



April 2016

Asia Digital Strategy



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Important notice and forward-looking statements

Important notice

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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 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 the 2015 Annual Report and Accounts and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

We have already made significant progress in expanding our underlying digital capabilities

Market environment

Customer usage of digital is growing rapidly, especially in Asia

- Potential for 1.7 billion digital-banking consumers in Asia by 2020

Customer behaviour is shifting, often led by non-traditional players

- Mobile has become mainstream as a distribution channel
- Our current strategic growth priorities remain compelling

We are making progress

We have reconfigured and continue to improve our mobile and online banking platforms to provide foundational blocks from which to expand

- We have launched a mobile app that works across 27 markets
- Our new online banking platform underpins our digital plans
- We have a robust pipeline of features in development
- We are investing in a digitally-led growth plan for the Pearl River Delta

Digital is more than a channel

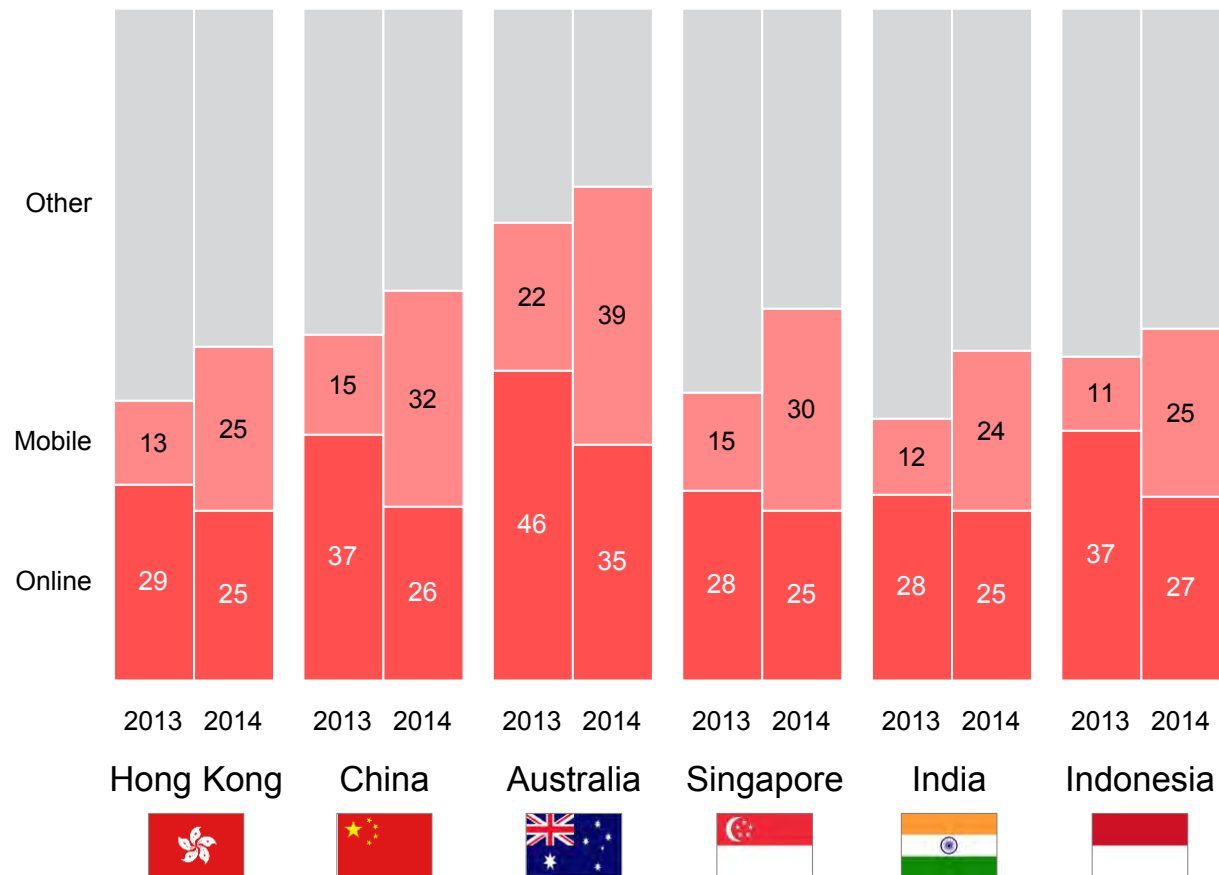
Digital fundamentally changes how our customers can interact with us

