



Global Banking and Markets Citi Reverse Roadshow

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HSBC 
Global Banking and Markets

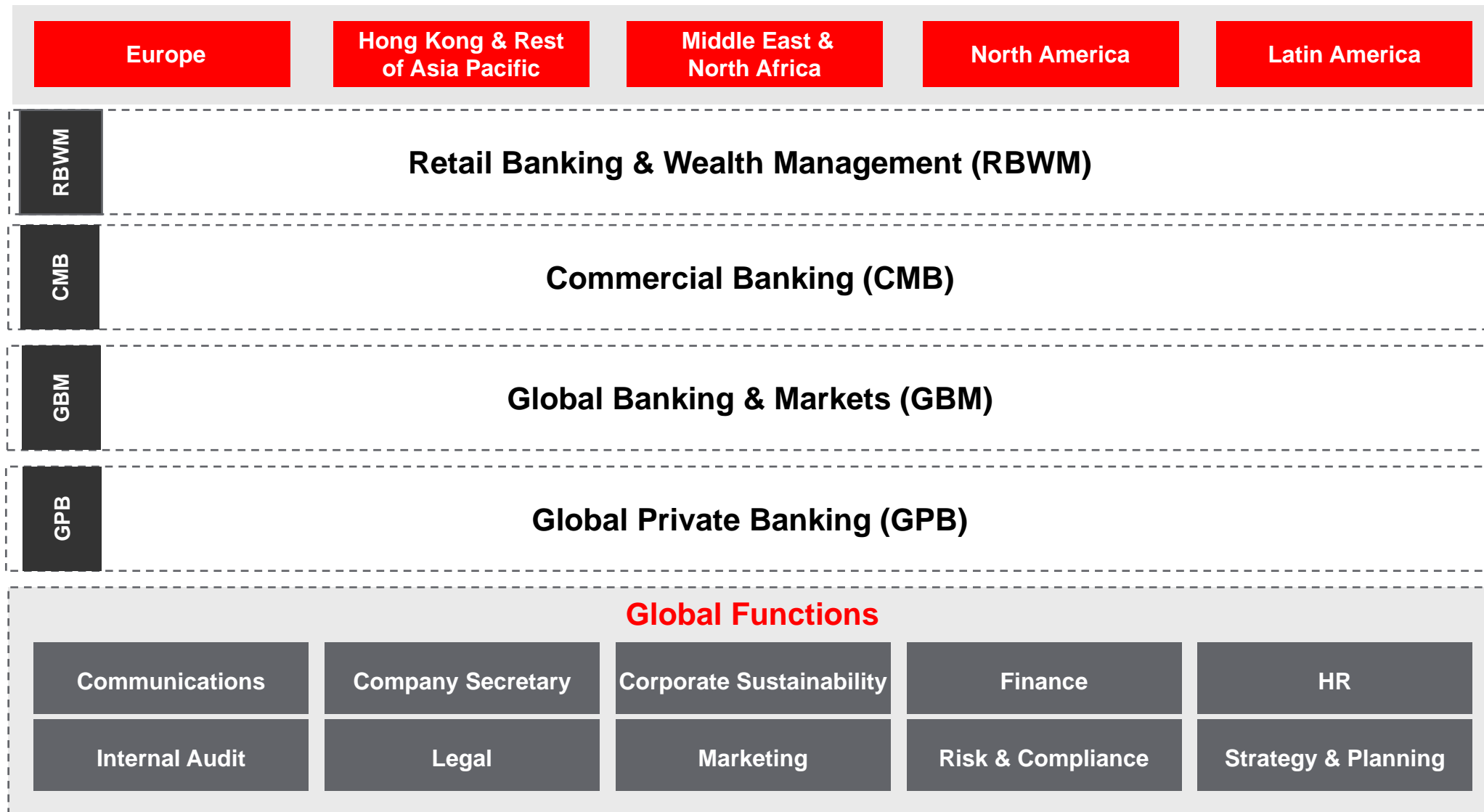


Forward-looking statements

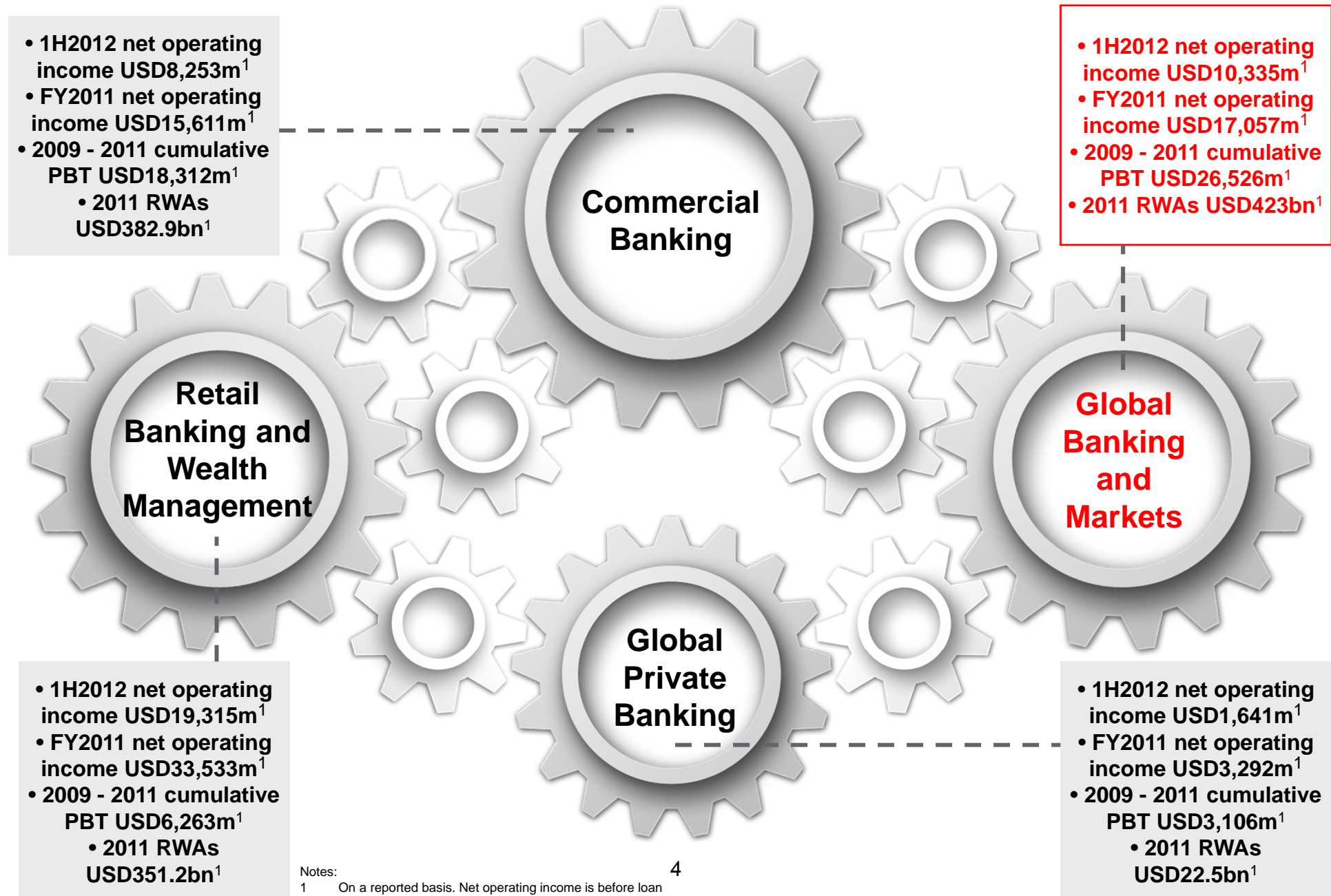
This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known 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 HSBC Holdings plc Annual Report and Accounts 2011 and Interim Report issued on 30 July 2012. 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 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.

