

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 Interim Report. 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 can be found in HSBC's 2010 Interim Report in the Operating and Financial Review.

Managing Risk at HSBC

Risk Management

Key themes in 2010 and beyond

Strong Governance Framework

- ▶ Group Risk Committee of the Board formed in response to the 'Walker' review and provides oversight and advice to the Board on material risk-related matters.
- ▶ HSBC's global risk function remains independent from the business ensuring integrity and trust.
- ▶ A global operating model provides consistent and effective oversight and accountability of risk across all five regions and Global Businesses.

Understanding our risk profile and taking appropriate action

- ▶ Loan impairment charges stand at their lowest since the start of the financial crisis, following our actions begun before the crisis.
- ▶ Our US Consumer Finance run-off portfolios continue to decrease.
- ▶ Our strategy to rebalance the Group towards the needs of a fast changing global economy continues with building our business in emerging markets.

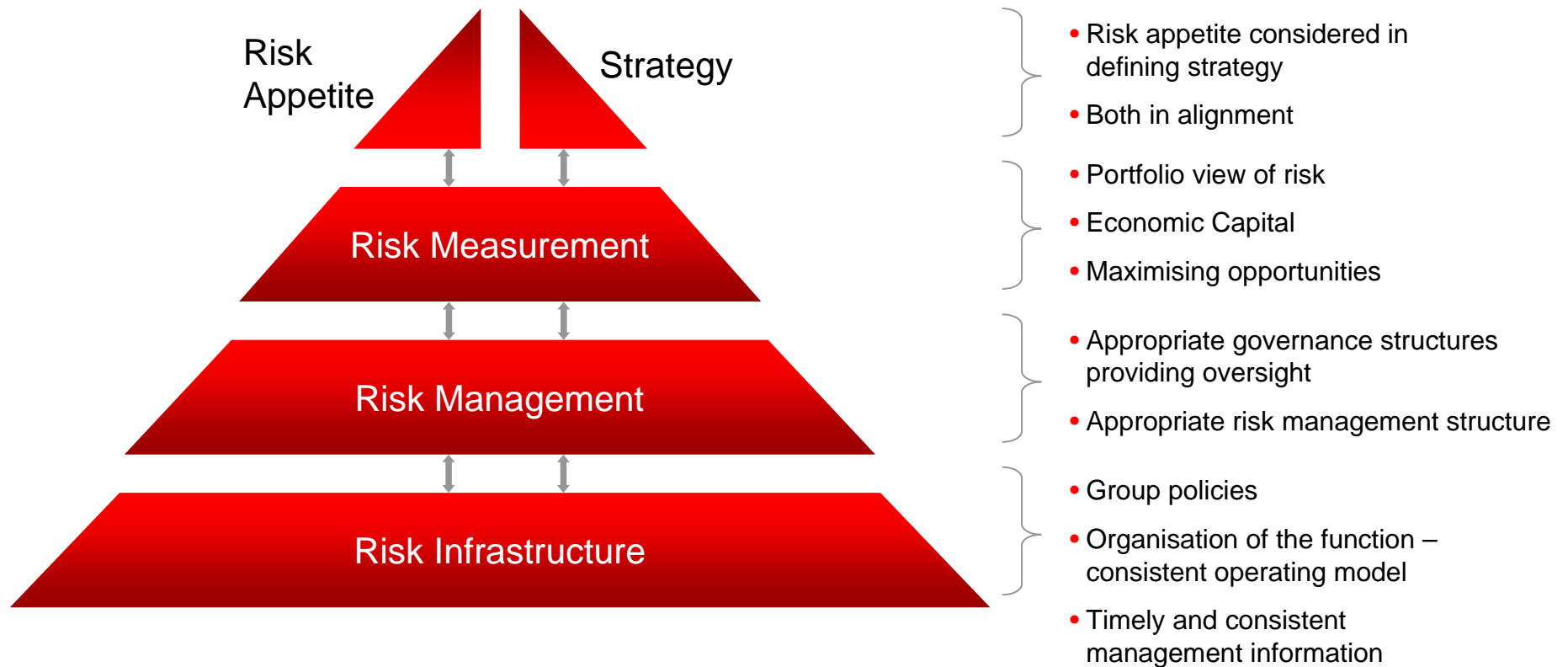
Positioned to respond to 'stress' and regulatory changes

- ▶ The outcome of the EU-wide stress tests exercise by the Committee of European Banking Supervision (CEBS) in July 2010 confirmed the robustness of our capital position.
- ▶ Capital and funding strength will become even more important with the proposed regulatory changes, maintaining our strong balance sheet remains core to our banking philosophy.
- ▶ Our ratio of customer advances to deposits remained steady at under 80%, this provides a broad indication of our funding strength and maintains our distinctive liquidity position.

Governance

Enterprise-wide Risk Management in HSBC

HSBC's risk management framework – an integrated approach



Alignment of Strategy and Risk Appetite

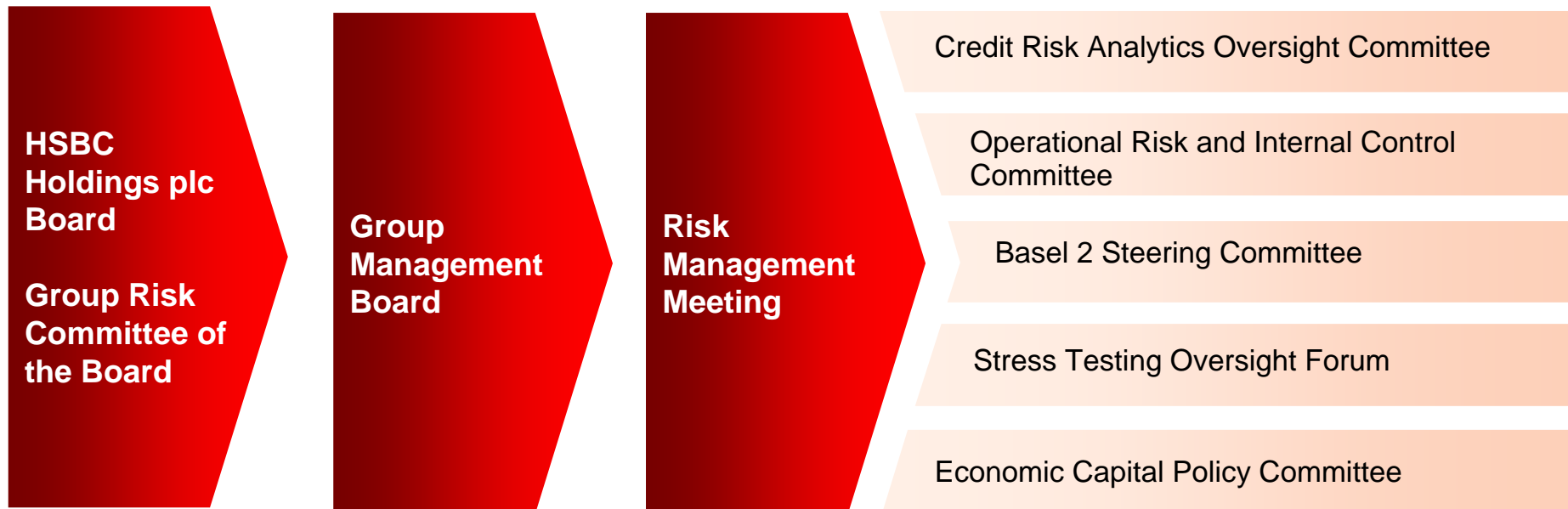
Provides the bedrock for the enterprise-wide risk management framework



