



15 May 2013

Investor update – Strategy unchanged – Next phase

Stuart Gulliver Group Chief Executive

Sean O'Sullivan Group Chief Operating Officer

Iain Mackay Group Finance Director

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 or targets 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. 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

Session

Time (BST)

Distinctive position in the new banking environment

Proven track record in delivering change – First phase

08.30-09.15

Break

09.15-09.30

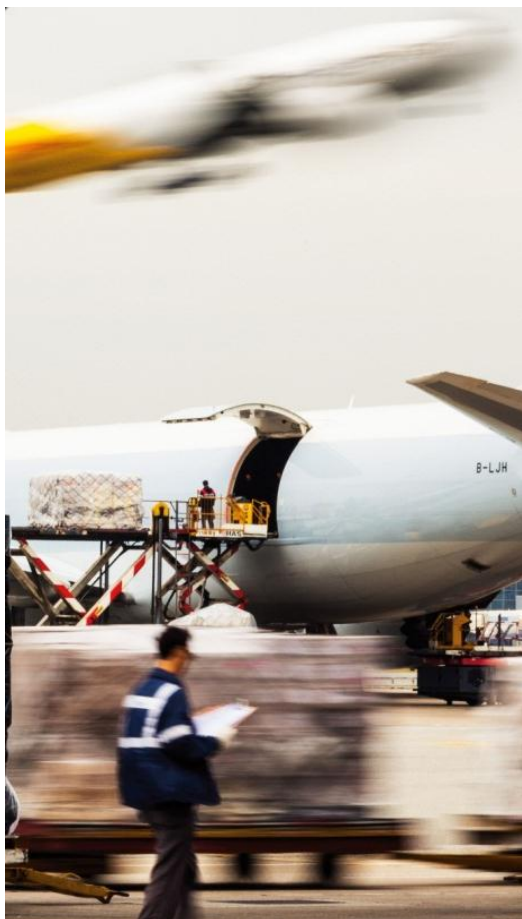
Clear plan for growth and shareholder returns – Next phase

09.30-10.45

Questions and Answers

10.45-11.45

HSBC transformed since 2011



Since 2011

- 52 disposals/exits announced since 2011, reduced c.USD95bn RWAs¹ and c.15k FTE²
- c.USD8bn gain on sale²
- USD4.0bn in annualised sustainable saves and c.28k FTE reduction³ up to 1Q 2013
- Double digit loan growth in 15 priority markets^{4,5}
- c.USD27bn capital generated and retained⁴
- c.USD16bn in gross dividends paid⁴

1 Expected reduction in RWAs after completion of all 52 transactions

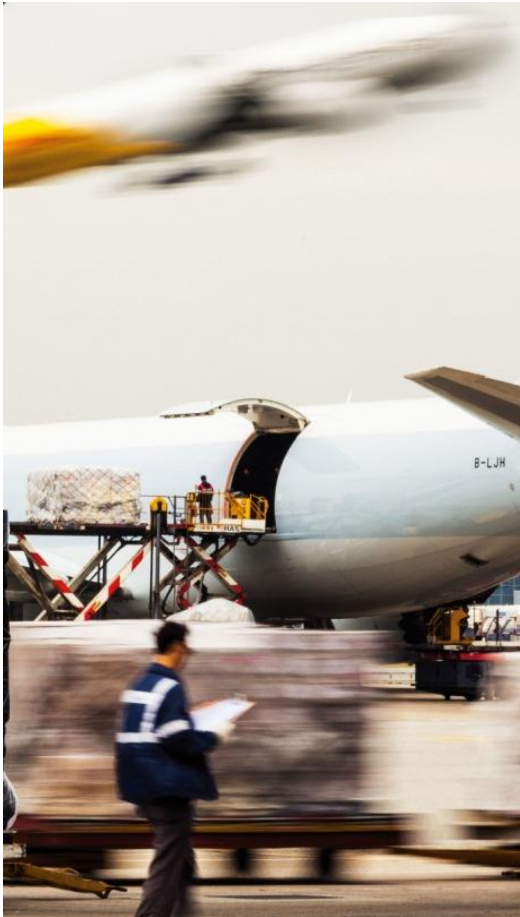
2 From transactions completed up to 1Q 2013

3 Excluding transactions

4 From 2010-2012

5 15 priority markets are: Argentina, Australia, Brazil, Egypt, Germany, Hong Kong, India, Indonesia, Mainland China, Malaysia, Mexico, Singapore, Taiwan, Turkey, Vietnam

Next phase 2014-16



Strategy remains unchanged

- Grow both business and dividends
- Implement Global Standards
- Streamline processes and procedures

Targets

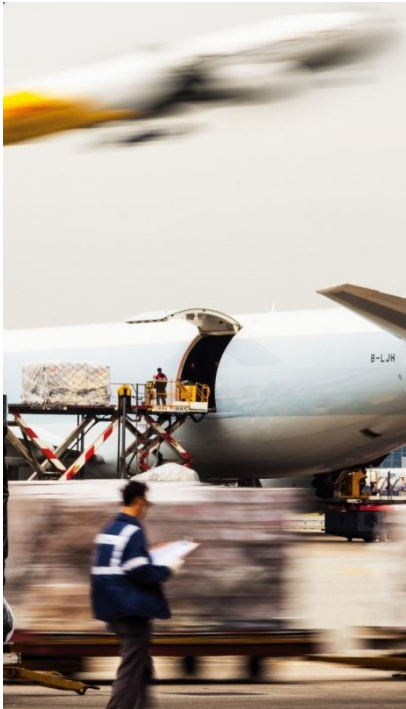
- ROE 12-15%¹
- Positive jaws
- CER mid-50s²
- Additional USD2-3bn in sustainable saves
- Common equity tier 1 ratio >10%
- Advances-to-deposits ratio cap <90%
- Progressive dividends and share buy-backs³

1 Return on average ordinary shareholders' equity

2 Group Performance Share Plan long-term scorecard will remain unchanged with a Cost Efficiency Ratio target of 48-52% for 2013

3 Subject to meeting United Kingdom regulatory capital requirements and shareholder approval

Why should you own HSBC?



A Distinctive position in the new banking environment

I Long term trends remain valid

II HSBC distinctive position

B Proven track record in delivering change – First phase

C Clear plan for growth and shareholder returns – Next phase

I. Long term trends remain valid

A lot has happened since 2011

Macro-environment

- **Eurozone crisis**
- Poor **economic performance** globally, also affecting faster growing markets (Mainland China, Brazil)
- Persistently **low interest rates**
- **Break-down in trust** in banks and sovereigns (bail-outs, downgrades)

Regulation and policy

- Evolution of **regulation** and **legislative changes**, including
 - **Basel III global implementation**
 - **Ring-fencing** proposals
 - **G-SIFI** surcharges from the FSB
 - **Recovery and resolution**
 - **Dodd-Frank/FATCA**
 - **EU compensation** restrictions

To what extent does this impact the long-term trends we identified in May 2011?

I. Long term trends remain valid

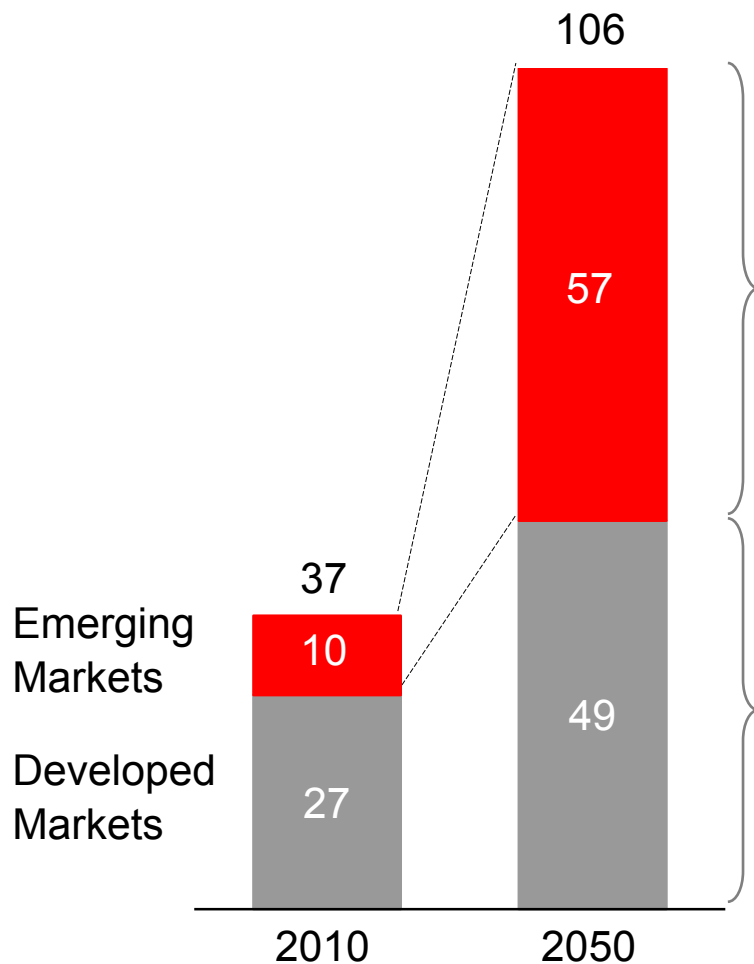
Rebalancing of the world economy remains a valid trend



MAY 2011

GDP of top 30 economies

USDtrn



Largest countries

Share of 2050 GDP¹ (%)

	Mainland China	20
	India	7
	Brazil	2
	Mexico	2
	Turkey	2
	Other 14 emerging	14
	US	18
	Japan	5
	Germany	3
	UK	3
	France	2
	Canada	2
	Other 5 developed	4

19 of the top 30 economies in 2050 will be from currently deemed “emerging markets”

Source: HSBC – “The World in 2050: Quantifying the shift in the global economy”

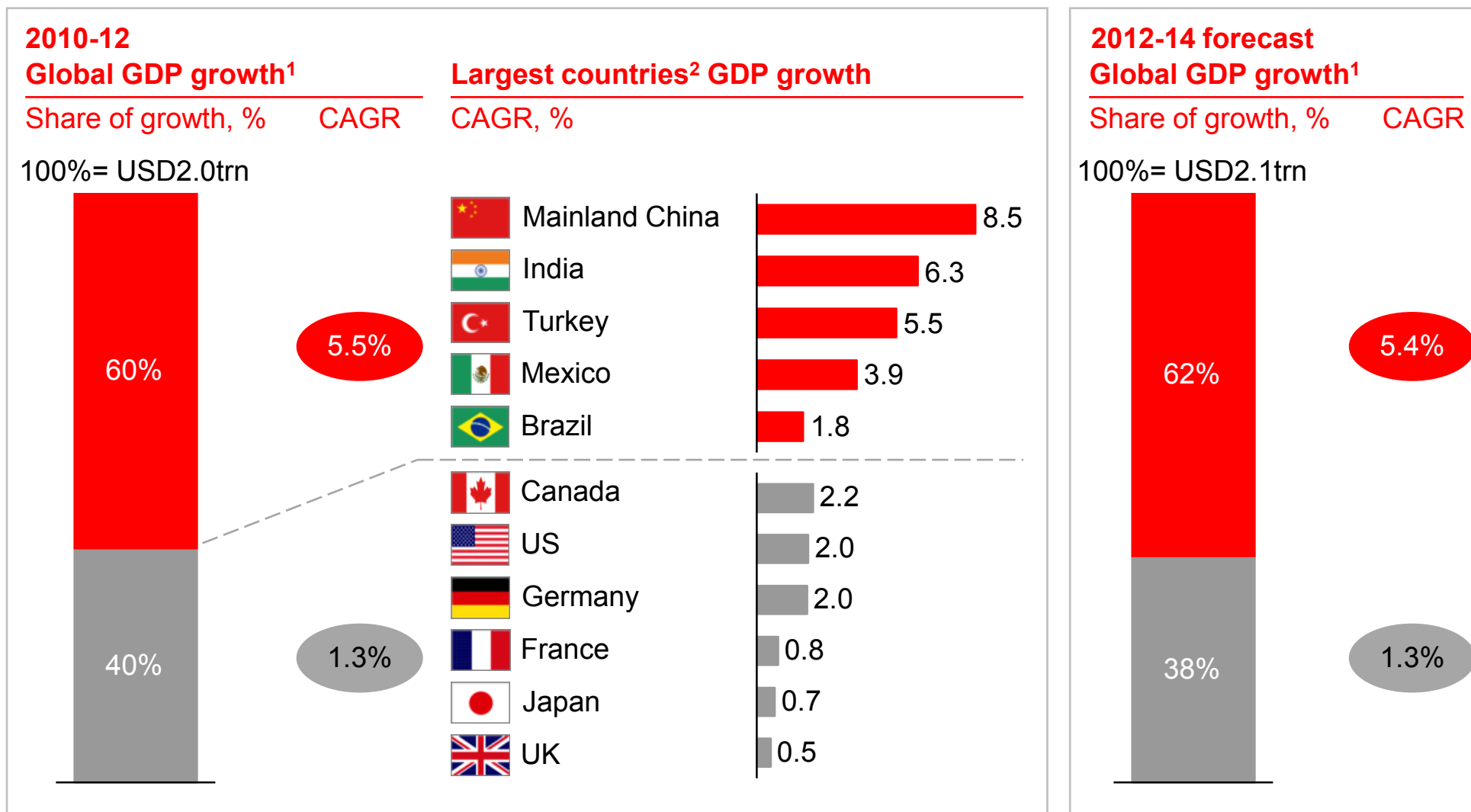
¹ 2050 GDP estimated for top 30 countries, 2050 world GDP estimated by assuming top 30 maintain same share of total world GDP as 2010 of 85%

I. Long term trends remain valid

Economic development and rebalancing continue



■ Emerging markets ■ Developed markets



Source: HSBC Global Research

¹ Based on a sample of 41 countries

² Top 10 countries by GDP 2050

I. Long term trends remain valid

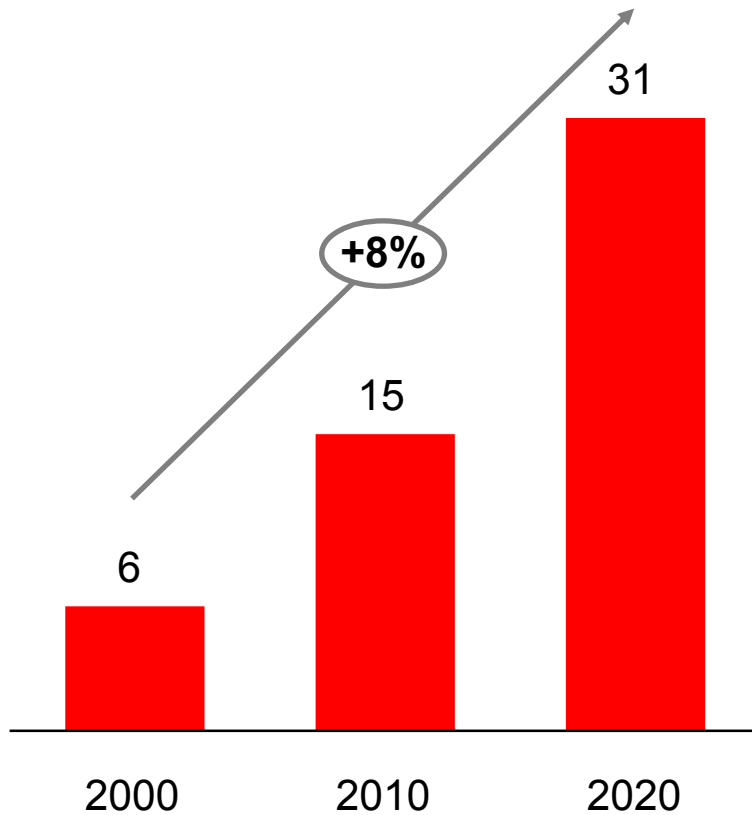
Trade growth continues to be driven by global imbalances



MAY 2011

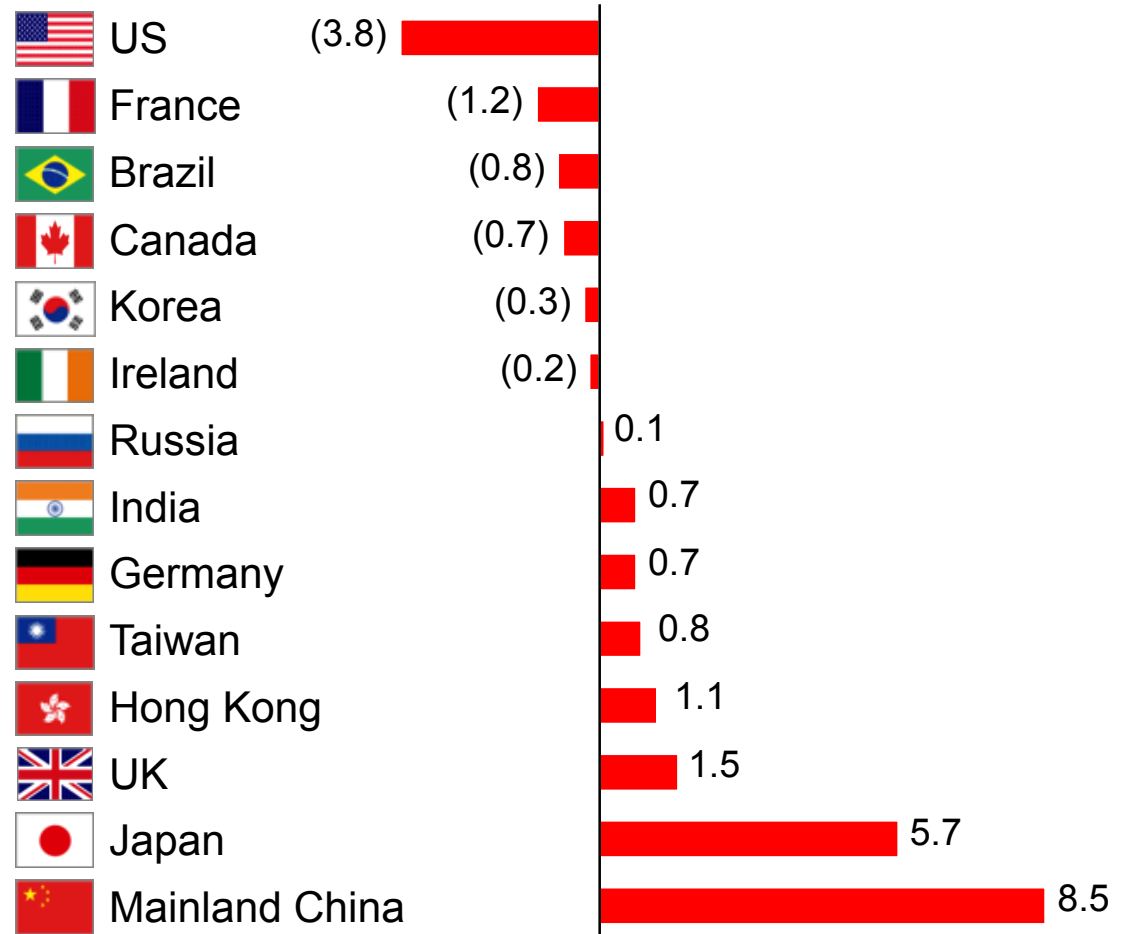
Trade will continue to grow

World merchandise exports, USDtrn



Imbalances continue to drive capital flows

Net funding gap/surplus¹, USDtrn, 2020E



Source: Global Insights, McKinsey & Company and World Economic Forum, 'More Credit with Fewer Crises: Responsibly meeting the World's growing demand for credit' page 49, exhibit 25: 'Funding gap or surplus for selected countries', (http://www3.weforum.org/docs/WEF_NR_More_credit_fewer_crises_2011.pdf)

