Retail Banking and Wealth Management

Results and Strategy

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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.

Agenda

RBWM Overview

Strategic direction set out on Investor Day – May 2011

Our strategic objective
To deliver strong, sustainable returns from the Group's RBWM businesses globally

Target: return on risk weighted assets
2.0% - 3.0% (from 1.1% in 2010)

Strategies:

RBWM Transformation	Wealth Management	Portfolio Management
Standardising banking propositions globally to gain cost efficiencies through business transformation	Building on the success of HSBC Premier and leveraging world class product structuring capabilities and best practices globally	Focusing investment on key growth markets where we can achieve scale and returns

RBWM Results

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Final results 2012
Reported Global Business Contribution

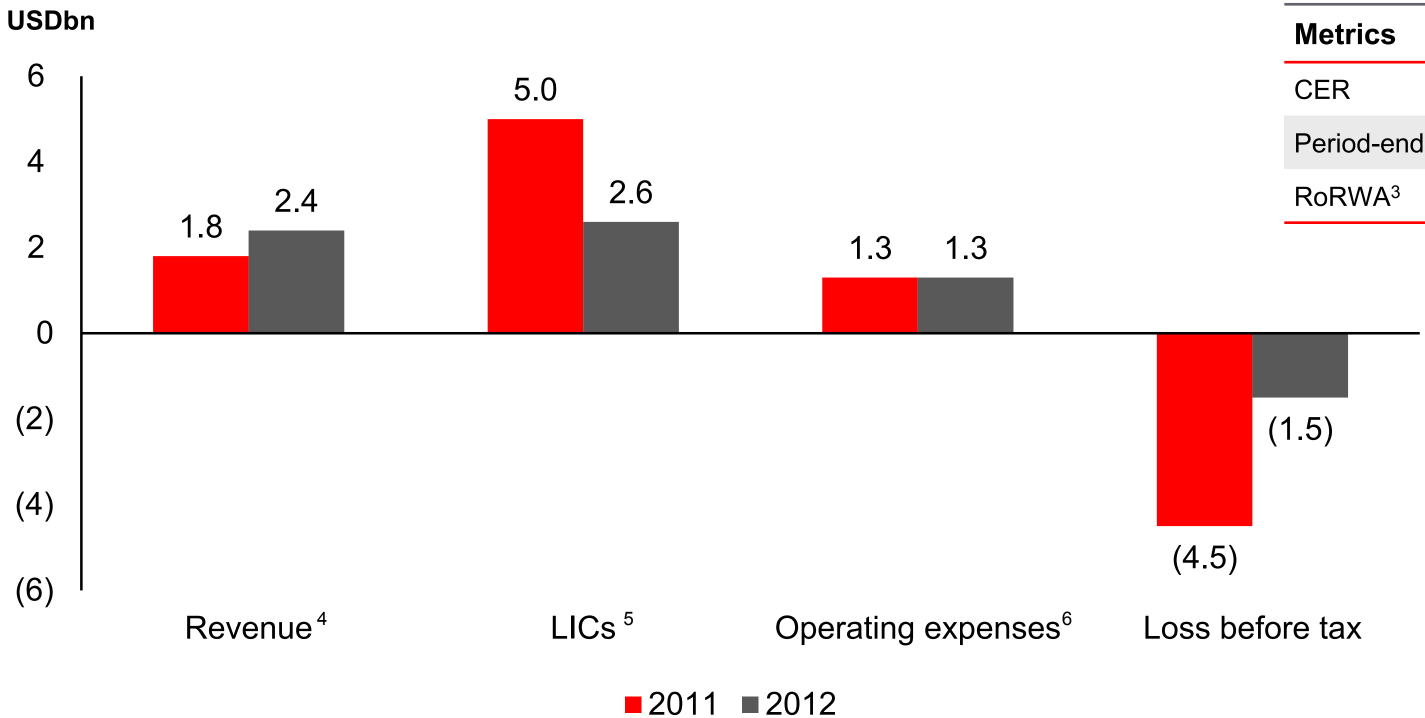
PBT[1], (USDbn)	2011	2012	% Better / (worse) 2012 vs 2011
Retail Banking Wealth Management	4.3	9.6	124
Of Which			
RBWM excluding US CRS[2] and US run-off portfolio[3]	*6.7*	*7.1*	*6*
US Card and Retail Services	*2.1*	*3.8*	*83*
US run-off portfolio	*(4.5)*	*(1.3)*	*72*
Commercial Banking	7.9	8.5	7
Global Banking and Markets	7.0	8.5	21
Global Private Banking	0.9	1.0	7
Other	1.7	(7.0)	(521)
Total	**21.9**	**20.6**	(6)

