



May 2014

# Global Banking and Markets

Samir Assaf – Group Managing Director, Chief Executive, 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, capital position 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 the 1Q 2014 Interim Management Statement. 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 'reconciliations of non-GAAP financial measures' supplement available at [www.hsbc.com](http://www.hsbc.com).



## Introduction

HSBC's Global Banking and Markets' business model and strategy are well established:

- We connect customers to international growth opportunities through our:
  - Distinctive geographical network, which connects developed and faster-growing regions
  - Long-standing and diversified client franchise
  - Strength in products that will benefit from global trends
- By executing our strategy we are delivering resilient and diversified financial results
- We conduct our business in accordance with our long-held values whilst implementing Global Standards
- Collaboration with HSBC's other global businesses allows us to appropriately service the needs of our international client base

# Overview of performance



# 1Q 2014 results

## Financial highlights<sup>1</sup>

Summary financial highlights, USDbn	1Q13	4Q13	1Q14	Better/(worse)	
				1Q14 vs 1Q13	1Q14 vs 4Q13
Reported PBT	8.4	4.0	6.8	(1.6)	2.8
Underlying <sup>2</sup> PBT	7.6	3.5	6.6	(1.0)	3.1

Key ratios, %	1Q13	4Q13	1Q14	KPI
Return on average ordinary shareholders' equity <sup>3</sup>	14.9	5.9	11.7	12-15%
Cost efficiency ratio	50.8	69.6	55.7	mid-50s
Jaws (underlying) <sup>4</sup>	–	–	(6.4)	Positive
Advances-to-deposits ratio <sup>5</sup>	72.9	72.9	73.9	< 90
Common equity tier 1 ratio (transitional basis)	–	10.8	10.7	>10%
Common equity tier 1 ratio (end point basis)	10.1	10.9	10.8	>10%

- Notes:
1. All figures are reported unless otherwise stated
  2. Adjusted for foreign currency translation differences, acquisitions, disposals and changes in ownership level of subsidiaries, associates, joint ventures and businesses, and fair value ("FV") movements in credit spread on own long-term debt issued by Group and designated at fair value
  3. On an annualised basis
  4. Calculated as percentage growth in net operating income before loan impairment charges and other credit risk provisions less percentage growth in total operating expenses, 1Q14 versus 1Q13
  5. Excludes reverse repos and repos

# Financial overview

## Reconciliation of Reported to Underlying results

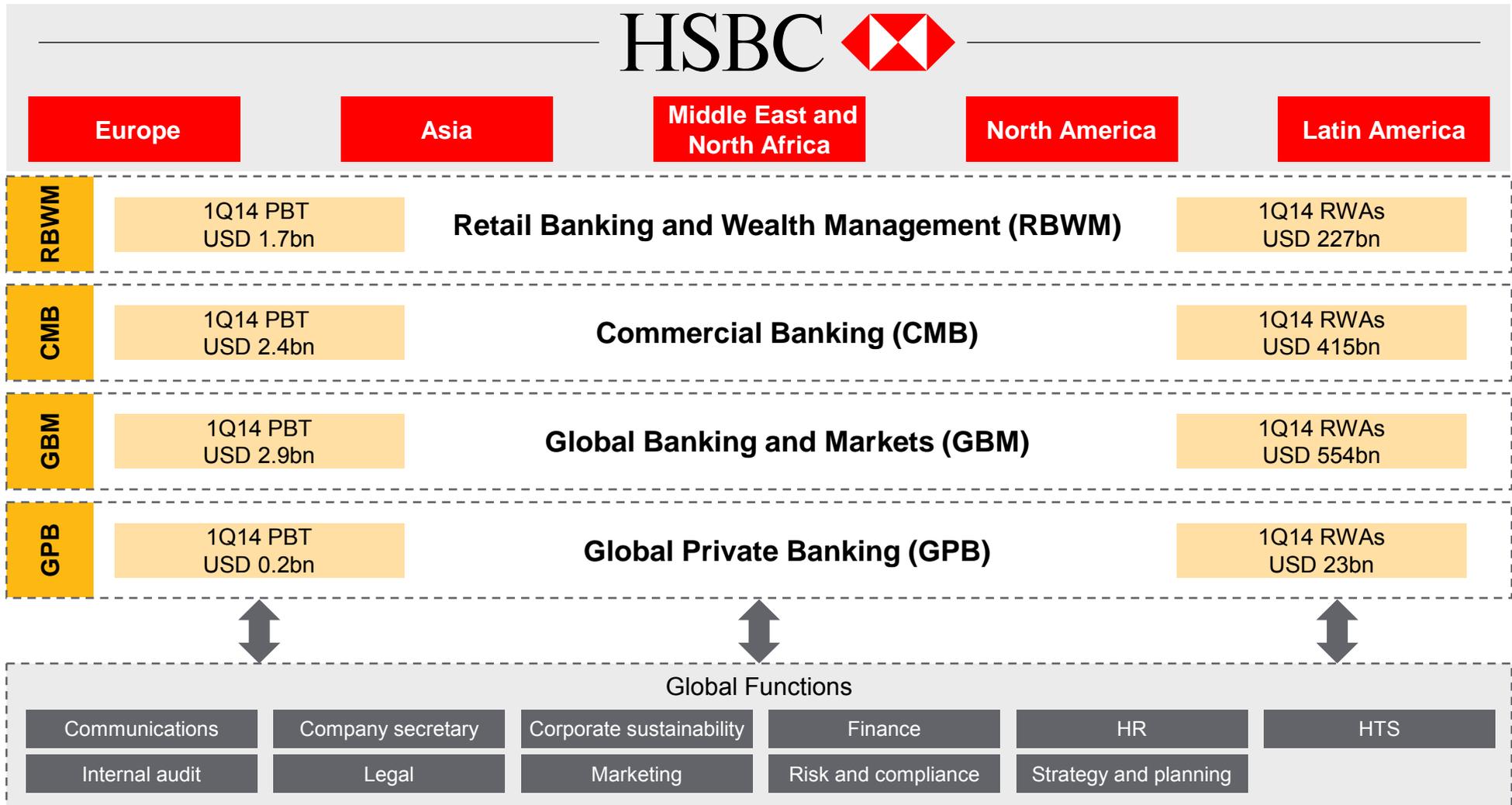
USDm	1Q13	4Q13	1Q14	Variance 1Q14	
				vs 1Q13	vs 4Q13
<b>Reported profit before tax</b>	<b>8,434</b>	<b>3,964</b>	<b>6,785</b>	<b>(1,649)</b>	<b>2,821</b>
Includes:					
FVOD <sup>1</sup>	(243)	(652)	148	391	800
Gain on de-recognition of Industrial Bank as an associate	1,089	–	–	(1,089)	–
Gain on sale of associate shareholding in Bao Viet Holdings	104	–	–	(104)	–
Loss on sale of Household Insurance Group's insurance manufacturing business	(99)	–	–	99	–
Gain on disposal of Colombia operations	–	–	18	18	18
Gain on disposal of Panama operations	–	1,107	–	–	(1,107)
Other losses on acquisitions / disposals	–	(77)	–	–	77
Operating results of disposals, acquisitions and dilutions	(73)	51	(2)	71	(53)
Currency translation	67	35	–	(67)	(35)
<b>Underlying profit before tax</b>	<b>7,589</b>	<b>3,500</b>	<b>6,621</b>	<b>(968)</b>	<b>3,121</b>
<b>Significant items included in underlying profit before tax (reported basis)</b>					
Revenue	935	(276)	(141)	(1,076)	135
Operating expenses	(458)	(1,424)	(123)	335	1,301

Note:

1. Fair value movements on our long-term debt designated at fair value resulting from changes in credit spread

# GBM core to HSBC strategy<sup>1</sup>

Franchise of four global businesses offering an integrated service



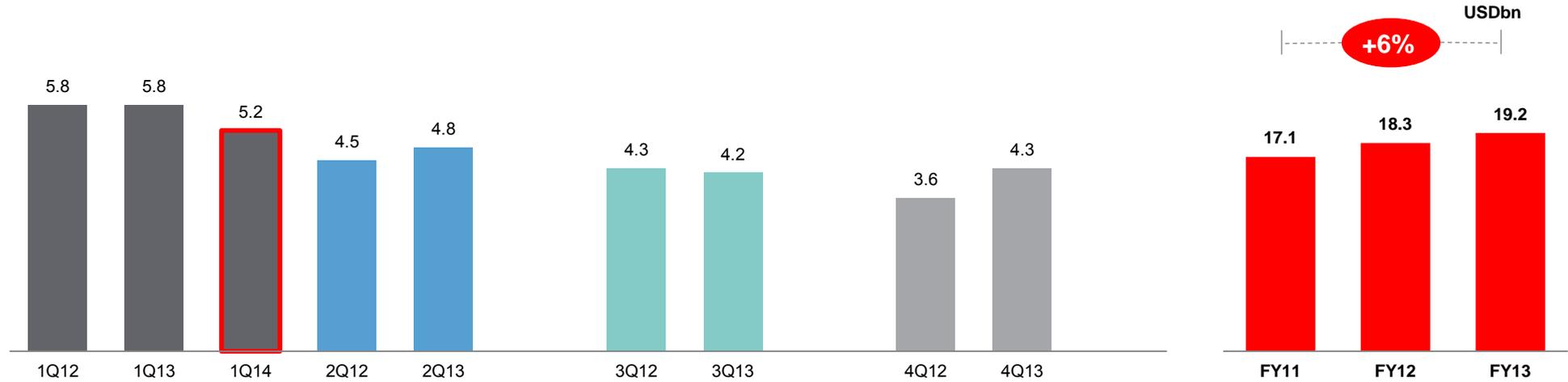
Global business      Region

Note:  
<sup>1</sup> All figures are as reported - 1Q14 as reported in the Interim Management Statement

# Delivering the strategy

## Resilient performance<sup>1</sup>

### 1Q14 revenue<sup>2,3</sup> of USD 5.2bn



### 1Q14 PBT<sup>3</sup> of USD 2.9bn



Notes:

1 All data on a reported basis - 2012 and 2013 as reported in the Annual Report and Accounts, 1Q14 as reported in the Interim Management Statement

2 Net operating income before loan impairment charges and other credit risk provisions, also referred to as Revenue

3 FY13 includes a DVA of USD 0.1bn. FY12 included a net charge of USD 0.4bn as a result of a change in the estimation methodology in respect of CVAs and DVA to reflect evolving market practices.

