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# Retail Banking and Wealth Management Investor Update

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## 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 and Q3 2013 Interim Management Statement. 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](http://www.hsbc.com).



# Agenda

I Group & RBWM Results

II RBWM Strategic Execution

III RBWM Growth Priorities

IV Summary

# I. Group & RBWM Results

## HSBC Group Interim results YTD 2013

### Financial highlights<sup>1</sup>

#### Summary financial highlights

	YTD 3Q12	YTD 3Q13	% better/(worse)
			YTD 3Q13 vs YTD 3Q12
Reported PBT (USDbn)	16.2	18.6	15
Underlying PBT <sup>2</sup> (USDbn)	13.5	18.1	34
EPS (USD)	0.58	0.71	22
Dividends <sup>3</sup> (USD)	0.27	0.30	11

#### Key ratio %

	YTD 3Q12	YTD 3Q13	KPI
Return on average ordinary shareholders' equity (annualised)	8.9	10.4	12 – 15
Cost efficiency ratio	61.2	56.6	48 – 52 <sup>4</sup>
Advances-to-deposits ratio	76.3	73.6	≤ 90
Core tier 1 ratio	11.7	13.3	9.5 – 10.5
Common equity tier 1 ratio <sup>5</sup>	n/a	10.6	9.5 – 10.5 <sup>6</sup>

#### Notes:

<sup>1</sup> All figures are as reported unless otherwise stated

<sup>2</sup> Underlying basis eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates, joint ventures and businesses, and changes in fair value due to movements in credit spread on own long-term debt issued by the Group and designated at fair value

<sup>3</sup> Declared in respect of the period

<sup>4</sup> 2014-16 target is mid 50s for CER

<sup>5</sup> 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 16 of the Q3 IMS and basis of preparation on page 197 in the Interim Report 2013

<sup>6</sup> 2014-16 target is > 10.0% for Common equity tier 1 ratio

# I. Group & RBWM Results

## Interim Results YTD 2013

### Reported Global Business Contribution

Reported PBT, (USDbn)	YTD 3Q12	YTD 3Q13	Better / (worse)
			YTD 3Q13 vs YTD 3Q12
Retail Banking Wealth Management	7.9	4.9	(3.1)
<i>Of Which</i>			
<i>US Card and Retail Services</i>	0.6	-	(0.6)
<i>US run-off portfolios</i>	(1.1)	(0.1)	1.0
<i>Gain on disposal of Cards business</i>	3.1	-	(3.1)
<b>Rest of RBWM</b>	<b>5.3</b>	<b>5.0</b>	<b>(0.3)</b>
Commercial Banking	6.7	6.0	(0.7)
Global Banking and Markets	7.3	7.6	0.3
Global Private Banking	0.8	0.1	(0.7)
Other	(6.5)	0.1	6.5
<b>Total</b>	<b>16.2</b>	<b>18.6</b>	<b>2.4</b>
<b>Underlying PBT<sup>1</sup>, (USDbn)</b>			
<i>RBWM</i>	2.6	4.9	2.3
<b>Rest of RBWM<sup>2</sup></b>	<b>3.8</b>	<b>4.9</b>	<b>1.1</b>

Notes:

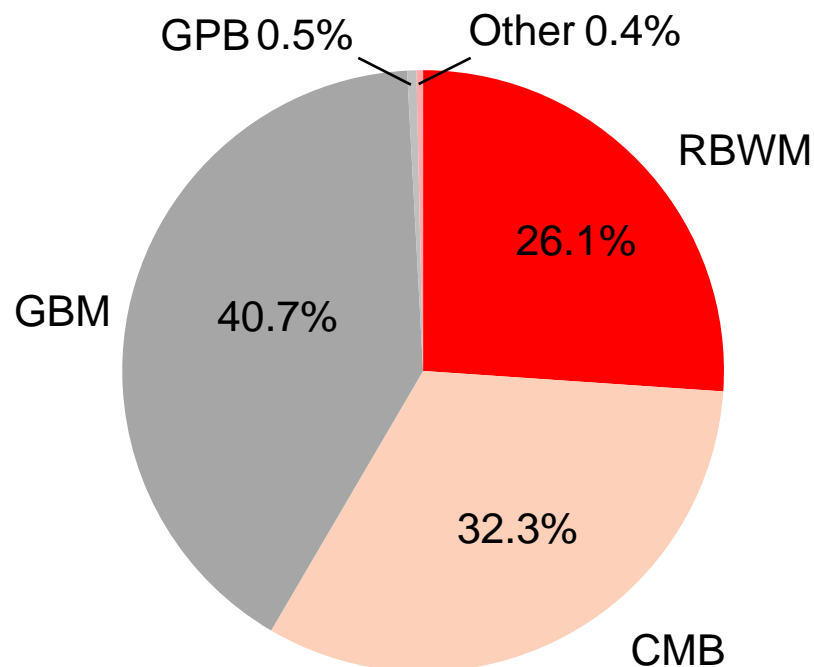
- Underlying basis eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates, joint ventures and businesses, and changes in fair value due to movements in credit spread on own long-term debt issued by the Group and designated at fair value
- Excludes CRS and US run-off portfolio

# I. Group & RBWM Results

## HSBC's four integrated Global Businesses

RBWM is a significant component of the Group

Distribution of profit before tax<sup>1</sup>, YTD 3Q13



RoRWA <sup>2</sup>	1H13
RBWM <sup>3</sup>	4.5%
CMB	2.2%
GBM	2.8%
GPB	1.0%

Directional 2016 PBT contribution

2016 target RoRWA<sup>4</sup>

% of Group total

%

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

Notes:

- 1 Reported basis
- 2 Pre-tax return on average risk-weighted assets as reported
- 3 Excluding US run-off (2.5% including US run-off portfolio)
- 4 Based on CRD IV end point
- 5 Excluding US run-off (3.8% - 4.3% including US run-off portfolio)

## II. 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), partially charged-off Household mortgages

### 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, 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 <sup>1</sup> , India	GI (HK, HASE, Singapore, Macau) Life Insurance (Taiwan, Korea JV), Bao Viet stake, Ping An Insurance stake, Employee Benefits and Group Term Life (Singapore), InvestDirect (India)

