



Commercial Banking Investor Presentation

Delivering growth through connectivity



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 2012 Annual Report and Accounts and 1Q 2013 Interim Management Statement. 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.

Financial results

HSBC Group 2012 & 1Q 2013 results¹

Summary financial highlights

	Full Year Results			1Q 2013 Results		
	2011	2012	% Better/(worse)	1Q 2012	1Q 2013	% Better/(worse)
Reported PBT (USDbn)	21.9	20.6	(6)	4.3	8.4	95
Underlying PBT (USDbn)	13.9	16.4	18	5.7	7.6	34
EPS (USD)	0.92	0.74	(20)	0.13	0.34	161
Dividends (USD) ²	0.41	0.45	10	0.09	0.10	11

Key ratios %

	2011	2012	KPI ³	1Q 2012	1Q 2013
Return on average ordinary shareholders' equity	10.9	8.4	12-15	6.4	14.9
Cost efficiency ratio	57.5	62.8	Mid 50's	63.9	50.8
Advances-to-deposits ratio ⁴	75.0	74.4	<90	74.8	73.3
Core tier 1 ratio	10.1	12.3	9.5-10.5	10.8	12.7
Common equity tier 1 ratio ⁵	n/d	9.0	> 10	n/d	9.7

Notes:

1 All figures are as reported unless otherwise stated

2 Declared in respect of the period

3 KPIs updated to reflect the targets announced at the investor update in May 2013, prior to this the target for the cost efficiency ratio target was 48-52% and for common equity tier 1 ratio it was 9.5-10.5%

4 Ratio of customer advances to customer accounts

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

Financial results

Global business contribution¹

Underlying PBT (USDbn)	Full Year Results			1Q 2013 Results		
	2011	2012	% Better/(worse)	1Q 2012	1Q 2013	% Better/(worse)
Commercial Banking (CMB)	7.7	7.9	3	2.1	2.2	4
Global Banking and Markets (GBM)	6.7	8.4	24	2.9	3.6	22
Retail Banking Wealth Management (RBWM)	0.9	4.0	359	1.1	1.6	42
Global Private Banking (GPB)	0.9	0.9	1	0.3	(0.1)	(143)
Other	(2.3)	(4.8)	(105)	(0.7)	0.3	147
Total	13.9	16.4	18	5.7	7.6	34

Notes:

1 All Figures are on an underlying basis

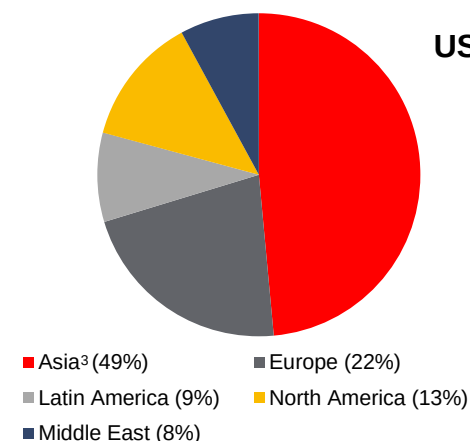
Financial results

Commercial Banking 1Q 2013 – Attractive product and geographic mix¹

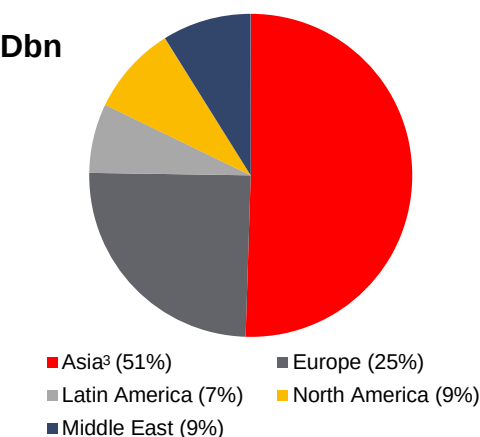
1Q 2013 Highlights

- 67% of profits from Faster Growing Regions²
- Underlying PBT up 4% year over year
- CER improvement of 60bps over 1Q 12

PBT, 1Q 2012



PBT, 1Q 2013



	1Q 12	4Q 12	1Q 13
Revenues (USDbn)	4.0	4.2	3.9
Profit before tax (USDbn)	2.2	1.9	2.2
Underlying Profit before tax (USDbn)	2.1	1.6	2.2
Cost efficiency ratio (%)	44.5%	50.0%	43.9%
Return on risk-weighted assets(%)	2.3%	1.8%	2.3%

