



Resilience in a challenging climate

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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 2011 and Interim Report 2012. 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

- The external environment
- HSBC's position
- Performance
- Progress against strategic direction
- Exposure to Eurozone
- Concluding remarks

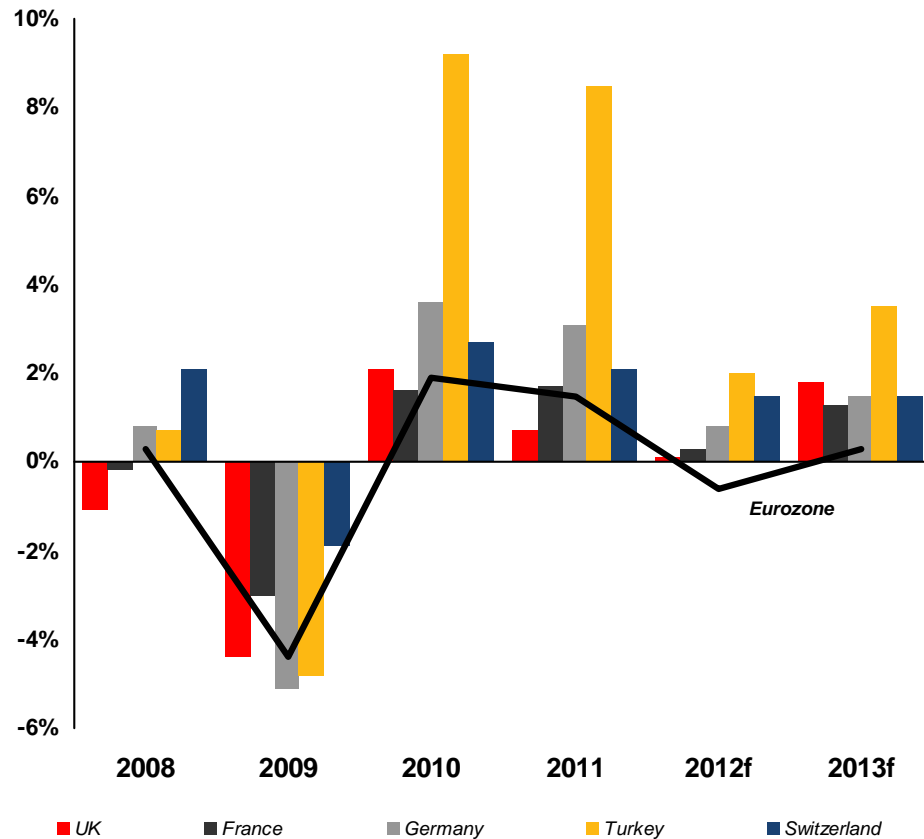
The external environment



Challenging environment

Europe's economic outlook remains uncertain and fragile

GDP growth



- The Eurozone's economy has stagnated despite lower commodity prices and a weaker euro – recovery is dependent on a global upturn
- The stresses relating to the sovereign debt crisis and the health of the financial sector continued; up to EUR100bn has been offered to recapitalise the Spanish banks
- Growth in the Eurozone is expected to remain well below the historic trend for the next two years
 - GDP is forecast to fall by 0.6% in 2012
 - Clear divergences in growth are expected between Northern vs. Southern Europe
- The UK economy experienced a third consecutive quarterly contraction
 - The uncertainty surrounding the Eurozone continues to constrain the spending of UK firms and individuals
 - Only the slightest growth (+0.1%) is forecast for 2012
- Any improvement in Europe in 2013 is expected to be contingent on stimulus elsewhere in the world, and thereby an upturn in trade

Source: HSBC Research – Eurostat, National Statistics Offices, Thomson Financial Datastream and HSBC estimates

Challenging environment

Pace and quantum of regulatory pressure

Increasingly intensive and intrusive supervision by regulators¹

Higher capital ratios, increased capital quality and RWA increases from Basel III

Liquidity standards and central counterparty infrastructure

Global co-ordination of Recovery and Resolution Plans

New regulatory and supervisory frameworks in the UK

Individual regulators have their own additional capital requirements

Expansion of the UK Bank Levy

Financial stability and structure debate: ring-fencing in UK, Liikanen in EU

HSBC will continue to navigate the changes and challenges presented

We are formulating and implementing global standards to ensure our conduct matches our values

We will adopt and enforce the highest standards required in any part of the business to every part of the business

(1) e.g. the UK, FSA Business Plan

HSBC's position



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HSBC's strengths and capabilities

