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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.

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 assets¹ 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 competitors², with costs held flat at 2007 levels
- Very strong liquidity with customer deposits of USD107bn as at 2010 and A/D ratio of 38%

¹ Includes non-financial assets held in client trusts

² 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

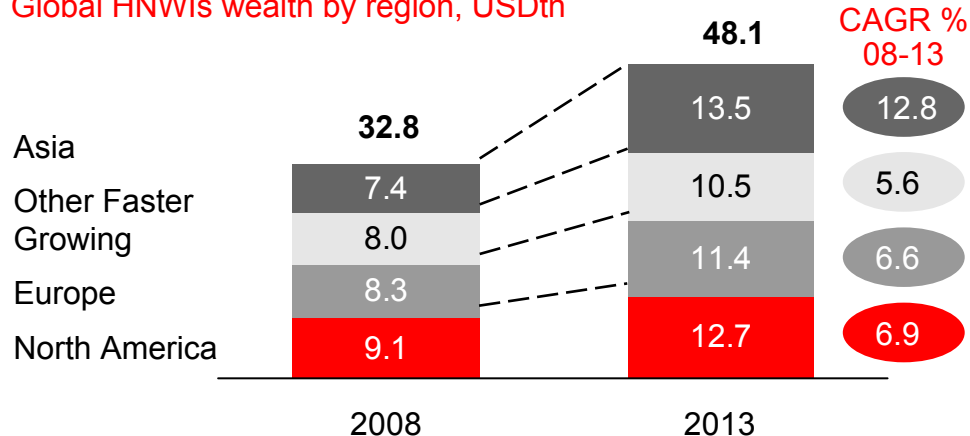
HSBC position and competitive advantages

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



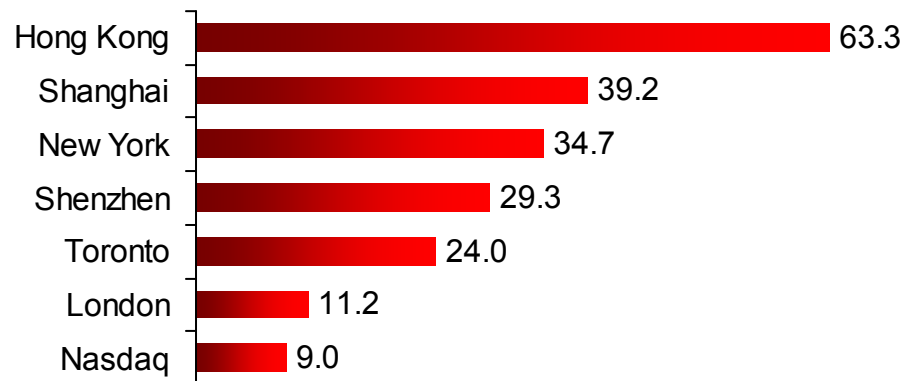
Asia to be the largest wealth market by 2013

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



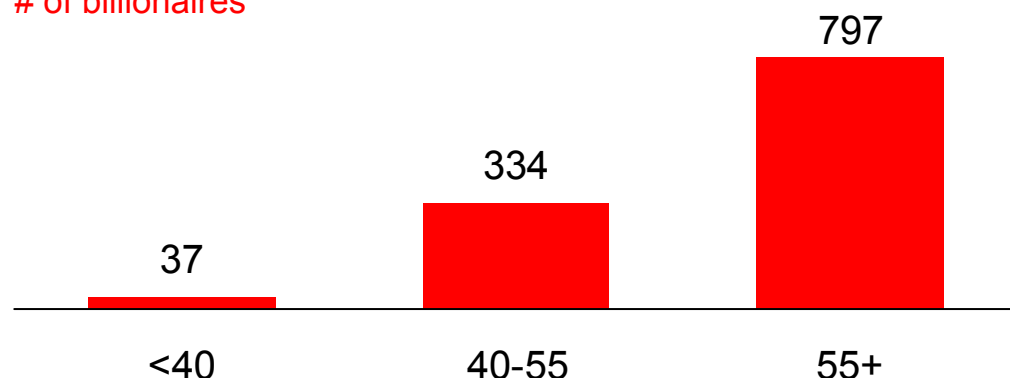
**Best Private Bank in Asia
Best Private Bank in the Middle East
Best Private Bank in Hong Kong**

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



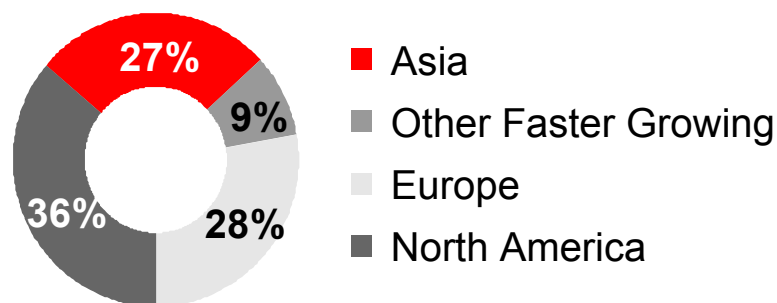
Vast majority of the world's wealthiest individuals at succession planning age

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 #2¹ with USD37bn under management / custody and research teams globally

Specialist private equity

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

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.

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)

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





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)



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		