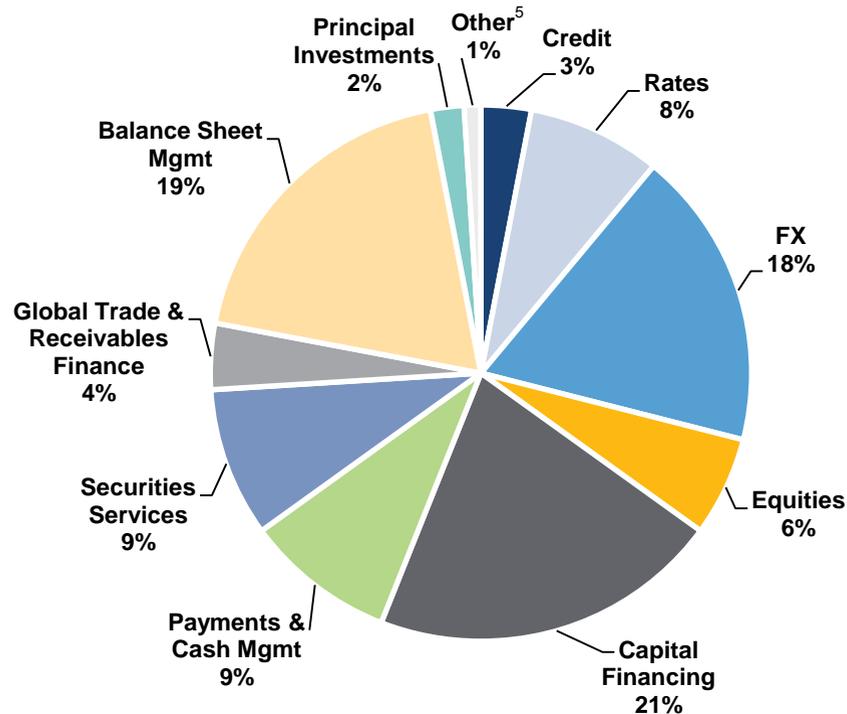
# Delivering the strategy

Stable and predictable performance, diversified by business line and geography

## Management view of operating income<sup>1, 2, 3, 4, 5</sup>

% average 2011-2013

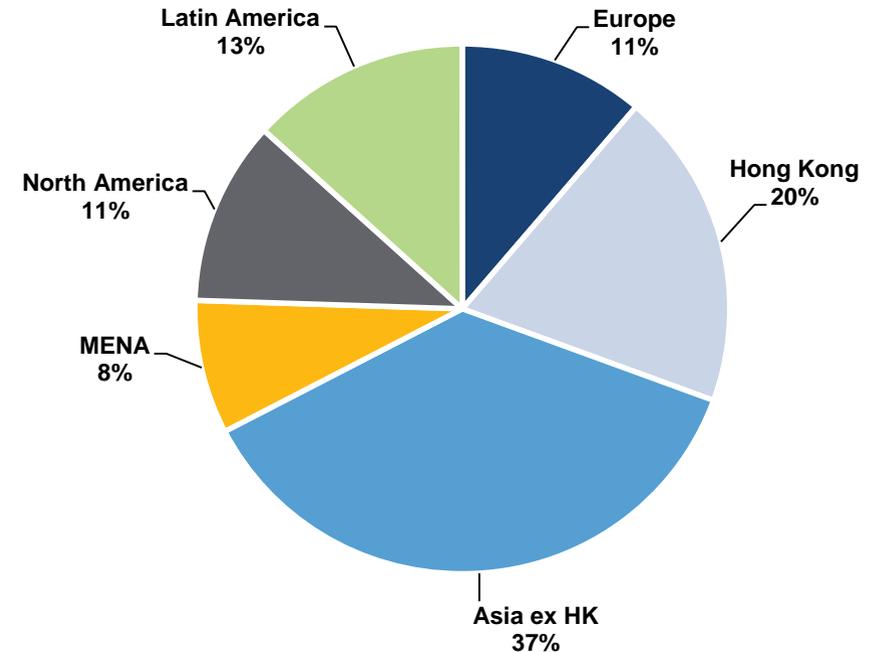
By product: USD18.2bn



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

% average 2011-2013

By region: USD8.3bn



Notes:

1 On a reported basis and before loan impairment charges and other credit risk provisions

2 On a reported basis

3 A charge of USD(903)m is included in 2012 relating to the change in credit valuation estimation methodology to reflect evolving market practices: Credit USD(52)m, Rates USD(837)m, Foreign Exchange USD(7)m and Equities USD(7)m

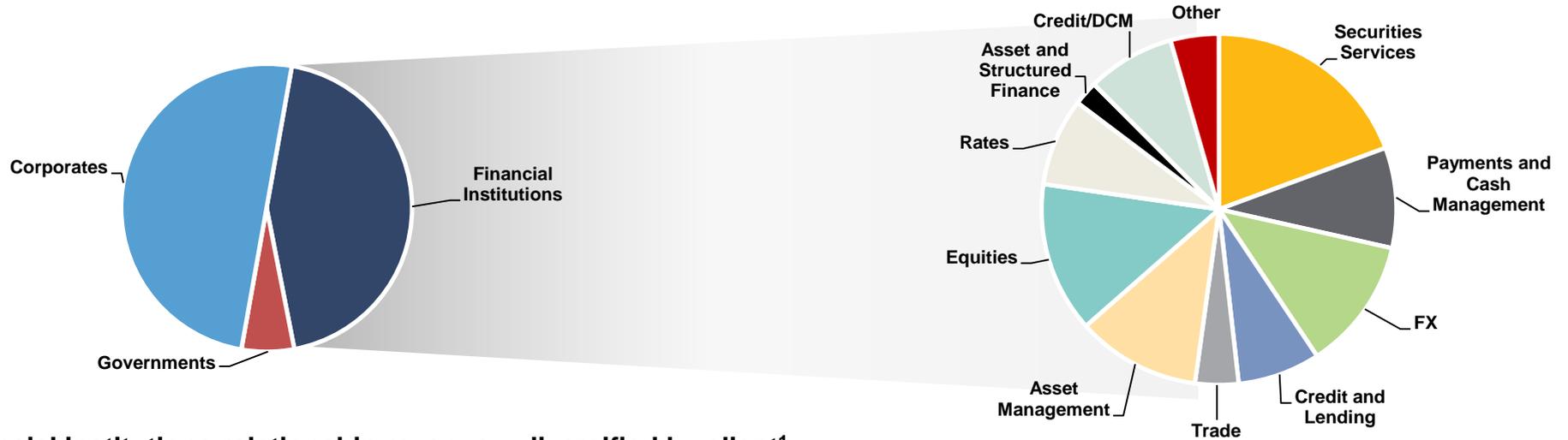
4 Other in 2012 and 2013 includes a debit valuation adjustment (DVA)

5 2011 to 2013 full year comparatives are as per disclosures in the 2013 AR&A. The above reflects the new management structure of GB&M that has been in place since 12th August 2013 and the allocation of funding costs from Other into the respective business lines

