



Credit Suisse Conference

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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. 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 'constant currency and underlying reconciliations' supplement available at www.hsbc.com.



2012: Delivering the strategy

Financial results

Achieving growth

Simplifying and restructuring the business

Strengthening capital and growing dividend

Financial results

Financial results

Highlights¹

Summary financial highlights

	2011	2012	% Better/(worse)
Reported PBT (USDbn)	21.9	20.6	(6)
Underlying PBT (USDbn)	13.9	16.4	18
EPS (USD)	0.92	0.74	(20)
Dividends (USD) ²	0.41	0.45	10

Key ratios %

	2011	2012	KPI
Return on average ordinary shareholders' equity	10.9	8.4	12-15
Cost efficiency ratio	57.5	62.8	48-52
Advances-to-deposits ratio	75.0	74.4	<90
Core tier 1 ratio	10.1	12.3	9.5-10.5
Common equity tier 1 ratio ³	na	9.0	9.5-10.5
Common equity tier 1 ratio, post management actions ^{3,4}	na	10.3	9.5-10.5

Notes:

1 All figures are as reported unless otherwise stated

2 Declared in respect of the period

3 Estimated Basel III end point CET1 ratio based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by FSA guidance

4 See slide 17

Financial results

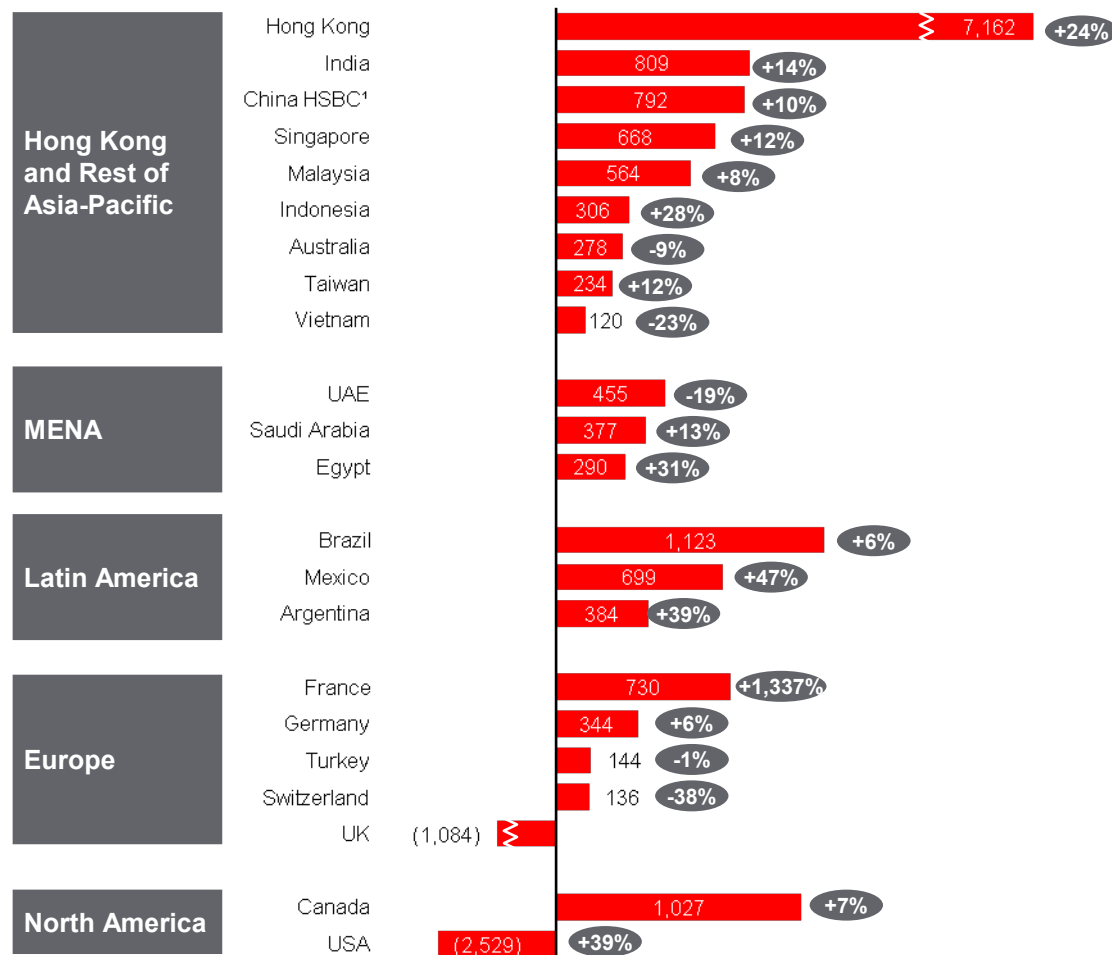
Regional and country profit contributions

