Global Trade and Receivables Finance
28 September 2020
Disclaimer

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Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2019 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 19 February 2020 (the "2019 Form 20-F"), our 1Q 2020 Earnings Release furnished to the SEC on Form 6-K on 28 April 2020 (the “1Q 2020 Earnings Release”), and our Interim Financial Report for the six months ended 30 June 2020 which we furnished to the SEC on Form 6-K on 03 August 2020 (the “2020 Interim Report”).

Non-GAAP financial information

This Presentation contains non-GAAP financial information. The primary non-GAAP financial measures we use are presented on an “adjusted performance” basis which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business.

Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in our 2019 Form 20-F, our 1Q 2020 Earnings Release, our 2020 Interim Report and the corresponding Reconciliations of Non-GAAP Financial Measures document, each of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 28 September 2020.
Agenda

1. Why trade matters: relevance and evolution of trade
2. Resilient performance in a challenging environment
3. Transforming our business for the future of trade
Why trade matters: relevance and evolution of trade

1. Trade: essential service, now more than ever

The role of trade

Trade in HSBC
- Multinationals to SMEs: footprint covers 90% of trade/capital flows¹
- Key part of HSBC’s transaction banking ($16.8bn revenue in FY19)
- Multiplier effect: 4x avg. revenue; 2x # of countries & products²

HSBC in Trade
- Revenue c.2x of top 2 peers³
- #1 Global Trade Finance Bank (3rd consecutive year)⁴
- World’s Best Bank for Transaction Services 2020⁴

Trade in society
- Flow of critical goods
- Catalyst for economic recovery/growth
- Key to human progress, inclusion and building back better

The role of trade finance

- Facilitate trade across ecosystems
- Finance end to end trade, get finance to where and when it’s needed, in a safer way⁵
- Risk mitigation addressing increased risk complexity, with more precise/agile decisions

Client priorities:
1. Sustainable growth and working capital
2. Supply chain resilience

HSBC has a responsibility to lead the industry

1. Source: HSBC Holdings plc Annual Report and Accounts 2019
2. Source: Internal HSBC MI; comparison of CMB Corporate clients with GTRF revenue vs. CMB Corporate clients without GTRF revenue
3. Source: FY19; Coalition GTB Revenue pools (see Appendix 1 and 2)
4. Euromoney awards (see Appendix 1)
5. Source: ICC Trade register (see Appendix 4 - Risk characteristics of trade finance)
## Trade in the age of Covid

### The four phases of trade during the Covid crisis

1. **Supply shock**
2. **USD liquidity crunch**
3. **Demand shock**
4. **Recovery(?)**

### Why trade matters: relevance and evolution of trade

2. HSBC Research articles for PMI (Purchasing manager Index)
3. OECD Composite Leading Indicators (CLI) Amplitude adjusted, M6 is major 6 non-members
4. RWI/ISL-Container-Throughput-Index (2015 = 100) seasonally and working day adjusted
Resilient performance in a challenging environment

2 Resilient financial performance in 1H20, while gaining market share

GTRF: resilient performance in 1H20
GTRF adjusted revenue, $bn (CMB and GBM)¹

<table>
<thead>
<tr>
<th></th>
<th>1H19</th>
<th>1H20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.3</td>
<td>1.3</td>
</tr>
</tbody>
</table>

- GTRF adjusted revenue in line with 1H19
- 12% revenue growth in Supply Chain Finance
- Repricing and market share gains offsetting lower global trade volumes
  - Global trade²: -13% in 1H20
  - Global DC issuance³: -19% in 1H20

Doing more with less
GTRF; 1H20 vs 1H19⁷

-2% FTEs
-2% Direct costs
-13% RWAs
+11% Assets distributed⁴
+26bps Revenue / RWAs⁵

Gaining market share⁶
GTRF market share

<table>
<thead>
<tr>
<th></th>
<th>Global</th>
<th>Asia</th>
<th>Traditional Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6.1</td>
<td>9.1</td>
<td>6.2</td>
</tr>
<tr>
<td>1H19</td>
<td>6.2</td>
<td>9.6</td>
<td>6.1</td>
</tr>
<tr>
<td>1H20</td>
<td>10.9</td>
<td>12.4</td>
<td>10.9</td>
</tr>
</tbody>
</table>

