



Retail Banking and Wealth Management

Investor Update – November 2014

John Flint Chief Executive, RBWM



Important notice and forward-looking statements

Important notice

The information set out in this presentation and subsequent discussion does not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any recommendation in respect of such securities or instruments.

Forward-looking statements

This presentation and subsequent discussion may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position and business of the Group (together, “forward-looking statements”). Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant assumptions and subjective judgements which may or may not prove to be correct and there can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. Forward-looking statements are statements about the future and are inherently uncertain and generally based on stated or implied assumptions. The assumptions may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions or regulatory changes). Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update them if circumstances or management’s beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our 3Q 2014 Interim Management Statement.

This presentation contains non-GAAP financial information. 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: 3Q 2014

Key messages

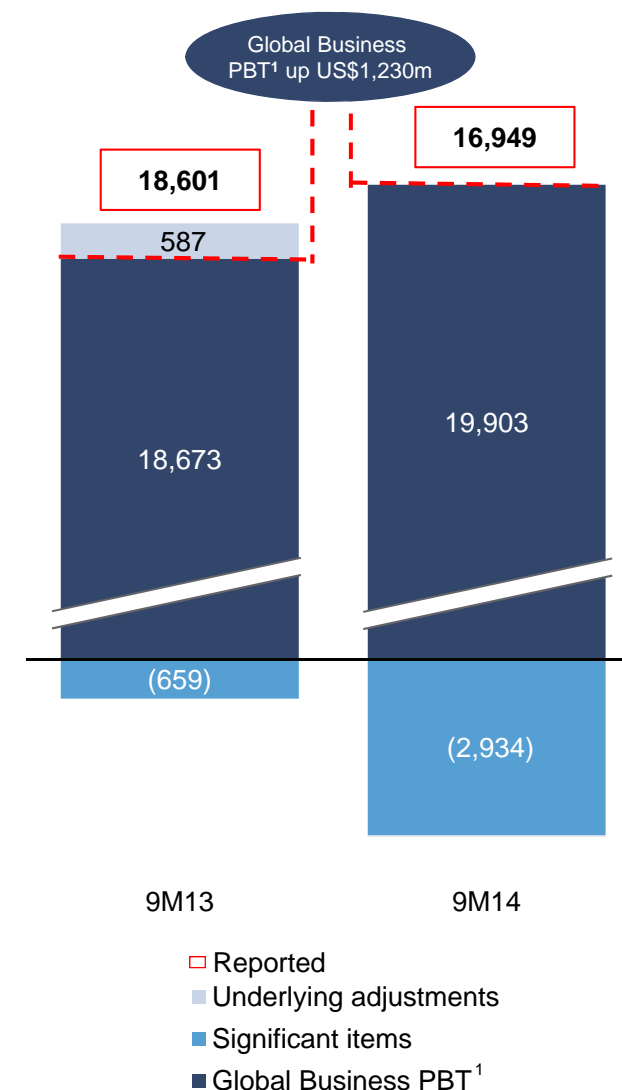
3Q14 highlights

- Reported PBT of US\$4,609m up US\$79m on prior year and included fines, settlements and UK customer redress of US\$1.8bn
- Global Business PBT¹ of US\$6,641m up US\$873m versus 3Q13
- Continued revenue growth in CMB, notably in our home markets of the UK and Hong Kong
- Strong revenue performance for GB&M, driven by Markets

9M14 highlights

- Reported PBT of US\$16,949m, down US\$1,652m on prior year reflecting the effect of significant items
- Global Business PBT¹ up US\$1,230m versus 9M13
- Lower loan impairment charges
- Higher Global Business operating expenses² driven by inflation and increases in risk, compliance and related costs
- Strong capital base with a common equity tier 1 ratio (end point basis) of 11.4%

Reported PBT 9M14 vs 9M13 (US\$m)



Notes:

1. Global Business reported PBT excluding underlying adjustments and significant items
2. Global Business reported operating expenses excluding underlying adjustments and significant items

I. Group results: 3Q 2014

Financial highlights¹

Summary financial highlights, US\$m	Better / (worse)			Better / (worse)		
	3Q13	3Q14	3Q14 vs 3Q13	9M13	9M14	9M14 vs 9M13
Reported PBT	4,530	4,609	79	18,601	16,949	(1,652)
Underlying ² PBT	5,004	4,409	(595)	18,014	16,969	(1,045)
Significant items ³ included in underlying PBT	(764)	(2,232)	(1,468)	(659)	(2,934)	(2,275)

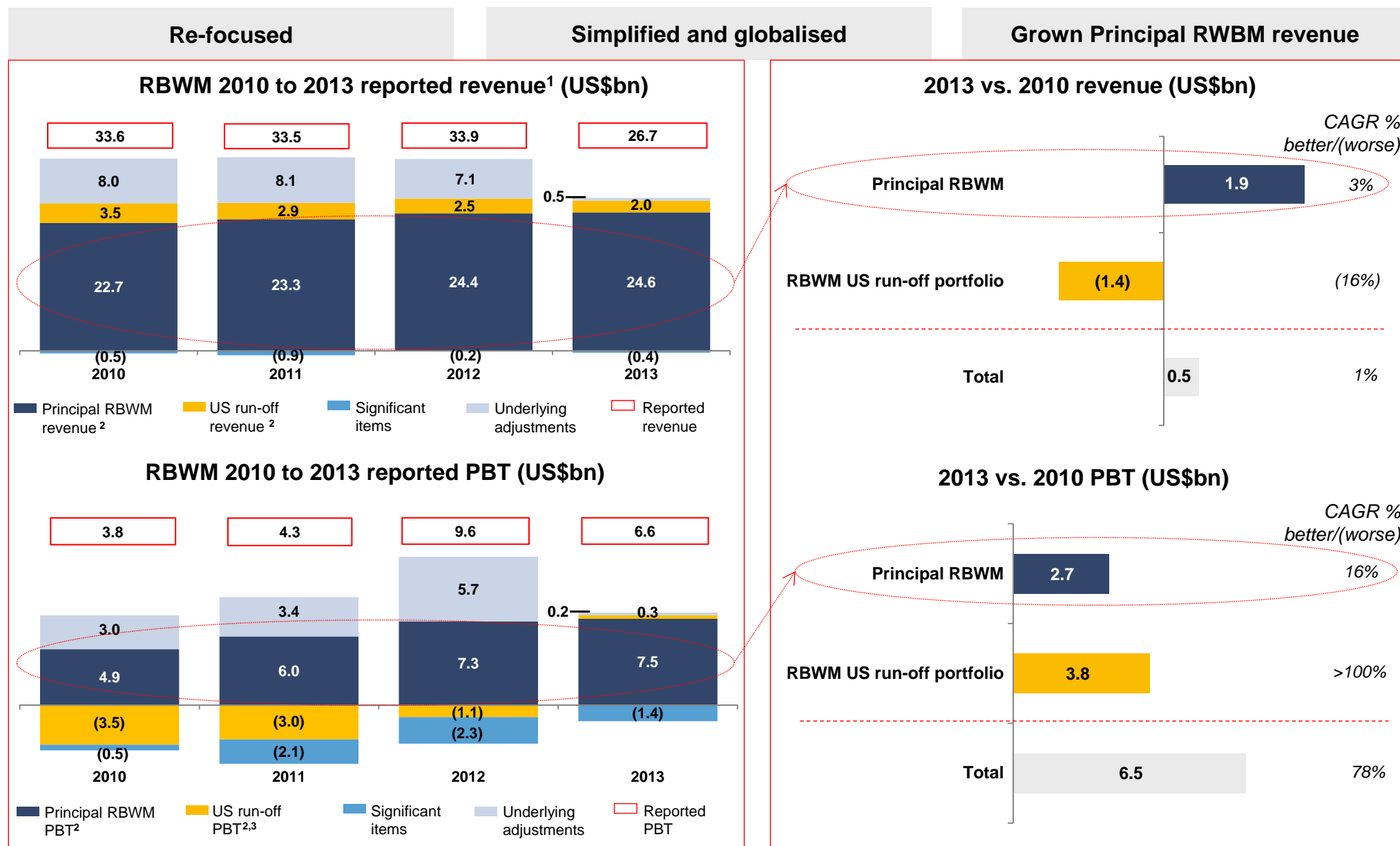
Key ratios, %	9M13	9M14	KPI
Return on average ordinary shareholders' equity ⁴	10.4	9.5	12-15%
Cost efficiency ratio	56.6	62.5	mid-50s
Jaws (underlying) ⁵	-	(9.2)	Positive
Advances-to-deposits ratio ⁶	73.6	73.7	< 90
Common equity tier 1 ratio (transitional basis) ⁷	-	11.2	>10%
Common equity tier 1 ratio (end point basis) ⁷	10.6	11.4	>10%

