



November 2016

Commercial Banking (CMB)

Noel Quinn

Group Managing Director and Chief Executive Officer, Global Commercial Banking

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HSBC 

Important notice and forward-looking statements

Commercial Banking (CMB)

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This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is ‘adjusted performance’ which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the 3Q16 Earnings Release and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

Agenda

Commercial Banking (CMB)

1

Strategy is unchanged and is working

2

The value of the network

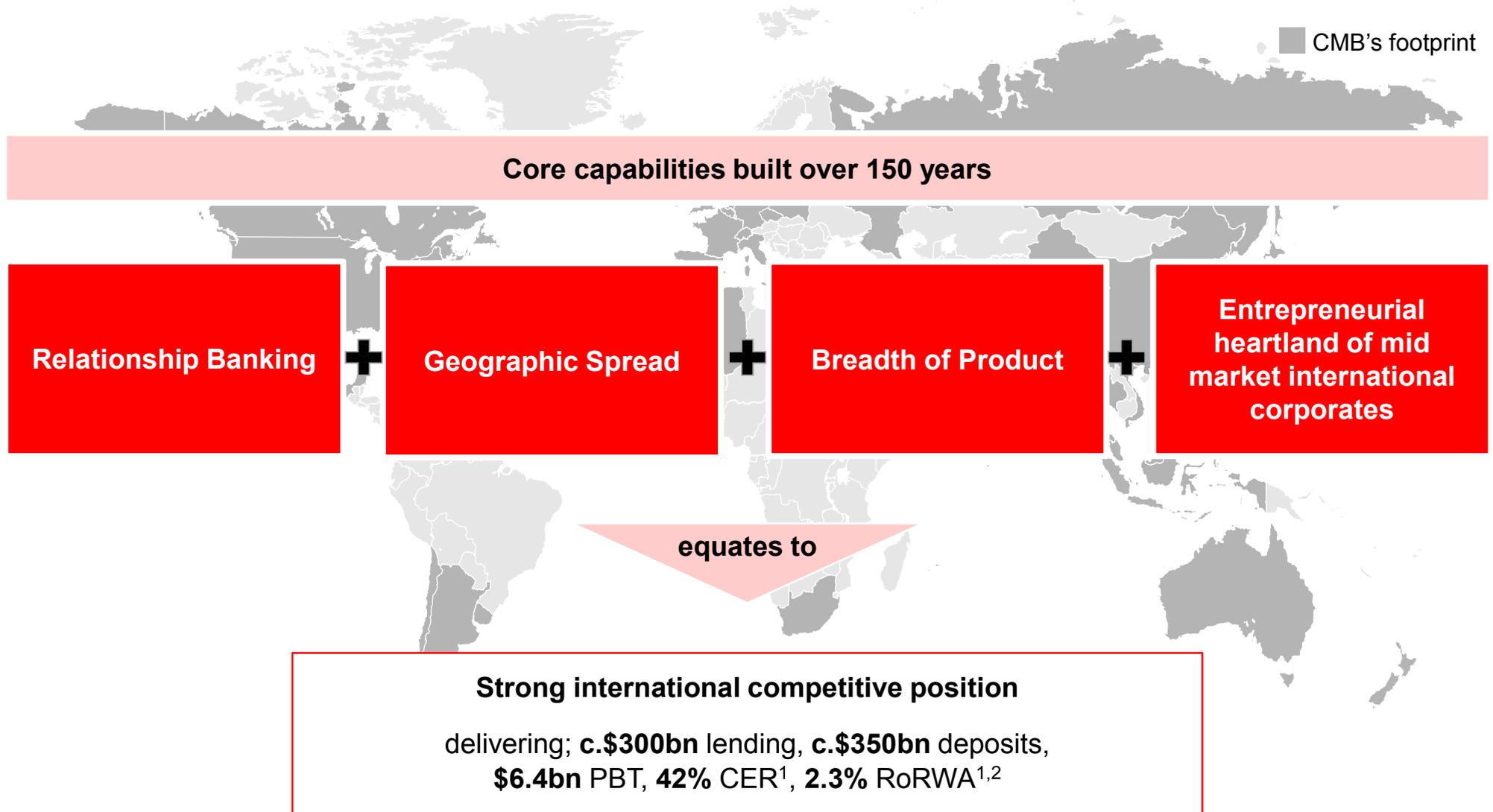
3

But we can do more... the path to growth

4

Summary and Outlook

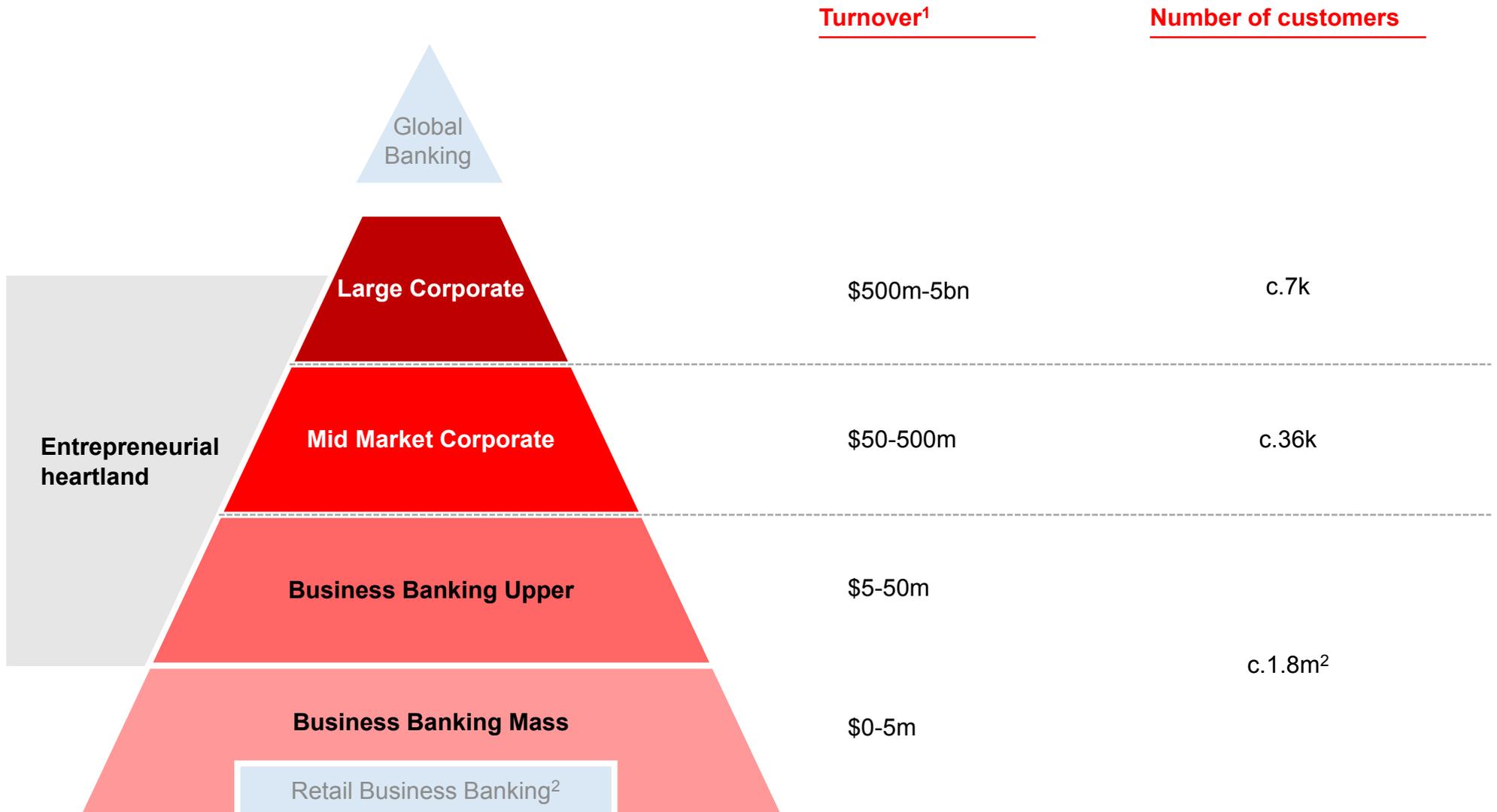
Our network is key to being the leading international bank



1. Adjusted basis

2. Adjusted basis and excludes associates. Adjusted RoRWA including associates is 2.1%. Refer to slide 31 for reconciliation between reported and adjusted results

