



Eurobond Instruments & Creditor Relations

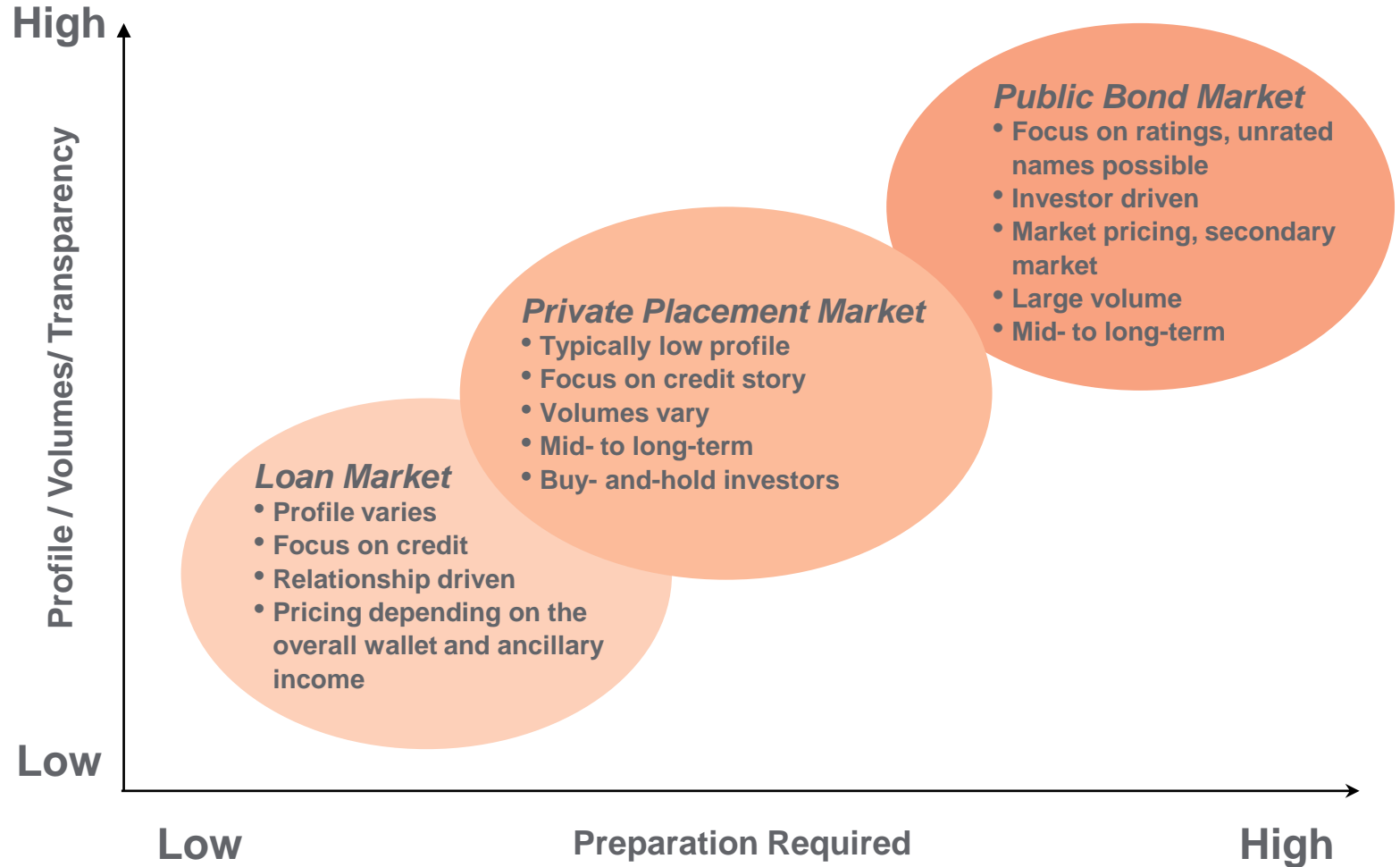
Vienna, 14 October 2015

HSBC 

Situating Different Funding Sources

The financial crisis has demonstrated that liquidity has been key

With steady growth it becomes even more important to broaden the investor base and diversify the source of funding

