



Sustainability at HSBC

Nomura European Sustainability and Responsible Investment Conference

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March 2012





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. 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.



Agenda

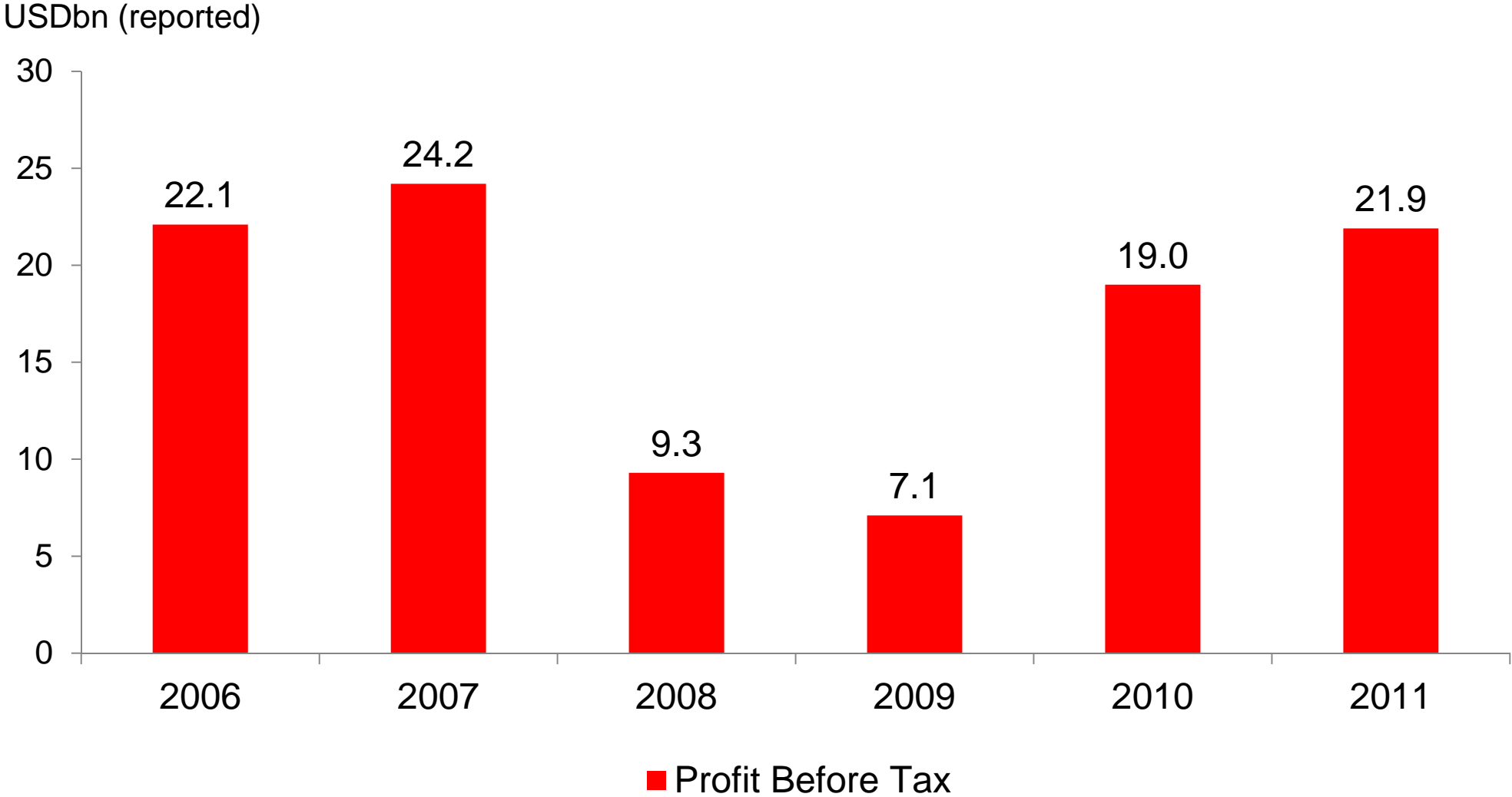
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‘The overriding accountability of the Group Management Board, led by the Group Chief Executive is to deliver sustainable long term value for shareholders through consistent performance delivery and safe and compliant execution of the Group’s business in a manner that, at the same time, maintains the confidence of all other key stakeholders in the business including depositors, counterparties, long term creditors, customers, regulators, employees and governments.’

