

HSBC France

2010 Annual results

HSBC 
The world's local bank

Press Conference – February, 28th 2011



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Foreword

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of HSBC in France. These forward-looking statements represent HSBC France 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 will be available in our Annual Report. Past performance cannot be relied on as a guide to future performance.

Unless stated otherwise, the financial figures in this presentation are based on IFRS accounting rules and are for the HSBC in France perimeter, which primarily comprises the operations of HSBC France, HSBC Assurances and the Paris Branch of HSBC Bank plc (excluding intra-Group funding costs). These figures have been reconciled with the consolidated accounts of HSBC France, as subject to external audit.

HSBC in France – 2010 Results

Headline results

▪ A strong performance in a difficult financial environment

Profit before Tax: €628m
+15% vs. 2009

▪ Progress in Retail Banking commercial and financial performance

Profit before Tax: €184m
+61% vs. 2009

▪ Performance of Global Banking and Markets reflecting more normal market conditions

Profit before Tax: €293m

▪ Continued decline in cost of risk

Loan Impairment Charges:
-32% vs. 2009

▪ Resilient and balanced business model

Retail + Private Banking: 40%
GBM: 60%
of Profit before Tax ⁽¹⁾

(1) Contribution to CGs' PBT excl. Other

▪ Robust HSBC France balance sheet

Core Tier 1 ratio: 12.1%
French liquidity ratio: 122%

HSBC in France ⁽¹⁾ – 2010 results

Solid financials

€m	2008 ⁽²⁾	2009	Var. 09/08	2010 ⁽³⁾	Var. 10/09	Var. 10/08
Total operating income	2 133	2 475	+16%	2 596	+5%	+22%
Credit-risk provisions	-123	-177	+44%	-121	-32%	-2%
Net operating income	2 010	2 298	+14%	2 475	+8%	+23%
Total operating expenses	-1 709	-1 750	+2%	-1 847	+6%	+8%
Profit before tax	301	548	+82%	628	+15%	+109%
PBT excluding accounting adjustments ⁽⁴⁾	282	769	+173%	608	-21%	+116%
Cost efficiency ratio	80%	71%		71%		
End of period Basel II RWAs (FSA Rules)	48 057	36 228	-25%	33 953	-6%	-29%

- Strong business model, balanced profitability generation
- Growth across all lines of business with exception of Global Markets in 2010
- Confirmed relevance of Retail Banking strategy
- Controlled underlying operating expenses
- Decrease in cost of risk: 38bps of loan outstandings (vs. 54bps in 2009)
- Improved capital efficiency: decrease in risk weighted assets despite an increase in customers loans and advances

(1) HSBC in France primarily comprises the operations of HSBC France, HSBC Assurances and the Paris branch of HSBC Bank plc (excluding intra-Group funding costs)

(2) On a comparable perimeter ie excl. impacts of the sale of the Regional Banks

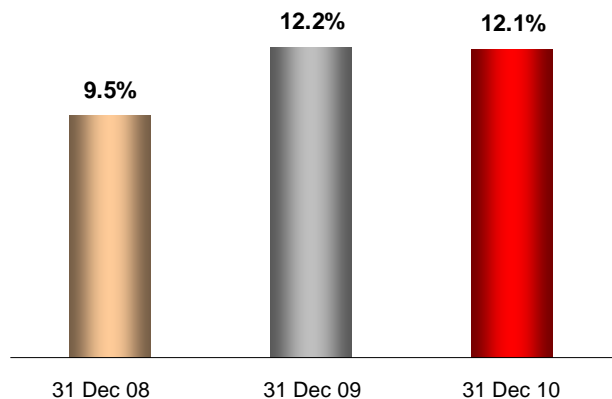
(3) Including the gain on sale and lease-back of Paris Headquarters (€141m)

(4) Accounting adjustments: changes in fair value (FV) of covered bonds and own debt designated at FV due to credit spread, Regional Banks swap amortisation, unwind shares, capital gains and impairment charge on HSBC shares allocated to employees

