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Retail Banking and Wealth Management

Investor Day

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Forward-looking statements



This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our Annual Report and Accounts 2010. Past performance cannot be relied on as a guide to future performance.

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial information to the most directly comparable measures under GAAP are provided in the 'Reconciliation of reported and underlying profit before tax' supplement available at www.hsbc.com.

Retail Banking and Wealth Management – Overview

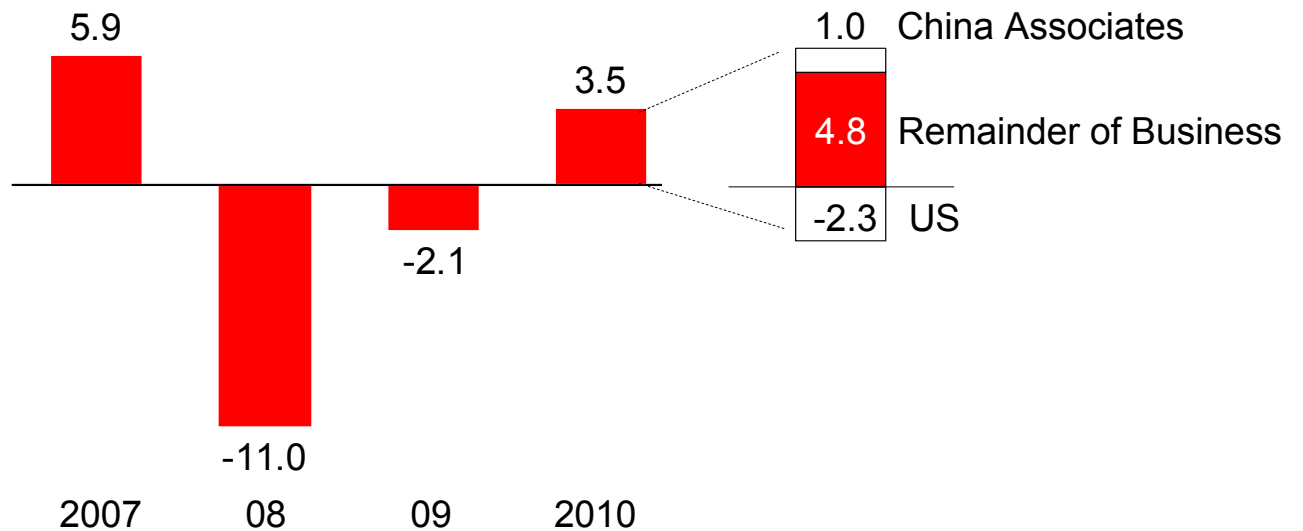


Overview

- Operations in 61 markets
- 92 million customers
- Drag on global results from HSBC Finance USA run-off
- Elevated loan impairments – improving
- Deposit spread compression

PFS key historical financials (going forward RBWM)¹

PBT, USDbn



2010 Metrics:

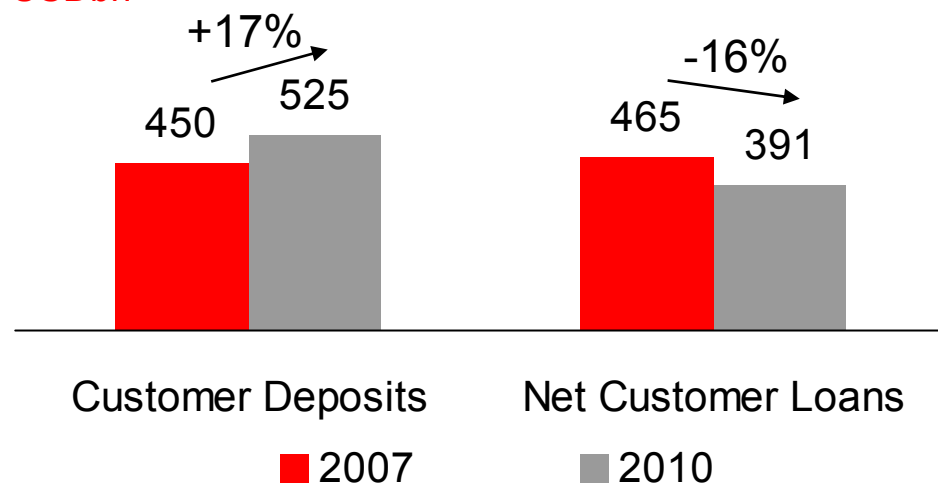
- CER 58%
- RoRWA 1.0%

Changing shape of the Business



Balance sheet mix

USDbn



Loans, USDbn	2007	2010	Growth
Faster Growing Markets¹	94	109	+15%
Mature Markets²	371	282	-24%