- #1 in Traditional Trade and Structured Trade
- Extended #1 position in Asia, where HSBC is >2x larger than top 2 peers in the region
- Extended leadership in Traditional Trade, especially in Asia

1. Numbers presented on an adjusted basis, as defined in the HSBC Holdings plc Interim Report
2. Source: Aggregated by HSBC Research from WTO country level merchandise exports monthly values
3. Source: SWIFT; Global DC issuance values
4. This is the total volume of all GTRF assets distributed into the secondary market to a diversified set of investors (banks or non-banks)
5. Revenue/RWAs is calculated using annualised adjusted revenues and adjusted average RWAs
6. Source: OW Coalition FY19 & 1H20 revenue benchmarking report
7. Source: HSBC Holdings plc Interim Report
Supporting our customers when they have needed us most

Operational resilience
- Outstanding business contingency plans; no down times or impact on SLAs
- Enabled clients to transact digitally overnight\(^1\)
- Fast track approvals

Mobilising full power of HSBC network
- Experts to help clients diversify and repurpose their supply chains
- Worked with governments and partners to ensure flow of goods and documents\(^2\)

Leveraging our investment in Trade Transformation
- Supply chain finance capabilities to extend liquidity into supply chains
- New data capabilities to help clients navigate risks
- Process simplification; shift of volumes to offshore processing centres

Record high Net Promoter Scores (\(+68\)^3)
3 Delivering Trade Transformation outcomes

Trade Transformation: Key customer and business outcomes by 2021

- Substantial elimination of manual paper handling
- Improve front office to back office ratio from 1:2 to 1:1²
- Substantial change in customer experience: easier, faster and safer
- Significant improvement in net promoter score³
- Capabilities to grow revenues faster than the rest of the market
- Increase pace of asset distribution by more than x2 from a baseline of $12bn (already achieved in 2019)

Progress so far

<table>
<thead>
<tr>
<th>ePenetration¹, %</th>
<th>Digitisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018E¹</td>
<td>25¹</td>
</tr>
<tr>
<td>2019</td>
<td>45</td>
</tr>
<tr>
<td>July ‘20</td>
<td>59 +34</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accumulated operational FTE saves</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-18 as % of ‘17 baseline</td>
</tr>
<tr>
<td>2017-19</td>
</tr>
<tr>
<td>2017-20²</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Client SLAs, %</th>
<th>Improving customer experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>1H17</td>
<td>80</td>
</tr>
<tr>
<td>1H20</td>
<td>94</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NPS</th>
</tr>
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<tbody>
<tr>
<td>1H17</td>
</tr>
<tr>
<td>1H20</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>‘17-19 revenue delta, %</th>
<th>Asset Distribution⁶, $bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market⁴</td>
<td>0.5</td>
</tr>
<tr>
<td>HSBC⁵</td>
<td>4.6</td>
</tr>
<tr>
<td>2017</td>
<td>12</td>
</tr>
<tr>
<td>2019</td>
<td>28</td>
</tr>
</tbody>
</table>

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1. ePenetration: 2018 value estimated on comparable basis
2. Front office FTEs comprise all client facing roles; back office FTEs comprise all FTEs dedicated to operations, baseline is 2017
3. Net Promoter Score is a metric to derive client satisfaction and likelihood of recommendation
4. Source: OW Coalition FY19 revenue benchmarking report
5. Adjusted revenue as disclosed in 2019 Annual Report & Accounts
6. This is the total volume of all GTRF assets distributed into the secondary market to a diversified set of investors (banks or non-banks)
7. FY2020 Estimate
The next generation of trade will build a digital thread that binds all these silos together enabling:

- Connectivity, convergence, interoperability across ecosystems, so trade becomes simpler;
- More precise solutions, offered in the platforms where companies buy and sell;
- More inclusive solutions, reaching those with no previous access to trade finance;
- Transparency and traceability, to embed sustainability in supply chains;
- Creation of new value for clients leveraging data, unlocking new revenue pools

Trade Transformation has laid the foundation for the future of trade, which will unlock:

- New client acquisition
- New revenue streams
- New data capture
Recap of key messages

