



Credit Update

HSBC BANK CANADA and HSBC HOLDINGS PLC

Presentation to Fixed Income Investors

December 2011

HSBC 

Forward-looking statements

This presentation, including the accompanying slides and subsequent discussion, contains certain forward-looking information with respect to the financial condition, results of operations and business of HSBC Holdings plc, together with its direct and indirect subsidiaries including HSBC Bank Canada and HSBC Securities (Canada) Inc. (the "HSBC Group" or "HSBC"). This forward-looking information represents expectations or beliefs concerning future events and involves 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 the Annual Reports and Accounts of HSBC Holdings plc and HSBC Bank Canada for the year ended December 31, 2010, as well as the HSBC Bank Canada Third Quarter 2011 Interim Report and the HSBC Holdings plc Interim Management Statement for the period ended September 30, 2011. Past performance cannot be relied on as a guide to future performance. Please see www.hsbc.com and www.hsbc.ca for further information. This material is for information purposes only. HSBC Holdings plc is not a reporting issuer in Canada and is not permitted, by itself or through a nominee or agent, to engage in or carry on any business in Canada, except as permitted by the Bank Act (Canada). The material is intended for your sole use and is not for general distribution and does not constitute an offer or commitment, a solicitation of an offer or commitment to enter into or conclude any transaction or to purchase or sell any financial instrument.

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.

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HSBC Bank Canada



Leading international bank in Canada

History and development of HSBC Bank Canada

Incorporated Hongkong Bank of Canada

1999 Renamed HSBC Bank Canada

Banking

1986 Assumed Bank of British Columbia

1988 Acquired Midland Bank Canada

1989 Acquired Lloyds Bank Canada

1993 Acquired ANZ Bank Canada

1996 Acquired Barclays Bank of Canada

1998 Acquired National Westminster Bank of Canada

2000 Acquired Republic National Bank of New York (Canada)

2001 Acquired CCF Canada

2004 Acquired Intesa Bank Canada

Securities

1995 Established HSBC InvestDirect

1995 Acquired HSBC James Capel Canada Inc

1998 Acquired Moss, Lawson & Co. Limited

1999 Acquired Gordon Capital Corporation

2011 Sold Private Client Services business to NBF

Other

1995 Acquired Metropolitan Trust Company of Canada

1996 Acquired M.K. Wong & Associates Ltd

2004 Sold HSBC Canada Direct Insurance Incorporated

2008 Acquired HSBC Financial Corporation Limited

HSBC Bank Canada at September 30th, 2011

Total assets	CAD80,630m
Total shareholders' equity	CAD4,933m
Assets under administration	CAD29,960m
Offices & Branches	+260
Provinces	All

Principal Subsidiaries

HSBC Securities (Canada) Inc.

Global Banking & Markets

HSBC Global Asset Management (Canada) Limited

Portfolio manager & investment counsellor

HSBC Investment Funds (Canada) Inc.

