



24<sup>th</sup> June 2015

# Global Private Banking **Investor Update 2015**

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# Important notice and forward-looking statements

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## **Non-GAAP Financial Information**

This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is ‘adjusted performance’ which is computed by adjusting reported results for the year-on-year effects of foreign currency translation differences and significant items which distort year-on-year 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. Reconciliation of non-GAAP financial measurements to the most directly comparable measures under GAAP is provided in the ‘reconciliations of non-GAAP financial measures’ supplement available at [www.hsbc.com](http://www.hsbc.com).

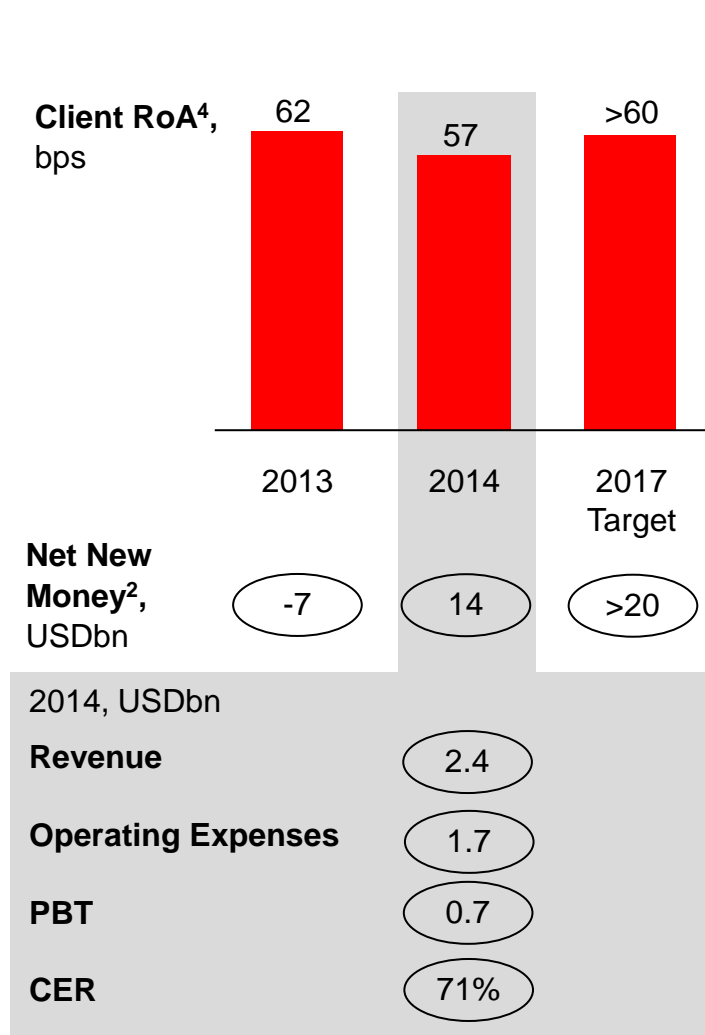
## Summary

GPB has undergone significant transformation and is well positioned to bring the best of the Group's capabilities to its clients

### Key messages

<b>De-risked, focused business</b>	<ul style="list-style-type: none"> <li>§ Enhanced compliance standards deployed globally</li> <li>§ Focus on HNW+ clients in c.35 target markets aligned with CMB and GB&amp;M presence</li> </ul>
<b>Presence in growth markets</b>	<ul style="list-style-type: none"> <li>§ 24 GPB target markets considered 'faster growing'<sup>1</sup></li> <li>§ Well positioned in Asia</li> </ul>
<b>Potential of Group relationships</b>	<ul style="list-style-type: none"> <li>§ Goal is to be the Private Bank for owners and principals of the Group's corporate clients</li> <li>§ USD10bn/c.70% NNM<sup>2</sup> from Group clients in 2014</li> </ul>
<b>Group product capabilities</b>	<ul style="list-style-type: none"> <li>§ Bringing the best of the Group's research, product and service capabilities to priority clients</li> </ul>
<b>Core systems investment</b>	<ul style="list-style-type: none"> <li>§ Core banking platform replacement (Avaloq)</li> <li>§ Automated client on-boarding and CDD application</li> <li>§ Enhanced Digital capabilities</li> </ul>