ADR	103%	74%	+29%
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Drivers

- Attracted strong growth in deposits (USD75bn), but revenues lower from significant reduction in deposit spreads
- Higher wealth revenues – e.g., Life, Pensions and Investments (LPI) +16% 2008-10 CAGR
- Change in loan book mix
 - By geography
 - Asia up USD21bn (32%)
 - North America down USD87bn (40%)
 - By asset type
 - Significant increase in mortgage lending in HK and the UK
 - Reduction in unsecured / other personal lending, e.g., US Cards (down USD17bn)

¹ Faster Growing Markets defined as following regions: Asia (ex. Japan, Aust & NZ) , Latam , ME , Emerging Europe & Emerging NA

² Mature Markets defined as Europe (excl. Emerging Europe), North America (excl. Emerging NA) , Japan , Aust & NZ

Key trends for Retail Banking & Wealth Management



Pricing and regulation

- Deposit spreads will be slow to recover
- Regulatory and social pressure on pricing structures

Distribution

- Technology increases access, straight through processing and customer experience
- Under 50s are more than twice as likely to use technology solutions for wealth management than >50s¹
- By 2030, 60% of the world's population will be in urban centres²

Faster Growing Markets wealth creation

- Significant wealth creation in Faster Growing markets
- Wealth Management revenues growing faster than in Mature Markets
- Increasing GDP per capita is forecast to drive financial services demand

Mature Markets savings

- Demographics and underfunding of pensions
- Need for long term savings and wealth protection
- Asset allocation will drive global investment strategies

¹ Source: CISCO
² Source: McKinsey

Key trends for RBWM

Significant wealth creation in Faster Growing Markets, large pools of wealth in Mature Markets