Robust HSBC France balance sheet

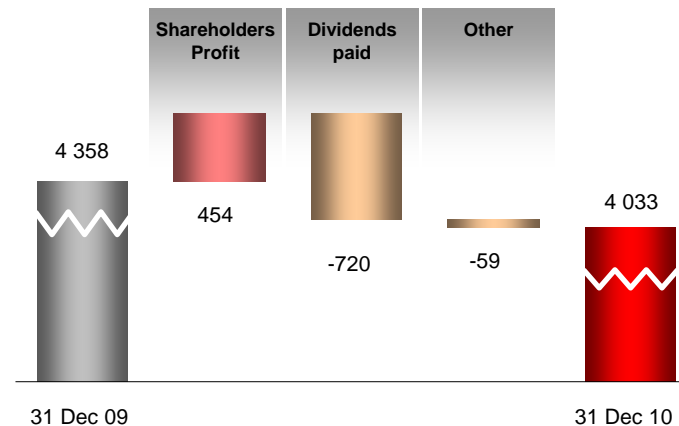
Stable Core Tier 1 ratio

French Basel II regulatory rules



€4bn of Core Tier 1 Capital

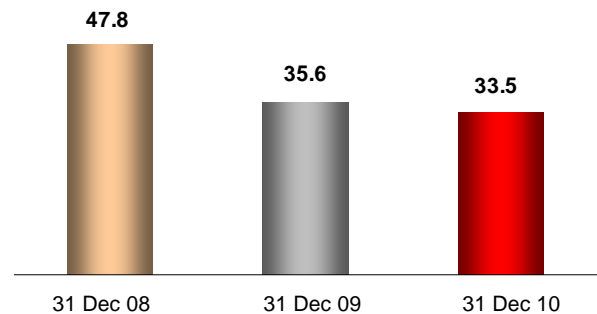
€m



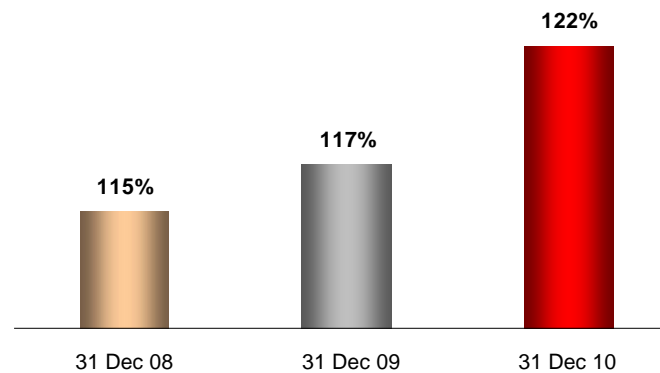
Optimisation of risk weighted assets

French Basel II regulatory rules

€bn



Improved French liquidity ratio



Retail Banking

Very good commercial and financial trend

€m	2008 ⁽¹⁾	2009	Var. 09/08	2010	Var. 10/09	Var. 10/08
Total operating income	1 243	1 294	+4%	1 382	+7%	+11%
Credit-risk provisions	-102	-133	+30%	-108	-19%	+6%
Net operating income	1 141	1 161	+2%	1 274	+10%	+12%
Total operating expenses	-1 031	-1 047	+2%	-1 090	+4%	+6%
Profit before tax	110	114	+4%	184	+61%	+67%

- Relevance of strategic and organisational choices validated by results
- Steady progress of revenues in a difficult environment
- Decline in cost of risk in 2010
- Increase in costs resulting from investments in the support and expansion in activity
- Very strong growth in profit before tax

(1) On a comparable perimeter ie excl. impacts of the sale of the Regional Banks

Personal Financial Services (PFS)

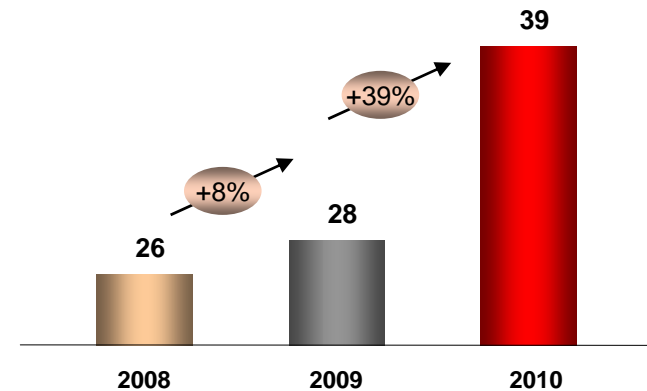
Successful execution of Premier strategy

