



May 2014

Establishing HSBC as the Leading International Bank

Investor Update





Forward-looking statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations, capital position 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 2013 Annual Report and Accounts and our 1Q 2014 Interim Management Statement. Past performance cannot be relied on as a guide to future performance.

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial measures to the most directly comparable measures under GAAP are provided in the 'reconciliations of non-GAAP financial measures' supplement available at www.hsbc.com.

Key messages

HSBC – Unrivalled global position and platform for growth

HSBC today

- **A leading international bank** with USD64.6bn revenues¹ and USD22.6bn PBT¹ in 2013 and presence in 75 countries and territories
- **Balanced global business model** with high resilience to market volatilities

Unrivalled global position

- World **economy shifting** to Asia, Latin America, and MENA²
- HSBC with **unique international franchise** to support economic development and facilitate global trade and capital flows
 - **Distinctive network** covering over 85% of international trade and capital flows³
 - Strong presence and capabilities in most **attractive growth markets** – in Greater China, ASEAN, Latin America, and Middle East, capturing economic development and wealth creation
- Difficult to replicate HSBC's global position

2011-13: Created leaner bank with platform for growth

- Transformed the organisation to a leaner bank with platform for growth
 - **Clear strategic direction** leading to 63 disposals⁴ and identification of 21 home and priority growth markets
 - **Leaner organisation** managed by 4 Global Businesses and 11 Global Functions; USD4.9bn of annualised sustainable saves
 - Recovered significant part of revenues sold in disposals through **organic growth**
- **Generated USD34bn of capital⁵ and USD25bn of dividends⁶**

2014-16: Strategic priorities

- **Grow business and dividends:** Investing to capitalise on our global platform to deliver growth
- Implement **global standards** as competitive advantage and increase quality of earnings
- Further **streamline** the organisation to fund growth and investments in global standards

1. On a reported basis

2. Based on HSBC analysis on Global Insights data and HSBC Global Research – The world in 2050 (JAN12)

3. Based on HSBC analysis on Global Insights and UNCTAD data

4. Completed and announced transactions

5. Capital generation calculated from profits attributable to shareholders of the parent company after regulatory adjustment for own credit spread and net of dividends, for the period 31DEC10 to 31DEC13

6. Ordinary dividends declared in respect of 2011, 2012 and 2013

1. HSBC today

HSBC today

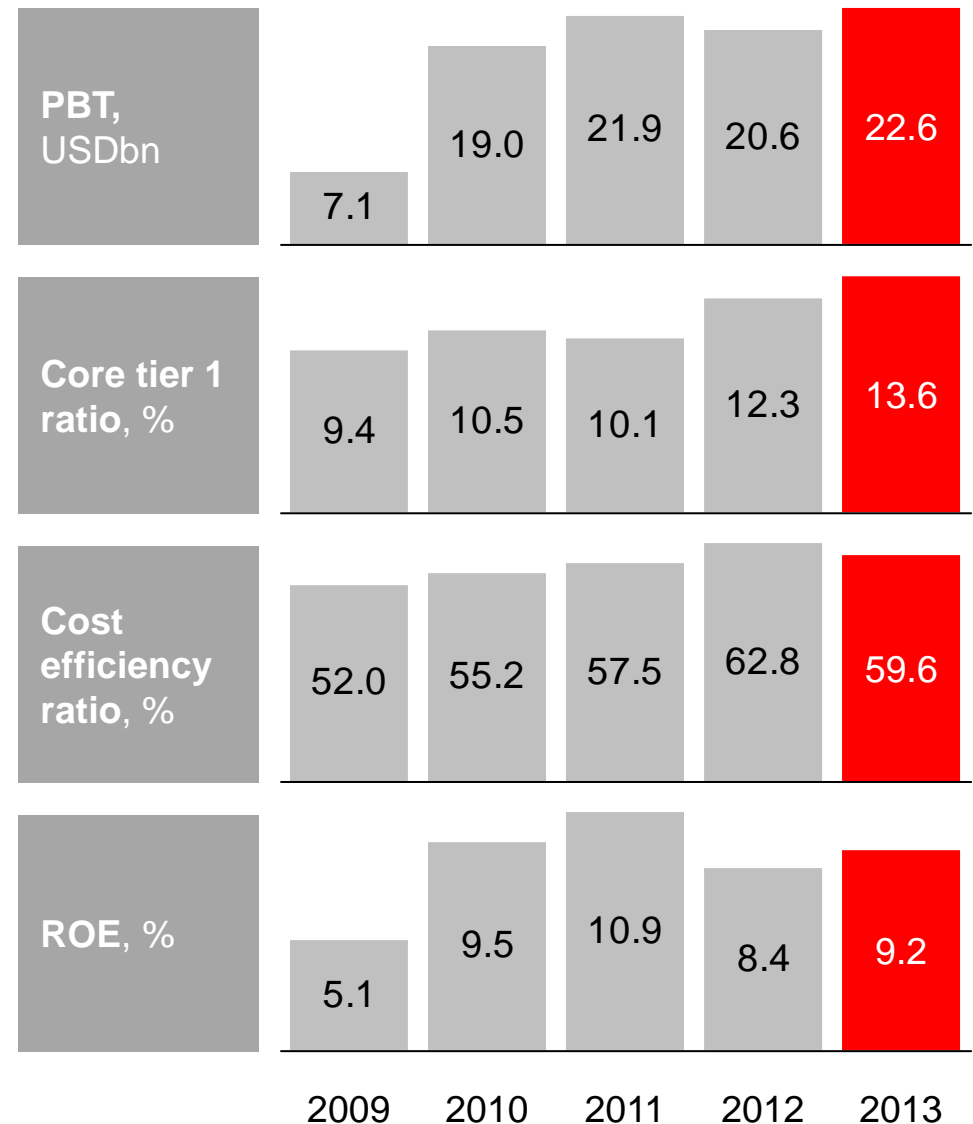
Who we are

Countries and territories	75
Customers	54m
Employees	254,000
Shareholders	216,000 in 131 countries

