



HSBC Holdings plc



27 February 2012

Annual Results 2011

Presentation to Investors and Analysts

HSBC 



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 2011. 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.

2011: A year of progress on new strategy

Profit before tax¹	<ul style="list-style-type: none"> • Reported profit before tax USD21.9bn, up 15% on 2010 • Underlying profit before tax USD17.7bn¹, down 6% on 2010
Gained traction in first year of 3 year strategy	<ul style="list-style-type: none"> • Designed to simplify the structure and improve the management of the Group, thereby improving returns; already announced 19 disposals or closures
Positioned the business for growth	<ul style="list-style-type: none"> • There was GDP growth in 2011: faster growing regions (+6.1%), developed markets (+1.3%) • HSBC revenues: 80% from outside UK • Record revenues in Commercial Banking, with market leadership in global trade² • Costs of USD41.5bn included investment in business growth in emerging markets and CMB, restructuring costs and the UK bank levy • Sustainable cost savings of USD0.9bn, also invested in growth
Return on equity of 10.9%	<ul style="list-style-type: none"> • Underlying RoRWA 1.5%; excluding run off and legacy businesses, RoRWA 2.2% • Focused on hitting target RoE range of 12-15% by end of 2013
Continued to generate capital	<ul style="list-style-type: none"> • Profit attributable to ordinary shareholders up 27% to USD16.2bn • USD7.3bn declared in dividends in respect of year • USD3.4bn of variable pay awards net of tax for 2011 covering 288k FTE • Retained earnings totalled USD12.8bn

Notes:

¹ Underlying basis eliminates effects of foreign currency translation differences, acquisitions and disposals of subsidiaries and businesses, and changes in fair value ('FV') due to movements in credit spread on own long-term debt issued by the Group and designated at fair value

² Oliver Wyman Global Transaction Banking Survey 2011

2011 financial highlights

Summary financial highlights	2010	2011	% Better/(worse) 2011 vs 2010
Reported PBT (USDbn)	19.0	21.9	15
Underlying PBT (USDbn)	18.9	17.7	(6)
EPS (USD)	0.73	0.92	26
Dividends ¹ (USD)	0.36	0.41	14

Financial targets %	2010	2011
Return on average ordinary shareholders' equity	9.5	10.9
Cost efficiency ratio	55.2	57.5
Advances-to-deposits ratio	78.1	75.0
Core tier 1 ratio	10.5	10.1

Note:

¹ Declared in respect of the year

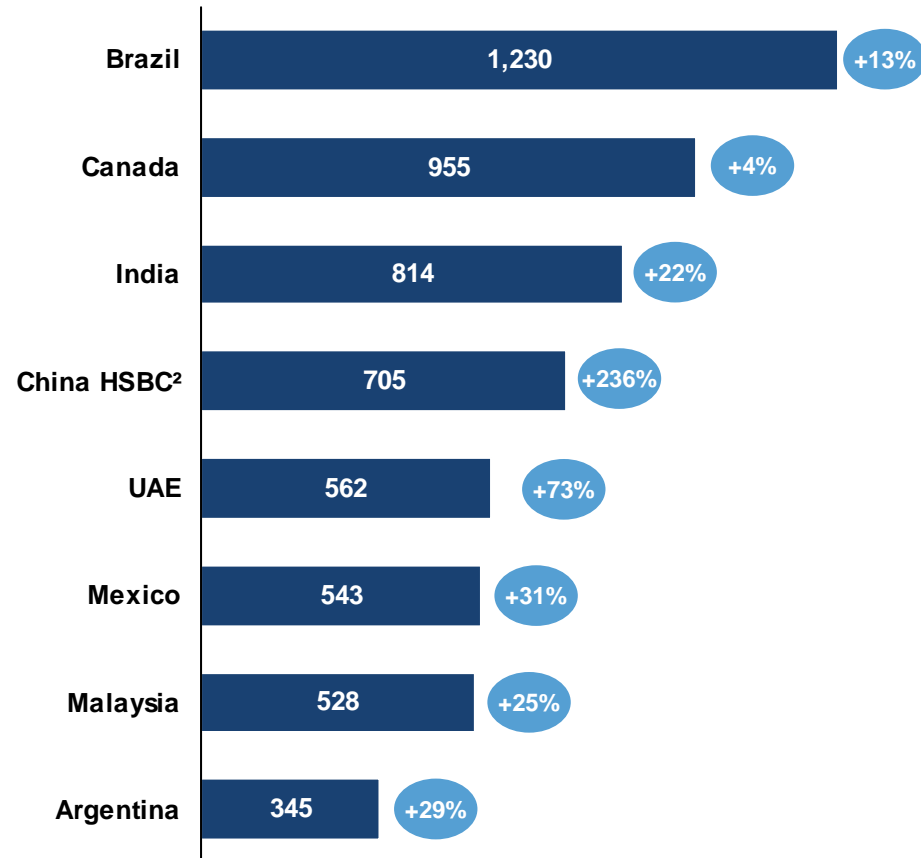
Regional profit contribution

Geographical regions

PBT ¹ , USDbn	2010	2011	% Better/ (worse)
Hong Kong	5.6	5.8	5
Rest of Asia-Pacific	5.9	7.4	23
MENA	0.9	1.5	57
Latam	1.8	2.2	21
Europe	4.4	1.7	(61)
North America	0.3	(0.9)	na
Total	18.9	17.7	(6)

Selected country highlights

(PBT¹ USDm)



Notes:

1 Underlying basis

2 Excludes mainland China associates, which grew 25%



Financial performance

Financial overview

Summary of reported results

USDbn	2010	2011	% Better/(worse) 2011 vs 2010
Revenue ¹ excluding changes in FV of own debt due to credit spread	68.3	68.3	0
LICs ²	(14.0)	(12.1)	14
Net operating income	54.3	56.2	3
Operating expenses	(37.7)	(41.5)	(10)
Associates and joint ventures	2.5	3.3	30
Profit before tax excluding changes in FV of own debt due to credit spread	19.1	17.9	(6)
Changes in FV of own debt due to credit spread	(0.1)	3.9	na
Profit before tax	19.0	21.8	15
Tax	(4.8)	(3.9)	19
Profit after tax	14.2	17.9	26
Profit attributable to ordinary shareholders of the parent company	12.7	16.2	27

Notes:

1 Revenue is net operating income before loan impairment charges and other credit risk provisions

2 Loan impairment charges and other credit risk provisions

Financial overview

Underlying performance, 2011 vs 2010

USDbn	2010	2011	% Better/(worse) 2011 vs 2010
Revenue ¹	68.9	68.1	(1)
LICs ²	(14.2)	(12.1)	15
Net operating income	54.6	55.9	2
Operating expenses	(38.3)	(41.5)	(8)
Associates and joint ventures	2.6	3.3	27
Underlying profit before tax	18.9	17.7	(6)

