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Simplifying HSBC 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 2011. 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.

Simplifying HSBC – Key Messages

A

Making HSBC easier to manage and control

B

Significant momentum in reducing headcount and costs

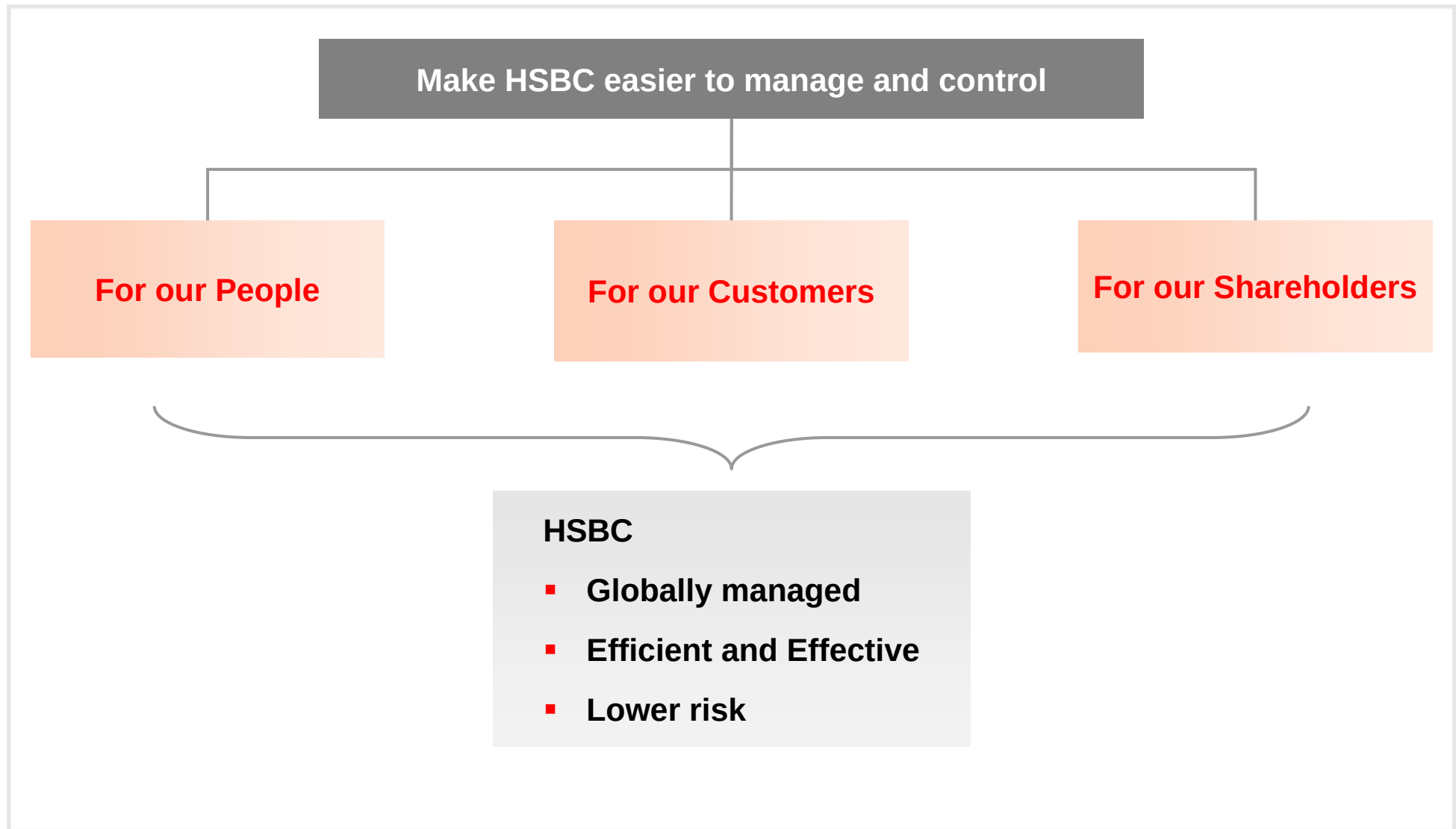
C

Strong pipeline of actions to deliver established targets

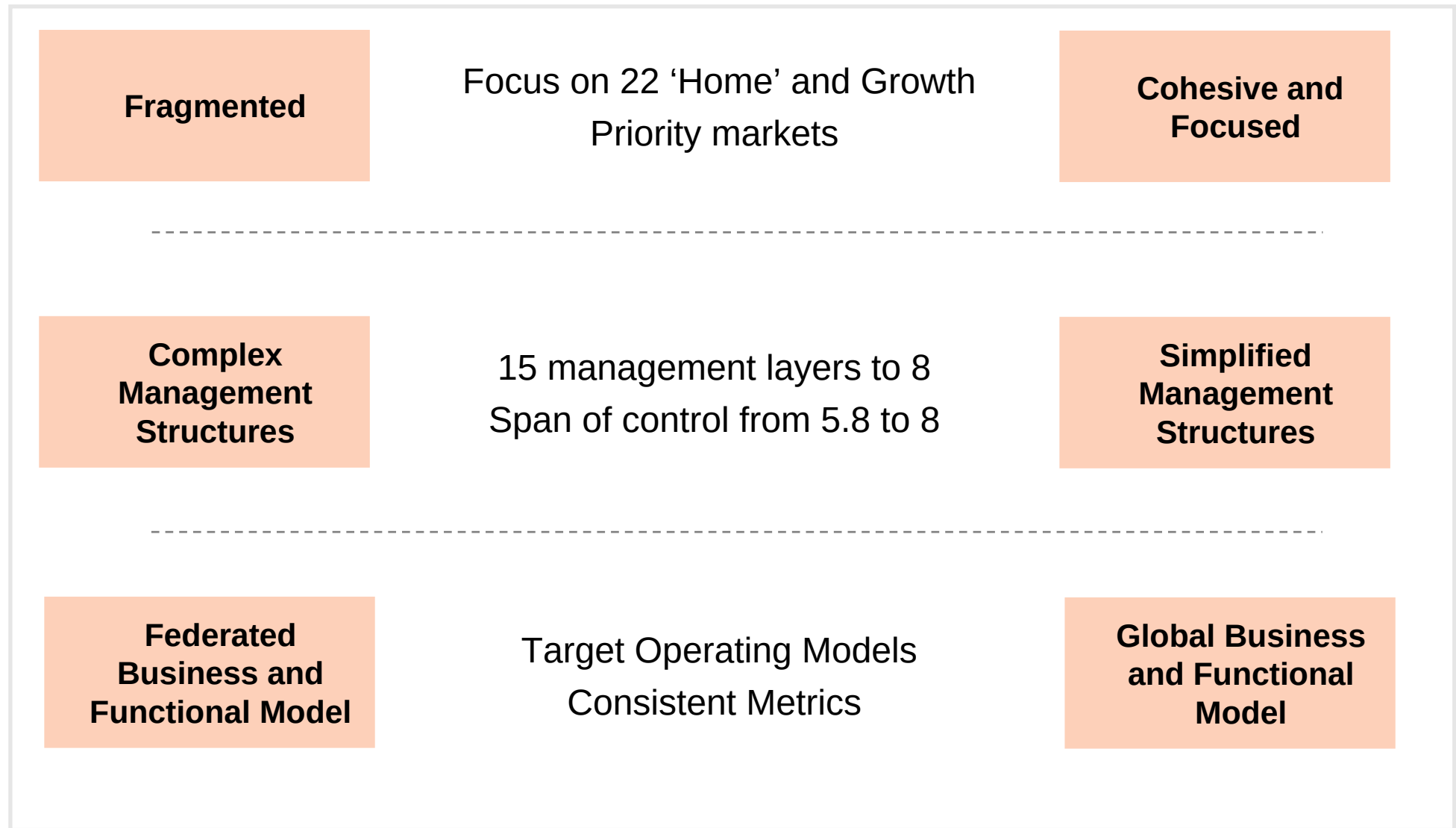
A Our overall objectives

- Reduce complexity and operational risk
- Become more dynamic and agile
- Support the achievement of positive jaws
- Improve our CER from the 2010 baseline of 55% to 48-52%

