

HSBC Holdings plc

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28 March, 2011



The world's local bank

Commercial Banking



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. Past performance cannot be relied on as a guide to future performance.

Agenda

- ▶ **Commercial Banking highlights**
- ▶ **International Connectivity and Technology**
- ▶ **2011 Priorities**

Commercial Banking Highlights

A profitable, diversified, self-funded global business



Profitability - Superior financial performance with strong balance sheet momentum



Liquidity – Strong liquidity position through balanced segment strategy



Diversification – Geography, Segment, Product



International Connectivity – Leverage worldwide footprint to service customers globally

Financial highlights

Strongly Improved performance

		2009		2010
Revenue	Steady growth	USD12.7bn	+8%	USD13.7bn
PBT	Strong increase	USD4.0bn	+48%	USD6.0bn
Cost efficiency ratio	Invested for future revenue growth	46.9%	-2.9pp	49.8%
LIC as % of average advances	Normalised back to historical low	1.7%	+84bp	0.8%
Advances-to-deposits Ratio	Self-funded global business	74.5%	+9.2pp	83.7%

Note
 (1) All numbers shown are on an Underlying Basis

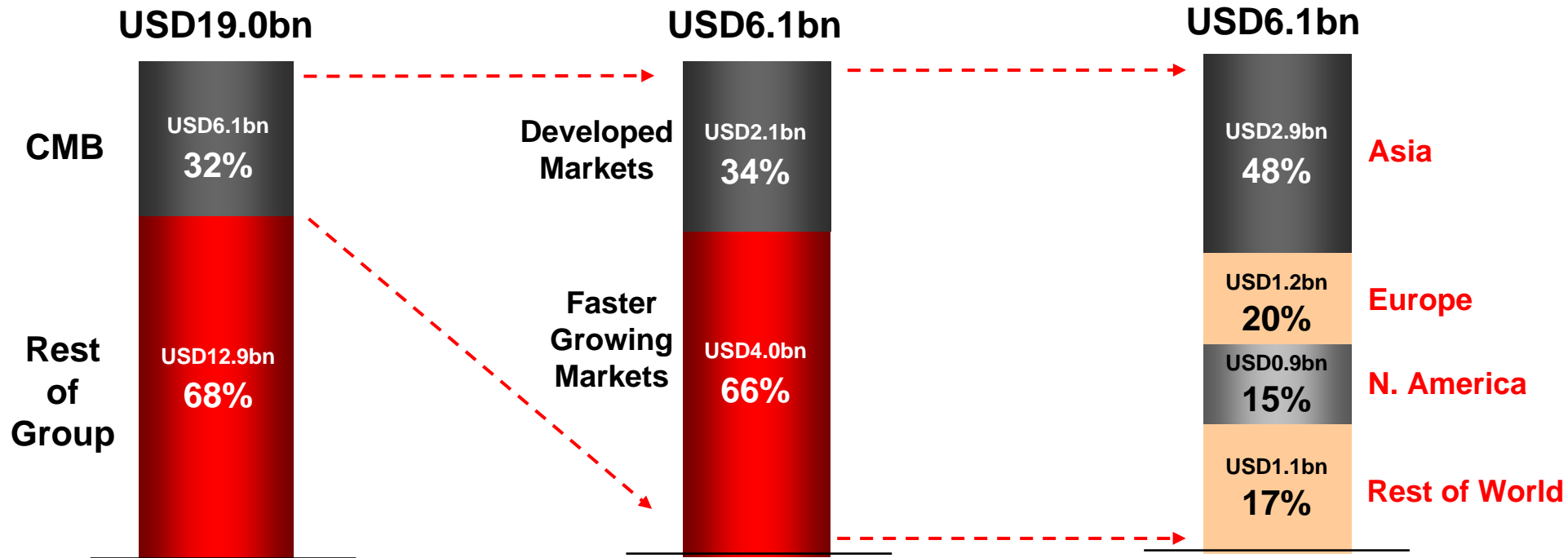
