

CLSA Investors' Forum

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10 September 2012



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 HSBC Holdings plc Annual Report and Accounts 2011 and Interim Report 2012. 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 is provided in the 'Constant currency and underlying reconciliations' supplement available at www.hsbc.com.

Agenda

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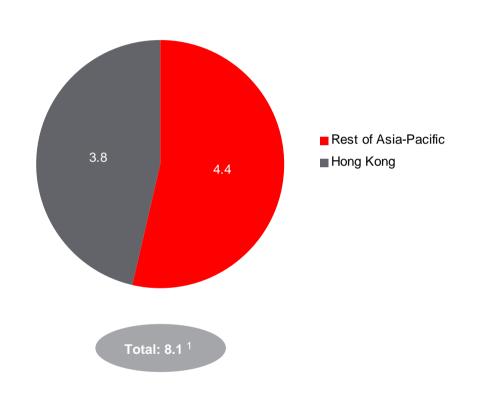
Financial highlights: Hong Kong and Rest of Asia-Pacific





HSBC in Asia – 1H12 financial highlights

PBT, 1H12 (USDbn, reported)



Financial highlights	НК	RoAP	Asia	% v 1H11
Net operating income ² (USDbn)	6.1	5.9	12.1	12
Loan impairment charges (USDbn)	(0.03)	(0.30)	(0.33)	164
Loans and advances (gross) (USDbn)	166	130	296	5 ³
Pre-tax return on risk- weighted assets (%)	7.1	3.0	n/d ⁴	n/a

Reported PBT for Asia of USD8.1bn, up 19% v 1H11 64% of Group PBT

Notes:

- 1 not adjusted for rounding
 2 Before loan impairment charges and other credit risk provisions
 3 Change since 31 Dec 2011
- 4 Not disclosed

Asia-Pacific: strategic direction

Connecting Asia and the world

- Expand leadership in Greater China
 - Maintain leadership in Hong Kong
 - Continued leadership as mainland China's top foreign bank
 - Grow RMB deposits
 - Taiwan

- 2 Build scale in other key markets
 - Continue to invest to build scale in key markets:
 - India
 - Singapore
 - Malaysia
 - Indonesia
 - Australia
 - Vietnam

- Maintain leadership in connectivity
 - Be the leading international bank for RMB worldwide
 - Focus resources in other markets to maintain leadership in intermediating Trade, Capital and Wealth flows

Strategic actions

- Grow quality assets and build scale in key markets
- Deepen customer relationships to grow non-interest income
- Build customer deposits to capture benefits of rising interest rates
- Continue cross-border leadership in trade, capital and wealth

Target RoRWA 3.4-4.2%

Macroeconomic environment





Asia economy

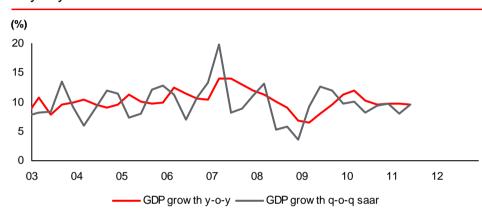
GDP (%)	2010	2011	2012F	2013F
China	10.4	9.2	8.0	8.3
Hong Kong	7.1	5.0	2.5	4.5
India	8.4	6.5	6.4	7.1
Indonesia	6.2	6.5	6.1	6.4
Korea	6.3	3.6	3.2	4.0
Malaysia	7.2	5.1	4.3	5.0
Philippines	7.6	3.9	4.8	4.8
Singapore	14.8	5.0	2.8	4.3
Taiwan	10.7	4.0	2.5	4.1
Thailand	7.8	0.1	5.0	4.7

- Moderation in regional GDP growth due to milder export growth and falling consumer demand
- Further risks to growth European instability, lacklustre US recovery, inflationary uncertainty
- Economic uncertainty impacting revenue growth
- Social instability is an increasing concern
- Regulators increasingly cautious on capital and liquidity, but remain supportive
- China remains on course for soft landing; expect a strong mix of monetary and fiscal easing

China/Hong Kong economic outlook

China: Economy slowing, not faltering

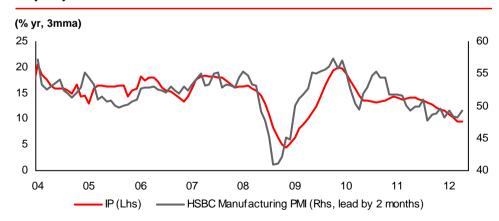
% y-o-y



Source: CEIC, HSBC Global Insights

China: PMI

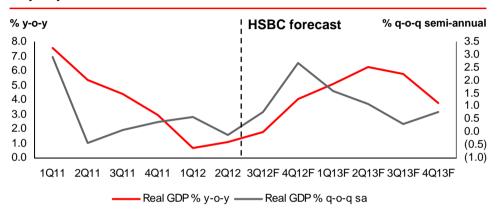
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Source: Markit, CEIC, HSBC Global Insights

