



9th June 2015

Asia – Uniquely Positioned to capture Growth in the Asian Century

Investor Update 2015

HSBC 

Important notice and forward-looking statements

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Non-GAAP Financial Information

This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is 'adjusted performance' which is computed by adjusting reported results for the year-on-year effects of foreign currency translation differences and significant items which distort year-on-year 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. Reconciliation of non-GAAP financial measurements to the most directly comparable measures under GAAP is provided in the 'reconciliations of non-GAAP financial measures' supplement available at www.hsbc.com.

Key strategic priorities

Key messages

Strong position to capture Asian growth	<ul style="list-style-type: none"> Asia is the world's leading economic region China continues to be an engine of growth HSBC is in a unique position to benefit from Asia's development, as Asia's leading international bank
ASEAN	<ul style="list-style-type: none"> Strong growth potential in ASEAN priority markets HSBC to capture opportunities in Wealth, trade and investment flows in Singapore and Malaysia Build scale post-integration in Indonesia
Expansion in China	<ul style="list-style-type: none"> Connecting China to the world, with Shanghai as key emerging financial centre and focus for HSBC Growth opportunities arise from stronger integration of Pearl River Delta (PRD) with Hong Kong Aspiration to expand presence in PRD significantly
RMB internationalisation	<ul style="list-style-type: none"> Strong underlying factors and policy reforms are driving the international use of the RMB HSBC is the leading international RMB bank and in a strong position to capture resulting opportunities
Wealth and Connectivity	<ul style="list-style-type: none"> Capture emerging middle class and wealth creation Business corridor initiative to capture client opportunities along fast growing Asian trade corridors

Asia financials¹

2014, USDbn

Revenue 23.7

Operating expenses 10.4

LICs 0.6

PBT 14.6

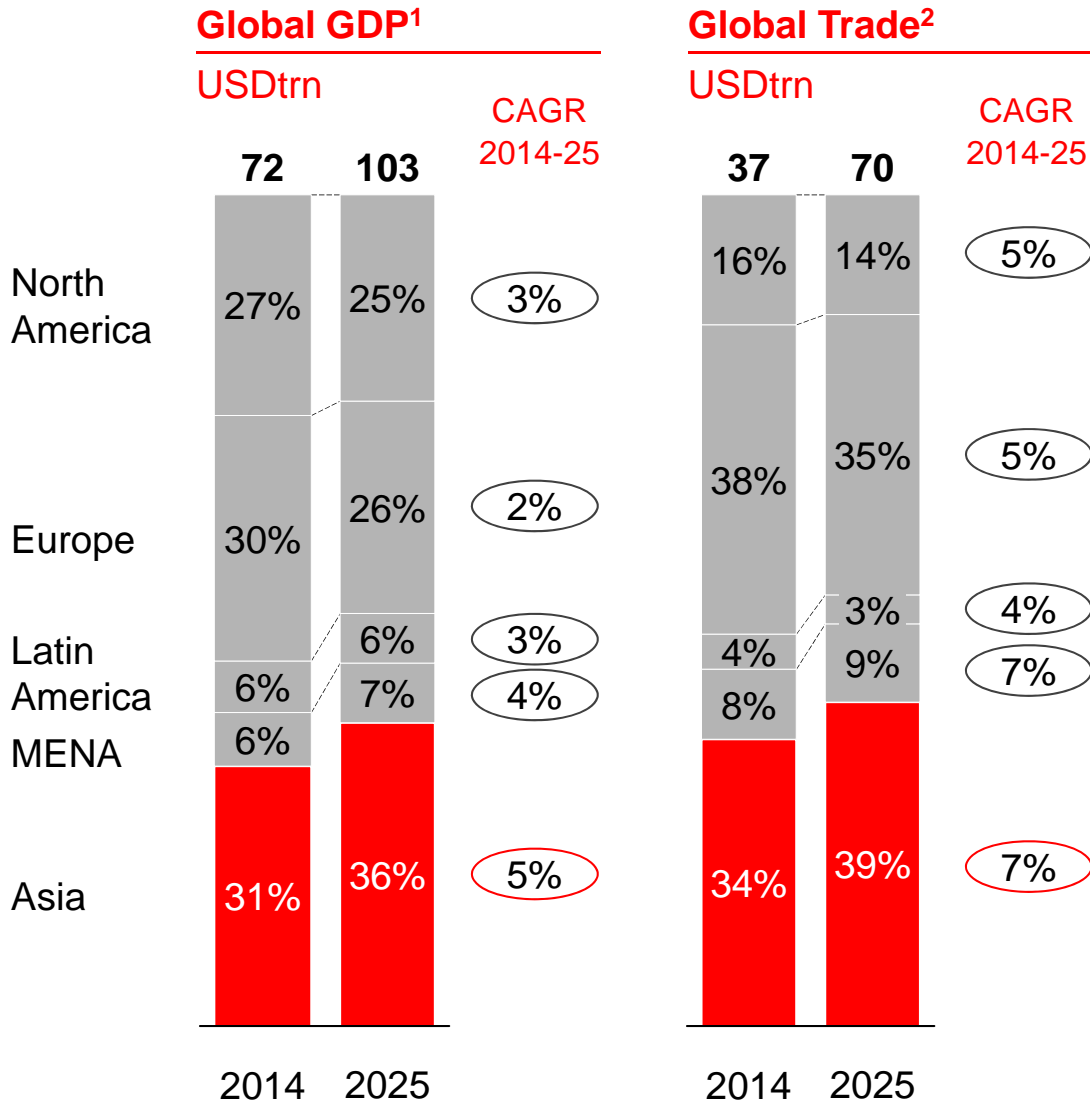
CER 44%

RWA 500

RoRWA² 3.1%

1. Financials on reported basis
2. Including Associates

Asia is the world's leading economic region



Drivers of growth

- **Trade and capital flows**
 - Growth in international and intra-regional trade has been a key driver of Asian development, led by China
 - Intra-regional investment and people flows gain importance
- **Urbanisation**
 - By 2050, Asia's urban population forecasted to increase by 61%³
 - Another 1.2bn people expected to live in the region's cities in the next 35 years³
- **Rising Middle Class**
 - The rising middle class has been a key source of wealth creation across many Asia markets
 - By 2030, Asia is expected to account for 66% of the world's total middle class population from 28% in 2009⁴

Sources:

1. Real GDP growth (Billions of 2010 U.S. dollars); Source: Global Insights

2. Exports + Imports; Source: Global Insights

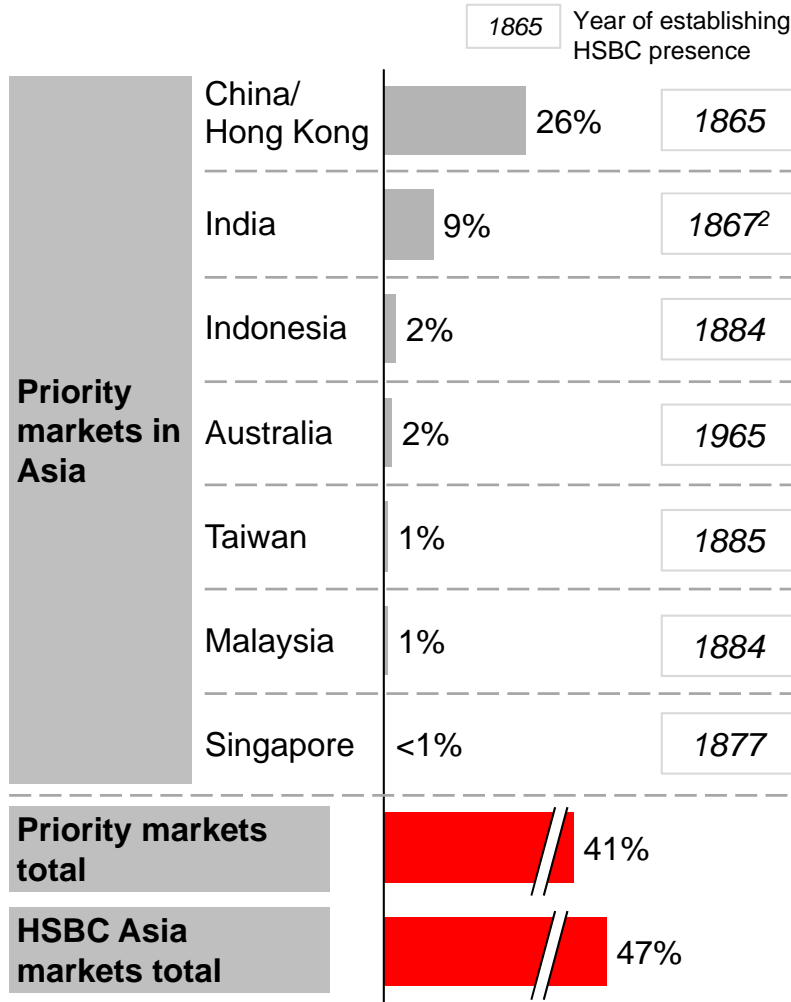
3. United Nations, Department of Economic and Social Affairs: *World Urbanization Prospects: The 2014 Revision*

4. OECD, Middle class defined as households with daily expenditures between USD10 and USD100 per person in purchasing power parity terms

Asia

HSBC is in a strong position to capture growth opportunities in Asia...

