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# Europe 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).**

# Key trends for Europe



## Overview

- 31% of world GDP in 2010
- Region accounts for c.40% of global trade flows
- Top region globally for FDI inflows and outflows
- 29% share of world AuM

## Long-term trends

### Economic relevance

- Europe remains material  
24% of World GDP in 2030
- 10 of top 30 markets in 2050

### International connectivity

- European trade growing at 3-4 times quicker than GDP

### Wealth

- By 2030 24% of population aged 65 or over from 17% in 2010

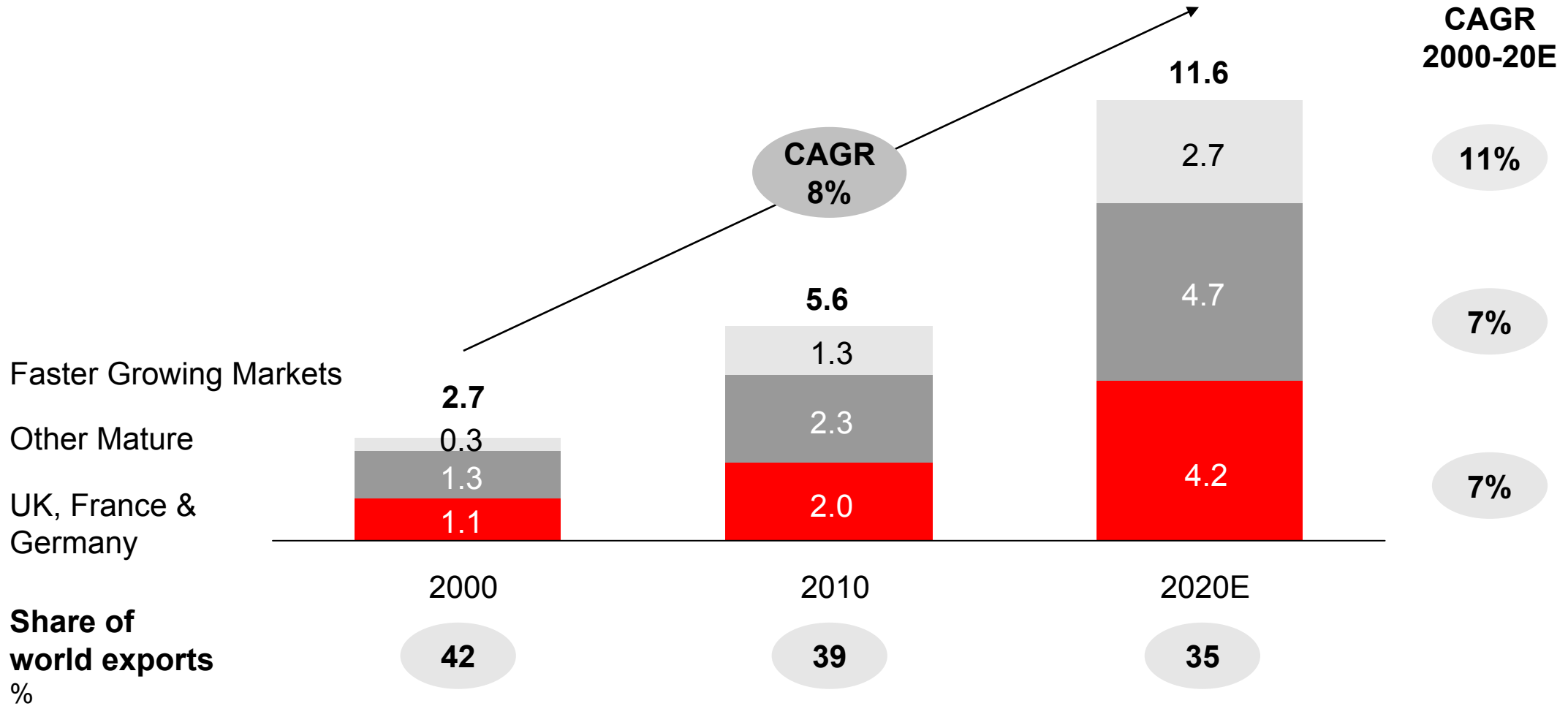
*Key trends for Europe*

# International connectivity – Europe is the global hub for trade flows



## European exports by destination

USDtn



Notes: Faster Growing Markets defined as Asia (excl. Japan, Australia, New Zealand), Latin America, Middle East North Africa, Central and Eastern Europe  
 Source: Global Insights