Geographical regions

Underlying PBT (USDbn)	2011	2012	% Better/(worse)
Hong Kong	5.8	7.2	24
Rest of Asia-Pacific	6.3	6.4	2
MENA	1.4	1.4	(3)
Latam	1.9	2.2	19
Europe	1.6	0.7	(57)
North America	(3.1)	(1.5)	51
Total	13.9	16.4	18

Country highlights

(Underlying PBT USDm, 2012 vs 2011)



Note:

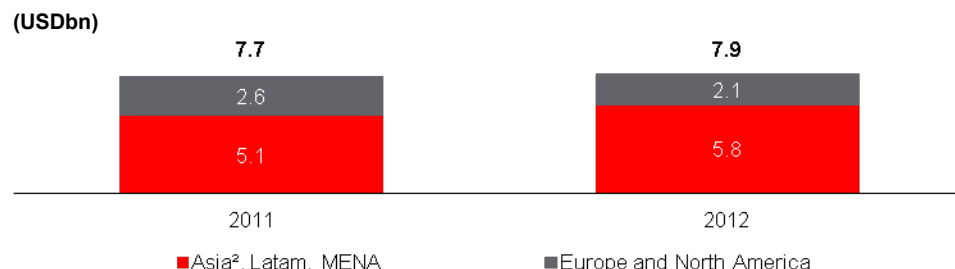
¹ Also excludes mainland China associates and the fair value movements of USD553m on the contingent forward sale contract related to the Ping An sale, the effect of which was offset by a gain in 2013 on completion of the transaction

Achieving growth

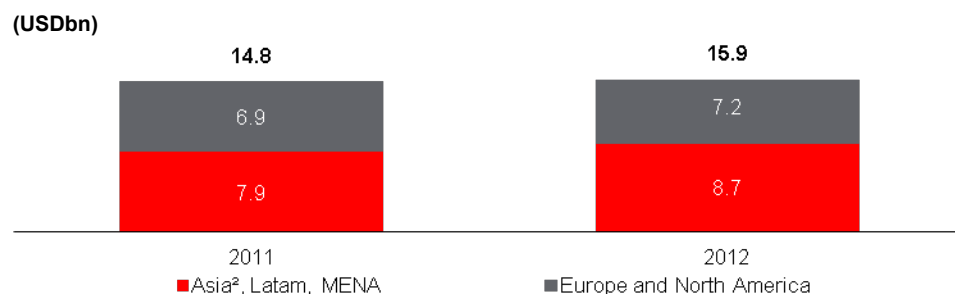
Achieving growth - Commercial Banking¹

Strengthened our position as the leading international trade and business bank

CMB PBT



CMB Revenue



Metrics	2011	2012
CER (%)	45.7	47.0
Period-end RWAs ³ (USDbn)	383	397
RoRWA ⁴ (%)	2.2	2.1

Achievements and developments

- **Focus on faster-growing markets**
 - 55% of revenues from faster growing regions where revenue up 10%
 - HSBC Global trade finance revenue market share up from 9% to 10%⁵; CMB GTRF revenues up 11%⁶
- **Capture growth in international business**
 - International customers generate around 40% of revenues
- **Strong partnership with Global Businesses**
 - Over USD0.1bn incremental revenue from GBM collaboration and USD0.7bn since 2010, particularly in FX³
- **Simplify the business, enhance risk management**
 - CER 47% included customer redress and restructuring costs accounting for 2% of CER

Notes:

1 All data on an underlying basis except where otherwise stated

2 Data for 'Asia' comprises the sum of Hong Kong and Rest of Asia-Pacific geographical regions without the elimination of inter-segments

3 On a reported basis

4 RoRWAs are calculated using underlying PBT and reported average RWAs at constant currency, adjusted for disposals

5 As reported in Oliver Wyman Global Transaction Banking Survey 2012

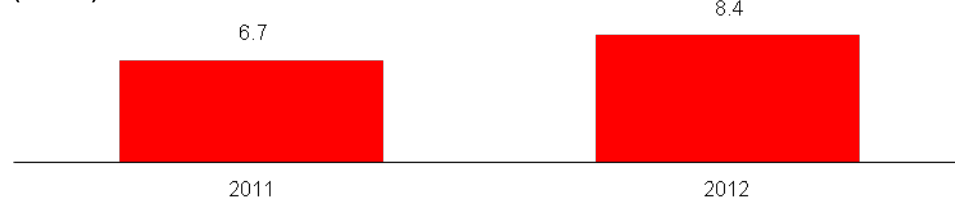
6 On a constant currency basis

Achieving growth - Global Banking and Markets¹

Emerging-markets led, financing focused with greater emphasis on connectivity

GBM PBT

(USDbn)



GBM Revenue²

(USDbn)



Metrics	2011	2012
CER (%)	57.3	54.4
Period-end RWAs ³ (USDbn)		
GBM, ex legacy credit portfolio	373	364
Legacy credit portfolio ⁴	50	39
GBM total	423	403
RoRWA ⁵ (%)		
GBM, ex legacy credit portfolio	2.1	2.4
Legacy credit portfolio ⁴	(1.3)	(0.6)
GBM total	1.8	2.0

Notes:

1 All data on an underlying basis except where otherwise stated

2 Management view of operating income on a constant currency basis. Credit Valuation Adjustment (USD(0.9)bn) included in individual business revenues

3 On a reported basis

4 The legacy credit portfolio is a separately identifiable, discretely managed business comprising Solitaire Funding Limited, the securities investment conduits, the asset-backed securities, trading portfolios and credit correlation portfolios, derivative transactions entered into directly with monoline insurers, and certain other structured credit transactions

5 RoRWAs are calculated using underlying PBT and reported average RWAs at constant currency, adjusted for disposals

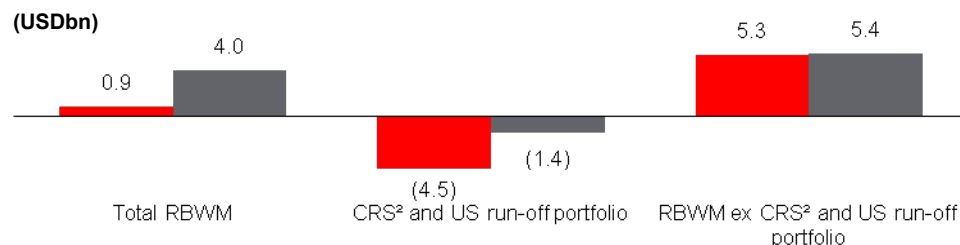
Achievements and developments

- **Enhance core product strengths and selectively develop new capabilities**
 - Faster growing regions 51% of revenues; record reported revenues in Hong Kong, RoAP and Latam
- **Reinforce client coverage and client-led solutions**
 - Expanded client coverage teams delivered revenue growth, particularly in faster growing regions
- **Collaborate with other global businesses to deliver incremental revenues**
 - CMB client access to appropriate GBM products 5%³ increase in collaboration revenues

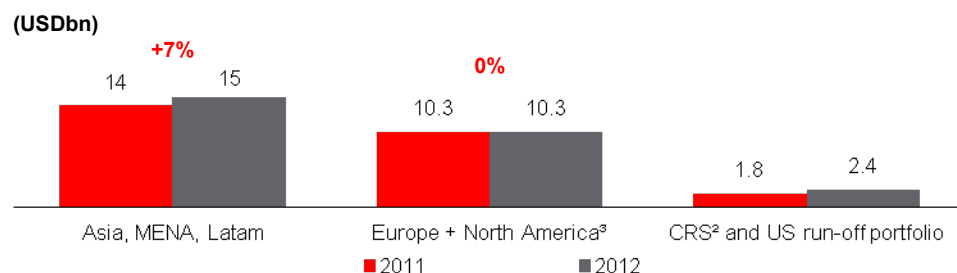
Achieving growth - Retail Banking and Wealth Management¹

