



Retail Banking and Wealth Management

Goldman Sachs conference June 2017
John Flint, Chief Executive Officer, RBWM



Important notice and forward-looking statements

Important notice

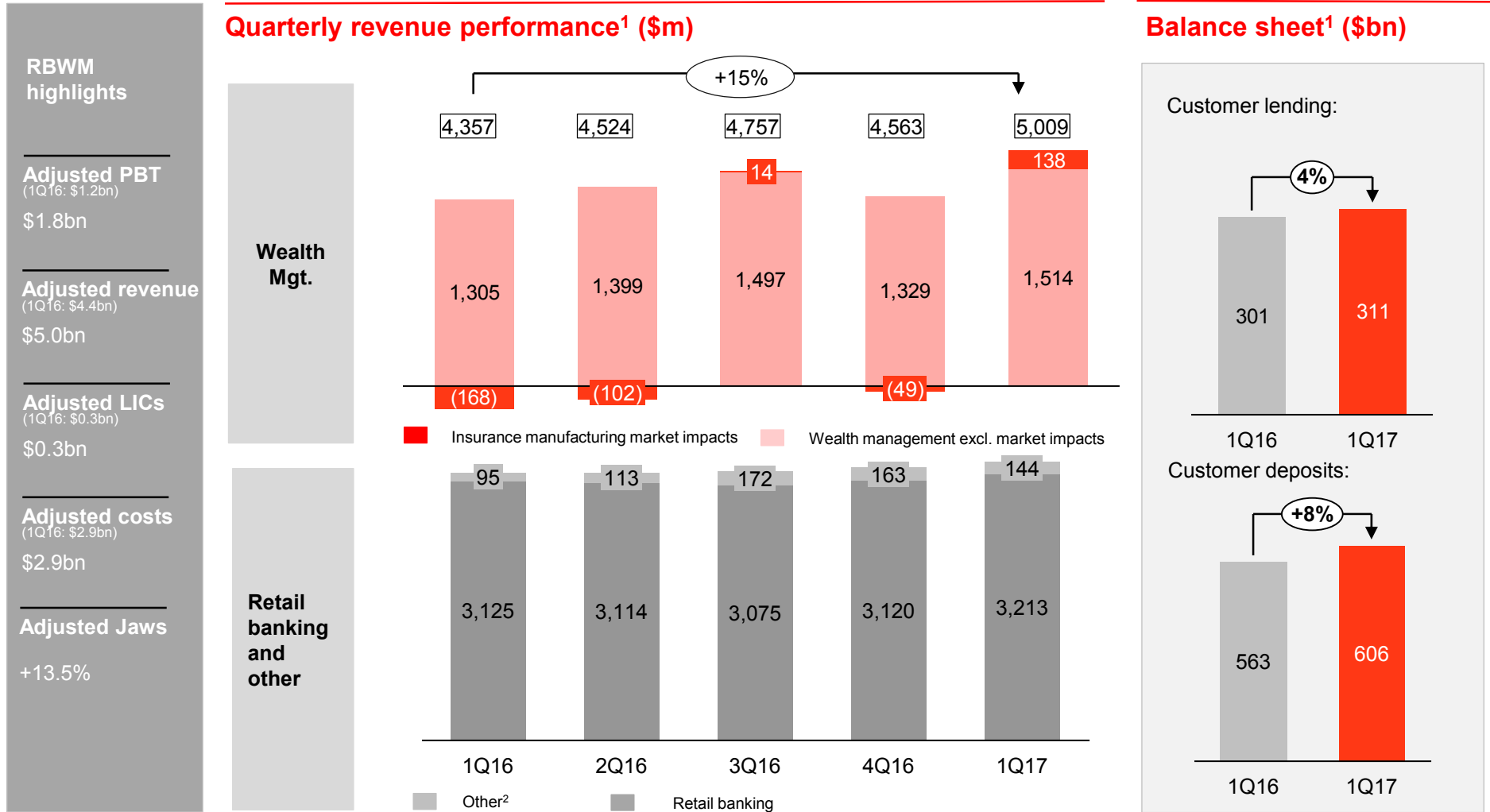
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Forward-looking statements

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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 the 2016 Interim Report and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

Good 1Q17 performance, supported by rising interest rates, customer investment appetite, market impact on life insurance, and strong sales

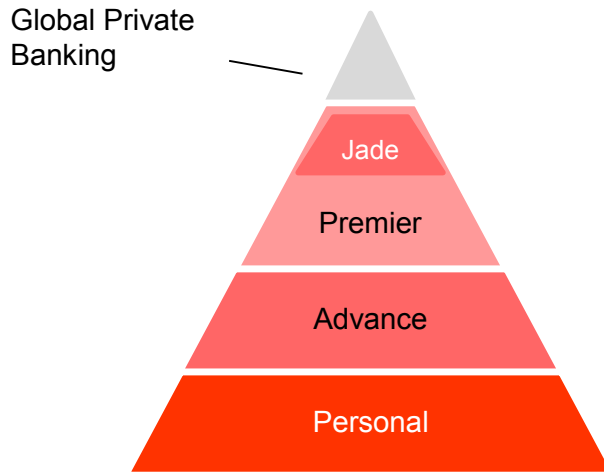


1. Financial data presented on an "adjusted" basis as of 1Q17

2. 'Other' mainly includes the distribution and manufacturing (where applicable) of retail and credit protection insurance

