



1 December 2011

Third Quarter Performance and Strategy Update

Societe Generale Conference

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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 2010, Interim Report 2011 and November 2011 Interim Management Statement. 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.

Agenda

- Progress on Strategy
- Results Summary for 3Q11
- 3Q11 Highlights
- Outlook

Progress on Strategy

Key execution elements

Capital Deployment

Cost efficiency

Growth

Since Strategy Day progress on¹. . .

- Disposal of US cards business and branches in New York
- Disposal of Canadian investment advisory, Chilean and Polish retail, UK motor insurance
- Disposal of private equity in the US and Canada; Hungarian consumer finance
- Reshaping retail businesses in Middle East; exit from Georgia

- Significant pipeline of sustainable savings; confident on target range of USD2.5-3.5bn
- Improving efficiency of Head Office and global support functions
- FTEs² decreased by 5,000 since 1Q11
- Consistent operating models for Retail Banking and Wealth Management and Commercial Banking ('CMB')

- Increased revenues in Asia and Latam on 3Q10
- Increased revenues in CMB
- Increased revenues in 6 key businesses of Global Banking and Markets ('GBM');
- Increased cross-sale of GBM products to CMB customers

Notes:

1. From 11 May 2011

2. Full Time Employees

Financial targets

Capital

- Strong capital generation with core tier 1 ratio of 10.6%¹
- Assumed common equity tier 1 ratio of 9.5-10.5% under Basel 3

RoE: 12-15%

- 12.6% for YTD 3Q11 on a reported basis²

CER: 48-52%

- Cost efficiency ratio for YTD 3Q11 54.6%, 59.1% on an underlying basis
- Operating expenses and FTEs for 3Q11 down

Notes:

¹ As at 30 September 2011

² Benefiting from the gains on movements in credit spread on fair value of own debt (annualised)

Results summary for 3Q11

Financial overview



USDbn, reported results	Nine months ended		Quarter ended		
	30 Sep 2010	30 Sep 2011	30 Sep 2010	30 Jun 2011	30 Sep 2011
Net operating income ¹	50,925	55,641	15,374	18,654	19,947
LICs ²	(10,669)	(9,156)	(3,146)	(2,882)	(3,890)
Operating expenses	(27,489)	(30,379)	(9,378)	(10,141)	(9,869)
Associates and joint ventures	1,862	2,253	675	937	967
Profit before tax	14,629	18,629	3,525	6,568	7,155
Tax	(3,954)	(3,346)	(98)	(1,221)	(1,634)
Profit after tax	10,675	15,283	3,427	5,347	5,521
Profit attributable to shareholders of the parent company	9,917	14,437	3,154	5,062	5,222
Return on average ordinary shareholders equity (annualised)	10.0	12.6	9.0	13.2	13.2
Pre-tax RoRWA³ (annualised)	1.8	2.2	1.3	2.3	2.4
Cost efficiency ratio	54.0	54.6	61.0	54.4	49.5

Notes:

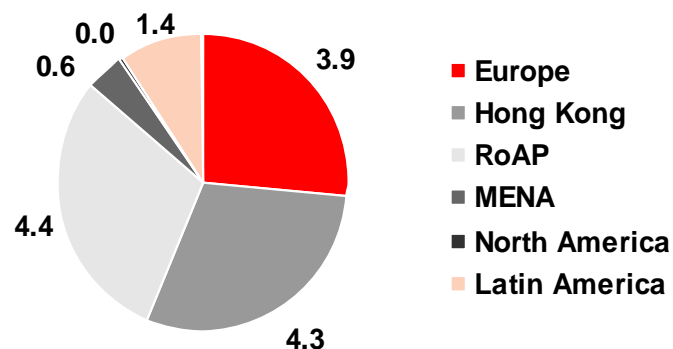
- 1 Before loan impairment charges and other credit risk provisions
- 2 Loan impairment charges and other credit risk provisions (LICs)
- 3 Pre-tax return on risk weighted assets

Profit before tax by Global Business and by Region



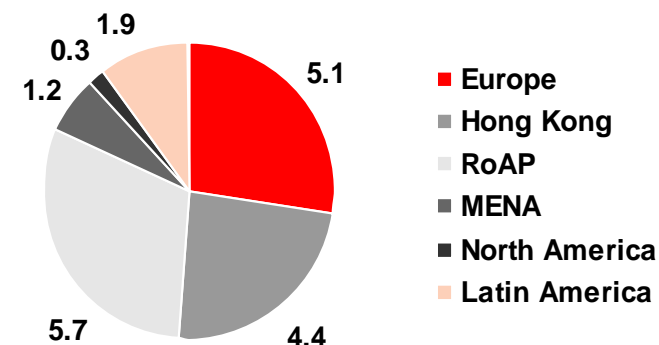
PBT by Region, nine months ended 30 Sep 2010

