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Nomura Conference

HSBC Commercial Banking

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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 and Interim Report 2011. Past performance cannot be relied on as a guide to future performance.

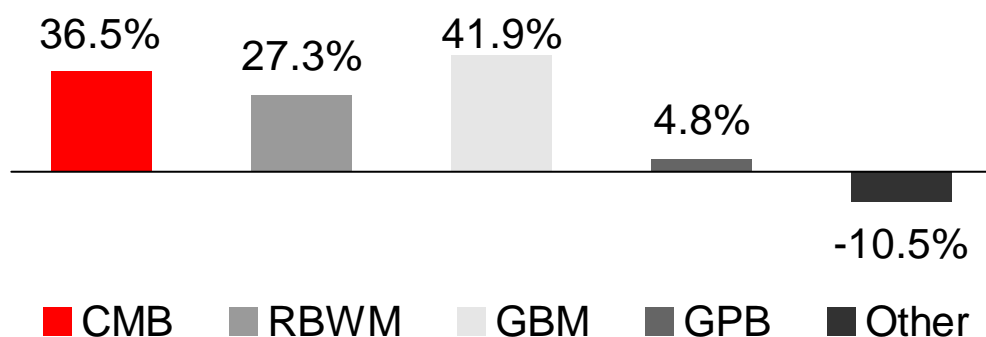
This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial information to the most directly comparable measures under GAAP are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.

Global Commercial Banking interim results 2011

2011 interim highlights

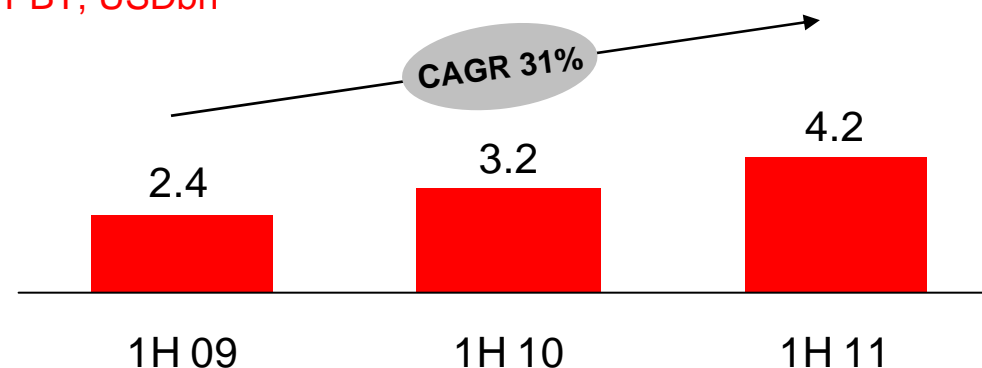
Significant contributor to group profits¹

