



October 2016

Retail Banking and Wealth Management

Investor Update



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 period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the 2016 Interim Report and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

Group highlights

1st Half 2016

Reported PBT
(1H15: \$13.6bn)

\$9.7bn

Adjusted PBT
(1H15: \$12.6bn)

\$10.8bn

Reported RoE¹
(1H15: 10.6%)

7.4%

Adjusted Jaws

(0.5)%

CET1 ratio²
(2015: 11.9%)

12.1%

1H16 Financial Performance (vs. 1H15)

- Reported PBT of \$9.7bn down \$3.9bn
- Adjusted PBT of \$10.8bn down \$1.8bn; a reasonable performance in the face of considerable uncertainty:
 - Revenue down \$1.3bn or 4% versus a strong 1H15: Client-facing GB&M and BSM down 7% and Principal RBWM down 6%
 - Continued momentum in CMB with revenue up 2%
 - Higher LICs, up \$1.1bn from increased charges in the oil & gas and metals & mining sectors and from Brazil; LICs in 2Q16 broadly unchanged compared with 1Q16
 - 4% fall in costs: tight cost control with run-rate saves of more than \$2.0bn since commencement of our cost savings programme

Capital and liquidity

- Strong capital position with a common equity tier one ratio² of 12.1% and a strong leverage ratio of 5.1%
- Post Brazil disposal, common equity tier one ratio of 12.8%

Strategy

- Announcing a share buy-back of \$2.5bn in 2H16 following the successful disposal of HSBC Bank Brazil³ on 1 July 2016
- US successfully achieved a non-objection to its capital plan, which included a dividend payment in 2017, as part of the Comprehensive Capital Analysis and Review (CCAR)
- Further reduced RWAs in 1H16 by \$48bn through management actions bringing the total since 2014 to \$172bn
- Continued to capture value from our international network and gained market share in key Asian markets and businesses
- Commitment to sustain annual ordinary dividend in respect of the year at current levels for the foreseeable future

Group 1H16 Key metrics

Key financial metrics	1H15	1H16
Return on average ordinary shareholders' equity ¹	10.6%	7.4%
Return on average tangible equity ¹	12.0%	9.3%
Jaws (adjusted)	-	(0.5)%
Dividends per ordinary share in respect of the period	\$0.20	\$0.20
Earnings per share	\$0.48	\$0.32
Common equity tier 1 ratio ²	11.6%	12.1%
Leverage ratio	4.9%	5.1%
Advances to deposits ratio	71.4%	68.8%
Net asset value per ordinary share (NAV)	\$9.11	\$8.75
Tangible net asset value per ordinary share (TNAV)	\$7.81	\$7.53

Reported Income Statement, \$m						
	2Q16	vs. 2Q15	%	1H16	vs. 1H15	%
Revenue	14,494	(2,557)	(15)%	29,470	(3,473)	(11)%
LICs	(1,205)	(336)	(39)%	(2,366)	(927)	(64)%
Costs	(10,364)	(22)	0%	(18,628)	559	3%
Associates	683	(46)	(6)%	1,238	(73)	(6)%
PBT	3,608	(2,961)	(45)%	9,714	(3,914)	(29)%

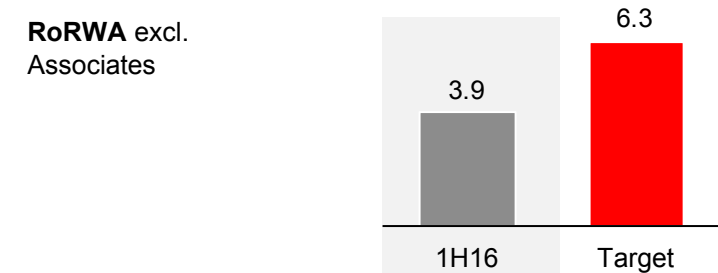
Adjusted Income Statement, \$m						
	2Q16	vs. 2Q15	%	1H16	vs. 1H15	%
Revenue	13,954	(783)	(5)%	27,868	(1,310)	(4)%
LICs	(1,205)	(394)	(49)%	(2,366)	(1,087)	(85)%
Costs	(8,071)	584	7%	(15,945)	660	4%
Associates	683	(14)	(2)%	1,238	(18)	(1)%
PBT	5,361	(607)	(10)%	10,795	(1,755)	(14)%

RBWM: key messages and financial performance

Key messages

Capital accretive	<ul style="list-style-type: none"> Consistently strong returns, accretive to Group RoE
Sustainable high quality revenue	<ul style="list-style-type: none"> Client base positioned towards affluent customers High quality asset book with low LICs Business repositioned for conduct risk
Diversified revenue base	<ul style="list-style-type: none"> Revenue sources broadly spread across products and segments
Interest rate sensitivity	<ul style="list-style-type: none"> Business will benefit as interest rates rise
Strong deposit franchise	<ul style="list-style-type: none"> Supports a stable and diversified core funding base for the Group
Group value	<ul style="list-style-type: none"> Shared infrastructure generates economies of scale Global footprint enhances brand visibility Branch services support other Global Businesses

Principal RBWM financial performance¹



1H16, USDbn	
Revenue	10.4
LICs	1.0
Operating expenses	6.8
PBT²	2.7
CER	66%
RWA²	149

Total RBWM, USDbn	
1H16	
Adjusted PBT:	2.8
Of which: US run-off portfolio	0.1
Principal RBWM	2.7

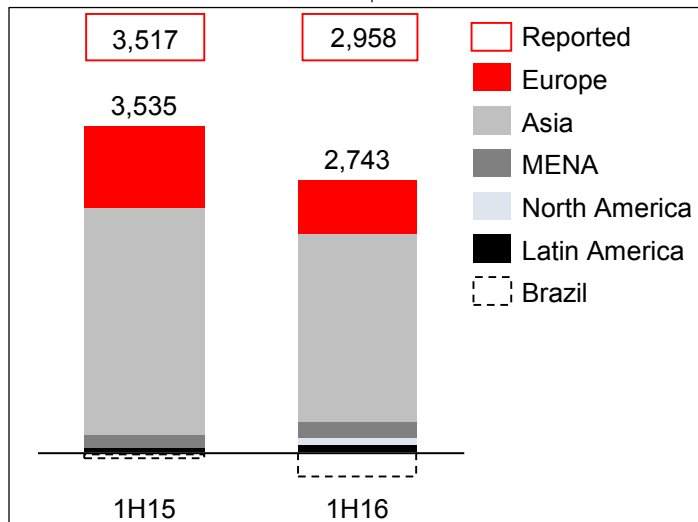
1. Financial data presented on an "adjusted" basis.
 2. Includes associates

RBWM 1H16 Financial Performance

Principal RBWM adjusted PBT lower driven by lower wealth management revenue and LICs, partly offset by higher retail banking revenue

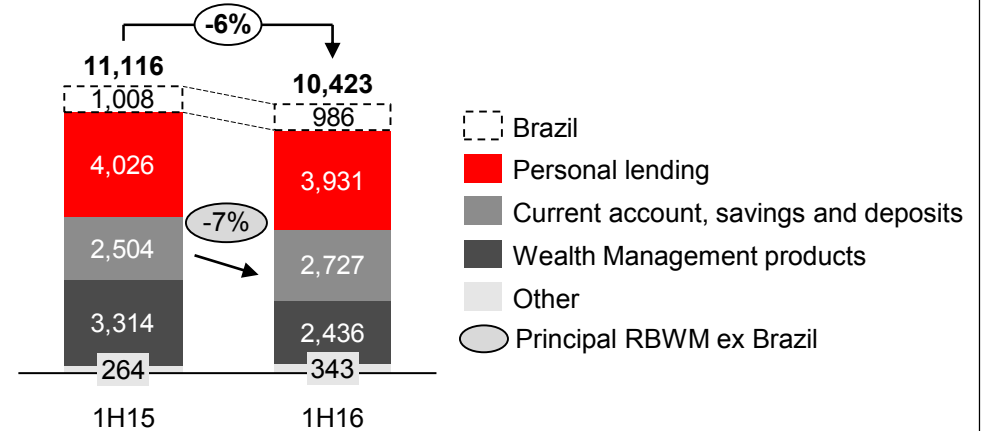
Adjusted PBT^{1,2} (USDm)

	1H15	1H16	vs.
Total RBWM	3,753	2,841	(24.3)%
<i>Of which:</i>			
US run-off portfolio	218	98	(55)%
Principal RBWM	3,535	2,743	(22.4)%

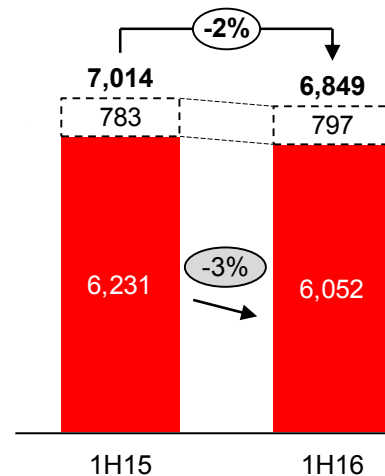


	1H15	1H16	vs.
Adjusted RoRWA³	5.2%	3.9%	(1.3)%
Principal RBWM	5.2%	3.9%	(1.3)%

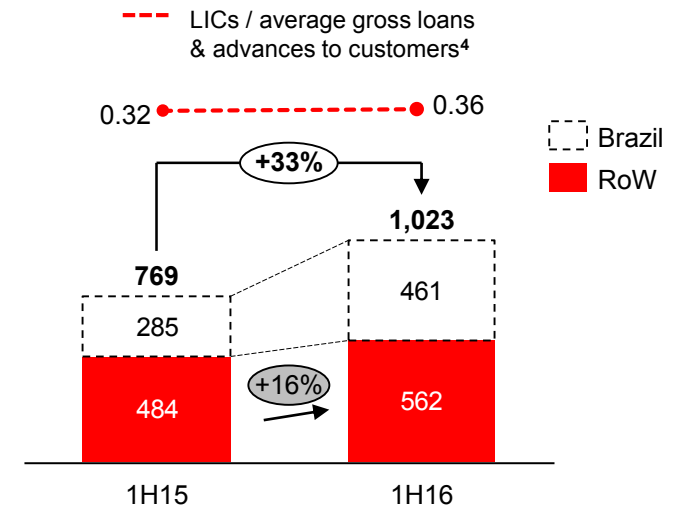
Adjusted revenue² (USDm)



