



Global Banking & Markets Roadshow

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HSBC 
Global Banking and Markets

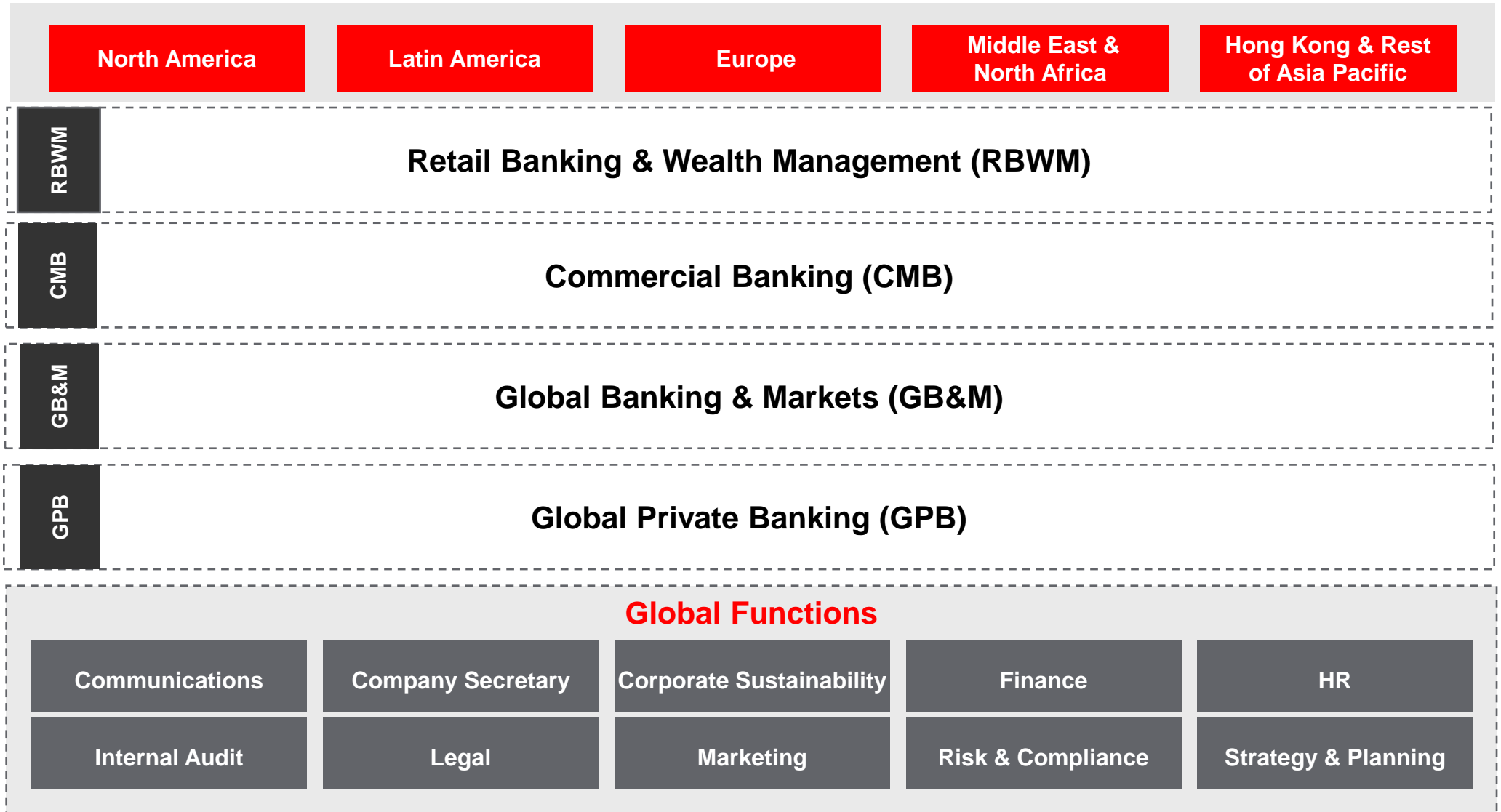


Forward-looking statements

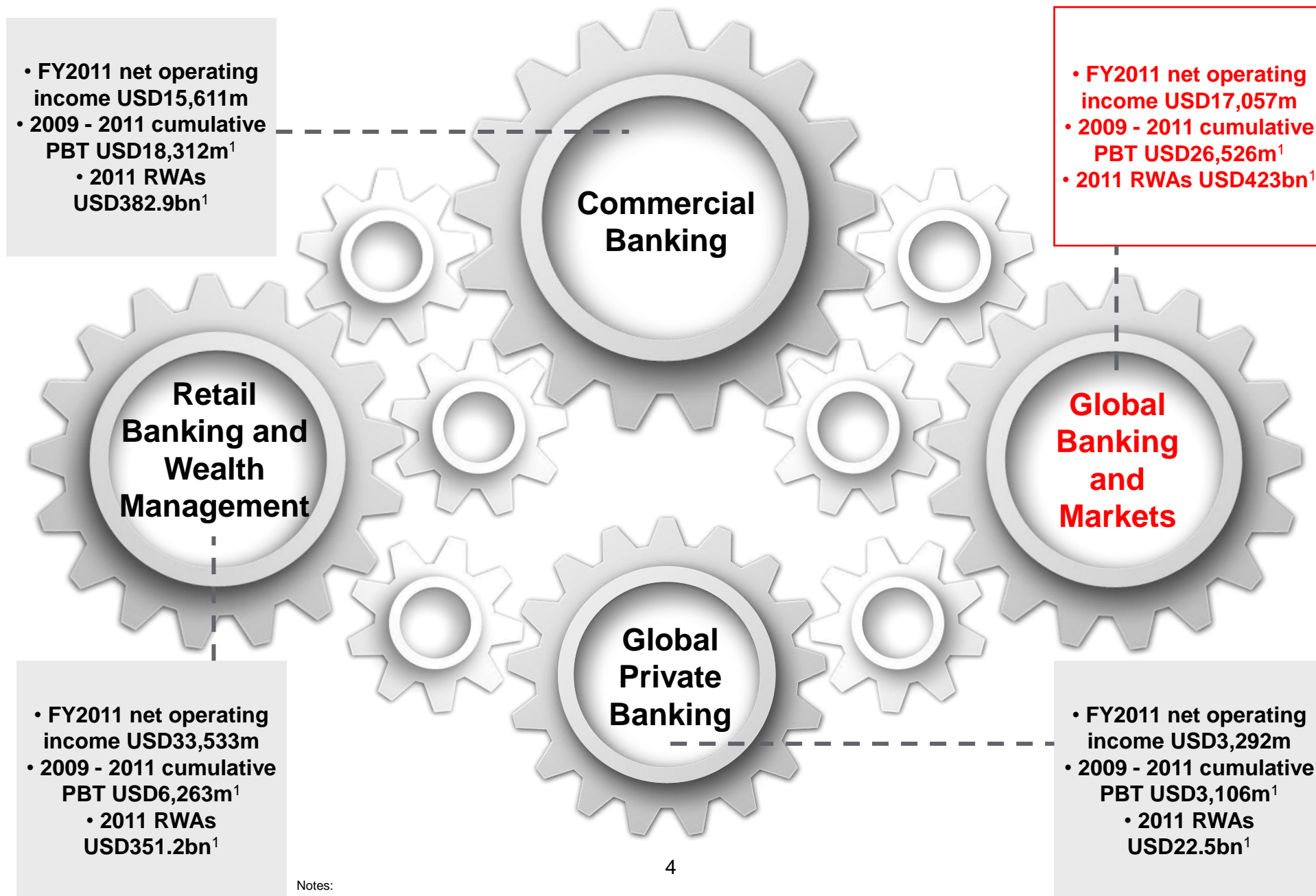
This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known 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 HSBC Holdings plc Annual Report and Accounts 2011 and Interim Management Statement issued on 08 May 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.