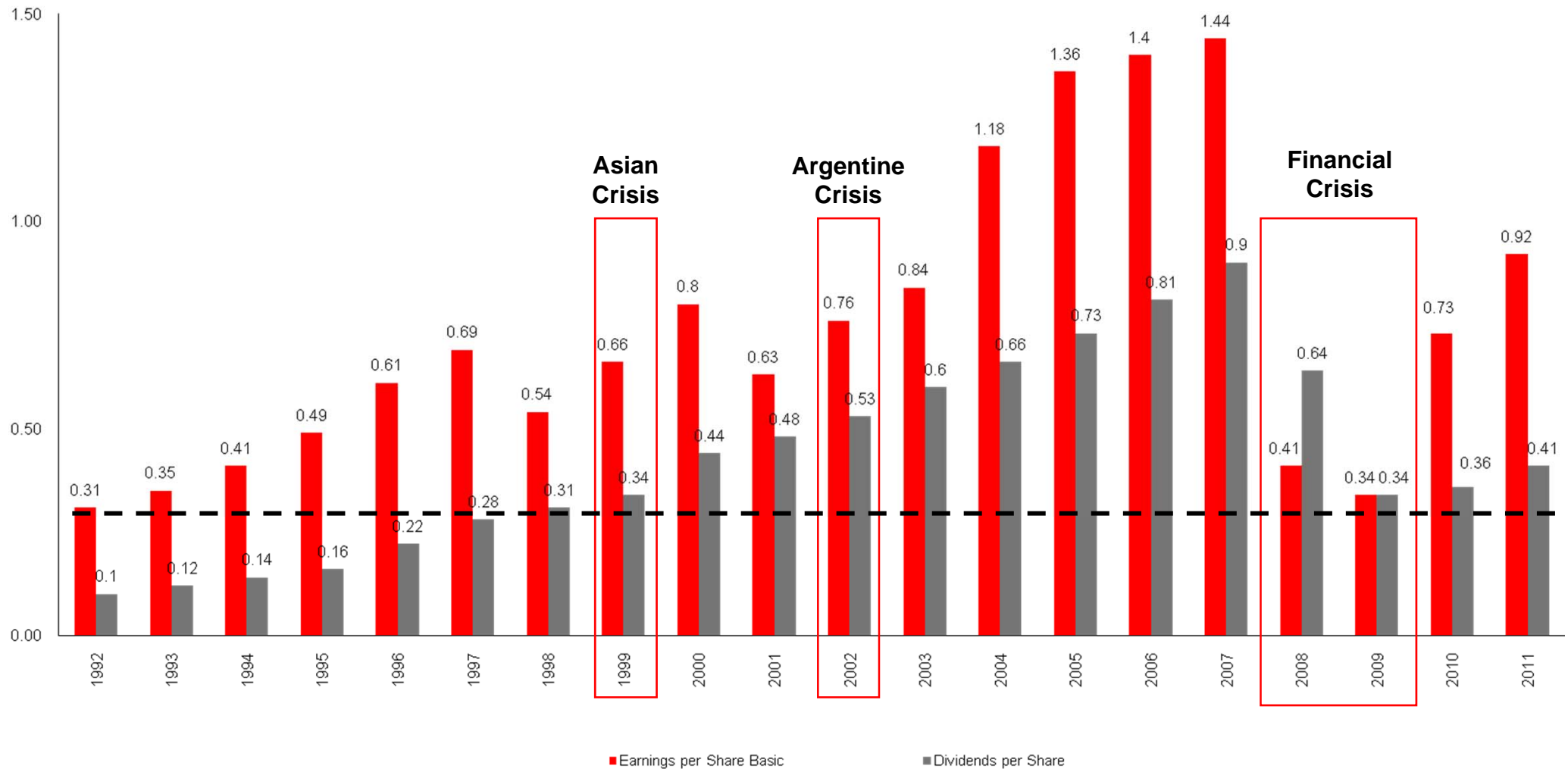
**Sustainability delivered through long term results
and distinctive position aligned with key trends**

We have generated profits throughout the crisis



Pre-crisis we grew DPS consistently for 16 years...

USD (in respect of the year for dividends)