- Good revenue growth: USD1.4bn in CMB from faster growing regions; USD0.7bn RBWM (excluding North America); and in 6 of 9 business lines of GB&M (USD1.5bn)
- Headwinds for revenue: Eurozone impact on GB&M Rates and Credit (USD2.1bn); reduced contribution from BSM (USD0.7bn); and RBWM, North America (USD1.6bn)³
- LICs down USD2.1bn, notably in US Consumer Finance (USD1.4bn) where 4Q 2011 lower than 3Q 2011
- Operating expenses increased (USD3.2bn) reflecting notable items of (USD1.0bn) and restructuring costs of (USD1.0bn) as well as investment in faster growing markets and an increase in regulatory and compliance costs in developed regions. Realised sustainable savings of USD0.9bn

Notes:

1 Net operating income before LICs

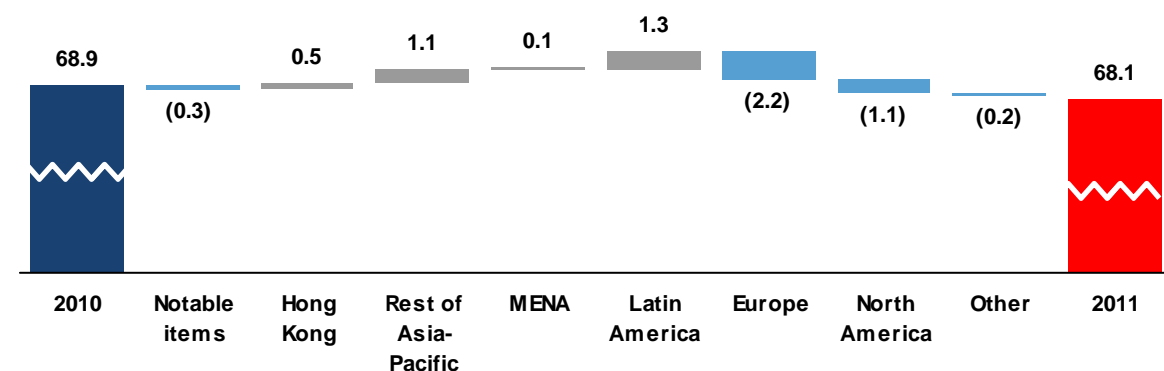
2 Loan impairment charges and other credit risk provisions

3 Including adverse fair value movements on non-qualifying hedges classified as notable items on slide 9

Revenues¹

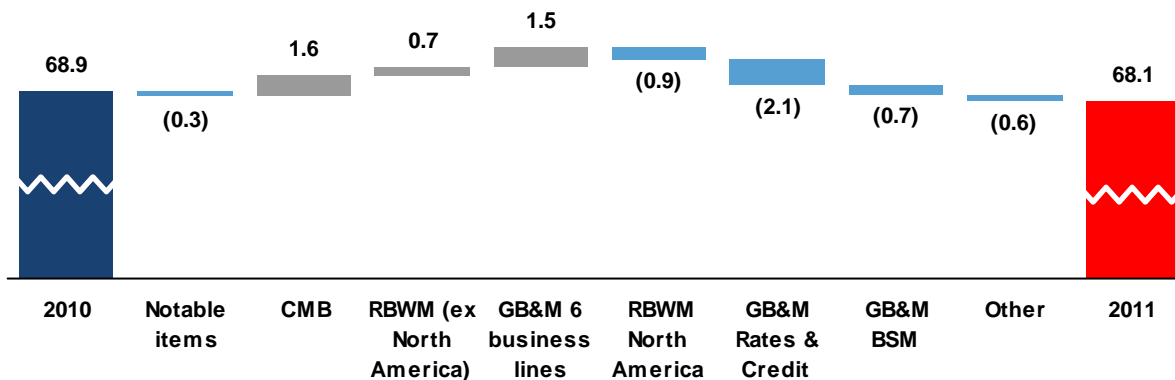
Geographical regions

(USDbn)



Global businesses

(USDbn)



- Increased revenues in faster growing regions by 10%, accounting for 49% of Group revenues up from 44% in 2010
- Increased CMB revenue with higher lending in Asia and Latam; focusing on servicing international customers
- Over USD0.5bn increase in revenue from CMB/GB&M collaboration
- Increased GB&M revenue in 6 business lines and in all faster growing regions
- Grew RBWM revenues in Asia (mortgages in Australia and Singapore; wealth management products in Hong Kong) and Latam (lending and insurance in Brazil)
- GB&M Credit and Rates down on Eurozone and legacy positions. GB&M BSM reduced contribution on lower yielding assets
- US run-off affected North America RBWM

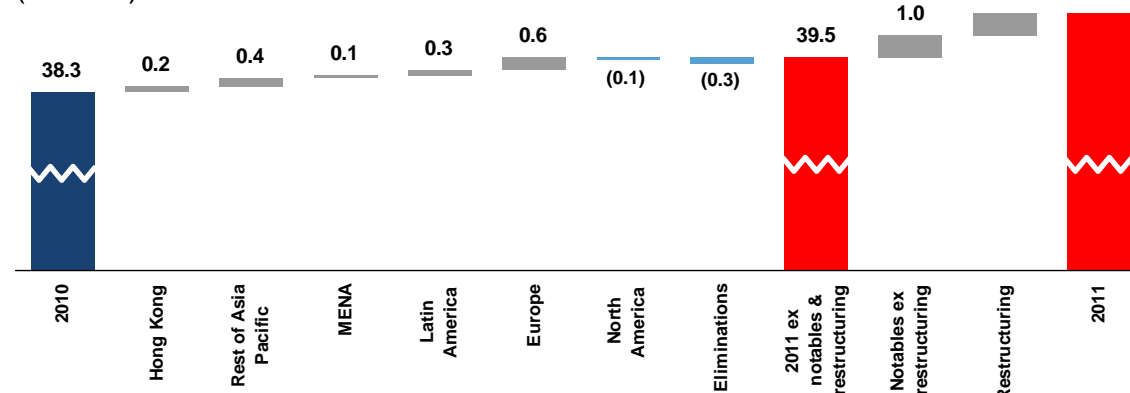
Note:

¹ Net operating income before LICs, underlying basis

Operating expenses¹

Geographical regions

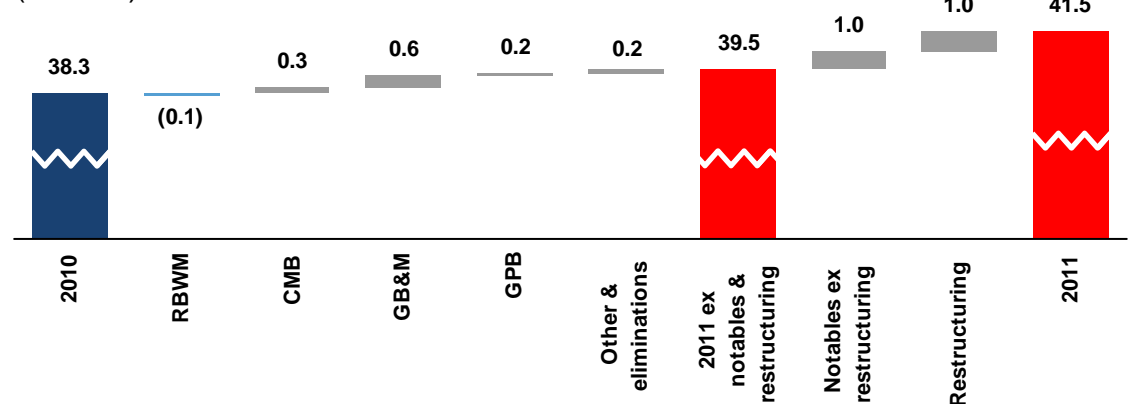
(USDbn)



- Higher staff costs notably Asia and Latam (wage inflation and higher average FTEs to support business growth)
- Increased cost of compliance and regulation reflected in higher costs in Europe
- Net reduction in FTE of more than 7.6k in 2H 2011 from cost efficiency improvement programmes
- USD0.9bn of sustainable cost saves reinvested, USD1.3bn annualised equivalent

Global businesses

(USDbn)



CER – Cost Efficiency Ratio

%	2010	2011	Jaws
RBWM	58.3	63.4	(9)
CMB	49.7	46.3	8
GB&M	49.1	57.0	(14)
GPB	65.9	68.9	(5)
Hong Kong	44.0	44.5	(1)
Rest of Asia-Pacific	57.0	55.1	4
MENA	44.0	45.2	(3)
Latin America	65.6	63.8	3
Europe	67.6	80.1	(17)
North America	49.4	59.3	(18)
Group	55.6	61.0	(10)

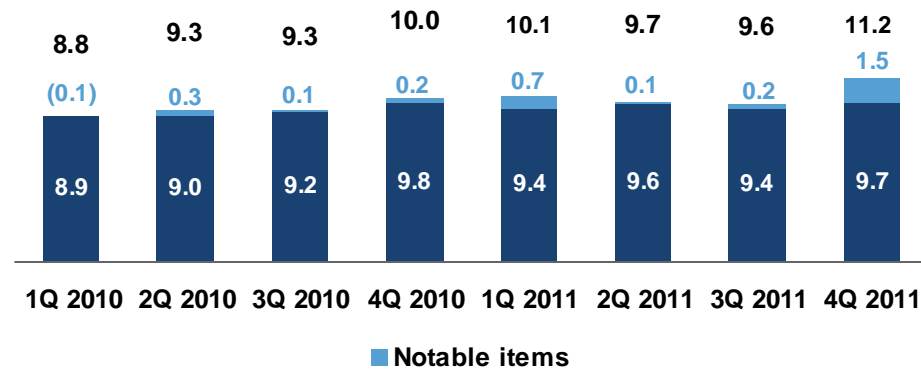
Note:
1 Underlying basis

Operating expenses¹

Quarterly progression in operating expenses and FTE

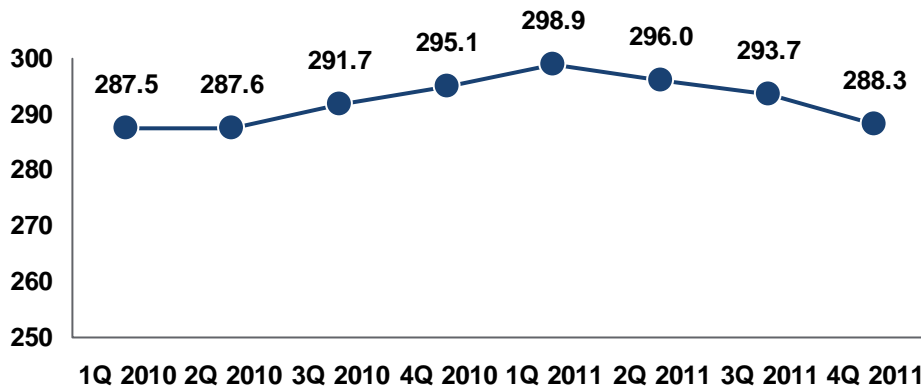
Operating expenses¹

(USDbn)



FTE

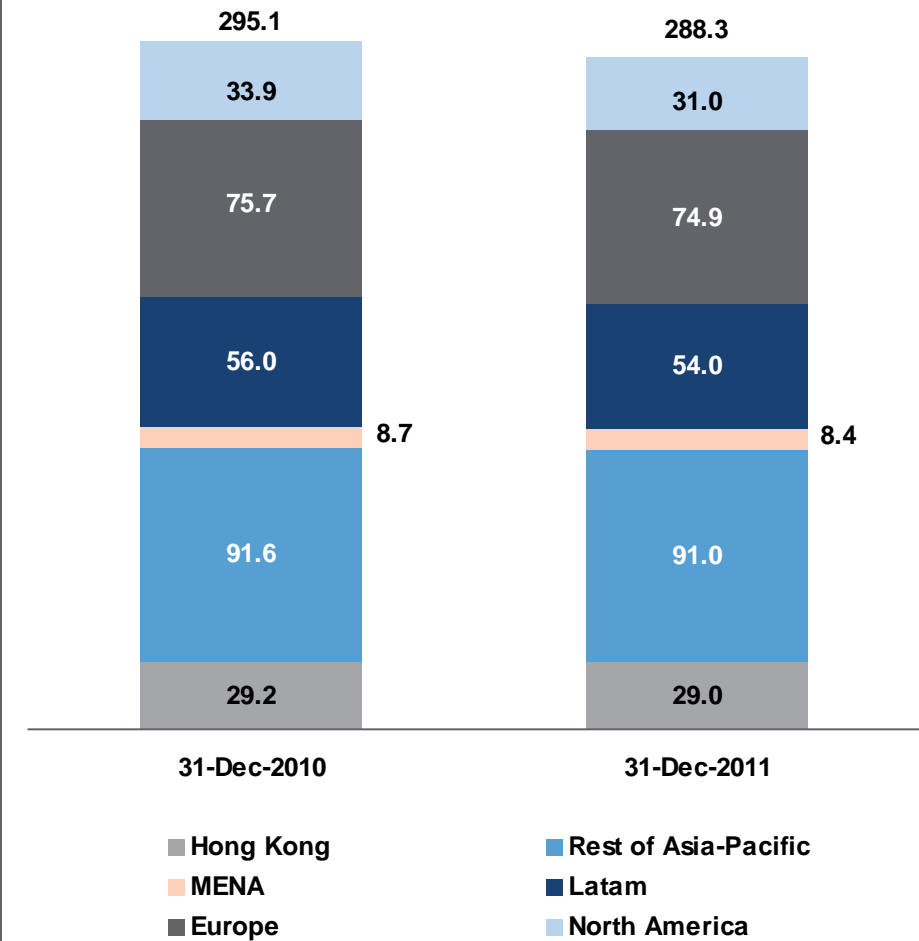
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Note:
1 Constant currency