1 Positive value means funding surplus, negative value means funding gap

I. Long term trends remain valid

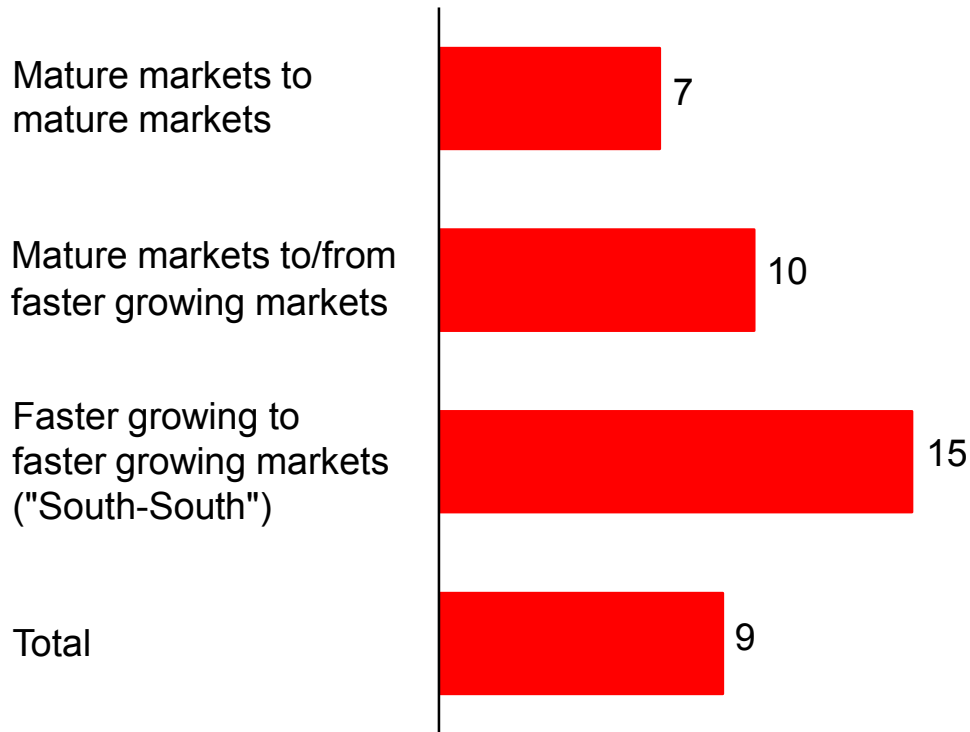
Trade growth and capital flows



Trade growth¹

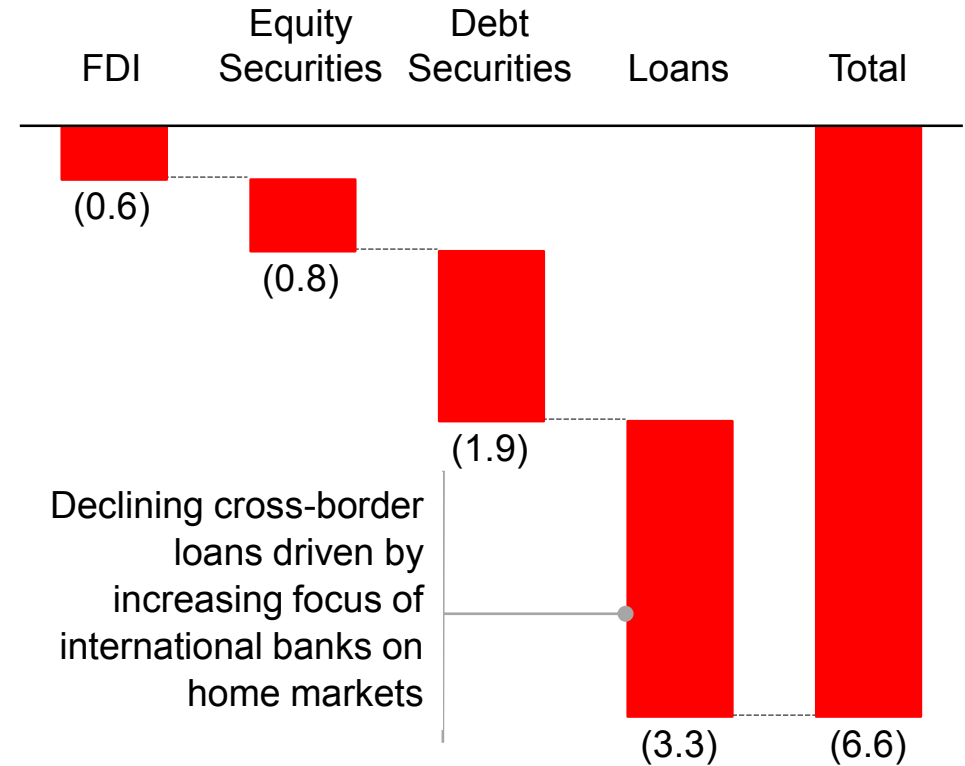
Corridor

Merchandise export
2010-12, CAGR, %



Capital flows²

Change in cross-border capital flows 2007-11, USDtrn



¹ International Monetary Fund, Direction of Trade and Statistics – IMF Data Warehouse

² McKinsey Global Institute – “Financial globalization: Retreat or reset?”, March 2013

II. HSBC distinctive position

Distinctive position in the new banking environment

Key trends

Economic development and wealth creation



International trade and capital flows



What matters going forward

- Organic investment opportunities in the most attractive growth markets
- Capacity to invest

- International network and global product capabilities to capture international trade and capital flows

HSBC competitive advantages

- Meaningful presence in many of the most attractive growth markets
- Strong capital generation, delivered c.80-100bps additional capital¹ in each of the previous 3 years (2010-2012)
- Stable funding base with c.USD1.3trn in deposits and 74% A/D ratio²
- Long-term commitment to our strategic markets
- Network covering >90% of global international trade and capital flows
- Local balance sheet and trading capabilities in the most relevant financial hubs

1 From earnings net of dividends

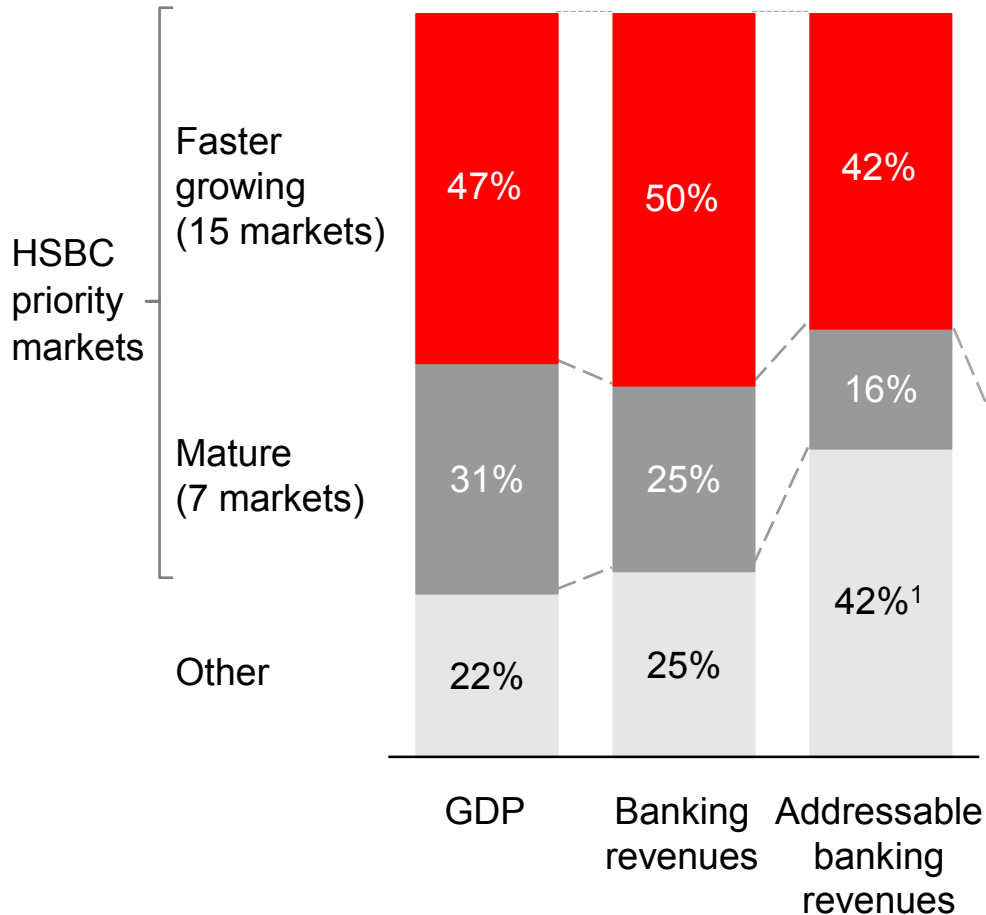
2 As of 31DEC12

II. HSBC distinctive position

Present in the most attractive markets

GDP and total banking revenues growth

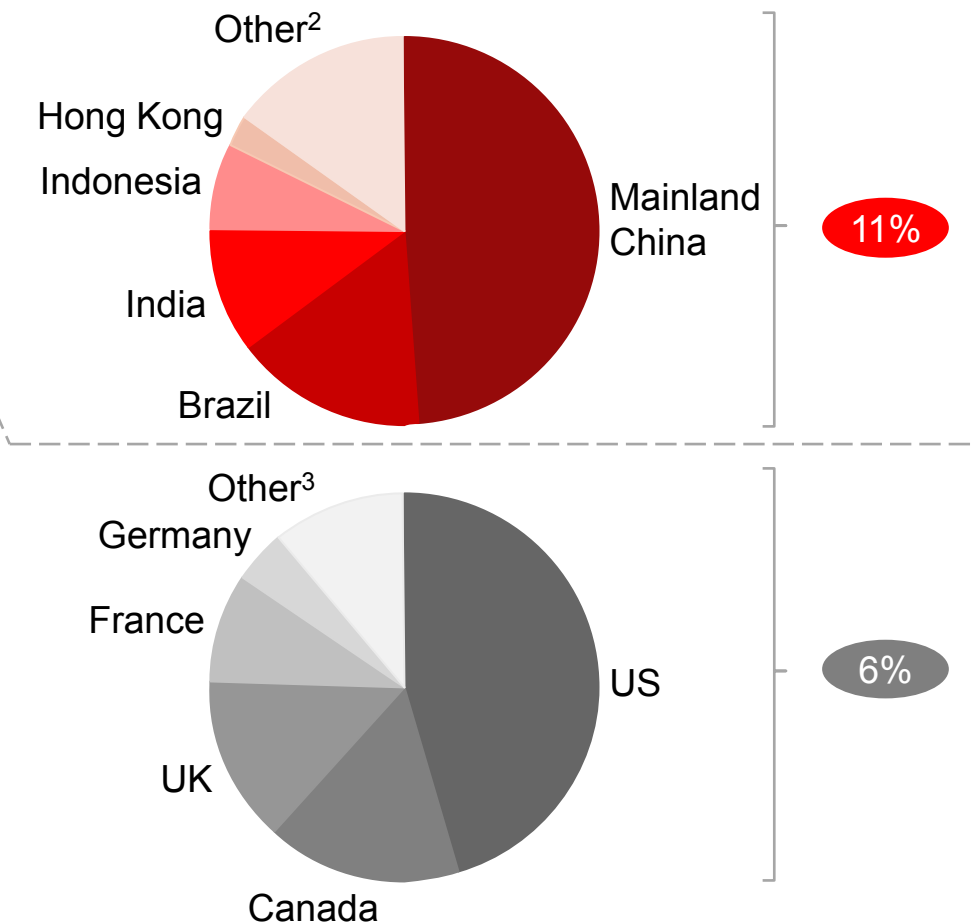
Share of growth, 2012-20, %



Market growth in HSBC priority markets

Share of total addressable banking revenues growth 2012-20, %

CAGR 2012-20



Source: McKinsey & Company

¹ "Other" includes non-HSBC priority markets and retail banking revenues in Mainland China, US and Germany which are largely not addressable to HSBC given our footprint

² Including: Argentina, Egypt, Malaysia, Mexico, Saudi Arabia, Singapore, Taiwan, Turkey, United Arab Emirates, Vietnam

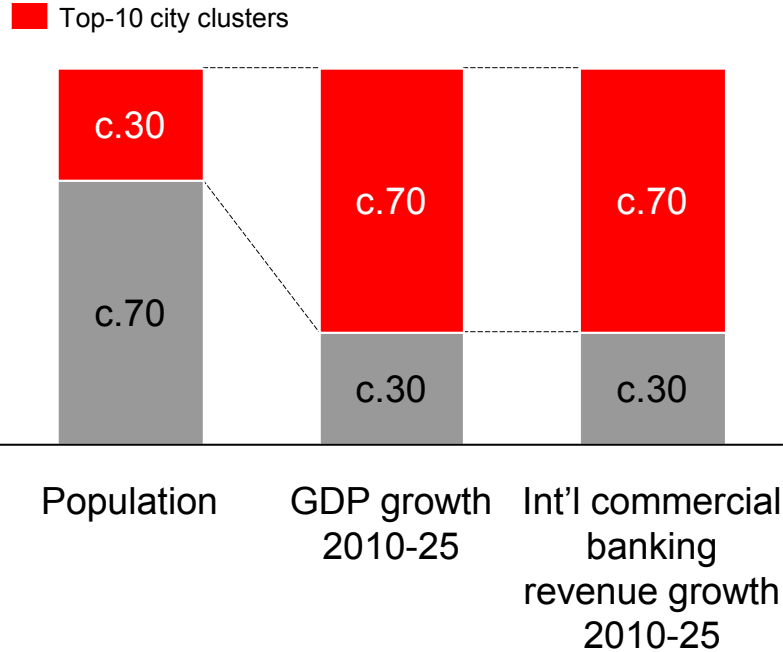
³ Including: Australia, Switzerland

II. HSBC distinctive position

In Mainland China c.70% of the international opportunity in the top-10 city clusters

Mainland China city clusters

% of Mainland China total



Globally, top 100 city clusters concentrate c.70% of international commercial banking revenue growth 2010-25

Example: Guangzhou-Shenzhen city cluster

Major cities of cluster



Source: McKinsey & Company

II. HSBC distinctive position

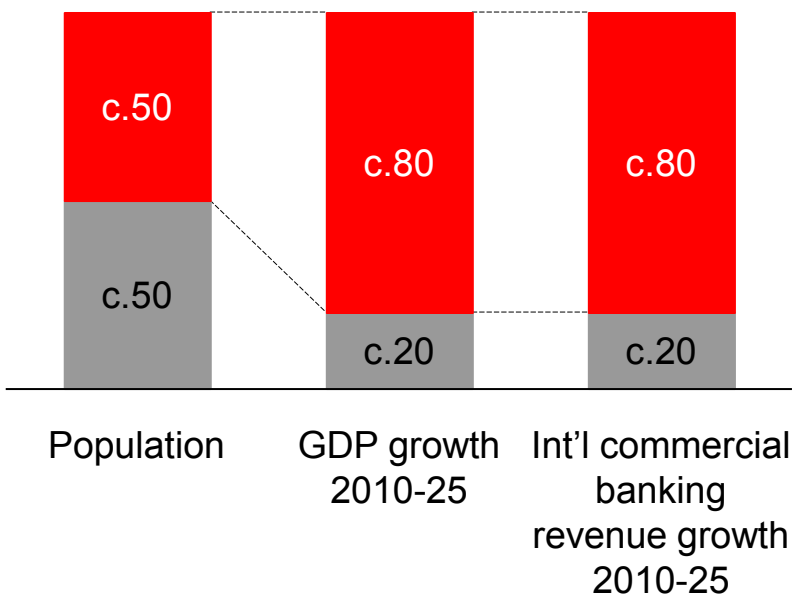
In Brazil and India similarly concentrated opportunity

EXAMPLE

■ Top-10 city clusters ✓ HSBC branch presence

Brazil top-10 city clusters

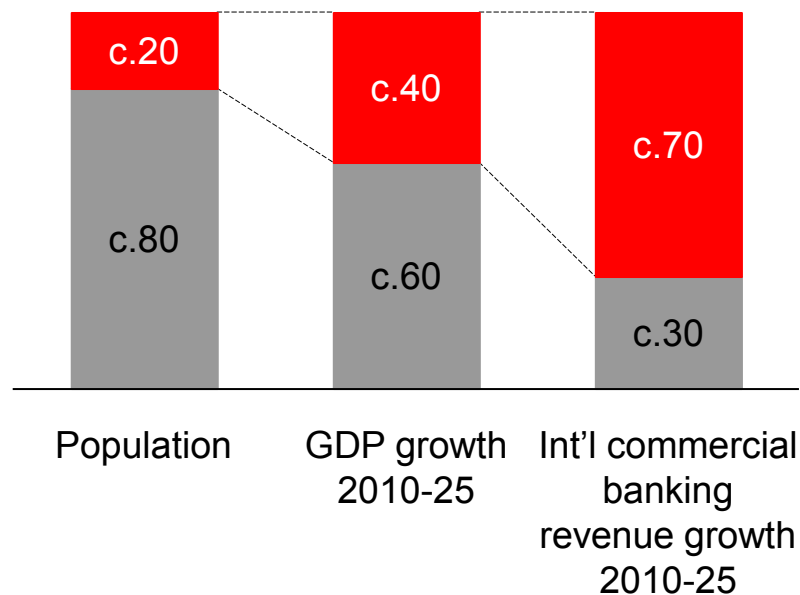
% of Brazil total



Top-5 clusters	HSBC coverage
Sao Paulo	✓
Rio de Janeiro	✓
Curitiba	✓
Brasilia	✓
Belo Horizonte	✓

India top-10 city clusters

% of India total



Top-5 clusters	HSBC coverage
Delhi	✓
Mumbai	✓
Bangalore	✓
Kolkata	✓
Hyderabad	✓

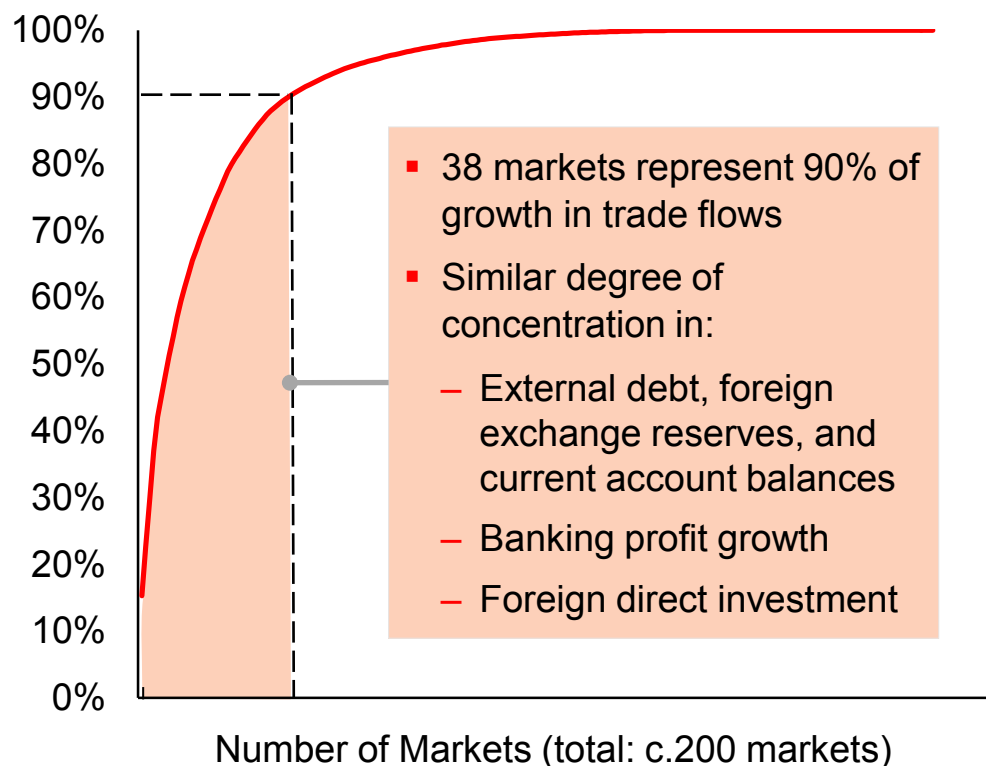
Source: McKinsey & Company

II. HSBC distinctive position

HSBC network covers over 90% of international trade and capital flows

Trade and capital flow connectivity is concentrated

Cumulative growth in total merchandise export and import, 2012-2022, 100% = USD35.0trn