Well positioned to face the challenges ahead



HSBC Vision

Being the world's leading international bank

Purpose	We enable businesses to thrive and economies to prosper, helping people fulfil their hopes and dreams and realise their ambitions	<i>Reason why we exist</i>
Values	Act with courageous integrity <ul style="list-style-type: none">• Dependable and do the right thing• Open to different ideas and cultures• Connected to customers, regulators and each other	<i>How we behave and conduct business</i>
Strategy	<ul style="list-style-type: none">• International network connecting faster growing and developed markets• Develop Wealth and invest in Retail only in markets where we can achieve profitable scale	<i>Where and how we compete</i>
Outcome	Being the world's leading international Bank	 Delivering consistent returns: <ul style="list-style-type: none">• 50% of earnings retained• 35% to shareholders as dividends• 15% variable pay

Performance



Interim results 2012

Group performance highlights

Profit before tax

- Reported profit before tax USD12.7bn, up 11% on 1H11
- Underlying¹ profit before tax USD10.6bn, down 3% on 1H11
- Reduced by provisions for UK customer redress USD1.3bn and US law enforcement and regulatory matters USD0.7bn

Simplifying and restructuring the business

- A further 19 transactions announced since the beginning of this year, 36 since beginning of 2011
- Costs of USD21.2bn, included notable items of USD2.6bn (1H11: USD0.6bn)
- Sustainable costs savings of USD0.8bn helped fund business growth and strengthening of compliance infrastructure

Return on equity

- RoRWA² 1.8%; excluding run-off portfolios³ and Card and Retail Services, underlying RoRWA¹ 2.3%
- RoE⁴ 10.5%
- Focused on hitting target RoE range of 12-15% by 2013

Continued to generate capital

- Profit attributable to ordinary shareholders USD8.2bn
- Core tier 1 ratio 11.3%, up from 10.1% at 31 December 2011

(1) Underlying basis eliminates effects of: foreign currency translation differences; acquisitions, disposals and changes in ownership levels of subsidiaries, associates and businesses; and changes in fair value ("FV") due to movements in credit spread on own long-term debt issued by the Group and designated at fair value

(2) Calculated using reported average RWAs

(3) Run-off portfolios include: legacy credit in GBM; the US CML portfolios and the related treasury operations

(4) Return on average ordinary shareholders equity

Interim results 2012

Europe financial highlights

Financial results

USDm	1H11	2H11	1H12	% Better / (Worse)	
				1H12 vs 1H11	1H12 vs 2H11
Revenue	11,340	12,906	9,667	(15)	(25)
Loan Impairment Charges ¹	(1,173)	(1,339)	(1,037)	12	23
Operating Expenses ²	(8,014)	(9,055)	(9,289)	(16)	(3)
Other ³	(6)	12	(8)	(33)	n/a
Reported Profit before tax	2,147	2,524	(667)	n/a	n/a
Underlying Profit before tax⁴	2,107	(480)	938	(55)	n/a

Financial targets

%	1H11	2H11	1H12	KPI
Reported RoRWA	1.4	1.6	(0.4)	1.3 – 1.8
Underlying RoRWA ⁵	1.3	(0.3)	0.6	
Reported cost efficiency ratio ⁶	70.7	70.2	96.1	48 – 52
Underlying cost efficiency ratio ⁶	70.3	91.6	82.4	
Advances-to-deposits ratio ⁶	88.6	88.0	84.1	< 90

(1) Including other credit risk provisions

(2) Operating expenses include significant one-off notable items detailed in the Interim Report 2012

(3) Share of profit/(loss) in associates and joint ventures

(4) On a constant currency basis and excluding adverse fair value movements due to change in credit spread's on Group's own debt of USD1.6bn in 1H12 (1H11: USD71m, 2H12: favourable movement of USD3.0bn)

(5) Calculated using underlying pre-tax return and reported average RWAs at constant currency