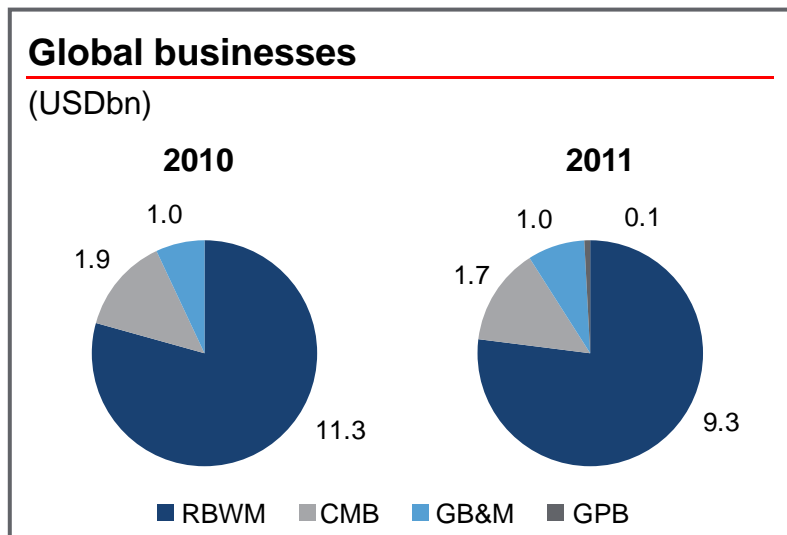
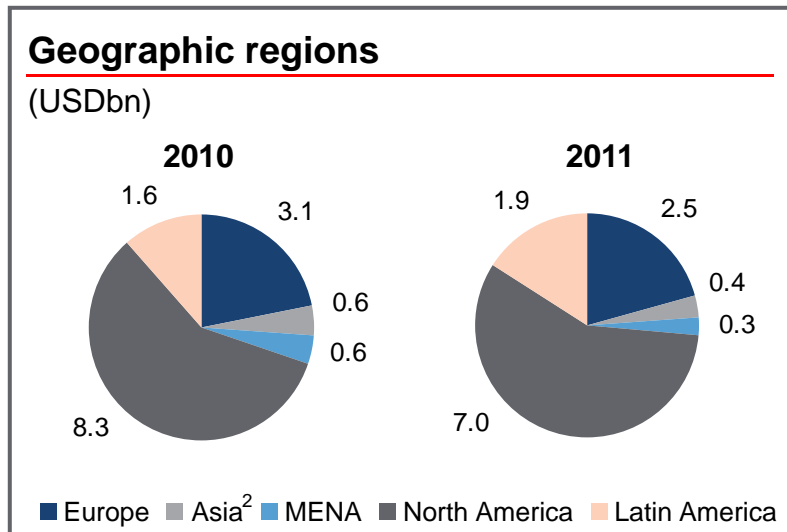
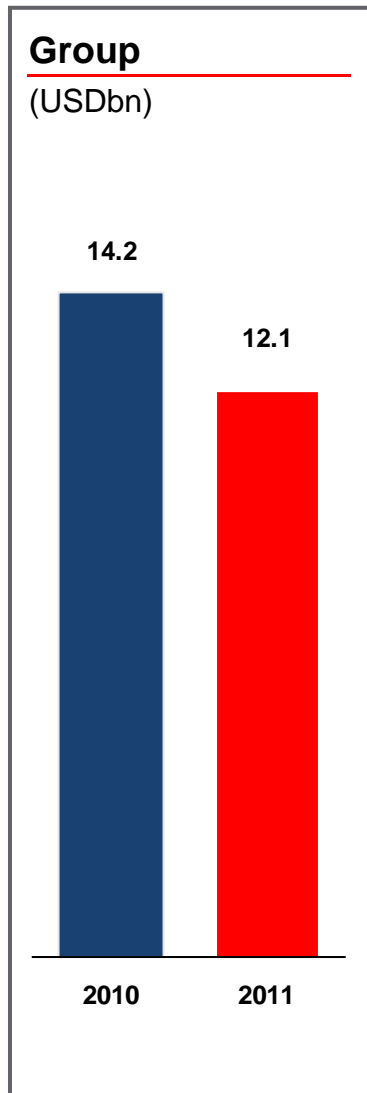
Regional FTE

(000s)



Credit quality

LICs¹ significantly lower



- RBWM lower in North America with reduced balances in US Consumer Finance and improved credit quality in CRS. Also in UK improved delinquency rates
- 4Q 2011 improvement on 3Q 2011 in US Consumer Finance
- CMB improvement in North America and Europe partly offset by increase in Brazil driven by volume growth
- Modest exposure to distressed Eurozone countries

Notes:

¹ Loan impairment charges and other credit risk provisions, underlying basis

² Data for 'Asia' comprises the sum of reported figures for the Hong Kong and Rest of Asia-Pacific geographical regions without the elimination of inter-segments

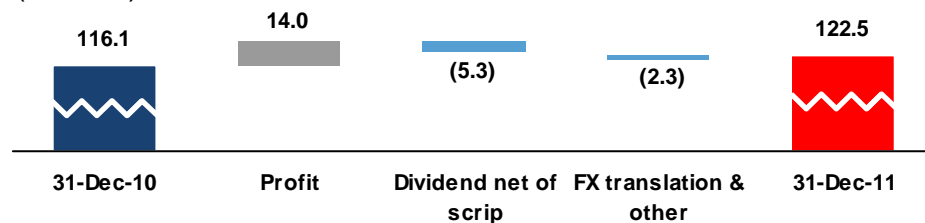
Capital adequacy

Absorbing 'Basel 2.5'

Strong capital generation and funding

Movement in core tier 1 capital

(USDbn)



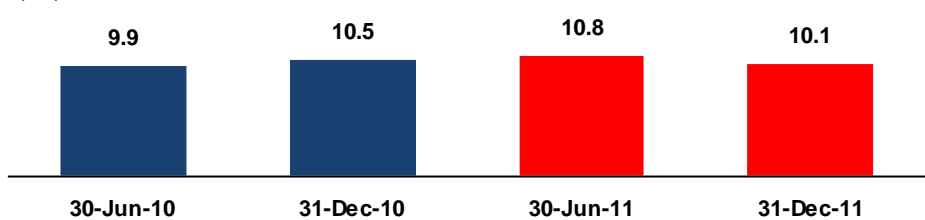
Total risk-weighted assets

(USDbn)