### Financial outlook<sup>3</sup>



1. New world/faster growing markets as defined by BCG 'Riding a Wave of Growth' 2014

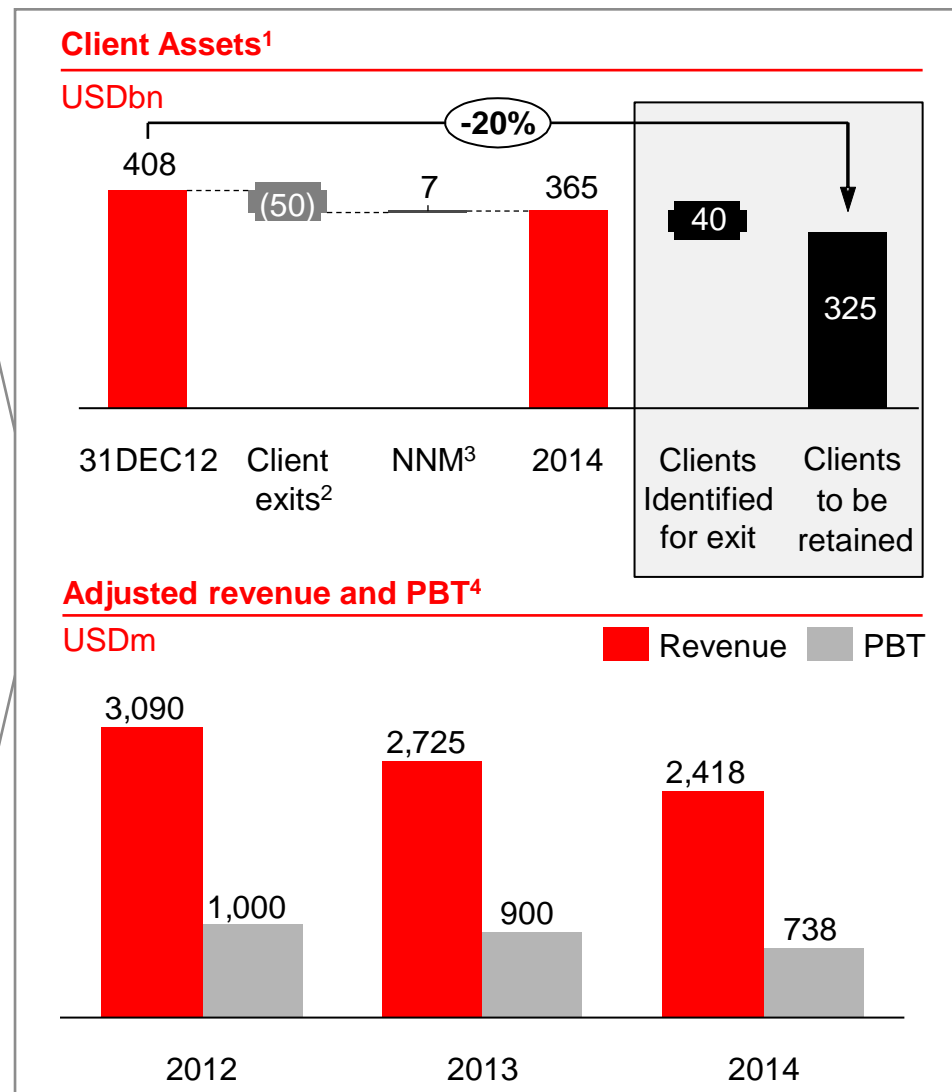
2. Net New Money in parts of the business that fit GPB's desired model

3. Adjusted basis

4. Return on Assets defined as Client Revenue/Client Assets

# Strategic repositioning and de-risking initiatives well advanced

<b>Market Focus</b>	<ul style="list-style-type: none"> <li>§ Simplified footprint aligned with Group Priority Growth Markets</li> <li>§ Focus reduced to c.35 markets from 140+</li> <li>§ Exit from Non Priority Markets where cost of coverage outweighs benefits</li> </ul>
<b>Risk</b>	<ul style="list-style-type: none"> <li>§ Tax transparency reviews completed in all locations</li> <li>§ Enhanced Customer Due Diligence</li> <li>§ Strengthened client selection and exit management processes</li> <li>§ Enhancing sales quality standards and conduct governance</li> </ul>
<b>Client Segmentation</b>	<ul style="list-style-type: none"> <li>§ USD5m GPB threshold in main markets where RBWM present</li> <li>§ Focus on High Net Worth+ clients</li> <li>§ Migrate small clients to RBWM where possible</li> </ul>



