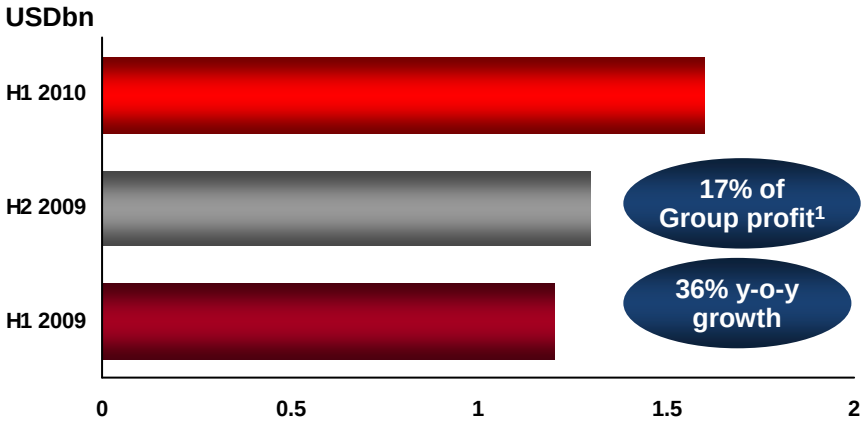
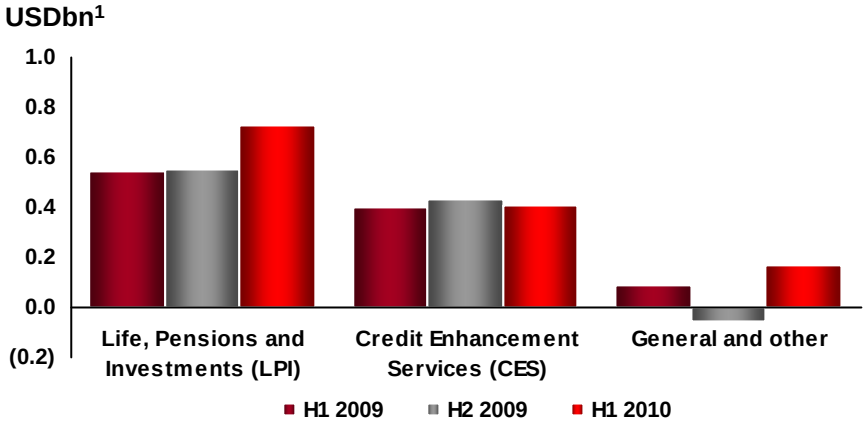
Insurance growing sustainable profits

PBT up 36 per cent year-on-year to USD1.6bn in H1 2010

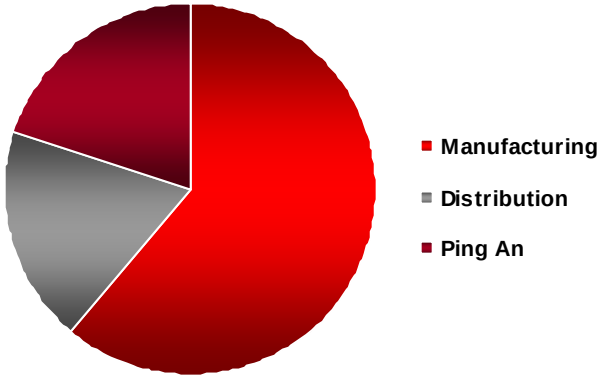
Insurance profit before tax[1]



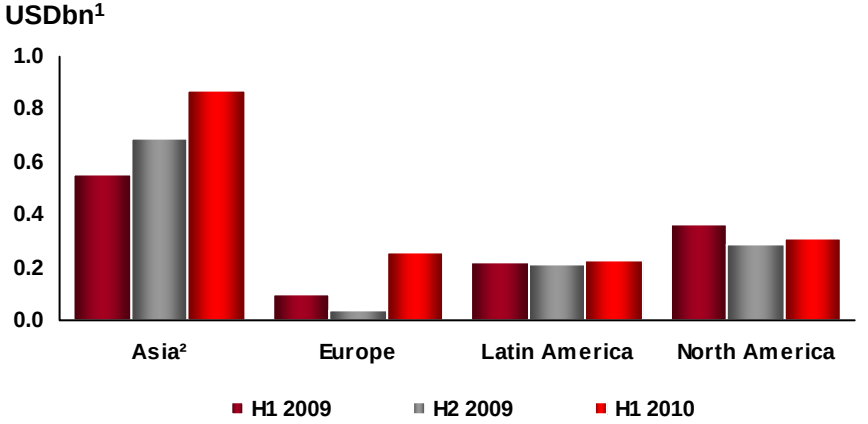
Insurance profit before tax by product category



