



Retail Banking and Wealth Management

Investor Update – March 2015

John Flint Chief Executive, RBWM



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 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.

I. Group Results

II. RBWM Results

III. RBWM Strategic Execution

Appendix - Group P&L and Balance Sheet

I. Group Results

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%)

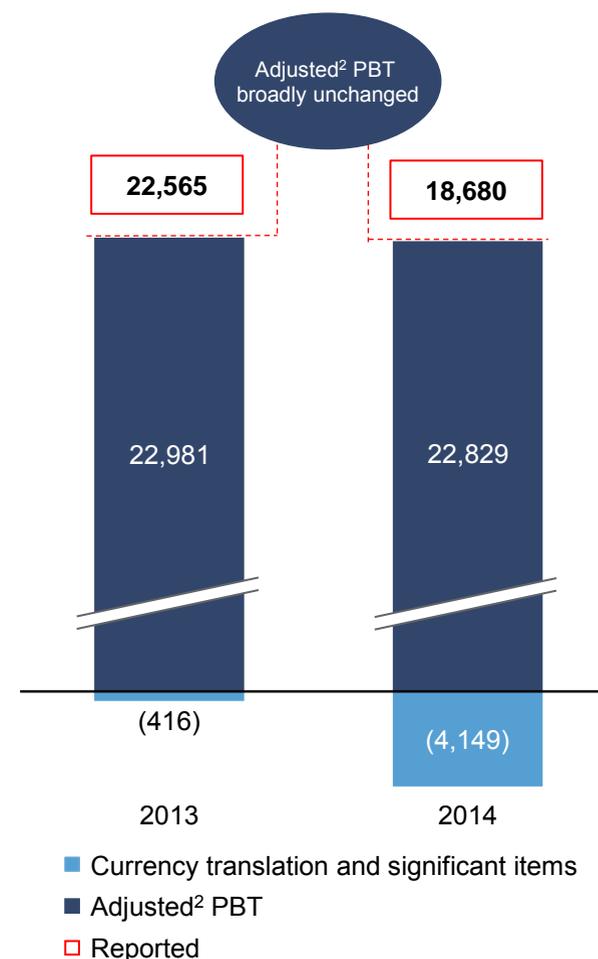
Capital and dividends

- § 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)



Notes:

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 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

I. Group Results

Financial highlights¹

Summary financial highlights, USDbn	2013	2014	Better/(worse)
			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%

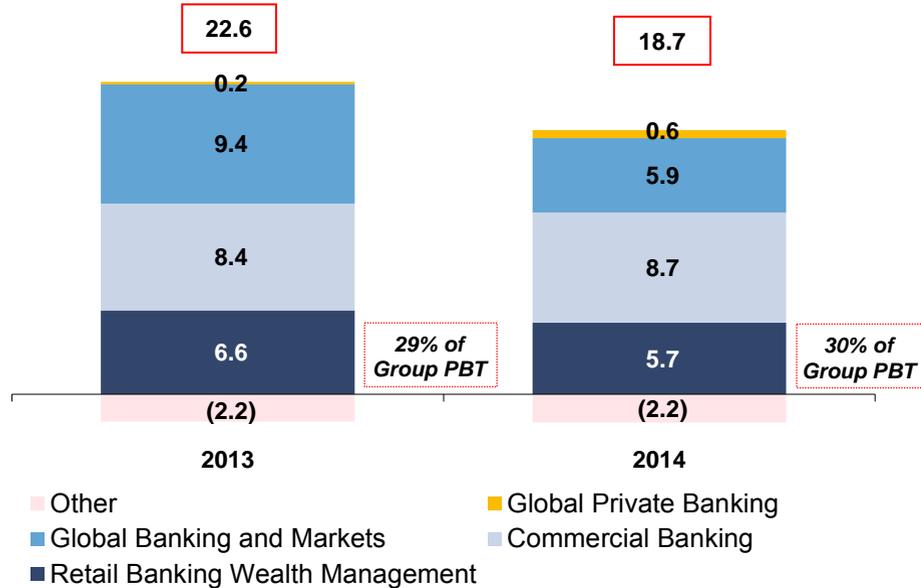
Notes:

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

II. RBWM Results

RBWM is a key contributor to Group

Reported PBT by Global Businesses (USDbn)

