

Presentation to Investors and Analysts



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 Annual Report and Accounts 2010. 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 are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.

2010 highlights

Improved financial performance

All regions and customer groups profitable

Strong capital generation enabled an increased dividend

HSBC well placed for evolving regulatory environment

2010 financial highlights

	2009		2010	Better / (worse)	
Reported PBT (US\$bn)	7.1	▶	19.0	+169%	<ul style="list-style-type: none"> Continued recovery in underlying profits Significantly improved credit quality Strengthened capital position Increased dividend
Underlying PBT ¹ (US\$bn)	13.5	▶	18.4	+36%	
EPS (US\$)	0.34	▶	0.73	+115%	
ROE (%)	5.1	▶	9.5	+440bps	
Core tier 1 ratio ² (%)	9.4	▶	10.5	+110bps	
Dividends ³ (US\$)	0.34	▶	0.36	6%	

Notes:

(1) Underlying results eliminate the effects of foreign currency translation differences, acquisitions and disposal of businesses and changes in fair value (FV) due to movements in credit spread on long-term debt issued and designated at FV

(2) As at 31 December

(3) Declared on ordinary shares in respect of 2009 and 2010

Financial performance in 2010

Financial overview

Reported results – strong recovery in profit

US\$m	2009	2010	% Better / (worse) 2010 vs 2009
Income excluding changes in FV of own debt due to credit spread	72,714	68,310	(6)
Loan impairment ¹ (LICs)	(26,488)	(14,039)	+47
Net operating income	46,226	54,271	+17
Operating expenses	(34,395)	(37,688)	(10)
Associates and joint ventures	1,781	2,517	+41
Profit before tax, ex changes in FV of own debt due to credit spread	13,612	19,100	+40
Changes in FV of own debt due to credit spread	(6,533)	(63)	+99
Profit before tax	7,079	19,037	+169
Tax	(385)	(4,846)	n/a
Profit after tax	6,694	14,191	+112
Profit attributable to shareholders of the parent company	5,834	13,159	+126

Note:

(1) Loan impairment charges and other credit risk provisions

Financial overview

Underlying growth, 2010 vs 2009 – continued improvement

US\$m	2009	2010	% Better / (worse) 2010 vs 2009
Net operating income ¹	73,272	67,557	(8)
Loan impairment ²	(26,818)	(14,039)	+48
Net operating income	46,454	53,518	+15
Operating expenses	(34,763)	(37,669)	(8)
Associates and joint ventures	1,791	2,517	+41
Profit before tax	13,482	18,366	+36

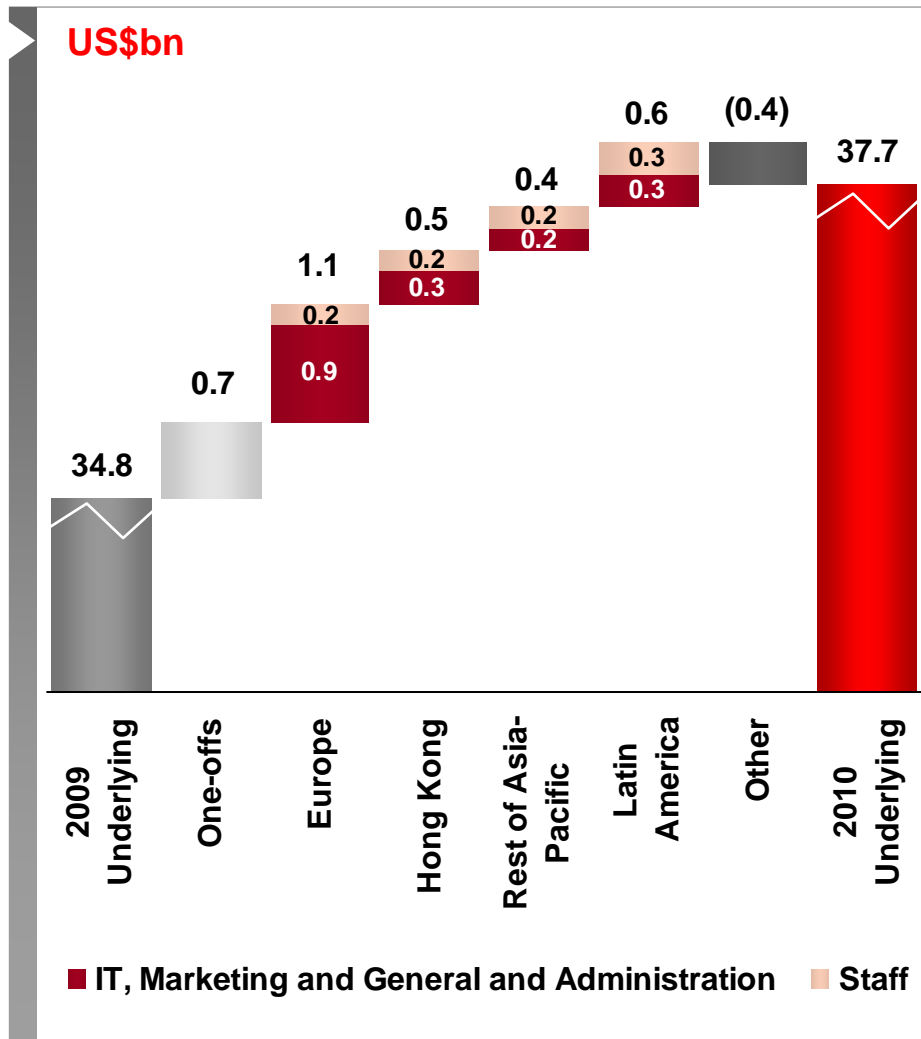
Notes:

(1) Net operating income before LICs

(2) LICs

Financial overview

Underlying cost growth, 2010 vs 2009



- ▶ In GBM, development of Prime Services and equity market capabilities and expansion of e-commerce platforms in Rates and Foreign Exchange most notably in Europe
- ▶ Higher staff costs in Hong Kong, Rest of Asia-Pacific and Latin America
- ▶ Marketing costs increased to support growth
- ▶ Regulatory and litigation costs from Europe and USA

Financial overview

2H10 vs 1H10¹ – continued credit improvement offset by investment and revenue pressure

US\$m	1H10	2H10	% Better / (worse) 2H10 vs 1H10
Net operating income ²	34,509	33,499	(3)
Loan impairment ³	(7,594)	(6,516)	+14
Net operating income	26,915	26,983	0
Operating expenses	(18,364)	(19,577)	(7)
Associates and joint ventures	1,205	1,330	+10
Profit before tax	9,756	8,736	(10)

Notes:

- (1) On an underlying basis
- (2) Net operating income before loan impairment charges and other credit risk provisions
- (3) Loan impairment charges and other credit risk provisions

Financial overview

Significant factors within underlying basis

US\$m	2009¹	2010
Net operating income		
GB&M trading (write-downs) / write-backs ²	(331)	429
Gain on sale / sale and lease back of properties	667	250
Non-qualifying hedges (NQH)	954	(1,057)
Impairments		
Available For Sale (AFS) debt securities	(1,479)	(472)
AFS equity securities	(367)	(105)
Operating expenses		
Pension curtailment gains / other gains	480	148
Payroll tax	—	(324)
Tax		
On sale by HSBC North America Holdings Inc of HSBC Canada to HSBC (Overseas) Holdings Ltd	—	(1,216)

Notes:

(1) Significant factors on an underlying basis.

