

**HSBC Holdings plc and  
The Hongkong and Shanghai Banking Corporation Limited**  
**Presentation to Fixed Income Investors**

June 2013





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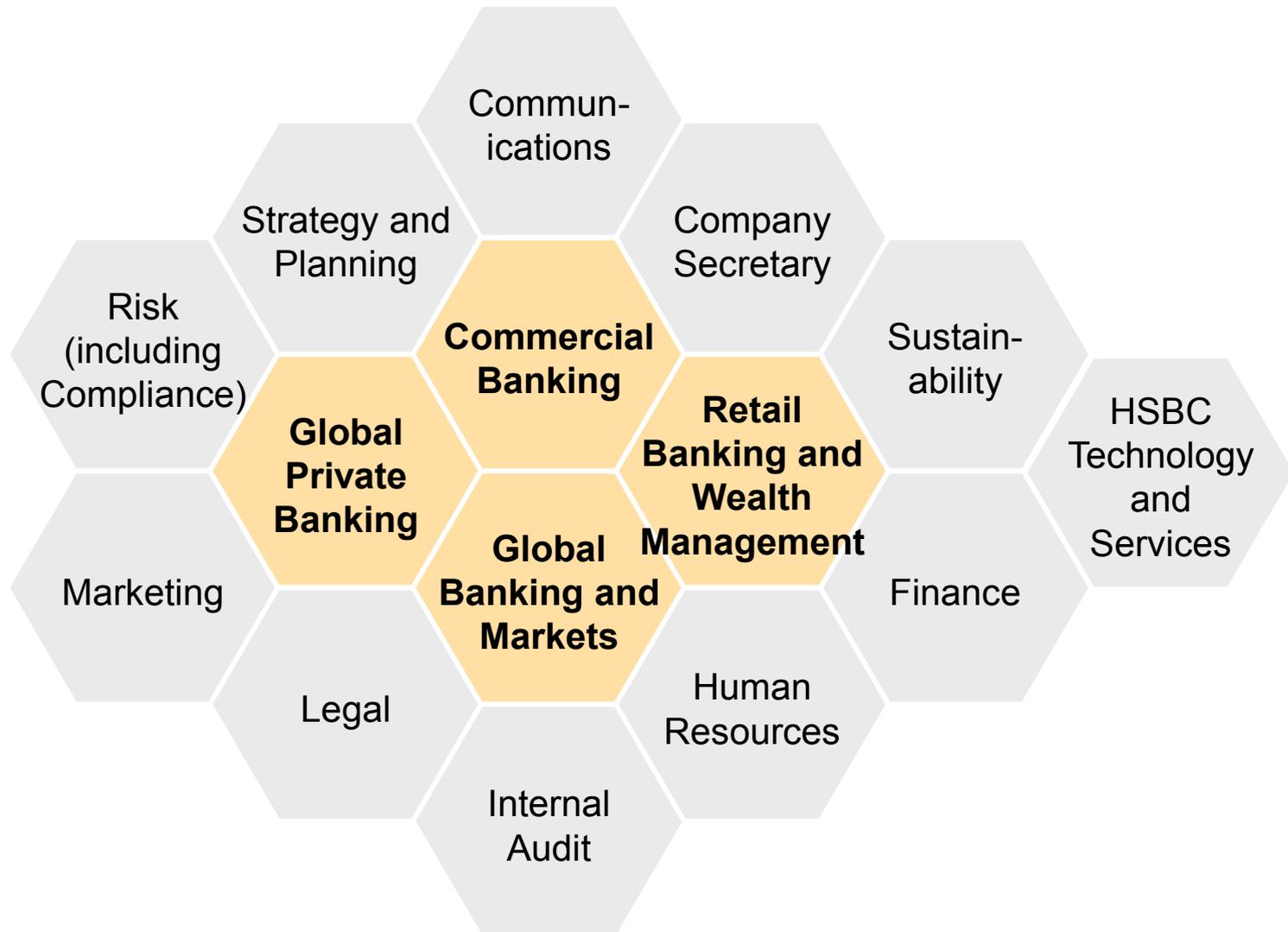
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# The HSBC Group