Pronounced commercial focus

- +39,000 Premier "New-to-bank" customers, opening of upgraded Premier Centers
Sharp increase in strategic customer acquisition
- Launch of "Advance" proposition
- Creation of "Professionnel" segment in PFS
- Maximised commercial time within branches

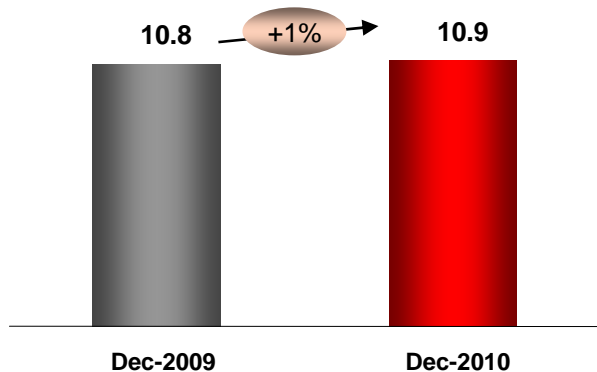
Sharp increase in Premier customers acquisition

Trend in Premier "New-to-bank" customers (000)



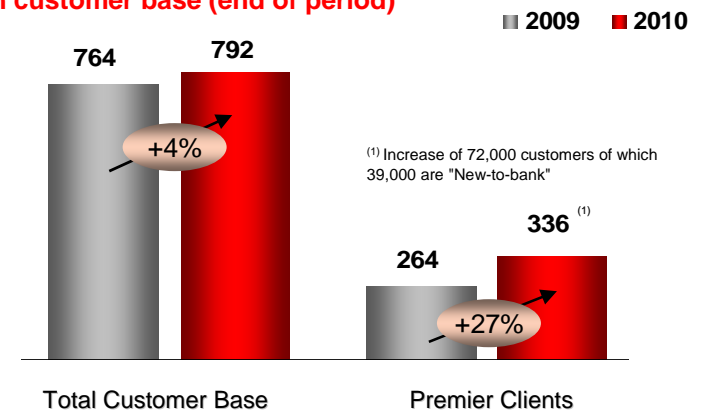
Stable customer loans and advances

Mortgage loans outstandings
€bn



Expanding our target customer base

Increase in customer base (end of period)
(000)



Personal Financial Services (PFS)

Strong increase in financial results

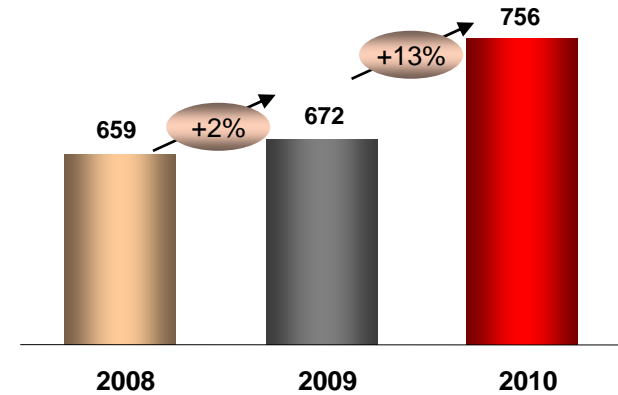
Good results driven by revenues

- Sharp increase in profitability (Profit before Tax: +106% / 2009)
- Strong revenue generation capacity (+10% / 2009 and +13% after credit-risk provisions)
- Sustained investments to develop PFS activities
- Improvement in cost efficiency ratio
- Significant increase in Assets under Management due to growth in deposits and Life Insurance
- Client support on mortgages

Revenue generation is gathering speed

Net operating income (after credit-risk provisions)

