

# HSBC Asia Seminar for Investors and Analysts

## Day 3 morning presentations

Date: 11 April 2018



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Information in this presentation was prepared as at 6 April 2018.

## Day 3 morning presentations

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# GB&M Asia

11 April 2018

Gordon French

Head of Global Banking and Markets, Asia-Pacific



# Agenda

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Introduction

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GB&M Asia positioning

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Client and business strategy

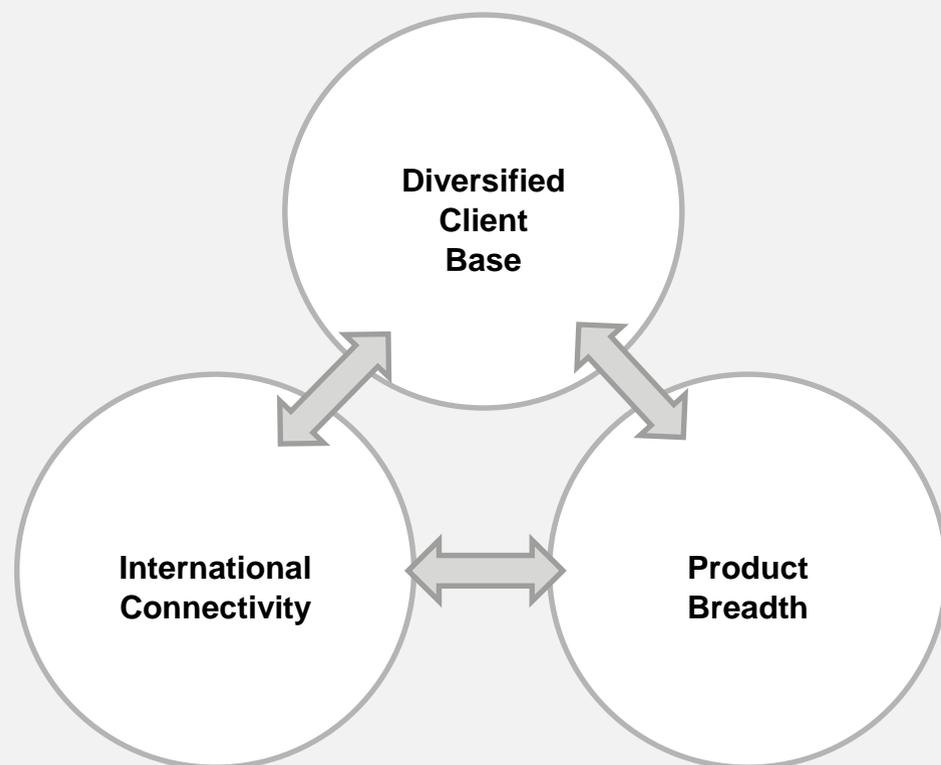
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Recap

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# GB&M Asia franchise – distinctive competitive advantages and well-positioned for growth

## Distinctive competitive advantages...



## ...and well-positioned for sustainable growth

		2016 rank	2017 rank
Transaction Banking	GLCM <sup>1</sup>	#1	#1
	HSS <sup>2</sup>	#1	#1
	GTRF <sup>1</sup>	#1	#1
Global Markets	FX <sup>3</sup>	#1	#1
	Credit <sup>3</sup>	#4	#3
	Rates <sup>3</sup>	#2	#2
Global Banking	DCM <sup>4</sup>	#1	#1
	Syndicated lending <sup>5</sup>	#2	#3

1. Source: Oliver Wyman, September 2017. 2017 APAC rank based on 2016 revenue data. 2016 APAC rank based on 2015 revenue data.

2. Source: EY, March 2018. Note: Estimated Asia Pacific rankings based on AUC data provided by HSBC and Tricumen. Refer to definitions in the Appendix for explanation on the EY methodology

3. Source: Coalition, FY 2017. Asia Pacific excluding Japan. Peer group comprises the Coalition Index: BoAML, BARC, BNPP, CITI, CS, DB, GS, HSBC, JPM, MS, SG and UBS. Rankings are based upon HSBC's product taxonomy and include all Institutional clients and Corporates with a turnover of greater than US\$1.5bn.

4. Source: Dealogic, 2017 Fee Ranking. Asia Pacific excluding Japan & Chinese Onshore DCM

5. Source: Dealogic, 2017 Fee Ranking. Asia Pacific excluding Japan

## Strategic actions – 2017 achievements

Group strategic actions	GB&M Asia strategic focus areas	Objectives	Achievements
<p><b>Deliver growth above GDP from international network</b></p>	<b>Transaction Banking</b>	<ul style="list-style-type: none"> <li>Grow revenue</li> </ul>	<ul style="list-style-type: none"> <li>Grew GLCM revenue by 22% Y-o-Y<sup>1</sup></li> <li>Grew HSS revenue by 12% Y-o-Y<sup>1</sup></li> </ul>
	<b>FIG focus</b>	<ul style="list-style-type: none"> <li>Increase FIG revenue contribution</li> <li>Capture opportunities from Chinese Asset Managers</li> </ul>	<ul style="list-style-type: none"> <li>FIG client revenue from Asia managed clients grew more than 10% Y-o-Y<sup>2</sup></li> </ul>
	<b>Belt and Road Initiative (BRI)</b>	<ul style="list-style-type: none"> <li>Support Chinese corporates “going out”</li> <li>Leverage Hong Kong’s unique position to capture BRI opportunities e.g. fund raising capabilities, largest offshore RMB centre</li> </ul>	<ul style="list-style-type: none"> <li>Awarded Best Overall International Bank for BRI by Asiamoney</li> <li>Awarded Best Bank for Belt and Road at the FinanceAsia Achievement Awards</li> <li>Established 25 China desks worldwide to facilitate China “going out” strategy</li> <li>Issued the first BRI Climate Bond</li> </ul>
	<b>Sustainable financing</b>	<ul style="list-style-type: none"> <li>Become leader in green / sustainable financing</li> </ul>	<ul style="list-style-type: none"> <li>Ranked #1 in Green issuance for Asia Pacific<sup>3</sup></li> <li>Awarded Global Capital’s Sustainable and Responsible Capital Markets Awards 2017 - Most Impressive Bank for Asia Pacific Green / SRI Capital Markets</li> <li>Completed 13 Green Bonds<sup>4</sup></li> </ul>
<p><b>Investment in Asia</b></p>	<b>Asset growth</b>	<ul style="list-style-type: none"> <li>Pivot to Asia</li> </ul>	<ul style="list-style-type: none"> <li>Grew Loans and Advances to Customers by 22% Y-o-Y<sup>1</sup></li> </ul>
	<b>China securities JV</b>	<ul style="list-style-type: none"> <li>Establish a securities JV in China</li> </ul>	<ul style="list-style-type: none"> <li>51% stake in HSBC Qianhai Securities Limited in Shenzhen</li> <li>First foreign bank with a majority-owned securities JV</li> <li>Commenced business in DEC17 and issued first research reports in both Chinese and English to international and domestic clients</li> </ul>

1. Adjusted performance

2. Client revenue differs from reported revenue. Sourced from HSBC internal client MI

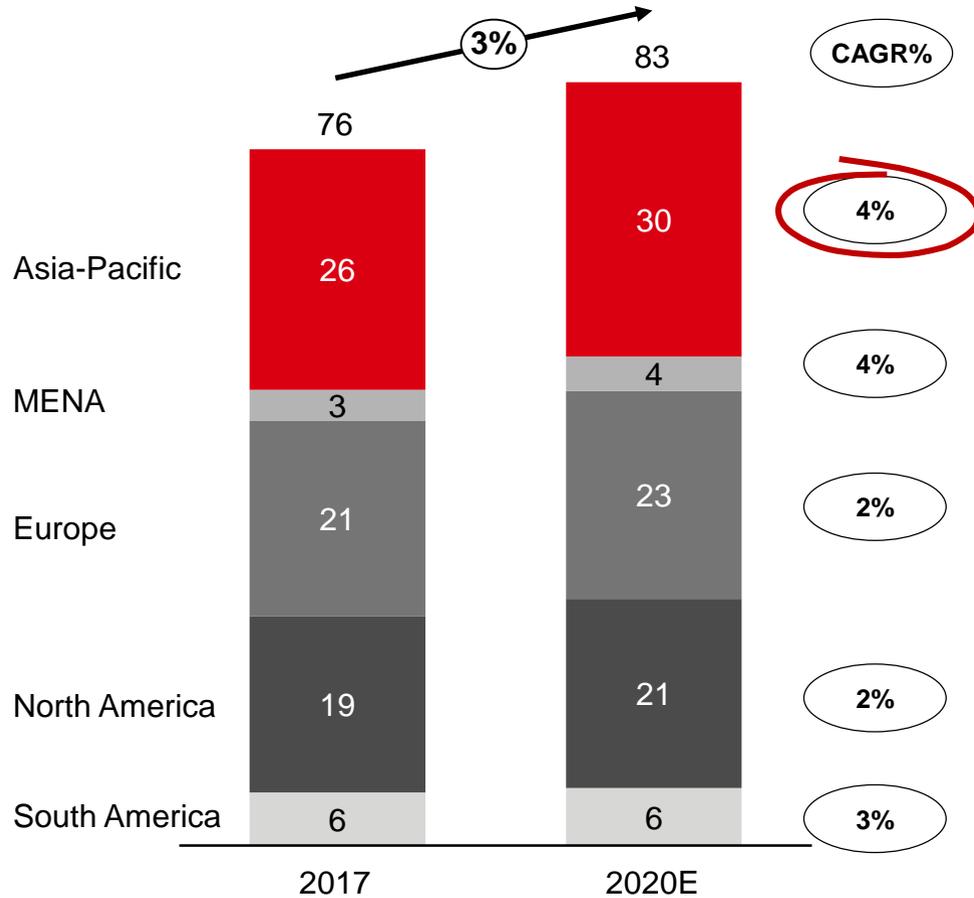
3. Source: Dealogic, YTD 19 Mar 2018, Ranking by Deal Value, Asia ex Japan

4. Source: Dealogic, 2017 to YTD 19 Mar 2018, Ranking by Deal Value, Asia ex Japan

# Asia – the engine of world growth

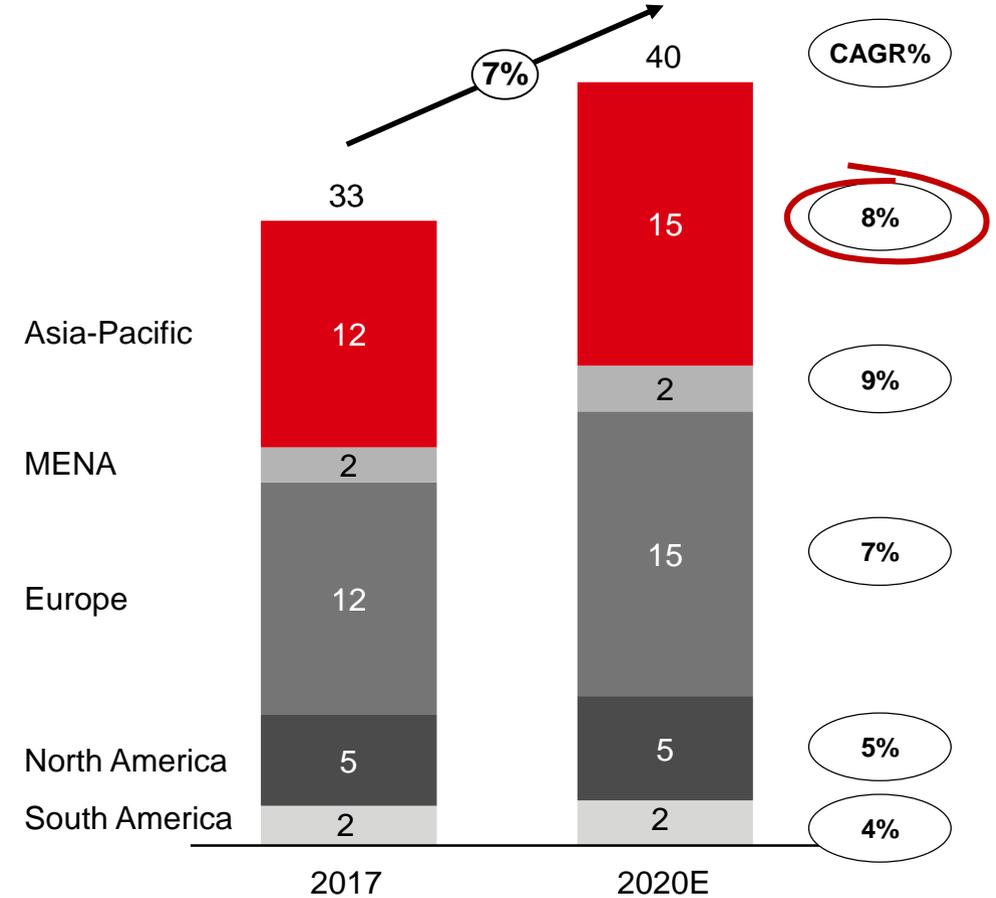
## Global real GDP<sup>1</sup>

USDtn



## Global trade<sup>2</sup>

USDtn



Note: Numbers may not add up due to rounding

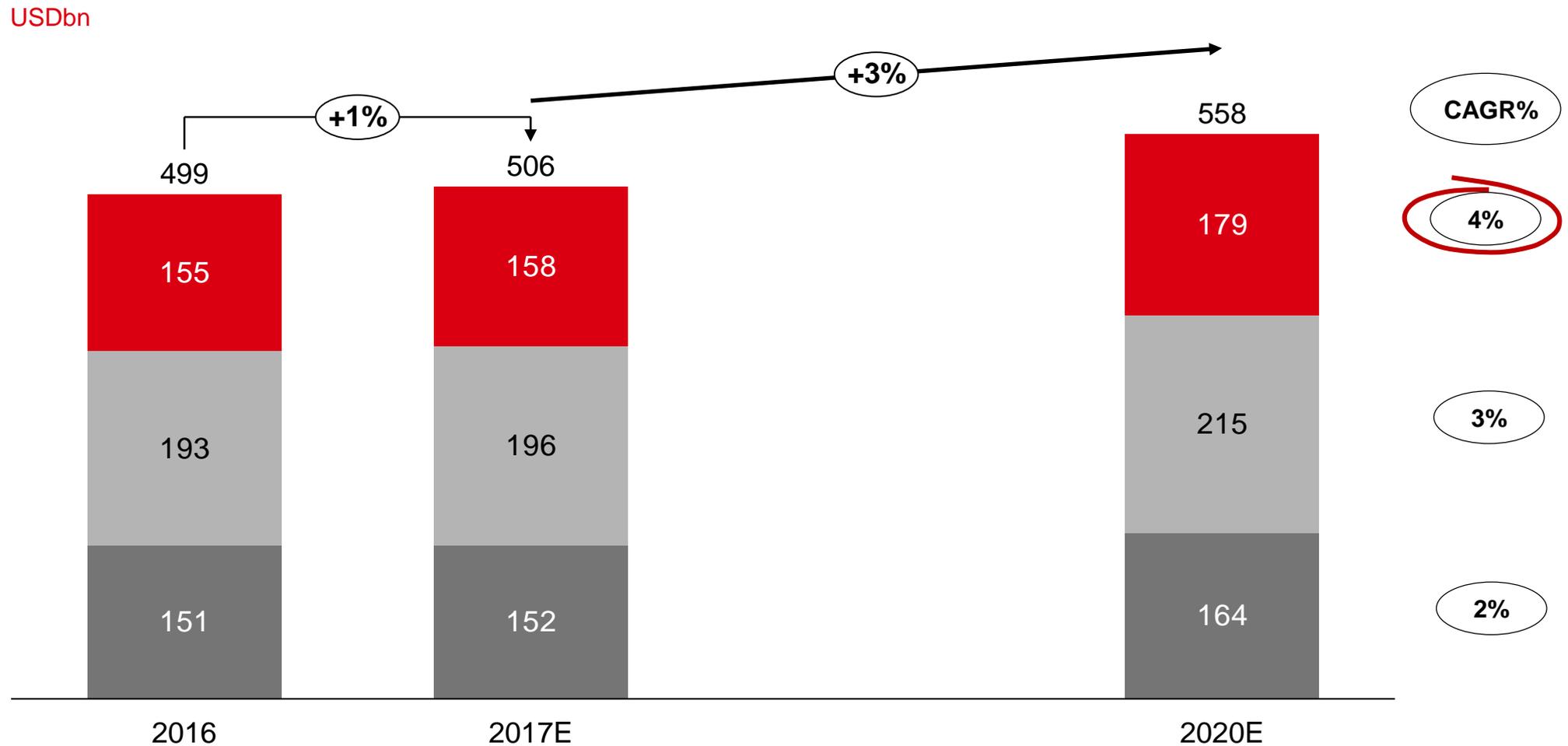
1. Source: Global Insight, January 2018. Note: Excludes Commonwealth of Independent States and Sub-Saharan Africa

2. Source: Global Insight, January 2018. Note: Sum of merchandise imports and exports. Excludes Commonwealth of Independent States and Sub-Saharan Africa

# Asia revenue is the fastest growing in the wholesale banking industry

## Wholesale banking industry revenue<sup>1</sup>

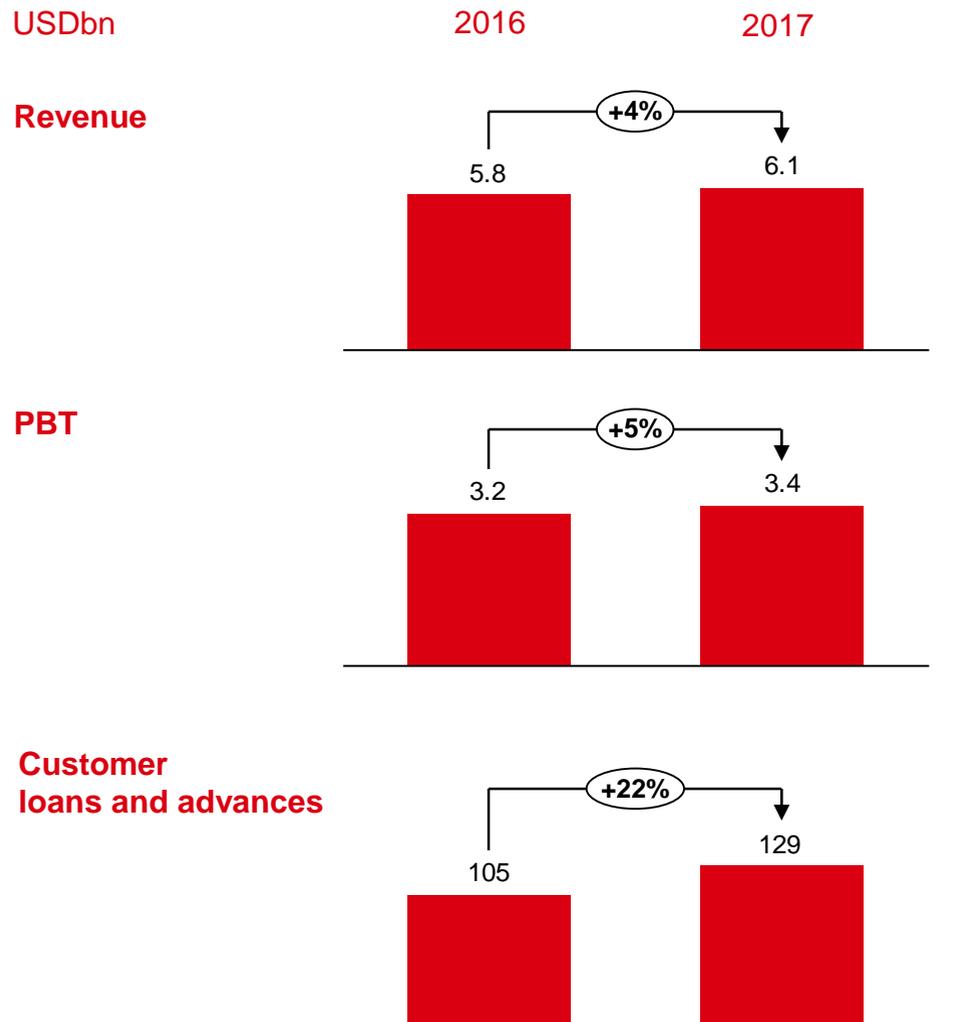
Asia Pacific Americas EMEA



1. Source: BCG, Wholesale Banking and Global Markets, March 2018. Includes Investment Banking (Equities, FICC, and Advisory & Origination), Trade Finance & Payments, Lending (Large Corporates), and Securities Services

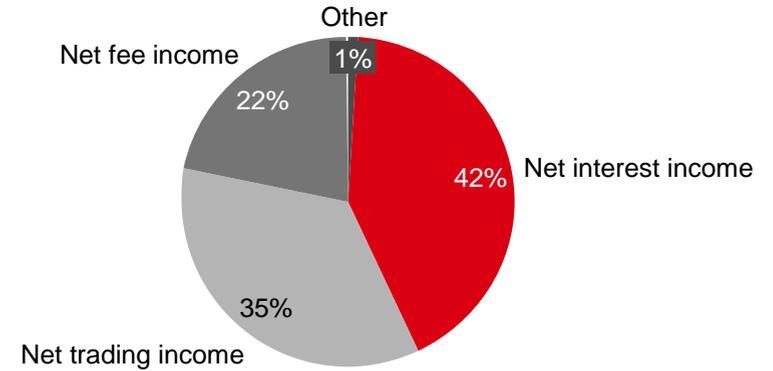
# GB&M Asia – strong financial performance with diversified product and geographic mix

## Strong financial performance<sup>1</sup>



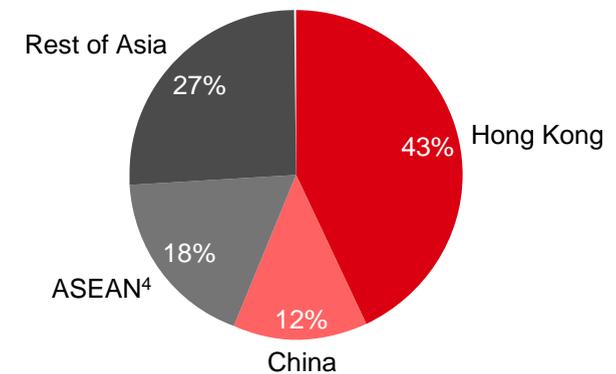
## Diversified revenue mix<sup>2</sup>

### Net operating income, 2017



## Diversified regional mix<sup>3</sup>

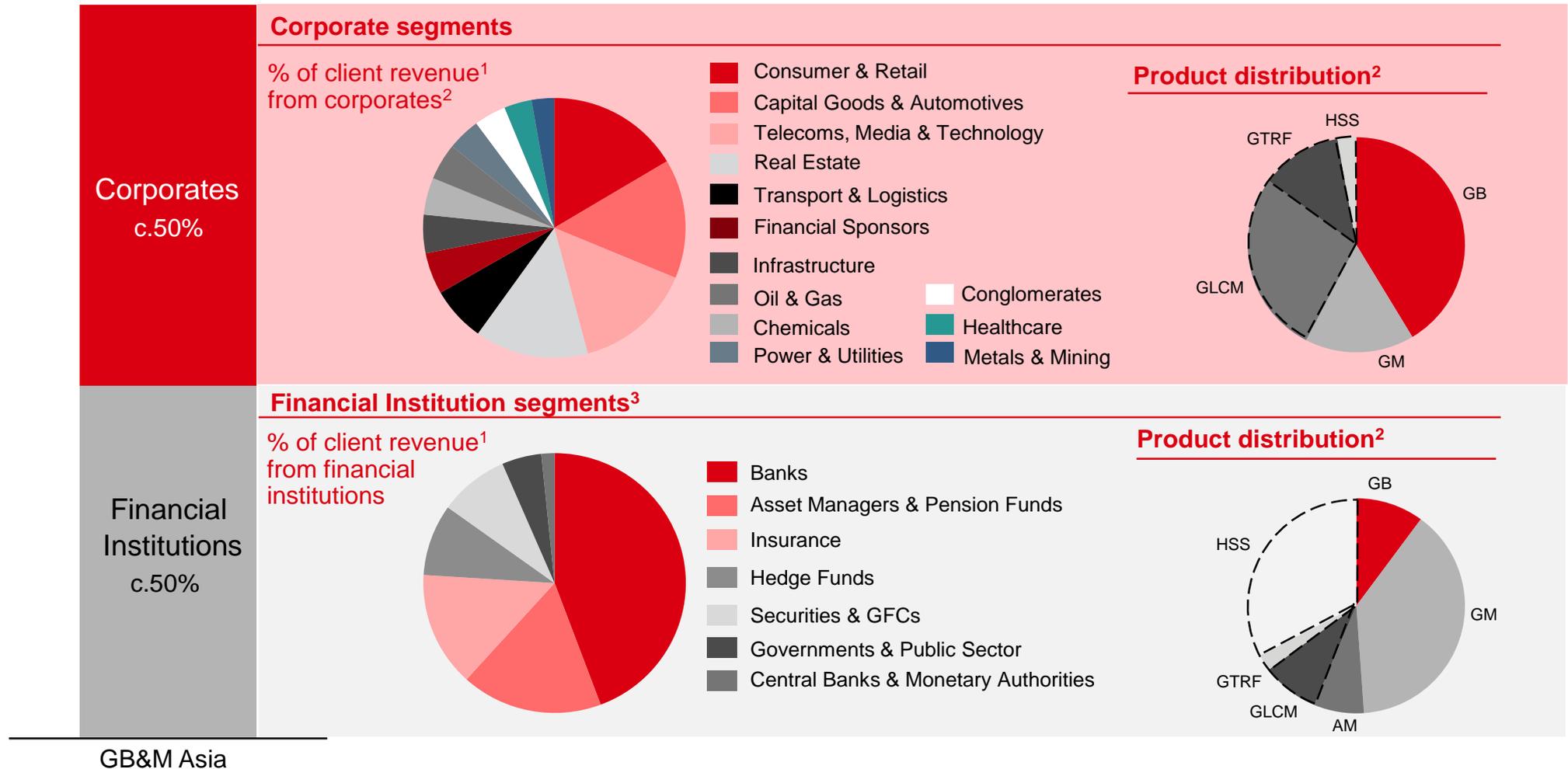
### PBT, 2017



1. Adjusted performance  
 2. Reported results  
 3. Internal MI aligned to reported results  
 4. ASEAN comprises Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam

# Diversified client base – balanced mix of corporates and financial institutions

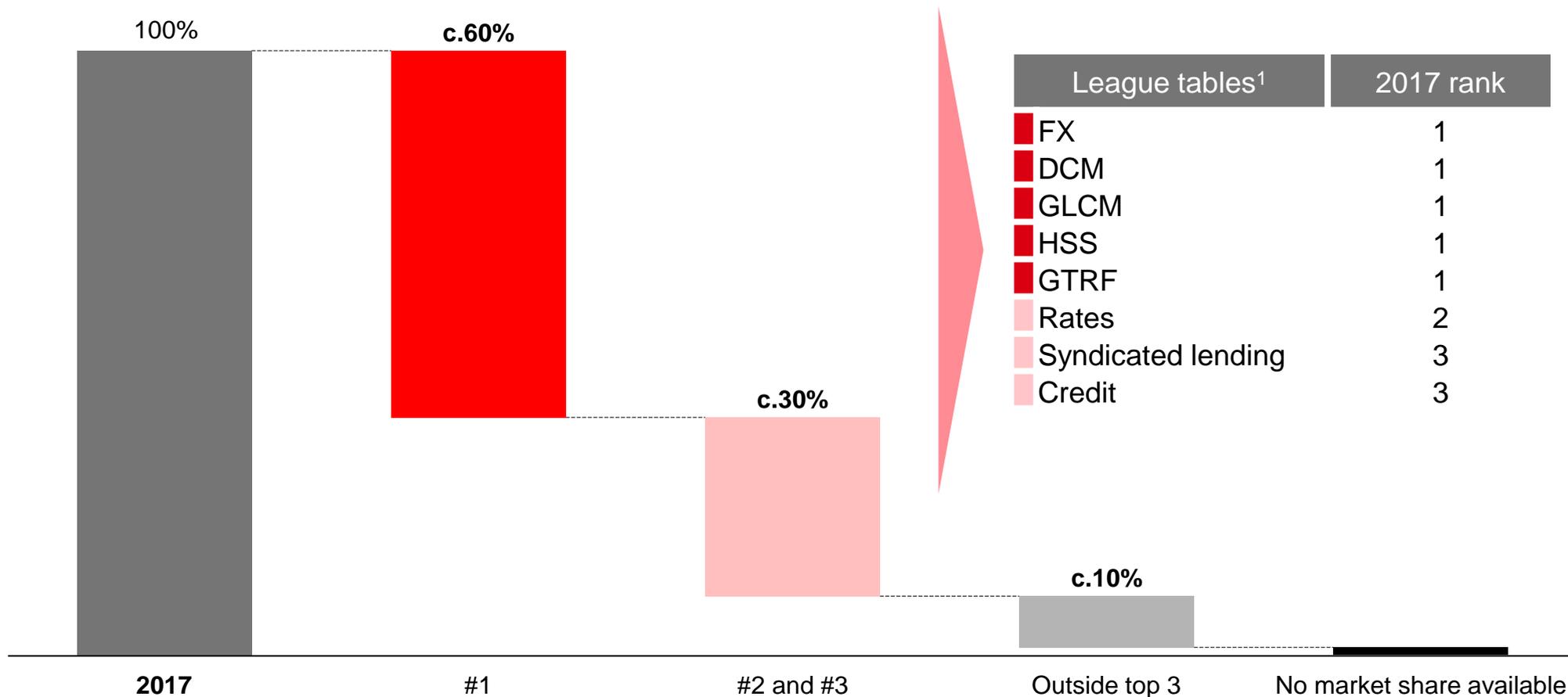
## Asia booked client revenue<sup>1</sup> mix, 2017



1. Client revenue differs from reported revenue. Sourced from HSBC internal client MI  
 2. Excludes segment / product revenue which contributes less than 2% of total client revenue  
 3. Financial Institution segment includes Institutional Client Group clients

## Product breadth – top 3 ranked products drive c.90% of revenue

### Revenue by product with market ranking (Asia ex-Japan)

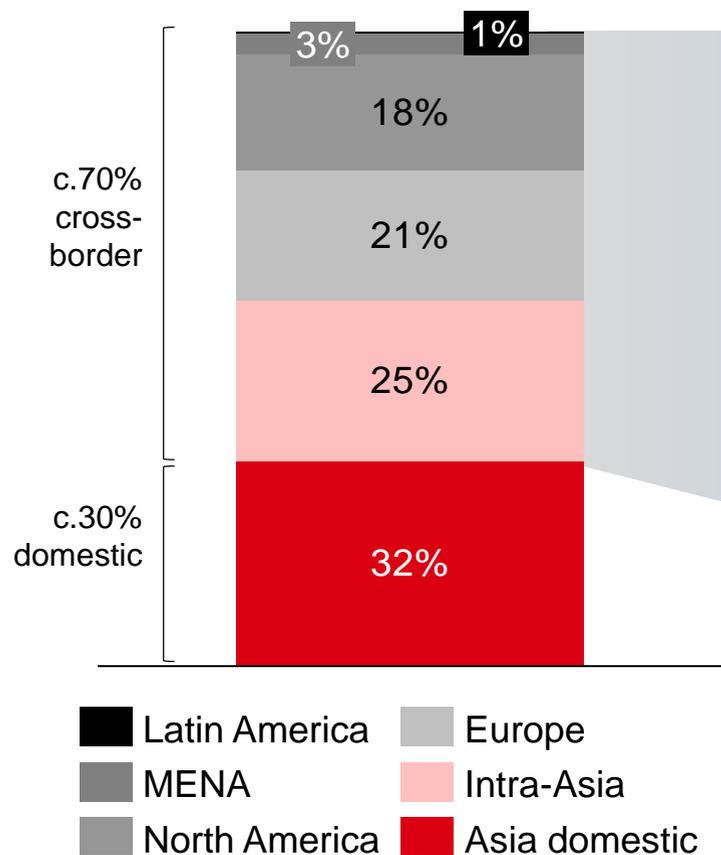


1. Sources: GLCM and GTRF (Oliver Wyman, September 2017. 2017 APAC rank based on 2016 revenue data. 2016 APAC rank based on 2015 revenue data). HSS (EY, March 2018. Note: Estimated Asia Pacific rankings based on AUC data provided by HSBC and Tricumen. Refer to definitions in the Appendix for explanation on the EY methodology). FX, Rates, and Credit (Coalition, FY 2017. Asia Pacific excluding Japan. Peer group comprises the Coalition Index: BoAML, BARC, BNPP, CITI, CS, DB, GS, HSBC, JPM, MS, SG and UBS. Rankings are based upon HSBC's product taxonomy and include all Institutional clients and Corporates with a turnover of greater than US\$1.5bn). DCM (Dealogic, 2017 Fee Ranking. Asia Pacific excluding Japan & Chinese Onshore DCM). Syndicated Lending (Dealogic, 2017 Fee Ranking. Asia Pacific excluding Japan) used as a proxy for total Credit and Lending revenue.

# International connectivity – our network drives c.70% of GB&M Asia client revenue<sup>1</sup>

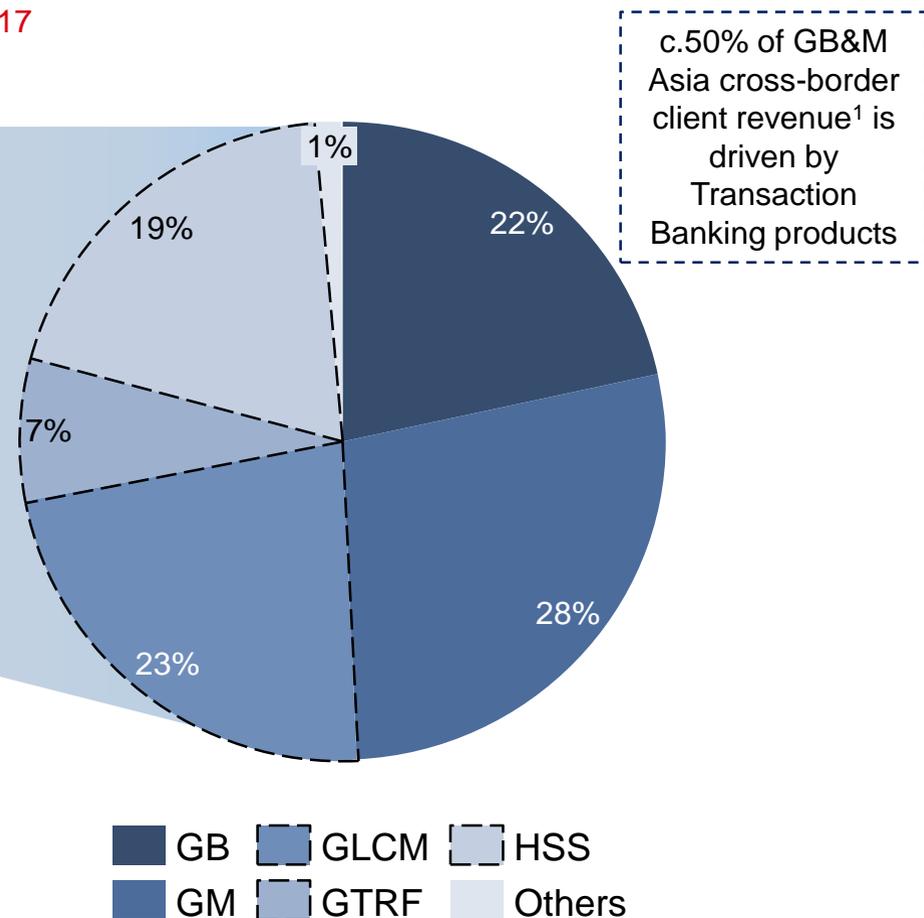
Asia booked client revenue<sup>1</sup> by client region

2017



Asia booked GB&M cross-border client revenue<sup>1</sup> by product

2017



1. Client revenue differs from reported revenue. Sourced from HSBC internal client MI

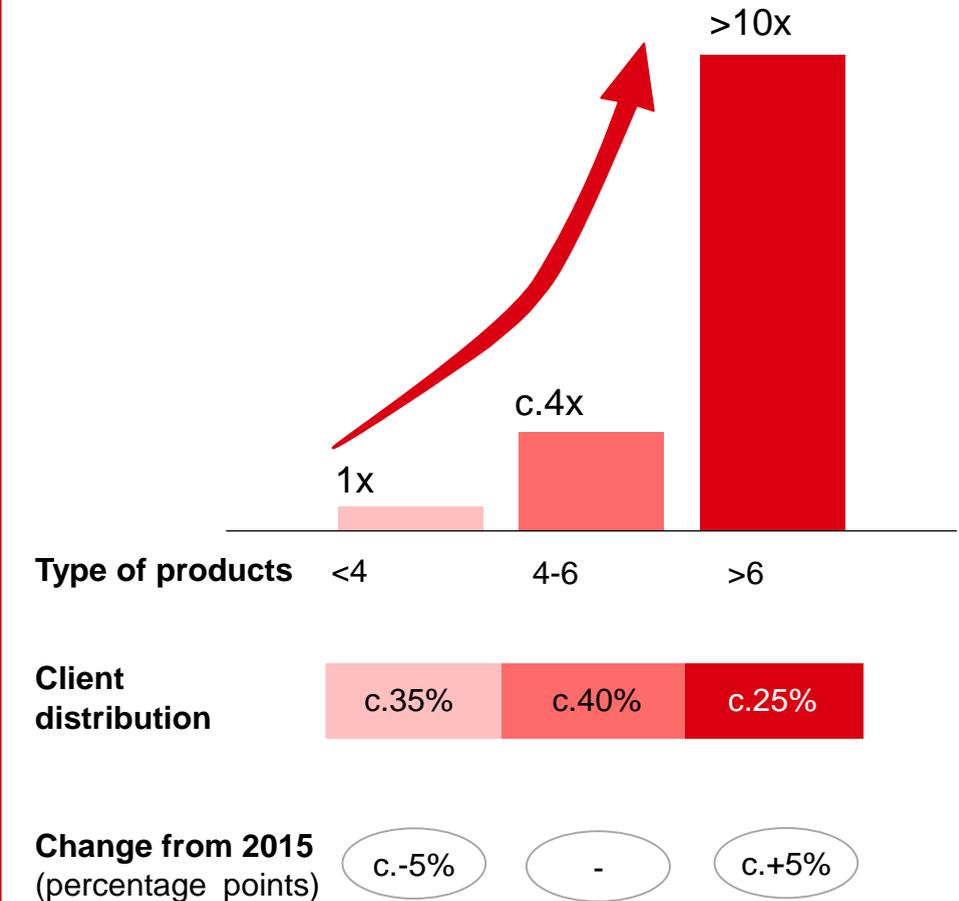
# Client-centric approach enables us to serve our clients with more products in more countries

## Client-centric approach



## Asia-managed client revenue<sup>3</sup> multiplier by type of products

2017, revenue multiplier vs. type of products



1. Managed by Commercial Banking  
 2. Managed by Retail Banking and Wealth Management  
 3. Client revenue differs from reported revenue. Sourced from HSBC internal client MI

# Leverage product strength in Hong Kong to serve our international clients

## League table (Hong Kong)<sup>1</sup>

	2016 rank	2017 rank
M&A	#6	#1
ECM	#5	#3
DCM	#1	#1
Syndicated lending	#1	#1

## Key awards

### Euromoney Awards for Excellence 2017

- ◆ Asia's Best Bank
- ◆ Hong Kong's Best Investment Bank



### Asiamoney Banking Awards 2017

- ◆ Best Corporate and Investment Bank in Hong Kong



### The Banker Deals of the Year 2017

- ◆ Bonds – Corporate – CK Hutchison EUR2bn dual-tranche issuance
- ◆ Capital Markets FIG – DBS USD750m AT1
- ◆ Equities – Postal Savings Bank of China's USD7.6bn IPO
- ◆ Green Finance – Bank of China's USD500m green covered bond
- ◆ Loans – Intas Pharmaceuticals INR8.9bn loan



## Growth initiatives

1

Sector

- ◆ FIG: leverage Financial Institution client base to grow revenue
- ◆ Financial sponsors: grow market share of large-scale financings and associated event fees
- ◆ Technology: grow market share across event and transaction banking

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2

Product

- ◆ DCM: maintain leadership position
- ◆ Syndicated loans: top 3 market share in Asia
- ◆ M&A: leading China outbound advisory and retain leadership in Hong Kong
- ◆ ECM: achieve top 3 position in Hong Kong and ASEAN

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3

Geography

- ◆ Grow business in the Pearl River Delta
- ◆ Invest in ASEAN to grow market share and improve returns
- ◆ Capitalise on the BRI
- ◆ Be the leading international bank in key network markets (e.g. Korea, Japan, etc.)

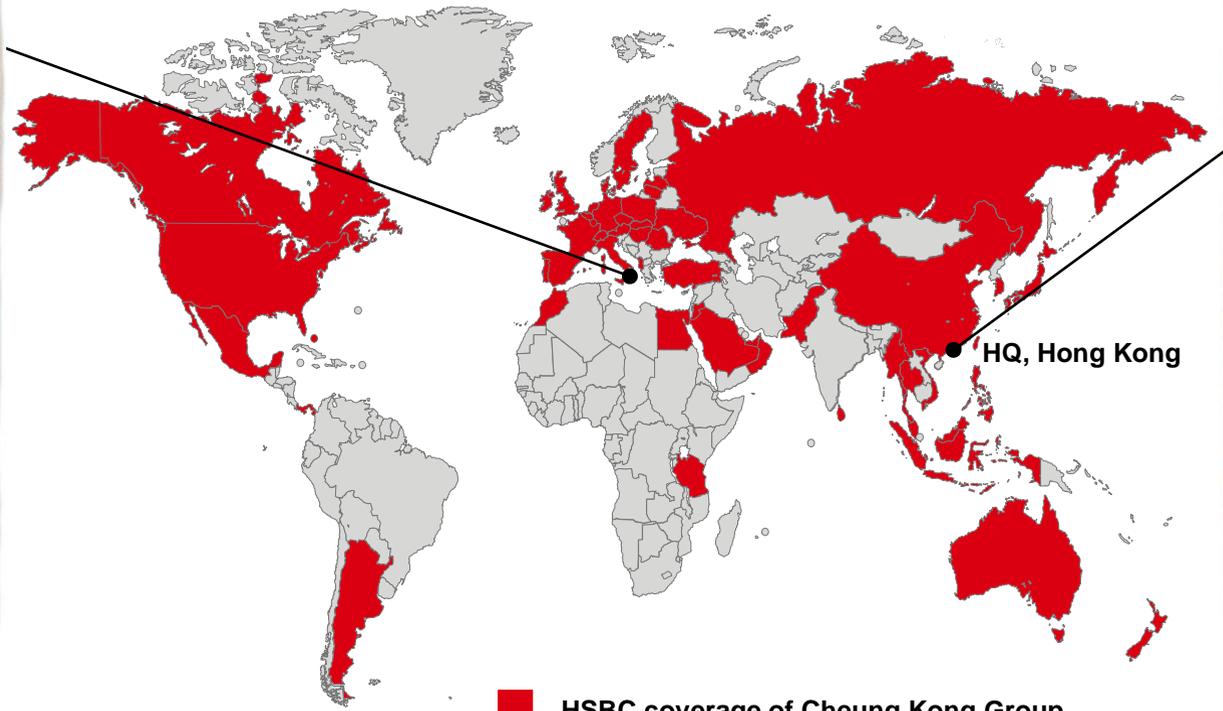
1. Source: Dealogic, Hong Kong ranking according to Volume. ECM / DCM and Syndicated Lending Volume based on bank bookrunner role only.

# Corporate example – our international network enables us to build stronger client relationships



## Debt financing in 2017

- ◆ HSBC acted as Global Coordinator and Physical Bookrunner for Wind Tre S.p.A.
- ◆ €10.7bn refinancing comprising of €7.3bn equivalent of High Yield issuance, €3.0bn TLA and €0.4bn RCF
- ◆ Largest high-yield bond sale by a European Company in 2017
- ◆ Wind Tre S.p.A. is a combined business of 3 Italia and WIND, a 50/50 JV between CK Hutchison and VEON Ltd.



## 7 Bond issuances in 2017

- ◆ HSBC acted as Joint Bookrunner and Joint Lead Manager for issuances across the Cheung Kong Group for CK Hutchison, CK Assets, CK Infrastructure, HPH Trust.
- ◆ Raised over c.USD5.9bn equivalent in the form of Reg S, 144A and hybrid perpetual.

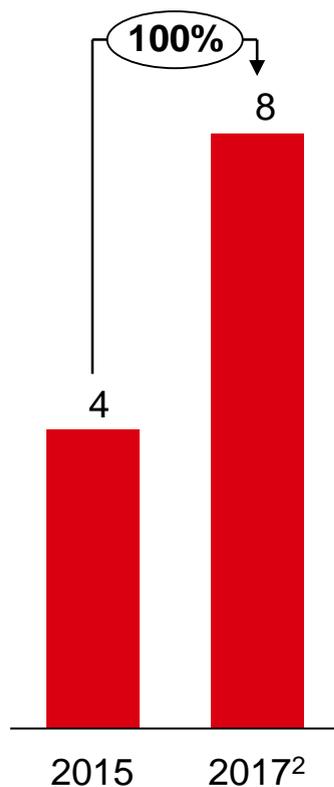


# Corporate example – our broad product offering and international network enables us to support clients in their expansion

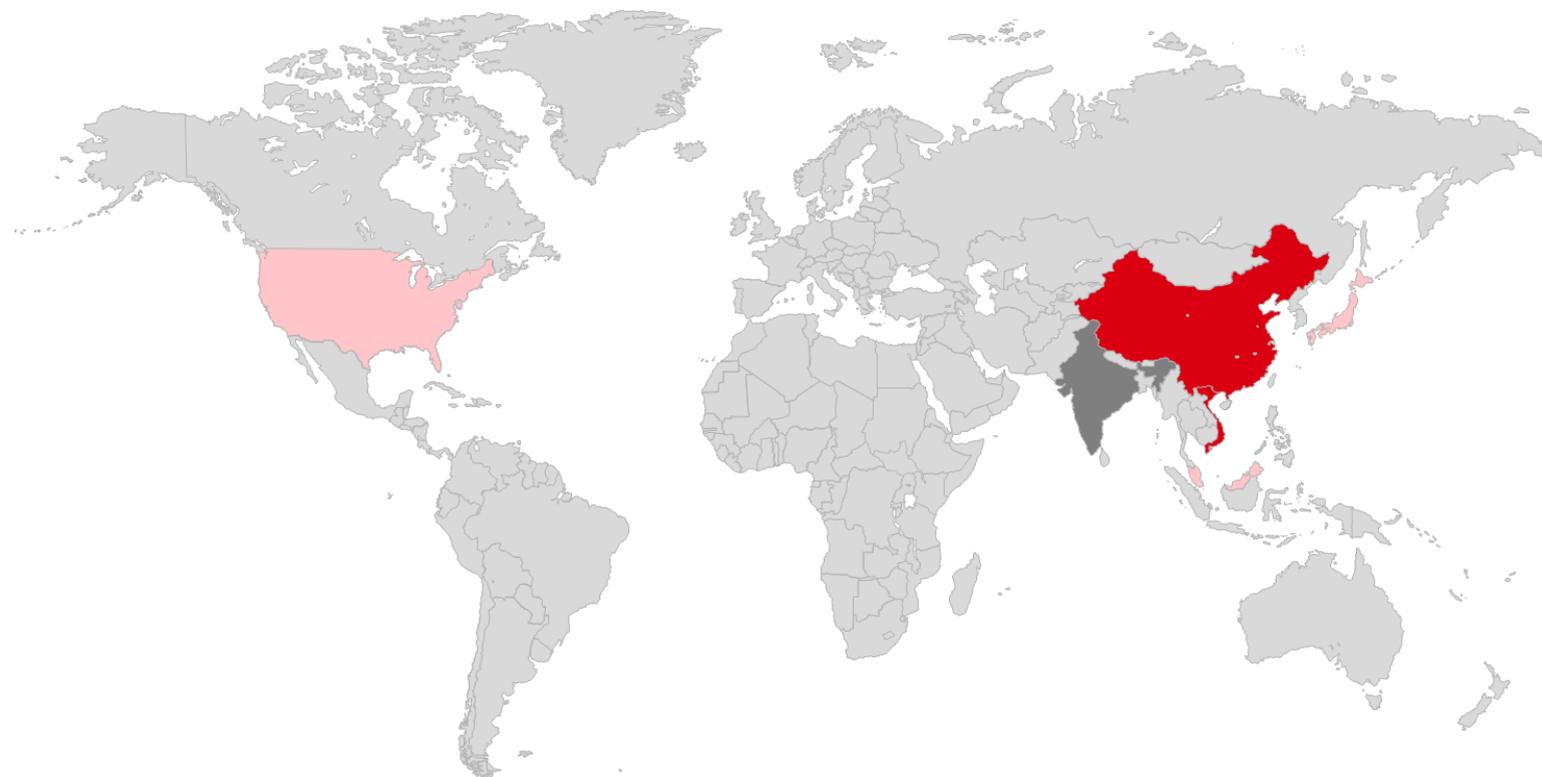
Tencent 腾讯

## Product penetration

Type of products<sup>1</sup>



## Geographic penetration

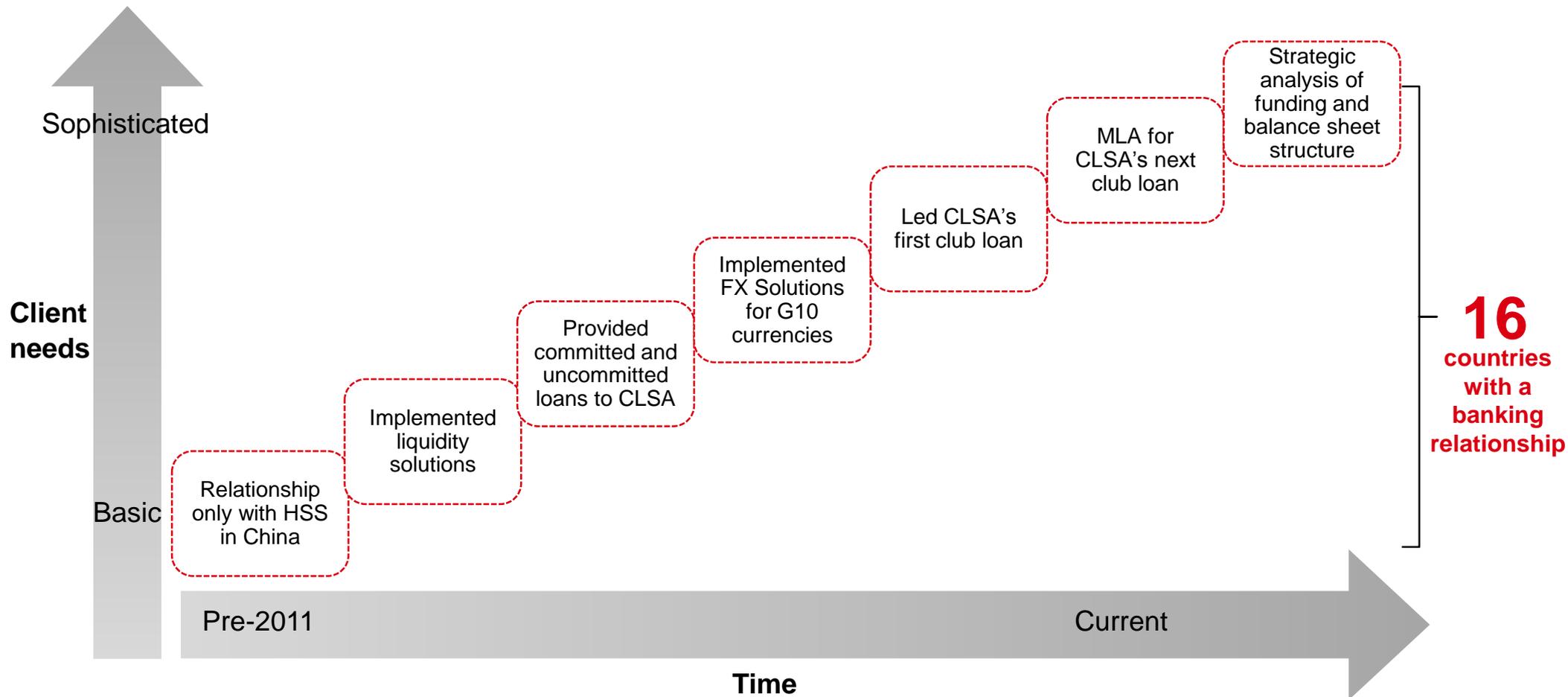


1. HSBC internal client MI  
2. Accumulated type of products offered between 2015-2017

# FIG example – our client-centric approach and breadth of product capabilities enables us to meet basic to sophisticated client needs

