



Retail Banking and Wealth Management

KBW - European Financials Conference

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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, capital position 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 Interim Report. 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 'constant currency and underlying reconciliations' supplement available at www.hsbc.com.

HSBC Group Interim results 2013

Financial highlights¹

Summary financial highlights

	1H12	2H12	1H13	% better/(worse)	
				1H13 vs 1H12	1H13 vs 2H12
Reported PBT (USDbn)	12.7	7.9	14.1	10	78
Underlying PBT (USDbn)	8.9	6.5	13.1	47	100
EPS (USD)	0.45	0.29	0.54	20	86
Dividends ² (USD)	0.18	0.27	0.20	11	n/a

Key ratio %

	1H12	2H12	1H13	KPI
Return on average ordinary shareholders' equity	10.5	6.5	12.0	12 – 15
Cost efficiency ratio	57.5	69.1	53.5	48 – 52 ³
Advances-to-deposits ratio	76.3	74.4	73.7	≤ 90
Core tier 1 ratio	11.3	12.3	12.7	9.5 – 10.5
Common equity tier 1 ratio ⁴	n/a	9.5	10.1	> 10.0

Notes:

¹ All figures are as reported unless otherwise stated

² Declared in respect of the period

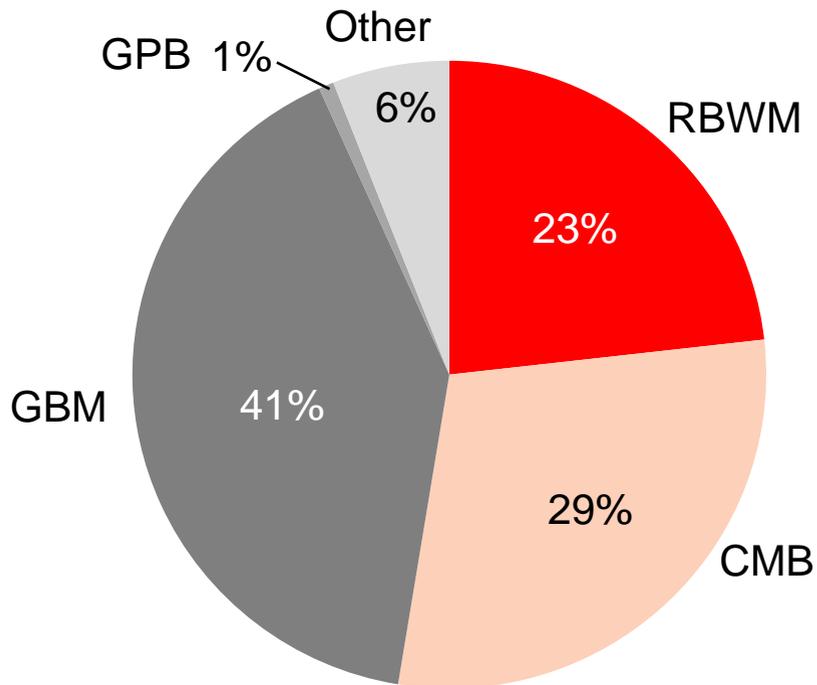
³ CER target for 2014-16 is mid 50s

⁴ Estimated CRD IV end-point CET1 ratio after planned mitigation of immaterial holdings based on our interpretation of Final CRR rules. Refer to Estimated effect of CRD IV end-point rules table on page 188 and basis of preparation on page 197 in the Interim Report 2013

HSBC's four integrated Global Businesses

RBWM is a significant component of the Group

Distribution of profit before tax¹, 1H13



RoRWA ⁴	1H13
RBWM ⁵	4.5%
CMB	2.2%
GBM	2.8%
GPB	1.0%

Directional 2016 PBT contribution

2016 target RoRWA²

% of Group total

%

CMB	30-40	2.2-2.5
RBWM	25-35	5.0-5.5 ³
GBM	25-35	2.0-2.2
GPB	3-5	

Notes:

- 1 On a reported basis. Intra-HSBC PBT has not been eliminated in the preparation of these charts. Intra-HSBC PBT includes transactions between Global Businesses
- 2 Based on CRD IV end point
- 3 Excluding US run-off (3.8% - 4.3% including US run-off portfolio)
- 4 Pre-tax return on average risk-weighted assets as reported
- 5 Excluding US run-off (2.5% including US run-off portfolio)

