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Personal Financial Services

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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.

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Presence

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Personal Financial Services

Dominant player in Asia

- **11.3 million customers[1]**
- **825,000 Premier customers[1]**
- **Net operating income US$3.3bn[2]**
- **Profit before tax US$1.5bn[3]**
- **569 branches across 20 countries and territories[1]**
- **1,761 ATMs[4]**
- **25,383 staff[1]**

Notes:
(1) Excludes Hang Seng Bank; branch numbers also exclude InvestDirect and Bank Ekonomi
(2) Net operating income before loan impairment charges and other credit risk provisions; includes Hang Seng Bank
(3) Includes Hang Seng Bank
(4) HSBC-owned ATMs only: excludes Hang Seng Bank, InvestDirect and Bank Ekonomi

Performance

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Performance

Asia[1] resilient in adverse environment

US$m	1H08	2H08	1H09	1H09 vs 1H08	1H09 vs 2H08
Net operating income	4,181	3,544	3,316	-21%	-6%
Loan impairment charges and other credit risk provisions	(344)	(430)	(497)	+44%	+16%
Net operating income[1]	3,837	3,114	2,819	-27%	-9%
Operating expenses	(1,797)	(1,910)	(1,640)	-9%	-14%
Operating profits	2,040	1,204	1,179	-42%	-2%
Profit/ (loss) from associates	322	73	293	-9%	+301%
Profit before tax (PBT)	**2,362**	**1,277**	**1,472**	**-38%**	**15%**

Note:
(1) Net operating income is before loan impairment charges and other credit risk provisions

Market environment

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A year in review

- **Financial crisis leading to reduction in wealth and weak customer investment sentiment**
- **Low interest rate environment**
- **Scarcity of liquidity and capital**
- **High unemployment rates, impacting asset quality**
- **Regulatory developments/ intervention**

Impact of current economic climate

1H09 PBT impacted by liability margin compression and subdued investor activity

Managed by effective cost containment

Costs managed down to offset reduced income

Operating expenses, US$m

- Overall costs managed down, absorbing investment and full-year impact of acquisition expenses
- Strategic investments maintained

Note:
(1) In absolute reported figures

Key investments

Strategic initiatives to capture future growth in Asia

Leading foreign bank in mainland China	• 90 HSBC-branded outlets, including 62 Premier Centres as at Sep 09
HSBC InvestDirect launch in India	• Rebranded from IL&FS Investsmart Ltd. • Expanded to 77 branches and 147 franchisee outlets in 52 cities
Acquisition of Bank Ekonomi in Indonesia	• Development of PFS business and extended branch coverage with additional 92 touch points
HSBC Amanah – the Islamic banking platform in Malaysia and Indonesia	• Amanah products and services embedded in core PFS propositions
Integration of The Chinese Bank in Taiwan	• Branch network optimisation underway • Development of end-to-end sales model
Expanded insurance regional footprint	• Insurance partnerships[1] in mainland China, India, South Korea, Vietnam and Malaysia • Greenfield insurance manufacturing in Taiwan

Note:
(1) HSBC % shareholdings: 50% in HSBC Life Insurance entity with National Trust in mainland China; 26% in Canara HSBC Oriental Bank of Commerce Life Insurance Company in India; 50% in HSBC Amanah Takaful, a joint venture with Jernah Asia Berhad and the Employee Provident Fund of Malaysia

Robust performance in Asia

Net operating income[1], US$m

PBT, US$m

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

Resilient performance in Hong Kong

Leading market share in Hong Kong Personal Financial Services' core products[1]

Notes:
(1) All figures excluding Hang Seng Bank
(2) Hong Kong Monetary Authority
(3) Office of the Commissioner of Insurance for Individual Life New Business; New Business Index defined as total office premiums for all regular premium products plus one-tenth of single premiums
(4) New mortgage sales as per mReferral
(5) Cardholder spending as per Visa and MasterCard

Leading the insurance industry in Hong Kong[1]

Capturing the increasing need for protection

Annualised new premiums, HK$bn[2]

