2012 Questions and Answers

A REMUNERATION

What are the overall principles of the Group's remuneration policy?

The quality and commitment of our human capital is deemed fundamental to our success and accordingly the Board aims to attract, retain and motivate the very best people. As trust and relationships are vital in our business our broad policy is to recruit those who are committed to making a long-term career with the organisation.

HSBC's reward strategy supports this objective through focusing on both short-term and sustainable performance over the long-term. It aims to reward success, not failure, and be properly aligned with risk.

In order to ensure alignment between remuneration and our strategy, individual remuneration is determined through assessment of performance delivered against both annual and long-term objectives summarised in performance scorecards and adherence to the HSBC Values of being 'open, connected and dependable' and acting with 'courageous integrity'. Altogether, performance is judged, not only on what is achieved over the short and medium term, but also on how it is achieved, as the latter contributes to the sustainability of the organisation.

The financial and non-financial measures that comprise the annual and long-term scorecards are carefully considered to ensure alignment with the long-term strategy of the Group.

Overview of remuneration

In order to ensure clarity over remuneration, there are just four elements of remuneration, two of which are performance related. These are:

- fixed pay;
- the annual bonus;
- the Group Performance Share Plan (the new long-term incentive plan of the HSBC Share Plan 2011); and
- benefits.

The Group Performance Share Plan ('GPSP') was developed over 2010 and 2011 to incentivise senior executives to deliver sustainable long-term business performance. A key feature of the GPSP is that participants are required to hold the shares, once the awards have vested, until retirement, thereby enhancing the alignment of interest between the senior executives of the Group and shareholders.

As part of the HSBC Share Plan 2011, the GPSP was approved by shareholders at the Annual General Meeting in May 2011 and the first awards were made in June 2011. It replaced the previous long-term incentive plan.

Executive Directors, Group Managing Directors and Group General Managers participate in both performance-related plans, namely the annual bonus and the GPSP. Other employees across the Group are eligible to participate in the annual bonus arrangements. Both the annual bonus and long-term incentive awards are funded from a single annual variable pay pool from which individual awards are considered.

Group variable pay pool determination

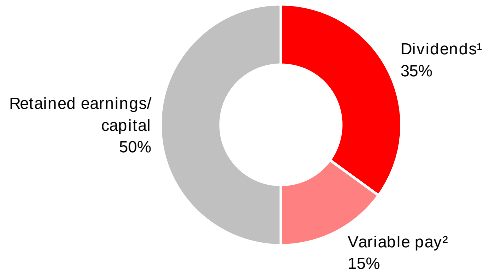
The Group Remuneration Committee considers many factors in determining the Group's variable pay pool funding.

The variable pay pool takes into account the performance of the Group which is considered within the context of our risk appetite statement. This helps to ensure that the variable pay pool is shaped by risk considerations. The risk appetite statement describes and measures the amount and types of risk that HSBC is prepared to take in executing our strategy. It shapes our integrated approach to business, risk and capital management and supports the achievement of our objectives. The Group Chief Risk Officer regularly updates the Group Remuneration Committee on the Group's performance against the risk appetite statement.

The Group Remuneration Committee uses these updates when considering remuneration to ensure that return, risk and remuneration are aligned. The risk appetite statement for 2011 was approved by the Board and was cascaded across global businesses and regions.

In addition, our funding methodology considers the relationship between capital, dividends and variable pay to ensure that the distribution of post-tax profits between these three elements is considered appropriate. On a pro forma basis, attributable profits (excluding movements in the fair value of own debt and before variable pay distributions) are allocated in the following proportions:

2011 pro forma post-tax profits allocation



1 *Inclusive of dividends to holders of other equity instruments and net of scrip issuance.*
2 *Total variable pay pool for 2011 net of tax and portion to be delivered by the award of HSBC shares.*

Finally the commercial requirements to remain competitive in the market and overall affordability are considered.

What is the justification for the annual bonus awards made to executive Directors in respect of 2011?

