



HSBC Holdings plc  
Interim Results 2009

Presentation to Investors and Analysts

HSBC 

The world's local bank

## **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 Interim Report. Past performance cannot be relied on as a guide to future performance.**

# Financial results

First half, 2009

	Reported <sup>1</sup>	Reported, ex movements in FV on own debt <sup>2</sup>
▶ Profit before tax	US\$5.0bn, down 51%	US\$7.5bn, down 21%
▶ Attributable profit	US\$3.3bn, down 57%	US\$5.6bn, down 22%
▶ Earnings per share	US\$0.21, down 63%	
▶ Return on total shareholders' equity	6.4% compared to 12.1%	
▶ Tier 1 ratio	10.1%, vs 8.3% at end 2008 Core equity tier 1 ratio 8.8%	
▶ Dividends per share <sup>3</sup>	US\$0.16, down 56%	

Notes:

(1) Comparison of results against 1H08

(2) Excludes movements in fair value on own debt credit spreads ("movements in FV on own debt")

(3) In respect of 1H09

## **Consistently delivering results in difficult markets**

**Business performance broadly maintained and strengthened position in faster-growing markets**

**Capital strength boosted**

**Strong liability-led balance sheet**

**Costs down**

**Record profit before tax in Global Banking and Markets**

# Financial performance in first half 2009

# Financial overview

## Summary of reported results

US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges, ex movements in FV on own debt	38,651	36,461	37,198	-4	+2
Loan impairment charges and other credit risk provisions	(10,058)	(14,879)	(13,931)	+39	-6
Net operating income	28,593	21,582	23,267	-19	+8
Total operating expenses (ex goodwill impairment)	(19,613)	(18,922)	(16,658)	-15	-12
Associates and joint ventures	970	691	867	-11	+25
<b>Profit before tax (ex goodwill impairment and movements in FV on own debt)</b>	<b>9,950</b>	<b>3,351</b>	<b>7,476</b>	<b>-25</b>	<b>+123</b>
Goodwill impairment (North America PFS)	(527)	(10,037)	–	n/a	n/a
Movements in FV on own debt	824	5,746	(2,457)	n/a	n/a
<b>Profit before tax</b>	<b>10,247</b>	<b>(940)</b>	<b>5,019</b>	<b>-51</b>	<b>n/a</b>

# Financial overview

## Significant factors

US\$bn	1H08	2H08	1H09
Goodwill impairment (North America PFS)	(0.5)	(10.0)	–
Movements in FV on own debt	0.8	5.7	(2.5)
Global Banking and Markets trading write-downs	(3.9)	(1.5)	(0.8)
Debt securities impairments	(0.1)	(0.7)	(0.6)
Equity investment impairments	(0.3)	(0.7)	(0.3)
Sale of French regional banks	–	2.4	–
Madoff related charge (in equities business) <sup>1</sup>	–	(1.0)	–
<b><i>The US\$4.7bn charge relating to the offer of rights has been excluded to present a true and fair view</i></b>			

Note:

(1) Charge included in results for Global Banking and Markets

# Financial overview

Underlying growth, 1H09 vs 1H08

US\$m	1H08 <sup>1</sup>	1H09 <sup>2</sup>	% change
Net operating income before loan impairment charges	33,559	36,918	+10
Loan impairment charges and other credit risk provisions	(9,460)	(13,931)	+47
Net operating income	24,099	22,987	-5
Total operating expenses (ex goodwill impairment)	(17,169)	(16,658)	-3
Associates and joint ventures	996	867	-13
<b>Profit before tax (ex goodwill impairment and movements in FV on own debt)</b>	<b>7,926</b>	<b>7,196</b>	<b>-9</b>
Goodwill impairment (North America PFS)	(527)	–	n/a
Movements in FV on own debt	782	(2,457)	n/a
<b>Profit before tax</b>	<b>8,181</b>	<b>4,739</b>	<b>-42</b>

Notes:

(1) Restated for constant currency, acquisitions and disposals excluding movements in FV on own debt

(2) Restated for acquisitions and disposals, excluding movements in FV on own debt



# Financial overview

Underlying growth, 1H09 vs 2H08

US\$m	2H08 <sup>1</sup>	1H09 <sup>2</sup>	% change
Net operating income before loan impairment charges	31,648	36,918	+17
Loan impairment charges and other credit risk provisions	(14,359)	(13,931)	-3
Net operating income	17,289	22,987	+33
Total operating expenses (ex goodwill impairment)	(17,607)	(16,658)	-5
Associates and joint ventures	689	867	+26
<b>Profit before tax (ex goodwill impairment and movements in FV on own debt)</b>	<b>371</b>	<b>7,196</b>	<b>+1,840</b>
Goodwill impairment (North America PFS)	(10,037)	–	n/a
Movements in FV on own debt	5,620	(2,457)	n/a
<b>Profit before tax</b>	<b>(4,046)</b>	<b>4,739</b>	<b>n/a</b>

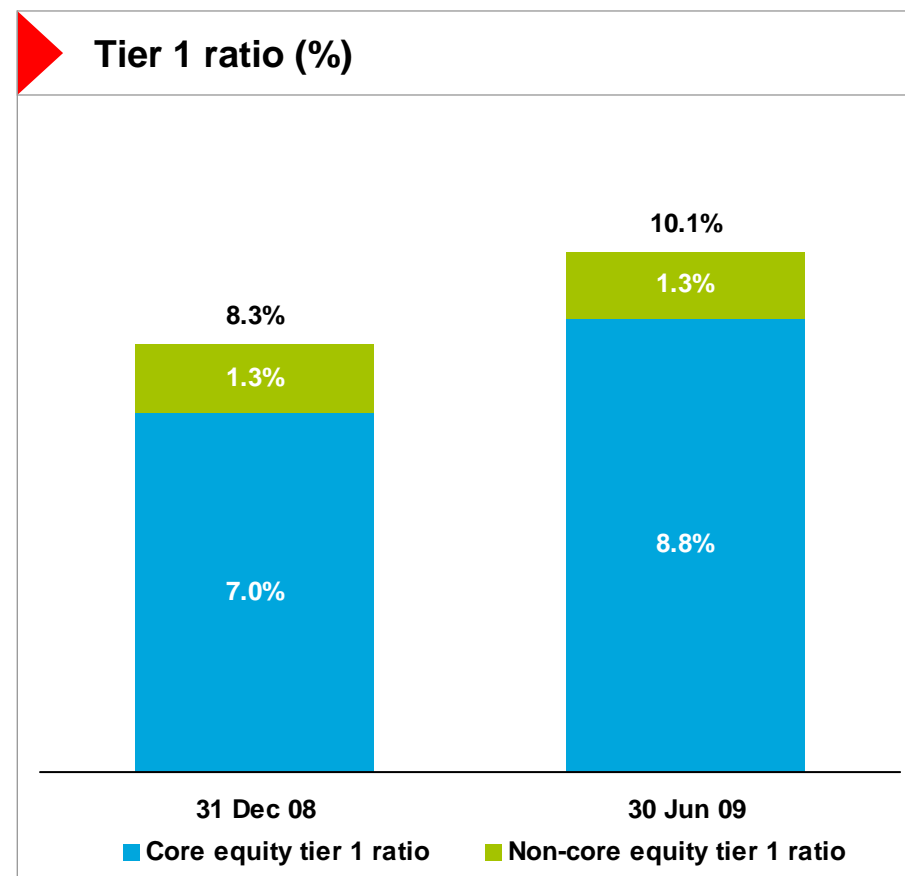
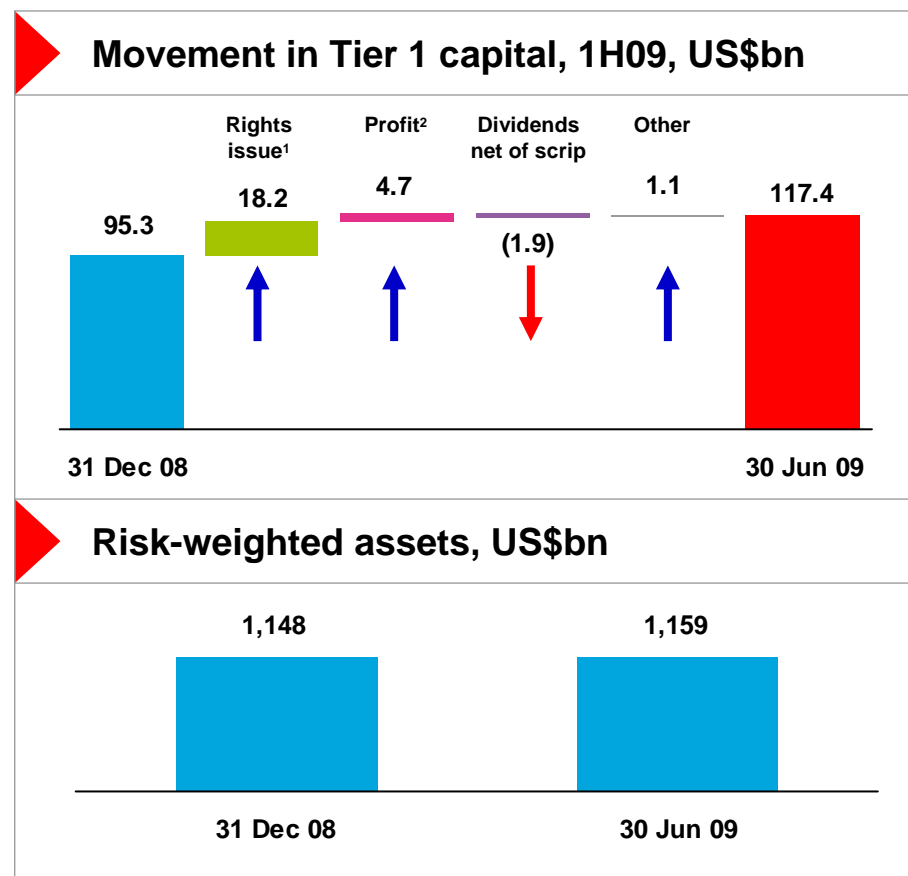
Notes:

(1) Restated for constant currency, acquisitions and disposals excluding movements in FV on own debt

(2) Restated for acquisitions and disposals, excluding movements in FV on own debt

# Capitalisation and capital ratios

Generating capital post dividends

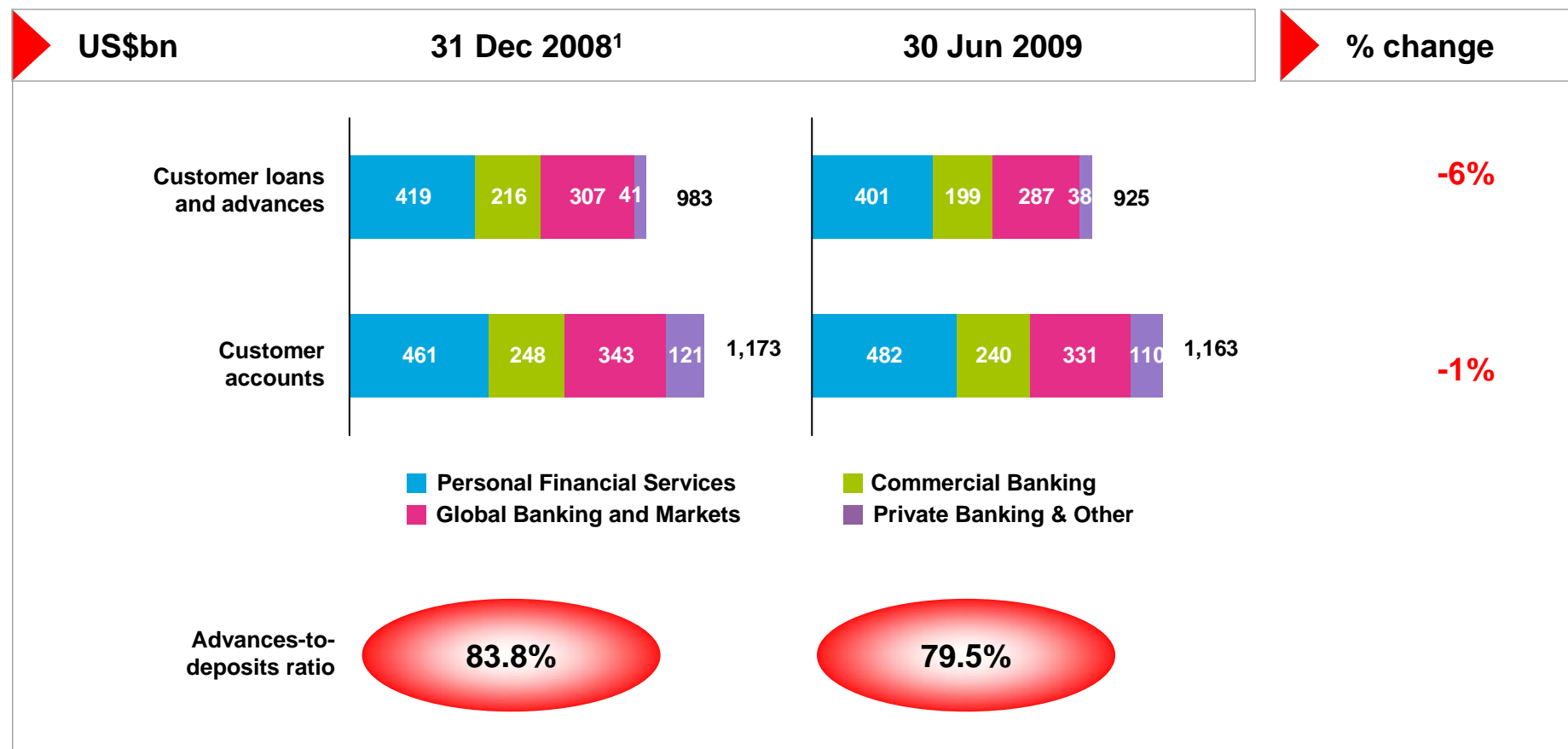


Notes:

- (1) Rights issue excludes US\$344m loss on a forward foreign exchange contract associated with hedging the proceeds of the rights issue, recognised in net trading income
- (2) Attributable profit adjusted for movements in FV on own debt net of deferred tax

# Funding and liquidity

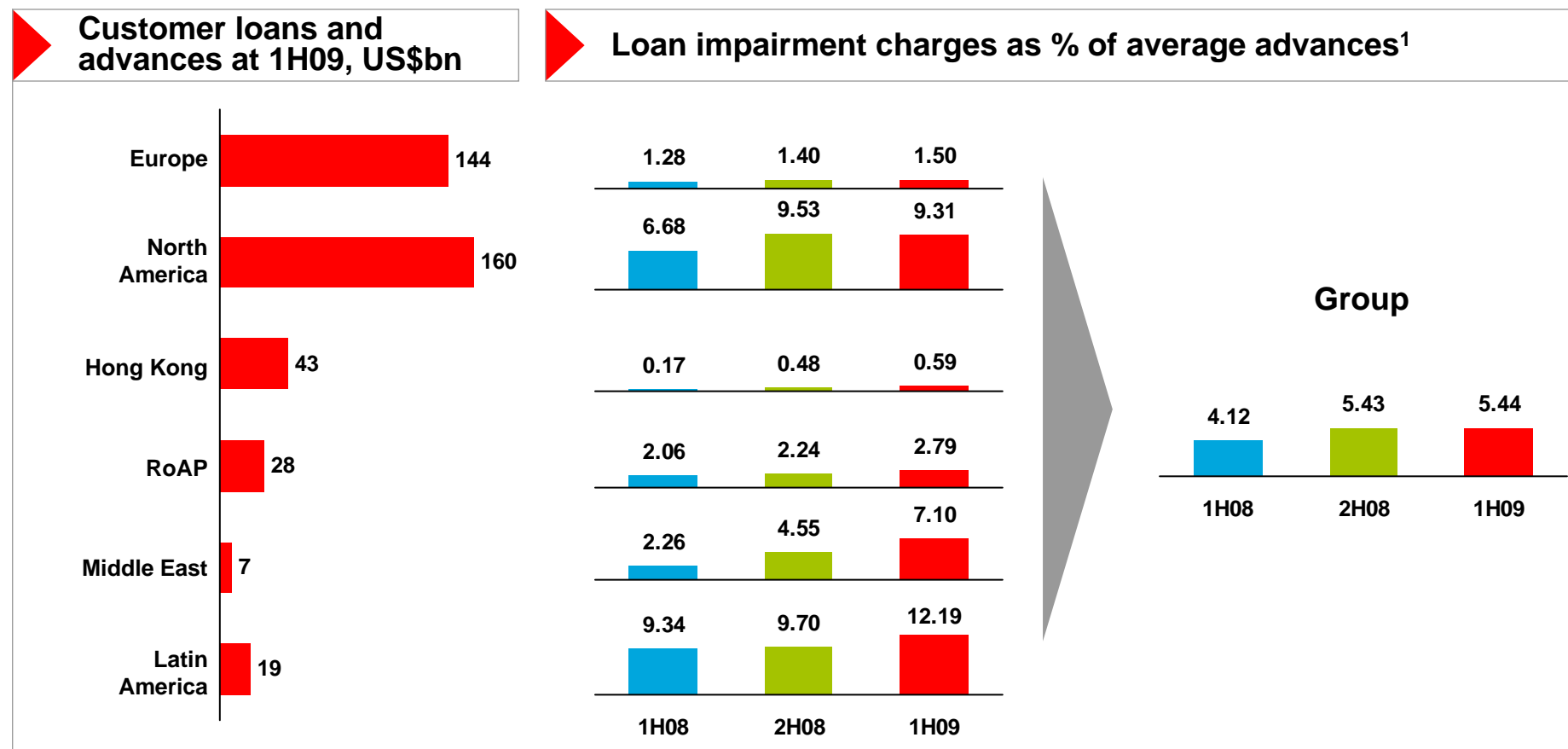
Advances-to-deposits ratio 79.5%



Note:  
 (1) Restated for constant currency, acquisitions and disposals

# Managing balance sheet risk

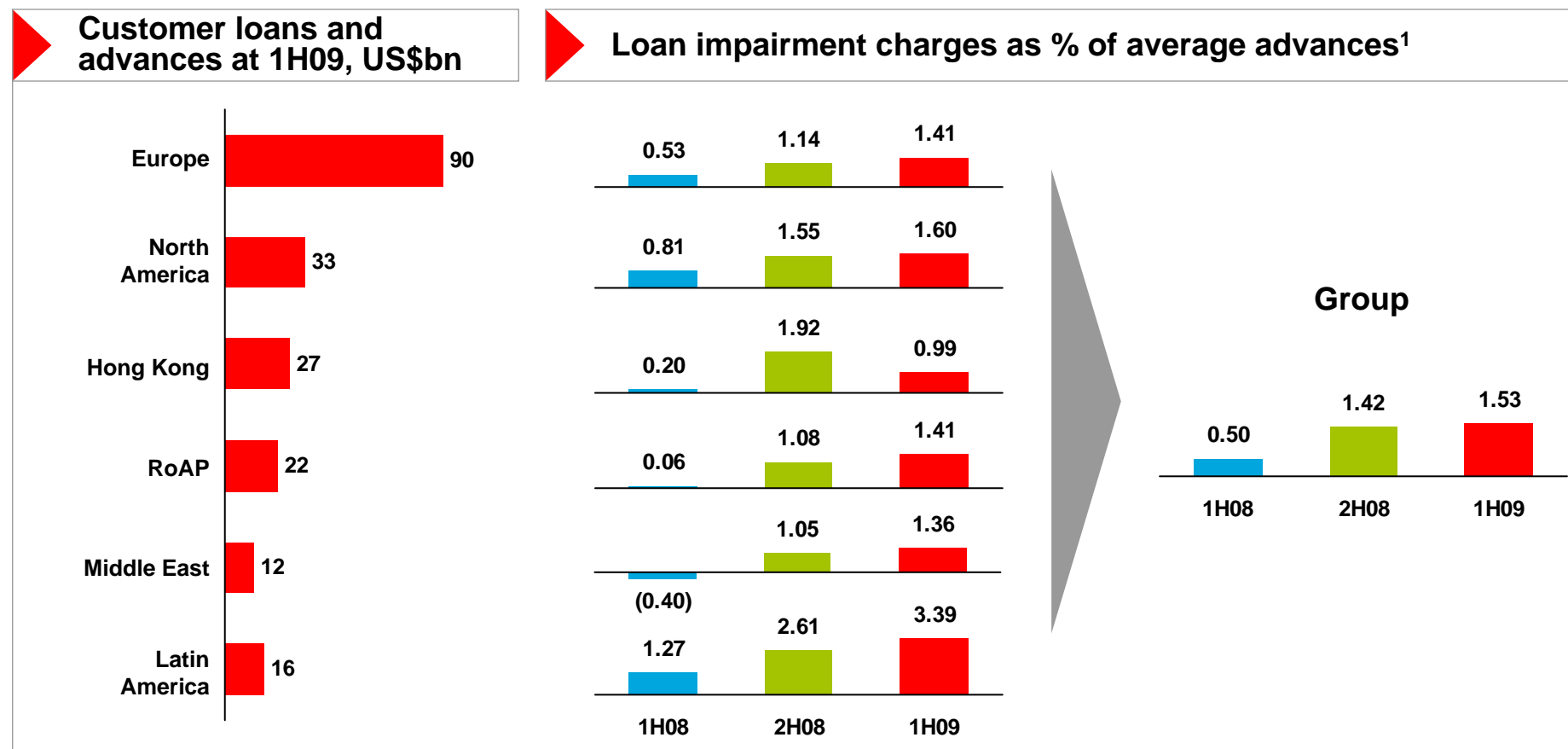
*Credit quality, Personal Financial Services: credit charges stable against 2H08*



Note:  
(1) Annualised

# Managing balance sheet risk

Credit quality, Commercial Banking: credit charges in line with 2H08 in US\$

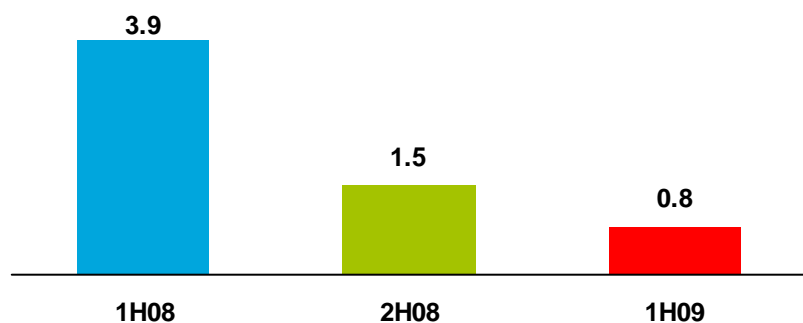


Note:  
(1) Annualised

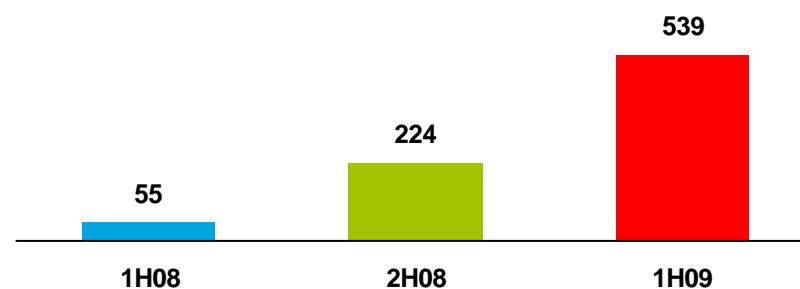
## Global Banking and Markets, balance sheet risk

Lower write-downs but higher loan provisions; no change to stress test guidance on AFS ABS portfolio