Reshaping to fit for purpose business model

RBWM PBT



RBWM revenue



Metrics	2011	2012
CER (%)	69.2	68.2
Period-end RWAs ⁴ (USDbn)		
RBWM ex run-off and CRS ²	167	163
Run-off portfolio ⁵ and CRS ²	184	114
RBWM total	351	277
RoRWA ⁶ (%)		
RBWM ex run-off and CRS ²	3.4	3.4
Run-off portfolio ⁴ and CRS ²	(3.3)	(1.1)
RBWM total	0.3	1.4

Notes:

1 All data on an underlying basis except where otherwise stated

2 Cards and Retail Services

3 Excluding US run-off portfolios and CRS

4 On a reported basis

5 Run-off portfolio includes: the US CML portfolios and the related treasury operations

6 RoRWAs are calculated using underlying PBT and reported average RWAs at constant currency, adjusted for disposals

7 On a constant currency basis

Achievements and developments

- **Reshaping and transforming RBWM to drive superior returns**
 - Revenues in faster growing markets, +7%, led by Hong Kong and Latin America
 - 34 announced transactions since start 2011; 12 completed in 2012
- **Wealth management progress**
 - Wealth management revenues +USD550m⁷ in 2012 to USD6.4bn⁷; growth from insurance, mutual funds and foreign exchange

