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Commercial Banking

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HSBC 

Important notice and forward-looking statements

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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 year-on-year effects of foreign currency translation differences and significant items which distort year-on-year 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. Reconciliation of non-GAAP financial measurements to the most directly comparable measures under GAAP is provided in the ‘reconciliations of non-GAAP financial measures’ supplement available at www.hsbc.com.

1 Overview

2 Solid foundation, strong performance

3 Capturing value from global presence

4 Investing for growth

5 Summary: Advantages driving improved returns

CMB will deliver faster-than-market growth and improved returns

Key messages

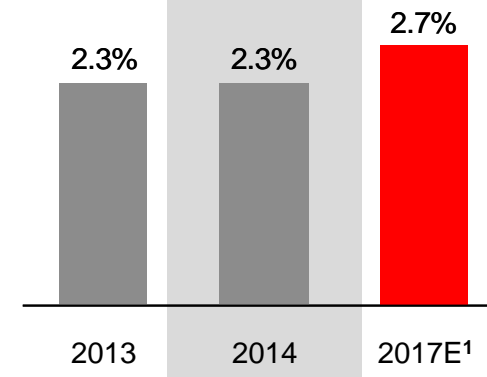
Solid foundation, strong performance	<ul style="list-style-type: none"> § Strong track record of profitable growth – with positive revenue and return expectations § Pivotal role in growth of cross-business collaboration, contributing c. 52% of Group revenue synergies § Better meeting client needs through new global client segmentation
Capturing value from global presence	<ul style="list-style-type: none"> § Focusing on leveraging our geographic and client networks – an advantage competitors cannot replicate § Strengthening position in key market hubs: China, USA, Germany § Driving outbound² revenue growth of >12% through International Subsidiary Banking
Investing for growth	<ul style="list-style-type: none"> § Investing USD700m in PCM and GTRF over 3 years to fuel organic growth § Investing in Pearl River Delta to leverage Hong Kong and global client base and capture trade corridor and sector flow opportunities

Strong performance¹

2014, USDbn

Revenue	16.3
Operating expenses	7.3
LICs	1.7
PBT	8.9
CER	45%
RWA	432

RoRWA excl. Associates



1. Numbers presented on an adjusted basis. 2017 numbers are shown post sale of operations in Turkey and Brazil and other actions
 2. Outbound refers to any client revenue booked outside the client's "home" country, i.e. booked in the country of the client's subsidiary

Agenda

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Commercial Banking – Solid foundation, strong performance

CMB: 26% of Group revenue, 39% of Group PBT and 35% of Group RWAs in 2014

CMB has delivered consistent, profitable growth¹

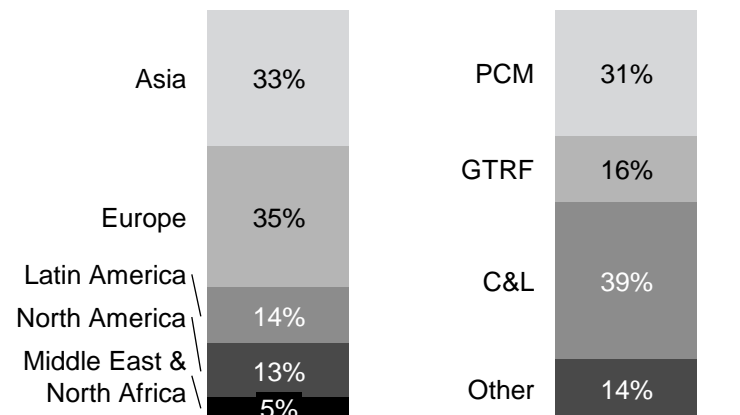
USD bn	2013	2014	CAGR
Revenue ²	15.5	16.3	+5%
	CER	44%	
Loans ³	285	314	+10%
	A/D ratio	84%	
Deposits ³	339	364	+7%
	PBT incl. associates	7.9	
PBT incl. associates	RoRWA incl. assoc.	2.1%	2.1%
	PBT excl. associates ⁴	6.4	7.3
RoRWA excl. assoc.		2.3%	2.3%

1. All figures are on an adjusted basis, unless stated otherwise. Balance sheet figures are on a constant currency basis
 2. Net operating income before loan impairment charges and other credit risk provisions
 3. Excl. red-inked balances which refer to a number of corporate overdraft and corresponding deposit positions where clients benefit from net interest arrangements, but where net settlement is not intended to occur

4. Reported as Operating Profit
 5. International clients defined as clients that 1) operate in more than 1 market and/or 2) have generated US\$10K of revenues from FX or GTRF
 6. Includes Corporate Real Estate
 7. 'Other' relates to non-customer related revenues, primarily Insurance Manufacturing

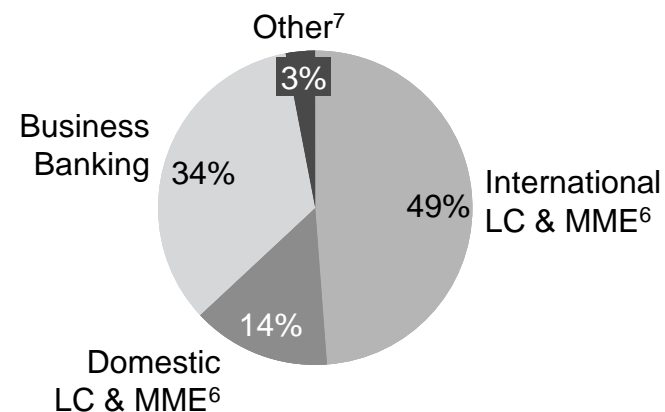
Revenue diversified by region and product