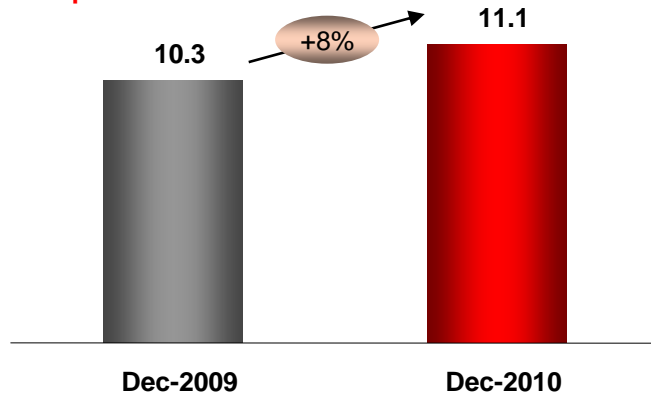
€m



Steady growth in deposit outstandings

Customer deposits

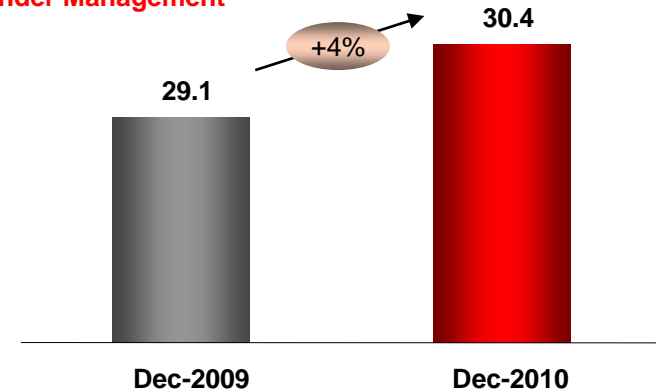
€bn



Significant life insurance premium and deposit collection

Assets under Management

€bn



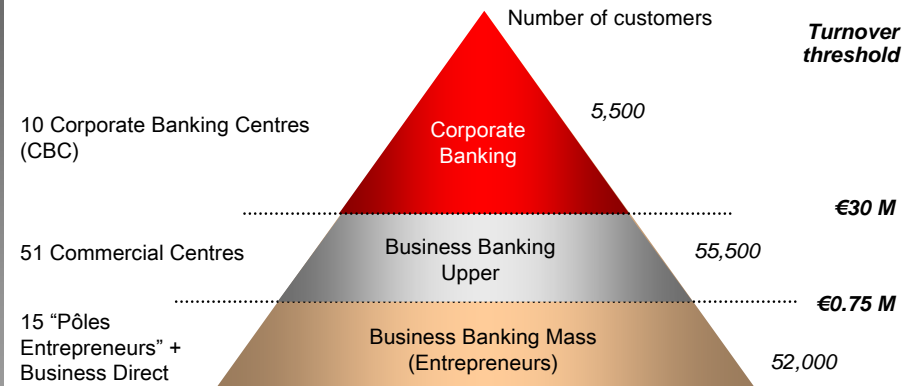
Commercial Banking (CMB)

Steady commercial activity driven by the reorganisation of the network

Enhancing our customer base

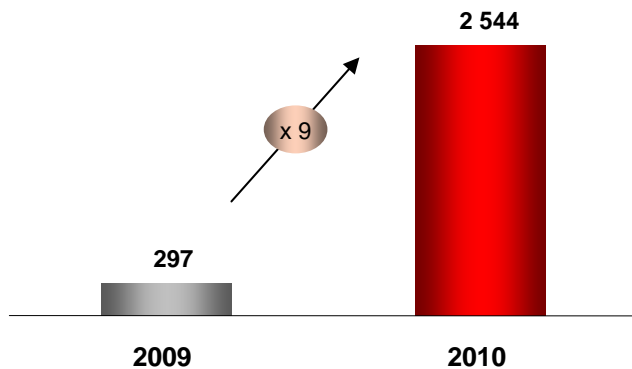
- Positive impact of the reorganisation of the network
- Steady growth of our customer base with strong acquisition and lower attrition
- Development of international connectivity: number of referrals of French corporates generating revenues with the rest of HSBC has doubled
- Successful launch of Business Direct
- Launch of "Pôles Entrepreneurs"
- Renewed growth of MLT commercial loans production (increase in outstandings by 13% YoY)

