



# Global Banking and Markets

## Investor roadshow

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**Date: November 2012**

**HSBC** 

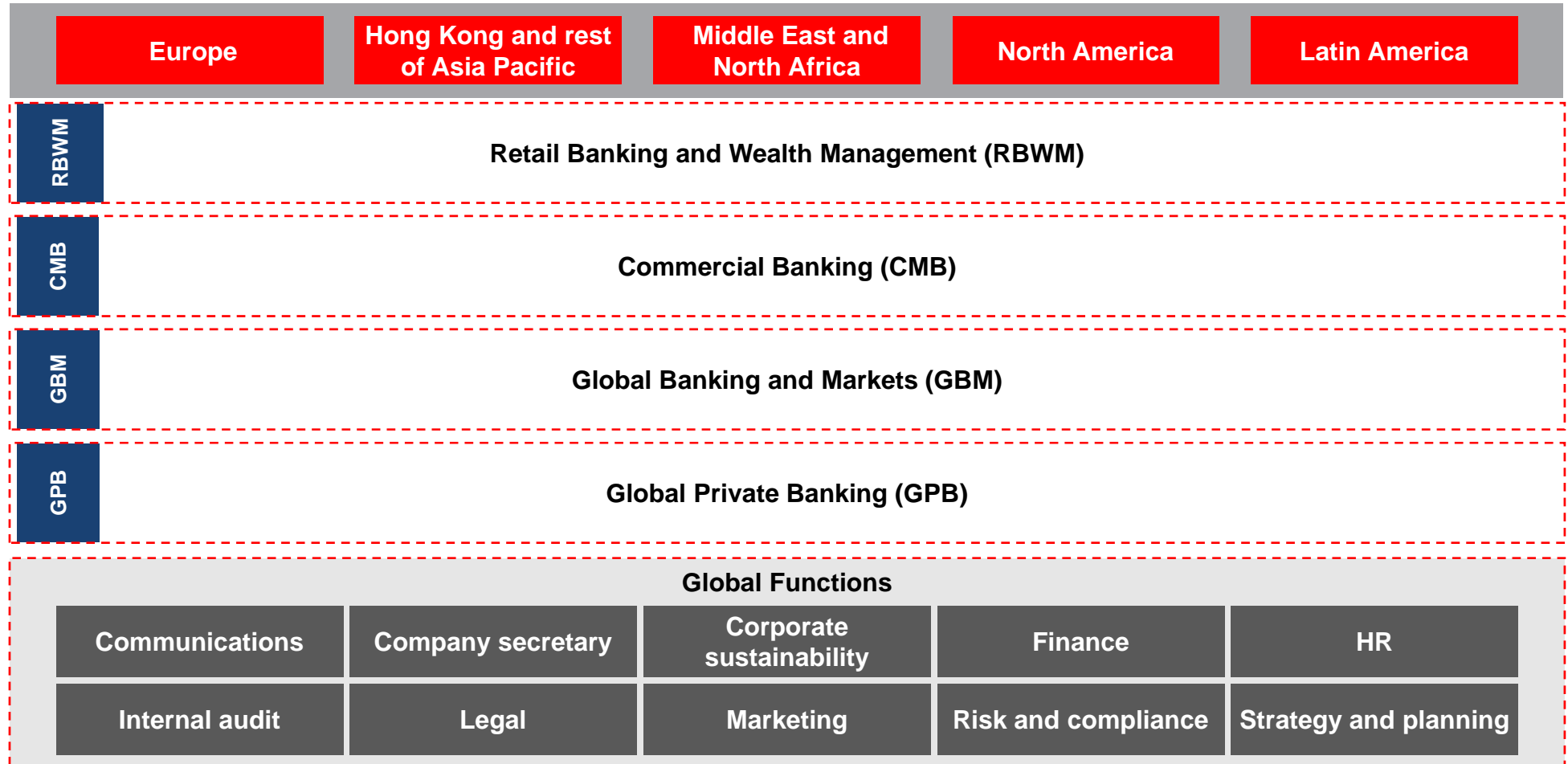


## Forward-looking statements

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 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 Management Statement issued on 05 November 2012. Past performance cannot be relied on as a guide to future performance.

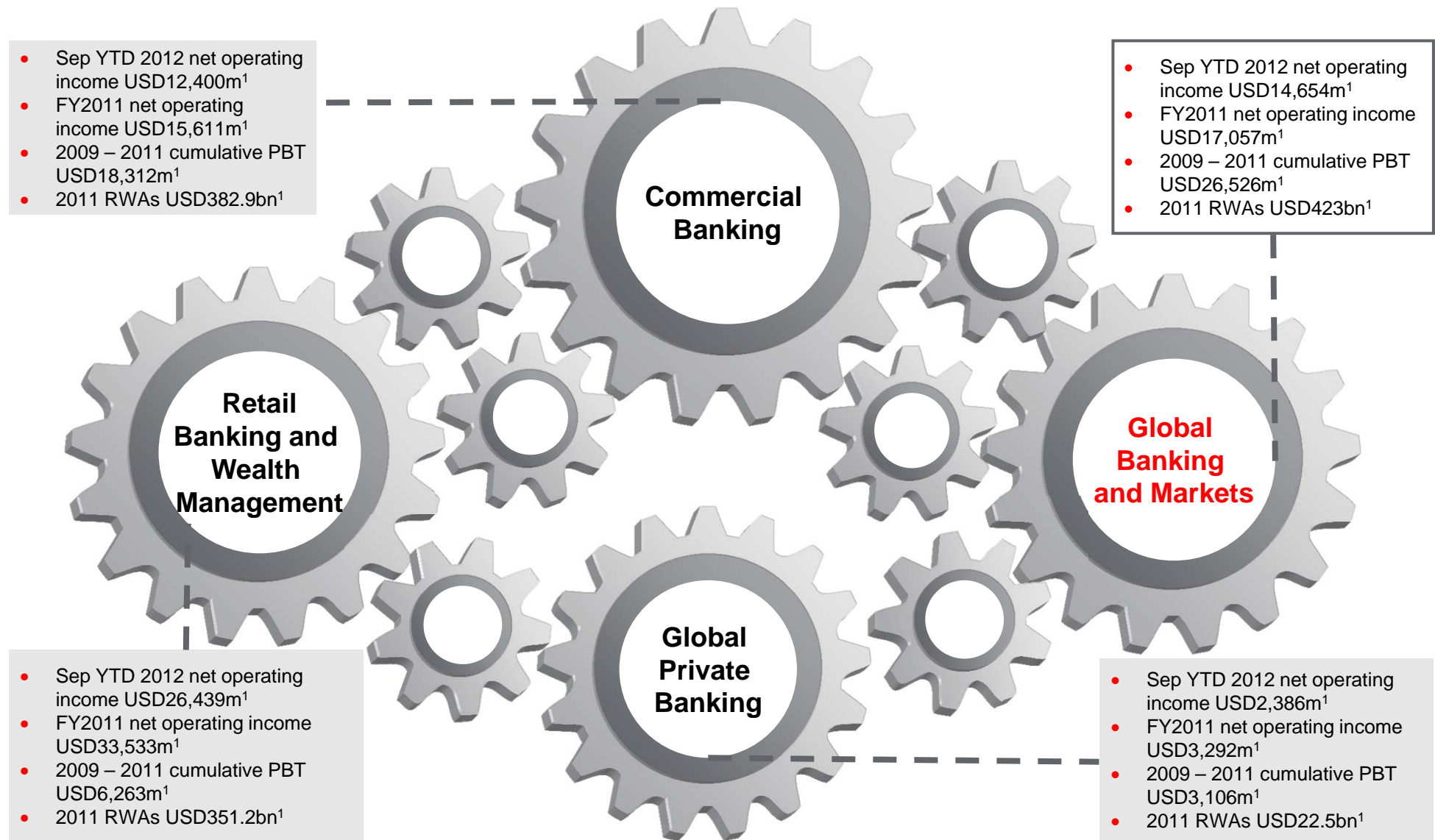
This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial information to the most directly comparable measures under GAAP are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at [www.hsbc.com](http://www.hsbc.com).

# HSBC Group management matrix



Global business
  Region

# Four integrated Global Businesses



Notes:

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

# 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 and Lending
  - Debt Capital Markets/Equity Capital Markets
  - Project and Export Finance
  - Asset and Structured Finance