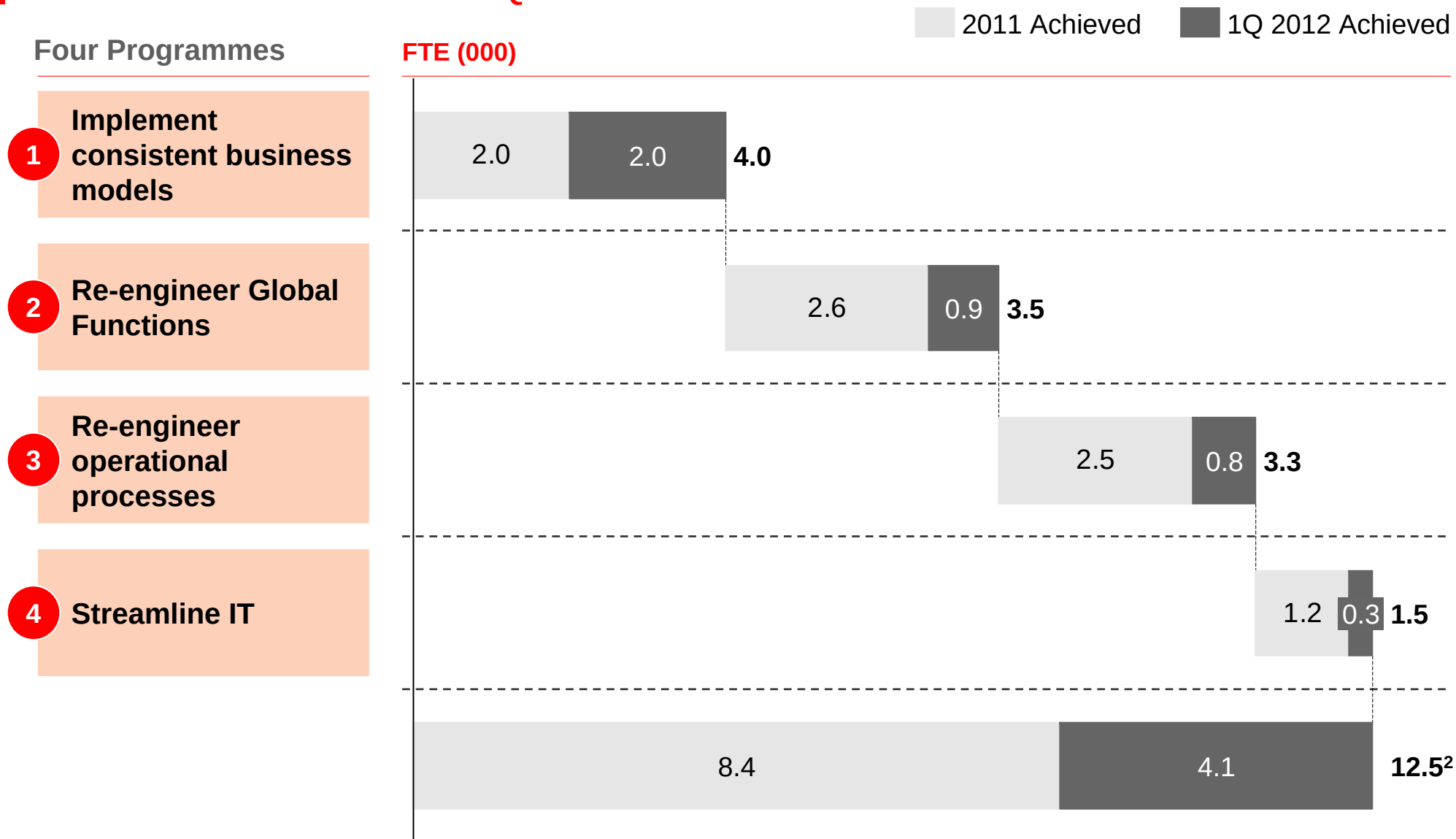
A Our vision



A How HSBC will be different



B Headcount – We have reduced headcount by c.8.4k FTE in 2011 and c.4.1k FTE in 1Q2012