Share of global GDP growth 2014-25¹



HSBC footprint in Asia

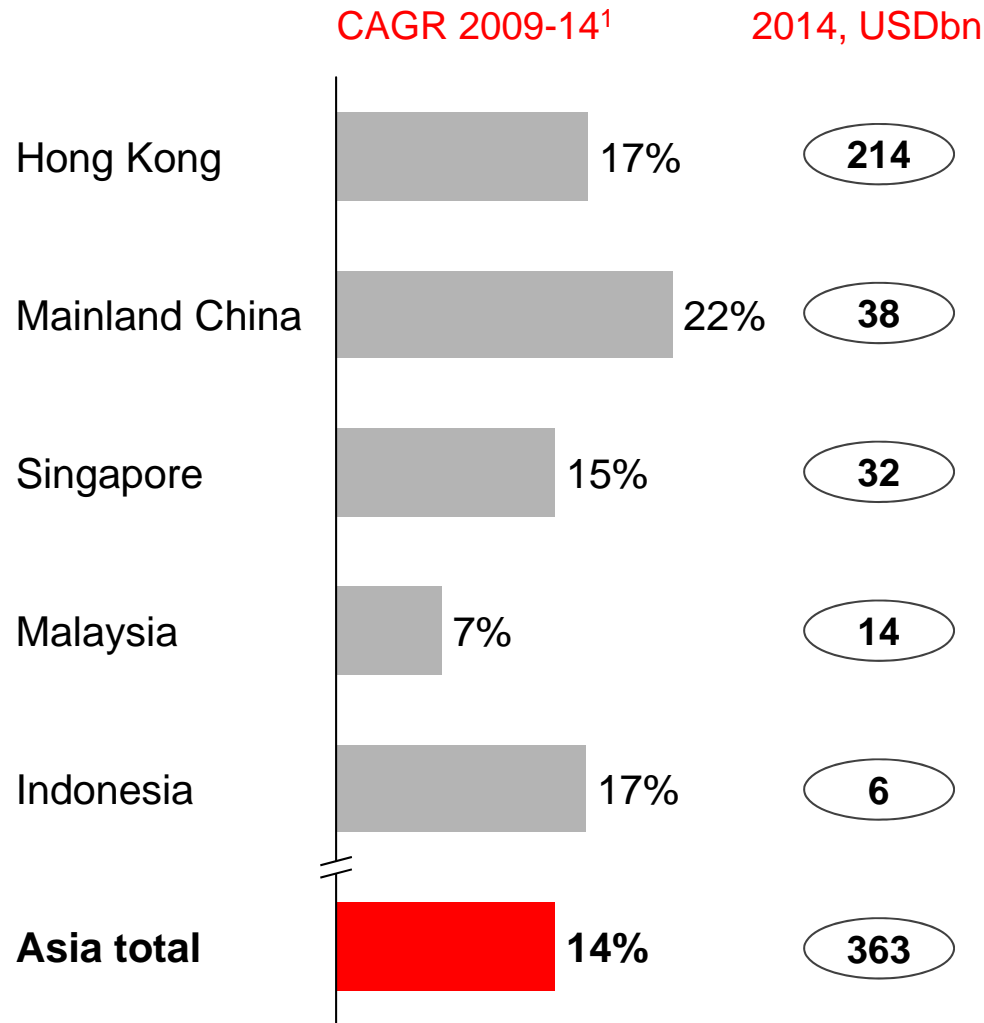


1. Real GDP growth (Billions of 2010 U.S. dollars); Source: Global Insights

2. HSBC Group commenced operations in India in 1867 with a branch in Calcutta (now Kolkata). An earlier commencement, as the Mercantile Bank of India, China and London, which the Group acquired in 1959, was established in 1853, with a branch in Bombay (now Mumbai)

... which has been reflected in strong performance over the past years

Significant growth in Loans and Advances ...



... and leadership position across core markets and products

- Market leader in **Hong Kong**
- Leading international bank in **mainland China**
- Among top-5 banks in **Singapore**
- Leading foreign bank in **Malaysia**² and leadership in Islamic Finance
- 100+ branches in **Indonesia**

Best Bank in Asia
Euromoney Awards for Excellence 2014



Winner in all eight Offshore RMB categories
Asiamoney Offshore RMB Poll 2014



Best Bank in Hong Kong³
Sixth time since 2008



Best Domestic Bank in Hong Kong⁴
15th consecutive year

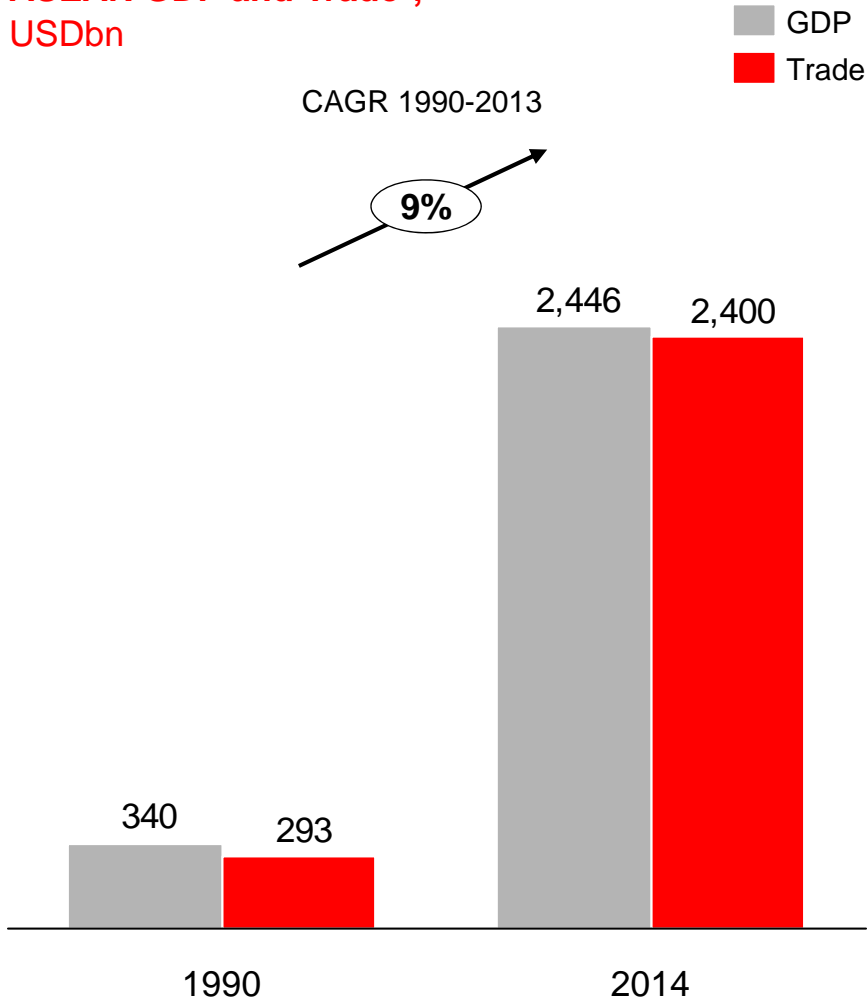


1. On a constant currency basis
2. By PBT and branch network
3. HSBC Hong Kong
4. Hang Seng Bank Hong Kong

Significant growth opportunity in ASEAN

ASEAN economic integration has led to significant growth in GDP and Trade...

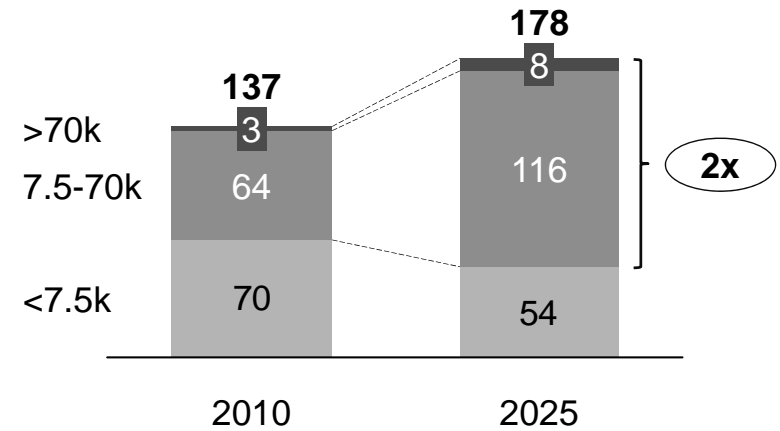
ASEAN GDP and Trade¹, USDbn



...fostering strong growth over the coming decades

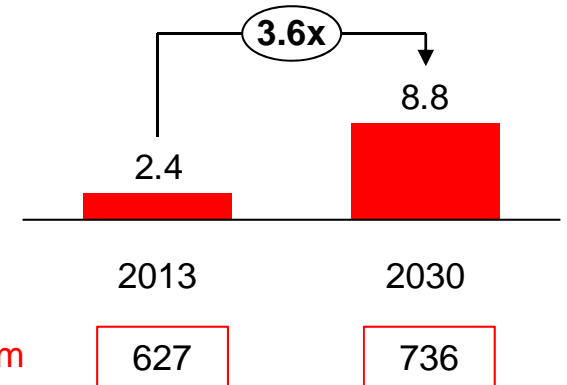
Emerging middle class to double by 2025 ...

Share of ASEAN households per income bracket USD², million households



... leading to significant wealth creation

ASEAN per capita GDP¹, USD'000



1. Source: Global Insights
 2. Source: McKinsey, Understanding ASEAN: Seven things you need to know, 2014

ASEAN: Position HSBC as top 5 bank in region

	<u>Current position</u>	<u>Long-term target</u>	<u>HSBC growth areas</u>
Singapore	Among top 5 banks in the market ¹	Become the leading international financial services provider in Singapore	<ul style="list-style-type: none"> ▪ Leading financial centre in Asia ▪ Capture growth in business corridors – focus on large regional and global Corporates and FIG³ clients ▪ Capture cross-border wealth flows in GPB and Asset Management ▪ Local incorporation of Retail business, focus on Wealth growth and digital investment
Malaysia	Leading foreign bank ²	Protect position as most profitable foreign bank and leadership in Amanah franchise	<ul style="list-style-type: none"> ▪ Increase share in trade and cross-border investments into ASEAN and North Asia – growth in the Corporate sector and GTRF ▪ Expand RBWM in growing emerging affluent population – Wealth, Cards ▪ Grow Amanah business (e.g., through Amanah branches, strong position in Sukuks)
Indonesia	Network of 100+ branches	Become a top-3 foreign bank	<ul style="list-style-type: none"> ▪ Following integration of Bank Ekonomi and HSBC's Indonesia operations, leverage combined branch network of 100+ outlets in 30 cities ▪ Accelerate growth in Retail and Business Banking propositions through investments in distribution/ digital ▪ Continue to expand strong position in Corporate and cross-border business

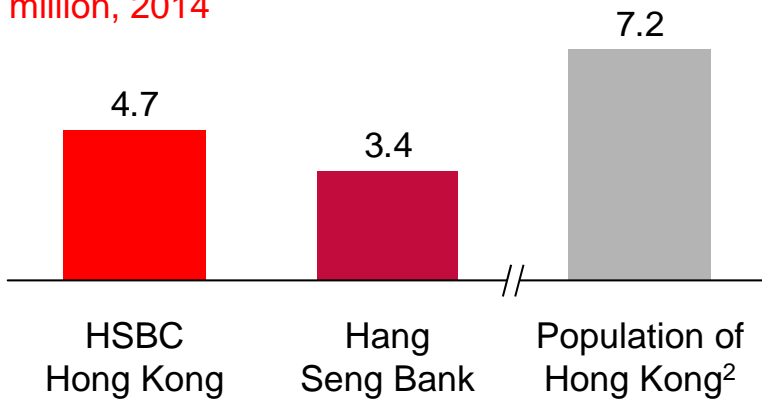
1. Based on market share in loans and advances to customers and deposits 2013/14. Source: company reports, Monetary Authority of Singapore (MAS); 2013 deposits data for other banks based on Credit Suisse Research (SEP14)
 2. Based on network (68 branches) and profits of foreign banks 2013/14. Source: company reports, Central Bank, IMF
 3. Financial Institutions Group

HSBC has a leading market position in Hong Kong ...