Adjusted operating expenses² (USDm)



Adjusted LICs² (USDm)



Refer to page 4 of the 1H16 Interim Report and the 2016 Presentation to Investors and Analysts for further details on RBWM Financial Performance, includes Brazil unless specified otherwise

1. Reported Total RBWM PBT : 1H15 USD3,362m, 1H16 USD2,382m. Reported US run-off PBT: 1H15 USD(155)m, 1H16 USD(576)m.

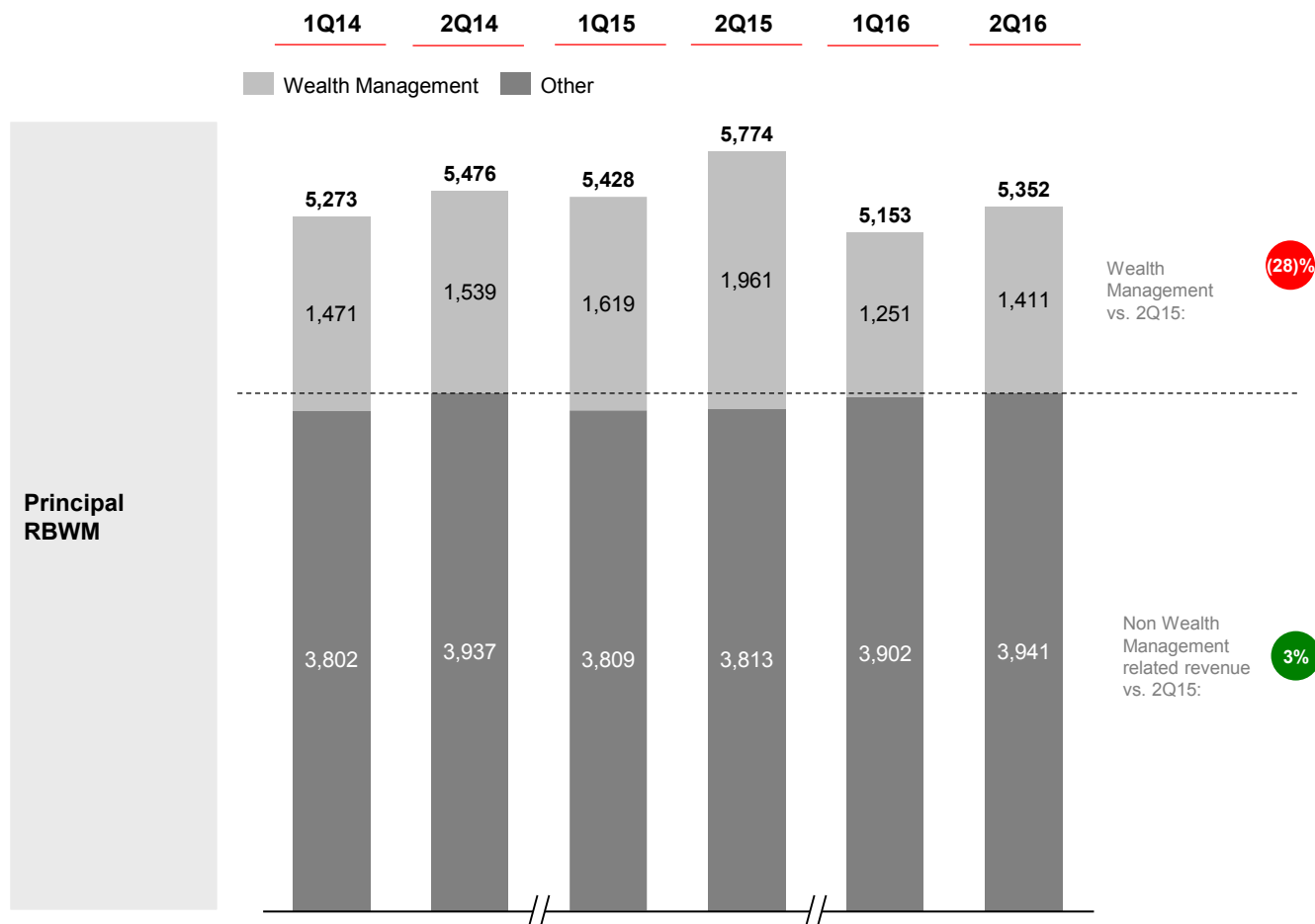
2. Reported Principal RBWM PBT : 1H15 USD3,517m, 1H16 USD2,958m; Revenue: 1H15 USD11,861m, 1H16 USD10,750m; Operating Expenses: 1H15 USD7,666m, 1H16 USD6,962m; Loan Impairment Charge (LICs): 1H15 USD887m, 1H16 USD1,023m.

3. Adjusted RoRWA for Principal RBWM excludes associates. Reported RoRWA for Principal RBWM (including associates): 1H15 4.6%, 1H16 4.0%

4. Excludes Brazil.

Lower revenue in 1H16 driven by market impact in our wealth management business, however partly offset by growth in retail banking

Revenue analysis¹, \$m



Lower Wealth Management revenue vs. 2Q15:

- A strong performance in 1H15, notably in Asia

Non-Wealth management revenue vs. 2Q15 up 3%

- Deposit balance growth in Hong Kong and the UK
- Personal lending revenue broadly flat: growth in Mexico, offset by declines in Europe and Asia.

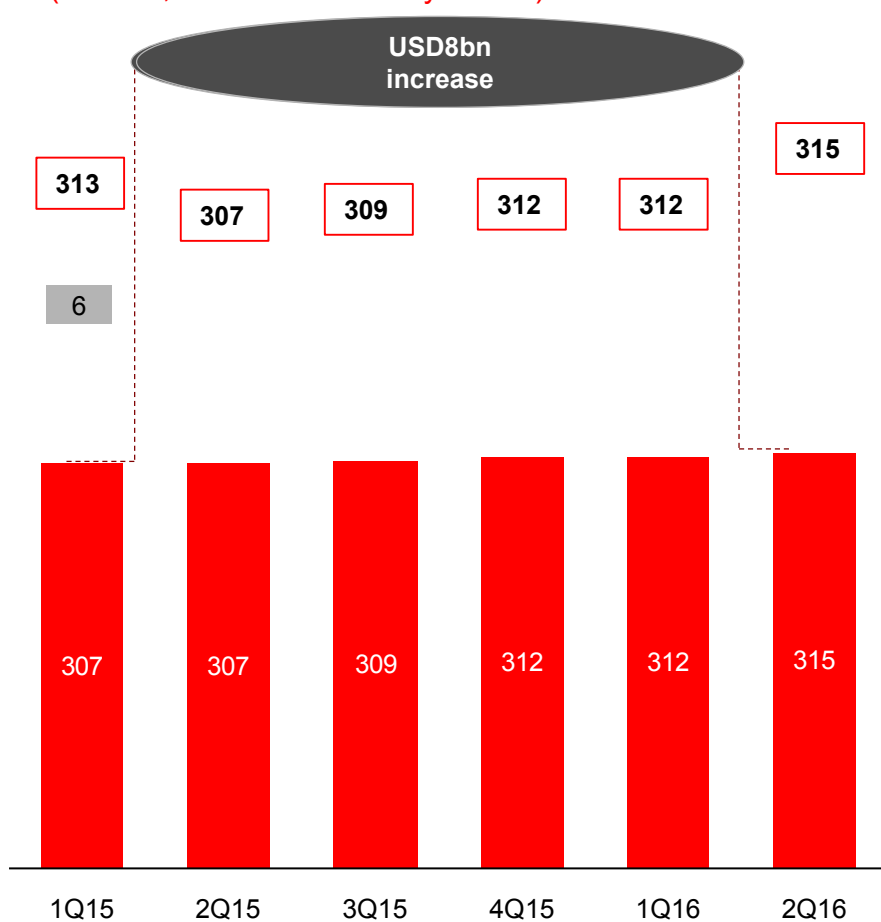
Revenue stabilisation vs. 1Q16

1. For a like for like comparison, revenue trends on this slide are calculated based on 2Q16 foreign exchange rates for all periods and exclude significant items. 1H16 figures on slide 6 are calculated based on 1Q16 and 2Q16 exchange rates, and exclude significant items, in line with the interim reports.

