



Commercial Banking Investor Presentation

Nomura Financial Services Conference

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November 2013





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, Interim Report and 3Q 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 3Q 2012 & 3Q 2013 results¹

Summary financial highlights

	Nine months ended 30 September			Quarter ended 30 September		
	2012	2013	Change %	2012	2013	Change %
Reported PBT (USDbn)	16.2	18.6	15	3.5	4.5	30
Underlying PBT (USDbn)	13.5	18.1	34	4.6	5.1	10
EPS (USD)	0.58	0.71	22	0.13	0.16	23
Dividends (USD) ²	0.27	0.30	11	0.09	0.10	11

Key ratios %

	2012	2013	KPI ³	2012	2013
Return on average ordinary shareholders' equity	8.9	10.4	12-15	5.8	7.2
Cost efficiency ratio	61.2	56.6	Mid 50's	70.6	63.6
Advances-to-deposits ratio ⁴	76.3	73.6	<90		
Common equity tier 1 ratio ⁵	9.5 ⁶	10.6	> 10		

Notes:

- All figures are as reported unless otherwise stated
- Declared in respect of the period
- 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%
- Ratio of customer advances to customer accounts
- Estimated CRD IV end point CET1 ratio after planned mitigation of immaterial holdings based on our interpretation of Final CRR rules. Refer to Estimated effect of CRD IV end-point rules table on page 16 of the 3Q IMS and basis of preparation on page 197 in the Interim Report 2013
- As of December 2012

Financial results

CMB contributes 33% to HSBC's PBT ^{1,2}

Underlying PBT (USDbn)	Nine months ended 30 September			Quarter ended 30 September		
	2012	2013	Change %	2012	2013	Change %
Commercial Banking (CMB)	6.0	6.0	1	2.0	1.9	(6)
Global Banking and Markets (GBM)	6.9	7.5	10	2.1	1.8	(14)
Retail Banking Wealth Management (RBWM)	2.6	4.9	91	1.2	1.6	28
Global Private Banking (GPB)	0.7	0.1	(87)	0.3	(0.0)	(106)
Other	(2.6)	(0.4)	(84)	(1.0)	(0.2)	(80)
Total	13.5	18.1	34	4.6	5.1	10

Notes:

1. All Figures are on an underlying basis
2. Contribution for 9 months ending 30 September 2013

Financial results

Commercial Banking 3Q 2013 – balanced geographic and product mix¹

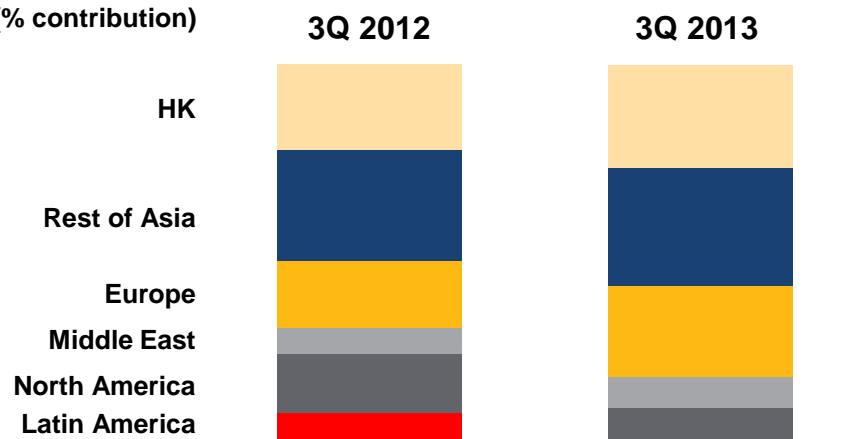
3Q 2013 Highlights

- Home Markets contributed c.50% of profits
- Higher LICs impacting profits mainly in Latin America
- Lending Growth driven primarily by Global Trade and Receivables Finance in Asia²

	Nine months ended 30 September		Quarter ended 30 September	
	2012	2013	2012	2013
Revenues (USDbn)	12.4	11.8	4.1	4.0
Loan Impairment Charges (USDbn)	1.5	1.8	0.6	0.7
Profit before tax (USDbn)	6.7	6.0	2.2	1.9
Underlying Profit before tax (USDbn)	6.0	6.0	2.0	1.9
Cost efficiency ratio (%)	44.5	43.6	43.0	46.0
Return on risk-weighted assets(%)	2.2	2.1	2.2	1.9

PBT 3Q 2012 vs 3Q 2013

(% contribution)



CMB Product Revenue (USDbn)	Nine months ended 30 September		Quarter ended 30 September	
	2012	2013	2012	2013
Global Trade & Receivables Finance ²	2.2	2.2	0.8	0.8
Credit & Lending	4.6	4.6	1.6	1.5
Payment and Cash Management ³ , Current Accounts & Saving Deposits	4.0	3.9	1.3	1.3
Insurance and Investments	0.6	0.5	0.2	0.2
Other	0.9	0.7	0.2	0.2
Total Revenue	12.4	11.8	4.1	4.0