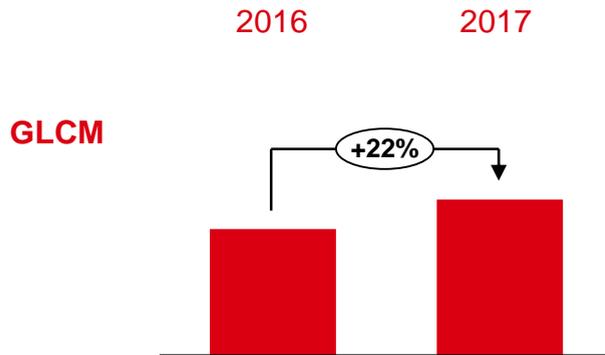


Client needs matched with product solutions

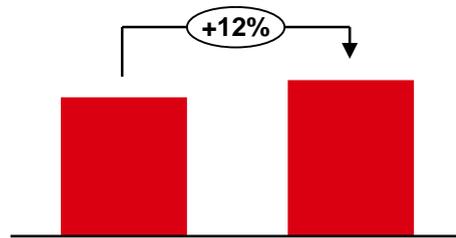


# Transaction banking capabilities continue to drive revenue growth

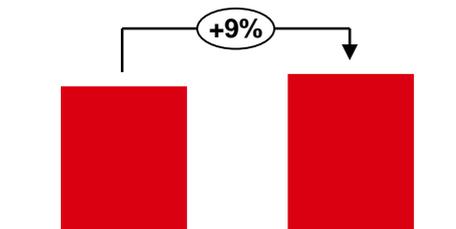
## GB&M Asia – revenue performance<sup>1</sup>



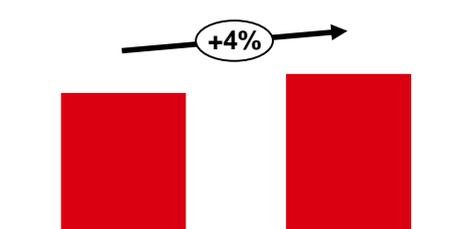
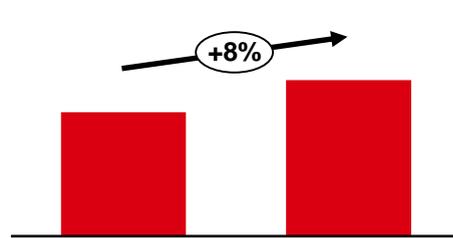
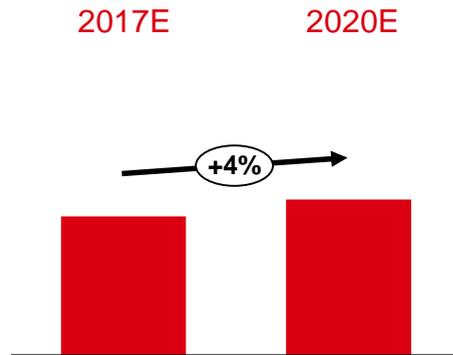
## HSS



## GTRF



## Industry – revenue outlook<sup>2</sup>



## Growth initiatives

- ◆ Focus Real Time Payment Systems, mobile payments and collection tools, solutions for liquidity management and corporate and virtual cards
  - ◆ Introduce digital mobile applications
  - ◆ Innovation lab in Singapore in collaboration with Monetary Authority of Singapore, FinTechs and Corporates to develop next-generation digital solutions
- 
- ◆ Invest in Funds Services products and platforms
  - ◆ Enhance offering to cover multi-asset classes (e.g. ETF, alternatives)
  - ◆ Increase investment in digital, data and analytics
- 
- ◆ Dedicated expertise in solution structuring and implementation to support complex global needs across supply chain and receivables finance
  - ◆ Enhanced Financial Institutions proposition across Asia Pacific
  - ◆ Specialised Client Service team to support clients and provide technical advisory service

1. Adjusted performance

2. Source: BCG, Wholesale Banking and Global Markets, March 2018

# Enhanced capabilities in China to accelerate revenue growth

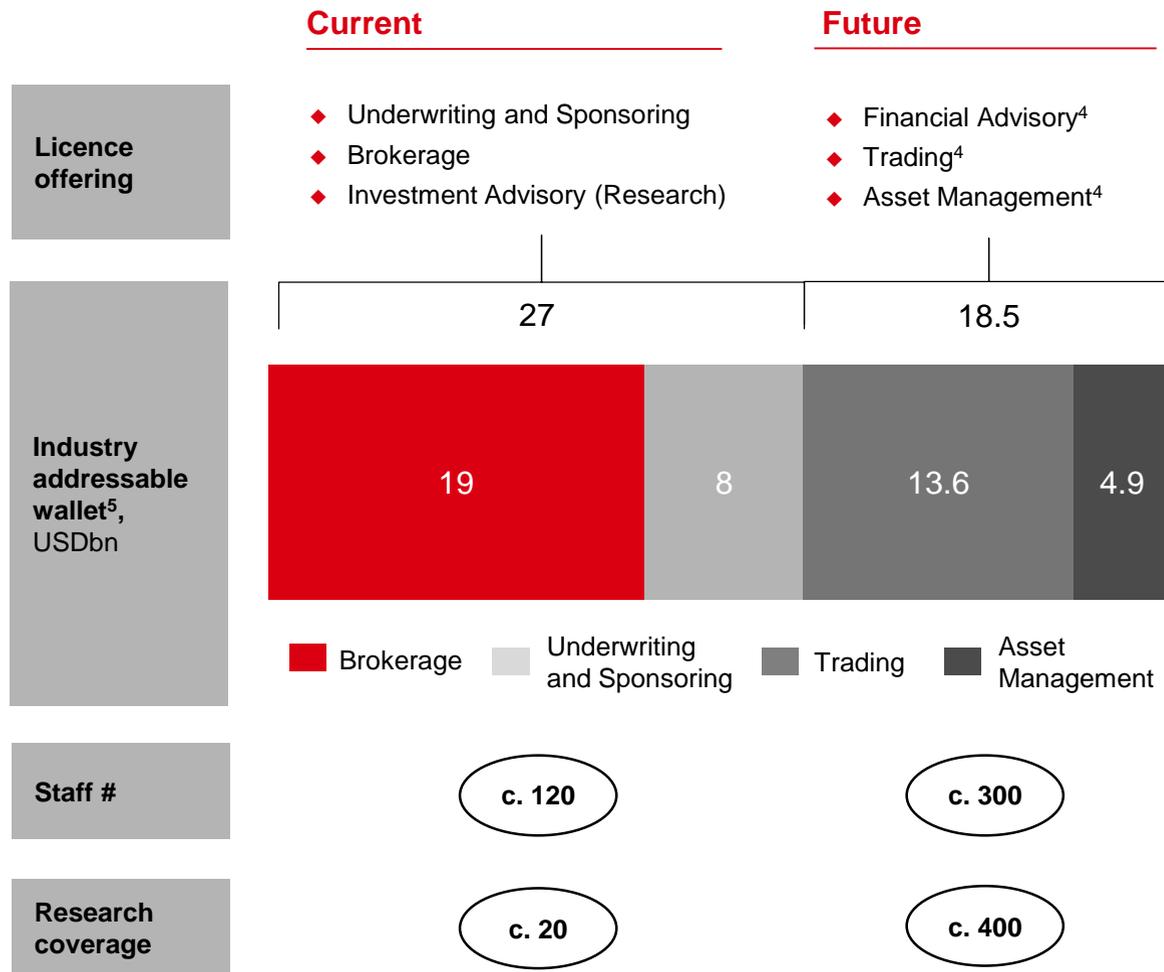
## League table

	2016 Market share	2017 Market share
RQFII <sup>1</sup>	52%	53%
QFII <sup>1</sup>	35%	36%

## Achievements

- 
  - ◆ “Best Overall Provider of Offshore RMB Products and Services” in the Asiamoney Offshore RMB Poll
  - ◆ Winner for six consecutive years
- 
  - ◆ Asiamoney Country Awards 2017 – Best International Bank in China
  - ◆ FinanceAsia Country Awards 2017 – Best Foreign Bank in China
- 
  - ◆ HKEX Stock Connect Awards 2017 - Top Assets Under Depository of the Year (Custodian Bank)<sup>2</sup>
  - ◆ Approved Bond Connect onshore dealer
  - ◆ A settlement bank for RMB
- 
  - ◆ First foreign bank approved as joint lead underwriter for Panda bond issuances for offshore non-financial corporates in China Interbank Bond Market<sup>3</sup>

## HSBC Qianhai Securities – enhanced capabilities



1. Source: SAFE / CSRC website. Custodian market share in terms of total approved QFII / RQFII quota.

2. HKEX Stock Connect Awards for 2017: Top Assets Under Depository of the Year – Custodian Bank, Top 3 Custodian Participants according to their assets under deposit with Hong Kong Securities Clearing Company Limited, or HKSCC, under Stock Connect as of 31 December 2017

3. In addition to the current capabilities to act as joint lead underwriter for Panda bond issuance for foreign financial institutions and sovereigns.

4. Subject to regulatory approval

5. Source: Securities Association of China, based on 2017 figures

## GB&M Asia franchise is well-positioned for growth

### Opportunities in Asia

- ◆ The engine of world growth
- ◆ The fastest revenue growth in the wholesale banking industry

### Well positioned for growth...

- 1 Proven financial performance
- 2 Diversified client base
- 3 Leading product capabilities
- 4 Strong international network and connectivity
- 5 Well-positioned to capture significant growth opportunities

# CMB Asia

11 April 2018

Stuart Tait

Head of Commercial Banking, Asia Pacific



# Agenda

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CMB Asia overview

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Financial performance

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Key opportunities and enablers

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Summary

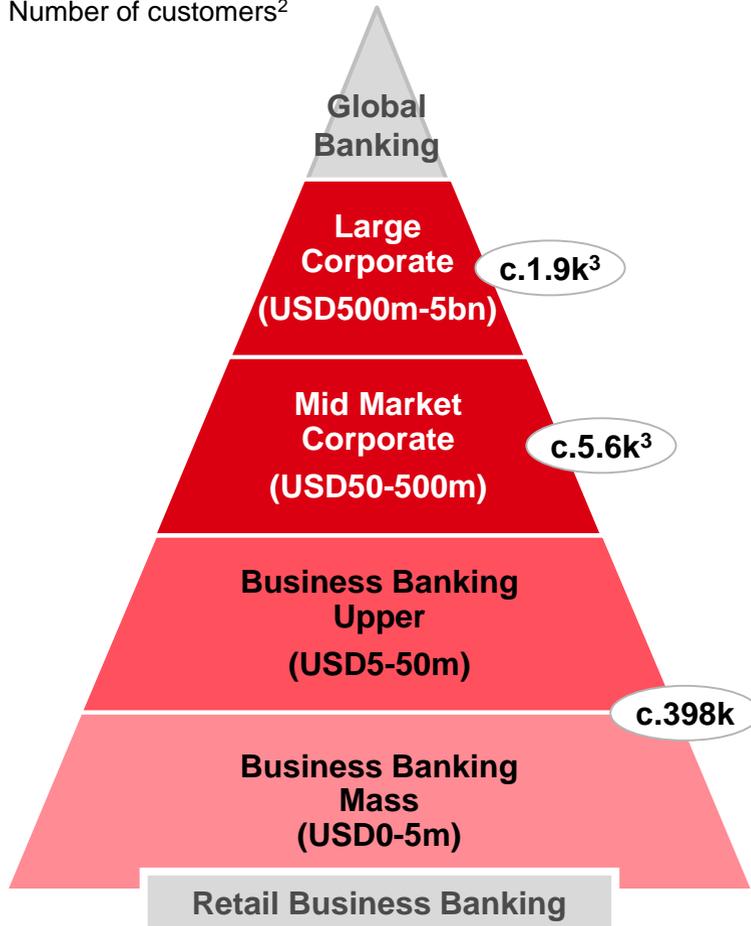
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# Serving breadth and depth of customers across Asia

## CMB Asia customer segmentation

(USD#-#) Denotes customer turnover<sup>1</sup>

# Number of customers<sup>2</sup>



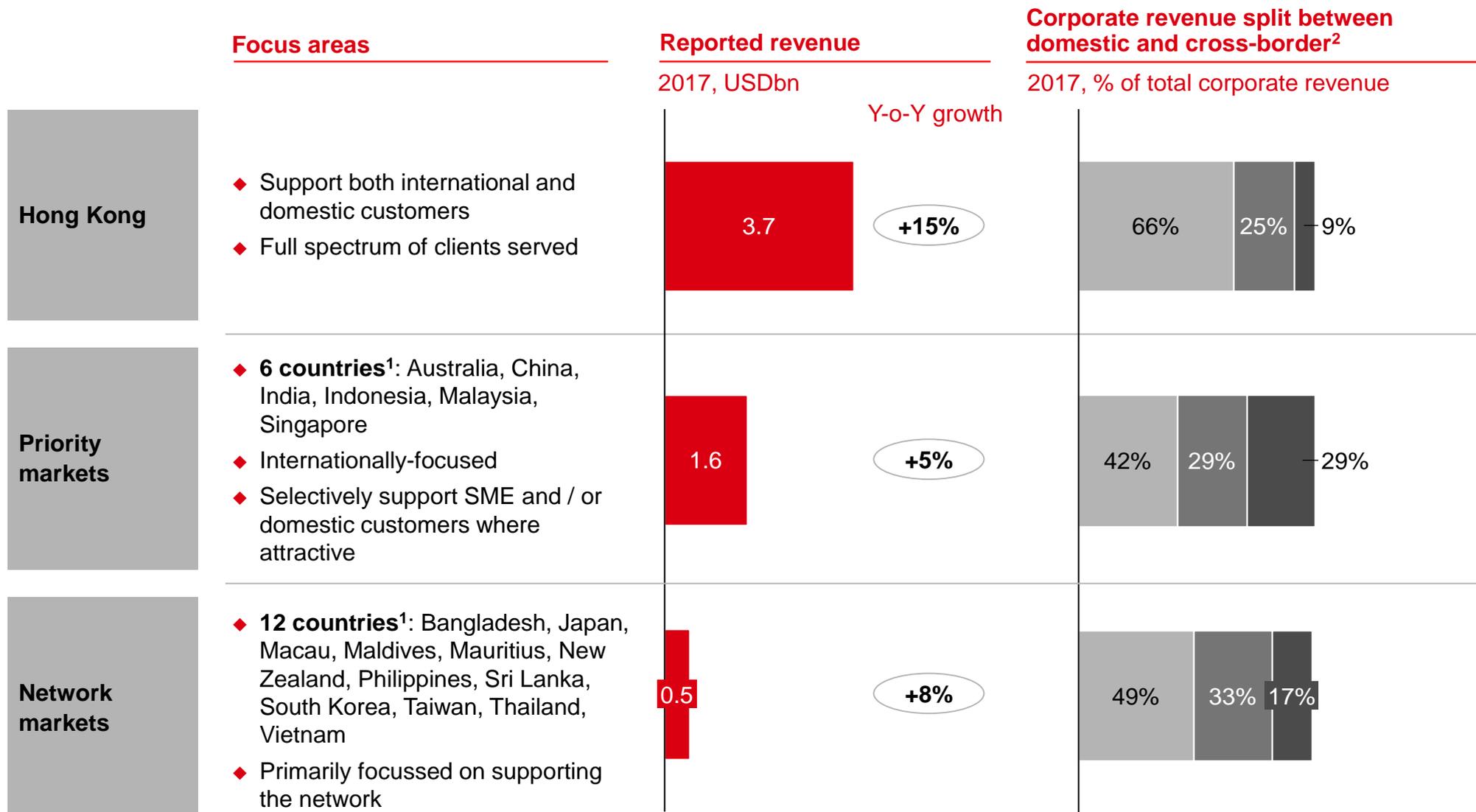
## CMB Asia participation model



1. Some local variation between segments. Excludes Retail Business Banking (managed by Retail Banking and Wealth Management)  
 2. Excludes Hang Seng  
 3. Includes non-Asia headquartered clients' whose overseas subsidiaries have a relationship with HSBC in Asia

# Each market plays a different but critical role

■ Incountry ■ Inbound ■ Outbound



1. On the ground coverage supported by Relationship Managers

2. Source: HSBC internal reporting. Analysis relates to corporate client income excluding Hang Seng, which includes total income from GB&M synergy products, including Foreign Exchange and Debt Capital Markets. This measure differs from reported revenue in that it excludes Business Banking and Other and internal cost of funds. In-country refers to domestic revenue (i.e. revenue booked in the client's "home" country), and inbound / outbound refers to cross-border revenue (outbound refers to any client revenue booked outside the client's "home" country, i.e. booked in the country of the client's subsidiary, and vice versa for inbound)

# Broad product suite available to CMB customers, with c.13% of CMB revenue generated from products from other global businesses



1. Based on CMB's proportion of revenue generated by CMB clients and shared between CMB and other Global Businesses (i.e. Global Markets, Global Banking, Insurance and Investments)

## Delivering sustainable revenue and balance sheet growth

### Select financial performance

#### Reported basis

USDbn	CMB Asia			CMB Hong Kong		
	2016	2017	Y-o-Y	2016	2017	Y-o-Y
Revenue	5.1	5.7	12%	3.2	3.7	15%
LICs	(0.3)	(0.3)	(5)%	(0.1)	(0.2)	(87)%
Operating expenses	(1.9)	(2.1)	7%	(0.9)	(1.0)	15%
<b>Profit before tax</b>	<b>2.9</b>	<b>3.4</b>	<b>16%</b>	<b>2.2</b>	<b>2.5</b>	<b>12%</b>
CER	37.5%	36.0%		28.3%	28.2%	
Jaws		4.4%			0.5%	
Loans and advances to customers (net)	129	146	14%	85	95	12%
Customer accounts	166	168	1%	126	125	(1)%
ADR	78%	87%		67%	75%	

### Performance highlights

- ◆ Revenue growth of 12% in 2017, driven primarily by GLCM; demonstrates ability to capture growth opportunities across Asia
- ◆ Well-managed cost-base with CER at 36.0% and achieved positive jaws of 4.4% in spite of investments to position the business for future growth
- ◆ Strong balance sheet growth with robust asset quality, with LICs / Advances c.20bps in 2017
- ◆ PBT of USD3.4bn represents over 50% of Global CMB PBT

## Footprint enables capture of international connectivity opportunities

### Focus areas in capturing international connectivity

#### Inter-and intra-region

- ◆ Further **penetrate existing client base**
  - **Regional coverage** for customers operating in multiple markets across Asia
  - **Dedicated desks** to service customers from select corridors (e.g. Germany)

#### Greater Bay

- ◆ Develop **integrated proposition** for customers in both Hong Kong and PRD, e.g. 2-hour express payment and cross-border financing requirements
- ◆ Target **emerging opportunities** from innovative and technology corporates

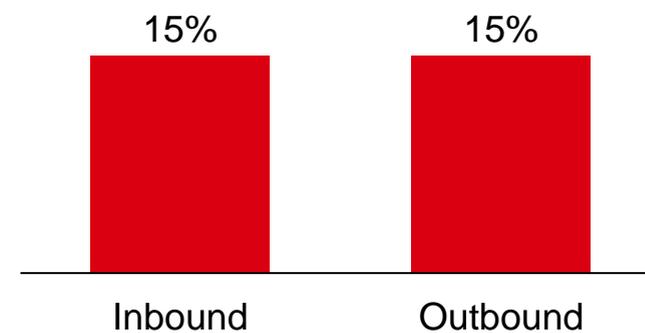
#### Intra-ASEAN

- ◆ **Enhance our offering** for ASEAN corporates, including dedicated specialists based out of Singapore
- ◆ **Leverage product capability**, to assist ASEAN based customers expanding in neighbouring countries

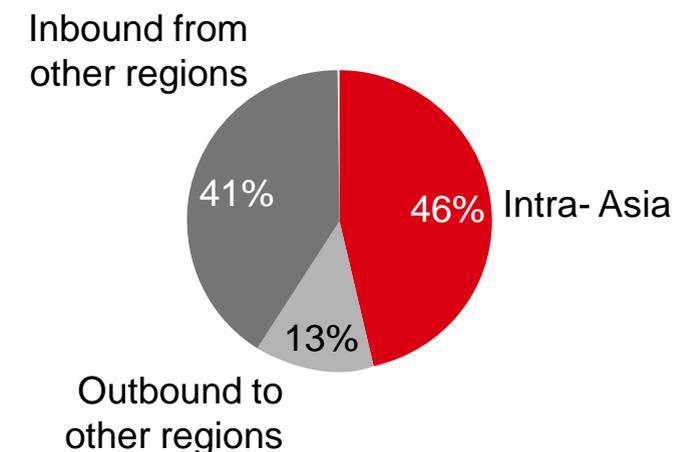
#### Belt and Road Initiative

- ◆ **Collaborate with GB&M and product partners** to capture:
  - end-to-end value chain of **infrastructure projects**
  - broader **overseas expansion activities** of Chinese customers

### 2016-17 growth in international client revenues<sup>1</sup>



### 2017 composition of international client revenues<sup>1</sup>



1. Source: HSBC internal reporting. Analysis relates to corporate client income, excluding Hang Seng which includes total income from GB&M synergy products, including Foreign Exchange and Debt Capital Markets. This measure differs from reported revenue in that it excludes Business Banking and Other and internal cost of funds. Inbound / outbound refers to cross-border revenue (outbound refers to any client revenue booked outside the client's "home" country, i.e. booked in the country of the client's subsidiary, and vice versa for inbound)

## Supporting customers like VPower Group International Holdings Ltd in their expansion



### Company background

- ◆ Southeast Asia's leading owner and operator of distributed power generation (DPG) stations
- ◆ Requiring a comparatively short construction time and low investment, VPower's DPG stations are ideal for many countries along the Belt and Road route, where permanent energy resources are still under development
- ◆ Robust regional presence, and has formed strategic partnerships with some of China's biggest players, e.g. CITIC, CRRC, China National Technical Import and Export Corporation (CNTIC)



As of June 2017, VPower operated **9 Distributive Power Generation Stations** across Indonesia, Myanmar and Bangladesh, with an aggregate installed capacity of 561.1 MW

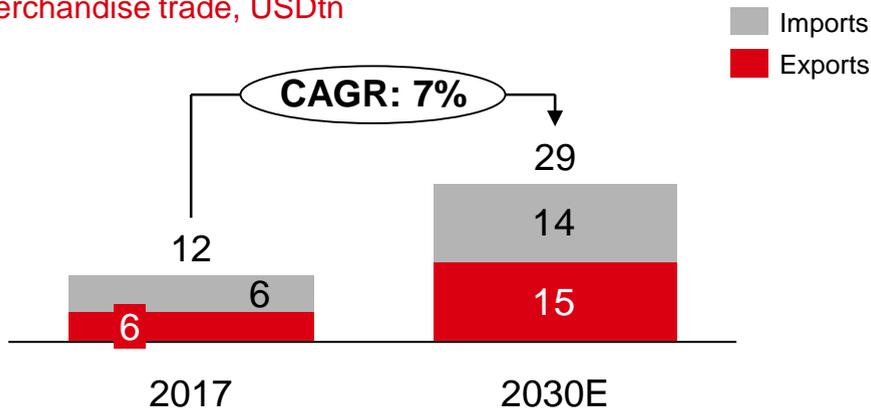
### How HSBC supported VPower Group

- ◆ **International network** to provide local support as the customer enters into new markets
- ◆ **Balance sheet** to support customer's growth ambitions
- ◆ **Strong product capability**
  - Trade finance expertise to enable the customer to bid on new projects in a timely manner
  - Digital platform to provide greater transparency over the customer's cash and liquidity positions
  - Through GB&M, provide capital markets and global research coverage capabilities

# Market-leading GTRF capabilities well-positioned to capture further trade growth and to adapt to evolving market dynamics