PBT

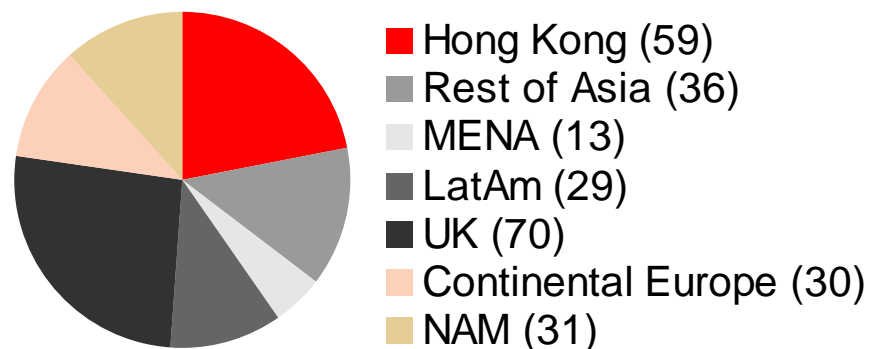


Strong profitable growth

PBT, USDbn

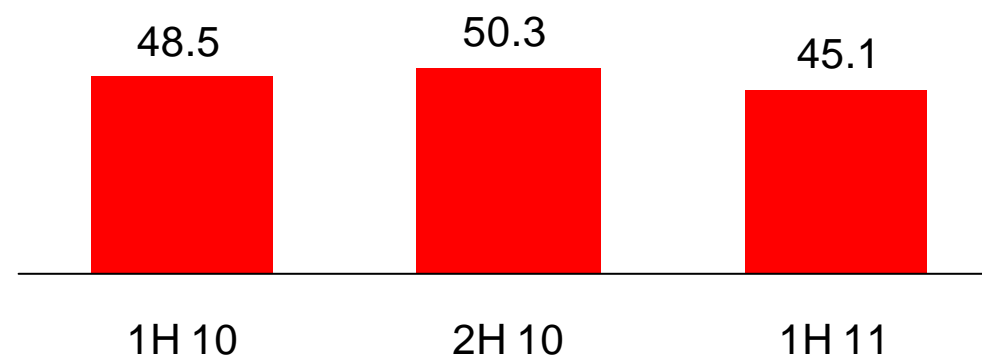


Diversified business

(Loans and advances to customers² – USD268bn)

Improving cost efficiency ratio






(%)



Note:

¹ For H1 2011² As at 30th June 2011

Interim financial overview

USDbn	1H10		1H11	% Better / (Worse)
Revenue	6.7		7.7	+14%
Operating expense	(3.3)		(3.5)	-6%
Loan impairment charges	(0.7)		(0.6)	+9%
Profit before tax	3.2		4.2	+31%
RORWA	2.2%		2.4%	+0.2pp

Macro economic trends

Operating in a global economy

Threats

- Concerns about inflation shifting to concerns around growth
- Quantitative Easing in the West against quantitative tightening in the East
- Constrained economic recovery
- Regulatory change impacting our business model – Basel III

Advantages

- CMB has a presence in over 60 countries around the world, allowing customers to leverage opportunities in growth markets as others tighten
- HSBC's historical footprint and expertise is aligned with the increasingly important trade flows amongst Faster Growing Markets, and CMB is well positioned to facilitate trade between these hubs
- CMB remained profitable throughout the financial crisis

Increasing globalisation

Faster Growing and developed markets connectivity

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

Businesses becoming international

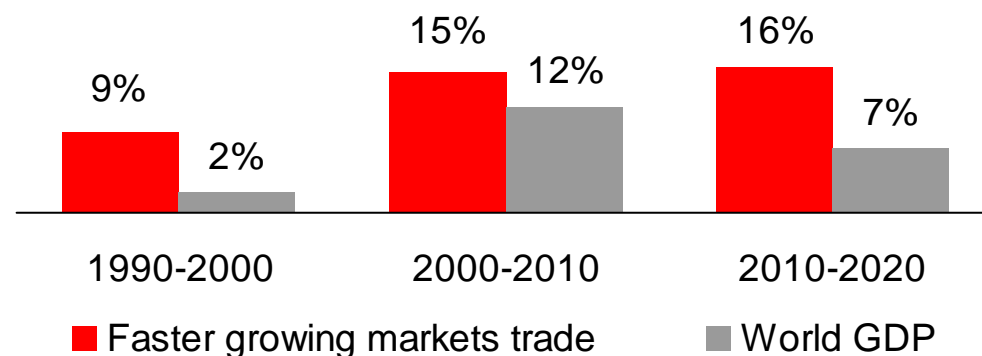
- 74% of Corporates plan to expand international business³
- 40% of SMEs expect to be operating internationally within next two years⁴
- 65% of companies grew international business faster than domestic³

Note: Developed markets are USA, Canada, Japan, Australia, New Zealand, Switzerland, Malta and the EU15, remaining sites are classified as 'faster growing'