## Four Global businesses

Supported by global functions



## 22 Home and Priority Growth markets

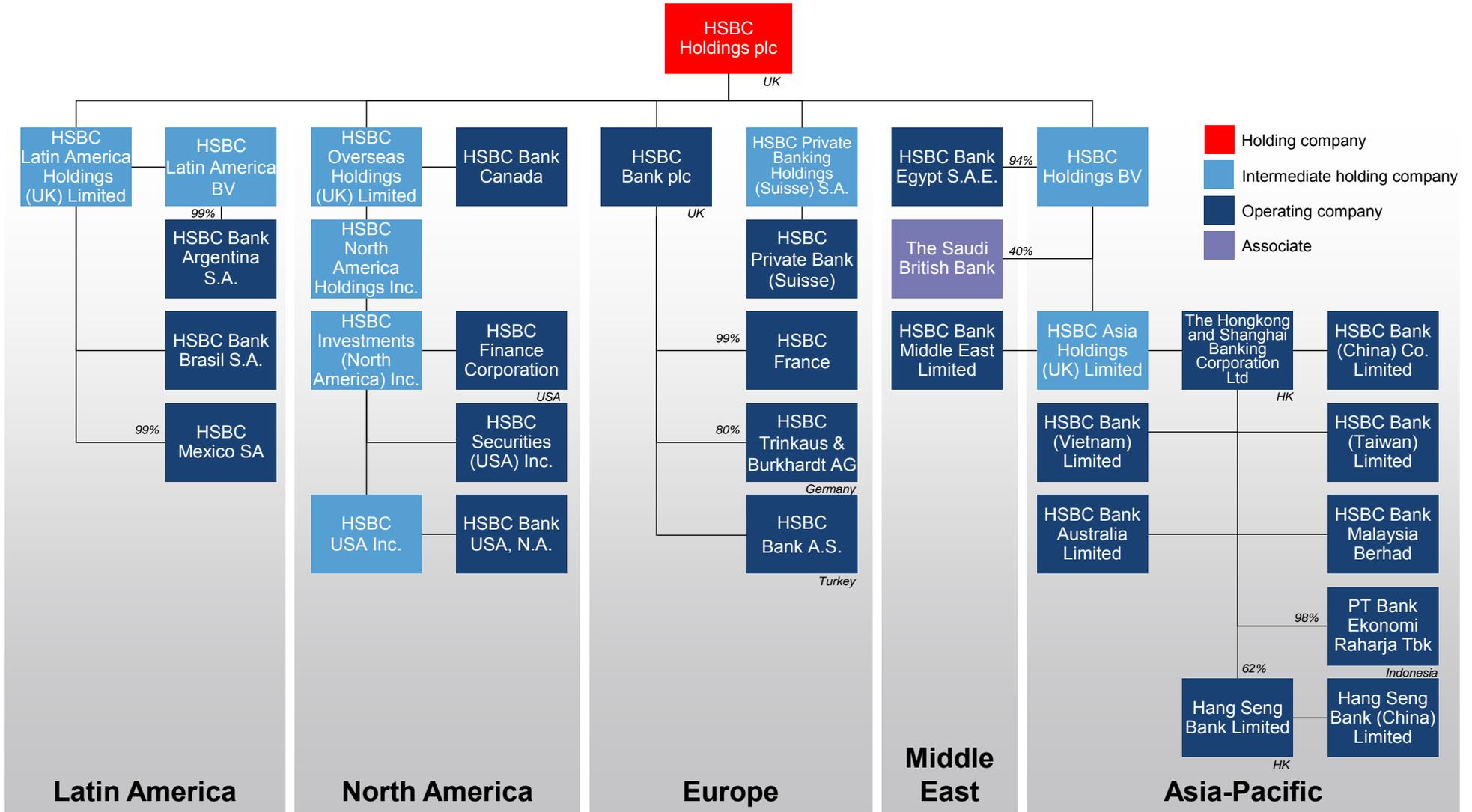
With further Network and Small markets

	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 GB&amp;M 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.