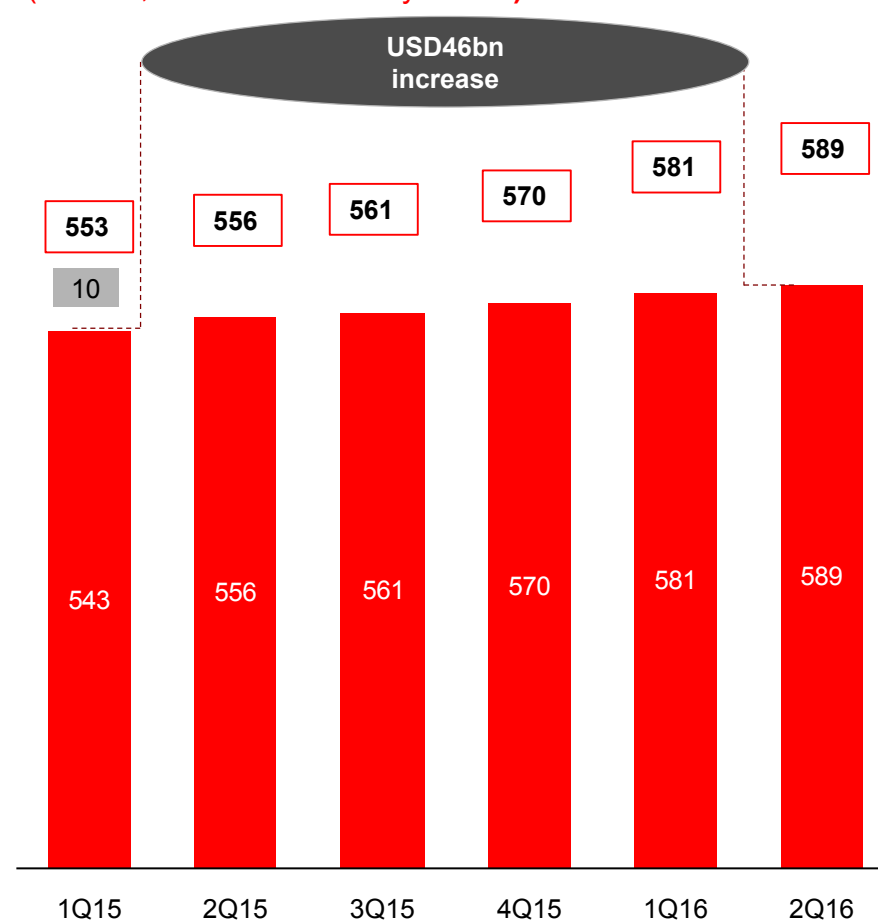
Principal RBWM – Balance sheet

Growth in both customer lending and customer account balances since 1Q15

Loans and advances to customers (USDbn, Constant currency basis¹)



Customer accounts (USDbn, Constant currency basis¹)



■ Balances excluding Brazil

■ Brazil² – balances were reclassified as 'Held for Sale' in 2Q15

All figures are sourced from the data Pack for further details on RBWM Balance Sheet

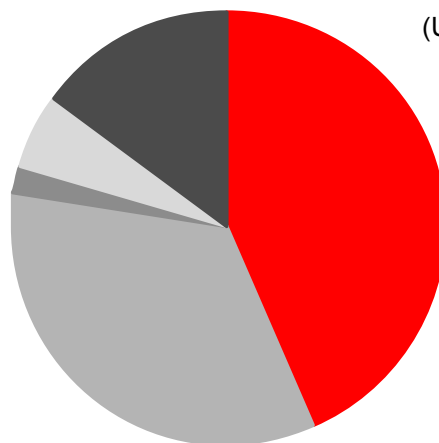
- Comparatives have been retranslated at end of June 2016 rate. The reported quarterly balances for Loans and advances to customers are as follows: 1Q15 USD322bn; 2Q15 USD331bn; 3Q15 USD324bn; 4Q15 USD322bn; 1Q16 USD322bn; 2Q16 USD315bn. The reported quarterly balances for Customer accounts are as follows: 1Q15 USD564bn; 2Q15 USD590bn; 3Q15 USD581bn; 4Q15 USD585bn; 1Q16 USD595bn; 2Q16 USD589bn.
- During 2Q15, customer lending and customer account balances relating to our Brazil operations were reclassified to 'Assets held for sale' or 'Liabilities of disposal groups held for sale' respectively

RBWM strategic overview 1H16 – Diversified franchise

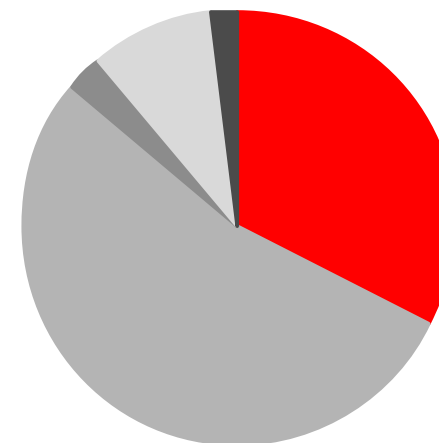


- C. 44 million customers¹
- Consistent global proposition model
- Significant domestic scale in Hong Kong and UK
- Strong local market share² in five further priority markets
- Focused on affluent segments in other priority markets

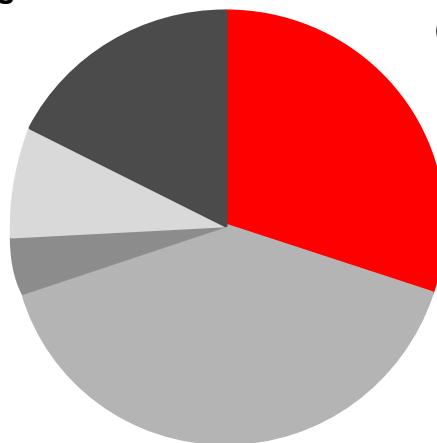
Active customers³



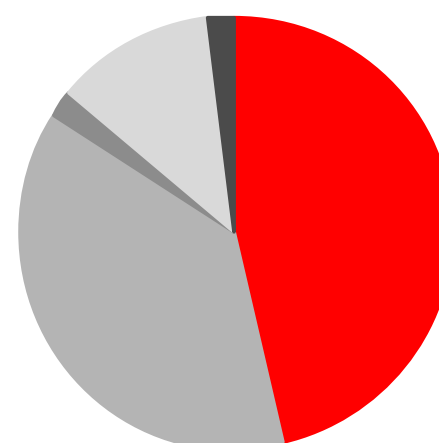
Customer deposits⁴
(USD)



Net operating income⁵
(USD)



Loans and advances⁴
(USD)



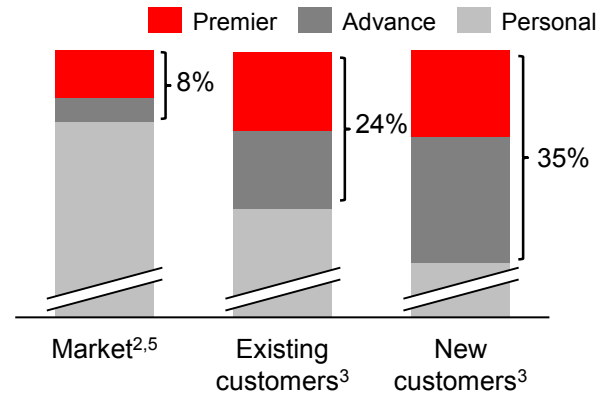
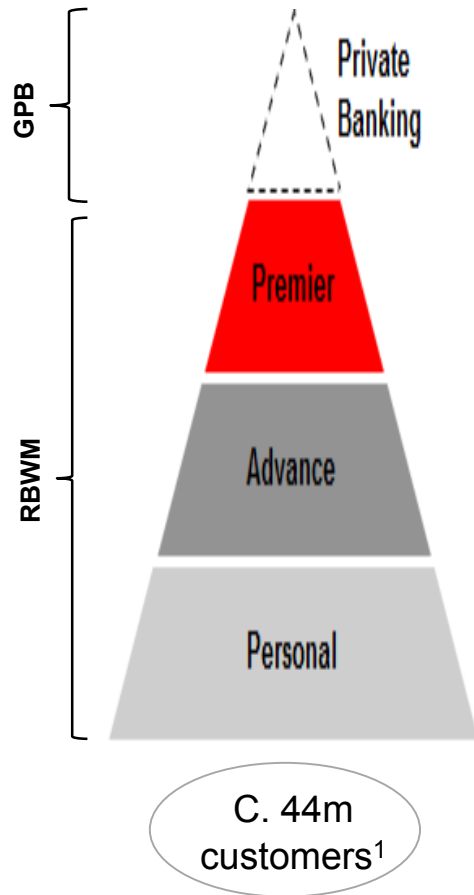
Asia
 Europe
 Latin America
 Middle East
 North America

¹ Includes Brazil ² Deposit market share > 4% as at Dec 2015 ³ Active customers in 1H16 ⁴ Financial data presented at June 2016 exchange rate ⁵ Net operating income before loan impairment charges, also referred to as "Revenue". Presented on an adjusted basis, excluding significant items. For a full list of significant items, please see HSBC Interim report 2016

Through Premier and Advance, we are able to attract an affluent client base, with higher revenue per customer

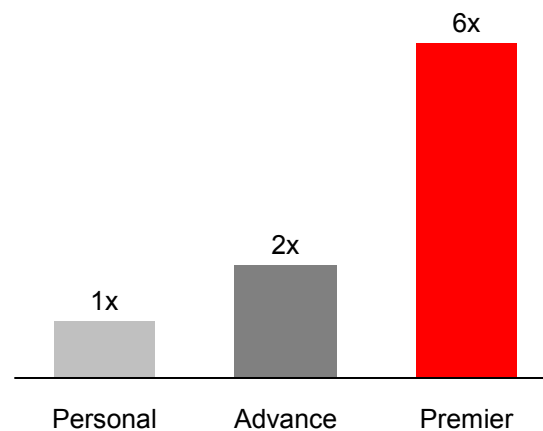
Customers and markets

Positioned towards affluent customers

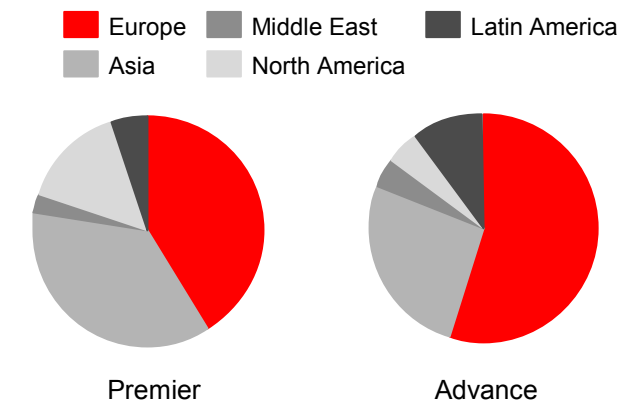


Selected markets ⁴	% Premier	Market ⁵	HSBC customer base
China	2%	2%	c. 71%
France	7%	7%	c. 50%
Canada	17%	17%	c. 35%
UAE	3%	3%	c. 23%

