



HSBC in Europe, Middle East and Africa – Strategy update

Alan Keir Group Managing Director, Europe, Middle East and Africa,
Chief Executive Officer, HSBC Bank plc

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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 2012, Interim Report 2013 and 3Q2013 Interim Management Statement. Past performance cannot be relied on as a guide to future performance.

Agenda

HSBC in Europe and in the Middle East and North Africa (MENA) regions
– Strategy update

A Distinctive position in the new banking environment

B Proven track record in delivering change – First phase

C Clear plan for growth – Next phase

Europe and MENA regions – Strategy update



A Distinctive position in the new banking environment

I What Europe and MENA represent

II Still challenging macro / regulatory environment

III Attractive long term perspective, consistent with HSBC's strategy and position

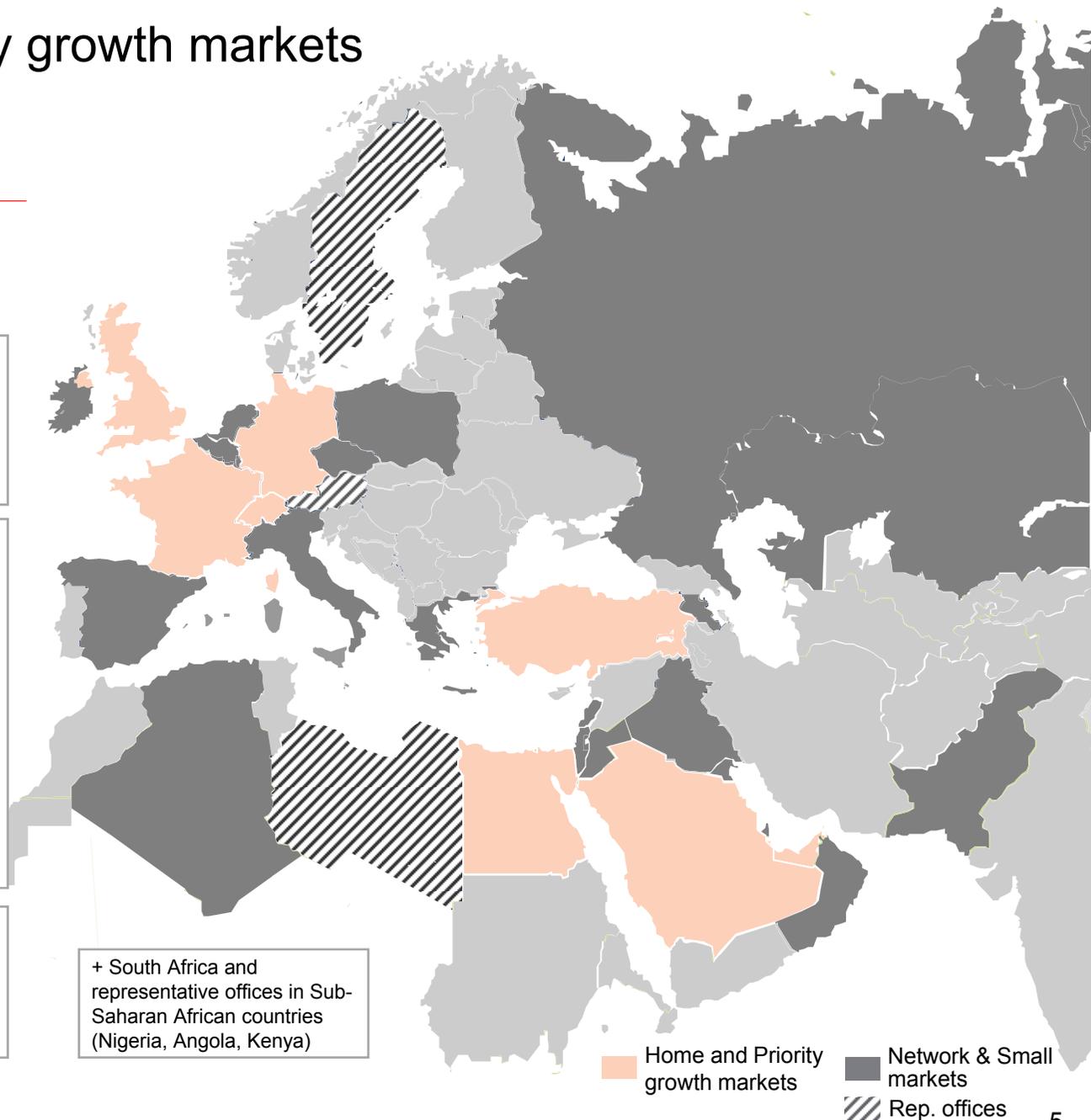
B Proven track record in delivering change – First phase

C Clear plan for growth – Next phase

An extensive network

1 Home market and 7 priority growth markets

	Europe	MENA
Home markets	<ul style="list-style-type: none"> United Kingdom 	
Priority Growth markets	<ul style="list-style-type: none"> France Germany Switzerland Turkey 	<ul style="list-style-type: none"> Egypt Saudi Arabia UAE
Network markets	<ul style="list-style-type: none"> Operations primarily focused on CMB and GBM international clients and businesses Together with home and priority growth markets these concentrate c.85-90% of international trade and capital flows in these regions 	
Small markets	<ul style="list-style-type: none"> Markets where HSBC has profitable scale and focused operations 	