A commercial organisation aligned to customer segmentation



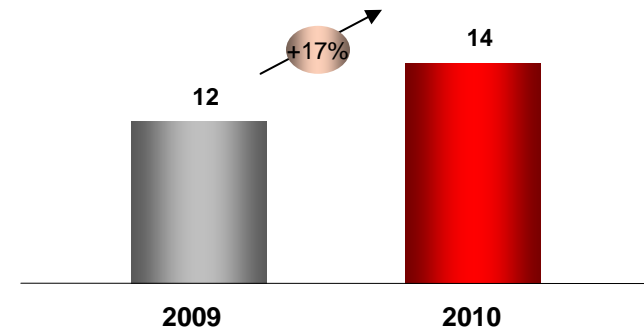
Strong acquisition of Business Direct clients

Business Direct Clients



Sustained client acquisition

Customer acquisition (000)



Commercial Banking (CMB)

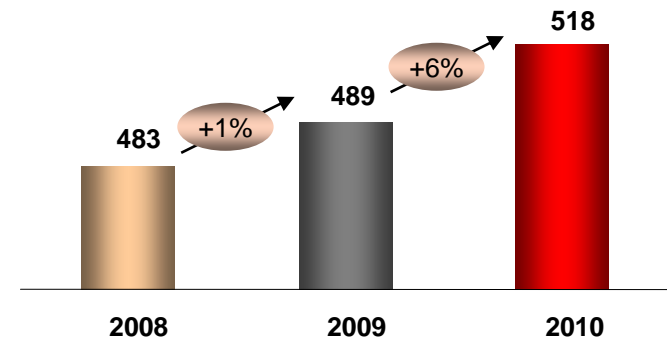
Upward trend of results

Growth of results

- PBT has risen by 38% / 2009
 - 3% growth in revenues
 - Loan impairment charges decreased by 11%
 - Stable operating expenses
- Increase in customer account outstandings
- Sustained growth of Factoring activity (increase in revenues by 22% vs. 2009)
- High expertise: growing synergy with GBM

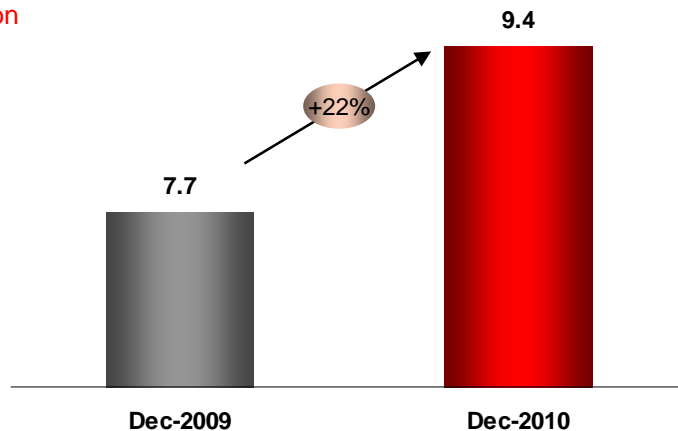
Revenue generation is gathering speed

Net operating income (after credit-risk provisions)
€m



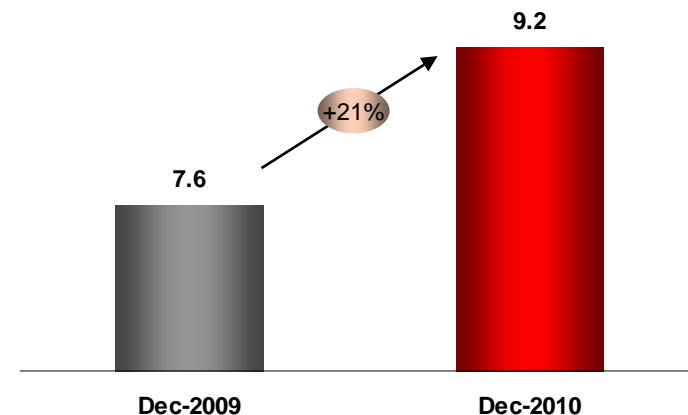
Increase in Customer Deposits

Customer deposits
€bn



Growth in Customer Loans

Customer loans
€bn



Global Banking and Markets (GBM)

