

HSBC France
Matthieu Kiss
CFO Continental Europe

HSBC 
The world's local bank

Reverse Roadshow – May, 26th 2011



www.hsbc.fr

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 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.

Commentary in this document related to Retail Banking and Wealth Management reflects the performance of Personal Financial Services and does not yet reflect the announced transfer of Asset Management moving from Global Banking and Markets to this new single business.

Financial performance in 2010

HSBC in France – 2010 Results

Headline results

▪ A strong performance in a difficult financial environment

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

▪ Progress in commercial and financial performance for Retail Banking and Wealth Management (RBWM) and Commercial Banking

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

RBWM, Commercial
and 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 and Wealth Management and Commercial Banking strategies
- 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

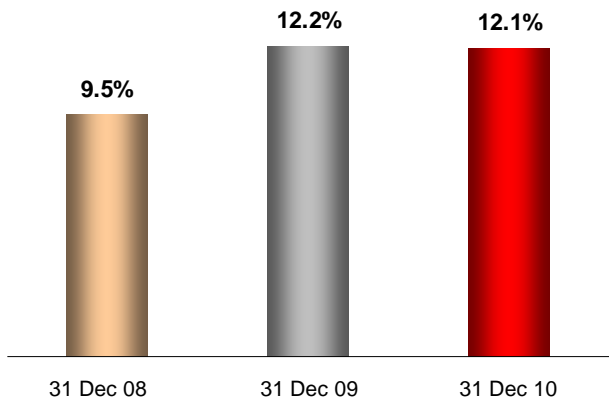
(3) Including the gain on sale and lease-back of Paris Headquarters (€141m)

(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

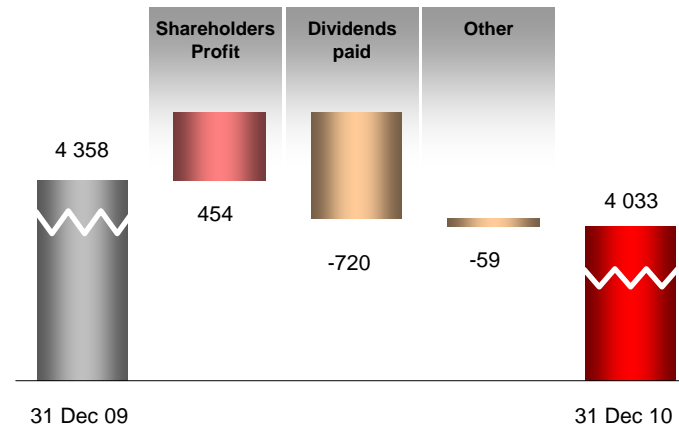
Stable Core Tier 1 ratio

French Basel II regulatory rules



€4bn of Core Tier 1 Capital

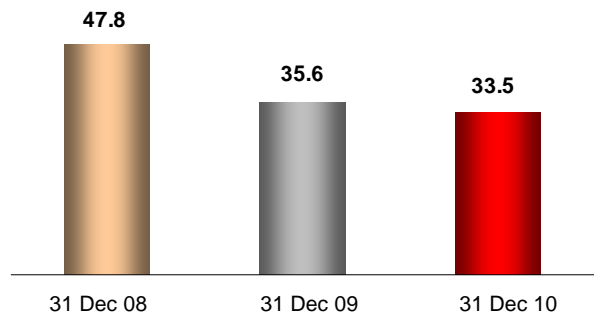
€m



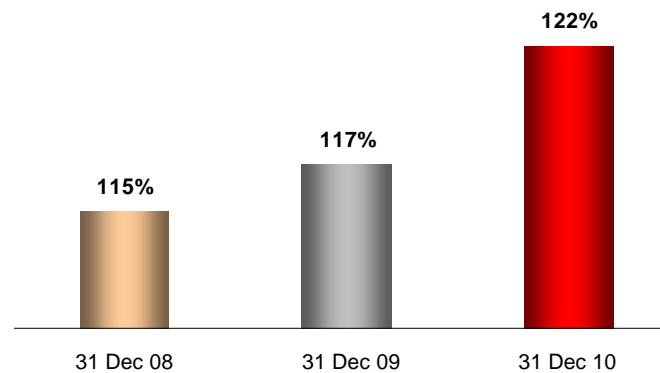
Optimisation of risk weighted assets

French Basel II regulatory rules

€bn



Improved French liquidity ratio



Retail Banking and Wealth Management and Commercial 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

Retail Banking and Wealth Management (RBWM)