RBWM excluding US CRS[2] and US run-off portfolio[3] – underlying basis[4]	*5.3*	*5.5*	*2*

Note:
1 On a reported basis
2 Card and Retail Services
3 Run-off portfolio includes the US Consumer and Mortgage Lending (CML) portfolio and the related treasury operations
4 Underlying basis eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates and businesses

CRS and US run-off portfolio[1]
Significant improvement in underlying results

CRS and US run-off portfolio performance



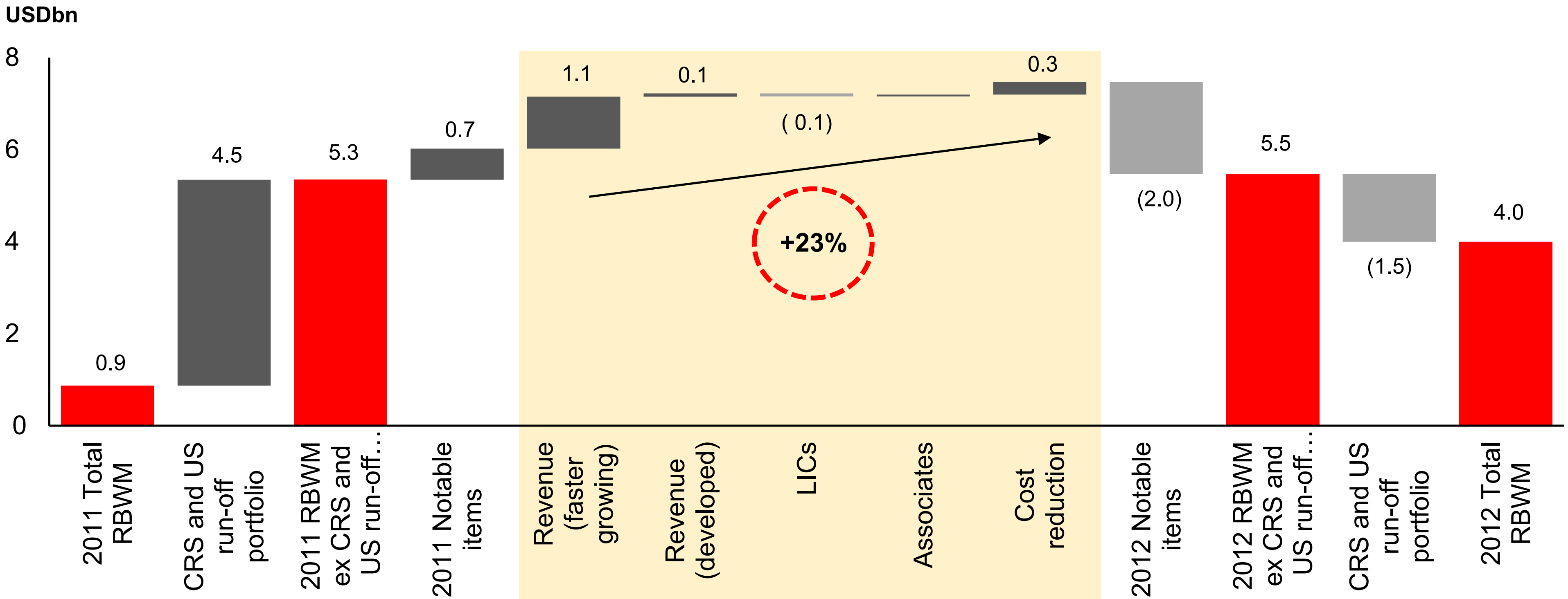
Metrics	2011	2012
CER	72.2%	54.2%
Period-end RWAs[2] (USDbn)	184	114
RoRWA[3]	(3.3%)	(1.1%)

- Significant reduction in LICs driven by decline in average lending balances and reduced delinquency rates
- Improved revenue driven by lower adverse movement in the fair value of non-qualifying hedges

Note:
1 All data on an underlying basis, except where otherwise stated
2 On a reported basis
3 Calculated using underlying pre-tax profit and reported average RWAs at constant currency, adjusted for disposals
4 Revenue is net operating income before loan impairment charges and other credit risk provisions
5 Loan impairment charges and other credit risk provisions
6 2012 Operating expenses includes USD150m of residual costs incurred by the CRS business during the period