▲ Market exits announced

● Line of Business exits announced

★ Announced Acquisitions

#### Definitions:

CF Consumer Finance  
GI General Insurance  
OIB Oman International Bank

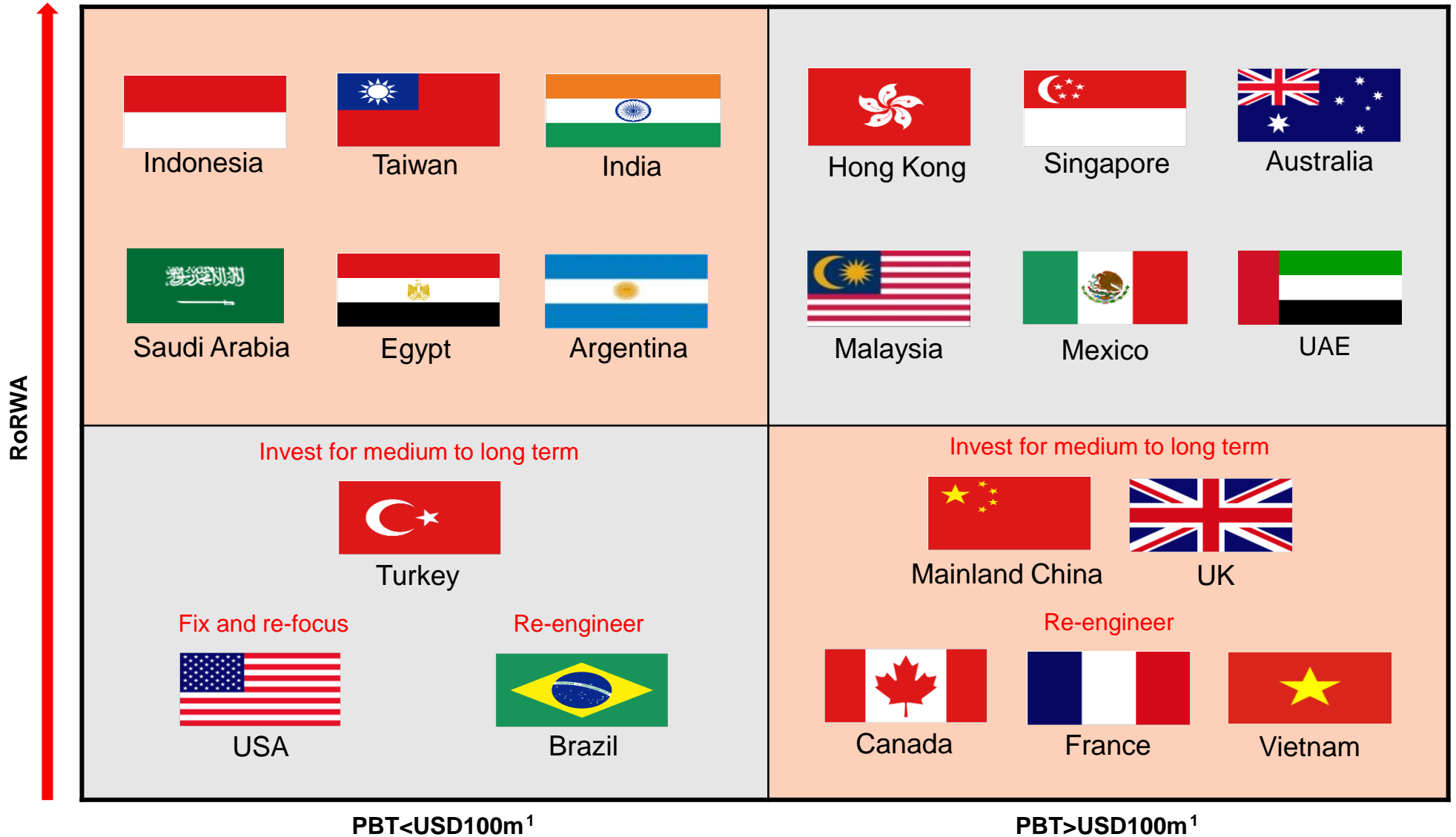
#### Note:

<sup>1</sup> Subject to regulatory approval

## II. Strategic Execution

# Portfolio Management

## Home and Priority markets



Note:

<sup>1</sup> Annualized YTD 3Q 2013 reported results



## II. Strategic Execution

### RBWM Transformation

Improving efficiency and customer experience

#### Approach



Identify inconsistent processes /  
Define customer journey and  
benchmark performance



Design Target Business and  
Operating Model / Select  
standardised approach



Build once and deploy across  
the network prioritised by  
opportunity

#### Delivering tangible benefits

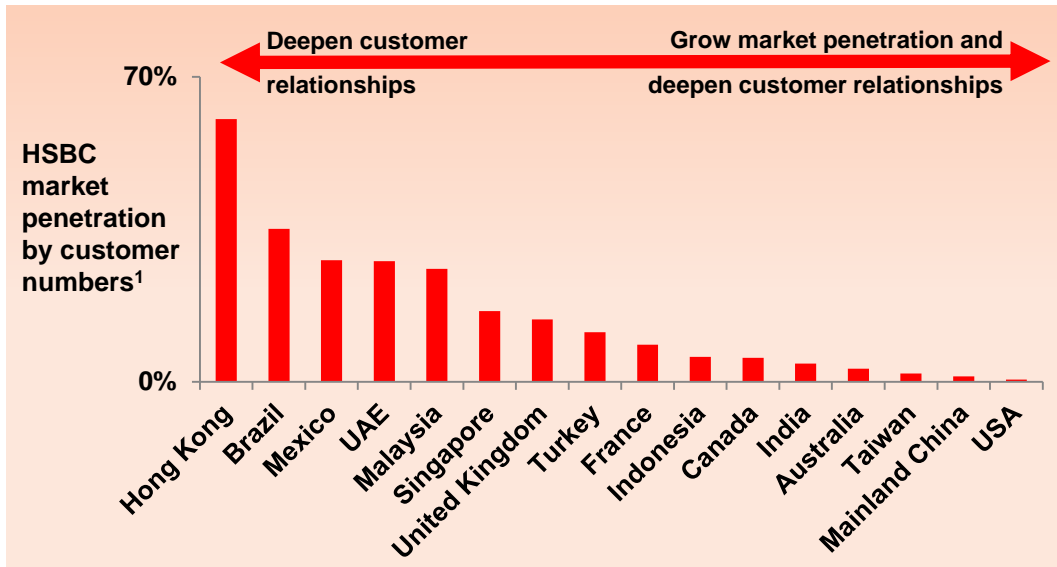
- Simplicity and consistency:
  - Organisational Blueprint
  - Products Range Review
- Contact Centre
- Global Card Operations
- Mortgage Re-engineering
- Global Services Platform