Notes:

1. All figures are as reported unless otherwise stated

2. Year to 30 SEP. Asia refers to Hong Kong and Rest of Asia-Pacific

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

Operating environment

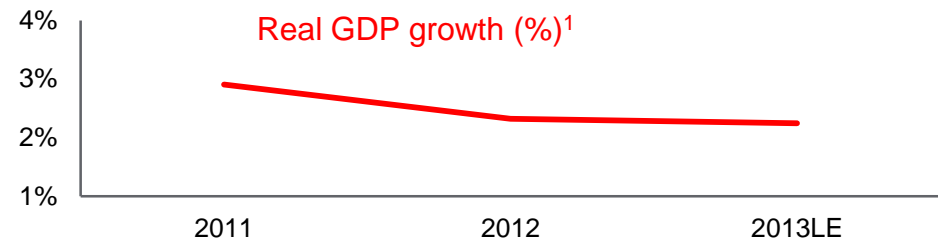
CMB is delivering a strong performance in challenging conditions

External factors

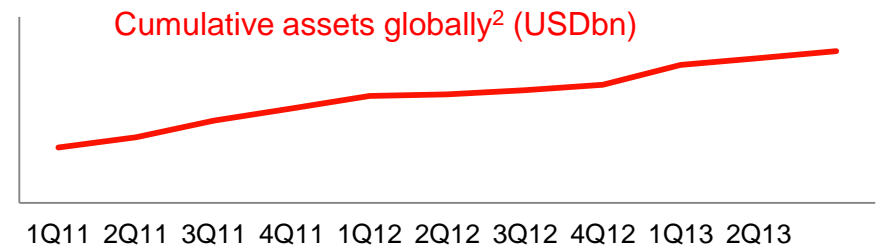
- Economic
 - Mixed global economic picture
 - Interest rates likely to stay low
- Regulatory
 - Ongoing regulatory uncertainty
 - Enhanced regulatory focus across key markets

Developments

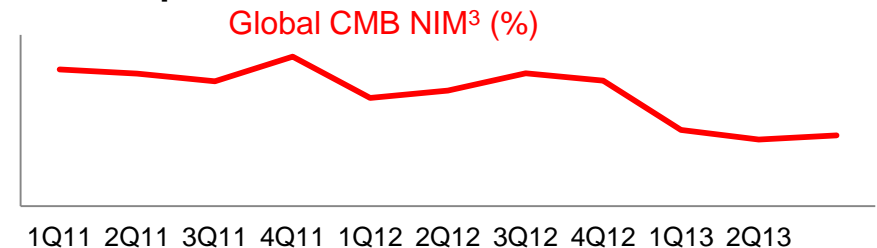
While global GDP growth rate is slowing down...



... total CMB lending book is increasing...



... however spreads have narrowed



Notes:

1. Source: Oxford Economics
2. Total CMB loans and customer advances globally
3. Net Interest Margin is calculated based on NII/Average lending balances

HSBC's position

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

2013 Investor day update

Growth priorities	Drive revenue through international network
	Grow collaboration revenues
	Grow coverage in faster growing markets
Streamline	Simplify and restructure