HSBC Group management matrix



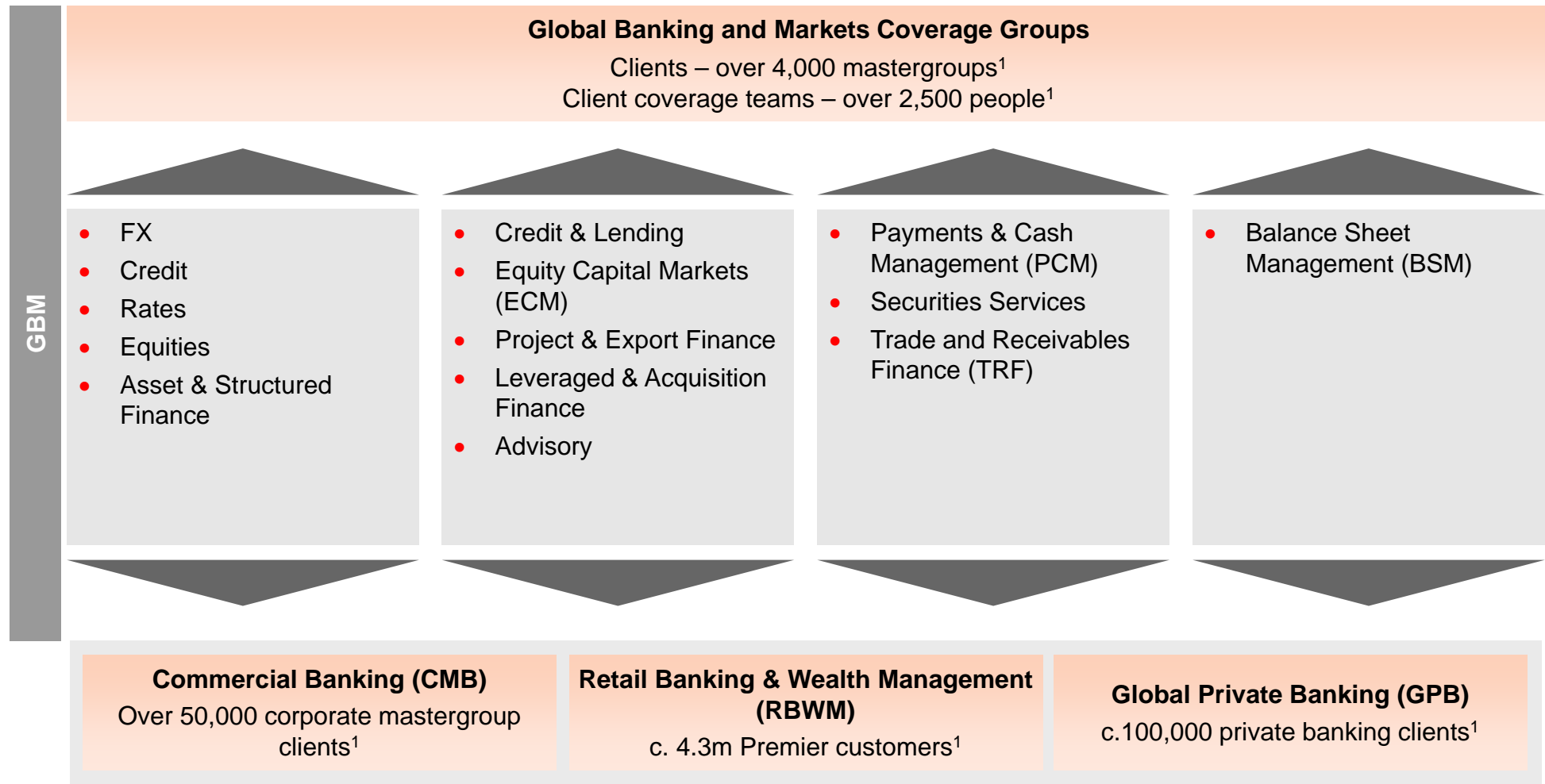
Four integrated Global Businesses



Notes:

¹ On a reported basis. Net operating income is before loan impairment charges and credit risk provisions.

How we are structured

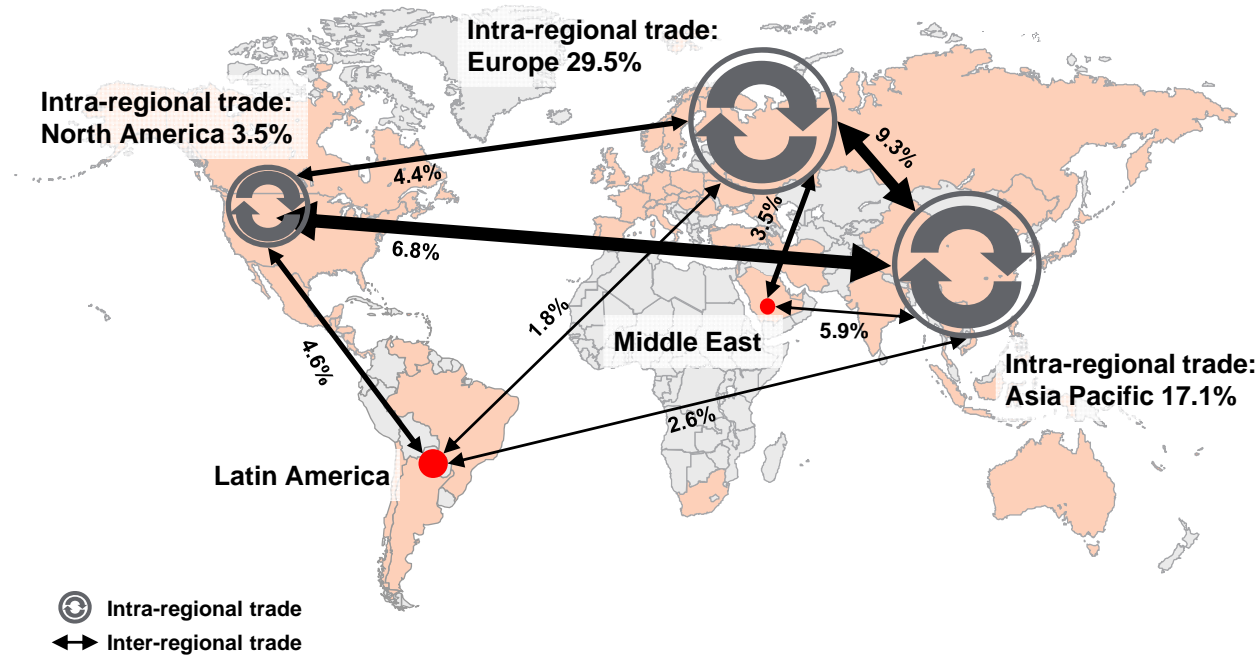


■ Clients ■ Products / Business

Note:
¹ HSBC internal management information as at 30th June 2012

GBM strategy is underpinned by trends in growing international trade and capital flows

Major trade flows¹ 2011



Comments

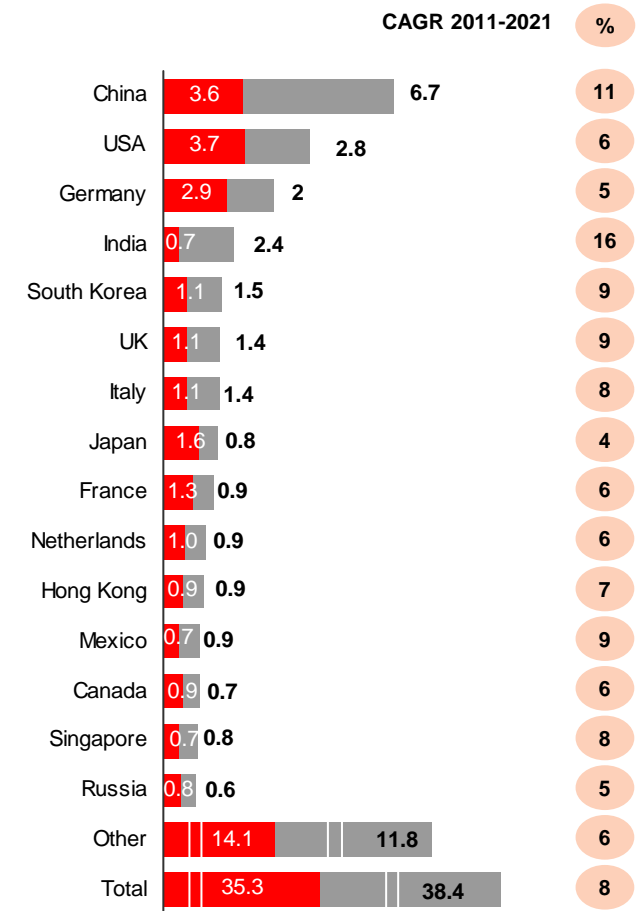
- Developed markets still play a vital role in global trade:
 - Top 15 countries account for 69% of global trade growth from 2011-2014
 - 5 most important trade flows in 2011 are intra-regional Europe, intra-regional Asia, between Asia and Europe, between Asia and North America and between Asia and the Middle East.
 - Large increase of South-South business flows

Notes:

1 IMFDOTS, based on FY2011 share of total exports across 183 countries

2 Global Insights March 2012, total imports and exports merchandise trade

Country Trade Growth² Imports and Exports, USDtn



■ 2011 ■ Growth 2011-2021

GBM strategy is aligned to the strategy of the Group

Group Strategy

International trade and capital flows



- International network in markets that matter
- Build on international trade and commercial banking heritage

Economic development and wealth creation



- Most relevant markets for wealth creation
- Retail banking only where we can achieve profitable scale

GBM Strategy

Emerging markets led

- International network connecting emerging and mature markets, covering key growth areas
- 4 main hubs and 6 strategic hubs

Financing focused

- Simple financing led product set, including:
 - Credit & Lending
 - Debt Capital Markets / Equity Capital Markets
 - Project and Export Finance
 - Asset Structured Finance

Connectivity emphasis

- Franchise client focus including:
 - Global Banking: over 4,000 mastergroup clients¹
 - CMB: over 50,000 corporate mastergroup clients¹
 - RBWM: c. 4.3m Premier customers¹
 - GPB: c.100,000 private banking clients¹

Note:

¹ HSBC internal management information as at 30th June 2012

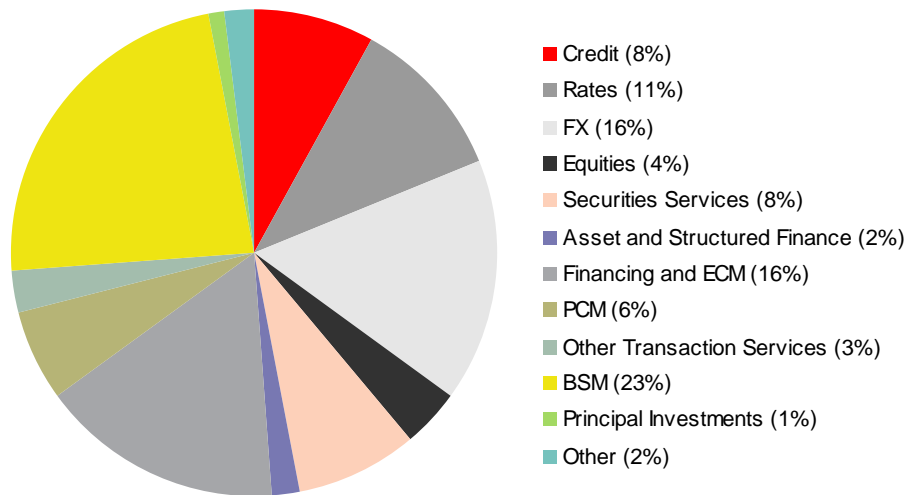
Strong GBM financial performance diversified by product and geography

Average 2009-2011

Managed View of Operating Income¹

% average 2009-2011

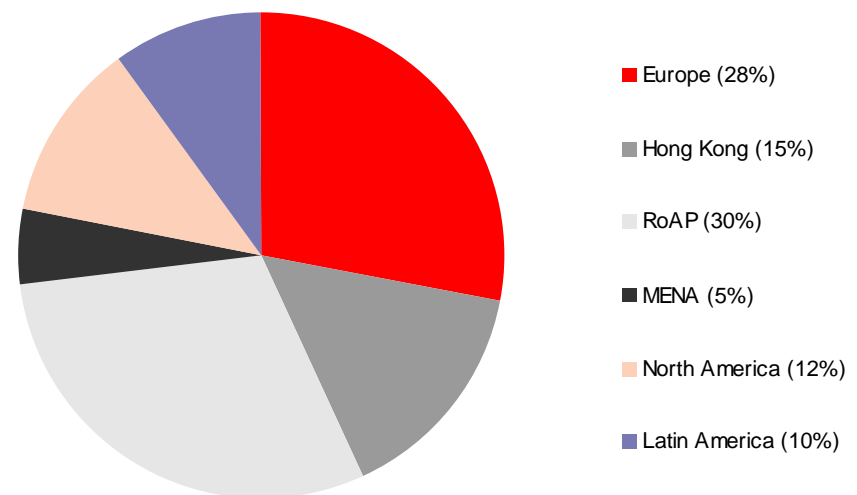
Total: USD19bn



Profit Before Tax¹

% average 2009-2011

Total: USD9bn



FY 2011 Cost Efficiency Ratio: 57%
 FY 2010 Cost Efficiency Ratio: 49%
 FY 2009 Cost Efficiency Ratio: 38%

FY 2011 Return on RWAs²: 1.8%
 FY 2010 Return on RWAs²: 2.5%
 FY 2009 Return on RWAs²: 2.6%

FY 2011 RWAs²: USD423bn
 FY 2010 RWAs²: USD353bn
 FY 2009 RWAs²: USD394bn

Notes:

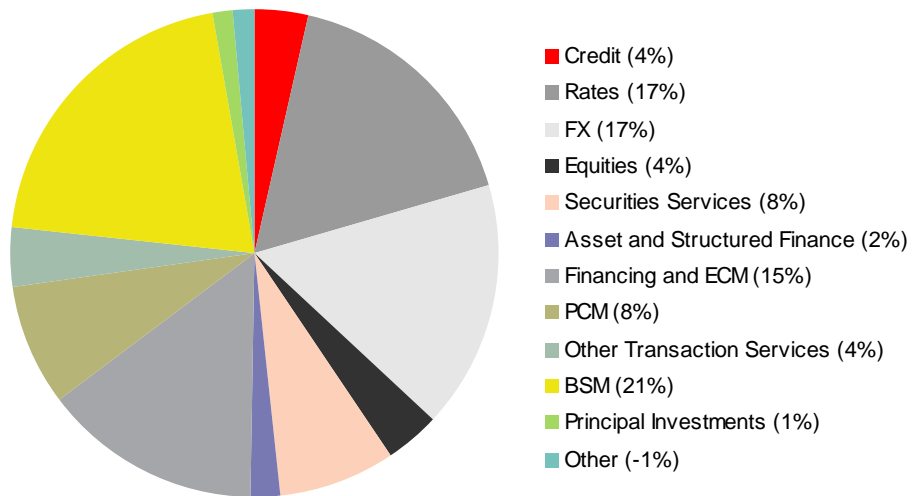
1 On a reported basis

2 FSA, Basel II basis. 2011 ex-GBM legacy RWAs were USD373bn and RoRWA was 2.1%.

Strong GBM financial performance diversified by product and geography 1H 2012

Managed View of Operating Income¹ % 1H 2012

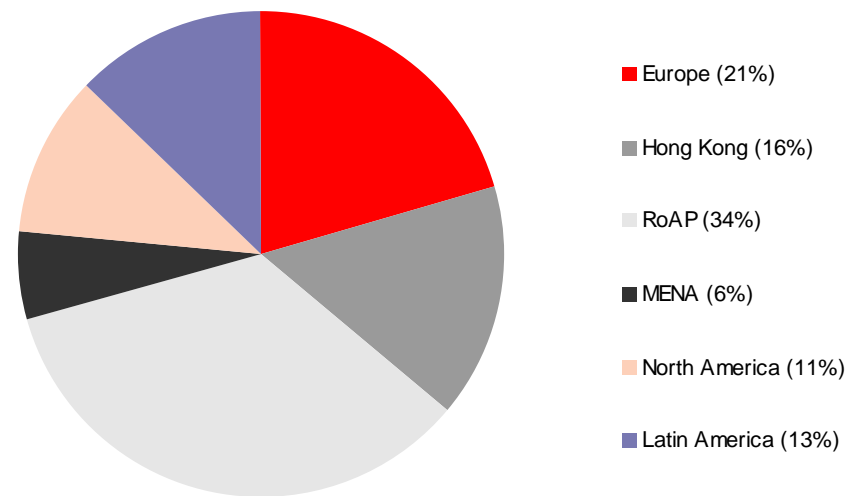
Total: USD10.3bn



Cost Efficiency Ratio: 49.1%

Profit Before Tax¹ % 1H 2012

Total: USD5.0bn



Return on RWAs²: 2.4%

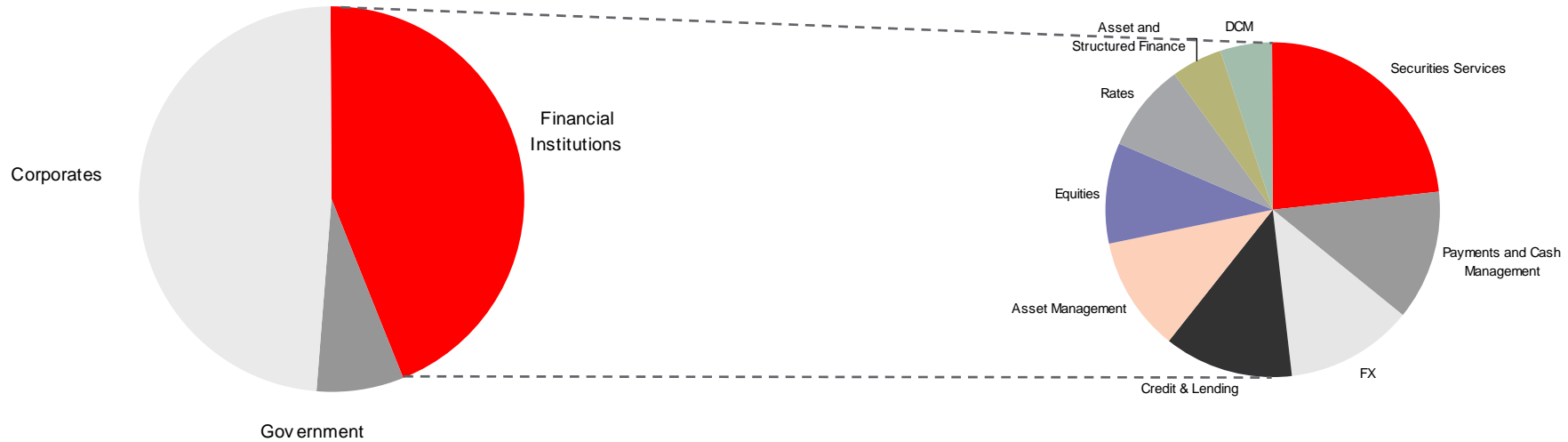
Notes:

1 On a reported basis

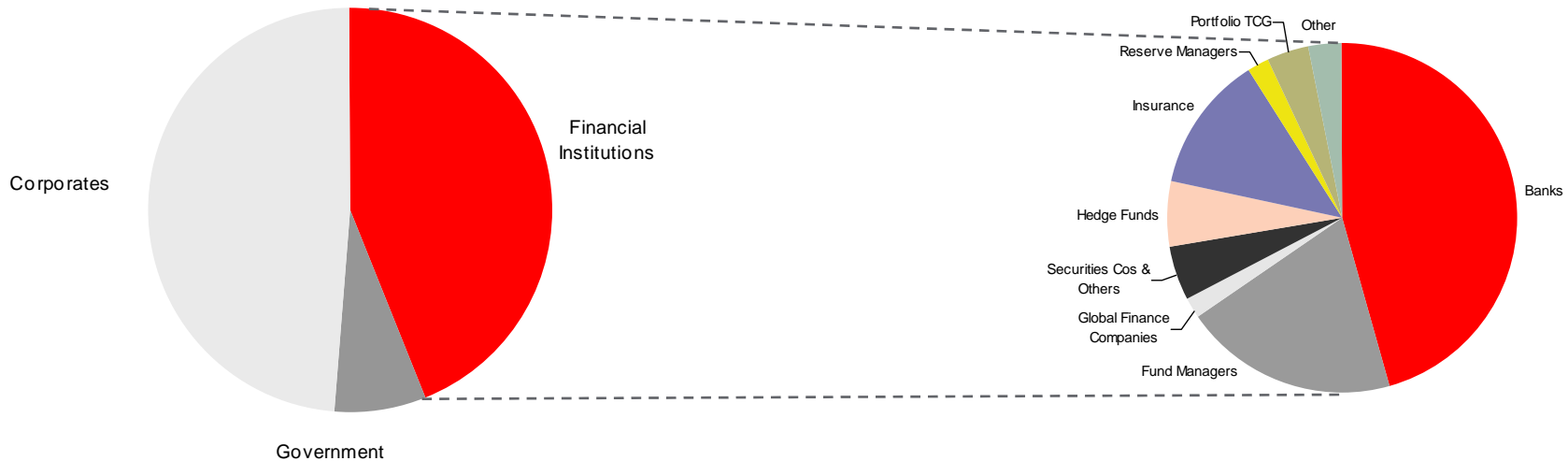
2 Pre-tax return on average RWAs (annualised)

Diversified and resilient client base

Financial Institutions Relationship Revenue Split by Product¹



Financial Institutions Relationship Revenue Split by Customer Segment¹

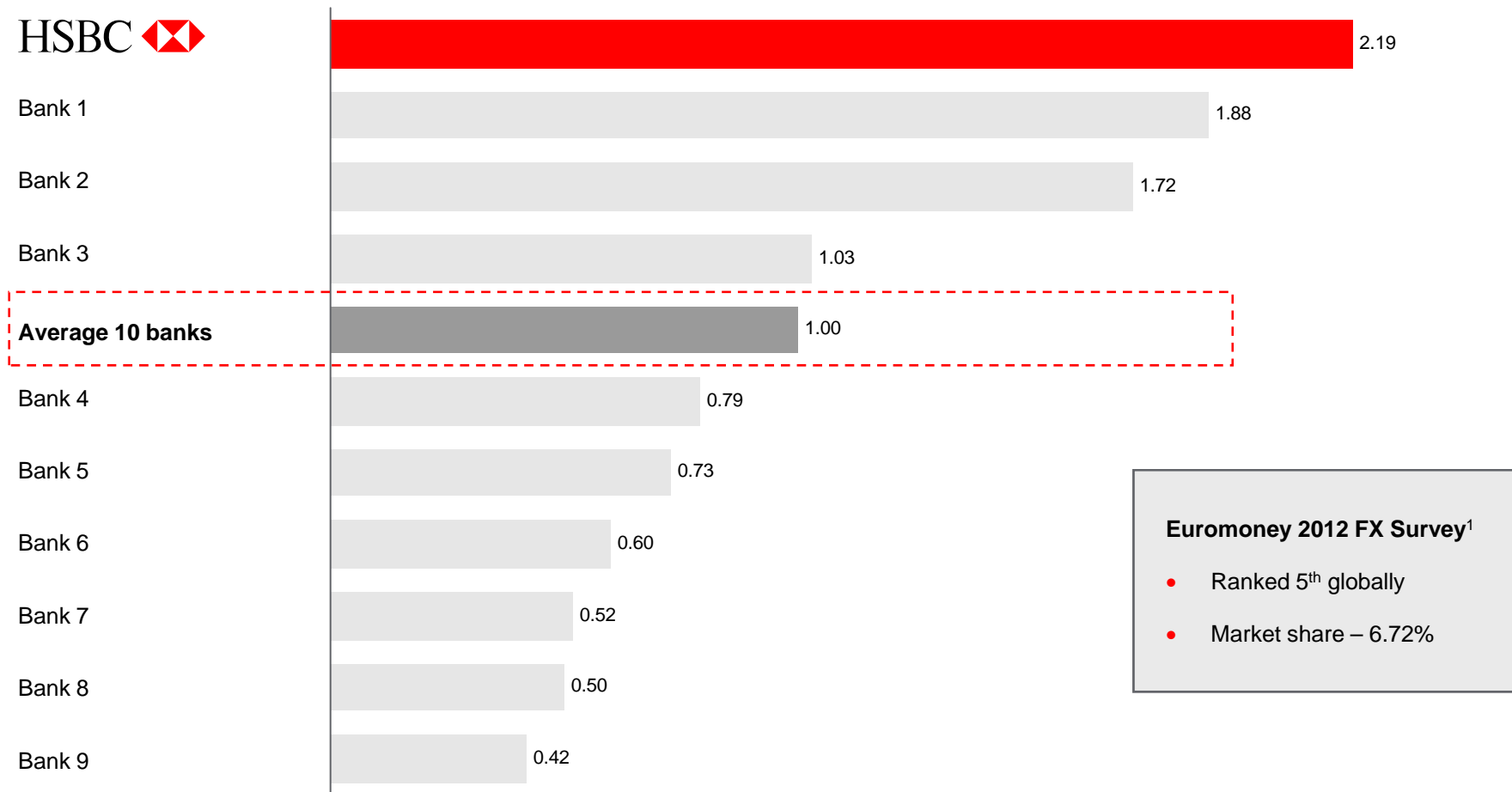


Note:
¹ HSBC internal management information as at 31 December 2011

HSBC derives a larger quantity of its FX activity from non-FI clients than any other competitor

Euromoney 2011 FX Survey¹

Non-FI FX volume as a proportion of each bank's total FX volume (with banks' average rebased to 1)



Note:

1. Source: Euromoney (based on the results for the year preceding the survey) – FI are banks, leveraged fund and real money clients transacting at least USD50m in G10 and USD20m in EM.

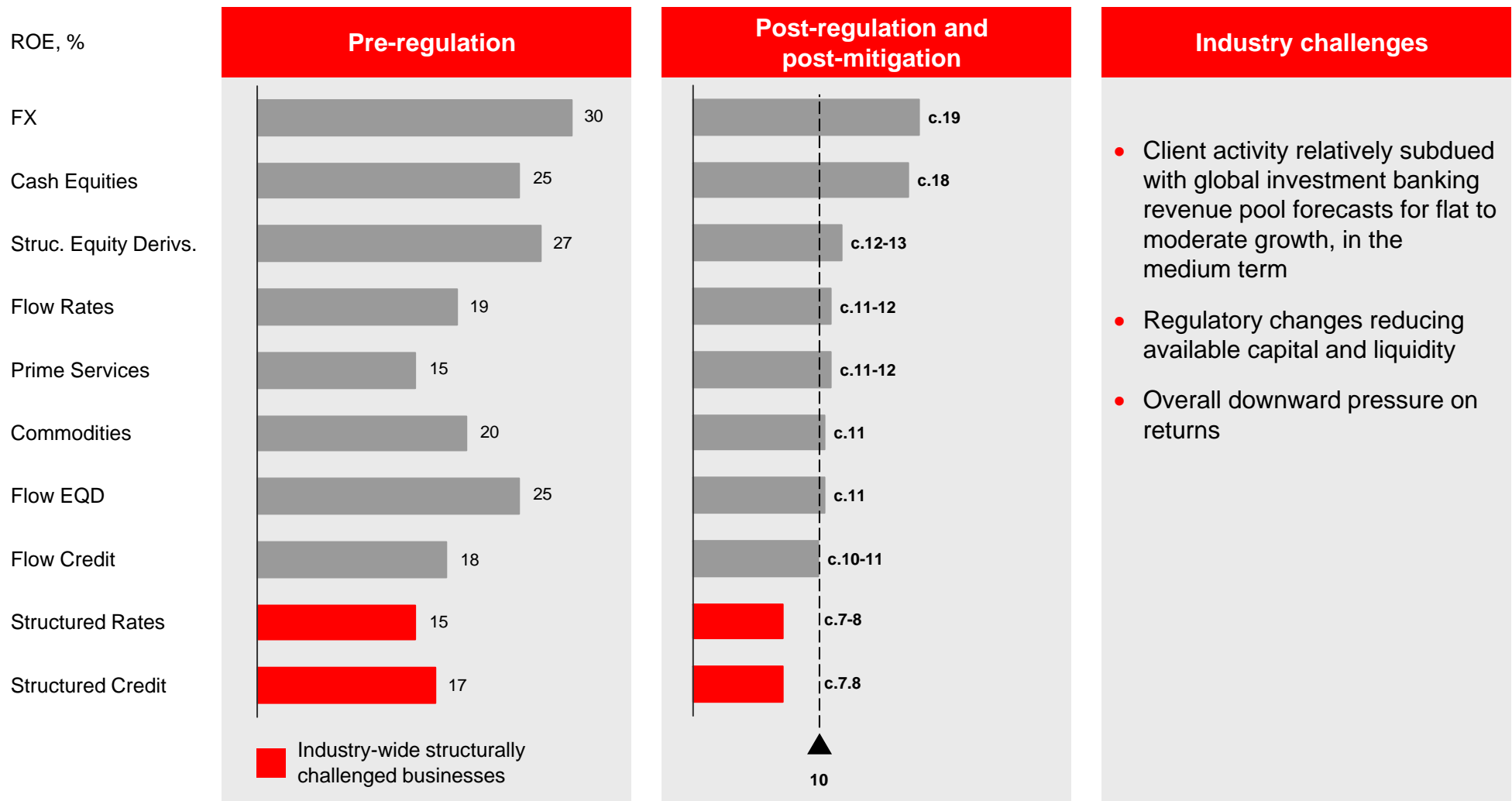
Synergies with Global Businesses to generate increasing revenues

