



11 May 2011

Group Strategy

Investor Day

Stuart Gulliver Group Chief Executive

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.

HSBC heritage and business model



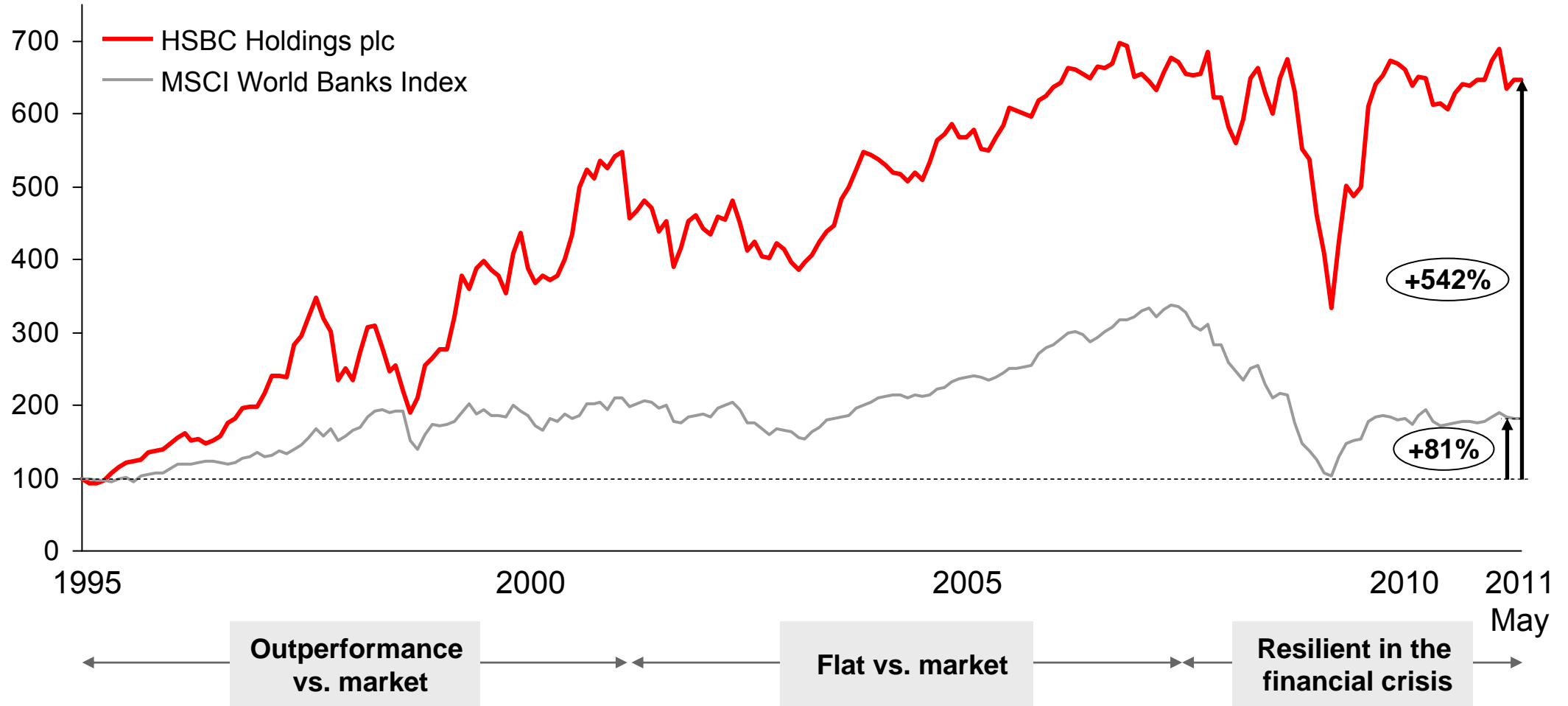
Context

Total shareholder return over the last 16 years



Total shareholder return¹

TSR rebased to 100 on 30/12/1994



¹ Includes capital appreciation and dividends. Calculation is adjusted for equity raisings
Source: Thomson Reuters Datastream

Why should you own HSBC?

Distinctive position aligned with key trends

- 1** Network of countries relevant for **international connectivity** 
- 2** Access and exposure to **high growth markets** and businesses 
- 3** Strong balance sheet generating **resilient stream of earnings** 

Clear strategy and execution focus

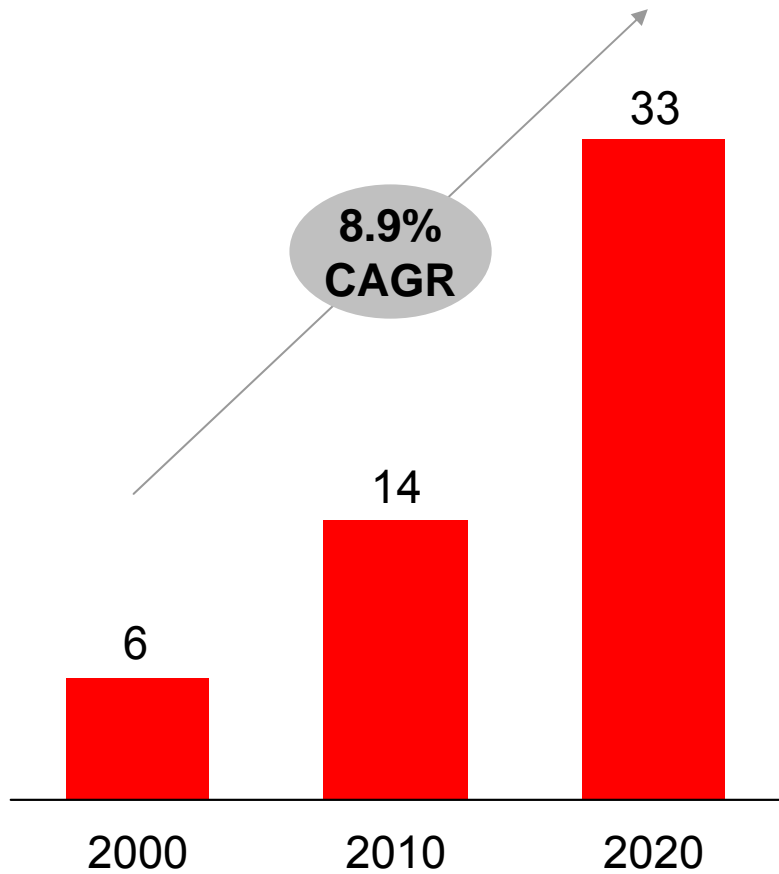
- I** **Strategy** drives investment priorities and **capital allocation**
- II** **Action plan** addressing **growth** and **cost efficiency** across geographies and businesses
- III** **Experienced management team** accountable for delivery