Share of 2014 Revenue by Region and Product



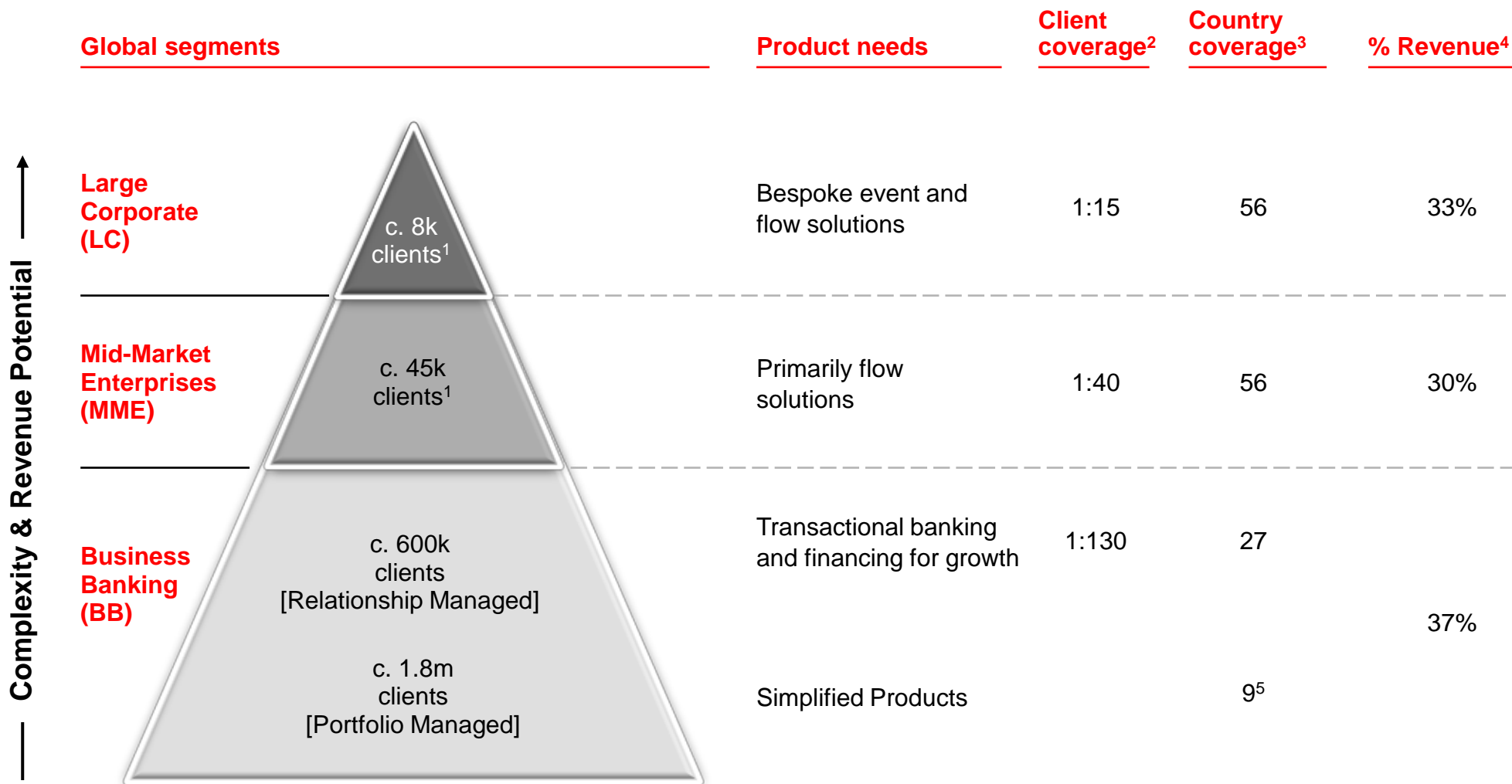
Half of global revenue driven by international relationships

Share of 2014 Revenue⁵



Commercial Banking – Solid foundation, strong performance

Performance enabled by global client segments aligned to needs and revenue potential