1. 2012 reported Client Assets of USD398bn rebased to exclude exchange and value change of +USD13m in 2013 and -USD3m in 2014  
 2. Net New Money excluding parts of the business that fit GPB's desired model, including disposals  
 3. Net New Money in parts of the business that fit GPB's desired model  
 4. Adjusted basis. c.30% of the revenue decline in 2014 attributable to transfer of certain treasury revenues to GB&M

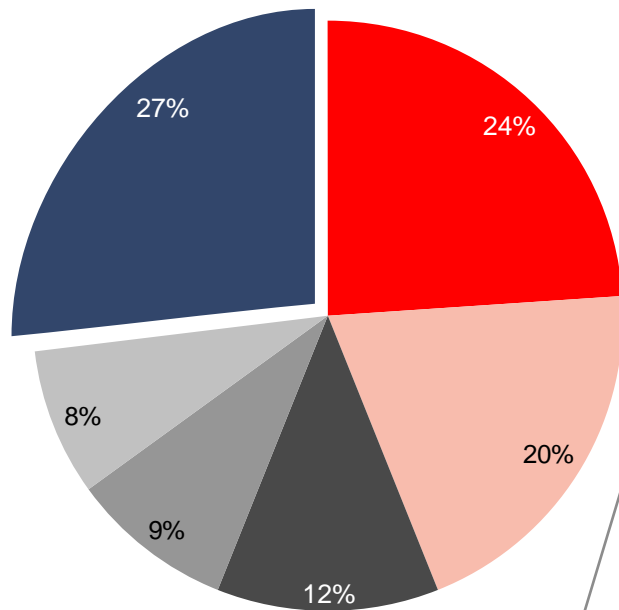
## Strategic repositioning

# Over 70% of Client Assets in 6 key booking centres and 18 Group Priority Growth Markets

### Current Asset Location<sup>1</sup>

6 key booking centres

- Hong Kong
- Switzerland
- US
- UK & Channel Islands
- Singapore
- 12 other booking centres

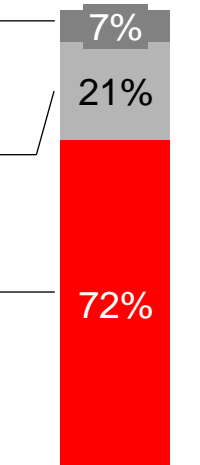


### Client Assets by market category<sup>1</sup>

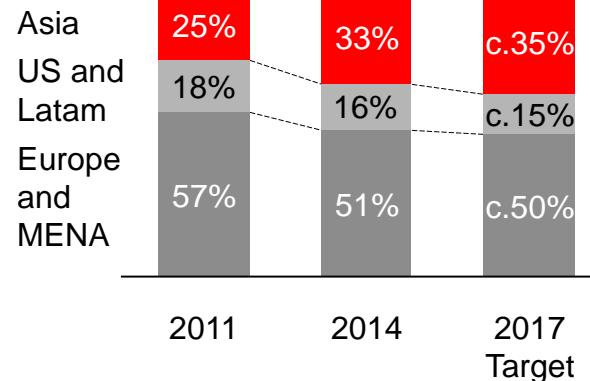
Group connected /UHNW clients from Non Priority Markets

Other GPB Target Markets

18 Group Priority Growth Markets<sup>2</sup>



### Shift in business mix towards Asia



§ 73% of Client Assets concentrated in 6 key booking centres

§ 93% of Client Assets concentrated in Group Priority/GPB Target Markets

§ Business mix gravitating towards onshore business (>50% of Client Assets)

§ Asia growing at the fastest rate

§ Trust administration being refocused into three principal centres of excellence: HK, Singapore, Jersey