Mutual fund dealer

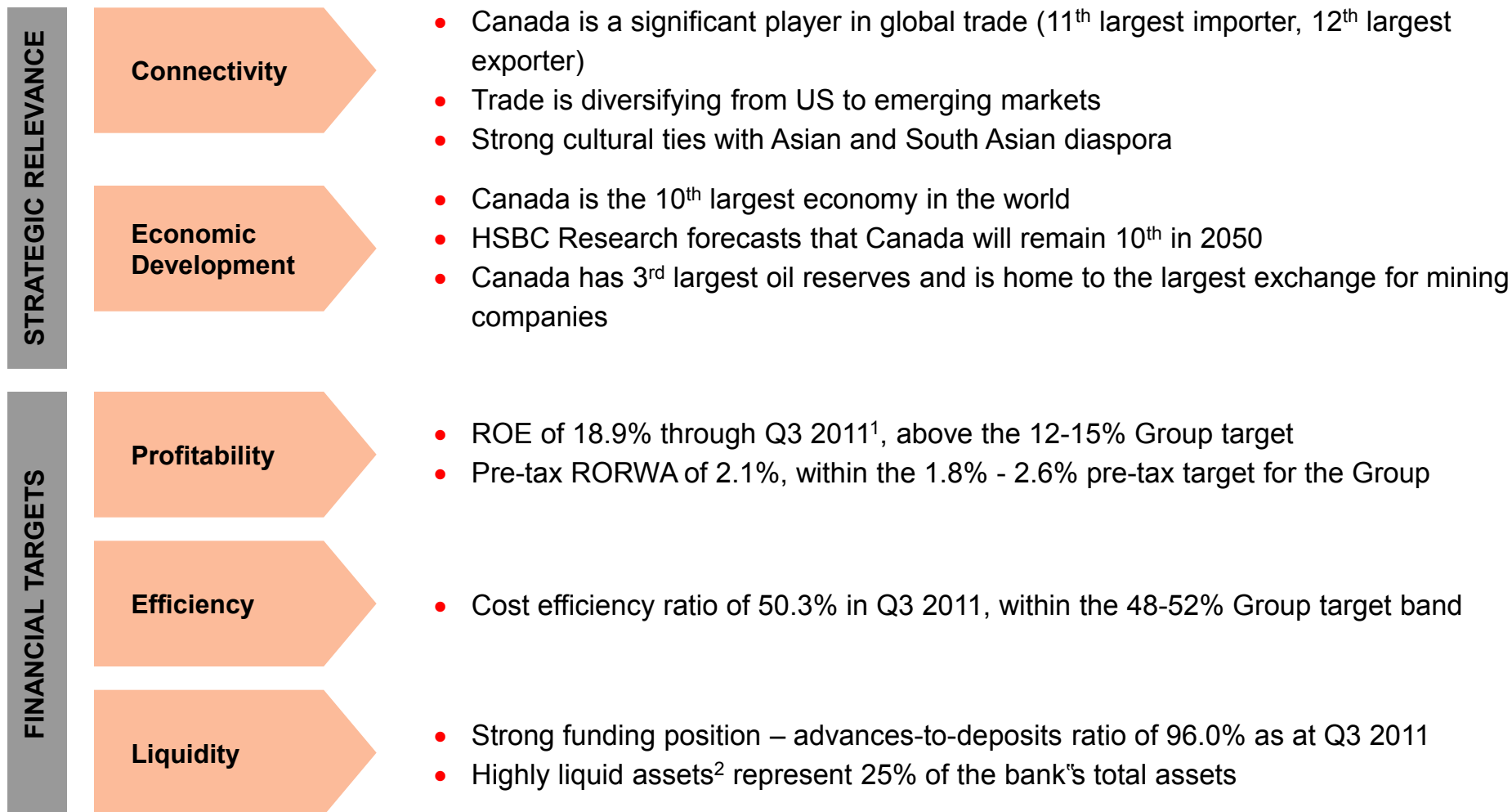
HSBC Trust Company (Canada)

Trust services

HSBC Financial Corporation Limited

Consumer loans

HSBC's 5 Strategic Filters – Canada's Place



Source – HSBC Bank Canada Q3 2011 Interim Report

Notes:

(1) Post-tax ROE, annualized and based on average common shareholder's equity for the period

(2) Financial instruments classified as available-for-sale and which are not subject to repledge or resale by counterparties



Strategic Update

To be the leading international financial services company in Canada – no Canadian bank has HSBC's international network, no international bank has HSBC's Canadian presence

Global Banking & Markets

- Global partner for global clients
- Local products distributed globally; global products distributed locally
- Focused effort to distribute market solutions to a growing commercial banking base
- Build deeper relationships with globally-minded institutional clients
- Redeploy staff to fit growth opportunities

Commercial Banking

- A leading international bank for business in Canada
- Significantly increasing presence in Ontario and Quebec
- Ranked Best Bank for Small Business in 2010 by the Canadian Federation of Independent Business¹
- PCM rated best Canadian money manager by *Euromoney*²

Retail Banking & Wealth Management

- A leading international bank in Canada serving internationally minded, mass affluent
- Focus on driving value through continued promotion of international wealth management capabilities
- Maintain focus on target populations, e.g. Asian diaspora