HSBC network covers >90% of global flows

% of world

■ HSBC coverage

Trade growth
2012-2022

92%

FDI flows
2006-2011

94%

FX reserves
2012

94%

External debt
2012

94%

Market cap
2013¹

98%

Source: Global Insights, UNCTAD, CIA World Factbook, FactSet

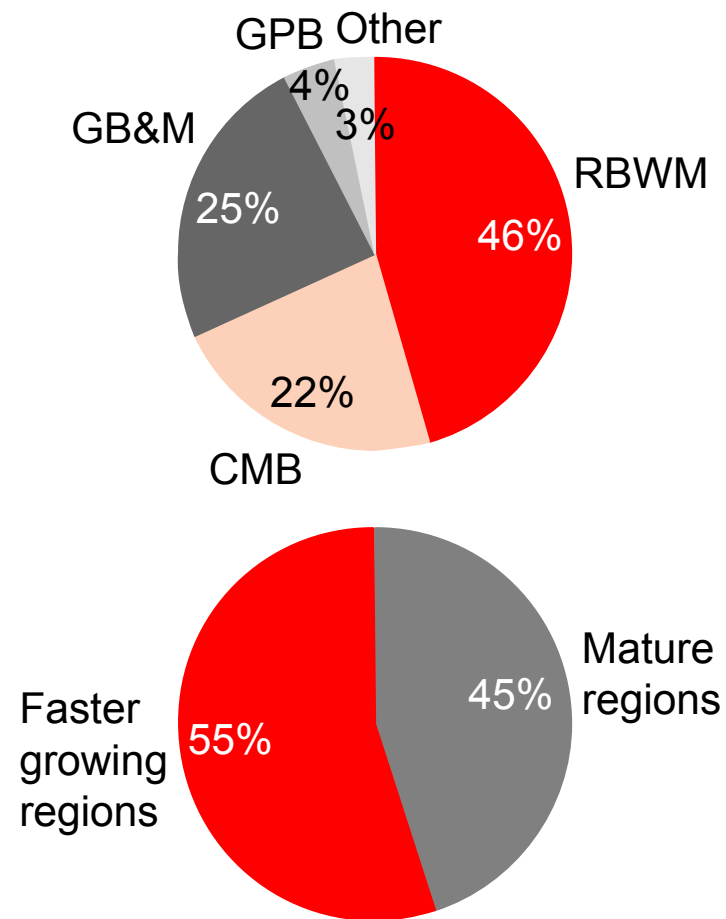
¹ As of 1 May 2013

II. HSBC distinctive position

Advantages of a universal banking business model

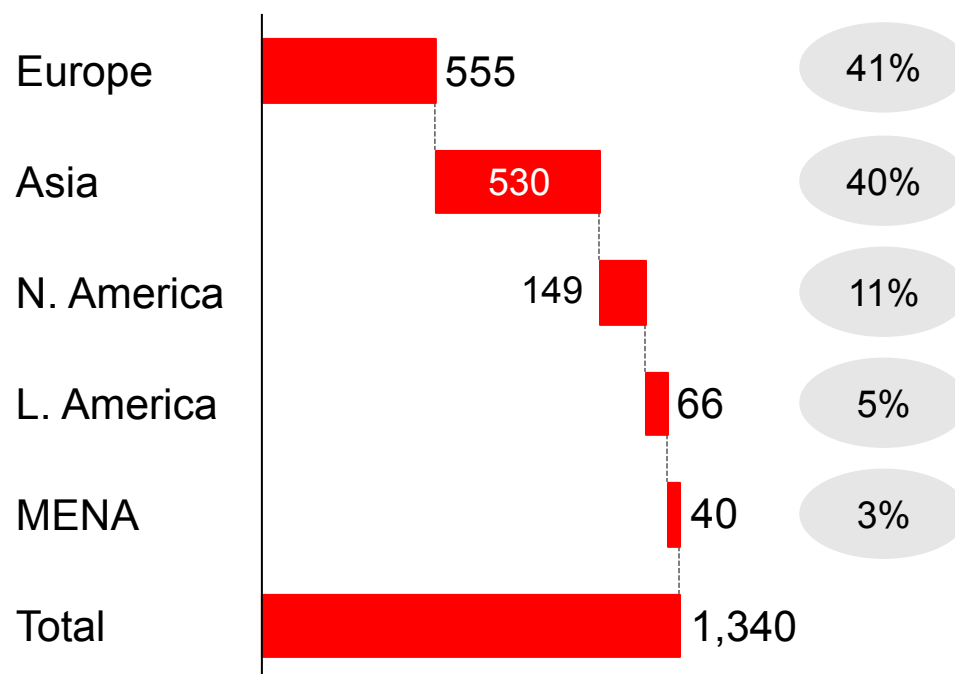
Well diversified stream of earnings ...

Distribution of net operating income¹, 2012, %



... and strong funding base

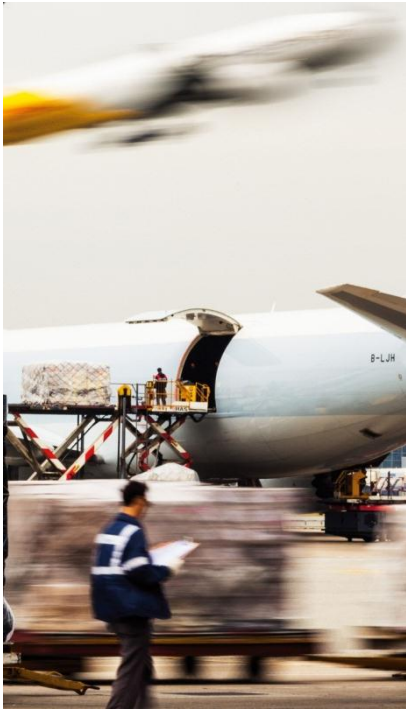
Customer accounts, 31 December 2012, USDbn



One of the largest deposit bases in the world with an A/D ratio of 74%

¹ Intra-HSBC operating income not been eliminated in the preparation of these charts. Intra-HSBC operating income includes revenues between geographic regions and revenues between Global Businesses

Why should you own HSBC?



A Distinctive position in the new banking environment

B Proven track record in delivering change – First phase

I Capital deployment

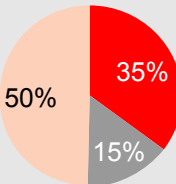
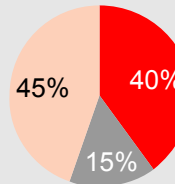
II Cost efficiency

III Growth

C Clear plan for growth and shareholder returns – Next phase

Proven track record in delivering change – First phase

At the beginning of 2011 defined a new vision for HSBC

<p>Purpose</p>	<p>Throughout our history we have been where the growth is, connecting customers to opportunities. We enable businesses to thrive and economies to prosper, helping people fulfil their hopes and dreams and realise their ambitions. This is our role and purpose.</p>	<p><i>Reason why we exist</i></p>
<p>Values</p>	<p>Act with courageous integrity</p> <ul style="list-style-type: none"> ▪ Dependable and do the right thing ▪ Open to different ideas and cultures ▪ Connected to customers, regulators and each other 	<p><i>How we behave and conduct business</i></p>
<p>Strategy</p>	<ul style="list-style-type: none"> ▪ International network connecting faster growing and developed markets ▪ Develop Wealth and invest in Retail only in markets where we can achieve profitable scale 	<p><i>Where and how we compete</i></p>
<p>Outcome</p>	<p>Being the world's leading international bank</p> <p style="text-align: center;">Delivering consistent returns</p> <div style="display: flex; align-items: center; justify-content: space-around;"> <div style="text-align: center;"> <p>From:</p>  </div> <div style="text-align: center;"> <p>To:</p>  </div> <div style="font-size: small;"> <ul style="list-style-type: none"> ■ Dividends ■ Variable pay ■ Earnings retained </div> </div>	

Unexpected events since May 2011

Unexpected events had significant impact on planned revenues and costs

Events

- Eurozone crisis
 - Impact on faster growing markets
 - Sustained level of low interest rates
-
- Extent of under-investment in compliance and legal
 - Severity of regulatory enforcement issues in the United States

Impact

Reduced revenues

Redress, fines and investment

Material progress over the last two years

May 2011 report card

Progress to date

I Capital deployment

- Six Filters driving disposals and closures of non-strategic and/or underperforming positions (Legacy) or businesses
- Turnaround of strategically relevant businesses

- 52 disposals/exits announced since 2011, reduced c.USD95bn RWAs¹ and c.15k FTE²
- Progress on running down and de-risking Legacy portfolios

II Organisation and cost efficiency

- Simplify and delayer the organisation
- Target USD2.5-3.5bn in sustainable cost saves in 3 years, achieving our 48-52% CER target by 2013

- Transformed the way we manage the business
- USD4.0bn annualised sustainable saves from 2011 to 1Q 2013
- Net reduction of 39k FTE, including 28k from Four Programmes and 15k from disposals

III Growth

- Revenue growth in faster growing markets
- Capture wealth opportunity (USD4bn in additional revenues)
- Leverage intra-group connectivity between CMB and GB&M (USD1bn of additional revenues)

- Faster growing regions' revenues up 25%, CMB up 20%^{3,4}
- Achieved double digit gross loan growth in 15 out of 22 home and priority markets^{3,5}
- Wealth revenues up c.USD0.9bn⁵
- c.USD0.9bn incremental collaboration revenue (increased target to USD2bn in 2012)^{3,4}

Capital generation and dividends

1 Expected reduction in RWAs after completion of all 52 transactions

2 From transactions completed up to 1Q2013

3 From 2010 to 2012

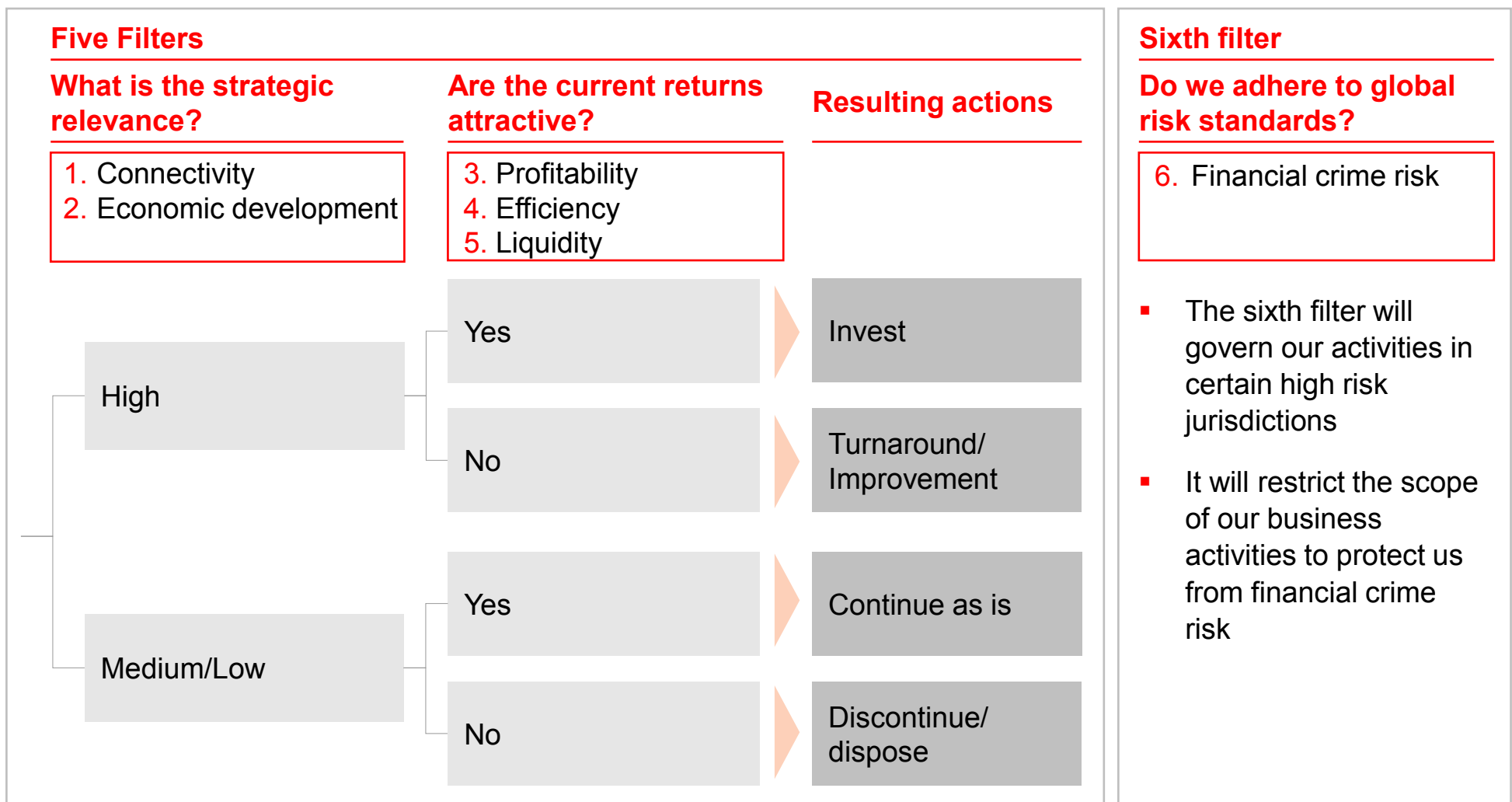
4 Reported basis

5 Constant currency basis

I. Capital Deployment

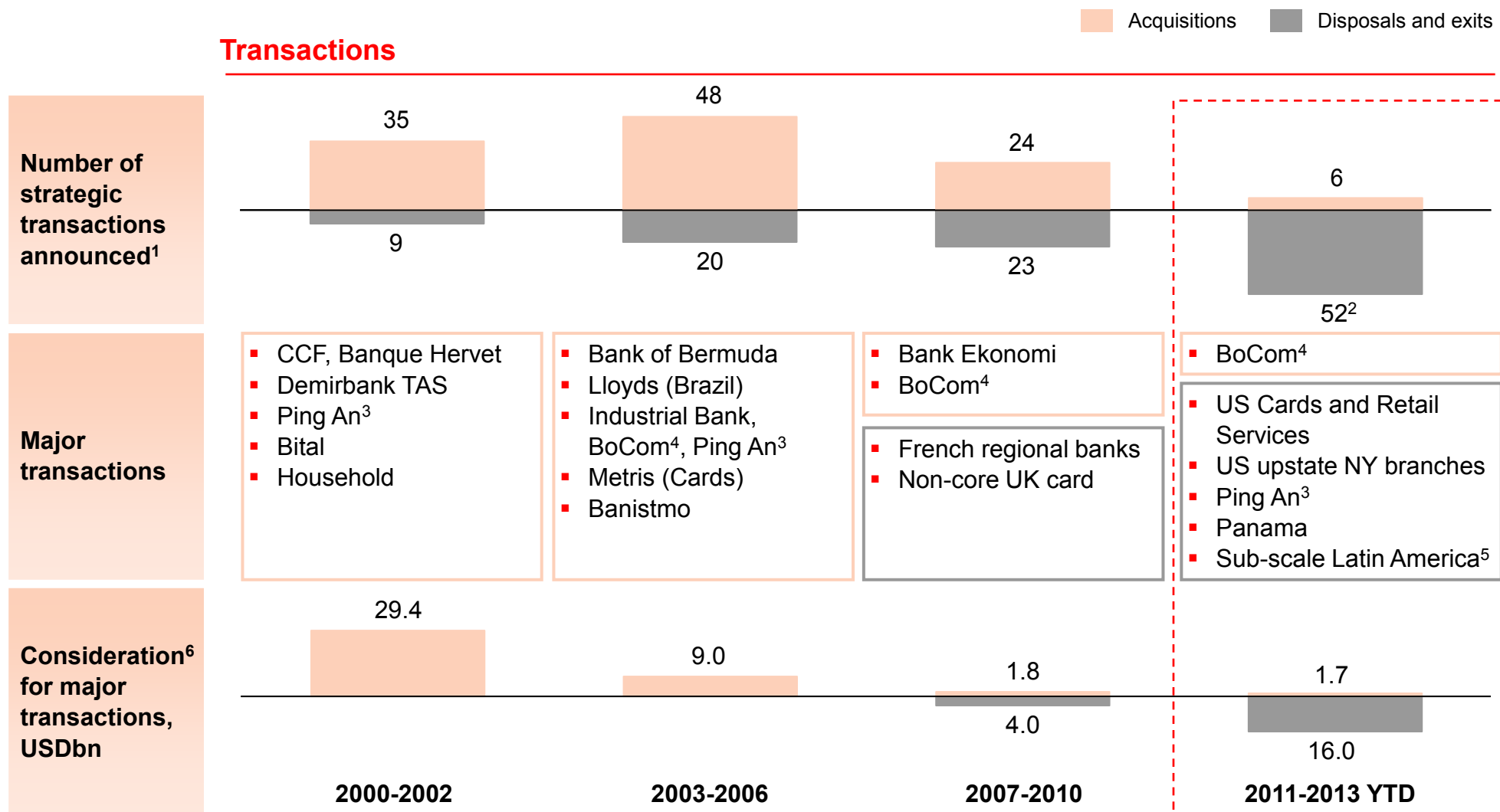
Portfolio criteria applied with discipline, reshaping the Group

Using the Six Filters in decision-making



I. Capital Deployment

The six filters have led to an unprecedented number of disposals and exits



¹ Excludes JVs and Alliances

² Thereof 12 announced but not yet closed

³ In 2002, acquired a 9.99% stake; in 2004, subscribed for new H-shares at its IPO; in 2005, acquired an additional 9.91% stake; in 2012-2013, exited entire shareholding

⁴ In 2004, acquired a 19.9% stake; in 2005, subscribed for new H-shares at its IPO; in 2007, acquired an additional 0.4% stake; in 2010, subscribed to its rights issue; in 2012, participated in its private placement

⁵ Includes sale of RBWM operations in Chile and all operations in Costa Rica, El Salvador, Honduras, Colombia, Peru, Uruguay and Paraguay

⁶ Based on consideration at the time of the deal announcement. Consideration for announced transactions, for the purposes of this analysis, is defined as the value received for the sale of a business for legal entity sales and the premium/discount to assets /liabilities received for the sale of a business for asset & liability transfers. The premium for the (i) US Cards and Retail Services sale and (ii) the US upstate NY branches sale is as at closing.

I. Capital Deployment

Reduced fragmentation and focused the portfolio

North America

- 9 transactions, including
- US Cards and Retail Services
 - US upstate NY branches
 - Canada Consumer Finance

Europe

- 17 transactions, including
- HFC secured loans portfolio
 - Georgia, Hungary, Slovakia
 - General Insurance in UK, Ireland, France

Middle East and North Africa

- 4 transactions, including
- Pakistan
 - Private Equity
 - RBWM Kuwait

Hong Kong and Rest of Asia Pacific

- 15 transactions, including
- Ping An stake
 - Hong Kong, Singapore, Taiwan, Vietnam Insurance
 - RBWM and GPB Japan

Latin America

- 7 transactions, including
- Panama
 - Sub-scale operations¹
 - General insurance in Argentina, Mexico

Key results

Disposals/exits	52 ²
RWA release ³	c.USD95bn
Gain on sale ⁴	c.USD8bn
FTE released ⁴	c.15k

1 Including Colombia, Costa Rica, El Salvador, Honduras, Paraguay, Peru, Uruguay and Chile (RBWM)

2 Thereof 12 announced but not yet closed

3 Expected reduction in RWAs after completion of all 52 transactions

4 From transactions completed up to 1Q2013

I. Capital Deployment

Refocused our Associate investments

	<u>Associate</u>	<u>HSBC stake¹, %</u>	<u>Fair value¹</u> USDbn	<u>Share of profit</u> <u>from associates</u> USDbn, 2012
Associates	Bank of Communications	19.0	10.6	1.7
	Saudi British Bank	40.0	3.2	0.3
Investments	Bank of Shanghai	8.0	Not disclosed	Not disclosed
	Industrial Bank²	12.8	3.7	0.7
Disposal	Ping An³	12.3	8.2	0.8

¹ As at 31 December 2012

² Industrial Bank was accounted for as an associate until January 2013 when our shareholding was diluted following its issue of additional share capital to third parties. Current interest is 10.9%

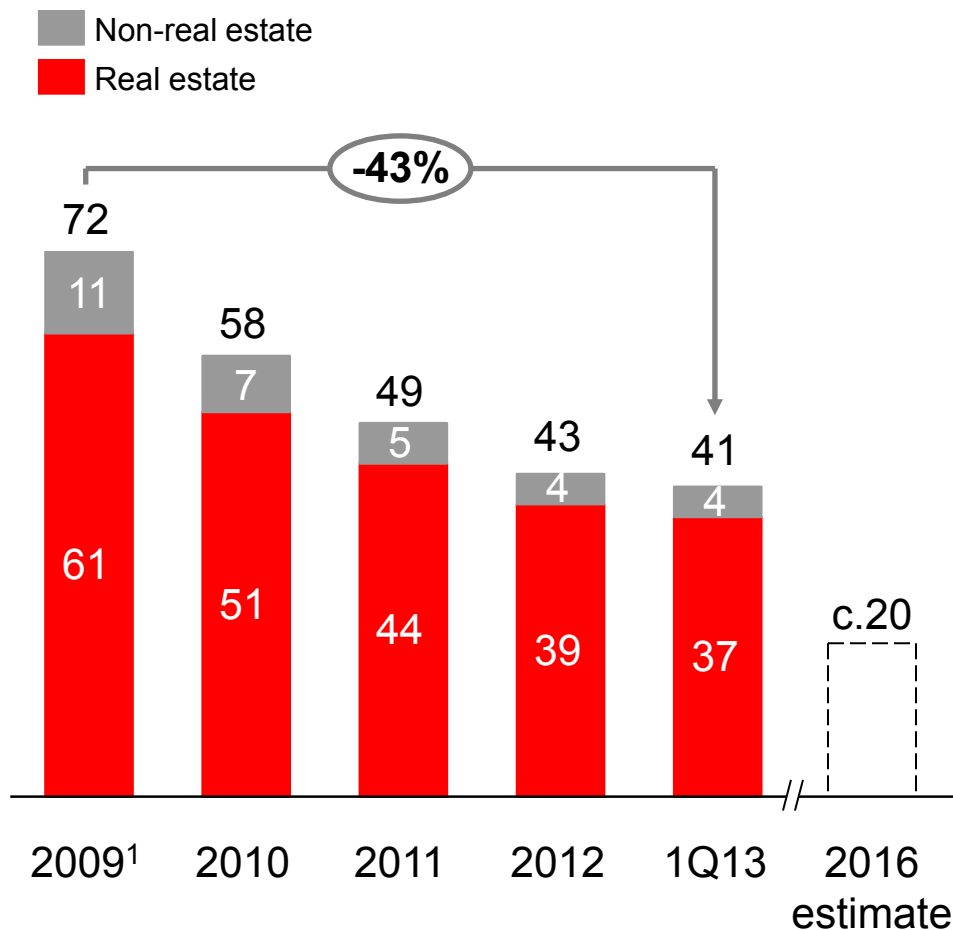
³ Ping An shares were sold in two tranches, our interest in Ping An was accounted for as an associate until December 2012 when the first tranche was sold and as an investment until the second tranche was sold in February 2013

