



HSBC France – Activity and strategy

Capital World

Matthieu Kiss – Chief Financial Officer, HSBC France

18 September 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 HSBC in France. These forward-looking statements represent HSBC France 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 2011 and the Interim Financial Report 2012. Past performance cannot be relied on as a guide to future performance

Unless stated otherwise, the financial figures in this presentation are based on IFRS accounting rules and are for the HSBC in France perimeter, which primarily comprises the operations of HSBC France, HSBC Assurances and the Paris Branch of HSBC Bank plc (excluding intra-Group funding costs). These figures have been reconciled with the consolidated accounts of HSBC France, as subject to external audit.

HSBC France

France market and strategic overview



France market overview

Competition landscape

France is a major player

- 5th largest GDP in the world¹ and 5th in terms of GDP/capita⁽¹⁾
- 2nd largest trading nation in Western Europe⁽¹⁾ and 5th in the world⁽¹⁾
- Mature low risk economy AAA rating⁽²⁾, low inflation, stable political environment
- Highly regulated country

France confirmed as a priority market for the Group

- Among the 20 Priority Growth markets (of which 4 in Europe)

Key risks and trends for the banking sector

- Pressure on efficiency
 - Cost optimisation
 - FTE reductions
- Increased regulatory constraints in respect of capital and liquidity
 - French competitors experience deleveraging and disposal of non strategic businesses
 - French banks reduced sovereign exposures
- A changing landscape in terms of customers, products and legal framework

Banking industry performance

- High concentration
 - 6 institutions hold c. 85% of domestic loans to customers⁽³⁾
 - Increasing competition on wealth management with numerous and sophisticated niche players
- Mature market
 - 99% banking services penetration⁽⁴⁾
 - 114% loan to GDP ratio⁽⁵⁾
- 2010-20 French profit pool: CAGR +9,8%⁽⁶⁾

Global Businesses targeting key client segments

- RBWM & GPB focus on **affluent and high net worth customers** ('Premier,' 'Upper Premier' and 'High Net Worth')
- CMB focuses on **international companies** to leverage Group connectivity
- GBM aims at **financing international clients**, strengthening **flow products** offer and maintaining our **position of strategic hub** for the Group

Notes:

1 UNCTAD-STAT

2 Moody's and Fitch

3 Bank's public reports, Fédération Bancaire Française

4 Fédération Bancaire Française

5 IMF

6 HSBC Global Research

HSBC France

Strategic direction and actions

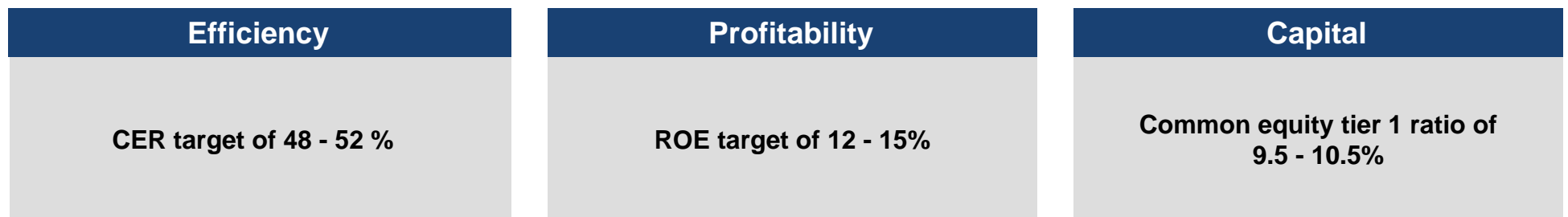


France strategy: fully aligned with Group's strategy

Develop across all business lines, while improving overall cost efficiency



France contributes to Group targets



Notes:

- 1 Payment and Cash Management
- 2 Global Trade and Receivables Finance
- 3 Global Banking
- 4 Global Markets

HSBC France – H1 2012 financial highlights

Performance affected by notable items

- **All main Business Lines profitable in H1 2012**
 - Good commercial performance of banking activities
 - Satisfactory first half for Global Markets activities
- **Client-related loan impairment charges⁽¹⁾ flat vs. H1 2011**
 - Client-related loan impairment charges at a low level of 0.24% loans outstandings at 30 June 2012
- **PBT impacted by notable items** (credit spread on own debt, non-qualifying hedges and insurance volatile elements)
- **Core Tier 1 ratio at 11.7%, above 9% EBA target (as of 30.06.12) includes Basel 2.5 impact on 2012 RWAs**