Market performance

Market capitalisation	USD207bn
Dividend payout ratio	57.1%
Total dividends ¹	USD9.2bn

Performance (Reported basis)



Source: HSBC 2013 annual report
 1. Ordinary dividends declared in respect of the year 2013

1. HSBC today

Vision: Establishing HSBC as the world's leading international bank

Purpose	Throughout our history we have been where the growth is, connecting customers to opportunities. We enable businesses to thrive and economies to prosper, helping people fulfil their hopes and dreams and realise their ambitions. This is our role and purpose	Reason why we exist
Values	Act with courageous integrity <ul style="list-style-type: none">▪ Dependable and do the right thing▪ Open to different ideas and cultures▪ Connected to customers, regulators and each other	How we behave and conduct business
Strategy	<ul style="list-style-type: none">▪ International network connecting faster growing and developed markets▪ Develop Wealth and invest in Retail only in markets where we can achieve profitable scale	Where and how we compete
Outcome	Being the world's Leading International Bank <ul style="list-style-type: none">▪ 45% of earnings retained¹▪ 40% as shareholders dividends¹▪ 15% variable pay¹	Delivering consistent returns

1. Group target allocation of pro-forma post-tax profit

1. HSBC today

Balanced global business model

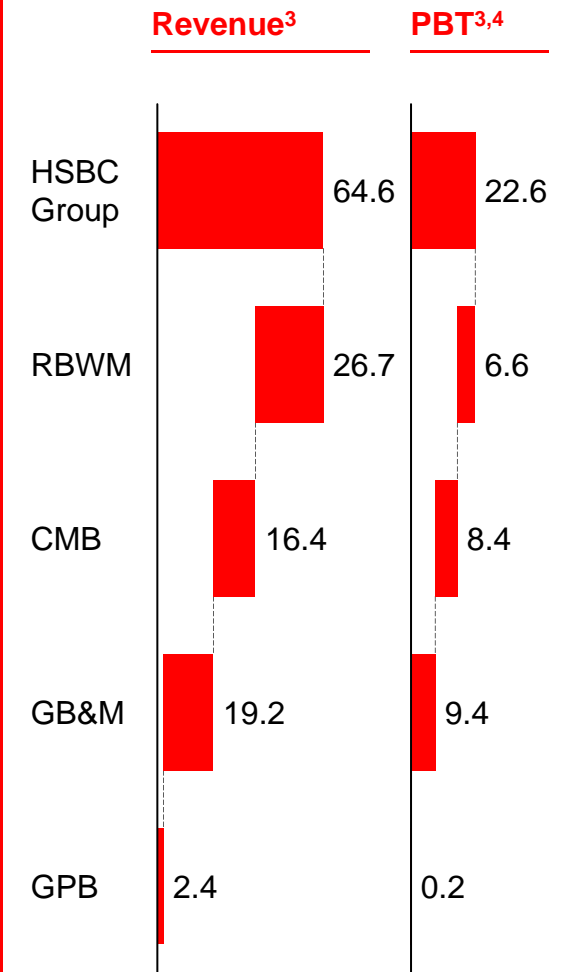
Balanced presence across the world

- Revenue¹
- Share of revenue from Associates



Resilient universal banking model

2013, USDbn