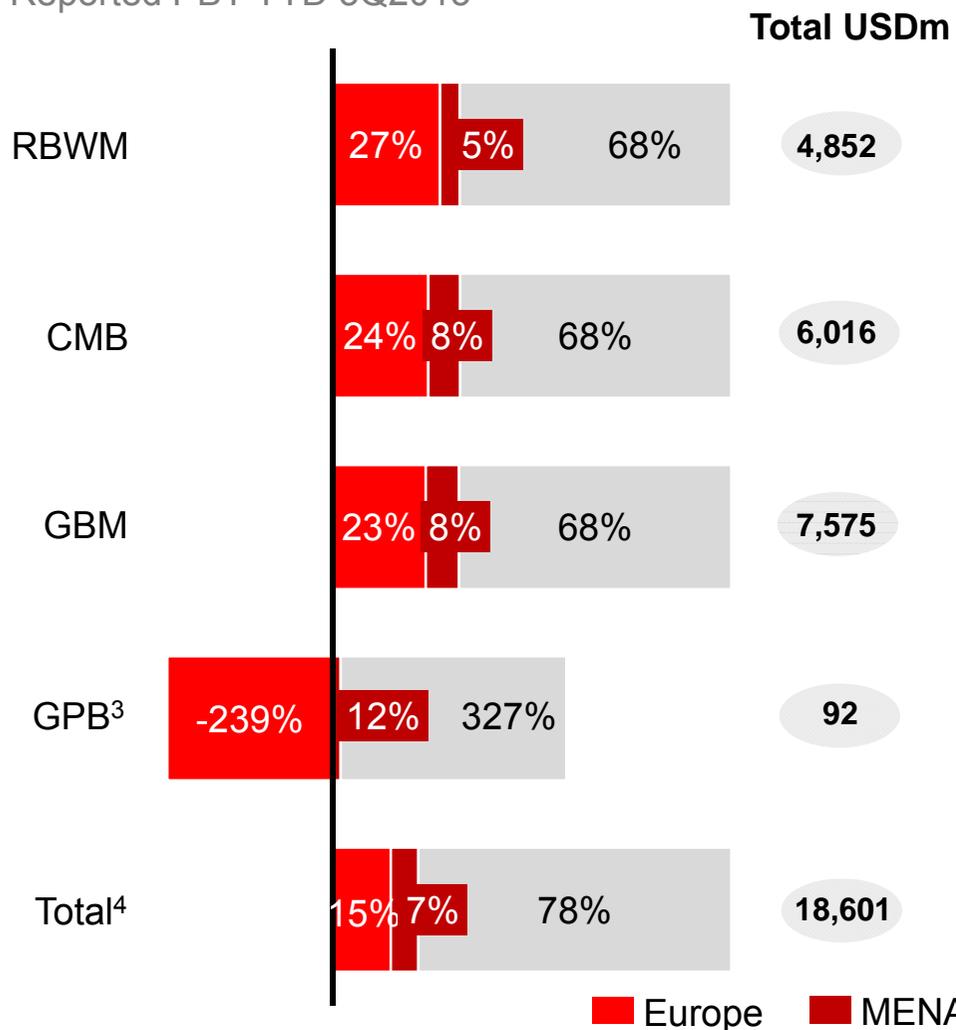


I. What Europe and MENA represent

Strong contribution to Group profitability

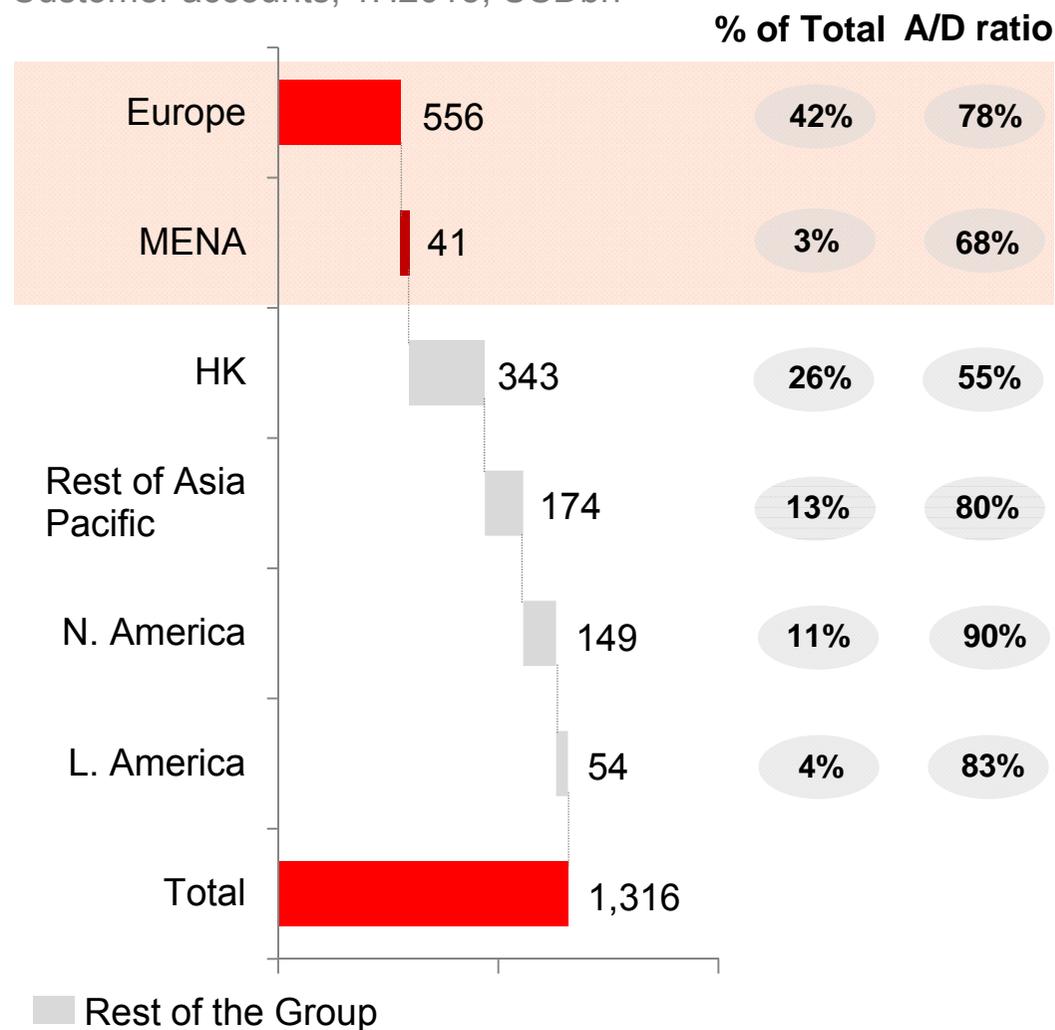
Significant contribution by Global Business...