HSBC Group's management matrix



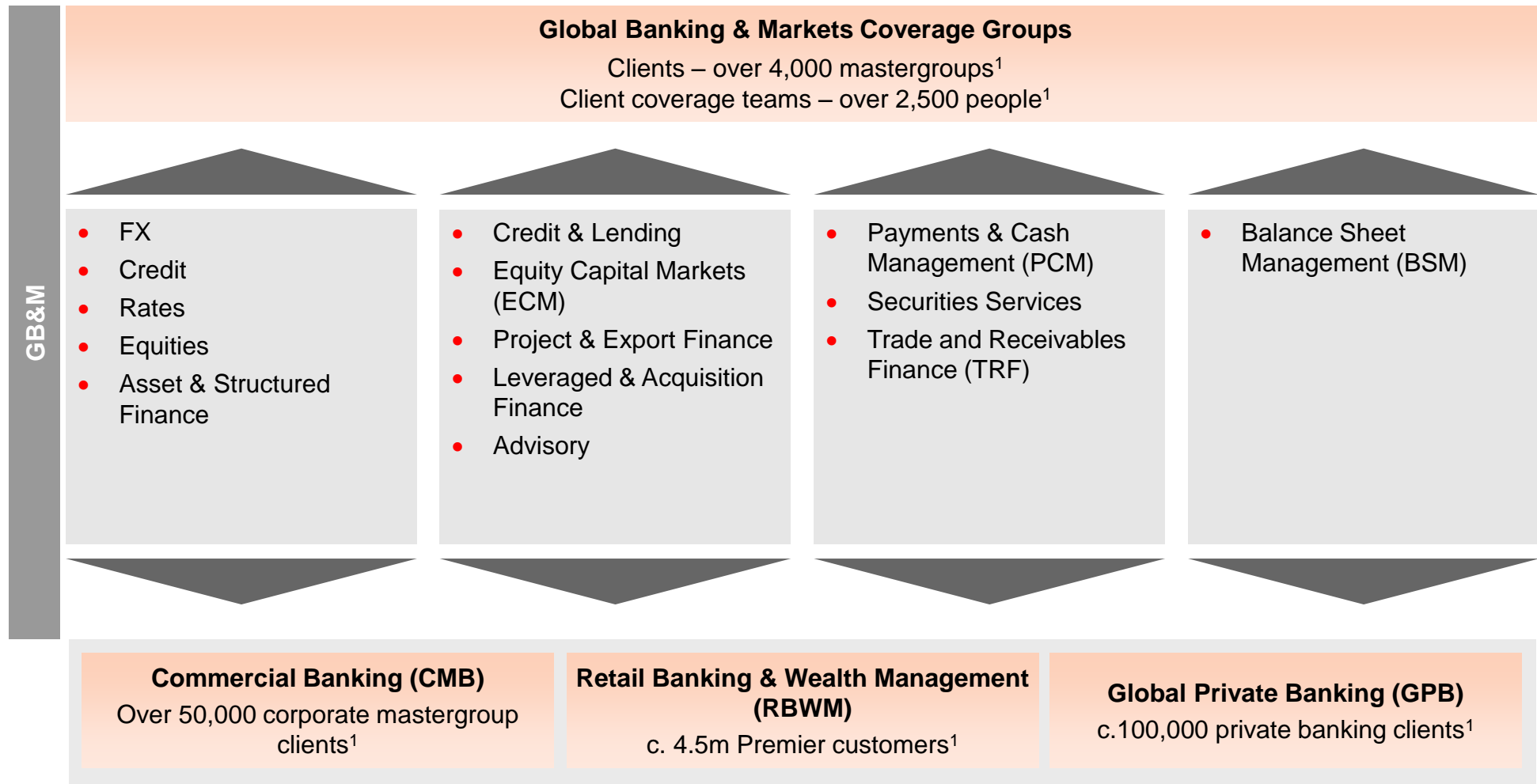
Four integrated Global Businesses



Notes:

1 On a reported basis

How we are structured

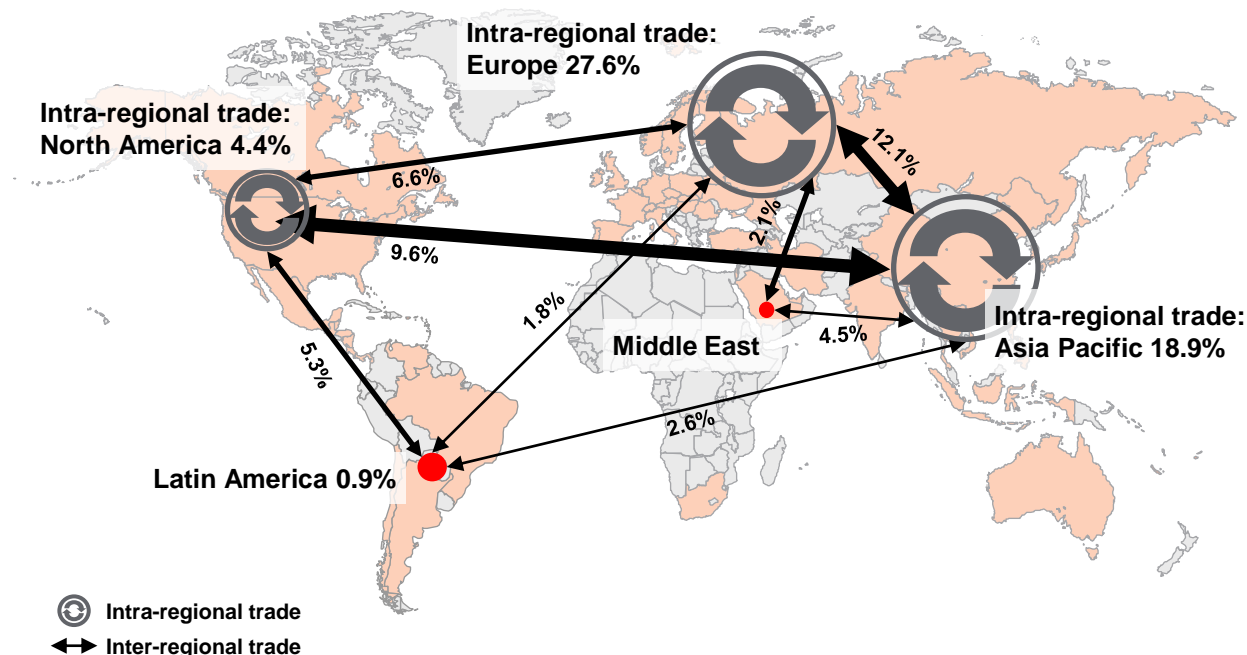


■ Clients ■ Products / Business

Note:
¹ HSBC internal management information

GB&M strategy is underpinned by trends in growing international trade and capital flows