I. Capital Deployment

Progress in running down and de-risking US legacy portfolio

Continued run-off of CML portfolio

CML portfolio receivables, USDbn



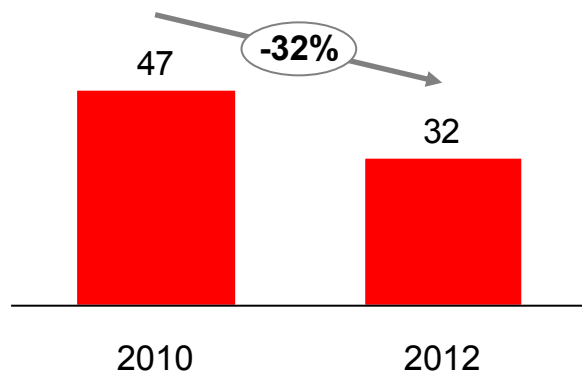
1 Excludes Vehicle finance

- **Non-real estate portfolio** – Sale completed 01APR13; interim servicing until conversion
- **Real estate portfolio**
 - Initiated programmatic sales of real estate loans valued at fair value of collateral
 - Evaluating further opportunities as plan progresses
 - Leveraging improved market interest and pricing
 - Expecting sales to release capital
- Continuing to collect effectively and ethically while focusing on expense control and managing operational and employee risks

I. Capital Deployment

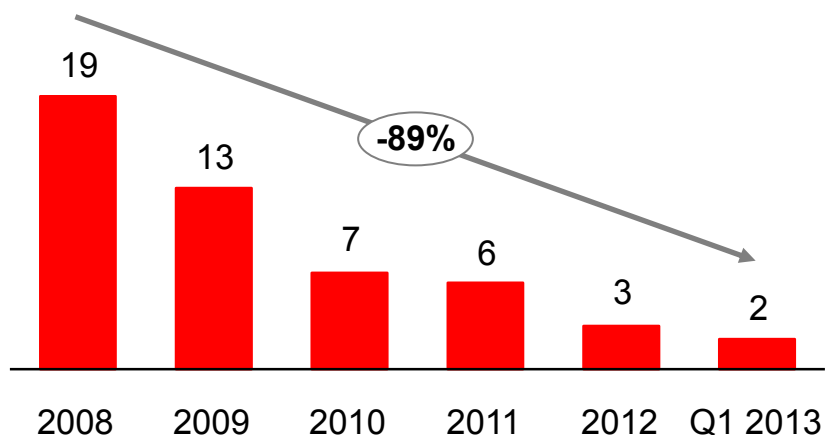
GB&M legacy portfolio managed to protect shareholder value

ABS portfolio carrying value¹ USDbn



- Portfolio reduced by USD15bn since 2010
- Hold versus dispose decisions based on a clear economic framework (considering cost of capital and funding)
- Strong capital base allowed us to hold positions while market liquidity improved
- AFS ABS reserve reduced by USD17bn

AFS ABS Reserve² USDbn



AFS portfolio composition³

2012, USDbn

- **Residential property**
 - Sub-prime MBSs and MBS CDOs 2.5
 - US Alt-A MBSs 3.7
 - Other MBSs 2.1
- **Commercial Property MBSs and MBS CDOs** 7.0
- **Other Asset-backed**
 - Leveraged finance related ABSs and ABS CDOs 5.3
 - Student loan-related ABSs and ABS CDOs 4.2
 - Other ABSs and ABS CDOs 1.6

Total

26.3

¹ Carrying value relates solely to ABS positions held by the GB&M Legacy credit business

² Reserve related to the AFS ABS portfolio that comprises the substantial portion of the Legacy credit portfolio

³ Consolidated HSBC AFS portfolio of ABS and ABS CDOs excluding US government agency and US government sponsored enterprise MBS. A substantial majority of positions shown are part of the Legacy credit portfolio

II. Organisation

Established a simplified, more focused and easier to manage organisation

Progress

Created four Global Businesses

- Developing **global strategies**
- Defining and implementing consistent **business and operating model**
- Focus on clear **portfolio of activities**
- **Oversight** by Group Management Board, Holdings Board of Directors, Group Risk Committee, Group Audit Committee, Financial System Vulnerabilities Committee

Established eleven Global Functions

- Managed independently, but with close links to businesses
- Focus on global **consistency** and rigour of governance, control, process efficiency, transparency

Focused role of six operating Regions

- Defined clear portfolio of **2 home markets** and **20 priority growth markets**
- Driving **implementation** of Group and Global Businesses' strategies
- Primarily organised through **separately capitalised, regulated, governed subsidiaries** tapping local funding through strong deposit bases

Simplified organisation structure

- **Simplified organisation** applying 8x8 programme across all priority markets
- Stronger management **oversight and accountability** and **reduced bureaucracy**

II. Organisation

Four Global Businesses with clear scope of activities

	Commercial Banking	Global Banking and Markets	Retail Banking and Wealth Management	Global Private Bank
Liability driven	<ul style="list-style-type: none"> Deposits Payments and cash management 	<ul style="list-style-type: none"> Deposits Payments and cash management Balance sheet management 	<ul style="list-style-type: none"> Deposits Account services 	<ul style="list-style-type: none"> Deposits Account services
Asset driven	<ul style="list-style-type: none"> Credit and lending Trade and receivables finance 	<ul style="list-style-type: none"> Credit and lending Asset and trade finance 	<ul style="list-style-type: none"> Credit and lending 	<ul style="list-style-type: none"> Credit and lending
Fee driven and other	<ul style="list-style-type: none"> Commercial insurance and investments 	<ul style="list-style-type: none"> Corporate finance¹ Markets² Securities services 	<ul style="list-style-type: none"> Asset management Wealth solutions and financial planning Broking³ Life insurance manufacturing 	<ul style="list-style-type: none"> Asset management⁴ Financial advisory⁵ Broking³ Corporate finance (via GB&M)¹ Alternative investments⁶

1 M&A, ECM, Event and Project financing and co-investments

2 Includes Foreign exchange, Rates, Credit and Equities

3 Intermediation of Securities, Funds and Insurance products. Includes securities services in GPB

4 Includes portfolio management

5 Includes private trust and estate planning (for financial and non-financial assets)

6 Includes Hedge Funds, Real Estate and Private Equity

Strong leadership team and talent pipeline

Description

Leadership team

- Senior leadership team with long experience in the industry
 - **Group Management Board** – 13 senior executives leading the Group, Global Businesses and Regions, average tenure of 22 years¹ with HSBC
 - **Group General Managers** – c.35 key senior managers, with on average more than 20 years¹ of experience at HSBC
 - **Global Talent Pool** – c.120 key talent, next generation of leaders
- Since 2011 we have **changed c.50%** of the leadership team²
- Target to grow the leadership team to **c.320 people**

Talent pipeline

- Strong ability to attract, develop and retain talent
 - **International Managers** – c.400 managers with strong international focus, established since beginning of HSBC
 - **Graduates** – Attracting c.500 graduates per year across our international network
- Improved opportunities and visibility in the new organisation

¹ Cut-off date 1 March 2013

² Group Management Board and Group General Managers

II. Organisation

Simplifying the firm

Transformation

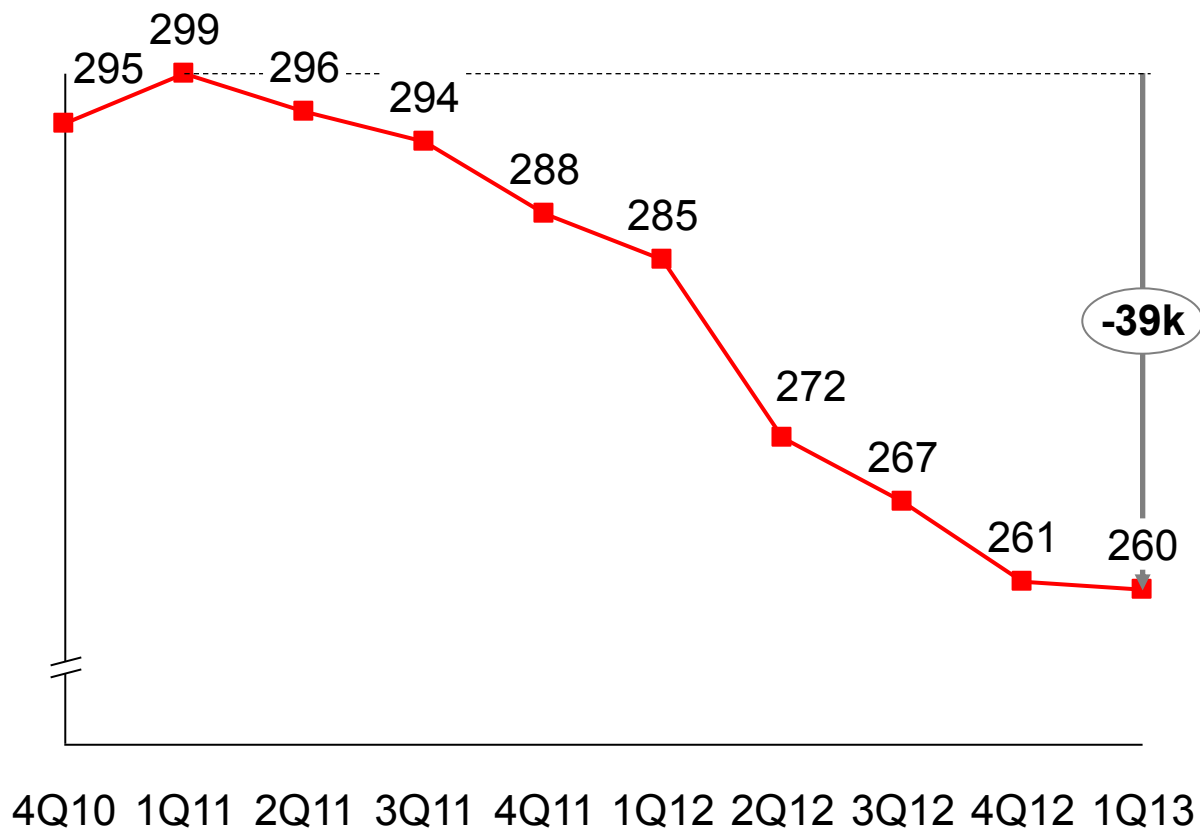
- Reshaped portfolio
- Simplified organisation
- Established Four Programmes

Outcome

- USD4.0bn in annualised sustainable saves by 1Q 2013
- Net reduction of 39k FTE, including 28k from Four Programmes and 15k from disposals¹

Employees

FTE, thousands

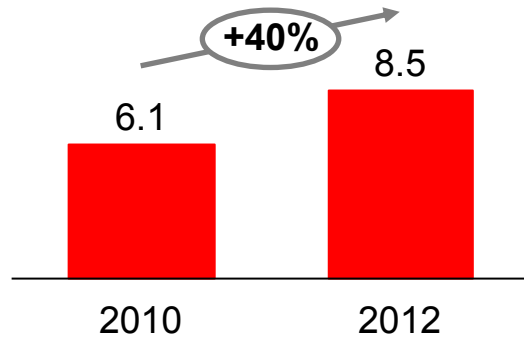
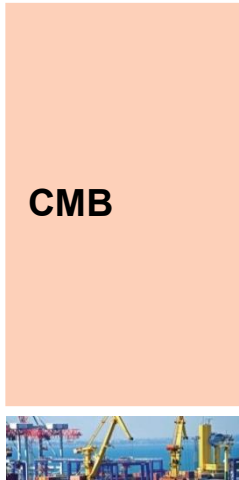


¹ From transactions completed up to 1Q2013. Gross reduction of 43k FTE offset in part by investments leading to a net reduction of 39k FTE

Progress across our Global Businesses

Reported performance

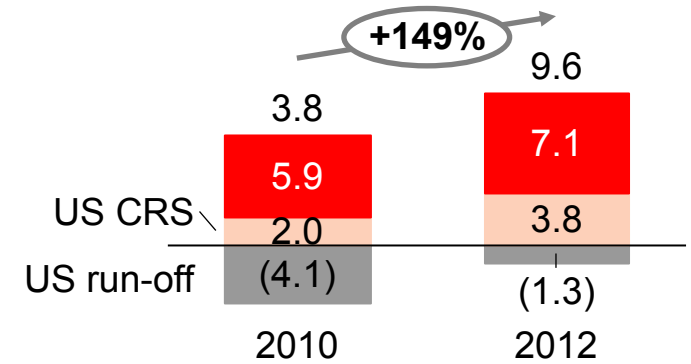
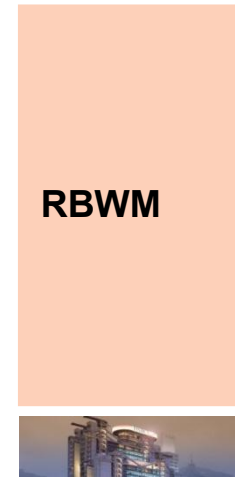
PBT, USDbn



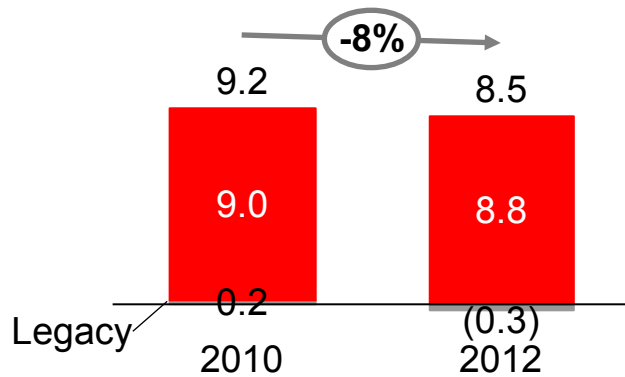
RoRWA **2.0** **2.2**

Reported performance

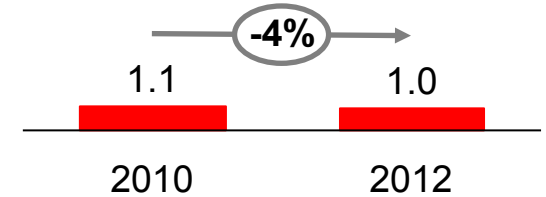
PBT, USDbn



RoRWA **1.1** **3.1**



RoRWA **2.5** **2.1**



RoRWA **4.1** **4.6**

Cohesive and focused geographic portfolio



MAY 2012

	Hong Kong and Rest of Asia Pacific	Europe	Middle East and North Africa	North America	Latin America
Home markets	<ul style="list-style-type: none"> Hong Kong 	<ul style="list-style-type: none"> United Kingdom 			
Priority Growth markets	<ul style="list-style-type: none"> Australia Mainland China India Indonesia Malaysia Singapore Taiwan Vietnam 	<ul style="list-style-type: none"> France Germany Switzerland Turkey 	<ul style="list-style-type: none"> Egypt Saudi Arabia UAE 	<ul style="list-style-type: none"> Canada USA 	<ul style="list-style-type: none"> Argentina Brazil Mexico
Network markets	<ul style="list-style-type: none"> Operations primarily focused on CMB and GB&M international clients and businesses Together with home and priority growth markets these concentrate c.85-90% of international trade and capital flows 				
Small markets	<ul style="list-style-type: none"> Markets where HSBC has profitable scale and focused operations Representative Offices 				

III. Growth

Double digit growth in priority faster growing regions enabled us to outperform global growth



2010-2012 HSBC faster growing priority markets

- 12% GDP growth in HSBC faster growing priority markets
- Total HSBC loan growth in these countries 24%

Source: HSBC Annual Reports, HSBC Global Research

1 On a constant currency basis

2 Numbers refer to whole region

3 Excluding gain on sale and loss on forward contract for Ping An

Gained market share in priority mature markets

2010-2012 change in market share

UK

- Market share of 12% on new mortgages, up from 9% in 2010¹
- 17% market share of the UK trade finance market, up from 13% in 2011²



Canada

- Ranked 5th bank for mutual funds sales, fastest growing bank in this sector with a rate of 19%³
- Increased Canadian FX market share from 1.7% and 15th place ranking in 2010 to 8.1% and 6th place ranking in 2012⁴



US

- Increased US High Yield bond mandates with clients from 18 in 2011 to 46 in 2012
- CMB trade revenues up 16% since 2011



France

- RBWM growing faster than market over 2010-12: total deposits (+10% pa versus 5% for market⁵) and mortgages (+7% versus 3% 2011-12⁵)
- GTRF market share increase of +1.5% 1Q 2013 versus 2012⁶



1 Bank of England, HSBC analysis

2 Oliver Wyman analysis

3 Invest Economics

4 Euromoney

5 Banque de France

6 SWIFT

Significant momentum in the transformation of RBWM

Material progress

- **Established RBWM as Global Business**
 - Standardised organisation structure
 - Global portfolio management
 - Common business/operating model
 - Common metrics
- **Wealth capabilities**
 - Changed Premier ambition – quantity to quality
 - 900k non-qualifying Premier migrated out
 - Significant platform upgrading
 - Building out managed solutions

Wealth target

- **Wealth revenues comprise of**
 - Investments
 - Life insurance
 - FX
 - But *exclude* deposits
- **Modest progress** of USD0.9bn incremental revenues since 2011
- **Change in context since 2011**
 - Fundamental change in wealth distribution model
 - More challenging macro environment

III. Growth

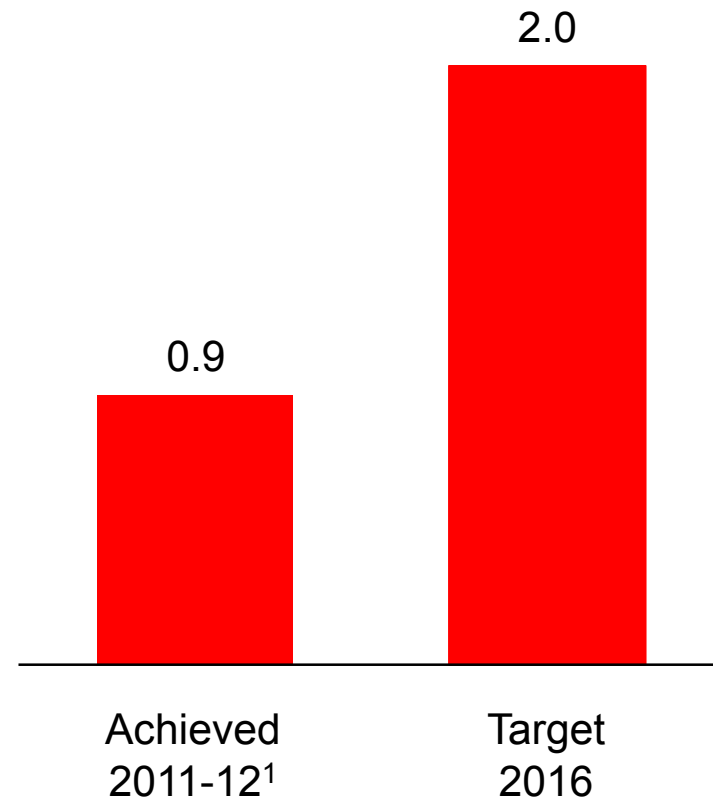
Global Businesses collaboration generated USD0.9bn in additional revenues