(USDbn), reported



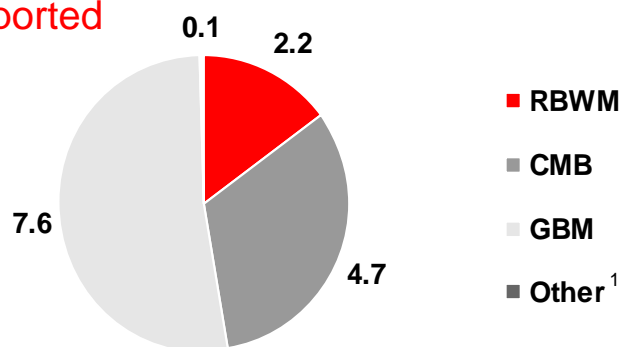
PBT by Region, nine months ended 30 Sep 2011

(USDbn), reported



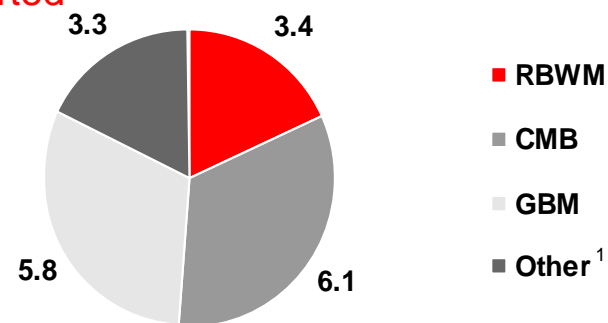
PBT by Business, nine months ended 30 Sep 2010

(USDbn), reported



PBT by Business, nine months ended 30 Sep 2011

(USDbn), reported



Notes:

¹ Other includes Global Private Banking and Other Global Businesses

Underlying results – 3Q 2011



- Revenue lower in the quarter and nine months compared to 2010:
 - Eurozone concerns depressing Credit and Rates
 - Lower revenues in legacy credit and Balance Sheet Management
 - Run-off in US consumer finance portfolios
 - Partially offset by revenue growth in CMB

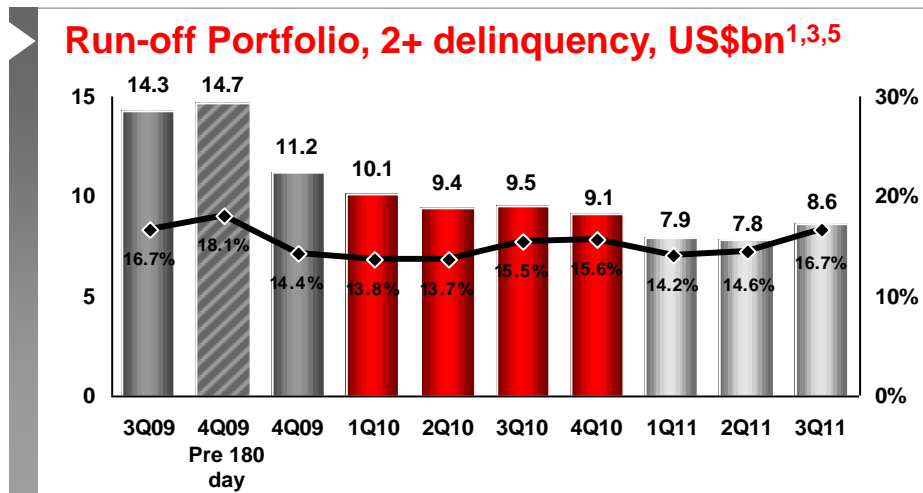
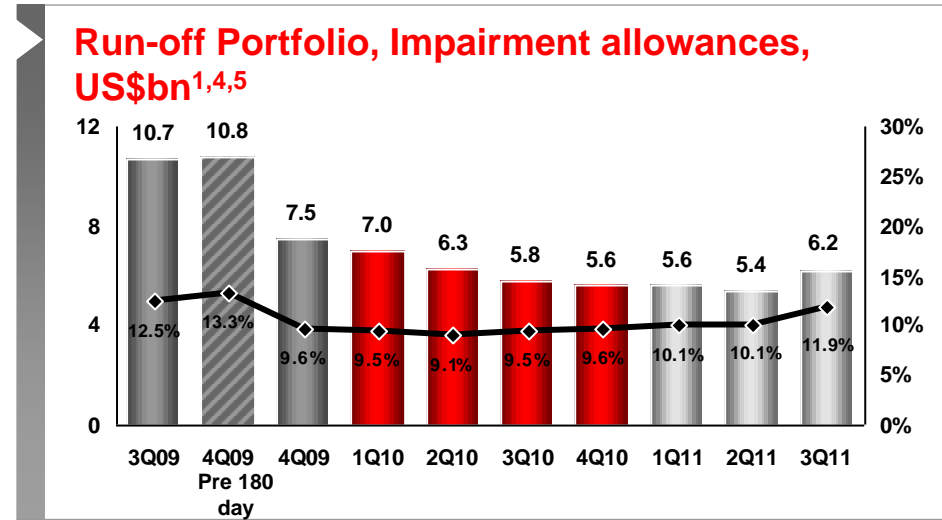
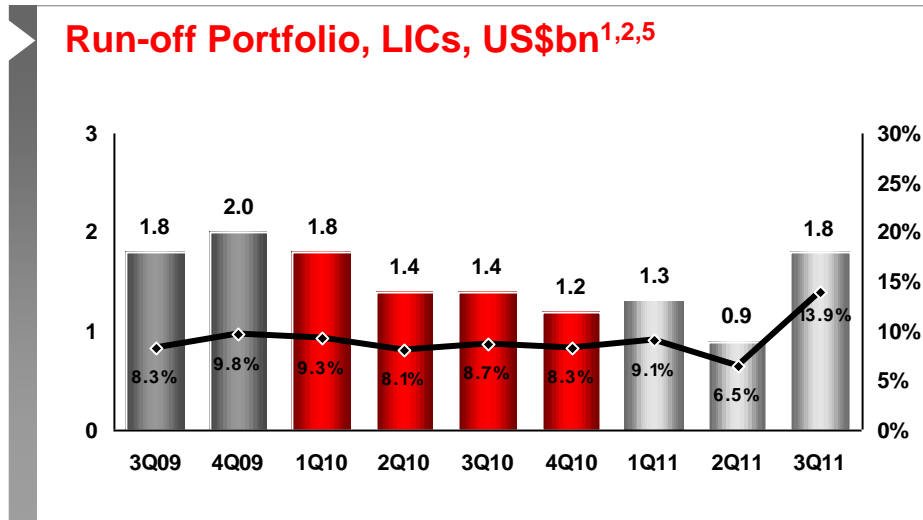
- Revenue lower than 2Q11:
 - Eurozone concerns
 - Adverse movements in the fair value of non-qualifying hedges ('NQHs') of US\$1.3bn in 3Q11 vs. US\$0.3bn in 2Q11