Source – HSBC Bank Canada Q3 2011 Interim Report
HSBC Bank Canada Annual Report and Accounts 2010

Notes:

(1) Canadian Federation of Independent Business (CFIB). *Banking on Better Service*. April 2010

(2) 2011 Euromoney Cash Management Survey



HSBC Bank Canada Financial Performance 9M11



Financial overview

Reported results – strong and consistent profits

IFRS – CAD(m)	9M10	9M11	% Change
Net operating income ¹	1,933	1,923	(1)
Loan impairment charges ²	(244)	(143)	+41
Operating expenses	(987)	(1,013)	(3)
Associates and joint ventures	4	4	n/a
Profit before tax	706	771	+9

Source – HSBC Bank Canada Q3 2011 Interim Report

Notes:

(1) Before loan impairment charges and other credit risk provisions

(2) Loan impairment charges and other credit risk provisions

All businesses profitable

Profit before tax

IFRS - CAD(m)	9M10	9M11	% Change
Commercial Banking	422	422	0
Global Banking and Markets	174	207	+19
Retail Banking and Wealth Management	54	81	+50
Consumer Finance	48	44	-8
Other ¹	8	17	+113
Total	706	771	+9

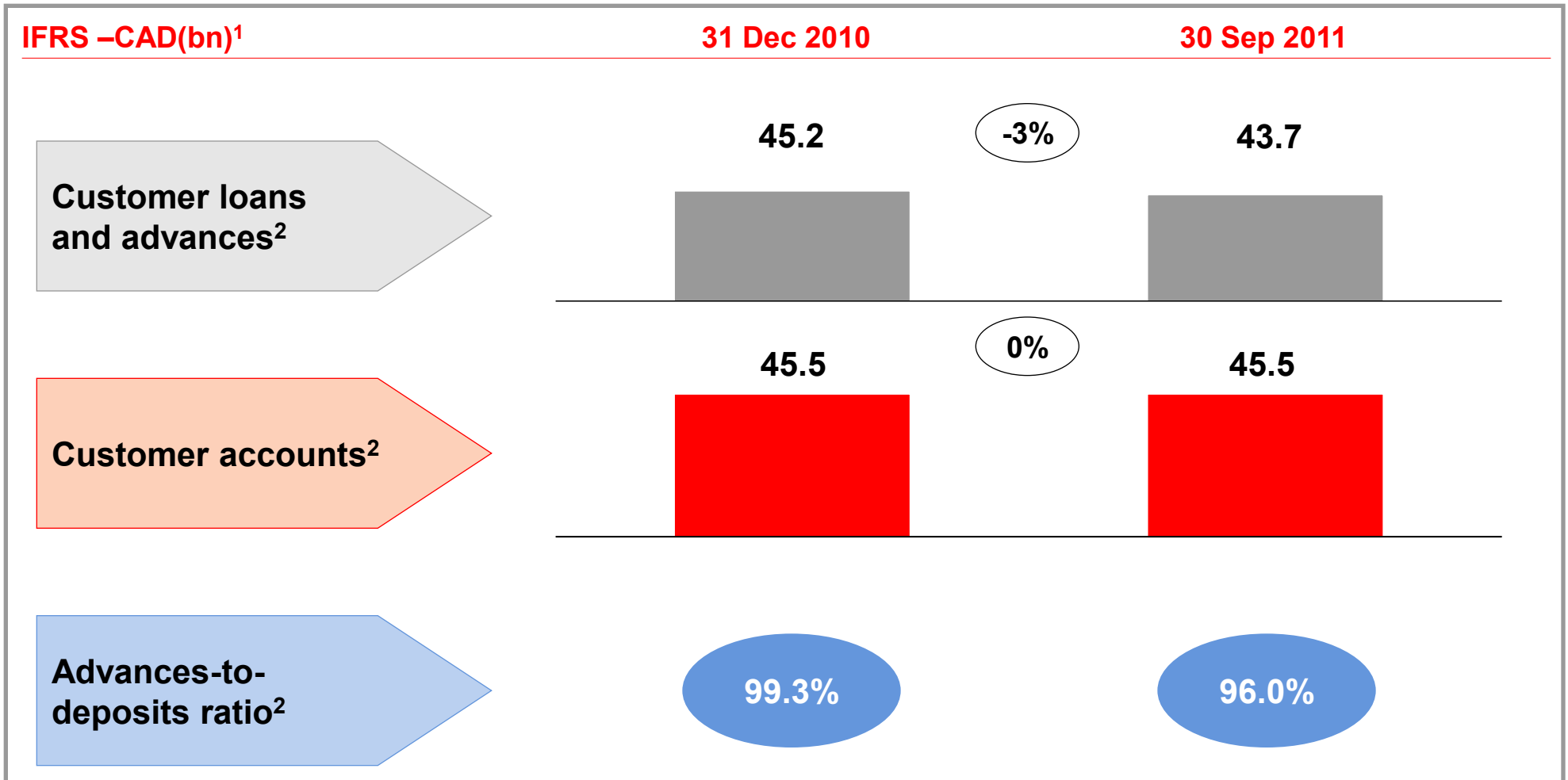
Source – HSBC Bank Canada Q3 2011 Interim Report