1 HSBC Global Research

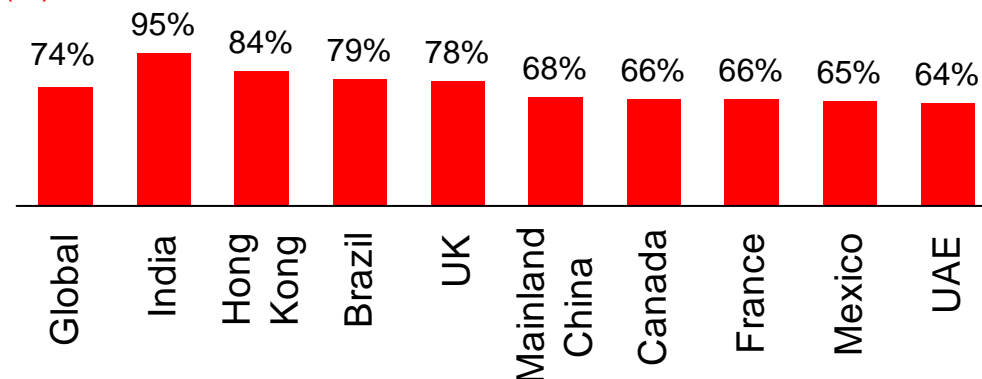
World GDP vs faster growing markets trade²

CAGR



Corporates planning to expand international business³

(%)



2 UN, World Bank and HSBC estimates, September 2010

3 HSBC International Business survey, June 2010

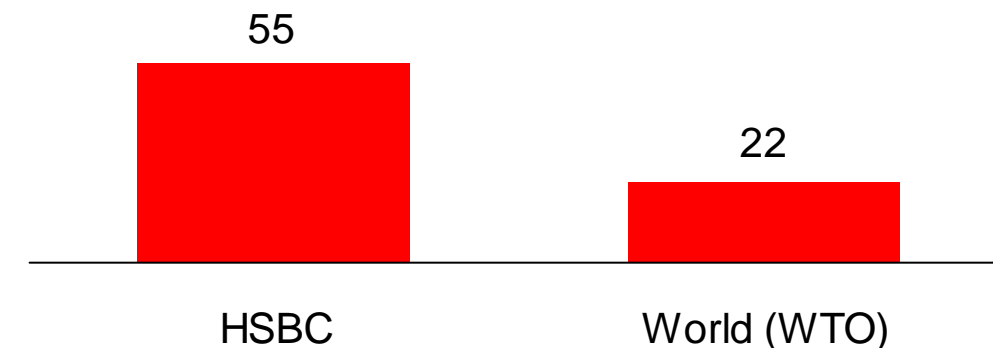
4 HSBC Small Business Confidence Monitor, January 2011

HSBC – leadership in global trade

- USD1.0bn Trade & Supply Chain revenue in H1 2011 – up 26% – over 8x GDP growth
- Recognised leader in trade
 - Whether open account ...
 - Global Liquidity Management in 55 markets
 - Receivables Finance: coverage across 23 sites – merged function with TSC to drive revenue over medium term
 - International Factoring: #2 globally¹
 - ... or directly through other products
 - Traditional LC, remittances and collections
 - Commodity and Structured Trade Finance
- Strong capability with ancillary products: FX, Insurance etc