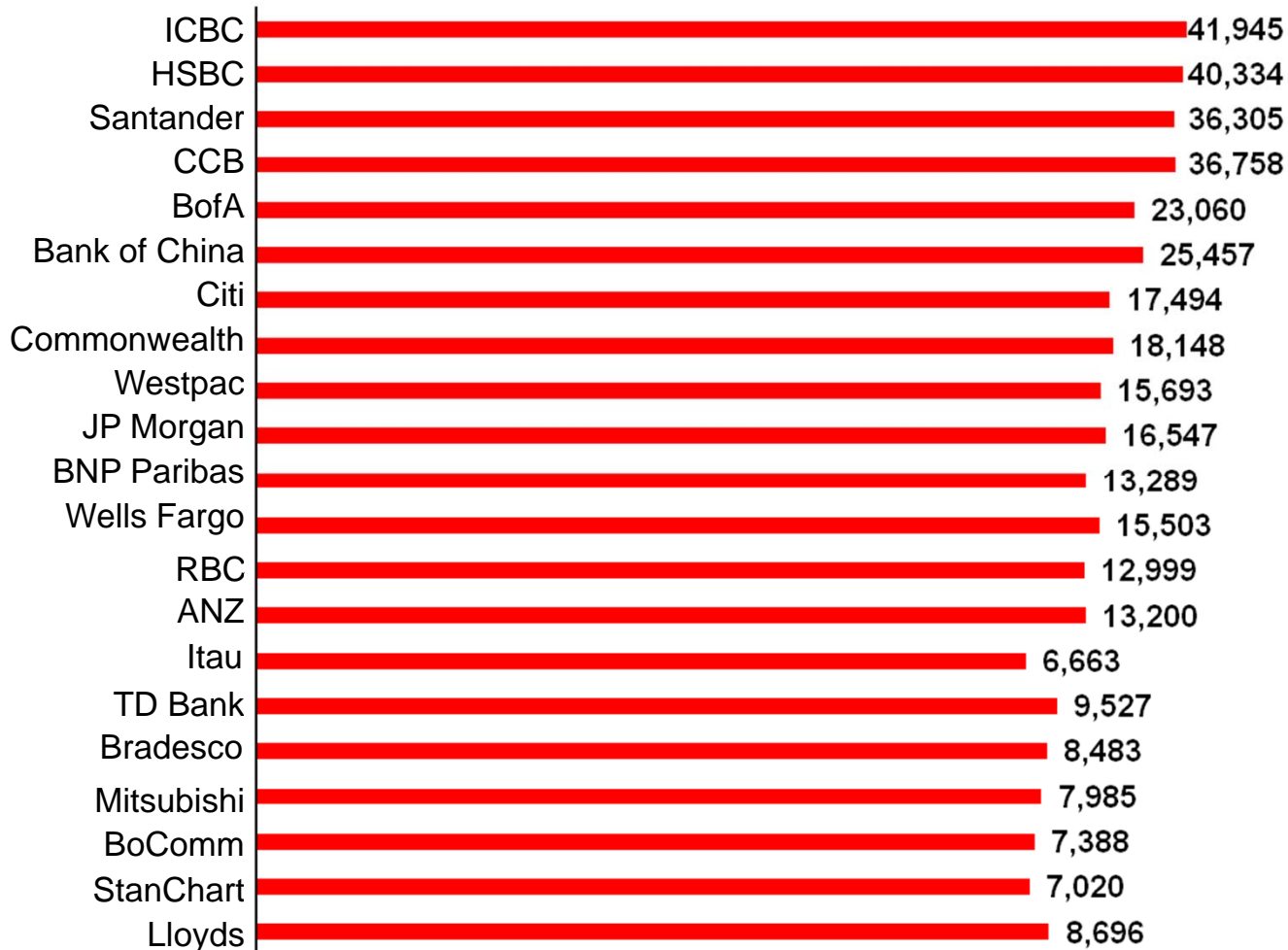
Note:

- UK GAAP to 2003, IFRS basis from 2004
- Dividends per share in respect of each year

...and remain one of the biggest dividend payers in the industry

Bank dividends declared

USDbn 2007-2011¹



- Strong track record
- Capital generation through the cycle
- Robust subsidiary dividend flow
- Maintain 40-60% dividend payout ratio

Source: Thomson Reuters Datastream

Note:

(1) Gross Dividends - Common Stock

Clear strategy and execution focus

Clear strategy and execution focus

Distinctive position aligned with key trends

1

Network of countries relevant for **international connectivity**



2

Access and exposure to **high growth markets** and businesses



3

Strong balance sheet generating **resilient stream of earnings**



Clear strategy and execution focus

I

Strategy drives investment priorities and **capital allocation**

II

Action plan addressing **growth** and **cost efficiency** across geographies and businesses