Notes:

(1) The increase relates to net gains from financial instruments designated at fair value

Customer lending and funding

Funding strength supports customer lending growth



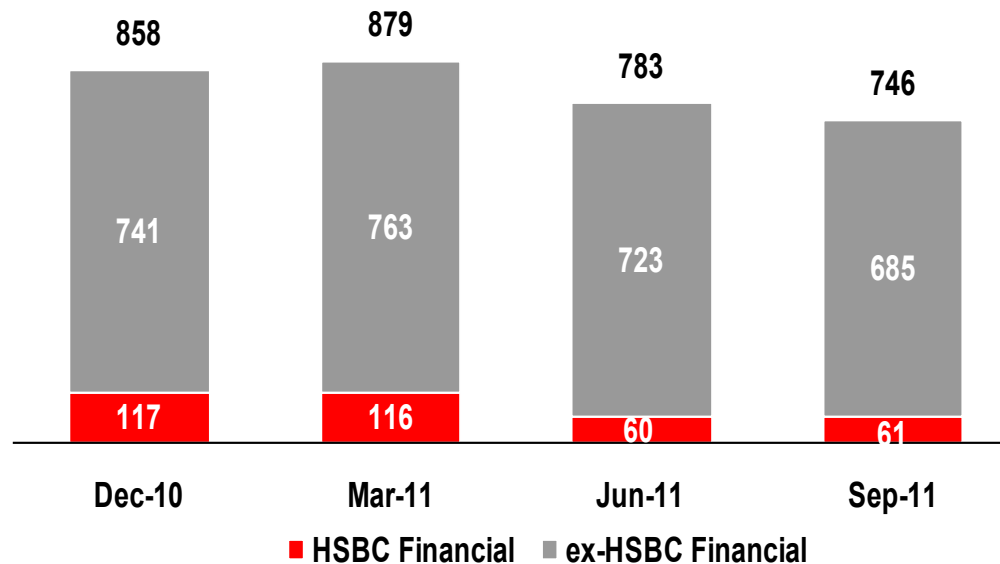
Source – HSBC Bank Canada Q3 2011 Interim Report
 Notes:
 (1) Reported basis
 (2) Excludes customer liability under acceptances

HSBC Bank Canada – Strong credit quality

- Improving trend in impaired credit exposures
- Impaired credit exposures have decreased by 13% from CAD858 million in 2010 to CAD746 million as at September 30th 2011

Impaired Credit Exposures²

IFRS - CAD(m)



Impaired credit exposures as a percentage of gross loans and advances¹

	Dec-10	Mar-11	Jun-11	Sep-11
Total	1.8%	1.8%	1.6%	1.6%
ex-HSBC Financial	1.6%	1.7%	1.6%	1.5%