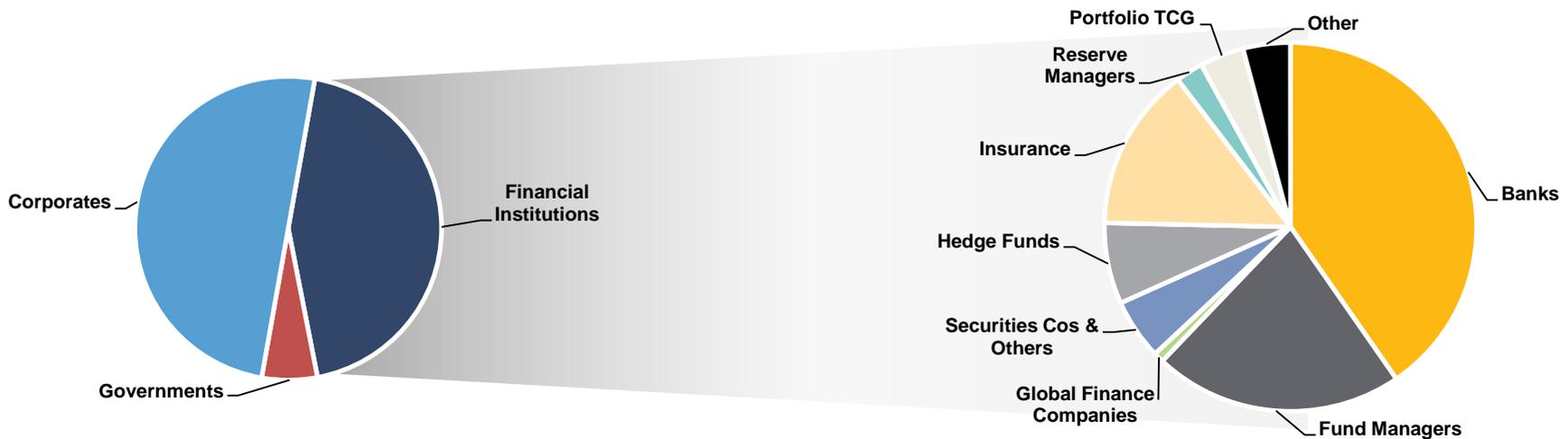
# Delivering the strategy

## Financial institutions' revenues are well diversified

Financial institutions relationship revenue – diversified by product<sup>1</sup>



Financial institutions relationship revenue – diversified by client<sup>1</sup>



Note:  
1 HSBC internal management information of customer revenues for FY2013

# Delivering the strategy

## Cost efficiency remains key focus

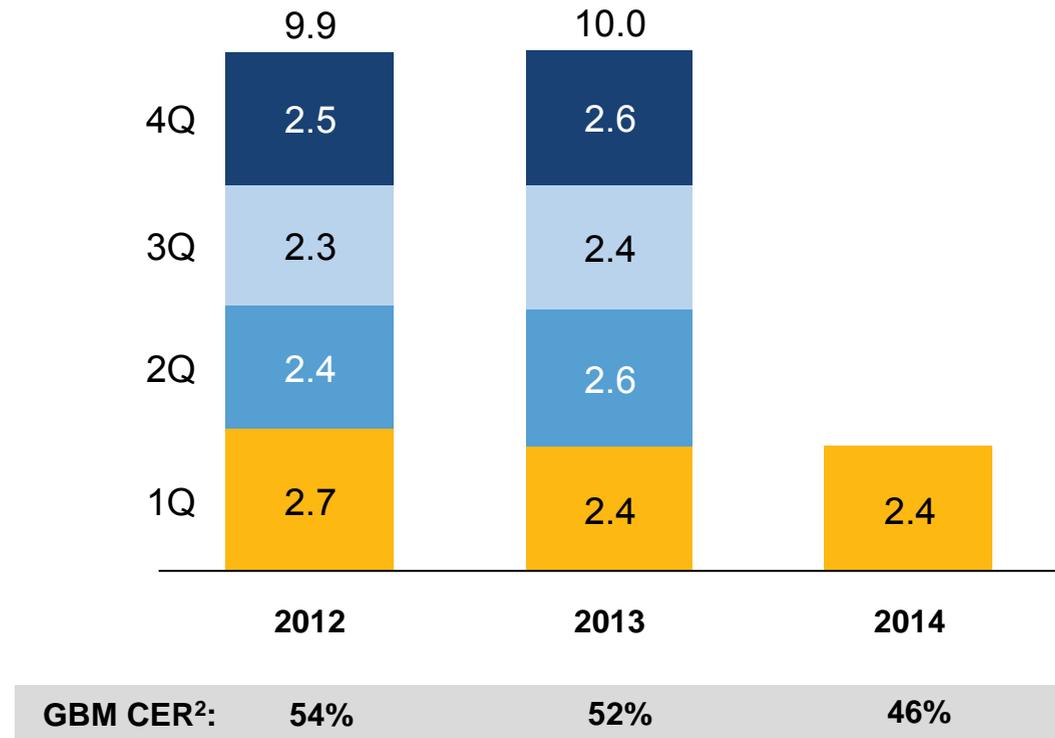
### Continue to actively identify cost savings:

Implementing consistent business models

Re-engineering operational processes

c. USD 300m of sustainable savings delivered since 2011<sup>3</sup>

### Total operating expenses<sup>1</sup> (USDbn)



Notes:

1. As reported - 2012 and 2013 as reported in the Annual Report and Accounts, 1Q14 as reported in the Interim Management Statement

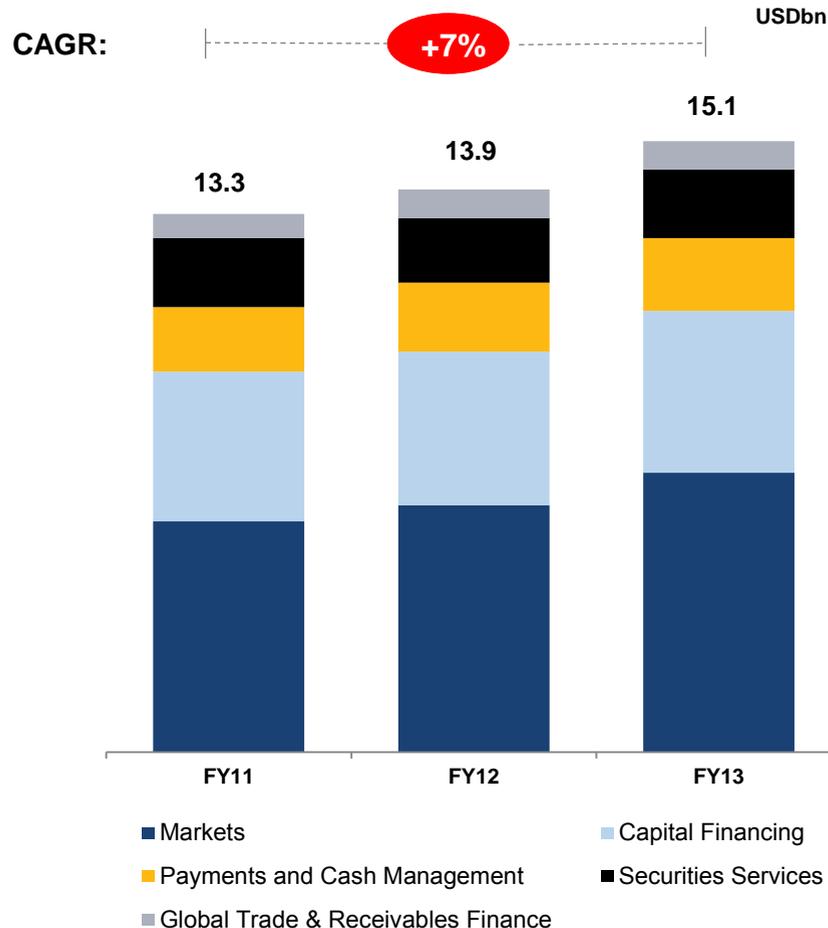
2. CER on a reported basis. 2012 and 2013 are for full year. 2014 relates to 1Q14 only

3. As at 1Q14

# Delivering the strategy

## Growth in the majority of our customer-facing businesses between FY11 and FY13

### Growing revenue<sup>1</sup> between FY11 and FY13



- **Markets:**
  - Background of challenging market conditions over the period with significant regulatory change
  - Client-focused business model and distinctive geographical reach
  - We continue to grow market share in our core markets
- **Capital Financing:**
  - Focused initiatives in Credit & Lending around certain client groups and regions, driving increased volumes
  - Well positioned to capture growth in Debt Capital Financing issuance demand and increase market share
- **Payments and Cash Management:**
  - Growth in deposit balances and transaction volumes vs 2012
  - Best Global Cash Management Bank for financial institutions and for non-financial institutions<sup>2,3</sup>
- **Securities Services:**
  - First custodian bank servicing RQFII London investors, after successfully facilitating Ashmore Group's application to the China Securities Regulation Commission (CSRC)

Notes:

