

## Shareholder Information

### Interim dividends

## Shareholder information

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### Fourth interim dividend for 2010

The Directors have declared a fourth interim dividend for 2010 of US\$0.12 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 2011. The timetable for the dividend is:

Announcement .....	28 February 2011
Shares quoted ex-dividend in London, Hong Kong, Paris and Bermuda .....	16 March 2011
ADs quoted ex-dividend in New York .....	16 March 2011
Record date in Hong Kong .....	17 March 2011
Record date in London, New York, Paris and Bermuda <sup>1</sup> .....	18 March 2011
Mailing of <i>Annual Report and Accounts 2010</i> and/or <i>Annual Review 2010</i> , Notice of Annual General Meeting and dividend documentation .....	30 March 2011
Final date for receipt by registrars of forms of election, Investor Centre electronic instructions and revocations of standing instructions for scrip dividends .....	20 April 2011
Exchange rate determined for payment of dividends in sterling and Hong Kong dollars .....	27 April 2011
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 2011

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

### Interim dividends for 2011

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 2011 will be US\$0.09 per ordinary share. The proposed timetables for the dividends in respect of 2011 are:

	Interim dividends for 2011			
	First	Second	Third	Fourth
Announcement .....	3 May 2011	1 August 2011	7 November 2011	27 February 2012
Shares quoted ex-dividend in London, Hong Kong, Paris and Bermuda .....	18 May 2011	17 August 2011	23 November 2011	14 March 2012
ADs quoted ex-dividend in New York .....	18 May 2011	17 August 2011	23 November 2011	14 March 2012
Record date in Hong Kong .....	19 May 2011	18 August 2011	24 November 2011	15 March 2012
Record date in London, New York, Paris and Bermuda <sup>1</sup> .....	20 May 2011	19 August 2011	25 November 2011	16 March 2012
Payment date .....	6 July 2011	6 October 2011	18 January 2012	2 May 2012

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

Dividends are declared in US dollars and, at the election of the shareholder, paid in cash in one of, or in a combination of, US dollars, sterling and Hong Kong dollars, or, subject to the Board's determination that a scrip dividend is to be offered in respect of that dividend, may be satisfied in whole or in part by the issue of new shares in lieu of a cash dividend.

**Shareholder Information** (continued)

**Stock symbols / Shareholder profile / Annual General Meeting / IMS and interim results / Shareholder enquiries**

**Stock symbols**

HSBC Holdings ordinary shares trade under the following stock symbols:

London Stock Exchange	HSBA
Hong Kong Stock Exchange	5
New York Stock Exchange (ADS)	HBC
Euronext Paris	HSB
Bermuda Stock Exchange	HSBC

**Shareholder profile**

At 31 December 2010 the share register recorded the following details:

Ordinary shares held	Number of shareholders	Total shares held
1-100 .....	33,908	1,050,278
101-400 .....	31,146	7,620,110
401-500 .....	8,176	3,678,368
501-1,000 .....	33,298	24,239,122
1,001-5,000 .....	73,788	171,912,626
5,001-10,000 .....	18,775	132,126,979
10,001-20,000 .....	10,913	151,898,993
20,001-50,000 .....	6,648	204,466,829
50,001-200,000 .....	3,223	298,496,753
200,001-500,000 .....	754	237,056,817
500,001 and above .....	1,104	16,453,609,027
Total .....	221,733	17,686,155,902

**Annual General Meeting**

The 2011 Annual General Meeting will be held at the Barbican Hall, Barbican Centre, London EC2 on Friday, 27 May 2011 at 11.00am.

An informal meeting of shareholders will be held at 1 Queen's Road Central, Hong Kong on Thursday, 19 May 2011 at 4.30pm.

All resolutions considered at the 2010 Annual General Meeting were passed on a poll as follows:

Resolution	Total votes		
	For <sup>1</sup>	Against	Vote withheld <sup>2</sup>
1 To receive the Report and Accounts for 2009 .....	6,944,544,740	39,714,613	430,598,977
2 To approve the Directors' Remuneration Report for 2009 .....	5,730,566,528	856,535,768	820,187,860
3 To re-elect the following as Directors:			
(a) R A Fairhead .....	7,296,815,167	101,823,159	15,277,590
(b) M F Geoghegan .....	7,334,050,341	32,961,299	47,188,185
(c) S K Green .....	6,977,475,948	323,769,338	112,927,709
(d) G Morgan .....	7,268,685,057	130,023,850	15,410,295
(e) N R N Murthy .....	7,378,931,192	19,477,921	15,363,215
(f) S M Robertson .....	7,153,405,009	244,795,070	15,607,399
(g) J L Thornton .....	6,704,405,938	234,358,448	469,120,496
(h) Sir Brian Williamson .....	7,380,522,401	18,038,078	15,323,823
4 To reappoint the Auditor at remuneration to be determined by the Group Audit Committee .....	7,359,819,272	18,027,604	36,351,240
5 To authorise the Directors to allot shares .....	7,264,724,799	135,841,801	16,628,621
6 To disapply pre-emption rights (Special Resolution) .....	7,319,169,089	79,046,168	18,836,871
7 To alter the Articles of Association (Special Resolution) .....	7,362,315,126	32,851,046	21,846,012
8 To approve the extension of the term of the Share Incentive Plan and the establishment of new share ownership plans .....	7,358,291,988	28,253,519	30,640,176
9 To approve general meetings (other than annual general meetings) being called on a minimum of 14 clear days' notice (Special Resolution) .....	7,050,768,076	322,799,315	43,639,277

<sup>1</sup> Includes discretionary votes.

<sup>2</sup> A 'Vote Withheld' is not a 'vote' in law and is not counted in the calculation of the votes 'For' and 'Against' the resolution.

## Interim Management Statements and Interim Results

Interim Management Statements are expected to be issued on or around 12 May 2011 and 9 November 2011. The Interim Results for the six months to 30 June 2011 are expected to be issued on 1 August 2011.

## Shareholder enquiries and communications

### Enquiries

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 address given below. The Registrars offer an online facility, Investor Centre, which enables shareholders to manage their shareholding electronically.