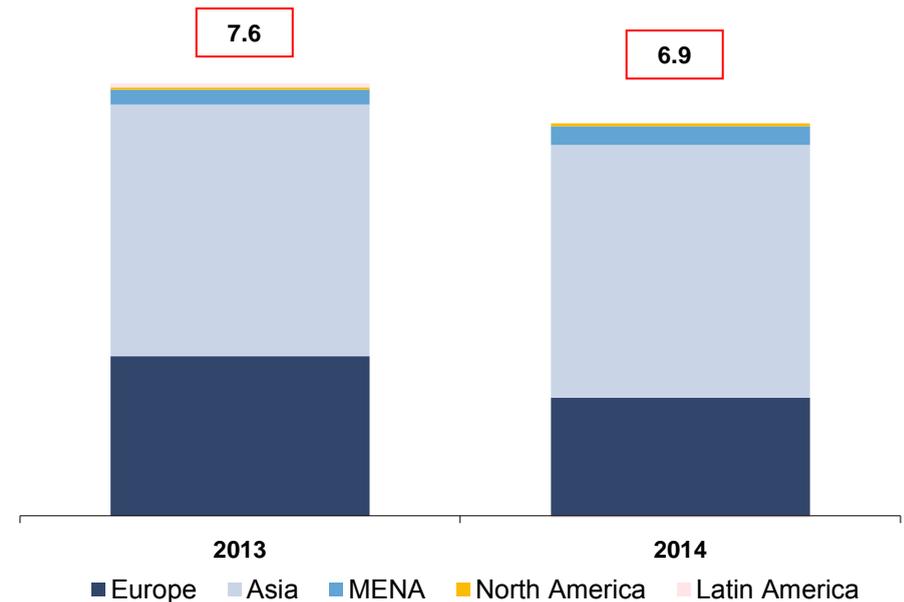


Retail Banking and Wealth Management

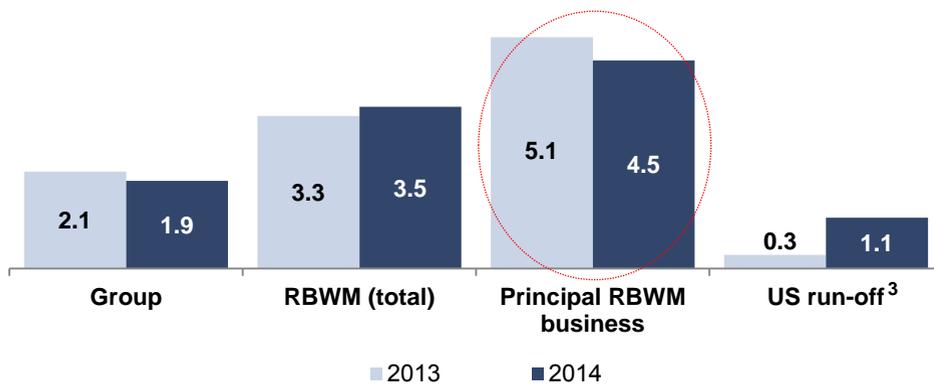
PBT (USDbn)	2013	2014	% better/(worse) 2014 vs 2013
Reported PBT	6.6	5.7	(15)
Currency translation and Significant items	(1.3)	(1.9)	(52)
Adjusted PBT ¹	7.9	7.6	(4)
Of Which			
US run-off portfolio	0.3	0.7	137
Principal RBWM business	7.6	6.9	(10)



Principal RBWM business – PBT¹ by Region (USDbn)



2014 vs 2013 RoRWA² (%)



Notes:

All figures are sourced from 2014 Annual Report and Accounts & Data Pack

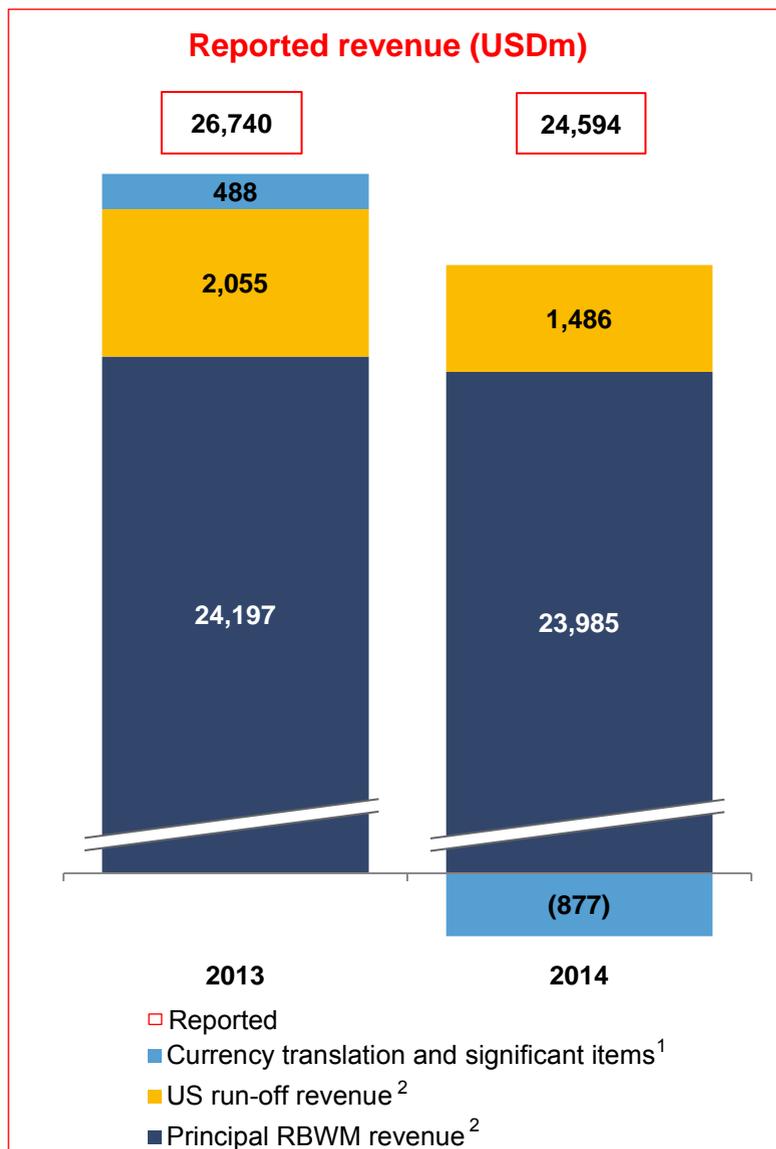
1. Adjusted basis, excludes currency translation and significant items

2. RoRWAs calculated using adjusted PBT and average RWAs on a constant currency basis adjusted for the impact of significant items

3. US run-off represents the US CML and Other RoRWA for RBWM. 2013 includes residual CRS operational risk RWAs

II. RBWM Results

Principal RBWM revenue broadly unchanged, expected to provide better quality



Principal RBWM revenue²

Stable, reflecting resilience considering:

- § Challenging economic environment: low interest rates and low growth in key markets
- § Significant de-risking initiatives weighing on income but expected to provide better quality revenue and improved franchise:
 - Introduction of new discretionary incentive frameworks for our front line staff in Wealth Management (GWIF) and Retail Banking (RBIF): Sales based on needs fulfilment
 - Simplify product range
 - Fair value exchange
 - Exiting relationships and changing the portfolio mix in certain markets
 - Regulatory requirements

Notes:

All figures are sourced from 2014 Annual Report and Accounts & Data Pack

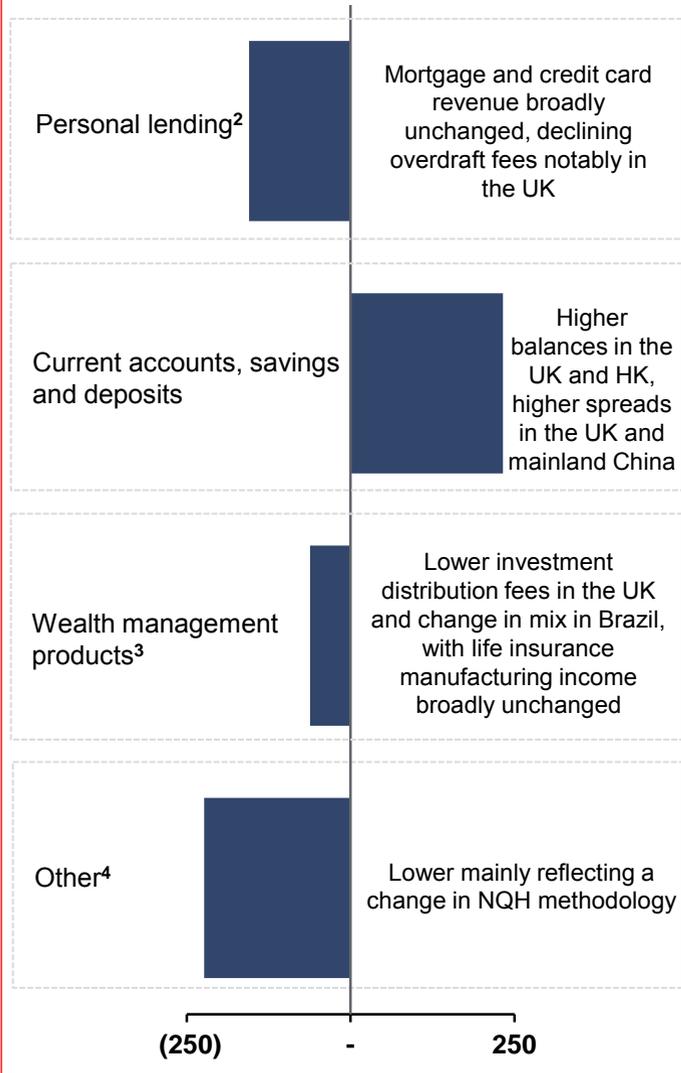
1. Includes the fair value movement on non-qualifying hedges, gain on sale of several tranches of real estate secured accounts in the US, loss on early termination of cash flow hedges in the US run-off portfolio, loss on sale of an HFC Bank UK secured loan portfolio, loss on sale of the non-real estate portfolio in the US and provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK

2. Adjusted basis, excludes currency translation and significant items

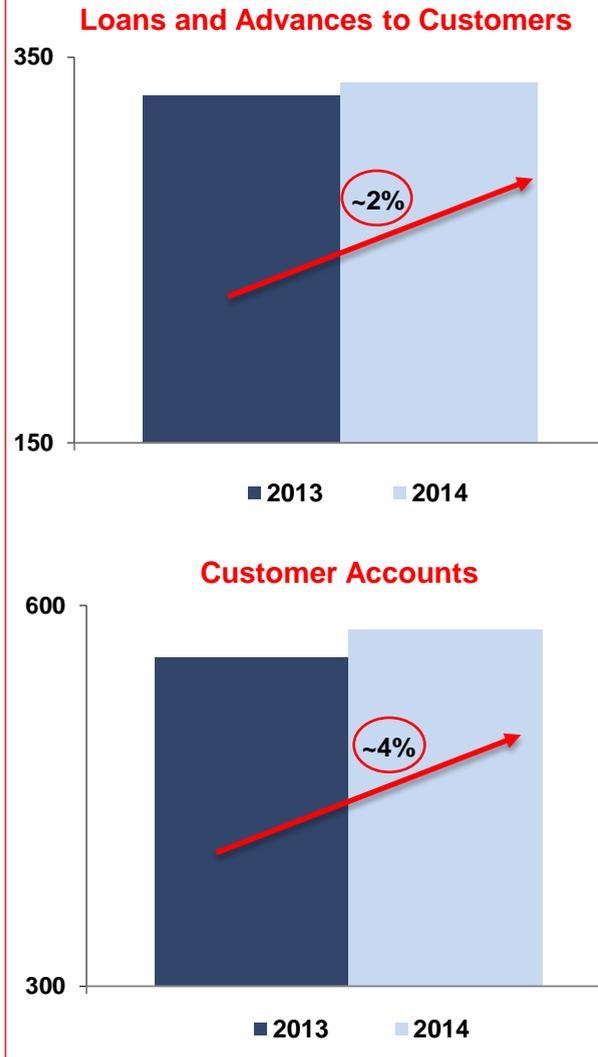
II. RBWM Results

Growing balances

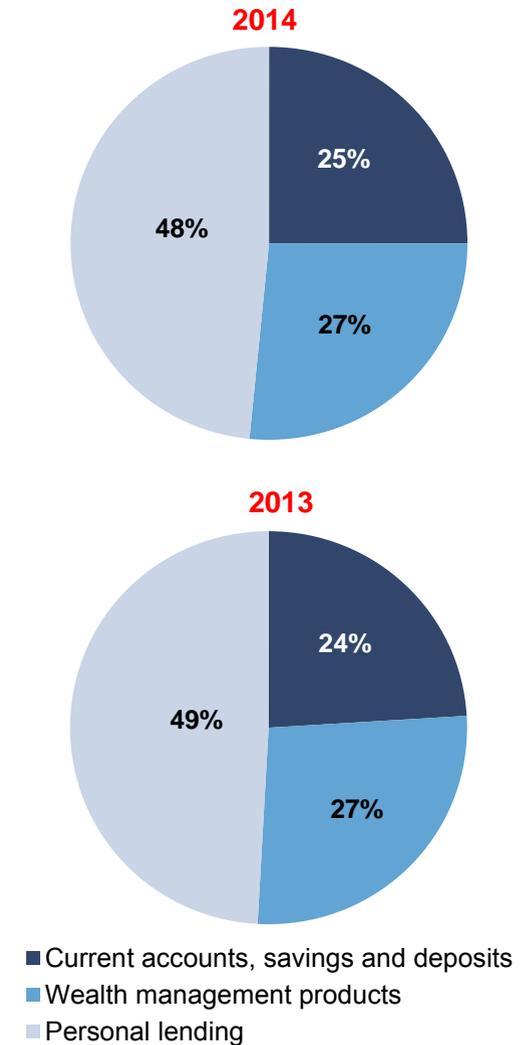
Principal RBWM Revenue¹ 2014 vs 2013 (USDm)



Principal RBWM Balances⁵ (USDbn)



