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North America

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.

Why we need to be in North America



Overview

- US and Canada account for 26% of world GDP in 2010
- International trade hubs with c.11% of global exports and c.15% of global imports
- Ranked #4 (US) and #10 (Canada) on the Global Competitiveness Index 2010-2011
- Significant FDI flows into region (ranked #2 worldwide)
- US is the largest wealth management market in the world with a wealth pool of USD29tn

Long-term trends

Economic relevance

- The region remains materially relevant: In 2050, the combined GDP forecast for US and Canada is comparable to mainland China
- By 2020, North America will account for 25% of global banking profit pools and 10% of total trade growth

International connectivity

- Asian population to increase to c.10% of total US population by 2050
- North America will continue to be a dominant player in world trade

Wealth

- Continued sizeable growth of wealth market expected
- In 2050, GDP per capita in US / Canada will be three times greater than in mainland China

Key trends for North America

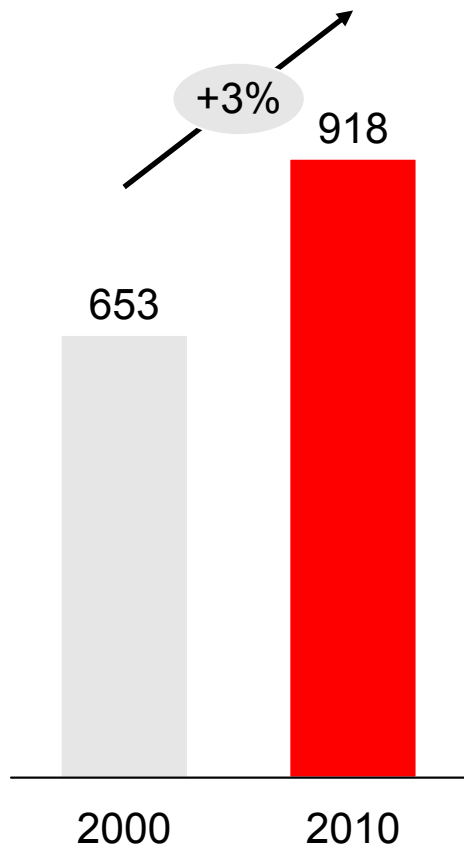
US trade with key Faster Growing Markets expanding rapidly