Leading market position of HSBC Group in Hong Kong supported by two brands

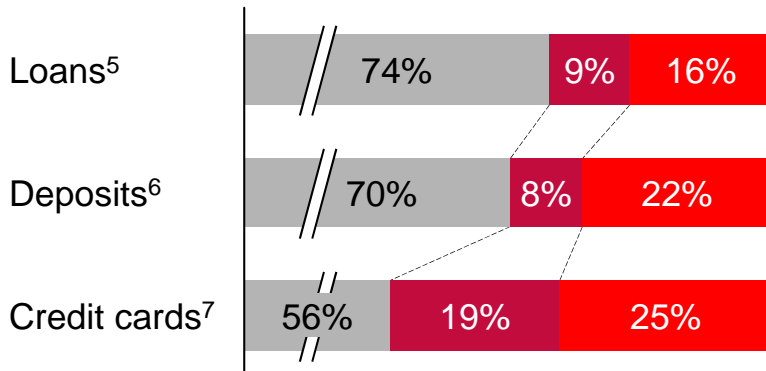
RBWM customers¹

million, 2014



Market shares³

2014 ■ Hang Seng Bank ■ HSBC Hong Kong



Best Bank in Hong Kong
Sixth time since 2008



- Largest and leading bank in Hong Kong, first in terms of deposits, loans³ and profitability⁴
- Note issuing bank in Hong Kong since 1865
- 2014 key metrics⁴
 - USD10.5bn revenue
 - USD5.8bn PBT
 - RoRWA of 5.4% / CER of 42%



Best Domestic Bank in Hong Kong
15th consecutive year



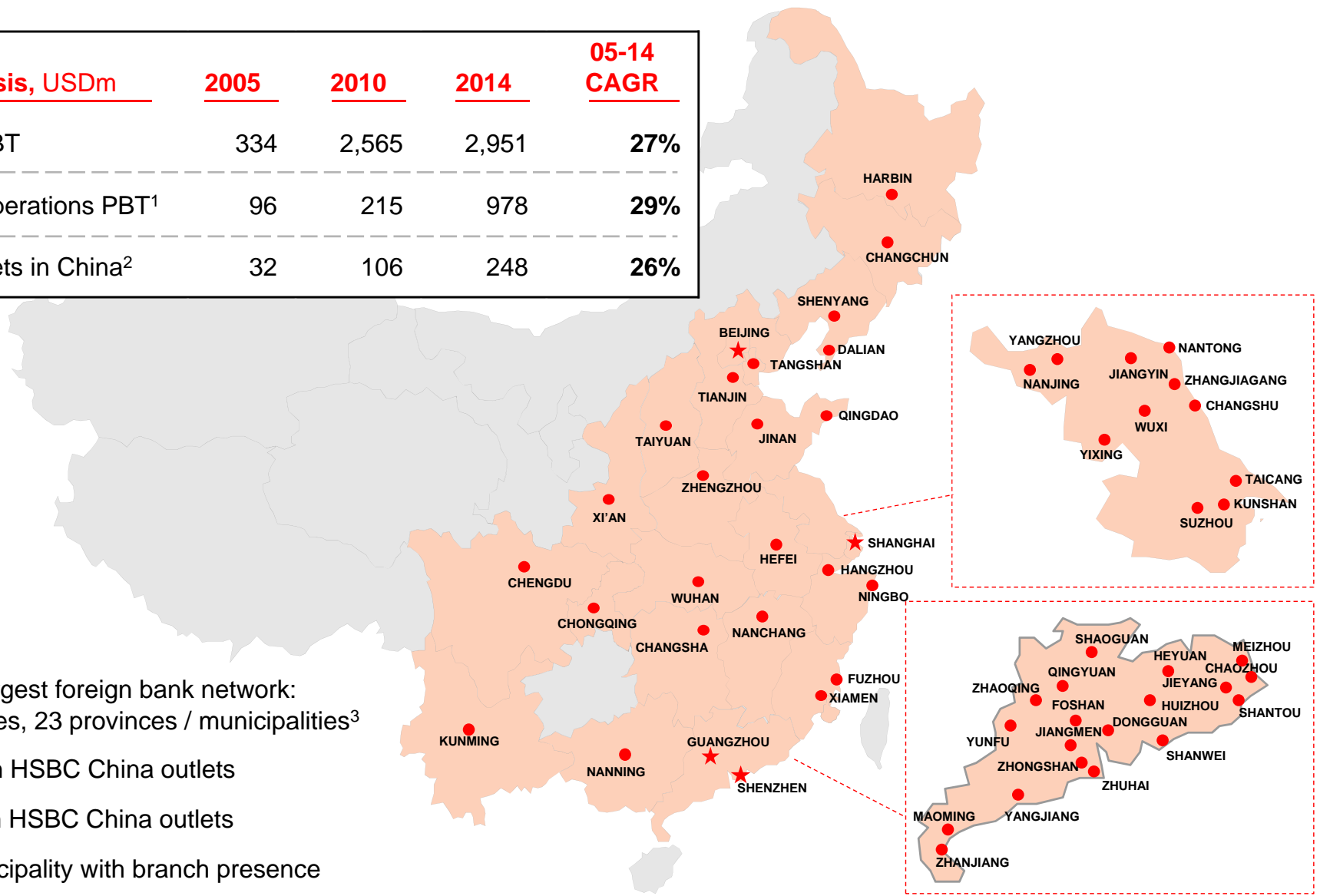
- Established 1933, majority-owned by HSBC Group since 1965
- Leading domestic bank in Hong Kong, third largest by assets³
- Recognised brand, owner of Hang Seng Index
- 2014 key metrics⁴
 - USD3.4bn revenue
 - USD2.3bn PBT
 - RoRWA of 4.1% / CER of 31%

1. As at DEC14. RBWM customer numbers for HSBC may include customers of Hang Seng Bank, and vice versa
 2. Mid-2014. Source: The government of the Hong Kong SAR, Census and Statistics Department
 3. As at DEC14. Loans and deposits market data from HKMA
 4. On a reported basis

5. Loans and Advances to customers
 6. Customer accounts
 7. As at DEC14. Credit Cards receivables, HKMA published data

... and is the leading international bank in mainland China

<u>IFRS reported basis, USDm</u>	<u>2005</u>	<u>2010</u>	<u>2014</u>	<u>05-14 CAGR</u>
Mainland China PBT	334	2,565	2,951	27%
Mainland China Operations PBT ¹	96	215	978	29%
HSBC Group Outlets in China ²	32	106	248	26%



HSBC China with largest foreign bank network:
175 outlets in 57 cities, 23 provinces / municipalities³

- ★ Tier 1 cities with HSBC China outlets
- Other cities with HSBC China outlets
- Province / municipality with branch presence

1. Mainland China excluding associates
 2. Includes HSBC China, Hang Seng Bank China, and HSBC China Rural Banks
 3. As of MAY15

Various initiatives to foster increased capital flows and stronger integration with Hong Kong

