



11 May 2011

Europe

Investor Day

Brian Robertson Chief Executive HSBC Bank plc

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.

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

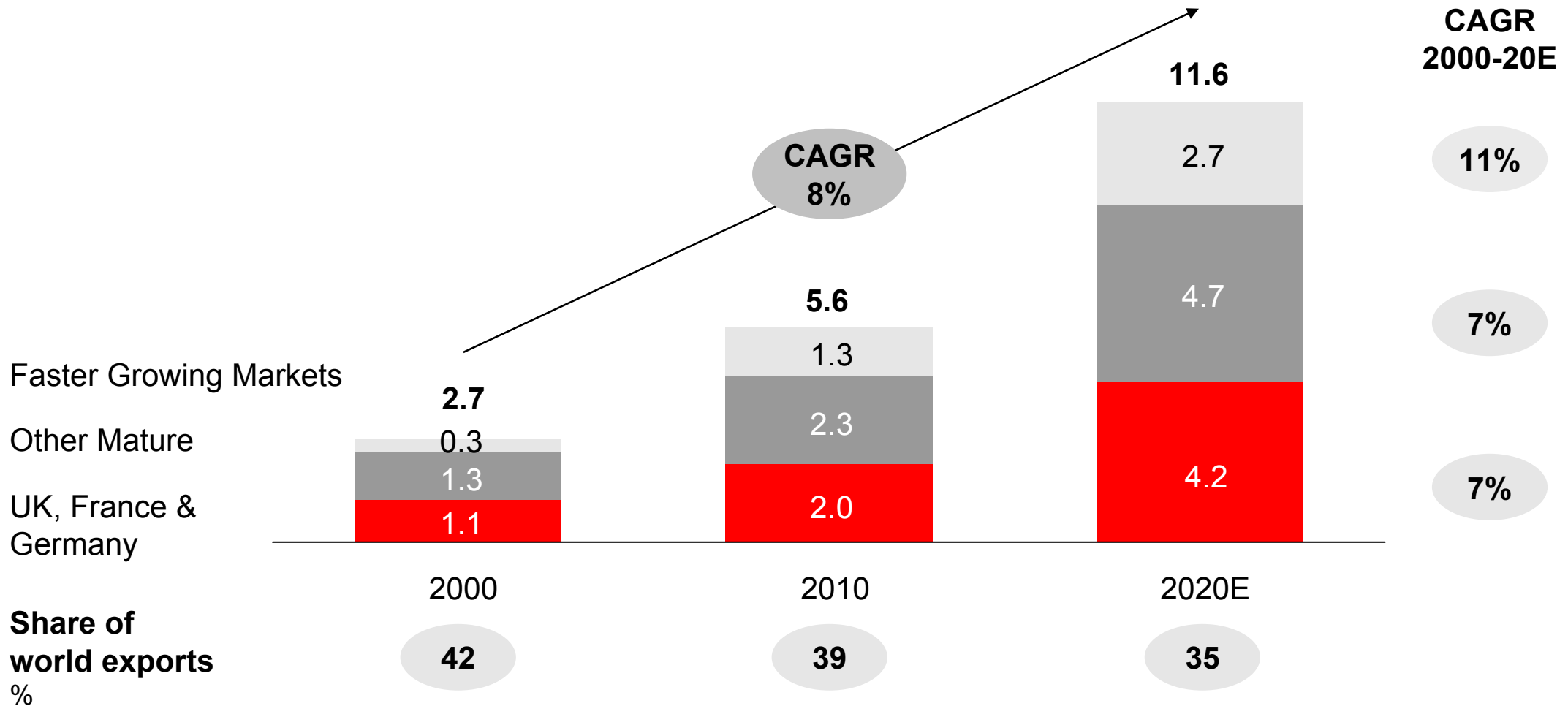
Key trends for Europe