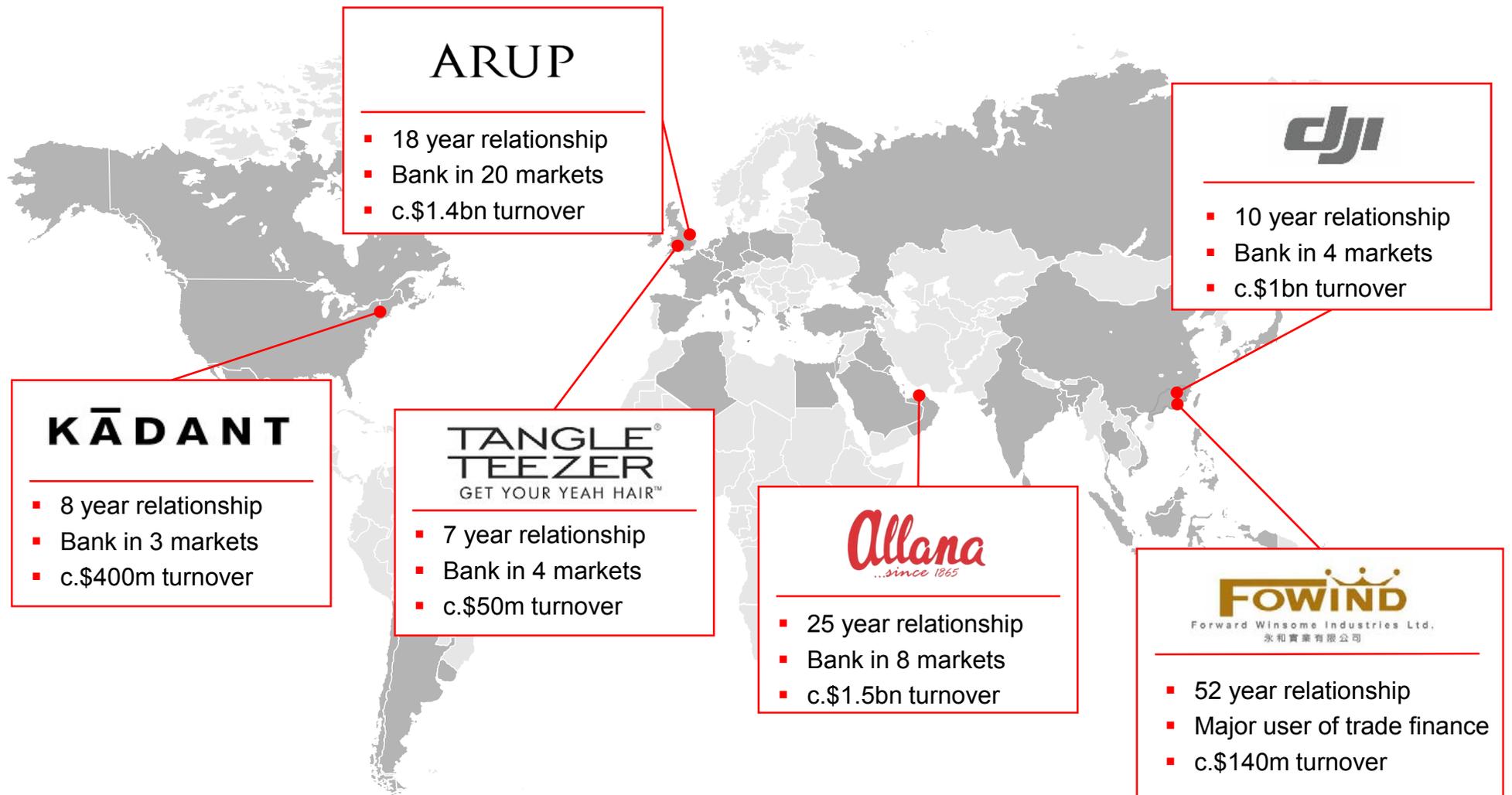
CMB has significant breadth and depth of customers across our network



1. Some local variation between segments
2. Excludes Retail Business Banking (managed by Retail Banking and Wealth Management)

Our network supports deep customer relationships

Growing with our customers from Business Banking to International Corporates



ARUP

- 18 year relationship
- Bank in 20 markets
- c.\$1.4bn turnover



- 10 year relationship
- Bank in 4 markets
- c.\$1bn turnover

KADANT

- 8 year relationship
- Bank in 3 markets
- c.\$400m turnover

TANGLE TEEZER

GET YOUR YEAH HAIR™

- 7 year relationship
- Bank in 4 markets
- c.\$50m turnover

Allana

...since 1865

- 25 year relationship
- Bank in 8 markets
- c.\$1.5bn turnover

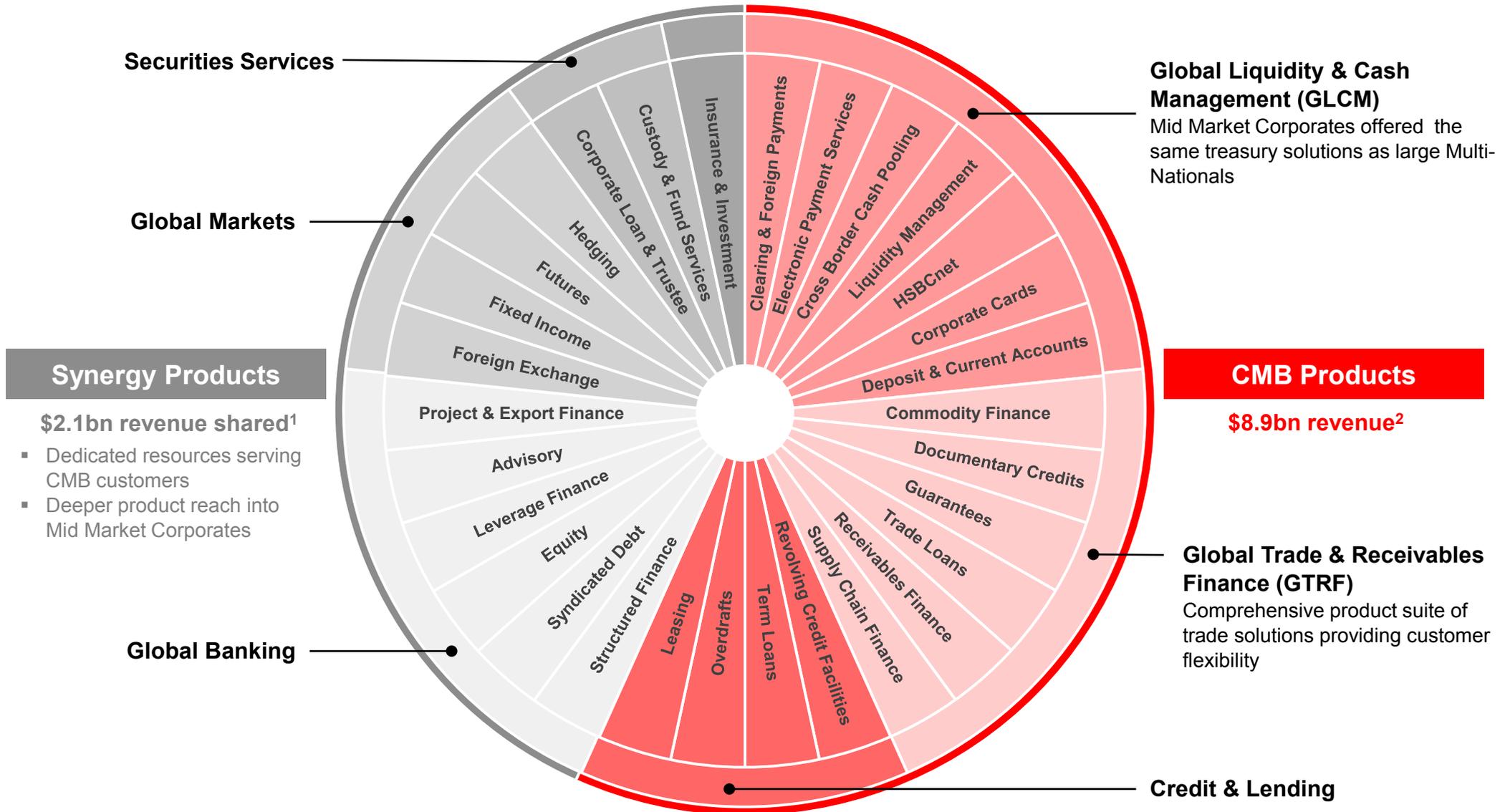
FOWIND

Forward Winsome Industries Ltd.
永和實業有限公司

- 52 year relationship
- Major user of trade finance
- c.\$140m turnover

Broad product suite available across all corporate customers

Dedicated distribution model



1. 9M16 revenue generated by CMB clients and shared between CMB and other Global Businesses. CMB's share of revenue is included within 'Markets products, Insurance, Investments and Other'

2. 9M16 revenue from core CMB products. Includes GLCM, GTRF and Credit & Lending. Excludes 'Markets products, Insurance, Investments and Other' of \$1.5bn

CMB has delivered revenue growth in a challenging environment

9M16 Key Highlights¹

1 2% revenue growth

2 Costs down 1%

3 2.9% Jaws

4 LICs 35bps²

5 PBT down 1%

6 2.3% RoRWA³

Key awards and recognition



- World's Best Bank for Corporates



- Best Trade Bank in the World



- Best Supply-Chain Finance provider
- Best Export Finance Bank in Asia Pacific



- Best overall offshore RMB provider



- Best Financial Adviser in Asia-Pacific

1. All figures on an adjusted basis unless otherwise stated. Growth comparisons vs. 9M15

2. Annualised LICs as a percentage of average gross loans and advances. Excludes Brazil

3. Adjusted basis and excludes associates. Adjusted RoRWA including associates is 2.1%. Refer to slide 31 for reconciliation between reported and adjusted RoRWA

The network effect

\$297,000,000,000	loan book¹
\$114,000,000,000	payments authorised via HSBC<i>net Mobile</i>² application
\$2,100,000,000	revenue synergies from CMB clients using products from other Global Businesses^{2,3}
12,000,000	payments processed every second on our International payments platform, HSBC<i>net</i>²
\$1,000,000	trade value processed by GTRF every minute²
435,000	corporate users on HSBC<i>net</i> and 45,000 on HSBC<i>net Mobile</i>² and growing
102,000	corporate RMB accounts⁴
50	clearing systems across Europe
12	% GTRF market share in Hong Kong⁵
8	% GTRF market share in Singapore⁶
#1	documentary credit issuing bank globally⁷
#1	in receivables and supply chain finance⁷ including open account