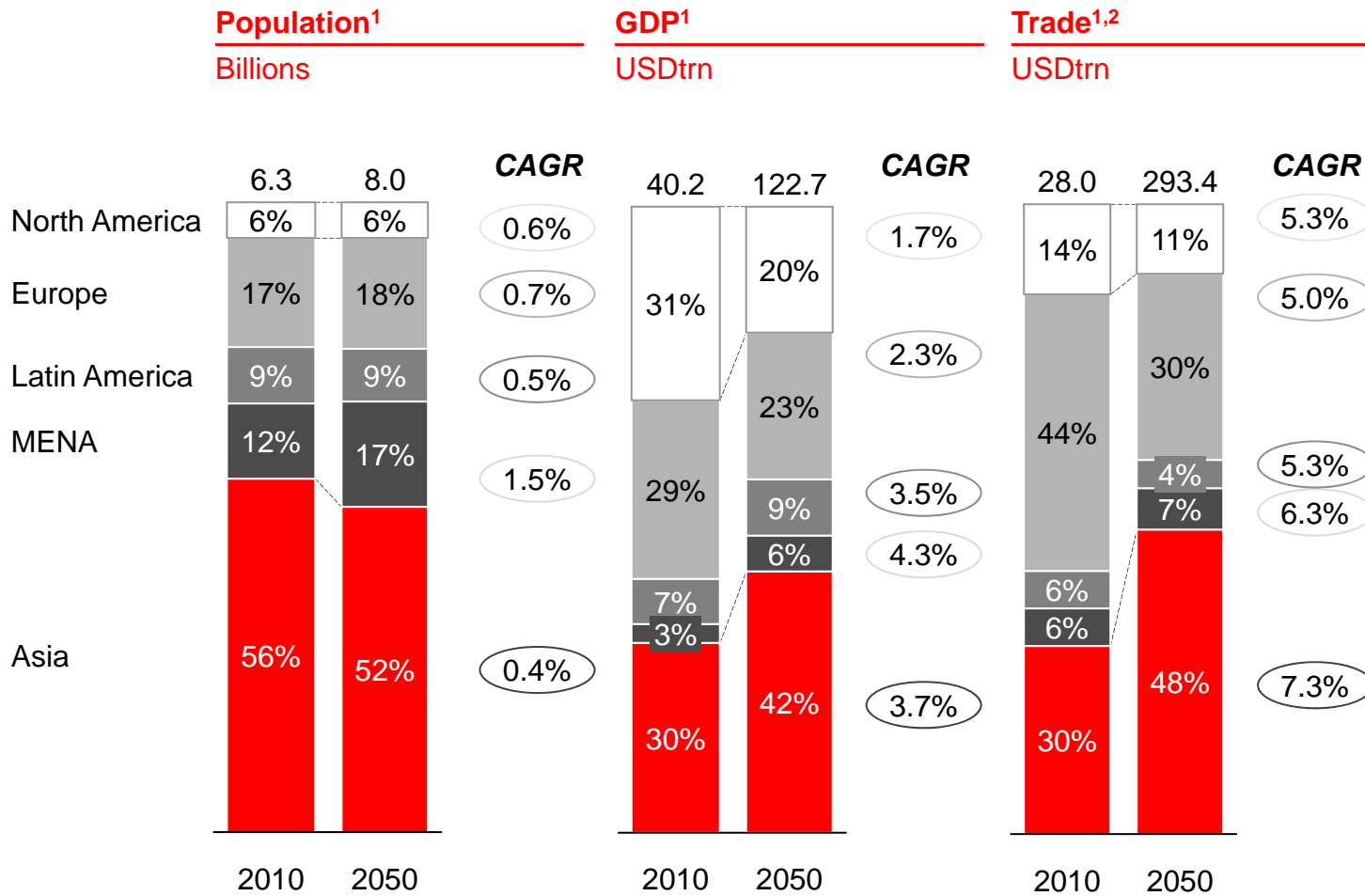


1. Based on FY2013, reported basis
 2. US ex US run-off portfolio (USD1,672m)
 3. On a reported basis
 4. Total PBT of USD22.6bn includes "Other" (-2.2 USDbn)

2. Unrivalled global position

Group well positioned for “world in 2050”

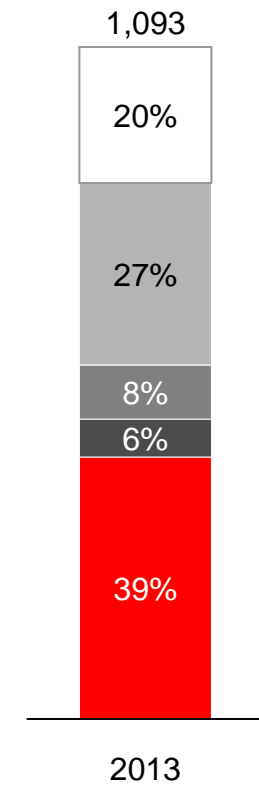
World economy shifting to Asia, Latin America, and MENA



HSBC geographic footprint

HSBC RWAs mix³

2013, USDbn



Source: HSBC Global Research – The world in 2050 (JAN12), Global Insights

1. Scope includes top 100 countries by economy sizes in 2010

2. Merchandise imports + exports. 2050 total trade value projected by extrapolating 2043-2044 trade growth

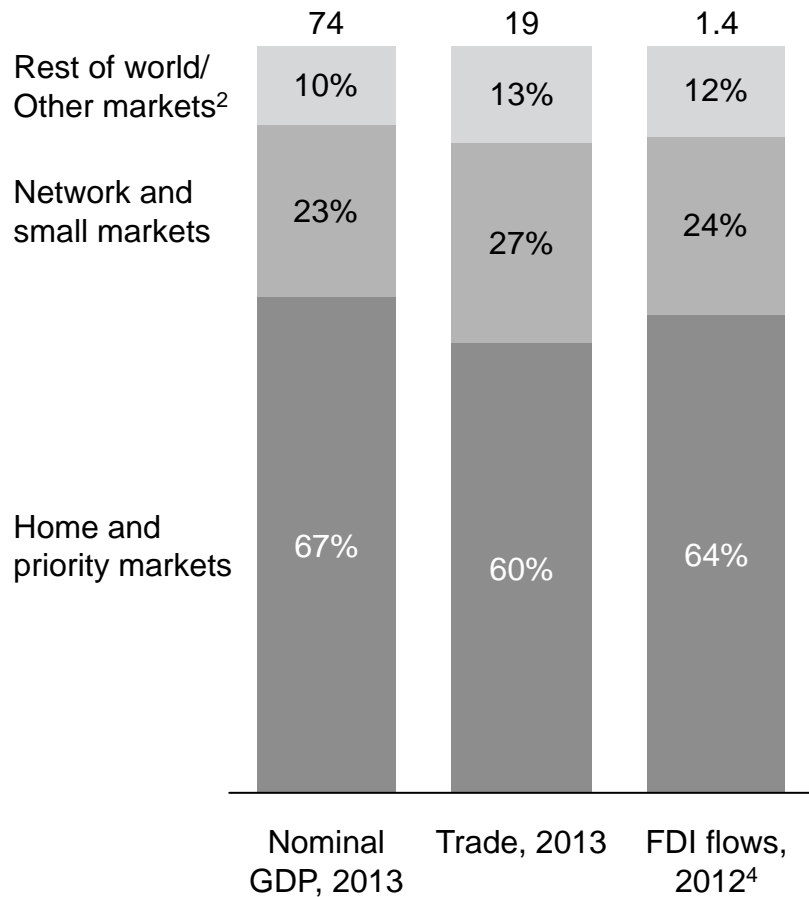
3. On a reported Basel '2.5' basis

2. Unrivalled global position

Unrivalled network to support global trade and capital flows

HSBC network coverage¹

USDtrn



2013

2013-2020 growth

✓ Priority markets on both sides

(✓) Priority market on one side

HSBC is present in all the major trade corridors

2020 trade growth forecasts	CAGR 2013-2020 %	Strong presence
USDbn ³		
China-Hong Kong	1,363	12 ✓
Japan-USA	1,316	7 (✓)
China-USA	968	10 ✓
Canada-USA	910	5 ✓
Mexico-USA	866	8 ✓
China-Korea	552	13 (✓)
Hong Kong-Japan	289	11 (✓)
China-Japan	265	10 (✓)
France-Germany	244	1 ✓
Australia-China	238	10 ✓
China-Germany	232	8 ✓
Canada-Japan	207	4 (✓)
China-Singapore	188	11 ✓
China-Vietnam	186	17 (✓)
India-UAE	181	13 ✓

Source: Global Insights, UNCTAD

Note: Trade is measured as total merchandise exports; FDI is measured as FDI outflows

