



HSBC Commercial Banking

Investor Presentation

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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 2011 and Interim Management Statement issued on 08 May 2012. 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.

Introduction

- ➔ Consistently strong returns throughout the economic cycle
- ➔ A clearly articulated strategy with international connectivity at its core
- ➔ Strong governance to drive disciplined risk management
- ➔ Collaboration across businesses to unlock Group's full potential
- ➔ Focused execution accelerates growth trajectory



Agenda

HSBC Group Q1 2012 Results

Section 1

Global Commercial Banking Q1 2012 & 2011 Full Year Results

Section 2

CMB Strategy Update

Section 3

- Faster Growing Markets Footprint
- International Connectivity
- Global Business Collaboration
- US: A Key Global Hub
- Executing as a Global Business

Summary

Section 4

HSBC Group Q1 2012 results



HSBC Group Q1 2012 financial highlights

Summary financial highlights	Q1 2011	Q4 2011	Q1 2012	% B/(W) Q1 2012 v Q1 2011	% B/(W) Q1 2012 v Q4 2011
Reported PBT (USDm)	4,906	3,243	4,322	(12)	33
Underlying PBT (USDm)	5,413	3,353	6,775	25	102
EPS (USD)	0.23	0.12	0.13	(43)	8
Dividends ¹ (USD)	0.09	0.14	0.09	0	(36)

Financial Targets %	Q1 2011	Q4 2011	Q1 2012
Return on average ordinary shareholders' equity	11.4	5.8	6.4
Cost efficiency ratio	60.9	67.1	63.9
Advances-to-deposits ratio		75.0	74.8
Core tier 1 ratio		10.1	10.4

Note:
All Data on a reported basis
¹ Dividend per ordinary share in respect of the period

Global Business profit contribution

PBT (USDm)	Q1 2011	Q4 2011	Q1 2012	% B/(W) Q1 2012 v Q1 2011	% B/(W) Q1 2012 v Q4 2011
Commercial Banking	1,935	1,804	2,204	14	22
Global Banking & Markets	2,932	1,232	3,079	5	150
Retail Banking Wealth Management	960	920	2,182	127	137
Of which relates to:					
<i>US Card and Retail Services</i>	<i>608</i>	<i>570</i>	<i>669</i>	10	17
<i>US Run off portfolios</i>	<i>(791)</i>	<i>(989)</i>	<i>(211)</i>	73	79
<i>Rest of RBWM</i>	<i>1,143</i>	<i>1,339</i>	<i>1,724</i>	51	29
Global Private Banking	308	144	286	(7)	99
Other	(1,229)	(857)	(3,429)	(179)	(300)
Total	4,906	3,243	4,322	(12)	33

Note:
All data on a reported basis

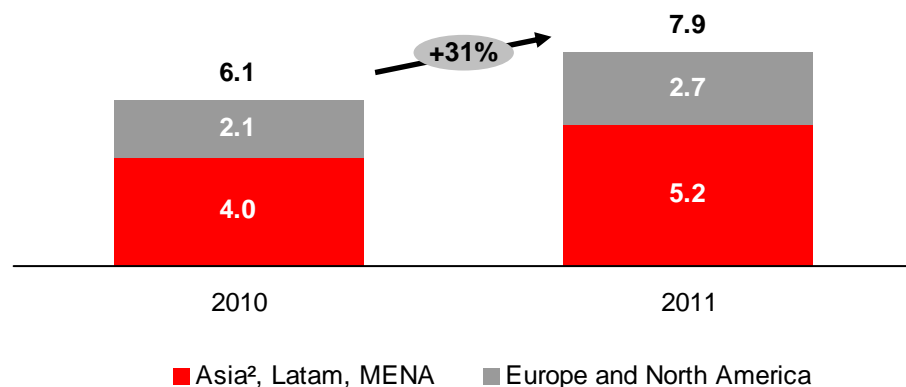
Global Commercial Banking Q1 2012 results