Revenue growth by region

2009 Global Wealth Management Market

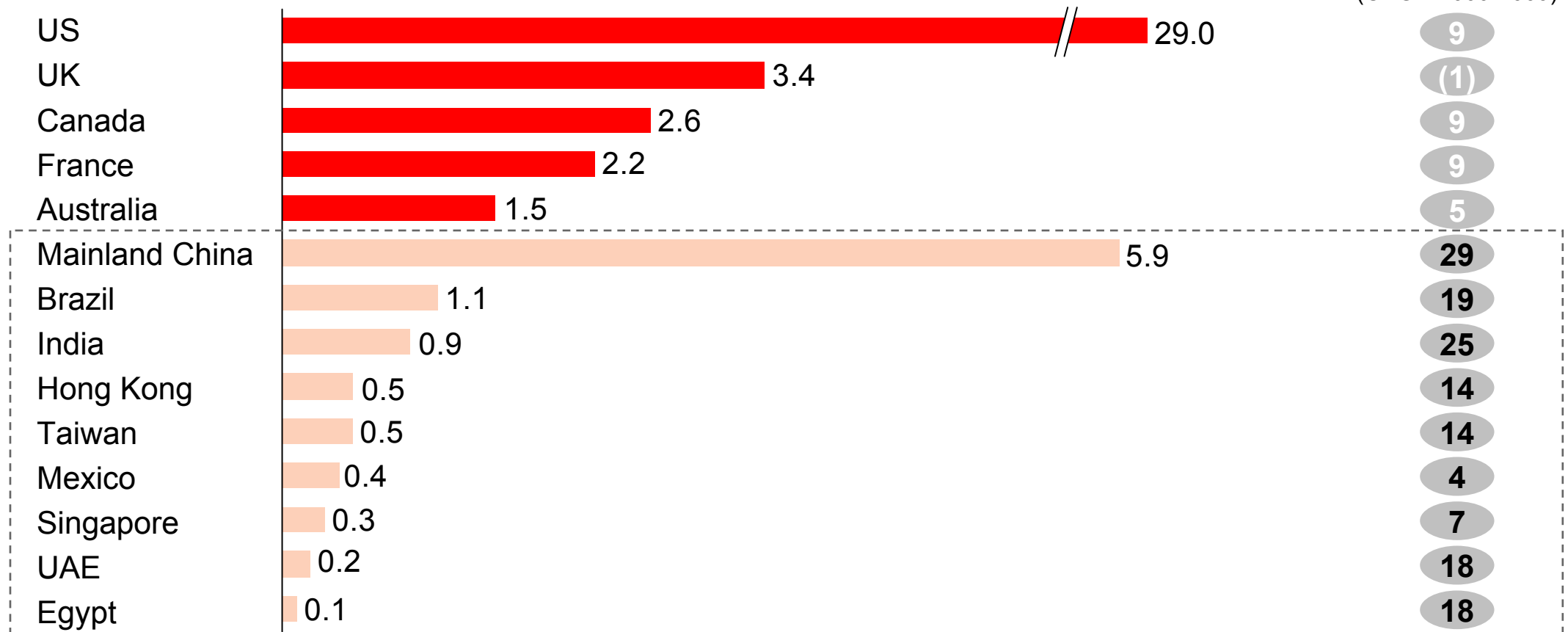
USDtn, total:USD101tn



Faster Growing Markets



Wealth insurance premium growth (CAGR 2000-2009)



Source: Bain & Company, AXCO Insurance Information Services Ltd.

