HSBC Holdings plc

Annual Review 2009

HSBC
The world's local bank

Strong, steadfast, sustainable

www.hsbc.com

Contents

Cover theme

Strong
Our signature financial strength is built upon a basic philosophy: we take deposits first and then we lend.

Steadfast
We have supported our customers throughout the downturn, making credit available and providing a safe home for deposits.

Sustainable
We are committed to delivering long-term sustainable value to our customers, shareholders and employees.

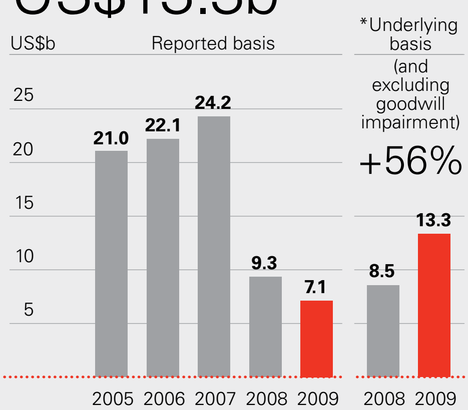
Cover image

A panoramic view of Shanghai's Pudong district skyline from the Huangpu River showing HSBC's new China headquarters (front cover, centre), due to open in mid-2010. One of Shanghai's first office towers to achieve a Leadership in Energy and Environmental Design gold pre-certification rating, the building is located in the heart of the financial district. HSBC occupies 22 of its 53 floors, providing office space for some 3,000 employees. The investment in this new building not only serves as a reminder of HSBC's roots – the bank was founded in Hong Kong and Shanghai in 1865 – but it also symbolises the Group's commitment to China and its confidence in Shanghai as a rapidly developing international financial centre.

Highlights of 2009

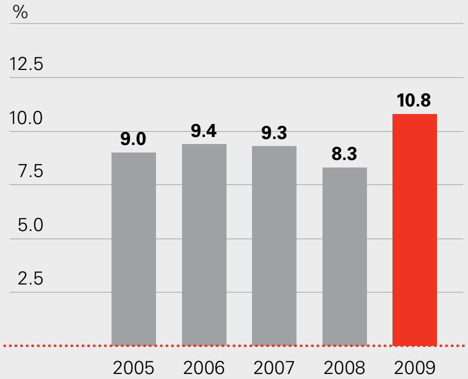
PROFIT BEFORE TAX

US$13.3b*



CAPITAL STRENGTH

10.8% Tier 1 capital ratio at 31 December



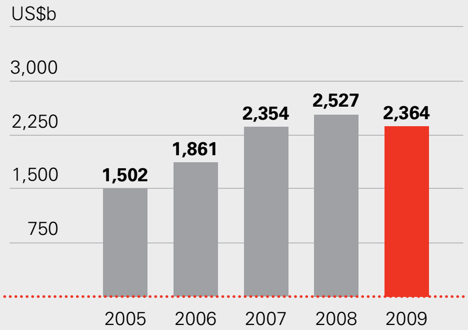
- **Diversified business model delivering profits through the economic cycle.**
- **Underlying performance significantly ahead in 2009.**
- **Profitable in all regions, apart from North America.**
- **Capital generated in every quarter of 2009, with improved tier 1 ratio.**
- **Over US$1 trillion held in deposits and advances-to-deposits ratio of 77.3%.**
- **One of the leading dividend payers in the sector, declaring a total of US$24 billion in respect of the last three years.**

ASSETS

(reported basis)

US$2,364b

£1,456b
HK$18,333b

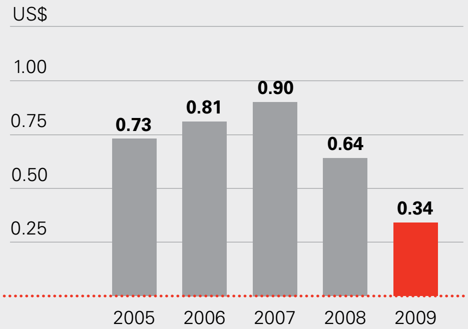


DIVIDENDS PER SHARE

(in respect of year)

US$0.34

£0.21
HK$2.64

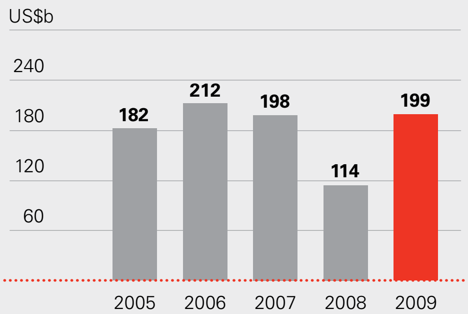


MARKET CAPITALISATION

at 31 December

US$199b

£123b
HK$1,543b

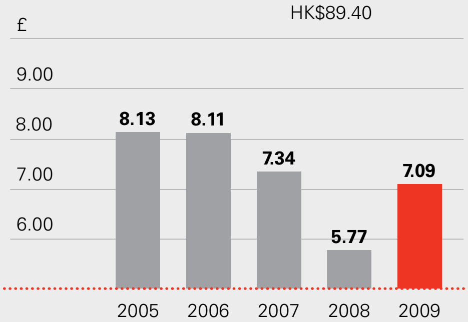


SHARE PRICE

at 31 December (adjusted for 5 for 12 rights issue)

£7.09

US$57.09 American Depositary Shares
HK$89.40



FOR MORE INFORMATION

Visit us at:
www.hsbc.com

For more detailed financial information, see our Annual Report and Accounts 2009 *at:*
www.hsbc.com/financialresults

HSBC at a Glance

The world's local bank…

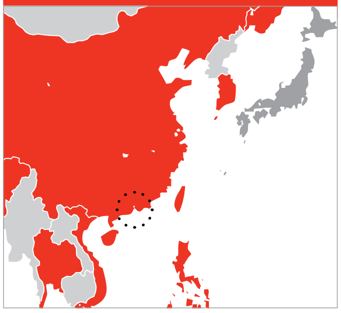
HSBC is 'The world's local bank'. We serve around 100 million individual and business customers around the world. Some 300,000 people work for us in 8,000 offices in 88 countries and territories.

HSBC began in 1865 as The Hongkong and Shanghai Banking Corporation, with branches in Hong Kong and Shanghai. Today, we are headquartered in London and do business across Europe, the Asia-Pacific region, North America, Latin America and the Middle East.

Unless otherwise stated, our performance is presented and discussed on pages 1 to 24 on an underlying basis, eliminating the effects of foreign currency translation differences, acquisitions and disposals of subsidiaries and businesses, and fair value movements on own debt attributable to credit spread, all of which distort year-on-year comparisons.

Our regions

HONG KONG

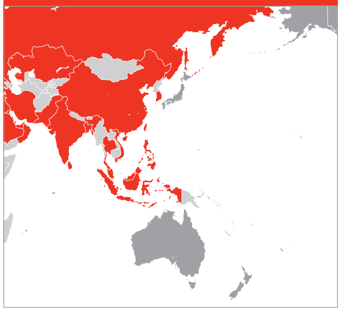


In Hong Kong, we are the number one bank. In 2009, our total deposits grew by 10 per cent. Customer account balances rose by 15 per cent in Personal Financial Services and HSBC Premier customer numbers grew to over 380,000. We led the mortgage market with 38 per cent of new loan drawdowns and retained our leading market share in cards. As Hong Kong's leading bancassurer, we grew the value of new life insurance business by 38 per cent. Commercial Banking customer account balances increased by 13 per cent and we supported over 8,600 small businesses through our US$2.6 billion global loan fund.

Profit before tax

US$5,030m

REST OF ASIA-PACIFIC



In mainland China, HSBC is the leading international bank. We extended our network to nearly 100 branches and announced two new joint ventures to provide cards and insurance. In 2009, we launched the first ever renminbi trade settlement across seven ASEAN countries. In Indonesia, we bought Bank Ekonomi, nearly doubling our presence to over 200 branches in 27 cities. In Vietnam, we became the first foreign bank to incorporate locally and, in India, we now offer wealth management products through 200 more outlets.

Profit before tax

US$4,157m

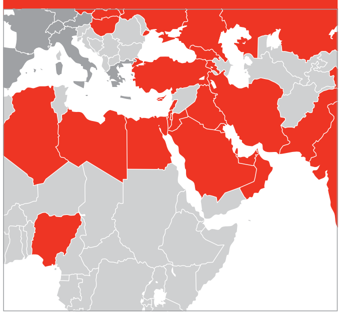
EUROPE

In UK Personal Financial Services, we made available £15 billion of new mortgage lending, taking our share of new mortgage sales to 11 per cent. We also launched the World Selection Fund, which saw over US$1.5 billion invested during the year. In UK Commercial Banking, we helped 121,000 business start-ups. Our French operations delivered a very strong performance, mainly as a result of higher Global Markets revenues. Our business in Turkey also achieved very strong results and is well positioned for future growth.

Profit before tax

US$6,570m

MIDDLE EAST



HSBC is the leading international bank in the Middle East, where we have being doing business for over 100 years. Last year was extremely challenging for the region's economy. We continued to support our customers and the number of Premier customers increased by 32 per cent compared with 2008. We also opened 15 new branches in Egypt, emphasising our commitment to the region.

Profit before tax

US$455m

LATIN AMERICA

Underlining our commitment to be the leading emerging markets bank, at the end of 2009 we invested US$1.3 billion in our operations in Mexico and Brazil. Group systems, including 'One HSBC', were implemented in Chile and the operations in Panama were fully integrated. We also saw growth of 24 per cent in net earned insurance premiums as a result of higher sales of pension and life assurance products.

Profit before tax

US$1,124m

NORTH AMERICA

In North America, we grew deposits in both Personal Financial Services and Commercial Banking and expanded our Premier customer base by 41 per cent. Global Banking and Markets returned to profitability and we remained a major provider of credit cards. We made further progress in managing down the consumer finance run-off businesses, and loan impairment charges in these portfolios fell by 16 per cent.

Loss before tax

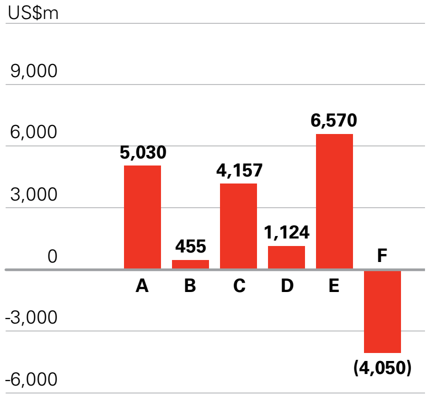
(US$4,050m)

Key:
- Emerging markets
- Developed markets
- No HSBC representation

…serving around 100 million customers worldwide

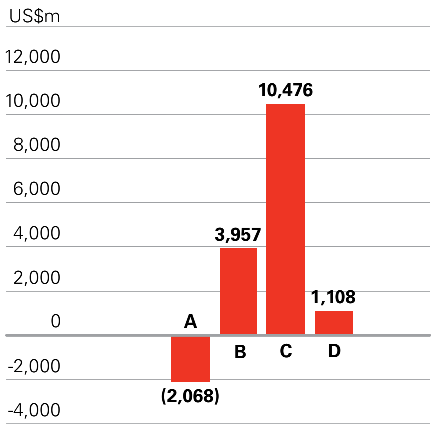
As the world's leading international and emerging markets bank, we provide a comprehensive range of financial services to customers in both mature and faster-growing economies. We organise our business by two customer groups, Personal Financial Services and Commercial Banking; and two global businesses, Global Banking and Markets and Private Banking.

PROFIT BEFORE TAX BY GEOGRAPHICAL REGION 2009



A 37.9% Hong Kong
B 3.4% Middle East
C 31.3% Rest of Asia-Pacific
D 8.5% Latin America
E 49.4% Europe
F (30.5%) North America

PROFIT BEFORE TAX BY CUSTOMER GROUP AND GLOBAL BUSINESS 2009



A (15.6%) Personal Financial Services
B 29.8% Commercial Banking
C 78.9% Global Banking and Markets
D 8.3% Private Banking

See our Annual Report and Accounts 2009, *pages 66-84 for more information on our customer groups and global businesses.*

Our customer groups and global businesses

PERSONAL FINANCIAL SERVICES

We provide personal financial products and services to 98 million customers in over 60 markets worldwide. In markets where HSBC has scale, or where we can build scale, we offer a full range of financial products and services. In other markets, we focus on premium banking and wealth management, including supporting 3.4 million Premier customers worldwide.

Loss before tax

(US$2,068m)

COMMERCIAL BANKING

We serve over three million customers from sole traders, partnerships, clubs and associations, to incorporated businesses and publicly quoted companies across 63 countries and territories. Our focus is on meeting the financial needs of companies that undertake international business and providing tailored business banking services to small and medium-sized companies in target markets.

Profit before tax

US$3,957m

GLOBAL BANKING AND MARKETS

We provide tailored financial solutions to major government, corporate and institutional clients worldwide. Global Banking and Markets is managed as a global business with dedicated offices in 62 countries and territories. Our operations are organised as four principal business lines: Global Markets, Global Banking, Principal Investments and Global Asset Management.

Profit before tax

US$10,476m

PRIVATE BANKING

We offer a personalised service to high net worth individuals in all the major wealth-creating regions of the world from over 90 locations in 42 countries and territories. We help to manage existing wealth and to preserve it for future generations by offering a full range of private banking products, advisory and discretionary investment services, inheritance planning and trustee advice.

Profit before tax

US$1,108m

Group Chairman's Statement

"The global macroeconomic transition from West to East gathered pace during 2009. At HSBC, we have long been convinced that the world's economic centre of gravity is shifting, and the financial crisis has only accelerated this trend."

Stephen Green
Group Chairman

"The successful completion of our rights issue in April added US$17.8 billion to shareholders' equity and helped to set the tenor for market recovery. Its success demonstrated the strong confidence which you, our shareholders, have in our future…"

2009: a year of transition

In a number of important respects, 2009 was a year of transition.

It began with further turbulence in global financial markets but, during the year, the markets pulled back from uncertainty and progressively stabilised as a consequence of the continued, extraordinary and timely actions by governments and central banks.

2009 also saw the deepest contraction in the real economy in any year since the Second World War. However, it was apparent by year-end that the worst was over – even if confidence remained fragile and recovery would be uneven.

The global macroeconomic transition from West to East gathered pace during 2009. At HSBC, we have long been convinced that the world's economic centre of gravity is shifting, and the financial crisis has only accelerated this trend.

Nevertheless, huge challenges and risks remain for all of us.

While emerging markets are leading global recovery and seem certain to drive the majority of the world's growth in the generation ahead, recovery in developed markets has been slow to start, and unemployment remains high.

Furthermore, the global rebalancing of demand has barely begun. The financial crisis brought into stark relief the extent of the imbalances, especially between over-consuming Western economies and high-saving emerging markets. Rebalancing requires structural change and international co-operation, and it will take time.

There are also important lessons to learn as we seek to reform the financial system. Few of these lessons are quick or simple, but the need for urgent change is clearer than ever.

Supporting customers and delivering results throughout the cycle

Throughout the crisis, HSBC has remained profitable, financially strong and independently owned by our shareholders.

It is testimony to the quality and strength of HSBC's management team that, in 2009, our underlying performance was significantly ahead of 2008. On an underlying basis, and excluding the impact of the goodwill impairment recorded in 2008, pre-tax profit was US$13.3 billion, 56 per cent higher. On a reported basis, profit before tax was US$7.1 billion, down 24 per cent, in part due to the reversal of fair value accounting gains on our own debt.

That HSBC has reported a pre-tax profit in all three years since the onset of the crisis should be a source of great confidence to our shareholders, our depositors and all of our customers. Our track record of delivering results through adversity, and at all stages of the economic cycle, remains intact.

We continued to enhance our financial strength during 2009. We strengthened our capital base by US$10.2 billion through underlying profit generation. This comfortably covers our dividends declared, which total US$5.9 billion in respect of 2009. The Directors have announced a fourth interim dividend of 10 cents per ordinary share, payable on 5 May 2010, and we remain one of the leading payers of dividends in financial services, declaring dividends in respect of the last three years of over US$24 billion in total.

The successful completion of our rights issue in April added US$17.8 billion to shareholders' equity and helped to set the tenor for market recovery. Its success demonstrated the strong confidence which you, our shareholders, have in our future and we are profoundly thankful for your support.

We indicated at the time of the rights issue our expectation that, if successful, it would increase our tier 1 ratio by around 150 basis points. I am pleased to report that our tier 1 ratio increased by some 250 basis points to 10.8 per cent at 31 December 2009, largely as a result of the rights issue and internal capital generation. The core tier 1 ratio was 9.4 per cent at the same date, increasing by some 240 basis points.

Throughout the crisis, our strategy has remained clear: to build on our position as the leading international and emerging markets bank. We have also never forgotten that it is our responsibility to make a real contribution to economic and social development, and that our ability to do so is fundamental to our success in delivering sustainable value to our shareholders.

Meeting our commitments to the communities we serve around the world is not some optional extra or by-product of our business – it is part of our *raison d'être*. In Argentina, which was in the midst of the peso crisis 10 years ago, we did not abandon our customers and have remained committed to the market ever since. In 2009, our operations there reported their best-ever underlying performance and

"Throughout the crisis, our strategy has remained clear: to build on our position as the leading international and emerging markets bank. We have also never forgotten that it is our responsibility to make a real contribution to economic and social development…"

resumed paying cash dividends to the Group in January 2010. In mainland China, we are proud of our position as the leading international bank, and we continued to build our strong rural presence during the year. In Indonesia, we nearly doubled our network to support the growing financial needs of personal and business banking customers, and we launched our SME fund in the United Arab Emirates in January 2010. These are just a few examples which illustrate our commitment to helping people prepare for the future, building prosperity and security for their families and communities.

Robust corporate governance and unrivalled management experience

In 2009 we announced that, as Group Chief Executive, Michael Geoghegan would take responsibility for developing strategy as part of his overall responsibilities for the performance of the Group's business. We relocated the principal office of the Group Chief Executive to Hong Kong and, on 1 February 2010, he succeeded Vincent Cheng as Chairman of The Hongkong and Shanghai Banking Corporation Limited. This underscores our commitment to our emerging markets businesses and reflects the historic shift now taking place in the global economy.

HSBC's corporate headquarters remain in the UK, where we continue to benefit from being at the heart of one of the world's pre-eminent financial centres. From this base, as Chairman, I spend an increasing amount of my time engaging with policymakers and regulators throughout the world on behalf of the Group, on the growing number of policy issues which are crucial for the banking industry in general and for HSBC in particular.

At HSBC, we have an extremely strong, diverse and engaged Board and the international experience and expertise of our management team is something which sets us apart. We are committed to delivering effective supervision and to compliance with the principles set out in the Walker Review in the UK. During 2009, we also took further steps to strengthen our top management team. Sandy Flockhart was appointed Chairman, Personal and Commercial Banking, with responsibility for Personal Financial Services, Commercial Banking and Insurance, HSBC's Latin American and African businesses, and most Group functions. Stuart Gulliver was appointed Chairman, Europe, Middle East and Global Businesses and assumed responsibility for Private Banking, adding to his responsibilities for Global Banking and Markets. Douglas Flint assumed additional responsibilities for Regulation and Compliance in an expanded role as Chief Financial Officer, Executive Director, Risk and Regulation. Peter Wong was appointed Chief Executive of The Hongkong and Shanghai Banking Corporation Limited, succeeding Sandy Flockhart.

I would like to thank Vincent Cheng for his tremendous contribution over the past five years as Chairman of The Hongkong and Shanghai Banking Corporation Limited, and look forward to continuing to work with him as a main Board member and Chairman of HSBC Bank (China) Company Limited.

I would also like to say thank you on behalf of the Board to three of our Directors, José Luis Durán, William Fung and Sir Mark Moody-Stuart, who will retire by rotation at the 2010 Annual General Meeting and will not seek re-election. It has been a privilege to work with each of them and all of us on the Board are extremely grateful for their counsel and support.

Learning the lessons from the crisis

In 2009, the G20 set out its clear belief that sustainable globalisation and rising prosperity will require an open world economy based on market principles, effective regulation, and strong global institutions. At HSBC, we agree that these principles are critical for the common good. It is vital that the industry should engage constructively in the debate about how this should work in practice and HSBC is participating fully in these discussions. In our view, the overall objective must be to deliver three effective market mechanisms.

Competitive product provision is fundamental to economic and social development. In the recent past, attempts to drive ever greater profits from the same source resulted in distorted products, lack of transparency and over-complexity. The industry needs to learn the lessons from this and deliver a market which provides financial services that are competitive, transparent and responsive to genuine customer needs.

The market for capital has also suffered from clear distortions in recent years. There has been too great an emphasis on short-term gains, often accompanied by shareholder pressure to increase leverage in order to boost returns, and a dangerous underpricing of risk. This resulted in unsustainable returns, which in some cases proved to be illusory. Banks must be appropriately capitalised, sufficiently liquid and not overstretched, and getting this right will be crucial in delivering the sustainable financial system we need for the future.

Partly because of these problems in other areas of the marketplace, the third area requiring urgent reform is the market for talent. There is understandable public anger in some countries as a result of the practices at certain banks and, in particular, because of the egregious reward of management failure. We have witnessed unacceptable distortions – from rewards linked to unsustainable or illusory day-one revenues which encouraged excessive risk-taking; to multi-year guaranteed bonuses with no performance criteria. Over the last three years I have spoken publicly about my concerns regarding remuneration and I will set out our principles at HSBC.

Rewarding sustainable performance

First, for any bank to be sustainable it must strike the right balance in serving the long-term interests of its stakeholders. It must deliver sustainable returns to shareholders on their investment; it must maintain the capital strength needed to support the customers and economies it serves; and it must reward its employees appropriately. My own experience is that colleagues want to know that their job makes a difference and contributes to social and economic development; reward is simply not the only motivating factor. Nonetheless it is important, and companies have a clear responsibility to treat their employees appropriately.

Our Board: one team

Stephen Green
Group Chairman

Michael Geoghegan, CBE
Group Chief Executive

Vincent Cheng, GBS, OBE
Chairman, HSBC Bank (China) Company Limited and HSBC Bank (Taiwan) Limited

Douglas Flint, CBE
Chief Financial Officer, Executive Director, Risk and Regulation

Sandy Flockhart, CBE
Chairman, Personal and Commercial Banking and Insurance

Stuart Gulliver
Chairman, Europe, Middle East and Global Businesses

Safra Catz
Non-executive Director

Marvin Cheung, GBS, OBE
Non-executive Director

John Coombe
Non-executive Director

José Luis Durán
Non-executive Director

Rona Fairhead
Non-executive Director

William Fung, SBS, OBE
Non-executive Director

James Hughes-Hallett, SBS
Non-executive Director

Sam Laidlaw
Non-executive Director

Rachel Lomax
Non-executive Director

Sir Mark Moody-Stuart, KCMG
Non-executive Director

Gwyn Morgan
Non-executive Director

Narayana Murthy, CBE
Non-executive Director

Simon Robertson
Senior independent non-executive Director

John Thornton
Non-executive Director

Sir Brian Williamson, CBE
Non-executive Director

Ralph Barber
Group Company Secretary

David Shaw
Adviser to the Board

See pages 28-30 for the Directors' biographies

“We believe that the financial system needs banks which are ‘big enough to cope’ by having a diversified business portfolio, helping to reduce risk and to generate consistent returns.”

It therefore follows that remuneration must be firmly tied to sustainable performance and must not reward failure. It should be properly aligned with risk which remains on the balance sheet, and subject to deferral and to clawback in case performance later proves to be unsatisfactory.

Second, in order to maintain long-term competitive advantage, remuneration must be market-based. Underpaying ultimately results in a company losing some of its best people. HSBC is domiciled in the UK but we have around 300,000 employees in 88 countries and territories. We have to think internationally, and remuneration policy is no exception. Similarly, if pre-eminent financial centres like London are to remain home to firms like HSBC, those of us who care for its future must reflect the reality of the global marketplace in our thinking and approach.

Third, an independent Remuneration Committee should conduct rigorous international benchmarking on compensation and consult appropriately on its conclusions. These are the principles we have followed in determining HSBC’s rewards this year.

Our executive Directors have a combined 178 years of service – a track record almost without parallel in the industry. I believe there is no better management team in banking and it is no coincidence that HSBC has remained profitable throughout the financial crisis and paid dividends when few other banks did. Indeed, for 2009, our total dividends to shareholders once again comfortably exceed total bonus awards. We have not needed taxpayers’ money; on the contrary, HSBC has contributed nearly £5 billion in tax to the UK economy over the past five years.

At HSBC, we firmly believe that bonuses are a legitimate and proper element of reward providing, of course, awards fully satisfy the principles set out above. The G20 has set out clear guidance which HSBC wholly supports, and we comply with the Financial Services Authority’s remuneration code of practice. Indeed, our decision to defer 100 per cent of executive Director bonuses in respect of 2009 over three years exceeds these guidelines.

