

# HSBC Wealth & Personal Banking

**Charlie Nunn**, Wealth & Personal Banking CEO

June 2020



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# Agenda

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Introduction to Wealth & Personal Banking (WPB)

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Three opportunities for WPB

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1) Wealth

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2) International

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3) Digital

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Conclusion

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# Introduction

**Wealth & Personal Banking** provides retail banking and wealth products and services to individuals and small businesses

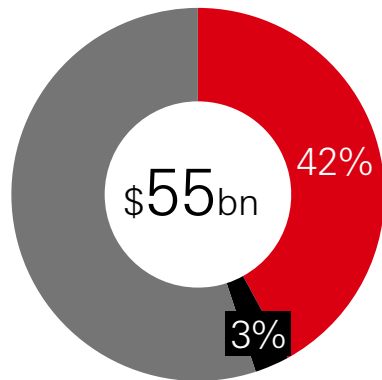
*Retail Banking and Wealth Management (RBWM) and Global Private Banking (GPB) have combined to form WPB*

# An integral part of the HSBC Group

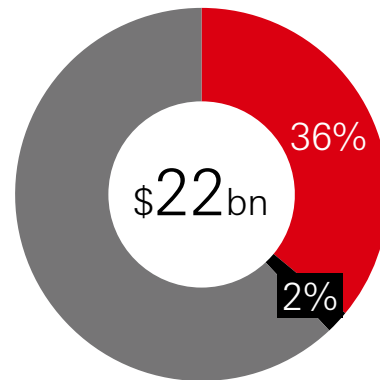
## % of Group

FY19 ■ RBWM ■ GPB ○ Numbers in the pie charts denote total Group

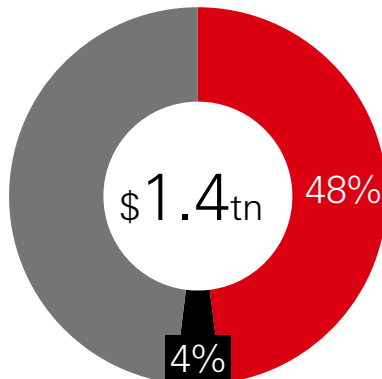
### Adjusted revenue



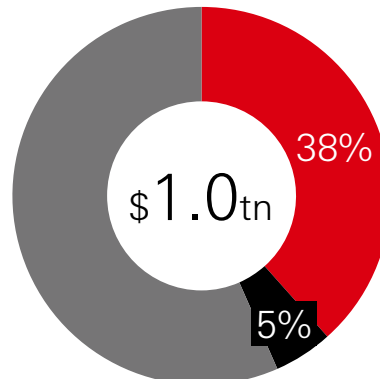
### Adjusted PBT



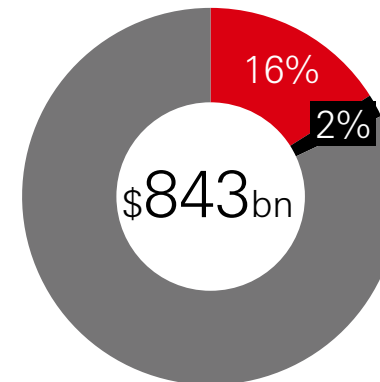
### Deposits



### Customer lending



### RWAs



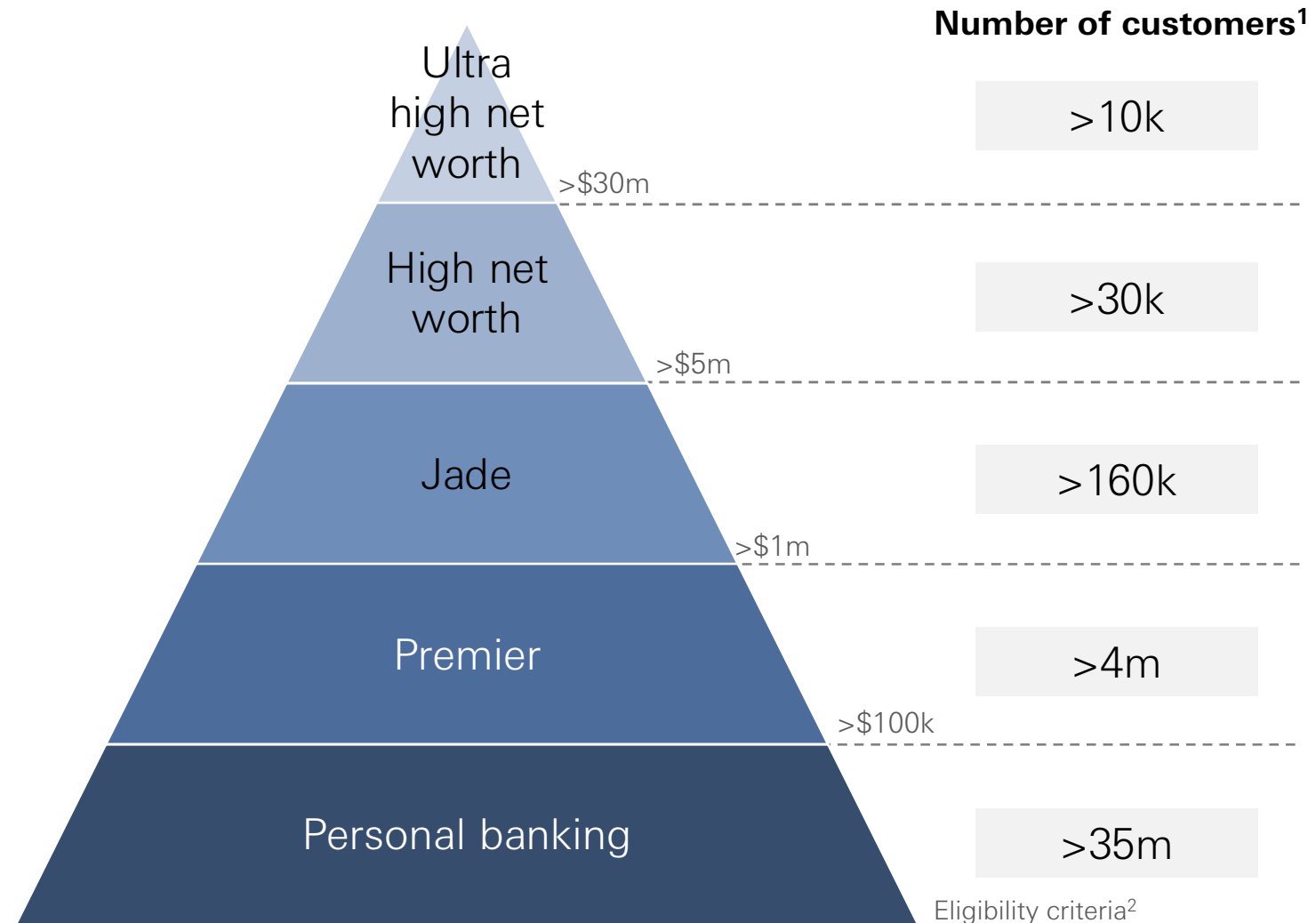
Delivering **accretive returns**

## RoTE

RBWM **20.5%**

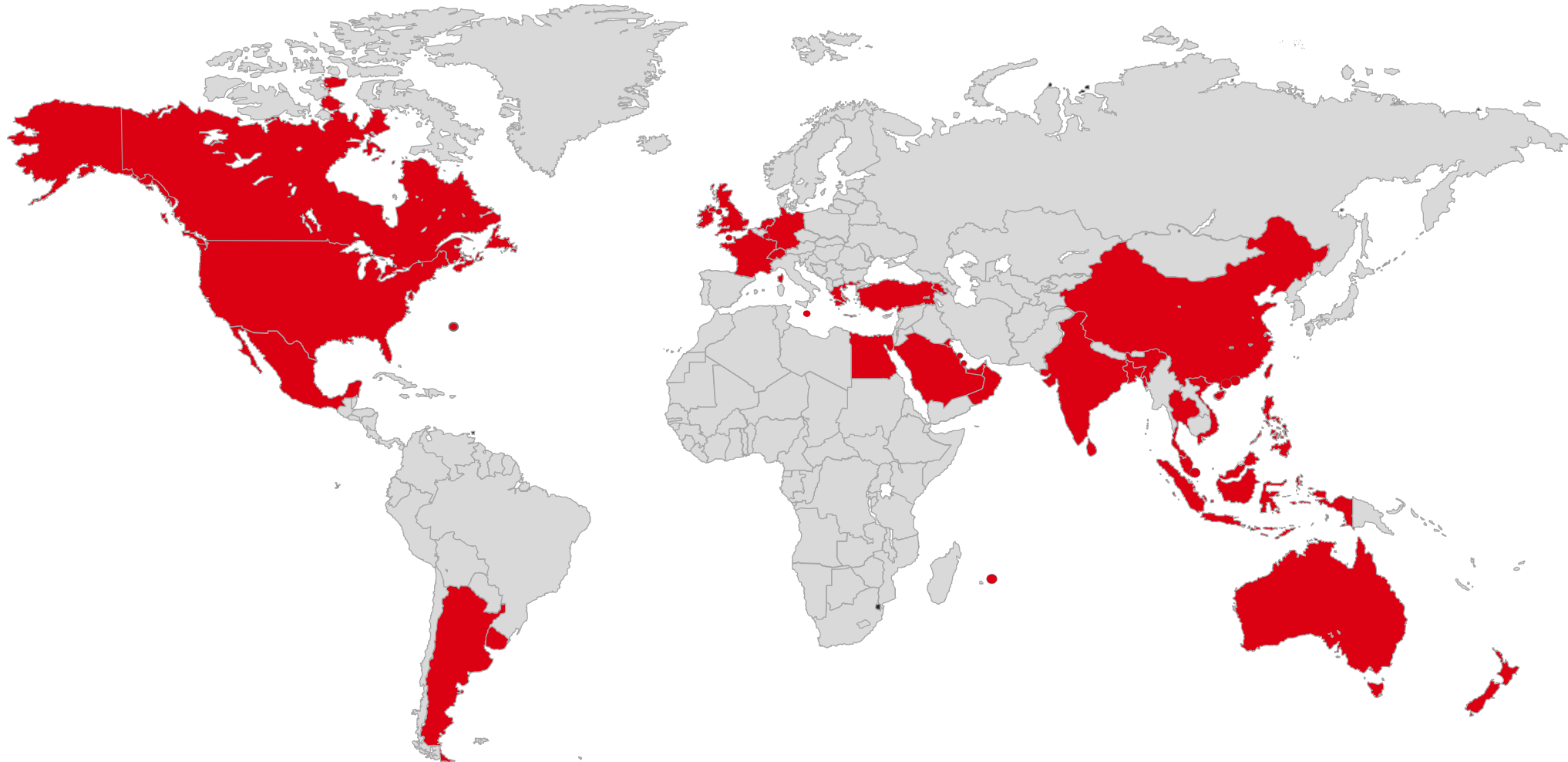
GPB **11.1%**

We serve >39 million customers



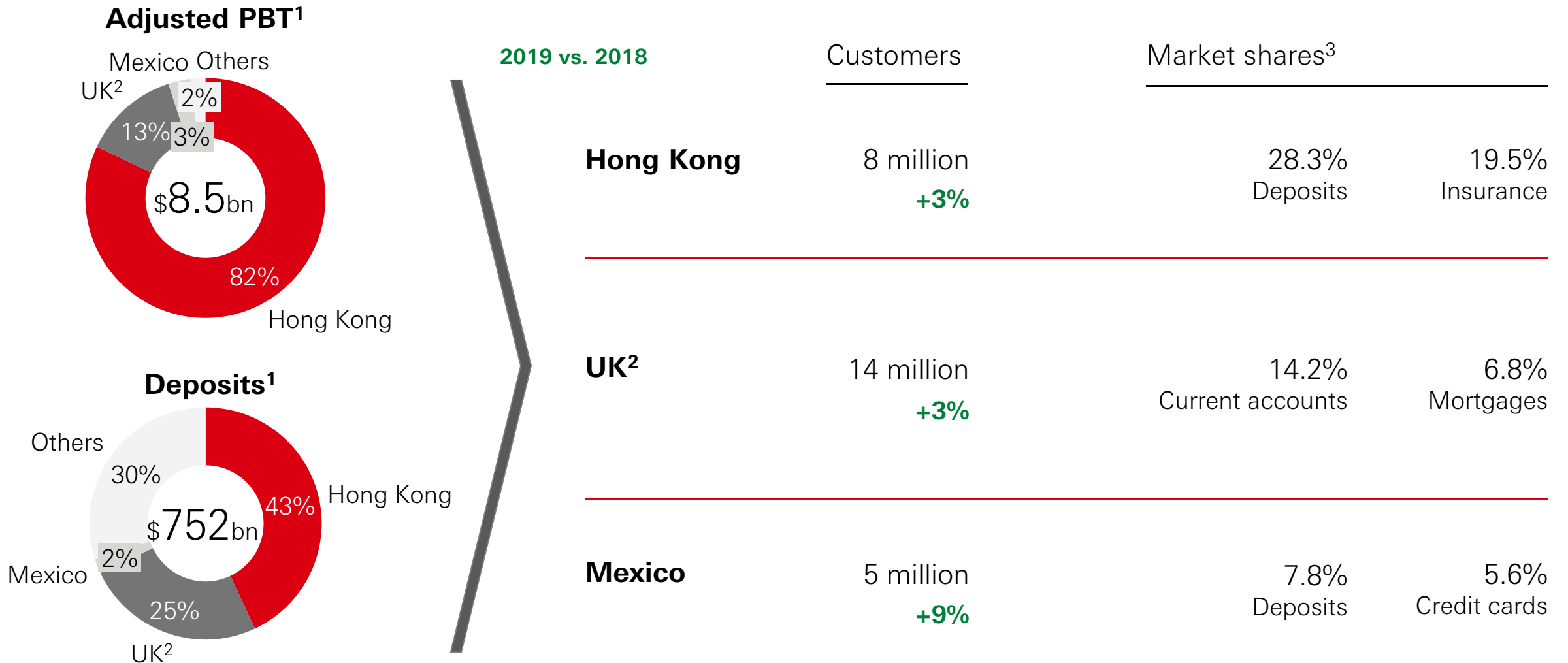
<sup>1</sup> Customer number for personal banking includes Retail Business Banking, PayMe, and Hang Seng customers  
<sup>2</sup> Indicates investable assets, representing indicative eligibility criteria for each tier. Eligibility criteria vary by market.