Detailed in following section

1 Importance of global connectivity will increase

Trade will continue to grow

Trade growth¹, USDtn



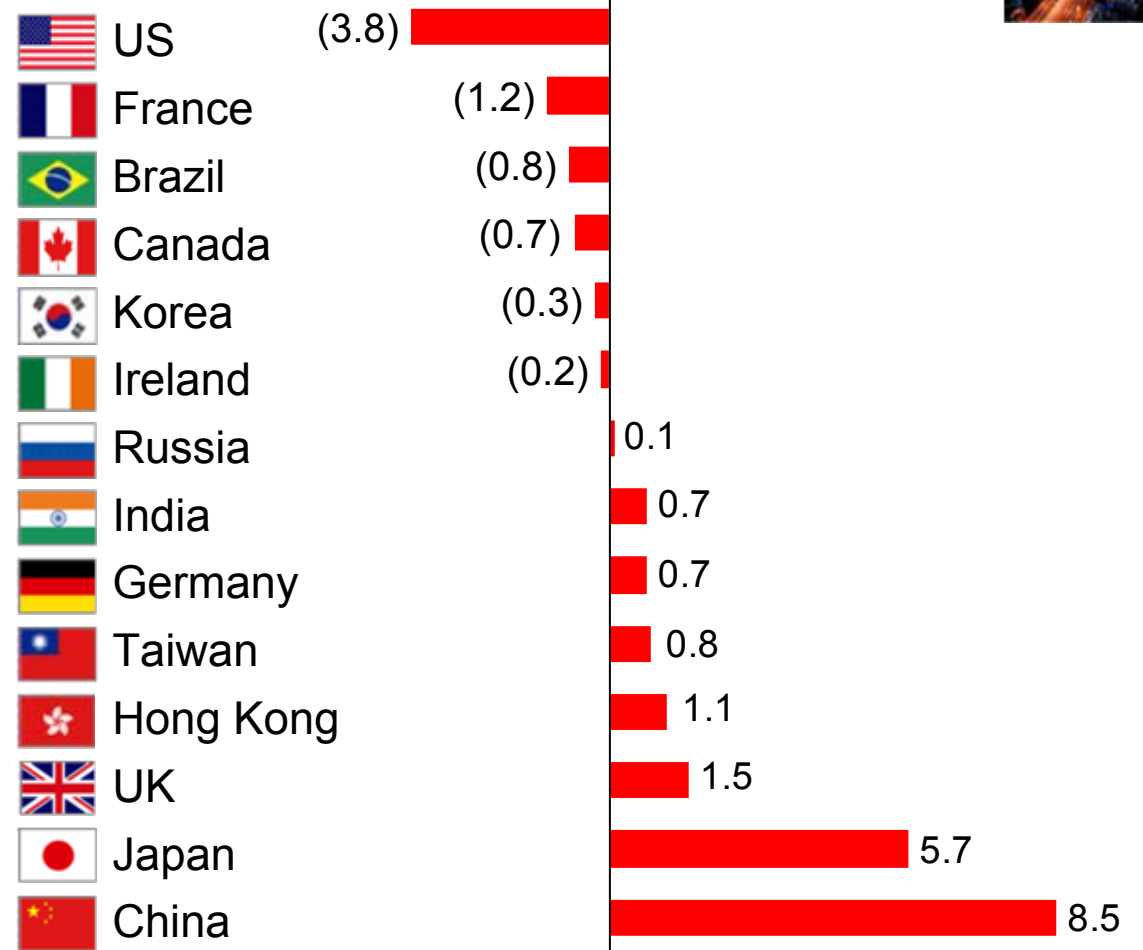
¹ Merchandise Exports

² Positive value means funding surplus, negative value means funding gap

Source: Global Insights, McKinsey & Company and World Economic Forum, 'More Credit with Fewer Crises: Responsibly meeting the World's growing demand for credit' page 49, exhibit 25: 'Funding gap or surplus for selected countries', (http://www3.weforum.org/docs/WEF_NR_More_credit_fewer_crises_2011.pdf)