HSBC in France results

H1 2011 - H1 2012

EURm	H1 11	H1 12	Var. H1 12/H1 11
NOI before LICs	1,329	1,218	(8%)
Loan Impairment Charges	(52)	(43)	(17%)
- o/w Client related Cost of Risk ⁽¹⁾	(42)	(42)	-
NOI	1,276	1,175	(8%)
Total Operating Expenses	(888)	(897)	1%
Profit Before Tax	388	278	(28%)
PBT excl. Impact of credit spread on own debt	387	354	(9%)
EURbn – Legal perimeter ⁽²⁾			
Risk Weighted Assets – end of period (ACP rules) ⁽³⁾	36.4	35.6	(2%)

HSBC in France results by Business Line

H1 2012

EURm	RBWM	CMB	GBM	Private Banking	Total Excl. Other	Other	Total
NOI	395	285	541	24	1,245	(70)	1,175
Total Operating Expenses	(373)	(197)	(285)	(28)	(883)	(14)	(897)
Profit Before Tax	22	88	256	(4)	362	(84)	278

Notes:

1 Excluding impairment on sovereign Greek bonds in insurance business (borne by the bank for 3%)

2 Excluding the operations of HSBC Assurances and the Paris Branch of HSBC Bank plc

3 Basel 2.5 since 31/12/2011

Progress report: Retail Banking and Wealth Management

Ongoing development based on Premier strategy

- Sharp rise in customer accounts**

- Strong acquisition of HSBC Premier customers to 366,000
- HSBC Premier customers represent 45% of retail clients at the end of 2011
- France holds c. 9% of HSBC Group total Premier clients

- Sustained level of retail loans**

- Increase in assets under management of personal customers in spite of a difficult market environment**

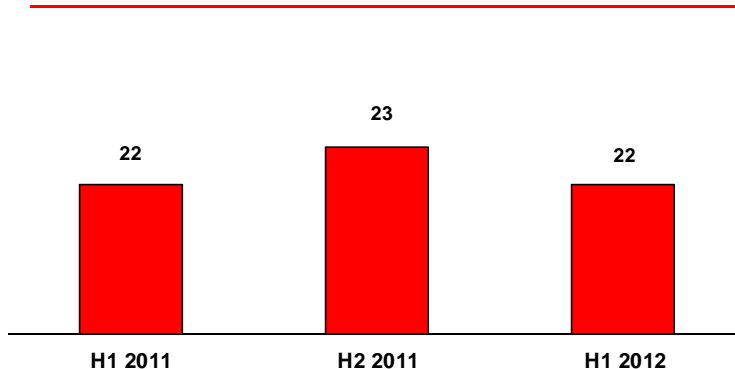
- Development of Retail network**

- Opening of 3 new branches in 2012 (Chartres, Pessac, Montpellier)
- Significant progress in branches refurbishment plan (95 branches refurbished at end 2011)

- Profitability impacted by significant items, low level of interest rates and adverse market effect**

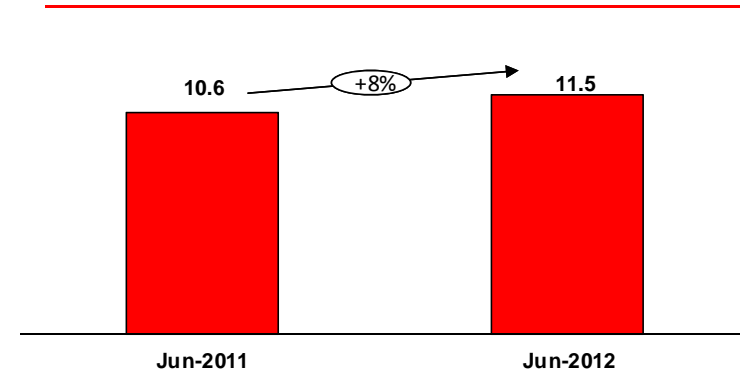
Expanding our Premier customer base

Client acquisition ('000s)



