



February 2015

Global Banking and Markets

Investor Update

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Important notice and forward-looking statements

Important notice

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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 year-on-year effects of foreign currency translation differences and significant items which distort year-on-year 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. Reconciliation of non-GAAP financial measurements to the most directly comparable measures under GAAP is provided in the ‘reconciliations of non-GAAP financial measures’ supplement available at www.hsbc.com.

Introduction

§ HSBC Global Banking and Markets' business model and strategy are well established:

- We aim to be a “Top 5” bank to our priority clients and in our chosen products and geographies
- We focus on the following growth priorities
 - Connecting clients to international growth priorities
 - Continuing to be well positioned in products that will benefit from global trends
 - Leveraging our distinctive international expertise and geographical network which connects developed and faster-growing regions
- We conduct our business in accordance with our long-held values whilst implementing Global Standards and enhancing risk management controls
- Collaboration with HSBC's other global businesses remains a top priority for Global Banking and Markets and allows us to appropriately service the needs of our international client base

§ By executing our strategy we aim to deliver resilient and diversified financial results

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1	Performance overview
2	Distinctive business model
3	Positioned for growth
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A	Appendix

HSBC Holdings plc financial overview

Key messages for 2014

Financial performance

Highlights

- § Reported PBT of USD18,680m included fines, settlements, UK customer redress, and associated provisions of USD3,709m
- § 2014 adjusted revenue¹ of USD62,002m and adjusted² PBT of USD22,829m broadly unchanged compared with 2013
- § Adjusted² PBT growth in 3 out of 5 regions
- § Adjusted² operating expenses increased by USD2,172m driven by Regulatory Programmes and Compliance and inflationary pressures
- § ROE of 7.3%; (ROTE³ of 8.5%)

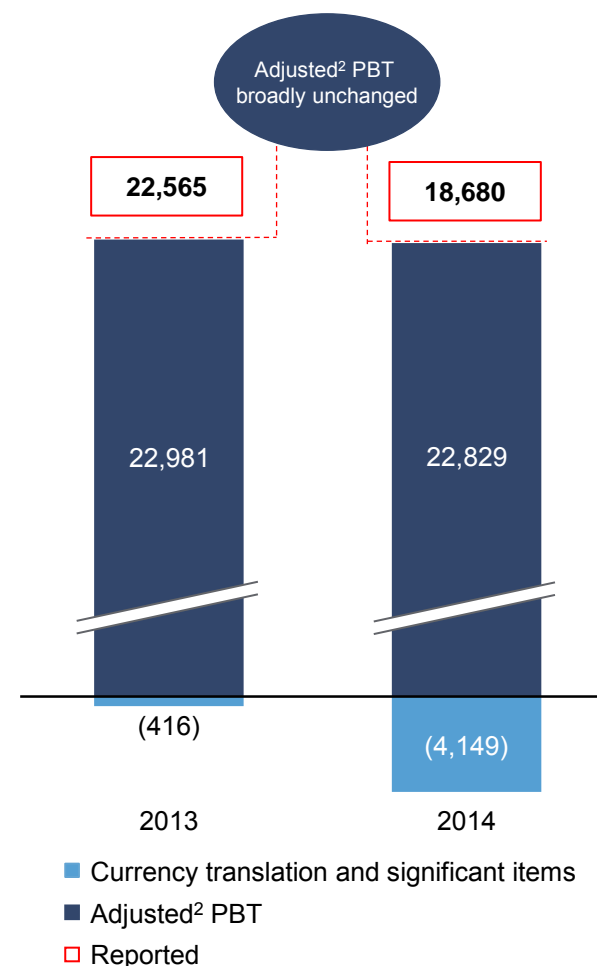
Capital and dividends

- § Strong capital position with a common equity tier one ratio of 10.9% (transitional basis⁴) and 11.1% (end point basis⁴)
- § Progressive dividend in 2014 of USD0.50 per ordinary share⁵

Strategy execution

- § Maintained leadership position in payments and cash management⁶
- § Increased market share in Capital Financing; Awarded Bond and Derivatives House of the year⁷
- § Increased RMB revenue and volumes, benefiting from accelerating global expansion of RMB
- § Global Standards: Continued progress in roll out of Global Standards programme

Reported and Adjusted² PBT (USDm)



1. Net operating income before loan impairment charges and other credit risk provisions, excluding currency translation and significant items

2. Excludes currency translation and significant items

3. Return on average tangible equity measures the return attributable to ordinary shareholders, excluding the impairment of goodwill and the movement in the present value of in-force long-term insurance business ('PVIF') net of tax, divided by the average tangible equity, which is defined as the average ordinary shareholders' equity excluding average goodwill, PVIF and other intangibles, net of deferred tax and net of non-controlling interests

4. On 1 January 2014, CRD IV came into force and capital and RWAs at 31 December 2014 are calculated and presented on the Group's interpretation of final CRD IV legislation and final rules issued by the PRA

5. Total dividends in respect of the year

6. Euromoney 2014

7. Market share: Bloomberg League tables; Bond and Derivatives House of the year: IFR Awards 2014

HSBC Holdings plc financial overview

Annual results 2014 - Financial highlights¹

Summary financial highlights, USDbn			Better/(worse)
	2013	2014	2014 vs 2013
Reported PBT	22.6	18.7	(17)%
Adjusted ² PBT	23.0	22.8	(1)%

Key ratios, %			
	2013	2014	KPI
Return on average ordinary shareholders' equity	9.2%	7.3%	12-15%
Return on average tangible equity	11.0%	8.5%	n/a
Cost efficiency ratio	59.6%	67.3%	mid-50s
Jaws (adjusted) ³	n/a	(5.8%)	Positive
Advances-to-deposits ratio	72.9%	72.2%	< 90%
Common equity tier 1 ratio (transitional basis) ⁴	10.8%	10.9%	>10%
Common equity tier 1 ratio (end point basis) ⁴	10.9%	11.1%	>10%

1. All figures are reported unless otherwise stated

2. Excludes currency translation and significant items

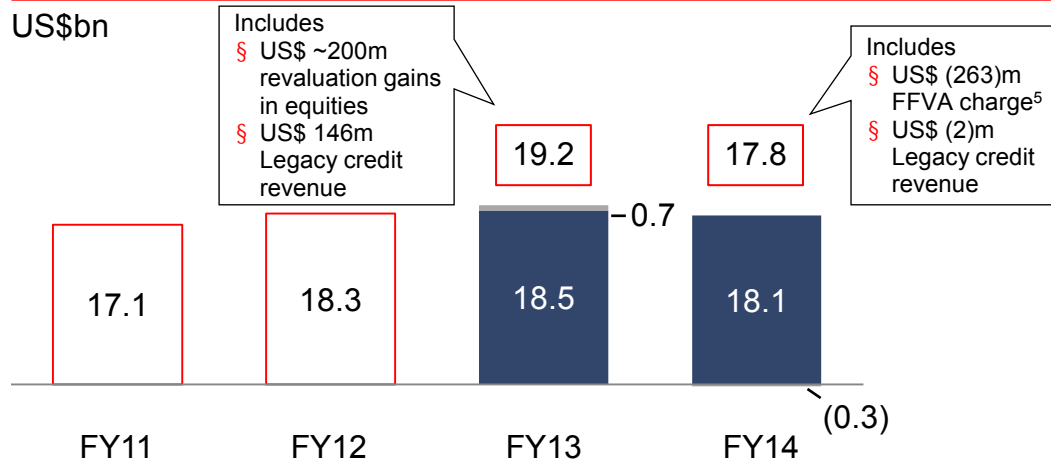
3. Calculated as percentage growth in adjusted net operating income before loan impairment charges and other credit risk provisions less percentage growth in adjusted operating expenses, 2014 versus 2013

4. On 1 January 2014, CRD IV came into force and capital and RWAs at 31 December 2014 are calculated and presented on the Group's interpretation of final CRD IV legislation and final rules issued by the PRA. At 31 December 2013, capital and RWAs were also estimated based on the Group's interpretation of final CRD IV legislation supplemented by guidance provided by the PRA, as applicable, details of which can be found in the basis of preparation on page 324 of the Annual Report and Accounts 2013

