



Commercial Banking Investor Presentation

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Forward-looking statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations, capital position 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 measures to the most directly comparable measures under GAAP are provided in the 'reconciliations of non-GAAP financial measures' supplement available at www.hsbc.com.

Agenda

Commercial Banking Investor Presentation

A Financial results

B Strategy

Group HSBC Annual Results 2013

Highlights

Financial highlights

- Improved profit and dividends reflecting strategic measures taken since 2011
 - Reported profit before tax ('PBT') in 2013 increased by 9% to USD22.6bn
 - Underlying PBT¹ increased by 41% to USD21.6bn
 - Reported RoE at 9.2%
 - Dividends per share² increased 9% to USD0.49
- Capital and liquidity strength
 - Core tier 1 ratio ('CT1') increased to 13.6%, with CT1 capital at USD149.1bn
 - Common equity tier 1 ratio³ ('CET1') increased to 10.9%, with CET1 capital at USD132.5bn
 - Advances-to-deposits ratio now at 72.9%

Strategy highlights

- First phase, significant strategic achievements
 - Simplified the group
 - Grown the business
 - Exceeded cost save targets at USD4.9bn
- Next phase, strategic priorities
 - Growing the business and dividends
 - Implementing Global Standards
 - Streamlining processes and procedures

Notes:

1. Underlying basis eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates, joint ventures and businesses, and fair value ("FV") movements in credit spread on own long-term debt issued by Group and designated at fair value
2. Represents dividends in respect of the year
3. Estimated CRD IV end-point CET1 ratio is based on the Group's interpretation of the final CRR legislation, final rules issued by the PRA, and implementation of selected management actions. Refer to Reconciliation of current rules to CRD IV end point rules table on page 311 and basis of preparation on page 324 in the Annual Report and Accounts 2013

Group HSBC Annual Results 2013

Financial highlights¹

Summary financial highlights

	2012	2013	% better/(worse) 2013 vs 2012
Reported PBT (USDbn)	20.6	22.6	9
Underlying PBT (USDbn)	15.3	21.6	41
EPS (USD)	0.74	0.84	14
Dividends ² (USD)	0.45	0.49	9

Key ratios %

	2012	2013	KPI
Return on average ordinary shareholders' equity	8.4	9.2	12 – 15
Cost efficiency ratio	62.8	59.6	48 – 52 ³
Advances-to-deposits ratio	74.4	72.9	< 90
Core tier 1 ratio	12.3	13.6	9.5 – 10.5
Common equity tier 1 ratio	9.5	10.9	9.5 – 10.5 ⁴

Notes:

1. All figures are as reported unless otherwise stated
2. Dividends per share declared in respect of the year
3. CER target for 2014-16 is mid 50s
4. Target for 2014-16 is >10%

Group HSBC Annual Results 2013

Regional and business profit contributions

Geographical regions

Underlying PBT (USDbn)	2012	2013	% better/(worse) 2013 vs 2012
Hong Kong	7.2	8.1	13
Rest of Asia-Pacific	5.6	6.7	20
MENA	1.3	1.7	26
Latin America	1.9	0.7	(62)
Europe	0.8	2.8	272
North America	(1.5)	1.6	n/a
Total	15.3	21.6	41

Global businesses

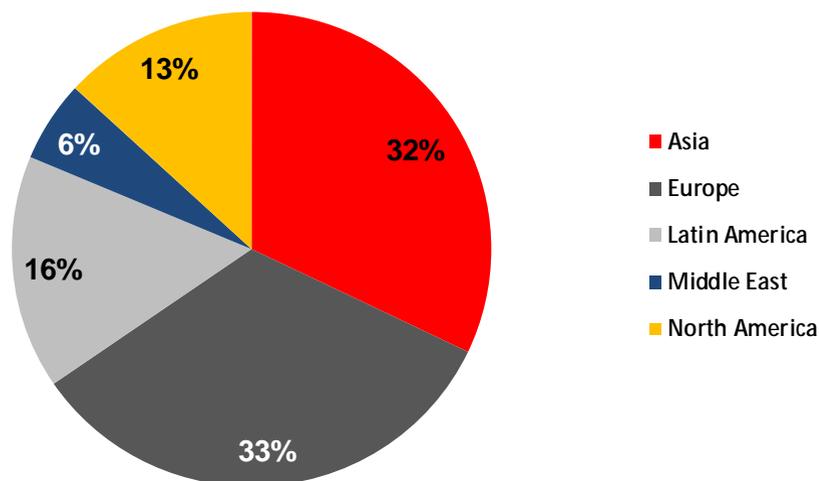
Underlying PBT (USDbn)	2012	2013	% better/(worse) 2013 vs 2012
Commercial Banking	7.5	7.9	5
Global Banking and Markets	7.9	9.0	15
Retail Banking and Wealth Management	4.0	6.4	60
Global Private Banking	0.9	0.2	(79)
Other	(5.0)	(1.9)	62
Total	15.3	21.6	41