#### Principal Register:

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
United Kingdom  
Telephone: 44 (0) 870 702 0137  
Email via website:  
[www.investorcentre.co.uk/contactus](http://www.investorcentre.co.uk/contactus)

Investor Centre:  
[www.investorcentre.co.uk](http://www.investorcentre.co.uk)

#### Hong Kong Overseas Branch Register:

Computershare Hong Kong Investor  
Services Limited  
Rooms 1712-1716, 17<sup>th</sup> Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Telephone: 852 2862 8555  
Email: [hsbc.ecom@computershare.com.hk](mailto:hsbc.ecom@computershare.com.hk)

Investor Centre:  
[www.computershare.com/hk/investors](http://www.computershare.com/hk/investors)

#### Bermuda Overseas Branch Register:

Investors Relations Team  
HSBC Bank Bermuda Limited  
6 Front Street  
Hamilton HM 11  
Bermuda  
Telephone: 1 441 299 6737  
Email:  
[hbbm.shareholder.services@hsbc.bm](mailto:hbbm.shareholder.services@hsbc.bm)

Investor Centre:  
[www.computershare.com/investor/bm](http://www.computershare.com/investor/bm)

Any enquiries relating to ADSs should be sent to the depositary:

BNY Mellon Shareowner Services  
PO Box 358516  
Pittsburgh, PA 15252-8516  
USA  
Telephone (US): 1 877 283 5786  
Telephone (International): 1 201 680 6825  
Email: [shrrelations@bnymellon.com](mailto:shrrelations@bnymellon.com)  
Website: [www.bnymellon.com/shareowner](http://www.bnymellon.com/shareowner)

Any enquiries relating to shares held through Euroclear France, the settlement and central depositary system for Euronext Paris, should be sent to the paying agent:

HSBC France  
103, avenue des Champs Élysées  
75419 Paris Cedex 08  
France  
Telephone: 33 1 40 70 22 56  
Email: [ost-agence-des-titres-hsbc-reims.hbfr-do@hsbc.fr](mailto:ost-agence-des-titres-hsbc-reims.hbfr-do@hsbc.fr)  
Website: [www.hsbc.fr](http://www.hsbc.fr)

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 (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.

Further copies of this *Annual Report and Accounts 2010* 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  
United Kingdom

#### 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

**Shareholder Information** (continued)

Shareholder enquiries / Investor relations / Where more information is available / Organisational structure

**Electronic communications**

Shareholders may at any time choose to receive corporate communications in printed form or to receive a notification of their availability on HSBC's website. To receive future notifications of the availability of a corporate communication on HSBC's website by email, or revoke or amend an instruction to receive such notifications by email, go to [www.hsbc.com/ecomms](http://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 website 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 Report and Accounts 2010* is available upon request after 30 March 2011 from the Registrars:

Computershare Hong Kong Investor Services Limited  
Rooms 1712-1716, 17<sup>th</sup> Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ  
United Kingdom

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.

《2010年報及賬目》備有中譯本，各界人士可於2011年3月30日之後，向上列股份登記處索閱。

閣下如欲於日後收取相關文件的中譯本，或已收到本文件的中譯本但不希望繼續收取有關譯本，均請聯絡股份登記處。

**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  
United Kingdom  
Telephone: 44 (0)20 7991 8041  
Facsimile: 44 (0)845 587 0225  
Email: [investorrelations@hsbc.com](mailto: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](mailto:investor.relations.usa@us.hsbc.com)

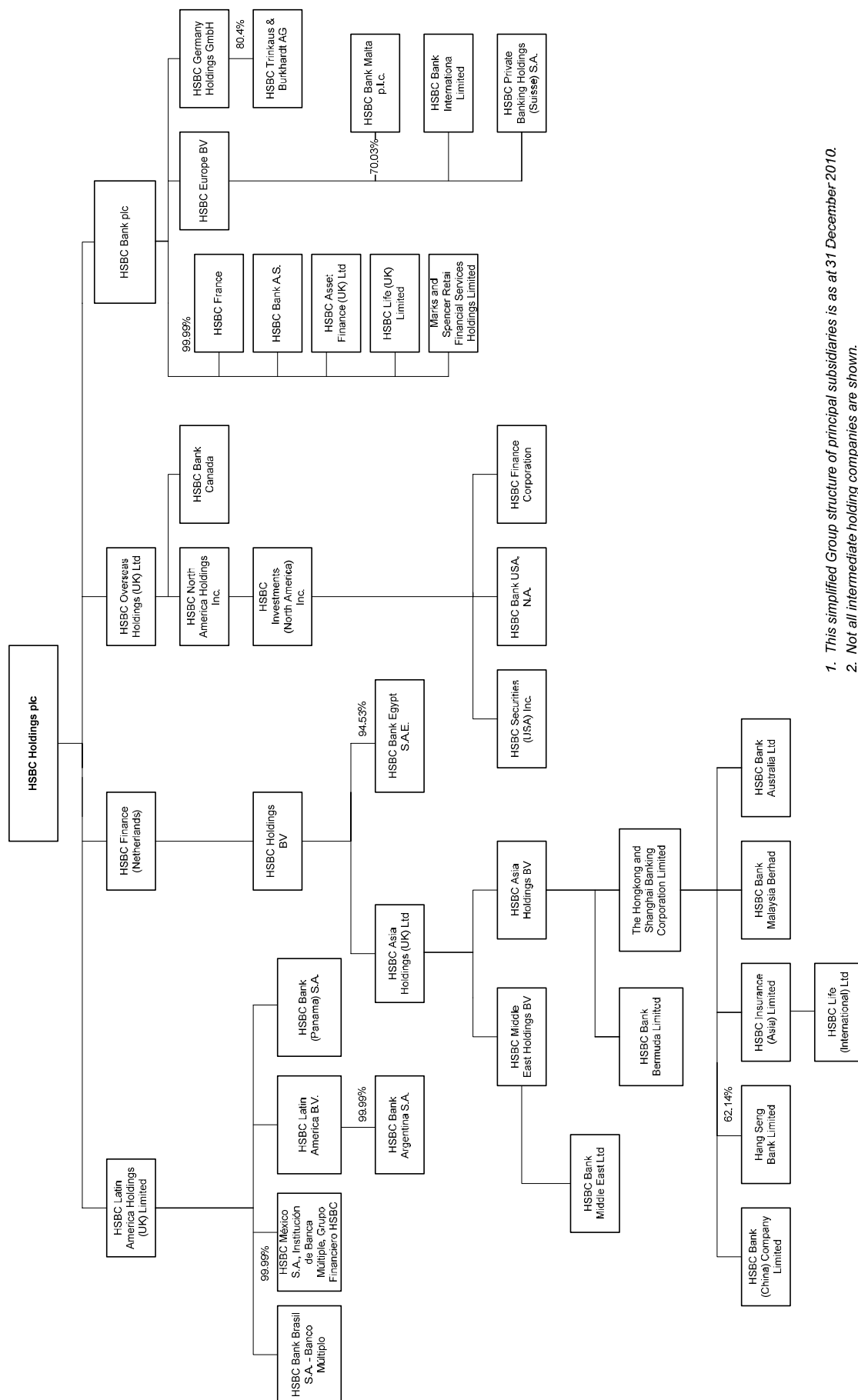
Head of Investor Relations, Asia-Pacific  
The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong  
852 2822 4908  
852 2537 5109  
[investorrelations@hsbc.com.hk](mailto:investorrelations@hsbc.com.hk)

**Where more information about HSBC is available**

This *Annual Report and Accounts 2010*, and other information on HSBC, may be viewed on HSBC's website: [www.hsbc.com](http://www.hsbc.com).