1. HSBC is the largest and leading trade bank

2. Resilient performance during Covid; doing more with less, while gaining market share

3. Record high NPS, as we supported our clients when they’ve needed us most

4. Reaping the rewards from the Trade Transformation investment

5. The future of trade represents exciting opportunities for new client acquisition, data capture, new revenue streams

1. Source: i) OW Coalition FY19 & 1H20 revenue benchmarking report ii) Euromoney award for Global Excellence in Leadership iii) Euromoney award for Best Trade Bank for 3rd consecutive year
**GTRF by numbers**

<table>
<thead>
<tr>
<th>$760bn</th>
<th>Trade facilitated annually(^1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$84bn</td>
<td>Funded assets(^1)</td>
</tr>
<tr>
<td>#1</td>
<td>Trade bank(^2): Revenue c.2x of top 2 peer</td>
</tr>
<tr>
<td>12.4%</td>
<td>Traditional Trade market share(^2) (#1)</td>
</tr>
<tr>
<td>2.2%</td>
<td>Structured Trade market share(^2) (#1)</td>
</tr>
<tr>
<td>#1</td>
<td>Trade bank in Asia Pacific(^2)</td>
</tr>
<tr>
<td>14</td>
<td>Live LC transactions completed on Contour blockchain platform</td>
</tr>
</tbody>
</table>

**GTRF gained market share\(^2\)**

- Global market share grew from 6.1% to 6.2% in 1H20
- Traditional Trade: share increased to 12.4% from 10.9% in 1H19
- Structured Trade: maintained #1 globally (FY19)
- Increased share in Americas (+47bps) and Asia (+44bps) in 1H20

**Recognised by industry and customers**

- #1 Global Trade Finance Bank 2020 (3\(^{rd}\) consecutive year)
- World’s Best Bank for Transaction Services 2020
- GTR Leaders in Trade 2019
- Best Trade Finance Bank 2019
- Best Innovator 2019

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1. Source: HSBC FY19 Internal MI
2. Source: OW Coalition FY19 & 1H20 revenue benchmarking report
3. Source: HSBC Internal HR Data
### Competitive landscape

**Full year 2019 Trade finance revenue, $bn**

<table>
<thead>
<tr>
<th></th>
<th>Revenue, $bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSBC</td>
<td>2.6</td>
</tr>
<tr>
<td>Top 2 peers</td>
<td>1.4</td>
</tr>
<tr>
<td>Next 3 peers</td>
<td>1.2</td>
</tr>
<tr>
<td>Subsequent 3 peers</td>
<td>0.8</td>
</tr>
<tr>
<td>Subsequent 3 peers</td>
<td>0.5</td>
</tr>
<tr>
<td>Subsequent 3 peers</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Source: Outside-in view; Coalition GTB Revenue pools, HSBC numbers as per CMB and GBM GTRF, as disclosed in ARA 19, Peer group- BARC, BNPP, BoFA, CACIB, Citi, DB, ING, JPM, MUFG, SANT, SCB, SG, StanB, WFC,
Appendix 3 Why trade matters: relevance and evolution of trade

1. GTRF in Asia – Continued leadership in market penetration and quality perception

**HSBC extended its leadership in market penetration**

Bank penetration as All, Top 3 & Lead provider

![Bar Chart]

**Clear leadership in quality perception**

Greenwich Quality Index (GQI) Asia

![Graph]

Source: Greenwich report, Asia Large Corporate Trade Finance 2020, August 2020

1. Market penetration based on number of citations for each bank in the Greenwich Asia Large Corporate Trade Finance Study, 2020. With Total Sample of 597 companies in 2020, and 605 companies in 2019, and Matched Sample of 426 companies that interviewed with Greenwich for 2 consecutive years.