Revenue per customer



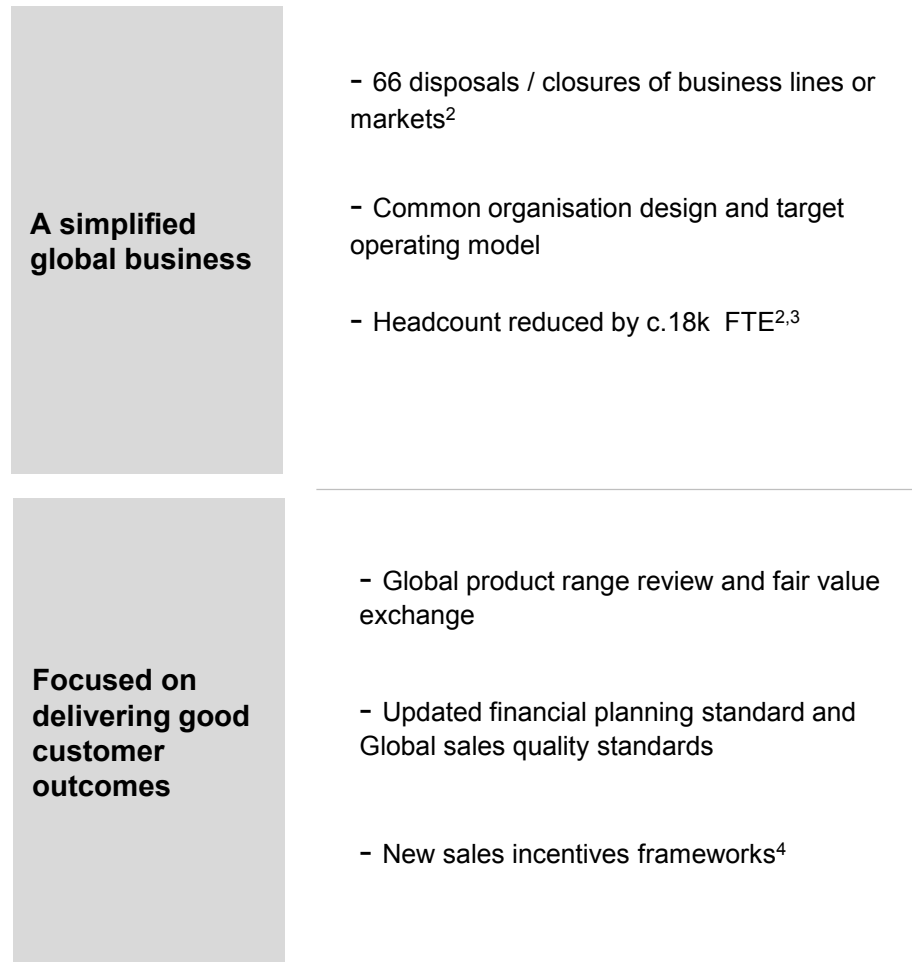
Geographical distribution of customers by segment³ (June 2016)



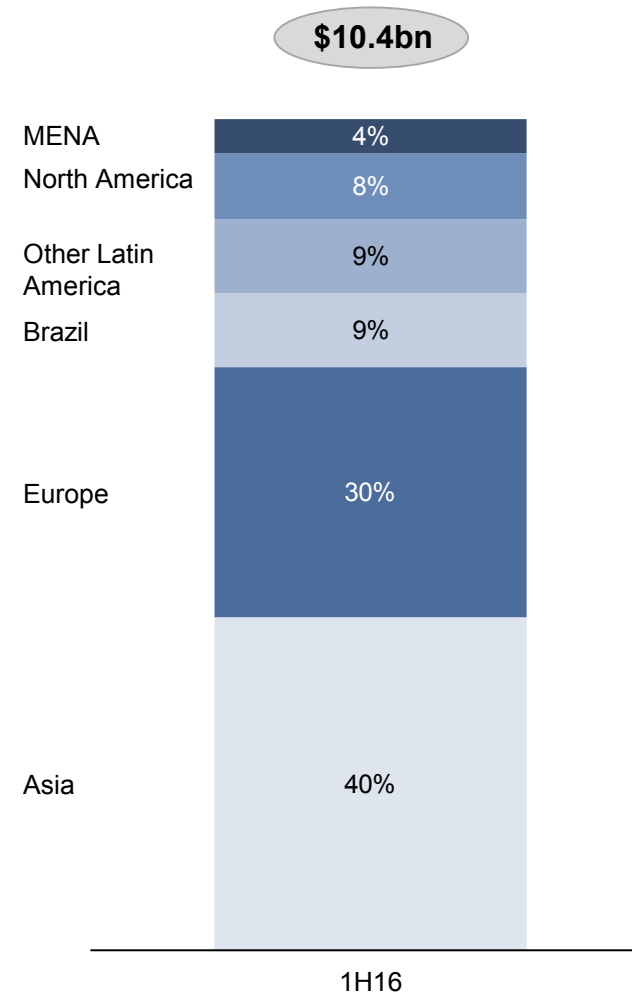
1. Includes Brazil
 2. Australia, Canada, China, France, Hong Kong, India, Indonesia, Malaysia, Mexico, Singapore, Turkey, UAE, UK US: Source: Datamonitor as of September 2014
 3. Existing customers and New customers acquired as of 1H16, excluding Brazil; Geographical distribution of customers excludes Brazil
 4. Selected examples only. In some countries neither HSBC nor the market have a high proportion of Premier clients. E.g. Turkey (1% Market, c.4% Premier customer base)
 5. Premier / Advance estimated as % of banked individuals holding USD 100,000 / USD 50,000 or more in liquid assets; Source: Datamonitor as of September 2014

Since 2011, we have simplified the business for high quality and diversified revenues

Business transformation



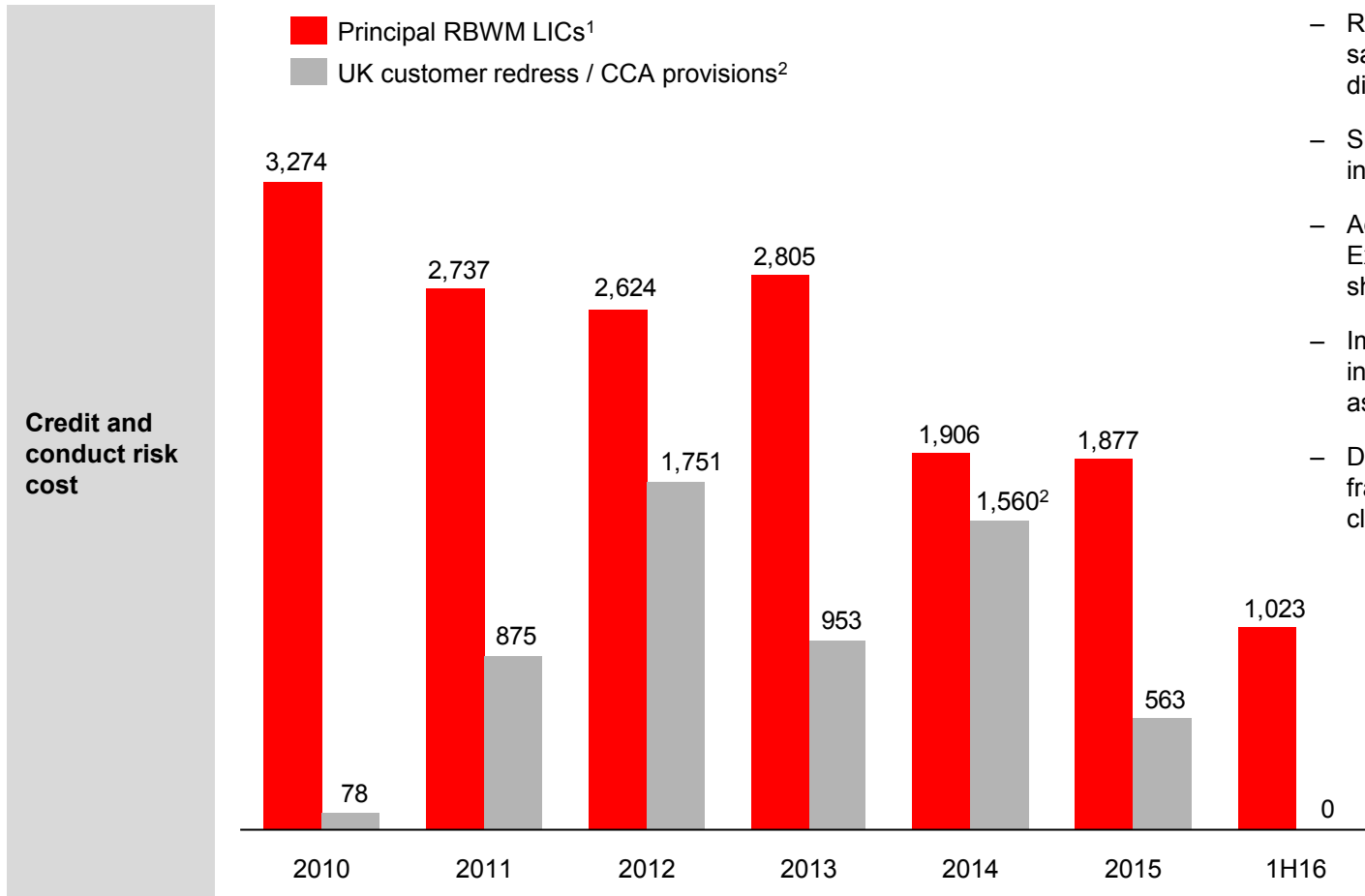
Principal RBWM Revenue by region, 1H16¹



1. Principal RBWM financial data presented on an "adjusted" basis
 2. Data since 2011
 3. Number excludes impact of disposals (c.17k FTE reduction)
 4. New sales incentive frameworks implemented in two phases from 2013 to 2014