S T Gulliver

The annual bonus award made to S T Gulliver in respect of 2011 was based upon the Committee's assessment of the achievement of personal and corporate objectives as laid out in his performance scorecard agreed by the Board at the beginning of the year. This approach took into account performance against both financial and non-financial objectives and was set within the context of the risk appetite and strategic priorities agreed by the Board as appropriate for 2011.

In order for any award of annual bonus to be made under the above performance scorecard approach the Committee had to firstly satisfy itself that S T Gulliver had demonstrated personal adherence to and leadership in promoting HSBC Values. This over-riding test assesses behaviour around the HSBC Values principles of being 'open, connected and dependable' and acting with 'courageous integrity'. The Committee determined that S T Gulliver had exhibited strong leadership and behaviour in this area and so met the required standard.

Equal weighting was given within the performance scorecard agreed for S T Gulliver for 2011 between financial and non-financial measures. In aggregate, in assessing the quantum of the 2011 annual bonus against the theoretical maximum opportunity of three times base salary, an overall score of 57.5% of that maximum opportunity was judged to have been achieved. The achievement of the financial measures was scored more highly than the non-financial measures. A summary of the assessment and rationale for the conclusions is set out below.

Financial (50% weighting – achieved 30%)

The Committee considered that in the key areas of Capital Strength (10%) and Dividend Progression (10%) HSBC had fully met the objectives agreed and so this element of financial performance had been achieved. In assessing the extent to which Profit (10%) and Cost Performance improvement (10%) had been delivered, these were judged to have been met to the extent of 50%. The Committee assessed positively the profit performance across Commercial Banking ("CMB") globally, in Retail Banking and Wealth Management ("RBWM") outside the US and in Global Banking and Markets ("GB&M") outside Europe and the US. The unexpected increase in loan impairment charges in the third quarter in the consumer finance business in the US and the impact of the eurozone crisis on GB&M performance in Europe were the key drivers of underperformance. In terms of cost performance, this was assessed positively and broadly in line with the profit performance. With regard to Return on Equity (5%) and Return on Risk-Weighted Assets (5%), largely driven by the underperforming areas noted above, performance was below the targets set and thus those elements of the scorecard attracted no award.

Non-financial (50% weighting – achieved 27.5%)

Half the opportunity in this area related to Strategy Execution and out of a maximum possible 25% opportunity, 80% was judged to have been achieved. This strong performance reflected execution of planned divestments of underperforming and sub-scale businesses and, importantly, the sale of the upstate New York branches of the US commercial bank and the US credit and storecard businesses. The Committee noted that the portion of the annual bonus attributable to these latter two divestments would be clawed back in the event the agreed sales do not complete. Elsewhere in relation to Strategy Execution, the Committee noted good progress regarding organic expansion in mainland China, early stage development of the Wealth Management strategy and strong personal commitment to and success in supporting key client relationships.

The remainder of the opportunity within the non-financial portion of the performance scorecard related to People and Values (10%) and Compliance and Reputation (15%). The Committee awarded 75% of the available opportunity in respect of People and Values noting the strong cohesion of the new senior management leadership team which was updated during 2011. With regard to Compliance and Reputation, in spite of the considerable progress made under S T Gulliver's leadership in rolling out HSBC Values awareness Group-wide to avoid repetition of legacy compliance failings, the incidence of the PPI redress settlement, the mis-selling instances uncovered at NHFA Limited and continuing legacy legal and compliance issues in the US, the Committee determined that there could be no award under this element of the scorecard.

The same deliberations and assessments with regard to performance and adherence to HSBC Values were undertaken by the Committee with regard to the performance of AA Flockhart and I J Mackay. These are summarised below.