Principal RBWM Revenue⁶ mix



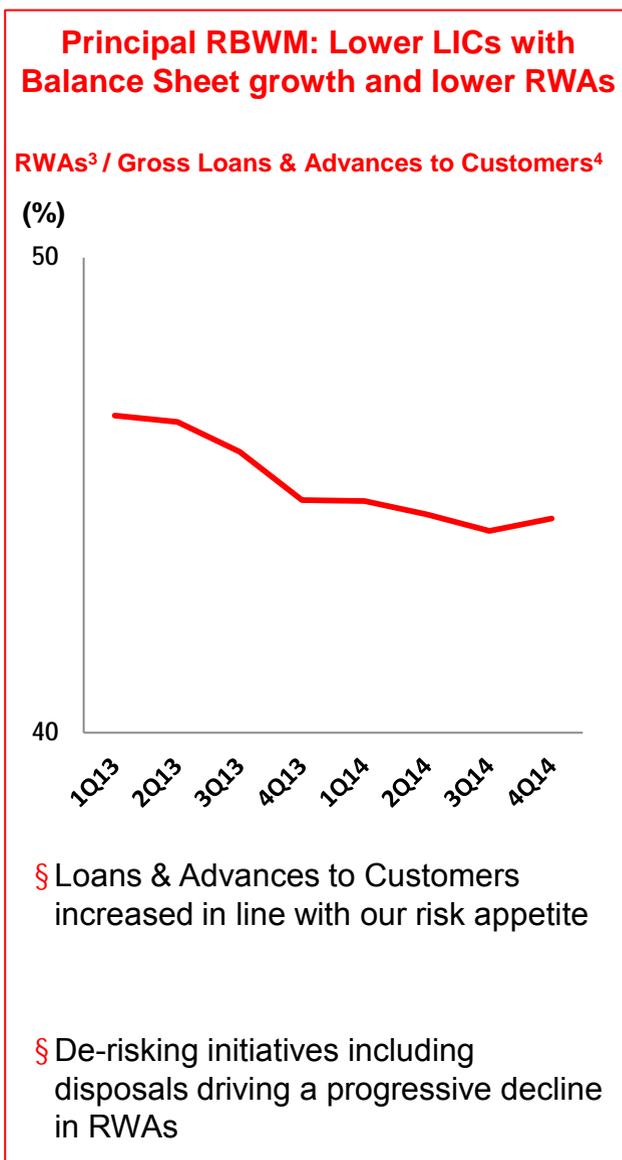
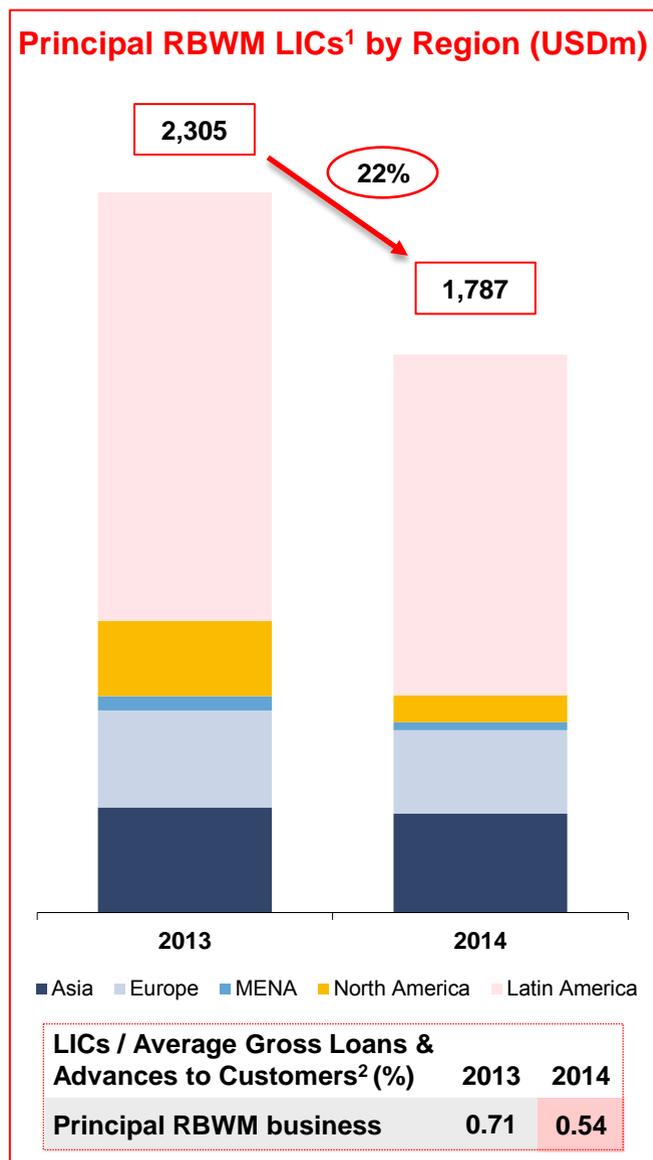
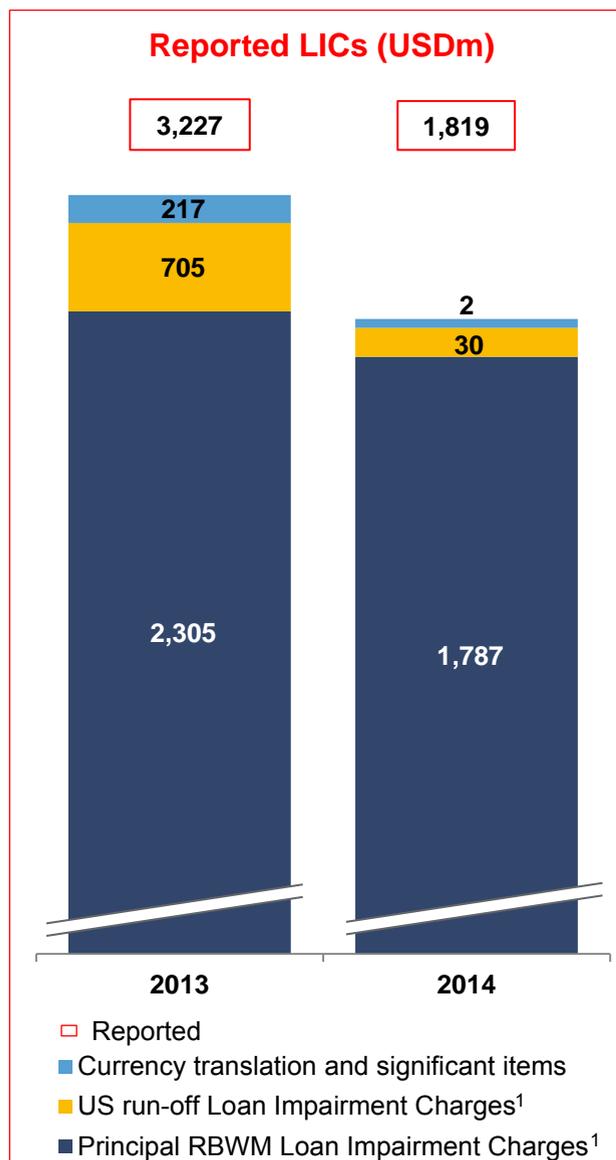
Notes:

All figures are sourced from 2014 Annual Report and Accounts & Data Pack

- Adjusted basis, excludes currency translation and significant items
- Personal lending includes mortgages, credit cards and "other personal lending". "Other personal lending" includes personal non-residential closed-end loans and personal overdrafts
- Wealth management products include investment distribution, life insurance manufacturing and asset management
- Other includes the distribution and manufacturing (where applicable) of retail and credit protection insurance
- Period-end balances on constant currency basis. Loans and Advances to Customers net of impairment allowances
- Reported Revenue, excluding revenue related to "Other"

II. RBWM Results

Lower LICs reflecting better asset quality



Notes:

All figures are sourced from 2014 Annual Report and Accounts & Data Pack

1. Adjusted basis, excludes currency translation and significant items

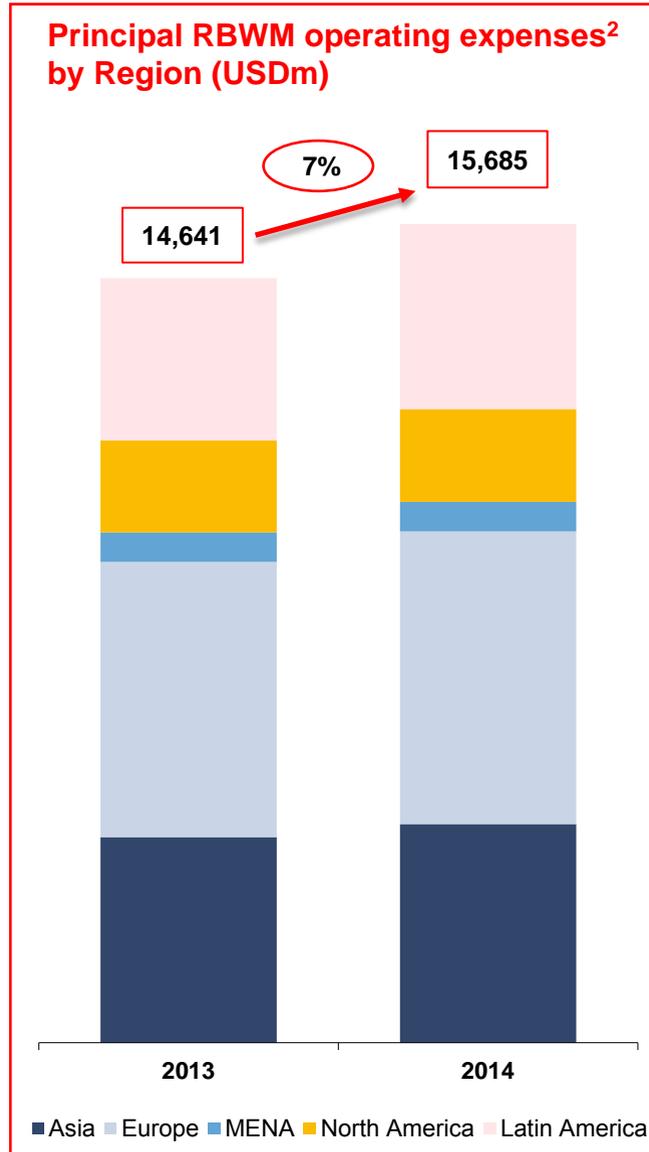
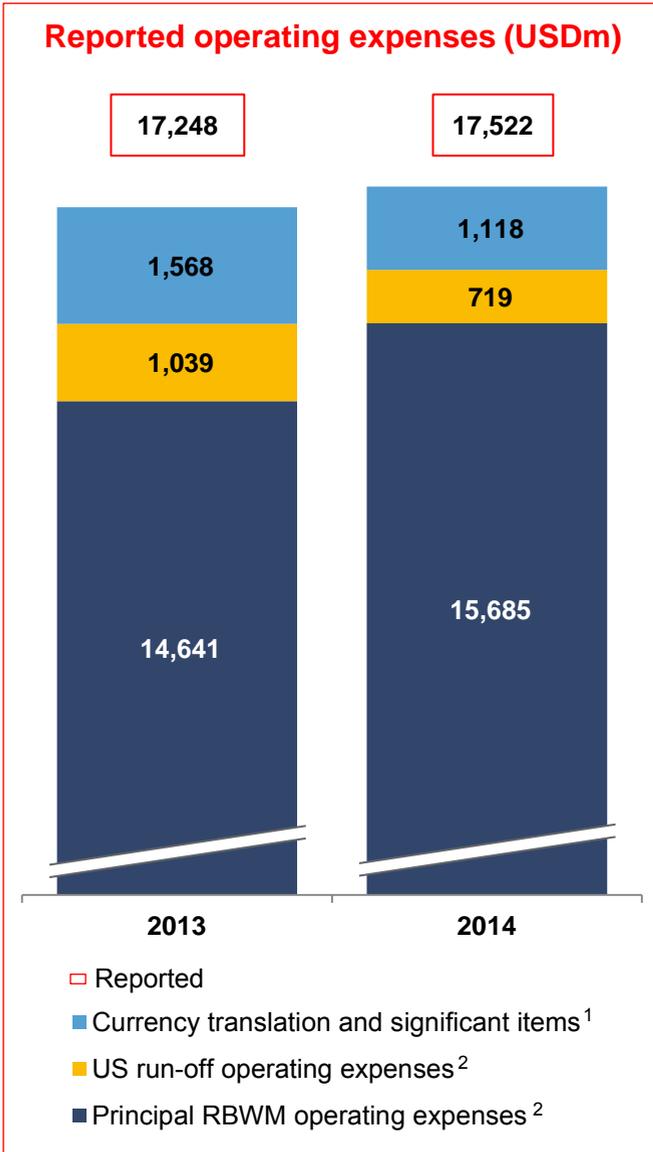
2. Loan Impairment Charges are presented on an adjusted basis. Average gross Loans and Advances to Customers balances on a constant currency basis

3. Constant currency basis

4. Period end balances on a constant currency basis

II. RBWM Results

Operating expenses impacted by inflation, Regulatory Programmes and Compliance



Principal RBWM operating expenses²

Cost discipline through significant sustainable cost savings adversely offset by:

- § Inflationary pressures particularly in Latin America
- § Regulatory Programmes and Compliance
- § Timing of the recognition of the FSCS levy in the UK (USD111m)
- § Marketing expenses

Notes:

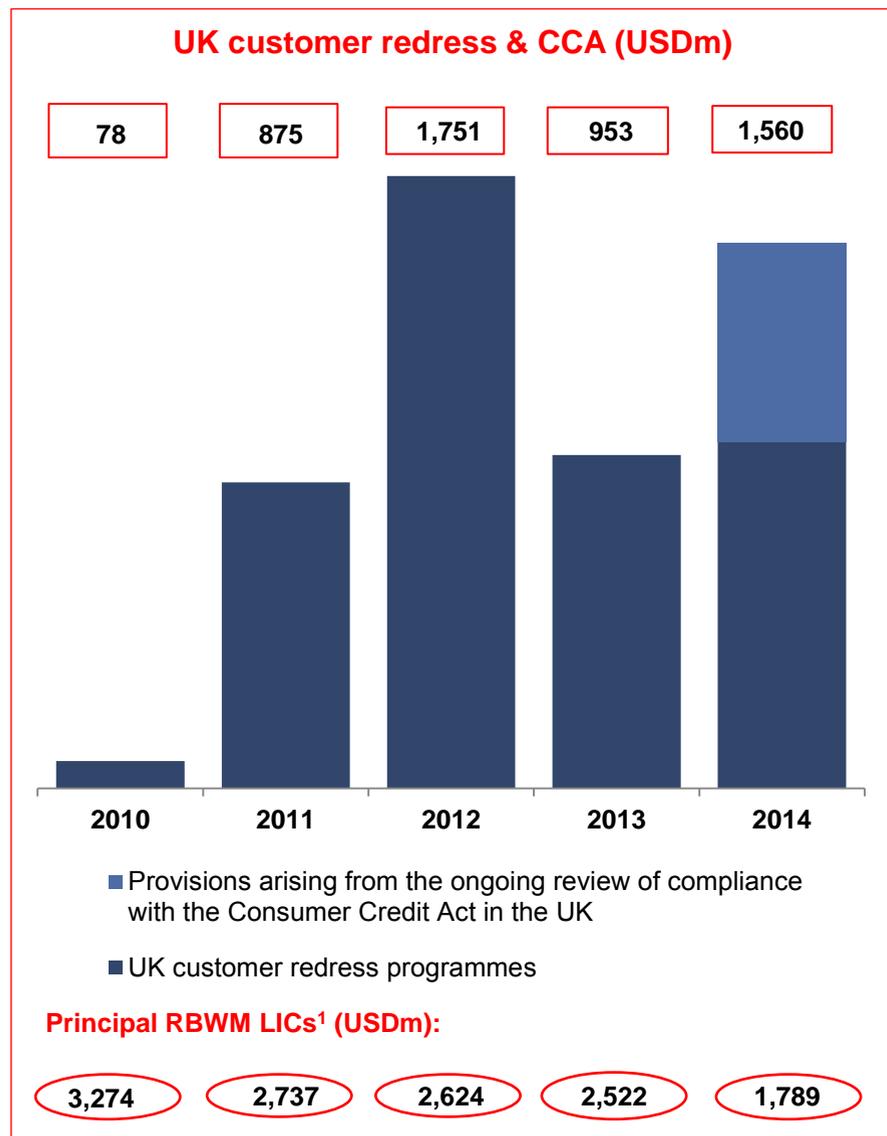
All figures are sourced from 2014 Annual Report and Accounts & Data Pack

1. Includes the accounting gain arising from change in basis of delivering ill-health benefits in the UK, restructuring and other related costs, change in relation to settlement agreement with Federal Housing Finance Authority, UK customer redress programmes and US customer remediation provision relating to CRS

2. Adjusted basis, excludes currency translation and significant items

II. RBWM Results

UK customer redress and CCA impacts



Summary

§ Cost and revenue impact in the UK related to provisions associated to customer redress (mainly PPI) and more recently CCA

- Customer redress provisions: 4% increase from 2013 to 2014
- CCA related provisions: USD568m taken in 2014 related to the repayment of interest to customers, primarily where annual statements did not remind them of their right to partially prepay the loan, notwithstanding that the customer loan documentation did refer to this right

§ De-risking is a key strategic imperative to increase the quality of returns

Notes:

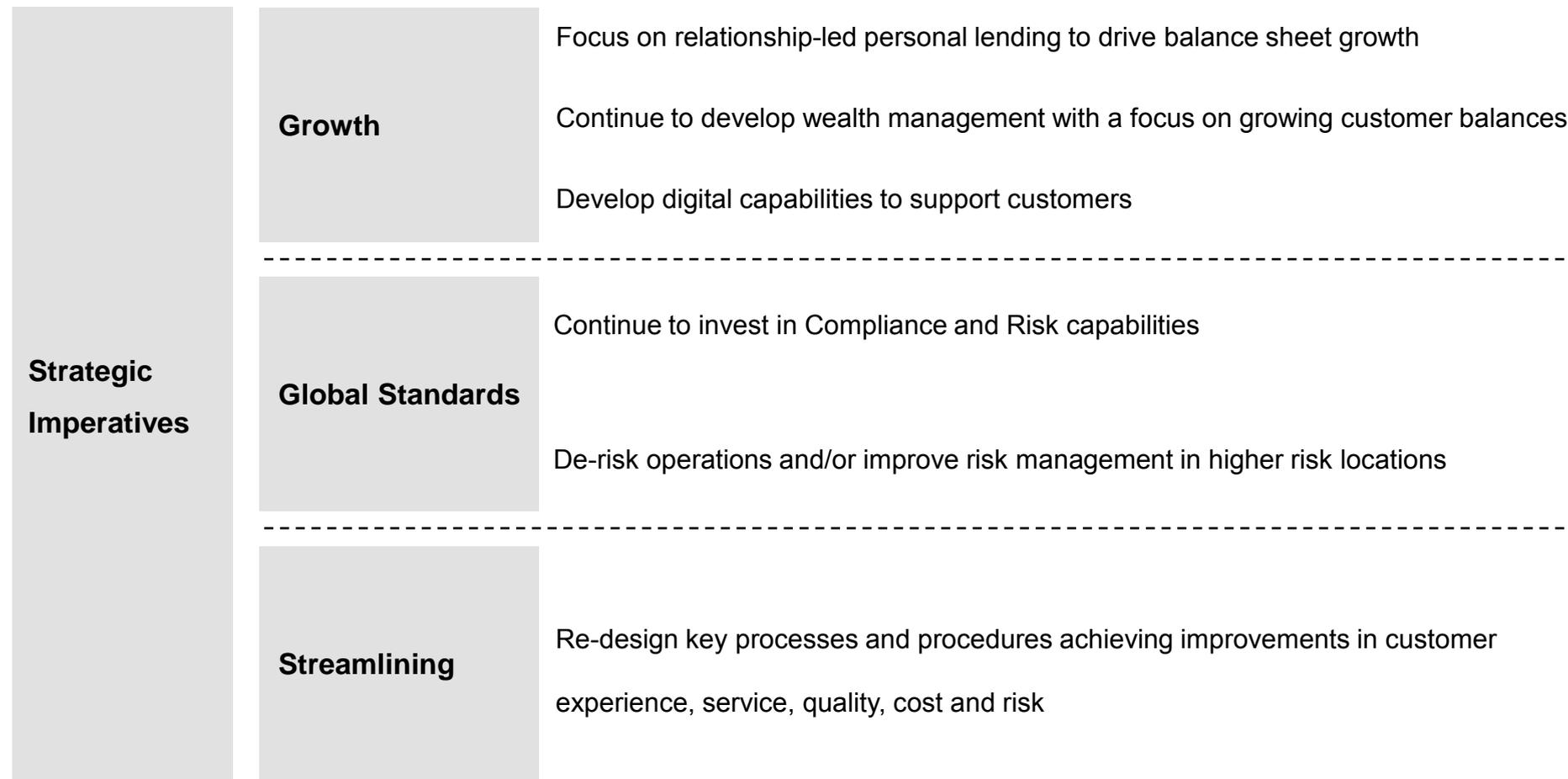
All figures are sourced from 2010, 2011, 2012, 2013 and 2014 Annual Report and Accounts & Data Pack