Core tier 1 ratio

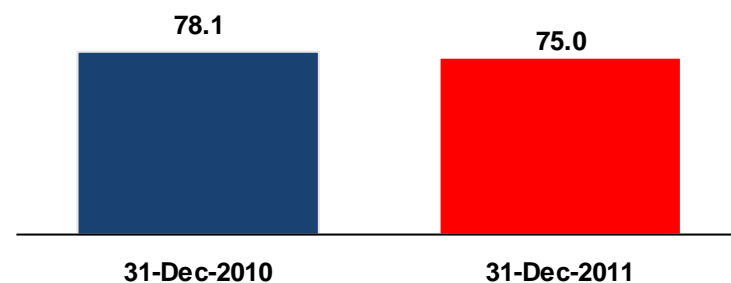
(%)



- Credit risk RWAs increased with growth in CMB lending including a strong increase in mainland Chinese associates' RWAs reflecting underlying growth
- Market RWAs increased reflecting implementation of Basel 2.5 net of mitigating actions
 - Expanded VAR consolidation for market risk
 - Run-off and disposal of GB&M legacy positions

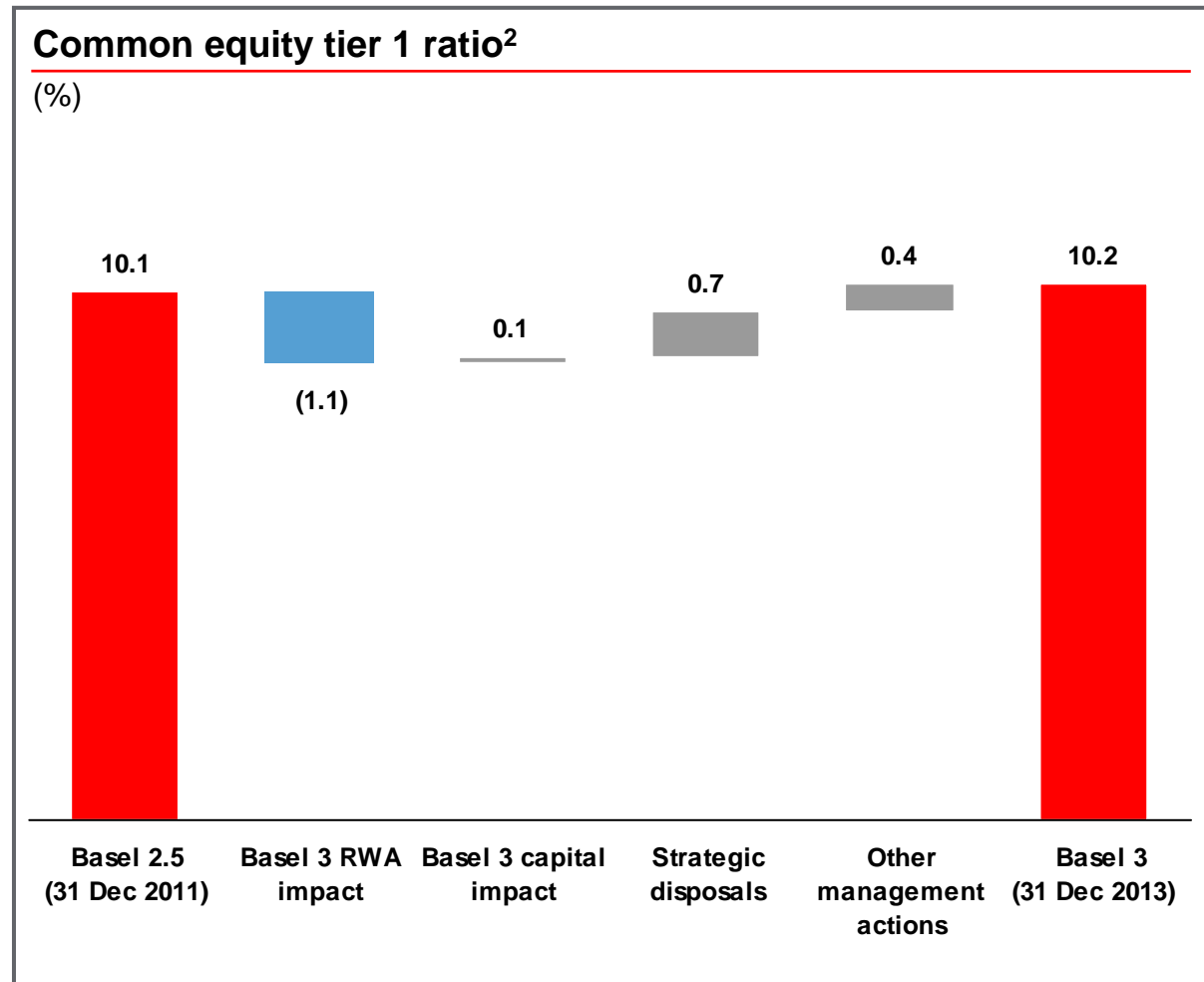
Advances-to-deposits ratio

(%)



Capital adequacy

Basel 3 implementation to end 2013, pro forma¹



- Developing and implementing mitigating actions
 - Strategic disposals
 - Run-off US Consumer portfolio
 - Manage impact of CVA charge
- Beyond 2013: continued regulatory uncertainty over
 - Implementation of ICB recommendations
 - CRD4
 - GSIB requirements
- Strong capital generation
- Self-funded business growth

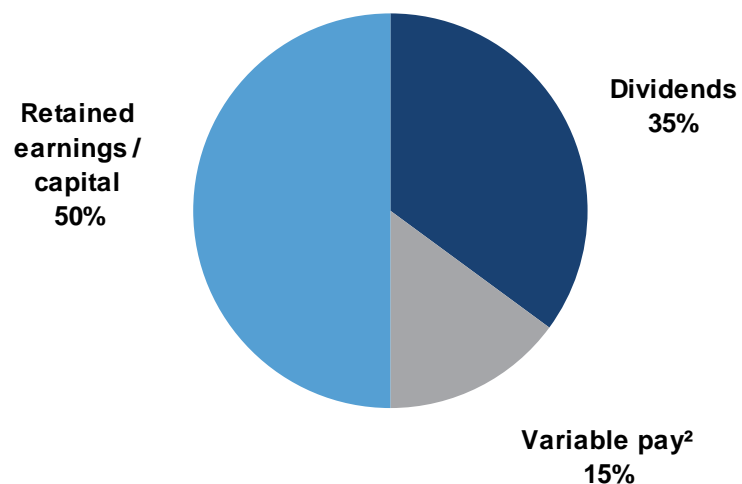
Notes:

¹ Impact of Basel 3 requirements to end 2013 applied to end 2011 balance sheet

² No capital generation, no business growth included

Where the profit goes

Allocation of 2011 attributable profit, pro forma¹



Variable compensation, dividend and tax payment

USDbn	2010	2011	% change higher/ (lower)
Variable compensation pool, pre-tax			
Group	4.3	4.2	(2)
o/w GB&M	1.6	1.2	(26)
UK	0.9	0.9	1
o/w GB&M	0.5	0.4	(28)
Dividends declared in respect of the year			
	6.3	7.3	16
Tax paid³			
Group	7.4	8.0	8
UK	1.8	1.5	(17)

Notes:

¹ See Report of the Group Remuneration Committee (p256 of the 2011 Annual Report and Accounts) and Pillar 3 (p45-51) for further information

² Net of tax assumed at 20%

³ Includes tax on profits, employers tax, UK bank levy/payroll tax, irrecoverable VAT and other duties and levies



Business performance

Significant progress in year 1 of strategy

Key execution elements

Progress in 2011

Capital deployment

- 19 disposals announced to date
- Accounting for around USD50bn of RWA
- Reshaping US business

Cost efficiency

- Achieved USD0.9bn sustainable cost saves, USD1.3bn annualised equivalent
- Pipeline of initiatives developed to support upper end of target sustainable cost saves (USD2.5bn – USD3.5bn)

Growth

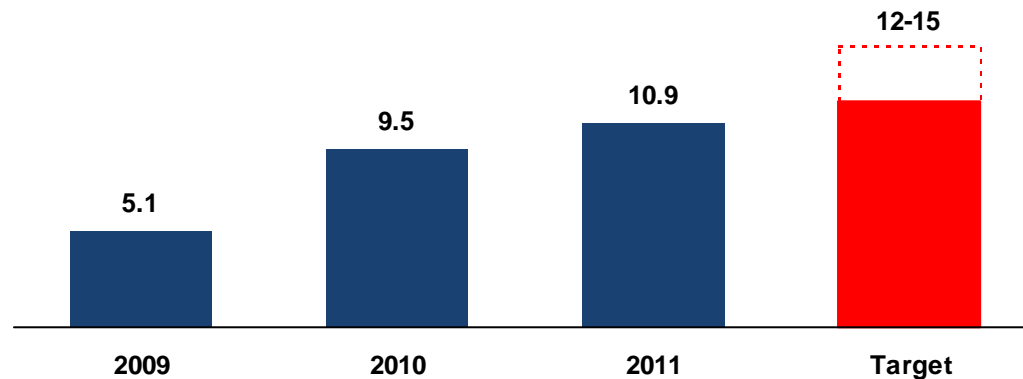
- Increased revenues in faster growing regions (Asia, Latam, MENA) by 10%, accounting for 49% of Group revenues, up from 44%¹ in 2010
- Record year in Commercial Banking, PBT up 30%¹
- Collaboration between Global Banking & Markets and Commercial Banking increased revenues by over USD0.5bn
- Modest progress towards Wealth Management target

Note:
1 On an underlying basis

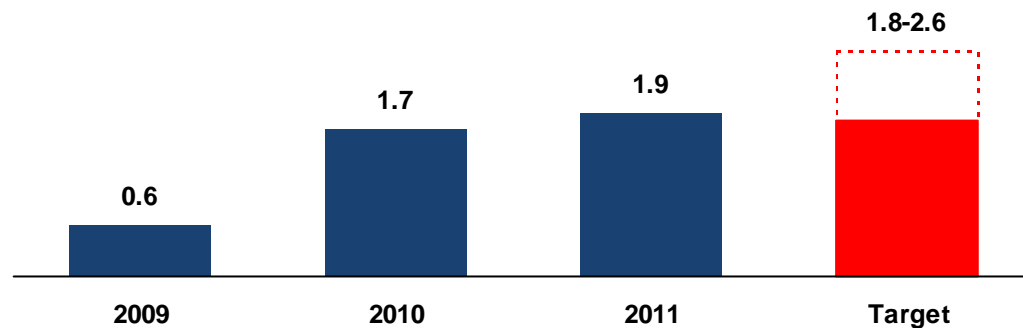
Significant progress on strategy

Target RoE 12-15%¹

HSBC return on average ordinary shareholders' equity (%)



HSBC return on average risk-weighted assets (%)



- Operational focus on RoRWA
- 12-15% RoE target supported by 1.8-2.6% pretax RoRWA²
- 2011 RoRWA 1.9% or 1.5% on underlying basis
- 2011 RoRWA (ex US Consumer Finance and GB&M legacy credit), 2.2% on underlying basis
- RoRWA targets set for all Global Businesses and Regions

Notes:

¹ All numbers are on a reported basis

² Assuming Core Tier 1 capital ratio of 9.5-10.5%

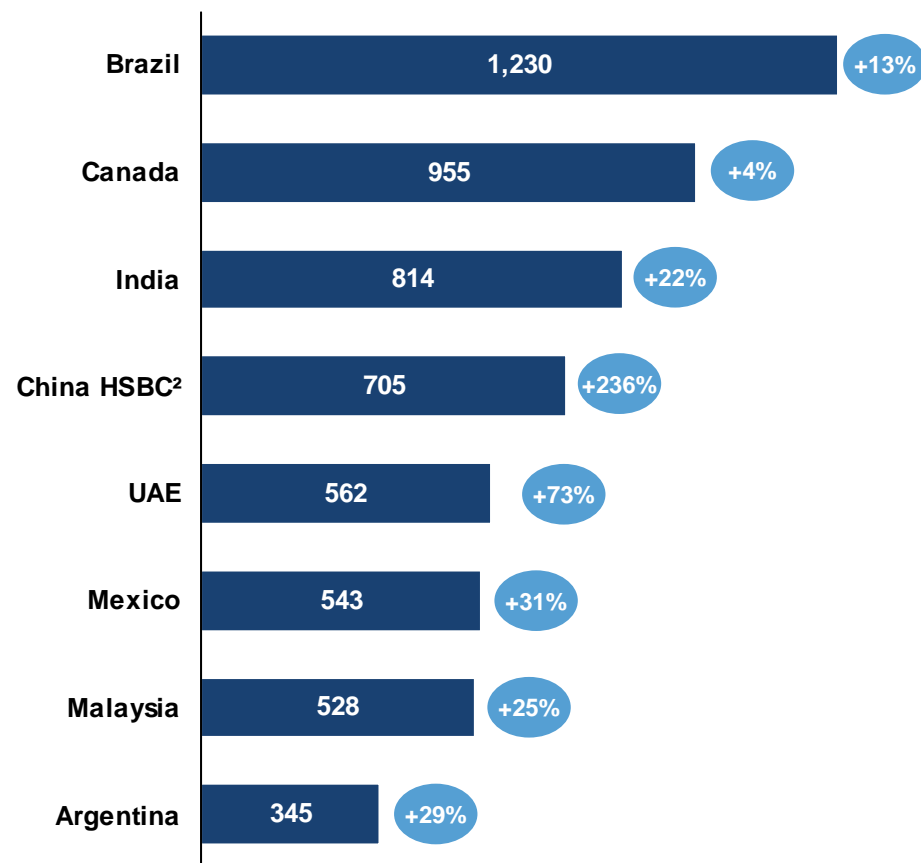
Regional profit contribution

Geographical regions

PBT ¹ , USDbn	2010	2011	% Better/ (worse)
Hong Kong	5.6	5.8	5
Rest of Asia-Pacific	5.9	7.4	23
MENA	0.9	1.5	57
Latam	1.8	2.2	21
Europe	4.4	1.7	(61)
North America	0.3	(0.9)	na
Total	18.9	17.7	(6)