RBWM business models – full range of propositions and products

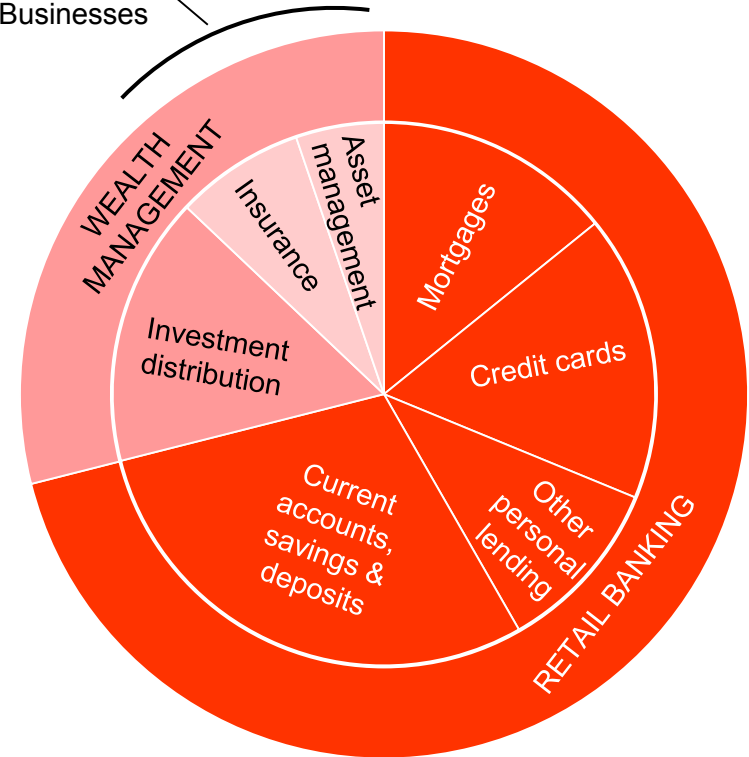
RBWM Proposition



- | | |
|-------------------------|---|
| Jade by Premier | Invitation only offering for our most valuable clients |
| Premier | Flagship proposition providing global privileges for affluent clients |
| Advance | Preferential banking meeting the needs of the emerging affluent |
| Personal Banking | Good value products and services for everyday banking needs |

RBWM Products

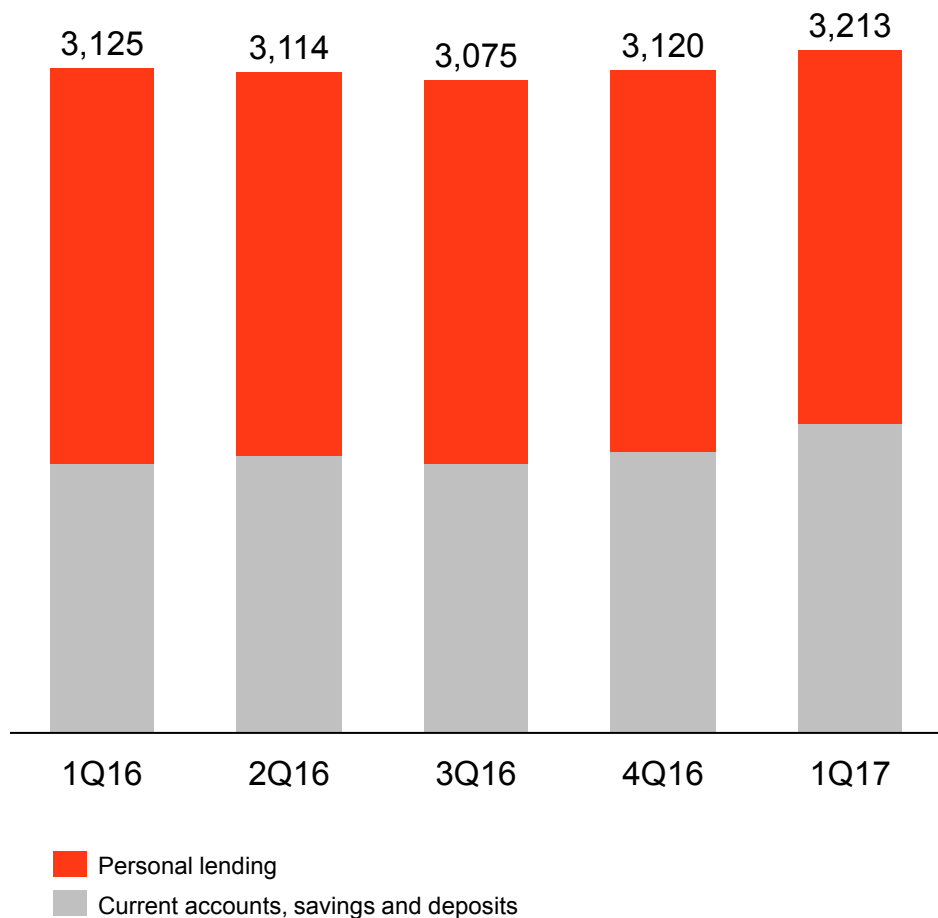
Serving clients of all Global Businesses



Revenue by product

Our Retail Banking business delivers consistent high quality revenue from markets with high savings rates...

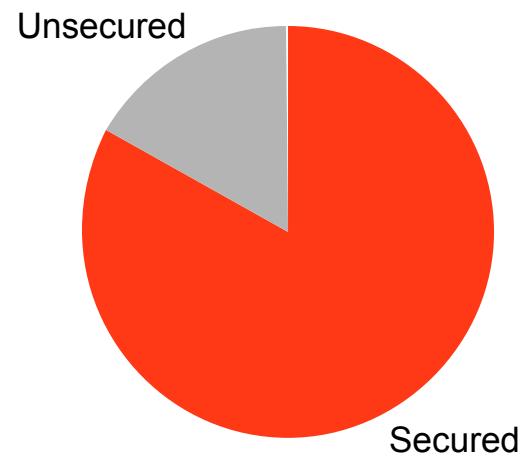
Quarterly retail banking revenue¹ (\$m)