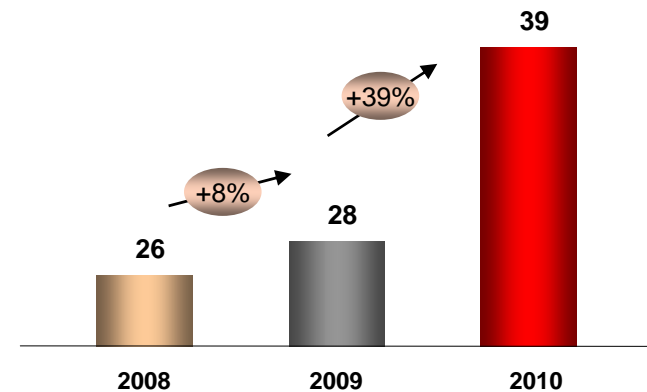
Successful execution of Premier strategy

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 RBWM
- Maximised commercial time within branches

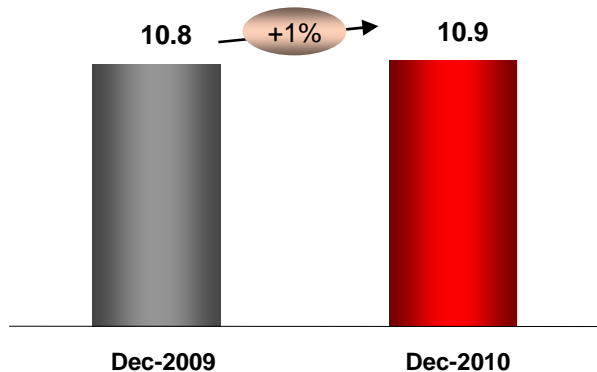
Sharp increase in Premier customers acquisition

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



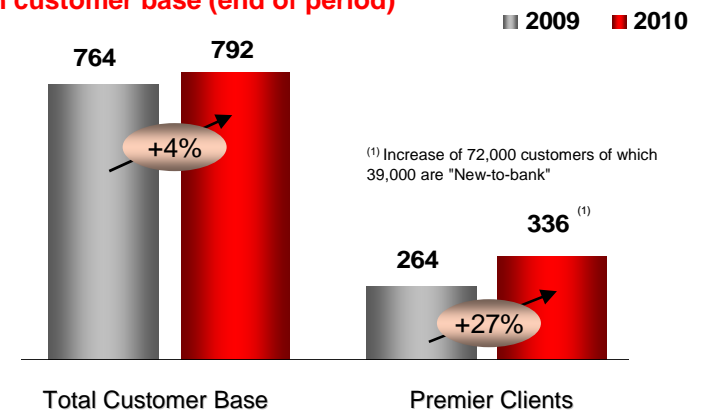
Stable customer loans and advances

Mortgage loans outstandings
€bn



Expanding our target customer base

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



Retail Banking and Wealth Management (RBWM)

Strong increase in financial results

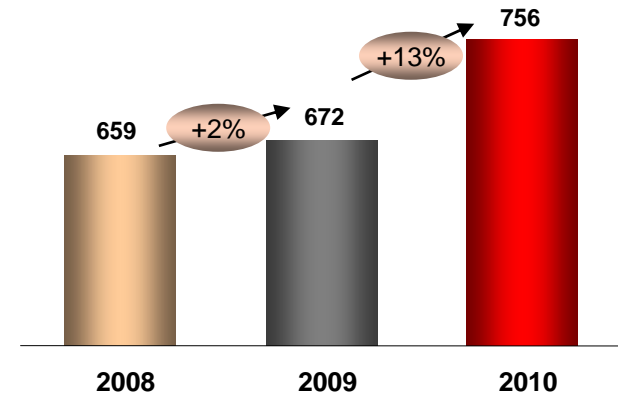
Good results driven by revenues

- 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 RBWM 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)