A A Flockhart

The performance scorecard for A A Flockhart was weighted 45% financial, 55% non-financial. In aggregate, in assessing the quantum of the 2011 annual bonus against the theoretical maximum opportunity of three times base salary, an overall score of 66% of that maximum opportunity was judged to have been achieved. The Committee considered that performance against the financial measures of Profit before Tax, Cost Efficiency and Return on Risk-Weighted Assets had been met or exceeded in CMB, Latin America and the Middle East and North Africa. The performance in Europe against these targets was below plan. Capital Generation targets were met in Europe and Latin America but were below target in the Middle East and North Africa. The Committee considered that good progress had been made against the non-financial targets of Strategy Execution and People, whilst the Project Merlin lending intentions had been exceeded both in terms of total and small and medium-size enterprise facilities. Notwithstanding strong management of the UK business during the riots in the summer of 2011 and the Middle East business during the political unrest across the region, due to the incidence of the PPI redress settlement and the mis-selling instances uncovered at NHFA Limited, the Committee determined that there could be no award under this element of the scorecard.

I J Mackay

The performance scorecard for I J Mackay was weighted 40% financial, 60% non-financial, reflecting the nature of his responsibilities. In aggregate, in assessing the quantum of the 2011 annual bonus against the theoretical maximum opportunity of three times base salary, an overall score of 52% of that maximum opportunity was judged to have been achieved. The Committee considered that performance against the financial targets of Cost disciplines, Functional Operating Costs and Capital and Liquidity Management had been met or were in progress. The Committee considered that performance against the non-financial targets including People, Reporting and Planning was in progress. With regard to Compliance and Reputation, the incidence of the PPI redress settlement, the mis-selling instances uncovered at NHFA Limited and continuing legacy legal and compliance issues in the US, the Committee determined that there could be no award under this element of the scorecard.

If the maximum annual bonus that S T Gulliver can receive is 3 times fixed pay (ie £3.75 million) why did he receive £4.559 million in 2011?

The actual bonus awarded to Mr Gulliver for the performance year 2011 was £2.156 million. However, due to the definition of emoluments in the UK Companies Act, the £4.559 million bonus disclosed as part of Mr Gulliver's 2011 emoluments actually comprises: (i) the estimated monetary value of 33% of the award of HSBC Holdings Restricted Shares arising from the 2010 annual bonus award; (ii) the estimated monetary value of 33% of the award of HSBC Holdings Restricted Shares arising from the 2009 annual bonus award: and (iii) 40% of the award of HSBC Holdings Restricted Shares arising from 2011 annual bonus.

How can you justify the long term incentive awards you gave S T Gulliver in 2010 and 2011 when you committed to be conservative when determining awards under the Group Performance Share Plan?

The maximum award S T Gulliver is entitled to receive under the Group Performance Share Plan ("GPSP") is six times fixed pay (ie £7.5 million). Notwithstanding this, during the shareholder consultation process in respect of the GPSP, the Group Remuneration Committee had committed to shareholders that it would be conservative when determining the first awards to be made.

Accordingly, having reviewed the initial performance outcome for 2010 under the performance scorecard of 38.2%, the Committee determined that the initial performance outcome should be reduced further to give a final performance outcome for 2010 of 31.3%.

The initial performance outcome for 2011, under the scorecard, was determined by the Committee to be 50%. No adjustment was considered necessary.

These performance outcomes were applied to the maximum face value (expressed as a percentage of salary) for S T Gulliver. The awards made in respect of 2010 and 2011 are detailed below:

	Maximum face value of award	**Performance outcome**	**Awards made**	**Value of award made**
2010	**600%**	**31.3%**	**187.8%**	**£2,350,000**
2011	**600%**	**50%**	**300%**	**£3,750,000**

Please explain the performance criteria for the new Group Performance Share Plan (GPSP)

The way in which we assess performance under the GPSP is aimed at achieving greater alignment of employees' reward with long-term shareholder value.

The Remuneration Committee approved that award levels under the GPSP would be determined on grant, rather than on vesting, by considering performance delivered prior to the date of grant against a pre-determined long-term balanced scorecard. This scorecard would set out performance measures, which would be made up of 60 per cent financial and 40 per cent non-financial measures, which in our view should incentivise sustainable long-term performance.

The financial measures which we apply are:

- return on equity;
- cost efficiency ratio;
- capital strength; and
- dividends.

The non-financial measures are:

- strategy execution;
- brand equity;
- compliance; and
- reputation and people.

The combination of these measures is designed to incentivise the achievement of financial performance over a period prior to grant of an award and the sustainability of that performance over the long-term.