1. Client numbers for LC and MME refer to Mastergroups

2. Ratio of Relationship Managers to clients

3. Number of markets where CMB provides local products and services to this client segment

4. Based on 2014 full year revenue, excluding CRE (USD0.9bn) and Other (USD0.6bn)

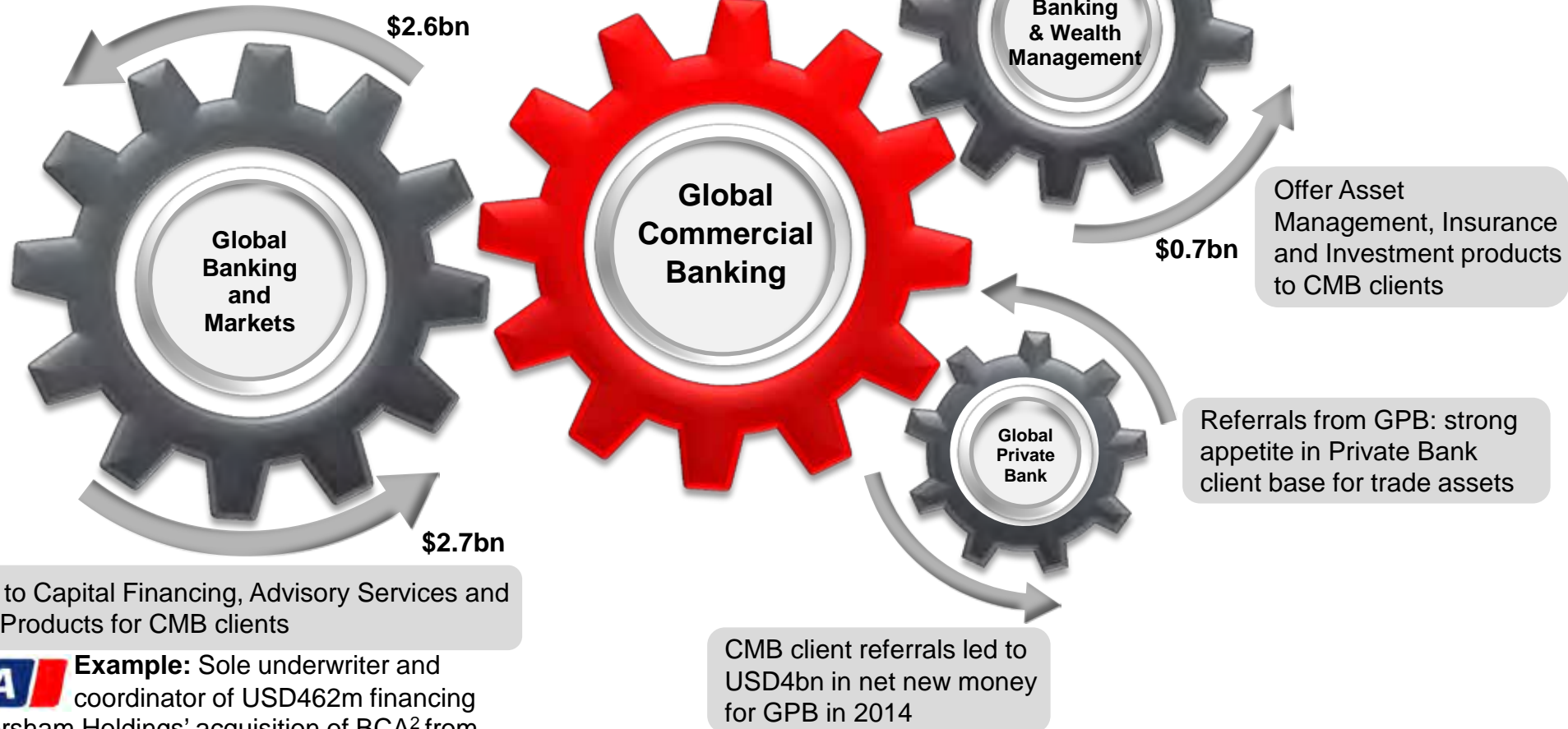
5. 95% of portfolio-managed accounts concentrated in 9 markets

Commercial Banking – Solid foundation, strong performance

CMB central to Global Business revenue synergies¹: c.USD6bn in 2014

Provide trade finance, working capital solutions and liquidity management to GB&M clients

Example: Leveraging our global connectivity to issue standard guarantees across 35 markets for a leading global telecom equipment/solution provider



Access to Capital Financing, Advisory Services and Market Products for CMB clients

BCA **Example:** Sole underwriter and coordinator of USD462m financing of Haversham Holdings' acquisition of BCA² from CD&R; also acted as sellside M&A advisor

Note: All figures are 2014, unless otherwise stated

1. Global Business revenue synergies are presented as gross revenue and do not reflect any revenue sharing arrangement between Global Businesses