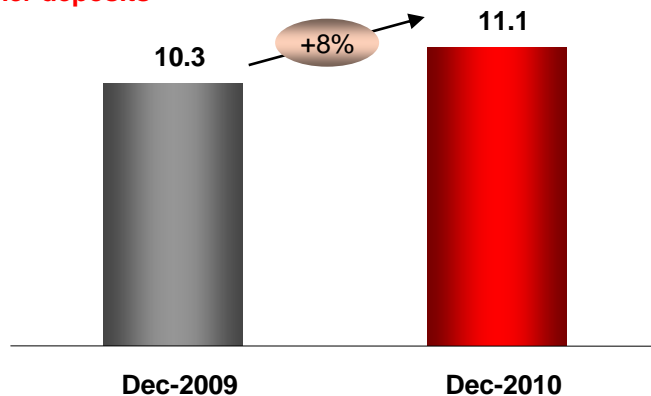
€m



Steady growth in deposit outstandings

Customer deposits

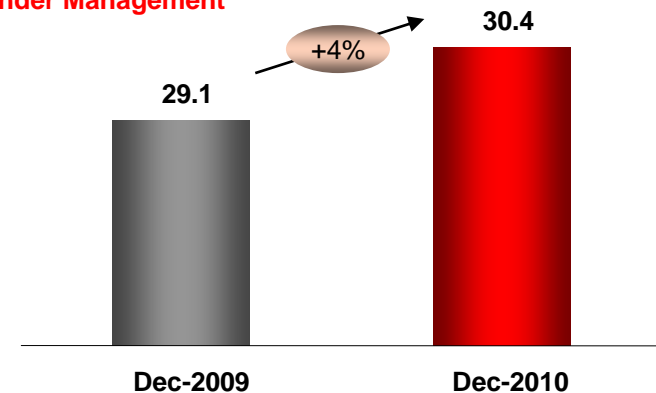
€bn



Significant life insurance premium and deposit collection

Assets under Management

€bn



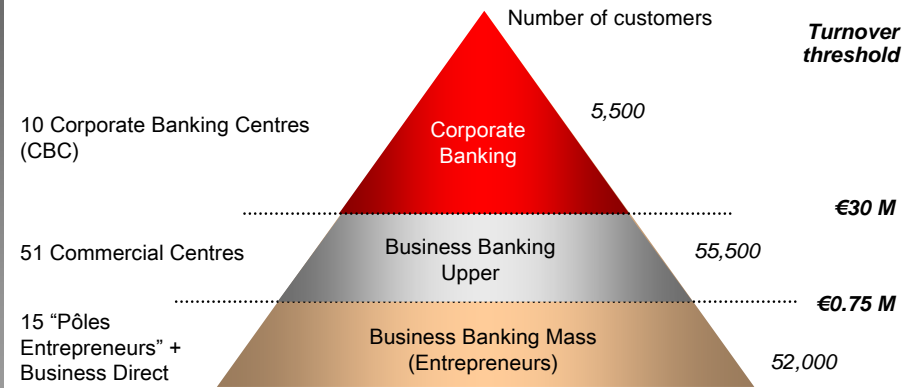
Commercial Banking (CMB)

Steady commercial activity driven by the reorganisation of the network

Enhancing our customer base

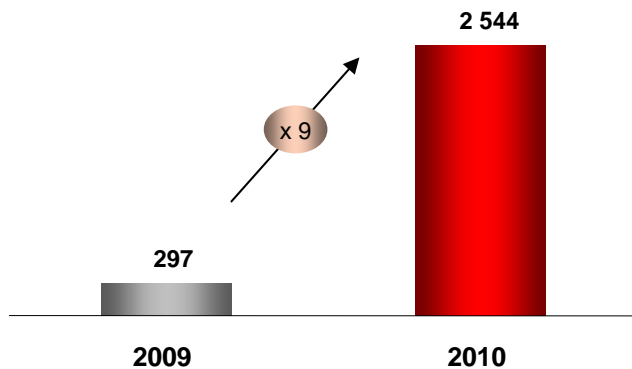
- Positive impact of the reorganisation of the network
- Steady growth of our customer base with strong acquisition and lower attrition
- Development of international connectivity: number of referrals of French corporates generating revenues with the rest of HSBC has doubled
- Successful launch of Business Direct
- Launch of "Pôles Entrepreneurs"
- Renewed growth of MLT⁽¹⁾ commercial loans production: increase in outstandings by 13% YoY

A commercial organisation aligned to customer segmentation



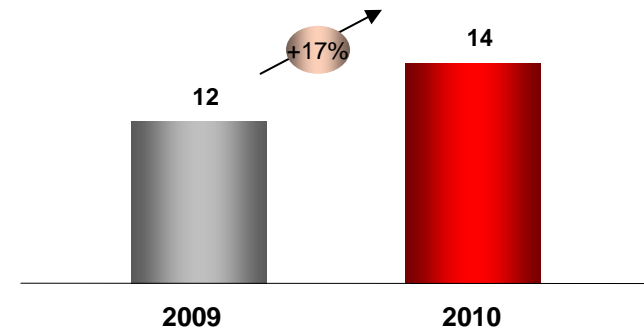
Strong acquisition of Business Direct clients

Business Direct Clients



Sustained client acquisition

Customer acquisition (000)



(1) Medium and Long Term

Commercial Banking (CMB)