Reports, statements and information that HSBC Holdings files with the Securities and Exchange Commission are available at [www.sec.gov](http://www.sec.gov). Investors can also request hard copies of these documents upon payment of a duplicating fee, by writing to the SEC at the Office of Investor Education and Advocacy, 100 F Street N.E., Washington, DC 20549-0123 or by emailing [PublicInfo@sec.gov](mailto:PublicInfo@sec.gov). Investors should call the Commission at (202) 551 8090 if they require further assistance. Investors may also obtain the reports and other information that HSBC Holdings files at [www.nyse.com](http://www.nyse.com) (telephone number (1) 212 656 3000).

## Simplified Structure Chart of HSBC Holdings plc



1. This simplified Group structure of principal subsidiaries is as at 31 December 2010.

2. Not all intermediate holding companies are shown.

3. Unless shown otherwise, all subsidiaries are wholly owned.

**Shareholder Information** (continued)**Taxation of shares and dividends > UK residents / US residents****Taxation of shares and dividends****Taxation – UK residents**

The following is a summary, under current law, of certain UK tax considerations that are likely to be material to the ownership and disposition of shares. The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a holder of shares. In particular, the summary deals principally with shareholders who are resident solely in the UK for UK tax purposes and only with holders who hold the shares as investments and who are the beneficial owners of the shares, and does not address the tax treatment of certain classes of holders such as dealers in securities. Holders and prospective purchasers should consult their own advisers regarding the tax consequences of an investment in shares in light of their particular circumstances, including the effect of any national, state or local laws.

**Taxation of dividends**

Currently no tax is withheld from dividends paid by HSBC Holdings. However, dividends are paid with an associated tax credit which is available for set-off by certain shareholders against any liability they may have to UK income tax. Currently, the associated tax credit is equivalent to 10% of the combined cash dividend and tax credit, i.e. one-ninth of the cash dividend.

For individual shareholders who are resident in the UK for taxation purposes and liable to UK income tax at the basic rate, no further UK income tax liability arises on the receipt of a dividend from HSBC Holdings. Individual shareholders who are liable to UK income tax at the higher rate or additional rate are taxed on the combined amount of the dividend and the tax credit at the dividend upper rate (currently 32.5%) and the dividend additional rate (currently 42.5%), respectively. The tax credit is available for set-off against the dividend upper rate and the dividend additional rate liability. Individual UK resident shareholders are not entitled to any tax credit repayment.

Although non-UK resident shareholders are generally not entitled to any repayment of the tax credit in respect of any UK dividend received, some such shareholders may be so entitled under the provisions of a double taxation agreement between their country of residence and the UK. However, in most cases no amount of the tax credit is, in practice, repayable.

Information on the taxation consequences of the HSBC Holdings scrip dividends offered in lieu of the 2009 fourth interim dividend and the first, second and third interim dividends for 2010 was set out in the Secretary's letters to shareholders of 30 March, 2 June, 1 September and 1 December 2010. In no case, was the difference between the cash dividend foregone and the market value of the scrip dividend in excess of 15% of the market value. Accordingly, the amount of the dividend income chargeable to tax, and, the acquisition price of HSBC Holdings US\$0.50 ordinary shares (the 'shares') for UK capital gains tax purposes, was the cash dividend foregone.

**Taxation of capital gains**

The computation of the capital gains tax liability arising on disposals of shares in HSBC Holdings by shareholders subject to UK tax on capital gains can be complex, partly depending on whether, for example, the shares were purchased since April 1991, acquired in 1991 in exchange for shares in The Hongkong and Shanghai Banking Corporation Limited, or acquired subsequent to 1991 in exchange for shares in other companies.

For capital gains tax purposes, the acquisition cost for ordinary shares is adjusted to take account of subsequent rights and capitalisation issues. Any capital gain arising on a disposal by a UK company may also be adjusted to take account of indexation allowance. If in doubt, shareholders are recommended to consult their professional advisers.

**Stamp duty and stamp duty reserve tax**

Transfers of shares by a written instrument of transfer generally will be subject to UK stamp duty at the rate of 0.5% of the consideration paid for the transfer, and such stamp duty is generally payable by the transferee.

An agreement to transfer shares, or any interest therein, normally will give rise to a charge to stamp duty reserve tax at the rate of 0.5% of the consideration. However, provided an instrument of transfer of the shares is executed pursuant to the agreement and duly stamped before the date on which the stamp duty reserve tax becomes payable, under the current practice of UK HM Revenue and Customs it will not be necessary to pay the stamp duty reserve tax, nor to apply for such tax to be cancelled. Stamp duty reserve tax is generally payable by the transferee.

Paperless transfers of shares within CREST, the UK's paperless share transfer system, are liable to



stamp duty reserve tax at the rate of 0.5% of the consideration. In CREST transactions, the tax is calculated and payment made automatically. Deposits of shares into CREST generally will not be subject to stamp duty reserve tax, unless the transfer into CREST is itself for consideration. Following the case HSBC pursued before the European Court of Justice (Case C-569/07 HSBC Holdings plc and Vidacos Nominees v The Commissioners for HM Revenue & Customs) HMRC now accepts that the charge to stamp duty reserve tax at 1.5% on the issue of shares to a depositary receipt issuer or a clearance service located within the European Union is prohibited.

### Taxation – US residents

The following is a summary, under current law, of the principal UK tax and US federal income tax considerations that are likely to be material to the ownership and disposition of shares or ADSs by a holder that is a resident of the US for US federal income tax purposes (a ‘US holder’) and who is not resident or ordinarily resident in the UK for UK tax purposes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a holder of shares or ADSs. In particular, the summary deals only with US holders that hold shares or ADSs as capital assets, and does not address the tax treatment of holders that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, dealers in securities or currencies, persons that hold shares or ADSs as part of an integrated investment (including a ‘straddle’) comprised of a share or ADS and one or more other positions, and persons that own, directly or indirectly, 10% or more of the voting stock of HSBC Holdings. This discussion is based on laws, treaties, judicial decisions and regulatory interpretations in effect on the date hereof, all of which are subject to change. Under the current income tax treaty between the UK and the US, US holders are no longer entitled to claim a special foreign tax credit in respect of dividends.

Holders and prospective purchasers should consult their own advisers regarding the tax consequences of an investment in shares or ADSs in light of their particular circumstances, including the effect of any national, state or local laws.

Any US federal tax advice included in this *Annual Report* is for informational purposes only; it was not intended or written to be used, and cannot be used, for the purpose of avoiding US federal tax penalties.

### Taxation of dividends

Currently no tax is withheld from dividends paid by HSBC Holdings. A US holder must include cash dividends paid on the shares or ADSs in ordinary income on the date that such holder or the ADS depositary receives them, translating dividends paid in UK pounds sterling into US dollars using the exchange rate in effect on the date of receipt. A US holder that elects to receive shares in lieu of a cash dividend must include in ordinary income the fair market value of such shares on the dividend payment date, and the tax basis of those shares will equal such fair market value.