	<u>Size of opportunity</u>	<u>Initiatives</u>	<u>Potential upside in the medium term</u>
Commercial Banking	Over 50,000 corporate mastergroup clients¹	<ul style="list-style-type: none"> • Aspiration: increase incremental revenues in the medium term – which, in 2011 alone, resulted in c.USD500m in incremental revenues. • 16% rise in collaboration revenues in 1H 2012 • Global initiative for FX • Referrals for Event products • Joint Client-led Planning 	<p>A significant proportion of the potential USD2bn upside will be driven by CMB and GBM collaboration</p>
Retail Banking and Wealth Management	c. 4.3m Premier customers¹	<ul style="list-style-type: none"> • Wealth Management Solutions: selling GBM products to RBWM customers, particularly Wealth-related products • e-Commerce 	
Global Private Banking	c.100,000 private banking clients¹	<ul style="list-style-type: none"> • Institutional Private Client Group within GBM and the Global Priority Client structure within GPB to jointly cover Ultra High Net Worth+ Individuals • GBM referrals to GPB 	

Note:
¹ HSBC internal management information as at 30th June 2012

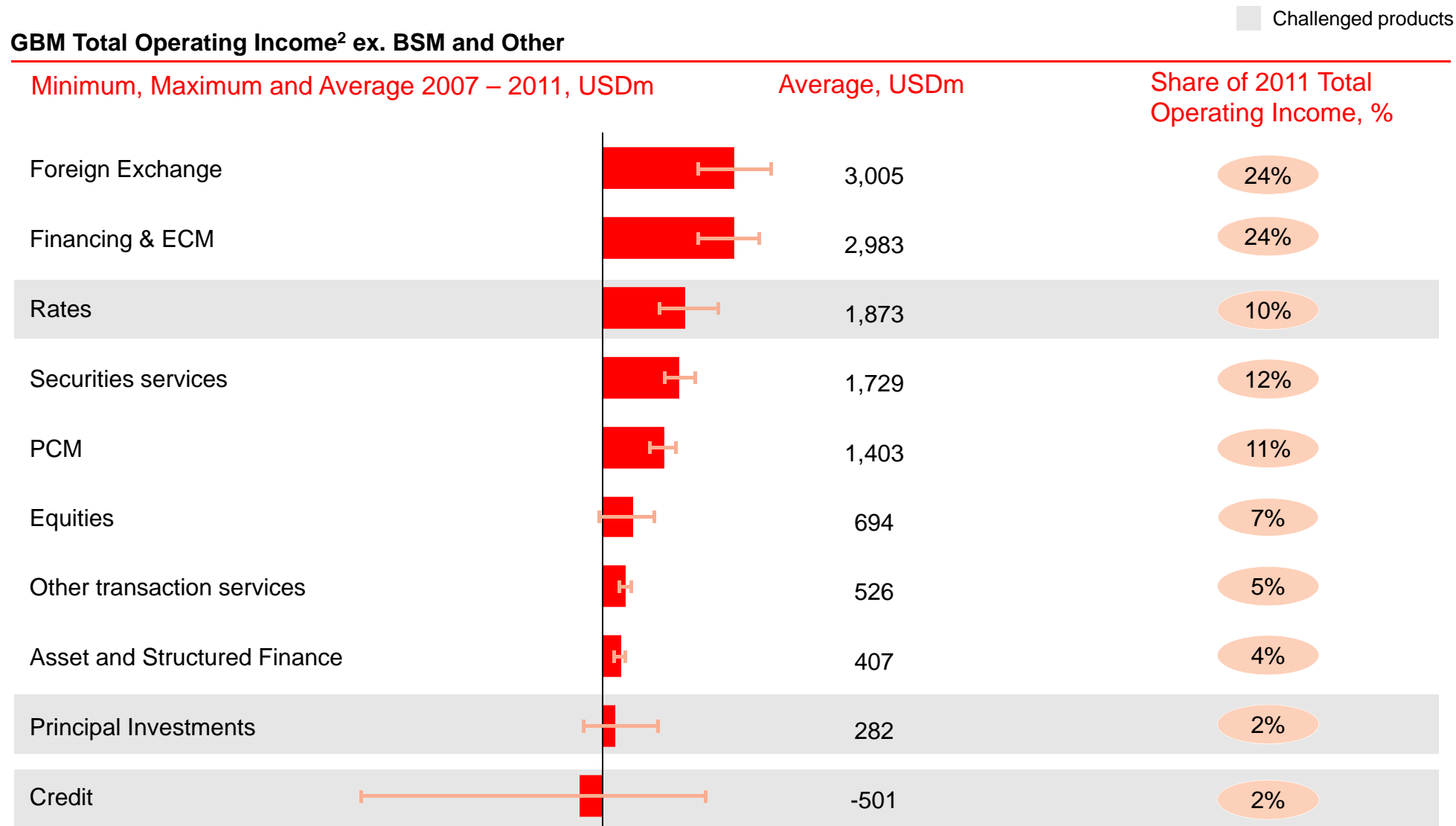
GBM – Wholesale banking industry is changing and facing profitability challenges

Industry changes in product profitability



Source: McKinsey report "Day of Reckoning? New Regulation and Its Impact on Capital-Markets Businesses", September 2011

GBM regulatory challenged products represent 14% of total operating income¹



(1) Excluding BSM and Other

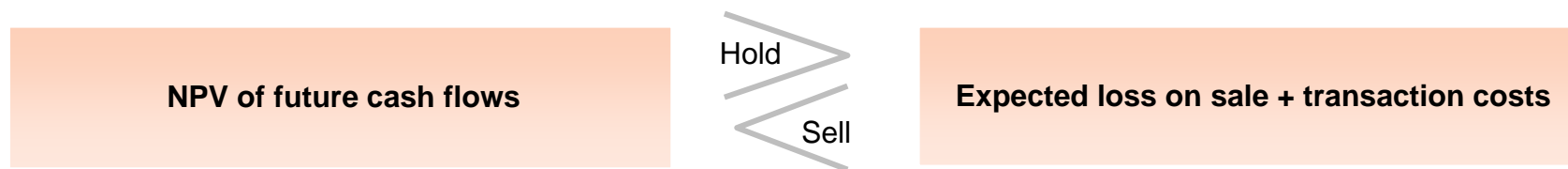
(2) Before loan impairment charges and credit risk provisions

RWAs and Legacy Credit

Industry changes in product profitability

Legacy	<ul style="list-style-type: none">• Actively managing down legacy exposure• In 2011, disposal actions taken to mitigate USD7bn RWA increase; but RWAs increased USD24bn largely due to regulatory changes• Clear economic framework for hold versus dispose decisions
RWAs	<ul style="list-style-type: none">• Comprehensive RWA mitigation actions underway• Trading inventory being managed down• Optimising RWA consumption

Decision framework






- NPV considers terminal value, net of funding and operational costs as well as Cost of Capital
- Capital charge for projected RWAs assumes 10-15% Core Tier 1 requirement
- Cost of Capital specific to GBM; determined using various economic factors
- Additional consideration for redeployment of capital

Transaction banking is a core and strategic product delivered to GBM clients

- Benefits from stable annuity-like revenues with further NII upside from interest rates increase
- Supports both Group and GBM's liquidity position
- Strategic product with strong cross-selling potential for other products (e.g. FX, Credit & Lending)
- Low capital usage with double-digit Return on Equity

Market leadership in our product suite

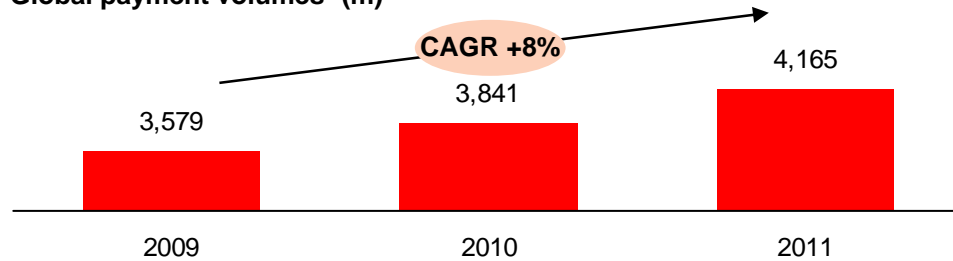
<p>Payments and Cash Management</p>	 <p>Best Cash Management Bank in Asia and Middle East, Best Global Cash Manager for Fin. Inst. (2011)</p>	<ul style="list-style-type: none"> ▪ No.1 Cash Management Bank in Asia and the Middle East and No.2 in Latin America, No.1 Global Best Cash Manager for Financial Institutions and No.2 Global Best Cash Manager for Corporates¹ • Stable revenues with over 3,000 mastergroup GBM clients globally
<p>Securities Services</p>	 <p>Best Sub-Custodian: 10 countries Best Domestic Custodian: 5 countries</p>	<ul style="list-style-type: none"> • HSBC Securities Services (HSS) provides Global Custody, Sub-Custody, Fund Administration and Corporate Trust & Loan Agency (CTLA) services • HSS plays a key role in providing end-to-end securities solutions • Over 1,800 mastergroup GBM clients in over 40 countries with a leading position in Custody and Clearing in the UK, Asia and the Middle East
<p>Trade and Receivable Finance</p>	 <p>Best Trade Finance House 2011</p>	<ul style="list-style-type: none"> • Facilitates global trade flows through international connectivity • Leading Trade and Receivables Finance franchise in Asia