Remained strongly profitable

€m	2008	2009	Var. 09/08	2010	Var. 10/09	Var. 10/08
Total operating income	800	1 354	+69%	975	-28%	+22%
Credit-risk provisions	-26	-44	+69%	-17	-61%	-35%
Net operating income	774	1 310	+69%	958	-27%	+24%
Total operating expenses	-602	-638	+6%	-665	+4%	+10%
Profit before tax	172	672	x4	293	-56%	+70%

Profitability of business lines

- **Global Markets:** Resilient activities with the 2nd best historical performance after 2009, though impacted by the Eurozone sovereign debt crisis, and a switch of client demand toward more "standard" products
- **Global Banking:**
 - Growth in revenues, mainly due to structured finance activities and portfolio management
 - Low cost of risk and operating expenses under control

Low exposure to the sovereign debt crisis

- Exposure to sovereign risk of peripheral Eurozone⁽¹⁾ countries amounts to below 130bps of the bank's balance sheet
- Exposure to banks of peripheral Eurozone⁽¹⁾ countries amounts to approximately 240bps of the bank's balance sheet

(1) Belgium, Greece, Ireland, Italy, Portugal and Spain

Global Banking and Markets (GBM)

Confirmed suitability of our strategic positioning

Good performance of GBM activities

- 2nd best performance of Global Markets after 2009
 - Exceptional performance of Global Markets in 2009, mainly due to client demand for hedging risk in a disrupted environment
 - In 2010, the economic recovery has resulted in lower financing needs from clients

- Good results for Global Banking and Markets split across 12 business lines:

ECM	Lending
Equities	Mergers and Acquisitions
Structured Equity Derivatives	Project and Export Finance
Rates and Structured Rates	Structured Finance
Forex	Global Transactional Banking
Asset Management	Real Estate

League Tables – HSBC France Rankings

Initial Public Offerings⁽¹⁾

1st (joint)

Public sector debt issuance⁽¹⁾

1st bookrunner in number of deals

2th in value

Equity Offerings⁽¹⁾

4th

Announced M&A transactions in 2010⁽²⁾

6th

Corporate bonds issuance⁽¹⁾

4th

Trend in revenues

- Group-wide revenues generated outside of France with French corporates increased 13% vs. 2009

(1) Source: Dealogic Bondware, December 2010

(2) Source: Merger Market, December 2010

Focus on Asset Management

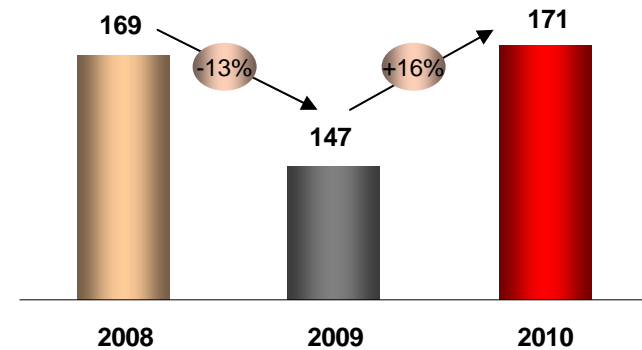
Developed activities in line with economic recovery

Strong rise in outstandings

- PBT has more than doubled vs. 2009 (+156%):
 - 16% growth in revenues
 - 8% rise in operating expenses
- Good trend of net new money in a risk adverse environment impacted by the financial crisis
- Strong synergies in line with Group connectivity: marketing of World Selection with PFS and dedicated mandates with HSBC Insurance