1. Net loans and advances as at September 2016

2. Source: HSBC. For 9M16

3. Includes Capital Financing, Global Markets and Insurance & Investments

4. As at December 2015. Wholesale number (i.e. including GB&M)

5. As at August 2016. Excludes HASE. Source: HKMA

6. As at September 2016. Source: MAS.

7. Source: Oliver Wyman 2015

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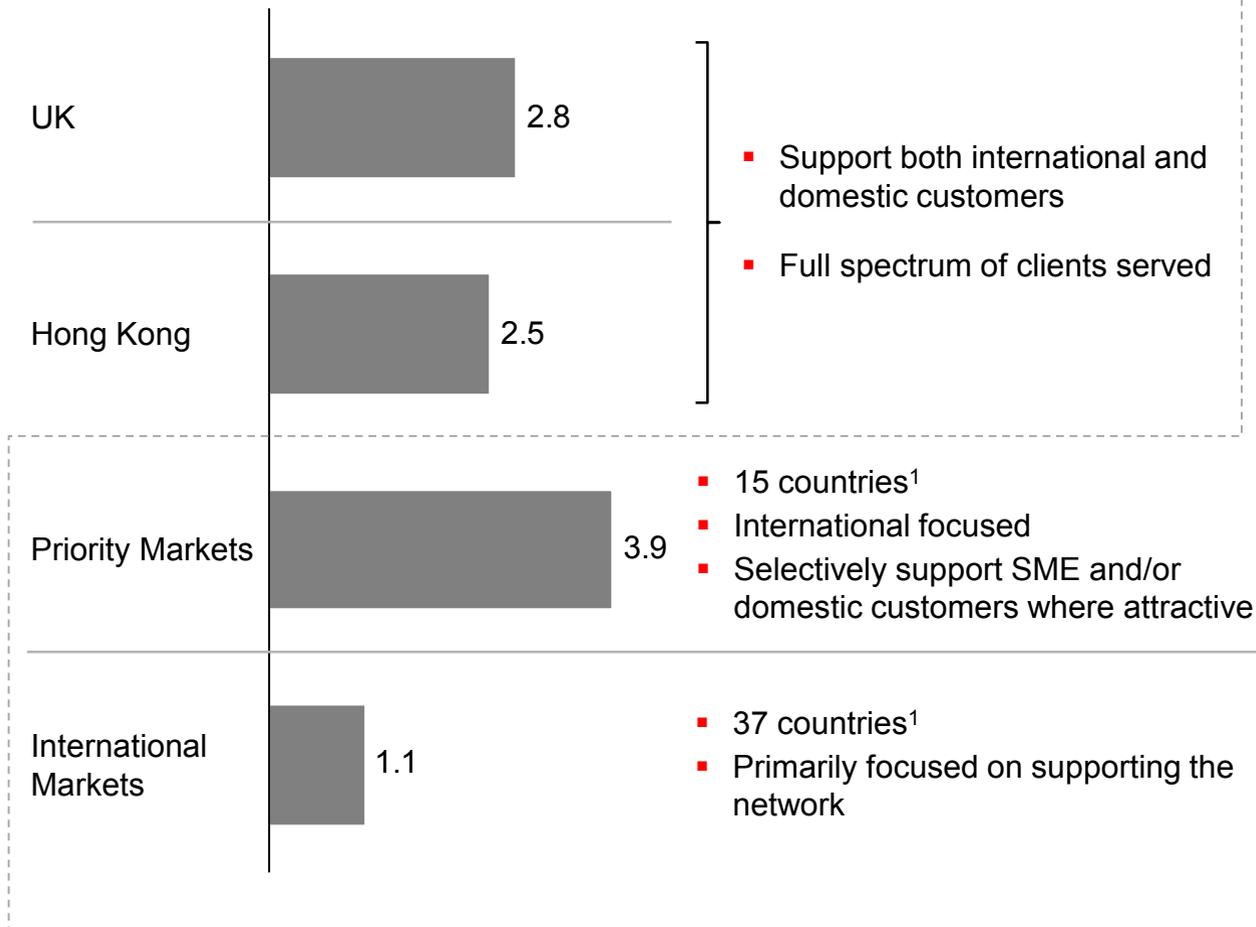
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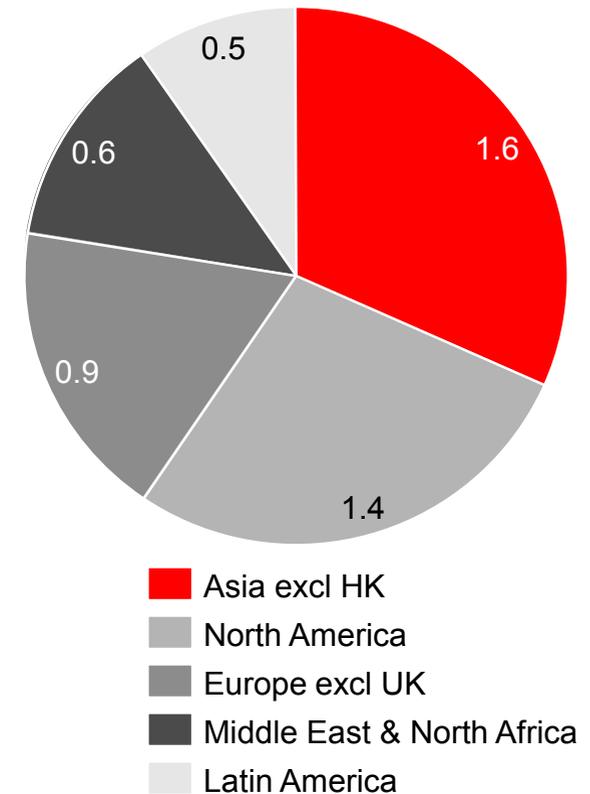
Summary and Outlook