# Across 37 markets in 5 regions



Excludes Private Bank representative offices and countries with only a Global Asset Management presence. We have a presence in Saudi Arabia through our associate, Saudi British Bank

Anchored by our scale markets, with opportunities to grow in all three



<sup>1</sup> Numbers presented are the sum of FY19 RBWM and FY19 GPB <sup>2</sup> HSBC UK, our UK ring-fenced bank

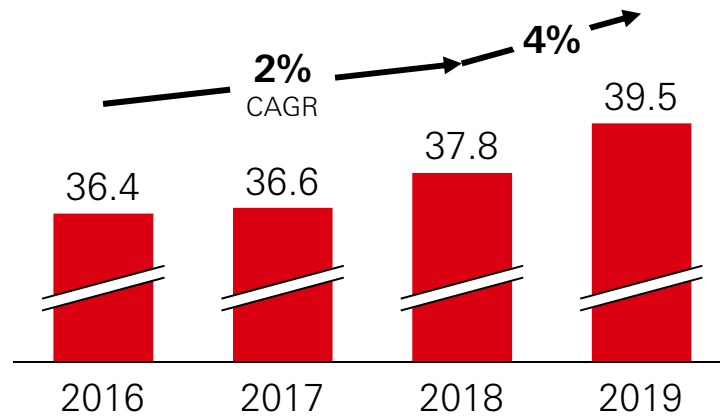
<sup>3</sup> RBWM only unless otherwise stated. Hong Kong deposit market share reflects total bank deposits, source HKMA. Hong Kong Insurance market share is for 1Q20 determined by ANP, source Insurance Authority annual and quarterly statistics.

UK market share sources: current accounts CACI, mortgages the BoE. Mexico market share sources: National Commission of Banking and Securities

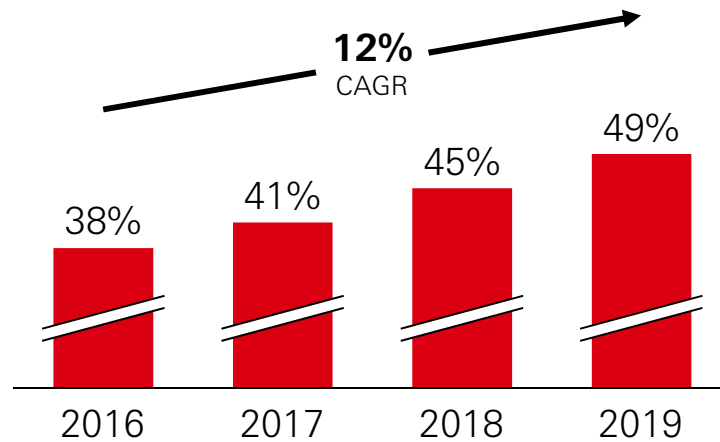


# Delivering franchise growth

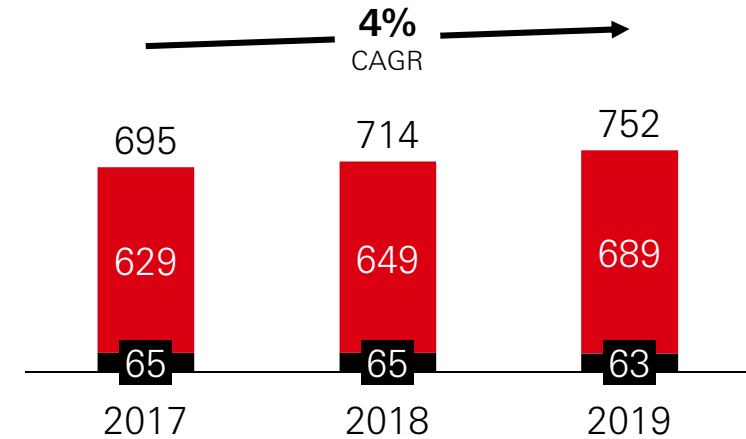
## Active customer numbers<sup>1</sup>, m



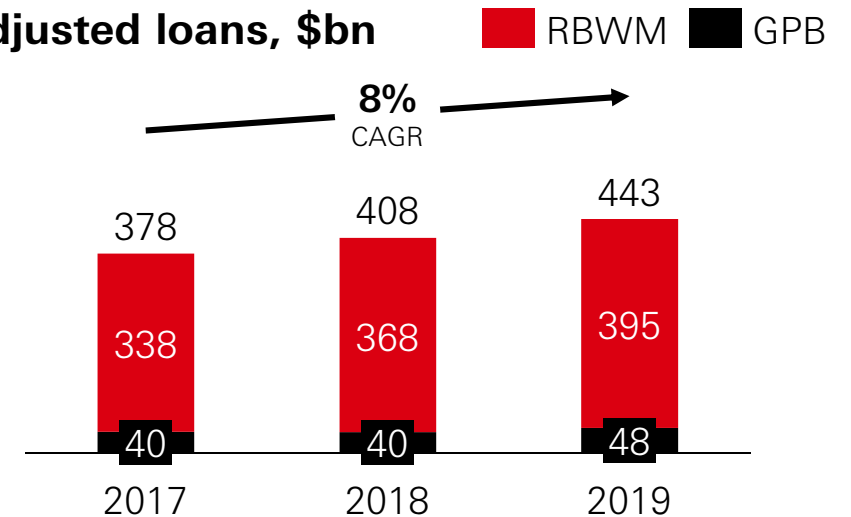
## Digitally active customers<sup>2</sup>, %



## Adjusted deposits, \$bn



## Adjusted loans, \$bn



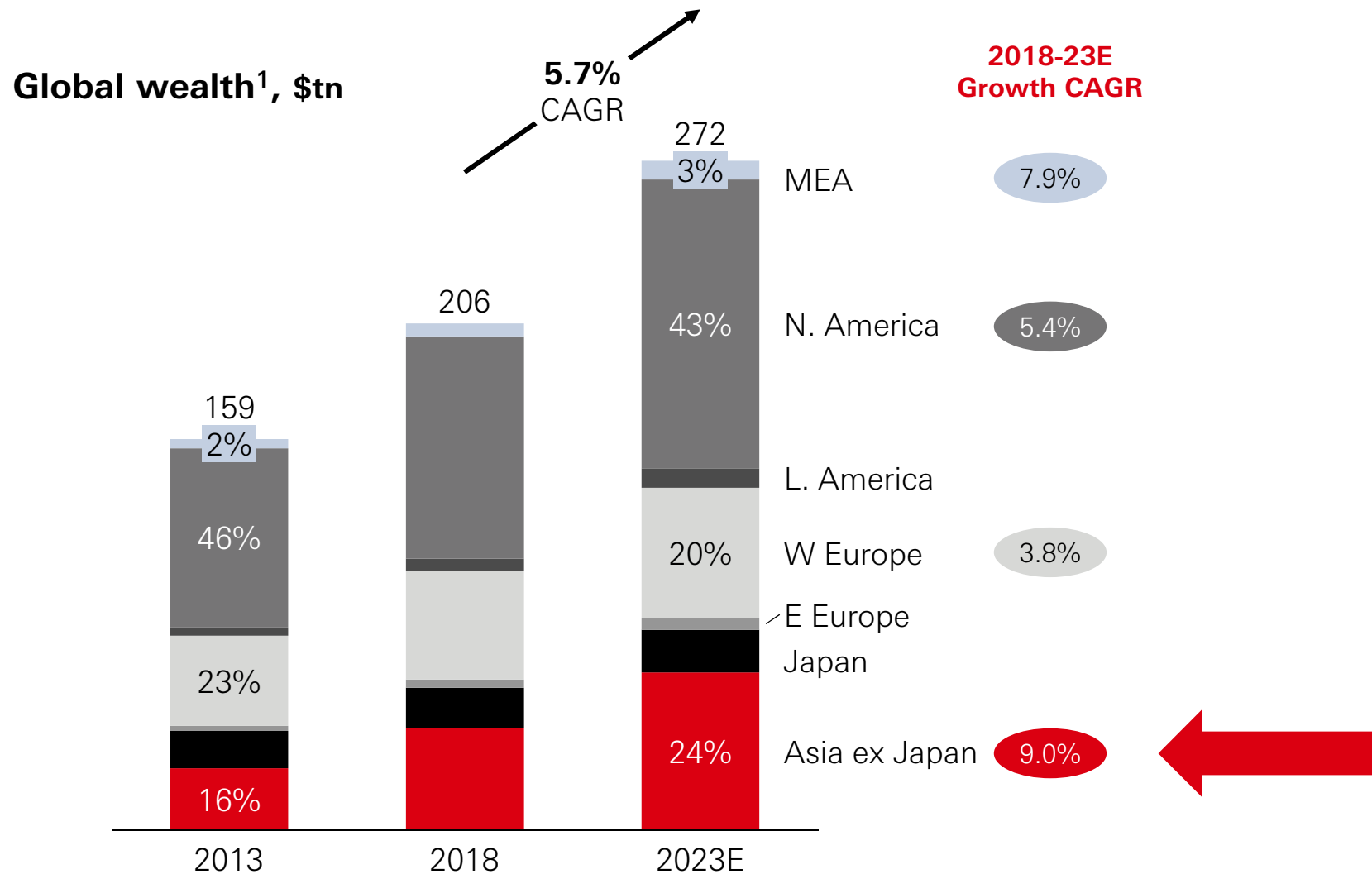
<sup>1</sup> Active customers are defined as customers holding at least one active product satisfying either the transaction (customer has made a financial transaction in the last 12 months) or balance based activity criteria. RBWM only

<sup>2</sup> Digitally active customers are defined as customers using digital banking in the last 90 days. RBWM only