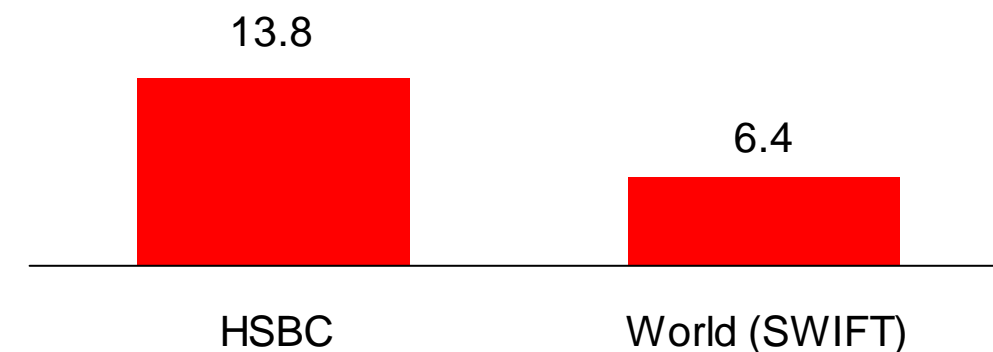
Trade growth

Turnover growth², %, 2009-2010



Payments growth

Transaction growth³, %, 2009-2010



¹ Factor Chain International, Nov 2010

² WTO and HSBC Total (Import and Export) Trade Turnover (Internal Management Information)

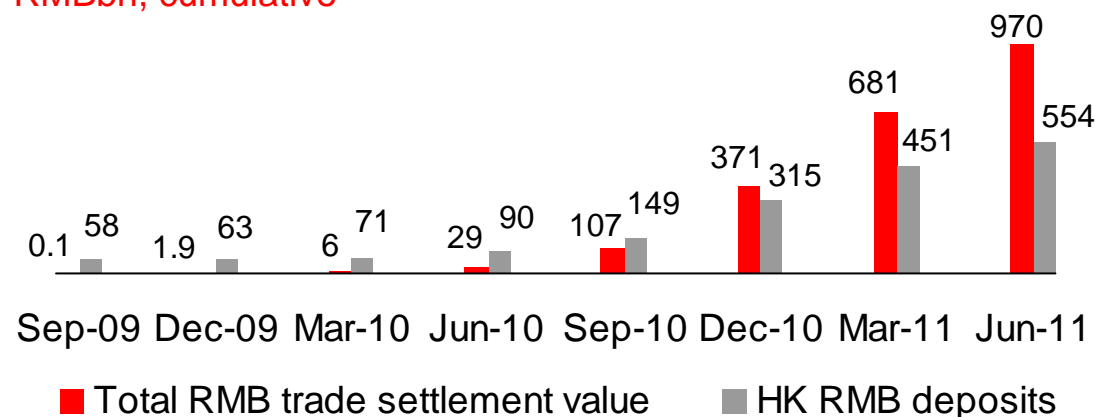
³ www.swift.com; Payment transactions growth 2009-2010

HSBC – a leading international RMB bank



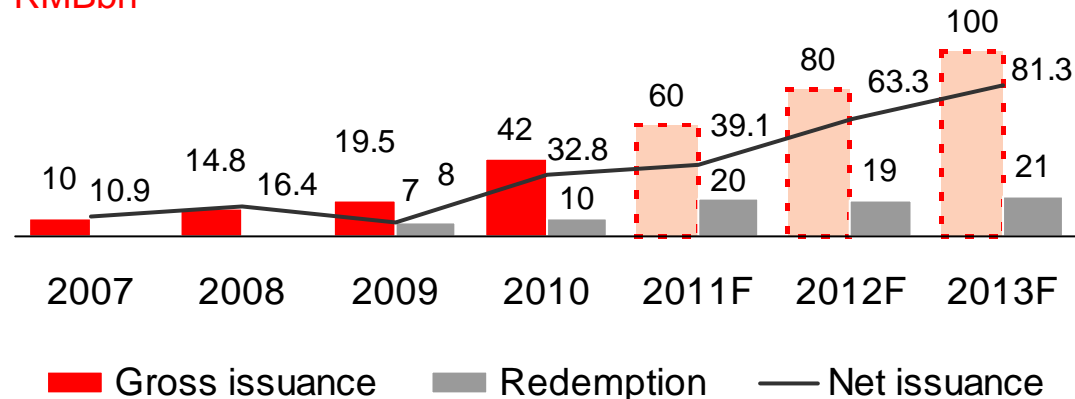
Hong Kong RMB deposits vs RMB trade settlement¹