- CER 62.7% for 3Q11; for the nine months increased from 54.4% to 59.1%

- 3Q11 profit before tax was US\$3.0bn, down US\$1.6bn on 3Q10 due to:
 - Lower revenues in GBM and the adverse movement in NQHs of US\$0.7bn
 - Increase in LICs primarily in the US
 - Partially offset by increased revenues in CMB globally

- Year to date profit: US\$14.4bn
 - Reflecting decreased revenues in GBM and higher costs
 - Offset by lower LICs and growth in CMB revenues

Loan impairment charges increased mainly due to the run-off portfolio



- Increased LICs in 3Q11 vs. 3Q10, mainly in our run-off portfolio in North America. Reflected:
 - an increase in delinquency rates;
 - deteriorating roll-rates;
 - increased severity;
 - higher costs to obtain and realise collateral as a results of delays in foreclosure activity.
- Compared with 2Q11, LICs increased mainly in North America, with an increase elsewhere reflecting slightly weaker economic conditions

Notes:

- Excludes reverse repo balances.
- Loan impairment charge ratio as a percentage of average total loans (quarter annualised).
- 2+ Delinquency ratio as a percentage of end-of-period customer loans.
- Impairment allowance ratio as a percentage of end-of-period total loans, excluding vehicle finance loans classified as held for sale in 2Q09 through 1Q10.
- In 3Q10, we sold the remainder of our Vehicle Finance loan portfolio to Santander Consumer USA Inc. In 3Q11, the credit card and private label portfolios were moved to other assets pending sale to Capital One Financial Group.