CMB Product Revenue, (USDm)	1Q 12	4Q 12	1Q 13
Global Trade & Receivables Finance ⁴	726	725	713
Credit & Lending	1,528	1,603	1,488
Payment and Cash Management ⁴ , Customer Accounts & Saving Deposits	1,314	1,372	1,275
Insurance and Investments	202	111	183
Other	273	340	274
	4,043	4,151	3,933

Notes:

1 All figures are as reported unless otherwise stated

2 Faster growing Regions include Hong Kong, Rest of Asia Pacific, LATAM and MENA

3 Asia includes Hong Kong and Rest of Asia Pacific

4 'Global Trade and Receivables Finance' and 'Payment and Cash Management' include revenue attributable to foreign exchange products

The HSBC Position

Execution of “Leading International Trade and Business Bank” strategy is on track

2011 Investor Day Strategy

Focus on faster-growing markets

Capture growth from international connectivity

Unlock revenue through collaboration

Simplify and restructure

Report card

- FG regions¹ revenue represents 55% of total; increased 10% over 2011²
 - USD15bn of profits generated from FG Regions in the last three years³
 - RWA allocation to FG regions increased by 4% over 2011, taking total to USD262bn (66% of CMB total)
-
- International customers generate around 40% of total CMB revenues
 - International Relationship Manager model further expanding to key business banking markets
 - GTRF revenue growth of 11%, outperforming the market to increase global trade market share to 10%⁴
-
- USD0.9bn of USD2bn incremental revenue commitment achieved⁵
 - Delivered USD0.7bn incremental gross revenue from sales of GBM products to CMB Customers⁵
 - Dedicated executives in place to promote CMB and GPB cross-business referrals
 - Trade Credit Insurance offering launched in Hong Kong, UK and Brazil
-
- Global operating model implemented; sustainable cost-savings of over USD100m achieved through process re-engineering and organisational effectiveness
 - Credit renewal completion time reduced in 17 key markets

Notes:

1 Faster growing Regions include Hong Kong, Rest of Asia Pacific, LATAM and MENA

2 On an underlying basis

3 Cumulative profits for the period 2010 to 2012

4 Oliver Wyman Global Transaction Banking Survey 1H2012, Oliver Wyman analysis

5 Since 2010

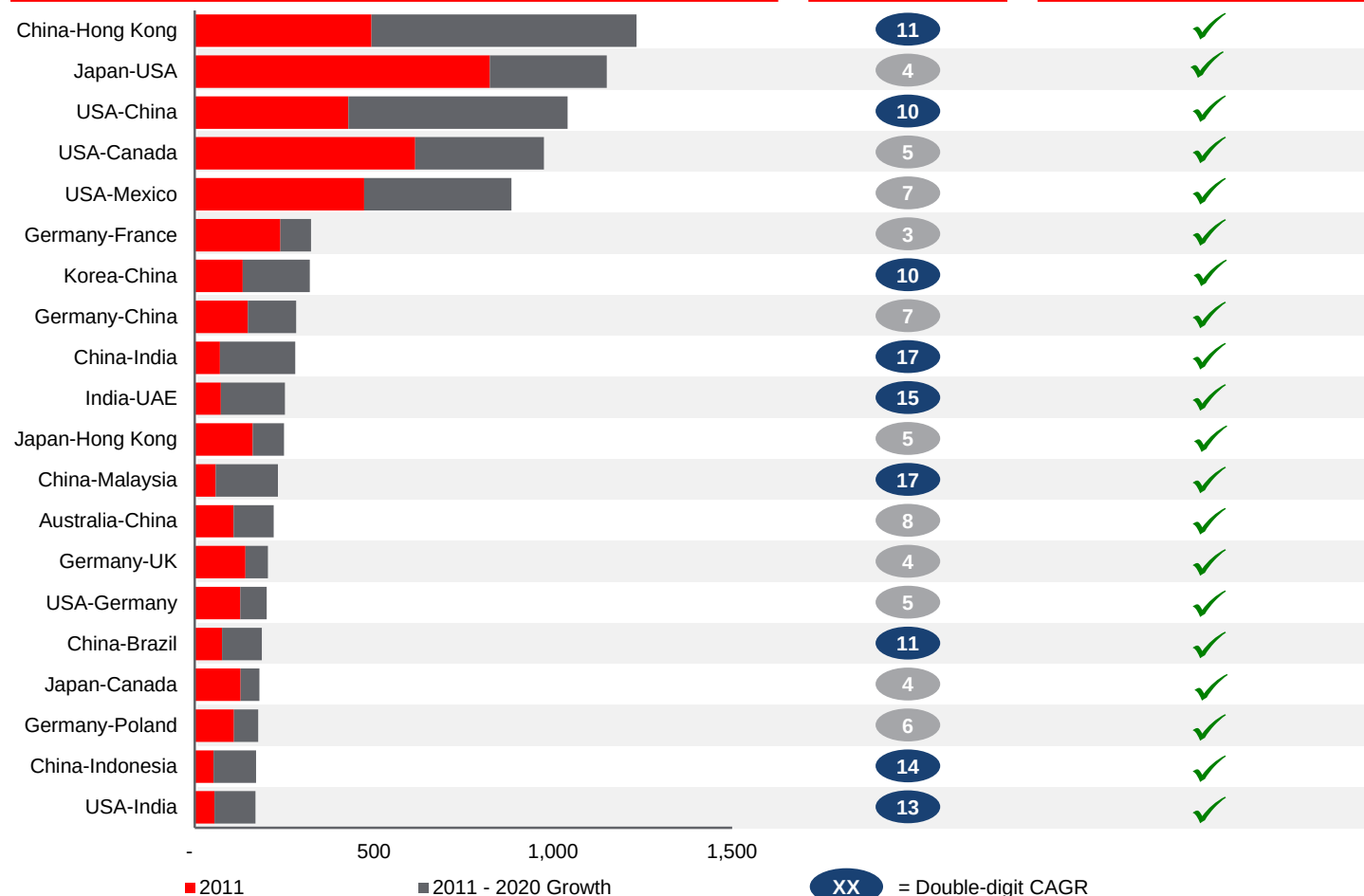
Economic positioning

HSBC has access to the most attractive international trade corridors

Exports Growth Forecasts (USDbn)¹

CAGR (%)

HSBC coverage



Notes:

1 Nominal merchandise exports, HSBC and Oxford Economics analysis

2 Faster growing Markets include Hong Kong, Rest of Asia Pacific, LATAM and MENA

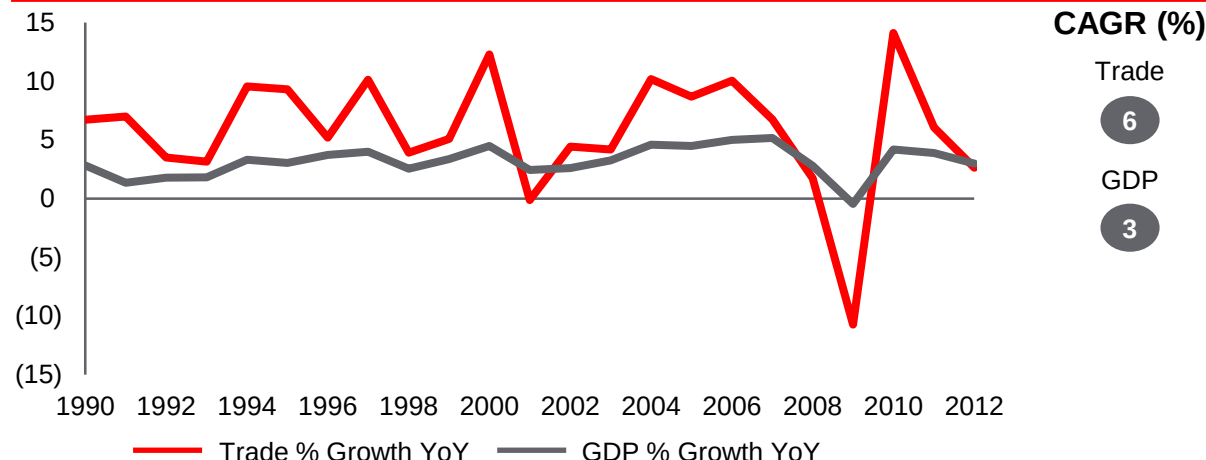
3 HSBC Global Research The Great Rotation, Q1 2013

- HSBC covers both ends of all the key trade growth corridors
- Growth of USD2.1trn¹ forecast between FGMs² and DMs
- FGM to FGM flows forecast growth of USD1trn¹
- Global trade settled in RMB increased four-fold in 2011 to reach RMB2.1trn³
- Demand for Documentary trade finance is greatest in FGM corridors
- Receivables Finance propositions enable HSBC to intermediate in Open Account trade

Economic positioning

International Trade evidences volatility but will continue to grow faster than GDP

Growth in Trade vs. GDP¹



Trade to outperform¹ GDP growth

Growth Outlook Period	2013-2017	2018-2022	2023-2027	2028-2032
GDP Growth (%) CAGR	4.3	4.1	3.8	3.6
Trade Growth (%) CAGR	6.2	4.8	4.3	4.2
Trade/GDP Multiple	1.4	1.2	1.1	1.1