Major trade flows¹ 2010



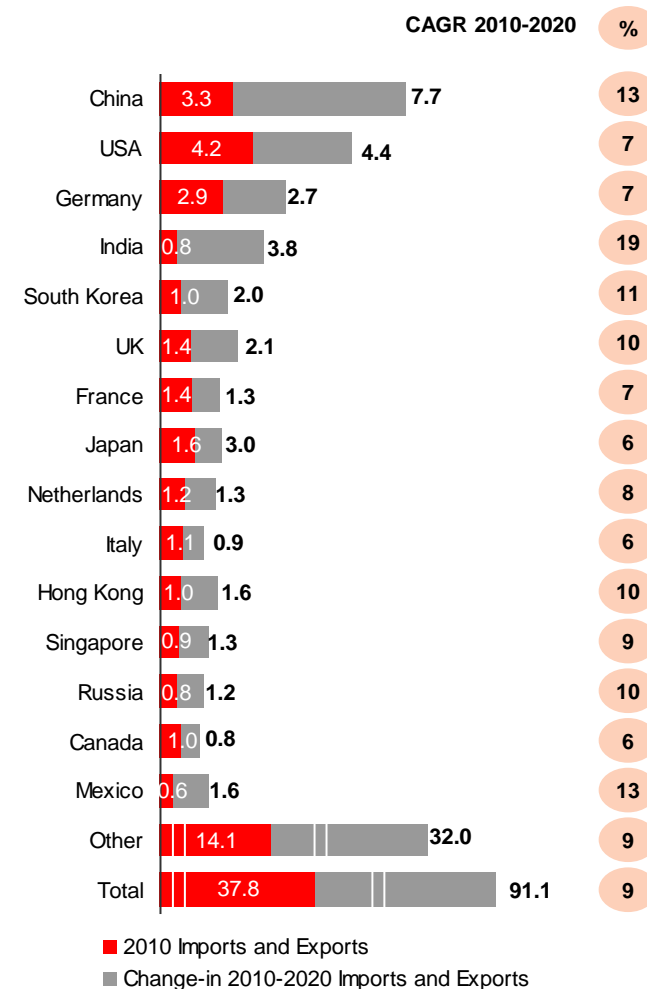
Comments

- Developed markets still play a vital role in Global trade:
 - 5 largest trade hubs in 2010 are USA, China, Germany, France and UK
 - 5 most important trade flows in 2010 are intra-regional Europe, intra-regional Asia, between Asia and Europe, between Asia and North America and between Europe and North America
 - Large increase of South-South business flows

Notes:

- Delta Economics based on Top 10 trade partners for focus set of 33 countries
- Global Insights. Note: Brazil represents USD0.5tn in 2010 expected to grow to USD0.9tn in 2020

Top 15 trade countries² Imports and Exports, USDtn

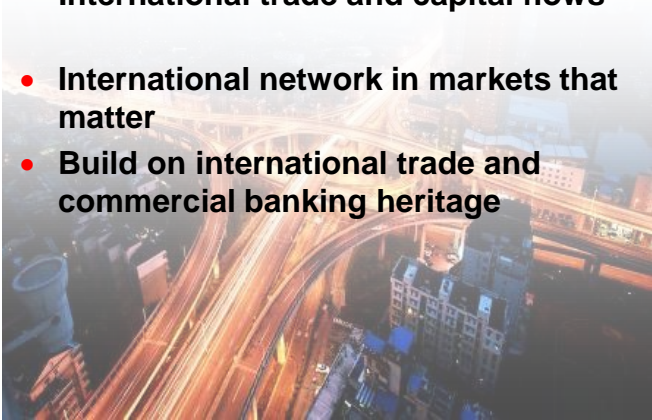


GB&M strategy is aligned to the strategy of the Group

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



GB&M 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 & Lending
 - Debt Capital Markets / Equity Capital Markets
 - Project and Export Finance
 - Asset Structured Finance

Connectivity emphasis

- Franchise client focus including:
 - Global Banking: over 4,000 mastergroup clients¹
 - CMB: over 50,000 corporate mastergroup clients¹
 - RBWM: c. 4.5m Premier customers¹
 - GPB: c.100,000 private banking clients¹

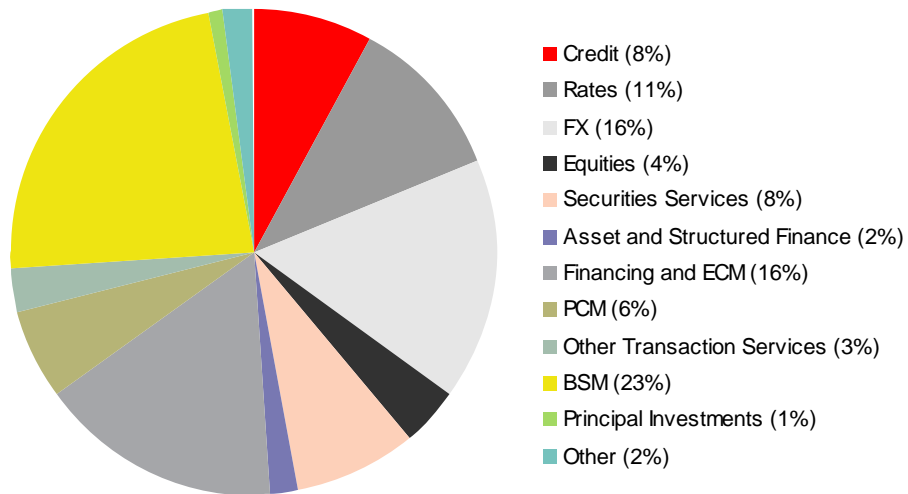
Strong GB&M financial performance diversified by product and geography

Average 2009-2011

Managed View of Operating Income¹

% average 2009-2011

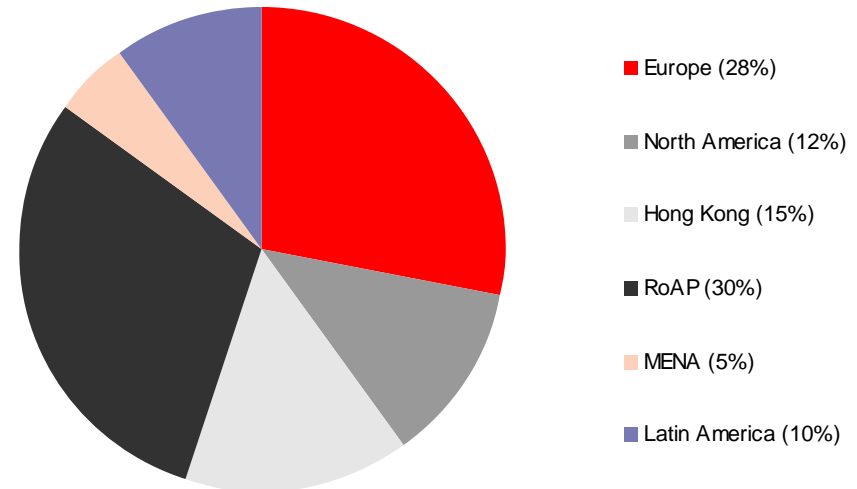
Total: USD19bn



Profit Before Tax¹

% 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 RWAs²: 1.8%
 FY 2010 Return on RWAs²: 2.5%
 FY 2009 Return on RWAs²: 2.6%

FY 2011 RWAs²: USD423bn
 FY 2010 RWAs²: USD353bn
 FY 2009 RWAs²: USD394bn

Notes:

¹ On a reported basis

² FSA, Basel II basis. For 2011 ex-GB&M legacy RWA's were USD 373bn and RoRWA was 2.1%