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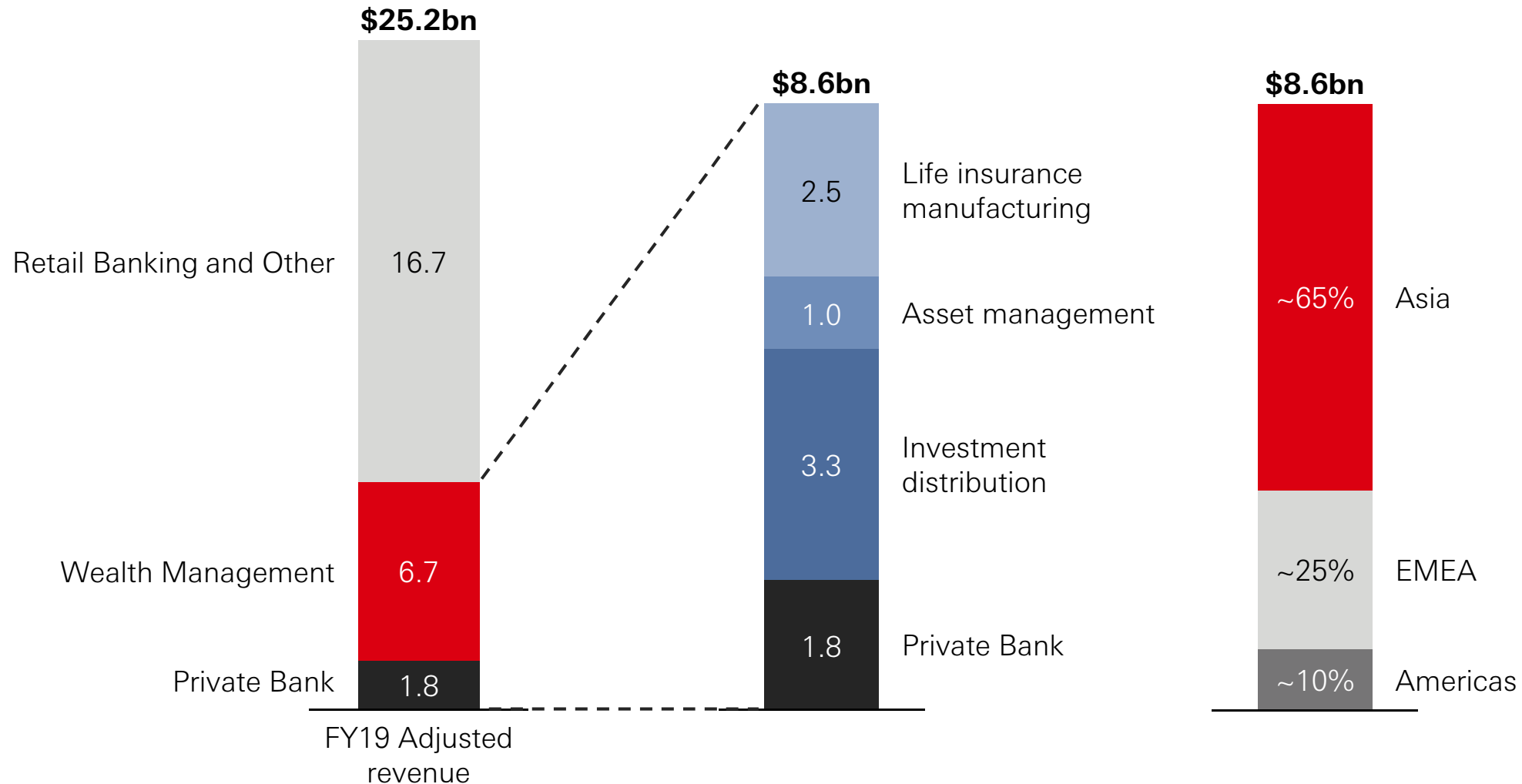
# Wealth

# Asia continues to drive global growth in wealth



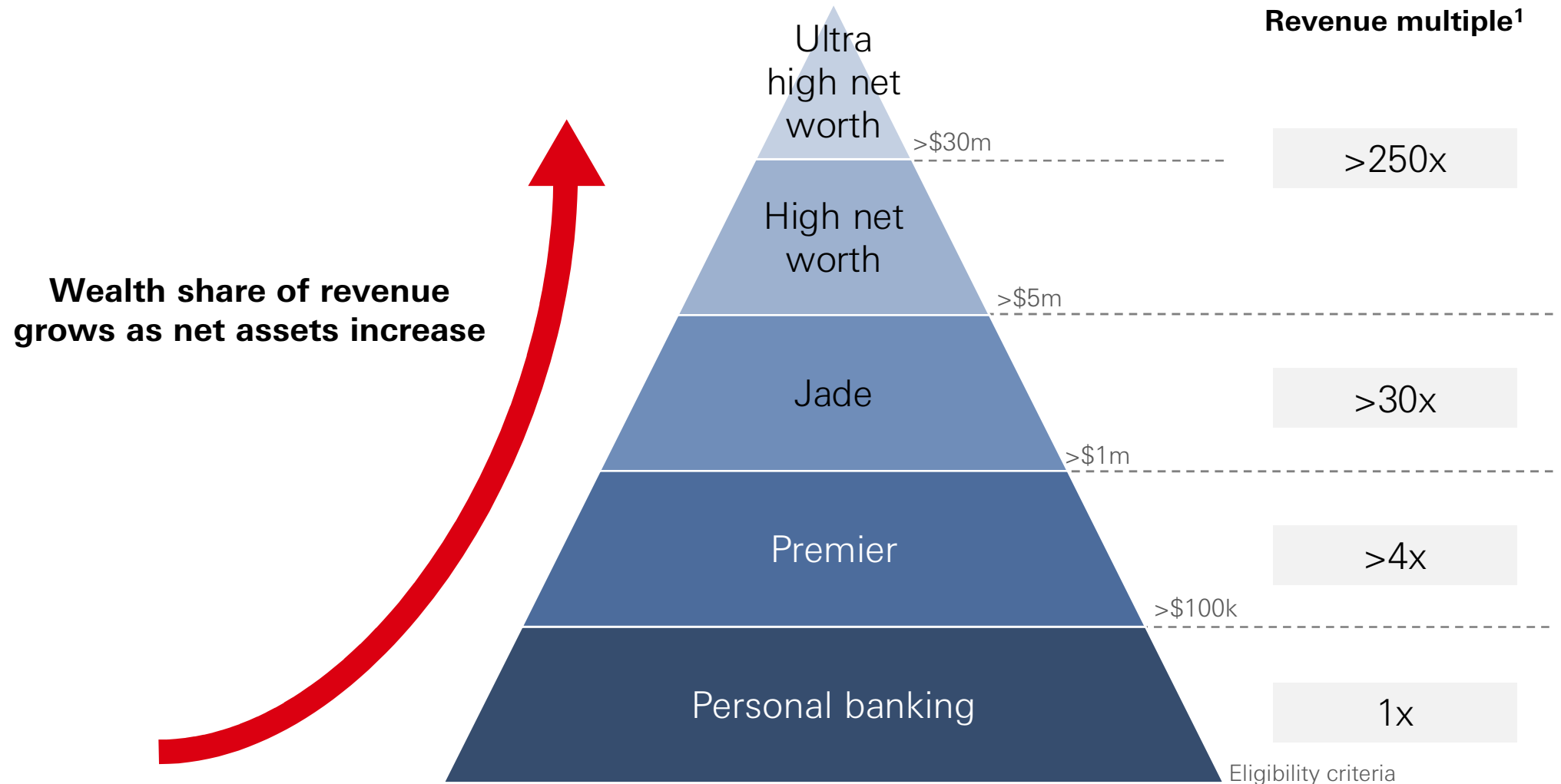
<sup>1</sup> Source: BCG wealth report, 2019. Includes: life insurance and pensions, unlisted equity, other equity, Equity, bonds, investment funds, currency and deposits, and other smaller asset classes. The growth assumptions published in this report may be adversely affected by the impact of the Covid-19 pandemic

# Wealth is a significant contributor to WPB revenue, anchored by our strength in Asia



Note: Premier and Jade deposits of \$428bn are managed as part of Wealth, but the related revenue is reported within Retail Banking and Other. Numbers may not cast due to rounding

# HSBC covers the full spectrum of wealth customers, from mass to UHNW

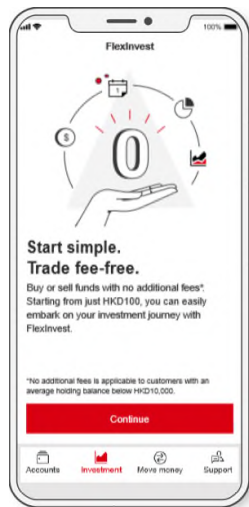


<sup>1</sup> FY19 revenue per customer as a multiple of personal banking customers. Analysis excludes PayMe, Hang Seng, John Lewis and M&S, as well as life insurance manufacturing and asset management revenue. GBP data excludes Private Wealth Solutions revenue, revenue from closed clients and revenue not associated with client relationships

# Personal banking: simple, low-cost wealth solutions accessible to everyone

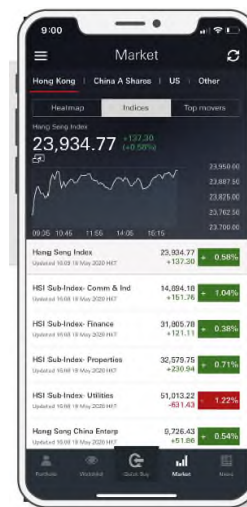
## FlexInvest

- ◆ Start investing in funds with as little as \$15
- ◆ No minimum top-up amount
- ◆ Intuitive, informative digital tools



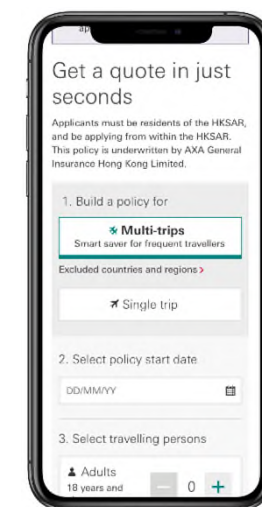
## EasyInvest

- ◆ Trade single-name securities on an execution-only basis
- ◆ Access to markets news and research



## Digital sales of insurance

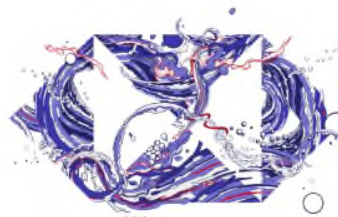
- ◆ Simple, digital-only product sales
- ◆ Wealth products available on a self-directed basis



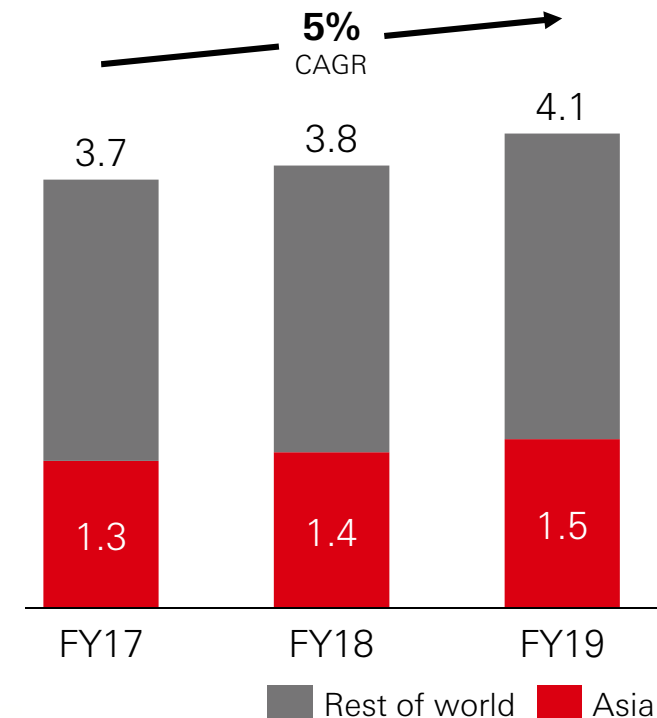
# Premier: a differentiated offering for our mass-affluent customers

## Customer benefits

- ✓ **Access to Relationship Managers**
- ✓ **Global View** and **Global Transfer**, with instant payments between accounts
- ✓ Foreign currency and **cross-border accounts**
- ✓ **Worldwide travel insurance**
- ✓ Access to **selected wealth products and services**, such as:
  - ◆ Financial planning advice
  - ◆ Structured products
  - ◆ Dual-currency investments



## Customer numbers, m



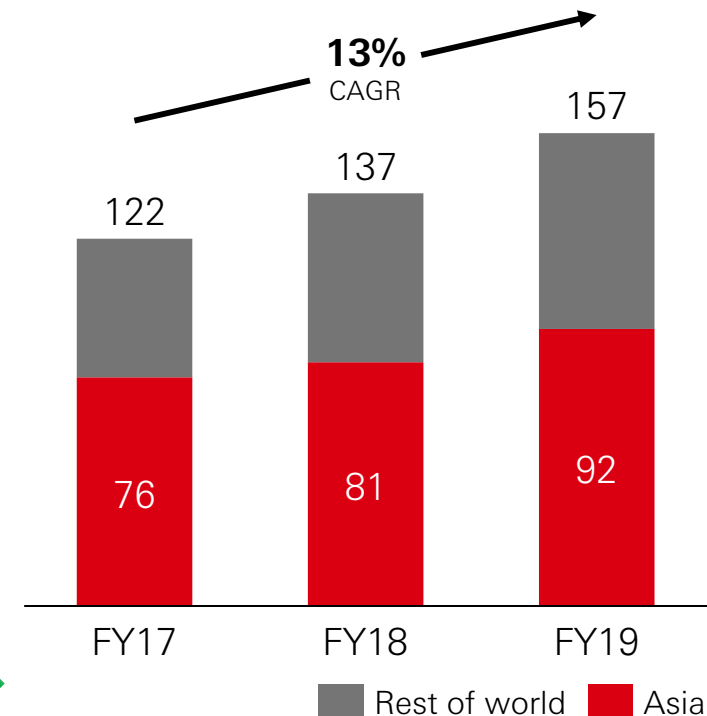
# Jade: a new level of recognition for an underserved customer segment