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

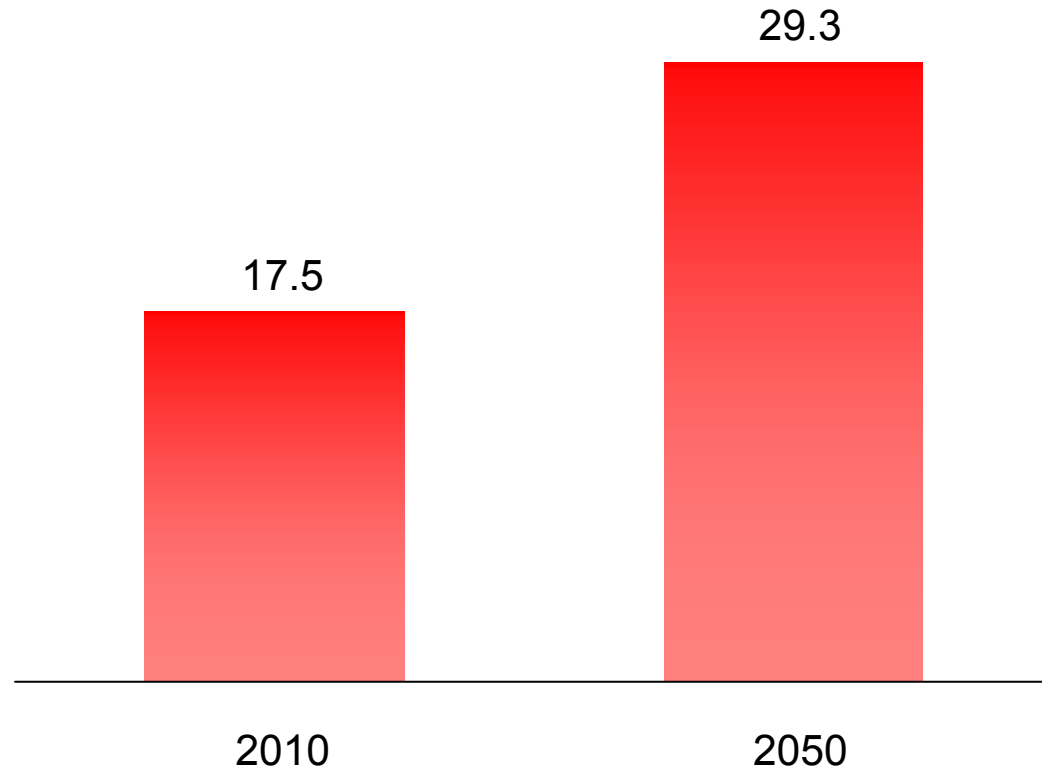
Key trends for Europe

Wealth – An ageing population and increasing number of mass affluent



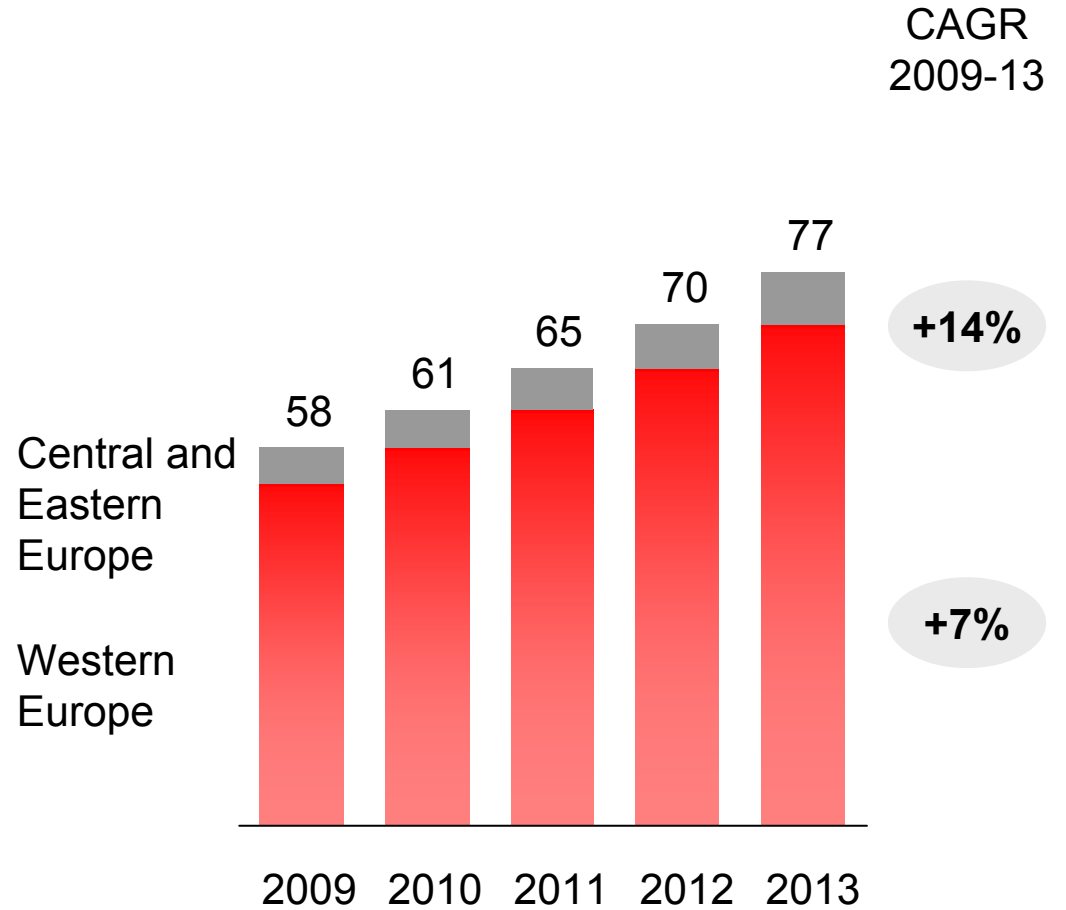
Ageing population

