1 August 2011

News Release

HSBC HOLDINGS PLC

2011 INTERIM RESULTS – HIGHLIGHTS

Financial highlights:

- Reported pre-tax profit US$11.5bn: up 3% on 1H10, and 45% on 2H10*
- Profit attributable to ordinary shareholders US$8.9bn: up 35% on 1H10, 46% on 2H10
- Return on average ordinary shareholders' equity 12.3%: up from 10.4% in 1H10, 8.9% in 2H10
- Earnings per share US$0.51: up 34% on 1H10, and 46% on 2H10
- Net assets per share of US$8.59: up 17% on 1H10, and 8% on 2H10
- Dividends declared in respect of 2011 totalling US$0.18 per ordinary share, up 12.5% on 1H10
- Loan impairment and other credit risk provisions US$5.3bn: down 30% on 1H10, 19% on 2H10
- Advances-to-deposits ratio 78.7%: up from 77.9% in 1H10, and 78.1% in 2H10
- Core tier 1 capital ratio increased to 10.8% from 10.5% during the period

Business highlights:

- Commercial Banking profits up 31%: supported by revenues up 14% and customer lending up 12%
- compared to year end
- Retail Banking and Wealth Management profits up 131% as loan impairment charges fell
- Global Banking and Markets profits down 12%, but held up well against strong 1H10
- Profitable in all regions: profits up in Asia, Latin America, the Middle East and North America
- Revenues stable at US$35.7bn: double digit growth in Asia and Latin America

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- Customer lending up 8% on year end: led by demand in trade, emerging markets and Europe
- In the US, made progress on strategic review of credit card business and announced disposal of
- 195 non-strategic branches, principally in upstate New York
- Announced: closure of retail banking in Russia and Poland; disposal of three insurance businesses
- Cost efficiency ratio of 57.5%: compared with 50.9% in 1H10, and 59.9% in 2H10

HSBC HOLDINGS REPORTS PRE-TAX PROFIT OF US$11,474M

HSBC made a profit before tax of US$11,474m, an increase of US$370m, or 3.3%, compared with the first half of 2010.

Profit attributable to ordinary shareholders was US$8,929m, an increase of US$2,300m or 35% compared with the first half of 2010.

Net interest income of US$20,235m was US$478m, or 2.4%, higher than the first half of 2010.

Net operating income before loan impairment charges and other credit risk provisions of US$35,694m was US$143m, or 0.4%, higher than the first half of 2010.

Total operating expenses of US$20,510m increased by US$2,399m, or 13.2%, compared with the first half of 2010. On an underlying basis, and expressed in terms of constant currency, operating expenses increased by 10%.

HSBC's cost efficiency ratio was 57.5% compared with 50.9% in the first half of 2010.

Loan impairment charges and other credit risk provisions were US$5,266m in the first half of 2011, US$2,257m lower than the first half of 2010.

The Directors have declared a second interim dividend for 2011 of US$0.09 per ordinary share, a distribution of approximately US$1,604m.

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The core tier 1 ratio and tier 1 ratio for the Group remained strong at 10.8% and 12.2%, respectively, at 30 June 2011.

The Group's total assets at 30 June 2011 were US$2,691bn, an increase of US$236bn, or 9.6%, since 31 December 2010.

Review by Stuart Gulliver, Group Chief Executive

Progress on strategy

HSBC's global network covers the majority of world trade and capital flows, and provides access to faster-growing economies as well as the mature economies where wealth is stored. In May, we articulated our strategy to become the world's leading international bank by building on this distinctive position to leverage global economic and demographic trends. We also outlined our plans to deploy capital more efficiently, to improve cost efficiency and to target growth in selected markets. We are making progress in all three areas:

First, as a result of our portfolio review and application of a five-filter framework, we announced a number of closures and disposals. These included the closure of our retail businesses in Russia and Poland and the disposal of three insurance businesses. More materially in the US, we have made progress on the strategic review of our credit card business and announced the disposal of 195 non-strategic branches, principally in upstate New York.

