

September 2011

Credit update

Presentation to Fixed Income Investors

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 and Interim Report 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.

Contents

- 1. The HSBC Group**
- 2. HSBC Holdings Financial Performance 1H11**
- 3. HSBC Bank plc**
- 4. HSBC Bank plc Covered Bond Programme**

The HSBC Group

Progress on strategy

Key execution elements

Achievements

Capital deployment

- Closure of retail banking businesses in Russia and Poland
- Disposal of three non-strategic insurance businesses – UK (motor insurance), Mexico (Afore), Bermuda (captive management)
- Strategic review of US credit card business and disposal of 195 US branches

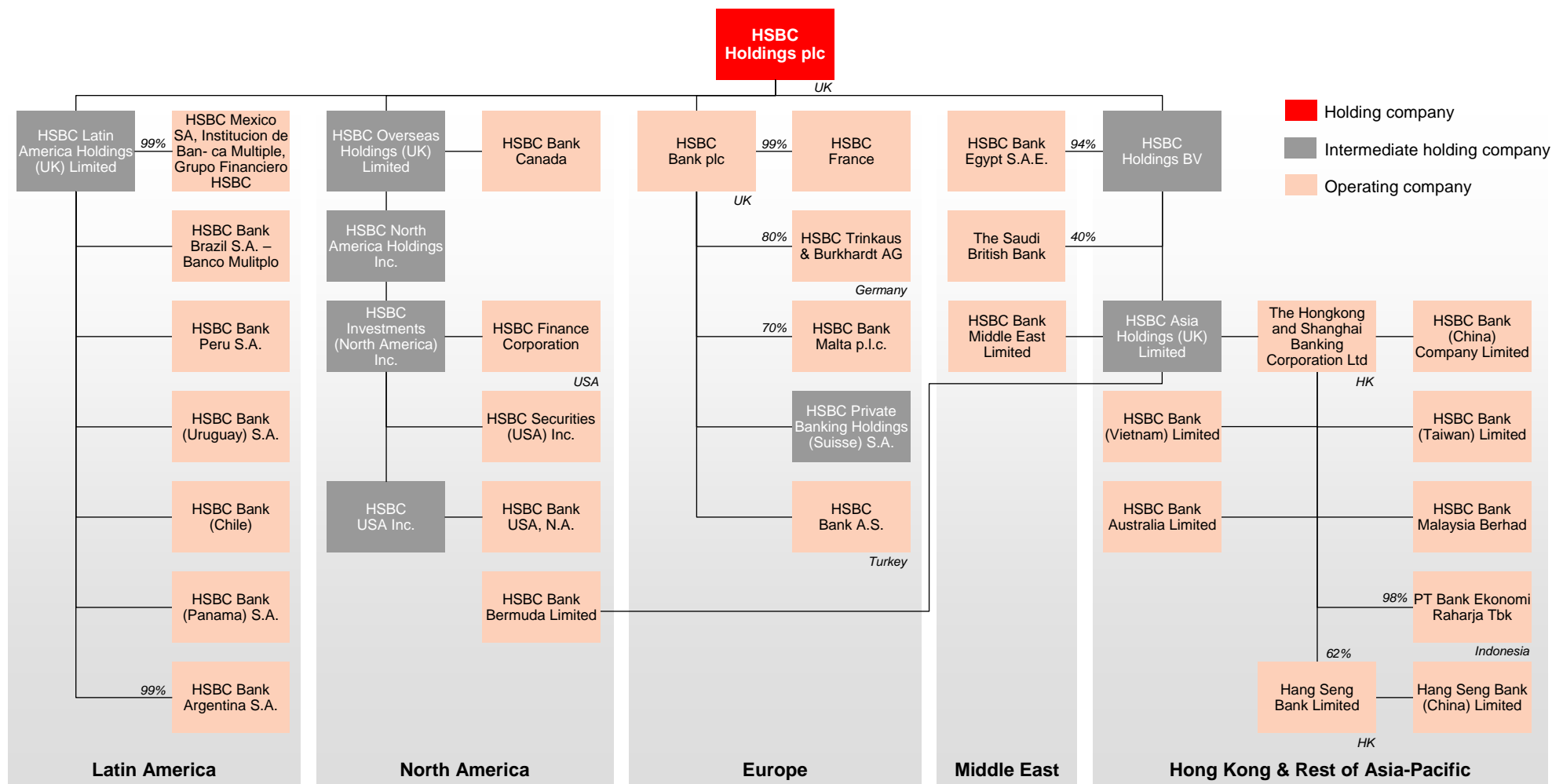
Cost efficiency

- Launched restructurings – France, UK, MENA, US and Latam
- Agreed programme to improve efficiency of Head Office and global support functions
- Established consistent operating models for RBWM and CMB

Growth

- Wealth Management, new business strategy and senior appointment
- Increased cross-sale of GBM products to CMB customers
- Grew revenue in selected markets

