



11 May 2011

# Global Private Banking

## Investor Day

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HSBC 

## 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](http://www.hsbc.com).**

# What matters in Private Banking



## What matters in Private Banking

## HSBC Competitive Advantages

**I** Established footprint in largest and fastest growing wealth markets

- Strong Private Banking units in key wealth management centres (Hong Kong, Singapore, London, Switzerland, Monaco, New York and Miami)
- Established domestic Private Banking business in large Faster Growing Markets (Brazil, Mexico, Turkey, Middle East, India and mainland China)

**II** Strong brand and an efficient platform to deliver complex range of services

- Group's brand, reputation and financial strength
- Integrated, full range of Banking, Wealth Management and Estate Planning services built on Private Banking platforms
- Collaboration with other businesses to deliver the whole suite of HSBC global capabilities

**III** Resilient and sustainable business model

- Total client assets<sup>1</sup> of USD499bn, with USD100bn in NNM since 2006
- High RoRWA business (4.0% in 2010) annually generating PBT of USD1bn and surplus capital
- Leading cost efficiency among competitors<sup>2</sup>, with costs held flat at 2007 levels
- Very strong liquidity with customer deposits of USD107bn as at 2010 and A/D ratio of 38%

<sup>1</sup> Includes non-financial assets held in client trusts

<sup>2</sup> Based on reported FY 2010 results for UBS (WM ex Swiss Bank), Credit Suisse (WM Clients), Deutsche Bank (PWM), Julius Baer, Barclays Wealth, RBS Wealth, Bank of America Merrill Lynch (MLGWM & US Trust), Morgan Stanley (GWM). Note that US Private Bank annual reports are prepared on a US GAAP basis

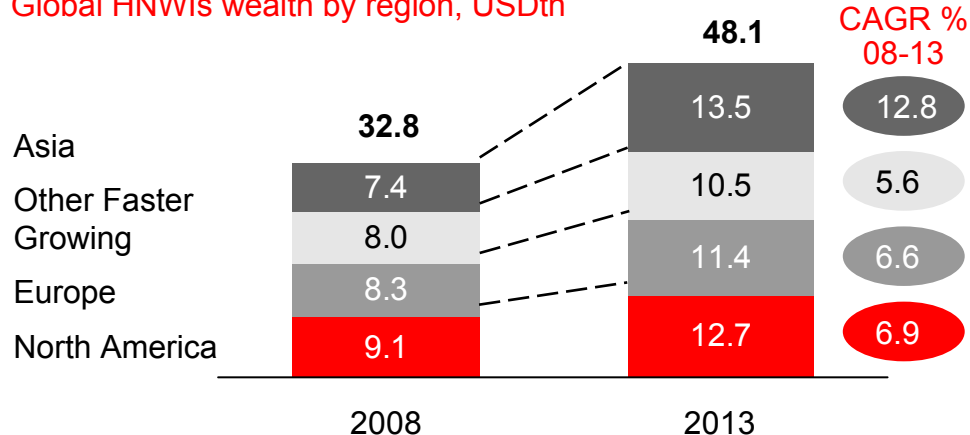
**HSBC position and competitive advantages**

**I Fastest wealth creation in Faster Growing Markets, led by HSBC Asia**



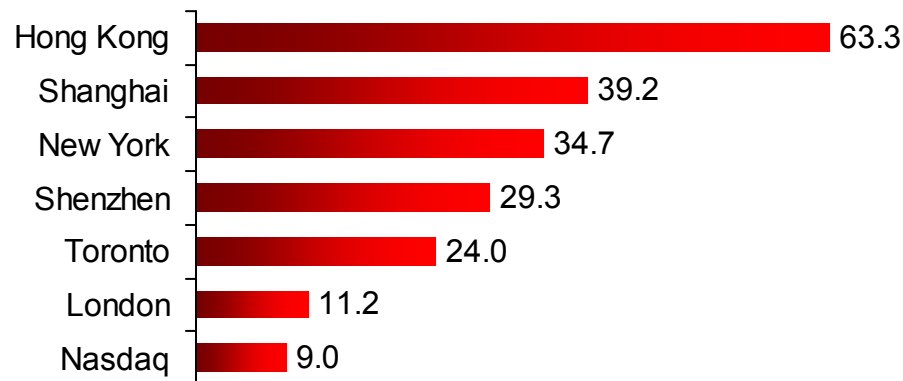
**Asia to be the largest wealth market by 2013**

