



**The Leading International Bank in Europe, Middle East and Africa**

**Alan Keir**

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





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

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial measurements 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).

# Agenda

**I**

**Financial performance**

**II**

**EMEA's operating environment**

**III**

**HSBC Group Strategy in EMEA**

**IV**

**Priorities going forward and targets for EMEA**

# HSBC Holdings plc Interim results 2014

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

Summary financial highlights, USDbn	1H13	2H13	1H14	Better/(worse)	
				1H14 vs 1H13	1H14 vs 2H13
Reported PBT	14.1	8.5	12.3	(12)%	45%
Underlying <sup>2</sup> PBT	13.0	8.6	12.6	(4)%	46%

Key ratios, %	1H13	2H13	1H14	KPI
Return on average ordinary shareholders' equity <sup>3</sup>	12.0	6.5	10.7	12-15%
Cost efficiency ratio	53.5	66.6	58.6	mid-50s
Jaws (underlying) <sup>4</sup>	-	-	(5.7)	Positive
Advances-to-deposits ratio <sup>5</sup>	74.1	72.9	74.0	< 90
Common equity tier 1 ratio (transitional basis)	N/A	10.8	11.2	>10%
Common equity tier 1 ratio (end point basis) <sup>6</sup>	10.1	10.9	11.3	>10%

## Notes:

- All figures are reported unless otherwise stated
- Adjusted for foreign currency translation differences, acquisitions, disposals and changes in ownership levels 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
- On an annualised basis
- Calculated as percentage growth in net operating income before loan impairment charges and other credit risk provisions ('revenue') less percentage growth in total operating expenses, 1H14 versus 1H13
- Excludes reverse repos and repos
- On 1 January 2014, CRD IV came into force and capital and RWAs at 30 June 2014 are calculated and presented on this basis. At 31 December 2013, capital and RWAs were also estimated based on the Group's interpretation of final CRD IV legislation and final rules issued by the PRA, details of which can be found in the basis of preparation on page 324 of the *Annual Report and Accounts 2013*

# Europe and MENA interim results 2014

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

Europe financial highlights, USDm	1H13	2H13	1H14	Better/(worse)	
				1H14 vs 1H13	1H14 vs 2H13
Revenue	11,474	9,493	10,873	(5)%	15%
LICs <sup>2</sup>	(846)	(684)	(266)	69%	61%
Operating expenses	(7,862)	(9,751)	(8,352)	(6)%	14%
Income/(expense) from associates	2	(1)	3	nm	nm
Reported PBT	2,768	(943)	2,258	(18)%	339%
Cost efficiency ratio	68.5%	102.7%	76.8%		
Return on Risk-Weighted Assets	1.8%	(0.6)%	1.2%		

MENA financial highlights, USDm	1H13	2H13	1H14	Better/(worse)	
				1H14 vs 1H13	1H14 vs 2H13
Revenue	1,253	1,250	1,294	3%	4%
LICs <sup>2</sup>	47	(5)	50	6%	nm
Operating expenses	(616)	(673)	(614)	0%	9%
Income from associates	225	213	259	15%	22%
Reported PBT	909	785	989	9%	26%
Cost efficiency ratio	49.2%	53.8%	47.4%		
Return on Risk-Weighted Assets	2.9%	2.4%	3.2%		

Source: HSBC Holdings plc Interim Report 2014

1. All figures are as reported unless otherwise stated

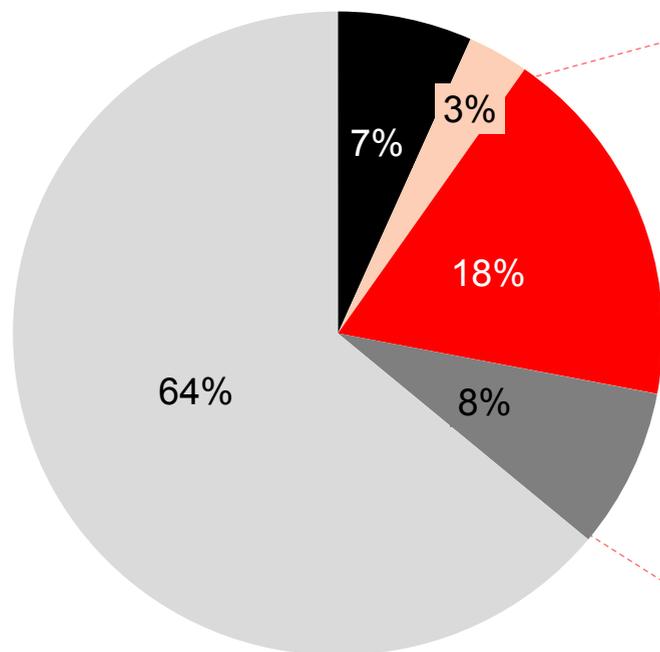
2. Loan impairment charges and other credit risk provisions