Hong Kong: Moderating GDP growth

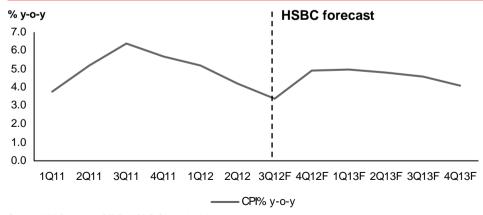
% y-o-y



Source: HK Censtatd, CEIC, HSBC Global Insights

Hong Kong: Easing inflationary pressures

% y-o-y



Source: HK Censtatd, CEIC, HSBC Global Insights

Hong Kong strategic priorities





Hong Kong strategic priorities

Capturing the connectivity

- Developing opportunities arising from increased China wealth
- Tapping into mainland Chinese enterprises "going out"
- Capturing business arising from HK and international companies "going into China"

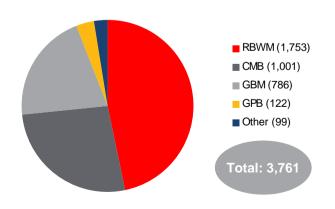
Leading RMB international bank

- Leveraging HK's strategic position as the leading offshore RMB centre
- Capturing market share from increasing RMB trade settlement and capital flows
- Capitalising on rising cross-border business opportunities

Maintaining market leadership

- Consolidating market leadership in total deposits, Mandatory Provident Fund, Mortgages, Credit cards, HKD and offshore RMB bonds and FX
- Maintaining scale in other strategic businesses

PBT, 1H12 (USDm, reported)



Reported	2011	1H 11	1H 12
Net operating income ¹ (USDbn)	10.7	5.4	6.1
Profit before tax (USDbn)	5.8	3.1	3.8
Cost efficiency ratio (%)	44.5	43.2	39.1
Return on risk-weighted assets ² (%)	5.3	5.6	7.1

Notes:

- 1 Before loan impairment charges and other credit risk provisions
- 2 Profit before tax basis

Rise of China

Significant economic benefits for Hong Kong

People

- High net worth individuals (ie. individuals with wealth over RMB10m) in China reached 1.2m by the end of 2011, with a five-year average growth rate of 29%¹
- Spending power spilled over to HK
 - In 2011, 25.3m Mainland tourists to HK and 16.2m to Macau²

Investment

- HK as a gateway for foreign enterprises to access the China market and vice versa
 - HK is the largest source of FDI for China, accounting for 66% of the total amount in 2011⁷
 - 60% of China's Overseas Direct Investment (ODI) flows to HK⁸, soared 67.7% during Jan-Jul12
 - 45% of Mainland accumulated foreign capital comes from HK³
 - 710 Mainland companies listed in HK⁹ by the end of Jul 12

China₁₀

- · 2nd largest economy in the world
- GDP grew 35x in three decades (USD200bn in 1981 to USD7trn in 2011)

Trade

- China is the largest exporting country
 - USD1.9trn total exports in 2011³
 - By 2020, total trade will surge to around USD16.7trn (19.5% of global trade), with commodity trade export of USD7.6trn (22.3% of global trade)⁴
- HK/China trade closely linked
 - 47% exports/45% imports of HK are to/from mainland China⁵
 - RMB2trn, or 9% of China's global trade, was settled in RMB in 2011⁶

Currency

- RMB internationalisation
- Reserve currency potential
- Targeting full convertibility

Notes

- 1 Source: "2012 China Private Banking Development Report", CITIC Bank & Central University of Finance and Economics
- 2 Source: Tourism Commission, Hong Kong SAR; China Tourism Academy
- 3 Source: Ministry of Commerce, PRC
- 4 Quoted from Pei Changhong (裴长洪, Institute of Economics Chinese Academy of Social Sciences)

- 5 Source: Census and Statistics Department, Hong Kong SAR
- 6 Source: PBoC
- 7 Source: Ministry of Commerce of the PRC
- 8 Source: HKMA
- 9 Source: HKEx
- 10 Source: World Economic outlook-IMF, APR12