Strong retail banking franchise¹

- A/D ratio 51%
- LICs/Loans and Advances (annualised) 38bps

Personal lending balances (\$bn) – Total balances¹

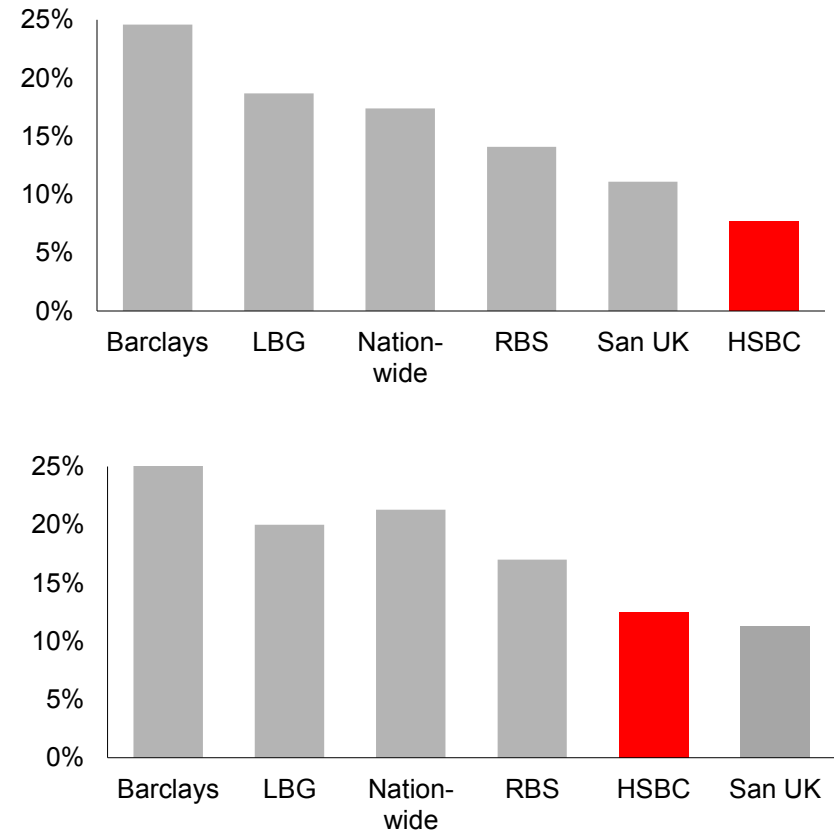
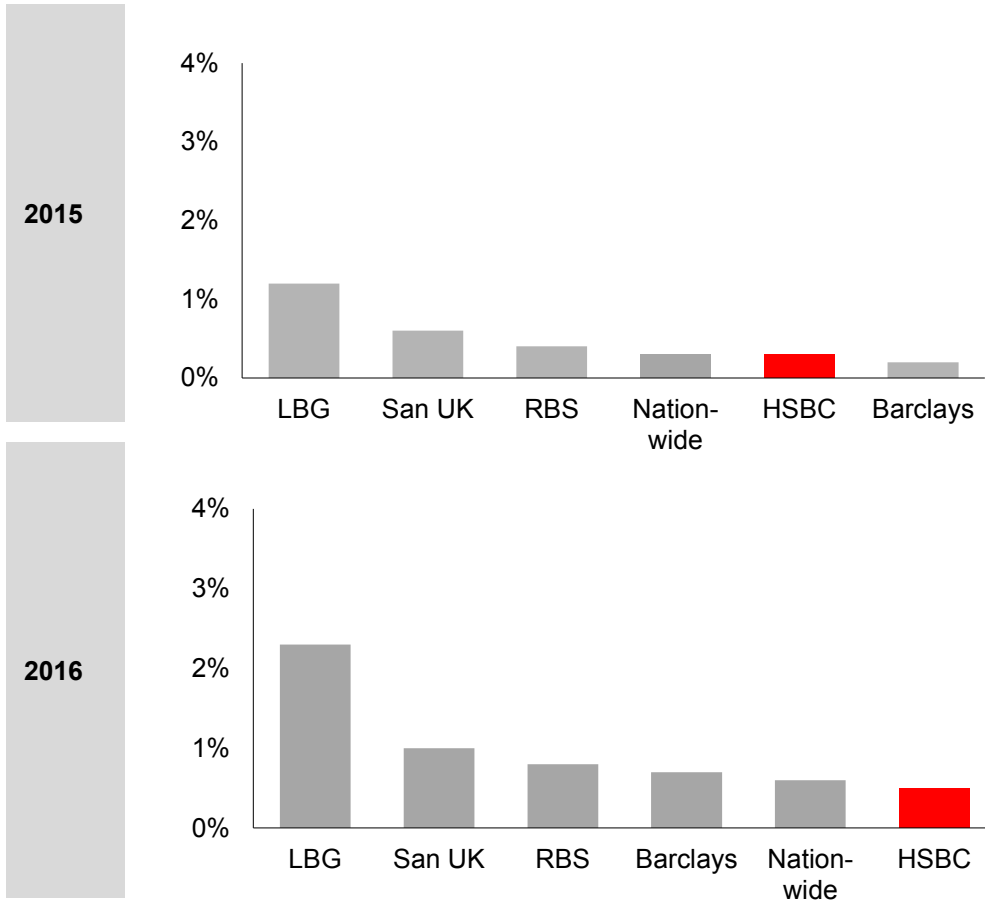


1. Financial data presented on an "adjusted" basis as of 1Q17

... and we are maintaining our credit discipline – Example RBWM UK

PRA stress tests: Projected cumulative five-year impairment charge rates on UK individuals mortgage lending in the stress^{1,2} (%)

PRA stress tests: Projected cumulative five-year impairment charge rates on UK individuals non-mortgage lending in the stress^{1,2} (%)