Key metrics

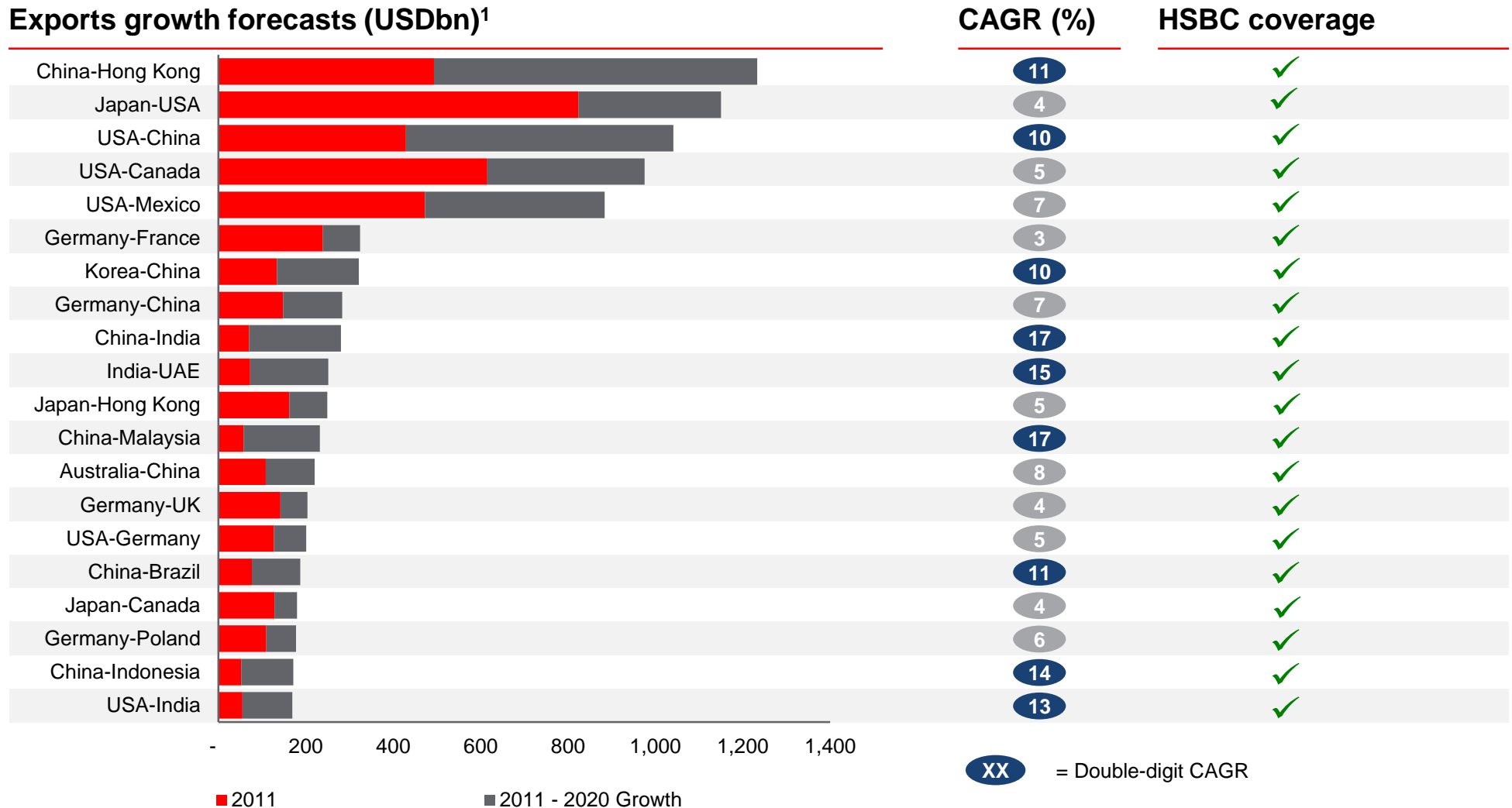
<ul style="list-style-type: none">International customers generate around 40% of total CMB revenues¹
<ul style="list-style-type: none">Collaboration with Global Businesses delivered incremental revenues of USD 0.9bn for HSBC since 2010¹
<ul style="list-style-type: none">Faster Growing Regions² generate 55% of total CMB revenue
<ul style="list-style-type: none">Sustainable cost saves of over USD 140m achieved³

Notes:

1. Per 2012 Annual Report and Accounts
2. Faster Growing Regions include Hong Kong, Rest of Asia Pacific, LATAM and MENA
3. 2011 – 1H 2013