Reported PBT YTD 3Q2013¹



...and robust funding base

Customer accounts, 1H2013, USDbn²



1 Source: HSBC Interim Management Statement – 3Q2013

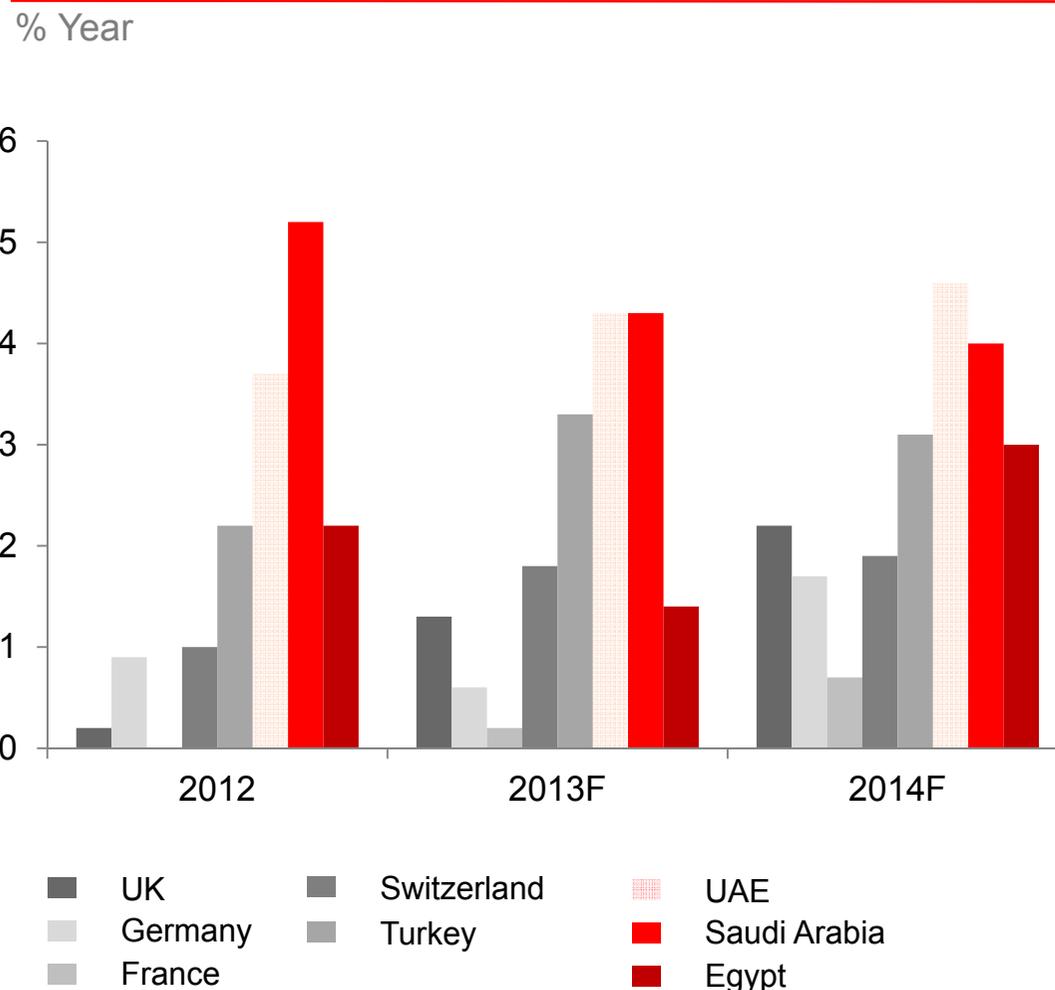
2 Source: HSBC Interim Report – 1H2013

3 Includes a loss of USD279m following the write-off of goodwill relating to the GPB business in Monaco

4 Total Europe also included USD1.6bn and Total MENA included USD0.1bn in “Other” customer group; this includes the results of HSBC’s holding company and financing operations, including operating costs incurred by the head office operations in providing stewardship and central management services to HSBC

Slow economic recovery in Europe, and robust growth in the GCC¹ economies despite regional geopolitical risk in parts of MENA

GDP growth² in priority markets in Europe and MENA



Europe

- Economic outlook improving and confidence increasing, particularly in the UK
- Eurozone is out of recession but recovery remains fragile and largely export-led
- Weak prospects for investment and consumer spending, except in Germany and the UK
- Low interest rates expected to persist

MENA

- Robust economic performance in GCC¹
 - Strong trade and current account positions, fuelled by high oil prices, enhancing capacity to boost investment
 - Benefit from perceived 'safe haven' status
- Regional geopolitical risk persists outside the GCC
- Return to pre-2011 levels of economic activity in Egypt will require full political normalisation
- GCC economic diversification agenda on-going, via the development of sustainable sectors

¹ Gulf Cooperation Council (GCC), political and economic alliance of six Middle Eastern countries: Saudi Arabia, Kuwait, UAE, Qatar, Bahrain, and Oman

² HSBC Research, Global Economics, "Pass the Parcel", Q3 2013

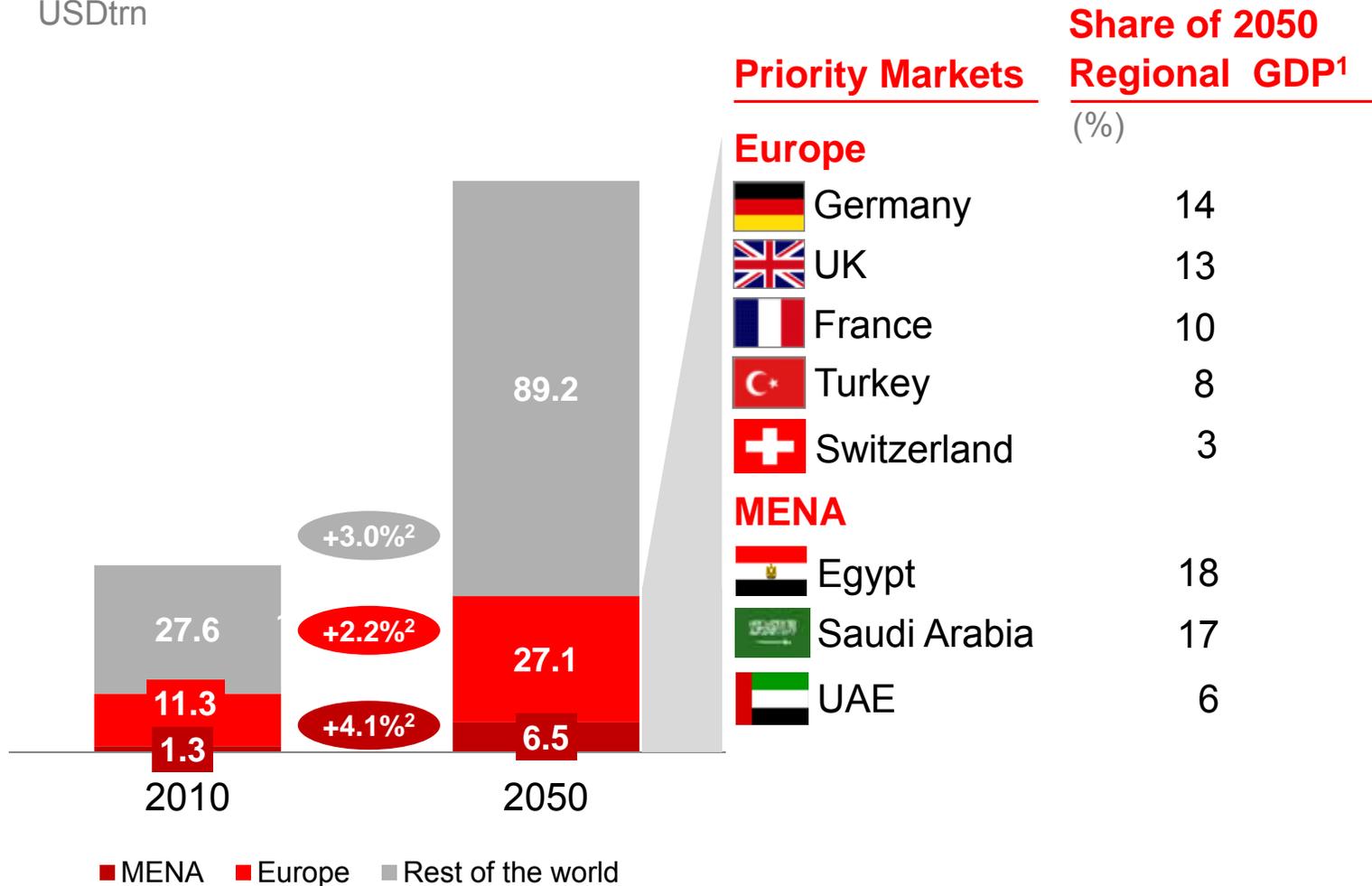
Fragmented regulatory landscape and uncertain agenda create many challenges

Europe	Fragmented regulatory landscape	<ul style="list-style-type: none">▪ Multiple regulators and agendas▪ Uncertainty regarding rules and implementation of future regulation▪ Increased regulatory oversight and in-depth reviews▪ Focus on conduct risk and treating customers fairly
	Higher capital requirements through CRD IV	<ul style="list-style-type: none">▪ National implementation of rules and EBA technical standards development timetable and impact unclear▪ Significant increase in CET1 capital target levels▪ More stringent requirements for the use of internal risk models for RWAs determination, particularly in relation to low default portfolios and other regulatory sensitive portfolios▪ National discretion allows for interpretation and tougher policy stances by member states
	Uncertainty on financial structure & stability	<ul style="list-style-type: none">▪ National regulator approaches and content requirements to Recovery and Resolution differ▪ Ring-fencing debate in the UK/EU, uncertainty on corporate structure, banks likely to operate at higher cost
MENA	Nascent and complex regulatory landscape	<ul style="list-style-type: none">▪ Multiple host country regulators and agendas▪ Less developed/tested than in established markets, but frameworks are developing fast▪ Increasing focus and reference to international standards and codes on standards of conduct
	Regulatory challenges	<ul style="list-style-type: none">▪ KYC validation programmes can present a significant challenge (e.g. regulatory reaction to closure of customer accounts)▪ New regulations introduced with limited or no prior consultation▪ Regulators driving nationalisation agendas