Each market plays a different but key role in our network

Revenue by market type (adjusted basis) \$bn, 9M16

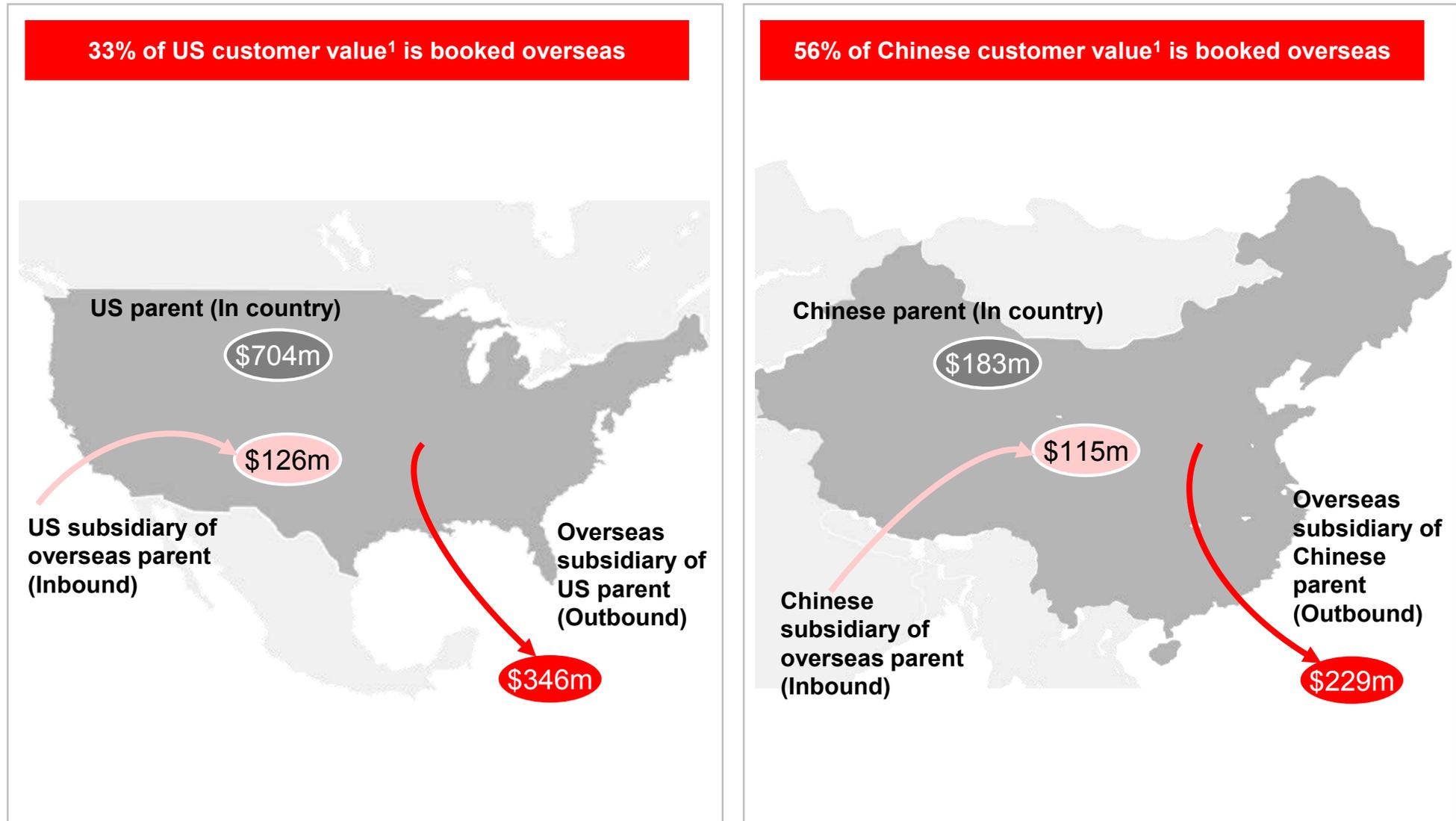


Priority and International Market revenue



1. Full list disclosed on page 32

Our network is leveraged by customers around the world



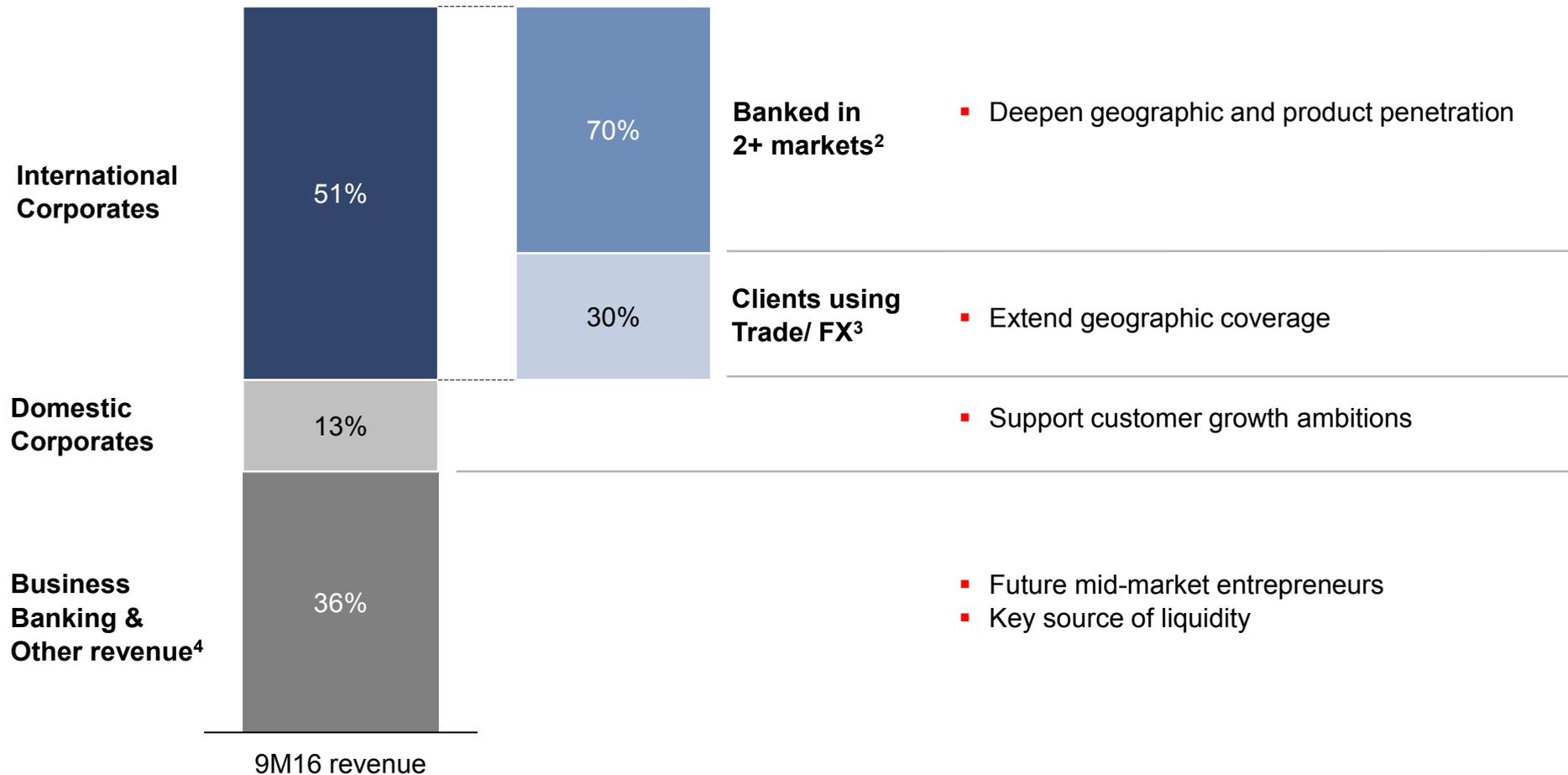
Source: Internal HSBC MI.

1. Based on 9M16. Customer value differs from reported revenue. Customer value relates to income from Corporate clients which includes total income from GB&M synergy products and excludes Business Banking and other income, as well as costs of funds. China Corporate exclude Hang Seng

Half of CMB's revenue is from clients with an international presence

Revenue by customer type¹ (% of total)

Opportunity



1. Internal HSBC MI

2. Clients banked in 2+ markets of which a third of revenue is generated outside of the Parent market (inbound/ outbound subsidiary revenue – International Subsidiary Banking)

3. Clients banked in 1 market and generating > \$10k Trade and FX product revenues (classified as international products).

4. Other revenue Includes Insurance and Investments and non product revenue

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Summary and Outlook

Our strategy for growth in a low growth economy

Illustrative revenue relationship between Products and Markets¹

		Number of Products			
		1	2	3	4+
Number of Markets	1	1	3x	6x	13x
	2	1x	7x	13x	28x
	3	2x	9x	15x	33x
	4+	3x	5x	16x	55x

Extend our geographic network

Leverage our broad product suite

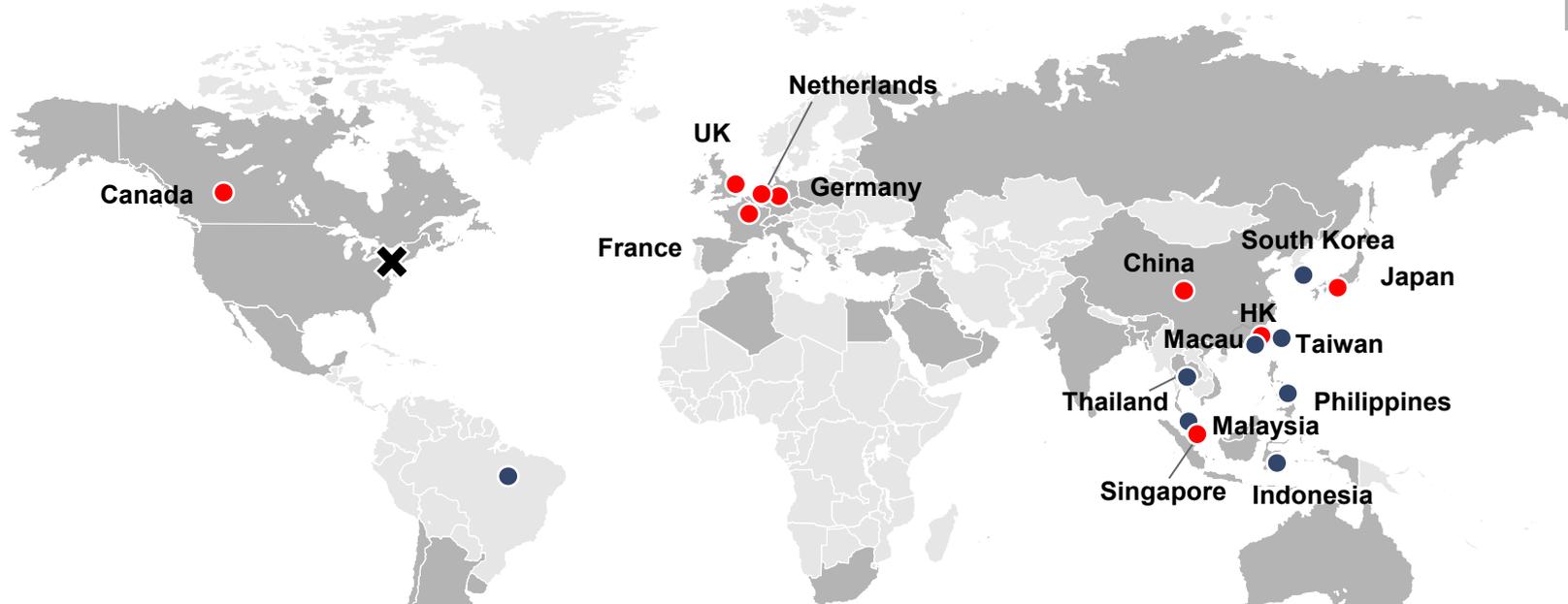
“Revenue multiplier” effect presents significant upside potential from the network

1. Internal HSBC MI

Customer example: capturing the network opportunity

Customer is headquartered in New York with 17 subsidiaries

✘ Parent HQ ● CMB banked subsidiary ● Non-CMB banked subsidiary
■ CMB's footprint



International Subsidiary Banking

Primary opportunity:

- 9 subsidiaries already bank with CMB
- Further 7 opportunities where CMB have presence

Network Banking

Additional Opportunity:

- 35 buyers and suppliers were identified across 19 markets
- CMB bank c.40% of their buyers and c.60% of their suppliers

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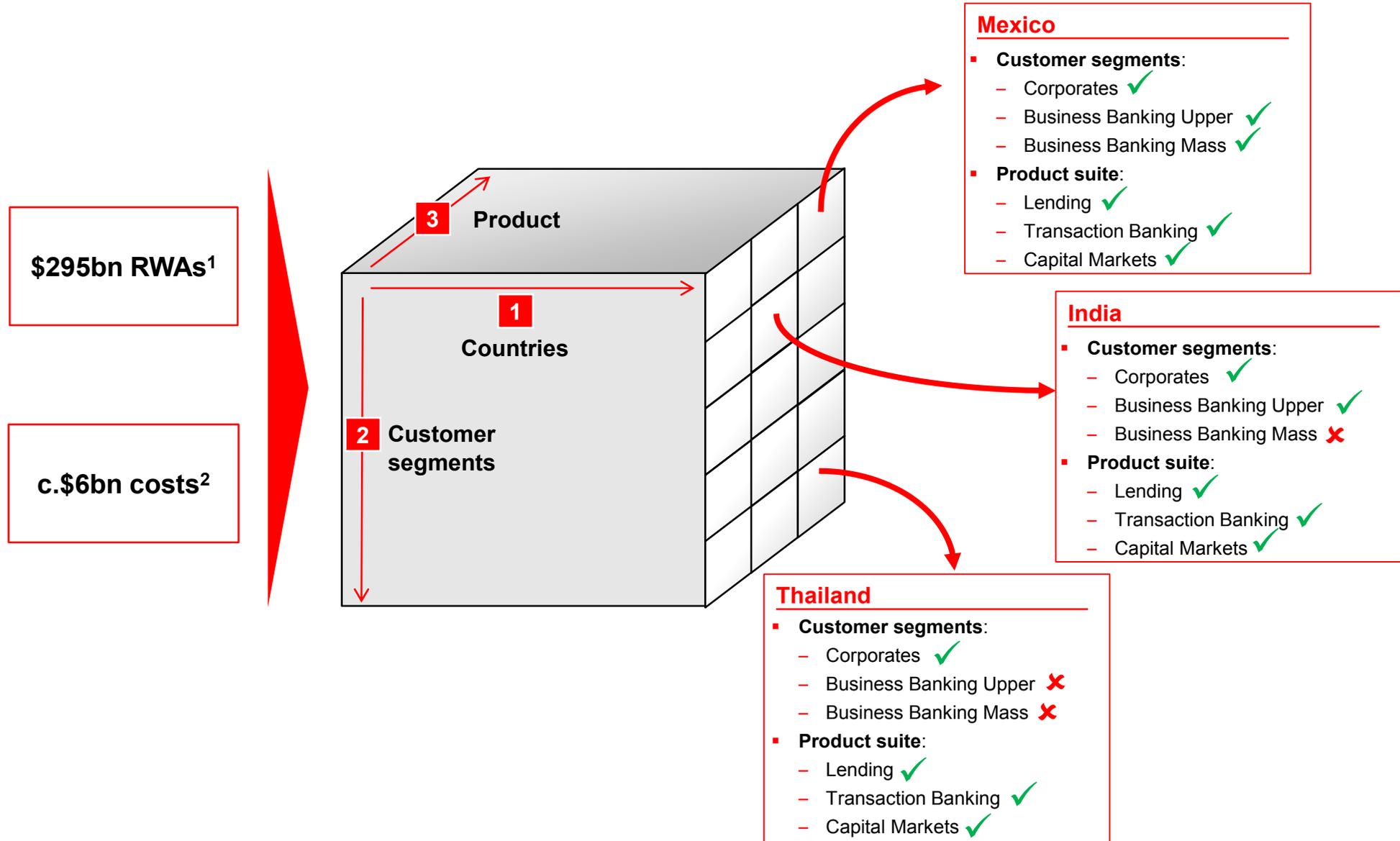
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Summary and Outlook