(2) Reported basis

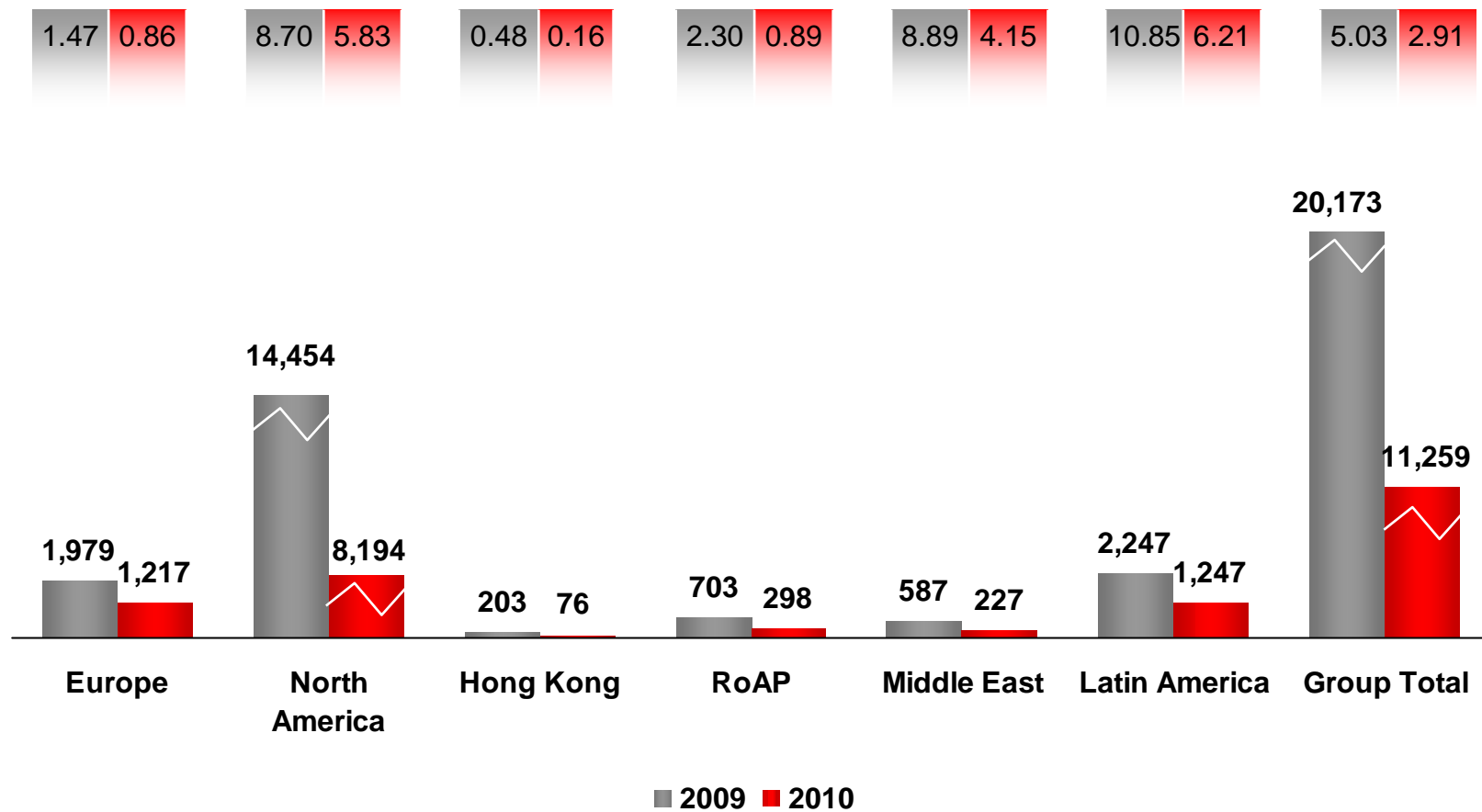
Credit quality – strong improvement

Personal Financial Services

Loan impairment charges and other credit risk provisions¹

US\$m

LICs as %
of average
advances²



Notes:

(1) LICs for 2009 on an underlying basis

(2) LICs as a % of average loans and advances to customers (net)

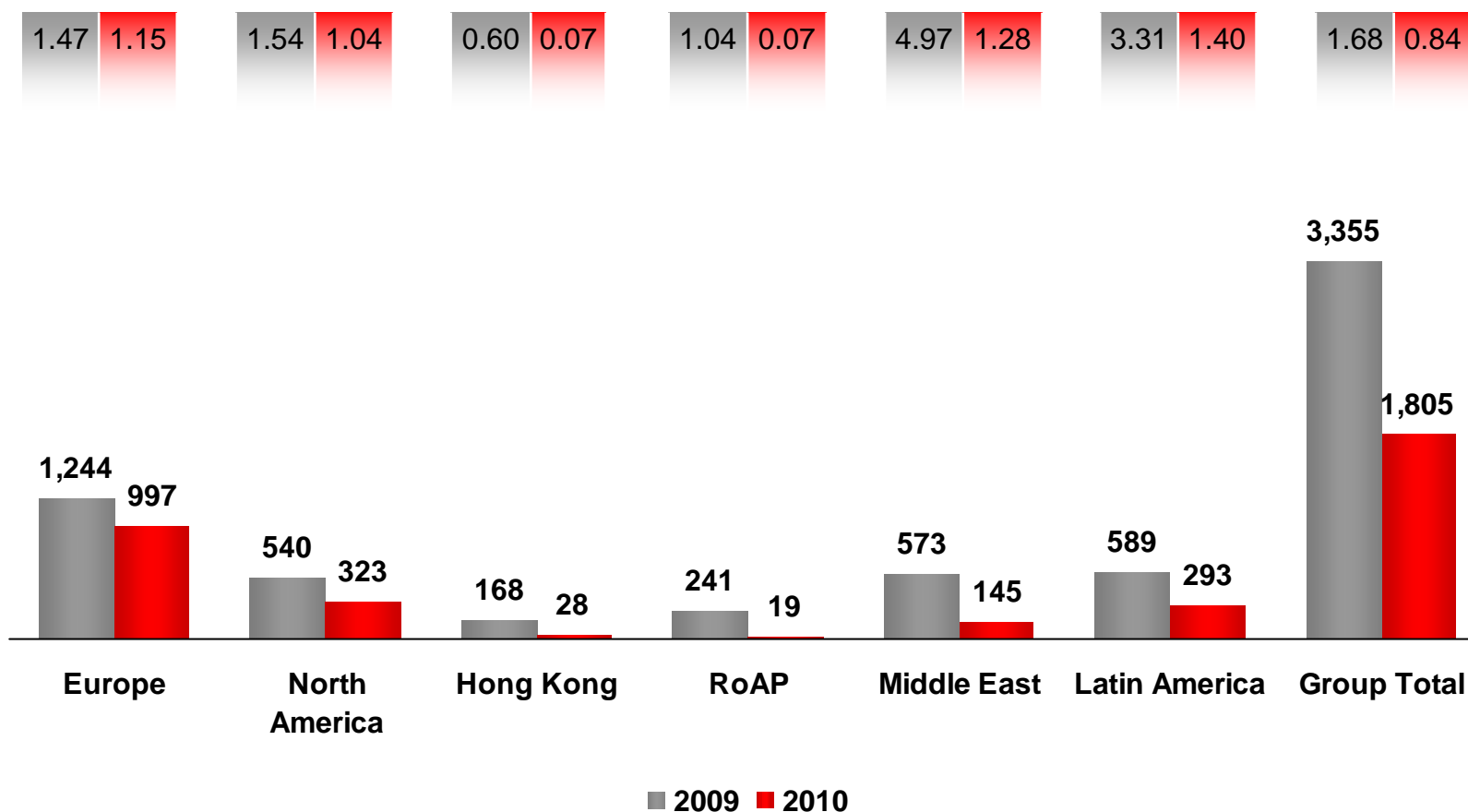
Credit quality – strong improvement

Commercial Banking

Loan impairment charges and other credit risk provisions¹

US\$m

LICs as %
of average
advances²



Notes:

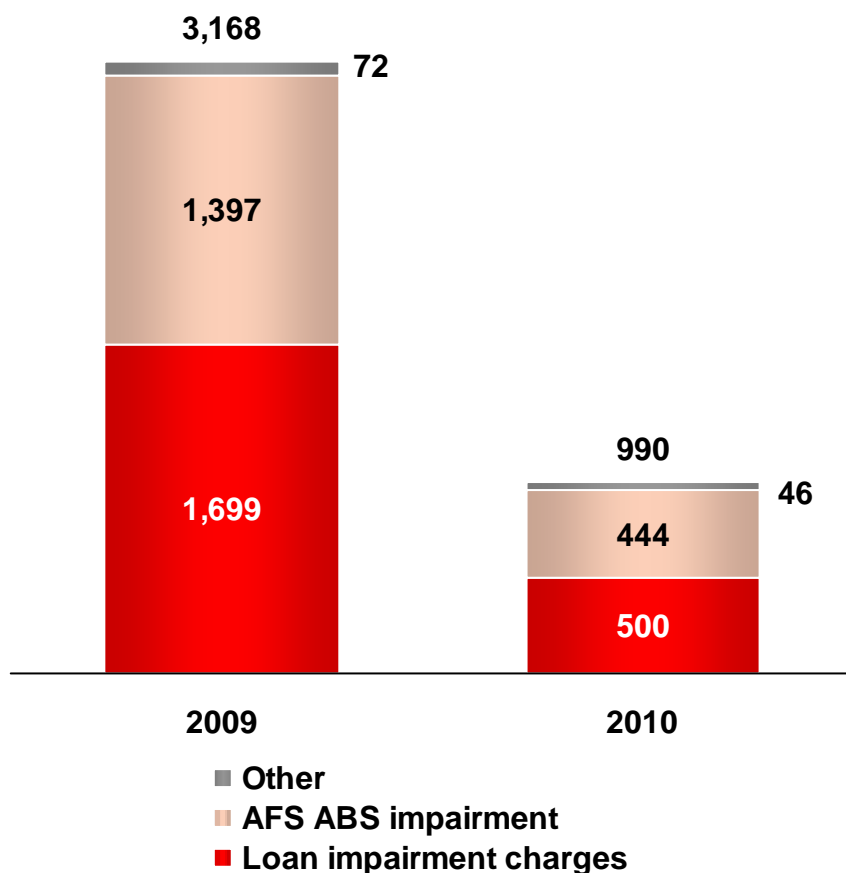
(1) LICs for 2009 on an underlying basis

(2) LICs as a % of average loans and advances to customers (net)

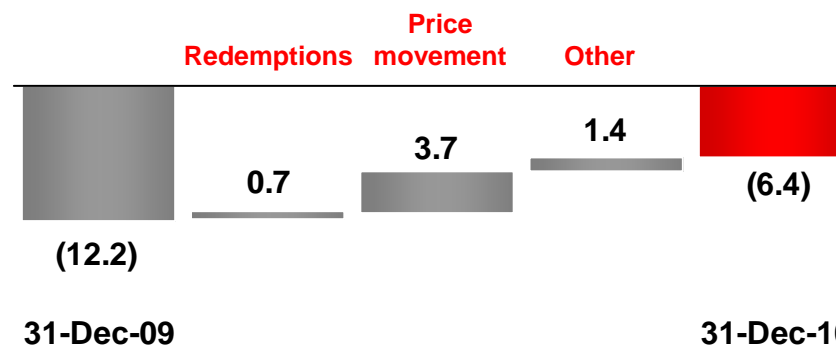
Credit quality – strong improvement

Global Banking and Markets

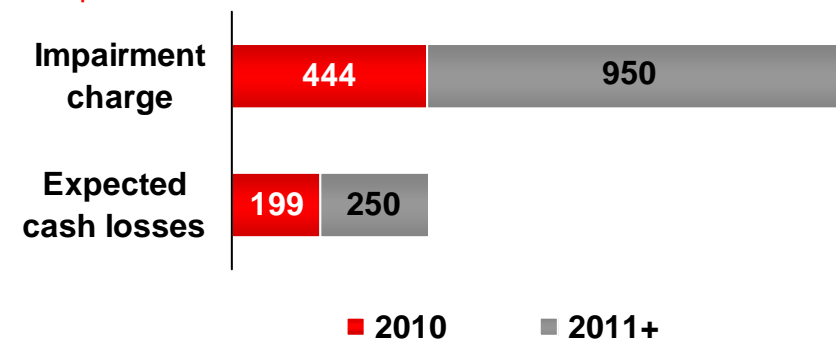
Loan impairment charges and other credit risk provisions¹
US\$m



AFS ABS reserve², 31 December 2010
US\$bn



AFS ABS impairment charge and expected losses³
US\$m



Notes:

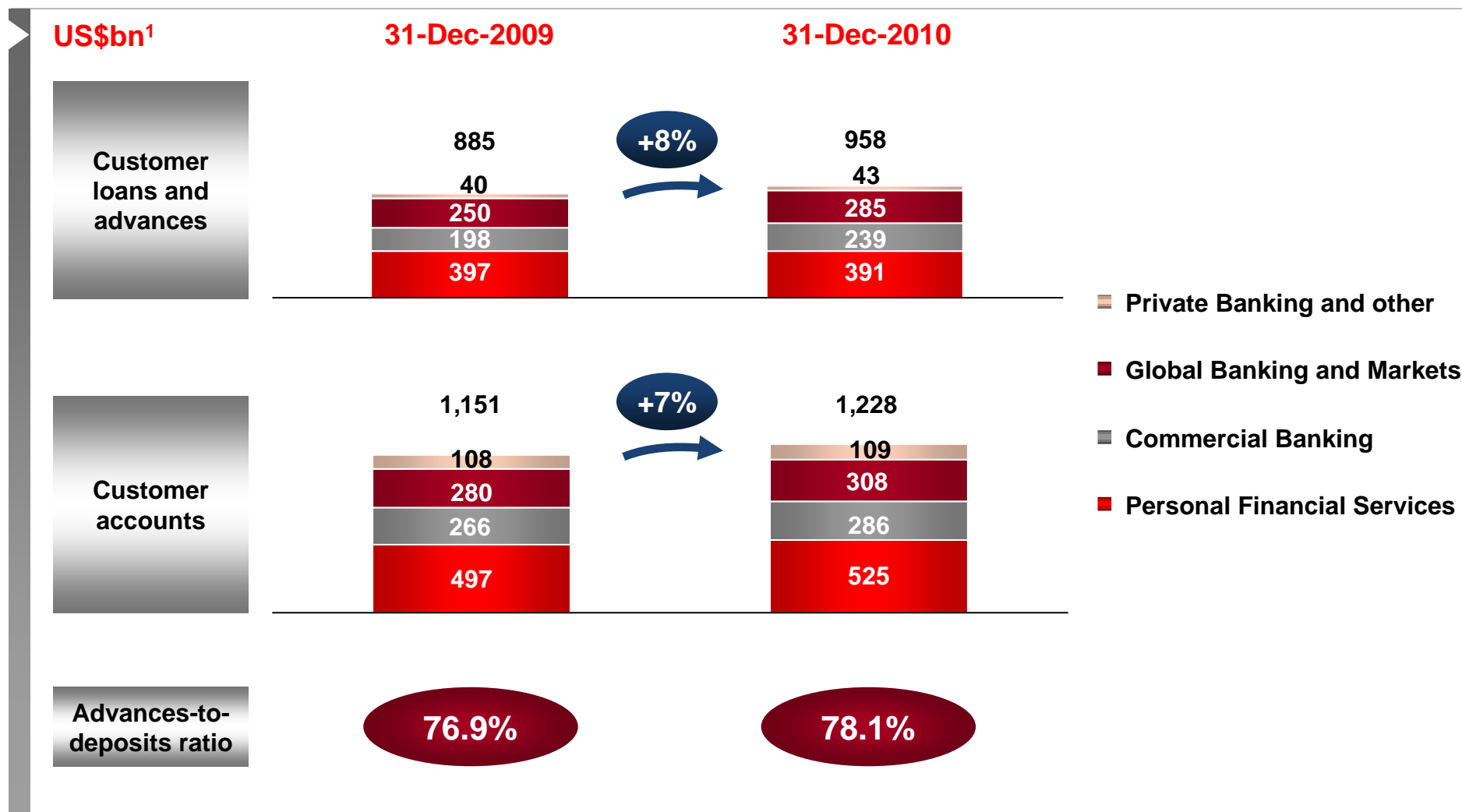
(1) Reported basis

(2) Available-for-sale fair value reserve in respect of asset-backed securities

(3) Management's estimate can be found in the Annual Report and Accounts 2010

Customer lending and funding

Funding strength supports customer lending growth

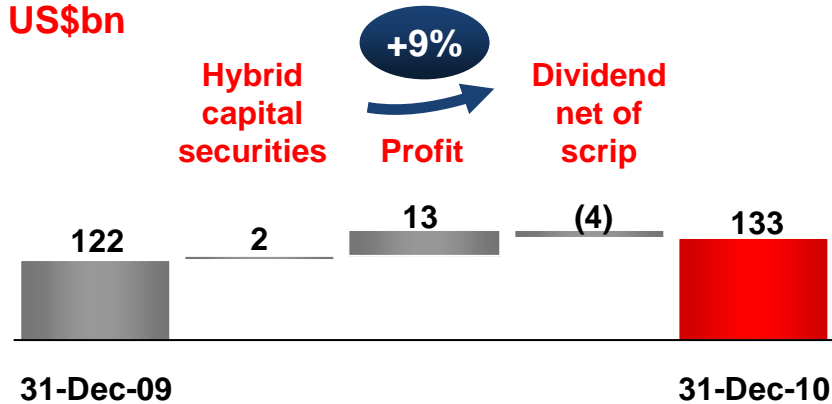


Note:
(1) Underlying basis

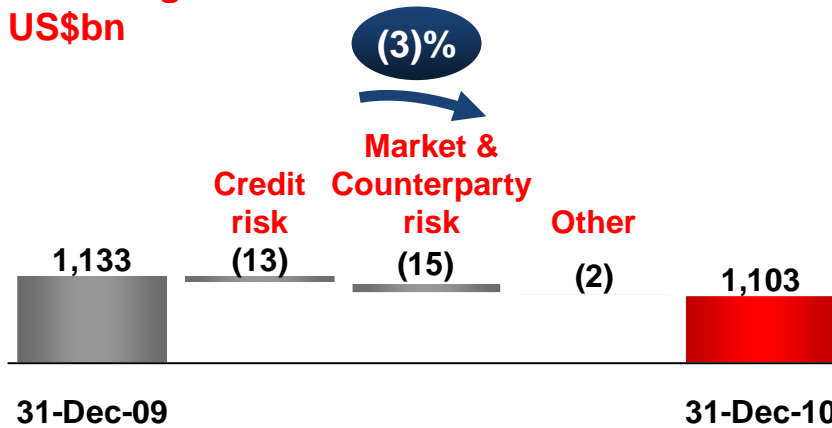
Capital adequacy

Strengthened by capital generation and lower risk-weighted assets

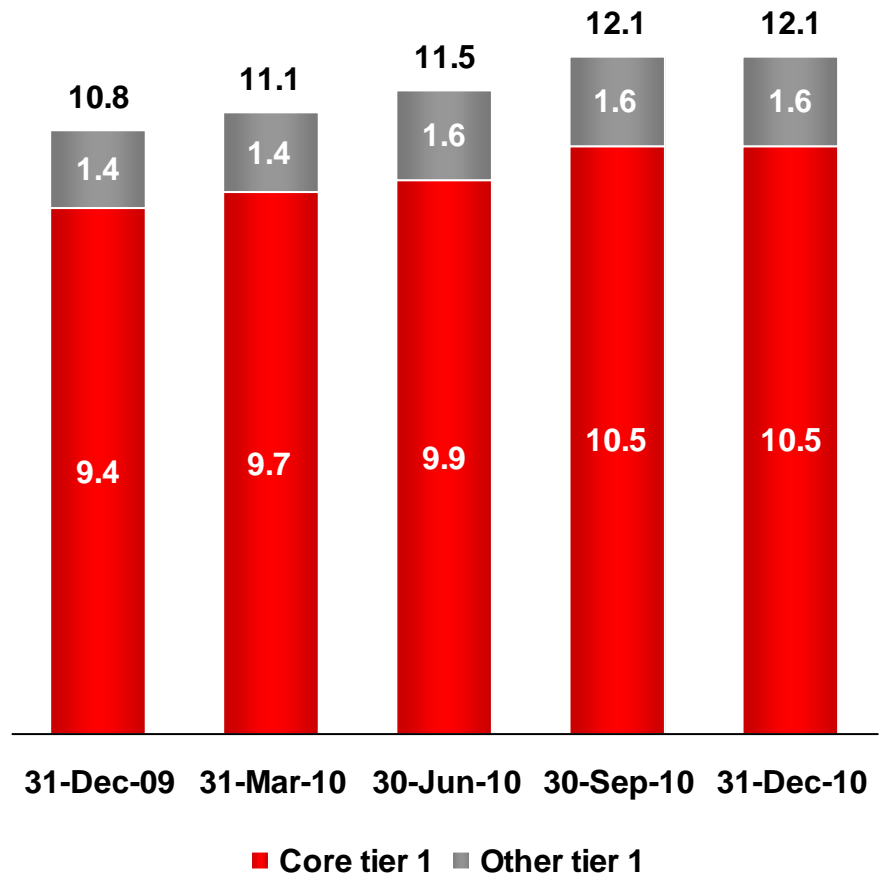
Movement in tier 1 capital US\$bn



Risk-weighted assets US\$bn



Tier 1 ratio (%)



Business performance in 2010

Performance review

Challenges and opportunities¹

	2010	KPIs ²
Return on total Shareholders' equity	9.5%	12% - 15%
Cost efficiency ratio	55.2%	48% - 52%
Advances-to-deposits ratio	78.1%	<90%

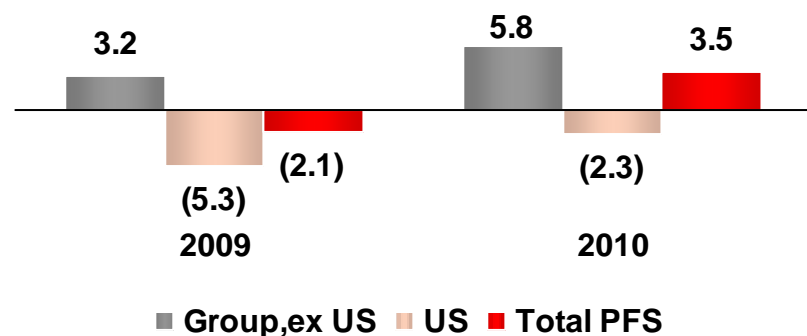
Notes:

- (1) Figures on a reported basis
- (2) Key Performance Indicators

Personal Financial Services

From loss to profit

Profit / (loss) before tax, underlying US\$bn



US\$bn

	2009	2010	Better / (worse)
Revenue	36.0	32.6	(10)%
LICs	20.2	11.3	+44%
Cost efficiency ratio (%)	52.0	57.7	(570)bps
Loans and advances to customers	397.3	391.0	(2)%
Customer accounts	497.4	525.2	+6%
Premier customers (m)	3.4	4.4	+29%

▶ Improvement of US\$5.6bn to PBT of US\$3.5bn

▶ Significantly reduced LICs in all regions, notably the US Card and Retail Services and run-off portfolios

▶ Revenues declined with reduced balances and card fee pressure in US, deposit spread compression in our major markets partly offset by improved investment and insurance income in Asia

▶ Flat costs with growth in Asia offset by tight cost control elsewhere and reduced cost base in US

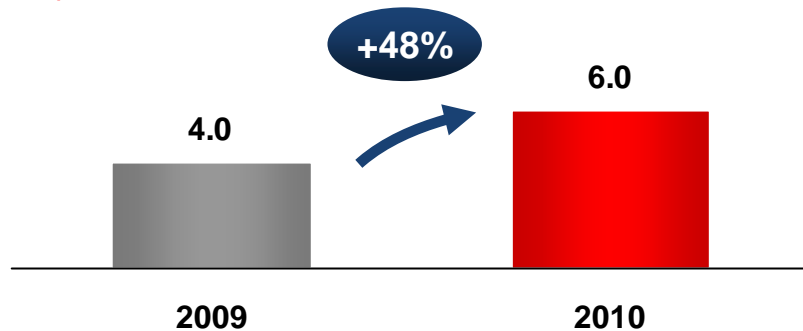
▶ Increased contribution from Associates

▶ Mortgage lending growth in Hong Kong and UK

Commercial Banking

Improved credit quality, growth focused on faster growing markets

Profit before tax, underlying US\$bn



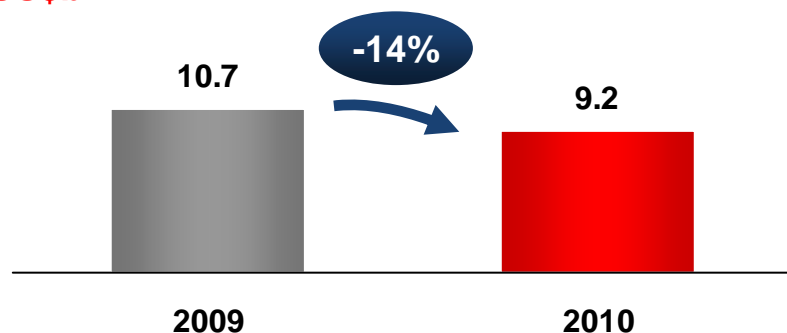
- ▶ **PBT increased by 48% to US\$6.0bn.**
- ▶ **LICs improved significantly in all regions**
- ▶ **Asia had strong lending and fee income growth from trade and insurance**
- ▶ **Operating expenses increased with investment for current and future growth in faster growing markets**
- ▶ **Customer lending grew notably in faster growing markets and also in some key developed markets**

US\$bn	2009	2010	Better / (worse)
Revenue	12.7	13.7	+8%
LICs	3.4	1.8	+46%
Cost efficiency ratio (%)	46.9	49.8	(290)bps
Loans and advances to customers	198.2	239.3	+21%
Customer accounts	265.9	286.0	+8%

Global Banking and Markets

Remained strongly profitable

Profit before tax, underlying US\$bn



Management view of total operating income

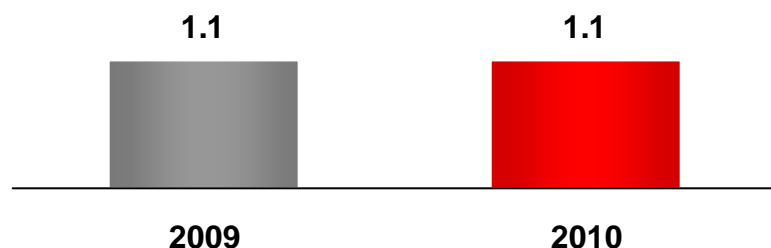
US\$bn	2009	2010	% Better / (worse)
Global Markets	10.5	9.2	(12)
Global Banking	4.7	4.6	(1)
Balance Sheet Management (BSM)	5.5	4.1	(25)
Global Asset Management	0.9	1.1	+15
Principal investments and other	0.4	0.6	+42
Total	22.0	19.6	(11)

- ▶ PBT declined to US\$9.2bn from record level in 2009
- ▶ Reduced revenues from BSM, Rates and Credit (following Eurozone uncertainty) and Foreign Exchange (spread compression and reduced market volatility)
- ▶ Diversified income with 8 businesses generating over US\$1bn of revenue
- ▶ Significant improvement in LICs from both loan and AFS ABS portfolios
- ▶ Higher costs from investment in developing income streams and payroll tax in respect of 2009
- ▶ Total compensation was unchanged at 23.3% of risk adjusted revenue on a reported basis

Global Private Banking

Stable contribution

Profit before tax, underlying US\$bn



US\$bn

	2009	2010	Better / (worse)
Revenue	3.1	3.1	-
Cost efficiency ratio (%)	60.5	65.8	(530)bps
Client assets ¹	367.0	389.7	+6%
Net new money ¹	(7.0)	13.0	n/a

▶ PBT stable at US\$1.1bn

▶ Higher income from increased client activity and higher AUM offset by deposit spread compression

▶ Costs increased with investment in front line staff covering faster growing markets and higher compliance costs

▶ Clients assets increased by 6% to US\$390bn

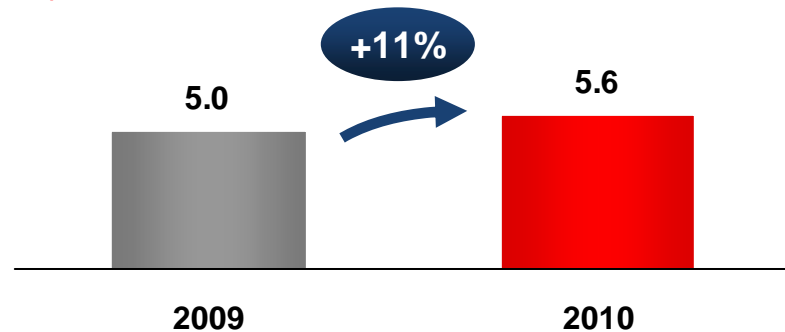
▶ Net new money of US\$13bn

Note:
(1) Reported basis

Hong Kong

Strong business growth offset by impact of low interest rates

Profit before tax, underlying US\$bn



US\$bn

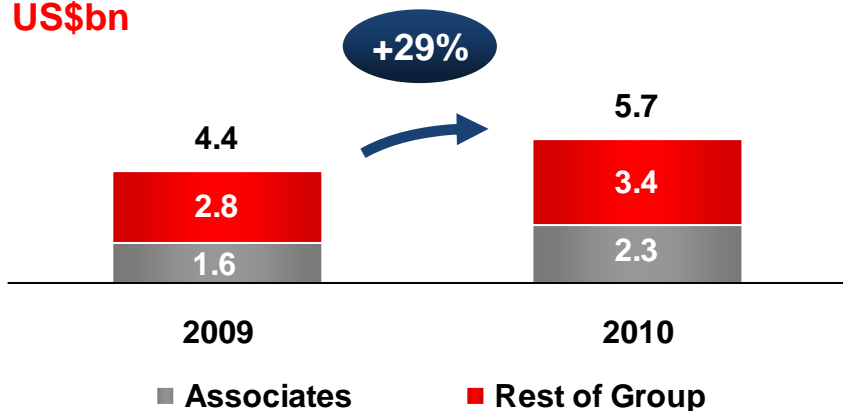
	2009	2010	Better / (worse)
Revenue	9.5	10.1	+7%
LICs	0.5	0.1	+77%
Cost efficiency ratio (%)	41.7	44.0	(230)bps
Loans and advances to customers	99.3	140.7	+42%
Customer accounts	275.0	297.5	+8%