- Building digital capabilities provides an opportunity to offer all customers a personalised dialogue supporting a broad range of their individual needs
- It enables us to react rapidly to external changes and explore new business models in conjunction with leading partners
- It puts customers more in control and allows a more proactive and timely dialogue

The market environment in Asia continues to evolve with an increasing pivot to Mobile

In the space of a year, mobile has overtaken online as the preferred channel in multiple markets

% of interactions by channel



Digital banking continuing to grow

- Smartphone penetration has grown rapidly and in many Asian markets is above 75%, with the regional average growing from 37% to 41% between 2014 and 2015
- Usage of digital banking continues to grow rapidly, with over 90% of respondents using online banking in Hong Kong and Singapore
- Within the digital channel, mobile is rapidly overtaking online as smartphone penetration grows

Source: McKinsey Asia Personal Financial Services survey 2007-14; 2013 and 2014 Bain/ Research Now NPS Surveys

RBWM strategic growth priorities have not changed as we execute – with a digital & mobile first approach

Strategic actions

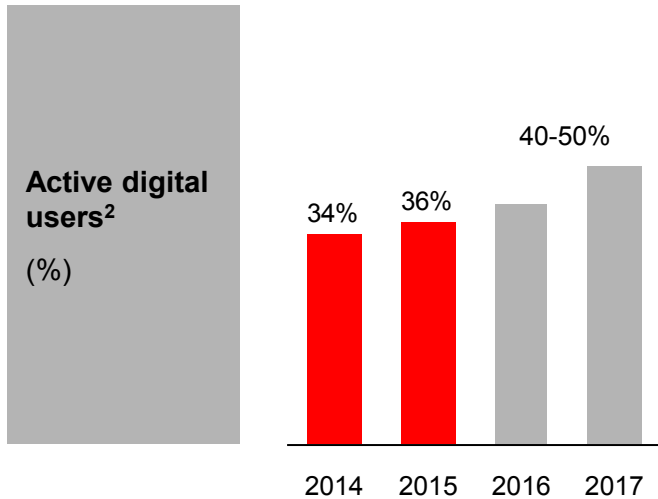
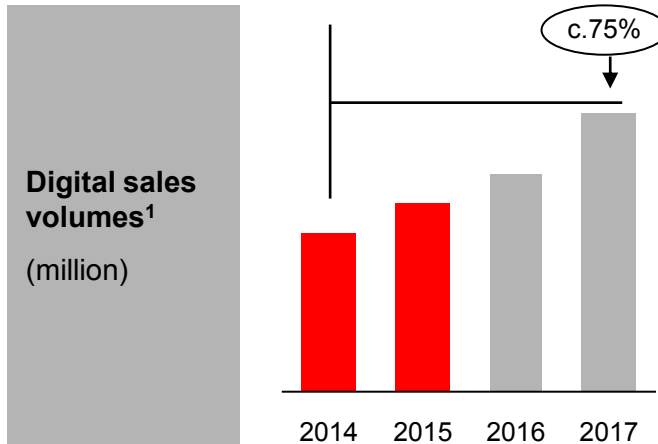
Targeted outcome 2014-17

Strategic actions	Targeted outcome 2014-17
<p>Growth Priorities</p>	<p>Digital</p> <ul style="list-style-type: none"> ▪ 40-50% of customers digitally active¹ ▪ 2017 exit cost rate at 2014 level
	<p>Wealth Management</p> <ul style="list-style-type: none"> ▪ Premier Total Relationship Balance² 5-7% CAGR ▪ Wealth revenue³ growth 5-7% CAGR ▪ c.10% growth p.a. AUM in Asia
	<p>Relationship-led Personal Lending</p> <ul style="list-style-type: none"> ▪ Principal RBWM lending balance⁴ growth 3-4% CAGR
<p>Portfolio optimisation</p>	<p>Continue portfolio optimisation</p> <ul style="list-style-type: none"> ▪ Portfolio review conclusions implemented

