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# Global Banking and Markets

## Investor Day

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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 our Annual Report and Accounts 2010. 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).**

Key trends for GBM

# Faster Growing Markets will support global growth

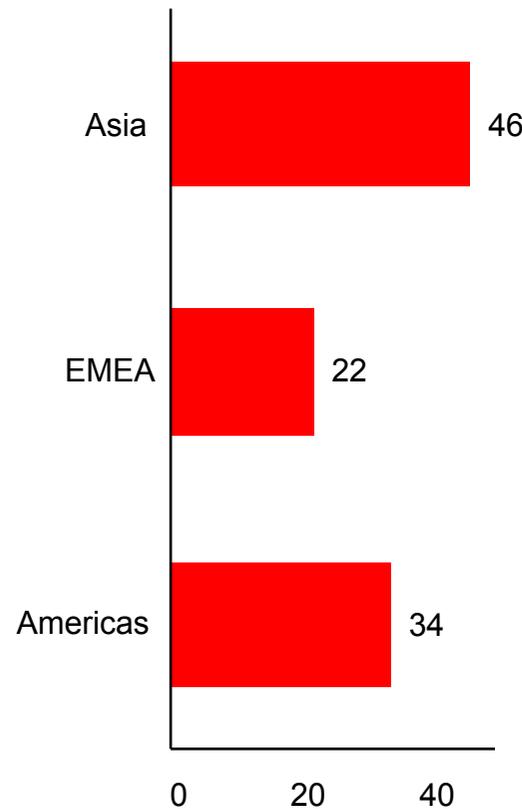
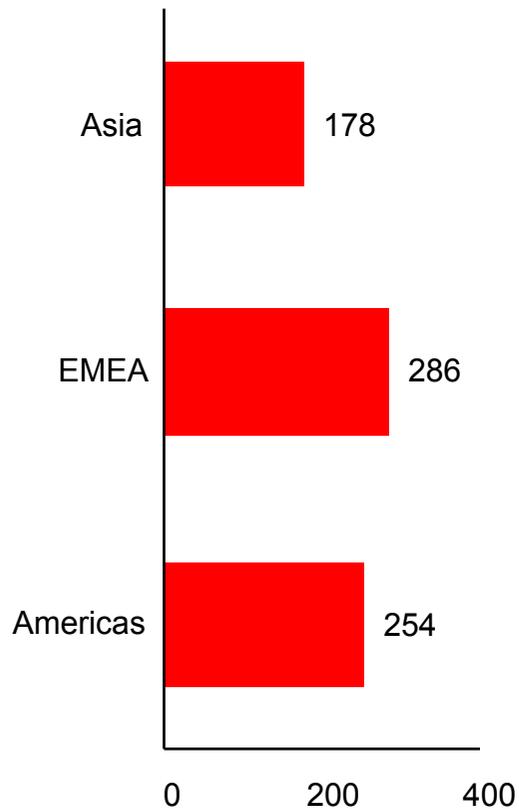


## Asia represents 25% of current revenue pools...

Global Wholesale Banking Revenue Pools USDbn<sup>1</sup>, 2010

## ...but constitutes > 45% of absolute growth out to 2013

Global Wholesale Banking Revenue Pool Growth, USDbn<sup>1</sup>, 2010 – 2013



CAGR 2010-2013

+ 8.3%

+ 2.5%

+ 4.3%

- Asia growth of 8.3%<sup>1</sup> built on capital flows, M&A, trade

- Fastest growing markets trade corridors (CAGR 2010-13, %)<sup>1</sup>:

- Brazil / Asia	23
- India / Mid East and Africa	34
- mainland China / Latam	24
- mainland China / Africa	21

- Main revenue drivers in Faster Growing Markets are Corporate lending, Fixed Income
- Strong demand for Infrastructure, Investment Banking, Flow product and Transaction Banking

<sup>1</sup> Source: Oliver Wyman analysis of market data, excluding Treasury

# GBM competitive advantages



## HSBC Position

**I Strategic geographical and client footprint with global reach**

**II Sustainable business model with future growth potential**

**III Integrated wholesale bank with strengths in core product capabilities, Capital and Funding**

## Competitive advantages

- Hub-and-spoke model with global reach across over 65 countries
- Top 5 global wholesale bank with reach and scale<sup>1</sup>
- Strong presence in both Faster Growing and Mature Markets
- Diversified client base aligned with geographical footprint

- Step change in scale and profitability (cumulative Profit Before Tax: USD30bn from 2007 – 2010)
- Profitable through the cycle
- Resilient franchise backed by strong financial performance
- HSBC brand and reputation

- Strong market share in core products and targeted markets
- Integrated suite of product capabilities
- Ability to leverage strong balance sheet
- Cross-business collaboration (CMB, RBWM, GPB)