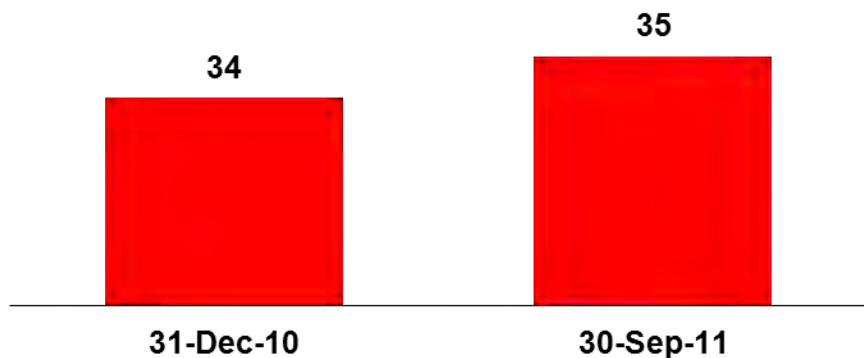
Source – HSBC Bank Canada 2011 Interim Reports

Note:

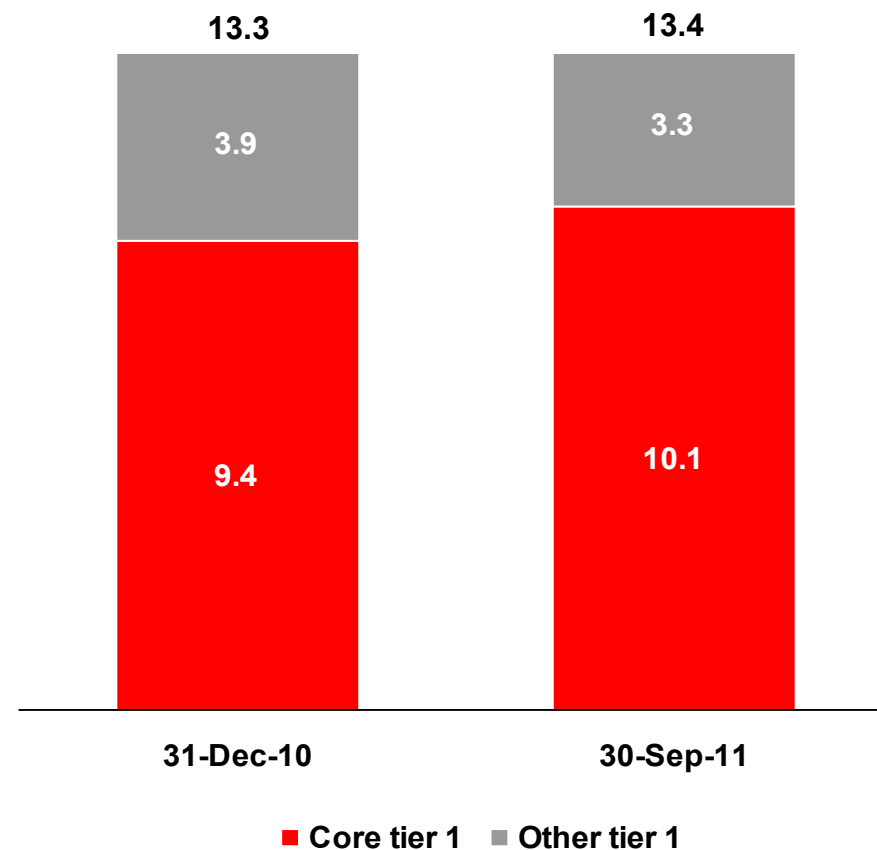
(1) Including customer liability under acceptances

Further strengthening the capital base

Risk-weighted assets CAD(bn)



Tier 1 ratio¹ (%)



Source – HSBC Bank Canada Q3 2011 Interim Report

Notes:
 (1) Calculation based on Canadian GAAP

HSBC Bank Canada

- ✓ Core component of HSBC strategy, bridging developed and emerging markets
- ✓ Focused on redeploying assets for growth – sale of retail brokerage division
- ✓ Resilient profit history, even through credit crisis
- ✓ Favourable credit loss provisions
- ✓ Low cost base with highly engaged workforce – a Top 10 company for young employees
- ✓ Strong balance sheet and liquidity
- ✓ Robust leverage and capital ratios (including core)
- ✓ AA long term ratings from DBRS, AA- from Standard & Poor's
- ✓ Unique international business proposition

The HSBC Group



Why should you own HSBC?