We may clawback awards (i.e. reduce or cancel them or amend or impose additional conditions) at any time prior to vesting, which provides an additional safeguard if an assessment of performance proves to be inaccurate or incorrect.

In the Directors' Remuneration Report each year we will disclose the measures to be contained in the long-term balanced scorecard for the year and the performance against the measures which were set for the previous year. Where achievement of a performance measure is quantifiable, the relevant result will be independently verified.

B US ISSUES

What will the Group lose in connection with the legal proceedings arising from the Madoff Investment Securities scandal?

There are many factors which may affect the range of possible outcomes, and the resulting financial impact, of the various Madoff-related proceedings, including but not limited to the circumstances of the fraud, the multiple jurisdictions in which the proceedings have been brought and the number of different plaintiffs and defendants in such proceedings. For these reasons, among others, it is not practicable at this time for HSBC to estimate reliably the aggregate liabilities, or ranges of liabilities, that might arise as a result of all such claims but they could be significant. In any event, HSBC considers that it has good defences to these claims and will continue to defend them vigorously.

What is the scale of penalties or fines arising from the various US regulatory and law enforcement agencies investigations?

HSBC Bank USA entered into a consent cease and desist order with the Office of the Comptroller of the Currency and the indirect parent of that company, HSBC North America, entered into a consent cease and desist order with the Federal Reserve Board in October 2010. These actions require improvements for an effective compliance risk management programme across the Group's US businesses, including US Bank Secrecy Act ('BSA') and Anti Money Laundering ('AML') compliance. Steps continue to be taken to address the requirements of these Orders and to ensure compliance, and that effective policies and procedures are maintained.

Various HSBC Group companies are the subject of ongoing investigations, including Grand Jury subpoenas and other requests for information, by US Government agencies, including the US Attorney's Office, the US Department of Justice and the New York County District Attorney's Office. These investigations pertain to, among other matters, HSBC Bank USA's bank note and foreign correspondent banking businesses and its compliance with BSA and AML controls, as well as various HSBC companies' compliance with Office of Foreign Asset Control ('OFAC') requirements, and whether certain Group companies acted appropriately in relation to certain customers who had US tax reporting requirements. In each of these US regulatory and law enforcement matters HSBC is cooperating fully and engaging in efforts to resolve matters.

The consent cease and desist orders do not preclude additional enforcement actions against HSBC Bank USA or HSBC North America by bank regulatory or law enforcement agencies, including actions to recover civil money penalties, fines and other financial penalties relating to activities which were the subject of the cease and desist orders. In addition, it is likely that there could be some form of formal enforcement action which may be criminal or civil in nature in respect of some or all of the ongoing investigations. Actual or threatened enforcement actions against other financial institutions for breaches of BSA, AML and OFAC requirements have resulted in settlements. Some of those settlements involved the filing of criminal charges, in some cases including agreements to defer prosecution of those charges, and the imposition of fines and penalties. Some of those fines and penalties have been significant depending on the individual circumstances of each action. The investigations are ongoing. Based on the facts currently known, it is not practicable at this time for HSBC to determine the terms on which the ongoing investigations will be resolved or the timing of such resolution or for HSBC to estimate reliably the amounts, or range of possible amounts, of any fines and/or penalties. As matters progress, it is possible that any fines and/or penalties could be significant.

What is the Group's strategy in the U.S.?

The U.S. continues to be a very important global market, as a centre for international trade, capital flows, economic development and wealth creation. By virtue of these factors, it is paramount that we have a U.S. business which is profitable, sustainable, focused on our core capabilities and complementary to the HSBC Group strategy to become the leading international Bank.

The U.S. business is in the process of being restructured and transformed. The five filters framework is being applied to identify parts of our business that are no longer aligned with our core strategy. Targeted investment in the four global lines of business will continue, supported by a right sized, robust infrastructure that is fully compliant with regulatory requirements. Opportunities to reduce risk and improve returns in our non-core legacy assets will be assessed and progressed where shareholder value is maximized.