<sup>1</sup> Based on PBT from 2010 company annual reports

# Global network connects Mature and Faster Growing Markets



<sup>1</sup> GBM PBT has not been restated for the transfer of AMG to RBWM

**I** Top 5 global wholesale bank with reach and scale



**Coverage / Clients**  
Over 4,200 managed client mastergroups

Global Markets (Revenues, 2010 in USDbn)		Global Banking (Revenues, 2010 in USDbn)	
■ FX	2.8	■ Credit & Lending	} 2.9
■ Credit	1.6	■ Equity Capital Markets	
■ Rates	2.1	■ Project Finance	
■ Equities	0.8	■ Export Credit Finance	
■ Asset & Structured Finance	0.5	■ Leveraged & Acquisition Finance	
		■ Advisory	
■ Securities Services	1.5	■ Payments & Cash Management	1.1
		■ Other Transaction Services	0.6

**Balance Sheet Management USD4.1bn**

**Global Research: Equities, Fixed Income, Economics**

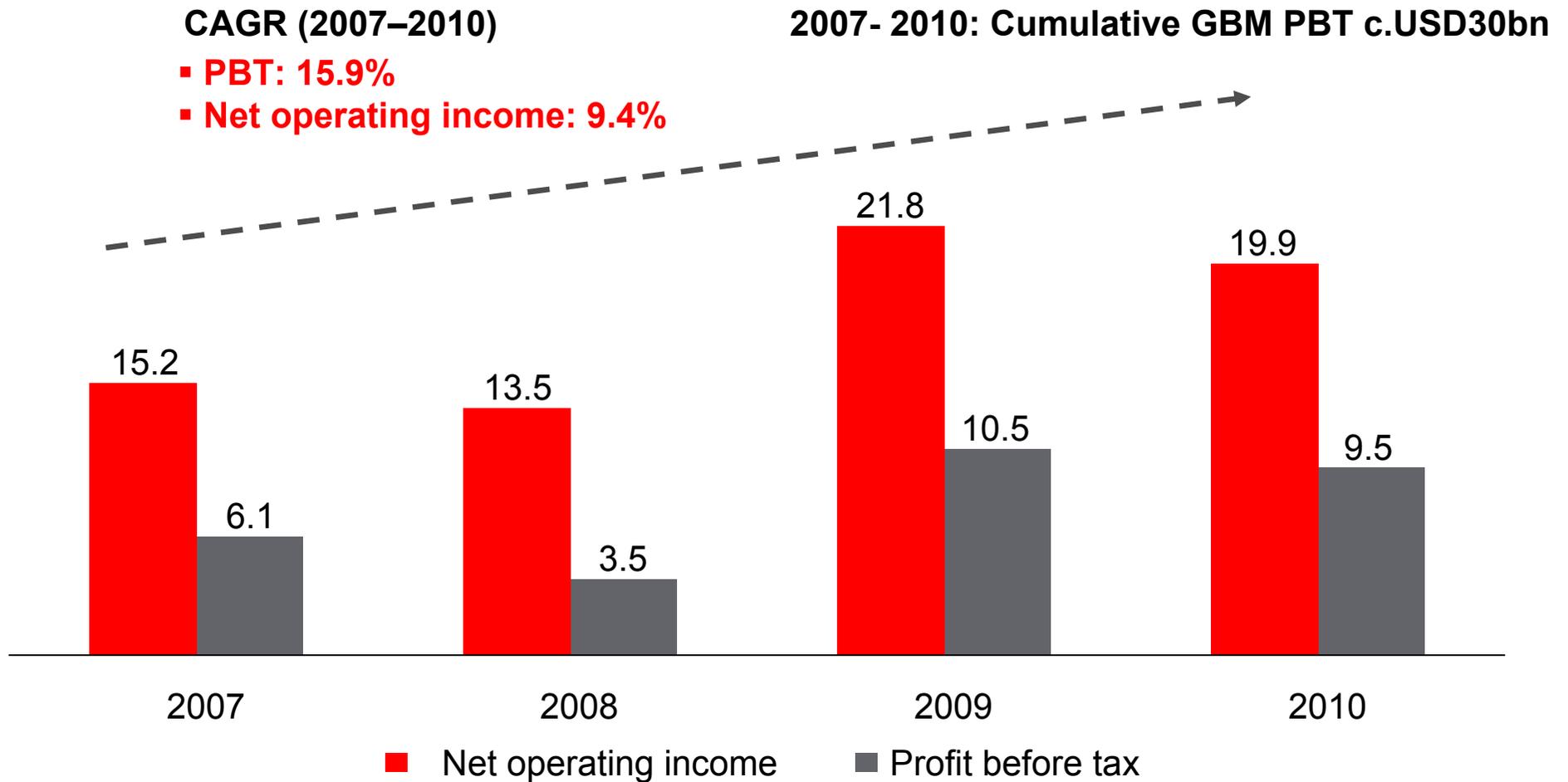
**Plus increased potential for GBM to collaborate more closely with CMB, GPB and RBWM**