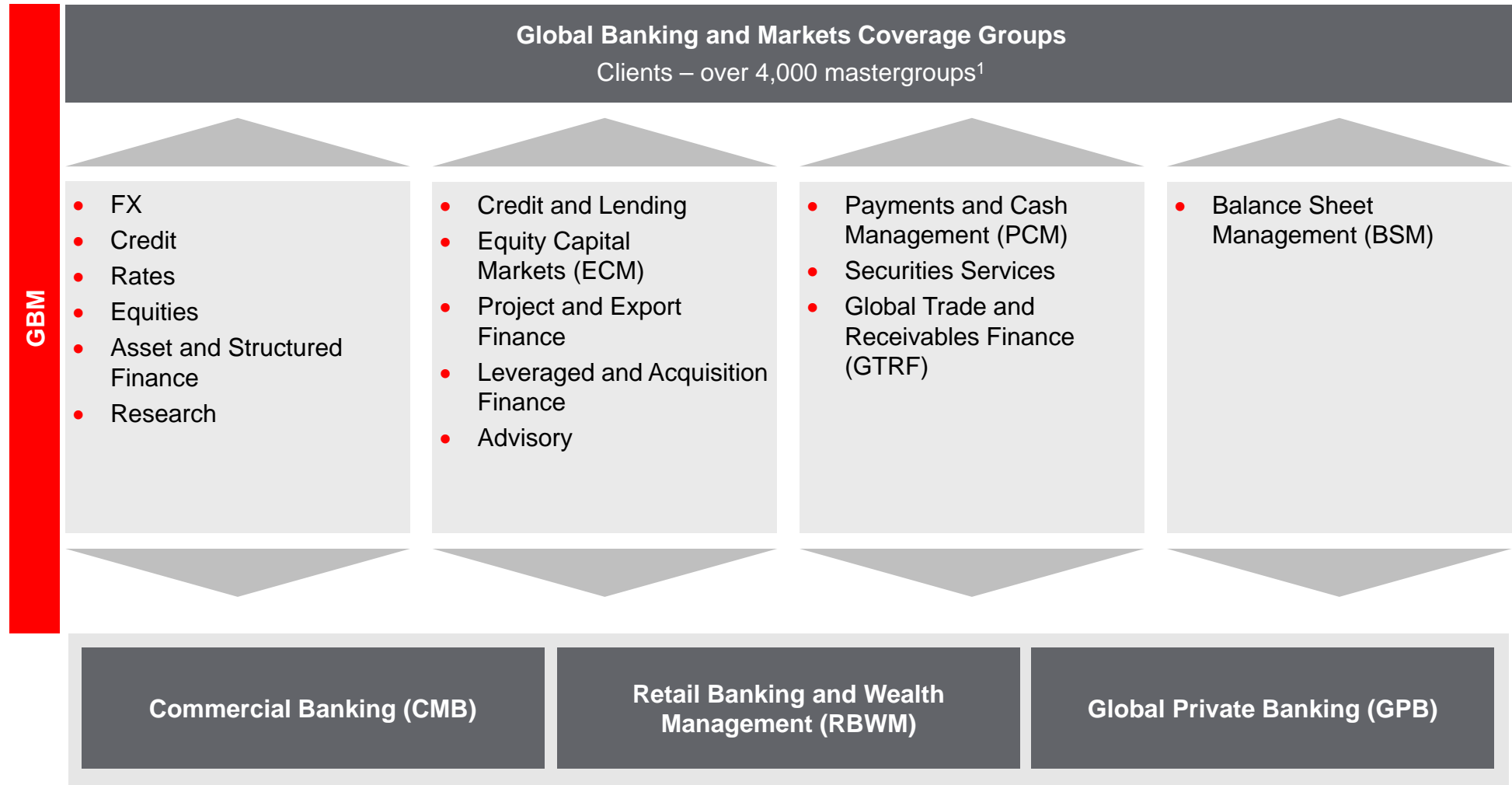
### Connectivity emphasis

- Franchise client focus including:
  - Global Banking: over 4,000 mastergroup clients<sup>1</sup>
  - CMB
  - RBWM
  - GPB

Note:

<sup>1</sup> HSBC internal management information as at 30 September 2012

# How is GBM structured



■ Clients    ■ Products/business

Note:

1 HSBC internal management information as at 30 September 2012

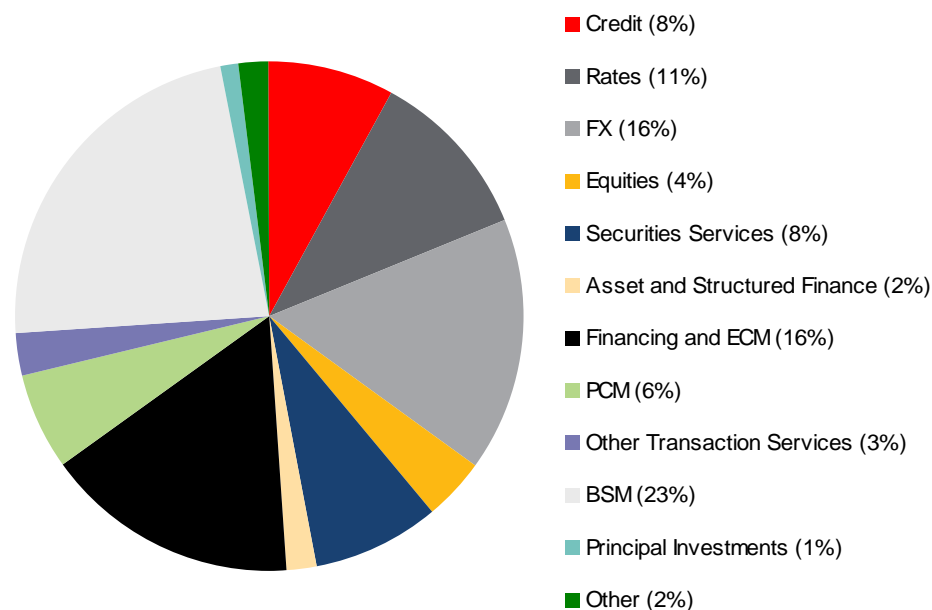
# Strong GBM financial performance diversified by product and geography

## Average 2009-2011

### Managed view of operating income<sup>1</sup>

% average 2009-2011

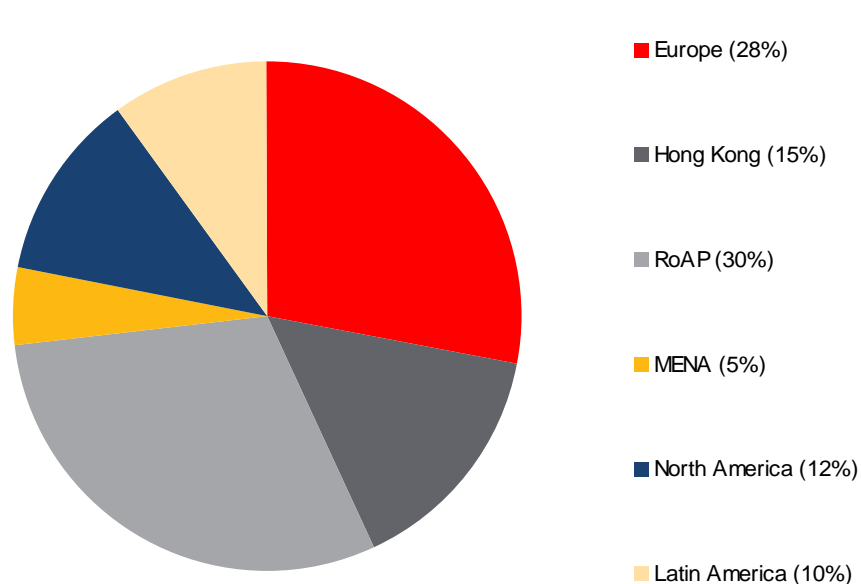
Total: USD19bn



### Profit before tax<sup>1</sup>

% 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 RWAs<sup>2</sup>: 1.8%**

**FY 2010 Return on RWAs<sup>2</sup>: 2.5%**

**FY 2009 Return on RWAs<sup>2</sup>: 2.6%**

**FY 2011 RWAs<sup>2</sup>: USD423bn**

**FY 2010 RWAs<sup>2</sup>: USD353bn**

**FY 2009 RWAs<sup>2</sup>: USD394bn**

Notes:

<sup>1</sup> On a reported basis

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

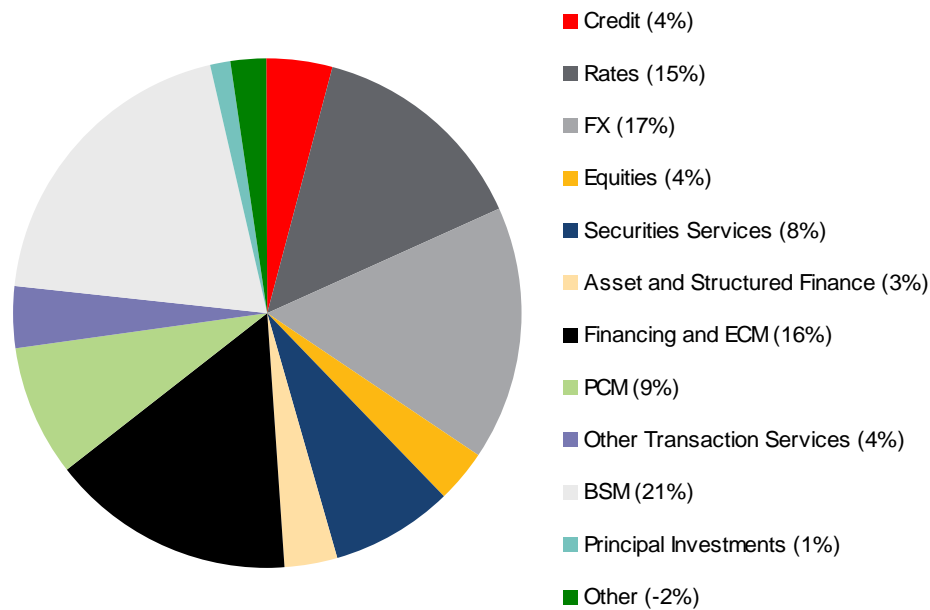
# Strong GBM financial performance diversified by product and geography