## II. Strategic Execution

### Premier

“Flagship” proposition with strong contribution to revenues



### Progress Made

- Improved customer loading ratio – better quality client contact
- Single relationship coverage model
- Enhanced client engagement effectiveness
- Improved proposition for top Premier clients
- Enhanced services to Premier International clients

### Opportunity for Growth

- Higher revenue per customer<sup>2</sup>
- Deepen customer relationships
- Increase market penetration
- Holistic relationship model



#### Notes:

<sup>1</sup> 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

<sup>2</sup> Compared to other retail customer segments

## II. Strategic Execution

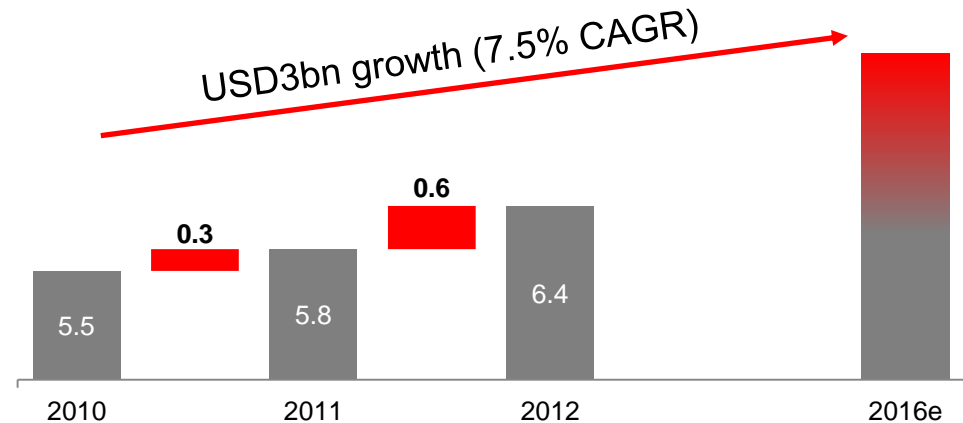
### Wealth management

Building our Wealth business

#### Our Approach

- Globally consistent
- Needs based: Protection, Education, Retirement, Managing and Growing Wealth, and Legacy Planning
- Customer-centric

#### Wealth Target



#### Progress Made

- Global wealth risk framework, Global incentive framework
- Improved wealth management platforms and interface for customers and staff
- Financial planning, digital tools
- Enhancing products and services (managed solutions, research, RMB offerings)

### III. Growth Priorities

## Relationship-led Lending

Using personal lending to deepen relationships with existing customers and to generate new relationships