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

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



Numerous actions to significantly reduce conduct risk starting in 2012

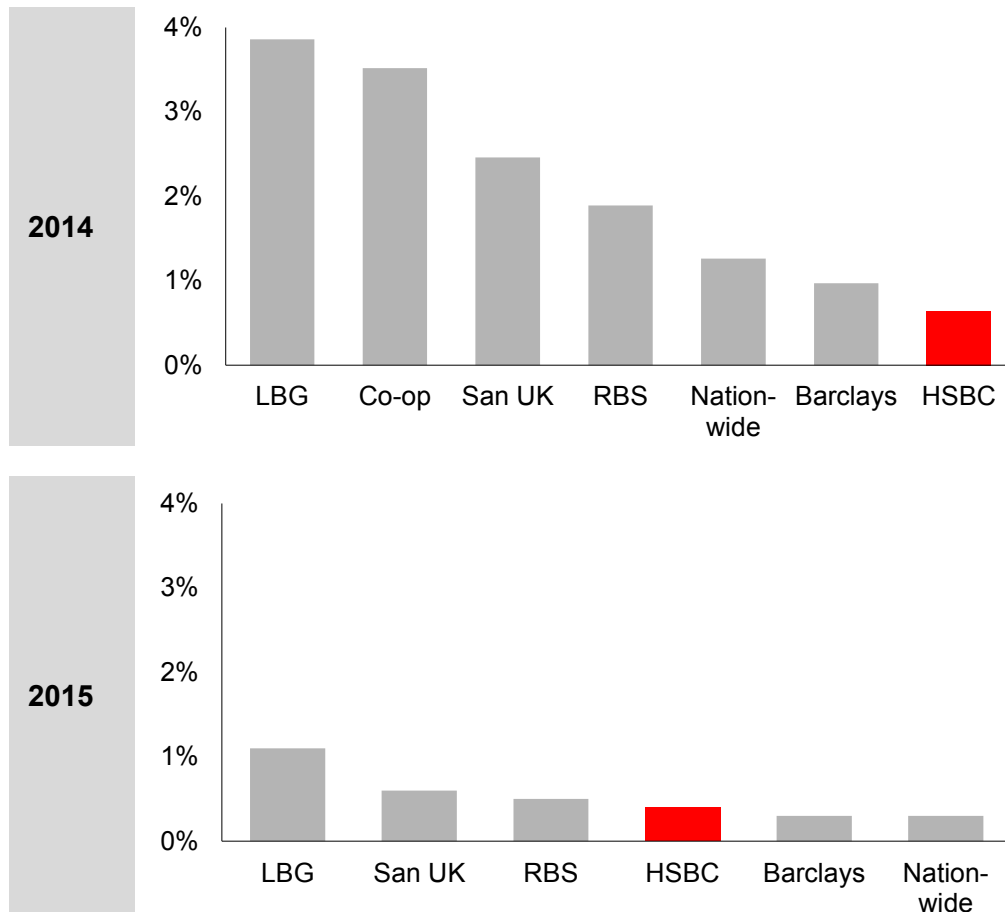
- Removed the formulaic link between product sales and remuneration: staff are paid on a discretionary basis
- Simplified our product shelf (c.30% reduction in retail products as of 1H16 vs. 2012)
- Addressed pro-actively the Fair Value Exchange (FVE) between customers and shareholders
- Implemented new sales quality monitoring, including mystery shopping and strengthened assurance programme
- Deployed new investment product risk framework to better match products with clients' risk profile

All figures are sourced from 2010, 2011, 2012, 2013, 2014 and 2015 Annual Report and Accounts & Data Pack

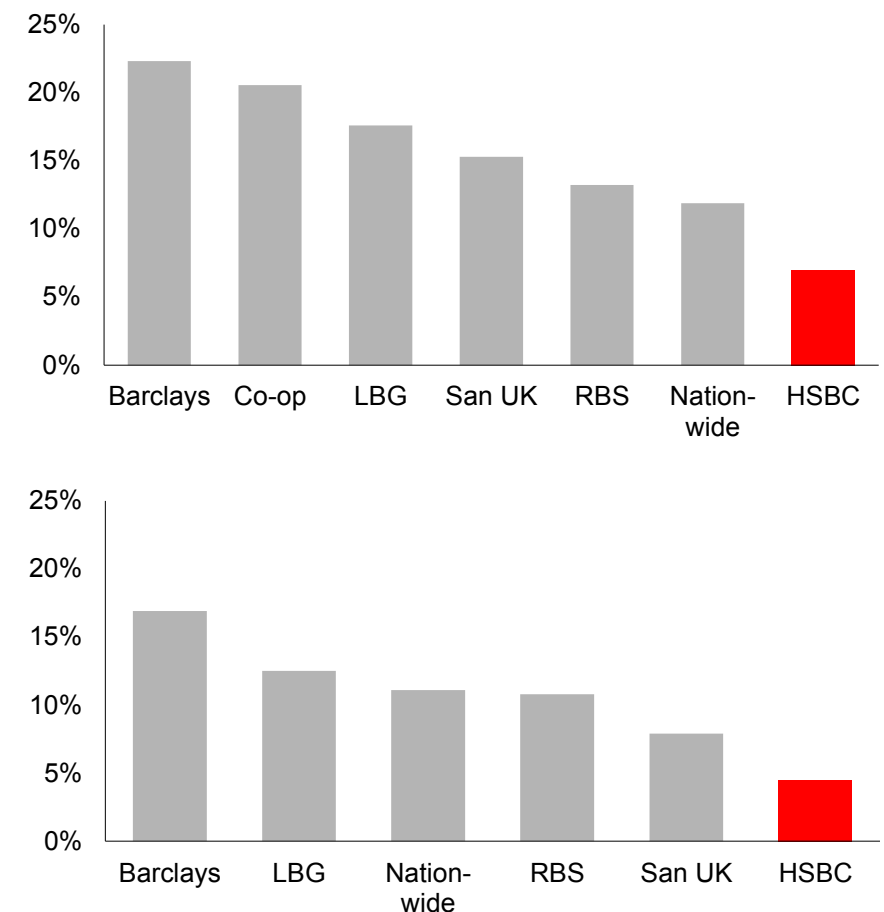
1. Reported basis. 2010 figure corresponds to RBWM (total) reported LIC less USD7.9bn related to US CRS and US run-off. In the first half of 2015, a portfolio of customers was transferred from CMB to RBWM in Latin America in order to better align the combined banking needs of the customers with our established global businesses. 2014 and 2013 comparatives have been re-presented accordingly
2. 2014 and 2015 include provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK, respectively of USD568m and USD222m

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

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



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



Source: "Stress testing the UK banking system: 2015 results", Bank of England, Dec 2014 and Dec 2015, respectively page 17 and page 46

1. Data sources: Participating banks' FDSF data submissions, Bank of England analysis and calculations

2. Cumulative impairment charge rates = (three-year total impairment charge) / (average gross on balance sheet exposure), where the denominator is a simple average of 2014, 2015 and 2016 year-end positions. This calculation may result in a lower impairment rate for those banks that expand balances significantly in the later years of the scenario as the economy recovers

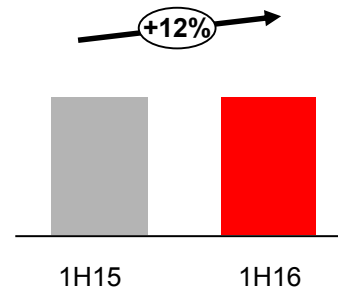
...and there are signs that the repositioning is leading to improved customer experience – Example RBWM Mexico

Conduct Agenda

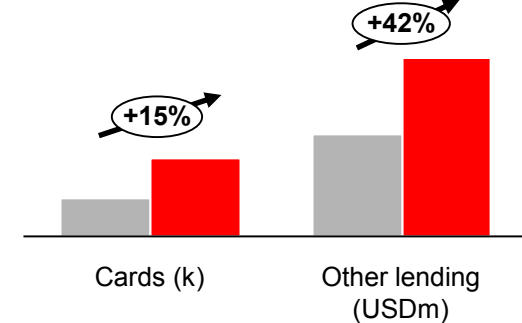
- In 2013-14, a new incentive framework was implemented across the Group, remunerating staff for meeting customer needs
- Following an initial decline as we adjusted to the new framework, product sales and revenue have been steadily increasing over the past year
- Implementation of the Conduct Agenda has resulted in an improved customer experience and a better reputation for the bank

Business performance

Revenues¹



Sales volumes²



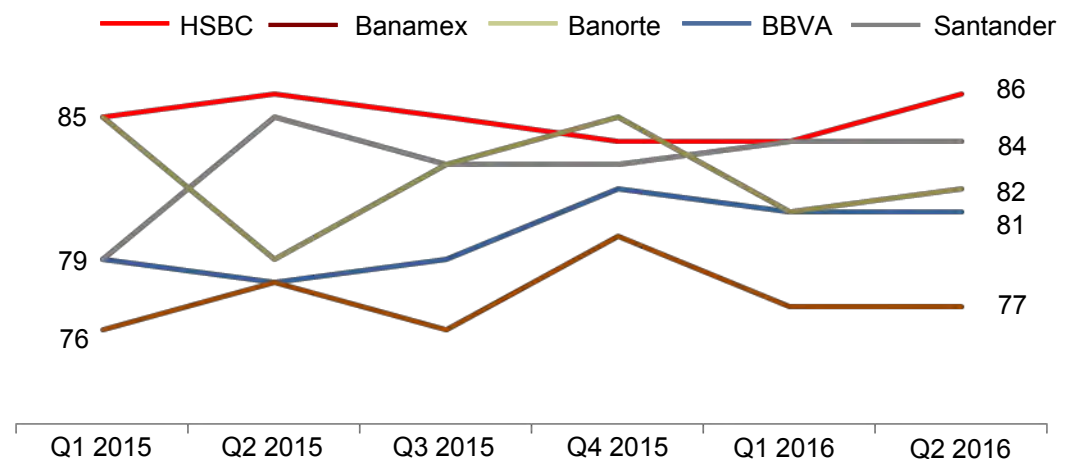
Latin American Retail Bank of the Year 2015 : HSBC Mexico