## YTD Sep 2012

### Managed view of operating income<sup>1</sup>

% YTD Sep 2012

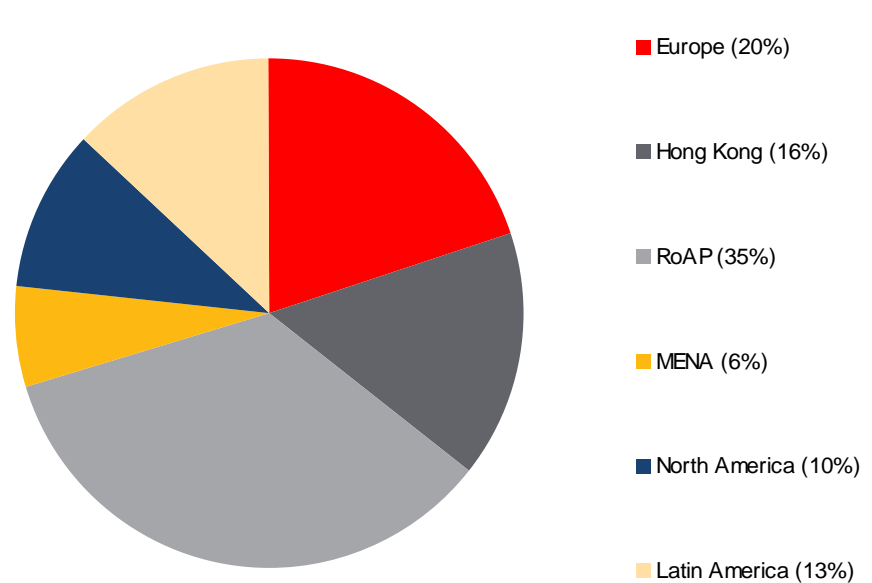
Total: USD14.7bn



### Profit before tax<sup>2</sup>

% YTD Sep 2012

Total: USD7.3bn



Cost Efficiency Ratio: 50.3%

Return on RWAs<sup>3</sup>: 2.3%

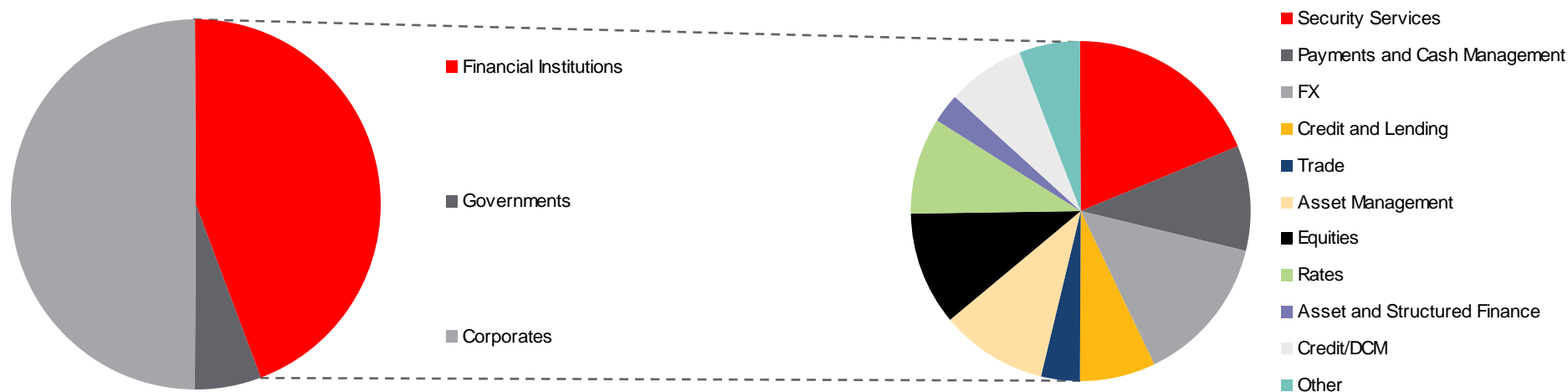
Notes:

- 1 On a reported basis and before loan impairment charges and other credit risk provisions
- 2 On a reported basis
- 3 Pre-tax return on average RWAs (annualised)

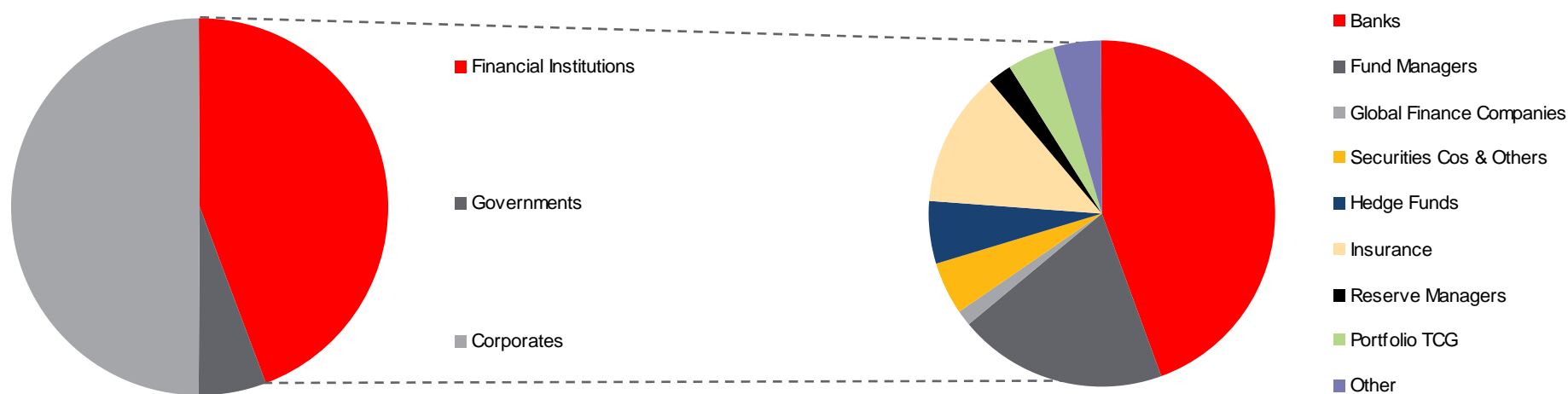


# Diversified and resilient client base

Financial institutions relationship revenue split by product<sup>1</sup>



Financial institutions relationship revenue split by customer segment<sup>1</sup>



Note:  
<sup>1</sup> HSBC internal management information as at 30 September 2012

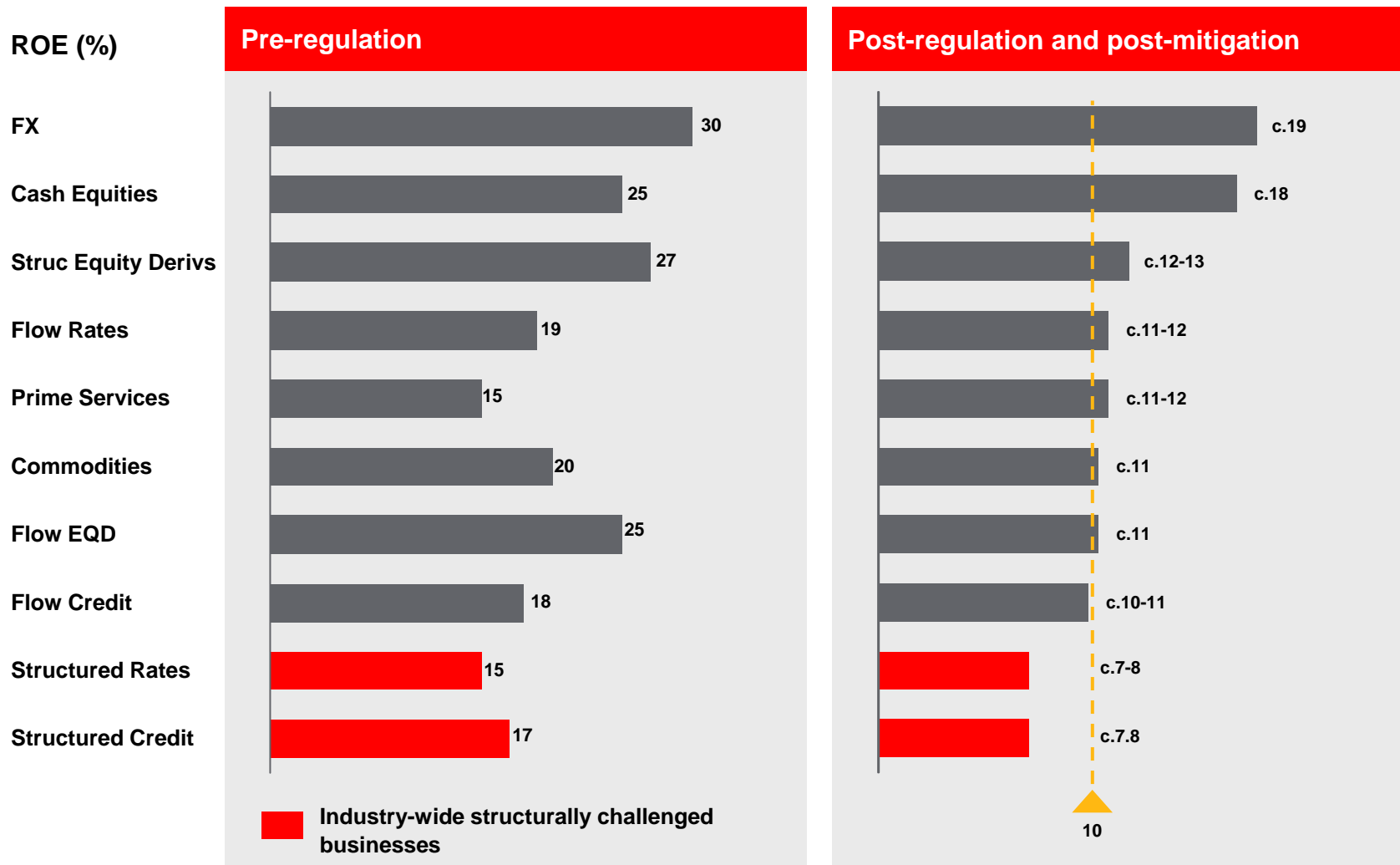
# In response to regulatory change GBM has clear competitive advantages