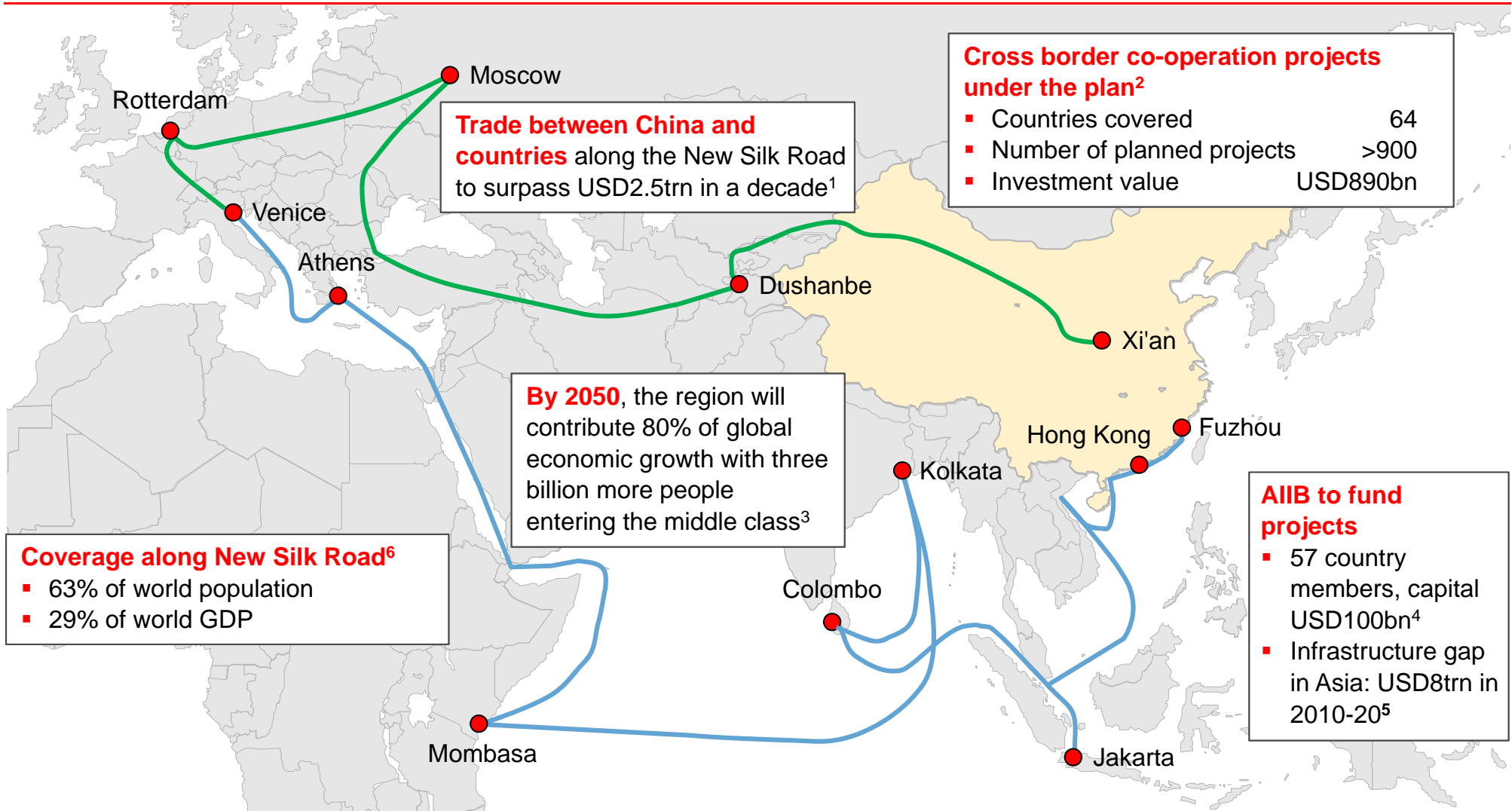
	<u>Policy themes</u>	<u>Example initiatives</u>
Integration with Hong Kong	<ul style="list-style-type: none">▪ Government policy to drive closer economic integration of Hong Kong and Guangdong province▪ Hong Kong pilot destination for many areas of cross-border policy liberalisation	<ul style="list-style-type: none">▪ CEPA free trade agreement between mainland China and Hong Kong, covering trade and investments▪ Shanghai-Hong Kong Stock Connect established in 2014 and preparation work for Shenzhen-Hong Kong Stock Connect expected to be completed by JUL15
Regional infrastructure investment	<ul style="list-style-type: none">▪ Investment initiatives to drive China's economic and overseas development▪ Focus will be on infrastructure investment and promoting cross-border trade	<ul style="list-style-type: none">▪ New Silk Road ("One-Belt-One-Road"): Infrastructure investment to facilitate flow of services and capital over land ("one belt"¹) and sea ("one road"²)▪ Asian Infrastructure Investment Bank (AIIB): China-led initiative to fund investment in Asian infrastructure
RMB internationalisation	<ul style="list-style-type: none">▪ Gradual liberalisation of RMB capital account▪ Policies to promote cross-border investment and trade	<ul style="list-style-type: none">▪ Shanghai Free Trade Zone to pilot reforms that facilitate trade and the regulatory framework for RMB convertibility under the capital account▪ QDII2³ allowing mainland Chinese customers to invest overseas
Free Trade Zones	<ul style="list-style-type: none">▪ FTZs provide a controlled testing ground for reforms of current and capital account▪ Following successful pilots, intention is to roll out policies nation-wide	<ul style="list-style-type: none">▪ Shanghai Free Trade Zone (FTZ) launched in SEP13▪ Three new FTZs in Guangdong Province, Fujian Province and Tianjin have been launched in APR15

1. Silk Road Economic Belt: Connecting China, Central Asia, Russia and Europe
2. Maritime Silk Road: Linking China to ASEAN, India and Africa
3. The new Qualified Domestic Individual Investor programme

China's New Silk Road initiative and AIIB to drive growth in Asian cross-border flows

New Silk Road: "One-Belt-One-Road"

— Land route — Maritime route



Sources:

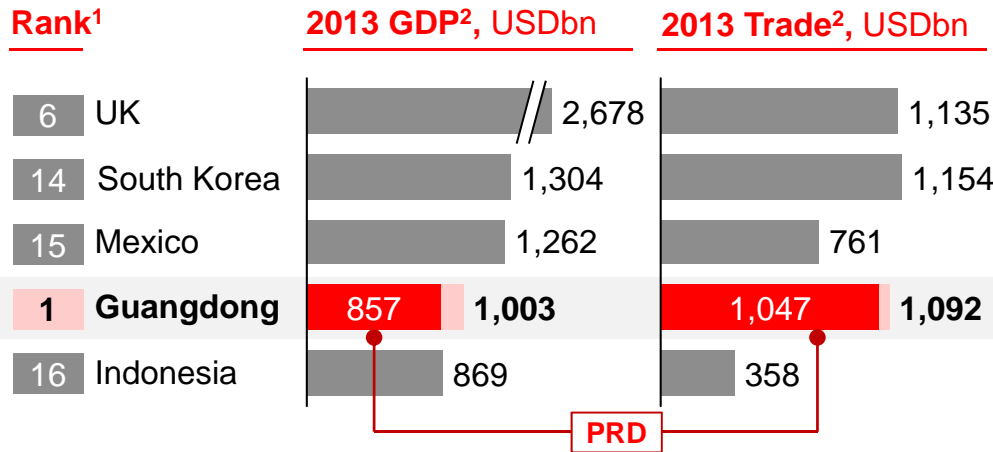
1. Xi Jinping in 2015 Boao Forum, Xinhuanet, 29MAR15 (http://news.xinhuanet.com/english/2015-03/29/c_134107329.htm)
 2. China Development Bank (<http://en.xinfiance.com/html/Economies/Investment/2015/72999.shtml>)
 3. McKinsey (<http://www.bloomberg.com/news/articles/2015-04-14/china-follows-the-silk-road-in-search-for-land-of-fast-growth>)

4. AIIB (<http://aiibank.org>)
 5. Asian Development Bank (News Release 30MAY12)
 6. HSBC Global Research, *On the New Silk Road III*

Asia: Pearl River Delta

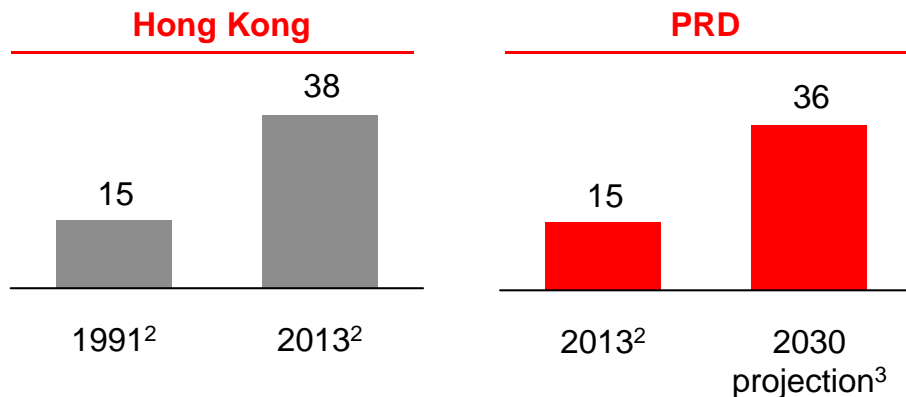
The Pearl River Delta corresponds in size to a leading global economy, in close proximity to Hong Kong

Already today, the Pearl River Delta corresponds in size to a leading global economy ...

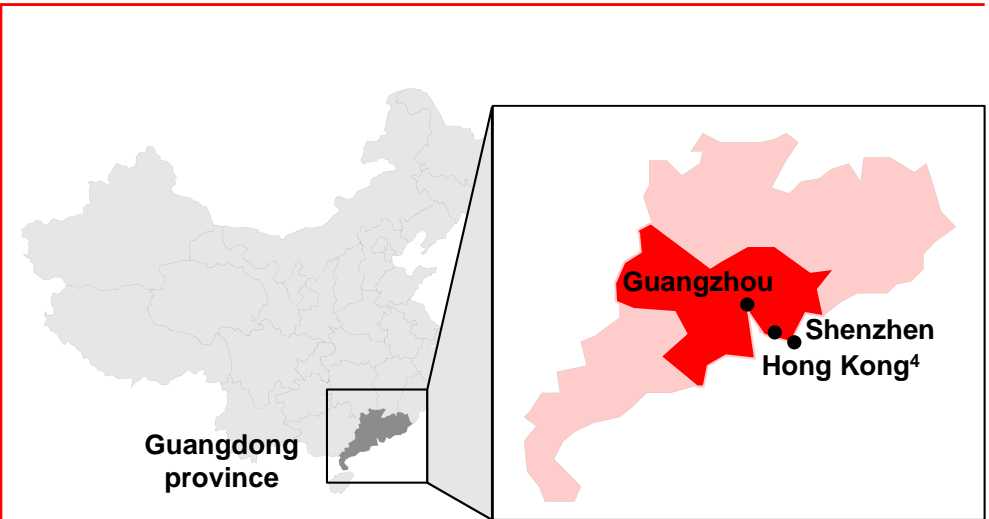


... with significant potential for growth and wealth creation ...