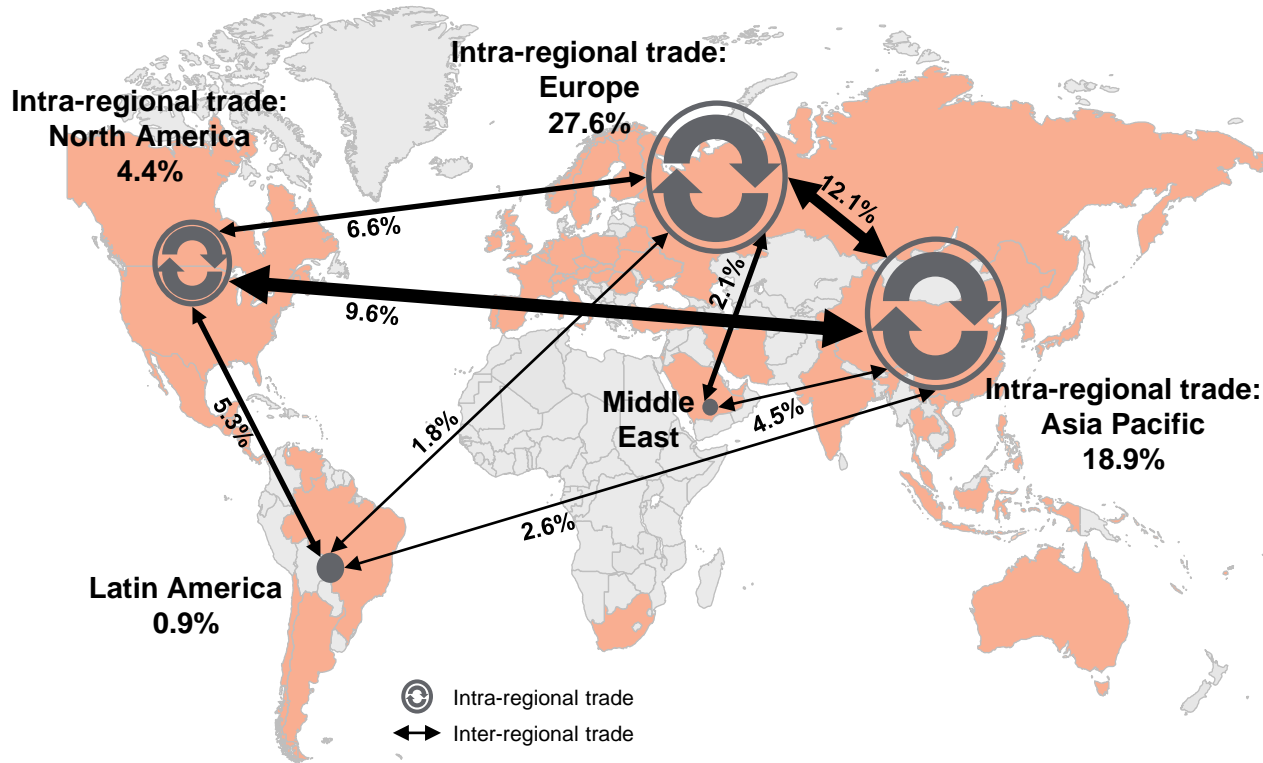
Highlights

CMB & GBM – a connected network – serving customers

15 markets will comprise 64% of world trade by 2020, mainly concentrated in Asian and European regional corridors²



Major trade flows¹ 2010



Comments

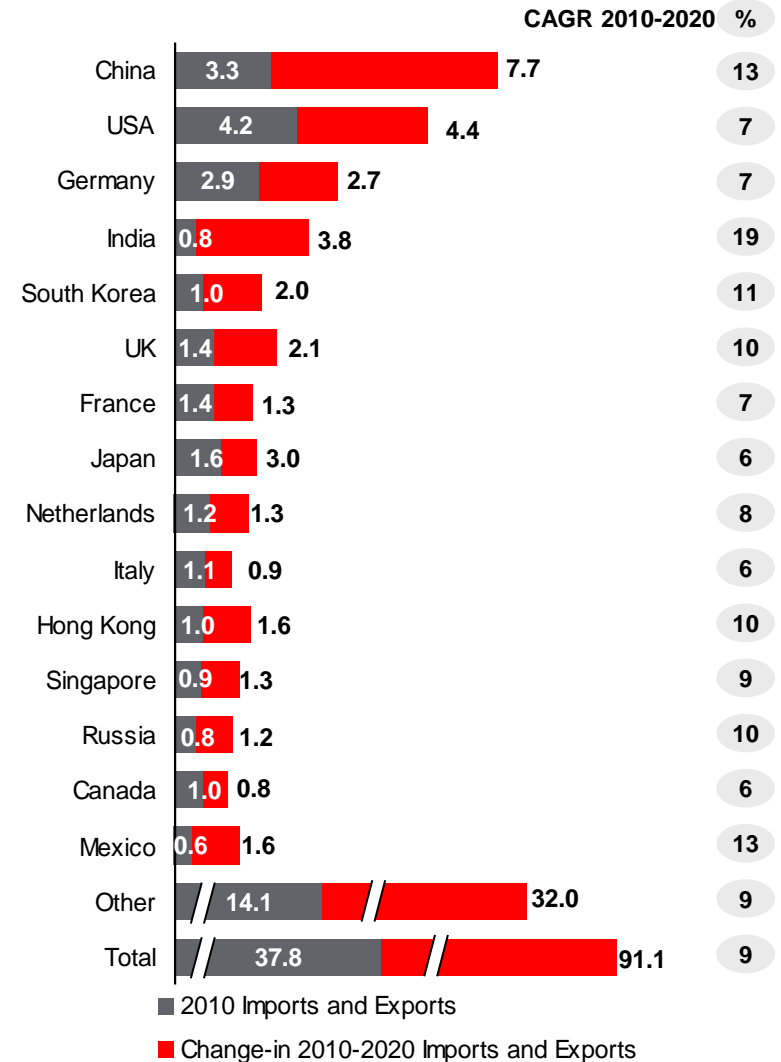
- Developed markets still play a vital role in Global Trade:
 - 5 largest trade hubs in 2010 are USA, China, Germany, France and UK
 - 5 most important trade flows in 2010 are intra-regional Europe, intra-regional Asia, between Asia and Europe, between Asia and North America and between Europe and North America