RBWM excluding CRS and US run-off portfolio Profit Before Tax[1]
Increased profitability, adjusting for notable items

Profit before tax



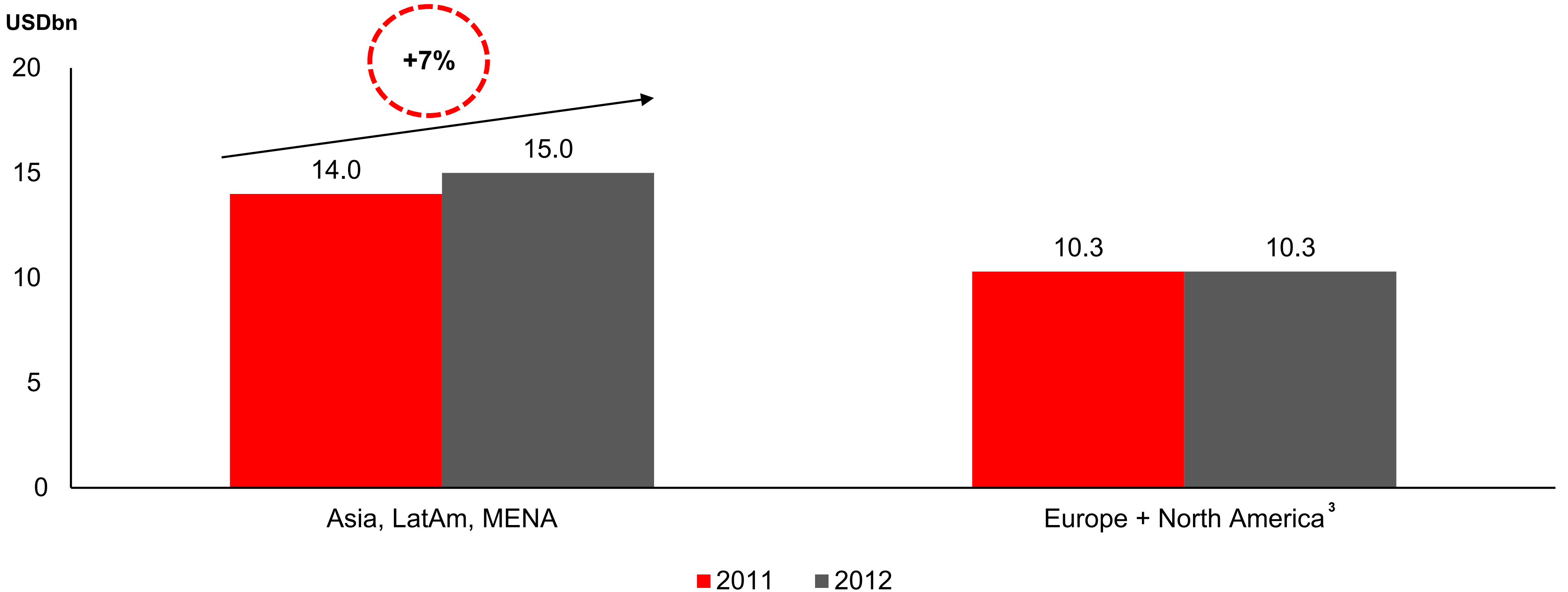
- Increase in CER driven by notables items
- Return on Risk Weighted Assets above the top end of the target range

Metrics	2011	2012
CER	69.1%	69.6%
Period-end RWAs (USDbn)[4]	167	163
RoRWA[5]	3.4%	3.4%

Note:
1 All data on an underlying basis, except where otherwise stated
2 Items within the shaded area are on an underlying excluding notables basis
3 Total RBWM notable items USD(1.9)bn in 2012. vs USD0.4bn in 2011; CRS and US run-off portfolio notable items USD0.1bn in 2012 vs USD0.3bn in 2011
4 On a reported basis
5 Calculated using underlying pre-tax return and reported average RWAs at constant currency, adjusted for disposals