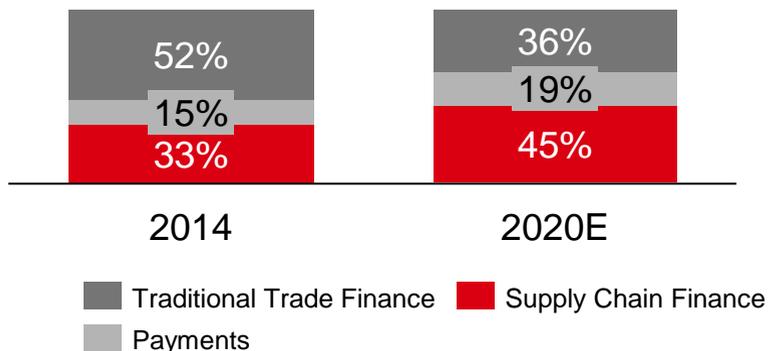
## Trade volume in Asia is expected to grow further<sup>1</sup>

Merchandise trade, USDtn



## Trade revenue from open account (supply chain finance) is expected to outpace traditional trade<sup>2</sup>

Trade related revenue for banks, % of total



## Initiatives in place to maintain market-leading position

Continue to deepen penetration of GB&M and CMB client franchise

Defend and extend leading position in Traditional Trade

Build and strengthen positions in supply chain finance and receivables finance, to capture growing opportunities in structured trade

Invest in new technologies to improve customer experience and automate operations

Adapt to future changes by leading in digitisation of trade

1. Global Insight  
2. Accenture, 2015

# Transaction banking a core value proposition for our customers and a key revenue contributor

## GTRF and GLCM key contributors to CMB Asia revenue

Represents c.55% of CMB Asia revenue

Combined Y-o-Y growth of c.22%<sup>1</sup>

98% of corporate clients have at least one GTRF or GLCM product; 55% have both

## Capabilities well recognised by customers and industry

		2015	Current
Trade	Asia Trade Finance rank <sup>2</sup>	#1	#1
	Hong Kong market share <sup>3</sup>	10.8%	13.8%
	Singapore market share <sup>3</sup>	8.6%	9.9%
Cash management	Asia GLCM rank <sup>2</sup>	#1	#1

1. Y-o-Y growth within CMB Asia revenue only

2. Oliver Wyman analysis, Regional Ranking, YE2015 and YE2016

3. Hong Kong Monetary Authority statistics as of DEC15 and DEC17; Monetary Authority of Singapore, Monthly Statistical Bulletin as of DEC15 and DEC17

## Continued progress to further drive penetration across both products

### Enhancing products

Initiatives in place to further drive penetration in both GLCM and GTRF products:

- ◆ Receivables finance and collection proposition
- ◆ Account receivables / virtual account solutions
- ◆ Supply chain finance and payment proposition
- ◆ Corporate cards and payables finance

### Improving channels

Improving servicing and user experience through:

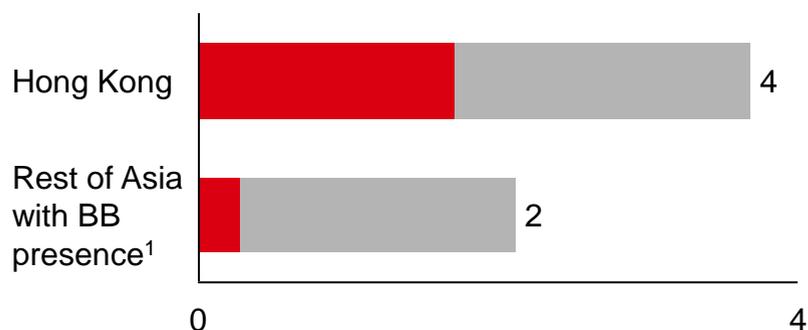
- ◆ **Consistent user experience** of digital capability, self servicing tools and techniques
- ◆ **Common / combined mobile capability** in form of HSBCnet Mobile App

# Business Banking (BB) fundamental to capturing Asian growth opportunities

## Significant opportunity in other markets to replicate success in Hong Kong

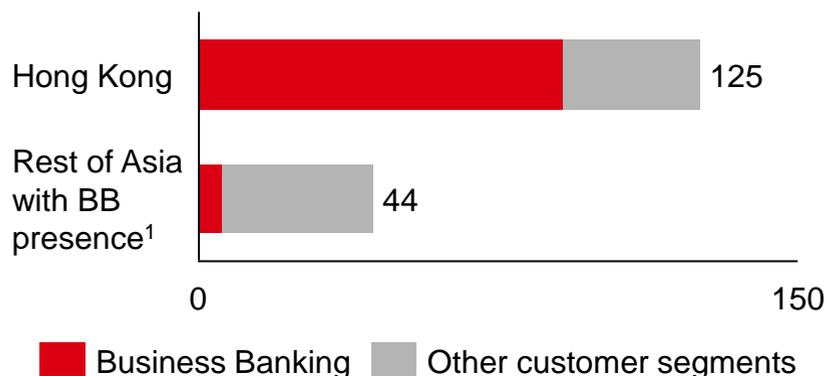
### 2017 Business Banking revenue contribution

USDbn



### 2017 Business Banking deposits contribution

USDbn



1. Other Asia markets with BB presence include China, India, Indonesia, Malaysia and Singapore

## Improving capabilities to protect position in Hong Kong and further capture scale in other markets

### Coverage resources

- ◆ Scaling up dedicated coverage resources including relationship managers and product specialists

### Digital platforms and enhancements

- ◆ Investing to simplify banking for customers without needing material growth in physical branch network
  - Refresh of Business Banking platform and digital
  - Partnering with third parties to provide non-financial services e.g. accounting software integration

### Distinctive offering

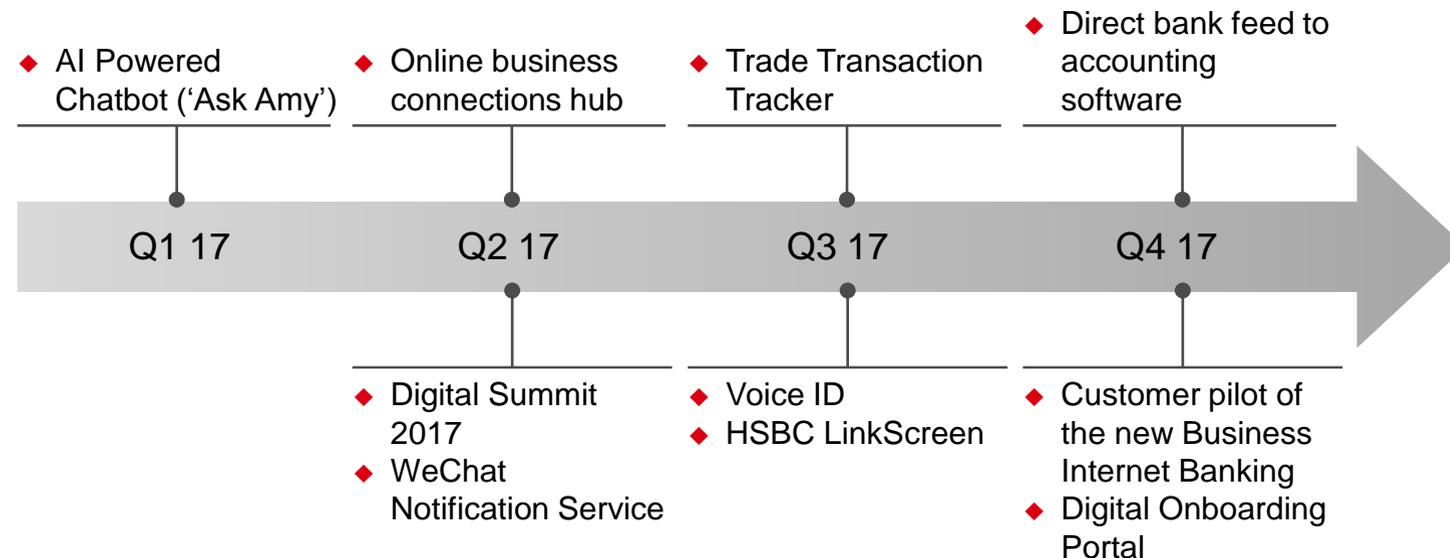
- ◆ Connect SMEs to international opportunities
- ◆ Targeted propositions catering to local market opportunities, such as:
  - Innovation Growth Fund to support leading names in the Pearl River Delta high-tech sector
  - Fast growth proposition in Singapore

# Driving improvements in customer experience and operational efficiency through digital investments and innovation

## Overview

- ◆ Digital investments and innovation to underpin improvements in customer experience and operational efficiency
- ◆ Strong pipeline of market-leading digital banking capabilities and solutions across Asia for customers and employees being delivered at pace:
  - Digital platforms catering to customer preference in how they interact with us
  - Solutions to simplify and streamline core customer journeys e.g. onboarding and lending
  - New value-adding capabilities being introduced

## Example: Fast paced delivery of Digital Business Banking in Hong Kong during 2017



## Leading to positive impact of digital banking on customer experience<sup>1</sup>

**92%**

Ask Amy accuracy

**8/10**

Customer rating on new Business Internet Banking Platform

**8/10**

Customer rating on HSBC Linkscreen

**120k**

WeChat notification to benefit customers in travel

## Key takeaways: focused on delivering quality and sustainable growth

### CMB Asia highlights

- ◆ Customer centric model with a deep customer base
- ◆ Unparalleled footprint
- ◆ Market leading product capabilities
- ◆ Track record of delivering growth

### Well-positioned to capture Asia growth opportunities

- 1** Leverage our footprint and customer base to capture trade and financial connectivity opportunities
- 2** Provide best-in-class transactional banking capabilities to support customers' working capital and trade needs
- 3** Offer extensive breadth of products from across the Group to further deepen and develop relationships in CMB, including with Business Banking customers
- 4** Continue to deliver prudent risk management and embed financial crime risk management
- 5** Invest for growth and improvement in customer experience and processes whilst maintaining cost discipline

# Digital for Corporates

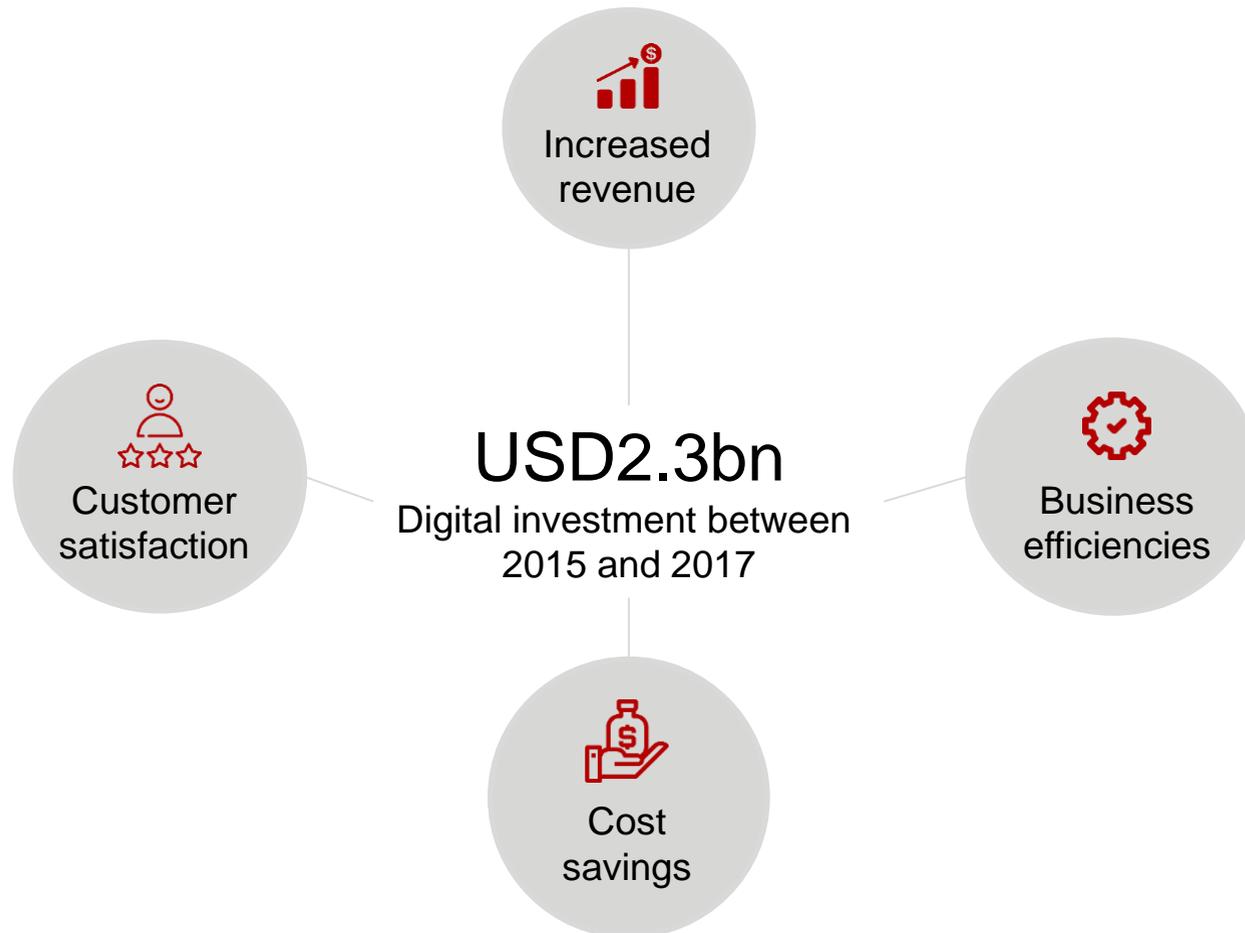
11 April 2018

Niall Cameron

Head of Corporate & Institutional Digital



## Why digital is important



## Corporate and Institutional digital

Set up in July 2016



**Winner**

Best Customer-Focused Cultural Transformation  
or Staff Participation Initiative

Presented by

**The London Institute  
of Banking & Finance**



**Team covers**

**Commercial Banking**

**and**

**Global Banking and Markets**

**Our Programmes**

**Digital Transformation for**

**Corporates (DTC)**

**Digital for Global Markets**

**Digital Business Banking**



Best SME Banking Services Award February 2018: ET Net FinTech Awards

Best Bank for a Mobile Treasury Solution Award January 2018: Financial Innovation Awards – tmi

Customer-Focused Cultural Transformational Prize December 2017: Financial Innovation Awards - London Institute of Banking and Finance

Best Business Online Banking Provider, Moneyfacts, March 2028..

# Our digital principles



**We are client-led**



**We iterate at pace**



**We are future-proofing**



**We seek out simplicity**



**We are efficient because we collaborate**

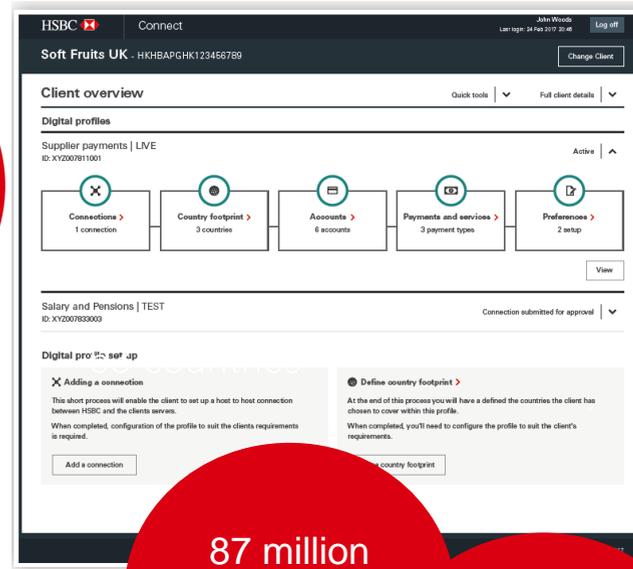
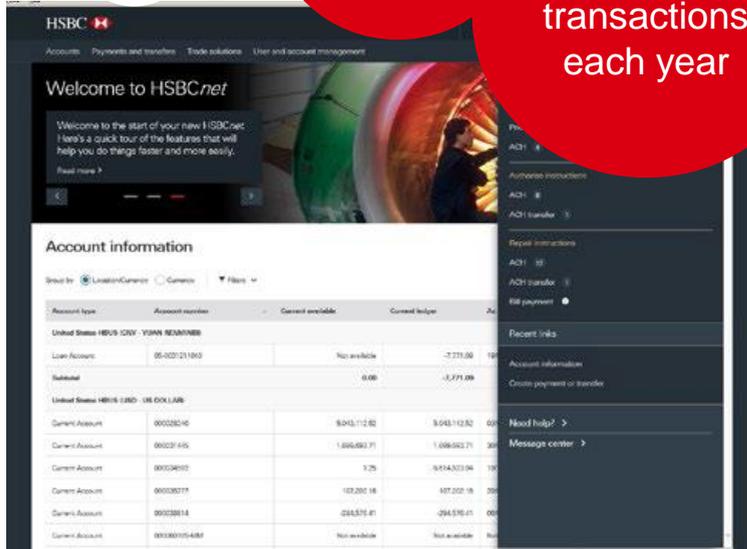


# Our 2017 footprint



128,000  
global  
clients

USD9tn of  
transactions  
each year

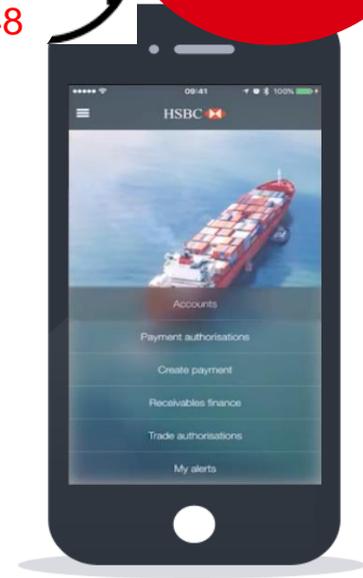


87 million  
instructions  
each month

USD5tn of  
transactions  
each year



USD200bn  
authorised  
since 2011

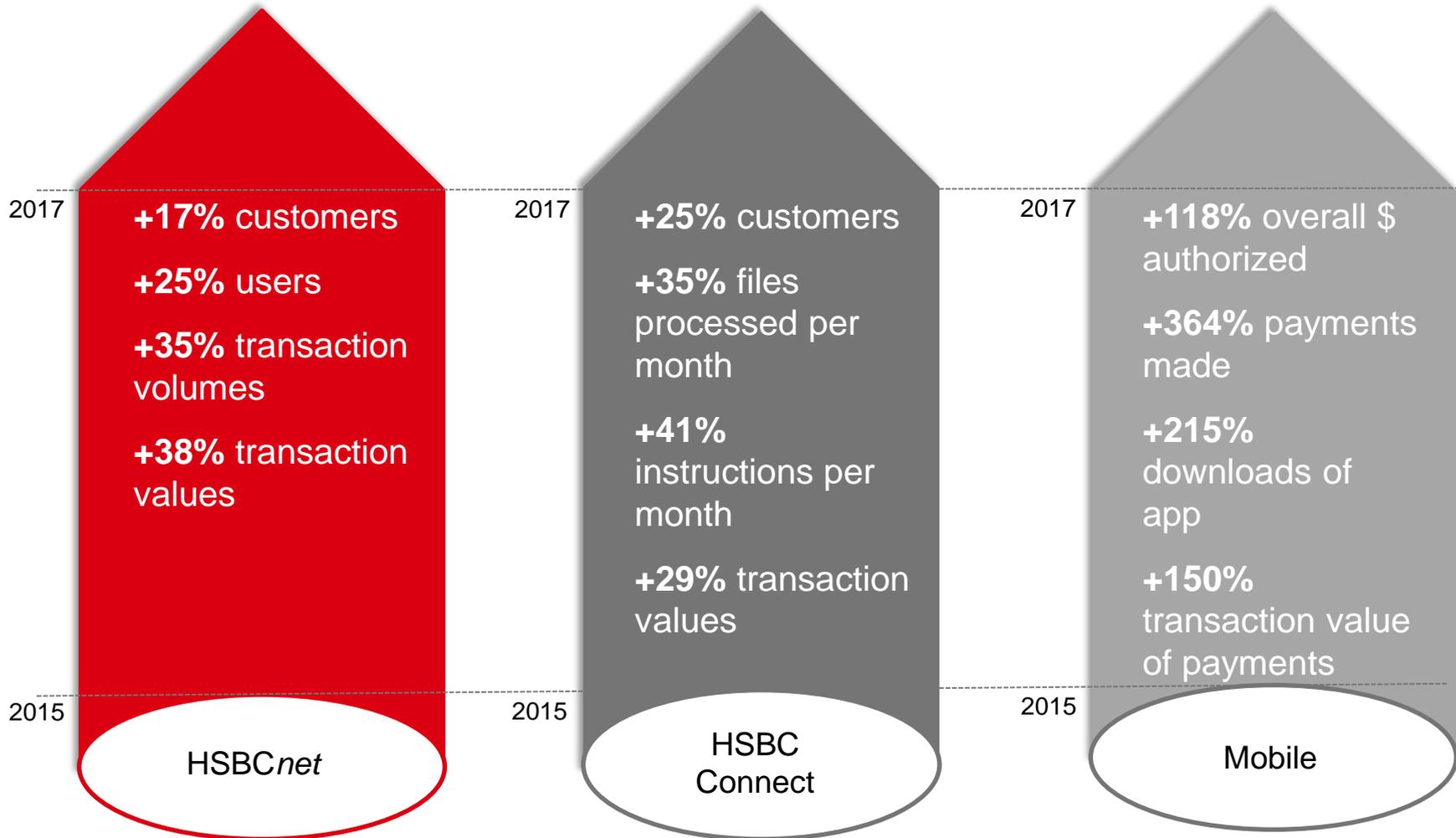


## Digital for corporates - video

Greatest HITS - Full Version

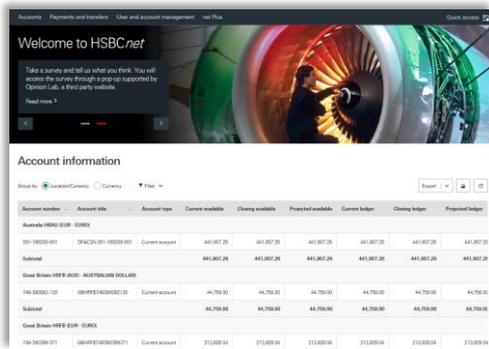
HSBC's Corporate & Institutional Digital