Risk Oversight – Governance

Risk ultimately owned by the Board and the Group Management Board

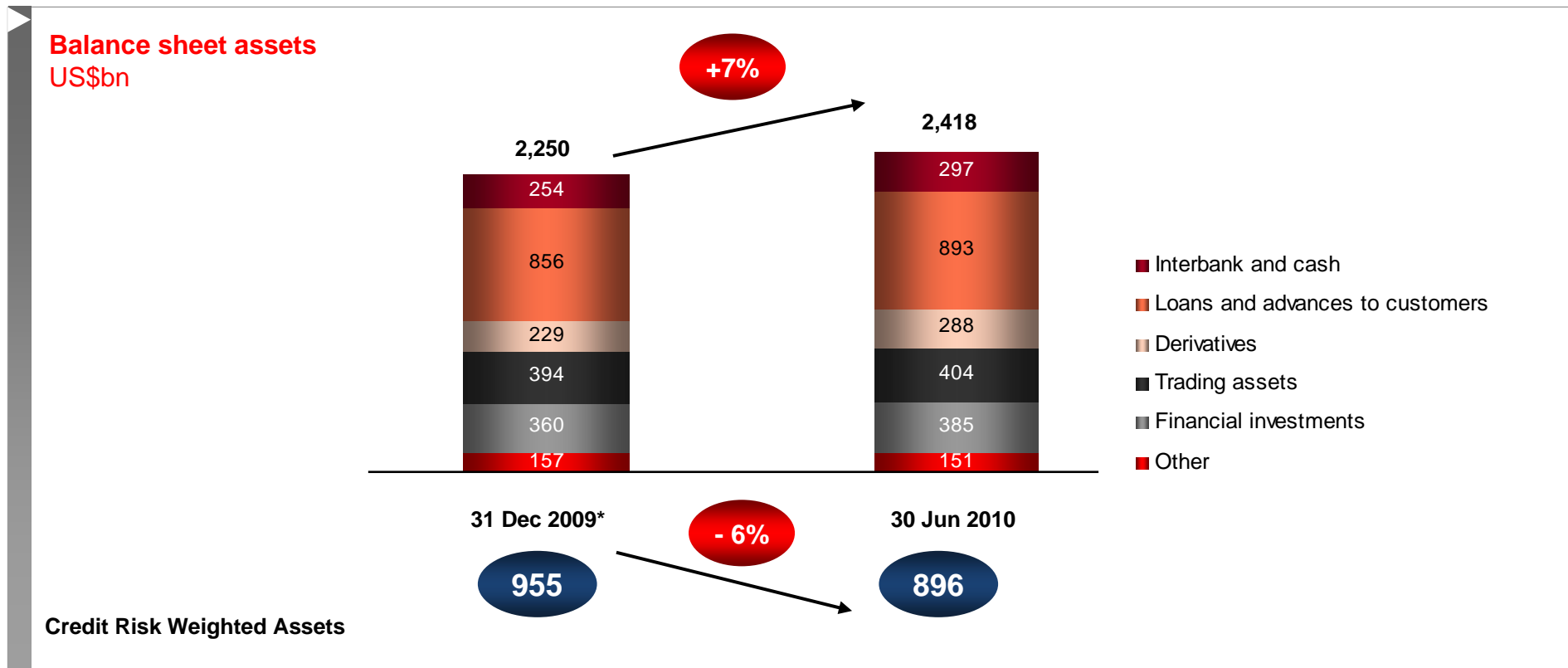
- ▶ HSBC Holdings plc Board has the responsibility of approving the Group risk appetite.
- ▶ Group Risk Committee (GRC) of the Board formed in response to ‘Walker’ to provide oversight and advice to the Board on material risk-related matters. The Group Chief Risk Officer also reports to the GRC.
- ▶ Risk Governance by the executive is exercised at group level through the Risk Management Meeting of the Group Management Board and its committees



