



11 May 2011

Commercial Banking

Investor Day

Alan Keir

Chief Executive Commercial Banking

HSBC 

Forward-looking statements



This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report and Accounts 2010. Past performance cannot be relied on as a guide to future performance.

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial information to the most directly comparable measures under GAAP are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.

The world is more international and connected



Faster Growing and Mature Markets connectivity

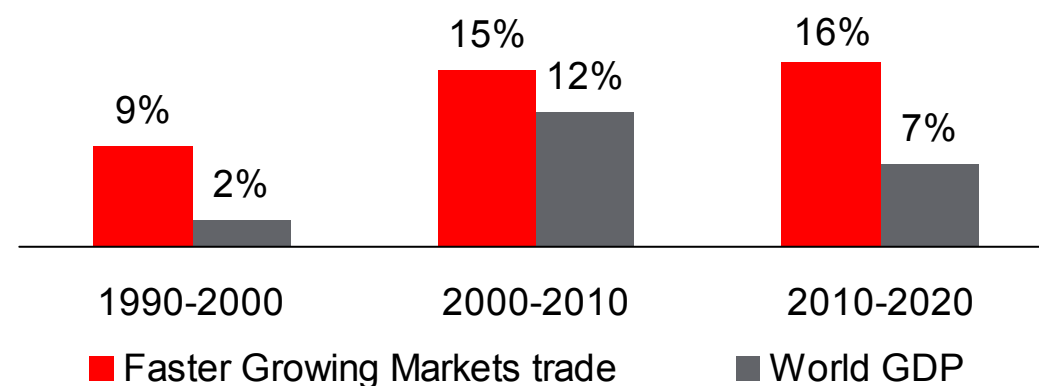
- Faster Growing Markets to contribute over half of the world's trade in 2020¹
- Strong FDI flows in both Mature and Faster Growing Markets
- World trade growth centered around six hubs: Greater China, India, United States, Germany, United Kingdom and France²

Businesses becoming international

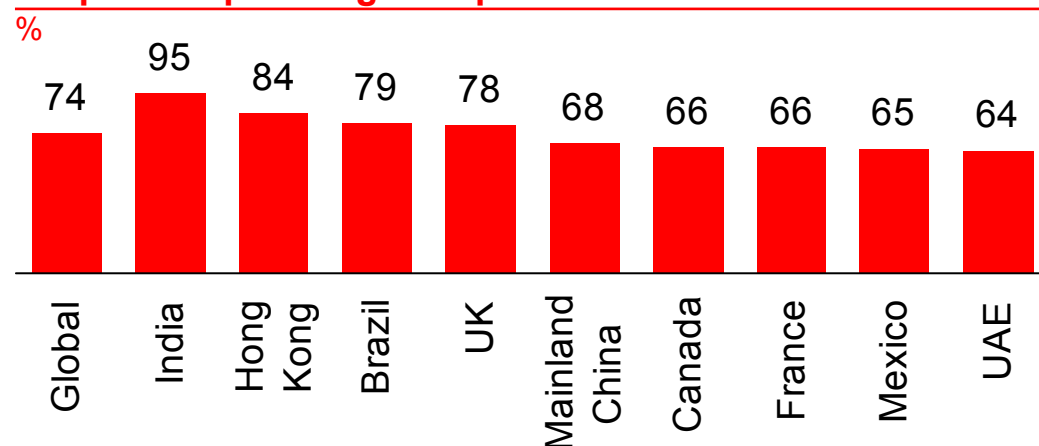
- 74% of Corporates plan to expand international business
- 40% of SMEs expect to be operating internationally within next two years⁴
- 65% of companies grew international business faster than domestic³

World GDP vs. Faster Growing Markets trade²

CAGR



Corporates planning to expand international business³



Note: Mature markets are USA, Canada, Japan, Australia, New Zealand, Switzerland, Malta and the EU15, remaining sites are classified as 'Faster Growing'.