Commercial Banking contribution to HSBC

65 Countries and territories

**HSBC 2010 PBT
Composition¹**

**CMB 2010 PBT
by Markets**

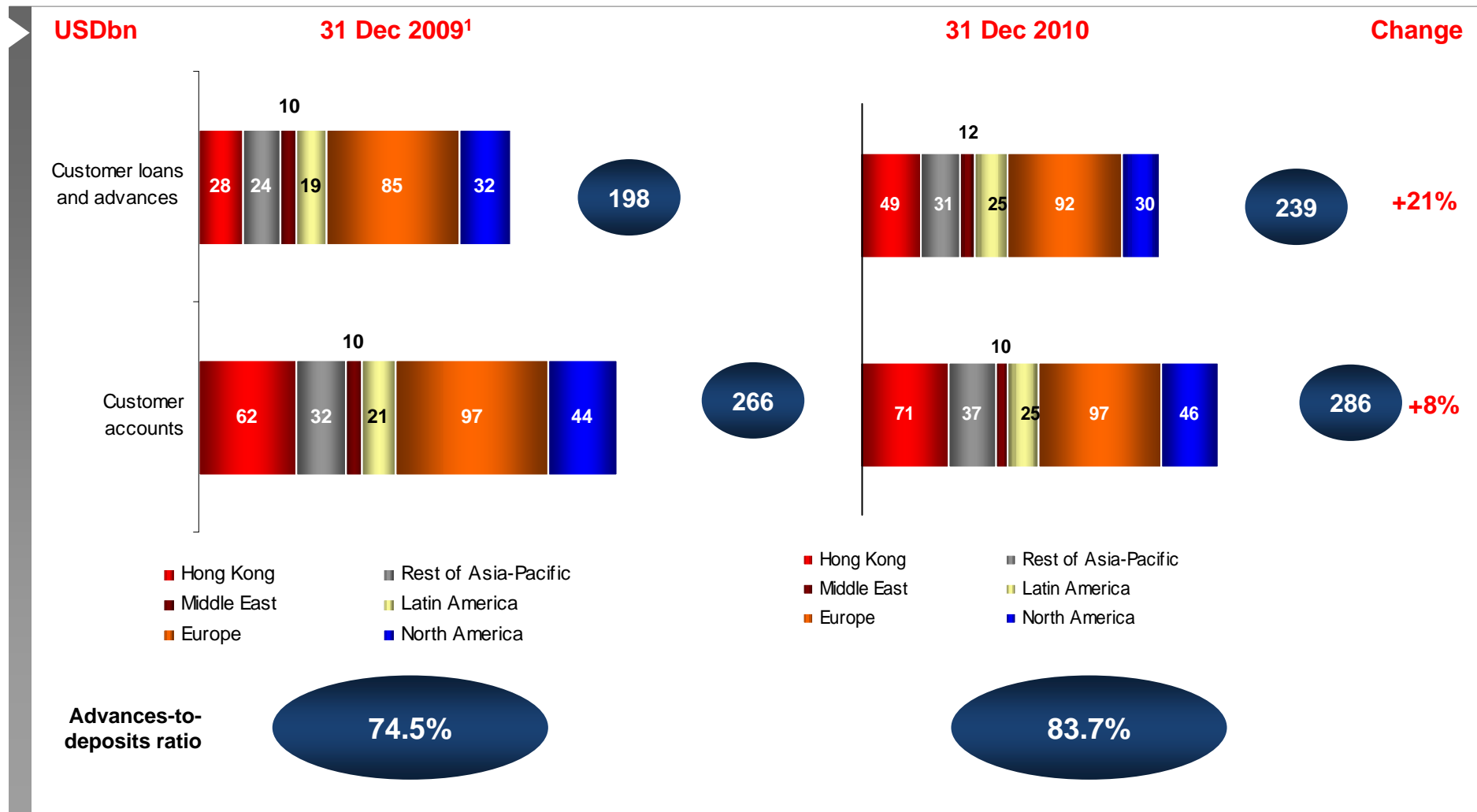
**CMB 2010 PBT
by Geography**



Note
(1) On a Reported Basis

Funding and liquidity strength

Core to our banking philosophy

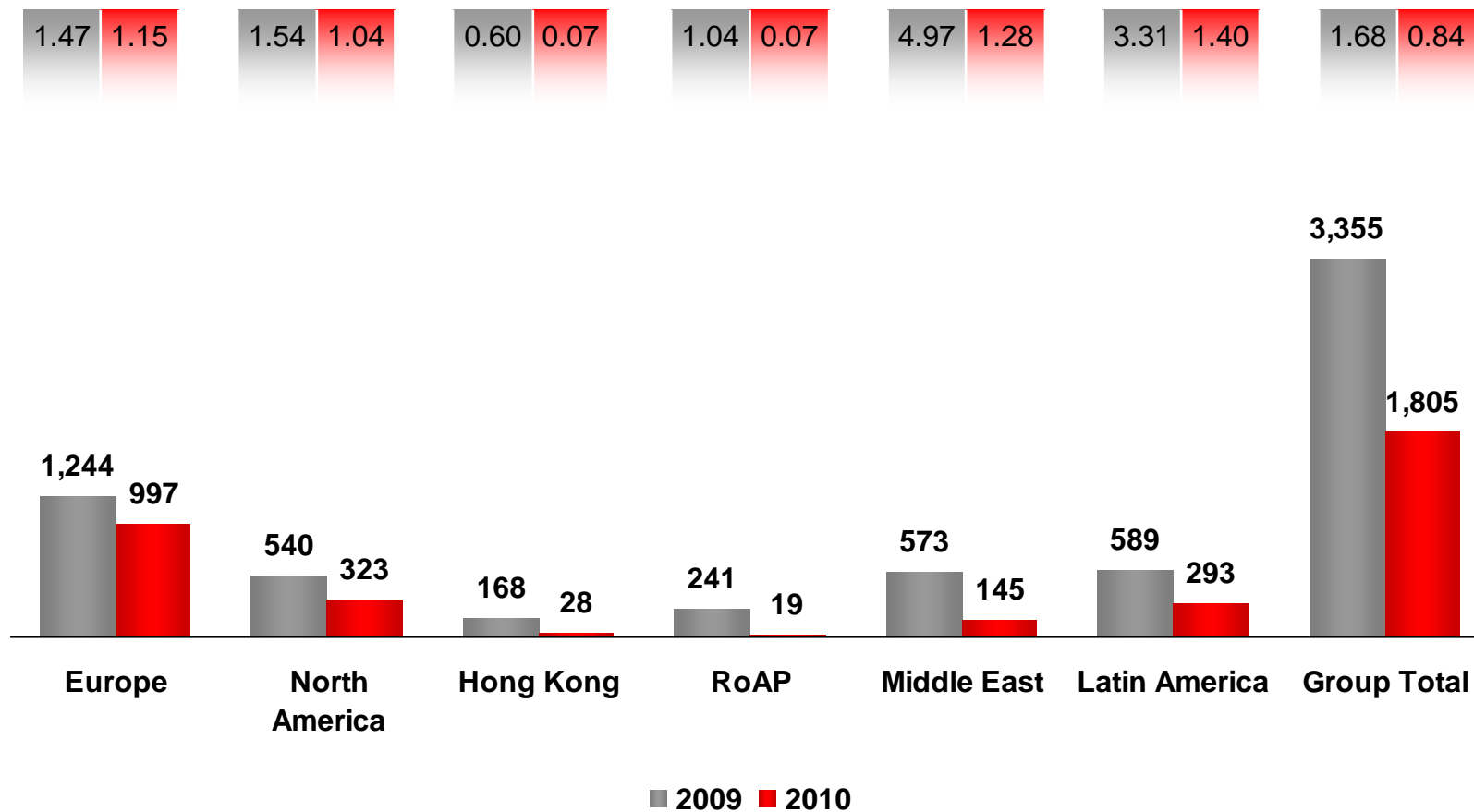


Note:
(1) Underlying basis

Credit quality strongly improved

Loan impairment charges and other credit risk provisions¹ USDm

LICs as %
of average
advances²



Notes:

(1) LICs for 2009 on an underlying basis

(2) LICs as a % of average loans and advances to customers (net)