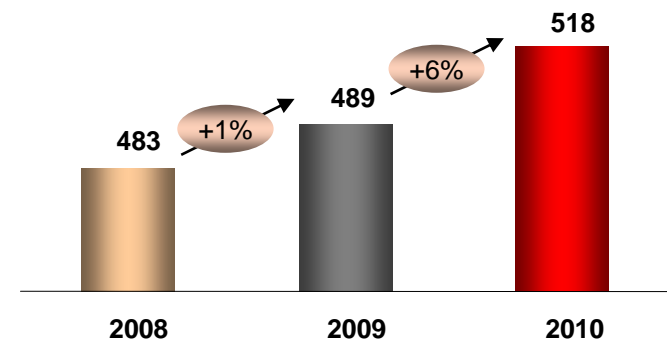
Upward trend of results

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

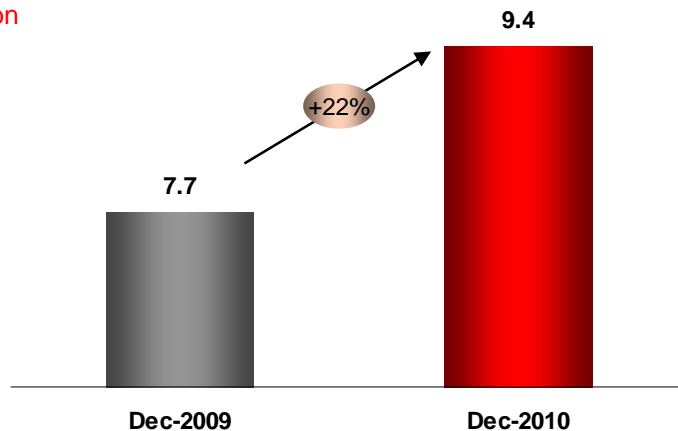
Revenue generation is gathering speed

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



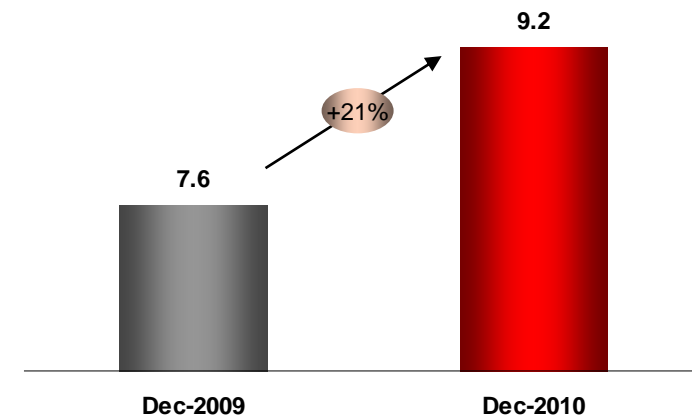
Increase in Customer Deposits

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⁾ 1 st (joint)	Public sector debt issuance⁽¹⁾ 1 st bookrunner in number of deals 2 th in value
Equity Offerings⁽¹⁾ 4 th	Corporate bonds issuance⁽¹⁾ 4 th
Announced M&A transactions in 2010⁽²⁾ 6 th	

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

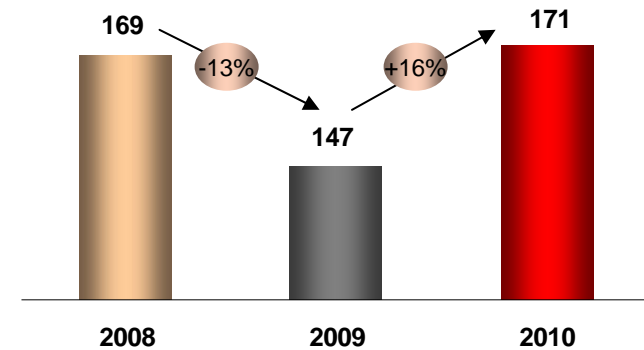
Developed activities in line with economic recovery

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 RBWM and dedicated mandates with HSBC Insurance