Strategic resource allocation to maximise value of the network



1. Reported RWAs as at September 2016 excluding associates
 2. FY15 adjusted operating expenses

Capitalising on the network advantage will drive growth



1

Strategic direction is sound and unchanged

2

Opportunity across multi product and geographic relationships

3

Disciplined resource allocation

Our network can deliver growth faster than GDP

Appendix

Commercial Banking (CMB)

1

CEO and CFO, CMB Biographies

2

3Q16 Financial Results

Executive Biographies

Noel Quinn, Group Managing Director and Chief Executive Officer, Global Commercial Banking

Noel Quinn was appointed Chief Executive, Global Commercial Banking, in December 2015.

He became a Group Managing Director in September 2016.

Based in London, Mr Quinn is responsible for HSBC's relationships with about 2 million business customers with turnover up to \$5bn in Asia-Pacific, Europe, the Middle East and North Africa, North America and Latin America. He is responsible for c.\$300bn of lending assets and \$13bn of revenues across 54 countries.

From 2011 to 2015 he was the Regional Head of Commercial Banking for the Asia-Pacific region based in Hong Kong, which accounted for c.50% of global CMB revenues. From October 2008-2011 he was Head of Commercial Banking in the UK, which represented c.20% of global CMB revenues, and started in role by managing the business carefully through the global financial crisis.

Mr Quinn qualified as an accountant in October 1987. He joined Forward Trust Group, a subsidiary of Midland Bank (now part of HSBC), in January 1988. He has spent 30 years in Banking, 26 of which have been in front line or functional roles within HSBC.

He has lived and worked in the UK, Europe, US and Asia. He featured among the Top 30 Ally Executives in the 2015 Financial Times/OUTstanding executive diversity ranking. He is passionate about developing a culture that values inclusion and diversity, and helping entrepreneurial businesses to develop and grow.



Executive Biographies

Paula McClelland, Chief Financial Officer, Global Commercial Banking

Paula McClelland was appointed Chief Financial Officer, Global Commercial Banking in July 2016.

Based in HSBC Group's London offices, Ms McClelland is responsible for the financial management of HSBC's Commercial Banking relationships with about 2 million business customers with turnover up to \$5bn in 54 countries across Asia-Pacific, Europe, the Middle East and North Africa, North America and Latin America.

Prior to this appointment, she was Group Head of Cost Performance, monitoring the portfolio of \$5 billion of transformation initiatives across the firm and controlling costs to achieve, in addition to being Chief Financial Officer of Global Functions.

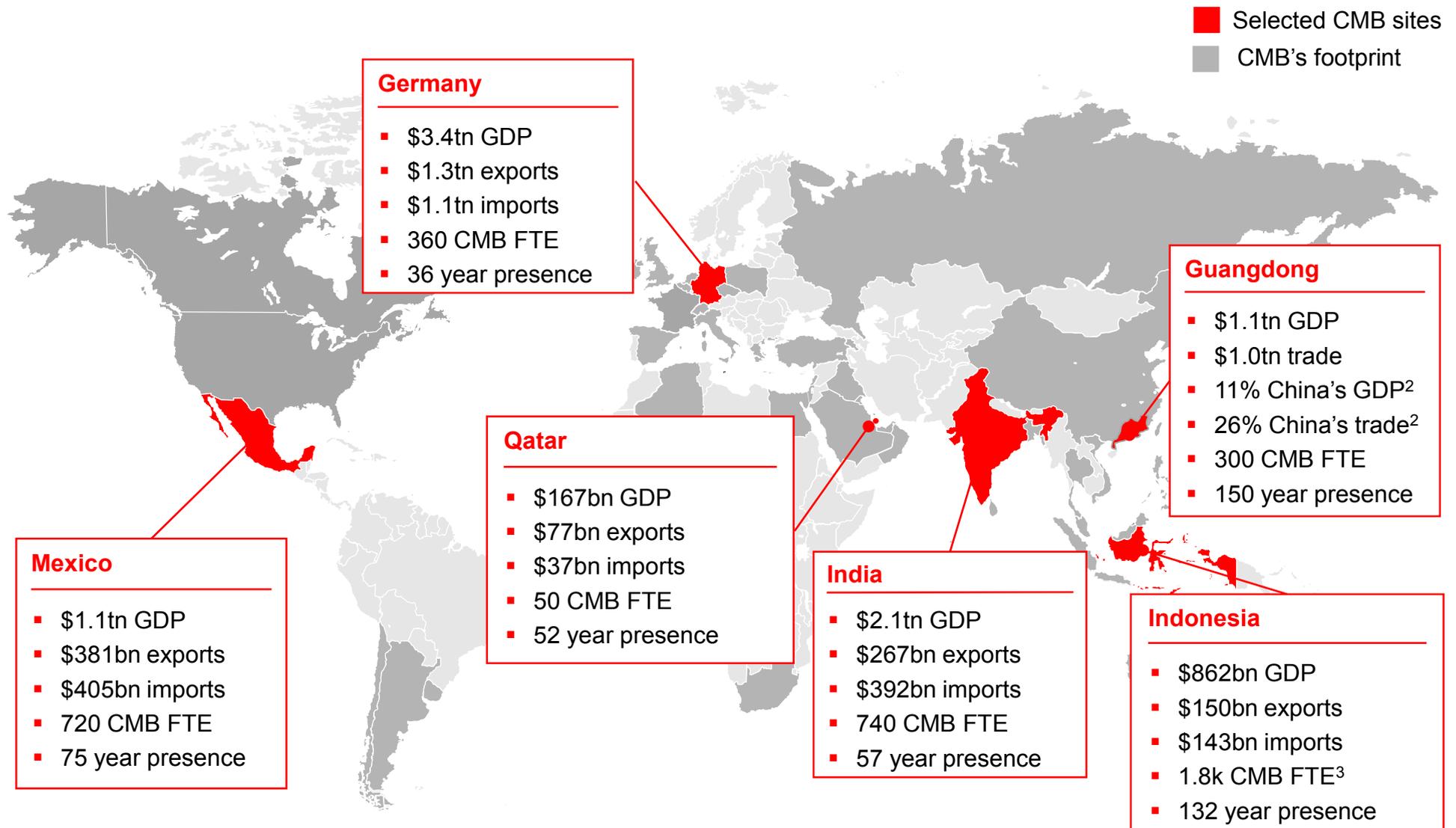
Before joining HSBC, Ms McClelland spent 15 years at JP Morgan. During her time there, she opened new offices in Kazakhstan and Qatar, built a business case for the creation of a Corporate Bank in Europe and right-sized the business during the financial crisis. In her last role at JP Morgan, she was Chief Operating Officer of Investment Banking for Europe, Middle East and Africa covering 21 countries and also managed the acquisition of the remaining 50% of JP Morgan Cazenove.

Ms McClelland holds a BA Commerce from University of Birmingham and is CIMA qualified.



Commercial Banking Overview

Our network covers over 90% of global trade and capital flows¹



GDP and Trade data source: World Bank (2016)

1. Global Insight and UNCTAD

2. Statistics Bureau of Guangdong Province, National Bureau of Statistics PRC

3. Includes Bank Ekonomi and HBAP branch

Financial Overview

Focused on international growth and returns

Key messages¹

Strong business foundation	<ul style="list-style-type: none"> - Despite a challenging environment, delivered 2% year-on-year revenue growth in 9M16 – including growth in GLCM (+4%) and C&L (+1%) - Asset quality remains robust – 9M16 LICs to Asset ratio² at 35bps (excl Brazil) - Adjusted PBT down 1% year-on-year, driven by a rise in LICs across a small number of markets
Streamlined and efficient execution	<ul style="list-style-type: none"> - Operating expenses improved by 1% year-on-year, delivering positive Jaws (+2.9%) - Focus on customer experience through investment in digital platforms to improve operational processes - \$18bn RWA savings in 9M16 helped drive a cumulative reduction of \$41bn to date, 41% above our 2015-17 target
Unrivalled network	<ul style="list-style-type: none"> - Revenue from our International Subsidiary Banking (“ISB”) proposition grew by 6% year-on-year, reflecting CMB’s unparalleled global network - Increased GLCM client mandate wins (+3%) drove 5% YoY growth in overall CMB deposit balances - Resilient GTRF performance in a difficult market, with increased market share in Hong Kong and Singapore³

\$bn (unless otherwise stated) ¹	9M15	9M16	vs. 9M15
Revenue	10.2	10.3	2%
LICS	(0.6)	(0.8)	(45)%
Operating expenses	(4.4)	(4.3)	1%
Operating Profit	5.2	5.2	-
Associates	1.2	1.2	(4)%
PBT	6.4	6.4	(1)%