Achieving growth - HSBC Asia-Pacific strategy

2012: Building on a strong foundation

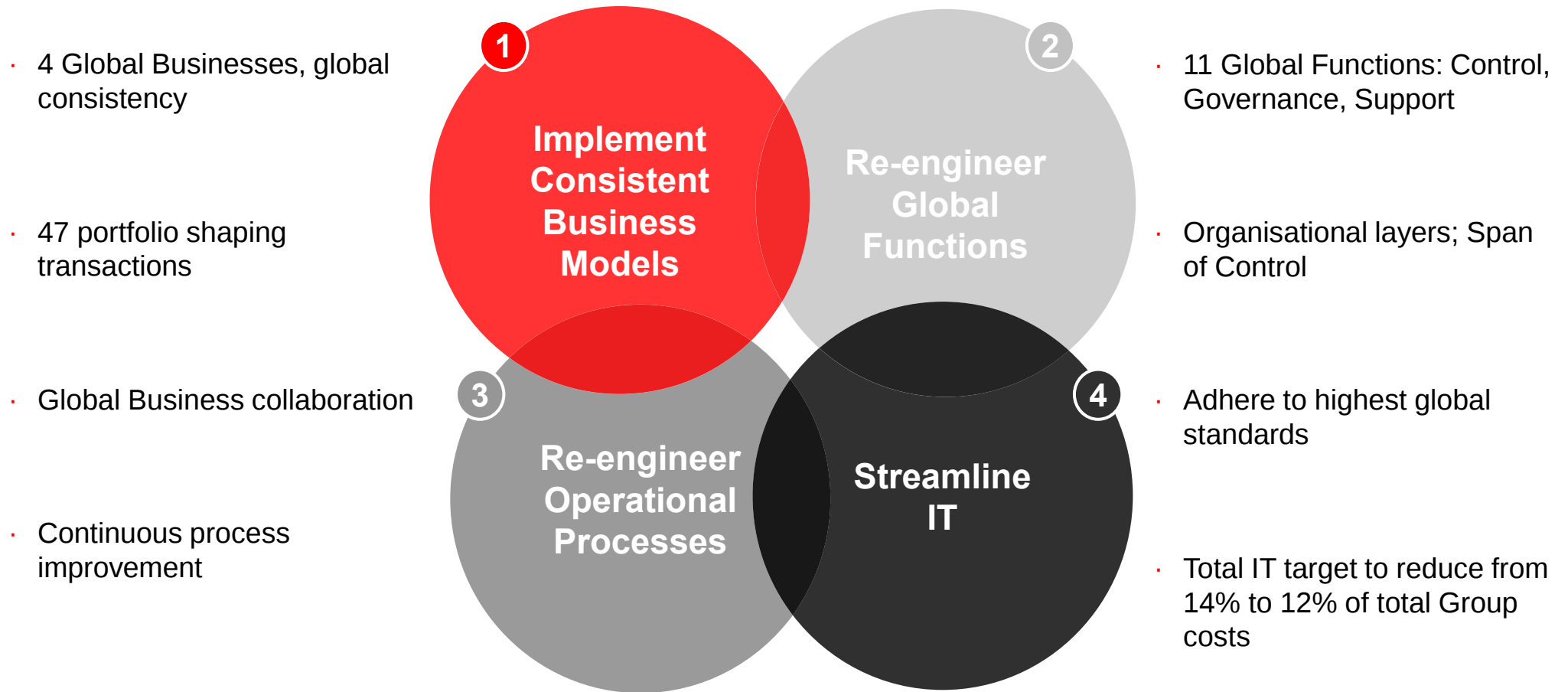
Connecting Asia and the world

- 1**
Expand leadership in Greater China
 - Maintain leadership in Hong Kong:
 - 33% market share of mortgages in Hong Kong
 - Continued leadership as mainland China's top foreign bank:
 - 141 HSBC China, 20 HSBC Rural Bank and 46 Hang Seng Bank outlets
 - Be the leading international bank for RMB worldwide:
 - Settling RMB in over 50 markets
- 2**
Scale in other priority growth markets
 - Continue to invest to build scale in key markets
 - India
 - Singapore
 - Malaysia
 - Indonesia
 - Australia
 - Taiwan
 - Vietnam
- 3**
Other Markets: Maintain leadership in connectivity
 - Focus resources in non-priority markets to maintain leadership in intermediating Trade, Capital and Wealth flows
 - Reshaped the business by announcing / completing the disposal of a number of non-strategic businesses