Notes:

- All figures are reported unless otherwise stated
- Adjusted for foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates, joint ventures and businesses, and fair value ("FV") movements in credit spread on own long-term debt issued by Group and designated at fair value
- On a reported basis
- On an annualised basis
- Calculated as percentage growth in net operating income before loan impairment charges and other credit risk provisions ('revenue') less percentage growth in total operating expenses, 9M14 versus 9M13
- 9M14 figure excludes reverse repos and repos
- On 1 January 2014, CRD IV came into force and capital and RWAs as at 30 September 2014 are calculated and presented on this basis. At 30 September 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 197 of the Interim Report 2013

II. RBWM results: 2010 – 2013 Developments

Growth in revenues and profitability of the Principal RBWM business

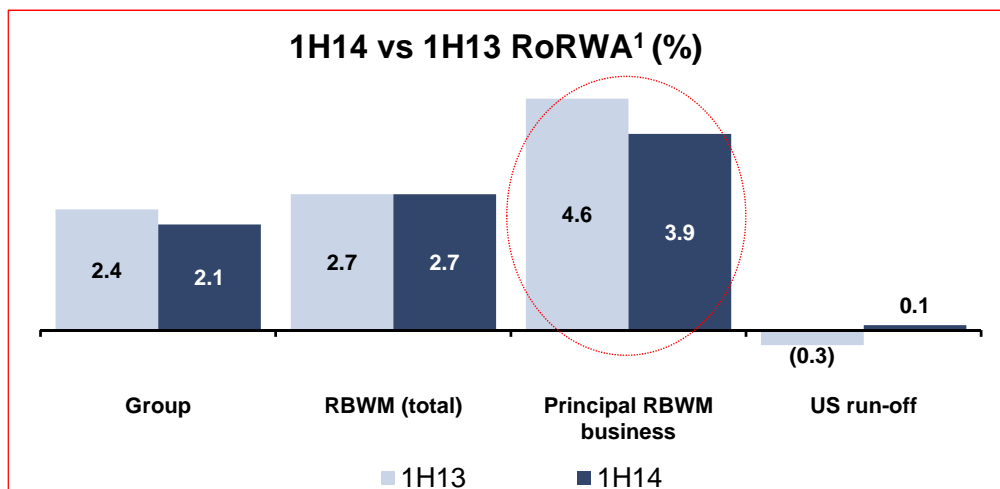
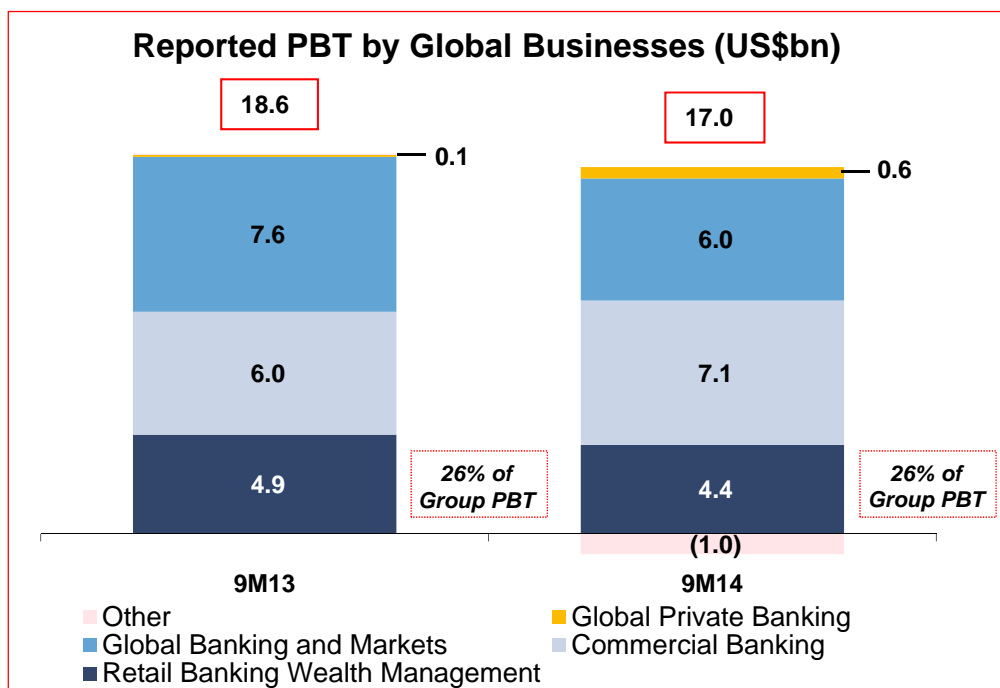


Notes:

1. Net operating income before loan impairment charges and other credit risk provisions
2. Reported excluding underlying adjustments and significant items
3. 2012 includes USD150m costs relating to the US Cards and Retail Services business, sold in May 2012

II. RBWM results: 3Q 2014

RBWM is a key contributor to Group

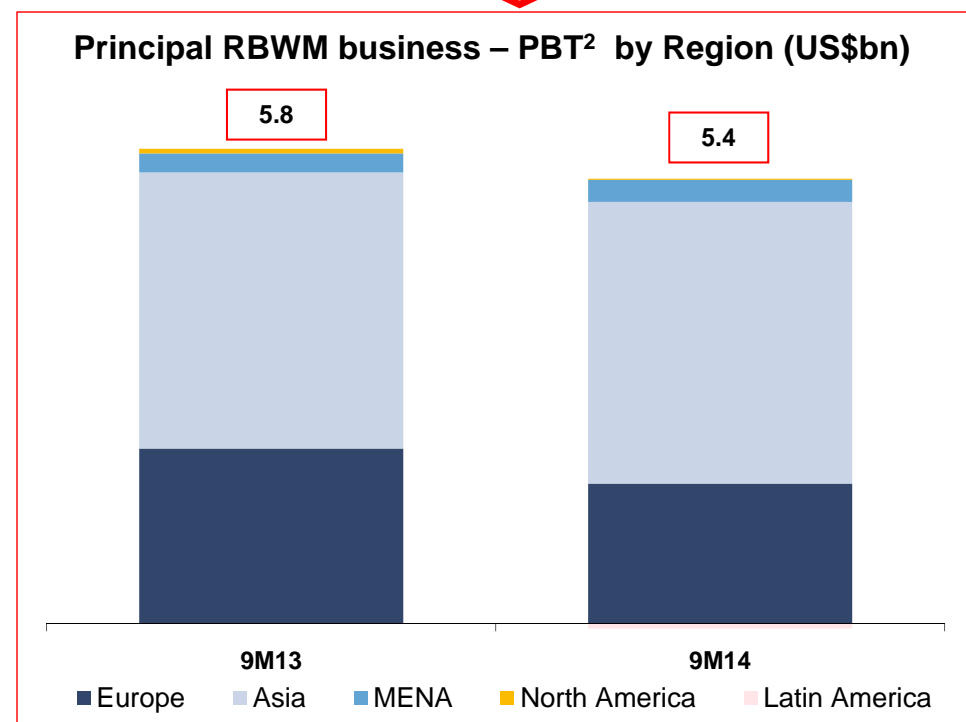


Retail Banking and Wealth Management

PBT (US\$bn)	9M13	9M14	% better/(worse) 9M14 vs 9M13
RBWM - Reported	4.9	4.4	(10)
RBWM - Underlying ¹	5.0	4.3	(13)
RBWM - Significant items	(1.1)	(1.7)	(40)
RBWM - Underlying excluding significant items	6.1	6.0	(3)