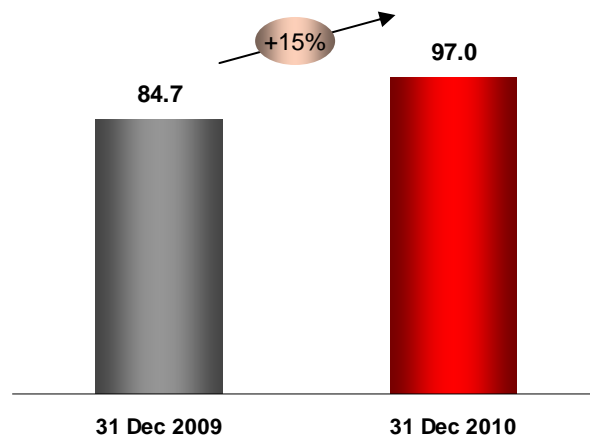
Resumed growth of revenues

Change in revenues
€m



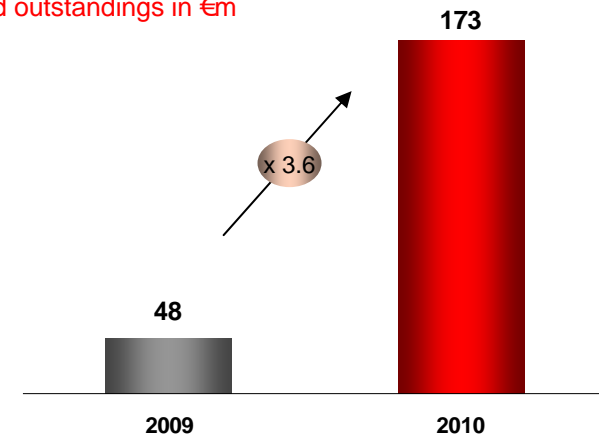
Strong rise of Assets Under Management

Assets under Management and Distribution
€bn



Success of World Selection campaign

World Selection Fund
Distributed outstandings in €m



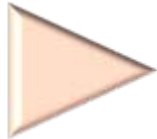
Private Banking

Recovering results after the impact of the crisis in 2009

€m	2008	2009	Var. 09/08	2010	Var. 10/09	Var. 10/08
Total operating income	82	68	-17%	75	+10%	-9%
Credit-risk provisions	5	0	ns	4	ns	-20%
Net operating income	87	68	-22%	79	+16%	-9%
Total operating expenses	-80	-66	-18%	-66	+0%	-18%
Profit before tax	7	2	-71%	13	x6.5	x2

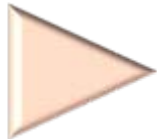
- Growing revenues (+10% / 2009) and significantly improved Profit before tax (over 6x)
- Rising assets under management (+2% / 2009) to €9.5bn mainly due to cross-referrals from the HSBC Retail banking network
- Tailoring our proposition on Wealth Management to customer needs

Conclusion



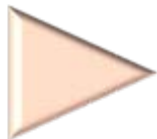
Strong recovery in Retail Banking

Confirmed suitability of the Development Plan 2008-2011



Continued growth across all lines of business with their strategic customers

- Premier customers PFS
- International customers CMB
- Increase of revenues generated with French GBM clients in HSBC Group



Strong strategic positioning confirmed by diversified revenue generation

HSBC France

Strategic perspectives

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Our strength

HSBC in the world

Brand awareness



1st bank brand in the world ⁽¹⁾

- **HSBC, a steady and reliable brand**
- **Three strong values: Open, Connected and Dependable**
- **Commercial Banking and Personal Financial Services: HSBC is a leading international bank in France**

Financial strength

- **HSBC went through the crisis without any support from the government**
- **Strong capital generation capacity**
- **Prudent and rigorous liquidity management**

HSBC in France

Success of the Development Plan 2008-2010

- **Distribution network focused on targeted customers**
- **Full reorganisation of the network**
- **Customer referrals increased between lines of business**
- **Efficient client support**

HSBC France, center of expertise

- **GBM France: international platform for sovereign debt in Euro and Structured Rates**
- **Center of expertise for Insurance and Asset Management**

Our strategic objectives

Leveraging the global reach of HSBC Group

- ▶ **Personal Financial Services in France:**
We want to be the 1st Wealth Management bank
- ▶ **Commercial Banking in France:**
We want to be the 1st bank on international connectivity
- ▶ **Global Banking:**
We want to be the 1st international bank for large international customers

Positioning as a leading international bank in France

Strengthening synergies between customer groups

- ▶ **Increased customer acquisition in Retail through synergies:**
 - From Commercial Banking to Personal Financial Services
 - From Personal Financial Services to Commercial Banking
 - From Commercial Banking to Private Banking
- ▶ **Distribution of our products to more customers:**
 - GBM products for CMB clients
 - Insurance products for Retail customers
 - Trade services for Corporate clients

A universal bank dedicated to its customers