

# HSBC Presentation to Nomura Financial Services Conference

3 SEPTEMBER 2009

STUART GULLIVER  
CEO GLOBAL BANKING AND MARKETS

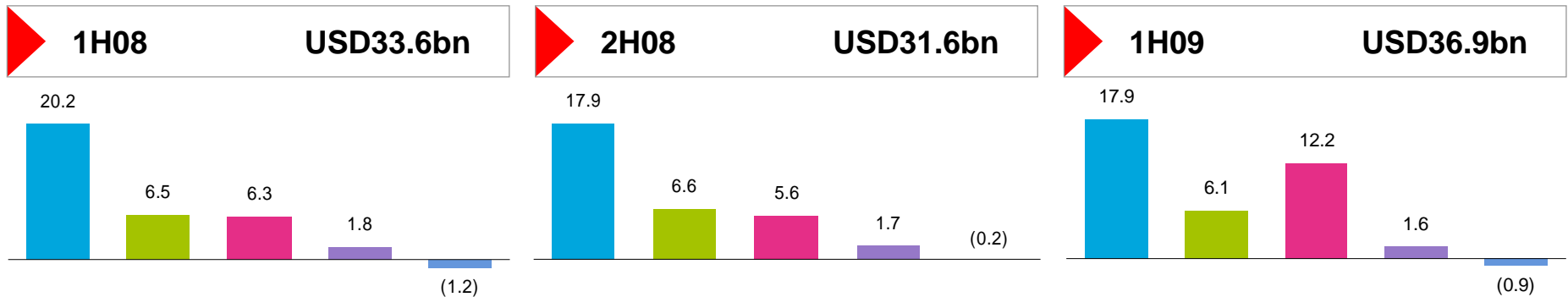
## Forward-looking statements

**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 our Interim Report. Past performance cannot be relied on as a guide to future performance.**

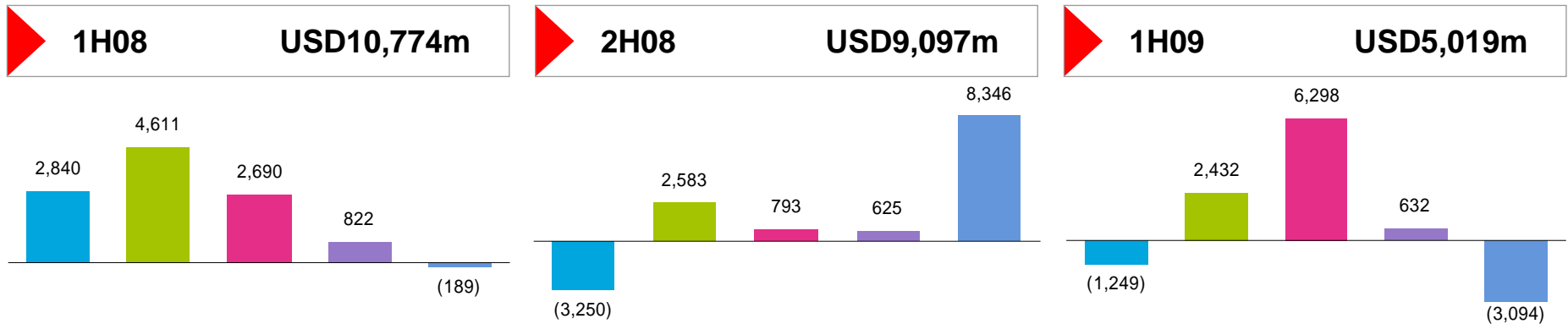
# Group results

# Growth from a diversified business by customer group

## Net operating income before loan impairment charges<sup>1</sup>



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



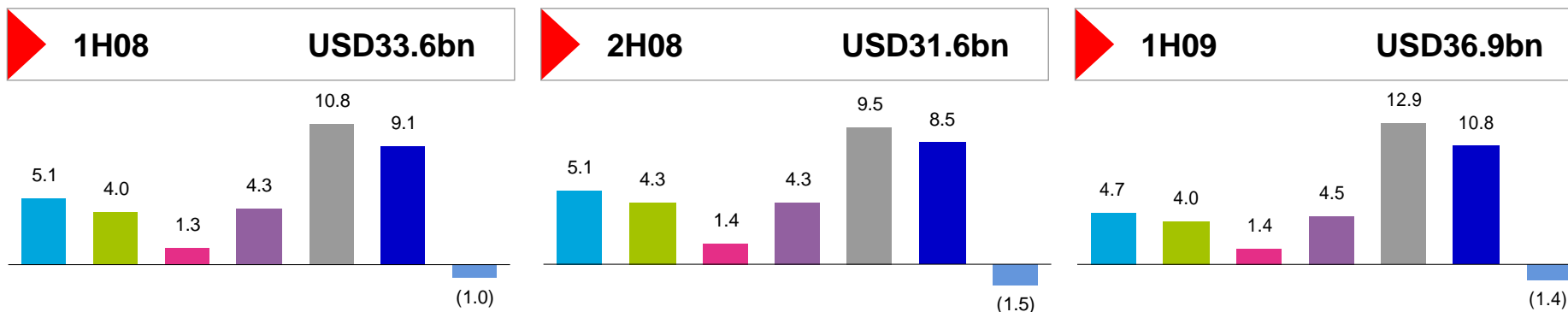
■ Personal Financial Services 
 ■ Commercial Banking 
 ■ Global Banking and Markets 
 ■ Private Banking 
 ■ Other and inter-segment elimination

Note:

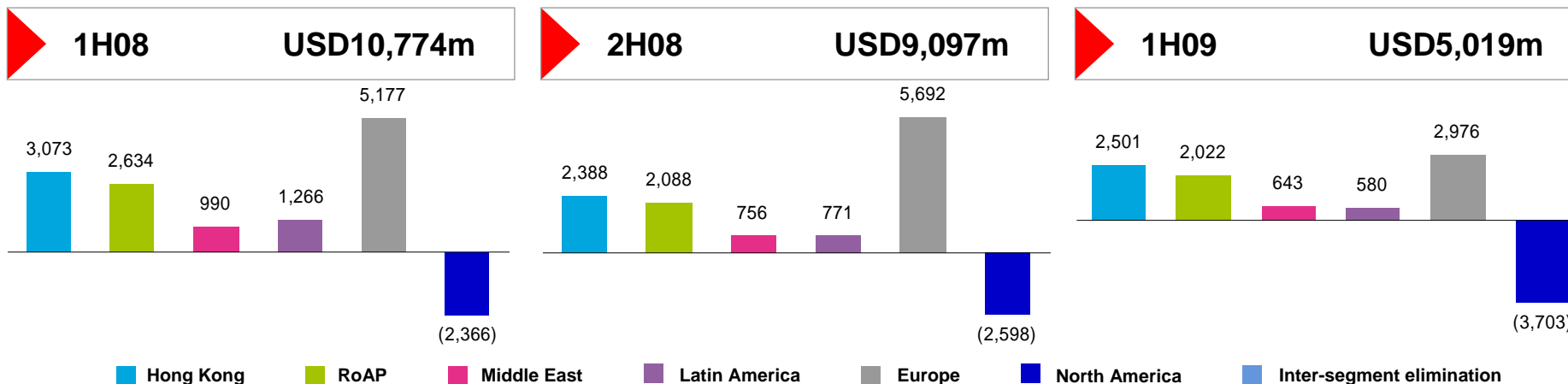
(1) Net operating income before loan impairment charges restated for constant currency, excluding acquisitions and disposals and movements in FV on own debt (2) Excluding goodwill impairment on North American PFS business