Agenda

I Strategic Execution

II Growth Priorities

III RBWM 1H 2013 Results

IV Summary

I. Strategic Execution

RBWM Vision and Strategy

Securing customers' future prosperity and realising their ambitions



Strategy remains unchanged

- Portfolio management to drive superior returns
- RBWM transformation to improve customer service and productivity
- Developing a high standard of wealth management for retail customers

Set targets for 2016

- RoRWA 5.0 - 5.5%¹ (3.8% - 4.3% including US run-off portfolio)
- Positive jaws
- Incremental wealth revenues of USD3bn²
- Customer Recommendation Index (CRI)³ for affluent segment in priority markets
- Total customer relationship balances
- Digitally active customers

Notes:

¹ Based on CRD IV end point and excluding US run-off portfolio

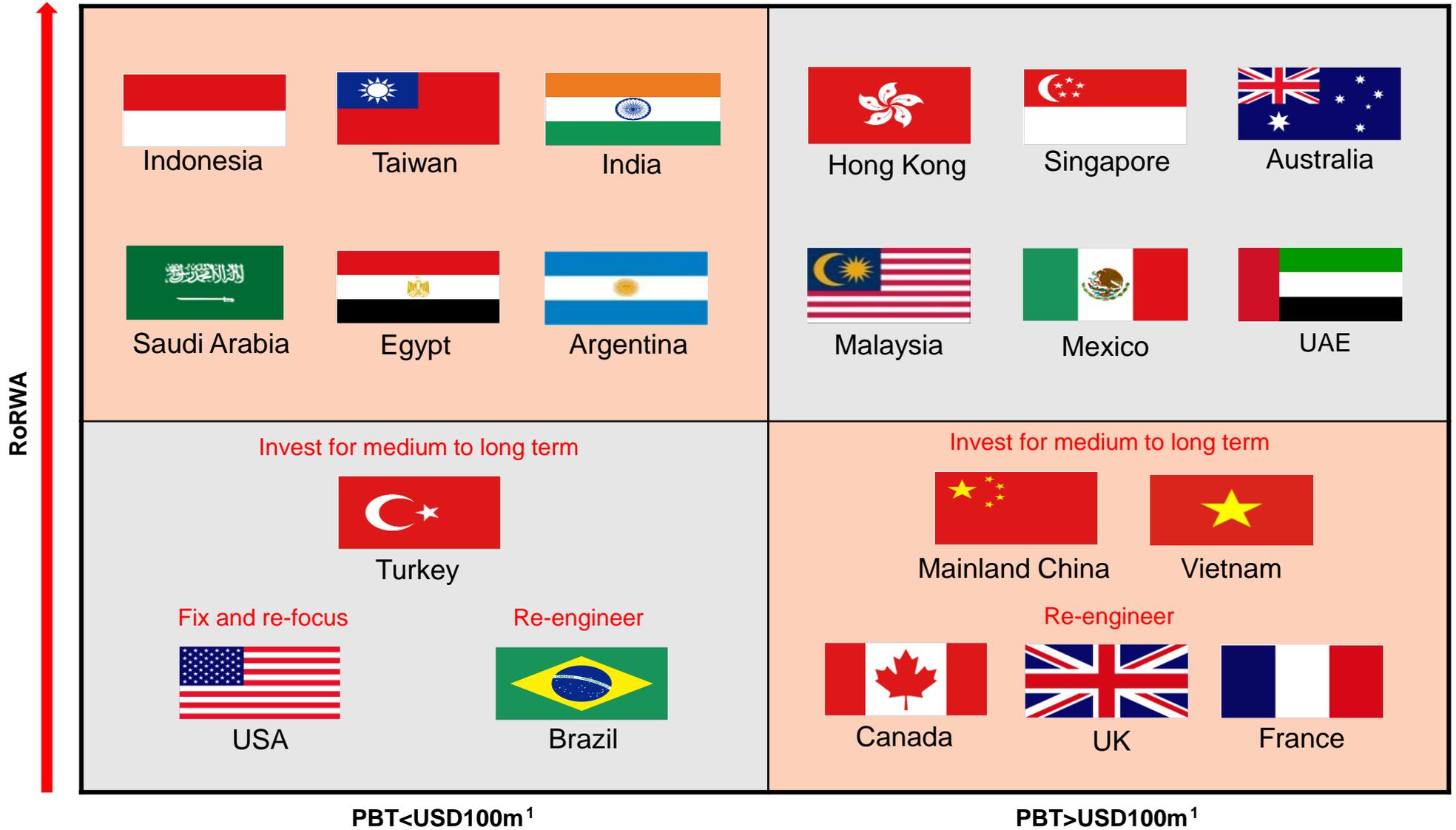
² Incremental revenues 2010 to 2016

³ CRI measured in Argentina, Brazil, Canada, France, Hong Kong, India, Mainland China, Malaysia, Mexico, Singapore, Taiwan, Turkey, UAE, UK and US

I. Strategic Execution

Portfolio Management

Home and Priority markets



Notes:
¹ Annualised half year 2013 reported results

I. Strategic Execution

Portfolio Management

Reduce fragmentation through closures and disposals

North America

Line of Business
Insurance Mgt services (Bermuda), Investment Advisory, Consumer Finance, Private Label Cards (Canada), Life Insurance, CRS, Upstate New York Branches, transfer of mortgage servicing operations (US)

Europe

Market Exits	Line of Business
Georgia, Poland, Russia, Slovakia	CF (Hungary), Non- Life & Re-insurance (Ireland), Creditor re-insurance (Italy), Motor Insurance (UK), GI (France), Mutual Funds Management (Greece) HFC Loans (UK)

Latin America

Market Exits	Line of Business
Chile, Colombia, Costa Rica, El Salvador, Honduras, Panama, Paraguay, Peru, Uruguay	Consumer Finance (Argentina), GI (Argentina, Mexico, Panama), Life (El Salvador, Honduras, Panama), Afore Pensions (Mexico)

Middle East

Market Exits	Line of Business