Sustainable revenue and profitability growth

▶ Strong profit contribution over last 5 years

- ▶ USD30bn over 5 years
- ▶ +42% from 2009 to USD6.1bn in 2010

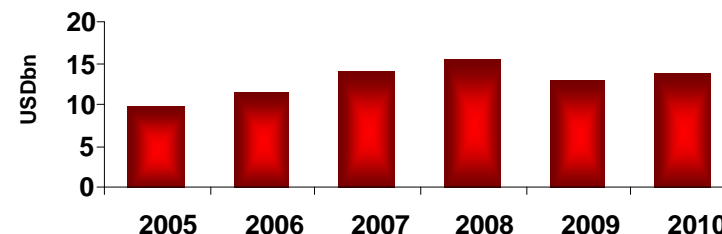
▶ Strong revenue growth despite low interest rate environment

- ▶ Net interest income +8% from 2010
- ▶ Fee income +7% from 2010

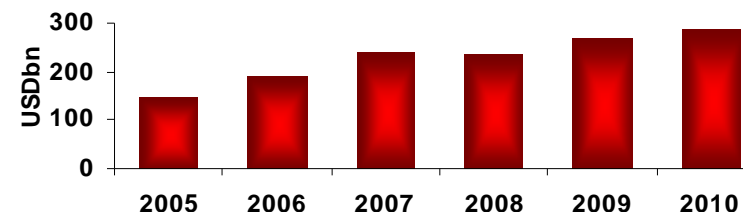
▶ Strong balance sheet and reduction in LICs

- ▶ Customer lending grew primarily in faster growing markets
- ▶ Credit environment improved and exposure to higher risk portfolios managed down

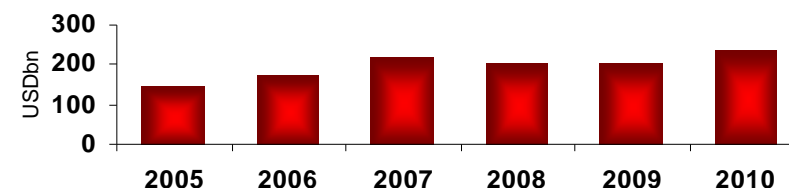
Revenue



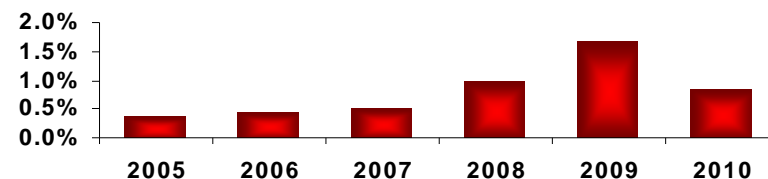
Customer deposits



Loans and Advances to Customers



LICs as % of average loans



Diversified income and profits

▶ By Geography

- ▶ Profitable across all regions
- ▶ Strong growth in faster-growing markets

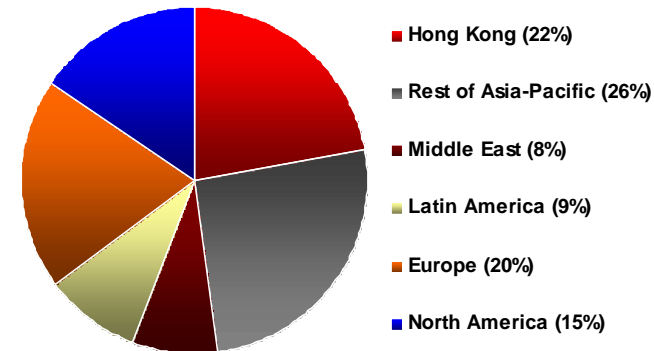
▶ By Customer Segment

- ▶ Corporate Banking and Business Banking

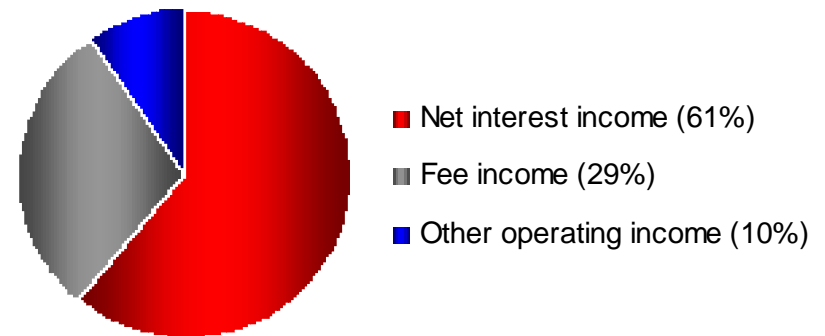
▶ By Product

- ▶ Diverse suite of products and cross selling platform to serve customer domestic and international needs