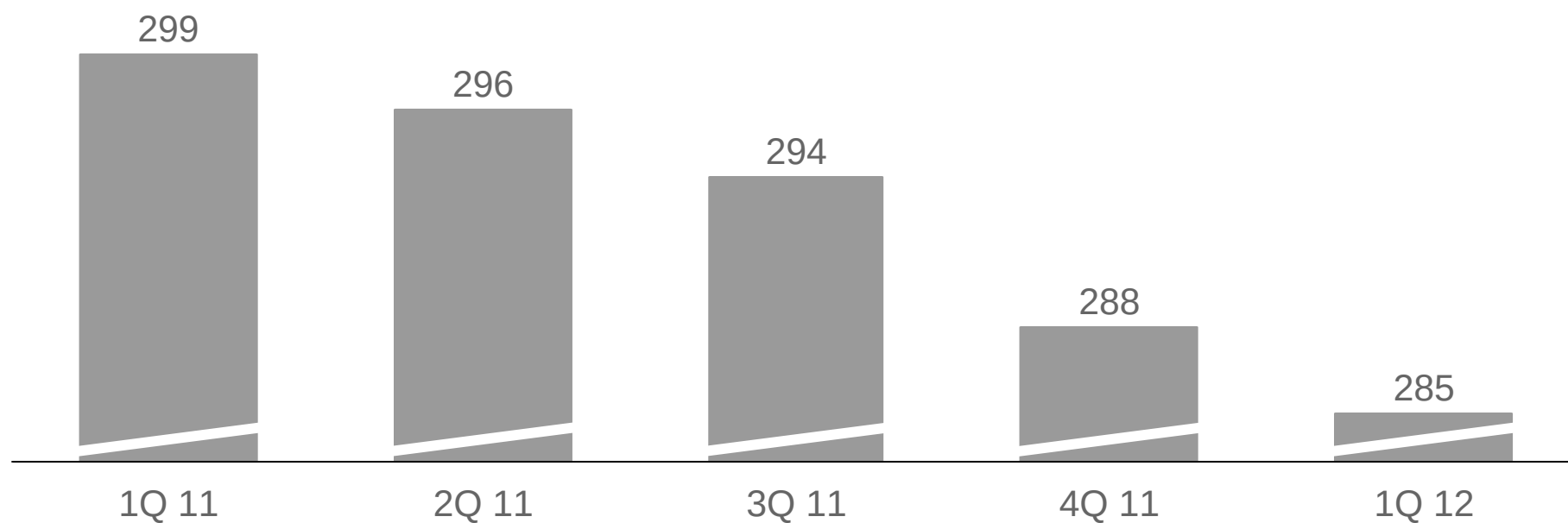
(1) Due to rounding, figures may not add up to totals shown

(2) c.12.5k FTE reductions excludes reduction of c.1.5k from transactions and US run off portfolios