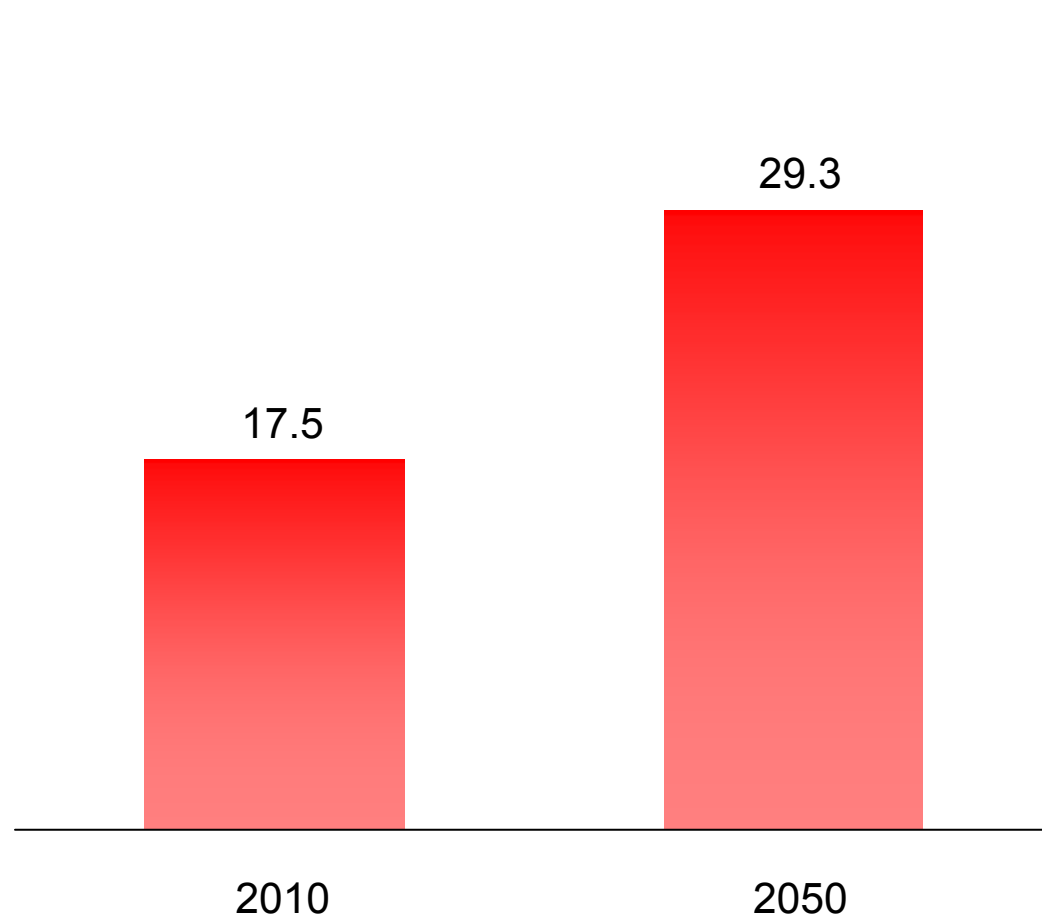
Key trends for Europe

# Wealth – An ageing population and increasing number of mass affluent



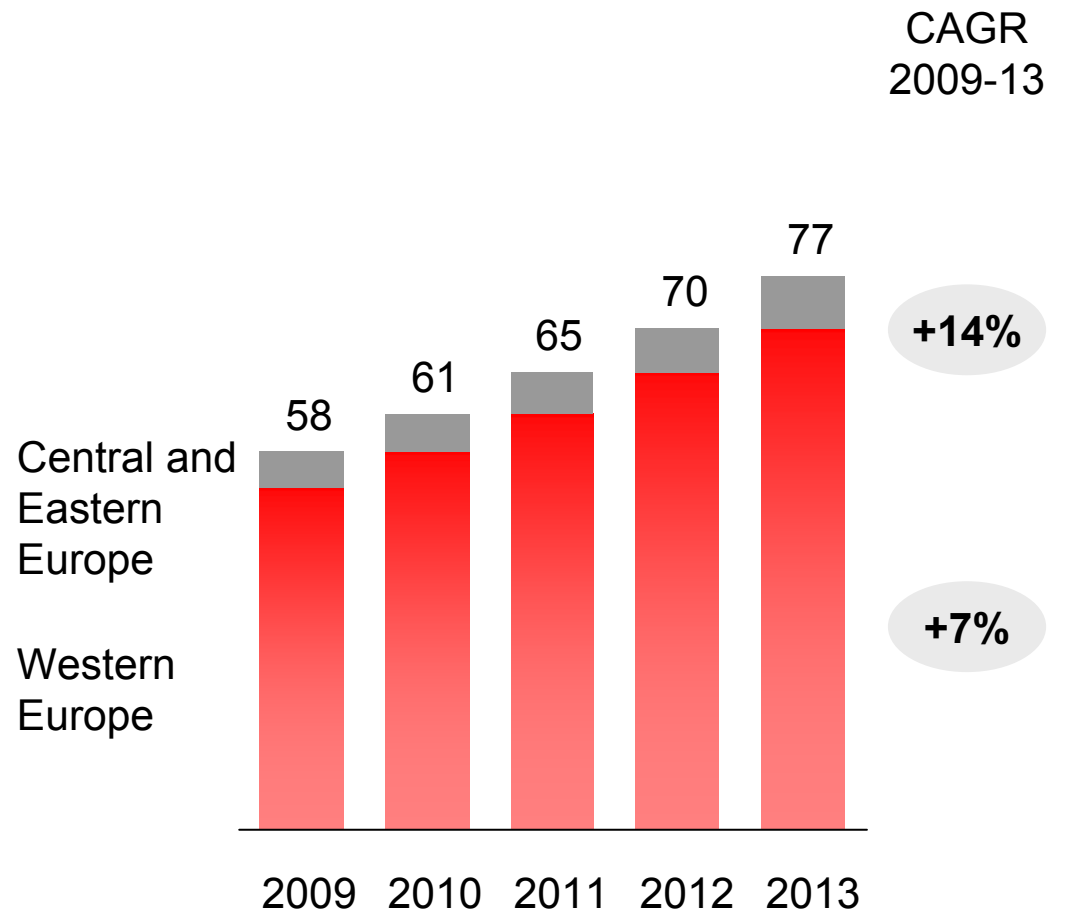
## Ageing population

Europe population aged 65 and over<sup>1</sup>, %



## Wealth

Europe mass affluent individuals<sup>2</sup>, millions