Profit before tax, geographic split, 2010



Diversification of business, 2010



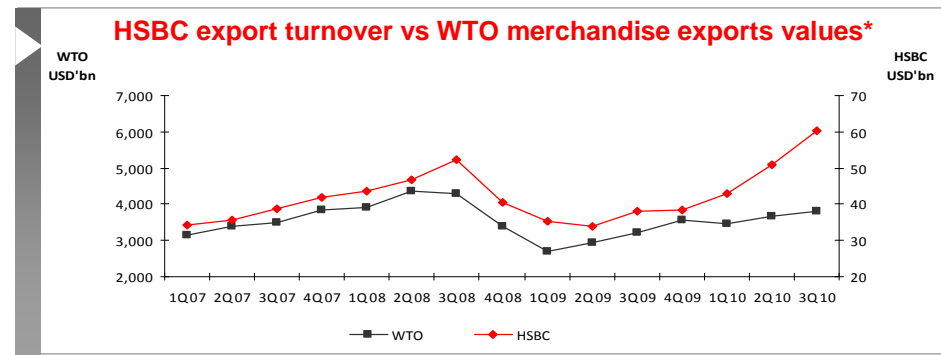
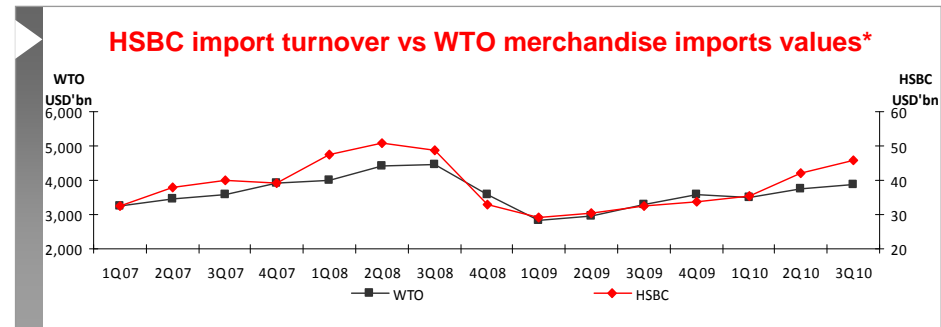
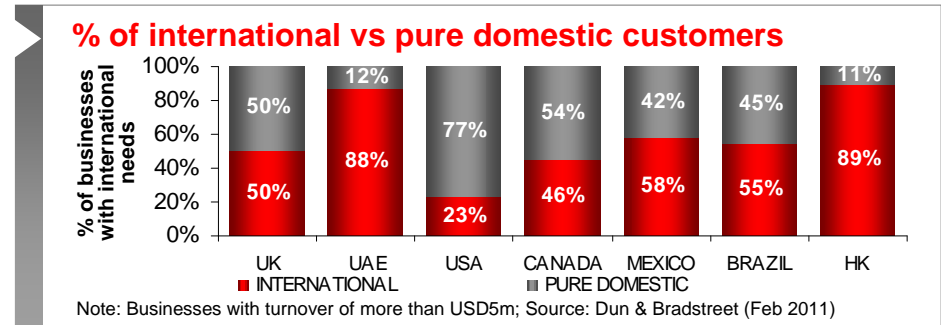
International Connectivity and Technology