GDP per capita, USD'000



... in close proximity to Hong Kong



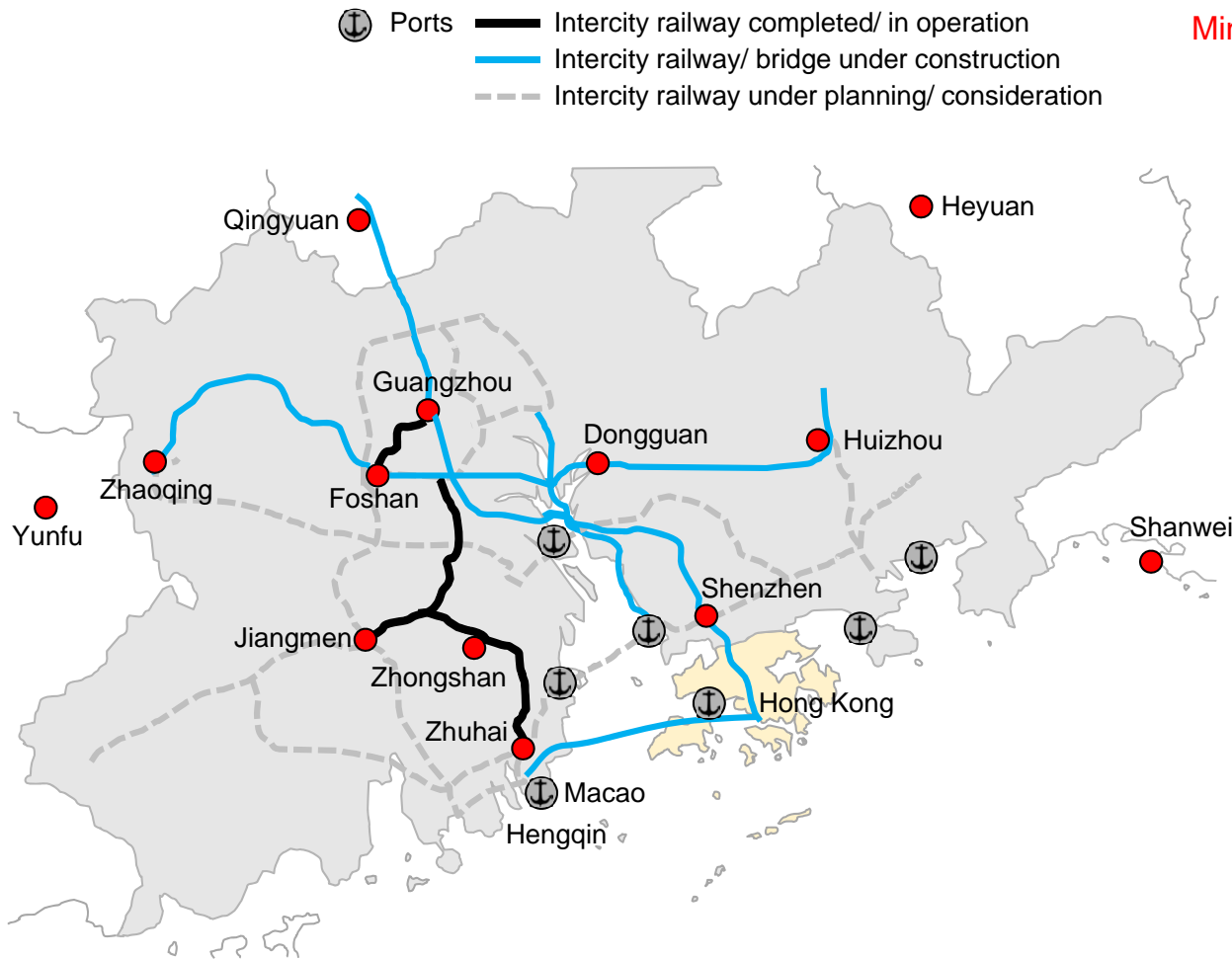
Economy size²

2013	Guangdong	PRD	Hong Kong
Population, m	106 (8% of China)	57 (54% of GD)	7
GDP, USDbn	1,003 (10% of China)	857 (85% of GD)	275
Trade, USDbn	1,092 (26% of China)	1,047 (96% of GD)	1,045

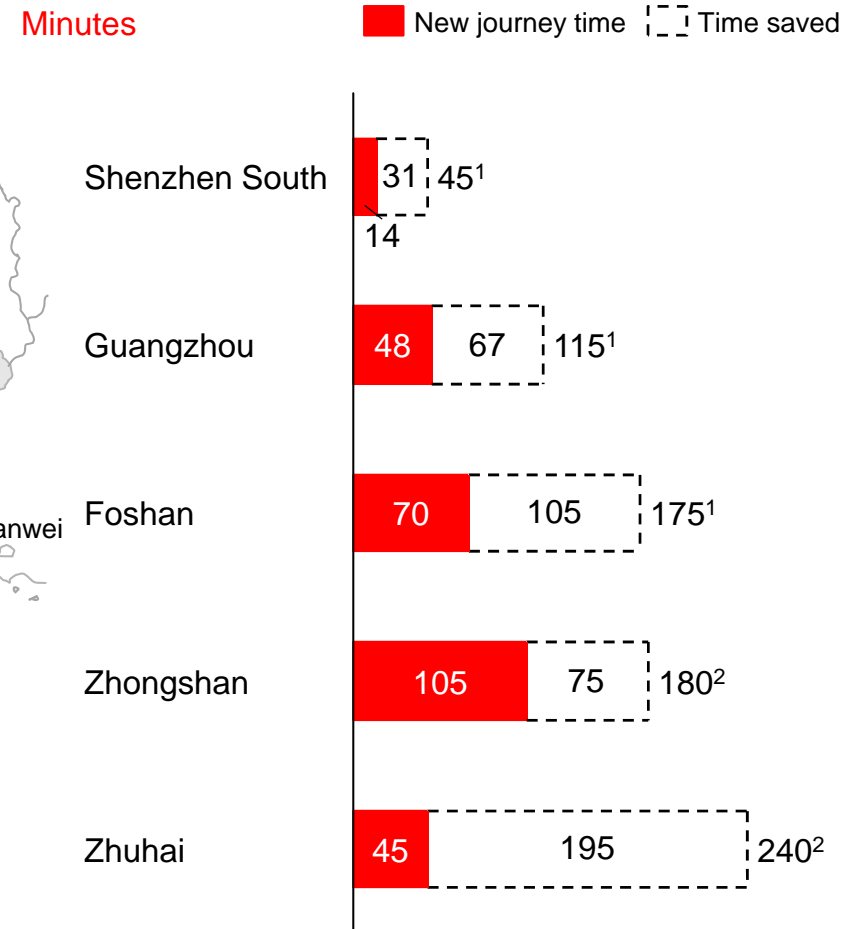
1. Rank of country / Chinese province, respectively, by GDP
 2. Sources: Global Insights; Statistics Bureau of Guangdong Province; National Bureau of Statistics of the People's Republic of China
 3. Source: Planning study on the coordinated development of the Greater Pearl River Delta Townships, 2009
 4. Not part of Guangdong Province

Infrastructure investments to further enhance connectivity between PRD and Hong Kong

Infrastructure investment in PRD



Current vs. new journey time to/ from Hong Kong after completion of infrastructure



Hong Kong and surrounding PRD would likely be shaped into a single large metropolis area in the future

Source: "The Greater Pearl River – 7th Edition" – Invest Hong Kong
 1. Time saved based on train travel via new Express and Intercity Railway connections
 2. Time saved based on car travel via new Hong Kong-Zhuhai-Macao bridge

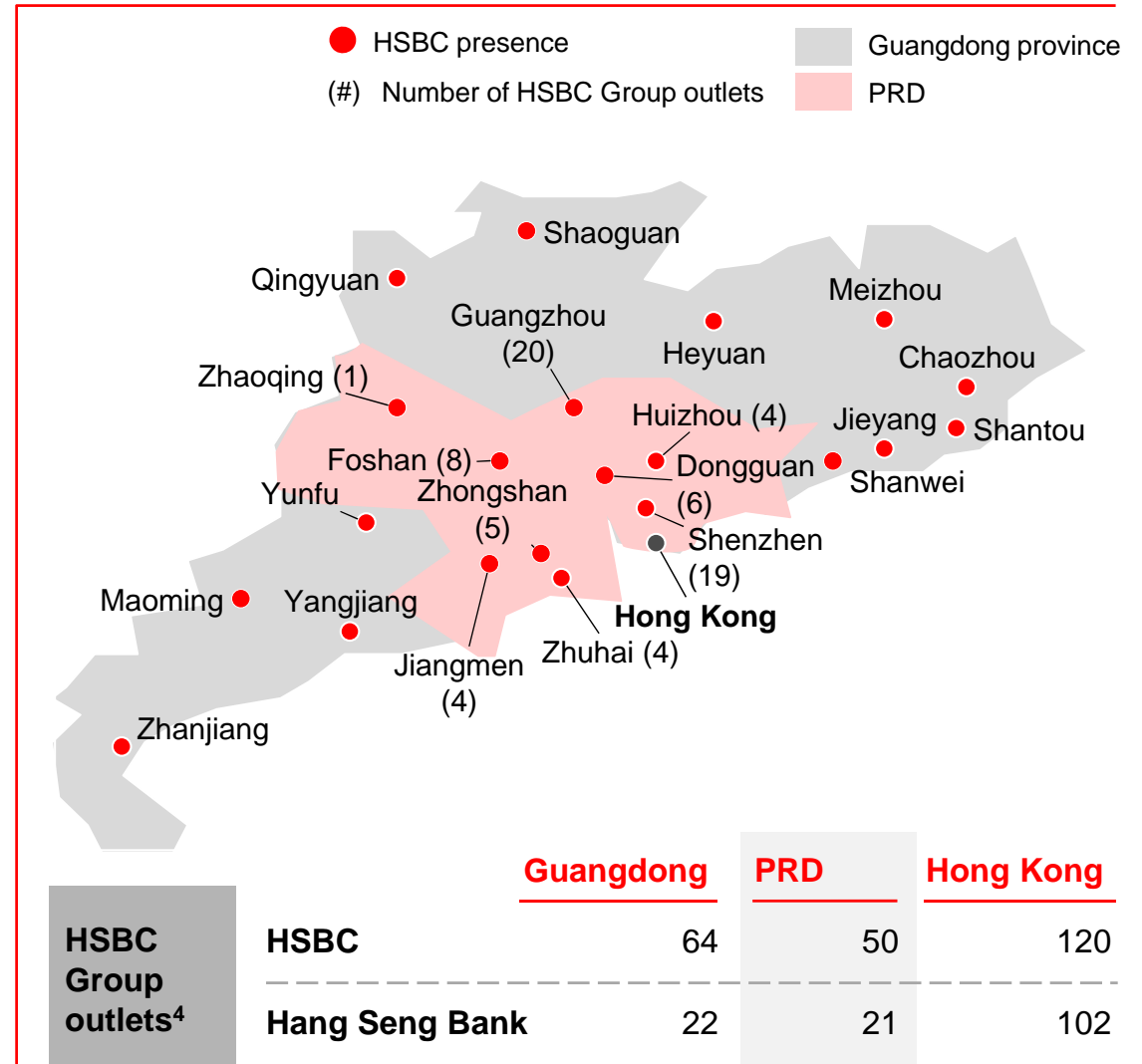
Asia: Pearl River Delta

A combined Pearl River Delta and Hong Kong would rank as the world's largest banking city cluster by 2025¹

Total banking revenue estimates¹

City / Cluster	Rank ¹		Total banking revenue ² 2025, USDbn
	2010	2025	
PRD³ + Hong Kong	2	1	185
Beijing	6	2	124
Shanghai	9	3	98
Sao Paulo	8	4	86
Tokyo	1	5	83
New York	3	6	73
Hong Kong (standalone)	12	7	48
London	7	8	45
Los Angeles	10	9	45
Singapore	17	10	42
Guangzhou (standalone)	24	11	41
Tianjin	40	12	38
Paris	5	13	38
Shenzhen (standalone)	29	14	38
Toronto	14	15	31