## All the benefits of Premier, plus:

- ✓ **Specialist Relationship Manager** and dedicated service line
- ✓ **Full portfolio advisory**
- ✓ **24/7 concierge services<sup>1</sup>**
- ✓ Curated Jade **“Enrich List”** experiences
- ✓ **Access to sophisticated wealth products and services**, such as:
  - ◆ Deep portfolio insights powered by Aladdin
  - ◆ Primary market bond issues
  - ◆ Investment and margin financing



## Customer numbers<sup>2</sup>, '000s



<sup>1</sup> Provided by Ten Lifestyle Group

<sup>2</sup> Jade customer growth positively impacted by the roll out of the Jade proposition to new markets, including new to bank and existing customers



# Private Bank: well-positioned to capture the fastest-growing HNW and UHNW segments

We have **privileged access to fast-growing pools of wealth** in Asia and the Middle East

- ◆ A brand backed by **155 years of heritage**
- ◆ **Deep relationships with Asian wealth-creators** through our CMB and GB&M businesses

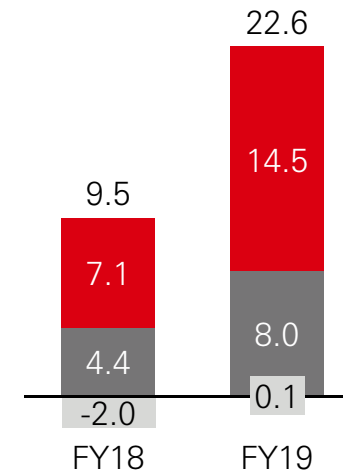
## Presence in key booking centres for Asian and Middle Eastern clients<sup>1</sup>

Channel Islands	Hong Kong
Singapore	Switzerland
UK	US

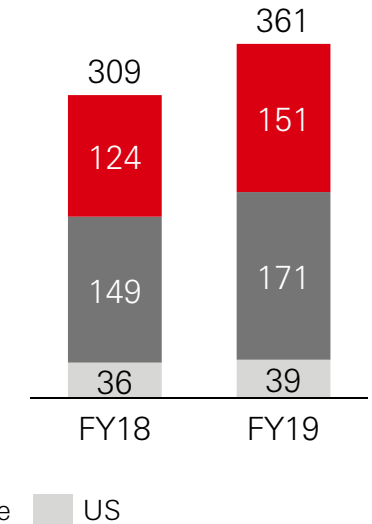
<sup>1</sup> Other booking centres include: China, Taiwan, Luxembourg, France and Germany

## Collaboration-driven growth

### Net new money (NNM), \$bn



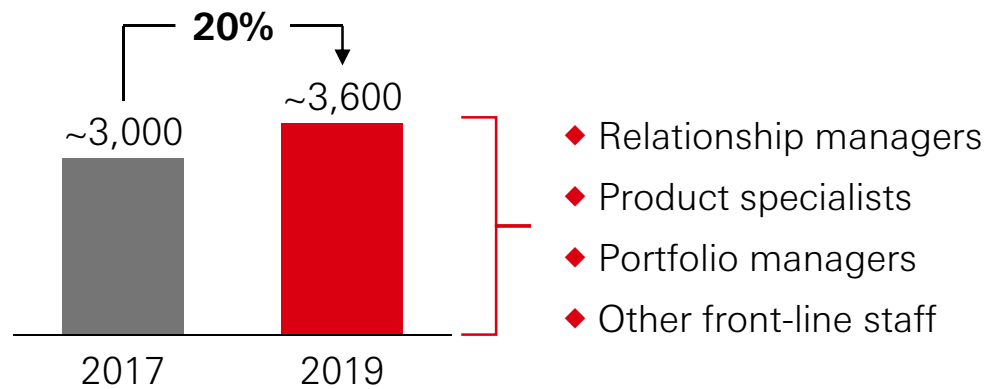
### Client assets, \$bn



In 2019, NNM from collaboration with other businesses was ~\$15bn; up from ~\$9bn in 2018

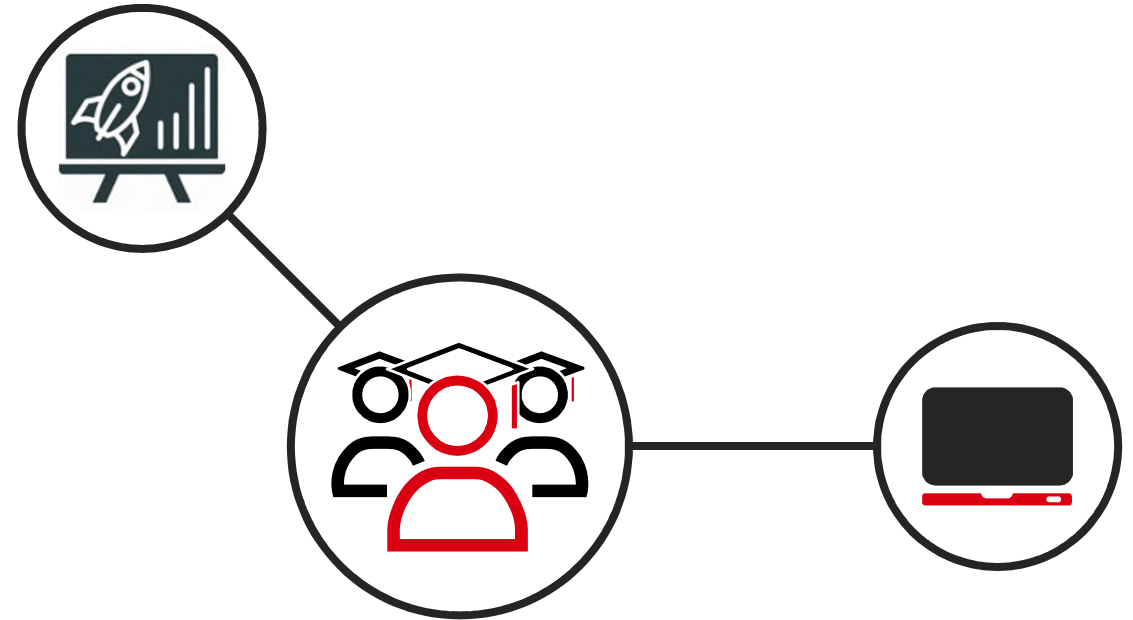
# Investing for growth in our Jade and Private Banking segments

## More front-line staff in Asia



## Investing in skills

- ◆ A bespoke **three year training programme for front-line staff**, designed in partnership with INSEAD
- ◆ Combines online training with in-person learning at INSEAD's campuses in Singapore and Paris



The Business School  
for the World®

# Investing for growth in our Jade and Private Banking segments

## Investing in world-class technology

Our Wealth Portfolio Intelligence Service, powered by Aladdin, enables RMs to provide **deep insights and advice**:

- ◆ Look through all of a client's holdings – mutual funds, insurance products, ETFs and single stocks – and analyse the client's underlying exposures (to single names, currencies, sectors, and regions)
- ◆ Run highly-customisable stress scenarios, such as the impact of Covid-19 and an oil price shock
- ◆ Receive a real-time alert if a client's exposures exceed a pre-agreed risk limit

Portfolio analysis

Today

Financial Health Check

Investment Journey

Rebalance Portfolio

Scenario Analysis

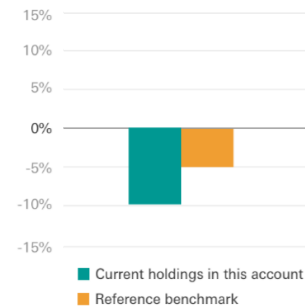
A stress test is a simulation technique used on holdings to determine their reactions to different financial situations.

Global stock market rises by 10%

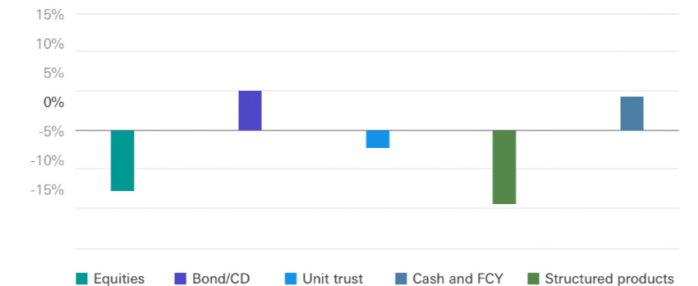
HK stock market drops by 10%

Coronavirus Global Contagion

Overall stress test



Stress test by products



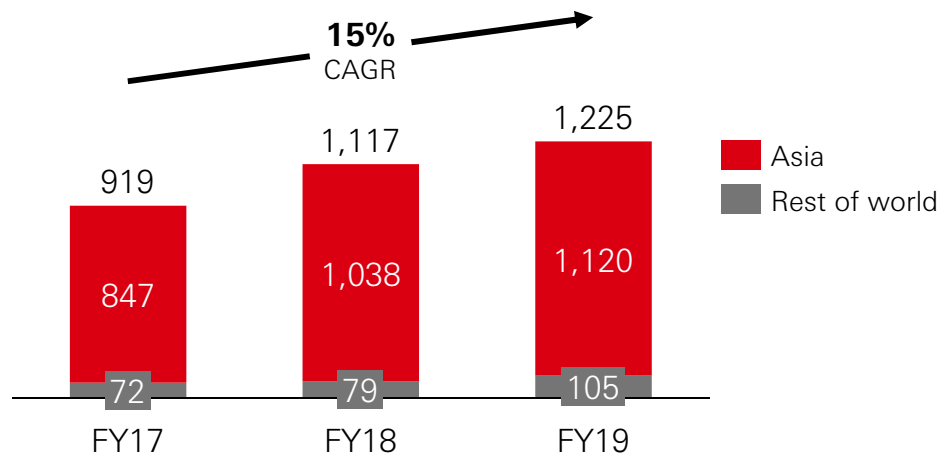
# Insurance and Asset Management: our manufacturing businesses give us control over the value chain

## Insurance

### Growth priorities:

- ◆ Innovate around products: investment and savings insurance; protection and health
- ◆ Build and grow in Hong Kong
- ◆ Accelerate growth in China, India, Singapore, Mexico and UK