# Financial overview

## Summary of reported results 1Q13

USDm	1Q12	1Q13	% change
Revenue <sup>1</sup> excluding FVOD <sup>2</sup>	18,845	18,659	(1)
Loan impairment charges <sup>3</sup>	(2,366)	(1,171)	51
Operating expenses	(10,353)	(9,347)	10
Shares of profit in associates and joint ventures	840	536	(36)
Profit before tax, excluding FVOD	6,966	8,677	25
Changes in FVOD	(2,644)	(243)	n/a
Profit before tax	4,322	8,434	95

1. Revenue is net operating income before Loan Impairment Charges and other credit risk provisions

2. Fair value movements on own debt attributable to credit spreads

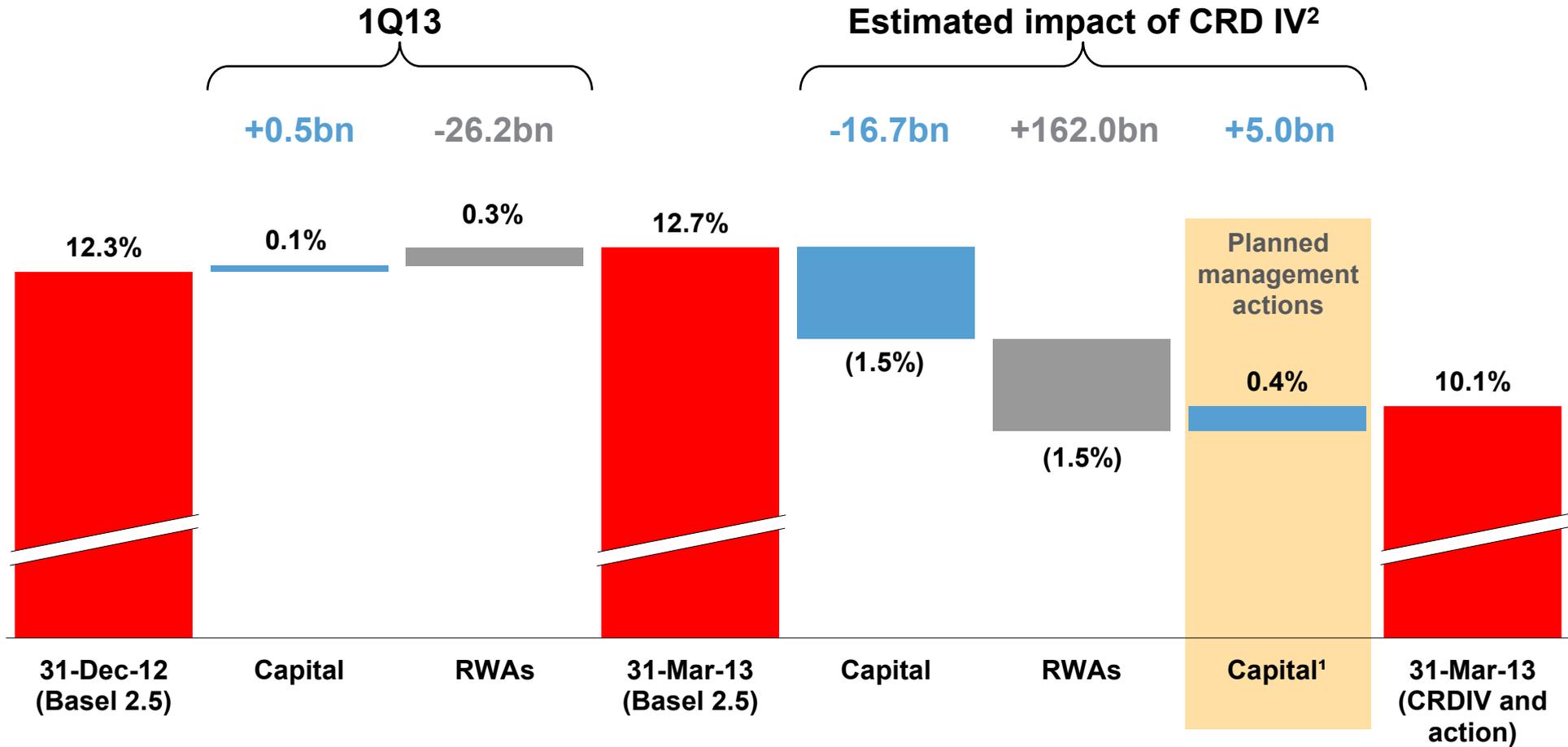
3. Loan Impairment Charges and other credit risk provisions