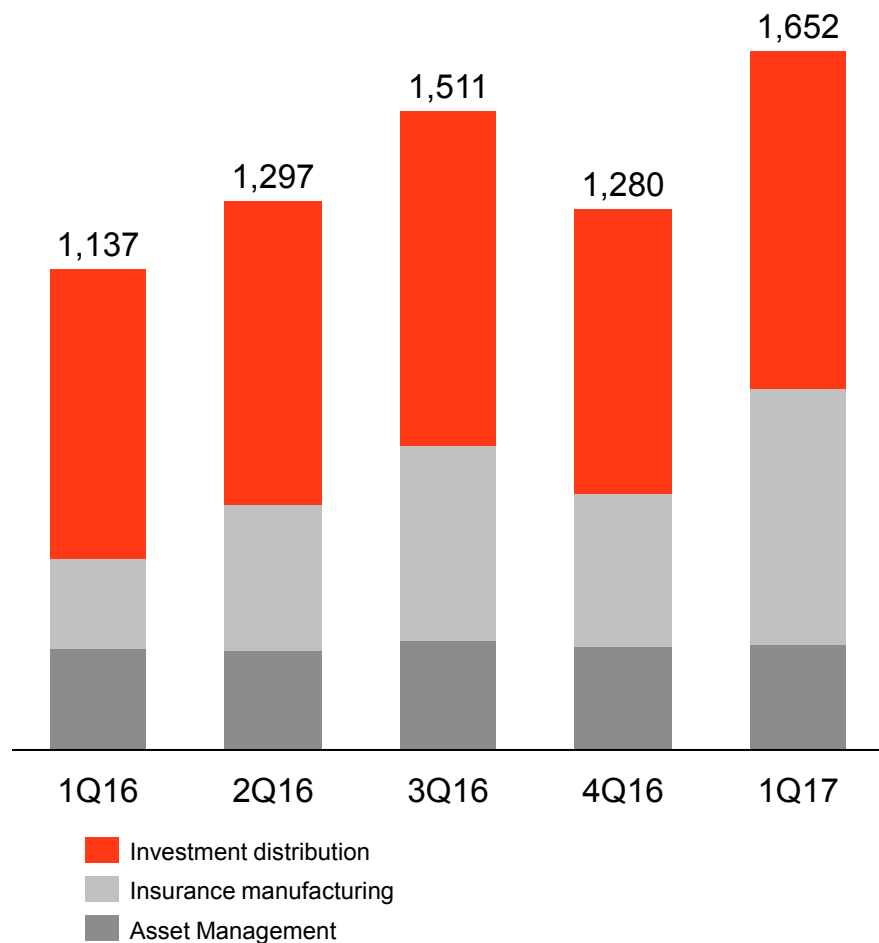
Source: "Stress testing the UK banking system", Bank of England, Dec 2015 and Dec 2016, respectively page 46 and page 49

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 of 2015, 2016, 2017, 2018, and 2019 year-end positions

Our Wealth business drives strong returns for RBWM, but with higher revenue volatility linked to market conditions

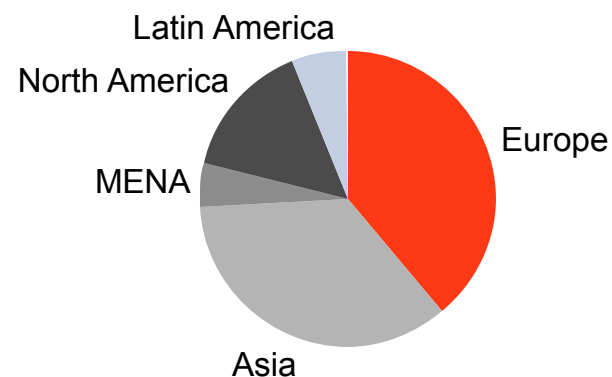
Quarterly wealth management revenue (\$m)¹



Revenue drivers

- Investor confidence
- Equity markets
- Interest rates

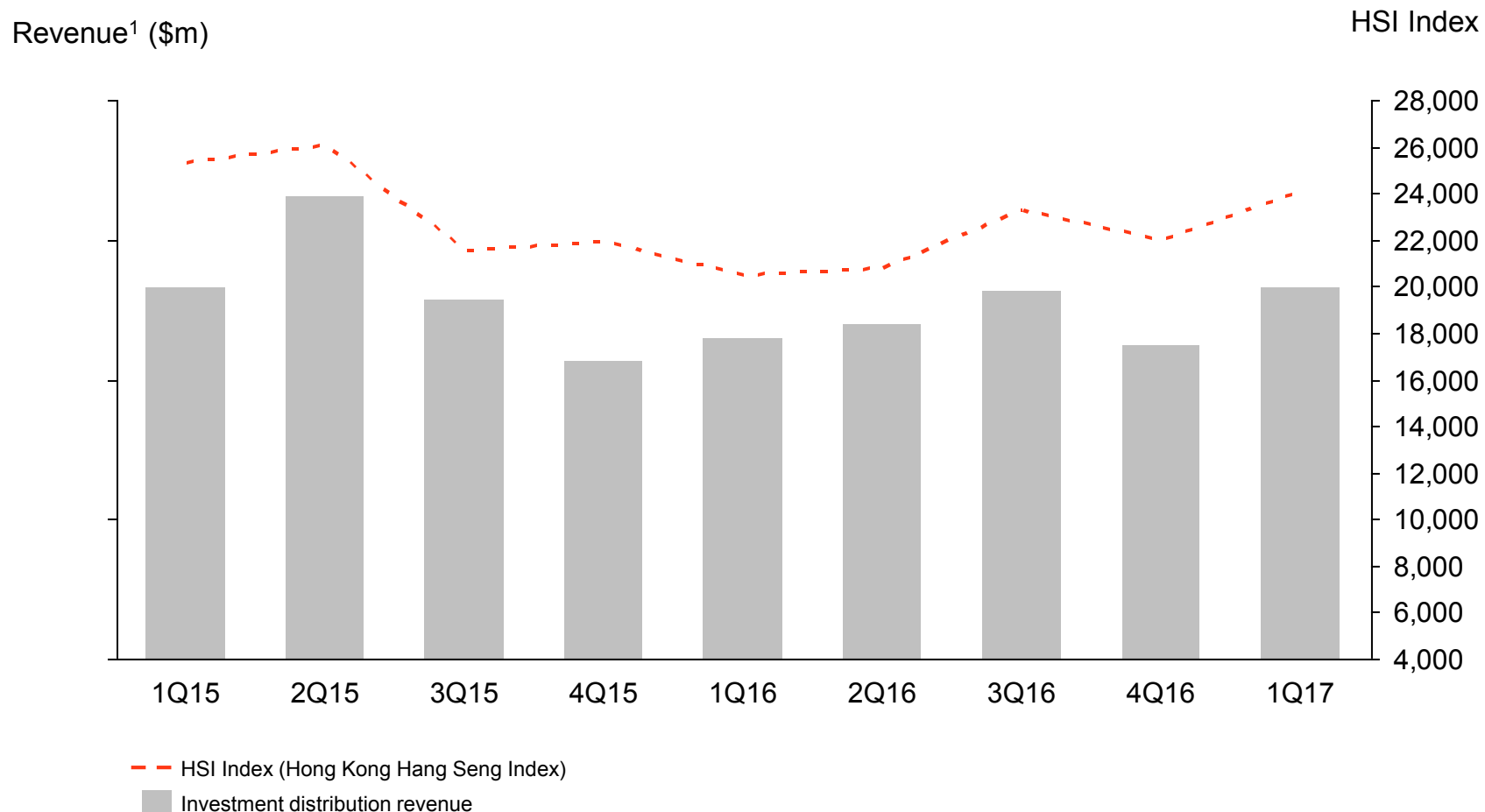
Premier customers: focus on Asia and Europe¹