Implemented actions

- Collaboration process established across key hubs, including wallet sizing, client planning and pipeline management processes
- New senior appointments dedicated to fostering collaboration
- Proactive effort to sell trade products to Global Banking clients
- Global Priority Client initiative launched between CMB, GB&M and GPB
- Trade credit insurance launched in Hong Kong, Brazil and UK in 2012

Incremental collaboration revenues

USDbn



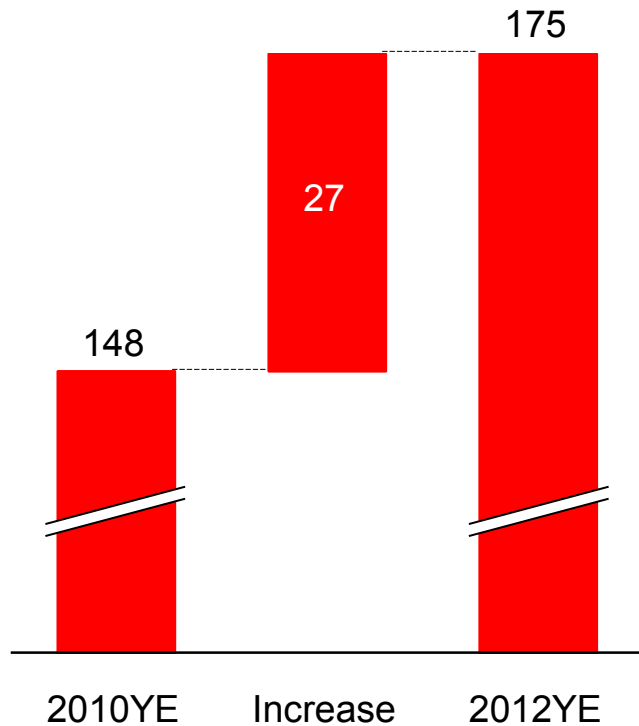
¹ Performance against announced targets since 2010

Outcome

Shareholders' equity c.USD27bn and declared dividends c.USD16bn

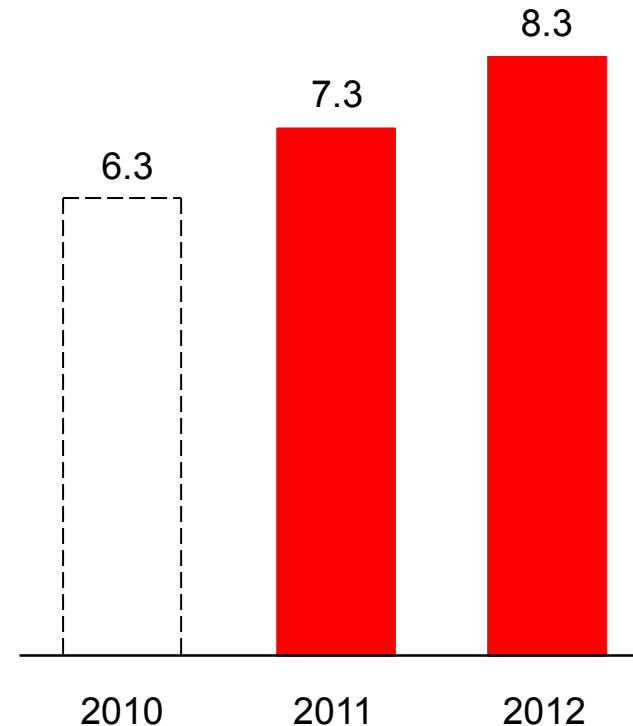
Shareholders' equity

USDbn



Total dividends declared in respect of the year¹

USDbn



In 2011/2012 HSBC has been:

- #2 dividend payer² in FTSE 100
- #5 dividend payer² in Hang Seng index

HSBC would be #3 dividend payer² in comparison to the S&P500

CT1 Ratio³
%

10.5

12.3

Payout Ratio⁴
%

47

42

55

¹ Source: 2010, 2011, 2012 Annual reports

² Based on total dividends declared and paid to common shareholders in respect of the year; Source: Factset

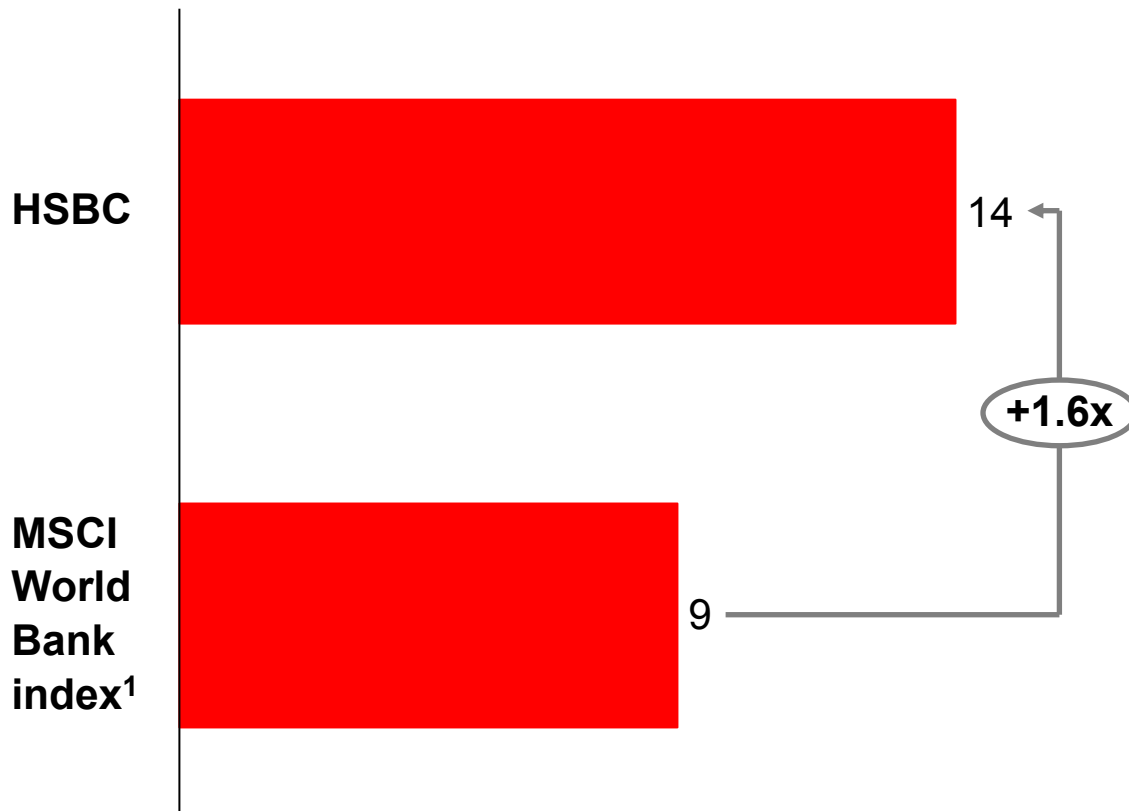
³ On Basel 2.5 basis

⁴ Based upon dividends paid during the year

Shareholder returns

HSBC share price growth vs. MSCI World Bank index

31DEC10-10MAY13, %



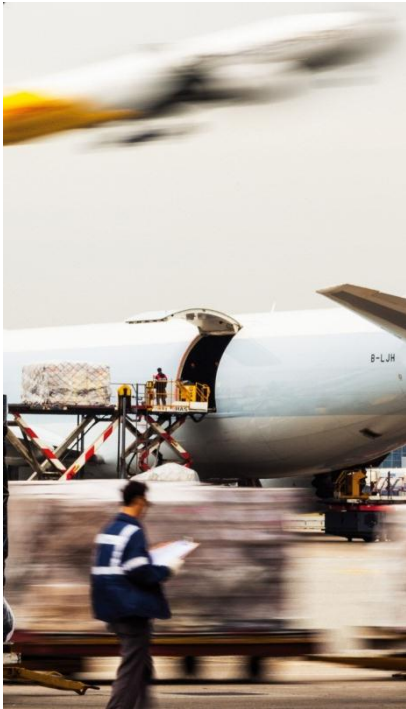
Performance from end 2010:

- Share price up 14% versus MSCI World Bank Index 9%¹
- Market capitalisation increase of c.GBP24bn
- Total shareholder return (TSR) 27%
- Price to book ratio 1.2x

Source: Factset and Bloomberg

¹ MSCI World Bank Index performance from end 2010 to 30MAY13 was +7% (USD) and +9% (converted to GBP)

Why should you own HSBC?



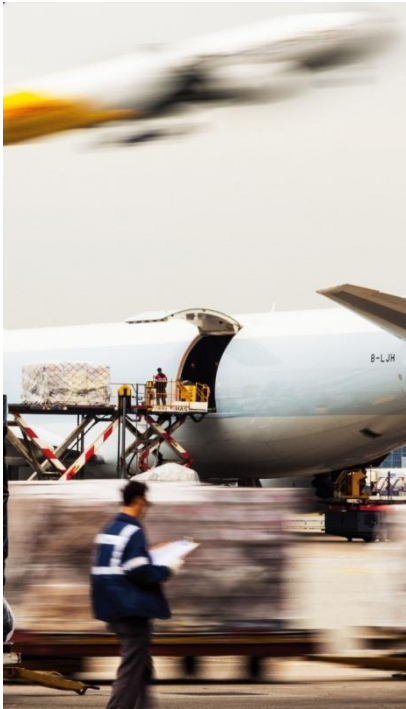
A Distinctive position in the new banking environment

B Proven track record in delivering change – First phase

Break

C Clear plan for growth and shareholder returns – Next phase

Why should you own HSBC?



A Distinctive position in the new banking environment

B Proven track record in delivering change – First phase

C Clear plan for growth and shareholder returns – Next phase

I Priorities

II Financial targets

III Vision



I. Priorities

Strategic priorities for the next phase 2014-16

	Actions and priorities	By 2016
Grow both business and dividends	<ul style="list-style-type: none">▪ Continue to recycle RWAs from low into high performing opportunities within the Group's risk appetite	<ul style="list-style-type: none">▪ Continue to grow RWAs in line with our organic investment criteria▪ Progressively grow dividends and introduce share buy-backs¹ as appropriate▪ Legacy and non-strategic activities reduced impact on PBT and RWAs
Implement Global Standards	<ul style="list-style-type: none">▪ Continue to invest in best-in-class Compliance and Risk capabilities▪ De-risk operations in higher risk locations and businesses▪ HSBC values – act with courageous integrity	<ul style="list-style-type: none">▪ Significant progress in implementation of Global Standards²
Streamline processes and procedures	<ul style="list-style-type: none">▪ Re-design key processes and procedures achieving improvements in service, quality, cost and risk▪ Release cost to invest in growth and Global Standards	<ul style="list-style-type: none">▪ Achieve USD2-3bn additional sustainable savings from 2014 to 2016

¹ Subject to meeting United Kingdom regulatory capital requirements and shareholder approval

² Conditional on regulatory environment

Clear organic investment criteria

What fits HSBC's portfolio?

Six Filters

- Connectivity
- Economic development
- Profitability
- Efficiency
- Liquidity
- Financial crime risk

Resulting actions

- Invest
- Turnaround/improve
- Continue as is
- Discontinue/dispose

Where should we invest additional resources?

Strategic

Invest only in businesses aligned to our strategy

- Is it strategic?
 - Mostly in 22 home and priority markets
 - Target businesses and clients

Risk

Consistent with our risk appetite

- Does it meet our risk appetite?
 - Credit
 - Market
 - Operational

Financial

Value accretive for the Group

- Does it meet the minimum hurdle?
 - Marginal RoRWA
 - Revenues/costs

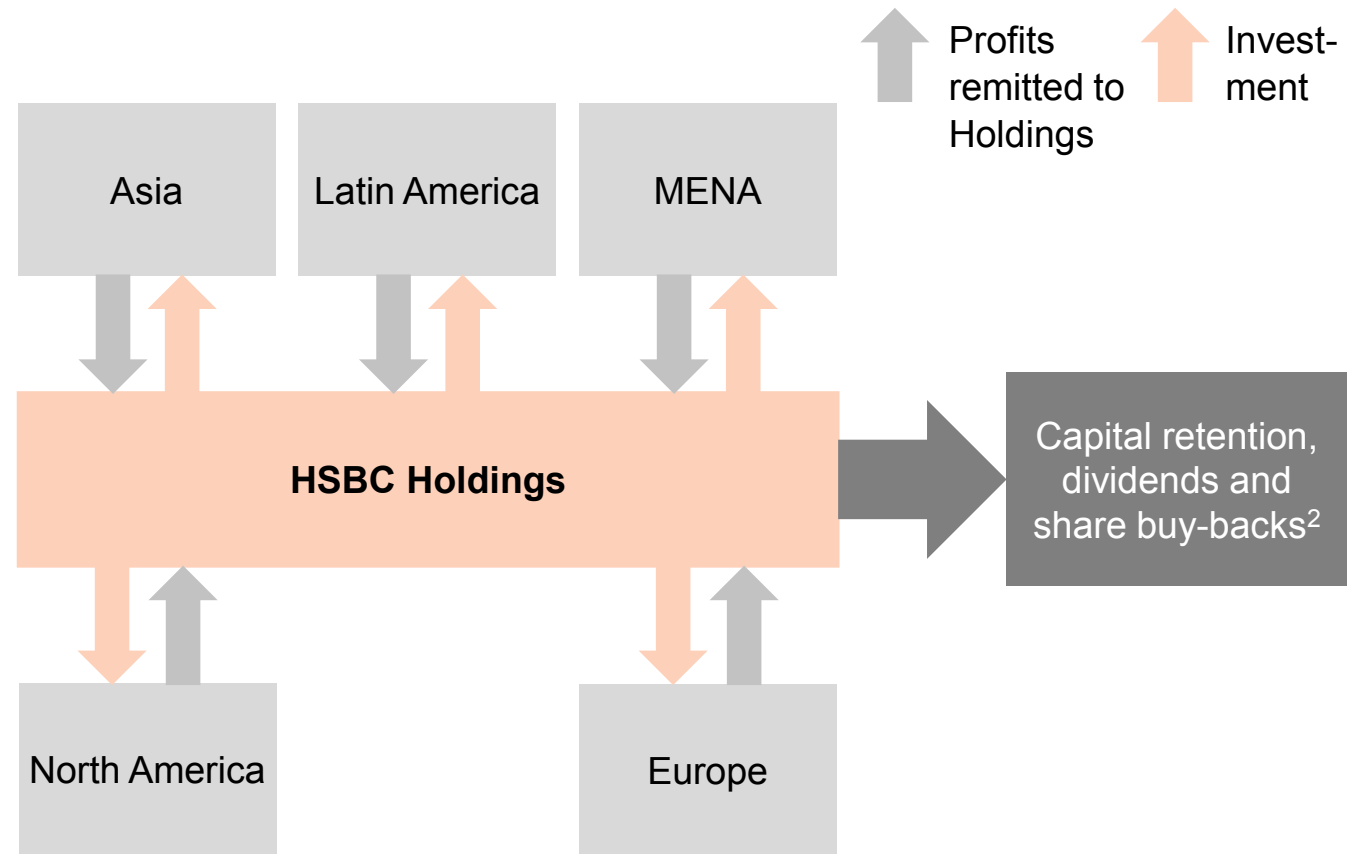
I. Priorities – Grow both business and dividends

Investment decisions driven by Group Management Board

Approach

- Organic investment evaluation and decisions made by Group Management Board, under delegated authority from the Holdings Board of Directors
- RWAs and costs allocated to regional legal entities and Global Businesses
- Profits remitted back to HSBC Holdings¹
- Dividends paid from Holdings to shareholders

Investment model



¹ Subject to local regulatory and shareholder approval

² Subject to meeting United Kingdom regulatory capital requirements and shareholder approval

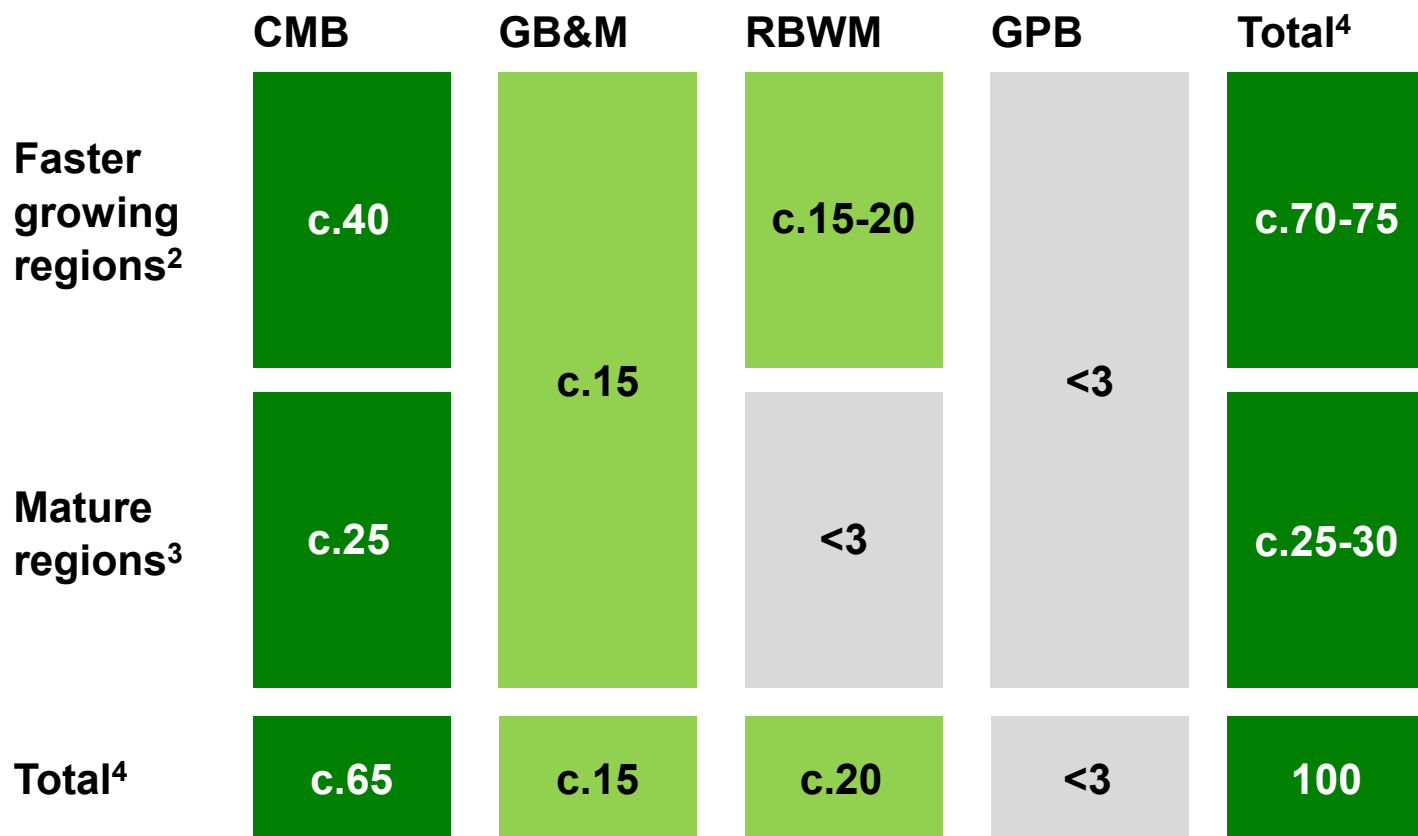
I. Priorities – Grow both business and dividends

70-75% of discretionary RWA growth to faster growing regions

ESTIMATES

Priority growth areas

Share of discretionary RWA growth¹ 2012-16, %



Based on current assumptions on regulatory and business operating environment

¹ Discretionary RWAs growth on a CRD IV basis, excludes Legacy, Associates, impact of transactions and regulatory changes

² Faster growing regions include Asia-Pacific, Latin America and MENA

³ Mature regions include Europe and North America

⁴ Excluding "Other", not allocated to Global Businesses or Regions

I. Priorities – Grow both business and dividends

CMB growth priorities

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 GB&M products
- Drive cross-referrals with both GPB and RBWM
- Increase GTRF¹ penetration into GB&M

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



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

I. Priorities – Grow both business and dividends

CMB – client examples

Customer	 <ul style="list-style-type: none"> ▪ UK manufacturer of innovative hairbrushes ▪ 60 markets 	 <ul style="list-style-type: none"> ▪ Hong Kong-based manufacturing, services, hospitality and logistics group ▪ 17 markets 	 <ul style="list-style-type: none"> ▪ Leading Chinese electric/home appliance manufacturer ▪ 130 markets
What has HSBC done?	<ul style="list-style-type: none"> ▪ Supported expansion of a domestic SME into 60 markets ▪ Provided global cash solutions and supply chain settlement through HSBCnet ▪ Multi-currency invoicing in RMB and USD 	<ul style="list-style-type: none"> ▪ Supported growth from an international SME to a billion dollar multinational ▪ Helped expansion via local trade and cash teams and global balance sheet ▪ GB&M support for acquisitions across Asia 	<ul style="list-style-type: none"> ▪ Supported expansion from China into Asia, Europe, North America and Africa ▪ Provided global payment and trade solutions ▪ Support through global balance sheet and credit facilities in local markets
Why HSBC?	<ul style="list-style-type: none"> ▪ International network ▪ Local balance sheet in key markets across Asia, Europe and Americas ▪ Product capabilities, including payments and trade ▪ Advisory capabilities, including M&A 		