# II Sustainable business model with future growth potential



## GBM Net Operating Income and Profit Before Tax

USDbn



HSBC position and competitive advantages

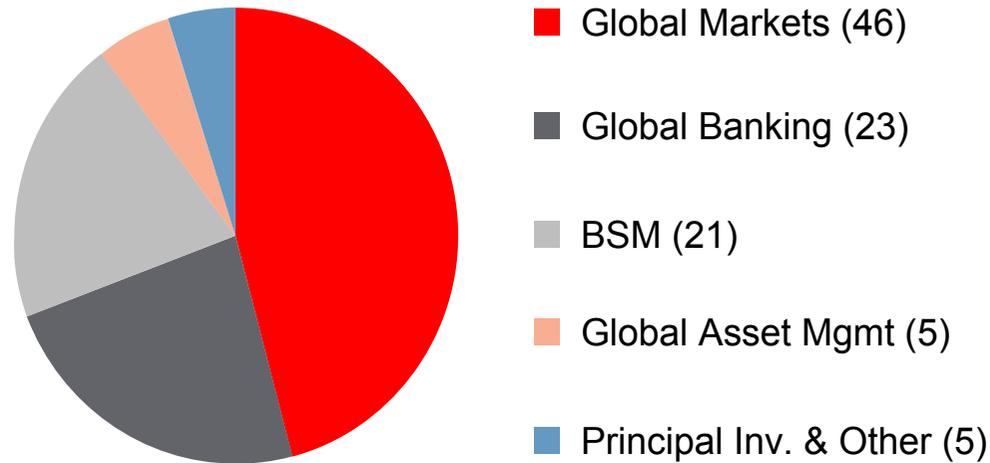
II Strong financial performance in 2010 diversified by product and geography