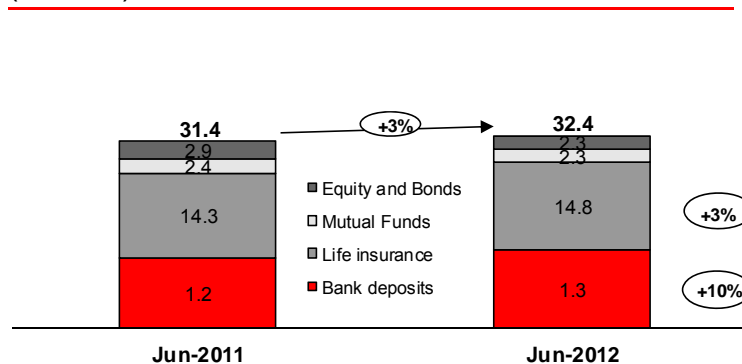
Increasing customers loans

Mortgages outstandings (EURbn)



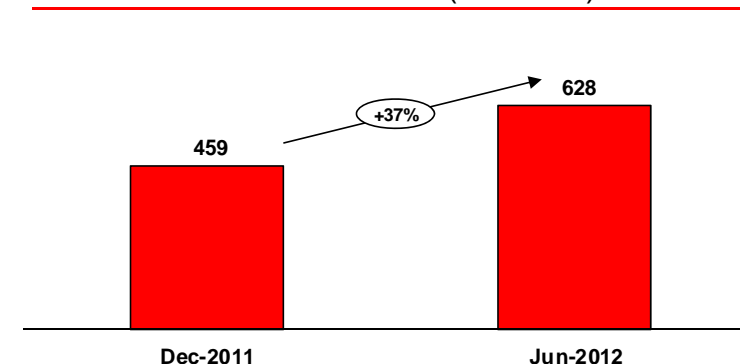
Increase of AUM⁽¹⁾ in difficult conditions

(EURbn)



Asset Management: success of World Selection campaign

World Selection Funds AuDs (in EURm)



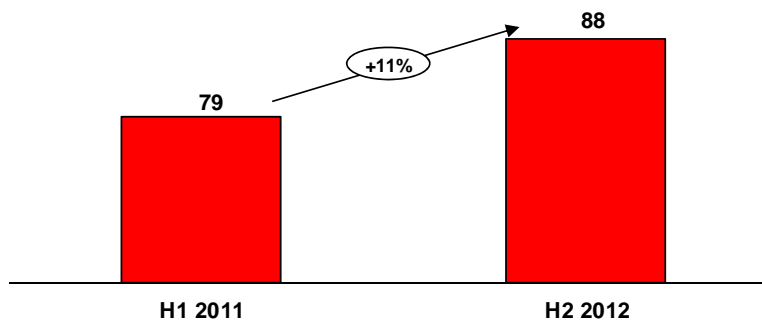
Note:
1 Assets held by HSBC France retail customers

Progress report: Commercial Banking

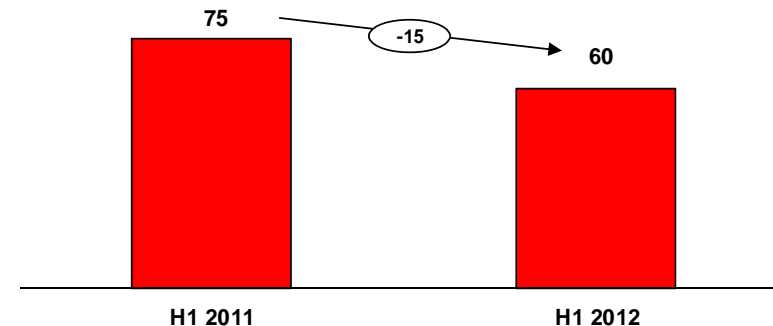
Business growth focused on internationally active clients

- Focus on international customers
- Reinforce collaboration with other Business lines and geographies
- Development of direct channels (focused on small businesses) with an increase in number of customers by 150% in 2011
- Improving main banker rate on strategic customer base
- Successful Commercial Banking products⁽¹⁾
 - Continuing development of international activities, (Trade Services revenues: +10%)
 - Sustained growth of the Receivable Finance activity (+38% in factored receivables)
 - Increase in revenues outside France with French CMB customers: +27%
- Long-standing balance between deposits and loans
 - Strong growth in deposit balances
 - Increasing loan balances