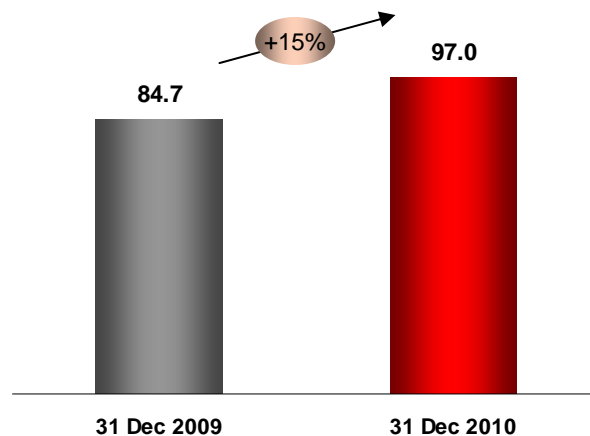
Resumed growth of revenues

Change in revenues
€m



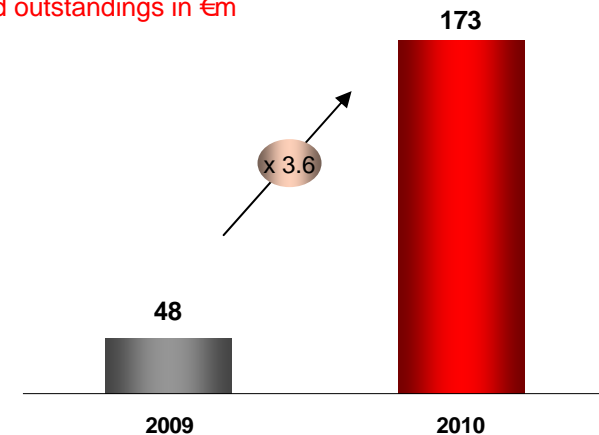
Strong rise of Assets Under Management

Assets under Management and Distribution
€bn



Success of World Selection campaign

World Selection Fund
Distributed outstandings in €m



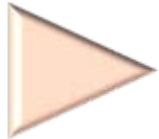
Private Banking

Recovering results after the impact of the crisis in 2009

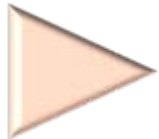
€m	2008	2009	Var. 09/08	2010	Var. 10/09	Var. 10/08
Total operating income	82	68	-17%	75	+10%	-9%
Credit-risk provisions	5	0	ns	4	ns	-20%
Net operating income	87	68	-22%	79	+16%	-9%
Total operating expenses	-80	-66	-18%	-66	+0%	-18%
Profit before tax	7	2	-71%	13	x6.5	x2

- 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

Key take-aways

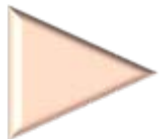


Strong recovery in Retail Banking and Wealth Management and Commercial Banking
Confirmed suitability of the Development Plan 2008-2011



Continued growth across all lines of business with their strategic customers

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



Strong strategic positioning confirmed by diversified revenue generation

Strategic perspectives

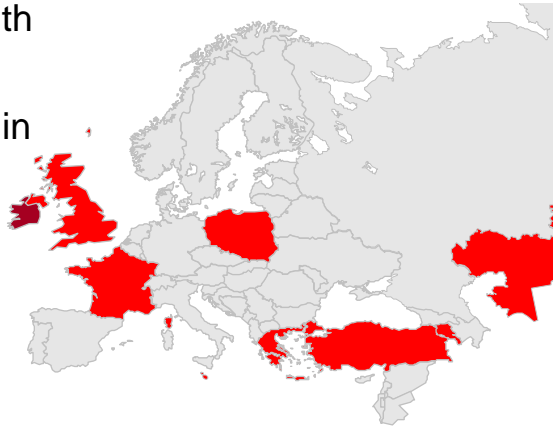
France is a key country for HSBC in Europe

HSBC's International Network is a distinctive advantage

HSBC presence in Europe

Retail Banking and Wealth Management

- Established positions in the UK, France, Turkey and Malta



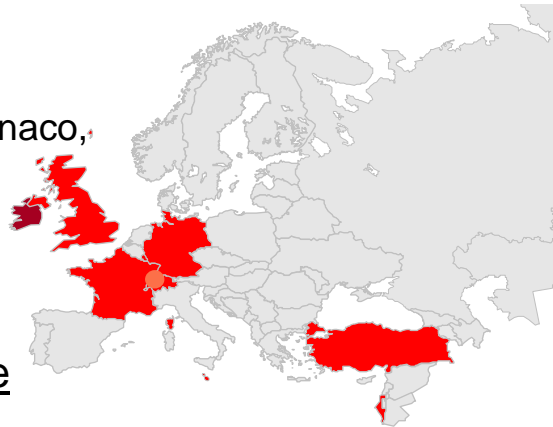
Commercial Banking

- 19 countries leveraging international connectivity
- Key markets: UK, France, Germany and Turkey



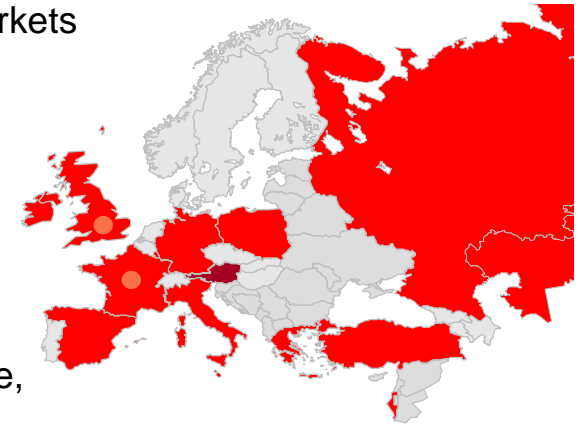
Global Private Banking

- Hub in Switzerland complemented by Monaco, Luxembourg and Channel Islands
- Meaningful domestic presence in UK, Germany and France



Global Banking and Markets

- 2 hubs: London and Paris
- Strong product capabilities in e.g., DCM, Credit, Rates, FX, PCM, HSS, Project Finance, Export Finance¹



¹ Debt Capital Markets (DCM), Payments and Cash Management (PCM), HSBC Securities Services (HSS)