Of Which

US run-off portfolio	0.3	0.6	85
Principal RBWM business	5.8	5.4	(7)



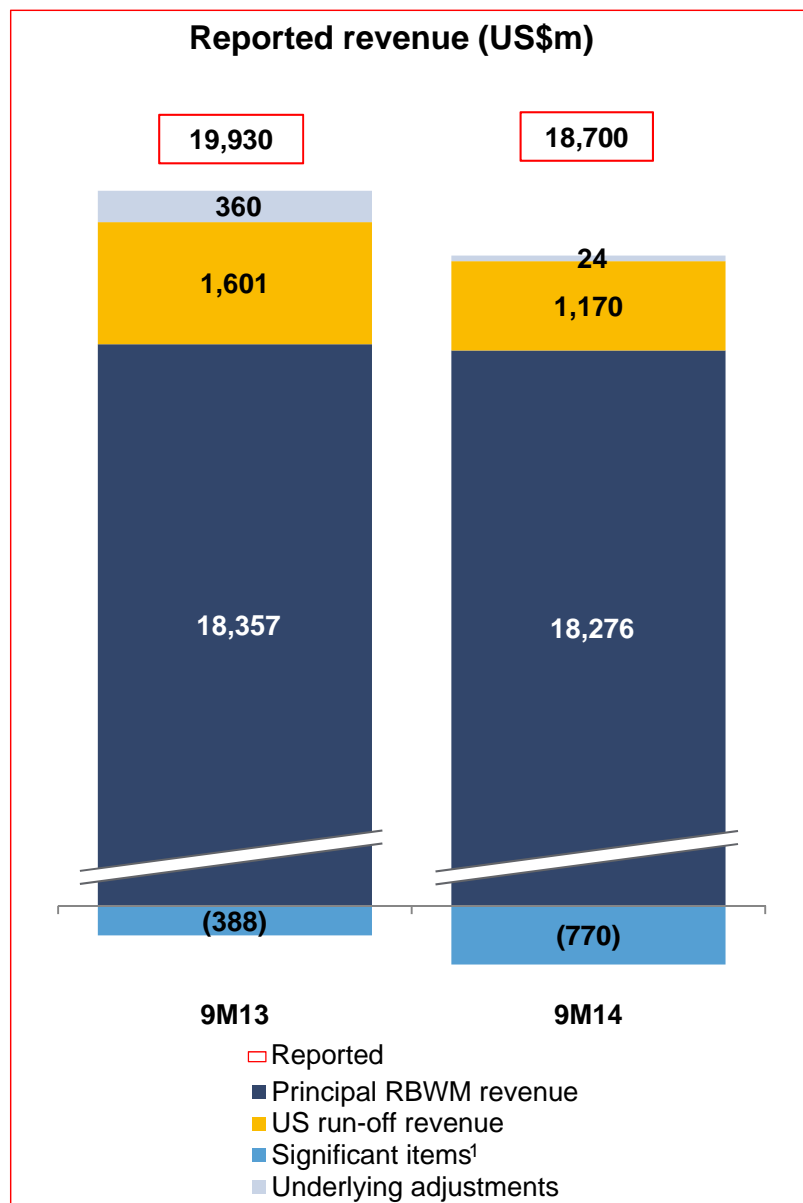
Notes:

All figures are sourced from 3Q 2014 Interim Management Statement, 2014 Interim Report & Data Pack

- Underlying basis. Eliminates effects of foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates, joint ventures and businesses, and fair value ("FV") due to movements in credit spread on own long-term debt issued by Group and designated at fair value
- Underlying excluding significant items

II. RBWM results: 3Q 2014

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 3Q 2014 Interim Management Statement & Data Pack

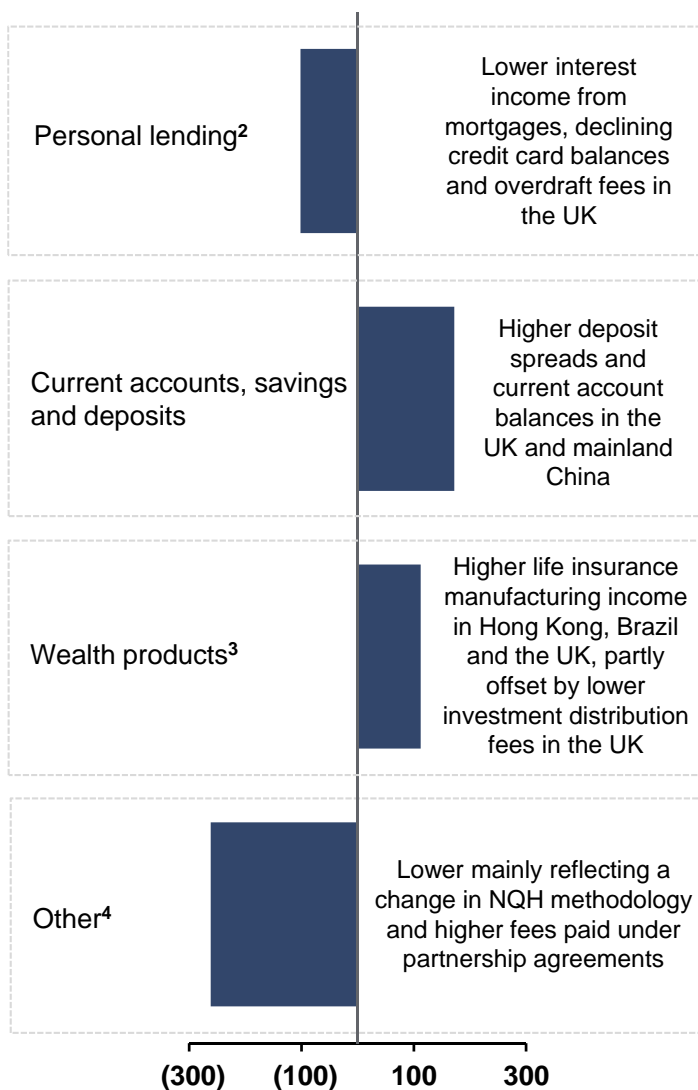
1. Includes the fair value movement on non-qualifying hedges, gain on sale of several tranches of real estate secured accounts in the US, loss on early termination of cash flow hedges in the US run-off portfolio, loss on sale of an HFC Bank UK secured loan portfolio, loss on sale of the non-real estate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