### Value of new business (VNB), \$bn

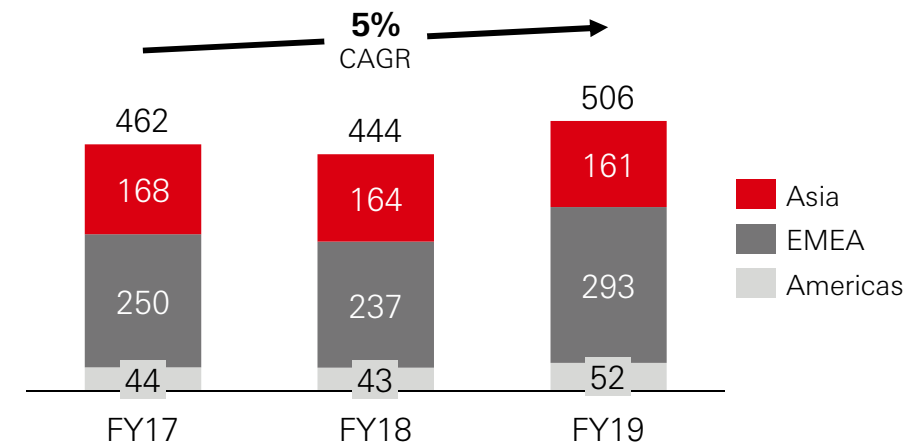


## Global Asset Management

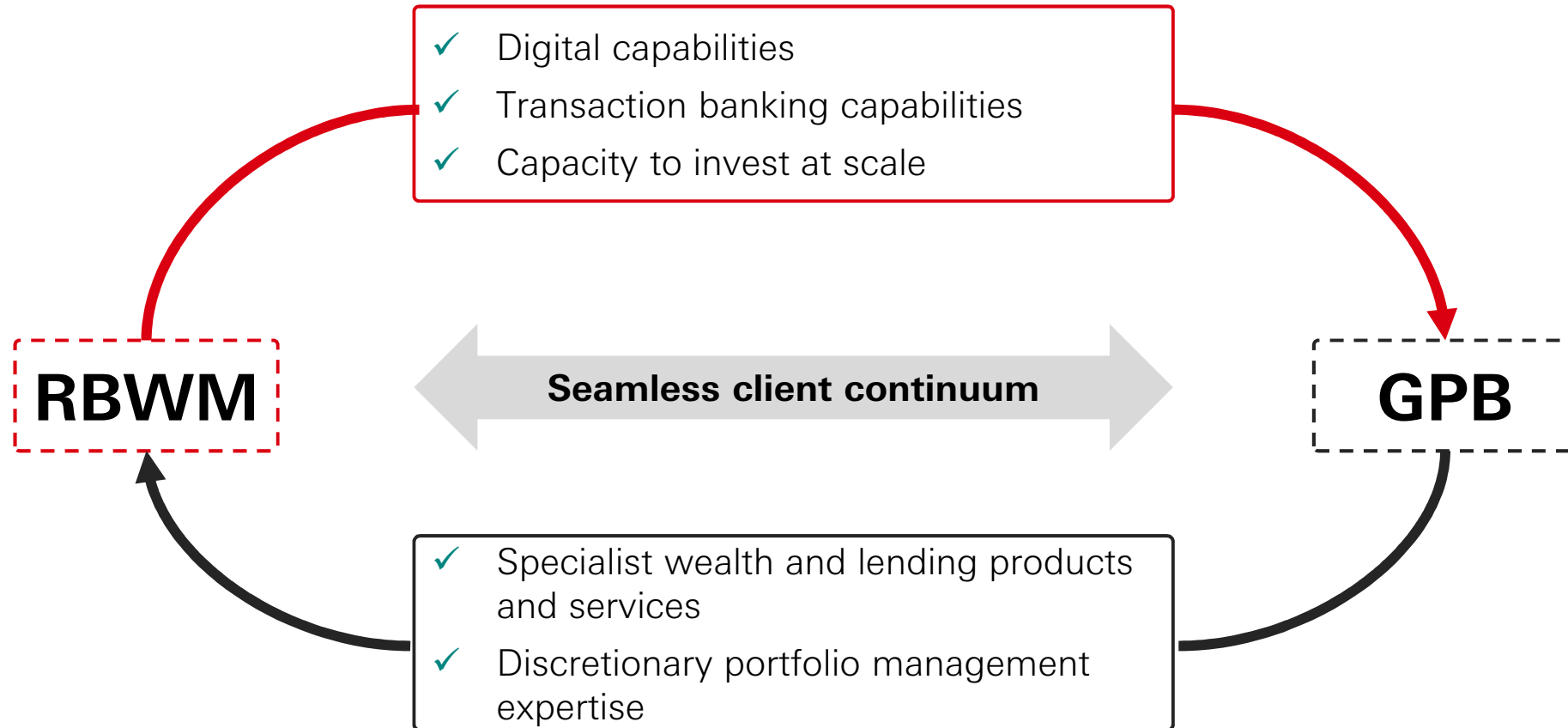
### Growth priorities:

- ◆ Customers: Wealth and private banking customers; Institutional clients, including insurers, pension funds, sovereign wealth funds; and corporate treasurers
- ◆ Products where we have specialist expertise: Wealth solutions; Emerging Markets, alternative investments and ESG; and liquidity products

### Assets under management, \$bn



# Merging the strengths of RBWM and GPB for the benefit of customers



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# International

# Positioned to be the international bank of choice

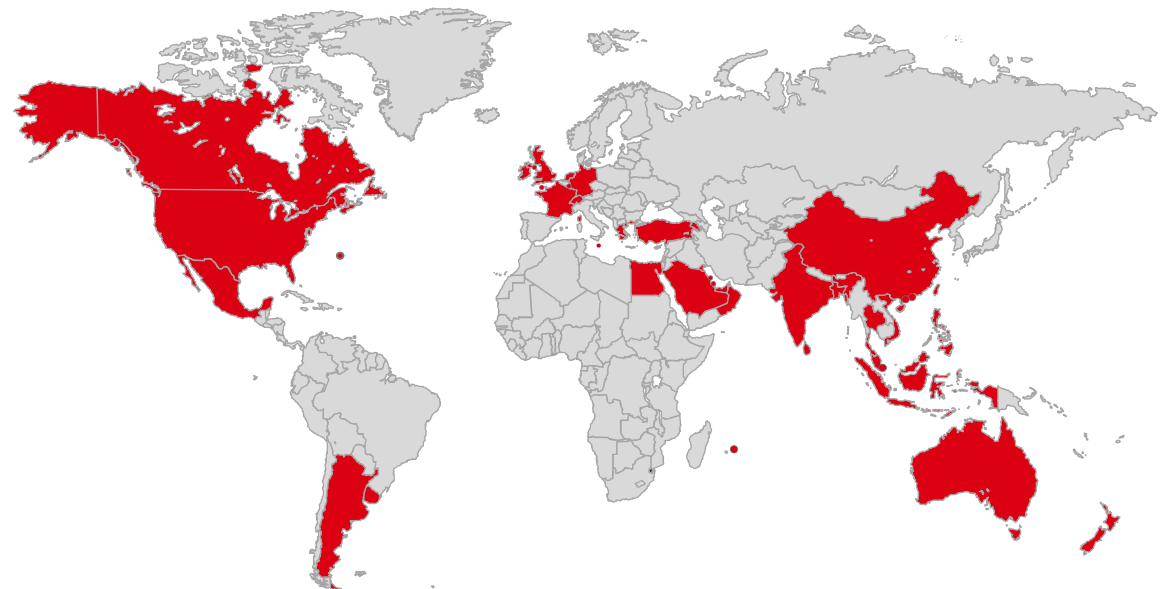
## Key diasporas for HSBC

- ◆ Overseas Chinese
- ◆ Overseas Indian
- ◆ Western expats

## Markets they move to or have banking needs in

Australia	Singapore
Canada	Switzerland
Channel Islands	UAE
Hong Kong	US
Malaysia	UK

**77% of the world's 85m mass affluent international customers are within our footprint<sup>1</sup>**



Our unique offering meets the complex needs of international customers, enabled by digital tools



### **Cross-border account opening**

Open an account in another country without leaving home



### **Global view and Global transfer**

View your accounts worldwide in one screen and transfer money instantly



### **International credit score**

Get a local mortgage and credit card without a local credit history



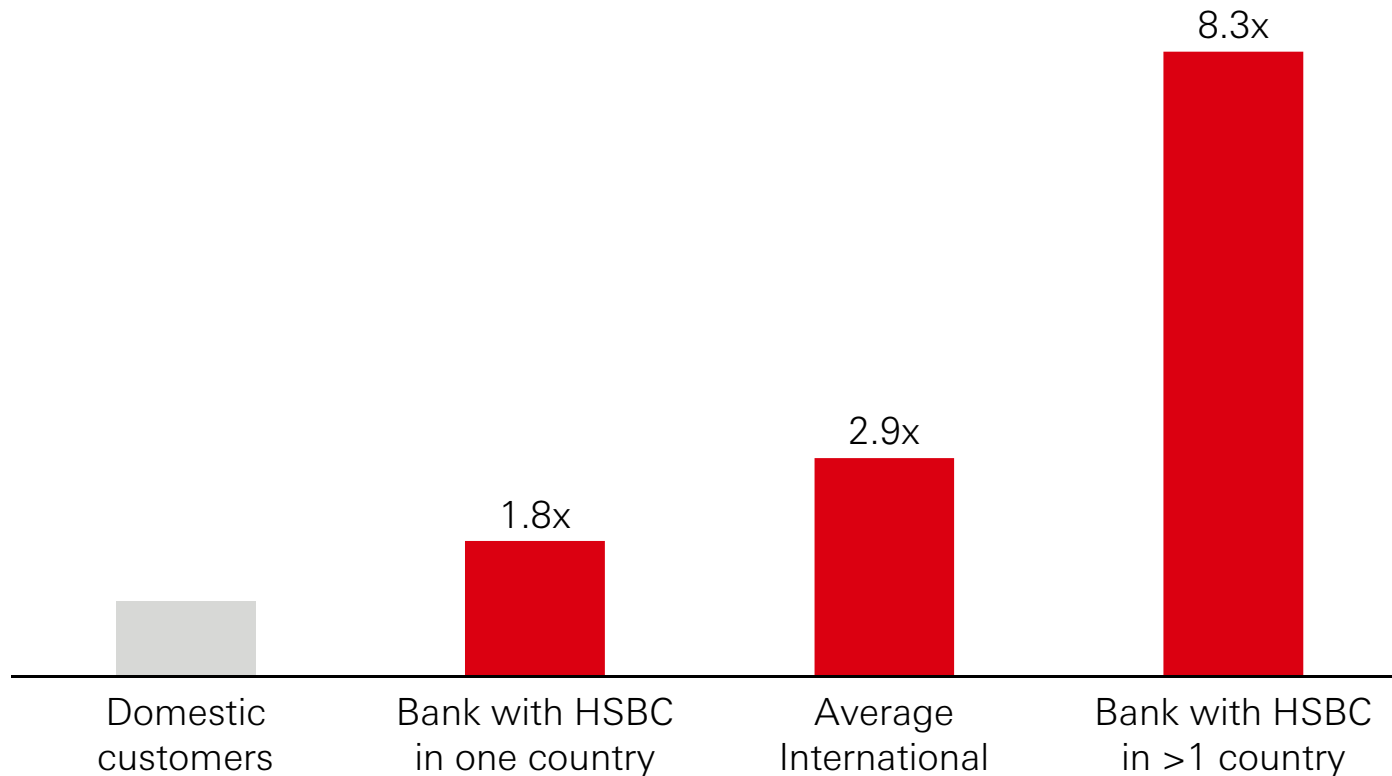
### **Wealth and FX solutions**

Specifically tailored to international customers



Because of their relatively greater affluence and more complex banking needs, international customers generate more revenue per customer

### Revenue per customer vs. domestic<sup>1</sup>



#### Opportunity

~40% of our international customers<sup>2</sup> have banking needs elsewhere in our footprint, but only bank with us in one country

<sup>1</sup> Analysis of our top 11 International markets: Australia, Canada, Channel Islands and Isle of Man, mainland China, Hong Kong (excl. Hang Seng), India, Malaysia, Singapore, the UAE, the UK and the US. RBWM only, excluding life insurance manufacturing and asset management revenue

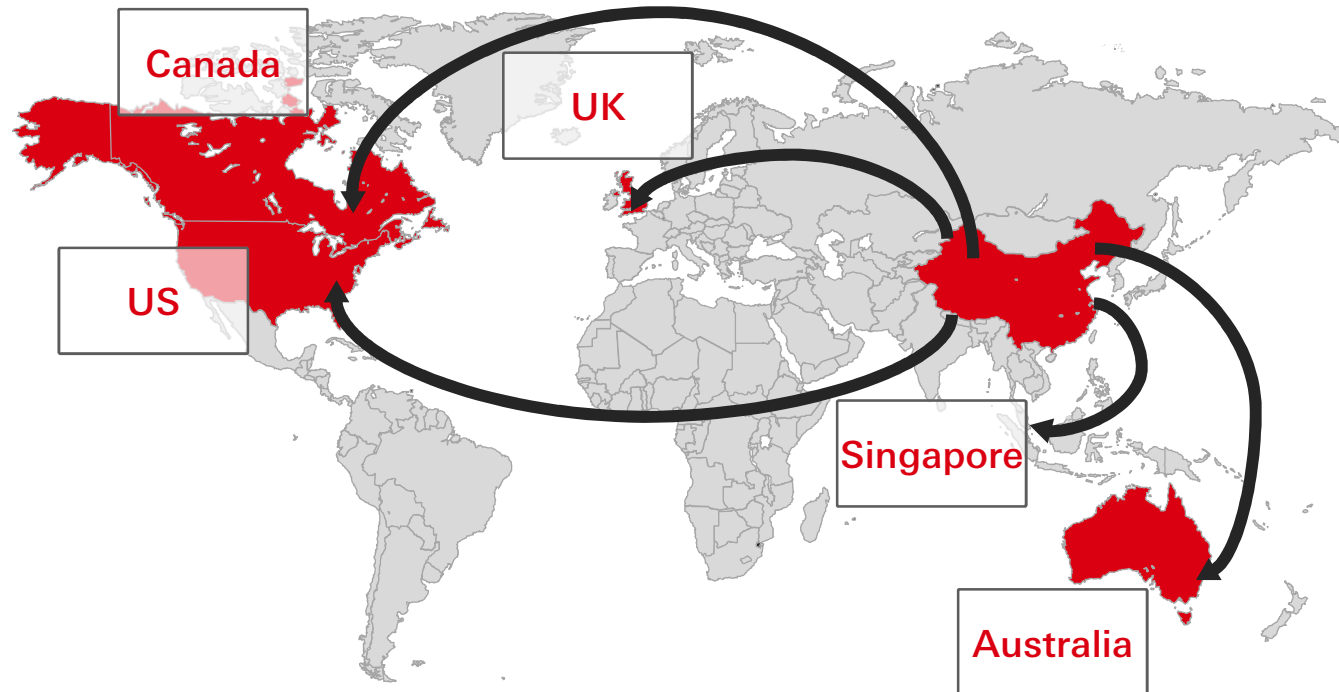
<sup>2</sup> International customers are those that: have banking needs in more than one market; are non-resident, with an address that is different to the market they bank in; or are a resident foreigner, whose nationality is different to the market they bank in