Managed View of Total Operating Income

%, 2010

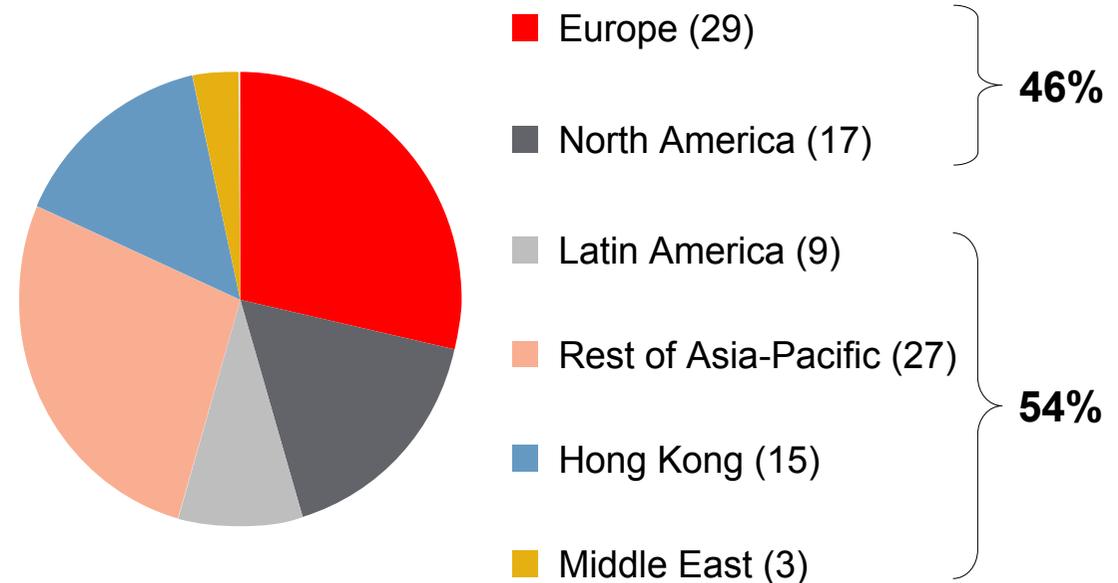
Total: USD19.9bn



Profit Before Tax<sup>1</sup>

%, 2010

Total: USD9.5bn



**Cost Efficiency Ratio: 49.9%**

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

**RWAs<sup>2</sup>: USD358bn**

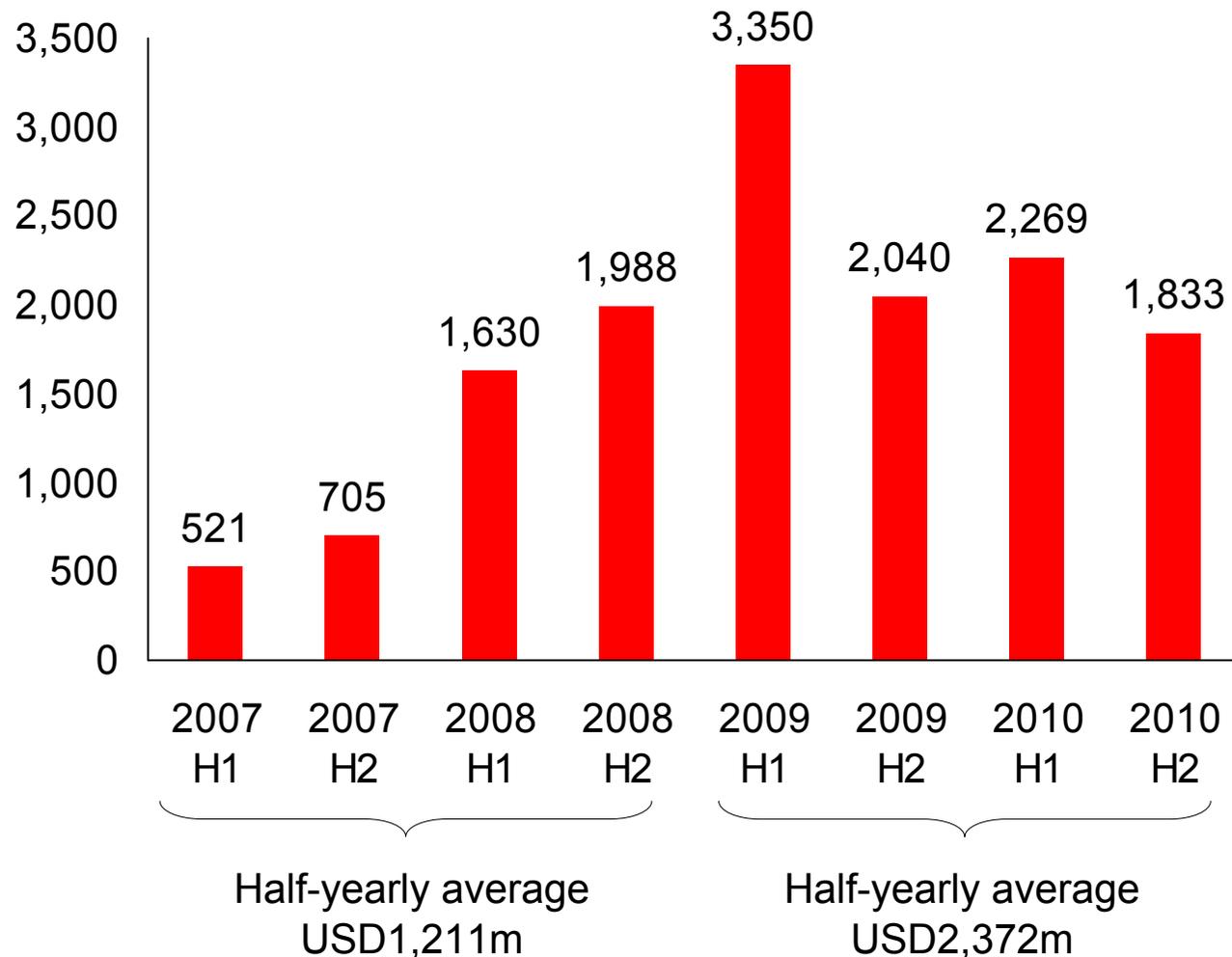
1 On a reported basis  
 2 FSA, Basel 2 basis (includes RWAs from legacy positions) including allocation of RWAs for Chinese associates  
 Note: GBM PBT has not been restated for the transfer of AMG to RBWM

