

HSBC Holdings plc

Presentation to Fixed Income Investors

June 2012

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 2011 and Interim Management Statement dated 8 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.




Contents

HSBC Group Strategy	1
Financial performance and targets	2
Wholesale funding	3
HSBC in the USA	4
Conclusions	5

HSBC Group Strategy

HSBC Vision

Purpose	We enable businesses to thrive and economies to prosper, helping people fulfil their hopes and dreams and realise their ambitions	<i>Reason why we exist</i>
Values	Act with courageous integrity <ul style="list-style-type: none">▪ Dependable and do the right thing▪ Open to different ideas and cultures▪ Connected to customers, regulators and each other	<i>How we behave and conduct business</i>
Strategy	<ul style="list-style-type: none">▪ International network connecting faster growing and developed markets▪ Develop Wealth and invest in Retail only in markets where we can achieve profitable scale	<i>Where and how we compete</i>
Outcome	Being the world's leading international Bank	 Delivering consistent returns: <ul style="list-style-type: none">▪ 50% of earnings retained▪ 35% to shareholders as dividends▪ 15% variable pay

Progress against May 2011 Report Card

Key execution elements

May 2011 Report Card Metrics

Progress to date

1

Capital Deployment *Five Filters*

- Disposals and closures of non-strategic / underperforming businesses
- Turnaround of strategically relevant businesses

- 28 transactions to dispose of or close businesses
 - c.USD55bn expected reduction in RWAs
 - c.15k FTE to be transferred
 - c.USD5.9bn total consideration

2

Cost efficiency *Four Programmes*

- USD2.5-3.5bn in sustainable cost saves by 2013
- Simplify and delayer organisation

- USD2.0bn in total annualised sustainable savings
- FTE down 14k from 1Q11 (including 1.5k from transactions and US run off portfolios)
- Global functions re-engineering across the Group

3

Growth

- Revenue growth in faster growing markets
- USD4bn in incremental wealth revenues in the medium term
- USD1bn in additional CMB and GB&M revenues in the short to medium term

- 1Q12 yoy revenue growth of 7% in Latin America, 16% in Hong Kong, and 18% in Rest of Asia Pacific
- c.USD300m in incremental Wealth revenues in 2011
- c.USD500m in incremental revenues from CMB and GB&M integration in 2011

Cohesive portfolio of 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"> Hong Kong¹ 	<ul style="list-style-type: none"> United Kingdom 			
Priority Growth markets	<ul style="list-style-type: none"> Australia Mainland China India Indonesia Malaysia Singapore Taiwan Vietnam 	<ul style="list-style-type: none"> France Germany Switzerland Turkey 	<ul style="list-style-type: none"> Egypt Saudi Arabia UAE 	<ul style="list-style-type: none"> Canada USA 	<ul style="list-style-type: none"> Argentina Brazil Mexico
Network markets	<ul style="list-style-type: none"> Operations primarily focused on CMB and GB&M international clients and businesses Together with home and priority growth markets these concentrate c.85-90% of international trade and capital flows 				
Small markets	<ul style="list-style-type: none"> Markets where HSBC has profitable scale and focused operations Representative Offices 				

(1) Includes Hang Seng Bank

Financial performance and targets

Financial overview

Summary of reported results¹

USDm	1Q11	4Q11	1Q12	% Better/(worse)	
				1Q11	4Q11
Net operating income ²	17,040	16,639	16,201	(5)	(3)
Loan impairment charges ³	(2,384)	(2,971)	(2,366)	n/a	(20)
Operating expenses	(10,369)	(11,166)	(10,353)	n/a	(7)
Associates and joint ventures	619	741	840	36	13
Profit before tax	4,906	3,243	4,322	(12)	33
Effect of changes in own credit spread on fair value of long term debt	589	38	2,644	n/a	n/a
Adjustments ⁴	(82)	72	(191)	n/a	n/a
Underlying profit before tax	5,413	3,353	6,775	25	>100

¹ 1Q 2012 Interim Management Statement

² Before loan impairment charges and other credit risk positions

³ Loan impairment charges and other credit risk provisions (LICs)