CER	43%	42%	1%
JAWs	-	2.9%	-
RoRWA excl. Associates ⁴	2.3%	2.3%	-

\$bn ⁵	Dec15	Sep16	vs. Dec15
Loans and Advances	293	297	1%
Deposits	350	354	1%

1. Numbers presented on an adjusted basis unless otherwise stated. Refer to slide 31 for reconciliation between reported and adjusted results
 2. Annualised LICs as a percentage of average gross loans and advances
 3. Source: HKMA for Hong Kong data and MAS for Singapore data
 4. Refer to slide 31 for reconciliation between reported and adjusted RoRWA
 5. Numbers presented on a constant currency basis. Dec15 numbers presented at 3Q16 rates

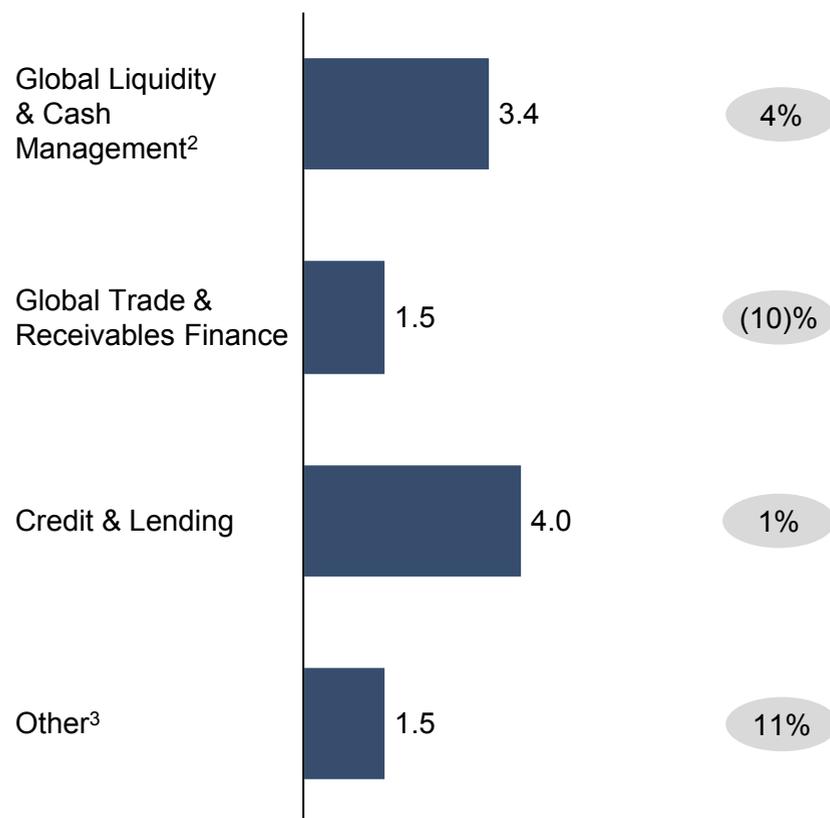
Revenue

Strong performance in GLCM, UK and Latin America

2% revenue growth to \$10.3bn in challenging environment

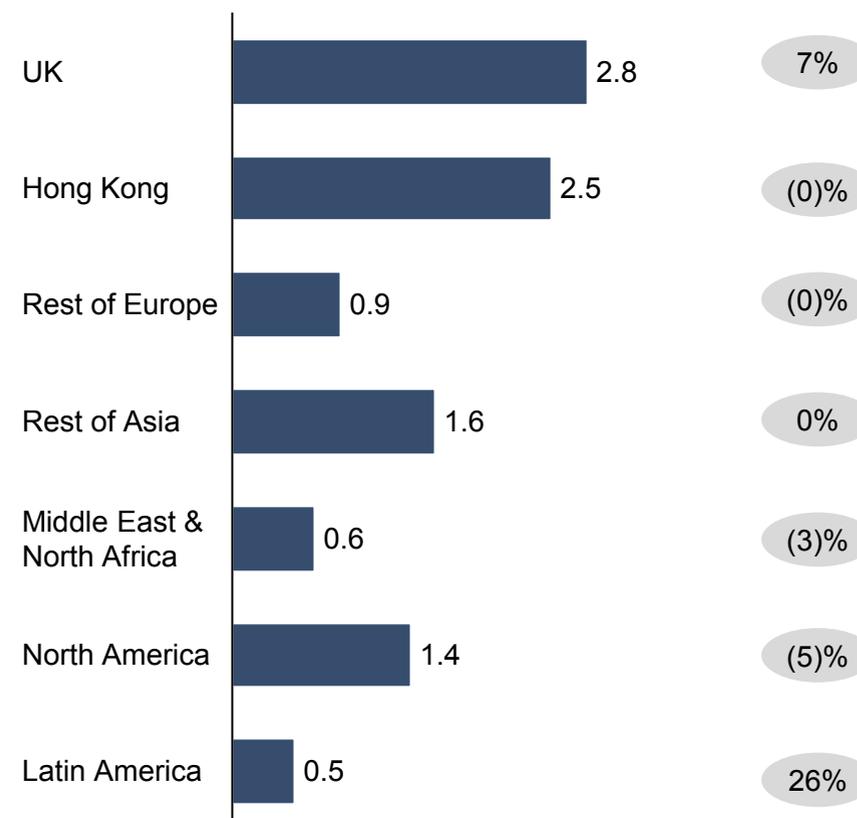
Revenue¹ by Product 9M16 (\$bn)

vs. 9M15
(% growth)



Revenue¹ by region 9M16 (\$bn)

vs. 9M15
(% growth)



1. Numbers presented on an adjusted basis

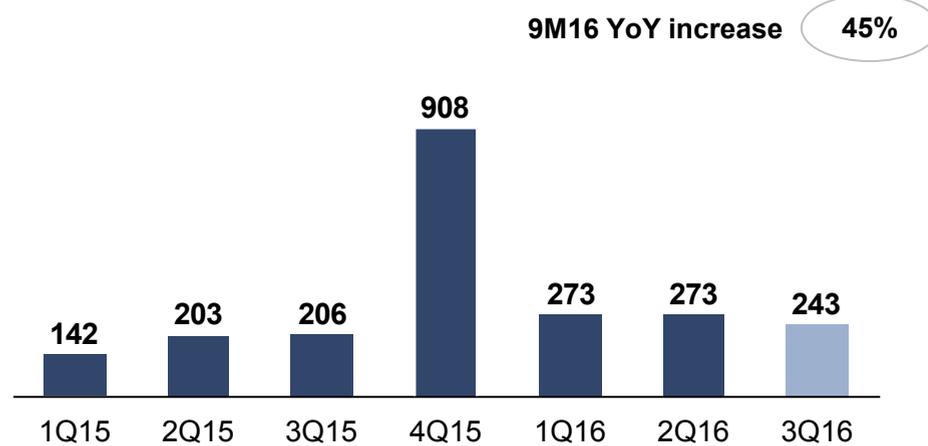
2. GLCM includes payments and cash management, current accounts, and savings deposits

3. Other includes Insurance & Investments and non-product revenues primarily due to gains/losses on disposals, as well as Capital Financing, Global Markets and Principal Investments
Numbers include pay aways depending on product. Remainder of revenues generated booked under GB&M

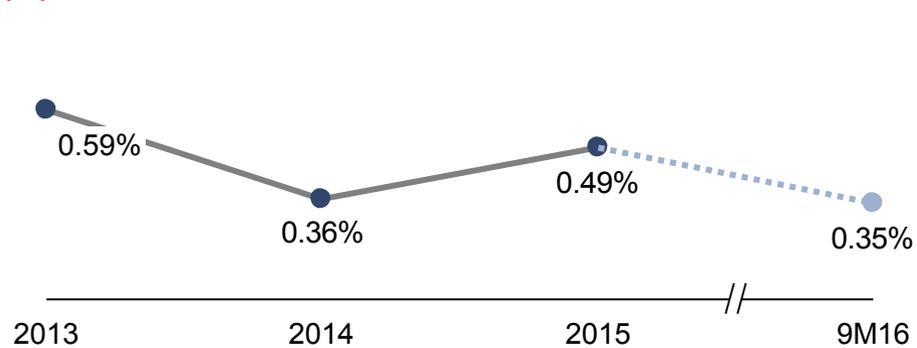
Risk Management

Asset quality remains robust despite global economic challenges

Adjusted Quarterly LICs¹ (\$m)

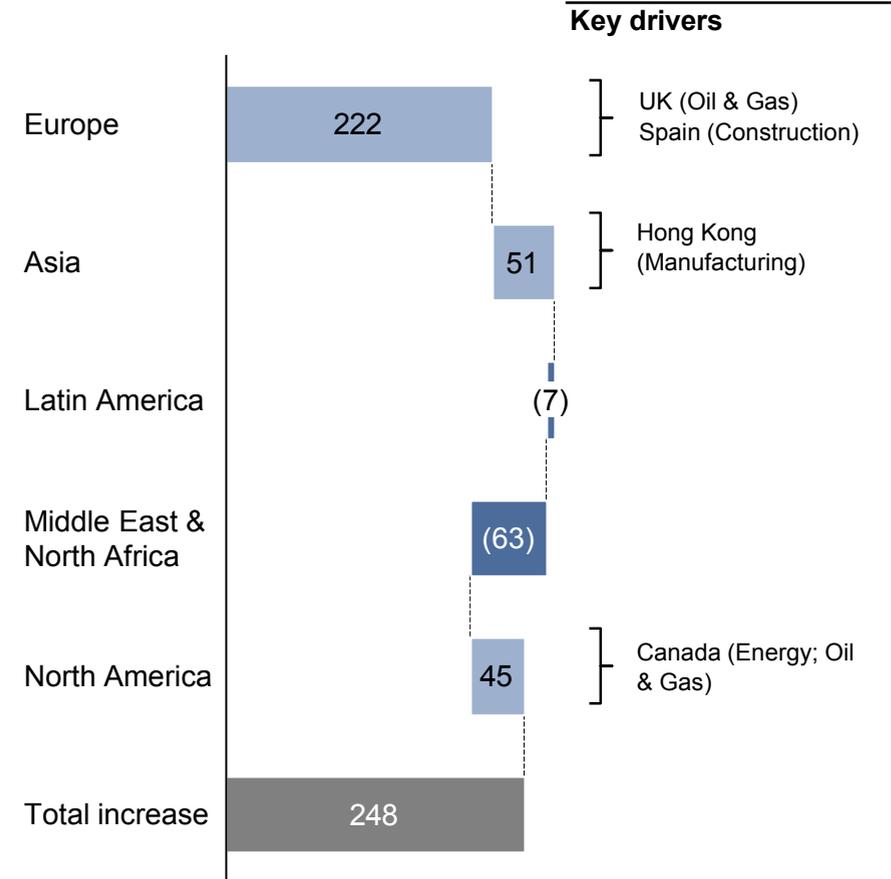


Reported LICs as a % of average gross loans and advances² (%)



Increase / (decrease) in adjusted LICs

9M16 vs. 9M15 (\$m)



1. Reconciliation from reported results can be found on slide 30

2. Numbers on a reported basis and exclude Brazil. 2013-15 numbers restated for the impact of a portfolio of customers in Latin America which was transferred from CMB to RBWM in the first half of 2015. Average balances calculated using 5-point average for 2013-15 and 4-point average for 9M16. 9M16 on an annualised basis.