1. Home, priority, network and small markets.

2. Includes rep. offices and non-strategic markets

3. Exports and imports (Source: HSBC and Oxford Economics analysis)

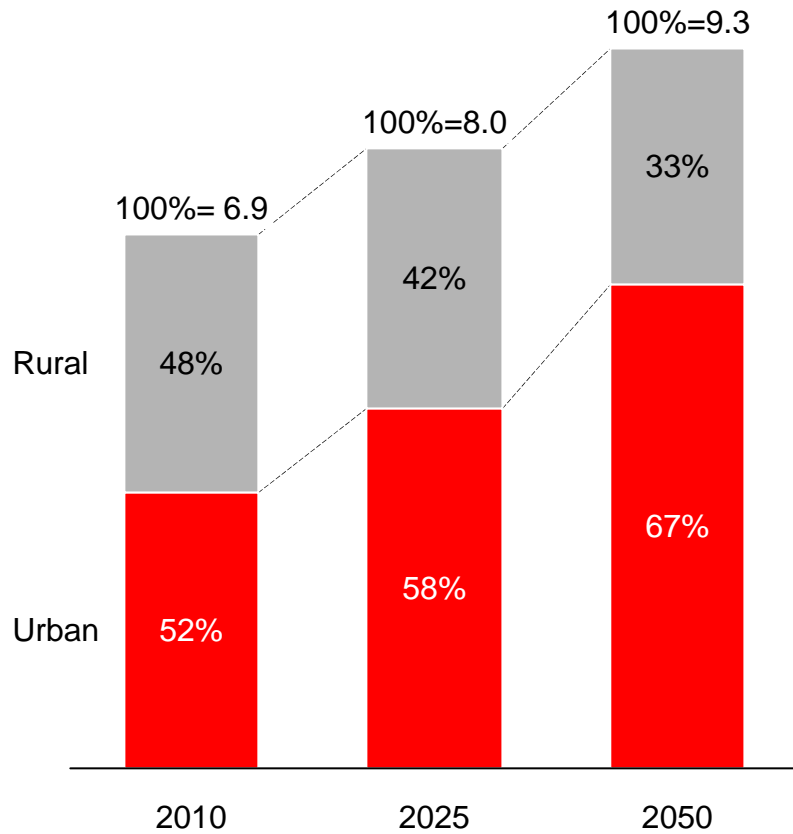
4. Foreign Direct Investment

2. Unrivalled global position

Global network of cities to connect individuals and businesses

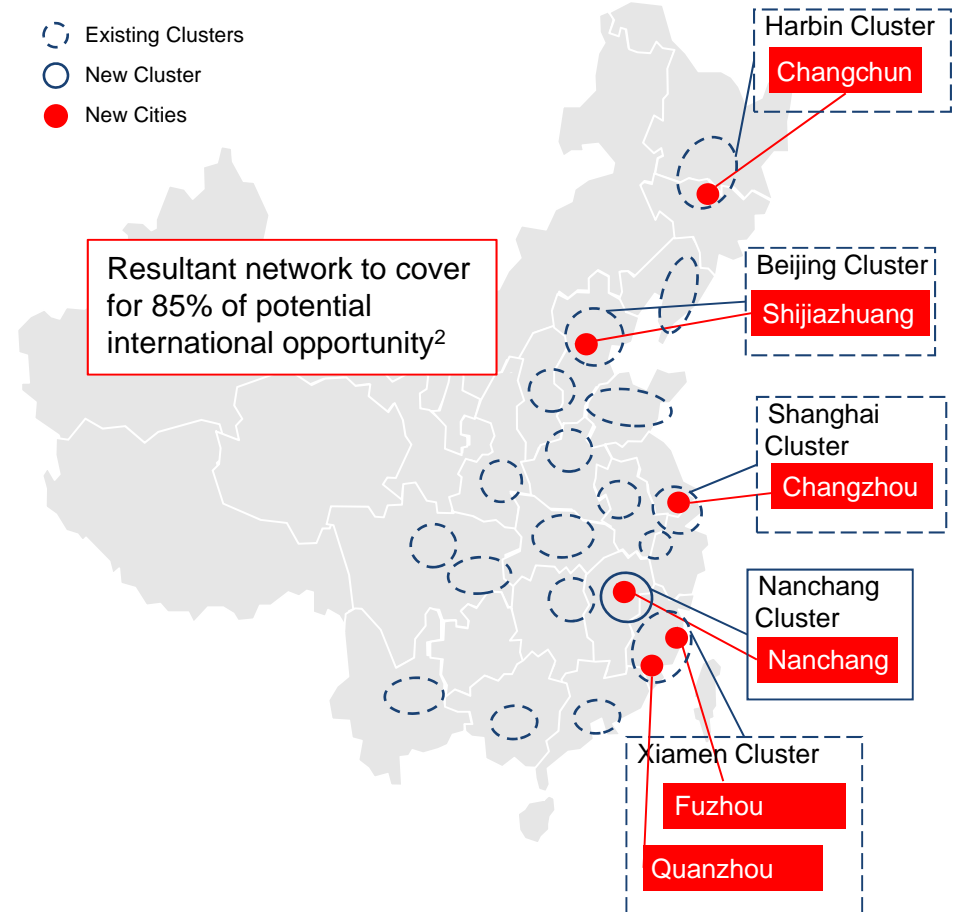
Growing urbanisation¹

Global population, bn



Source: McKinsey City Analysis
1. UN DESA World Urbanisation Prospect

Example China: Strategy to expand in clusters and cities



3. Transformation 2011-13

Created a stronger bank with platform for growth

Re-focused the business

Achievements 2011-2013

- Re-defined the strategic core of HSBC
- 63 disposals/exits announced since 2011, reduced c.USD95bn RWAs² and c.20k FTE
- Progress on running down and de-risking Legacy portfolios