Our Risk Profile

Credit Risk Profile

Managing balance sheet growth whilst reducing risk



*Reported on a constant currency basis

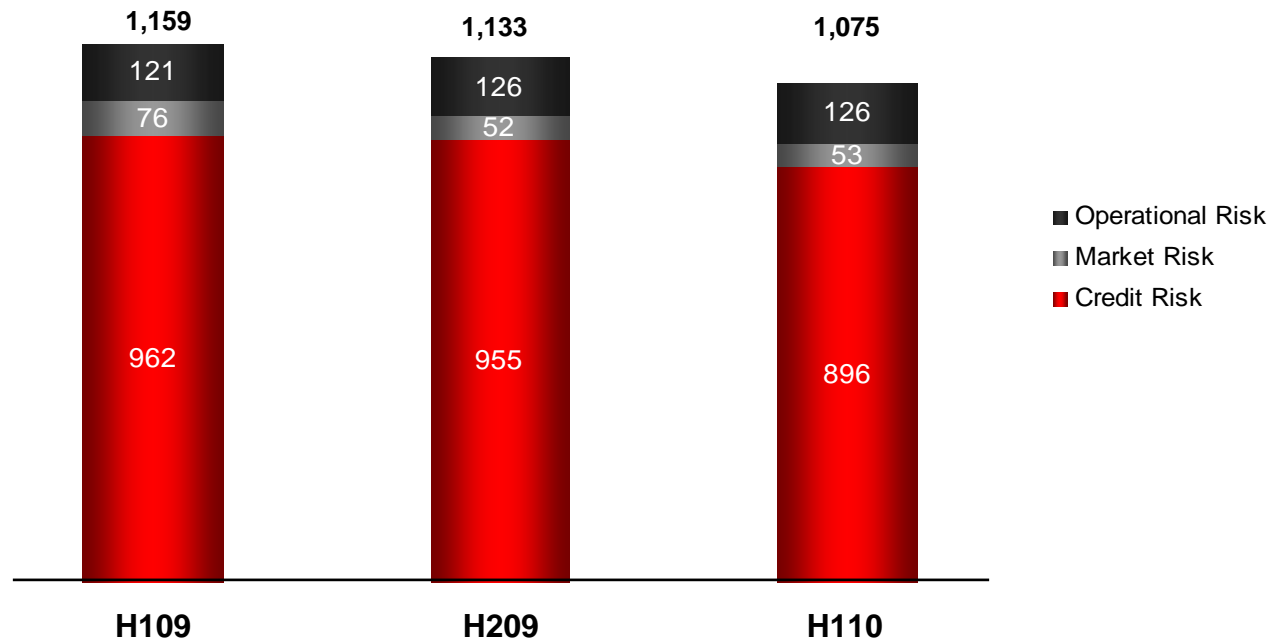
Risk Profile

Decreasing risk weighted assets reflect prudent risk management stance

Understanding our risk profile and taking appropriate action

- ▶ The decrease in credit risk was predominantly in North America, in part due to the run-off of the non-core portfolio.
- ▶ Total RWA's decreased by 5.1%, in the first half of 2010. Foreign currency translation effects are estimated to have decreased RWA's by US\$21 billion, mainly as a result of the strengthening of the US dollar, particularly against sterling and the euro.