# EMEA contributed 26% of Group PBT in 1H14

## HSBC Group Reported PBT 1H14

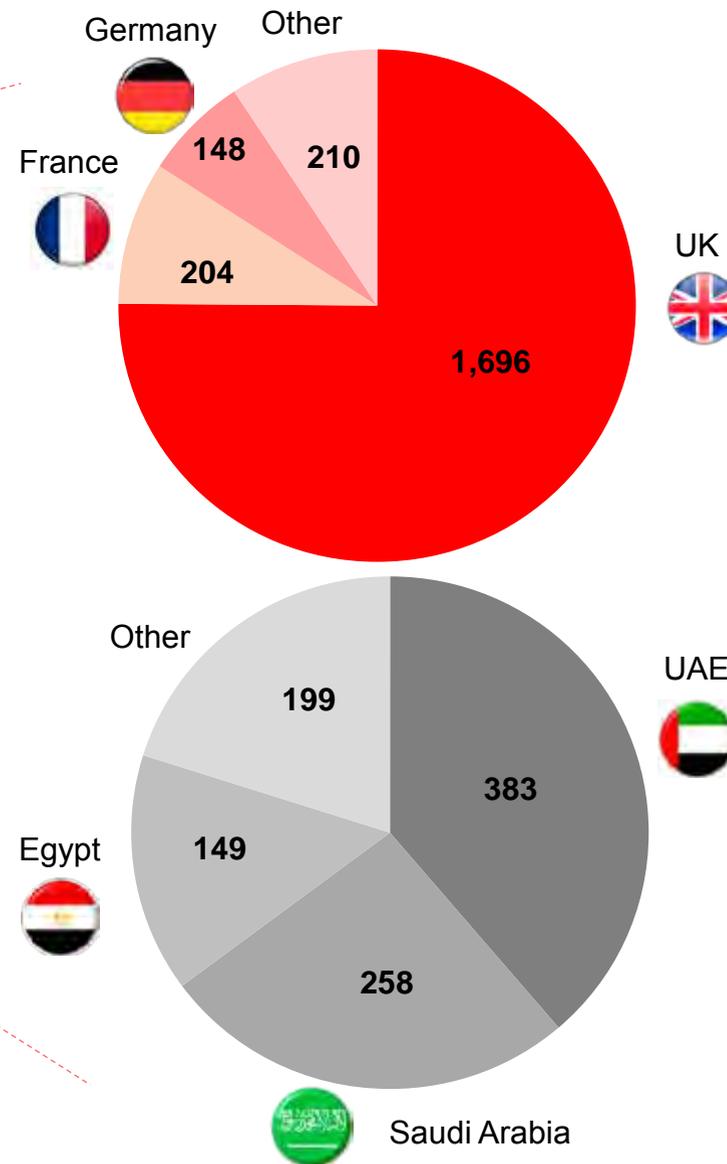
USDm

Total = USD12,340m



## Europe and MENA Reported PBT 1H14

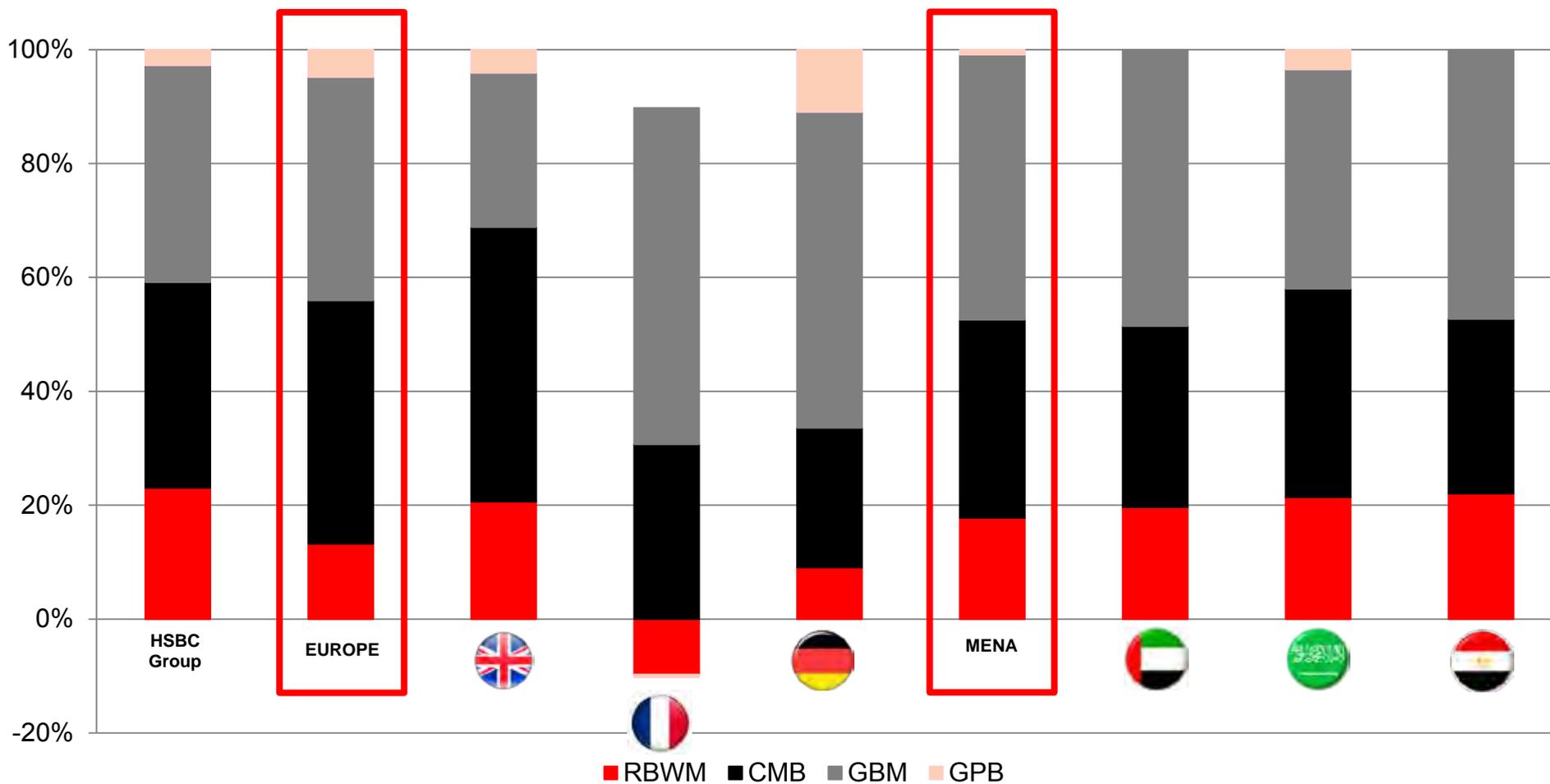
USDm