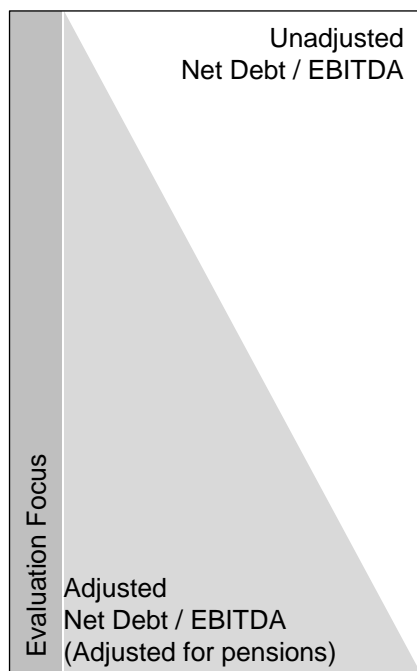


Comparative Overview of Key Funding Tools

	Syndicated Loan	Eurobond	Schuldschein	USPP
Key Characteristics	<ul style="list-style-type: none"> • One credit agreement with selected group of (relationship) banks • Documentation usually based on LMA standard • Structure of facility can be highly customized • Tenors: 3-7yrs 	<ul style="list-style-type: none"> • Broadest investor base • Available for the widest variety of credit qualities (CCC to AA) & unrated • Public deal • Tenors: 18 months-100 years (always bullet) 	<ul style="list-style-type: none"> • Private placement with banks, insurances and pension funds • Unrated / unlisted • Confidential • 2-10 years, for selected names even 10-20 years 	<ul style="list-style-type: none"> • Private Placement with US insurance companies • Typically unrated, but implied Investment Grade rating quality required • Confidential • 5-20 years
Key Benefits	<ul style="list-style-type: none"> • Flexibility in terms of repayment/drawings • Good to manage the future banking group • Simple administration and uniform reporting requirements 	<ul style="list-style-type: none"> • Offers long tenors • Best investor diversification • Current market environment offers attractive pricing • Many currencies possible 	<ul style="list-style-type: none"> • Lowest cost & efforts • Leanest documentation • Structural flexibility • Smoothing the maturity profile possible • EUR complemented by e.g. USD tranches 	<ul style="list-style-type: none"> • Long-term funding, deepest liquidity between 7 and 12yrs • Diversify lender base • USD funding, direct Euro and Sterling funding available
Key Issues	<ul style="list-style-type: none"> • Absorb bank lines for future financing • Very limited investor diversification 	<ul style="list-style-type: none"> • Publicly available prospectus required • Least flexible product • HY: Incurrence based covenants 	<ul style="list-style-type: none"> • Potential cannibalization effect for bank market • Fin. Covenants usually in line with other financings 	<ul style="list-style-type: none"> • Typically financial covenants required • Strong credits could access with „most favoured lender“ clause only
Marketing	<ul style="list-style-type: none"> • Info Memorandum 	<ul style="list-style-type: none"> • 2-3 days pan European roadshow for debut deals 	<ul style="list-style-type: none"> • One group investor meeting & potential investor call 	<ul style="list-style-type: none"> • PP Memorandum • 2-3 days roadshow in US/UK & investor call
Min. Issue Size	<ul style="list-style-type: none"> • ~ EUR 50m plus 	<ul style="list-style-type: none"> • ~ EUR 200m plus 	<ul style="list-style-type: none"> • ~ EUR 30m plus 	<ul style="list-style-type: none"> • ~ USD 50-100m plus

Investors Universe and Products

Eligibility of products and view on leverage



Investor Group	Products			Ratings	
	SSD	NSV	Bond	Investment Grade	High Yield
Savings Banks & Cooperative Banks	✓	✗	✗	✓	✗
Private Banks & International Banks	✓	✗	✓	✓	✓
Private Wealth Family Offices	✗	✗	✓	✓	✓
Asset Manager	✗	✗	✓	✓	✓
Insurance Companies & Pension Funds	✓	✓	✓	✓	✗

- In general, bank market appetite is driven by credit quality, pricing and expected ancillary business in return for balance sheet support
- Typically financial covenants in bank facilities are based on unadjusted metrics although banks will look also at any significant other liabilities such as pensions in their credit analysis. Depending on the scale of pension liabilities and if they are sufficiently large to cause concern they may end up being included into covenants but this is not usually the case for corporates
- If the pension liability is large, banks may be more comfortable with a covenant which also takes pensions into account. Alternatively other covenants relating to the funding of the liability may also be considered
- Depending on the envisaged debt quantum and pro-forma leverage, such items play a more important role when determine a company's credit profile