2. Reported basis excluding underlying adjustments and significant items

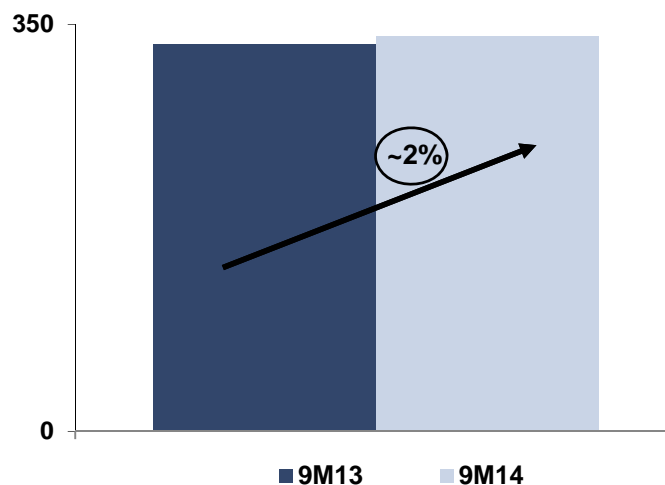
II. RBWM results: 3Q 2014

Growing balances

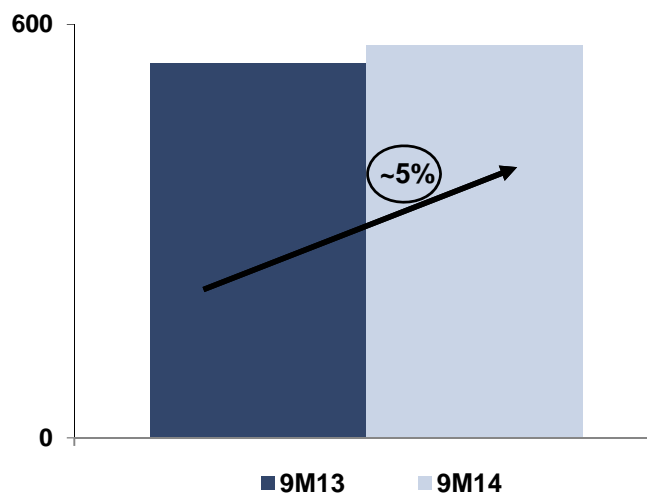
Principal RBWM Revenue¹ 9M14 vs 9M13



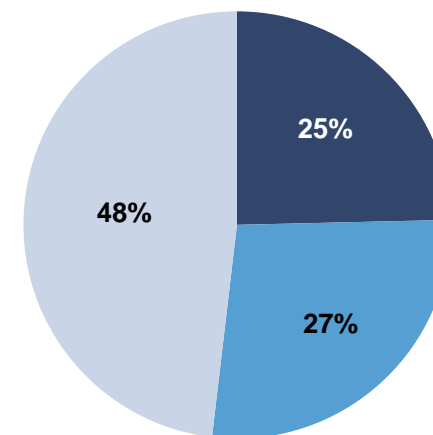
Principal RBWM Balances⁵ (US\$bn)
Loans and Advances to Customers



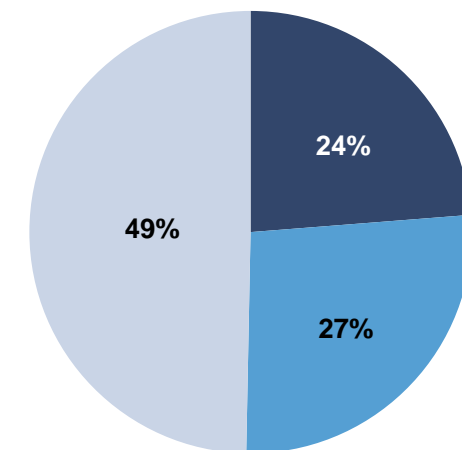
Customer Accounts



Principal RBWM Revenue⁶ mix
9M14



9M13



■ Current accounts, savings and deposits
■ Wealth products
■ Personal lending

Notes:

All figures are sourced from 3Q 2014 Interim Management Statement & Data Pack

1. Reported basis excluding underlying adjustments and significant items

2. Personal lending includes mortgages, credit cards and "other personal lending". "Other personal lending" includes personal non-residential closed-end loans and personal overdrafts

3. Wealth products include investment distribution, life insurance manufacturing and asset management

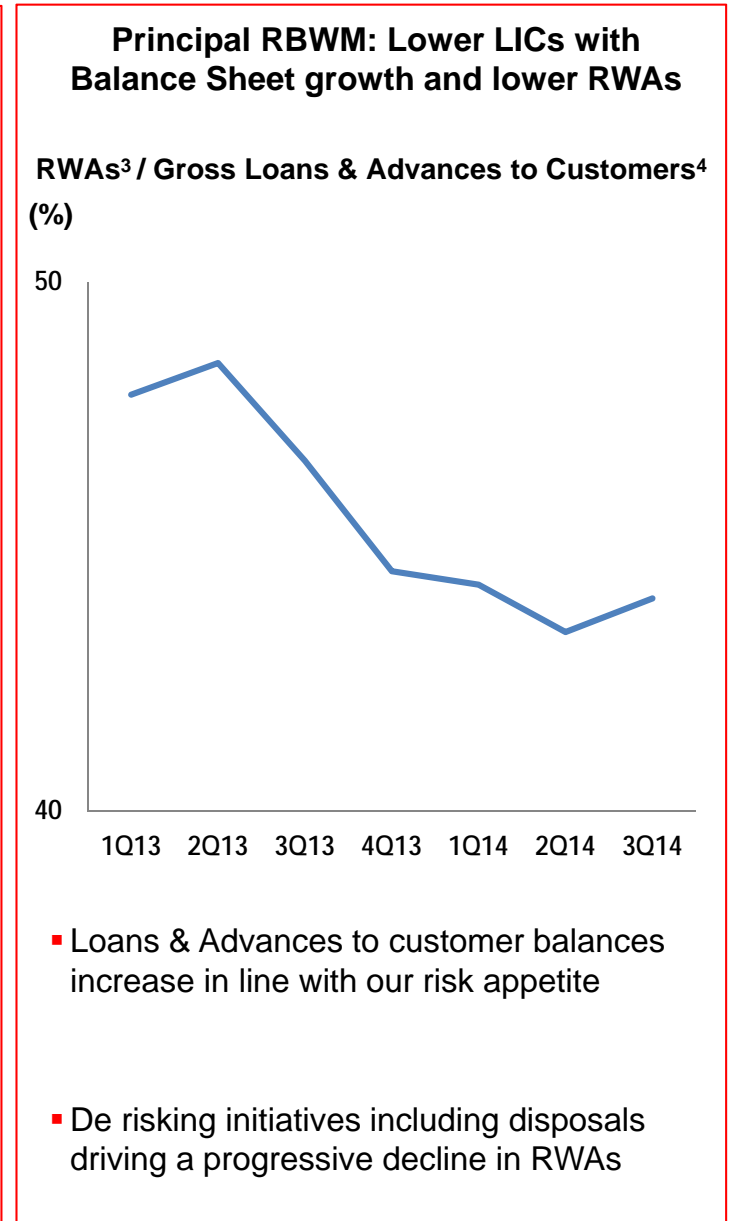
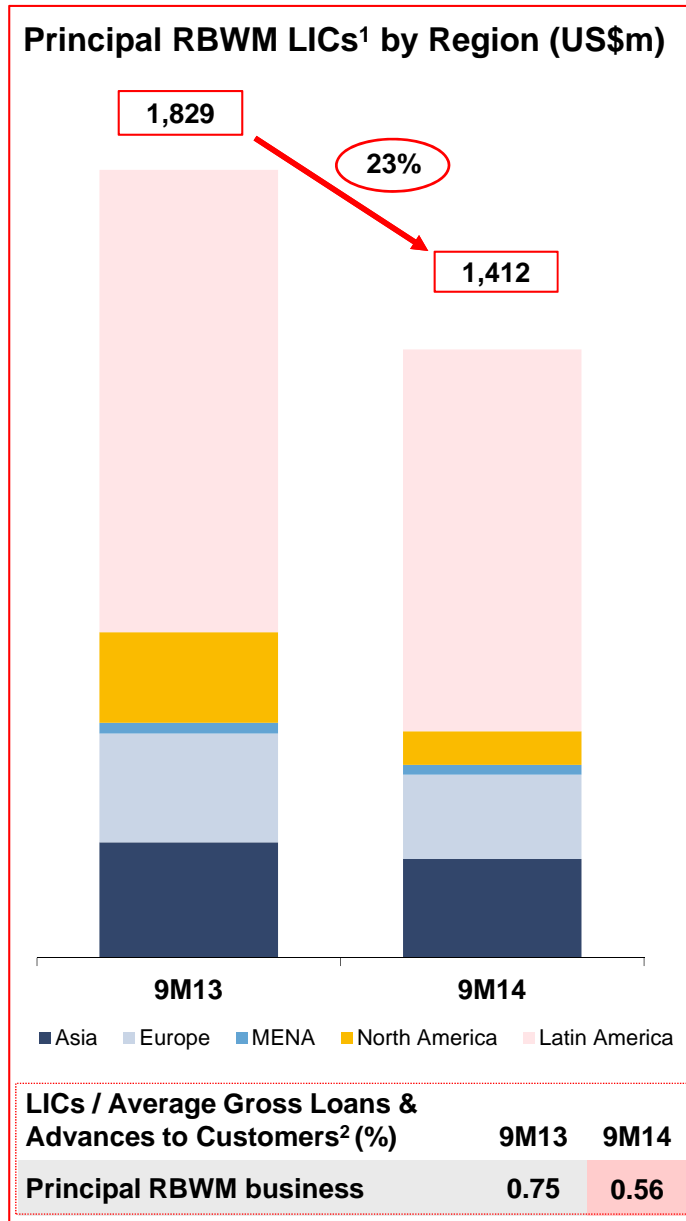
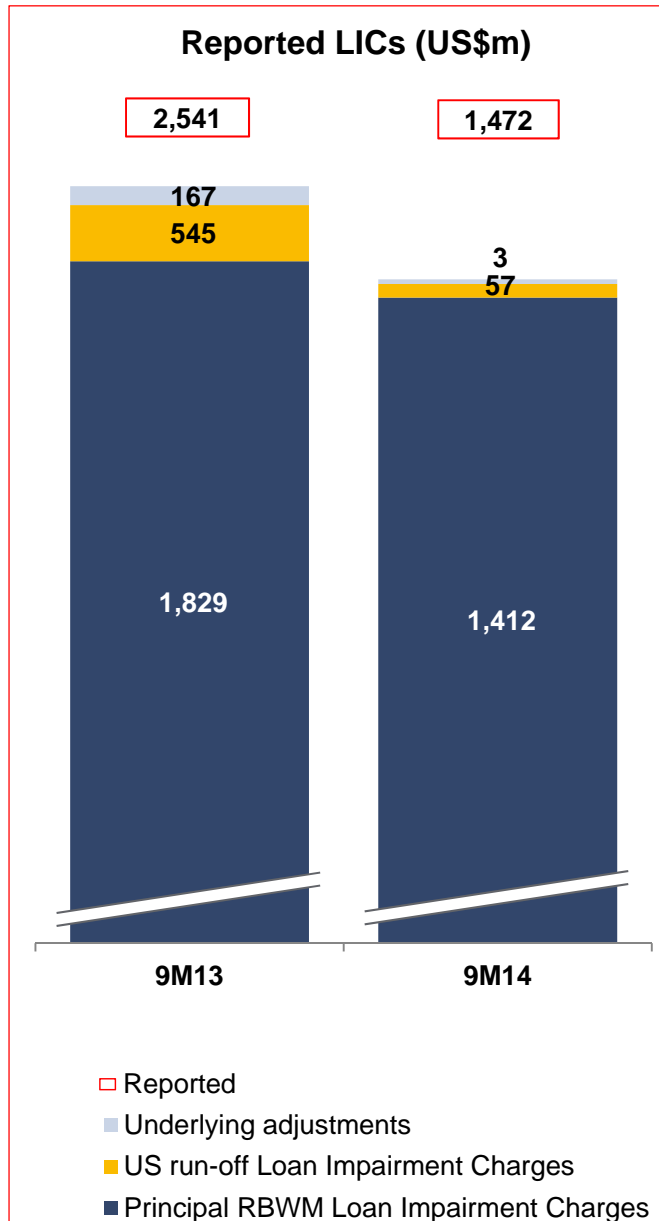
4. Other includes the distribution and manufacturing (where applicable) of retail and credit protection insurance