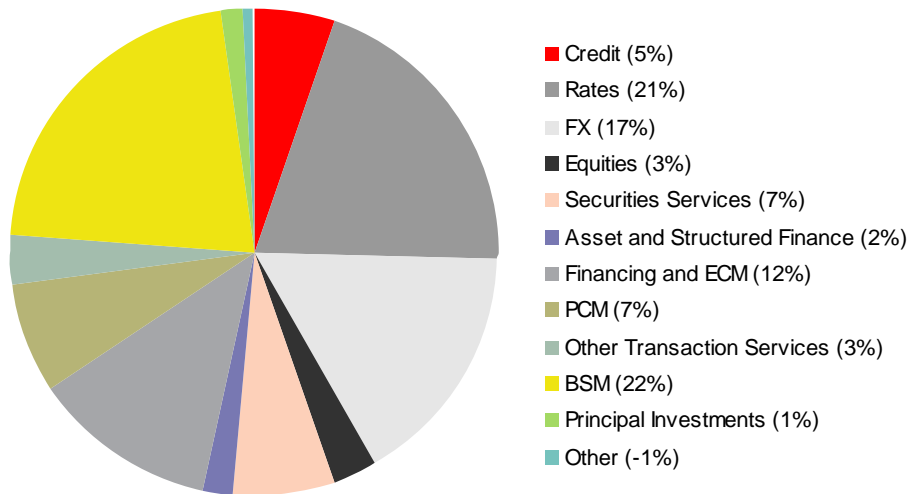
Strong GB&M financial performance diversified by product and geography

1Q 2012

Managed View of Operating Income¹

% 1Q 2012

Total: USD5.8bn

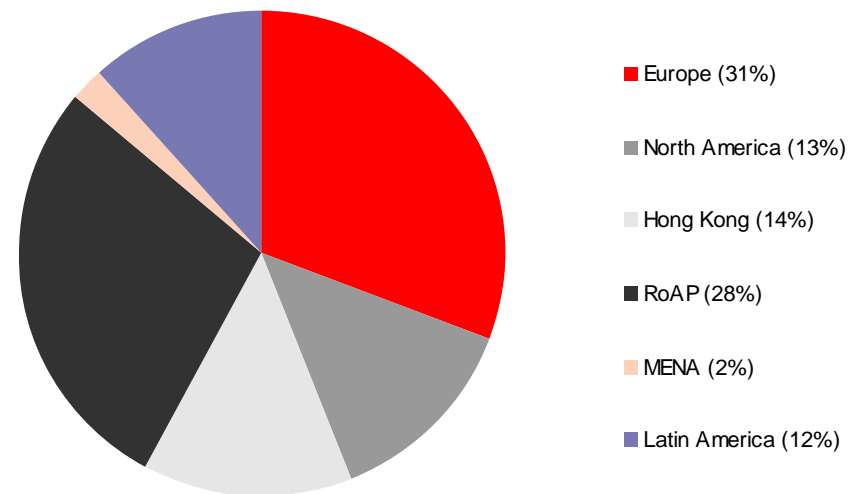


Cost Efficiency Ratio: 46.9%

Profit Before Tax¹

% 1Q 2012

Total: USD3.1bn



Return on RWAs²: 2.9%

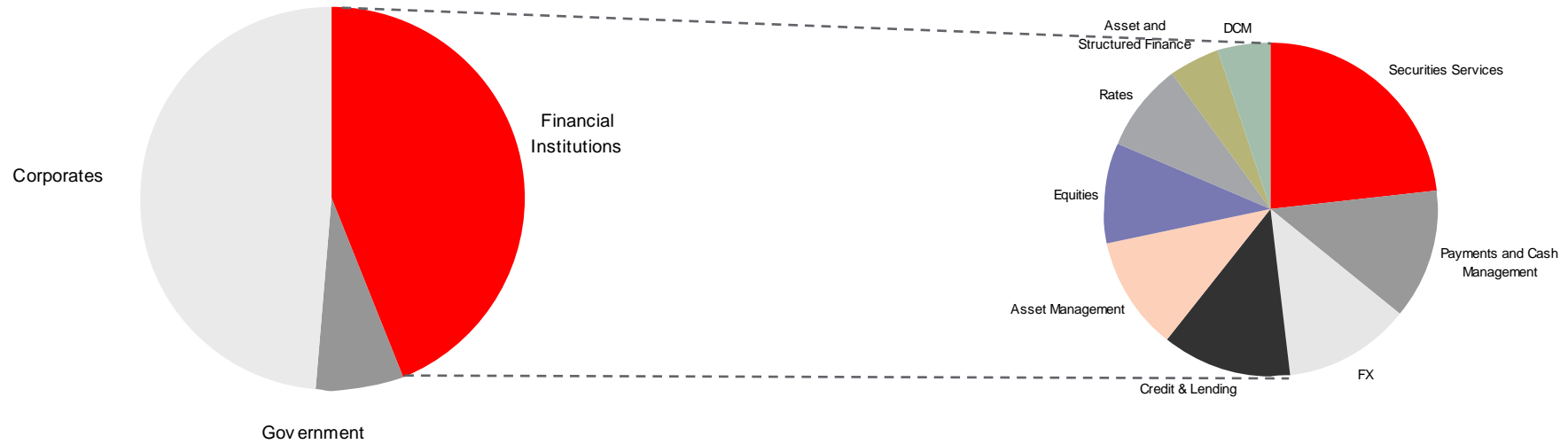
Notes:

1 On a reported basis

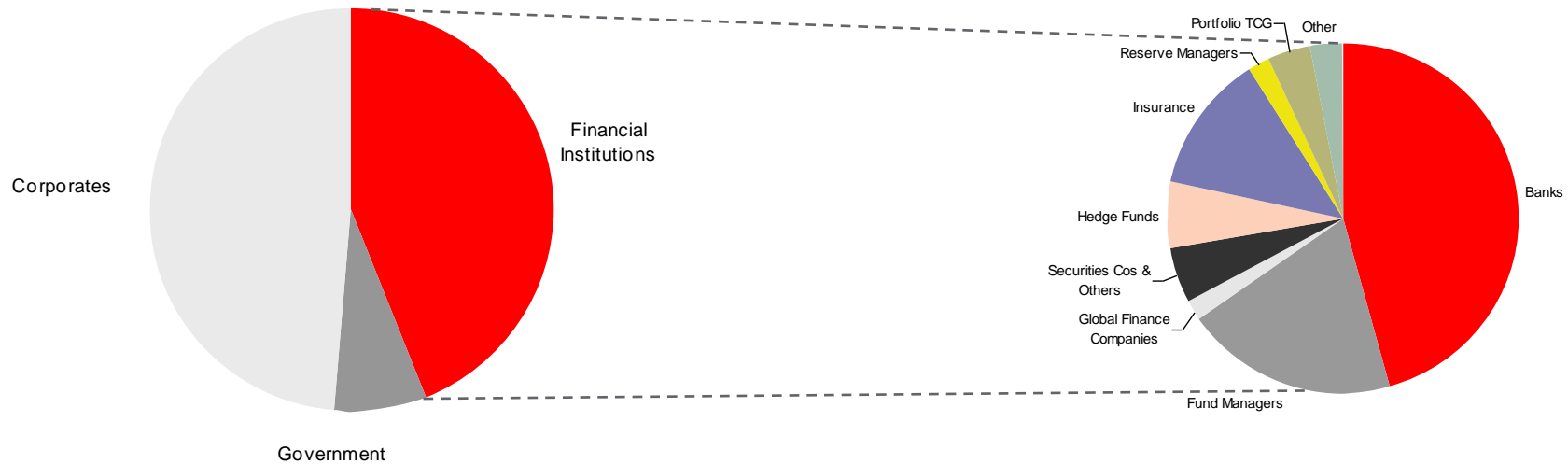
2 Pre-tax return on average RWAs (annualised)