Imbalances continue to drive capital flows

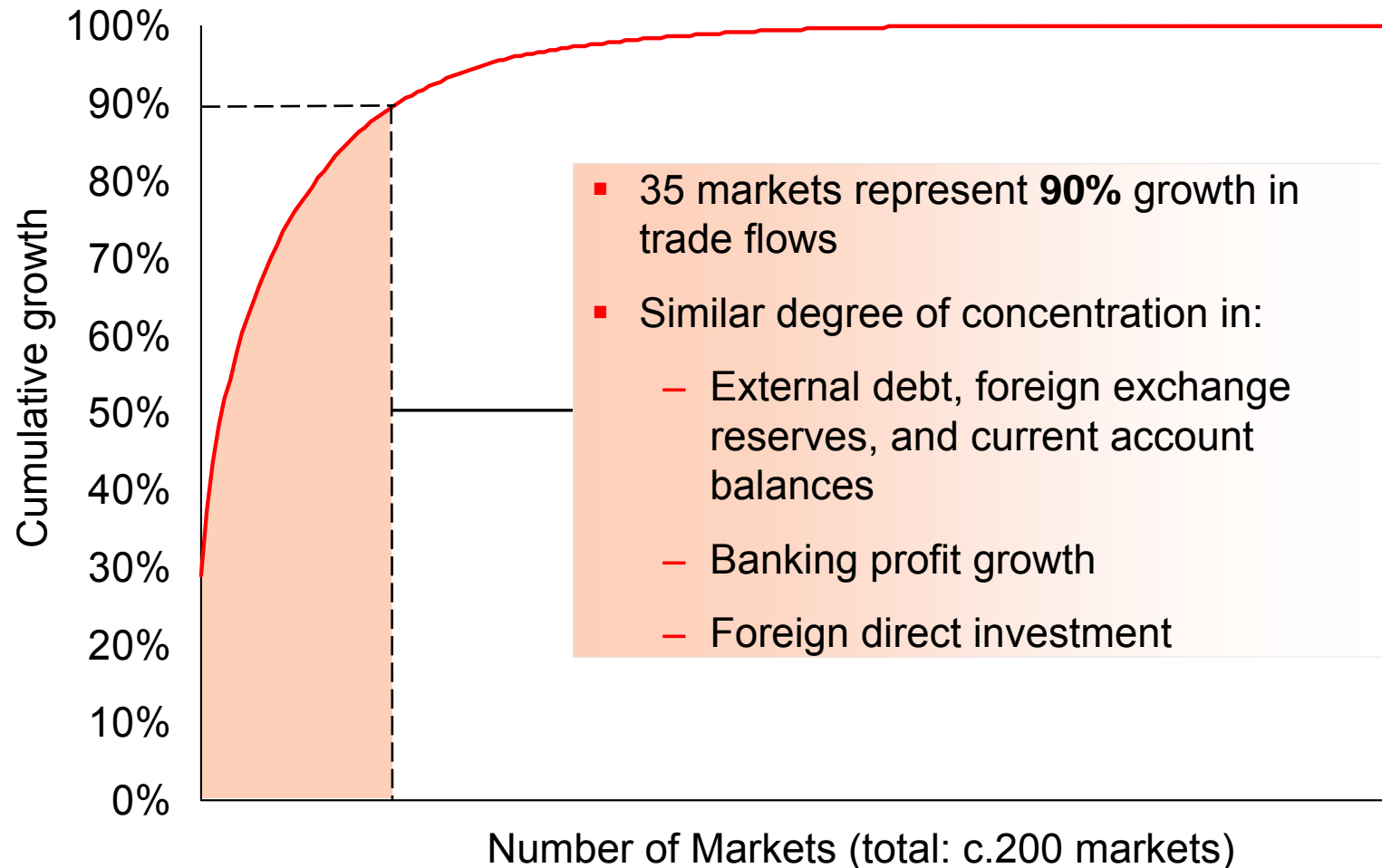
Net funding gap/surplus², USDtn, 2020E



1 Trade and capital flows connectivity is concentrated

Cumulative growth in total merchandise export and import, 2010-2020

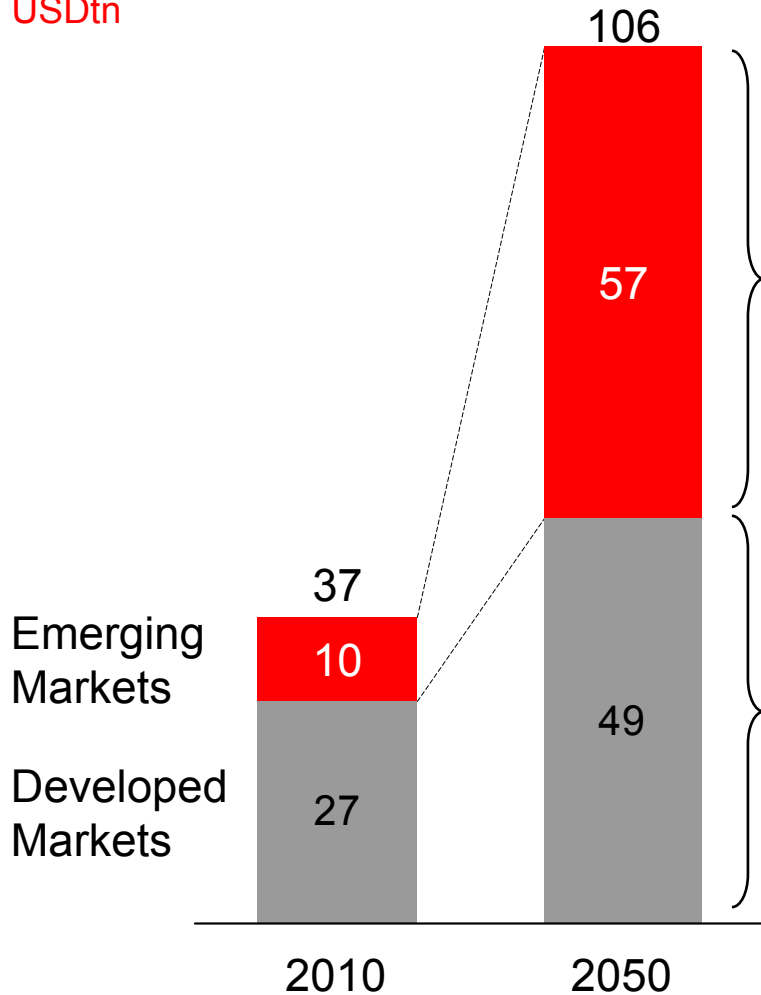
100% = USD37.1tn



2 Rebalancing of the world economy

GDP of top 30 economies

USDtn



Largest countries

	China
	India
	Brazil
	Mexico
	Turkey
	Other 14 emerging
	US
	Japan
	Germany
	UK
	France
	Canada
	Other 5 developed

Share of 2050 GDP¹ (%)

China	20
India	7
Brazil	2
Mexico	2
Turkey	2
Other 14 emerging	14
US	18
Japan	5
Germany	3
UK	3
France	2
Canada	2
Other 5 developed	4

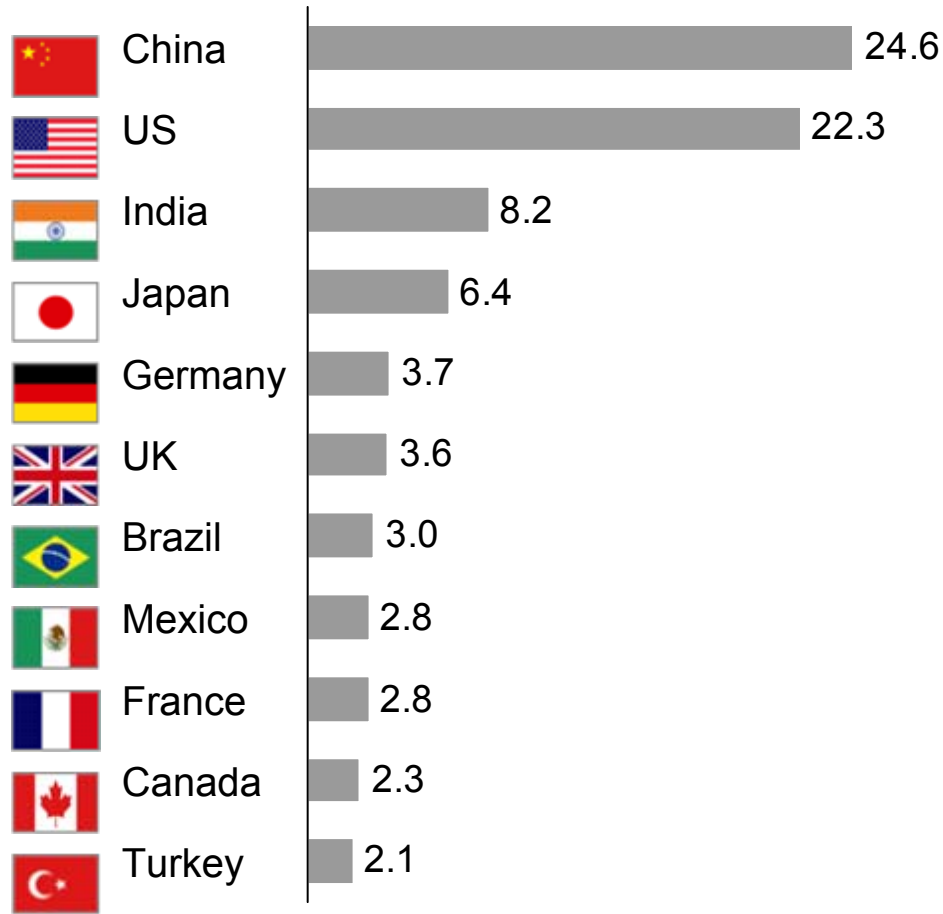
19 of the top 30 economies in 2050 will be from currently deemed “emerging markets”

¹ 2050 GDP estimated for top 30 countries, 2050 world GDP estimated by assuming top 30 maintain same share of total world GDP as 2010 of 85%
Source: HSBC – “The World in 2050: Quantifying the shift in the global economy”