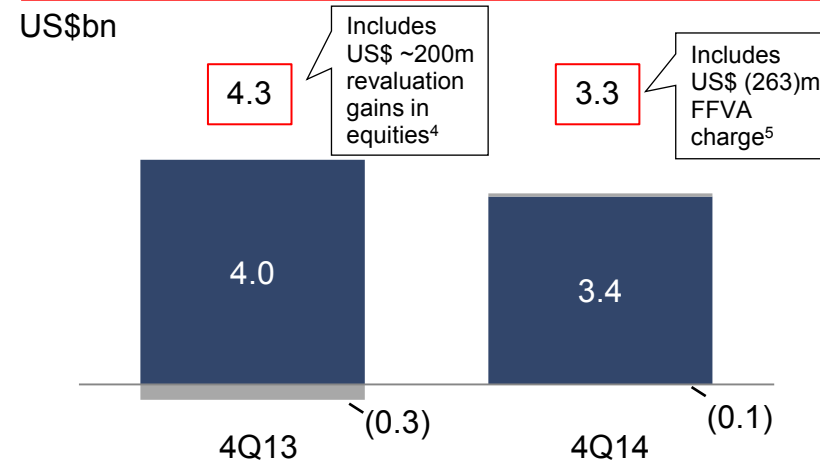
Performance overview

GB&M financial performance¹

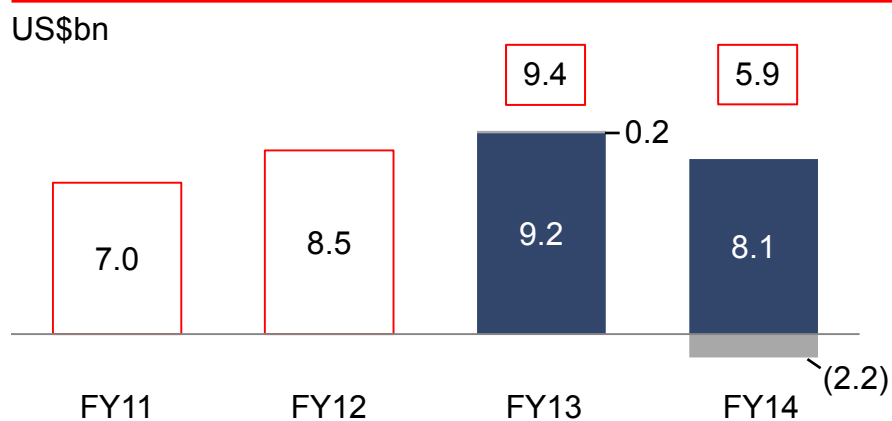
Annual revenue²



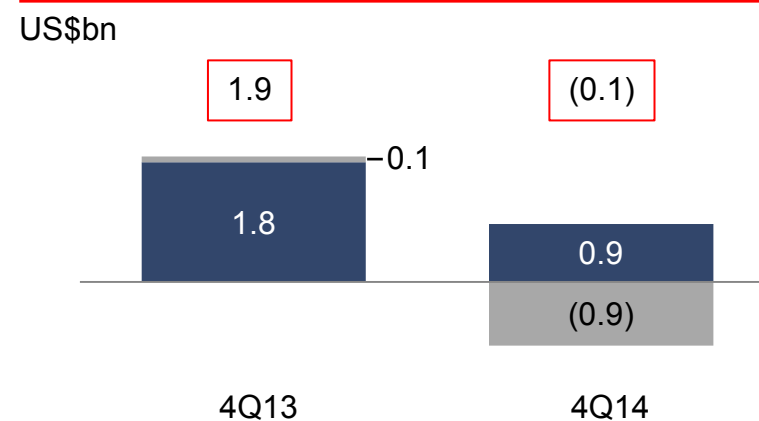
Quarterly revenue²



Annual PBT



Quarterly PBT



Adjusted³ Revenue/PBT
 Currency translation and significant items
 Reported

1. HSBC Annual Reports
2. Net operating income before loan impairment charges and other credit risk provisions, also referred to as Revenue
3. Excludes currency translation and significant items
4. Only part of the US\$ ~200m FY14 revaluation gains in equities were recorded in 4Q14
5. 4Q14 Revenue includes Funding Fair Value Adjustment (FFVA) charge of US\$ (263)m: US\$ (164)m in Rates, US\$ (97)m in Credit, US\$ (2)m in Other

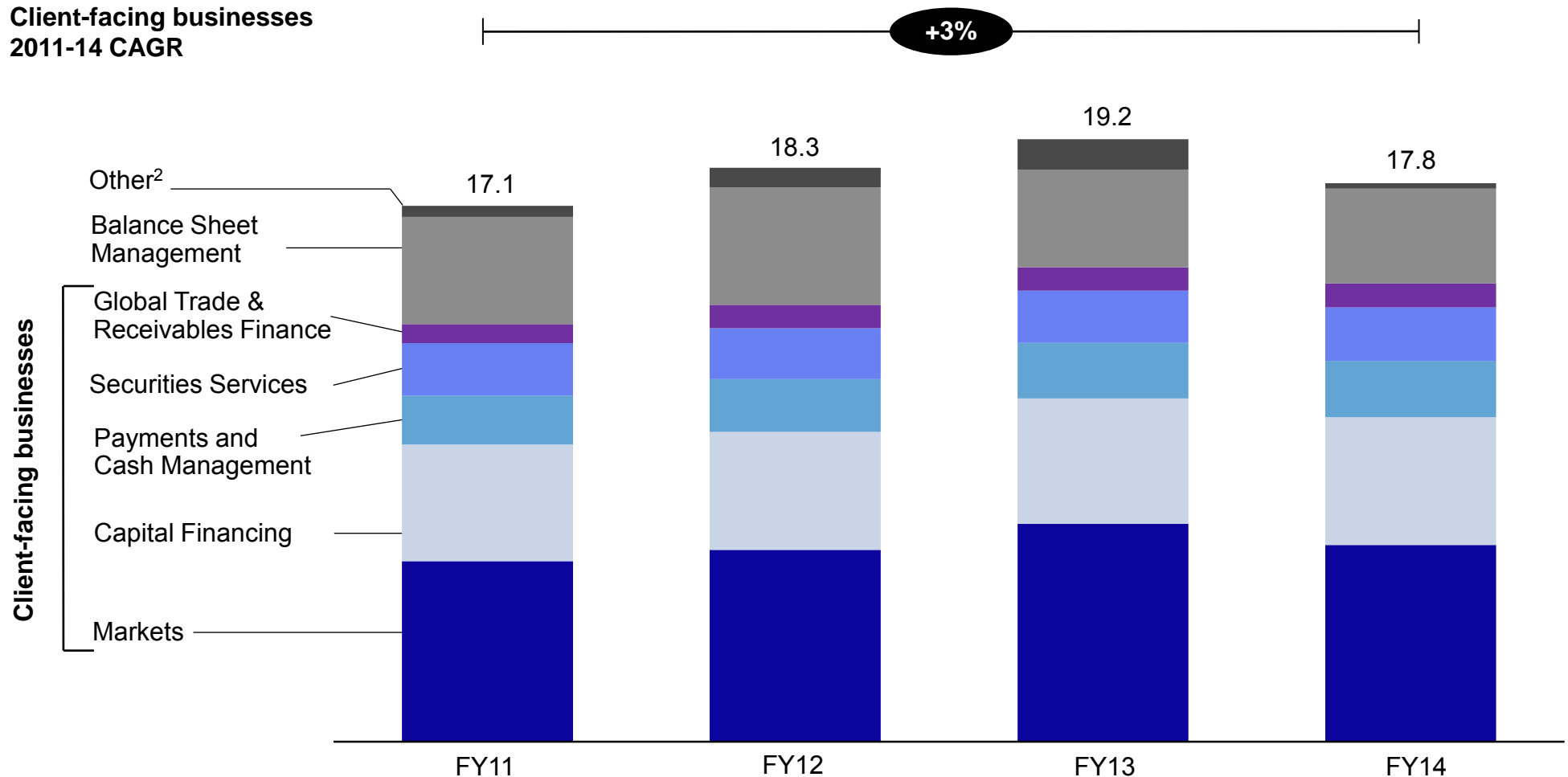
Performance overview

Growth in majority of client-facing businesses between FY11 and FY14

Revenue¹

US\$bn

Client-facing businesses
2011-14 CAGR



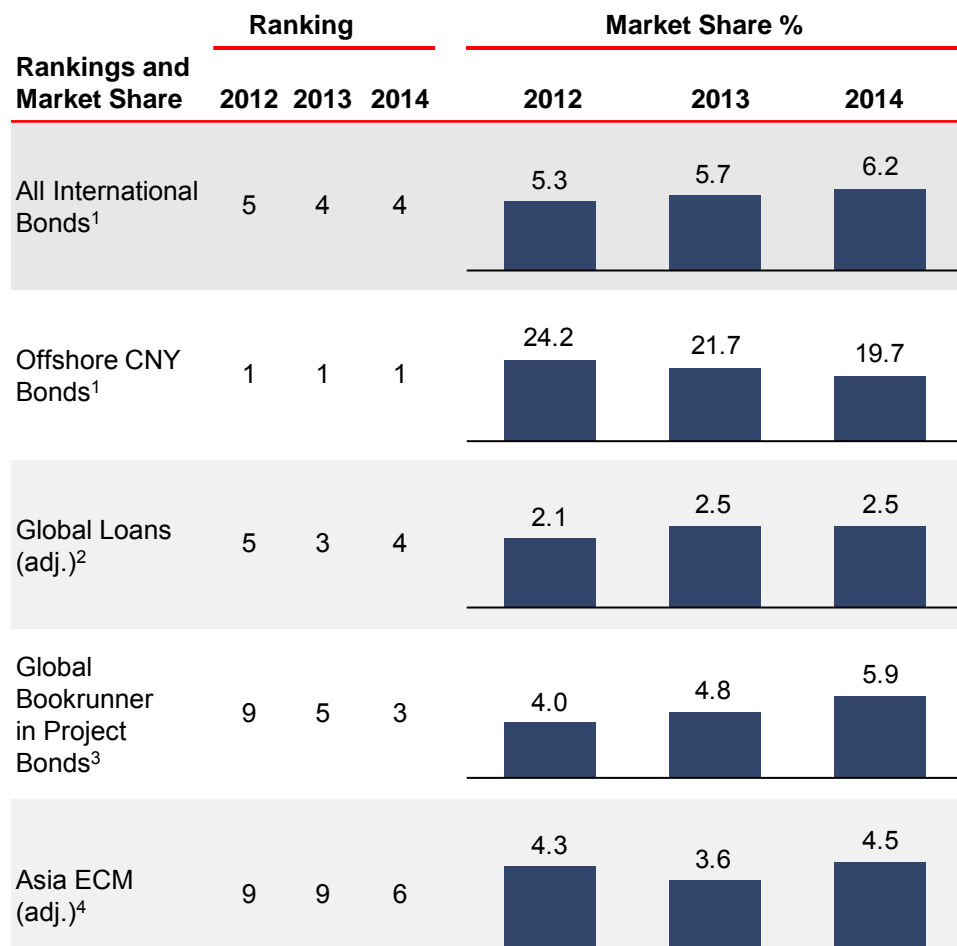
1. On a reported basis. HSBC Annual Reports

2. Principal Investments, Debit Valuation Adjustment, and Other

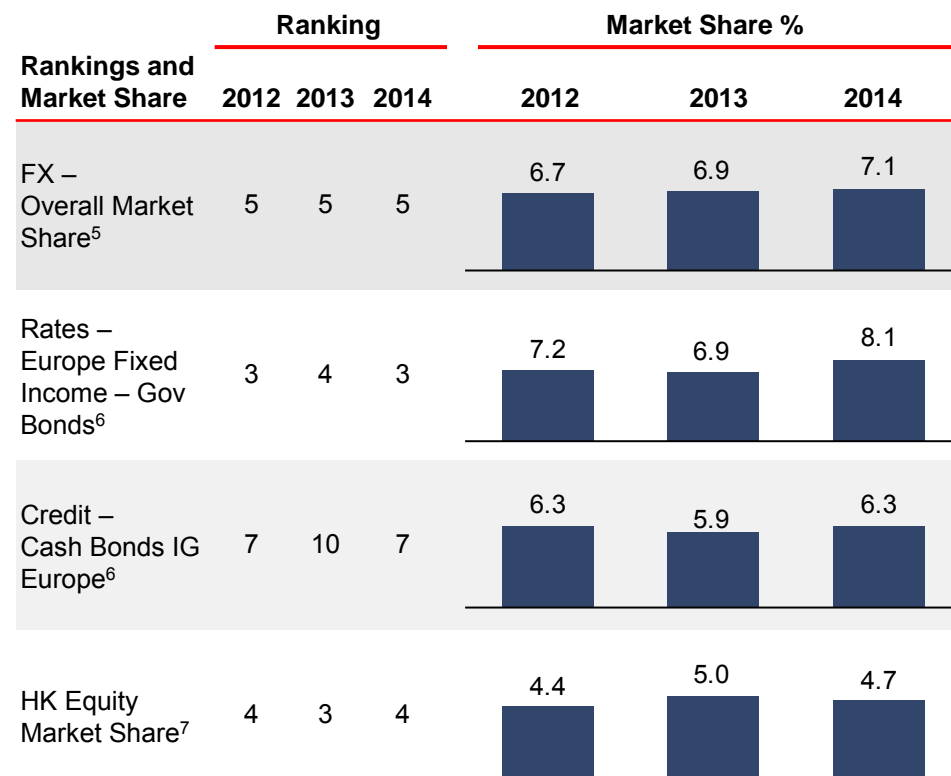
Performance overview

Market share in key products and regions

Capital Financing



Markets







1. Bloomberg
 2. Dealogic – excludes US/Japan
 3. Dealogic Global Project Finance Review
 4. Dealogic – excludes Australia, Japan and Chinese A shares