Global HNWI's wealth by region, USDtn



**In 2010, 3 of the 4 biggest IPO markets globally were in the Greater China region**

2010 Global IPO volumes, USDbn



Notes: Net New Money (NNM)  
Source: Global HNWI's wealth by region - Cap Gemini Merrill Lynch World Wealth Report 2009; IPO volumes - Dealogic

**Strong Faster Growing Markets franchise**

- Over 50% of GPB's client assets from Faster Growing Markets
- 80% of 2010 front office hiring focused on Faster Growing Markets
- Vast majority of NNM in recent years from Faster Growing Markets



**Best Private Bank in Asia**



**Outstanding Private Bank – Middle East**



**Best Private Bank in Hong Kong**



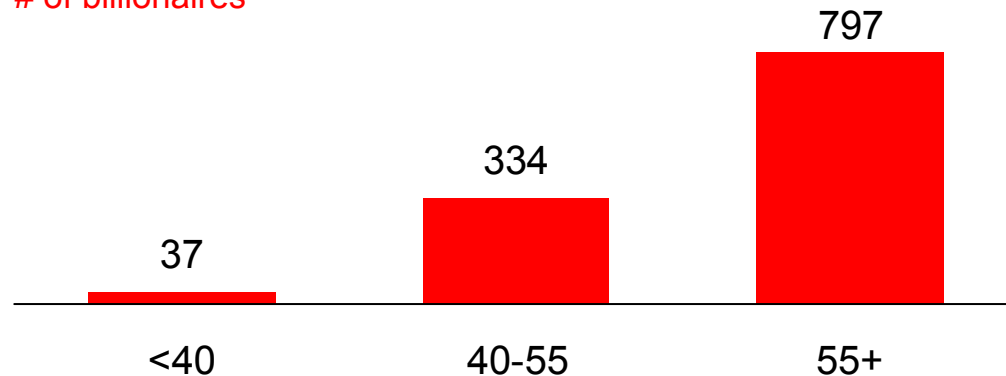
**Best Private Bank in Asia  
Best Private Bank in the Middle East  
Best Private Bank in Hong Kong**

# II Massive inter-generational transfer of wealth set to take place



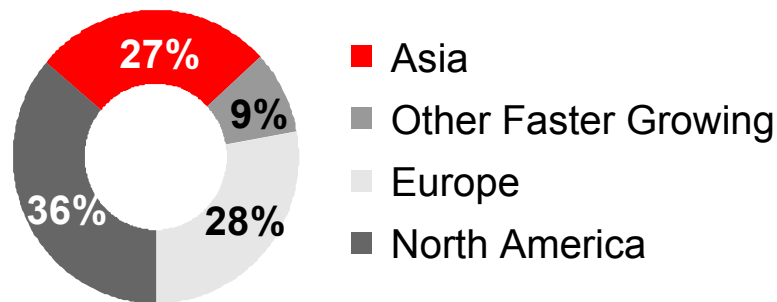
## Vast majority of the world's wealthiest individuals at succession planning age

# of billionaires



## Asia already accounts for more than a quarter of the world's billionaires

% of billionaires



Notes: Ultra High Net Worth (UHNW)  
Source: Forbes list of global billionaires, 2011

## Strong trust and estate planning capabilities

- GPB has one of the world's largest private client trust and estate planning businesses
  - USD164bn in assets under administration, 800 professionals
  - Over 2/3 of business currently in Asia
- Focus on high value business – family governance, multi-generational structures
- Key element of UHNW+ proposition
- Provides the 'glue' across multiple generations



**Best Global provider of Trust services**  
**Best in Asia and Middle East**



## III Evolving regulatory environment with margins under pressure



### Regulatory developments

- Focus on capital and liquidity strength
- Sales suitability
- Cross-border marketing and other regulatory changes

### Meeting the challenges

- Strong capital and liquidity position
- Upgrading systems and operating models to meet the new regulatory requirements
- Developing domestic operations to complement the traditional international financial centres

### Pressure on margins

- Sustained period of low interest rates
- Client risk appetite improving but prone to risk on/risk off phases
- Rising costs of hiring (particularly in Faster Growing Markets) and strong CHF affecting Swiss operations