Proper pay for proper performance includes ensuring market-based pay for employees over time. The Board expects fixed pay in banking to increase as a proportion of total compensation, especially for important risk and supervisory functions. This is a process we intend to see through at HSBC, and our management team is no exception.

The Board fully appreciates that, in these extraordinary times, remuneration is enormously sensitive – and particularly so when the absolute numbers involved are large by any standards, even if they are not in comparison with some other companies of HSBC’s standing. Our practice is clear and transparent and this year’s executive awards are set out in the ‘Summary Directors’ Remuneration Report’. We absolutely believe that the decisions we have taken on this year’s remuneration awards are right – for all of our stakeholders.

Building a sustainable financial system for the future

As policymakers and industry participants take the necessary steps to improve the way our markets work, there are also some important over-arching challenges which we must address.

It is imperative to strike the right balance between strengthening the financial system and supporting economic growth. ‘De-risking’ the banking system, if taken too far, will throttle recovery and drive risk into other, unregulated parts of the capital markets. It is in the collective public interest to get this balance right. We must not rush to implement hastily conceived responses and policy must be co-ordinated internationally if we are to manage risk better in a truly global industry.

Policymakers also need to evolve new macroeconomic tools which will assist them to manage the supply of credit, as well as the cost of credit, in the economy. I believe a key element of this involves managing bank capital on a countercyclical basis which strikes the right balance between financial system stability and the prospects for economic growth. We cannot deliver a sustainable financial system without improving the wider framework for macroeconomic management too.

Finally, in the context of a wide-ranging discussion on the appropriate size and shape of banks, we must recognise that corporate structure and liquidity management are at least as important as size *per se*. This debate has sometimes been given the unhelpful shorthand ‘too big to fail’, but the reality is more complex than the headlines suggest. We believe that the financial system needs banks which are ‘big enough to cope’ by having a diversified business portfolio, helping to reduce risk and to generate consistent returns. There has likewise not been enough consideration given to the need for banks to be ‘broad enough to serve’ those global customers who have increasingly diverse financial needs. In short, it is undesirable and impractical to prescribe some ideal model for a bank. The crisis clearly demonstrated that systemic importance is not a function of size or business focus.

HSBC has always believed in having a transparent structure based on separately capitalised subsidiaries, takes a conservative approach to liquidity management, and has built a business with the scale to provide broad, diversified services to its global customers. While the detail and timing of regulatory change remain uncertain, we are confident that our focus on these fundamentals positions us strongly and competitively to respond to the challenges ahead.

Stephen Green
Group Chairman
1 March 2010

Our Strategy

OUR VISION

HSBC's strategy is to continue to invest primarily in the faster-growing emerging markets and focus on business models that have international connectivity and scale advantages. Central to our strategy is a policy of maintaining HSBC's capital strength and strong liquidity.

OUR HERITAGE

- **Asian trade origins**
- **Deep roots in many countries**
- **International management culture**
- **Financial strength**

OUR STRATEGY

- **Align presence with global trends**
- **Invest primarily in faster-growing emerging markets**
- **Focus businesses on international connectivity and scale advantages**
- **Maintain financial strength**

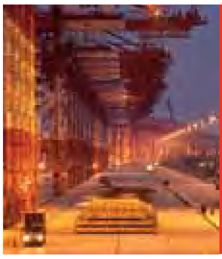
OUR EXECUTION

- **Joining up for our customers**
- **Joining up for our people**
- **Joining up through our technology**

OUR BUSINESS MODELS

1 Businesses with international customers for whom developing markets connectivity is crucial

2 Businesses with local customers where efficiency can be enhanced through global scale



3 Products where global scale is possible through building efficiency, expertise and brand

The following pages illustrate our strategy in action, focusing on business successes in some of our key markets.

Our strategy is built on HSBC's core strengths and heritage, but looks firmly forward. Founded 145 years ago to finance trade between East and West, HSBC has built an extensive presence in many parts of the world, with around 8,000 offices in 88 countries and territories.

HSBC's strategy is aligned with three key trends that will shape the world economy in the 21st century: emerging markets growing faster than mature economies; world trade expanding at a faster rate than GDP; and longevity increasing virtually everywhere.

The Group has identified three main business models for its customer groups and global businesses that embody HSBC's areas of natural advantage (see below). These business models make HSBC 'the world's local bank' and form the foundation blocks for future growth.

Our strategy in action

BUSINESS MODEL

1

Businesses with international customers for whom developing markets connectivity is crucial

Personal Financial Services

HSBC Premier Family Services

Standing on Santa Teresa hill, on the cobbled streets of Rio de Janeiro's artistic community, this gap year student is about to message his parents a photo of Sugar Loaf Mountain and the bay from Corcovado – one of the world's iconic views.

Back in the UK, his parents eagerly await contact, proud of his independence and sharing in the excitement of his discovery in Brazil. But like all parents, they also worry – something HSBC understands. This is why we have introduced HSBC Premier Family Services. As children travel the world, study abroad and settle in other countries, parents want to know they are secure.

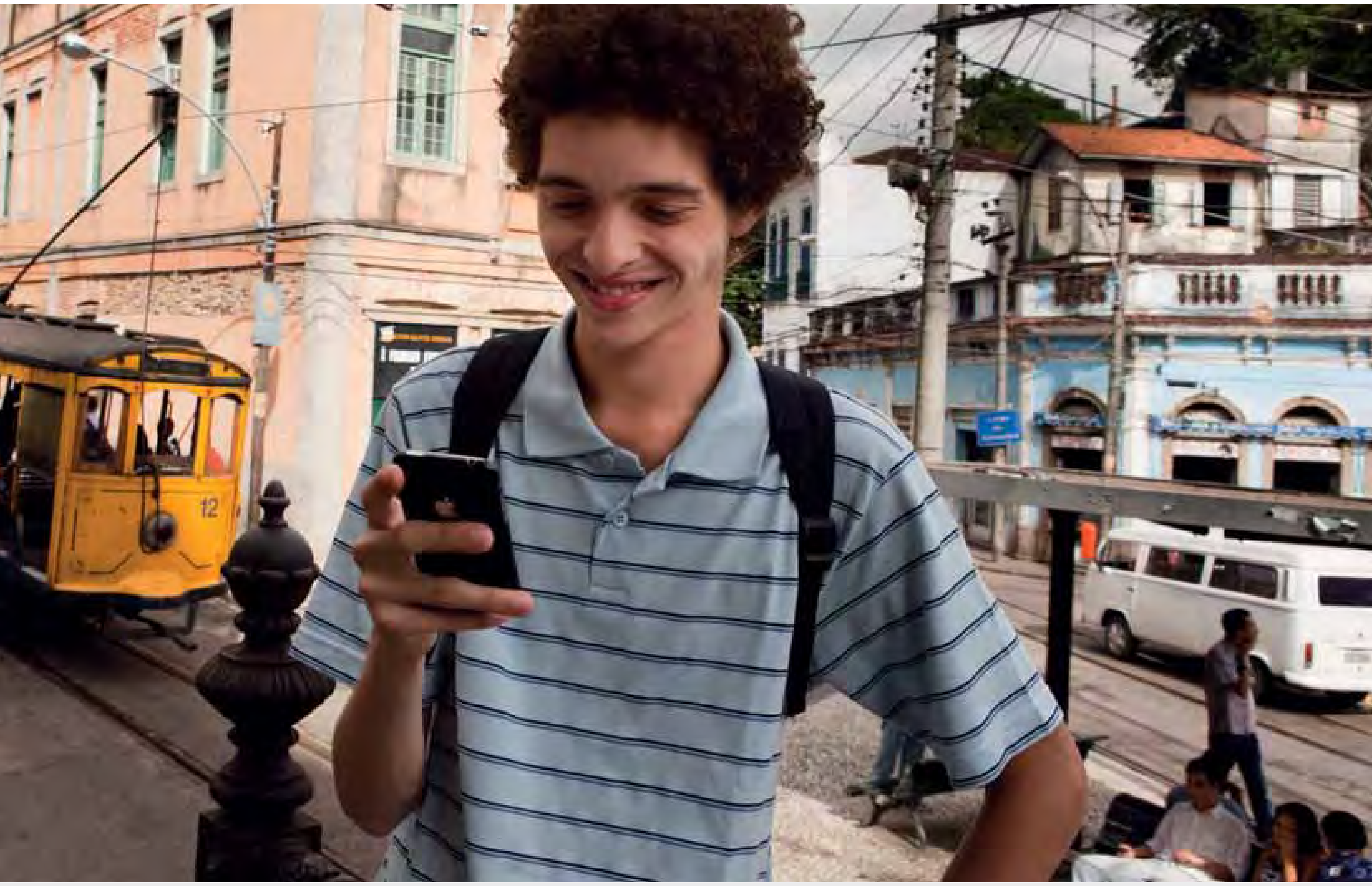
Today, it doesn't matter where life takes you. Premier will provide the same financial safety net for the whole family. This includes, for children travelling on their own, up to US$2,000 emergency cash, next day credit card replacement, a worldwide helpline, and cover on a parent's insurance.

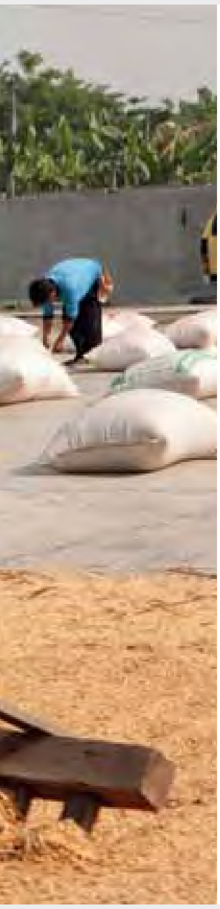
During 2009, Premier was launched in Russia and Colombia, taking its global reach to 43 markets. HSBC now has 3.4 million Premier customers. Each has a dedicated relationship manager, so all your finances can be in one place, even if your family isn't.

BUSINESS MODEL

2

Businesses with local customers where efficiency can be enhanced through global scale





Commercial Banking
Bank Ekonomi joins the Group

Workers at PT Sahabat Tani, a rice factory in Cikarang, West Java, Indonesia, lay out paddy in the sun to dry. This is an important part of the production process as the paddy needs to be dried before it is threshed to become ready-to-cook rice. Indonesia is the fourth largest rice producer in the world.

Sahabat Tani buys paddy from local farmers. After threshing, which removes the husks, Sahabat Tani sells the rice to retail customers and distributors. A typical small and medium-sized enterprise (SME), the company became a Bank Ekonomi customer over a decade ago. Since then, the proprietor has taken out a loan to invest in the business. During harvest season, he provides employment for 30 local people.

Bank Ekonomi was acquired by the HSBC Group in 2009. Through its US$680 million investment in the bank, HSBC is now supporting Sahabat Tani and other business banking customers in Indonesia.

HSBC serves its customers through more than 200 outlets in 27 cities across the country. This includes the network of The Hongkong and Shanghai Banking Corporation Limited.

Indonesia's 112 million-strong workforce is now the fifth-largest in the world. Bank Ekonomi will continue to play an important role supporting business growth for customers like Sahabat Tani and in fuelling Indonesia's economic expansion.

Our strategy in action

BUSINESS MODEL 2

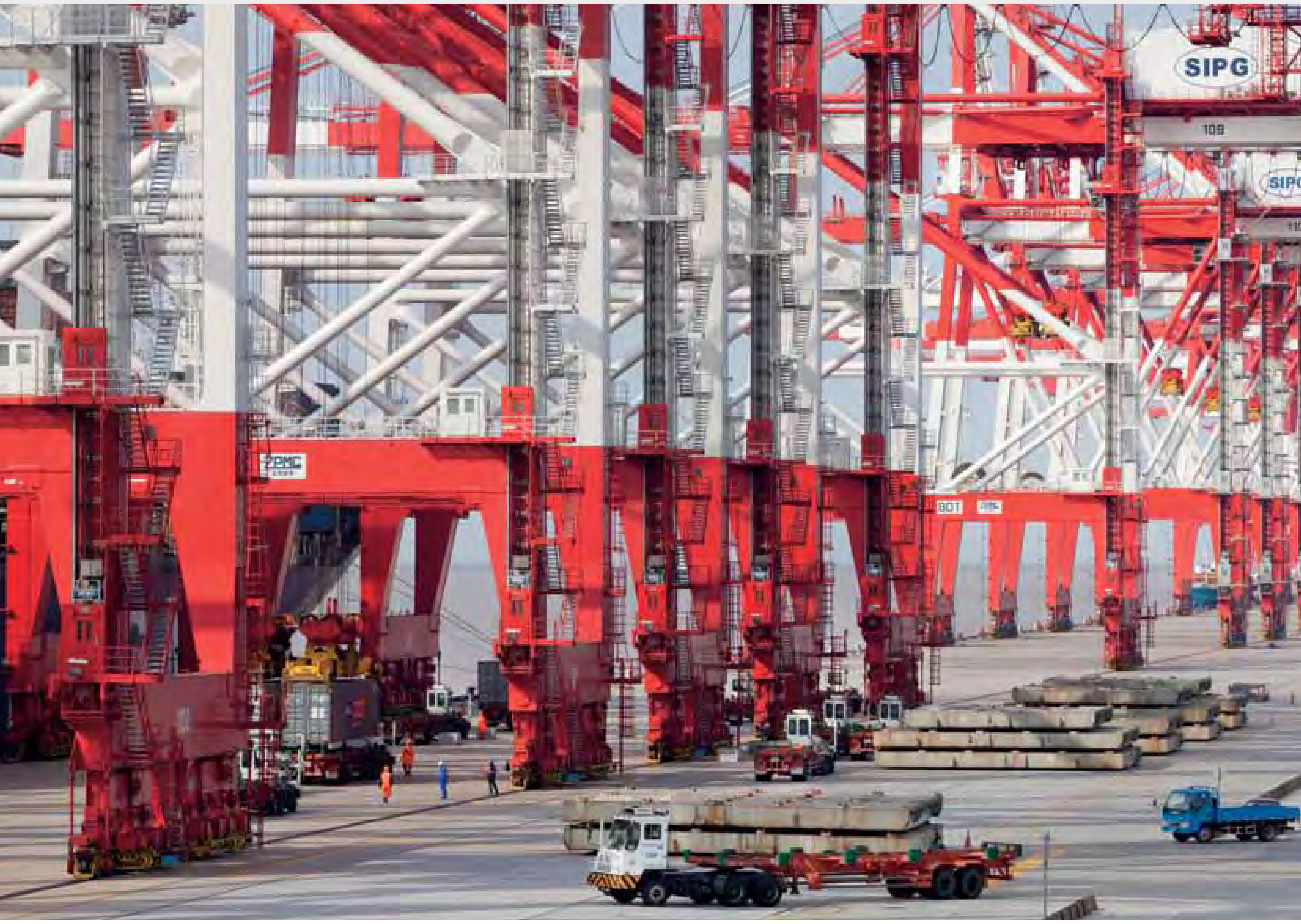
Businesses with local customers where efficiency can be enhanced through global scale

Personal Financial Services

Serving the mass market

It is another busy day on the street outside HSBC's Central branch, one of the largest branches in the Hong Kong SAR. Hong Kong is where we were founded 145 years ago, it is where you will find the principal office of our Group Chief Executive, and it is where HSBC is simply known as 'The Bank'. Moreover, one in two people in Hong Kong – out of a population of seven million – holds a bank account, life insurance or a pension with HSBC. This is just one example of the world's local bank in action.

In Personal Financial Services, more than 116,000 colleagues look after 98 million customers across the world. In many markets, like the UK and Hong Kong, we operate a full personal banking service, offering a wide range of products from savings accounts to credit cards, and life insurance to pensions. In others, we focus on premium banking and wealth management, making the most of our brand and our global reach, connecting customers to other areas of HSBC's business. We develop products and services to help such customers around the world plan for a financially secure future for them and their families.



BUSINESS MODEL

3

Products where global scale is possible through building efficiency, expertise and brand

Commercial Banking, and Global Banking and Markets

First foreign bank to settle cross-border trade in renminbi

This century, global trade will grow faster than GDP. One of the world's largest deep-water ports at the centre of these trade flows is Yangshan on the East China Sea (see picture at left), which serves Shanghai. The port will have taken 18 years to construct by the time it is completed in 2020 and is expected to reach a cargo volume of 15 million 20-foot containers annually.

In 2008, exports from mainland China to markets in the Association of South-East Asian Nations (ASEAN) grew year-on-year by over 20 per cent, to US$114 billion. In response, HSBC recently became the first foreign bank to settle a cross-border trade in renminbi outside mainland China, in co-operation with our strategic partner, Bank of Communications. This followed the Chinese government's launch of a pilot programme to permit the use of renminbi in cross-border trade.

These services can assist our Commercial Banking, and Global Banking and Markets clients of all sizes – from the largest multinational corporations to middle-market and small and medium-sized enterprises – in reducing their foreign exchange risks. In November 2009, we started to provide renminbi trade transaction services in all our ASEAN markets: Brunei, Indonesia, Malaysia, Singapore, Thailand, the Philippines and Vietnam. By developing such capabilities, HSBC is well-positioned to help customers across the region grow their international trade business with mainland China.

Group Chief Executive's Business Review

"During 2009, HSBC stuck to its fundamentals and, thanks to this clear focus and our balanced business model, we ended the year as we began: one of the world's strongest and most profitable independent banks."

Michael Geoghegan
Group Chief Executive

EUROMONEY AWARDS FOR EXCELLENCE 2009

No.1
'Best Global Bank'

GROWTH IN NUMBER OF COMMERCIAL BANKING CUSTOMERS

10%

Diversified business delivering for customers and shareholders

In last year's business review, I said that 2009 would be another challenging year for both the economy and the financial sector. It was.

Lower trade volumes, shrinking investment and rising unemployment combined to hurt personal and commercial banking customers everywhere. No region and no industry was untouched. Although improved financial and capital market conditions led to stronger results in wholesale markets, the impact of global recession on the banking industry was broad and deep. Risk appetite remained subdued, deleveraging continued and demand for credit was constrained. Meanwhile, the effect of the low interest rate environment on income was hard for depositors and deposit-takers alike.

In this tough climate, it was our priority to work closely with our customers and to support them through the downturn. Thanks to our strong liquidity and capital position, we continued to make credit available to individuals and to companies. We worked with our wholesale and commercial customers to protect their businesses from foreign exchange and interest rate volatility, and to assist them in raising and refinancing their debt. We continued to meet the financial needs of businesses which depend on international trade, and to support smaller and medium-size companies – the lifeblood of so many economies. We also further built our financial strength, ensuring we would continue to provide a safe home for customer deposits.

Despite the many challenges for our customers and our industry, HSBC's underlying performance improved significantly in 2009. Underlying pre-tax profit* was US$13.3 billion, some US$4.7 billion ahead of the previous year after excluding the goodwill impairment in North America Personal Financial Services in 2008. This improvement was largely driven by stronger results across our Global Banking and Markets businesses, where we saw exceptional revenues, considerably stronger Balance Sheet Management performance, and a significant decline in write-downs compared with 2008. It also reflected a significant fall in loan impairment charges in our US consumer finance portfolios, offset by higher loan impairment charges elsewhere.

On a reported basis, pre-tax profit was US$7.1 billion, down 24 per cent on the previous year. This reflected the reversal of fair value accounting gains on our own debt, the impact of the gain on the sale of the French regional banks in 2008 and foreign exchange movements, offset by the impact of the goodwill impairment.

These results were ahead of our expectations at the outset of the year, and they underscore the resilience of HSBC throughout the most difficult stages of the economic cycle. In particular, our improved underlying performance highlights the strength of our diversified business model. In 2009, the exceptionally strong results in Global Banking and Markets balanced the headwinds from severe deposit spread compression and lower demand elsewhere in the business. Commercial Banking remained profitable in all regions and in Personal Financial Services, loan impairment charges improved in the US consumer finance run-off business. Private Banking remained solidly profitable and insurance sales in Asia and Latin America were strongly ahead. Our diversification is also reflected in our global reach and ability to serve customers with international financial needs.

In 2009, while developed economies continued to bear the brunt of the downturn, we reinforced our focus on emerging markets, where we have unrivalled capability to support economic progress.

During 2009, HSBC stuck to its fundamentals and, thanks to this clear focus and our balanced business model, we ended the year as we began: one of the world's strongest and most profitable independent banks.

Performance overview

Public scrutiny of banks understandably intensified during 2009 and the industry's reputation remained under severe challenge. In such a year, we never took for granted the continued support of our customers, and we are grateful for it.

Deposits remained high at US$1,159 billion, despite lower activity and the impact of low interest rates on balances, especially in developed markets. This was in line with the previous year-end, when we benefited from a strong inflow of deposits during the market turmoil. Lending balances also held up well given muted demand in the tougher economic conditions. Commercial Banking customer numbers increased by 10 per cent to 3.2 million. In Personal Financial Services, HSBC continued to win HSBC Premier customers, with numbers increasing to 3.4 million. In February 2010, we launched HSBC Advance which adds to our Premier

** All commentary is on an underlying basis unless otherwise stated.*

LOANS AND ADVANCES TO CUSTOMERS AS % OF CUSTOMER ACCOUNTS

77.3%

2008: 83.6%

HSBC PREMIER NET NEW CUSTOMERS

724,000

Total: 3.4m customers

proposition. Focusing on the needs of upwardly mobile customers, we will launch the product in over 30 markets this year.

At HSBC, we have always understood the importance of maintaining our signature financial strength, and I will describe how we put this into practice in 2009. We continued to generate capital in all four quarters of the year. The proceeds from the rights issue further reinforced this position and we will use that capital wisely on behalf of our shareholders. As a result, our tier 1 ratio increased by some 250 basis points, putting us ahead of our target range. This capital position, combined with HSBC's prudent advances-to-deposits ratio of 77.3 per cent, gives us a financial strength which I believe sets us apart in our industry.

In 2009, HSBC also proved its ability to pay dividends to shareholders in the toughest of times. Shareholder return on equity once again fell short of our target range, at 9.2 per cent excluding the effect of fair value movements on our own debt. However, at this point in the economic cycle we believe it is an acceptable result. In light of current market conditions and proposed changes to capital requirements currently under consideration, HSBC believes return on average total shareholders' equity over the medium term is more likely to be around the low end of the target range. Once regulatory proposals are in definitive form, we intend to publish a revised target.

In this uncertain climate, we make no apology for having continued to position the balance sheet conservatively. Throughout the crisis, HSBC's banking philosophy has remained unchanged: we take deposits first, then we lend. The past three years have only reinforced our commitment to this approach.

In this exceptionally low interest rate environment, it will be painful in the short term. But I am confident that the liquidity this gives us will prove to be one of our strongest advantages during the next stage of the economic cycle, as new opportunities to grow revenues emerge and a more normal interest rate environment returns.

When I became Group Chief Executive in 2006, I believed that HSBC should be able to write greater revenues from a lower cost base. Despite the obvious challenges that 2009 presented for growth, we increased revenues by 8 per cent during the year, to US$72.4 billion and drove costs down by 4 per cent to US$34.4 billion, excluding the impact of the goodwill impairment in 2008.

On the same basis, our cost efficiency ratio, for which we have set a target range of 48 to 52 per cent, was on course at 47.5 per cent.

Our One HSBC programme is an important initiative in driving our progress on cost efficiency forward. We established this programme in 2007 to join up our products, processes and technologies, improving and simplifying the way we work. In 2009, as we moved to the next phase of the programme, we established regional centres of excellence which will allow us to transform and standardise our business models. By consistently managing products and services at equally high standards across all businesses and regions, our goal is to deliver enhanced and seamless service to our customers, at lower cost.

Credit quality: some early signs of improvement

Loan impairment charges and other credit risk provisions for the Group rose by 9 per cent to US$26.5 billion, and we believe this was acceptable given the severity of the global recession and the rise in unemployment in most developed markets. Loan impairments fell by 16 per cent in our US consumer finance run-off business compared with 2008. We also continued to benefit from actions taken in previous years to restrict growth in unsecured lending in certain markets, to tighten our underwriting criteria, and to reduce our exposure to higher-risk areas.

In our commercial businesses, we lowered our appetite for certain high-risk sectors, and we maintained only a selective appetite for leveraged and acquisition financing. In Global Banking and Markets, where loan impairment charges were significantly higher than in 2008, the increase was concentrated in a small number of individual accounts with losses driven by exposure to real estate, investment companies and the financial sector. In Commercial Banking, loan impairment charges were concentrated in manufacturing, general trading and real estate.

Within our personal portfolios, we continued to focus on our collection processes. We withdrew higher-risk products in those markets which have been most affected by recession. We also continued to reposition towards Premier business in key markets. Loan impairment charges stabilised in many of the worst affected markets in the second half, including Mexico, Brazil and the UK. In India, delinquencies began to moderate in the fourth quarter.

