

# UK Retail Banking and Wealth Management



Stuart Haire, Head of RBWM, UK  
09 March, 2018

# Important notice and forward-looking statements

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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 our Annual Report and Accounts 2017 and the Reconciliations of Non-GAAP Financial Measures document which are both available at [www.hsbc.com](http://www.hsbc.com).

Information in this presentation was prepared as 9 March 2018.

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# HSBC RBWM in the UK

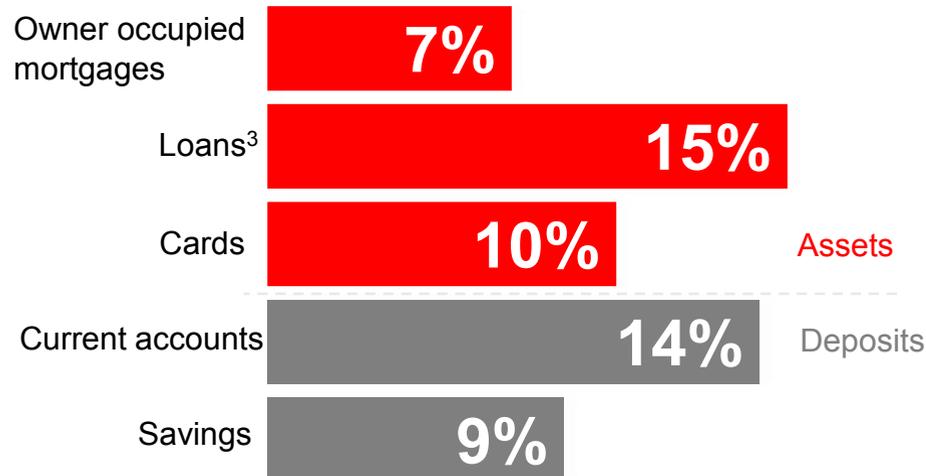
## Balance sheet highlights<sup>1</sup>

### FY17 Balances

- **Customer advances** **\$134.3bn**
- **Customer deposits** **\$181.6bn**

**A/D Ratio** **74%**

### Market share<sup>2</sup> (%) of YE17 balances

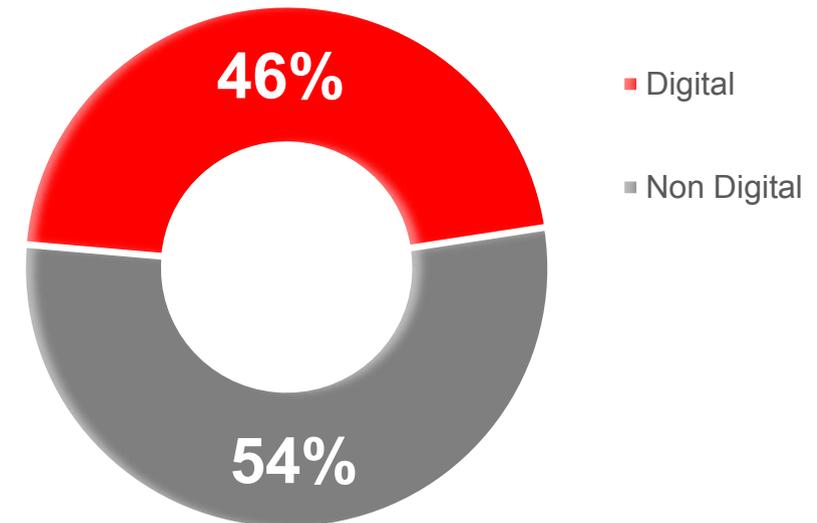


## Customer relationships

**~13 Million customers...<sup>4</sup>**

**Served by 627 branches<sup>5</sup> and digital customer experiences**

### Sales mix of new business volume<sup>6</sup>



1. UK RBWM balances as at 31Dec17. Advances to deposit ratio (A/D) is loans and advances to customers divided by customer accounts.  
 2. Loans/current accounts/savings sourced from Consolidated Analysis Centre Incorporated (CACI) (scaled) as at 31 Dec 2017. Cards sourced from UK Finance (unscaled). Mortgages sourced from Council of Mortgage Lenders (CML).  
 3. Loans market share excludes car finance, payday lending, Personal contract purchase. If included total market share ~4%.  
 4. All customer numbers quoted are existing active customers as at 31 Dec 2017. Not unique across brands.  
 5. Branch numbers as at 31 Dec 2017 exclude branches in the Channel Islands and Isle of Man, relationship management centres and M&S Bank branches.  
 6. Sales mix 2017FY for current accounts, savings, credit cards and loans, excludes John Lewis Partnership.