HSBC present in all 21 prefectures of Guangdong province, with a strong focus on PRD cities



1. In terms of total risk adjusted revenue pool for Retail Banking (excluding consumer finance) and Corporate Banking. Based on McKinsey's city attractiveness model

2. McKinsey estimates of banking revenues after risk costs, representing customer-driven banking figures and excluding consumer finance revenues. Different from reported results, noncustomer-related results (such as ALM, prop. Trading) are excluded

3. Includes 9 prefectures: Guangzhou, Shenzhen, Foshan, Dongguan, Zhongshan, Huizhou, Zhuhai, Jiangmen, Zhaoqing

4. As at MAY15

Building on our leading market position in Hong Kong, HSBC aspires to achieve USD1bn PBT in PRD

Leverage market leading position through select growth themes

Emerging Middle Class

- Grow and enhance physical footprint complemented by significant investment in digital platform and mobile sales force
- Broaden product offerings and accelerate quality asset growth, e.g. via a step up of mortgage business in selected cities
- Capture cross-border wealth flows, e.g. opportunities from remittances, Shenzhen-Hong Kong Stock Connect, medical insurance
- Roll out of credit cards business – under a relationship-led “Card First” strategy to drive new customer acquisition

Commercial clients / connectivity

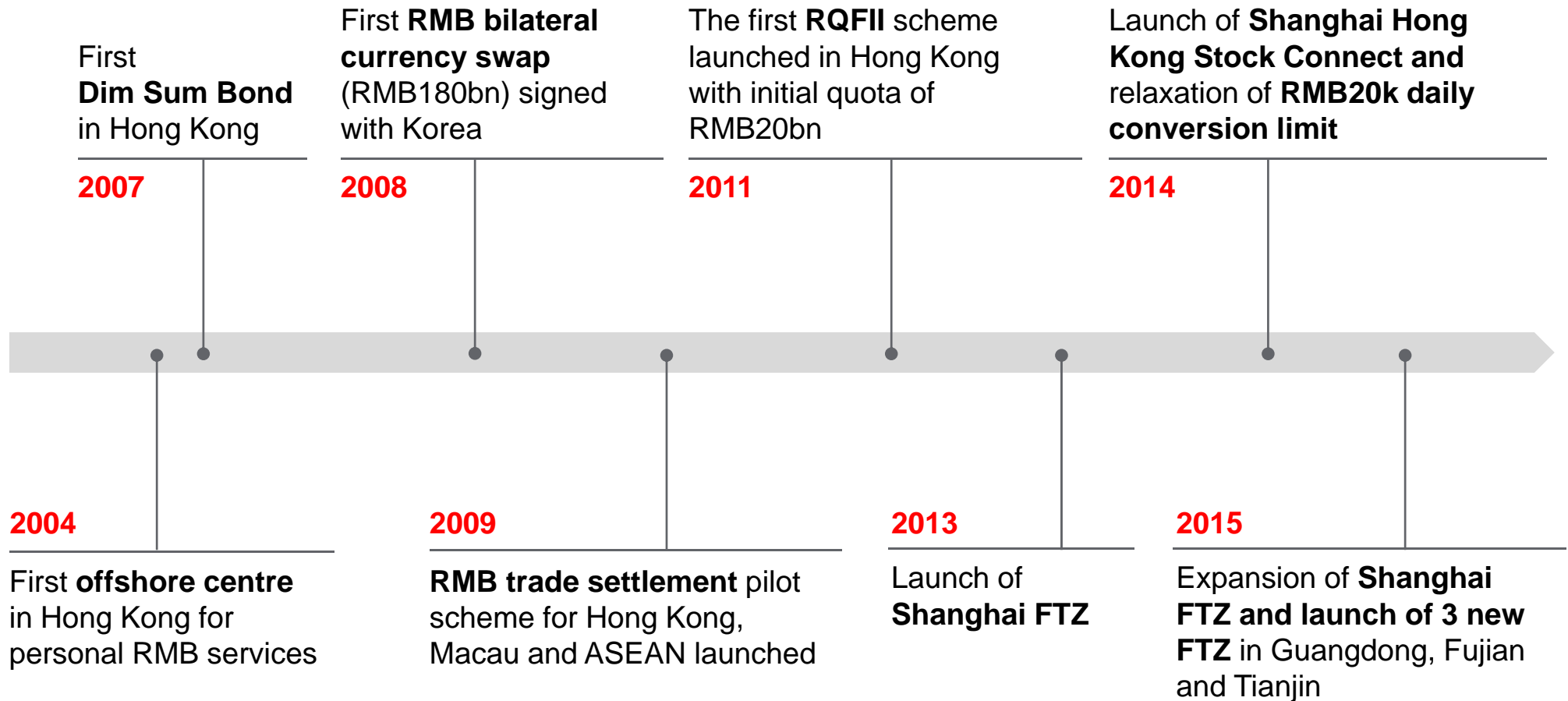
- Enhance coverage and implement sector specialism to deepen wallet share and drive returns in Large Corporates – especially those with capital finance needs
- Broaden client base and capture new-to-bank opportunities in the Mid-Market Enterprises space
- Build up Business Banking Upper through International Relationship Managers, and drive for deposit-heavy product mix

New business capabilities

- Expand Markets capabilities from policy liberalisation, e.g.:
 - Securities
 - Asset management
 - Metals and commodities
- Drive incremental Greater China / offshore income from regulatory relaxation

International use of the RMB has increased rapidly ...

RMB internationalisation has been driven by regulatory relaxation since 2004

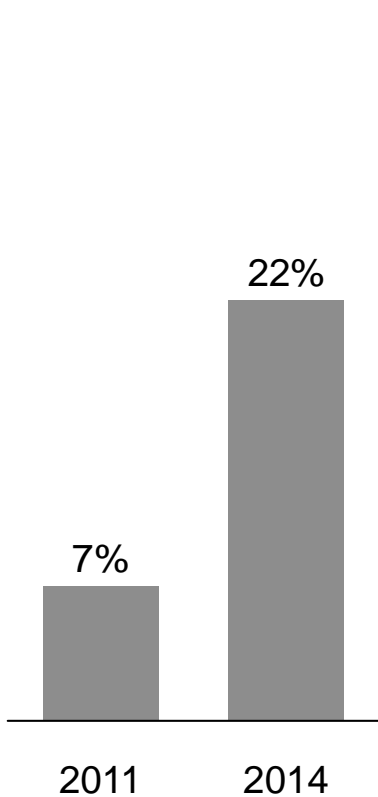


... leading to significant market growth

RMB market growth metrics (examples)

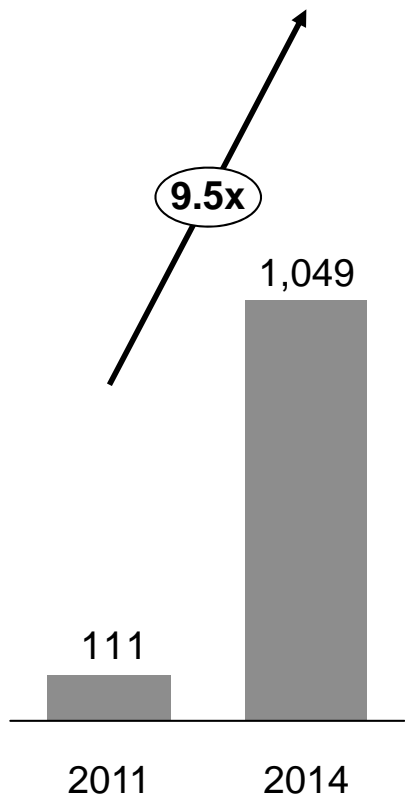
China's Trade in RMB¹

% of trade settled



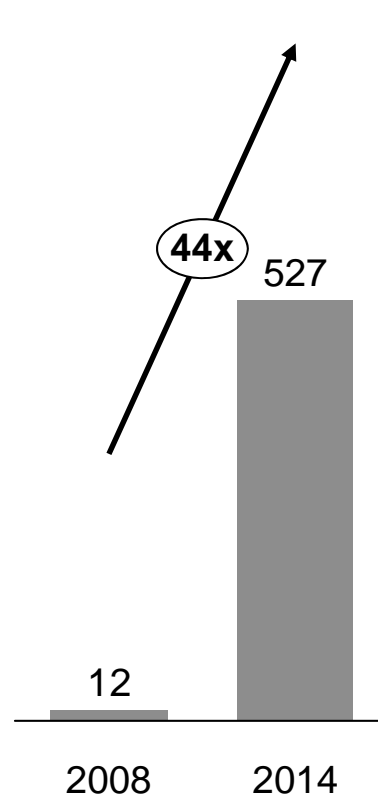
Capital Flow in RMB²

RMBbn



CNH global bond issuance³

RMBbn



2015:

- Offshore RMB deposit pool of c.RMB1.9trn⁴
- 15 official RMB clearing banks⁵
- Total RQFII⁶ quota of RMB920bn from 12 sites around the world⁷
- 29 currency swap agreements in place totaling over RMB3trn⁸
- 35 central banks have invested or expressed an interest in using RMB as reserve currency⁹
- RMB is #2 trade and #5 payment currency globally¹⁰