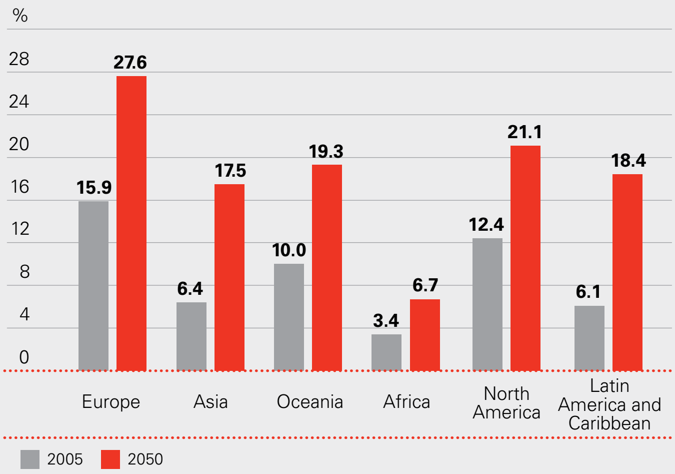
"As the world changes, it also makes sense to position ourselves at the heart of the world's economic activity. In February 2010, HSBC moved the principal office of the Group Chief Executive to Hong Kong, the gateway to greater China, and at the centre of Asian trade and growth."

GDP GROWTH RATES OF HSBC'S MAJOR MARKETS

	2008 %	2009 %	2010[1] %
Brazil	5.1	-0.2[1]	5.6
China	9.6	8.7[2]	9.5
Hong Kong SAR	2.1	-2.7[2]	5.4
India*	6.7	7.2[1]	8.5
Mexico	1.5	-6.5[2]	3.6
UK	0.5	-5.0[2]	2.2
United Arab Emirates	7.0	-2.9[1]	2.0
USA	0.4	-2.4[2]	2.7

Sources:
1 *Forecast by HSBC's Global Economic Research Department (2010 forecasts made in second half of 2009, except for Hong Kong, which was in March 2010)*
2 *National statistical offices*
* *Fiscal year*

AN AGEING WORLD 2005-50
Percentage of population aged 65 and over



Source: UN Programme on Ageing

It is likely that improvement in employment levels will continue to lag GDP growth throughout 2010 and possibly into 2011. However, at this stage in the cycle of recovery, we are encouraged by the signals we are seeing. If economic and unemployment trends develop in line with our expectations and, in the absence of unforeseen events, loan impairment charges should decline in 2010.

Positioning the business for the future

In 2007, we articulated a Group strategy built upon three important long-term global forecasts. These were: emerging markets will grow faster than developed ones, global trade will grow faster than GDP, and populations are ageing. Earlier this year the Board reviewed the strategy, to ensure it continues to reflect and anticipate the changing world in which we operate. It was clear to us that each of these three fundamentals remains unchanged.

Over the next 10 years, emerging markets will account for the majority of global growth. As a result, we will invest primarily in these faster-growing markets. We also believe that global trade will rebound faster than GDP. In Commercial Banking, developing our capabilities in trade, payments and international connectivity will therefore continue to be a key part of our strategy for both emerging and developed markets. Finally, ageing populations are now a feature of many of our markets, including a number of key emerging countries, leading to greater demand for wealth management products. As a result, our strategy in Personal Financial Services will be wealth-focused and we will continue to deepen our relationships by delivering the products and services our customers need over their lifetime.

As patterns of trade and wealth evolve, we will focus uncompromisingly on those markets, products and areas of business where HSBC has competitive strengths, based on our global reach, our scale and our expertise. As the world changes, it also makes sense to position ourselves at the heart of the world's economic activity. In February 2010, HSBC moved the principal office of the Group Chief Executive to Hong Kong, the gateway to greater China, and at the centre of Asian trade and growth. This move reflects our deep roots in the region, and also the changing shape of our business. It is a strategic decision for the Group, but also a symbolic one which signals the strength of our commitment to grow HSBC in all of the world's faster-growing markets.

Global businesses

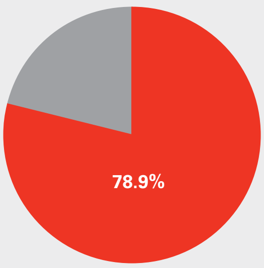
MAJOR AWARDS

- **Euromoney:** 'Best Global Debt House' and 'Best Debt House' in Asia, Latin America, Middle East, Mexico and Turkey
- **Financial News:** 'European Debt Capital Markets House of the Year', 'European Corporate Bond House of the Year' and 'European Financial Institutions Bond House of the Year'

GLOBAL BANKING AND MARKETS CONTRIBUTION TO PRE-TAX PROFIT

US$10.5b

Increase of 249% on 2008



PRE-TAX PROFIT BY GEOGRAPHICAL REGION

	US$m
Europe	**4,545**
Hong Kong	**1,507**
Rest of Asia-Pacific	**2,314**
Middle East	**467**
North America	**712**
Latin America	**931**

- Seven businesses had revenues exceeding US$1b.
- Bigger market share in a year of increased customer activity.

See our Annual Report and Accounts 2009, *pages 73-76 for more detailed analysis.*

Global Banking and Markets: sustainable business model and exceptional profits

Global Banking and Markets delivered very strong pre-tax profits of US$10.5 billion, compared with US$3.0 billion in 2008. These results are clear evidence of the success of our distinctive emerging markets-led, financing-focused strategy. Write-downs declined by US$5.1 billion compared with the previous year, and we saw more favourable market conditions, in which greater levels of volatility supported higher trading margins and capital market activity increased significantly from extremely depressed conditions. At the same time, the low interest rate environment constrained revenues in Global Transaction Banking and, as a result of wider economic conditions, loan impairment charges more than doubled to US$1.7 billion.

Profitability was broadly distributed by geography and faster-growing markets accounted for over 50 per cent of the total. Revenues were also distributed across a wide range of customer-facing businesses. In 2009, we saw robust revenues in Rates and Credit. We continued to build our financing capabilities, where we made strong market share gains in debt capital markets. HSBC led or co-led debt issuance in 12 of the 16 euro zone states where governments issued debt during the year. We strengthened those relationships which offer the greatest opportunity to develop broad-based revenues, and we exited various transaction-based relationships.

Even as some industry players were forced to curtail their business, HSBC increased market share in our core businesses. HSBC ranked first in the Bloomberg Euromarket bond league table combining all issuance in the euro zone. For the first time, Euromoney named HSBC 'Best Global Debt House' and we won all three emerging markets categories in the FX Week Best Banks Awards.

In Balance Sheet Management, we seek to manage the Group's interest rate exposure and, when possible, enhance returns on the investment of our commercial surplus. Revenues were significantly higher at US$5.4 billion as a result of earlier successful positioning for lower interest rates. While we expect these revenues to reduce in 2010 as certain high yield positions mature, the current interest rate environment also offers opportunities to mitigate this.

We are confident that our diversified and customer-focused business model, combined with our scale and international presence, positions Global Banking and Markets to maintain revenues and to consolidate market share.

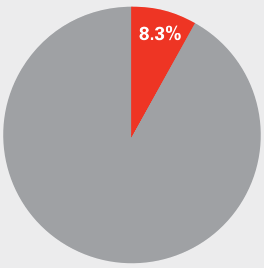
In our available-for-sale portfolios, greater liquidity led to rising prices and our asset-backed securities portfolios continued to perform in line with our expectations. On a reported basis, we recognised impairments of US$1.4 billion and expected losses of US$378 million in 2009, which is in line with guidance previously given. The carrying value of the portfolio reduced by 9 per cent to US$45.9 billion during the year as a result of repayment and amortisation, and the available-for-sale reserve deficit further reduced by US$6.5 billion to US$12.2 billion as liquidity improved and prices rose.

"As patterns of trade and wealth evolve, we will focus uncompromisingly on those markets, products and areas of business where HSBC has competitive strengths, based on our global reach, our scale and our expertise."

PRIVATE BANKING CONTRIBUTION TO PRE-TAX PROFIT

US$1.1b

Decrease of 21% on 2008



PRE-TAX PROFIT BY GEOGRAPHICAL REGION

	US$m
Europe	**854**
Hong Kong	**197**
Rest of Asia-Pacific	**90**
Middle East	**6**
North America	**(50)**
Latin America	**11**

LOANS AND ADVANCES TO CUSTOMERS

US$37b

CUSTOMER ACCOUNTS

US$107b

See our Annual Report and Accounts 2009, *pages 77-79 for more detailed analysis.*

Private Banking: focused on emerging market growth

Faced with a period of considerable uncertainty, private banking clients reduced their risk appetite for investments and demand for credit, leading to lower client revenues. Private Banking delivered pre-tax profits of US$1.1 billion, a decline of 21 per cent on 2008.

We have continued to build our presence and scale in all major emerging regions, in line with shifting patterns of wealth and opportunities for future growth. Driven by the tougher environment in developed markets, net new money fell overall. However, we were encouraged by net inflows of US$6.6 billion from emerging markets.

Reported total client assets increased by 6 per cent to US$460 billion, despite the wider economic trends and our decision not to chase deposits in highly competitive conditions. We completed the merger of HSBC's two Swiss private banks, and we successfully launched a number of niche and alternative market products during the year.

TOTAL CLIENT ASSETS

US$460b

2008: US$433b

MAJOR AWARDS

- **Euromoney:** 'No.1 Private Bank' in Asia and Middle East and for Islamic services

DATA SECURITY INCIDENT

During March 2010, the Private Bank in Switzerland reported that it had been a victim of a serious data theft by a former employee three years ago, as a consequence of which client information relating to a significant number of Swiss-based accounts had been compromised. The Private Bank unreservedly apologised to clients for the threat to their privacy. No data was compromised for any branches of the Private Bank outside Switzerland, which operate on separate systems and security, or other entities within the HSBC Group. The Private Bank has already made significant improvements to its security and is co-operating with the Swiss authorities while continuing its own investigations.

Emerging markets

ASIA

- **Hong Kong SAR:** Group Chief Executive's principal office relocated to the heart of HSBC's most strategically important region.
- **Mainland China:** HSBC leading international bank, with network expanded to 98 outlets.

MIDDLE EAST

- **HSBC Amanah Premier:** the world's first Islamic premium banking service, launched in the United Arab Emirates, Saudi Arabia, Qatar and Bahrain (and also in Malaysia and Indonesia).
- **United Arab Emirates:** fund launched to support business banking customers in small and medium-size enterprise sector.

LATIN AMERICA

- **Brazil and Mexico:** US$1.3b of fresh capital allocated.
- **The region:** loan impairment charges down 27% in second half of the year compared with first half.

See our Annual Report and Accounts 2009, *pages 98-144 for more detailed analysis.*

Building the business in Asia – the world's fastest-growing region

Our operations in the Asia-Pacific region achieved pre-tax profits of US$9.2 billion for the year, of which Hong Kong accounted for 55 per cent and the rest of Asia-Pacific accounted for 45 per cent. While this was down 8 per cent overall, it was a strong performance in light of the more challenging economic and interest rate environment, and the region remained the largest contributor to Group profitability.

Many Asian economies were hit hard by falling trade and investment flows in the first part of the year, but economic activity and demand for credit and wealth management improved in the second half. The Chinese economy continued to grow rapidly, stimulus proved effective and employment levels remained healthy. As a result, exports and domestic demand both saw a rebound and trade flows strengthened within and beyond the region.

We continued to execute on our ambitions for growth, both through organic expansion and by building our strategic partnerships. We grew our deposit base by 8 per cent. Lending activity picked up in the second half of the year, and we supported small and medium-sized businesses by launching our SME fund in Malaysia and increasing our lending commitments in Hong Kong. In insurance, sales and profitability increased significantly across the region.

In Hong Kong we further built on our position as the number one bank. We grew deposits and we were the market leader in cards and in residential mortgage lending, where the strength of our book was underpinned by conservative average loan-to-value ratios of 38 per cent. We also consolidated our position as the largest bancassurer. Loan impairment charges were 35 per cent lower than in 2008, highlighting the quality and resilience of our portfolios.

In mainland China, where HSBC is the leading international bank, we further expanded our network and we soon expect to open our 100th HSBC-branded outlet. Developing our relationships with strategic partners also remains a principal pillar of our ambition for growth. In 2009, the value of our strategic investments, measured by market capitalisation, increased by US$11.3 billion to US$25.4 billion on a reported basis. We launched a new jointly held insurance entity and we announced our intention to establish a joint cards venture with Bank of Communications, to which we will transfer over 11 million cards already in force. We also supported the strategic development of the renminbi as an international trading currency. We were the first international bank to settle cross-border trade in the currency and we launched trade settlement services in seven ASEAN (Association of South-East Asian Nations) countries.

We continued to integrate and expand our operations in the rest of the region, in line with our positive outlook for the economy. In Vietnam, which is forecast to be one of

"In mainland China, where HSBC is the leading international bank, we further expanded our network and we soon expect to open our 100th HSBC-branded outlet."

the fastest-growing ASEAN economies, HSBC was the first foreign bank to incorporate locally and, earlier this year, we increased our stake in the country's largest domestic insurer. We successfully completed our acquisition of Bank Ekonomi in Indonesia, nearly doubling our presence in the world's fifth most populous nation, where we now have over 200 outlets. In personal banking, we focused on opportunities in our Premier business, where we saw strong growth in Singapore and Malaysia. In line with this strategy, we exited consumer finance in India and Indonesia.

A difficult year for the Middle East economy

2009 was an extremely challenging year for the Middle East, where HSBC is the leading international bank. The region was significantly affected by falling capital inflows, a sharp decline in oil revenues, lower property prices and concerns over levels of debt in Dubai. Despite a recovery in oil prices in the second half of the year, credit conditions remained difficult.

As a result of these tough conditions, HSBC achieved pre-tax profits of US$0.5 billion, 74 per cent lower than 2008. Deposits and lending portfolios reduced overall. Loan impairment charges rose to unsatisfactory levels, and we took appropriate action to minimise this and to manage risk. Our exposure to the region, and within the region, remains acceptably spread.

HSBC has been doing business in the Middle East for over a century. We remain confident that the authorities in the region will provide the necessary conditions and support for continued growth, and we expect the economy to recover during this year and next. The Middle East will continue to be an important market at the heart of international trade and investment flows. Our commitment to the region is undiminished and, in January 2010, we launched our SME fund in the United Arab Emirates to support our business banking customers.

Improved outlook in Latin America

HSBC's Latin American operations delivered pre-tax profits of US$1.1 billion, down 33 per cent on 2008, as a result of tougher economic conditions, the impact of the H1N1 virus in Mexico, and higher loan impairment charges across the region.

In 2009, we took a strategic decision to reposition our retail businesses. We continued to manage down successfully the higher risk personal lending and credit card portfolios where we had seen higher delinquency in 2008. We reduced the number of consumer finance and retail branches in Mexico and Brazil and focused on opportunities in Premier, which was particularly successful in Brazil. We also saw growth in insurance sales.

Economic conditions improved during the year. The Brazilian economy returned to growth in the second quarter and, in Mexico, conditions began to improve in the second half as the impact of the H1N1 virus abated and as trade volumes with the US picked up. Loan impairment charges in the region fell in the latter part of the year. The Group continues to view Latin America as a region of considerable future opportunity and allocated US$1.3 billion of fresh capital to its operations in Mexico and Brazil at the end of 2009. This has enhanced our capital strength and will help us meet the growing needs of our customers as these economies expand.

Developed markets

"In this uncertain environment, the strength of the HSBC brand remains one of our most important assets. In 2009, we were named the world's most valuable banking brand by Interbrand and last month we were named number one banking brand by *Brand Finance* for the third year running."

NORTH AMERICA

- Loan impairments fell by 16% in US consumer finance run-off businesses as the portfolios were managed down.
- 104,000 loans with aggregate value of US$14.6b were modified to help customers in difficulty.
- Cards business remained profitable despite the difficult economic environment.

EUROPE

- **UK:** the bank made available £15b of new mortgage lending as HSBC's market share rose to 11%.
- **Switzerland:** HSBC's two private banks were merged.
- **Turkey:** results improved from an expanded platform and the business is well positioned for growth.

See our Annual Report and Accounts 2009, *pages 87-135 for more detailed analysis.*

US – improvement in consumer finance

The US economy returned to growth in the second half of 2009, although conditions remained difficult, especially in the personal financial services sector. Unemployment rates climbed to double digits and house prices continued to fall generally, although we saw some moderation in the latter half of the year, particularly in the middle and lower price sectors where targeted tax credits and low interest rates helped support housing market activity.

US Personal Financial Services made a loss before tax of US$5.3 billion, an improvement of 22 per cent on 2008, excluding the impact of the goodwill impairment. We completed the closure of all consumer lending branches, and associated restructuring costs of US$150 million were significantly lower than expectations. We continued to make encouraging progress in managing down the run-off business.

At year-end, HSBC Finance aligned its write-off period with the rest of the Group, leading to a significant decline in delinquency balances. Total balances in all parts of the run-off loan portfolio reduced during the year, falling by US$22 billion in total, to US$79 billion.

We also announced the sale of our US vehicle loan servicing operations and US$1 billion in vehicle loans, representing further progress in our run-off strategy. Since we began to run off parts of the portfolio in the first quarter of 2007, we have reduced balances by US$47 billion, or 37 per cent.

Excluding the effect of changing the write-off period, delinquency balances showed the usual seasonal rise in the second half, but the increase was significantly less pronounced than in previous years. The majority of our customers continued to meet their agreed payments, and we supported those in difficulty by modifying over 104,000 loans with an aggregate value of US$14.6 billion during the year. Loan impairments fell by 16 per cent in our US consumer finance run-off business as a result of these trends.

In HSBC Bank USA, we grew deposits in both Commercial Banking and in Personal Financial Services during the year. We sold US$4.5 billion of prime mortgages, and increased the number of Premier customers by 37 per cent. We also achieved encouraging results in cards. This business remained profitable despite the difficult economic environment, and the portfolio reduced overall.

However, we have resumed marketing spend to grow new card originations in some segments as a result of improving conditions.

Resilient performance in Europe

HSBC's European operations remained resilient in the face of severe economic challenges. Pre-tax profits increased by 83 per cent to US$6.6 billion, with Global Banking and Markets contributing 69 per cent of the total. On a reported basis, pre-tax profit was US$4.0 billion in 2009, compared with US$10.9 billion in the previous year.

Outlook

In the UK, recession tightened its grip on the economy. While the downturn lasted longer than in many other developed markets, low interest rates and quantitative easing helped to moderate its impact for borrowers. However, the low interest rate environment also negatively affected our deposit spreads. HSBC continued to support its customers through this challenging period. We made available £15 billion of new mortgage lending for the year, for which average loan-to-value ratios were less than 55 per cent, and we grew our market share of net new mortgage lending to 11 per cent. Among our business banking customers, demand for credit remained muted and overdraft utilisation was 40 per cent, highlighting the ready availability of credit when demand picks up. We supported over 121,000 new business start-ups and lent £0.8 billion as part of our commitment to smaller and medium-size businesses. We also increased trade lending by over 30 per cent.

Our French operations delivered a very strong performance overall, with pre-tax profits of US$827 million, driven by significantly higher Global Markets revenues and resilient performance in Personal Financial Services and Commercial Banking

HSBC also achieved very strong results in Turkey. Pre-tax profits of US$261 million were considerably higher than in 2008, despite a significant contraction in the economy in 2009 and record levels of unemployment. In our view, Turkey remains one of our key opportunities for future growth, and our expansion of the platform in recent years positions us strongly as the economy returns to health.

2010 economic outlook: a two-speed economy

As the world emerges from recession, we anticipate a two-speed recovery. In 2010, we expect GDP in emerging markets to grow by over six per cent, while the developed world struggles to reach two per cent. A bank's performance reflects that of the underlying economies it serves, and this presents both challenges and opportunities for the sector.

It is likely to be another difficult year for developed markets. In both the US and Europe, recovery remains fragile and may well be more modest than we had become used to following previous recessions. Demand will continue to be dampened by the need to rebuild savings. Governments and central banks have some tough calls to make as they balance the need to reduce spending against the need to support recovery and jobs. Low interest rates will likely continue to support recovery but will also constrain deposit spreads for some time. The implications for banks of regulatory change remain uncertain, but these will probably impact developed markets more than those faster-growing regions where our focus lies.

Emerging markets are now increasingly in the driving seat. The latest HSBC Emerging Markets Index suggests that many of these economies will grow strongly in 2010. Over time, these markets will become increasingly connected to each other, and less reliant on the West. The centre of economic gravity will continue to move east and south, and so will the opportunities for growth in financial services.

As industry restructuring inevitably takes place, some banks may consolidate activity and refocus on domestic markets. As they do so, we expect some to sell portfolios of assets, which could present selective opportunities for HSBC. We will remain disciplined in reviewing the opportunities which emerge.

In this uncertain environment, the strength of the HSBC brand remains one of our most important assets. In 2009, we were named the world's most valuable banking brand by Interbrand and last month we were named number one banking brand by *Brand Finance* for the third year running. Thanks to our strong brand, our signature financial strength, our broad and well-balanced business model and our clear strategy, I believe HSBC is positioned strongly and competitively for the next stage of the business cycle – and for the continuing shift in the global economy.

Finally, I am pleased to report that performance in January 2010 was strong and ahead of our expectations.

Thank you to our people

2009 was a year which, once again, made exceptional demands on our people. For many, this meant doing more to support our customers during the downturn. For others it meant working even harder than usual to deliver on their commitments, at a time when external conditions made this doubly challenging. It is proof of their strength and commitment that our employee engagement score increased from 67 to 71 per cent in such a year. It is also encouraging that this is notably higher than the industry average.

My final remarks are therefore reserved for my colleagues. It is because of your professionalism that HSBC can hold its head high at a time when the reputation of the banking industry is at a very low point. It is also because of your unwavering focus on our customers that HSBC is a bank which people want to do business with. Thank you.

Michael Geoghegan
Group Chief Executive
1 March 2010

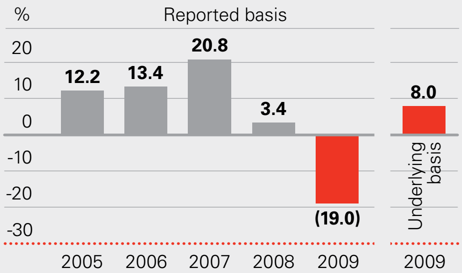
Key Performance Indicators and Risk

Monitoring our performance

HSBC uses financial and non-financial measures, known as key performance indicators, to track the Group's progress against its objectives. These are summarised below on a reported basis except where noted. The most significant adjustment in 2009 between reported and underlying profit was a reversal of fair value movement on HSBC's own debt attributable to credit spread which is not included in management's assessment of financial performance. The movement between 2008 and 2009 was exceptionally large, with 2009 reflecting a loss of US$6.5 billion, reversing a gain of US$6.6 billion accounted for in 2008.

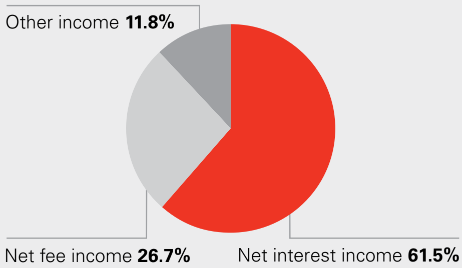
Financial key performance indicators

REVENUE GROWTH



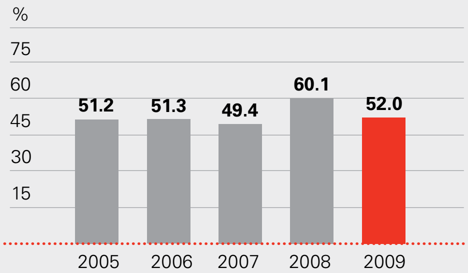
Revenue growth provides an important guide to the Group's success in generating business.

REVENUE MIX



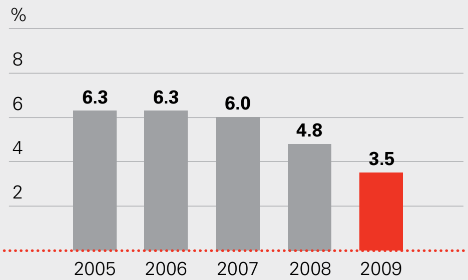
Revenue mix represents the relative distribution of revenue streams in the business.

COST EFFICIENCY



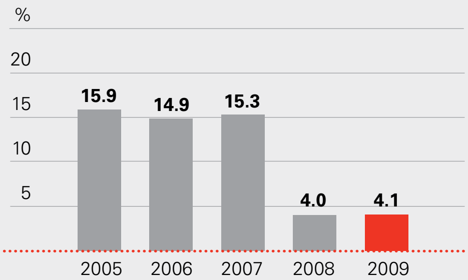
Cost efficiency measures how much resource goes into generating revenue. We use this to measure our productivity. The underlying cost efficiency ratio for 2009 was 47.5%.