2. British Car Auctions

1 Overview

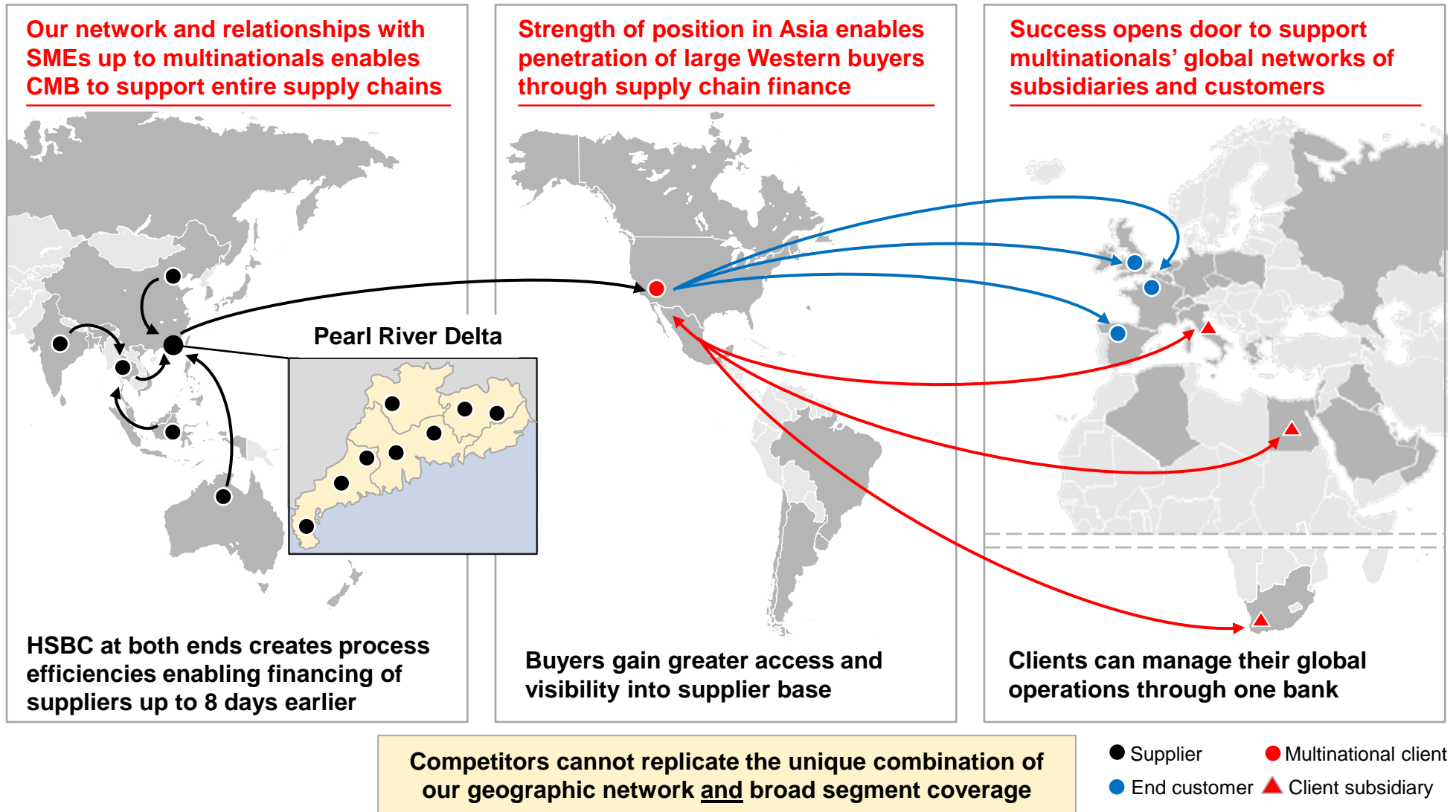
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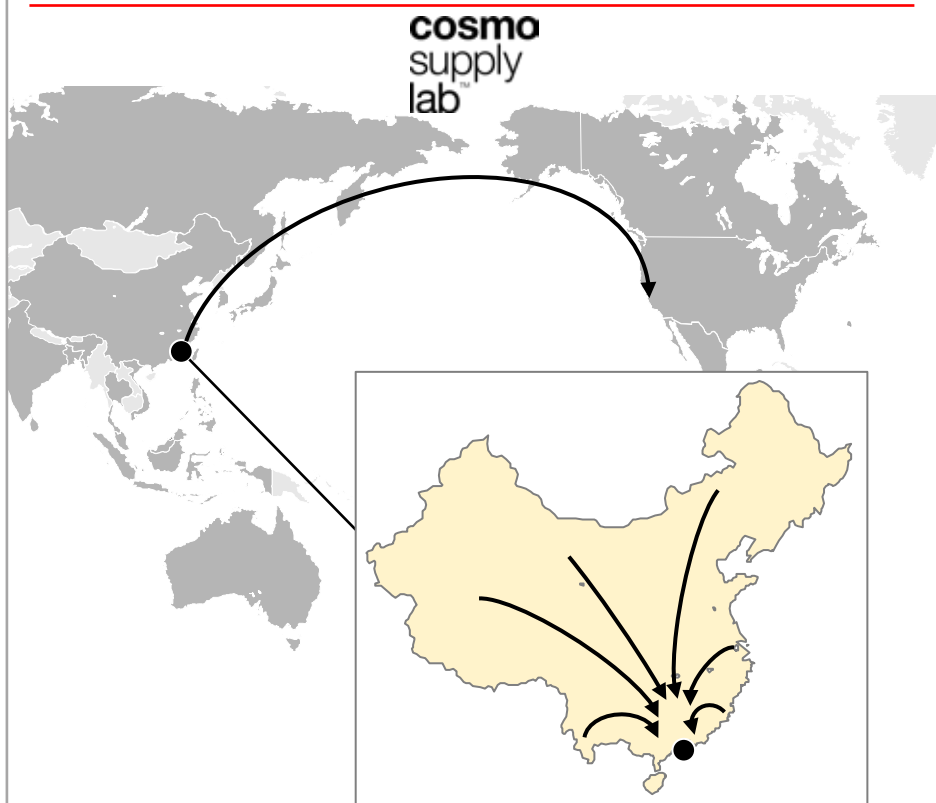
Harnessing the global network advantage is the key to growth



The Network in action

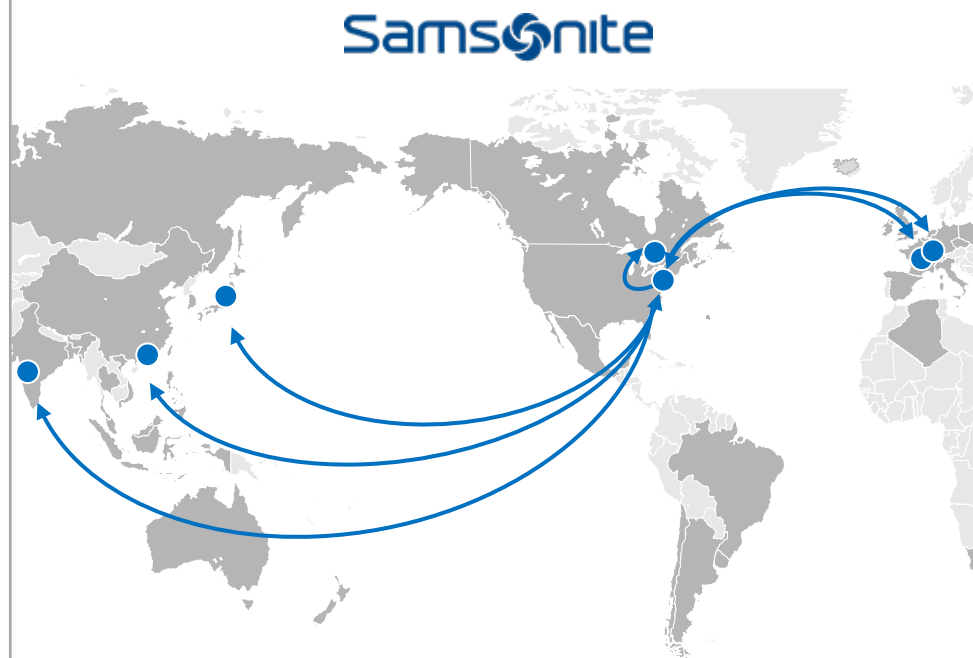
■ HSBC CMB footprint

Cosmo Supply Labs (CSL) needed a bank to support its end-to-end supply chain from its primarily Chinese suppliers through to its large buyers primarily in the USA