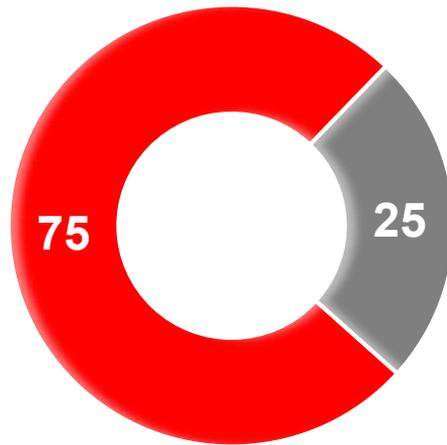
# Brands

Four market leading brands deliver:

**Diversified revenue streams**

**~13m<sup>1</sup> customer relationships**

% share of UK RBWM revenue 2017FY



 HSBC UK



M&S BANK

first direct

partnership  
John Lewis Waitrose



**~8m** customers

Full banking relationships, innovative proposition improvements

**first direct**

**~1m** customers

Full banking relationships, leading on customer service entirely through online and telephone channels

**M&S BANK**

**~3m** customers

Unsecured lending, general insurance and a recently-launched mortgage offering

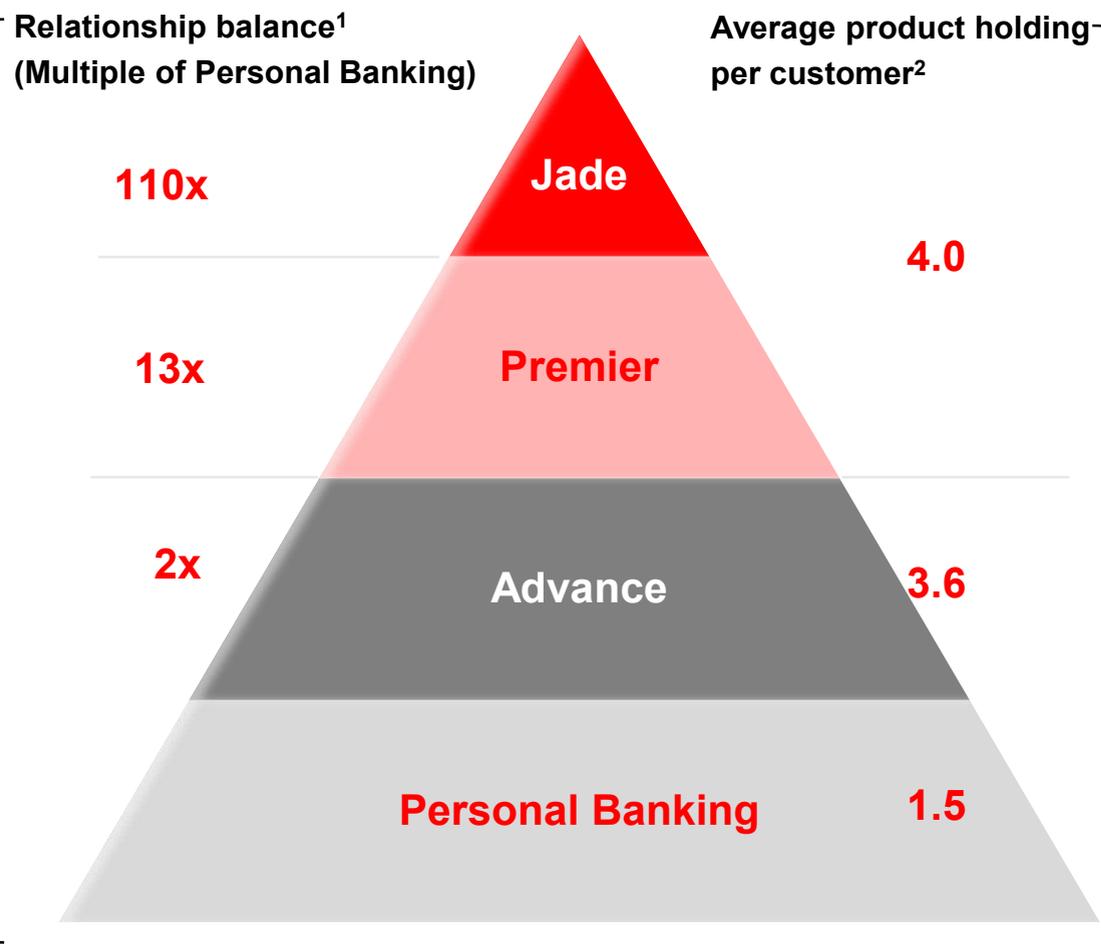
partnership  
John Lewis Waitrose

**~1m** customers

Unsecured lending, recent launch of John Lewis loans

1. All customer numbers quoted are existing active customers as at 31 Dec 2017. Not unique across brands.

# Propositions



JADE

- Jade by HSBC Premier is an exclusive membership programme that caters for its members' complex financial needs and high expectations
- For customers holding balances of £500k & above

 **HSBC UK**  
**Premier**

- Premium banking services for affluent customers with more complex / international financial needs
- Must have £50k or more in investable assets or annual income of £100k

 **HSBC UK**  
**Advance**

- Supporting emerging affluent, digitally savvy professionals looking to achieve their personal and professional goals
- Requirement to pay at least £1,750 a month into the account (or £10.5k every six months)

 **HSBC UK**  
**Personal Banking**

- For customers who want access to simple transactional banking products, often including access to credit for the first time

<sup>1</sup> Average relationship balance divided by number of active customers, period end Oct-17. Personal banking includes first direct (fd), M&S, JLP. Relationship balance is defined as the sum of deposits and wealth balances.