Reported drivers of customer recommendation³

HSBC	<ul style="list-style-type: none"> - Customers feel their goals are understood - Advice is relevant to customer needs - Customers receive excellent service
Competitor 1	<ul style="list-style-type: none"> - Excellent Reputation - Systems and processes are reliable - Competitive rates and fees
Competitor 2	<ul style="list-style-type: none"> - Accessible to customers - Products and services are relevant - Customers feel valued

Customer recommendation³



1. Financial data presented on an "adjusted" basis with comparatives based on 1H16 average exchange rates
 2. Other lending includes value of total drawdowns for Personal loans, Payroll loans and Mortgages
 3. Source: HSBC Customer Recommendation Index Q1'15-Q2'16, TNS Global

Our growth priorities have not changed and we continue to optimise our portfolio of markets and businesses

Strategic actions	Targeted outcome 2014-17	1H16 Progress		
Growth Priorities	1 Relationship-led Personal Lending <ul style="list-style-type: none"> Invest in marketing, customer relationship management, analytics and digital Strengthen credit capabilities (people, tools) Acquire new customers through unsecured lending 	<ul style="list-style-type: none"> Principal RBWM lending balance¹ growth 3-4% CAGR 	✓	
	2 Wealth Management <ul style="list-style-type: none"> Deliver competitive Premier USD1-5m, International, FX and Digital propositions Disciplined execution of the needs-based sales model Continue strong collaboration with the rest of Group Accelerate the pivot of Insurance and Asset Management towards Asia 	<ul style="list-style-type: none"> Premier Total Relationship Balance² 5-7% CAGR Wealth revenue³ growth 5-7% CAGR c.10% growth p.a. AUM in Asia 	✓	<i>In progress</i>
	3 Digital <ul style="list-style-type: none"> Expand digital ways of working within RBWM including digitalisation of processes Deliver data-driven, relevant and timely customer touchpoints Leverage digital investment to transform customer experience and cost base 	<ul style="list-style-type: none"> 40-50% of customers digitally active⁴ 2017 exit cost rate at 2014 level 	✓	<i>In progress</i>
Portfolio optimisation	4 Continue portfolio optimisation <ul style="list-style-type: none"> Review market portfolio in line with Group priorities and requirements Address low performing / sub-scale businesses Focus investment on key priority growth markets 	<ul style="list-style-type: none"> Portfolio review conclusions implemented 	<i>In progress</i>	

1. Money lent to individuals rather than institutions. This includes both secured and unsecured loans such as mortgages and credit card balances.

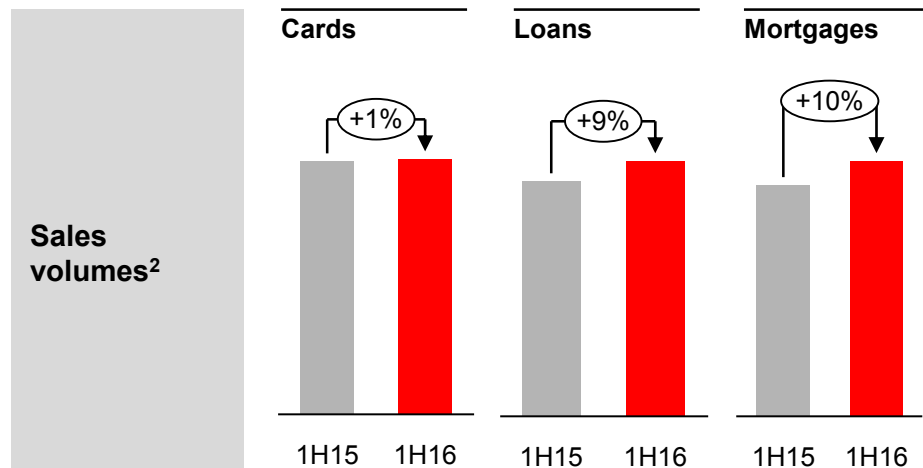
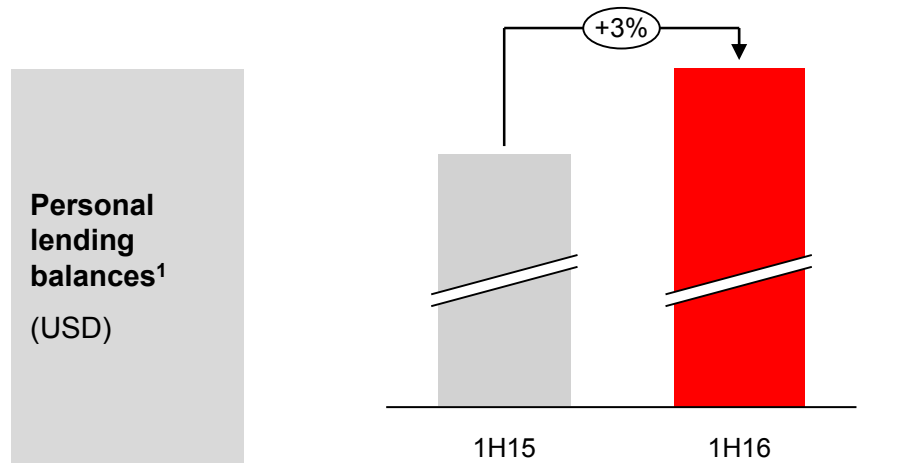
2. Aggregate of Deposits (both local and foreign currency), investments (e.g. Mutual Funds, Equities, etc.) and Insurance (Life, Pension and Investment insurance products). It is exclusive of Credit Enhancement Services Insurance and General Insurance products, pure Protection Insurance products as well as Mortgage or other Loan / Asset balances

3. Wealth Distribution revenue only

4. Total customers who have logged in to one of our Digital platforms (Internet / Mobile) in the last three months as a % of all RBWM active customers (priority markets)

We have the capacity to take more credit risk in RBWM and the business is showing signs of volume growth

Principal RBWM lending balances and sales volume growth



Actions to date

- Global analytics capability improving the identification of customer needs
- New triggers enabling targeted offers to individual customers
- Consistently implemented global segmentation capability, strengthening pricing and profitability discipline
- Integrated risk approach enhancing risk adjusted returns

Next steps

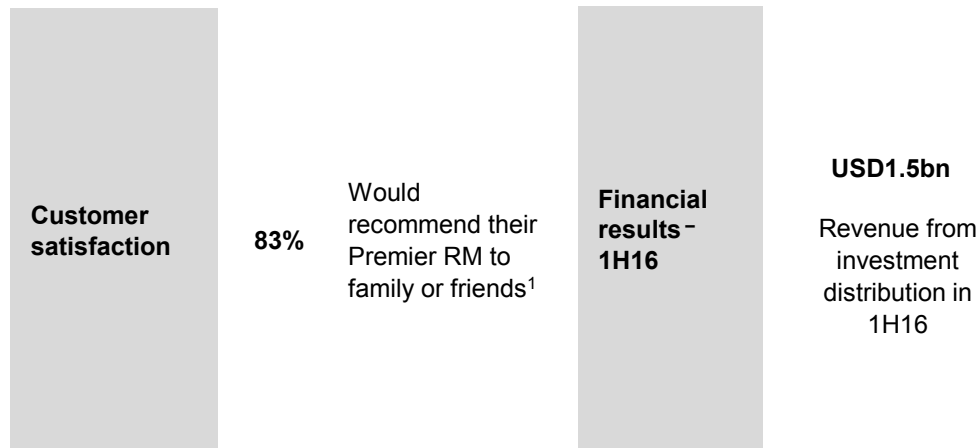
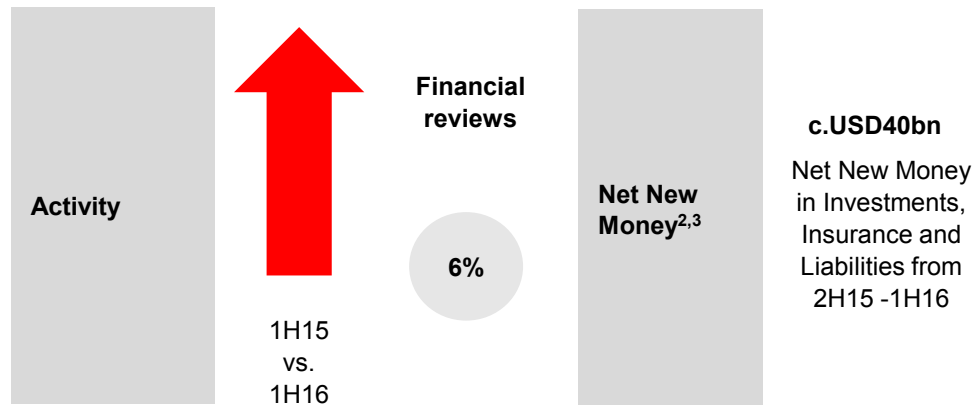
- Investing further in analytics, including digital targeting and real-time offer capability
- Deploying digital utilities (e-signature, document upload) to simplify the customer experience and enable straight through processing
- Focusing on innovation, including new mobile sales and service capabilities, and strategic partnerships with new payment providers
- Leveraging the Group's connectivity to deliver international mortgages and global consumer offers