III

Experienced management team accountable for delivery

Experienced management team

Group Management Board



Douglas Flint
Group Chairman



Stuart Gulliver
Group Chief Executive Officer



Iain Mackay
Group Finance Director



Sandy Flockhart
Chairman EMEA, Latin America
and Commercial Banking



Sean O'Sullivan
Group Chief Operating Officer



Samir Assaf
Global Banking and Markets



Alan Keir
Commercial Banking



Paul Thurston
Retail Banking and Wealth
Management

Antonio Losada
Latin America and Caribbean



Brian Robertson
Europe



Peter Wong
Asia



Marc Moses
Risk



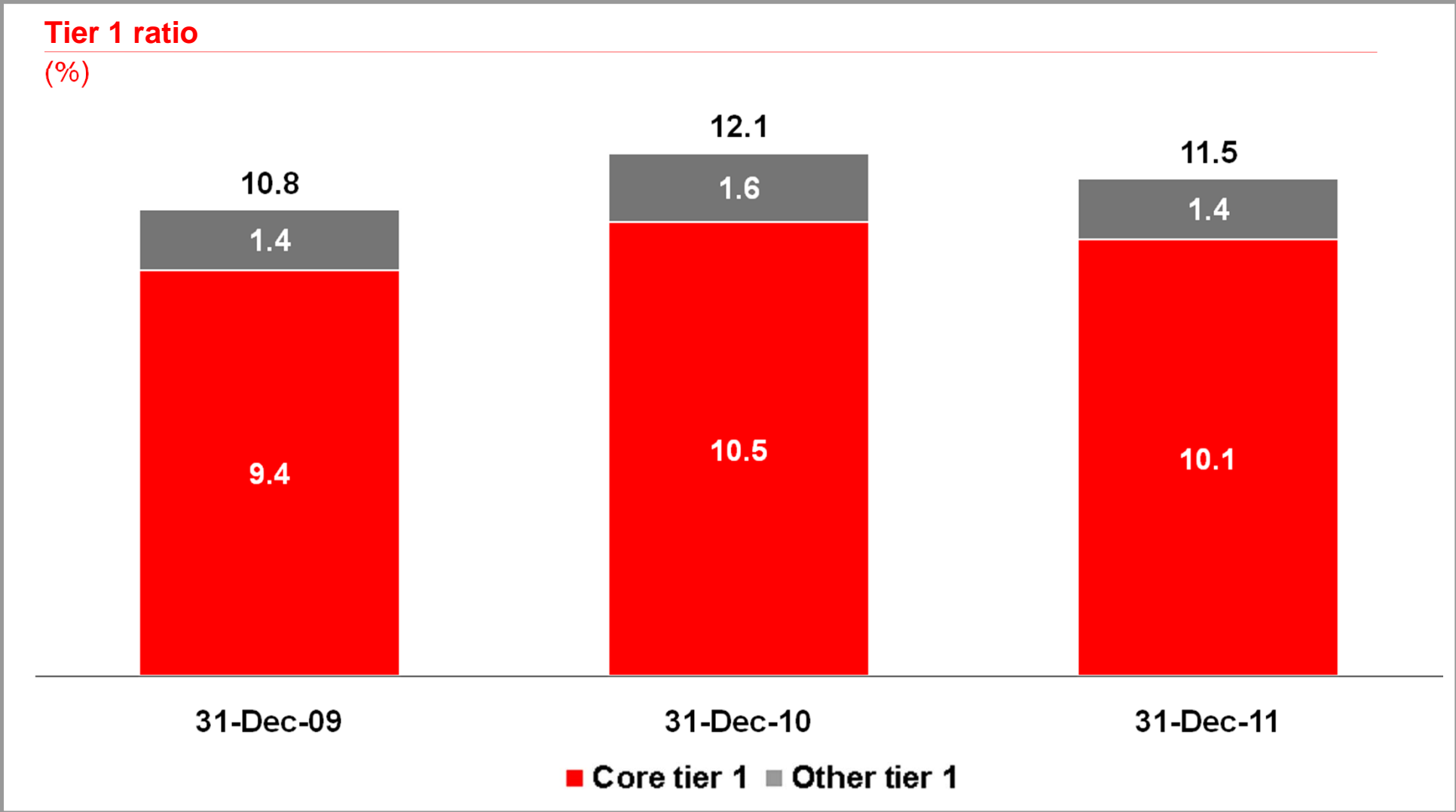
Ann Almeida
Human Resources



Richard Bennett
Legal

Strong and conservative management philosophies

Capital strength and generation¹



Notes:
1 Reported basis

Re-iteration of culture and emphasis on key values

HSBC values and business principles

In all we do, each of us should
act with courageous integrity
standing firm for what is right

HSBC Values

- **Dependable and do the right thing**
 - stand firm for what is right, deliver on commitments, be resilient and trustworthy
 - take personal accountability, be decisive, use judgment and common sense, empower others
- **Open to different ideas and cultures**
 - communicate openly, honestly and transparently, value challenge, learn from mistakes
 - listen, treat people fairly, be inclusive, value different perspectives
- **Connected to customers, communities, regulators and each other**
 - build connections, be aware of external issues, collaborate across boundaries
 - care about individuals and their progress, show respect, be supportive and responsive

HSBC Business Principles

- **Financial strength:** maintain capital strength and liquidity
- **Risk management:** be enterprising and commercial, understand and be accountable for the impact of our actions, take prudent decisions
- **Speed:** be fast and responsive, make principles-led decisions
- **Performance-focus:** drive leading, competitive levels of performance, act with urgency and intensity, prioritise, simplify
- **Efficiency:** focus on cost discipline and process efficiency
 - **Quality:** pursue excellence
- **Customer-focus:** provide outstanding customer experience
 - **Integrated:** align the Group and break down silos
- **Sustainability:** take a long-term outlook, understand impact of actions on stakeholders, brand and reputation