CREDIT PERFORMANCE AS MEASURED BY RISK-ADJUSTED MARGIN



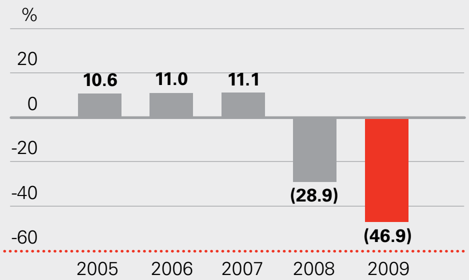
Credit performance as measured by risk-adjusted margin is an important measure to assess whether credit is properly priced.

RETURN ON AVERAGE INVESTED CAPITAL



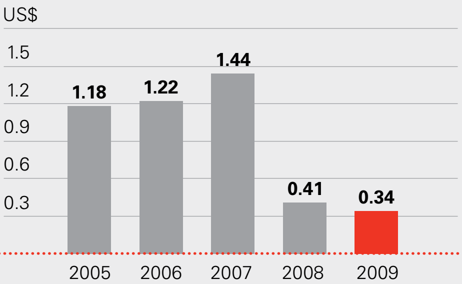
Return on average invested capital measures the return on the capital invested in our business, helping our management to measure HSBC against competitors.

DIVIDENDS PER SHARE GROWTH



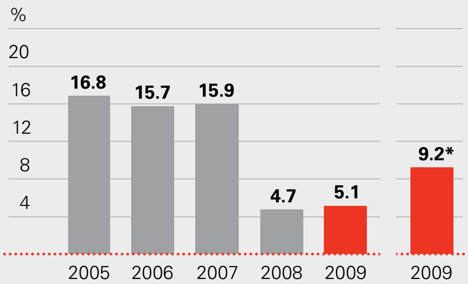
HSBC aims to deliver sustained dividend per share growth to its shareholders. The total dividend for 2009 amounts to US$5.9 billion.

BASIC EARNINGS PER SHARE



Basic earnings per share shows the level of earnings generated per ordinary share. It is also one of two key performance indicators used to determine employee rewards.

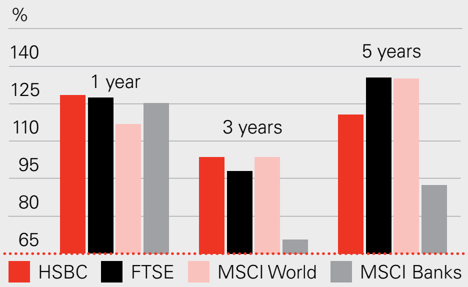
RETURN ON AVERAGE TOTAL SHAREHOLDERS' EQUITY



Return on average total shareholders' equity measures the return on average shareholders' investment in our business, and helps us to benchmark the Group's performance against competitors and internal targets.

* Excluding the impact of fair value on our own debt due to credit spread, return on average shareholders' equity was 9.2% in 2009.

TOTAL SHAREHOLDER RETURN
Benchmark indices set at 100 and measured over 1, 3 and 5 years



Total shareholder return calculates the overall return to shareholders on their investment in HSBC, taking into account dividends and the growth in share value over one, three and five-year periods. It is also a performance indicator used to determine employee rewards.

Non-financial key performance indicators

EMPLOYEE ENGAGEMENT

Employee engagement is critical to the long-term success of our business and an employee engagement target was included in the 2009 objectives for Group executives. In 2009, the engagement score rose to 71 per cent exceeding our target of 69 per cent. In 2007, the engagement score was 60 per cent and, in 2008, 67 per cent.

CUSTOMER RECOMMENDATION

Customer recommendation is an important driver of business growth. We measure the customer recommendation scores of customers in Personal Financial Services and Business Banking.

BRAND PERCEPTION

Brand perception is crucial to managing the business, so we track the views of personal and business customers in each of our major markets.

IT PERFORMANCE AND SYSTEMS RELIABILITY

We track two key measures of IT performance: the number of customer transactions processed, and the reliability and resilience of systems measured against service availability targets.

See our Annual Report and Accounts 2009, *pages 18-21 for more detailed analysis.*

Managing our risk

All banking activity involves taking risk. Our Risk Management Framework allows us to analyse, evaluate and manage the risks that are part of our business. These are the main categories of risk we face.

CREDIT RISK

This is the risk of financial loss if a customer or counterparty fails to meet a contractual payment. It arises mainly from direct lending, trade finance and leasing business. It can also come from off-balance sheet products such as guarantees, credit derivatives and debt securities. Our governance structures and control frameworks are designed to manage all stages of the economic and financial cycles, including the current difficult environment.

LIQUIDITY AND FUNDING RISK

The objective of HSBC's liquidity and funding framework is to ensure the Group can meet its foreseeable funding commitments when they are due and respond quickly to unforeseen liquidity requirements. HSBC maintains a diversified and stable funding base, further supported by wholesale funding and diversified portfolios of highly liquid assets.

MARKET RISK

We use a range of tools to manage and control market risk exposures. In doing so, we optimise return on risk, while maintaining a market profile consistent with HSBC's status as one of the world's largest financial organisations.

OPERATIONAL RISK

Operational risk is inherent in every business and includes the risk of loss from fraud, unauthorised activities, error, omission, inefficiency, systems failure or from external events. Each of our subsidiaries is responsible for controlling operational risk in line with the scale of their business.

PENSION RISK

HSBC operates a number of pension schemes throughout the world. A primary risk is that investments deliver returns below that required to provide the projected benefits. There is also a risk that interest rates or inflation can cause an increase in scheme liabilities, or that scheme members live longer than projected, causing a deficit in the plans. Our investment strategy is determined after taking these market risks into account.

REPUTATIONAL RISK

Reputational risk can arise from many causes. Safeguarding our reputation is of the highest importance to HSBC's continued prosperity as it helps attract new customers. It is the responsibility of every employee. Our good reputation depends on the way we do business and we regularly review our policies to ensure they safeguard against new reputational risks.

SUSTAINABILITY RISK

Sustainability risk comes from providing financial services to companies or projects that run counter to sustainable development. This means assessing whether the environmental and/or social effects of a project outweigh the economic benefits. Our Group Corporate Sustainability function manages these risks globally.

INSURANCE RISK

The principal insurance risk HSBC faces is that the cost of claims, along with the cost of acquiring and administering business, may exceed the aggregate amount of premiums received and investment income. We manage this risk using controls and processes appropriate to the product concerned.

Sustainability

HIGHLIGHTS OF 2009

- **Global People Survey results showed 81% of employees are satisfied with the actions HSBC is taking to embed sustainability into the business.**
- **Carbon Disclosure Project: number 1 financial institution for climate strategy and carbon data disclosure.**
- **Climate business sector worth more than US$500 billion (source: HSBC Climate Change Centre of Excellence).**
- **Eco-Schools Climate Initiative launched, with the aim to reach 1.2 million students.**
- **Business air travel by employees dropped by 26% in 2009.**
- **HSBC Climate Change Centre of Excellence published 30 leading research papers.**

Visit the Sustainability section of our web site: www.hsbc.com/sustainability

See 'Corporate sustainability' in our Annual Report and Accounts 2009, *pages 326-328.*

At HSBC, delivering long-term sustainable value for our 220,000 shareholders, 100 million customers, 300,000 employees and the communities in which we operate has always been our priority.

Our communities

HSBC broadly dedicates half of its philanthropic donations to educational causes, a quarter to the environment, and the remainder to local causes. We focus on education and the environment because we believe these are fundamental to building and developing communities.

HSBC's flagship global education programme, Future First, is a five-year commitment to helping disadvantaged children around the world. We work in partnership with the charity SOS Children's Villages, providing access to education and life skills training to equip them for the future. Since the programme's launch in 2006, HSBC has helped to support over 200 projects across 45 countries, benefiting more than 200,000 children.

We support financial education and business literacy through JA More Than Money™. In the last academic year, 1,500 HSBC employee volunteers taught financial skills to over 46,000 children across 14 countries. JA (Junior Achievement) is one of the world's largest organisations dedicated to educating students about workforce readiness, entrepreneurship and financial literacy.

In 2009, we launched the HSBC Eco-Schools Climate Initiative in partnership with the Foundation for Environmental Education. This three-year project aims to inform and inspire 1.2 million young people aged five to 18 to take action on climate change, by improving their schools' environmental efficiency. HSBC employees in 10 countries worldwide will take part.

Through the HSBC Climate Partnership, HSBC's flagship environmental programme, we have committed to working with four leading global charities over five years on researching and tackling climate change. Nearly 1,000 colleagues have now conducted field research, helping to contribute to the body of scientific knowledge about climate change. In 2009, as part of this project, two new climate centres were opened in India and China, and the Carbon Reduction Campaign was launched in the Hong Kong SAR, which promotes a low-carbon lifestyle to employees. Clean-up work continued on the Yangtze River in China to create a network of protected areas to provide resilience to the impacts of climate change.

Our business

We start from the principle that we must address environmental and social sustainability in our own business before we can understand the impact these issues can have on our customers.

In our 2009 global employee survey, overall engagement scores increased. In particular, 81 per cent of employees said they are satisfied with the actions HSBC is taking to embed environmental and social issues into the way we run our business, which we are doing in a number of ways.

Five years ago, we were the first major bank to become carbon neutral. In 2009, we were rated number one in the financial sector –

"We focus on education and the environment because we believe these are fundamental to building and developing communities."

and third overall – by the Carbon Disclosure Project, which encourages the world's leading companies to disclose information about their greenhouse gas emissions. High scores are awarded to companies which demonstrate good carbon data management and understanding of climate change-related issues.

Building on this position, in 2009 we also announced an ambitious target to reduce carbon dioxide from business air travel by 20 per cent by 2012. During the year, we cut Group business air travel by 26 per cent, saving approximately 25,400 tonnes of carbon dioxide emissions. In just one year, HSBC has seen a nine-fold increase in the use of our video-conferencing equipment, from a total of 42,000 hours in 2008 to 418,000 hours in 2009. We have also introduced a new paper sourcing policy, which means we will only buy paper which has come from environmentally responsible sources.

In 2009, we revised the Supplier Code of Conduct to ensure that HSBC's expectations on the rights of workers and environmental standards are clear.

HSBC has relationships with companies operating in most business sectors. The indirect impact that the bank has through its lending and investment activity is regarded by some stakeholders as one of the main ways HSBC can contribute to sustainability. The Group takes this responsibility seriously and has put in place a clear governance structure and risk management process to help manage the potential social and environmental impacts of our lending activity. HSBC's policies provide guidance on issues such as deforestation, human rights, labour standards and carbon emissions.

Our customers and the low-carbon economy

HSBC believes that the world is now set on an irreversible path to a low-carbon economy. This shift will change the way we think about business, the way we do business, and the expectations consumers and shareholders have of business. In response, we are helping clients to manage this fundamental change.

In 2009, the HSBC Climate Change Centre of Excellence published 30 leading research papers, providing detailed analysis for clients on climate policy, low-carbon sectors and emerging economies. This research revealed that the 'climate business' sector is worth US$500 billion, a sum bigger than the global aerospace and defence industries put together. By 2020, the climate business sector is expected to be worth US$2 trillion.

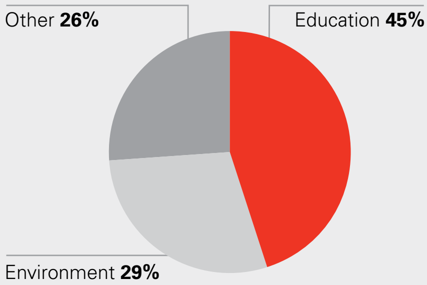
HSBC has continued to develop products and services to help customers make the most of these opportunities. Our quarterly Climate Change Benchmark Index helps institutional investors identify those businesses at the forefront of the climate business sector. In 2009, HSBC continued to work with customers to develop renewable energy and low-carbon products and services, such as solar and geo-thermal power, across Asia-Pacific, Europe and Australasia.

In May 2010, HSBC will publish its *Sustainability Report 2009*, which will provide more detail on HSBC's approach to sustainability.

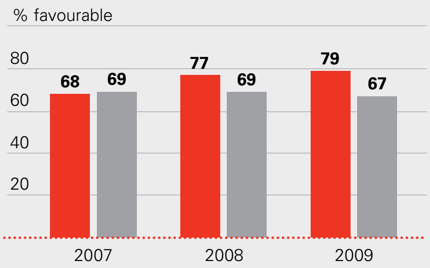
TOTAL COMMUNITY INVESTMENT DONATIONS 2009

US$100m

Breakdown of donations 2009



GLOBAL EMPLOYEE SURVEY ON CORPORATE SUSTAINABILITY



Favourable employee attitudes towards corporate sustainability at HSBC

Best-in-class (top quartile scores for corporate sustainability across comparable global companies)

Our Board: Promoting Your Interests

Board of Directors

Stephen Green
Group Chairman
Age 61

An executive Director since 1998; Group Chief Executive from 2003 to 2006. Joined HSBC in 1982. Chairman of the Nomination Committee since 26 February 2010. Chairman of HSBC Bank plc. A director of HSBC North America Holdings Inc. and The Hongkong and Shanghai Banking Corporation Limited. Chairman and a director of HSBC Private Banking Holdings (Suisse) SA until 25 February 2010. Ceased to be a director of HSBC France on 16 February 2010. Chairman of The British Bankers' Association and, since 30 April 2009, a non-executive Director of BASF SE.

Mr Green is a career banker having joined The Hongkong and Shanghai Banking Corporation Limited in 1982 with responsibility for corporate planning activities. He was Group Treasurer, with responsibility for HSBC's treasury and capital markets businesses globally from 1992 to 1998, and executive Director, Corporate, Investment Banking and Markets, from 1998 to 2003, when he was appointed Group Chief Executive. He has worked in Hong Kong, New York, the Middle East and London and has extensive international experience and knowledge of the HSBC Group.

Michael Geoghegan, CBE
Group Chief Executive
Age 56

An executive Director since 2004. Joined HSBC in 1973. Chairman of the Group Management Board. Chairman of The Hongkong and Shanghai Banking Corporation Limited since 1 February 2010 and chairman of HSBC Bank Canada. Deputy chairman of HSBC Bank plc. A director of HSBC Latin America Holdings (UK) Limited having ceased to be chairman on 4 December 2009. A director of HSBC North America Holdings Inc. Ceased to be chairman and a director of HSBC Bank USA, N.A. and HSBC USA Inc. on 7 May 2009. Chief Executive of HSBC Bank plc from 2004 to 2006. Responsible for all of HSBC's business throughout South America from 2000 to 2003. President of HSBC Bank Brasil S.A. – Banco Múltiplo from 1997 to 2003.

Mr Geoghegan is a career banker with over 35 years' international experience with HSBC. He has worked in the Americas, Asia, the Middle East and Europe. He established the Group's operations in Brazil in 1997 following the creation of Banco HSBC Bamerindus S.A and in 2003 he was honoured with a CBE in recognition of his contribution to British business interests in Brazil.

Safra Catz†
Age 48

President of Oracle Corporation. A non-executive Director since May 2008. Managing Director of Donaldson, Lufkin & Jenrette from 1997 to 1999. Joined Oracle in 1999 and appointed to the Board of Directors in 2001.

Ms Catz brings to the Board a background in international business leadership, having helped transform Oracle into the second biggest producer of management software and the world's leading supplier of software for information management.

Vincent Cheng, GBS, OBE
Age 61

Chairman of HSBC Bank (China) Company Limited and, since 21 January 2010, of HSBC Bank (Taiwan) Limited. An executive Director since February 2008. Joined HSBC in 1978. Appointed a Group General Manager in 1995 and a Group Managing Director in 2005. A director of HSBC Bank (Vietnam) Limited. An independent non-executive director of Great Eagle Holdings Limited and, since 10 July 2009, of MTR Corporation Limited. Vice chairman of the China Banking Association. A member of the National Committee of the 11th Chinese People's Political Consultative Conference ('CPPCC'), and a senior adviser to the 11th Beijing Municipal Committee of the CPPCC. Chairman and a director of The Hongkong and Shanghai Banking Corporation Limited until 1 February 2010 and of HSBC Global Asset Management (Hong Kong) Limited until 4 February 2010. A director of HSBC Bank Australia Limited and a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority until 1 February 2010. A non-executive director of Swire Pacific Limited from 2005 to 2008. Awarded the Gold Bauhinia Star by the Hong Kong Government in 2005.

Mr Cheng is a career banker with extensive international business experience particularly in Asia. Mr Cheng is Vice President of the Hong Kong Institute of Bankers and was Chairman of the Process Review Panel for the Securities and Futures Commission and of the Standing Committee on Directorate Salaries and Conditions of Service of the Hong Kong Government. Chairman of the Council of the Chinese University of Hong Kong since 24 October 2009. Seconded to the Hong Kong Government's Central Policy Unit from 1989 to 1991 serving as an adviser to the Governor of Hong Kong.

Marvin Cheung†, GBS, OBE
Age 62

Non-executive chairman of the Airport Authority Hong Kong. A non-executive Director since 1 February 2009 and a member of the Group Audit Committee since 1 March 2010. A non-executive director of Hang Seng Bank Limited, HKR International Limited and Hong Kong Exchanges and Clearing Limited. A non-official member of the Executive Council of the Hong Kong Special Administrative Region. Non-executive chairman of the Council of the Hong Kong University of Science and Technology. A director of The Association of Former Council Members of The Stock Exchange of Hong Kong Limited and The Hong Kong International Film Festival Society Limited. Ceased to be a non-executive director of Sun Hung Kai Properties Limited on 9 December 2009. Chairman and Chief Executive Officer of KPMG Hong Kong from 1996 to 2003. A Council Member of the Open University of Hong Kong until 19 June 2009. Awarded the Gold Bauhinia Star by the Hong Kong Government in 2008.

Dr Cheung brings to the Board a background in international business and financial accounting, particularly in Greater China and the wider Asian economy. He retired from KPMG Hong Kong in 2003 after more than 30 years' distinguished service with the firm. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

John Coombe†
Age 64

Non-executive chairman of Hogg Robinson Group plc. A non-executive Director since 2005. A member of the Group Audit Committee, the Remuneration Committee and, since 26 February 2010, the Group Risk Committee. A non-executive director of Home Retail Group plc. A trustee of the Royal Academy Trust. Former appointments include: executive director and Chief Financial Officer of GlaxoSmithKline plc; a non-executive director of GUS plc; a member of the Supervisory Board of Siemens AG; Chairman of The Hundred Group of Finance Directors and a member of the Accounting Standards Board.

Mr Coombe brings to the Board a background in international business, financial accounting and the pharmaceutical industry. As Chief Financial Officer of GlaxoSmithKline he had responsibility for the Group's financial operations globally. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

José Luis Durán†
Age 45

Chief Executive Officer of Devanlay SA since 1 July 2009. A non-executive Director since January 2008. A non-executive director of France Telecom. Senior adviser for the Boston Consulting Group during the first half of 2009. Chief Executive of Carrefour SA until December 2008. Former appointments at Carrefour SA include: chairman of its Management Board of Directors; Chief Financial Officer and Managing Director, Organisation and Systems.

Mr Durán brings to the Board a background in international finance, retail and consulting in developed and emerging markets. He joined Carrefour SA in 1991 and held a number of positions within Carrefour's businesses in Spain, southern Europe and the Americas.

Rona Fairhead†
Age 48

Chairman, Chief Executive Officer and a director of Financial Times Group Limited. A non-executive Director since 2004. Chairman of the Group Audit Committee and, since 26 February 2010, the Group Risk Committee. A member of the Nomination Committee. A director of Pearson plc and chairman of Interactive Data Corporation. A non-executive director of The Economist Newspaper Limited. Former appointments include: Executive Vice President, Strategy and Group Control of Imperial Chemical Industries plc; and Finance Director of Pearson plc.

Mrs Fairhead brings to the Board a background in international industry, publishing, finance and general management. As the former Finance Director of Pearson plc she oversaw the day to day running of the finance function and was directly responsible for global financial reporting and control, tax and treasury. She has a Masters in Business Administration from the Harvard Business School.

Photographs of the Board of Directors are shown on page 7

Douglas Flint, CBE
Chief Financial Officer, Executive Director, Risk and Regulation
Age 54

Joined HSBC as an executive Director in 1995. A non-executive director of BP p.l.c. and a member of the Consultative Committee of the Large Business Advisory Board of HM Revenue & Customs and the Business Government Forum on Tax and Globalisation. Chairman of HSBC Finance Corporation and a director of HSBC North America Holdings Inc. until 7 May 2009. Co-chairman of the Counterparty Risk Management Policy Group III in 2008. Chaired the Financial Reporting Council's review of the Turnbull Guidance on Internal Control in 2004. Served on the Accounting Standards Board and the Standards Advisory Council of the International Accounting Standards Board from 2001 to 2004. A former partner in KPMG.

Mr Flint has extensive financial experience particularly in banking, multinational financial reporting, treasury and securities trading operations. In 2006 he was honoured with a CBE in recognition of his services to the finance industry. He is a member of the Institute of Chartered Accountants of Scotland and the Association of Corporate Treasurers and he is a Fellow of The Chartered Institute of Management Accountants.

Sandy Flockhart, CBE
Age 58

Chairman, Personal and Commercial Banking and Insurance. An executive Director since May 2008. Joined HSBC in 1974. Appointed a Group General Manager in 2002 and a Group Managing Director in 2006. Chairman of HSBC Latin America Holdings (UK) Limited since 4 December 2009. Vice chairman and a director of HSBC Bank (Vietnam) Limited. A director of Hang Seng Bank Limited and HSBC Bank Australia Limited. A member of the Visa Asia Pacific Senior Advisory Council, Visa Inc. Chairman of HSBC Bank Malaysia Berhad from 2007 to 5 February 2010. Chief Executive Officer of The Hongkong and Shanghai Banking Corporation Limited from 2007 to 1 February 2010. Ceased to be a director of HSBC Bank (China) Company Limited on 28 February 2010. President and Group Managing Director Latin America and the Caribbean from 2006 to 2007. Chief Executive Officer, Mexico from 2002 to 2006. Senior Executive Vice-President, Commercial Banking, HSBC Bank USA, N.A. from 1999 to 2002. Managing Director of The Saudi British Bank from 1997 to 1999.

Mr Flockhart is a career banker, being an emerging markets specialist with over 30 years' experience with HSBC across Latin America, the Middle East and Asia. In 2007 he was honoured with a CBE in recognition of his services to British business and charitable services and institutions in Mexico.

William Fung*, SBS, OBE
Age 61

Group Managing Director of Li & Fung Limited. A non-executive Director since 1998. Chairman of the Corporate Sustainability Committee. Non-executive deputy chairman of The Hongkong and Shanghai Banking Corporation Limited. A non-executive director of Integrated Distribution Services Group Limited, Convenience Retail Asia Limited and of Trinity Limited which was listed on The Stock Exchange of Hong Kong Limited on 3 November 2009. An independent non-executive director of Shui On Land Limited, VTech Holdings Limited, Singapore Airlines Limited (since 1 December 2009) and Sun Hung Kai Properties Limited (since 1 February 2010). Former appointments include: non-executive director of Bank of Communications; chairman of the Hong Kong General Chamber of Commerce; the Hong Kong Exporters' Association; and the Hong Kong Committee for the Pacific Economic Cooperation Council. Awarded the Silver Bauhinia Star by the Hong Kong Government in 2008.

Mr Fung brings to the Board over 30 years' experience in running a major international conglomerate specialising in supply chain management through the borderless manufacturing of global consumer products. During his leadership the family business of Li & Fung has become one of the largest trading companies in Hong Kong with over 80 offices worldwide.

Stuart Gulliver
Age 50

Chairman, Europe, Middle East and Global Businesses. An executive Director since May 2008. Joined HSBC in 1980. Appointed a Group General Manager in 2000 and a Group Managing Director in 2004. Chairman of HSBC Private Banking Holdings (Suisse) SA since 25 February 2010, of HSBC Bank Middle East Limited since 15 February 2010 and of HSBC France since 1 January 2009. A director of The Hongkong and Shanghai Banking Corporation Limited and HSBC Bank plc. Deputy chairman and member of the Supervisory Board of HSBC Trinkaus & Burkhardt AG. Chief Executive of Global Banking and Markets. A director of HSBC North America Holdings Inc. until 7 May 2009 and of HSBC Latin America Holdings (UK) Limited until 4 December 2009. Co-Head of Global Banking and Markets from 2003 to 2006. Head of Global Markets from 2002 to 2003. Head of Treasury and Capital Markets in Asia-Pacific from 1996 to 2002.

Mr Gulliver is a career banker with over 28 years' international experience with HSBC. He has held a number of key roles in the Group's operations worldwide, including in London, Hong Kong, Tokyo, Kuala Lumpur and the United Arab Emirates. Global Banking and Markets is the wholesale banking division of the Group with operations in more than 60 countries and territories.