1. Reported basis. 2010 figure corresponds to RBWM (total) reported LIC less USD7.9bn related to US CRS and US run-off

III. RBWM Strategic Execution

RBWM's strategy is to support the Group's aim to be the world's leading international bank

We provide retail banking and wealth management services for targeted customer segments in selected markets



III. RBWM Strategic Execution - Growth Priorities

Relationship-led lending: Using personal lending to deepen relationships with existing customers and to generate new relationships

Markets	Participation strategy	Progress in 2014:
UK, Hong Kong	Proposition led, emphasis on lending growth within our risk appetite, focusing on more unsecured ¹ lending	§ Lending balances ² up 2%, primarily in Hong Kong mainly due to strong unsecured balance growth, partly offset by reductions in the UK
Australia, Brazil, Canada, China, France, Malaysia, Mexico, Singapore, Taiwan, UAE, US	Proposition led, emphasis on lending growth within our risk appetite	§ Lending balances ² up 4%, driven by higher home loan balances across most markets, partly offset by lower unsecured balances
Argentina, Egypt, India, Indonesia, Turkey	Managed growth, rebalancing unsecured portfolios towards profitable opportunities	§ Lending balances ² broadly unchanged with lower unsecured balances partly offset by higher home loan balances

Notes:

1. Included within unsecured lending are amounts related to other secured lending products such as Payroll and Auto Loans. Secured lending includes home loans only
2. Period-end balances at constant currency

III. RBWM Strategic Execution - Growth Priorities

Wealth Management: Continue to develop with focus on growing customer balances

Our approach

- § Globally consistent, needs based, customer-centric
- § Informed by the conduct risk agenda, including no formulaic link between product sales and variable pay for RMs¹

Opportunity for growth

- § Deepening Premier customer relationships through:
 - Dedicated RMs providing broader coverage and fulfilment of client needs
 - Online global view of accounts
- § Strengthening Premier brand and digital investment to deliver international capabilities

Continued Focus

- § Improve Premier RMs engagement through increased client contact and coverage rates
- § Improve product relevance and service delivery (FX, Research)
- § Grow Premier customers' Wealth, Assets and Liabilities

Progress in 2014:

- § Higher Wealth Balances² across insurance, mutual funds and equities trading, despite revenue progression being lower than expected
- § Insurance: USD91bn of financial assets, mainly backing Wealth product liabilities
- § Global Asset Management (AMG): USD445bn Funds Under Management, attracted USD29bn of net new money principally in fixed income and liquidity products, in particular with GB&M clients

Notes:

All figures are sourced from 2014 Annual Report and Accounts & Data Pack

1. Relationship Managers

2. Wealth Balances corresponds to Investment and Insurance balances

III. RBWM Strategic Execution - Growth Priorities

Digital: Developing capabilities to support customers

Strategic Focus

- § **Continue improvement of digital capabilities to support and drive customer behaviour**
 - Advanced capabilities – e.g. digital product origination, mobile stock and FX trading
 - Enhance multi-channel processes to improve customer experience
- § **Staff-facing** – Tablet-based tools for front-line staff to support discussions with customers, including:



Progress in 2014:

- § Revenue derived from digital channels increased by 18%
- § Launched straight-through on-line mortgage application service in the UK, 14% of our annual approvals produced online
- § Over 3 million downloads of our global mobile application this year. The total number of downloads have now surpassed 6 million
- § Best Mobile Banking App by the *Global Finance* magazine
- § Deployed Premier tablet-based tools and applications in additional markets. These are now available for RMs in the UAE, Indonesia, India and Singapore
- § Progress with IT infrastructure to support Digital deployment

III. RBWM Strategic Execution - Streamline

RBWM transformation: Improving efficiency and customer experience

Our Approach

Define customer journey and benchmark performance

Design Target Business and Operating Model / select standardised approach

Build once and deploy across the network prioritised by opportunity

Progress in 2014:

§ 9 Global Customer Journeys completed, implementation examples include:

- UK: New international customer onboarding process, reducing by c.70% application turnaround times. 25% of “Decisions in Principle” mortgages originated within digital channels
- France: Streamlined mortgage application, removing paper through digital conversion
- Brazil and Mexico: Branch productivity improvements through digital conversion (use of tablets, transactions migration) and back-office roles re-definition

§ Moving to digital customer correspondence, reducing paper needs

Focus for 2015 to 2017

Meeting our customers' needs in how they want to interact with us across physical channels, online or mobile by:

Digitising customer journeys and end to end processes

Building our technology capabilities

Easy to use technologies for staff and customers

Productivity improvements in our physical channels

III. RBWM Strategic Execution - Contributions to Group

RBWM: strongly interconnected with the other Global Businesses



- § **Fixed costs** - RBWM shares infrastructures principally with CMB, generating synergies and economies of scale
- § **Funding** - RBWM growing customer deposit base of USD581bn¹ (4% up YoY) represents 43% of Group's total deposits
- § **Branches** - RBWM network provides business banking access to CMB customers
- § **Cross Selling** - RBWM provides firmwide capabilities to support other Global Businesses' customers through the cross selling of Insurance and AMG products, plus inter businesses client referrals
- § **Profitability** - Principal RBWM provides strong financial returns to investors, evidenced by its 4.5%² RoRWA
- § **Brand** - RBWM operates a global footprint, enhancing brand visibility

Notes:

All figures are sourced from 2014 Annual Report and Accounts & Data Pack

1. Reported basis

2. Adjusted basis, excludes currency translation and significant items for Principal RBWM. Detailed RoRWA analysis presented on slide 6

III. RBWM Strategic Execution

2014 - 2016: Securing customers' future prosperity and realising their ambitions

Group Strategic Priorities

Grow the business

- § Continue to optimise capital allocation within our risk appetite
- § Further capitalise on global network and strengthen position in priority growth markets

Implement Global Standards

- § Continue to invest in Compliance and Risk capabilities
- § De-risk operations and/or improve risk management in higher risk locations
- § HSBC values – act with courageous integrity

Streamline process and procedures

- § 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

RBWM Growth Priorities

Relationship-led lending

Wealth Management

Digital Capabilities

Contributing to Group Targets (medium term)

- § ROE: >10%
- § JAWS: Positive (adjusted¹)
- § Dividend: Progressive²

Notes:

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

Appendix - Group P&L and Balance Sheet

Appendix

Group - Other significant items¹ excluded from adjusted profit before tax

USDm	For the year-ending 31 December	
	2013	2014
Includes the following significant items (reported basis):		
Revenue		
<i>Restructuring and repositioning:</i>		
Net gain on completion of Ping An disposal	553	-
FX gains relating to the sterling debt issued by HSBC Holdings	442	-
Write-off of allocated goodwill relating to GPB Monaco business ²	(279)	-
Loss on early termination of cash flow hedges in the US run-off portfolio	(199)	-
Loss on sale of an HFC Bank UK secured loan portfolio	(146)	-
Loss on sale of non-real estate secured accounts in the US	(271)	-
(Loss) / gain on sale of several tranches of real estate secured accounts in the US	(123)	168
Gain on sale of shareholding in Bank of Shanghai	-	428
Impairment of our investment in Industrial Bank	-	(271)
<i>Volatility:</i>		
Debit valuation adjustment on derivative contracts	106	(332)
Fair value movements on non-qualifying hedges	511	(541)
<i>Customer redress:</i>		
Provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK	-	(632)
	594	(1,180)
Operating expenses		
<i>Restructuring and repositioning:</i>		
Restructuring and other related costs	(483)	(278)
<i>Customer redress and litigation-related charges:</i>		
Charge in relation to the settlement agreement with Federal Housing Finance Authority	-	(550)
Settlements and provisions in connection with foreign exchange investigations	-	(1,187)
UK customer redress programmes	(1,235)	(1,275)
Regulatory provisions in GPB	(352)	(65)
US customer remediation provisions relating to CRS	(100)	-
Madoff-related litigation costs	(298)	-
<i>Other:</i>		
Accounting gain arising from change in basis of delivering ill-health benefits in the UK	430	-
	(2,038)	(3,355)

Notes:

- Adjusted profit before tax also excludes currency translation, the effect of acquisitions, disposals and reclassifications, and FVOD
- In the first quarter of 2013 the private banking operations of HSBC Private Bank Holdings (Suisse) SA in Monaco were classified as held for sale. At this time, a loss on reclassification to held for sale was recognised following a write down in the value of goodwill allocated to the operation. Following a strategic review we decided to retain the operation, and the assets and liabilities of the business were reclassified to the relevant balance sheet categories, however the loss on reclassification was not reversed

Appendix

Group - Consolidated Income Statement¹

USDm	For the year-ending 31 December	
	2013	2014
Net interest income	35,539	34,705
Net fee income	16,434	15,957
Net trading income	8,690	6,760
Net income from financial instruments designated at fair value	768	2,473
Gains less losses from financial investments	2,012	1,335
Dividend income	322	311
Net insurance premium income	11,940	11,921
Other operating income	2,632	1,131
Total operating income	78,337	74,593
Net insurance claims and benefits paid and movements in liabilities to policyholders	(13,692)	(13,345)
Net operating income before loan impairment charges and other credit risk provisions	64,645	61,248
Loan impairment charges and other credit risk provisions	(5,849)	(3,851)
Net operating income	58,796	57,397
Total operating expenses	(38,556)	(41,249)
Operating profit	20,240	16,148
Share of profit in associates and joint ventures	2,325	2,532
Profit before tax	22,565	18,680

Notes:

1. Reported basis

Appendix

Group - Consolidated Balance Sheet¹

USDm	As at 31 December	
	2013	2014
Assets		
Cash and balances at central banks	166,599	129,957
Trading assets	303,192	304,193
Financial assets designated at fair value	38,430	29,037
Derivatives	282,265	345,008
Loans and advances to banks	120,046	112,149
Loans and advances to customers	992,089	974,660
Reverse repurchase agreements – non trading	179,690	161,713
Financial investments	425,925	415,467
Other assets	163,082	161,955
Total Assets	2,671,318	2,634,139
Liabilities		
Deposits by banks	86,507	77,426
Customer accounts	1,361,297	1,350,642
Repurchase agreements – non trading	164,220	107,432
Trading liabilities	207,025	190,572
Financial liabilities designated at fair value	89,084	76,153
Derivatives	274,284	340,669
Debt securities in issue	104,080	95,947
Liabilities under insurance contracts	74,181	73,861
Other liabilities	120,181	121,459
Total liabilities	2,480,859	2,434,161
Equity		
Total shareholders equity	181,871	190,447
Non-controlling interests	8,588	9,531
Total equity	190,459	199,978
Total equity and liabilities	2,671,318	2,634,139

Notes:

1. Reported basis



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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