Management of lending risk encompasses impact on the environment and on society

Long term risk management

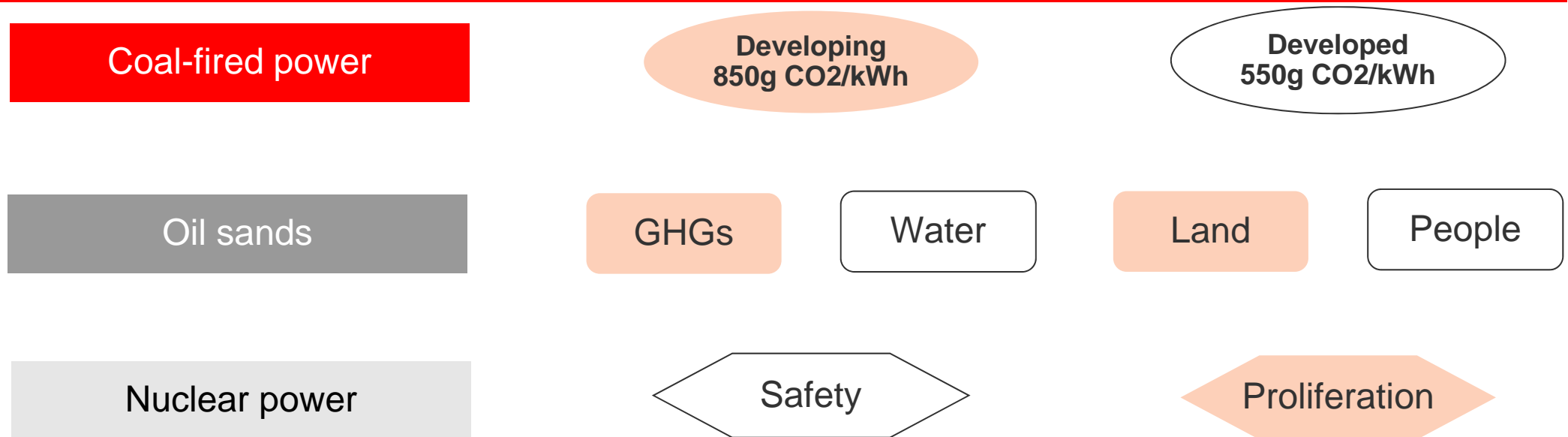
- Adopted Equator Principles in 2004
- Voluntarily extends Equator Principles framework, where appropriate, to assess export credit loans and corporate loans where proceeds are known to be designated for a project
- HSBC policies for key sectors:
 - Metals and mining
 - Forest land and forest products
 - Chemicals
 - Energy
 - Freshwater Infrastructure
 - Defence equipment
- Global network of risk managers includes individuals trained and experienced in reviewing social and environmental risk
- Dedicated sustainability risk managers in 27 countries across every region



Re-issued energy sector policy in 2010

- Extends to customers operating in coal-fired power, oil sands and nuclear energy industries
- Consulted widely; basis of approach is to support transition to low carbon economy
- Carbon-intensive fossil fuels will remain part of the energy mix for the foreseeable future
- Energy production that creates high levels of greenhouse gases will, if unchecked, undermine international efforts to limit climate change and the pursuit of higher living standards

