



Retail Banking and Wealth Management Investor Update

HSBC 



Forward-looking statements

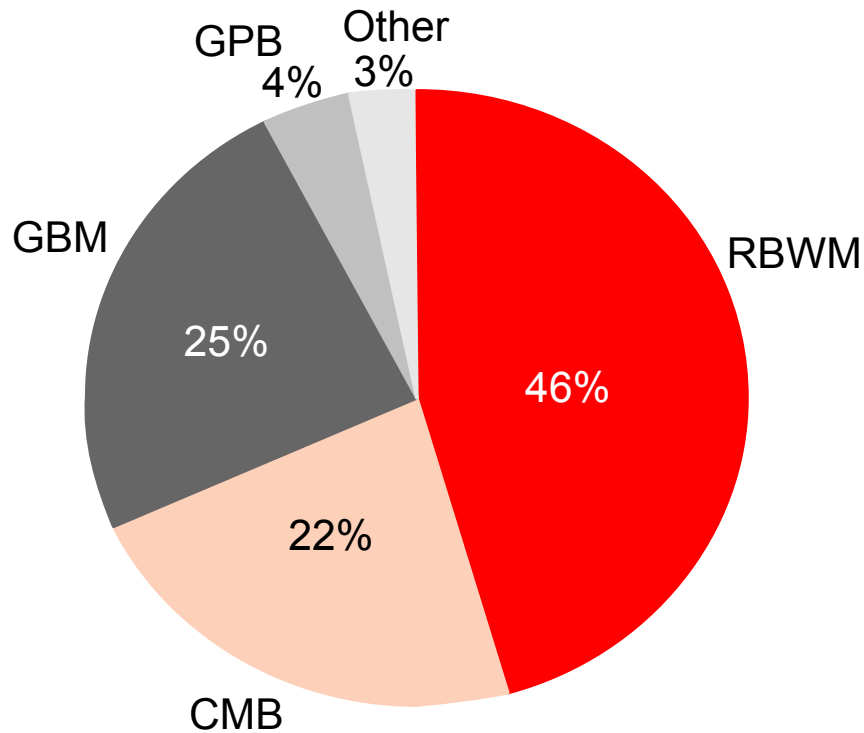
This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known 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 Annual Report and Accounts. 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 'Reconciliations of Non-GAAP financial measures' constant currency and underlying reconciliations' supplement available at www.hsbc.com.

HSBC's four integrated Global Businesses

RBWM is a significant component of the Group

Distribution of net operating income¹, 2012, %



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 and represents net operating income before loan impairment charges and other credit risk provisions. Intra-HSBC operating income has not been eliminated in the preparation of these charts. Intra-HSBC operating income includes revenue between geographic regions and revenues between Global Businesses
- 2 Based on CRD IV end point
- 3 Excluding run-off. Including run-off, RoRWA target is 3.8%-4.3%