James Hughes-Hallett†, SBS
Age 60

Chairman of John Swire & Sons Limited. A non-executive Director since 2005. A member of the Nomination Committee and, since 26 February 2010, of the Group Risk Committee. A member of the Group Audit Committee until 1 March 2010. A non-executive director and former chairman of Cathay Pacific Airways Limited and Swire Pacific Limited. A non-executive director of The Hongkong and Shanghai Banking Corporation Limited from 1999 to 2004. A trustee of the Dulwich Picture Gallery and the Esmée Fairbairn Foundation. A member of The Hong Kong Association and of the Governing Board of the Courtauld Institute of Art. Awarded the Silver Bauhinia Star by the Hong Kong Government in 2004.

Mr Hughes-Hallett brings to the Board a background in financial accounting and the management of a broad range of businesses in a number of international industries, including aviation, property, shipping, manufacturing and trading, in the Far East, UK, US and Australia. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Sam Laidlaw†
Age 54

Chief Executive Officer of Centrica plc. A non-executive Director since January 2008. A member of the Remuneration Committee. Former appointments include: Executive Vice President of Chevron Corporation; non-executive director of Hanson PLC; Chief Executive Officer of Enterprise Oil plc; and President and Chief Operating Officer of Amerada Hess Corporation.

Mr Laidlaw brings to the Board significant international experience, particularly in the energy sector, having had responsibility for businesses in four continents. He has a Masters in Business Administration from INSEAD.

Rachel Lomax†
Age 64

Former Deputy Governor, Monetary Stability, at the Bank of England and member of the Monetary Policy Committee. A non-executive Director since December 2008. A member of the Group Audit Committee since 1 March 2009 and of the Group Risk Committee since 26 February 2010. A non executive director of The Scottish American Investment Company PLC and, since 31 July 2009, of Reinsurance Group of America Inc. A director of the Council of Imperial College, London since 1 June 2009 and a member of the Board of the Royal National Theatre. Former appointments include: Deputy Governor of the Bank of England from 2003 to 2008; Permanent Secretary at the UK Government Departments for Transport and Work and Pensions and at the Welsh Office from 1996 to 2003; and Vice President and Chief of Staff to the President of the World Bank from 1995 to 1996.

Ms Lomax brings to the Board business experience in both the public and private sectors and a deep knowledge of the operation of the UK government and the financial system.

Sir Mark Moody-Stuart†, KCMG
Age 69

Chairman of Hermes Equity Ownership Services Limited since 21 July 2009. A non-executive Director since 2001. Chairman of the Remuneration Committee and a member of the Corporate Sustainability Committee. A non-executive director of Accenture Limited and Saudi Aramco. Chairman of the Global Business Coalition on HIV/AIDS and the Global Compact Foundation and a member of the board of the UN Global Compact. Retired as a director and chairman of Anglo American plc on 31 July 2009. Former appointments include: director and chairman of The 'Shell' Transport and Trading Company, plc; chairman of the Committee of Managing Directors of the Royal Dutch/Shell Group of Companies; and a Governor of Nuffield Hospitals.

Sir Mark brings to the Board many years' experience of leading global organisations, having worked during his career in nine countries. He works with many non-governmental organisations to improve companies' commitment to socially responsible activities.

Gwyn Morgan†
Age 64

Non-executive chairman of SNC-Lavalin Group Inc. A non-executive Director since 2006. A member of the Remuneration Committee. A member of the Board of Trustees of The Fraser Institute and the Manning Centre for Building Democracy. A non-executive director of HSBC Bank Canada from 1996 to 2006. Former appointments include: Founding President, Chief Executive Officer and Vice chairman of EnCana Corporation; a director of Alcan Inc. and Lafarge North America, Inc.

Mr Morgan brings to the Board a background in technical, operational, financial and management positions and has led large international companies in the energy and engineering sectors. He has been recognised as Canada's most respected Chief Executive Officer in a national poll of Chief Executives. He is currently a business columnist for Canada's largest national newspaper.

Narayana Murthy†, CBE
Age 63

Chairman and Chief Mentor and former Chief Executive Officer of Infosys Technologies Limited. A non-executive Director since May 2008. A member of the Corporate Sustainability Committee and, from the conclusion of the Annual General Meeting in 2010, chairman of the Committee. A non-executive director of Unilever plc and a director of the United Nations Foundation. A non-executive director of New Delhi Television Limited until 22 July 2009. A former non-executive director of DBS Group Holdings Limited and DBS Bank Limited.

Mr Murthy brings to the Board experience in information technology, corporate governance and education, particularly in India. He founded Infosys Technologies Limited in India in 1981 and was its Chief Executive Officer for 21 years. Under his leadership, Infosys established a global footprint and was listed on NASDAQ in 1999. During his career he has worked in France and India.

Simon Robertson†
Senior independent non-executive Director
Age 68

Non-executive chairman of Rolls-Royce Group plc and the founder member of Simon Robertson Associates LLP. A non-executive Director since 2006 and senior independent non-executive Director since 2007. A member of the Nomination Committee. A non-executive director of Berry Bros. & Rudd Limited, The Economist Newspaper Limited and Royal Opera House Covent Garden Limited. A trustee of the Eden Project Trust and of the Royal Opera House Endowment Fund. Former appointments include: Managing Director of Goldman Sachs International; and chairman of Dresdner Kleinwort Benson.

Mr Robertson brings to the Board a background in international corporate advisory with a wealth of experience in mergers and acquisitions, merchant banking, investment banking and financial markets. During his career he has worked in France, Germany, the UK and the USA.

John Thornton†
Age 56

A non-executive Director since December 2008. A member of the Remuneration Committee since 24 April 2009 and, from the conclusion of the Annual General Meeting in 2010, chairman of the Committee. Non-executive chairman and a director of HSBC North America Holdings Inc. since December 2008. Professor and director of the Global Leadership Programme at the Tsinghua University School of Economics and Management. Chairman of the Brookings Institution Board of Trustees. A non-executive director of Ford Motor Company, Intel Corporation, Inc., News Corporation, Inc. and China Unicom (Hong Kong) Limited. A director of the National Committee on United States-China Relations and a Trustee of Asia Society, China Institute, The China Foreign Affairs University, the Palm Beach Civic Association and the United World College of East Africa Trust. A member of the Council on Foreign Relations, the China Securities Regulatory Commission International Advisory Committee and China Reform Forum International Advisory Committee. Former appointments include: a non-executive director of Industrial and Commercial Bank of China Limited from 2005 until 2008; and President of the Goldman Sachs Group, Inc. from 1999 until 2003.

Mr Thornton brings to the Board experience that bridges developed and developing economies and the public and private sectors. He has a deep knowledge of financial services and education systems, particularly in Asia. During his 23 year career with Goldman Sachs, he played a key role in the firm's global development and was chairman of Goldman Sachs Asia.

Sir Brian Williamson†, CBE
Age 65

Chairman of Electra Private Equity plc. A non-executive Director since 2002. A member of the Nomination Committee, having served as chairman of the Committee until 26 February 2010. A director of NYSE Euronext and Climate Exchange plc. Former appointments include: chairman of London International Financial Futures and Options Exchange and Gerrard Group plc; and a non-executive director of Resolution plc, the Financial Services Authority and the Court of The Bank of Ireland.

Sir Brian brings to the Board extensive experience in money and bond markets, private equity, futures, options and commodities trading internationally. He established the London International Financial Futures and Options Exchange in the 1980s and led the Exchange's development of its electronic trading platform in the mid-1990s. He is a member of the Guild of International Bankers.

* Non-executive Director
† Independent non-executive Director

Secretary

Ralph Barber
Age 59

Group Company Secretary. Appointed a Group General Manager in 2006. Joined HSBC in 1980. Company Secretary of HSBC Holdings plc since 1990. Chairman of the Disclosure Committee. A member of the Listing Authority Advisory Committee of the Financial Services Authority and of the Primary Markets Group of the London Stock Exchange. Corporation Secretary of The Hongkong and Shanghai Banking Corporation Limited from 1986 to 1992 and Company Secretary of HSBC Bank plc from 1994 to 1996.

Adviser to the Board

David Shaw
Age 63

An Adviser to the Board since 1998. Solicitor. A former partner in Norton Rose. A director of The Bank of Bermuda Limited and HSBC Private Banking Holdings (Suisse) SA. An independent non-executive director of Kowloon Development Company Limited and Shui On Land Limited.

Summary Directors' Report

Results for 2009

HSBC reported pre-tax profit of US$7,079 million. Profit attributable to shareholders of HSBC Holdings transferred to retained earnings was US$5,834 million, a 5.1 per cent return on average total shareholders' equity.

Principal activities and business review

Through its subsidiaries and associates, HSBC provides a comprehensive range of banking and related financial services. Headquartered in London, HSBC operates through long-established businesses and has an international network of some 8,000 properties in 88 countries and territories in six geographical regions: Europe; Hong Kong; Rest of Asia-Pacific; the Middle East; North America and Latin America. Previously the Middle East was reported as part of Rest of Asia-Pacific. Within these regions, a comprehensive range of financial services is offered to personal, commercial, corporate, institutional, investment and private banking clients.

A review of the development of the business of Group undertakings during the year and an indication of likely future developments are given on pages 4 to 27 and form part of this Summary Financial Statement.

Corporate governance report

The information set out on pages 28 to 41 and information incorporated by reference, is a summary of the Corporate Governance Report of HSBC Holdings contained on pages 294 to 349 of the *Annual Report and Accounts 2009*.

Board of Directors

The objective of the management structures within HSBC, headed by the Board of Directors of HSBC Holdings and led by the Group Chairman, is to deliver sustainable value to shareholders. Implementation of the strategy set by the Board is delegated to the Group Management Board under the leadership of the Group Chief Executive.

The developing framework for corporate governance best practice and regulation in the financial services industry is actively considered by the Board. The draft recommendations and HSBC's response to the consultation on a *Review of Corporate Governance in UK Banks and other Financial Industry Entities* led by Sir David Walker ('the Walker Review') were discussed by the Board in September 2009. Following publication of the final recommendations in November 2009, the Board agreed actions to bring HSBC's practices into line with the review's recommendations. The principal changes were the establishment of a separate Board Risk Committee with effect from 26 February 2010 and broadening of the terms of reference of the Remuneration Committee.

The Board sets the strategy for the Group and approves the risk appetite, capital and operating plans presented by management for the achievement of the strategic objectives it has set. The risk appetite, capital and operating plans ensure the efficient disposition of HSBC's resources for the achievement of these objectives. Following consideration of all relevant factors, the Board determined on 2 March 2009 that a 5 for 12 rights issue to raise approximately £12.5 billion (US$17.8 billion) was in the best interests of HSBC Holdings and its shareholders. Shareholders approved the rights issue at a General Meeting held on 19 March 2009. The 5,060,239,065 new ordinary shares were issued in April 2009.

The Directors who served during the year were, S A Catz, V H C Cheng, M K T Cheung (appointed 1 February 2009), J D Coombe, J L Durán, R A Fairhead, D J Flint, A A Flockhart, W K L Fung, M F Geoghegan, S K Green, S T Gulliver, J W J Hughes-Hallett, W S H Laidlaw, J R Lomax, Sir Mark Moody-Stuart, G Morgan, N R N Murthy, S M Robertson, J L Thornton and Sir Brian Williamson.

Eight Board meetings were held during 2009. The table that follows gives details of each Director's attendance at meetings of the Board, Group Audit Committee, Nomination Committee, Remuneration Committee and Corporate Sustainability Committee held whilst he or she was a Director or member during 2009.

Attendance record

	Board meetings	Group Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings	Corporate Sustainability Committee meetings
Number of meetings held	**8**	**8**	**3**	**7**	**5**
S A Catz	7	–	–	–	–
V H C Cheng	8	–	–	–	–
M K T Cheung[1]	7	–	–	–	–
J D Coombe	8	8	–	7	–
J L Durán	7	–	–	–	–
R A Fairhead	7	8	3	–	–
D J Flint	8	–	–	–	–
A A Flockhart	8	–	–	–	–
W K L Fung	8	–	–	–	5
M F Geoghegan	8	–	–	–	–
S K Green	8	–	–	–	–
S T Gulliver	8	–	–	–	–
J W J Hughes-Hallett	8	6	3	–	–
W S H Laidlaw	8	–	–	7	–
J R Lomax	8	6[2]	–	–	–
Sir Mark Moody-Stuart	8	–	–	7	5
G Morgan	7	–	–	6	–
N R N Murthy	6	–	–	–	4
S M Robertson	8	–	2	–	–
J L Thornton	8	–	–	3[3]	–
Sir Brian Williamson	8	–	3	–	–

Notes
1 Appointed 1 February 2009 – eligible to attend 7 Board Meetings.
2 Appointed as a member on 1 March 2009 – eligible to attend 6 Committee Meetings. Attended a further 2 meetings by invitation.
3 Appointed as a member on 24 April 2009 – eligible to attend 3 Committee Meetings.

Group Chairman and Group Chief Executive

The roles of Group Chairman and Group Chief Executive are separated and held by experienced full-time Directors.

There is a clear division of responsibilities at the head of the Company between the running of the Board and the executive responsibility for running HSBC's business. The Group Chairman's responsibilities include, in addition to the leadership of the Board, the development of relationships with governments and other significant external parties, corporate reputation and culture and performance management of the Group Chief Executive. Subject to the Group Chief Executive's recommendation, the Group Chairman approves risk, capital allocation and capital investment decisions within authorities delegated by the Board. The Group Chief Executive has responsibility for developing business plans and delivering performance against these.

In September 2009, the Board announced changes to the respective roles of the Group Chairman and Group Chief Executive, the relocation of the principal office of the Group Chief Executive to Hong Kong and other senior executive management changes. Under these arrangements M F Geoghegan is located in the Group's strategically most important region, with a focus on ensuring its growth potential is fully realised. M F Geoghegan has assumed responsibility for developing Group strategy in agreement with the Group Chairman and for recommendation to the Board. As chairman of the Group Management Board, M F Geoghegan continues to drive performance within strategic goals and commercial objectives agreed by the Board. M F Geoghegan has also become chairman of The Hongkong and Shanghai Banking Corporation Limited.

Board balance and independence of Directors

The Board includes a strong presence of both executive and non-executive Directors such that no individual or small group can dominate the Board's decision making. The size of the Board is appropriate given the complexity and geographical spread of HSBC's business and the significant time demands placed on the non-executive Directors, particularly those who serve as members of Board committees.

The Board appointed S M Robertson as the senior independent non-executive Director in 2007. The principal role of the senior independent non-executive Director is to support the Group Chairman in his role, to lead the non-executive Directors in the oversight of the Group Chairman and to ensure there is a clear division of responsibility between the Group Chairman and Group Chief Executive.

The Board considers all of the non-executive Directors to be independent in character and judgement. W K L Fung has served on the Board for more than nine years, however, and in that respect only, does not meet the usual criteria for independence set out in the UK Combined Code on corporate governance. The Board has therefore determined S A Catz, M K T Cheung, J D Coombe, J L Durán, R A Fairhead, J W J Hughes-Hallett, W S H Laidlaw, J R Lomax, Sir Mark Moody-Stuart, G Morgan, N R N Murthy, S M Robertson, J L Thornton and Sir Brian Williamson to be independent. When determining independence the Board considers that calculation of the length of service of a non-executive Director begins on the date of his or her first election by shareholders as a Director of HSBC Holdings. Given the complexity and geographical spread of HSBC's business, the experience of previous service on a subsidiary company Board can be a considerable benefit to HSBC and does not detract from a Director's independence. In reaching its determination of each non-executive Director's independence the Board has concluded that there are no relationships or circumstances which are likely to affect a Director's judgement and any relationships or circumstances which could appear to do so were considered not to be material.

Induction and ongoing development

During 2009, the Board reviewed and approved changes to the arrangements for Director induction and development. Full, formal and tailored induction programmes, with particular emphasis on internal controls, are arranged for newly appointed Directors by the Group Company Secretary. The programmes consist of a series of meetings with other Directors and senior executives to enable new Directors to receive information and familiarise themselves with HSBC's strategy, operations and internal controls. As part of the induction process the Group Company Secretary will coordinate the production of a development programme based on the individual Director's needs. Prior to their appointment, each Director receives comprehensive guidance on the duties and liabilities of a Director of HSBC Holdings. Opportunities to update and develop skills and knowledge, through externally run seminars and through briefings by senior executives, are provided to all Directors.

A personalised approach to training and development is applied for Directors. Records of development activities and plans are maintained by the Group Company Secretary for annual review with the Director concerned by the Group Chairman. The Group Company Secretary coordinates the delivery of any training required. Focused in-house development programmes to enhance business awareness, such as on the management of risk, are arranged in conjunction with scheduled Board Meetings. Since December 2009, Directors have online access to HSBC's internal training and development resources.

Appointment, retirement and re-election of Directors

M K T Cheung was appointed a non-executive Director on 1 February 2009.

J L Durán, R A Fairhead, W K L Fung, M F Geoghegan, S K Green, Sir Mark Moody-Stuart, G Morgan, N R N Murthy, S M Robertson, J L Thornton and Sir Brian Williamson will retire at the forthcoming Annual General Meeting. With the exception of J L Durán, W K L Fung and Sir Mark Moody-Stuart, who are to retire, they offer themselves for re-election. At the conclusion of the 2010 Annual General Meeting, the Board will then comprise 18 Directors, 12 of whom are independent non-executive Directors. None of the non-executive Directors has a service contract. M F Geoghegan and S K Green, who are seeking re-election at the Annual General Meeting, are employed on rolling contracts which require 12 months' notice to be given by either party.

The Group Chairman has confirmed that all of the non-executive Directors continue to perform effectively and to demonstrate commitment to their roles.

Brief biographical particulars of all Directors are given on pages 28 to 30.

Corporate governance codes

HSBC is committed to high standards of corporate governance. HSBC Holdings has complied throughout the year with the applicable code provisions of the Combined Code on Corporate Governance issued by the Financial Reporting Council and the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Combined Code on Corporate Governance is available at www.frc.org.uk and the Code on Corporate Governance Practices is available at www.hkex.com.hk.

The Board of HSBC Holdings has adopted a code of conduct for transactions in HSBC Group securities by Directors. The code of conduct complies with The Model Code in the Listing Rules of the FSA and with The Model Code for Securities Transactions by Directors of Listed Issuers ('Hong Kong Model Code') set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, save that The Stock Exchange of Hong Kong Limited has granted certain waivers from strict compliance with the Hong Kong Model Code. The waivers granted by The Stock Exchange of Hong Kong Limited primarily take into account accepted practices in the UK, particularly in respect of employee share plans. Following a specific enquiry, each Director has confirmed he or she has complied with the code of conduct for transactions in HSBC Group securities throughout the year.

Board committees

The Board has appointed a number of committees.

The **Group Management Board** meets frequently and operates as a general management committee under the direct authority of the Board. The objective of the Group Management Board is to maintain a reporting and control structure whereby all of the line operations of HSBC are accountable to individual members of the Group Management Board who report to the Group Chief Executive who in turn reports to the Group Chairman. The Board has set objectives and measures for the Group Management Board. These align senior executives' objectives and measures with the strategy and operating plans throughout HSBC. The members of the Group Management Board are M F Geoghegan (Chairman), D J Flint, A A Flockhart and S T Gulliver, who are executive Directors, and A Almeida, E Alonso, K M Harvey, A C Hungate, B P McDonagh, B Robertson, P A Thurston and P T S Wong, all of whom are Group Managing Directors.

The Group Management Board exercises the powers, authorities and discretions of the Board in so far as they concern the management and day-to-day running of HSBC Holdings in accordance with such policies and directions as the Board may from time to time determine.

The **Group Audit Committee** meets regularly with HSBC's senior financial, credit and risk, internal audit, legal and compliance management and the external auditor to consider HSBC Holdings' financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control, compliance and risk management. The members of the Group Audit Committee throughout 2009 were R A Fairhead (Chairman), J D Coombe and J W J Hughes-Hallett. J R Lomax was appointed a member of the Committee on 1 March 2009. On 1 March 2010, M K T Cheung was appointed a member of the Committee in succession to J W J Hughes-Hallett. All members of the Committee are independent non-executive Directors.

The Committee has discussed the risk management recommendations of the Walker Review. Following the Committee's recommendation of appropriate terms of reference, a separate **Group Risk Committee** was established by the Board on 26 February 2010. The terms of reference of the Group Risk Committee are available at www.hsbc.com/boardcommittees. The members of the Group Risk Committee are R A Fairhead (Chairman), J D Coombe, J W J Hughes-Hallett and J R Lomax, all of whom are independent non-executive Directors. Going forward the Group Audit Committee will focus primarily on financial reporting matters and the Group Risk Committee on internal control and risk management matters.

The Board has determined that M K T Cheung, J D Coombe, R A Fairhead, J W J Hughes-Hallett and J R Lomax are independent according to SEC criteria. In addition, M K T Cheung, J D Coombe, R A Fairhead and J W J Hughes-Hallett may be regarded as audit committee financial experts for the purposes of section 407 of the Sarbanes-Oxley Act and have recent and relevant financial experience.

An analysis of the remuneration paid in respect of audit and non-audit services provided by KPMG for each of the last three years is disclosed in Note 9 on page 400 of the 'Notes on the Financial Statements' in the *Annual Report and Accounts 2009*.

Further information about the Group Audit Committee is given on pages 310 to 312 of the *Annual Report and Accounts 2009*.

The role of the **Remuneration Committee** and its membership are set out in the 'Summary Directors' Remuneration Report' on page 34.

The **Nomination Committee** is responsible for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. Before recommending an appointment to the Board, the Committee evaluates the balance of skills, knowledge and experience on the Board and, in the light of this, identifies the role and capabilities required for a particular appointment. Candidates are considered on merit against these criteria. Care is taken to ensure that appointees have enough time to devote to HSBC. Prospective Directors are asked to identify any significant other commitments and confirm they have sufficient time to discharge what is expected of them. In accordance with the Articles of Association all Directors are subject to election by shareholders at the Annual General Meeting following their appointment by the Board and to re-election at least every three years. The members of the Nomination Committee throughout 2009 were Sir Brian Williamson (Chairman), R A Fairhead, S M Robertson and J W J Hughes-Hallett, all independent non-executive Directors. The Board appointed S K Green, Group Chairman to succeed Sir Brian Williamson as chairman of the Nomination Committee on 26 February 2010. Sir Brian remains a member of the Committee.

The appointment of M K T Cheung as a non-executive Director was made on the advice and recommendation of the Nomination Committee. An external consultancy was used in connection with the appointment.

Further information about the Nomination Committee is given on pages 312 to 313 of the *Annual Report and Accounts 2009*.

The **Corporate Sustainability Committee** is responsible for advising the Board, committees of the Board and executive management on corporate sustainability policies, including environmental, social and ethical issues. At an operational level, implementation of these policies is managed primarily by Group Human Resources, Group Risk, Group Compliance and Group Corporate Sustainability.

The members of the Committee throughout 2009 were W K L Fung (Chairman), Sir Mark Moody-Stuart and N R N Murthy, each of whom is a non-executive Director, G V I Davis, Lord May and Dame Mary Marsh (appointed a member on 31 July 2009), who are non-director members of the Committee.

Further information about Corporate Sustainability is given on pages 326 to 328 of the *Annual Report and Accounts 2009*.

Community investment

HSBC has a long-standing commitment to the communities in which it operates. Many of the Group's key markets are emerging economies. HSBC's operations bring benefits to its host countries through tax contributions, and to local people and businesses through employment, training, purchasing and investment. Beyond the impact of its core business, the Group aims to encourage social and economic opportunity through its community investment activity.

HSBC focuses this activity on education and the environment because it believes they are essential building blocks for the development of communities and are prerequisites for economic growth. Global education programmes such as Future First, JA More Than Money™ and Eco-Schools focus on helping disadvantaged children, promoting financial literacy and environmental education and understanding. The Group's flagship environmental programme is the HSBC Climate Partnership, a US$100 million commitment to working with The Climate Group, Earthwatch, Smithsonian Tropical Research Institute and WWF on tackling climate change.

In 2009, HSBC donated a total of US$100 million to community investment projects (2008: US$102 million, or US$99 million at constant exchange rates).

Dividends

First, second and third interim dividends for 2009, each of US$0.08 per ordinary share, were paid on 8 July 2009, 7 October 2009 and 13 January 2010 respectively. On 1 March 2010, the Directors declared a fourth interim dividend for 2009 of US$0.10 per ordinary share in lieu of a final dividend, which will be payable on 5 May 2010 in cash in US dollars, or in sterling or in Hong Kong dollars at exchange rates to be determined on 26 April 2010, with a scrip dividend alternative. As the fourth interim dividend for 2009 was declared after the balance sheet date it has not been included as a creditor at 31 December 2009. The reserves available for distribution at 31 December 2009 were US$34,460million.

A quarterly dividend of US$15.50 per 6.20 per cent non-cumulative US dollar preference share, Series A ('Series A dollar preference share'), equivalent to a dividend of US$0.3875 per Series A American Depositary Share, each of which represents one-fortieth of a Series A dollar preference share, was paid on 16 March, 15 June, 15 September and 15 December 2009.