5. Euromoney – Euromoney FX Survey (2014 published May 2014)
 6. Greenwich Europe Fixed Income (published September 2014)
 7. Bloomberg

Performance overview

Comprehensive client service spanning multiple products and geographies

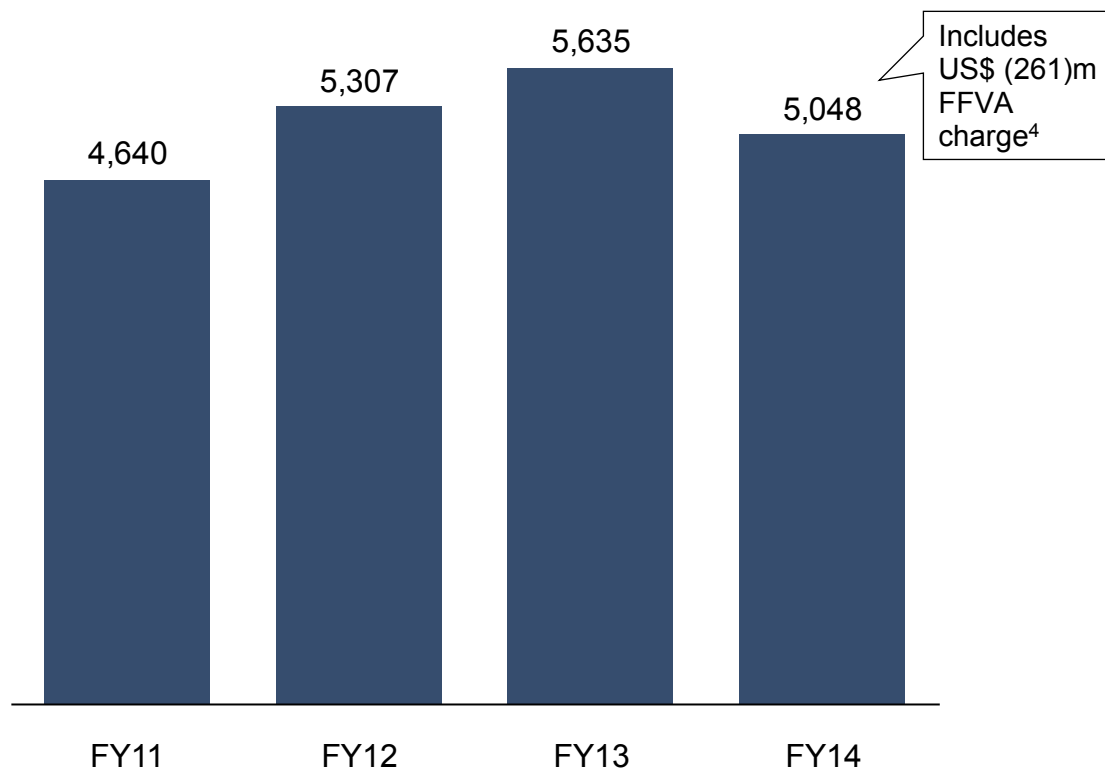
Client	HSBC's role in recent transactions	HSBC's competitive advantages for the transactions
 HM Treasury	Joint Lead Manager, Duration Manager, Fiscal Paying Agent and CNH Nostro Account Provider to the CNY 3bn fixed-rate note issue of the UK Government; 1 st ever RMB bond issue by a Western Sovereign	<ul style="list-style-type: none">§ Extensive cooperation with the UK Government in capital markets transactions§ Leading Renminbi franchise§ Strong ancillary services capabilities
 Walgreens Boots Alliance	Leading roles across c. US\$ 15bn equivalent bank and bond financing to support Walgreens' acquisition of the remaining 55% stake in Alliance Boots	<ul style="list-style-type: none">§ Ability to lead cross border financing solutions across both loan and bond platforms§ Seamless execution between capital financing and coverage franchises in the US and Europe
 FREEPORT LNG	Co-Market Risk Lead, Co-Swap Coordinator, Co-Joint Lead Arranger and Co-Bookrunner on a US\$ 4bn C+2 mini perm project loan involving 25 banks	<ul style="list-style-type: none">§ Ability to provide innovative hedging solutions, setting up interest rate risk hedge for the Freeport transaction ahead of financial close without sponsor recourse§ Seamless coordination across product, sector and coverage teams
 gsk	Time critical cash management technical support to GSK's business migration to new Enterprise Resource Planning system in the UK	<ul style="list-style-type: none">§ Strong and trusted cash management relationship in the UK built up over many years§ Technical expertise in working with GSK to achieve complete success over migration weekend with 24/7 support provided§ Ability to support complex cash management re-engineering projects

Performance overview

Moderate dependency on Credit, Rates and FX revenues

Credit, Rates and Foreign Exchange revenue¹

US\$m



% GB&M revenue

27%

29%

29%

28%

- § Credit, Rates and FX contribution to GB&M revenues has been stable and below 30% over 2011-14
- § Credit, Rates and FX revenues grew at 3% p.a. over 2011-14
- § GB&M has gained market share in key Credit, Rates and FX segments
 - FX market share increased from 6.7% in 2012 to 7.1% in 2014²
 - Europe Government Bonds market share improved from 7.2% in 2012 to 8.1% in 2014³

1. On a reported basis. HSBC Annual Reports (2013 and 2014)

2. Euromoney – Euromoney FX Survey (2014 published May 2014)

3. Greenwich Europe Fixed Income (published September 2014)

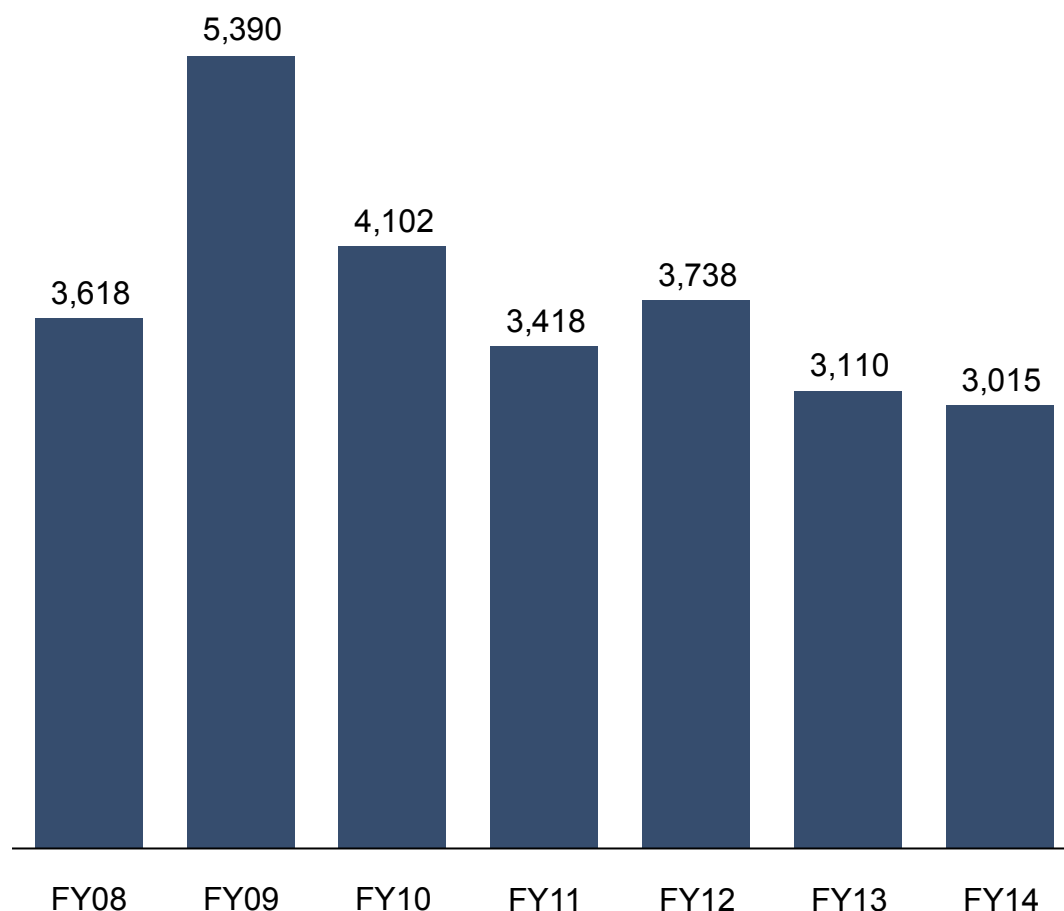
4. 4Q14 Credit, Rates and FX revenue includes Funding Fair Value Adjustment (FFVA) charge of US\$ (261)m: US\$ (164)m in Rates, US\$ (97)m in Credit