Agenda

I Strategic Execution

II Growth priorities

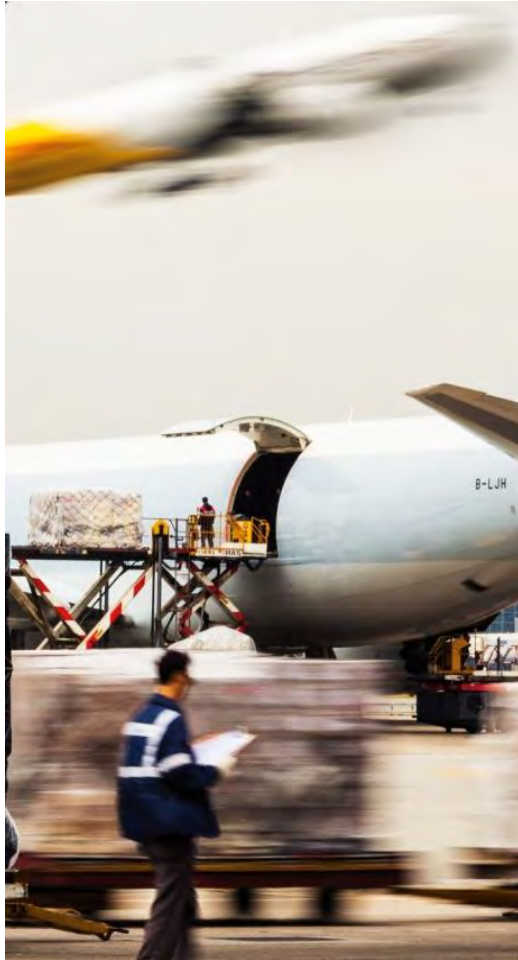
III RBWM 1Q 2013 Results

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 customer

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

Cohesive portfolio of markets

	Hong Kong and Rest of Asia Pacific	Europe	Middle East and North Africa	North America	Latin America	RBWM Strategy
'Home markets'	<ul style="list-style-type: none"> Hong Kong¹ 	<ul style="list-style-type: none"> United Kingdom² 				<ul style="list-style-type: none"> Build scale and/or capture wealth opportunity Differentiate to target segments
Priority Growth markets	<ul style="list-style-type: none"> Australia Mainland China India Indonesia Malaysia Singapore Taiwan Vietnam 	<ul style="list-style-type: none"> France Germany³ Switzerland³ Turkey 	<ul style="list-style-type: none"> Egypt Saudi Arabia UAE 	<ul style="list-style-type: none"> Canada USA 	<ul style="list-style-type: none"> Argentina Brazil Mexico 	
Small markets	<ul style="list-style-type: none"> Adopt standard products and services and drive efficiency 					
Network	<ul style="list-style-type: none"> Leverage host market management efficiencies Maintain connectivity in key wealth corridors 					
Funding	<ul style="list-style-type: none"> Maintain simplified RBWM business to support funding / liquidity dependency 					

Note:

¹ Includes Hang Seng Bank

² Includes first direct, M&S Money

³ Group priority growth markets but not for RBWM

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	Dar Es Salam Insurance (Iraq)

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

Asia

Market Exits	Line of Business
Thailand, Japan	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

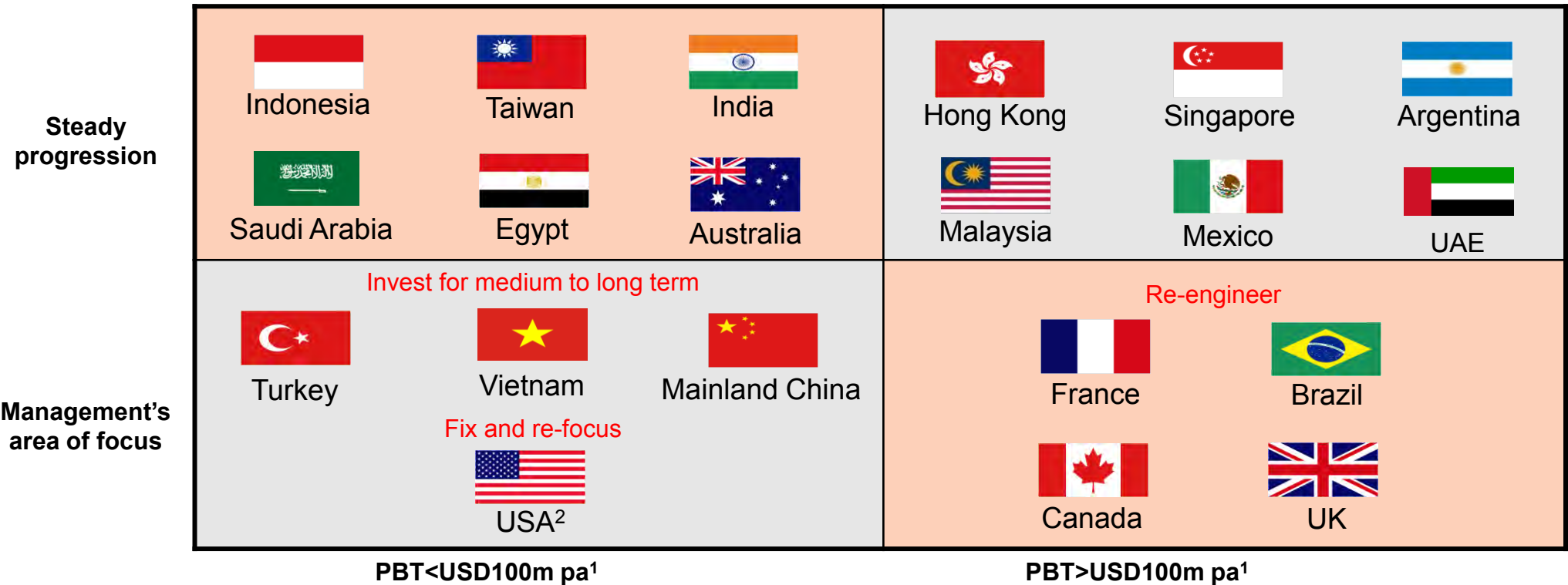
Definitions:

CF Consumer Finance
 GI General Insurance
 OIB Oman International Bank

I. Strategic Execution

Portfolio Management

Home and Priority markets



- Most RBWM businesses generating strong returns and building scale in target segments
- Continue to invest in key emerging economies (Turkey, Vietnam and China)
- Well established businesses in France, Canada, Brazil and the UK undergoing re-engineering programmes to improve efficiency and operating capabilities
- US divestments completed to allow re-focusing

Note:

¹ On full year 2012 reported results

² Reported PBT for the USA was USD254m. This includes gains on disposal of Upstate New York Branches of USD587m

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

Examples

RBWM re-engineering

- Redesigning customer journeys, including account opening and complaints handling, to improve customer experience and efficiency whilst reducing risk

Global Standards

- Use Global Standards programme to drive global consistency, removing duplications and improving efficiency

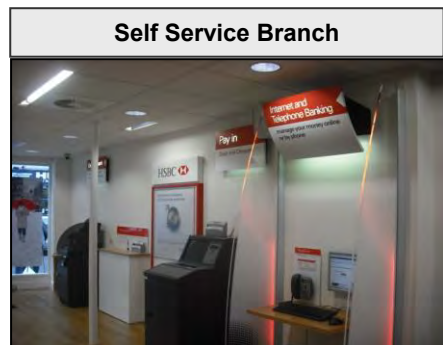
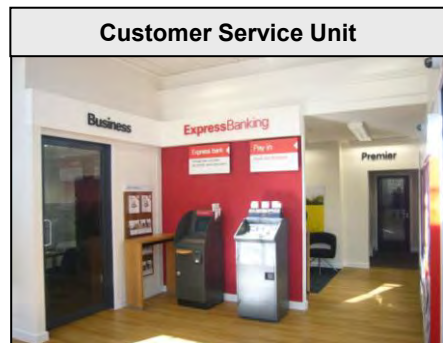
Documents, cash and cheques

- Establish globally consistent operating models for Cash Processing, Document Management, Cheque Processing, Transaction Print and Logistics

I. Strategic Execution

RBWM Transformation

Execution example: Distribution evolution



- Customer behaviour increasingly shifting from branch-based to multiple channel service and distribution
 - we are driving this migration
 - reviewing our physical footprint to make fit-for-new-purpose over the long term

- Network plan targeting:
 - decrease in total branch floor space per active customer
 - more efficient use of branch space
 - optimising critical mass in target segment locations and format for wealth management
 - fit for purpose formats to be employed focusing on local demographics



I. Strategic Execution

RBWM Transformation

Execution example: Other specific initiatives

UK Mortgage

Re-engineering:

Delivering simultaneous improvements in:

- Customer experience
- Revenues
- Risk
- Costs

- Launched new online illustration tools and application process
- Delivered "mortgage switcher" functionality in the UK
- Launched "live underwriting" enabling referred customers to get an immediate credit decision via phone or branch
- 5% of new business, nearly 10% of internal re-mortgage business now carried out on-line