Write-downs, US\$bn

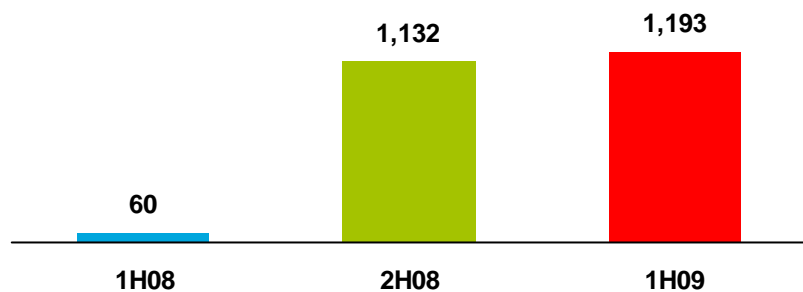


AFS ABS – impairment, US\$m

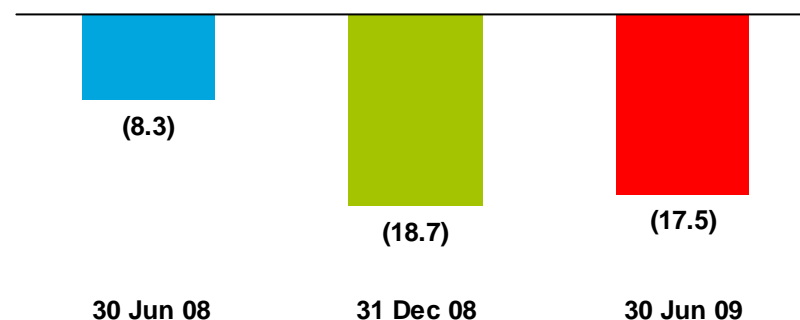


Loan impairment charges and other credit risk provisions, US\$m

(ex AFS ABS impairment charge)



AFS ABS – reserves, US\$bn



# Business performance in first half 2009

## **Managing the business through the downturn and positioning for the upturn**



**Significant positive jaws**



**Growth from diversified revenue streams**



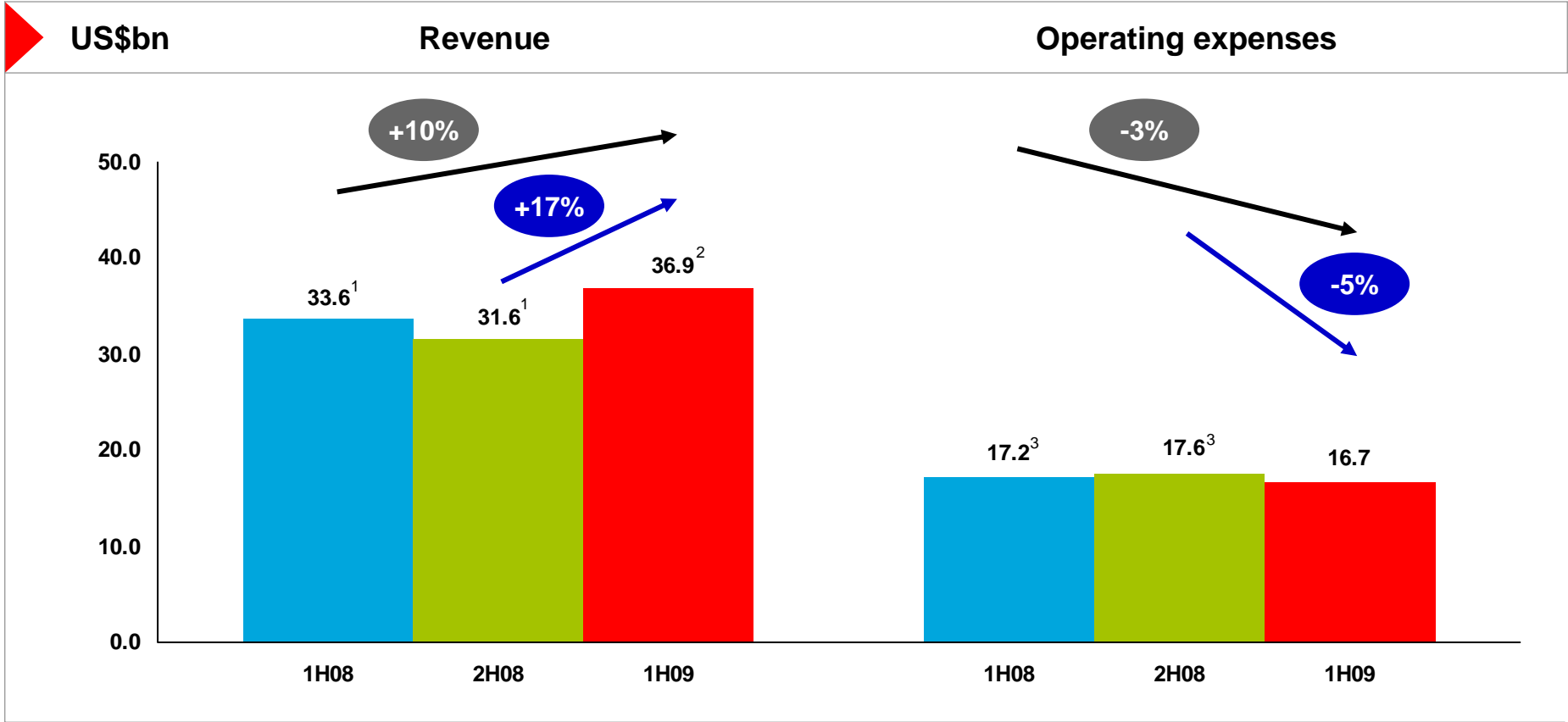
**Record performance in Global Banking and Markets; Commercial Banking resilient**



**Restructuring of HSBC Finance on track**



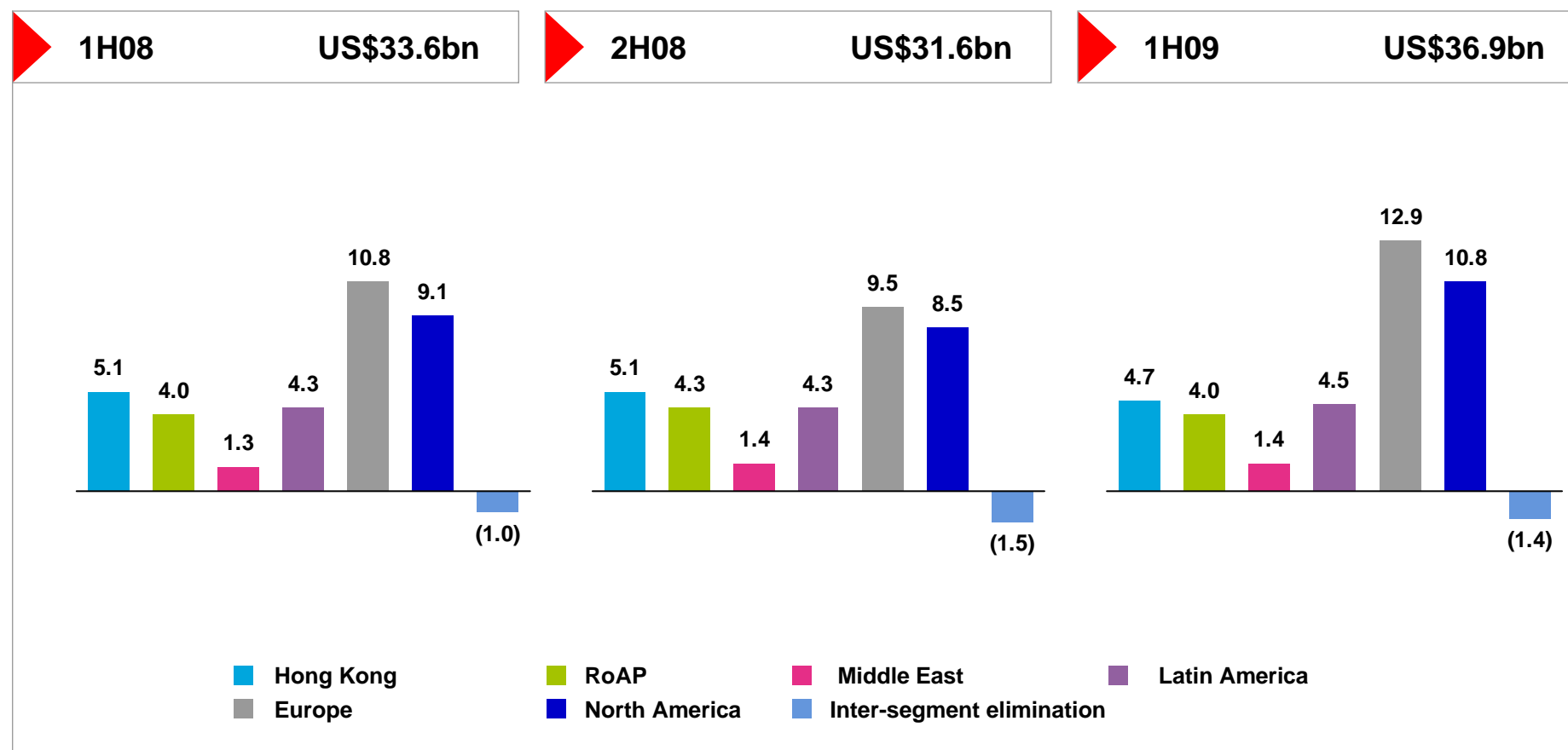
# Significant positive jaws



Notes:  
 (1) Restated for constant currency, acquisitions and disposals and excludes movements in FV on own debt  
 (2) Excludes movements in FV on own debt and acquisitions and disposals  
 (3) Restated for constant currency, acquisitions and disposals and goodwill impairment

## Growth from diversified revenue streams

Net operating income before loan impairment charges by geography<sup>1</sup>

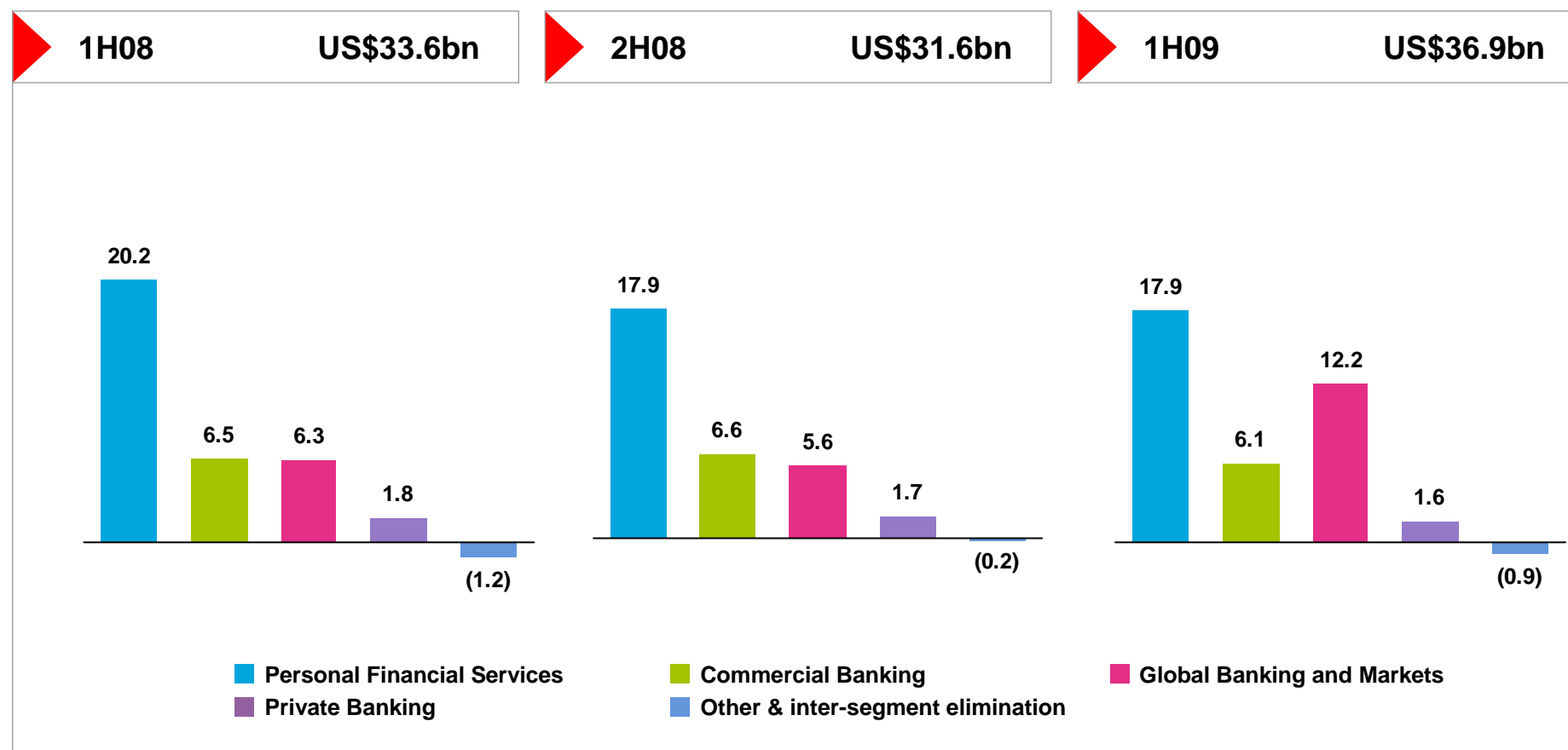


Note:

(1) Net operating income before loan impairment charges restated for constant currency, excluding acquisitions and disposals and movements in FV on own debt

# Growth from diversified revenue streams

Net operating income before loan impairment charges by customer group<sup>1</sup>



Note:

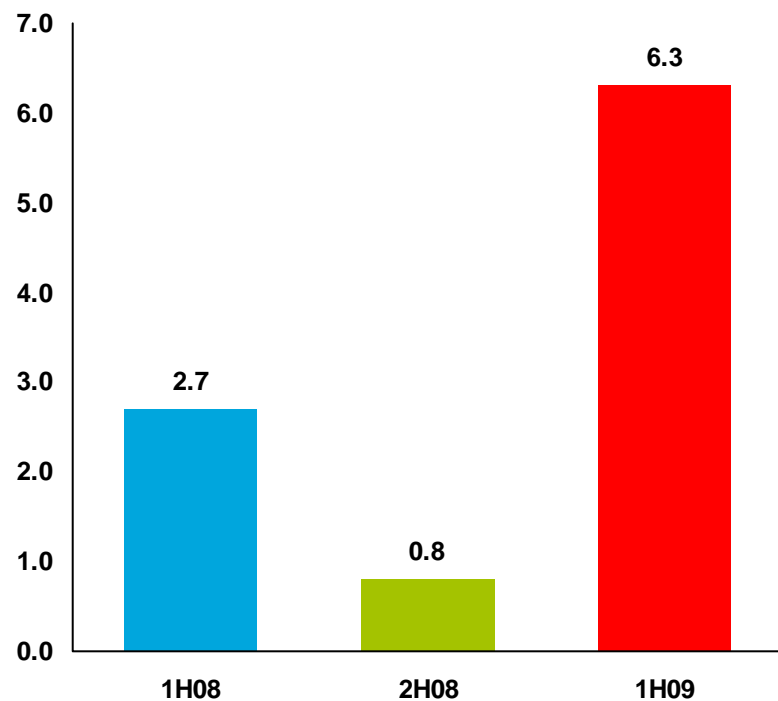
(1) Net operating income before loan impairment charges restated for constant currency, excluding acquisitions and disposals and movements in FV on own debt

# Record performance in Global Banking and Markets

Success in emerging markets-led, financing focussed strategy generating sustainable growth

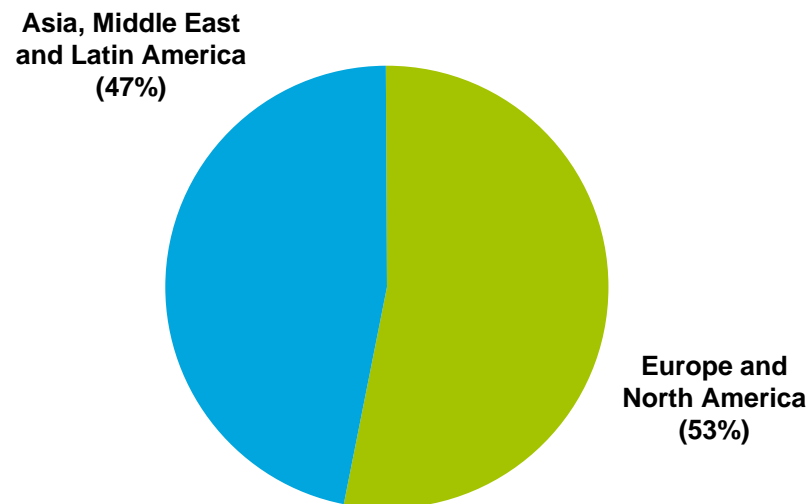
▶ Record performance from strengthened market position

Profit before tax, US\$bn

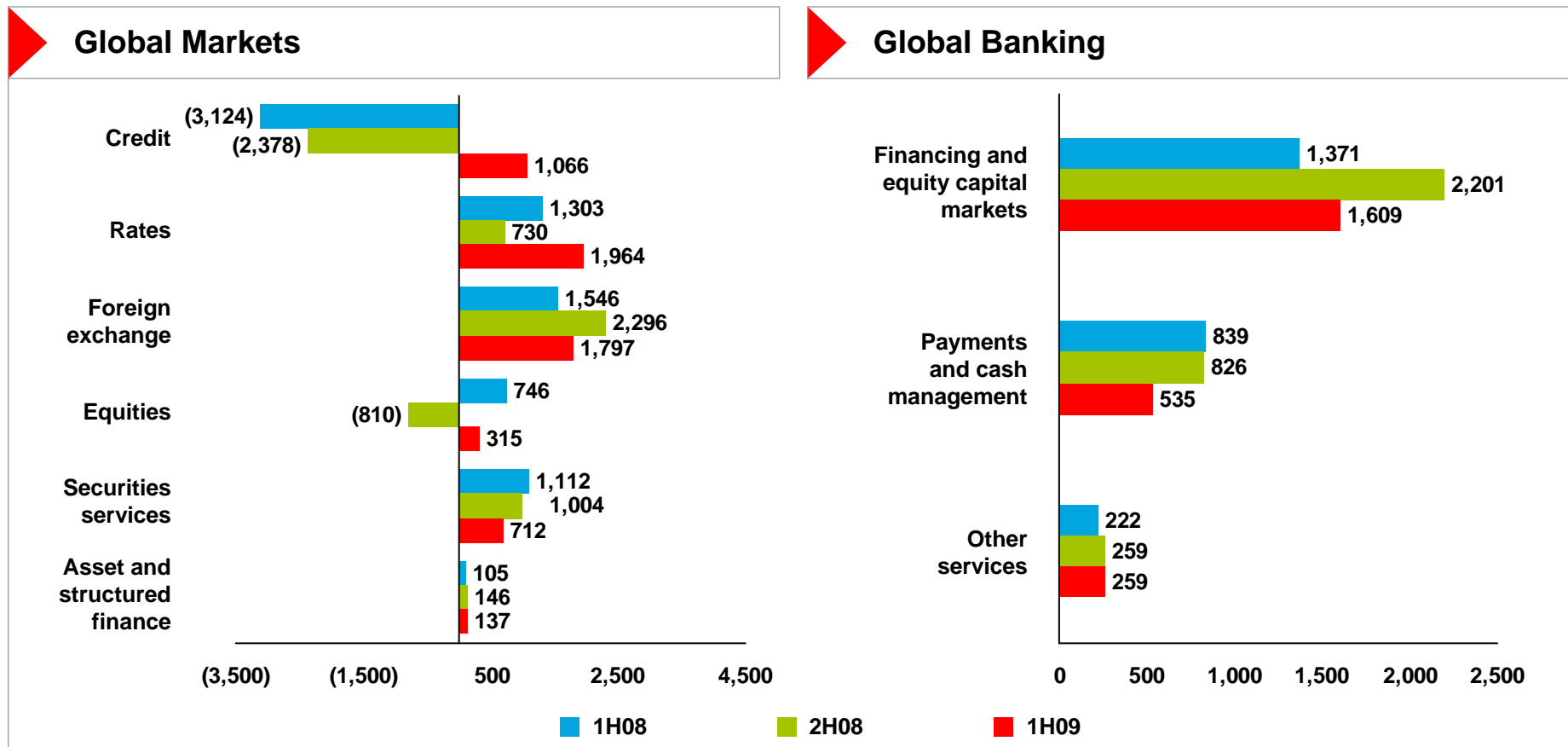


▶ Balanced between faster-growing emerging markets and developed markets

Profit before tax, % share, 1H09



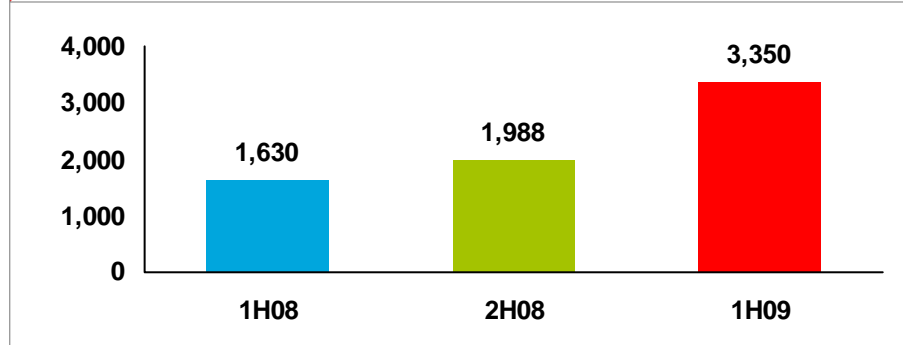
# Balanced revenues in Global Banking and Markets<sup>1</sup>, US\$m



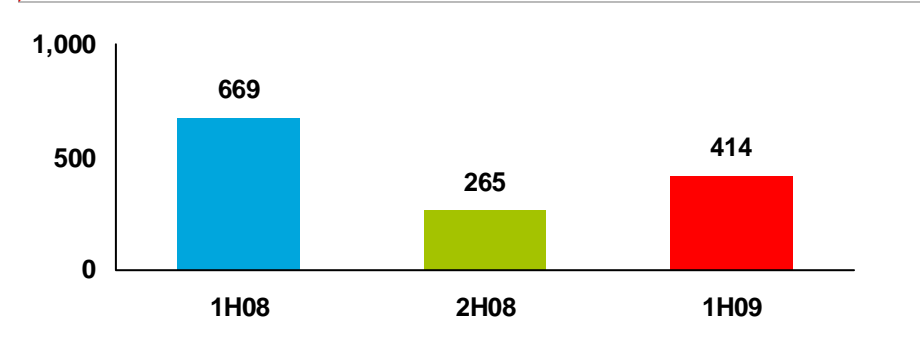
Note:  
 (1) Management view of total operating income