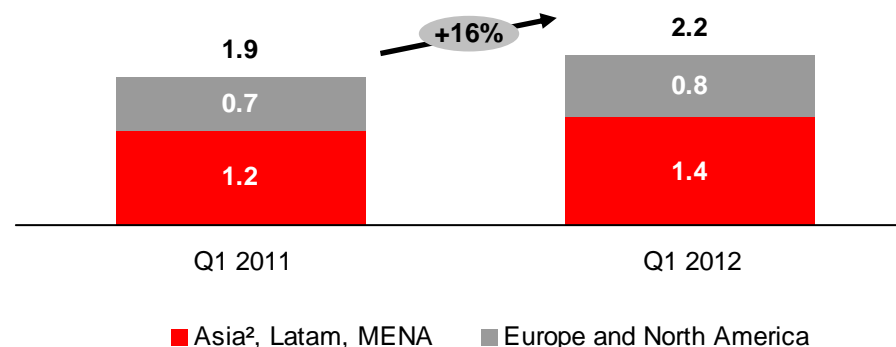
HSBC 

A record 2011 and a strong start to 2012¹

CMB key financials (PBT, USDbn)



Q1 2012 Update (PBT, USDbn)



Metrics	2010	2011	
Revenue (USDbn)	13.8	15.6	↑
CER (%)	50	46	↓
RoRWA (%)	2.0	2.2	↑

Metrics	Q1 2011	Q1 2012	
Revenue (USDbn)	3.7	4.0	↑
CER (%)	48	44	↓
RoRWA (%)	2.3	2.3	↔

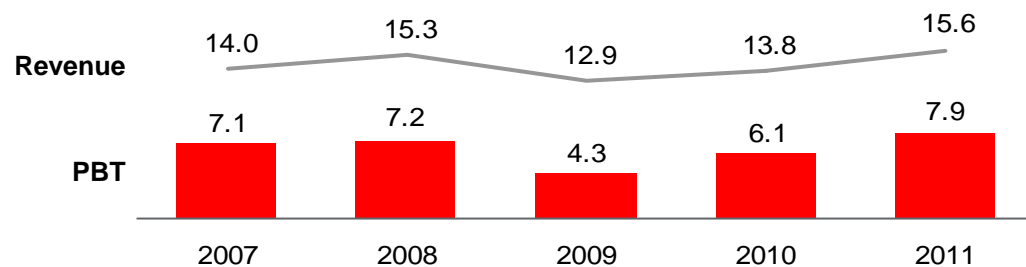
Notes:

1 All data on a reported basis

2 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-segments

Profitable business with strong returns and balance sheet to support lending growth

Revenue and PBT, USDbn



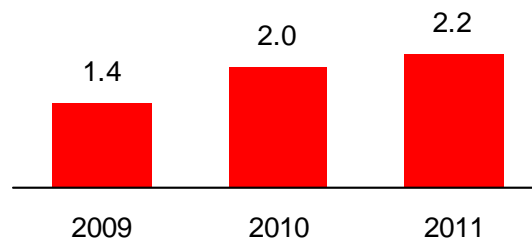
LIC / Customer Advances¹, %



Cost efficiency ratio

45% 2007 → 46% 2011

RoRWA



Profitability

- Profitable through the economic cycle, generating PBT of USD32.6bn over the last five years

Efficiency

- Continued focus on improving cost efficiency, making a positive contribution towards Group's target range

Liquidity

- Strong double digit growth in customer loans and advances ... but still maintaining an AD ratio below 90%
- PCM is a key funding engine for CMB

Capital

- RoRWA has trended upwards...delivering target range
- Five Filter actions underway to improve portfolio returns further

Portfolio Quality

- Strong credit discipline evident with impairments at only 1.6% of average customer advances at the height of the crisis

Notes:
 All data on a reported basis
 1 LICs as a % of average customer advances

CMB Strategy Update



CMB strategy to be the Leading International Trade and Business Bank

Investor Day direction

Strengthen position as the leading international trade and business bank:

- Focus on faster growing markets
- Capture growth in international SMEs
- Collaborate with GBM to capture the mid-market opportunity
- Drive efficiency gains

...developed into concrete actions

1. Where	Focus CMB on the markets that matter
2. Who	Reposition towards international
	Leverage Corporate and Business Banking franchise
3. What	Maximise relationship value through differentiated product suite
	Collaborate effectively with other Global Businesses
4. How	Execute as a Global Business

By 2014, our aspiration is to deliver:

- 2.2% - 2.5% RoRWA¹
- 48% - 52% CER²

Notes:

1 CMB RoRWA target disclosed at 2011 Strategy day

2 HSBC Group CER target

Commercial Banking has been shifting towards faster growing regions

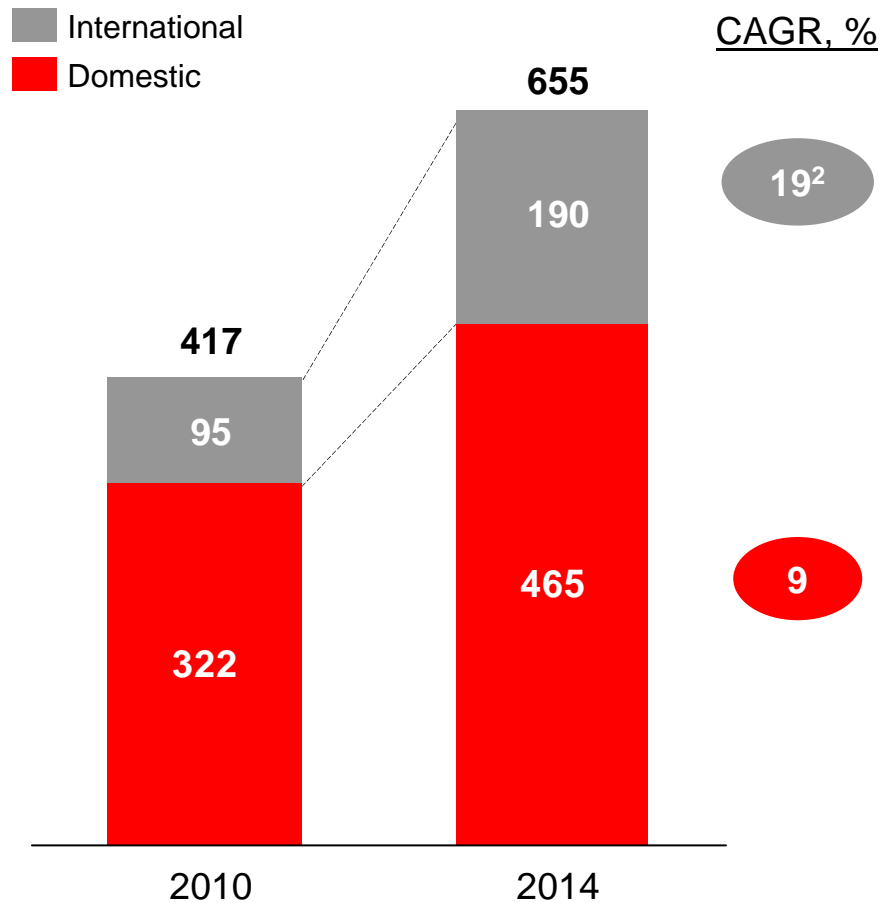
Faster growing regions ¹ as share of CMB						
	2007, %	2011, %		2007 – 2011 Difference, percentage points	2007 – 2011 Difference	
PBT	52%	66%	↑	+14	USD1.5bn	
Revenues ²	43%	54%	↑	+11	USD2.5bn	
Loans and Advances to Customers	34%	50%	↑	+16	USD57.4bn	
Customer Deposits	43%	51%	↑	+8	USD52.7bn	

Notes:

- All data on a reported basis
- ¹ Hong Kong, Rest of Asia Pacific, Middle East and North Africa, Latin America
- ² Net operating income before loan impairment charges and other credit risk provisions

International revenue opportunity is growing faster than domestic

2010 to 2014 market revenue¹ pool growth (USDbn)



- International customers generate more than 2x the revenue of a pure domestic customer
- Forecast revenue pool from international companies is worth up to USD190bn...
- ...and is growing at twice the rate of domestic (19% vs 9%)

Notes:

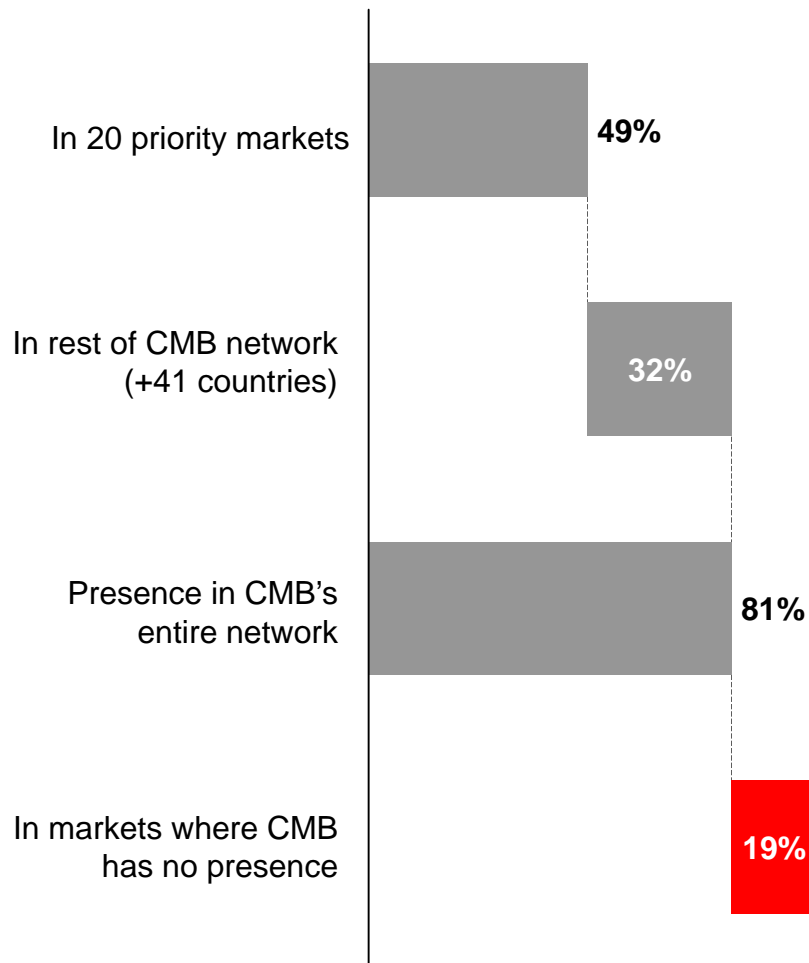
Source: HSBC and McKinsey analysis on selected markets

¹ Risk adjusted revenue

² Forecast international revenue pool includes USD45bn from possible conversion of domestic companies to international based upon HSBC sensitivity analysis

International network provides a sustainable competitive advantage

Coverage of Multinational Head Offices (%)

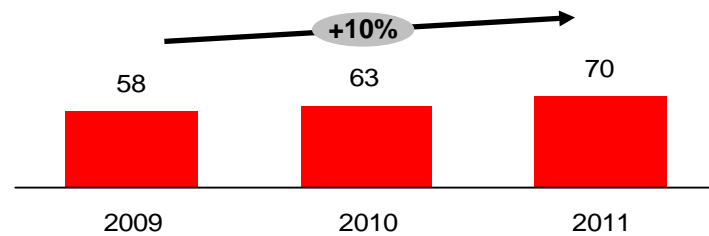


- Priority markets cover 49% of the head offices of all multinational companies
- With our global network this increases to 81%
- Strongly aligned with world GDP and trade growth trends
- 'Network effect' creates material differentiation, strengthening the ability to win international and domestic wallet

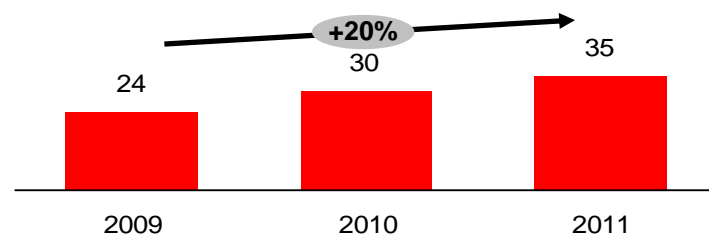
The world's leading Trade Finance bank with 9% global market share by revenue¹

World Trade continues to grow faster than GDP ...

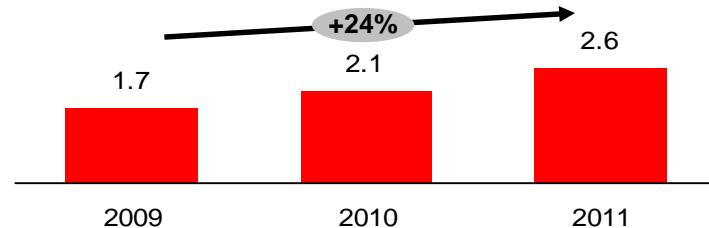
World nominal GDP² (USDtrn)



World merchandise trade² (USDtrn)



Trade revenues³ (USDbn)