1 Reported basis

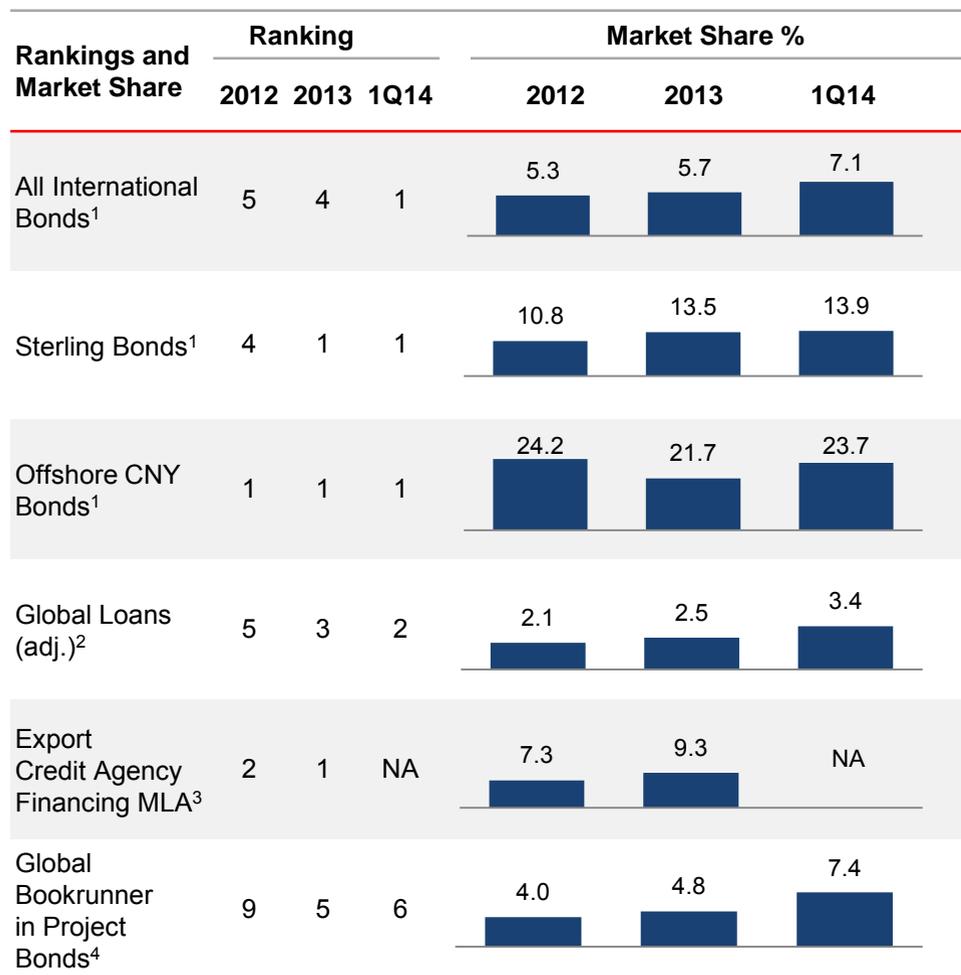
2 Euromoney Cash Management Survey 2012 and 2013

3 HSBC Group

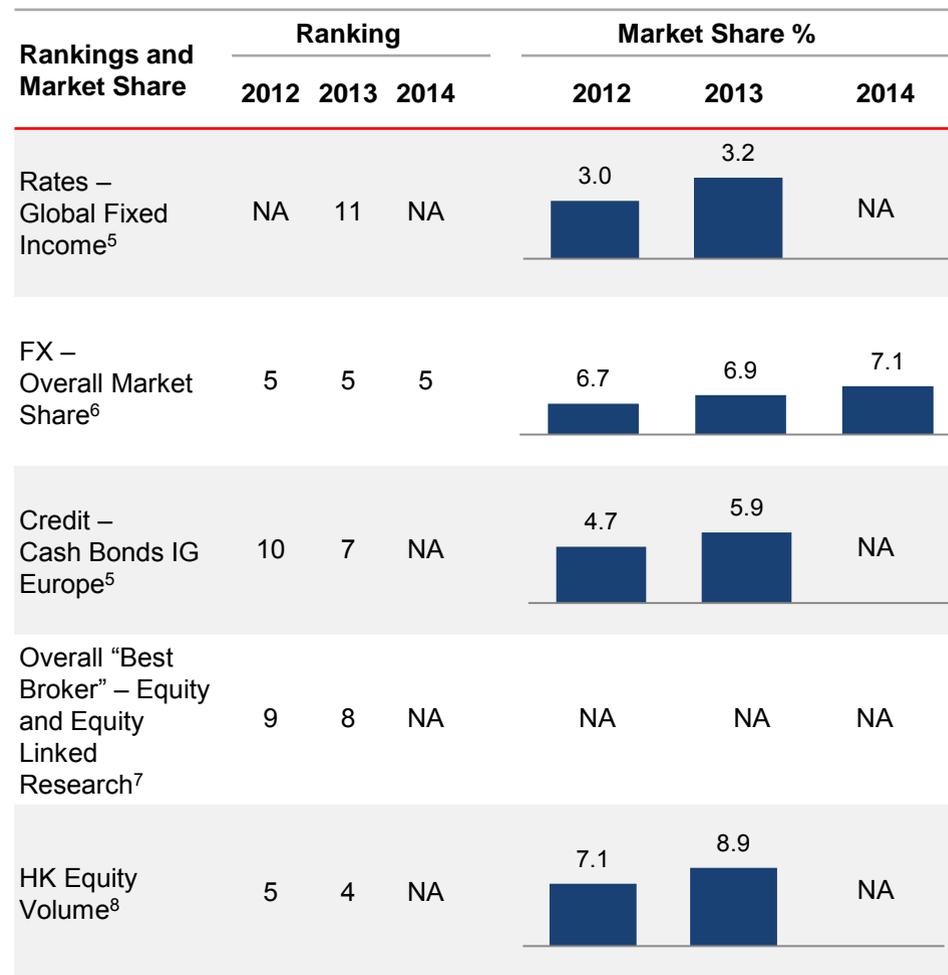
# Delivering the strategy

## Improving market share in key products and regions

### Capital Financing



### Markets



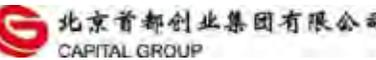
Notes:

- 1 Bloomberg
- 2 Dealogic - excludes US/Japan
- 3 Dealogic Global Trade Finance Review – half yearly data only
- 4 Dealogic Global Project Finance Review

- 5 Greenwich
- 6 Euromoney – Euromoney FX Survey 2014 published May2014
- 7 Extel – Market share data not published
- 8 Bloomberg
- 9 NA indicates data is not yet available, unless otherwise stated

# A distinctive business model

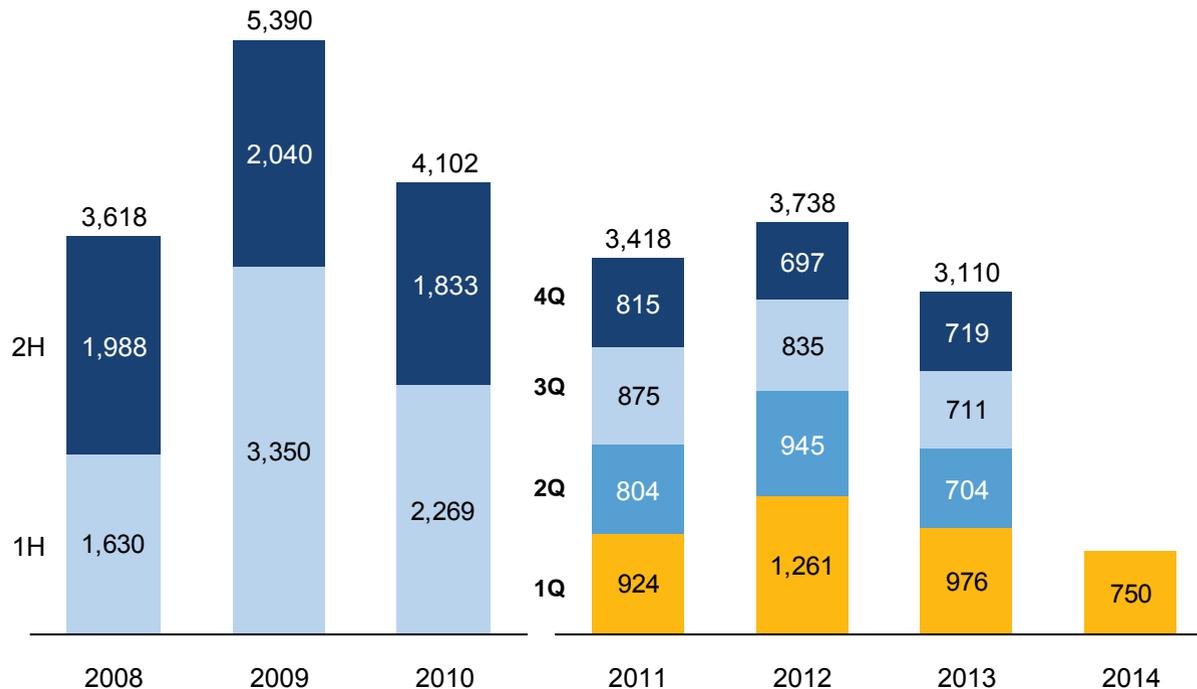
Comprehensive client service spanning multiple products and geographies

Client	What has HSBC done? Examples of recent transactions	Why HSBC?
	Joint Lead Manager and Bookrunner on inaugural CRD IV-compliant Additional Tier-1 bond issue	<ul style="list-style-type: none"><li>§ Structuring and execution capabilities</li><li>§ Trusted strategic advisor</li></ul>
	Green Sustainability Bond Advisor and Joint Bookrunner for inaugural Oct22 EUR 750m Green Bond, and simultaneously acted as Offeror and Joint Dealer Manager on a Tender Offer on four existing bonds amounting to EUR 2.7bn	<ul style="list-style-type: none"><li>§ Strong climate credentials as both a thought leader and financial partner</li><li>§ Distribution capabilities to diverse client base (SRI and Green funds)</li></ul>
	Joint Manager to the Offer and Joint Financial Advisor to Diageo in relation to their open offer to acquire an additional shareholding of up to 26% in United Spirits Limited	<ul style="list-style-type: none"><li>§ Strong track record of advising on strategic transactions in India</li><li>§ Trusted advisor relationship</li><li>§ Holistic cross-border solution across multiple products</li></ul>
	Sole Financial Advisor and Financing Arranger to Beijing Capital Group on its NZD 950m acquisition of Transpacific New Zealand	<ul style="list-style-type: none"><li>§ Ability to deliver comprehensive M&amp;A Advisory, Capital Financing and FX solutions to CMB clients</li><li>§ In-depth relationship with client – represents BCG's first strategic acquisition outside of China and HSBC's 7<sup>th</sup> event transaction with this client</li><li>§ Execution abilities for cross-border deals in Asia Pacific</li></ul>