Notes:
(1) HSBC figures exclude Hang Seng Bank
(2) Office of the Commissioner of Insurance; annualised new premiums defined as total office premiums for all regular premium products plus one-tenth of single premiums

All-weather wealth management model

- **Insurance, fixed income and foreign exchange products substituting for equity-based investments**
- **Expansion of manufacturing capabilities to capture internal business flow**
- **Equity-related sales momentum showing signs of improvement since 2Q09**

Consumer credit quality

Asia loan impairment charges[1], US$m

- Consumer credit quality issues isolated in India and Indonesia
- Credit tightening measures instigated in early 2008 effective in mitigating material credit deterioration across the rest of the region

Note:
(1) Includes Hang Seng Bank

India and Indonesia credit management

- **Strategic decision to exit consumer finance businesses**
- **Exited third-party sales model**
- **Migrating out of high-risk portfolios**
- **Risk control enhancement with dialer upgrade and collector capacity expansion since 2007**
- **Encouraging recent loan impairment trends**

Opportunity

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Asia remains fundamentally attractive

Fastest growing markets	• Asian markets among the fastest-growing in the world • Mainland China and India seen as growth powerhouses
Resilient economies	• Recovering faster from the financial crisis than other parts of the world
Favourable demographics	• Emerging middle class will grow by more than 800 million within the next decade[1]
Asian families moving up the wealth value chain	• Need for wealth accumulation and financial planning • Asian affluent aspirations – financial security and overseas education[2]
Room to deepen penetration of wealth management products	• Gross saving as % of GDP for Asia ex-Japan is 40.8%, compared to less than 20% in US and the UK[3] • High propensity to draw down savings and invest as confidence is restored

Notes:
(1) McKinsey Dec 08
(2) HSBC Asian Tracker Jun 09
(3) HSBC Global Research

Business model and strategy

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Our strategy

Our core fundamentals

- **Grow Premier penetration in the mass affluent segment**
- **Expand share of mid-market segment to capture the growing consumer market**
- **Build on international connectivity**
- **Focus on wealth management and customer needs approach**
- **Build new enablers**

Growing HSBC Premier

HSBC Premier customers,'000s[1]

HSBC penetration of mass affluent market[2], %

- Marked increase in mass affluent customer base via Premier
- Steady growth in assets under management amid market revaluation

- Dominant position in Hong Kong
- Share of customers increased in key markets

Notes:
(1) Excludes Hang Seng Bank
(2) Datamonitor

Leveraging our international connectivity

Premier integrated propositions

- Offshore flows
- Non-resident Indians (NRIs)
- Amanah windows
- Greater China

Offshore banking

Singapore Offshore Premier customers[1] by residence

Singapore Offshore Premier income per customer by country of residence

- Offshore Premier customer numbers in Singapore growing 50% year-on-year amid global recession
- Income per offshore Premier customer is on average three times that of domestic Premier

Note:
(1) Excludes Hang Seng Bank

Building on sub-segments – NRIs and Amanah

NRIs

- Key NRI services in the US, UK and the Middle East, building on the Premier platform
- Increasing market share in NRI deposits and deepening banking relationships

HSBC NRI deposit market share[1], %

Amanah

- Enhancing Amanah windows by leveraging Middle East expertise and Malaysia competence
- Product offerings compliant with Shariah Banking

Note:
(1) Reserve Bank of India; excludes Hang Seng Bank

Greater China

- **Tailor products and services to customer needs in Greater China**
- **Intensify and synergise referral activities**
- **Enhance channel capabilities (ie virtual relationship managers) to support cross-border servicing**
- **Strengthen marketing efforts to build Greater China profile**

Emerging mass affluent and mid-market

Mid-market population in Asia at 97 million, growing at 18% annually[1]

Emerging mass affluent potential of 25 million people in Asia[2]

Notes:
(1) Nielsen, McKinsey and HSBC estimates; mid-market segment defined as customers with liquid assets below US$100,000 adjusted with country GDP per capita
(2) Euromonitor International 2009; emerging mass affluent defined as customers with annual income between US$50,000 and US$100,000