⁴ For foreign currency translation and acquisitions and disposals

Profit before tax

1Q12 by business and region¹

USDm	Europe	Hong Kong	RoAP ²	MENA ³	North America	Latin America	Total
Commercial Banking	482	500	577	170	283	192	2,204
Global Banking & Markets	951	434	869	71	398	356	3,079
RBWM ⁴	54	944	465	79	532	108	2,182
Private Banking	165	64	26	3	23	5	286
Other	(2,649)	(45)	87	9	(774)	(57)	(3,429)
Total	(997)	1,897	2,024	332	462	604	4,322

1 1Q 2012 Interim Management Statement
2 Rest of Asia Pacific
3 Middle East and North Africa
4 Retail Banking and Wealth Management

Exposure to selected Eurozone countries¹

31 March 2012

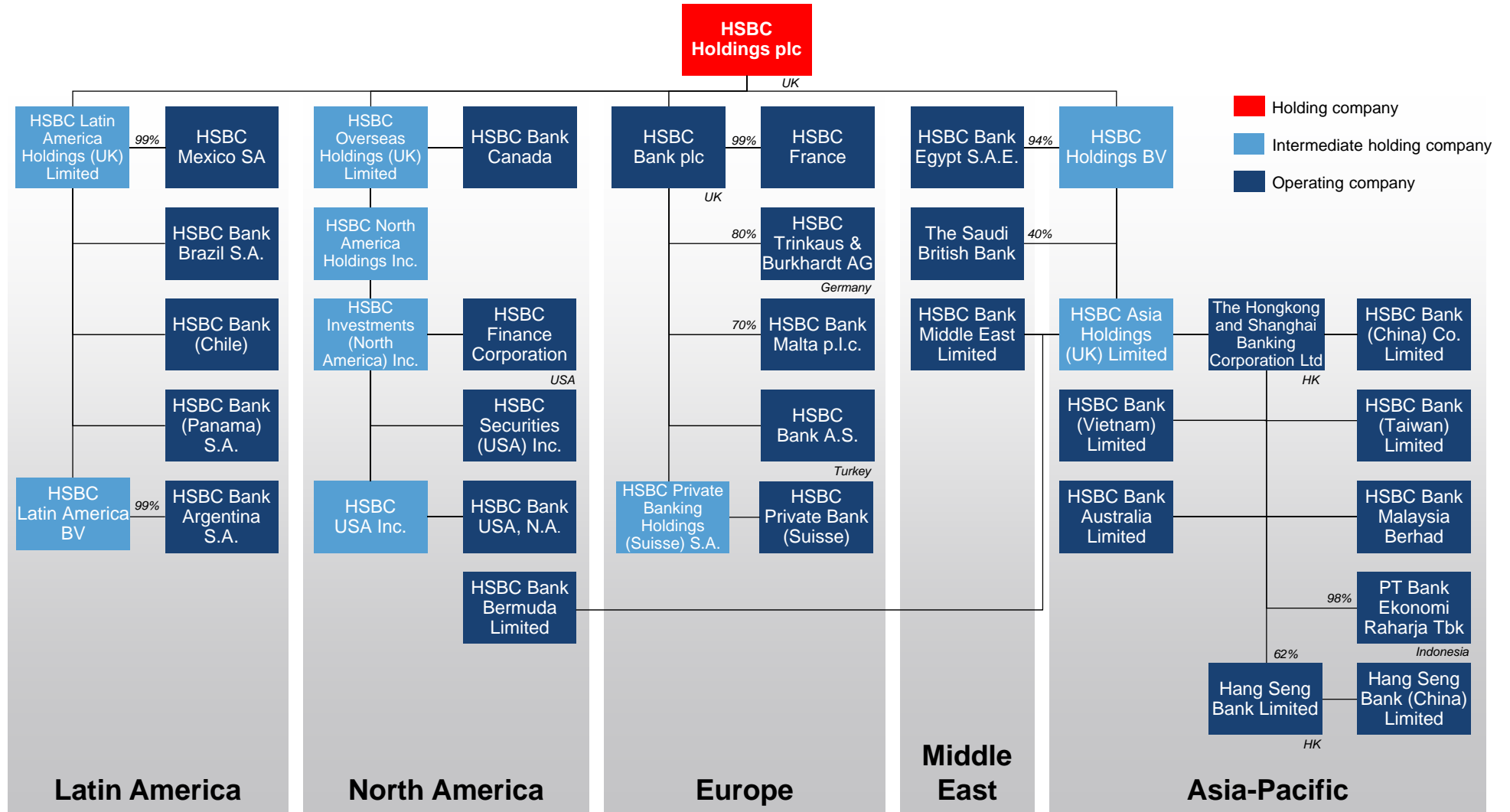
USDbn	Greece	Ireland	Italy	Portugal	Spain	Total
Sovereigns and agencies	0.1	0.3	2.4	0.2	1.4	4.4
Banks	0.5	2.7	1.9	0.5	3.0	8.6
Total	0.6	3.0	4.3	0.7	4.4	13.0
Total off balance sheet exposures	0.2	-	0.1	-	1.4	1.7