Subject to certain exceptions for positions that are held for less than 61 days or are hedged, and subject to a foreign corporation being considered a ‘qualified foreign corporation’ (which includes not being classified for US federal income tax purposes as a passive foreign investment company), certain dividends (‘qualified dividends’) received by an individual US holder before 2013 generally will be subject to US taxation at a maximum rate of 15%. Based on the company’s audited financial statements and relevant market and shareholder data, HSBC Holdings does not anticipate being classified as a passive foreign investment company. Accordingly, dividends paid on the shares or ADSs generally should be treated as qualified dividends.

### Taxation of capital gains

Gains realised by a US holder on the sale or other disposition of shares or ADSs normally will not be subject to UK taxation unless at the time of the sale or other disposition the holder carries on a trade, profession or vocation in the UK through a branch or agency or permanent establishment and the shares or ADSs are or have been used, held or acquired for the purposes of such trade, profession, vocation, branch or agency or permanent establishment. Such gains will be included in income for US tax purposes, and will be long-term capital gains if the shares or ADSs were held for more than one year. A long-term capital gain realised by an individual holder before 2013 generally will be subject to US tax at a maximum rate of 15%.

### Inheritance tax

Shares or ADSs held by an individual whose domicile is determined to be the US for the purposes of the United States-United Kingdom Double Taxation Convention relating to estate and gift taxes (the ‘Estate Tax Treaty’) and who is not for such purposes a national of the UK will not, provided any US Federal estate or gift tax chargeable has been

**Shareholder Information** (continued)**Taxation of shares and dividends > US residents // Cautionary statement**

paid, be subject to UK inheritance tax on the individual's death or on a lifetime transfer of shares or ADSs except in certain cases where the shares or ADSs (i) are comprised in a settlement (unless, at the time of the settlement, the settlor was domiciled in the US and was not a national of the UK), (ii) is part of the business property of a UK permanent establishment of an enterprise, or (iii) pertains to a UK fixed base of an individual used for the performance of independent personal services. In such cases, the Estate Tax Treaty generally provides a credit against US Federal tax liability for the amount of any tax paid in the UK in a case where the shares or ADSs are subject to both UK inheritance tax and to US Federal estate or gift tax.

**Stamp duty and stamp duty reserve tax – ADSs**

If shares are transferred to a clearance service or depository receipt ('ADR') issuer located outside the European Union (which will include a transfer of shares to the Depository) UK stamp duty and/or stamp duty reserve tax will be payable. The stamp duty or stamp duty reserve tax is generally payable on the consideration for the transfer and is payable at the aggregate rate of 1.5%.

The amount of stamp duty reserve tax payable on such a transfer will be reduced by any stamp duty paid in connection with the same transfer.

No stamp duty will be payable on the transfer of, or agreement to transfer, an ADS, provided that the ADR and any separate instrument of transfer or written agreement to transfer remain at all times outside the UK, and provided further that any such transfer or written agreement to transfer is not executed in the UK. No stamp duty reserve tax will be payable on a transfer of, or agreement to transfer, an ADS effected by the transfer of an ADR.

**US backup withholding tax and information reporting**

Distributions made on shares or ADSs and proceeds from the sale of shares or ADSs that are paid within the US, or through certain financial intermediaries to US holders, are subject to information reporting and may be subject to a US 'backup' withholding tax unless, in general, the US holder complies with certain certification procedures or is a corporation or other person exempt from such withholding. Holders that are not US persons generally are not subject to information reporting or backup withholding tax, but may be required to comply with applicable certification procedures to establish that they are not US persons in order to avoid the application of such information reporting requirements or backup withholding tax to payments received within the US or through certain financial intermediaries.



## Cautionary statement regarding forward-looking statements

The *Annual Report and Accounts 2010* contains certain forward-looking statements with respect to HSBC's financial condition, results of operations and business.

Statements that are not historical facts, including statements about HSBC's beliefs and expectations, are forward-looking statements. Words such as 'expects', 'anticipates', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'potential' and 'reasonably possible', variations of these words and similar expressions are intended to identify forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been revised or updated in the light of new information or future events.

Written and/or oral forward-looking statements may also be made in the periodic reports to the US Securities and Exchange Commission, summary financial statements to shareholders, proxy statements, offering circulars and prospectuses, press releases and other written materials, and in oral statements made by HSBC's Directors, officers or employees to third parties, including financial analysts.

Forward-looking statements involve inherent risks and uncertainties. Readers are cautioned that a number of factors could cause actual results to differ, in some instances materially, from those anticipated or implied in any forward-looking statement. These include, but are not limited to:

- changes in general economic conditions in the markets in which we operate, such as continuing or deepening recessions and fluctuations in employment beyond those factored into consensus forecasts; changes in foreign exchange rates and interest rates; volatility in equity markets; lack of liquidity in wholesale funding markets; illiquidity and downward price pressure in national real estate markets; adverse changes in central banks' policies with respect to the provision of liquidity support to financial markets; heightened market concerns over sovereign creditworthiness in over-indebted countries; adverse changes in the funding status
- of public or private defined benefit pensions; and consumer perception as to the continuing availability of credit and price competition in the market segments we serve;
- changes in government policy and regulation, including the monetary, interest rate and other policies of central banks and other regulatory authorities; initiatives to change the size, scope of activities and interconnectedness of financial institutions in connection with the implementation of stricter regulation of financial institutions in key markets worldwide; revised capital and liquidity benchmarks which could serve to deleverage bank balance sheets and lower returns available from the current business model and portfolio mix; imposition of levies or taxes designed to change business mix and risk appetite; the practices, pricing or responsibilities of financial institutions serving their consumer markets; expropriation, nationalisation, confiscation of assets and changes in legislation relating to foreign ownership; changes in bankruptcy legislation in the principal markets in which we operate and the consequences thereof; general changes in government policy that may significantly influence investor decisions; extraordinary government actions as a result of current market turmoil; other unfavourable political or diplomatic developments producing social instability or legal uncertainty which in turn may affect demand for our products and services; the costs, effects and outcomes of product regulatory reviews, actions or litigation, including any additional compliance requirements; and the effects of competition in the markets where we operate including increased competition from non-bank financial services companies, including securities firms; and
- factors specific to HSBC, including our success in adequately identifying the risks we face, such as the incidence of loan losses or delinquency, and managing those risks (through account management, hedging and other techniques). Effective risk management depends on, among other things, our ability through stress testing and other techniques to prepare for events that cannot be captured by the statistical models it uses; and our success in addressing operational, legal and regulatory, and litigation challenges.