How much has the Household acquisition cost HSBC?

The Group has made USD167 billion of profit before tax (excluding the goodwill impairment charge) since acquiring Household Finance Corporation (HFC) in 2003. The total acquisition costs were USD16.4 billion. Dividends of USD5.5 billion have been received to December 2011.

While the eventual cost to HSBC will continue to be heavily influenced by the US economy, actions taken by this management team to date have contributed to the operations in the North America being profitable for the second consecutive year (on a reported basis).

What progress has been made in closing down the US Consumer Finance Business?

The Consumer finance business has reduced from US$72 billion in 2009 to US$49 billion in 2011 and subject to market conditions, the book is expected to run off by a further 50-60% over the next five years. Despite the reducing size of the Consumer finance business book, it remains sensitive to macroeconomic factors such as unemployment figures and house prices and regulatory pressures e.g. foreclosure moratoriums. Various options including asset collection strategies and asset sales, continue to be evaluated along with changes in market liquidity, pricing and demand for certain segments.

C CORPORATE SUSTAINABILITY

Does HSBC donate to charity and how does HSBC give back to communities and those in need?

In 2011, HSBC donated US$96 million to community investment projects. We focus on education and the environment, as these are fundamental to building and developing communities. Last year, 54% of our donations went to education projects, 28% to environmental projects and 18% to other local projects. Over the last five years, HSBC has invested over US$500 million in community projects.

Our flagship global education programme Future First is a partnership between HSBC, SOS Children's Villages and other not-for-profit organisations. In the last five years we have donated US$13 million to help some of the world's most marginalised and impoverished young people access education. During this time, the programme has helped nearly 541,000 children in 55 countries. In March 2011, we committed a further US$15 million over five years to Future First, with the aim of supporting one million children. This investment will develop the programme's work to cover children at risk and extend coverage to six new countries.

We support financial education and business literacy through JA More Than Money™. Over the last three years HSBC has invested over US$5 million in this project, which operates in 38 countries. To date some 3,000 HSBC employees have helped over 170,000 primary school children aged 7 to 11 learn about managing money.

Last year saw the conclusion of the HSBC Climate Partnership, a five-year US$100 million environmental programme. Working with four leading environmental organisations, The Climate Group, Earthwatch, Smithsonian Tropical Research Institute and WWF we have improved water supplies for 32 million people, helped 21.7 million hectares of habitat adapt to climate change, halted or reversed the decline of 54 species and helped 20 of the world's largest cities implement climate change reduction strategies.

The Partnership endures within HSBC too. The programme created a global community of 2,267 employees called Climate Champions, who have been trained in the actions needed to make a positive impact on our environment. The research the Climate Champions conducted during off-site training has contributed to the world's largest forest research project.

You can read more about the achievements of the HSBC Climate Partnership in our commemorative book at *http://www.hsbc.com/1/2/sustainability/climate-partnership.*

How does HSBC manage risk in lending and other financial services?

HSBC has five sector policies which help to manage the potential impact of our business customers on people and the environment. Some 41,000 business customers are assessed against these sector policies. When customers do not comply and, despite our best efforts, make no progress towards compliance, as a last resort we will exit the relationship.

We also have a defence equipment policy which sets out our approach to companies involved with weapons. We do not have any relationships with customers which manufacture or sell anti-personnel mines or cluster bombs.

In 2004, HSBC adopted the Equator Principles. This is a framework for managing the potential impact of large projects on people and the environment. The policies deal with issues such as illegal logging, human rights, biodiversity and climate change.

You can read summaries of all these policies and on the application of the Equator Principles at *http://www.hsbc.com/1/2/sustainability/sus-risk.*

Could you please explain why you are closing your contact centre in Hemel Hempstead with the loss of 385 jobs which will have a real impact on many of your high performing and loyal staff?