Note:
1 Euromoney 2012 (based on the results for the year preceding the survey)

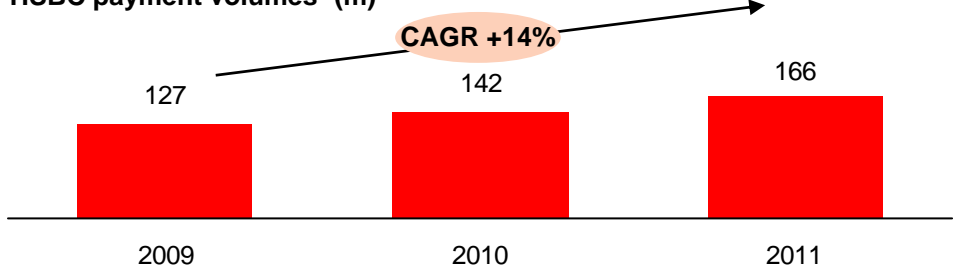
Payments & Cash Management is a key funding engine

HSBC payments grow faster than global payments

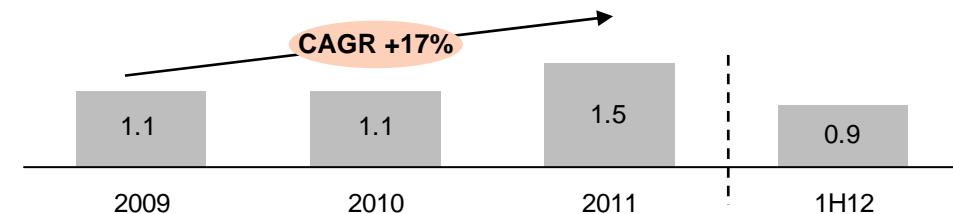
Global payment volumes¹ (m)



HSBC payment volumes¹ (m)



PCM revenues – GBM contribution² (USDbn)



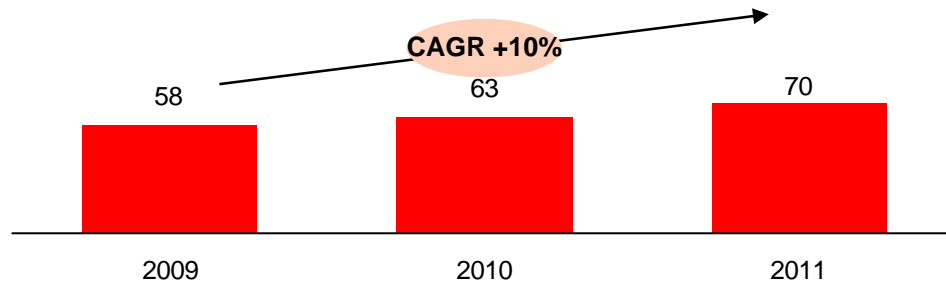
- Continued strong growth in GBM's contribution to PCM revenues – USD0.9bn 1H 2012².
- Comprehensive product set anchors relationships and underpins international connectivity
- Attractive financial attributes including low capital usage, high returns and significant barriers to entry
- Strong franchise value and annuity revenue stream

Notes:

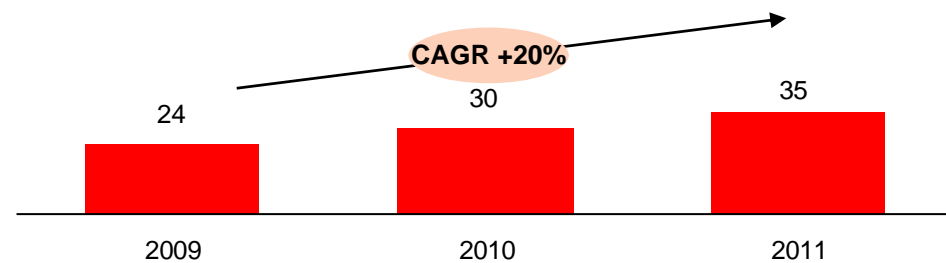
- 1 Number of SWIFT payment messages sent and received
- 2 GBM revenues on a reported basis

The world's leading Trade Finance bank¹

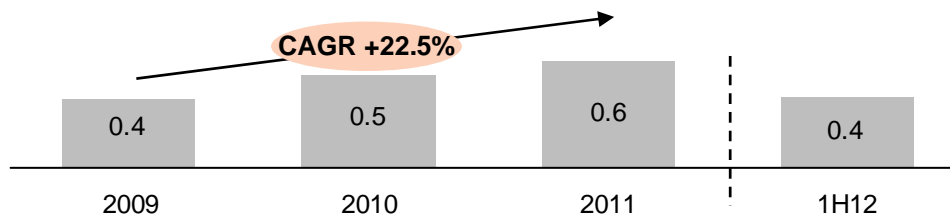
World nominal GDP² (USDtn)



World merchandise trade² (USDtn)



HSBC trade finance revenues – GBM contribution³ (USDbn)



- Trade financing provides access to the wider corporate relationship
- Our network provides access to 77% of world trade flows
- HSBC is the world's leading trade bank with 9% global market share¹
- We are capturing further growth opportunities as competitors deleverage

Notes:

1 Oliver Wyman Global Transaction Banking survey 2011

2 Global Insights (March 2012); Merchandise imports and exports and Nominal GDP

3 GBM revenues on a reported basis

Strength in core product capabilities – Market related flow products

Market leadership in our product suite

- Strength in vanilla flow, G10 FX, Credit¹, Rates²
- Top tier primary bond position in Asia, Latin America and Europe and leading secondary trading capabilities
- Innovative Client solutions, including RMB development and Shariah Compliant Finance
- Continued leadership in Precious Metals
- A very active pipeline year to date with a number of significant transactions across all regions
- Consistent recognition and success in Market Surveys and Awards

Bloomberg key league tables	2011	2012 YTD
All International Bonds	4	4
Euromarket Corporates	4	2
Sterling	3	4
Asia-Pacific ex Japan	1	1
Asian Local Currency	1	1
Offshore RMB	1	1
Islamic Bonds	3	1
Latin America Bonds	1	1

Source: Bloomberg (17 Aug 2012)



Euromoney Awards for Excellence 2012

- Best Global Emerging Markets Bank
- Best Global Emerging Market Debt House
- Best Global Sovereign Advisor
- Best Debt House in Latin America
- Best Flow House in Latin America
- Best Risk Advisor in Western Europe
- Best Debt House in Asia
- Best Flow House in Asia
- Best Risk Advisor in Asia
- Best Debt House in the Middle East
- Best Equity House in the Middle East
- Best Flow House in the Middle East

Source: Euromoney, July 2012



Euromoney Rates Survey 2012

Overall by currency/product/maturity

- #1 Euro cash 2-5 year

Overall client satisfaction ratings

- #1 Ability to deal with large volumes/transactions
- #1 Liquidity consistency

Inflation-linked products

- #1 Inflation-linked bonds overall
- #1 Inflation-linked derivatives

Other products

- #1 Cross currency swaps

Client satisfaction ratings by corporates

- #1 Ability to deal with large volumes
- #1 Economic Research
- #1 Liquidity consistency
- #1 Market research/strategy

Client satisfaction ratings by financial institutions

- #1 Liquidity consistency
- #1 Sales coverage/client service

Source: Euromoney, March 2012



Euromoney FX Survey 2012

Overall results

- #5 Overall market share
- #5 Swap market share

Market share by institution type

- #2 Non-financial corporations

Qualitative rankings - currencies

- #2 Asian currencies
- #2 Latin American currencies
- #2 Middle Eastern currencies
- #2 African currencies

Qualitative rankings – client service

- #2 Americas timezone
- #2 Asia timezone

Qualitative rankings - research

- #1 Emerging Markets

Qualitative rankings - trading

- #2 Currencies emerging market trading – spot/forward

Source: Euromoney, May 2012



Euroweek Asia Awards 2011

Overall Awards

- Best bank to work with across all markets
- Best advice across all markets
- Best bank for execution across markets

Source: Euroweek, February 2012

Notes:

- 1 HSBC has maintained its position as #1 lead-manager of EM debt globally; #2 in Euromarket corporate space (source: Bloomberg); RMB: Continuing leading position. Key deals include first London Issue outside China and Hong Kong: HSBC self led 3 year RMB bond listed and traded on LSE.
- 2 #1 bookrunner in Supra-Nationals, Sovereigns and Agencies for 2009-2012 YTD (source: Bloomberg); Rank top three across USD, EUR and GBP in all SSA 2012 YTD. Recent Euromoney Survey, No. 1 in 19 categories.