Issuing a capital instrument

Strengthening Balance Sheet

- Hybrid capital provides an effective way of supporting the balance sheet on a stand alone basis
- Refinancing senior debt with a hybrid issue, would de-lever the balance sheet

Rating's Equity Treatment

- The hybrid can achieve 50% equity credit from the rating agencies, and in some cases more

Outside Bank covenants (if any)

- In case the hybrid issue is not captured by the wordings of the covenants - most issuers have successfully negotiated with their banks for the hybrid to be considered as equity

Early call options

- Early call options allow for redemption in case the key benefits of the instrument changes

.... with many benefits of a debt instrument

Non - dilutive

- The issuer can achieve equity capital without diluting existing shareholders
- Unlike e.g. a convertible bond, hybrid does not have a dilutive effect

Tax deductible

- The interest payments on a hybrid bond can be fully tax deductible allowing for an efficient financing mix

No Share authorisation required

- As hybrid capital is not dilutive, no shareholder authorisation is required, unlike for straight equity or convertible bonds

Funding Cost

- Whilst more expensive than senior debt, as the instrument prices closer to debt than equity, the financing cost is considerably lower than with straight equity

Hybrid Capital should be viewed as an equity alternative, not expensive debt

Indicative capacity overviewin key debt capital markets

	Unrated EUR Bond Market*			Schuldschein		Hybrid Bond	
Top Issuers	Issuer	Amt. outst. EURm		Issuer	Amt. issued EURm	Issuer	Amt. issued USDm
	1 Air France - KLM	3,306		1 ZF Friedrichshafen	2,200	1 EDF	13,800
	2 Galp Energia	2,350		2 BMW	c.1,500	2 Volkswagen	9,500
	3 Rallye	1,974		3 Stadtwerke Munich	1,150	3 Orange	7,700
	4 voestalpine	1,900		4 Siemens	1,100	4 Bayer	7,400
	5 Hochtief	1,750		5 Fraport	1,000	5 Telefónica	6,800
	6 Neste Oil	1,750		6 Deutsche Telekom	972	6 RWE	6,400
	7 UCB	1,651		7 Haniel Group	925	7 Enel	5,700
	8 Eurofins	1,576		8 Fresenius	920	8 Total	5,700
	9 Adidas	1,500		9 Daimler	950	9 SSE	5,200
	10 ENA Infraestructuras	1,345		10 Boehringer Ingelheim	900	10 GDF Suez	5,000
Largest deal sizes	Issuer	Debut/Repeat	Deal size EURm	Issuer	Deal size EURm	Issuer	Deal size EURm
	1 SAP (dual tranche)	R	1,300	1 ZF Friedrichshafen (2015)	2,200	1 Total (2015)	5,000
	2 SAP (dual tranche)	R	1,200	2 BMW (2008)	1,350	2 Bayer (2014)	3,250
	3 SAP (dual tranche)	D	1,000	3 Siemens (2008)	1,100	3 Volkswagen (2014)	3,000
	4 Heineken	D	1,000	4 Daimler (2008)	900	4 Orange (2014)	3,000
	5 Lagardere	D	1,000	5 Boehringer (2009)	900	5 Volkswagen (2014)	2,500
	6 Fraport	D	800	6 Deutsche Telekom (2008)	800	6 Enel (2014)	2,250
	7 AP Moller-Maersk	D	750	7 Stadtwerke Munich (2010)	750	7 GDF Suez (2014)	2,000
	8 AP Moller-Maersk	R	750	8 Steinhoff (2015)	720	8 Repsol (2015)	2,000
	9 Safran	D	750	9 Fraport (2008)	660	9 Telefónica (2014)	1,750
	10 Hochtief	R	750	10 SAP (2009)	650	... VTG (2015)	250
	11 UCB	D	750				
12 Evonik	D	750					

The key responsibilities for the banks include:

- Roadshow co-ordination
- Investor presentation
 - Documentation
 - e-Syndicate
- Billing & delivery

During the course of the roadshow HSBC will collate investor feedback which will confirm views on price guidance for the transaction

Given the heightened market volatility, bookbuilding is completed intraday

On the day of bookbuilding, syndicate maintains momentum by constant positive feedback to sales teams, introduce “price guidance” at the appropriate time and ensure initial price thoughts are not overly aggressive

Mandate & Roadshow announcement

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"MAHLE GmbH, unrated, a leading global development partner and supplier for the automotive and engine industry, has mandated Deutsche Bank and HSBC to arrange a series of fixed income investor meetings in Germany, London and Paris commencing on Monday, 5 May. A euro-denominated capital markets transaction may follow, subject to market conditions. FCA/ICMA stabilisation."