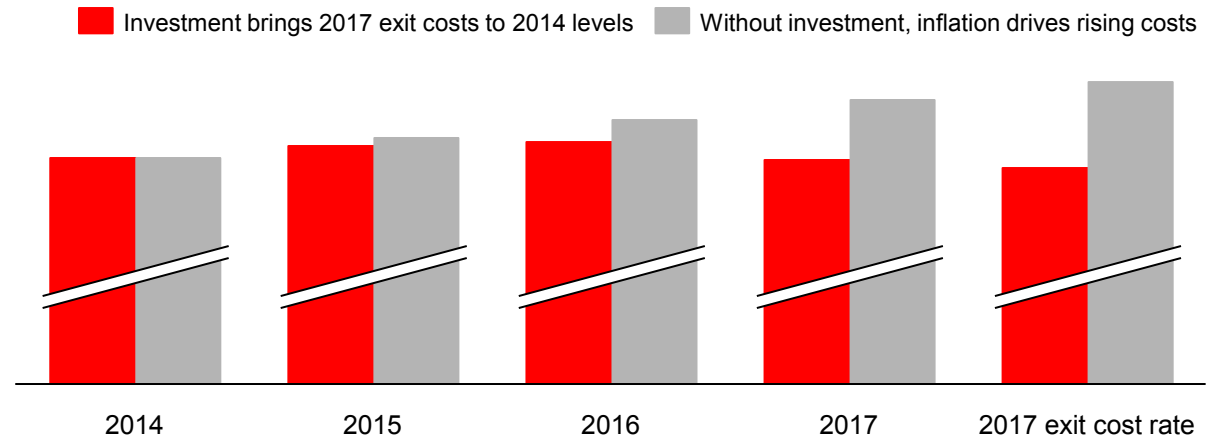
1. Total customers who have logged in to one of our digital platforms (Internet / Mobile) in the last three months as a % of all RBWM active customers (priority markets)
 2. Aggregate of Deposits (both local and foreign currency), investments (e.g. Mutual Funds, Equities, etc.) and Insurance (Life, Pension and Investment insurance products). It is exclusive of Credit Enhancement Services Insurance and General Insurance products, pure Protection Insurance products as well as Mortgage or other Loan / Asset balances
 3. Wealth Distribution revenue only
 4. Money lent to individuals rather than institutions. This includes both secured and unsecured loans such as mortgages and credit card balances.

Digital transformation is enabling rapid change to our business model

Changing customer behaviour



The Group's streamlining programme will sustainably reduce RBWM's costs



Digital transformation

- Enhance digital platform and service capabilities
- Accelerate deployment across geographies
- Improve supporting digital operations

Simplifies customer interactions

Product and service automation

- Optimise end-to-end customer journeys
- Automate sales and service transactions to deliver straight through processing

Improves productivity

Channel simplification

- Deliver effortless multi-channel capability
- Empower customers via self-assisted sales
- Optimise branch and contact centre footprint

Enhances customer experience

1. Retail sales for mortgage, loans, cards, savings, current accounts, through digital channels in top 6 markets (includes ATM / third party sales)

2. Proportion of active customers that have logged into online or mobile banking at least once in the last 90 days¹, in our home and priority markets excluding Brazil

We are constantly improving and extending digital platform capabilities

Online banking platform rollout

- New online banking platform provides a simple, consistent foundation on which we can rapidly build and deploy new features and functionality
- Customer experience has a modern, clean interface
- Hong Kong & China are deploying a new public website, internet banking service and mobile app within a 12 month window

New mobile-centric secure access

- New service provides a single authentication portal
- Expanded capabilities include “soft” tokens and biometrics
- Live in 5 markets
- WeChat integration