Strength in core product capabilities – Event products

Rankings	2012
Equity Capital Markets ¹	9
Export Finance (Global MLA) ²	1
Project Finance ³	3
M&A (cross border into EM) ⁴	10

Business highlights

- Our Asian ECM business has seen significant market share improvements in Hong Kong, Singapore and India
- Leveraged and Acquisition Finance continues to use its strong balance sheet to support clients' loan financing requirements, and to grow market share
- Leveraged and Acquisition Finance is delivering and executing the strategy of building the high yield capability with notable market share gains within EMEA


Sinopec



Sole Financial Adviser to Sinopec on the acquisition of a 49% interest in Talisman's UK subsidiary

▶ A landmark transaction that reinforces HSBC's leading cross-border advisory capabilities

CPA GLOBAL




Acquisition of CPA Global by Cinven

Financial Adviser to Intermediate Capital Group. Global Coordinator, Mandated Lead Arranger and Physical Bookrunner for the GBP555m financing backing the acquisition

▶ Close collaboration between Global Banking and Commercial Banking and across multiple products and clients

Schaeffler



EUR8bn Senior secured credit facilities

Mandated Lead Arranger and Bookrunner. Included a EUR2bn bridge to capital markets take-out in which HSBC acted as Joint Global Coordinator and Joint Physical Bookrunner

▶ Strong collaborative efforts across products, sector and geographies

UniCredit



EUR7.5bn rights issue

Joint Bookrunner

▶ 2nd largest global equity issue in 2012YTD - represents an essential step in the recapitalisation of the European banking sector post the EBA stress tests

1 Source: Dealogic. Global view excluding North American, Australian and Japanese issuers and Chinese A-share transactions. Ranking by Global Coordinator or Bookrunner, based on apportioned deal value

2 Source: Dealogic

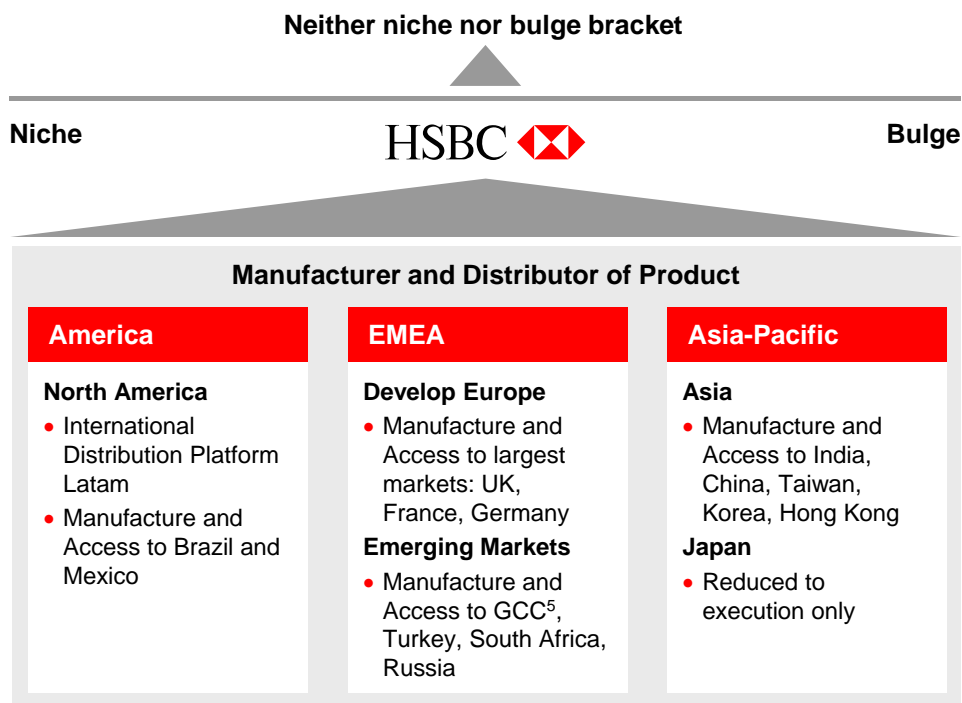
3 Source: Dealogic (Global Adviser of Project Finance Loans)

4 Source: Bloomberg

Equities will continue to target opportunities in chosen markets

- The Global Equities targeted approach by country, core or relevant in selected markets, aligned with Research and Banking is the right one and will continue
- Equities wallet share increased in all relevant markets between 2008 and 2011, particularly in Europe and Asia, while the global institutional wallet shrank⁷
- Overall Pan European ranking has advanced to 6th position (10th in 2011)⁶
- Top 5 EMEA¹ ranking for 7 Sectors Sales and 6 Generalist Sales⁶
- Top 5 CEEMEA² ranking in Metals & Mining, Telecommunications, Oil & Gas and Strategy and Economics⁶
- ECM: #3 position in Hong Kong 2011⁴

Neither niche nor bulge bracket



Notes:

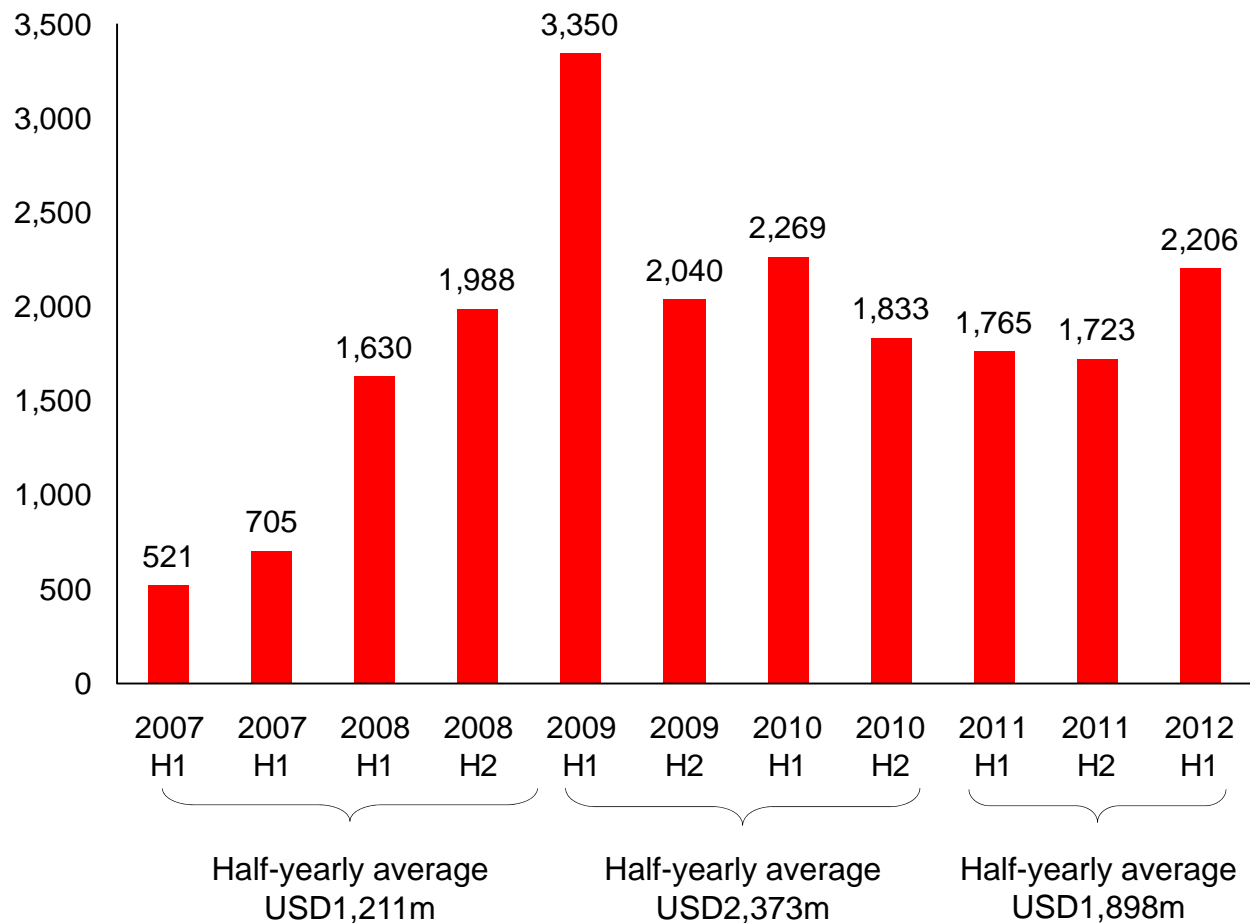
- 1 Defn: Europe, Middle East and Africa
- 2 Defn: Central and Eastern Europe, Middle East and Africa
- 3 Source: McLagan
- 4 Source: Dealogic
- 5 Defn: Gulf Corporation Council
- 6 Source: Extel
- 7 Bloomberg

Equities - league table targets

	Core (Top 5)
China ³ /Hong Kong	Top 5
India	Top 5
Middle East ³	Top 3
Brazil	5 th – 8 th
Mexico	Top 5
	Relevant (Top 10)
UK	Top 10
France	
Germany	
Singapore	
Korea	
Taiwan	

BSM revenues stabilising after two exceptional years

Balance Sheet Management Revenues (USDm)