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

Robust regulatory change programme in operation

# Wholesale banking industry is changing and facing profitability challenges

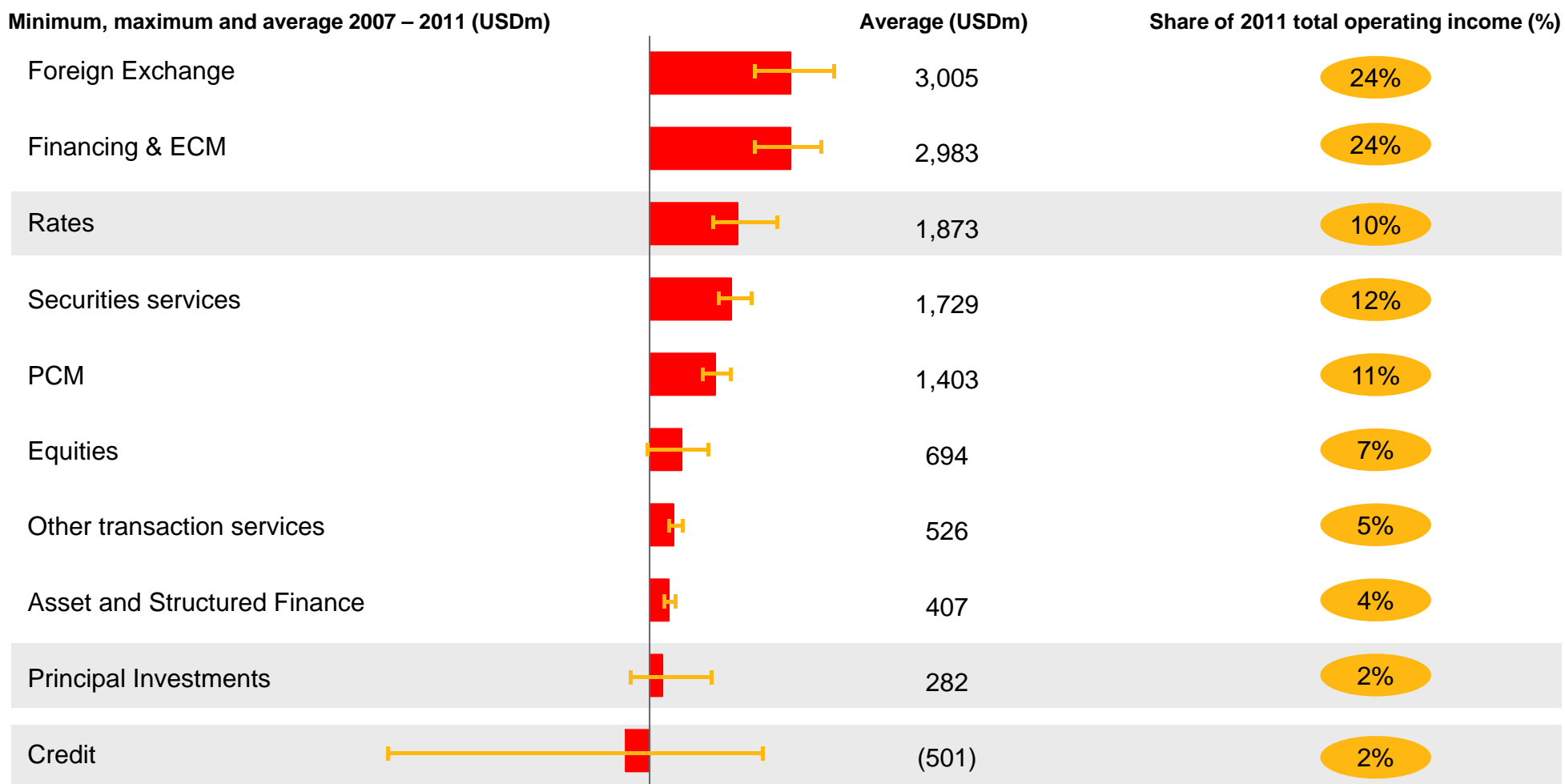
## Industry changes in product profitability



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 income<sup>1</sup>

## GBM total operating income<sup>2</sup> ex BSM and other



### Challenged products

Notes:



1 Excluding BSM and Other

2 Before loan impairment charges and credit risk provisions

# 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 (eg FX, Credit and Lending)
- Low capital usage with double-digit return on equity

## Market leadership in our product suite

<b>Payments and Cash Management</b>	 <p>Best Cash Management Bank globally for Corporates and Financial Institutions, (2012)</p>	<ul style="list-style-type: none"> <li>• No. 1 Global Best Cash Management Bank for Financial Institutions and for Corporates<sup>1</sup></li> <li>• No. 1 Cash Management Bank in Asia and the Middle East, and Best Domestic Cash Management Provider in 24 countries</li> <li>• Best Cash Manager for Financial Institutions for Sterling Clearing for Europe, Latin America, North America, Middle East and Asia; for Yen Clearing in Asia and Latin America</li> <li>• Best Cash Manager for Euro and US Dollar Clearing in Asia</li> <li>• Stable revenues with over 3,000 mastergroup GBM clients globally</li> </ul>
<b>Securities services</b>	 <p>Best Sub-Custodian: 10 countries Best Domestic Custodian: 5 countries</p>	<ul style="list-style-type: none"> <li>• HSBC Securities Services (HSS) provides Global Custody, Sub-Custody, Fund Administration and Corporate Trust and Loan Agency (CTLA) services</li> <li>• HSS plays a key role in providing end-to-end securities solutions</li> <li>• 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</li> </ul>
<b>Trade and receivable finance</b>	 <p>Best Trade Finance House 2012</p>	<ul style="list-style-type: none"> <li>• Facilitates global trade flows through international connectivity</li> <li>• HSBC is the world's leading trade bank</li> <li>• Best Trade Finance House award across all corporate sectors</li> </ul>

Note:

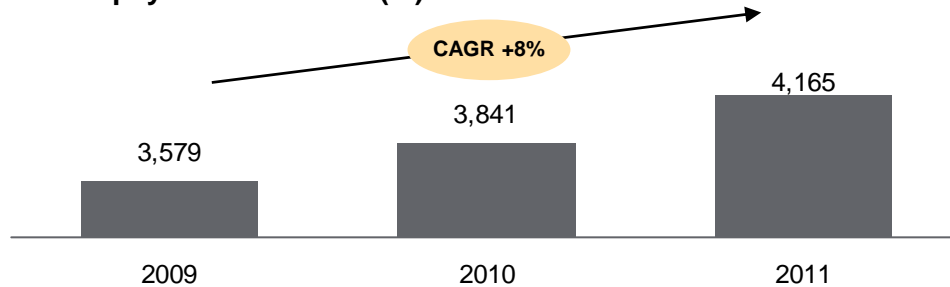
1 Euromoney 2012 (based on the results for the year preceding the survey)

2 Oliver Wyman analysis

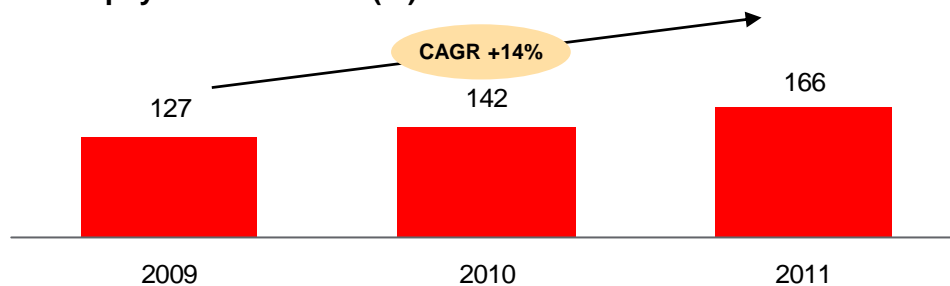
# Payments and Cash Management – a key funding engine

## HSBC payments grow faster than global payments

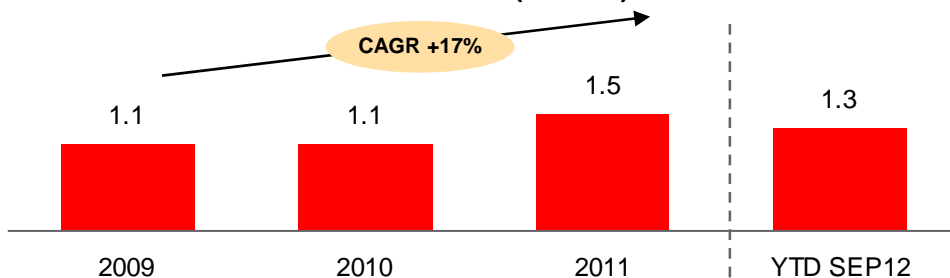
Global payment volumes<sup>1</sup> (m)



HSBC payment volumes<sup>1</sup> (m)



PCM revenues – GBM contribution<sup>2</sup> (USDbn)



Notes:

1 Number of SWIFT payment messages sent and received

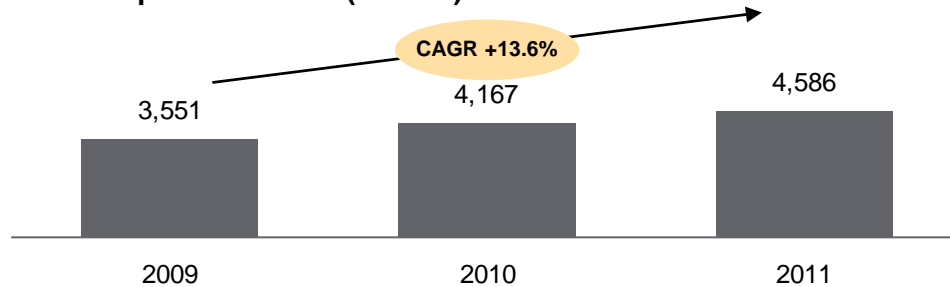
2 GBM revenues on a reported basis

- Continued strong growth in GBM's contribution to PCM revenues – USD1.3bn, YTD SEP12<sup>2</sup>
- 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

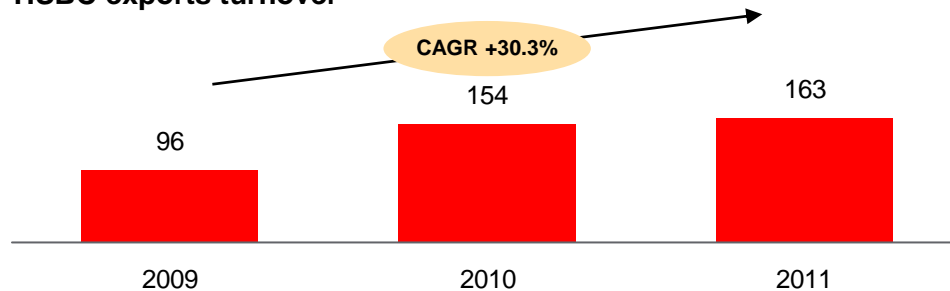
# Trade Finance – HSBC is the world's leading bank<sup>1</sup>