- Trade is an indicator of international business and connectivity
- Long-term trend sustained by underlying fundamentals - increase in global population and economic development of emerging markets
- More complex global supply chains with fragmented production and just-in-time sourcing, drive growth differential to GDP
- In downturns trade declines faster than GDP but rebounds quicker
- Counter-cyclical government spending means GDP is less volatile than trade

Notes:

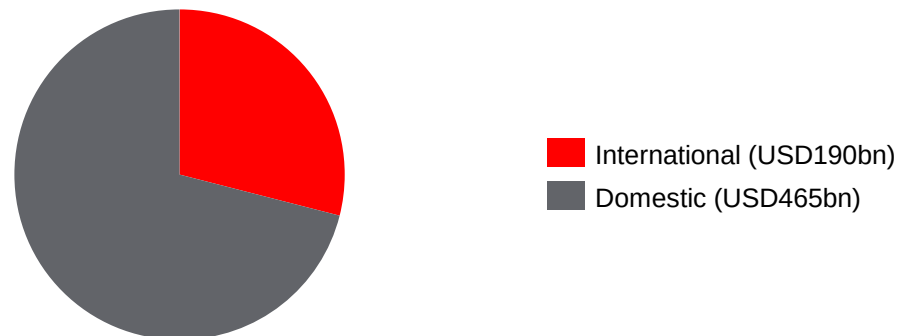
1 HSBC and Oxford Economics analysis

Economic positioning

Medium term opportunity remains attractive; risk adjusted revenue pool from international companies worth USD190bn¹

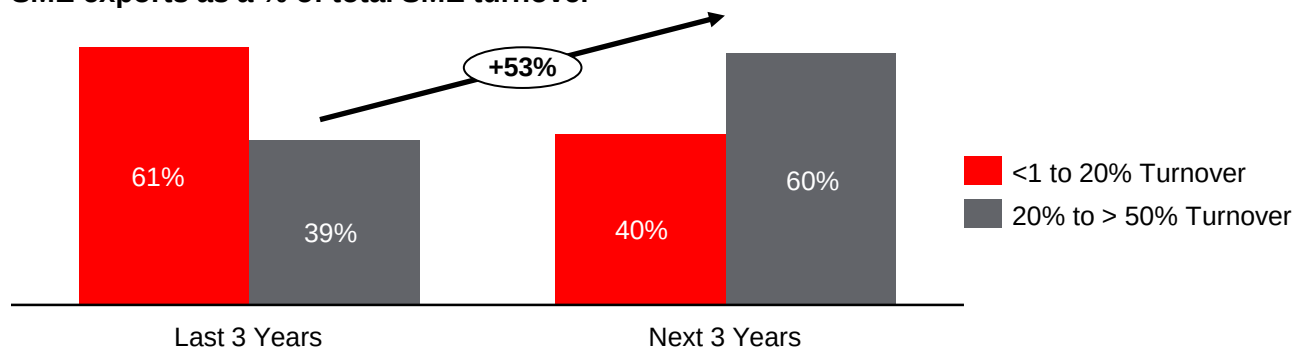
Large risk adjusted revenue pool for international 'CMB' companies¹

2014 - Expected Global Revenue Pool



Companies are becoming more international²

SME exports as a % of total SME turnover



Notes:

¹ International revenue pool McKinsey Global Profit Pool Study 2011

² Internationalisation – A Driver for Success – DHL & IHS – January 2013. Data taken from Brazil, Canada, China, France, Germany, India, Mexico, Russia, UK and US

³ HSBC/PwC Client Engagement Programme 2012 with 3880 SME Interviews completed across 10 markets

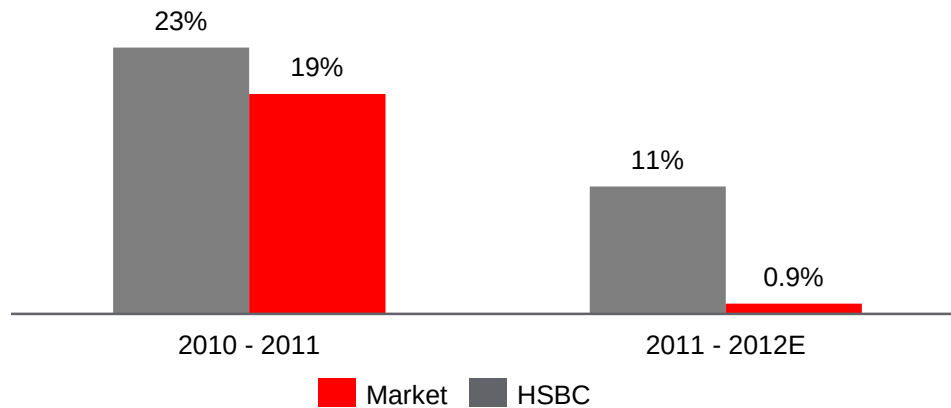
- Scope to gain share of international revenues remains significant
- International customers generate double the revenue for HSBC compared to purely domestic customers¹
- 53% of HSBC's SME customers expect to increase their international business activity in 2013 with China and USA cited as key markets³