## Shareholder Information (continued)

### Glossary

## Glossary

### Abbreviation

### Brief description

#### A

ABS <sup>1</sup>	Asset-backed security
ADR	American Depositary Receipt
ADS	American Depositary Share
Advance	HSBC Advance, a global banking proposition for the mass-affluent segment of customers
AIEA	Average interest-earning assets
ALCO	Asset and Liability Management Committee
ARM	Adjustable-rate mortgage
ASF	Asset and Structured Finance
ATM	Automated teller machine

#### B

Bank of Communications	Bank of Communications Co., Limited, mainland China's fourth largest bank by market capitalisation
Bank Ekonomi	PT Bank Ekonomi Raharja Tbk
Bao Viet	BaoViet Holdings, an insurance and financial services company in Vietnam
Barion	Barion Funding Limited, a term funding vehicle
Basel Committee	Basel Committee on Banking Supervision
Basel I	1988 Basel Capital Accord
Basel II <sup>1</sup>	2006 Basel Capital Accord
Basel III <sup>1</sup>	Basel Committee's reforms to strengthen global capital and liquidity rules
BBA	British Bankers' Association
Bps	Basis points. One basis point is equal to one hundredth of a percentage point
Brazilian operations	HSBC Bank Brasil S.A.–Banco Múltiplo and subsidiaries, plus HSBC Serviços e Participações Limitada

#### C

CARD Act	Credit Card Accountability, Responsibility and Disclosure Act, US
CD	Certificate of deposit
CDS <sup>1</sup>	Credit default swap
CDO <sup>1</sup>	Collateralised debt obligation
CDPC	Credit derivative product companies
CGU	Cash-generating unit
CMB	Commercial Banking, a customer group
CNAV <sup>1</sup>	Constant Net Asset Value
Combined Code	Combined Code on Corporate Governance issued by the Financial Reporting Council
CP <sup>1</sup>	Commercial paper
CPI	Consumer price index
CRR <sup>1</sup>	Customer risk rating

#### D

DPF	Discretionary participation feature of insurance and investment contracts
-----	---

#### E

EPS	Earnings per share
EU	European Union

#### F

Fannie Mae	Federal National Mortgage Association, US
Financiera Independencia	Financiera Independencia S.A.B. de C.V.
Freddie Mac	Federal Home Loan Mortgage Corporation, US
FSA	Financial Services Authority (UK)
FTSE	Financial Times – Stock Exchange index

#### G

G20	Leaders, Finance Ministers and Central Bank Governors of the Group of Twenty
GAAP	Generally Accepted Accounting Principles
GB&M	Global Banking and Markets, a global business
GDP	Gross domestic product
Ginnie Mae	Government National Mortgage Association, US
Global Markets	HSBC's treasury and capital markets services in Global Banking and Markets
GMB	Group Management Board
GMO	Group Management Office
GPB	Global Private Banking
Group	HSBC Holdings together with its subsidiary undertakings
G-SIFI	Global Systemically Important Financial Institution

## Abbreviation

## Brief description

### H

Hang Seng Bank  
HELoC<sup>1</sup>  
HFC

Hang Seng Bank Limited, one of Hong Kong's largest banks  
Home equity lines of credit  
HFC Bank Limited, the UK-based consumer finance business acquired through the acquisition by HSBC of HSBC Finance

HIBOR  
HNAH  
Hong Kong  
HSBC  
HSBC Assurances

Hong Kong Interbank Offer Rate  
HSBC North American Holdings Inc.  
The Hong Kong Special Administrative Region of the People's Republic of China  
HSBC Holdings together with its subsidiary undertakings  
HSBC Assurances, comprising Erisa S.A., the French life insurer, and Erisa I.A.R.D., the property and casualty insurer (together, formerly Erisa)

HSBC Bank  
HSBC Bank Argentina  
HSBC Bank Bermuda  
HSBC Bank Malaysia  
HSBC Bank Middle East  
HSBC Bank Panama  
HSBC Bank USA  
HSBC Finance  
HSBC France  
HSBC Holdings  
HSBC Mexico  
HSBC Premier  
HSBC Private Bank (Suisse)

HSBC Bank plc, formerly Midland Bank plc  
HSBC Bank Argentina S.A.  
HSBC Bank Bermuda Limited formerly The Bank of Bermuda Limited  
HSBC Bank Malaysia Berhad  
HSBC Bank Middle East Limited, formerly The British Bank of the Middle East  
HSBC Bank (Panama) S.A., formerly Grupo Banistmo S.A.  
HSBC's retail bank in the US, HSBC Bank USA, N.A. (formerly HSBC Bank USA, Inc.)  
HSBC Finance Corporation, the US consumer finance company (formerly Household International, Inc.)  
HSBC's French banking subsidiary, formerly CCF S.A.  
HSBC Holdings plc, the parent company of HSBC  
HSBC México S.A., the commercial banking subsidiary of Grupo Financiero HSBC, S.A. de C.V.  
HSBC's premium global banking service  
HSBC Private Bank (Suisse) S.A., HSBC's private bank in Switzerland

### I

IAS  
IASB  
IFRIC  
IFRSs  
Industrial Bank  
IPO  
IRB<sup>1</sup>

International Accounting Standard  
International Accounting Standards Board  
International Financial Reporting Interpretations Committee  
International Financial Reporting Standards  
Industrial Bank Co. Limited, a national joint-stock bank in mainland China held by Hang Seng Bank  
Initial public offering  
Internal ratings-based

### K

KPI  
KPMG

Key performance indicator  
KPMG Audit Plc and its affiliates

### L

LGD<sup>1</sup>  
LIBOR  
Losango

Loss given default  
London Interbank Offer Rate  
Losango Promoções e Vendas Ltda, the Brazilian consumer finance company

### M

M&S Money  
Madoff Securities  
Mainland China  
Malachite  
Mazarin  
MBS<sup>1</sup>  
Monoline<sup>1</sup>  
MSCI

Marks and Spencer Retail Financial Services Holdings Limited  
Bernard L. Madoff Investment Securities LLC  
People's Republic of China excluding Hong Kong  
Malachite Funding Limited, a term funding vehicle  
Mazarin Funding Limited, an asset-backed CP conduit  
US mortgage-backed security  
Monoline insurance company  
Morgan Stanley Capital International index

### N

NYSE

New York Stock Exchange

### O

OFAC  
OTC<sup>1</sup>

Office of Foreign Asset Control  
Over-the-counter

### P

PD<sup>1</sup>  
Performance Shares  
PFS  
Ping An Insurance  
PPI  
PRC  
Premier  
PVIF

Probability of default  
Awards of HSBC Holdings ordinary shares under employee share plans that are subject to corporate performance conditions  
Personal Financial Services, a customer group  
Ping An Insurance (Group) Company of China, Limited, the second-largest life insurer in the PRC  
Payment protection insurance product  
People's Republic of China  
See HSBC Premier  
Present value of in-force long-term insurance business