<sup>2</sup> Average product holding per customer is total number of products held divided by number of active customers, as at 31Oct-17. Personal banking includes fd, M&S. Jade not reported separately.

# UK RBWM investment portfolio

Delivering UK RBWM's strategic priorities

Priorities		Examples	Outcomes
<b>Digital</b>	<b>Digitise journeys and build immersive experiences</b>	Open Banking apps for HSBC and first direct brands, website journey improvements and digital coaches	Increased digital channel sales and customer activity
<b>Mortgages</b>	<b>Optimise our unique mortgage opportunity</b>	Broker platform expansion, improved customer journeys and M&S Mortgage launch	Mortgage intermediary sales growth and reduced time to offer
<b>Wealth</b>	<b>Deliver a sustainable Wealth proposition</b>	Services extended to meet customers' online and ongoing investment advice needs	Sustainable Wealth investment income streams and year-on-year Premier client growth
<b>People/ Customers</b>	<b>Enable and empower our people to deliver better customer service</b>	Branch staff trained to resolve most problems at first point of contact and equipped to help customers make the most of our digital services	Improvement in customer satisfaction and first point of contact resolution

“Ensuring **customers are treated fairly**, whilst acting within the **spirit of regulatory and compliance frameworks**”

# Digital journeys, immersive experiences and innovation

We have built the foundations to drive further digital growth and support our strategic ambition

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Making it easier for customers, keeping people in the online channel, growing customer satisfaction and retention

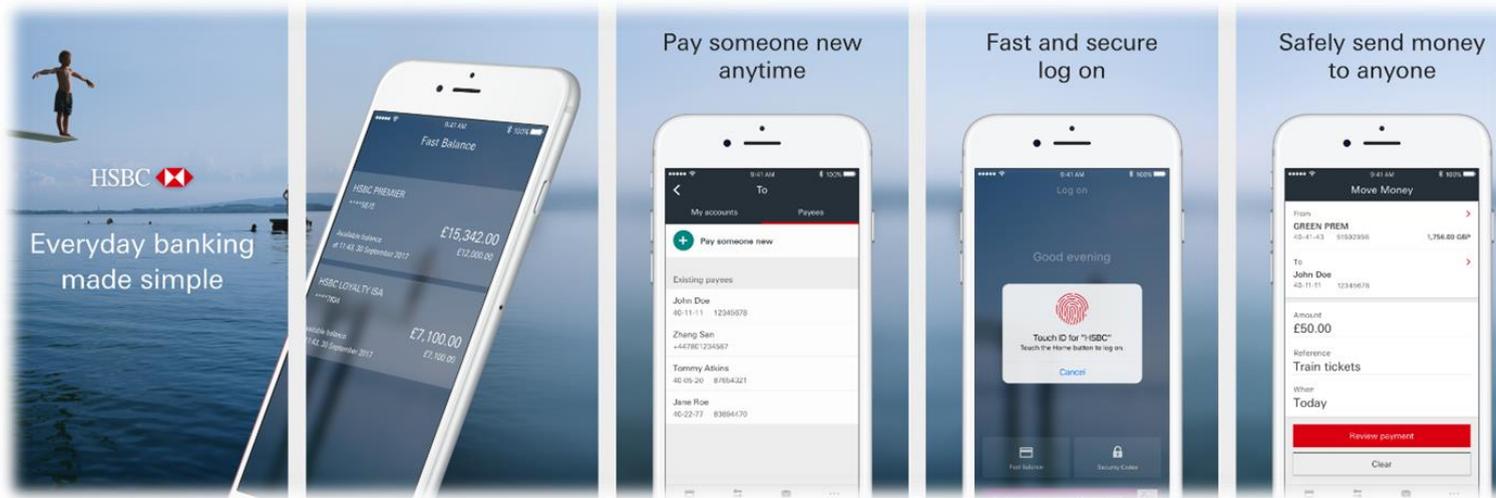
Digitising processes to remove manual intervention

Harnessing the power of data to deliver a more personalised and relevant experience

Responding to Open Banking to deliver new commercial opportunities

# Making it easier for customers

A brand new, faster and simpler mobile app that dramatically improves customer experience



## Where we were:



## Where we are today:



**So much faster!** 27 Oct  
Stashinator

★★★★★  
This is so much faster than the old app. Takes me about 5 seconds from opening the app to logging on. It is really quick when navigating in the banking and you can finally add a new payee within the app. Compared to other banks, this looks very sleek too.

**Millions times better than old a...** 13 Nov  
Reid1990

★★★★★  
Best new feature is that they finally show up to date balance on the main screen instead of having to go into it and do a million calculations! Hopefully soon we will start seeing pending stuff also!

But very clean app and loving the way it transferred from my old app to the new one! Step in the right direction for HSBC!

**Great app and I expect it to becom...** Sun  
lacho.k

★★★★★  
Compared to the old app this one is great. I no longer need to log on on my computer to pay someone new. I can now do this in the app and it's so effortless it's amazing! I just need to tap the home button for touch id and that's it. Logging in with touch id is very convenient too and it's much faster than the old app. I never used the fast balance feature on the old app, but the new one is so fast that I don't even think about it. Well done HSBC!

