



Personal Financial Services

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Group General Manager
Personal Financial Services



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.



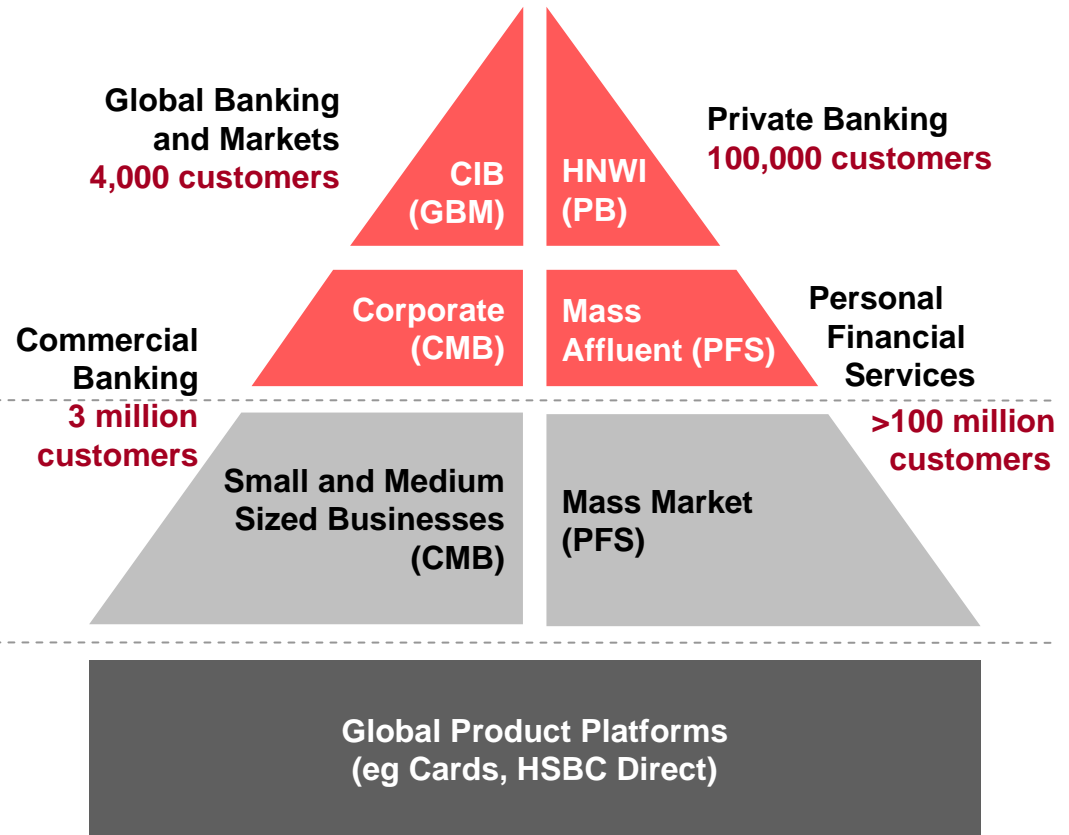
HSBC Group Strategy

HSBC has identified business models that define our 'right to win'

Businesses with **international customers** where **Emerging Markets connectivity** is critical

Businesses with local customers where **efficiency** can be achieved through global scale

Products where **global scale** is critical to **effectiveness**: efficiency, expertise and brand