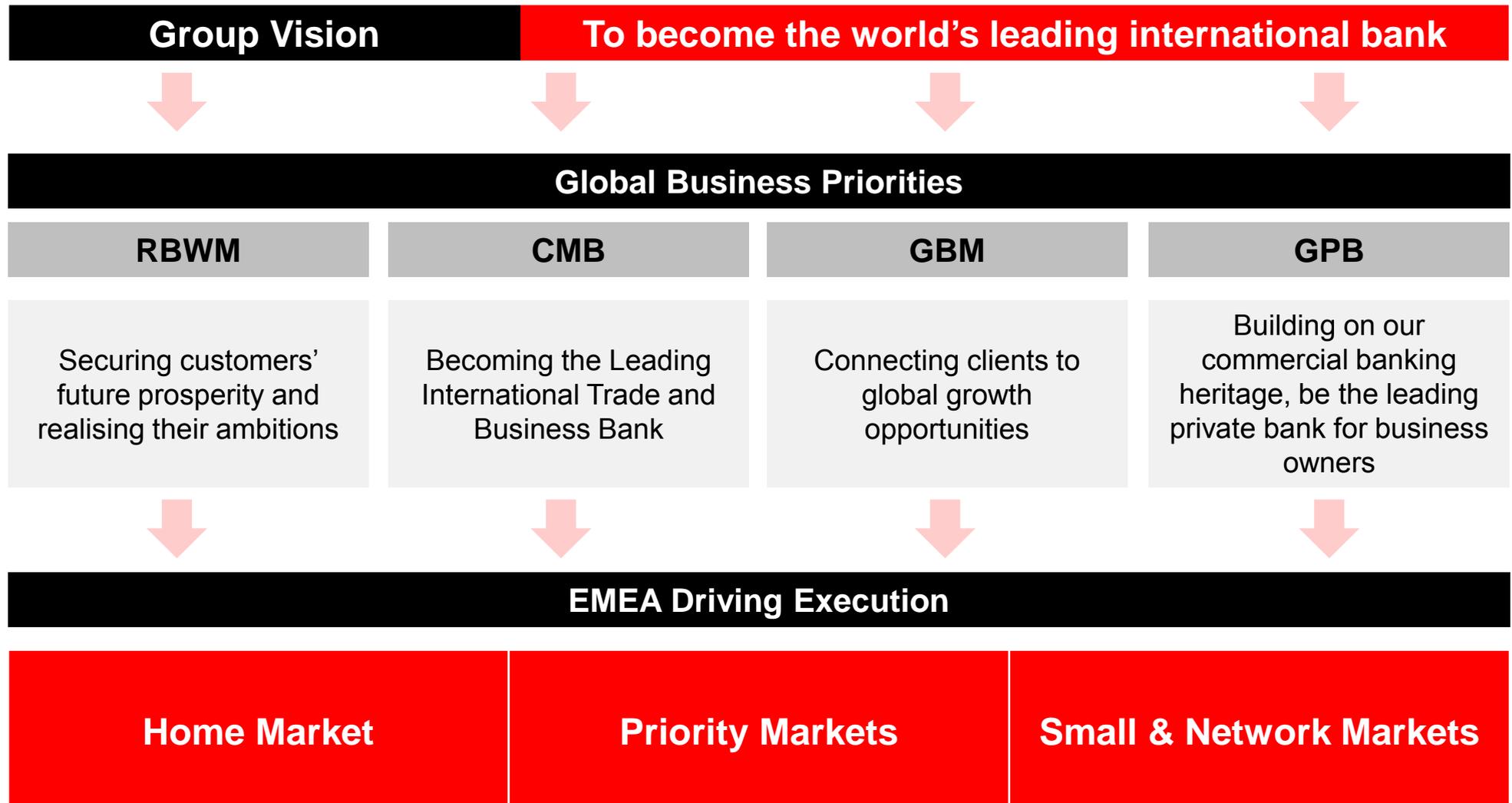
# Well diversified earnings by Global Business

## Reported PBT 1H14<sup>1</sup>

USDm



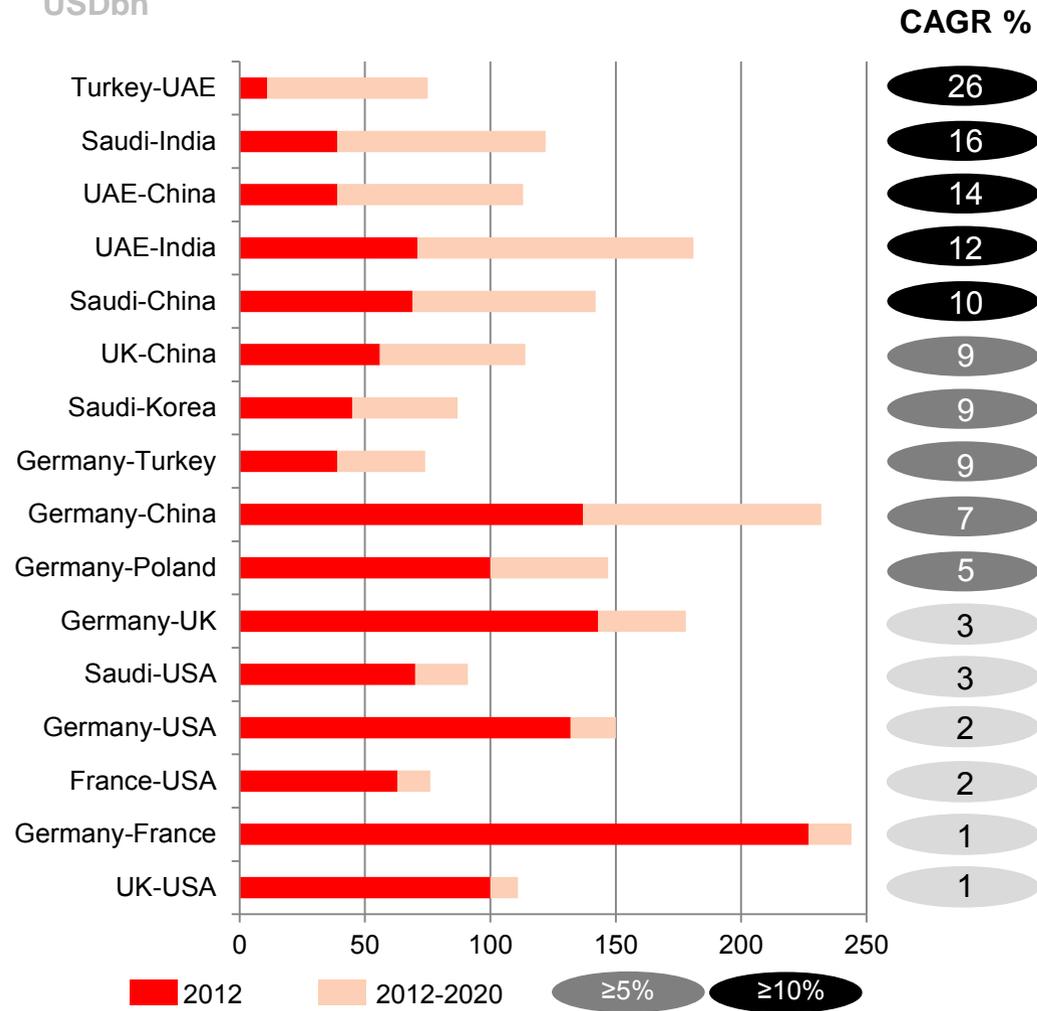
# Role of the Region is to drive execution of the Group's vision and our Global Business strategies