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

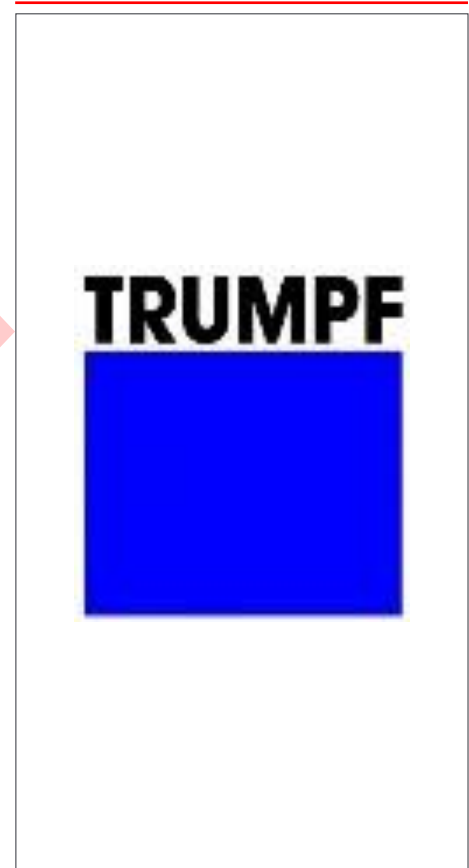
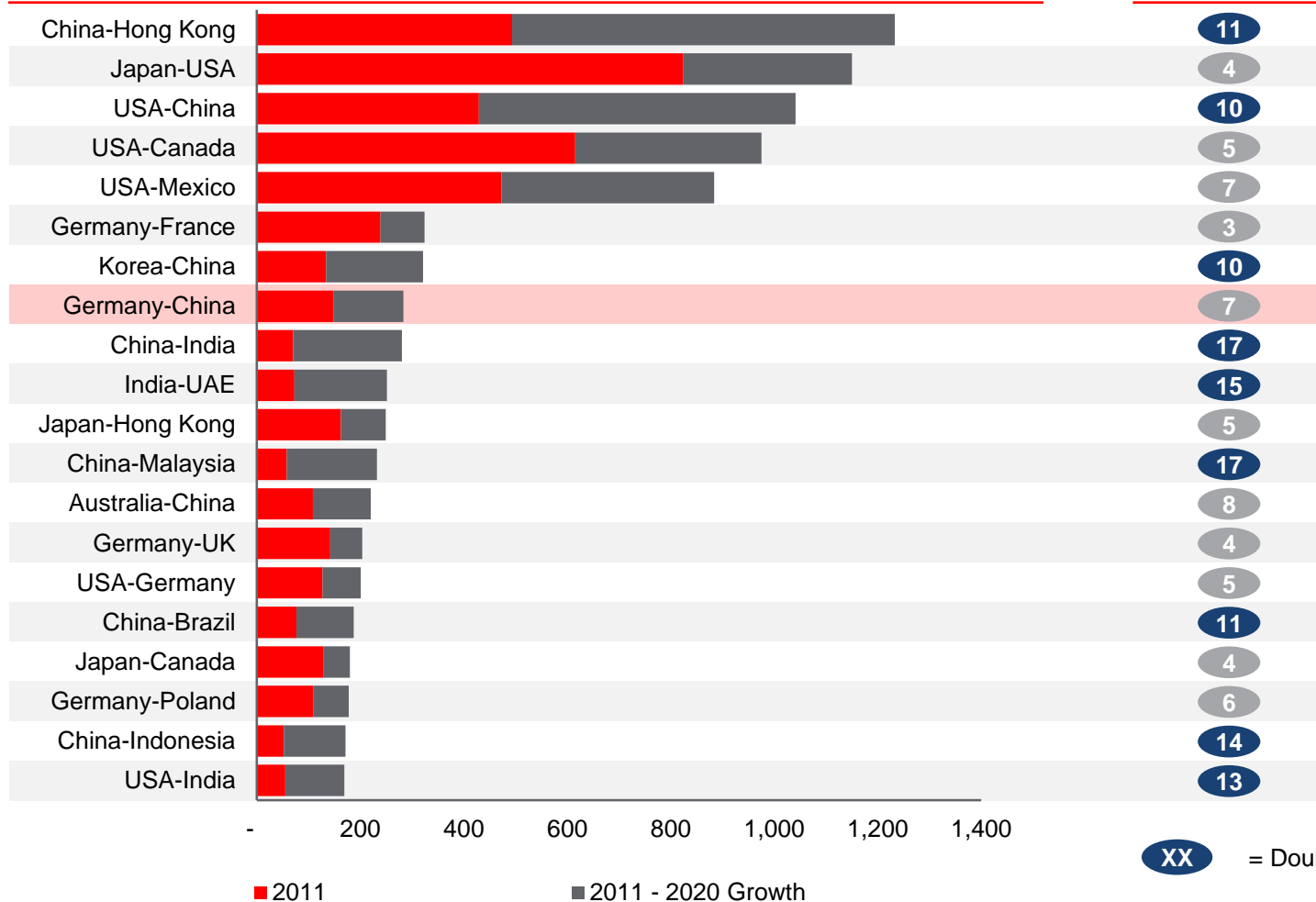
HSBC's position

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

Exports growth forecasts (USDbn)¹

CAGR (%)