5. Average balances on constant currency basis. Loans and Advances to Customers net of impairment allowances

6. Reported Revenue, excluding revenue related to "Other"

II. RBWM results: 3Q 2014

Lower LICs reflecting better asset quality



Notes:

All figures are sourced from 3Q 2014 Interim Management Statement & Data Pack

1. Reported basis excluding underlying adjustments

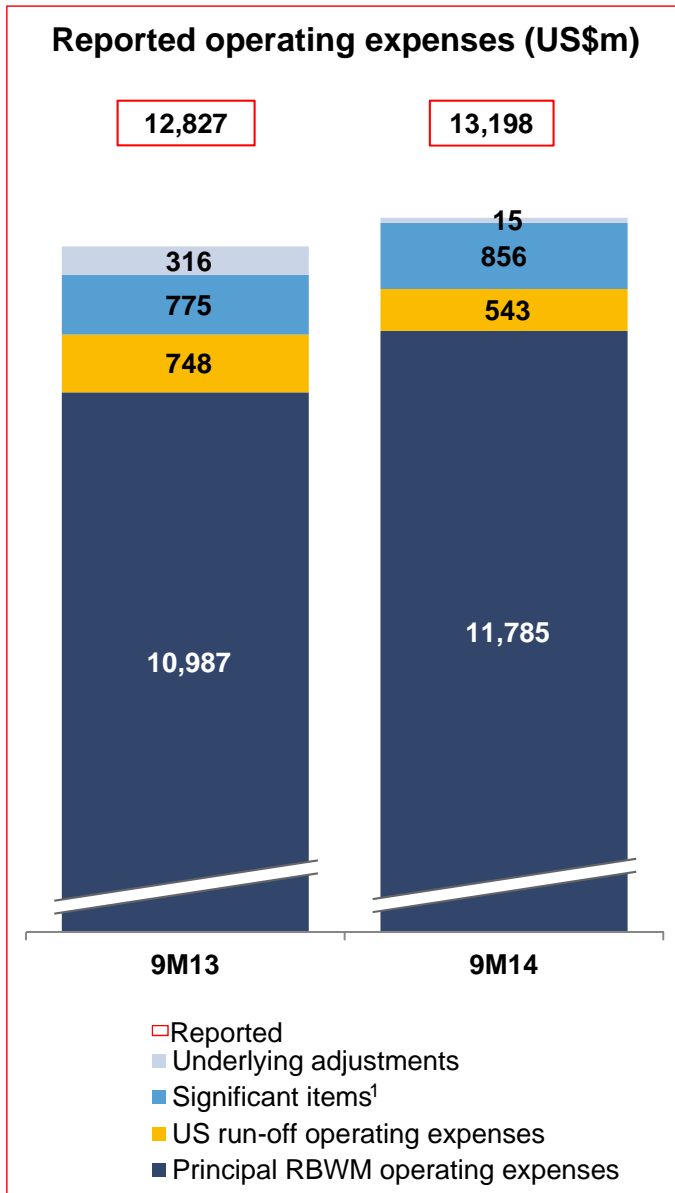
2. LIC figures are on an underlying basis and have been annualised for the purposes of this calculation. Average gross Loans and Advances to Customers balances on a constant currency basis