Capture growth from international connectivity

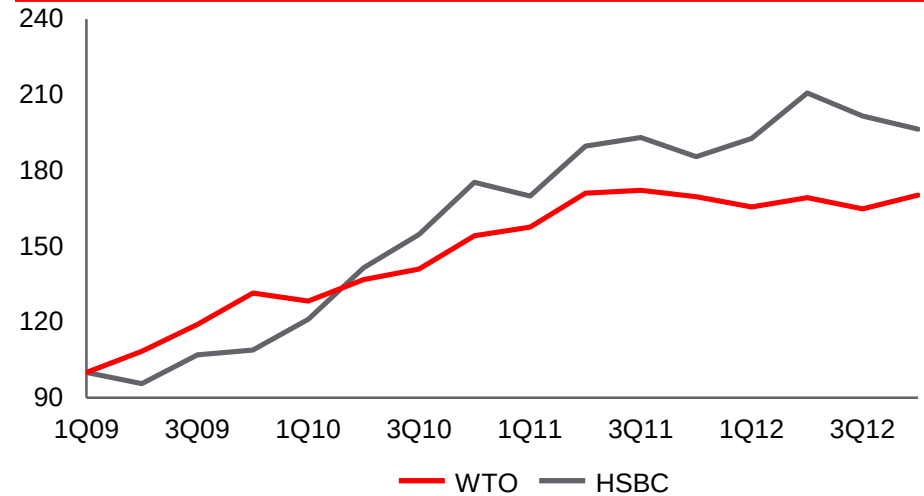
HSBC continues to outperform the market in trade finance

HSBC Growth vs. Market ¹

HSBC global market share estimated at 10%



HSBC exports turnover² v WTO merchandise exports³



- HSBC is the world's largest trade bank with 10% global market share and a leading player in the receivables finance market¹
- HSBC continues to capture market share with above market growth in revenues
- HSBC's trade turnover continues to outpace world merchandise exports growth

Notes:

¹ Based on an analysis by Oliver Wyman.

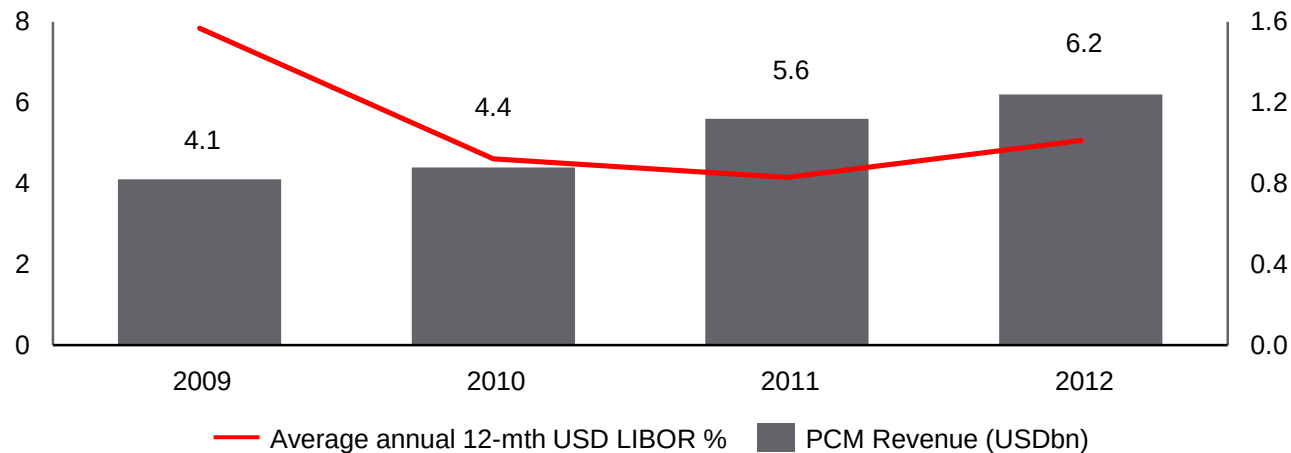
² Indexed with 1Q09 = 100. HSBC exports turnover comprising letters of credit and documentary collections per internal MI