Performance overview

Balance Sheet Management (BSM) revenue

Balance Sheet Management revenue¹

US\$m



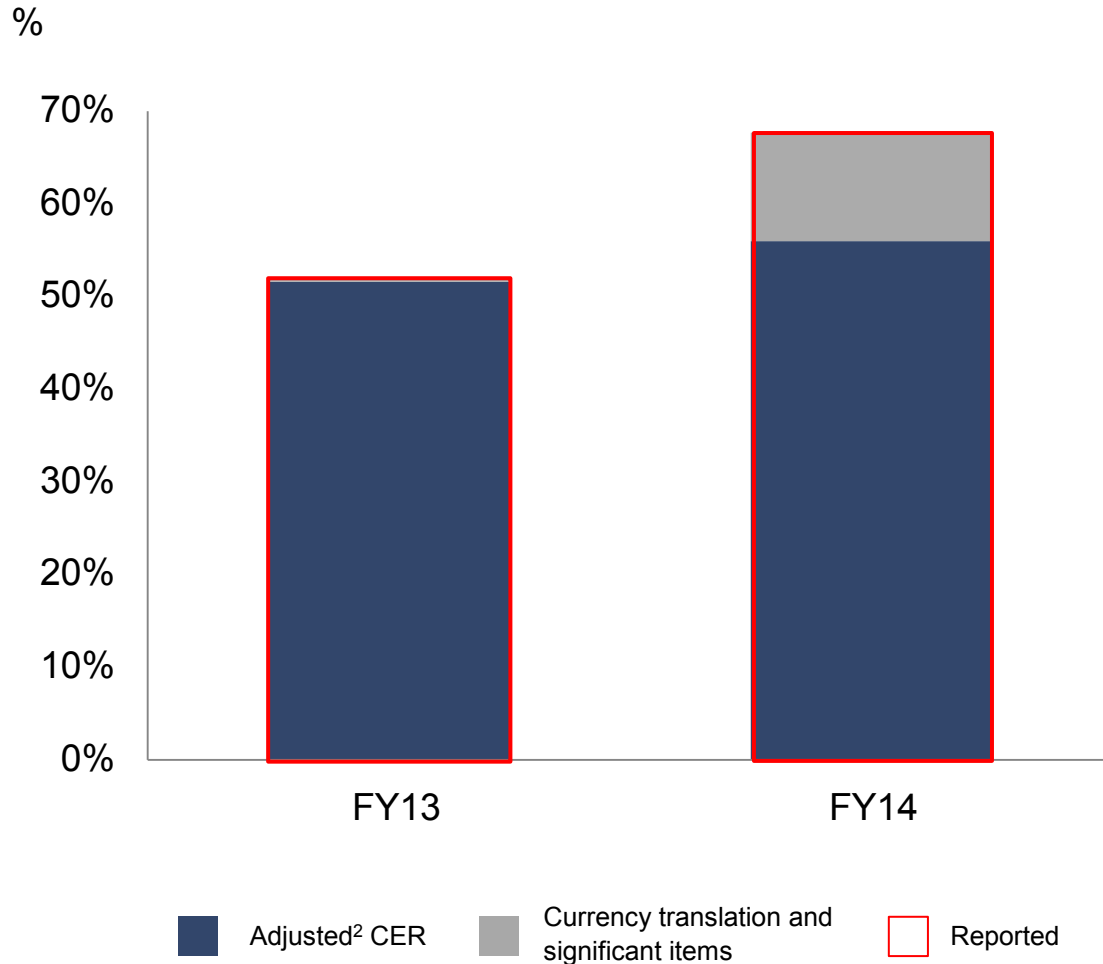
- § Within each operating entity, BSM is responsible for managing liquidity, funding and structural interest rate risk
- § BSM reinvests excess liquidity into highly rated liquid assets:
 - central bank deposits
 - sovereign, supranational and agency securities
 - short-term interbank loans
- § Credit risk is limited to short-term bank exposure (interbank lending, central banks, high quality sovereigns, supranationals or agencies)
- § BSM does not manage the structural credit risk of any of the Group entity balance sheets

1. On a reported basis. HSBC Annual Reports

Performance overview

Continuing to actively pursue operating efficiency

GB&M CER¹



	FY13	FY14
Reported op. expenses	US\$ 10.0bn	US\$ 12.0bn
Adjusted² op. expenses	US\$ 9.6bn	US\$ 10.1bn

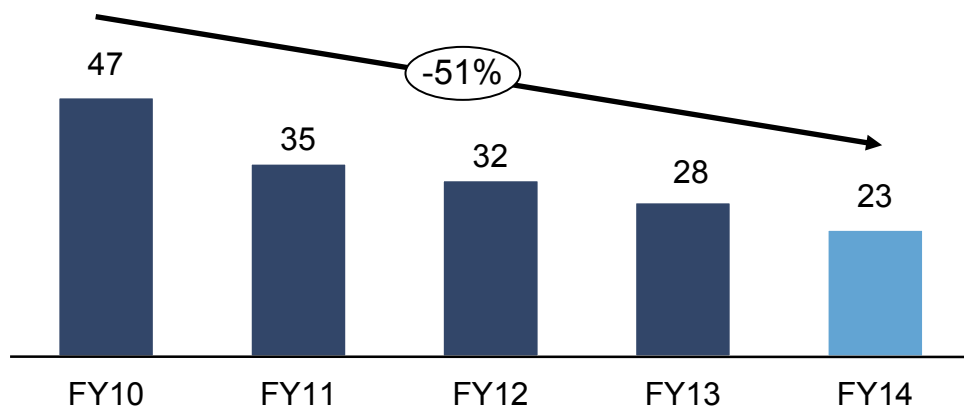
1. HSBC Annual Reports
2. Excludes currency translation and significant items

Performance overview

GB&M Legacy portfolio managed to protect shareholder value

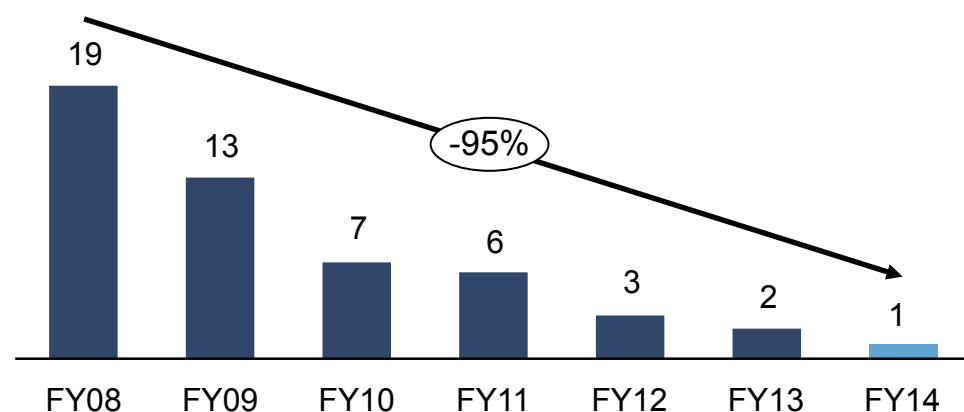
ABS portfolio carrying value¹

US\$bn



AFS ABS reserve²

US\$bn



1. Carrying value relates solely to ABS positions held by the GB&M Legacy credit business

2. Reserve related to the AFS ABS portfolio that comprises the substantial portion of the Legacy credit portfolio

3. As at 31 December 2014

4. As at 31 December 2014. Portfolio composition excludes US government agency and US government sponsored enterprise MBS of US\$ 10.4bn. A substantial majority of positions shown are part of the Legacy credit portfolio

- § Portfolio reduced by US\$24bn since 2010³
- § Hold versus dispose decisions based on a clear economic framework (considering cost of capital and funding)
- § Strong capital base allowed us to hold positions while market liquidity improved
- § AFS ABS reserve reduced by US\$18bn since 2008³
- § Price improvements may provide further opportunities to reduce portfolio
- § US\$ 48bn average Legacy credit portfolio RWAs in 4Q14

AFS portfolio composition⁴

US\$bn

- § Residential Property
 - Sub-prime MBSs and MBS CDOs 3.1
 - US Alt-A MBSs 3.0
 - Other MBSs 1.2
- § Commercial Property MBSs and MBS CDOs 3.6
- § Other Asset-backed
 - Leveraged finance related ABSs and ABS CDOs 3.7
 - Student loan-related ABSs and ABS CDOs 3.5
 - Other ABSs and ABS CDOs 1.1