Revenue[1,2]
Continue to build revenues in faster growing markets

RBWM excluding CRS and US run-off portfolios

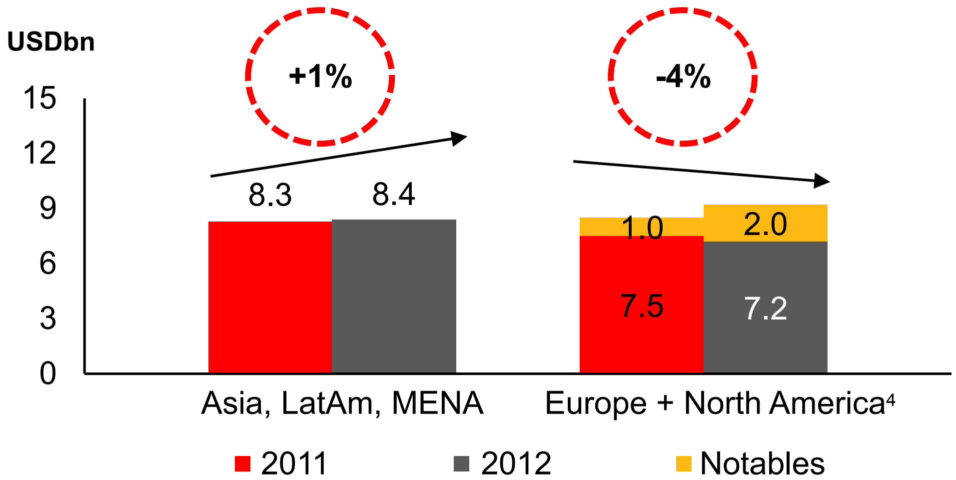


- Revenue growth in faster growing markets with these markets representing 59% of RBWM underlying revenue in 2012 (58% in 2011)
- Despite UK market remaining challenging our share of new UK mortgage lending in 2012 was 12%, up from the 10% share of new lending in 2011
- Increased revenue per customer

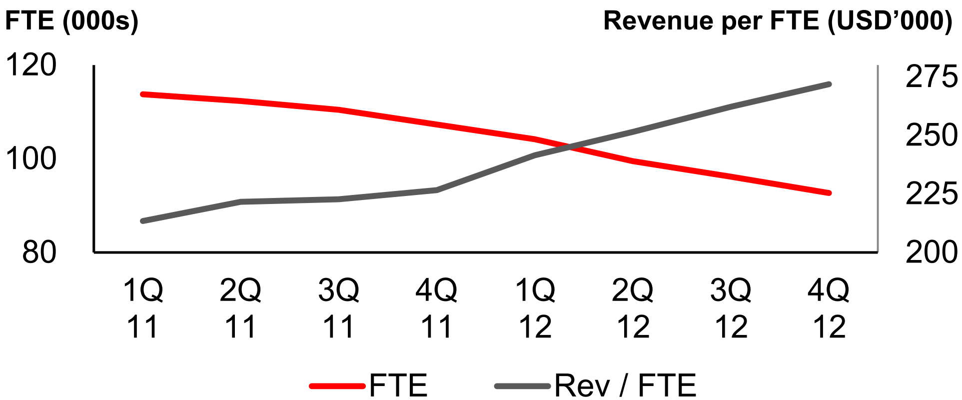
Note:
1 All data on an underlying basis, except where otherwise stated
2 Total RBWM underlying Revenue USD27.7bn in 2012. vs USD26.1bn in 2011; CRS and US run-off portfolio underlying Revenues USD2.4bn in 2012 vs USD1.8bn in 2011
3 Excluding US run-off portfolio and CRS

Operating expenses[1,2]
Progression in operating expenses and FTE

RBWM excluding CRS and US run-off portfolio Operating Expenses[3]



Revenue per FTE



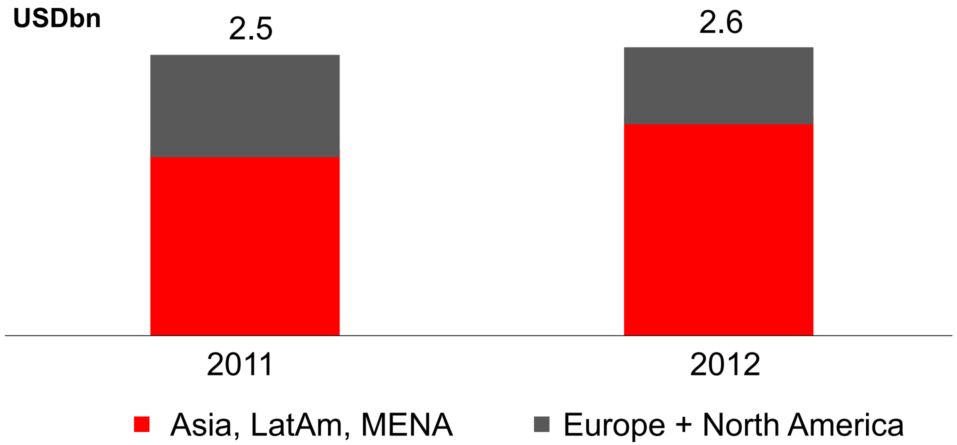
- Sustainable cost savings of more than USD350m in 2012
- FTE decrease of more than 13,500 during 2012
- Significant increase in productivity – Revenue/ FTE