Diversified and resilient client base

Financial Institutions Relationship Revenue Split by Product¹



Financial Institutions Relationship Revenue Split by Customer Segment¹

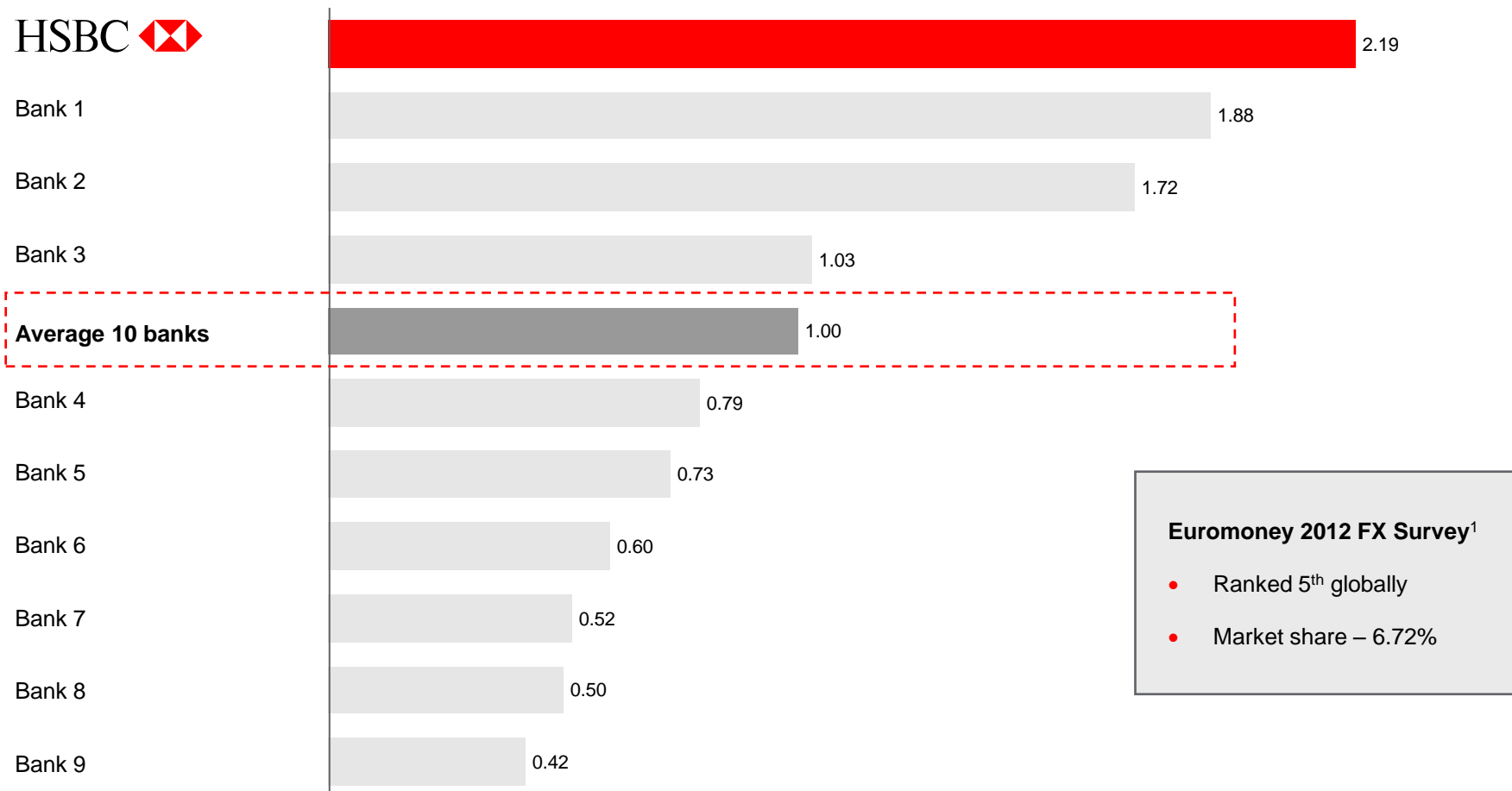


Note:
¹ HSBC internal management information as at 31 December 2011

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

Euromoney 2011 FX Survey¹

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



Source: Euromoney Surveys – FI are banks, leveraged fund and real money clients transacting at least USD 50 mill. In G10 and USD 20 mil. in EM

Note:

¹ Euromoney survey based on the results for the year preceding the survey

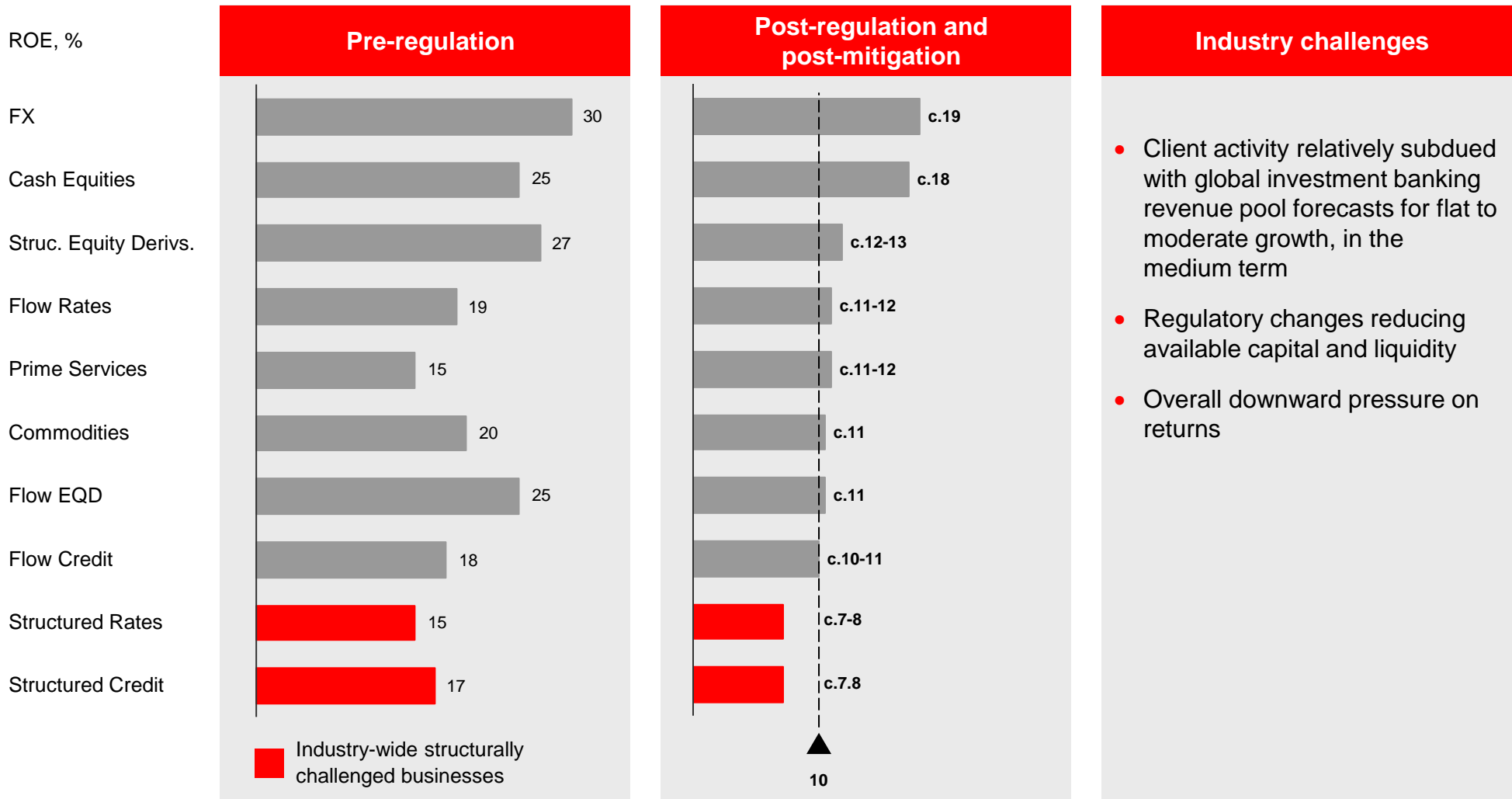
Synergies with Global Businesses to generate increasing revenues