2 HSBC has exposure to markets with strong fundamentals driving wealth creation 

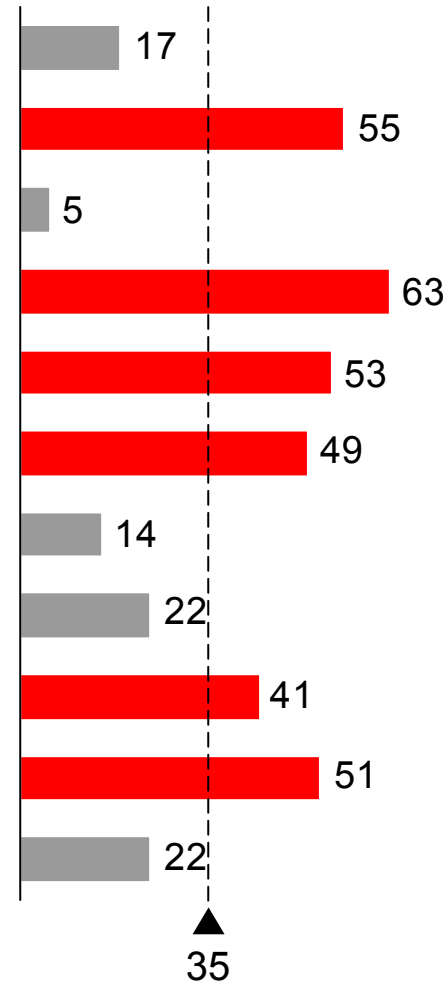
Top economies by 2050

GDP, USDtn

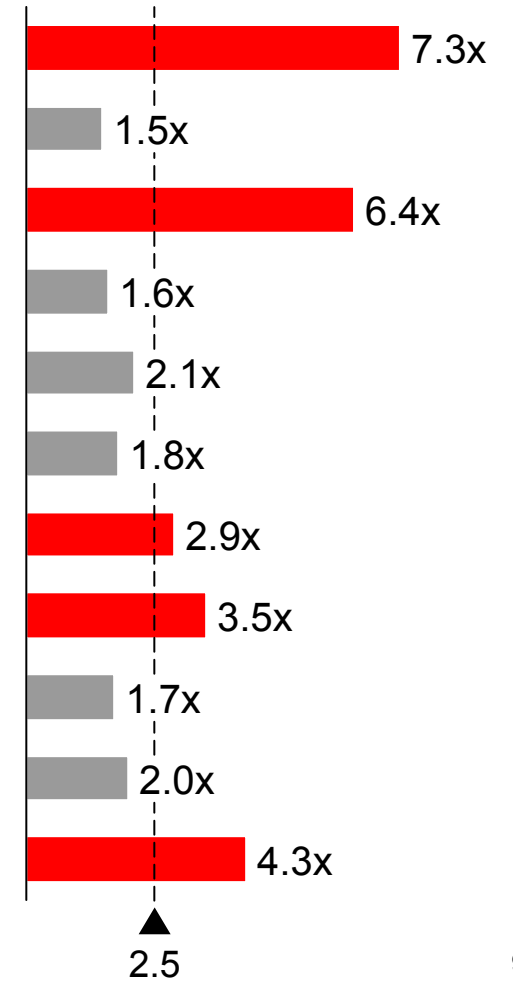


Income per capita in 2050

USD thousands



Multiple over 2010 income



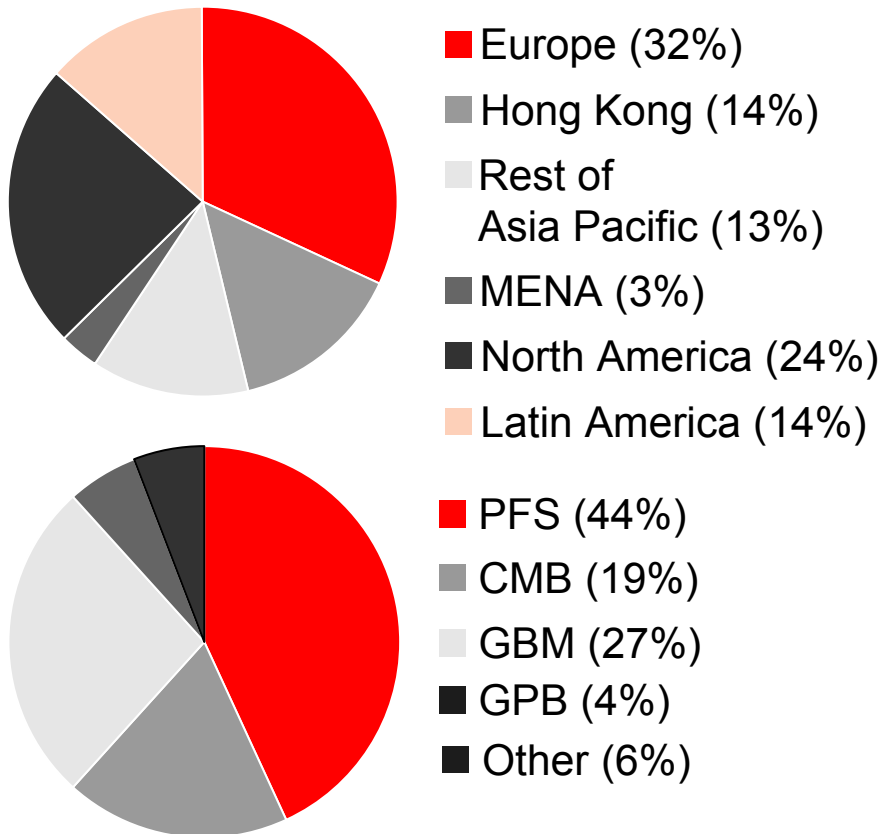
HSBC distinctive position

3 A well diversified business with ample access to funding and liquidity



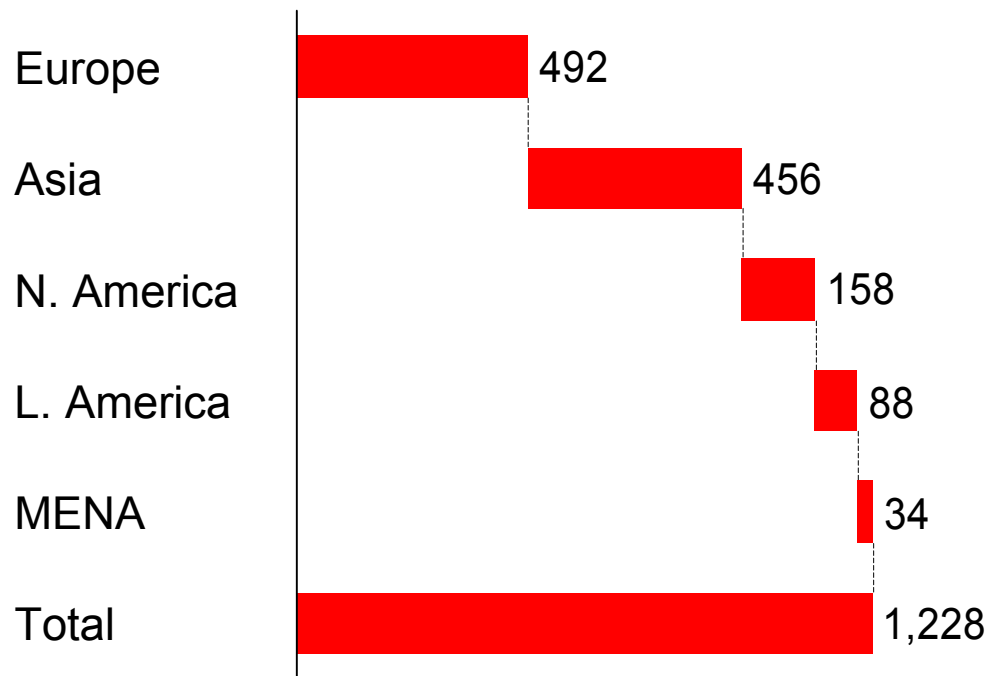
HSBC has a well diversified business...