Profit before tax by type of business



Insurance profit before tax by region



Notes:
(1) Underlying basis
(2) Hong Kong and Rest of Asia-Pacific

Opportunity: strategic alignment with global trends

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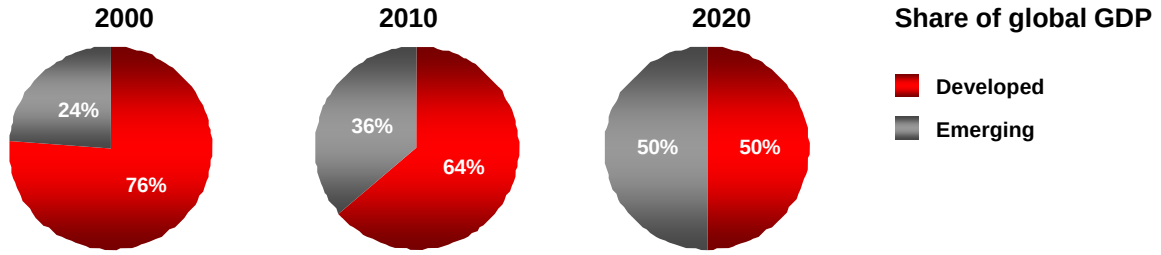
Significant insurance spending potential in emerging markets

What has changed?

Global economic trends

The world rebalancing towards emerging markets

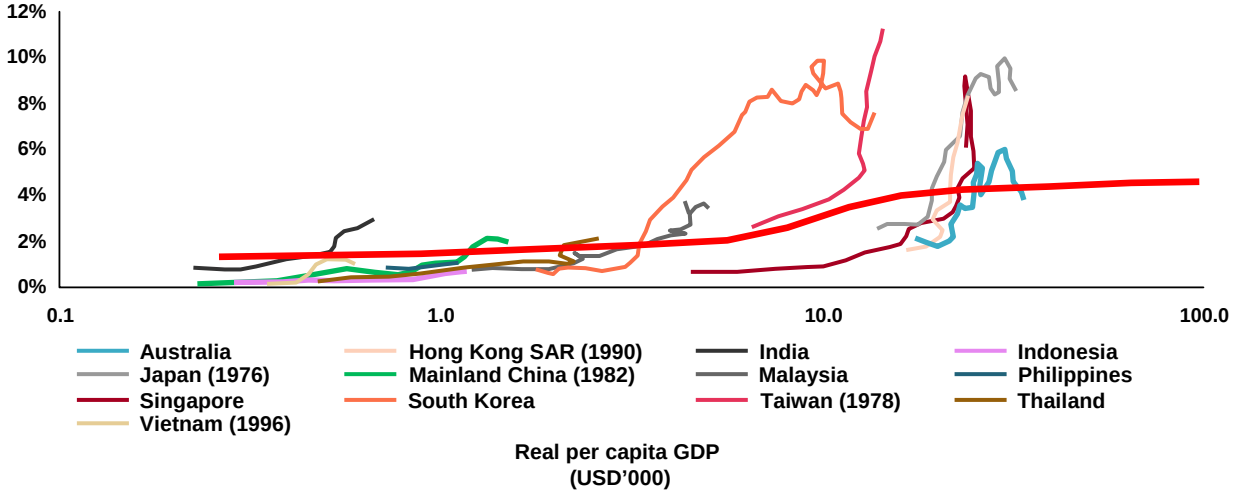
Emerging markets growing faster than developed markets[1]



Source: HSBC estimates

Premium spending accelerates after insurance growth reaches a breakthrough point (approximately when premium/GDP reaches 2 per cent)

Life Premiums/ GDP[2]