# EMEA is well positioned to capture growth across key trade corridors

## Largest trade corridors by 2020 for EMEA<sup>1</sup>

USDbn

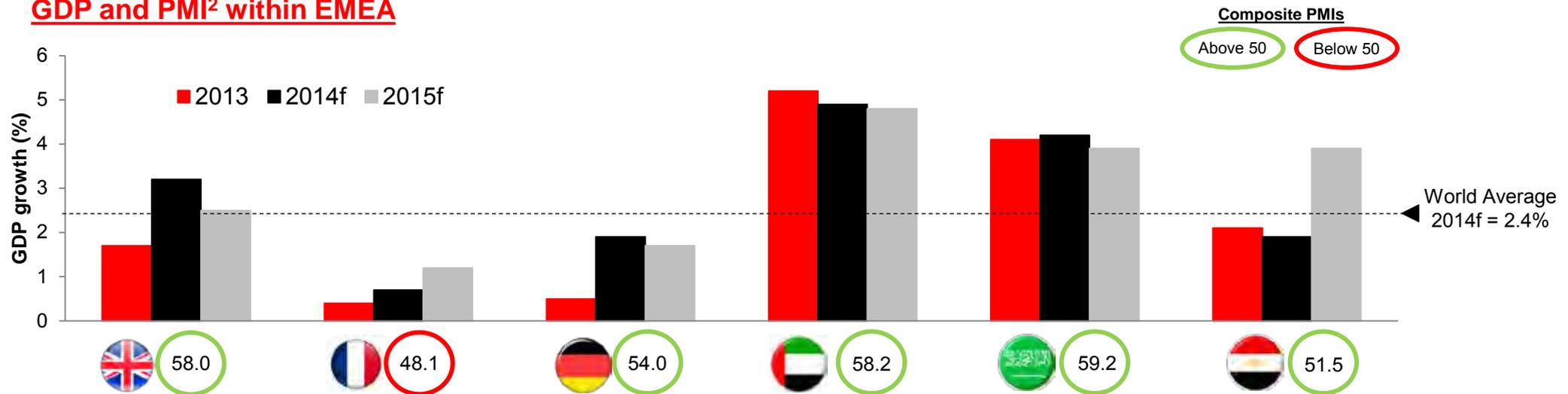


- § HSBC has coverage on both ends of the key trade corridors for Europe and MENA
- § Fastest growing flows have an Emerging Market connection
- § By 2020 Europe/Emerging Markets trade to grow annually by 7%<sup>2</sup> (vs. 3%<sup>2</sup> for intra-European trade) and MENA/Emerging Markets trade by 9%<sup>2</sup>
- § HSBC Voted Best Trade Bank in the World 2014<sup>3</sup>
- § Strong positioning in developed market trade corridors with our "open account" capabilities covering both receivables and supply chain finance

1. HSBC and Oxford Economics  
 2. Based on import and export data from Global Insight  
 3. Trade & Forfeiting Review (TFR)

## Slow economic recovery in Europe, and robust growth in the GCC<sup>1</sup> economies despite regional geopolitical risk in parts of MENA

### GDP and PMI<sup>2</sup> within EMEA



### Key geographies

- § UK witnessing fastest growth rates in Europe, while France has underperformed in 1Q14 due to structural challenges
- § Robust economic performance in GCC but geopolitical risk persists in MENA outside the GCC
- § UAE is showing signs of robust growth, supported by infrastructure and industrial projects
- § Saudi Arabia recorded strong growth in domestic demand, underpinned by high oil receipts, fiscal and current account surplus. Saudi Arabia is due to open its stock market to foreign investors in 1H15
- § With a new political regime in Egypt, growth acceleration is expected from 4Q14
- § Deep-rooted, politically challenging structural reforms are needed in some EMEA markets

Source: HSBC Global Research Global/European/Middle East Economics 3Q14 / Global PMI wrap-up 3 July 2014

1. Cooperation Council of the Arab States of the Gulf (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates

2. Purchasing Managers' Index

## Managing regulatory change remains a key challenge across EMEA, particularly in Europe

Complex regulatory landscape with increased capital requirements and structural uncertainty

- § Increased regulatory oversight and in-depth reviews
- § Multiple current stress test exercises with different methodologies
- § Fully loaded capital buffer position remains unclear and ultimately will depend upon factors such as the outcome of the PRA consultation late 2014 on the Pillar 2A and "PRA buffer"<sup>1</sup> framework and the extent to which this incorporates the results of UK regulatory stress tests and the Bank of England's draft proposals for the Leverage Ratio
- § Fundamental structural changes through ring-fencing in the UK and similar efforts in other jurisdictions

Continued focus on financial crime compliance

- § Fully FATCA<sup>2</sup> compliant in all countries by the effective date of 1 July 2014
- § Recognised by the Monitor to being fully committed to addressing the DPA with significant progress being made, but there is still much work to do

Increased Conduct Management agenda

- § Increased focus on customer outcomes needed to inform international standards and codes of conduct

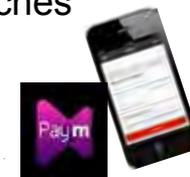
1. PRA buffer assessment will replace Pillar 2B  
2. Foreign Account Taxation Compliance Act