§ Future investment to be focused on key strategic locations

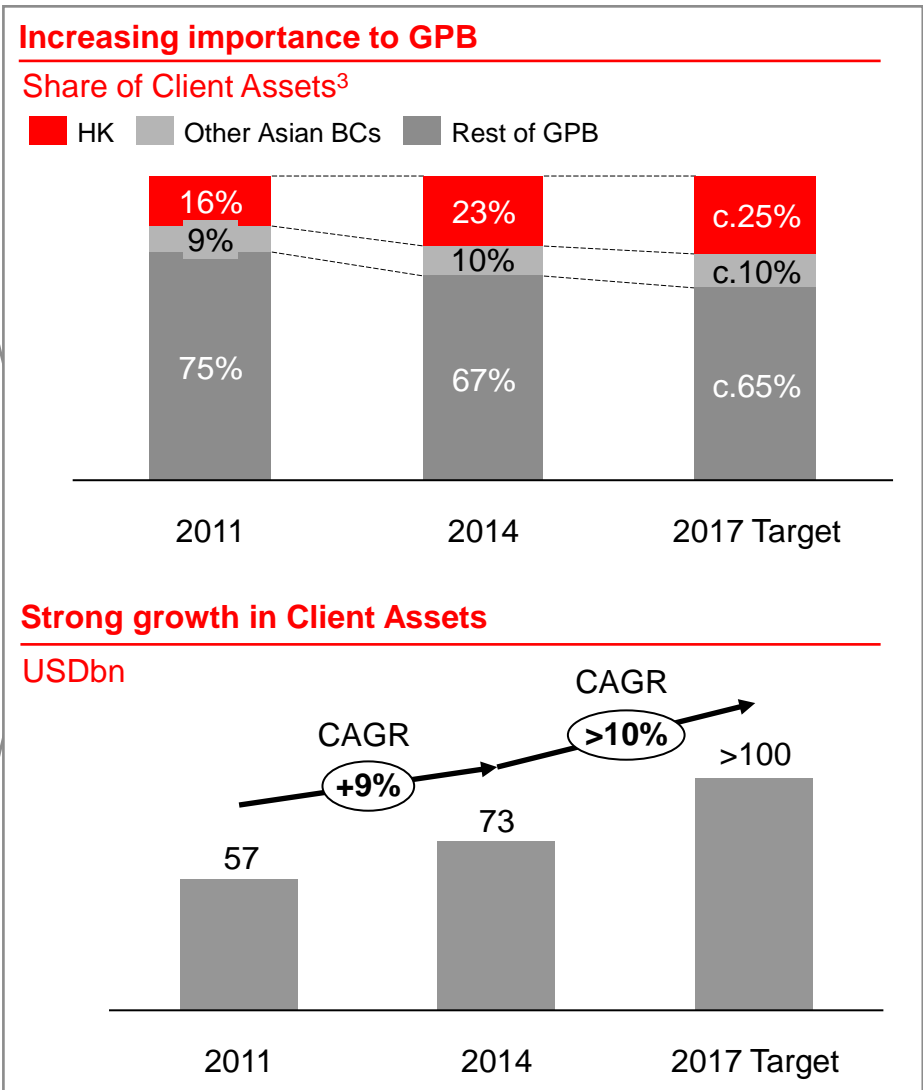
§ Potential to further streamline the footprint and coverage model

1. 2014 Client Assets in parts of the business that fit GPB's desired model (excluding Private Wealth Solutions business)

2. GPB is not present in or covers Canada which is a Group Priority Growth Market

# Hong Kong will continue to be a key contributor of growth

<b>Historic growth</b>	<ul style="list-style-type: none"> <li>§ Significant growth in Client Assets driven by the UHNW segment</li> <li>§ Best in class productivity/cost metrics driven by scale and leveraging group capabilities</li> <li>§ 65% of Client Assets are domestic</li> <li>§ PBT trebled<sup>1</sup> from 2011 to 2014 driven by revenue growth and cost streamlining</li> </ul>
<b>Future opportunities</b>	<ul style="list-style-type: none"> <li>§ Asian wealth market forecast to grow at 10.5%<sup>2</sup> CAGR 2013-18</li> <li>§ Anchored in Hong Kong but with growth opportunities throughout Asia</li> <li>§ Step change in NNM from Group referrals (up 83% 1Q15 vs. 1Q14) shows untapped potential from Group clients</li> </ul>
<b>Key Initiatives</b>	<ul style="list-style-type: none"> <li>§ New Investment Advisory Framework improving the quality and consistency of investment advice</li> <li>§ c.18% increase in Investment Counsellors by 2017</li> <li>§ Focus on revenue synergies, particularly increased engagement with RBWM to improve clients' wealth journey</li> </ul>