Notes:
(1) HSBC Global Research and IMF as at Sep 2010
(2) Swiss Re January 2007; penetration data starts from 1970 unless specified; real capital GDP in logarithmic scale

Global ageing population, especially in Asia

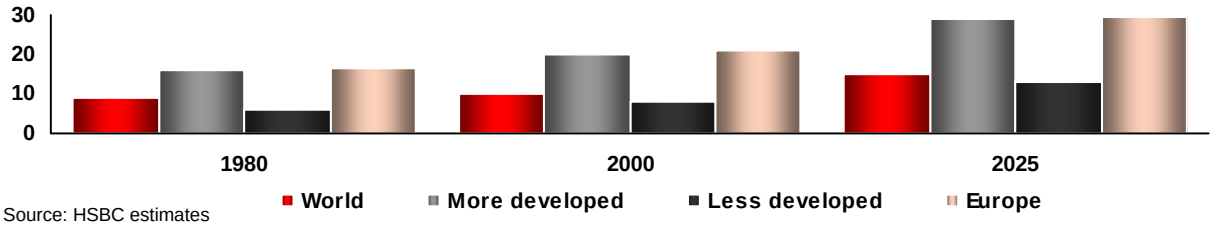
What has changed?

Longevity will be harder to fund

Global population trends

Longevity increasing virtually everywhere…

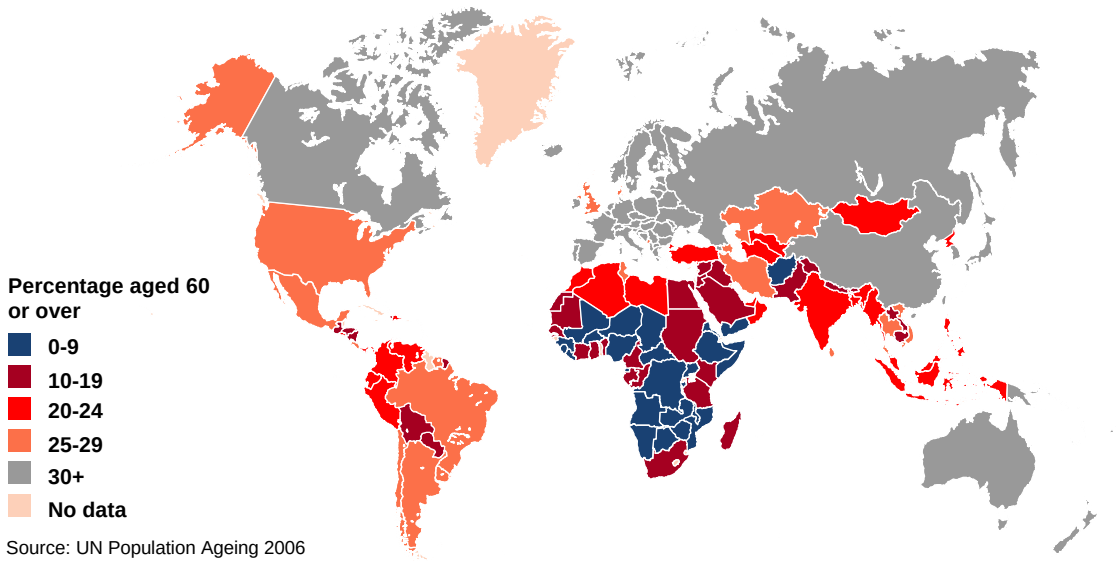
People aged 60 and over (%)