Europe population aged 65 and over¹, %



Wealth

Europe mass affluent individuals², millions



¹ Based on EU 27

² 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.

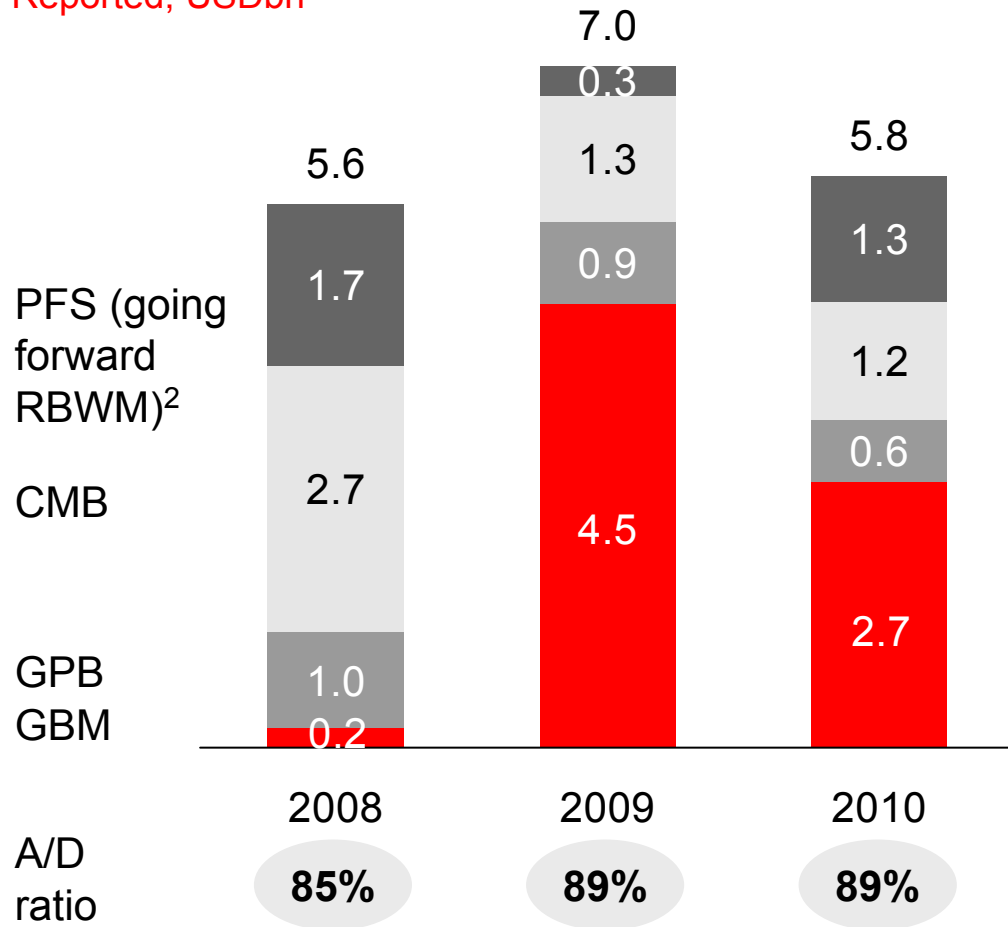
Source: OECD Factbook 2010, Datamonitor 2010 Wealth Market Database