Selected country highlights

(PBT¹ USDm)



Notes:

1 Underlying basis

2 Excludes mainland China associates, which grew 25%

Global business contribution

PBT¹, USDbn	2010	2011	% Better/(worse) 2011 vs 2010
Commercial Banking	6.1	7.9	30
Global Banking & Markets	9.2	7.0	(23)
Retail Banking Wealth Management	4.0	4.2	6
Global Private Banking	1.1	0.9	(11)
Other	(1.3)	(2.4)	(81)
Total	18.9	17.7	(6)

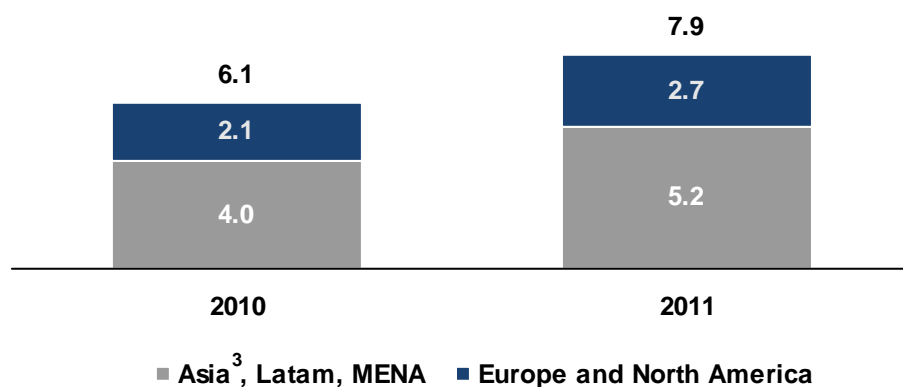
Note:
1 Underlying basis

Commercial Banking¹

Strengthen our position as the leading international trade and business bank

CMB key financials

(PBT, USDbn)



Metrics	2010	2011
CER (%)	50	46
Period end RWAs ⁴ (USDbn)	334	383
RoRWA (%)	1.9	2.2

Achievements and developments

Focus on faster-growing markets while connecting with developed markets

- Record year PBT
- 5 years cumulative PBT: USD32.7bn
- Stronger growth in faster-growing regions – revenue up 20%

Strong partnership with GB&M

- Growth in sales of GB&M products exceeds USD0.5bn

Capture growth in international SMEs

- Trade and receivables finance revenue increased by 22% to USD2.6bn (75% generated from faster growing regions)
- 9%² market share of bank financed global trade. Financed more than USD0.5trn trade and receivable finance globally in 2011²
- Established £4bn international fund to support UK SMEs trade overseas

Drive efficiency gains through adopting a global operating model

- Consistent business model being rolled out
- Positive jaws, 8%. Invested in business and increased revenues

Notes:

1 All data on an underlying basis except where otherwise stated

2 Source: Oliver Wyman Global Transaction Banking Survey 2011

3 Data for 'Asia' comprises the sum of reported figures for the Hong Kong and Rest of Asia-Pacific geographical regions without the elimination of inter-segments

4 On a reported basis

Global Banking & Markets¹

Emerging-markets led, financing focused with greater emphasis on connectivity

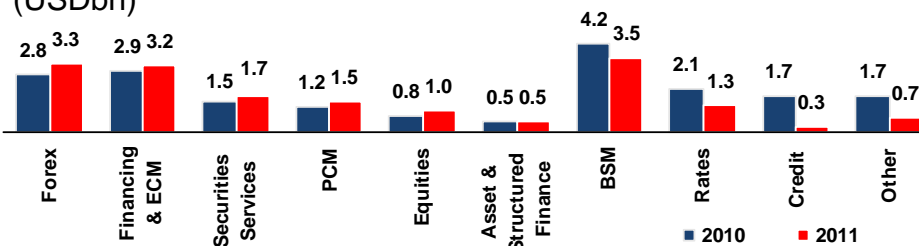
GB&M key financials

(PBT, USDbn)



GB&M revenue growth in 6 business lines

(USDbn)



Metrics	2010	2011
CER (%)	49	57
RWAs (USDbn) ³		
GB&M total	353	423
Legacy credit	26	50
Rest of GB&M	327	373
RoRWA (%)		
GB&M total	2.4	1.8
Legacy credit	1.0	(1.3)
Rest of GB&M	2.5	2.1

Achievements and developments

Enhance core product strengths and selectively develop new capabilities

- Grew revenue in 6 major business lines
- Continued investment in e-commerce platform (eFX), Prime Services and Equities

Reinforce client coverage and client led solutions

- Key appointments made for global coverage teams
- Corporate Treasury Solutions Group established

Collaboration with CMB and Wealth Management

- Increase sales of forex and interest rate management products to CMB customers
- Extended Wealth Solutions Group

Notes:

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² The legacy credit portfolio is a separately identifiable, discretely managed business comprising Solitaire Funding Limited, the securities investment conduits, the asset-backed securities trading portfolios and credit correlation portfolios, derivative transactions entered into directly with monoline insurers, and certain other structured credit transactions."

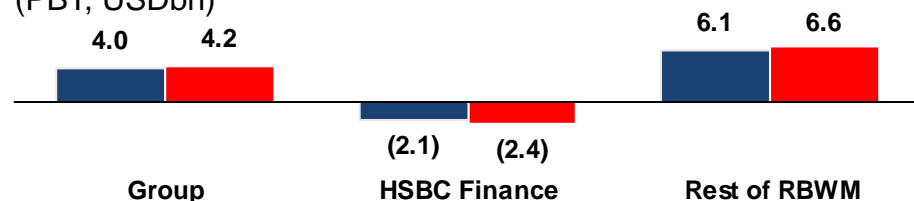
³ On a reported basis

Retail Banking and Wealth Management¹

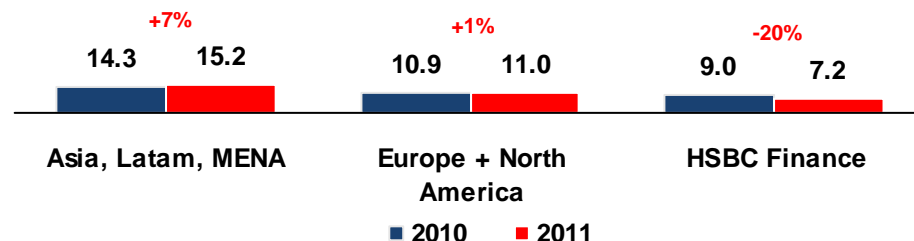
World class banking and wealth solutions