Supplied Services:

Establish global supplied services structure

- Established 15 process improvement initiatives in 10 markets
- Reduced number of suppliers
- Competitively tendered out cash handling service, document storage and transaction printing



Global Card Operations:

minimum standards for reducing cost and improving customer experience

- Operating benefits from single platform infrastructure
- Achieved savings in 2012 through leveraging best practices
- Align 2 Home and 18 Priority markets in 2013 and 2014 to achieve additional sustainable saves



I. Strategic Execution

RBWM Transformation

Execution example: Driving simplicity and consistency

Organisational Blueprint

Consistent design deployed globally

- Globally set standards and policies
- Local business management and implementation focus
- Customer value management as key driver

Benefits

- Reduce management layers
- Increase spans of control
- Customer rather than product driven

Implementation

- implemented in home markets and 17 out of 18 priority markets (excludes Saudi Arabia)
- All other markets now being implemented

Products Range Review

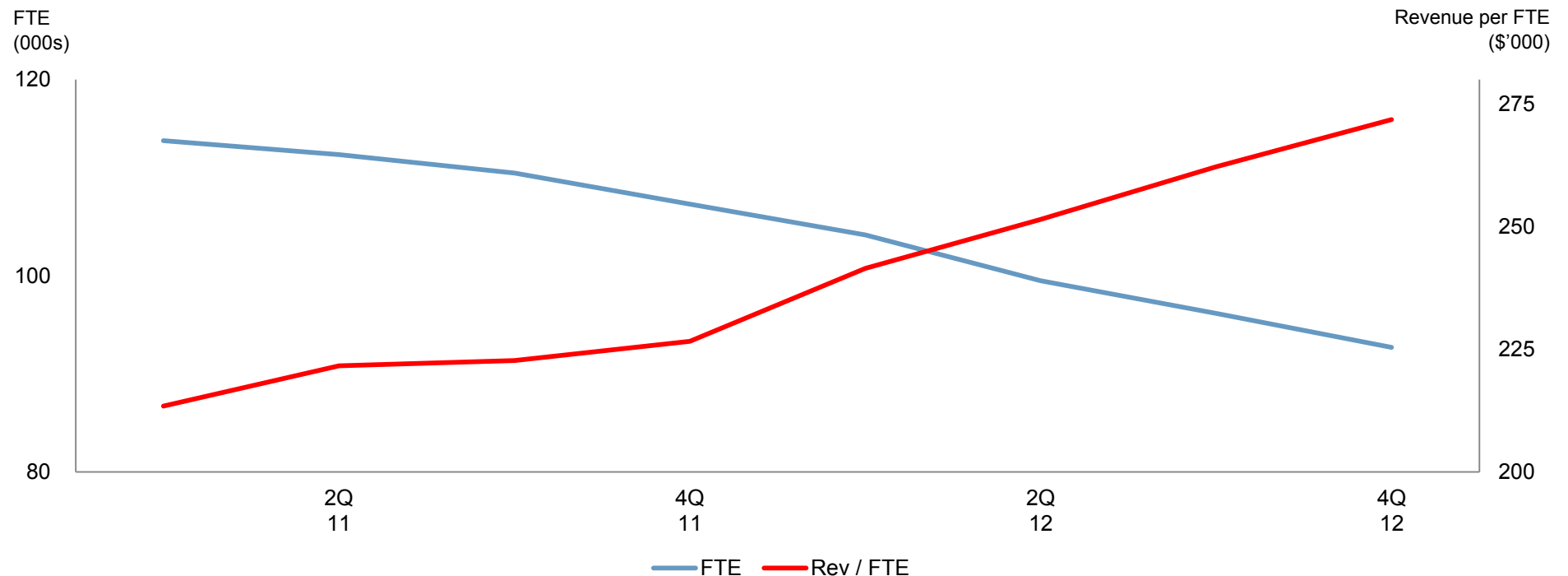
- Deliver a simple and consistent set of products
 - Making it easier for our customers to do business with us
 - Reducing complexity for our sales staff
 - Facilitating opportunity for greater system standardisation e.g. Cards
 - Reduce product management maintenance costs and indirectly reduce service delivery costs from common operating model
 - Reduce inherent risk from 'off-sale' products
- Local flexibility maintained through simple operating variants and local customer offers
- Rationalisation to be progressed through 2014