Robust business franchise



Europe PBT per customer group¹

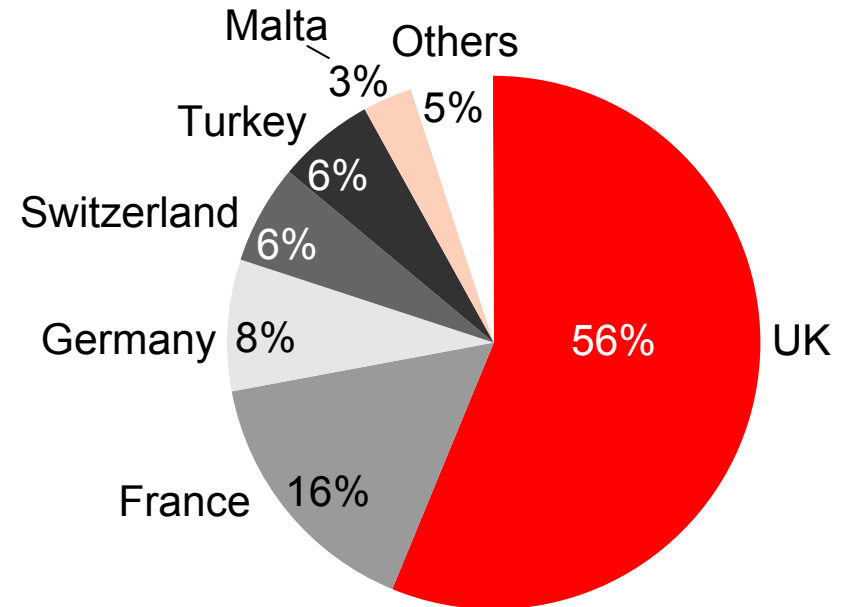
Reported, USDbn



Europe PBT per geography

Reported, 2010, USDbn

Total: USD4.3bn



¹ 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)
² 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



