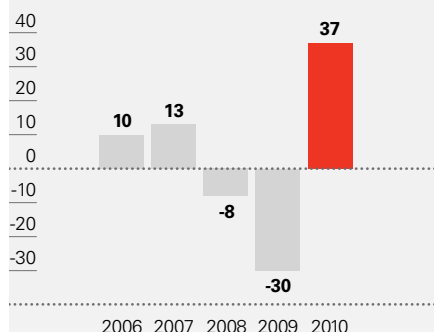


Key Performance Indicators

Monitoring our performance

The Board of Directors and the Group Management Board, which operates as a general management committee under the direct authority of the Board, monitor HSBC's progress against its strategic objectives. Progress is assessed by comparison with our strategy, our operating plan targets and our historical performance, using both financial and non-financial measures. We have seven financial and three non-financial key performance indicators.

Risk-adjusted revenue growth (%) (2010: underlying revenue growth 15%)

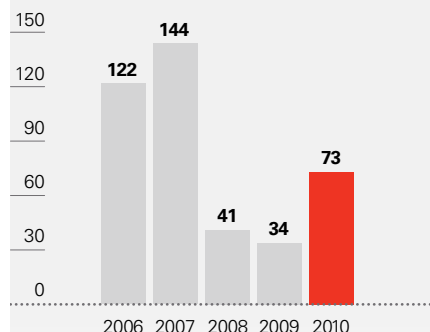


Measure: percentage increase in reported net operating income after loan impairment and other credit risk charges since last year.

Target: to deliver consistent growth in risk-adjusted revenues.

Outcome: reported risk-adjusted revenue increased, primarily due to a reversal of adverse movements in prior years on the fair value of own debt designated at fair value and lower loan impairment charges. The latter also drove the increase in underlying revenue.

Basic earnings per ordinary share (US cents)



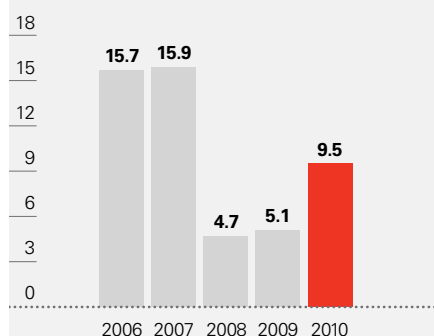
Measure: level of basic earnings generated per ordinary share.

Target: to deliver consistent growth in basic earnings per share.

Outcome: earnings per share increased in 2010, reflecting significantly lower adverse movements on the fair value of own debt due to credit spreads and lower loan impairment charges, which resulted in an increase in reported profit.

Strategic objective: maintain capital strength and strong liquidity

Return on average total shareholders' equity (%)

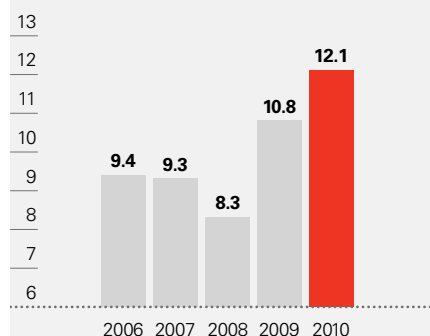


Measure: (percentage) profit attributable to shareholders divided by average total shareholders' equity.

Target: to maintain a return in the medium term of between 15% and 19%. In 2011, we intend to replace the target with one in the 12% to 15% range over the normal cycle.

Outcome: return on equity was below the target range, but 4.4 percentage points higher than in 2009.

Tier 1 capital (%)

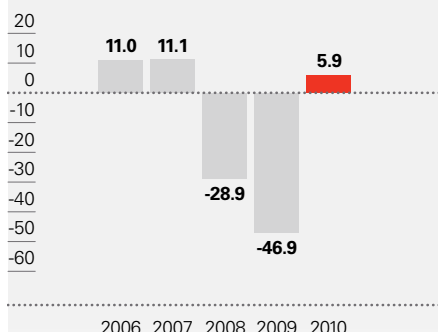


Measure: component of regulatory capital comprising core tier 1 and other tier 1 capital.

Target: to maintain a strong capital base to support the development of the business and meet regulatory capital requirements at all times.

Outcome: the increase in tier 1 capital to 12.1% reflected the contribution of profit to capital, the issue of hybrid capital securities during the year, and careful management of risk-weighted assets.

Dividends per share growth (%)



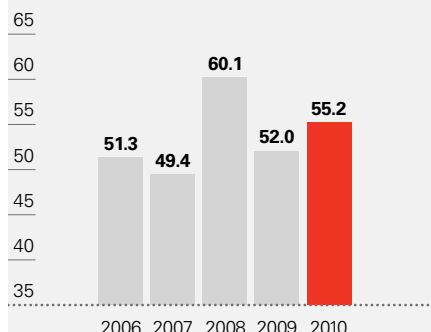
Measure: percentage increase in dividends per share since last year, based on dividends paid in respect of the year to which the dividend relates.