# Case Study: Overseas Chinese

With >35m overseas, Chinese are the world's largest diaspora

## Markets Overseas Chinese move to or have banking needs in

With banking needs typically orchestrated from Hong Kong



1 Source: US National Travel and Tourism Office, 2019

2 Source: U.S. Travel Association, China international inbound travel market profile, 2018

3 Source: Hurun Chinese Luxury Consumer Survey 2020

4 Source: Institute of International Education: Project Atlas, Global Mobility Trends, 2019

5 Source: Knight Frank, 2020

6 Source: Statista, using the top 22 countries with the largest number of overseas Chinese, 2012

## Core activities

### Travel

~3m Chinese tourists visit the US<sup>1</sup> and spend an average of \$6,500 per person<sup>2</sup>

### Invest

Chinese HNW individuals are currently putting 12.5% of their wealth into overseas assets<sup>3</sup>

### Overseas university education

China has 847,000 students studying abroad<sup>4</sup>

### Purchase overseas properties

In the UK, Chinese accounted for 13.4% of international house purchases valued >£1 million<sup>5</sup>

### Emigrate

>35m overseas Chinese<sup>6</sup>, with ~21m in our top 11 markets

# Case study: International students

We meet both parents' and students' needs throughout the overseas education life cycle

## Parents

**We make paying foreign tuition fees easy**

- ✓ Select the university and **pay the tuition fees through our mobile app**
- ✓ We handle all **FX and foreign exchange controls**



**Simplifying foreign property acquisition**

- ✓ Customers in Asia have access to **Mandarin-speaking mortgage and property advisors in the US**
- ✓ Loans underwritten on the basis of parents' **home market credit score**

## Students

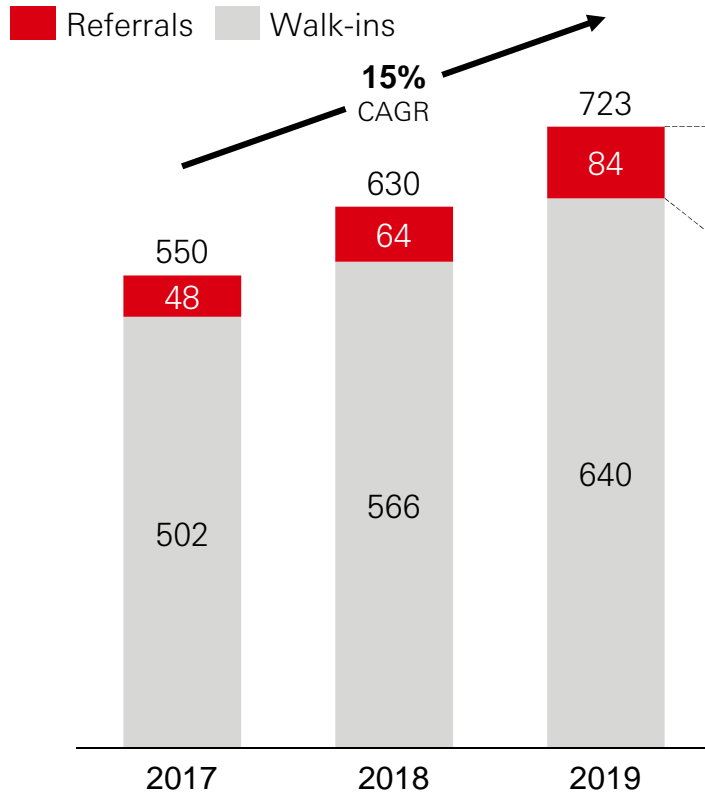
- ✓ **Summer camps and bespoke tours** of elite international universities
- ✓ **Student pre-departure events**, such as advice from admission councillors and networking events
- ✓ **Local bank account and credit card** ready when you arrive



# Our focus on international has driven growth, with the potential to accelerate

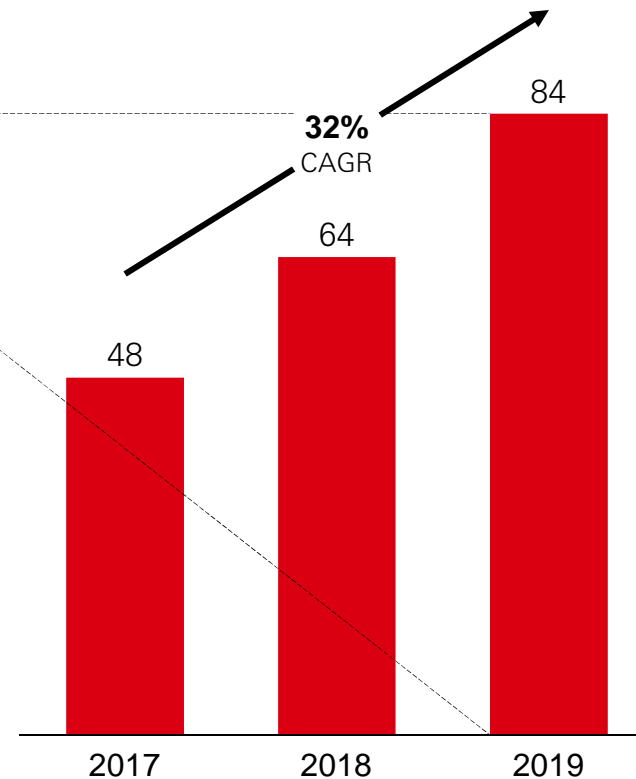
## New to bank international customers<sup>1</sup>

Number of customers, '000



## Proactive referrals across corridors

Number of customers, '000



### Driving increasing new to bank customers through:

- ◆ Product design
- ◆ Digital and cross-border acquisition
- ◆ Enabling all our front line staff to talk to our international offering
- ◆ Collaboration with other global businesses, particularly Global Banking

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# Digital

# Our bank in your pocket

## Vision



**Mobile centred banking**, supported by the expertise of our people



**Improved customer satisfaction**

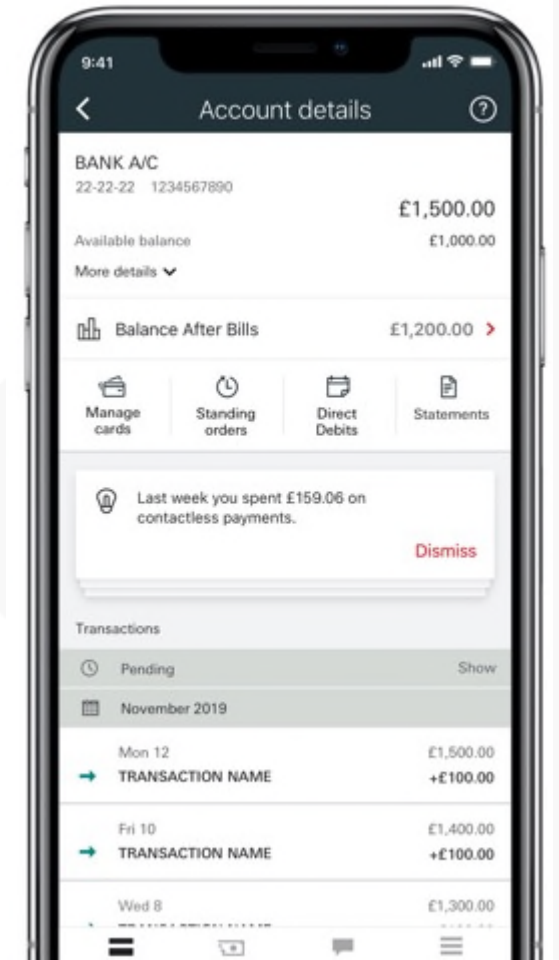
## Outcomes



**Scalable growth**



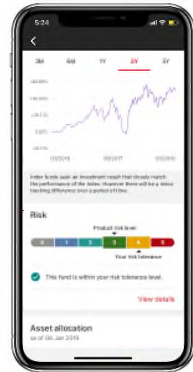
**Lower cost to serve**



We offer our customers state of the art digital functionality



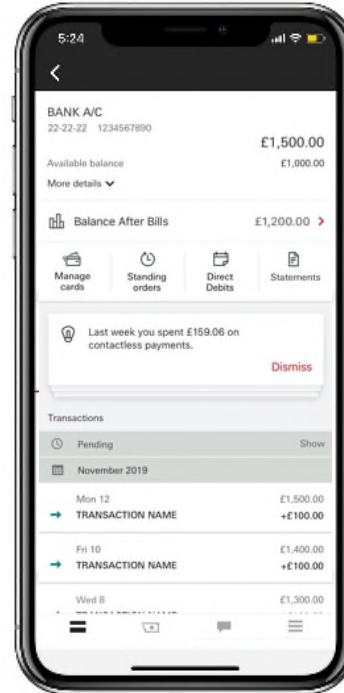
Our HK digital wallet  
>2m users  
70% market share of  
P2P payments<sup>1</sup>



### FlexInvest

Wealth made easy.  
Start with as little as \$15

## Mobile App



4.7★  
HK

4.8★  
UK

Our flagship  
banking app



**EasyInvest**  
Online equities  
trading for more  
sophisticated  
investors



### Live Connect

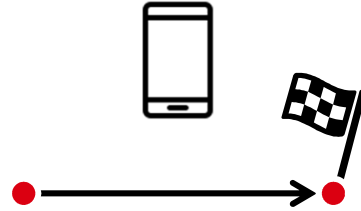
Video conferencing  
with a Wealth or  
Mortgage advisor

# Increasingly sophisticated services, entirely on mobile



## Virtual card sent directly into your digital wallet

Instantly provides customers with their card details, enabling them to start transacting digitally



## Fully mobile new-to-bank account opening

From selfie to new account in minutes



## Global view and global transfer

View your global accounts and instantly transfer between them



## Advised wealth and insurance sales

The same level of advice and service you would get in branch, on your mobile



# Digital creates new opportunities to serve our customers



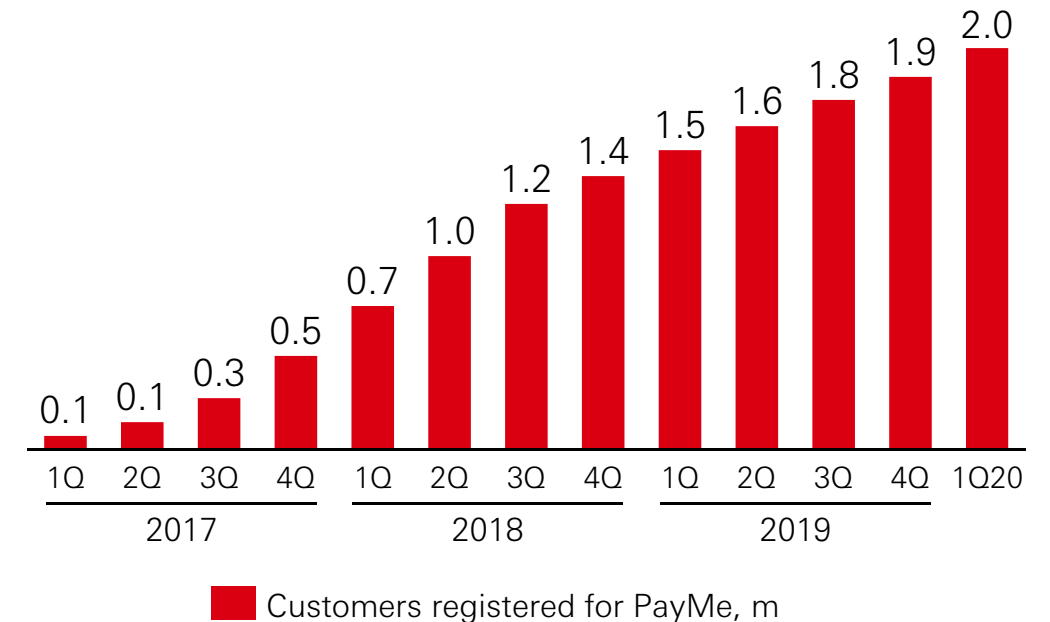
**Over 2m  
customers**

**70% market  
share<sup>1</sup>**

of person to person  
payments

**2.9m P2M  
transactions<sup>2</sup>**

- ◆ PayMe is our **digital wallet**, launched in 2017
- ◆ Can be topped up from **any bank account or credit card**
- ◆ **Instant peer-to-peer transfers** with just a phone number
- ◆ **Person-to-merchant (P2M)** launched in March 2019