CAGR

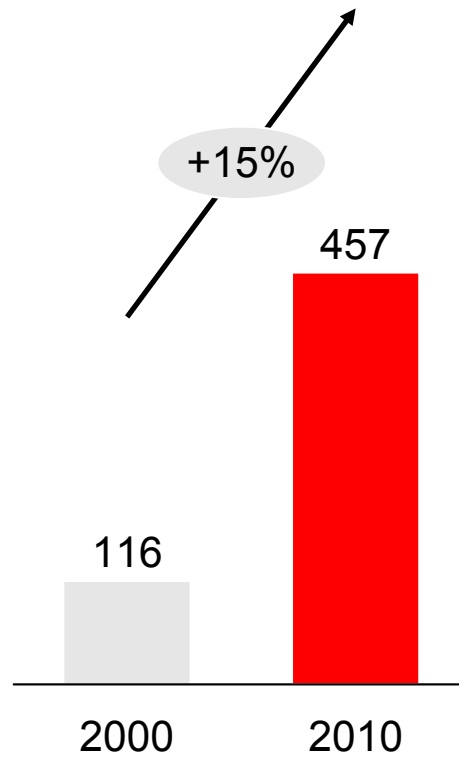
US Trade with NAFTA

USDbn



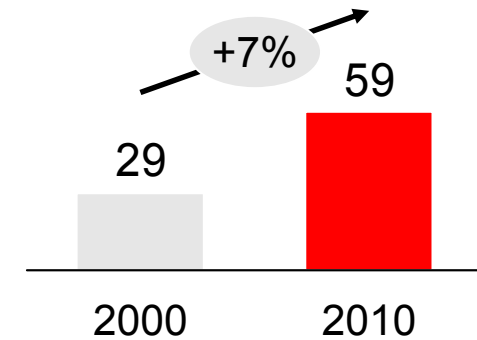
US Trade with mainland China

USDbn



US Trade with Brazil

USDbn

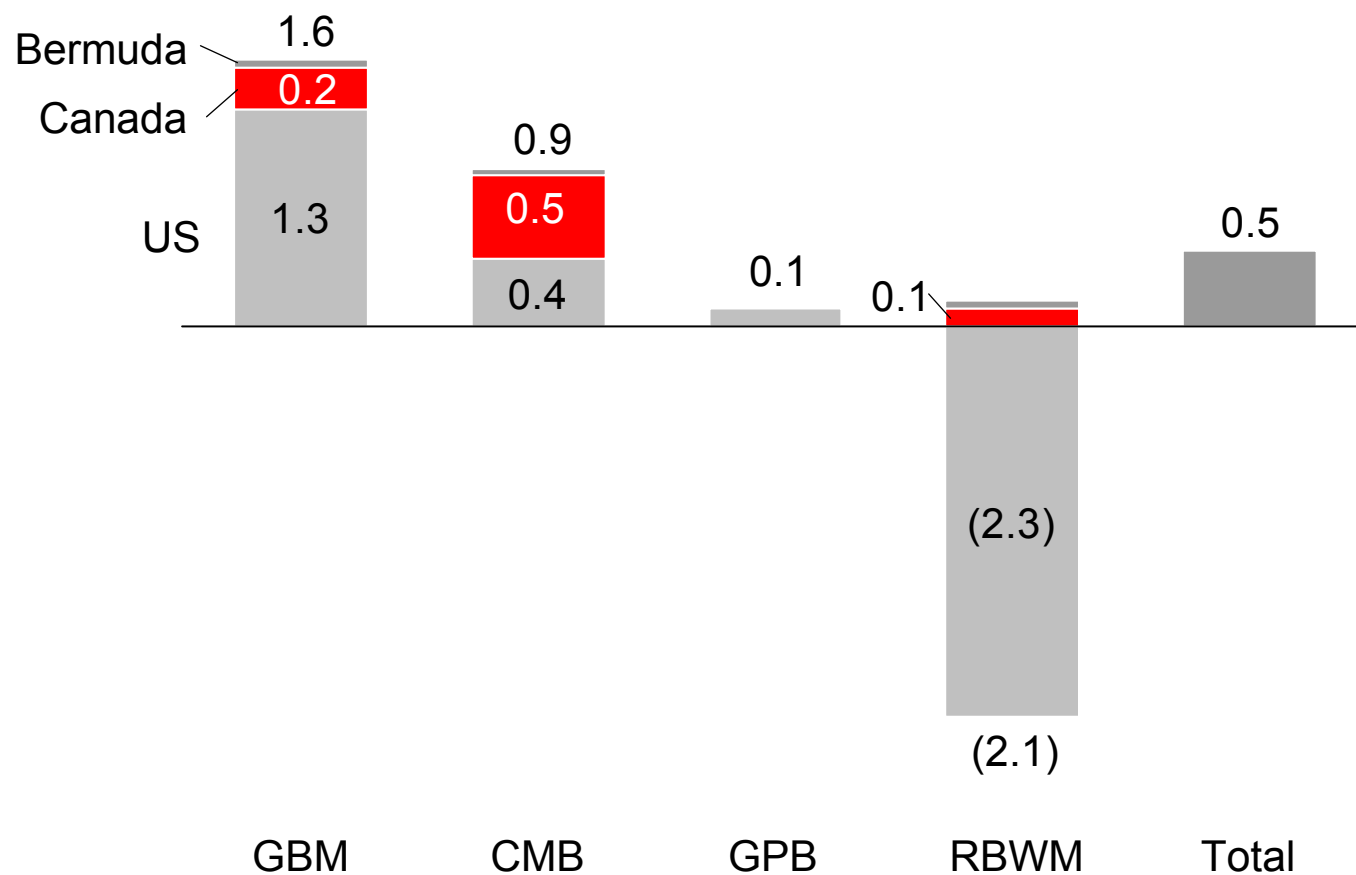


HSBC position in North America



North America results¹

Reported PBT, USDbn, 2010



- US loss of USD545m is significantly reduced from 2009 due to improvements in loan impairment charges
- Canada contributed USD867m PBT in 2010 making it a significant contributor to Group's PBT