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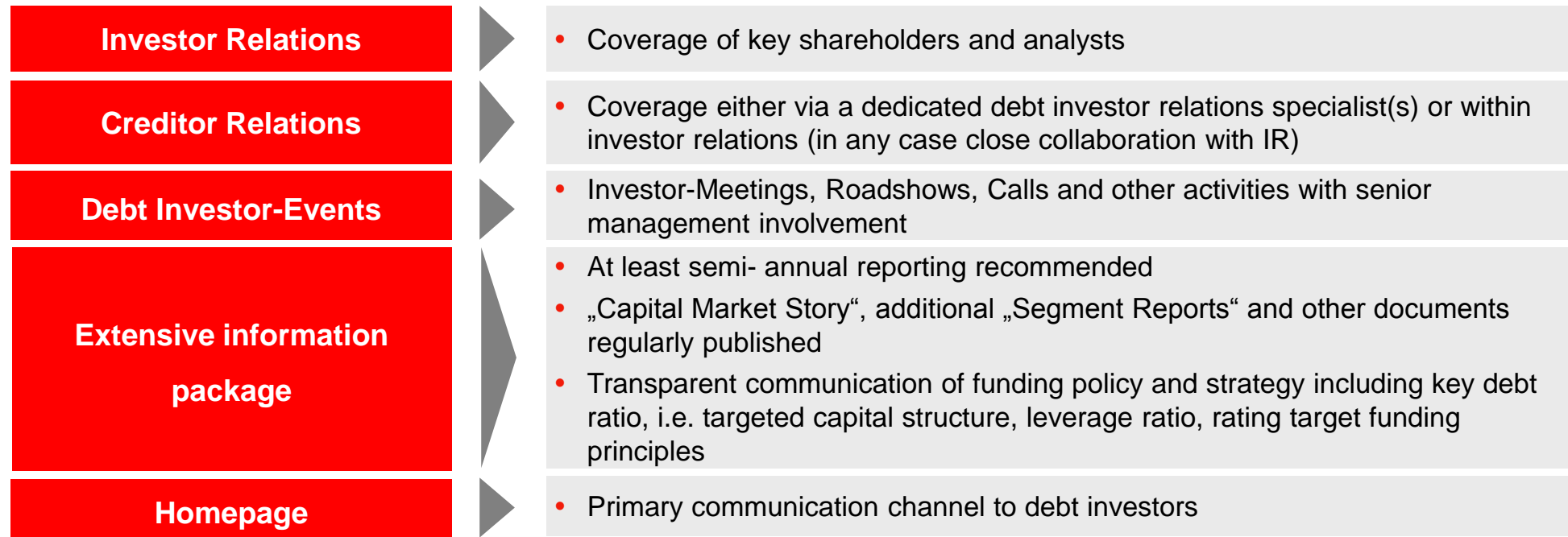
Deal & IPT announcement at the day of bookbuilding

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Issuer: MAHLE GmbH
Format: Senior, unsecured, RegS Bearer
Rating: Unrated
Size: EUR 300m (no grow)
Maturity Date: 14 May 2021 - 7yr
Settlement Date: 14 May 2014 - T+3
Coupon: [] Annual, ACT/ACT
IPTs: MS+140a
Docs: Lux listing / German law / EUR 1k + 1k / CoC / EMTN
Passporting: Germany, Austria, Netherlands
Joint Bookrunners: Deutsche Bank, HSBC (B&D)
Timing: Books open, today's business

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Key Elements of Credit Investor Communications

Frequency of coverage less intense than on the equity side



 Deal related investor meetings mainly held by infrequent issuers to introduce the credit

 Annual debt investor meetings across the globe undertaken by frequent issuers to keep key investor updated on business developments

 Debt investor calls often used for event driven communication or as an alternative for non frequent issuers with limited transparency

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