<sup>1</sup> Based on EU 27

<sup>2</sup> Mass affluent are defined as having USD50,000 or more of onshore liquid assets. Specifically excludes life and pensions assets, unquoted equity or any other fixed assets such as property.

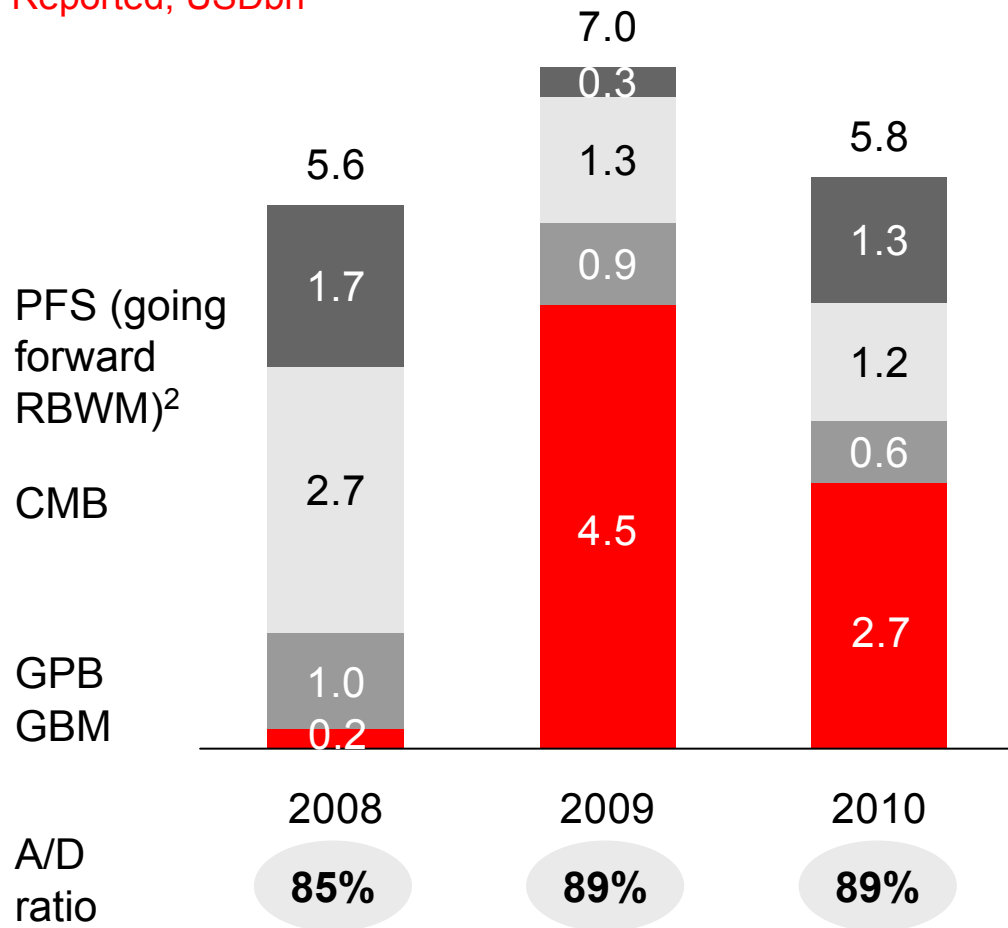
Source: OECD Factbook 2010, Datamonitor 2010 Wealth Market Database