Business architecture

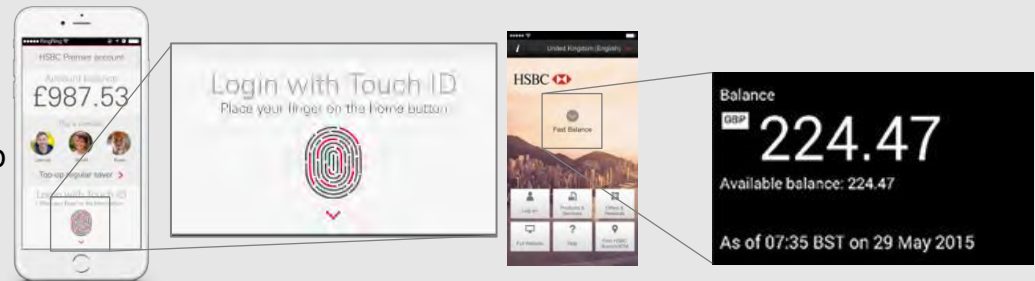
- Using modern practices and tools to improve how we develop, test and deploy code
- New capability to provide personalised customer experiences spanning channels, with content optimised based on rigorous data analysis
- Increasing opportunities to simultaneously deploy “global” features whilst enhancing individual services at a local market level

Asia Digital Strategy – We are making progress

New and enhanced functionality has been launched across mobile, online and staff tablet

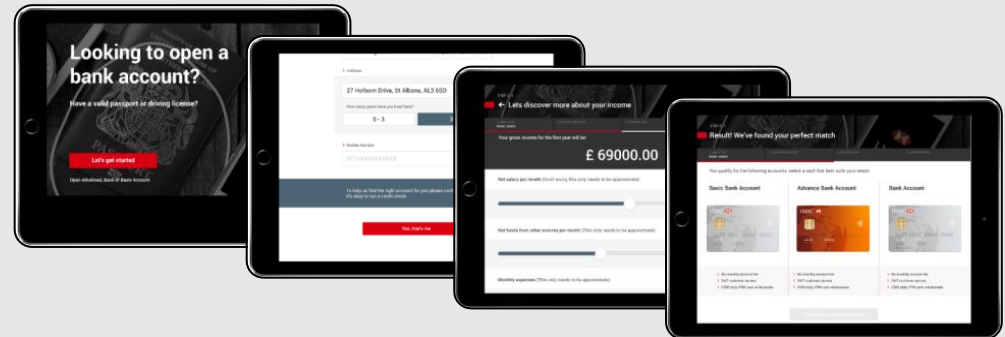
Mobile

- Fast Balance launched in UK
- Touch ID to log in to Mobile App launched in UK
- Updated interface on First Direct app
- New Mobile Loans application journey
- New look & feel on main HSBC app



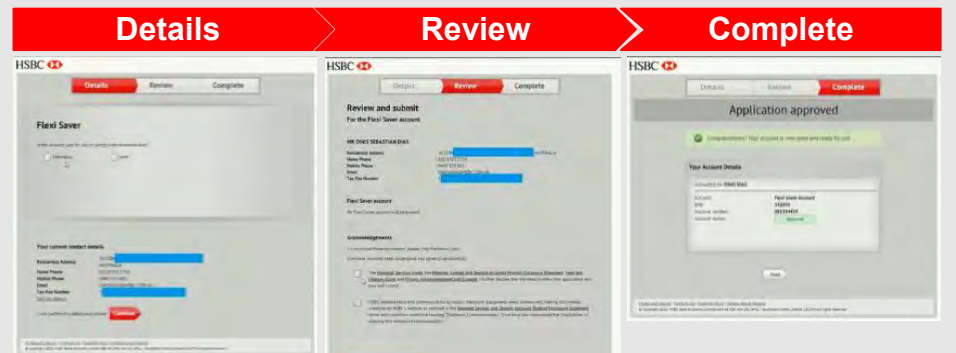
Staff Tablet

- Tablet account opening pilot has reduced application time from c.75 minutes to c.15 minutes
- New staff tablet-enabled mortgage journeys in India
- Digital Signatures enabled on tablets in Hong Kong



New and enhanced customer journeys

- Express personal loans application process in Australia allows existing customers to apply in 2 simple steps
- New approved-in-principle journey for online loan sales in the TWN



Pearl River Delta – Seizing the opportunity to take a digital first approach

Platforms

- Implement new digital banking platform in 2016
- Mobile implementation – Improved mobile customer experience
- WeChat Banking
- Mobile Wallet solutions evaluated on a partner-by-partner and market-by-market basis
- Virtual Teller Machines – On-board customers and service needs in-branch / on the move



Products

- Credit Card & loans launch – HSBC China's own credit card and loans products with online journeys & apps
- Digital origination of Mortgages – In-principal approval and better digital services
- Strategic Retail Brokerage Platform Structured Products – Online trading of QDII UT's and Structured Products



Partnerships

- Develop major potential partnerships
- New customer acquisition channels
- Investigate mobile-specific opportunities



Asia Digital Strategy – Digital is more than a channel

Our team has been recruited from global consumer technology firms



We have an aggressive digital roadmap built around the customer...