¹ HSBC Global Research

² UN, World Bank and HSBC estimates, September 2010

³ HSBC International Business survey, June 2010

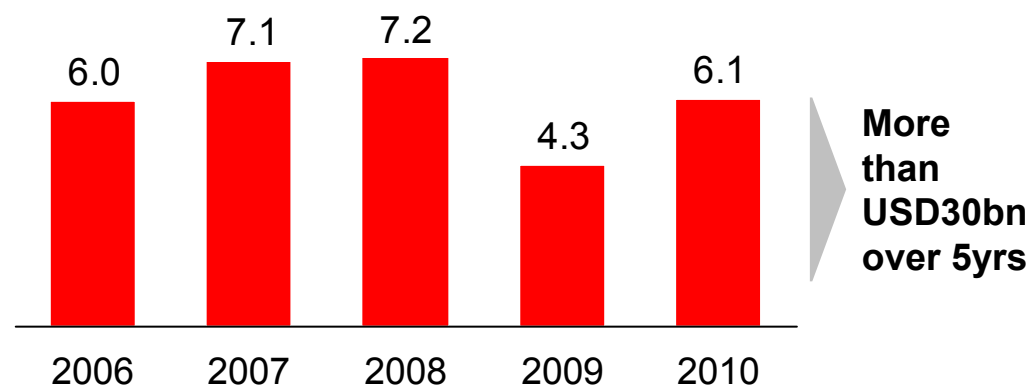
⁴ HSBC Small Business Confidence Monitor, January 2011

Building on our rich heritage to enable connectivity



Profitable throughout the crisis

PBT, USDbn



Deep and strong relationships

- Our model is, and always has been, about relationships
- We value length of relationship, getting to know the business owner/driver and understand their needs
- We help businesses grow and expand into new markets
- We consistently benchmark ourselves with customer research
- Customers value this approach and stay with us for the long term

Industry recognition

PCM	 Treasury Management International <i>Best Cash Management Bank in Asia</i> <i>Best Cash Management Bank in China</i>  Global Finance <i>Best Overall Bank for Cash Management – Asia & M. East</i> <i>Best Bank for Payments & Collections – M. East</i> <i>Best CLS-Linked Bank Offering – M. East</i>
Trade and supply chain	 GTR Leaders in Trade Awards <i>Leading Global Trade Finance Bank</i> <i>Leading Trade Finance Bank in MENA, UAE & Saudi Arabia</i>  Trade Finance <i>Best International Trade Bank in Indonesia</i> <i>Best Trade Finance Bank in Hong Kong</i> Receivables Finance <i>Best Global Factoring Institution</i>
E-Banking	 Best Corporate/Institutional Internet Bank <i>Brunei Hong Kong Indonesia Kuwait Macau Oman Qatar Saudi Arabia Thailand Turkey</i> Regional Awards – Asia Pacific <i>Best Investment Management Services</i> <i>Best Online Cash Management</i> <i>Best Trade Finance Services</i> <i>Best Web Site Design</i> <i>Best Information Security Initiatives</i>

Delivering connectivity across the Group



Customer Group cross-sales in 2010

Global Markets	USD1.4bn revenue
GPB	USD4bn in net new money
Insurance	USD0.7bn revenue
Premier	45,000 successful referrals (+200% over 2009)

Referrals within CMB 2010¹

% of referrals by transaction value

		To	
		Mature	Faster Growing
From	Mature	18	33
	Faster Growing	11	38

- Successful referrals up 77% in 2010 to USD15bn
- Cross border referrals: 72% CAGR (2007-2010)
- Referrals from mainland China more than doubled from 2009

¹ The share of referrals between markets has excluded the effect of referrals between mainland China and Hong Kong. Including these referrals would increase the share of referrals between Faster Growing Markets from 38% to 52%

HSBC position and competitive advantages

Consistently delivered strong and sustainable financial performance



		2009		2010
Revenue	▪ Steady growth	USD12.9bn	+8%	USD13.8bn
PBT	▪ Strong increase	USD4.3bn	+42%	USD6.1bn
Cost efficiency ratio	▪ Invested for future revenue growth	46.4%	+3.0pp	49.4%
LIC as % of average advances	▪ Return to historical lows	1.7%	-83bp	0.8%
Advances-to-deposits ratio	▪ Self-funded global business	74.7%	+9.0pp	83.7%