1. Cross-border goods trade with China; Source: Estimates based on published data from PBOC and China Customs

2. Combined Outward Direct Investment and Foreign Direct Investment; Source: PBOC

3. Source: HSBC Global Research, Bloomberg

4. Source: Public data from various Central Banks / Local Authorities

5. Source: Press reports

6. RMB Qualified Foreign Institutional Investor

7. Source: Press reports

8. Source: Press reports

9. Source: South China Morning Post – Money News

10. As at MAY15, Source: SWIFT

Asia: RMB internationalisation

HSBC is the leading international RMB bank

HSBC capability / awards

- Capability in 50 markets
- Dedicated RMB experts in offshore centres



- Best Overall Offshore RMB Products & Services - 4 years in a row

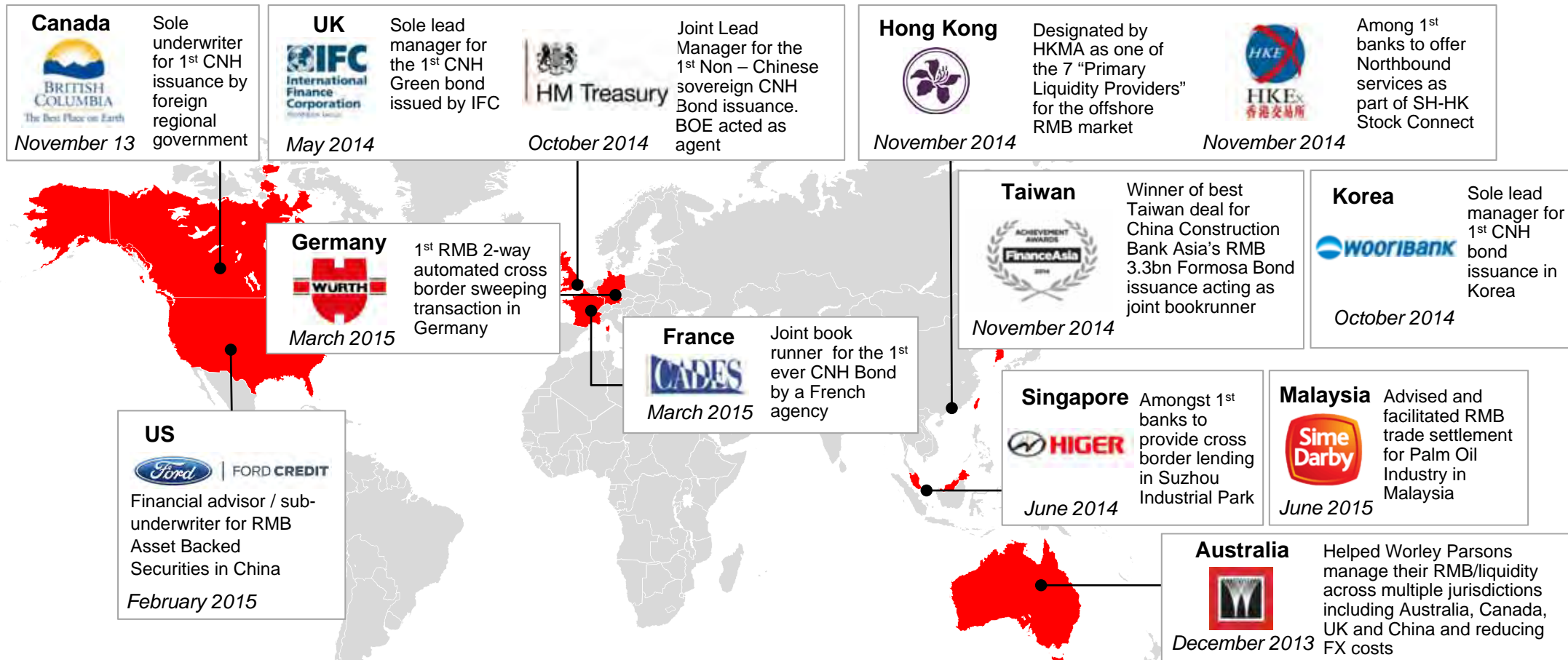


- RMB House of the Year - 3 years in a row

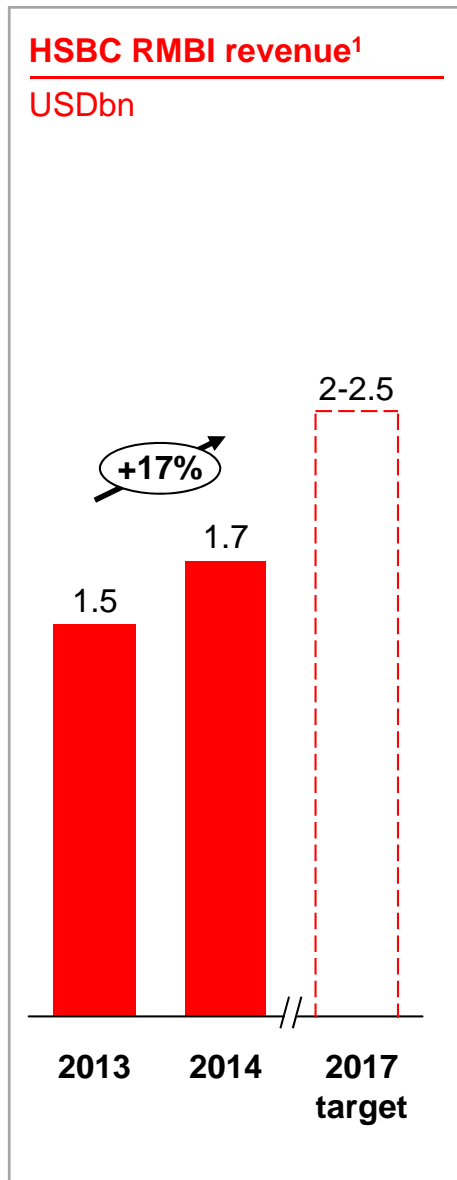


- Winner of Dim Sum Bond House – 3 years in a row

Leading across RMBI offshore centres



Market leading position driving revenue growth



Market-leading capability in RMB products

Bonds²	1st	Ranked 1 st in the CNH league table since 2011
Offshore RMB Financing³	+27%	Year on year growth in offshore RMB assets as of 1Q15
Foreign Exchange⁴	+96%	2013/14 growth in FX volume with increasing use of RMB as trade and investment currency
Securities Services⁵	>40%	Market share in RQFII custodian business as of 2014
Cross-border RMB Flow⁶	>90%	2013/14 growth in cross-border RMB flows from HSBC China
Scale in China⁷	2nd	HSBC China's ranking amongst all banks in Shanghai for RMB cross border transaction volume

First in all active⁸ RQFII markets

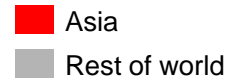
	Quota ⁹ , RMBbn	HSBC participation
Hong Kong	270	#1
United Kingdom	80	#1
Germany	80	#1
France	80	#1
Korea	80	#1
Singapore	50	#1
Australia	50	#1

1. HSBC internal definition of International RMB revenues being offshore revenue where any portion is denominated in RMB and onshore revenue from Global Markets, BSM and Capital Financing (excluding Credit and Lending) that is denominated in RMB
 2. Bloomberg CNH Bond League Table
 3. Offshore RMB lending balance. Source: HSBC
 4. FX transactions through Global Markets. Source: HSBC

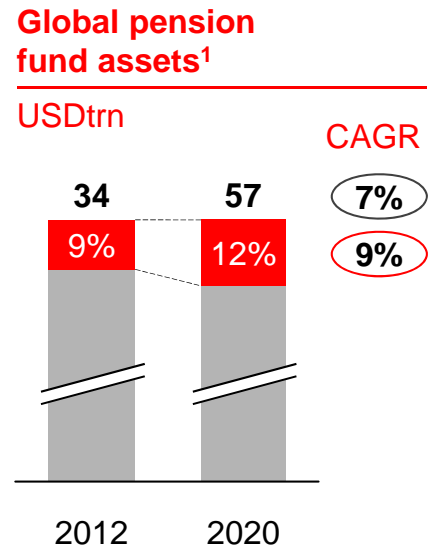
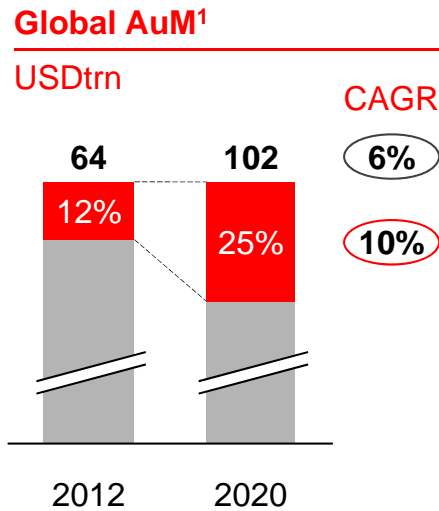
5. Source: Estimated market share of onshore custodian business of approved RQFII quota holders. Source: SAFE & HSBC
 6. Source: HSBC
 7. Source: PBOC
 8. 'Active' refers to where a custodian has been appointed in a market and approved by SAFE
 9. Based on public announcements

Significant growth potential in Asset Management and Insurance

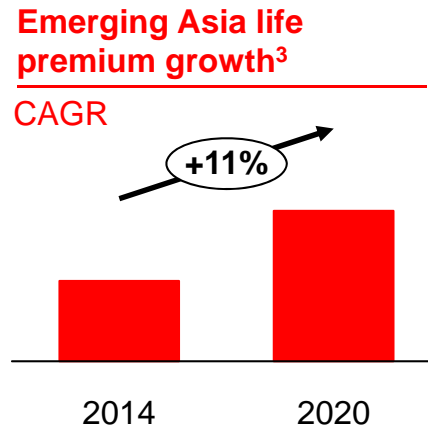
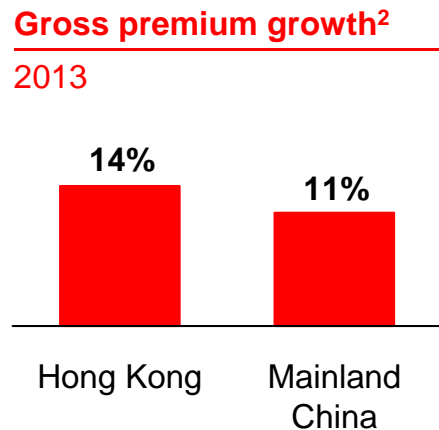
Asian growth opportunity