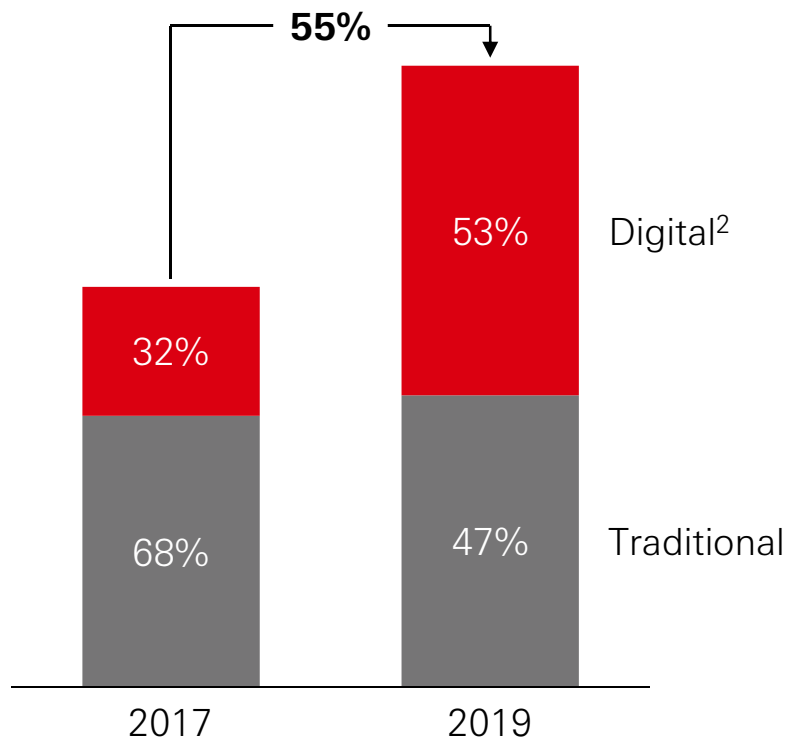


<sup>1</sup> 70% of peer-to-peer transactions by value during 4Q19

<sup>2</sup> Cumulative transactions from launch to end-May

# Digital investments have enabled us to grow faster with a lower cost of acquisition

## UK product sales<sup>1</sup> by channel



### Hong Kong: Credit cards

Applications can be completed in **less than 5 minutes**

### UK: End-to-end digital loan sales

**80%** of loan sales were fulfilled digitally end-to-end in 2019, growing at a **30% CAGR** since 2017

### Mexico: Payroll lending

Applications can be completed in **under 6 minutes**

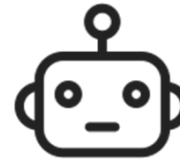
<sup>1</sup> HSBC UK product sales of current accounts, personal loans, credit cards and savings account; excludes first direct, M&S Bank and John Lewis Financial Services

<sup>2</sup> Includes assisted digital sales

Merging human and digital channels to help customers get the help they need more quickly, at a lower cost to serve



Customers begin a conversation in Mobile X



AI answers the simplest questions immediately and can manage up to 51%<sup>1</sup> of incoming chat volume



More complex problems are handed off to a frontline colleague

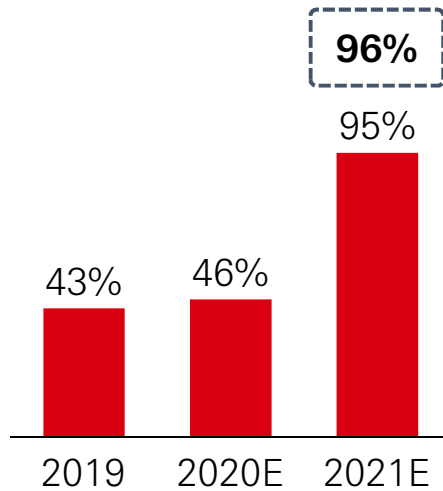
**89%**  
**customer satisfaction<sup>2</sup>**

<sup>1</sup> 51% of chat volumes contained by chatbots over February 2020 in Hong Kong. RBWM only

<sup>2</sup> 89% of UK customers gave a satisfaction rating of 4/5 or 5/5 after chatting to our in-app chatbot, January – March 2020. RBWM only

# Standardising our digital infrastructure to enable 'build once, deploy everywhere' and achieve global economies of scale

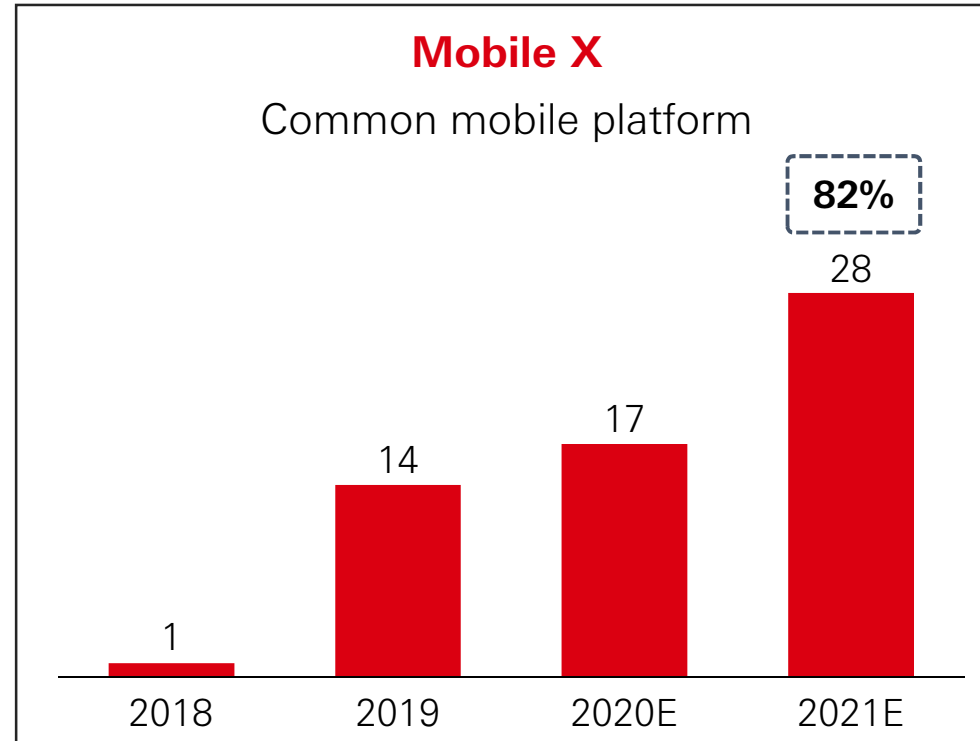
Common global security platform



■ % of markets

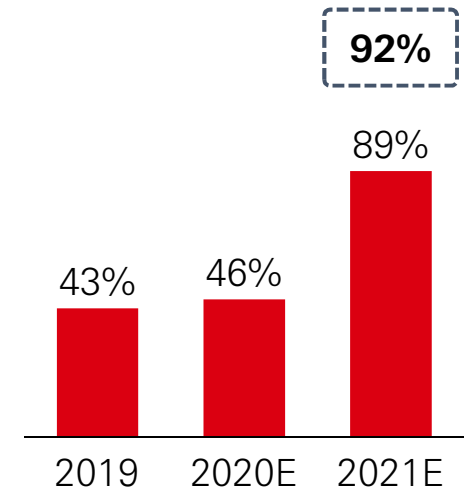
## Mobile X

Common mobile platform



■ number of markets    □ % of global customer base in deployment markets in 2021

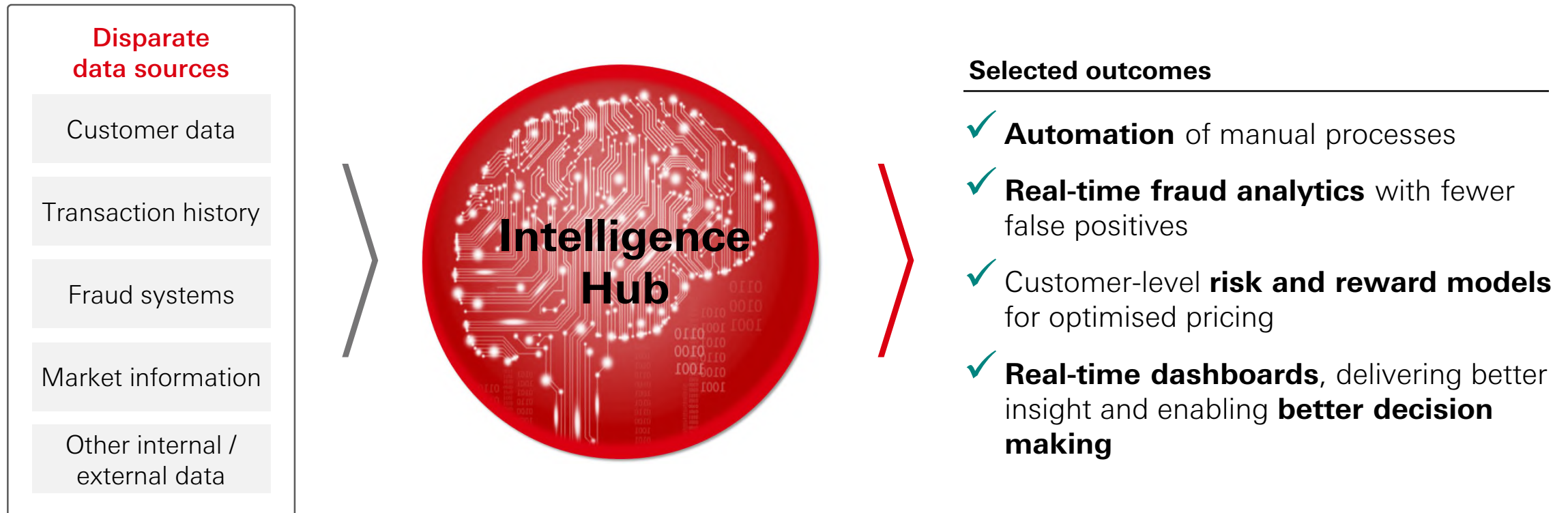
Common next-generation online banking platform



■ % of markets

Planned completion of accelerated rollout of **global strategic platforms** by 2021

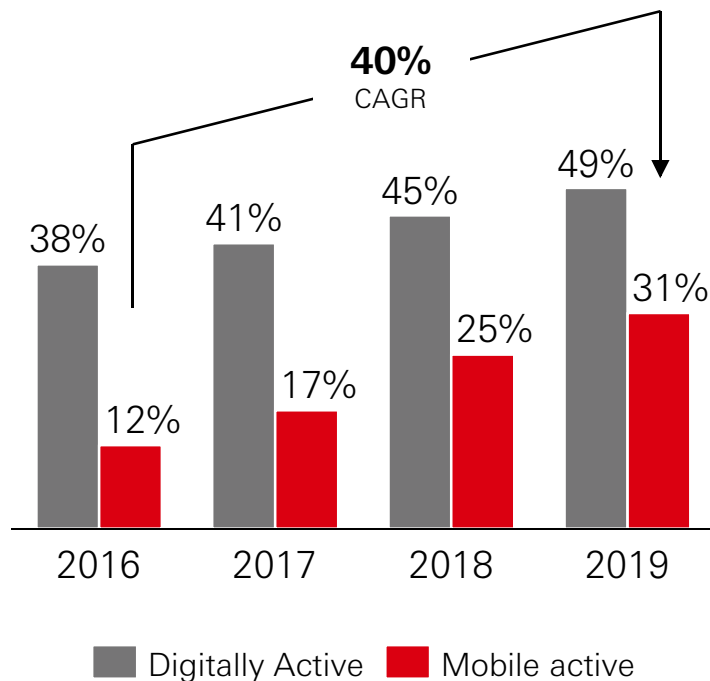
# Intelligence Hub, our real-time data analytics platform: enabling personalisation, automation and improved risk management



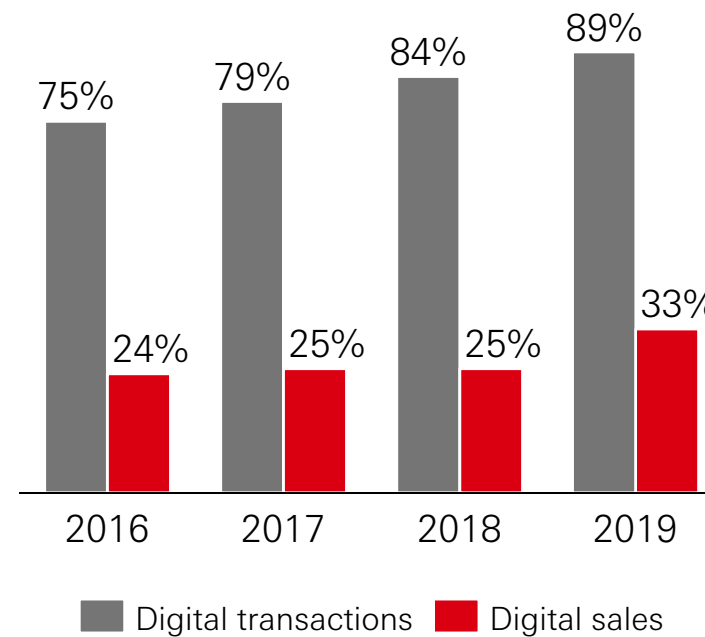
**Customer trust underpinned by consent and responsible use of their data**