1. Principal RBWM financial data presented at June 2016 exchange rate

2. Average Weekly Sales for Priority Markets; Cards: Number of new cards issued; Loans & Mortgages: Value of total drawdowns in USD, excludes Brazil, Turkey

Our investment in a differentiated Wealth offering is driving good performance in the face of market headwinds

Strong customer satisfaction and Net New Money



We have built a clearly differentiated Wealth offering

- Financial planning**
 - We operate a consistent global financial planning model based on our customers' goals and aspirations
- Aligned to needs**
 - Our relationship managers are rewarded for meeting customer needs, not for product sales
- Integrated advice**
 - A single relationship manager can provide professional advice across a customer's Wealth and Retail needs

With opportunities for sustainable growth

- Launched Jade by Premier proposition in 3 markets in 1H16, and further expand to 6 markets for 2016 to better meet the needs of wealthier customers.
- Investing in system and services to better serve our international customers
- Deploying enhanced analytics to improve our understanding of customer needs
- Investing in marketing, tools, and digital capabilities
- Simplifying our processes for our customers
- Bringing Asset Management and Insurance capabilities to retail clients including research, insights and advice

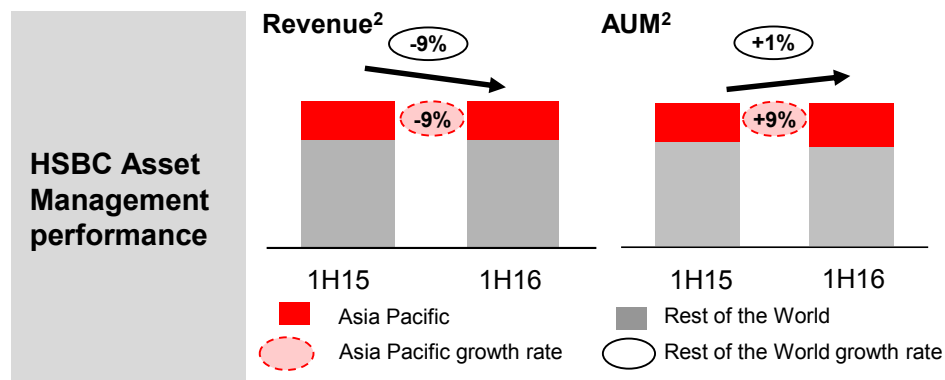
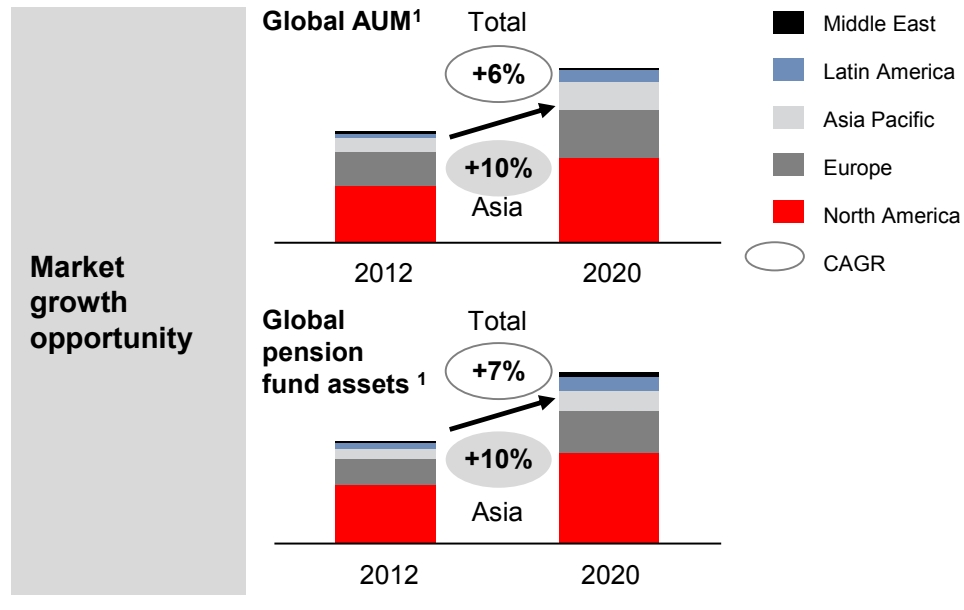
1.HSBC Premier Relationship Manager Customer Experience Survey as of 1H16; Median recommendation score across 17 priority markets, excluding Brazil

2.New Net Money collected for Top 10 Markets, of which \$29bn is Liabilities, \$8bn is Investments and \$3bn is Insurance. Excluding mortgages, and Brazil

3. Financial data presented at June 2016 exchange rate, including Brazil

Our asset management business is positioned to benefit from the growth in retirement savings and collaboration with the Global Businesses

Managed asset pools are forecast to grow strongly (USD)



This growth provides opportunities for us

Retirement savings

- Ageing populations and the risk transfer from Governments to individuals are driving the need for retirement savings investment strategies

Group clients

- Group customer base including relationships with pension funds and insurance companies

Asia

- Distribution footprint aligned to forecast growth of managed assets in key emerging markets

We have already moved on these

- Deepened relationships with pension, insurance and corporate clients
- Developed core asset allocation solutions for RBWM
- Deployed a single global investment process and platform; ongoing alignment with GPB for management of discretionary portfolios
- Differentiated products and services through highest standards of fiduciary conduct and governance

And we are positioned for future growth

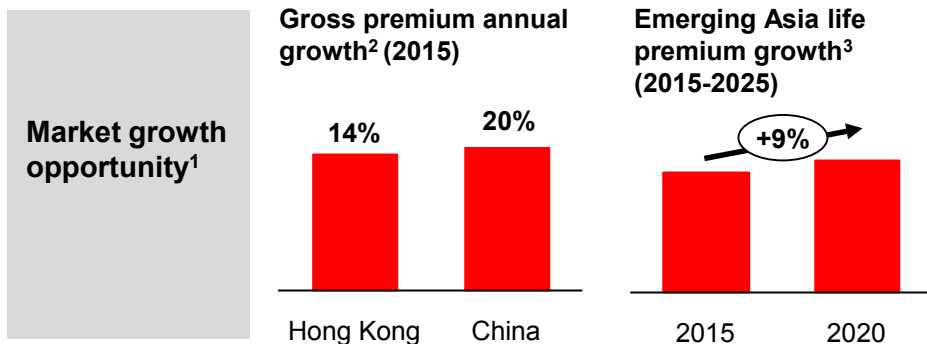
- Participating in growing managed asset pools driven by individual investors' wealth, savings and retirement plans, particularly in Asia
- Driving continued growth from Group retail distribution channels
- Leveraging Group connectivity to meet needs of institutional clients, both long-term and liquidity management
- Potential for selective acquisitions to strengthen franchise

1. Source: PwC Report "Asset Management 2020 – A Brave New World"

2. Principal RBWM financial data presented on an "adjusted" basis

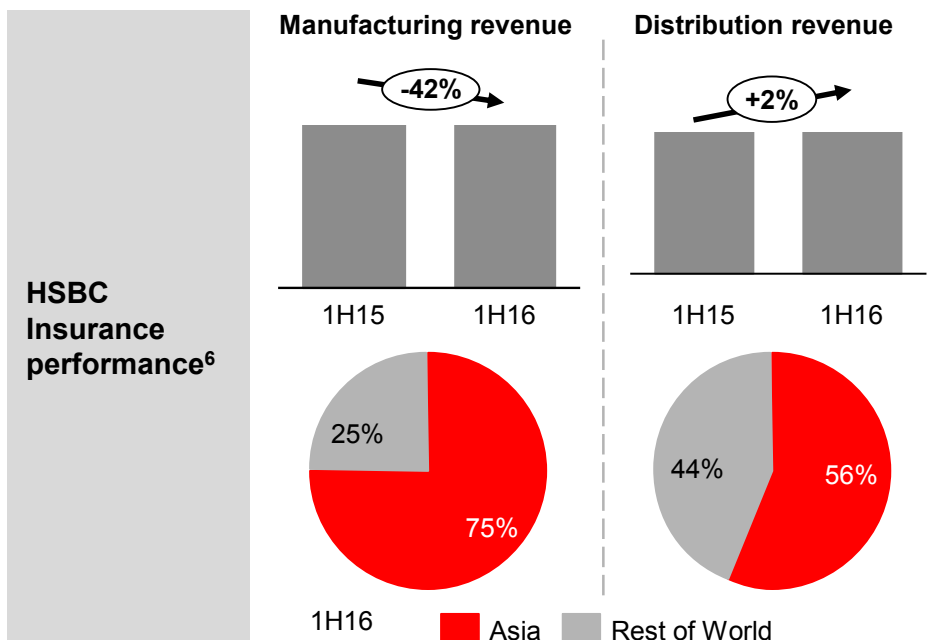
Despite market conditions negatively impacting 1H16 revenue through lower favourable movements in PVIF, Insurance remains accretive to the Group, with majority of exposure to Asia

Profitable and accretive returns for Group (USD)



Significant growth opportunity, particularly in Asia

- Asia's share of the global middle class will almost double by 2020⁴, driving growth and demand for wealth products including insurance, particularly to meet saving and protection needs
- Asia's aging population, particularly in China⁵, is increasing the need for retirement and protection products as public systems become strained
- Increasing international availability and usage of RMB drives demand for RMB-denominated insurance products
- Continued focus on the high quality and underpenetrated customer base in Hong Kong where market growth has exceeded 13% for the last 2 years



The insurance business is positioned for quality earnings

- Insurance contributes positively to Group CET1 capital through the dividends it pays to the Group, with a high RoRWA
- Significant distribution footprint in markets where bancassurance is the predominant channel
- Proactively addressed the conduct agenda improving customer outcomes and minimising the risk of mis-selling