Global CMB 2013 Highlights

Represents 37% of total Group aggregated PBT¹

	Reported		Underlying		CMB Product Revenue, (US\$bn)	2012 ²	2013 ²
	2012	2013	2012	2013			
Revenues (US\$bn) ⁴	16.6	16.4	15.5	15.8	Global Trade & Receivables Finance	3.0	2.9
Profit before tax (US\$bn)	8.5	8.4	7.5	7.9	Credit & Lending	6.2	6.1
Cost efficiency ratio (%)	45.9%	43.1%	46.9%	44.3%	Payment and Cash Management and Other Customer Accounts	5.4	5.3
RoRWA (%)	2.2%	2.2%	2.1%	2.1%	Other	2.0	2.0
Advances-to-deposits ratio (%)	85%	84%			Total	16.6	16.4

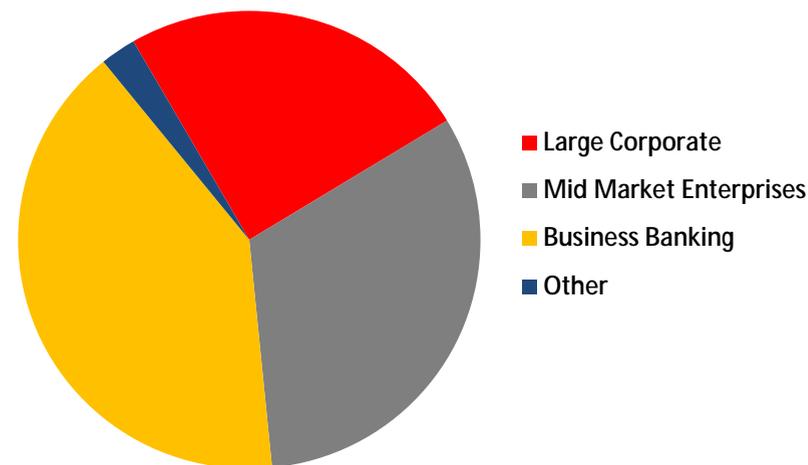
Revenue 2013 by Region¹



Notes:

- Underlying basis eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates, joint ventures and businesses, and fair value ("FV") movements in credit spread on own long-term debt issued by Group and designated at fair value
- On a reported basis

Revenue 2013 by Segment^{1,3}



Notes:

- Internal MI
- Revenues are before loan impairment charges and other credit risk provisions.

Operating environment

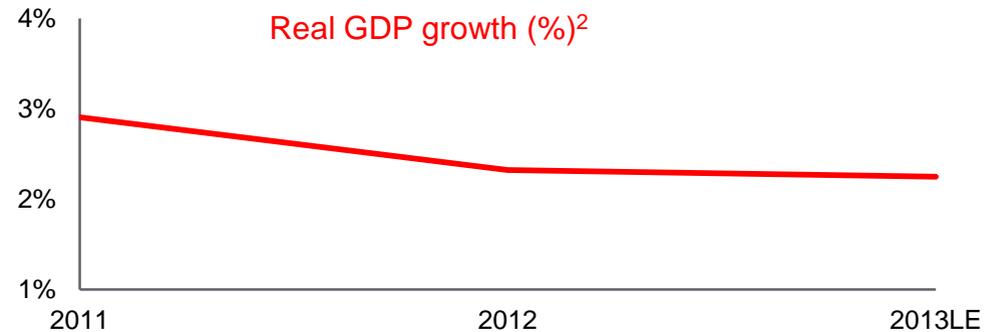
CMB delivered a robust performance in challenging conditions

External factors

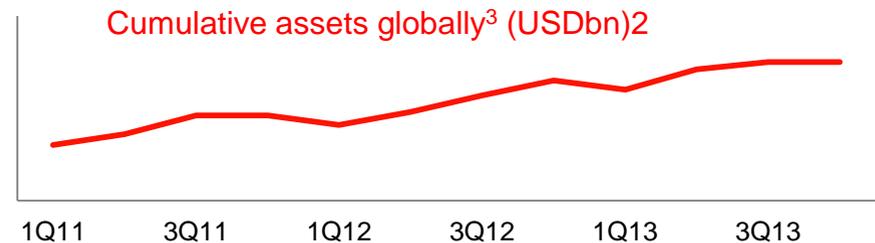
- Economic:
 - Mixed global economic picture.
 - Interest rates likely to stay low¹.
- Regulatory:
 - On-going regulatory uncertainty.
 - Enhanced regulatory focus across key markets.