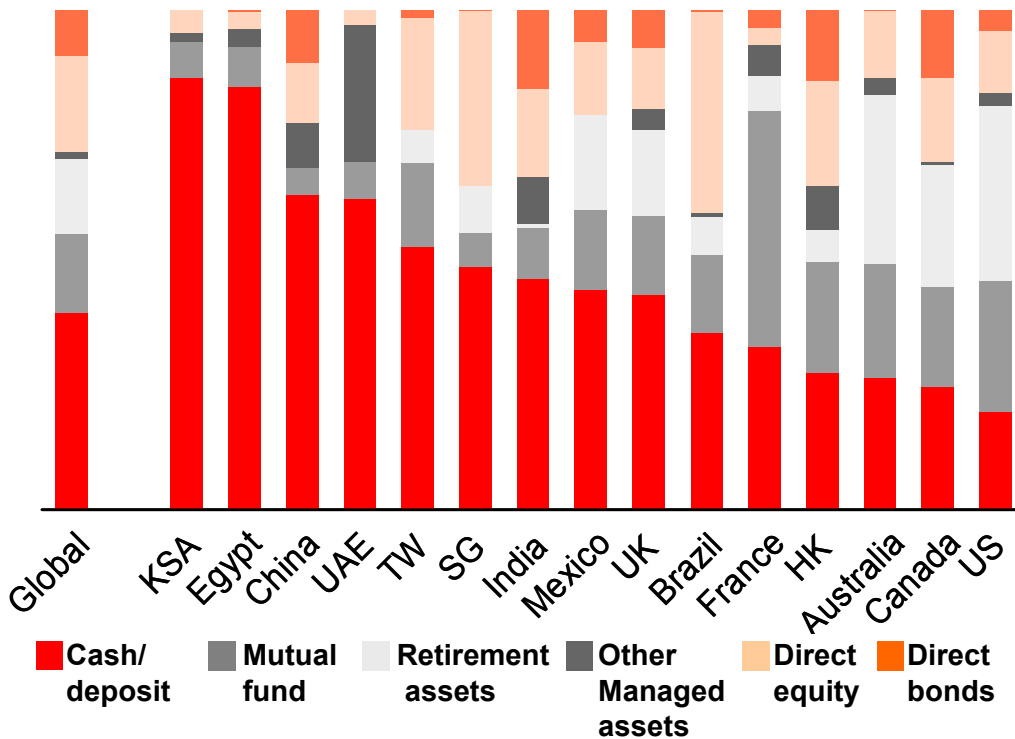
Key trends for RBWM

Substantial potential for expansion in Faster Growing Markets



Investible assets breakdown

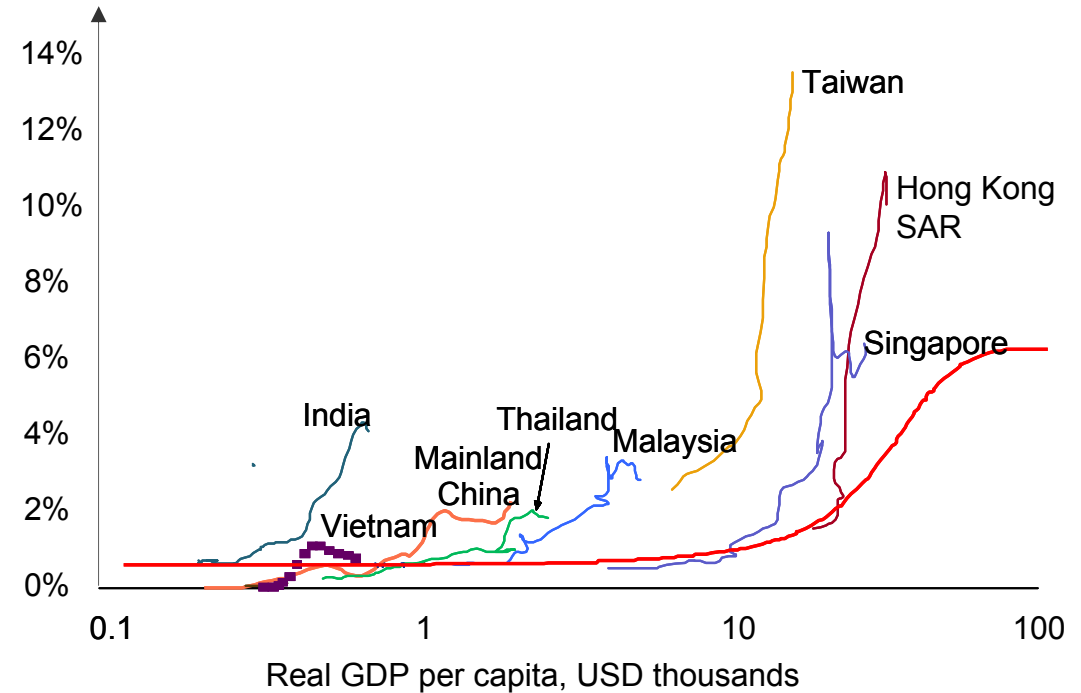
Breakdown of investible assets by type, 2009



Mature Markets tend to hold a wider range of managed products

Life premiums

Life premiums as % of GDP



As GDP per capita grows, there are clear inflection points above which there is rapid growth in demand

HSBC competitive advantages



Financial and brand strength

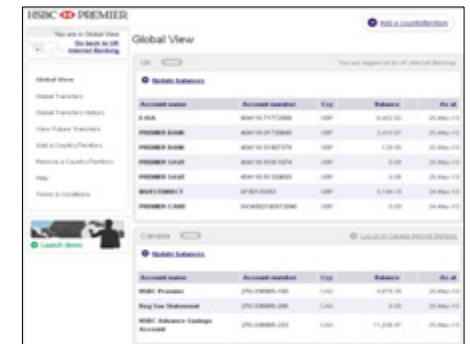
- Strong brand and recognised financial strength
- Strong funding position gives growth capacity and continuity

Global capabilities

- Global propositions: HSBC Premier, HSBC Advance
 - 4m+ Premier customers
 - Growth of 1.7m over last 2 years
- Common platforms enable delivery of unique product offerings globally e.g., Premier Global View, World Selection

Universal banking model

- Wealth management distribution experience
- Full range of wealth product manufacturing capabilities
- Ability to capture flows through the value chain
- Distribution capabilities in attractive markets



Opportunities and challenges in the portfolio



	Description	PBT USDm, 2010 ¹	Number of branches
Large scale positions	<ul style="list-style-type: none"> Significant scale in Hong Kong and the UK 	4,141	1,514
Major presences	<ul style="list-style-type: none"> Significant presence in 13 markets with high growth potential including: Brazil, Mexico, Singapore, Turkey, Egypt 	1,020	3,414
Investments	<ul style="list-style-type: none"> Investing for future opportunity in mainland China and India 	(216)	212 ²
Small market leadership	<ul style="list-style-type: none"> Leading market shares in small geographies, including: Malta, Bermuda, Brunei, Panama 	150	114
Others	<ul style="list-style-type: none"> 39 markets, typically subscale Net funding providers to rest of bank 	(244)	420
US	<ul style="list-style-type: none"> HSBC Bank USA, HSBC Finance Corporation 	(2,306)	477

Note: Excluding China Associates

¹ Figures on a Reported basis. Figures exclude Global Asset Management.