# Growing in the UK – Capturing the recovery in our Home Market

**RBWM**

Securing customers' future prosperity and realising their ambitions

- § Build wealth management capabilities and grow relationship-led personal lending
  - Grow mortgage market share post Mortgage Market Review
  - Launch of HOME system<sup>1</sup> resulting in reduced mortgage processing time
  - Unsecured personal lending opportunities available to enhance market position
- § Launched our Mobile Banking app and Paym and installed WiFi in 650 branches
- § Focus on improving customer satisfaction and reducing complaints
  - New branch formats pilot running in London



**CMB**

To become the Leading International Trade and Business Bank

- § Achieve leading market share of international income and cross-border revenues
- § Upgrade strategic relationships with global large corporate clients to become a Top 5 Universal Bank
- § Focus on MMEs with deeper international needs (trade, supply chain, subsidiaries, PCM)
- § Promote ambitious SMEs with launch of £6bn SME fund

**GBM**

Connecting clients to global growth opportunities

- § New dedicated top end client coverage model to grow client relationships proactively
- § Achieve and sustain leadership in key capital financing products
- § Drive collaboration with CMB and RBWM

**GPB**

Building on our commercial banking heritage, be the leading private bank for business owners

- § Focus on onshore business and de-risk international activities
- § Implement new segmentation model and enhanced client propositions while de-risking the balance sheet
- § Continue to improve collaboration with other Global Businesses



1. HOME – Online mortgage application and approval system

# Growing in Germany – Building scale in the world’s 2<sup>nd</sup> largest exporter

CMB

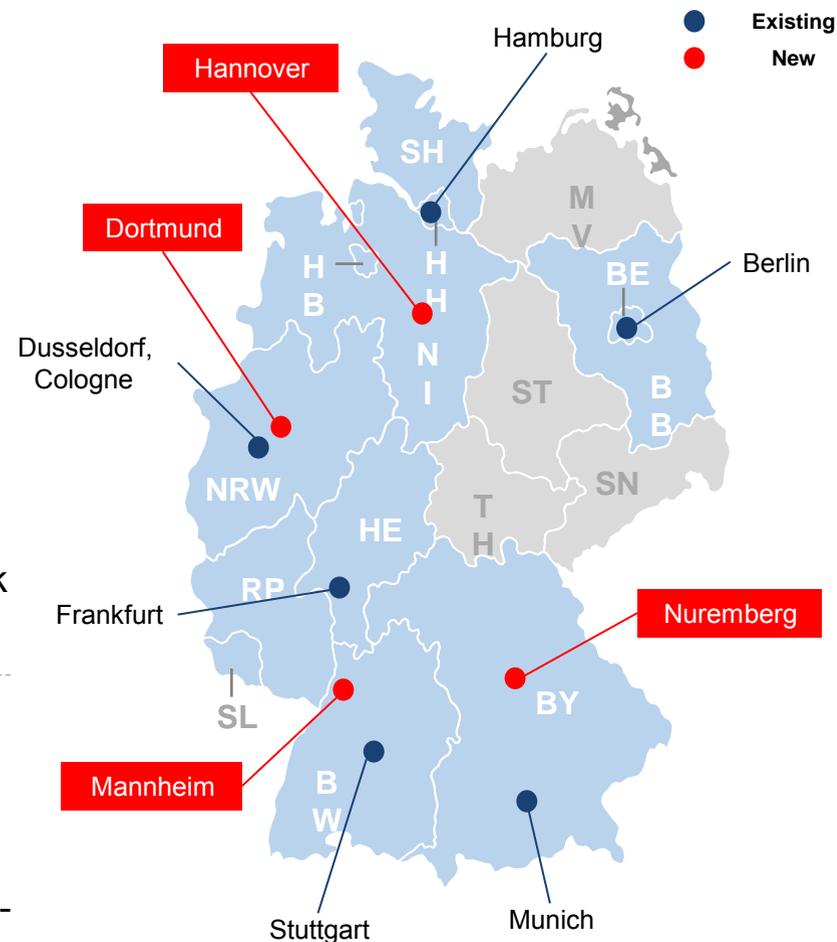
To become the Leading International Trade and Business Bank

- § Expand network footprint into four new cities allowing HSBC to cover 84% of potential international opportunity<sup>1</sup> and 88% of Germany’s GDP<sup>2</sup>
- § Broaden customer base and seize attractive opportunities in the mid-market segment
- § Deepen wallet share by leveraging international Group’s capabilities and focusing on key trade corridors and priority markets
- § Position HSBC as a leading Trade, Commodity and Receivable Finance bank on the German market

GBM

Connecting clients to global growth opportunities

- § Enlarge client coverage and expand product suite within Germany to become trusted adviser for selected Global Corporates
- § Leverage corporate growth through cross-business collaboration opportunities