Second, we are targeting US$2.5-3.5bn of sustainable cost savings by 2013. Since the start of 2011, we have begun operational restructurings in Latin America, the US, the UK, France and the Middle East which will reduce headcount by around 5,000. We launched a programme to reduce the costs of our head office and global support functions. We also initiated more efficient business operating models for Commercial Banking and Retail Banking and Wealth Management.

Third, we continued to position the business for growth. We increased revenues in target markets and we made progress in wealth management, where we saw higher investment

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income, especially in Asia, and funds under management in Global Asset Management reached a record high at the end of the period.

Revenues

- At US$35.7bn, total Group revenues were stable compared with 1H10 and up 9% compared with 2H10.
- We recorded double-digit revenue growth in Hong Kong, Rest of Asia-Pacific and Latin
- America compared with 1H10.
- As we had forecast, revenue declined in the US as we continued to manage down balances in the run-off portfolios, and in Balance Sheet Management as positions matured. Along with many peers, we saw weaker Credit and Rates revenues in Europe in Global Banking and Markets.

Loan impairment charges

- Loan impairment charges were US$5.3bn compared with US$7.5bn in 1H10 and US$6.5bn in 2H10.
- Most of the improvement was in the US. The Consumer Finance run-off and Cards portfolios recorded lower balances as well as improved delinquency rates, although we saw a slowing of delinquency trend improvements in the second quarter.
- In Global Banking and Markets, loan impairment charges and other credit risk provisions were lower.

Cost efficiency

- The cost efficiency ratio rose from 50.9% to 57.5% compared with 1H10. Reflecting strategic investment in the business, key drivers behind the increase were higher staff numbers, wage inflation, and other costs related to business growth. We also reported a number of notable cost items during the period.
- The cost efficiency ratio fell compared with 59.9% in 2H10 as we controlled discretionary spend and took action to make sustainable savings.
- Significantly, on a quarterly basis, the cost efficiency ratio was 54.4% in 2Q11, lower than in each of the previous three quarters.

Balance sheet

- Compared with year-end 2010, customer account balances increased by 7% or US$91.3bn to US$1.3 trillion, with most of the increase in Europe and Asia.
- Compared with year-end 2010, total customer loan balances increased by 8% or US$79.5bn to US$1.0 trillion, rising in all regions except North America, where we managed down balances in the Consumer Finance portfolios.
- The core tier 1 ratio increased during the period from 10.5% at the end of 2010 to 10.8%, driven primarily by profit generation.

THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

2011 INTERIM CONSOLIDATED RESULTS – HIGHLIGHTS

- Net operating income before loan impairment charges and other credit risk provisions up
- 17% to HK$73,456m (HK$62,827m in the first half of 2010).
- Pre-tax profit up 20% to HK$46,234m (HK$38,575m in the first half of 2010).
- Attributable profit up 20% to HK$34,292m (HK$28,675m in the first half of 2010).
- Return on average shareholders' equity of 22.5% (22.8% in the first half of 2010).
- Assets up 9% to HK$5,497bn (HK$5,040bn at the end of 2010).
- Cost efficiency ratio of 45.2% (44.0% for the first half of 2010).

Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'. The abbreviations 'HK$m' and 'HK$bn' represent millions and billions (thousands of millions) of Hong Kong dollars respectively.

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Notes to editors:

1. HSBC Vietnam
HSBC has been in Vietnam for 140 years – the Bank first opened an office in Saigon (now Ho Chi Minh City) in 1870. HSBC was the first foreign bank to launch its locally incorporated entity on 1 January 2009 as HSBC Bank (Vietnam) Ltd. The Bank's current network includes one branch and five transaction offices in Ho Chi Minh City, one branch and three transaction offices in Ha Noi, and four branches in Binh Duong, Can Tho, Da Nang and Dong Nai province. HSBC is one of the largest foreign banks in the country in terms of investment capital, network, product range, staff and customer base.

2. The Hongkong and Shanghai Banking Corporation Limited
The Hongkong and Shanghai Banking Corporation Limited is the founding and a principal member of the HSBC Group which, with properties in 87 countries and territories and assets of US$2,691 billion at 30 June 2011, is one of the world's largest banking and financial services organisations.

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