Committed to delivering on our financial targets

- 1 Capital**
 - On track to exceed Basel 3 capital and liquidity requirements
 - Maintain dividend growth policy and 50% earnings retention
 - Target upper end of 9.5-10.5% Core Tier 1 capital range in advance of increased capital requirements
- 2 Returns**
 - Target lower end of 12-15% RoE range in medium term
 - RoRWA targets to reflect increasing capital requirements
 - Focus on 'growth HSBC' business returns
- 3 Efficiency**
 - Deliver at upper end of USD2.5-to-USD3.5 billion of sustainable cost save target
 - Target 48-52% CER

Wholesale funding

Simplified structure chart



1 All entities wholly owned unless shown otherwise (part ownership rounded down to nearest percent)
 2 At 31 December 2011

HSBC's principal banking entities¹

31 December 2011

	Customer loans (USDbn)	Total assets (USDbn)	Advances to deposits (%)	Advances to core funding (%)	Stressed 1-month coverage (%)	Tier 1 ratio (%)
Hongkong Bank ^{2,3}	274.3	721.9	59.8	75.0	122.9	12.4
HSBC Bank plc ⁴	445.9	1,281.9	83.2	99.8	116.2	10.0
HSBC USA Inc	51.1	210.3	53.3	85.7	117.7	12.7