## HSBC exports turnover grows faster than world exports turnover

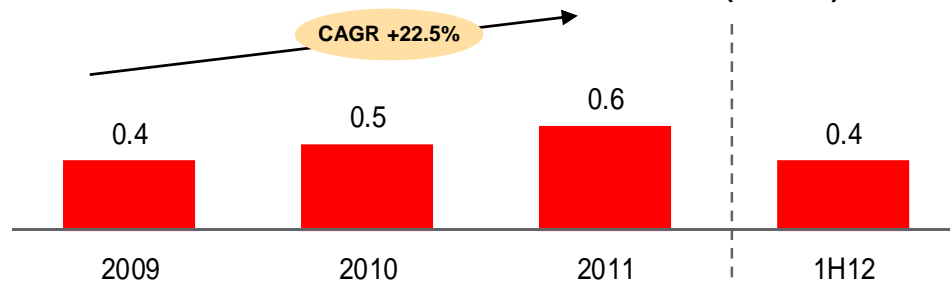
World exports turnover (USDbn)<sup>2</sup>



HSBC exports turnover<sup>3</sup>



HSBC trade finance revenues – GBM contribution<sup>4</sup> (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 share<sup>1</sup>
- HSBC's trade turnover continues to grow faster than the market

Notes:

- <sup>1</sup> Oliver Wyman Global Transaction Banking survey 2011
- <sup>2</sup> World exports per WTO
- <sup>3</sup> Indexed with 4Q08=100. HSBC exports turnover comprising letters of credit and documentary collections per internal MI
- <sup>4</sup> GBM revenues on a reported basis

# Markets – strength in core product capabilities

## Market leadership in our product suite

- Strength in vanilla flow, G10 FX, Credit, Rates
- 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	5
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



- 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



- The Banker Investment Banking Awards 2012**
- Most Innovative Investment Bank of the Year
  - Most Innovative Investment Bank for FX
  - Most Innovative Investment Bank for Risk Management
  - Most Innovative Investment Bank for Inflation Products

Source: The Banker, October 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

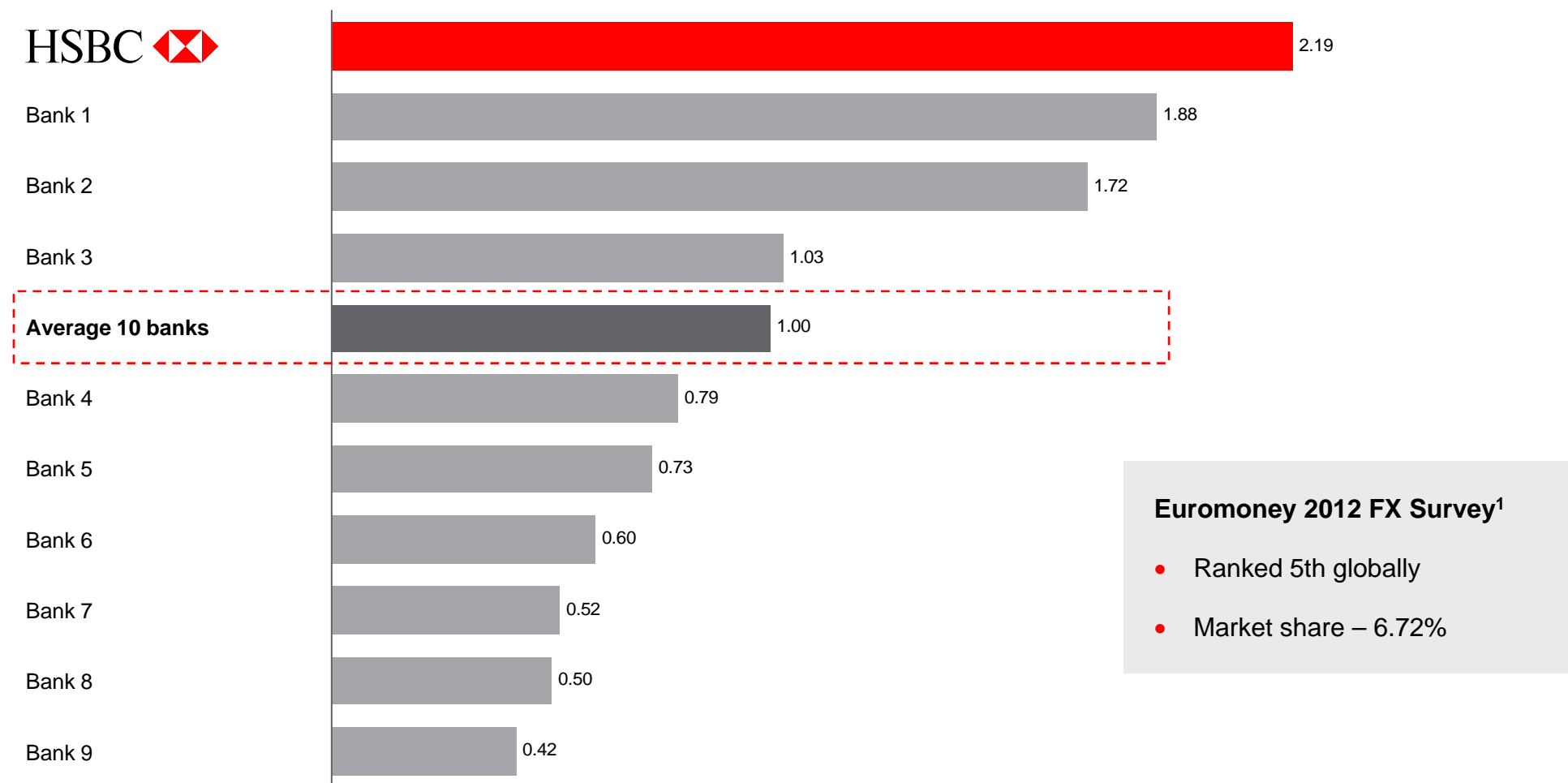
Source: Euroweek, February 2012



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

## Euromoney 2011 FX Survey<sup>1</sup>

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



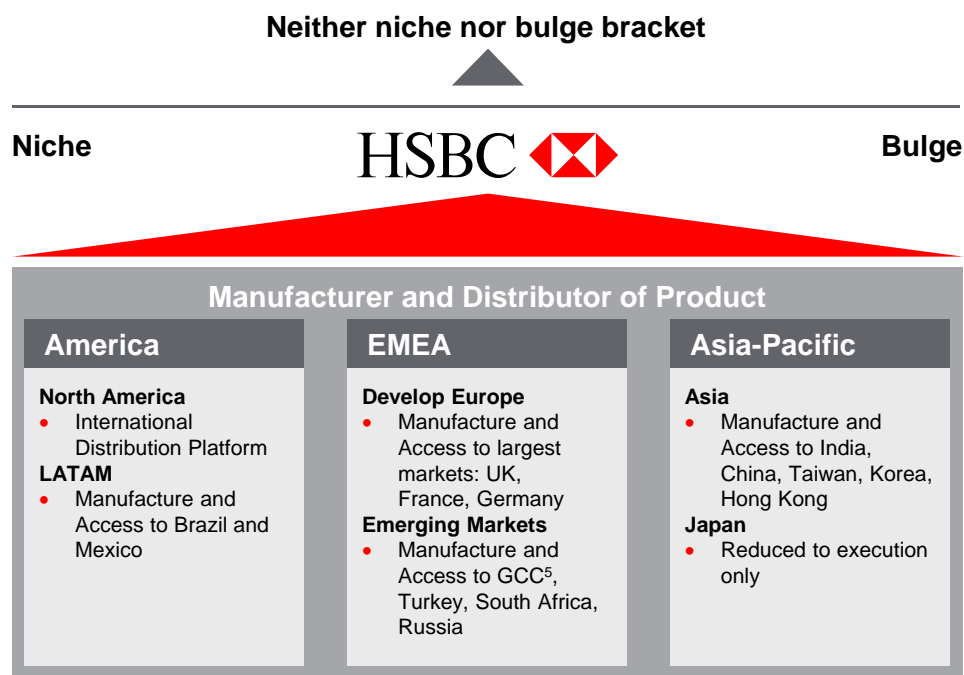
Note:

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

# Equities – 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 shrank<sup>7</sup>
- Overall Pan European ranking has advanced to 6th position (10th in 2011)<sup>6</sup>
- Top 5 EMEA<sup>1</sup> ranking for 7 Sectors Sales and 6 Generalist Sales<sup>6</sup>
- Top 5 CEEMEA<sup>2</sup> ranking in Metals and Mining, Telecommunications, Oil and Gas and Strategy and Economics<sup>6</sup>
- ECM: #3 position in Hong Kong 2011<sup>4</sup>

## Neither niche nor bulge bracket



## Equities – league table targets

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

### 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

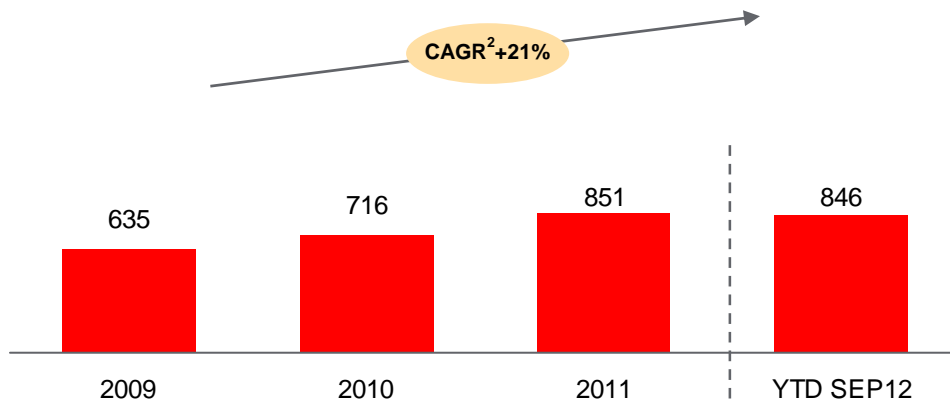
6 Source: Extel

7 Bloomberg

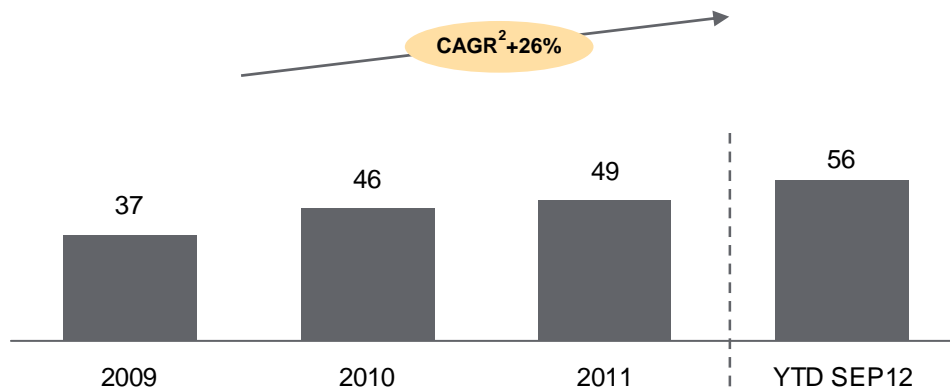
# Debt Capital Markets – leading emerging markets platform