I. Strategic Execution

Operational efficiency

Transformation activities delivering results

Revenue¹ per FTE



- FTE decrease of more than 13,500 during 2012 driven by Organisation Effectiveness initiatives and disposals / exits
- Significant and consistent improvement in revenue / FTE throughout 2011, 2012 and 2013
- Additional opportunities to drive efficiency through end-to-end re-engineering efforts

Notes:

¹ Revenue is net operating income before loan impairment charges and other credit risk provisions 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 fair value of own debt due to movements in credit spread on long-term debt issued by the Group and designated at fair value.

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

RBWM growth priorities

Execution example: Distribution evolution and digital solution

Example investments

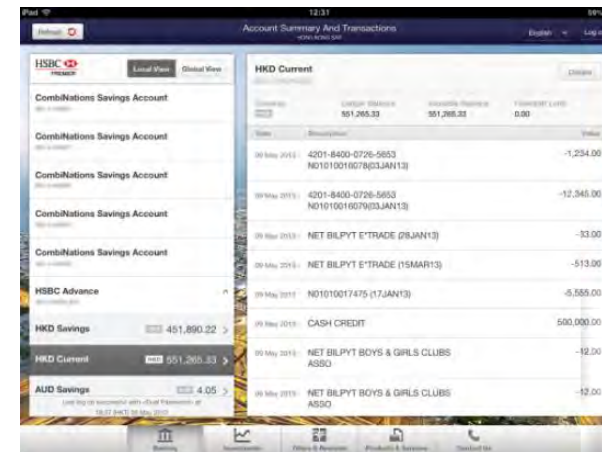
Mobile

- **Mobile Banking App** – iOS and Android versions
- **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



II. Growth priorities

Wealth management

Building our Wealth business

Material progress

- Significant platform upgrading in terms of customer self-service solutions and RM platform
- Building out managed solutions
- Developing RMB offerings
- Making it easier for our customers to access FX services



“Future of Retirement”
awarded Gold Award,
2012
(International
Business Awards)

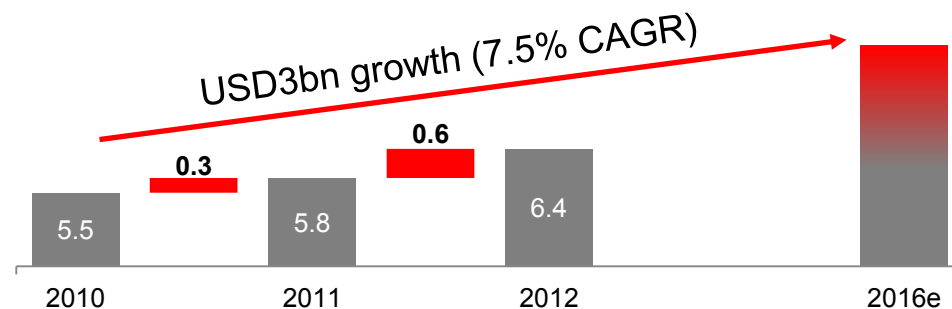


Emerging Markets
Manager of the Year
(UK Pension Awards
2013)



Asian Asset Management
Best of the Best, 2008-
2010, 2012
(Regional Asian bond
house)

Wealth target



- **Wealth revenues comprise:**
 - Investments
 - Life insurance
 - FX
 - But *exclude* deposits
- **Modest progress** of USD0.9bn incremental revenues since 2010
- **Change in context since 2011**
 - Fundamental change in wealth distribution model
 - More challenging macro environment