Connectivity – The value of international business

▶ International Business is prevalent in many markets where HSBC operates

▶ HSBC trade turnover outperforms world trade growth

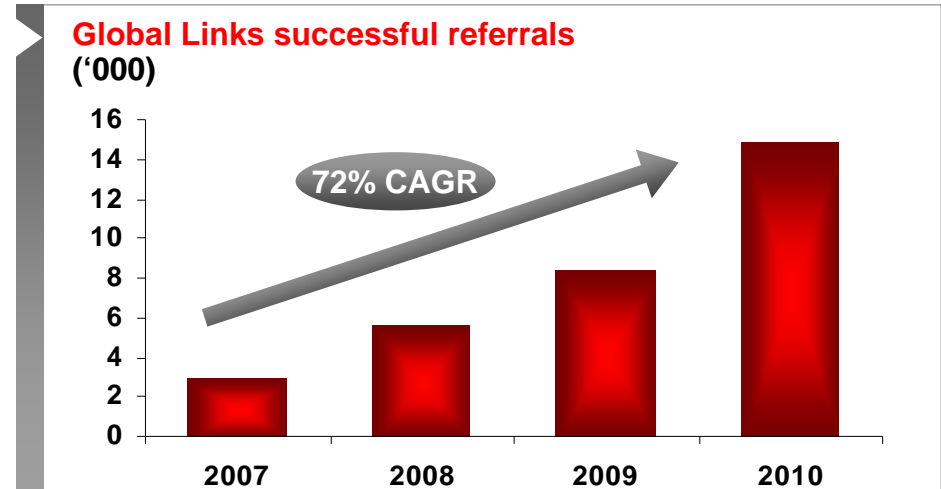
▶ Capitalise on rising level of international trade flows notably in Asia and Europe



* Source:
 • WTO – WTO website
 • HSBC – HSBC's Total (Import and Export) Trade Turnover Per Internal Management Information

Connectivity – Capturing the value

- ▶ **Increasing cross border referral activity**
 - ▶ **Successful referrals up strongly by 77% in 2010**
 - ▶ **Aggregate transaction value of almost USD15bn in 2010**



- ▶ **Our global footprint allows us to capture major trade and investment flows across markets**
 - ▶ **Successful intra-Asia referrals doubled from 2009**
 - ▶ **Referrals from mainland China more than doubled reflecting increased appetite for international opportunities**

HSBC referral flows, 2010
Referrals between Developed/ Faster Growing Markets as % of total HSBC referrals

		To	
		Developed	Faster Growing
From	Developed	31%	25%
	Faster Growing	11%	33%

The share of referrals between markets have excluded the effects of referrals between China and Hong Kong. Including these referrals will increase the share of referrals between faster growing markets from 33% to 69%

The RMB opportunity

HSBC's global RMB capabilities in 39 markets across 6 continents

Shanghai planned to become an international financial centre by 2020

- ▶ Continued developments to promote RMB internationalisation
- ▶ RMB could become fully convertible once Shanghai becomes an IFC

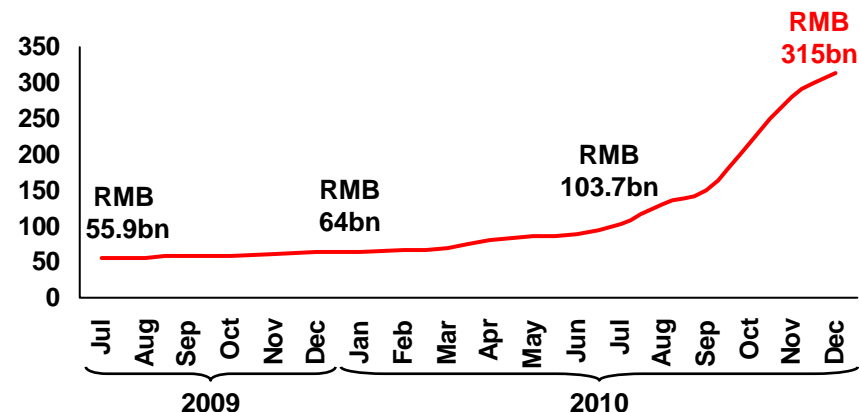
Hong Kong as offshore RMB centre

- ▶ RMB deposits in Hong Kong estimated at RMB1.2tn by 2012, over 20 per cent of Hong Kong's total deposits¹
- ▶ Hong Kong's offshore RMB bond market to grow 50 per cent to RMB110bn in 2011¹

