

**HSBC Holdings plc**

# **Presentation to Fixed Income Investors**

**March 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 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](http://www.hsbc.com).



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# The HSBC Group

## Four Global businesses

Supported by global functions



## 22 Home and Priority Growth markets

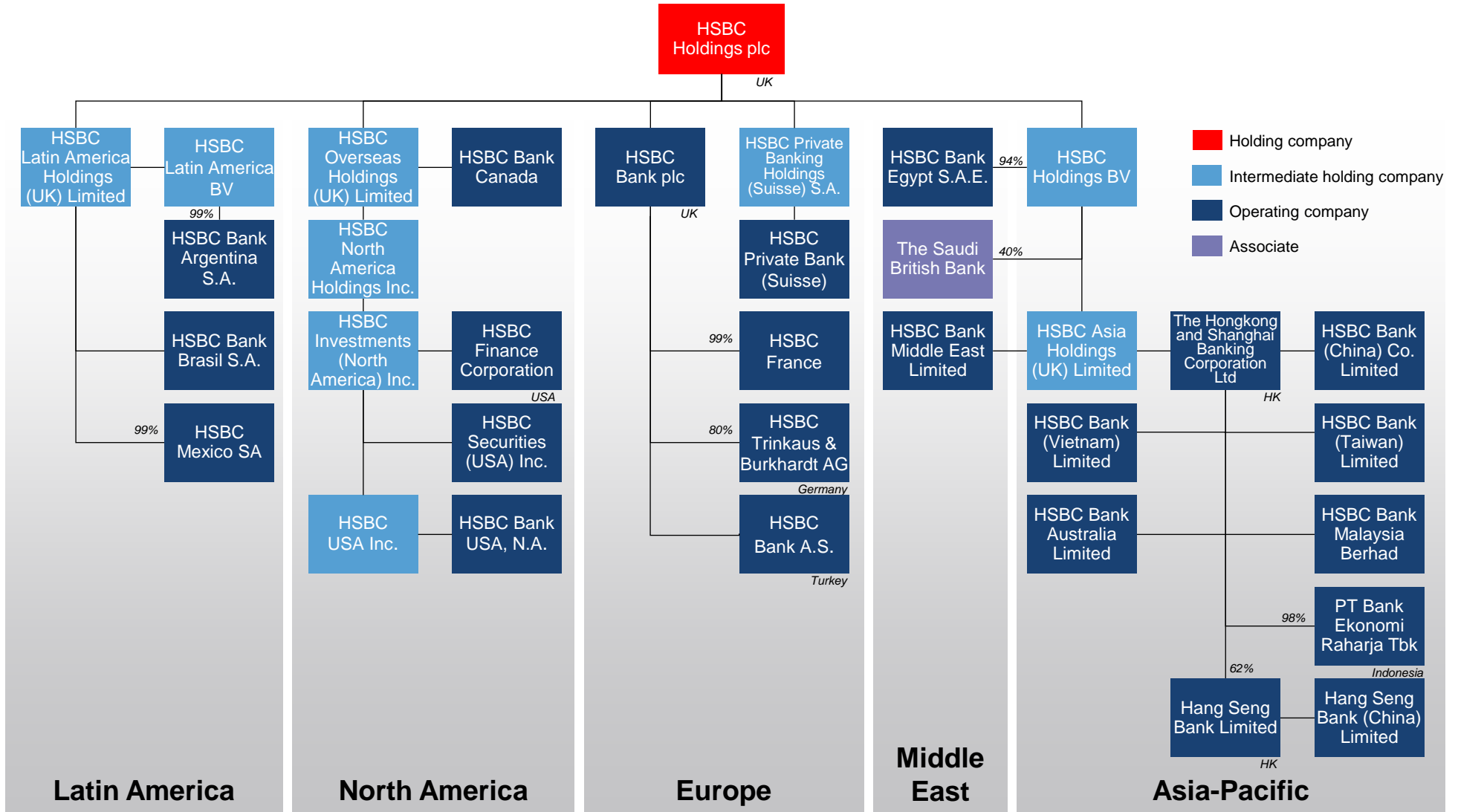
With further Network and Small markets

	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"> <li>• Hong Kong<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>• United Kingdom</li> </ul>			
Priority Growth markets	<ul style="list-style-type: none"> <li>• Australia</li> <li>• Mainland China</li> <li>• India</li> <li>• Indonesia</li> <li>• Malaysia</li> <li>• Singapore</li> <li>• Taiwan</li> <li>• Vietnam</li> </ul>	<ul style="list-style-type: none"> <li>• France</li> <li>• Germany</li> <li>• Switzerland</li> <li>• Turkey</li> </ul>	<ul style="list-style-type: none"> <li>• Egypt</li> <li>• Saudi Arabia</li> <li>• UAE</li> </ul>	<ul style="list-style-type: none"> <li>• Canada</li> <li>• USA</li> </ul>	<ul style="list-style-type: none"> <li>• Argentina</li> <li>• Brazil</li> <li>• Mexico</li> </ul>
Network markets	<ul style="list-style-type: none"> <li>• Operations primarily focused on CMB and GBM international clients and businesses</li> <li>• Together with home and priority growth markets these concentrate c.85-90% of international trade and capital flows</li> </ul>				
Small markets	<ul style="list-style-type: none"> <li>• Markets where HSBC has profitable scale and focused operations</li> <li>• Representative Offices</li> </ul>				