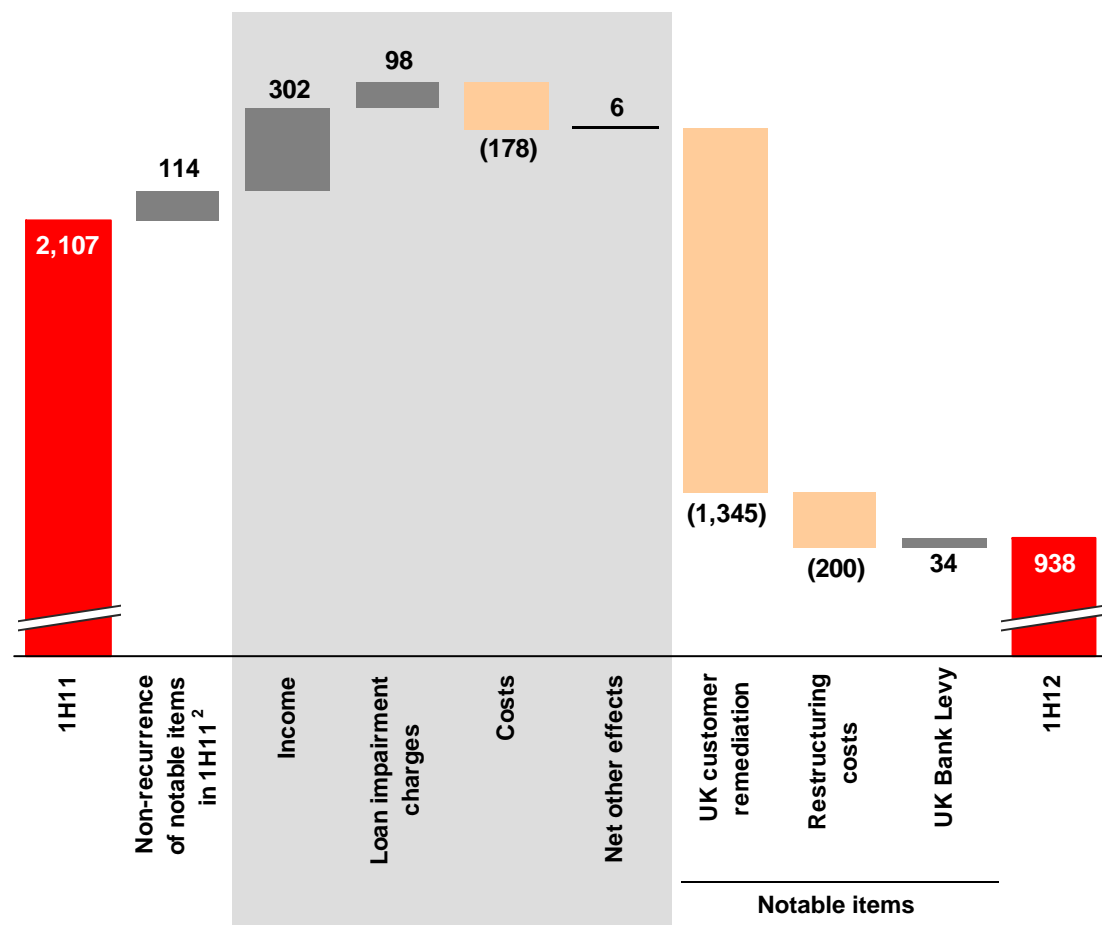
(6) KPI represents HSBC Group target

Europe performance

Resilient performance given the economic and regulatory headwinds

Underlying PBT¹ movements

USDm



- Underlying PBT USD938m, 55% lower than 1H11; includes significant one-off notable items of USD1,511m, including:
 - Additional provision of USD1,345m in respect of UK customer redress programmes, including the possible mis-selling of PPI policies (USD1,005m) and interest rate protection products (USD237m)
 - Restructuring costs of USD200m, primarily in the UK
- Improvements in income and LICs were offset by higher costs largely from an increase in GBM performance-related costs reflecting the increase in net operating income in 1H12 exacerbated by the notable items
- Underlying RoRWA 0.6% significantly impacted by the notable items referred to above totalling USD1,511m