Note:
1 All data on an underlying basis, except where otherwise stated
2 Total RBWM underlying Expenses USD18.9bn in 2012. vs USD18.1bn in 2011; CRS and US run-off portfolio underlying Expenses USD1.3bn in 2012 vs USD1.3bn in 2011
3 Operating expenses excluding notables. Significant notables in 2012 are USD1.8bn customer redress and USD0.3bn restructuring costs (2011: USD0.9bn customer redress, USD0.4bn restructuring and USD(0.3bn) pension credit)
4 Excluding US run-off portfolio and CRS
5 All notable items including restructuring costs have been allocated to Europe and North America

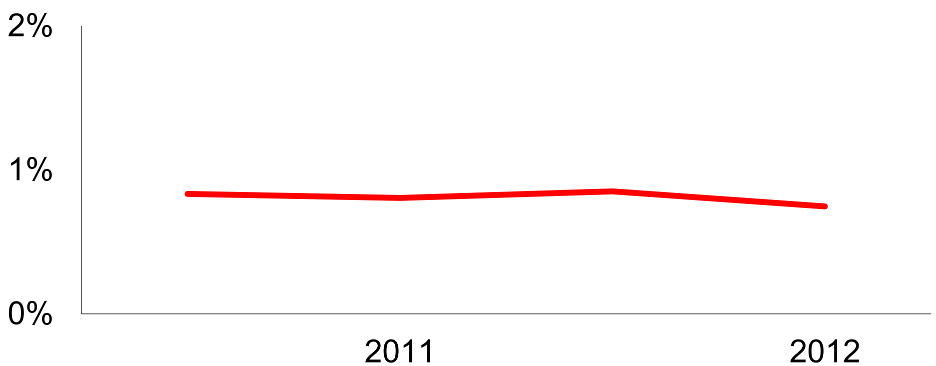
Loan Impairment Charges[1,2]