The closure of the Hemel Hempstead site is a hard decision given the impact it has on our people. From a commercial standpoint, however, it is not complex. A number of changes to the UK Contact Centre operations will generate considerable efficiencies requiring fewer staff in the operation overall but specifically at the Hemel Hempstead site where our sales teams will reduce significantly. The closure of the Hemel

Hempstead site represents an operational cost save (excluding headcount savings) of £20 million over 10 years. After the closure of this site, our UK Contact Centres will operate with a far better utilisation - sufficient to allow us both to accommodate existing contact volumes and to provide a degree of operational flexibility.

We have, and will continue to, work closely with our people in Hemel Hempstead treating them with the respect, dignity and consideration that they deserve. With the support of Working Transitions, a specialised HR consultancy firm, to assist them in finding alternative employment either within the Bank or externally.

D CORPORATE GOVERNANCE

Why is the board of Directors so big?

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

At the conclusion of the 2012 Annual General Meeting, we have 5 nationalities (American, British, Chinese, German and Indian) represented on the Board and the Executive Directors between them have 53 years experience with HSBC, working in a total of 7 countries.

The Nomination Committee regularly reviews the structure, size and composition necessary (including the skills, knowledge and experience required of Directors) to address and challenge adequately key risks and decisions that confront, or may confront, the Board and makes recommendations to the Board with regard to any changes. The Nomination Committee maintains a forward-looking schedule of potential candidates as Directors that takes into account the needs and developments of the Group's businesses and the anticipated retirement dates of existing Directors.

How can some of the Directors who have too many other appointments possibly give HSBC enough time?

The Board has determined that the time commitment expected of non-executive Directors to be not less than 24 days per annum and not less than 30 days per annum in total for non-executive Directors appointed to the Group Audit Committee, Group Risk Committee or Remuneration Committee and for the Deputy Chairman and senior independent non-executive director. The time commitment of each non-executive Director is set out in the Director's letter of appointment.

Formal evaluation of the individual performance of each Director is undertaken annually by the Chairman using the findings of the performance evaluation process undertaken by the Board. The Group Chairman has confirmed that all of the non-executive Directors continue to perform effectively and to demonstrate commitment to their roles.

The non-executive Directors, led by the senior independent non-executive Director, are responsible for the evaluation of the performance of the Group Chairman.

Why aren't there more women on the Board?

At the conclusion of the Annual General Meeting, women will comprise 4 of the 17 Directors, representing 23.5 per cent of the Board, very close to the aspirational target set for FTSE100 companies in Lord Davies' report "Women on Board" to be achieved by 2015. We follow a merit based approach to diversity and inclusion with regard to gender, ethnicity and age. Within the HSBC organisation we have women running major banking operations in the US, India, China and Hong Kong.

When will you decide to relocate to another domicile?

In the third quarter of 2011, we made clear that any decision on the location of our Headquarters domicile has been put back at least 12-18 months when there is greater clarity on the Independent Commission on Banking issues and other legislation. The number of regulatory uncertainties makes it impossible to make a decision at this time. We are aware of our fiduciary duties and will clearly act in the best interests of shareholders.

E UK SPECIFIC ISSUES

NHFA Limited - facts

Nursing Homes Fees Agency ("NHFA") was purchased in 2005 by HSBC Actuaries and Consultants Limited ("HACL") and later transferred to HSBC Bank plc when HACL was sold in 2009.

Through its small network of independent advisors it provided specialist advice to customers on meeting ongoing care costs.

As of 1 July 2011, NHFA closed to new business.

On 5 December 2011, HSBC received a fine from the FSA of £10.5 million for unsuitable advice given by NHFA to its customers.

Brian Robertson, Chief Executive of HSBC Bank plc, stated: ***"I fully accept that NHFA failed to give suitable financial advice to some of their customers. This should not have happened and I am profoundly sorry that it did.***

We have high values here at HSBC and this runs contrary to everything that we stand for. That is why when we suspected something was not right at NHFA, we took action. We advised the FSA of our findings and closed NHFA to new business on 1st July 2011."

The FSA acknowledged that HSBC had not only taken significant proactive action to address the problems at NHFA, but had also fully co-operated with the FSA throughout the review.

In the majority of cases, sales were made through the customer's family or their representatives. No complaints were received suggesting that any customers had been required to leave their care home as a result of the advice given by NHFA.