## Growth journey



# Key DTC<sup>1</sup> initiatives

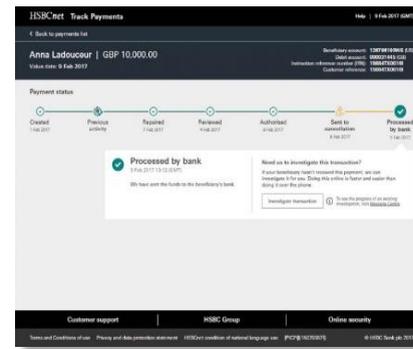
## HSBCnet New UI



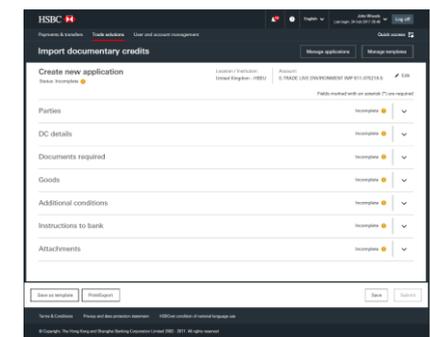
## Move Money



## HSBCnet Track Payments



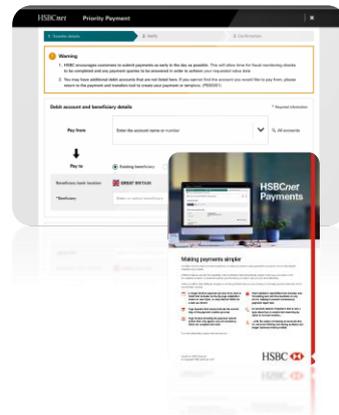
## Import Documentary Credits



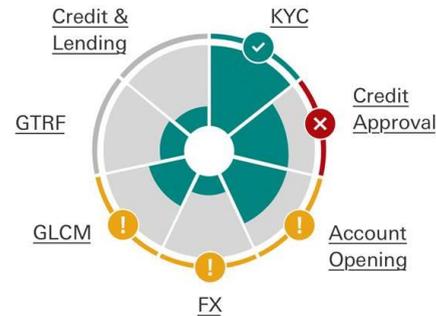
## HSBC Connect Transformation



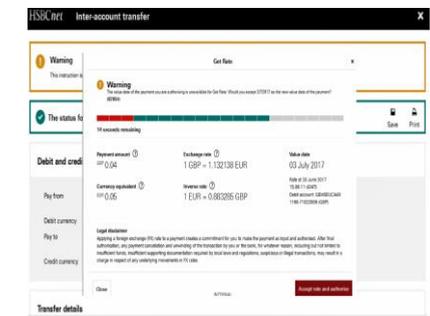
## GTRF Trade Transaction Tracker



## End To End Visibility Tracker



## Get Rate & Quick Quote

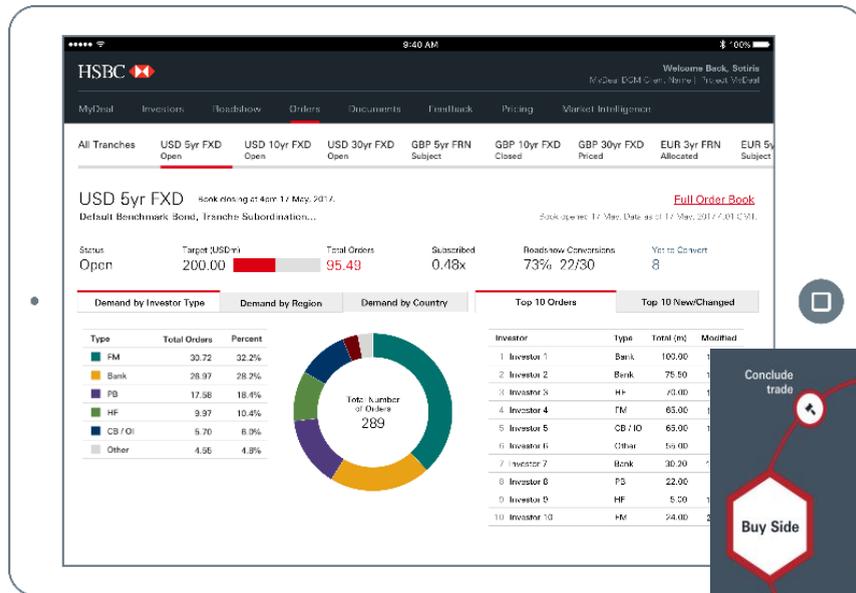


1. Digital transformation for Corporates

# Client innovation

## Client innovation

### MyDeal



### GoldenSource



## Pivot to revenues

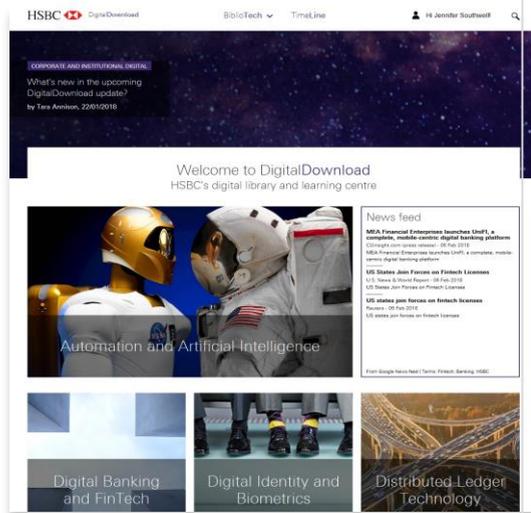
### Podium Alerts



# Digital information

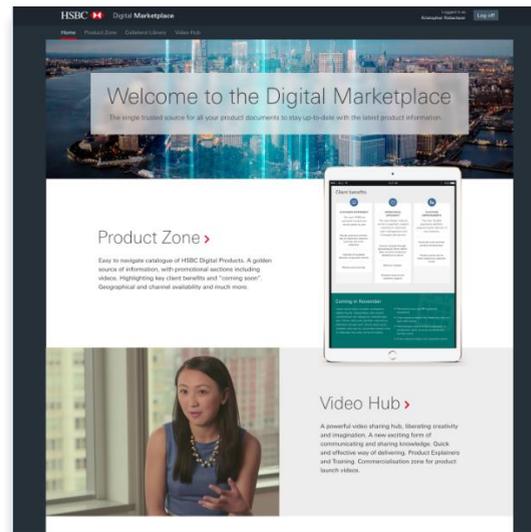
## Internal

### DigitalDownload



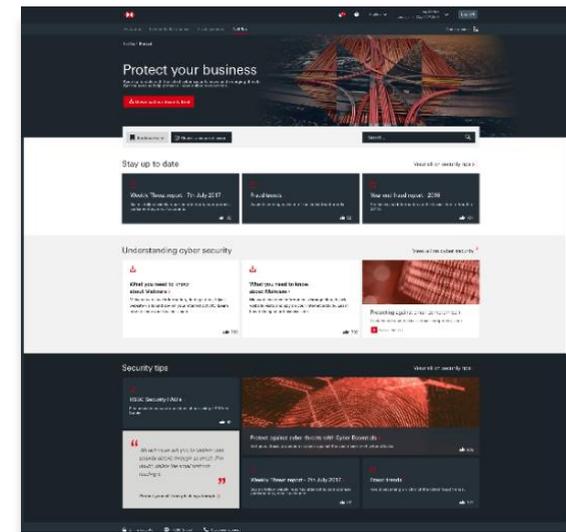
## Internal & External

### Digital Marketplace



## External

### net Plus





## In summary

Combining the strength of digital with the power of our global network

Catalysing transformation

Competitive advantage – being first

Expertise – we have the knowledge, skills and experience to create and deliver more

The future

# Panel discussion and Q&A on collaboration

11th April 2018

**Matthew Lobner**

Head of International and Head of Strategy and Planning, Asia-Pacific

**Gordon French**

Head of Global Banking and Markets, Asia-Pacific

**Kevin Martin**

Head of Retail Banking and Wealth Management, Asia-Pacific

**Siew Meng Tan**

Head of Global Private Banking, Asia-Pacific

**Stuart Tait**

Head of Commercial Banking, Asia-Pacific



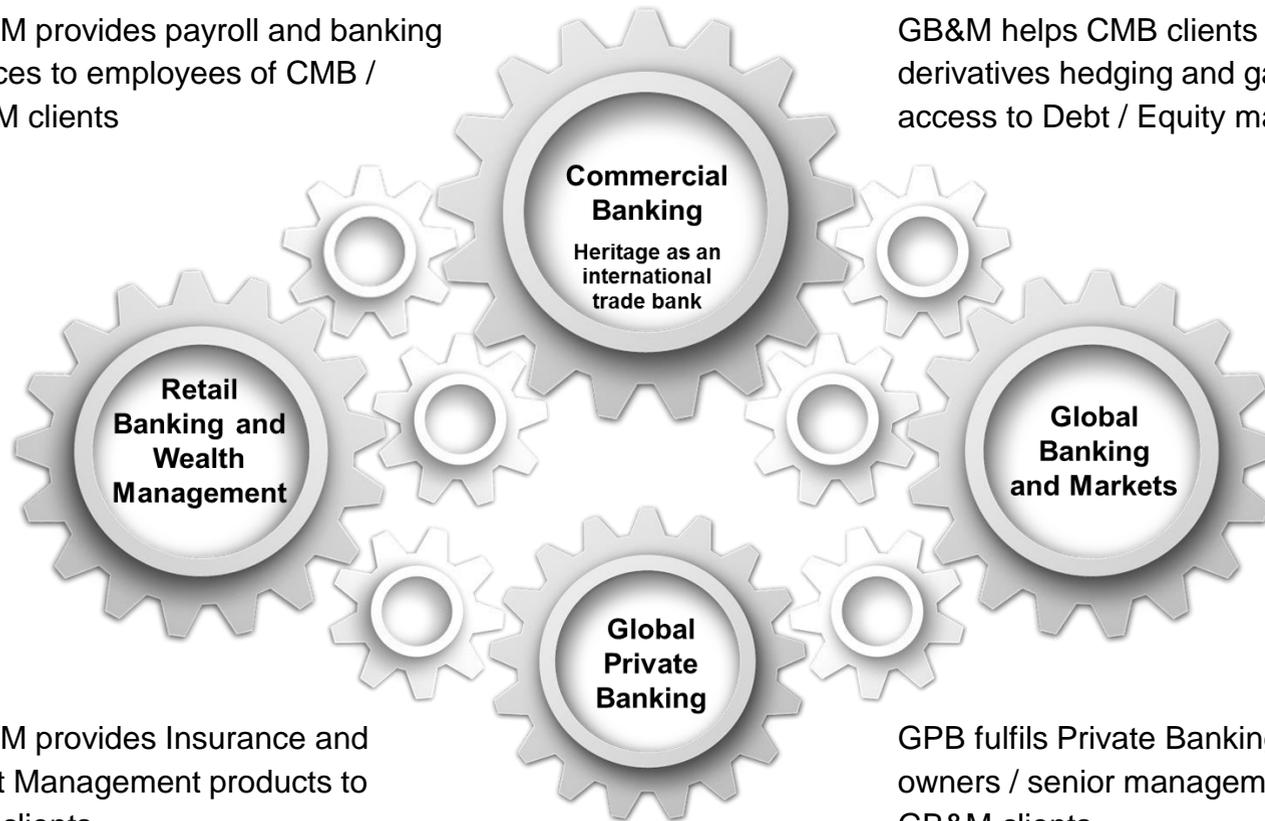
## Collaboration remains core to our strategy

### What is collaboration?

Bringing HSBC's end-to-end franchise, across four global business to our customers

RBWM provides payroll and banking services to employees of CMB / GB&M clients

GB&M helps CMB clients with FX, derivatives hedging and gaining access to Debt / Equity markets



RBWM provides Insurance and Asset Management products to GPB clients

GPB fulfils Private Banking needs of owners / senior management of CMB / GB&M clients

### Benefits of collaboration

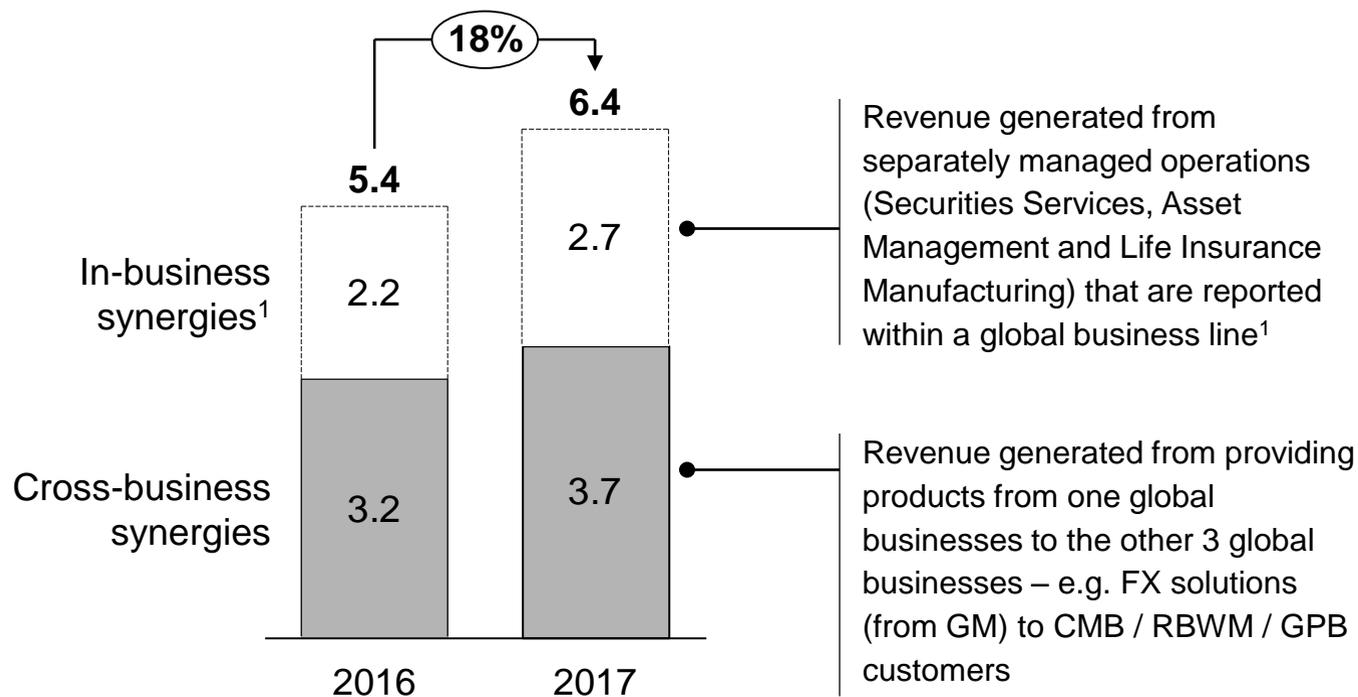
- ◆ Best outcomes for our customers
- ◆ Sustainable revenue growth for HSBC
- ◆ More durable client relationships with better returns

*Enables us to bring more of HSBC, to more customers*

## Material contributor to revenue – c.USD6.4bn

### Revenue synergies, Asia, USDbn

Note: Revenue from collaboration captured as “revenue synergies”



### Key observations

- ◆ Revenue synergies booked in Asia accounts for **c.54% of global revenue synergies** (USD11.8bn, FY 2017)
- ◆ Revenue synergies in Asia **grew 18% Y-o-Y, faster** than global revenue synergies growth (13% Y-o-Y) and overall Asia reported revenue growth (11% Y-o-Y)

1. Revenue from Asset Management products to GB&M, CMB and GPB customers that are included in cross-business synergies are excluded from manufacturing revenues in in-business synergies

# Collaboration: Bringing this to life through a client example

## CLIENT EXAMPLE

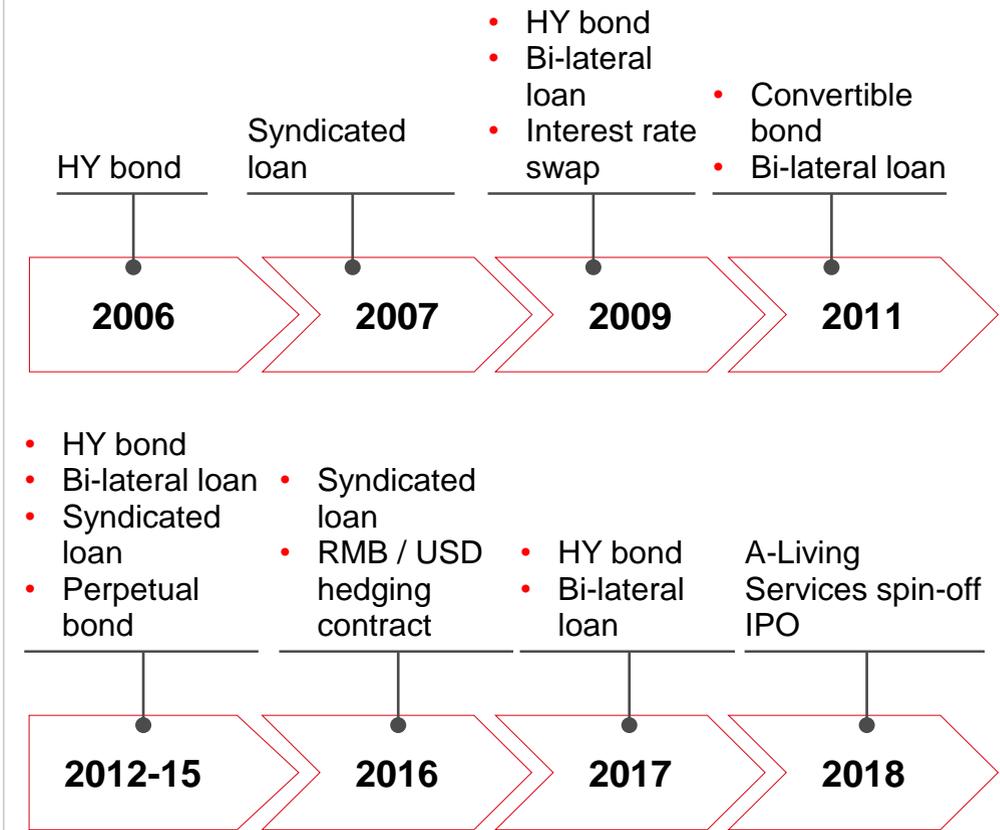
### Products / services provided by HSBC

- ◆ **CMB:**
  - **Credit & Lending:** Offshore & onshore loan
- ◆ **GB&M:**
  - **GLCM:** Core offshore operating bank
  - **DCM:** Led all offshore bonds issuances
  - **ECM:** Hong Kong IPO of A-Living Services
  - **Global Markets:** For managing liability FX risk
  - **CTLA:** Trustee for offshore bonds
- ◆ **RBWM & GPB:**
  - **RBWM:** Banking services to top executives
  - **Global Private Banking:** Family office of controlling shareholder

### Client overview

- ◆ Agile Group – Integrated conglomerate principally engaged in property development
- ◆ Headquartered in Hong Kong and mainland China
- ◆ Presence in mainland China, Malaysia and US (JV)
- ◆ HSBC relationship in Hong Kong, mainland China and Malaysia
- ◆ Global turnover of c.USD7.9bn (2016)

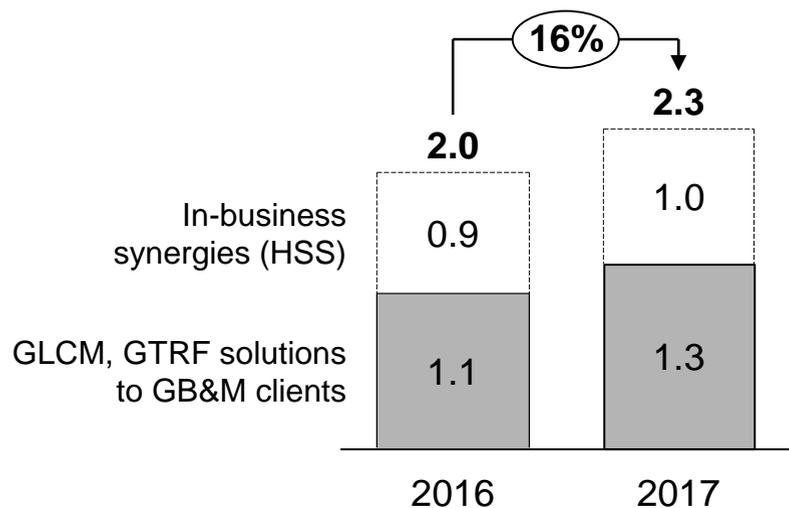
### Evolution of relationship over past 12 years



## Cross-business synergies - GB&M and CMB

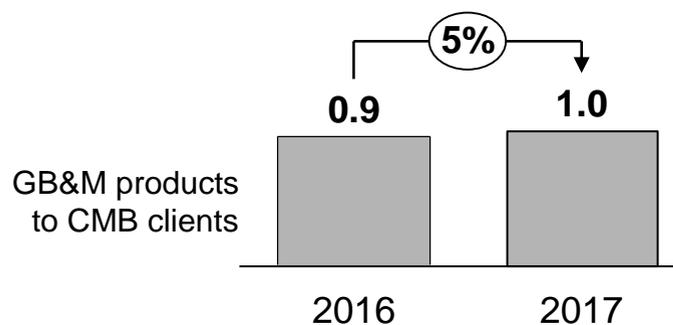
### GB&M revenue synergies<sup>1</sup>, Asia

USDbn



### CMB revenue synergies<sup>3</sup>, Asia

USDbn



### Key drivers of cross-business revenue synergies

- ◆ Global Liquidity and Cash Management solutions<sup>2</sup>
- ◆ GTRF solutions from CMB

### Key drivers of cross-business revenue synergies

- ◆ Global Markets products (e.g. FX, derivatives)
- ◆ Global Banking solutions to CMB clients

1. This excludes Asset Management products to GB&M clients which form part of overall GB&M enabled synergies; which is covered on page 5.

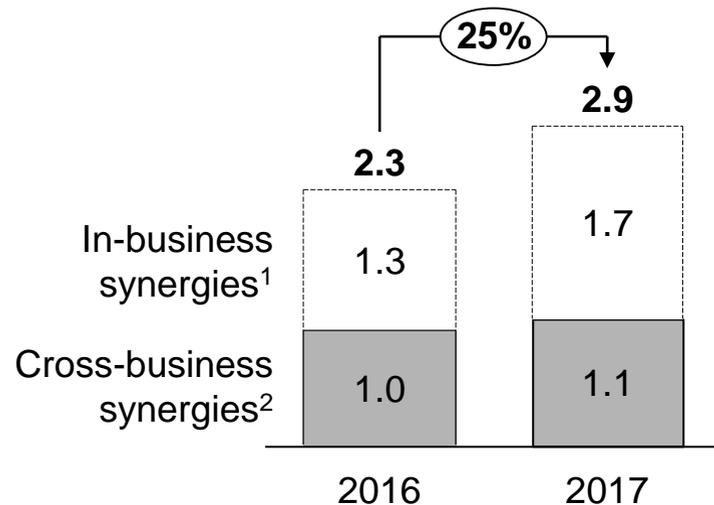
2. Includes GB&M portion of GLCM revenues as revenue synergy to be consistent with the treatment of GTRF.

3. This excludes Asset Management and Insurance solutions to CMB clients, and referrals between GPB and CMB, which form part of overall CMB enabled synergies. These are covered in pages 51 and 52.

# Cross-business synergies - RBWM perspectives

## RBWM revenue synergies, Asia

USDbn



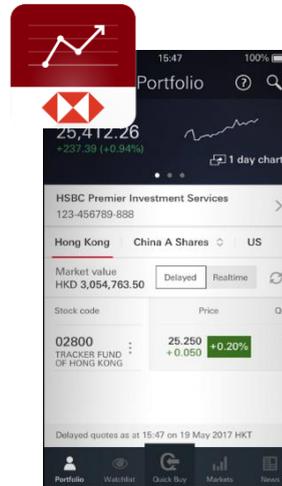
### Key drivers of cross-business revenue synergies

- ◆ GM products to RBWM customers for investment
- ◆ Asset Management and Insurance solutions to other Businesses

### Other areas of revenue synergies (not captured above)

- ◆ Payroll products to CMB and GB clients

## GM products for RBWM investment solutions



- ◆ *What do we offer?* Investment products and execution via GM (spanning Equities, FX, Structured Products)
- ◆ *Examples of collaboration?* Joint implementation of “**Flexrate technology**” for FX to enable better execution, pricing, etc.
- ◆ *Opportunity areas?* Digitise Wealth solutions, sophisticated solutions for Jade clients

## Payroll products to CMB and GB clients

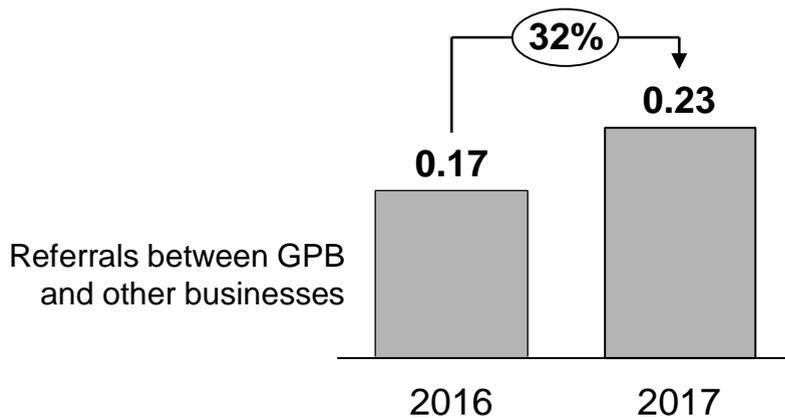
- ◆ *What do we offer?* Payroll and banking services to Corporate employees
- ◆ *Examples of collaboration?* Payroll Programme (*Perks@Work*) in Malaysia supporting Chinese companies with GB / CMB relationship
- ◆ *Opportunity areas?* Deepen penetration, expand services leveraging digital capabilities

1. Revenue from Asset Management and Insurance Manufacturing. Revenue from Asset Management products to GB&M, CMB and GPB customers that are included in cross-business synergies are excluded from manufacturing revenues in in-business synergies  
 2. GM products to RBWM customers and Asset management and Insurance solutions to GB&M, CMB and GPB.