RMBbn, cumulative



RMB Bond new issuance forecast²

RMBbn



Potential for growth

Capitalising on international connectivity to further increase market share

- HK's RMB deposits estimated to rise threefold in 2011²
- HSBC offers RMB trade services in over 50 markets on all 6 continents, settlement volume reaches RMB45bn FY2010³
- RMB bond issuance: #1 Rank (YTD July 2011). Issuance includes World Bank, Unilever, etc⁴

Leveraging on first mover advantage

- Joint-Listing Agent on HK's first RMB IPO
- First RMB structured deposits. Launched RMB insurance, RMB Bond Fund
- Pioneered Offshore RMB Bond Index

¹ HKMA

² HSBC Research 'Offshore RMB: What's next' on 15 February 2011; HKMA

³ HSBC management information (excluding Hang Seng Bank)

⁴ Bloomberg as at 28 July 2011

Progress against strategic direction

Strategic direction



**May 2011 HSBC Strategy Day established the CMB Overall Strategic Direction:
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 actions

Expanding presence in key faster growing markets

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

Roll out Commodity and Structured Trade Finance (CSTF) Capability

Increase product penetration

Highlights to date

Customer lending in Faster Growing Markets grew more than double the rate of growth in Developed Markets, for the period H1 2011

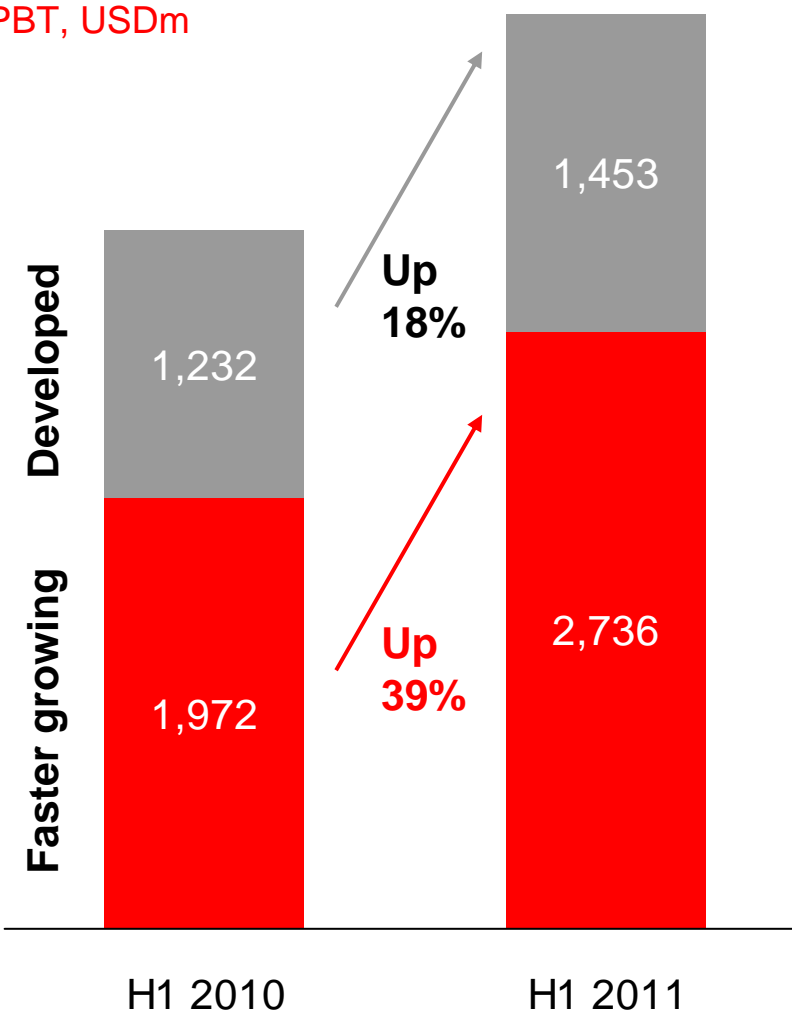
Reported strong revenue of USD4.3bn
Reported PBT levels of USD2.7bn up 39% against projected annual GDP growth of 3%¹