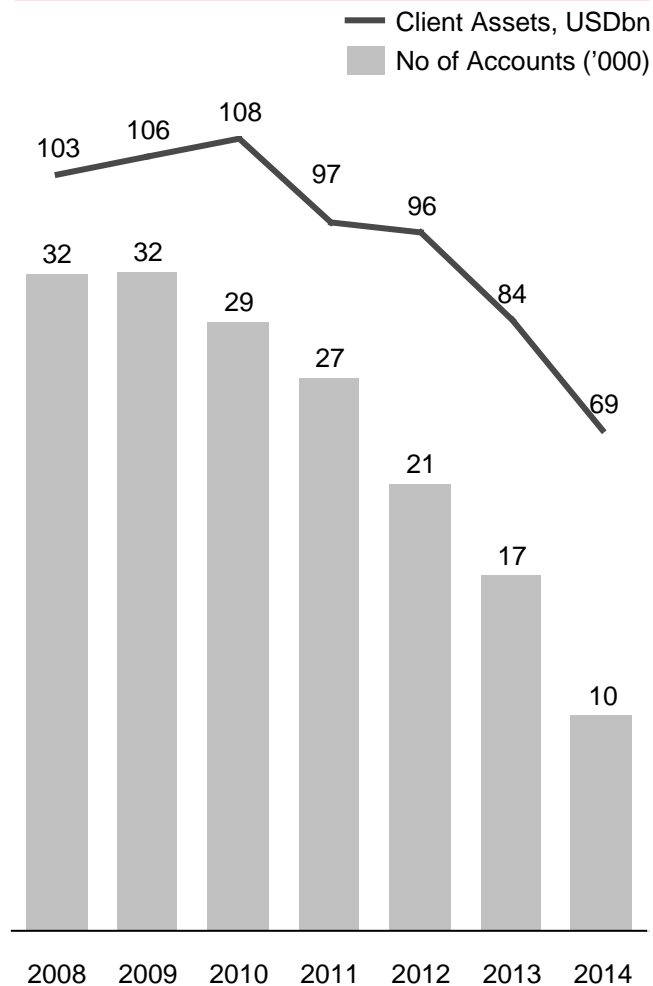
1. Adjusted PBT excluding treasury revenue of USD115m in 2011 and NIL in 2014  
 2. BCG 'Riding a Wave of Growth' 2014  
 3. Total Client Assets excluding Private Wealth Solutions business

# Switzerland has undergone a radical transformation and remains an important international booking centre

## Transformation since 2011

- § Refocused on a smaller number of HNW/UHNW clients across c.25 target markets compared to 140+ previously
  - Portfolio of non-strategic clients sold to LGT in DEC14
- § Adapted to changing regulatory and public expectations of a bank's role in client tax compliance
  - Tax transparency reviews of entire client base completed
  - Implementing enhanced procedures to fulfil OECD Common Reporting Standards (CRS)<sup>1</sup>
- § Holdmail service discontinued
- § New management team in place
- § Importance of values & culture reinforced via training and performance management

## Client Assets and accounts<sup>2</sup>



## Future outlook & opportunities

### Switzerland

- § Largest financial centre for international private wealth<sup>3</sup> - expected to remain so in the medium term
- § Political and economic stability
- § Specialism in Private Banking product offerings and investment solutions
- § Highest density of Multi-Family Offices (MFOs) globally
- § Committed to automatic information exchange and CRS

### HSBC

- § Key centre for the Group's Middle East clients
- § HSBC present in the Middle East since 1959 - longevity and dependability valued by clients
- § Centre of Excellence in MFOs
- § Focused on upper HNW and UHNW clients

1. Legislative deadline to implement CRS is 1 January 2017; GPB in Switzerland is adopting an accelerated timeline for implementation commencing 2015