Distinctive position

- Network of countries relevant for international connectivity
- Access and exposure to high growth markets and businesses
- Strong balance sheet generating resilient stream of earnings

Strategy

- International connectivity; markets & businesses
- Wealth creation; relevant & profitable markets

Execution focus

- Capital deployment; five filters & turnaround actions
- Cost efficiency; sustainable cost saves & simplification
- Growth: faster growing markets; wealth opportunity; intra-group connectivity

Financial targets

Basel III Core Tier I ratio	9.5-10.5%	Strong capital generation
Return on Equity over the cycle	12-15%	1.8-2.6% pre-tax RoRWA
Cost Efficiency ratio by 2013	48-52%	Sustainable cost saves

Progress on strategy

To become the world's leading international bank...

Key execution elements

Capital deployment

Cost efficiency

Growth

Achievements

- 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 Latin America 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

Key Trends for North America

Why does HSBC need to be in North America?

Overview

- US and Canada accounted for 26% of world GDP in 2010
- International trade hubs with c.11% of global exports and c.15% of global imports
- Ranked #4 (US) and #10 (Canada) on the Global Competitiveness Index 2010-2011
- Significant FDI flows into region (ranked #2 worldwide)
- US is the largest wealth management market in the world with a wealth pool of USD \$29tn

Long-term trends

Economic relevance

- The region remains materially relevant: In 2050, the combined GDP forecast for US and Canada is comparable to mainland China
- By 2020, North America will account for 25% of global banking profit pools and 10% of total trade growth