1. Source: McKinsey City Analysis

2. Source: Statistische Ämter des Bundes und der Länder, 2012 GDP

# HSBC MENA targets corporate and individual wealth pools; in line with Group priorities

## HSBC MENA has 3 Priority markets: UAE, Saudi Arabia and Egypt

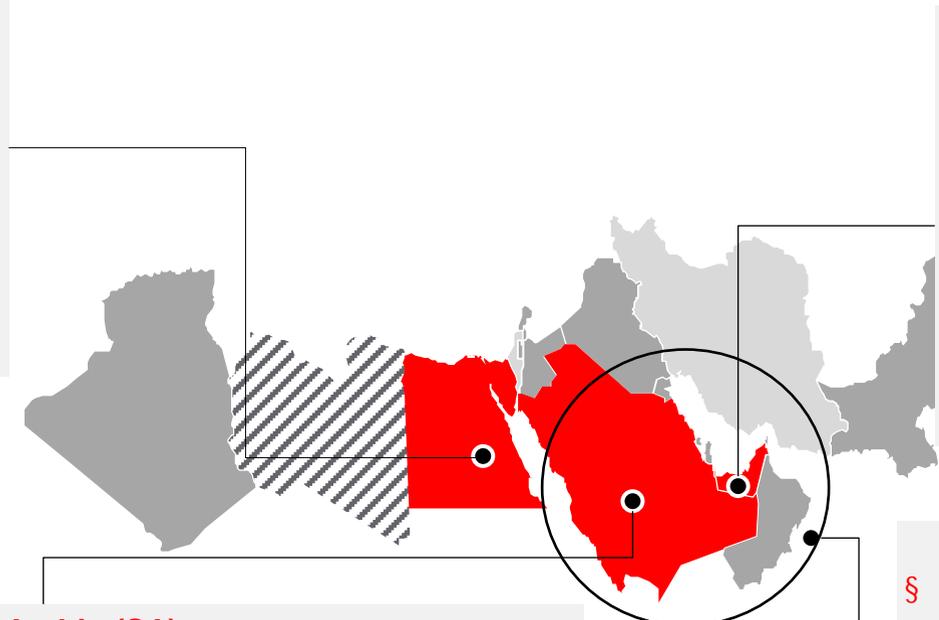
### Egypt

- § HSBC in Egypt has a RBWM, CMB and GBM presence through its 69 branches.
- § Growth in Retail premium segments supported by focused wealth proposition
- § Improving wholesale risk environment underpins increased lending activities in key segments

 Priority growth markets

 Network & Small markets

 Rep. office



### UAE

- § UAE is the largest market in HSBC MENA and operates a full-service presence through 8 branches. HSBC in UAE has strong trade connectivity
- § Retail shows strong momentum in mortgages. Premier re-launch campaign in UAE to increase wealth penetration amongst existing clients
- § Strong performance in Equities business is benefitting from MSCI upgrade

### Saudi Arabia (SA)

- § Saudi British Bank (SABB), HSBC's 40% JV in SA, is the only financial institution with a full-service presence in SA and a vast network of 81 branches.
- § SABB can connect within MENA and with all major trade and investment corridors. There is no other global or regional bank with a full-service presence in SA
- § SABB registered good balance sheet growth and the management of costs and risks

### Other GCC

- § HSBC is present in the 4 other GCC markets (Oman, Qatar, Bahrain and Kuwait) through 92 branches
- § These GCC markets are important for MENA as they have robust economic fundamentals and strong demand driven infrastructure spending
- § These markets will be focused primarily on capturing wholesale opportunities



GCC (Cooperation Council of the Arab States of the Gulf (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates)

## Growing in UAE – Capitalising on strong economic growth

**RBWM**

Securing customers' future prosperity and realising their ambitions

- § Doubled team of qualified wealth advisors since 2013
- § HSBC ranked 2nd amongst competitors and 1st amongst international banks in the Customer Recommendation Index

**CMB**

The Leading International Trade and Business Bank

- § Strategy aligned to UAE's economic agenda - focus on Capital Finance, Infrastructure and International SMEs
- § Record 1H balance sheet growth and new money approvals
- § Strong focus on cross-business and product collaboration to deliver an unrivalled value proposition

**GBM**

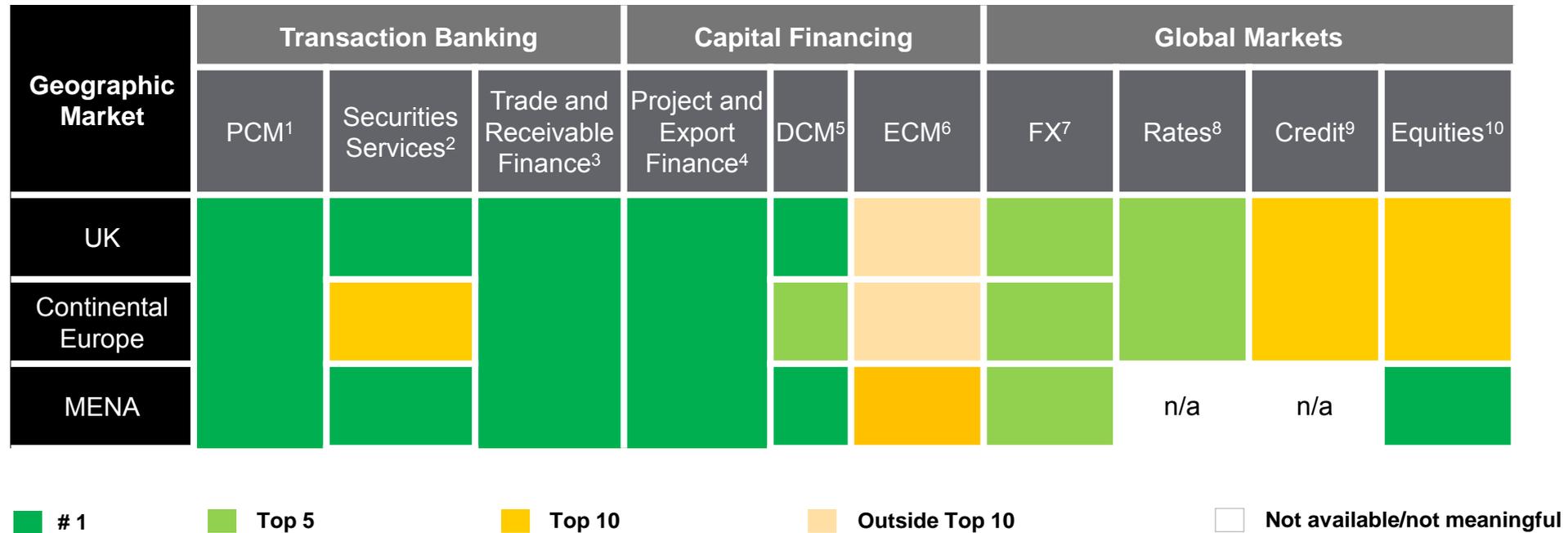
Connecting clients to global growth opportunities

- § Reinforce client coverage with Governments/sovereigns to capture capital flows
- § Enhance product capabilities whilst maintaining market leading positions in core strengths, HSS, FX and Trade
- § Awarded Euro Money Best Debt House in the UAE in 2014



- § HSBC continues to grow our business in Dubai
- § Abu Dhabi has attractive investment potential for CMB and GBM
- § HSBC will continue to invest in Abu Dhabi to strengthen our overall position in the UAE

# HSBC is a market leader across product ranges in EMEA



Sources:

1. PCM – Euromoney Cash Management Survey 2013
2. HSS – Global Custodian Global Custody, Custody Risk European Awards 2013, The Asset Triple A Asset Servicing Awards 2013, HFM European Hedge Fund Services Awards 2013, Mutual Fund and Hedge Fund Administration Survey, Hedge fund.net administrator survey - Continental Europe includes Germany, Luxembourg and Ireland
3. Global Trade and Receivable Finance – Oliver Wyman Global Transaction Banking Survey 2012
4. Project and Export Finance – Dealogic 2012 – based on International Bank on advisories closed

5. DCM – Bloomberg FY 2013; Cont Europe – Euromarket Bonds; UK – Sterling Bonds
6. ECM – Dealogic FY 2013 YTD
7. FX – Euromoney 2014. Middle East ranking shown only (ex. North Africa).
8. Rates – Greenwich 2013
9. Credit – Greenwich 2013
10. Equities – Extel 2013 Overall Pan-European Broker Ranking (9<sup>th</sup> in 2012)

# Successfully capturing organic growth opportunities across EMEA

## Group Investment Priorities

## EMEA Achievements

### Trade Finance

- § Reinforce HSBC's leading position in trade
- § Strengthen position in high growth products/corridors and expand in trading hubs

- § Global Factoring turnover exceeded USD3tr for the first time in 2013 and the key Receivable Finance businesses in Europe equally outperformed the market<sup>1</sup>
- § GTRF Europe has asset growth of >25%<sup>2</sup>
- § HSBC across MENA has the second largest Trade market share<sup>3</sup>
- § Best Trade Finance Bank in the Middle East and North Africa for 7 consecutive years



### Payments and Cash Management

- § Deliver improved client coverage and products via customer proposition enhancements

- § Europe fully SEPA compliant with market leading proposition
- § Network coverage further enhanced with the launch of CMB in Italy
- § Recognised as Best Regional Cash Management House in the Middle East from 2009-2013



### FX

- § Upgrade Global Business collaboration
- § Renew capabilities of electronic distribution platform

- § HSBC ranked in the Top 5 for FX in Western Europe, Middle East and Africa



### RMB

- § Accelerate and expand global leadership position in RMB
- § Capture offshore RMB, FX and capital markets opportunities

- § During 2Q14, HSBC saw increased client RMB activity and growth in RMB account clients
- § Growth in client dealing in RMB Spot FX

1. Factors Chain International stats and 23-27JUN14 Conference  
 2. Figures accurate as at Jun14 YoY  
 3. SWIFT data, 1Q2014

# Leveraging our vast international network and connectivity to support clients in EMEA

## Customer



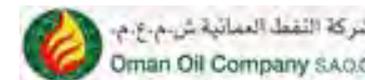
- § Leading global specialty biopharmaceutical company, listed in Spain and headquartered in Barcelona. Grifols is the European leader and third-largest worldwide producer of blood plasma-based products

## What has HSBC done?

- § HSBC's GRM<sup>1</sup> approach, ability to grant credit to overseas subsidiaries (e.g. in Los Angeles, USA in 2006 when other banks only offered payments without credit), and product specialists coverage moved HSBC from a provider of current accounts to sole provider of a sophisticated global cash pool
- § Enhanced coverage from senior bankers and Capital Financing then secured in MAR14 the mandate as joint underwriter, MLA<sup>2</sup> and book-runner on USD5.8bn refinance
- § Banking provided in 18 countries

## Why HSBC?

- § International network
- § Local balance sheet in key markets across Asia, Europe and Americas
- § Product capabilities, including payments and trade
- § Advisory capabilities, including M&A



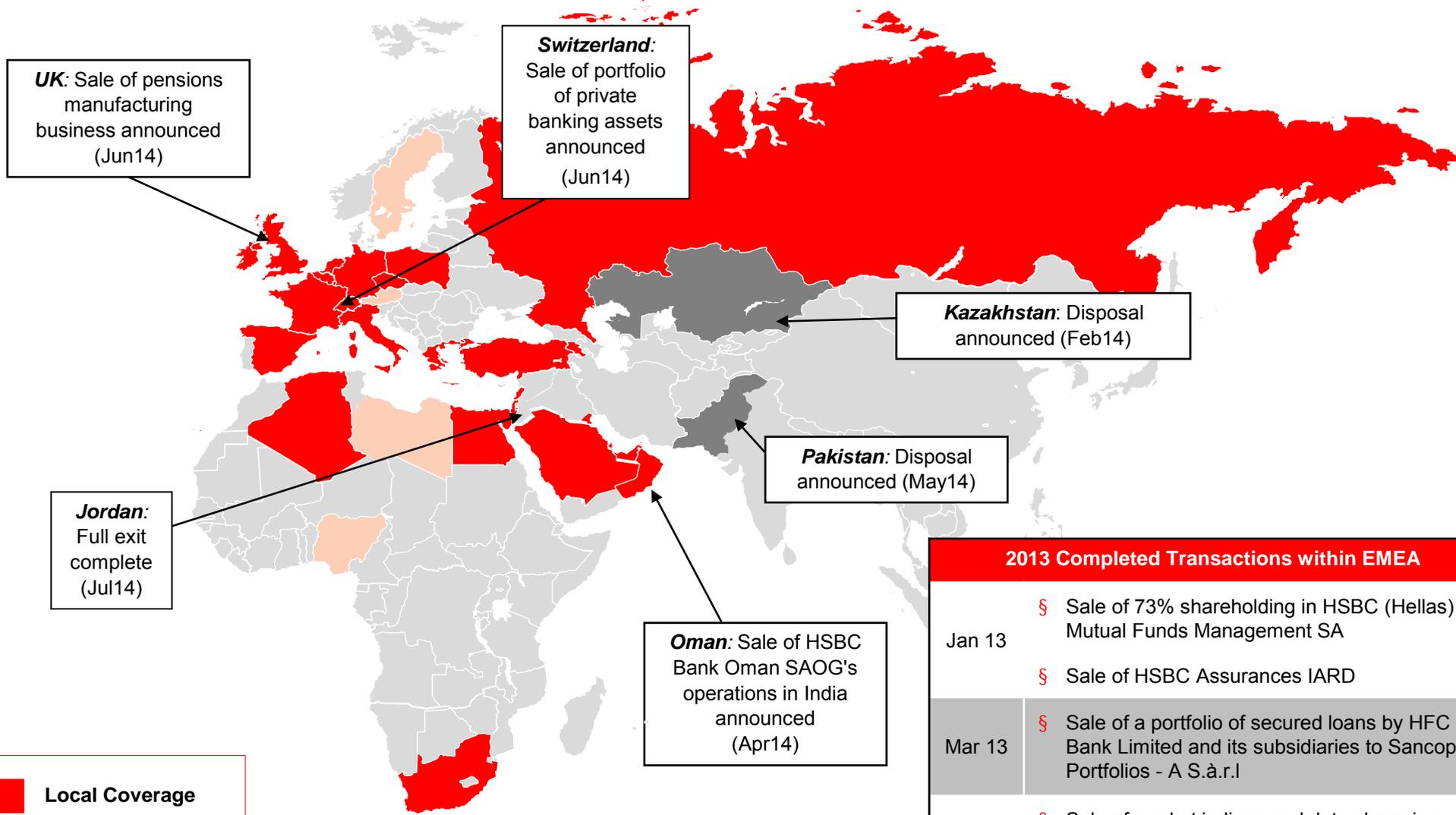
- § Government owned and incorporated in 1996 to pursue investment opportunities in the energy sector both inside and outside Oman, playing a vital role in economy diversification and promotion of Omani and foreign private sector investment.
- § Focused on the development of oil and gas-based industries and energy related projects in partnership with international industry players.