I. Priorities – Grow both business and dividends

GB&M growth priorities

Connecting clients to global growth opportunities

Growth priorities to 2016

Well-positioned in products that will benefit from global trends

- **Debt Capital Markets** – Corporates in Europe and Asia shifting financing mix towards debt capital markets, including High Yield
- **Project and Export Finance** – Continued high levels of global expenditure on infrastructure
- **Trade Finance, Payments and Cash Management and Foreign Exchange**
- **RMB internationalisation**
- **Event – emerging markets led**

2016 targets

Financial

RoRWA¹, %

2.0-2.2

Non-financial

- 'Top 5' bank to our priority clients
- Maintain leadership in key product areas
- Usage of e-channels



1 CRD IV end point basis

I. Priorities – Grow both business and dividends

GB&M has a distinctive business model

GB&M competitive advantages

International network

- Over 60 markets, including the most relevant faster growing and mature markets

Product capabilities and balance sheet strength

- Complete suite of products to meet customer needs across markets, transaction banking and advisory
- Financial strength

Deep and diversified client base

- Even mix of 50% Corporates, 50% Financial Institutions and Governments¹
- Access to customers of other Global Businesses

Example areas of focus

Global FX and Rates **Top 5²**

Global EM DCM **#1³**

Global PCM **#1⁴**

Global GTRF **#1⁵**

Offshore RMB services **#1⁶**

Global Project Finance **#1⁷**

Cross-border M&A (EM to EM) **#3⁸**

¹ Client split by revenue 2012

² Euromoney 2012 survey

³ Bloomberg

⁴ Corporates and Financial institutions, Euromoney 2012

⁵ Global trade finance market share according to Oliver Wyman Global Transaction Banking survey 2012



⁶ AsiaMoney survey 2012

⁷ #1 Financial Advisor in terms of the number of deals among international banks ("Financial Advisor of Global Project Finance Deals – Full Year 2012" by Dealogic)

⁸ Dealogic FY 2012

I. Priorities – Grow both business and dividends

GB&M – client examples

Client	What has HSBC done? Examples of recent transactions	Why HSBC?
	Advised on increasing stake in Indian subsidiary to 72.5%, USD900m deal, second largest stake enhancement deal in India	<ul style="list-style-type: none">▪ 100 year relationship, across 25+ countries▪ India equities and cross-border expertise▪ Execution capacity, including FX and escrow services
	Financial Advisor, MLA ¹ and Korean ECA ² coordinator on USD1bn loan package to construct Chilean power plant, co-owned with Mitsubishi and constructed by South Korea's POSCO ³	<ul style="list-style-type: none">▪ Rapidly deepening relationship with client, who is active in 27 countries▪ Ability to connect parties across US, Japan, Korea and Chile▪ Capabilities in Project and Export Finance
	RMB banking partner through which Siemens will channel offshore related payments and collections	<ul style="list-style-type: none">▪ Long established relationship across 28 countries▪ RMB capabilities▪ Experience in Mainland China
	Joint Global Coordinator and Joint Bookrunner of EUR6.2bn hybrid bond in multi-currency tranches	<ul style="list-style-type: none">▪ Relationship since 1968 across 20+ entities▪ Ability to deliver a large and complex transaction

1 Mandated Lead Arranger

2 Export Credit Agency (ECA)

3 POSCO - multinational steel-making and heavy industry conglomerate

I. Priorities – Grow both business and dividends

RBWM growth priorities

Securing customers' future prosperity and realising their ambitions

Growth priorities to 2016

Growth in priority markets

- Grow number of customers in target segments

Deepen customer relationships

- Acquiring new wealth in faster growing markets and consolidating wealth in developed markets
- Grow relationship-led lending

Distribution

- Accelerate digital
- Selectively improve geographic coverage

2016 targets

Financial

RoRWA¹, % 3.8-4.3

RoRWA¹,
excl. run-off, % 5.0-5.5

Incremental
wealth revenues² USD3bn

Non-financial

- Customer Recommendation Index (CRI) for affluent segment in priority markets³
- Total customer relationship balances
- Digitally active customers



1 CRD IV end point basis

2 Incremental revenues 2010 to 2016

3 CRI measured in Argentina, Brazil, Canada, France, Hong Kong, India, Mainland China, Malaysia, Mexico, Singapore, Taiwan, Turkey, UAE, UK and US

I. Priorities – Grow both business and dividends

Examples – RBWM investments into digital

Example investments

Mobile

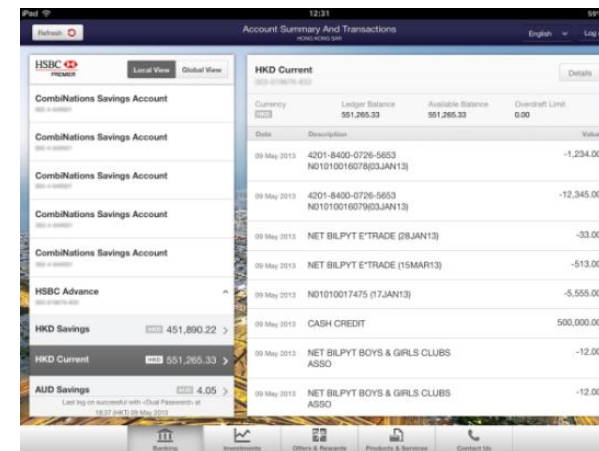
- **Mobile Banking App** – iOS and Android versions
- **Mobile Payments** – Progressive deployment of simple and secure contactless payments
- **Advanced capabilities** – Mobile stock and FX Trading



Indices	News	Top Movers
Hang Seng Index		23211.48
Updated 16:24 09-May-2013 ▼32.87/0.14%		
Hang Seng China Enterp		11266.89
Updated 16:24 09-May-2013 ▼17.85/0.16%		
US - Dow Jones		15105.12
Updated 04:41 09-May-2013 ▲48.92		
US - S&P 500		1632.69
Updated 04:40 09-May-2013 ▲6.73		
US - NASDAQ		3413.27
Updated 05:15 09-May-2013 0.00		

Tablet

- **Customer-Facing** – Mobile features optimised for tablet devices
- **Staff-Facing** – Tablet-based tools for front-line staff to support discussions with customers



I. Priorities – Grow both business and dividends

GPB growth priorities

Building on our commercial banking heritage, be the leading private bank for business owners

Priorities to 2016

Reposition the business

- Focus on home and growth priority markets, particularly onshore
- Emphasis on high net worth segments, as we established a Wealth proposition in RBWM

Capture growth opportunities

- Focus investment in priority markets and onshore businesses
- Acquire owners and principals of companies through CMB and GB&M clients

2016 targets

Financial

Return on assets¹

70-75bps

Non-financial

- Share of onshore business
- Net new money from Group referrals



¹ Percentage of revenues to average client assets

I. Priorities – Implement Global Standards

Global Standards as source of competitive advantage

Purpose

Throughout our history we have been where the growth is, connecting customers to opportunities. We enable businesses to thrive and economies to prosper, helping people fulfil their hopes and dreams and realise their ambitions. This is our role and purpose.

Reason why we exist

Values

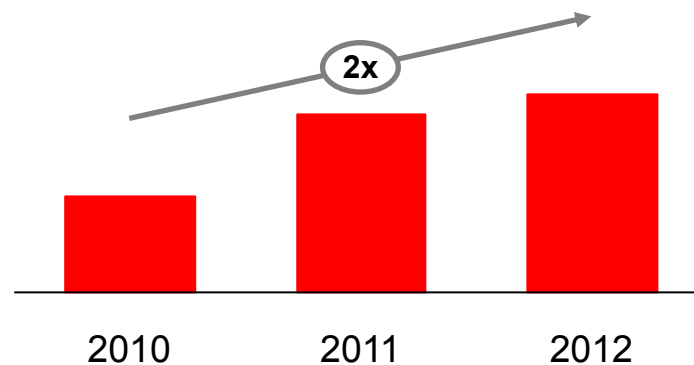
Act with courageous integrity

- Dependable and do the right thing
- Open to different ideas and cultures
- Connected to customers, regulators and each other

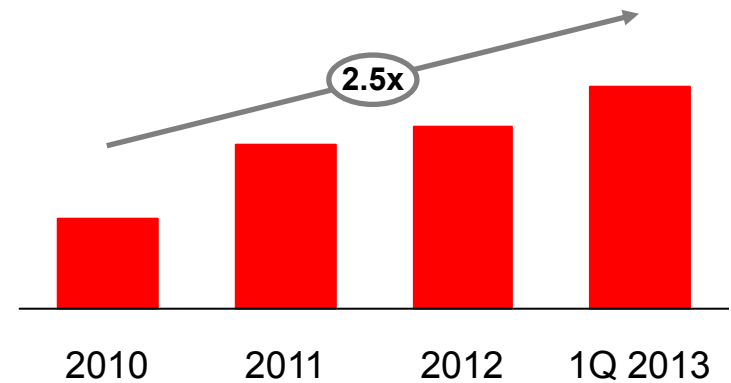
How we behave and conduct business

Investments in Compliance

Compliance spend



Compliance headcount



I. Priorities – Implement Global Standards

Global Standards define governance and programmes

Governance	Financial System Vulnerabilities Committee¹	<ul style="list-style-type: none">▪ Provides governance, oversight and policy advice to simplify business activities and enhance risk management and control
	Global Standards Steering Meeting²	<ul style="list-style-type: none">▪ Sets the strategic direction and priorities for the Global Standards programme
	Global Standards Execution Committee	<ul style="list-style-type: none">▪ Provides execution control across line of business based on strategic direction and priorities
Programmes	Customer Due Diligence	<ul style="list-style-type: none">▪ Develop an integrated framework to manage financial crime risk more effectively (including Affiliates Due Diligence, Tax Transparency, Bearer Shares, Customer Selection and Exit Policy)
	Financial Crime Compliance	<ul style="list-style-type: none">▪ Create a consistent, flexible and scalable organisation and establish controls to meet DPA³ and other regulatory obligations
	Financial Intelligence	<ul style="list-style-type: none">▪ Build our capabilities in capturing and using customer and transactional level data to identify suspicious transactions, activity or connections

1 New Board committee of external experts and independent advisers

2 Part of the Group Management Board

3 Deferred Prosecution Agreement

I. Priorities – Implement Global Standards

Change in day-to-day activities

Progress to date

Risk frameworks

- Designed and launched global Wealth risk framework
- Introducing risk profiling tools and enhanced customer due diligence to ensure sales suitability

Incentives

- Deployed global Wealth incentive framework to all Wealth Management markets¹
- Introduced discretionary variable compensation for Relationship Managers; approach being extended to remaining retail bank staff beginning 2014

Organisation

- Increased resourcing for first line of defence
- Applying higher qualification standards, e.g., increasing diploma qualified advisors in the UK, all US advisors CFP² accredited

Product management

- Commenced product range review to reduce number and complexity
- Comprehensive evaluation of product risk ratings

¹ Deployment pending for Egypt, Malta, South Korea and Saudi British Bank (SABB)

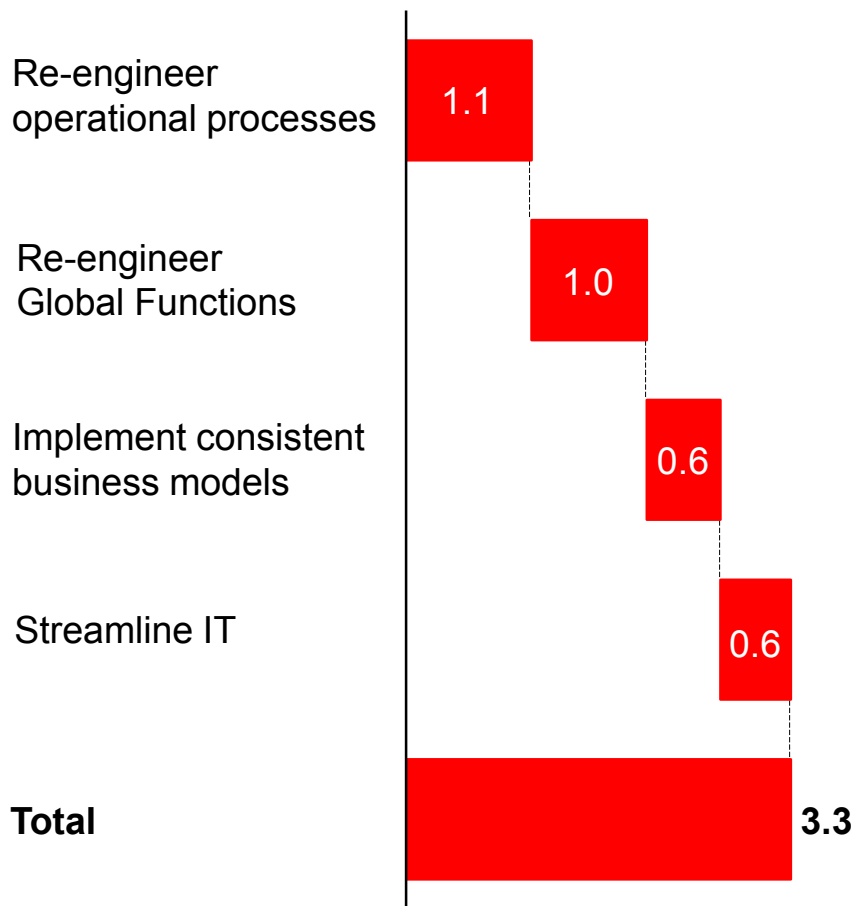
² Certified financial planner

I. Priorities – Streamline processes and procedures

First phase: Achieved USD3.3bn sustainable cost saves during 2011 – 1Q 2013 or USD4.0bn on annualised basis

Four programmes

USDbn¹



Example initiatives

People & Structure

- Implemented '8x8' programme

0.8

Software development

- Improved software development productivity and shifted headcount mix towards low cost locations

0.5

Process optimisation

- Optimisation in contact centres, trade operations and payments, including offshoring

0.3

CMB and RBWM target business models

- Defined and implemented target business and operating models across the Global Businesses

0.2

Corporate Real Estate

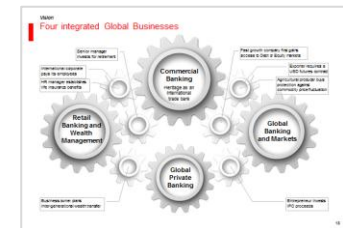
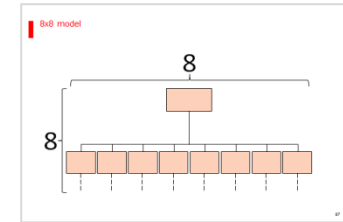
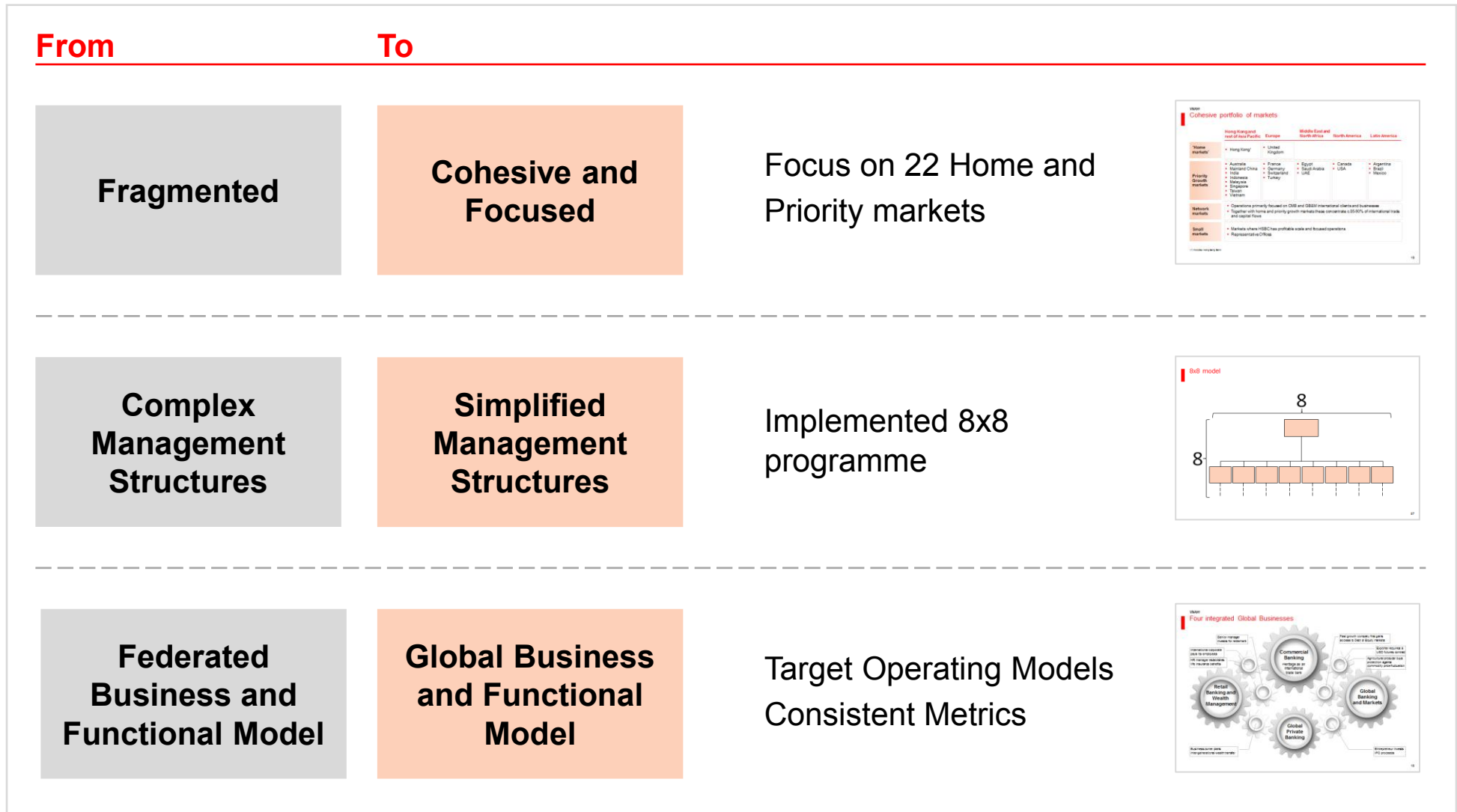
- Rationalised portfolio through effective lease and facilities management initiatives

0.2

¹ 2011-1Q 2013 sustainable saves (USD) reported on PL basis

I. Priorities – Streamline processes and procedures

First phase: We have put in place a structure to manage the bank globally



I. Priorities – Streamline processes and procedures

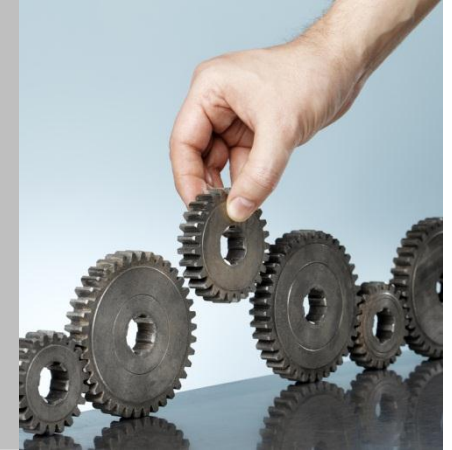
Next phase: Significant opportunities

Opportunities (examples)

Themes

- Unnecessary complexity
 - More than 4,000 management information reports
 - 1,100 facilities management vendors

Simplify



- Inconsistent processes and systems between different markets
 - 57 versions of Personal Internet Banking and 46 versions of Business Internet Banking
 - 13x unit cost variation between best and worst in class ways of opening corporate accounts

Globalise



I. Priorities – Streamline processes and procedures

Other industries have pursued large transformations

- Challenged industries have transformed achieving significant efficiency and productivity improvements
- Banks need to take action and can learn from these players

Tele-communication



80s–90s: End of monopolies

- Increase of competition
- New technologies
- Customer dissatisfaction
- High ‘historical’ cost structure

-40% cost
-30% FTE costs
-50% throughput time
+37% field productivity

Automotive



90s: Downturn

- Stagnation of global demand
- Overcapacity – consolidation
- High “historical” cost structure