**Fantastic experience** 24 Oct  
wolfgang.emmerich

★★★★★  
I'm new to HSBC and have previously used the mobile banking apps of Barclays and NatWest. Was expecting a long faff to get set up for mobile banking, including having to wait for security gadgets to arrive in the post, but the registration journey was entirely digital and I only had to leave the app to check some keys sent by email & SMS.

\* App store rating as per January 2018 and may be subject to change.

# Digitising processes

Significantly improving journeys, making them easier and faster, and removing the need for manual activity

## Key initiatives delivered:

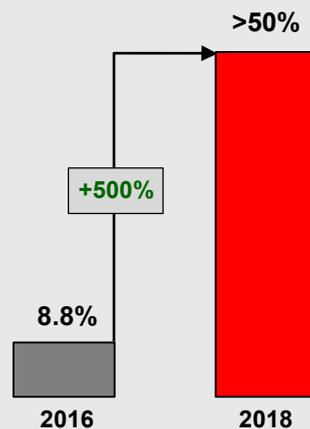
### ◆ Advance customer onboarding

### ◆ Online student journey

### ◆ Credit card journey

### ◆ New to bank loans journey

- ◆ Account opening time reduced to **10 mins** compared to 3-4 days in 2016
- ◆ **>25%** accounts opened STP via mobile
- ◆ Reduction in online form completion time and a **60%+** increase in submissions
- ◆ Digital share of total sales increased<sup>1</sup>



## What's next?

All core journeys STP

Ability to prove identity without being referred to a branch

Instant account access for new to bank customers

All core sales journeys available on the mobile app

1. Advance sales penetration figures for January 2016 to mid-January 2018.

# Digitising processes

Significantly improving journeys, making them easier and faster, and removing the need for manual activity

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## Key initiatives delivered – account servicing:

- ◆ Made more information available online and improved main servicing features (e.g. change of details), reducing the need for customers to call
- ◆ Provided card servicing features on mobile such as reporting a card lost or stolen and temporary block
- ◆ Improved security process to make it easier for customers who forget their details
- ◆ Moved customers from paper to online



Call volumes reduced by  
**>1 million reduction** per  
annum

We have saved more than  
**\$28.4 million since 2016**  
by reducing paper sent to  
customers

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## What's next?

Push notifications to  
provide real time  
information on events,  
spending and balances

Ability to activate your  
card via a mobile app

Ability to change personal  
details on the mobile app

View and change PIN  
online

Immediate addition of a  
card to a digital wallet on  
account opening

# Harnessing the power of data

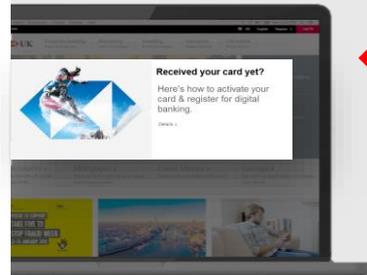
Developing a best-in-class technology foundation that will allow us to deliver a timely, relevant and personalised experience to customers

## Key initiatives:

### ◆ Personalised content

- ◆ We can better segment and target customers to provide a more personalised, relevant and meaningful experience

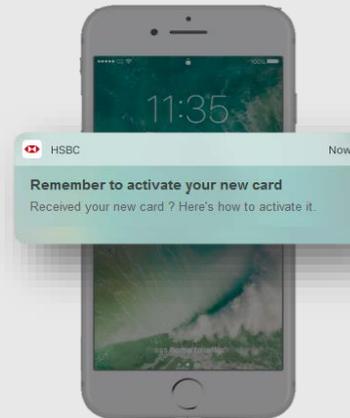
### ◆ Digital acquisition



- ◆ Allows customisation of website content depending on users' actions

### ◆ Digital messaging

- ◆ Timely and relevant push notifications



### ◆ Digital data

- ◆ Showcasing branded and targeted advertisements with tailored landing pages

### ◆ Optimisation

## Initiative outcomes

Enabling a superior understanding of the customer and increasing customer engagement by acting on data in real time

Improving return on marketing investment by increasing relevance (right message, right person, right time)

