2009 INVESTOR ROADSHOW – HONG KONG AND SHANGHAI

Insurance

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HSBC
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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.

All financial information used in this presentation is reported in accordance with IFRS and extracted from HSBC Holdings plc's 2009 Interim Report unless indicated otherwise. 'Hong Kong' includes Hang Seng Bank, 'Asia' includes Hong Kong and Rest of Asia and 'Asia-Pacific' includes Asia and the Middle East, unless stated otherwise.

Agenda

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Hong Kong, Singapore, India and mainland China

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Summary

Overview

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Overview

World's leading bancassurer

- **A rapidly growing global insurer**
- **Distribution capability in over 50 countries and territories worldwide**
- **US$1.2bn profit before tax (PBT) in 1H09 (16% of total Group PBT)**
- **9,000 staff worldwide**
- **Access to a potential in-house Group customer base of over 100 million customers**

Strategy

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Strategy

A world-class bancassurer with 20% penetration and 20% contribution to Group profit

Six strategic imperatives:

- To be a top-ranking life/pensions and investment provider
- To be a world-class ethical credit protection insurer
- To improve management of Group self-insurance programme
- To gain scale by working with strategic partners
- To be a focused, profitable insurance broker, supporting Commercial Banking and Global Banking and Markets clients and third parties
- To achieve operational efficiency: more customer satisfaction and straight-through processing

Opportunity

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Opportunity

Focus on life, pensions and investments

Financial needs map

Ageing potential

- 75% of wealth is held by those over 55 years old
- These individuals and their assets need insurance protection and investment advice
- Ageing is accelerating this shift as borrowers in this segment deleverage
- Equally applicable in developed and emerging markets

HSBC Group's "right to win"

- Bancassurance model internalises profits otherwise paid away to agency sales
- Leverage special attributes of the Group
  - Existing 100m customers
  - Harness Group distribution
  - Leverage OECD knowledge into emerging markets

Opportunity

Shift in insurance spend as GDP hits threshold

Premiums spend grows as per capita GDP increases[1]

2008 highlights[2]

- Global insurance market has not been spared by the financial crisis
- Global life premiums declined by 3.5% year-on-year
- Premiums in emerging markets grew by 14.6% year-on-year

Notes:
(1) Swiss Re Jan 07; penetration data starts from 1970 unless specified; real capital GDP in logarithmic scale
(2) Swiss Re sigma 3 2009

Opportunity

47% of Asian income spent on financial products

Distribution of income spending[1]

HSBC Insurance Regional Monitor 2009[1]

- Insurance spend is 15% of monthly income
- Insurance spend is one-third of total expenditure on financial products
- Asians have a generally positive outlook but worry most about retirement
- Less than 1 in 5 people take professional financial advice

Note:
(1) HSBC Insurance Regional Monitor 2009; individuals aged 35-65 in Singapore, Malaysia, Taiwan, South Korea, India and mainland China

Opportunity

Asians aim for financial security in retirement and a comfortable life for their families

Top wealth goals	Singapore %	Malaysia %	Taiwan %	Korea %	India %	Mainland China %
Support living after retirement	62	51	38	48	49	49
Prepare for rainy days	55	46	49	25	30	41
Provide family with more comfortable life	43	54	42	29	52	66
Pursue own interests and enjoy retirement life	40	36	38	34	32	56
Fund children's education	37	43	29	19	41	36
Buy house/pay off mortgage/ move house	29	30	36	18	28	44
Allow early retirement	27	23	10	5	10	15
Leave some fortune for family	19	22	16	7	28	40
Start business	15	26	12	7	14	28
Support children in their adult life	12	12	15	16	22	27
No long-term financial plan	4	2	5	2	4	1

Note:
(1) HSBC Asian Insurance Monitor 2009

Presence

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Presence

Market leadership in sites driving organic growth

Hong Kong, 1974

- 100% HSBC Insurance (Asia-Pacific) Holdings Limited
- 100% HSBC Insurance (Asia) Limited
- 62.14% in Hang Seng Life and Hang Seng Insurance Company Limited
- Insurance sold through HSBC and Hang Seng Bank branches and HSBC Insurance Brokers

Singapore, 1994

- Acquired 100% of Keppel Insurance in 2001
- Distribution via HSBC Bank and agency sales force
- Standard and Poor's rating A

Macau, 1984

- HSBC Life branch

Presence

Expanding footprint in past 3 years in fast-growing markets

Malaysia

HSBC Amanah Takaful – Incorporated in 2006

- 49% stake
- Top 5 Takaful life/pensions and investments (LPI) player
- First Takaful company globally to obtain A credit rating (A- from Fitch)

Taiwan

HSBC Life (International) Taiwan – Commenced business in 2007

- Optimise synergies with The Chinese Bank
- Highest average sum assured in industry

Vietnam

Bao Viet – Acquired shareholding in 2007

- Agreement to increase stake to 18% from 10.3%
- Largest financial services group
- Largest domestic non-life insurer and 2nd largest domestic life insurer
- 22 million in-force policies; 25,000 agents with 87 million people

South Korea

Hana HSBC Life Insurance – Acquired shareholding in 2007

- 50% stake less one share
- Access to 3rd largest bank branch network, 4 million customers through 600 branches

India

Canara HSBC Oriental Bank of Commerce Life Insurance – Incorporated in 2008

- 26% stake
- Access to 48 million customers through 4,100 outlets
- Fastest start ever for an India life company

Mainland China

HSBC Life Insurance – Incorporated in 2009

- 50% stake
- 1st foreign bank to own a life insurance licence in Mainland

Ping An Insurance

- 16.8% stake

Hong Kong, Singapore, India and mainland China

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Hong Kong

Leading bancassurer

Market leader in all business lines[1]