Notes:

1 Delta Economics based on Top 10 trade partners for focus set of 33 countries

2 Global Insights. Note: Brazil represents USD0.5tn in 2010 expected to grow to USD0.9tn in 2020

Top 15 trade countries² Imports and Exports, USDtrn



Commercial Banking continued to perform well



USDbn	YTD Sep10		YTD Sep11	% Better / (Worse)
Net operating income ¹	10.2		11.7	15
Operating expenses	(5.0)		(5.3)	(7)
LICs ²	(1.1)		(1.2)	(7)
Profit before tax	4.7		6.1	30
Pre-tax RoRWA ³	2.1%		2.3%	0.2pp

All financial measurements trending positively:

- Net operating income grew by 15%
- Strong positive JAWs ... revenue growing faster than cost
- Pre-tax RoRWA³ improved by 20bps

Notes:

1. Before loan impairment charges and other credit risk provisions

2. Loan impairment charges and other credit risk provisions

3. Return on Risk Weighted Assets, including impact of associates (annualised)

Global Banking and Markets grew income in 6 businesses in the 9 months YTD 2011

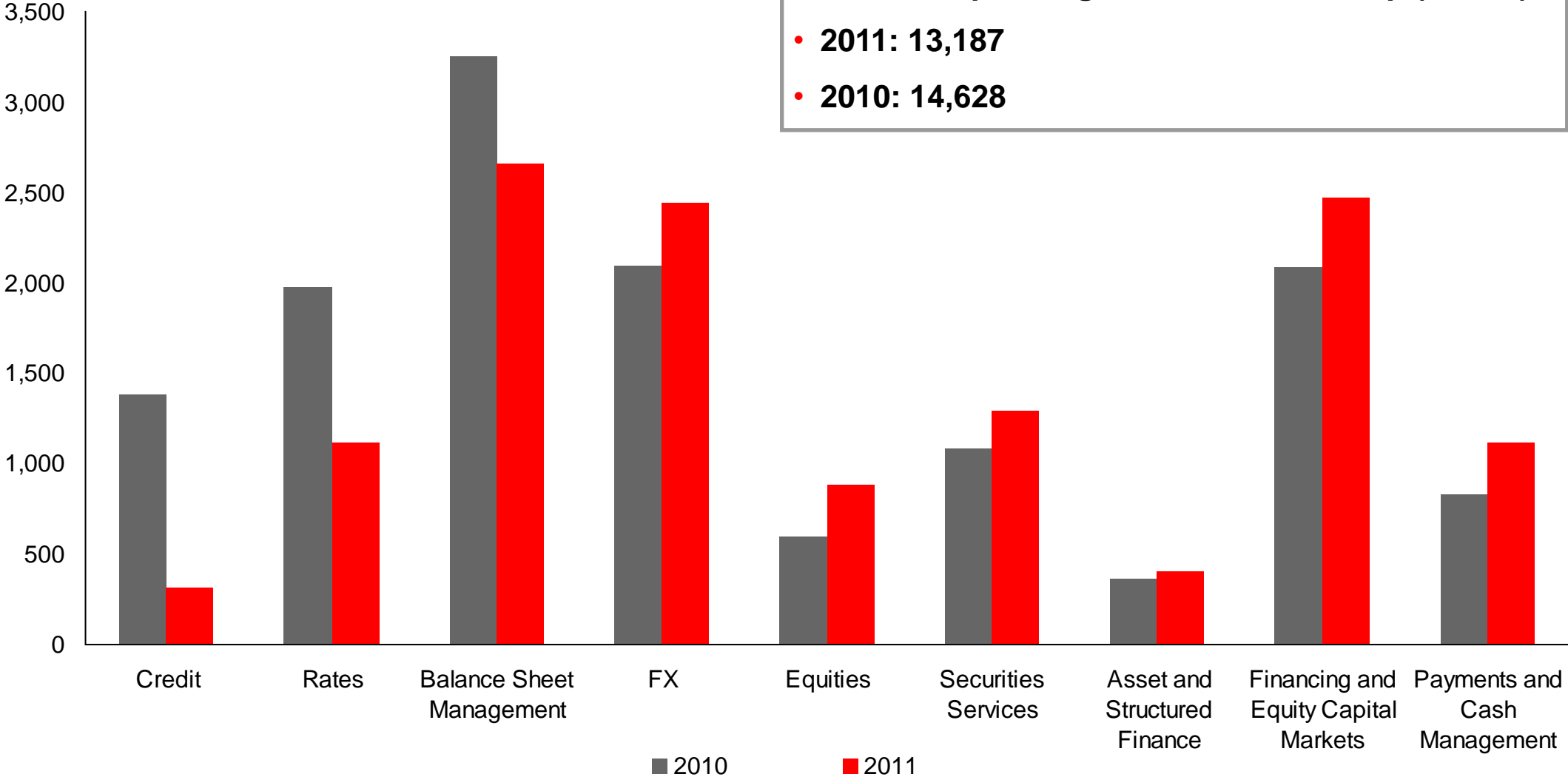


Total operating income, for the nine months ended 30 Sep 2011 compared to the same period in 2010