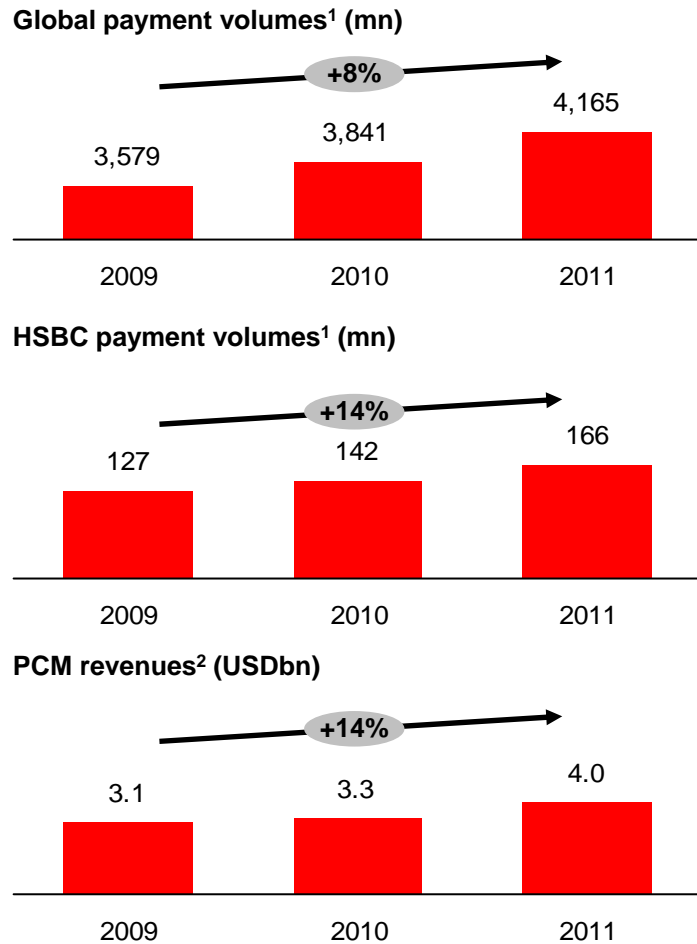
- Leading Trade Finance franchise with a leverage effect on broader corporate banking revenues
- Connecting customers around the world, e.g. China Out strategy with country desks in key trading markets
- Leading international bank for RMB products, providing capabilities in over 50 countries
- Capturing growth opportunities in trade finance as competitors deleverage

Notes:

1 Global market share by revenue, Oliver Wyman Global Transaction Banking survey 2011
2 Source: Global Insights (March 2012); Merchandise imports and exports and Nominal GDP
3 CMB revenues on a reported basis

Payments & Cash Management is a key funding engine for CMB

HSBC payments grow faster than global payments. . .



- Comprehensive product set anchors relationships and underpins international connectivity
- Enables double digit asset growth whilst maintaining AD ratio below 90%
- Attractive financial attributes including low capital usage, high returns and significant barriers to entry
- Strong franchise value and annuity revenue stream

Notes:

Source: SWIFT

1 Number of SWIFT payment messages sent and received

2 CMB revenues on a reported basis

Growth – Integration between CMB and GBM has resulted in c.USD500m in incremental revenues in 2011

Actions to date

Client targeting

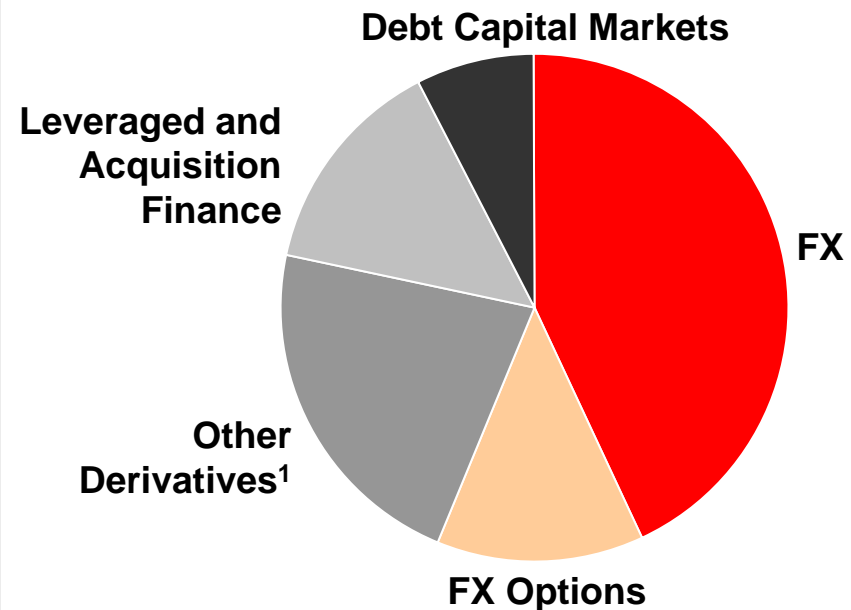
- Clients screened and prioritised for collaborative coverage
- Increased sales coordination across GBM, Payments, Cash Management and Trade