# Growth from a diversified business by geography

## Net operating income before loan impairment charges<sup>1</sup>



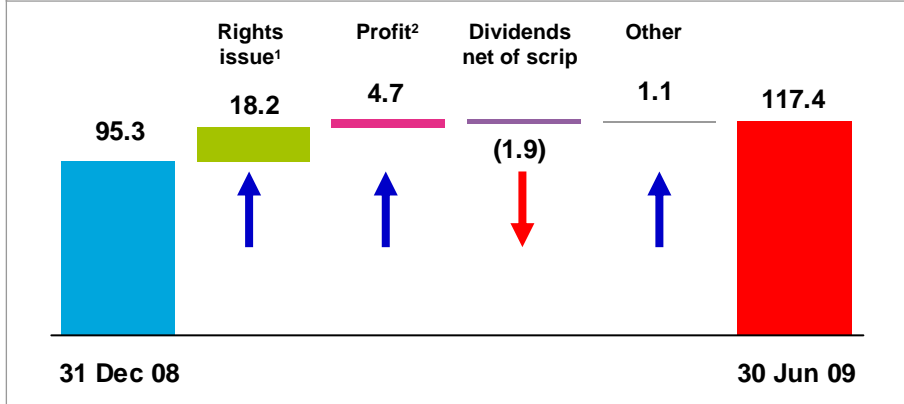
## Profit before tax<sup>2</sup>



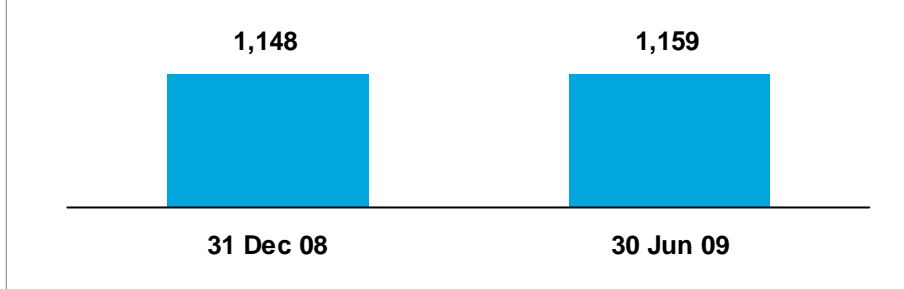
Note: (1) Net operating income before loan impairment charges restated for constant currency, excluding acquisitions and disposals and movements in FV on own ; (2) Excluding goodwill impairment on North American PFS business

# Capital strength

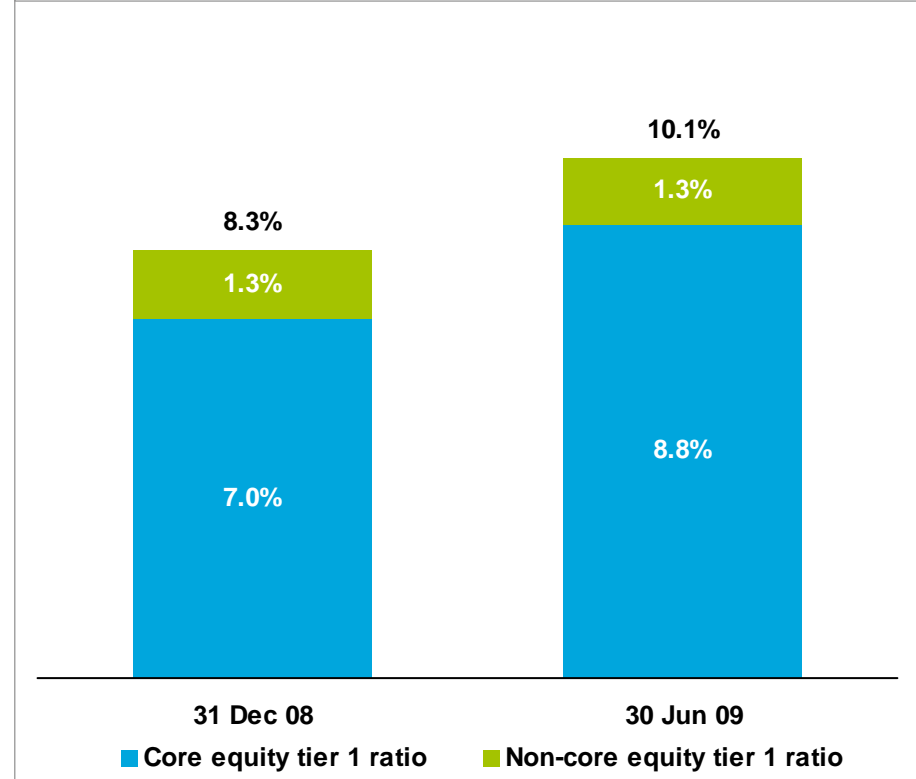
## Movement in Tier 1 capital, 1H09, US\$bn