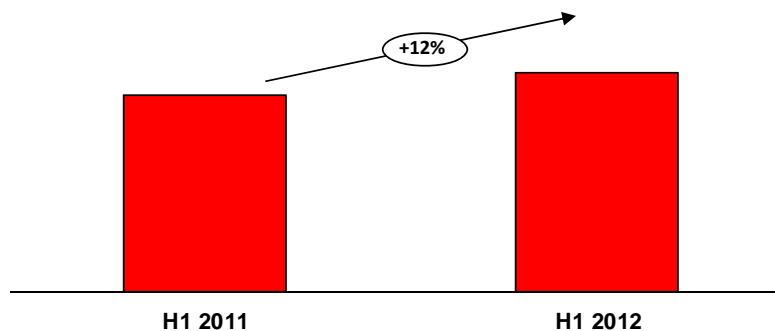
Strong growth in Profit Before Tax (EURm)



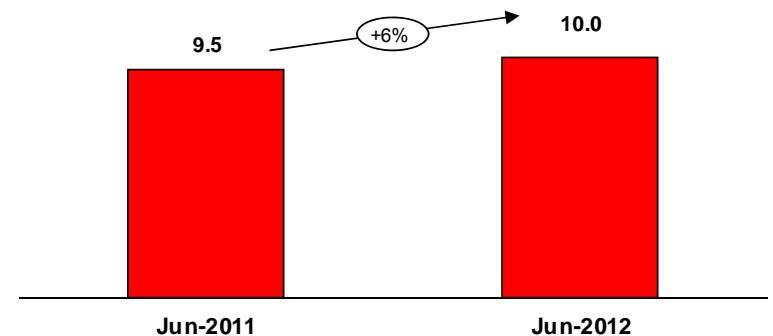
Decreasing Loan Loss Rate (basis points)



Increasing average deposit balances



Rising customer loans (EURbn)



(performance H1 2012 vs, H1 2011)

Note:
1 performance H1 2012 vs. H1 2011

Progress report: Global Banking and Markets

France maintains its position as a strategic hub

• Strong fundamentals

- Good performance of Coverage activities mainly in M&A, Lending and Leverage Finance
- Success in focusing on international clients
 - Growing revenues from operations with French clients abroad : +22% / H1 2011
 - Relationship continuity with key clients (eg: EDF, FT, Peugeot, Vivendi)
- France is a strategic hub for the Group despite the 2011 turmoil in eurozone debt markets
- HSBC France is one of the main market makers in Euro sovereign bonds






• Reduction in sovereign debt exposure

- Ongoing efforts to reduce sovereign debt risk exposure
- At the end of June 2012, exposure to sovereign risk of peripheral⁽³⁾ Eurozone countries amounted to 0.8% of HSBC France's total assets (vs. 1.1% last year)

League Tables - HSBC rankings

HSBC positions	Ranking
French DCM⁽¹⁾	5th
France Equity offerings⁽²⁾ (bookrunner ranking in value)	3rd
ECM/Capital Increases⁽²⁾ (bookrunner ranking in value)	2nd
Mergers and Acquisitions⁽¹⁾ (completed deals)	4th

HSBC France - examples of 2012 main deals

<p>January</p> <p>Caisse d'Amortissement de la Dette Sociale</p>  <p>€4bn</p> <p>DCM-Bonds</p> <p>Bookrunner</p>	<p>May</p> <p>Renault</p>  <p>€2,5bn</p> <p>M&A-Private Acquisition</p> <p>Advisor</p>	<p>May</p> <p>GDF Suez</p>  <p>€3bn</p> <p>DCM-Bonds</p> <p>Bookrunner / Global coordinator</p>	<p>January</p> <p>CM-CIC Home Loans FCT</p>  <p>€10bn</p> <p>ABS - Structured Bonds/RMBS</p> <p>Sole Arranger</p>	<p>April</p> <p>France Telecom</p>  <p>€2,6bn</p> <p>IB - M&A-Public Offer</p> <p>Advisor, Custodian and Guarantor</p>
---	--	--	--	---

Source: Public information

Notes:

1 Source: Bloomberg, June 2012

2 Source: Dealogic Bondware, June 2012

3 Greece, Ireland, Italy, Portugal and Spain

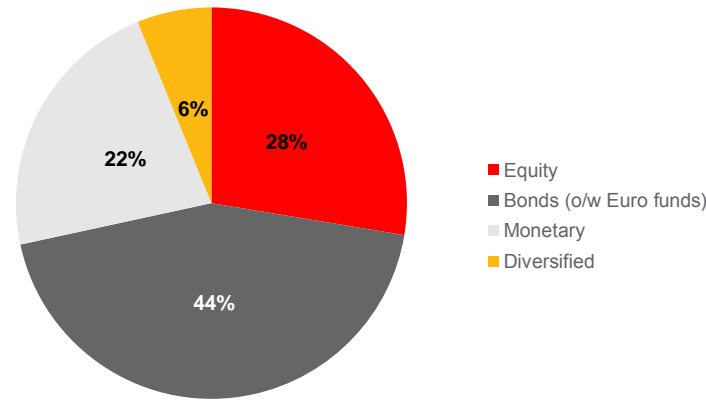
Progress report: Global Private Banking

Improved client servicing capability

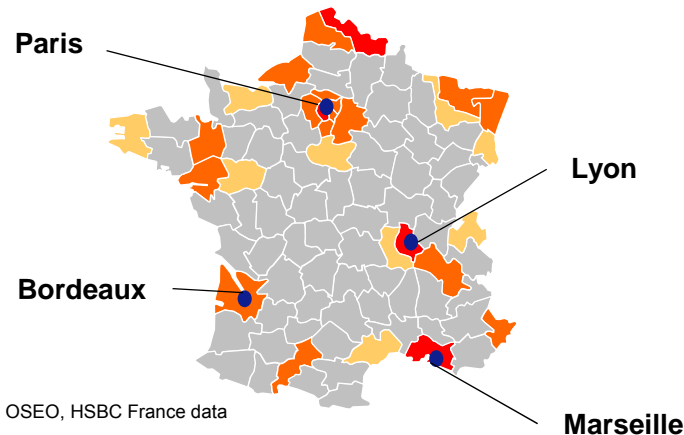
- Upgrade servicing model through full deployment of Troika model (RM, investment specialist, financial planner) for UHNWI⁽¹⁾
- Reinforcement of front office capabilities through the opening of additional regional offices
- Diversified range of investment solutions and loans supported by synergies with HSBC France network
 - Continuous development of cross selling with other Global Businesses, based on CMB referrals
 - Sold life insurance together with other HSBC products
 - Assets under discretionary mandate
 - Alignment of organisation and coverage with wealth potential and CMB presence

Diversified range of products

Split of Assets under Management (Jun-2012)

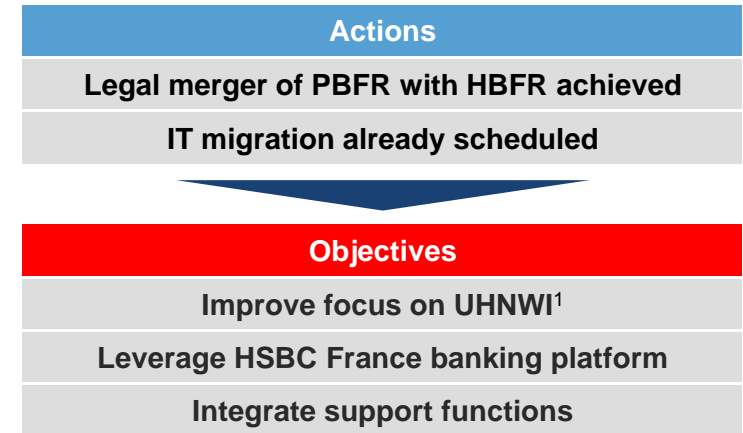


GPB Footprint



Source: OSEO, HSBC France data

Reorganisation project on track



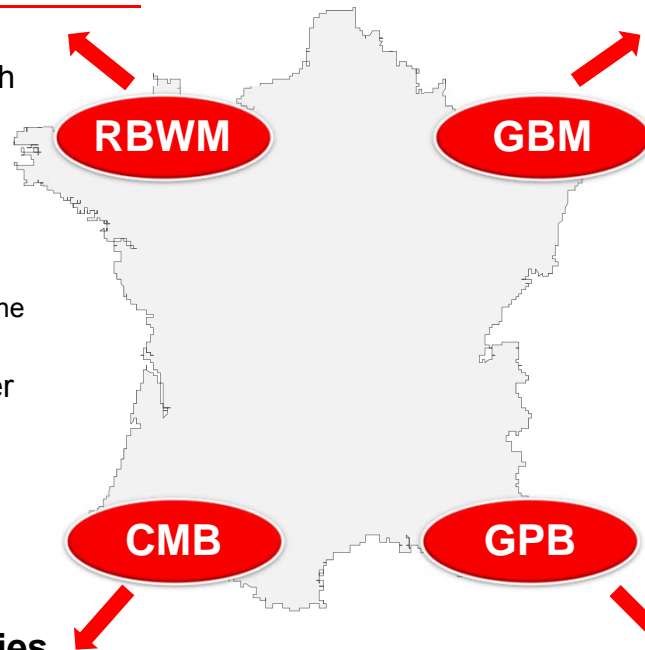
Note:
1 Ultra High Net Worth Individuals