(USDm, reported)

GBM total operating income, YTD 30 Sep (USDm):

- 2011: 13,187
- 2010: 14,628

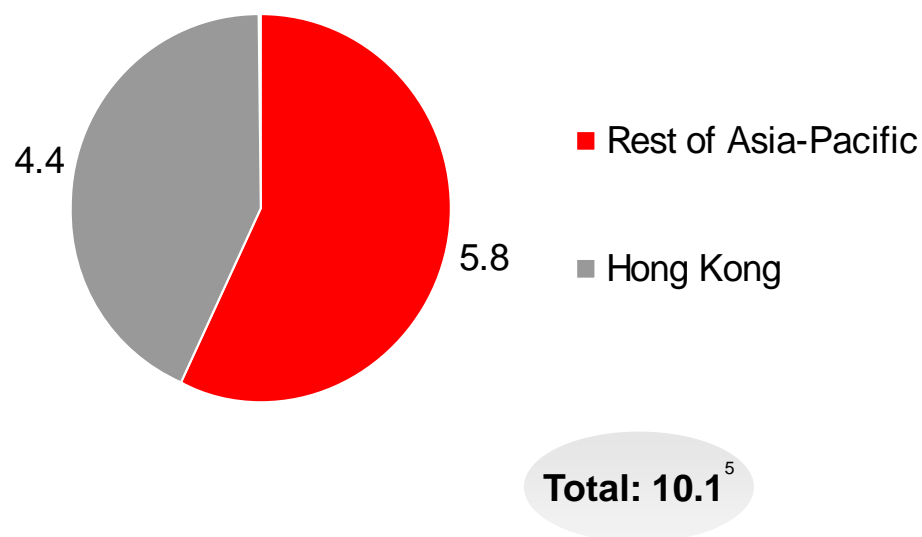


HSBC in Asia - 2011 nine months financial highlights



Reported pre-tax profits of USD10.1bn, up 17% vs nine months ended 30 Sep 2010

PBT, nine months ended 30 Sep 2011
(USDbn, reported)



Financial highlights	HK	RoAP	Asia	% vs 2010 ¹
Net operating income ² (USDbn)	8.0	8.1	16.1	13
LICs ⁶ (USDm)	(137)	(213)	(350)	(16)
Loans and advances (gross) (USDbn)	160	122	282	12 ³
Pre-tax RoRWA ⁷ (%)	5.3	3.3	n/d ⁴	n/a

1 Change vs nine months ended 30 September 2010

2 Before loan impairment charges and other credit risk provisions

3 Change on 31 December 2010 balances

4 Not disclosed

5 Not adjusted for rounding

6 Loan impairment charges and other credit risk provisions

7 Return on Risk Weighted Assets, including impact of associates (annualised)

HSBC in Asia - building quality assets



USDbn	H2 10	H1 11	% change vs H2 10
<u>Risk-weighted assets</u>			
Hong Kong	106.9	110.8	3.6
Rest of Asia-Pacific	217.5	241.1	10.9
Total	324.4	351.9	8.5
<u>Gross customer loans¹</u>			
Hong Kong	141.3	159.9	13.2
Rest of Asia-Pacific	109.7	122.3	11.5
Total	251.0	282.2	12.4
Of which			
Commercial ²	96.2	113.8	18.3
Property ³	49.1	51.8	5.5
Other ⁴	105.7	116.6	10.3

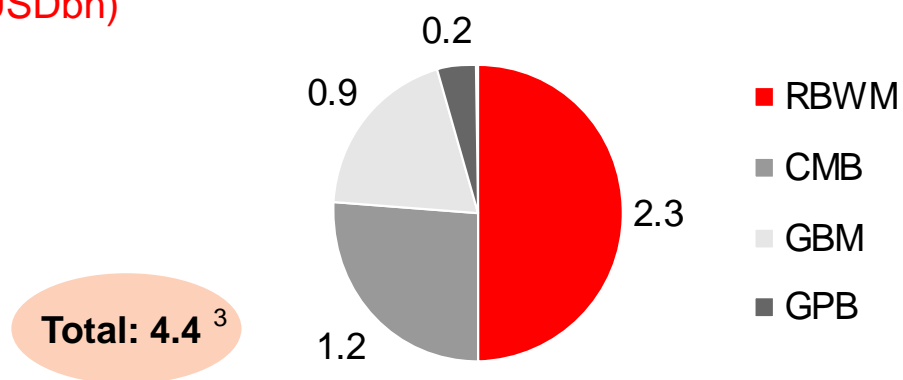
- 1 Reported basis
 2 Commercial, industrial, and international trade, and other commercial
 3 Commercial real estate and other property-related