Dealings in HSBC Holdings shares

Except for dealings as intermediaries by HSBC Bank, HSBC Financial Products (France) and The Hongkong and Shanghai Banking Corporation, which are members of a European Economic Area exchange, neither HSBC Holdings nor any subsidiary has bought, sold or redeemed any securities of HSBC Holdings during the year ended 31 December 2009.

Auditor's report

The auditor's report on the full accounts for the year ended 31 December 2009 was unqualified and did not include a statement under section 498 (2) (inadequate accounting records or returns or accounts not agreeing with records or returns) or 498 (3) (failure to obtain necessary information and explanations) of the Companies Act 2006. The statement under section 496 (whether directors' report is consistent with the accounts) was unqualified.

Summary Directors' Remuneration Report

Remuneration Committee

The Remuneration Committee meets regularly to consider human resource issues relating to terms and conditions of employment, remuneration and retirement benefits. Within the authority delegated by the Board, the Committee is responsible for approving the remuneration policy of HSBC and in doing so takes into account the pay and conditions across the Group. This includes the terms of bonus plans, share plans, other long-term incentive plans and the individual remuneration packages of executive Directors and other senior Group employees, including all in positions of significant influence and those having an impact on HSBC's risk profile. No Directors are involved in deciding their own remuneration.

The members of the Remuneration Committee throughout 2009 were Sir Mark Moody-Stuart (Chairman), J D Coombe, W S H Laidlaw and G Morgan. J L Thornton became a member of the Committee on 24 April 2009.

There were seven meetings of the Remuneration Committee during 2009.

The Committee has appointed Deloitte LLP to provide independent advice on executive remuneration issues and Towers Watson (formerly Towers Perrin) to provide remuneration data. As global firms, each of these firms also provided other consulting services to various parts of HSBC. Other consultants are used from time to time to advise on specific issues. During the year the Group Chief Executive provided regular briefings to the Committee and the Committee received advice from the Group Managing Director, Human Resources, A Almeida, the Head of Group Performance and Reward, S J Walker and subsequently T Roberts, and the Group Chief Risk Officer, B Robertson.

Overall principles

A global reward strategy for the Group was approved by the Remuneration Committee in 2007. This strategy provided a framework for the Remuneration Committee in carrying out its responsibilities during the year and includes the following key elements:

- an assessment of reward with reference to clear and relevant objectives set within a balanced scorecard framework. This framework facilitates a rounded approach to objective setting. Under this framework, objectives are set under four categories – financial, process (including risk mitigation), customer and people. Significant importance is given to the achievement of efficiency and risk objectives as well as financial objectives. Objectives relating to customer development and the productivity of the Group's human capital are also key to financial performance and the development and sustainability of the Group over the short and medium term;
- a focus on total compensation (salary, bonus and the value of long-term incentives) with variable pay (namely bonus and the value of long-term incentives) differentiated by performance;
- the use of considered discretion to assess the extent to which performance has been achieved rather than applying a formulaic approach which, by its nature, may encourage inappropriate risk taking and cannot cover all scenarios;
- a significant proportion of variable pay being deferred into, predominantly, awards of HSBC Holdings Restricted Shares to tie recipients to the future performance of the Group and to retain key talent. All Restricted Share awards made from 2010 are subject to claw back; and
- a total remuneration package (salary, bonus, long-term incentive awards and other benefits) which is competitive in relation to comparable organisations in each of the markets in which HSBC operates.

The Committee also takes into account environmental, social and governance aspects when determining executive Directors' remuneration and oversees senior management incentive structures to ensure that such structures take account of possible inadvertent consequences from these aspects.

Application to executive Directors

In order to ensure that executive Directors' compensation packages are competitive, having regard to the market in which HSBC competes for executive talent, the Remuneration Committee considers market data from a defined remuneration comparator group. This group initially comprised nine global financial services companies, namely Banco Santander, Bank of America, Barclays, BNP Paribas, Citigroup, Deutsche Bank, Royal Bank of Scotland, Standard Chartered and UBS. These companies were selected on the basis of their broadly similar business coverage, size and international scope, and are subject to annual review for continuing relevance. During 2009, the Remuneration Committee determined that the Royal Bank of Scotland should be replaced by JPMorgan Chase & Co. in the remuneration comparator group.

The positioning of total compensation (salary, bonus and the expected value of long term incentives) for the executive Directors depends on the performance of the Group and individual performance assessed against a combination of financial and non-financial objectives within an annual balanced scorecard. Remuneration is structured to provide an opportunity for top quartile total compensation for higher levels of performance.

The performance-related aspects of the remuneration package consist of an annual bonus of up to four times salary and Performance Share awards with a face value of up to seven times salary. Taking into account the expected value of awards, the performance-related elements of pay make up a considerable proportion of the total remuneration package whilst maintaining an appropriate balance between fixed and variable elements. Annual bonus payments and Performance Share awards are not pensionable.

A significant proportion of total compensation will be delivered in HSBC Holdings shares. Executive Directors and other senior executives are subject to share ownership guidelines.

The above approach applies to all executive Directors with the exception of the Group Chairman, S K Green who, at his request, is remunerated through salary only, i.e. he no longer receives annual bonus payments or awards of Performance Shares; and S T Gulliver, whose variable compensation arrangements take into account wholesale banking market practice.

The approach will continue to be carefully and regularly reviewed during 2010 to take account of current market conditions and emerging regulatory guidelines (see 'HSBC performance and market context below) and, where appropriate, shareholders will be consulted on any proposed changes in policy. Any changes will also be described in future Directors' Remuneration Reports.

The application of this policy to each component of executive Directors' remuneration for 2009 is outlined in more detail within 'Executive Director remuneration'.

HSBC performance and market context

2009 was a year of unprecedented initiatives by governments and central banks designed to provide timely support for global financial markets and reduce the volatility and turbulence that had characterised 2008. These actions were largely successful and contributed to improved market liquidity, a recovery in market confidence which was reflected in a broad reduction in credit spreads, and a re-opening of global capital markets which allowed banks and corporates alike to raise the equity and debt capital essential to their future. In determining remuneration levels for 2009, the Committee took these events and their context into account. The Committee also recognised that the actions taken by governments and central banks were primarily designed to assist overlent banks in developed markets and that many of the measures applied were not only of no assistance but were detrimental to banks such as HSBC with highly liquid, emerging market-facing banking operations. In particular HSBC's retail businesses earned less interest income on the excess of deposits over lending because of low interest rates and this reduced profitability when set against the largely fixed cost base of the retail infrastructure.

Within this market context, HSBC did not need taxpayers' money and its overall financial and non-financial performance was strong relative to its peers. This was evident in consistently favourable assessments of HSBC's corporate and management structure and its liquidity framework in regulatory policy initiatives which explored why some banks fared better than others during the crisis. HSBC's share price since the announcement of its 2008 results has more than doubled and HSBC has returned to being the most valuable bank, in terms of market capitalisation, outside mainland China.

Key achievements

The annual financial objectives the Group set itself for 2009 were achieved, although in some areas they were below the longer-term targets established. In the Group's 2009 performance, particular note was made of the following:

- the strengthening of the Group's tier 1 ratio by 250 basis points to 10.8 per cent, exceeding the target range;
- the maintenance of a highly liquid balance sheet with the ratio of advances to deposits ending below 80 per cent, notwithstanding the impact on profit of the low interest rate environment;
- the reduction in loan impairment charges in the US consumer finance business and the contribution to that reduction made by management's decisions to curtail origination activity progressively from 2007 then finally close the Consumer Lending branch network in 2009;
- the broad base of strong performances within the Global Banking and Markets business, consistent with its continuing strategy;

- the successful and accelerated wind-down of the legacy exit portfolios of asset-backed and structured credit exposures in the Global Banking and Markets business;
- recovery in shareholders' equity in line with expectations, as the available-for-sale portfolio in the Global Banking and Markets business recovered value;
- the resilient performance of HSBC in Hong Kong, notwithstanding it is a market significantly affected by the low interest rate environment;
- effective cost control reflected in the underlying cost reduction of 4 per cent excluding the goodwill impairment charge in 2008;
- the significant reduction in the Group's own credit spread; and
- decisive management initiatives taken to address the causes of the disappointing performances in certain personal and commercial portfolios in Latin America and the Middle East.

Key non-financial achievements of the Group in 2009, which reference the objectives set for senior management in their relevant balanced scorecard categories, are summarised below:

- process objectives focused on efficiency and qualitative measures which, in turn, affect financial performance and mitigate risk. The Group met the target it set for operational losses as a percentage of revenue and embedded the HSBC Risk Appetite Framework, establishing the nature and quantum of risks which the Group is prepared to accept in undertaking its activities. The overall management of risk mitigation was judged to be strong;
- progress in meeting customer recommendation and brand health targets was mixed in a challenging environment for retail and commercial banking. The Group met its brand health target for Personal Financial Services and customer penetration targets for wealth insurance, but narrowly missed the brand health target for Commercial Banking. Customer recommendation targets were not met; and
- regarding the Group's human capital, HSBC exceeded its 2009 employee engagement target as measured in its Global People Survey, improved on the 2008 score, and exceeded the global financial sector and global norms scores for employee engagement in 2009. The target for the ratio of revenue to staff costs was also met.

Management of risk

Since 2008, the Group's Risk function has been involved in the approval of relevant incentive plans. Within the Group's wholesale businesses, where appropriate, specific conditionality has been applied to the release of Restricted Shares awarded by way of deferred bonuses. From 2009, the concept of imputing the cost of capital in the determination of bonus funding was being expanded progressively across HSBC, starting with the Group's Global Banking and Markets business.

The Group's deferral policy for 2009 is compliant with the Financial Services Authority and the Financial Stability Board guidelines. Vesting of Restricted Shares may be subject to forfeiture (claw back) at the sole discretion of the Remuneration Committee after review by the Committee of all relevant circumstances.

From 2009, the Group Chief Risk Officer has provided advice to the Committee on the implications of the remuneration policy on risk and risk management. As discussed in 'Overall principles' above, risk mitigation objectives are included in the balanced scorecard framework. Economic Profit is also included as a performance measure for the long-term incentive Performance Share awards described below.

Further information relating to the Group's approach to risk management is set out on page 199 of the *Annual Report and Accounts 2009*.

Executive Director remuneration

Salary

The Committee reviews salary levels for executive Directors each year.

No increases in salaries were made in 2008 or 2009 other than to reflect promotions to the Board.

In September 2009, HSBC announced that the Group Chief Executive, M F Geoghegan, would assume responsibility for the Group's strategy. In addition, to underscore that the Group's strategy of focusing on emerging markets was most effectively achieved in Asia, HSBC's largest emerging market, it was announced that the principal office of the Group Chief Executive would be moved to Hong Kong and, on 1 February 2010, M F Geoghegan would also succeed V H C Cheng as Chairman of The Hongkong and Shanghai Banking Corporation Limited. These changes have now taken place and M F Geoghegan is now based in Hong Kong.

In support of these changes and the relocation of the principal office of the Group Chief Executive, the Group also made complementary executive management appointments which reflect widened responsibilities with effect from 1 February 2010. The changes affecting the executive Directors are set out below.

V H C Cheng's focus is on developing HSBC's business in China, and he continues to oversee key mainland China initiatives. He remains an executive Director of the Board of HSBC Holdings, continues as Chairman of HSBC Bank (China) Company Limited and was appointed Chairman of HSBC Bank (Taiwan) Limited on 21 January 2010. To complement his new remit, his principal base will move to mainland China from Hong Kong.

A A Flockhart was appointed Chairman Personal and Commercial Banking and Insurance. His remit includes overseeing HSBC's Global Personal Financial Services, Commercial Banking and Insurance businesses, HSBC's Latin American and African businesses, and most Group functions including Corporate Sustainability. He continues to be based in Hong Kong.

S T Gulliver was appointed Chairman, Europe, Middle East and Global Businesses. In this capacity, he has assumed overall responsibility for all HSBC's businesses across Europe, the Middle East and Global Private Banking and continues to oversee the Global Banking and Markets business. S T Gulliver has become Chairman of HSBC Bank Middle East Limited. He continues to be based in London.

D J Flint has assumed responsibility for Compliance in addition to his existing remit for Finance and Risk. His title has changed to Chief Financial Officer, Executive Director Risk and Regulation, and his role continues to be based in London.

To reflect the significantly increased responsibilities and maintain and reinforce a collegiate executive team, the salaries for two executive Directors have been adjusted from 2010, equalising the salaries of D J Flint, S T Gulliver and A A Flockhart. In addition, with effect from 2010 the employer pension contribution or executive allowance for D J Flint, A A Flockhart and S T Gulliver has been equalised at 50 per cent of annual basic salary.

The Committee also approved an increase to the salary of the Group Chief Executive, M F Geoghegan, in light of the international competitive position and the increased responsibilities listed above. However, M F Geoghegan subsequently did not consider it appropriate to accept such an increase at present. The non-executive Directors have unanimously agreed that his remuneration, including salary, will be brought up to internationally competitive levels within the next twelve months.

No other salary increases are proposed for executive Directors.

The table below shows salaries for 2008, 2009 and for 2010. Changes in salaries are applicable from 1 February 2010.

		Salary	
	2010 £000	**2009** **£000**	2008 £000
D J Flint	800	**700**	700
M F Geoghegan	–	**1,070**	1,070
S K Green	1,250	**1,250**	1,250
S T Gulliver[1]	800	**800**	800
	HK$000	**HK$000**	HK$000
V H C Cheng[1]	9,300	**9,300**	9,300
A A Flockhart[1]	10,000	**8,000**	8,000
M F Geoghegan[2]	13,495	**–**	–

1 V H C Cheng joined the Board on 1 February 2008 and A A Flockhart and S T Gulliver on 1 May 2008. The salaries shown above for 2008 represent the full year equivalent salary for these individuals.

2 Currency change reflects the change in location of the principal office of the Group Chief Executive. 2010 salary is equivalent to 2009 salary. With effect from 26 January 2010, in recognition of the relocation to Hong Kong and the associated additional costs of living that will be incurred, a fixed allowance of HK$3,767,256 (equivalent to £300,000) per annum, is payable together with housing and other benefits in kind that are normal within this location. The fixed allowance is not pensionable and is not considered as part of salary in determining the maximum annual bonus and Performance Share awards.

Annual bonus
In determining annual bonus awards, the Committee took into account the extent to which the Group's annual objectives had been met under the balanced scorecard approach, the Group's absolute and relative performance compared to its peers and competitive market practice. The individual awards are fully discretionary rather than formulaic, enabling a rounded and balanced view of performance.

In 2009, the Group Chief Executive, M F Geoghegan, the then Group Finance Director, D J Flint and the then Chief Executive of Global Banking and Markets and HSBC Global Asset Management, S T Gulliver, requested that they not be considered for a bonus in respect of 2008 in view of the general financial market conditions. The Committee decided not to award these individuals a bonus in respect of 2008 notwithstanding the performance of HSBC and the wholesale businesses in relation to their comparators.

As noted above the Group Chairman, S K Green, at his request, no longer receives an annual bonus payment. In line with this, no bonus award is being made to him in respect of 2009.

The awards made in 2010 to the Group Chief Executive, M F Geoghegan, and the Chief Financial Officer, Executive Director Risk and Regulation, D J Flint, reflect the overall achievements and performance of the Group under the balanced scorecard framework as described in 'HSBC performance and market context', set within the context of each role.

The award made to the Chairman, Europe, Middle East and Global Businesses, S T Gulliver, reflects the delivery of exceptional performance within Global Banking and Markets which contributed pre-tax profits of US$10.5 billion, an increase of 201 per cent. Robust revenues were reported in core constituent businesses such as Rates and Balance Sheet Management which delivered strong growth. A significant reduction in write-downs on legacy positions in credit trading, leveraged and acquisition finance and monoline exposures also contributed to the strong revenue performance. Revenues grew faster than costs and consequently the cost efficiency ratio improved by 29.1 percentage points to 39.1 per cent on an underlying basis. Global Banking and Markets was recognised for the continuing success of its emerging markets-led and financing focused strategy, with numerous industry awards.

Awards for executive Directors with responsibilities for Asia reflect robust performance underpinned by a market-leading share in deposits, residential mortgages, cards and insurance, within a challenging environment. In Hong Kong, HSBC reported a decline in pre-tax profit of 8 per cent on an underlying basis due to lower revenue from compressed deposit spreads, partly offset by a reduced level of loan impairment charges and credit risk provisions. Overall, customer lending balances were flat, as higher lending in Personal Financial Services and Global Banking and Markets was broadly offset by a decline in Commercial Banking, reflecting weakened demand for exports. In the Rest of Asia-Pacific region, HSBC reported an 8 per cent decline in pre-tax profit on an underlying basis, reflecting the difficult economic conditions; this masked, however, a strong contribution from HSBC's associates in the region, notably in mainland China.

Bonus awards to be made in 2010 in respect of 2009 performance, and bonus awards made in respect of 2008 and 2007, are shown in the table below. The awards made to executive Directors and seven Group Managing Directors in respect of 2009 performance will be fully deferred. All executive Directors' awards will be fully deferred into awards of Restricted Shares issued under the HSBC Share Plan. With the exception of the award for V H C Cheng, 33 per cent of the executive Directors' awards will vest on each of the first and second anniversaries of the date of the award, with the balance vesting on the third anniversary of the date of the award. The award for V H C Cheng has a vesting date three years from the date of the award.

Performance Shares
Under the HSBC Share Plan, executive Directors, as with other participants in the Plan, are eligible to receive awards of Performance Shares with a face value at grant of up to a maximum of seven times salary. The Group Chairman, S K Green, at his request is no longer considered for awards of Performance Shares. The performance conditions associated with these awards are detailed in 'Description of performance conditions' below.

No awards of Performance Shares were made in 2009, and no awards have been made to date in 2010. Awards may be considered later in 2010, taking into account performance and the market context at the time.

The average actual vesting of Performance Share awards made in 2004, 2005 and 2006 (which were tested in 2007, 2008 and 2009) has been 23 per cent of their face value. The awards made in 2006 did not satisfy the earnings per share ('EPS') condition but did satisfy the total shareholder return ('TSR') condition and accordingly, 39.5 per cent of the TSR element of the award (19.75 per cent of the overall award) vested. The awards made in 2007 have not satisfied the earnings per share measure. The extent to which the TSR part of the award will vest will be determined following the completion of the three year comparison period on 26 March 2010.

Description of performance conditions
The performance measures for the long-term incentive awards of Performance Shares under the HSBC Share Plan remain as follows.

The vesting of awards is based on three independent performance measures and an overriding 'sustained improvement' judgement by the Committee. The three Group measures are relative TSR (40 per cent of the award); economic profit (40 per cent); and growth in EPS (20 per cent).

	2009 performance[1]		2008 performance		2007 performance	
	Cash £000	**Restricted Shares £000**	Cash £000	Restricted Shares £000	Cash £000	Restricted Shares £000
D J Flint[2]	**–**	**2,100**	–	–	800	–
M F Geoghegan[2]	**–**	**4,000**	–	–	2,140	–
S K Green[3]	**–**	**–**	–	–	1,750	–
S T Gulliver[2]	**–**	**9,000**	–	–	5,592	3,600
	HK$000	**HK$000**	HK$000	HK$000	HK$000	HK$000
V H C Cheng	**–**	**15,600**	–	18,533	23,864	9,832
A A Flockhart[4]	**–**	**24,000**	–	18,705	–	–
	US$000	**US$000**	US$000	US$000	US$000	US$000
A A Flockhart[4]	**–**	**–**	–	–	2,598	1,184

Notes
1 The awards made in respect of 2009 performance will be fully deferred into awards of Restricted Shares, issued under the HSBC Share Plan. With the exception of the award for V H C Cheng, 33 per cent of the executive Directors' awards will vest on each of the first and second anniversaries of the date of the award, with the balance vesting on the third anniversary of the date of the award. The award for V H C Cheng has a vesting date three years from the date of the award.
2 M F Geoghegan, D J Flint and S T Gulliver requested that they not be considered for a bonus in respect of 2008.
3 At the Chairman's request, he is not considered for an annual bonus award.
4 The change in currency for A A Flockhart reflects a change of expatriate terms. The 2008 figure is on a gross equivalent basis.

These measures provide a basis on which to measure HSBC's relative and absolute performance over the long-term taking into account an external measure of value creation, a measure of the extent to which the return on capital invested in HSBC is in excess of a benchmark return and a direct measure of the profits generated for shareholders.

Awards will not vest unless the Remuneration Committee is satisfied that HSBC Holdings' financial performance has shown a sustained improvement in the period since the award date. In determining whether HSBC Holdings has achieved such sustained improvement the Remuneration Committee will take account of all relevant factors, in particular, comparisons against the TSR comparator group in areas such as revenue growth and mix, cost efficiency, credit performance, cash return on cash invested, dividends and TSR.

The performance conditions are measured over a three year performance period and awards forfeited to the extent that they have not been met.

The performance measures and the targets described below apply to awards made in 2008 and any awards to be made in the future. The Remuneration Committee will review annually whether the performance targets remain appropriate and challenging, or whether they should be recalibrated for any future awards, taking into account factors such as economic expectations, the industry's outlook and shareholders' interests. The Committee will consult in accordance with institutional shareholder guidelines on any further changes proposed to the nature of the performance measures and their percentage weighting referred to above.

Total shareholder return award
Total shareholder return ('TSR') is measured against a comparator group comprising the largest global banks in the world as well as other banks against which HSBC competes for business at a regional and/or local level. These companies are:

Banco Bradesco	Fortis
Banco Itau	ICBC
Banco Santander	JP Morgan Chase
Bank of America	Lloyds Banking Group
Bank of China	National Australia Bank
Barclays	Royal Bank of Canada
BBVA	Royal Bank of Scotland
BNP Paribas	Société Générale
Citigroup	Standard Chartered
Credit Suisse Group	UBS
DBS Group	UniCredito Italiano
Deutsche Bank	Wells Fargo

During 2008, HBOS and Wachovia merged with other banks in the comparator group and in 2009 the remainder of the banking activities of Fortis were acquired by BNP Paribas, an existing member of the comparator group. For awards made in 2008, performance from the point of acquisition will track that of the acquirer. This approach retains the free float market capitalisation ('FFMC') weighting of the combined entities. The Committee determined that the comparator group remains large enough to be statistically valid and as such it was not necessary to introduce any replacement banks.

To reflect the fact that the range of market capitalisations within the comparator group is very wide, a FFMC weighted method is used to calculate TSR performance. Under this approach, HSBC's out-performance of the comparator group will be calculated by dividing the total FFMC of all of the companies that HSBC has outperformed in terms of TSR by the total FFMC of all of the companies in the comparator group.

The extent to which the TSR award will vest will be determined as follows:

If HSBC's TSR outperforms companies comprising	Proportion of TSR award vesting[1]
75 per cent of the total FFMC	100%
50 per cent of the total FFMC	20%
< 50 per cent of the total FFMC	nil

1 Vesting will occur in a straight line between 20 per cent and 100 per cent where HSBC's performance falls between these incremental steps.

Economic profit award
Economic profit ('EP') is calculated as the average annual difference between return on invested capital and the Group's benchmark cost of capital and is expressed as a percentage. EP is a key measure of shareholder value creation as it rewards management progressively to the extent that the return on the capital invested in HSBC by its shareholders is in excess of a threshold return, which itself exceeds the Group's benchmark cost of capital.

For the awards made in 2008 the benchmark cost of capital was 10 per cent. Return on invested capital is based on the profit attributable to shareholders as defined on page 19 of the *Annual Report and Accounts 2009*. The extent to which the EP award will vest will be determined as follows:

Average annual EP over three years	Proportion of EP Award vesting[1]
8 per cent or above	100%
< 3 per cent	nil

1 Vesting will occur in a straight line between 0 per cent and 100 per cent where HSBC's performance falls between these incremental steps.

Earnings per share award
Growth in earnings per share ('EPS') is measured on a point to point basis, by comparing EPS in the third financial year of the performance period with EPS in the financial year preceding that in which the award is made. This approach is aimed at simplifying the use of EPS as a performance measure and takes into account feedback received during consultation with institutional shareholders in 2007/2008.

EPS growth in Year 3 over the base EPS	Proportion of EPS award vesting[1]
28 per cent or above	100%
16 per cent	20%
< 16 per cent	nil

1 Vesting will occur in a straight line between 20% and 100% where HSBC's performance falls between these incremental steps.

If events occur which cause the Remuneration Committee to consider that a performance condition has become unfair or impractical in either direction, the right is reserved to the Remuneration Committee, if it considers it appropriate, to amend, relax or waive the condition.