# Capital Strength

## Now and under CRD IV

### Core / Common Equity Tier 1 ratio

USDbn



1 Includes de minimis increase in RWAs

2 Estimated CRDIV end point CET1 ratio based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by PRA guidance

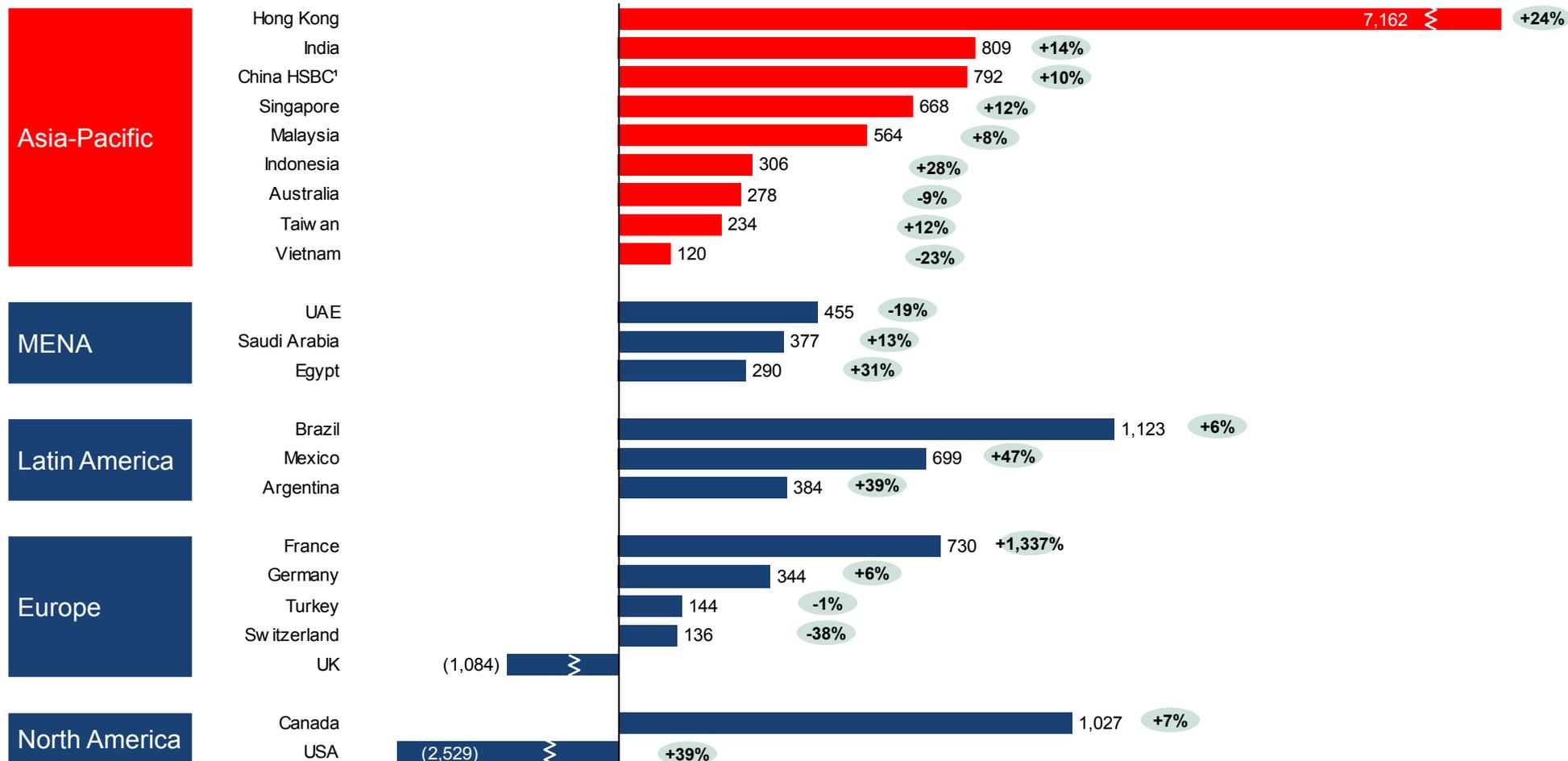
# HSBC in Asia-Pacific

# 2012 results

## Profit contributions by Home and Priority Growth markets

### Underlying PBT 2012 vs 2011

(USDm)



<sup>1</sup> Excludes mainland China associates and the fair value movements of USD553m on the contingent forward sale contract related to the Ping An sale, the effect of which was offset by a gain in 2013 on completion of the transaction

# Introducing HSBC in Asia-Pacific

Connecting customers since 1865

## Overview

- Principal entity is The Hongkong and Shanghai Banking Corporation Limited
- Established in 1865 - the founding member of the HSBC Group
- Serves customers in 20 countries and territories across Asia-Pacific

## Commercial Banking

- Corporate banking serves corporate and mid-market customers
- Business banking serves SMEs
- Leading international trade and business bank

## Retail Banking and Wealth Management

- Serves personal customers
- Enabling them to manage their day to day finances and save for the future
- Securing customers future prosperity and realising their ambitions