# BSM revenues stabilising after two exceptional years



## Balance Sheet Management Revenues

USDm

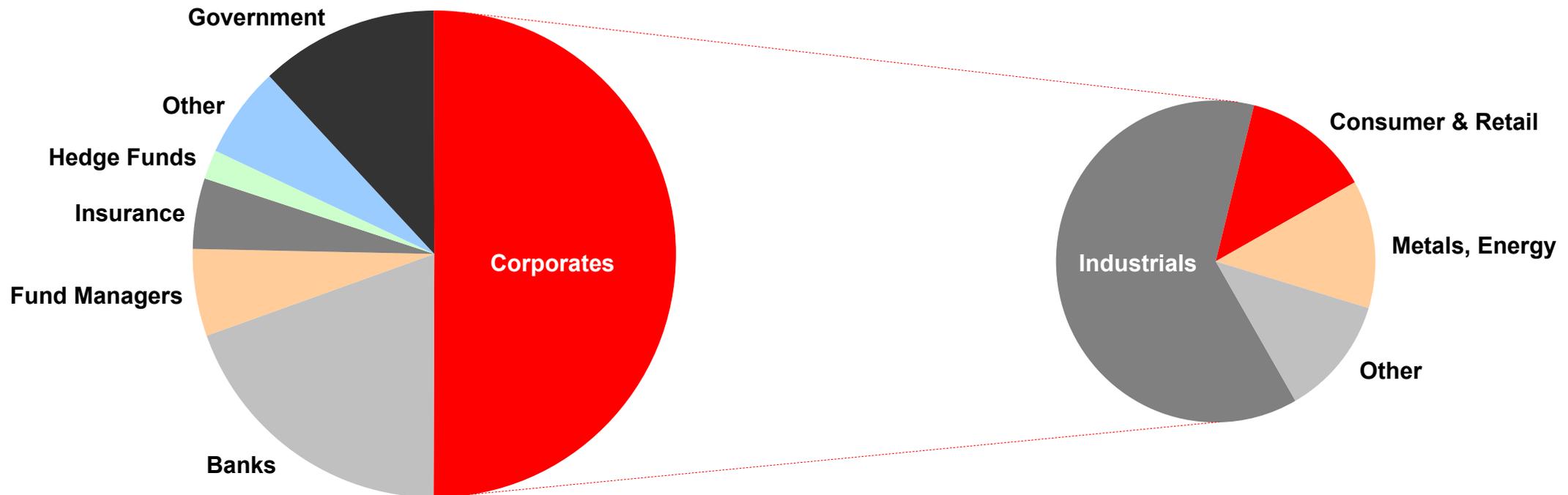


- 2009 and 2010 have seen exceptional BSM revenues, following policy rate cuts in 2008
- Interest rate curves are now returning to historical levels

# II Diversified, stable and sustainable revenue base



## Global Banking and Markets Relationship revenue by Customer Segment<sup>1</sup>



<sup>1</sup> Source: HSBC internal management information

# Strength in core product capabilities – transactional



## Market leadership in our product suite

PCM



Best Cash Management Bank in Middle East and Asia 2010

- Top 3 in cash management across 30 countries<sup>1</sup>
- “Sticky” revenues with over 3,000 GBM clients globally
- Generates significant deposits for GBM

Securities Services



Best Sub-Custodian – Asia  
Best Fund Administrator – Retail Funds  
Rising Star Global Custodian



Global Custodian  
Global – Ranked 4<sup>th</sup>  
Europe – Ranked 1<sup>st</sup>  
Middle East – Ranked 2<sup>nd</sup>  
Institutional Investor – Ranked 2<sup>nd</sup>

- HSS plays a key role in providing end-to-end securities solutions
- Over 1,800 GBM clients in over 40 countries with a leading position in the UK, Asia and the Middle East
- Delivers stable annuity income, low capital consumption, high ROE
- Supports Group liquidity through significant cash balances
- Well-positioned to capture investment flows between Faster Growing and Mature Markets

**Material upside to PBT from market interest rate increases**

## III Strength in core product capabilities – Market related flow products



DCM Rankings <sup>1</sup>	2010
All International Bonds	4
Euromarket Corporates	4
Sterling	1
Asia-Pacific ex Japan	1
Asian Local Currencies	1
Latam Bonds	3



### Euromoney Rates Survey 2011

By Institution Type/Currency – Corporates

- #1 Euro
- #1 Sterling
- #1 Euro Cash

Overall Client Satisfaction Ratings:

- #1 Ability to deal with large transactions/volumes
- #1 Liquidity consistency
- #1 Sales coverage/client service

Client Satisfaction Ratings for Corporate and Institutions

- #1 Ability to deal with large transactions/volumes
- #1 Liquidity consistency
- #1 Sales coverage/client service



### FX Week Best Banks Awards 2010

- Best Bank for Forward FX
- Best Bank for FX for Corporates
- Best Bank for FX in Asia-Pacific
- Best Bank for FX Research and Strategy
- Best Bank for Emerging Asian currencies
- Best Bank for Emerging EMEA currencies
- Best Bank for Emerging Latin American currencies

## 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 (e.g., HKCG) and Shariah Compliant Finance (e.g., Government of Malaysia, Qatar Islamic Bank)
- Continued leadership in Precious Metals
- Landmark transactions (e.g., Rep. of Philippines, América Móvil, EFSF, UK DMO, GDF Suez, KfW, EIB)
- Consistent recognition and success in Market Surveys and Awards

# Strength in core product capabilities – Event products



Rankings	2010
Equity Capital Markets <sup>1</sup>	9
Export Finance (MLA for all ECA backed loans) <sup>2</sup>	5
Project Finance (Global Advisory Mandates) <sup>3</sup>	1
M&A (Cross border EM to EM) <sup>2</sup>	5

## Landmark transactions

- Cross-border, cross-product capability (e.g., Diageo, Reynolds)
- Developing equity franchise (e.g., L'Occitane)
- Infrastructure financing (e.g., SportsHub)
- RMB (e.g., Hui Xian REIT)
- Cross-border M&A (e.g., Solvay, Siemens)