-20% cost
-15% FTE costs
-30% throughput time

Semi-conductor



2001: Collapse

- Excess capacity
- Inventory accumulation
- Demand collapse

-40% cost
-15% FTE costs

Challenged industries and transformation impact

I. Priorities – Streamline processes and procedures

Example: Mortgage process globalisation

Description

- Front-to-back redesign of the mortgage process
- Delivers simultaneous improvements in customer experience, revenues and costs



Progress

UK

- Improvements launched
 - Immediate credit decision in branch or via phone for referred customers
 - Quick on-line application and switcher process
 - Significant back office efficiencies
- Result
 - Customer experience – Reduced decision time and improved quality
 - Costs – Back office unit costs reduced¹
 - Revenues – Supported market share growth from 2% to 10% and more than doubled mortgage income from 2007 to 2012¹

Other markets

- Currently rolling out in Mainland China, with planned roll out to other priority markets including France and Brazil during 2013 and beyond

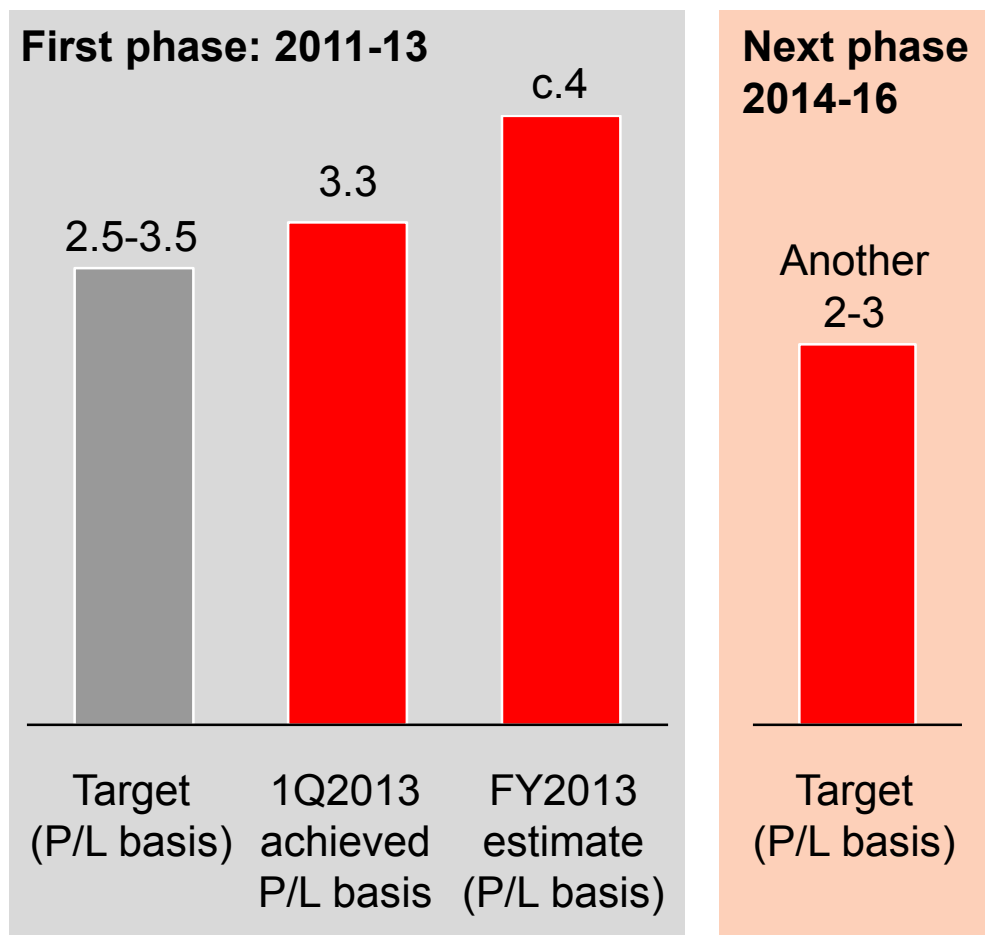
¹ HSBC only, excludes First Direct

I. Priorities – Streamline processes and procedures

Target additional USD2-3bn sustainable saves 2014-16

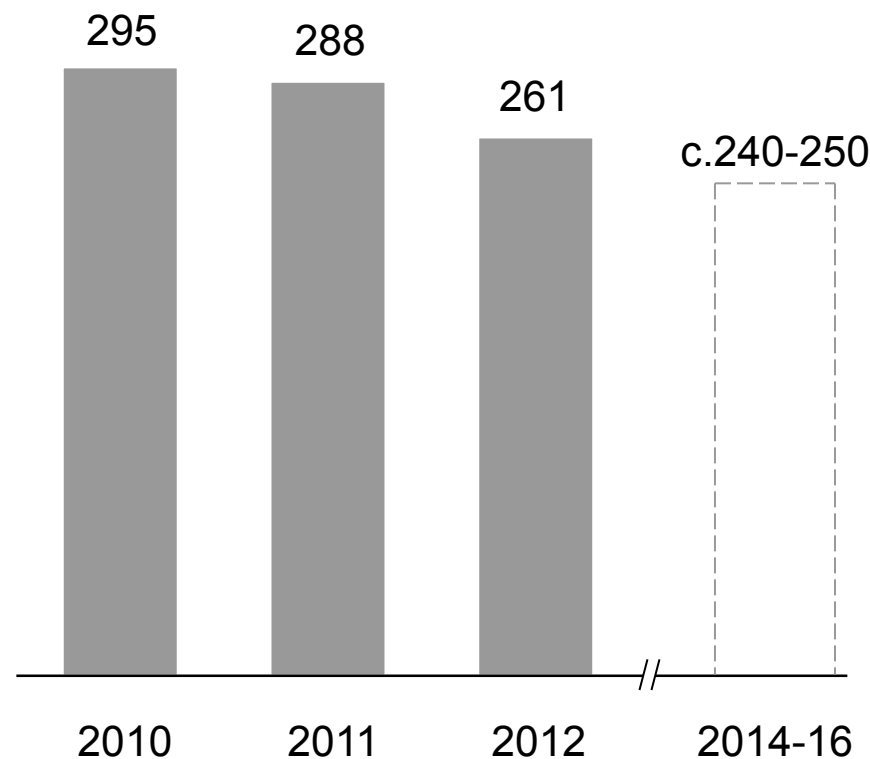
Sustainable savings target

USDbn



Employees

FTE, Thousands



Simplify



Approach

- Identify activities with potential opportunity to simplify
- Map the current activity or process
- Identify inefficiencies and improvement opportunities e.g., duplications, unnecessary complexity, over-capacity etc.
- Redesign and optimise
- Pilot launch and measure impact

Examples

Management information

- Centralise, standardise and rationalise MI production and implement a consistent finance operating model

Facilities management

- Recently signed a 5 year global facilities management contract with one vendor to replace c.1,100

US transformation

- Execute transformation plan focused on simplifying IT, Operations and Global Functions

I. Priorities – Streamline processes and procedures

United States

Clearly defined strategy

Focus the US business on our international capabilities

- International corporate and institutional clients
- New York as a GB&M hub for the Americas
- Internationally connected clients in gateway geographies

Key strategic priorities 2013-16

Regulatory and Remediation

- Remediate identified deficiencies and improve control infrastructure
- Create an improved compliance infrastructure that consistently meets regulatory expectations

Disposals and run-down

- Manage transitional and interim servicing agreements to conclusion
- Progress consumer mortgage lending (CML) business run-down
- Potential to accelerate wind-down through select portfolio sales as market conditions improve

Core Bank Reengineering

- Execute transformation plan focused on simplifying IT, Operations and Global Functions
- Install group core banking infrastructure



Globalise



Approach

- Identify inconsistent processes
- Define customer journey and benchmark performance
- Design/select standardised approach
- Build and roll out across the network prioritised by opportunity

Examples

RBWM re-engineering

- Redesigning customer journeys, including account opening and complaints handling, to improve customer experience and efficiency whilst reducing risk

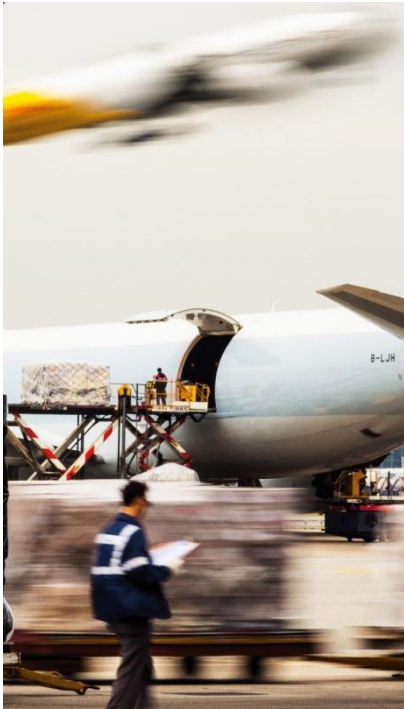
Global Standards

- Use Global Standards programme to drive global consistency, removing duplications and improving efficiency

Documents, cash and cheques

- Establish globally consistent operating models for Cash Processing, Document Management, Cheque Processing, Transaction Print and Logistics

Why should you own HSBC?



A Distinctive position in the new banking environment

B Proven track record in delivering change – First phase

C Clear plan for growth and shareholder returns – Next phase

I Priorities

II Financial targets

III Vision



II. Financial targets

Recap recent performance versus targets

		<u>Reported performance</u>				<u>Target</u>	
		2010	2011	2012	1Q 2013	2011-13	2014-16
Efficiency	Jaws	Negative	Negative	Negative	Positive	n/a	Positive
	CER¹	55.2%	57.5%	62.8%	50.8%	48-52%	Mid-50s
Profitability	ROE	9.5%	10.9%	8.4%	14.9%	12-15%	12-15%
Capital, liquidity and dividends	Common equity tier 1 ratio²	n/a	n/a	10.3%	10.1%	9.5-10.5%	>10%
	Dividend pay-out ratio	46.6%	42.4%	55.4%	n/a	40-60%	40-60%
	A/D ratio cap	78.1%	75.0%	74.4%	73.3%	<90%	<90%

1 Group Performance Share Plan long-term scorecard will remain unchanged with CER target of 48-52% in 2013

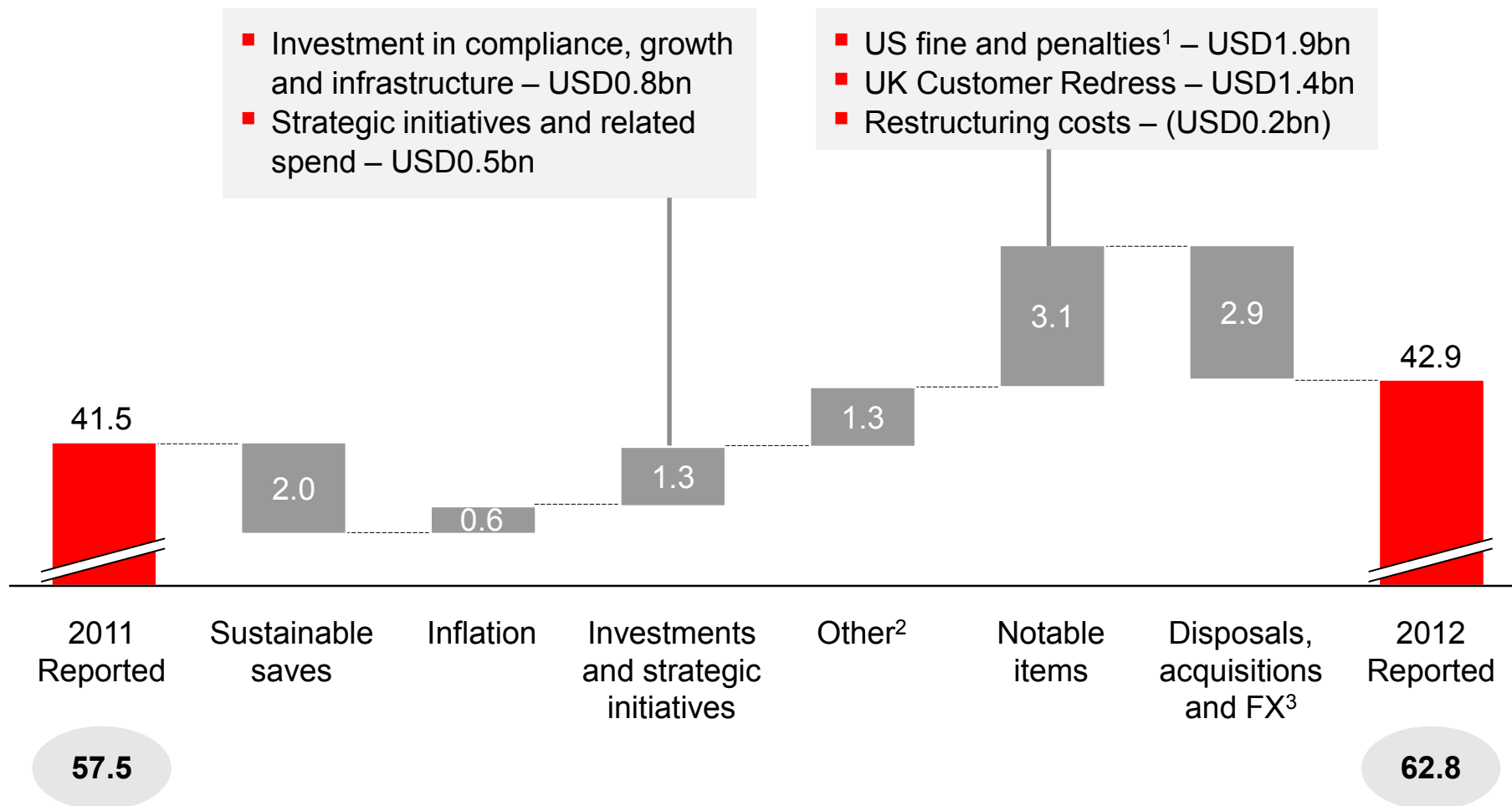
2 Prepared on the same basis as our 2012 year-end disclosures. Estimated CRD IV CET1 end point capital and RWAs, post management actions to mitigate the impact of immaterial holdings, based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by PRA guidance. The rules are currently in draft and subject to on-going negotiation. If they were to be finalised in their current form, the holdings of certain 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. Revised CET1 target applies from 2013.

II. Financial targets – Efficiency

Sustainable cost saves re-invested in 2012

Operating expenses 2011-2012

USDbn



1 US fine and penalties for past inadequate compliance with anti-money laundering and sanction laws

2 Include litigation, bank levy and other items

3 Includes adjustments for constant currency FX rates

II. Financial targets – Efficiency

Cost focus supported by positive jaws

Rationale for positive jaws

- Demonstrates continuing commitment to an improving CER
- Consistent target can be maintained over the planning horizon
- Retains flexibility against the changing external macroeconomic and regulatory environment
- Balances investing for growth and regulatory compliance alongside efficiency

Drivers of jaws

Sustainable saves

Revenue Growth

Risk and compliance investments

Growth investments

Description

- On-going delivery of sustainable saves, and re-deployment into investment opportunities

- Investments deliver sustainable revenue growth

- Establishing Global Standards to protect against reputational and compliance risks

- Financing business growth and building infrastructure to capture further sustainable saves

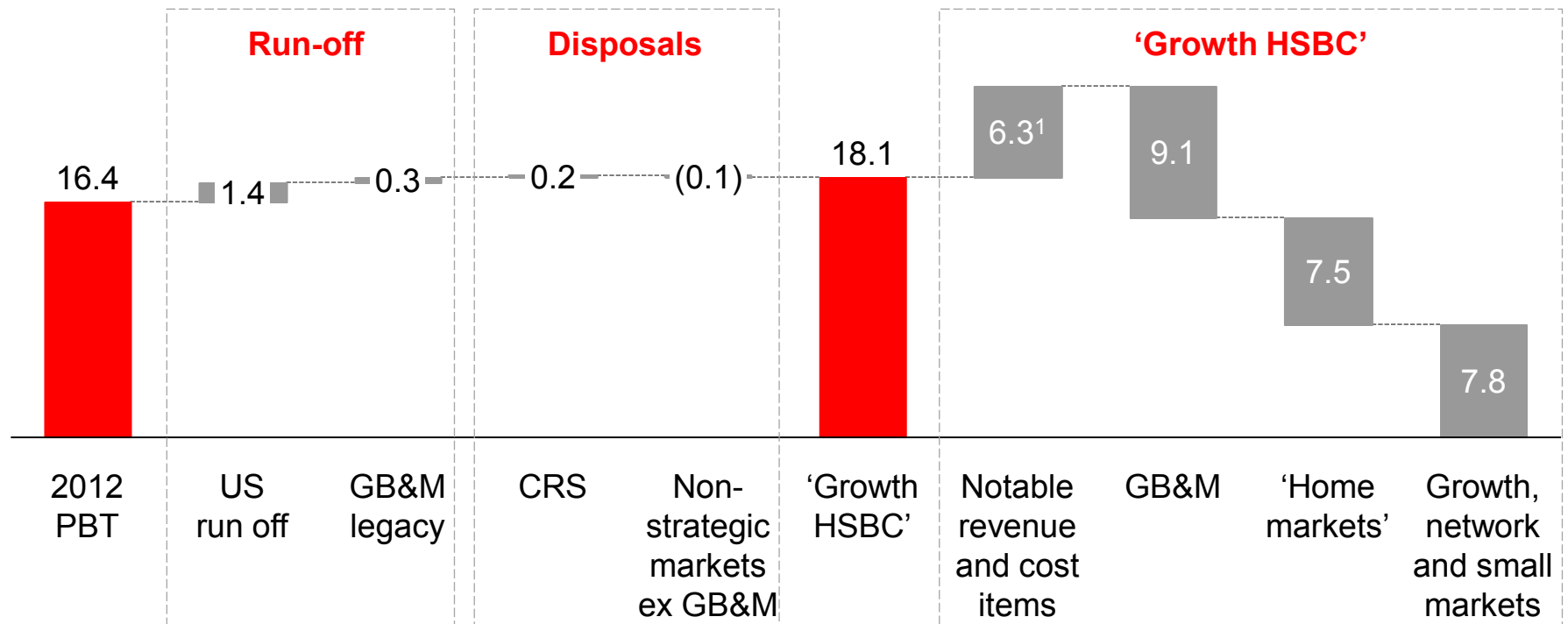
Target positive jaws to 2016, CER mid-50s

II. Financial targets – Profitability

'Growth HSBC'

Underlying PBT 2012

USDbn



Average

RWAs^{2,3}
USDbn

1,285

126

76

5

1,078⁴

RoRWA³
%

1.3

1.7⁴

(0.6)

1 Notable revenue and cost items allocation: USD(0.5)bn GB&M, USD(2.8)bn Home markets (excluding GB&M) and USD(3.1)bn Growth network and small markets (excluding GB&M)

2 Average underlying RWAs

3 CRD IV end-point basis

4 Includes non-strategic markets (ex GB&M)

II. Financial targets – Profitability

RoRWA targets defined by Global Business

2012 underlying results

RoRWA		RWAs ¹
%		USDbn
CMB	2.1	381
GB&M	2.0	410
RBWM	1.4	289
RBWM excl. run-off ⁴	3.4	162
GPB	4.3	22
Other	(18.0)	27
Group	1.5	1,129

2012 underlying results (CRD IV²)

RoRWA		RWAs ^{1,3}	2016 RoRWA target (CRD IV ²)
%		USDbn	%
CMB	2.1	384	2.2-2.5
GB&M	1.6	533	2.0-2.2
RBWM	1.3	306	3.8-4.3
RBWM excl. run-off ⁴	3.1	175	5.0-5.5
GPB	4.3	22	
Other	(12.1)	40	
Group	1.3	1,285	2.2-2.6

1 Reported average RWAs adjusted for the effects of foreign currency translation differences and business disposals

2 CRD IV end-point

3 Average RWAs estimated CRD IV end-point RWAs based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by PRA guidance

4 Run-off Includes US Card and Retail Services and US run-off portfolio

II. Financial targets – Profitability

RoRWA performance by Region

2012 underlying results

RoRWA		RWAs ¹
%		USDbn
Hong Kong	6.6	108
Rest of Asia Pacific	2.3	280
Europe	0.2	330
Latin America	2.3	98
MENA	2.3	61
North America	(0.6)	272
Group⁴	1.5	1,129

2012 underlying results (CRD IV²)

RoRWA		RWAs ^{1,3}	2016 RoRWA target (CRD IV ²)
%		USDbn	%
Hong Kong	5.8	124	3.2-3.8
Rest of Asia Pacific	2.2	296	
Europe	0.2	413	1.4-1.7
Latin America	2.1	105	2.8-3.1
MENA	2.2	62	2.3-2.7
North America	(0.5)	303	1.2-1.4
Group⁴	1.3	1,285	2.2-2.6