- BSM has a clear governance structure
- BSM does not manage structural credit risks
- Counterparty risk is mostly short term exposure to central banks and government bonds
- BSM manages the transformation of interest rate risks with an overall objective of having duration exposure within a clearly defined risk mandate

Clear competitive advantages in response to regulatory change

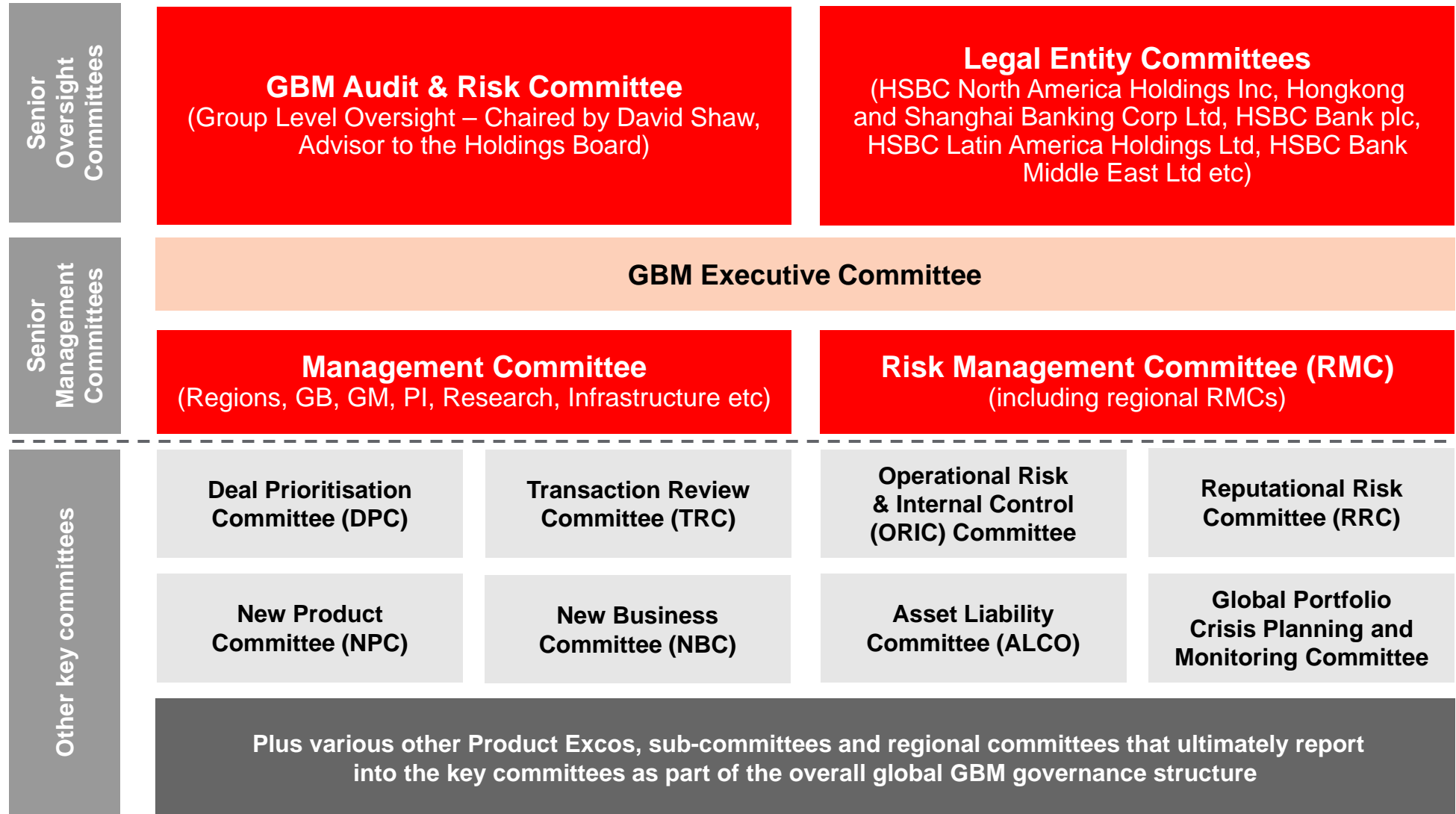
	<u>Impact</u>	<u>Concerns</u>	<u>Strengths</u>
Structural Reform – ICB/ Volcker	<ul style="list-style-type: none"> • Leverage in ring-fenced bank • Minimum loss absorbing capital requirements • Prohibited activities 	<ul style="list-style-type: none"> • Precise composition of ring-fenced bank • Geographic reach • Liquidity impact • Cost and compliance implications 	<ul style="list-style-type: none"> • Ability to service customers from subsidiary balance sheets • De-minimis proprietary trading
Execution and Clearing	<ul style="list-style-type: none"> • Clearing mandated for liquid OTC contracts • Risk mitigation for un-cleared trades • Trading of liquid OTC contracts on exchange-like venues 	<ul style="list-style-type: none"> • Central counterparty exposure • Extra – territoriality • Market requirement for liquid assets 	<ul style="list-style-type: none"> • Scale of existing custody and execution businesses • Strong balance sheet • Impact on derivatives business is minimal
Capital and Liquidity Changes	<ul style="list-style-type: none"> • Higher capital charges for market and credit risk • ‘G-SIFI’ surcharge based on resolvability 	<ul style="list-style-type: none"> • Increased CVA charges • Capital charges for clearing members 	<ul style="list-style-type: none"> • HSBC at forefront of liquidity management • Subsidiary structure facilitates orderly resolution

Robust regulatory change programme in operation

Disciplined approach to risk appetite for capital market activities

- Overall Strategy and Risk Appetite is set first by the HSBC Board and ultimately defines the shape of our capital markets activities
- Chief Risk Officer is actively involved in the Strategy setting and the Five Filters have critical risk dimensions which in effect set the risk shape of the global businesses / capital markets activities
- The Global Risk Appetite Statement sets granular quantitative risk appetite metrics within which the Group and its global businesses must operate
- Global Banking and Markets ExCo¹ and RMC (Risk Management Committee) establish the risk appetite statement for GBM which must align and be consistent in all areas with the Group Risk Appetite Statement
- RWA targets for GBM as a subset of the global target RWA level ensures appropriate focus on returns and drives a discipline of reducing exposures in high risk / legacy businesses
- Global Market Risk Limits establish further granular boundaries across GBM businesses
- Risk appetite for capital markets activities must also line up with the Group's Reputational Risk Appetite
- Group Risk Management Meeting uses business deep dives to further review, challenge and shape the risk appetite for capital markets activities

GBM Governance Structure Overview (simplified)



Why you should own HSBC

The world is changing . . .

Long-term trends

- Increasing imbalances in international trade and capital flows
- Rebalancing of the world economy towards faster growing markets

Regulation

- Recovery and Resolution
- Dodd Frank, ICB, . . .

HSBC's distinctive position

1. Privileged access to growth opportunities (cohesive portfolio)

- International network supporting our Commercial Banking and Global Banking and Markets businesses
- Exposure and meaningful presence in the most attractive growth markets for Wealth and Retail Banking

2. Four global businesses sharing strong commercial linkages

3. Lean and values driven organisation fit for the new environment

4. Strong balance sheet supported by diversified deposit base and generating resilient stream of earnings

Clear strategy and execution focus

- Strategy driving capital allocation
- Action plan
- Experienced and committed management team

Appendix



Appendix

GBM league table rankings¹ show strengths in Asia, MENA, Latam in Transaction Banking, Global Banking and vanilla Global Markets products

	Transaction Banking		Global Banking			Global Markets				
	PCM	Securities Services	Project & Export Finance	ECM	M&A	FX	DCM	Rates	Credit	Equities
Hong Kong	#1	#6	#1	#3	#2	#1	#1	#1	#1	#5
RoAP ex. Japan				#7	#10		#1			#1
MENA				#6	#1	#5	#1	#3	n/a	#1
Latam				#2	#13	#3	#1	#4	n/a	n/a
UK				n/a	#9	#6	#4	#3	#9	#7
Cont. Europe				n/a	n/a		#2			
North America				n/a	n/a	#10	#11	#12	#16	n/a

Top 5
 Top 10
 Outside Top 10

Sources:

¹ Dealogic 2011/2012, Bloomberg 2011, Extel 2011, Greenwich 2011, Euromoney 2011

Appendix

GBM Financials

Management view of net operating income ¹ (USDm)	Half-year to 30 Jun 2012	Half-year to 30 Jun 2011
Credit	370 ↓	530
Rates	1,805 ↑	1,355
Foreign Exchange	1,733 ↑	1,517
Equities	396 ↓	612
Securities Services	818 ↓	854
Asset and Structured Finance	212 ↓	278
Global Markets	5,334 ↑	5,146
Financing and Equity Capital Markets	1,526 ↓	1,664
Payments and Cash Management	874 ↑	695
Other transaction services ²	385 ↑	311
Global Banking	2,785 ↑	2,670
Balance Sheet Management	2,206 ↑	1,765
Principal Investments	147 ↓	175
Other³	(137) ↓	(67)
Total operating income	10,335 ↑	9,689

Notes:

1. Figures prepared on a reported basis and Net operating income before loan impairment charges and other credit risk provisions
2. Trade Services, Bank Notes and Cards Issuing
3. Includes certain liquidity charges and net interest earned on free capital allocated to GBM