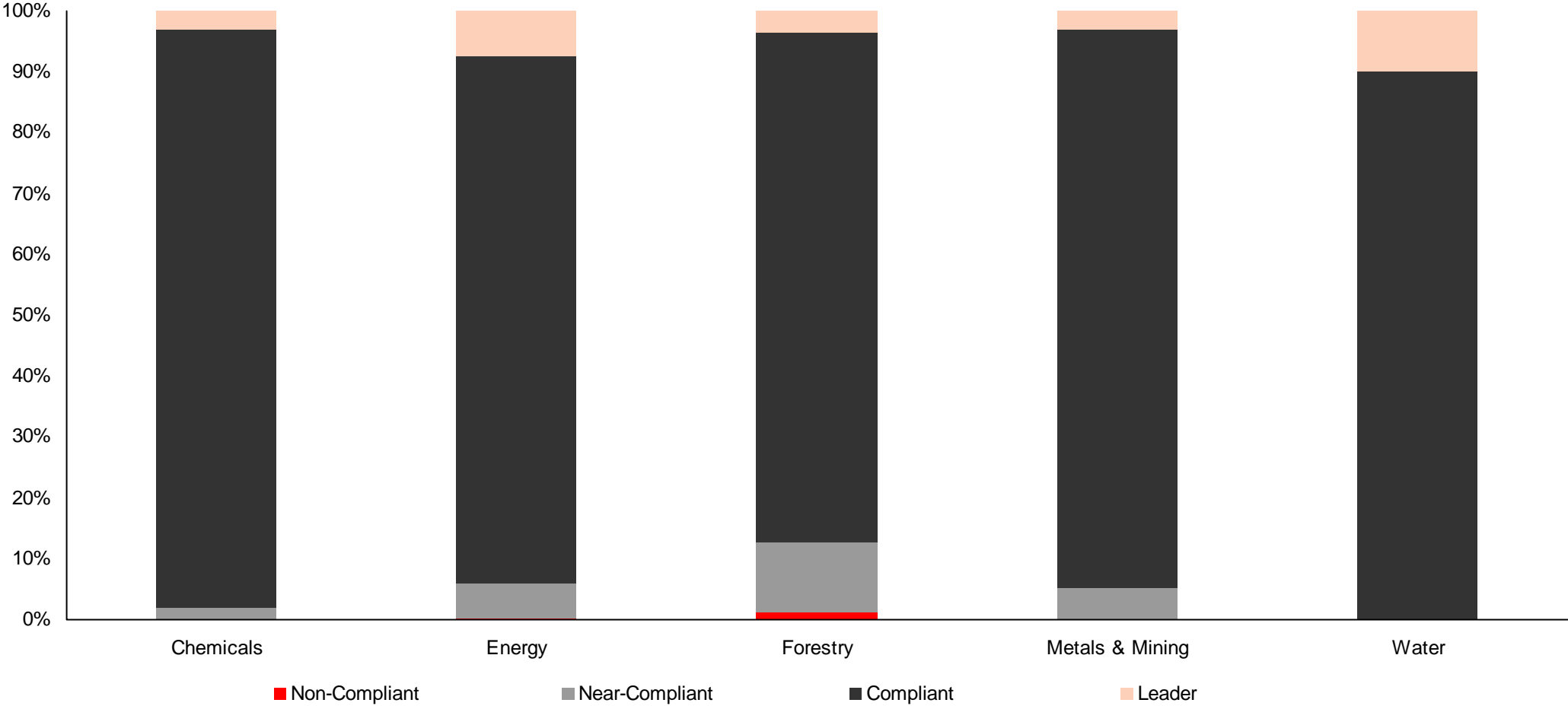
Key policy changes



Sector risk policies

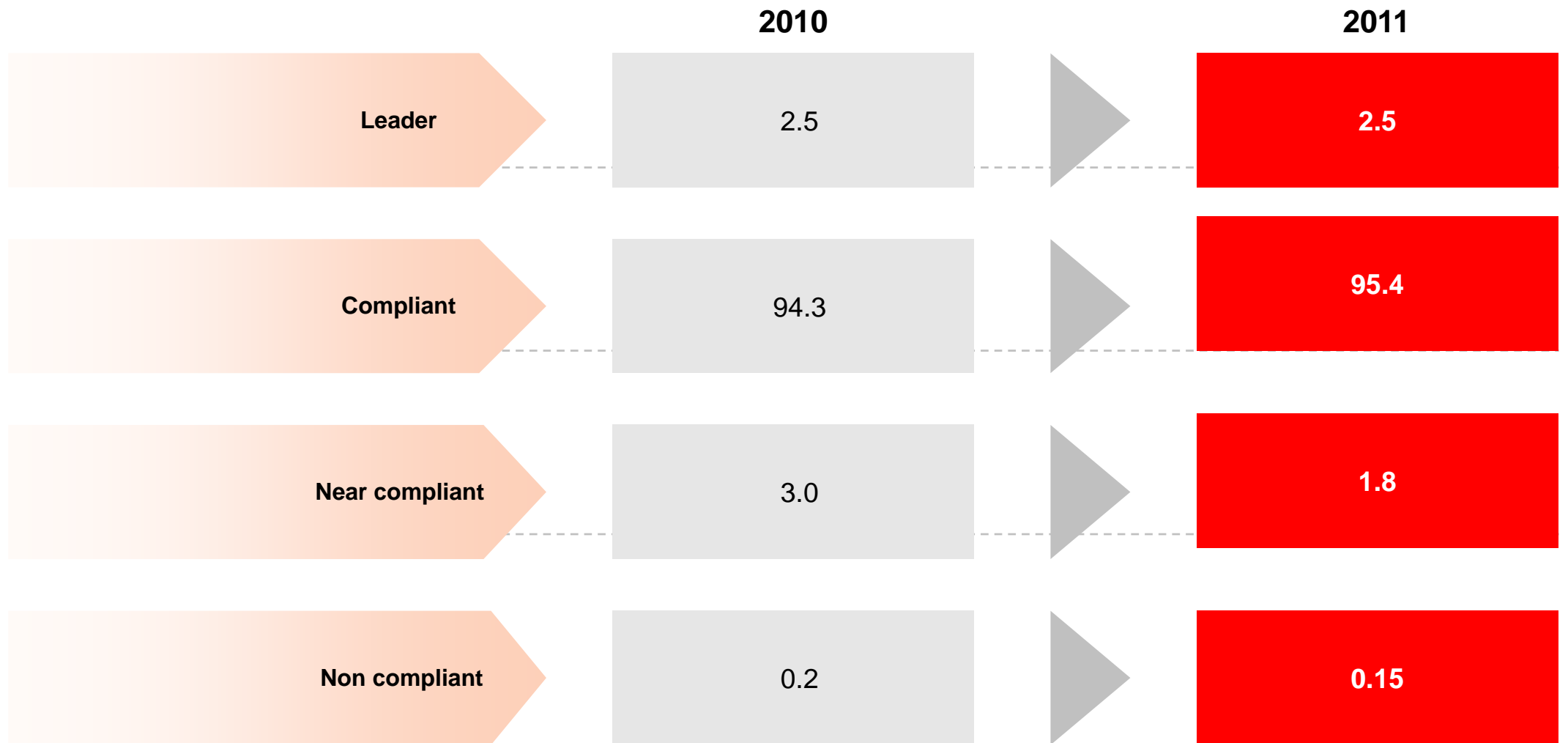
Compliance levels – policies applied to 41,000 customers