¹ Chart includes Bermuda but is not discussed elsewhere in this presentation

HSBC Position in North America



Contrasting performance, opportunities and challenges across North American businesses

A HSBC Canada

- A good record of satisfactory returns with double digit ROE throughout the cycle
- Effective business model with a clear focus on core businesses with international connectivity
- Role model for the future US business

B HSBC Bank USA

- A record of underperformance against Group target returns

C HSBC Finance

- Cards has been profitable through the cycle, but is not fully aligned with strategic customer base
- Mortgage business is in run-off

D Global business hubs

- New York as GBM hub for the Americas
- Miami as GPB hub and gateway to Latin America

A Canada – Invest in internationally connected growth



No other international bank has our domestic presence, no Canadian bank has our international reach

CMB

- Pursue sizeable opportunity for revenue growth in Eastern Canada
- Expand Global Markets coverage to improve product offering and revenues

RBWM

- Pursue growth in Premier proposition
- Maintain focus on target populations, e.g., Asian diaspora
- Continued promotion of international wealth management capabilities

B HSBC Bank USA – Boost international connectivity



Satisfy the international needs of US clients and the US needs of international clients

CMB

- Continue expansion in metropolitan areas with strong international connectivity
- Capitalise on increasing international needs of small and mid-market US companies

RBWM

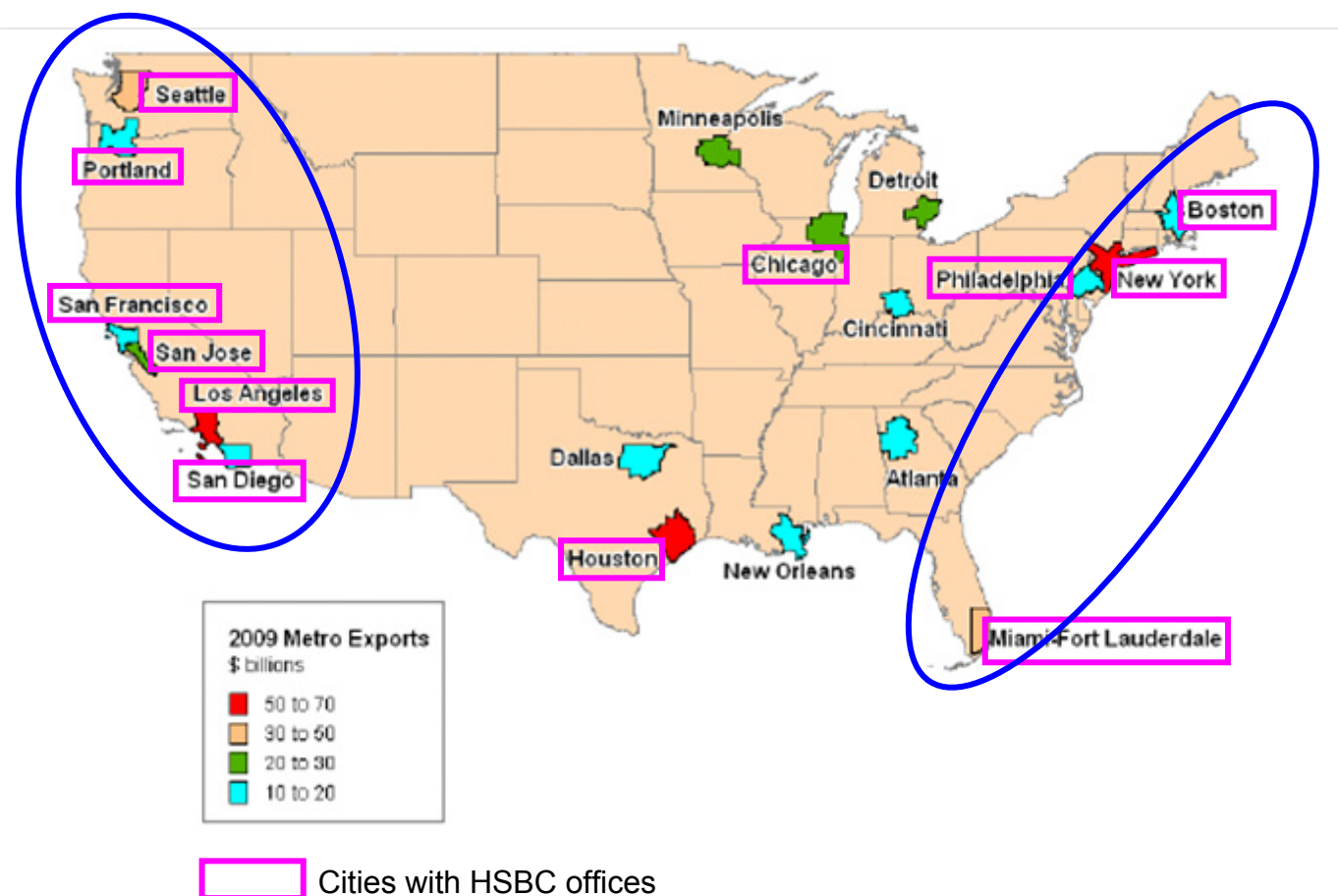
- Reposition and right-size branch network to concentrate on areas with strong international connectivity
- Increase value of Premier portfolio