## Global Banking and Markets

- Provides tailored financial solutions to major government, corporate and institutional clients
- Connecting clients to global growth opportunities

# Strategy of HSBC in Asia-Pacific

Connecting Asia and the world

## Overview

- Greater China
  - Other Priority Growth markets
  - Other markets
- Expand leadership  
Invest and build scale  
Maintain leadership in connectivity

## Commercial Banking

- Focus on faster growing markets, connecting flows with developed markets
- Applying a consistent model to grow exposure to international businesses
- Enhance collaboration with other businesses for the benefit of customers

## Retail Banking and Wealth Management

- Build a high quality wealth management service driven by customer needs
- To provide a high standard, efficient, productive banking service
- Focus on key markets

## Global Banking and Markets

- Reinforce delivery of coverage and solutions to targeted customers
- Invest in the delivery of an integrated suite of products and services
- Enhance collaboration with CMB for the benefit of customers

## Financial overview

### Summary of reported results 2012

HKDbn	2011	2012	Better/(worse) % change
Revenue <sup>1</sup>	147.2	162.3	10
Loan impairment charges <sup>2</sup>	(3.1)	(3.6)	(17)
Operating expenses	(67.8)	(68.8)	(1)
Shares of profit in associates and joint ventures	15.1	18.8	25
Profit before tax	91.4	108.7	19
Profit after tax	73.9	90.7	23