# Delivering the strategy

## BSM revenue

### Balance Sheet Management Revenue (USDm)<sup>1</sup>



- Within each operating entity, BSM is responsible for managing liquidity, funding and structural interest rate risk
- BSM reinvests excess liquidity into highly rated liquid assets:
  - central bank deposits
  - sovereign, supranational and agency securities
  - short-term interbank loans
- Credit risk is limited to short-term bank exposure (interbank lending, central banks, high quality sovereigns, supra-nationals or agencies)
- BSM does not manage the structural credit risk of any of the Group entity balance sheets

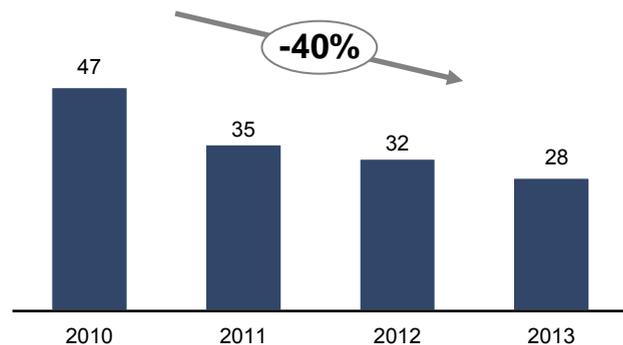
Notes:

1. On a reported basis - 2012 and 2013 as reported in the Annual Report and Accounts, 1Q14 as reported in the Interim Management Statement

# Delivering the strategy

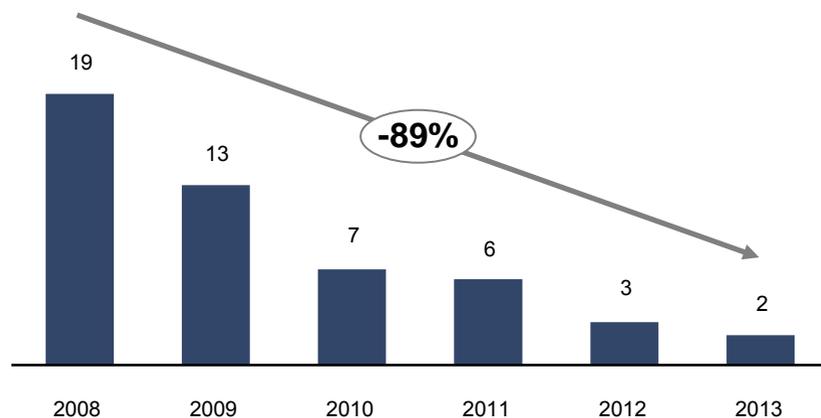
## GBM legacy portfolio managed to protect shareholder value

### ABS portfolio carrying value<sup>1</sup> (USDbn)



- § Portfolio reduced by USD19bn since 2010
- § Hold versus dispose decisions based on a clear economic framework (considering cost of capital and funding)
- § Strong capital base allowed us to hold positions while market liquidity improved
- § AFS ABS reserve reduced by USD17bn since 2008
- § Price improvements may provide further opportunities to reduce portfolio

### AFS ABS Reserve<sup>2</sup> (USDbn)



### AFS portfolio composition<sup>3</sup> (USDbn)

- Residential Property
  - Sub-prime MBSs and MBS CDOs 3.0
  - US Alt-A MBSs 3.5
  - Other MBSs 1.9
- Commercial Property MBSs and MBS CDOs 5.7
- Other Asset-backed
  - Leveraged finance related ABSs and ABS CDOs 5.0
  - Student loan-related ABSs and ABS CDOs 3.7
  - Other ABSs and ABS CDOs 1.3

**Total<sup>3</sup> 24.1**

Notes:

1 Carrying value relates solely to ABS positions held by the GBM Legacy credit business. All statistics quoted are as at 31Dec2013

2 Reserve related to the AFS ABS portfolio that comprises the substantial portion of the Legacy credit portfolio

3 As at 31 December 2013. Portfolio composition excludes US government agency and US government sponsored enterprise MBS of USD 18.7bn. A substantial majority of positions shown are part of the Legacy credit portfolio

# GBM has a distinctive business model



# A distinctive business model

## GBM competitive advantages

### Deep and diversified client base

- Serve 93 of the Fortune Global 100 companies<sup>1</sup>
- Near even mix of Corporates vs Financial Institutions and Governments<sup>2</sup>

### Emphasis on customer connectivity

- Leverage our distinctive geographic network to connect customers across borders

### Product strength

- Complete suite of products across markets, financing, transaction banking and advisory

### Collaboration

- Collaboration across the Group facilitates customer access to our products

### Balance sheet strength and regulatory readiness

- Well equipped for regulatory change
- Driving Global Standards

Notes:

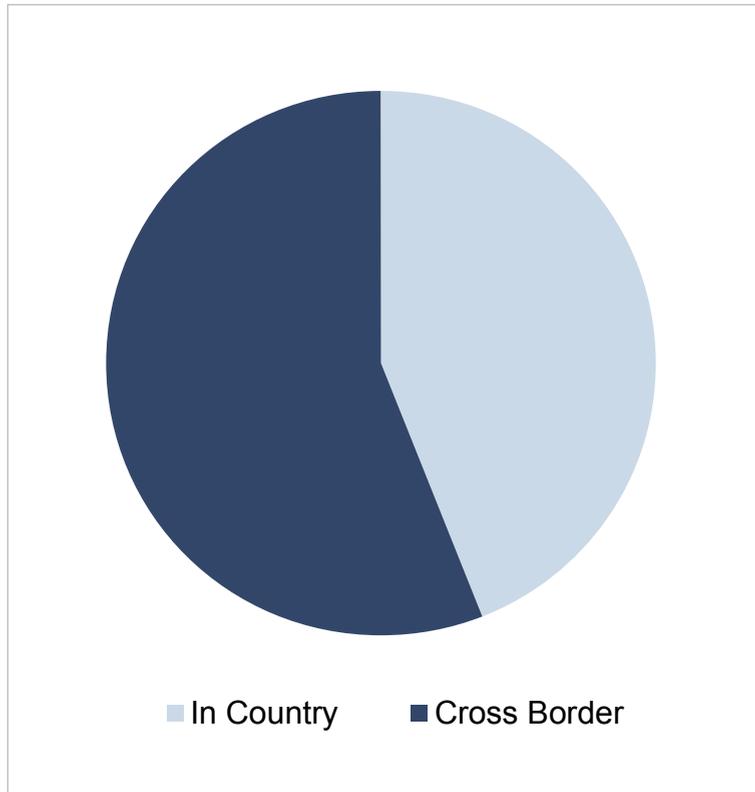
<sup>1</sup> July 2013

<sup>2</sup> HSBC internal management information of customer revenues for FY13

## A distinctive business model

Customer Connectivity: Leveraging our distinctive geographic network to connect customers across borders

### Total revenue flows<sup>1</sup>



- The GBM business model leverages our international network to connect customers across borders
- Over half of total client revenues are booked outside the client's home country
- Cross border revenues grew at a faster rate than in-country revenues during 2011 – 2013
- Over half of all cross-border revenues flow between developed and emerging markets<sup>2</sup>

Notes:

<sup>1</sup> HSBC internal management information of customer revenues for FY2013, as reported at 31Dec13

<sup>2</sup> Developed/Emerging markets defined as per MSCI World Index

# A distinctive business model

Product strength: Market leaders across product and region

	Global Markets				Transaction Banking			Capital Financing		
	FX <sup>1</sup>	Rates <sup>2</sup>	Credit <sup>3</sup>	Equities <sup>4</sup>	PCM <sup>5</sup>	Securities Services <sup>6</sup>	Trade and Receivable Finance <sup>7</sup>	Project and Export Finance <sup>8</sup>	DCM <sup>9</sup>	ECM <sup>10</sup>
Hong Kong	#1	#1	#1	#2	#1	#1	#1	#1	#1	#1
RoAP ex Japan	#4					#1			#9	
MENA	#4	n/a	n/a	#1		#1			#8	
Latam	#2	n/a	n/a	n/a		n/a			#13	
UK	#5	#5	#10	#8		#1			#22	
Cont. Europe	#5					#7			#14	
North America	#7	#12	#12	n/a		n/a			#8	n/a

Top 5
  Top 10
  Outside Top 10
  Not available/not meaningful

Sources:

1. FX – Euromoney 2014. Middle East ranking shown only (ex. North Africa). Asia ranking shown (inc. HK and Japan)
2. Rates – Greenwich 2013
3. Credit – Greenwich 2013
4. Equities – Asiamoney Brokers Poll 2013, Extel 2013 Overall Pan-European Broker Ranking (9<sup>th</sup> in 2012)
5. PCM – Euromoney Cash Management Survey 2013

6. HSS – Global Custodian Global Custody, Custody Risk European Awards 2013, The Asset Triple A Asset Servicing Awards 2013, Asian Investor Service Provider Awards 2013, HFM European Hedge Fund Services Awards 2013, Mutual Fund and Hedge Fund Administration Survey, Hedge fund.net administrator survey, Clearstream, CMU HK 6\* - Continental Europe includes Germany, Luxembourg and Ireland
7. Global Trade and Receivable Finance – Oliver Wyman Global Transaction Banking Survey 2012
8. Project and Export Finance – Dealogic 2012 – based on International Bank on advisories closed
9. DCM – Bloomberg FY 2013; Cont Europe – Euromarket Bonds; NA – US Bonds (Foreign Issuer); UK – Sterling Bonds
10. ECM – Dealogic FY 2013 YTD; RoAP ex-Japan/Australia & Chinese A-shares;