³ Indexed with 1Q09 = 100. World exports per WTO

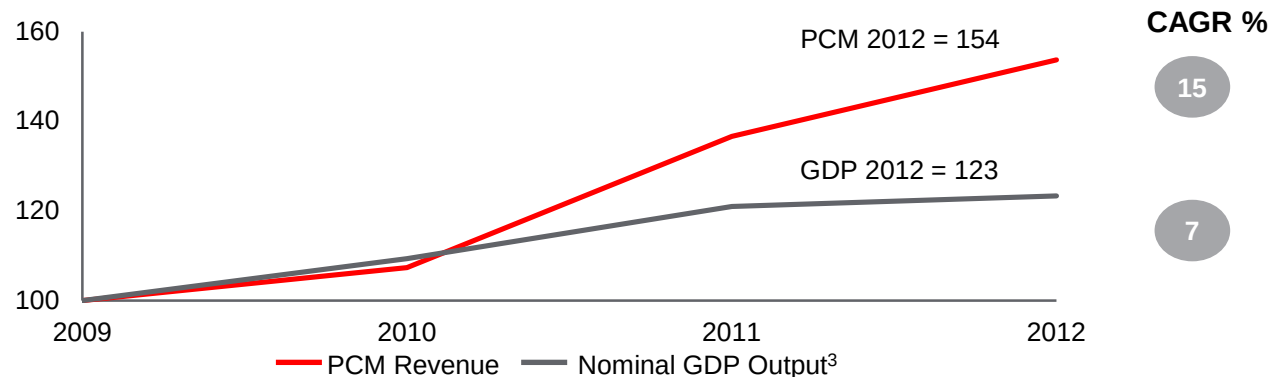
Capture growth from international connectivity

Strong PCM growth sustained despite a low interest rate environment

PCM revenue growth vs interest rates¹



PCM revenue¹ growth vs Global GDP growth²



Notes:

1 Reported Basis – CMB and GBM

2 PCM Revenue and Nominal GDP indexed with 2009 = 100

3 IMF Estimates

- Revenue grew at 15% CAGR over 2009 – 2012, over 2x the rate of GDP growth over the same period
- Strategically located where over 90% of the world's payment activity originates
- Connected to over 150 payment exchanges globally
- Further upside from “flight to quality” dynamic as counterparty and intraday/ operational credit risk increase
- Significant value could be unlocked if interest rates rise