Kuwait, Pakistan, Palestine	Dar Es Salam Insurance (Iraq)

Acquisitions
Lloyds (onshore Retail Banking UAE); Merger with OIB (Oman)

Asia

Market Exits	Line of Business
Thailand, Japan, South Korea ¹	GI (HK, HASE, Singapore, Macau) Life Insurance (Taiwan, Korea JV), Bao Viet stake, Ping An Insurance stake, Employee Benefits and Group Term Life (Singapore)

▲ Market exits announced

● Line of Business exits announced

★ Announced Acquisitions

Definitions:

CF Consumer Finance
GI General Insurance
OIB Oman International Bank

Note:

¹ Subject to regulatory approval

I. Strategic Execution

RBWM Transformation

Improving efficiency and customer experience

Approach



Identify inconsistent processes /
Define customer journey and
benchmark performance



Design / Select standardised
approach



Build and roll out across the
network prioritised by
opportunity

Delivering tangible benefits

- Simplicity and consistency:
 - Organisational Blueprint
 - Products Range Review
- Distribution evolution
- Mortgage Re-engineering
- Supplied Services
- Global Card Operations



II. Growth Priorities

RBWM growth priorities

Securing customers' future prosperity and realising their ambitions

Growth priorities to 2016

Growth in priority markets

- Grow number of customers in target segments

Deepen customer relationships

- Acquiring new wealth in faster growing markets and consolidating wealth in developed markets
- Grow relationship-led lending

Distribution

- Accelerate digital
- Selectively improve geographic coverage

2016 targets

Financial

RoRWA¹, % 3.8-4.3

RoRWA¹,
excl. run-off, % 5.0-5.5

Incremental
wealth revenues² USD3bn

Non-financial

- Customer Recommendation Index (CRI) for affluent segment in priority markets³
- Total customer relationship balances
- Digitally active customers



Note:

1 CRD IV end point basis

2 Incremental revenues 2010 to 2016

3 CRI measured in Argentina, Brazil, Canada, France, Hong Kong, India, Mainland China, Malaysia, Mexico, Singapore, Taiwan, Turkey, UAE, UK and US