Group Personal Financial Services

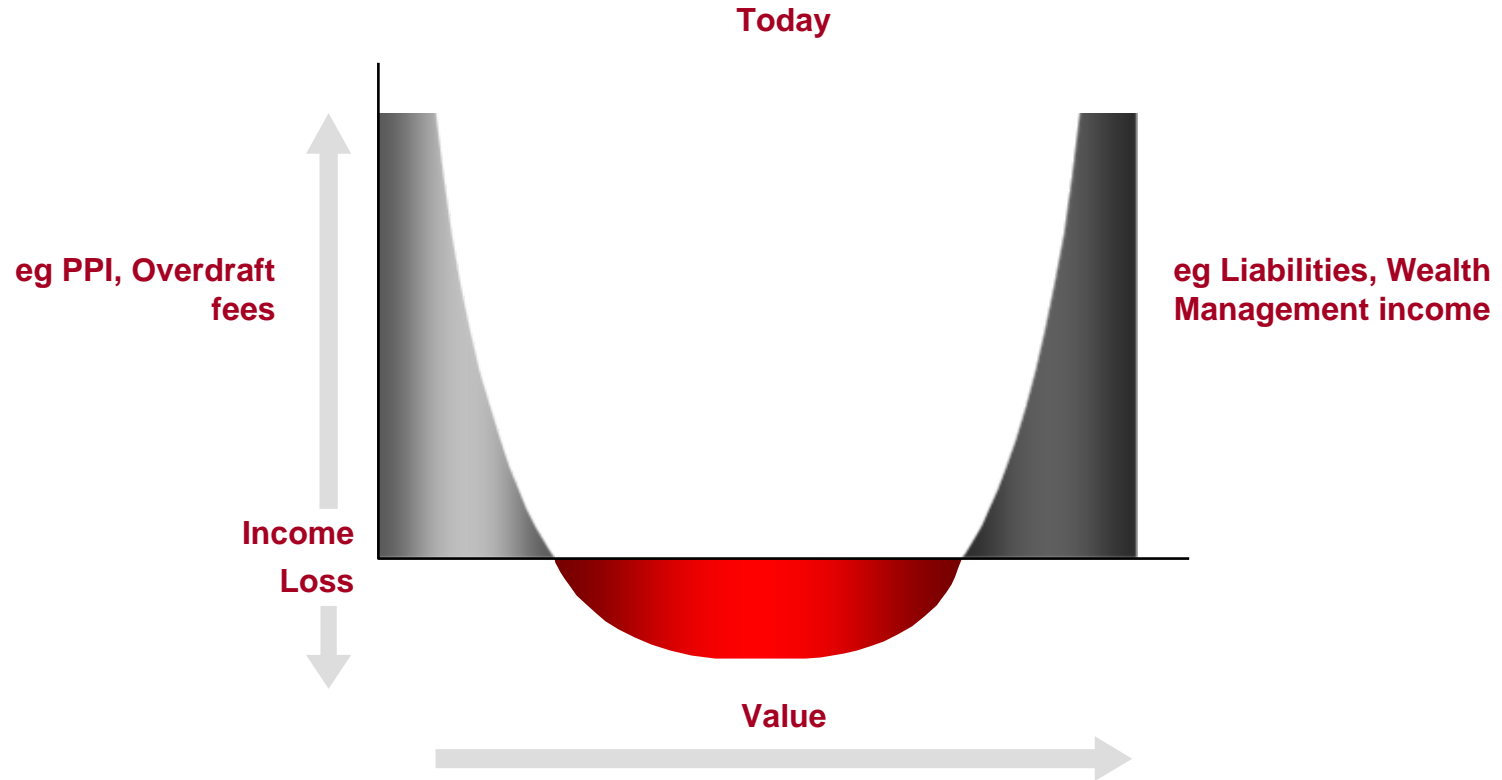
Our right to win

	Models	Description	Distribution structure	Customer segments	
1	Full participation	Full Service Banking	Full service bank with large physical network targeting multiple segments	Full Service branch network Wealth Management Sales Multi-channel distribution	Multiple segments across the market
2	Selective participation	Wealth Management Led	Wealth management-led banking targeting mass affluent	Limited branch network with Premier centres in key locations Mobile WM sales Multi-channel delivery	Mass affluent Executive
		Cards	Consumer asset-led participation providing market entry opportunity in regulated markets	Card partnerships Retail point of sale ATM Networks Third-party sales force Multi-channel delivery support	Creditworthy individuals Emerging mass affluent
		Direct Banking	HSBC Direct-led proposition	Online Support call centre	Confident Saver
3	Network participation	Premier Network Nodes	Leveraging CMB / GBM presence to build limited Premier franchise	Limited Premier / premium centres in key locations Multi-channel delivery support Sharing infrastructure	Cosmocrat Mass affluent Executive
		Premier 'lite' Service Nodes	Providing presence in markets critical for establishing and fulfilling global proposition	Limited Premier servicing centres in key locations Multi-channel delivery support	Visiting and International HSBC Premier customers