Portfolio continues to perform

RBWM excluding CRS and US run-off portfolio Loan Impairment Charges



LICs/Customer advances

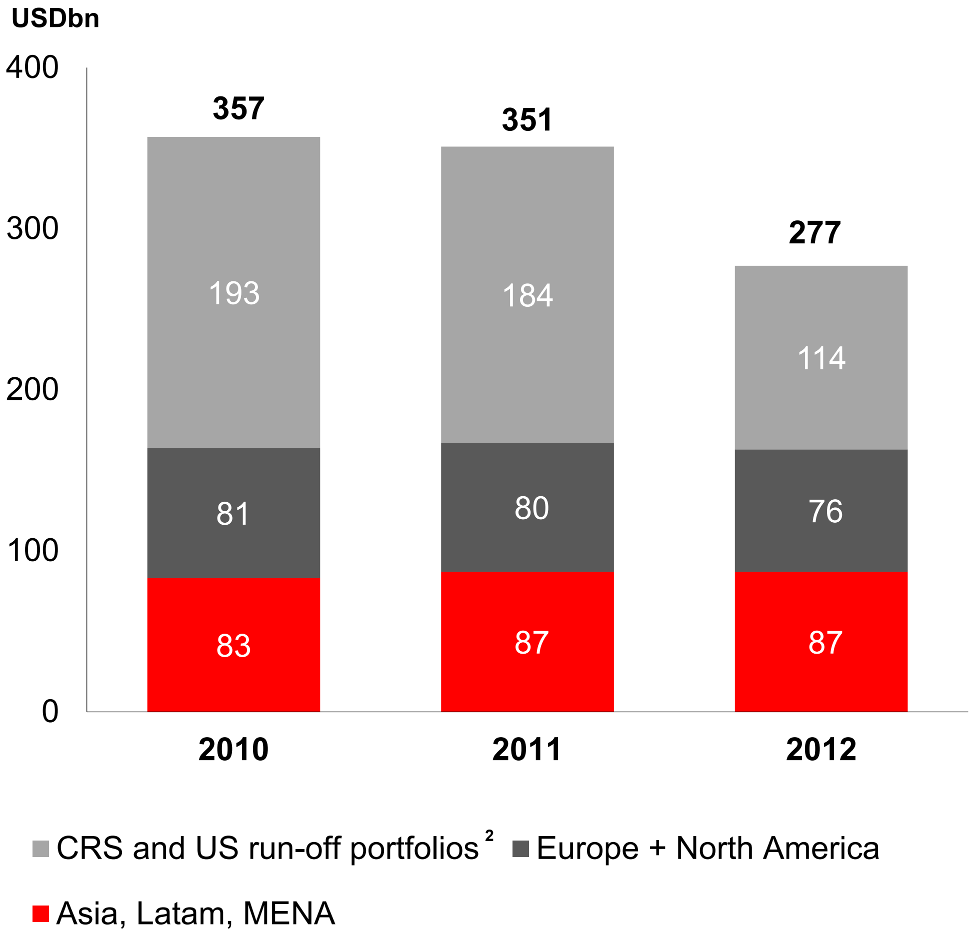


- LICs decreased in Europe driven by lower delinquency rates across both secured and unsecured lending, particularly in the UK
- LICs increased in LATAM driven by business growth and increased delinquencies in Brazil
- Ratio of LICs to Customer Advances reflects overall improvement in quality

Note:
1 All data on an underlying basis, except where otherwise stated
2 Total RBWM underlying LICs USD5.2bn in 2012. vs USD7.5bn in 2011; CRS and US run-off portfolio underlying LICs USD2.6bn in 2012 vs USD5.0bn in 2011

Risk Weighted Assets
Improving capital efficiency

RBWM Risk Weighted Assets[1]



- Sale of CRS completed and run-off of the CML portfolios progressing
- Europe and North America2 2012 decrease driven by European secured lending growth increasing RWA efficiency and the sale of non-strategic branches in the US
- Business growth in faster growing markets is partly offset by portfolio management activities
- Faster growing markets represent 53% of RWAs of RBWM excluding CRS and US run-off portfolio

Note:
1 On a reported basis
2 Excluding US run-off portfolio and CRS

Strategic Execution

Portfolio management

Reduce fragmentation through closures and disposals

North America

Line of Business

Insurance Mgmt services (Bermuda), Full Service Retail Brokerage (Canada), CF (Canada), Life Insurance, CRS, non-strategic Branches, MSR's mortgage origination & servicing (US)

Europe

Market Exits

Georgia, Poland, Russia, Slovakia

Line of Business

CF (Hungary), GI & Re-insurance (Ireland), Motor Insurance (UK), GI (France), Mutual Funds Management (Greece) CF Loans (UK)

Latin America

Market Exits

Chile, Colombia, Costa Rica, El Salvador, Honduras, Panama, Paraguay, Peru, Uruguay

Line of Business

GI (Argentina, Mexico), Life (El Salvador , Honduras), Afore Pensions (Mexico)

Middle East

Market Exits

Kuwait, Pakistan

Line of Business

Dar Es Salam Insurance (Iraq)

Acquisitions

Lloyds (onshore Retail Banking UAE); Merger with OIB (Oman)