Distribution of revenues, 2010¹



... with ample access to funding and liquidity

Customer accounts, 31/12/2010, USDm



One of the largest deposit base in the World² with an A/D ratio below 80%

¹ Intra-HSBC revenue has not been eliminated in the preparation of these charts. Intra-HSBC revenue includes revenue between geographic regions and revenue between customer groups and global businesses. HSBC's Balance Sheet Management business, reported within Global Banking and Markets, provides funding to trading businesses

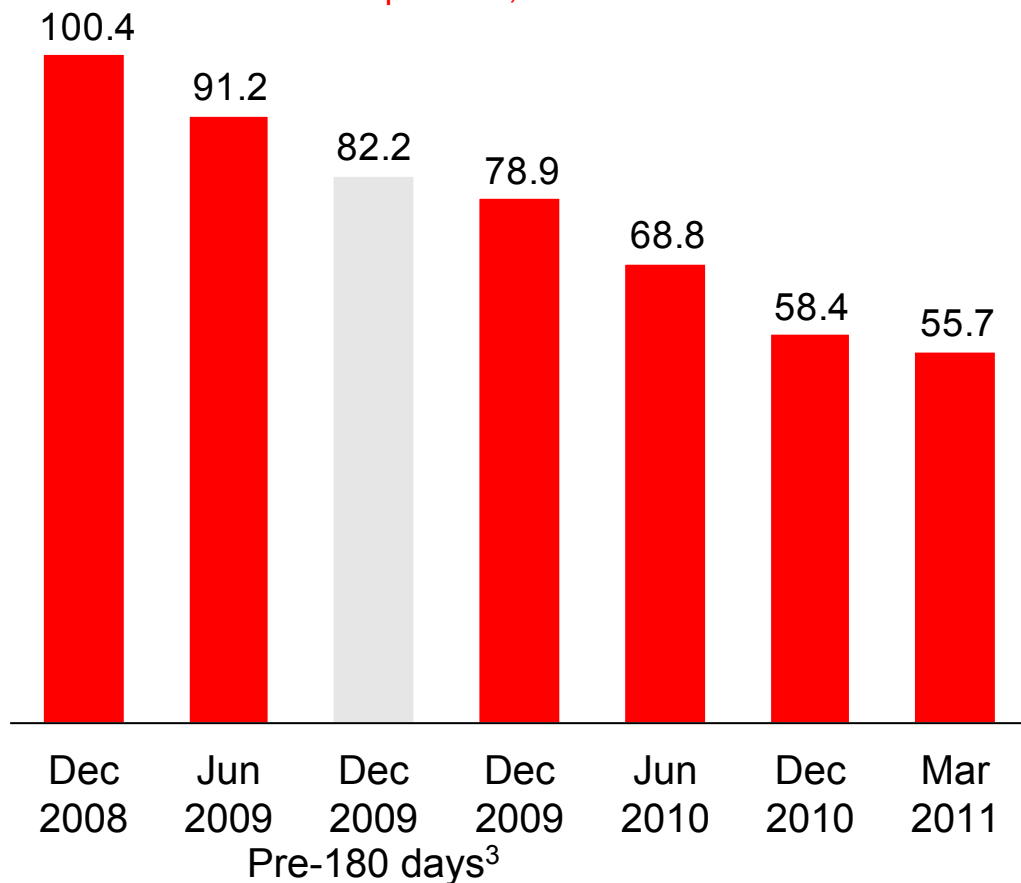
² Including Chinese and Japanese banks, HSBC has the 3rd largest deposit franchise

3 Legacy positions have affected our results



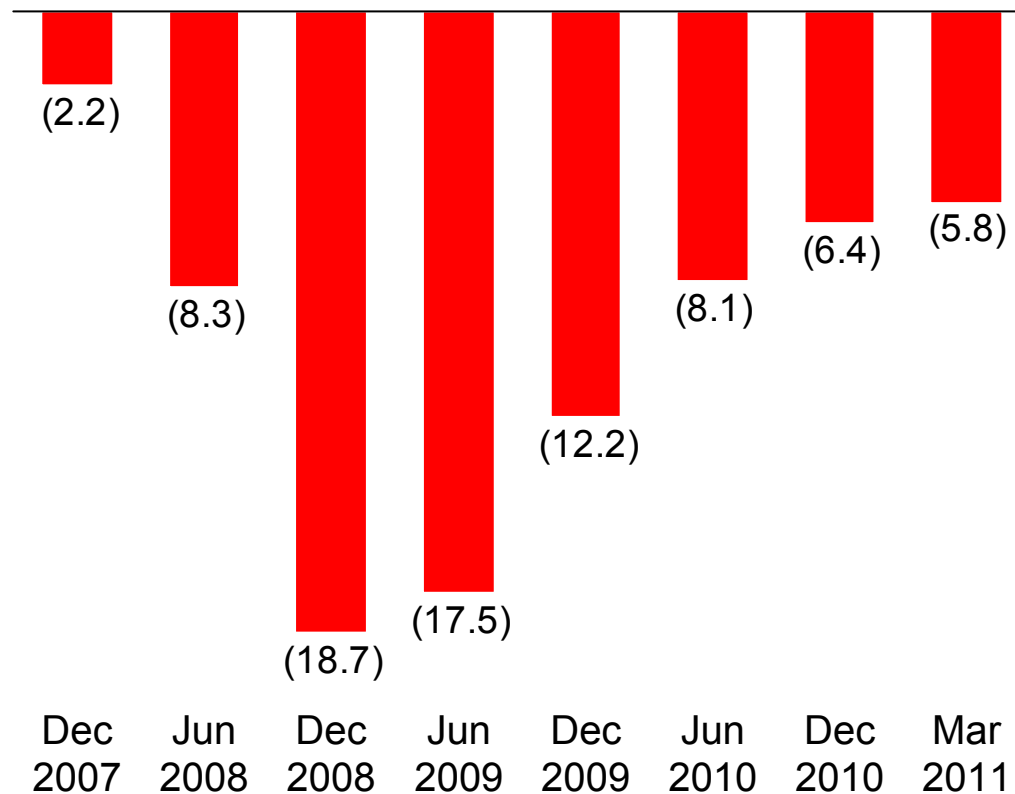
HSBC Finance Corporation

Consumer loans run-off portfolio, USDbn¹



GBM AFS ABS reserve

USDbn²



1 Excludes reverse repo balances

2 Available-for-sale fair value reserve in respect of asset-backed securities

3 Write off period changed from 240 days to 180 days

3 HSBC has meaningful improvement opportunities

Regulation and capital Requirements

- Evolving regulation resulting in higher capital requirements which, in light of continued uncertainty, we assume to be 9.5-10.5% Common Equity Tier 1 under Basel III
- HSBC can comfortably meet Basel III capital requirements

Common Equity Tier 1 ratio of 9.5% - 10.5% (Basel III)

Efficiency

- **CER of 55% for 2010** (in Q1 2011, 61%, or 55% excluding notable items and FVOD) is well above target range and unacceptable
- There is a programme of sustainable cost saves planned to bring cost efficiency within the target range by 2013

CER target of 48 - 52%

Profitability

- **ROE of 9.5% for 2010**, with some of the assets not delivering the desired target return (e.g., North America) of 12-15%
- Persistent low interest rate environment impacting profitability

ROE target of 12 - 15% (Basel III)

Why should you own HSBC?

Distinctive position aligned with key trends

Network of countries relevant for **international connectivity**

Access and exposure to **high growth markets** and businesses

Strong balance sheet generating **resilient stream of earnings**

Clear strategy and execution focus

I

Strategy drives investment priorities and **capital allocation**



II

Action plan addressing **growth and cost efficiency** across geographies and businesses



III

Experienced **management team** accountable for delivery



Detailed in following section

I To be the leading international bank

Two main elements

International connectivity



Economic development/ wealth creation



This means . . .

- Presence in key markets that matter for international connectivity
- Businesses that are internationally connected:
 - GBM hub-and-spoke model with global reach
 - CMB provides a full range of commercial financial services to companies in 60+ markets
 - Investment opportunities in fast growing and mature markets
- Wealth creation in most relevant markets (18 key markets)
- Focus on retail banking only in markets where we can achieve profitable scale:
 - Large scale positions (Hong Kong and UK)
 - High growth markets (e.g., Mexico, Singapore, Turkey, Brazil)
 - Leading market shares in small geographies



Strategy provides a clear framework to review our portfolio
and achieve higher discipline in capital allocation

I Improve capital deployment – Five filters

What is the strategic relevance?

- 1. Connectivity
- 2. Economic development

Are the current returns attractive?