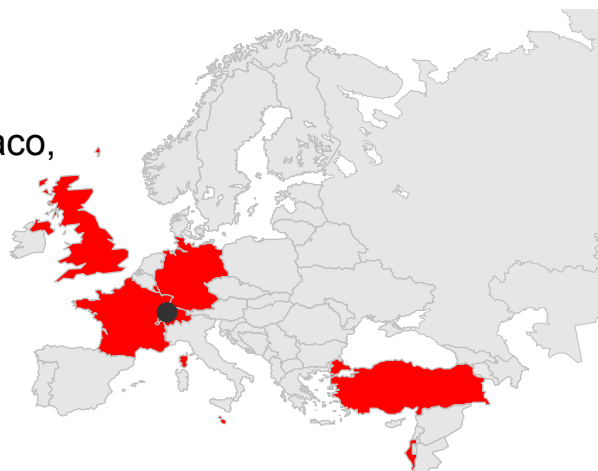
Commercial Banking

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



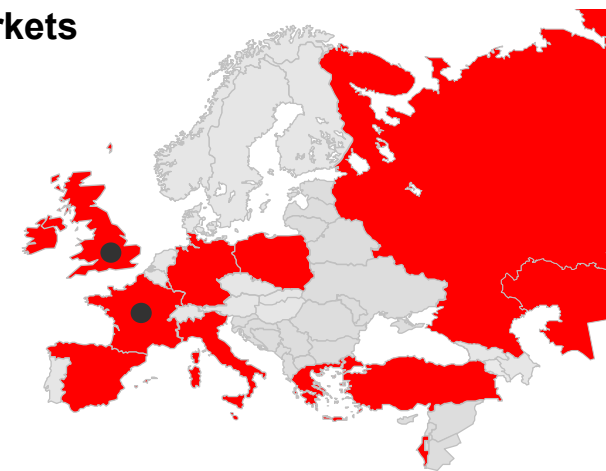
Global Private Banking

- 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 Finance¹



● Hubs

¹ 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

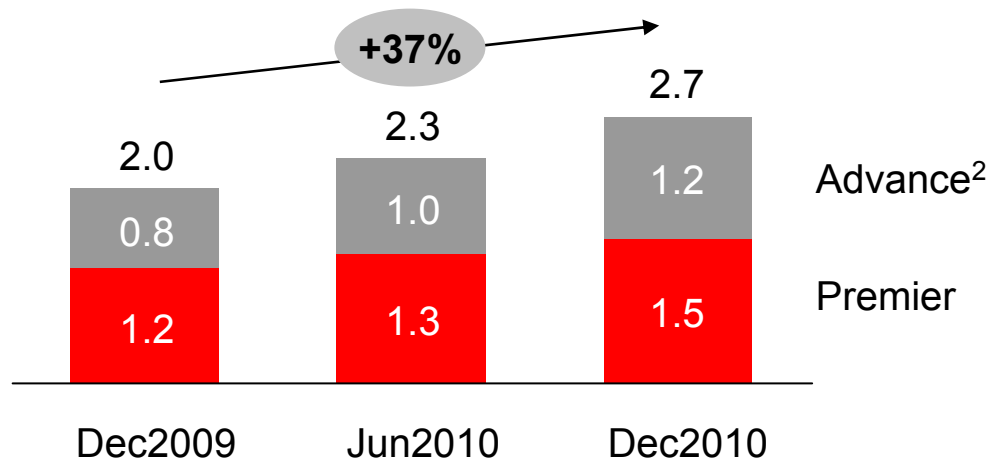


HSBC position

- 2010 PBT¹ 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)

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

² 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

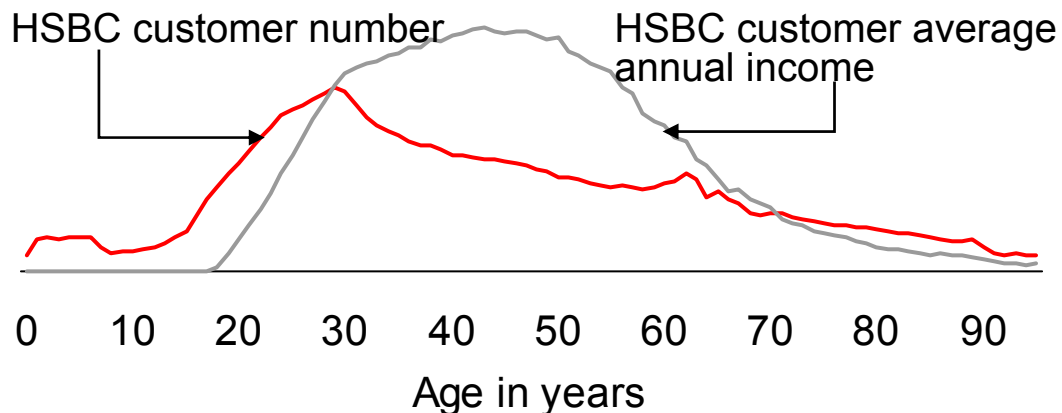
1a UK RBWM: Deliver market leading propositions so that customers trust us with their banking and future