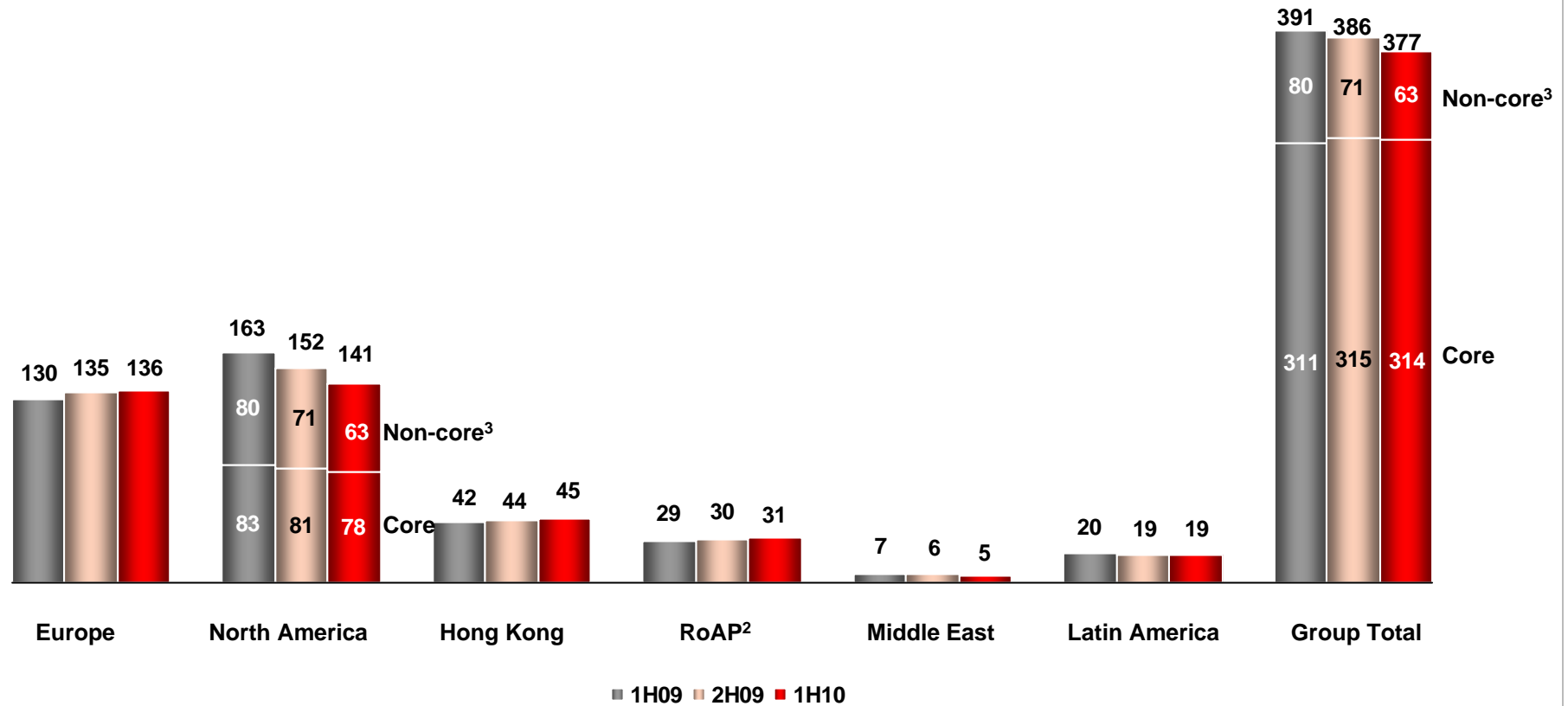
RWA profile
US\$bn



Personal Financial Services - customer loans and advances

Stable pattern in core business whilst non-core portfolio continuing to run-off

Customer loans and advances¹
US\$bn



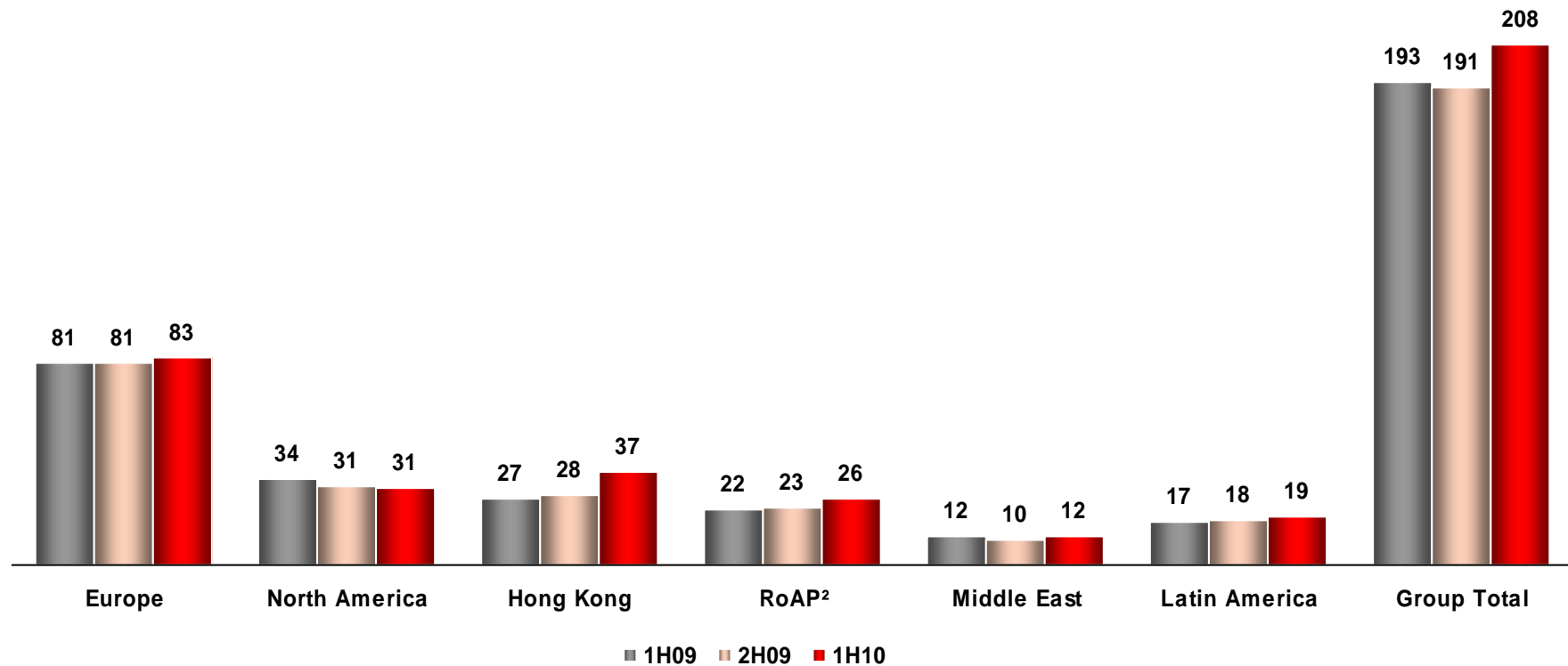
Notes:

- (1) Customer loans and advances for 1H09 and 2H09 on an underlying basis. Customer loans and advances are on a net basis
- (2) Rest of Asia-Pacific
- (3) HSBC Finance Corp. run-off portfolio

Commercial Banking - customer loans and advances

Growth in Emerging Markets while maintaining credit risk quality

Customer loans and advances¹
US\$bn



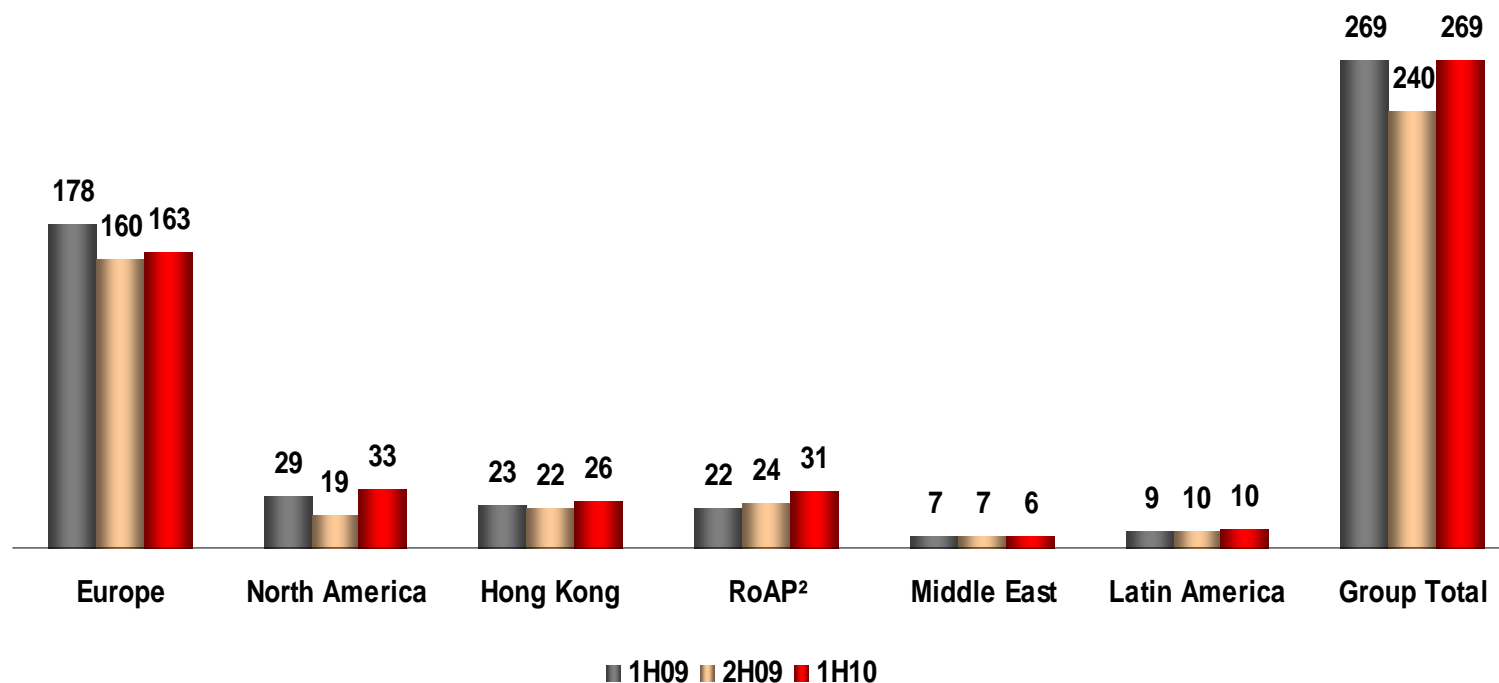
Notes:

- (1) Customer loans and advances for 1H09 and 2H09 on an underlying basis. Customer loans and advances are on a net basis
- (2) Rest of Asia-Pacific

Global Banking and Markets - customer loans and advances

Active portfolio risk management across regions aligned to global economic trends

Customer loans and advances¹
US\$bn



Notes:

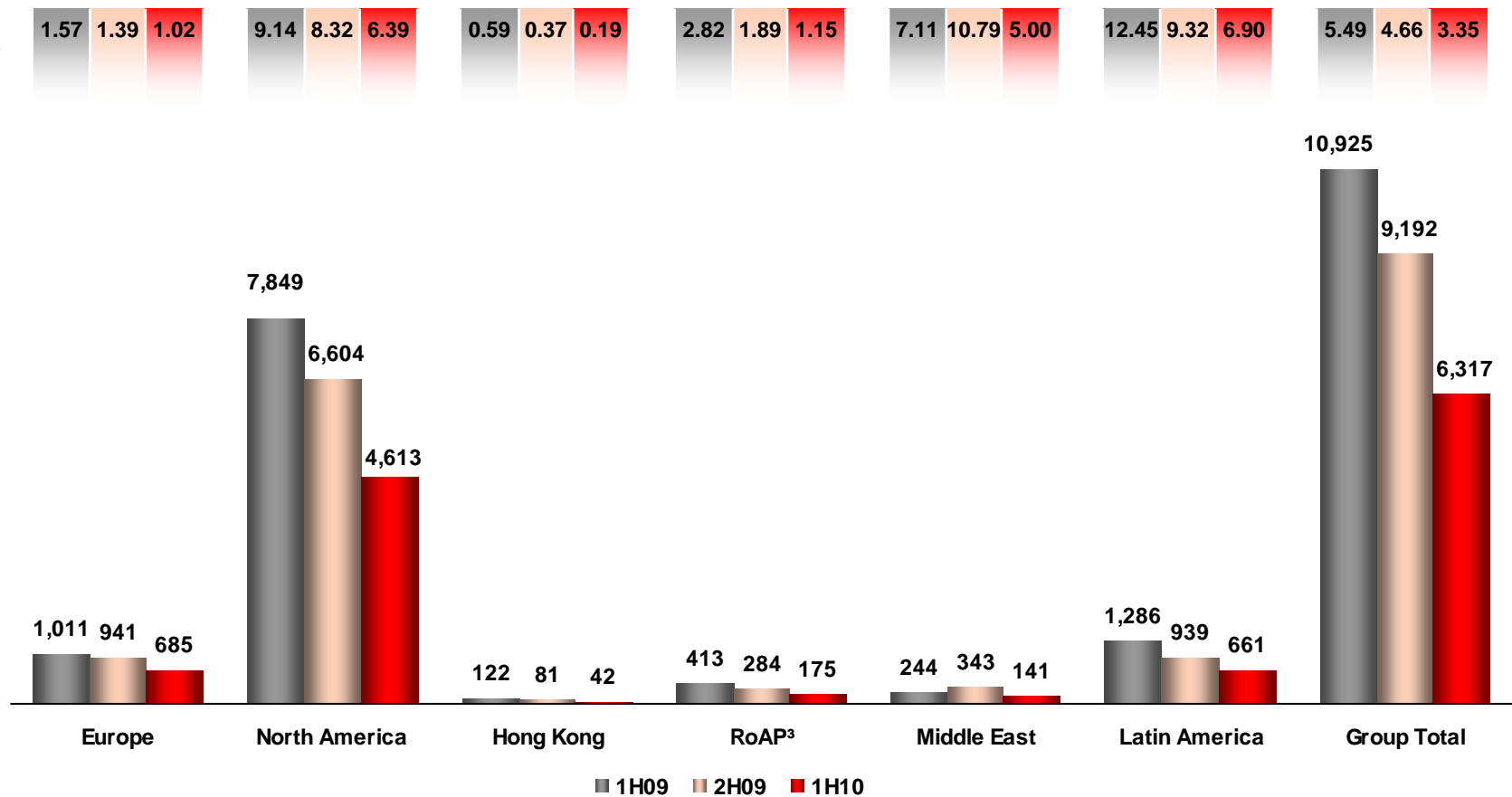
- (1) Customer loans and advances for 1H09 and 2H09 on an underlying basis. Customer loans and advances are on a net basis
- (2) Rest of Asia-Pacific

Credit quality in Personal Financial Services – loan impairment charges

Marked reduction in loan impairment charges

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

LIC as %
of average
advances²



Notes:

- (1) LICs for 1H09 and 2H09 on an underlying basis
- (2) LICs as a % of average advances on a net basis
- (3) Rest of Asia-Pacific