Simplified structure chart

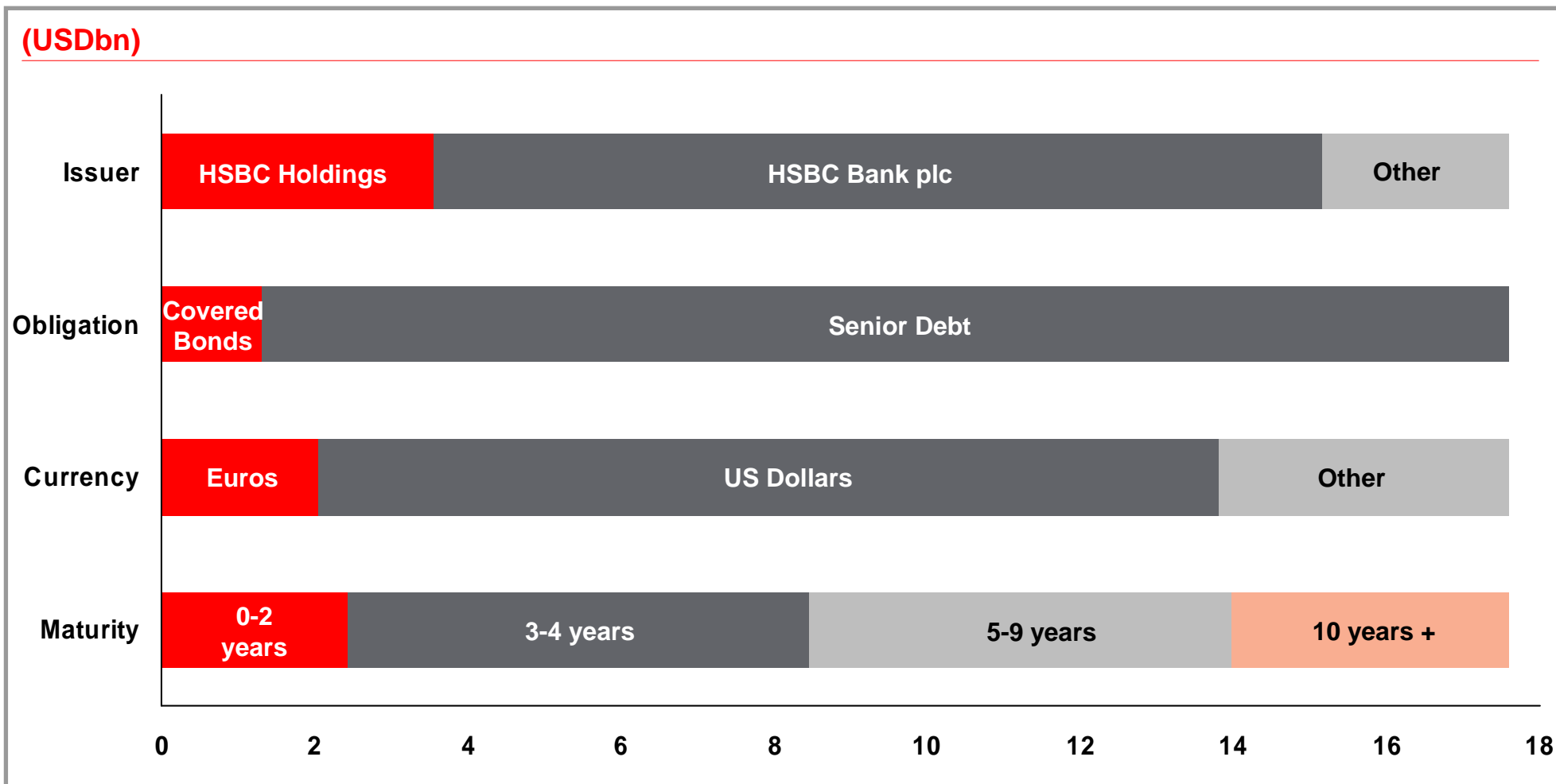


1 All entities wholly owned unless shown otherwise (part ownership rounded down to nearest percent)
 2 At 31 December 2010

1H11 public market issuance



HSBC entities issued USD17.6bn equivalent of new fixed income securities



HSBC Holdings Financial performance, 1H11

Financial overview

Reported results – continuing recovery in profit

USDbn	1H10	2H10	1H11	% Better / (worse)	
				1H10	2H10
Income excluding changes in FV of own debt ¹	34.5	33.8	35.8	+4	+6
Loan impairment ²	(7.5)	(6.5)	(5.3)	+30	+19
Operating expenses	(18.1)	(19.6)	(20.5)	(13)	(5)
Associates and joint ventures	1.1	1.3	1.6	+31	+17
Profit before tax, excl. changes in FV of own debt due to credit spread	10.0	9.0	11.6	+16	+28
Changes in FV of own debt ¹	1.1	(1.1)	(0.1)	n/m	+87
Profit before tax	11.1	7.9	11.5	+3	+45
Profit after tax	7.2	6.9	9.8	+35	+41

¹ Due to credit spread

² Loan impairment charges and other credit risk provisions (LICs)

All regions and businesses profitable

Profit before tax



USDm	Latin America	North America	Europe	MENA ¹	Hong Kong	RoAP ²	Total
RBWM ³	336	(445)	769	101	1,599	766	3,126
Commercial Banking	475	488	1,044	296	825	1,061	4,189
Global Banking and Markets	543	756	1,002	339	631	1,540	4,811
Private Banking	10	49	315	(1)	130	49	552
Other	(213)	(242)	(983)	12	(104)	326	(1,204)
Total	1,151	606	2,147	747	3,081	3,742	11,474