Target: to deliver sustained dividend per share growth.

Outcome: dividends per share increased by 5.9%.

Strategic objective: enhance efficiency using economies of scale

Cost efficiency (%)



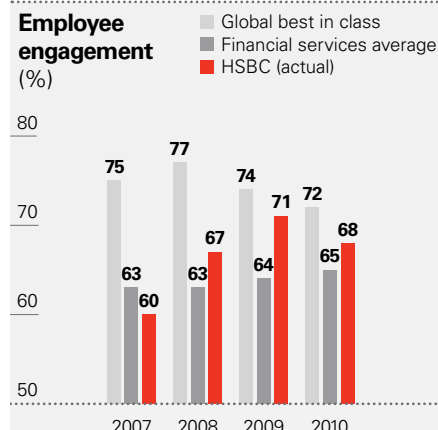
Measure: (percentage) total operating expenses divided by net operating income before loan impairment and other credit risk provisions.

Target: to be between 48% and 52%, a range within which business is expected to remain to accommodate both returns to shareholders and the need for continued investment in support of future business growth.

Outcome: the ratio was outside the target range, in part due to one-off costs, but also increased investment in operational infrastructure and strategic initiatives.

Strategic objective: motivate staff to deliver strategy

Employee engagement (%)

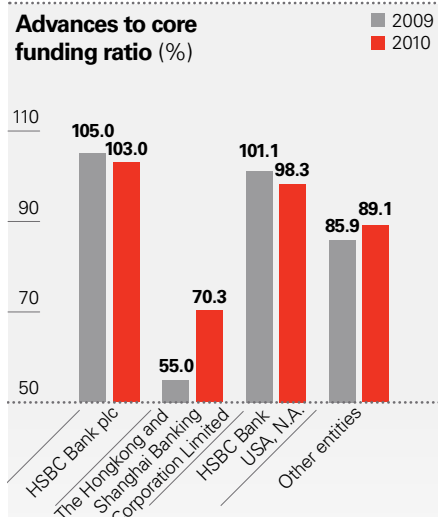


Measure: percentage measure of employee's emotional and rational attachment to HSBC, a combination of advocacy, satisfaction, commitment and pride.

Target: to achieve a 72% global rating in 2010, with progressive improvement to best in class by 2011.

Outcome: 68%, mirroring the fall in global best in class but remaining well above the financial services average.

Advances to core funding ratio (%)



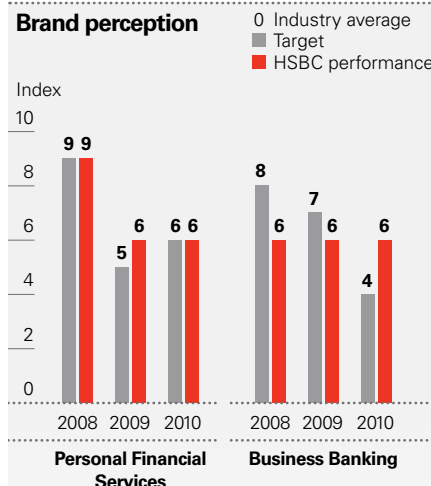
Measure: current loans and advances to customers as a percentage of the total of core customer deposits and term funding with a remaining term to maturity in excess of one year.

Target: to maintain an advances to core funding ratio below limits set for each entity.

Outcome: ratio within the limits set by the Risk Management Meeting for each site.

Strategic objective: reach new customers and expand services to existing customers using the HSBC brand and global network

Brand perception

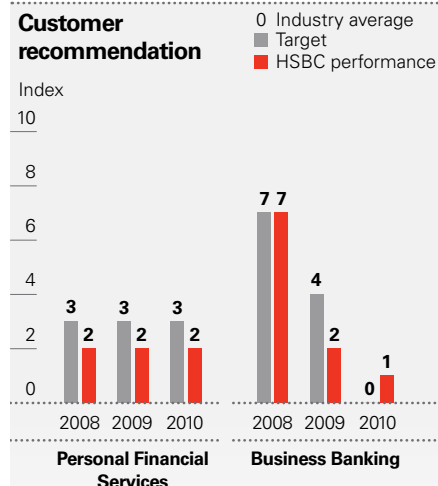


Measure: an independent survey of brands around the world which judges their relative strength. The results are used to form a brand perception index, where the industry average is zero.

Target: to meet or exceed targets based on performance against key competitors and the industry average.

Outcome: Personal Financial Services and Business Banking customers judged HSBC's brand to be six points stronger than the competitor average. Our ratings met or exceeded our targets in 2010.

Customer recommendation



Measure: an independent survey of customers in up to 15 countries which judges how likely they are to recommend a particular brand. The results are used to create a customer recommendation index, where the industry average is zero.

Target: to meet or exceed targets based on performance against key competitors and the industry average.

Outcome: Business Banking exceeded its target. Personal Financial Services fell short of its challenging target, but remained well above the competitor average.