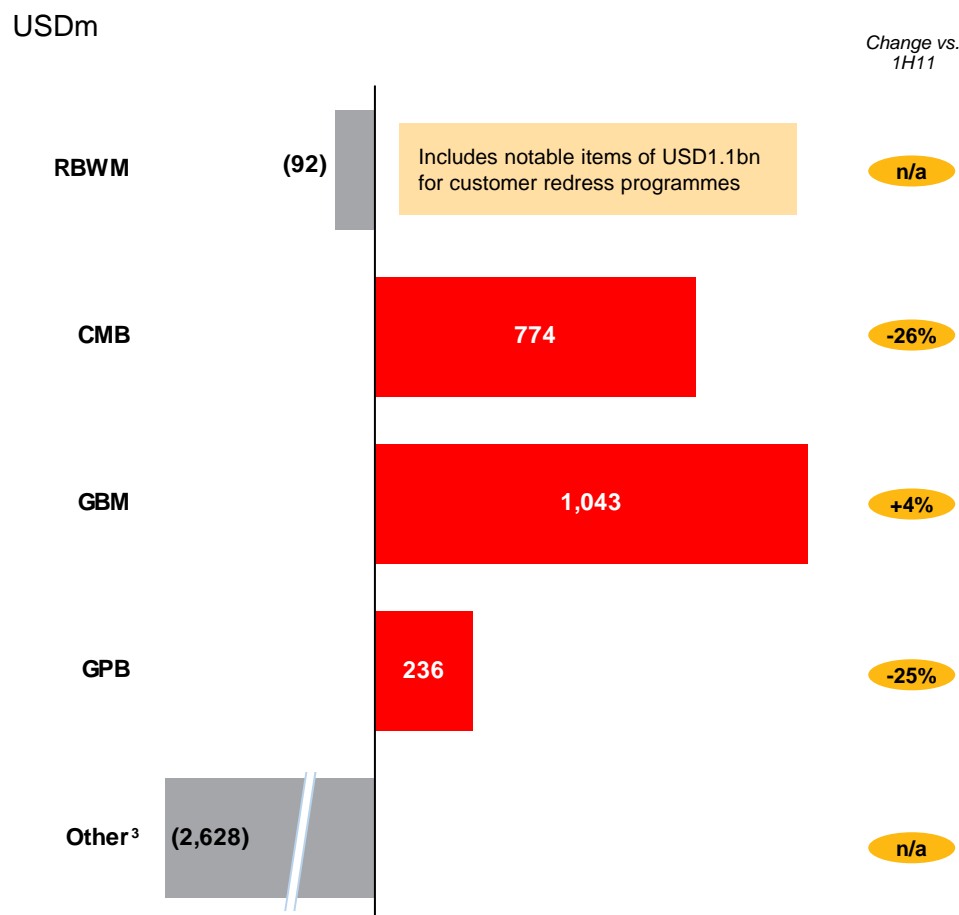
(1) Adjusted for fair value movements due to change in credit spread's on Group's own debt and constant currency
 (2) Net effect of notable items

Europe performance

Well balanced regional business

- Results for RBWM and CMB were impacted significantly by the notable items, largely the provisions taken for customer redress programmes
- Excluding these notable items, Europe's performance was well balanced across the Global Business lines
- GBM's reported PBT grew 4%, benefitting from the focus on cross-border initiatives and driven by revenue growth in Rates, FX and Balance Sheet Management
- The "Other" business line – which covers unallocated transactions and costs, including costs associated with HSBC's holding company¹ – was impacted by the adverse movement in the fair value of own debt of USD1.6bn

PBT by Global Business²



(1) "Other" contains the results of certain property transactions, unallocated investment activities, centrally held investment companies, movements in fair value of own debt, central support and functional costs with associated recoveries, HSBC's holding company and financial operations

(2) On a reported basis

(3) Includes adverse fair value movements due to change in credit spread's on Group's own debt of USD1.6bn in 1H12 (1H11: USD71m)