Asset Management



Insurance



HSBC priorities for Asset Management and Insurance

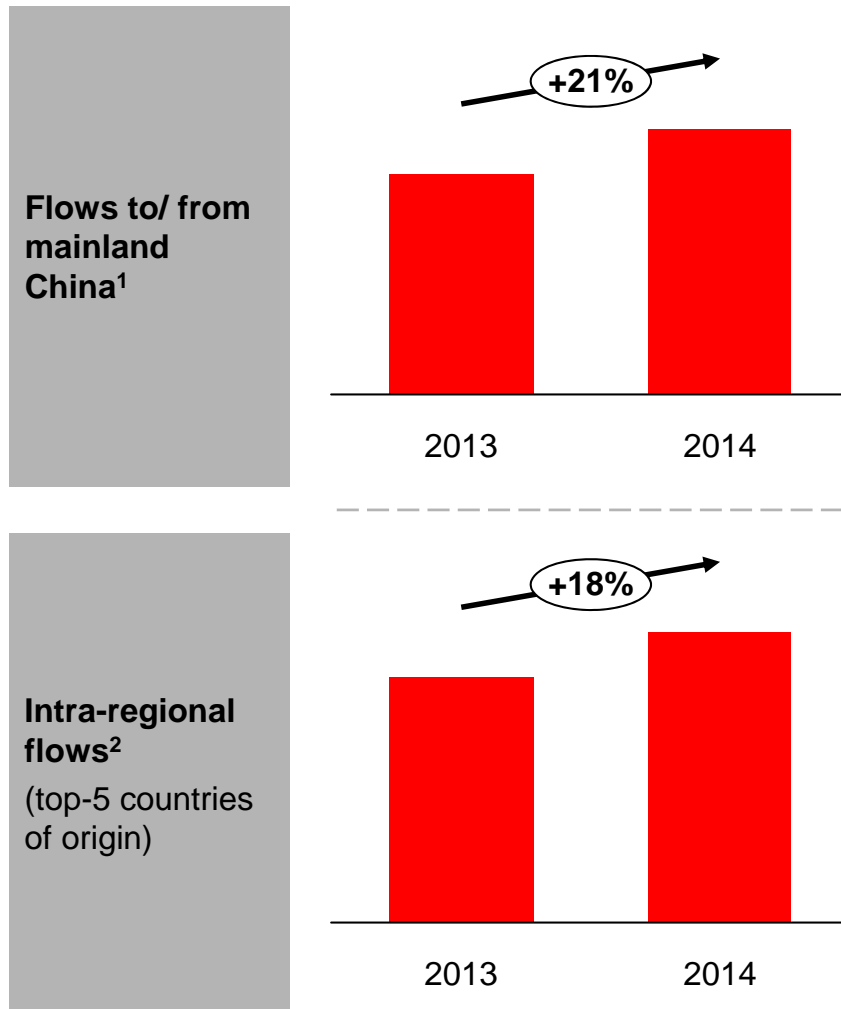
- Invest in Asia to capitalise on growth opportunities
- Capture rise of the Asian middle class, meeting demand for wealth products and insurance, e.g. protection and education needs
- Address needs of Asia's ageing population, particularly in Greater China, to meet the demand for retirement products
- Continue to focus on increasing penetration of customer base in Hong Kong
- Lead innovation in RMB-denominated investment and insurance products, leveraging international RMB leadership position
- Support international investors in accessing Asian investment opportunities, in particular in mainland China

Sources:
 1. PwC Report "Asset Management 2020 – A Brave New World"
 2. HK TDC research
 3. Munich Re Insurance Market Outlook (MAY14)

HSBC is systematically capturing growth in Asian trade and capital flows

Capturing growth along business corridors

HSBC cross-border subsidiary revenue CMB and GB&M



Examples for business corridor initiatives

- India – US**
 - Strong economic connectivity and people flows (NRI – Non-Resident Indian)
 - Support large number of US companies with subsidiaries in India in their cross-border operations
 - Provide advisory and investment to Indian technology companies, including mid-size (CMB) clients, in establishing a US presence
- Intra-ASEAN**
 - Trade and investment facilitated by ASEAN economic integration agenda and strong underlying growth
 - HSBC building centralised sector expertise for region in economic and financial hub Singapore
 - Initiatives focused along key sectors such as real estate, commodities, manufacturing and infrastructure
- Mainland China – Australia**
 - Mainland China is major destination of Australian exports (34% of total exports), and source of 21% of imports³
 - 2014 bilateral free trade agreement to accelerate growth in trade and investments
 - HSBC initiatives focused on infrastructure and energy sectors and increasingly agribusiness

1. Cross border revenue from companies domiciled in mainland China to the rest of the World and companies domiciled in the rest of the World into mainland China. Source: Internal HSBC client data
 2. Cross border revenue from companies domiciled in Hong Kong, India, Singapore, mainland China, Malaysia and their subsidiaries in other Asian markets. Source: Internal HSBC client data
 3. Source: UN ComTrade, 2014

Case example: Enabling China-Australia cross border investment

Background

- The China-Australia Free Trade Agreement announced in NOV14 is accelerating growth in trade and investment flows between both countries
- Responding to the “One-Belt-One-Road” government initiative, Chinese infrastructure companies are seeking to enhance their international footprint and competitiveness
- In this context, HSBC has supported the recent acquisition of Australia’s John Holland Group by CCCC from China

Cross-border M&A to facilitate Chinese investment in Australia



China Communications Construction Company (CCCC)

- State-owned infrastructure enterprise
- One of the largest global companies specialising in transport, infrastructure, engineering and construction
- #187 on the Fortune 500
- Active in 135 countries

Acquires 100% of



John Holland Group

- One of Australia’s largest construction companies
- Operations in Australia, New Zealand, South East Asia and the Middle East

HSBC contribution

In Hong Kong:

- MLA¹ and Underwriter of a USD1.1bn bridge loan facility for CCCC’s acquisition
- HSBC acted as advisor on CCCC’s debut international rating by Moody’s and Fitch
- HSBC acted as JGC², JLM³ and JBR⁴ for CCCC’s USD1.1bn perpetual bond takeout of bridge facility

In Australia:

- MLA, Underwriter and Bookrunner of AUD1bn syndicated bonding facilities for John Holland’s on-going operations after the acquisition

- Demonstrates HSBC’s strong international structuring capability for a complex cross-border transaction
- “One-stop” solution for clients in an accelerated timeframe
- Well positioned to support future financing needs for the overseas expansion of Chinese companies

1. Mandated Lead Arranger
2. Joint Global Coordinator
3. Joint Lead Manager
4. Joint Bookrunner

Case example: Enabling UK-India cross border investment

Background

- Diageo wanted to increase its holding in USL, its Indian subsidiary to more than 50% from the current 28.78%, which it acquired from the erstwhile promoters and through an offer to public shareholders
- In this context, HSBC supported Diageo to acquire an additional 26% stake in USL
- Largest inbound Foreign Direct Investment in India in 2014 (USD1.9bn)
- Helped Diageo to significantly strengthen its presence in India with India becoming the 2nd most important market for Diageo Plc

Cross-border M&A to facilitate UK investment in India

DIAGEO Diageo Plc

- World's leading premium drinks player selling alcoholic beverages in more than 180 markets
- Marquee brand portfolio includes Johnnie Walker, Cîroc, Baileys and Guinness among others

Acquires
26% for
USD1.9bn



United Spirits Limited ("USL")

- USL is the market leader in the Indian liquor market with a volume share >c.40%
- The transaction enabled Diageo to increase its shareholding from 28.78% to 54.78%

HSBC contribution

In India:

- Acted as the Jt. Financial Advisor and Jt. Manager to the Offer by Diageo to acquire 26% stake in USL
- Also provided full service bouquet to Diageo which included Escrow services, FX¹ services (including hedging) and bank guarantee for the Open Offer
- Leveraged HSBC's access to investors - domestic insurance companies, mutual funds as well as strong relationship with blue chip FIIs²

In UK:

- Committed USD2bn facility to Diageo plc to fund the transaction

- HSBC provided inputs to Diageo on the timing and pricing of the transaction
- As a result, the transaction garnered 183% response despite the market run up post the Indian general election result outcome – one of the highest for any offer of similar size to date
- Despite the complex nature ensured no delay in timeline

1. Foreign Exchange
2. Foreign Institutional Investors

Case example: Facilitating Malaysian exports to China

Background

- The Malaysia-China trade corridor is growing fast, and China is Malaysia's #1 trade partner¹
- In line with its aspiration to diversify the economy, the Malaysian government seeks to strengthen soft commodity exports to China
- A dialogue on how trade settlement in RMB could promote this initiative has been initiated between the respective stakeholders
- HSBC has been proactively supporting this initiative

RMB trade settlement to facilitate Malaysian exports to China

Benefits

Malaysian Exporters

- More competitive credit terms to Chinese buyers
- Tapping bigger market of buyers who can buy in RMB
- Ability to deploy RMB in China Operations where applicable
- Strategic diversification of trade currency and be part of the RMB Internationalization

Chinese Importers

- Easier access to RMB Trade lines / Credit Lines
- Longer payment period for RMB facilities against FCY facilities
- Match their local sales in RMB, natural hedge

HSBC role

Advisory

- Support Regulatory Agencies in articulating strategic intent
- Develop RMB trade settlement structure that is beneficial to both buyers and sellers

Execution

- Commit dedicated USD1bn fund to support Malaysia's exporters
- Provide financial instruments to facilitate trade in RMB
- Deliver proof-of-concept transaction

Pilot transaction



- Provided a structure for cross border Palm Oil trade in RMB. Funding rate to remain competitive with USD pricing benchmark.
- Chinese Buyer issued DC in RMB through HSBC to import Crude Palm Oil (CPO) from Sime Darby
- Sime Darby to export CPO and invoice in RMB under that DC
- HSBC acting as Issuing / Advising / Negotiating / Funding Bank in both China and Malaysia

1. Source: HSBC Connections

Key messages

Key messages

Market Summary

- Asia will continue to develop as the world's leading economic region over the coming decade
- China continues to be an engine of growth

HSBC Position

- HSBC is in a unique position to benefit from Asia's economic development
- Strong heritage and positioned as leading international bank in the region and Greater China in particular

Strategic Priorities

- Grow presence in ASEAN – capture opportunities in Wealth, trade and investment flows across the region
- Connecting China to the world, Shanghai as key emerging financial centre
- Leverage Hong Kong position to build scale presence in the Pearl River Delta
- Strengthen position as leading international RMB bank
- Capture client opportunities in wealth creation and business corridors

Strong track record in delivering growth

Since 2009¹ we have ...

- **Doubled** lending² in Asia, on average c. **USD35bn** growth per year
- On average, added c. **USD1bn revenue** per year
- **Profit** growth c. **10% CAGR³** over the period
- CER improved during the same period **from 48% to 44%**
- Delivered consistently **RoRWA >3%**

Our aspiration is to ...

- Achieve **USD1bn PBT** in the **Pearl River Delta**
- Achieve at least **USD2bn** revenue from **RMB internationalisation**
- Strengthen our position as
 - Leading Bank in **Hong Kong**
 - Leading International Bank in mainland **China**
 - Leading International Bank for **RMB**
- Become a Top-5 Bank in **ASEAN**

1. Constant Currency Basis
 2. Loans and advances to customers
 3. Excluding Associates