**February 2011**



£1.3bn

Financial Advisor to Diageo on its £1.3bn acquisition of Turkish alcoholic beverage group Mey İçki

Joint Financial Advisor

**October 2010**



USD1,500m Senior Secured Notes

USD 1,500 million Senior Unsecured Notes

Joint Bookrunner

**May 2010**



USD787m

IPO

Hong Kong

Joint Bookrunner

**August 2010**



SGD1.8bn (USD1.3bn) Sr Debt Facilities

Advisor, Investor, Joint Lead Arranger, Hedge Coordinator, Swap Provider, Acct Bank, Security Agent, Facility Agent, LC Provider

**May 2011**



USD1.60 billion

ECM - Flotation/IPO

Bookrunner/Underwriter/ Joint Listing Agent

**April 2011**



EUR6.6bn

Financial adviser to chemical company Solvay SA on its friendly takeover of Rhodia SA

<sup>1</sup> Source: Dealogic. Note: Global view excluding US, Canadian, Australian and Japanese issuers and Chinese A-share transactions. Rank eligible, ranking by Global Coordinator or Bookrunner, based on apportioned deal value.

<sup>2</sup> Source: Dealogic.

<sup>3</sup> Source: PFI (ranking excludes accountancy firms)

*Strategic direction and actions*

# GBM strategic direction to deliver future growth... an evolution



## **Global Banking and Markets**

*“Emerging Markets-Led, Financing-Focused”*

+

**Greater emphasis on  
Connectivity**

**1**

**Reinforce client coverage and client-led solutions**

**2**

**Enhance core product strengths and selectively develop new capabilities**

**3**

**Collaborate with other customer groups to deliver incremental revenues**

**4**

**Focus on strategic re-engineering to deliver sustainable cost savings**

# 1 Reinforce client coverage and client-led solutions



## Key initiatives

- Strategic investment in resources: 60+ coverage MD/Ds hired in the last 18 months and will continue selective hiring
- Multinationals: serving over 1,200 clients globally; selective build out in core markets (e.g., Asia, EMEA)
- Leverage GTB as a strategic product to deepen client relationships
- Build on current progress made in connectivity, particularly 'South-South', including the establishment of multiple cross-border 'desks'

GBM Client Coverage Groups

*Corporate Sector*

*Resources and Energy*

*Financial Institutions*

*Financial Sponsors*

*Multinationals*

*Governments*

**Our ambition:**

**Top 3 bank with key Global Banking clients  
Top 5 player in Global Markets**

Strategic direction and actions

## 2 Enhance core product strengths...

HSBC 



### FX and Commodities

- New e-Platform and FX Prime Services offering
- Broaden FX distribution channels (e.g., “Get-Rate”, e-Commerce, Wealth Management Solutions)
- Enhance Energy Solutions offering (Commodities) with TOTAL



2010

#### European Refinery

Cross-border, integrated solution involving physical forward sale of refined product, financing solution and derivative hedging

### Rates and Credit

- Broaden product range e.g., sub-investment grade, and enhance local currency financing capabilities
- Improve pricing and distribution through single dealer platform, eCommerce
- Globalise Rates infrastructure

July 2010

GRIFOLS  


USD 4.5 bn

Acquisition facilities backing Grifols' bid for Talecris

Bookrunner and MLA

### PCM and Securities Services (HSS)

- Rationalisation to core common platforms across Global Markets, GTB, and Global Asset Management
- Client-focused investment on new front-end capability with expanded product functionality
- Investments in new PCM sales and in new products: Working Capital Solutions, Bundled Multi-Currency Payments and Clearing

April 2011



Awarded Fund Administration mandate from one of Europe's largest hedge fund managers

**2** ...and selectively develop new capabilities



**Equities Build Out**

- Enhance capabilities in coverage, origination, sales, trading and research
- Deliver scalable equity finance business to support Prime Services
- Products: equity derivatives, structured equity-linked products, HSBC branded ETFs
- Increase flows in Wealth Management products through RBWM

**Prime Services**

- Enhance institutional franchise: integrated end-to-end proposition for hedge funds, leveraging Global Custody and Global Markets capabilities
- Multi-asset approach: Equity, Futures and Options, FX and Fixed Income
- Initial offering to support Equity Long and Equity Long/Short strategies
- OTC clearing services

**Our ambition**

<b>Top 5</b>	<b>Hong Kong, India, Middle East, Brazil and Mexico</b>
<b>Top 10</b>	<b>UK, France, Germany, Singapore, South Korea, Taiwan</b>
<b>Top 5</b>	<b>Asia</b>
<b>Top 10</b>	<b>Europe</b>

### 3 Collaborate with other customer groups to deliver incremental revenues



#### Size of opportunity

#### Initiatives

##### Commercial Banking

Over 52,000 mastergroup corporate CMB clients<sup>1</sup>

- Aspiration: increase revenues by USD1bn in the near to medium term
- Global initiative for FX and Derivatives
- Referrals for Event products (e.g., L'Occitane IPO, Reynolds)
- Joint Client-led Planning