- 3. Profitability
- 4. Efficiency
- 5. Liquidity

Resulting actions

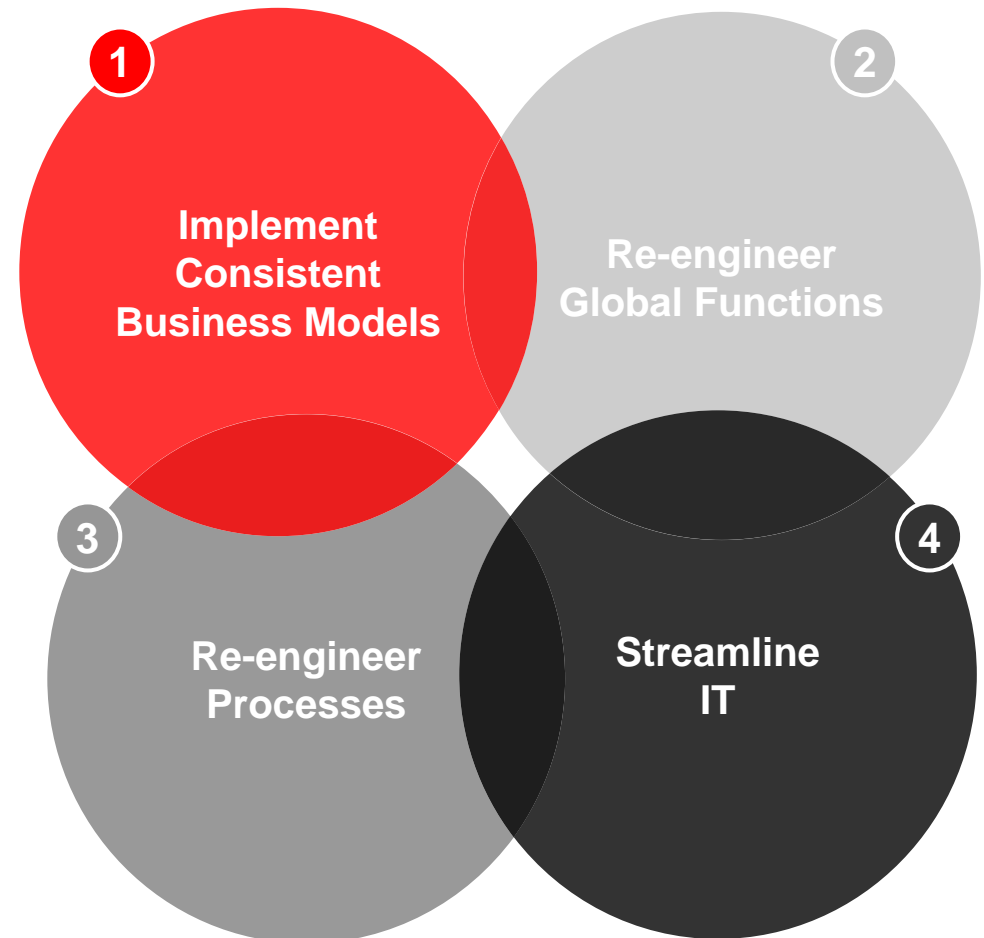


II Improve cost efficiency and organisational effectiveness

Sustainable cost saves

- USD2.5-3.5bn of sustainable cost saves targeted over the next 3 years
- Achieve 48-52% CER by 2013
- Sustainable cost saves will facilitate:
 - Growth in key markets
 - Investment in new products, processes and technology
 - Provide buffer against regulatory and inflationary headwinds
- Positive jaws

Approach



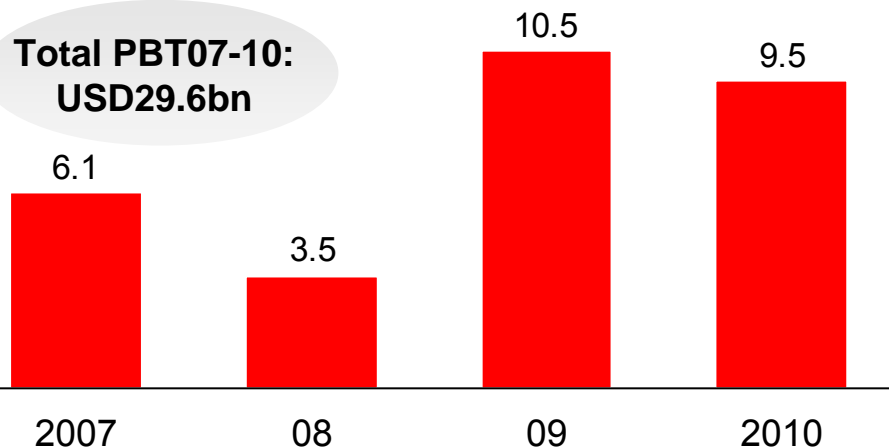
II Global Banking and Markets (GBM)

Emerging markets-led, financing focused with greater emphasis on connectivity



GBM key financials

PBT, USDbn



2010 Metrics

- CER: 50%
- RWAs: USD358bn
- RoRWA: 2.5%

Position

- Business built organically and run as a global business
- Reached new base level of USD9-10bn in 2009/10 with additional upside for growth
- Strong emphasis on connecting faster growing markets, in particular with Europe

Strategic actions

- Improve client coverage (e.g., selective hiring)
- Enhance core product strengths (e.g., FX, commodities) and selectively develop new capabilities (e.g., equities)
- Increase penetration of product solutions into broader customer base (e.g., USD1bn of incremental revenue from CMB customer base)
- Achieve sustainable cost saves (e.g., integrate technology trading platforms)

Clear strategy and execution focus

Commercial Banking (CMB)



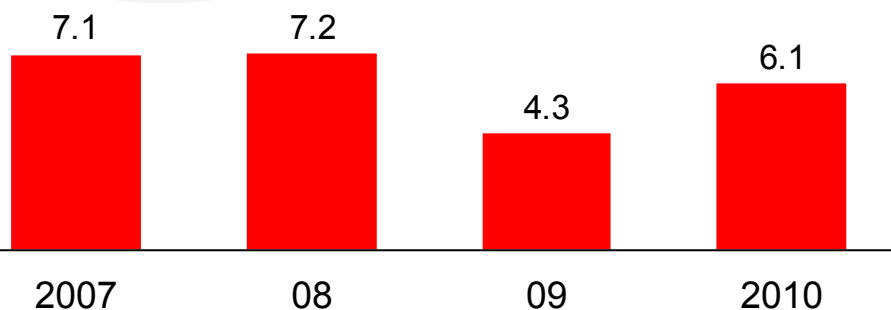
Strengthen our position as the leading international trade and business bank



CMB key financials

PBT, USDbn

Total PBT07-10:
USD24.7bn



2010 Metrics

- CER: 49%
- RWAs: USD322bn
- RoRWA: 2.0%

Position

- Heritage of the Group in international trade
- Organic growth since the Group's foundation
- Present in 60+ markets

Strategic actions

- Expand presence in key faster growing markets
- Capture growth in International SMEs leveraging network, capabilities and scale
- Collaborate with GBM to capture Mid-market opportunity in FX, derivatives and Global Capital Financing