Tie strategy to HSBC's competitive advantages

France leverages Group expertise

Strong brand and global propositions

- Strong brand recognition
- Strong funding position providing growth capacity and continuity
- Global propositions: HSBC Premier, HSBC Advance
 - Continuous growth in key segments of customer base with HSBC Premier accounting for 45% of retail clients at the end of 2011
- Leveraging common platforms to deliver unique product offerings globally



Confirmed strong strategic position

- France as a strategic hub for the Group
 - Trading platform of Vanilla Rates in euro for HSBC Group
 - Major market maker in sovereign bonds in euro
- Top 5 positions in League Tables
- Global Banking focusing on key global names
- Integrated wholesale bank with strength in core product capabilities

Leveraging international capabilities

- Leveraging HSBC 's international network covering 77% of world trade and 81% of multinational companies
- Financing capabilities throughout the trade cycle with a deep range of products and activities delivered globally
- Strong GBM synergies for the large corporate segment

Integrated operating model

- Strong brand, reputation and financial strength
- Full range of Banking, Wealth Management and Estate Planning services built on Private Banking platforms

HSBC France

Outlook and conclusion

Outlook

HBFR well prepared to face upcoming challenges

1 Main achievements

Increased focus on targeted customers

- **Enhanced focus on UHNWI** with reorganisation project (legal merger)
- Increasing **HSBC Premier** customer base
- Improving **main banker** rate on target clients (CMB)

Process rationalisation

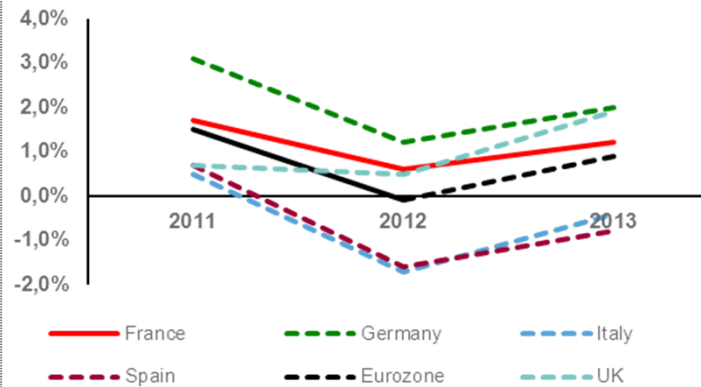
- **Simplification** of online brokerage offer
- **Alignment** of customer segments with specific sales structures (CMB)
- **GPB operational merger** with IT migration

Offer & strategic positioning

- **Develop international activities** (such as Trade Services and Factoring)
- **Increase synergies** between Global Businesses: RBWM and GPB / CMB and GBM
- Maintain France's position as a **strategic hub** for the Group for market activities

2 Challenges and opportunities

Limited GDP recovery in Eurozone 2011-2013⁽¹⁾



Potential political impacts in France

- Additional tax on banks (+15%)
- Cancellation of "Credit Impôt Recherche" for large companies
- Increased retirement contributions from businesses by 0.1 % / year
- Doubling of selected Regulated Savings Account rates
- Taxation of new life insurance contracts

3 HBFR strategy

Efficiency

- Increasing sustainable cost savings
- Stabilising cost base
- Leveraging offshore back-office platforms

Growth

- Double digit PBT increase driven by revenue growth

Capital Deployment

- Improve RoRWA
- Support the Group in meeting RoE targets

Note:
1 Source: OECD forecast (May 12)



Conclusion

- **Proven resilient Business model**

- Consistent profitability and capital generation despite adverse environment since 2008
- One of the strongest banks in the French market in terms of capital ratio (11.7% Core Tier 1) and liquidity position (101% Assets to Deposits ratio)
- Low risk business model (24 bp credit provisions to customer advances)

- **Relevant strategic positioning compared to Group strategy and French market**

- Wealth management
- International bank
- Strategic banking partner for corporates and institutions

Contacts and further information

Guy Lewis

Senior Manager, Investor Relations

guylewis@hsbc.com

+44 (0) 207 992 1938

Matthieu Kiss

Chief Financial Officer HSBC France

matthieu.kiss@hsbc.fr

+ 33 (0) 1 40 70 35 79