Long-run growth anticipated in Europe and MENA

GDP of top 100 economies by 2050¹

USDtrn



Our priority growth markets in Europe and MENA are expected to capture the forecasted growth in their respective regions by 2050

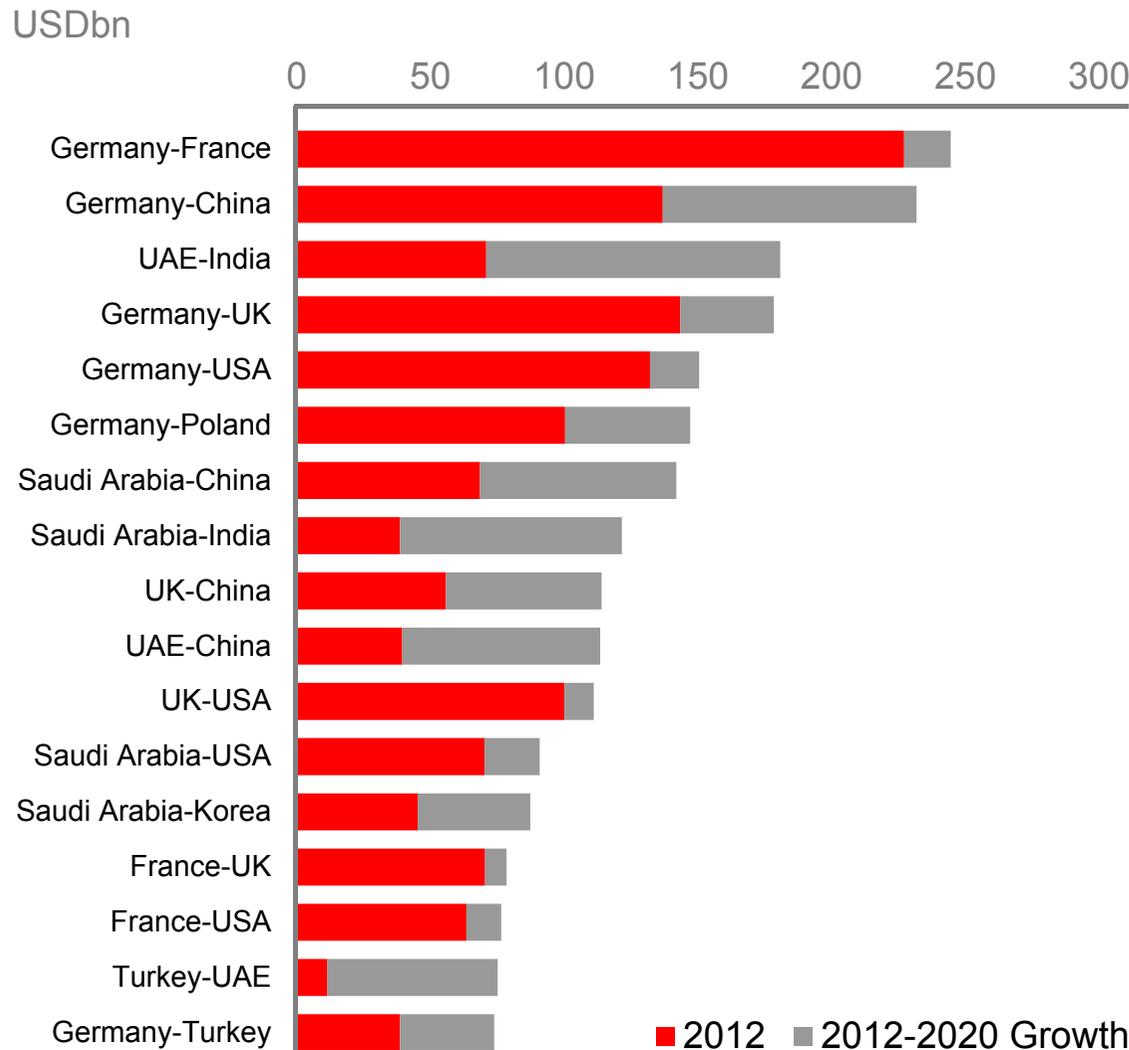
¹ Source: HSBC – “The World in 2050: From the Top 30 to the Top 100”, 2012

² CAGR 2010-2050

III. Attractive long term perspective, consistent with HSBC's strategy and position

HSBC has access to the largest and fastest-growing international trade corridors

Largest trade corridors by 2020 for Europe and MENA ¹



CAGR

%

- HSBC covers both ends of the key trade corridors for Europe and MENA
- By 2020 Europe/Emerging Markets trade to grow annually by 7%² (vs. 3%² for intra-European trade) and MENA/Emerging Markets trade by 9%² boosted by South-South trade growth
- CMB and GBM well placed to capture growth in regional flows through local coverage and knowledge
- Number one global trade finance bank in the world³

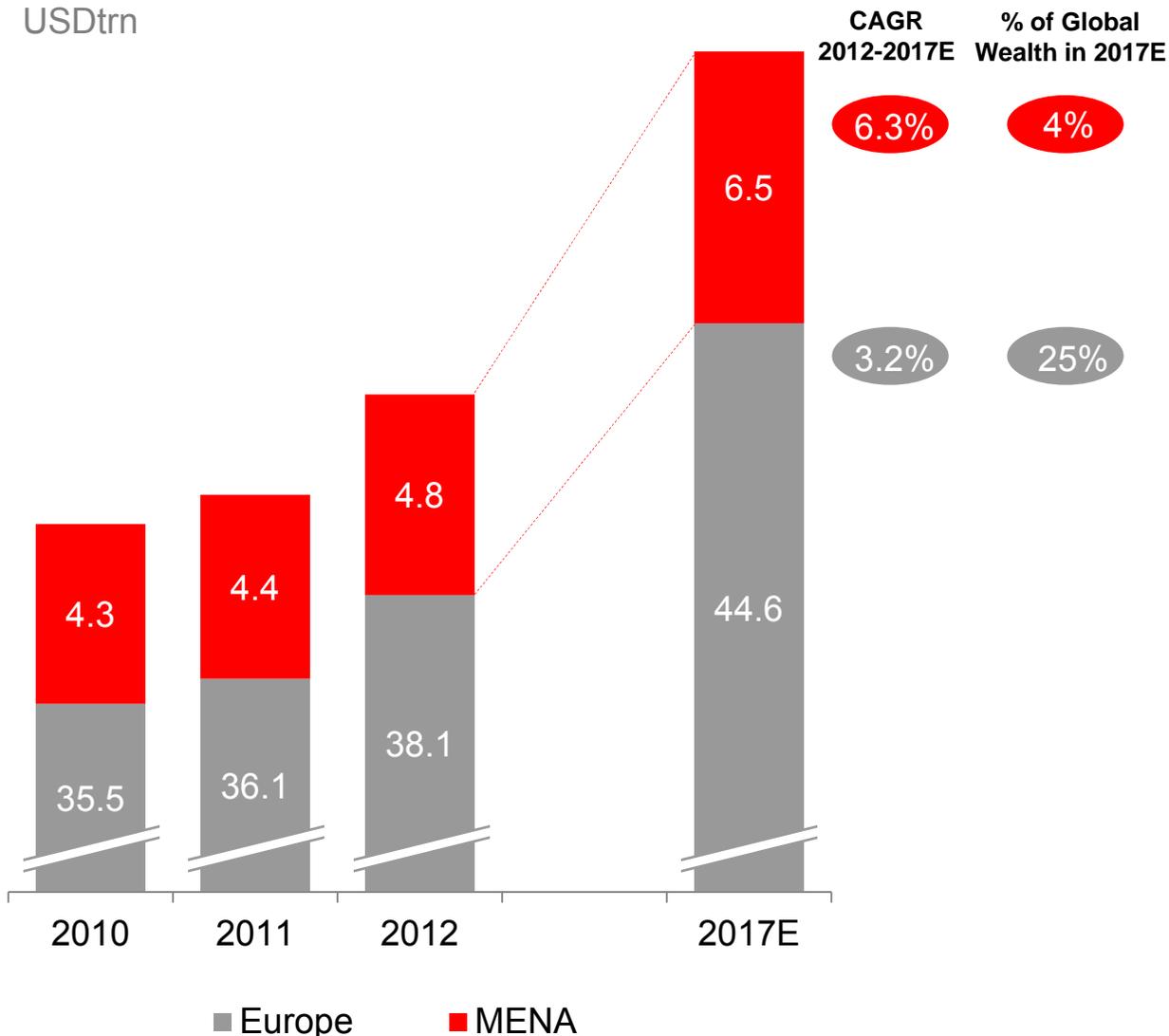
1 HSBC and Oxford Economics analysis
 2 Based on import + export data from Global Insight
 3 Source: Oliver Wyman Global Transaction Banking Survey 2012