## Shareholder Information (continued)

### Glossary

Abbreviation	Brief description
<b>R</b>	
Repo	Sale and repurchase transaction
Restricted Shares	Awards of Restricted Shares define the number of HSBC Holdings ordinary shares to which the employee will become entitled, generally between one and three years from the date of the award, and normally subject to the individual remaining in employment
Reverse repo	Security purchased under commitments to sell
RPI	Retail price index (UK)
<b>S</b>	
S&P	Standard and Poor's rating agency
SEC	Securities and Exchange Commission (US)
SIC	Securities investment conduit
SIV <sup>1</sup>	Structured investment vehicle
SME	Small and medium-sized enterprise
Solitaire	Solitaire Funding Limited, a special purpose entity managed by HSBC
SPE <sup>1</sup>	Special purpose entity
STIP	Short-term income protection insurance product
<b>T</b>	
The Hongkong and Shanghai Banking Corporation	The Hongkong and Shanghai Banking Corporation Limited, the founding member of the HSBC Group
TSR	Total shareholder return
<b>U</b>	
UAE	United Arab Emirates
UK	United Kingdom
US	United States of America
<b>V</b>	
VAR <sup>1</sup>	Value at risk
Visa	Visa Inc.

<sup>1</sup> Full definition included in Glossary of Terms on page 383.

Term	Definition
<b>A</b>	
Adjustable-rate mortgages ('ARM's')	Mortgage loans in the US on which the interest rate is periodically changed based on a reference price. These are included within 'affordability mortgages'.
Affordability mortgages	Mortgage loans where the customer's monthly payments are set out at a low initial rate, either variable or fixed, before resetting to a higher rate once the introductory period is over.
Agency exposures	Exposures to near or quasi-government agencies including public sector entities fully owned by government carrying out non-commercial activities, provincial and local government authorities, development banks and funds set up by government.
Alt-A	A US description for loans regarded as lower risk than sub-prime, but with higher risk characteristics than lending under normal criteria.
Arrears	Customers are said to be in arrears (or in a state of delinquency) when they are behind in fulfilling their obligations, with the result that an outstanding loan is unpaid or overdue. When a customer is in arrears, the total outstanding loans on which payments are overdue are described as delinquent.
Asset-backed securities ('ABS's')	Securities that represent an interest in an underlying pool of referenced assets. The referenced pool can comprise any assets which attract a set of associated cash flows but are commonly pools of residential or commercial mortgages.
<b>B</b>	
Back-testing	A statistical technique used to monitor and assess the accuracy of a model, and how that model would have performed had it been applied in the past.
Basel II	The capital adequacy framework issued by the Basel Committee on Banking Supervision in June 2006 in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
Basel III	In December 2010, the Basel Committee issued final rules 'Basel III: A global regulatory framework for more resilient banks and banking systems' and 'Basel III: International framework for liquidity risk measurement, standards and monitoring'. Together these documents present the Basel Committee's reforms to strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector. The new requirements will be phased in starting 1 January 2013 with full implementation by 1 January 2019.
<b>C</b>	
Capital conservation buffer	A capital buffer, prescribed by regulators under Basel III, and designed to ensure banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should a bank's capital levels fall within the capital conservation buffer range, capital distributions will be constrained by the regulators.
Capital planning buffer	A capital buffer, prescribed by the FSA under Basel II, and designed to ensure banks build up capital buffers outside periods of stress which can be drawn down as losses are incurred. Should a bank's capital levels fall within the capital planning buffer range, a period of heightened regulatory interaction would be triggered.
Collateralised debt obligation ('CDO')	A security issued by a third-party which references ABSs and/or certain other related assets purchased by the issuer. CDOs may feature exposure to sub-prime mortgage assets through the underlying assets.
Collectively assessed impairment	Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses which have been incurred but have not yet been identified on loans subject to individual assessment.
Commercial paper ('CP')	An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. The debt is usually issued at a discount, reflecting prevailing market interest rates.
Commercial real estate	Any real estate investment, comprising buildings or land, intended to generate a profit, either from capital gain or rental income.
Common equity tier 1 capital	The highest quality form of regulatory capital under Basel III that comprises common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments.
Conduits	HSBC sponsors and manages multi-seller conduits and securities investment conduits ('SIC's). The multi-seller conduits hold interests in diversified pools of third-party assets such as vehicle loans, trade receivables and credit card receivables funded through the issuance of short-dated commercial paper and supported by a liquidity facility. The SICs hold predominantly asset-backed securities referencing such items as commercial and residential mortgages, vehicle loans and credit card receivables funded through the issuance of both long-term and short-term debt.
Constant net asset value fund ('CNAV')	A fund that prices its assets on an amortised cost basis, subject to the amortised book value of the portfolio remaining within 50 basis points of its market value.
Contractual maturities	The date on which the final payment (principal or interest) of any financial instrument is due to be paid, at which point all the remaining outstanding principal and interest have been repaid.
Core tier 1 capital	The highest quality form of regulatory capital that comprises total shareholders' equity and related non-controlling interests, less goodwill and intangible assets and certain other regulatory adjustments.
Countercyclical capital buffer	A capital buffer, prescribed by regulators under Basel III, which aims to ensure that capital requirements take account of the macro-financial environment in which banks operate. This will provide the banking sector with additional capital to protect it against potential future losses, when excess credit growth in the financial system as a whole is associated with an increase in system-wide risk.