² Including 56 InvestDirect outlets

Strategic direction and actions overview



Retail Banking and Wealth Management

World class banking and wealth solutions

1

Develop world class wealth management for retail consumers

Building on the success of HSBC Premier and leveraging world class product structuring capabilities and best practices globally

2

Leverage global expertise in retail banking

Standardising banking propositions globally to gain cost efficiencies through business transformation

3

Portfolio management to drive superior returns

Focusing investment on key growth markets where we can achieve scale and returns

Strategic direction and actions

1 Develop world class wealth management for retail consumers



Key actions

Drive global wealth management structure

Up-skill and provide a sustainable career proposition for RMs

Invest in integrated tools and product platforms

Develop enhanced propositions for under-served high value segment

Focus on relationship deepening to build revenue per client

Description

- Build on existing capabilities
- Drive globally consistent investment strategies, asset allocation models, propositions and product solutions
- Standardise sales management model and metrics
- Upgrade Learning Academy, accreditation, carer development and incentives
- RM workstation, financial planning tools, securities and wealth transactional platform/ reporting
- Building on investments made by Global Markets
- Increase resources focused on customers with investible assets USD1m-5m
- Refine customer segmentation and RM loadings
- Continue to acquire in key segments and from GBM and CMB client base
- Aspiration: Additional revenues of USD4bn in near to medium term

2 Leverage global expertise in retail banking



Key actions

Grow retail banking in key markets where we have or can achieve scale

Move our retail business to a global management model

Standardise propositions and target operating models

Business-led transformation programme to drive cost efficiency improvements

Description

- Acquire and build relationships
- Shared distribution platform

- Global strategy and standards
- Build on experience of global businesses

- Reduce variations, complexity and management overhead
- Critical to business engineering and sustainable cost reduction

- Driven process by process globally
- Leverage centre of excellence successes and global best practice
- Drive direct channel developments

3 Portfolio management to drive superior returns



Key actions

Focus capital and resources where we can build businesses with attractive returns

Address sub-scale/uncompetitive business units that lack connectivity

Prioritise investment in technology platforms

Build connectivity globally with Insurance and Asset Management

Description

- Build out wealth management where we already have scale presence
- Continue to build scale in attractive growth markets, focusing on core segments and population concentrations
- Re-engineer and standardise business models to leverage Group platforms
- Withdraw resources from businesses where unable to justify the returns
- Support re-engineering and sustainable efficiencies
- Develop wealth management programme
- Drive STP and direct channels

Insurance – current position



Profile

Insurance in HSBC

- Operating in 54 countries and territories
- Manufacturing life, non-life and pensions in more than 20 markets
- c.20 million policyholders as at end Dec 2010

Insurance in RBWM in 2010

- Total contribution³ of USD2.6bn with RBWM generating 92%
 - Total assets USD83bn
- Strength of bank distribution channel
- Capturing value across the entire value chain
 - c.90% investment assets managed by Asset Management
- Focused on life, pensions and investments