Head of CSTF Asia hired to build out Asia hub in Singapore with further investments in Hong Kong, Sydney & Shanghai to complement European network (London, Paris, Dusseldorf)

Successful cross-border referrals from DM to FGM grew by 58% compared to 1H2010
Merged TSC² and RF³ to leverage scale – we aim to double HSBC trade revenue from USD2.5bn to USD5bn over medium term

The changing balance of our business

PBT, USDm



1. Nominal GDP weights – Source – HSBC Global Research

2. Trade & Supply Chain

3. Receivables Finance

2 Collaborate with GBM to capture the mid-market opportunity



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

Focus on key markets with deepest profit pools

Better global coordination within franchise and with GBM

Highlights to date

Strong revenue growth from the sale of GBM products

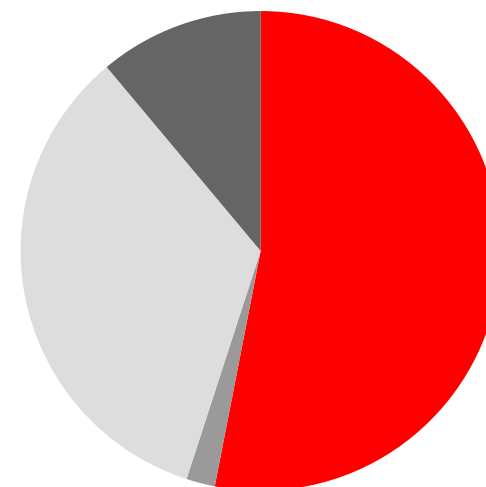
Appointed Global Head of CMB Coverage, Global Banking and Global Head of CMB Distribution, GM

Asia and Latin America contributed more than 80% of total revenue growth

Joint sector and product coverage on key clients

Increasing contribution of GBM products

Corporate product revenue by business group 1H 2011



- Credit and lending
- Other
- Global transaction banking
- GBM

3 Capture growth in international SMEs

Key actions

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

Reposition legacy SME books to an even greater focus on international

Leverage on-line banking capabilities to help customers execute cross border payments efficiently

Deliver wider product set to International SMEs

Highlights to date

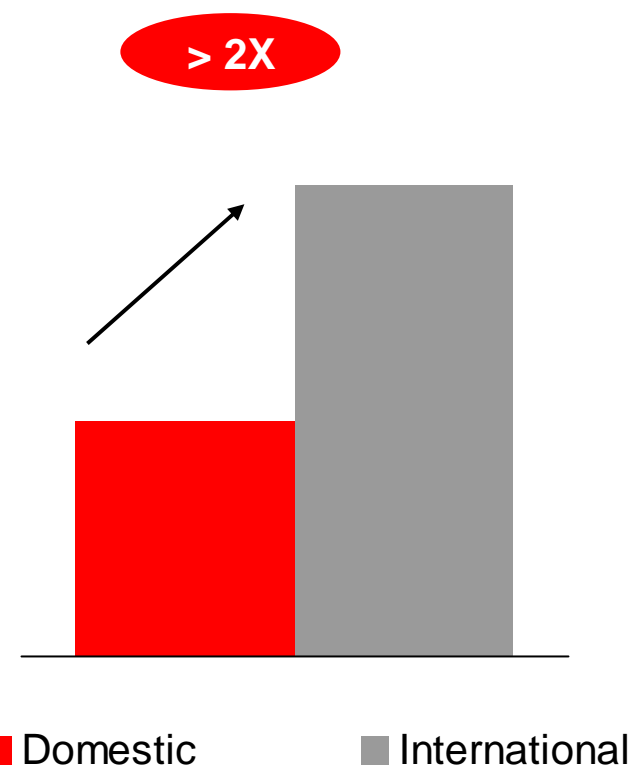
Fundamental shift in acquisition strategy to international SMEs whilst withdrawing from domestic acquisition in selected markets (based on 5 filter criteria)

International customers grew by 5% in top 12 markets since Dec 2010

Globalising our internet banking platform for International businesses – 1.2m active Business Internet Banking Customers, up 13% Y-o-Y

Developed a global model of International Business Teams (IBT)

Revenue from international vs domestic customers



Source: HSBC Internal management report

Globally, in Commercial Banking, international customers typically generate more than double the revenues of domestically focused companies.