1 Middle East and North Africa

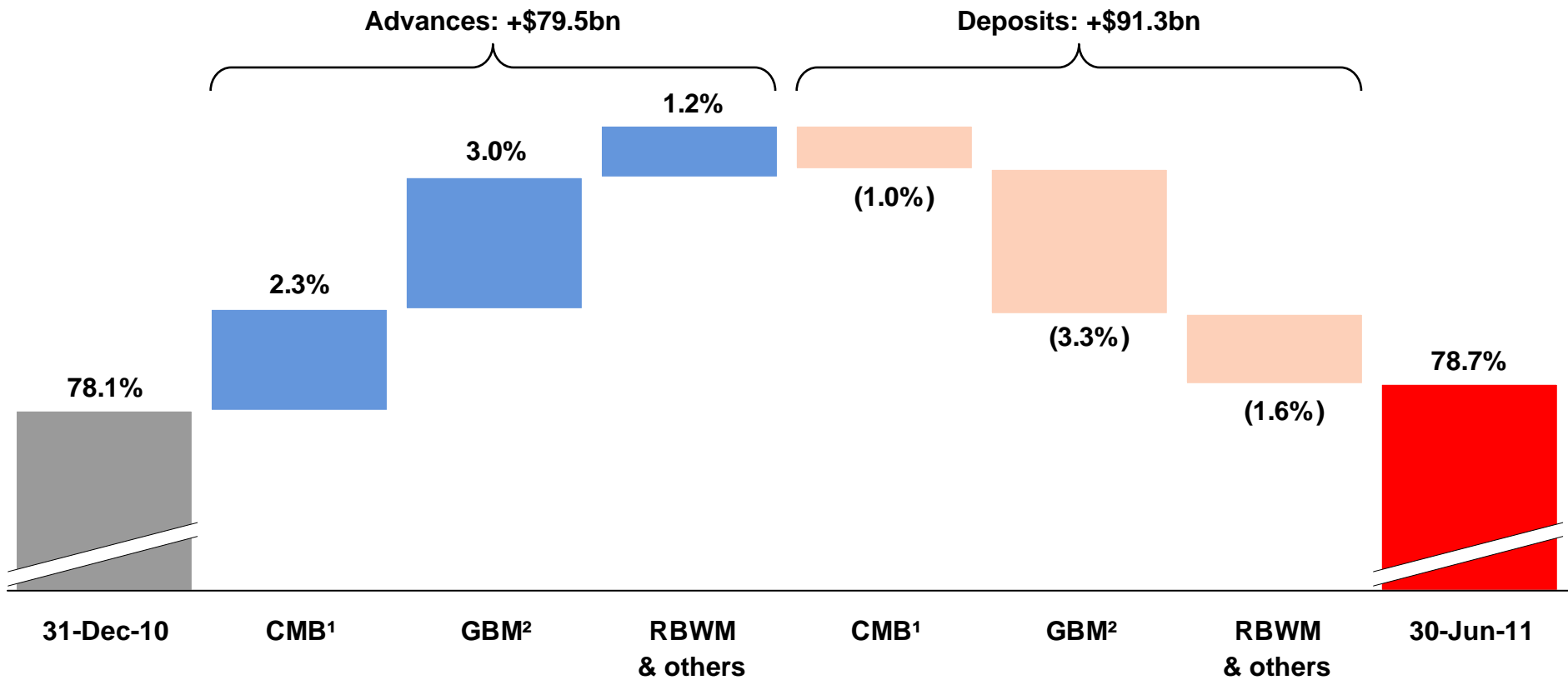
2 Rest of Asia Pacific

3 Retail Banking and Wealth Management

Customer lending and funding

Growth in target markets while maintaining signature strength

Advances to deposits ratio

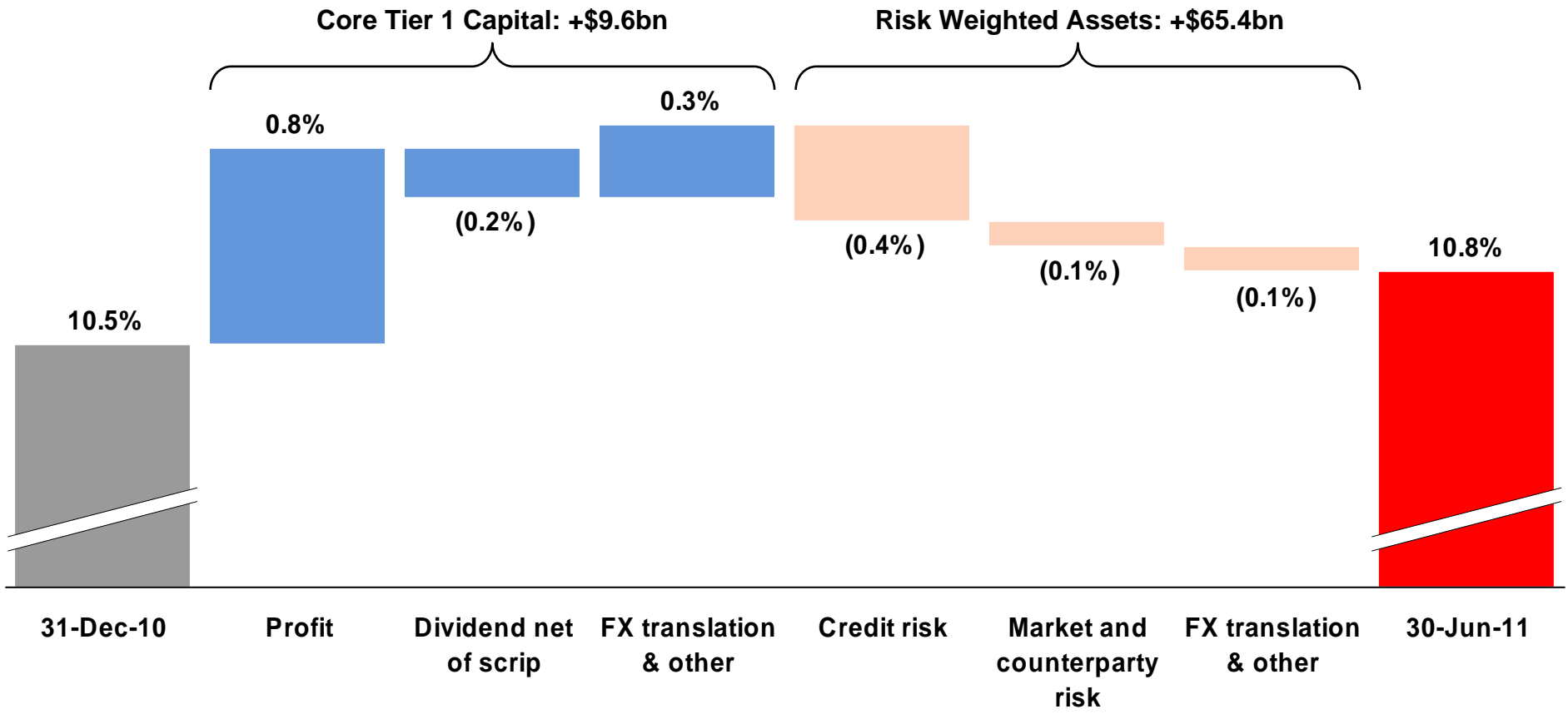


1 Commercial Banking
2 Global Banking and Markets

Capital adequacy

Continued capital generation

Core tier 1 ratio



HSBC Bank plc

Financial overview

Reported results

GBPm	1H10	2H10	1H11	% Better / (worse)	
				1H10	2H10
Net operating income before LICs ¹	8,360	6,716	7,139	(15)	+6
Loan impairment changes ¹	(940)	(1,011)	(731)	+22	+28
Operating expenses	(4,629)	(4,490)	(4,495)	+3	n/m
Associates and joint ventures	4	1	(5)	n/m	n/m
Profit before tax	2,795	1,216	1,908	(32)	+57
Profit after tax	2,036	979	1,435	(30)	+47