Simplifying and restructuring the business

Simplifying and restructuring the business

Four Programmes

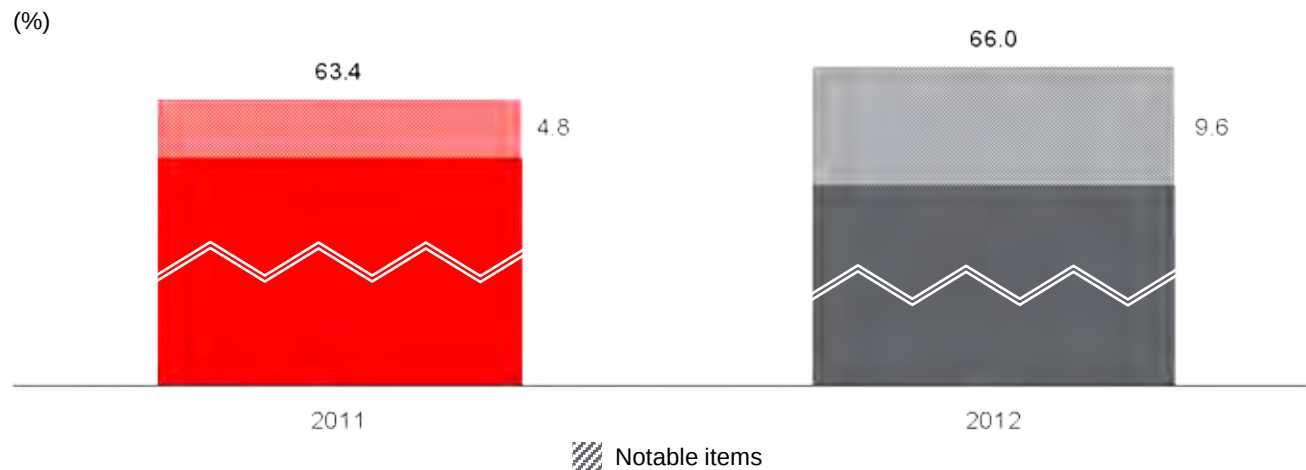


Delivering USD3.6bn of annualised sustainable saves

Simplifying and restructuring the business

CER and FTE

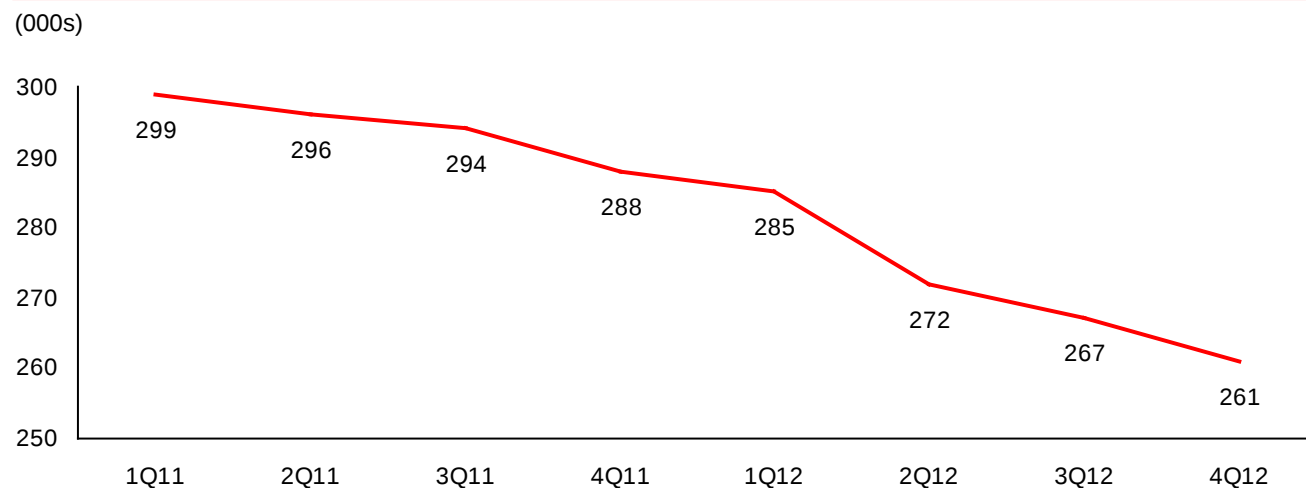
Underlying CER



Focus on cost discipline

- Strong pipeline of sustainable cost savings
- Exceeded top end of target range for cost savings
- Continued focus on achieving positive jaws

FTE



- **FTE down 27K to 261K during 2012 and down 38K from peak at 1Q 2011**

- **During the year average FTE fell by 7%**

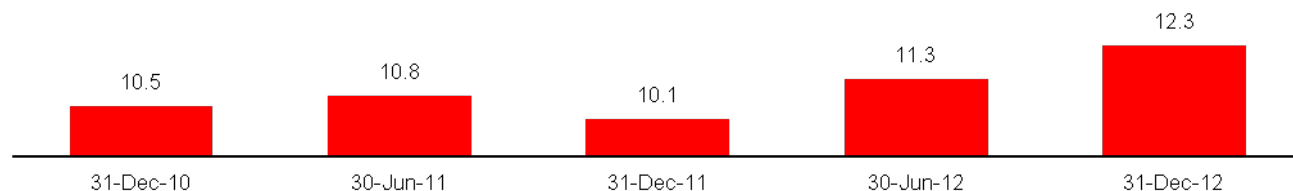
Strengthening capital and
growing dividend

Strengthening capital and growing dividend

Strong capital generation

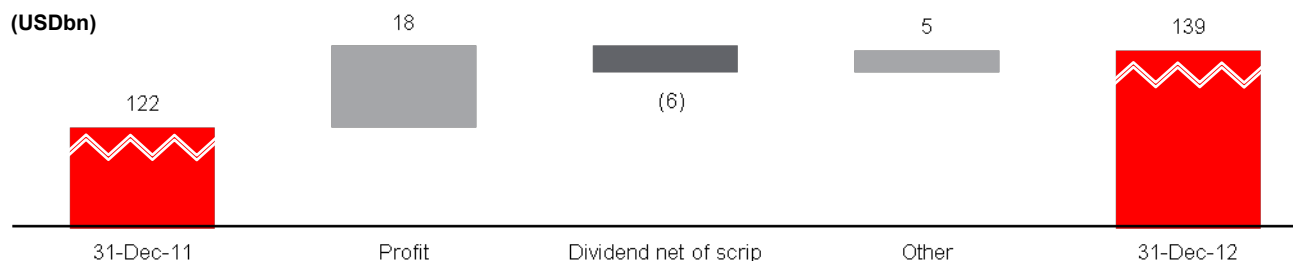
Core tier 1 ratio (Basel 2.5)