¹ Annual Report and Accounts 2011

² The Hongkong and Shanghai Banking Corporation Limited

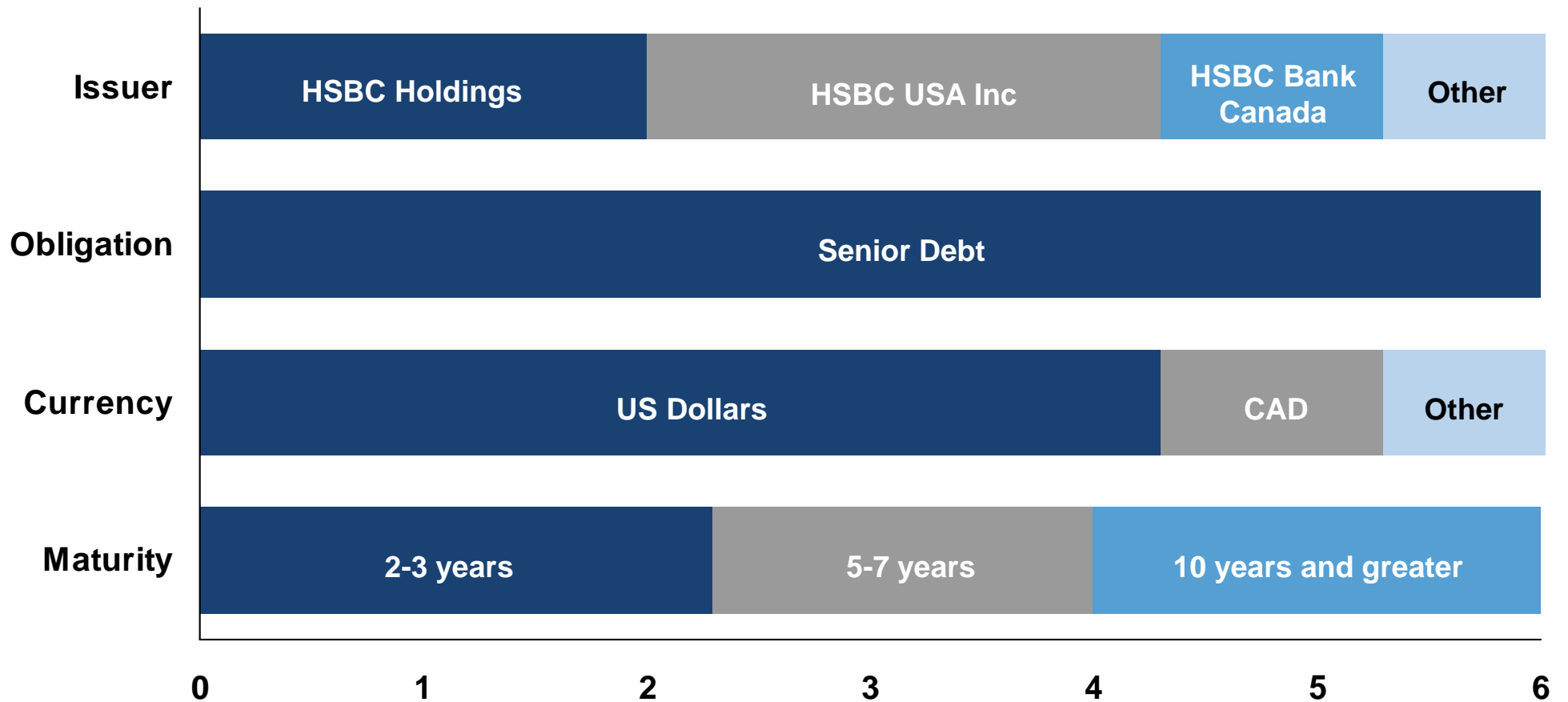
³ FX rate: 1HKD = US\$0.128732

⁴ FX rate: £1 = US\$1.54825

1Q12 public market issuance

HSBC entities issued USD6bn equivalent of new fixed income securities

USDbn



Public market issuance summary – 2010 to 1Q12

Selected issuers

USDbn	2010	2011	1Q12
HSBC Holdings	5.2	5.3	2.0
HSBC Bank plc	12.4	13.9	-
HSBC USA Inc	2.0	-	2.3
HSBC Finance Corporation	1.0	-	-
HSBC Bank Australia	0.2	0.5	-
Hongkong Bank ¹ , Sydney Branch	0.5	-	0.5

¹ The Hongkong and Shanghai Banking Corporation Limited

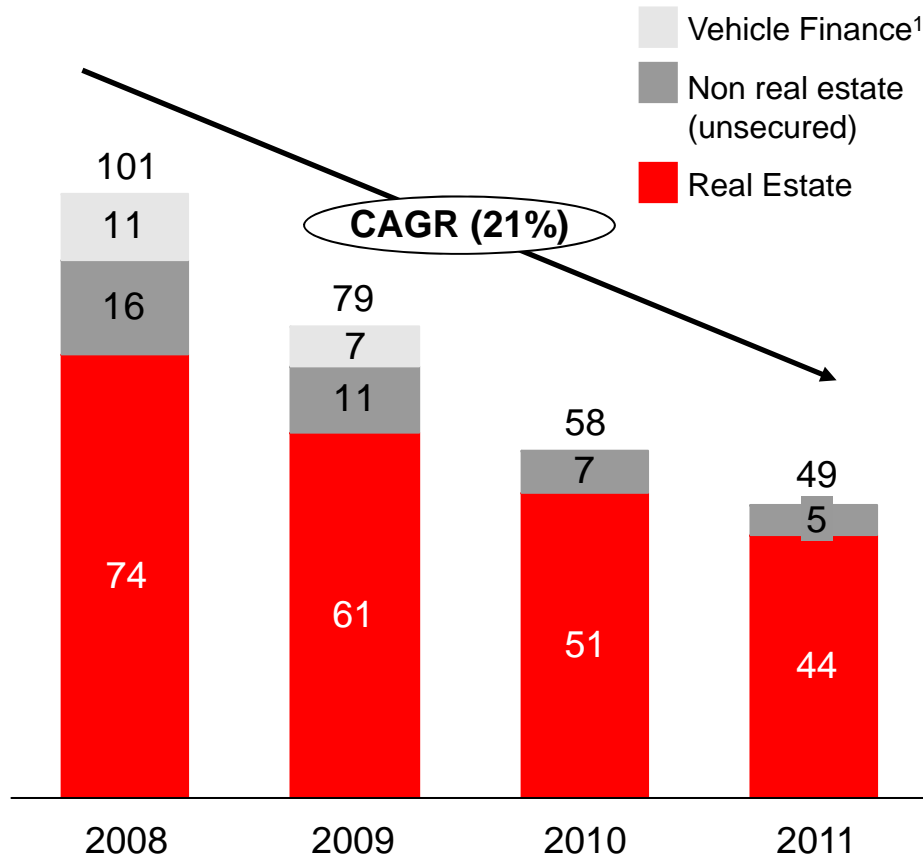
HSBC in the USA

US Legacy Consumer Assets

Running off the CML book

We continue to run off US Legacy consumer assets ...