Milestones[1]

- No. 1 in new life business annualised new premiums (NB ANP) – up 33% while industry contracted by 18% in 1H09
- No. 1 in new single premium life business – 23% market share in 1Q09
- No. 1 in non-life business in 4Q08
- No. 1 in MPF – 35% market share by member count and 32% by fund size in 1H09

2009 Strategy

- Focus on life, pensions and investments
- Continue to grow annuities
- Expand group medical and group life business
- Promote keyman insurance
- Implement SimpleChoice for MPF
- Build high-net-worth (HNW) proposition

Deliverables

- Grow penetration into Bank's 4.2 million customers and >310,000 SME customers
- Cross-sell insurance products to HSBC Insurance individual and corporate customers
- Ride on HSBC's brand and financial stability as customers go back to basics

Notes:
(1) Life and non-life market share based on combined HSBC and Hang Seng entities in Hong Kong; market share based on Office of Commissioner of Insurance and Mandatory Provident Fund Authority
(2) Life new business annualised new premiums

Singapore

Growing the distribution network

Bucking market trend: growth in 1H09 vs 1H08[1]

Milestones

- Life weighted premium increased to nearly 70% while industry contracted by 45% in 1H09[1]
- Doubled agency sales force

2009 Strategy

- Sharpen customer-centric focus and needs-based selling
- Improve operational efficiency
- Expand distribution channels
- Focus on commercial insurance growth
- Expand product range

Deliverables

- Grow HNW base through Private Bank and Premier channels
- Enhance cost efficiency
- Increase sales in all business lines in Commercial Banking segment
- Generate incremental sales through card bundling
- Increase direct marketing efforts

Note:
(1) Life Insurance Association 2009; weighted premium

India

Promising growth with great future potential

Number of months it took to achieve US$100m WPI[1]

Milestones

- The fastest growing life JV in India – a record time of 14.5 months to cross US$100m in premiums, less than one-third of the 45-month industry average
- Sold over 55,000 policies since launch in Jun 08
- Products currently available in 600 branches

2009 Strategy

- Life business: increase distribution coverage across Canara and Oriental Bank of Commerce from 600 to 4,100 branches
- Non-life business: maintain product range
- Grow broking business

Deliverables

- Utilise the pan-India network of 4,100 outlets and 48 million customers from Canara Bank and Oriental Bank of Commerce
- Tap distribution opportunities with HSBC InvestDirect
- Offer non-life product solutions to customers through Preferred Strategic Partners
- Promote and introduce broking service to corporate customers

Note:
(1) Analysis on time to achieve INR500 cr in weighted premium income (WPI) is as per Insurance Regulatory and Development Authority statistics up to Jul 09 (except for CHOICe [Canara HSBC OBC Life Insurance Company Limited] which is up to Aug 09); Bharti Axa completed INR484 cr YTD Jul 09 and it is assumed that it will complete INR500 cr in Aug 09; figures in brackets indicate month and year of launch

Mainland China

Aligned with HSBC Group Greater China strategy

Milestones

- 50-50 joint venture with National Trust launched Aug 09
- First foreign bank to be granted a life insurer licence
- Initial partnership between HSBC, Hang Seng Bank and Bank of Communications to distribute products
- Direct sales force of 247
- 9 products covering whole life, endowment, term and major illness available in multiple channels

2009 Strategy

- Target bank partners' affluent and HNW customers
- Offer life stage planning based on customer needs
- Grow sales force to 500
- Deliver insurance services to both bank and non-bank customers

Deliverables

- Build and strengthen partnerships with banks to support their total wealth management proposition
- Maximise manufacturing capability and utilise preferred strategic partnerships to enhance product scope
- Invest in training direct sales force

Other markets

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Other markets

Growing organic businesses

Malaysia	• Build on growth in Takaful market – total premiums up 37% in 2008[1] • Deepen penetration into HSBC Bank's >130,000 customers • Expand product range for CMB, ie keyman insurance
Taiwan	• Life New Business ANP up 36% vs industry contraction of 17%[2] • Recognised as one of top life insurers with highest average sum assured for 2nd year in a row • Push needs-based selling through Insurance Sales Manager model
Vietnam	• Move from a state-owned enterprise to a world class market leader in financial services • Agreement to increase stake to 18% • Market leader in life, non-life insurance[3] and securities
South Korea	• Largest share of initial premium in 2Q09 of all bancassurers[4] • 5.5% market share in premiums[5] • No. 5 in life new business – 31% premium growth[5] • Build and diversify product range and expand non-branch channels

Notes:
(1) Annual Takaful Statistics 2008, Bank Negara Malaysia
(2) Taiwan Life Insurance Association
(3) Ministry of Finance Vietnam
(4) Watson Wyatt Distribution Debrief, Insurance Market Update Issue 16 (Apr to Jun 09)
(5) Korea Life Insurance Association

Summary

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Summary

Focus on fast-growing markets	• Well positioned to capture the opportunity of Asia's fledgling insurance market • Tap emerging middle class market to provide quality protection and savings vehicles for HSBC and partner banks' customers
Connectivity across customer groups	• Increase penetration of insurance focusing on life, pensions and investments • Strengthen customer groups – Personal Financial Services, Commercial Banking and Private Banking • Tap into new markets – mainland China, India, South Korea, Malaysia and Vietnam
Extending market leadership in Asia	• Keep Hong Kong stronghold • Further organic growth in mature markets • Replicate Hong Kong bancassurance success in Asia
Extend geographical reach	• Penetrate Bank's extensive customer base in Asia • Build on Hong Kong success with expansion into six new markets
Expand product range and multi-channel delivery	• Expand the number of touchpoints to reach customers – branch, ATM, online and telephone • Strengthen cooperation with partner banks and joint ventures