(%)



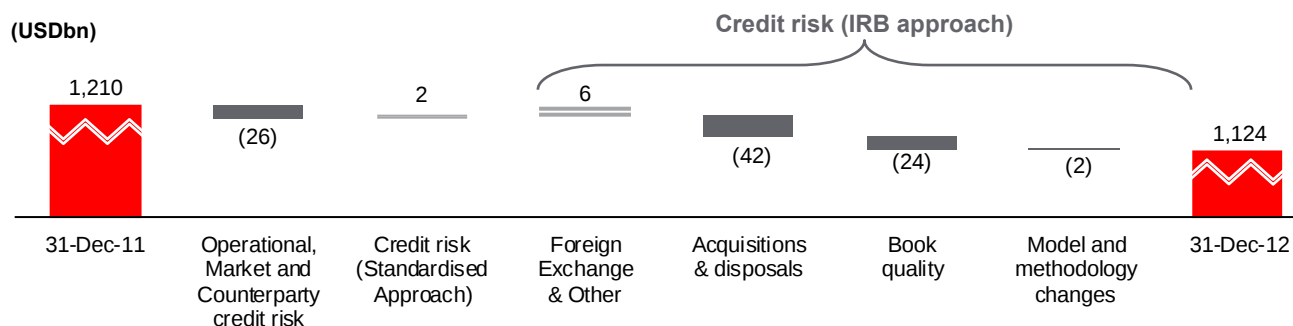
Movement in core tier 1 capital

(USDbn)



Movement in risk-weighted assets

(USDbn)



Note:

1 Calculated as credit risk RWAs divided by credit risk exposure, expressed as a percentage

- Core tier 1 ratio of 12.3% at 31 Dec 2012

- Core tier 1 capital increased by USD17bn (+14%) of which USD12bn from capital generation net of dividends

- Model and methodology changes negligible impact on RWAs (IRB approach)

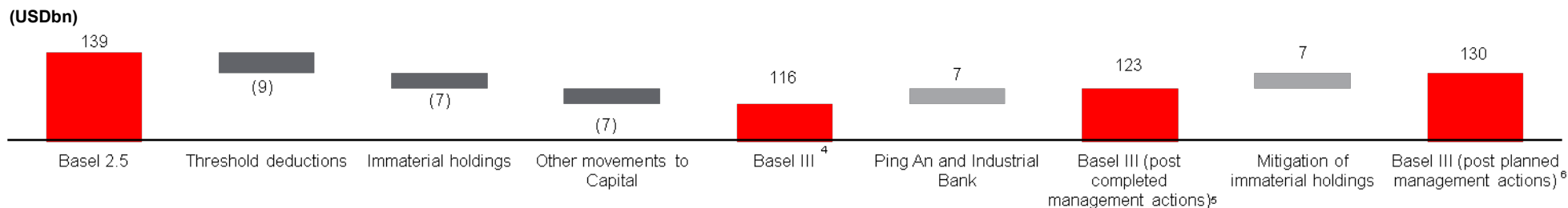
- RWAs reduced by USD86bn (-7%)

- Credit Risk RWA density¹ 41% at end 2012 (2011, 44%)