III. Attractive long term perspective, consistent with HSBC's strategy and position

Large wealth pools in both regions with fast growth expected in MENA

Wealth growth¹

USDtrn



Key Drivers

Europe

- Priority markets ranked top 10 for high-net worth individuals¹
- Wealth pools have remained robust despite economic downturn
- Entrepreneurship and ageing population will continue to drive growth, fostering need for wealth management services

MENA

- Significant wealth accrual from among the world's largest oil and gas producing nations
- International and regional capital recycling opportunity through local and regional infrastructure investment
- Rapid accumulation of private wealth and growing mass affluent segment
- Home to 5 of the world's top 12 countries with the highest millionaire density (Qatar, Kuwait, Bahrain, UAE, Oman)¹

¹ BCG Global Wealth: "Maintaining Momentum in a Complex World", 2013

Europe and MENA – Strategy update



A Distinctive position in the new banking environment

B Proven track record in delivering change – First phase

I Financial Performance

II Progress to date

a. Global Standards Implementation

b. Simplification

c. Growth

C Clear plan for growth – Next phase

Europe performance – YTD 3Q 2013 results

Financial results

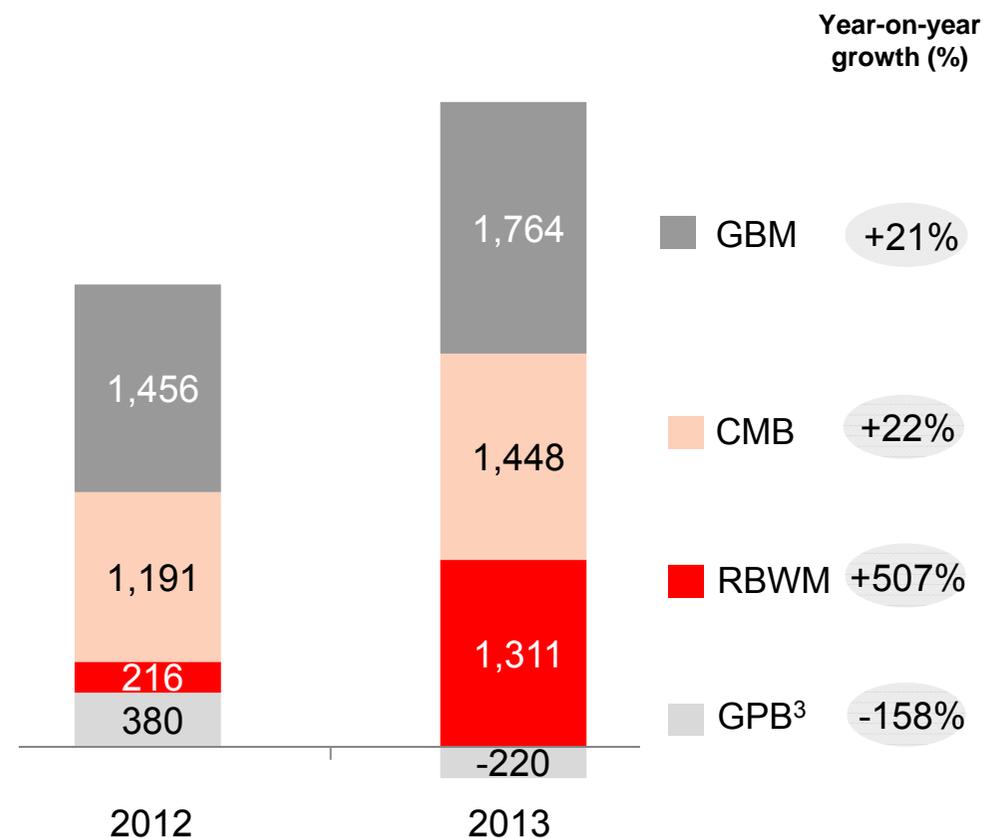
USDm	YTD 3Q	YTD 3Q	% Better / Worse
	2012	2013	YTD 13 vs YTD 12
Revenue	13,775	16,339	19%
Loan Impairment Charges	(1,409)	(1,364)	3%
Operating Expenses	(13,246)	(12,252)	8%
Reported PBT	(884)	2,723	n/a
Underlying PBT¹	2,185	3,184	46%

Financial targets

	YTD 3Q	YTD 3Q
	2012	2013
Reported RoRWA	(0.4%)	1.2%
Reported CER	96.2%	75.0%

Reported PBT² by Global Business

YTD 3Q2013 figures, USDm



1 Underlying basis eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates and businesses, and changes in fair value ('FV') due to movements in credit spread on own long-term debt issued by the Group and designated at fair value