Providing personalised and relevant experiences to customers

Increasing journey conversion through incremental improvements

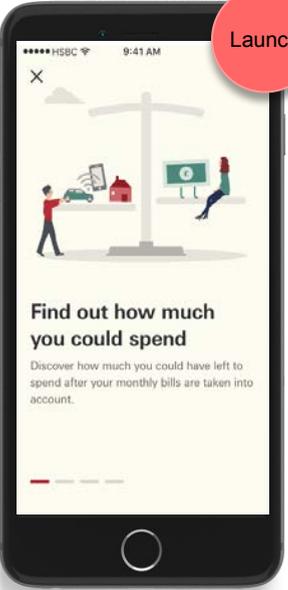
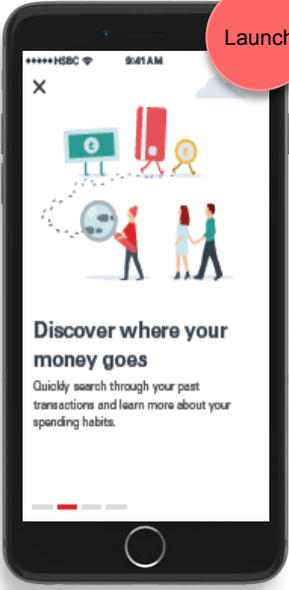
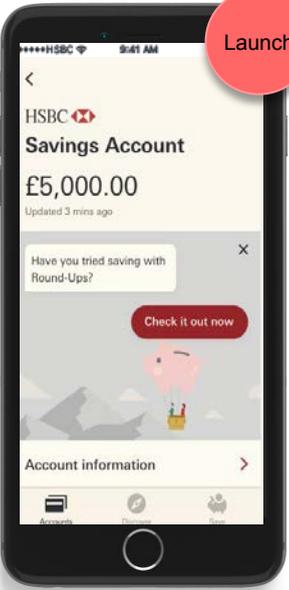
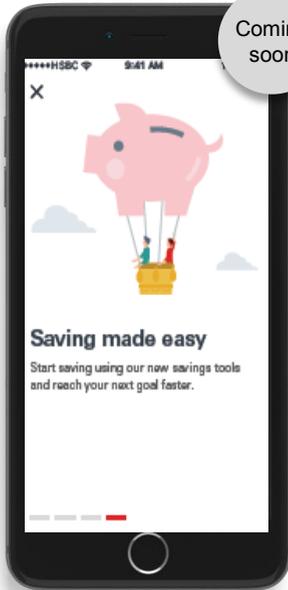
Driving incremental lead growth and sales

# Responding to Open Banking

From January 2018, Open Banking came into effect, enabling customers to share their current account information securely with other third party providers. This creates a number of commercial opportunities. We are responding to this with a number of initiatives

## Connected Money from HSBC:

*Ready to launch in H1 2018, it will show customers their complete financial position across multiple providers, including features that allow customers to better manage their financial well-being.*

Joined up banking	Balance after bills	Spend analysis	Alerts	Savings tools
				
View UK current accounts, savings accounts, credit cards, mortgages and loans together in one place	Find out how much you've got left until payday after bills	Uncover and track spending habits	Receive alerts and nudges to help keep track of spending and goals	Save more in different ways with round ups, guilty pleasures and savings pots

# Responding to Open Banking

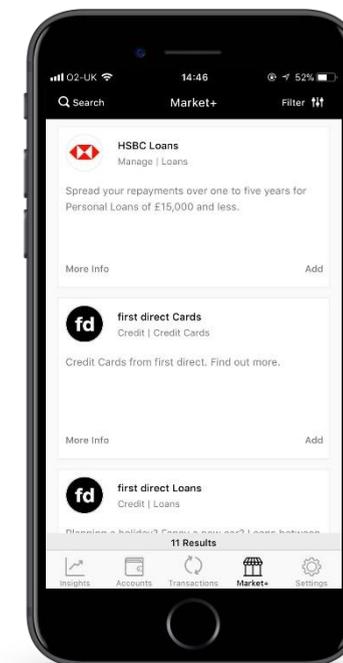
HSBC is partnering with fintech start-up Bud to create Artha, a financial marketplace app, for first direct customers

## What?

Like Connected Money, Artha will allow customers to connect accounts from different providers. Artha will also make personalised product recommendations based on customer data

In addition, the marketplace feature means customers can:

- manage their finances on a single dashboard
- easily browse and acquire new products across a number of sectors such as investments, pensions, utilities and insurance



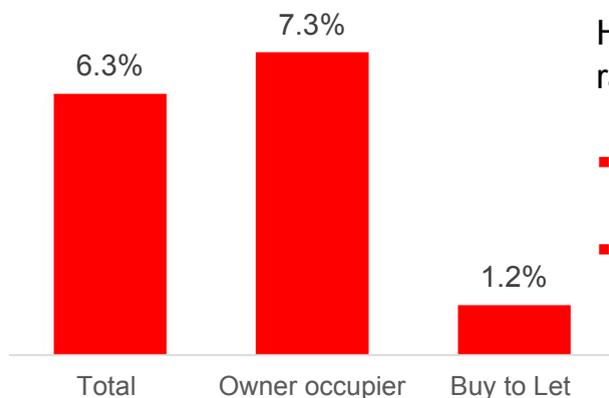
## Why?

- ◆ Allows us to test and learn a new business model in response to Open Banking
- ◆ Has the potential to provide insights into customer behaviour
- ◆ Marketplace banking will keep primary customer relationships within first direct

# Residential mortgages

HSBC is a deposit-led lender with a conservative approach to credit

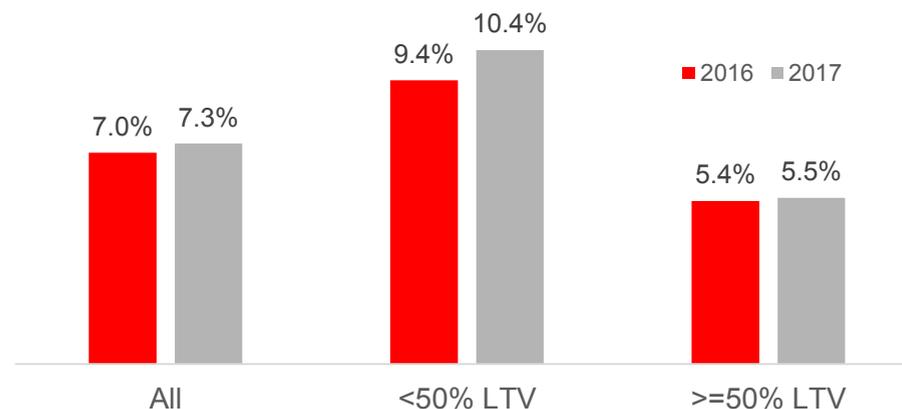
## 1 HSBC market share<sup>1</sup> of total YE17 balances by buyer type