HSBC supported operations through;

- § PCM capabilities automating payments via HSBC Connect that forms a direct link with the company's ERP<sup>3</sup> system and via HSBC Net allowing to monitor, control and authorise transactions online
- HSBC also supported Group's subsidiaries:
- § Oman Oil Refineries and Petroleum Industries Co and Oman Oil Marketing Company for their Trade and PCM requirements
  - § Provided Financial advisory of the Sohar Refinery Improvement project (a USD2bn expansion programme)

1. Global Relationship Manager  
 2. Mandated Lead Arranger  
 3. Enterprise Resource Planning

# Simplifying the portfolio makes EMEA easier to manage



- Local Coverage
- Representative Offices
- Exit markets (announced)

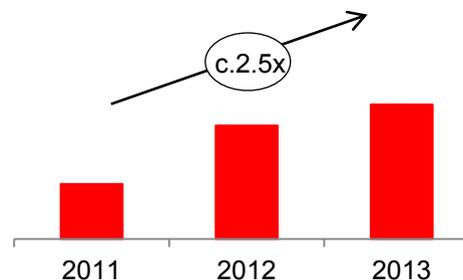
2013 Completed Transactions within EMEA	
Jan 13	§ Sale of 73% shareholding in HSBC (Hellas) Mutual Funds Management SA
	§ Sale of HSBC Assurances IARD
Mar 13	§ Sale of a portfolio of secured loans by HFC Bank Limited and its subsidiaries to Sancopia Portfolios - A S.à.r.l
Apr 13	§ Sale of market indices and data cleansing provider, Quantitative Techniques
Jul 13	§ Sale of HSBC Trinkaus & Burkhardt private banking activities in Luxembourg

# Protecting our business and our customers

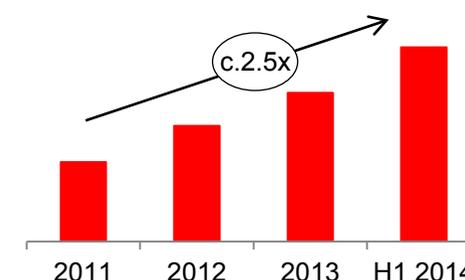
## Continued investment in compliance

§ Robust global governance in place, supported by regional committees in Europe and MENA

Compliance spend



Compliance headcount



## Strengthening financial crime compliance

§ Global Standards programme launched in all EMEA markets<sup>1</sup>

- Ø **Financial Crime Compliance:** Continued investment in establishing controls and implementing a crime compliance blueprint across EMEA
- Ø **Customer Due Diligence:** Integrated frameworks being developed with a client selection and exit management policy in place across EMEA
- Ø **Financial Intelligence:** EMEA-wide rollout of a financial crime case management system commenced

## Improving conduct management

- § Incentive frameworks aligned to customer needs, and in line with our values, with no mechanistic or formulaic links to determining rewards
- § Professionalise our people, leading with values
- § Ensure our business model delivers future-proofed fair outcomes for customers

1. With exception of disposals announced - Kazakhstan, Cayman and Pakistan

## Implementing Group Strategy across EMEA is on-track

### Grow both business and dividends

#### Strategic Priorities

- § Continue to recycle RWAs from lower into higher performing businesses within the Group's risk appetite
- § Capitalise on global network and strengthen position in priority growth markets

#### 2016 Milestones in EMEA

- § Advance-to-deposit ratio <90%
- § Increased regional cross-border business synergies

### Implement Global Standards

- § Continue to invest in best-in-class Compliance and Risk Capabilities
- § De-risk operations and/or improve risk management in higher risk locations and businesses
- § HSBC values – act with Courageous Integrity

- § Significant progress in implementation of Global Standards<sup>1</sup>
- § Establish Global Standards as competitive advantage and increase quality of earnings

### Streamline processes and procedures

- § Re-design key processes and procedures achieving improvements in service, quality, cost and risk
- § Release costs to provide headroom to invest in growth and global standards
- § Deliver additional USD2-3bn sustainable cost savings

- § Positive JAWS
- § CER mid-50s<sup>2</sup>
- § Achieve USD2-3bn sustainable saves from 2014-2016 with EMEA remaining a significant contributor

1. Conditional on regulatory environment

2. MENA CER was 51.5% and Europe CER was 84% as at 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

Cover designed by Creative Conduct Ltd, London. 01/14

**Issued by HSBC Holdings plc**

Group Investor Relations  
8 Canada Square  
London E14 5HQ  
United Kingdom  
Telephone: 44 020 7991 8041

[www.hsbc.com](http://www.hsbc.com)