1. Financial data presented on an "adjusted" basis as of 1Q17, and non-financial data shown as of 1Q17

Investment distribution revenue is correlated with investor confidence, notably in Hong-Kong

Quarterly investment distribution revenue¹ (\$m)

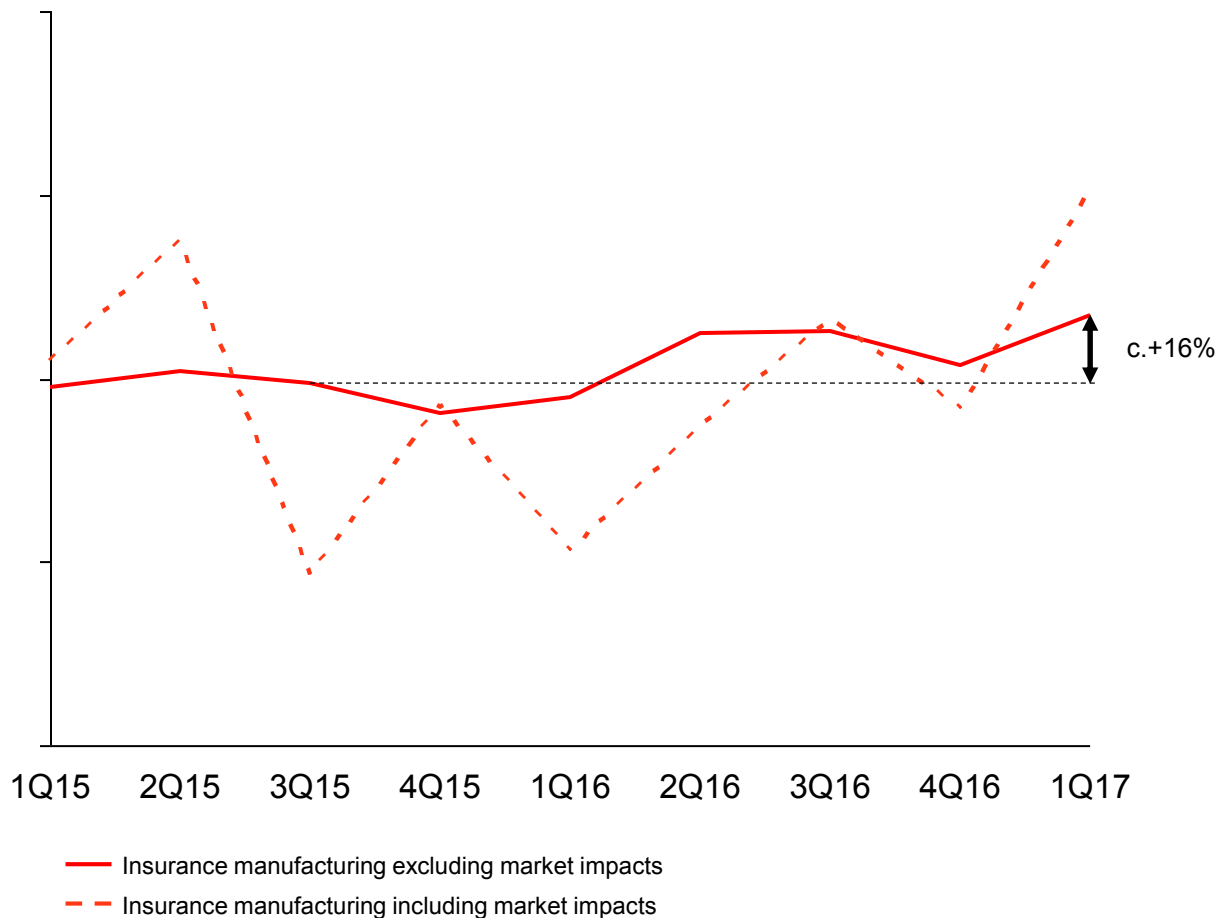


1. Financial data presented on an "adjusted" basis as of 1Q17

Insurance manufacturing revenue is subject to market adjustments

Quarterly insurance manufacturing revenue¹ (\$m)

Revenue¹ (\$m)



Main revenue drivers

- Equity prices
- Yield curve
- PVIF accounting²

Sensitivity Analysis

US\$m

Disclosed
at 4Q16

Sensitivity of PAT to market risks

+100bp parallel shift in yield curves	63
-100bp parallel shift in yield curves	(182)
10% increase in equity prices	189
10% decrease in equity prices	(191)