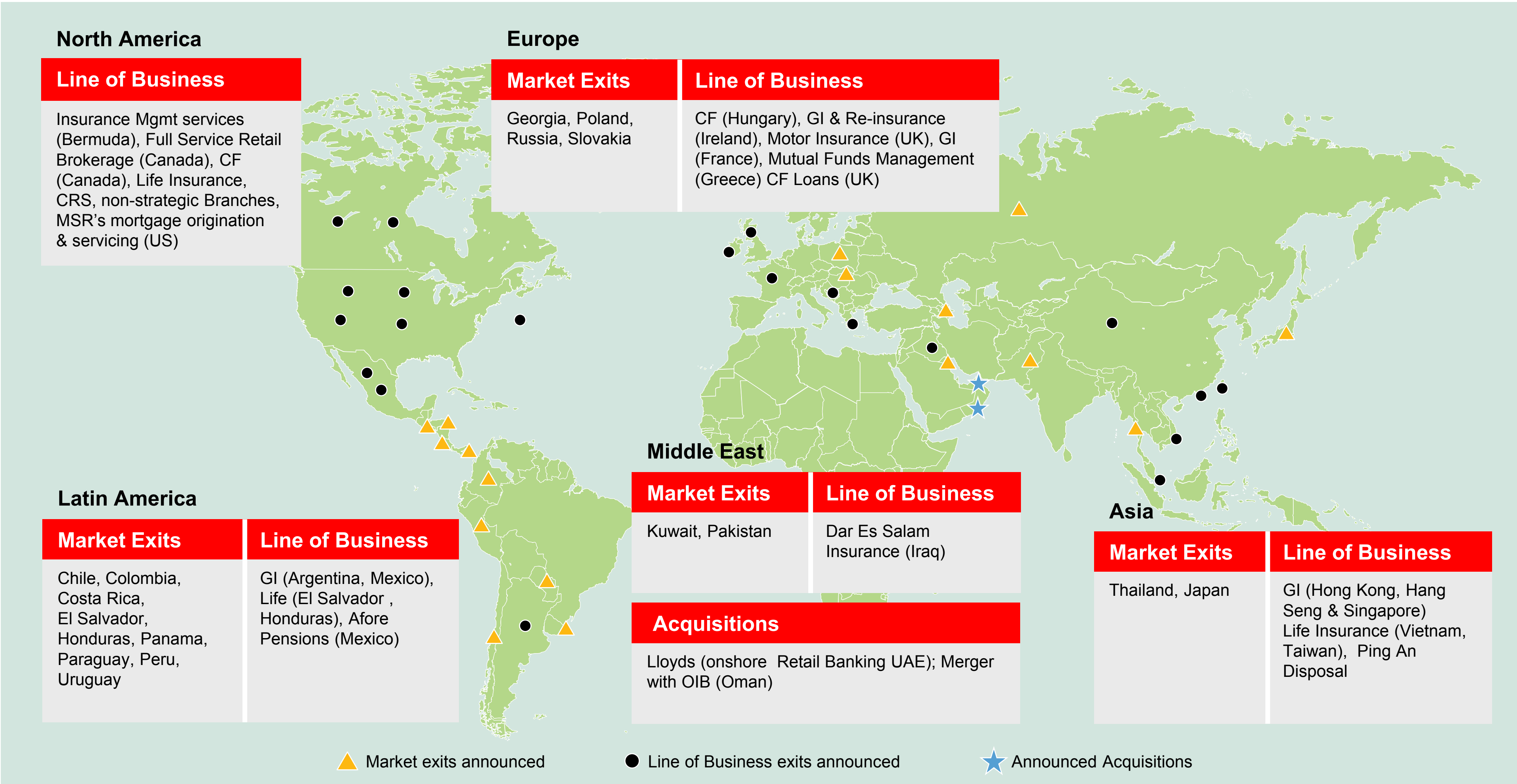
Asia

Market Exits

Thailand, Japan

Line of Business

GI (Hong Kong, Hang Seng & Singapore)
Life Insurance (Vietnam, Taiwan), Ping An Disposal



Reduction in RWAs outside of North America anticipated to be approximately USD14bn

Definitions:

CF	Consumer Finance
GI	General Insurance
MSR	Mortgage Service Rights
OIB	Oman International Bank