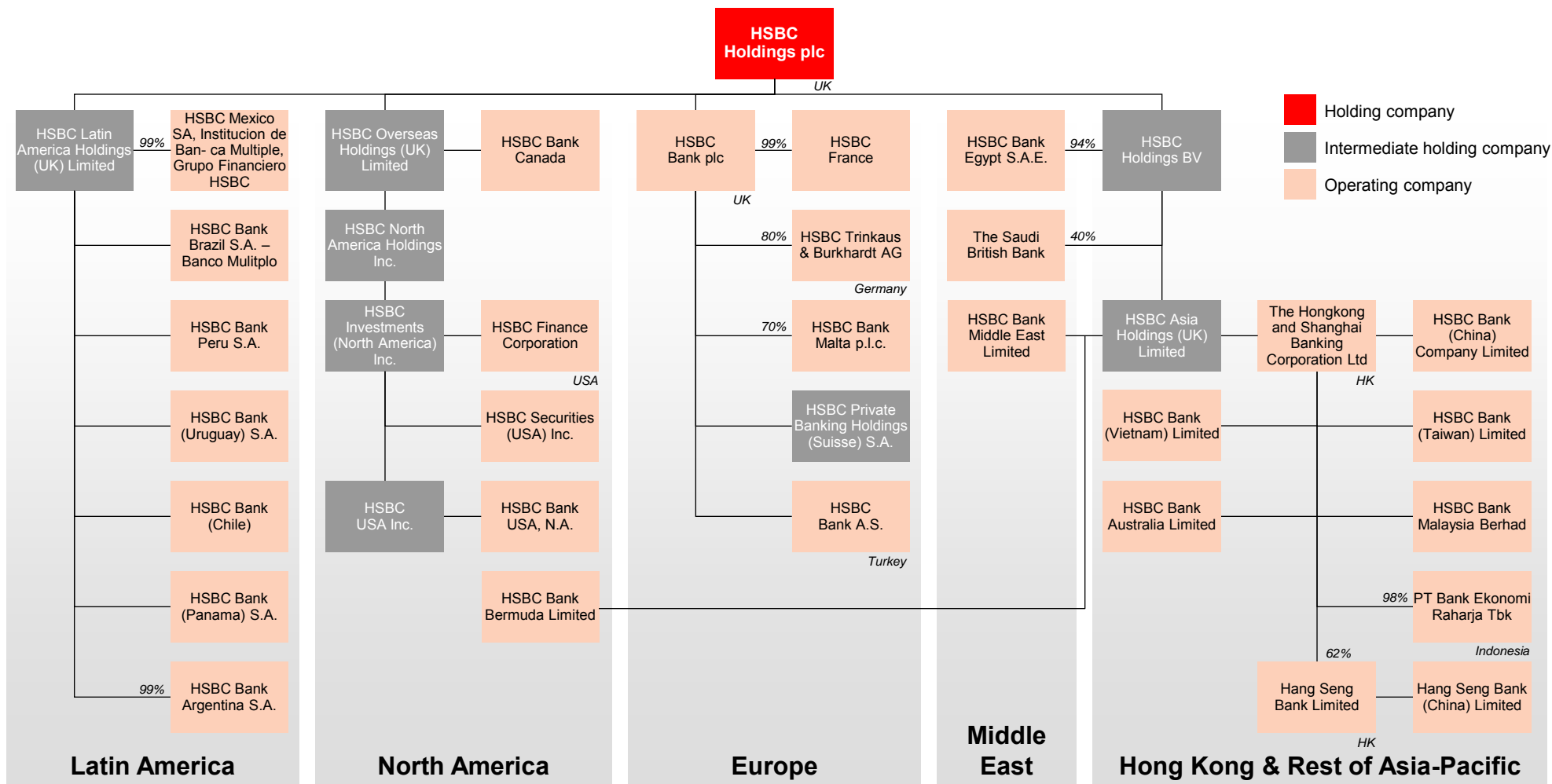
International connectivity

- Asian population to increase to c.10% of total US population by 2050
- North America will continue to be a dominant player in world trade

Wealth

- Continued sizeable growth of wealth market expected
- In 2050, GDP per capita in US / Canada will be three times greater than in mainland China

Global Organizational Chart



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

HSBC Holdings Financial Performance 9M11



Financial overview

Reported results

USD(m)	9M10	9M11	% Change
Net operating income ¹	50,925	55,641	+9
Loan impairment charges ²	(10,669)	(9,156)	+14
Operating expenses	(27,489)	(30,379)	(11)
Associates and joint ventures	1,862	2,523	+35
Profit before tax	14,629	18,629	+27
Effect of changes in own credit spread on fair value of long term debt	(140)	(3,972)	n/a
Adjustments ³	230	(263)	n/a
Underlying profit before tax	14,719	14,394	(2)

Source: HSBC Holdings plc – Q3 Interim Management Statement

Notes:

(1) Before loan impairment charges and other credit risk positions

(2) Loan impairment charges and other credit risk provisions

(3) For foreign currency translation and acquisitions and disposals

All regions and businesses profitable

Profit before tax

USD(m)	Latin America	North America	Europe	Middle East ¹	Hong Kong	Asia-Pacific ²	Total
Commercial Banking	713	756	1,359	425	1,216	1,674	6,143
Global Banking and Markets	840	738	493	509	940	2,297	5,817
RBWM ³	590	(2,047)	1,070	188	2,263	1,286	3,350
Private Banking	14	83	469	-	156	78	800
Other	(242)	811	1,711	30	(206)	415	2,519
Total	1,915	341	5,102	1,152	4,369	5,750	18,629

Source - HSBC Holdings plc 2011 Interim Management Statement

Notes:

(1) Middle East and North Africa

(2) Rest of Asia Pacific

(3) Retail Banking and Wealth Management

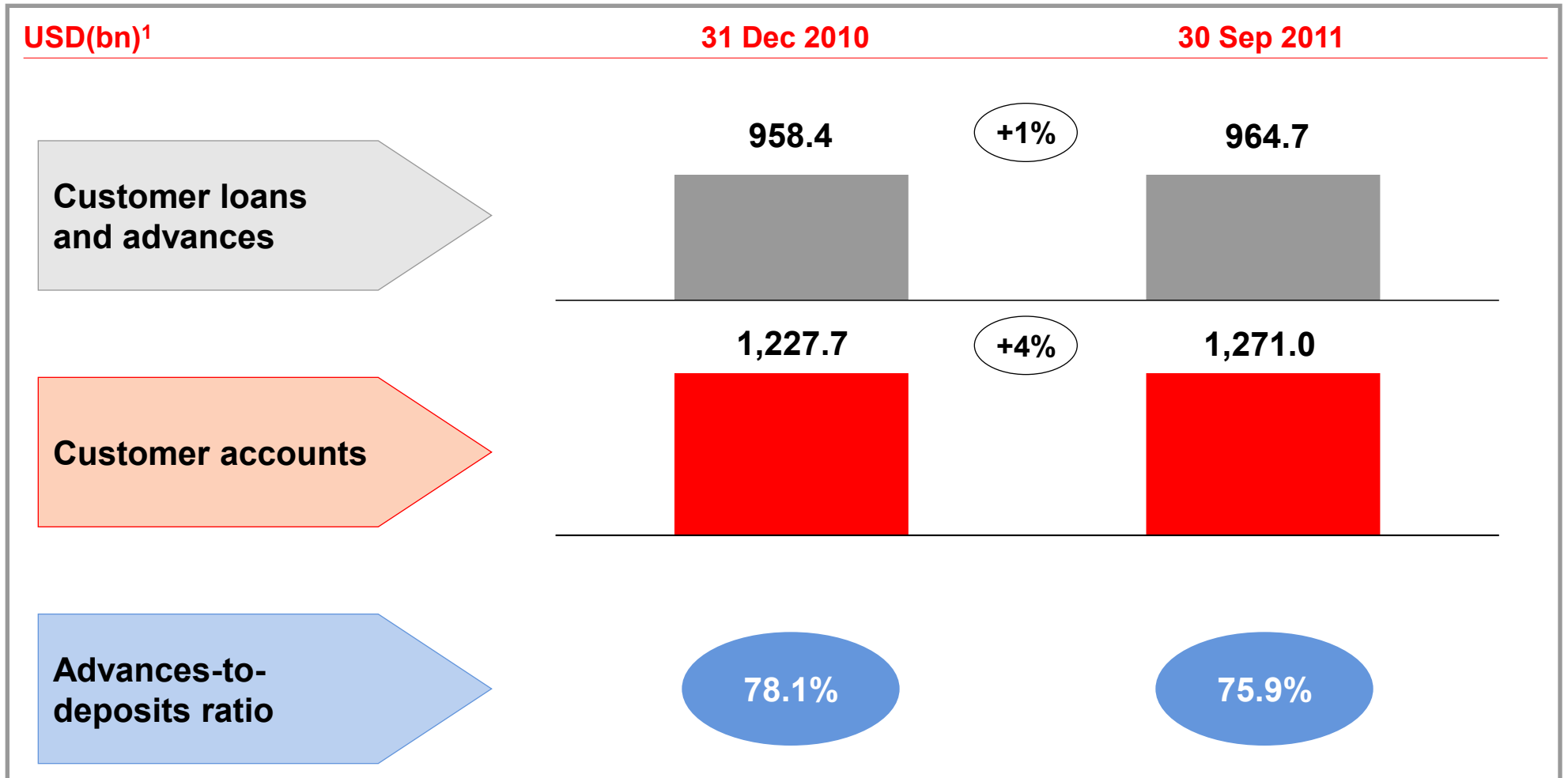
Exposure to selected eurozone countries

30 September 2011

USD(bn)	Greece	Ireland	Italy	Portugal	Spain	Total
Sovereign and Agencies	0.7	0.2	2.5	0.6	1.5	5.5
Banks	0.6	1.8	2.8	0.4	2.6	8.2
Total	1.3	2.0	5.3	1.0	4.1	13.7
Total off balance sheet exposures	0.2	-	0.2	-	1.5	1.9

Customer lending and funding

Funding strength supports customer lending growth



Source – HSBC Holdings plc 2011 Interim Management Statement
 Notes:
 (1) Reported basis

Remaining resilient with a strong balance sheet