## Risk-weighted assets, US\$bn

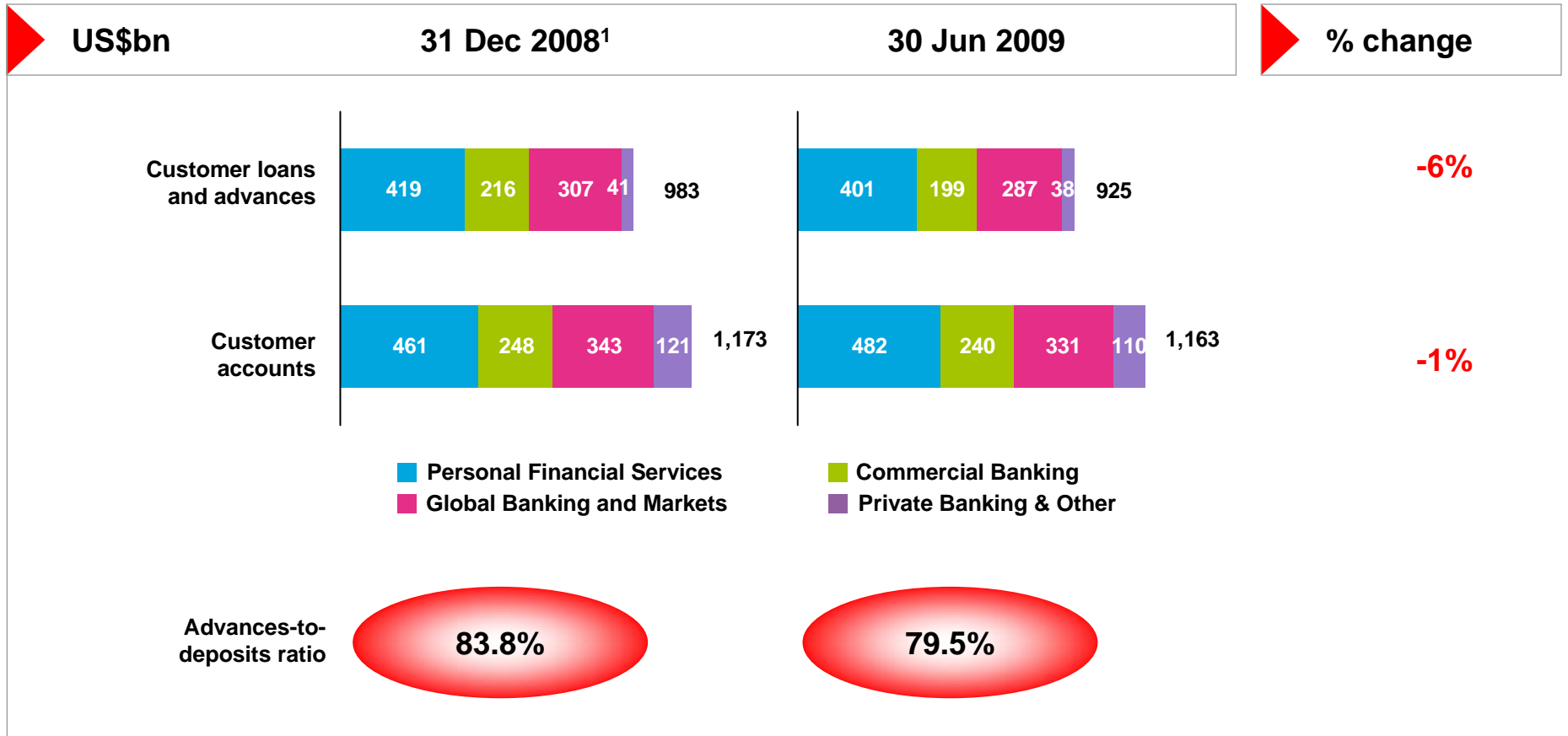


## Tier 1 ratio (%)



Note:  
 (1) Rights issue excludes US\$344m loss on a forward foreign exchange contract associated with hedging the proceeds of the rights issue, recognised in net trading income  
 (2) Attributable profit adjusted for movements in FV on own debt net of deferred tax

# Funding and liquidity strength



Note:  
 (1) Restated for constant currency, acquisitions and disposals

# Global Banking and Markets results



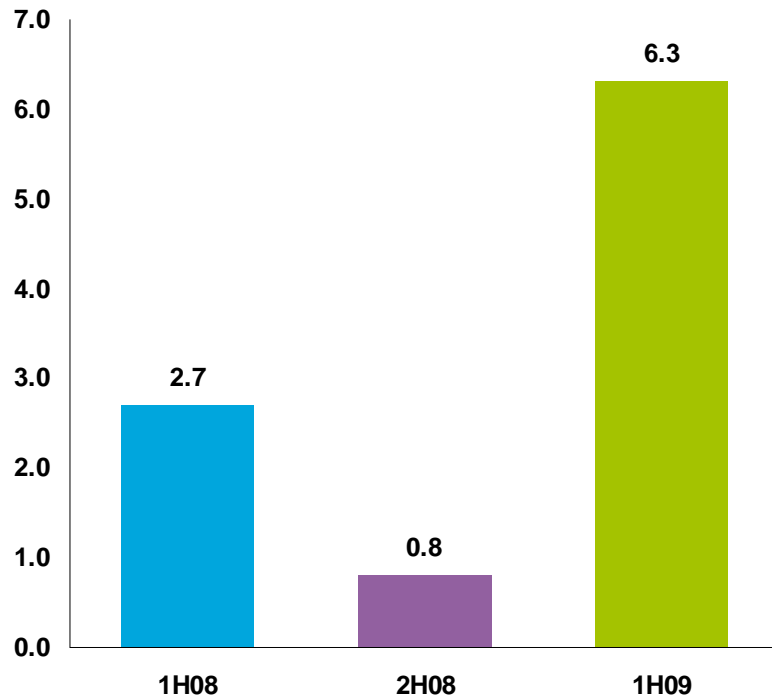
# Record performance in Global Banking and Markets

Success in emerging markets-led, financing focused strategy generating sustainable growth

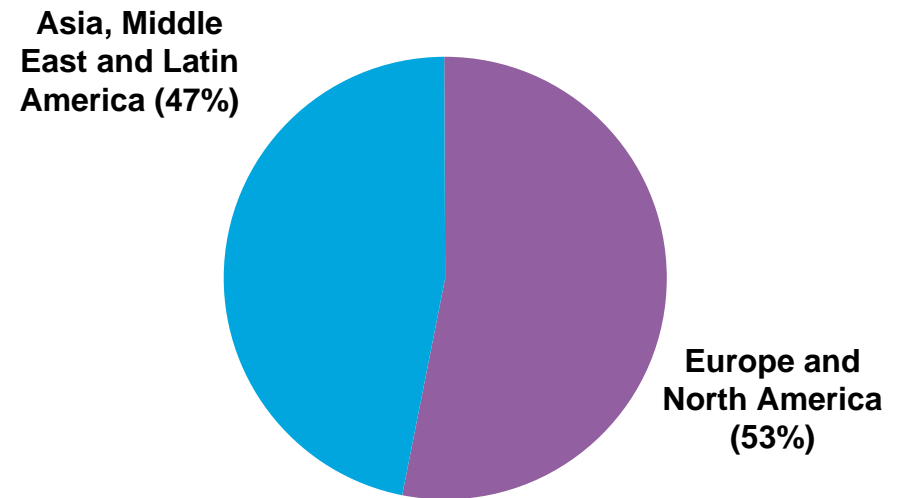
▶ Record performance from strengthened market position