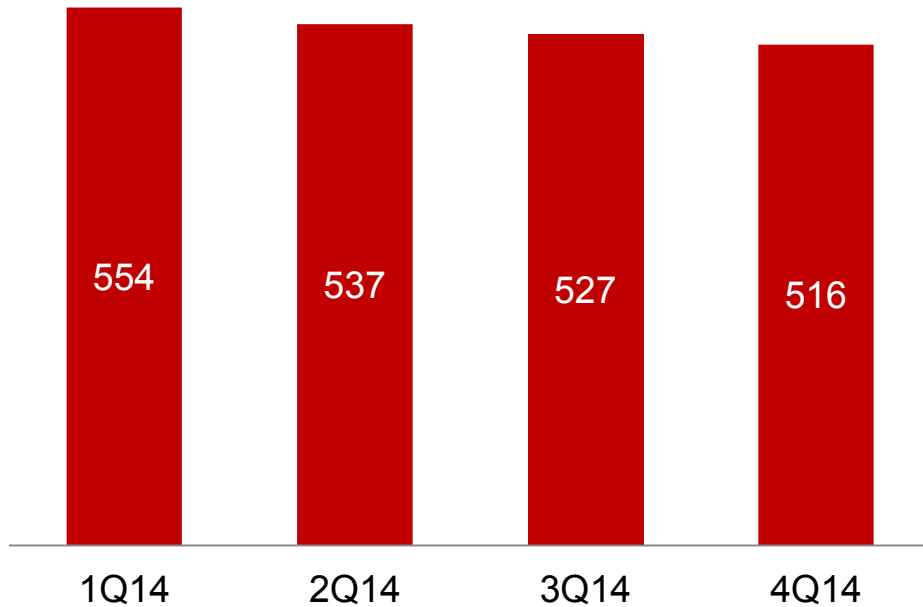
Total 19.2

Performance overview

Focused on improving capital efficiency

GB&M risk-weighted assets^{1,2}

US\$bn



FY14 Adjusted⁴ RoRWA⁵: 1.6%

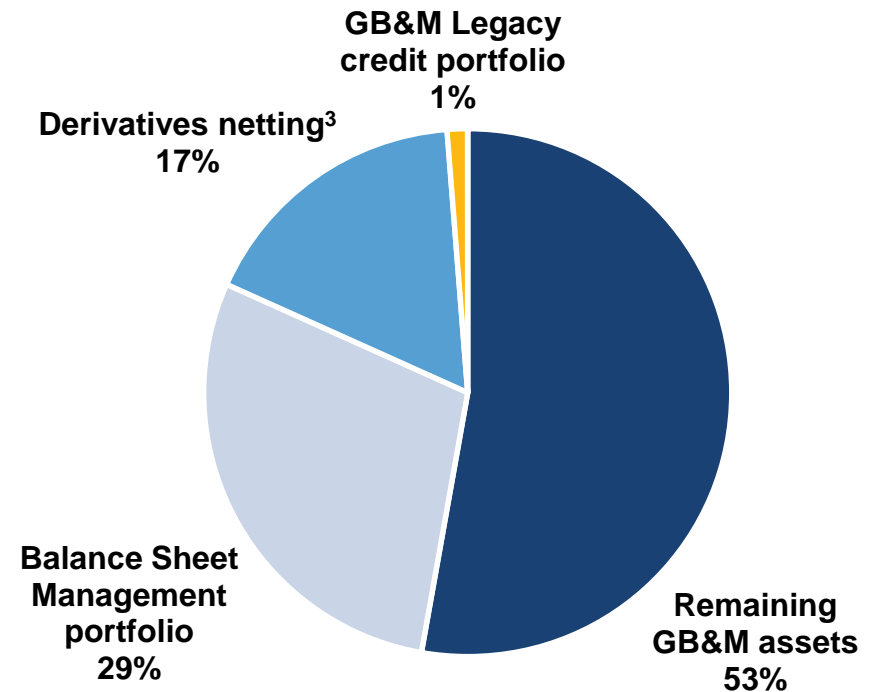
Includes

- § FFVA⁶: US\$ (263)m charge
- § Legacy credit portfolio:
 - US\$ 172m PBT
 - US\$ 48bn average RWAs

GB&M assets¹

FY14, US\$bn

**GB&M total assets:
US\$ 1,840bn**



1. HSBC Annual Reports, Interim Reports and Interim Management Statements
 2. End of period risk-weighted assets
 3. Group derivatives amounts not set off in the balance sheet. GBM represents US\$ 342bn out of the US\$ 345bn Group derivatives amount presented in the balance sheet

4. Excludes currency translation and significant items
 5. Adjusted pre-tax return on reported average risk-weighted assets. on a Basel 3 basis
 6. Funding Fair Value Adjustment

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Distinctive business model

GB&M competitive advantages

Deep and diversified client base

§ Balanced mix of Corporates vs Financial Institutions and Governments¹

Diversified by business and geography

§ Suite of products across markets, financing, transaction banking and advisory

International network

§ Distinctive geographic network to connect clients across borders

Collaboration

§ Collaboration across Global Businesses facilitates client access to our products

Regulatory readiness

§ Well equipped for regulatory change
§ Driving Global Standards

1. HSBC internal management information of client revenues for FY2014

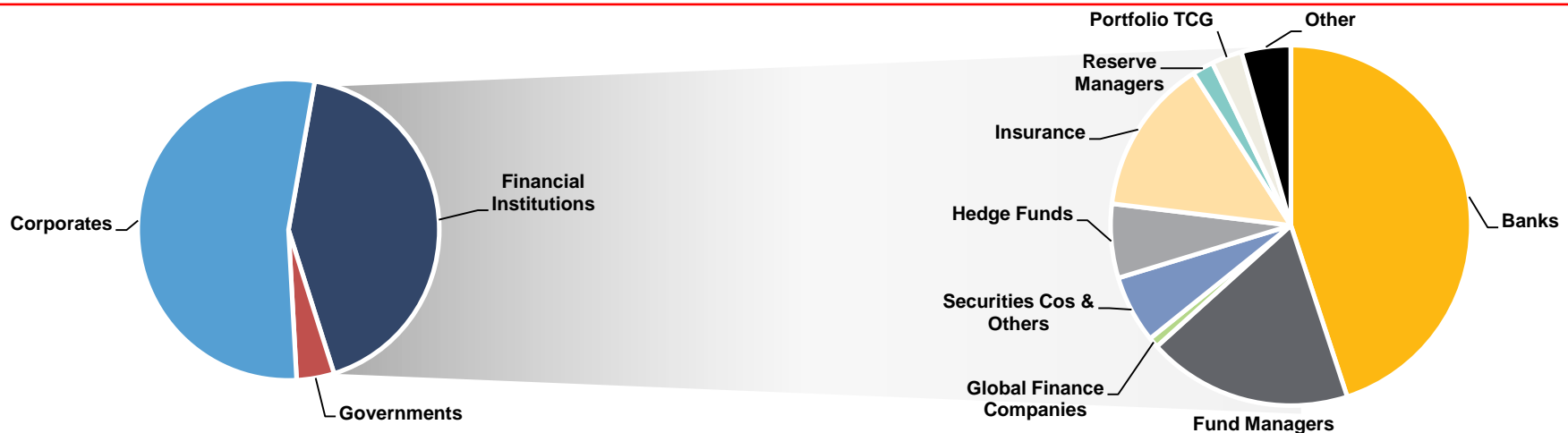
Distinctive business model

Deep and diversified client base: Financial Institutions' revenues are well diversified

Financial Institutions relationship revenue – diversified by product¹



Financial Institutions relationship revenue – diversified by client¹



1. HSBC internal management information of client revenues for FY2014, as reported at 31 December 2014

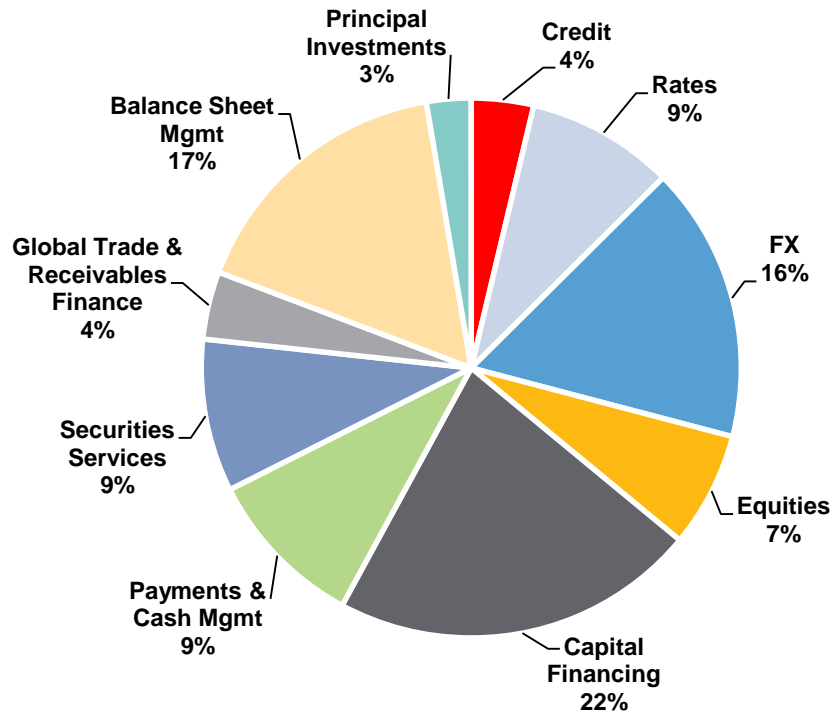
Distinctive business model

Diversified by business and geography

Management view of adjusted¹ revenue^{2, 3}

% average 2013-14

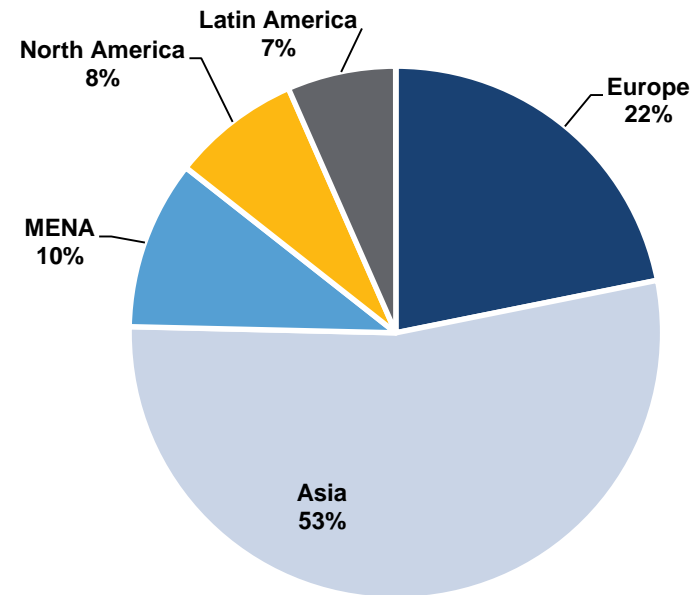
By product: US\$ 18.3bn



Adjusted¹ profit before tax³

% average 2013-14

By region: US\$ 8.7bn



1. Excludes currency translation and significant items

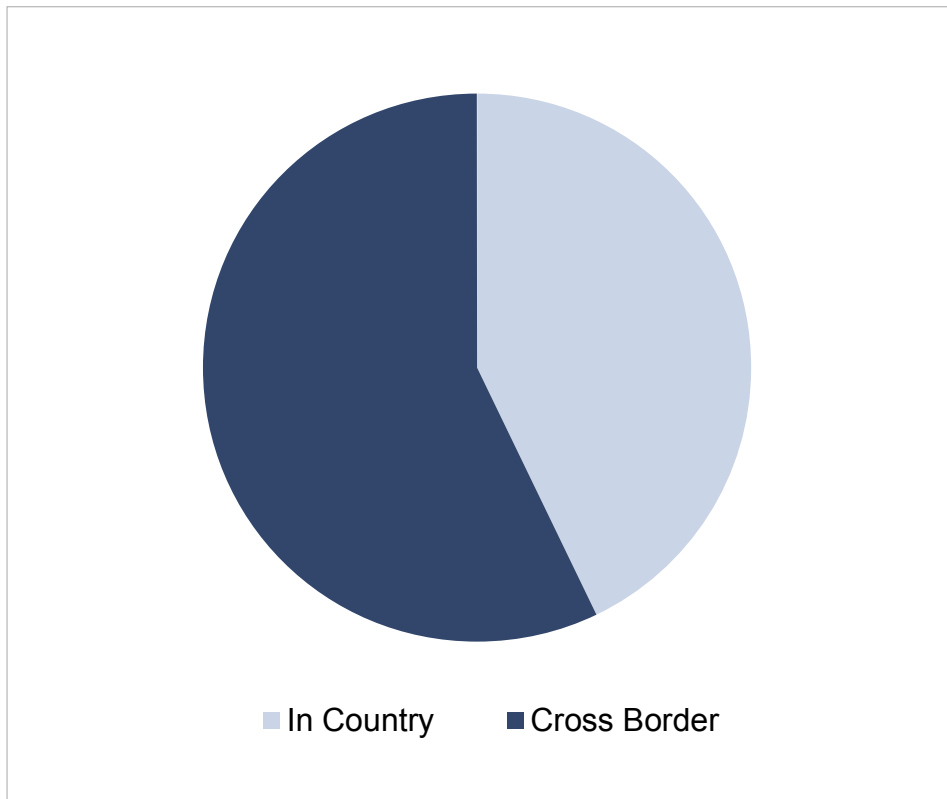
2. Net operating income before loan impairment charges and other credit risk provisions