We support CSL's rapid and global growth acting as the sole banking partner that finances its full trade cycle as a result of our deep relationship with their top buyer

We support Samsonite's global subsidiaries through our payments, FX, trade and cash management solutions provided in locations across our global network

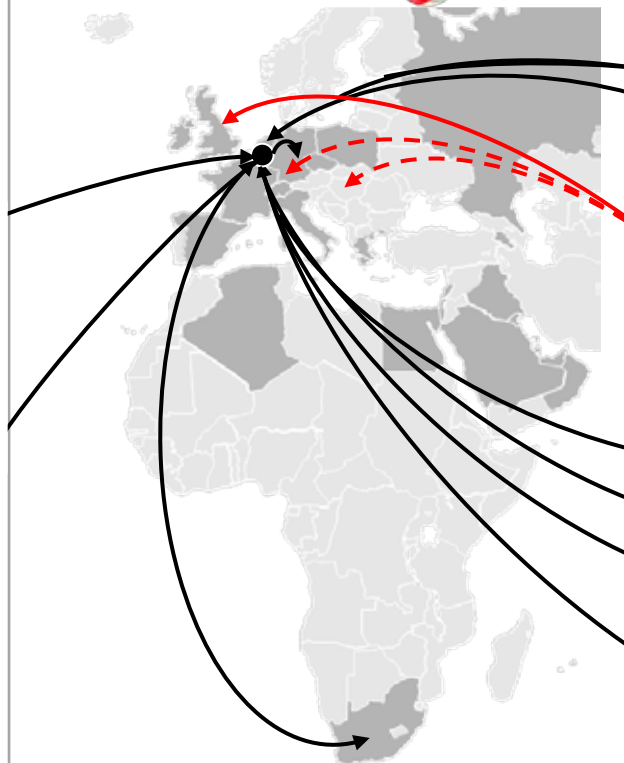


Samsonite needed a lead bank with the breadth and depth of global presence to be able to support their global subsidiaries' diverse and local needs

Our Network supports subsidiaries, buyers and suppliers

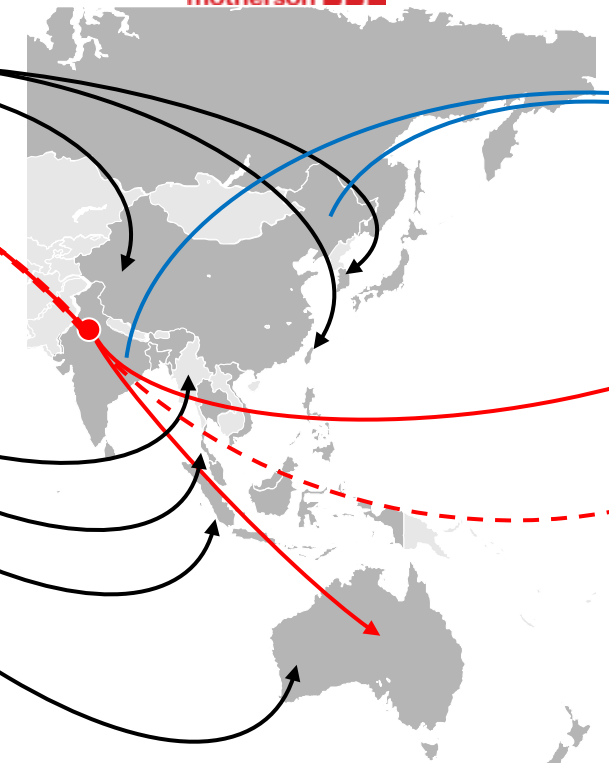
■ HSBC CMB footprint

We provide payments, FX and cash management solutions to TomTom's subsidiaries in over 10 countries



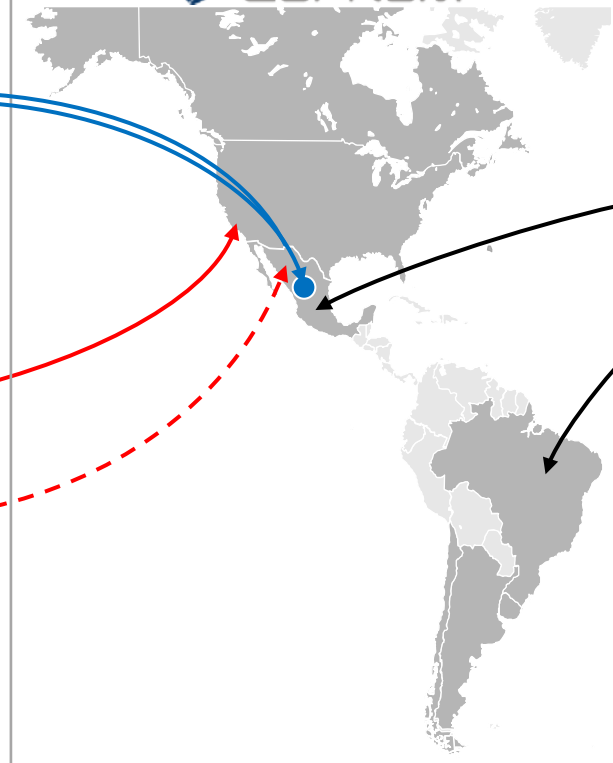
TomTom needed a banking partner with the depth and breadth to provide regional and in-country PCM services

We enable SMRP BV to optimise its cashflows by providing non-recourse receivables financing in 5 markets



By realising timely cash from its global sales, SMRP BV ensures the financial self-sufficiency of its subsidiaries.