Note: All numbers shown on a reported basis

Leveraging international capabilities

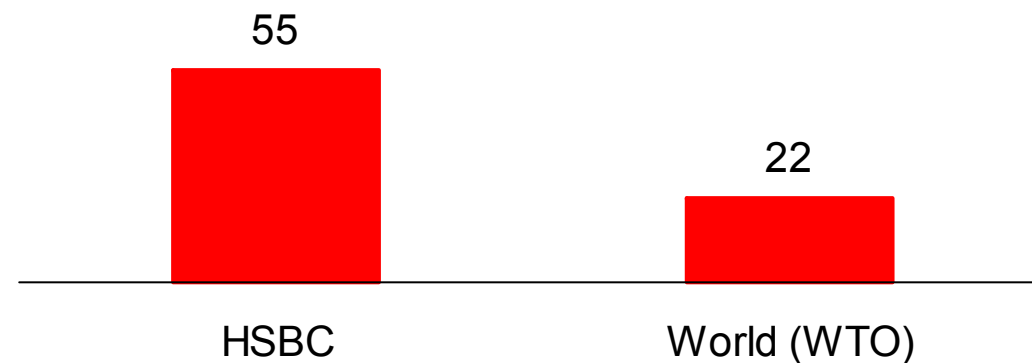


HSBC international capabilities

- Recognised leader in trade
 - Whether open account ...
 - Global Liquidity Management in 55 markets
 - Receivables Finance: coverage across 19 sites
 - International Factoring: #2 globally¹
 - ... or directly through other products
 - Traditional LC, remittances and collections
 - Commodity and Structured Trade Finance
- Leader in Cash Management penetration²
- Strong capability with ancillary products: FX, Insurance etc
- Leading RMB capability

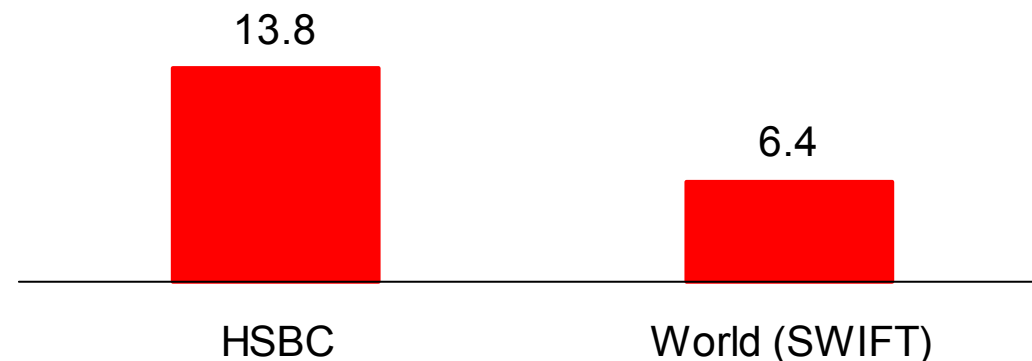
Trade growth

Turnover growth³, %, 2009-2010



Payments growth

Transaction growth⁴, %, 2009-2010



¹ Factor Chain International, Nov 2010

² 2010 Greenwich Associates Online Services Benchmarking Study, Greenwich Associates

³ WTO and HSBC Total (Import and Export) Trade Turnover (Internal Management Information)

⁴ www.swift.com; Payment transactions growth 2009-2010

Strategic direction and actions overview



Commercial Banking

Strengthen our position as the leading international trade and business bank

1

Focus on Faster Growing Markets

2

Collaborate with GBM to capture the mid-market opportunity

3

Capture growth in international SMEs

4

Drive efficiency gains

1 Focus on Faster Growing Markets



Key opportunities¹

- Faster Growing Markets will contribute twice as much as the Mature Markets to global growth over the period 2010-2050
- By 2050, 19 of the top 30 markets by GDP will be countries currently described as emerging
- Demand for commodities continues to increase
- Climate business will be increasingly important

HSBC position

- Excellent coverage in key Faster Growing Markets
- Growing franchises in mainland China, India, Brazil and Mexico
- Focused model in smaller franchises centered on international capability