## HSBC EM issuance volumes grow faster than global EM volumes

Global Emerging Market Bonds issuance volumes<sup>1</sup> (USDbn)



HSBC Emerging Market Bonds issuance volumes<sup>1</sup> (USDbn)



- Leadership in Global EM DCM
- Diverse and multi currency Global EM DCM platform
- EM market share gains, 7.3% to 8.7% (Oct10-11 to Oct11-12)<sup>1</sup>
- Offshore RMB ranked #1<sup>3</sup>












<sup>1</sup> Source: Bloomberg  
<sup>2</sup> 2012 volume on an annualised basis  
<sup>3</sup> Bloomberg Oct12 YTD

# Event products – strength in core product capabilities

Rankings	2012
Equity Capital Markets <sup>1</sup>	9
M&A (cross border EM to EM) <sup>2</sup>	6
Project Finance <sup>3</sup>	1
Export Finance <sup>4</sup>	3

## Business highlights

- Significant momentum in ECM in Asia ex HK/China IPOs (HK block trades/South East Asia/India) as well as LatAm (Mexico)
- M&A continues its momentum in cross-border, emerging markets transactions, advising blue-chip clients on some of the most prominent deals into and out of the emerging markets.
- Leveraged and Acquisition Finance continues to capitalise on the franchise's balance sheet strength to win business from competitors and is delivering on the execution of the high yield build-out, with notable market share gains.
- Market leading Project and Export Finance advisory practice complemented by universal banking products including project bonds

ECM	<p>October 2012</p>  <p>EUR1,449m</p> <p>IPO</p> <p>Germany</p> <p>Joint Bookrunner</p>	<p>August/October 2012</p>  <p>USD650m/USD630m</p> <p>Share Placements</p> <p>Hong Kong</p> <p>Joint Bookrunner</p>	<p>October 2012</p>  <p>USD1,217m</p> <p>Follow-on</p> <p>Mexico</p> <p>Joint Bookrunner</p>	LAF	<p>February 2012</p>  <p>GBP555m</p> <p>Debt facilities to support the LBO of CPA Global by Cinven</p> <p>Bookrunner and MLA</p>	<p>February 2012</p>  <p>EUR8bn</p> <p>Senior Secured Term Loans and RCF to refinance existing debt</p> <p>Underwriter, Bookrunner, MLA and Global Coordinator</p>	<p>August 2012</p>  <p>SGD2,800 million</p> <p>Financial Advisor, MLA, Bookrunner and Underwriter on ThaiBev's proposed acquisition of a 22% stake in Fraser and Neave</p>		
	M&A	<p>May 2012</p>  <p>HSBC acted as Sole Financial Adviser to Renault and Nissan in the signing of an MoU to create a JV with Russian Technologies, a state-owned industrial conglomerate</p>	<p>July 2012</p>  <p>USD1.5bn</p> <p>HSBC acted as the Sole Financial Adviser to Sinopec on the acquisition of a 49% equity interest in Talisman's UK subsidiary</p> <p>Sole Financial Adviser</p>		<p>April 2012</p>  <p>USD 3.4bn</p> <p>Acted as Financial Adviser to FT-Orange on its acquisition of a 100% stake in MobNil</p> <p>Financial Adviser, Guarantor and Custodian</p>	PEF	<p>March 2012</p>  <p>MYR6.5bn (USD2.1bn) construction of a 1,000MW super-critical coal fired power plant</p> <p>Malaysia</p> <p>FA, Sole Coordinating Bank, Senior USD Loan MLA, Sukuk</p> <p>Murabahah JLA and JLM</p>	<p>August 2012</p>  <p>GBP 2.4bn</p> <p>Intercity Express Trains</p> <p>United Kingdom</p> <p>Financial Advisor, MLA</p>	<p>July 2012</p>  <p>Ethad Airways</p> <p>USD151.6m US-EXIM Wrapped Bond</p> <p>Issue of fixed-rate notes</p> <p>Bookrunner/Sole Lead Manager</p>

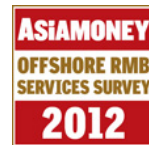
### Notes:

- 1 Source: Dealogic. Global view excluding North American, Australian and Japanese issuers and Chinese A-share transactions
- 2 Source: Dealogic
- 3 Source: Dealogic (International Bank in number of Advisories closed)
- 4 Source: Dealogic (Global Mandated Lead Arrangers of ECA Financing)

# RMB internationalisation – HSBC is at the forefront

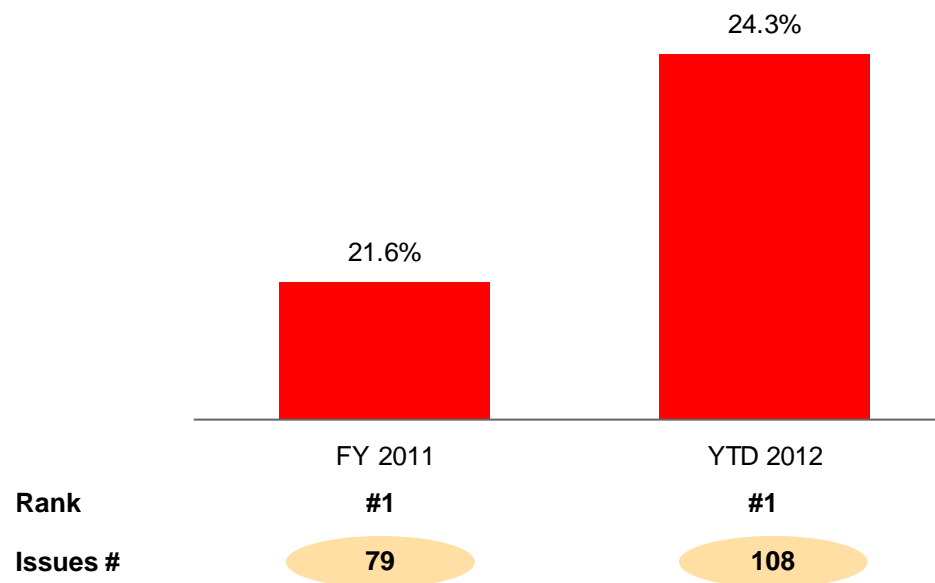
## Business highlights

- Market leader in Dim Sum bond market with 24% market share
- Market innovator – supporting 6 new “currency crosses” to help reduce FX costs for corporates
- RMB house of the year, for all RMB products and services – from AsiaMoney and Asia Risk
- Played a key role in China’s largest ever offshore RMB Sovereign bond issue in Hong Kong
- Actively involved with and key driver of the “City of London” initiative
- Issued first ever Dim Sum bond to be issued, priced and listed out of London, attracting 60% participation by European clients – helping open the Dim Sum market to European investors



Asiamoney declared, “HSBC is considered the clear leader for offshore renminbi products.”

## HSBC Position in Hong Kong Dim Sum Bonds<sup>1</sup>



Note:

<sup>1</sup> Bloomberg FY2011 as at 31st December 2011 and YTD2012 as at 18th October 2012

# Connectivity – synergies with Global Businesses to generate increasing revenues

	Initiatives	Potential upside in the medium term
<b>Commercial Banking</b>	<ul style="list-style-type: none"> <li>Aspiration: increase incremental CMB collaboration revenues in the medium term               <ul style="list-style-type: none"> <li>In 2011, incremental revenues of c.USD500m<sup>1</sup></li> <li>In 2012, 8% growth in collaboration revenues<sup>2</sup></li> </ul> </li> <li>Global initiative for FX</li> <li>Referrals for Event products</li> <li>Joint Client-led Planning</li> </ul>	<p>A significant proportion of the potential USD2bn group collaboration revenues upside will be driven by CMB and GBM collaboration<sup>3</sup></p>
<b>Retail Banking and Wealth Management</b>	<ul style="list-style-type: none"> <li>Foreign Exchange offering to RBWM customers</li> </ul>	
<b>Global Private Banking</b>	<ul style="list-style-type: none"> <li>Institutional Private Client Group within GBM and the Global Priority Client structure within GPB to jointly cover Ultra High Net Worth Individuals</li> <li>GBM referrals to GPB</li> </ul>	

Note:

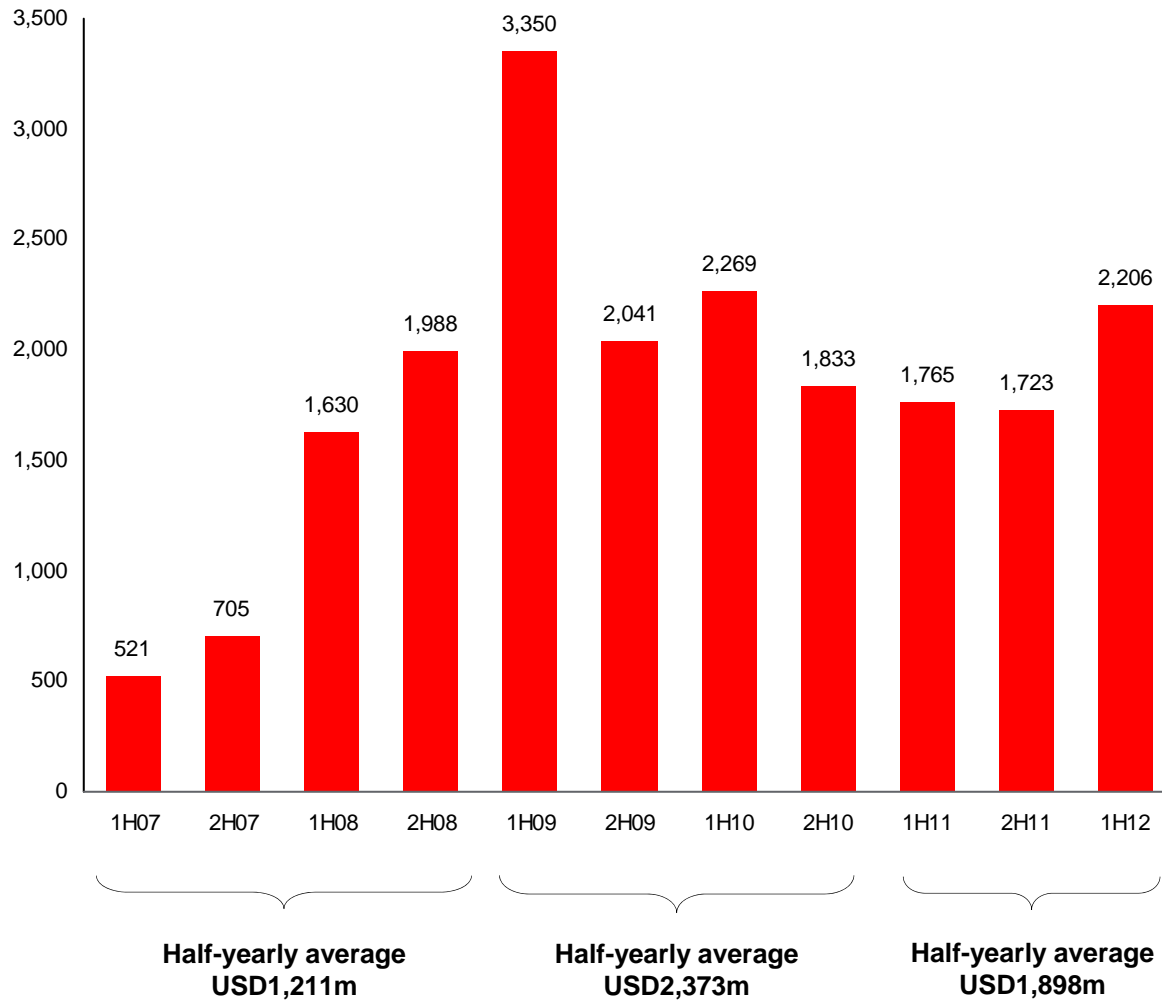
1 FY2011 revenues vs. FY2010 revenues.

2 YTD SEP12 revenues vs. YTD SEP11 revenues, yoy growth.

3 As presented at May 2012 Investor Day

# BSM – revenues stabilising after two exceptional years

## Balance Sheet Management Revenues (USDm)



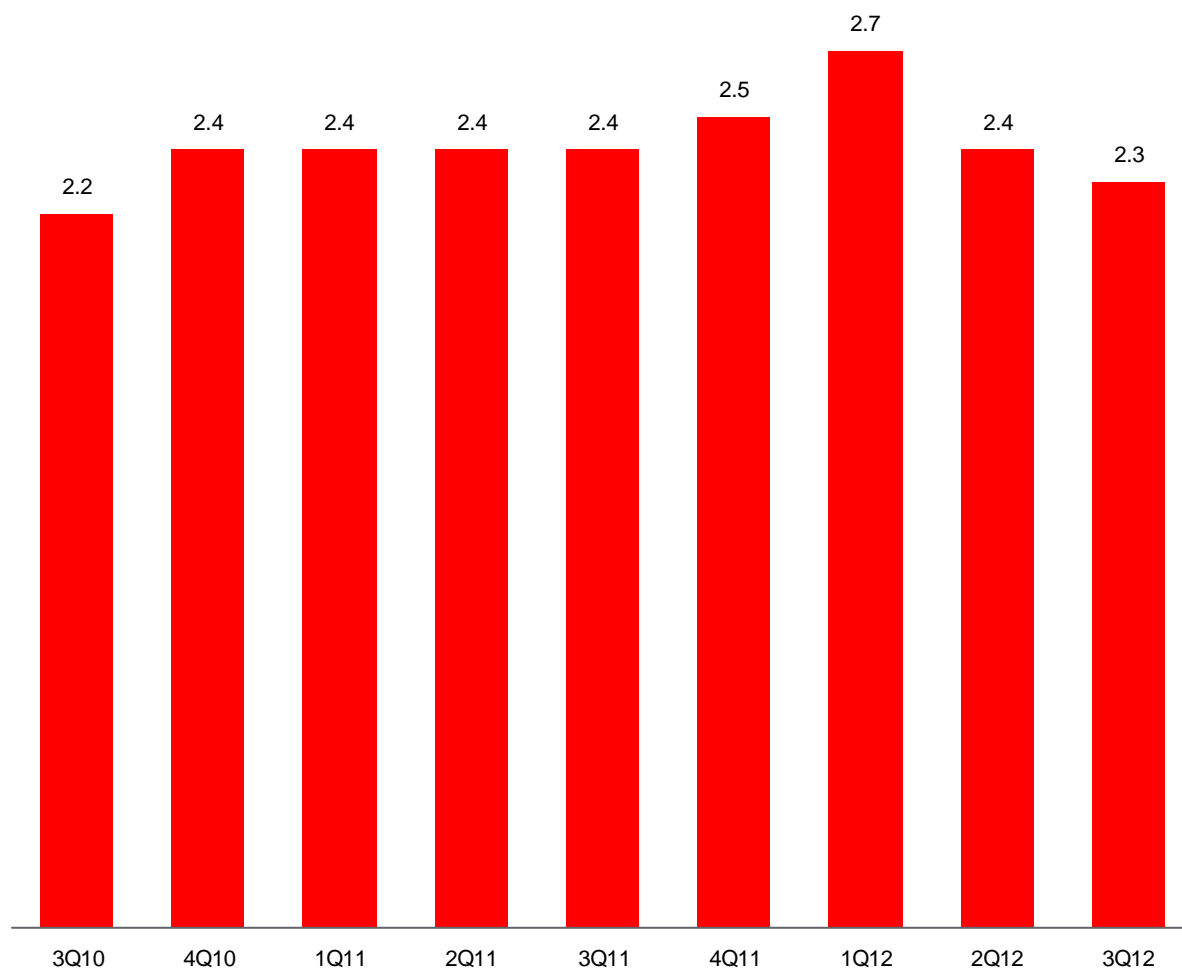
- BSM has a clear governance structure
- BSM does not manage structural credit risks
- Counterparty risk is mostly short term exposure to central banks and government bonds
- BSM manages the transformation of interest rate risks with an overall objective of having duration exposure within a clearly defined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

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

# Costs – remain a key area of focus

## GBM Total Operating Expenses

(USDbn)



Note:

1 HSBC internal management information as at 30 June 2012

## Examples of costs initiatives

- People - streamlined management structures through review in 2H2011 and 1H2012
- Clients – reviewing client base and enhancing due diligence standards
- Infrastructure – continued offshoring to lower cost locations, primarily in Asia



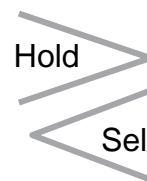
# RWAs and Legacy Credit

## Industry changes in product profitability

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

## Decision framework

**NPV of future cash flows**



**Expected loss on sale + transaction costs**

- 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

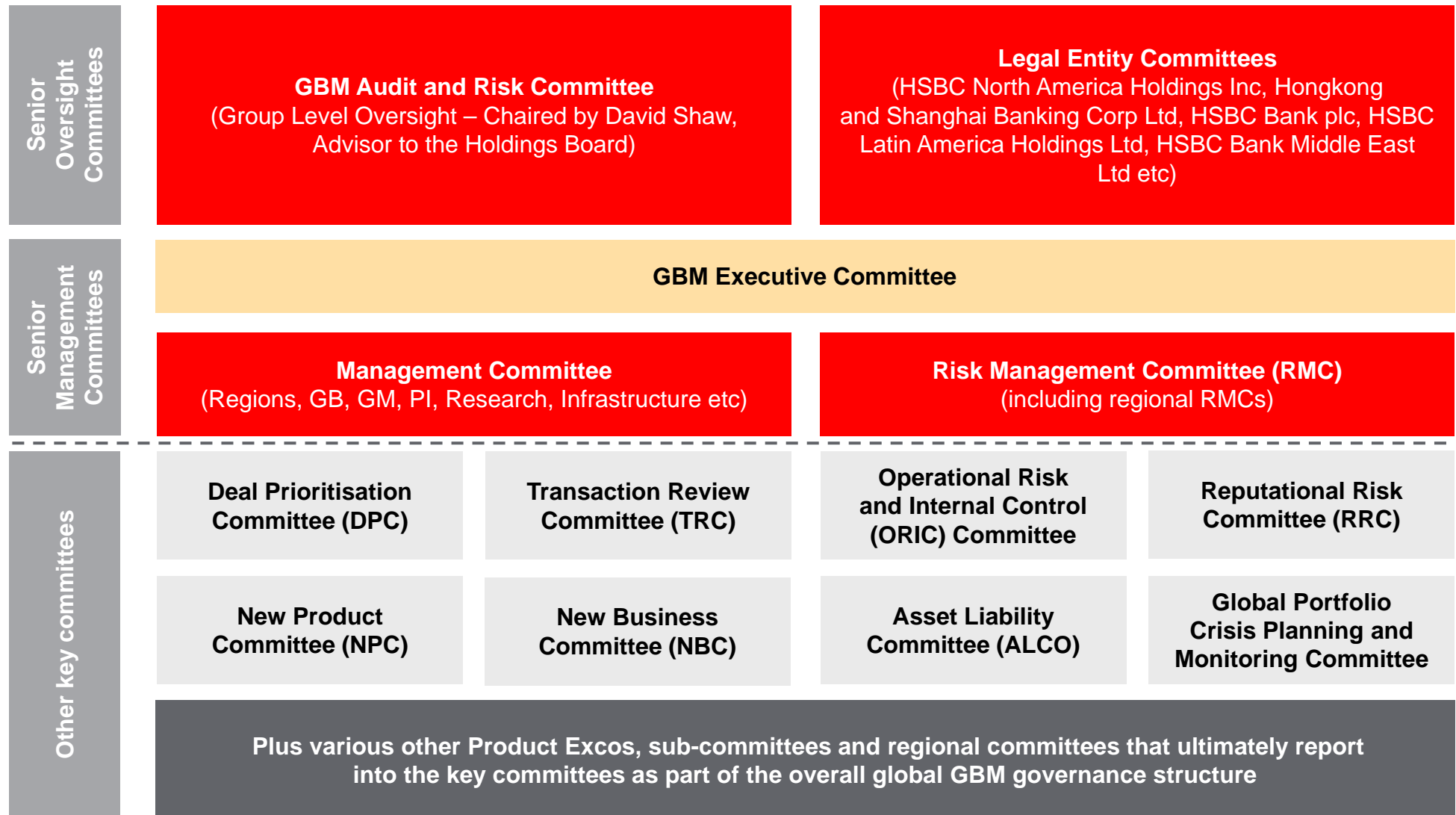
## Disciplined approach to risk appetite for capital market activities