USDm	H1 10	H1 11
<u>LICs⁵</u>		
Hong Kong	63	25
Rest of Asia-Pacific	147	100
<u>Impaired loans⁶ (%)</u>		
Hong Kong	0.7	0.3
Rest of Asia-Pacific	1.2	1.0

- 4 Personal, government and financial
 5 Loan impairment charges and other credit risk provisions
 6 Impaired loans as a percentage of gross loans and advances to customers

Nine months ended Sep	2010	2011
Net operating income ¹ (USDbn)	7.5	8.0
Profit before tax (USDbn)	4.3	4.4
Cost efficiency ratio (%)	41.8	44.2
Pre-tax RoRWA ² (%)	5.0	5.3

PBT, nine months ended 30 Sep 2011 (USDbn)



- Volume-driven and trade-related growth in CMB and GBM, with a significant increase in cross-border referrals with mainland China during the first half
- Strong sales in Wealth Management products
- Asset spreads narrowed during the first half due to competitive pressures
- Continued good credit quality, LICs rose from a low base
- Investment in staff and wage inflation drove cost growth

¹ Before loan impairment charges and other credit risk provisions

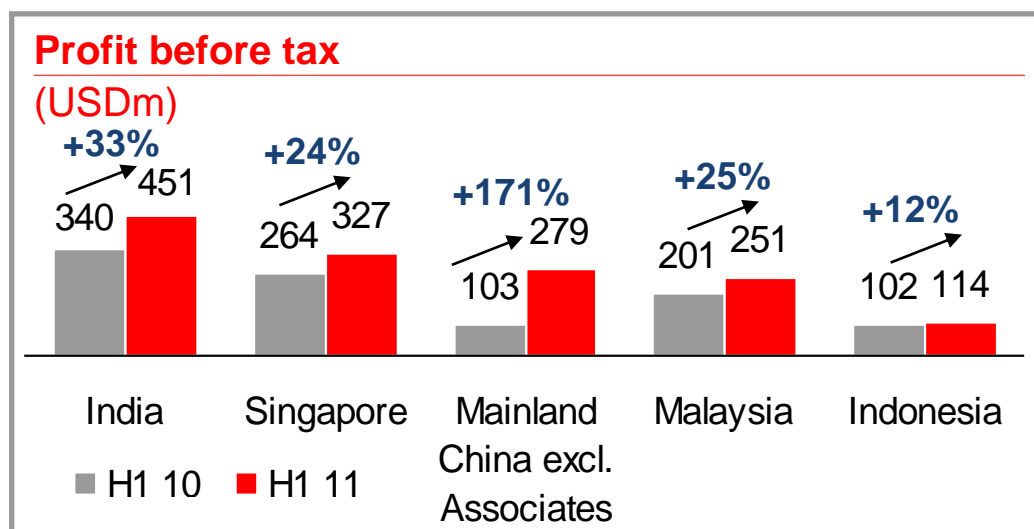
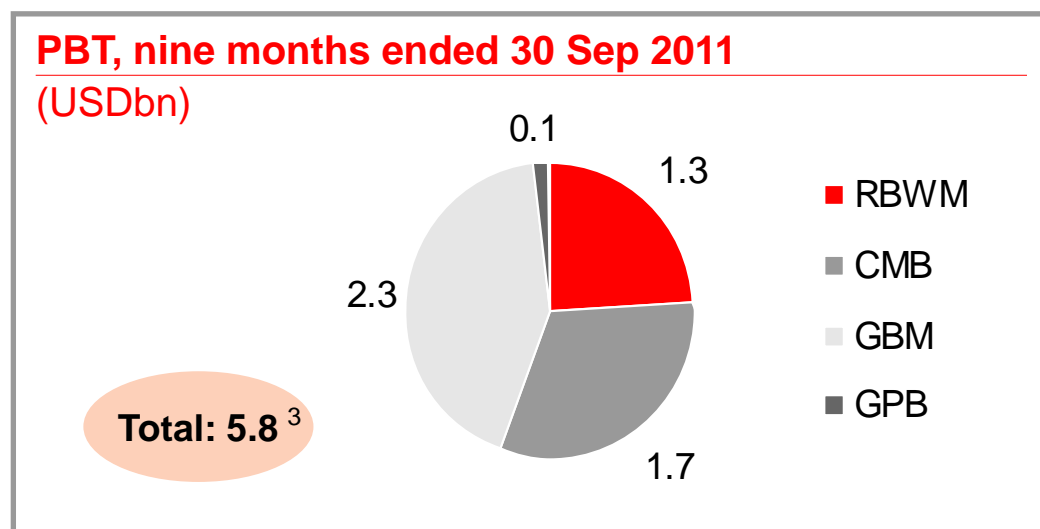
² Return on Risk Weighted Assets (annualised)