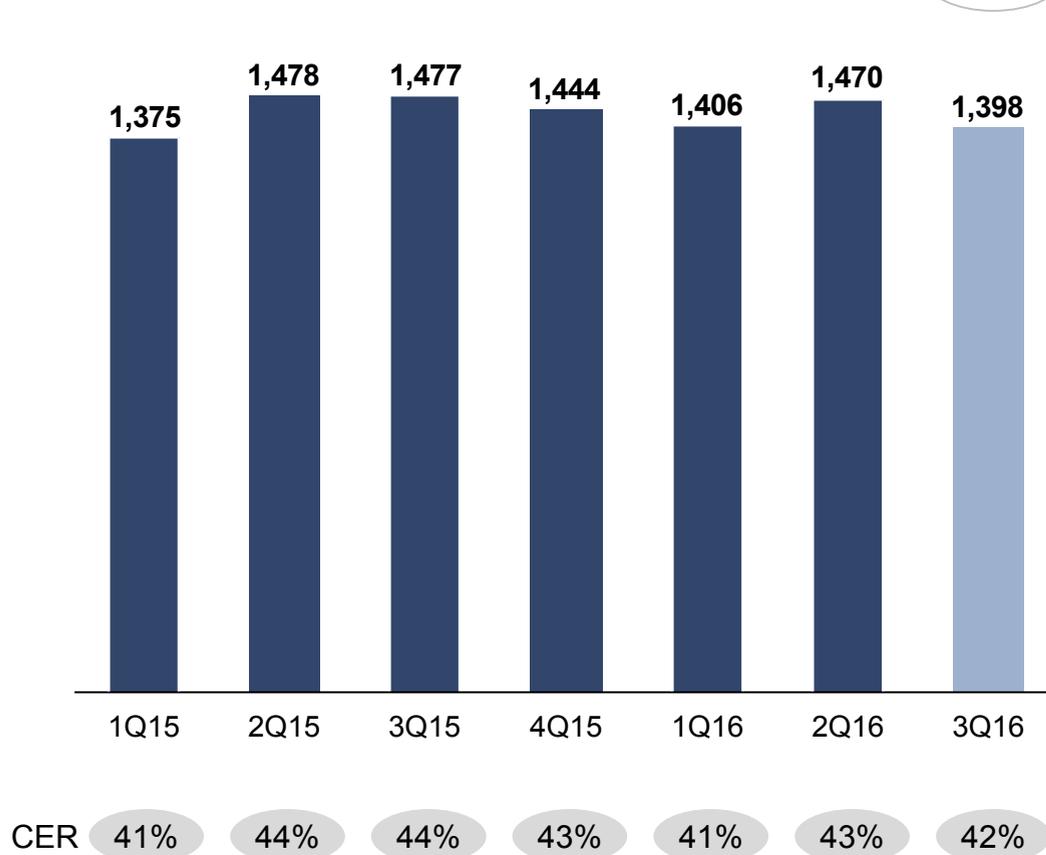
Operating Expenses

Cost growth stabilised while investing in Global Standards and digital platforms

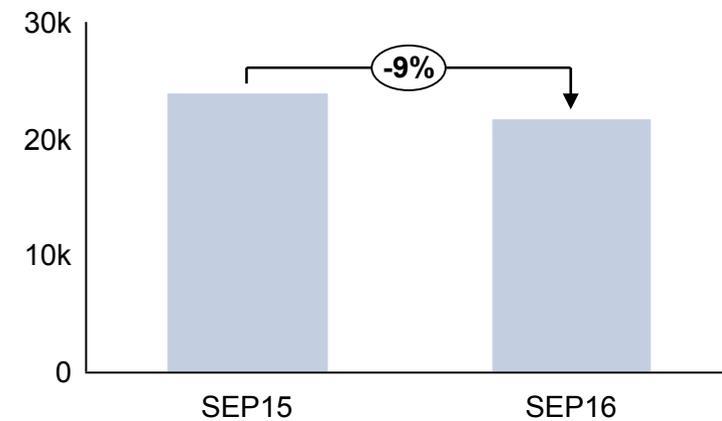
Costs well managed (adjusted operating expenses¹)

(\$m)

9M16 YoY reduction 1%



Overall FTE reduced by 9%



Driving improvements in customer experience through efficiency measures and digital

Key measure	YoY ² (%)
Accelerating client onboarding Days to open a domestic account ³	-30%
Improving process efficiency Average time to credit decision ⁴	-15%

1. Numbers presented on an adjusted basis. Reconciliation from reported results can be found on slide 30

2. As at 1H16

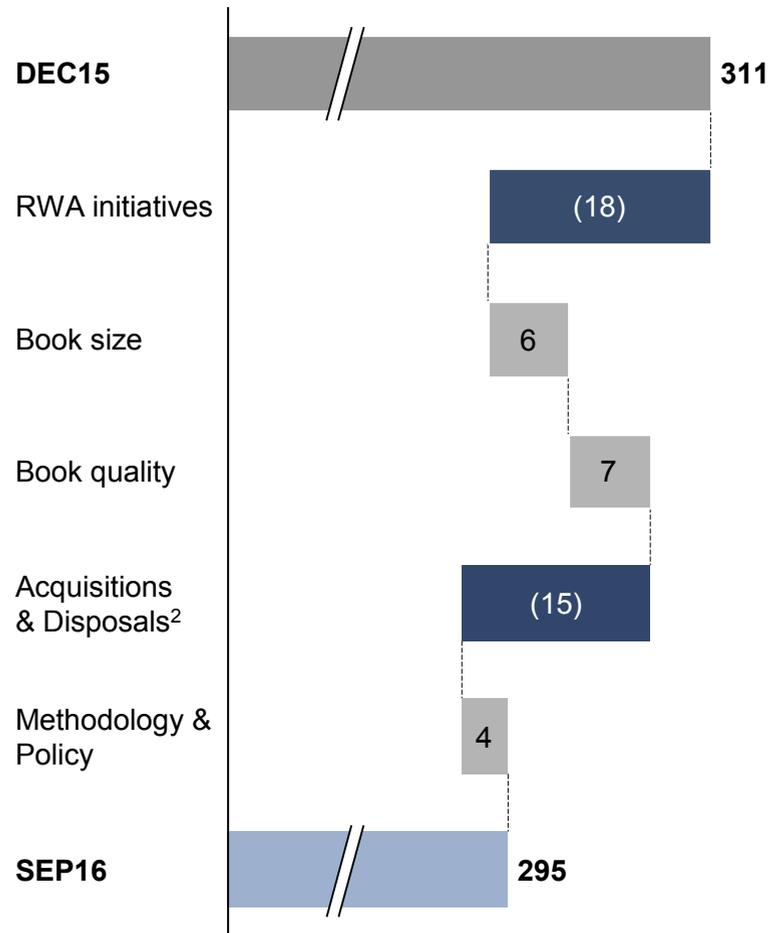
3. Average calendar days to open a domestic account. Global averages for CMB clients during the half-year period, excluding Brazil and Portfolio Managed Business Banking customers in UK and Hong Kong

4. In key CMB markets (accounting for c.70% credit application volumes)

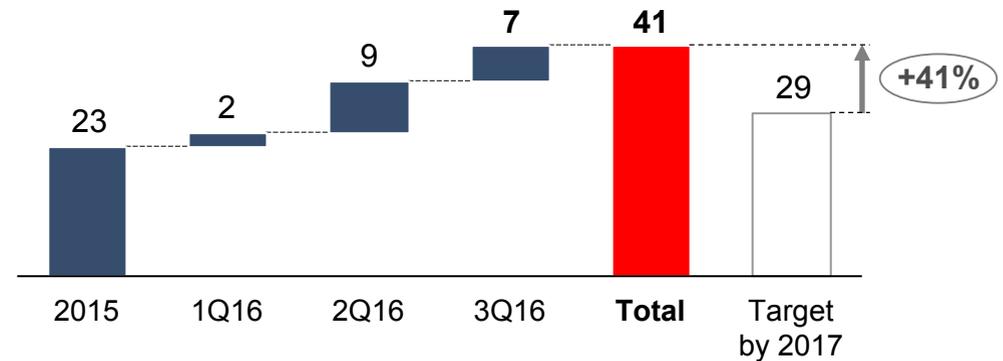
RWA Management

Cumulative \$41bn of RWA savings to date, 41% above targeted outcome of \$29bn by 2017