# Robust business franchise



## Europe PBT per customer group<sup>1</sup>

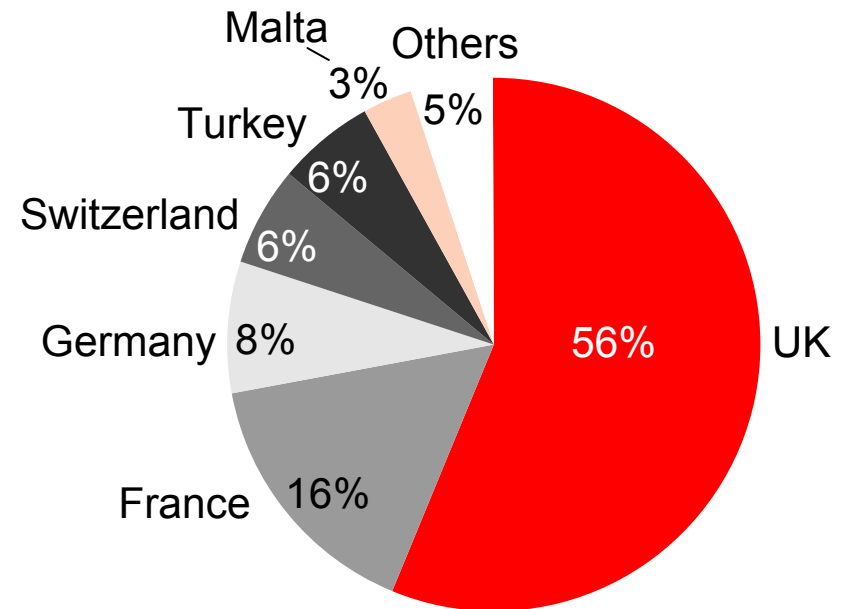
Reported, USDbn



## Europe PBT per geography

Reported, 2010, USDbn

Total: USD4.3bn



<sup>1</sup> Excluding "Other" (loss before tax of USD1.6bn in 2010 and USD3.0bn in 2009, profit before tax of USD5.3bn in 2008)  
 RBWM and GBM have not been restated for the transfer of Global Asset Management (AMG)  
<sup>2</sup> Does not include AMG

# Our International Network is a distinctive advantage



## HSBC presence in Europe

### Retail Banking and Wealth Management

- Established positions in the UK, France, Turkey and Malta



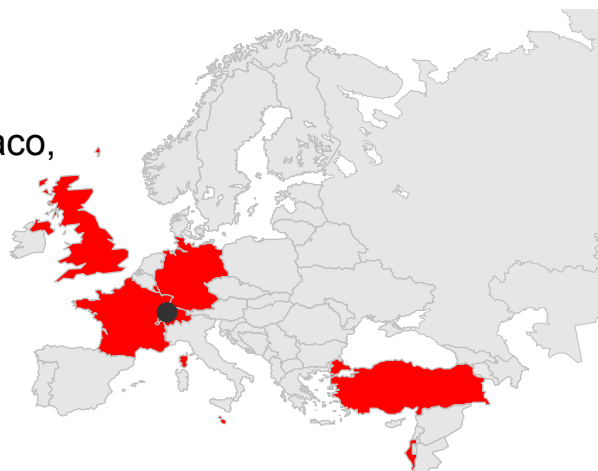
### Commercial Banking

- 19 countries leveraging international connectivity
- Key markets: UK, France, Germany and Turkey



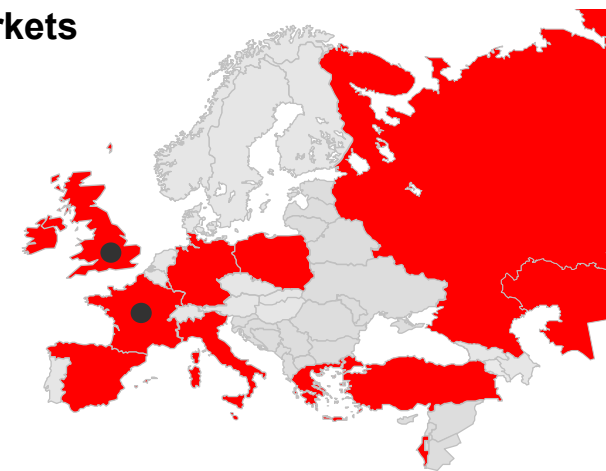
### Global Private Banking

- Hub in Switzerland complemented by Monaco, Luxembourg and Channel Islands
- Meaningful domestic presence in UK, Germany and France



### Global Banking and Markets

- 2 hubs: London and Paris
- Strong product capabilities in e.g., DCM, Credit, Rates, FX, PCM, HSS, Project Finance, Export Finance<sup>1</sup>