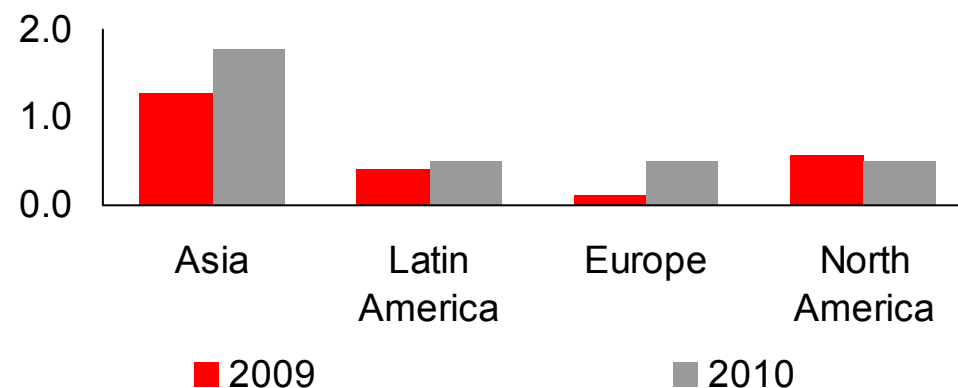
1 Underlying basis, including Ping An

2 Total insurance PBT is reported across customer groups

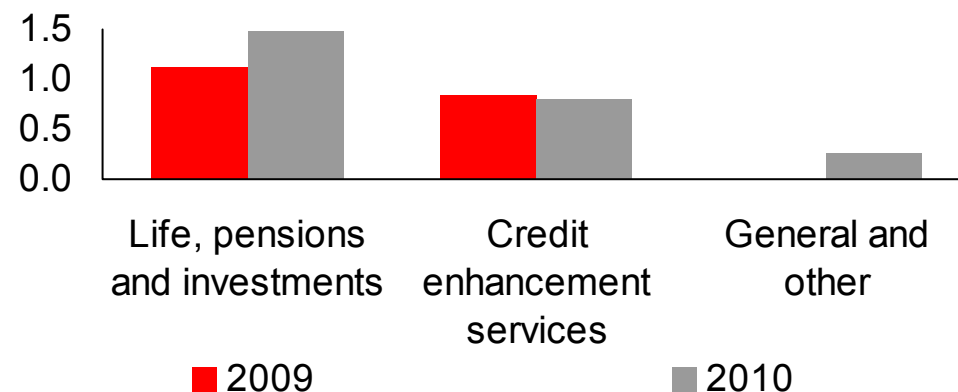
3 Underlying basis, excluding Ping An

Business Mix¹

Contribution by region
USDbn



Contribution by product category²
USDbn



Insurance – Leverage our winning Bancassurance model



Key opportunities

- Growth market focused with favourable trends
 - Ageing population
 - Increasing propensity to buy insurance
 - Simple life insurance as entry level wealth product
- Potential to increase penetration and cross-sell ratios for existing RBWM customer base
- Untapped potential of Commercial Banking relationships
- Bancassurance focus with ongoing portfolio review

Key actions

- Capture growth opportunities driven by longevity trends, wealth creation and accumulation
- Expand HNWI propositions
- Refocus in major Mature Markets (UK, France)
- Utilise CRM and STP to drive cross-sales opportunities particularly in direct channels
- Strengthen 3rd party relationships and economics in target markets (Marsh, Preferred Strategic Partnerships)
- Divest non-core operations and continue capital optimisation

HSBC Position

- Hong Kong: #1 market positions in Life (25%) and Pensions (32%)¹
- India: Ranking in industry top 10 in second year of operation²
- Mainland China: Most Innovative Bancassurer of the Year³
- Brazil: Best Corporate Insurance Provider⁴

¹ Including HASE; Life: The Office of the Insurance Commissioner of Hong Kong on new business by annualised premium; Pensions: The Mandatory Provident Fund Schemes Authority and Gadbury Group Limited MPF Market Shares Report

² New business premiums, HSBC analysis based on data from Insurance Regulatory and Development Authority (IRDA) India

³ China Business News 2010

⁴ Gestao & RH Magazine 2010

Asset Management – current position



Profile

AMG in HSBC

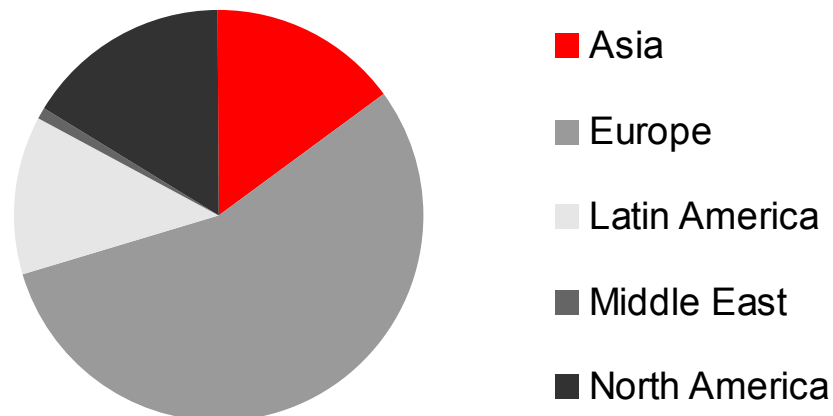
- Approx. 400 investment professionals in 19 countries
- USD439bn AUM (as at end 2010)
- USD145bn AUM in Faster Growing Markets related assets
 - USD94bn of from domestic investors
 - USD51bn of from the offshore business