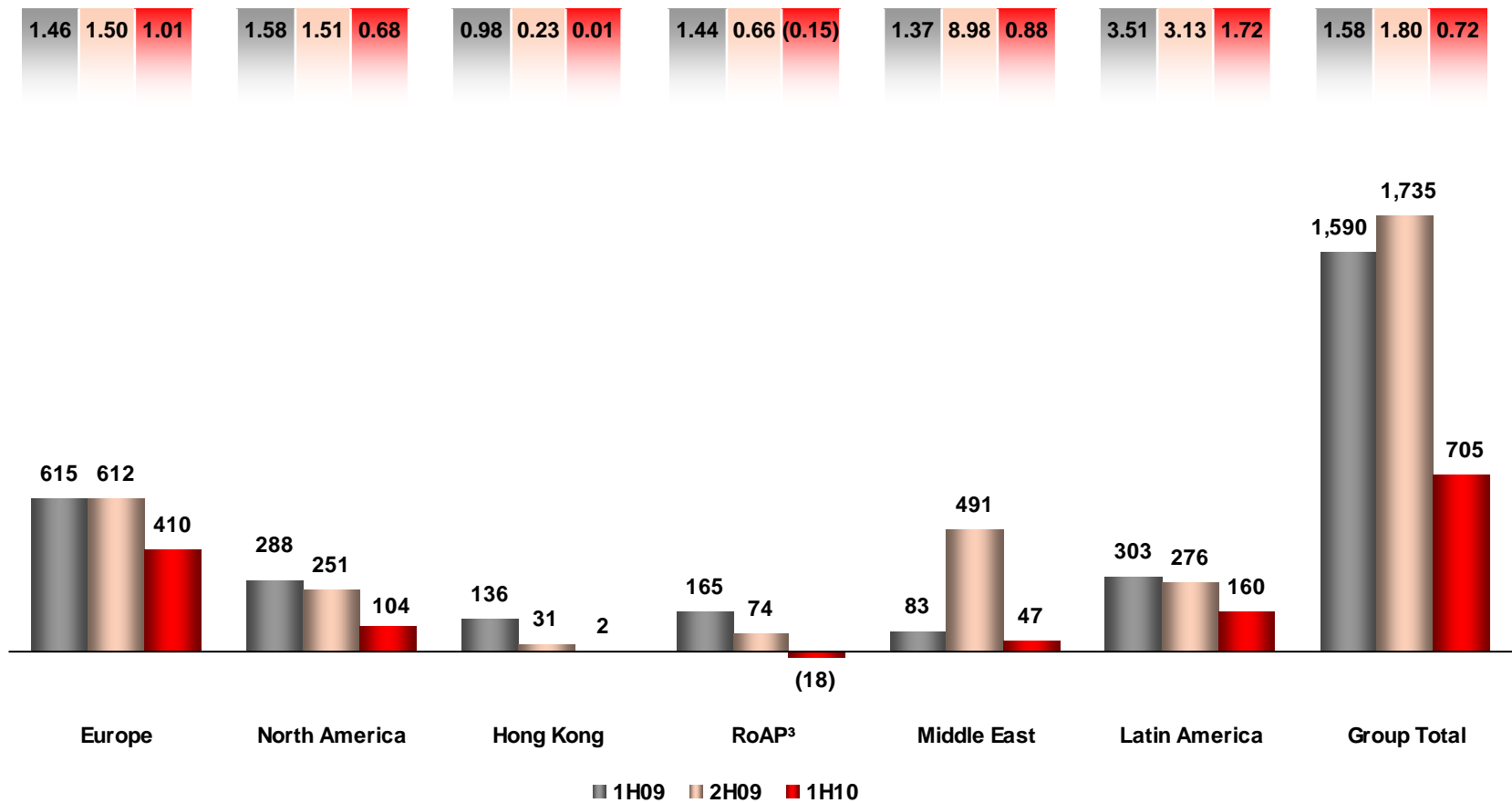
Credit quality in Commercial Banking – loan impairment charges

Strongly improved position

Loan impairment charges and other credit risk provisions¹

US\$m

LIC as %
of average
advances²



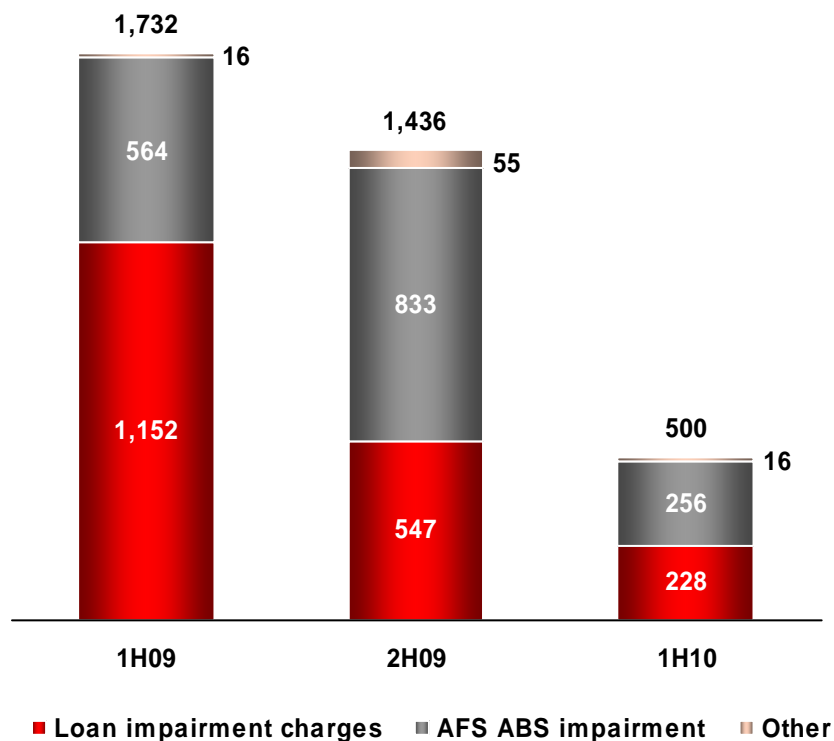
Notes:

- (1) LICs for 1H09 and 2H09 on an underlying basis
- (2) LICs as a % of average advances on a net basis
- (3) Rest of Asia-Pacific

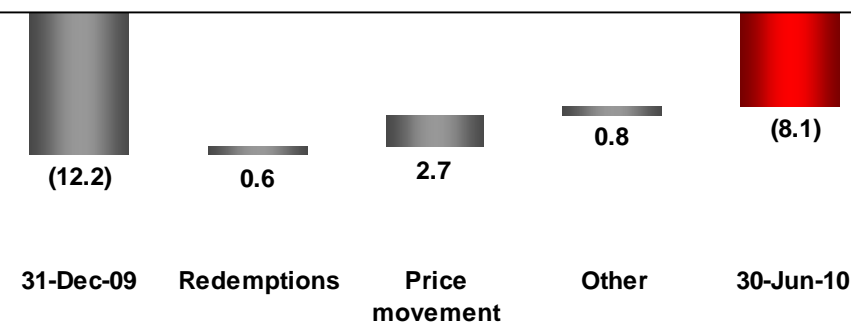
Credit quality in Global Banking and Markets – loan impairment charges

Decline in impairments as credit conditions improve – vigilant stance maintained

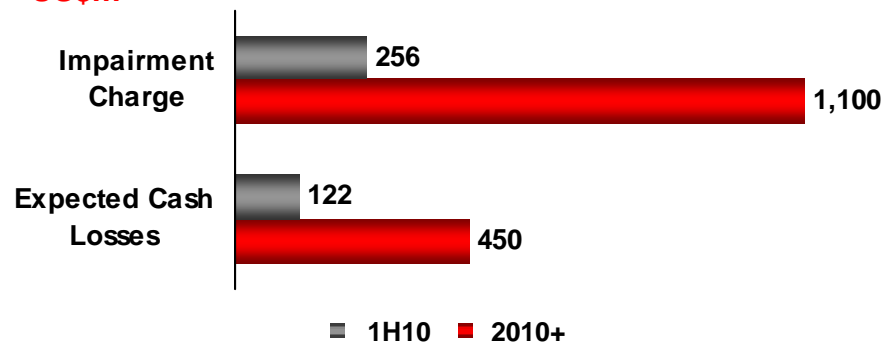
Loan impairment charges and other credit risk provisions¹
US\$m