▶ Balanced between faster-growing emerging markets and developed markets

Profit before tax, US\$bn



Profit before tax, % share, 1H09



# A diverse business leading to sustainable revenues

## Managed view of total operating income USDm

	% share of total operating income H109	1H09	2H08	1H08	2H07	1H07
Global Markets <sup>1</sup>	49%	5,991	988	1,688	1,895	3,825
Credit	9%	1,066	(2,378)	(3,124)	(1,977)	658
Rates	16%	1,964	730	1,303	699	592
FX	15%	1,797	2,296	1,546	1,269	909
Equities	3%	315	(810)	746	525	652
Securities Services	6%	712	1,004	1,112	1,071	855
Asset & structured finance	1%	137	146	105	308	159
Global Banking	20%	2,403	3,286	2,432	2,216	1,974
Financing & ECM	13%	1,609	2,201	1,371	1,144	1,042
Payments & Cash Mgmt	4%	535	826	839	881	751
Other Transaction Services	2%	259	259	222	191	181
<b>BSM</b>	<b>27%</b>	<b>3,350</b>	<b>1,988</b>	<b>1,630</b>	<b>705</b>	<b>521</b>
<b>Global Asset Management</b>	<b>3%</b>	<b>414</b>	<b>265</b>	<b>669</b>	<b>700</b>	<b>636</b>
<b>Principal Investments</b>	<b>0%</b>	<b>(38)</b>	<b>(582)</b>	<b>167</b>	<b>498</b>	<b>755</b>
<b>Other<sup>2</sup></b>	<b>1%</b>	<b>146</b>	<b>233</b>	<b>833</b>	<b>729</b>	<b>826</b>
<b>Total Operating Income</b>	<b>100%</b>	<b>12,266</b>	<b>6,178</b>	<b>7,419</b>	<b>6,743</b>	<b>8,537</b>

### Core products providing sustainable revenues

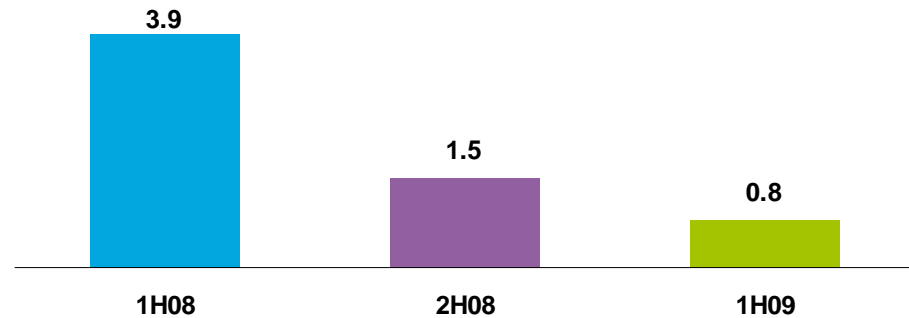
- Increased volatility and customer activity helped to achieve record results in Rates
- Strong performance in FX
- Credit trading benefited from greater liquidity in financial markets and the fall in write-downs on legacy positions
- HSS impacted as low interest rates drove down overall margins
- Financing and ECM robust performance demonstrated the strength of the franchise and the quality of the client portfolio

1. In the first half of 2009, Global Markets included an expense of US\$127m from movements in credit spreads on structured liabilities (first half of 2008: income of US\$262m; second half of 2008: income of US\$267m). 2. 'Other' in Global Banking and Markets includes net interest earned on free capital held in the global business not assigned to products.

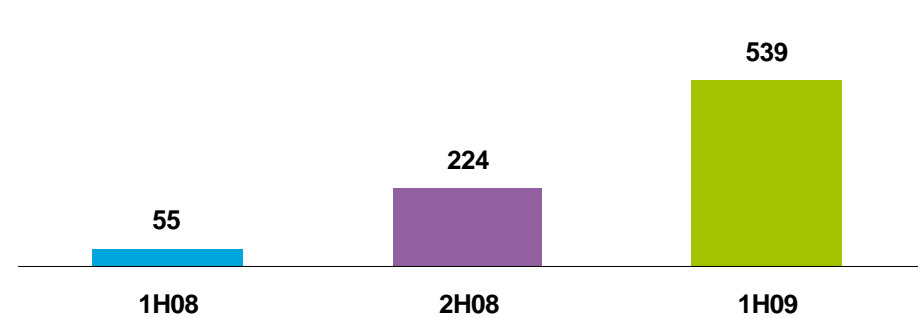
# Global Banking and Markets, balance sheet risk

Lower write-downs but higher loan provisions; no change to stress test guidance on AFS ABS portfolio

Write-downs, US\$bn

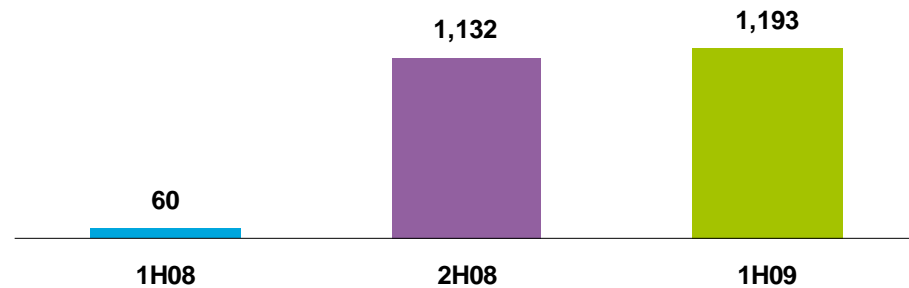


AFS ABS – impairment, US\$m

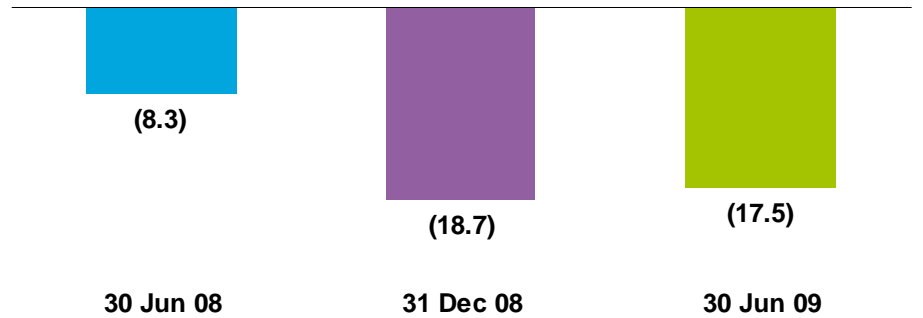


Loan impairment charges and other credit risk provisions, US\$m

(ex AFS ABS impairment charge)