2. The Greenwich Quality Index score is based on normalized composite of all qualitative evaluations, transformed to 0 to 1,000 scale. Scores shown are difference from the mean. Chart is based on 2020 sample of 597 companies. In Asia Large Corporate Trade Finance 2020, HSBC is the quality leader (tied with another bank). Peer group: ANZ, BNPP, BOC, Citi, DB, DBS, Mizuho StanChart, UOB.
Appendix 4 Why trade matters: relevance and evolution of trade

Risk characteristics of trade finance

Drivers

- Short-tenor asset class
- Linked to real economy (working capital needs of companies)
- Shorter time to recovery in a default scenario

Default rate, Expected Loss & Time to recovery of trade finance and other asset classes, 2008–2018

<table>
<thead>
<tr>
<th>Product/asset class</th>
<th>Obligor-weighted default rate</th>
<th>Loss Given Default</th>
<th>Obligor-weighted Expected Loss</th>
<th>Time to recovery (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Import L/C</td>
<td>0.36%</td>
<td>29.9</td>
<td>0.11%</td>
<td>184</td>
</tr>
<tr>
<td>Export L/C</td>
<td>0.04%</td>
<td>36.3</td>
<td>0.02%</td>
<td>111</td>
</tr>
<tr>
<td>Loans for import/export</td>
<td>0.73%</td>
<td>37.7</td>
<td>0.28%</td>
<td>123</td>
</tr>
<tr>
<td>Performance guarantees</td>
<td>0.45%</td>
<td>2.2%</td>
<td>0.01%</td>
<td>66</td>
</tr>
<tr>
<td>Non Trade Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SME</td>
<td>1.62%</td>
<td>27.0</td>
<td>0.44%</td>
<td>393</td>
</tr>
<tr>
<td>Banks &amp; FIs</td>
<td>0.25%</td>
<td>28.0</td>
<td>0.07%</td>
<td>427</td>
</tr>
<tr>
<td>Commodities finance</td>
<td>0.68%</td>
<td>24.0</td>
<td>0.16%</td>
<td>350</td>
</tr>
</tbody>
</table>

Average “Event Likelihood” in the life of a performance guarantee, 2008–2018

- 100.0% Claims made
- 93.8% Claims not made
- 2.1% Claims made but unsuccessful
- 4.1% Claim made and successful

Includes claims that are funded by client’s overdraft account

Source: ICC Trade Register 2019
Appendix 5 Why trade matters: relevance and evolution of trade

Historical evolution of global trade

Global merchandise trade, $tn

- 1988: Cold War ends
- 1992: Maastricht Treaty
- 1994: NAFTA signed
- 1999: Euro introduced
- 2001: China joins WTO
- 2007: iPhone premiere, Brent crude > $100
- 2008: Global Financial Crisis
- 2009: China & US Stimulus
- 2012: China enters "new normal" slowdown
- 2014: Commodity "super-cycle" ends
- 2018: US-China reciprocal tariffs

Source: Economist Intelligence Unit; BCG analysis
The outlook for global trade

The $10tn case for trade

Open trade scenario:
- +$10tn GDP in 2025 vs “Baseline”
- +$2tn trade in 2025 vs “Baseline”
- +$10tn trade in 2020-25 vs “Protectionism”

Expanding the trade finance supply

- The correct capital treatment for trade finance would release $1.2-2.4tn of additional supply
- The B20 has recommended the review of such treatment to unlock this supply and drive financial inclusion

G20 Merchandise Trade, $tn

Projected Trade Value Output Delta (cumulative 2020-2025)

Positive effect: + $4.7-$6.3

“Open trade”

“Baseline”

“Rising protectionism”

Negative effect: - $3.4-$4.9

Global trade finance balances outstanding, $tn

- Empirical default rates show low risk nature of trade finance;
- The correct treatment of trade finance will free up c.30-45% of current capital

2019 global trade finance balances
Viable new trade finance supply
Potential trade finance balances

2.9
1.2-2.4
4.1-5.3

1. Source: HSBC-BCG joint paper “The $10 trillion case for open trade”, September 2020; sources: IMF World Economic Outlook; UN Comtrade, OECD; HIS; WTO; IMF; BCG Trade Finance Model 2020; BCG analysis
2. Source: Benchmark data from ICC Trade register 2019. Bank Pillar 3 data adjusted from 6 international banks’ Pillar 3 reports
~ Appendix 7 Why trade matters: relevance and evolution of trade ~

1. **Key trends reshaping trade**

   - **Shift from West to East**
     - Middle Income population growth in Asia (3.5bn by 2030¹)
     - Growth in intra-Asian trade; RCEP, ASEAN, CPTPP
     - Faster Covid-19 rebound in the East