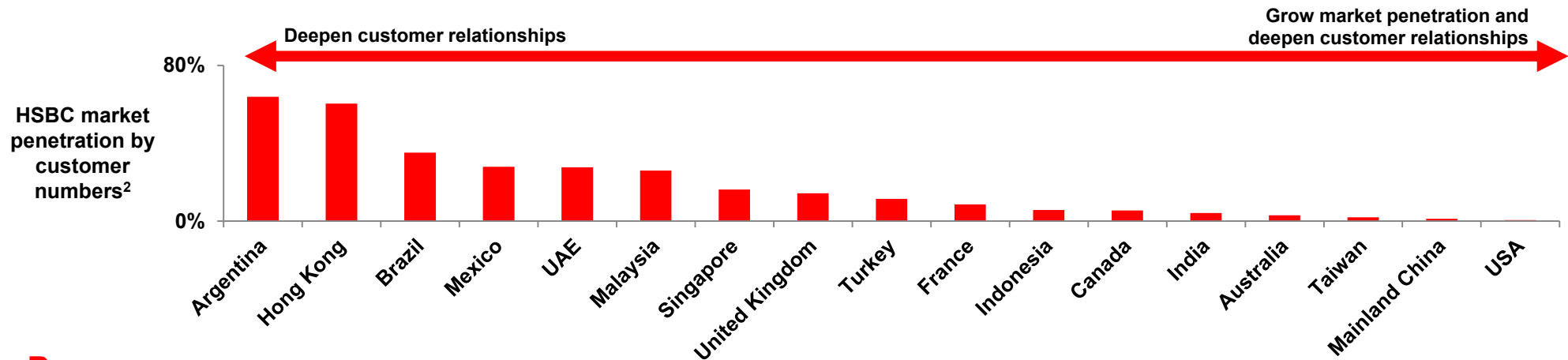
II. Growth priorities

Premier

“Flagship” proposition with strong contribution to revenues

Opportunity for Growth

- Home and priority markets represent 64% of the total Global Financial Wealth Management Market¹
- Premier generates significantly higher revenue per customer than other RBWM segments
- 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 2011

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

III. RBWM 1Q 2013 Results

1Q13 Results

Reported Global Business Contribution

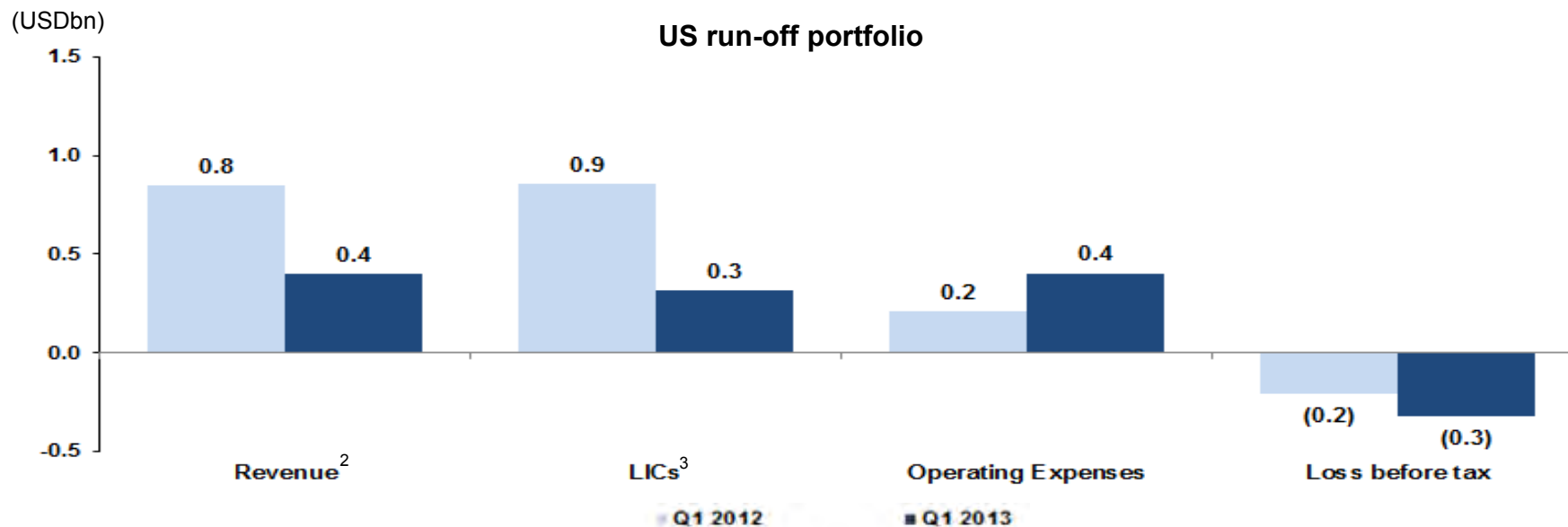
PBT ¹ , (USDbn)	1Q12	1Q13	% Better / (worse)
			1Q12 vs 1Q13
Retail Banking Wealth Management	2.2	1.6	(28)
<i>Of Which</i>			
<i>RBWM excluding US CRS and US run-off portfolio</i>	1.7	1.9	9
<i>US Card and Retail Services</i>	0.7	-	(100)
<i>US run-off portfolio</i>	(0.2)	(0.3)	(52)
Commercial Banking	2.2	2.2	(1)
Global Banking and Markets	3.1	3.6	17
Global Private Banking	0.3	(0.1)	(144)
Other	(3.4)	1.2	135
Total	4.3	8.4	95