	Propositions	Participation Strategy
<p><b>Compete in proposition and mass market asset businesses</b></p> <p>➤ UK, Hong Kong</p>	<ul style="list-style-type: none"> <li>▪ Premier</li> <li>▪ Advance</li> <li>▪ Mass Market (Returns Based)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Leverage marketing, proposition led, more unsecured within risk appetite</li> </ul>
<p><b>Maintain returns and target opportunities</b></p> <p>➤ Australia, Taiwan, France, Canada, Singapore, US, China, Malaysia, Vietnam</p>	<ul style="list-style-type: none"> <li>▪ Premier</li> <li>▪ Advance</li> <li>▪ Mass Market (Relationship Based)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Leverage marketing and pricing capability</li> </ul>
<p><b>Focus on proposition and secured lending</b></p> <p>➤ Brazil, Mexico, Turkey, India, Egypt, Argentina, Indonesia, UAE</p>	<ul style="list-style-type: none"> <li>▪ Premier</li> <li>▪ Advance</li> <li>▪ Mass Market (Relationship Based)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Managed growth, rebalancing portfolios towards secured lending</li> <li>▪ Targeted Originations</li> </ul>

### Supported by

Process standardisation and simplification

Enhanced risk infrastructure

Global analytics capability

New digital investments

### III. Growth Priorities

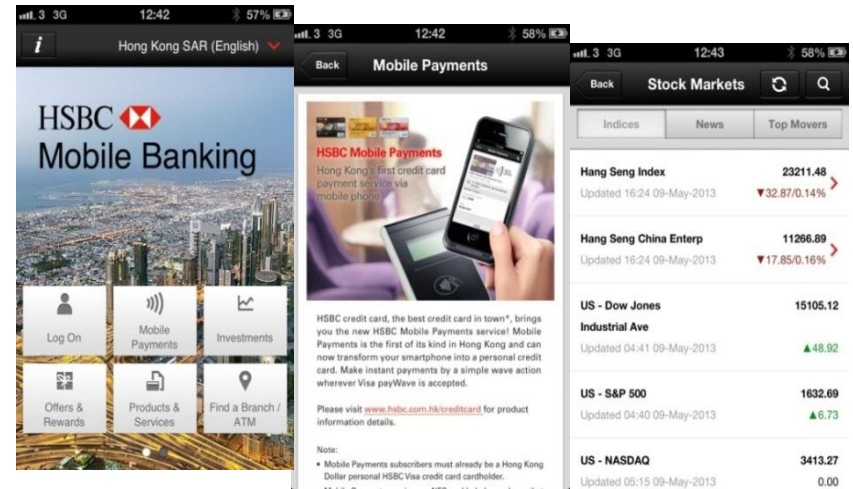
## Digital

### Distribution evolution

#### Investments Examples

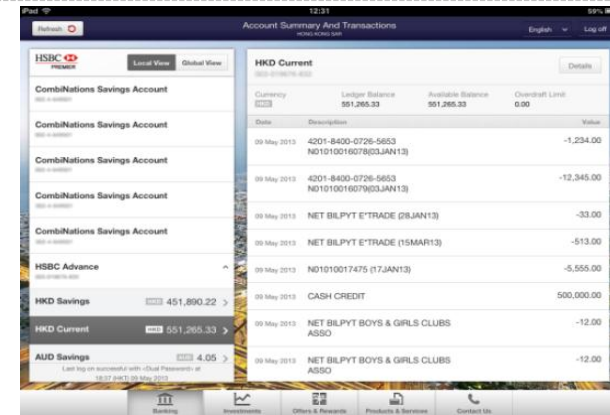
#### Mobile

- **Mobile Banking App** – Live in 24 markets and planned for 25 markets at 2013 year-end. 2 million downloads reached in November 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



Supported by

Improved analytics through our 4 global CoEs and dedicated digital teams in markets

## IV. Summary

# 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

RoRWA<sup>1</sup>, % 3.8-4.3

RoRWA<sup>1</sup>,  
excl. run-off, % 5.0-5.5

Incremental  
wealth revenues<sup>2</sup> USD3bn

#### Non-financial

- Customer Recommendation Index (CRI) for affluent segment in priority markets<sup>3</sup>
- Total customer relationship balances
- Digitally active customers



#### Notes:

<sup>1</sup> CRD IV end point basis

<sup>2</sup> Incremental revenues 2010 to 2016

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