Supporting Clients



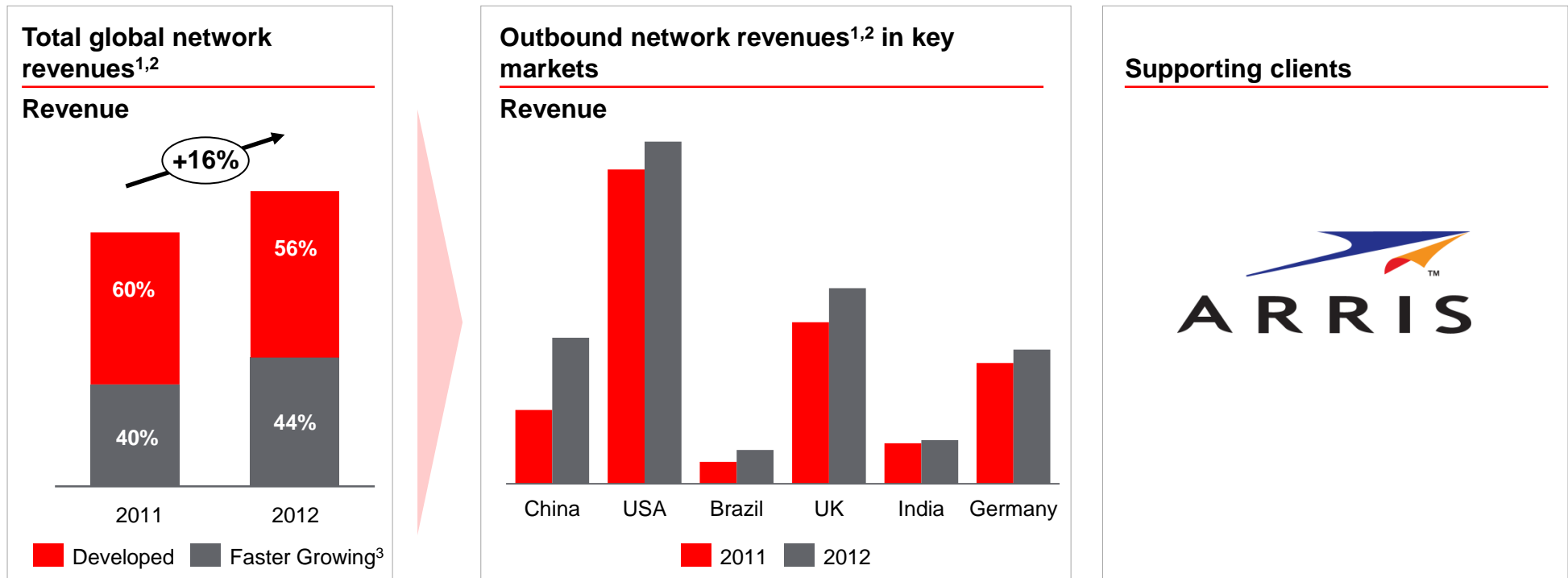
XX = Double-digit CAGR

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 more than twice as fast as overall CMB revenues

Notes:

1. Internal Management Information 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....

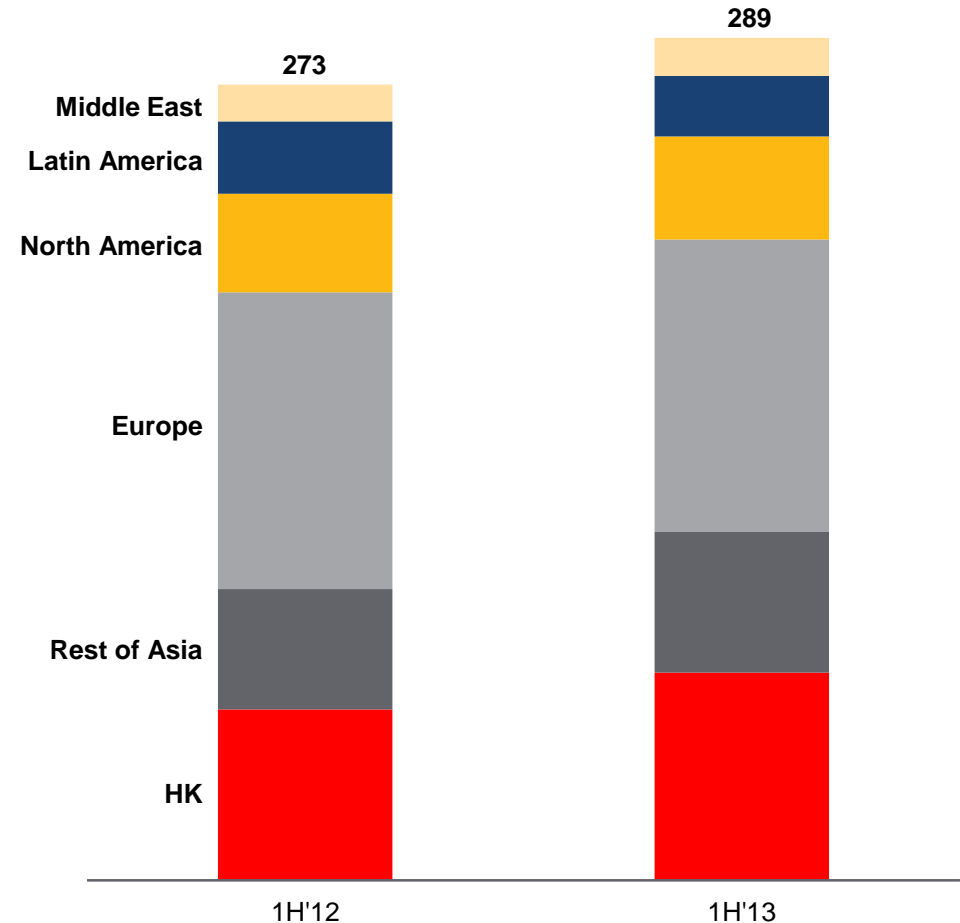
- Balance sheet growth driven particularly by Asia Pacific²
- Support to Economy via SME International Growth Funds in key countries

... driven by supporting our clients' needs



... globally...