France: one of the 6 core markets for HSBC

- **Second largest European economy** (1.8% avg. GDP growth), **top 3 ranking in terms of GDP/Capita** (€30.5k) behind the US and Australia (countries >20m people)
- **Low risk economy: AAA** rating, low inflation thanks to ECB strict policy and **stable political environment**
- **Strong connectivity: key player in world trade** ranked 5th for both Export (€520Bn) and Import (€590Bn) volumes, expected to respectively grow at 7% and 6%; **increasing trade with Emerging Markets** (37% of CAC revenues in 2015 vs. 17% in 2000)
- Population of 65m inhabitants (4th within developed countries, increasing at 1% p.a.), **c.10% is mass affluent** and **growing 5 times faster**. Population and wealth partially concentrated in large cities **#6 worldwide in terms of HNWI**; NNM mainly driven by CMB entrepreneurs business transfers (60k p.a. over next 15 years). PB potential out of Paris (50% of HNW located outside Paris)
- **Mature and robust financial sector**, dominated by 5 banks, with total banking assets representing 4 times GDP and expected to grow at c. 5% p.a. over 2010-2014; 2010 banking profit pool back to pre-crisis level

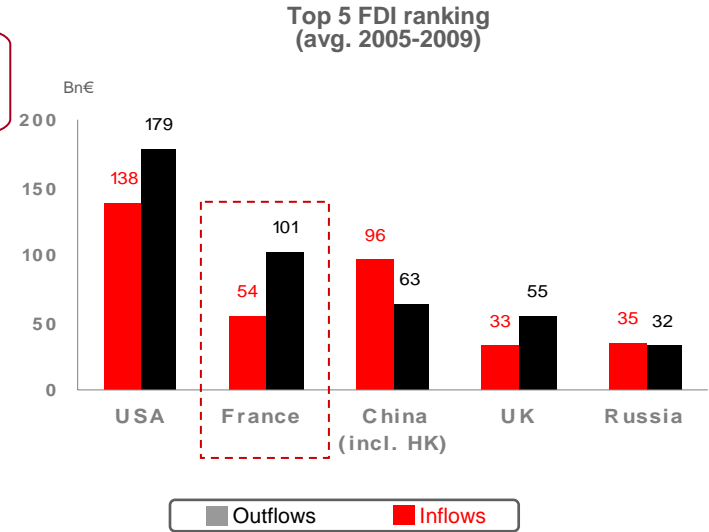
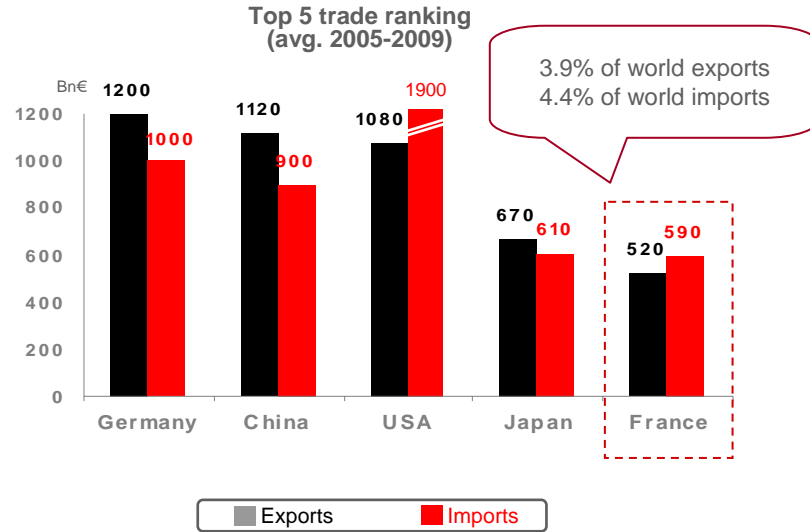
Key place to deploy HSBC strategy

- Opportunity for GBM to develop relationship with multinationals having sophisticated and international needs
- Potential for LIB strategy in a country strongly integrated in Regional and Global trade
- Opportunity to develop Wealth Management solutions leveraging large and growing Mass & Upper Affluent
- Limited sovereign risk

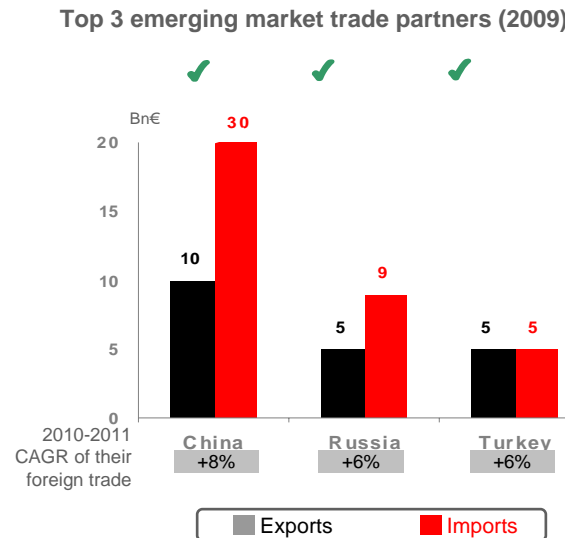
Strong connectivity, growing trade with EMs fitting with Group strategy