³ Includes Other operations, mainly central items, which recorded a loss of USD206m in the nine months ended 30 Sep 2011

Rest of Asia-Pacific

Nine months ended Sep	2010	2011
Net operating income ¹ (USDbn)	6.8	8.1
Profit before tax (USDbn)	4.4	5.8
Cost efficiency ratio (%)	55.5	53.5
Pre-tax RoRWA ² (%)	3.1	3.3

- Growth in GBM and CMB loan and trade volume
- Wealth Management revenue growth in RBWM
- LICs fell in RBWM
- Costs rose from increased FTE and wage inflation
- Continued strong contribution from associates



1 Before loan impairment charges and other credit risk provisions

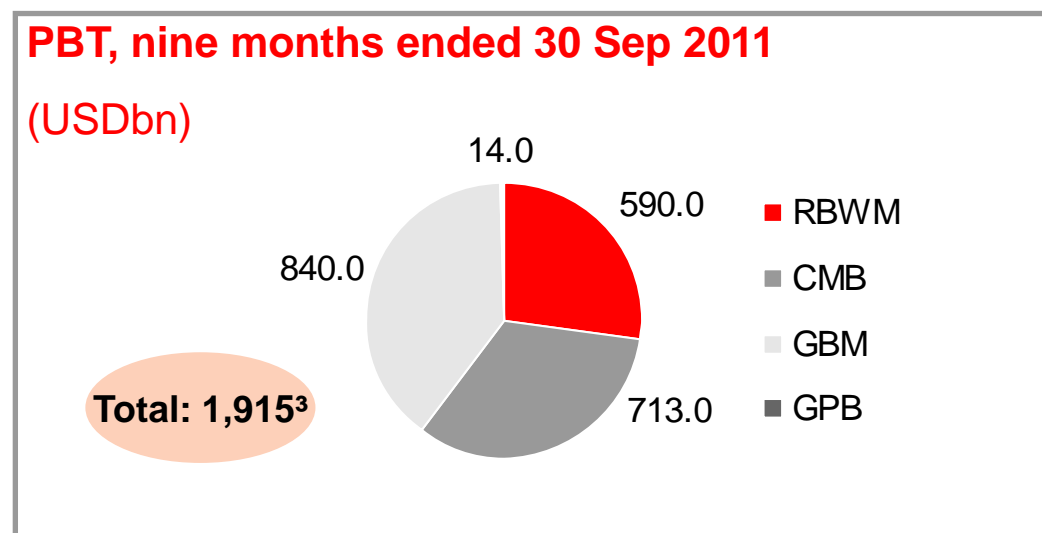
2 Return on Risk Weighted Assets, including impact of associates (annualised)

3 Includes Other operations, mainly central items, which recorded a profit of USD415m in the nine months ended 30 Sep 2011

HSBC in Latin America - nine months financial highlights



Nine months ended Sep	2010	2011
Net operating income ¹ (USDbn)	7.1	8.7
Profit before tax (USDbn)	1.4	1.9
Cost efficiency ratio (%)	64.8	62.9
Pre-tax RoRWA ² (%)	2.1	2.5



- Strong performance on an underlying basis driven by higher lending volumes
- Revenue growth in CMB in Brazil and Mexico
- Revenue growth in RBWM in Brazil and Argentina
- Higher LICs:
 - higher lending balances in the region
 - higher delinquency rates in Brazil
 - partially offset by improved credit quality in Mexico
- Cost growth:
 - inflationary pressures, additional front office staff in Brazil and restructuring costs
 - compared with 2Q11 costs decreased reflecting strategic cost savings initiatives

1 Before loan impairment charges and other credit risk provisions

2 Return on Risk Weighted Assets, (annualised)

3 Includes Other operations, mainly central items, which recorded a loss of USD242m in the nine months ended 30 Sep 2011

Outlook

Outlook: Regulation and Capital

- Basel 2.5 changes estimated to reduce common tier 1 capital ratio by 50bps before mitigation¹
- Basel 3 expected to have a 90 bps impact on core tier 1 ratio in 2013 before mitigation¹
- From 2014, we expect another 130bps impact on core tier 1 before mitigation¹
- We expect to mitigate these impacts by 100bps:
 - running off non-core and legacy positions
 - actively managing:
 - correlation trading portfolio
 - market risk capital requirement
 - counterparty credit risk capital requirement
- ... and of course ICB...

Capital allocation discipline... to segments where
we can best serve competitively and efficiently

1. The estimated impact is subject to change as further clarification emerges around the practical application and interpretation of the requirements.

Trading Environment

- Trading conditions improved during October but remain difficult
- Eurozone difficulties affect growth around the world
- Faster growing markets possess significant potential for growth
- China: focused on achieving a soft landing
- Strong balance sheet and high level of liquidity
- Good progress against our strategic goals
- Committed to meeting our targets; intense focus
- Diversified, cohesive and strategically focused for growth
- By the end of 2013, we will have reshaped HSBC

Q&A