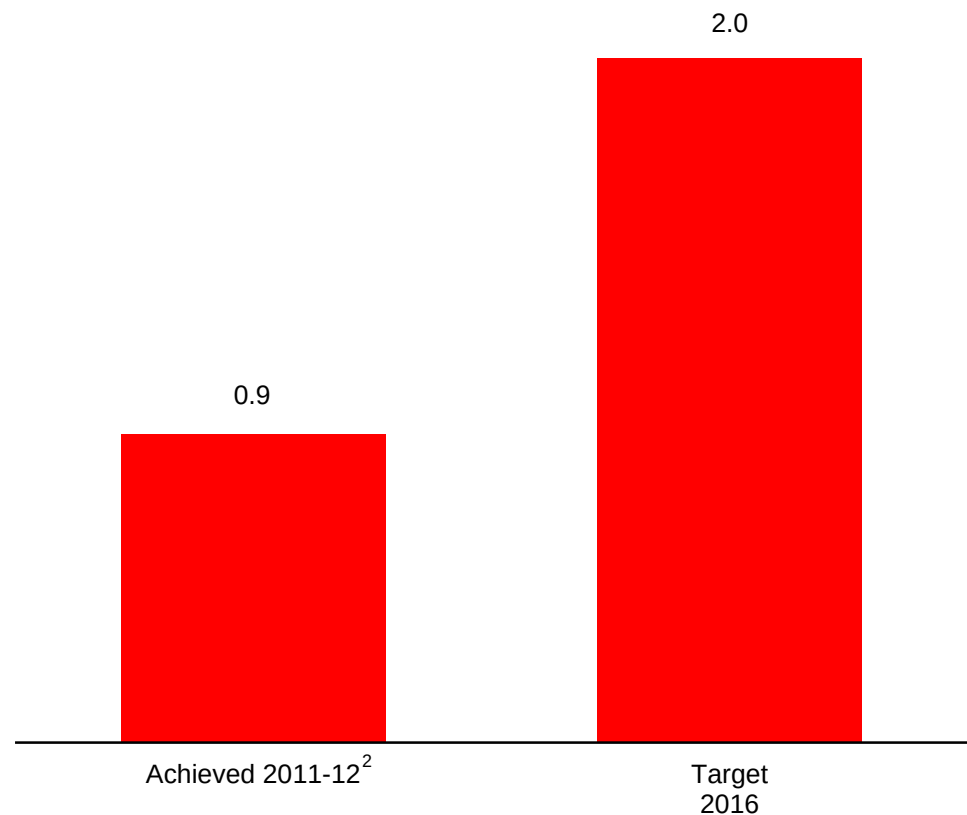
Unlock revenue through collaboration

Collaboration on track, c45% of Group USD2bn target achieved

Implemented actions

- Collaboration process established across key hubs, including wallet sizing, client planning and pipeline management processes
- New senior appointments dedicated to fostering collaboration
- Delivered USD0.7bn incremental gross revenue since 2010 from sales of GBM products to our customers
- TCI¹ launched in Hong Kong, Brazil and UK in 2012 (rolling out to Turkey, France, Singapore and Malaysia in 2013)

Incremental collaboration revenues (USDbn)



Notes:

1 Trade Credit Insurance

2 Performance against announced targets since 2010

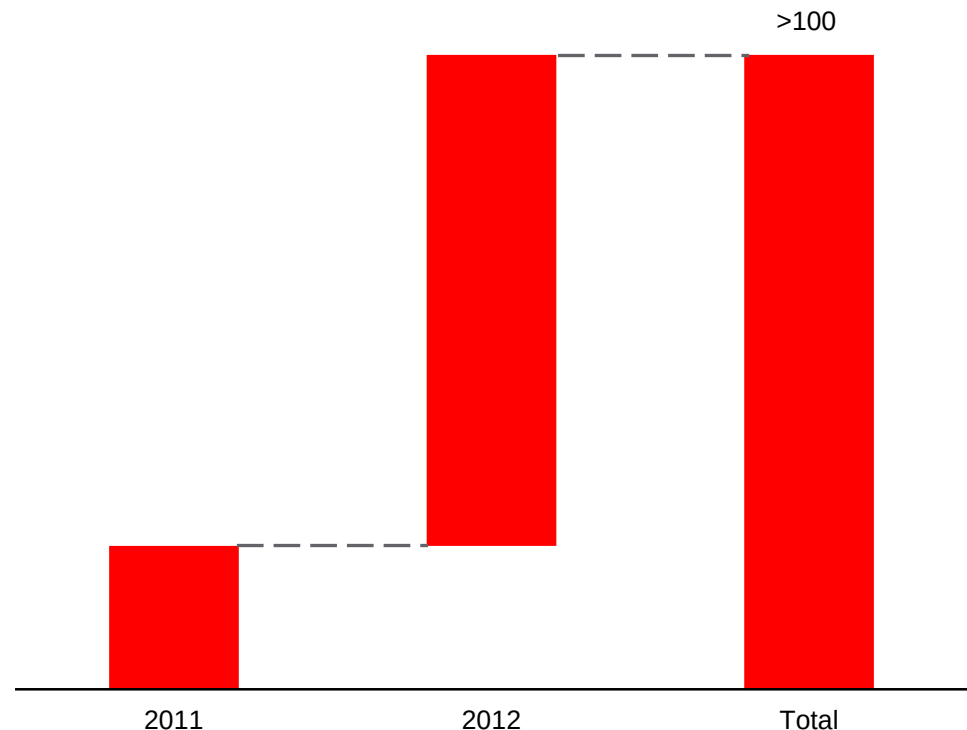
Simplify and Restructure

Cost savings and efficiencies from implementing our global operating model

Simplify our portfolio, organisation, processes and procedures

- Time to open cross border accounts reduced
- Continued growth of direct channels:
 - Transactions completed via direct channels have grown by 8% (digital, mobile, ATM, IVR¹)
 - Strong revenue growth from online FX platform in 2H 2012
- 14 business internet banking platforms demised in 2012, further 11 planned in 2013
- Reducing the number of non-core product offerings
- Reduction in legacy RM training programs

Delivered Sustainable Cost Saves (USDm)