B Headcount – Overall headcount reduced by c.14k¹ FTE over the last 12 months

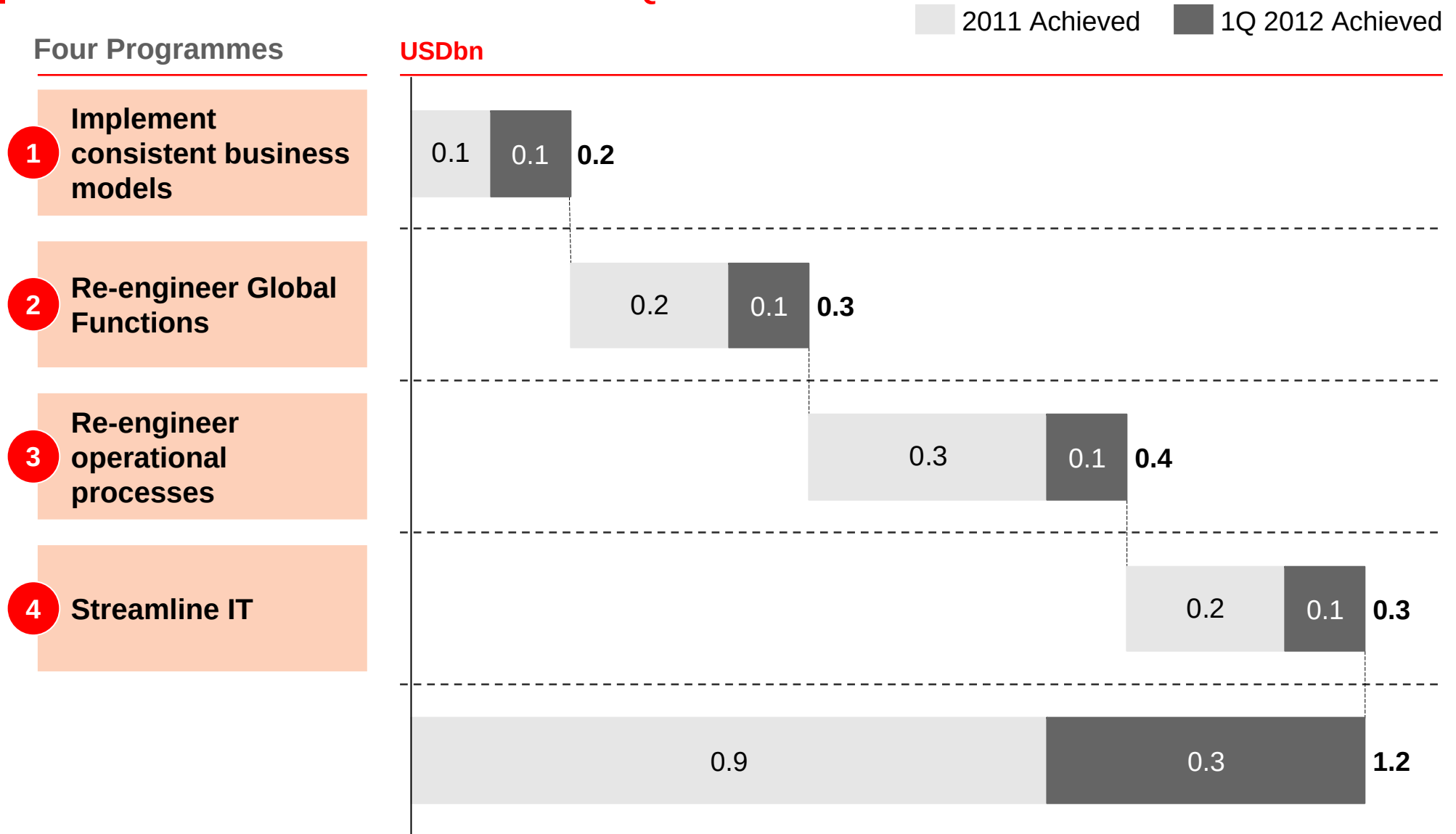
Group FTE

'000s



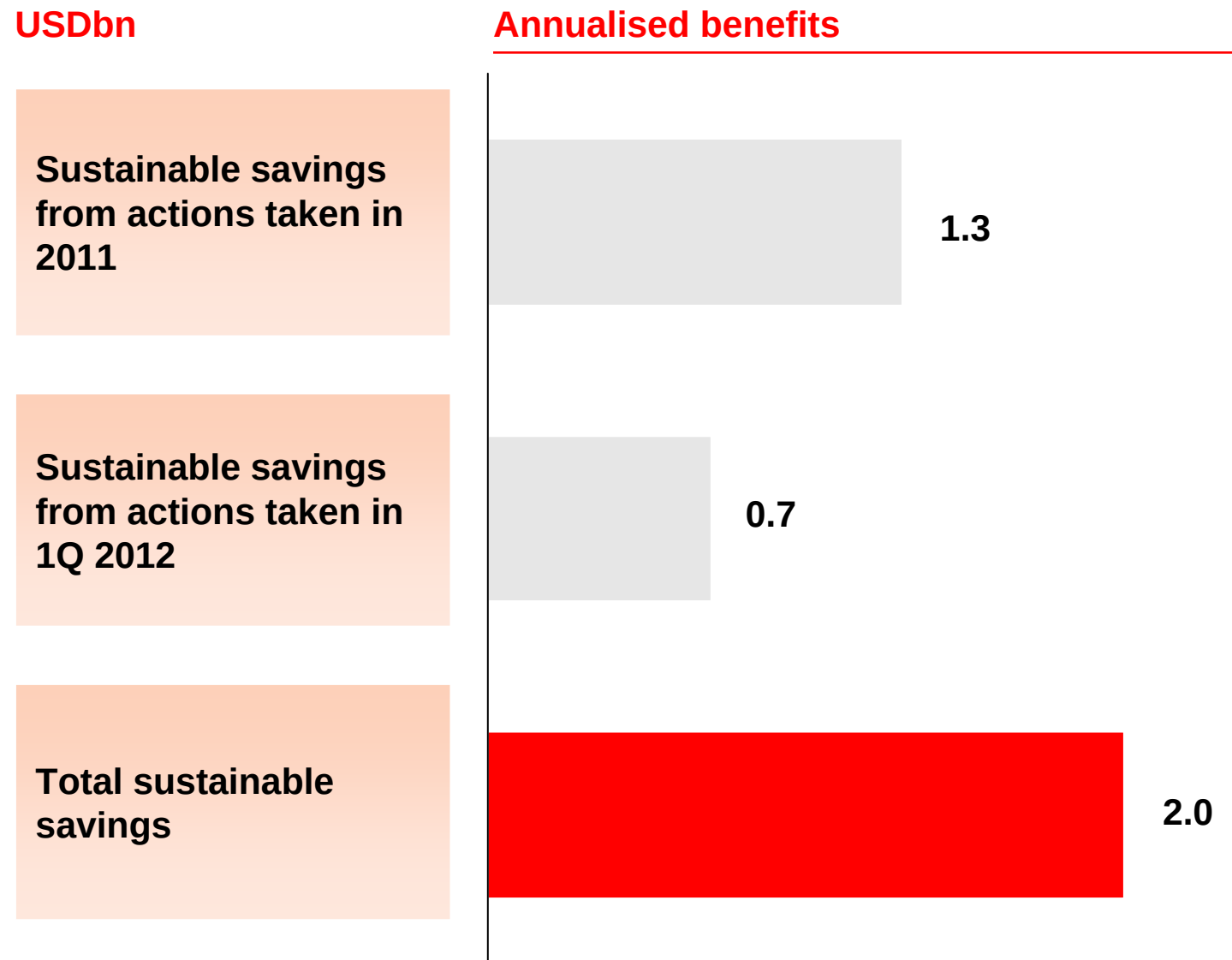
(1) c.14k FTE reduction includes reduction of c.12.5K from the Four Programmes and c.1.5K from transactions and US run off portfolio

B Costs – We delivered sustainable costs savings of c.USD0.9bn in 2011 and c.USD0.3bn in 1Q 2012