- ▶ PBT increased 11% to US\$5.6bn
- ▶ Income growth from higher investment sales in PFS and trade related business in CMB offset by deposit spread compression
- ▶ LICs declined substantially across all customer groups to low levels
- ▶ Costs increased due to recruitment and general wage increases
- ▶ Strong customer loan growth from recovery in trade flows and residential mortgages

Rest of Asia-Pacific

Profit increase driven by increased contribution from Associates, improved credit quality and business growth

Profit before tax, underlying US\$bn



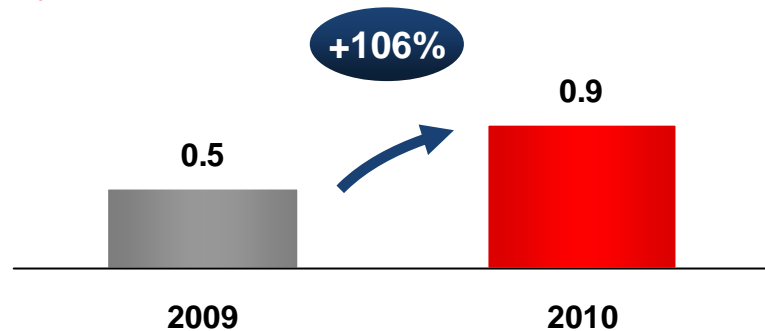
US\$bn	2009	2010	Better / (worse)
Revenue	8.6	9.0	+5%
LICs	1.0	0.4	+55%
Cost efficiency ratio (%)	55.4	56.9	(150)bps
Loans and advances to customers	85.8	108.7	+27%
Customer accounts	142.9	158.2	+11%

- ▶ PBT increased 29% to US\$5.7bn
- ▶ A higher contribution from Associates, notably Ping An and BoCom
- ▶ LICs decreased with improved economic conditions and derisking PFS, notably India, and lower impairments in CMB
- ▶ Income increased from a recovery in trade activity and increased sales of investment and insurance. Narrower asset spreads from strong competition
- ▶ Increased costs with higher headcount to support growth in key regional markets
- ▶ Higher lending balances from growth particularly in CMB and GB&M

Middle East

Improvement in profit from derisking loan portfolio

Profit before tax, underlying US\$bn



US\$bn

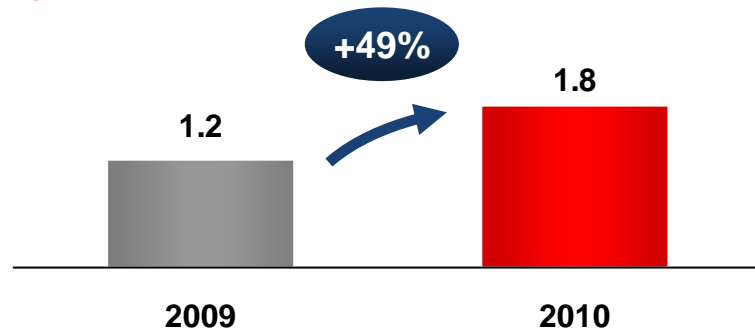
	2009	2010	Better / (worse)
Revenue	2.6	2.5	(5)%
LICs	1.3	0.6	+53%
Cost efficiency ratio (%)	38.6	44.0	(540)bps
Loans and advances to customers	22.7	24.6	+8%
Customer accounts	32.2	33.5	+4%

- ▶ Financial Performance not materially affected by recent events
- ▶ PBT more than doubled to US\$0.9bn
- ▶ LICs decreased substantially. Most notably in the UAE. For GB&M, increase in LICs from restructuring activity. Successful restructuring in Dubai
- ▶ Income declined as unsecured loan balances reduced in PFS (mainly UAE) partially offset by higher income from trade related business
- ▶ Costs increased with network expansion in Egypt and brand promotion
- ▶ Customer lending grew through the year in corporate balances offsetting decline in PFS run-off portfolio
- ▶ We remain strongly committed to the region

Latin America

Profit recovering from improved credit quality

Profit before tax, underlying US\$bn



US\$bn

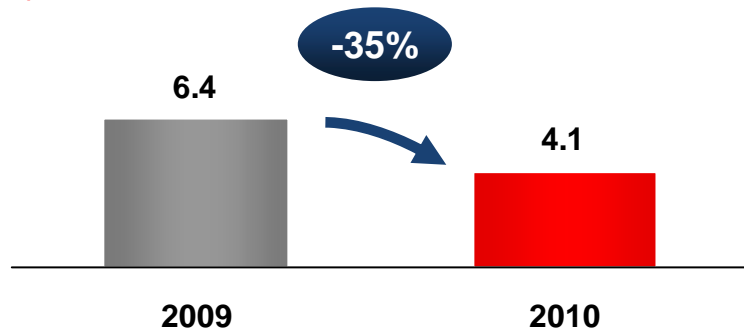
	2009	2010	Better / (worse)
Revenue	9.8	9.7	(1)%
LICs	2.8	1.5	+44%
Cost efficiency ratio (%)	59.4	65.7	(630)bps
Loans and advances to customers	49.5	58.0	+17%
Customer accounts	76.0	88.5	+17%

- ▶ **PBT increased 49% to US\$1.8bn**
- ▶ **Significant decline in LICs in PFS in respect of cards (Mexico) and Consumer Finance (Brazil); and CMB (Brazil)**
- ▶ **Flat revenue. Managed down riskier portfolios, spread compression and reduced transaction volumes. Partially offset by increase in BSM and lending growth**
- ▶ **Costs increased with regional infrastructure investment and inflationary pressures**
- ▶ **Customer lending increased mainly in CMB and GB&M (Brazil)**

Europe

Growth in retail contribution offset by lower profit from GB&M

Profit before tax, underlying US\$bn



US\$bn

	2009	2010	Better / (worse)
Revenue	25.5	22.6	(11)%
LICs	5.5	3.0	+45%
Cost efficiency ratio (%)	53.3	68.4	(1,510)bps
Loans and advances to customers	418.7	435.8	+4%
Customer accounts	473.5	491.6	+4%

Note:

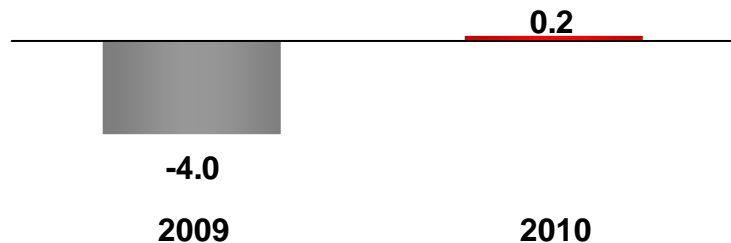
(1) Loan impairment charges and other credit risk provisions.