3. 2013 to 2014 full year comparatives are as per disclosures in the 2014 Annual Report. The above reflects the new management structure that has been in place since 12th August 2013

Distinctive business model

International network: Leveraging our distinctive geographic network to connect clients across borders

Total revenue flows¹



- § Over half of total client revenues are booked outside the client's home country
- § Over half of all cross-border revenues flow between developed and emerging markets²
- § Cross border revenues grew at a faster rate than in-country revenues during 2013-14

1. HSBC internal management information of client revenues for FY2014, as reported at 31 December 2014

2. Developed/Emerging markets defined as per MSCI World Index

Distinctive business model

Collaboration: providing solutions to clients across all Global Businesses

Strengthening collaboration across Global Businesses

- § Incremental collaboration revenues of US\$ 1.3bn for HSBC as a whole since 2010¹
- § Continued to expand coverage for CMB clients in core GB&M products, focusing on increasing cross-sales of Capital Financing products
- § Leveraging technology to facilitate FX activities to RBWM customers
- § Established dedicated structures within GB&M and GPB to jointly cover Ultra High Net Worth Individuals

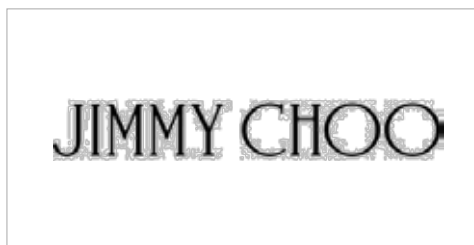
1. As reported as at 31st December 2014
2. Post greenshoe

Enabling client success



- § **Lead Financial Advisor to Yildiz's US\$ 3.3bn acquisition of United Biscuits**
- § **Sole Lead Arranger of the acquisition financing**

- § Largest ever foreign acquisition by a Turkish buyer
- § Illustrates HSBC's position as the leading advisor of international companies in their geographic expansion
- § Seamless coordination across product and coverage teams translated into cross-sales of Leverage Finance and FX solutions



- § **Joint Bookrunner on GBP 162m² IPO**

- § Appointment as one of only two Bookrunners demonstrates HSBC's strong coverage of the luxury sector
- § Successful IPO pricing in difficult market conditions illustrates HSBC's leading capital markets capabilities

Distinctive business model

Regulatory readiness: well equipped for regulatory change

	<u>Impact</u>	<u>Concerns</u>	<u>Strengths</u>
Structural Reform – UK, US and Europe	<ul style="list-style-type: none"> § Prohibited activities § Leverage § Loss absorbing capital requirements § Clients relationships 	<ul style="list-style-type: none"> § Ring-fencing definitions § Geographic reach § Operational cost and implementation timing § Interaction of UK and EU 	<ul style="list-style-type: none"> § Client driven business § Ability to service clients from multiple balance sheets § Clear corporate structure § Subsidiary structure facilitates orderly resolution
Execution and clearing	<ul style="list-style-type: none"> § Clearing mandated for liquid OTC contracts § Risk mitigation for un-cleared trades § Trading of liquid OTC contracts on exchange-like venues 	<ul style="list-style-type: none"> § Central counterparty exposure § Extra-territoriality § Market requirement for liquid assets § Implementation timing § Breadth of exchange trading mandate 	<ul style="list-style-type: none"> § Scale of existing custody and execution businesses § Strong balance sheet § Derivative business is client focused
Capital and liquidity changes	<ul style="list-style-type: none"> § Additional capital buffers including counter-cyclical and systemic risk buffers 	<ul style="list-style-type: none"> § Uncertainty on final end-state § Changes in risk-weighting § Stress testing § Uneven playing field § Leverage 	<ul style="list-style-type: none"> § Strong capital position § HSBC structure, capital generation and low risk appetite § Well-placed with regard to expected future regulatory requirements

Robust regulatory change programme in operation

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Positioned for growth

Investment priorities focus on areas with growth potential

Foreign Exchange & Renminbi

- § Enhance Global Business collaboration and capabilities of electronic distribution platform
- § Strengthen our position as the leading international bank in RMB and capture offshore RMB, FX and capital markets opportunities

Global Trade & Receivables Finance

- § Reinforce HSBC's leading position in trade
- § Strengthen position in high growth products/corridors and expand in trading hubs

Payments & Cash Management

- § Deliver improved client coverage and products via client proposition enhancements

Securities Services

- § Capture growth in assets under management, particularly in faster-growing markets

Capital Financing

- § Capture shift from bank financing to capital markets financing

Positioned for growth

Renminbi

Renminbi (RMB) internationalisation



- § China initiated the internationalisation of RMB in July 2009
- § RMB is now ranked #2 most used currency in trade finance, overtaking the EUR, and is a Top 10 payment currency²
- § By 2015, China will settle 30% of its trade, or US\$ 2 trillion, in RMB¹
- § RMB Qualified Foreign Institutional Investors (QFII) quota limit has been expanded more than 10x since inception
- § Adoption of RMB will affect a diverse array of products including FX, Trade, PCM and DCM

1. CEIC, PBoC and HSBC Economics
 2. SWIFT data
 3. Bloomberg (FY14)

HSBC is at the forefront

- § First foreign bank to underwrite RMB government bonds
- § Ranked #1 in offshore CNY bond market with 20% market share³
- § Leading market share (c.40%) among RMB (QFII) custody banks
- § First ever to issue a RMB bond outside of Chinese territory
- § Tier 1 market maker in RMB FX. Support six new currency crosses
- § First ever to assist a global leader in packaging sector to effect a RMB inter-company lending payment and the associated FX hedge transaction completed in London in May
- § First ever to execute CNH HIBOR IRS and lead-managed the first CD using CNH HIBOR fixing as floating rate benchmark
- § Introduced the new HSBC CNH Long VT3 Index as a way for clients to gain exposure to the appreciation of offshore RMB with a volatility-target
- § First custodian bank for RQFII London and Singapore; first RQFII ETFs provider, listed in LSE



RMB House of the Year

AsiaRisk wrote, "With its roots in Hong Kong and China, HSBC has been at the forefront of developing the renminbi market both onshore and offshore."



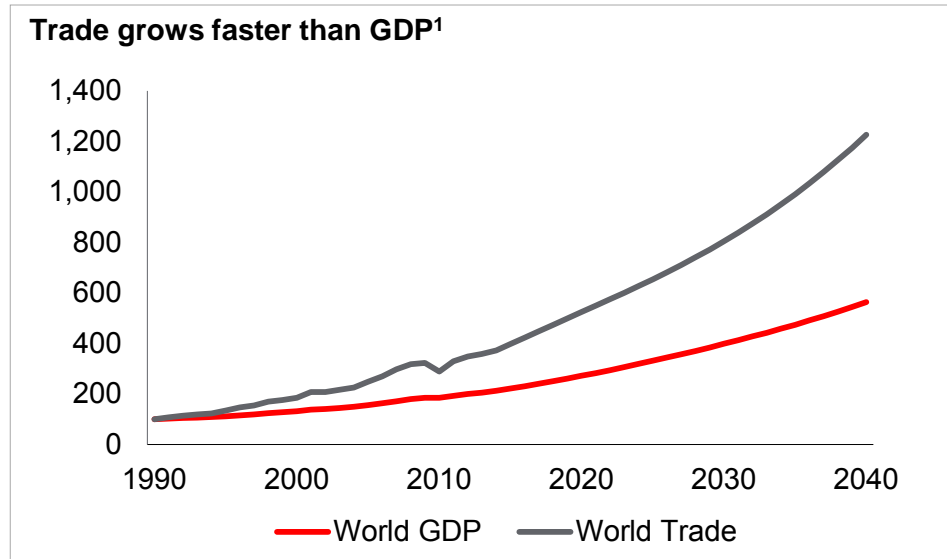
Best for overall products/services

AsiaMoney declared, "HSBC is considered the clear leader for offshore renminbi products."

Positioned for growth

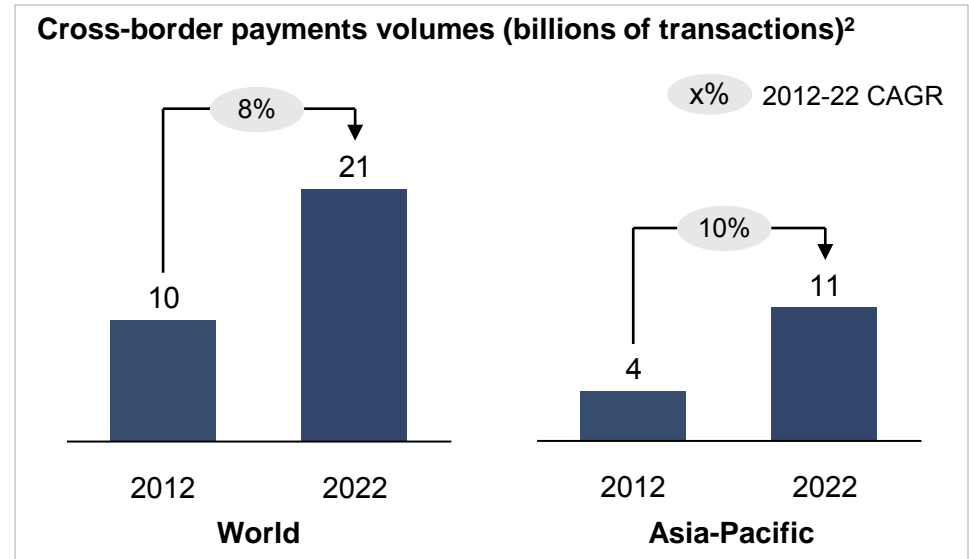
Global Trade & Receivables Finance and Payments & Cash Management