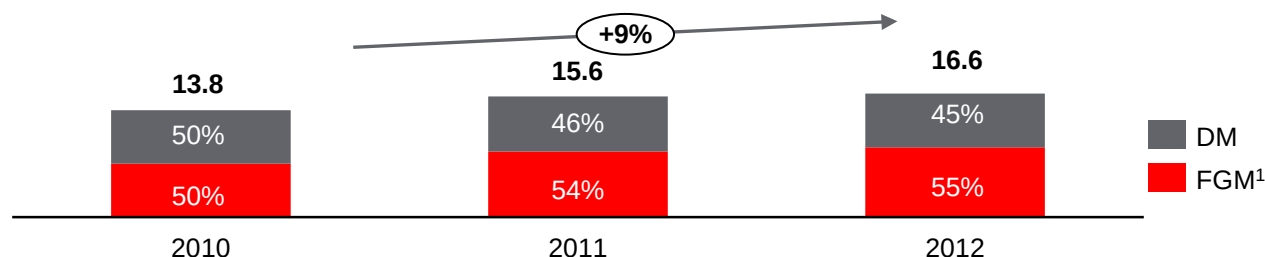
Notes:

1 IVR – Individual Voice recognition

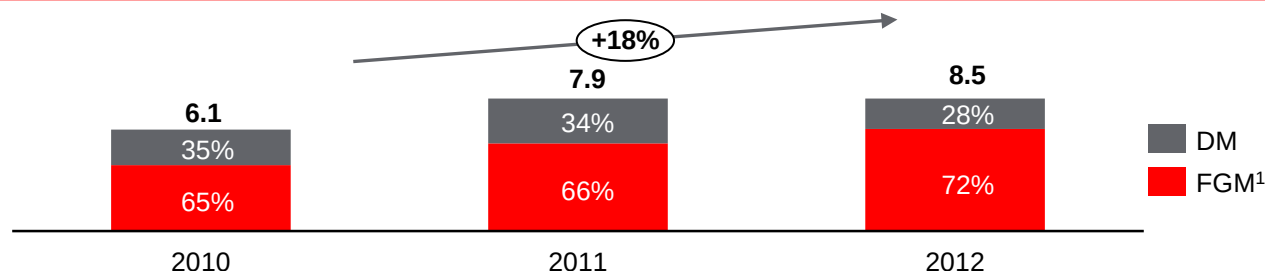
Financial results

CMB delivers sustainable returns through the economic cycle¹

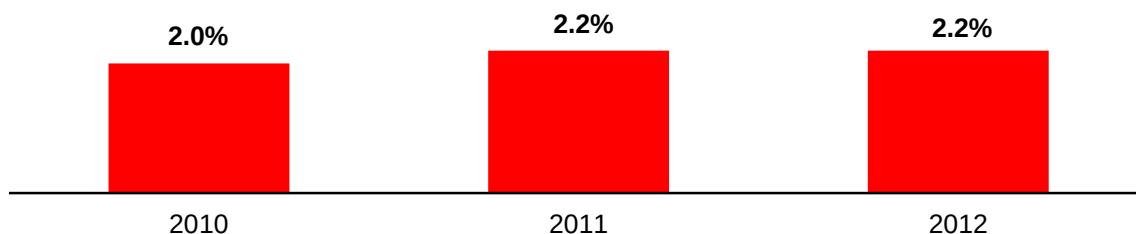
Reported Revenue (USDbn)



Reported PBT (USDbn)



Reported RoRWA (%)



- 2012 underlying revenue growth 8% compared to 2011
- Sustained revenue growth in both faster regions² and developed regions since 2010
- Faster growing regions account for 55% revenues in 2012
- USD23bn of PBT generated since 2010, representing a CAGR of 18%
- Successive record profits in 2011 and 2012

Notes:

1 All figures are Reported unless otherwise stated

2 Faster Growing Markets include Hong Kong, Rest of Asia Pacific, LATAM and MENA

Global Business' Priorities

Priorities 2013-16: Continue implementation of proven strategy

The Leading International Trade and Business Bank

Growth priorities to 2016

Drive revenue growth through international network

- Accelerate Corporate segment growth
- Continue to invest in GTRF¹ and PCM²
- Invest in International relationship managers' capabilities for SME/MME³ clients

Grow Collaboration Revenues

- Continue to build coverage for CMB customers in core GBM products
- Drive cross-referrals with both GPB and RBWM
- Increase GTRF¹ penetration into GBM

Grow coverage in faster growing markets

- Expand relationship manager coverage in priority markets
- Invest in targeted cities to capture international revenue pools

2016 targets

Financial

RoRWA⁴, %

2.2-2.5

Non-financial

- Global trade market share
- International RMs in target markets
- Cross-border revenue



Notes:

- 1 Global Trade and Receivables Finance
- 2 Payments and Cash Management
- 3 Small and Medium Enterprises/Middle Market Enterprises
- 4 CRD IV end point basis