2 "Other" customer group (USD1.6bn loss) not included in chart

3 Includes a loss of USD279m following the write-off of goodwill relating to the GPB business in Monaco

MENA performance – YTD 3Q 2013 results

Financial results

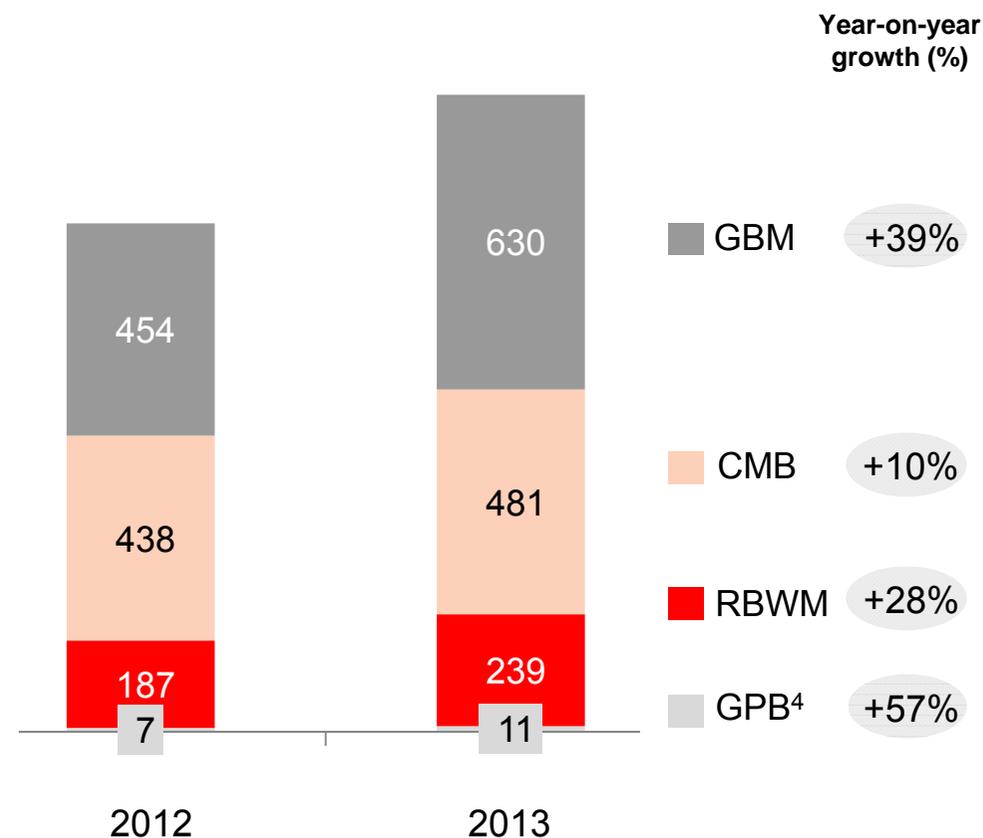
USDm	YTD 3Q	YTD 3Q	% Better / Worse
	2012	2013	YTD13 vs YTD 12
Revenue	1,813	1,896	5%
Loan Impairment Charges	(217)	(6)	97%
Operating Expenses	(803)	(924) ¹	15%
Reported PBT	1,048	1,288	23%
Underlying PBT²	1,071	1,291	21%

Financial targets

	YTD 3Q	YTD 3Q
	2012	2013
Reported RoRWA	2.3%	2.7%
Reported CER	45.8%	48.7%

Reported PBT³ by Global Business

YTD 3Q2013 figures, USDm



¹ Operating expenses increase reflects the merger in Oman and the Lloyds acquisition, as well as operational losses arising from changes in the interpretation of tax regulations, and our continued investment in compliance and risk management

² Underlying basis eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates and businesses, and changes in fair value ('FV') due to movements in credit spread on own long-term debt issued by the Group and designated at fair value

³ "Other" customer group (USD0.1bn loss) not included in chart

⁴ The majority of MENA Global Private Banking revenues are booked offshore in HSBC Private Bank Suisse (SA)

Established a simplified, more focused and easier to manage organisation

Progress

Created four Global Businesses

- Developed **global strategies**
- Defined and implemented consistent **business and operating model**
- Focus on clear **portfolio of activities**
- **Oversight** by Holdings Board of Directors, Group Risk Committee, Group Audit Committee, Financial System Vulnerabilities Committee¹, Group Management Board, the Board of HSBC Bank PLC, the Board of HSBC Bank Middle East Ltd

Established eleven Global Functions

- Managed independently, but with close links to the Global Businesses
- Focus on global **consistency** and rigour of governance, control, process efficiency, transparency

Focused role of Europe and MENA

- Defined clear portfolio of **1 home market** and **7 priority growth markets**
- Driving **implementation** of Group and Global Businesses' strategies
- Primarily organised through **separately capitalised, regulated, governed subsidiaries** tapping local funding through strong deposit bases

Simplified organisation structure

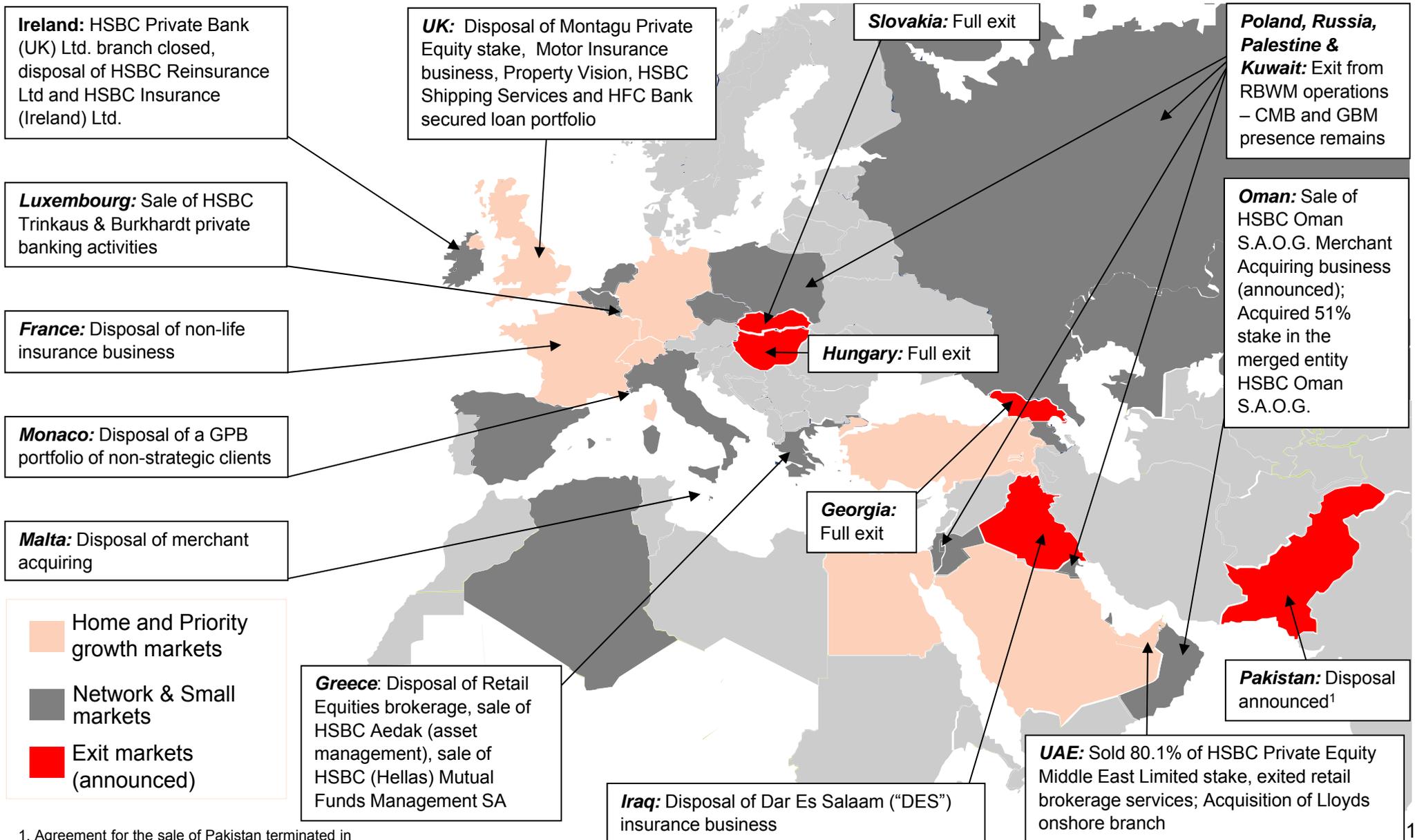
- **Simplified organisation** applying 8x8 programme across all priority markets
- Stronger management **oversight and accountability** and **reduced bureaucracy**