Developments

While global GDP growth rate is slowing down...



... total CMB lending book is increasing.



Notes:

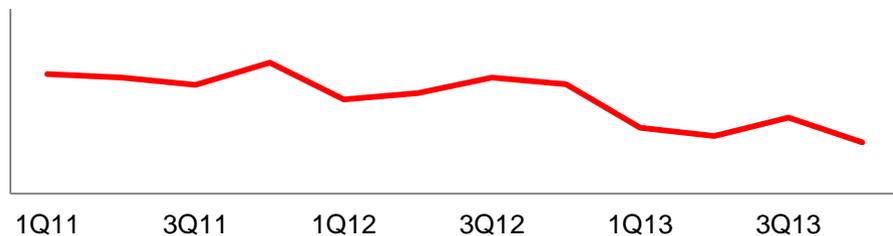
1. HSBC Global Research estimates, Global Economics Q1 2014
2. Source: Oxford Economics
3. Total CMB loans and advances (period end) at constant currency

Operating environment

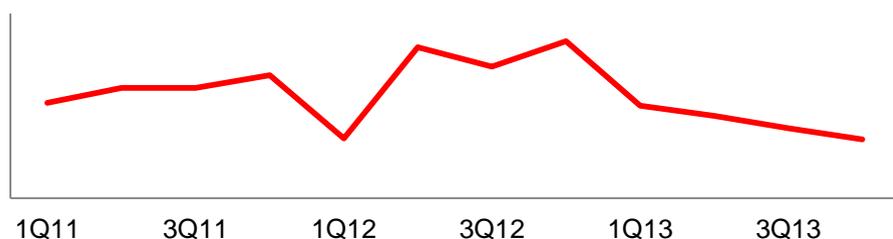
Spread compression and higher LICs in LATAM

Margin compression continued in 2013

Total CMB Assets Margin



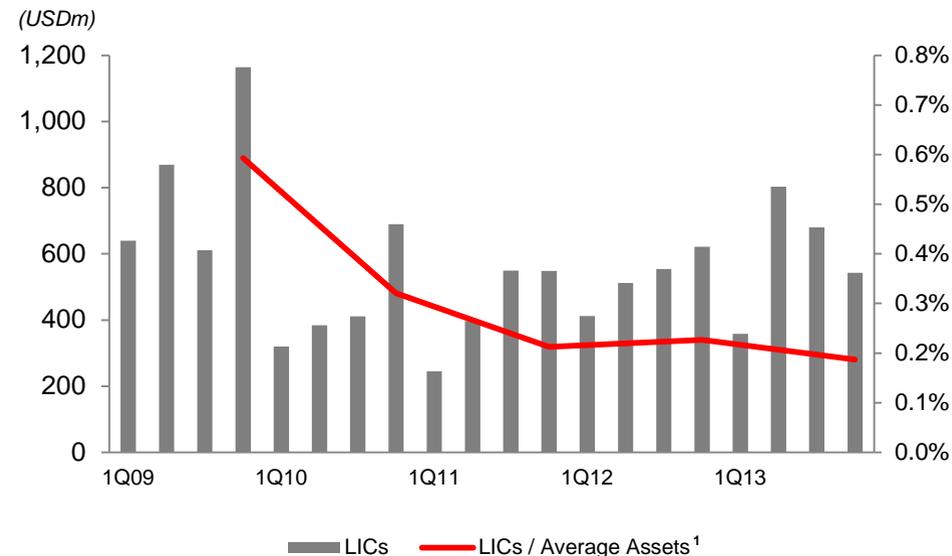
GTRF Asset Margins



- Spread compression driven by competition and increased market liquidity.
- Although margins reduced, we saw double digit GTRF balances growth, delivering flat revenues.

LICs/Average Assets: Positive 5 year trend

Total CMB LICs



- Higher LICs in Mexico relating to homebuilders from a change in public housing policy and in Brazil relating to certain corporate exposures.
- On a relative basis over the last 5 years, LICs have reduced as the asset book has grown.