Collaborative client engagement

- Additional GB coverage resources dedicated to CMB clients in Asia Pacific
- Development and delivery of electronic FX proposition for CMB clients

c.USD500m additional revenues delivered in 2011

Incremental integration revenues by product

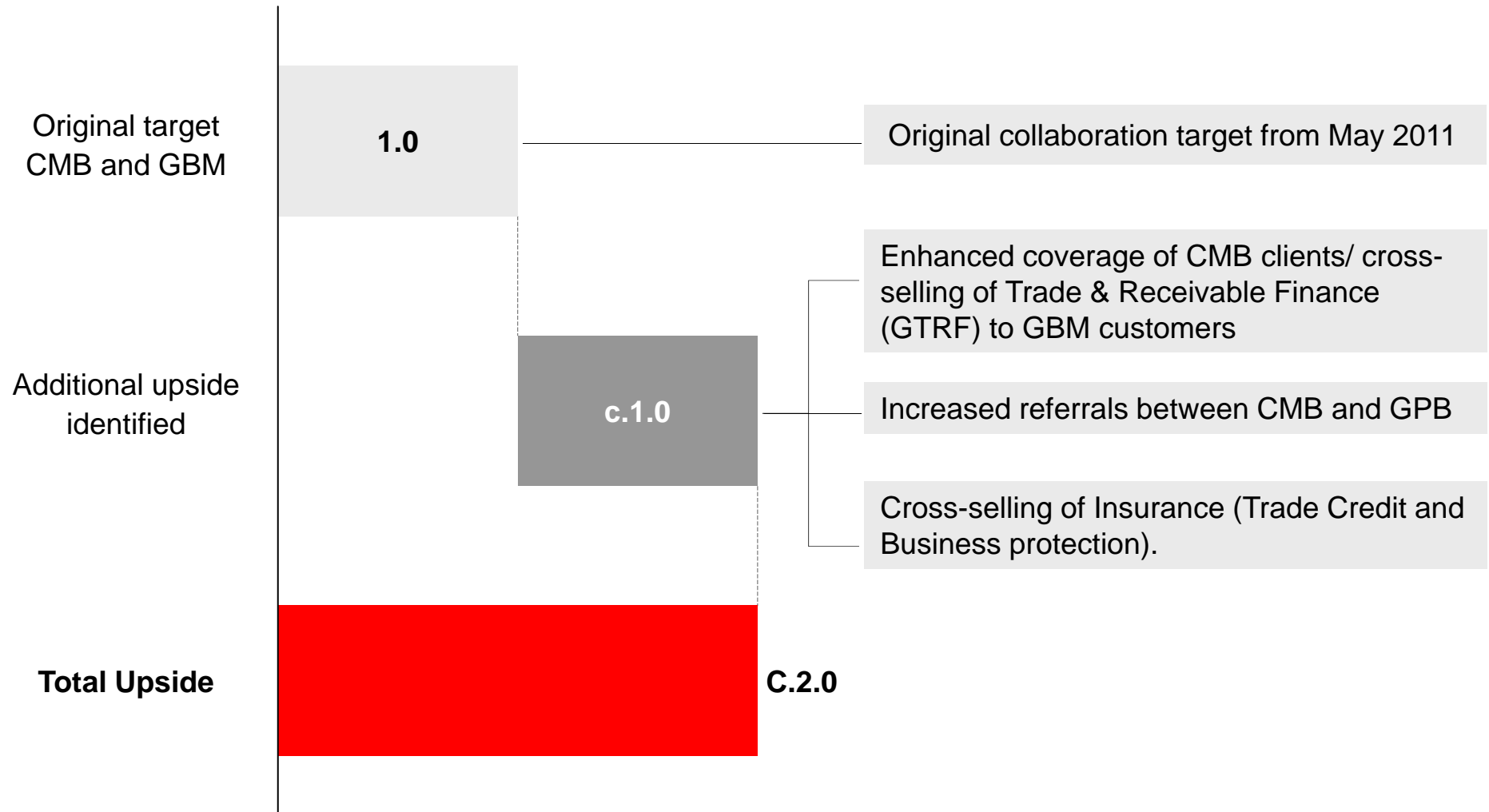


Notes:

1 Vanilla Rates, Derivatives and Structured Products

Integration across Global Businesses will now deliver an additional USD2bn revenue upside

Total upside in the medium term (Revenues, USDbn)

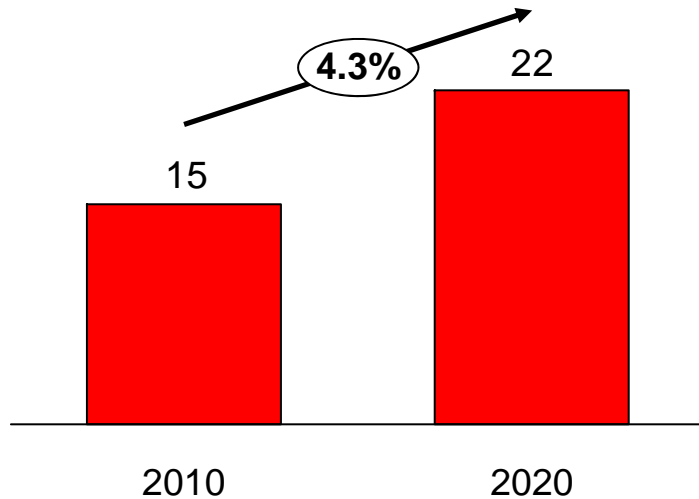


Driving organisational effectiveness and operational efficiencies

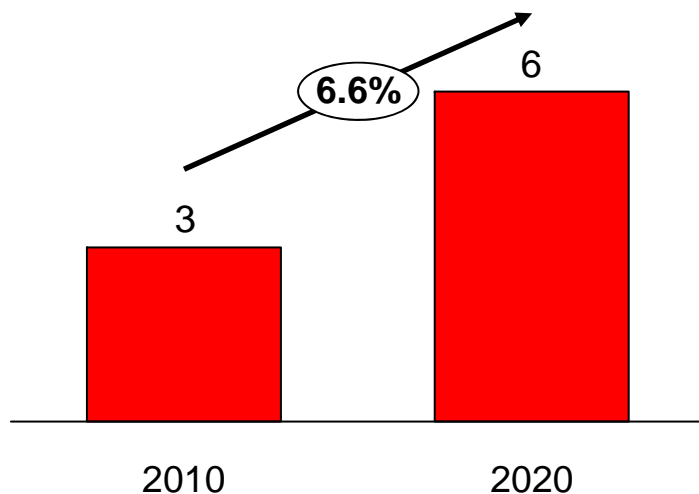
- ➔ Consistent business model being deployed in all markets
- ➔ Standardised processes and practices are generating economies of scale
- ➔ Focusing on our distribution: rightsizing physical presence, streamlining digital capabilities & globalising platforms
- ➔ Transforming trade finance processing through standardisation and consolidation of core operations
- ➔ Focus brand investments on International positioning & leveraging scale

US: Key international trade hub with a USD32bn revenue opportunity¹

Nominal GDP (USDtrn)



Merchandise Trade (USDtrn)



- The US is an international trade hub with 8.4% of global exports and 12.8% of global imports²....
-with imports and exports forecast to grow quicker than GDP
- CMB is expanding in cities with high concentration of international connectivity
- Focusing on Trade & Receivables Finance and Payment & Cash Management
- Maximising collaboration with Global Banking & Markets and Global Private Bank

Notes:

1 HSBC and McKinsey analysis

2 Source: WTO press release – Merchandise trade: leading exporters and importers 2010

Summary



Summary

Sustainable, profitable growth ... Continued strong performance on all financial KPIs across our regions, products and segments despite macro-economic challenges

Connecting our customers to global opportunities and collaborating between our international network of businesses

Benefiting from the engines of global growth ... Well positioned in faster growing markets and across international trade flows to connect revenue and investment flows with developed markets

Implementing a consistent global business model ... improve organisational effectiveness, enhance capital deployment and deliver cost efficiency



Q&A

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