Profit

Historically where banks made money

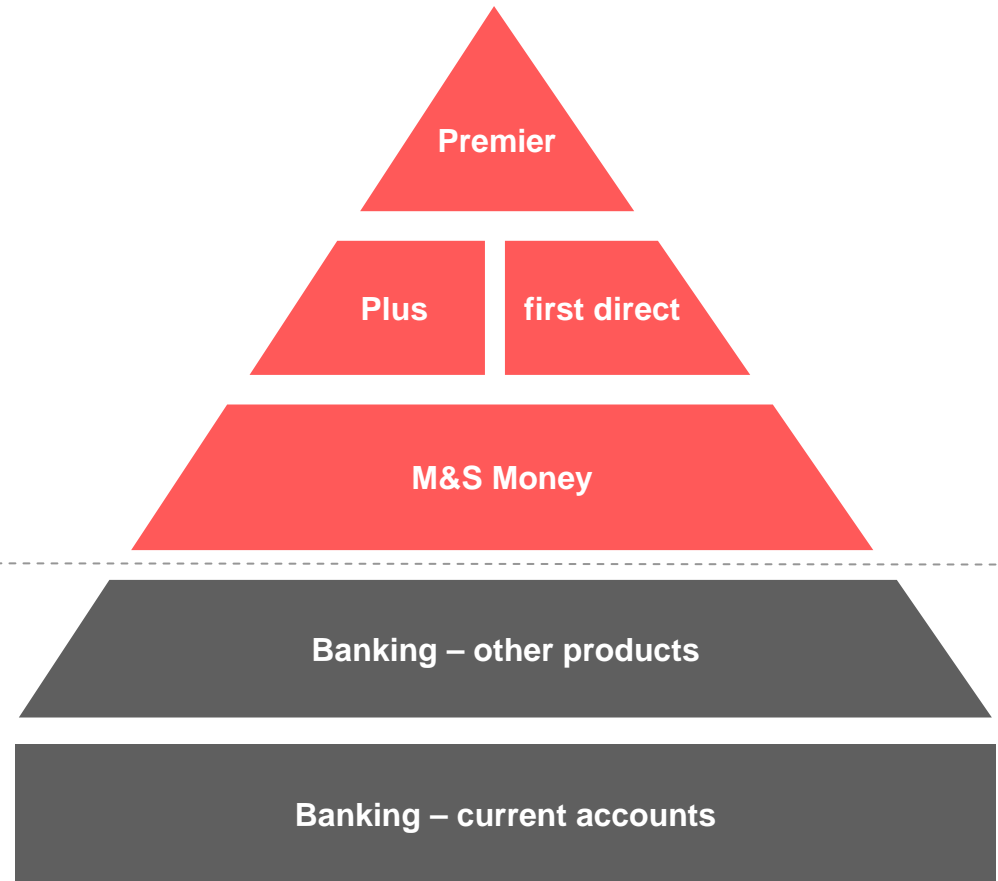


Note: Chart is for illustrative purposes only



UK PFS strategy

To build the **best international premium bank** in the UK through our superior service and international reach