<sup>1</sup> Includes Hang Seng Bank

# Simplified structure chart

## Principal entities in Home and Priority Growth markets

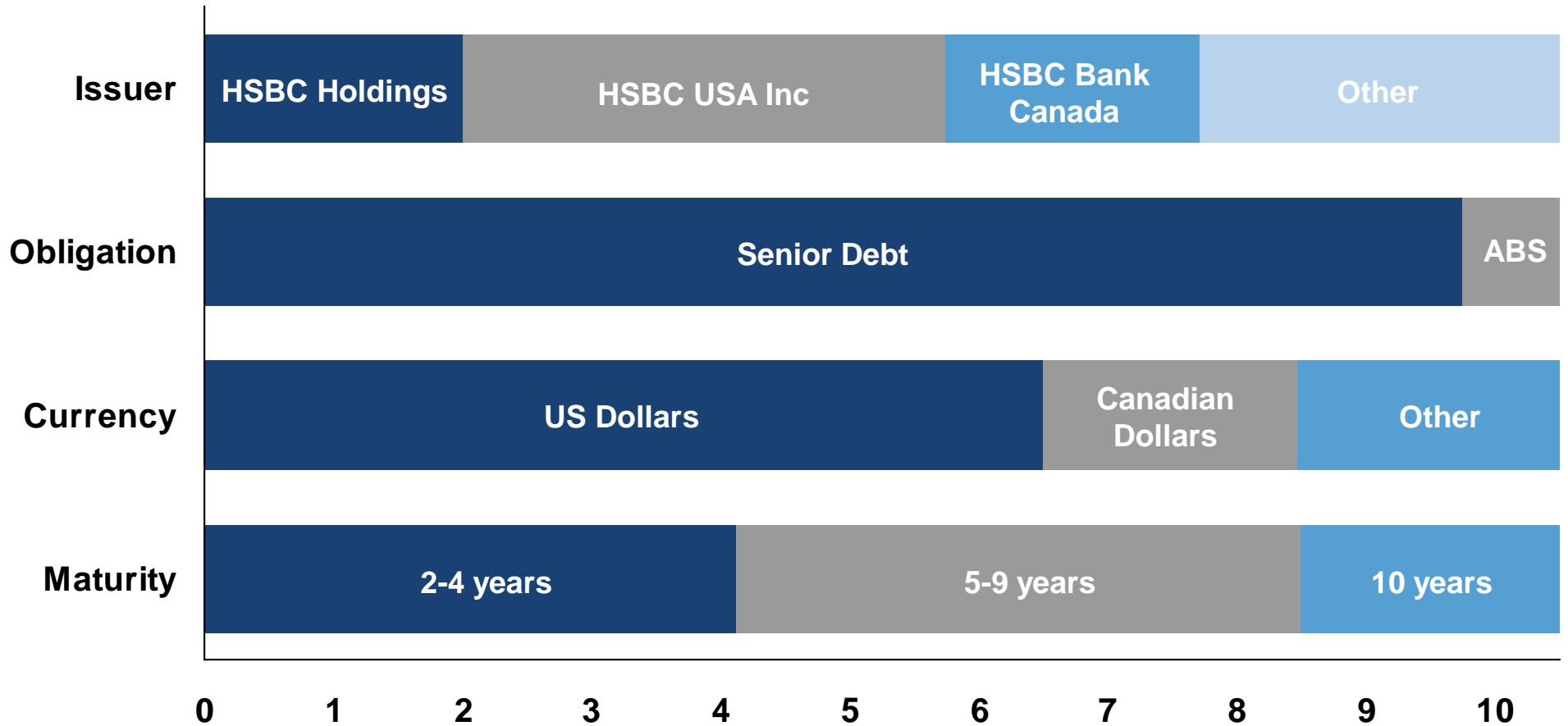


1 All entities wholly owned unless shown otherwise (part ownership rounded down to nearest percent).  
 2 Excluding other associates, Insurance companies and Special Purpose Entities.  
 3 At 31 December 2012.

## 2012 Public market issuance

HSBC entities issued USD10.5bn of new fixed income securities

(USDbn)





# Financial Performance

## Financial overview

### Summary of reported results

USDbn	2011	2012	% change
Revenue excluding FVOD <sup>1</sup>	68.4	73.5	7
Loan impairment charges <sup>2</sup>	(12.1)	(8.3)	31
Operating expenses	(41.6)	(42.9)	(3)
Shares of profit in associates and joint ventures	3.3	3.5	6
Profit before tax, excluding FVOD	18.0	25.8	43
Changes in FVOD	3.9	(5.2)	na
Profit before tax	21.9	20.6	(6)
Profit after tax	18.0	15.3	(15)

<sup>1</sup> Revenue: Net operating income before Loan Impairment Charges and other credit risk provisions. FVOD: Changes in fair value of own debt due to changes in credit spread