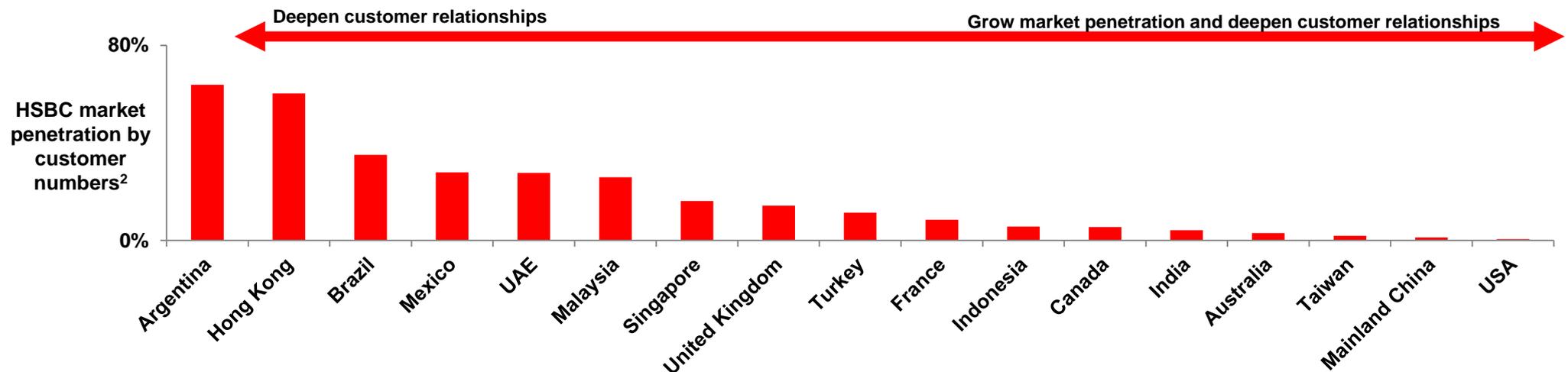
II. Growth Priorities

Premier

“Flagship” proposition with strong contribution to revenues

Opportunity for Growth

- Home and priority markets represent 60% of the total World Share of Wealth¹
- Growth opportunities in Premier through deepening customer relationships and increase market penetration



Progress

- Changed focus of customer acquisition and retention from quantity to quality
- Improved proposition for our top Premier customers by enhancing service levels and financial solutions

Note:

¹ Source: Credit Suisse Wealth Databook 2012

² Total market data source: Data-monitor Global Wealth Market Analytics (based on December 2012). Includes customers with liquid assets >USD100,000. Vietnam, Saudi Arabia and Egypt excluded due to unavailability of comparable market data

II. Growth Priorities

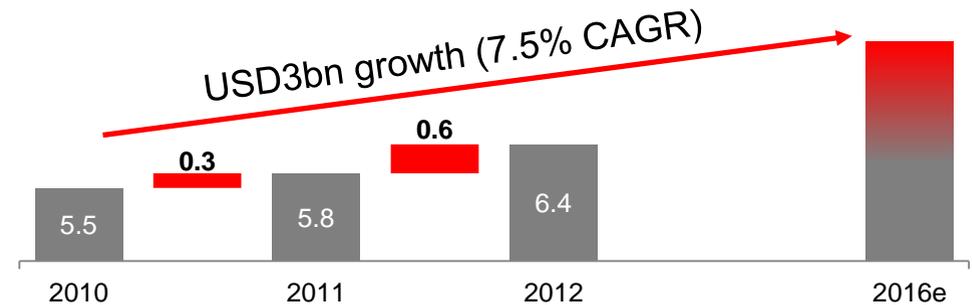
Wealth management

Building our Wealth business

Material progress

- Technology
 - Deployed RM¹ platform in major markets, piloting branch tablets
 - Significant upgrade of customer self-service solutions
- Service
 - New globally consistent, client need focused incentive plan
 - Improved customer experience by right sizing Premier RM¹ portfolio coverage
- Products
 - Building out managed solutions
 - Developing RMB offerings
 - Making it easier for our customers to access FX services

Wealth target



- **Wealth revenues comprise:**
 - Investments
 - Life insurance
 - FX
 - But *exclude* deposits
- **Change in context since 2011**
 - Fundamental change in wealth distribution model
 - More challenging macro environment