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

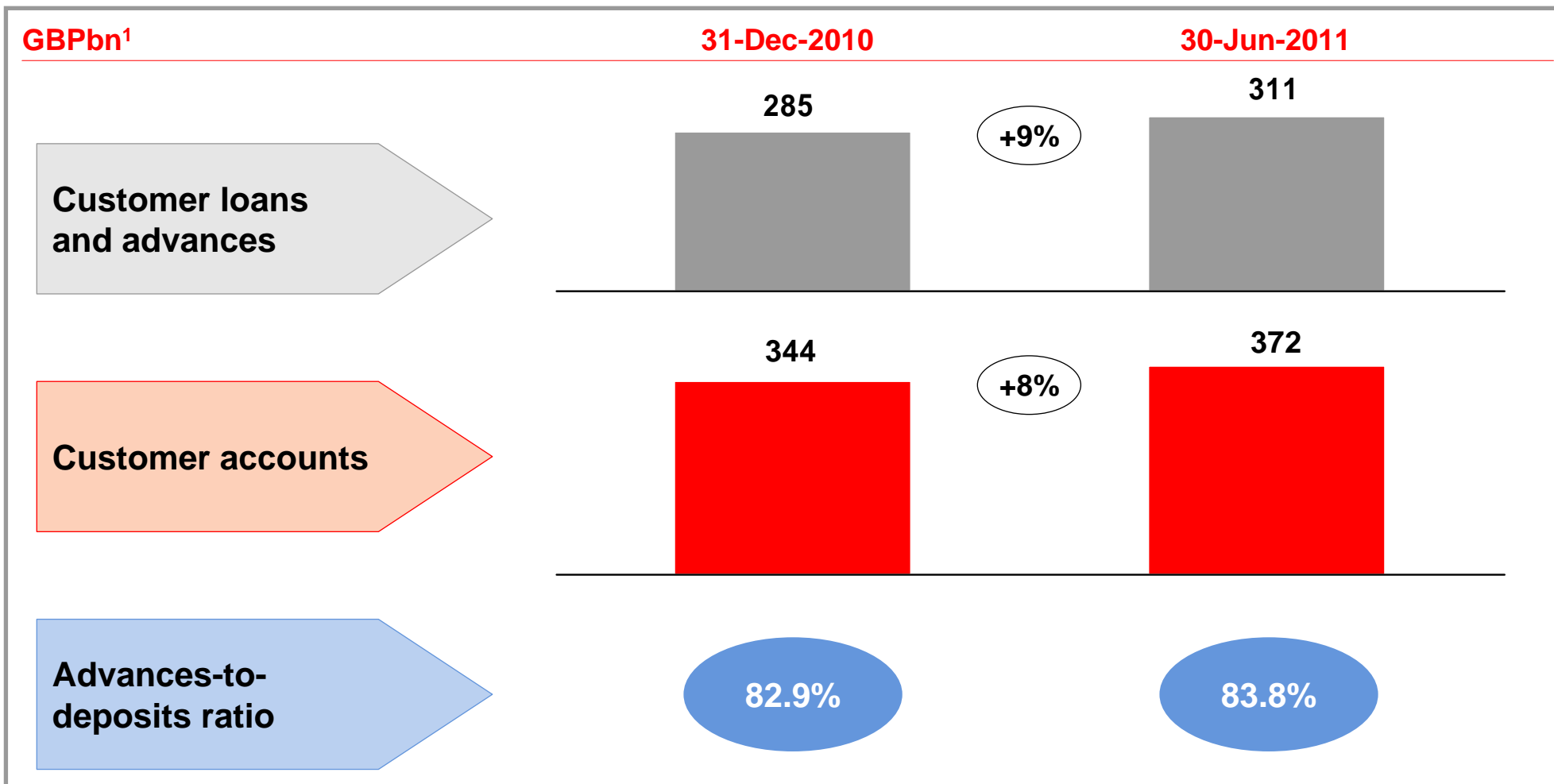
All business segments profitable

Profit before tax

GBPm	1H10	2H10	1H11	% Better / (worse)	
				1H10	2H10
UK Retail Banking	651	670	843	+29	+26
Continental Europe Retail Banking	235	133	275	+17	+107
Global Banking and Markets	1,376	440	542	(61)	+23
Private Banking	340	276	304	(11)	+10
Other / Intersegment	193	(303)	(56)	n/a	n/a
Total	2,795	1,216	1,908	(32)	+57