HSBC's average LTV ratios:

- Total book 40%
- 2017 originations 59%

## 2 HSBC market share<sup>2</sup> of owner occupier total YE17 balances by LTV



## 3 UK RBWM YE17 deposit surplus<sup>3</sup>

- Customer deposits \$181.6bn
- Customer advances \$134.3bn
- Deposit surplus \$47.3bn
- A/D ratio 74%

## 4 HSBC outstanding drawings on Bank of England funding schemes against the UK peer group average<sup>4</sup>

Outstanding drawings on BoE lending schemes	Total
UK Peer Group Average	£20.9bn
HSBC	£0.0

1. Source: Council of Mortgage Lenders (CML) as at 31 Dec 2017

2. Source: Consolidated Analysis Centre Incorporated (CACI), CML and HSBC estimates as at 31 Dec 2017

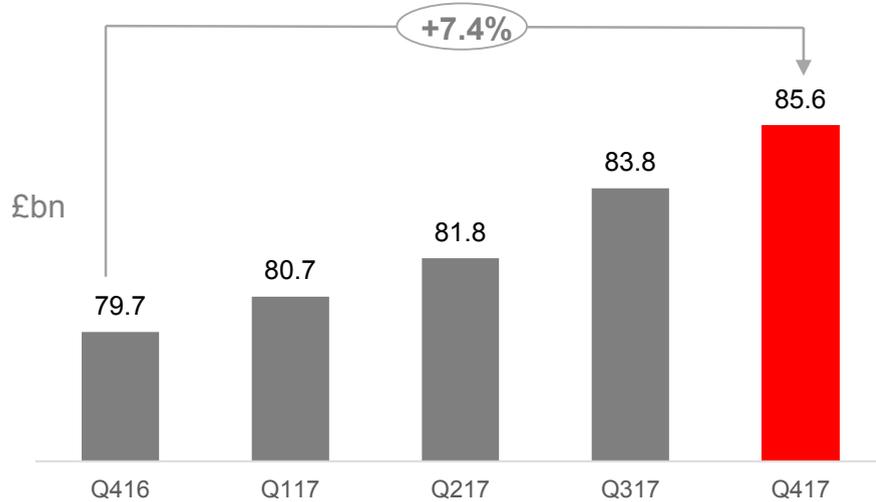
3. Deposit surplus defined as customer deposits less customer loans

4. Funding for Lending Scheme (FLS) and Term Funding Scheme (TFS) outstanding drawings provided by Bank of England (BoE) as at 31 Dec. Peer group total outstanding drawings as at 31 Dec 2017 (mn): Lloyds (FLS) £23,100, (TFS) £19,927; Barclays (FLS) £0, (TFS) £10,000; RBS (FLS) £0, (TFS) £19,000; Santander (FLS) £3,175, (TFS) £8,500. Converted to USD at 1.351/GBP

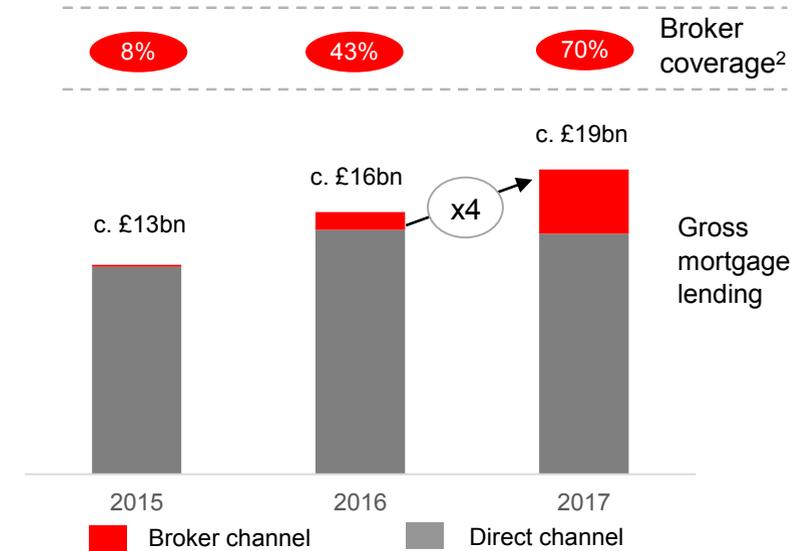
# Mortgage broker channel

Our opportunity to grow balances by continued expansion into the broker channel

- 1 HSBC mortgage balances grew 7.4% during 2017, vs 3.4%<sup>1</sup> for the overall market...



- 2 ... driven largely by HSBC's expansion into the broker market...