Notes:

1. Total CMB loans and advances at reported FX rate.

Agenda

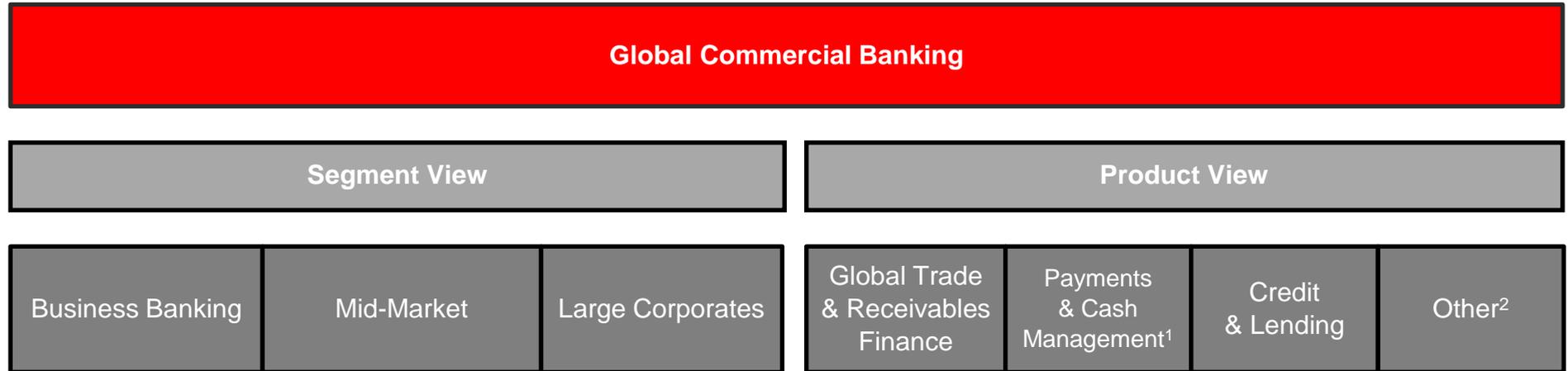
Commercial Banking Investor Presentation

A Financial results

B Strategy

CMB Strategy

Driving a Global Business Model



- Continued globalisation of the business will enable a sustainable and consistently executed strategy.
- The business is being organised around global segments and global products increasing consistency and efficiencies ...
- ... and providing sharper focus on delivering value to our customers who expect integrated commercial banking services.
- New appointments:
 - Global Head of Large Corporates (Joel Van Dusen)
 - Global Head of Mid-Market and Business Banking (Andrew Wild)

Notes:

1. Includes current accounts and savings deposits
2. Included in 'Other' in the AR&A are Markets & Capital Financing products as well as Insurance and Investments and other products.

CMB Strategy

Segment initiatives

Global Initiatives

- Drive international revenue: International customers generated around 40% of total CMB revenues¹.
- Delivered USD1.3bn incremental gross revenue by collaborating with Global Businesses since 2010
- Focus on RM Productivity to increase time spent with customers

Large Corporates

- Enhance strategic relationships with our large corporates by deploying capital efficiently to meet their holistic financing needs
- Effective delivery of our franchise through a globalised coverage model.
- Deploy globally consistent target operating models for key sectors to enhance revenue growth and risk management

Mid-Market

- Focus on 6 scale markets (UK, Canada, US, Mexico, Brazil, HK) and build capability in additional key markets (Germany, expansion in select US cities)
- Realise significant opportunities in extant book by adopting a more granular approach to market and equipping relationship managers to develop strategic relationships with clients.