¹ New Board committee of external experts and independent advisers

II. Progress to date

Europe, MENA Capital deployment - Disposals & Acquisitions to date

18 announced transactions in Europe and 9 in MENA since May 2011



1. Agreement for the sale of Pakistan terminated in October 2013; regulatory approval not granted

Simplifying Europe and MENA

Transformation

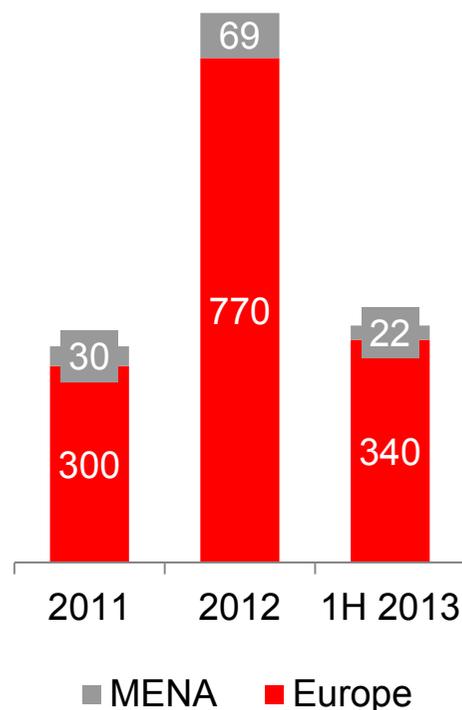
- Reshaped portfolio
- Simplified organisation
- Established Four Programmes
 1. Implement consistent business models
 2. Re-engineer operational processes
 3. Re-engineer Global Functions
 4. Streamline IT

Outcome

- Approximately USD1.5bn in annualised sustainable saves across 2011 - 1H2013 exceeding targets
- Net reduction of 5k FTE
- Good progress against CER Group target

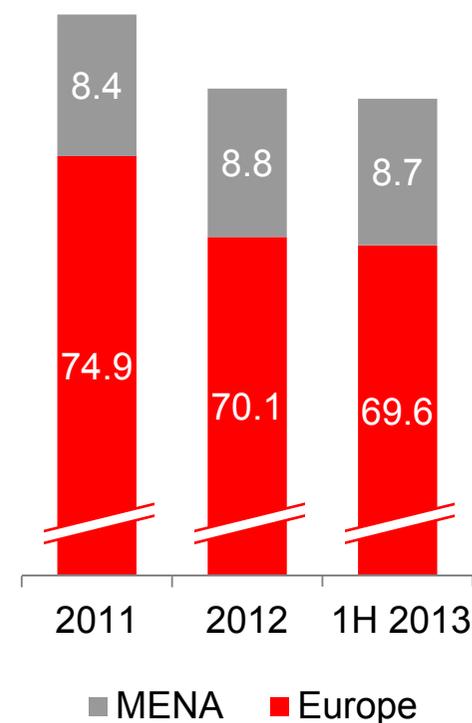
Sustainable saves

USDm



Employees

Year-end FTE, thousands



Significant progress growing the business

Material progress in Europe and MENA...

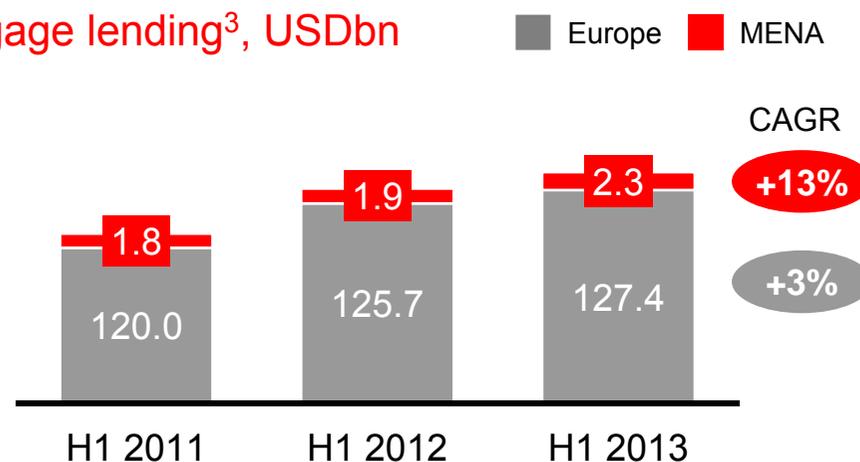
- RBWM
 - Continued growth in mortgage portfolios in UK and France, with lower delinquencies in MENA through targeted growth
 - Transformed the Wealth Management operating model, focused on Premier clients; invested in capabilities
 - Investment in digital; launched mobile banking application; enhanced security
 - Working more closely with Global Businesses
 - Successful de-risking in MENA leading to well positioned portfolio

- CMB
 - Focused on target international SMEs and Corporates
 - Invested in strategic products GTRF¹ and PCM²
 - Aligned resources to key trade corridors (Developed-Emerging, East-East, South-South)
 - International SME Funds: good progress across Europe and MENA
 - Increase cross-business collaboration, notably with GBM
 - Substantial progress in de-risking

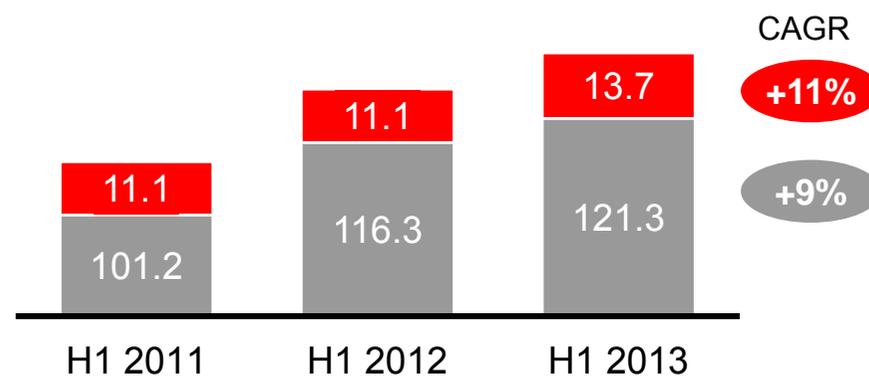
1 Global Trade and Receivables Finance
 2 Payments and Cash Management
 3 Source: HSBC Interim Report - 1H2013

...leading to growth

Mortgage lending³, USDbn



CMB customer accounts³, USDbn



Significant progress growing the business

Material progress in Europe and MENA...