Strategic directions and actions

B Focus US branch network on internationally connected metro areas



Eighteen metro areas exported more than USD10bn in merchandise in 2009



- HSBC's US network increasingly aligned with internationally connected metro areas
- Since 2003, 125 branches have been opened in internationally connected areas; 76 non-strategic branches have been closed
- Of the 19 branches opened since 2008, 16 are exceeding plan, of which 4 have achieved break-even
- West Coast network has performed particularly well
- Future investment in RBWM and CMB networks will strengthen the focus on internationally connected areas

HSBC Finance – Focus on reducing RWAs



Committed to reviewing opportunities to release & reallocate capital to internationally connected businesses

Cards

- Strong performance throughout the cycle, but dependent upon domestic market with limited international connectivity
- Further capital investment necessary to maintain performance: HSBC appetite is limited
- Strategic review of options to maximise value and capital allocation under way

Consumer and Mortgage Lending

- Continue to run-off ethically and effectively
- Portfolio forecast to reduce by 50-60% over next 5 years
- Subject to market conditions, opportunities to accelerate portfolio run-off will be pursued

D Integrated Americas platform for Global Businesses



Focus on sustainable growth across the Americas region

GBM

- Strengthen New York as a hub for the GBM business across the Americas
- Increase global revenues from US managed clients
- Improve alignment across customer groups
- Deliver Canadian products to global priority clients
- Provide emerging market products to Canadian investors

GPB

- Sell Faster Growing Markets products to domestic and international clients
- Leverage Miami hub to support and expand Latin American business

Refocus and rationalise cost base to support strategic businesses



US restructuring programme

- Maintain strong focus on compliance and risk management
- Multi-year US restructuring already underway to create a significantly more efficient and globally connected business
 - Dedicated restructuring team in place
 - Comprehensive program of initiatives identified
- Re-engineer the US business in order to improve financial performance
 - Simplify product offerings
 - Refocus in strategic, profitable businesses and markets
 - Establish a lean and sustainable support infrastructure

Sustainable cost savings

Example initiatives, USDm

- Implement consistent business models
 - Redesign organisation 150-300
- Re-engineer processes
 - Improve efficiency 50-150
 - Reduce vendor spend 50-150
- Re-engineer global functions
 - Consolidate footprint 50-150
- Streamline IT
 - Realign to support strategy and restructuring programme 50-150



Competitive advantages

Ability to connect Mature and Faster Growing Markets

Leverage global network and skill sets in CMB and GBM

Focus on companies conducting international trade, diasporas and internationally connected individuals with wealth

Strategic actions

Strategic review of Cards and opportunistic shrinkage of the Mortgage book

US bank to look more like Canada (and the rest of HSBC) by right sizing and repositioning network and reducing costs

Taking advantage of opportunities in Trade and the growth in Latin America and Canada to focus on growing CMB and GBM

Meeting our regulatory obligations and making HSBC better understood and respected in Washington

Target RoRWA

0.8%-1.3%

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		