1. Financial data presented on an "adjusted" basis as of 1Q17

2. The present value of inforce business ('PVIF') is determined by discounting expected future profits using appropriate assumptions in assessing factors such as future mortality, lapse rates and levels of expenses, and a risk discount rate that reflects the risk premium attributable to the respective contracts

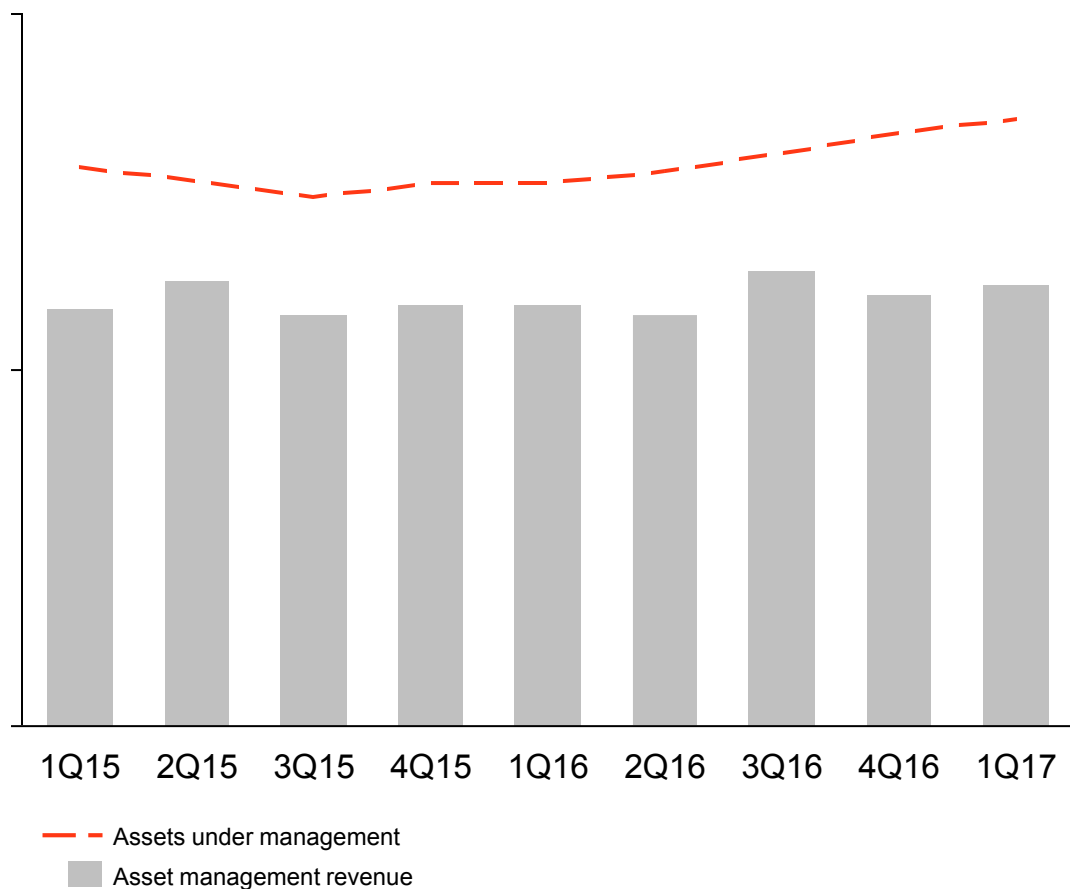
The volume of assets under our management is the main driver of asset management revenue

Quarterly asset management revenue¹ (\$m)

Main AuM drivers

Revenue¹ (\$m)

AuM¹ (\$bn)



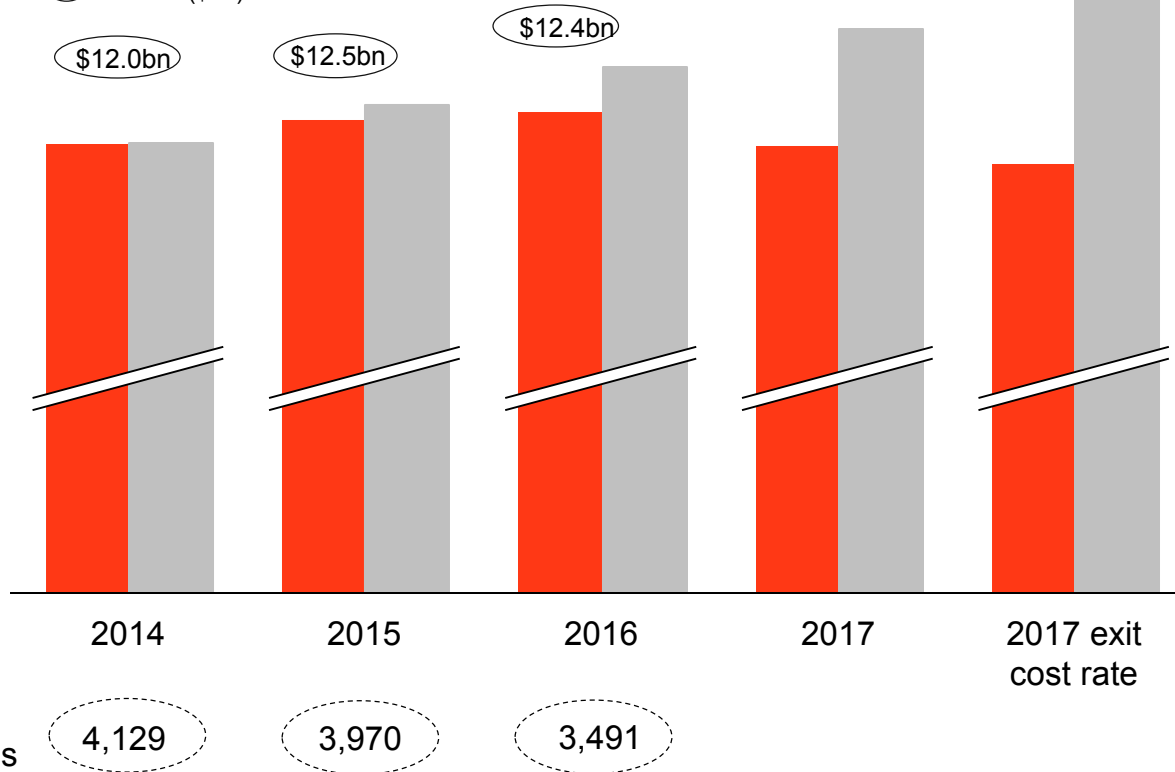
- Net flows
- Market performance
- FX impact