● Hubs

<sup>1</sup> Debt Capital Markets (DCM), Payments and Cash Management (PCM), HSBC Securities Services (HSS)

# Strategic direction and actions overview



## Europe

*Be the leading international bank connecting Europe with the rest of the world and capturing Europe's wealth opportunity*

### 1 RBWM

Focus on selected markets where we have scale and growth opportunity

### 2 CMB

Drive international and intra-Group connectivity leveraging strong European footprint

### 3 GBM

Expand franchise across the region by further enhancing product capabilities

### 4 GPB

Optimise market coverage and create synergies across Europe for domestic and Fastest Growing Markets clients

### 5 Increase capital and cost efficiency

Increase operational efficiencies through portfolio rationalisation and sustainable cost savings



## Strategic directions and actions

# 1 RBWM: Continue to invest in UK, France and Turkey and rationalise unprofitable businesses

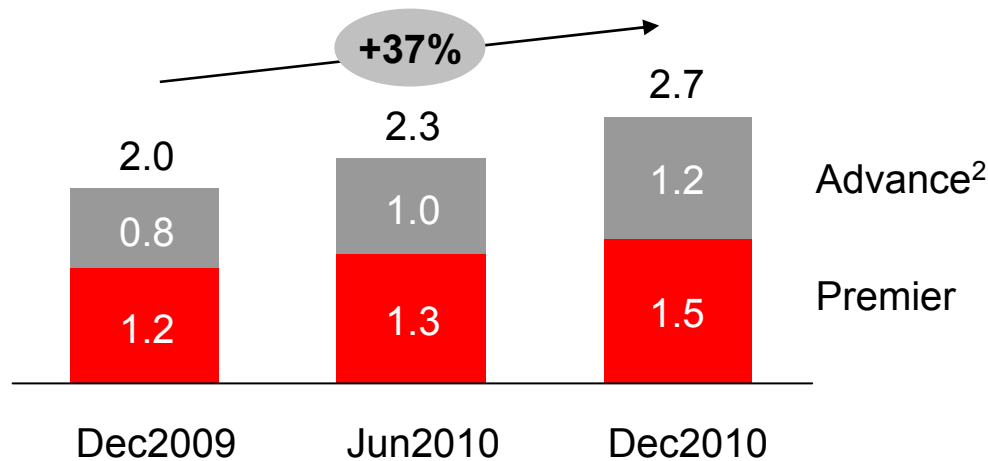


## HSBC position

- 2010 PBT<sup>1</sup> of USD1,289m, over 2,000 branches
- Strong franchise in UK and France
- Strong card business in Turkey with increased focus on the mass-affluent market
- Greece and Kazakhstan expected to break-even in 2011

## Premier customers in Europe

Million



## Strategic actions

**Focus investments in UK, France and Turkey and grow our wealth management franchise**

**Focus on building long term sustainable relationships**

**Rationalise portfolio and exit underperforming businesses (e.g., Russia)**

<sup>1</sup> PBT has not been restated for the transfer of AMG from GBM to RBWM

<sup>2</sup> Includes former HSBC Plus customers in the UK now migrated to HSBC Advance. Advance was launched in Continental Europe in 2010

## Strategic directions and actions

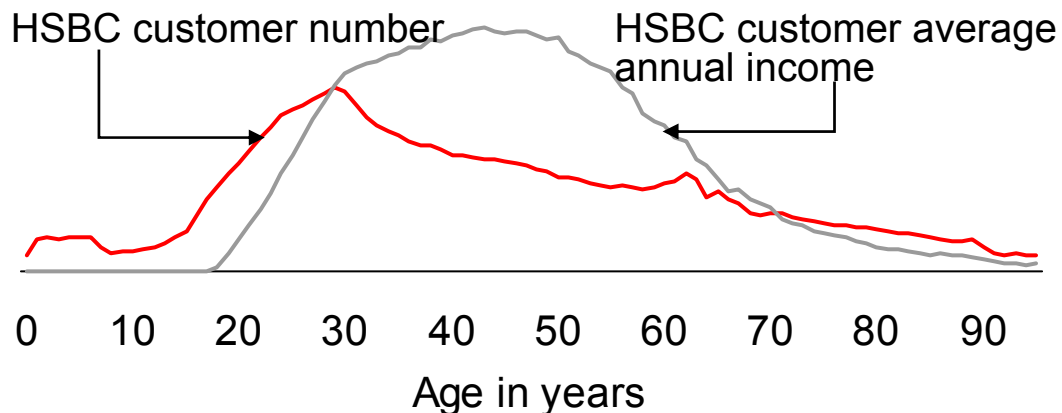
# 1a UK RBWM: Deliver market leading propositions so that customers trust us with their banking and future