RBWM key financials

(PBT, USDbn)



(Revenue, USDbn)



Metrics	2010	2011
CER (%)	58	63
RWAs (USDbn) ²		
RBWM total	357	351
US consumer finance business	193	184
Rest of RBWM	164	167
RoRWA (%)		
RBWM total	1.1	1.2
US consumer finance business	(1.1)	(1.3)
Rest of RBWM	3.8	3.9

Achievements and developments

Transforming RBWM

- Global business model developed
- RBWM headcount reduced by 5k in 2H 2011 from progress on re-engineering

Portfolio management to drive superior returns

- 15 disposals announced, including sales of CRS, US branches and sub-scale Central American operations
- Run off portfolio balances reduced by USD8.9bn
- Good revenue growth (+7%) in Asia and Latin America

Developing world class wealth management for retail customers

- Some USD300m growth in wealth revenues, despite challenging investment markets in 2H 2011
- World Selection FUM increased by 20% to USD8.6bn

Note:

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2 On a reported basis

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² Oliver Wyman Global Transaction Banking Survey 2011



Appendix

Reported quarterly results

Consolidated summary

PBT, USDm	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011	31 Dec 2011
Income, ex changes in FV of own debt due to credit spread	18,283	16,194	16,308	17,525	17,629	18,207	15,833	16,678
LICs	(3,787)	(3,736)	(3,146)	(3,370)	(2,384)	(2,882)	(3,890)	(2,971)
Net operating income	14,496	12,458	13,162	14,155	15,245	15,325	11,943	13,707
Operating expenses	(8,898)	(9,213)	(9,378)	(10,199)	(10,369)	(10,141)	(9,869)	(11,166)
Associates and joint ventures	471	716	675	655	619	937	967	741
Profit before tax, ex changes in FV of own debt due to credit spread	6,069	3,961	4,459	4,611	5,495	6,121	3,041	3,282
Changes in FV of own debt due to credit spread	(357)	1,431	(934)	(203)	(589)	447	4,114	(39)
Profit before tax	5,712	5,392	3,525	4,408	4,906	6,568	7,155	3,243
Return on average ordinary shareholders' equity (annualised) (%)	8.3	12.8	9.0	8.8	11.4	13.2	13.2	5.8
Cost efficiency ratio (%)	49.6	52.3	61.0	58.9	60.9	54.4	49.5	67.1
Cost efficiency ratio, ex changes in FV of own debt due to credit spread (%)	48.7	56.9	57.5	58.2	58.8	55.7	62.3	67.0

Reported quarterly results

Regional contribution

PBT, USDm	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011	31 Dec 2011	Year end 31 Dec 2010	Year end 31 Dec 2011
Hong Kong	1,509	1,368	1,407	1,408	1,562	1,519	1,288	1,454	5,692	5,823
Rest of Asia-Pacific	1,302	1,683	1,394	1,523	1,634	2,108	2,008	1,721	5,902	7,471
Asia	2,811	3,051	2,801	2,931	3,196	3,627	3,296	3,175	11,594	13,294
MENA	175	171	295	251	335	412	405	340	892	1,492
Latam	419	464	470	442	542	609	764	400	1,795	2,315
Europe	1,857	1,664	407	374	652	1,495	2,955	(431)	4,302	4,671
North America	450	42	(448)	410	181	425	(265)	(241)	454	100
Total	5,712	5,392	3,525	4,408	4,906	6,568	7,155	3,243	19,037	21,872

Reported quarterly results

Global business contribution

PBT, USDm	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011	30 Sep 2011	31 Dec 2011	Year end 31 Dec 2010	Year end 31 Dec 2011
Retail Banking and Wealth Management	907	445	802	1,685	960	2,166	224	920	3,839	4,270
Commercial Banking	1,592	1,612	1,537	1,349	1,935	2,254	1,954	1,804	6,090	7,947
Global Banking & Markets	3,289	2,163	2,141	1,622	2,932	1,879	1,006	1,232	9,215	7,049
Global Private Banking	295	261	274	224	308	244	248	144	1,054	944
Other	(371)	911	(1,229)	(472)	(1,229)	25	3,723	(857)	(1,161)	1,662
Total	5,712	5,392	3,525	4,408	4,906	6,568	7,155	3,243	19,037	21,872

Notable items within underlying basis

USDm	2010 ¹			2011 ¹		
	1H	2H	FY	1H	2H	FY
Revenue						
Gain on sale/sale and lease back of properties	249	-	249	-	-	-
Non-qualifying hedges (NQH)	(1,105)	31	(1,074)	(314)	(1,078)	(1,392)
PVIF adoption of calculation refinement	-	-	-	243	-	243
Operating expenses						
Pension curtailment gain/other gains	148	-	148	587	-	587
UK Bank levy	-	-	-	-	(570)	(570)
Payroll tax	(398)	44	(354)	-	13	13
UK customer redress programmes (mainly P.P.I.)	-	(75)	(75)	(613)	(285)	(898)
Restructuring	(18)	(137)	(155)	(477)	(645)	(1,122)
Deferred variable compensation, accelerated amortisation	-	-	-	(138)	(25)	(163)
US mortgage foreclosure and servicing costs	-	-	-	-	(257)	(257)
Tax						
On sale by HSBC North America Holdings Inc of HSBC Canada to HSBC (Overseas) Holdings Ltd ²	(1,590)	374	(1,216)	-	-	-
Recognition of deferred tax offset in respect of foreign tax credits, partly offset by a current period tax charge in respect of prior periods ²	-	-	-	486	-	486

Notes:

1 Significant factors on an underlying basis except tax which is stated on a reported basis

2 Reported basis

Underlying performance¹, 2H 2011 vs 1H 2011

USDbn	1H 2011	2H 2011	% Better/(worse) 2H 2011 vs 1H 2011
Revenue ¹	35.1	32.4	(8)
LICs ²	(5.2)	(6.9)	(32)
Net operating income	29.9	25.5	(15)
Operating expenses	(20.2)	(21.0)	(4)
Associates and joint ventures	1.6	1.8	11
Underlying profit before tax	11.3	6.3	(45)

- Revenue growth in Asia, Latam and MENA (USD0.5bn)
- Revenue declined in GB&M from Eurozone impact on Rates and Credit (USD2.1bn lower contribution), RBWM North America (USD1.2bn)
- LICs impacted by 3Q 2011 North America charge in Consumer Finance, stabilised in 4Q 2011
- Operating expenses marginally lower in the second half, excluding notable items

Notes:

1 Net operating income before LICs and other credit risk provisions

2 Loan impairment charges and other credit risk provisions