4 Drive efficiency gains

Key actions

Implement a globally consistent operating model

Re-engineer processes to drive operational efficiencies

Improve efficiency gains from technology

Leverage scale in Centres of Excellence (CoEs)

Highlights to date

Rolling out globally consistent business model across all CMB countries in Q3 2011

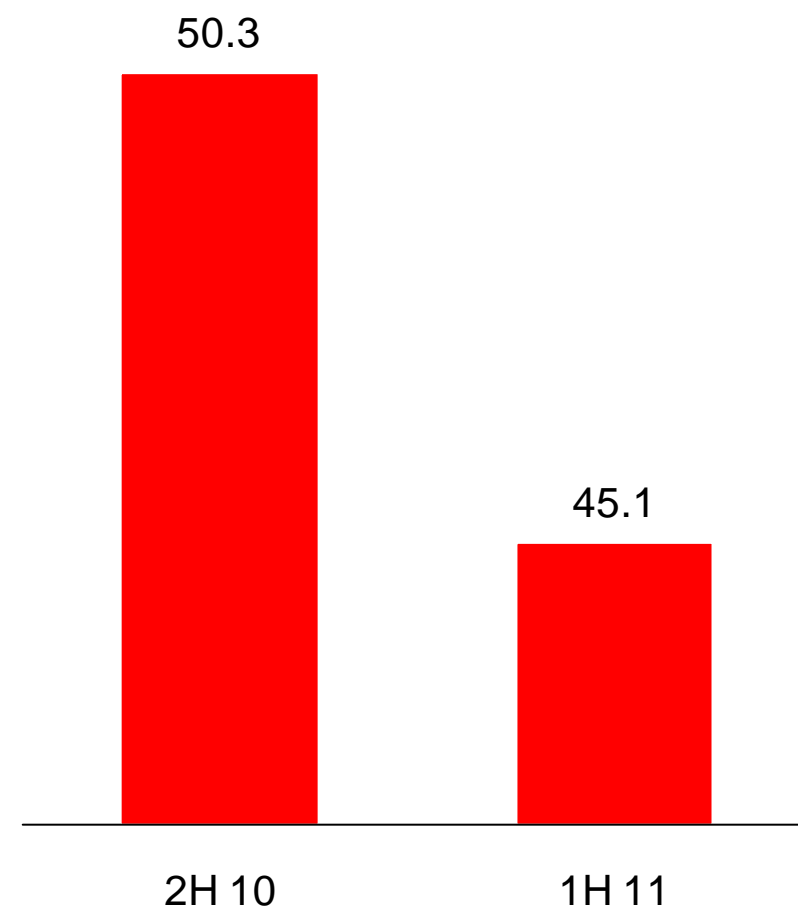
Reported CER¹ of 45% is lower than target set at Strategy Day
Strong positive JAWs

HSBC^{net} Mobile piloted in 40 countries

Four operational workstreams initiated in Q2 to leverage efficiencies of scale

Driving efficiencies across CMB

% Cost efficiency ratio – CMB 1H 2011¹



¹ Excluding the UK pension credit, CER of 48% is still within target range of 48 – 52%

Maintaining momentum

H2 Focus

- Maintain focus on targets: RORWA 2.2 – 2.5% and CER of 46 – 48%

- Implement strategic business model

- Leverage leadership in international trade

- Continue to focus on cross sell potential with GBM

Q&A

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