### Meeting the challenges

- Strong brand and diversified earnings
- Continuously adapting the investment offering to meet changing market conditions
- Managing the cost base

# Strategic direction and actions overview



## Global Private Banking

*serves high-net worth customers with complex and international needs*

### 1 Grow domestic and Faster Growing Market business

- Hiring 150 net new front office staff p.a.
- Faster Growing Markets and domestic footprint established over last 6 years
- Delivering Faster Growing Markets products / services to clients in developed world

### 2 Leverage intra-group strengths

- Connecting with:
- RBWM as feeder customer base
  - CMB as a referral sweet spot
  - GBM partnership for institutional private clients

### 3 Grow annuity revenues

- Increasing managed assets
- Building on expertise in Faster Growing Markets, FX and Alternatives
- Strong balance sheet to support client leverage

### 4 Invest in platform while controlling costs

- Investing in new front-office systems with strong data security, using strengths from Asian platform
- Enhancing risk discipline and culture
- Taking responsive cost control measures

## 2 Successfully leveraging intra-group connectivity



### Two-way partnerships with other Customer Groups for increased shareholder value

#### GPB

- **Inward referrals** → USD26bn Net New Money since 2007
- **Family Office Partnership** – currently 80 top-tier billionaire clients with senior coverage
- **Internalisation of trades** – over 80% volumes traded through GBM in 2010

#### RBWM (incl. AMG) Feeder customer base and Faster Growing Markets funds

- 4.4m Premier customers
- Retail banking services for families
- AMG funds and Faster Growing Markets programmes

#### CMB Referral sweet spot

- 3.6m customers, including large base of owner managers
- Liquidity events
- Helping international entrepreneurs

#### GBM Partnership for Institutional Private Clients

- Joint servicing teams for Family Office Partnership clients
- Corporate Finance Solutions
- Direct on-boarding to Global Markets



# 3 Growing annuity revenues with innovative solutions



## Examples of global footprint delivering client solutions

### Investments in clean energy

- MENA clients co-invested in US clean energy venture
- China wind power bond issue for GBP client

### Hedge funds

- Ranked #2<sup>1</sup> with USD37bn under management / custody and research teams globally

### Specialist private equity

- 10 GBP syndicates since 2001
- USD2.3bn in AuM raised

### Specialist FX and Faster Growing Markets advisory

- Using Faster Growing Markets strengths of HSBC to build flow and investment portfolios (e.g., USD1.3bn Faster Growing Markets programme in Switzerland)
- Offshore RMB leader – over USD2bn in products sold across asset classes (e.g., USD120m in AMG's RMB Bond Fund)

### Real estate advisory

- Faster Growing markets' clients accessing prime US and UK commercial real estate via club deals and funds (over USD600m since 2008)
- Property Vision advises on c.USD500m of UK residential property p.a.

### Corporate Finance Solutions

- GBP clients introduced as cornerstone investors for multiple IPOs and bond issues of Asian companies
- M&A and capital raising mandates for GBM via GBP referrals



<sup>1</sup> Hedge Fund Intelligence Survey June 2010

*Key take-aways*

# Global Private Banking



## **Competitive Advantages**

Footprint in largest and fastest growing wealth markets

Strong brand and efficient platform delivering complex range of services

Resilient and sustainable business model

## **Strategic Actions**

Grow domestic and Faster Growing Markets business

Leverage intra-group strengths

Grow annuity revenues

Invest in platform while controlling costs

**Target RoRWA**

**4.2%- 4.8%**

# Basis of preparation (1/2)



<b>Actuals</b>	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
<b>AMG</b>	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
<b>Asia</b>	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
<b>Composition of the Group</b>	No changes to the composition of the Group have been assumed other than those described in this presentation
<b>Financial targets</b>	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
<b>Other</b>	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)

<b>RoE</b>	Return on equity ('RoE') is profit attributable to ordinary shareholders of the parent company divided by average ordinary shareholders' equity
<b>RoRWA</b>	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
<b>RoRWA target for Europe</b>	The Europe RoRWA target includes the Group's head office costs, intra-HSBC recharges and the total estimated impact of the UK bank levy
<b>RoRWA target for 'Other'</b>	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
<b>RWAs for the mainland China associates</b>	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



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