Global Trade and Receivables Finance



- § Between 1990 and 2010, the average annual growth rate in world trade was 1.9 times that of GDP¹
- § Trade is predicted to continue to grow c.30% faster than GDP until 2040¹
- § The patterns of trade will also change. Over the period 2021-30, 9 of the 10 fastest growing trade routes will be within Asia, growing on average 15% per year¹

Payments and Cash Management



- § Geographical expansion of large corporates and rising world trade are expected to increase the demand for cross-border payments and related services
- § Volume of cross-border transactions is projected to rise at c.8% per annum from 9.9 billion in 2012 to 20.7 billion in 2022², driven by rising trade flows
- § Asia-Pacific is expected to benefit particularly well from trade growth, with the region's share of global trade projected to increase to 35% by 2020 (from 30% in 2010)²

1. HSBC Global Connections, February 2013 and Oxford Economics. Units are normalised to 100 for GDP and Trade in 1990

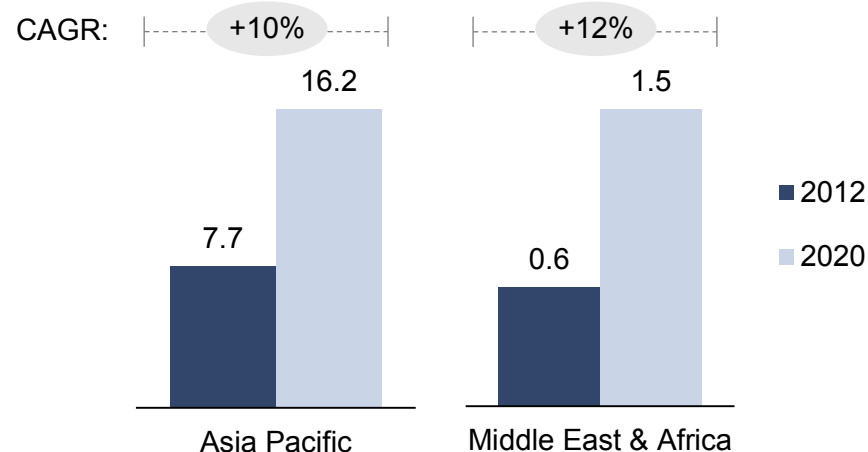
2. BCG, Global Payments 2013, September 2013

Positioned for growth

Securities Services and Capital Financing

Securities Services

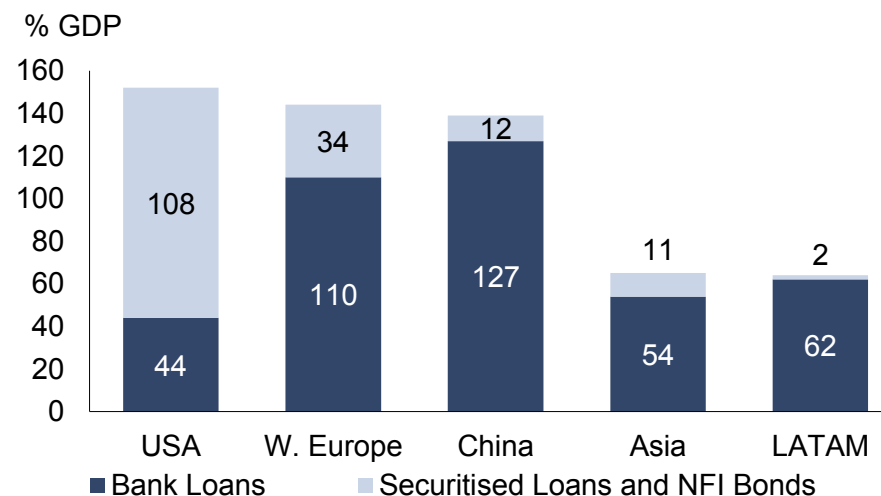
AUM projection by region for 2020¹ (US\$trn)



- § Worldwide AUM managed by the Asset Management industry currently total US\$ 64 trillion and are projected to increase by c.6% per annum to US\$ 102 trillion by 2020¹
- § Asia and Middle East and Africa regions are projected to grow at a faster rate of 10% and 12% respectively¹

Capital Financing

Global variation in composition of debt financing²



- § Bank balance sheet constraints will lead corporates to replace bank financing with capital markets debt financing
- § Debt securities issuance for European corporates currently represents 10% of their debt financing mix, compared to over 70% for US corporates²
- § Should see significant DCM opportunities as European corporates migrate corporate funding towards capital markets
- § Asia-Pacific and Latin America also have room to both increase the number of financial assets relative to GDP and increase the mix of capital markets debt financing

1. PWC Asset Management 2020: A brave new world, January 2014
 2. McKinsey

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Summary

Key messages

- § Delivering resilient financial results, showing growth in the majority of client-facing businesses over 2011-14
- § Continuing to actively pursue operating and capital efficiency
- § Managing GB&M Legacy portfolio to protect shareholder value
- § Distinctive business model:
 - Balanced mix of Corporates vs. Financial Institutions and Governments
 - Diversified by business and geography
 - Distinctive geographical network which connects developed and faster-growing regions
 - Collaboration across Global Businesses allows better servicing to international clients
 - Well equipped for regulatory change
- § Investment priorities focused on areas with growth potential
 - Foreign Exchange and Renminbi
 - Global Trade & Finance Receivables
 - Payments & Cash Management
 - Securities Services
 - Capital Financing

2016 objectives

Financial

- § Contributing to Group targets (medium term)
 - ROE: > 10%
 - Jaws (adj.)¹: Positive
 - Dividend: Progressive²

Non-financial

- § 'Top 5' bank to our priority clients and in our chosen products and geographies
- § Continuing to enhance risk management controls and implement Global Standards

1. Excludes currency translation and significant items

2. Progression of dividends should be consistent with the growth of the overall profitability of the Group and is predicated on the ability to meet all capital requirements in a timely manner

Contents

1 Performance overview

2 Distinctive business model

3 Positioned for growth

4 Summary

A Appendix

HSBC Holdings plc financial overview

Reconciliation of Reported to Adjusted¹ PBT

USDm			Variance
	2013	2014	2014 vs 2013
Reported profit before tax	22,565	18,680	(3,885)
Includes, Gains / (losses):			
Currency translation	159	–	(159)
Significant items:			
Fair value gains / (losses) on own debt (credit spreads only) ²	(1,246)	417	1,663
Effect of acquisitions and disposals ³	2,115	(31)	(2,146)
Other significant items ⁴ :			
Revenue related	594	(1,180)	(1,774)
Operating expenses related	(2,038)	(3,355)	(1,317)
Adjusted profit before tax	22,981	22,829	(152)

1. Excludes currency translation and significant items

2. Fair value movements on our long-term debt designated at fair value resulting from changes in credit spread

3. Gain or loss on disposal or dilution, any associated gain or loss on reclassification or impairment recognised in the year incurred, together with the operating profit or loss of the acquired, disposed of or diluted subsidiaries, associates, joint ventures and businesses (where significant)

4. For a full list, refer to Appendix – slide 19

GB&M financials^{1,3}

(US\$m)	Reported				Adjusted	
	4Q13	4Q14	FY 13	FY 14	FY 13	FY 14
Credit	154	(207) ⁴	796	567 ⁴	801	567 ⁴
Rates	40	(80) ⁴	1,653	1,563 ⁴	1,678	1,563 ⁴
Foreign Exchange	693	632	3,186	2,918	3,140	2,916
Equities	403	201	1,300	1,216	1,314	1,216
Markets	1,290	546	6,935	6,264	6,933	6,262
Capital Financing	977	1,002	3,994	4,066	3,981	4,066
Payments and Cash Management	472	427	1,770	1,794	1,743	1,794
Securities services	407	424	1,662	1,699	1,653	1,698
Global Trade & Receivables Finance	181	179	741	767	723	767
Balance Sheet Management	719	773	3,110	3,015	3,046	3,020
Principal Investments	165	68	512	531	450	531
DVA	(195)	(53)	106	(332)	–	–
Other²	278	(58)	346	(24)	3	(32)
Total operating income before loan impairment charges and other credit risk provisions	4,294	3,308	19,176	17,778	18,532	18,106
Loan impairment Charges and other credit risk provisions	85	(180)	(207)	(365)	(230)	(365)
Net operating income	4,379	3,128	18,969	17,413	18,302	17,741
Total operating expenses	(2,585)	(3,340)	(9,960)	(12,028)	(9,562)	(10,131)
Operating profit	1,794	(212)	9,009	5,386	8,740	7,610
Share of profit in associates and joint ventures	72	127	432	504	468	504
Profit before tax	1,866	(85)	9,441	5,899	9,208	8,114
Cost efficiency ratio	60.2%	101.0%	51.9%	67.7%	51.6%	56.0%
Pre-tax return on average risk-weighted assets (annualised)	1.8%	n/a	2.3%	1.2%	2.2%	1.6%

1. HSBC 2014 Annual Report

2. Includes earnings on capital not assigned to products, gains resulting from business disposals and the offset to notional tax credits

3. The above reflects the new management structure that has been in place since 12 August 2013

4. FY14 Revenue includes Funding Fair Value Adjustment (FFVA) charge of US\$ (263)m: US\$ (164)m in Rates, US\$ (97)m in Credit, US\$ (2)m in Other