CMB assets¹ (USDbn)



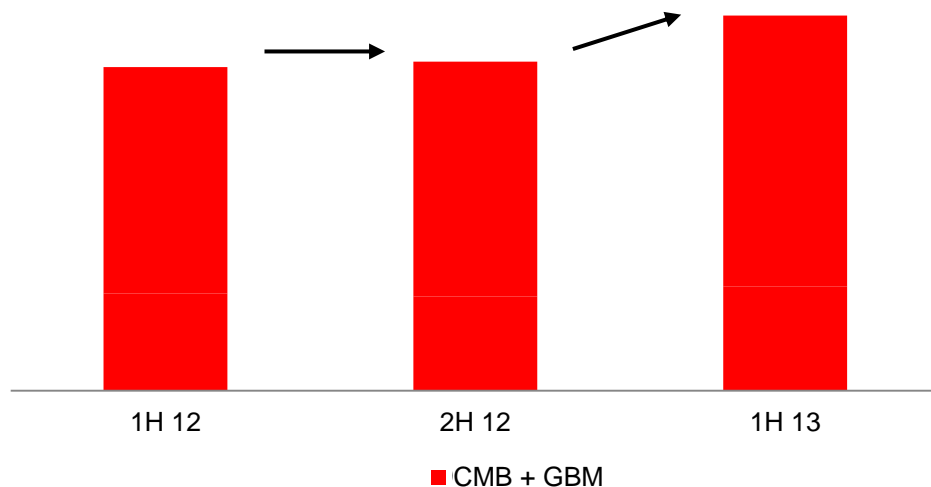
Notes:

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

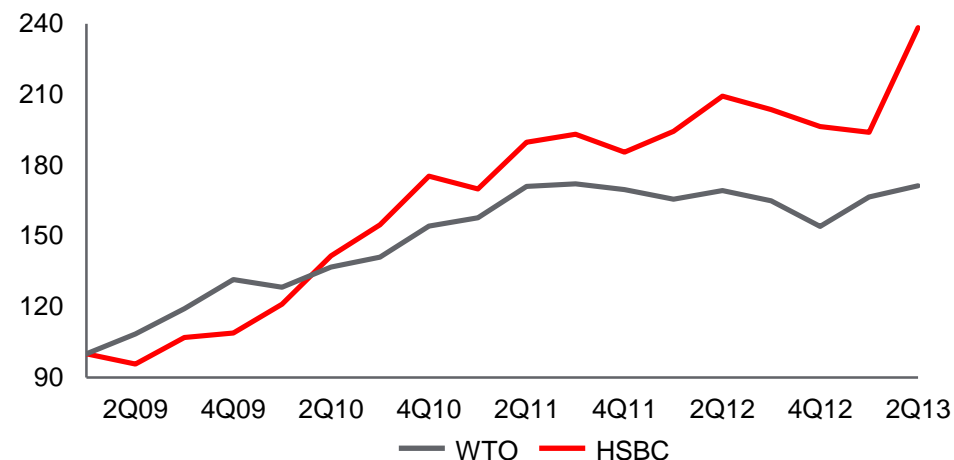
Global Trade and Receivables Finance

HSBC continues to be the Best Global Trade Finance bank of choice¹

Financed balances continue to grow²



HSBC exports turnover³ v WTO merchandise exports⁴



- HSBC's trade turnover continues to outpace world merchandise exports growth given strong network - access to 77% of world trade flows⁵
- Double-digit lending growth across CMB and GBM offset by margin compression
- Best Transaction Banking House globally – Euromoney magazine⁶

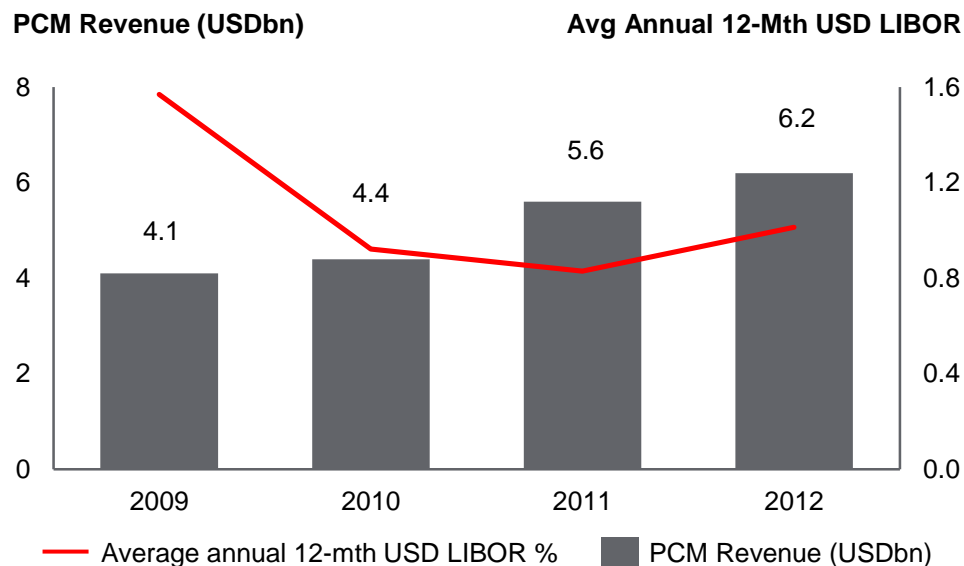
Notes:

1. Global Trade Review, December 2012
2. HSBC internal MI
3. Indexed with 1Q09 = 100. HSBC exports turnover comprising letters of credit and documentary collections per internal MI
4. Indexed with 1Q09 = 100. World exports per WTO
5. Global Insight 2011
6. Euromoney, July 2013

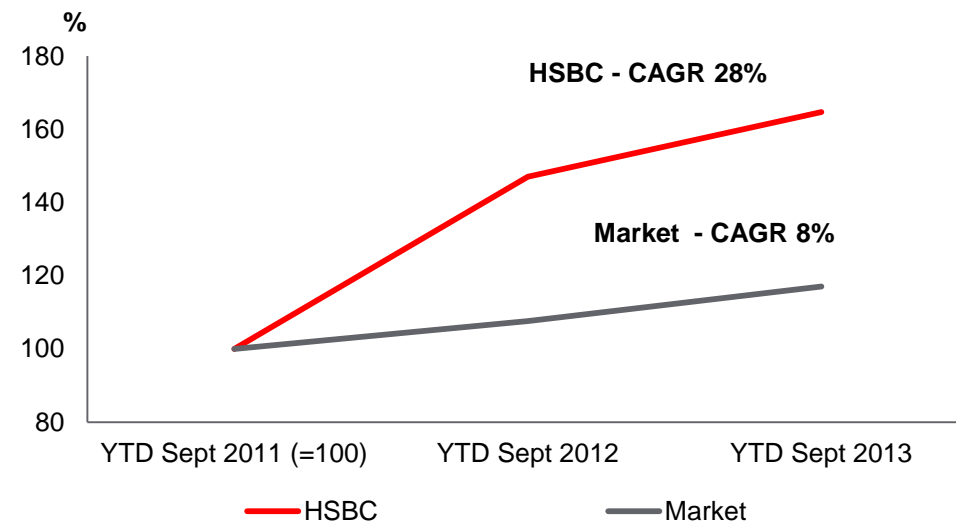
Payments and Cash Management

PCM position sustained despite a low interest rate environment

PCM revenue vs interest rates¹



HSBC payment volumes grows > 3x faster than market²



- Strategically located where over 90% of the world's payment activity originates³
- Connected to over 150 payment exchanges globally
- In both 2012 and 2013, voted the 'Best Global Cash Management Bank' for 'Financial Institutions' and 'Non-Financial Institutions'⁴

Notes:

1. Reported Basis – CMB and GBM
2. SwiftNet, 1 Nov 2013
3. Boston Consulting Group, 2011
4. Euromoney Cash Management Survey, 2012 and 2013