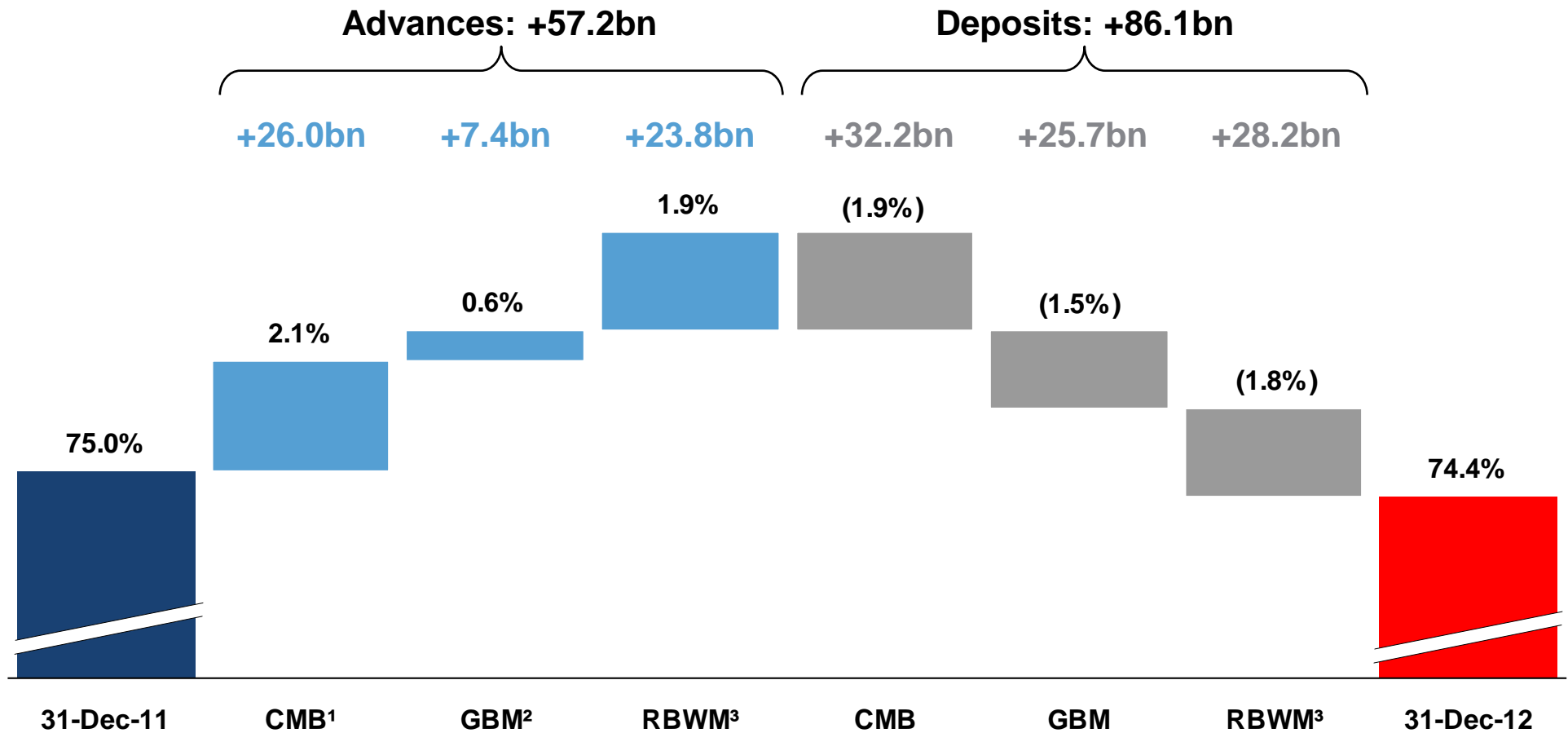
<sup>2</sup> Includes other credit risk provisions