Note:
¹ On a reported basis

III. RBWM 1Q 2013 Results

CRS and US run-off portfolio

Progress in running down and de-risking US legacy portfolio



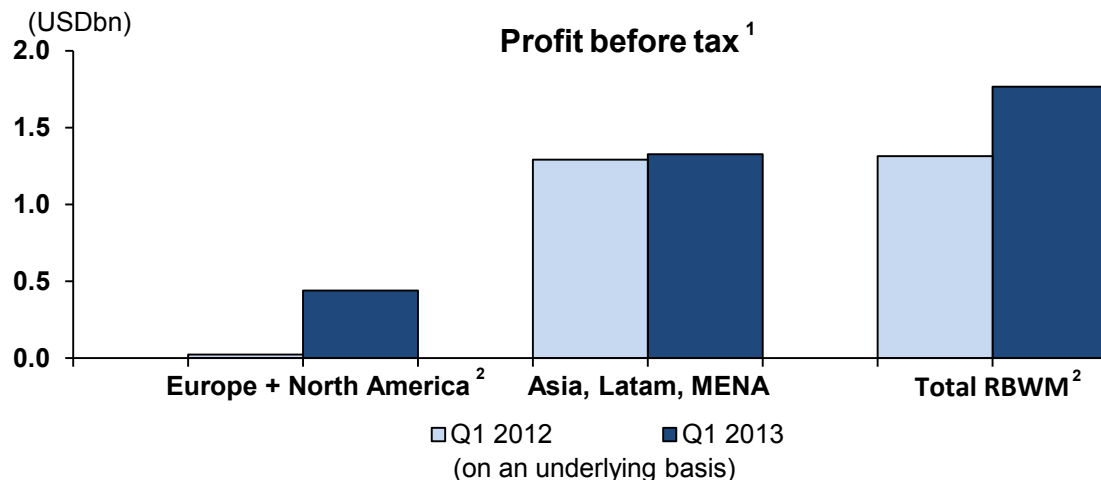
- Reduction in balances in the run-off portfolio to USD41bn at 1Q 2013 (USD58bn at December 2010). Non-real estate portfolio sale completed 1 April 2013
- Lower revenue in the US run-off portfolio reflecting a loss arising from early termination of qualifying accounting hedges
- Significant reduction in LICs for the US run-off portfolio were driven by decline in balances and lower delinquency rates
- Operating expenses increased due to higher staff costs and customer redress costs in March 2013
- Following disposal of the CRS business in 2012, CRS did not generate any PBT in 1Q 2013 (USD0.7bn in 1Q 2012)