- ▶ PBT declined by 35% to US\$4.1bn
- ▶ Revenue decline in BSM, Rates, Credit and Foreign Exchange and adverse NQH movement partially offset by growth in UK mortgage lending and improved asset spreads
- ▶ LICs¹ decreased, notably in GB&M. Improvement in UK property sector helped CMB and improved economic conditions helped PFS
- ▶ Increase in costs with investment in infrastructure and people to support growth and one-off items such as payroll tax (in 2010) and pension gains (in 2009)
- ▶ Customer lending increased in all customer groups
- ▶ Lending to UK SMEs increased by 19% to £2.4bn

North America

Return to profit with LICs halved and Canada performing well

Profit before tax, underlying US\$bn



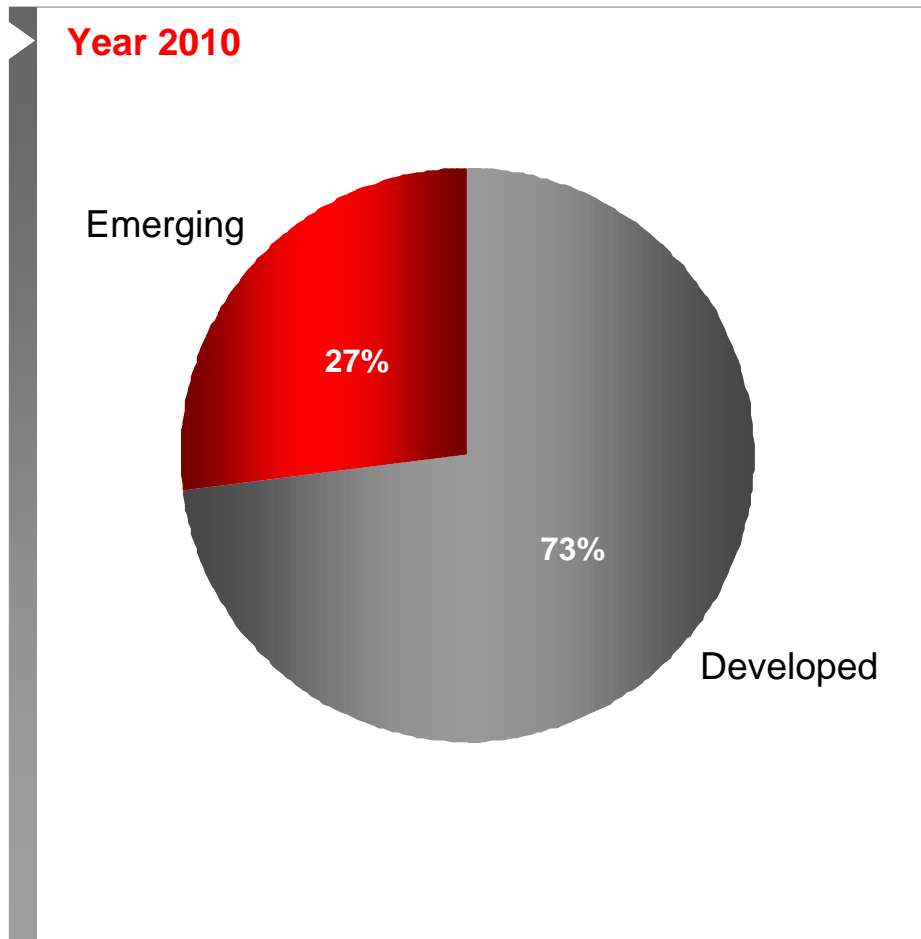
US\$bn

	2009	2010	Better / (worse)
Revenue	20.2	16.8	(17)%
LICs	15.7	8.3	+47%
Cost efficiency ratio (%)	42.1	49.4	(730)bps
Loans and advances to customers	209.4	190.5	(9)%
Customer accounts	151.4	158.5	+5%

- ▶ PBT of US\$0.2bn compared to loss of US\$4.0bn
- ▶ LICs almost halved. Notable improvements in Card and Retail Services, the run-off portfolio and in GB&M
- ▶ Income declined with lower consumer lending balances from run-off, lower level of activity in Cards and impact of the CARD Act
- ▶ Costs declined with benefit from the full year impact of consumer finance branch network closure; cost reduction measures which offset investment in branches and systems