# Balanced revenues in Global Banking and Markets<sup>1</sup>, US\$m

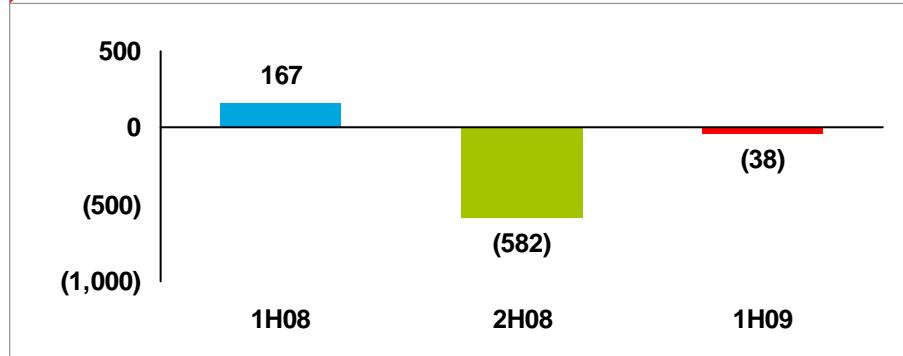
**Balance Sheet Management**



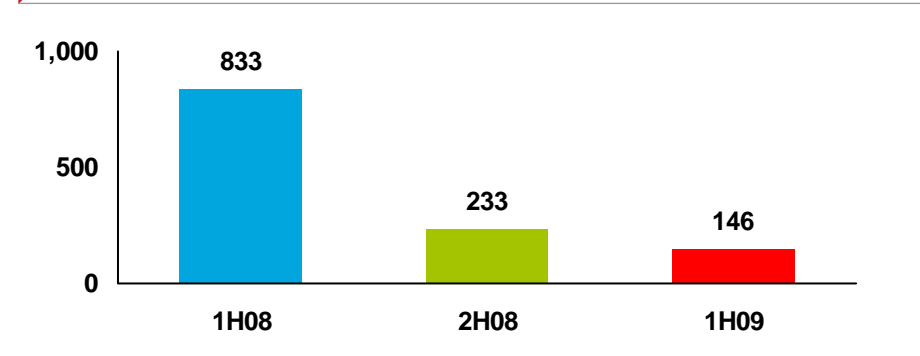
**Global Asset Management**



**Principal Investments**



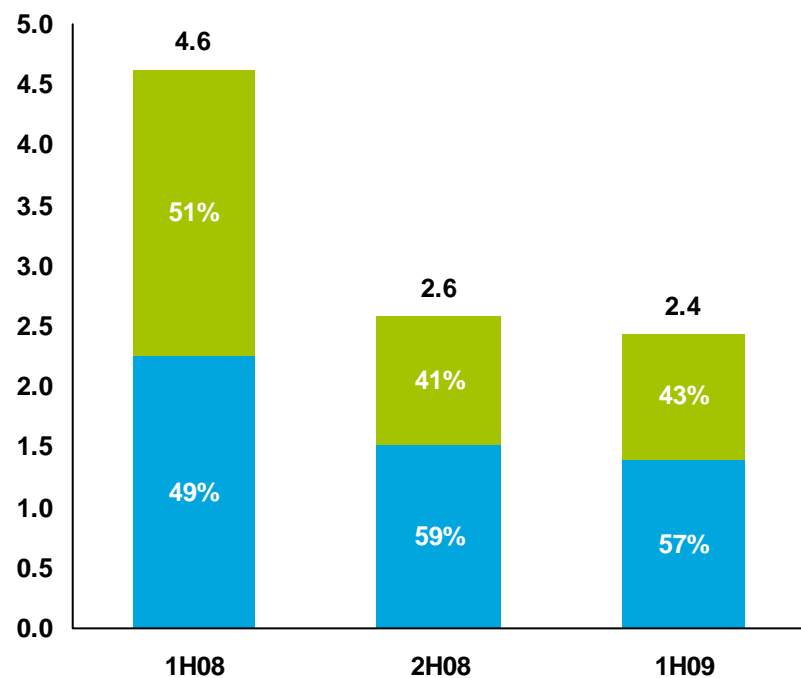
**Other**



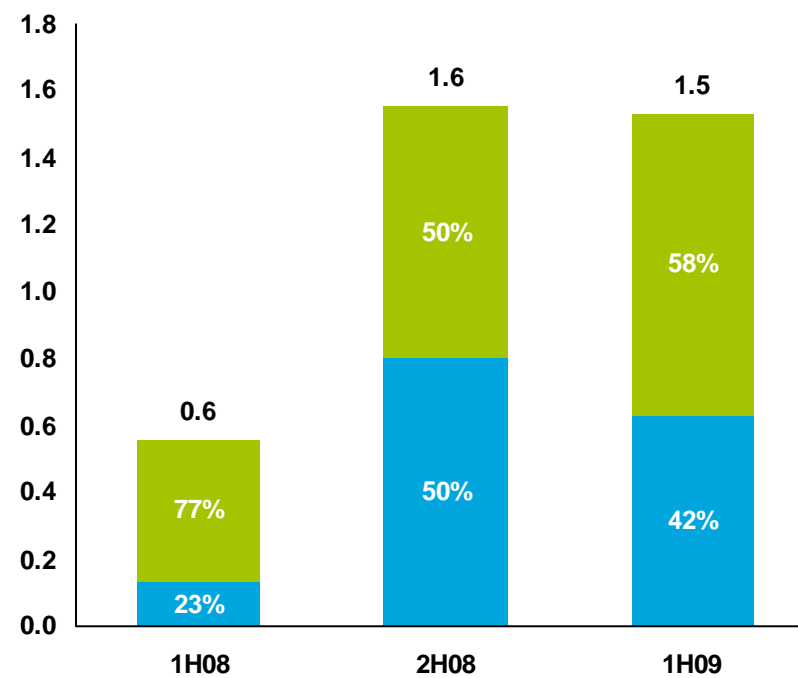
Note:  
(1) Management view of total operating income

# Commercial Banking resilient

▶ Profit before tax, US\$bn



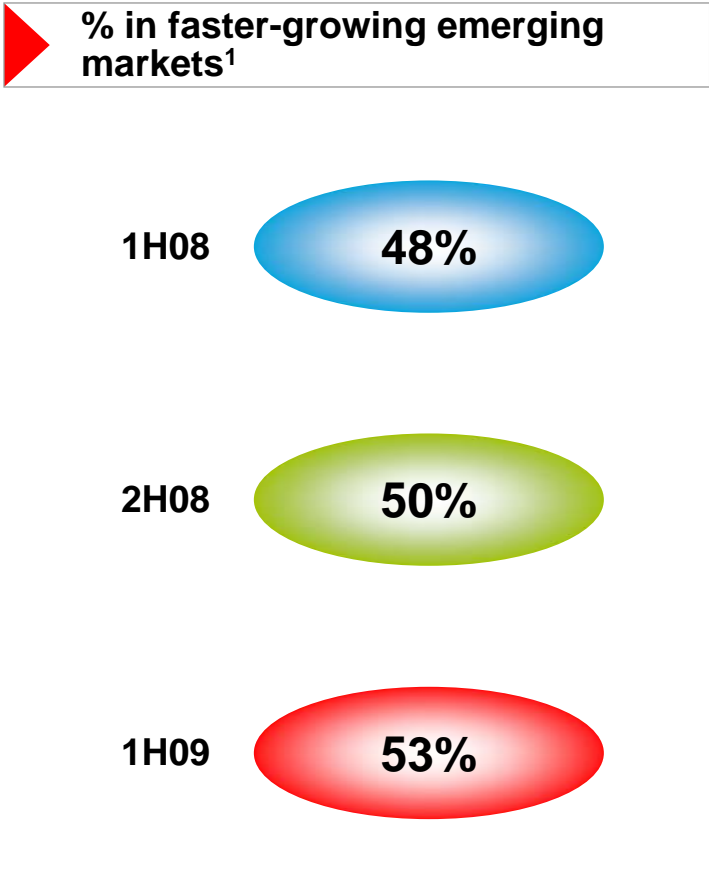
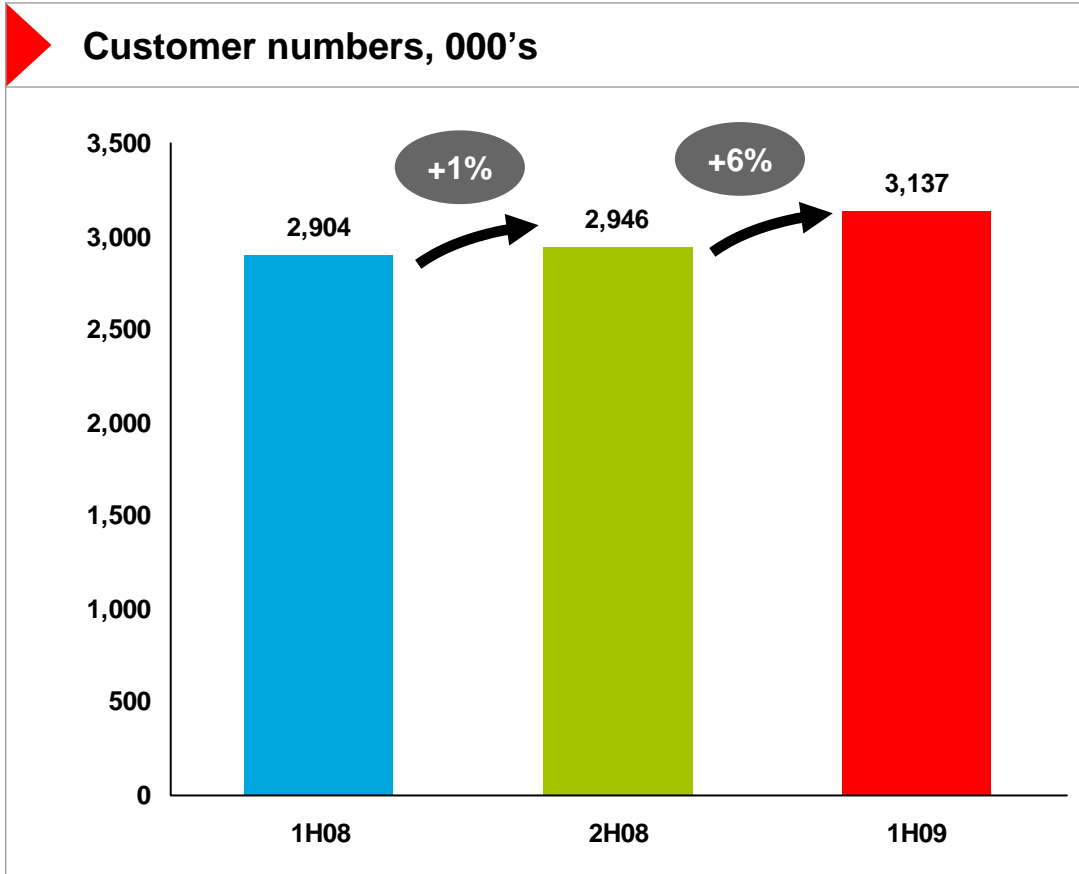
▶ Loan impairment charges and other credit risk provisions, US\$bn



■ Faster-growing emerging markets ■ Developed markets<sup>1</sup>

Note:  
 (1) Developed markets comprise US, Canada, Japan, Australia, New Zealand, EU15, Switzerland, Malta

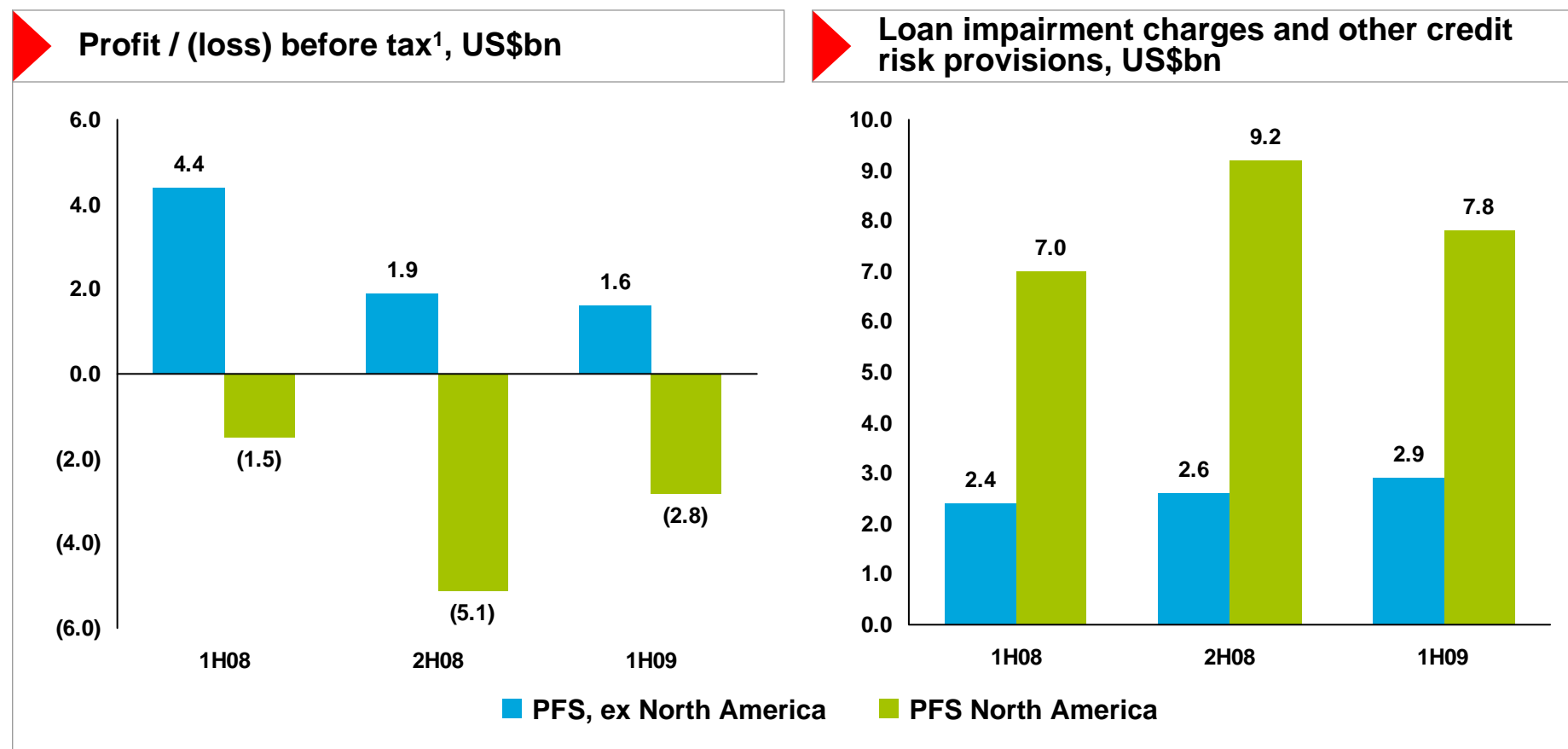
# Commercial Banking: Customer expansion in faster-growing emerging markets



Note:  
(1) Excludes US, Canada, Japan, Australia, New Zealand, EU15, Switzerland, Malta



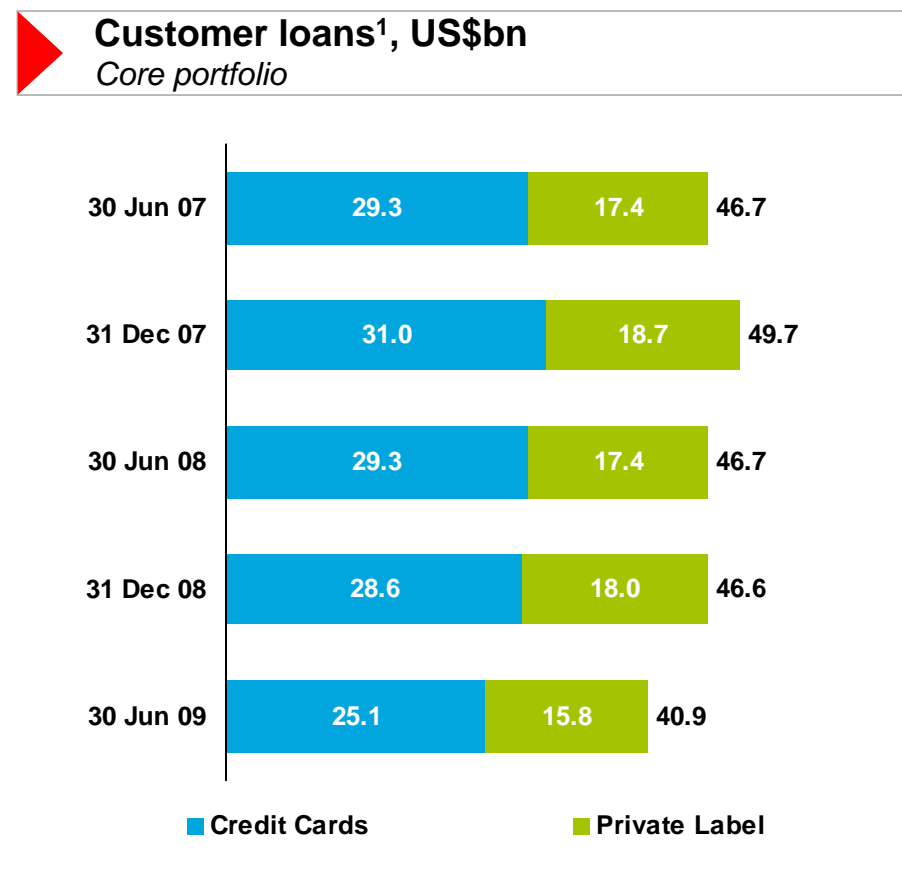
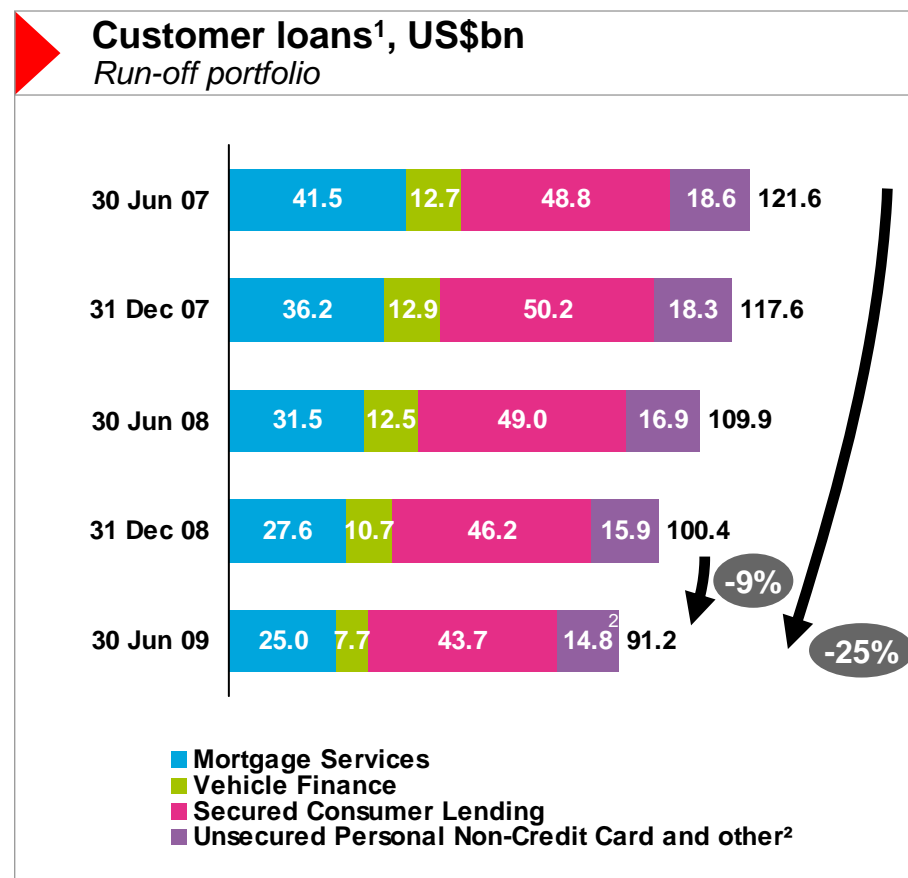
## Personal Financial Services: Profitable outside North America



Note:  
 (1) Excluding goodwill impairment charge

# Restructuring of HSBC Finance Corporation on track

Run-off portfolio: down 9% from December 2008

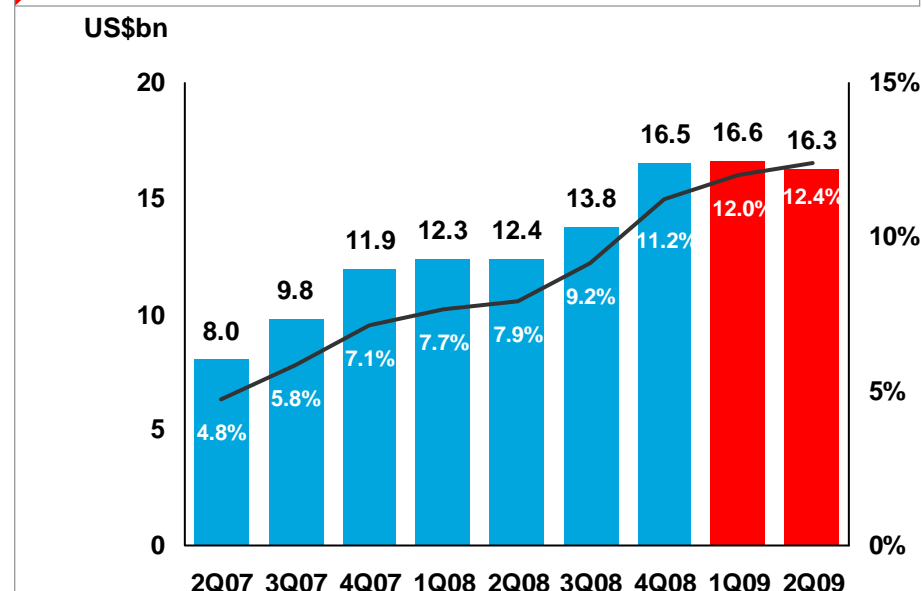


Notes:  
 (1) IFRS management basis for US; excludes operations in UK and Canada  
 (2) Includes Vehicle Finance loans held for sale (US\$0.8bn)

# Managing risk at HSBC Finance Corporation

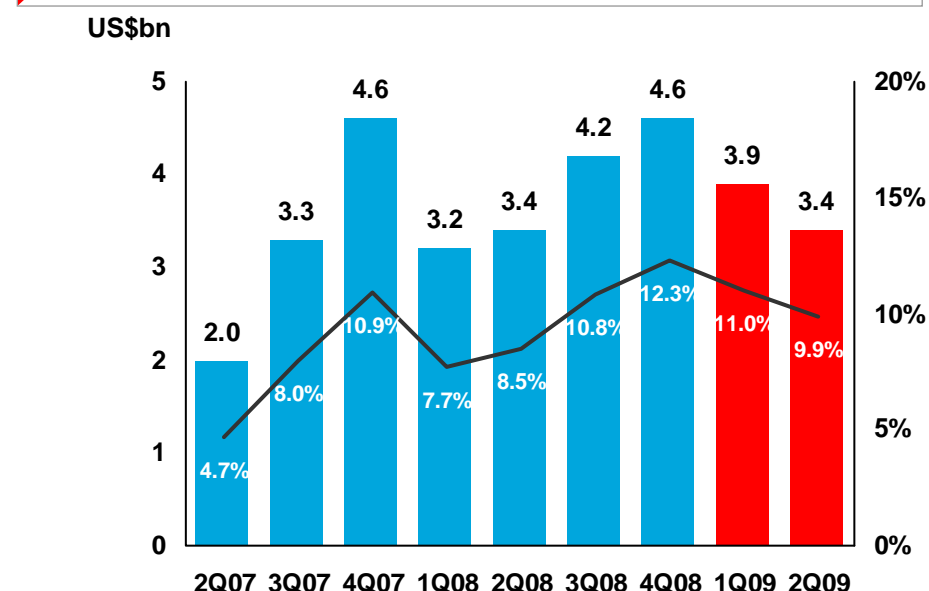
Consecutive quarters down in loan impairment charges