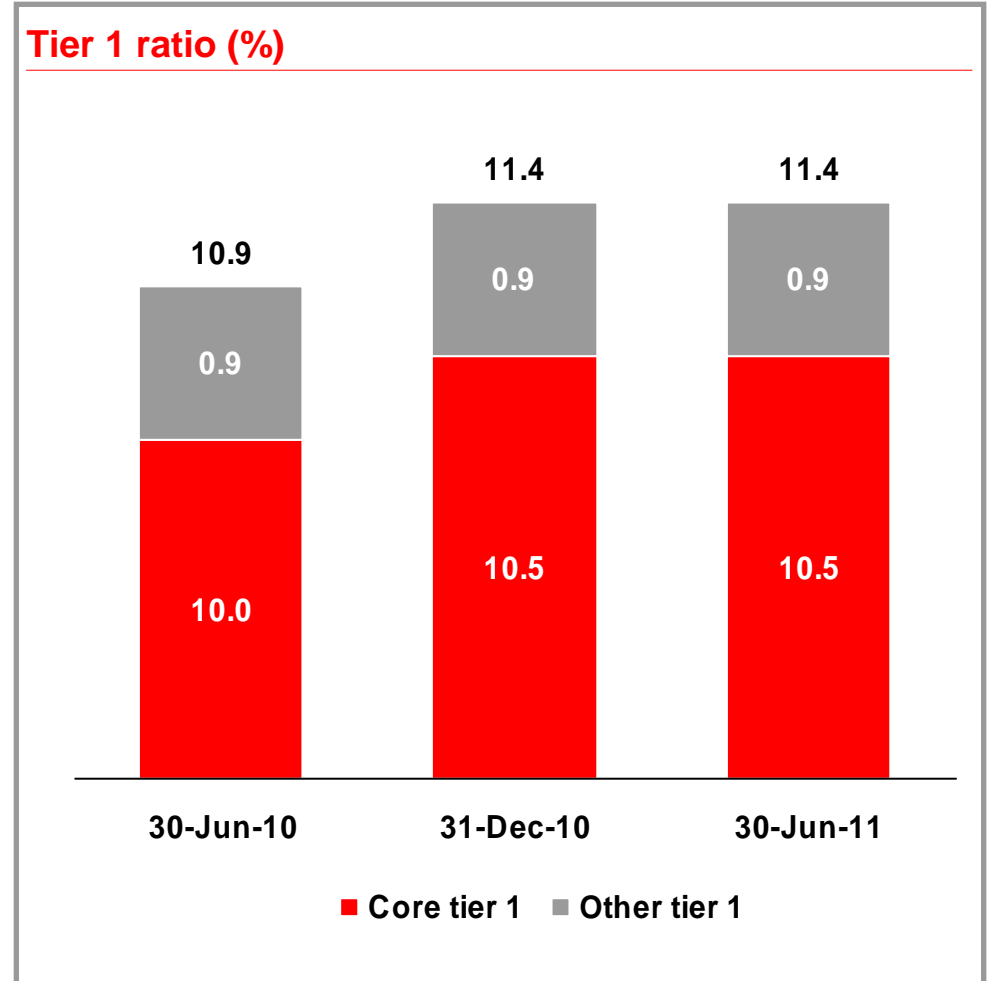