3. Reported basis

4. Period end balances on a reported basis

II. RBWM results: 3Q 2014

Operating expenses impacted by risk and inflation

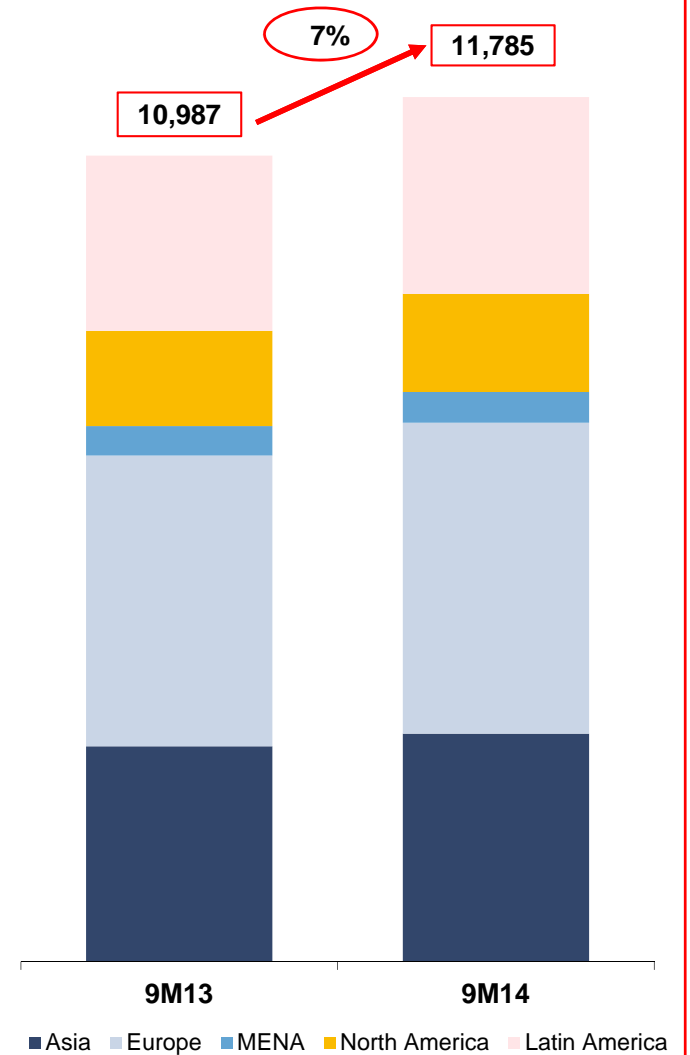


Principal RBWM operating expenses²

Cost discipline through significant sustainable cost savings adversely offset by:

- Ongoing investments in Risk, Compliance and related (including the timing of the recognition of the FSCS levy)
- Marketing expenses
- Inflationary pressures in our higher growth markets

Principal RBWM operating expenses² by Region (US\$m)



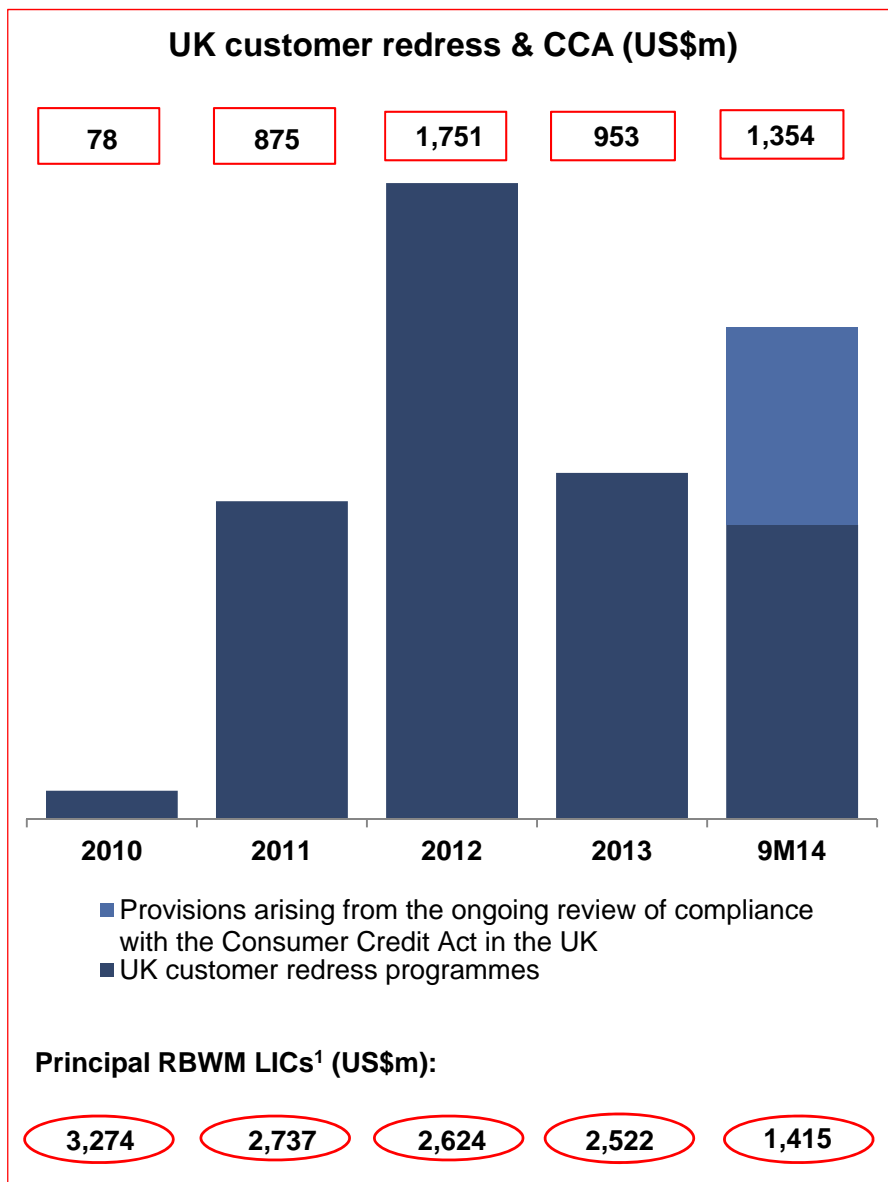
Notes:

All figures are sourced from 3Q 2014 Interim Management Statement & Data Pack

- 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
- Reported basis excluding underlying adjustments and significant items

II. RBWM results: 3Q 2014

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: 15% increase 9M14 vs 9M13, with provisions notably high in 3Q14 following a rise in the volume of weekly inbound complaints related to PPI
 - CCA related provisions: US\$544m taken in 2014 related to the interest on loans to customers where annual statements did not remind them of their right to partially prepay the loan, notwithstanding that the customer loan documentation did include this right, and issues identified regarding the content and delivery of annual statements
- De-risking is a key strategic imperative to increase the quality of returns

Notes:

All figures are sourced from 3Q 2014 Interim Management Statement & Data Pack

1. Reported basis. 2010 figure corresponds to RBWM (total) reported LIC less US\$7,985m related to US run-off

III. RBWM Growth Priorities

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

Propositions

Participation strategy

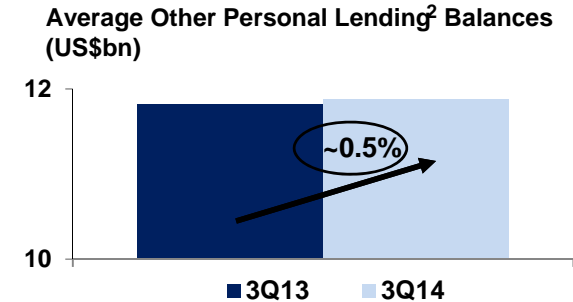
Progress¹

Compete in proposition and mass market asset businesses

- UK, Hong Kong

- Premier
- Advance
- Personal Banking (returns based)

- Proposition led, more unsecured lending within our risk appetite

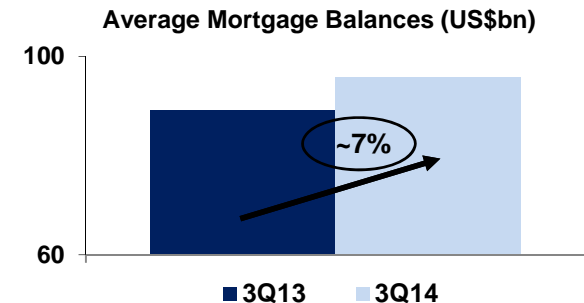


Maintain returns and target opportunities

- Australia, Taiwan, France, Canada, Singapore, US, China, Malaysia, Brazil, Mexico, UAE

- Premier
- Advance
- Personal Banking (relationship based)

- Proposition led, secured and unsecured lending within our risk appetite

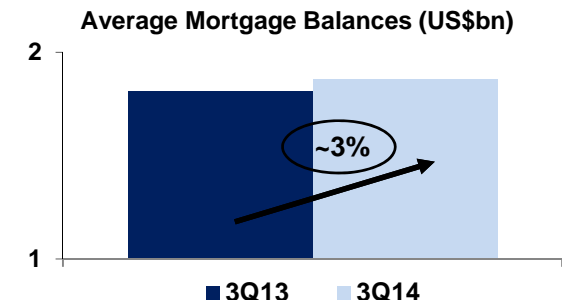


Focus on proposition

- Turkey, India, Egypt, Argentina, Indonesia

- Premier
- Advance
- Personal Banking (relationship based)

- Managed growth, rebalancing portfolios towards profitable opportunities
- Targeted originations



Supported by

Process standardisation and simplification

Enhanced risk infrastructure

Global analytics capability

New digital investments

Notes:

- On a constant currency basis
- Other personal lending includes personal non-residential closed-end loans and personal overdrafts.