- 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 ExCo<sup>1</sup> 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

Note:

1 GBM Executive Committee

# 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 rankings<sup>1</sup> 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	Trade and Receivable Finance	Project and Export Finance	ECM	M&A	FX	DCM	Rates	Credit	Equities
Hong Kong	#1	#1	#1	#1	#6	#3	#1	#1	#1	#1	#5
RoAP ex. Japan	#1	#1			#10	#8		#1			n/a
MENA	#1	#1			#8	#2	#5	#1	#3	n/a	#1
Latam	#2	n/a			#9	#15	#3	#2	#4	n/a	n/a
UK	#2	#1			n/m	#11	#6	#4	#3	#9	#7
Cont. Europe	#5	#1			#10	#10		#2			
North America	#2	#11			n/m	n/m	#10	#6	#12	#16	n/a

■ Top 5     
 ■ Top 10     
 ■ Outside Top 10     
  Not available/not meaningful

Sources:  
 PCM – Euromoney 2012  
 HSS – Global Custodian Mutual Fund and Hedge Fund Administration Survey, Hedge fund next administrator survey, Clearstream, CMU HK  
 Trade and Receivable Finance – Oliver Wyman analysis  
 Project and Export Finance – Dealogic 2012 – based on International Bank on advisories closed

30  
 ECM – Dealogic 2012: Latam ranking based on Brazil and Mexico; Cont. Europe based on France, Germany, Italy, Spain or Portugal; MENA 2011/12  
 M&A – Dealogic 2012: M&A Cont. Europe based on Target of France, Germany, Italy, Spain or Portugal  
 FX, Rates, Credit – Greenwich 2011  
 DCM – Bloomberg 2012  
 Equities – Bloomberg 2012, Extel 2012

# Appendix

## GBM Financials<sup>1</sup>

(USDm)	Sep YTD 2012	Sep YTD 2011
Credit	656	311
Rates	2,168	1,114
Foreign Exchange	2,469	2,442
Equities	536	873
Securities Services	1,199	1,284
Asset and Structured Finance	509	405
<b>Global Markets</b>	<b>7,536</b>	<b>6,429</b>
Financing and Equity Capital Markets	2,367	2,468
Payments and Cash Management	1,295	1,108
Other transaction services <sup>2</sup>	578	470
<b>Global Banking</b>	<b>4,240</b>	<b>4,046</b>
<b>Balance Sheet Management</b>	<b>3,041</b>	<b>2,655</b>
<b>Principal Investments</b>	<b>200</b>	<b>187</b>
<b>Other<sup>3</sup></b>	<b>(363)</b>	<b>(130)</b>
<b>Total operating income before loan impairment charges and other credit risk provisions</b>	<b>14,654</b>	<b>13,187</b>
<b>Loan impairment Charges and other credit risk provisions</b>	<b>(588)</b>	<b>(665)</b>
<b>Net operating income</b>	<b>14,066</b>	<b>12,522</b>
<b>Total operating expenses</b>	<b>(7,377)</b>	<b>(7,216)</b>
<b>Operating profit</b>	<b>6,689</b>	<b>5,306</b>
<b>Share of profit in associates and joint ventures</b>	<b>605</b>	<b>511</b>
<b>Profit before tax</b>	<b>7,294</b>	<b>5,817</b>
<b>Included in profit before tax:</b>		
<b>Non-qualifying hedges</b>	<b>(35)</b>	<b>59</b>
<b>Acquisitions, disposals and dilutions</b>	<b>14</b>	<b>3</b>
	<b>%</b>	<b>%</b>
<b>Cost efficiency ratio</b>	<b>50.3</b>	<b>54.7</b>
<b>Pre-tax return on average risk-weighted assets (annualised)</b>	<b>2.3</b>	<b>2.1</b>

Notes:

1 Figures prepared on a reported basis and Net operating income before loan impairment charges and other credit risk provisions 31

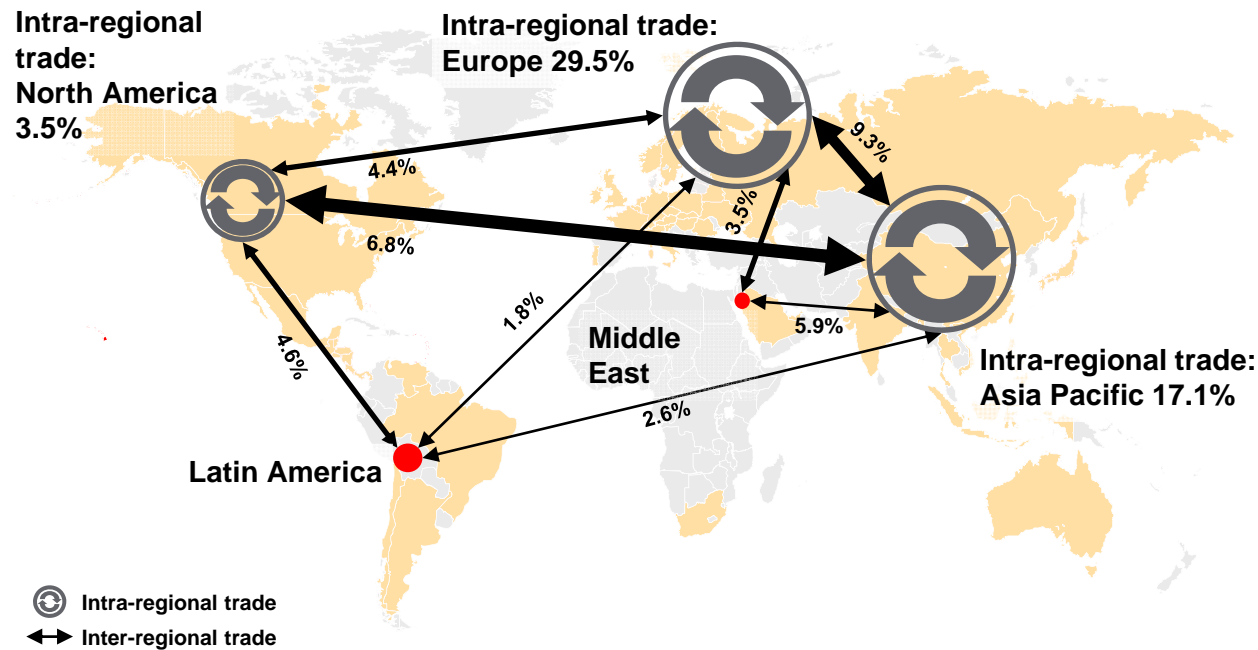
2 Trade Services, Bank Notes and Other

3 Includes Tax gross-ups and certain liquidity charges and net interest earned on free capital allocated to GBM

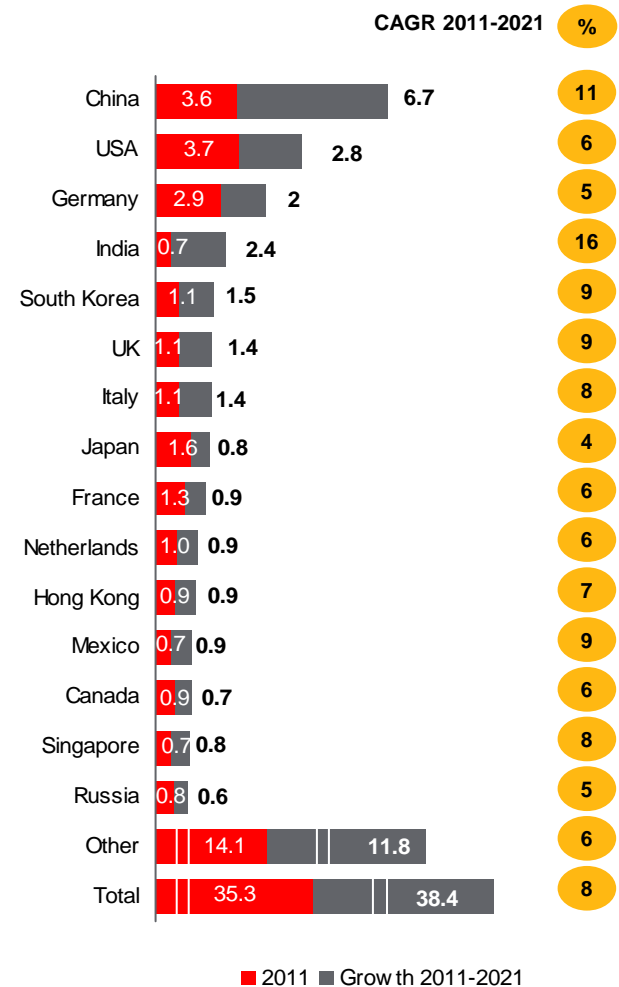
# Appendix

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

### Major trade flows<sup>1</sup> 2011



### Country trade growth<sup>2</sup> Imports and Exports, USDtn



### 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

Note:  
<sup>1</sup> IMFDOTS, based on FY2011 share of total exports across 183 countries  
<sup>2</sup> Global Insights March 2012, total imports and exports merchandise trade