During the relevant period under investigation NHFA advised around 11,000 customers. A small percentage of these customers (2,485) invested in asset-backed investment products - typically investment bonds - which were used to fund long-term care costs. As a result of the ongoing review, it is now clear that for many of these 2,485 customers, this advice was not the most suitable.

HSBC has taken responsibility for all NHFA customers – including those from before HSBC bought the company in 2005. As of today, HSBC Bank plc is well underway in its full review of the advice given to impacted NHFA customers and has guaranteed that every customer who is found to have not been treated fairly will not be disadvantaged.

Customers of NHFA from April 2004 do not need to do anything. They will have been contacted as to whether their case will be reviewed.

Any customers of NHFA from before April 2004 who wish to complain should either email (NHFA@hsbc.com) or write to the following address, giving as much detail as possible about the customer in question.

HSBC Payment Protection Insurance ("PPI") - Facts

HSBC was the first major UK bank or lender to stop selling PPI in late 2007. In line with this, HSBC's provision for its PPI redress programme at US$1.2bn (£745m) is less than other major UK lenders, as shown below:

Bank	1Q12 Increase	Total
Lloyds Banking Group	£375m	£3.6bn
Barclays	£300m	£1.3bn
RBS	£125m	£1.2bn
HSBC	£290m	£745m

The high profile redress scheme ongoing by all major lenders, and the significant advertising programme by claims management companies (CMCs), have together led to a higher volume of PPI claims than we initially estimated.

As such, the bank increased its provision in Q1 2011 by a further US$468m, rising to the current total of $1.2bn. Many factors will continue to affect the estimated provision and there remains a degree of uncertainty around the eventual costs of redress for this matter. As of March 2012, the bank has refunded US$500 to mis-sold PPI customers.

The increase in claims to the bank from CMCs is in line with other major lenders. Equally in line with other major lenders, approximately a third of all claims to HSBC by CMCs are invalid, either referring to individuals who never had a relationship with HSBC or never had PPI.

HSBC is working with industry to encourage any customer who thinks they have been mis-sold PPI to contact us directly. Customers using CMCs pay on average 25% of their redress payment in fees.

Going forward, we will continue to roll out our programme of proactively contacting customers we believe were mis-sold to.

F INDIA

What has been the trend of complaints recorded by the India business?

We have seen a reducing trend of complaints pertaining to our India business with a 49% reduction in complaints (period ended March 2012) as compared to March 2011. Complaints reported to the regulator in India have also seen a reduction of 34% (from March 2011 to March 2012). Escalations and complaints to our Leadership / Management team in India are tracked closely and approximately 21% month-on-month reduction has been sighted from January 2011 till date.

What are the measures being taken by the India management team to reduce the incidence of complaints?

The HSBC India Management has been actively involved in addressing complaints and ensuring suitable measures are taken to reduce them. The approach has been:

- A governance framework for complaint management & resolution is in place including:
    a. Weekly Forum for analysis of select complaints on systemic deficiencies and corrective measures by the cross functional management teams;
    b. Monthly overview of key service metrics on complaints, processes and customer experience;
    c. Quarterly Board level committee chaired by the Chief Executive Officer of India to overview customer experience, regulatory adherence and decision on systemic changes; and
    d. Incident Management framework for proactive resolution of special cases and root cause rectification.
- Regular review of processes and service metric is in place. Processes are reviewed from a customer's perspective and those that result in unsatisfactory service experience are identified and necessary changes incorporated.
- Through structured research we have identified what our customers expect of us and the service delivery process is aligned accordingly.
- Adequate visibility provided to customers on various channels of service and the levels of escalation.
- Complaints trends and adherence to resolution turn around time are monitored closely.

- Customer communication framework has been strengthened with key changes to tariff / service offering made available through monthly banking/card statements as well as through Bank’s public website.
- Code of Conduct across customer facing units and vendors is reiterated on an ongoing basis and adherence is monitored. Violation of the code is dealt with severely.
- Processes have been refined to ensure timely closure of debt settled accounts and appropriate updating of Bureau records.