	<u>Size of opportunity</u>	<u>Initiatives</u>	<u>Potential upside in the medium term</u>
Commercial Banking	Over 50,000 corporate mastergroup clients¹	<ul style="list-style-type: none"> • Aspiration: increase incremental revenues in the medium term which in 2011 alone resulted in c.USD500m in incremental revenues • Global initiative for FX and Derivatives • Referrals for Event products • Joint Client-led Planning 	A significant proportion of the potential USD2bn upside will be driven by CMB and GB&M collaboration
Retail Banking and Wealth Management	c. 4.5m Premier customers¹	<ul style="list-style-type: none"> • Wealth Management Solutions: selling GB&M products to RBWM customers, particularly Wealth-related products • e-Commerce 	
Global Private Banking	c.100,000 private banking clients¹	<ul style="list-style-type: none"> • Institutional Private Client Group within GB&M and the Global Priority Client structure within GPB to jointly cover Ultra High Net Worth+ Individuals • GB&M referrals to GPB 	

Note:
¹ HSBC internal management information

GB&M – 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

GB&M regulatory challenged products represent 14% of total operating income¹

■ Challenged products

GB&M Total Operating Income² ex. BSM and Other

	Minimum, Maximum and Average 2007 – 2011, USDm	Average, USDm	Share of 2011 Total Operating Income, %
Foreign Exchange		3,005	24%
Financing & ECM		2,983	24%
Rates		1,873	10%
Securities services		1,729	12%
PCM		1,403	11%
Equities		694	7%
Other transaction services		526	5%
Asset and Structured Finance		407	4%
Principal Investments		282	2%
Credit		-501	2%

(1) Excluding BSM and Other

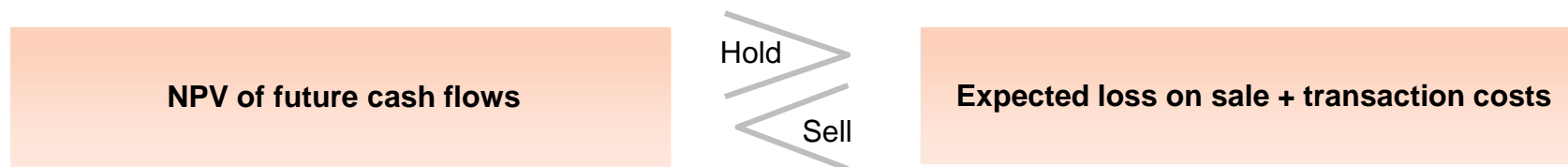
(2) Before loan impairment charges and credit risk provisions

RWAs and Legacy Credit

Industry changes in product profitability

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

Decision framework



- 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 GB&M; determined using various economic factors
- Additional consideration for redeployment of capital

Transaction banking is a core and strategic product delivered to GB&M clients

- Benefits from stable annuity-like revenues with further NII upside from interest rates increase
- Supports Group and GB&M's liquidity position
- Strategic product with strong cross-selling potential for other products (e.g. FX, Credit & Lending)
- Low capital usage with double-digit Return on Equity

Market leadership in our product suite

Payments and
Cash
Management



Best Cash Management Bank in Asia and Middle East, Best Global Cash Manager for Fin. Inst. (2011)

- No.1 Cash Management Bank in Asia and the Middle East and No.2 in Latin America, No.1 Global Best Cash Manager for Financial Institutions and No.2 Global Best Cash Manager for Corporates¹
- Stable revenues with over 3,000 mastergroup GB&M clients globally

Securities
Services



Best Sub-Custodian: 10 countries
Best Domestic Custodian: 5 countries

- HSBC Securities Services (HSS) provides Global Custody, Sub-Custody, Fund Administration and Corporate Trust & Loan Agency (CTLA) services
- HSS plays a key role in providing end-to-end securities solutions
- Over 1,800 mastergroup GB&M clients in over 40 countries with a leading position in Custody and Clearing in the UK, Asia and the Middle East

Trade and
Receivable
Finance



Best Trade Finance House 2011

- Facilitates global trade flows through international connectivity
- Leading Trade and Receivable Finance franchise in Asia

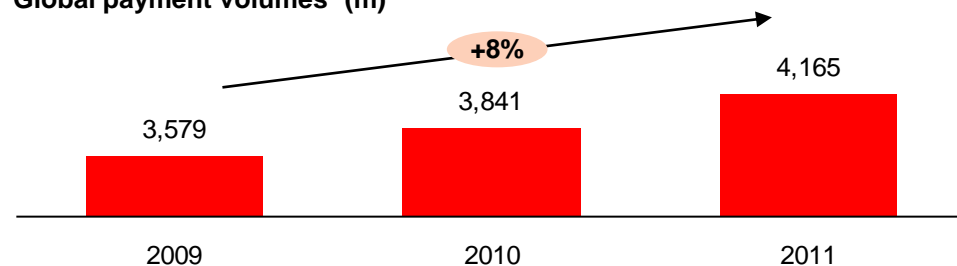
Note:

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

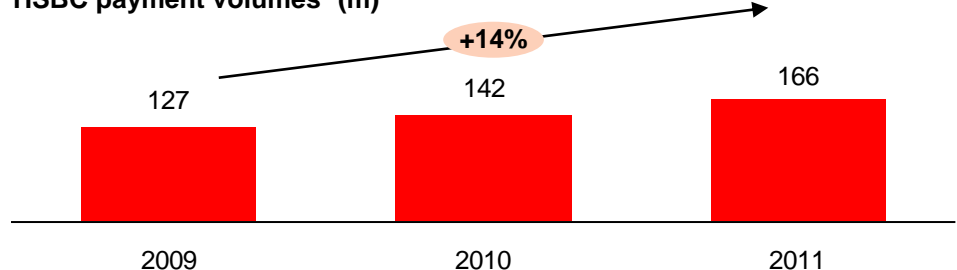
Payments & Cash Management is a key funding engine

HSBC payments grow faster than global payments. . .

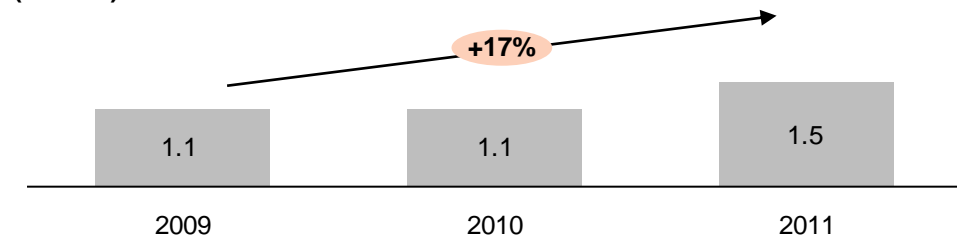
Global payment volumes¹ (m)



HSBC payment volumes¹ (m)



PCM revenues – GB&M contribution² (USDbn)



- Continued strong growth in GB&M's contribution to PCM revenues – USD433m 1Q 2012³.
- 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

Notes:

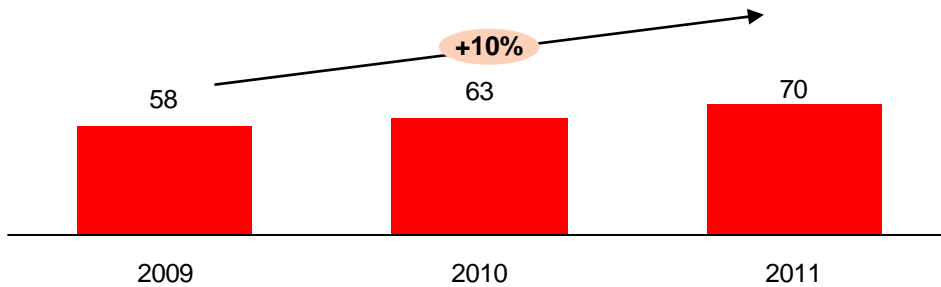
1 Number of SWIFT payment messages sent and received

2 GB&M revenues on a reported basis

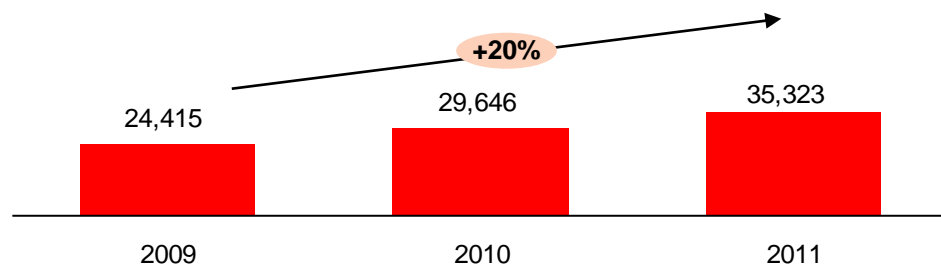
3 As reported 1Q 2012

Trade Services – the world's leading Trade Finance bank

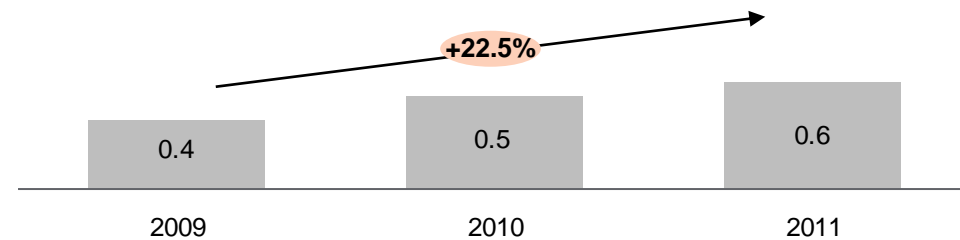
World nominal GDP (USDtrn)



World merchandise trade² (USDtrn)



HSBC trade finance revenues – GB&M contribution³



- 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 share¹
- We are capturing further growth opportunities competitors deleverage

Notes:

1 Oliver Wyman Global Transaction Banking survey 2011

2 Source: Global Insights (March 2012); Merchandise imports and exports and Nominal GDP

3 GB&M revenues on a reported basis

Strength in core product capabilities – Market related flow products

Market leadership in our product suite

- Strength in vanilla flow, G10 FX, Credit¹, Rates²
- 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 landmark transactions across all regions
- Consistent recognition and success in Market Surveys and Awards

Bloomberg key league tables	2011	2012 YTD
All international bonds	4	4
Eurobond corporates	4	3
Sterling	3	3
Asia-Pacific ex Japan	1	1
Asian Local Currencies	1	1
Offshore RMB	1	1
Islamic Bonds	3	1
LatAm Bonds	1	2

Source: Bloomberg (May 2012)



Euromoney Islamic Finance Awards 2012

- Best Project Finance House
- Best International Islamic Bank
- Best Deal of the Year – Axis Financing
- Best Sukuk Deal – Republic of Indonesia sukuk
- Most Innovative Deal – HSBC Middle East Limited sukuk

Source: Euromoney, February 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

Note:


- 1 HSBC has maintained its position as #1 lead-manager of EM debt globally; #3 in Euromarket corporate space and dominance of the sterling market, ranked #1 (source: Bloomberg); RMB: Continuing leading position. Landmarks include first London Issue outside China and Hong Kong; HSBC self led 3 year RMB bond listed and traded on LSE
- 2 #1 bookrunner in Supra-Nationals, Sovereigns and Agencies for 2009-2012 YTD (source: Bloomberg); Rank top three across USD, EUR and GBP in all SSA 2012 YTD¹; HSBC has defined itself as the house of choice for the highest rated flight to quality borrowers, Recent Euromoney Survey, No. 1 in 19 categories)

Strength in core product capabilities – Event products

Rankings	2012
Equity Capital Markets ¹	9
Export Finance (Global MLA) ²	1
Project Finance ³	1
M&A (involving cross border) ²	8

Landmark transactions


- Outstanding performance in our Asian ECM business with significant market share improvement in Hong Kong, Singapore and India
- Leveraged and Acquisition Finance continues to use its strong balance sheet to support clients' loan financing requirements, continuing to grow market share.
- Leveraged and Acquisition Finance is delivering and executing the strategy of building the high yield capability with notable market share gains within EMEA



France Telecom
USD3.4bn Public Offer for Egyotian Company for Mobile Services (ECMS)

Financial Adviser, Guarantor and Custodian


▶ One of the largest cross-border M&A transactions in Egypt



Acquisition of CPA Global by Cinven

Financial Adviser to Intermediate Capital Group. Global Coordinator, Mandated Lead Arranger and Physical Bookrunner for the GBP555m financing backing the acquisition


▶ Close collaboration between Global Banking and Commercial Banking and across multiple products and clients



Schaeffler
EUR8bn Senior secured credit facilities

Mandated Lead Arranger and Bookrunner. Included a EUR2bn bridge to capital markets take-out in which HSBC acted as Joint Global Coordinator and Joint Physical Bookrunner

▶ Strong collaborative efforts across products, sector and geographies



UniCredit
EUR7.5bn rights issue

Joint Bookrunner

▶ Largest global equity issue in 2012YTD - represents an essential step in the recapitalisation of the European banking sector post the EBA stress tests

¹ 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

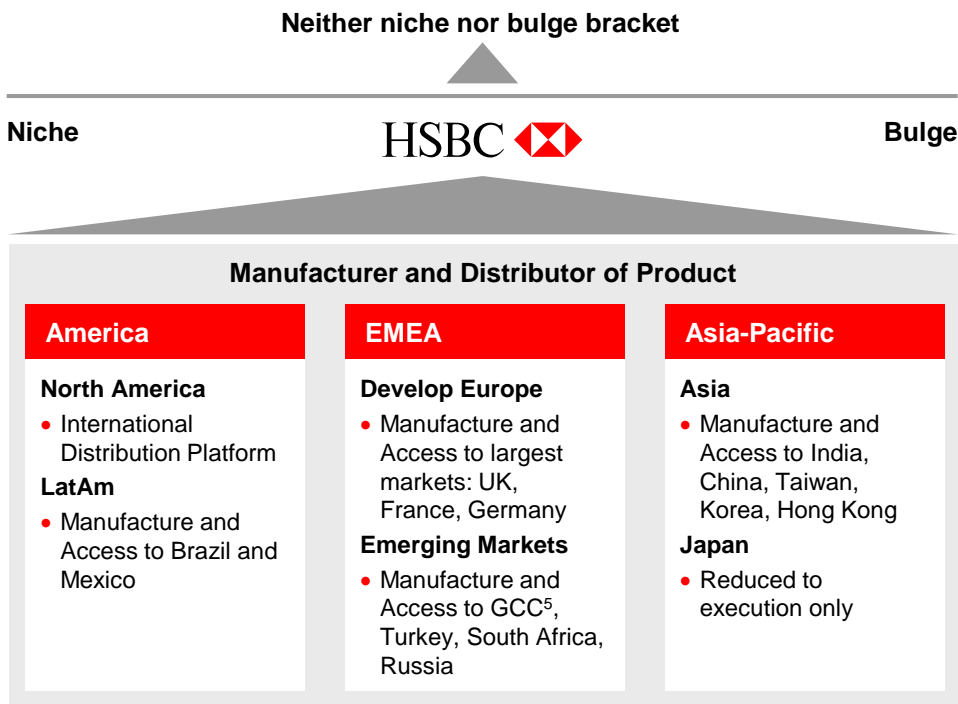
² Source: Dealogic

³ Source: Dealogic (by deals closed)