II. Growth Priorities

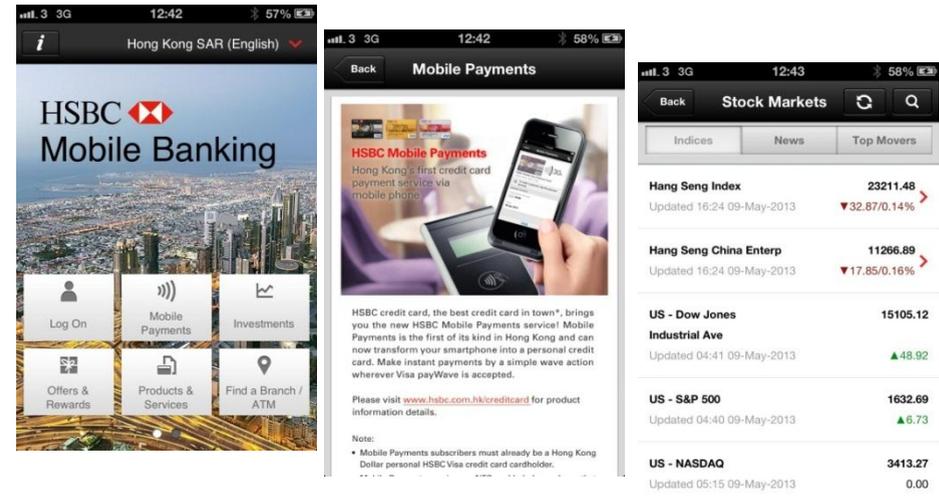
RBWM growth priorities

Distribution evolution and digital solution

Example investments

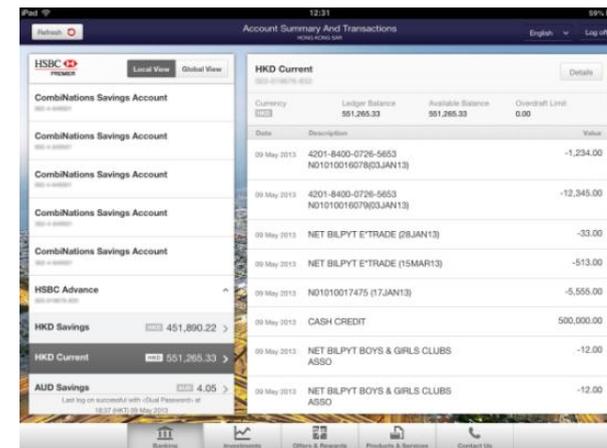
Mobile

- **Mobile Banking App** – Live in 12 markets at 1H13 and expected in 26 markets at 2013 year-end. 1 million downloads reached in June 2013.
- **Mobile Payments** – Progressive deployment of simple and secure contactless payments
- **Advanced capabilities** – Mobile stock and FX Trading



Tablet

- **Customer-Facing** – Mobile features optimised for tablet devices
- **Staff-Facing** – Tablet-based tools for front-line staff to support discussions with customers



III. RBWM 1H 2013 Results

Interim Results 2013

Reported Global Business Contribution

PBT ¹ , (USDbn)	1H12	2H12	1H13	% Better / (worse)	
				1H13 vs 1H12	1H13 vs 2H12
Retail Banking Wealth Management	6.4	3.2	3.3	(3.1)	0.1
<i>Of Which</i>					
<i>US Card and Retail Services</i>	0.8	(0.2)	-	(0.8)	0.2
<i>US run-off portfolios</i>	(1.0)	(0.3)	(0.2)	0.8	0.1
<i>Gain on disposal of Cards business</i>	3.1	-	-	(3.1)	-
Rest of RBWM	3.5	3.6	3.5	-	(0.1)
Commercial Banking	4.4	4.1	4.1	(0.3)	-
Global Banking and Markets	5.0	3.5	5.7	0.7	2.2
Global Private Banking	0.5	0.5	0.1	(0.4)	(0.4)
Other	(3.7)	(3.3)	0.8	4.5	4.1
Total	12.7	7.9	14.1	1.4	6.2
Rest of RBWM (on an underlying basis)²	2.3	3.1	3.5	1.2	0.4

Note:

¹ Reported basis

² On an underlying basis which eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates and businesses and changes in the fair value of own debt due to movements in credit spread on long-term debt issued by the Group and designated at fair value

IV. Summary

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