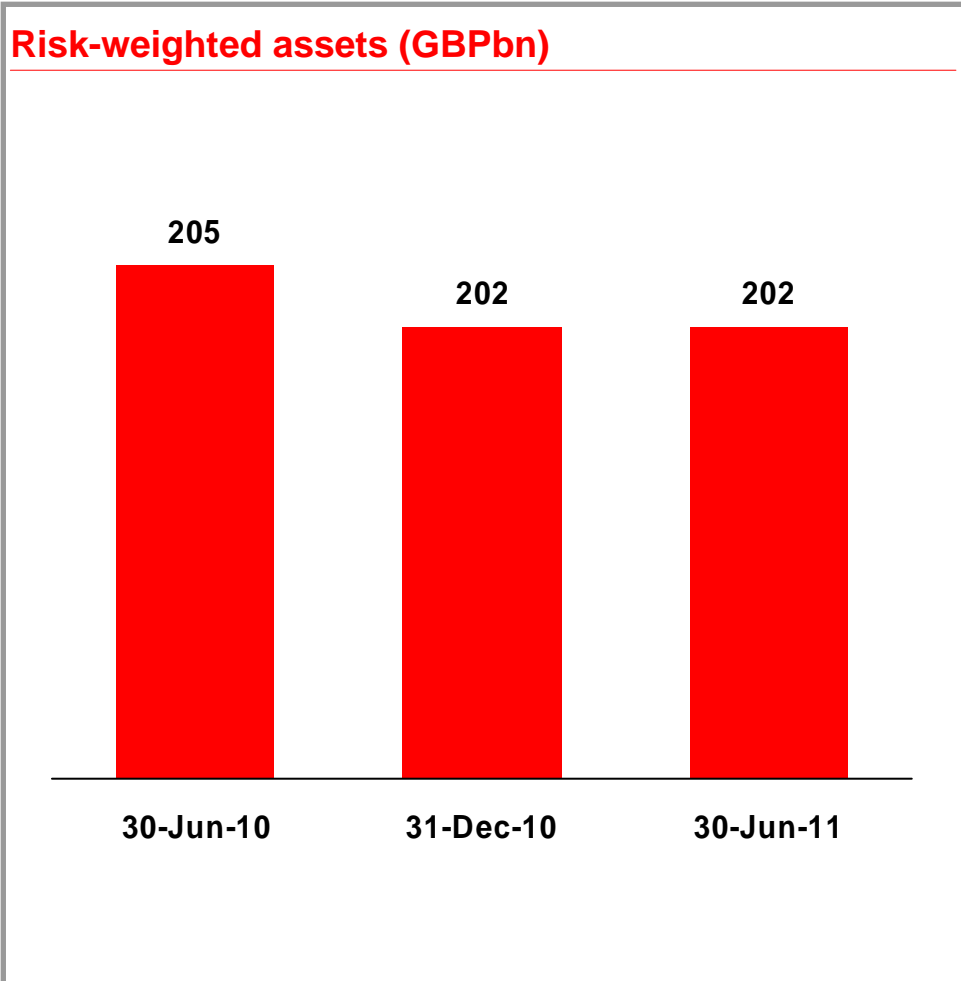
Customer lending and funding