AFS ABS reserve², 30 Jun 2010
US\$bn



AFS ABS impairment charge and expected losses³
In line with expectations
US\$m



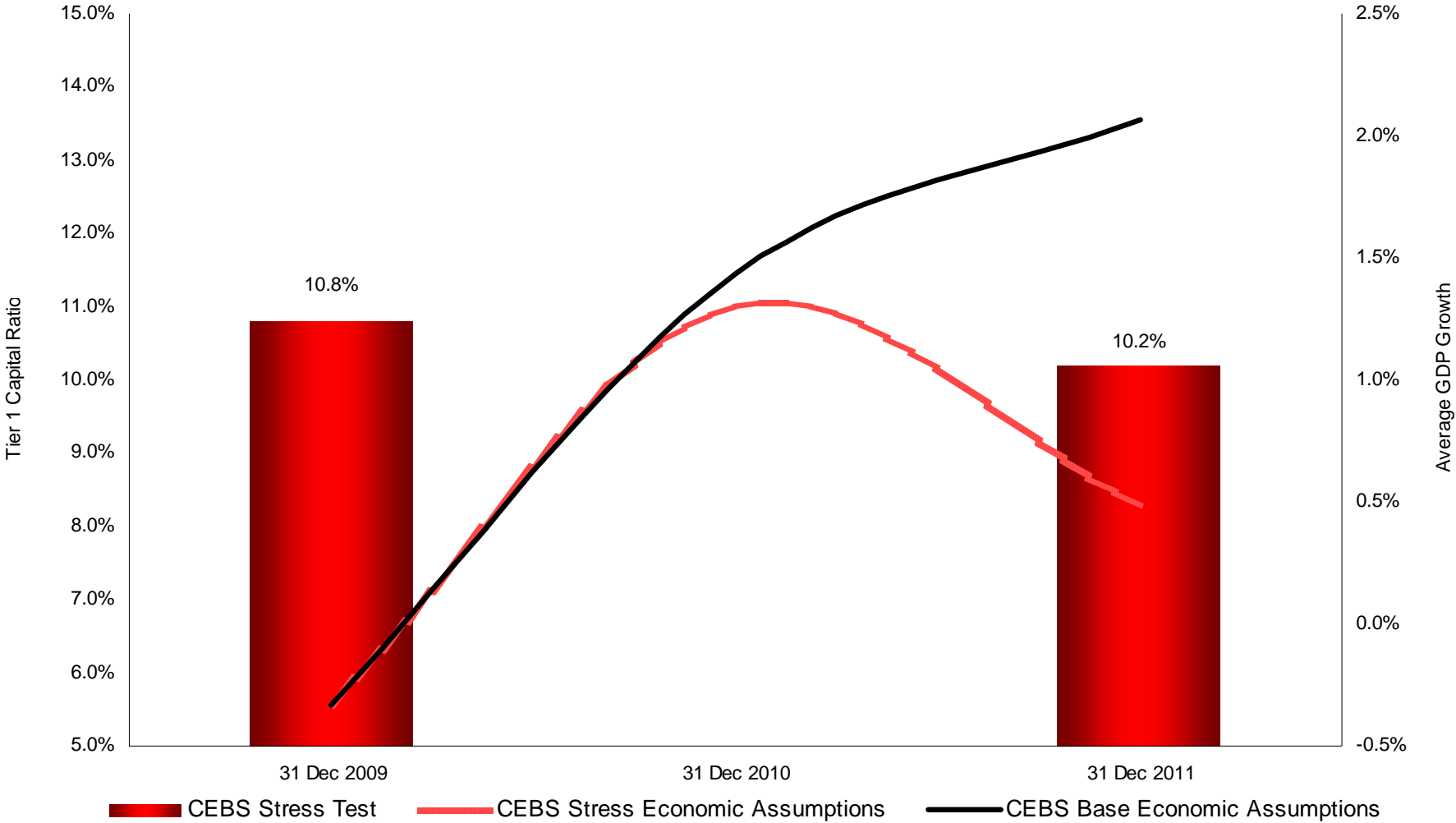
Notes:

- (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 Interim Report 2010

Positioned to respond to 'stress' and regulatory changes

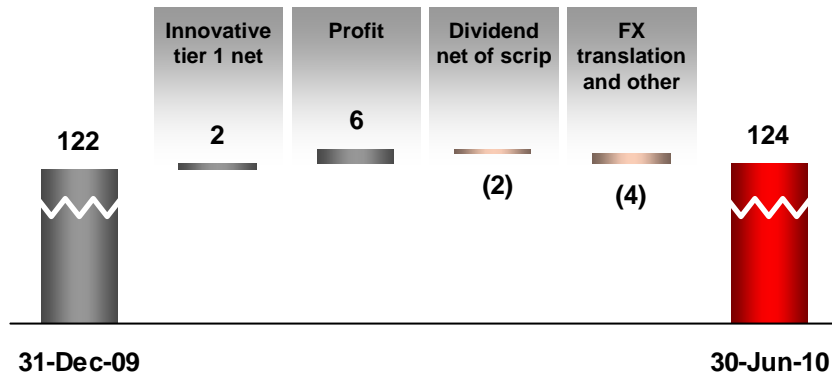
CEBS Stress Tests - HSBC Results Summary