## Shareholder Information (continued)

### Glossary

Term	Definition
Credit default swap	A derivative contract whereby a buyer pays a fee to a seller in return for receiving a payment in the event of a defined credit event (e.g. bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency) on an underlying obligation (which may or may not be held by the buyer).
Credit derivative product companies ('CDPC's')	Independent companies that specialise in selling credit default protection on corporate exposures in the form of credit derivatives.
Credit enhancements	Facilities used to enhance the creditworthiness of financial obligations and cover losses due to asset default.
Credit risk	Risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. It arises mainly from direct lending, trade finance and leasing business, but also from products such as guarantees, derivatives and debt securities.
Credit risk adjustment	An adjustment to the valuation of OTC derivative contracts to reflect the creditworthiness of OTC derivative counterparties.
Credit risk mitigation	A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantee and credit protection.
Credit risk spread	The premium over the benchmark or risk-free rate required by the market to accept a lower credit quality. The yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks. The yield spread rises as the credit rating worsens.
Customer deposits	Money deposited by account holders. Such funds are recorded as liabilities.
Customer risk rating ('CRR')	A scale of 23 grades measuring internal obligor probability of default.
<b>D</b>	
Debt restructuring	A restructuring by which the terms and provisions of outstanding debt agreements are changed. This is often done in order to improve cash flow and the ability of the borrower to repay the debt. It can involve altering the repayment schedule as well as debt or interest charge reduction.
Debt securities	Assets on the Group's balance sheet representing certificates of indebtedness of credit institutions, public bodies or other undertakings, excluding those issued by Central Banks.
Debt securities in issue	Transferable certificates of indebtedness of the Group to the bearer of the certificates. These are liabilities of the Group and include certificates of deposits.
Deed-in-lieu	An arrangement in which a borrower surrenders the deed for a property to the lender without going through foreclosure proceedings and is subsequently released from any further obligations on the loan.
Delinquency	See 'Arrears'.
<b>E</b>	
Economic capital	The internally calculated capital requirement which is deemed necessary by HSBC to support the risks to which it is exposed at a confidence level consistent with a target credit rating of AA.
Economic profit	The difference between the return on financial capital invested by shareholders and the cost of that capital. Economic profit may be expressed as a whole number or as a percentage.
Equity risk	The risk arising from positions, either long or short, in equities or equity-based instruments, which create exposure to a change in the market price of the equities or equity instruments.
Expected loss ('EL')	A regulatory calculation of the amount expected to be lost on an exposure using a 12 month time horizon and downturn loss estimates. EL is calculated by multiplying the Probability of Default (a percentage) by the Exposure at Default (an amount) and Loss Given Default (a percentage).
Exposure	A claim, contingent claim or position which carries a risk of financial loss.
Exposure at default ('EAD')	The amount expected to be outstanding after any credit risk mitigation, if and when the counterparty defaults. EAD reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures.
<b>F</b>	
Fair value adjustment	An adjustment to the fair value of a financial instrument which is determined using a valuation technique (level 2 and level 3) to include additional factors that would be considered by a market participant that are not incorporated within the valuation model.
First lien	A security interest granted over an item of property to secure the repayment of a debt that places its holder first in line to collect repayment from the sale of the underlying collateral in the event of a default on the debt.
Forbearance strategies	Strategies that are employed in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid foreclosure or repossession. Such arrangements include extended payment terms, a reduction in interest or principal repayments, approved external debt management plans, the deferral of foreclosures, other modifications and loan restructures.
Funded exposures	A funded exposure is one where the notional amount of a contract is or has been exchanged.
Funding risk	A form of liquidity risk arising when the liquidity needed to fund illiquid asset positions cannot be obtained at the expected terms and when required.
<b>G</b>	
Government-sponsored enterprises ('GSE's')	A group of financial services enterprises created by the US Congress. Their function is to reduce the cost of capital for certain borrowing sectors of the economy, and to make them more efficient and transparent. Examples in the residential mortgage borrowing segment are Freddie Mac and Fannie Mae. GSEs carry the implicit backing, but are not direct obligations, of the US Government.

Term	Definition
<b>H</b>	
Historical rating transition matrices ('HRTM')	HRTMs show the probability of a counterparty with a particular rating moving to a different rating over a defined time horizon.
Home Equity Lines of Credit ('HELoC's')	A form of revolving credit facility provided to US customers, which is supported by a first or second lien charge over residential property.
<b>I</b>	
Impaired loans	Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.
Impairment allowances	Management's best estimate of losses incurred in the loan portfolios at the balance sheet date.
Individually assessed impairment	Exposure to loss is assessed on all individually significant accounts and all other accounts that do not qualify for collective assessment.
Insurance risk	A risk, other than a financial risk, transferred from the holder of a contract to the insurance provider. The principal insurance risk is that, over time, the combined cost of claims, administration and acquisition of the contract may exceed the aggregate amount of premiums received and investment income.
Internal Capital Adequacy Assessment Process	The Group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints.
Internal Model Method ('IMM')	One of three approaches defined by Basel II to determine exposure values for counterparty credit risk.
Internal ratings-based approach ('IRB')	A method of calculating credit risk capital requirements using internal, rather than supervisory, estimates of risk parameters.
Invested capital	Equity capital invested in HSBC by its shareholders.
IRB advanced approach	A method of calculating credit risk capital requirements using internal PD, LGD and EAD models.
IRB foundation approach	A method of calculating credit risk capital requirements using internal PD models but with supervisory estimates of LGD and conversion factors for the calculation of EAD.
ISDA	International Swaps and Derivatives Association.
ISDA Master agreement	Standardised contract developed by ISDA used as an umbrella under which bilateral derivatives contracts are entered into.
<b>K</b>	
Key management personnel	Directors and Group Managing Directors of HSBC Holdings.
<b>L</b>	
Level 1 – quoted market price	Financial instruments with quoted prices for identical instruments in active markets.
Level 2 – valuation technique using observable inputs	Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
Level 3 – valuation technique with significant unobservable inputs	Financial instruments valued using valuation techniques where one or more significant inputs are unobservable.
Leveraged finance	Funding provided for entities with higher than average indebtedness, which typically arises from sub-investment grade acquisitions or event-driven financing.
Leverage ratio	A measure, prescribed by regulators under Basel III, which is the ratio of tier 1 capital to total exposures. Total exposures include on-balance sheet items, off-balance sheet items and derivatives, and should generally follow the accounting measure of exposure. This supplementary measure to the risk-based capital requirements is intended to constrain the build-up of excess leverage in the banking sector.
Liquidity risk	The risk that HSBC does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows.
Loan modification	An account management action that results in a change to the original terms and conditions of a loan either temporarily or permanently without resetting its delinquency status, except in case of a 'modification re-age' where delinquency status is also reset to up-to-date. Account modifications may include revisions to one or more terms of the loan including, but not limited to, a change in interest rate, extension of the amortisation period, reduction in payment amount and partial forgiveness or deferment of principal.
Loan re-age	An account management action that results in the resetting of the contractual delinquency status of an account to up-to-date upon fulfilment of certain requirements which indicate that payments are expected to be made in accordance with the contractual terms.
Loans past due	Loans on which repayments are overdue.
Loan-to-value ratio ('LTV')	A mathematical calculation that expresses the amount of the loan as a percentage of the value of security. A high LTV indicates that there is less cushion to protect the lender against house price falls or increases in the loan if repayments are not made and interest is added to the outstanding loan balance.
Loss given default ('LGD')	The estimated ratio (percentage) of the loss on an exposure to the amount outstanding at default (EAD) upon default of a counterparty.
Loss severity	The realised amount of losses incurred (including ancillary amounts owed) when a loan is foreclosed or disposed of through the arrangement with the borrower. The loss severity is represented as a percentage of the outstanding loan balance.



