UK Retail Banking and Wealth Management (RBWM)

June 2017 – Digital Update

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Business Overview

Four market leading brands delivering to distinctive customer needs

HSBC
- For the open minded, with a world view seeking to make the most out of life
- ~8m customers
- Acquire high earners in the 25-50 age range, looking for intelligent advice and likely to prefer digital channels
- Offer full banking relationships

first direct
- For the entrepreneurially minded who live and think differently
- ~1m customers
- Acquire independent, digitally native, early adopters of technology in the youth to 35 year old cohort
- Offer full banking relationships

M&S BANK
- For the diverse 21st century family who seek trust and rewarding relationship banking
- ~3m customers
- Acquire 35-50 year olds who value the M&S high street brand and have growing financial needs
- Offer savings and unsecured lending services

partnership
- For customers valuing the John Lewis and Waitrose brands
- ~1m customers
- Offer unsecured lending services to valued John Lewis Partnership customers

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1. All customer numbers quoted are existing active customers as at 31 Dec 2016. Not unique across Brands.
Digital Overview

*Digital adoption has become the norm*

- 90% of HSBC’s payments and transfers are now completed digitally\(^1\)

- 93% of customer contact with the bank is now completed via the telephone, internet or smartphone

- 4 out of 5 UK adults have a smartphone, viewing their devices over a billion times a day\(^2\)

- Mobile Banking users in the UK retail market have grown by 54% during the last 2 years (93% at HSBC)\(^3\). Mobile banking apps are used 7,610 times a minute\(^4\)

- Open Banking will further accelerate the digitisation of financial services

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\(^1\) HSBC data as at JAN17
\(^2\) Deloitte – Mobile Consumer 2016
\(^3\) Market data, eBenchmarkers data OCT14 – OCT16, HSBC data as at same period
\(^4\) CACI, BBA – June 2016
Three key components of our Digital ambition

Together they realise a fully digitally-enabled business delivering 21st Century relationship banking

**HSBC Digital Solutions**

- Design, build and run simple, fast and intuitive customer journeys on a modern digital platform

**Digital as a Channel**

- Use data to dynamically deliver a relevant and personal experience across every customer interaction

**Digitally-led Propositions**

- Develop propositions that take full advantage of digital technology to evolve the customer value proposition
<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
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<tr>
<td>Secure Access</td>
<td>• Simplified credentials and intuitive customer accessibility</td>
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<td>Banking and Servicing</td>
<td>• Convenient, self-serve, straight-through processing</td>
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<td>Mobile</td>
<td>• Rapid feature deployment through a reliable, intuitive interface</td>
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<td>Originations and Utilities</td>
<td>• Best-in-class product/account opening and customer on-boarding</td>
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<td>Wealth and Insurance</td>
<td>• New journeys deployed across new and existing platforms</td>
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<td>Multi-Channel and Staff Digitisation</td>
<td>• Cross-channel, innovative and effective experiences</td>
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<td>Value Added Digital Messaging</td>
<td>• A dialogue-driven approach to customer communications</td>
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<td>Public Web Services</td>
<td>• A dynamically optimized experience that flows from web activity (e.g. on WeChat) to application and fulfilment</td>
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<tr>
<td>Digital Acquisition</td>
<td>• Providing capability to integrate our acquisition activity into third parties eg programmatic, affiliates etc</td>
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HSBC Digital Solutions

A new way of working to simplify and accelerate technology delivery, driving a shift in the culture of the organisation
HSBC Digital Solutions
Moving toward continuous delivery

Delivered 2016 - H1 2017

- Paperless Statement Switch
- Voice Biometrics
- New Mobile Platform
- Multi-Channel Appointment Booking
- Live Chat
- Robotics
- Co-Browse
- Digital Mail
- Native App
- Card Servicing

- 530k UK Customers switched to paperless statements
- 41% Conversion on lightbox e-statement promotion
- 5.7m Customers migrated to new internet banking platform
- 239 Branches with customer video conferencing
- Paykey
- “Alexa... what's my balance?”

Coming in H2 2017 - 2018

- Apple Pay, Android Pay & Samsung Pay
- First direct's internet banking
- Asynchronous Messaging on mobile
- Third Party Mortgage Intermediaries
- STP Savings Application
- Digital Relationship Management
- Pay by Bank app

- 20% Of loans sold on mobile – now with top-up
- Touch ID
- Increase in online payment limits
- For first direct
- Change of Address feature
- On Mobile

PUBLIC
Digital as a Channel

Building capabilities to rival e-commerce giants

- Digital acquisition
  - Using platform, data analytics and creative to drive targeted customer acquisition

- Digital messaging
  - Developing and delivering personalised, real-time messages to our customers

- Digital data
  - Providing insight and real-time analysis to support all Digital Channel activities

- Content
  - Dynamically tailoring content for each customer

- Optimisation
  - Executing experiments at an industrial scale
Digital Propositions

Test & Learn agenda along major themes shaping the retail bank of the future

- Digital Relationship Management
- Digital Payments
- Open Banking
- Wealth Engagement
- Smart Lending
- Digital Identity
- Social / Peer to Peer Finance
**Digital Propositions**

*HSBC SmartSave (FCA Regulatory Sandbox deliverable)*

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<tr>
<td>Digital Relationship Management</td>
<td>Microsavings app jointly designed and developed with a FinTech. Offering:</td>
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<td></td>
<td>- Account aggregation</td>
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<td>- Rule based saving sweeps</td>
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<td>- Actionable push notification ‘nudges’</td>
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<th>Learnings</th>
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<td>▪ Consistent positive response to nudge messaging, actionable notifications drive activity and app engagement</td>
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<td>▪ Rules based auto-savings drive significant behaviour change</td>
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<td>▪ High levels of satisfaction with aggregation and ‘money management’ tools</td>
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<td>▪ Perceived value drives high level of ‘opt in’ to messaging</td>
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<th>Roadmap</th>
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<td>✓ Dec 2016: Pilot launched to 2,000 customers.</td>
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<td>✓ H2 2017: features and learnings to be built into future mobile deliverables</td>
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June 2017 – Digital Update - Appendix
Appendix

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