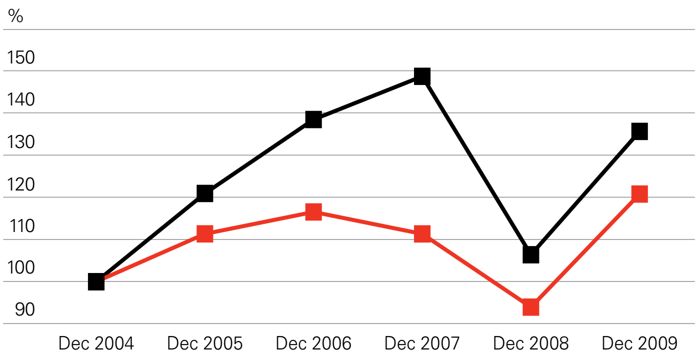
Awards will vest in full and immediately in cases of death. In the event of redundancy, retirement on grounds of injury or ill health and where a participant ceases to be employed by HSBC due to a company ceasing to be part of HSBC, awards will normally vest at the end of the vesting period on a time-apportioned basis to the extent that the performance conditions have been satisfied. In the event of a change of control, awards will normally vest immediately and on a time-apportioned basis to the extent that the performance conditions have been satisfied. Awards will normally be forfeited if the participant is dismissed for cause or resigns from HSBC. In all circumstances the Committee retains discretion to ensure fair and reasonable treatment.

Funding
The dilution limits set out in the HSBC share plans comply with the Association of British Insurers' guidelines. To date, all vesting awards of Performance Shares and Restricted Shares under the HSBC Share Plan have been satisfied by the transfer of existing shares. To create additional core tier 1 capital and retain funds within HSBC, the Board has agreed that new shares may be issued to satisfy the vesting of awards of Restricted and Performance Shares that cannot be satisfied from shares already held by employee benefit trusts commencing in 2011.

Total shareholder return

Pursuant to the Directors' Remuneration Report Regulations 2002, the graph below shows HSBC's TSR performance against the FTSE 100 Index, for the five-year period ended 31 December 2009. The FTSE 100 Index has been chosen as this is a recognised broad equity market index of which HSBC Holdings is a member.

HSBC TSR and FTSE 100 Index



HSBC total shareholder return — FTSE 100

Source: International Data Corporation

Pensions

The normal retirement age for executive Directors is 65 with the exception of V H C Cheng, for whom no retirement age is specified in keeping with local legislation. The pension entitlements of the executive Directors for 2009 are set out on pages 39 to 40.

Non-executive Directors

Non-executive Directors are appointed for fixed terms not exceeding three years, subject to their re-election by shareholders at Annual General Meetings. Non-executive directors have no service contract and are not eligible to participate in HSBC's share plans.

Fees

Non-executive Directors' fees are regularly reviewed and compared with other large international companies. The current fee, which was approved by shareholders in 2006, is £65,000 per annum.

A fee of £30,000 per annum is payable to the senior independent non-executive Director. In addition, non-executive Directors received the following fees for service on Board Committees:

Fees – non-executive Directors

Chairman, Group Audit Committee	£50,000 p.a.
Member, Group Audit Committee	£20,000 p.a.

During 2009, 8 meetings of the Group Audit Committee were held.

Chairman, Remuneration Committee	£40,000 p.a.
Member, Remuneration Committee	£20,000 p.a.

During 2009, 7 meetings of the Remuneration Committee were held.

Chairman, Nomination Committee	£30,000 p.a.
Member, Nomination Committee	£20,000 p.a.

During 2009, 3 meetings of the Nomination Committee were held.

Chairman, Corporate Sustainability Committee	£30,000 p.a.
Member, Corporate Sustainability Committee	£20,000 p.a.

During 2009, 5 meetings of the Corporate Sustainability Committee were held.

In line with the recommendations of the Walker Review, the Board approved the formation of a separate Group Risk Committee with effect from 26 February 2010. A fee of £40,000 per annum will be payable to the Chairman of the Group Risk Committee and a fee of £20,000 per annum will be payable to the Members of the Committee. As a consequence, the fee for the Chairman of the Group Audit Committee will reduce to £40,000 per annum.

Directors' 2009 remuneration

The remuneration of the Group Chairman and executive Directors of HSBC Holdings for 2009 was as follows:

	V H C Cheng		D J Flint		A A Flockhart		M F Geoghegan		S K Green		S T Gulliver	
	2009	2008[1]	**2009**	2008	**2009**	2008[1]	**2009**	2008	**2009**	2008	**2009**	2008[1]
£000												
Salary	**769**	534	**700**	700	**662**	229	**1,070**	1,070	**1,250**	1,250	**800**	533
Allowances[2]	**191**	67	**394**	394	**–**	–	**548**	544	**8**	8	**8**	5
Benefits in kind[2,3]	**663**	545	**8**	13	**437**	355	**57**	53	**4**	7	**18**	9
Bonus (deferred)[4]	**1,240**	1,639	**2,100**	–	**1,908**	1,655	**4,000**	–	**–**	–	**9,000**	–
Total remuneration[5]	**2,863**	2,785	**3,202**	1,107	**3,007**	2,239	**5,675**	1,667	**1,262**	1,265	**9,826**	547
Total emoluments[6]	**1,623**	1,146	**1,102**	1,107	**1,099**	584	**1,675**	1,667	**1,262**	1,265	**826**	547
US$000												
Total remuneration[5]	**4,466**	5,108	**4,995**	2,030	**4,691**	4,106	**8,852**	3,057	**1,969**	2,320	**15,327**	1,003
Total emoluments[6]	**2,532**	2,102	**1,719**	2,030	**1,714**	1,071	**2,613**	3,057	**1,969**	2,320	**1,288**	1,003

Notes

1 The comparative emoluments figures in respect of 2008 are for the period from the date of appointment of the Director (V H C Cheng, 1 February 2008; and A A Flockhart and S T Gulliver, 1 May 2008).
2 Allowances include an executive allowance paid to fund personal pension arrangements and a company car allowance. Following the categorisation of the company car benefit in 2009 as an allowance and not a benefit in kind, the comparative figures for 2008 for D J Flint, M F Geoghegan, S K Green and S T Gulliver have been adjusted accordingly.
3 Benefits in kind include provision of medical insurance, other insurance cover, accountancy advice and travel assistance. V H C Cheng and A A Flockhart receive housing and other benefits in kind that are normal within the location in which they are employed.
4 These deferred bonuses represent 100 per cent of the annual bonus in respect of 2009, all of which will be deferred into awards of HSBC Holdings Restricted Shares. See page 36 for further details of the deferral and vesting arrangements.
5 Total remuneration, pursuant to the UK Listing Rules, includes deferred bonuses.
6 Total emoluments, pursuant to the UK Companies Act 2006, exclude the annual bonus that has been deferred and is not receivable for at least a further 12 months.

The total of fees paid to each of the non-executive Directors of HSBC Holdings for 2009, being emoluments for the purposes of the Companies Act 2006, is as follows:

	2009 £000	2008 £000
S A Catz	**65**	43
M K T Cheung[1]	**89**	–
J D Coombe	**105**	105
J L Durán	**65**	65
R A Fairhead	**135**	127
W K L Fung[2]	**132**	122
J W J Hughes-Hallett	**105**	105
W S H Laidlaw	**85**	77
J R Lomax[3]	**82**	5
Sir Mark Moody-Stuart	**125**	125
G Morgan	**85**	85
N R N Murthy	**85**	45
S M Robertson	**115**	115
J L Thornton[4]	**1,040**	89
Sir Brian Williamson	**95**	95
Total	**2,408**	1,203
Total (US$000)	**3,756**	2,206

1 Appointed a Director of HSBC Holdings on 1 February 2009. Includes fees as a non-executive Director and member of the Audit Committee of Hang Seng Bank Limited.
2 Includes fees as non-executive Deputy Chairman of The Hongkong and Shanghai Banking Corporation Limited.
3 Appointed a Director of HSBC Holdings on 1 December 2008. The comparative figure in respect of 2008 is for the period from the date of appointment.
4 Appointed a Director of HSBC Holdings on 1 December 2008. The comparative figure in respect of 2008 is for the period from the date of appointment as a Director. Includes fees as non-executive Chairman of HSBC North America Holdings Inc.

Pensions

V H C Cheng is a member of the Hong Kong Special Administrative Region Mandatory Provident Fund ('MPF') and received an executive allowance of 25 per cent of annual basic salary during 2009, less the mandatory contributions to the MPF by both the employer and employee, to fund personal pension arrangements (HK$2,313,000). During 2009, the mandatory employer contribution to the MPF in respect of Mr Cheng was HK$12,000.

D J Flint received an executive allowance during 2009 of 55 per cent of annual basic salary to fund personal pension arrangements (£385,000). From 1 February 2010 this executive allowance will be 50 per cent of annual basic salary.

A A Flockhart received employer contributions during 2009 of 40 per cent of annual basic salary into a personal pension plan (HK$3,200,000). From 1 February 2010 employer contributions will be equivalent to 50 per cent of annual basic salary.

M F Geoghegan received an executive allowance during 2009 of 50 per cent of annual basic salary to fund personal pension arrangements (£535,000). No employer contribution was made to the HSBC Asia Holdings Pension Plan in 2009. (In 2008, an employer contribution of £225,000 was made arising entirely from a bonus sacrifice in respect of 2007.)

S K Green ceased membership of the HSBC Bank (UK) Pension Scheme on 5 April 2006. Since 6 April 2006, Mr Green has been entitled to receive benefits from an Employer Funded Retirement Benefits Scheme which together with entitlements from the HSBC Bank (UK) Pension Scheme will provide benefits to Mr Green that will be broadly comparable to an accrual rate of one-thirtieth of pensionable salary for each year of pensionable service.

S T Gulliver received employer contributions during 2009 of 30 per cent of annual basic salary into a personal pension plan (£240,000). From 1 February 2010 employer contributions will be equivalent to 50 per cent of annual basic salary.

Defined benefit pension arrangements

	Accrued annual pension at 31 December 2009 £000	Increase in accrued pension during 2009 £000	Increase in accrued pension during 2009, excluding any increase for inflation £000	Transfer value of accrued pension at 31 December 2008[1] £000	Transfer value of accrued pension at 31 December 2009[1] £000	Increase of transfer value of accrued pension (less personal contributions) in 2009[1] £000	Transfer value (less personal contributions) at 31 December 2009 relating to increase in accrued pensions during 2009, excluding any increase for inflation[1] £000
A A Flockhart[2]	270	16[3]	6	4,644	4,863	219	100
S K Green	711	42[4]	42	17,716	19,119	1,403	1,121
S T Gulliver[5]	–	8[3]	2	2,749	–	125	–

1 The transfer value represents a liability of HSBC's pension funds and not a sum paid or due to the individual; it cannot therefore meaningfully be added to annual remuneration.
2 A A Flockhart ceased accrual of pension benefits in the International Staff Retirement Benefits Scheme ('ISRBS') on 30 November 2008 and he has deferred commencement of his pension. The ISRBS retains a liability for a contingent spouse's pension of £131,655 per annum as at 31 December 2009.
3 A A Flockhart and S T Gulliver received increases for inflation to their accrued pensions on 1 January 2009 of 4.2 per cent, based on the increase in the UK Retail Prices Index over the year to 31 October 2008.
4 S K Green's total accrued pension received no increase in respect of inflation in 2009. The part of S K Green's pension payable from the HSBC Bank (UK) Pension Scheme receives an annual increase in line with the UK Government's statutory revaluation order for 2009, which is based on the increase in the UK Retail Prices Index over the last year to 30 September 2009. As this was negative, no increase was applied. The additional accrual of benefits is provided by the Employer Funded Retirement Benefits Scheme.
5 S T Gulliver ceased accrual of pension benefits in the International Staff Retirement Benefits Scheme ('ISRBS') on 31 March 2006 and at that time deferred commencement of his pension. S T Gulliver commuted all his benefits out of the ISRBS on 31 May 2009 except for a contingent spouse's pension. A commutation lump sum of £2,743,437 was paid to S T Gulliver in lieu of his entire pension. The ISRBS retains a contingent spouse's liability pension of £63,563 per annum as at 31 December 2009. After 31 May 2009, S T Gulliver stopped accruing pension benefits, and as such he is no longer eligible to take transfers from the Scheme in respect of any spouse's liability.

The following table shows unfunded pension payments, in respect of which provision has been made, during 2009 to five former Directors of HSBC Holdings plc.

	2009 £	2008 £
B H Asher	**101,858**	97,752
C F W de Croisset	**247,115**	221,100
R Delbridge	**146,507**	140,601
Sir Brian Pearse	**61,095**	58,632
Sir William Purves	**107,827**	103,481
	664,402	621,566

The payments in respect of R Delbridge and Sir Brian Pearse were made by HSBC Bank plc as former directors of that bank. The payment in respect of C F W de Croisset was made by HSBC France as a former director of that bank.

Share plans

At 31 December 2009, the undernamed Directors held options and awards of Performance Shares and Restricted Shares to acquire the number of HSBC Holdings ordinary shares set against their respective names.

HSBC Holdings savings-related share option plans

HSBC Holdings ordinary shares of US$0.50

		Exercise price (£)		Exerciseable					
	Date of award	At 1 Jan 2009	At 31 Dec 2009	from[1]	until	At 1 Jan 2009	Adjustment for rights issue	Awarded during the year	At 31 Dec 2009
D J Flint	25 Apr 2007	7.0872	6.1760[2]	1 Aug 2012	31 Jan 2013	2,310	340	–	2,650
A A Flockhart	25 Apr 2007	7.0872	6.1760[2]	1 Aug 2010	31 Jan 2011	1,332	196	–	–[3]
A A Flockhart	29 Apr 2009	–	3.3116	1 Aug 2014	31 Jan 2015	–	–	4,529	4,529

The HSBC Holdings savings-related share option plans are all-employee share plans under which eligible HSBC employees may be granted options to acquire HSBC Holdings ordinary shares. Employees may make contributions of up to £250 (or equivalent) each month over a period of one, three or five years which may be used on the first, third or fifth anniversary of the commencement of the relevant savings contract, at the employee's election, to exercise the options. The plans help align the interests of employees with the creation of shareholder value and, as such, exercise of the options is not subject to any performance conditions. The options were awarded for nil consideration and are exercisable at a 20 per cent discount to the average market value of the ordinary shares on the five business days immediately preceding the invitation date. No options lapsed during the year. There are no performance criteria conditional upon which the outstanding options are exercisable and there have been no variations to the terms and conditions since the awards were made. The market value per ordinary share at 31 December 2009 was £7.088. The highest and lowest market values per ordinary share during the year were £7.612 and £3.0413. Market value is the mid-market price derived from the London Stock Exchange Daily Official List on the relevant date. Under the Securities and Futures Ordinance of Hong Kong, the options are categorised as unlisted physically settled equity derivatives.
1 May be advanced to an earlier date in certain circumstances, e.g. retirement.
2 Adjusted for rights issue.
3 Options lapsed on 29 April 2009 following closure of the associated savings-related account by the Director.

Awards of Performance Shares
HSBC Share Plan
HSBC Holdings ordinary shares of US$0.50

	Date of award	Year in which awards may vest	Awards held at 1 Jan 2009	Awards vested during year[1,2,3] Number	Monetary value £000	Adjustment for rights issue	Awards held at 31 Dec 2009[2]
	6 Mar 2006	2009	92,689	21,722	95	13,927	–[3]
V H C Cheng	5 Mar 2007	2010	180,739	–	–	27,156	218,035
	3 Jun 2008	2011	130,852	–	–	19,661	157,852
	6 Mar 2006	2009	185,378	43,444	191	27,854	–[3]
D J Flint	5 Mar 2007	2010	270,755	–	–	40,682	326,626
	3 Jun 2008	2011	377,343	–	–	56,696	455,210
	6 Mar 2006	2009	69,518	16,291	71	10,445	–[3]
A A Flockhart	5 Mar 2007	2010	120,395	–	–	18,089	145,238
	3 Jun 2008	2011	128,675	–	–	19,333	155,227
	6 Mar 2006	2009	231,724	54,305	238	34,817	–[3]
M F Geoghegan	5 Mar 2007	2010	615,351	–	–	92,458	742,334
	3 Jun 2008	2011	886,755	–	–	133,237	1,069,746
	6 Mar 2006	2009	289,653	67,881	298	43,521	–[3]
S K Green	5 Mar 2007	2010	461,513	–	–	69,344	556,750
	3 Jun 2008	2011	1,037,692	–	–	155,915	1,251,829
	6 Mar 2006	2009	115,861	27,152	119	17,409	–[3]
S T Gulliver	5 Mar 2007	2010	133,725	–	–	20,092	161,319
	3 Jun 2008	2011	56,063	–	–	8,423	67,631

Vesting of the Performance Share awards granted in 2008 is subject to the achievement of the corporate performance conditions set out on pages 36 and 37. Vesting of the Performance Share awards granted in 2006 and 2007 is subject to the achievement of two independent measures, relative TSR and growth in EPS, each accounting for 50 per cent of the award. The comparator group for the TSR element is comprised of 28 global banks. 30 per cent of this portion of the award vests for median ranked performance with full vesting for upper quartile or above. For the EPS element of the award, 30 per cent will vest if the incremental EPS over the performance period is 24 per cent or more of EPS in the base year with 100 per cent vesting if HSBC's incremental EPS over the performance period is 52 per cent or more of the EPS in the base year. The performance conditions for these awards is described in full on pages 341 and 342 of the Annual Report and Accounts 2009. Interests in awards of Performance Shares are categorised under the Securities and Futures Ordinance of Hong Kong as the interests of a beneficiary of a trust. No awards of Performance Shares were made in 2009.

1 A part of the total shareholder return element of the performance conditions was met and the related part of the award vested on 8 April 2009, when the market value per share was £4.37, as follows: V H C Cheng, 21,394 shares; D J Flint, 42,788 shares; A A Flockhart, 16,045 shares; M F Geoghegan, 53,485 shares; S K Green, 66,856 shares; and S T Gulliver, 26,742 shares. Awards representing the fourth interim dividend for 2008 vested on 6 May 2009, when the market value per share was £5.39, as follows: V H C Cheng, 328 shares; D J Flint, 656 shares; A A Flockhart, 246 shares; M F Geoghegan, 820 shares; S K Green, 1,025 shares; and S T Gulliver, 410 shares. The market value per share on the date of the award, 6 March 2006, was £9.89.
2 Includes additional shares arising from scrip dividends.
3 The earnings per share element and part of the total shareholder return element of the performance conditions were not met and, under the terms of the Plan, the following awards were forfeited on 8 April 2009: V H C Cheng, 86,931 shares; D J Flint, 173,862 shares; A A Flockhart, 65,199 shares; M F Geoghegan, 217,328 shares; S K Green, 271,659 shares; and S T Gulliver, 108,664 shares. As a consequence, the fourth interim dividend for 2008 did not accrue on the forfeited shares.

Awards of Restricted Shares
HSBC Share Plan
HSBC Holdings ordinary shares of US$0.50

	Date of award	Year in which awards may vest	Awards held at 1 Jan 2009	Awards made during year[1] Number	Monetary value £000	Awards vested during year[2] Number	Monetary value £000	Adjustments for rights issue	Awards held at 31 Dec 2009[2]
V H C Cheng	3 Mar 2008	2011	86,158	–	–	–	–	12,945	103,936
	2 Mar 2009	2012	–	416,662	1,662	–	–	61,471	493,545
	31 Oct 2007	2010	53,568	–	–	–	–	8,048	64,621
A A Flockhart	3 Mar 2008	2011	12,488	–	–	–	–	1,877	15,064
	2 Mar 2009	2012	–	420,528	1,678	–	–	62,041	498,124
	6 Mar 2006	2009[3]	150,421	–	–	153,193[4]	611[4]	–	–
S T Gulliver	5 Mar 2007	2009-2010[3]	319,934	–	–	163,874[4]	654[4]	23,894	191,842
	3 Mar 2008	2009-2011[3]	480,237	–	–	161,399[4]	644[4]	48,345	388,157

Vesting of Restricted Share awards is normally subject to the Director remaining an employee on the vesting date. The vesting date may be advanced to an earlier date in certain circumstances, e.g. death or retirement. Interests in Restricted Share awards granted in 2007 and 2008 are categorised under the Securities and Futures Ordinance of Hong Kong as the interests of a beneficiary of a trust and interests in Restricted Share awards granted in 2009 are categorised under the Securities and Futures Ordinance of Hong Kong as the interests of a beneficial owner.

1 At the date of the award, 2 March 2009, the market value per share was £3.99.
2 Includes additional shares arising from scrip dividends.
3 33 per cent of the award vests on each of the first and second anniversaries of the date of the award, with the balance vesting on the third anniversary of the date of the award.
4 At the date of vesting, 2 March 2009, the market value per share was £3.99. The market value per share on the dates of the awards, 6 March 2006, 5 March 2007 and 3 March 2008, was £9.89, £8.96 and £7.90 respectively.

Summary Consolidated Income Statement

2008 US$m	Year ended 31 December 2009	2009 US$m	2009 £m	2009 HK$m
91,301	Interest income	62,096	39,804	481,368
(48,738)	Interest expense	(21,366)	(13,696)	(165,629)
42,563	**Net interest income**	40,730	26,108	315,739
24,764	Fee income	21,403	13,719	165,916
(4,740)	Fee expense	(3,739)	(2,396)	(28,985)
20,024	**Net fee income**	17,664	11,323	136,931
847	Trading income excluding net interest income	6,236	3,997	48,344
5,713	Net interest income on trading activities	3,627	2,325	28,114
6,560	**Net trading income**	9,863	6,322	76,458
6,679	Changes in fair value of long term debt issued and related derivatives	(6,247)	(4,004)	(48,426)
(2,827)	Net income/(expense) from other financial instruments designated at fair value	2,716	1,741	21,056
3,852	**Net income/(expense) from financial instruments designated at fair value**	(3,531)	(2,263)	(27,370)
197	Gains less losses from financial investments	520	333	4,031
272	Dividend income	126	81	977
10,850	Net earned insurance premiums	10,471	6,712	81,171
2,445	Gains on disposal of French regional banks	–	–	–
1,808	Other operating income	2,788	1,787	21,613
88,571	**Total operating income**	78,631	50,403	609,550
(6,889)	Net insurance claims incurred and movement in liabilities	(12,450)	(7,980)	(96,512)
81,682	**Net operating income before loan impairment charges and other credit risk provisions**	66,181	42,423	513,038
(24,937)	Loan impairment changes and other credit risk provisions	(26,488)	(16,979)	(205,335)
56,745	**Net operating income**	39,693	25,444	307,703
(20,792)	Employee compensation and benefits	(18,468)	(11,839)	(143,164)
(15,260)	General administrative expenses	(13,392)	(8,584)	(103,818)
(1,750)	Depreciation of property, plant and equipment	(1,725)	(1,106)	(13,372)
(10,564)	Goodwill impairment	–	–	–
(733)	Amortisation and impairment of intangible assets	(810)	(519)	(6,279)
(49,099)	**Operating expenses**	(34,395)	(22,048)	(266,633)
7,646	**Operating profit**	5,298	3,396	41,070
1,661	Share of profit in associates and joint ventures	1,781	1,142	13,806
9,307	**Profit on ordinary activities before tax**	7,079	4,538	54,876
(2,809)	Tax expense	(385)	(247)	(2,985)
6,498	**Profit on ordinary activities after tax**	6,694	4,291	51,891
5,728	**Profit attributable to shareholders**	5,834	3,740	45,224
770	**Profit attributable to minority interests**	860	551	6,667

Summary Consolidated Balance Sheet

2008 US$m	At 31 December 2009	2009 US$m	2009 £m	2009 HK$m
	Assets			
52,396	Cash and balances at central banks	**60,655**	**37,363**	**470,319**
6,003	Items in the course of collection from other banks	**6,395**	**3,939**	**49,587**
15,358	Hong Kong Government certificates of indebtedness	**17,463**	**10,757**	**135,407**
427,329	Trading assets	**421,381**	**259,570**	**3,267,389**
28,533	Financial assets designated at fair value	**37,181**	**22,903**	**288,301**
494,876	Derivatives	**250,886**	**154,546**	**1,945,370**
153,766	Loans and advances to banks	**179,781**	**110,745**	**1,394,022**
932,868	Loans and advances to customers	**896,231**	**552,078**	**6,949,375**
300,235	Financial investments	**369,158**	**227,401**	**2,862,450**
37,822	Other assets	**44,534**	**27,432**	**345,316**
2,552	Current tax assets	**2,937**	**1,809**	**22,773**
15,797	Prepayments and accrued income	**12,423**	**7,653**	**96,328**
11,537	Interest in associates and joint ventures	**13,011**	**8,015**	**100,887**
27,357	Goodwill and intangible assets	**29,994**	**18,476**	**232,573**
14,025	Property, plant and equipment	**13,802**	**8,502**	**107,021**
7,011	Deferred tax assets	**8,620**	**5,310**	**66,839**
2,527,465	**Total assets**	**2,364,452**	**1,456,499**	**18,333,957**
	Liabilities and Equity			
	Liabilities			
15,358	Hong Kong currency notes in circulation	**17,463**	**10,757**	**135,408**
130,084	Deposits by banks	**124,872**	**76,921**	**968,257**
1,115,327	Customer accounts	**1,159,034**	**713,965**	**8,987,150**
7,232	Items in the course of transmission to other banks	**5,734**	**3,532**	**44,461**
247,652	Trading liabilities	**268,130**	**165,168**	**2,079,080**
74,587	Financial liabilities designated at fair value	**80,092**	**49,337**	**621,033**
487,060	Derivatives	**247,646**	**152,550**	**1,920,247**
179,693	Debt securities in issue	**146,896**	**90,488**	**1,139,032**
72,384	Other liabilities	**68,640**	**42,280**	**532,233**
1,822	Current tax liabilities	**2,140**	**1,318**	**16,594**
43,683	Liabilities under insurance contracts	**53,707**	**33,084**	**416,444**
15,448	Accruals and deferred income	**13,190**	**8,125**	**102,275**
1,730	Provisions	**1,965**	**1,210**	**15,237**
1,855	Deferred tax liabilities	**1,837**	**1,132**	**14,244**
3,888	Retirement benefit liabilities	**6,967**	**4,292**	**54,022**
29,433	Subordinated liabilities	**30,478**	**18,774**	**236,326**
2,427,236	**Total liabilites**	**2,228,791**	**1,372,933**	**17,282,043**
	Equity			
6,053	Called up share capital	**8,705**	**5,362**	**67,499**
8,463	Share premium account	**8,413**	**5,182**	**65,234**
2,133	Other equity instruments	**2,133**	**1,314**	**16,539**
(3,747)	Other reserves	**22,236**	**13,697**	**172,418**
80,689	Retained earnings	**86,812**	**53,476**	**673,139**
93,591	**Total shareholders' equity**	**128,299**	**79,031**	**994,829**
6,638	Minority interests	**7,362**	**4,535**	**57,085**
100,229	**Total equity**	**135,661**	**83,566**	**1,051,914**
2,527,465	**Total equity and liabilities**	**2,364,452**	**1,456,499**	**18,333,957**

S K Green
Group Chairman

Notes on the Summary Financial Statement

1. Basis of preparation

Summary Financial Statement

This Summary Financial Statement is a summary of information in the *Annual Report and Accounts 2009*. It does not contain sufficient information to allow for a full understanding of the results of HSBC or the financial position of HSBC Holdings. The consolidated financial statements of HSBC and the separate financial statements of HSBC Holdings included in the *Annual Report and Accounts 2009* have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ at any point in time from IFRSs issued by the IASB. At 31 December 2009, there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to HSBC. Accordingly, HSBC's financial statements for the year ended 31 December 2009 are prepared in accordance with IFRSs as issued by the IASB.