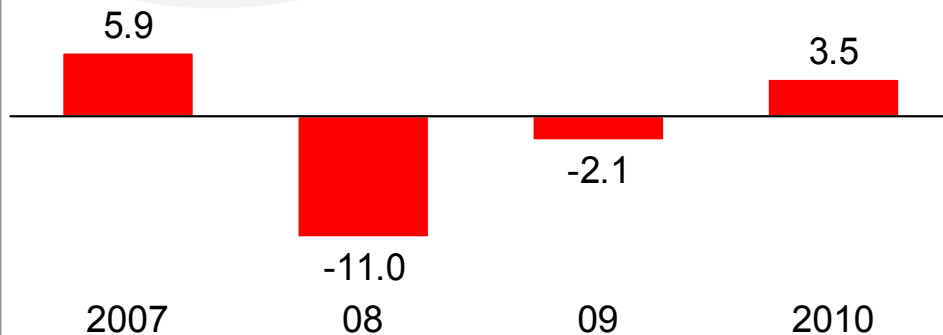
World class banking and wealth solutions



PFS key historical financials (going forward RBWM¹)

PBT, USDbn

Total PBT07-10:
USD-3.7bn



2010 Metrics

- CER: 58%
- RWAs: USD361bn
- RoRWA: 1.0%

Position

- Global propositions: Premier and Advance
- Top 15 markets concentrate majority of profits

Strategic actions

Wealth Management

- Develop world class wealth management for retail consumers focusing on 18 key markets (USD4bn in additional revenues)
- Build sustainable non funds income
- Up-skill RMs, invest in product platform and deepen client relationships

Retail Banking

- Grow retail banking in key markets where we have or can achieve scale (e.g., Mexico, Turkey)
- Standardise banking propositions and operating models to reduce complexity

Portfolio Management

- Exit sub-scale markets (e.g., Retail Banking in Russia)

Clear strategy and execution focus

II Global Private Banking (GPB)



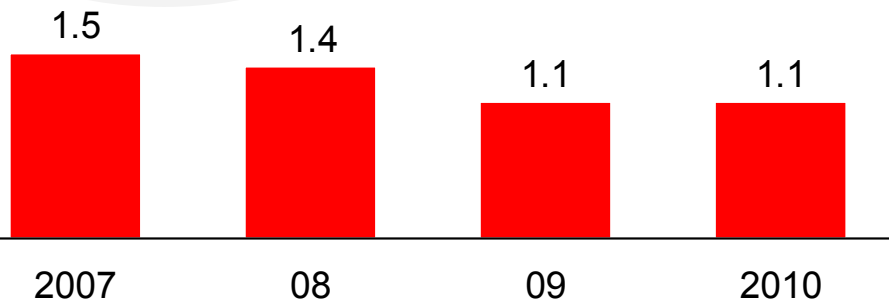
Become the world's leading international private bank



GPB key financials

PBT, USDbn

Total PBT07-10:
USD5.1bn



2010 Metrics

- CER: 66%
- RWAs: USD25bn
- RoRWA: 4.0%

Position

- Well established footprint and in most attractive growth markets, particularly Asia
- Efficient platform to deliver full range of solutions
- Vigorous actions taken to address data security issues

Strategic actions




- Focus on domestic and the faster growing markets in Asia, Middle East and Latin America as legacy offshore business becomes less relevant
- Leverage intra-group connectivity (RBWM feeder, CMB referrals, GBM partnership)
- Grow annuity revenues and invest in platform for improved efficiency

II North America

To build an internationally connected, sustainable business model, aligned with overall group strategy

North America

- In the US, explore other options to reallocate capital:
 - Finance business in run-off except for cards
 - Cards and Retail Services (USD33bn in customer loans)
 - Part of the branch network (currently total of 475 branches)
 - Invest in network in internationally connected areas
- Capture internationalisation opportunity for small and mid-market US companies
- Strengthen New York as GBM hub for the Americas
- Strong Canadian franchise focused on international connectivity generating USD0.9bn PBT in 2010

-  Strategic market
-  Present
-  Not present






North America 2010

▪ PBT	USD0.5bn
▪ CER	49%
▪ RWAs	USD331bn
▪ RoRWA	0.1%

II Latin America

Becoming the leading international bank serving key growth segments and markets



-  Strategic market
-  Present
-  Not present

Latin America

- Position to capture social mobility and wealth creation opportunity
- Organic growth in Brazil, Mexico and Argentina
- Review opportunities to reallocate capital from less strategic and underperforming businesses
- Leverage CMB and GBM competitive strength across the region
- Costs efficiency and delayering



Latin America 2010

■ PBT	USD1.8bn
■ CER	66%
■ RWAs	USD96bn
■ RoRWA	2.0%




Be the leading international bank connecting Europe

UK

- Continue to develop Wealth Management through Premier, Advance and other key products, e.g., mortgages
- Be the UK's leading bank for international businesses
- Evaluate the impact of ICB: potential ringfencing of retail operations

Continental Europe

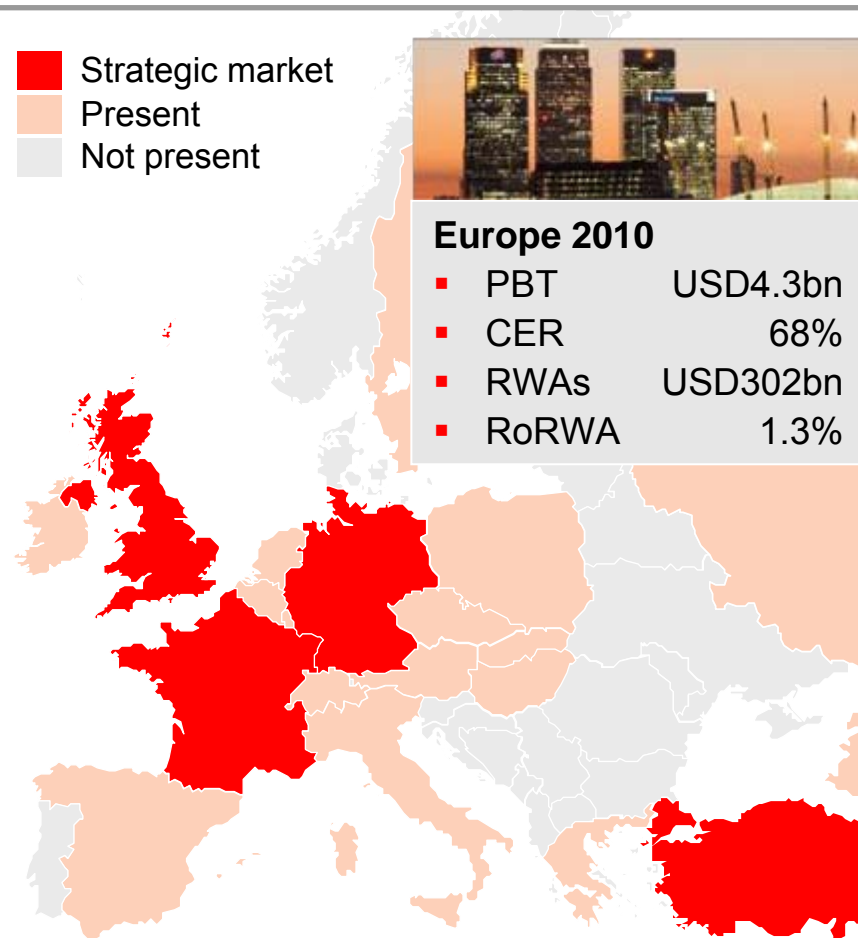
- Restructure sub-scale continental European operations (e.g., Retail Banking in Russia)
- Focus mature European markets on connectivity
 - **France**: Accelerate Wealth Management strategy, while reducing costs and increase role of Paris as a GBM hub
 - **Germany**: Focus on large internationally connected corporates, taking advantage of German business momentum
 - **Turkey**: Capture growth opportunities in Retail and CMB