AFS ABS – reserves, US\$bn



# Considerations for Global Banking and Markets

**Execution of a successful strategy**

**Impact of the crisis and the implications for HSBC**

**Key Priorities**

**Outlook**

## **Emerging markets-led, financing focused strategy has been a success**

- **Overarching strategy remains valid**
- **Emerging markets strategy unique to HSBC**
- **Increased market share in a number of areas**
- **Now well positioned to capitalise on global demographics**
- **Market recognises continuing success of emerging markets-led, financing focused strategy**

# The market has recognised our competitive advantage

## Euromoney Awards for Excellence 2009:

- Best Global Bank
- Best Global Bond House
- Best Debt House in Asia
- Best Debt House in Latin America
- Best Debt House in The Middle East
- Best Debt House in Turkey
- Best Debt House in Mexico
- Best Debt House in Portugal
- Best Debt House in Nordic/Baltic region
- Best at Risk Management in Asia
- Best Investment Bank in Saudi Arabia
- Best Cash Management The Middle East
- Best Global Transaction Banking House
- Best at Project Finance in Asia

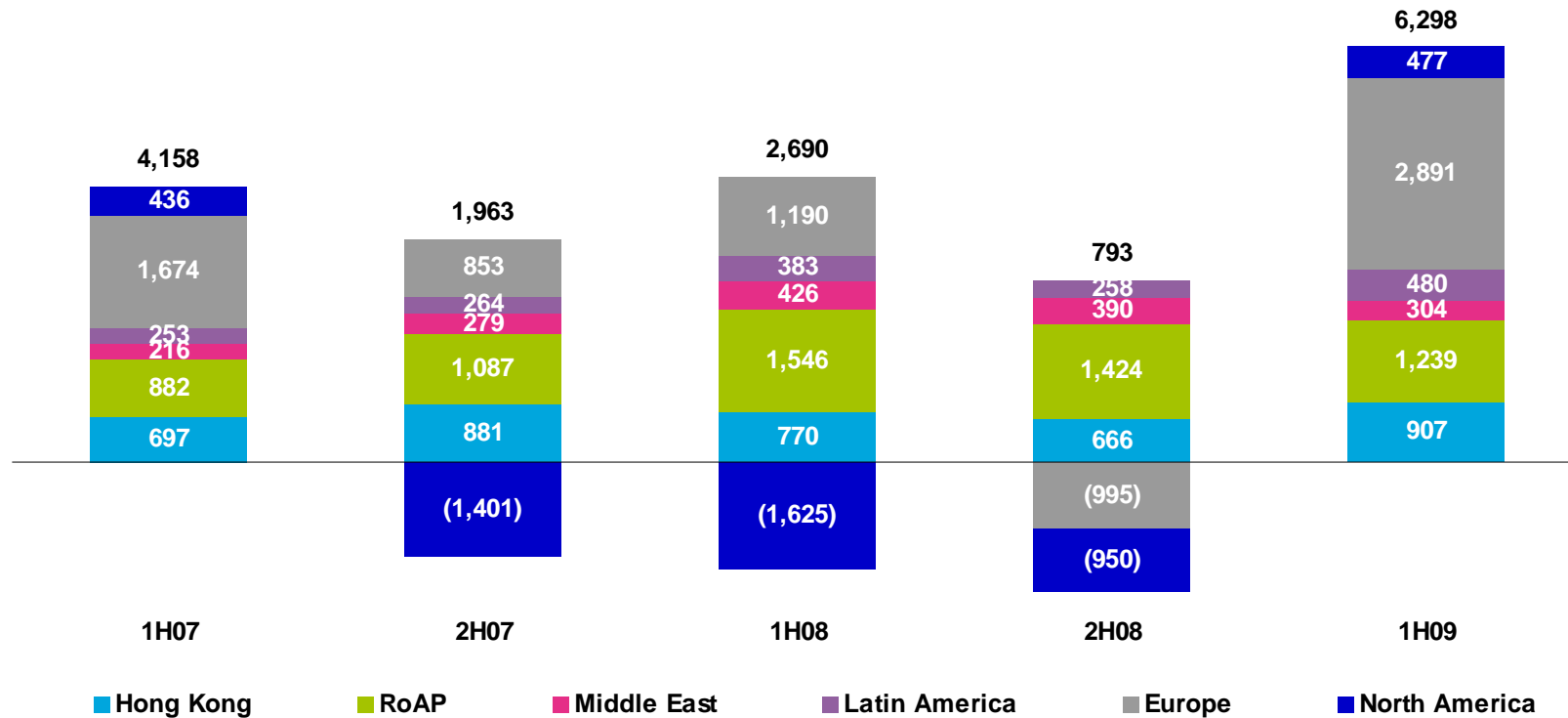


- IFR Awards 2008
  - Middle East Loan House
- Finance Asia Awards 2008
  - Best Bank in Hong Kong
  - Best Bond House in Honk Kong
  - Best Foreign Commercial Bank in China