Top 5 position in world trade

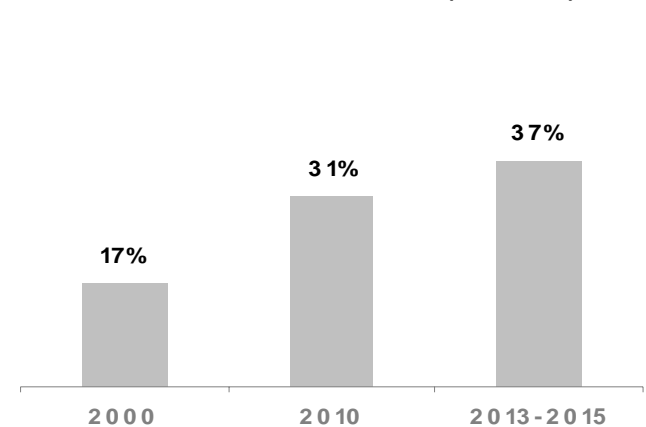
Top 2 position in terms of annual average FDI outflows



Europe still the major partner (c. 60% of trade) but Emerging Markets' share fast growing (3% in 2000 to 12% in 2010)



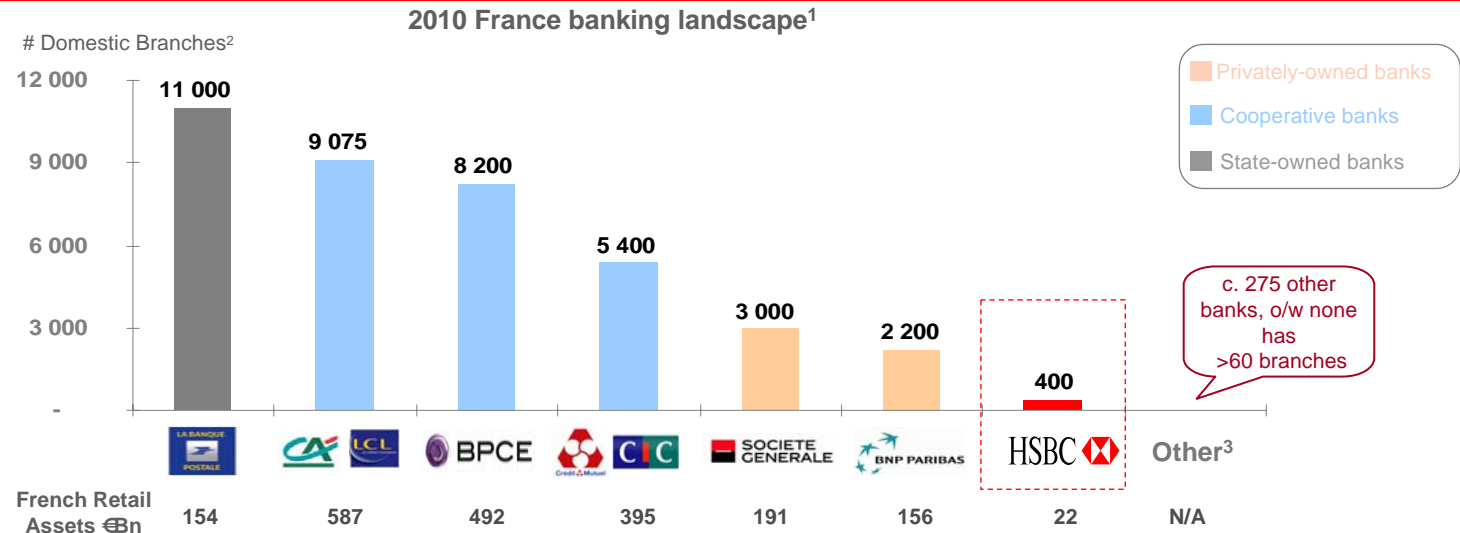
Share of EM in CAC 40 revenues (2000-2015)