## 2+ Delinquency<sup>1, 2</sup>



Customer loans and advances <sup>4</sup>
168
168
167
161
157
151
147
139
131

## Loan impairment charges<sup>3</sup>

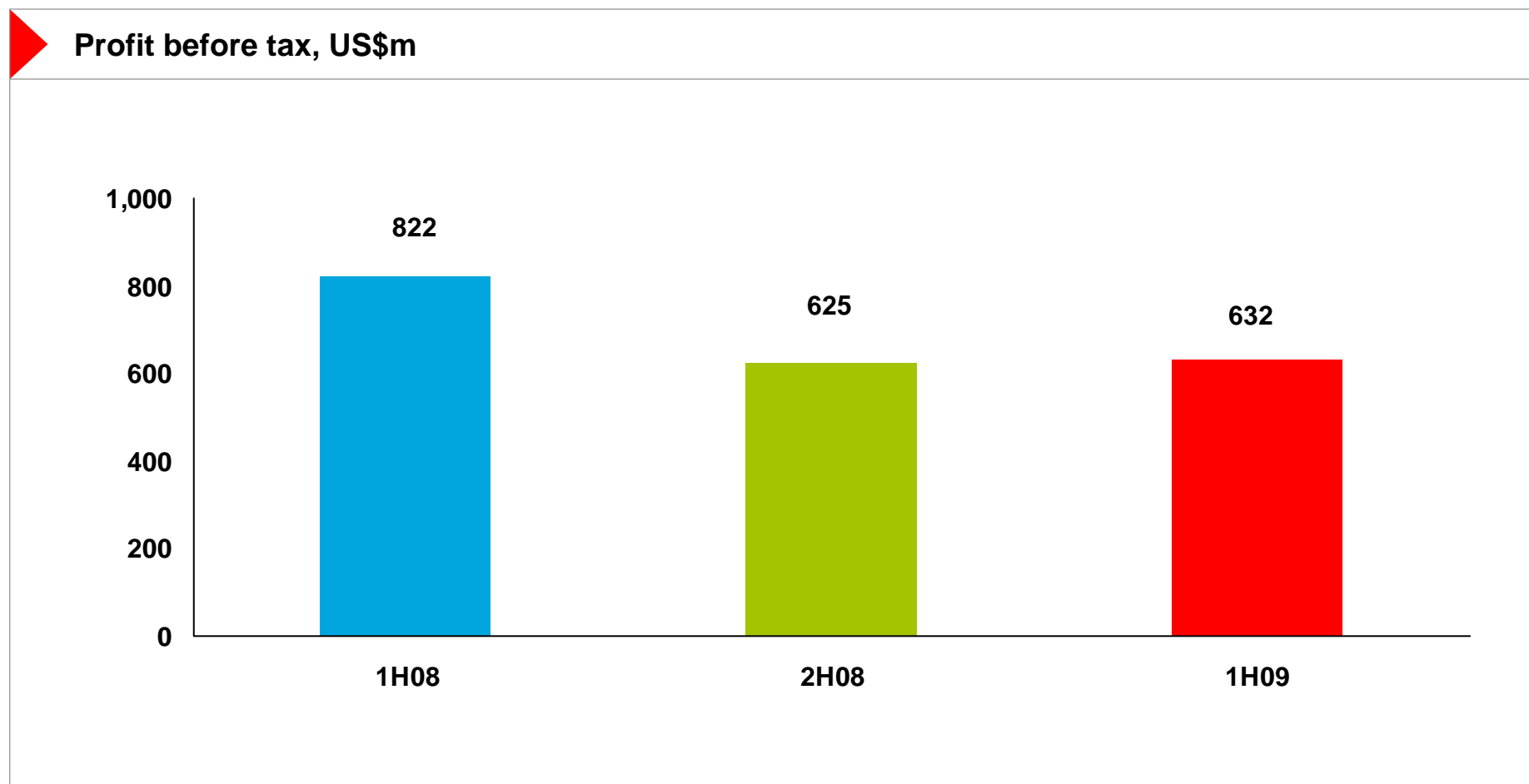


Customer loans and advances <sup>4</sup>
168
168
167
161
157
151
147
139
131

Notes:

- (1) IFRS management basis for US, excludes operations in UK and Canada
- (2) 2+ Delinquency ratio as a % of end period customer loans, excluding Vehicle Loans held for sale
- (3) Loan impairment charges ratio as a % of average total customer loans (annualised)
- (4) Excludes reverse repo and Vehicle Finance loans held for sale (US\$0.8bn)

## Private Banking performance remained robust

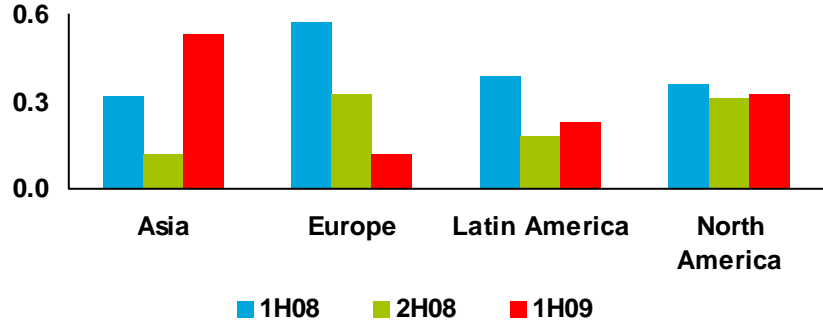


# Strengthening position of Bancassurance in faster-growing emerging markets

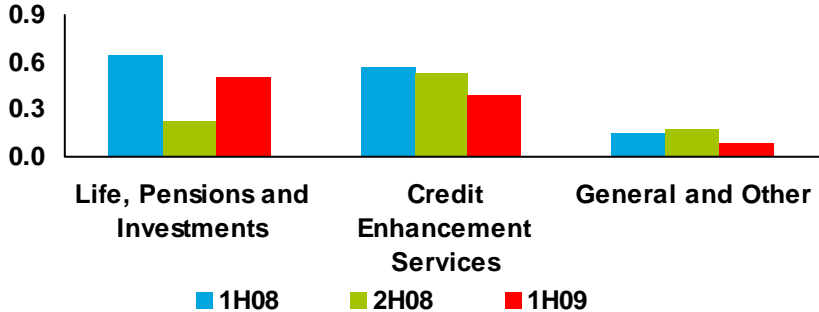
**Profit before tax, 1H09**

Insurance contributed US\$1.2bn, an underlying decline of 17% and representing 16% of Group profit<sup>1</sup>

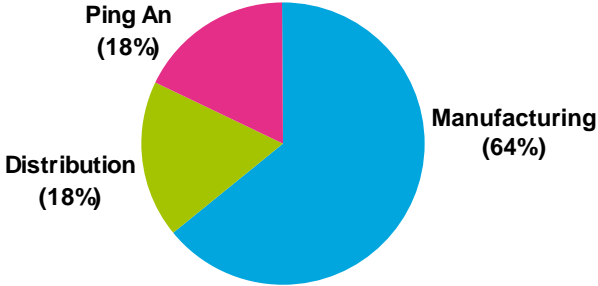
**PBT by region, US\$bn**



**PBT<sup>2</sup> by product category, US\$bn**






**PBT by insurance business, 1H09**






























Note:  
 (1) Group profit before tax excluding movements in FV on own debt  
 (2) Excludes Ping An

## Benchmarks

	Target range	1H09
 Return on total shareholders' equity	15 – 19% through the cycle	6.4%
 Cost efficiency ratio	48 – 52%	47.9%
 Tier 1 ratio (Basel II)	7.5 – 10.0%	10.1%

# Recognition

 <p><b>Best Global Bank</b></p>	 <p>Bank of the Year</p>	 <p>Best Global Debt House</p>	 <p>Best Bond House</p>	 <p>Bond House of the Year</p>	 <p>Domestic Bond House</p>	
 <p>Best Global Transaction Banking House</p>	 <p>Best Global Supply Chain Finance Provider</p>	 <p>Best Factoring Institution</p>	 <p>Best Bank for Islamic Finance</p>	 <p>Islamic Bond House</p>	 <p>Best Sukuk House</p>	 <p>Sterling Bond House</p>
 <p>Best Regional Retail Banking Business in Asia</p>	 <p>Best Debt House in Asia</p>	 <p>Best Debt House in Middle East</p>	 <p>Best Debt House in Latin America</p>	 <p>Best Debt House in Nordic / Baltic Region</p>	 <p>Middle East Loan House</p>	 <p>Best Project Finance House in Asia</p>
 <p>Best Cash Management House Middle East</p>	 <p>Best Supply Chain Finance Provider Middle East</p>	 <p>Best at Risk Management in Asia</p>	 <p>Best Bank in Hong Kong</p>	 <p>Global Premier Implementation HK</p>	 <p>Best Trade Finance Provider in HK</p>	 <p>Best Trade Finance Provider in the UK</p>

# Appendix

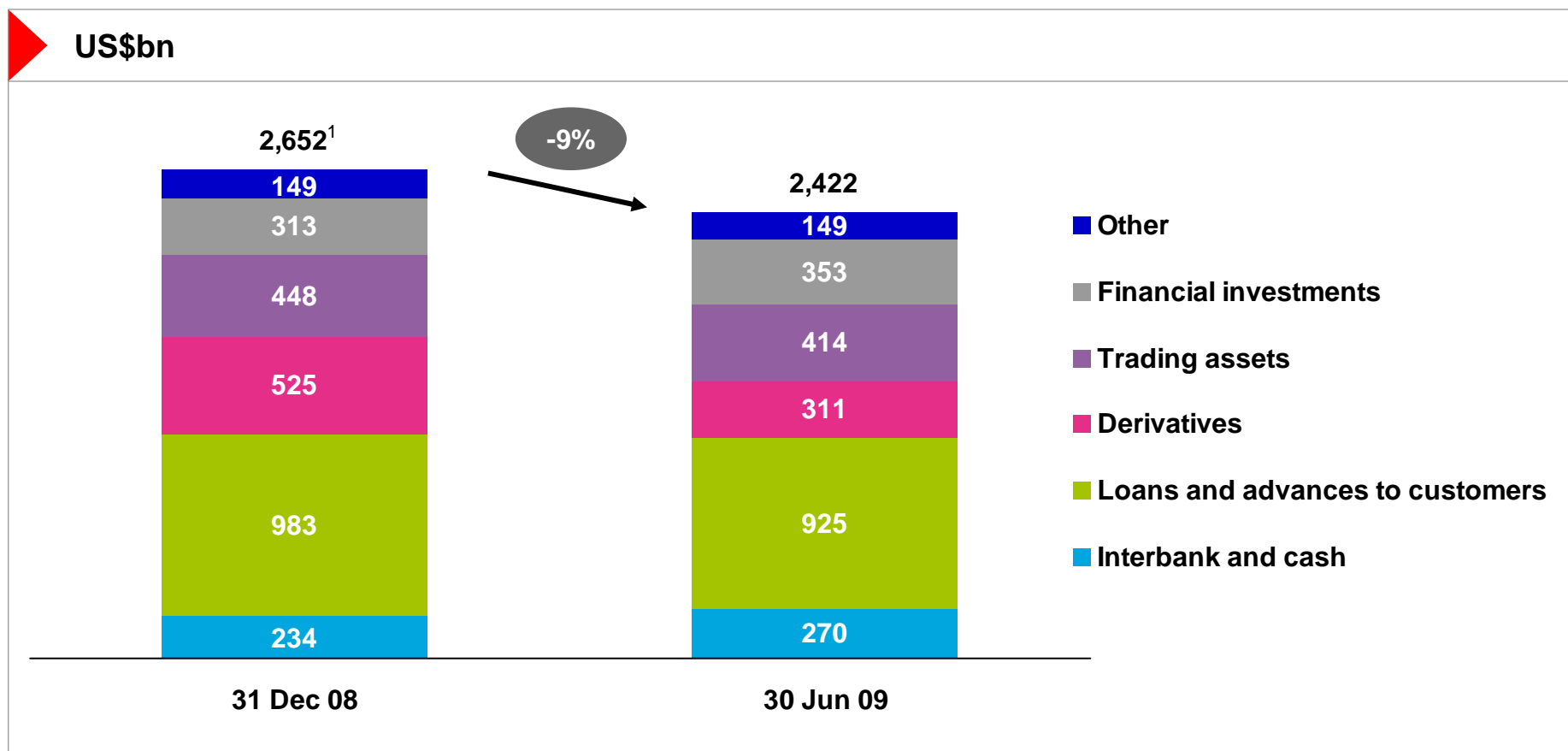


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# Managing balance sheet risk

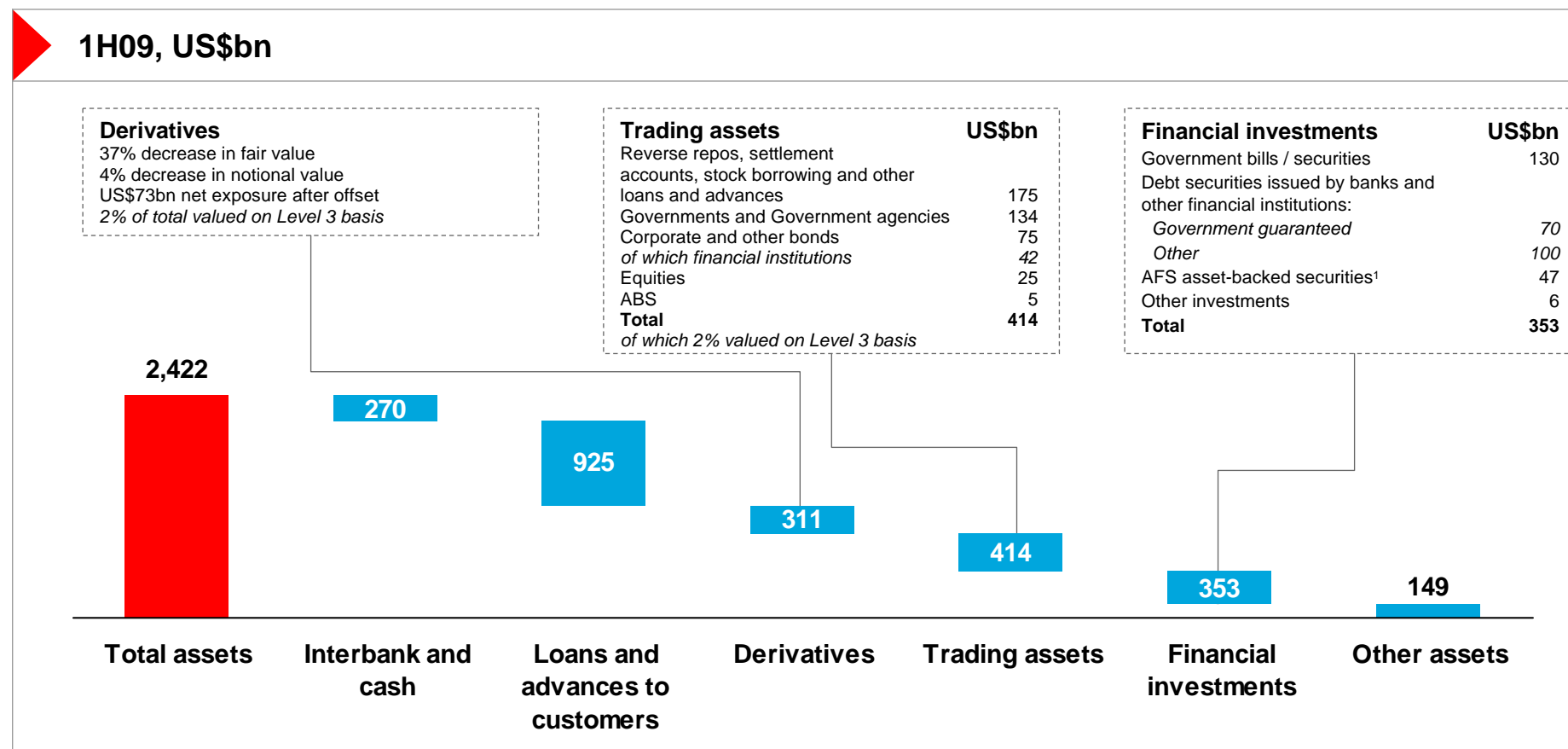
*Movement in Group consolidated assets*



Note:  
(1) Restated at constant currency

# Managing balance sheet risk

Overview of Group consolidated assets



Note:

(1) Includes securities supported by an explicit guarantee issued by the US government

# Managing balance sheet risk

## Credit quality

Loan impairment charges and other credit risk provisions	US\$m			% of avg advances annualised		
	1H08	2H08	1H09	1H08	2H08	1H09
<b>Personal Financial Services</b>						
Europe	963	1,008	982	1.28	1.40	1.50
Hong Kong	34	100	122	0.17	0.48	0.59
Rest of Asia-Pacific	310	330	375	2.06	2.24	2.79
Middle East	65	158	244	2.26	4.55	7.10
North America	6,952	9,180	7,825	6.68	9.53	9.31
Latin America	1,060	1,060	1,125	9.34	9.70	12.19
<b>Total</b>	<b>9,384</b>	<b>11,836</b>	<b>10,673</b>	<b>4.12</b>	<b>5.43</b>	<b>5.44</b>

# Managing balance sheet risk

## Credit quality

Loan impairment charges and other credit risk provisions	US\$m			% of avg advances annualised		
	1H08	2H08	1H09	1H08	2H08	1H09
<b>Commercial Banking</b>						
Europe	285	582	606	0.53	1.14	1.41
Hong Kong	28	307	137	0.20	1.92	0.99
Rest of Asia-Pacific	7	130	151	0.06	1.08	1.41
Middle East	(23)	68	83	(0.40)	1.05	1.36
North America	156	293	271	0.81	1.55	1.60
Latin America	110	230	261	1.27	2.61	3.39
<b>Total</b>	<b>563</b>	<b>1,610</b>	<b>1,509</b>	<b>0.50</b>	<b>1.42</b>	<b>1.53</b>
Global Banking and Markets <sup>1</sup>	115	1,356	1,732	0.08	0.91	1.23
Private Banking	(4)	72	14	(0.02)	0.34	0.08

Note:

(1) Includes credit risk impairment charge for AFS portfolio

## Managing balance sheet risk

Write-downs and impairments in Global Banking and Markets

US\$m	Write-down/(recovery)			Carrying amount at end		
	1H08	2H08	1H09	Jun 08	Dec 08	Jun 09
<b>Sub-prime mortgage related assets</b>						
– Loan securitisation	301	292	156	1,565	1,213	943
– Credit trading	665	150	83	1,377	428	302
<b>Other non sub-prime assets</b>						
– Credit trading (ABS / MBS / Preferred)	1,327	486	103	8,923	2,201	1,350
– Leveraged loans <sup>1</sup>	278	-	(11)	7,375	271	285
<b>Assets reclassified (impairment)</b>	–	26	160	–	16,649	16,308
<b>Derivative transactions with monolines</b>						
– Investment grade counterparts	598	130	25	1,206	2,089	1,593
– Non-investment grade counterparts	608	370	241	78	352	510
<b>Other credit related items</b>	<b>99</b>	<b>95</b>	<b>5</b>	<b>321</b>	<b>186</b>	<b>116</b>
<b>Total before AFS impairment</b>	<b>3,876</b>	<b>1,549</b>	<b>762</b>			
AFS impairment	55	655	564			
<b>Total</b>	<b>3,931</b>	<b>2,204</b>	<b>1,326</b>			

Note:

(1) Includes carrying amount of funded loans plus the net exposure to unfunded leveraged finance commitments

# Managing balance sheet risk

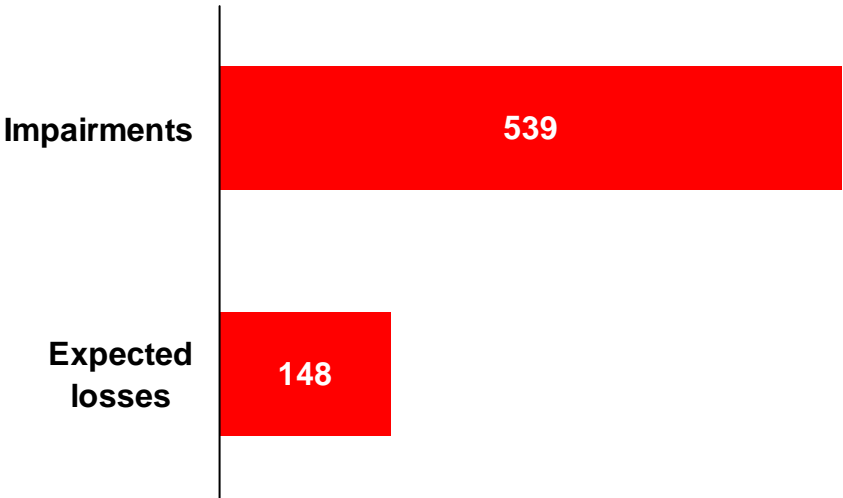
Available-for-sale (AFS) Asset-Backed Securities (ABS)

US\$bn	Carrying value		AFS reserve		
	31 Dec 08	30 Jun 09	31 Dec 08	30 Jun 09	
Government agency	20.3	14.1	0.3	0.1	<b>First loss protection</b> SICs US\$2.2bn  <b>Sector (US\$bn)</b> Carrying value AFS reserve 31 Dec 08 30 Jun 09 31 Dec 08 30 Jun 09 RMBS 5.5 4.9 (5.0) (4.5) Home Equity Line of Credit (HELOC) 0.3 0.3 (0.5) (0.2) CMBS 3.1 3.0 (1.7) (1.9) CDO 3.2 3.0 (1.4) (1.3) Student loans ABS 2.6 2.9 (1.6) (1.3) Other 6.6 6.0 (1.6) (1.8) <b>Total AFS ABS 21.3 20.1 (11.8) (11.0)</b>
Structured Investment Conduits (SICs)	14.6	12.9	(7.2)	(6.6)	
Other	21.3	20.1	(11.8)	(11.0)	
<b>Total</b>	<b>56.2</b>	<b>47.1</b>	<b>(18.7)</b>	<b>(17.5)</b>	

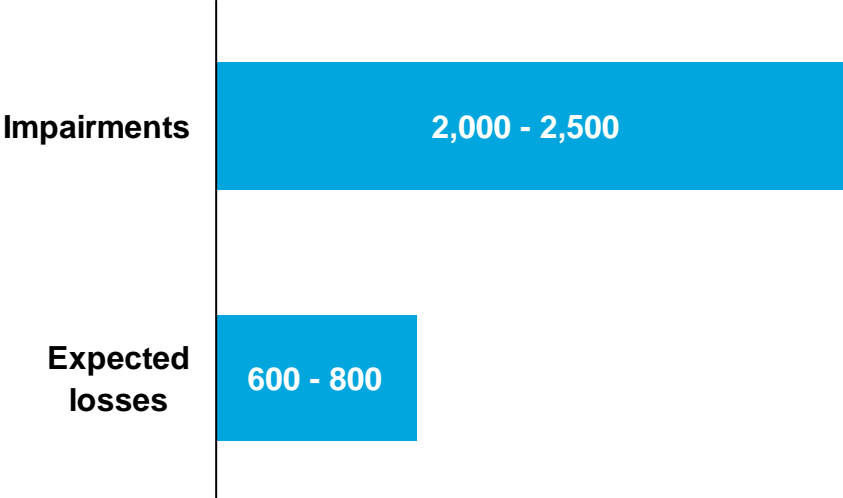
# Managing balance sheet risk

AFS ABS stress testing

▶ 1H09, US\$m

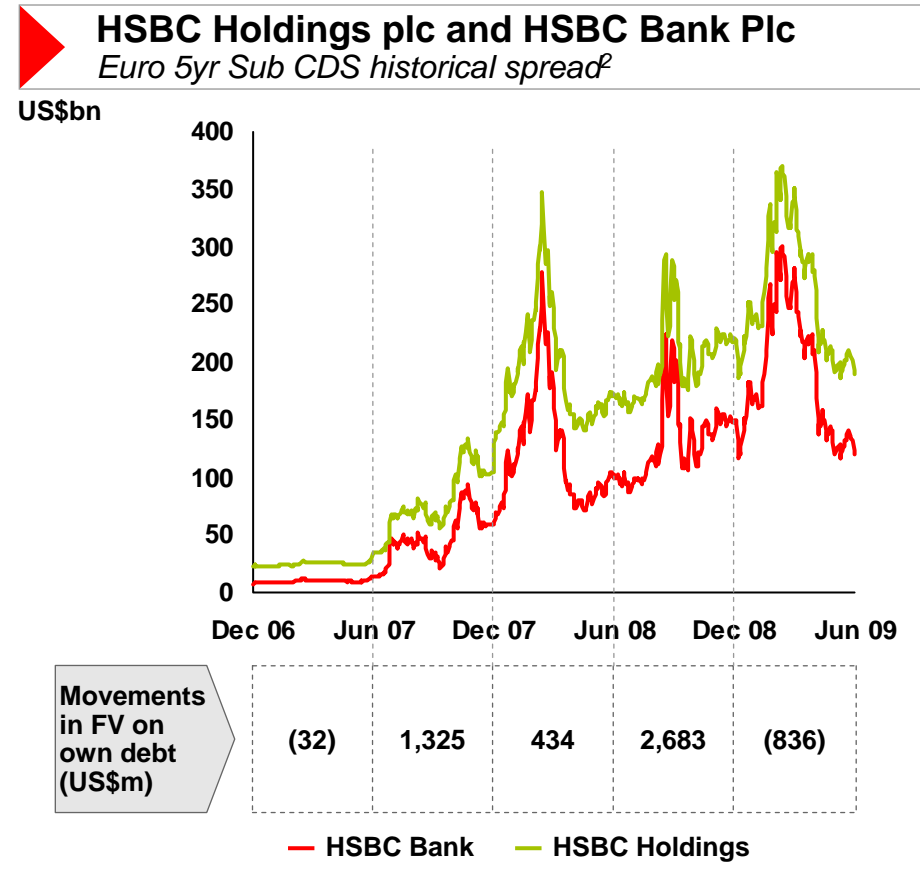
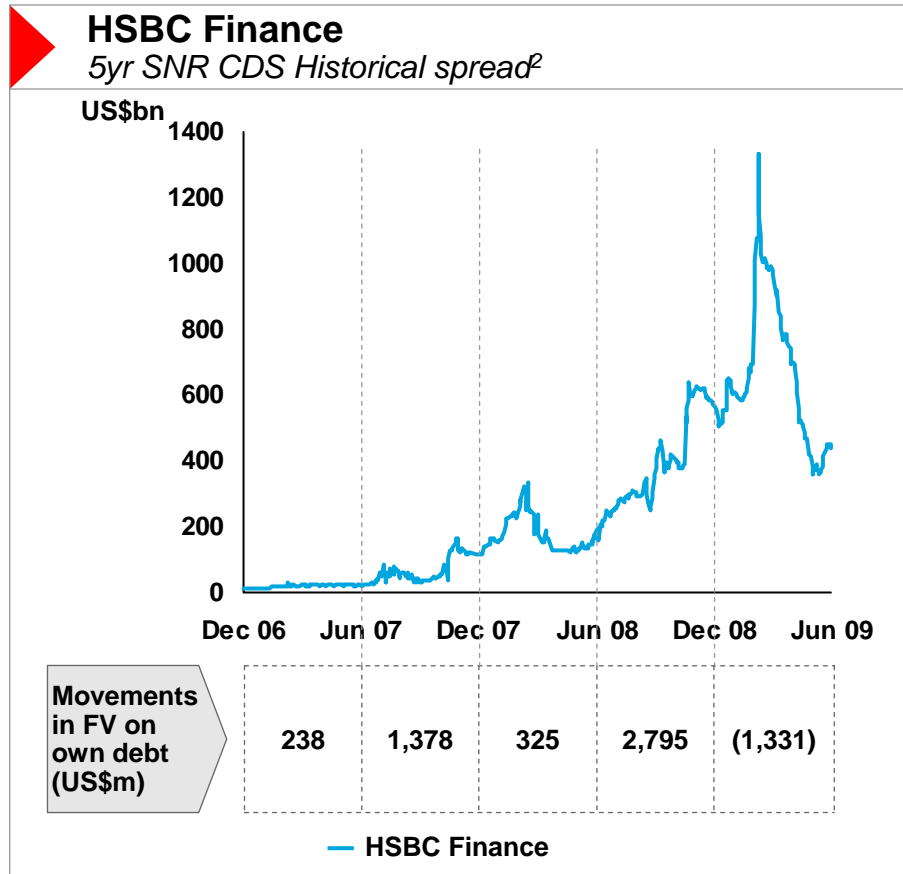