Simplified and globalised the organisation

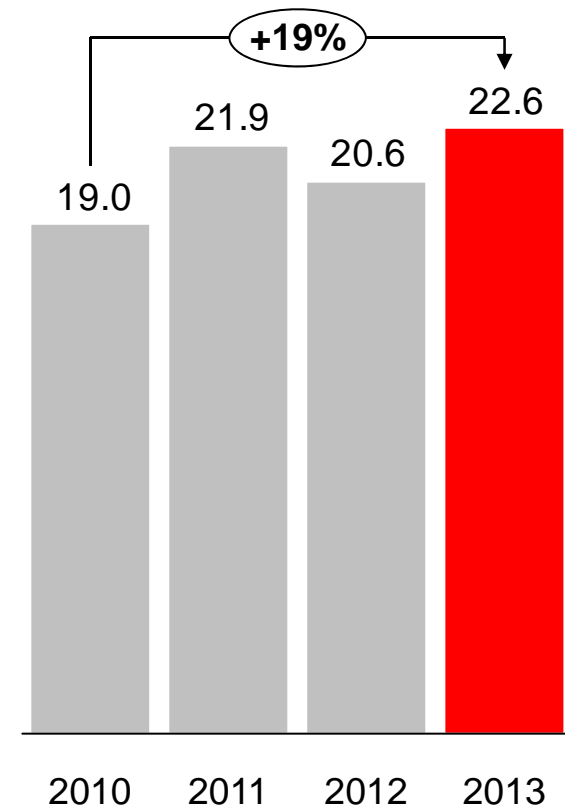
- Transformed the way we manage the business as a global bank in 4 Global Businesses and 11 Global Functions
- USD4.9bn annualised sustainable savings from 2011 to 2013
- Net reduction of 41k FTE, including disposals/ exits

Recovered revenues through organic growth

- Latin America, Asia and MENA regions' revenues up 21%, total CMB up 18%^{1,3}
- Achieved double digit gross loan growth in 13 out of 21 home and priority markets^{1,3}
- Key international transaction banking products contribute more than USD14bn of revenue
- Increased revenue from improved collaboration between CMB and the other Global Businesses

Group PBT 2010-13¹

USDbn



¹ On a reported basis

² Expected reduction in RWAs after completion of all 63 transactions

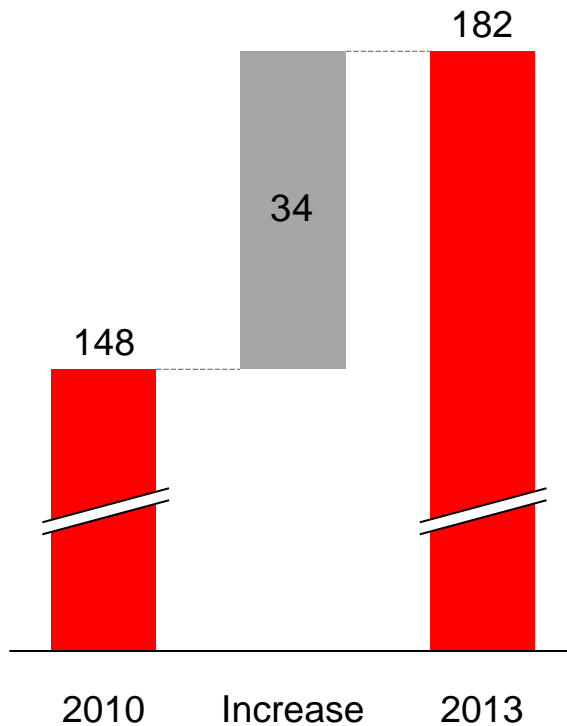
³ From FY2010 to FY2013

3. Transformation 2011-13

Generated Shareholders' equity of c.USD34bn and dividends of c.USD25bn over last three years

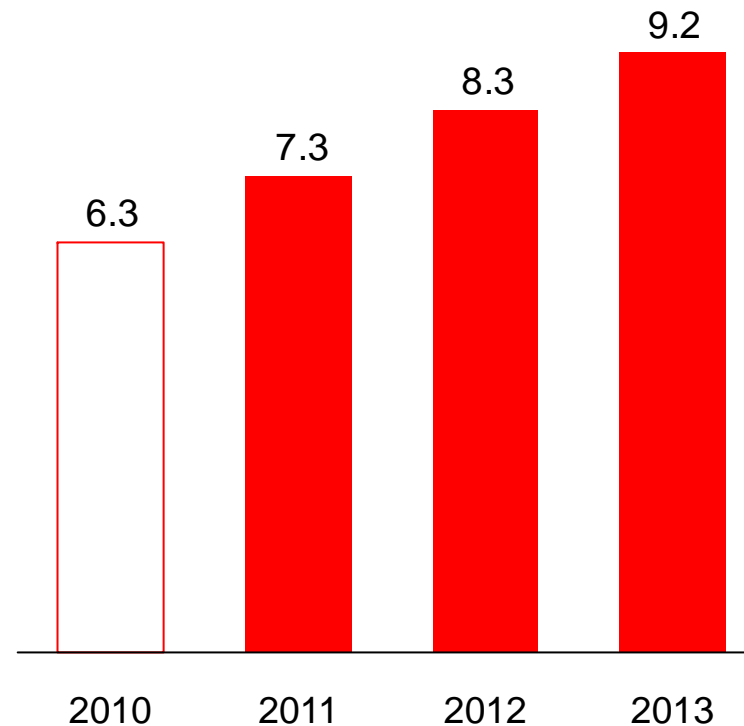
Shareholders' equity

USDbn



Total gross ordinary dividends declared in respect of the year

USDbn



In 2011-2013 HSBC has been

- #2 dividend payer¹ in FTSE 100
- #5 dividend payer¹ in Hang Seng index

HSBC would be #3 dividend payer¹ in comparison to the S&P500

Payout Ratio² %

47

42

55

57

Dividend Yield³, %

3.5

5.4

4.3

4.5

Source: 2010, 2011, 2012, 2013 Annual reports

1. Based on sum of total dividends declared and paid to common shareholders in respect of the year from 2011-2013; Source: FactSet

2. Reported payout ratio. Dividends per share declared in a year expressed as a percentage of basic earnings per share

3. Based on reported dividend per share in respect of the year as a percentage of closing price on annual year end date; Source: Bloomberg