2. Client Assets and accounts on a reported basis. Accounts defined as number of banking contracts

3. c.26% share, BCG 'Riding a Wave of Growth' 2014

## Growth priorities – Cross-business synergies

# Goal is to be the Private Bank of choice for owners and principals of the Group's corporate clients

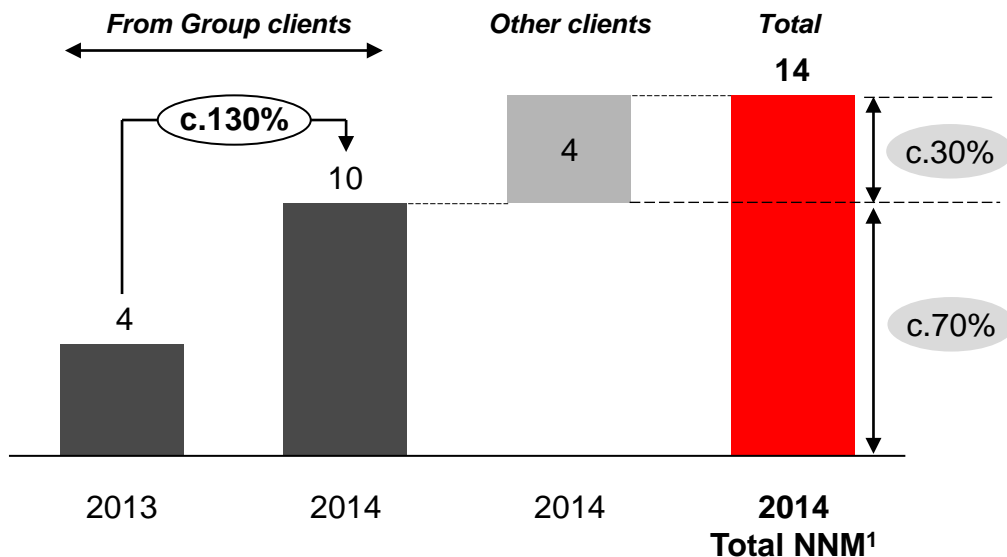
### Greater focus on Group relationships...

Three client and services groups established to better meet client needs

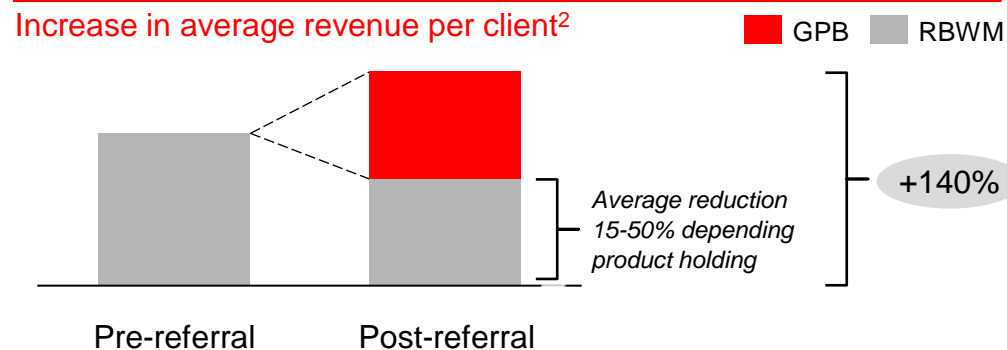
<b>Corporate Client Group</b>	<ul style="list-style-type: none"> <li>§ Working with CMB and GB&amp;M to drive increased connectivity</li> <li>§ Managing the portfolio of Group clients as a segment</li> </ul>
<b>Wealth Client Group</b>	<ul style="list-style-type: none"> <li>§ Delivering a seamless transition across the RBWM and GPB wealth franchise</li> <li>§ Leveraging RBWM product solutions</li> </ul>
<b>Global Solutions Group</b>	<ul style="list-style-type: none"> <li>§ Delivering bespoke, non traditional wealth management solutions to UHNW and Global Priority Clients</li> <li>§ Joint coverage model alongside GPB Relationship Managers</li> </ul>