## Shareholder Information (continued)

### Glossary

Term	Definition
<b>M</b>	
Market risk	The risk that movements in market risk factors, including foreign exchange rates and commodity prices, interest rates, credit spreads and equity prices will reduce income or portfolio values.
Medium term notes ('MTN's')	Notes issued by corporates across a range of maturities. MTNs are frequently issued by corporates under MTN Programmes whereby notes are offered on a regular and continuous basis to investors.
Monoline insurers ('monolines')	Entities which specialise in providing credit protection to the holders of debt instruments in the event of default by the debt security counterparty. This protection is typically held in the form of derivatives such as CDS's referencing the underlying exposures held.
Mortgage-backed securities ('MBS's')	Securities that represent interests in groups of mortgages, which may be on residential or commercial properties. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal). When the MBS references mortgages with different risk profiles, the MBS is classified according to the highest risk class.
Mortgage-related assets	Assets which are referenced to underlying mortgages.
Mortgage vintage	The year a mortgage was originated.
<b>N</b>	
Negative equity mortgages	Equity is the value of the asset less the outstanding balance on the loan. Negative equity arises when the value of the property purchased is below the balance outstanding on the loan.
Net asset value per share	Total shareholders' equity, less non-cumulative preference shares and capital securities, divided by the number of ordinary shares in issue.
Net interest income	The amount of interest received or receivable on assets net of interest paid or payable on liabilities.
Net principal exposure	The gross principal amount of a financial asset after taking account of credit protection purchased but excluding the effect of any counterparty credit valuation adjustment to that protection. It includes assets that benefit from monoline protection, except where this protection is purchased with a CDS.
Non-conforming mortgages	US mortgages that do not meet normal lending criteria. Examples include mortgages where the expected level of documentation is not provided (such as with income self-certification), or where poor credit history increases the risk and results in pricing at a higher than normal lending rate.
<b>O</b>	
Overnight Index Swap ('OIS') discounting	A method of valuing collateralised interest rate derivatives which uses a discount curve that reflects the overnight interest rate typically earned or paid in respect of collateral received.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk.
Over-the-counter ('OTC')	A bilateral transaction (e.g. derivatives) that is not exchange traded and that is valued using valuation models.
<b>P</b>	
Performance Shares	Awards of HSBC Holdings ordinary shares under employee share plans that are subject to the achievement of corporate performance conditions.
Prime	A US description for mortgages granted to the most creditworthy category of borrowers.
Private equity investments	Equity securities in operating companies not quoted on a public exchange, often involving the investment of capital in private companies or the acquisition of a public company that results in its delisting.
Probability of default ('PD')	The probability that an obligor will default within a one-year time horizon.
<b>R</b>	
Regulatory capital	The capital which HSBC holds, determined in accordance with rules established by the FSA for the consolidated Group and by local regulators for individual Group companies.
Renegotiated loans	Loans whose terms have been renegotiated and are treated as up-to-date loans for measurement purposes once the specified number and/or amount of qualifying payments required under the new arrangements have been received.
Restricted Shares	Awards of HSBC Holdings ordinary shares to which employees will normally become entitled, generally between one and three years, subject to remaining an employee.
Retail loans	Money lent to individuals rather than institutions. This includes both secured and unsecured loans such as mortgages and credit card balances.
Return on equity	Profit attributable to ordinary shareholders divided by average invested capital.
Risk appetite	An assessment of the types and quantum of risks to which HSBC wishes to be exposed.
Risk-weighted assets ('RWA's')	Calculated by assigning a degree of risk expressed as a percentage (risk weight) to an exposure in accordance with the applicable Standardised or IRB approach rules.
<b>S</b>	
Seasoning	The emergence of credit loss patterns in portfolios over time.
Second lien	A security interest granted over an item of property to secure the repayment of a debt that is issued against the same collateral as a first lien but that is subordinate to it. In the case of default, repayment for this debt will only be received after the first lien has been repaid.

Term	Definition
Securitisation	A transaction or scheme whereby the credit risk associated with an exposure, or pool of exposures, is tranching and where payments to investors in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures. A traditional securitisation involves the transfer of the exposures being securitised to an SPE which issues securities. In a synthetic securitisation, the tranching is achieved by the use of credit derivatives and the exposures are not removed from the balance sheet of the originator.
Short sale	In relation to credit risk management, a 'short sale' is an arrangement in which a bank permits the borrower to sell the property for less than the amount outstanding under a loan agreement. The proceeds are used to reduce the outstanding loan balance and the borrower is subsequently released from any further obligations on the loan.
Single-issuer liquidity facility	A liquidity or stand-by line provided to a corporate customer which is different from a similar line provided to a conduit funding vehicle.
Sovereign exposures	Exposures to governments, ministries, departments of governments, embassies, consulates and exposures on account of cash balances and deposits with central banks.
Special purpose entities ('SPE's')	A corporation, trust or other non-bank entity, established for a narrowly defined purpose, including for carrying on securitisation activities. The structure of the SPE and its activities are intended to isolate its obligations from those of the originator and the holders of the beneficial interests in the securitisation.
Standardised approach	In relation to credit risk, a method for calculating credit risk capital requirements using External Credit Assessment Institutions ('ECAI') ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
Structured finance / notes	An instrument whose return is linked to the level of a specified index or the level of a specified asset. The return on a structured note can be linked to equities, interest rates, foreign exchange, commodities or credit. Structured notes may or may not offer full or partial capital protection in the event of a decline in the underlying index or asset.
Structured Investment Vehicles ('SIV's')	Special purpose entities which invest in diversified portfolios of interest-earning assets, generally funded through issues of commercial paper, medium-term notes and other senior debt to take advantage of the spread differentials between the assets in the SIV and the funding cost.
Student loan related assets	Securities with collateral relating to student loans.
Subordinated liabilities	Liabilities which rank after the claims of other creditors of the issuer in the event of insolvency or liquidation.
Sub-prime	A US description for customers with high credit risk, for example those who have limited credit histories, modest incomes, high debt-to-income ratios, high loan-to-value ratios (for real estate secured products) or have experienced credit problems caused by occasional delinquencies, prior charge-offs, bankruptcy or other credit-related problems.
<b>T</b>	
Tier 1 capital	A component of regulatory capital, comprising core tier 1 and other tier 1 capital. Other tier 1 capital includes qualifying capital instruments such as non-cumulative perpetual preference shares and hybrid capital securities.
Tier 2 capital	A component of regulatory capital, comprising qualifying subordinated loan capital, related non-controlling interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties.
Troubled debt restructuring	A US description for restructuring a debt whereby the creditor for economic or legal reasons related to a debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider.
<b>U</b>	
Unfunded exposures	An exposure where the notional amount of a contract has not been exchanged.
US Government agency and US Government sponsored enterprises mortgage-related assets	Securities that are guaranteed by US Government agencies such as the Government National Mortgage Association ('Ginnie Mae'), or by US Government sponsored entities including the Federal National Mortgage Association ('Fannie Mae') and the Federal Home Loan Mortgage Corporation ('Freddie Mac').
<b>V</b>	
Value-at-risk ('VAR')	A measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence.
<b>W</b>	
Wholesale loans	Money lent to sovereign borrowers, banks, non-bank financial institutions and corporate entities.
Write-down	Reduction in the carrying value of an asset due to impairment or fair value movements.
Wrong-way risk	An adverse correlation between the counterparty's probability of default and the mark-to-market value of the underlying transaction.

# Shareholder Information (continued)

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