Key actions

Expanding presence in key Faster Growing Markets

Increase product penetration

2011 roll-out of Commodity and Structured Trade Finance Capability

Target sustainable profit growth at more than double the world's GDP growth rate

¹ 'The World in 2050', HSBC Global Research, January 2011

2 Collaborate with GBM to capture the mid-market opportunity



Key opportunities

- Growing demand for financing solutions, particularly in Faster Growing Markets, to be delivered with:
 - Debt and Equity Capital Markets
 - Leveraged and Acquisition Finance
 - Asset and Structured Finance
 - Project and Export Finance

HSBC position

- Strong, established mid-market franchise, the historic core of the group
- Excellent international coverage and connectivity
- In 2010, CMB clients generated USD1.4bn of revenues in Global Banking and Markets products

Key actions

Capture potential revenue upside of USD1bn in the short to medium term

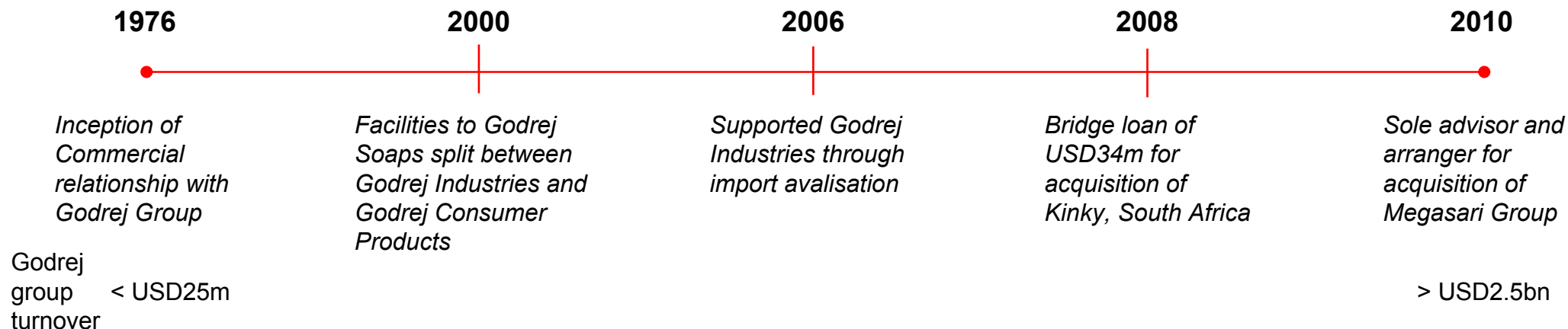
Greater investment in franchise with particular emphasis on origination and cross-sell opportunities

Better global coordination within franchise and with GBM

Focus on key markets with deepest profit pools

Strategic direction and actions

More than three decades supporting the Godrej Group



Commercial Banking customer relationships are built over time, rooted in discovery and understanding of the customer's needs and goals; underpinned with responsive and trusted advice. We grow with our customers, supporting their increasingly complex needs and helping them realise their objectives at every stage of their evolution.

Differentiators

- Strategically aligned: Godrej Group values HSBC's strategic focus in Faster Growing Markets and in cross-border financing-led transactions
- HSBC uniquely positioned to meet customer's cross-border expansion needs through global presence and capabilities

Ongoing growth opportunity

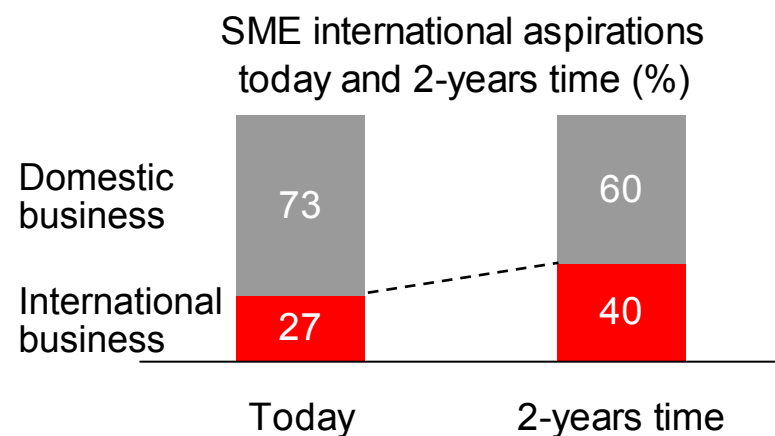
- Retain position as top international bank for Godrej
 - Initiate transaction banking across geographies (Indonesia, and Latin America)
 - Increase domestic wallet share in Cash Management
 - Leverage relationship to penetrate across wider group