# Convenience is driving increasing use of digital channels

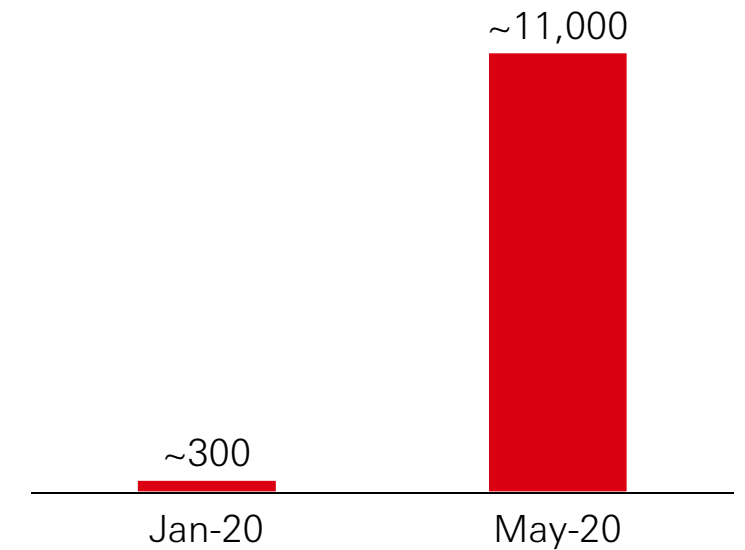
## Digital / mobile active customers<sup>1</sup>, %



## Digital transactions / retail sales<sup>2</sup>, %



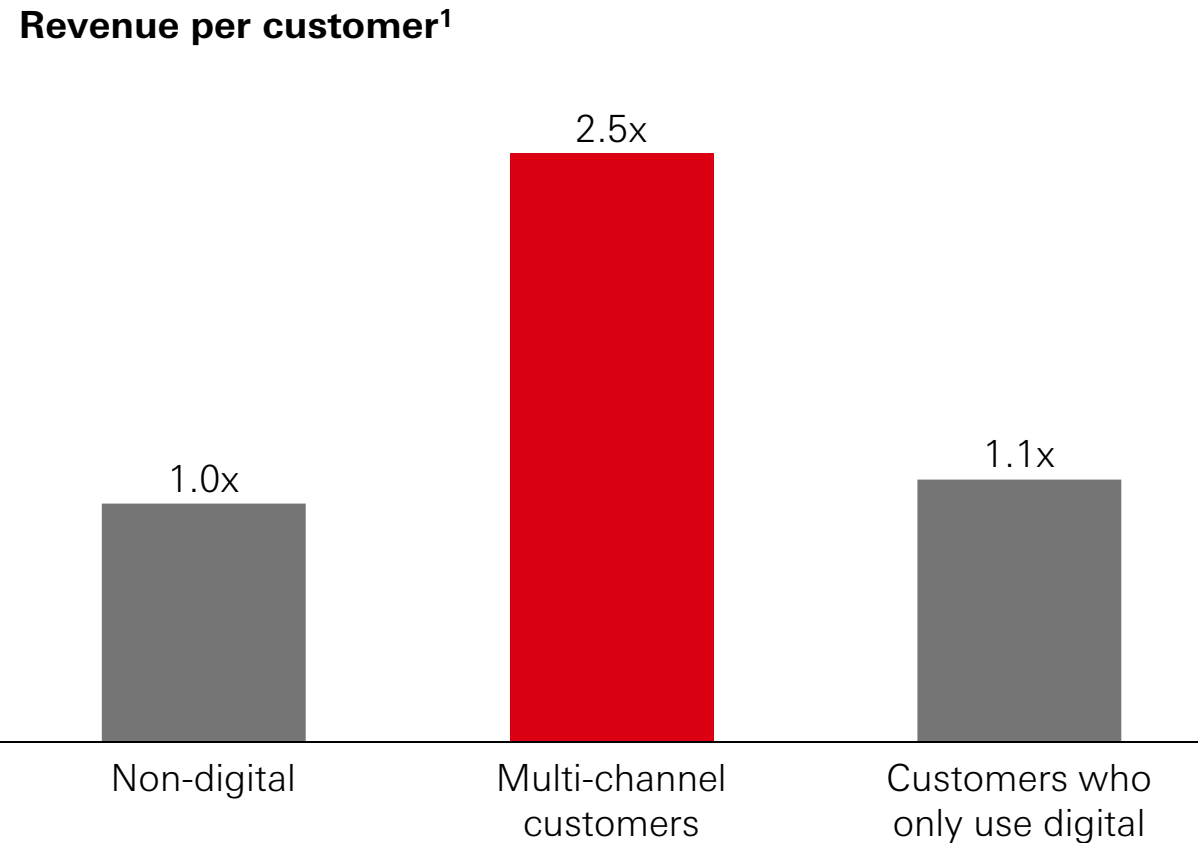
## VC enabled front-line colleagues



1 Digital active: Customers using digital banking in last 90 days; Mobile active: Customers using mobile app in last 30 days. RBWM only

2 Digital retail sales include current accounts, savings accounts, cards, loans, overdrafts and mortgages. RBWM only

# Our most valuable customers use both digital and physical channels

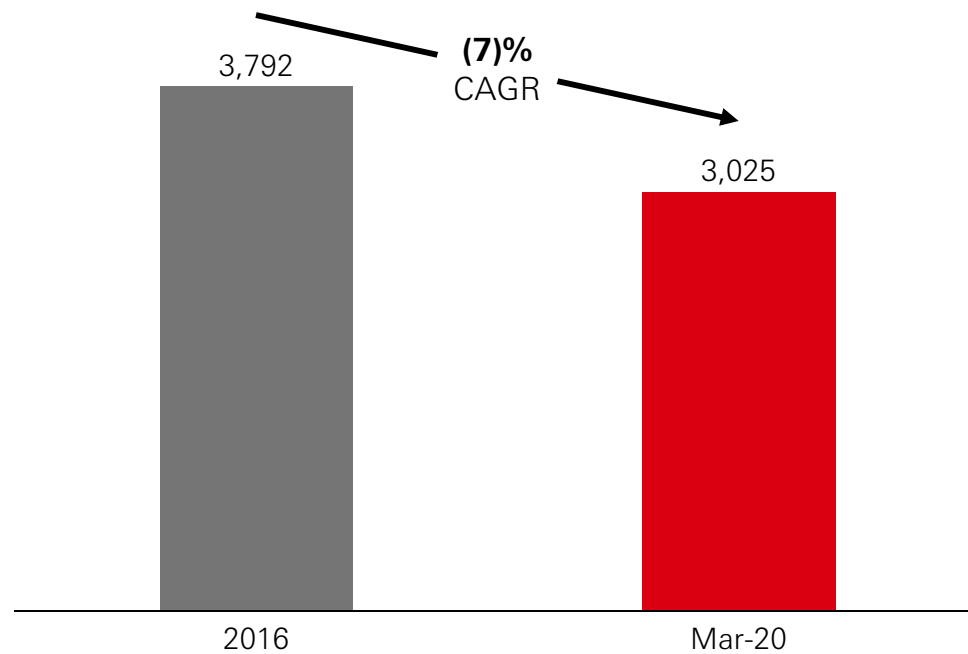


<sup>1</sup> Represents multiples of revenue per customer across the UK, Hong Kong (excl Hang Seng) and Singapore, using revenue per non-digital customer as the base. RBWM only, excludes life insurance manufacturing and asset management revenue. Full year 2018 data was used for Hong Kong and Singapore; annualised 1Q19 data was used for the UK

# Investments in digital have enabled higher staff productivity and improved customer satisfaction

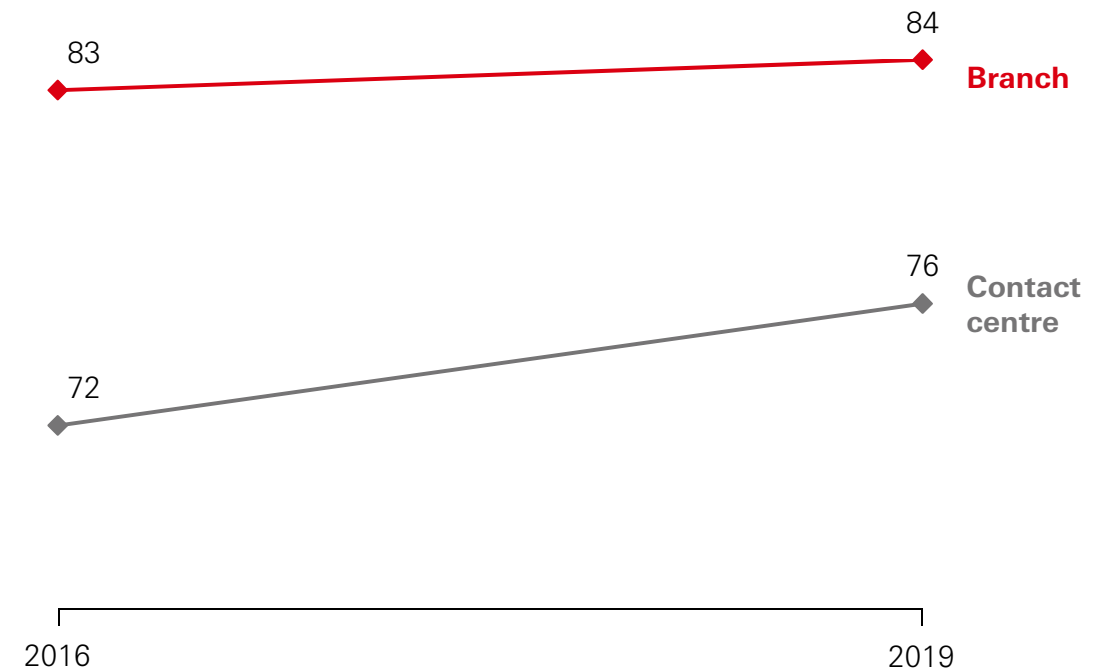
## Fewer branches

Number of branches



## Improved Customer Satisfaction

Customer satisfaction<sup>1</sup>, %





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# Conclusion

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1

Wealth and International are significant and enduring opportunities, and our heritage and footprint uniquely position us to capture them

2

We will continue to leverage our proven digital capabilities with the aim of delivering higher customer satisfaction, faster growth and a lower cost to serve

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# Appendix

# Management view of adjusted revenue<sup>1</sup>

RBWM, \$m	FY19 vs. FY18			
	FY18	FY19	Δ	%
<b>Retail Banking</b>	<b>14,866</b>	<b>15,840</b>	<b>974</b>	<b>7</b>
Current accounts, savings and deposits	<b>8,356</b>	<b>9,492</b>	<b>1,136</b>	<b>14</b>
<b>Personal lending</b>	6,510	6,348	(162)	(2)
Mortgages	1,867	1,610	(257)	(14)
Credit cards	2,804	2,893	89	3
Other personal lending	1,839	1,845	6	-
<b>Wealth Management</b>	<b>5,986</b>	<b>6,746</b>	<b>760</b>	<b>13</b>
Investment distribution	3,324	3,269	(55)	(2)
Life insurance manufacturing	1,625	2,455	830	51
Asset management	1,037	1,022	(15)	(1)
Other	522	814	292	56
<b>Total</b>	<b>21,374</b>	<b>23,400</b>	<b>2,026</b>	<b>9</b>

GPB, \$m	FY19 vs. FY18			
	FY18	FY19	Δ	%
Investment	706	777	71	10
Lending	383	424	41	11
Deposit	491	462	(29)	(6)
Other	177	185	8	5
<b>Total</b>	<b>1,757</b>	<b>1,848</b>	<b>91</b>	<b>5</b>

<sup>1</sup> FY18 figures are retranslated at FY19 rates. A reconciliation of adjusted to reported revenue can be found in HSBC Holdings plc's 2019 Annual Report and Accounts

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Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2019 filed with the Securities and Exchange Commission (the “SEC”) on Form 20-F on 19 February 2020 (the “2019 Form 20-F”) and our 1Q 2020 Earnings Release furnished to the SEC on Form 6-K on 28 April 2020 (the “1Q 2020 Earnings Release”).

## Non-GAAP financial information

This Presentation contains non-GAAP financial information. The primary non-GAAP financial measures we use are presented on an ‘adjusted performance’ basis which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business.

Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in our 2019 Form 20-F, our 1Q 2020 Earnings Release and the Reconciliations of Non-GAAP Financial Measures document, each of which are available at [www.hsbc.com](http://www.hsbc.com).

Information in this Presentation was prepared as at 05 June 2020. The information included in this presentation is as at 31 December 2019, unless otherwise stated.