# Customer lending and funding enhanced

Growth in Commercial Banking while maintaining signature strength

## Advances to deposits ratio

USDbn



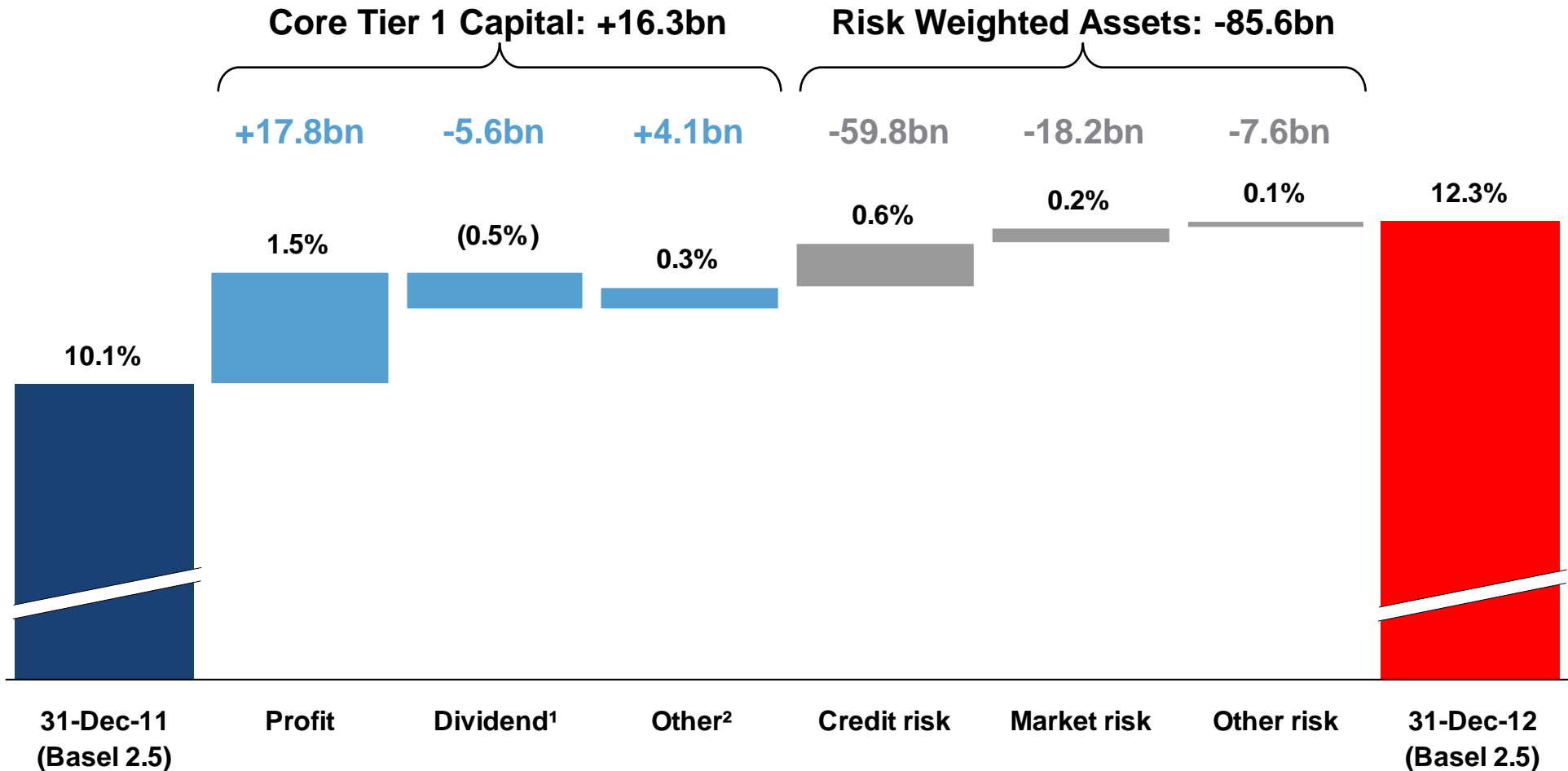
1 Commercial Banking  
 2 Global Banking and Markets  
 3 RBWM and others