We issue LCs in both USD and RMB to Grupo Cuprum's international suppliers due to our presence in each market



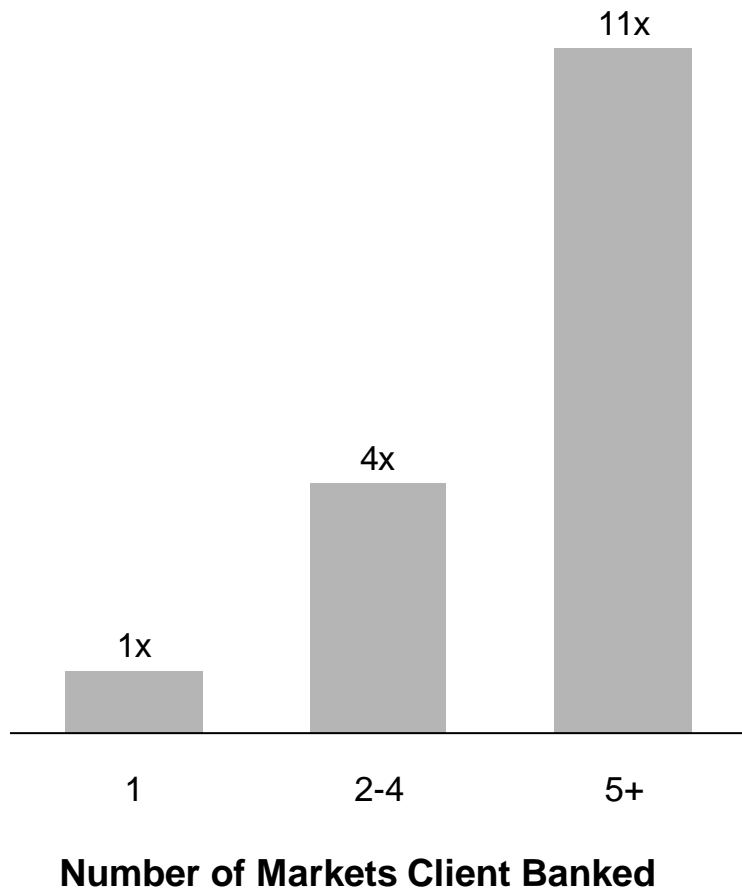
Grupo Cuprum benefits from extended payment terms while its suppliers are still paid upon shipment of goods

Commercial Banking – Capturing value from global presence

Disciplined, global approach addresses the International Subsidiary Banking opportunity

Subsidiary banking accelerates growth

Average revenue multiplier¹



Deployed a solution which is delivering results

- § Created global International Subsidiary Banking structure
- § c. 350² ISB RMs with dedicated product support in 40+ markets
- § Managed and incentivised on cross-border performance
- § Highly analytical approach to prioritise opportunities across the portfolio
- § Over 15% year-on-year outbound revenue growth^{3,4}

1. Based on 2014 HSBC internal client data

2. As of May 2015

3. 2014 full year, based on HSBC internal client data, excluding the cost of funding.

4. Outbound refers to any client revenue booked outside the client's "home" country, i.e. booked in the country of the client's subsidiary

Commercial Banking – Capturing value from global presence

Cities focus in global hubs drives international revenue growth

	Investment	Focus	MME & LC Client Revenue ^{3,4}
Mainland China	<ul style="list-style-type: none"> § c. 175¹ additional RMs and dedicated product support since 2011 § Focused presence in 3 hubs: Pearl River Delta, Yangtze River Delta and Bohai Rim² § China desks in 18 markets 	<ul style="list-style-type: none"> § Connect global buyers to Chinese suppliers and help MME clients expand overseas § Leverage Hong Kong client base to build franchise and drive leadership in RMB internationalisation 	<p>Revenue Breakdown: Inbound (20%), Domestic (40%), Outbound (40%). Growth: Inbound (32%), Domestic (30%). Domestic P&L is 40%.</p>
USA	<ul style="list-style-type: none"> § c.175¹ additional RMs and dedicated product support since 2011 § Expanded presence in 20 internationally-connected cities § USA desks in 6 key markets 	<ul style="list-style-type: none"> § Capitalise on significant opportunity for internationally-focused MME and LC clients § Take a leading role in NAFTA through full-service banking presence in USA, Canada, and Mexico 	<p>Revenue Breakdown: Inbound (12%), Domestic (59%), Outbound (29%). Growth: Inbound (7%), Domestic (18%). Domestic P&L is 29%.</p>
Germany	<ul style="list-style-type: none"> § c. 60¹ additional RMs and dedicated product support since 2013 § New CMB offices in 5 internationally-connected cities § Germany desks in 4 key markets 	<ul style="list-style-type: none"> § Enable German Mittelstand expansion both domestically and in key corridors § Sector focus: Commodities, CRE and Middle Market Financial Sponsors 	<p>Revenue Breakdown: Inbound (6%), Domestic (52%), Outbound (42%). Growth: Inbound (26%), Domestic (23%). Domestic P&L is 42%.</p>