4. Strategic priorities to strengthen the Group

2014-2016: Three equally weighted priorities

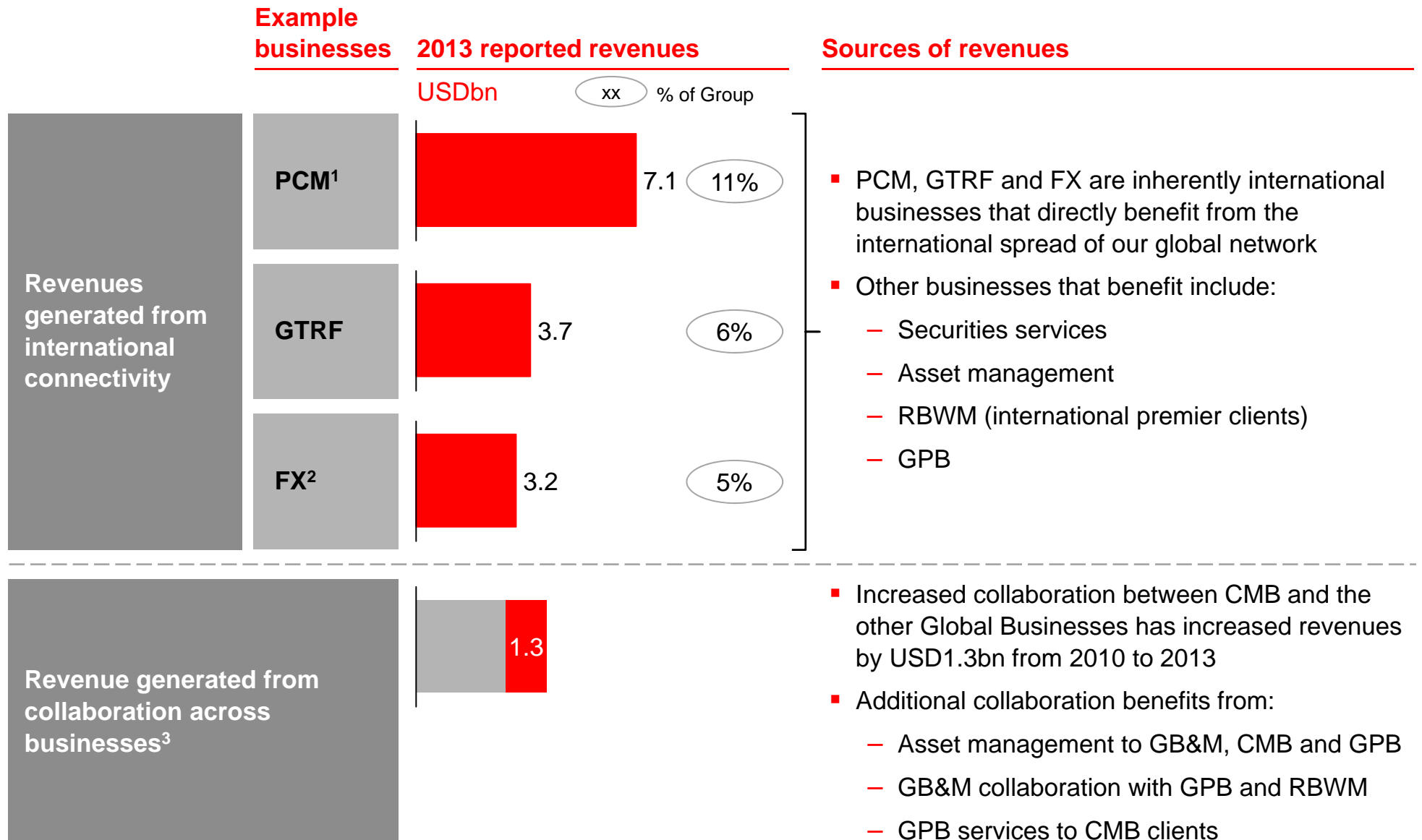
	Actions and priorities	By 2016
Grow both business and dividends	<ul style="list-style-type: none">▪ Continue to recycle RWAs from low into high performing businesses within the Group's risk appetite	<ul style="list-style-type: none">▪ Return HSBC to revenue growth capitalising on our unique global footprint ("always where the growth is")▪ Progressively grow dividends and introduce share buy-backs¹ as appropriate▪ Legacy and non-strategic activities reduced impact on PBT and RWAs
Implement Global Standards	<ul style="list-style-type: none">▪ Continue to invest in best-in-class Compliance and Risk capabilities▪ De-risk operations and/or improve risk management in higher risk locations and businesses▪ HSBC values – act with courageous integrity	<ul style="list-style-type: none">▪ Significant progress in implementation of Global Standards²▪ Establish Global Standards as competitive advantage and increase quality of earnings
Streamline processes and procedures	<ul style="list-style-type: none">▪ Re-design key processes and procedures achieving improvements in service, quality, cost and risk▪ Release costs to provide headroom to invest in growth and Global Standards	<ul style="list-style-type: none">▪ Achieve USD2-3bn additional cost reductions from 2014 to 2016▪ Achieve Group CER target of mid 50s▪ Achieve positive jaws

1. Subject to meeting United Kingdom regulatory capital requirements and shareholder approval

2. Conditional on regulatory environment

4. Strategic priorities to strengthen the Group

Revenues generated from international connectivity and Global Business collaboration



1. PCM includes Commercial Banking current accounts and savings deposits revenues
 2. FX revenue contributed by GB&M
 3. Revenue generated from collaboration includes FX products sold to CMB customers and GTRF revenues in GB&M

4. Strategic priorities to strengthen the Group

Investment priorities for the Group

Group investment priorities

RMB	<ul style="list-style-type: none">▪ Accelerate global leadership position▪ Capture offshore RMB, FX and capital markets opportunities
Trade Finance	<ul style="list-style-type: none">▪ Reinforce HSBC's leading position in trade▪ Strengthen position in high growth products/corridors and expand in trading hubs
Payments and Cash Management	<ul style="list-style-type: none">▪ Deliver improved client coverage and products via customer proposition enhancements
FX	<ul style="list-style-type: none">▪ Upgrade Global Business collaboration and renew distribution platform
ASEAN	<ul style="list-style-type: none">▪ Develop ASEAN cluster to support integration and connectivity with global presence▪ Invest in city clusters with fast-growing international revenue pools