Connecting Guangdong globally through Hong Kong

Guangdong and Hong Kong in context



Opportunity for HSBC

- Guangdong importance to China, 11% of GDP, 9% of population1
- An average of 11.5% annual GDP growth over the past 5 years1
- Financial hub and foreign trade leader, exports still account for 65% of GDP, trade represents 91% of GDP1
- Top down policy support for Guangdong and **HK** cooperation
 - Supplement IX of CEPA²
 - "Strengthen closer cooperation with Hong Kong and Macau" under Guangdong's 12th Five-Year Plan
 - Financial integration in the Pearl River Delta region
 - Qianhai Shenzhen-HK Modern Service Industry Cooperation Zone
- Significant opportunities for HSBC in Guangdong region to build on strong Hong Kong presence

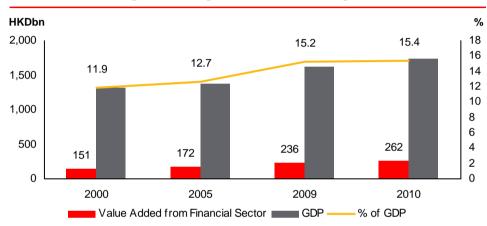
¹ Source: National Bureau of Statistics of China

² CEPA: Closer Economic Partnership Arrangement

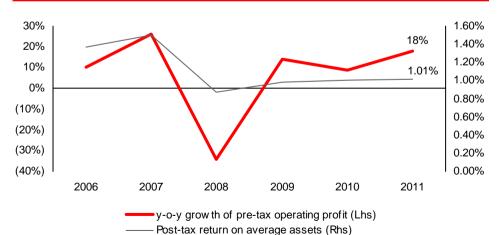
The evolution of Hong Kong as a financial centre

Financial sector's contribution to GDP¹

2005-2010 average annual growth: 9% vs. 4% growth rate of GDP



Profitability of the financial sector (Y-o-Y growth of PBT & RoA)²



Notes:

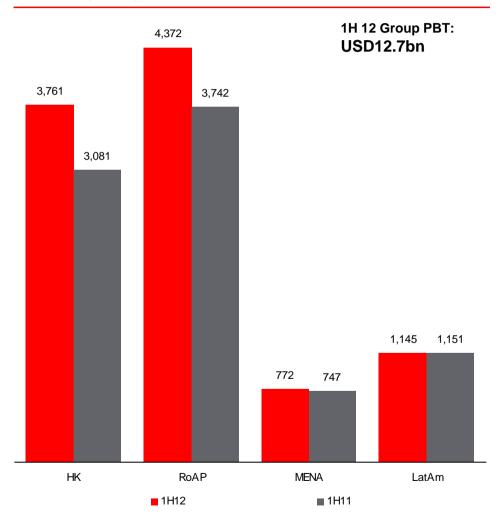
- 1 Census and Statistics Department, HK SAR
- 2 HKMA

A good place to do business

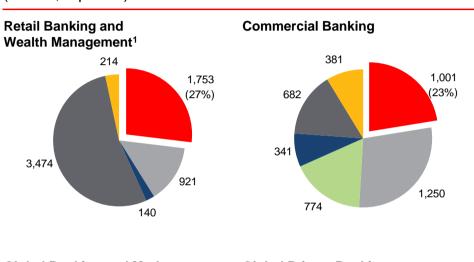
- A mature and competitive financial industry¹:
 - Currently 153 fully licensed banks in HK
 - ~10,000 financial services companies in HK
 - Employ over 220,000 staff- more than 6% of total employment
- World's largest Initial Public Offering (IPO) market in 2010 and 2011²
- World's sixth-largest exchange, as measured by market capitalisation²
- Approximately USD1.3trn in AUM in Hong Kong fund management sector²
- Leading hub for hedge funds investing in Asia²
- Second-largest hub for Private Equity funds in Asia²
- Premier offshore RMB business centre
- Largest hub for Qualified Foreign Institutional Investors (QFII) and Qualified Domestic Institutional Investors (QDII) managers²
- AAA sovereign credit rating of HK SAR by S&P

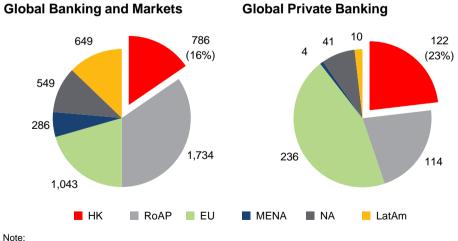
Hong Kong contribution to Group performance