3 Capture growth in international SMEs



Key opportunities¹

- SMEs demonstrate increasingly “international” aspiration



HSBC position

- Leading position in key markets through international franchise
- Unparalleled ability to connect developed and Faster Growing Markets
- Wealth of international know-how to support growing businesses

Key actions

Capture increased share of growing market of international and internationally aspirant SMEs

Deliver wider product set to International SMEs

Provide value-added knowledge and insight to customers through both online information and internationally aware RMs

Reposition legacy SME books to an even greater focus on international

4 Drive efficiency gains



Key opportunities

- Global capabilities and scale:
 - Greater standardisation of operating model to drive cost efficiencies
 - Focus on products, projects and processes that can bring material global competitive advantage
- Changing customer behaviour gives scope to use digital and mobile technologies to reduce cost whilst enhancing accessibility and service

HSBC position

- 2010 CER of 49.4% reflecting investment in Faster Growing Markets
- Established offshoring capability
- Key focus on flagship projects

Key actions

Implement a globally consistent operating model

- Reduce support function and IT costs through centralisation

Re-engineer processes to drive operational efficiencies

- Streamline credit processes to improve RM capacity

Improve efficiency gains from technology

- Increase customer penetration in digital channels

Leverage scale in Centres of Excellence (CoEs)

- Double proportion of operations and support functions in CoEs



Competitive advantages

We connect Mature and Faster Growing Markets for our customers

We are a recognised leader in trade

Superior returns, leveraging our international and GBM capability

Rich heritage with a customer centric business model

Strategic actions

Focus on Faster Growing Markets

Collaborate with GBM to capture the mid-market opportunity

Capture growth in international SMEs

Drive efficiency gains through adopting a global operating model

Target RoRWA

2.2%-2.5%

Basis of preparation (1/2)



Actuals	Actual numbers presented are on a reported basis and include the effect of movements in the fair value of HSBC's own debt related to credit spreads
AMG	The Global Asset Management business formed part of GBM in 2010, but has been included in RBWM for the RoRWA targets. Comparative data will be presented to reflect this reclassification in the Interim Report 2011
Asia	Data for 'Asia' comprises the sum of reported figures for the Hong Kong and Rest of Asia-Pacific geographical regions without the elimination of inter-segment items
Composition of the Group	No changes to the composition of the Group have been assumed other than those described in this presentation
Financial targets	Financial targets are prepared on the basis of the Group's accounting policies as set out in the Annual Report and Accounts 2010, and on the basis of tax rates and laws enacted or substantively enacted as at 31 December 2010. The potential effects on HSBC's operations and performance of the Dodd-Frank Act in the US, the deliberations of the UK Independent Commission on Banking, and a range of evolving regulatory changes which may or may not affect HSBC have not been included in the targets
Other	The main items reported under 'Other' are certain property activities, the estimated impact of the UK bank levy, unallocated investment activities, centrally held investment companies, gains arising from the dilution of interests in associates, movements in the fair value of own debt designated at fair value (the remainder of the Group's gain on own debt is included in GBM) and HSBC's holding company and financing operations. The results also include net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, and costs incurred by the Group Service Centres and Shared Service Organisations and associated recoveries

Basis of preparation (2/2)