HSBC position

- 2010 PBT¹ of USD1,223m, over 1,300 branches
- 60% of customers are A, B or C1 social grades vs. 51% at other high street banks²
- Consistently most recommended high street bank³
- Share of new mortgages double historic levels
- Young customer base, well positioned for growth

UK RBWM customer age profile⁴



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

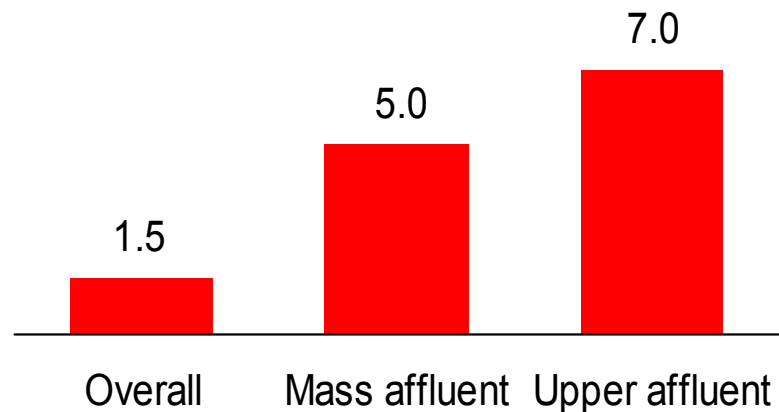


HSBC position

- 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 segment¹ – 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

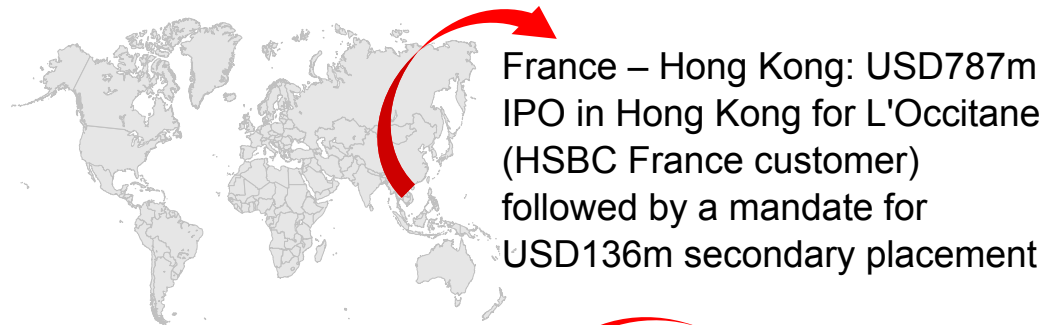
Strategic directions and actions

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. USD4bn¹



France – Hong Kong: USD787m IPO in Hong Kong for L'Occitane (HSBC France customer) followed by a mandate for USD136m secondary placement

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

¹ Internal Management Information Systems

Strategic directions and actions

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

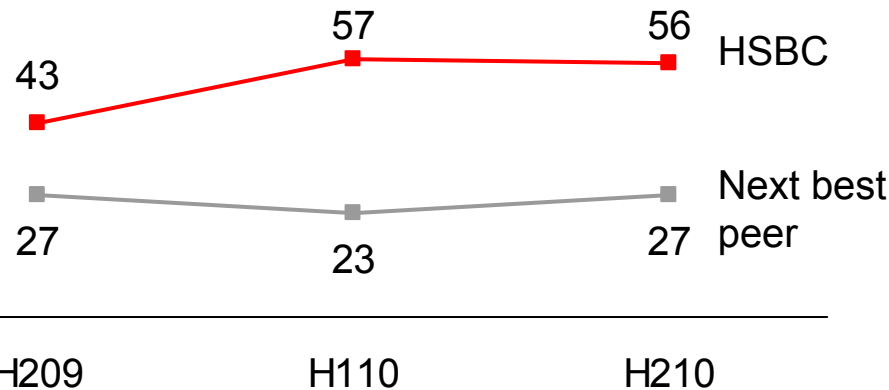


HSBC position

- 2010 PBT of USD827m
- Market share of international business above domestic footprint¹
- Leading brand for international start-ups¹
- Revenue from international products increasing 14% in 2010 (to 19% of total revenue)²