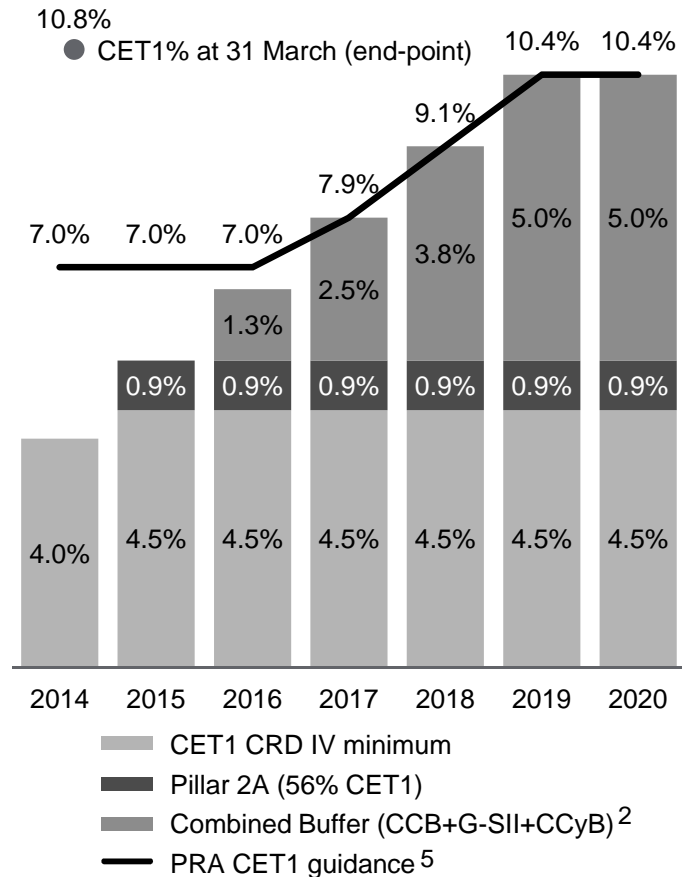
Investments in Global Businesses and Regions

GB&M	<ul style="list-style-type: none">▪ Capital financing: Well-positioned in products that will benefit from global trends: DCM, project finance, export finance
CMB	<ul style="list-style-type: none">▪ Large corporate: Upgrade strategic relationships with global large corporate customers▪ Mid market: Build our franchise in US, Canada, Mexico, Brazil, HK
RBWM	<ul style="list-style-type: none">▪ Wealth: Deliver USD3bn growth in wealth revenues▪ Personal lending: Build-out relationship-led lending▪ Digital: Further drive rollout of digital capabilities, reduce physical footprint
GPB	<ul style="list-style-type: none">▪ Collaboration: Leverage Private Banking capabilities across HSBC client franchise for CMB and GB&M
Geographic priorities	<ul style="list-style-type: none">▪ UK: Strengthen UK home market position▪ Germany: Build-out corporate franchise through improved client coverage, financing products and capture greater share of key trade corridors

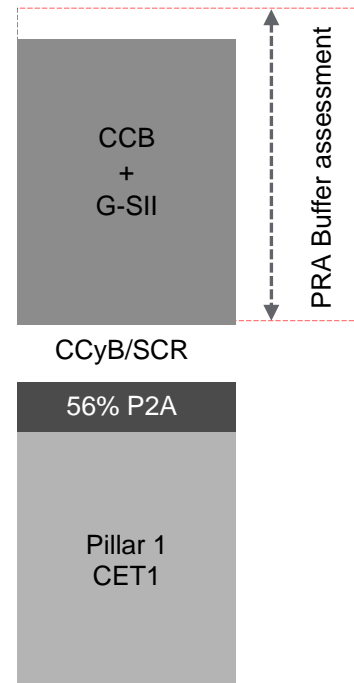
4. Strategic priorities to strengthen the Group

Capital position

Required common equity tier 1 ratio¹



Fully loaded CET1 requirements



- Fully loaded capital buffer position should become clearer after PRA's consultation in late 2014 on the Pillar 2A and "PRA buffer"³ framework
- Pillar 2A guidance currently 1.5% of RWA supported by total capital, to be met with at least 56% CET1 from 1 January 2015, being 87⁴ bps
- For HSBC as G-SII, PRA buffer will only become incremental capital to extent it exceeds the sum of G-SII and CCB (on a fully loaded basis, this would be 5% of RWA)
- There is no Countercyclical Capital Buffer ("CCyB") or any Sectoral Capital Requirements ("SCR") yet in place; size and timing dependent on macroeconomic conditions and perceived threats to financial stability

1. Known or anticipated CET1 requirements, which have been defined and quantified by the regulator, including Pillar 2A and CRD IV buffers, as per UK implementation of CRDIV;

2. Under CRD IV, the combined buffer is comprised of a Capital Conservation Buffer (CCB) of 2.5%, a Countercyclical Capital Buffer (CCyB) dependent on the buffer rates set by regulators and any of the G-SII/Systemic Risk buffer (SRB); generally the higher of a G-SII and Systemic Risk buffer applies; the HSBC G-SII buffer rate is still to be confirmed by the PRA – we currently assume a 2.5% G-SII buffer at the upper range and as such we do not currently expect any Systemic Risk add-on