GB&M financials¹

Significant items included in underlying profit before tax

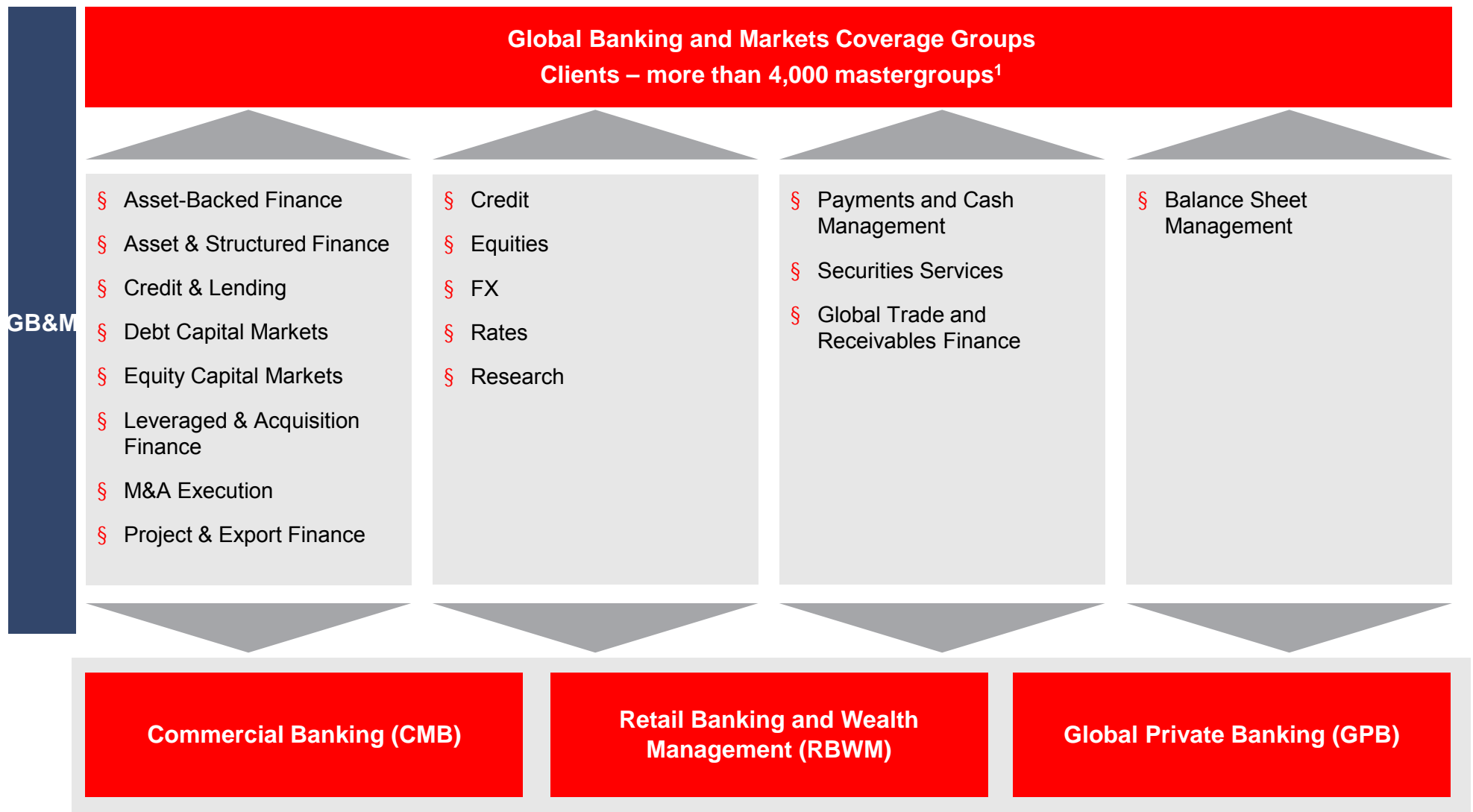
US\$m	4Q13	4Q14	FY13	FY14
Underlying profit before tax				
Includes the following significant items (reported basis):				
Revenue				
<i>Volatility:</i>				
Debit valuation adjustment on derivative contracts	(195)	(53)	106	(332)
Fair value movement on non-qualifying hedges	(2)	3	(18)	(8)
	(197)	(50)	88	(340)
Operating expenses				
<i>Accounting gain arising from change in basis of delivering ill-health benefits in the UK</i>	-	-	81	-
<i>Restructuring and repositioning:</i>				
Restructuring and other related costs	-	(6)	(13)	(27)
<i>Customer redress and litigation-related charges:</i>				
Madoff-related litigation costs	-	-	(298)	-
Charge in relation to settlement for investigation into foreign exchange	-	(809)	-	(1,187)
Charge in relation to settlement agreement with Federal Housing Finance Authority	-	-	-	(533)
UK customer redress programmes	(68)	(79)	(134)	(145)
	(68)	(945)	(364)	(1,892)

1. HSBC 2014 Annual Report

GB&M core to HSBC strategy

Diverse range of products aligned with client needs

■ Clients ■ Products/business



1. HSBC internal management information of client revenues for FY2014, as reported at 31 December 2014

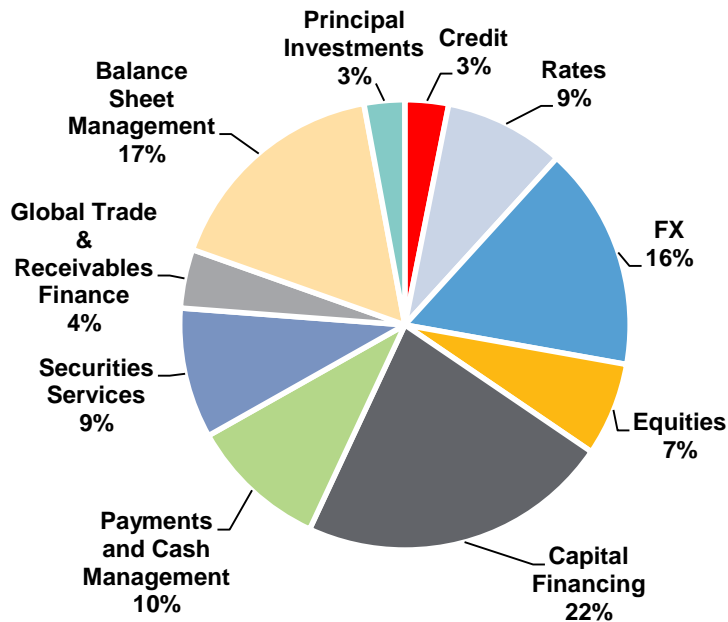
Diversification

Performance diversified by business line and geography

Management view of adjusted² revenue^{1, 3, 4}

% FY14

By product: US\$ 18.1bn

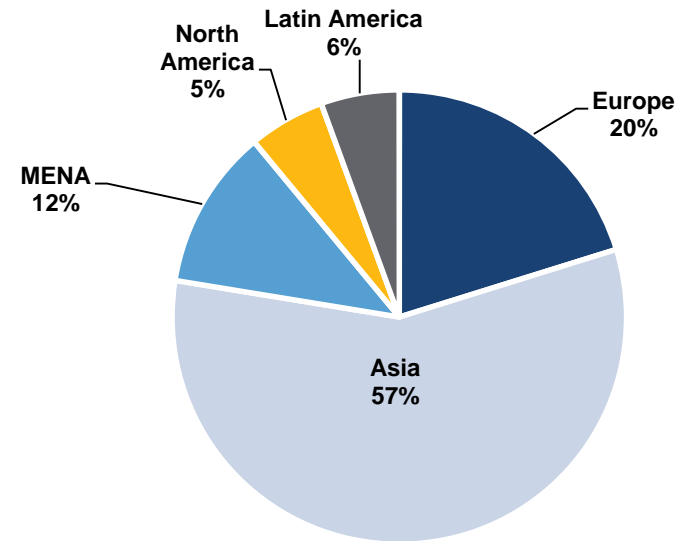


FY14 Adjusted² RoRWA⁵: 1.6%

Adjusted² profit before tax¹

% FY14

By region: US\$ 8.1bn



FY14 RWAs⁶: US\$ 516bn

1. HSBC 2014 Annual Report
2. Excludes currency translation and significant items
3. Net operating income before loan impairment charges and other credit risk provisions
4. The above reflects the new management structure that has been in place since 12 August 2013

5. Adjusted pre-tax return on reported average risk-weighted assets. on a Basel 3 basis
6. On a Basel 3 basis

Product strength

Market leaders across product and region

	Global Markets				Transaction Banking			Capital Financing		
	FX ¹	Rates ²	Credit ³	Equities ⁴	PCM ⁵	Securities Services ⁶	Trade and Receivable Finance ⁷	Project and Export Finance ⁸	DCM ⁹	ECM ¹⁰
Hong Kong	#1	#1	#1	#2	#1	#1	#1	#1	#1	#1
RoAP ex Japan	#4					#1			#6	
MENA	#4	#1	#1							
LatAm	#2	#1	#11							
UK	#5	#5	#7	#8		#1			#2	#16
Cont. Europe	#5					#2			#11	
North America	#7	#12	#12	#7		#10				

Top 5
 Top 10
 Outside Top 10
 Not available/not meaningful

Sources:

1. FX – Euromoney (2014 published May 2014). Middle East ranking shown only (ex. North Africa). Asia ranking shown (inc. HK and Japan)
2. Rates – Greenwich (2014 published Mar 2014); UK & Cont. Europe – Greenwich Europe (published September 2014)
3. Credit – Greenwich (2014 published Mar 2014); UK & Cont. Europe – Greenwich Europe (published September 2014)
4. Equities – Extel for EMEA (2014 published in July), Asiamoney Brokers Poll 2013, PCM – Euromoney Cash Management Survey 2013
5. PCM – Euromoney Cash Management Survey 2014
6. HSS – Global Custodian Global Custody, Custody Risk European Awards 2014, The Asset Triple A Asset Servicing Awards 2014, Asian Investor Service Provider Awards 2014, HFM European Hedge Fund Services Awards 2014, Mutual Fund and Hedge Fund Administration Survey, Hedge fund.net administrator survey, Clearstream, CMU HK 6* - Continental Europe includes Germany, Luxembourg and Ireland
7. Global Trade and Receivable Finance – Oliver Wyman Global Transaction Banking Survey 2012
8. Project and Export Finance – Dealogic 2014 – Project Finance Advisory
9. DCM – Bloomberg FY 2014; Cont. Europe – Euromarket Bonds; NA – US Bonds (Foreign Issuer); UK – Sterling Bonds
10. ECM – Dealogic FY 2014; RoAP ex-Japan/Australia & Chinese A-shares



Cover images: HSBC – then and now

It is 150 years since HSBC was founded in Hong Kong to finance trade between Asia and Europe. Much has changed since then, as our cover photos demonstrate. The left photo shows Hong Kong harbour, with the HSBC office (extreme left) a few years after it was established in 1865. The right image shows the harbour today, with the HSBC building fifth from left (partially hidden).

Hong Kong has been transformed both physically and economically, from trading outpost to international financial centre. HSBC has mirrored Hong Kong's rise to global prominence, growing from a small regional trading bank into one of the world's largest banking and financial services organisations today.

HSBC's Hong Kong office is still at 1 Queen's Road Central, as it was in 1865. The current HSBC building is the fourth to occupy the site, but the values on which the bank was founded remain the same. HSBC still aims to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and helping people to fulfil their hopes and realise their ambitions.

We are proud to have served our customers with distinction for 150 years.

Photographs: (left) HSBC Archives; (right) Matthew Mawson

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