Run-off Portfolio Receivables, USDbn



(1) Vehicle Finance sold in 3Q 2010

... and are actively analysing opportunities to reduce risk and improve returns

Sales

- Identifying segments of the real estate portfolio we may want to consider selling that (i) represent high risk and/or high operational burden or (ii) may be sold on a capital accretive basis
- Full sale of non-real estate portfolio should be explored to reduce operational risk

Servicing

- Continuing to collect effectively and ethically while focusing on expense control and managing operational and employee retention risks

Financial overview¹

Reported results – US GAAP

USDm	1Q11	1Q12	% Change
Net operating income ²	556	298	(46)
Provision for credit losses	(708)	(791)	(12)
Operating expenses	(371)	(291)	22
Discontinued operations	308	548	78
Total income before income tax	(215)	(236)	(10)
Net income	(21)	(155)	(>100)

¹ HSBC Finance Corporation Form 10-Q for the period ended 31 March 2012

² Before loan impairment charges and other credit risk positions

Reshaping the US business

Focusing on core activities

Major US transactions announced to date

US Cards and Retail Services

- Consideration: USD2.4bn
- Transferred FTEs: c.5k
- RWAs: c.USD40bn¹
- Acquirer: Capital One
- Closed 1st May 2012

Upstate New York branches

- Consideration: USD1.0bn
- FTEs to be transferred: c.2k
- RWAs: c.USD2bn¹
- Acquirer: First Niagara
- Expected closing date: 2Q 2012

Reposition the US towards international businesses

- **Commercial Banking** focused on 5 hubs **concentrating over 50% of US corporate imports/exports²** – California, Florida, Illinois, New York, Texas
- **Global Banking** serving top-tier multinationals and **Global Markets (New York)** as a **hub for international clients** across Americas and world, leveraging USD funding
- **Retail Banking Wealth Management and Global Private Bank** target internationally mobile clients in large metropolitan centres in the West and East coast

(1) As at 31st March 2012

(2) International business opportunities were plotted by Metropolitan Statistical Areas (MSAs) and grouped into 5 key regions. These MSAs account for 52% of the international opportunity (Brookings report)

Financial overview¹

Reported results – US GAAP

USDm	1Q11	1Q12	% Change
Net operating income ²	1,221	954	(22)
Provision for credit losses	2	-	-
Operating expenses	(931)	(856)	8
Discontinued operations	268	241	(10)
Total income before income tax	560	339	(39)
Net income	479	235	(51)

¹ HSBC USA Inc Form 10-Q for the period ended 31 March 2012

² Before loan impairment charges and other credit risk positions

Conclusions

Report Card

	Actions (examples)	By the end of 2013 . . .
Capital Deployment <i>Five Filters</i>	<ul style="list-style-type: none">▪ Release capital from run-off (CML, GB&M) and non-strategic businesses▪ Mitigate regulatory RWA increase▪ Continue to shift balance towards Growth priorities	<ul style="list-style-type: none">▪ Additional transactions announced and executed▪ RWAs increase in 'Growth HSBC' and material reduction on Run-off businesses▪ Progress in restructuring US businesses, elements of GPB and GB&M
Simplify HSBC <i>Four Programmes</i>	<ul style="list-style-type: none">▪ Simplify and delayer organisation, making HSBC easier to manage and control▪ Continue to invest in best-in-class Compliance and operational risk capabilities	<ul style="list-style-type: none">▪ Achieve USD3.5bn¹ in sustainable savings run-rate and target a 48-52% CER▪ Increase costs in faster growing markets with positive jaws▪ Reduce controllable costs in developed markets
Growth	<ul style="list-style-type: none">▪ Invest in growth priority markets▪ Capture Wealth opportunity (USD4bn¹ in additional revenues by 2015)▪ Continue to leverage integration across Global Businesses	<ul style="list-style-type: none">▪ Grow loan, deposit volume and PBT in priority growth markets▪ Additional progress on Wealth and Global businesses integration targets

(1) Versus 2010 year end

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