- 3 ... with the opportunity for further expansion in 2018

- In Q417 HSBC launched Omega, a scalable, broker-centric mortgage platform, integrated with core HSBC platforms.
- The new software drives greater automation, uploads digital documents, and readily tracks and informs customers of the key process stages.

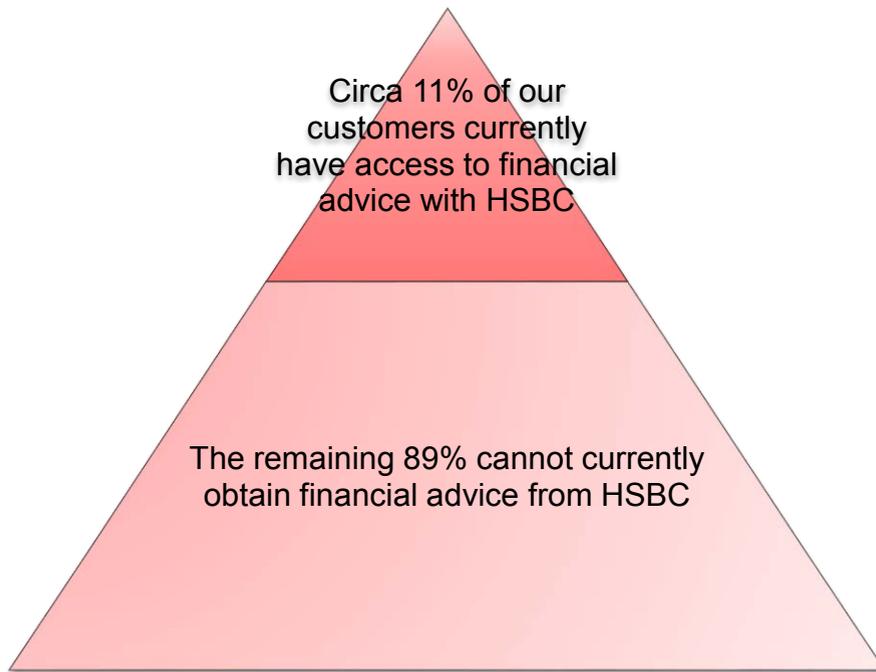
- 4 Strategic actions

1. Expand broker market coverage
2. Customer journey improvements
3. Increase M&S mortgage penetration

1. Source: CML as at 31 Dec 2017  
 2. Brokers able to originate HSBC mortgages, weighted by broker market share of new origination volumes

# Wealth

Building new, low-cost channels to make wealth advice available to all our customers



# Customer satisfaction

In 2018, we will continue to deliver initiatives which will embed a customer centric culture

