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Personal Financial Services – Mainland China

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HSBC
The world's local bank

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 and 'Asia' includes Hong Kong and Rest of Asia. 'Asia-Pacific' includes Asia and the Middle East.

Agenda

Opportunity

Competition

Performance

Strategy

Delivering on strategy

Summary

Opportunity

Growing affluent segment

- **1.6 million wealthy households in 2008 – to reach over 4 million in 2015[1]**
- **Around 30% of wealthy consumers live in the Mainland's 4 largest (tier 1) cities – with the new wealthy to come from smaller cities[1]**
- **Over 80% of household liquid assets held in cash[2]; majority of assets held onshore[3]**
- **Over 1 million Taiwanese in mainland China**
- **New retirees to outnumber new workers by 2015; pension fund assets at 1% of GDP[4]**

Where wealthy will be living in 2015[1]

Household asset distribution[2]

Notes:
(1) McKinsey & Company 2009
(2) Asian Demographics, Asian Banker
(3) HSBC Affluent Asian Tracker, June 2009
(4) HSBC Future of Retirement, June 2009

Performance

PBT at US$188m in 1H09

PBT breakdown, US$m

Strategy

Drive value from mass affluent segment

- **Grow Premier, wealth management and mortgage businesses**
- **Capture Greater China opportunities**
- **Extend branch presence in cities with emerging wealth and economic activity**
- **Build multi-channel delivery capabilities**
- **Manage costs**

Delivering on strategy

Best foreign bank in retail banking[1]

- **62 Premier Centres as at Sep 09, focusing outlet expansion in cities with high potential**
- **Launched Premier Family Services – first foreign bank to launch international family proposition**
- **Insurance agency service in 11 cities and recently launched a 50:50 insurance entity in Shanghai to expand wealth management range and coverage**
- **Rolled out debit card linked to renminbi (RMB) account and up to two foreign currency accounts – unique amongst foreign banks**
- **Leaner branch model, tighter control of overhead cost and sales capabilities upgrade**

Note:
(1) *Global Finance* award 2008, PricewaterhouseCoopers Survey of Foreign Banks in China 2009

Premier and RMB

Focus on local and international wealth management products

	Premier	RMB products
Milestones	• 20% growth in Premier customer numbers in 1H09 year-on-year • Second largest market after the UK in terms of Premier Centres	• Offers a full range of RMB products – deposits, mortgages, investments under QDII[1] scheme and insurance • Over 31,000 debit cards issued at end-Jun 09 since launch in Nov 08
Plans	• Dual focus on Premier and Premier-aspirant segments to expand affluent base • Capture Greater China opportunities • Capitalise on multi-channel capabilities to extend reach and attract new clients	• Greater focus on mortgage business • Expand insurance and local investment product range (subject to regulatory approval)

Note:
(1) Qualified Domestic Institutional Investor

Delivering on strategy

Premier Family Services

Features

- First of its kind among foreign banks in mainland China
- Integrated family financial planning covering education, mortgages, medical protection and retirement
- Unique financial needs analysis tool to help analyse the gap between assets and financial needs

Coverage

- Initially launched in 4 cities: Beijing, Shanghai, Guangzhou and Shenzhen
- Expanding to second-tier cities
- Target full network coverage by 2010

Life-stage approach

A unique wealth management platform in the Mainland

Life stage financial planning

Financial goals	Education	Home purchase	Retirement	Medical	Yield enhancement
Solutions	• Foreign currency savings plan • Credit / Debit card	• Mortgage • Deposit		• Investment (CPI, QDII, DPS, UT, etc)[1] • Insurance (life, medical, travel, etc)	

Customer benefits

- Financial planning to cater for different life stage needs
- Professional service to provide personalised financial solutions
- Reassurance to create a stable financial future by planning early

Note:
(1) Capital Protected Investment, Qualified Domestic Institutional Investor, Deposit Plus, Unit Trusts

Delivering on strategy

Building insurance into Personal Financial Services

Products

- Supporting Premier Family Services
- Needs-based sales approach

Insurance entity

- 50:50 insurance entity with National Trust, HSBC Life Insurance Company Limited, launched in Aug 09
- Pioneer bancassurance in the Mainland
- Forged sales agreement
- Focus on mass affluent – complementing HSBC Bank China strategy

Partnerships

- Distribute products of Ping An and Allianz
- Geographical alignment to extend customer reach

Delivering on strategy

Best positioned as provider of choice

- **90% of the 1,650 Personal Financial Services staff are recruited locally**
- **A third of local staff members have overseas education background, international work experience or experience in other HSBC Group entities**
- **Over 150,000 training hours provided to staff in 2008**
- **Over 20 local management trainees hired each year**
- **Professional qualifications are encouraged and supported**

Summary

Huge affluent potential	• Large untapped market for wealth management
Best positioned as provider of choice	• Strong brand • Largest distribution network among foreign banks • Extensive global and Greater China network • Wealth management and Personal Financial Services' expertise • Well-trained local team • Pioneering leadership
Investing for the long term	• Committed to fast-tracking expansion of branches and channels, product range and human resources