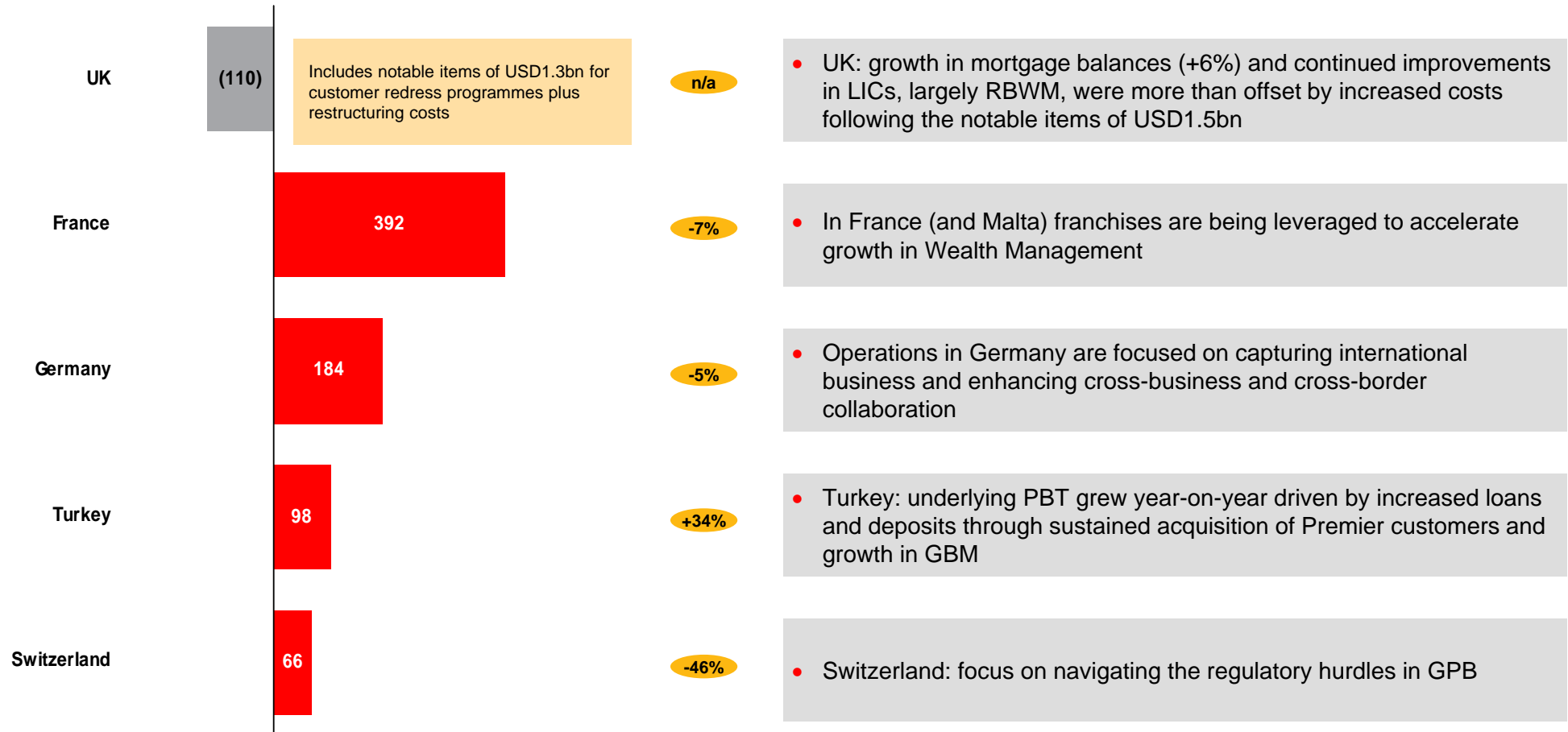
Europe performance

Clear geographical focus

PBT¹ by country highlights

USDm

Change vs.
1H11



(1) On an underlying basis

Progress against strategic direction



Europe report card

Delivering the Group's strategy

Key executions

Progress in 1H12

Simplify

- Progressed organisational effectiveness programmes; implementation of target operating models on-track
- Achieved circa USD280m of sustainable cost savings in 1H12 with a reduction in headcount of c.3,700 FTEs since 30JUN11

Restructure

- Reduced fragmentation in our European portfolio, disposing of non-core businesses
- Actions underway in GBM to address structural challenges
- Repositioning elements of GPB business model for growth and the regulatory challenges

Grow

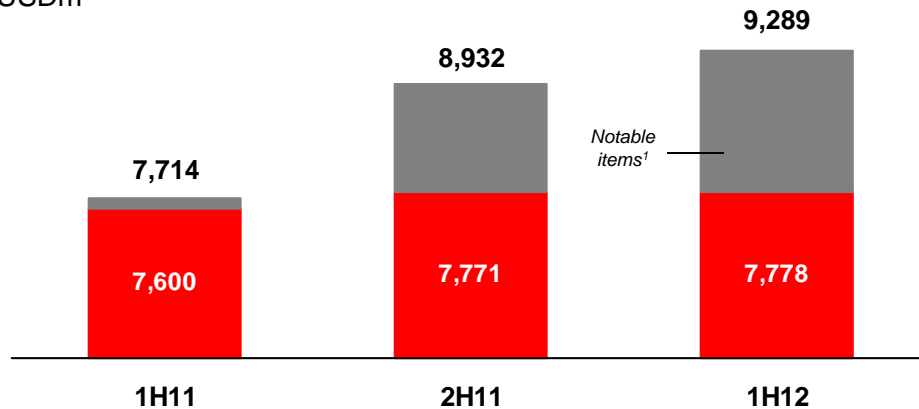
- Focus on priority of UK, France, Turkey, Germany and Switzerland
- Continued development in Wealth Management, targeting the mass affluent market
- Investment in international CMB capabilities and business growth (Turkey and Germany)
- Strong and increasing collaboration between Global Businesses

Simplify

Delivering operational efficiencies

Underlying operating expenses (constant currency)