# Capital adequacy further strengthened

Continued capital generation and lower risk weighted assets

## Core tier 1 ratio

USDbn



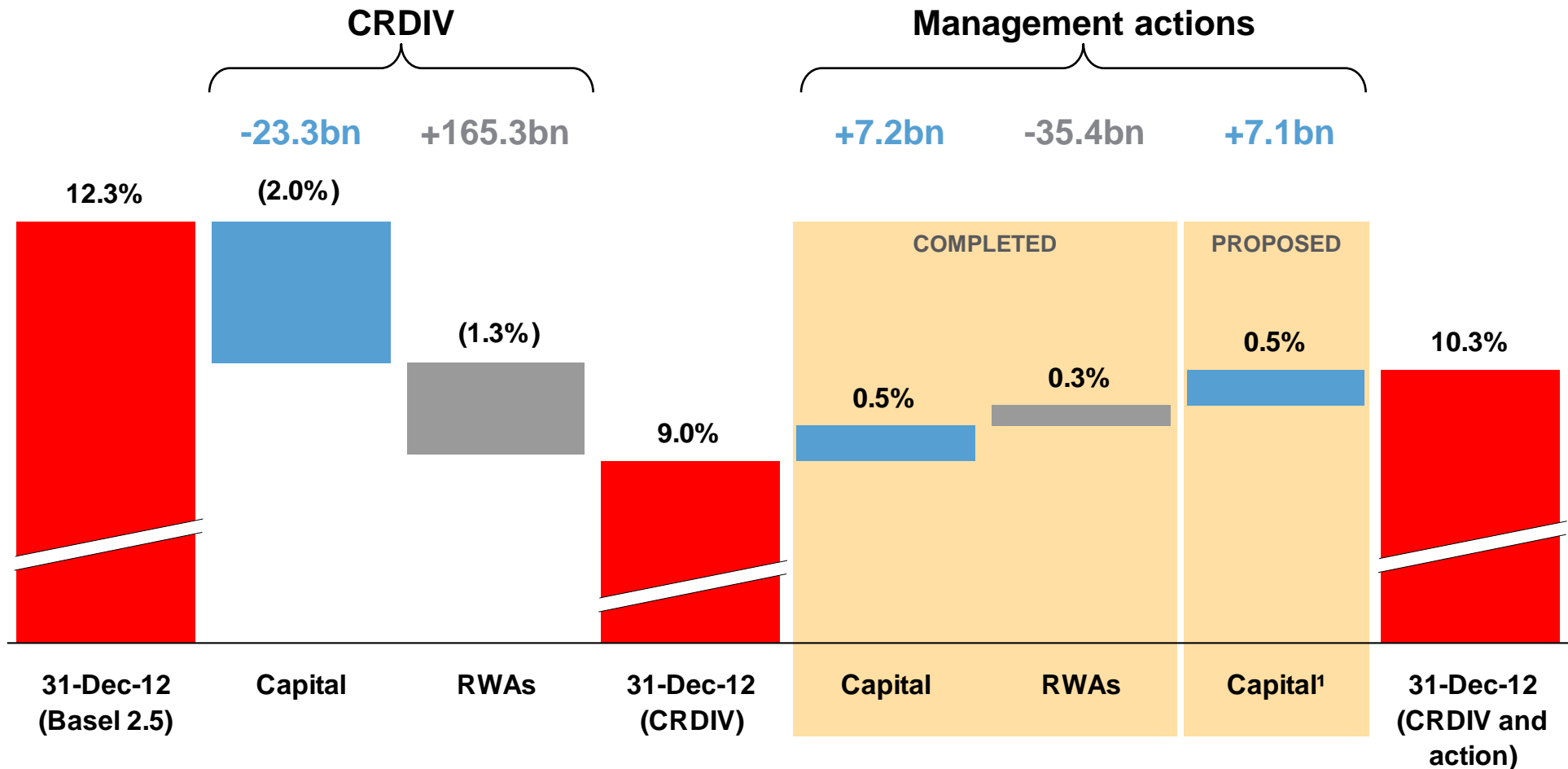
<sup>1</sup> Net of Scrip  
<sup>2</sup> Including FX translation

# Capital under CRDIV applied to 31 December 2012 balance sheet

## Estimated impact<sup>2</sup>

### Core / Common Equity Tier 1 ratio

USDbn



<sup>1</sup> Includes de minimis positive RWA impact

<sup>2</sup> Estimated Basel III end point CET1 ratio based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by FSA guidance

# Conclusion

## Investment case

Distinctive position	<ul style="list-style-type: none"><li>• Privileged access to growth opportunities</li><li>• Four global businesses sharing strong commercial linkages</li><li>• Lean and values driven organisation fit for the new environment</li><li>• Strong balance sheet generating resilient stream of earnings</li></ul>
Strategy	<ul style="list-style-type: none"><li>• International trade and capital flows</li><li>• Economic development and wealth creation</li></ul>
Execution focus	<ul style="list-style-type: none"><li>• Capital deployment; six filters and turnaround actions</li><li>• Cost efficiency; sustainable cost saves and simplification</li><li>• Growth: faster growing markets; wealth opportunity; intra-group connectivity</li></ul>
Financial targets	Common equity Tier 1 ratio                      9.5-10.5%
	Return on Equity in medium term              12-15%
	Cost Efficiency ratio by 2013                    48-52%