## HSBC position

- 2010 PBT<sup>1</sup> of USD1,223m, over 1,300 branches
- 60% of customers are A, B or C1 social grades vs. 51% at other high street banks<sup>2</sup>
- Consistently most recommended high street bank<sup>3</sup>
- Share of new mortgages double historic levels
- Young customer base, well positioned for growth

## UK RBWM customer age profile<sup>4</sup>



1 PBT has not been restated for the transfer of AMG from GBM to RBWM

2 GfK NOP Financial Research Survey (FRS) 12 months ending December 2010, c.59,000 adults interviewed (Banks with high street presence includes: Abbey, A&L, BoS, Barclays, Clydesdale, Co-op, Halifax, Lloyds, Nationwide, NatWest, RBS, Santander, Yorkshire Bank)

3 Source as per note 2. Amongst customers with above-average earnings over last two years

4 Source: Internal Management Information Systems for UK HSBC Brand

## Strategic actions

**Continue to develop wealth management and insurance capabilities, innovating new product propositions, increasing customer penetration**

**Leverage Group's global scale and international capabilities (World Selection, Premier Investment Management Services)**

**Continue to focus on high value customer acquisition and quality mortgage origination**

**Deliver superior service for all, facilitating investment from sustainable cost savings**

# 1b France RBWM: Accelerate Wealth Management strategy

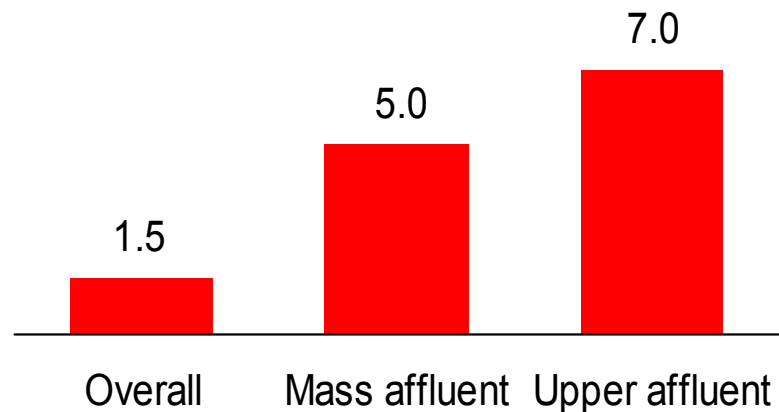


## HSBC position

- 2010 PBT of USD109m. Over 300 branches
- Strong wealth management franchise: +39% Premier customer acquisition on 2009
- RBWM highly integrated with Insurance, Asset Management and Global Markets

## HSBC France penetration per customer segment<sup>1</sup> – 2010

%, 2010



## Strategic actions

**Strengthen long-term investment solutions (e.g., discretionary mandate, advisory services)**

**Upgrade RM wealth capabilities and increase face time with customers**

**Optimise cost to serve via a segmented approach and investments in multiple channels**

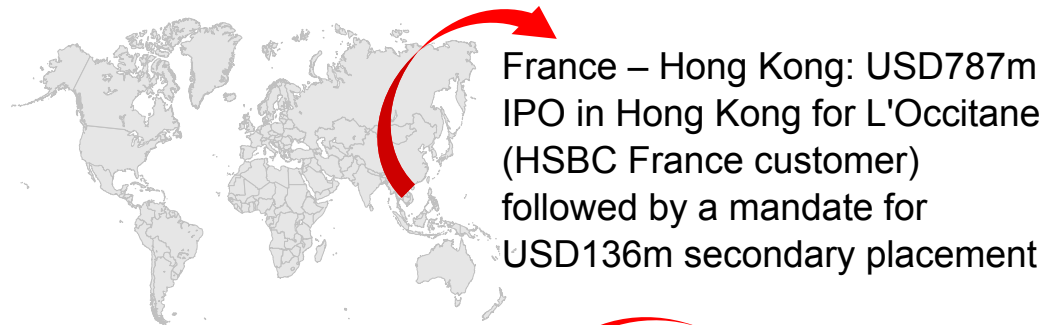
*Strategic directions and actions*

**2** CMB: Build upon proven LIB strategy through investment in developed and growth markets



**HSBC position**

- 2010 PBT of USD1,205m
- Presence in 19 countries leveraging pan-European solutions
- Cross-border referral deal value +95% in 2010 to c. USD4bn<sup>1</sup>



Spain-Latin America: MLA, Bookrunner and Agent Bank in a USD150-300m RF facility for Celistics (HSBC Spain customer) to discount receivables from importers in 11 different countries in Latin America