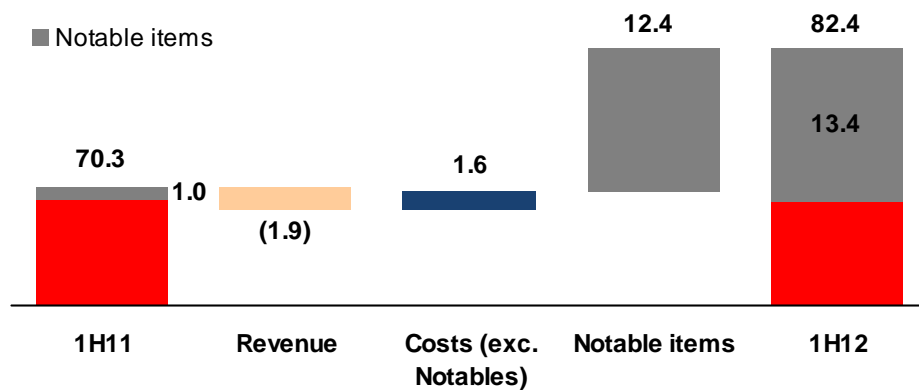
USDm



- Costs have been significantly impacted by notable items¹ (1H12: USD1.5bn); excluding these, costs were marginally higher than 1H11 and flat compared to 2H11
- Delivered circa USD280m of sustainable cost savings in 1H12 (c.35% of Group) in addition to circa USD300m delivered in 2011, funding investment
- Continual reduction in headcount since 30JUN11; further restructuring of operations underway in the UK (c.2,200 FTEs, announced 26APR12) and France (c.700 FTEs)

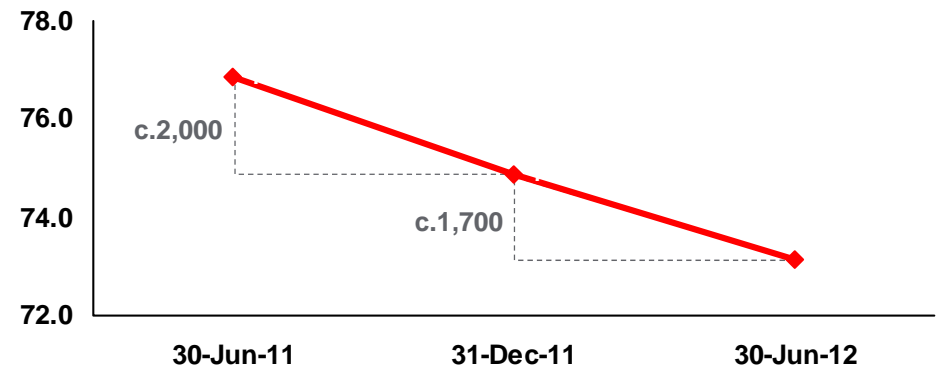
Underlying CER movement (constant currency)

%



Sustained reduction in headcount

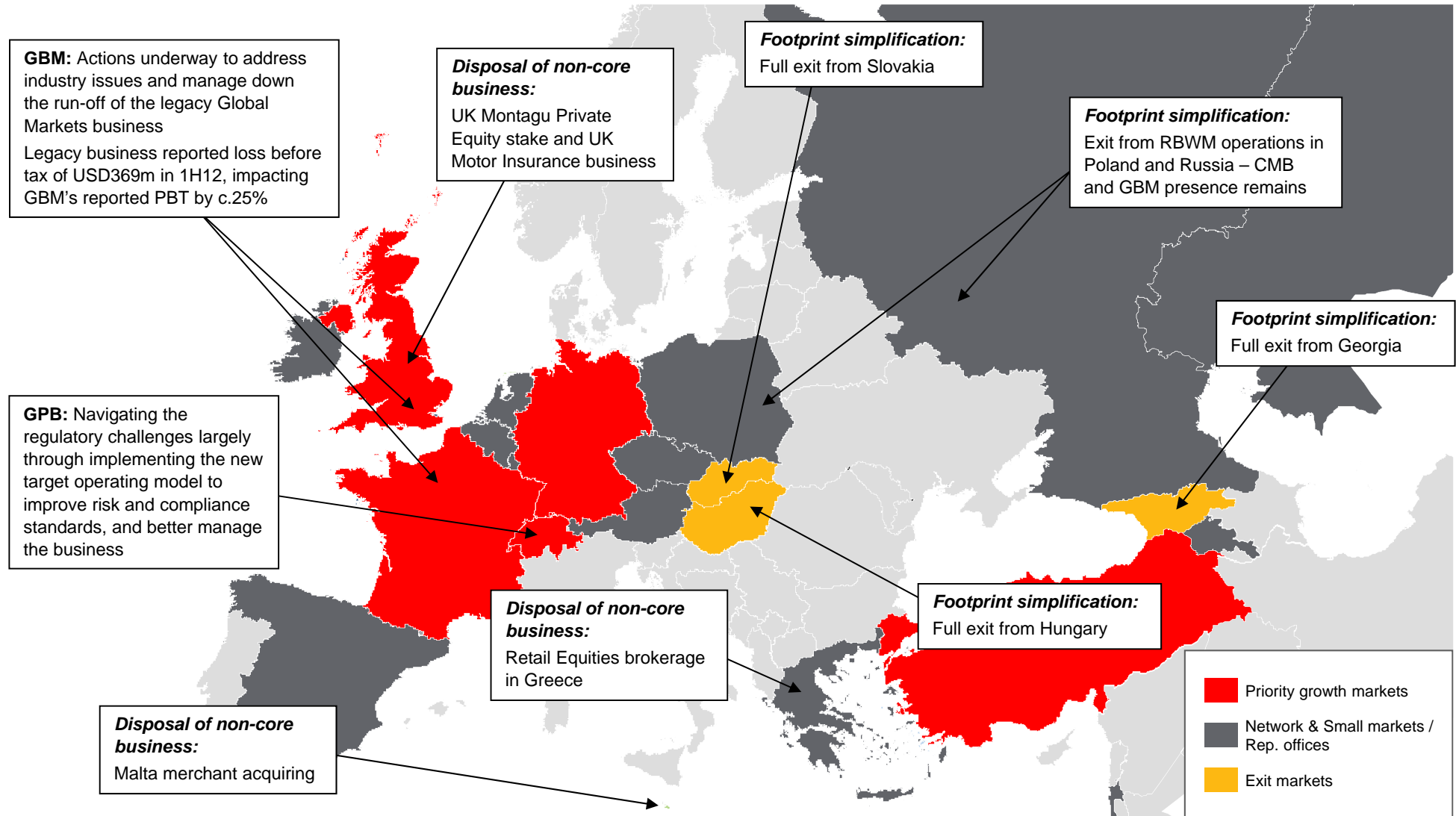
FTEs (000s)