1. Financial data presented on an "adjusted" basis as of 1Q17

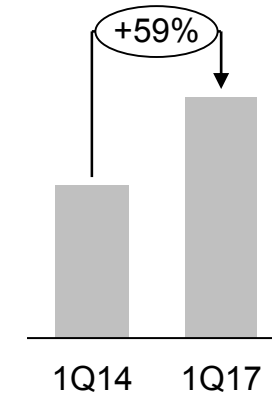
Our digital transformation has led to significant sustainable cost savings as our clients make increasing use of our digital channels

Operating expenses¹ (\$m)

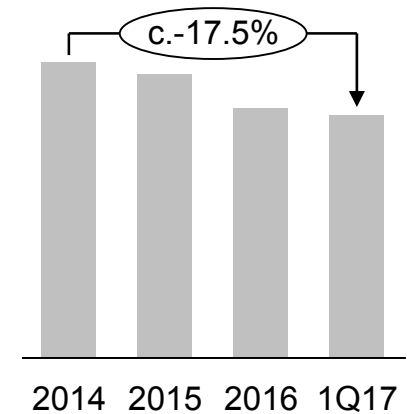
- Investment brings 2017 exit costs to 2014 levels
- Without investment, inflation drives rising costs
- Actuals (\$bn)



Digital sales volumes^{2,3} (million)



Branch area³ (million sq. meter)



1. As shown in the RBWM Investor Presentation in June 2015. Actuals adjusted as of 4Q16

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

3. Top 6 markets + Turkey.

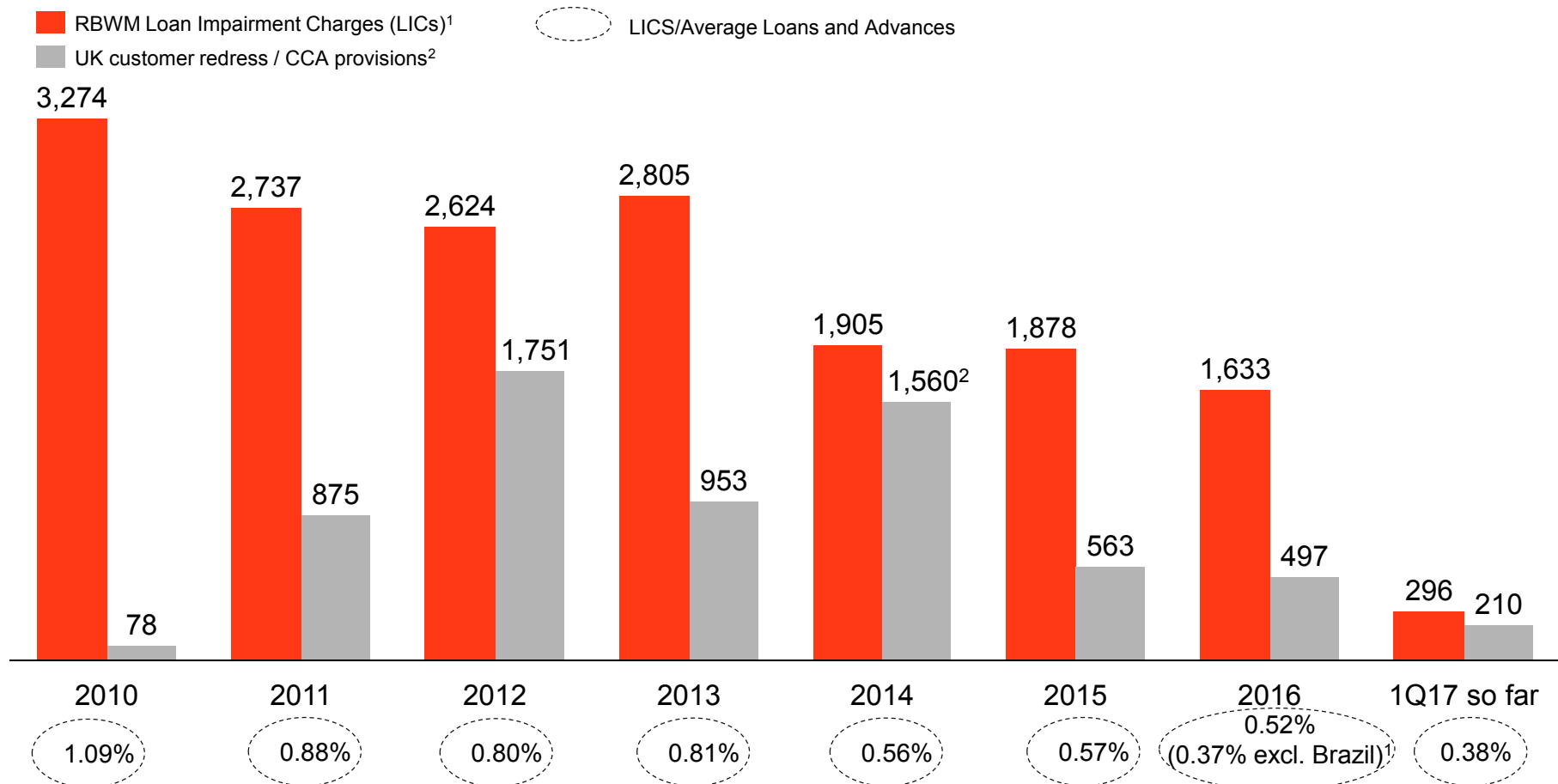
Our Digital investments are improving experience for our customers and our employees, and improving the productivity of our service delivery