▶ Stress test 2009+, US\$m





# Movements in FV on own debt<sup>1</sup>



Note:  
 (1) Excludes movements in fair value on own debt in HSBC USA Inc  
 (2) Source: Bloomberg

## Hong Kong

US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges	5,108	5,046	4,714	-8	-7
Loan impairment charges and other credit risk provisions	(81)	(684)	(273)	+237	-60
Net operating income	5,027	4,362	4,441	-12	+2
Total operating expenses	(1,975)	(1,968)	(1,935)	-2	-2
Operating profit	3,052	2,394	2,506	-18	+4
Associates and joint ventures	21	(6)	(5)	-124	-17
<b>Profit before tax</b>	<b>3,073</b>	<b>2,388</b>	<b>2,501</b>	<b>-19</b>	<b>+5</b>
Customer loans and advances (US\$bn)	99.7	100.2	97.5	-2	-3
Customer accounts (US\$bn)	231.7	250.5	267.5	+15	+7

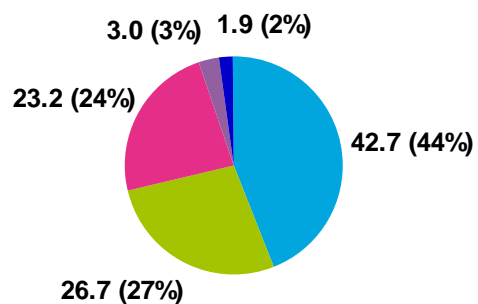
# Hong Kong

## Business mix, 1H09

### Profit / (loss) before tax

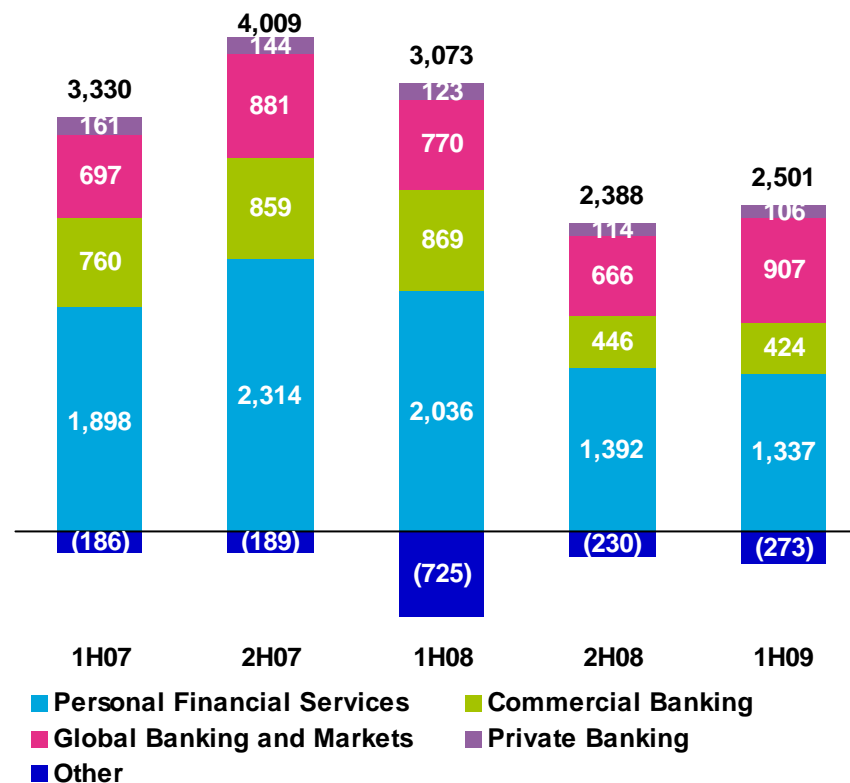
	US\$m	% share
Personal Financial Services	1,337	53
Commercial Banking	424	17
Global Banking and Markets	907	36
Private Banking	106	4
Other	(273)	(11)
<b>Total</b>	<b>2,501</b>	<b>100</b>

### Customer lending, 30 Jun 09



## Business mix, 1H07 – 1H09

### Profit / (loss) before tax, US\$m

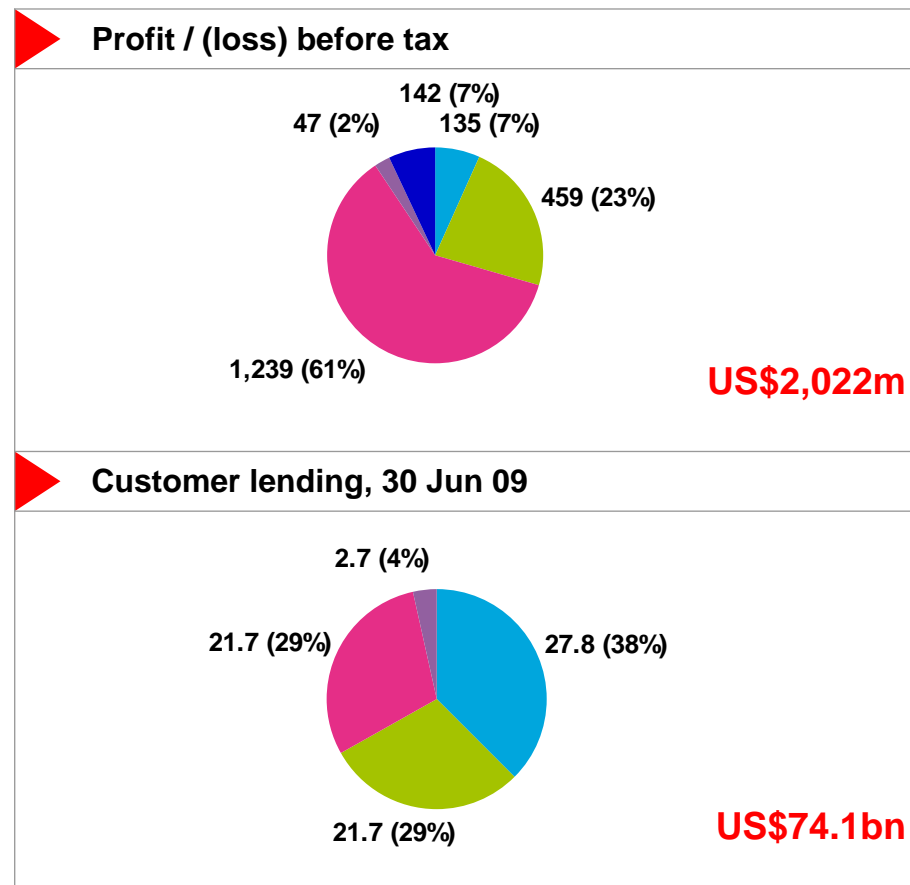


## Rest of Asia-Pacific

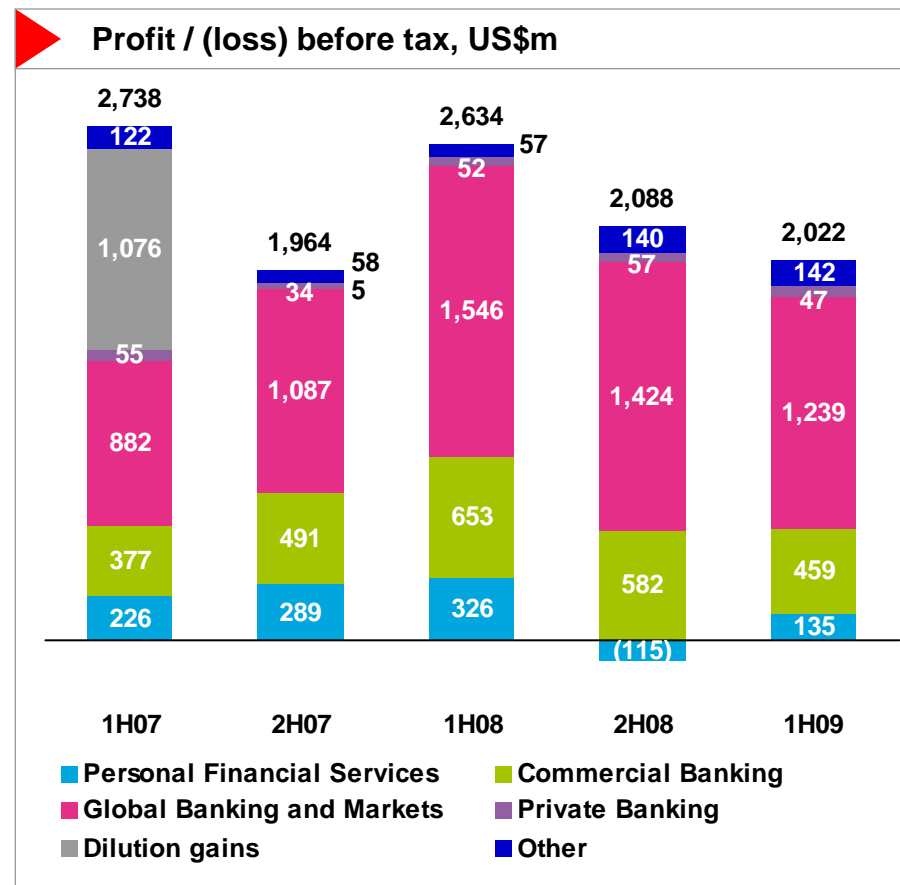
US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges	4,535	4,446	4,009	-12	-10
Loan impairment charges and other credit risk provisions	(328)	(524)	(531)	+62	+1
Net operating income	4,207	3,922	3,478	-17	-11
Total operating expenses	(2,324)	(2,380)	(2,151)	-7	-10
Operating profit	1,883	1,542	1,327	-30	-14
Associates and joint ventures	751	546	695	-7	+27
<b>Profit before tax</b>	<b>2,634</b>	<b>2,088</b>	<b>2,022</b>	<b>-23</b>	<b>-3</b>
Customer loans and advances (US\$bn)	88.8	80.7	74.1	-17	-8
Customer accounts (US\$bn)	130.5	124.2	126.6	-3	+2

# Rest of Asia-Pacific

## Business mix, 1H09



## Business mix, 1H07 – 1H09



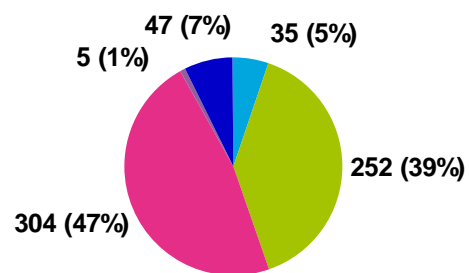
## Middle East

US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges	1,306	1,362	1,369	+4	+1
Loan impairment charges and other credit risk provisions	(41)	(238)	(391)	+854	+64
Net operating income	1,265	1,124	978	-23	-13
Total operating expenses	(460)	(499)	(482)	+5	-3
Operating profit	805	625	496	-38	-21
Associates and joint ventures	185	131	147	-21	+12
<b>Profit before tax</b>	<b>990</b>	<b>756</b>	<b>643</b>	<b>-35</b>	<b>-15</b>
Customer loans and advances (US\$bn)	25.0	27.3	25.1	-	-8
Customer accounts (US\$bn)	36.3	35.2	34.3	-6	-3

# Middle East

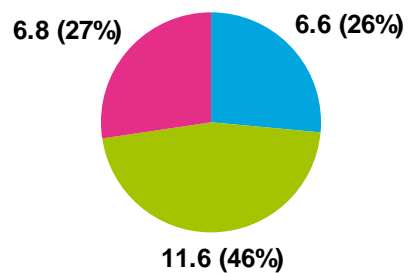
## Business mix, 1H09

▶ Profit / (loss) before tax



**US\$643m**

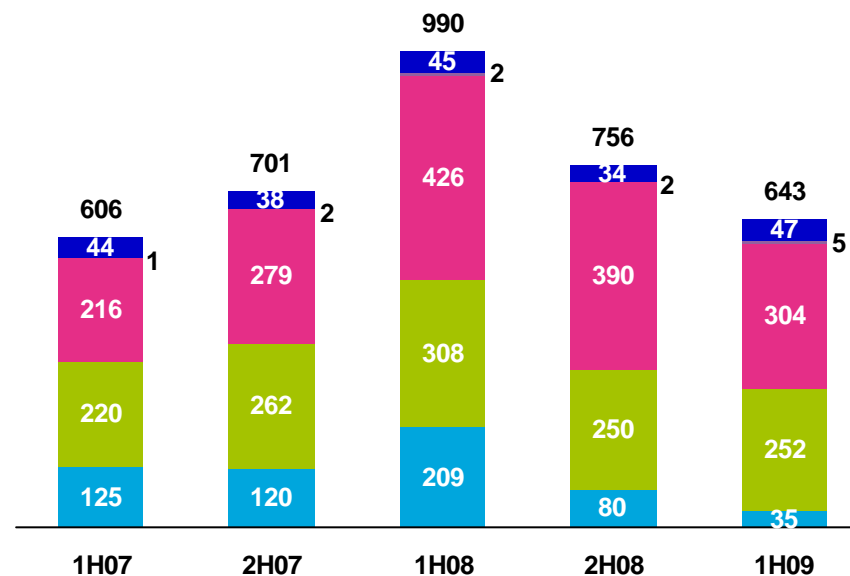
▶ Customer lending, 30 Jun 09



**US\$25.1bn**

## Business mix, 1H07 – 1H09

▶ Profit / (loss) before tax, US\$m



- Personal Financial Services
- Commercial Banking
- Global Banking and Markets
- Private Banking
- Other

## Latin America

US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges	5,455	5,058	4,452	-18	-12
Loan impairment charges and other credit risk provisions	(1,170)	(1,322)	(1,385)	+18	+5
Net operating income	4,285	3,736	3,067	-28	-18
Total operating expenses	(3,023)	(2,967)	(2,488)	-18	-16
Operating profit	1,262	769	579	-54	-25
Associates and joint ventures	4	2	1	-75	-50
<b>Profit before tax</b>	<b>1,266</b>	<b>771</b>	<b>580</b>	<b>-54</b>	<b>-25</b>
Customer loans and advances (US\$bn)	54.3	42.3	44.7	-18	+6
Customer accounts (US\$bn)	71.8	59.4	64.9	-10	+9



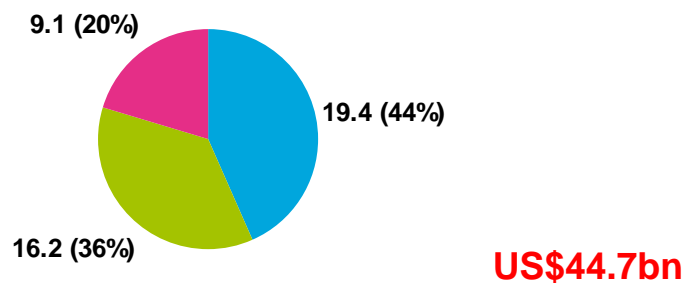
# Latin America

## Business mix, 1H09

### Profit / (loss) before tax

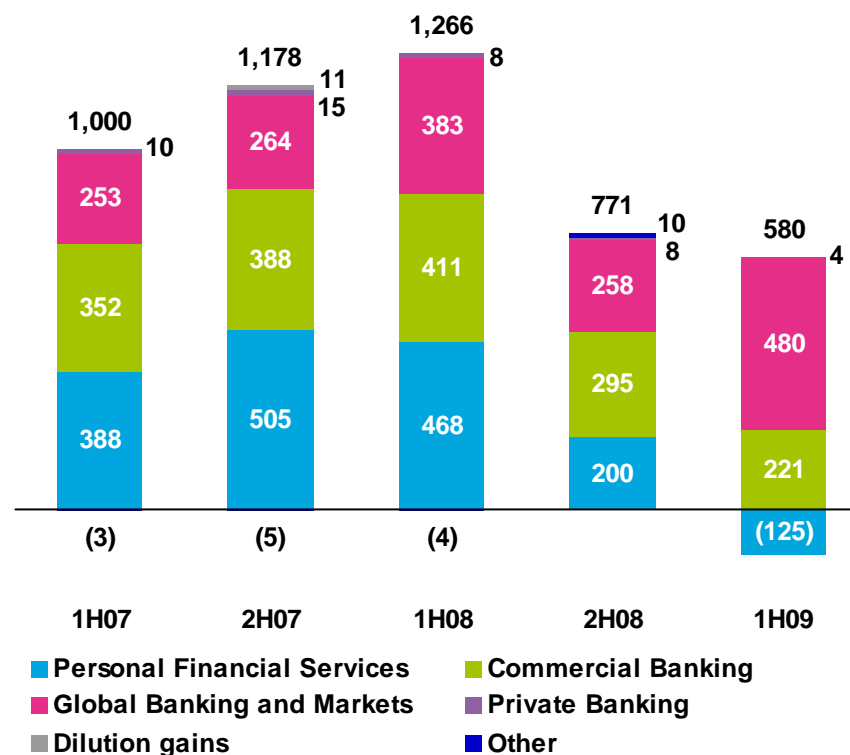
	US\$m	% share
Personal Financial Services	(125)	(21)
Commercial Banking	221	38
Global Banking and Markets	480	83
Private Banking	4	0
Other	n/a	n/a
<b>Total</b>	<b>580</b>	<b>100</b>

### Customer lending, 30 Jun 09



## Business mix, 1H07 – 1H09

### Profit / (loss) before tax, US\$m



## North America<sup>1</sup>

US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges	9,599	11,580	9,190	-4	-21
Loan impairment charges and other credit risk provisions	(7,166)	(9,629)	(8,538)	+19	-11
Net operating income	2,433	1,951	652	-73	-67
Total operating expenses <sup>1</sup>	(4,807)	(4,552)	(4,362)	-9	-4
Operating profit <sup>1</sup>	(2,374)	(2,601)	(3,710)	+56	+43
Associates and joint ventures	8	3	7	-13	+133
<b>Loss before tax<sup>1</sup></b>	<b>(2,366)</b>	<b>(2,598)</b>	<b>(3,703)</b>	<b>+57</b>	<b>+43</b>
Customer loans and advances (US\$bn)	272.5	256.2	226.3	-17	-12
Customer accounts (US\$bn)	142.0	143.5	140.3	-1	-2

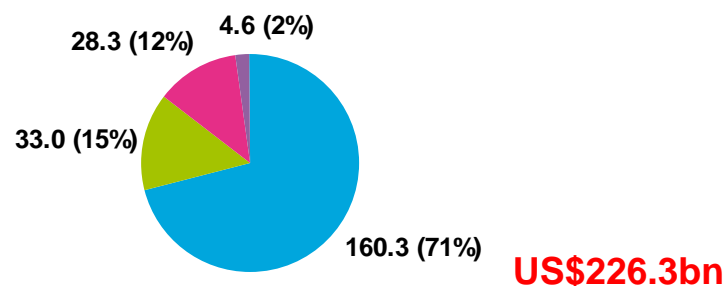
Note:  
(1) Excludes goodwill impairment charge

# North America<sup>1</sup>

## Business mix, 1H09

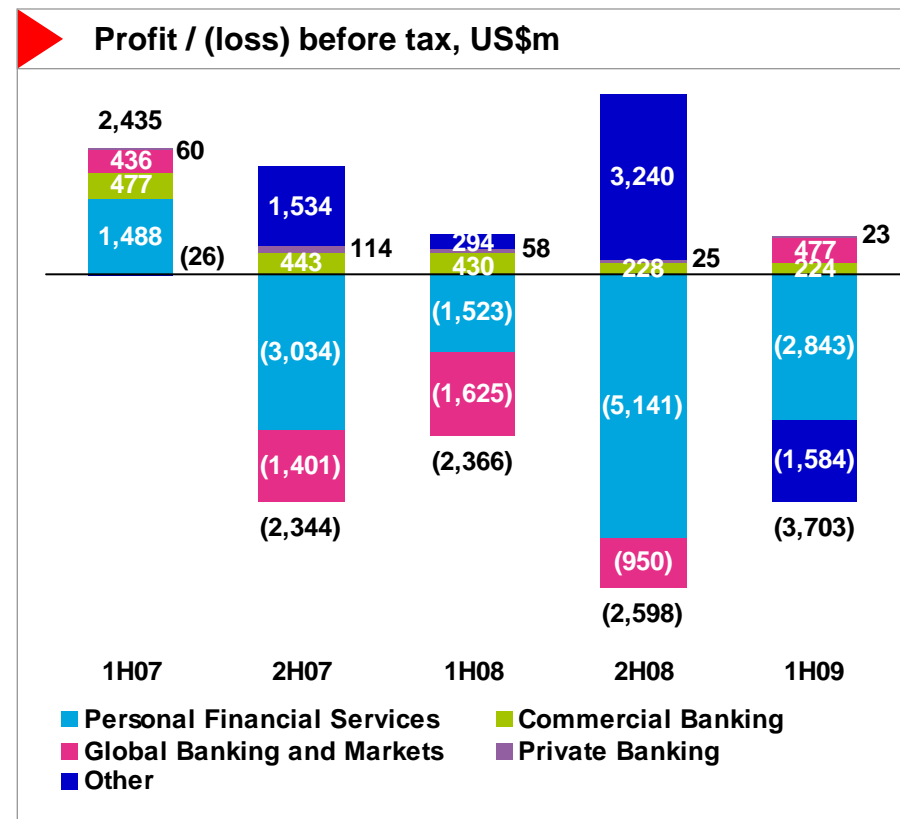
Profit / (loss) before tax	
	US\$m
Personal Financial Services	(2,843)
Commercial Banking	224
Global Banking and Markets	477
Private Banking	23
Other	(1,584)
<b>Total</b>	<b>(3,703)</b>