Source: HSBC estimates

By 2050,

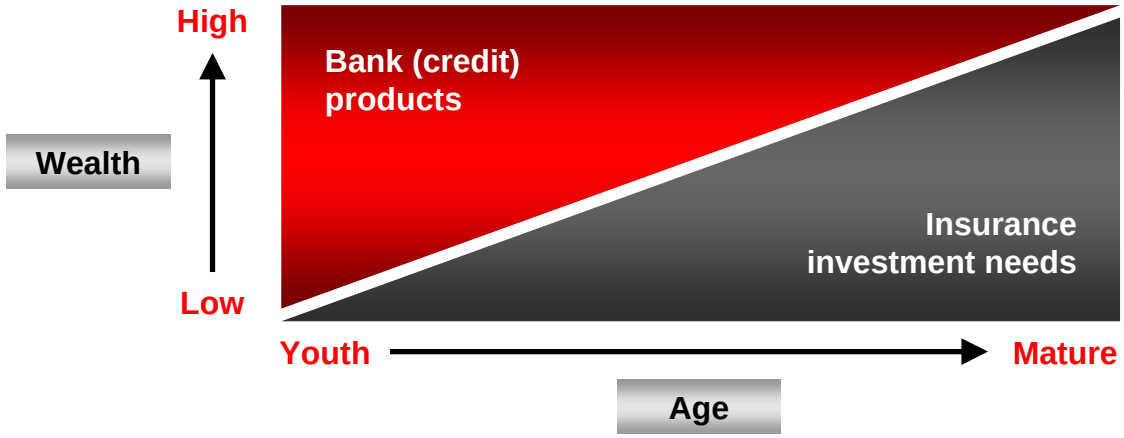
- **Of the 2 billion global population aged over 60, 62 per cent or 1.24 billion will be residing in Asia's emerging markets**
- **China (by 2030) and India (by 2050), will have more dependent adults than dependent children**



Source: UN Population Ageing 2006

Insurance and wealth management needs accelerate as people mature

Financial needs map



Fundamental attractiveness of insurance

- Over 45 year olds possess between 75% and 88% of all personal financial assets in US, Canada, UK and Japan*
- These individuals and their assets need protection (insurance) and investing – not more borrowing
- Ageing is accelerating this shift as older borrowers deleverage
- Equally applicable in OECD and emerging markets

+

HSBC Group's competitive advantage

- The bancassurance model internalises profits otherwise paid away to agency sales
- Leverage special attributes of the Group:
  - Existing 100 million clients
  - Harnesses Group's distribution
  - Leverages OECD knowledge into emerging markets

Notes:
Source: Federal Reserve Bank of St. Louis, Human Resources and Skills Development Canada, HM Revenue and Customs and Ageing in Japan: The Health and Wealth of Older Persons

Taking the business to the next level

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Building an insurance platform

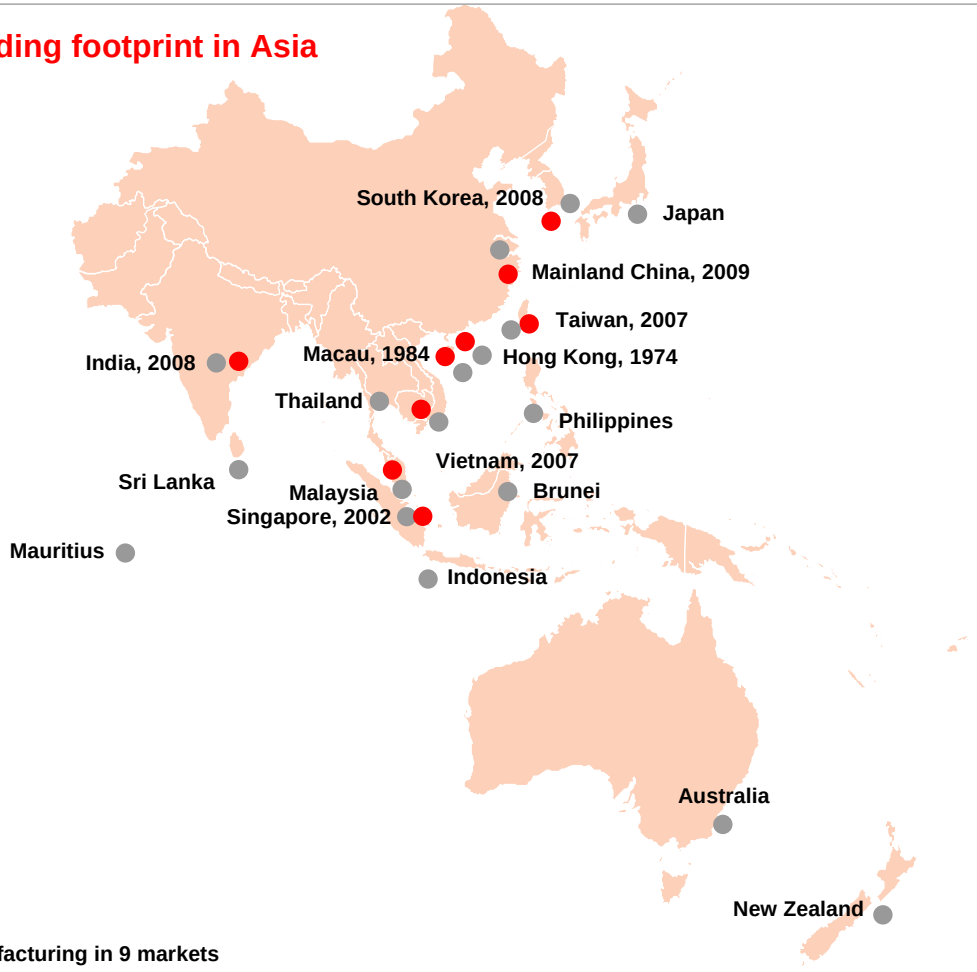
Developed insurance footprint in Asia's fastest-growing markets