## Cross-business synergies: GPB perspectives

### GPB revenue synergies<sup>1</sup>, Asia

USDbn

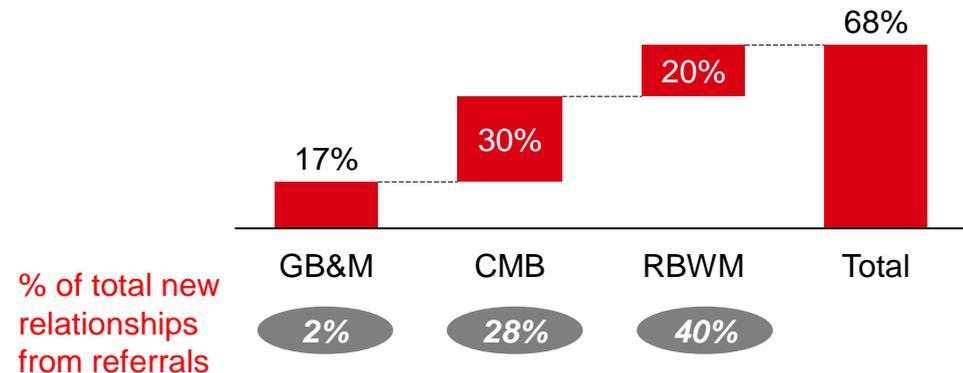


#### Key drivers of revenue synergies

- ◆ Referrals from GB&M, CMB & RBWM
- ◆ GB&M products to private clients
- ◆ Provision of CMB banking solutions for GPB entrepreneurs

### 68% (USD5.2bn) of Net New Money (NNM) in GPB Asia from referrals

% of total GPB NNM from referrals by Global business, Asia, 2017



### Client examples

#### Example 1:

- ◆ Senior executive of a Hong Kong listed company banking with CMB for more than 10 years and subsequently referred to GPB
- ◆ Current AUM with PB is c.USD0.5bn

#### Example 2:

- ◆ Joint pitch across RBWM and GPB to a large UHNWI client from mainland China
- ◆ Leveraging PB product specialists
- ◆ Client brought in c.USD50m AUM (leveraged by a further c.USD20m)

1. GPB enabled synergies includes Asset Management and Insurance solutions to GPB customers which has also been covered on slide 50

## Summary: Collaboration remains a key growth priority

### Sizeable contributor to HSBC Asia Revenues

---

**6.4bn**

Revenue synergies in Asia (USD), FY17

**54%**

Share of Asia in global revenue synergies, FY17

**18%**

Y-o-Y growth in revenue synergies in Asia, FY17

### Distinctive capabilities to deliver collaboration

---

- ◆ **Relationship-led** approach, starting from client needs
- ◆ Wide **spectrum of corporate clients** in Asia
- ◆ Extensive capital markets **product range**
- ◆ **Depth of Corporate banking** franchise (e.g. c.400k Business Banking / MME clients in Asia)
- ◆ **Universal banking** model (e.g. 12.5m retail banking clients in Asia)

### Key priorities

---

- ◆ **Seamless customer experience** across products and propositions
- ◆ **Product specialists** embedded in the network
- ◆ **Mainland China** (e.g. greater leverage of Qianhai securities)
- ◆ End-to-end **supply chain** coverage
- ◆ **Employee banking** (*Your Financierge*)
- ◆ **Digital** enablement

# India

11 April 2018

Hitendra Dave  
Acting Chief Executive and Head of Global Banking and Markets, India



## Key messages

1

**Stable macro story**

2

**HSBC India's heritage and business presence**

3

**Material opportunity for HSBC in the market**

4

**Strategy for growth in India**

## Stable macro story

Key Indicators <sup>1</sup>		
▶ GDP	USD 2.26 tn	➔
▶ External debt / GDP	21%	
▶ FX reserves / GDP	19%	
▶ Fiscal deficit / GDP	3.50%	➔
▶ Exports (2016-17)	USD 275 bn	
▶ Remittances + Net service exports	USD 112 bn	
▶ Current account deficit / GDP	1 – 2%	➔
▶ Local debt / GDP	63%	
▶ Inflation (CPI) <sup>2</sup>	4 – 6%	
▶ Savings rate	32%	

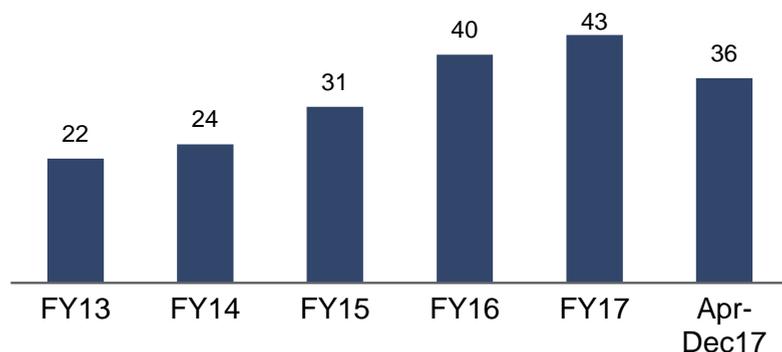
1. Source: HSBC Research, Bloomberg

2. CPI: Consumer Price Inflation

## Impact of macro stability

### Robust growth in FDI<sup>1</sup> – 2017 highest across EMs

USDbn



### Other key impacts (2017)<sup>2</sup>

- ◆ India largest recipient of remittances, globally (USD66bn)
- ◆ Portfolio investment inflows – USD31bn
- ◆ Equity market fund raising – USD31bn
- ◆ Offshore fund raising (bonds) – USD19bn
- ◆ Inbound M&A transactions – USD67bn

### Policy support provided

- 1 FDI and portfolio investor reforms
- 2 Digital JAM trinity – Jandhan, Aadhar and Mobile
- 3 'Make in India' initiative
- 4 Modern bankruptcy law
- 5 Goods and Services Tax platform

### Challenges needing resolution

- ◆ Banking sector stress
- ◆ Overleveraged private sector balance sheets
- ◆ Muted private sector capex
- ◆ Low tax to GDP
- ◆ Relatively low average purchasing power
- ◆ Infrastructural bottlenecks

1. FDI: Foreign Direct Investments. Source: DIPP, Ministry of Commerce, India. FY: Financial Year ending 31March.

2. Sources: Remittances – World Bank, Portfolio flows – NSDL, Equity fund raising – Dealogic, Prime database, Offshore bonds and Inbound M&A: Bloomberg

# 165 years of presence

## Banking



2018 - #1 Trade Finance Bank – India

2017 – Best Cash Management Bank - India



2017 – Best Mobile Treasury Solution - India

## Investment Banking

## Asset Management

## Global Resourcing & Technology <sup>2</sup>

### Full suite coverage<sup>4</sup>; 26 branches across 14 cities

26% of new Foreign Portfolio Investors (FPIs) registered in 2017

7% of India’s FX is traded by HSBC (SPOT FCY–INR)

6% of India export trade flows handled by HSBC

2% of India’s electronic payments<sup>3</sup>

#1 wealth manager by average value of systematic investment plans in mutual funds

### Key strategic focus areas

- ◆ International Corridors – US, UK, China & Germany
- ◆ MNCs and their ecosystems – supply chain and employees
- ◆ Mass-affluent proposition and NRI client-base

### Other highlights<sup>4</sup>

- ◆ #1 in inbound M&A last 5 yrs. #3 foreign bank in IPOs since 2011
- ◆ 2<sup>nd</sup> largest wholly-owned foreign asset manager (AUM) with mandate of sovereign provident fund (EPFO)
- ◆ 7 cities with 11 centres and c.36,000 staff

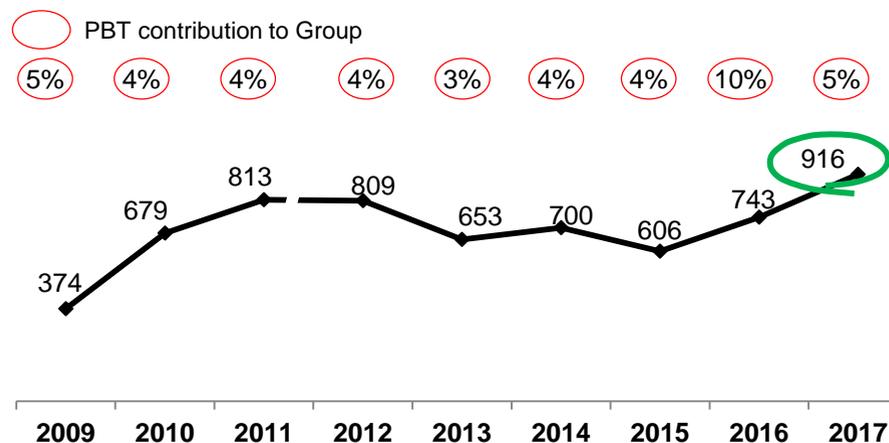
### Rich heritage

- ◆ Asia’s 2nd branch outside Hong Kong & Shanghai
- ◆ Pioneer role - first ATM in 1987 to UPI (Unified Payment Interface for mobiles) in 2017
- ◆ Part of regulatory committees and shareholder in key market infrastructures such as NSDL, CCIL and NPCI<sup>1</sup>

1. NSDL: National Securities Depositories Ltd, CCIL – Clearing Corporation of India Limited, NPCI – National Payments Corporation of India  
 2. Global Resourcing & Technology comprises of Service centres and Software development centres providing operational support and technology transformation to HSBC Group  
 3. Electronic payments include NEFT, RTGS, UPI, ACH, CTS and IMPS platforms; Source: RBI  
 4. Market share and ranking sources: FPI: SEBI, FX: RBI, Exports: Ministry of Commerce, Payments – RBI, Investment Banking: Bloomberg & Prime, Asset management.: AMFI: Life Insurance: IRDA; Wealth management: CAMS MFdex

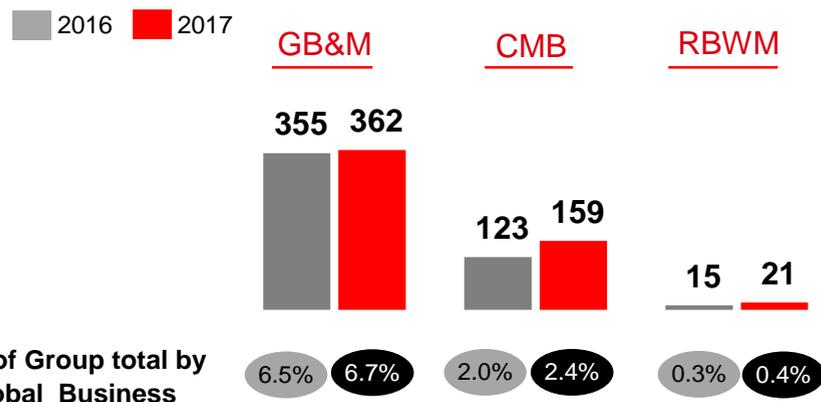
# HSBC India - a consistent contributor to Group

## c.4-5% consistent PBT contribution to Group<sup>1</sup>



## Contribution by global business<sup>2</sup>

Reported PBT USDm<sup>1</sup>



## Contribution across metrics

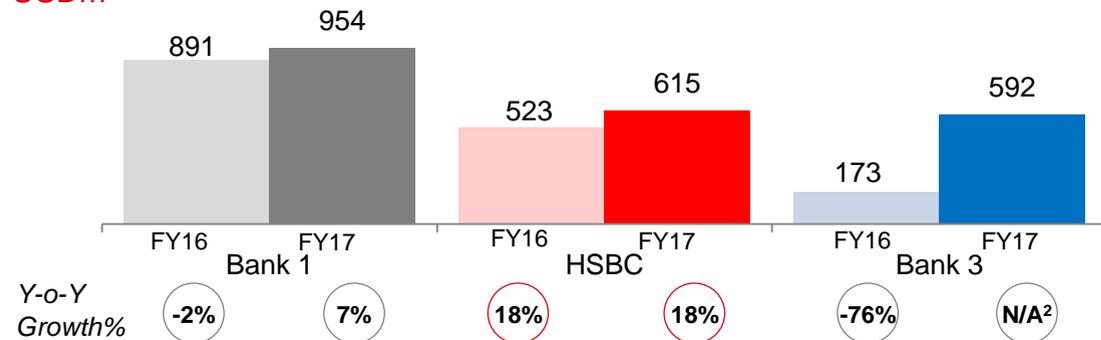
	India	Group <sup>1</sup>
LICs / Loans %	(0.2)%	0.2%
A/D Ratio %	68%	71%
Jaws % <sup>3</sup>	2%	1%
CER %	63%	68%

1. Source: HSBC Group Annual Report 2017. 2017 Reported PBT for Corporate Centre USD374m (2016- USD240m)  
 2. India Global Businesses excludes GPB as business wound down in 2016-17  
 3. Adjusted basis

# Peer comparison

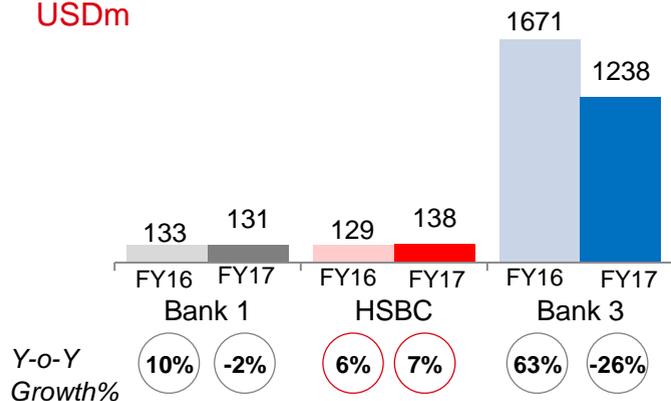
## Profit before tax

USDm



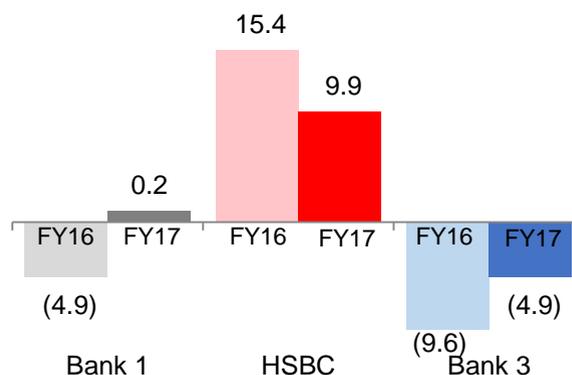
## Gross NPA<sup>3</sup> (31 March 2017)

USDm



## Jaws (31 March 2017)

%



## Commentary

- ◆ Diversified base of multinational clients – Europe, US and Asia
- ◆ Opportunity to leverage retail franchise
- ◆ Risk management reflected by low and stable LICs (Gross NPAs)
- ◆ Consistent positive jaws
- ◆ Leadership position in FX , transaction banking and inbound M&A

- 1 Maintain leadership in wholesale business
- 2 Focus on Retail growth opportunity
- 3 Capture greater share of MNC ecosystem
- 4 Maintain cost prudence and credit quality

1. Source: Reserve Bank of India, India financials based on local regulatory reporting / Indian Accounting Standards for the year ended 31 March 2017. HSBC represents India branches of the Hongkong and Shanghai Banking Corporation Ltd.  
 2. Small base for Bank3 PBT for FY16 given significant LICs.  
 3. Gross Non Performing Assets – RBI accounting terminology for impairments

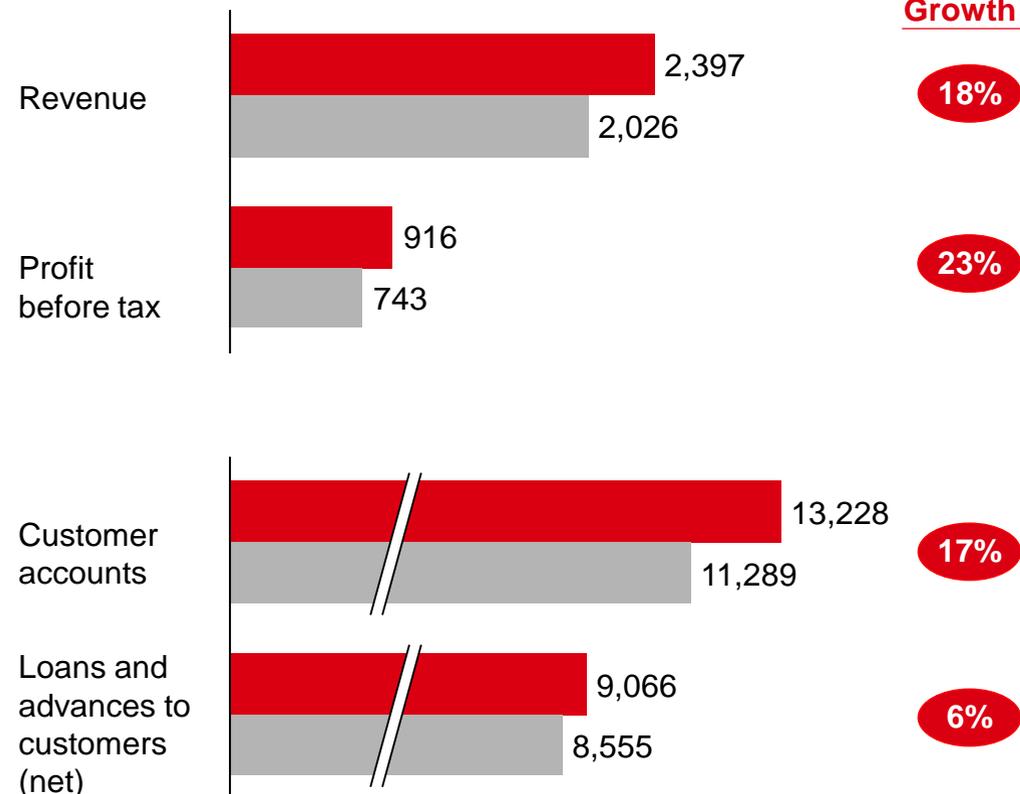
# Performance metrics

## Key financials<sup>1</sup>

USDm

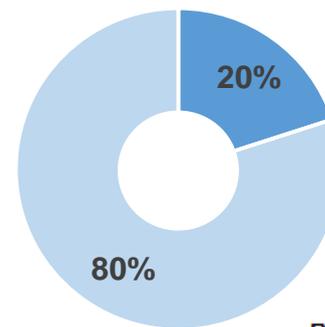
■ 2017 ■ 2016

**2017  
Growth %**

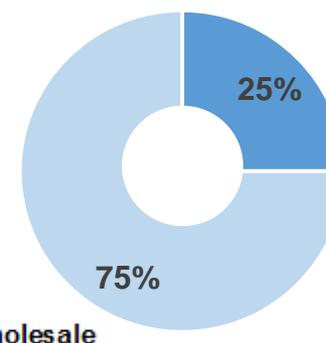


## Balances composition<sup>2</sup>, December 2017

Loans and advances to customers (net)



Customer accounts



■ Retail ■ Wholesale

## Highlights

- ▶ PBT growth across all entities
- ▶ Liabilities franchise a key priority
- ▶ Wholesale assets self-funded
- ▶ Retail growth not impacted by branch rationalisation
- ▶ Revenue growth trajectory despite interest rate decline (200 bps since January 2014)

1. All figures inclusive of India Global Service Centres (GSC) and HSBC Technology Services (HTS)

2. Retail represents RBWM, Wholesale represents GB&M and CMB

# Opportunity for HSBC in India

## Corporate

- ◆ FDI tailwind
- ◆ Outbound India
- ◆ Indian capital markets
- ◆ Growth of MNCs
- ◆ Ecosystem of large corporate clients

## Retail

- ◆ Rapid growth in affluent Indian population
- ◆ Inbound investments by Non Resident Indians
- ◆ Corporate employee proposition
- ◆ Underleveraged consumers
- ◆ Growth in digital payments

India: a \$5tn  
economy by 2025<sup>1</sup>

## Products

- ◆ Digitisation of corporate payments
- ◆ Acquisition plans of global companies
- ◆ Rise of the global Indian citizen and their banking needs
- ◆ Historically low credit spreads for Indian paper

## Franchise

- ◆ Balance sheet strength
- ◆ Corporate business model
- ◆ Leading banker to the affluent segment
- ◆ Well recognised brand in India across segments

1. Govt of India- Ministry of Commerce; World Economic Forum 2018

# India strategy: maintain wholesale banking leadership, and grow retail franchise

Objective	Drivers	Strategy
<b>1</b> Leadership in international banking (GB&M and CMB)	<ul style="list-style-type: none"> <li>▶ Increasing FDI and long-term investor interest</li> <li>▶ 'Make in India' initiative</li> <li>▶ Leverage balance sheet strength</li> </ul>	<ul style="list-style-type: none"> <li>◆ Grow key international corridors: US, UK, China and Germany</li> <li>◆ Maintain leadership in transaction banking - trade and cash management</li> <li>◆ Achieve leadership in sustainable financing</li> <li>◆ Use global network to support Indian MNCs</li> </ul>
<b>2</b> Grow Business Banking Upper segment	<ul style="list-style-type: none"> <li>▶ Regulatory obligations for 'Priority Sector Lending'</li> <li>▶ Growing supply chain ecosystems</li> <li>▶ Credit demand in small and medium enterprises</li> </ul>	<ul style="list-style-type: none"> <li>◆ Build a material supply-chain financing business</li> <li>◆ Penetrate suppliers and distributors anchored around existing clients</li> <li>◆ Leverage technology for growth - scorecard based lending</li> </ul>
<b>3</b> Retail opportunity	<ul style="list-style-type: none"> <li>▶ Growing retail mass-affluents and wealth opportunity</li> <li>▶ Digital India – geographical reach no longer limiting factor</li> </ul>	<ul style="list-style-type: none"> <li>◆ Realise benefits of branch rationalisation and streamlining</li> <li>◆ Expand Retail digital proposition, focus on unsecured lending</li> <li>◆ Launch Retail Business Banking and Wealth suite for Premier-Top Tier proposition</li> </ul>
<b>4</b> Digital leadership	<ul style="list-style-type: none"> <li>▶ Rapid growth of mobile internet</li> <li>▶ Digital India – level playing field</li> </ul>	<ul style="list-style-type: none"> <li>◆ Accelerate digital investments: key launches scheduled for 2018</li> <li>◆ Invest over 2018-20: track roadmap for execution to be leading digital foreign bank</li> </ul>

## Key messages

1

**Stable macro story**

2

**HSBC India's heritage and business presence**

3

**Material opportunity for HSBC in the market**

4

**Strategy for growth in India**

# Australia

11 April 2018

Martin Tricaud  
Chief Executive Officer, Australia



# Agenda

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Key messages

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Overview of the operating environment

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HSBC position in Australia

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HSBC Australia financials

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HSBC strategic priorities

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## Key messages

1

**Strong macroeconomic fundamentals. 26 years of continued GDP growth and robust demographic growth<sup>1</sup>**

2

**Australia's strong international connectivity positions HSBC well for future growth. 71% of Australian exports go to Asia and half of Australia's population growth is driven by inward migration<sup>2</sup>**

3

**Grow assets, revenues and returns, while increasing market share across our global businesses**

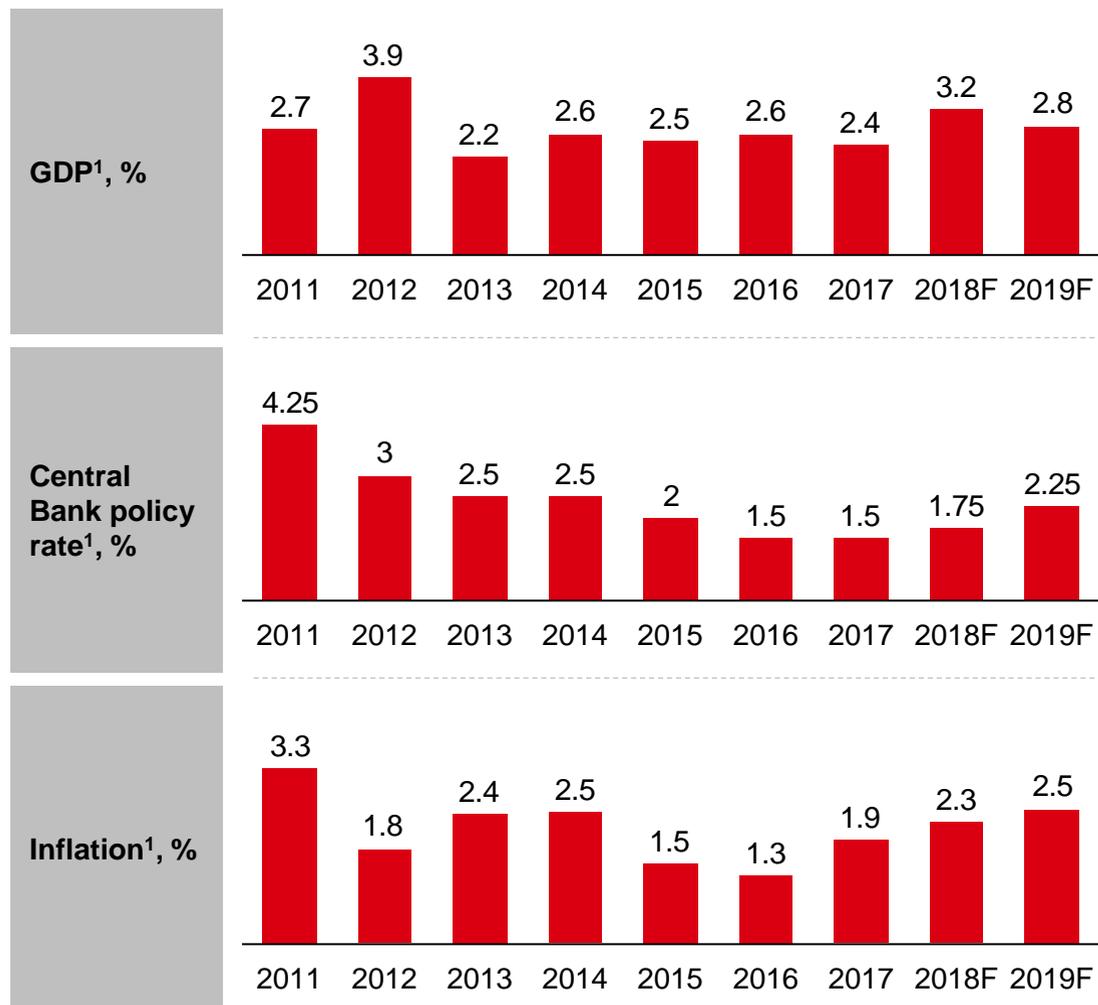
4

**HSBC Australia universal banking model: a credible alternative to the domestic banks**

1. Source: Australian Bureau of Statistics

2. Australian Government - Department of Foreign Affairs and Trade

## Macroeconomic highlights



### One of the world's longest GDP booms

- ◆ Australia has just recorded 26 years of continuous GDP growth without a technical recession, one of the world's longest booms
- ◆ Much of that has been driven by Australia's exposure to Asia: 71% of exports go there, more than any other OECD country
- ◆ Navigated the end of the mining boom with commensurate growth in construction and services
- ◆ Australia's political and economic stability and relatively strong capital returns make it a top destination for FDI

### 2018 macroeconomic outlook

- ◆ Rising global demand for exports of energy commodities, high-quality food products, and tourism and education
- ◆ GDP growth to be the most broad-based across regions and industries in more than a decade
- ◆ Unemployment rate to fall to 'full employment' level (5-5.25%), supporting a pick-up in wages growth
- ◆ RBA should lift its cash rate in 2018, with a first hike expected in Q4