**Strategic actions**

**Focus investments to capture regional and global FDI and trade flows (e.g., Germany)**

**Strengthen connectivity by selectively extending our footprint (e.g., Switzerland)**

**Enhance international product platforms and delivery channels (e.g., digital)**

**Increase collaboration with GBM**

<sup>1</sup> Internal Management Information Systems

Strategic directions and actions

**2a** UK CMB: Become the UK's leading international bank and deliver targeted domestic growth

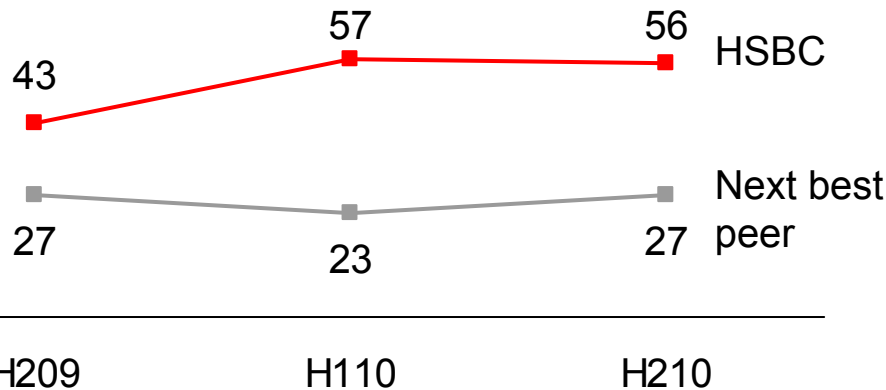


**HSBC position**

- 2010 PBT of USD827m
- Market share of international business above domestic footprint<sup>1</sup>
- Leading brand for international start-ups<sup>1</sup>
- Revenue from international products increasing 14% in 2010 (to 19% of total revenue)<sup>2</sup>

**First for international customer consideration<sup>3</sup>**

% of respondents



**Strategic actions**

**Leverage previous investments in segmentation strategy and International Relationship Managers**

**Improve relationship management and product penetration for domestic customers**

**Invest in digital platforms to meet customer demands and optimise cost to serve**

**Develop cross-business referrals especially with RBWM (Wealth, Premier) and GPB**

<sup>1</sup> Research undertaken by BDRC Continental for the quarter ended DEC 2010. Competitor peer group: Barclays, RBS (inc. NatWest), Santander and LTSB. Customer turnover £2m to £10m. Statistical significance of data 90-95%

<sup>2</sup> Internal Management Information Systems

<sup>3</sup> International customer consideration in response to the question: "If you had to change your main business bank or building society relationships over the next year, which banks or building societies would you consider using for your international business?". Source as per note 1

## 2b France, Turkey and Germany CMB



### HSBC position

### Strategic actions

#### France

- Competitive distribution network
- International focus and strong product offering driving CMB performance
- Number 1 brand for international banking<sup>1</sup>

- Position HSBC France as the international bank of choice for MMEs<sup>3</sup> and larger corporates
- Develop an innovative multi-channel proposition for SMEs

#### Turkey

- Relationship management model and international network coverage as key strengths and differentiators
- Revenues from international customers 3-4 times higher than domestic<sup>2</sup>

- Increase penetration and share of wallet with international businesses
- Improve segmentation and prioritisation

#### Germany

- Focus on large internationally oriented corporates
- Significant opportunity to unlock regional and global connectivity

- Increase wallet penetration of top clients
- Expand CMB customer base
- Enhance product range

<sup>1</sup> Research undertaken by TNS Sofres between July and November 2010

<sup>2</sup> Internal Management Information Systems. International customers include global operator, international subsidiary, local importer/exporter, and international professionals

<sup>3</sup> Mid-Market Enterprises

## Strategic directions and actions

# 3 GBM Europe: Global connectivity backed by core product capabilities



## HSBC position

- 2010 PBT<sup>1</sup> of USD2,726m
- Hub and spoke pan-European geographical coverage (19 countries)
- Comprehensive and integrated product capabilities
  - Particular strength in DCM, Project Finance, PCM, HSS, Credit, Rates, Export Finance and FX

25 January 2011  European Financial Stability Facility EUR5.0bn 2.750% due Jul-2016 Joint Bookrunner	18 March 2010  Republic of Turkey USD2.0bn 6.850% due Jan-2040 Joint Bookrunner	Announced March 2011  Sodiaal and PAI Partners EUR1.6bn Disposal of 51% stake in Yoplait to General Mills Sole financial advisor to Sodiaal	8 July 2010  Republic of Poland EUR1.5bn 3.875% due Jul-2015 Joint Bookrunner
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	<b>Best Debt House in CEE<sup>2</sup></b>	
	<b>Best Debt House in Turkey<sup>2</sup></b>	
	<b>Best Debt House in Spain<sup>2</sup></b>	

<sup>1</sup> PBT has not been restated for the transfer of AMG from GBM to RBWM  
<sup>2</sup> Source: Euromoney 2010 Awards for Excellence