RoE	Return on equity ('RoE') is profit attributable to ordinary shareholders of the parent company divided by average ordinary shareholders' equity
RoRWA	The metric, return on risk weighted assets ('RoRWA'), is the profit before tax divided by average RWAs. The RWAs have been calculated using FSA rules for the 2010 metrics. The regional and customer group targets are adjusted for Basel 3 rules specific to the GBM business. In all cases, RWAs or financial metrics based on RWAs for geographical segments or customer groups are on a third party basis and exclude intra-HSBC exposures
RoRWA target for Europe	The Europe RoRWA target includes the Group's head office costs, intra-HSBC recharges and the total estimated impact of the UK bank levy
RoRWA target for 'Other'	No RoRWA target has been set for the 'Other' customer group as it is not considered to be a meaningful measure in terms of performance assessment and resource allocation
RWAs for the mainland China associates	RWAs for the mainland China associates have been reallocated from the 'Other' customer group to RBWM, CMB and GBM to align better with the basis for the allocation of their profits. This represents a reclassification from the basis used in HSBC's 2010 Pillar 3 Disclosures. Comparative customer group RWAs will be presented on the new basis in the Interim Report 2011

Acronyms and definitions



A/D ratio	Ratio of customer advances to customer deposits	ETF	Exchange traded funds	NYSE	New York Stock Exchange
Advance	HSBC Advance, a global banking proposition for the mass-affluent segment of customers	EU	European Union	OCC	Office of the Comptroller of Currency
AFS	Available for sale	FCA	UK Financial Conduct Authority	OTC	Over the counter
AMG	Global Asset Management	FDI	Foreign direct investment	PBT	Profit before tax
APS	Asset Protection Scheme	FIG	Financial Institutions Group	PCM	Payment and Cash Management, a division of Global Banking and Markets
ASEAN	The Association of South East Asian Nations	FPC	UK Financial Policy Committee	PFS	Personal Financial Services
ASP	Asia-Pacific	FRB	Federal Reserve Board	PPI	Payment protection insurance
AUM	Assets under management	FSA	Financial Services Authority	PRA	UK Prudential Regulation Authority
BoCom	Bank of Communications Co., Limited, mainland China's fourth largest bank by market capitalisation	FSB	Financial Stability Board	Premier	HSBC's premium global banking service
bps	Basis points (a basis point is 1/100 of a percentage point)	FVOD	Fair value of own debt related to credit spreads	RBWM	Retail Banking and Wealth Management global business, which comprises the existing Personal Financial Services customer group and Global Asset Management
BSM	Balance Sheet Management, a division of Global Banking and Markets	FX	Foreign exchange	RMs	Relationship managers
CAGR	Compound annual growth rate	GBM	Global Banking and Markets global business	RMB	Renminbi
CER	The cost efficiency ratio is total operating expenses divided by net operating income before loan impairment charges and other credit risk provisions	GDP	Gross Domestic Product	ROE	Return on equity
CHF	Swiss franc	GPB	Global Private Banking global business	RoRWA	Pre-tax return on risk weighted assets
CMB	Commercial Banking customer group	GTB	Global Transaction Banking	RWAs	Risk weighted assets
CML	Consumer and Mortgage Lending	HK	Hong Kong Special Administrative Region of the People's Republic of China	SIFIs	Systemically Important Financial Institutions
CoEs	Centres of excellence	HNWI	High net worth individuals	SMEs	Small and medium-sized enterprises
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	HSS	HSBC Securities Services	STP	Straight through processing
CRD	Capital Requirements Directive	ICB	Independent Commission on Banking	TARP	Troubled Asset Relief Program
CRM	Customer relationship management	IPO	Initial public offering	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
CVA	Credit valuation adjustment	IT	Information technology	UHNW	Ultra high net worth individuals
DCM	Debt capital markets	KYC	Know your customer	UK	United Kingdom
DTA	Deferred tax asset	LC	Letters of credit	US	United States of America
EBA	European Banking Authority	LIC	Loan impairment charges	VaR	Value at risk: 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
ECA	Export credit agency	M&A	Mergers and acquisitions	YoY	Year on year
EM	Emerging markets	Mainland China	People's Republic of China excluding Hong Kong		
EMEA	Europe, Middle East and Africa	MENA	Middle East and North Africa		
ESMA	European Securities and Markets Authority	MLA	Mandated lead arranger		
		MMEs	Mid-market enterprises		
		NAFTA	North American Free Trade Agreement		
		NNM	Net new money		