## Customer lending, 30 Jun 09



Note:  
(1) Excludes goodwill impairment charge for PFS

## Business mix, 1H07 – 1H09



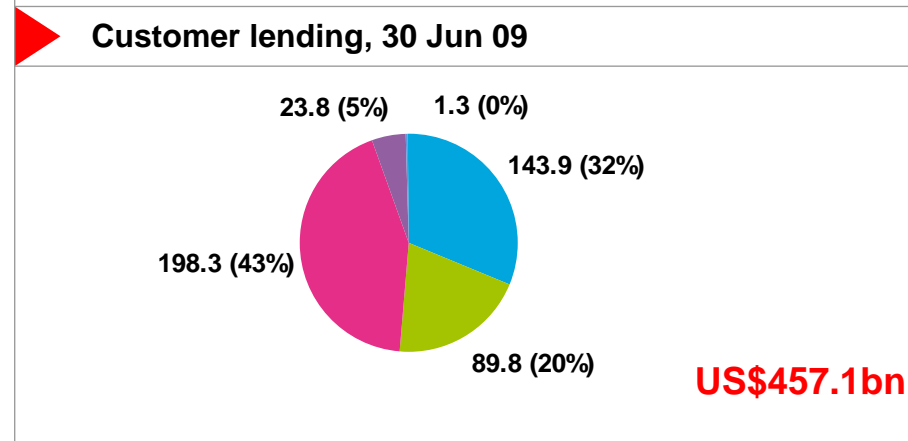
## Europe

US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges	14,641	16,038	12,354	-16	-23
Loan impairment charges and other credit risk provisions	(1,272)	(2,482)	(2,813)	+121	+13
Net operating income	13,369	13,556	9,541	-29	-30
Total operating expenses	(8,193)	(7,879)	(6,587)	-20	-16
Operating profit	5,176	5,677	2,954	-43	-48
Associates and joint ventures	1	15	22	n/a	+147
<b>Profit / (loss) before tax</b>	<b>5,177</b>	<b>5,692</b>	<b>2,976</b>	<b>-43</b>	<b>-48</b>
Customer loans and advances (US\$bn)	509.0	426.2	457.1	-10	+7
Customer accounts (US\$bn)	549.6	502.5	529.7	-4	+5

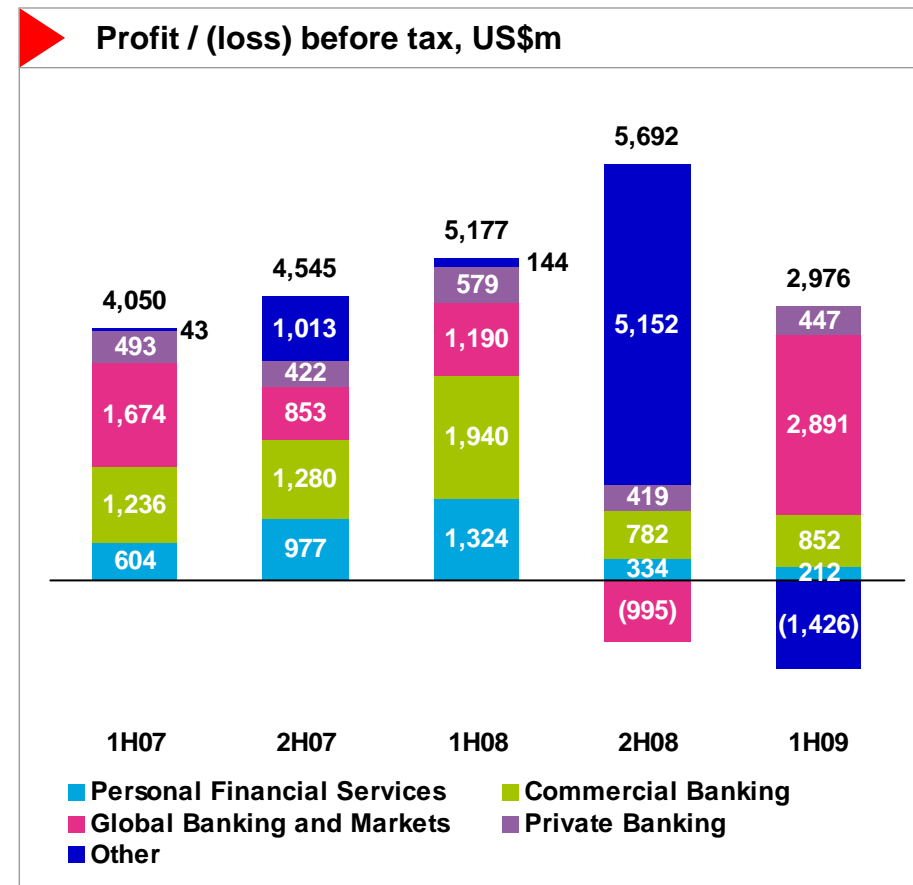
# Europe

## Business mix, 1H09

Profit / (loss) before tax		
	US\$m	% share
Personal Financial Services	212	7
Commercial Banking	852	29
Global Banking and Markets	2,891	97
Private Banking	447	15
Other	(1,426)	(48)
<b>Total</b>	<b>2,976</b>	<b>100</b>



## Business mix, 1H07 – 1H09



## Profit / (loss) before tax by country / territory

US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
<b>Hong Kong</b>	<b>3,073</b>	<b>2,388</b>	<b>2,501</b>	<b>-19</b>	<b>+5</b>
<b>Rest of Asia-Pacific</b>	<b>2,634</b>	<b>2,088</b>	<b>2,022</b>	<b>-23</b>	<b>-3</b>
Australia	100	76	84	-16	+11
India	371	295	201	-46	-32
Indonesia	66	55	80	+21	+45
Japan	4	0	(8)	n/a	n/a
<b>Total mainland China</b>	<b>907</b>	<b>698</b>	<b>752</b>	<b>-17</b>	<b>+8</b>
– Associates	748	538	685	-8	+27
– Other mainland China	159	160	67	-58	-58
Malaysia	209	160	139	-33	-13
Singapore	340	257	283	-17	+10
South Korea	177	136	185	+5	+36
Taiwan	115	60	81	-30	+36
Other Rest of Asia-Pacific	345	351	225	-35	-35
<b>Middle East</b>	<b>990</b>	<b>756</b>	<b>643</b>	<b>-35</b>	<b>-15</b>
Egypt	115	108	120	+4	+11
United Arab Emirates	522	339	311	-40	-8
Other	178	189	70	-61	-63
Total Middle East (excluding Saudi Arabia)	815	636	501	-39	-21
Saudi Arabia	175	120	142	-19	+18

## Profit / (loss) before tax by country / territory

US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
<b>Latin America</b>	<b>1,266</b>	<b>771</b>	<b>580</b>	<b>-54</b>	<b>-25</b>
Argentina	119	105	117	-2	+11
Brazil	660	250	214	-68	-14
Mexico	385	329	177	-54	-46
Panama	63	58	73	+16	+26
Other Latin America	39	29	(1)	n/a	n/a
<b>North America<sup>1</sup></b>	<b>(2,366)</b>	<b>(2,598)</b>	<b>(3,703)</b>	<b>-56</b>	<b>-43</b>
United States <sup>1</sup>	(2,954)	(3,025)	(3,918)	-33	-30
Canada	494	345	144	-71	-58
Bermuda	94	80	73	-22	-9
Other North America	–	2	(2)	n/a	n/a
<b>Europe</b>	<b>5,177</b>	<b>5,692</b>	<b>2,976</b>	<b>-43</b>	<b>-48</b>
United Kingdom	3,479	3,206	1,656	-52	-48
France	709	2,131	520	-27	-76
Germany	155	70	150	-3	+114
Malta	71	71	47	-34	-34
Switzerland	335	218	233	-30	+7
Turkey	126	98	163	+29	+66
Other Europe	302	(102)	207	-31	n/a

Note:

(1) Excluding goodwill impairment charge for North America PFS

## Personal Financial Services

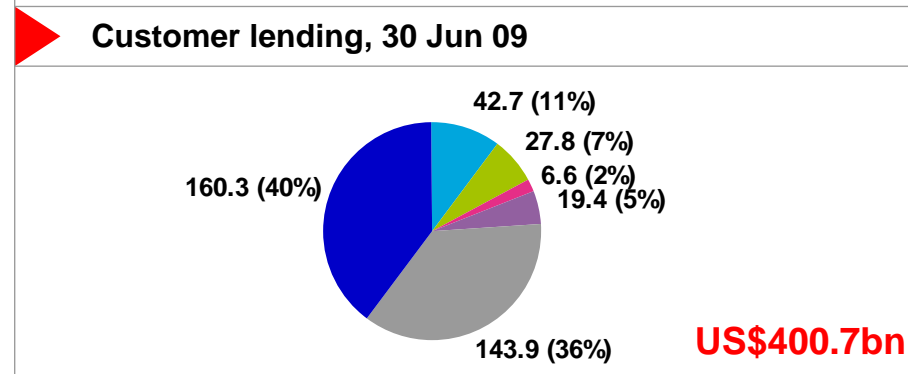
US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges	22,422	19,067	17,883	-20	-6
Loan impairment charges and other credit risk provisions	(9,384)	(11,836)	(10,673)	+14	-10
Net operating income	13,038	7,231	7,210	-45	0
Total operating expenses <sup>1</sup>	(10,572)	(10,568)	(8,774)	-17	-17
Operating profit	2,466	(3,337)	(1,564)	n/a	-53
Associates and joint ventures	374	87	315	-16	+262
<b>Profit before tax</b>	<b>2,840</b>	<b>(3,250)</b>	<b>(1,249)</b>	<b>n/a</b>	<b>-62</b>
Customer loans and advances	458.3	401.4	400.7	-13	0
Customer accounts	474.3	440.3	482.9	+2	+10



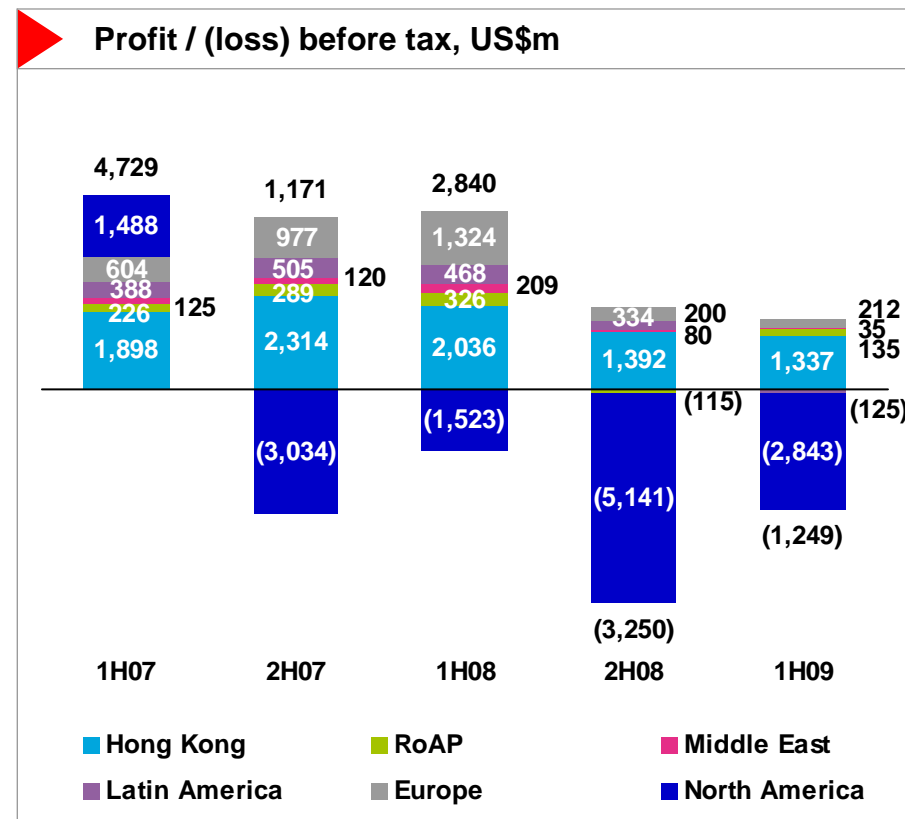
# Personal Financial Services

## Regional mix, 1H09

Profit / (loss) before tax	
	US\$m
Hong Kong	1,337
RoAP	135
Middle East	35
Latin America	(125)
Europe	212
North America	(2,843)
<b>Total operating income</b>	<b>(1,249)</b>



## Regional mix, 1H07 – 1H09<sup>1</sup>



Note:  
 (1) Excluding goodwill impairment charge for PFS

## Commercial Banking

US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges	8,156	7,161	6,344	-22	-11
Loan impairment charges and other credit risk provisions	(563)	(1,610)	(1,509)	+168	-6
Net operating income	7,593	5,551	4,835	-36	-13
Total operating expenses	(3,280)	(3,301)	(2,740)	-16	-17
Operating profit	4,313	2,250	2,095	-51	-7
Associates and joint ventures	298	333	337	+13	+1
<b>Profit before tax</b>	<b>4,611</b>	<b>2,583</b>	<b>2,432</b>	<b>-47</b>	<b>-6</b>
Customer loans and advances (US\$bn)	238.1	203.9	198.9	-16	-2
Customer accounts (US\$bn)	247.7	235.9	239.9	-3	+2

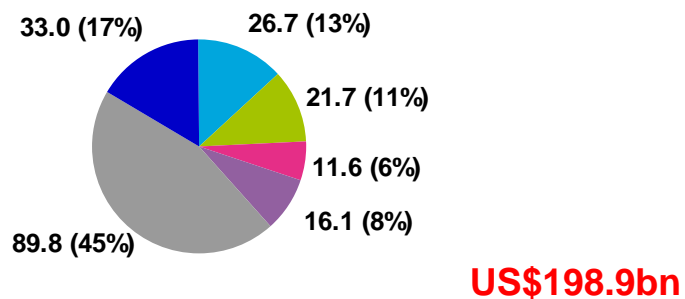
# Commercial Banking

## Regional mix, 1H09

### Profit before tax

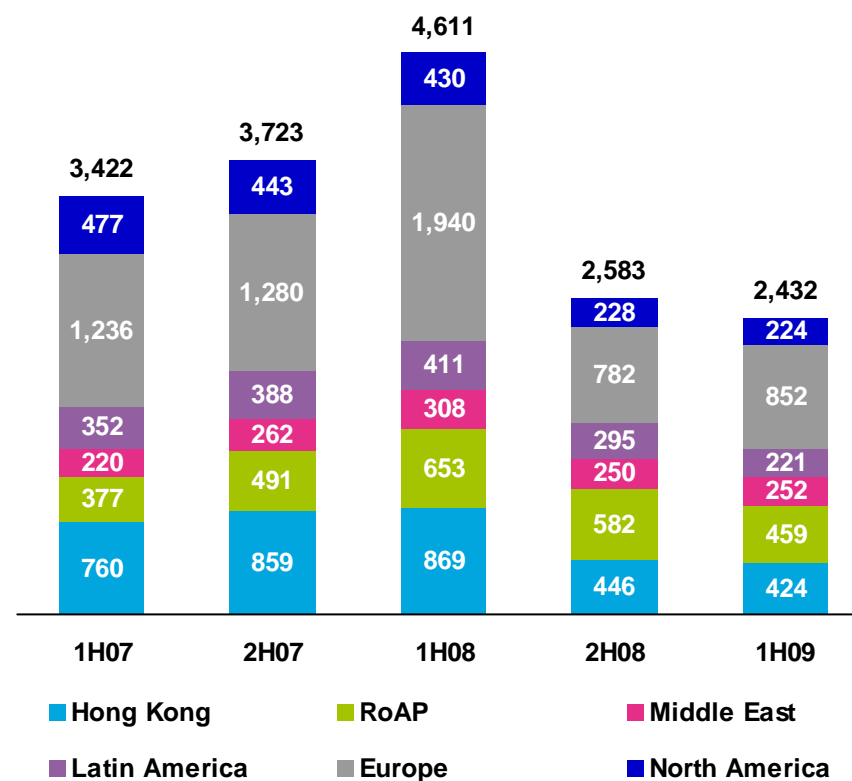
	US\$m
Hong Kong	424
RoAP	459
Middle East	252
Latin America	221
Europe	852
North America	224
<b>Total operating income</b>	<b>2,432</b>

### Customer lending, 30 Jun 09



## Regional mix, 1H07 – 1H09

### Profit before tax, US\$m

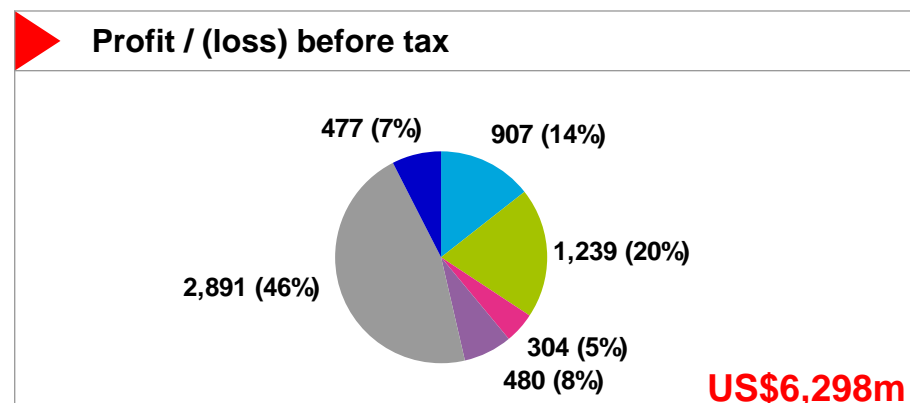


## Global Banking and Markets

US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges	7,379	6,139	12,231	+66	+99
Loan impairment charges and other credit risk provisions	(115)	(1,356)	(1,732)	n/a	+28
Net operating income	7,264	4,783	10,499	+45	+120
Total operating expenses	(4,827)	(4,265)	(4,405)	-9	+3
Operating profit	2,437	518	6,094	+150	n/a
Associates and joint ventures	253	275	204	-19	-26
<b>Profit before tax</b>	<b>2,690</b>	<b>793</b>	<b>6,298</b>	<b>+134</b>	<b>+694</b>

# Global Banking and Markets

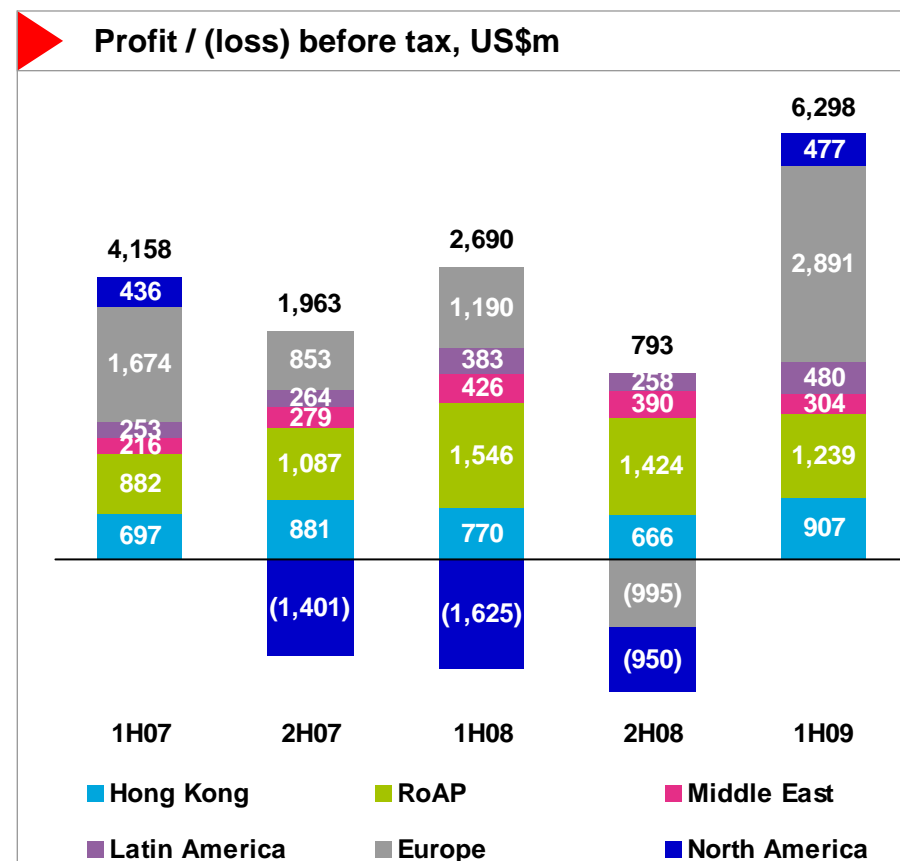
## Regional mix, 1H09



## Management view of total operating income

US\$bn	1H08	2H08	1H09
Global Markets	1,688	988	5,991
Global Banking	2,432	3,286	2,403
Balance Sheet Management	1,630	1,988	3,350
Global Asset Management	669	265	414
Principal Investments	167	(582)	(38)
Other	833	233	146
<b>Total operating income</b>	<b>7,419</b>	<b>6,178</b>	<b>12,266</b>