### Challenges

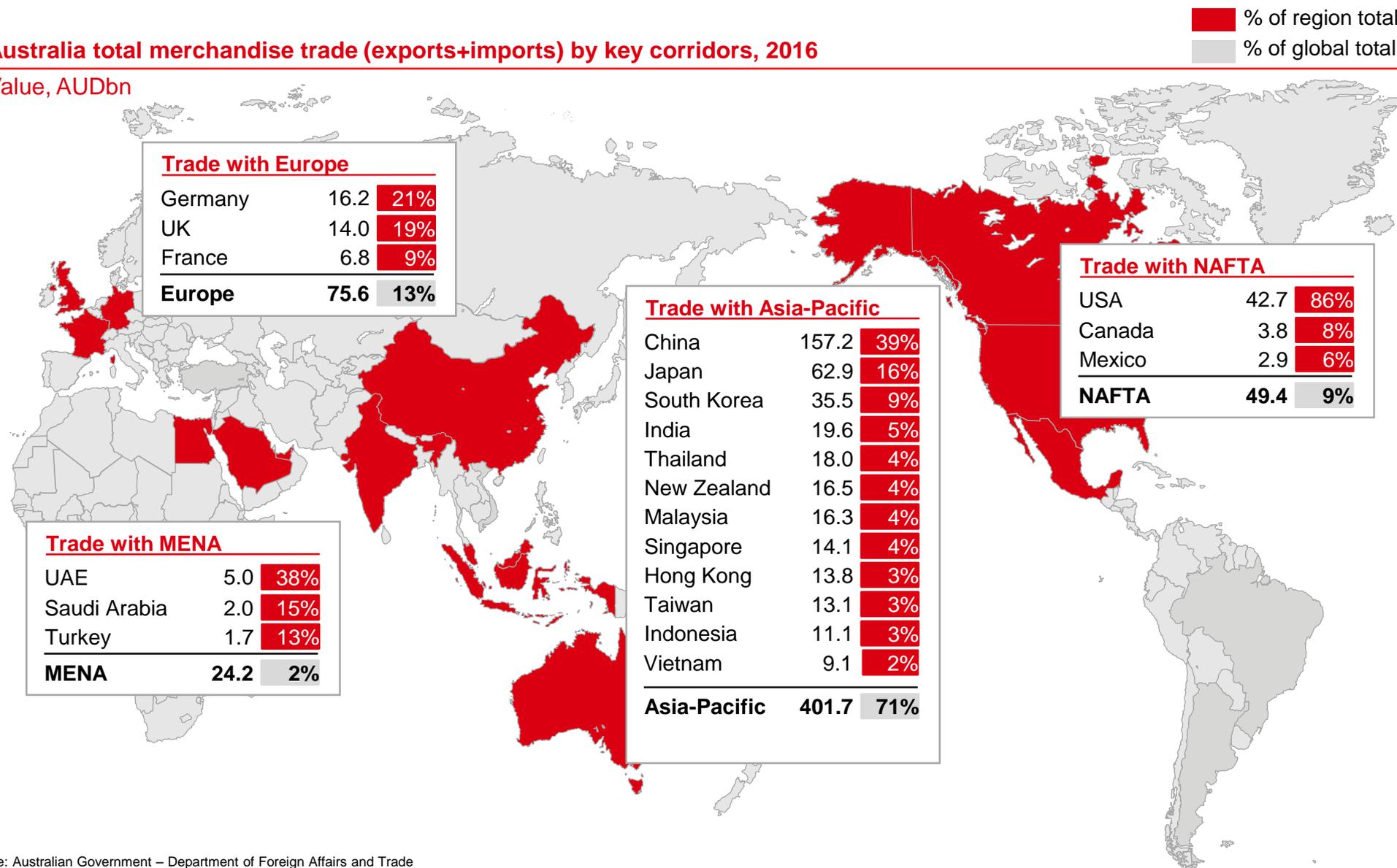
- ◆ Although Australia's housing construction boom is ending, we expect the drag to be more than offset by an overall pickup in investment
- ◆ We see house price growth slowing in 2018, after a five-year boom. However, we do not expect significant price falls

1. Source: HSBC Research; Australian Bureau of Statistics; Reserve Bank of Australia

## Asian countries account for 71% of Australia's merchandise trade; China is lead trade partner, accounting for 28% of overall trade

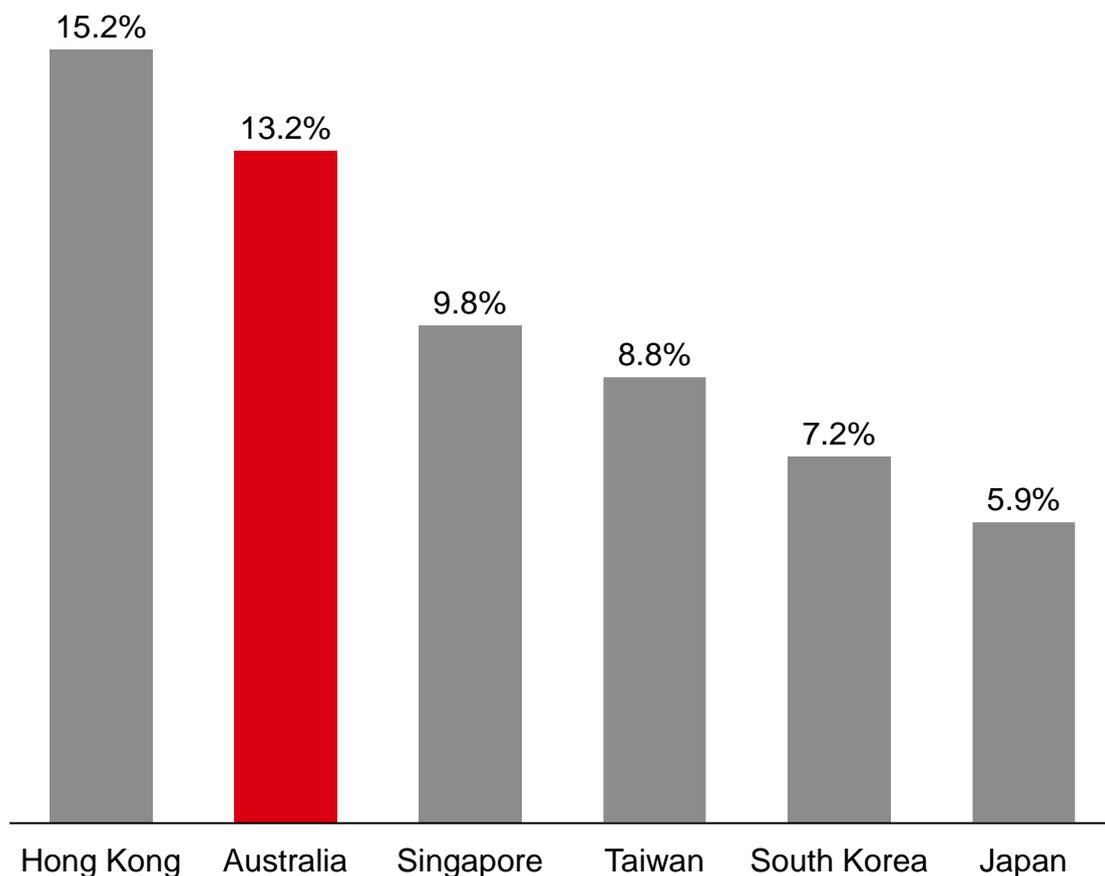
### Australia total merchandise trade (exports+imports) by key corridors, 2016

Value, AUDbn



## Australia's banking sector is one of the most attractive amongst the developed countries in Asia

### 2016 banking ROEs in developed markets in Asia<sup>1</sup>



### Commentary

- ◆ Australia's banking sector is one of the most mature and competitive in Asia, but at the same time providing strong growth and good returns
  - The country's banking sector has been growing steadily, with bank profits increasing at a CAGR of 7.0% from 2005 to 2015<sup>2</sup>, higher than other developed countries in Asia
  - Banks in Australia have generated attractive ROEs and the market is one of the highest amongst developed markets in Asia at 13.2% in 2016
- ◆ 2 Australian banks are among the top 20 banks in the world; Commonwealth Bank (CBA) and Westpac Bank (WBC) are ranked 10th and 17th largest banks in the world by market cap in 2017<sup>3</sup>

1. Bloomberg, ROE based on weighted average ROE based on market capitalisation. 2016 FY year end data used  
2. McKinsey Asia-Pacific Banking Review 2016  
3. Bloomberg, BanksDaily, as of APR17

# HSBC in Australia

## Key facts and figures

**1965**

HSBC started operations in Australia



**40** HSBC branches and offices across Australia

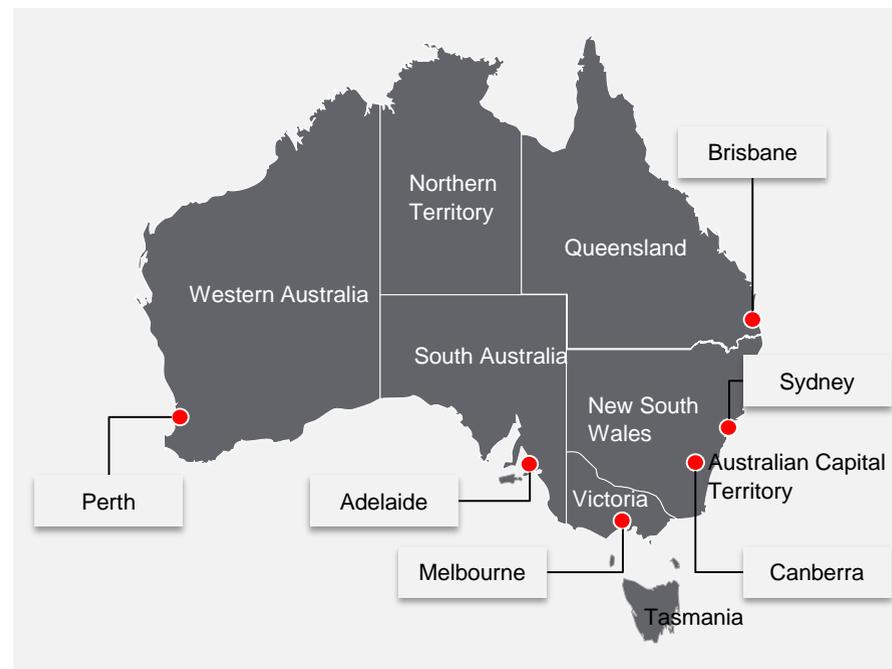
**1986**

HSBC was awarded a commercial banking licence

**Universal Banking Model**

HSBC serves both retail and wholesale clients through its four global businesses

Retail Banking and Wealth Management	Commercial Banking
Global Banking and Markets	Private Banking



### Full suite of products and services

#### RBWM

- Credit & debit cards
- Digital wallets
- Home loans, personal loans
- FX business
- Transaction banking

#### GB&M / CMB

- Credit & Lending
- Debt Capital Markets
- Term Loan
- Project & Export Finance
- M&A and Corporate Advisory
- Loan Syndication
- Leverage & Acquisition Finance
- Forex, Forex Options
- Rates (incl. govt and interest rate derivatives)
- Credit (incl. corporate bonds, convertibles)
- Commodities

#### GTRF<sup>1</sup>

- Export & Import Services
- Receivables Finance
- Supply Chain Finance
- Guarantees / Standby Letters of Credit
- Commodities & Structured Trade Finance

#### GLCM<sup>1</sup>

- Collection Products
- Liquidity Management
- Corporate Cards
- Payment Products
- Account services

#### Research

- Debt Research
- FX Research
- Economic & Investment
- Strategy

#### Other

- Institutional asset management
- Private Banking

1. GTRF and GLCM products available to GB&M and CMB clients

## Competitive landscape remains dominated by domestic banks; HSBC is one of the largest foreign banks

### Australia banking industry market share

	2017	
	Market share	Rank
Asset under custody for foreign clients <sup>1</sup>	75%	1 <sup>st</sup>
Trade bank – Institutional <sup>2</sup>	16.7%	2 <sup>nd</sup>
Trade bank – Corporate <sup>2</sup>	17.5%	3 <sup>rd</sup>
International Debt Capital Markets issuance <sup>3</sup>	11.24%	1 <sup>st</sup>
Wholesale loans <sup>4</sup>	2.0%	7 <sup>th</sup>
GLCM <sup>2</sup>	8.0%	5 <sup>th</sup>
Retail deposits <sup>4</sup>	1.6%	9 <sup>th</sup>
Mortgages <sup>4</sup>	1%	11 <sup>th</sup>
Credit cards <sup>4</sup>	2.2%	6 <sup>th</sup>

1. Source: ACSA - Australian Custodial Services Association  
 2. Source: East and Partners  
 3. Source: Bloomberg: DCM issuance 2016-2017  
 4. APRA

5. CBA, NAB, ANZ and Westpac

6. Underlying growth % are based on AUD balances sourced from APRA

### Commentary

#### Challenges faced by competitors

- ◆ Slowing demand for housing credit (highly leveraged households, tightened regulatory conditions on banks)
- ◆ This has a much more profound impact on the majors<sup>5</sup> who have large market shares (combined 81%) and historically less stringent credit policies compared to HSBC Australia
- ◆ Regulatory pressure
- ◆ Adverse media coverage and public opinion challenges

#### Why HSBC has a distinct advantage

- ◆ Global connectivity, especially into China and ASEAN countries
- ◆ HSBC's global network is key to being the leading international bank in Australia
- ◆ Customers utilise HSBC's capabilities and expertise across treasury / liquidity management, working capital and supply chain financing, capital raising, retail and private banking
- ◆ HSBC has a relatively small market share in housing loans (circa 1%) but is growing significantly
- ◆ As at DEC17, HSBC grew 14% in housing loans Y-o-Y and 27% in owner occupied housing loans. HSBC has grown faster than any of our competitors (both local banks and internationals)<sup>6</sup>
- ◆ Global and domestic investment in financial crime risk management capabilities and regulatory compliance leave us well positioned to adapt to the evolving regulatory landscape

# HSBC has consolidated its position as the “fifth commercial bank” as well as being recognised as the “leading international bank” in Australia<sup>1</sup>

## Selected achievements

<b>Retail customers<sup>2</sup></b>	<b>6%</b>	of the affluent market has a relationship with HSBC; <b>28%</b> consider HSBC their “main bank”	<b>DCM<sup>6</sup></b>	<b>1st</b>	DCM house between 2016-2017 for international bonds issued by AU / NZ borrowers. In 2012, we were #10
<b>Retail asset growth<sup>3</sup></b>	<b>2.7x</b>	system growth 2017. <b>AUD1bn</b> in mortgage applications since re-entering broker channel with Aussie in June 2017	<b>Loan syndication<sup>7</sup></b>	<b>5th</b>	Loans Bookrunner between 2016-2017 for AU / NZ Loans. In 2012, we were #14
<b>GLCM<sup>4</sup></b>	<b>5th</b>	ranked in Australia behind the 4 Majors	<b>HSS<sup>8</sup></b>	<b>AUD1.4tn</b>	Assets under custody, with <b>20%</b> total market share; <b>75%</b> penetration of cross border flows
<b>GTRF<sup>5</sup></b>	<b>1st</b>	share of mind for both corporates and institutions for trade finance	<b>Brand advocacy<sup>9</sup></b>	<b>9th</b>	most improved company in Australia for brand advocacy in 2017

1. Peter Lee Associates

2. RFI Research, Jan 2018. Affluent defined as households with >AUD150K pa

3. APRA

4. East & Partners, H1 2018

5. East & Partners Trade Finance Market Analysis 2017

6. Bloomberg: DCM issuance 2016-2017.

7. Bloomberg: Loan Syndication 2016-2017

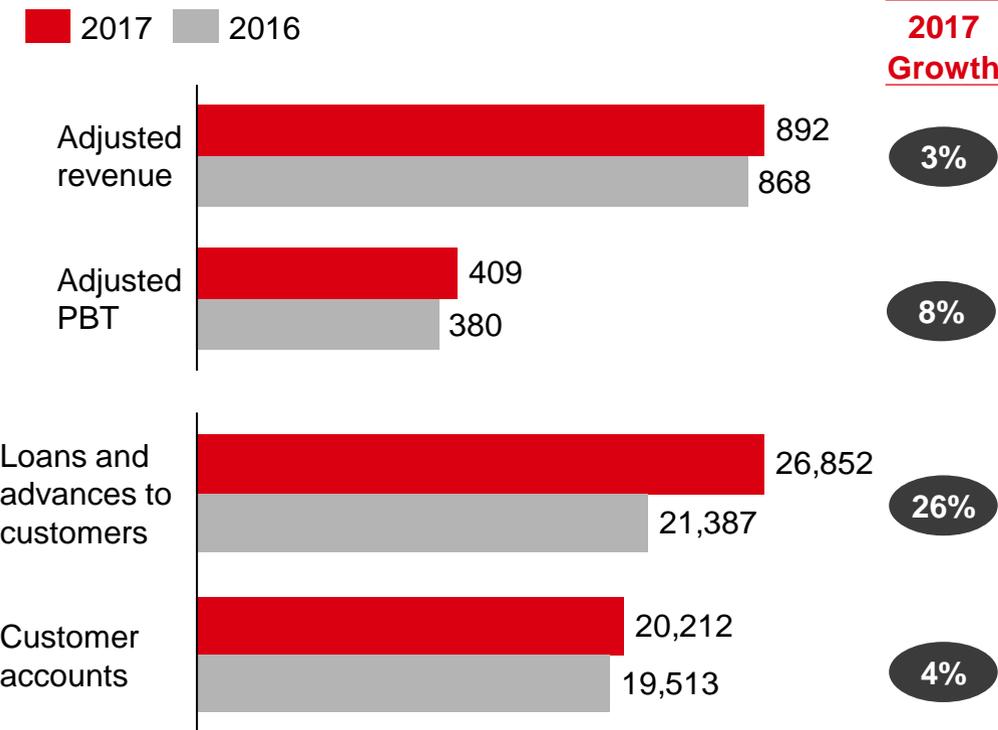
8. Source: ACSA - Australian Custodial Services Association

9. YouGov BrandIndex Australia Top 10 Brand Advocacy Improvers 2017

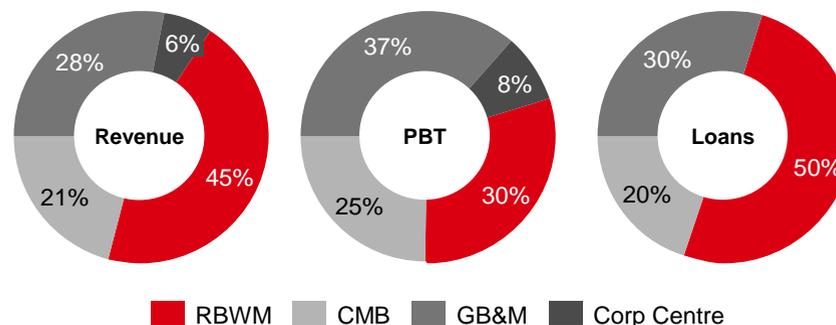
# Financial performance<sup>1</sup>

## Key financials

USDm



## 2017 financials by global business



## Achievements

- ◆ Strong asset growth across all businesses in 2017:
  - Retail (RBWM) asset balances up USD1.5bn or 13%
  - Wholesale (GB&M and CMB) loans and advances growth up USD4.0bn or 42%
- ◆ Low LICs reflective of strong credit quality
- ◆ CER is stable and managed within high 40s / low 50s
- ◆ HSBC Australia has a balanced portfolio with its retail and wholesale businesses contributing to sustainable revenue growth
  - 2017 growth highlights:
    - Retail double digit growth in NII. Revenue growth 12%.
    - CMB generated revenue growth of 13%.
    - Global Banking revenue growth of 7%.

### Key ratios (2017)

CER **52%**

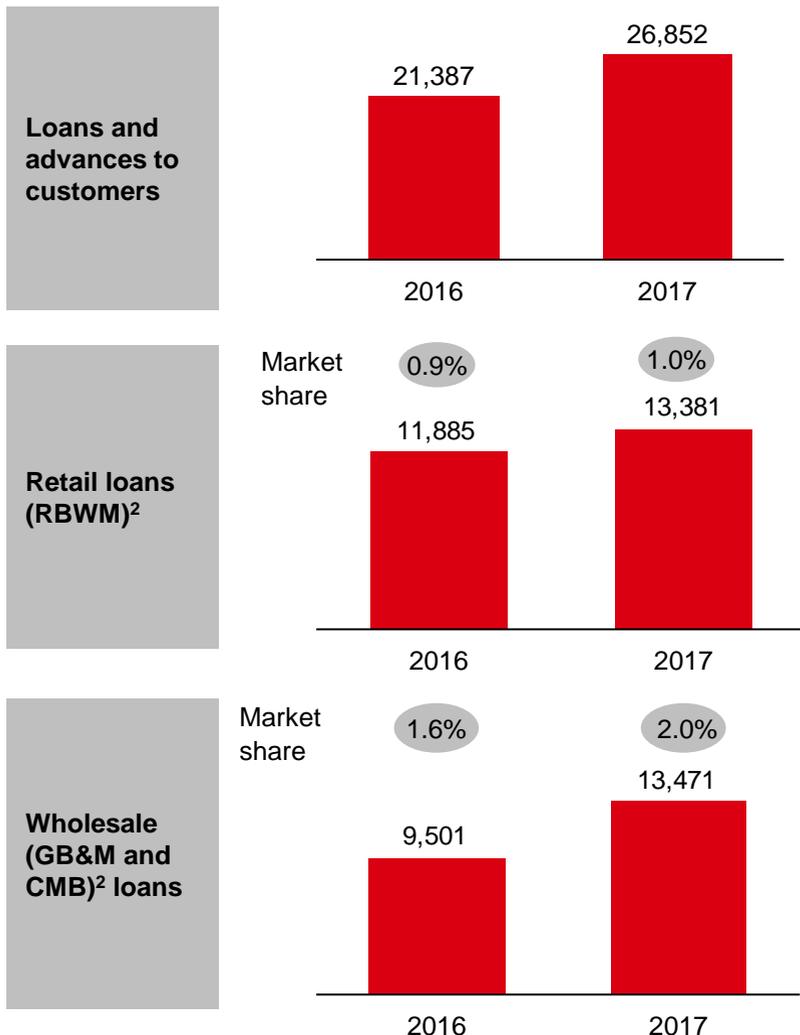
LICs / Advances **0.1%**

1. All financial performance on an adjusted basis – excluding significant items & foreign currency translation – a reconciliation to reported results is shown in the appendix

# Customer lending / credit quality

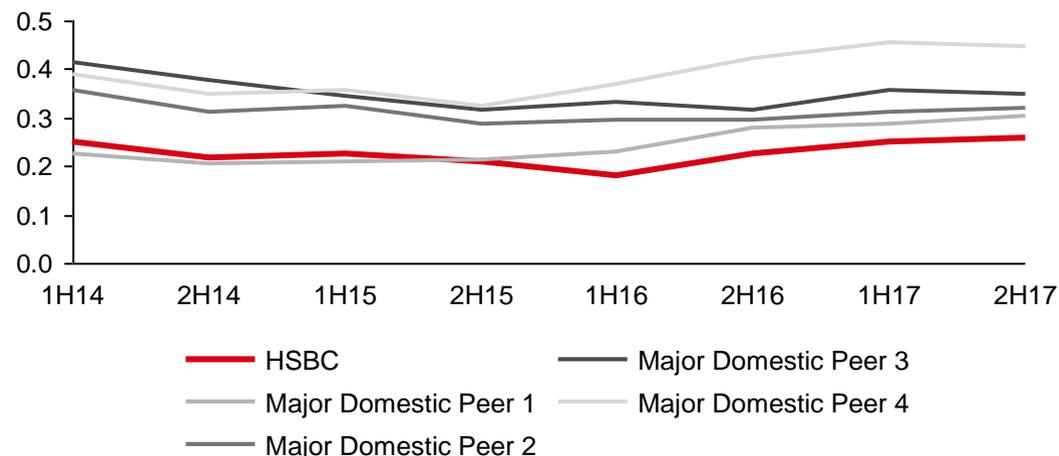
## Customer lending<sup>1</sup>

USDm

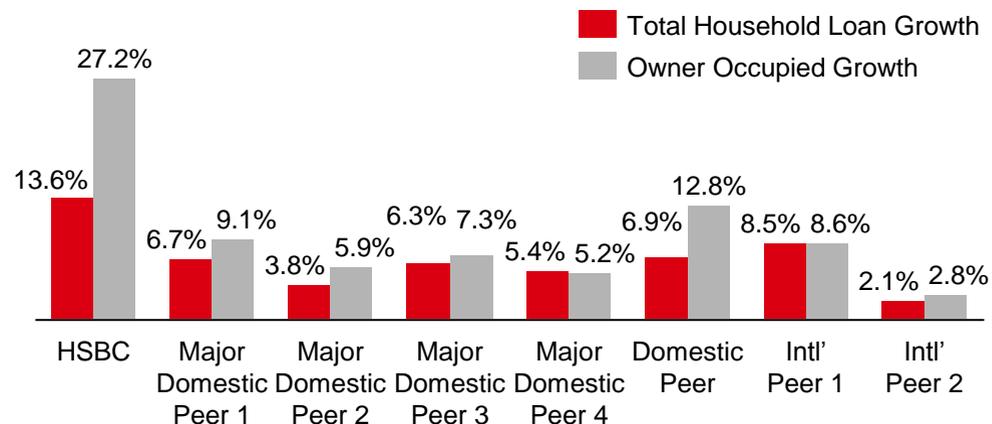


## 90 days past due / Gross Loans<sup>3</sup>

USDm



## Housing loan annual growth (DEC17)<sup>4</sup>



1. Adjusted basis which exclude the effect of foreign currency translation. 2016 balances on a reported basis: Loans and advances to customers \$19,761m, RBWM \$10,982m and CMB+GB&M \$8,777

2. Market share for HSBC retail loans includes non-resident loans. Resident loans sourced from APRA, non-resident retail loans sourced internally from HSBC

3. As at SEP17 and sourced from Bank Pillar 3 disclosures

4. Underlying growth % are based on AUD balances sourced from APRA (which excludes non- resident loans)

## Strategic priorities

Leverage HSBC's international connectivity and continue to capture emerging opportunities

**1 RBWM: become the leading bank in Australia for affluent and mass affluent customers, whilst continuing to grow PBT and assets**

- ◆ Accelerate market share growth by increasing wallet share
- ◆ Invest in distribution to grow assets

**2 CMB: grow market share by growing the client base and providing a wider suite of services to existing clients**

- ◆ Commercial Banking: leverage the international network to facilitate cross border access to both global and local clients
- ◆ Strategic focus on large corporate clients and mid-market enterprises, and International Subsidiary Banking