HSBC Insurance expansion in Asia: 2006-2009

- Malaysia in 2006
- Taiwan in 2007
- Vietnam in 2007
- South Korea in 2008
- India in 2008
- Mainland China in 2009

HSBC Insurance has manufacturing capability in nine markets in Asia, including Hong Kong, Singapore and Macau

Expanding footprint in Asia



Manufacturing in 9 markets

Distribution in 18 markets

Market leading in Asia with dynamic propositions

Leading insurance provider and bancassurer

Hong Kong	Maintained No. 1 position in new annualised life premium 26.7 per cent market share[1]
Mainland China	HSBC Life has grown rapidly within its first year of operation Products now sold through HSBC, Hang Seng Bank and Bank of Communications branches
India	Fastest-growing life insurer in India through JV with Canara Bank and Oriental Bank of Commerce Provides access to 40m customers
South Korea	With bancassurance partner Hana Financial (No. 3 bank), we distribute through over 1,000 branches Grown to No. 7 in H1 2010 from No. 21 in Dec 08 in new business market share
Vietnam	Increased holding in Bao Viet to 18 per cent from 10 per cent Very attractive market with 1 per cent insurance penetration

Pioneering needs-based propositions

- Launched and building high net worth proposition in Hong Kong, Singapore and the rest of Asia
- Pioneering RMB insurance propositions in Hong Kong

- Expanding our high-performance Insurance Sales Manager team across Asia to enhance customer satisfaction
- Establishing alternate distribution channels to reach out to and meet the needs of our customers

Notes:
(1) Office of the Insurance Commissioner, H1 2010

Best in class

The World's Most Valuable Banking Brand (2007-2009)

Award for Excellence in Bancassurance (2009)

Insurance Company of the Year – Hong Kong (2009-2010)

Excellent Brand for MPF Management Service – Hong Kong (2010)

Excellent Brand for Travel Insurance Service – Hong Kong (2010)

Service Awards for Life Insurance Category – Hong Kong (2009-2010)

Service Awards for Medical Insurance Category – Hong Kong (2009-2010)

Service Awards for MPF Category – Hong Kong (2010)

Distinguished Sales Person Award Insurance – MPF Sales (2010)

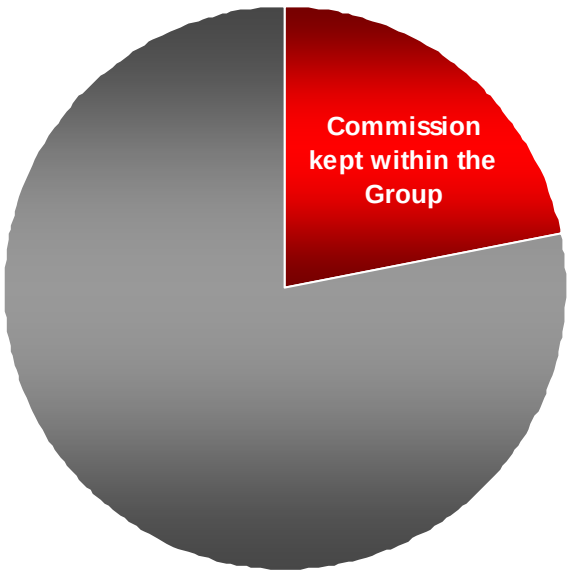
Certificate of Merit Environmental Performance (2010)