AMG in RBWM in 2010

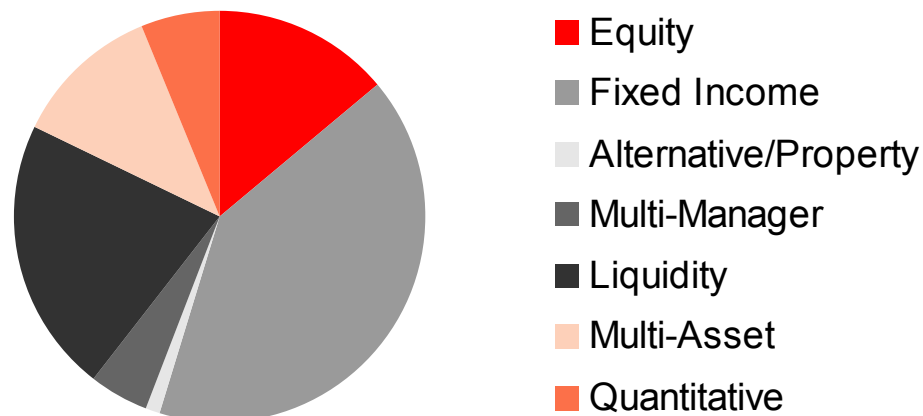
- RBWM accounted for 39% of total AMG revenues
- RBWM held USD86bn of AMG funds representing an increasing share of AMG in the total RBWM AUM (capturing more of the value chain)
- UK, HK and Brazil each delivered more than USD1bn in net sales

Business mix

Distribution By Region, 2010



Distribution By Asset Class, 2010





Key opportunities

- Investments as a percentage of total relationship balances are 20%, below industry norms
- Distribution in 28 of the 30 largest projected economies in 2050¹
- Substantial Faster Growing Markets businesses already established:
 - Domestic Faster Growing Markets
 - Offshore Faster Growing Markets

Key actions

RBWM's customer opportunity

- Deliver HSBC branded core product set relevant for each of priority markets
- Develop asset allocation products for relevant customer segments
- Increase RBWM sales force training, promotional and technical support
- Align management objectives and priorities
- Develop wealth tools

Develop the Faster Growing Markets businesses (retail and institutional)

- Develop product for distribution in US
- Strengthen regional and global products

HSBC position

- USD145bn AuM in Growth Markets related AuM
- Mainland China: Profitable domestic joint venture
- Japan: #1 in size of Brazil, India and Russia equity funds

Key take-aways

Retail Banking and Wealth Management



Competitive Advantages

Financial and brand strength

Universal banking model

Global capabilities including HSBC Premier

Successful Bancassurance model

Strong and focused Asset Management business

Strategic Actions

Develop world class wealth management for retail consumers

– Leverage Bancassurance model to capture growth opportunities

– Leverage Asset Management capabilities & expertise

Leverage global expertise in retail banking

Portfolio management to drive superior returns

Target RoRWA

2.0%- 3.0%

Basis of preparation (1/2)



Actuals	Actual numbers presented are on a reported basis and include the effect of movements in the fair value of HSBC's own debt related to credit spreads
AMG	The Global Asset Management business formed part of GBM in 2010, but has been included in RBWM for the RoRWA targets. Comparative data will be presented to reflect this reclassification in the Interim Report 2011
Asia	Data for 'Asia' comprises the sum of reported figures for the Hong Kong and Rest of Asia-Pacific geographical regions without the elimination of inter-segment items
Composition of the Group	No changes to the composition of the Group have been assumed other than those described in this presentation
Financial targets	Financial targets are prepared on the basis of the Group's accounting policies as set out in the Annual Report and Accounts 2010, and on the basis of tax rates and laws enacted or substantively enacted as at 31 December 2010. The potential effects on HSBC's operations and performance of the Dodd-Frank Act in the US, the deliberations of the UK Independent Commission on Banking, and a range of evolving regulatory changes which may or may not affect HSBC have not been included in the targets
Other	The main items reported under 'Other' are certain property activities, the estimated impact of the UK bank levy, unallocated investment activities, centrally held investment companies, gains arising from the dilution of interests in associates, movements in the fair value of own debt designated at fair value (the remainder of the Group's gain on own debt is included in GBM) and HSBC's holding company and financing operations. The results also include net interest earned on free capital held centrally, operating costs incurred by the head office operations in providing stewardship and central management services to HSBC, and costs incurred by the Group Service Centres and Shared Service Organisations and associated recoveries

Basis of preparation (2/2)

RoE	Return on equity ('RoE') is profit attributable to ordinary shareholders of the parent company divided by average ordinary shareholders' equity
RoRWA	The metric, return on risk weighted assets ('RoRWA'), is the profit before tax divided by average RWAs. The RWAs have been calculated using FSA rules for the 2010 metrics. The regional and customer group targets are adjusted for Basel 3 rules specific to the GBM business. In all cases, RWAs or financial metrics based on RWAs for geographical segments or customer groups are on a third party basis and exclude intra-HSBC exposures
RoRWA target for Europe	The Europe RoRWA target includes the Group's head office costs, intra-HSBC recharges and the total estimated impact of the UK bank levy
RoRWA target for 'Other'	No RoRWA target has been set for the 'Other' customer group as it is not considered to be a meaningful measure in terms of performance assessment and resource allocation
RWAs for the mainland China associates	RWAs for the mainland China associates have been reallocated from the 'Other' customer group to RBWM, CMB and GBM to align better with the basis for the allocation of their profits. This represents a reclassification from the basis used in HSBC's 2010 Pillar 3 Disclosures. Comparative customer group RWAs will be presented on the new basis in the Interim Report 2011