   - **Supply chain resilience**
     - Focus on risk, including diversification (67% of businesses want a more secure supply chain²)
     - No single point of failure
     - Traceability and transparency

   - **Protectionism, trade block divergence**
     - Protectionism/ government intervention; push for re-shoring and domestic sourcing
     - Growth in intra-regional trade

   - **Business model/ sector transformation**
     - Sector transformation (e.g. real estate, retail, tourism)
     - New business models: platform-based and sharing economy; shift from B2B to B2C; business “as a service”

   - **Digitisation; growth in online and non-physical trade**
     - Digitisation, eCommerce, IOT, cloud-based services
     - Non-physical/ Services; fastest growing area in trade
     - Platform proliferation; digitally connected supply chains

   - **Sustainability, new social contract**
     - 85% of businesses see environmental sustainability as priority²
     - 91% of businesses agree on the need to rebuild their business on firmer environmental foundations²

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1. Source: Global Economy and Development: The unprecedented expansion of the Global Middle Class, 2017
2. Source: HSBC Navigator report, 2020
Leading the industry\(^1\) and supporting our customers during Covid-19

**Supporting customers**

- Record high Net Promoter Scores (+68\(^2\))
- Exceptional personal commitment from our people, rallying around our customers when they’ve needed us most.
- Enabled clients to transact digitally overnight, e.g. ITS enablement via a phone call\(^3\)
- Outstanding business contingency plans, ensuring the flow of goods and documents
- Supporting clients’ funding and liquidity needs; fast track approvals; 50k+ trade finance extensions in 1H20
- Extending liquidity into supply chains (15% SCF asset growth\(^4\)), helping clients enhance and protect their supplier relationships
- Leveraging investment in new data capabilities to help clients navigate risks and repurpose their supply chains

**Leading the industry in the response to Covid-19** \(^5\)

As Co-Chair of the B20 Trade & Investment Task Force, HSBC was instrumental in:

- Ensuring markets remained open in the midst of the crisis for the free flow of critical goods and services
- Establishing a fact base to show why open trade matters: $10tn increase in GDP in 2025\(^6\)
- Reaching consensus among the B20 (representing millions of G20 corporates) on bold, ambitious, practical policy recommendations to unlock this value

New partnership with the Asian Development Bank to support Covid-19 related supplies:

- Creating a new industry-wide standard for financing through partnerships (i.e. between Banks and Multilaterals/ ECAs)
- Establishing a capital efficient supply chain financing programme to support companies providing supplies relating to Covid-19;

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1. Euromoney award for Best Trade Bank for 3\(^{rd}\) consecutive year
2. Average of June to August 2020 scores
3. ITS= Internet Trade Service, only for clients already on HSBCnet
4. Supply Chain Finance period-end balances growth August 20 vs August 19
5. Euromoney award for Global Excellence in Leadership in acknowledgement of our “extra efforts” to support customers, communities and employees through the coronavirus pandemic
Tangible progress in the transformation journey

### Digital transformation

<table>
<thead>
<tr>
<th><strong>Full Digital Offering</strong></th>
<th><strong>New data-enabled solutions</strong></th>
<th><strong>Blockchain</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Omni-channels across all products; 100% STP Trade Loans launched; Mobile app to authorise and track transactions, documents and containers in real time: 7.5k users</td>
<td>Real time credit decisioning using supply chain data feeds, making finance available in minutes e.g. Merchant lending (Alibaba)</td>
<td>Progress in commercialising blockchain; rule books agreed; c.50 industry leading transactions</td>
</tr>
</tbody>
</table>

### Simplification and automation

<table>
<thead>
<tr>
<th><strong>Process simplification</strong></th>
<th><strong>Customer Surveillance</strong></th>
<th><strong>Cognitive automation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated 88% of steps required to issue a standard guarantee; deployed 60+ robots to automate manual, repetitive activity</td>
<td>Deployed industry first automation of Sanctions and AML controls covering 96% and 72% of volumes, respectively; removed all manual activity; increased risk detection accuracy</td>
<td>Deployment of cognitive and cloud-based AI technology to dematerialise paper and automate manual checks (covering 53% of volumes)</td>
</tr>
</tbody>
</table>