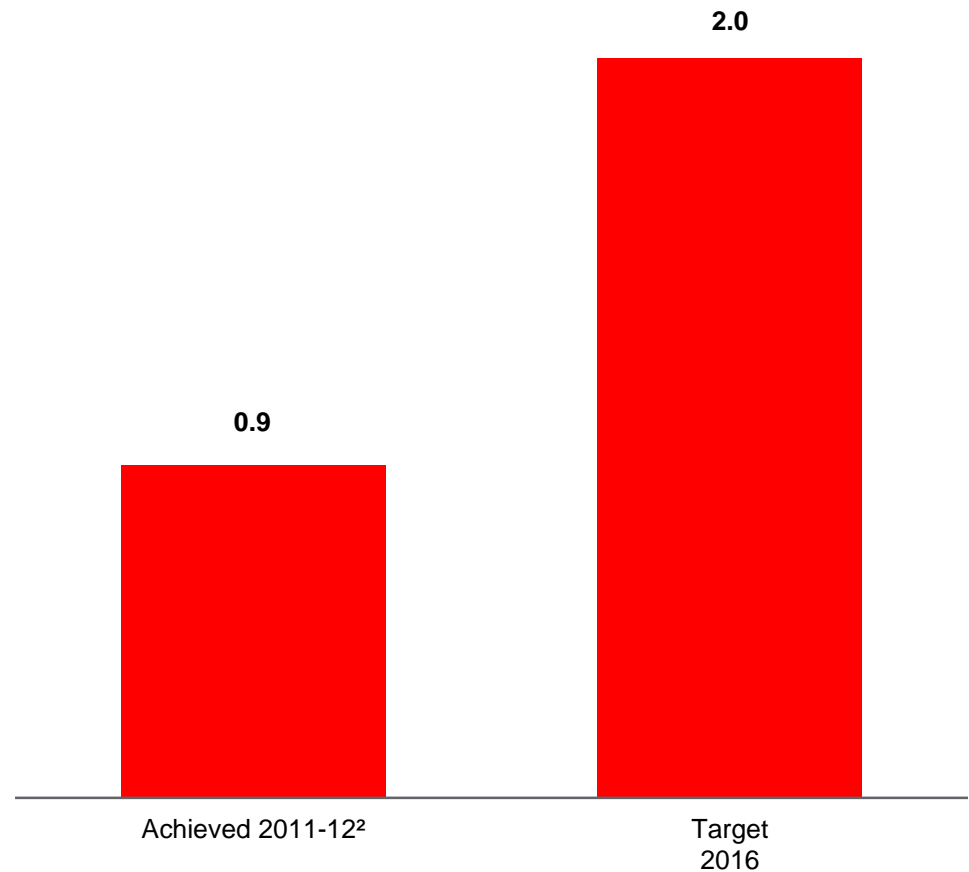
Collaboration

Collaboration revenue on track, c45% of Group USD2bn target achieved¹

Implemented actions driving results

- Collaboration with Global Businesses delivered incremental revenues of USD 0.9bn for HSBC since 2010¹
- Collaboration with GBM established across key hubs
- Delivered USD 0.7bn incremental gross revenue since 2010 from sales of GBM products¹
- Senior appointments dedicated to fostering collaboration

Incremental collaboration revenues (USDbn)



Notes:

1. As of year 2012

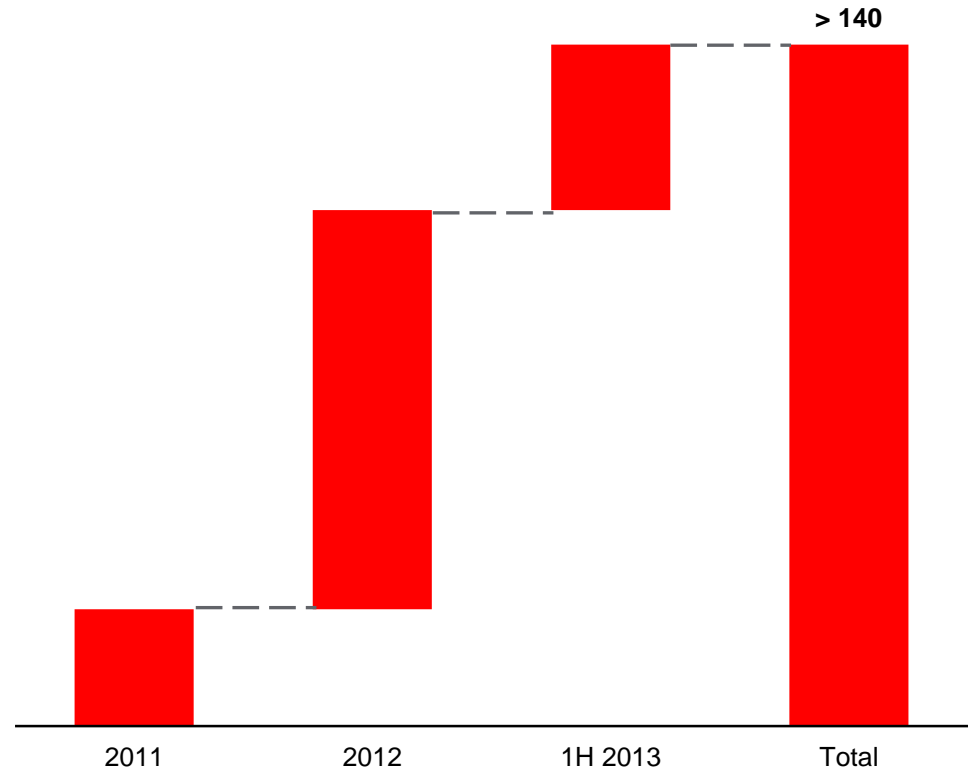
2. Performance against announced targets since 2010

Streamlining our business

Cost savings reflective of successful streamlining

Simplifying our portfolio, organisation and processes... ...delivered Sustainable Cost Saves (USDm)

- Global business model implemented
- Streamlining of direct channels
- Simplification of
 - Credit renewal processes
 - Cross-border account opening
- Part re-investment in Global Standards implementation



Notes:

1. IVR – Individual Voice recognition

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
- Grow Collaboration Revenues
- Grow coverage in faster growing markets

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