Business Banking

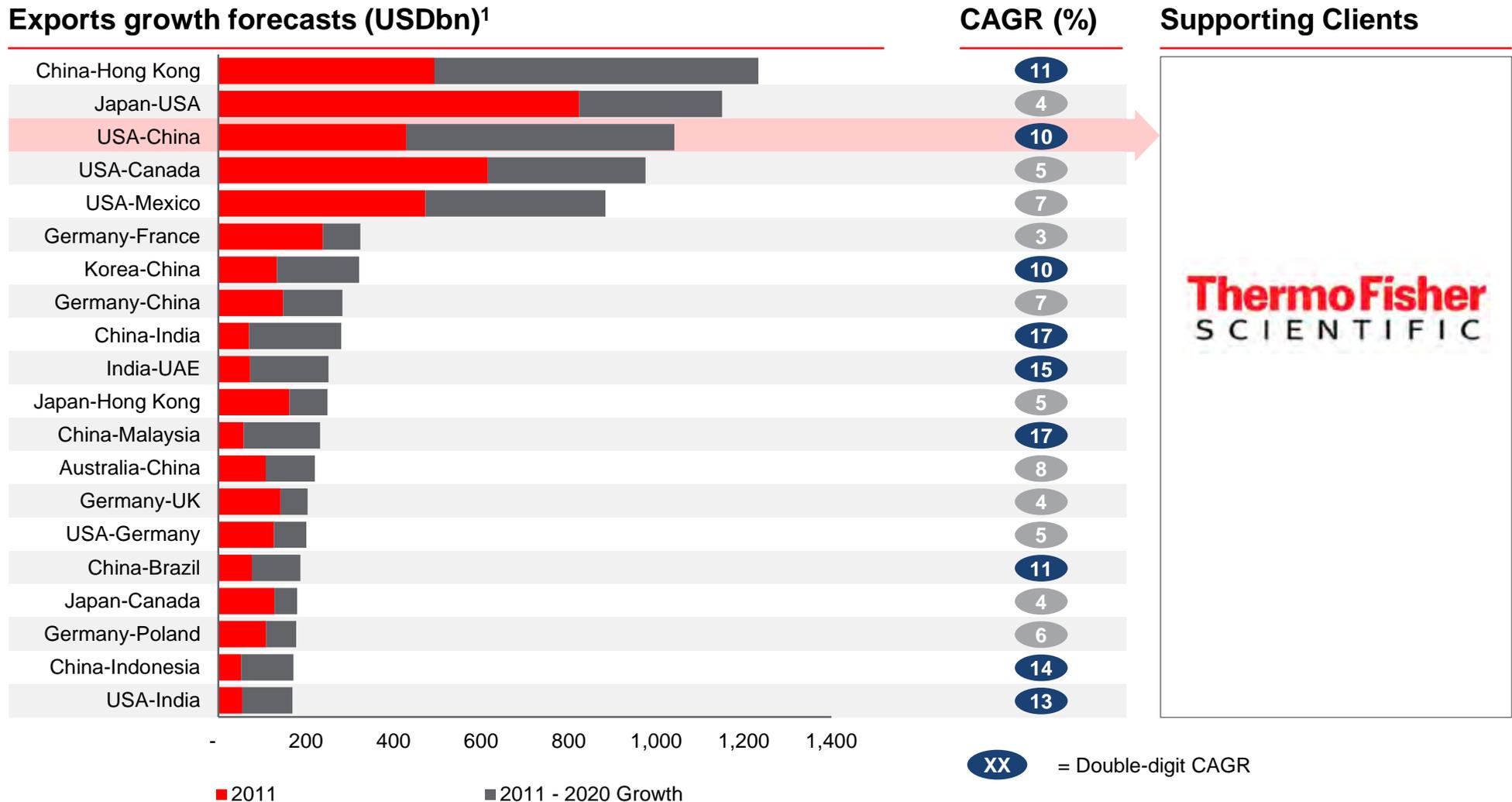
- Repositioned to a Relationship Managed model in all markets.
- Roll-out a consistent International Relationship Management model in top 12 priority markets with c. 500 relationship managers in roles
- Continue to compete across the whole segment in key markets – HK, UK and Brazil

Notes:

1. Per 2012 Annual Report & Accounts.

HSBC's position

HSBC's network covers both ends of the most attractive trade corridors

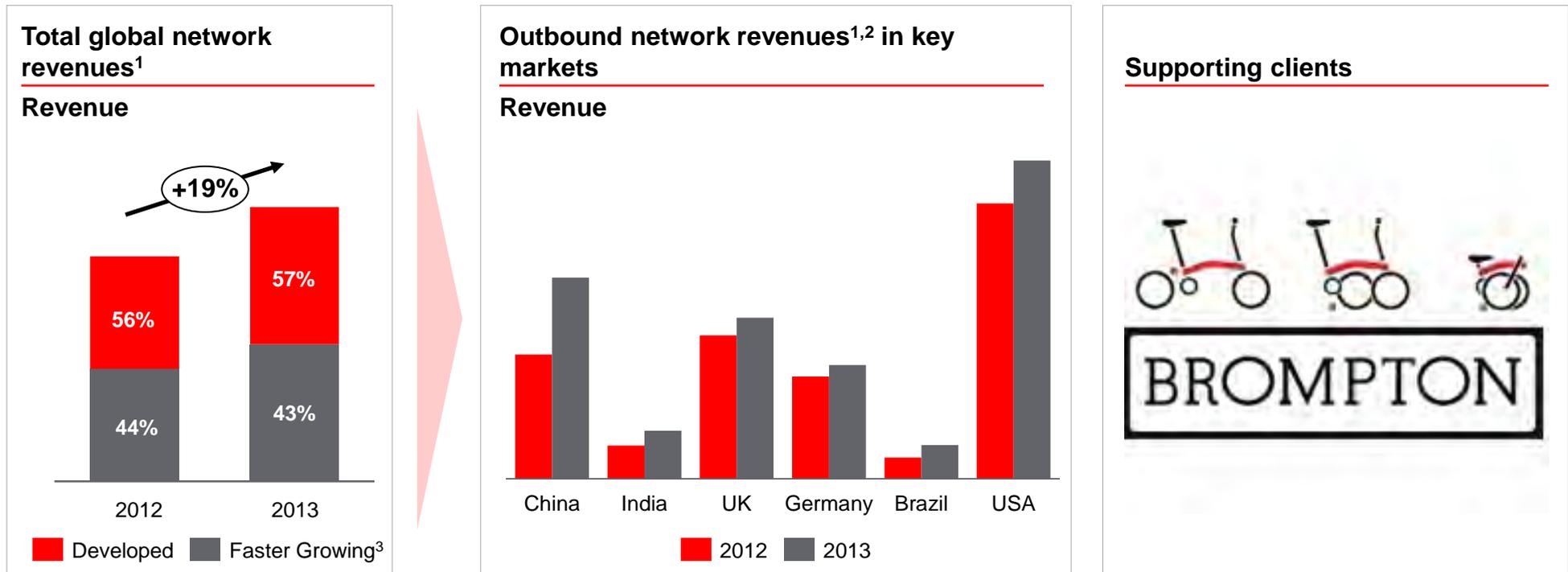


Notes:
1. Nominal merchandise exports, HSBC and Oxford Economics analysis

HSBC's position

HSBC network drives revenue growth faster than GDP growth

Deepening client relationships are driving global growth in network revenues led by core markets



- C.80% of client revenue is generated “domestically” in the clients’ home market – with the remainder captured via the HSBC network at subsidiary level.
- Network revenues² are growing thrice as fast as overall CMB revenues.

Notes:
1. HORIS live data excludes HASE and SABB; Corporate segment only
2. Network revenues = revenues arising from subsidiaries
3. Faster Growing Regions include Hong Kong, Rest of Asia Pacific, LATAM and MENA.

Credit & Lending

HSBC supports client growth ambitions globally

Sound performance....

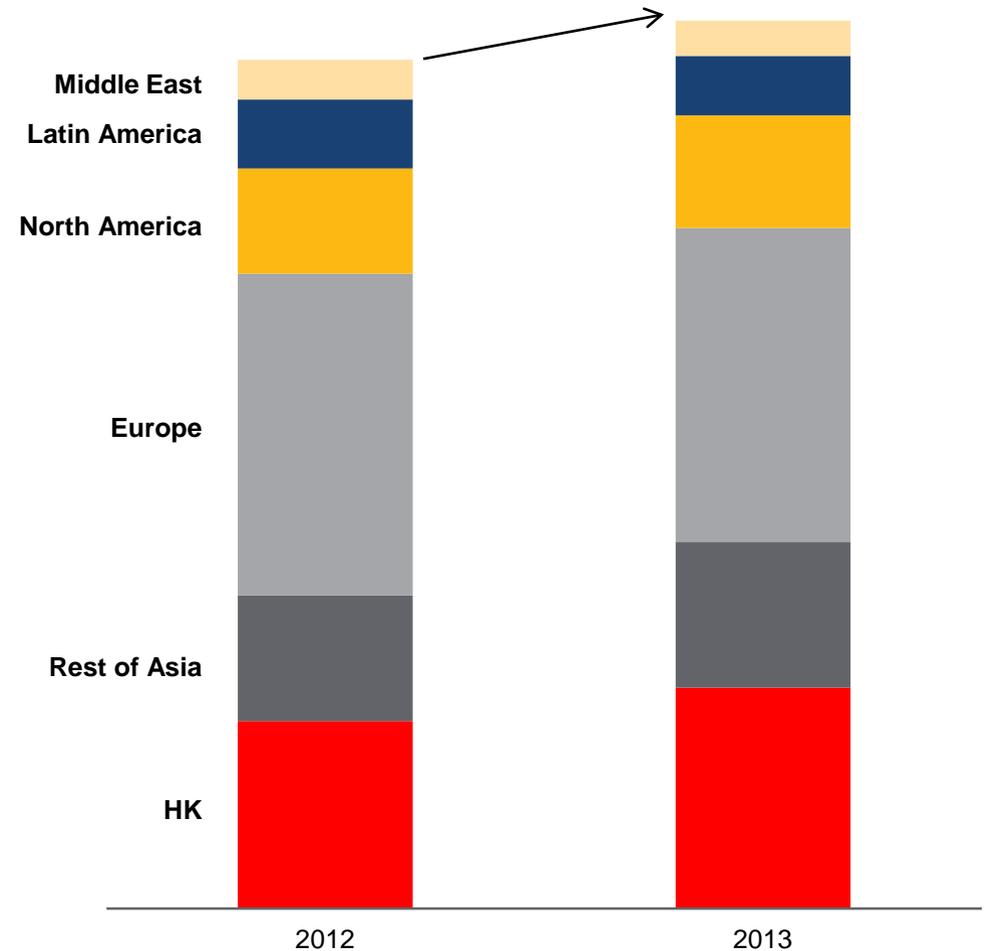
- Balance sheet grown 5% from 2012 to 2013.
- Growth driven particularly by Asia Pacific.²

... driven by supporting our clients' needs



... globally...