**3 GB&M: target profitable growth by providing tailored financial solutions to global clients through HSBC's network**

- ◆ Global Banking: leverage strategic lending / client relationships to win ancillary business
- ◆ Global Markets: targeting clients ancillary business and leveraging HSBC's asset growth with close collaboration across CMB / GB / RBWM

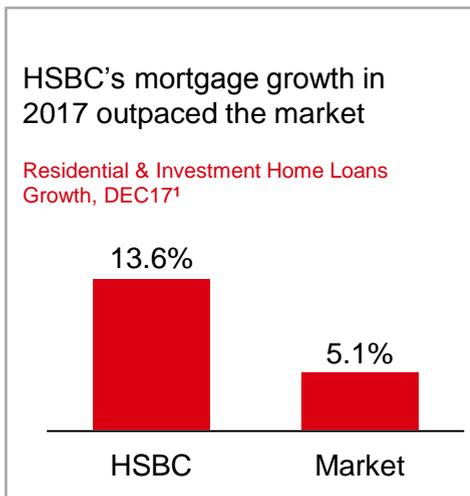
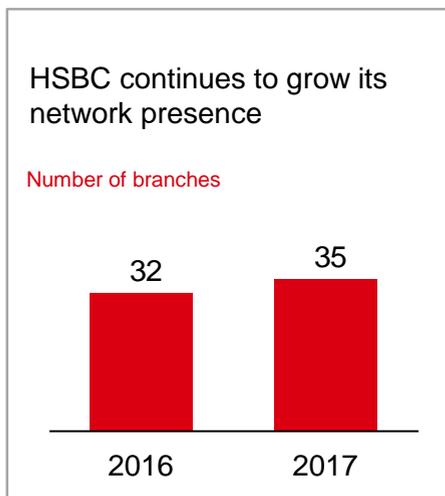
**4 GPB: small onshore presence focussing on generating new business referrals to Hong Kong / Singapore offices, for high net worth individuals.**

# HSBC Australia RBWM: To be the leading bank in Australia for affluent and mass affluent customers, whilst continuing to grow PBT and assets

## Current position / Why are we here?

RBWM in Australia is an important contributor to the Group

<p>Australia is the <b>4<sup>th</sup></b> most profitable RBWM market in the Group</p> 	<p>Australia has the <b>5<sup>th</sup></b> largest mortgage book in the Group</p> 
--	--



## Strategic initiatives

- |   |   |
|---|---|
| <b>Accelerate market share growth</b>             | <ul style="list-style-type: none"> <li>◆ Expanding mortgage broker partnerships, investing in digital capabilities and expanding physical distribution footprint</li> </ul>   |
| <b>Increase wallet share of the target market</b> | <ul style="list-style-type: none"> <li>◆ By increasing proportion of customers which regards HSBC as their main financial institution and improving the premier proposition</li> </ul>  |
| <b>Reduce attrition</b>                           | <ul style="list-style-type: none"> <li>◆ By improving the customer's overall experience through transforming and streamlining key processes, creating greater convenience and a consistent high quality experience</li> </ul> |

1. Underlying growth % are based on AUD balances sourced from APRA

# HSBC Australia CMB: Investing in coverage model to drive asset and customer growth and improve wallet share

## Current position / Why are we here?

- ◆ Business is on a growth cycle facilitated by Group investment



- ◆ Strong intra-Group connectivity: 9th largest: 9th largest Outbound and the 10th largest Inbound site globally



- ◆ The scope for increasing market share is compelling: HSBC currently holds < 2% of Corporate Loans compared to combined CBA / WBC of 37% (all four major banks hold 73%)
- ◆ Commercial Banking will focus on our strength as a leading trade and cash management bank to further grow market share across our local corporate and inbound corporate clients

## Strategic initiatives

### Client acquisition and asset growth

- ◆ Expand our corporate coverage model across our National footprint, building sector coverage
- ◆ Focus on China and ASEAN corridors to capture both inbound and outbound growth opportunities
- ◆ Focus on maintaining and improving returns and asset quality

### Client proposition and wallet share

- ◆ Collaborating with GB&M to enable clients to access international sources of capital across debt and equity
- ◆ Expanding Global Trade and Receivables Financing product offering and platforms to continue to increase trade penetration
- ◆ Building propositions to supports working capital and FX flow opportunities

1. L&A to customers on an adjusted basis – excluding Significant items & foreign currency translation – reconciliation to reported results are shown in the appendix

# HSBC Australia GB&M: Strong growth in assets whilst improving efficiency and profitability, through investment in front-line resources

## Current Position / Why are we here?

- ◆ HSBC Australia's Global Banking business is embarking on a growth cycle

### Growth DEC15 to DEC17:

Corporate customer value<sup>1</sup>



L&A to customers

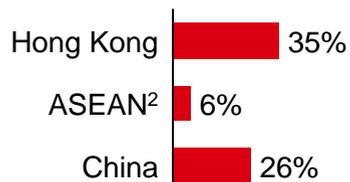


2016-17

CMB synergies



### Corridor revenue growth, 2017



### Strong and diversified business

**#1** DCM house between 2016-2017 for int'l bonds issued by AU / NZ borrowers. In 2012, we were #10<sup>3</sup>

**5<sup>th</sup>** Syndicated loans Bookrunner 2016-17<sup>4</sup> (up from #14 in 2012)

**#1** Asset under custody for foreign clients with 75% market share<sup>5</sup>

**5<sup>th</sup>** GLCM ranked in Australia, behind the 4 majors<sup>6</sup>

**2<sup>nd</sup>** GTRF-ranked in Australia for institutions for primary trade finance relationships<sup>7</sup>

## Strategic Initiatives

### Global Banking will enhance coverage intensity across its client base

- ◆ Continue FIG focus (strategic lending / ABF) to enable growth in flow revenue (e.g. DCM)
- ◆ Leverage momentum in corporate coverage to deepen wallet share for our global corporate clients
- ◆ Tap MNC opportunities with our universal banking model
- ◆ CMB collaboration to cross sell GB's financing and advisory solutions to its client base
- ◆ Build on Project Finance Advisory strength to target financing needs from AU infrastructure investments

### Global Markets will focus on Technology, Collaboration and focus Institutional clients

- ◆ Intensive Corporate and Institutional coverage Delivering FX product in line with client and group strategy (e.g. Transactional FX in Education sector)
- ◆ Leveraging the increase in flow FX and Rates across key client segments to deepen wallet share via structuring & bespoke client solutions
- ◆ Focusing on Outbound Institutional Client Offering

1. Customer value is client revenue data sourced HSBC internal client MI, which differs from reported revenue. Sum of in-country and inbound  
 2. ASEAN Markets include: Indonesia, Malaysia, Thailand, Vietnam, Singapore, Brunei, Philippines  
 3. Bloomberg: DCM issuance 2016-2017

4. Bloomberg: Loan Syndication 2016-2017  
 5. Source: ACSA -Australian Custodial Services Association  
 6. Source: East & Partners, H1 2018  
 7. Source: East and Partners

## Key messages

1

**Strong macroeconomic fundamentals. 26 years of continued GDP growth and robust demographic growth<sup>1</sup>**

2

**Australia's strong international connectivity positions HSBC well for future growth. 71% of Australian exports go to Asia and half of Australia's population growth is driven by inward migration<sup>2</sup>**

3

**Grow assets, revenues and returns, while increasing market share across our Global Businesses**

4

**HSBC Australia universal banking model: a credible alternative to the domestic banks**

1. Source: Australian Bureau of Statistics

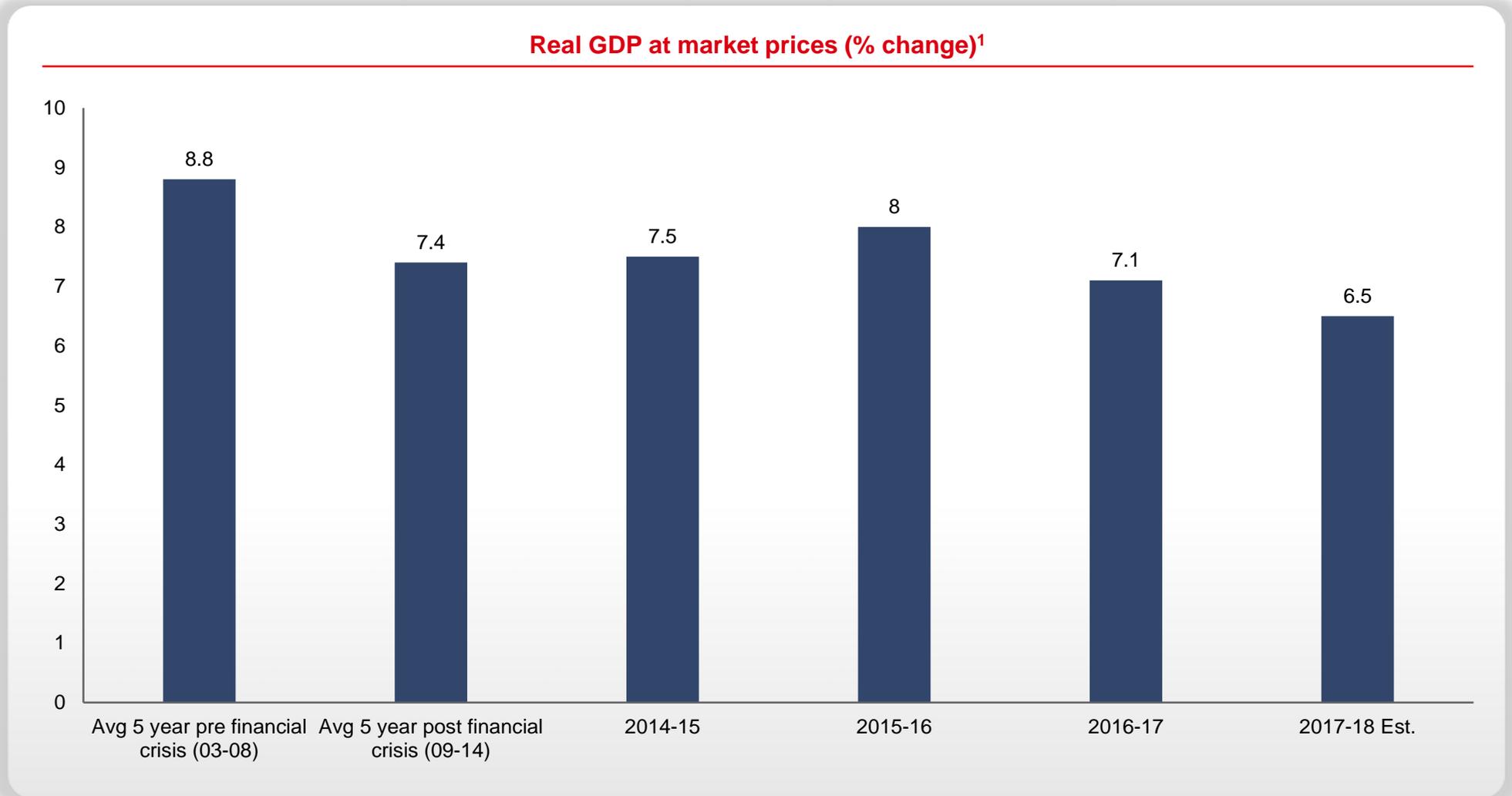
2. Australian Government - Department of Foreign Affairs and Trade

# Appendix

## GB&M Asia selected financial performance

USDm	2017	2016
Adjusted revenue	6,082	5,837
<b>Adjusted PBT</b>	<b>3,389</b>	<b>3,217</b>
Significant items & foreign currency translation	(254)	(6)
<b>Reported PBT</b>	<b>3,135</b>	<b>3,211</b>

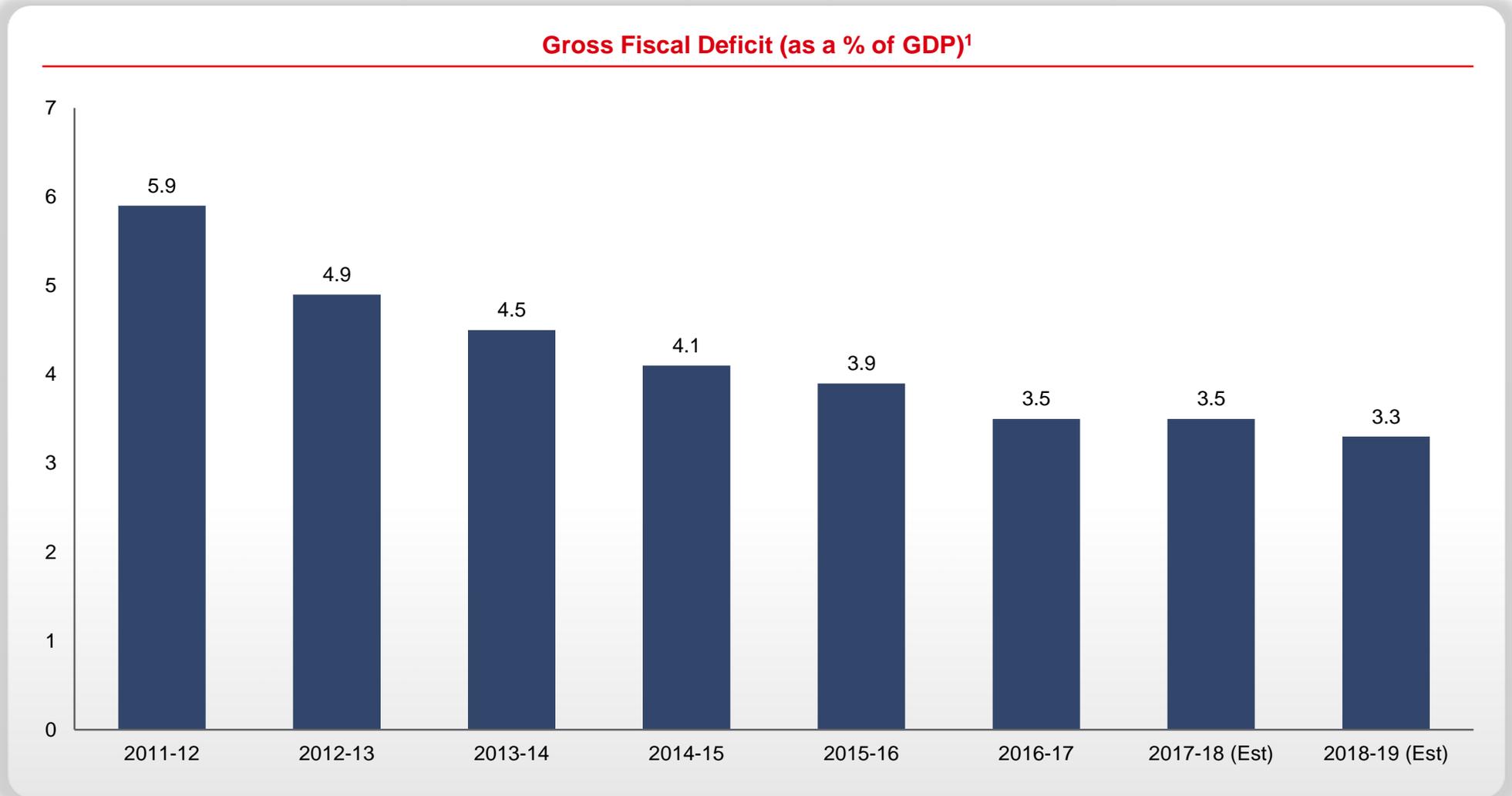
## India macro - Real GDP at market prices



1. Source: Bloomberg



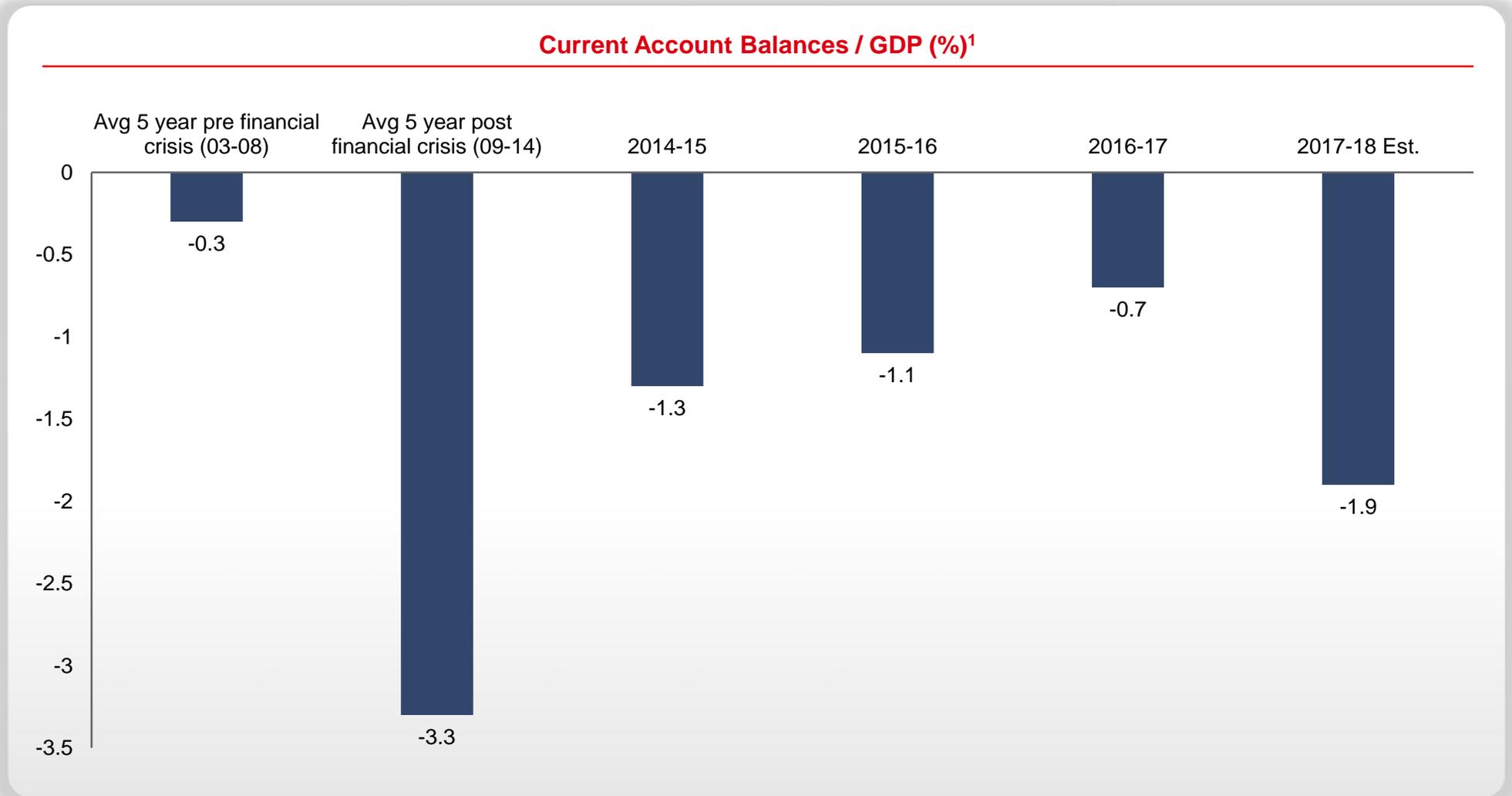
## India macro - Gross fiscal deficit



1. Source: Bloomberg



## India macro – Current account deficit / GDP



1. Source: Bloomberg



## Reconciliation of financials - Australia

USDm	2017	2016
Reported revenue	852	842
Significant items & foreign currency translation	(40)	(26)
<b>Adjusted revenue</b>	<b>892</b>	<b>868</b>
Reported operating expenses	(460)	(414)
Significant items & foreign currency translation	(4)	12
<b>Adjusted operating expenses</b>	<b>(456)</b>	<b>(426)</b>
Reported PBT	365	369
Significant items & foreign currency translation	(44)	(11)
<b>Adjusted PBT</b>	<b>409</b>	<b>380</b>

# Glossary

## Glossary of terms

Term	Definition
<b>AD ratio</b>	Ratio of loans and advances to customers to customer accounts
<b>ADB</b>	Asian Development Bank
<b>Adjusted performance</b>	Adjusted performance excludes the year-on-year effects of foreign currency translation differences and significant items which distort the year-on-year comparison of reported results. The term significant items collectively describes the group of individual adjustments excluded from reported results when arriving at adjusted performance and which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the trends of the business
<b>AIIB</b>	Asian Infrastructure Investment Bank
<b>AM</b>	Asset Management
<b>APAC</b>	Asia-Pacific
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>AU</b>	Australia
<b>AUC</b>	Asset Under Custody

Term	Definition
<b>AUM</b>	Assets under management
<b>BARC</b>	Barclays Bank PLC
<b>BCG</b>	Boston Consulting Group
<b>bn</b>	billion
<b>BoAML</b>	Bank of America Merrill Lynch
<b>BRI</b>	Belt and Road Initiative
<b>BSM</b>	Balance Sheet Management
<b>CAGR</b>	Compound annual growth rate
<b>CC</b>	Corporate Centre
<b>CER</b>	Cost efficiency ratio

## Glossary of terms

Term	Definition
<b>Client revenue</b>	Client revenue data sourced HSBC internal client MI, which differs from reported revenue. Excludes synergies with other global businesses and excludes internal costs of funds
<b>CMB</b>	Commercial Banking
<b>CNY</b>	Chinese Yuan Renminbi
<b>CS</b>	Credit Suisse Group AG
<b>CSRC</b>	China Securities Regulatory Commission
<b>DB</b>	Deutsche Bank AG
<b>DCM</b>	Debt capital markets
<b>DTC</b>	Digital transformation for Corporates
<b>ECM</b>	Equities capital markets
<b>ECM</b>	Equity Capital Markets
<b>EMEA</b>	Europe, Middle East and Africa

Term	Definition
<b>Ernst &amp; Young (“EY”) methodology</b>	<p>1. Estimated Market share is calculated by taking HSS’s Asia Pacific AUC (provided by HSS) divided by Total Asia Pacific AUC (using Tricumen data, which is estimated to cover c.60% of Asia Pacific AUC)</p> <p>2. Estimated Market Positioning is derived comparing HSS’s AUC in Asia Pacific to 10 Asset Servicing Asia Pacific AUC values that EY holds data for, assuming these 11 Asset Servicing companies (including HSS) are the largest in Asia Pacific</p>
<b>ETF</b>	Exchange Traded Funds
<b>FDI</b>	Foreign Direct Investment
<b>FICC</b>	Fixed Income, Currencies & Commodities
<b>FIG</b>	Financial Institutions Group
<b>FUM</b>	Funds under management
<b>FX</b>	Foreign Exchange
<b>G10 Currencies</b>	G10 currencies include United States dollar, Euro, Japanese yen, Pound sterling, Swiss franc, Australian dollar, New Zealand dollar, Canadian dollar, Swedish krona, Norwegian krone

## Glossary of terms

Term	Definition
<b>GB</b>	Global Banking
<b>GB&amp;M</b>	Global Banking and Markets
<b>GBA</b>	Greater Bay Area
<b>GDP</b>	Gross domestic product
<b>GFC</b>	Group Finance Companies
<b>GLCM</b>	Global Liquidity and Cash Management
<b>GM</b>	Global Markets
<b>GPB</b>	Global Private Banking
<b>GS</b>	Goldman Sachs Group Inc
<b>GTRF</b>	Global Trade and Receivables Finance
<b>HKMA</b>	Hong Kong Monetary Authority
<b>HKQAA</b>	Hong Kong Quality Assurance Agency
<b>HSS</b>	HSBC Securities Services

Term	Definition
<b>IDBC</b>	Industrial and Commercial Bank of China Limited
<b>IMF</b>	International Monetary Fund
<b>Inbound revenue</b>	Client revenue booked in Country A where the primary relationship is managed outside of Country A
<b>Jaws</b>	Percentage change in revenue over the percentage change in costs
<b>JPM</b>	JPMorgan Chase & Co
<b>JV</b>	Joint Venture
<b>LATAM</b>	Latin America
<b>LICs</b>	Loan impairment charges and other credit risk provisions
<b>M&amp;A</b>	Mergers and Acquisitions

## Glossary of terms

Term	Definition
<b>MENA</b>	Middle East and North Africa
<b>MLA</b>	Mandated Lead Arranger
<b>MNCs</b>	Multi-national corporations
<b>MS</b>	Morgan Stanley
<b>NAFTA</b>	North American Free Trade Agreement
<b>NDB</b>	New Development Bank
<b>NIM</b>	Net interest margin
<b>NZ</b>	New Zealand
<b>ODI</b>	Outward Direct Investment
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>Outbound revenue</b>	Client revenue relating to clients where the primary relationship is managed in Country A, but the revenue is booked outside of Country A
<b>PBT</b>	Profit before tax
<b>PRD</b>	Pear River Delta

Term	Definition
<b>QFII</b>	Qualified Foreign Institutional Investor
<b>RBWM</b>	Retail Banking and Wealth Management
<b>RCF</b>	Revolving Credit Facility
<b>Reported results</b>	Reported view of performance is determined on an International Financial Reporting Standards (“IFRS”) basis as reported in HSBC’s annual report and accounts and other financial and regulatory reports
<b>RMB</b>	Renminbi
<b>RMBI</b>	Reminbi Internationalisation
<b>RoRWA</b>	Return on risk-weighted assets
<b>RoTE</b>	Return on tangible equity
<b>RQFII</b>	Renminbi Qualified Foreign Institutional Investor
<b>RWAs</b>	Risk-weighted assets
<b>SAFE</b>	State Administration of Foreign Exchange
<b>SG</b>	Société Générale

## Glossary of terms

Term	Definition
<b>TLA</b>	Term Loan A
<b>tn</b>	trillion
<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>USD</b>	US Dollar
<b>VNB</b>	Value of new business
<b>Y-o-Y</b>	Year-on-year
<b>YTD</b>	Year-to-Date