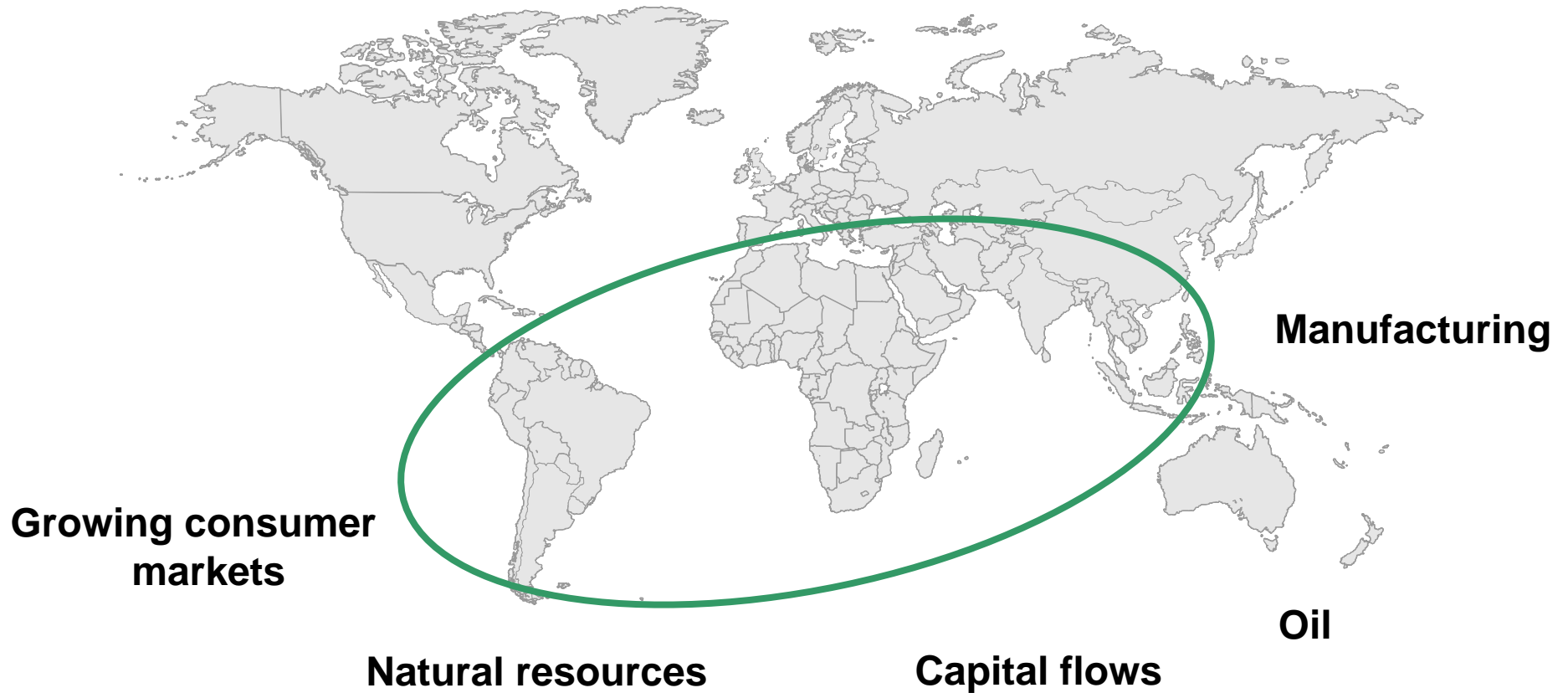
# Unique regional positioning

## Global Banking and Markets regional mix, 1H07 – 1H09

▶ Profit/(loss) before tax, US\$m

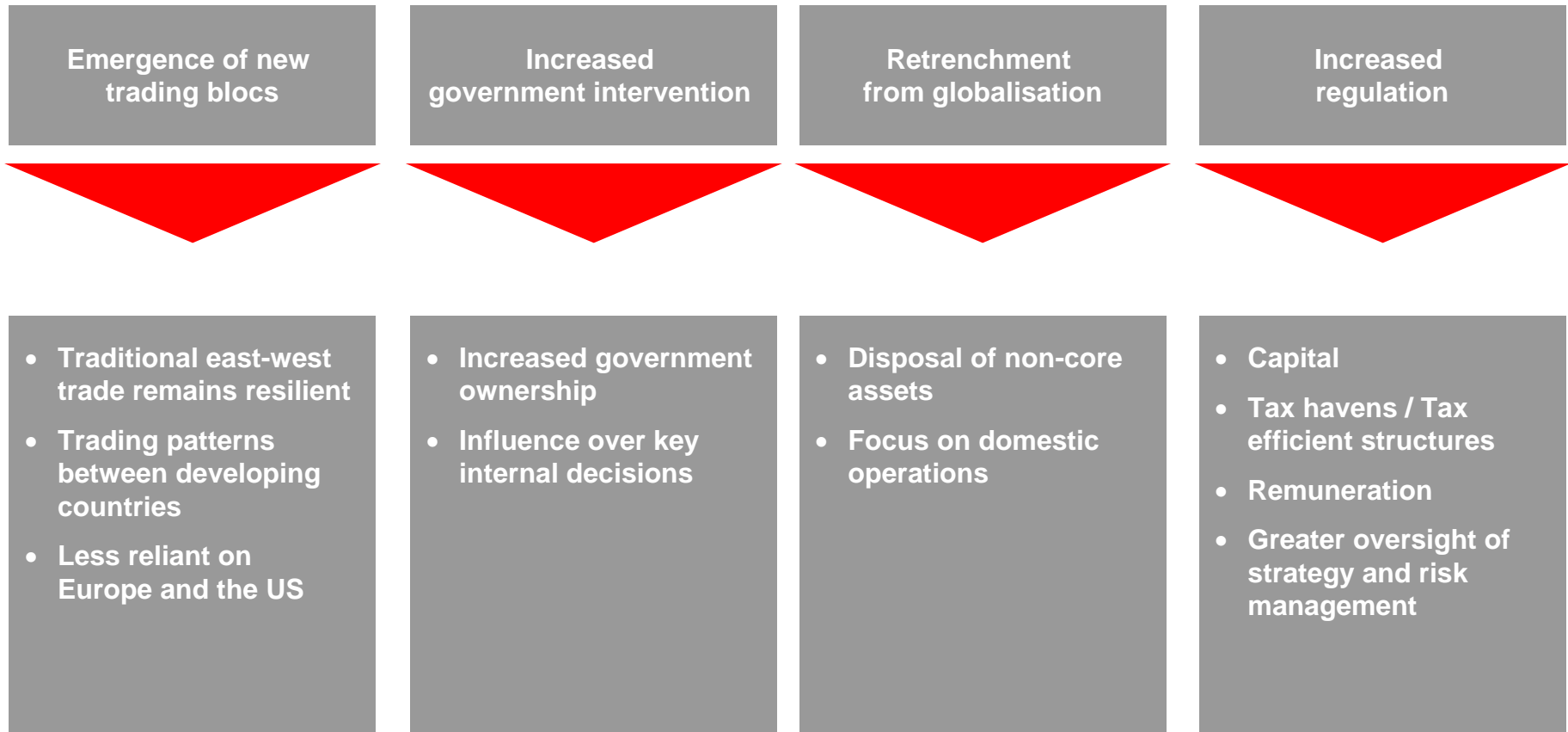


# Positioned to capitalise on emerging trends



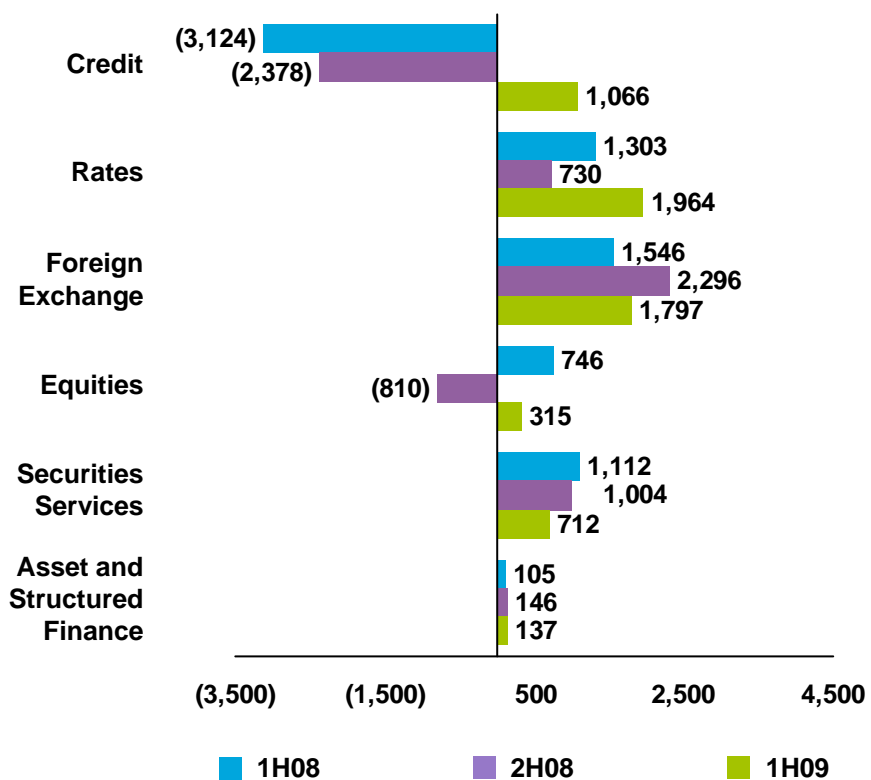


# Impact of the crisis



# Global Markets

## Financial Performance



## Highlights

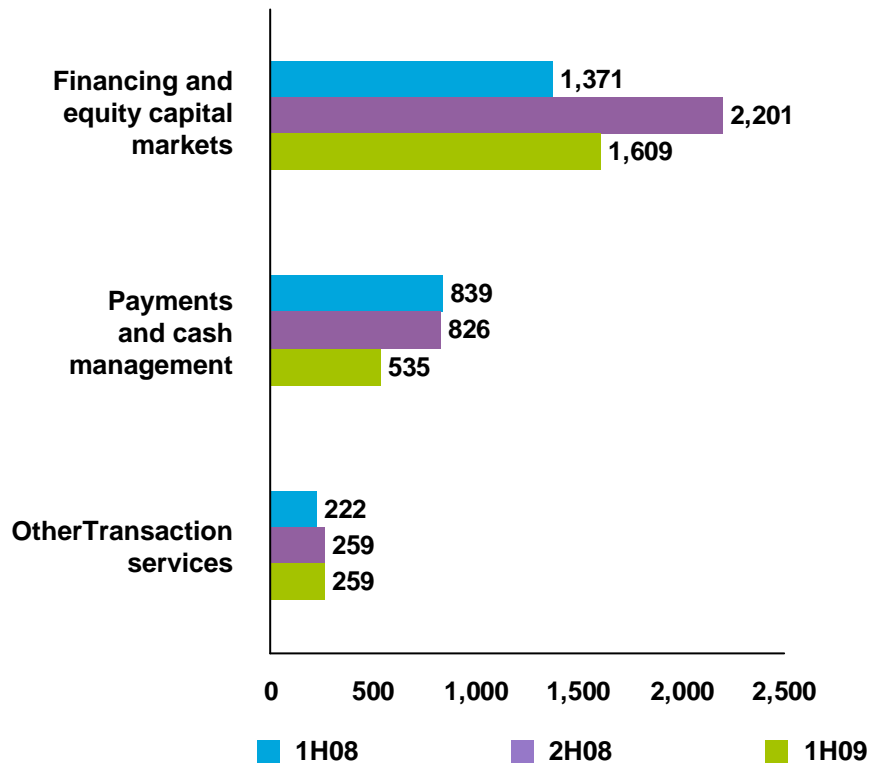
- Increased market share, coupled with robust revenue growth
- Increased customer activity and improved trading conditions in Rates
- Performance boosted by liquidity returning to financial markets, improving credit spreads

Rank	2004	2005	2006	2007	2008	July 09
All international bonds	7	5	4	5	4	3
Eurobond corporates	5	4	4	4	4	3
Sterling	3	3	3	1	1	3
Asia-Pacific ex Japan	1	2	1	1	1	3
Asian local currencies	1	1	1	1	1	1

Note:  
(1) Management view of total operating income

# Global Banking

## Financial Performance



Note:  
 (1) Management view of total operating income

## Highlights

- Strong client franchise, with high quality client portfolio
- PCM impacted by low interest rate environment, although partly countered by an increase in liability balances
- Significant increase in cross-border PCM deals