	Description	Examples
Visualisation	<ul style="list-style-type: none">Improve customer experiences and increase staff efficiency using tablets and mobile appsIncrease engagement and customer understanding using software visualisation tools	<ul style="list-style-type: none">Paperless Tablet account opening improves customer and employee satisfactionPersonal Financial Management app to help customers to better understand spending habits
Data	<ul style="list-style-type: none">Personalise the customer experience using detailed knowledge of their behaviourAnalyse aggregated customer data to better understand behaviours, preferences and trends	<ul style="list-style-type: none">Pre-approval for loans and credit cardsNew credit decisions based on alternative customer dataOptimised approach to wealth-related updates
Dialogue	<ul style="list-style-type: none">Develop a two-way dialogue seamlessly across channels to allow both servicing and sales to become part of an ongoing conversation, tailored to each customer	<ul style="list-style-type: none">Click-to-chat, click-to-videoReal-time messaging to better meet customers' servicing and product needsNudge app to encourage better financial management, based on customers' preferences

Asia Digital Strategy – Digital is more than a channel

...which means we are innovating how we deliver against the opportunities

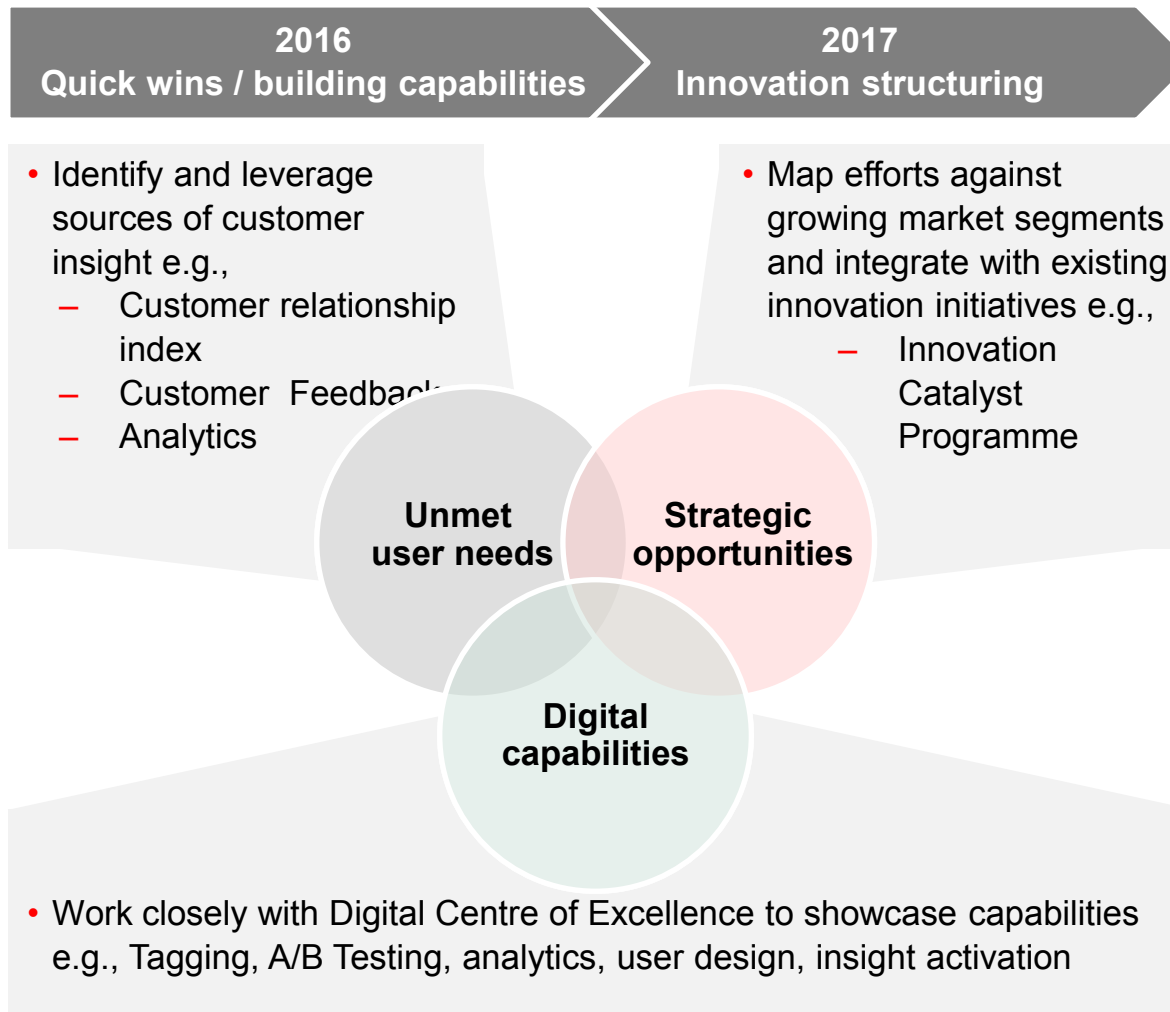
Operating principles

Asia focus

In-market collaboration