Funding strength supports customer lending growth



¹ Reported basis

Further strengthening the capital base



HSBC Bank plc Covered Bond Programme

Overview

A full recourse obligation of HSBC Bank plc (“HSBC”)

- Principal operating entity of the HSBC Group in Europe
- Senior unsecured debt ratings of AA (stable) / Aa2 (negative) / AA (stable) by Fitch, Moody’s and S&P

... backed by prime, first lien UK residential mortgages

- 100% HSBC-originated (no brokers or intermediaries)
- Conservative approach to affordability and property valuation
- HSBC’s mortgage book consistently outperforms the industry on arrears and repossessions

... under a standard UK covered bond structure

- HSBC’s covered bond programme has been regulated by the Financial Services Authority (FSA) since 2008
- Rated AAA / Aaa by Fitch / Moody’s

Standard UK covered bond programme structure

Mortgages ring fenced in a bankruptcy remote SPV via “true sale”

Dynamic over-collateralisation tested monthly

- Maximum credit given to mortgages under the Asset Coverage Test is 75% of the indexed LTV
- Provisions for additional stresses such as set-off, further advance capacity and negative carry
- Maximum asset percentage of 92.5% (minimum OC of 108.1%)

Standard UK covered bond structural protections

- Asset Coverage Test, Interest Rate Shortfall Test, Yield Shortfall Test, Amortisation Test, Reserve Fund, back up servicing and basis / covered bond swaps

Regulated Covered Bond programme

- Monitored by the FSA since October 2008
- To achieve UK RCB status, a covered bond programme must undergo a risk review by the FSA and comply with ongoing monitoring by the FSA

Key terms



Programme terms

Issuer:	HSBC Bank plc
Programme size:	EUR25bn
Ratings:	AAA/Aaa (Fitch/Moody's)
Cover pool:	100% prime, owner occupied UK residential mortgage loans
Maturity type:	Hard bullet or extendible
Currency:	Any
Guarantee:	HSBC Mortgage LLP
Listing:	London Stock Exchange
Law:	English
Maximum LTV:	75% under Asset Coverage Test
Minimum OC:	108.10%

Outstanding issuance

Series 1:	EUR1.5bn due November 2011
Series 2:	GBP400m due January 2012
Series 3:	CHF300m due April 2017
Series 4:	JPY10bn due July 2017
Series 5:	USD1.25bn due July 2014

Mortgage cover pool as of 10 August 2011

GBP10.9bn (vs. outstanding issuance of GBP2.4bn equivalent)
 47.2% weighted average indexed loan to value ratio
 88.7% repayment / 11.3% interest-only
 Less than 0.05% of mortgages are in arrears, and 0% > 3-months
 Investor reports are published monthly at:
<http://www.hsbc.co.uk/1/2/about/financial-reports/covered-bond>