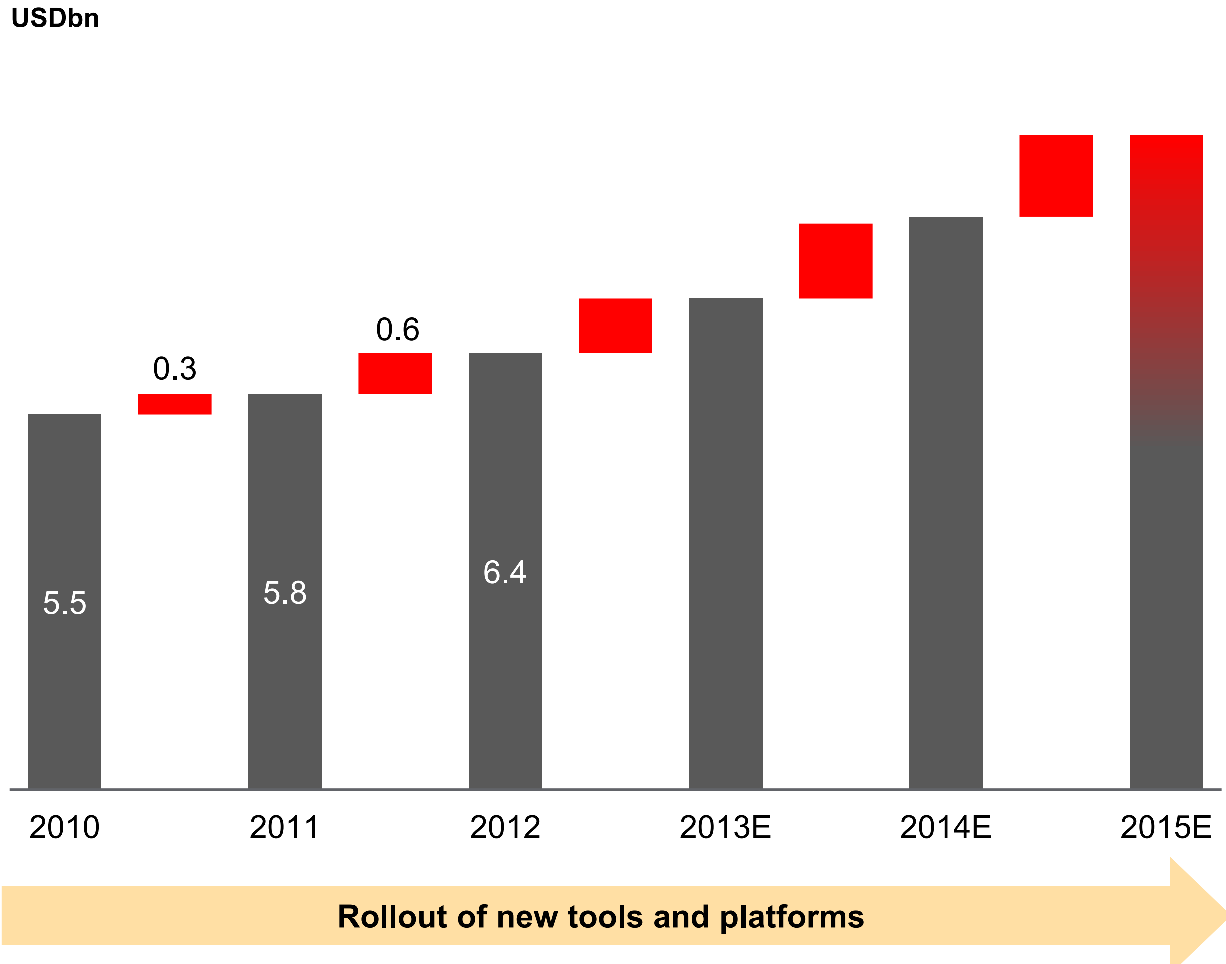
Portfolio management
Cohesive portfolio of markets

	Hong Kong and rest of Asia-Pacific	Europe	Middle East and North Africa	North America	Latin America	RBWM Strategy
'Home markets'	• Hong Kong[1]	• United Kingdom[2]				• Build scale and/or capture wealth opportunity • Differentiate to target segments
Priority Growth markets	• Australia • Mainland China • India • Indonesia • Malaysia • Singapore • Taiwan • Vietnam	• France • **Germany[3]** • **Switzerland[3]** • Turkey	• Egypt • Saudi Arabia • UAE	• Canada • USA	• Argentina • Brazil • Mexico	
Small markets	• Adopt standard products and services and drive efficiency					
Network	• Leverage host market management efficiencies • Maintain connectivity in key wealth corridors					
CMB funding	• Maintain simplified RBWM business to support funding / liquidity dependency					

Note:
1 Includes Hang Seng Bank
2 Includes first direct, M&S Money
3 Group priority growth markets but not RBWM

Wealth management
Increasing momentum towards our incremental wealth goal

Wealth revenues[1]



Change of momentum in 2012

Underlying trends

- Growth in Total Relationship Balances
- Good traction and strong results in Mutual Funds, Cash FX and Insurance
- Market-induced headwinds in Broking and Structured Products
- Maintaining focus on prioritised markets

Note:
1 Wealth revenues in 2010 and 2011 are approximated, reflecting year on year variance on a constant currency basis at the time of reporting

Summary

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Summary

Business performance impacted by notable items…Continued to build revenues in faster growing markets and increased revenue per capita on a reduced cost base

Re-shaping RBWM to drive superior returns…
Significant progress on reducing fragmentation in the portfolio

Committed to delivering incremental revenues from Wealth Management…Product set largely in place, strengthening the distribution capabilities and improving relationship management

Implementing a consistent global business model to improve organisational effectiveness and cost efficiency and enhance capital deployment