Pilot, test, learn

Organisational Alignment



On-going Initiatives

Build

- HK new customer tools
- Pearl River Delta Innovation Centre
- WeChat AI-powered Mobile Account Servicing

Partner

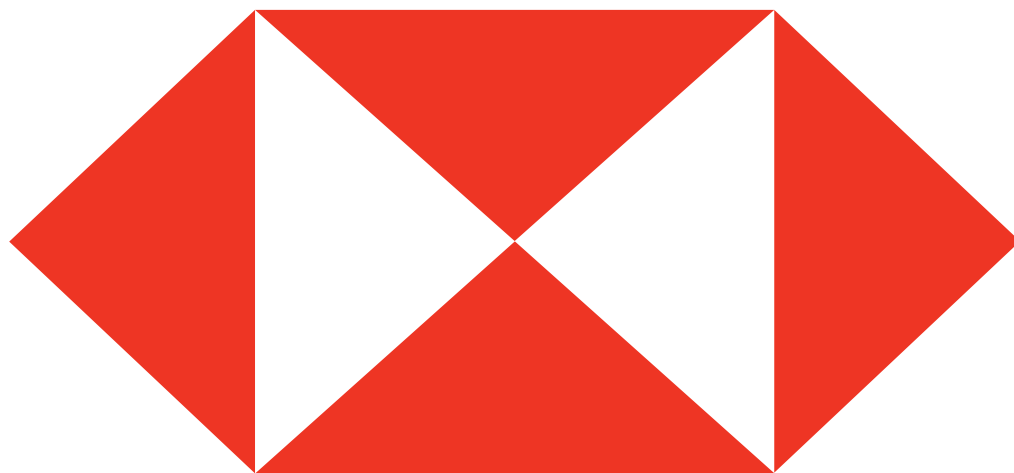
- Develop potential major partnerships
- Develop Mobile partnership (Carrier or handset manufacturer)
- Other digital ecosystem partnership

Incubate

- HK PolyU Designathon
- Asia / PRD fintech assessment, community building

A modern digital approach to doing business is key to the PRD strategy...

- Significant progress already made in creating the digital platforms and capabilities for growth,
- Clear organisational willingness and flexibility to utilise non traditional in market capabilities, (digital ecosystems, people and technical), to rapidly develop customer propositions purpose built for the local market,
- The distribution strategy in PRD will be digitally led – HSBC is not hampered by large inflexible traditional bank channels,
- New product, designed specifically around holistic digital journeys for the local market, is well advanced and will be delivered in 2016,
- Long term relationships with our GB&M and CMB businesses will also be leveraged to accelerate the growth of the RBWM business,
- The unique geographic nexus of PRD to our HK home market and the already high level of HSBC brand awareness in the PRD is truly differentiating.



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