Number of clients complying with HSBC's policies 2011 (%)



Percentage of non-compliant customers reduced in 2011

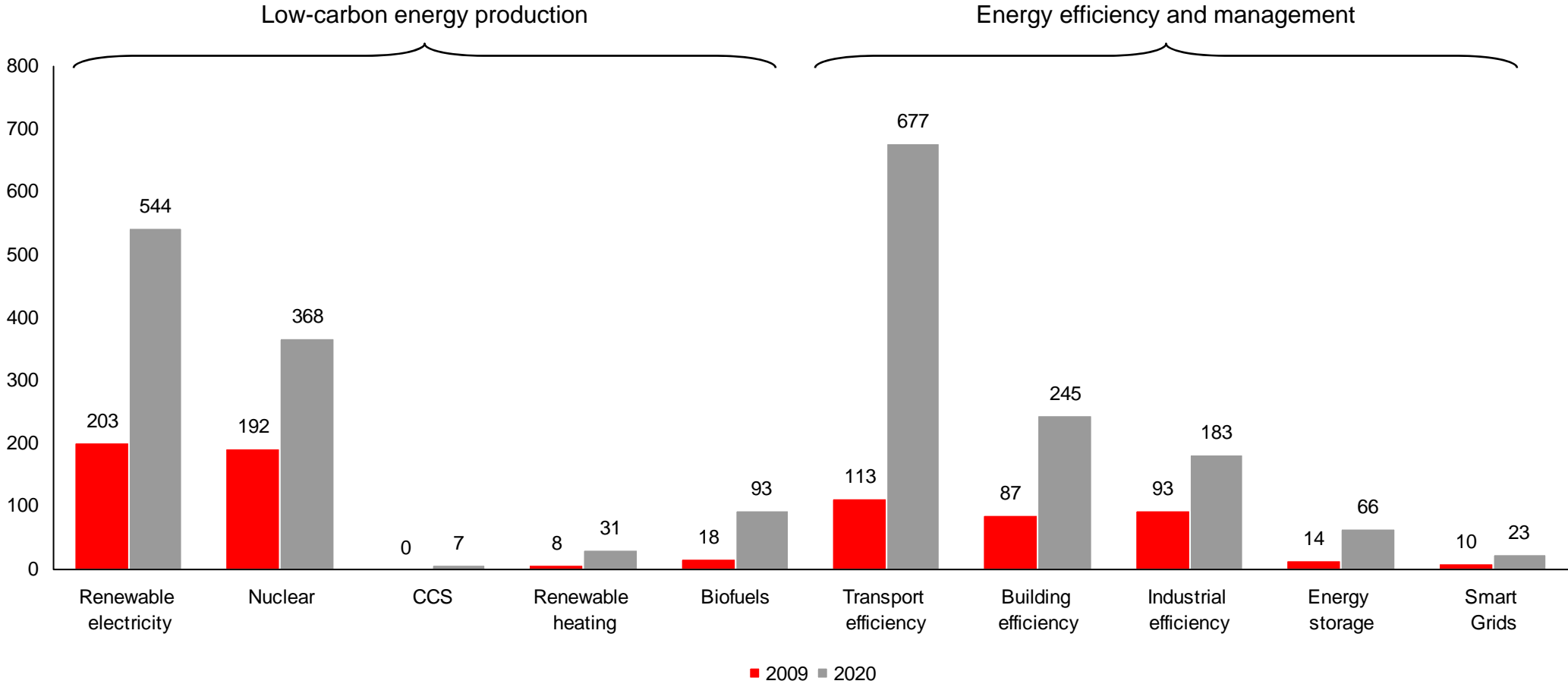
Levels of compliance by number of clients (%)



Positioned to capture opportunities arising from transition to low carbon economy

The size of the climate business sector

Our conviction scenario: estimated market size of low-carbon themes in 2020 (USDbn)