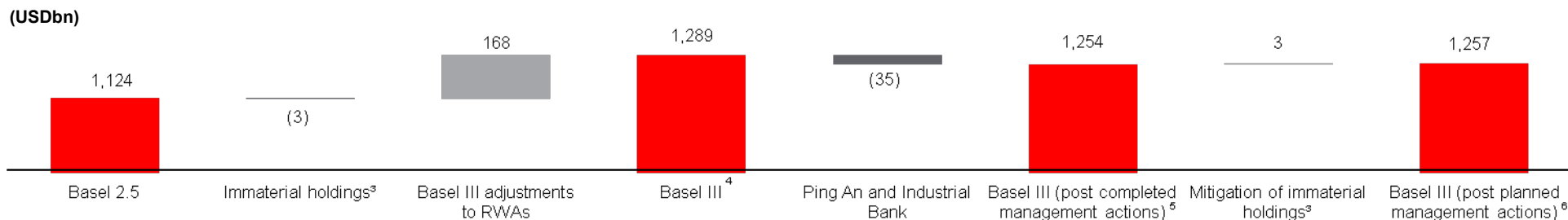
Strengthening capital and growing dividend

Basel III¹

Core / common equity tier 1



RWAs



CT1 /
CET1 :
ratio²

12.3%

9.0%

9.8%

10.3%

- Capital capacity - organic growth
- CRD IV clarity in 2013?
- Investment discipline - 6 filter criteria
- UK reform and FPC?

Notes:

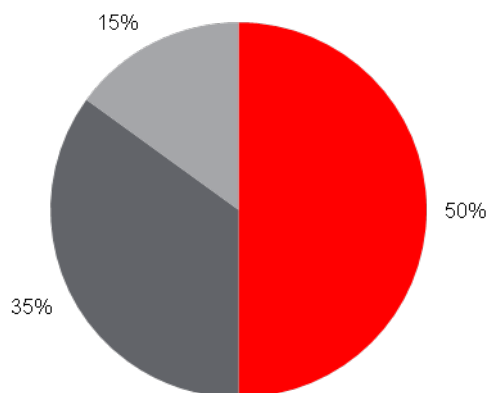
- CRD IV is unfinalised and subject to ongoing EU negotiation and implementation by UK regulators and consequently the impact could change
- Ratios not adjusted for rounding of capital and RWAs to USDbn
- Includes the impact of immaterial holdings on thresholds
- Estimated Basel III CET1 end point capital and RWAs based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by FSA guidance
- Capital management initiatives and management actions already adopted by the Group, in accordance with our six filters strategic framework, have already contributed to mitigating the effect of the future rules
- The rules are currently in draft and subject to on-going negotiation. If they were to be finalised in their current form, the holdings of such positions would generate a disproportionate capital cost and potentially the relevant businesses could be curtailed, closed or our hedging would be adjusted to negate the impact

Strengthening capital and growing dividend

Pro-forma post-tax profits allocation¹

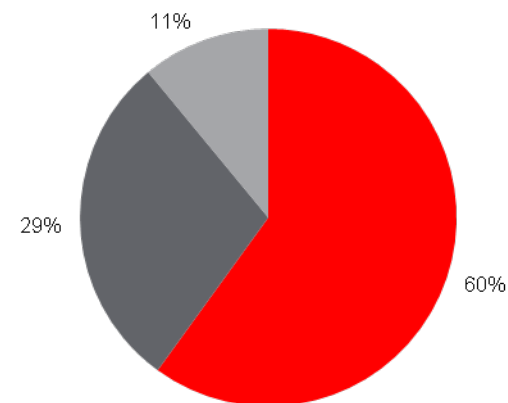
2011

(USDbn)



2012

(USDbn)



■ Retained earnings/capital

■ Dividends net of scrip

■ Variable pay²

Growing ordinary dividends³

USD	2011	2012	2013
Per share			
1Q	0.09	0.09	0.10
2Q	0.09	0.09	0.10
3Q	0.09	0.09	0.10
4Q	0.14	0.18	
	0.41	0.45	
Total USDbn	7.3	8.3	
- of which scrip	1.4	2.8 ⁴	

Notes:

1 See Report of the Group Remuneration Committee (page 347) of the 2012 Annual Report and Accounts and Pillar 3 (page 64-71) for further information

2 Net of tax assumed at 20%

3 In respect of the year

4 Based on assumption of scrip take up for 4Q12 of 20%

Conclusion



Conclusion

Delivering the strategy

4 Global Businesses; 11 Global Functions

47 portfolio shaping transactions

Achieving profitable growth

Delivering sustainable saves and simplifying the business

Capital strength and progressive dividend policy