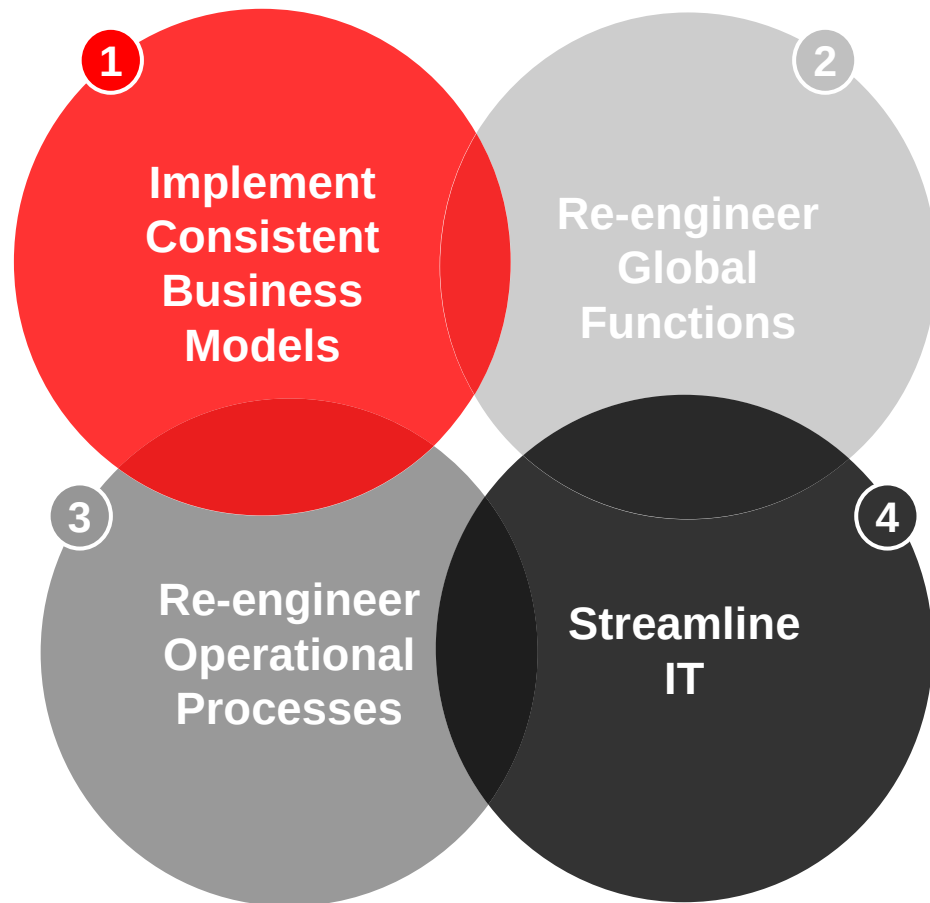
(1) Due to rounding, figures may not add up to totals shown

B Recorded Sustainable Cost Saves of USD1.2bn – annualised benefits of USD2bn



B Actions that transcend the Four Programmes – making us easier to manage and control

Key Drivers



De-layering the Organisation

- Implementing '8x8' model across the organisation
- USD 1bn of cost reduction identified

Demand Management

- Reduce the Change the Bank initiatives by 20%

External Spend Reduction

- Reduce 10% of vendors

Corporate Real Estate

- Released 2m sq ft

B1 Implement Consistent Business Models

Results

- Standard Global Business Models
- Sustainable savings – USD 200m
- Reduced headcount by c.4k FTE
- Revenue per FTE up c.12% in CMB and RBWM

Future Actions

- Implement in all markets
- Realign resources to growth markets
- Rationalise and standardise the number of products

B2 Re-engineer Global Functions

Results

- Simplified global structure in 8 markets
- Sustainable savings – USD 350m
- Reduced headcount by c.3.5k FTE
- Increased spend on Compliance

Future Actions

- Complete 8 x 8 in all key markets during 2012
- Process re-engineering programmes within Global Functions
- Marketing – USD 300m

B3 Re-engineer Operational Processes

Results

- Sustainable savings – USD 430m
- Reduced headcount by c.3.3k FTE
- Reduced paper consumption by 14%

Future Actions

- Focus on 30 end to end re-engineering programmes
- Contact Centre Optimisation – USD 80m

B4 Streamline IT

Results

- Sustainable savings – USD 280m
- Reduced headcount by c.3.3k FTE (including c.1.8k contractors)
- Offshore ratio increased from 44% to 48%

Future Actions

- Total IT spend to reduce from more than 14% to 12% of total Group costs
- Change the Bank re-engineering – USD 40m
- Right-shoring and de-layering – USD 180m

C A strong pipeline of actions to deliver on the USD2.5-3.5bn target

USDbn	Sustainable Savings (Booked) ¹	Confirmed Pipeline	Total (Booked & Pipeline)	Target by 2013
Four Programmes				
Implement consistent business models	0.2	0.6	0.8	0.9
Re-engineer Global Functions	0.3	0.5	0.8	1.0
Re-engineer operational processes	0.4	0.5	0.9	1.0
Streamline IT	0.3	0.3	0.6	0.6
TOTAL	1.2	1.9	3.1	3.5

Key actions in pipeline

- De-layering
- Procurement
- RBWM and CMB Productivity
- Process Re-engineering
- Right-shoring

(1) 2011 and 1Q 2012

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