



9 November 2011

**HSBC INTERIM MANAGEMENT STATEMENT**

**Highlights for the nine months ended 30 September 2011**

---

- Reported profit before tax ('PBT') for the third quarter of 2011 ('3Q11') was US\$7.2bn, up US\$3.6bn on 3Q10, and for the nine months ended 30 September 2011 ('the nine months') was US\$18.6bn, up US\$4.0bn on the same period in 2010. These results included US\$4.1bn of favourable movements in credit spread on the fair value of our own debt recognised in the quarter and US\$4.0bn for the nine months.
- Underlying PBT for 3Q11 was US\$3.0bn, down US\$1.6bn on 3Q10 due to decreased revenues in Global Banking and Markets, an adverse movement in non-qualifying hedges of US\$0.7bn (US\$1.3bn recorded in the quarter and US\$0.6bn in 3Q10), and an increase in loan impairment charges, primarily in North America, partially offset by increased revenues in Commercial Banking globally.
- Underlying PBT for the nine months was US\$14.4bn, down US\$0.3bn on 2010, reflecting the decreased revenues in Global Banking and Markets and higher costs offset by significantly lower loan impairment charges, principally in North America, and growth in Commercial Banking revenues.
- Annualised return on average ordinary shareholders' equity for the nine months was 12.6%, benefiting from the gains on movements in credit spread on the fair value of our own debt.
- Material progress has been made in implementing the strategy announced in May. Fourteen transactions have been announced so far this year, with 11 since 30 June 2011. Year to date, we have made good progress in expanding our Commercial Banking business across both developed and faster-growing markets and repositioning Retail Banking and Wealth Management.

*more*

PUBLIC

- The reported cost efficiency ratio for the nine months worsened to 54.6% from 54.0% in 2010, and to 59.1% from 54.4% on an underlying basis. Operating expenses and full-time equivalent staff numbers ('FTEs') for 3Q11 were down on the preceding quarter, with FTEs down 5,000 since 1Q11.
- The core tier 1 capital ratio was 10.6% at 30 September 2011.

**Group Chief Executive, Stuart Gulliver, commented:**

“The sector faces significant headwinds. The continuing macroeconomic, regulatory and political uncertainty, particularly in Europe, adversely affected our industry’s performance in the quarter. As a result, our underlying PBT declined by US\$1.6bn compared with 3Q10 due to lower revenues in Global Banking and Markets, an adverse movement in non-qualifying hedges and an increase in loan impairment charges, primarily in North America, partially offset by increased revenues in Commercial Banking. Reported PBT was up US\$3.6bn compared with 3Q10. Against this backdrop, HSBC remains resilient, with a strong balance sheet and robust liquidity.

“We have remained focused on implementing the strategy outlined in May, and have increased the pace and intensity of delivery. We have announced 14 transactions this year, including 11 since 30 June 2011, we have begun to turn the corner on costs, with operating expenses and FTEs falling compared with the previous quarter, and we continue to invest for growth in faster-growing markets.

“We have made progress in executing our strategy and, despite challenging market conditions, our businesses in Rest of Asia-Pacific and Latin America, notably Brazil, Commercial Banking in most markets and our retail banking operations in the UK have performed well. Notwithstanding the very difficult market conditions, a number of Global Banking and Markets businesses, notably Foreign Exchange, Equities and Payments and Cash Management, have made good progress in line with our investment focus.”

*ends/more*

**Notes to editors**

**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 transaction centre, one branch and five transaction offices in Ho Chi Minh City, one branch, three transaction offices and one deposit office in Hanoi, and four full-service branches in Binh Duong, Can Tho, Da Nang and Dong Nai provinces. HSBC is one of the largest foreign banks in the country in terms of investment capital, network, product range, staff and customer base.

**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 7,500 offices in 80 countries and territories and assets of US\$2,716 billion at 30 Sep 2011, is one of the world's largest banking and financial services organisations.

*ends/all*