Examples of Digital investments by theme

Simplifying digital access to our platforms without loss of security	Biometrics (Touch ID, Voice ID), digital secure keys
Making it easier for customers to manage their banking digitally	Simplified sign on, online appointment booking, LiveChat, eSignature, internet messaging, eStatements, smart ATMs
Simplifying and automating the movement of money	Apple/Android/Samsung Pay, Easy Pay, PayMe
Helping customers to find and buy relevant products and services	Contextual marketing, personalised pricing, digital offers, tablet account opening
Enabling digital delivery of products and services	“Home” online mortgage, Global View/Global Transfers Friends and Family, end-to-end digital customer journeys
Building the foundations for digital sales and servicing	Mobile app, Wealth platform, technical hosting platform, consistent middleware

Conduct risk is redefining how retail banks engage with and serve their customers. We have proactively repositioned the business for this

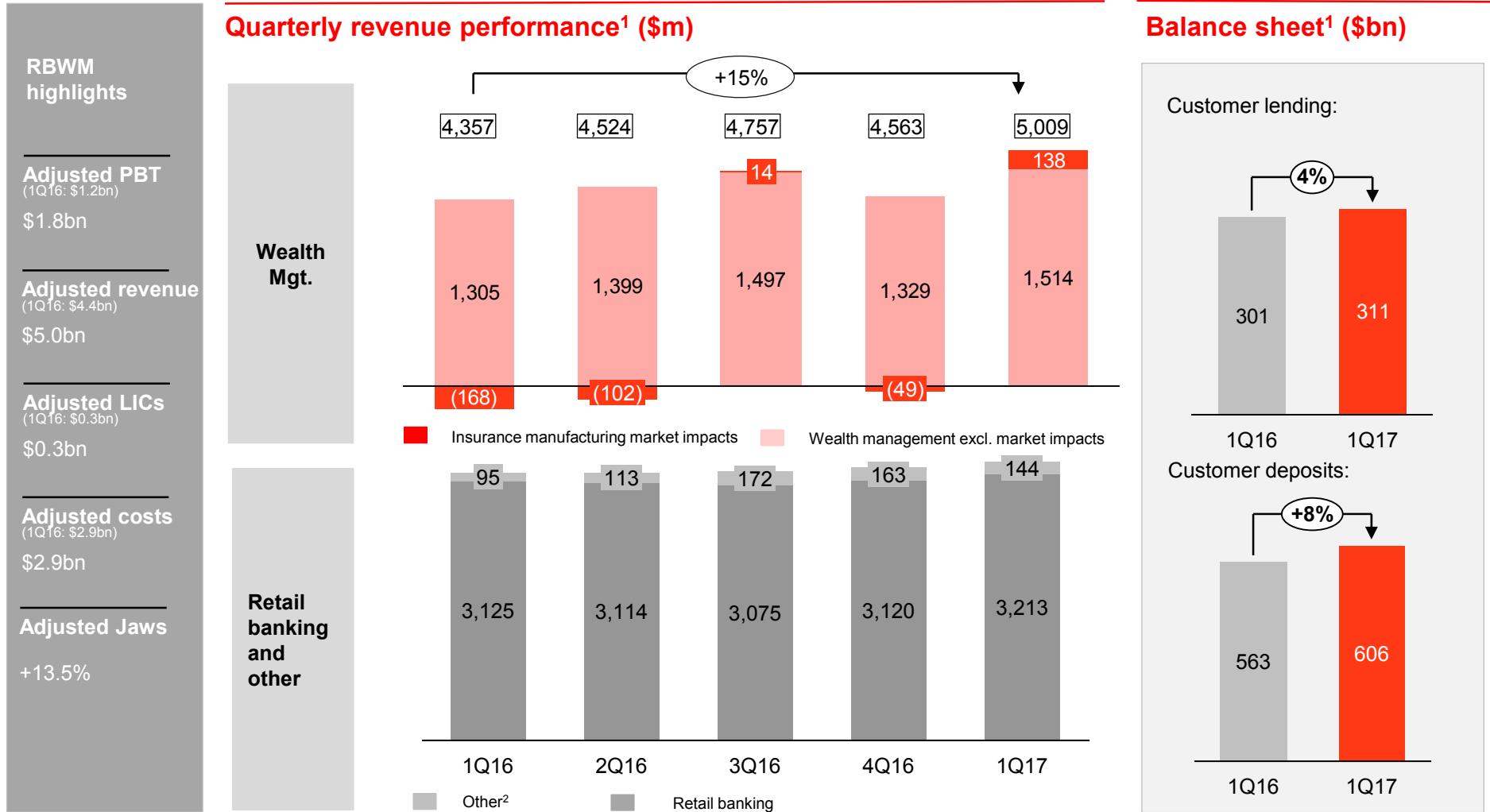
UK customer redress and CCA provisions at their lowest since 2010 (USDm)



All figures are sourced from 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 1Q17. Annual Report and Accounts, Quarterly Report & Data Pack

1. Reported basis. 2010 figure corresponds to RBWM (total) reported LIC less USD7.9bn related to US CRS and US run-off. 2011 to 2013 is Principal RBWM as reported in the respective Annual Report and Accounts for those periods. In the first half of 2015, a portfolio of customers was transferred from CMB to RBWM in Latin America in order to better align the combined banking needs of the customers with our established global businesses. 2014 and 2013 comparatives have been re-presented accordingly. 2016: Brazil operations sold on 1 July 2016; 0.52% including Brazil, 0.37% excluding Brazil as shown in the ARA 2016.
2. 2014 and 2015 include provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK, respectively of USD568m and USD22m

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