### ...translating into strong NNM from Group clients...

USDbn



### ...and incremental revenue to Group from RBWM referrals to GPB



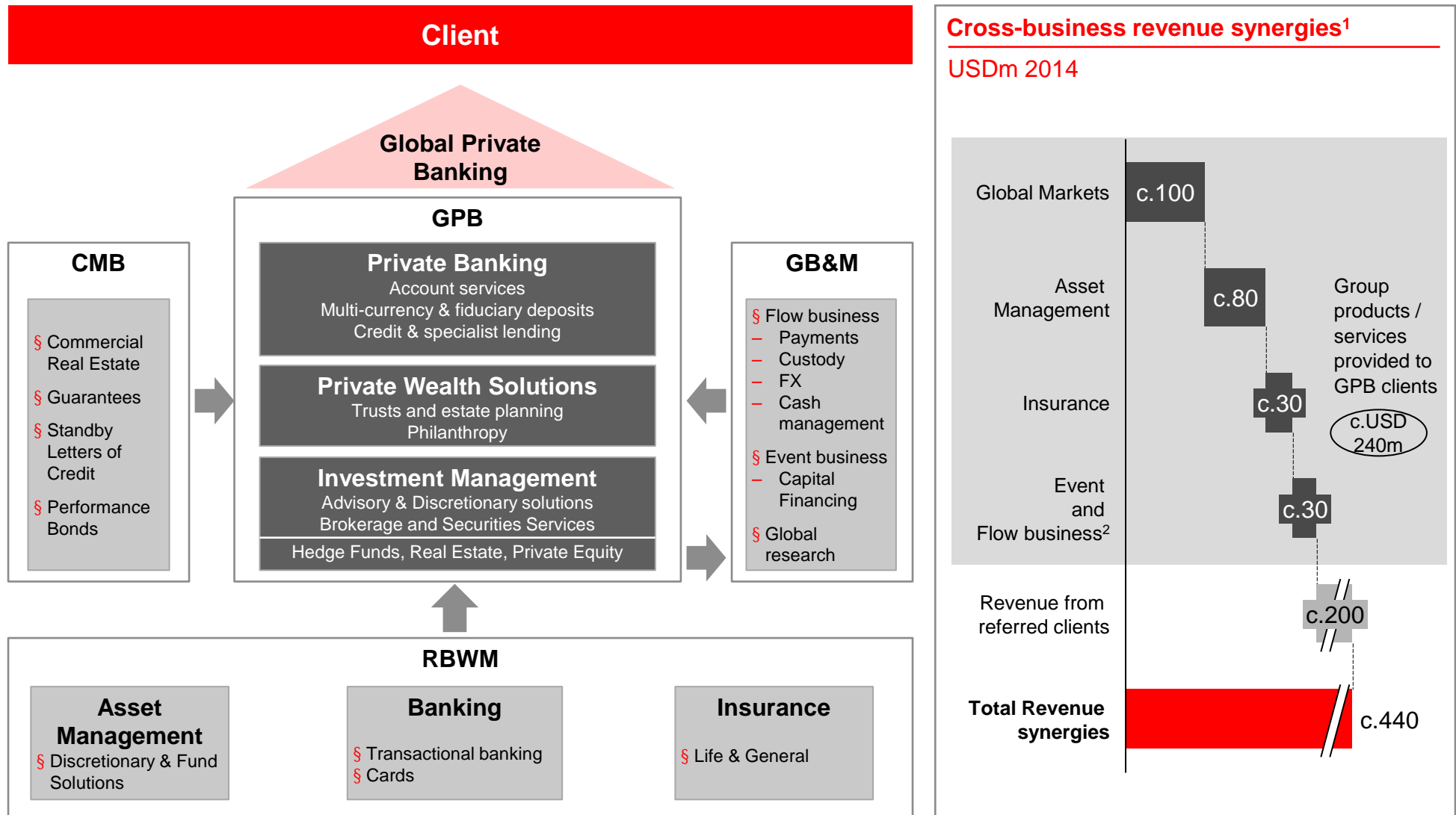
1. Net New Money in parts of the business that fit GPB's desired model

2. Estimated annualised income 12 months post referral. Source: HSBC analysis of historic referrals in Hong Kong and UK



## Growth priorities – Cross-business synergies

# Bringing the best of the Group's research, product and service capabilities to GPB clients



1. Revenues generated in GPB from referred clients and in other Global Businesses from products/services provided to GPB clients. Cross-business synergies are presented as gross revenue and do not reflect any revenue sharing arrangement between Global Businesses
2. Includes referrals from GPB to other Global Businesses

## Streamlining

# Investing in core infrastructure to improve client experience, risk management and efficiency

### Core Banking Replacement

- § Implementing best-in-class vendor package (Avaloq) globally
- § Single instance of system serving multiple entities
- § To be implemented in Europe in 2015-16 and subsequently globally