Note:
1 On a reported basis
2 Revenue is net operating income before loan impairment charges and other credit risk provisions
3 Loan impairment charges and other credit risk provisions

III. RBWM 1Q 2013 Results

RBWM excluding US CRS and US run-off portfolio

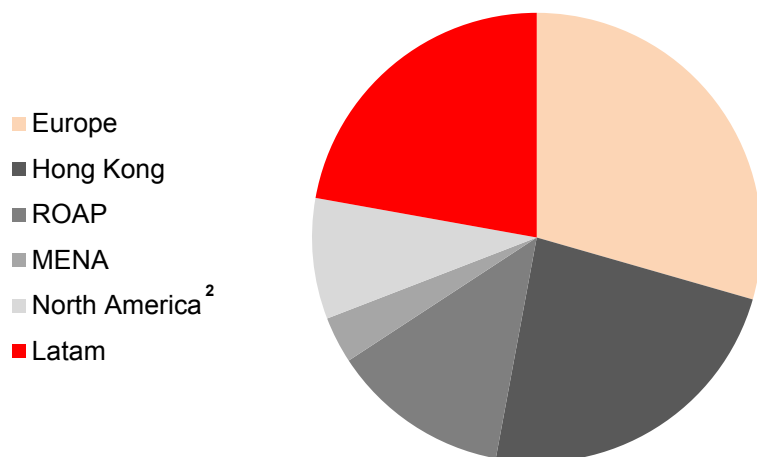
Management actions delivering results



- Increase in Europe and North America driven by lower customer redress (USD0.1bn in Q1 2013 compared to USD0.5bn Q1 2012)

- Improvement in faster growing regions driven by revenue growth

Q1 2013 Revenue³ split by region



- Well diversified revenue base

- Faster growing markets represent 62% of RBWM^{2,3} revenues

Note:

¹ 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.

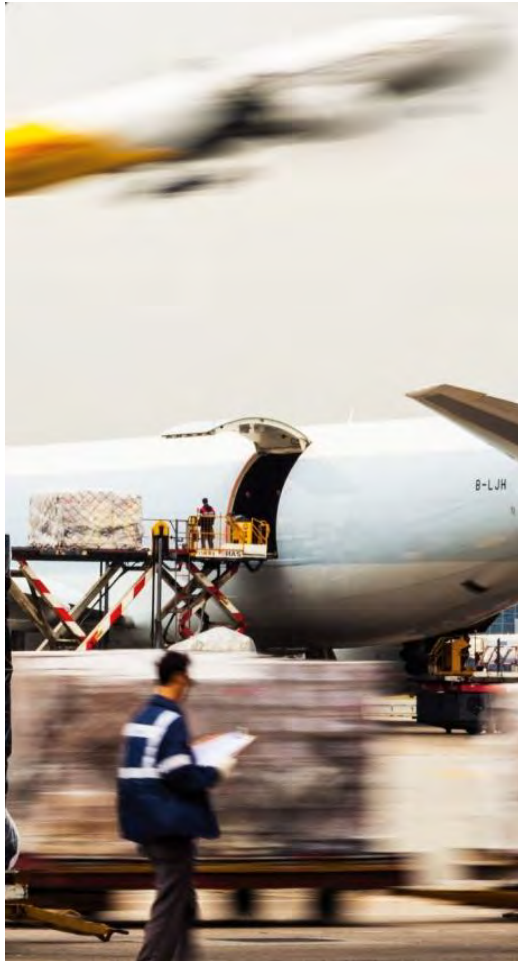
² Excluding US CRS in Q1 2012 and the US run-off portfolio

³ On a reported basis

I. Strategic Execution

RBWM Vision and Strategy

Securing customers' future prosperity and realising their ambitions



Strategy remains unchanged

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Set targets for 2016

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