1 Reported average RWAs adjusted for the effects of foreign currency translation differences and business disposals

2 CRD IV end-point

3 Average RWAs estimated CRD IV end-point RWAs based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by PRA guidance

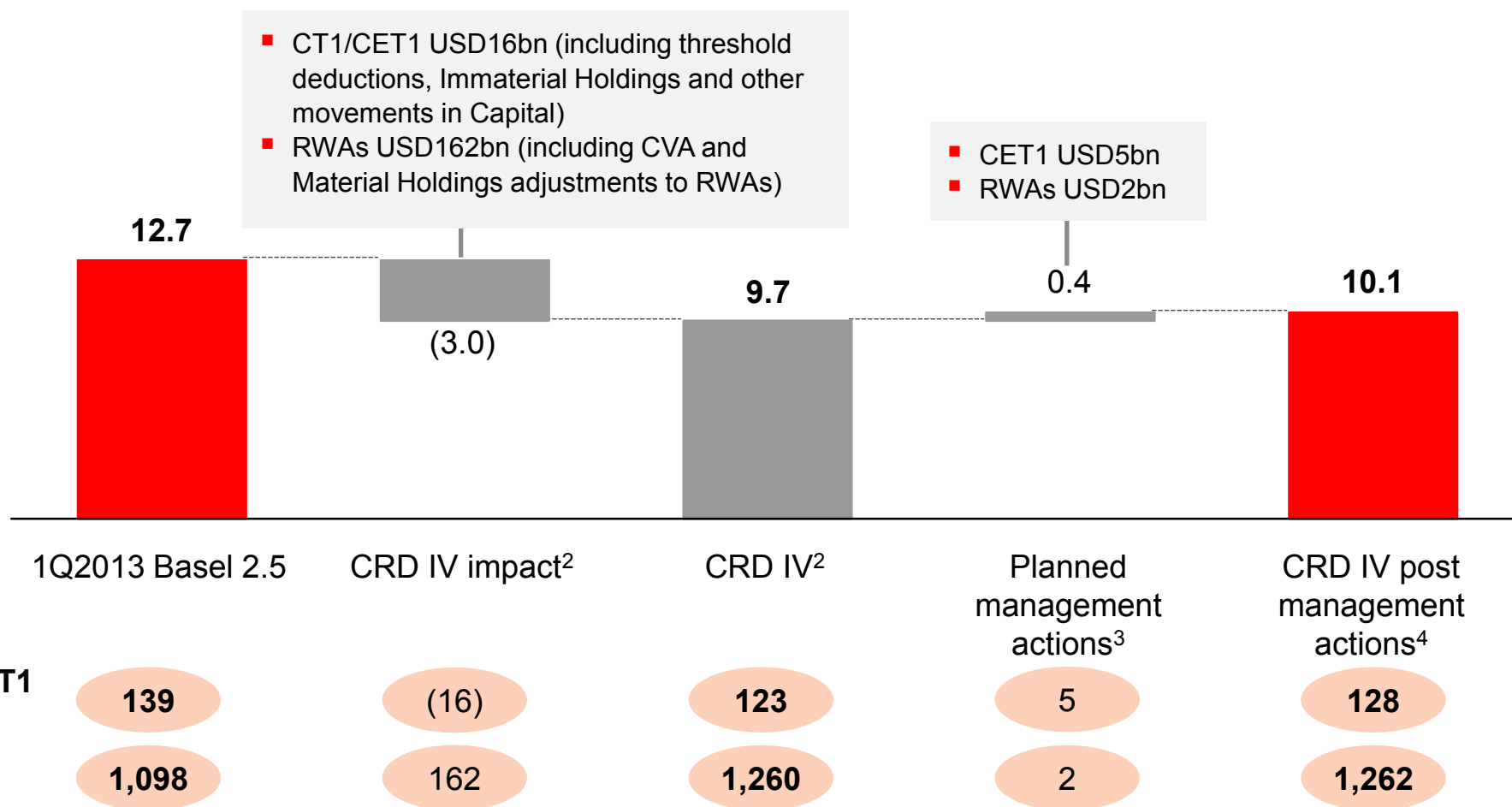
4 RWAs are non-additive across geographical regions due to market risk diversification effects within the Group.

II. Financial targets – Capital

Capital strength – CRD IV end point 1Q 2013

CT1/CET1¹ ratio

%



¹ Ratios not adjusted for rounding of capital and RWAs to USDbn

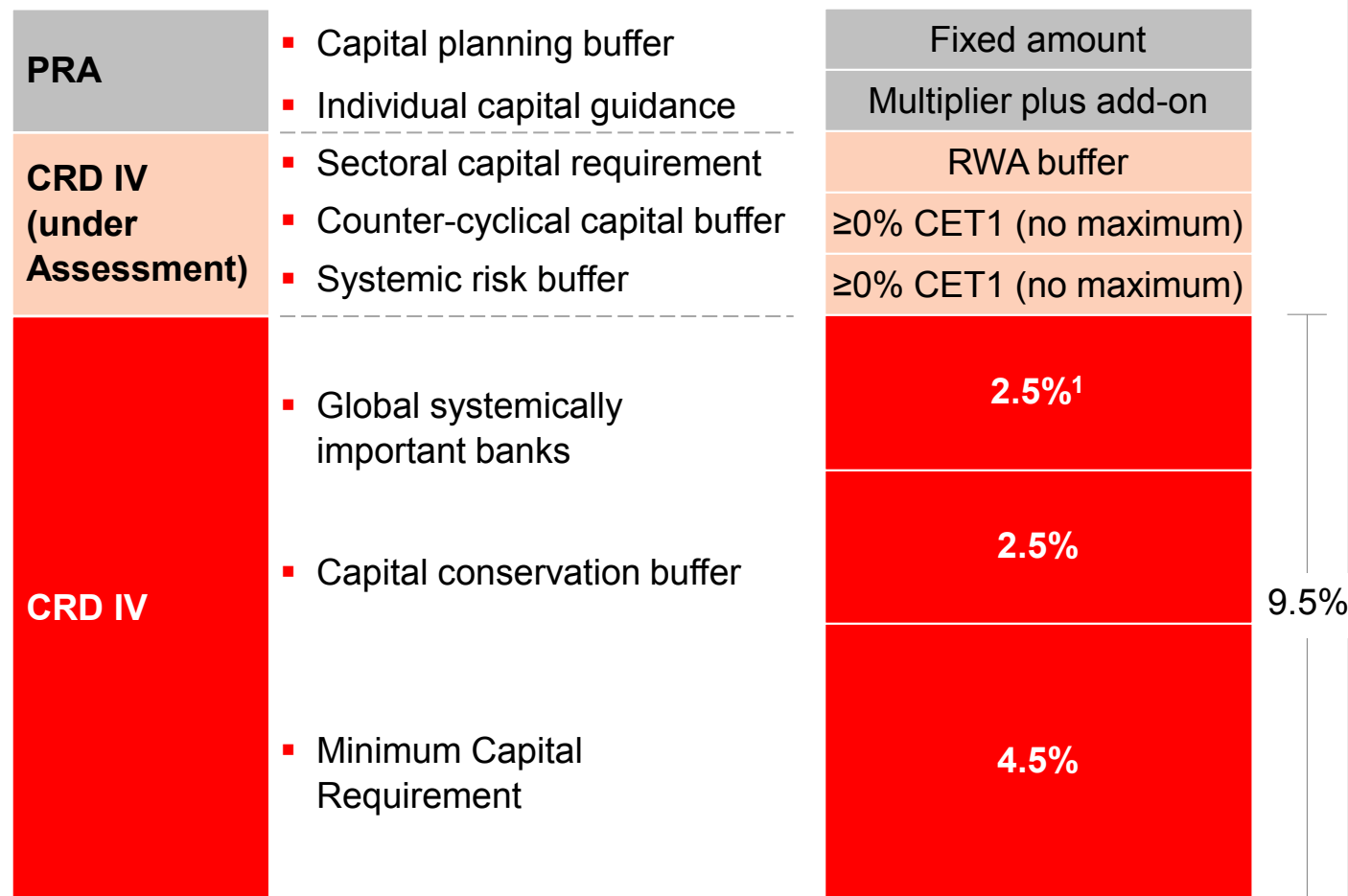
² Prepared on the same basis as our 2012 year-end disclosures. Estimated CRD IV CET1 end point capital and RWAs based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by PRA guidance.

³ Planned management actions on immaterial holdings, includes the impact of immaterial holdings on thresholds

⁴ 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 certain 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

Regulatory uncertainty remains

CRD IV Common Equity Tier 1 and other capital requirements



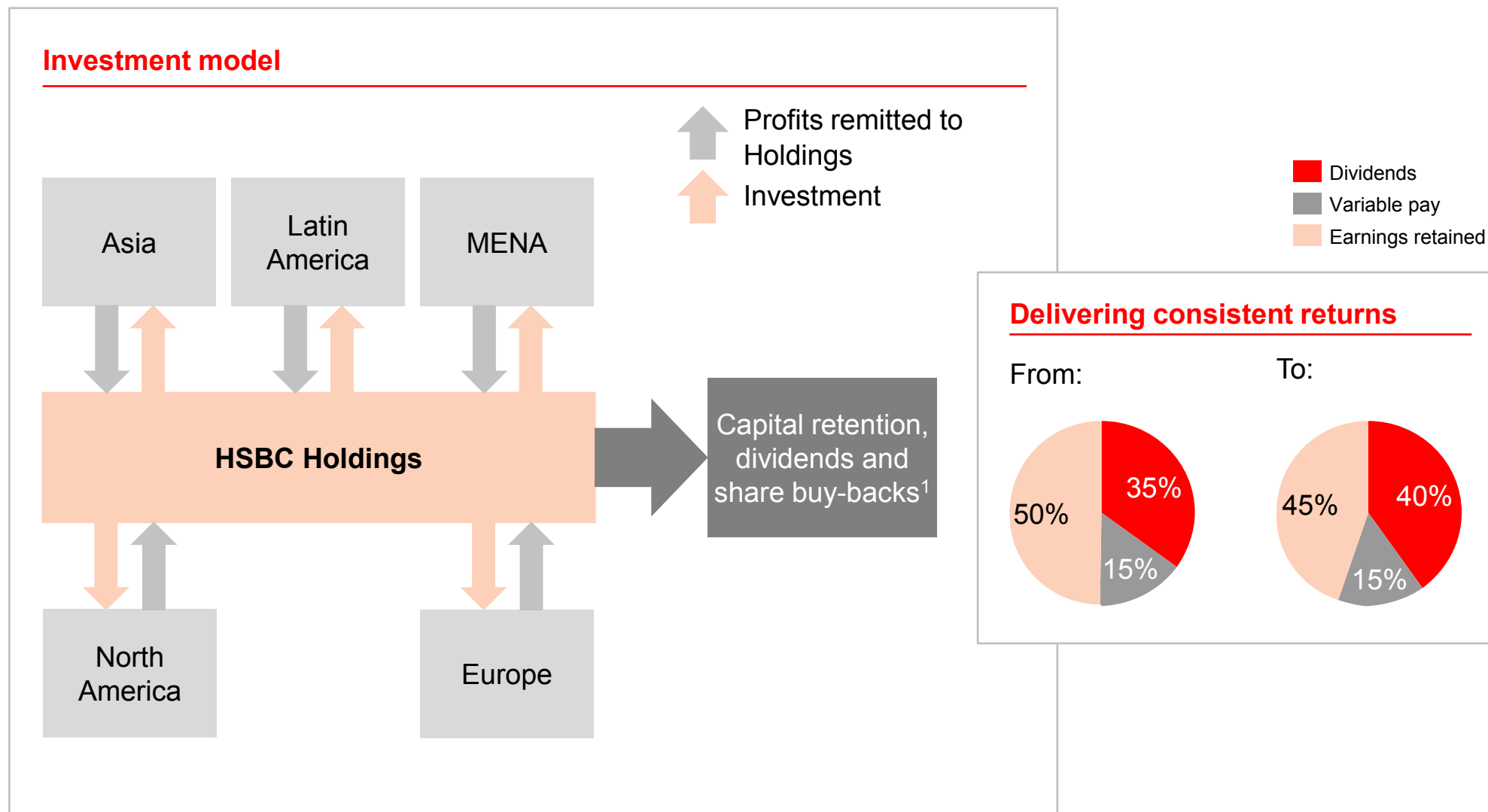
Further sources of uncertainty

- CRD IV – uncertainty in how buffers will be implemented and applied
- CRD IV – national discretion allows for interpretation and tougher policy stances by member states
- Financial Policy Committee – proposals for additional capital add-ons
- UK Financial Services (Banking Reform) Bill and Liikanen proposals – insufficient detail
- PRA proposals – e.g., low-default portfolios

1 Draft guidance from the Financial Stability Board

II. Financial targets – Grow both business and dividends

Earnings split



¹ Subject to meeting United Kingdom regulatory capital requirements and shareholder approval

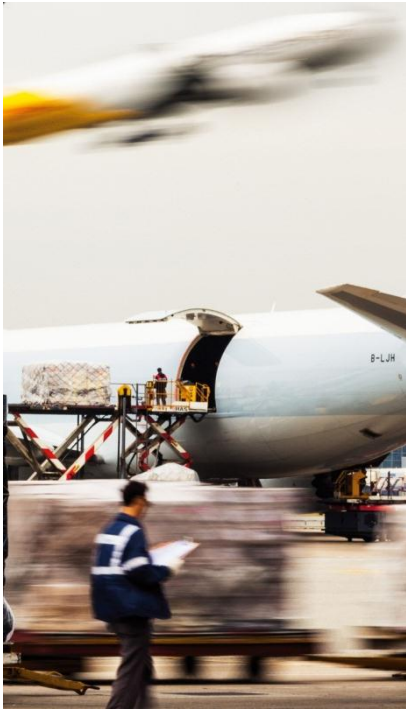
II. Financial targets – Grow both business and dividends

Grow both business and dividends



¹ Gross capital generation (before dividends) on a Basel 2.5 basis

Why should you own HSBC?



A Distinctive position in the new banking environment

B Proven track record in delivering change – First phase

C Clear plan for growth and shareholder returns – Next phase

I Priorities

II Financial targets

III Vision



Four Global Businesses

Four integrated global businesses

			Directional PBT contribution	2016 target RoRWA
			% of Group total	%
<p>“To become the world’s leading international bank”</p>	CMB	“The Leading International Trade and Business Bank”	30-40	2.2-2.5
	RBWM	“Securing customers’ future prosperity and realising their ambitions”	25-35	5.0-5.5 ¹
	GB&M	“Connecting clients to global growth opportunities”	25-35	2.0-2.2
	GPB	“Building on our commercial banking heritage, be the leading private bank for business owners”	3-5	

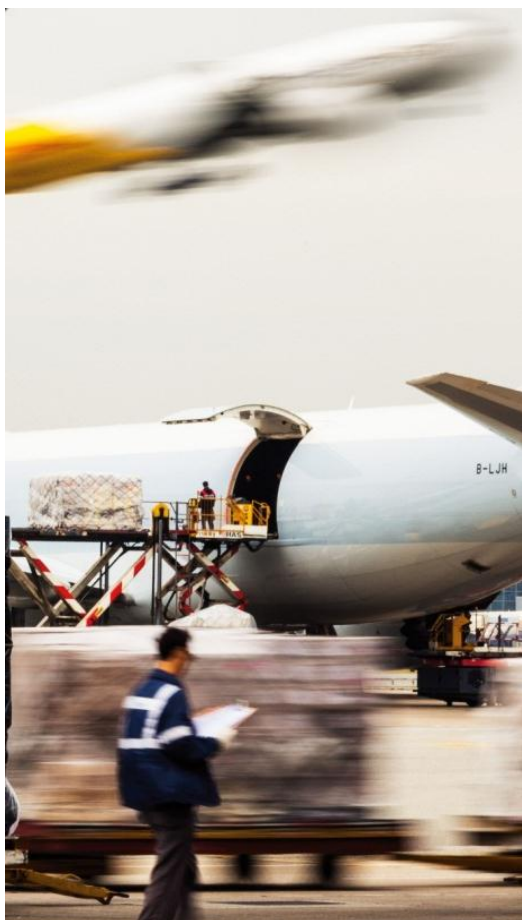
¹ Excluding run-off

Cohesive geographic portfolio

HSBC network

Region	Home and Priority markets	Other markets	PBT contribution	
Asia Pacific	<ul style="list-style-type: none"> ▪ Hong Kong ▪ Australia ▪ India ▪ Indonesia ▪ Mainland China ▪ Malaysia ▪ Singapore ▪ Taiwan ▪ Vietnam 	Network and Small markets	Faster growing regions	
Latin America	<ul style="list-style-type: none"> ▪ Argentina ▪ Brazil ▪ Mexico 			70-80%
MENA	<ul style="list-style-type: none"> ▪ Egypt ▪ Saudi Arabia ▪ UAE 		Mature regions	20-30%
Europe	<ul style="list-style-type: none"> ▪ UK ▪ France ▪ Germany ▪ Switzerland ▪ Turkey 			
US	<ul style="list-style-type: none"> ▪ US 			
Canada	<ul style="list-style-type: none"> ▪ Canada 			
PBT contribution	90-95%	5-10%		

Next phase 2014-16



Strategy remains unchanged

- Grow both business and dividends
- Implement Global Standards
- Streamline processes and procedures

Targets

- ROE 12-15%¹
- Positive jaws
- CER mid-50s²
- Additional USD2-3bn in sustainable saves
- Common equity tier 1 ratio >10%
- Advances-to-deposits ratio cap <90%
- Progressive dividends and share buy-backs³

1 Return on average ordinary shareholders' equity

2 Group Performance Share Plan long-term scorecard will remain unchanged with a Cost Efficiency Ratio target of 48-52% for 2013

3 Subject to meeting United Kingdom regulatory capital requirements and shareholder approval

Definitions (1/3)

A/D ratio	Customer advances to customer accounts
ABS	Asset backed securities
AFS	Available for sale
CAGR	Compound annual growth rate
CDO	Collateralised Debt Obligation
CER	The cost efficiency ratio is total operating expenses divided by net operating income before loan impairment charges and other credit risk provisions.
CET1	Common equity tier 1 ratio
CMB	Commercial Banking
CML	Consumer and Mortgage Lending
CRS	Card and Retail Services
DCM	Debt Capital Markets
EM	Emerging markets
Europe	Europe geographic segment includes the Group's head office costs, intra-HSBC recharges and the total impact of the UK bank levy.

Definitions (2/3)

FVOD	Changes in fair value due to movements in credit spread on own long-term debt issued by the Group and designated at fair value.
GB&M	Global Banking and Markets
GPB	Global Private Banking
Growth HSBC	The term 'Growth HSBC' is used in an analysis of HSBC's results, showing the effect of disposals and run-off portfolios separately from the rest of the Group.
GTRF	Global Trade and Receivables Finance
Home markets	The term 'Home markets' refers to our principal existing markets in Hong Kong and the United Kingdom.
Jaws	This is calculated as percentage growth in net operating income before loan impairment charges and other credit risk provisions less percentage growth in total operating expenses.
M&A	Mergers and acquisitions
MBS	Mortgage backed securities
Network markets	Network markets are further HSBC markets with high relevance for international trade and capital flows.
Other Global Business	'Other' contains the full impact of the bank levy, the results of certain property transactions, unallocated investment activities, centrally held investment companies, movements in the fair value of own debt, central support and functional costs with associated recoveries, HSBC's holding company and financing operations.

Definitions (3/3)

PCM	Payments and Cash Management
Priority growth markets	Priority growth markets are Australia, Mainland China, India, Indonesia, Malaysia, Singapore, Taiwan, Vietnam, France, Germany, Switzerland, Turkey, Egypt, Saudi Arabia, United Arab Emirates, Canada, United States of America, Argentina, Brazil and Mexico.
RBWM	Retail Banking Wealth Management
RMB	Renminbi
ROE	Return on average ordinary shareholders' equity
RoRWA	The metric, return on risk weighted assets ('RoRWA'), is defined as profit before tax divided by average risk weighted assets ('RWAs'). RWAs have been calculated using FSA rules for the 2010, 2011 and 2012 metrics. In all cases, RWAs or financial metrics based on RWAs for geographical segments or Global Businesses include associates, are on a third party basis and exclude intra-HSBC exposures.
Run-off	Run-off includes Legacy Credit in GB&M and the US Consumer and Mortgage Lending portfolios and the related treasury operations.
Small markets	Small markets are markets where HSBC has profitable scale and/or focused operations, subscale markets foreseen for exit and representative offices.