### Client On-boarding

- § Implementing integrated tool providing
  - Enhanced Customer Due Diligence
  - End to end customer lifecycle management

### Digital

- § Significantly upgrading capabilities to enhance client experience
  - Virtual meetings, secure messaging and new mobile app
  - Enriched content for clients via online repository of Research

### Client experience

- § Proposition enhancement – improved channel integration and access to products/capabilities
- § Faster on-boarding, consistent standards across booking centres

### Risk management

- § Significantly improved Management Information
- § >60% of legacy systems infrastructure eliminated

### Efficiency

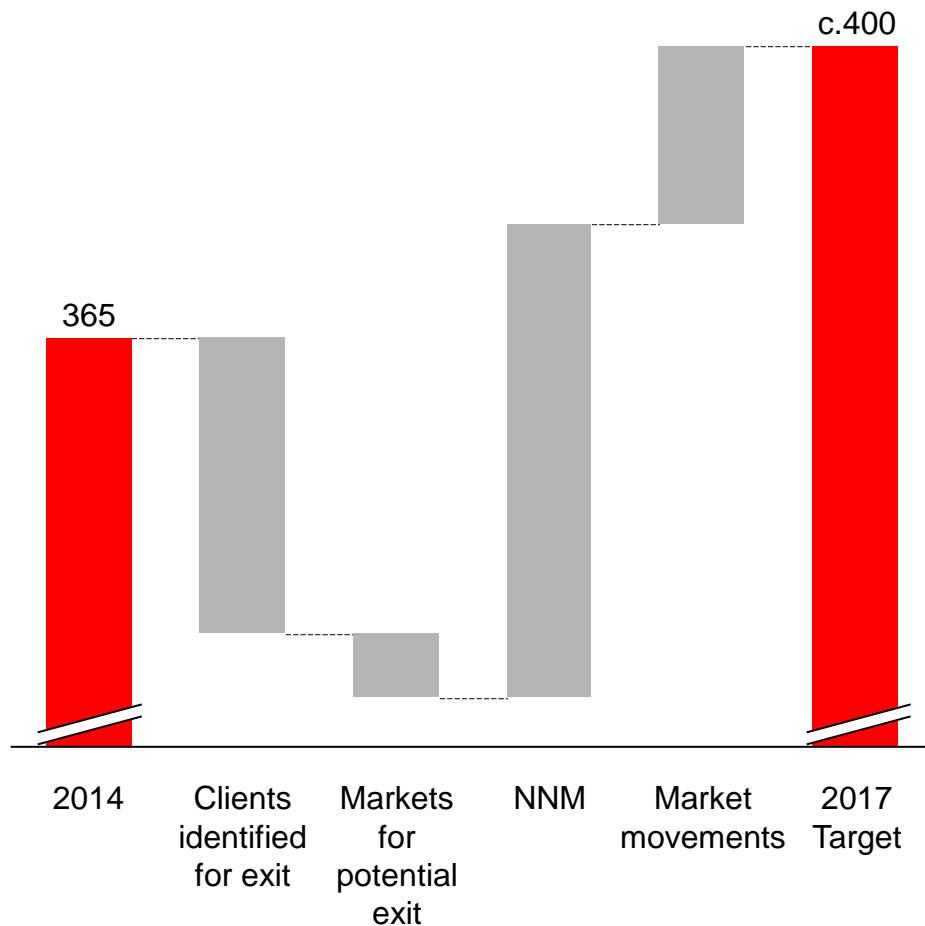
- § Globally consistent approach and processes
- § Combined impact: c.20% Front Office efficiency gains

## Conclusion

Moving towards a simpler, focused and de-risked business while still retaining profitable scale

### 2014-17 Client Assets walk

USDbn



### Key priorities

#### Group alignment

- § Complete alignment of Market coverage and Booking Centre footprint with CMB and GB&M presence
- § Seamless client experience from Retail to Private Banking

#### Maximise value to the Group

- § Grow NNM from Group clients
- § Deepen client relationships through joint coverage alongside CMB and GB&M
- § Bespoke client solutions, leveraging Group capabilities

#### Investment in infrastructure

- § Roll-out new core banking platform, automated client on-boarding application and upgrade digital capabilities
- § Improve client service
- § Implement consistent Global Standards and drive efficiencies