## Customers want...

## Examples of what we are doing

**Empowering our people to deliver better customer service**



### ...staff to be knowledgeable

the person they speak with to own and resolve their issues

help with new technology

**Giving branch staff tablets, and training, to answer most customer queries straight away**

solving problems and helping customers get the most out of our digital services

**Making it simpler for customers to speak to us at moments that matter**



### ...simple ways to speak to us

difficult moments to be stress free

us to care when things go wrong, and to fix them quickly and properly

**Introduced Voice ID, bringing the customer's needs to the forefront of the conversation**

1m customers enrolled in Voice ID removing the need to remember passwords

**Customer-centric processes and journeys**



### ...timely access to specialists

simple, clear and error free processes

to be kept informed

**Providing access through 240 in-branch mortgage video booths**

Face-to-face access to a real person in areas without a mortgage adviser

# Summary

## HSBC has a solid platform to build on:

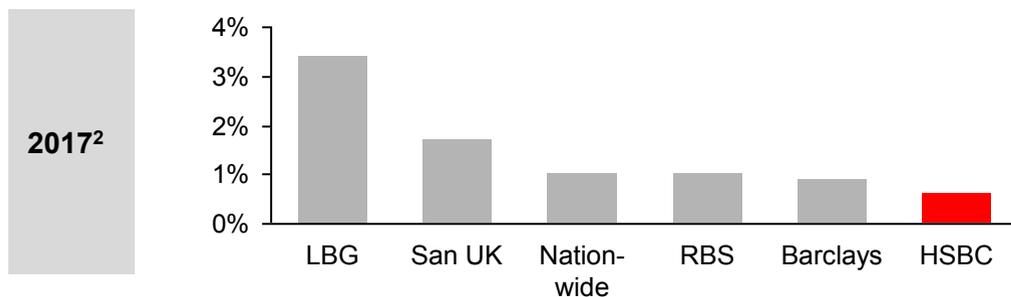
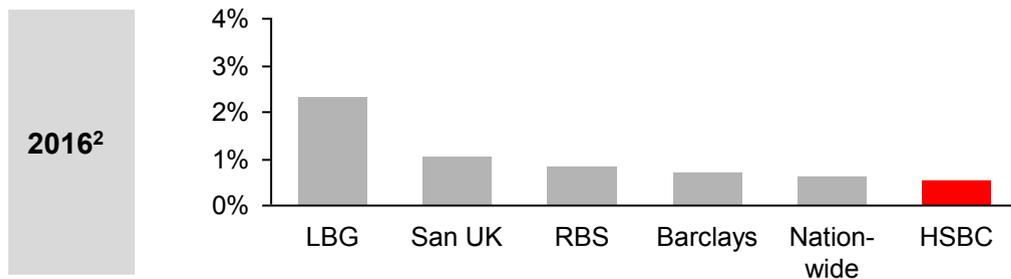
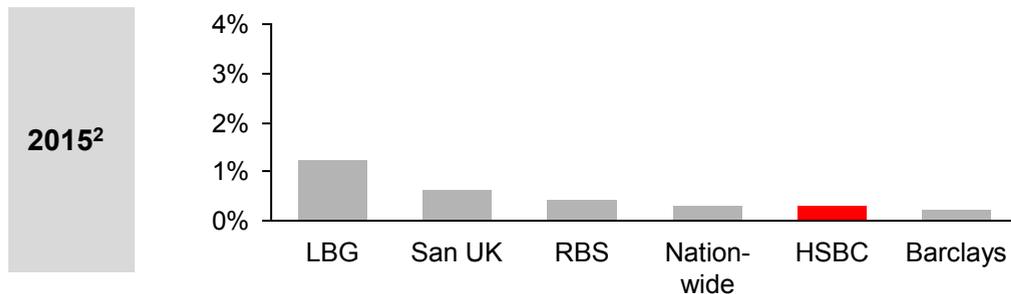
- UK ring fenced bank in final delivery phase
- Investment in digital to improve customer experience, meet the strategic ambition to digitise our key customer journeys, and create new immersive digital experiences
- Strong balance sheet growth driven by growth in mortgages due to controlled expansion in broker channel, continued direct journey improvements and great value products
- HSBC's prime lending strategy and portfolio quality means that the bank is well-positioned to deal with macro-economic challenges

# Appendix

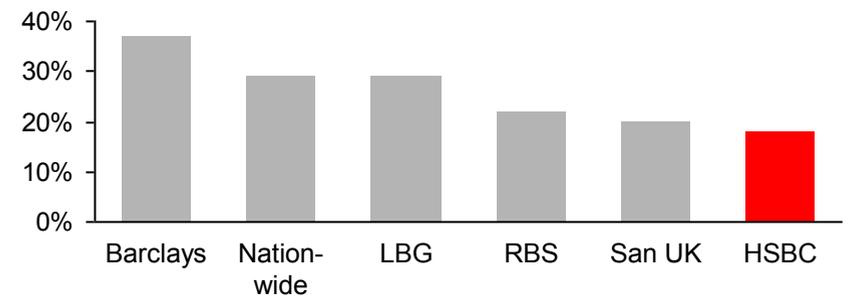
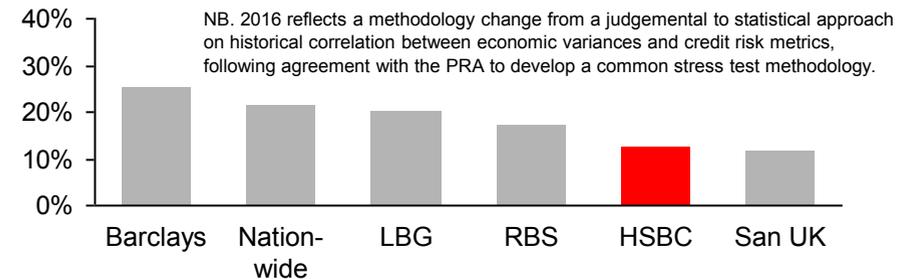
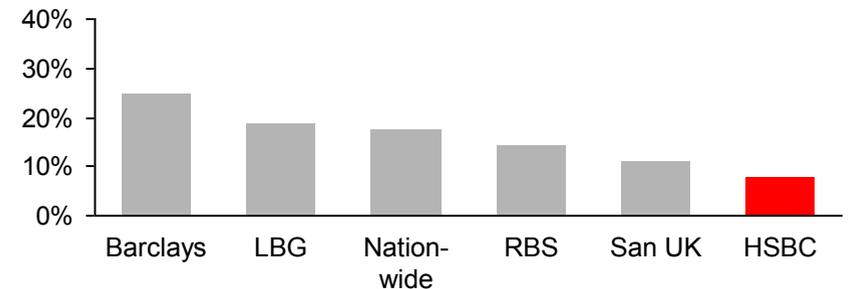
# PRA stress test

... maintaining strong credit discipline relative to peers

**PRA stress tests: Projected cumulative five-year impairment charge rates on UK individuals – mortgage lending<sup>1,2</sup> (%)**



**PRA stress tests: Projected cumulative five-year impairment charge rates on UK individuals – non-mortgage lending<sup>1,2</sup> (%)**



Source: "Stress testing the UK banking system: 2017 results", Bank of England, Dec 2015, Nov 2016 and Nov 2017, respective pages 46, 49 and 62

1. Data sources: Participating banks' FDSF data submissions, Bank of England analysis and calculations

2. Cumulative impairment charge rates = (five-year total impairment charge) / (average gross on balance sheet exposure), where the denominator is a simple average using year end balance sheet positions. This calculation may result in a lower impairment rate for those banks that expand balances significantly in the later years of the scenario as the economy recovers