Equities will 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 share has increased in all relevant markets; particularly in Europe and Asia while the global institutional wallet shrank between 2008 to 2011
- Top 5 Extel ranking in Hong Kong (4.2% market share), ranked 1 in Middle East, top 10 in Europe
- Overall Pan European ranking has advanced to 6th position (10th in 2011)⁶
- Top 5 EMEA¹ ranking for 7 Sectors Sales and 6 Generalist Sales⁶
- Top 5 CEEMEA² ranking in Metals & Mining, Telecommunications, Oil & Gas and Strategy and Economics⁶
- ECM: #3 position in Hong Kong 2011⁴

Neither niche nor bulge bracket



Equities - league table targets

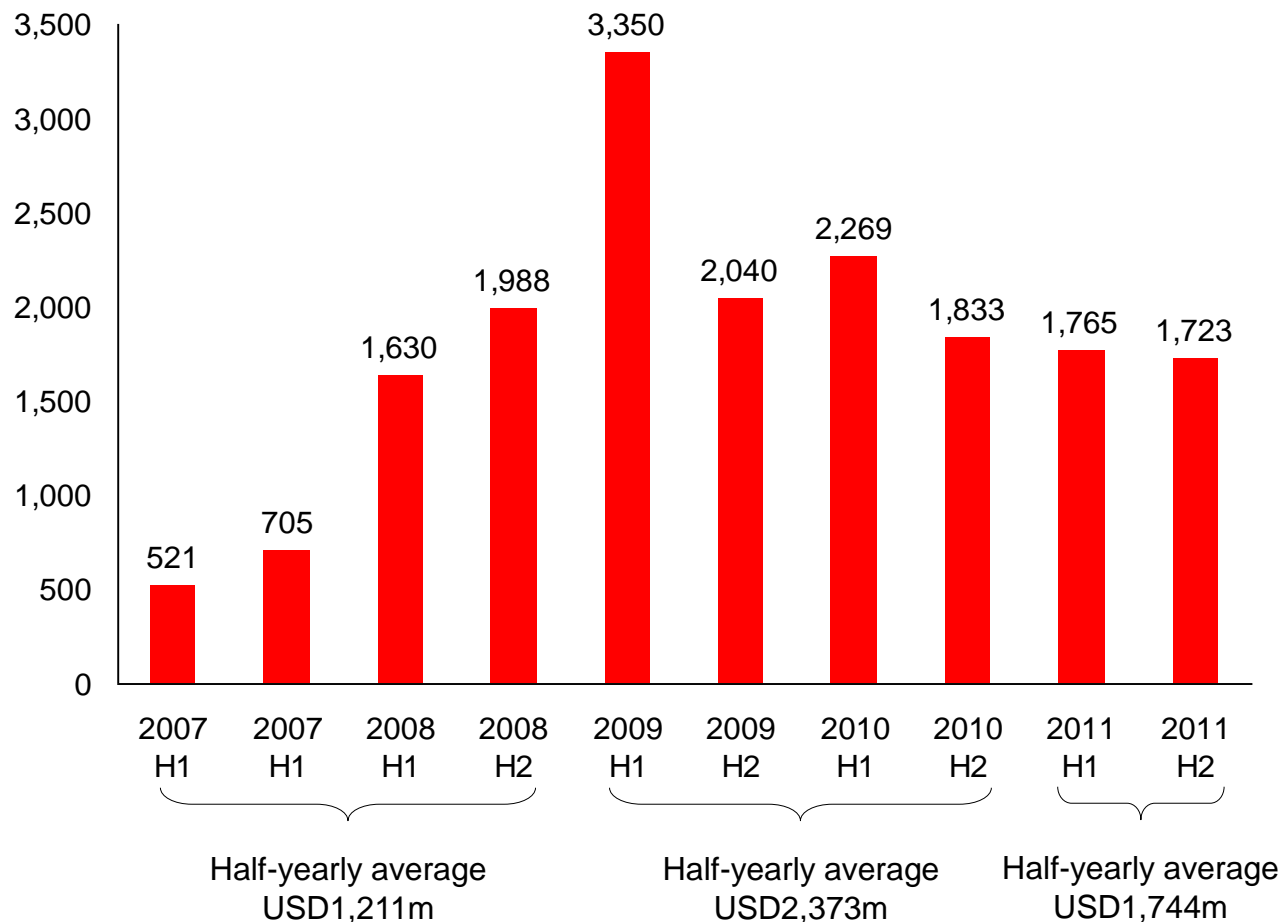
	Core (Top 5)
China ³ /Hong Kong	Top 5
India	Top 5
Middle East ³	Top 3
Brazil	5 th – 8 th
Mexico	Top 5
	Relevant (Top 10)
UK	Top 10
France	
Germany	
Singapore	
Korea	
Taiwan	

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

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

Clear competitive advantages in response to regulatory change

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

Robust regulatory change programme in operation

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 sets 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 ExCo¹ and RMC (Risk Management Committee) establishes the risk appetite statement for GB&M which must align and be consistent in all areas with the Group Risk Appetite Statement
- RWA targets for GB&M 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 GB&M 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 market activities

GB&M 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

GB&M league table rankings 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	Project & Export Finance	ECM	M&A	FX	DCM	Rates	Credit	Equities	
Hong Kong	#1	#6	#1	#3	#2	#1	#1	#1	#1	#5	
RoAP ex. Japan				#7	#14		#2			n/a	
MENA				#6	#2	#6	#1	#3	n/a	#1	
LATAM				#2	#2	#3	#1	#4	n/a	n/a	
UK				n/a	n/a	#9	#6	#3	#3	#9	#7
Cont. Europe				n/a	#10	n/a		#3			
North America				n/a	n/a	n/a	#10	#15	#12	#16	n/a
















Top 5
 Top 10
 Outside Top 10

Sources:

1 Dealogic 2011/2012, Bloomberg 2011, Extel 2011, Greenwich 2011, Euromoney 2011

Appendix

GB&M Financials

Management view of net operating income ¹ (USDm)	Quarter ended 31 Mar 2012	Quarter ended 31 Mar 2011
Credit	305 	293
Rates	1,194 	988
Foreign Exchange	957 	738
Equities	185 	346
Securities Services	395 	414
Asset and Structured Finance	107 	133
Global Markets	3,143 	2,912
Financing and Equity Capital Markets	718 	771
Payments and Cash Management	433 	331
Other transaction services ²	196 	149
Global Banking	1,347 	1,251
Balance Sheet Management	1,280 	924
Principal Investments	76 	99
Other³	(47) 	(41)
Total operating income	5,799 	5,145

Notes: Figures prepared on a reported basis

1 Net operating income before loan impairment charges and other credit risk provisions

2 Trade Services, Bank Notes and Cards Issuing

3 Includes net interest earned on free capital held in the global business not assigned to products