## Regional mix, 1H07 – 1H09

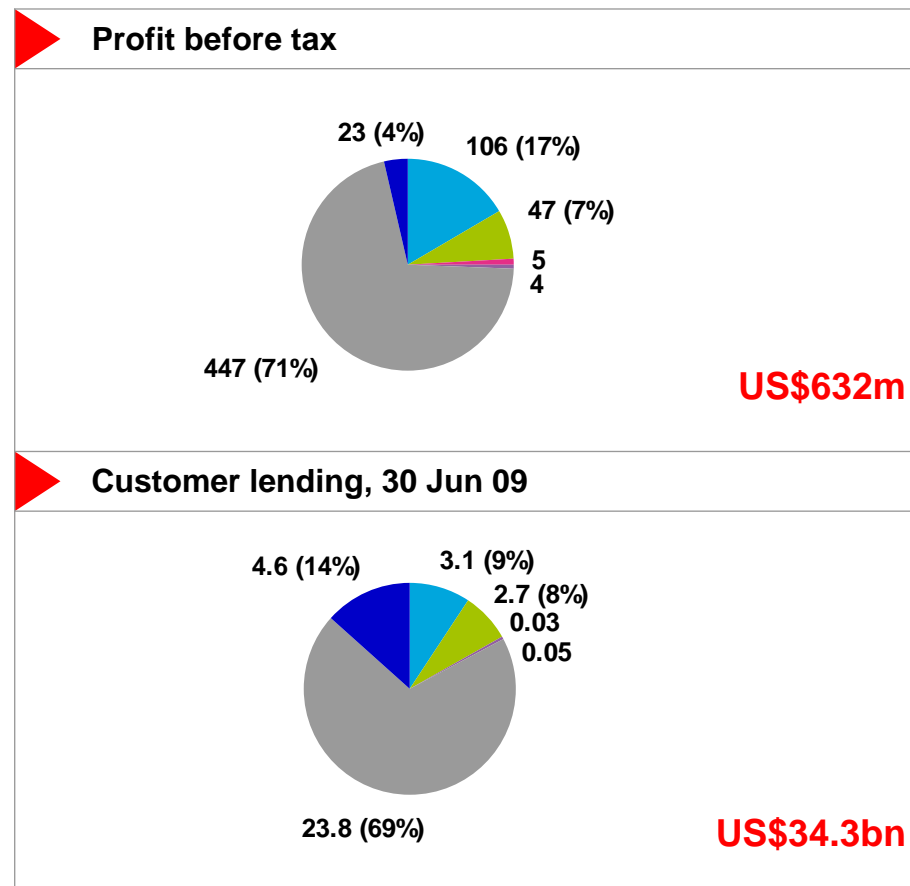


## Private Banking

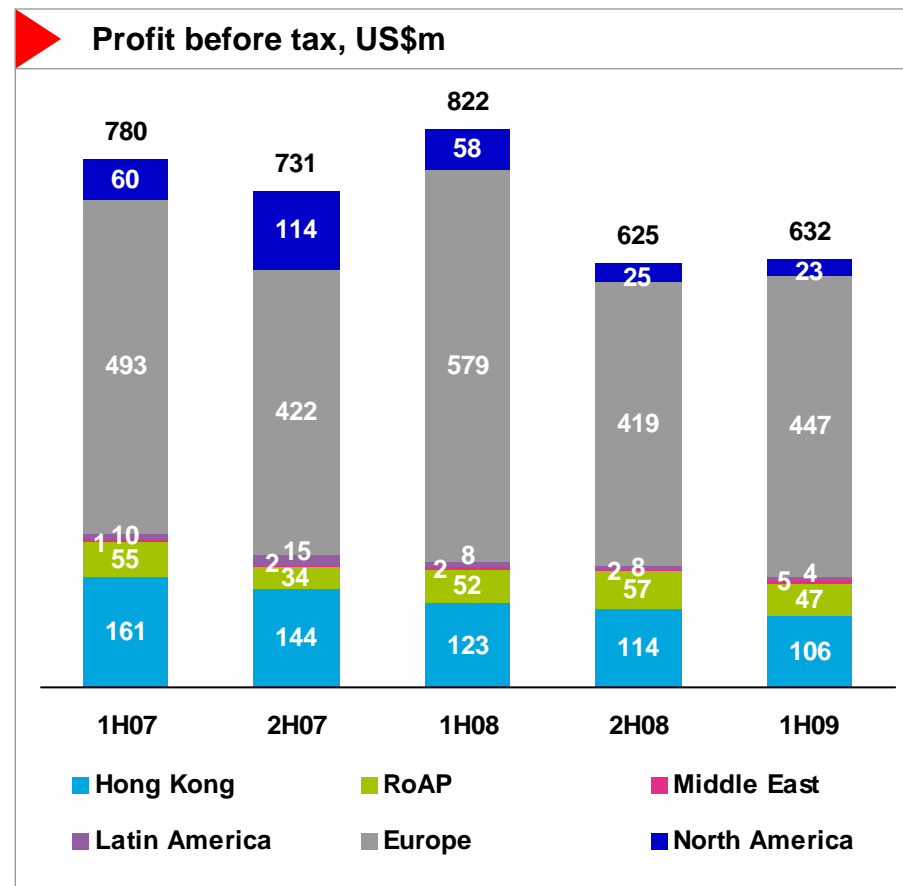
US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges	1,916	1,715	1,589	-17	-7
Loan impairment charges and other credit risk provisions	4	(72)	(14)	n/a	-81
Net operating income	1,920	1,643	1,575	-18	-4
Total operating expenses	(1,098)	(1,018)	(949)	-14	-7
Operating profit	822	625	626	-24	-
Associates and joint ventures	–	–	6	n/a	n/a
<b>Profit before tax</b>	<b>822</b>	<b>625</b>	<b>632</b>	<b>-23</b>	<b>+1</b>
<b>Client assets (US\$bn)</b>					
Beginning period	421	421	352	-16	-16
Net new money	15	9	(7)	-147	-178
Value change	(20)	(51)	7	-135	+114
Exchange and other	5	(27)	(7)	-240	-74
End period	421	352	345	-18	-2

# Private Banking

## Regional mix, 1H09



## Regional mix, 1H07 – 1H09



# HSBC Finance Corporation

## 1H09 Financial Results

US\$m	1H08	2H08	1H09	% change vs	
				1H08	2H08
Net operating income before loan impairment charges (excluding movements in FV on own debt)	7,421	6,317	6,734	-9	+7
Loan impairment charges and other credit risk provisions	(6,581)	(8,766)	(7,308)	+11	-17
Total operating expenses (excluding goodwill impairment)	(2,359)	(2,167)	(1,879)	-20	-13
Profit / (loss) before tax from continuing operations (excluding movements in FV on own debt and goodwill impairment)	(1,519)	(4,616)	(2,453)	+61	-47
Customer loans and advances (as at period end) <sup>1</sup>	162,688	147,010	132,262	-19	-10

Notes:

The figures above are presented on an IFRS Management Basis. See Note 16 'Business Segments' of Form 10-Q for the period ended June 30, 2009 for a reconciliation of IFRS to U.S. GAAP

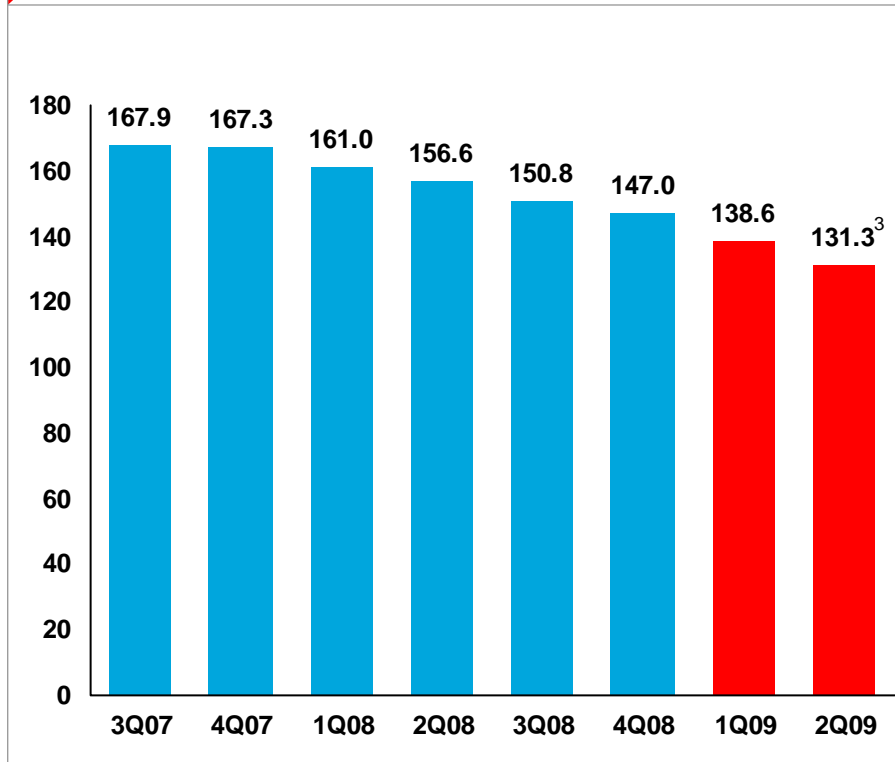
(1) Customer loans and advances included US\$4,268 million from discontinued operations in 1H08 and reverse repo balances of US\$1,755 million and US\$1,000 million for 1H08 and 1H09, respectively. Excludes US\$805 million of Vehicle Finance loans held for sale



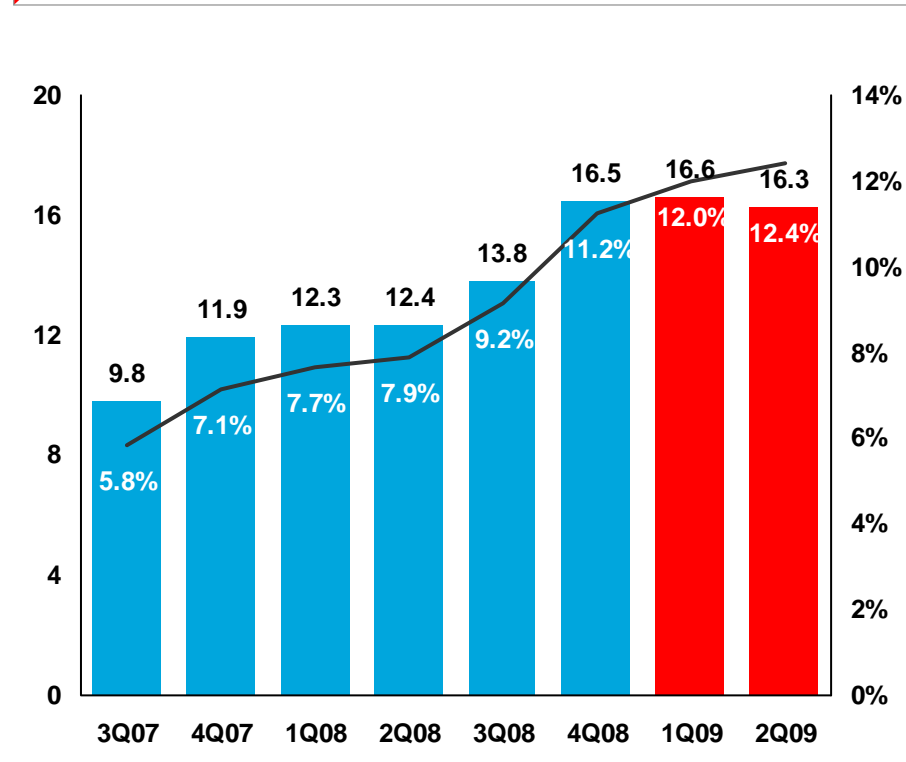
# HSBC Finance Corporation

Continued reduction of customer loans in the US

**Customer Loans<sup>1</sup>, US\$bn**



**2+ Delinquency<sup>2</sup>**



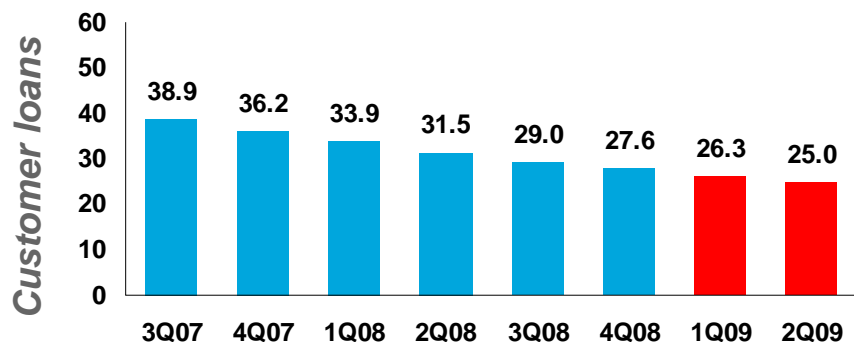
Notes:

- (1) Excludes reverse repo balances
- (2) 2+ delinquency ratio as a percentage of period end customer loans. Excludes vehicle finance loans held for sale
- (3) Excludes vehicle finance loans held for sale (US\$0.8bn)

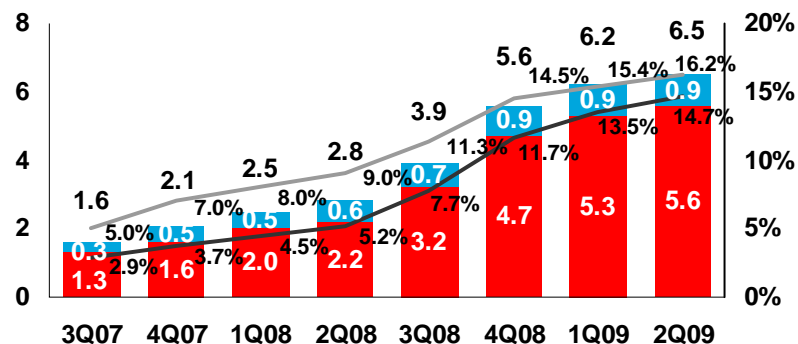
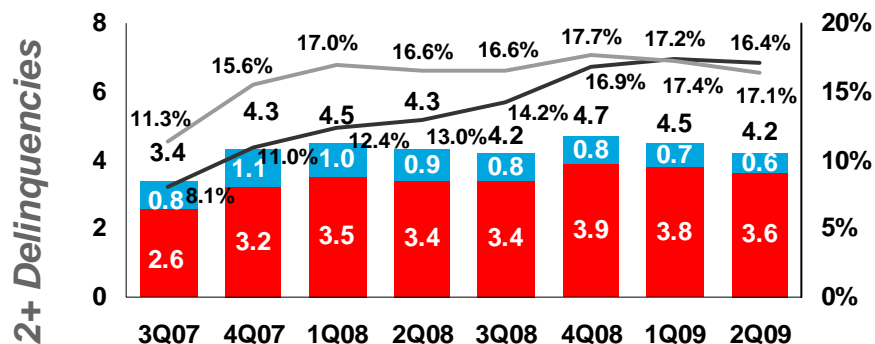
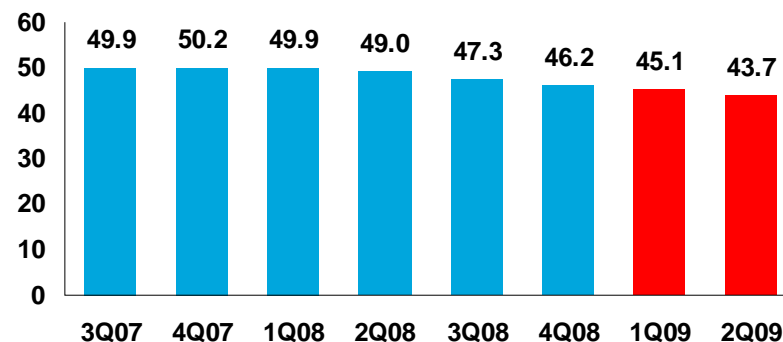
# HSBC Finance Corporation

US Mortgages – continuing to shrink the mortgage portfolio

## Mortgage Services, US\$bn



## Consumer Lending, US\$bn

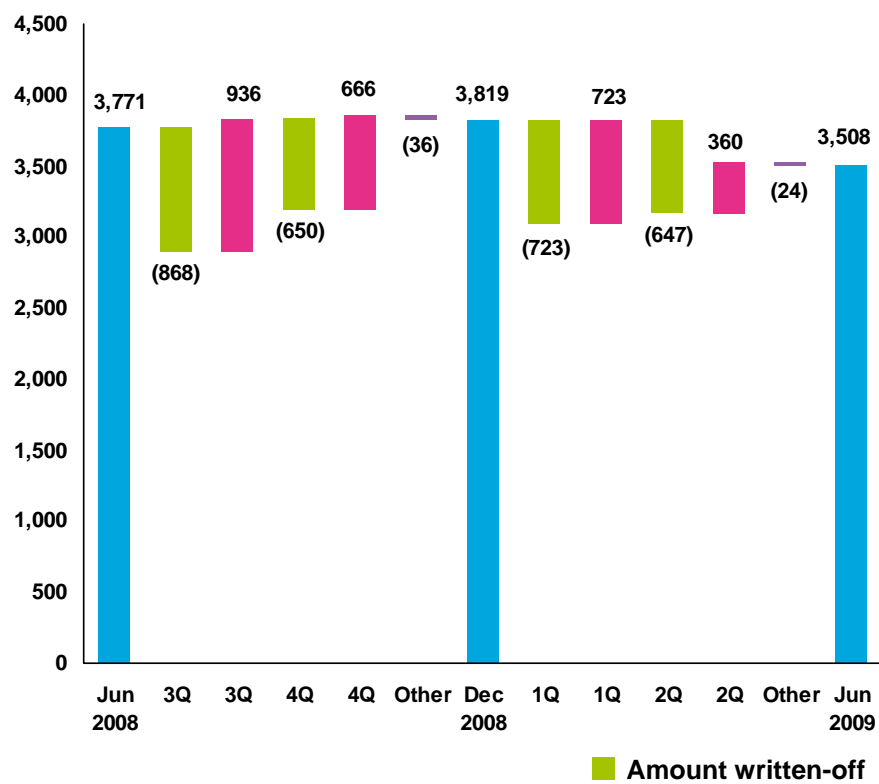


■ 2+ First Lien \$   ■ 2+ Second Lien \$   — 2+ 1st Lien (%)   — 2+ 2nd Lien (%)

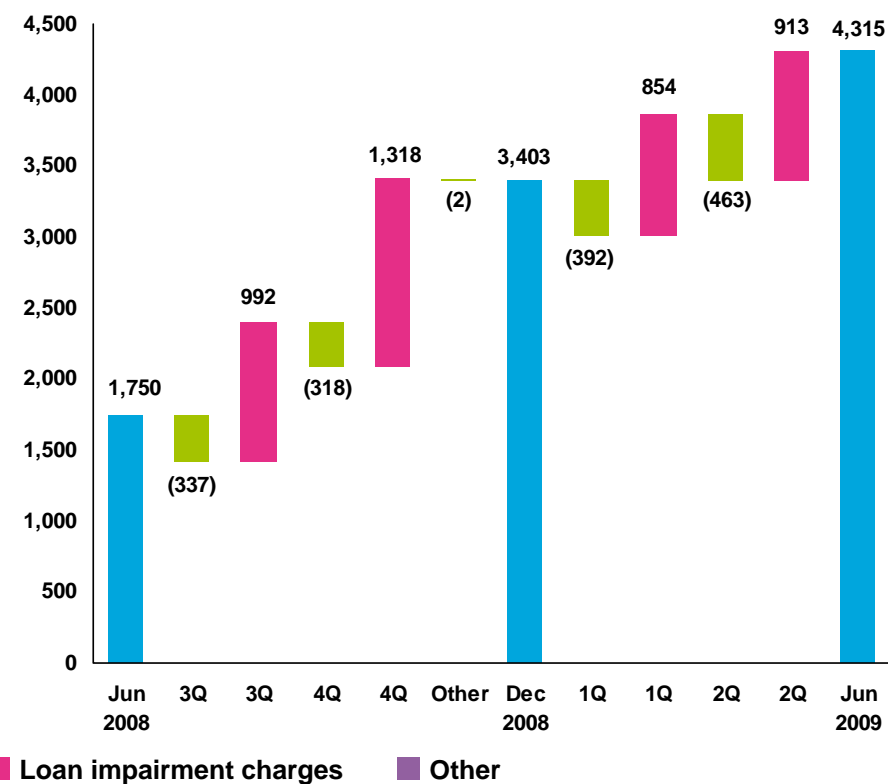
# HSBC Finance Corporation

Impairment allowance – real estate secured

## Mortgage Services, US\$m



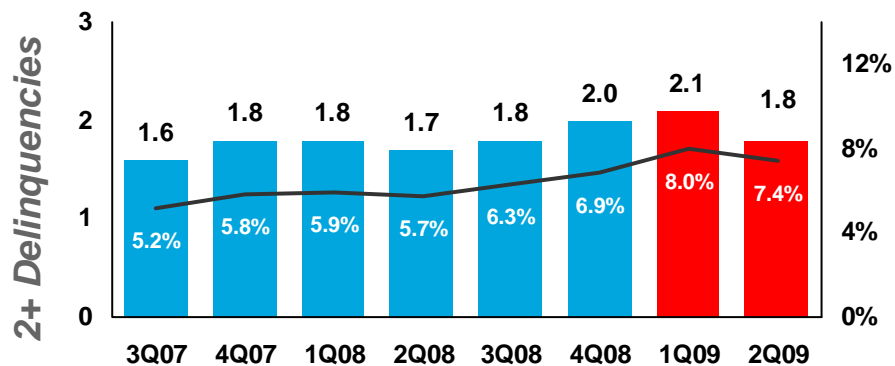
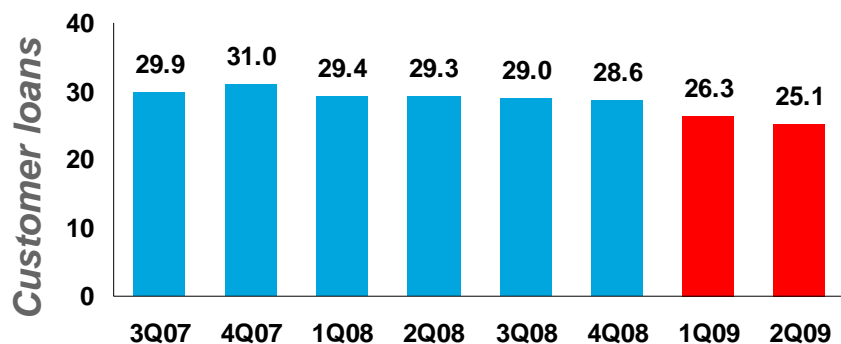
## Consumer Lending, US\$m



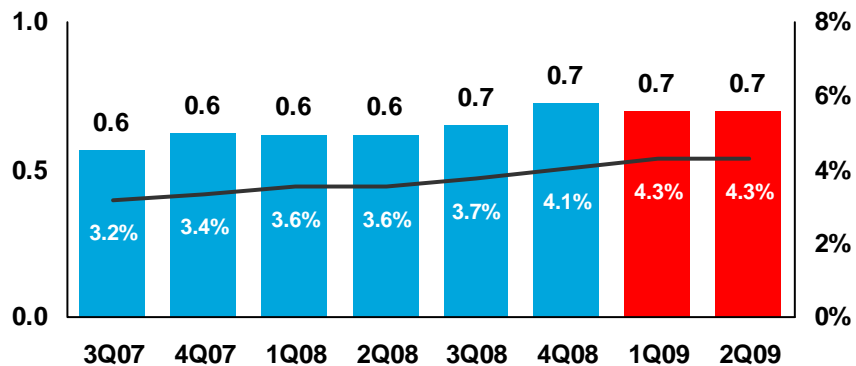
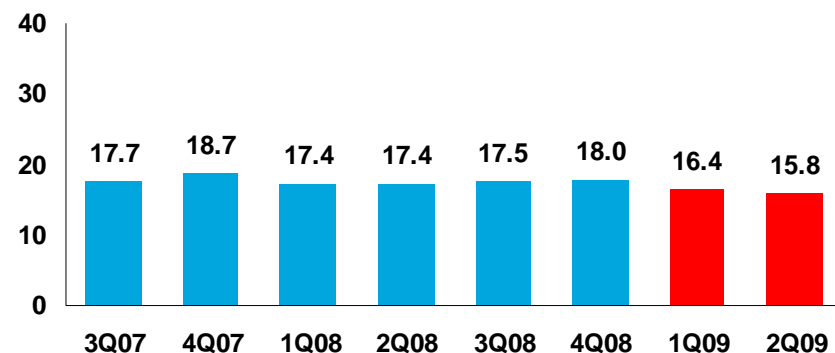
# HSBC Finance Corporation