HSBC Tier 1 Capital Ratio Base, CEBS Stress and Deep U Stress Results



Further strengthening the capital base

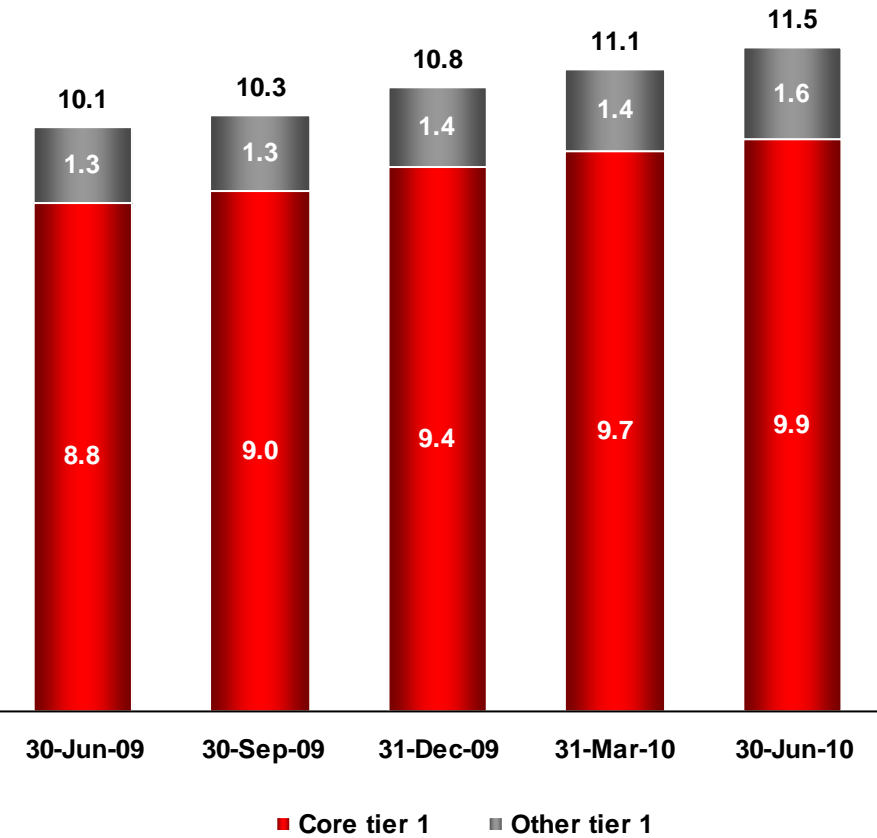
Movement in tier 1 capital
US\$bn



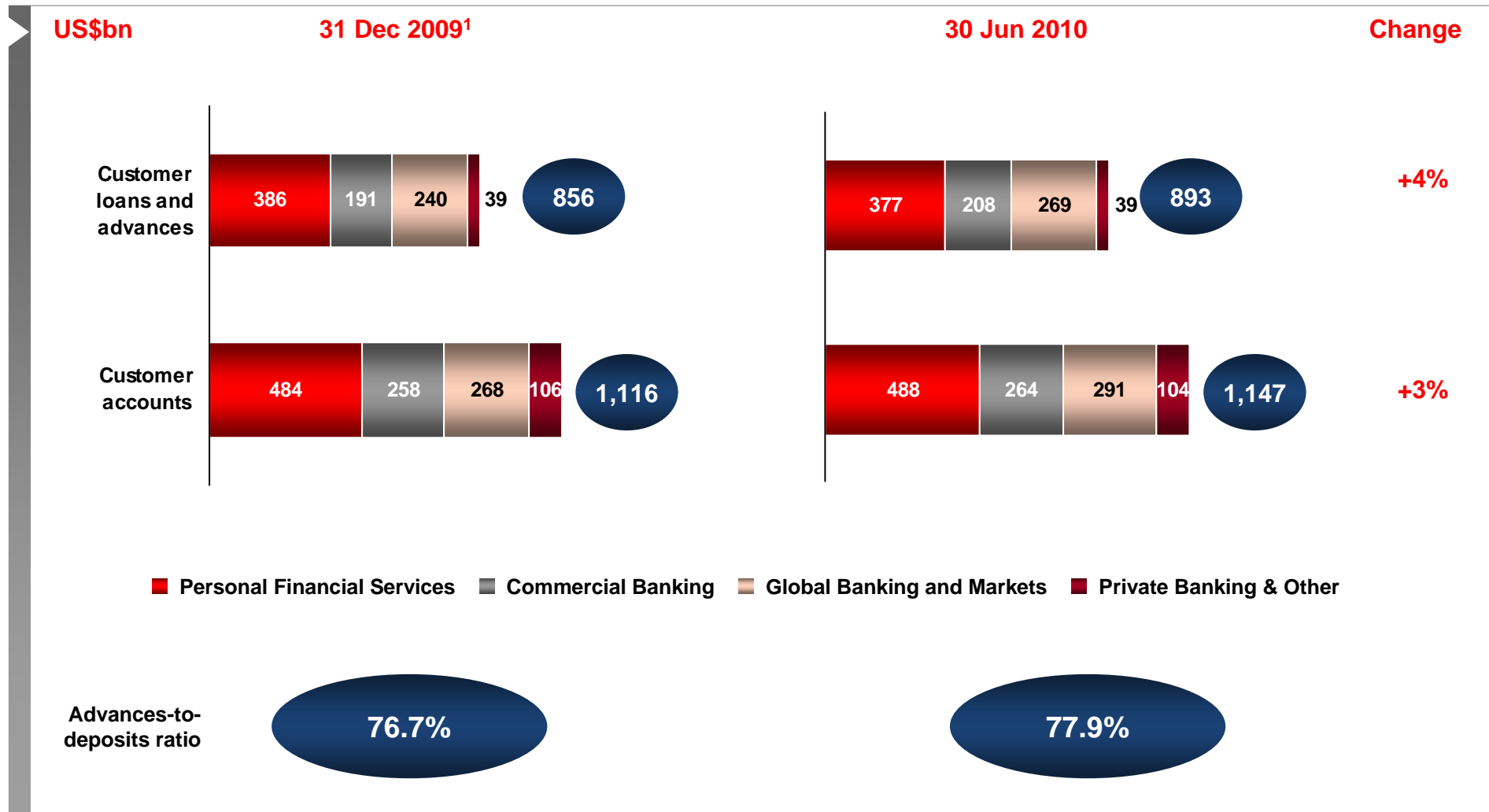
Risk-weighted assets
US\$bn



Tier 1 ratio (%)



Liquidity Risk Management - Maintaining our funding strength



Note:
(1) Underlying basis

Conclusion

Conclusion

Strong Governance Framework

- ▶ Our global business requires a global risk function, positioned to respond to and support the strategic direction of the business in an ever changing environment.
- ▶ Our global operating model puts this into practice.

Understanding our risk profile and taking appropriate action

- ▶ HSBC is continuing to direct incremental investment primarily to the faster growing markets and, in the more developed markets, it is focussing on business and customer segments which have international connectivity.
- ▶ Asia is pivotal to the future.

Positioned to respond to regulatory changes

- ▶ Maintaining HSBC's capital strength and strong liquidity position remains complementary to our activities and is the foundation of decisions about the pace and direction of investment.
- ▶ Funding strength is likely to be the major identifier of winners and losers, as well as inorganic opportunities.