# A distinctive business model

## Collaboration: providing solutions to clients across all Global Businesses

### Strengthening collaboration across Global Businesses

- Focus on collaboration across Global Businesses delivered incremental revenues of USD 1.3bn for HSBC as a whole since 2010<sup>1</sup>
- Revenues from cross-sales of GBM products to CMB customers grew by 11% over 2013, mainly driven by sales of FX products
- Leveraging technology to facilitate FX activities to RBWM customers
- Established Institutional Private Client Group within GBM and the Global Priority Client structure within GPB to jointly cover Ultra High Net Worth Individuals

### Enabling client success<sup>2</sup>



#### § £1.125m Capital Refinancing Plan, comprising three components:

- £353m equity placing and rights issue;
- £500m high yield bond issue
- £272m new RCF

- HSBC acted as Active Joint Bookrunner on the equity, Active Joint Bookrunner on the high yield notes and Mandated Lead Arranger (plus Facility and Security Agent) on the RCF, as well as Escrow Agent, Bond Trustee, and sole securitisation lender
- Demonstrates HSBC's ability to manage complex situations and play a lead role across all elements of the transaction

**HITACHI**  
Inspire the Next

**John laing**  
making infrastructure happen

**"...HSBC was the right choice for this transaction because it was a transaction that required a huge amount of global experience and very technical knowledge..."**

Alex Yew, Head of Project Finance,  
John Laing Investments Ltd

- HSBC acted as Financial Advisor, Structuring Bank and Swap Execution Bank to **Hitachi Rail Europe** (GBM client) and **John Laing** (CMB client) on the Intercity Express Programme transaction, a GBP 2.4bn PPP financing for a fleet of new intercity trains for the UK rail network

#### Notes:

1 As reported as at 31Dec2013

2 Please visit [www.hsbcnet.com](http://www.hsbcnet.com) for the full client story videos

# A distinctive business model

Regulatory readiness: well equipped for regulatory change

	<b>Impact</b>	<b>Concerns</b>	<b>Strengths</b>
<b>Structural Reform – UK, US and Europe</b>	<ul style="list-style-type: none"><li>• Prohibited activities</li><li>• Leverage</li><li>• Minimum loss absorbing capital requirements</li><li>• Customer relationships</li></ul>	<ul style="list-style-type: none"><li>• Ring-fencing definitions</li><li>• Geographic reach</li><li>• Liquidity impact</li><li>• Cost and Compliance</li><li>• Interaction of UK and EU</li></ul>	<ul style="list-style-type: none"><li>• Customer driven business</li><li>• Ability to service customers from multiple balance sheets</li><li>• Clear corporate structure</li></ul>
<b>Execution and clearing</b>	<ul style="list-style-type: none"><li>• Clearing mandated for liquid OTC contracts</li><li>• Risk mitigation for un-cleared trades</li><li>• Trading of liquid OTC contracts on exchange-like venues</li></ul>	<ul style="list-style-type: none"><li>• Central counterparty exposure</li><li>• Extra-territoriality</li><li>• Market requirement for liquid assets</li></ul>	<ul style="list-style-type: none"><li>• Scale of existing custody and execution businesses</li><li>• Strong balance sheet</li><li>• Derivative business is customer focused</li></ul>
<b>Capital and liquidity changes</b>	<ul style="list-style-type: none"><li>• Additional capital buffers including counter-cyclical and systemic risk buffers</li></ul>	<ul style="list-style-type: none"><li>• Uncertainty on final end-state</li><li>• Changes in risk-weighting</li><li>• Aggressive stress testing</li><li>• Uneven playing field</li></ul>	<ul style="list-style-type: none"><li>• HSBC structure, capital generation and low risk appetite</li><li>• Subsidiary structure facilitates orderly resolution</li><li>• Well-placed with regard to expected future regulatory requirements</li></ul>

**Robust regulatory change programme in operation**

# Positioned for growth



# Positioned for growth

## GBM growth priorities

### Connecting clients to global growth opportunities

#### Growth priorities to 2016

##### Well-positioned in products that will benefit from global trends

- § **Debt Capital Markets** – Corporates in Europe and Asia shifting financing mix towards debt capital markets, including High Yield
- § **Project and Export Finance** – Continued high levels of global expenditure on infrastructure
- § **Trade Finance, Payments and Cash Management and Foreign Exchange**
- § **RMB internationalisation**
- § **Event – emerging markets led**

#### 2016 targets

##### Financial

RoRWA<sup>1</sup>, %

2.0-2.2

##### Non-financial

- § 'Top 5' bank to our priority clients
- § Maintain leadership in key product areas
- § Usage of e-channels



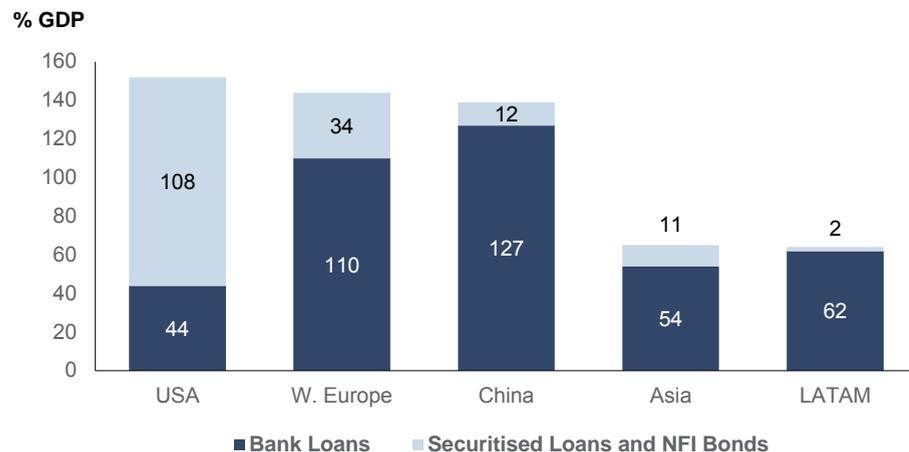
Note:  
1 CRD IV end point basis

# Positioned for growth

Well positioned in products that will benefit from global trends

## Capital Markets

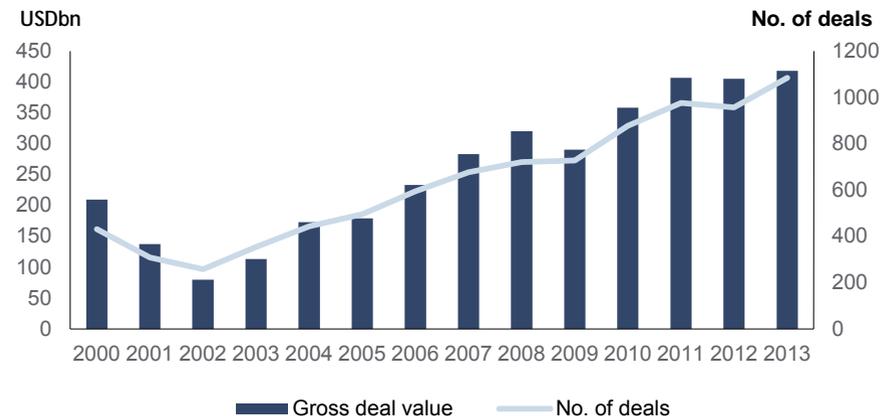
Global variation in composition of debt financing<sup>1</sup>:



- Bank balance sheet constraints will lead corporates to replace bank financing with capital markets debt financing
- Debt securities issuance for European corporates currently represents 10% of their debt financing mix, compared to over 70% for US corporates<sup>1</sup>
- Should see significant DCM opportunities as European corporates migrate corporate funding towards capital markets
- Asia-Pacific and Latin America also have room to both increase the number of financial assets relative to GDP and increase the mix of capital markets debt financing

## Project Finance

Global project finance volumes<sup>2</sup>:



- Global annual spending on infrastructure continues at high levels, with future investment needs expected to total USD 64 trillion over 2010-2030, or around USD 3.2 trillion (c. 2.5% of world GDP) per annum<sup>3</sup>
- Role played by capital markets is increasing as banks, government, and corporate balance sheets continue to be constrained
- Pension, insurance and other institutional funds interested in increasing participation in infrastructure investments

Notes:

1 McKinsey

2 Dealogic

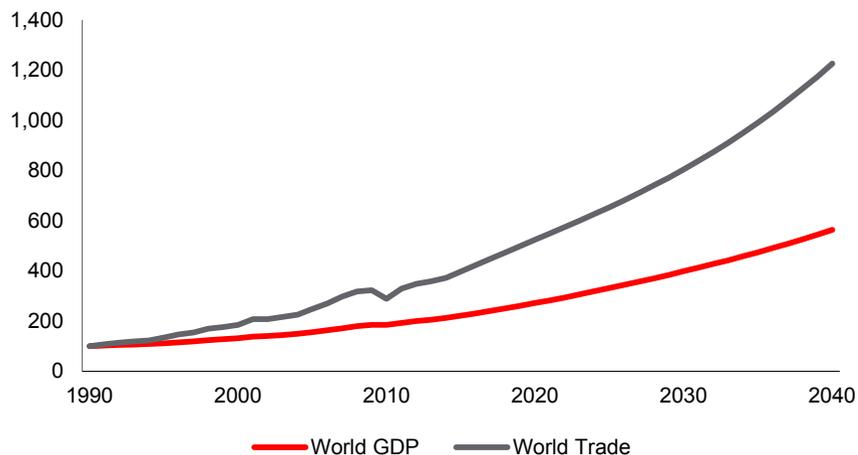
3 OECD estimate

# Positioned for growth

Well positioned in products that will benefit from global trends

## Global Trade and Receivables Finance

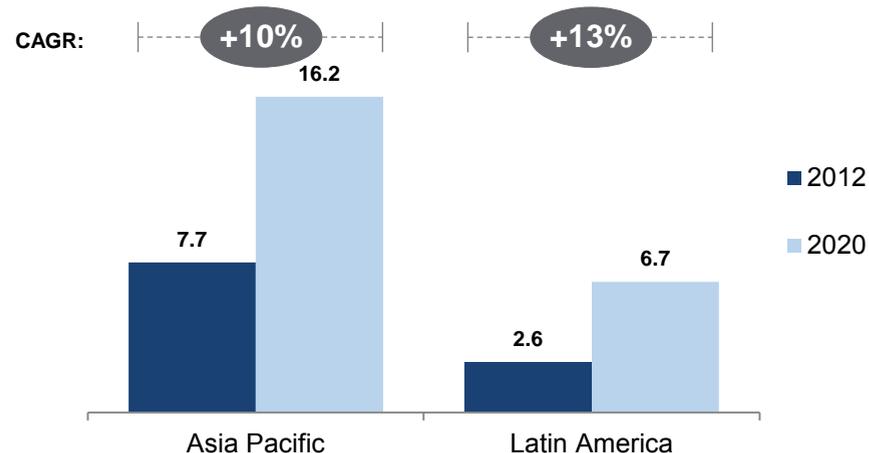
Trade grows faster than GDP<sup>1</sup>:



- Between 1990 and 2010, the average annual growth rate in world trade was 1.9 times that of GDP<sup>1</sup>
- Trade is predicted to continue to grow c. 30% faster than GDP until 2040<sup>1</sup>
- The patterns of trade will also change. Over the period 2021-2030, 9 of the 10 fastest growing trade routes will be within Asia, growing on average 15% per year<sup>1</sup>

## Securities Services

Global AUM projection by region for 2020<sup>2</sup> (USDtrn):



- Worldwide AUM managed by the Asset Management industry currently total USD 64 trillion and are projected to increase by c.6% per annum to USD 102 trillion by 2020<sup>2</sup>
- Latin America and Asia regions are projected to grow at a faster rate of 13% and 10% respectively<sup>2</sup>

Notes:

<sup>1</sup> HSBC Global Connections, February 2013 and Oxford Economics. Units are normalised to 100 for GDP and Trade in 1990

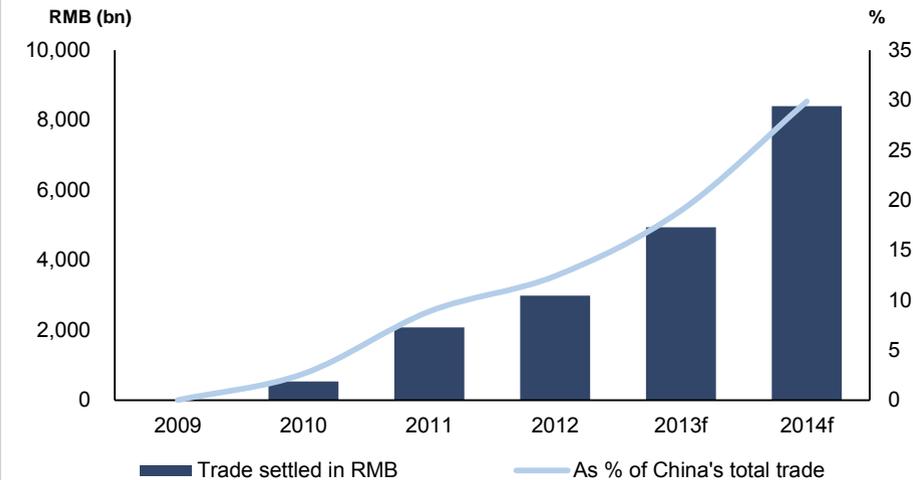
<sup>2</sup> PWC Asset Management 2020: A brave new world, January 2014

# Positioned for growth

Well positioned in products that will benefit from global trends

## RMB internationalisation

Global RMB trade settlement<sup>1</sup>



- China initiated the internationalisation of RMB in July 2009
- RMB is now ranked #2 most used currency in trade finance, overtaking the EUR, and is a Top 10 payment currency<sup>2</sup>
- By 2015, China will settle 30% of its trade, or USD2 trillion, in RMB<sup>1</sup>
- RMB Qualified Foreign Institutional Investors (QFII) quota limit has been expanded more than 10x since inception
- Its adoption will affect a diverse array of products including FX, Trade, PCM and DCM

Notes:

1 PBoC and HSBC Economics

2 SWIFT data

3 Bloomberg

## HSBC is at the forefront

- First foreign bank to underwrite RMB government bonds
- Ranked #1 in Dim Sum bond market with 22% market share<sup>3</sup>
- Dominant market share (c.40%) among RMB (QFII) custody banks
- First ever to issue a RMB bond outside of Chinese territory
- Tier 1 market maker in RMB FX. Support six new currency crosses
- First ever to assist a global leader in packaging sector to effect a RMB inter-company lending payment and the associated FX hedge transaction completed in London in May
- First ever to execute CNH HIBOR IRS and lead-managed the first CD using CNH HIBOR fixing as floating rate benchmark
- Introduced the new HSBC CNH Long VT3 Index as a way for clients to gain exposure to the appreciation of offshore RMB with a volatility-target.
- First custodian bank for RQFII London; first RQFII ETFs provider, listed in LSE

AsiaRisk

Asia Risk Awards  
2013: RMB House of  
the Year

AsiaRisk wrote, "With its roots in Hong Kong and China, HSBC has been at the forefront of developing the renminbi market both onshore and offshore."



Best for overall  
products/services

AsiaMoney declared, "HSBC is considered the clear leader for offshore renminbi products."

# Summary



# Summary

## HSBC – unrivalled global position and platform for growth

### 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, etc.

### 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

### GBM's competitive advantage

#### 1. International network

concentrating 85-90% of international trade and capital flows

#### 2. Deep and diversified client base.

4,000 client mastergroups spanning a diversified range of corporate and financial counterparties in GBM with further access to the client base across the group

#### 3. Product capabilities and

**balance sheet strength.** Market leader in PCM, GTRF, FX, Rates and HSS

# Additional Information



# GBM financials<sup>1</sup>

(USDm)	1Q13 <sup>4</sup>	1Q14 <sup>4</sup>	FY12 <sup>3,4,5</sup>	FY13 <sup>4</sup>
Credit	305	347	485	796
Rates	729	631	1,607	1,653
Foreign Exchange	871	803	3,215	3,186
Equities	326	444	798	1,300
<b>Markets</b>	<b>2,231</b>	<b>2,225</b>	<b>6,105</b>	<b>6,935</b>
<b>Capital Financing</b>	<b>1,054</b>	<b>997</b>	<b>3,758</b>	<b>3,994</b>
<b>Payments and Cash Management</b>	<b>423</b>	<b>444</b>	<b>1,680</b>	<b>1,770</b>
<b>Securities services</b>	<b>405</b>	<b>413</b>	<b>1,623</b>	<b>1,662</b>
<b>Global Trade &amp; Receivables Finance</b>	<b>180</b>	<b>187</b>	<b>740</b>	<b>741</b>
<b>Balance Sheet Management</b>	<b>976</b>	<b>750</b>	<b>3,738</b>	<b>3,110</b>
<b>Principal Investments</b>	<b>33</b>	<b>94</b>	<b>188</b>	<b>512</b>
<b>DVA</b>	<b>472</b>	<b>31</b>	<b>518</b>	<b>105</b>
<b>Other<sup>2</sup></b>	<b>42</b>	<b>19</b>	<b>(77)</b>	<b>347</b>
<b>Total operating income before loan impairment charges and other credit risk provisions</b>	<b>5,816</b>	<b>5,160</b>	<b>18,273</b>	<b>19,176</b>
<b>Loan impairment Charges and other credit risk provisions</b>	<b>45</b>	<b>(3)</b>	<b>(670)</b>	<b>(207)</b>
<b>Net operating income</b>	<b>5,861</b>	<b>5,157</b>	<b>17,603</b>	<b>18,969</b>
<b>Total operating expenses</b>	<b>(2,388)</b>	<b>(2,397)</b>	<b>(9,907)</b>	<b>(9,960)</b>
<b>Operating profit</b>	<b>3,473</b>	<b>2,760</b>	<b>7,696</b>	<b>9,009</b>
<b>Share of profit in associates and joint ventures</b>	<b>115</b>	<b>111</b>	<b>824</b>	<b>432</b>
<b>Profit before tax</b>	<b>3,588</b>	<b>2,871</b>	<b>8,520</b>	<b>9,441</b>
<b>Cost efficiency ratio</b>	<b>41.1%</b>	<b>46.5%</b>	<b>54.2%</b>	<b>51.9%</b>
<b>Pre-tax return on average risk-weighted assets (annualised)</b>	<b>3.6%</b>	<b>2.4%</b>	<b>2.1%</b>	<b>2.3%</b>