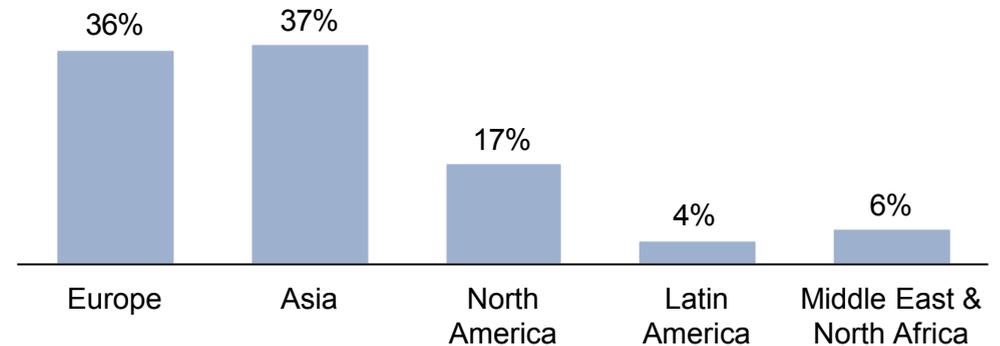
RWAs excluding associates¹ (\$bn)



RWA reduction since DEC14 through management initiatives (USDbn)



Regional distribution of RWAs² at SEP16 (% of total)



1. Numbers presented on a constant currency basis excluding associates

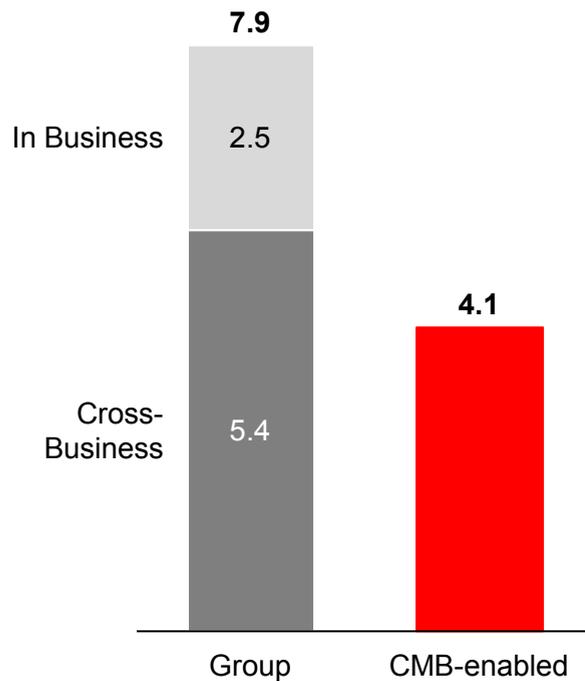
2. Acquisitions and Disposals includes Brazil disposal c.-\$14.4bn and run-off in Turkey c.\$0.8bn

Universal Banking Model

CMB is central to the Group's revenue synergies

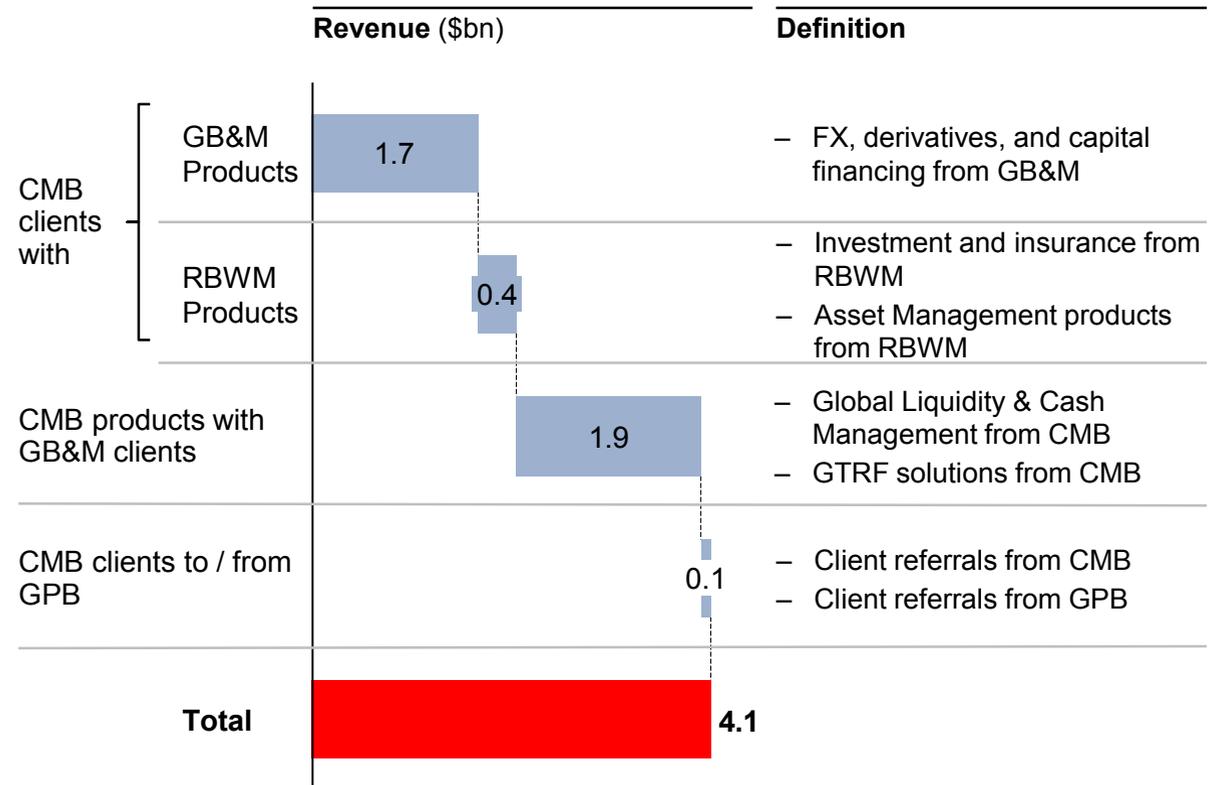
Collaboration with CMB accounted for over half of the Group's revenue synergies

Revenue synergies 9M16 (\$bn)



CMB-enabled revenue synergies

Revenue synergies with CMB clients and products 9M16 (\$bn)



CMB Quarterly trends

Reconciliation of Reported to Adjusted results

\$m	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16
Reported							
Revenue	3,786	3,748	3,702	3,634	3,623	3,886	2,811
LICs	(216)	(295)	(246)	(1,013)	(390)	(443)	(244)
Operating expenses	(1,639)	(1,682)	(1,676)	(1,747)	(1,524)	(1,619)	(1,415)
Share of profit in associates and joint ventures	363	458	446	350	341	430	383
Profit before tax	2,294	2,229	2,226	1,224	2,050	2,254	1,535
Includes							
Currency translation:							
Revenue	(252)	(240)	(183)	(132)	(37)	(97)	-
LICs	16	15	3	7	(20)	(1)	-
Operating expenses	113	104	64	58	5	32	-
Share of profit in associates and joint ventures	(25)	(31)	(22)	(14)	(6)	(7)	-
Profit before tax	(148)	(152)	(138)	(82)	(58)	(74)	-
Significant items and impact of disposals:							
Revenue	(192)	(171)	(178)	(165)	(171)	(388)	541
LICs	58	77	37	98	137	171	-
Operating expenses	151	100	133	245	113	117	20
Share of profit in associates and joint ventures	1	-	-	1	1	-	-
Profit before tax	17	6	(8)	181	79	(100)	561
Adjusted							
Revenue	3,342	3,337	3,341	3,337	3,415	3,401	3,352
LICs	(142)	(203)	(206)	(908)	(273)	(273)	(244)
Operating expenses	(1,375)	(1,478)	(1,479)	(1,444)	(1,406)	(1,470)	(1,395)
Share of profit in associates and joint ventures	339	427	424	337	336	423	383
Profit before tax	2,163	2,083	2,080	1,323	2,071	2,080	2,096

Reconciliation of reported to adjusted results

Reconciliation of reported to adjusted P&L, average RWAs and RoRWA

\$m	9M15	9M16		9M15	9M16
Reported			Operating Profit¹ \$m		
Revenue	11,236	10,320	Reported	5,482	4,685
LICs	(757)	(1,077)	Adjusted	5,224	5,206
Operating expenses	(4,997)	(4,558)			
Share of profit in associates and joint ventures	1,267	1,154	Average RWAs \$bn		
Profit before tax	6,749	5,839	Average reported RWAs	431.3	390.8
Includes			Average associate RWAs	103.0	78.9
Currency translation:			Average reported RWAs excluding associates	328.3	311.9
Revenue	(577)	-	Currency translation adjustment	(13.3)	-
LICs	45	-	Acquisitions, disposals and dilutions	(13.9)	(10.1)
Operating expenses	252	-	Average adjusted RWAs excluding associates	301.1	301.8
Share of profit in associates and joint ventures	(63)	-			
Profit before tax	(343)	-	RoRWA excluding associates		
Significant items and impact of disposals:			Reported	2.2%	2.0%
Revenue	(495)	23	Adjusted	2.3%	2.3%
LICs	156	273			
Operating expenses	360	227			
Share of profit in associates and joint ventures	1	1			
Profit before tax	22	524			
Adjusted					
Revenue	10,164	10,343			
LICs	(556)	(804)			
Operating expenses	(4,385)	(4,331)			
Share of profit in associates and joint ventures	1,205	1,155			
Profit before tax	6,428	6,363			

1. Profit before tax less our share of profit in associates and joint ventures

Country List

CMB's footprint¹ across 54 markets

Home Markets

- Hong Kong
- United Kingdom

Priority Markets

- Australia
- Canada
- China
- Egypt
- France
- Germany
- India
- Indonesia
- Malaysia
- Mexico
- Saudi Arabia (SABB)
- Singapore
- Taiwan
- United Arab Emirates
- United States

International Markets

- Algeria
- Armenia
- Argentina
- Bahrain
- Bangladesh
- Belgium
- Bermuda
- Brunei
- Channel Islands & Isle of Man
- Chile
- Czech Republic
- Greece
- Ireland
- Israel
- Italy
- Japan
- Kuwait
- Lebanon
- Macau
- Maldives
- Malta
- Mauritius
- Netherlands
- New Zealand
- Oman
- Philippines
- Poland
- Qatar
- Russia
- Spain
- South Africa
- South Korea
- Sri Lanka
- Switzerland
- Thailand
- Turkey
- Uruguay
- Vietnam

1. On the ground coverage supported by Relationship Managers