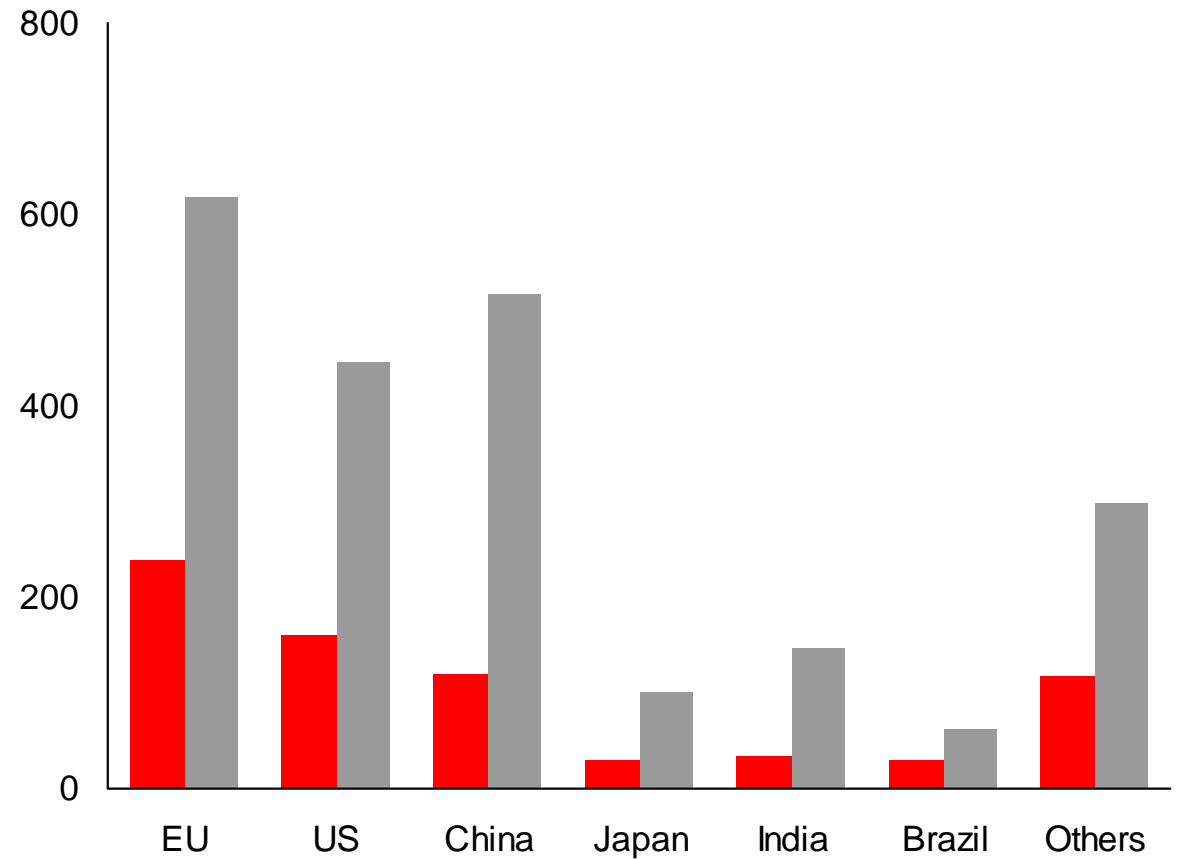
US\$10 trillion in cumulative capital investment will be required to meet demand

Source: HSBC estimates

Regional focus



Low-carbon growth: geographic breakdown (USDbn)



Source: HSBC estimates

China will be one of the fastest growing markets for climate business over the next 10 years

Strategic oversight from HSBC's Climate Business Council

- Climate Business Council, comprising senior directors, sets strategy and direction
- Commercial targets set from 2012 – focus on Global Banking and Commercial Banking
- 2010 Principal Investment in Bloom Energy Corporation (solid oxide fuel cells) & Better Place (electric vehicles infrastructure)
- 2011 Principal Investment in Amonix (concentrated solar pv)
- Advisor and structure finance arranger for Johannesburg's Rea Vaya Bus Rapid Transit Project
- HSBC Global Banking and Markets structured a project finance deal to fund Baicheng wind farm project

What is 'climate business'?

- Increasing the share of low carbon energy production, such as bio-energy, nuclear, solar and wind
- Improving energy efficiency in buildings, industry and transport, as well as energy storage
- Adapting to the impacts of climate change, particularly in agriculture, infrastructure and water
- Providing climate finance, including environmental markets, debt and equity investment and insurance



Conclusion

‘The overriding accountability of the Group Management Board, led by the Group Chief Executive is to deliver sustainable long term value for shareholders through consistent performance delivery and safe and compliant execution of the Group’s business in a manner that, at the same time, maintains the confidence of all other key stakeholders in the business including depositors, counterparties, long term creditors, customers, regulators, employees and governments.’



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