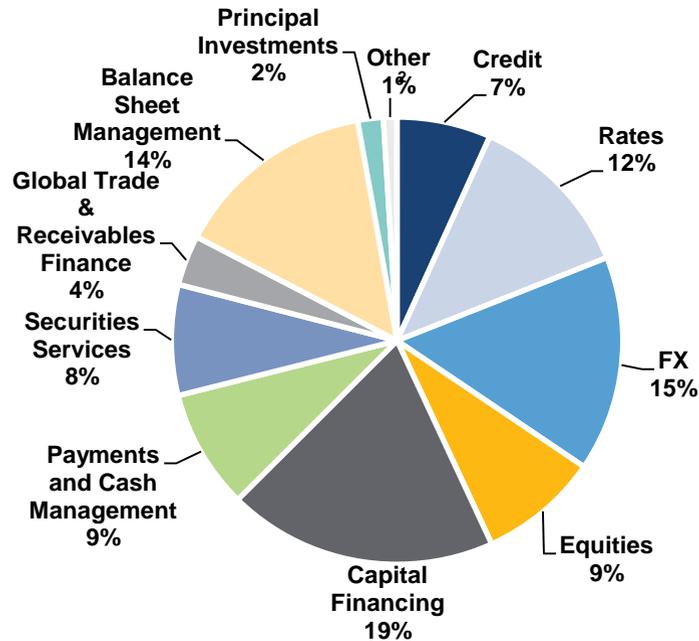
Notes:  
1 On a reported basis - 2012 and 2013 as reported in the Annual Report and Accounts, 1Q14 as reported in the Interim Management Statement  
2 Includes earnings on capital not assigned to products, gains resulting from business disposals and the offset to notional tax credits  
3 2012 data has been restated for the reallocation of funding costs from 'Other' to respective business lines  
4 The above reflects the new management structure that has been in place since 12<sup>th</sup> August 2013  
5 A charge of USD(903)m is included in 2012 relating to the change in credit valuation estimation methodology: Credit USD(52)m, Rates USD(837)m, Foreign Exchange USD(7)m and Equities USD(7)m

# Delivering the strategy

## Performance diversified by business line and geography

**Management view of operating income<sup>1</sup>**  
% 1Q14

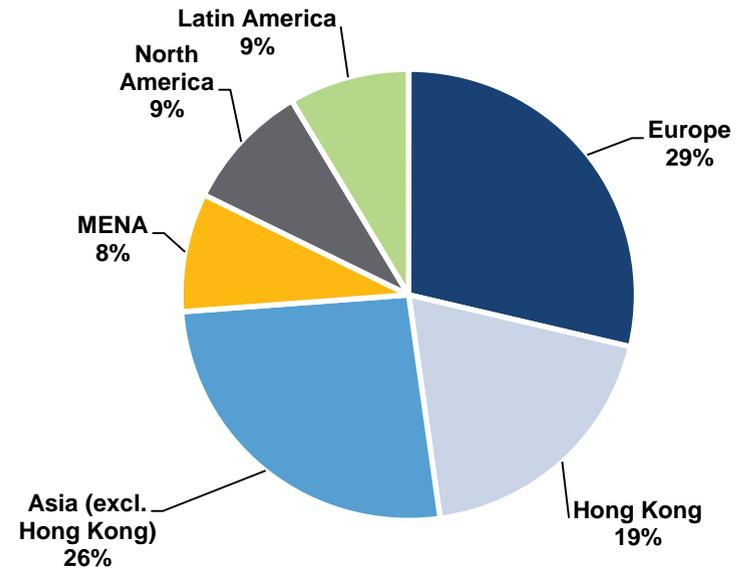
**By product: USD5.2bn**



**1Q 14 RoRWA<sup>3</sup>: 2.4%**

**Profit before tax<sup>2</sup>**  
% 1Q14

**By region: USD2.9bn**



**1Q 14 RWAs<sup>3</sup>: USD554bn**

**Notes:**

1 On a reported basis, total operating income is before loan impairment charges and other credit risk provisions. 1Q14 as reported in the Interim Management Statement

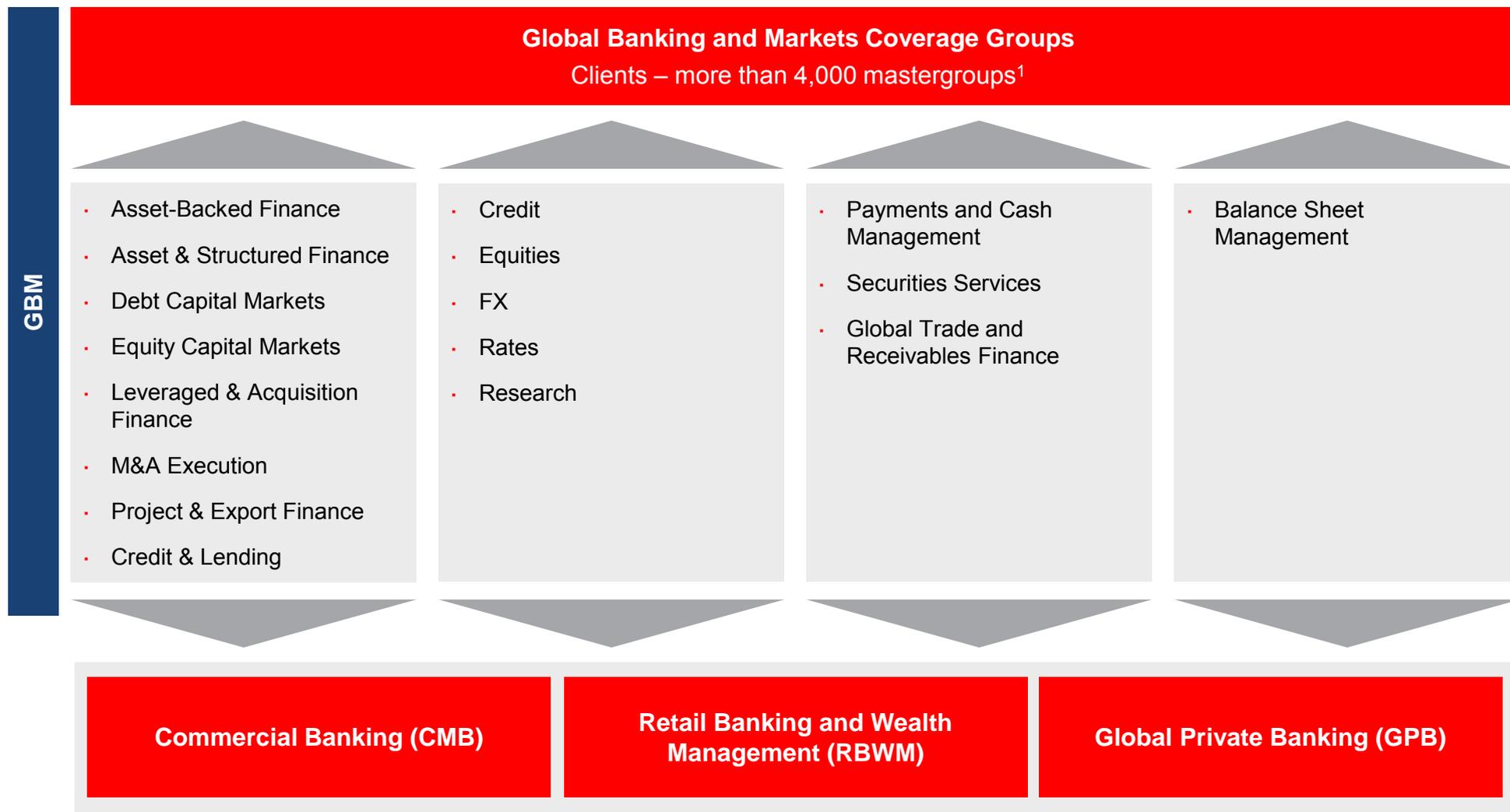
2 On a reported basis - 1Q14 as reported in the Interim Management Statement

3 Pre-tax return (annualised) on average risk weighted assets. 2014 RWAs are on Basel 3 basis,

4 The above reflects the new management structure that has been in place since 12<sup>th</sup> August 2013

# GBM core to HSBC strategy

Diverse range of products aligned with client needs



■ Clients   ■ Products/business

Note:

<sup>1</sup> HSBC internal management information as at 31 December 2013



The view from HSBC Building, 8 Century Avenue, Pudong, Shanghai



The view from HSBC Main Building, 1 Queen's Road Central, Hong Kong SAR



The view from HSBC Group Head Office, 8 Canada Square, London

**Cover images: internationalisation of the renminbi**

The images show the views from HSBC's head offices in Shanghai, Hong Kong and London – the three cities that are key to the development of China's currency, the renminbi (RMB). The growth of the RMB is set to be a defining theme of the 21st century. HSBC has RMB capabilities in over 50 countries and territories worldwide, where our customers can count on an expert service.

Photography: Matthew Mawson

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