For every USD100 of domestic client revenues generated in China, USA and Germany, another c.USD40⁴ are booked in other markets

1. Approved full-time equivalent
 2. Pearl River Delta refers to cities clustered around Guangzhou and Shenzhen, Yangtze River Delta refers to cities clustered around Shanghai; Bohai Rim refers to cities clustered around Beijing;
 3. Internal HSBC client data; excludes Business Banking and Other; 2014 percentage of total client revenue; growth percentage is 2014 versus 2013
 4. 2014 full year, based on HSBC internal client data, excluding the cost of funding
 5. Outbound refers to any client revenue booked outside the client's "home" country, i.e. booked in the country of the client's subsidiary

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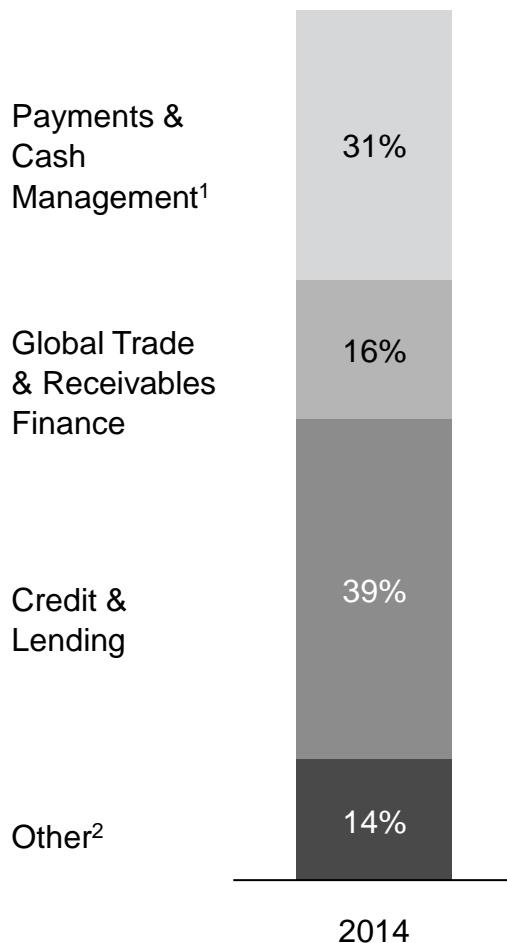
4 Investing for growth

5 Summary: Advantages driving improved returns

PCM and GTRF: helping clients globalise

PCM and GTRF core to revenue

Revenue percent of total



Investing over USD700m³ to fuel organic growth

c.USD40m invested of c.USD400m 3-year plan to increase client coverage

- § Build a dedicated sales and distribution engine aligned to segments
- § To date, c. 400 new FTE in internationally-connected cities to optimise corridor coverage

c.USD13m invested of c.USD300m 3-year plan to enhance and expand product proposition

PCM – enhancing product competitiveness and future-proofing the business

- § Deploy innovative solutions to enable clients to diversify liquidity options and efficiently self-manage their investments
- § Expand corporate cards proposition globally to provide a consistent client experience
- § Deliver smart currency conversion solution to enhance the effectiveness of client cross-border payment flows
- § Launch new mobile payments and collections solutions to tap into exponential rise of mobile technology

GTRF – extending proposition to more markets and clients

- § Accelerate roll-out of Commodity and Structured Trade Finance across network
- § Extend Open Account solutions (Supply Chain and Receivables Finance) across customer segments and markets
- § Proactively approach Infrastructure Financing projects to capitalise on up- and down-stream opportunities

1. PCM includes payments and cash management, current accounts, and savings deposits

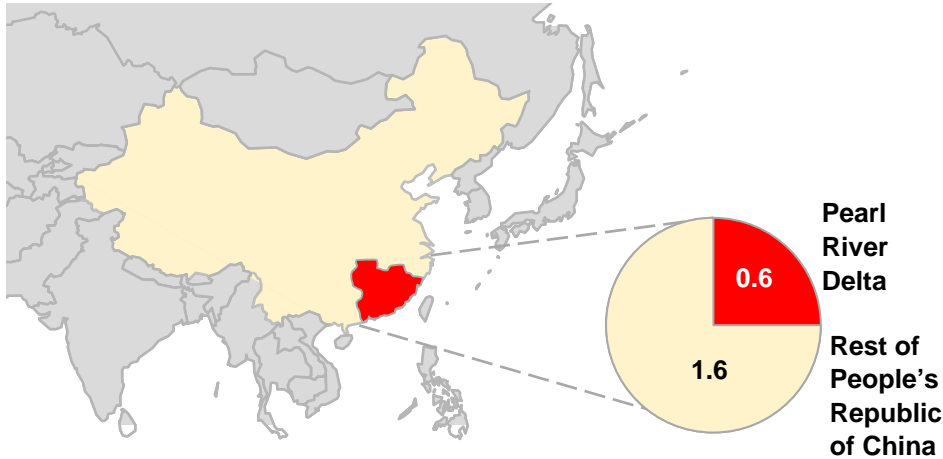
2. Other includes Insurance & Investments and non-product revenues primarily due to gains/losses on disposals, as well as Capital Financing, Global Markets and Principal Investments. Numbers include pay aways depending on product. Remainder of revenues generated booked under GB&M

3. Cumulative investment over 3 years

Capitalising on rapid growth in Pearl River Delta

Global exports¹

2013, USDtn



Pearl River Delta (PRD) is an engine of growth for China¹

- § China generates 12% of world exports
 - PRD accounts for 27% of China's exports
- § PRD has compelling links with key HSBC markets:
 - Hong Kong accounts for 41% of PRD exports
 - USA, Germany and UK account for 19% of PRD exports
- § Guangdong Free Trade Zone, trade agreements and 'Silk Road' investment driving growth in trade with Hong Kong and rest of world