-  Strategic market
-  Present
-  Not present



Europe 2010

▪ PBT	USD4.3bn
▪ CER	68%
▪ RWAs	USD302bn
▪ RoRWA	1.3%



Connecting Asia and the world

Greater China

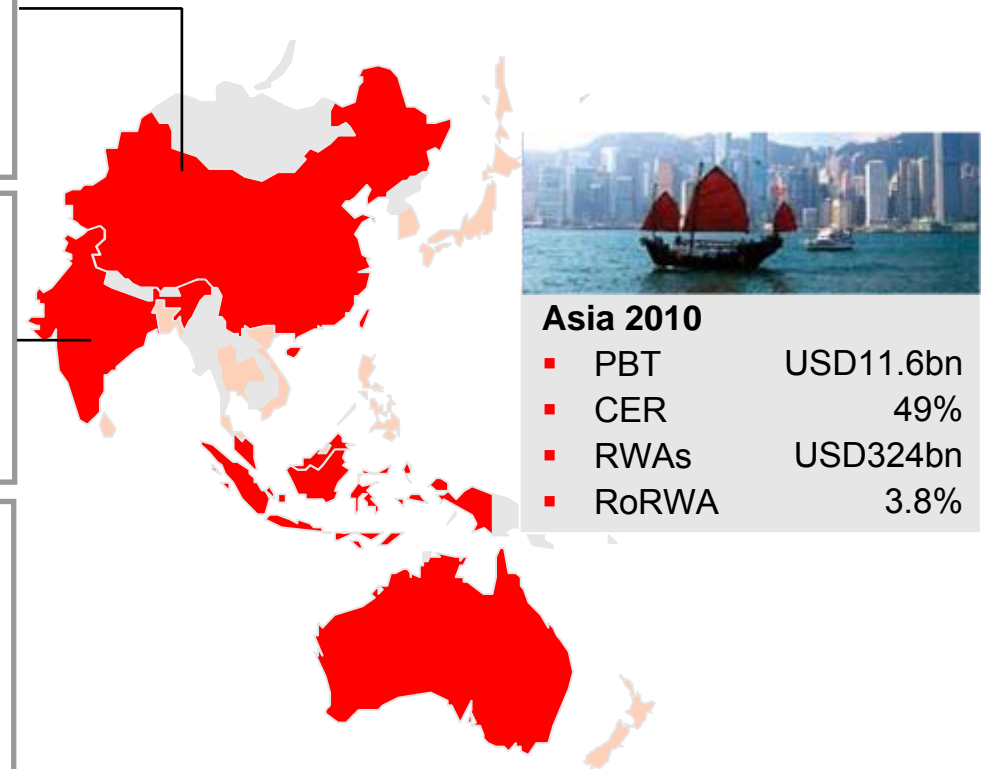
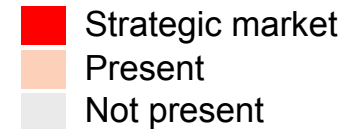
- Maintain leadership in Hong Kong
- Continued leadership as China's top foreign bank
- Be the leading international bank for RMB worldwide
- Build on historic success of investment in associates and expand successful strategic partnership with BoCom
- Pursue Shanghai listing

India

- Continue to capture strong growth in GBM and CMB (PBT grew 3x from 2005-2010)
- Continue to expand distribution to capture the retail opportunity e.g., RBS acquisition¹

Other Markets

- Invest for growth in further key markets: **Singapore, Malaysia and Indonesia**
- Focus resources selectively in other markets to maintain leadership in connectivity



¹ Subject to Regulatory approval

Clear strategy and execution focus

III Experienced Management team



Group management board



Sandy Flockhart
Chairman EMEA,
Latin America and
Commercial Banking



Iain Mackay
Group Finance
Director



Samir Assaf
Global Banking and
Markets



Alan Keir
Commercial
Banking



Paul Thurston
Retail Banking and
Wealth
Management



Niall Booker
North America



Emilson Alonso
Latin America and
Caribbean



Brian Robertson
Europe



Peter Wong
Asia



Marc Moses
Risk



Ann Almeida
Human Resources



Richard Bennett
Legal

Clear strategy and execution focus

III Experienced Management team



Other management members



Muhammad Al Tuwajri



Peter Boyles



Pat Burke



Simon Cooper



John Coverdale



Christophe de Backer



Irene Dorner



Conrado Engel



John Flint



David Fried



Joe Garner



Naina Kidwai



Mark McCombe



Chris Meares



Sean O'Sullivan



Luis Pena



Russell Picot



Andreas Schmitz



Antonio Simões



Sandra Stuart



Helen Wong

**Team with strong values:
'Leading with courageous integrity'**

In summary...

Distinctive position

Network of countries relevant for **international connectivity**

Access and exposure to **high growth markets** and businesses

Strong balance sheet generating **resilient stream of earnings**

Clear strategy and execution focus

Strategy drives investment priorities and **capital allocation**

Action plan addressing **growth and cost efficiency** across geographies and businesses

Experienced **management team** accountable for delivery

Key execution elements

Capital Deployment

Cost efficiency

Growth

Actions (examples)

- **Five filters driving disposals and closures** of non-strategic and/or underperforming positions/businesses
- **Turnaround** of strategically relevant businesses
- Target **USD2.5-3.5bn in sustainable cost saves** in 3 years, achieving our 48-52% CER target by 2013
- **Simplify and delayer** the organisation
- Revenue growth in **fast growing markets**
- Capture **wealth opportunity** (USD4bn in additional revenues)
- Leverage intra-group **connectivity** between **CMB and GBM** (USD1bn of additional revenues)

In 12 months progress on¹. . .

- Transactions announced and executed
- Tangible progress in turnaround actions (e.g., US)
- Material savings identified and being delivered across the 4 main programmes
- Income growth particularly in Asia and Latin America
- Wealth and GBM/CMB connectivity

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	RMs	Relationship managers
CAGR	Compound annual growth rate	GBM	Global Banking and Markets global business	RMB	Renminbi
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	ROE	Return on equity
CHF	Swiss franc	GPB	Global Private Banking global business	RoRWA	Pre-tax return on risk weighted assets
CMB	Commercial Banking customer group	GTB	Global Transaction Banking	RWAs	Risk weighted assets
CML	Consumer and Mortgage Lending	HK	Hong Kong Special Administrative Region of the People's Republic of China	SIFIs	Systemically Important Financial Institutions
CoEs	Centres of excellence	HNWI	High net worth individuals	SMEs	Small and medium-sized enterprises
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	STP	Straight through processing
CRD	Capital Requirements Directive	ICB	Independent Commission on Banking	TARP	Troubled Asset Relief Program
CRM	Customer relationship management	IPO	Initial public offering	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	IT	Information technology	UHNW	Ultra high net worth individuals
DCM	Debt capital markets	KYC	Know your customer	UK	United Kingdom
DTA	Deferred tax asset	LC	Letters of credit	US	United States of America
EBA	European Banking Authority	LIC	Loan impairment charges	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
ECA	Export credit agency	M&A	Mergers and acquisitions	YoY	Year on year
EM	Emerging markets	Mainland China	People's Republic of China excluding Hong Kong		
EMEA	Europe, Middle East and Africa	MENA	Middle East and North Africa		
ESMA	European Securities and Markets Authority	MLA	Mandated lead arranger		
		MMEs	Mid-market enterprises		
		NAFTA	North American Free Trade Agreement		
		NNM	Net new money		