2. Directors' emoluments

The aggregate emoluments of the Directors of HSBC Holdings, computed in accordance with the Companies Act 2006 as amended by Statutory Instrument 2008 No. 410, were:

	2009 US$000	2008 US$000	2007 US$000
Fees	**3,756**	2,529	2,626
Salaries and other emoluments	**11,835**	11,584	7,929
Bonuses	**–**	–	8,938
	15,591	14,113	19,493
Gains on the exercise of share options	**–**	23	13
Vesting of long-term incentive awards	**1,579**	7,147	4,563

In addition, there were payments under retirement benefit agreements with former Directors of US$1,036,385 (2008: US$1,139,968). The provision at 31 December 2009 in respect of unfunded pension obligations to former Directors amounted to US$16,296,028 (2008: US$15,164,791).

During the year, aggregate contributions to pension schemes in respect of Directors were US$788,734 (2008: US$664,174).

Discretionary bonuses for Directors are based on a combination of individual and corporate performance and are determined by the Remuneration Committee. Details of Directors' remuneration, share options and conditional awards under the Restricted Share Plan 2000 and the HSBC Share Plan are included in the 'Summary Directors' Remuneration Report' on pages 35 to 41.

3. Particulars of advances, credits and guarantees

Particulars of advances (loans and quasi-loans), credits and guarantees entered into by subsidiaries of HSBC Holdings during 2009 with Directors, disclosed pursuant to section 413 of the Companies Act 2006, are shown below:

	At 31 December	
	2009 US$000	2008[1] US$000
Advances and credits	**5,352**	2,051
Guarantees	**–**	–

1 Comparative figures for 2008 represent loans, quasi-loans, transactions, arrangements and agreements disclosed pursuant to section 232 of the Companies Act 1985. The number of Directors with such facilities during 2008 was 19.

Particulars of transactions with related parties, disclosed pursuant to the requirements of IAS 24, are shown below. The disclosure of the year-end balance and the highest amounts outstanding during the year in the table below is considered to be the most meaningful information to represent the amount of the transactions and the amount of outstanding balances during the year.

	2009		2008	
	Balance at 31 December US$000	**Highest amounts outstanding during year US$000**	Balance at 31 December US$000	Highest amounts outstanding during year US$000
Key management personnel[1]				
Advances and credits	**736,112**	**1,406,877**	217,383	475,048
Guarantees	**31,785**	**34,048**	25,249	42,178

1 Includes Key Management Personnel, close family members of Key Management Personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by Key Management Personnel or their close family members.

Some of the transactions were connected transactions, as defined by the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited but were exempt from any disclosure requirements under the provisions of those Rules.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

4. Called up share capital

Authorised

The concept of authorised share capital was abolished under the UK Companies Act 2006 with effect from 1 October 2009 and consequential amendments to the Company's Articles of Association were approved by shareholders at the 2009 Annual General Meeting.

At 31 December 2008, the authorised ordinary share capital of HSBC Holdings was US$7,500 million divided into 15,000 million ordinary shares of US$0.50 each.

At 31 December 2008, the authorised preference share capital of HSBC Holdings was 10 million non-cumulative preference shares of £0.01 each, 10 million non-cumulative preference shares of US$0.01 each, and 10 million non-cumulative preference shares of €0.01 each.

At 31 December 2008, the authorised non-voting deferred share capital of HSBC Holdings was £301,500 divided into 301,500 non-voting deferred shares of £1 each.

Issued

HSBC Holdings ordinary shares	Number	US$m
At 1 January 2009	**12,105,265,082**	**6,053**
Shares issued under HSBC employee share plans	**7,476,952**	**4**
Shares issued in lieu of dividends	**235,225,669**	**118**
Shares issued in respect of rights issue	**5,060,239,065**	**2,530**
At 31 December 2009	**17,408,206,768**	**8,705**

HSBC Holdings non-cumulative preference shares of US$0.01 each	Number	US$m
At 1 January 2009 and 31 December 2009	**1,450,000**	**–**

HSBC Holdings non-voting deferred shares

The 301,500 non-voting deferred shares were in issue throughout 2008 and 2009 and are held by a subsidiary of HSBC Holdings. Holders of the non-voting deferred shares are not entitled to receive dividends on these shares. On winding-up or other return of capital, holders are entitled to receive the amount paid up on their shares after distribution to ordinary shareholders of £10 million in respect of each ordinary share held by them.

5. Events after the balance sheet date

A fourth interim dividend for 2009 of US$0.10 per ordinary share (US$1,741 million) (2008: US$0.10 per ordinary share, US$1,210 million) was declared by the Directors after 31 December 2009.

On 14 January 2010, the US Government announced its intention to propose a Financial Crisis Responsibility Fee for a period of at least ten years to be applied to financial institutions with more than US$50 billion of consolidated assets. It is not possible to assess the financial impact of this proposal until final legislation has been enacted.

On 31 January 2010, HSBC Bank Canada which was part of the sub-group headed by HSBC North America Holdings Inc. was transferred to HSBC Overseas Holdings (UK) Limited ('HOHU') as part of an internal reorganisation. The transfer was effected by HSBC Holdings subscribing for one new share in HOHU for a cash consideration of US$6,093 million.

6. Foreign exchange amounts

The sterling and Hong Kong dollar equivalent figures in the consolidated income statement and balance sheet are for information only. These are translated at the average rate for the period for the income statement and the closing rate for the balance sheet as follows:

		Year ended 31 December	
		2009	2008
Closing:	HK$/US$	**7.754**	7.750
	£/US$	**0.616**	0.686
Average:	HK$/US$	**7.752**	7.787
	£/US$	**0.641**	0.545

7. Other information

This Summary Financial Statement is only a summary of information in the HSBC Holdings plc *Annual Report and Accounts 2009*. It is not the Group's statutory accounts and it does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group and of its policies and arrangements concerning Directors' remuneration as would be provided by the full *Annual Report and Accounts 2009*.

Members may obtain, free of charge, a copy of the *Annual Report and Accounts 2009* from Group Communications, HSBC Holdings plc, 8 Canada Square, London E14 5HQ, United Kingdom; Group Communications (Asia), The Hongkong and Shanghai Banking Corporation Limited, 1 Queen's Road Central, Hong Kong; Internal Communications, HSBC – North America, 26525 N Riverwoods Boulevard, Mettawa, Illinois 60045, USA; Direction de la Communication, HSBC France, 103 avenue des Champs Elysées, 75419 Paris Cedex 08, France. A Chinese translation of the *Annual Report and Accounts 2009* may be obtained from Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, Hopewell Centre, 17th Floor, 183 Queen's Road East, Hong Kong. Members may elect in writing to receive the full *Annual Report and Accounts* for all future financial years by applying to the appropriate Registrars, the addresses of which are shown on page 48.

The Annual Report and Accounts 2009 may be viewed on the HSBC web site: www.hsbc.com.

8. Approval of the Summary Financial Statement

This Summary Financial Statement was approved by the Board of Directors and signed on its behalf by S K Green.

Independent Auditor's Statement to the Members of HSBC Holdings plc

Pursuant to section 428 of the Companies Act 2006

We have examined the summary financial statement for the year ended 31 December 2009 set out on pages 31 to 45.

This statement is made solely to the company's members, as a body, in accordance with section 428 of the Companies Act 2006. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the *Annual Review* in accordance with applicable United Kingdom law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the *Annual Review* with the full annual financial statements, the Directors' Report and the Directors' Remuneration Report, and its compliance with the relevant requirements of section 428 of the Companies Act 2006 and the regulations made thereunder. We also read the other information contained in the *Annual Review* and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

We conducted our work in accordance with Bulletin 2008/3 *The auditor's statement on the summary financial statement in the United Kingdom* issued by the Auditing Practices Board. Our report on the Group's full annual financial statements describes the basis of our audit opinions on those financial statements, the Directors' Report and the Directors' Remuneration Report.

Opinion

In our opinion the summary financial statement is consistent with the full annual financial statements, the Directors' Report and the Directors' Remuneration Report of HSBC Holdings plc for the year ended 31 December 2009 and complies with the applicable requirements of section 428 of the Companies Act 2006 and the regulations made thereunder.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements 1 March 2010 and the date of this statement.

Brendan Nelson, Senior Statutory Auditor
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
London, England

11 March 2010

Shareholder Information

Fourth interim dividend for 2008

The market value of HSBC Holdings ordinary shares on the first day that the scrip dividend shares in respect of the fourth interim dividend for 2008 were traded on the London Stock Exchange was more than 15 per cent greater than the cash equivalent value used to calculate the scrip dividend entitlements. The market value of each HSBC Holdings share for the purposes of UK income tax and capital gains tax calculations on 6 May 2009 was £5.3129 and the cash equivalent value used to calculate scrip dividend entitlements was £3.906.

Accordingly, the UK HM Revenue and Customs will substitute the market value of £5.3129 per scrip dividend share for UK income tax and capital gains tax purposes for the cash equivalent value of £3.906 per scrip dividend share.

A replacement Notional Tax Voucher was sent on 3 June 2009 to shareholders on the Principal Register in the United Kingdom who elected for the scrip dividend alternative in respect of the fourth interim dividend for 2008.

Fourth interim dividend for 2009

The Directors have declared a fourth interim dividend for 2009 of US$0.10 per ordinary share. Information on the scrip dividend scheme and currencies in which shareholders may elect to have the cash dividend paid will be sent to shareholders on or about 30 March 2010. The timetable for the dividend is:

	2010
Shares quoted ex-dividend in London, Hong Kong, Paris and Bermuda	17 March
American Depositary Shares (ADSs) quoted ex dividend in New York	17 March
Record date in Hong Kong	18 March
Record date in London, New York, Paris and Bermuda[1]	19 March
Mailing of *Annual Report and Accounts 2009* and/or *Annual Review 2009*, *Notice of Annual General Meeting* and dividend documentation	30 March
Final date for receipt by registrars of forms of election, Investor Centre electronic instructions and revocations of standing instructions for scrip dividends	22 April
Exchange rate determined for payment of dividends in sterling and Hong Kong dollars	26 April
Payment date: dividend warrants, new share certificates or transaction advices and notional tax vouchers mailed and shares credited to stock accounts in CREST	5 May

1 Removals to and from the Overseas Branch register of shareholders in Hong Kong will not be permitted on this date.

Annual General Meeting

The 2010 Annual General Meeting will be held at the Barbican Hall, Barbican Centre, London EC2 on Friday, 28 May 2010 at 11 am.

Interim Management Statements and interim results

Interim Management Statements are expected to be issued on 7 May 2010 and 5 November 2010. The interim results for the six months to 30 June 2010 are expected to be issued on 2 August 2010.

Interim dividends for 2010

The Board has adopted a policy of paying quarterly interim dividends on the ordinary shares. Under this policy it is intended to have a pattern of three equal interim dividends with a variable fourth interim dividend. It is envisaged that the first interim dividend in respect of 2010 will be US$0.08 per ordinary share. The proposed timetables for the dividends in respect of 2010 are:

	Interim dividends for 2010			
	First	**Second**	**Third**	**Fourth**
Announcement	4 May 2010	2 August 2010	1 November 2010	28 February 2011
Shares quoted ex-dividend in London, Hong Kong, Paris and Bermuda	19 May 2010	18 August 2010	17 November 2010	16 March 2011
ADSs quoted ex-dividend in New York	19 May 2010	18 August 2010	17 November 2010	16 March 2011
Record date in Hong Kong	20 May 2010	19 August 2010	18 November 2010	17 March 2011
Record date in London, New York, Paris and Bermuda[1]	21 May 2010	20 August 2010	19 November 2010	18 March 2011
Payment date	7 July 2010	6 October 2010	12 January 2011	5 May 2011

1 Removals to and from the Overseas Branch Register of shareholders in Hong Kong will not be permitted on these dates.

Shareholder enquiries and communications

Any enquiries relating to shareholdings on the share register, for example transfers of shares, change of name or address, lost share certificates or dividend cheques, should be sent to the Registrars at the relevant address shown on page 48. The Registrars offer an online facility, Investor Centre, which enables shareholders to manage their shareholding electronically.

If you have been nominated to receive general shareholder communications directly from HSBC Holdings, it is important to remember that your main contact in terms of your investment remains as it was (so the registered shareholder, or perhaps custodian or broker, who administers the investment on your behalf). Therefore any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. HSBC Holdings cannot guarantee dealing with matters directed to it in error.

Investor relations

Enquiries relating to HSBC's strategy or operations may be directed to:

Manager Investor Relations
HSBC Holdings plc
8 Canada Square
London E14 5HQ
UK

Telephone: 44 020 7991 8041
Facsimile: 44 0845 587 0225
Email: investorrelations@hsbc.com

SVP Investor Relations
HSBC North America Holdings Inc.
26525 N Riverwoods Boulevard
Mettawa, Illinois 60045
USA

1 224 544 4400
1 224 552 4400
investor.relations.usa@us.hsbc.com

Head of Investor Relations, Asia-Pacific
The Hongkong and Shanghai
Banking Corporation Limited
1 Queen's Road Central
Hong Kong

852 2822 4908
852 2537 5109
investorrelations@hsbc.com.hk

Annual Review 2009

Further copies of this *Annual Review* may be obtained by writing to the following departments:

For those in Europe, the Middle East and Africa:
Group Communications
HSBC Holdings plc
8 Canada Square
London E14 5HQ
UK

For those in Asia-Pacific:
Group Communications (Asia)
The Hongkong and Shanghai
Banking Corporation Limited
1 Queen's Road Central
Hong Kong

For those in the Americas:
Internal Communications
HSBC – North America
26525 N Riverwoods Boulevard
Mettawa
Illinois 60045
USA

Electronic communications

Shareholders may at any time choose to receive corporate communications in printed form or to receive a notification of its availability on HSBC's web site. To receive future notifications of the availability of a corporate communication on HSBC's web site by email, or revoke or amend an instruction to receive such notifications by email, go to www.hsbc.com/ecomms. If you provide an email address to receive electronic communications from HSBC, we will also send notifications of your dividend entitlements by email. If you received a notification of the availability of this document on HSBC's web site and would like to receive a printed copy of it, or if you would like to receive future corporate communications in printed form, please write or send an email to the appropriate Registrars at the address given above. Printed copies will be provided without charge.

Chinese translation

A Chinese translation of this *Annual Review* is available upon request after 30 March 2010 from the Registrars.

Please also contact the Registrars if you wish to receive Chinese translations of future documents or if you have received a Chinese translation of this document and do not wish to receive such translations in future.

《年度回顧》備有中文譯本，請於2010年3月30日之後，向股份登記處索閱。閣下如欲索取本文件的中譯本，或已收到譯本但不希望繼續收取，均請聯絡股份登記處。

French translation

A French translation of this *Annual Review* is available on request from:

La traduction française *Bilan d'activité* est disponible sur demande:

Direction de la Communication
HSBC France
103 avenue des Champs Elysées
75419 Paris Cedex 08
France

Contact

HSBC Holdings plc
Incorporated in England on 1 January 1959 with limited liability under the UK Companies Act
Registered in England: number 617987

Registered office and Group Management Office
8 Canada Square
London E14 5HQ
United Kingdom
Telephone: 44 020 7991 8888
Facsimile: 44 020 7992 4880
Web: www.hsbc.com

Registrars
Principal Register
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ
United Kingdom
Telephone: 44 0870 702 0137
Email via web:
www.investorcentre.co.uk/contactus
Investor Centre: www.investorcentre.co.uk

Hong Kong Overseas Branch Register
Computershare Hong Kong
Investor Services Limited
Rooms 1712-1716
Hopewell Centre , 17th floor
183 Queen's Road East
Hong Kong
Telephone: 852 2862 8555
Email: hsbc.ecom@computershare.com.hk
Investor Centre:
www.computershare.com/hk/investors

Bermuda Overseas Branch Register
Corporate Shareholder Services
The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda
Telephone: 1 441 299 6737
Email: bob.bda.shareholder.services@bob.hsbc.com
Investor Centre:
www.computershare.com/investor/bm

ADR Depositary
BNY Mellon Shareowner Services
PO Box 358516
Pittsburgh, PA15252 – 8516
USA
Telephone: 1 877 283 5786
Telephone (International): 1 201 680 6825
Email: shrrelations@bnymellon.com
Web: www.bnymellon.com/shareowner

Paying Agent (France)
HSBC France
103 avenue des Champs Elysées
75419 Paris Cedex 08
France
Telephone: 33 1 40 70 22 56
Email:
ost-agence-des-titres-hsbc-reims.hbfr-do@hsbc.fr
Web: www.hsbc.fr

Stockbrokers
Goldman Sachs International
Peterborough Court
133 Fleet Street, London EC4A 2BB
United Kingdom

HSBC Bank plc
8 Canada Square, London E14 5HQ
United Kingdom

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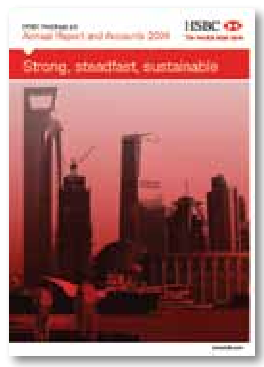

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Our corporate reports are available as downloadable pdf files from the above url. You can quickly and easily search for financial reports going as far back as 1991, Notice of Annual General Meetings and other documents.

This Summary Financial Statement is only a summary of information in the HSBC Holdings plc *Annual Report and Accounts 2009*. The *Annual Report and Accounts 2009* may be viewed on our web site: www.hsbc.com.

It is not the Group's statutory accounts and it does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full *Annual Report and Accounts 2009*.

Members and holders of American Depositary Shares may obtain, free of charge, a copy of the *Annual Report and Accounts 2009* from Group Communications, HSBC Holdings plc, 8 Canada Square, London E14 5HQ, United Kingdom; Group Communications (Asia), The Hongkong and Shanghai Banking Corporation Limited, 1 Queen's Road Central, Hong Kong; Internal Communications. HSBC – North America, 26525 N Riverwoods Boulevard, Mettawa, Illinois 60045, USA; or Direction de la Communication, HSBC France, 103 avenue des Champs Elysées, 75419 Paris Cedex 08, France.

A Chinese translation of the *Annual Report and Accounts 2009* may be obtained from Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. Members may elect in writing to receive the full *Annual Report and Accounts 2009* for all future financial years by applying to the appropriate Registrars, the addresses of which are shown on page 48.

Photography

Cover, inside front cover, pages 9-13: Mike Abrahams
Page 4 Group Chairman: Eddie Chan Wai Hing
Page 7 Board of Directors: Charles Best
Page 14 Group Chief Executive: *Management Today*/Julian Dodd

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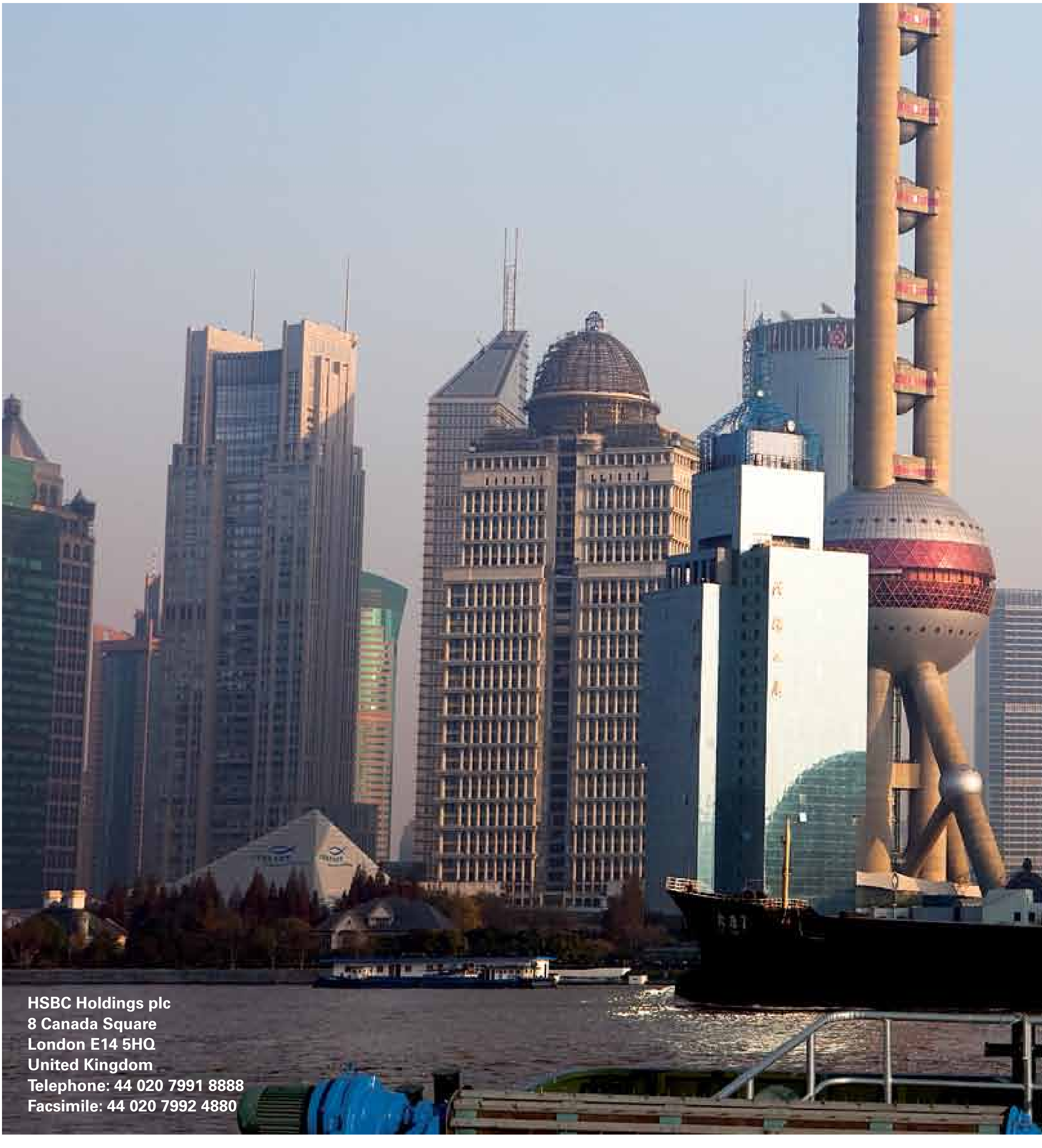

HSBC Holdings plc
8 Canada Square
London E14 5HQ
United Kingdom
Telephone: 44 020 7991 8888
Facsimile: 44 020 7992 4880