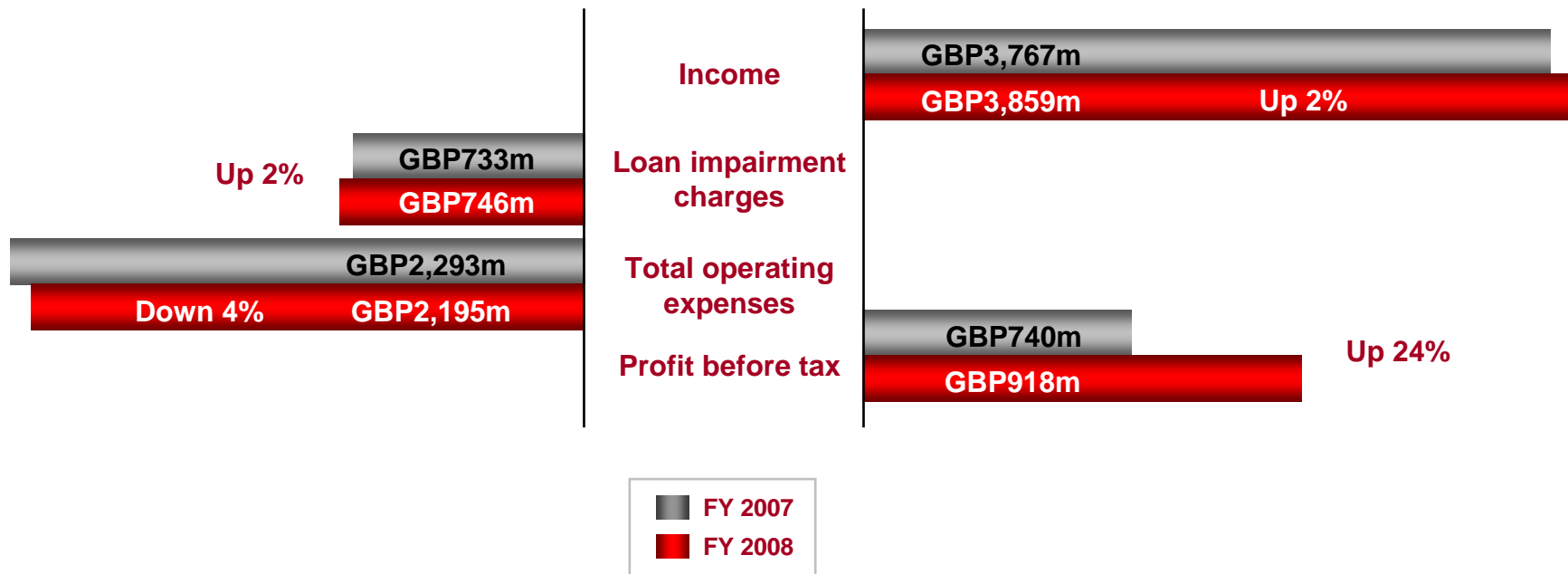


To **leverage scale** of non-Premium segments for cost advantage



PFS 2008 annual results

Competitive, Responsible and Fair



Joe Garner, Group General Manager, HSBC Personal Financial Services:

“This is another very strong performance and our fourth consecutive year of growth. Customers have continued to choose HSBC in preference to the competition, leading to healthy and sustainable growth.”




Recent changes in the UK Banking industry

<p>1</p> <p>Macro Economic Cycle</p>	<ul style="list-style-type: none"> • Margin compression on liabilities • Rising impairments • Collapse in market liquidity and confidence • Rapid decline in growth / increasing levels of unemployment and business failures – UK unemployment up from 5.2% to 6.5% in last 12 months • Falling real-estate prices – average house price is down in UK from its' peak, the longest consecutive slump since the 1990s • The threat of a prolonged recession (deflation or stagflation)
<p>2</p> <p>Regulation</p>	<ul style="list-style-type: none"> • Increasing frequency and severity of regulatory intervention in the market – eg forced sales of HBOS and B&B deposits; nationalisation of Northern Rock and B&B assets; bailout of RBS; ongoing open market operations to ensure liquidity; short selling rules • Signals of increased regulation and control in the future. - eg caps on executive pay; further regulation of sales practices; incremental capital requirements, rethinking the banking model
<p>3</p> <p>Industry Dynamics</p>	<ul style="list-style-type: none"> • The UK market now has fewer large players: Lloyds (HBOS), Barclays, RBS (Natwest), Abbey (A&L-B&B), Northern Rock-B&B (government control) Nationwide and HSBC • Significant changes in asset and liability pricing emerging • Continued uncertainty surrounding solvency of key UK banks - RBS, Barclays, HBOS
<p>4</p> <p>Customer Preferences</p>	<ul style="list-style-type: none"> • Series of blows to consumer confidence - decline in real estate prices, bank failures and rapid falls in pension / investment portfolios • Flight to safety, in both product choices and financial providers