PRD key trade partners², 2013

Importer market	Trade rank	Export ³ USDbn	YoY growth
Hong Kong	1	250	19%
USA	2	89	3%
Germany	5	13	-1%
UK	6	12	7%

CMB will build an internationally-focused business in PRD

- § Focus on key cities in Guangdong Province
- § Leverage Hong Kong and global client base with ties to PRD
- § Selectively target new-to-bank clients with global aspirations
- § Aim to capture trade corridor and sector flow opportunities
 - Target LC clients with capital finance needs and build out sectors
 - Direct MME focus on clients with international needs
 - Dedicated supply chain team to target buyer/supplier base in region

1. UNCTAD, 2013 and Guangdong Statistical Yearbook, 2013
 2. Guangdong Statistical Yearbook, 2013.
 3. PRD accounts for 95% of export revenues within Guangdong region. Export numbers by country are calculated on this basis.

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Three distinct advantages

Global segment coverage

- § CMB organised around clients
- § Globally-managed model tailored to client needs
- § Globally-managed product coverage aligned with segments

Unrivalled global network

- § Truly global reach and universal client base
- § Unmatched coverage of global trade and capital flows
- § Unique ability to cover both vertical and horizontal client networks

International value proposition

- § Investment in product, key markets, and coverage delivers compelling propositions
- § Disciplined international subsidiary banking proposition
- § Global leadership in trade and payments and cash management

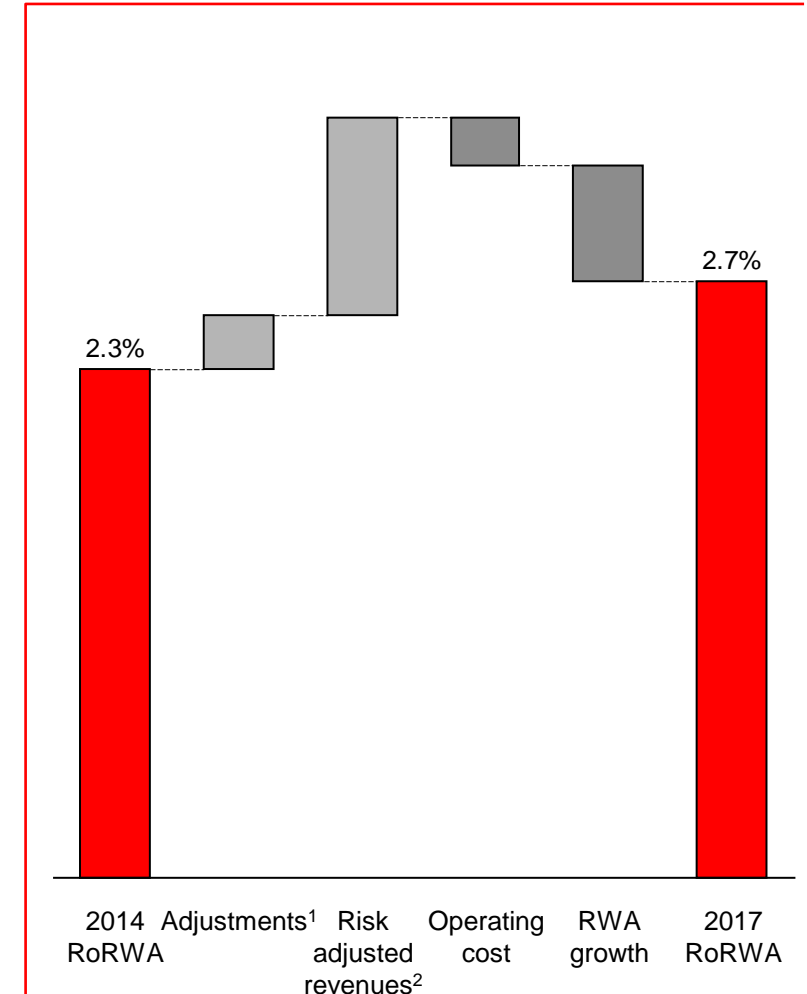
Commercial Banking – Summary : Advantages driving improved returns

Disciplined execution will deliver improved returns

Key Priorities

Growth	<ul style="list-style-type: none"> § Maximise advantage of our unrivalled global network to deliver the international value proposition § Leverage scale in Hong Kong and the UK to anchor growth § Maintain trajectory in performing Priority markets, notably Canada, MENA and India § Build out key markets with targeted investment in internationally-connected cities: China, USA and Germany as well as Pearl River Delta
Discipline & Efficiency	<ul style="list-style-type: none"> § Achieve c.USD200m operating cost savings § Re-engineer credit and onboarding processes § Realise synergies of global operating model and right-size our global infrastructure § Drive out 8-10% RWAs through disciplined management § Apply globally consistent approach to pricing
Strategic Actions	<ul style="list-style-type: none"> § Sell operations in Turkey and Brazil³ § Execute “turnaround” plan in Mexico § ASEAN: Integrate Bank Ekonomi in Indonesia

2014 – 2017 RoRWA walk (excl. associates)



1. Includes sale of operations in Brazil and Turkey and transitioning of targeted Brazil Business Banking Customers to RBWM
 2. Revenue net of Loan Impairment Charges and other credit risk provisions incorporating assumed interest rate rises
 3. Plan to maintain a presence in Brazil to serve large corporate clients with respect to their international needs