##### Retail Banking and Wealth Management

4.4m Premier  
4.6m Advance customers<sup>1</sup>

- Wealth Management Solutions: selling GBM products to RBWM customers, particularly Wealth-related products (e.g., ETFs)
- e-Commerce

##### Global Private Banking

Over 100,000 private banking clients<sup>1</sup>

- Family Office Partnership to target Ultra High Net Worth Individuals
- Principal Investments – co-investment opportunities with GPB clients
- GBM referrals to GPB

## 4 Strategic re-engineering to deliver sustainable cost savings



### Efficient management of headcount

- Continually optimise resources
- Increase off-shoring target for staff in technology, operations and finance to 35%, 40% and 25% respectively

### Improve efficiency gains from technology

- Trading platforms reduced from 15 to 6 in the last 3 years
- Consolidated 28% of platforms and re-used some for new businesses (e.g., Custody platform for Prime Services and Wealth Management)
- Operational platforms to be reduced by 50% over next 3 years

### Functional integration between customer groups

- Share common support functions across PCM and HSS and other GBM units
- GBM and CMB: share common platform in selected smaller markets (e.g., Thailand, Taiwan)
- GBM and RBWM: Single platform for Securities and Wealth

### Re-engineer transaction booking model

- Reduce use of multiple balance sheets for transaction booking for single asset classes
- Further streamline operational processes (cost save nominal)



## Competitive Advantages

Strategic geographical and client footprint with global reach

Sustainable business model with future growth potential

Integrated wholesale bank with strength in core product capabilities

## Strategic Actions

Reinforce client coverage and client-led solutions

Enhance core product strengths and selectively develop new capabilities

Collaborate with other customer groups to deliver incremental revenues

Focus on strategic re-engineering to deliver sustainable cost savings

**Target RoRWA**

**2.0%-2.2%**

# Basis of preparation (1/2)



<b>Actuals</b>	Actual numbers presented are on a reported basis and include the effect of movements in the fair value of HSBC's own debt related to credit spreads
<b>AMG</b>	The Global Asset Management business formed part of GBM in 2010, but has been included in RBWM for the RoRWA targets. Comparative data will be presented to reflect this reclassification in the Interim Report 2011
<b>Asia</b>	Data for 'Asia' comprises the sum of reported figures for the Hong Kong and Rest of Asia-Pacific geographical regions without the elimination of inter-segment items
<b>Composition of the Group</b>	No changes to the composition of the Group have been assumed other than those described in this presentation
<b>Financial targets</b>	Financial targets are prepared on the basis of the Group's accounting policies as set out in the Annual Report and Accounts 2010, and on the basis of tax rates and laws enacted or substantively enacted as at 31 December 2010. The potential effects on HSBC's operations and performance of the Dodd-Frank Act in the US, the deliberations of the UK Independent Commission on Banking, and a range of evolving regulatory changes which may or may not affect HSBC have not been included in the targets
<b>Other</b>	The main items reported under 'Other' are certain property activities, the estimated impact of the UK bank levy, unallocated investment activities, centrally held investment companies, gains arising from the dilution of interests in associates, movements in the fair value of own debt designated at fair value (the remainder of the Group's gain on own debt is included in GBM) and HSBC's holding company and financing operations. The results also include net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, and costs incurred by the Group Service Centres and Shared Service Organisations and associated recoveries

## Basis of preparation (2/2)



<b>RoE</b>	Return on equity ('RoE') is profit attributable to ordinary shareholders of the parent company divided by average ordinary shareholders' equity
<b>RoRWA</b>	The metric, return on risk weighted assets ('RoRWA'), is the profit before tax divided by average RWAs. The RWAs have been calculated using FSA rules for the 2010 metrics. The regional and customer group targets are adjusted for Basel 3 rules specific to the GBM business. In all cases, RWAs or financial metrics based on RWAs for geographical segments or customer groups are on a third party basis and exclude intra-HSBC exposures
<b>RoRWA target for Europe</b>	The Europe RoRWA target includes the Group's head office costs, intra-HSBC recharges and the total estimated impact of the UK bank levy
<b>RoRWA target for 'Other'</b>	No RoRWA target has been set for the 'Other' customer group as it is not considered to be a meaningful measure in terms of performance assessment and resource allocation
<b>RWAs for the mainland China associates</b>	RWAs for the mainland China associates have been reallocated from the 'Other' customer group to RBWM, CMB and GBM to align better with the basis for the allocation of their profits. This represents a reclassification from the basis used in HSBC's 2010 Pillar 3 Disclosures. Comparative customer group RWAs will be presented on the new basis in the Interim Report 2011