### Systems/Platforms

<table>
<thead>
<tr>
<th><strong>HSBC Trade Solutions</strong></th>
<th><strong>Supply Chain Cloud Platforms</strong></th>
<th><strong>Trade as a Service</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>New, holistic, future-proof trade IT stack; now live in HK with c.2k clients for Guarantees, Supply Chain Finance and Asset Distribution</td>
<td>Deployed market leading cloud-based platform in 13 markets (c.40% of total volume) with globally consistent, 100% digital client and supplier experience</td>
<td>Enabling clients to sell more and faster through own and third party platforms; e.g. Point of Sale financing (Google)</td>
</tr>
</tbody>
</table>

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1. STP = Straight Through Processing
2. Standard guarantee requested through the customer channel
3. As at 30 June 2020
4. FY19 volume (transaction count for Doc Trade and Guarantees)
5. Jul 20 Assets
6. GTRF assets distributed into the secondary market to a diversified set of investors (banks or non-banks)
Appendix 10 Transforming our business for the future of trade

The future of trade (1/3) – Tech and Services trade

**Cloud services**

- **Cloud services**: +20% CAGR in 2020-22; $350bn in turnover by 2022
- **Services Trade**: +31% increase from 2019 to 2025 ($1.9tn increase)

**E-Commerce**

- **eCommerce sales of $25.6tn in 2018**
- **c.40% of consumers will be digital natives by 2030** (up from 18% in 2019)

**Key deals**

**Point of Sale financing**

- **Client Needs**: Provide flexible payment terms to buyers/users to drive sales and increase market share in cloud services and licensing products; mitigate buyer credit risk
- **Our solution**: Extending instalment payments to buyers/subscribers of fixed-price, multi-year services contracts at the point of sale through a Receivables Finance structure
- **Why HSBC**: Ability and willingness to co-create structured solutions; strong client relationship and global coverage to support global footprint and underwrite obligor risks

**Merchant financing**

- **Client need**: provide short-term working capital to help c.2K merchant sellers on Tmall Global e-commerce platform to stock inventory
- **Our solution**: Partnered with Alibaba’s smart logistics platform, CaiNiao, to leverage real-time data for credit decisioning and ongoing monitoring of controls to provide receivables-led asset based lending.
  - Provide indicative offers to merchants in just minutes through connection with CaiNiao API
- **Why HSBC**: co-create digital automated financing solution; API suite and full scope of banking services

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2. Source: Western Union and Oxford Economics, 2020, The Global Services Trade Revolution, growth over next 5 years
4. Source: The booming digital economy, September 2020, HSBC Research
The future of trade (2/3) – Sustainability

Opportunity

- 85% of businesses see environmental sustainability as a priority\(^1\)
- 91% of businesses agree on the need to rebuild their business on firmer environmental foundations\(^1\)
- $660 billion - Potential sustainable supply chain finance market, which will reach one third of the supply chain finance market\(^2\)
- ESG stocks have outperformed their peers during the pandemic; an accelerator to build back better\(^3\)

Journey

New revenue streams: co-creating Sustainable Supply Chain Solutions

- Developed bespoke solution with Walmart to reduce 1bn metric tonnes of GHGs\(^4\) in their supply chain improving profitability of the previous SCF\(^5\) program

Going deeper: supporting our clients’ transition (Buyers & Suppliers)

- This solution acts as a magnet for other anchor buyers that want to be sustainable
- Sustainability dialogue is moving beyond buyer-led to direct supplier engagement for key transition requirements

Going broader: expanding our solutions

- Built new solutions to cater for a broader base of clients (green trade loans, green RF\(^6\), Social SCF\(^5\))
- These solutions support clients future proof their business (e.g. Green trade facility for large EPC\(^7\) contractor in Middle East)

Unlocking Value: Scaling through partnerships

- Partnership with IFC to support sustainable Trade Finance
- Allowing improved access to finance for new clients, while helping economies build back better

Credentials

- Global Sustainable Supply Chain Finance program
- Supporting new renewable energy business development across the US -totalling $1.6bn
- Green trade loan to support Green construction
- Partnership with IFC to increase capacity for sustainable trade finance
- World’s Best Bank for Sustainable Finance
- Regional awards for Best Bank for Sustainable Finance in ASP, Western Europe & Middle East
- Best ESG Trade Finance Solution for Asia
- Best ESG Trade Finance Solution for Hong Kong