- GBM
 - Strong performance connecting international clients to faster-growing markets
 - Increased collaboration with CMB and cross-sell contribution with all Businesses
 - Investments in PCM and Foreign Exchange services
 - No.1 for DCM¹ across conventional and Islamic issuance in MENA, No.1 in Sterling Bonds and No.2 in Euromarket Bonds²
 - No.1 in PCM³, Trade and Receivable Finance⁴, and Project and Export Finance⁵ in both regions
 - No.1 provider of offshore RMB products and services by AsiaMoney survey
- GPB
 - Repositioning the business, focusing on home and priority markets, particularly onshore
 - Building on commercial banking heritage, driving collaboration with CMB to target entrepreneurs
 - Enhanced propositions and product offering

Selected transactions

May 2013



USD5.4bn

Sole Financial Adviser and Manager to the offer by Unilever and Sole Financing Bank in the acquisition of an additional 22.52% stake in Hindustan Unilever Limited

May 2013



USD4.0 billion, FO/RI

Issuer Nat.: Germany
List: Frankfurt
Banks

Joint Bookrunner

February 2013



Sole Arranger, Sole Swap Co-ordinator and Sole Structured Credit Ratings Advisor on the GBP3.6bn refinancing

Joint Bookrunner and MLA on the bank facilities, Joint Lead Manager and Bookrunner for the GBP750m bond issue from Arqiva's inaugural GBP2.4bn WBS and its GBP600m holding company issue.

March 2013



GBP1.15 billion
GBP800m senior bond & GBP351.75m term loan

Structuring & Ratings Advisor, Bond and Loan Bookrunner, Mandated Lead Arranger, Facility Agent, Security Trustee and Sole Swap Coordinator

July 2013 France



TEMPO – ILE SEGUIN

Cité Musicale
€ 152m Facilities
€ 126,6m Bond issuance

Global Coordinator of the Financing; Mandated Lead Arranger; Modelling Bank; Sole Hedging Bank; FCT Depository; Agent and Account Bank

Aug 2013 UAE



Shuweihat S2 Refinancing

USD 825m due 2036 144a / Reg S Issuance
USD 1,977m Debt Refinancing (incl USD 514m Prepayment)

Joint Bookrunner, Joint Lead Manager, Initial Feasibility Advisory, Senior Lender and Hedging Bank

1 Source: Bloomberg, November 2013

2 Source: Bloomberg, September 2013

3 Payments and Cash Management; source: Euromoney Cash Management Survey 2013, based on votes

4 Source: Oliver Wyman Global Transaction Banking Survey 2012, based on votes

5 Source: Dealogic 2012 – based on number of advisories closed by International Bank

Europe and MENA – Strategy update



A Distinctive position in the new banking environment

B Proven track record in delivering change – First phase

C Clear plan for growth – Next phase

I Priorities going forward

II Targets for Europe and MENA



Regional strategic direction fully aligned to Group's priorities

Actions and priorities

By 2016 in Europe and MENA

Grow business

- Continue to recycle RWAs from low into high performing opportunities within the Group's risk appetite

- Continue to grow RWAs in line with our organic investment criteria in our priority markets
- Reduced impact on PBT and RWAs of legacy and non-strategic activities
- Increased regional cross-border business synergies

Implement Global Standards

- Continue to invest in best-in-class Compliance and Risk capabilities
- De-risk operations in higher risk locations and businesses
- HSBC values – act with courageous integrity

- Significant progress in the implementation of Global Standards throughout Europe and MENA

Streamline processes and procedures

- Re-design key processes and procedures achieving improvements in service, quality, cost and risk
- Release cost to invest in growth and Global Standards

- Achieve USD2-3bn additional sustainable saves from 2014 to 2016 at Group level, with Europe and MENA remaining a significant contributor

Global Standards and conduct risk

Source of competitive advantage

Strengthen governance & oversight

- Robust global governance in place, supported by regional committees in Europe and MENA
- Ensure robust oversight and controls are in place to mitigate conduct risk
- Continued investments in Compliance

Implement Risk Management Programmes

- Fully and consistently implement programmes across the regions:
 - **Customer Due Diligence:** Develop an integrated framework to manage financial crime risk more effectively (including Affiliates Due Diligence, Tax Transparency, Bearer Shares, Customer Selection and Exit Policy)
 - **Financial Crime Compliance:** Create a consistent, flexible and scalable organisation and establish controls to meet DPA¹ and other regulatory obligations
 - **Financial Intelligence:** Build our capabilities in capturing and using customer and transactional level data to identify suspicious transactions, activity or connections

Other activities

- Reposition and right-size the Global Businesses in all geographies
- Simplify products and processes, focused on **customer outcomes**

Growth priorities for Europe and MENA

Growth priorities to 2016

RBWM

- **Grow** number of customers in **target segments** in **home and priority markets**
- **Deepen customer relationships** by:
 - Acquiring new wealth in faster growing markets and consolidating wealth in developed markets
 - Growing relationship-led lending
 - Investing in customer service
- **Accelerate investment in digital capabilities** and selectively improve geographic coverage

CMB

- Drive **revenue growth** through **international network** with Corporates and international SMEs
- **Continue to invest in GTRF¹ and PCM²**
- **Grow cross-business collaboration** revenues by continuing to build coverage, core GBM products and driving cross-referrals with GPB
- **Grow coverage in faster growing markets;** expand RM coverage in **priority markets**
- **Invest in targeted cities** to capture international revenue pools

2016 Global Business targets

Financial	RoRWA ³ , %	5.0-5.5
Non-financial	<ul style="list-style-type: none"> ▪ Customer Recommendation Index (CRI) for affluent segment in priority markets ▪ Total customer relationship balances ▪ Digitally active customers 	
Financial	RoRWA ⁴ , %	2.2-2.5
Non-financial	<ul style="list-style-type: none"> ▪ Global trade market share ▪ International RMs in target markets ▪ Cross-border revenue 	

1 Global Trade and Receivables Finance

2 Payments and Cash Management

3 Global business line target; excludes run-off portfolios; RoRWA including run-off portfolios targets are 3.8%-4.3%

4 Global business line target

Growth priorities for Europe and MENA

Growth priorities to 2016

GBM

- Greater focus on **priority markets**; focus on **south-south** and **east-east corridors**
- Continue to grow in strategic products, notably **Debt Capital Markets, Global Trade and Receivables Finance** and **Payment and Cash Management**
- Leverage position with **RMB internationalisation**
- Event driven growth, **emerging markets led**
- Continue to manage legacy exposures

GPB

- **Reposition** the business to be centred on **home and priority growth markets, particularly onshore**
- **Emphasis on high net worth segments**, as we establish a Wealth proposition in RBWM
- **Focus investment in priority markets and onshore businesses** to capture growth opportunities
- **Acquire owners and principals of companies through CMB and GBM clients**

2016 Global Business targets

Financial	RoRWA ¹ , %	2.0-2.2
Non-financial	<ul style="list-style-type: none"> ▪ 'Top 5' bank to our priority clients ▪ Maintain leadership in key product areas ▪ Usage of e-channels 	
Financial	Return on Assets ¹ , %	70-75bps
Non-financial	<ul style="list-style-type: none"> ▪ Share of onshore business ▪ Net new money from Group referrals 	

Next phase 2014-16



Strategy remains unchanged

- Grow both, business and dividends
- Implement Global Standards
- Streamline processes and procedures

Significantly contributing to Group targets

- RoRWA 1.4-1.7% for Europe and 2.3-2.7% for MENA¹
- Positive jaws
- CER mid-50s²
- Additional sustainable saves
- Advance-to-deposit ratio <90%

¹ Return on Risk Weighted Assets – CRD IV end-point; target for 2016. RWAs estimation based on our interpretation of the July 2011 draft CRD IV regulation, supplemented by PRA guidance
² MENA CER is 48.7% as at 3Q2013.