First for international customer consideration³

% 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

¹ 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%

² Internal Management Information Systems

³ 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

France

- Competitive distribution network
- International focus and strong product offering driving CMB performance
- Number 1 brand for international banking¹

Turkey

- Relationship management model and international network coverage as key strengths and differentiators
- Revenues from international customers 3-4 times higher than domestic²

Germany

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

Strategic actions

- Position HSBC France as the international bank of choice for MMEs³ and larger corporates
- Develop an innovative multi-channel proposition for SMEs

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

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

¹ Research undertaken by TNS Sofres between July and November 2010

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

³ Mid-Market Enterprises

Strategic directions and actions

3 GBM Europe: Global connectivity backed by core product capabilities



HSBC position

- 2010 PBT¹ 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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	Best Debt House in CEE²	
	Best Debt House in Turkey²	
	Best Debt House in Spain²	

¹ PBT has not been restated for the transfer of AMG from GBM to RBWM
² 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

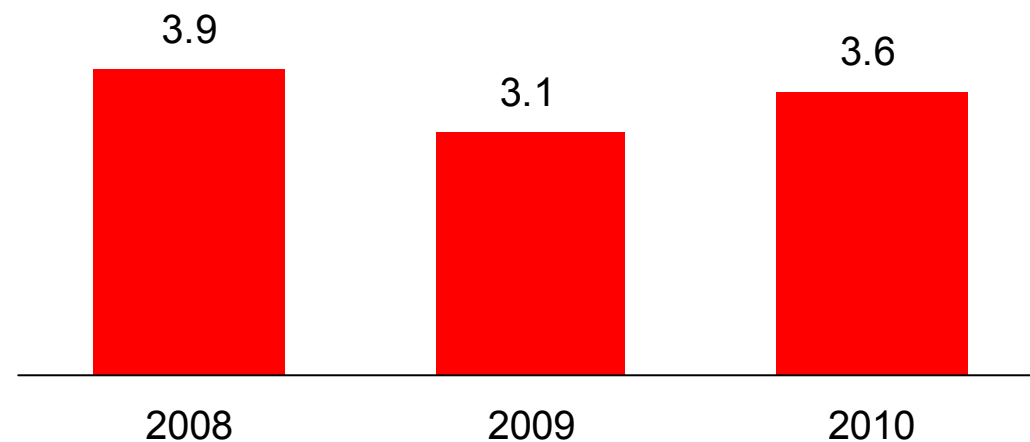


HSBC position

- 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 referrals¹

USDbn



¹ 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"> Exit underperforming businesses (e.g., RBWM in Russia) 	<ul style="list-style-type: none"> 90
Implement consistent Business Models	<ul style="list-style-type: none"> Ongoing Service Delivery operational transformation, and consolidation of UK Credit Card operations Global Banking and Markets workforce optimisation and offshoring initiatives 	<ul style="list-style-type: none"> 90 (2009–10) 50 70- 90
Re-engineer functions	<ul style="list-style-type: none"> Continue UK head office reengineering across businesses and functions Deployment of CMB in Switzerland with front office staff only 	<ul style="list-style-type: none"> 130 (2009–10), 40
Re-engineer processes	<ul style="list-style-type: none"> UK RBWM¹ and CMB have held adjusted costs² flat since 2008 through successful re-engineering of processes Reengineering initiatives within France including stripping out administrative tasks of RBWM and CMB branches 	<ul style="list-style-type: none"> 35
Streamline IT	<ul style="list-style-type: none"> Consolidate systems across UK bank Set-up of Global Service Centers in CEE to handle language diversity in Europe (servicing 16 countries) Centralise data centres across Europe 	

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)



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