HBFR, a focused positioning on strategic clients' segments

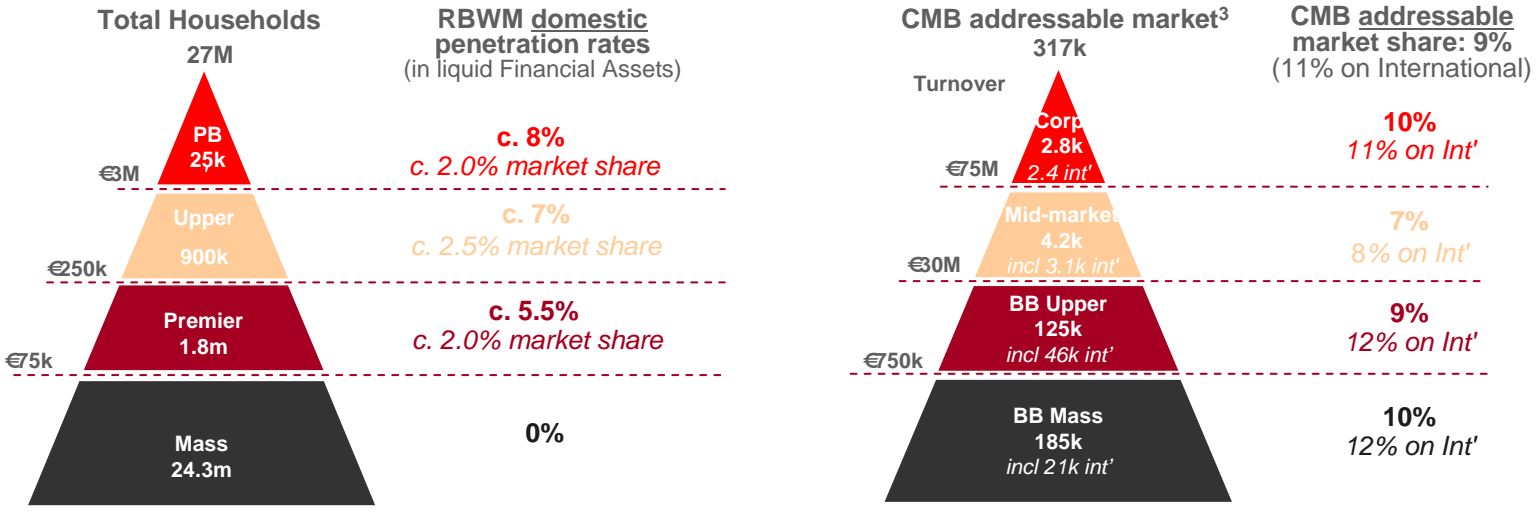
Concentrated market:
top 5 banks representing 85%
of market assets

Retail banking dominated by
large cooperative banks
(c.63% of the retail market) which
have dense networks and
leverage a **universal banking
model**, but also presence of
numerous and sophisticated
niche players



**HSBC ranks #7 and is the
unique significant foreign
player**

**HBFR specific positioning
on Mass Affluent and
International companies**



All figures 2010 - Source : HSBC Global Research, UBS, Banque de France, CE S&P estimates, 2010 Financial Results Presentations
 1. Data comprising the 7 main banks accounting for 90% of business – network density in France: 1 branch / 700 households - 'Bank-Insurance' players manage 70% of total Deposits & AuM
 2. Incl. all Post Offices
 3. Other composed of main GBM , PB and Retail foreign players (Barclays, ING, UBS, Credit Suisse, BoA-ML, JPM, GS, MS) and remaining domestic banks (Dexia, Axa and Groupama Banque, Municipal Credit Institutions...)
 4. Addressable market: criteria to assess qualified markets include low to medium risk profile and corporate proximity to the HBFR network footprint

Our 2014 ambition: a focus on development and optimisation

Following CCF acquisition in 2000, HBFR has successfully implemented Group's strategy, organisation and systems over 2005-2010

Next step consists in further deploying Group's strategy, while optimising a standardised platform

2000

CCF acquisition

1. Positioning structurally aligned with Group's strategy:
 - Good fit in Global Business Lines
 - Good historical position on mass affluent in France
 - Half of CCF PBT realised abroad
 - *But fragmented Retail platform of 11 entities*
2. Immediate integration of Global Businesses (GB&M, AM, GPB)

2005

Integration & Rationalisation

1. Rebranding & integration
 - i. HSBC France rebranding (2005)
 - ii. Migration on Groups systems (HUB: 2007-2009)
 - iii. Retail platform rationalisation: legal merger of 5 Retail entities & disposal of other entities in 2008 for €2.1Bn¹
2. Alignment of Retail platform on Group's Operating Model
 - i. Specialisation of Retail networks
 - ii. 2010 Retail Development Plan
 - iii. Implementation of TOM in HTS & Head Offices

2010

Development & Optimisation

- Maintain a profitable growth trend, fully aligned with Group's strategy
- Leverage the platform integrated over the past decade
- Further optimise the structure

2014

1. Regional Banks representing 51% of HBFR branches, 30% of revenue and 54% of PBT – disposal resulting in a €1.5Bn capital gain for HSBC Group