1. Revenue is net operating income before Loan Impairment Charges and other credit risk provisions

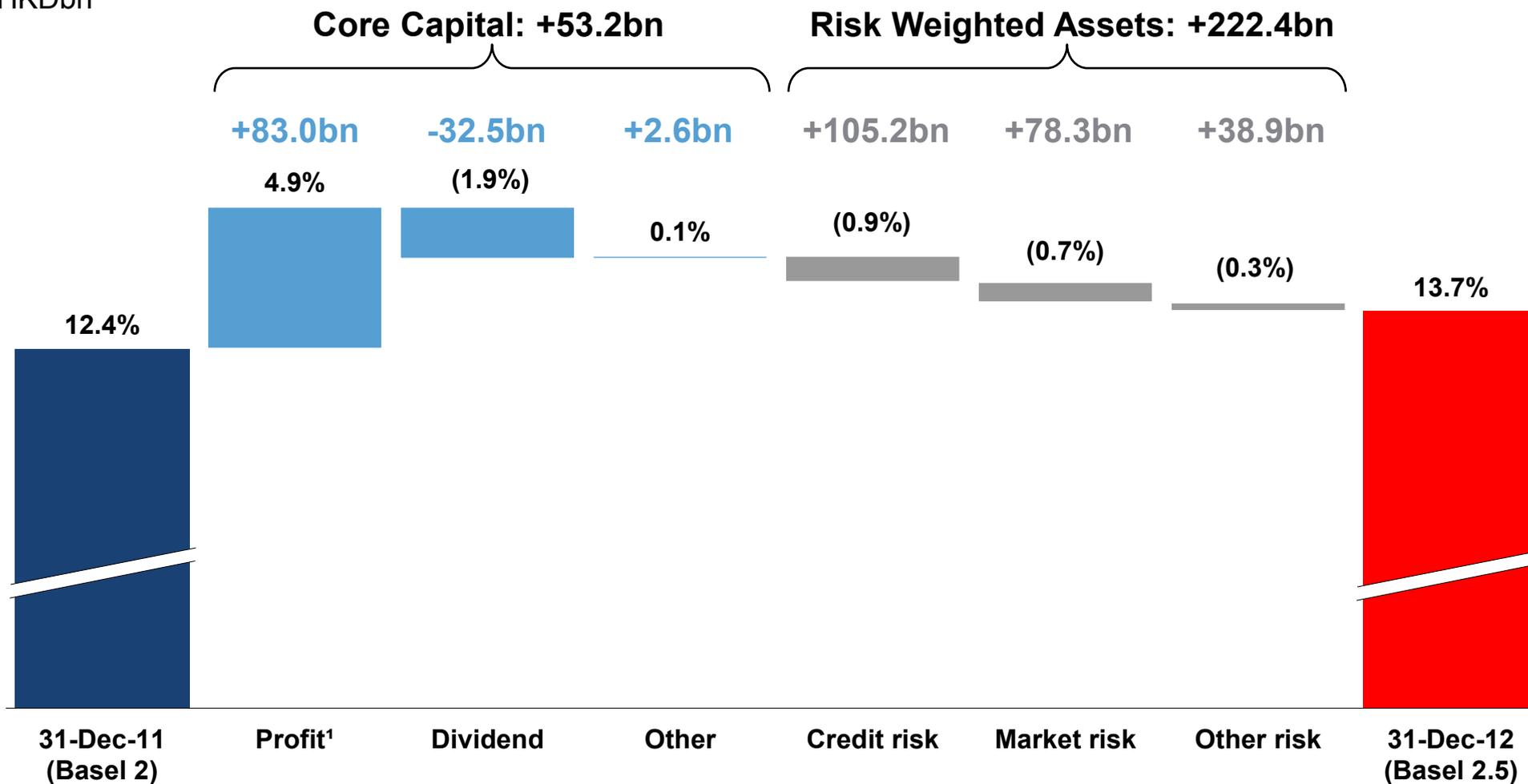
2. Loan Impairment Charges and other credit risk provisions