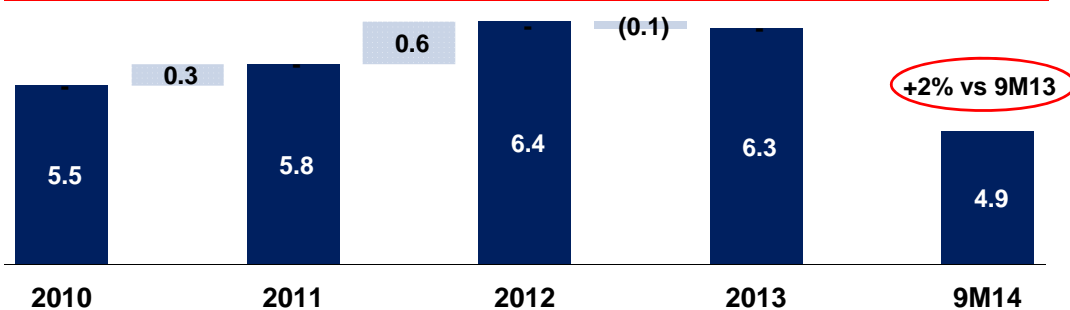
III. RBWM Growth Priorities

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

Our approach

- Informed by the conduct risk agenda
- Includes measures such as GWIF¹ to reposition the business
- Globally consistent, needs based, customer-centric

Wealth Revenue (US\$bn)



Progress made

- Invested in training our front line staff
- Delivered platforms and digital capability
- Improved financial planning process and controls
- Increased quality of Premier client base
- Reduced end-to-end duration for opening international Premier accounts overseas

Opportunity for growth

- Deepening Premier customer relationships through:
 - Holistic relationship model
 - Broader coverage and fulfilment of client needs
- Strengthening Premier brand and digital investment to deliver international capabilities

Continued Focus

- Improve Premier RM² productivity
- Increase client contact and coverage rates
- Revamp and re-launch Premier proposition
- Improve product relevance and service delivery (FX, Research)
- Grow Premier customers' Total Relationship Balances³ and Wealth Balances

Notes:

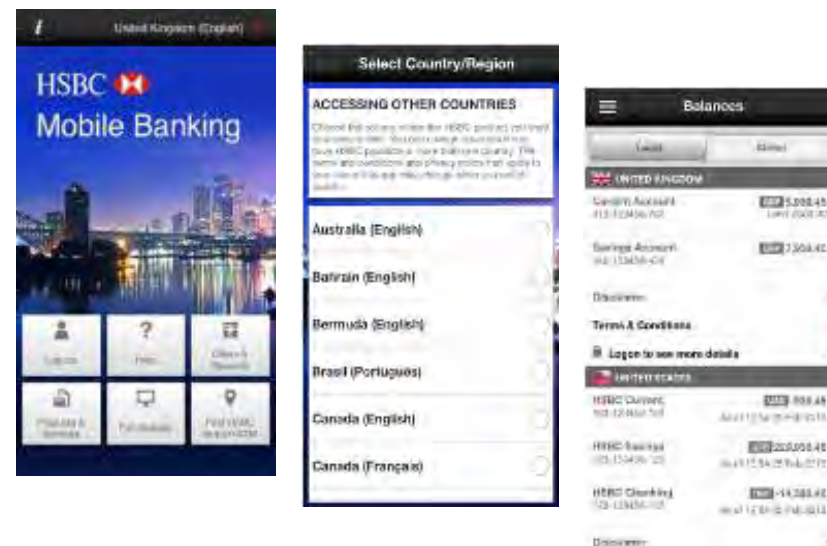
1. Global Wealth Incentive Framework
2. Relationship Managers
3. Total Relationship Balances corresponds to Investment and Insurance Balances plus Premier Deposits

III. RBWM Growth Priorities

Digital: Developing capabilities to support customers and reduce cost

2014 Progress

- **Continued strong growth in customer usage of digital channels**
 - Global mobile banking app surpassed 5 million downloads in September 2014, with almost 2.8 million in 2014
 - 16% increase in average monthly revenue derived from digital across our priority markets¹



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:
 - Mortgage Applications
 - Wealth Engagement
 - eSignature



Note:

1. Monthly average for the 9 months of 2014 vs December 2013

IV. Streamline

RBWM transformation: Improving efficiency and customer experience

Approach



Identify inconsistent processes /
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

Tangible benefits

- Branch network revision
- Contact centre optimisation
- Digital channel development, systems consolidation, service migration
- Product range review and simplification
- Customer journey reengineering
- Cost rationalisation and sustainable cost savings

Streamlining examples

- Changed service delivery to reduce paper statements
- Straight-through on-line mortgage application service in the UK

V. Delivering the Strategy

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

Group Strategic priorities

Grow the business

- Continue to optimise RWAs within the 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
- Deliver additional sustainable saves

RBWM 2014 Growth priorities

Relationship-led lending

Wealth Management

Digital Capabilities

2016 Financial targets

Directional PBT contribution % (of Group)

