



September 2011

Our Global Strategy

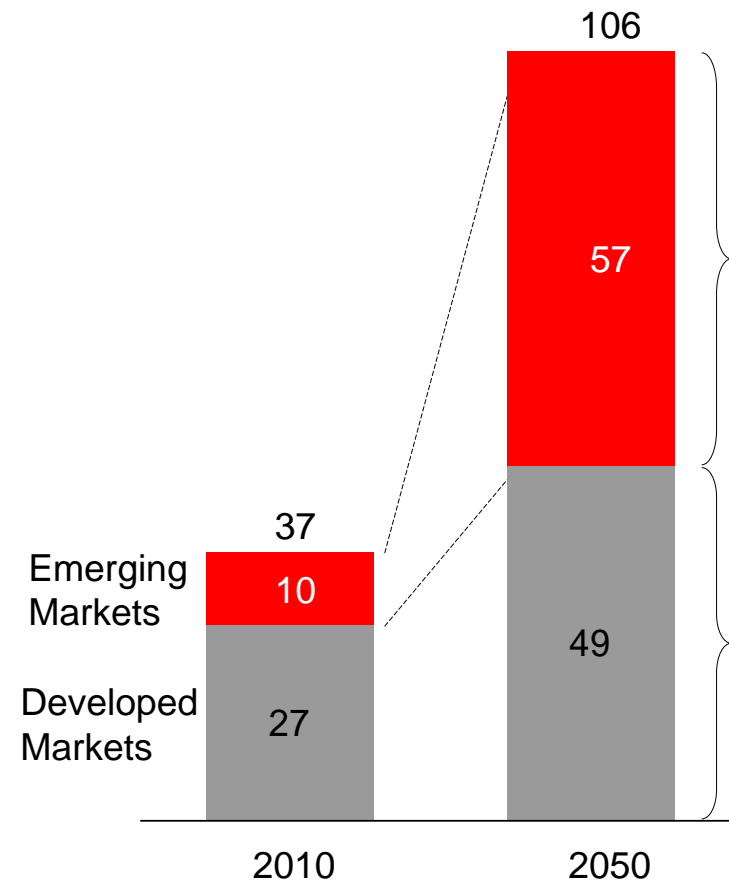


The global trends influencing **our strategy**

- Globalisation is increasingly **connecting** trade, industry, markets & people
- **35 countries** will concentrate **90%** of global trade & capital flows by 2020
- By 2050, 19 of the top 30 economies will be from the **emerging world**
- As these economies advance, they'll need suitable financial services, ranging from retail offerings to infrastructure funding

Emerging markets will continue to grow

GDP of top 30 economies, USDtn



HSBC Global Network



Our strategy is to be the **leading international bank**

Strategy built around two main elements

1 International connectivity

- Presence in key markets that matter for international connectivity
 - Global Banking and Markets hub-and-spoke model with global reach
 - Commercial Banking to provide commercial financial services in 60+ markets
 - Investment opportunities in fast growing and mature markets

2

Economic development & wealth creation

- Wealth creation in most relevant markets
- Focus on retail banking only in markets where we can achieve profitable scale
 - Large scale positions
 - High growth markets
 - Leading market shares in small geographies

Positioning ourselves for growth

Maximise our global businesses

- Strengthen offering to high growth & international companies
- Better leverage international network, improve cooperation among businesses and regions
- Establish consistent model for retail banking and develop world-class wealth and private banking services

Strengthen, secure & rebuild our presence in critical geographies

- Focus investment in markets key to international connectivity
- Secure position in attractive markets where we are already strong
- Review opportunities to release and reallocate capital where we do not meet our strategic objectives
- Maintain strong liquidity

**Commitment to
shareholders**

Financial targets

	2010	Goal
Return on equity	9.5%	12-15% (over cycle)
Cost efficiency ratio ¹	55%	48-52% (by 2013)
Core Tier 1 ratio	10.5%	9.5 – 10.5% ²

¹ Assumed common equity tier 1 ratio under Basel III
² Cost / Revenue (Internal Index)

Strategy delivery in **Japan**

- 1** Support cross border flows of trade & investment, with an emerging markets focus
- 2** Focus on serving the international needs of large Japanese corporates, leveraging Group network
- 3** Support global expansion of local SMEs by partnering with Japanese regional banks & quasi-governmental organisations

Business Cases with large Japanese corporations

- Supporting China business of Japanese corporates by providing RMB products
 - Making use of leading bank's position in Hong Kong, HSBC has been providing RMB denominated deposit, bond, treasury, cash management and trade finance products for Japanese corporations in Japan, and contributed to their significant development in China business.
 - HSBC is having a largest branch network among foreign banks and full banking service including retail banking and offering competitive RMB denominated products in China to cater to various financial needs of Japanese clients.
 - HSBC obtained several off-shore RMB bond arranger mandate from several companies from wide range of industries.
- Providing global and regional payment & cash management service
 - HSBC is utilising its superb global footprint, fond of cash management professionals in each countries, and globally integrated customer channel (i.e. HSBCnet and HSBC Connect) to make this possible.
 - HSBC obtained global cash management service mandate from customers in transportation/ logistics sector and retail sector, and has been providing regional cash management service in Asia and Europe to customers in electronics sector.

Business Cases with large Japanese corporations

- Supporting business of trading companies/ engineering companies/ manufacturers in the Middle East and North Africa
 - Supporting Japanese companies in their EPC business and investment in Oil & Gas, Utilities (Power & Water), Petro-Chemical project, etc.
 - HSBC provides wide range of service such as bond issuance, payment & cash management, foreign exchange, trade finance, project and export finance, and financial advisory through strong network in MENA including UAE, Qatar, Kuwait, Saudi Arabia, Egypt, Jordan, Algeria, etc.
 - HSBC advised several IWPP (Independent Water and Power Producer) project as financial advisor as well as supporting as mandated lead arranger in the Middle East in which Japanese trading companies and utility companies participate as sponsor.
 - HSBC advised mega petro-chemical project in the Middle East as financial advisor as well as supporting mandated lead arranger in the Middle East in which a Japanese top-tier chemical company participates as sponsor.

Business Cases with a Japanese Bank in alliance



- Transaction in China

- HSBC worked with Japanese regional bank to provide banking support and short term lending for working capital of its SME client in China. Client is metal/mineral industry joint venture company.
- Credit is enhanced by Standby L/C provided by Japanese regional bank.

- Transaction in India

- HSBC worked with Japanese regional bank to provide banking support and long term loan in India for purchase of land. Client is auto related manufacturing company.
- Credit is enhanced by Standby L/C provided by Japanese regional bank.

In summary...

We have unique advantages...

We have a network of countries relevant for **international connectivity**

We have access and exposure to **high growth markets** and businesses

We have a strong balance sheet generating a **resilient stream of earnings**

... and a clear strategy and focus

Our strategy drives investment priorities and **capital allocation**

Our **action plan** addresses **growth and cost efficiency** across our businesses and geographies

We have an experienced and accountable **management team**

Structure of a business case in China