(1) Notable items as per HSBC Holdings plc Interim Report 2012

Restructure

Actions taken to re-focus HSBC's European footprint



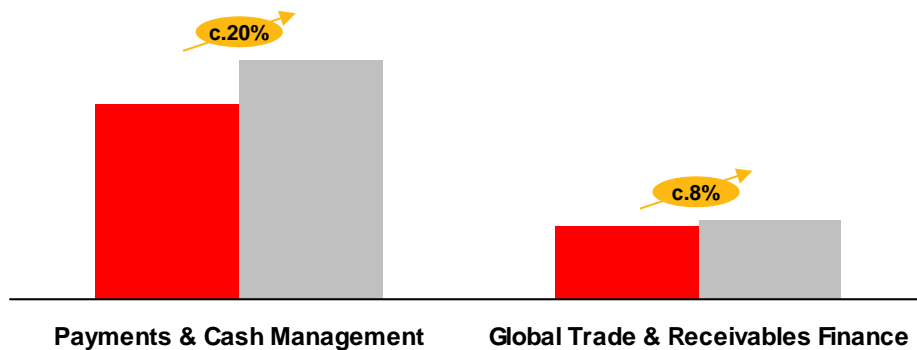
Grow

Focus on priority growth markets

- Sustained acquisition of quality Premier customers, particularly in Turkey driving growth in asset and deposit balances and margins
- Delivered strong growth in UK mortgage balances (+6%), with a share of new mortgage lending of 11% in 1H12
- Significant benefits realised from investment in international commercial managers in the UK – average revenues c.35% higher for IRMs versus RMs¹
- CMB's partnership with GBM delivered income growth of 12% (vs. 1H11) to more than USD370m, notably from foreign exchange products

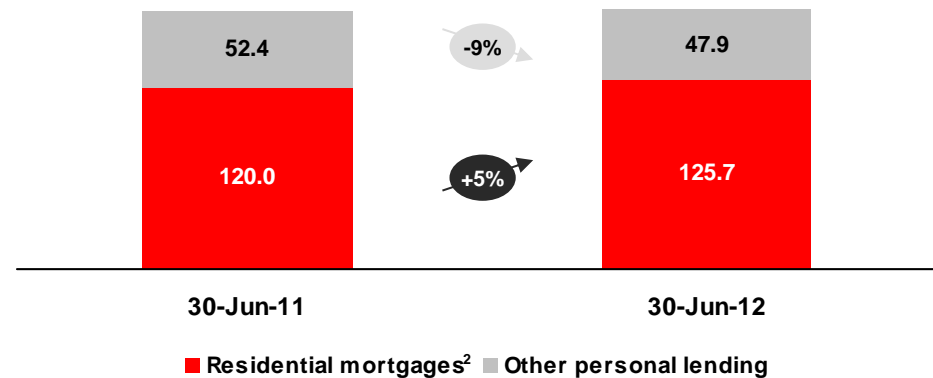
Targeted income growth in CMB

1H11 vs. 1H12



Solid mortgage growth, unsecured paid down

Gross lending to personal customers, USDbn



A key part of the Group's collaboration strategy

Global total collaboration in the medium term, Revenues USDbn



(1) International SME model. Average revenue per customer – Aug YTD 2012. IRM - International Relationship Manager; RM – Relationship Manager
 (2) First lien residential mortgages