CMB assets¹



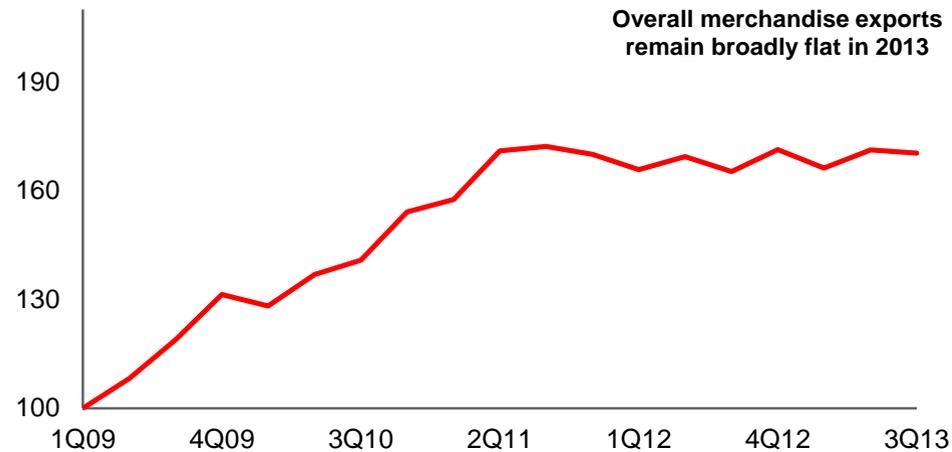
Notes:

1. Customer Loans and Advances (period end) at constant currency). The majority of loans and advances are constituted by Credit & Lending
2. Asia Pacific refers to Hong Kong and Rest of Asia-Pacific

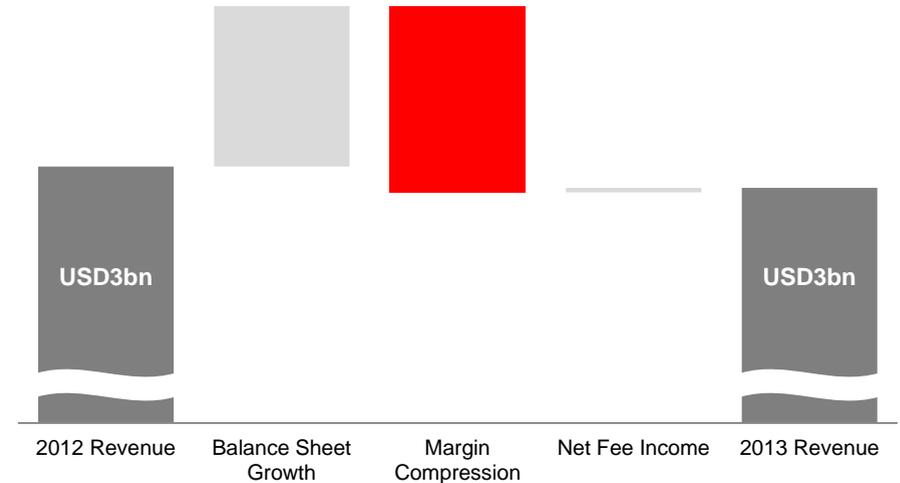
Global Trade and Receivables Finance

HSBC continues to be the Global Trade Finance bank of choice¹

Challenging external environment²



Revenue maintained through customer solutions³



- Industry-wide revenue growth challenges driven by extreme margin compression and world trade slow-down.
- Focus on customer driven solutions across the product suite resulting in double-digit balances growth to offset impact.
- Leadership reflected in recognition by key industry forums
 - Best Global Trade Finance bank – GTR¹
 - Best Transaction Banking House globally – Euromoney⁴

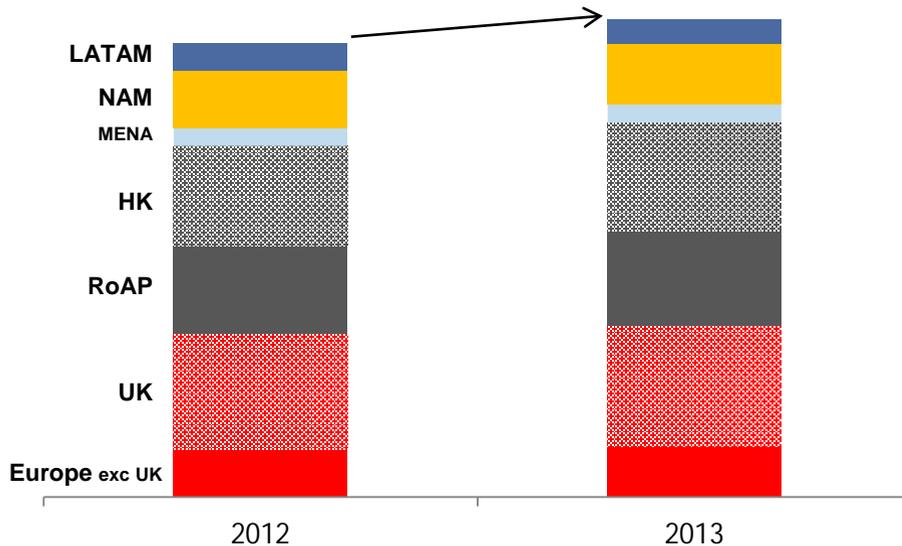
Notes:

1. Global Trade Review, December 2012 and 2013
2. WTO Quarterly world merchandise exports by region and selected economies. Indexed to 100 in 1Q2009
3. HSBC internal MI
4. Euromoney, July 2013

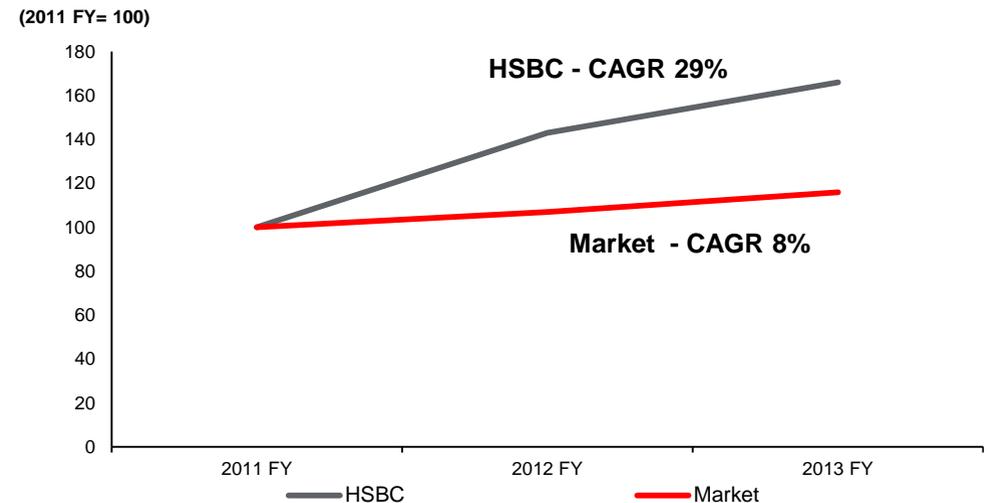
Payments and Cash Management

PCM growing liabilities to support the CMB balance sheet

PCM Liabilities Balances¹



HSBC payment volumes grows > 3.5x faster than market²



- PCM increased activity to grow deposit balances and transaction volumes compared with 2012.
- PCM continues to be well positioned in products that will benefit from global trends such as increasing cross-border payment flows.
- HSBC's leadership was recognised by *Euromoney*, who named HSBC the 'Best Global Cash Manager' for 'Financial Institutions' and 'Non-Financial Institutions' for the second consecutive year.³
- PCM made significant progress in the digital space in 2013, contributing to the joint CMB/GBM strategy which led to setting up the Corporate Digital Group, continuing to migrate customers from legacy platforms to HSBCnet and growing usage of mobile with USD30bn⁴ of mobile payments authorised.

Notes:

1. Reported Basis - CMB
2. SwiftNet, 31 Dec 2013
3. Euromoney Cash Management Survey, 2012 and 2013
4. HSBC internal data

Other Strategic Pillars

Collaboration

- Collaboration with Global Businesses has delivered incremental revenues of USD1.3bn for HSBC since 2010.
- Collaboration with GBM established across key hubs.
- Grew gross revenue from sales of GBM products by 11% since 2012.
- Collaboration revenue on track, c65% of Group USD2bn target achieved.

Implement Global Standards

- Continue to invest in best-in-class Compliance and Risk capabilities.
- De-risk operations and/or improve risk management in higher risk locations and businesses.
- HSBC values: act with courageous integrity.

Streamline processes and procedures

- Delivered > USD80m of sustainable cost savings in 2013.
- Re-design key processes and procedures achieving improvements in service, quality, cost and risk.
- Cost savings to provide headroom to invest in growth and Global Standards.

Global CMB Priorities

Priorities 2014: Continue implementation of proven strategy

The Leading International Trade and Business Bank

Priorities in 2014

- Deliver capital efficiently to our large corporate customers to strengthen our status and drive capital financing and flow product revenue growth.
- Investments targeted in cities rather than countries.
- Continue to develop market leadership in RMB.

2016 targets

Financial

RoRWA¹ %

2.2-2.5

Non-financial

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



Notes:

1. CRD IV end point basis