1H12 PBT contribution from faster growing regions (USDm, reported)



1H12 PBT contribution by Global Business (USDm, reported)





1 EU's RBWM business reported a loss of USD92m in 1H12

A leading bank for RMB internationalisation





Harnessing the opportunity as a leading bank for RMB internationalisation

1

A Global Trading Currency

Pilot launch of cross-border RMB trade settlement scheme

June 2010

June 2009

Expansion of cross-border RMB trade settlement scheme

August 2011

Announcement on nationwide expansion of the scheme Trade settled in RMB totaled RMB2.08trn¹ in 2011

March 2012

Expansion of RMB export trade settlement from businesses on the Mainland Designated Enterprises (MDEs) list to all companies qualified for external trade

The MDE list was replaced by a watch list in June, fully opening the cross-border RMB trade settlement channel

July 2010

Establish the offshore RMB (CNH2) market in HK

A Global

August 2010

China inter-bank bond market (CIBM) opened to selected offshore RMB Financial Institutions and central banks

Investment Currency

January 2011

Mainland Enterprises can make overseas investment in RMB in the form of ODI

August 2011

Mainland corporates can issue RMB bonds in Hong Kong

October 2011

- Formalisation of RMB Foreign Direct investment (FDI)
- RMB21bn for 110 projects approved by end December

December 2011

RMB QFII³ launched allowing HK subsidiaries of Chinese asset management and securities firms to invest onshore

April 2012

- RMB QFII³ expanded by RMB50bn and allowed to be used in issuing A-share ETFs
- CIBM eligible investors expanded to supranationals, sovereign wealth funds and insurers

May 2012

- Formalisation of RMB bond issuance in Hong Kong by Mainland nonfinancial firms
- 19 countries have signed swap agreements with China, totaling RMB1.7trn

June 2012

- The first RQFII A-share ETF authorised for listing on the SEHK
- Notice from PBoC on "Clarifying the Operating Details of RMB Settlement for FDI"

August 2012

Authorised Institutions (Als) can offer RMB services to personal customers who are non-Hong Kong residents

Accepted across world:

- For investment, financing, and payment purposes

Reserve Currency

A Global

- As a reserve, intervention and anchor currency
- Nigeria has added the equivalent of USD500m in RMB to its reserves⁴
- Chile, Thailand, Brazil and Venezuela are understood to have begun efforts to include RMB in reserve portfolio¹
- Japan, Korea and Thailand have approved quotas of RMB65bn, 20bn and 7bn respectively to invest in CIBM
- The International Bank for Reconstruction and Development (IBRD) & the International Development Association (IDA) to invest in CIBM through PBoC
- Indonesia's central bank started buying bonds in CIBM
- Countries that have indicated they will add RMB to their reserves account for an aggregated 33% of world total FX holdings excluding China

Notes:

- 1 Source: PBoC
- 2 CNH is the name used in the market to refer to offshore deliverable RMB
- 3 Qualified Foreign Institutional Investors
- 4 Source: Wall Street Journal

Hong Kong's global RMB leadership

RMB Deposits in Hong Kong ¹	Dec 2010 RMB315bn	Dec 2011 RMB588bn	↑ 87%	June 2012 RMB558bn	↓ 5% (vs. Dec 2011)
RMB Trade Settlement	2010	2011	↑ 5x	1H 2012	↑ 51%
HK ↔ Mainland China ¹	RMB369bn	RMB1,941bn		RMB1,210bn	(Y-o-Y)
RMB Trade Settlement	2010	2011	↑ 4x	1H 2012	↑ 147%
China ↔ RoW²	RMB506bn	RMB2,080bn		RMB1,252bn	(vs. 2010)
Dim Sum Bonds ¹ (excluding CD)	2010 16 issuers RMB35.8bn	2011 87 issuers RMB108bn	↑ 3x	1H 2012 RMB72.7bn	↑ 65% (Y-o-Y)

Notes:

¹ Source: HKMA

² Source: Ministry of Commerce of the People's Republic of China and the People's Bank of China ("PBOC")

Capacity for sustainable growth in Hong Kong





Capacity for sustainable growth in HK

- Hong Kong is a sound and dynamic financial centre
- Hong Kong is a critical element of the Group
- Strong performance in 1H12
- Good progress in achieving key strategic priorities across Global Businesses
- Focused on growth opportunities in a challenging environment
- China and RMB provide sustainable growth opportunities
- Accelerating collaboration between Global Businesses
- Strong liquidity provides foundation for further balance sheet and revenue growth

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