Exposure to Eurozone



Continued de-risking

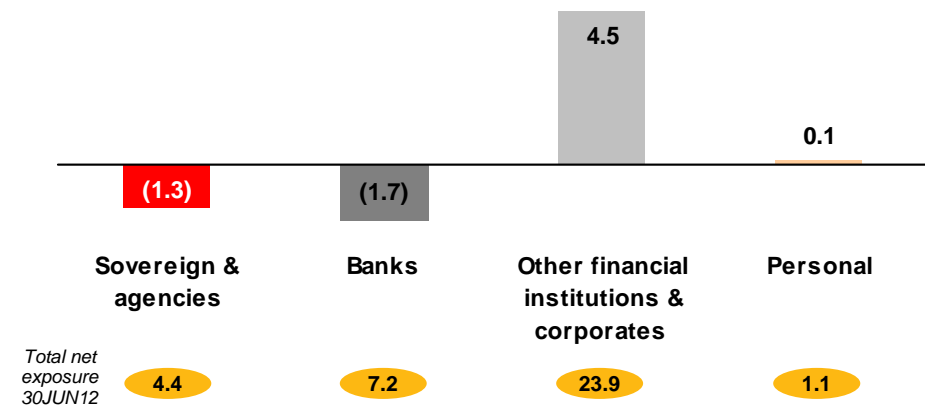
Actively managing the European portfolio

- Total net exposure to peripheral Eurozone countries amounted to USD37.1bn at 30JUN12
- Continued reduction in overall net exposure to sovereign, agencies and banks¹
 - Sovereign and agency debt exposure was USD1.3bn lower than at the end of 2011 and USD2.5bn lower than 2010
 - Bank exposure was USD1.7bn lower than at 31DEC11
 - Active reduction in exposures to counterparties in the Eurozone that had sovereign and/or bank exposures to the peripheral countries
- Increases in exposures were largely to internationally active or multinational companies with significant operations outside of these countries and therefore carry a lower risk
- In addition, on-balance sheet exposure to other Eurozone countries² was reduced by USD9bn from DEC11
 - exposure levels to France and Germany are commensurate with the size of HSBC's operations in these countries
- Contingency plans are in place to cover different exit scenarios from the Eurozone, including contagion and potential redenomination risks

(1) Spain, Ireland, Italy, Greece and Portugal only; excludes Cyprus
 (2) France, Germany and The Netherlands

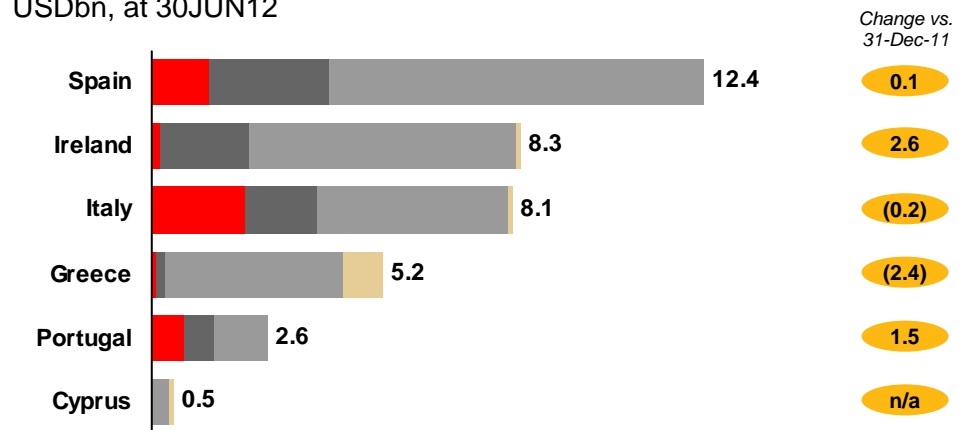
Movement in total net exposure DEC11 to JUN12

To peripheral Eurozone countries¹, USDbn



Total net exposure by peripheral Eurozone country

USDbn, at 30JUN12



Concluding remarks



Outlook and conclusions

Resilience in a challenging climate

Navigating the economic and regulatory environment

- Continue to monitor the Eurozone and actively manage exposure
- Adapt to the changing regulatory landscape

Implementing our strategy

- Consolidating existing strong positions (focus on UK, France, Germany, Turkey Switzerland)
- Leveraging connectivity (CMB, GBM, GPB)
- Driving RBWM in selected markets where we have scale
- Increasing operational efficiencies through portfolio rationalisation and sustainable cost savings

Building on strong competitive advantages

- Strong balance sheet
- Resilient and diversified business franchise
- Unique network connecting Mature and Faster Growing Markets
- Strong brand and customer focus

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