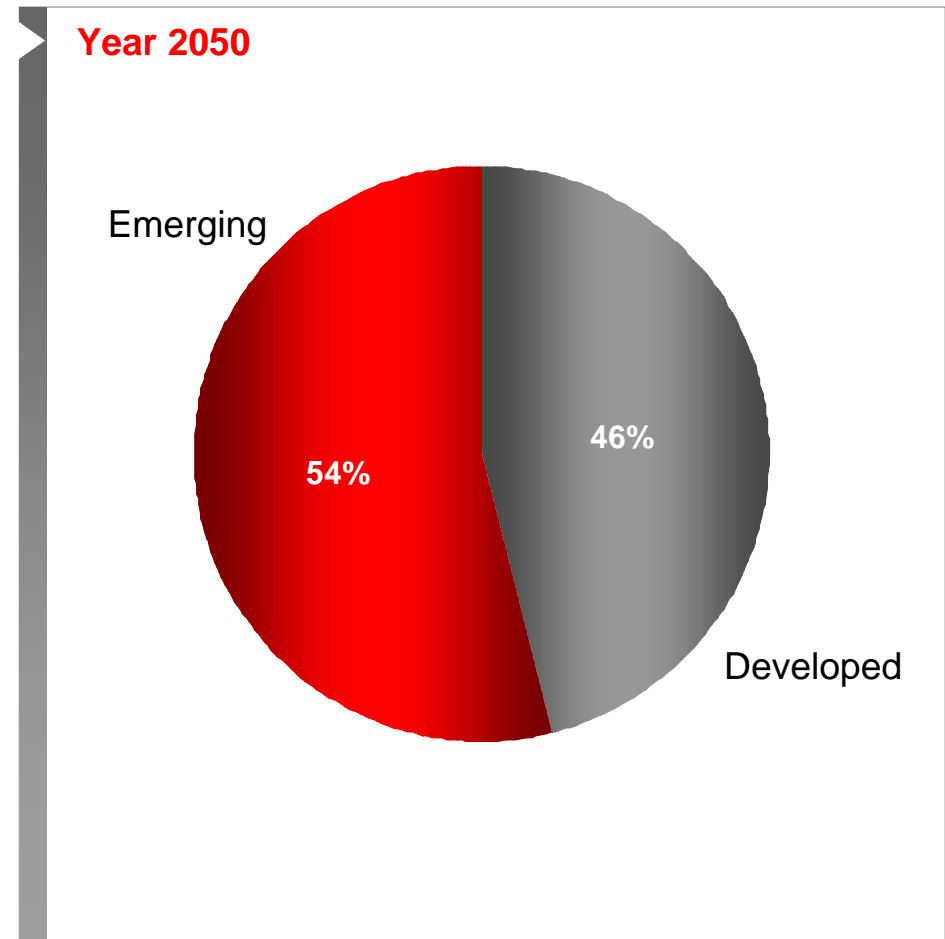
Economic Outlook

Rebalancing the world economy¹



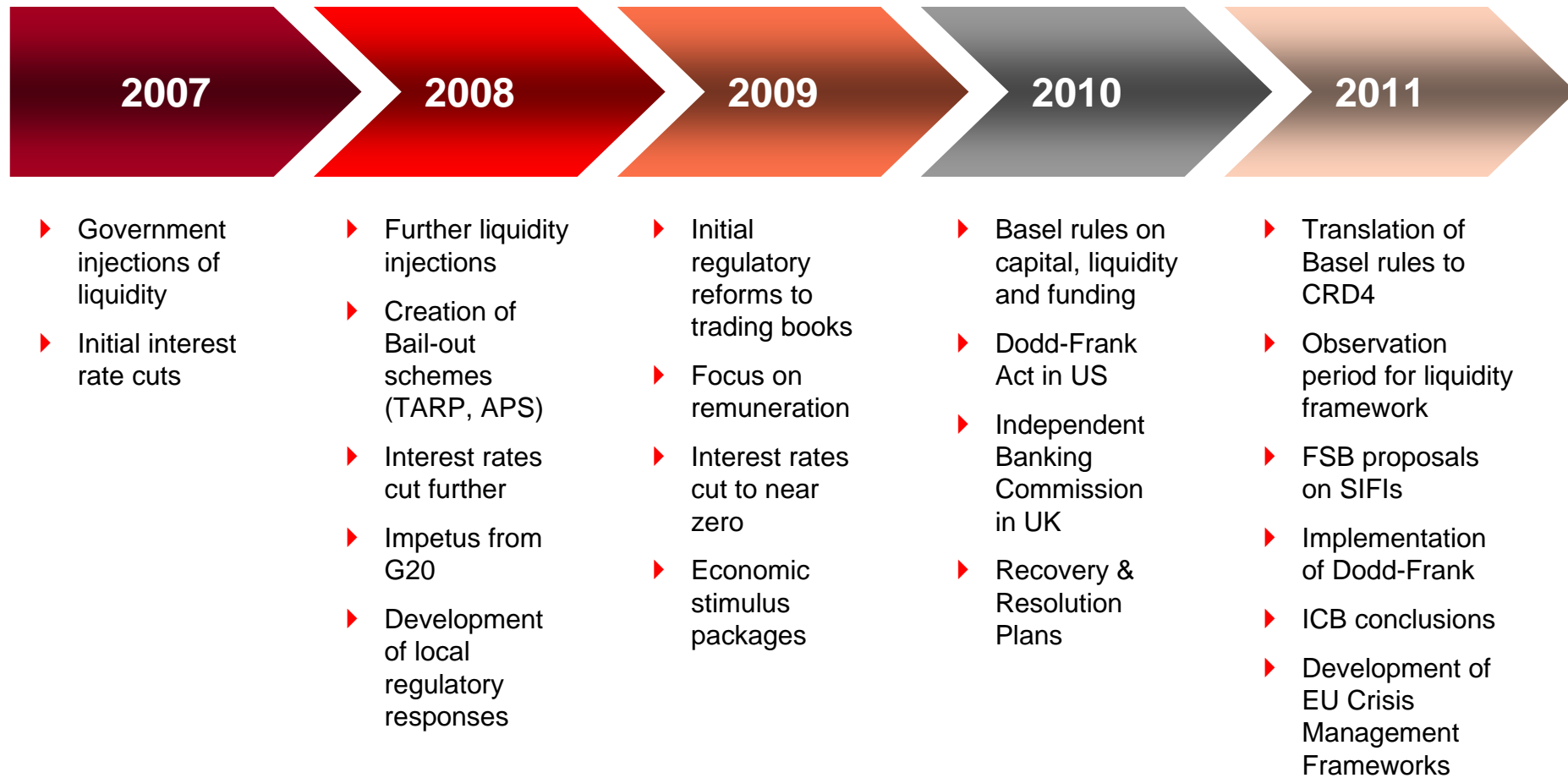
Source: HSBC Global Research "The World in 2050"

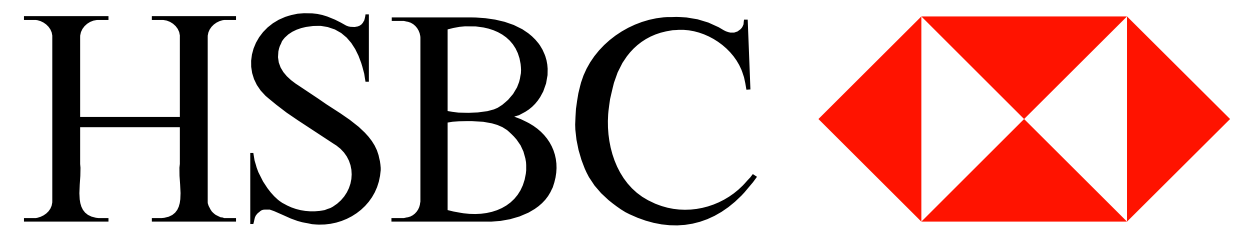
Note:
(1) World concentration of GDP



Source: HSBC Global Research "The World in 2050"

HSBC well placed for evolving regulatory environment





The world's local bank

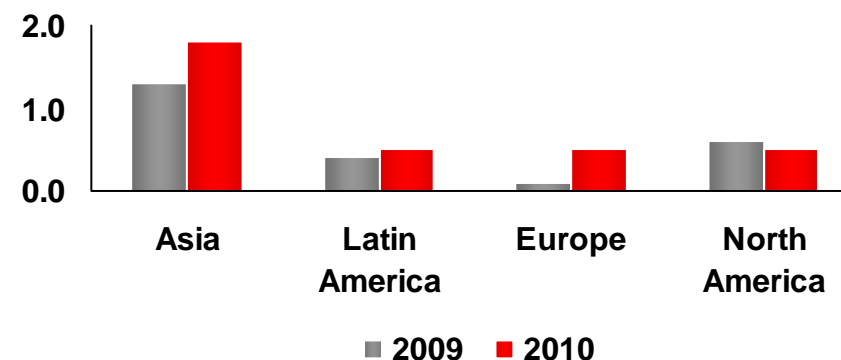
Appendix

Insurance

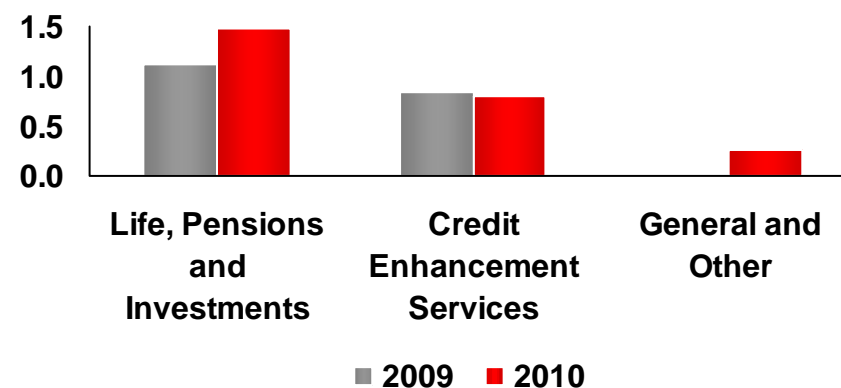
Most profitable year

US\$bn ¹	2009	2010	% Better / (worse)
Net earned premiums	10.5	11.1	+6
Investment income ²	4.0	3.3	(17)
Net insurance claims incurred and movements in liabilities to policy holders ²	(12.3)	(11.7)	+5
PVIF movement ³	0.6	0.7	+16
Net underwriting result	2.8	3.4	+25
Net fee income	1.0	1.0	(2)
Other operating income	0.1	0.1	(34)
Net operating income	3.9	4.5	+16
Total operating expenses	(1.9)	(1.9)	0
Operating profit	2.0	2.6	+31
Associates & joint ventures	0.5	0.7	+40
Contribution from insurance business	2.5	3.3	+33

Profit before tax by region, US\$bn



Profit before tax by product category⁴, US\$bn



Notes:

(1) Underlying basis

(2) Investment income includes net income from financial instruments designated at FV (FY 2009: US\$2.4bn, FY 2010: US\$1.4bn). To the extent that these investment gains and losses are passed to policyholders, an offsetting entry will flow through the net insurance claims incurred and movements in liabilities to policy holders

(3) Present value of in-force long-term insurance business

(4) Excludes Ping An