Wealth management focus

Leading system infrastructure for greater scale and better customer experience

- Stock Express – stock trading in 3 clicks
- WealthMaster – proprietary financial planning tool

Distinct and comprehensive market information to facilitate investment decisions

- Market commentary videos
- HSBC Market Insight and Global House Views
- Exclusive Standard & Poor's stock research reports
- Fund Express, a decision support tool

Mutual Fund Wrap account – an innovative relationship-based investment to increase share of wallet and enhance recurring income mix

Successful bancassurance model to build capabilities in the region; No. 1 New Life Insurance business in Hong Kong[1], with strategic regional expansion plan

Comprehensive investment and insurance products on shelf across 19 markets

Stock trading platform expansion to selective markets in Asia

Note:
(1) Office of the Commissioner of Insurance for Individual Life New Business for 1H09; New Business Index defined as total office premiums for all regular premium products plus one-tenth of single premiums

Disciplined asset growth

- **Diversified asset product participation with tailored offering for Premier and mid-market propositions**
- **Strong and vigilant risk management**
- **Portfolio de-risking through targeted origination policies and disciplined underwriting**

Sales model redefined

Note:
(1) Third party sales agent

Setting new standards in customer experience

State-of-the-art technologies and innovative counter design to enhance customer experience

- Flagship branch launched in Hong Kong
- Superior banking experience with modern and open design
- Paperless banking – use of electronic panels to capture customer information including signatures
- State-of-the-art gift cheque machines and foreign currency machines
- Longer service hours for better customer convenience
- 90% to 96% of customers see HSBC brand enhanced by the launch of the new banking platform

Robust customer analytics capability

Comprehensive customer-centric view of the relationship

- Single view of customer across all products

Integrated information database for customer risk and needs-based analysis

Maximise cross-sell opportunities with innovative and value-added product offering

Enhance capability in risk-based pricing and service level decision

Enhancing multi-channel capabilities

Multi-channel key value creation

- 3.8 million internet banking customers across the region[1]
- Shift transactions to direct channels and automated processes – 93% of transactions via self-service channels in 1H09[1]
- Optimise internet banking to drive sales

Registered Personal Internet Banking customers,'000s[1]

Asia transaction mix, 1H09[1]

Asia sales mix, 1H09[1]

Note:
(1) Excludes Hang Seng Bank

Strong fundamentals

Customer deposits[1], US$bn

Advances-to-deposits ratio[1]

- Customer deposit base increased by 15% YoY[1]
- Premier customers grew 25% from 1H08[2]
- Strong deposit base providing liquidity to the Bank
- Robust pre-tax return on risk-weighted assets

Notes:
(1) Includes Hang Seng Bank
(2) Excludes Hang Seng Bank

Recognition in Asia in 2009

THE ASIAN BANKER

Best Regional Retail Business in Asia
Best Foreign Retail Bank in China
Best Customer Loyalty Programme in Singapore

GLOBAL FINANCE

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

Asian Investor

HSBC Wealth Management named
Best Distributor of the Year

FinanceAsia

Best Foreign Commercial Bank in China
Best Foreign Commercial Bank in Malaysia
Best Foreign Commercial Bank in Vietnam

Benchmark BEST PRACTICE and MANAGEMENT

Best Company of the Year 2009 in Hong Kong
Best in Class Effective Training for HSBC Wealth Management
Best in Class Corporate Citizenship
Outstanding achievements in Fund Platform, Innovative Sales and Marketing, Investor Education, and Online Usability for HSBC Wealth Management in Hong Kong

VISA

MasterCard

14 awards from Visa and MasterCard in Hong Kong, including the Bank of the Year

Summary

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Summary

Strongly committed to Personal Financial Services in Asia

- Focused on mass affluent; ongoing development of Premier proposition and customer growth
- Launching consistent mid-market model to accelerate penetration of segment
- Leveraging international connectivity
- Evolving an integrated wealth management sales model
- Expanding wealth management manufacturing capability
- Growing assets in structured manner with relationship banking focus

Long-term perspective in Asia with medium-term investments

- Technology
- Branches
- Relationship managers and customer-facing staff
- Customer analytics
- Offshore banking capability