## Strategic actions

- Optimise market coverage: Build on London and Paris hubs, develop FIG and Multinational franchise through selective build-out**
- Invest in Germany to lead to top positions in selected products (e.g., fixed income, retail equity derivatives, corporate FX)**
- Enhance product offering by investing in PCM, HSS, Prime Services, Equities and DCM**
- Increase cross-business collaboration and integration with other customer groups (e.g., Family Office GPB collaboration)**

*Strategic directions and actions*

# 4 GBP Europe: Optimise market coverage and create synergies across Europe

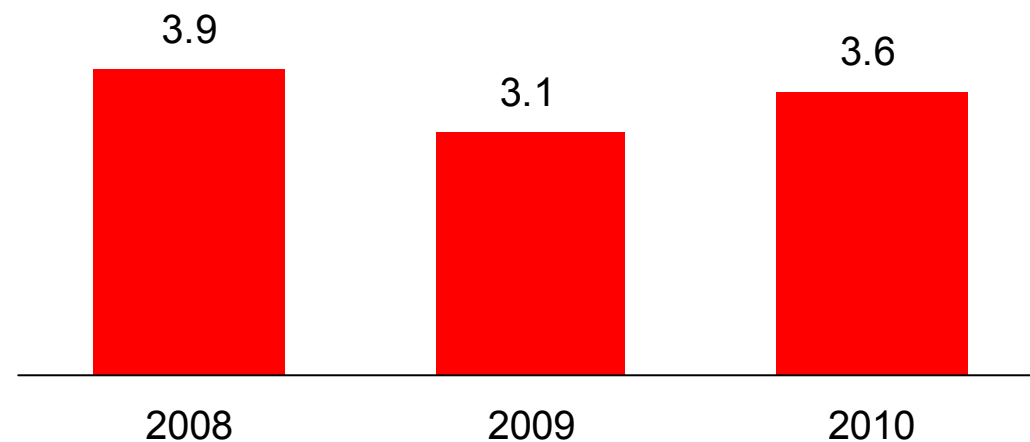


## HSBC position

- 2010 PBT of USD640m, global hub for GBP
- Leading international private bank in Switzerland and Monaco
- Meaningful domestic presence in UK, Germany and France
- Product leadership with cross-border capabilities

## Net New Money from intra group referrals<sup>1</sup>

USDbn



<sup>1</sup> Internal Management Information Systems

## Strategic actions

**Leverage intragroup strengths and connectivity with growth markets**

**Scale-up product offerings by leveraging the existing platforms across Europe**

**Drive cost synergies across IT and Operations across and within countries**

**Adapt to changing regulatory environment and build out domestic businesses**



# 5 Increase Operational Effectiveness



Key cost levers	Full cost review in progress. Examples of initiatives:	Estimated savings
		USDm
Portfolio rationalisation	<ul style="list-style-type: none"> <li>Exit underperforming businesses (e.g., RBWM in Russia)</li> </ul>	<ul style="list-style-type: none"> <li>90</li> </ul>
Implement consistent Business Models	<ul style="list-style-type: none"> <li>Ongoing Service Delivery operational transformation, and consolidation of UK Credit Card operations</li> <li>Global Banking and Markets workforce optimisation and offshoring initiatives</li> </ul>	<ul style="list-style-type: none"> <li>90 (2009–10) 50</li> <li>70- 90</li> </ul>
Re-engineer functions	<ul style="list-style-type: none"> <li>Continue UK head office reengineering across businesses and functions</li> <li>Deployment of CMB in Switzerland with front office staff only</li> </ul>	<ul style="list-style-type: none"> <li>130 (2009–10), 40</li> </ul>
Re-engineer processes	<ul style="list-style-type: none"> <li>UK RBWM<sup>1</sup> and CMB have held adjusted costs<sup>2</sup> flat since 2008 through successful re-engineering of processes</li> <li>Reengineering initiatives within France including stripping out administrative tasks of RBWM and CMB branches</li> </ul>	<ul style="list-style-type: none"> <li>35</li> </ul>
Streamline IT	<ul style="list-style-type: none"> <li>Consolidate systems across UK bank</li> <li>Set-up of Global Service Centers in CEE to handle language diversity in Europe (servicing 16 countries)</li> <li>Centralise data centres across Europe</li> </ul>	

1 Not restated for the transfer of AMG from GBM to RBWM

2 Costs excluding underlying adjustments and significant items as per HSBC Bank Plc Annual Report and Accounts (2010)



## Competitive Advantages

Resilient banking franchise

Unique network to connect Mature and Faster Growing Markets

Well-positioned to unlock the wealth management opportunity

## Strategic Actions

Consolidate existing strong positions (incl. UK, France, Germany)

Leverage connectivity (CMB, GBM, GPB)

Focus RBWM on selected markets where we have scale

Increase operational efficiencies through portfolio rationalisation and sustainable cost savings

**Target RoRWA**  
**1.3%-1.8%**

# 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		