# Acronyms and definitions



<b>A/D ratio</b>	Ratio of customer advances to customer deposits	<b>ETF</b>	Exchange traded funds	<b>NYSE</b>	New York Stock Exchange
<b>Advance</b>	HSBC Advance, a global banking proposition for the mass-affluent segment of customers	<b>EU</b>	European Union	<b>OCC</b>	Office of the Comptroller of Currency
<b>AFS</b>	Available for sale	<b>FCA</b>	UK Financial Conduct Authority	<b>OTC</b>	Over the counter
<b>AMG</b>	Global Asset Management	<b>FDI</b>	Foreign direct investment	<b>PBT</b>	Profit before tax
<b>APS</b>	Asset Protection Scheme	<b>FIG</b>	Financial Institutions Group	<b>PCM</b>	Payment and Cash Management, a division of Global Banking and Markets
<b>ASEAN</b>	The Association of South East Asian Nations	<b>FPC</b>	UK Financial Policy Committee	<b>PFS</b>	Personal Financial Services
<b>ASP</b>	Asia-Pacific	<b>FRB</b>	Federal Reserve Board	<b>PPI</b>	Payment protection insurance
<b>AUM</b>	Assets under management	<b>FSA</b>	Financial Services Authority	<b>PRA</b>	UK Prudential Regulation Authority
<b>BoCom</b>	Bank of Communications Co., Limited, mainland China's fourth largest bank by market capitalisation	<b>FSB</b>	Financial Stability Board	<b>Premier</b>	HSBC's premium global banking service
<b>bps</b>	Basis points (a basis point is 1/100 of a percentage point)	<b>FVOD</b>	Fair value of own debt related to credit spreads	<b>RBWM</b>	Retail Banking and Wealth Management global business, which comprises the existing Personal Financial Services customer group and Global Asset Management
<b>BSM</b>	Balance Sheet Management, a division of Global Banking and Markets	<b>FX</b>	Foreign exchange	<b>RMs</b>	Relationship managers
<b>CAGR</b>	Compound annual growth rate	<b>GBM</b>	Global Banking and Markets global business	<b>RMB</b>	Renminbi
<b>CER</b>	The cost efficiency ratio is total operating expenses divided by net operating income before loan impairment charges and other credit risk provisions	<b>GDP</b>	Gross Domestic Product	<b>ROE</b>	Return on equity
<b>CHF</b>	Swiss franc	<b>GPB</b>	Global Private Banking global business	<b>RoRWA</b>	Pre-tax return on risk weighted assets
<b>CMB</b>	Commercial Banking customer group	<b>GTB</b>	Global Transaction Banking	<b>RWAs</b>	Risk weighted assets
<b>CML</b>	Consumer and Mortgage Lending	<b>HK</b>	Hong Kong Special Administrative Region of the People's Republic of China	<b>SIFIs</b>	Systemically Important Financial Institutions
<b>CoEs</b>	Centres of excellence	<b>HNWI</b>	High net worth individuals	<b>SMEs</b>	Small and medium-sized enterprises
<b>Core Tier 1 capital</b>	The highest quality form of regulatory capital that comprises total shareholders' equity and related non-controlling interests, less goodwill and intangible assets and certain other regulatory adjustments	<b>HSS</b>	HSBC Securities Services	<b>STP</b>	Straight through processing
<b>CRD</b>	Capital Requirements Directive	<b>ICB</b>	Independent Commission on Banking	<b>TARP</b>	Troubled Asset Relief Program
<b>CRM</b>	Customer relationship management	<b>IPO</b>	Initial public offering	<b>Tier 2 capital</b>	A component of regulatory capital, comprising qualifying subordinated loan capital, related non-controlling interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties
<b>CVA</b>	Credit valuation adjustment	<b>IT</b>	Information technology	<b>UHNW</b>	Ultra high net worth individuals
<b>DCM</b>	Debt capital markets	<b>KYC</b>	Know your customer	<b>UK</b>	United Kingdom
<b>DTA</b>	Deferred tax asset	<b>LC</b>	Letters of credit	<b>US</b>	United States of America
<b>EBA</b>	European Banking Authority	<b>LIC</b>	Loan impairment charges	<b>VaR</b>	Value at risk: a measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence
<b>ECA</b>	Export credit agency	<b>M&amp;A</b>	Mergers and acquisitions	<b>YoY</b>	Year on year
<b>EM</b>	Emerging markets	<b>Mainland China</b>	People's Republic of China excluding Hong Kong		
<b>EMEA</b>	Europe, Middle East and Africa	<b>MENA</b>	Middle East and North Africa		
<b>ESMA</b>	European Securities and Markets Authority	<b>MLA</b>	Mandated lead arranger		
		<b>MMEs</b>	Mid-market enterprises		
		<b>NAFTA</b>	North American Free Trade Agreement		
		<b>NNM</b>	Net new money		