1. Source: HSBC Navigator Survey Results
3. Source: Climate Investment Update, September 2020, HSBC Research
4. GHGs = Greenhouse gases
5. SCF = Supply chain finance
6. RF = Receivables Finance
7. EPC = Energy, Procurement and Construction
### The Asia growth opportunity

**Shift in wealth and innovation**
- Asia-Pacific is forecasted to comprise 66% of the world’s middle income population by 2030
- Asia’s share of global start-up funding increased from 16% in 2013 to 47% in 2018

**Growth in intra-Asian trade**
- 60% of Asian trade is intra-regional, up from 52% in 2001
- 72% of trade of Emerging Asia countries is intra-regional

**Faster Covid-19 rebound**
- Exports from Asian economies remained resilient
- China first in and first out of lockdown; Chinese factories able to supply the world as output stalled elsewhere

### Supply chains pivoting to Asia

<table>
<thead>
<tr>
<th>Region</th>
<th>Share of supply chain, by location</th>
<th>% change within 2 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>Now 26.3%</td>
<td>Within 2 years 27.5%</td>
</tr>
<tr>
<td>Asia ex China</td>
<td>Now 21.4%</td>
<td>Within 2 years 22.7%</td>
</tr>
<tr>
<td>North America</td>
<td>Now 25.1%</td>
<td>Within 2 years 24%</td>
</tr>
<tr>
<td>Europe</td>
<td>Now 15.3%</td>
<td>Within 2 years 14%</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>Now 11.9%</td>
<td>Within 2 years 11.8%</td>
</tr>
</tbody>
</table>

Source: East & Partners

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1. Source: Why the evolution of supply chains is picking up speed in Asia-Pacific, World Economic Forum, 2020
2. Source: The future of Asia: Asian flows and networks are defining the next phase of globalization, McKinsey 2019
3. UNCTAD 2019
4. Countries: Bhutan, Brunei, Cambodia, Indonesia, Laos, Malaysia, Mongolia, Myanmar, Nepal, Philippines, Thailand & Vietnam
5. See Appendix 5: Leading indicators for world trade
6. Source: “But will it last”, September 2020, HSBC Research
7. Source: “Reshaping the future of supply chains in Asia”, HSBC and East & Partners
8. Source: OW Coalition FY19 revenue benchmarking report
## Glossary

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AI</td>
<td>Artificial Intelligence</td>
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<td>AML</td>
<td>Anti Money Laundering</td>
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<tr>
<td>API</td>
<td>Application Program Interface</td>
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<tr>
<td>B20</td>
<td>Business 20</td>
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<tr>
<td>B2B</td>
<td>Business-to-business</td>
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<tr>
<td>B2C</td>
<td>Business-to-consumer</td>
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<tr>
<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
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<tr>
<td>CPTPP</td>
<td>Comprehensive and Progressive Agreement for Trans-Pacific Partnership</td>
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<td>DC</td>
<td>Documentary Credit</td>
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<tr>
<td>ECA</td>
<td>Export Credit Agency</td>
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<td>EPC</td>
<td>Energy, Procurement and Construction</td>
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<tr>
<td>ESG</td>
<td>Environmental, Social and Corporate Governance</td>
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<tr>
<td>FTE</td>
<td>Full-time Equivalent</td>
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<td>GHG</td>
<td>Greenhouse Gases</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>IOT</td>
<td>Internet of Things</td>
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<tr>
<td>ITS</td>
<td>Internet Trade Service</td>
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<tr>
<td>NPS</td>
<td>Net Promoter Score</td>
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<tr>
<td>RCEP</td>
<td>Regional Comprehensive Economic Partnership</td>
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<td>RF</td>
<td>Receivables Finance</td>
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<td>RWA</td>
<td>Risk-weighted Asset</td>
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<td>SCF</td>
<td>Supply Chain Finance</td>
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<tr>
<td>SLA</td>
<td>Service-level Agreement</td>
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<tr>
<td>STP</td>
<td>Straight Through Processing</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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