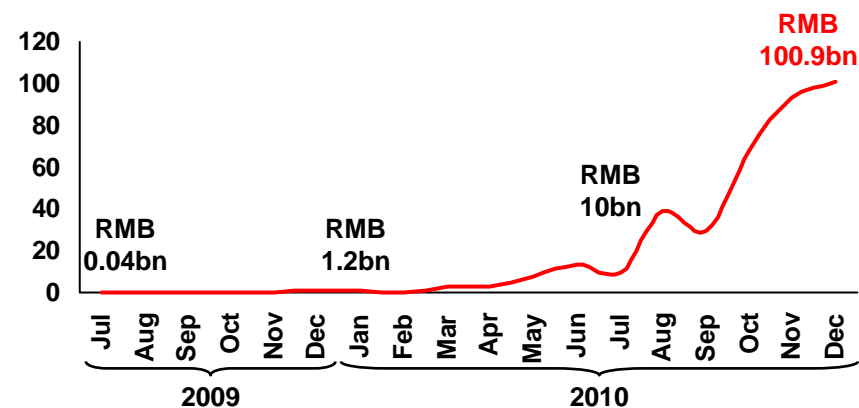
RMB to be the world's 3rd largest trading currency¹

- ▶ Total offshore RMB (CNH) liquidity to reach RMB1.3tn in 2011¹
- ▶ Asia and emerging markets to lead RMB trade and investment

RMB deposits², 2010



RMB trade settlement², 2010



Notes:

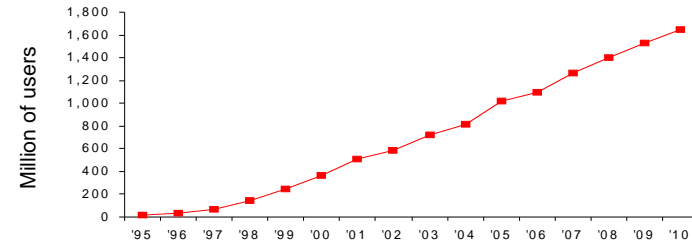
1. HSBC Global Research

2. Hong Kong Monetary Authority

Invest in technology for future growth

▶ **Number of internet users continue to grow, 36% CAGR from 1995 to 2010**

Number of internet users in the world



Source: www.internetworldstats.com

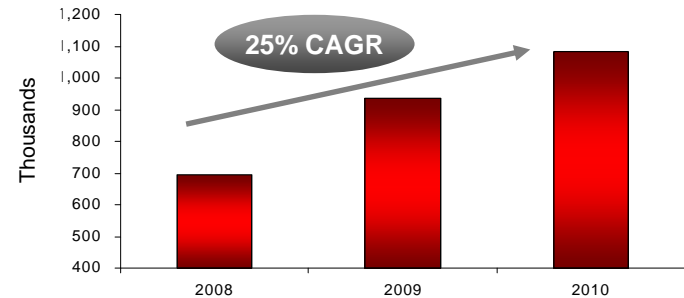
▶ **Digital paves way for future growth, customer experience and connectivity**

▶ **1.1m Business Internet Banking Customers, up 16% in 2010**

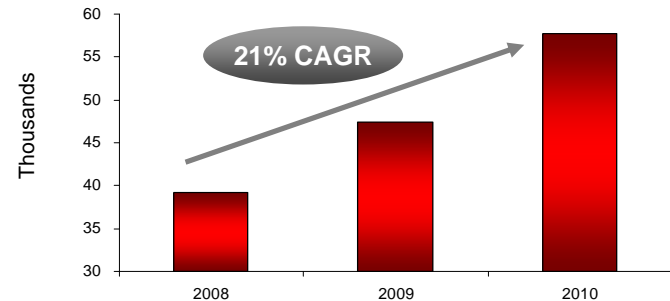
▶ **58k HSBCnet customer, up 22% in 2010**

▶ **> 600k Business Direct customers, up 56% in 2010**

Number of HSBC Business Internet Banking customers



Number of HSBCnet customers



2011 Priorities

Priorities for 2011



Drive strong, sustainable revenue and profit growth



Focus growth on customers with international needs



Deepen share of customer wallets



Invest in technology to enhance tools and services for customers



Deliver sustainable cost savings

For further information, please contact Investor Relations:
<http://www.hsbc.com/1/2/investor-relations>