# Capital adequacy further strengthened

Continued capital generation and higher risk weighted assets

## Total core capital ratio

HKDbn



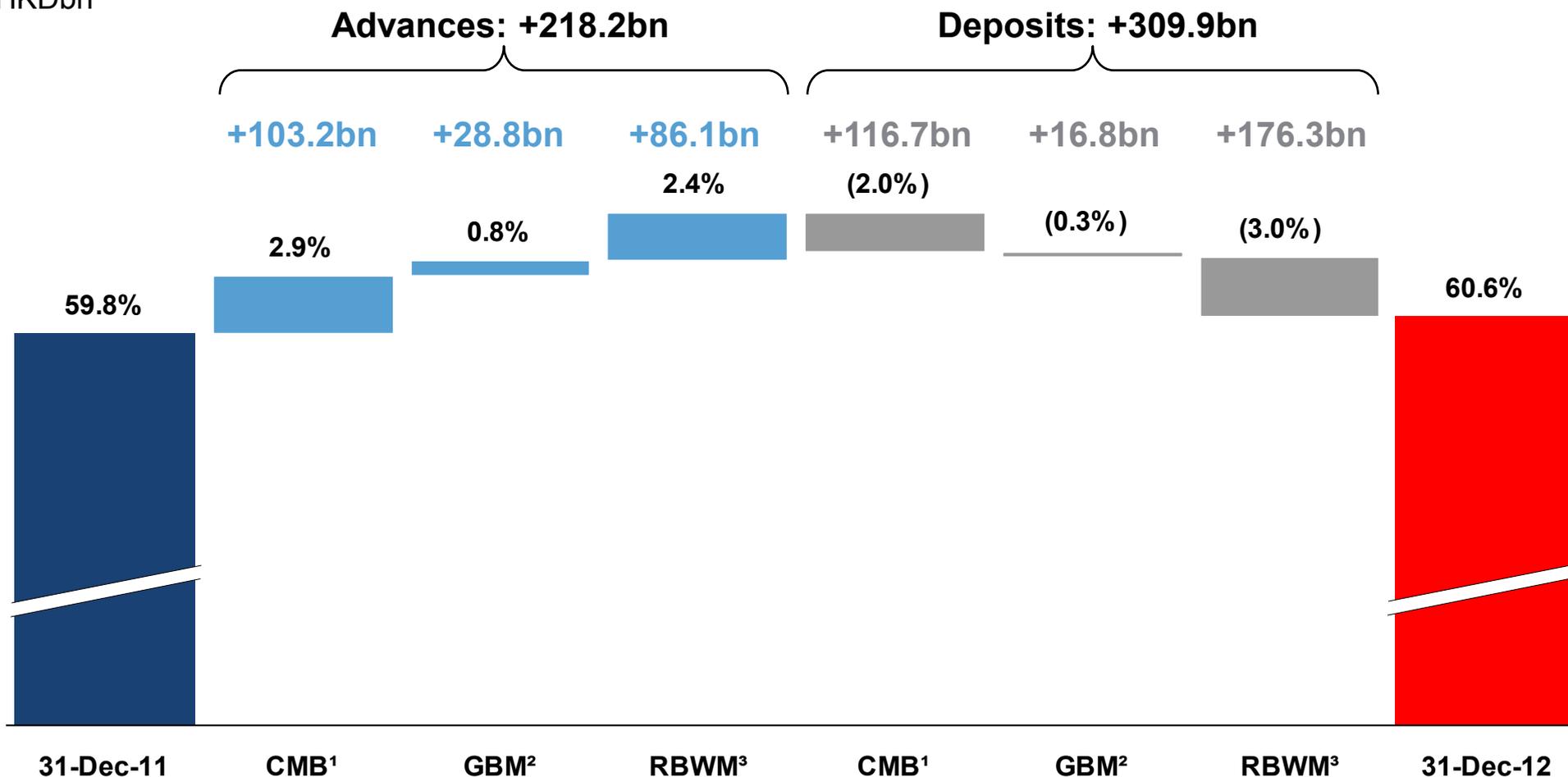
<sup>1</sup> Profit after tax attributable to shareholders

# Customer lending and funding enhanced

Growth in both CMB and RBWM

## Advances to deposits ratio

HKDbn



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

## Public market issuance

Supplements deposits and provides diversification

### Public senior issuance by HSBC's Asia-Pacific entities

(USDbn)



# Conclusions

## Investment case

<p>Distinctive position</p>	<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>		
<p>Strategy</p>	<ul style="list-style-type: none"> <li>• International trade and capital flows</li> <li>• Economic development and wealth creation</li> </ul>		
<p>Execution focus</p>	<ul style="list-style-type: none"> <li>• Capital deployment; six filters and turnaround actions</li> <li>• Cost efficiency; sustainable cost saves &amp; simplification</li> <li>• Growth: faster growing markets; wealth opportunity; intra-group connectivity</li> </ul>		
<p>Financial targets</p>	<p>Common equity Tier 1 ratio</p>	<p>2011-13: 9.5-10.5%</p>	<p>2014-16: &gt;10%</p>
	<p>Return on Equity</p>	<p>2011-13: 12-15%</p>	<p>2014-16: 12-15%</p>
	<p>Cost Efficiency ratio</p>	<p>2011-13: 48-52%</p>	<p>2014-16: mid 50s%</p>