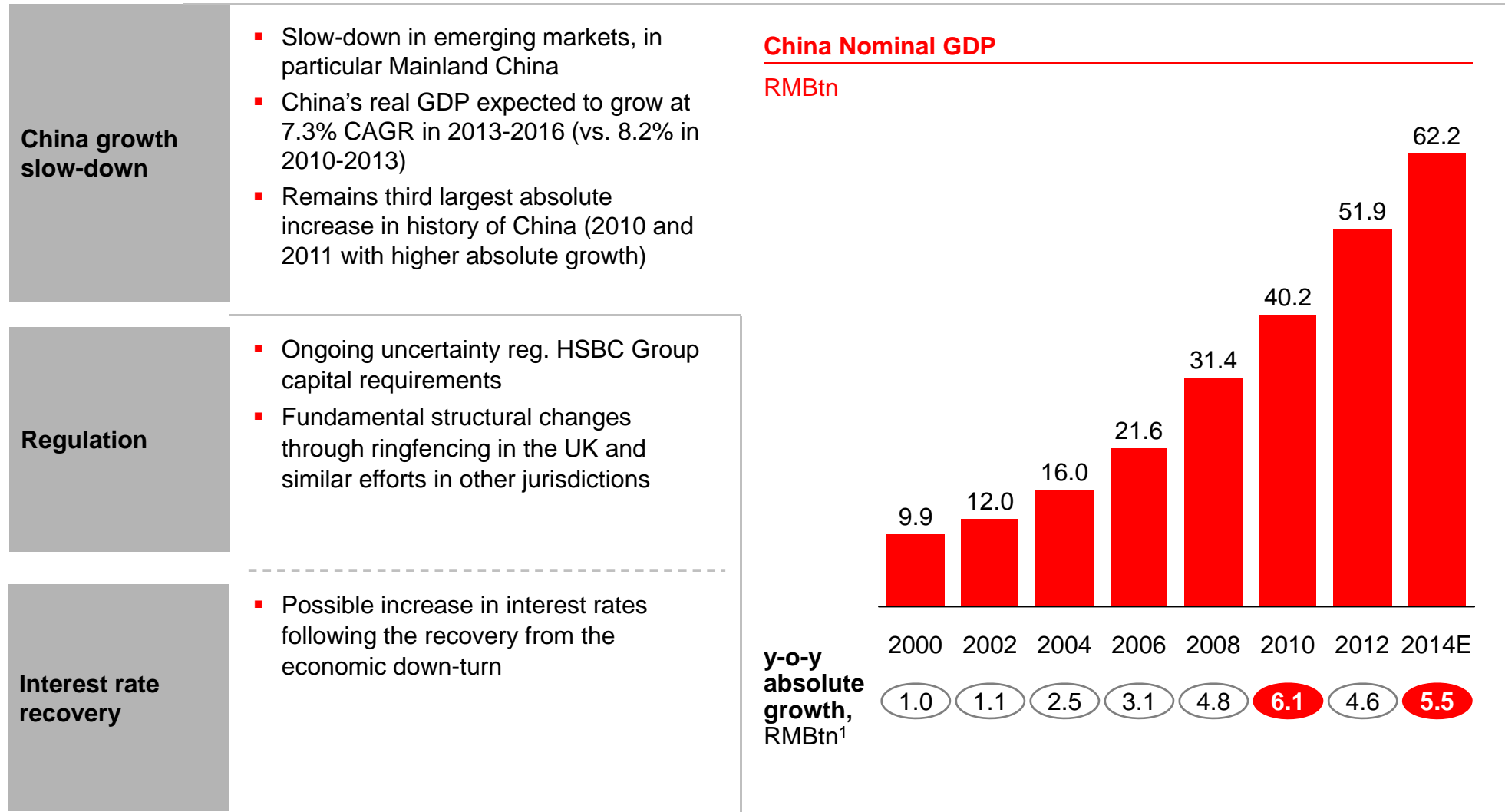
3. PRA buffer assessment will replace Pillar 2B

4. Pillar 2A guidance is a point in time assessment of the amount of capital the PRA consider the bank should hold to meet the overall financial adequacy rule and is subject to change pending annual assessment and supervisory review process; it is held constant in the chart for simplification

5. As per PRA's Supervisory Statement SS3/13 of November 2013, from 1 January 2014, major UK banks are expected to meet 7% CET1 ratio, after taking into account any adjustments set by the PRA

4. Strategic priorities to strengthen the Group

External challenges and opportunities



Source: Oxford Economics DEC13; HSBC estimates
1. One year growth vs. prior year (e.g. 2014 vs. 2013)

HSBC – Unrivalled global position and platform for growth

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Unrivalled global position	<ul style="list-style-type: none"> ▪ World economy shifting to Asia, Latin America, and MENA² ▪ HSBC with unique international franchise to support economic development and facilitate global trade and capital flows <ul style="list-style-type: none"> – Distinctive network covering over 85% of international trade and capital flows³ – Strong presence and capabilities in most attractive growth markets – in Greater China, ASEAN, Latin America, and Middle East, capturing economic development and wealth creation ▪ Difficult to replicate HSBC's global position
2011-13: Created leaner bank with platform for growth	<ul style="list-style-type: none"> ▪ Transformed the organisation to a leaner bank with platform for growth <ul style="list-style-type: none"> – Clear strategic direction leading to 63 disposals⁴ and identification of 21 home and priority growth markets – Leaner organisation managed by 4 Global Businesses and 11 Global Functions; USD4.9bn of annualised sustainable saves – Recovered significant part of revenues sold in disposals through organic growth ▪ Generated USD34bn of capital⁵ and USD25bn of dividends⁶
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	<u>Target</u> 2014-16
ROE	12-15%
Jaws	Positive
CER	Mid-50s
Common equity tier 1 ratio	>10%
Dividend pay-out ratio	40-60%
A/D ratio cap	<90%
Additional sustainable saves	USD2-3bn
HSBC headcount	240-250k

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The view from HSBC Building, 8 Century Avenue, Pudong, Shanghai



The view from HSBC Main Building, 1 Queen's Road Central, Hong Kong SAR



The view from HSBC Group Head Office, 8 Canada Square, London

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Cover images: internationalisation of the renminbi
The images show the views from HSBC's head offices in Shanghai, Hong Kong and London – the three cities that are key to the development of China's currency, the renminbi (RMB). The growth of the RMB is set to be a defining theme of the 21st century. HSBC has RMB capabilities in over 50 countries and territories worldwide, where our customers can count on an expert service.

Photography: Matthew Mawson

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