Managing risk in Card and Retail Services

## Credit Card, US\$bn

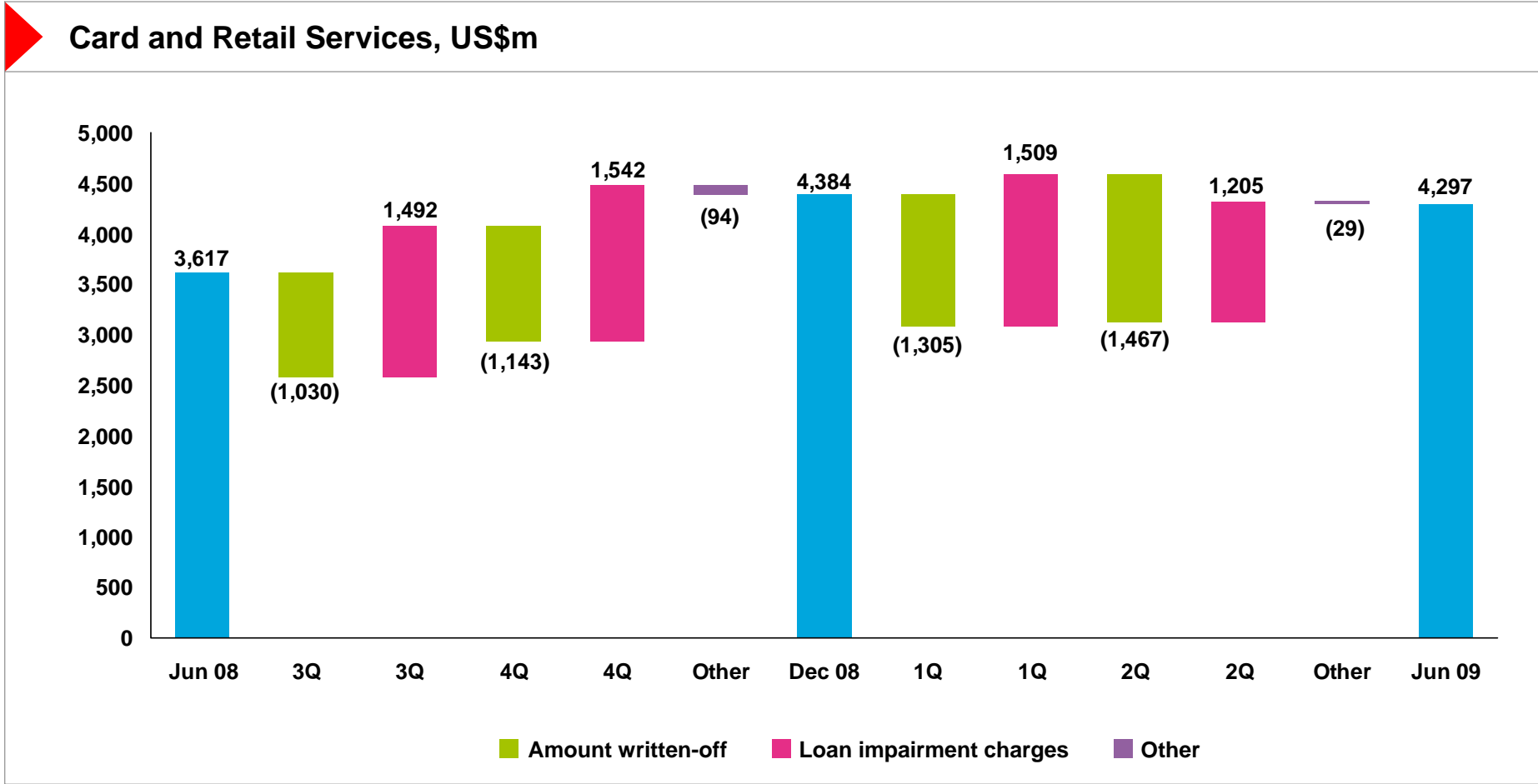


## Private Label, US\$bn



# HSBC Finance Corporation

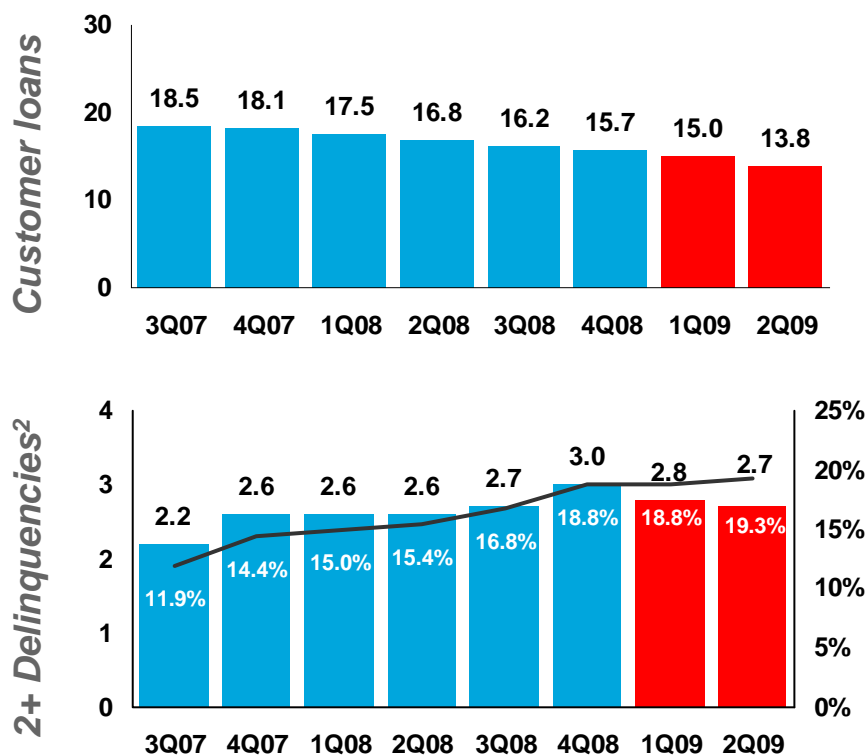
Impairment allowance – Card and Retail Services



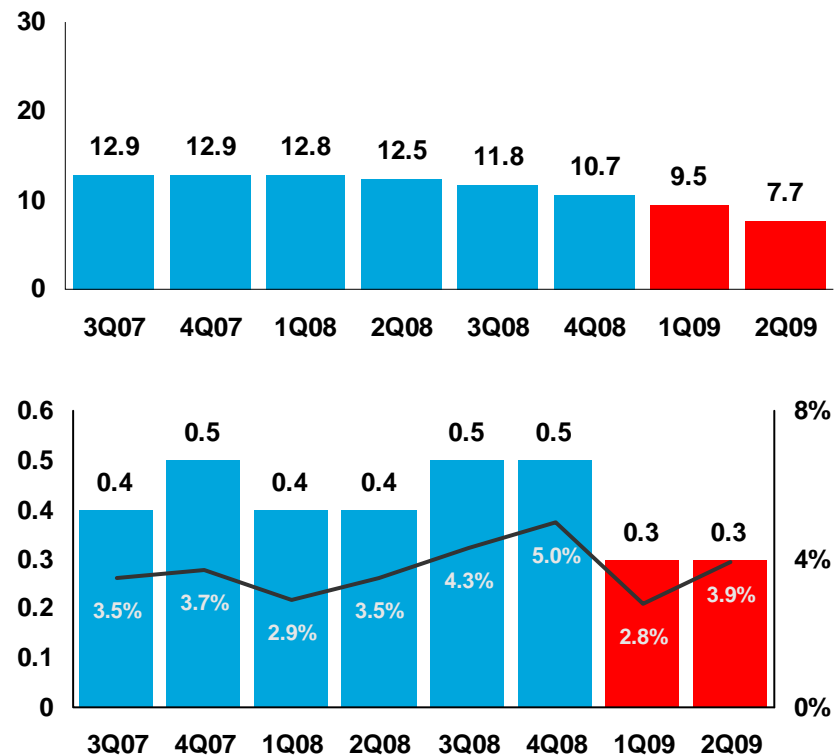
# HSBC Finance Corporation

Manage personal non-credit card risk and Vehicle Finance run-off

**Personal Non-Credit Card, US\$bn**



**Vehicle Finance<sup>1</sup>, US\$bn**

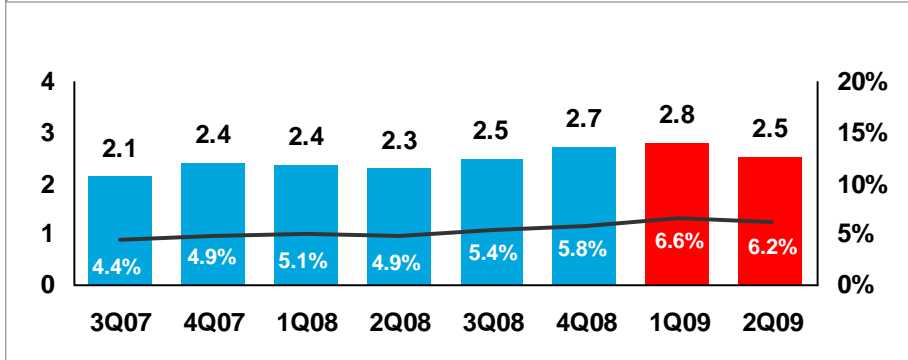


Notes:  
 (1) Vehicle Finance excludes loans held for sale (US\$0.8bn)  
 (2) 2+ Delinquency ratio as a % of period end consumer loans

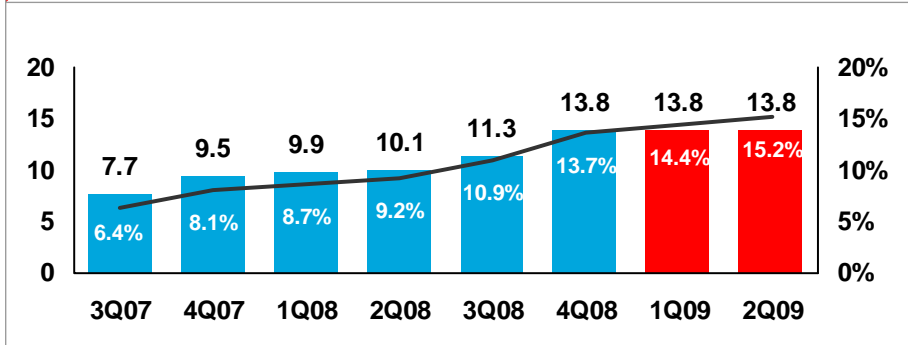
# HSBC Finance Corporation

2+ Delinquency<sup>1,2</sup>

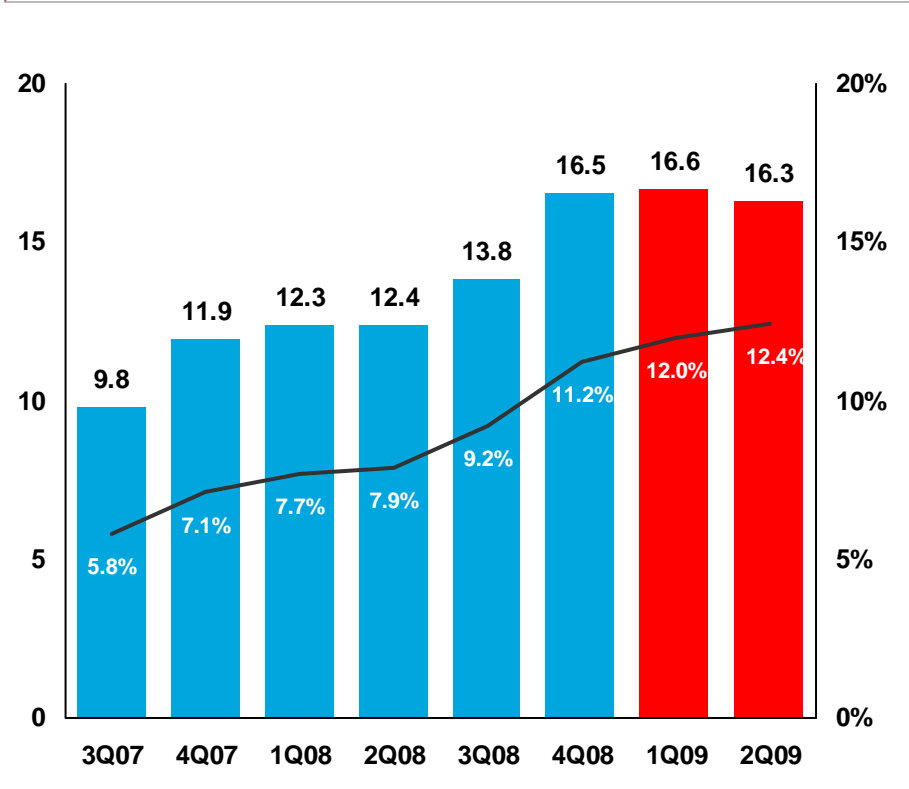
**Core Portfolio, US\$bn**



**Run-off Portfolio, US\$bn**



**Total HSBC Finance Corp, US\$bn**

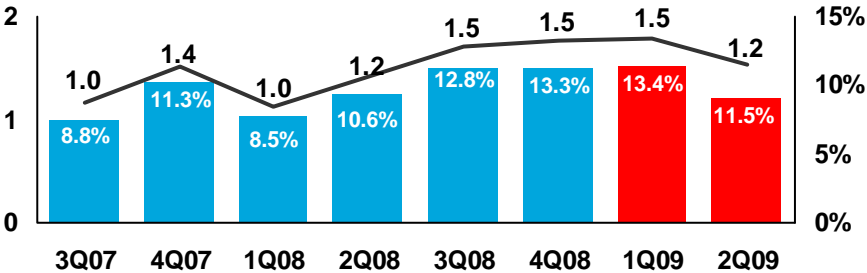


Notes:  
 (1) Excludes reverse repo balances and Vehicle Finance held for sale  
 (2) 2+ Delinquency ratio as a % of end of period consumer loans

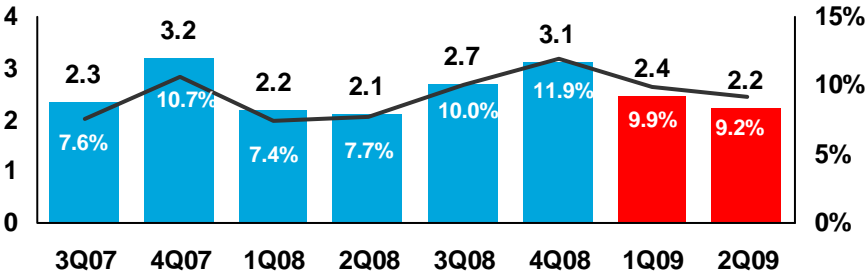
# HSBC Finance Corporation

Loan impairment charges<sup>1,2</sup>

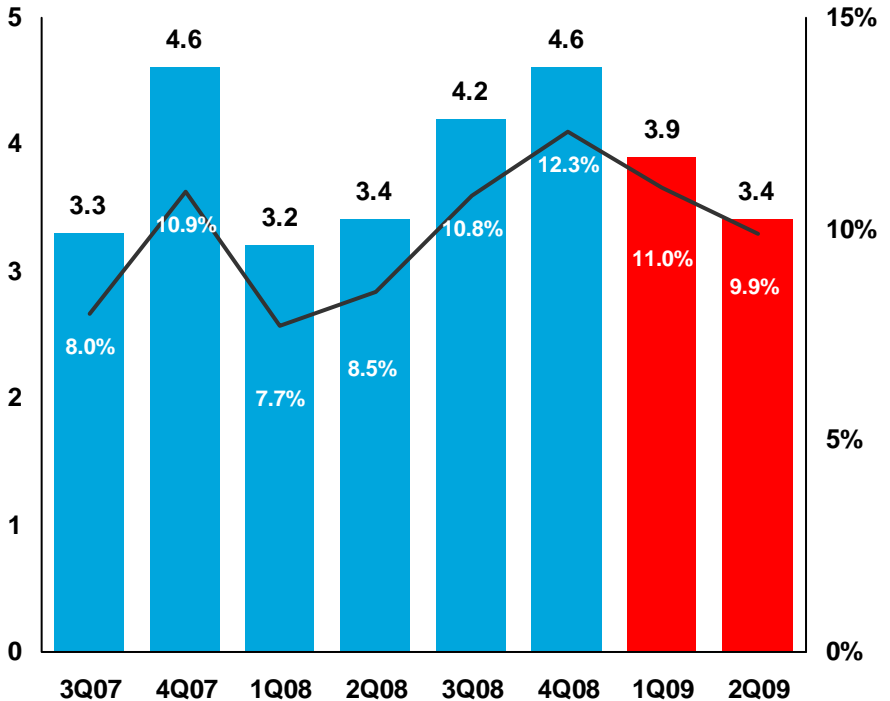
**Core Portfolio, US\$bn**



**Run-off Portfolio, US\$bn**



**Total HSBC Finance Corp, US\$bn**



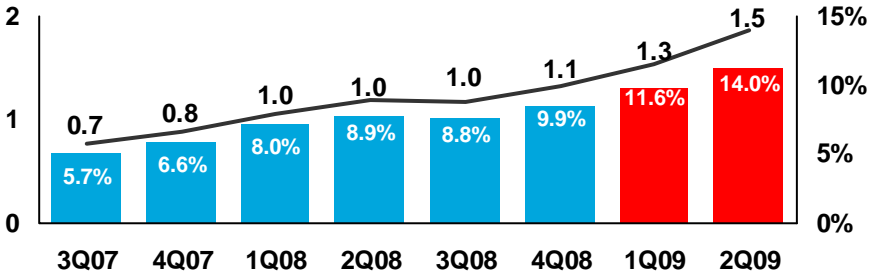
Notes:  
 (1) Excludes reverse repo balances  
 (2) Loan impairment charge ratio as a % of average total loans (annualised)



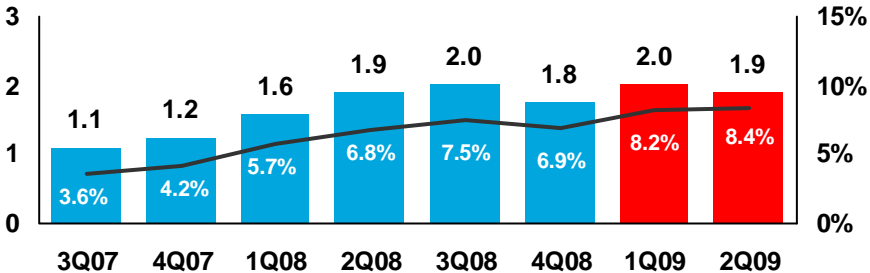
# HSBC Finance Corporation

Amount written-off<sup>1,2</sup>

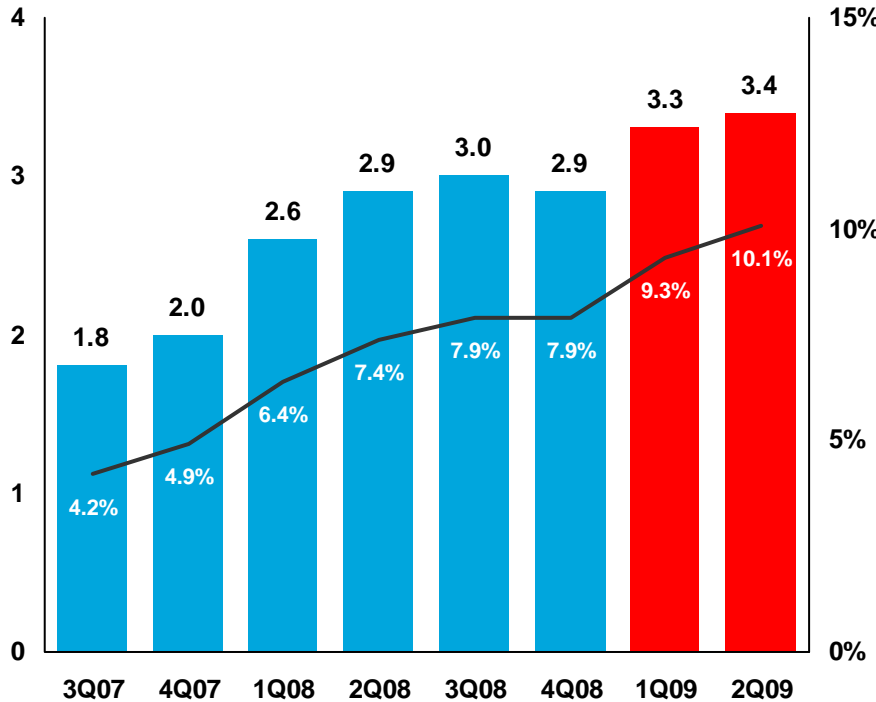
**Core Portfolio, US\$bn**



**Run-off Portfolio, US\$bn**



**Total HSBC Finance Corp, US\$bn**

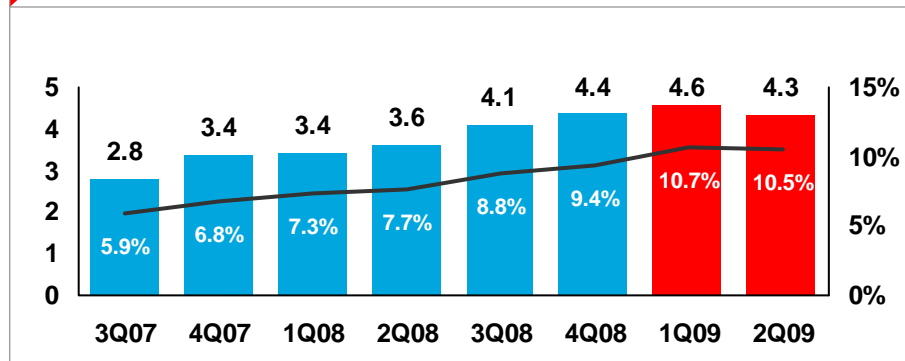


Notes:  
 (1) Excludes reverse repo balances  
 (2) Amount written-off ratio as a percentage of average consumer loans (annualised)

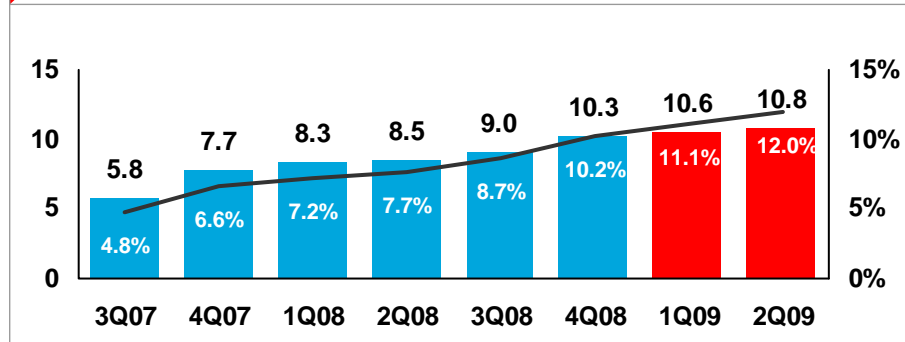
# HSBC Finance Corporation

Impairment allowances<sup>1,2</sup>

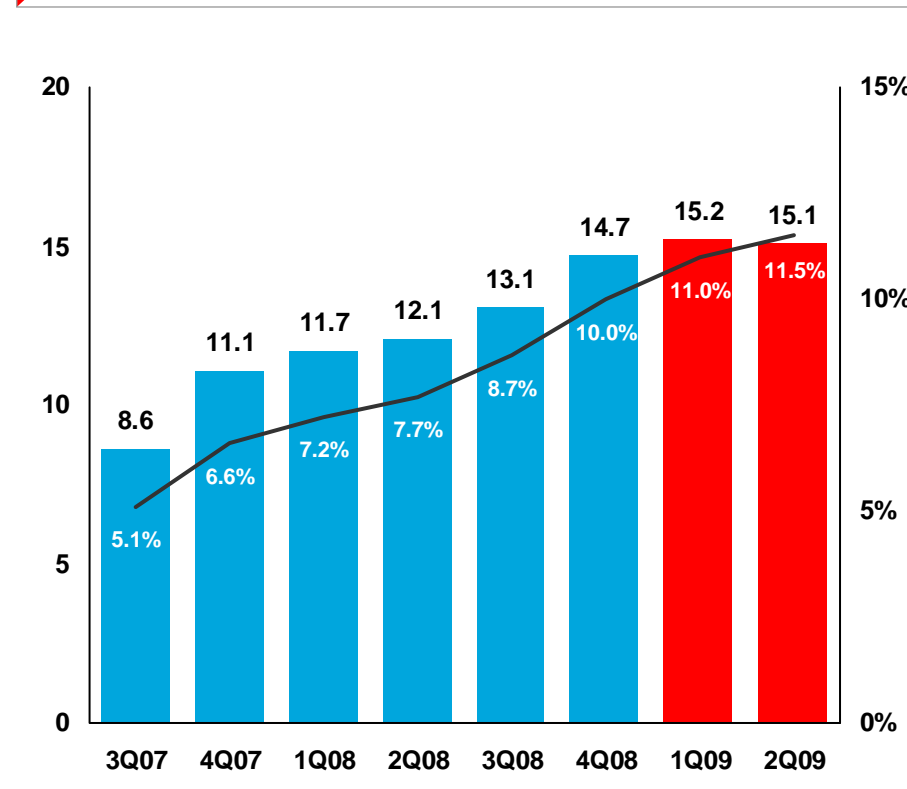
**Core Portfolio, US\$bn**



**Run-off Portfolio, US\$bn**



**Total HSBC Finance Corp, US\$bn**



Notes:

(1) Excludes reverse repo balances

(2) Impairment allowance ratio as a % of period total loans