25 - 35

RoRWA¹, %

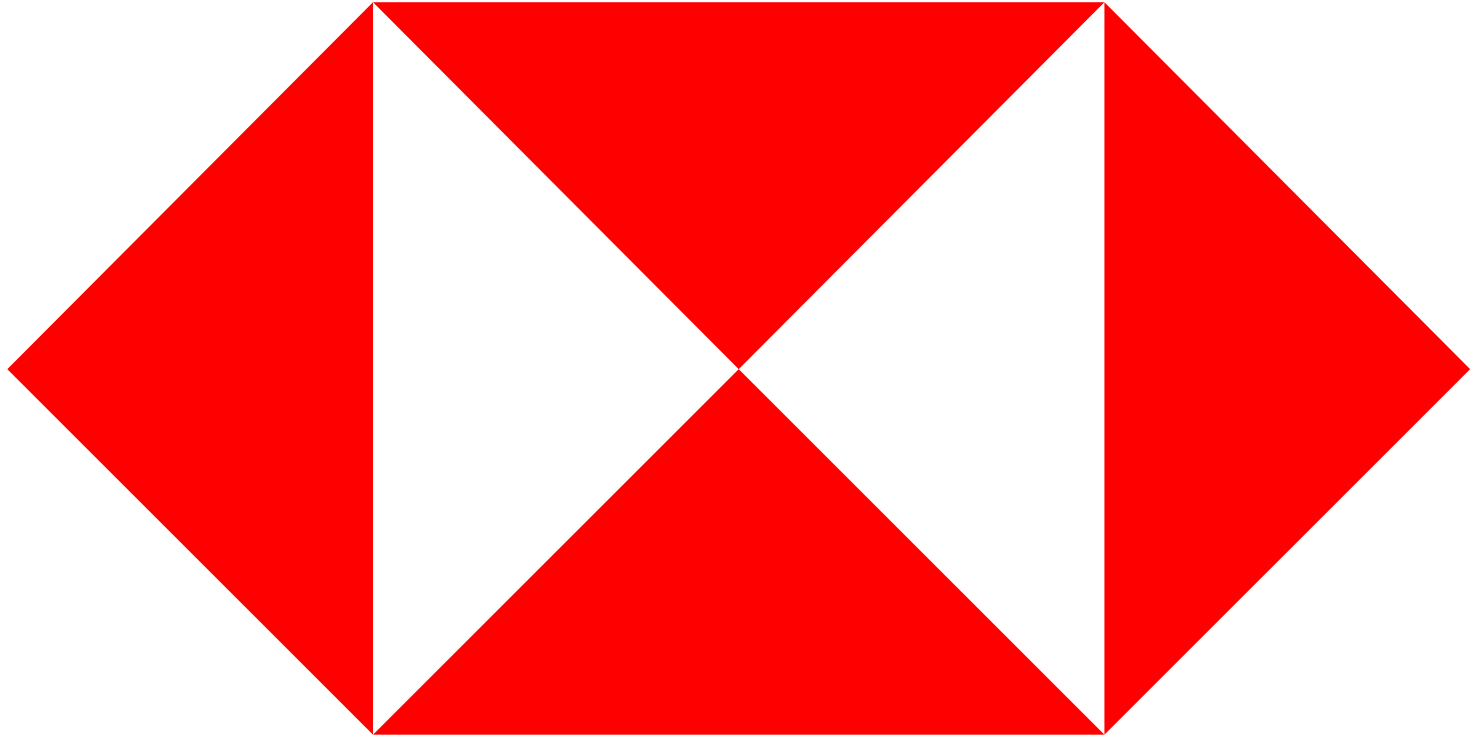
3.8 - 4.3

RoRWA¹,
excl. run-off, %

5.0 - 5.5

Notes:

1. CRD IV end point basis





Appendix

Financial overview

Reconciliation of Reported to Underlying results

US\$m				
	9M14	9M13	3Q14	3Q13
Reported profit before tax	16,949	18,601	4,609	4,530
FVOD ¹	15	594	(200)	575
Gain on de-recognition of Industrial Bank as an associate	-	(1,089)	-	-
Gain on sale of associate shareholding in Bao Viet Holdings	-	(104)	-	-
Loss on sale of Household US Canadian Insurance business	-	99	-	-
Gain on disposal of Columbian operations	(18)	-	-	-
Other losses on acquisitions / disposals	32	(59)	-	(58)
Operating results of disposals, acquisitions and dilutions	(9)	8	-	(25)
Currency translation	-	(36)	-	(18)
Underlying profit before tax	16,969	18,014	4,409	5,004

Notes:

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

Financial overview

Significant items included in underlying profit before tax

US\$m	9M14	9M13	3Q14	3Q13
Underlying profit before tax	16,969	18,014	4,409	5,004
Includes the following significant items (reported basis):				
Revenue				
<i>Volatility:</i>				
Debit valuation adjustment on derivative contracts	(278)	300	(123)	(151)
Fair value movement on non-qualifying hedges ²	(341)	461	(19)	168
<i>Restructuring and repositioning:</i>				
FX gains relating to the sterling debt issued by HSBC Holdings	-	442	-	-
Gain on sale of several tranches of real estate secured accounts in the US ²	76	2	91	3
Gain on sale of shareholding in Bank of Shanghai	428	-	-	-
Impairment on our investment in Industrial Bank	(271)	-	(271)	-
Loss on early termination of cash flow hedges in the US run-off portfolio ²	-	(199)	-	-
Loss on sale of an HFC Bank UK secured loan portfolio ²	-	(138)	-	-
Loss on sale of the non-real estate portfolio in the US ²	-	(271)	-	-
Net gain on completion of Ping An disposal	-	553	-	-
Write-off of allocated goodwill relating to GPB Monaco business ¹	-	(279)	-	-
<i>Provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK²</i>	(580)	-	(213)	-
	(966)	871	(535)	20
Operating expenses				
<i>Accounting gain arising from change in basis of delivering ill-health benefits in the UK²</i>	-	430	-	-
<i>Restructuring and repositioning:</i>				
Restructuring and other related costs ²	(150)	(396)	(68)	(158)
<i>Customer redress and litigation-related charges:</i>				
Madoff-related litigation costs	-	(298)	-	-
Provision for FCA investigation into foreign exchange	(378)	-	(378)	-
Regulatory investigation provisions in GPB	-	(317)	-	(198)
Charge in relation to settlement agreement with Federal Housing Finance Authority ²	(550)	-	(550)	-
UK customer redress programmes ²	(935)	(840)	(701)	(428)
US customer remediation provision relating to CRS ²	-	(100)	-	-
<i>UK bank levy</i>	45	(9)	-	-
	(1,968)	(1,530)	(1,697)	(784)

Note:

- In 1Q13, 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.
- RBWM related item. Refer to reconciliations of Non Gaap financial measures for RBWM specific numbers.

Income statement

US\$m				
	9M14	9M13	3Q14	3Q13
Net interest income	26,158	26,533	8,753	8,714
Net fee income	12,239	12,441	4,062	4,037
Net trading income	5,570	7,645	2,295	1,283
Net income / (expense) from financial instruments designated at fair value	1,916	250	256	1,447
Gains less losses from financial investments	915	1,876	(31)	20
Dividend income	289	278	201	171
Net insurance premium income	9,316	9,275	3,179	3,049
Other income / (expense)	861	1,419	323	473
Total operating income	57,264	59,717	19,038	19,194
Net insurance claims and benefits paid and movements in liabilities to policyholders	(10,322)	(10,267)	(3,263)	(4,116)
Net operating income before loan impairment charges and other credit risk provisions	46,942	49,450	15,775	15,078
Loan impairment charges and other credit risk provisions	(2,601)	(4,709)	(760)	(1,593)
Net operating income	44,341	44,741	15,015	13,485
Total operating expenses	(29,357)	(27,983)	(11,091)	(9,584)
Operating profit	14,984	16,758	3,924	3,901
Share of profit / (loss) in associate and joint ventures	1,965	1,843	685	629
Profit before tax	16,949	18,601	4,609	4,530

Balance sheet

US\$m	30 Sept 2014	30 Jun 2014	31 Dec 2013
Assets			
Cash and balances at central banks	133,424	132,137	166,599
Trading assets	331,642	347,106	303,192
Financial assets designated at fair value	29,729	31,823	38,430
Derivatives	308,611	269,839	282,265
Loans and advances to banks	124,756	127,387	120,046
Loans and advances to customers	1,028,880	1,047,241	992,089
Reverse repurchase agreements – non-trading	190,848	198,301	179,690
Financial investments	411,604	423,710	425,925
Other assets	169,151	176,049	163,082
Total assets	2,728,645	2,753,593	2,671,318
Liabilities			
Deposits by banks	89,421	92,764	86,507
Customer accounts	1,395,116	1,415,705	1,361,297
Repurchase agreements – non-trading	150,814	165,506	164,220
Trading liabilities	215,395	228,135	207,025
Financial liabilities designated at fair value	77,590	82,968	89,084
Derivatives	300,415	263,494	274,284
Debt securities in issue	90,234	96,397	104,080
Liabilities under insurance contracts	73,742	75,223	74,181
Other liabilities	133,753	134,679	120,181
Total liabilities	2,526,480	2,554,871	2,480,859
Equity			
Total shareholders' equity	193,597	190,281	181,871
Non-controlling interests	8,568	8,441	8,588
Total equity	202,165	198,722	190,459
Total equity and liabilities	2,728,645	2,753,593	2,671,318



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

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

Cover designed by Creative Conduct Ltd, London. 01/14

Issued by HSBC Holdings plc

Group Investor Relations
8 Canada Square
London E14 5HQ
United Kingdom
Telephone: 44 020 7991 8041

www.hsbc.com