Best Global Transaction Banking House

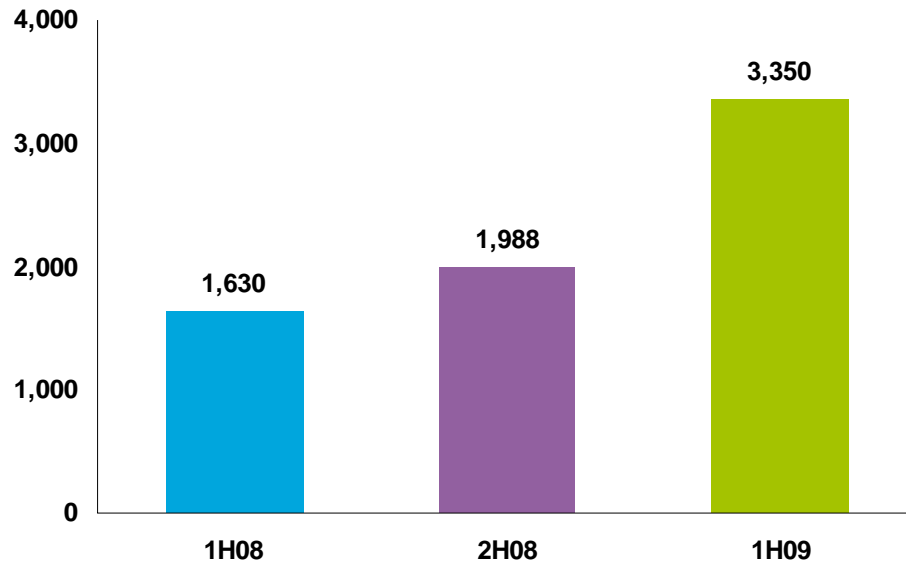
Best Investment Bank in Saudi Arabia

Best at Project Finance in Asia



# Balance Sheet Management

## Financial Performance



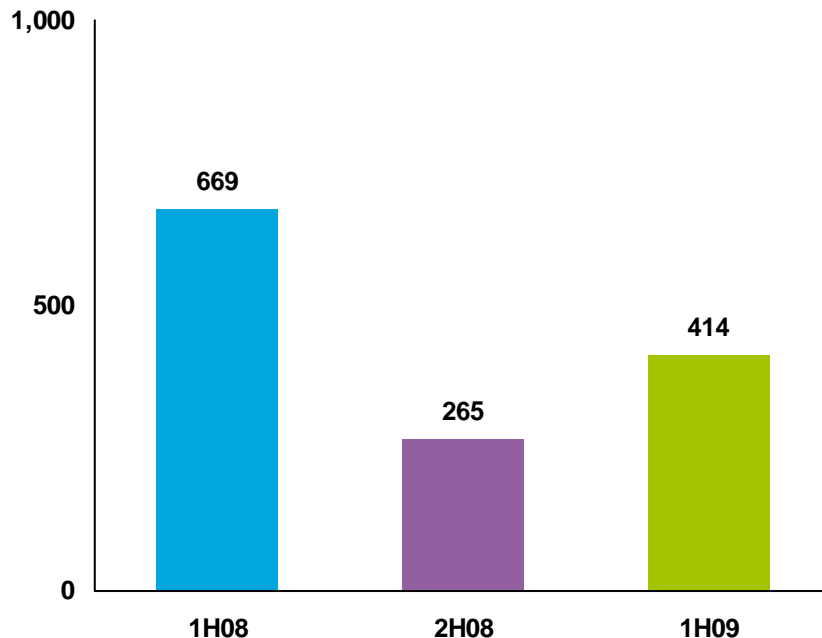
## Highlights

- Active positioning has led to record results
- Manages liquidity for the Group
- Benefits from increasing flows of surplus deposits from other customer groups

Note:  
(1) Management view of total operating income

# Asset Management

## Financial Performance



## Highlights

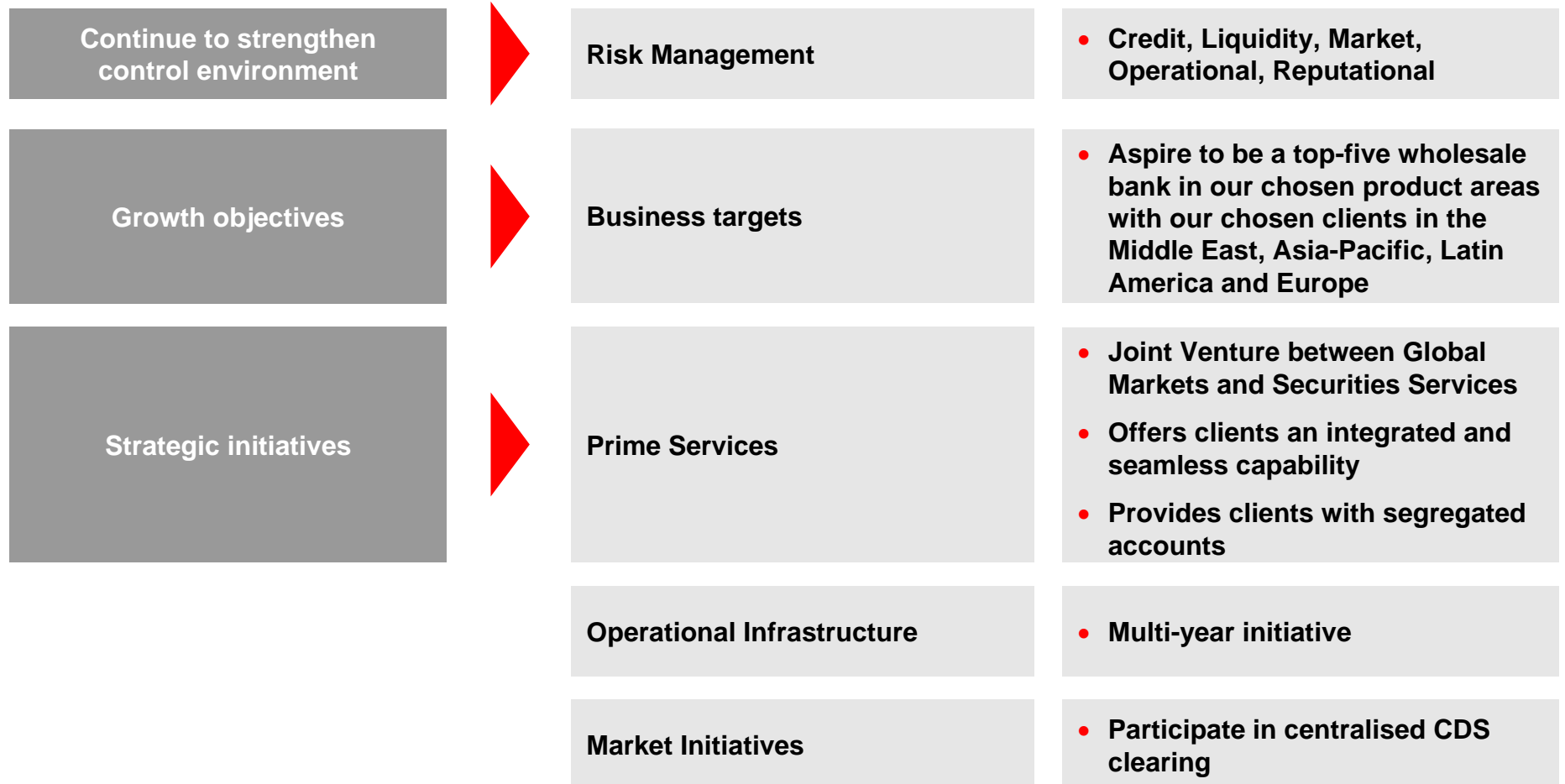
- Q1 performance impacted by falling equity markets
- Recorded stronger performance in Q2 as investor confidence returned
- Leveraging the Group's footprint and customer groups:
  - New range of funds launched in conjunction with Personal Financial Services, 'HSBC World Selection', raising US\$580m in 1H09
  - Successfully launched Taiwan's first on-shore Chinese equity fund

Note:  
(1) Management view of total operating income

# Global Banking and Markets – supported by the Group's strength



# Key Priorities for Global Banking and Markets



## Summary

- **Global Banking and Markets continues to be a core contributor to HSBC Group profitability**
- **Global operating model built on client business**
- **Unique geographic footprint will ensure future growth**
- **Emerging markets-led and financing-focused strategy has been successful**