Acronyms and definitions



A/D ratio	Ratio of customer advances to customer deposits	ETF	Exchange traded funds	NYSE	New York Stock Exchange
Advance	HSBC Advance, a global banking proposition for the mass-affluent segment of customers	EU	European Union	OCC	Office of the Comptroller of Currency
AFS	Available for sale	FCA	UK Financial Conduct Authority	OTC	Over the counter
AMG	Global Asset Management	FDI	Foreign direct investment	PBT	Profit before tax
APS	Asset Protection Scheme	FIG	Financial Institutions Group	PCM	Payment and Cash Management, a division of Global Banking and Markets
ASEAN	The Association of South East Asian Nations	FPC	UK Financial Policy Committee	PFS	Personal Financial Services
ASP	Asia-Pacific	FRB	Federal Reserve Board	PPI	Payment protection insurance
AUM	Assets under management	FSA	Financial Services Authority	PRA	UK Prudential Regulation Authority
BoCom	Bank of Communications Co., Limited, mainland China's fourth largest bank by market capitalisation	FSB	Financial Stability Board	Premier	HSBC's premium global banking service
bps	Basis points (a basis point is 1/100 of a percentage point)	FVOD	Fair value of own debt related to credit spreads	RBWM	Retail Banking and Wealth Management global business, which comprises the existing Personal Financial Services customer group and Global Asset Management
BSM	Balance Sheet Management, a division of Global Banking and Markets	FX	Foreign exchange		
CAGR	Compound annual growth rate	GBM	Global Banking and Markets global business	RMs	Relationship managers
CER	The cost efficiency ratio is total operating expenses divided by net operating income before loan impairment charges and other credit risk provisions	GDP	Gross Domestic Product	RMB	Renminbi
CHF	Swiss franc	GPB	Global Private Banking global business	ROE	Return on equity
CMB	Commercial Banking customer group	GTB	Global Transaction Banking	RoRWA	Pre-tax return on risk weighted assets
CML	Consumer and Mortgage Lending	HK	Hong Kong Special Administrative Region of the People's Republic of China	RWAs	Risk weighted assets
CoEs	Centres of excellence	HNWI	High net worth individuals	SIFIs	Systemically Important Financial Institutions
Core Tier 1 capital	The highest quality form of regulatory capital that comprises total shareholders' equity and related non-controlling interests, less goodwill and intangible assets and certain other regulatory adjustments	HSS	HSBC Securities Services	SMEs	Small and medium-sized enterprises
	Capital Requirements Directive	ICB	Independent Commission on Banking	STP	Straight through processing
CRD	Capital Requirements Directive	IPO	Initial public offering	TARP	Troubled Asset Relief Program
CRM	Customer relationship management	IT	Information technology	Tier 2 capital	A component of regulatory capital, comprising qualifying subordinated loan capital, related non-controlling interests, allowable collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available-for-sale. Tier 2 capital also includes reserves arising from the revaluation of properties
CVA	Credit valuation adjustment	KYC	Know your customer		
DCM	Debt capital markets	LC	Letters of credit	UHNW	Ultra high net worth individuals
DTA	Deferred tax asset	LIC	Loan impairment charges	UK	United Kingdom
EBA	European Banking Authority	M&A	Mergers and acquisitions	US	United States of America
ECA	Export credit agency	Mainland China	People's Republic of China excluding Hong Kong	VaR	Value at risk: a measure of the loss that could occur on risk positions as a result of adverse movements in market risk factors (e.g. rates, prices, volatilities) over a specified time horizon and to a given level of confidence
EM	Emerging markets	MENA	Middle East and North Africa		
EMEA	Europe, Middle East and Africa	MLA	Mandated lead arranger	YoY	Year on year
ESMA	European Securities and Markets Authority	MMEs	Mid-market enterprises		
		NAFTA	North American Free Trade Agreement		
		NNM	Net new money		