Korea Management Association Certified Best Call-Centres (2010)

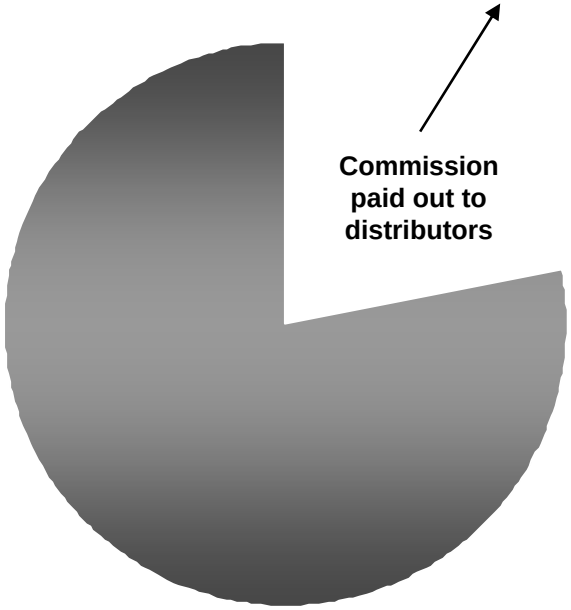
Distinguished Policy Designer Award For Life Insurance – Taiwan (2010)

Adding value through a world-class bancassurance model

HSBC's model



Agency-based insurers



Distribution PBT Manufacturing PBT

Internalises profits agency-based insurers pay for agency distribution

Leveraging network and strategic partnerships

	Business operations		Distribution channels				
Sites with manufacturing capability	Life	Non-life	HSBC's branch network	Branch network of subsidiary banks	Branch network of other banks	Other financial institutions	Tied agency forces
Hong Kong	■	■	■	■			
Singapore	■	■	■		■		■
Malaysia	■	■	■	■			
Taiwan	■		■		■		
South Korea	■		■		■	■	■
India	■		■		■	■	
Mainland China	■	■	■	■	■		■
Vietnam	■	■	■		■		■
Macau	■	■	■		■		

Summary

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Positioned to become the world's leading bancassurer

- **Lead in wealth and protection as affluence and longevity impact on Asian consumer needs**
- **Cross-sales key to increase penetration into HSBC's robust customer base**
- **Bancassurance strength in Asia as growth platform**
- **Expansion of manufacturing capability**
- **Maximising the utilisation of distribution channels**

Appendix

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Insurance

Strong growth in contribution to profits

USDbn[1]	H1 2009	H2 2009	H1 2010	% Better/(worse) H1 2009	% Better/(worse) H2 2009
Net earned premiums	5.1	5.3	5.7	+11	+7
Investment income[2]	1.5	2.5	0.8	(45)	(65)
Net claims incurred and movements in liabilities to policyholders	(4.0) (5.5)	(4.2) (6.7)	(4.3) (5.1)	+8	+23
PVIF[3] movement	0.3	0.3	0.3	+11	+5
Net underwriting result	1.4	1.4	1.7	+23	+28
Net fee income	0.5	0.5	0.5	(7)	0
Other operating income	0.1	–	–	–	–
Net operating income	2.0	1.9	2.2	+13	+20
Operating expenses	(1.0)	(0.9)	(0.9)	+4	(3)
Operating profit	1.0	1.0	1.3	+30	+36
Associates and joint ventures	0.2	0.3	0.3	+63	+11
Profit before tax	**1.2**	**1.3**	**1.6**	**+36**	**+30**

Notes:
(1) Underlying basis
(2) Investment income includes net income from financial instruments designated at fair value H1 2009: USD0.7bn, H2 2009: USD1.6bn, H1 2010: USD(-)bn. To the extent that these investment gains and losses are passed to policyholders, an offsetting entry will flow through the net claims incurred and movements in policyholder liabilities line to reflect the related movement in policyholder liabilities
(3) Present value of in-force long-term insurance business