PFS strategy

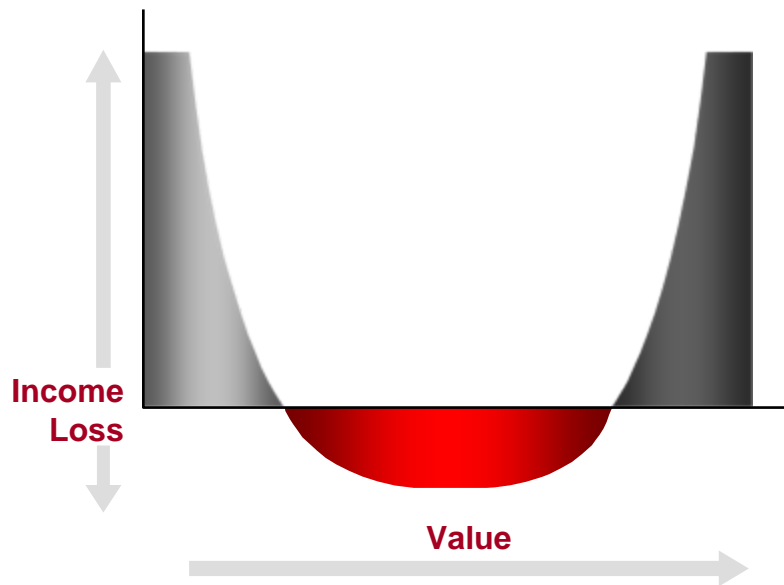
	From	To
PFS vision	<p>To build the best international premium bank in the UK</p> <p>To ruthlessly drive efficiency mass market segments</p>	<p>To build the best international premium bank in the UK</p> <p>To maximise near term profitability in the mass market segments</p>
Strategy	Mass participation	Selective participation
Proposition	“Trust HSBC with my money”	“Trust HSBC with my future”
Pricing	Cross subsidy	Value for value
Channel	“Direct bank with branches”	“Multi channel” varied by segment
People	Some specialists	Professionals
Infrastructure	Joined up	
Financial	<p>Self funding</p> <p>Self capitalising</p> <p>Large and profitable</p>	<p>Self funding</p> <p>Self capitalising</p> <p>Smaller but more profitable</p>



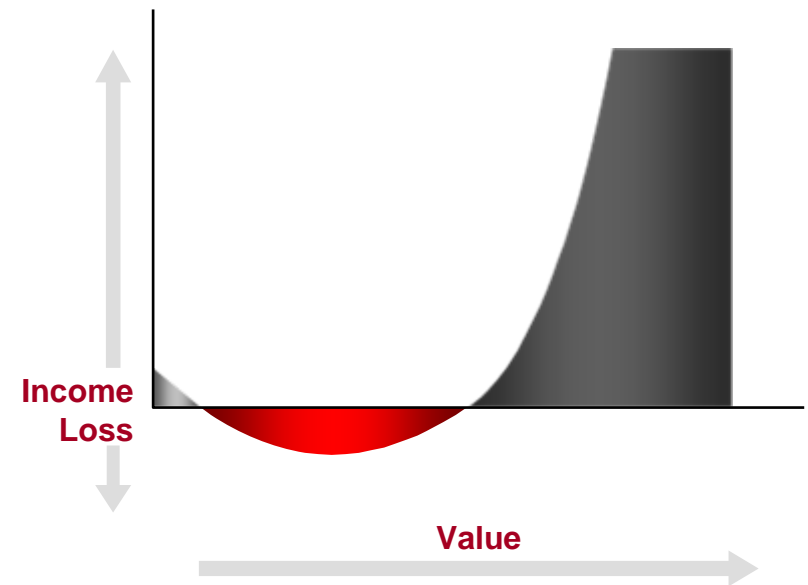
Profit

Value for value

Today



Tomorrow



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Key messages

Strong track record in profit growth

Enviably strong balance sheet position

Uniquely placed to meet the needs of high value customers while leveraging global scale for the mass market

Resourced and able to capitalise on opportunities in the market