Next steps

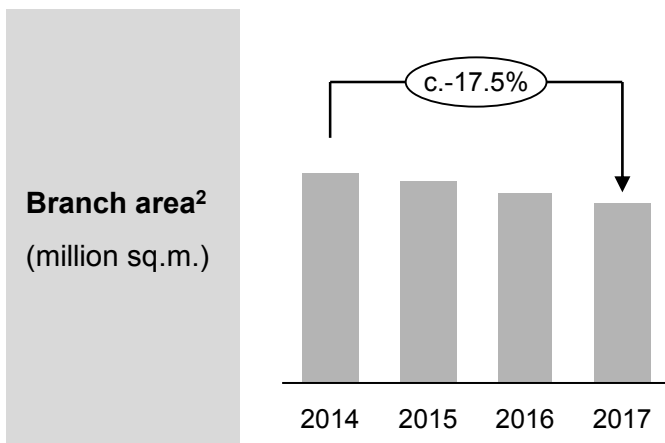
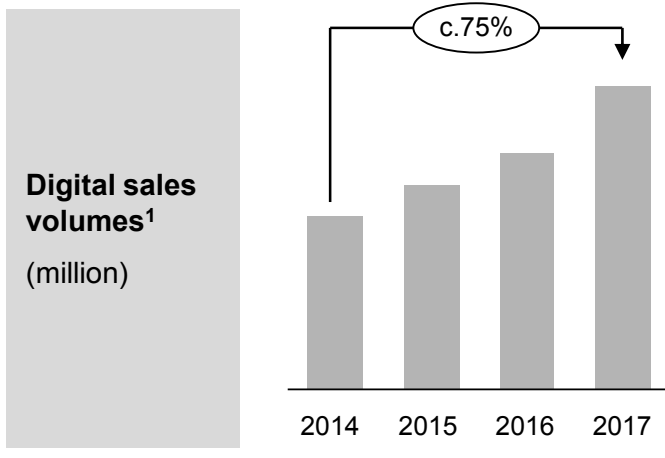
- Committed to invest in Asia to capitalise on growth opportunities
- Fill in product gaps, enhance offerings, and simplify processes while increasing distribution capabilities and capacity
- Support development with improved data and analytics

1. Life Insurance
 2. HK TDC (Trade Development Council) research, H1 2015 YoY
 3. CAGR, Munich Re Insurance Market Outlook (May 2015)

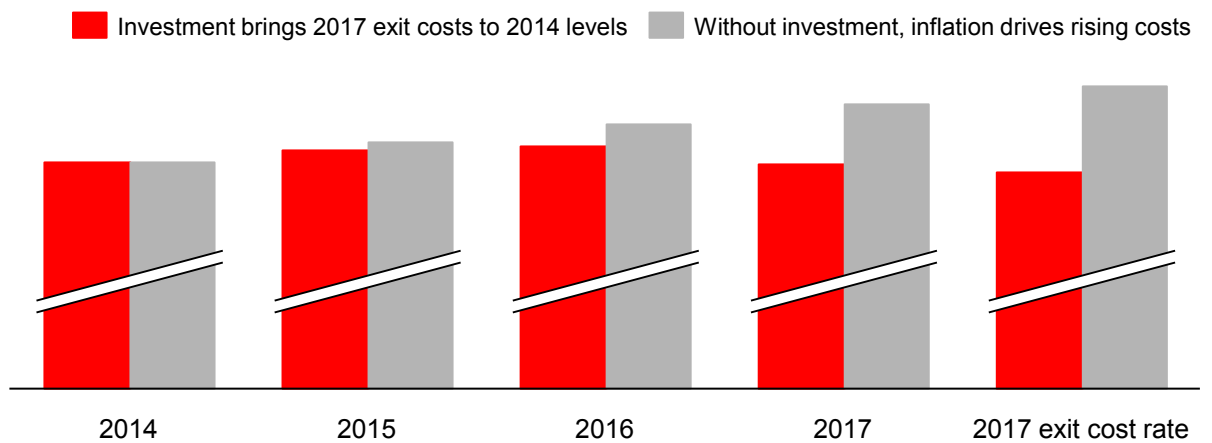
4. 2014 EY Asia-Pacific insurance outlook
 5. 2014 EY Waves of change
 6. Principal RBWM financial data presented on an "adjusted" basis

Digital transformation will enable process simplification and accelerate channel migration, improving productivity and customer experience

Changing customer behaviour



The Group's streamlining programme will sustainably reduce RBWM's costs



Digital transformation

- Enhance digital platform and service capabilities
- Accelerate deployment across geographies
- Improve supporting digital operations

Simplifies customer interactions

Product and service automation

- Optimise end-to-end customer journeys
- Automate sales and service transactions to deliver straight through processing

Improves productivity

Channel simplification

- Deliver effortless multi-channel capability
- Empower customers via self-assisted sales
- Optimise branch and contact centre footprint

Enhances customer experience

1. Retail sales for mortgage, loans, cards, savings, current accounts, through digital channels in top 6 markets (includes ATM / third party sales)
2. Top 6 markets. Previously shown as c. 20%. Change reflects planned disposal of Brazil

Digital transformation is well under way

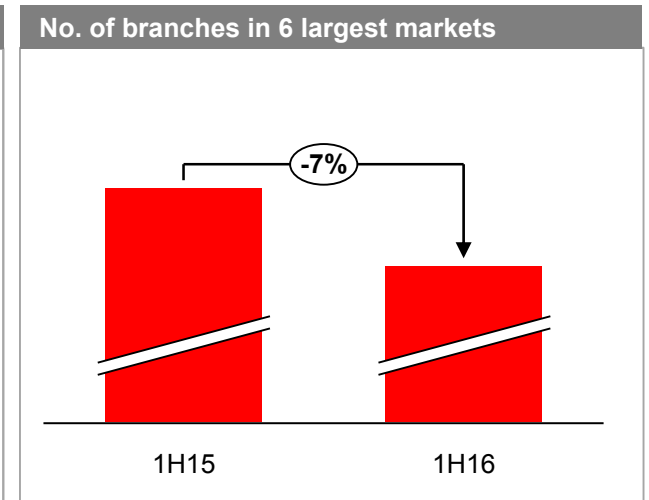
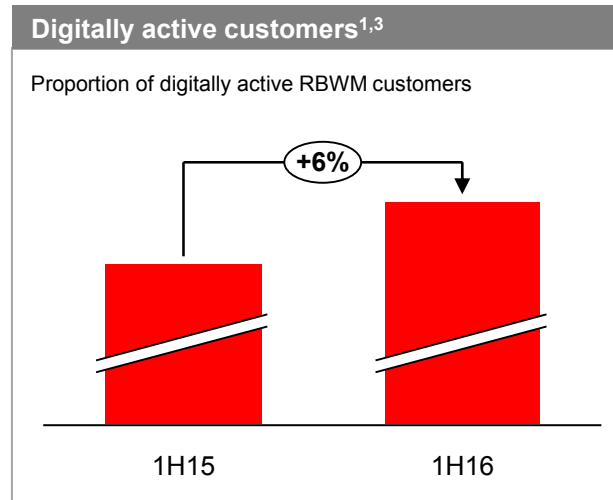
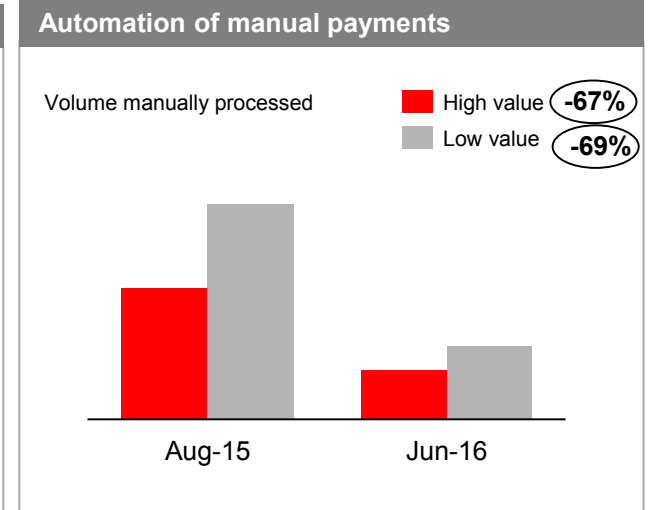
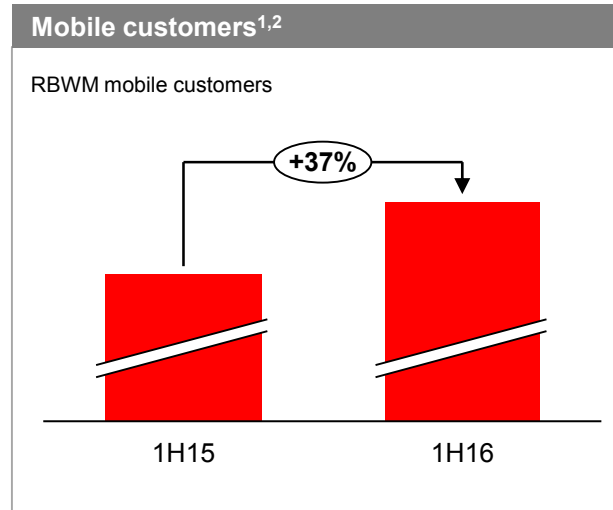
Selected achievements

Increasing customer connectivity

- Over 5 million logins using **Touch ID** across the US, UK and France with c.350,000 customers enrolled
- **Live Connect Video** in UK branches to connect customers to mortgage advisors more easily
- **Live Chat** encouraged 80% of customers to switch from traditional service channels; nearly 1 million live chats occurring since launch
- Introduced **Apple Pay** in 2015, now rolled out **Android Pay** in US and UK
- Customers across China **can now link their WeChat ID with their HSBC account**
- New customers can now apply for a mortgage through our website and receive a **Decision in Principle in 10 minutes**.

Improving process efficiency

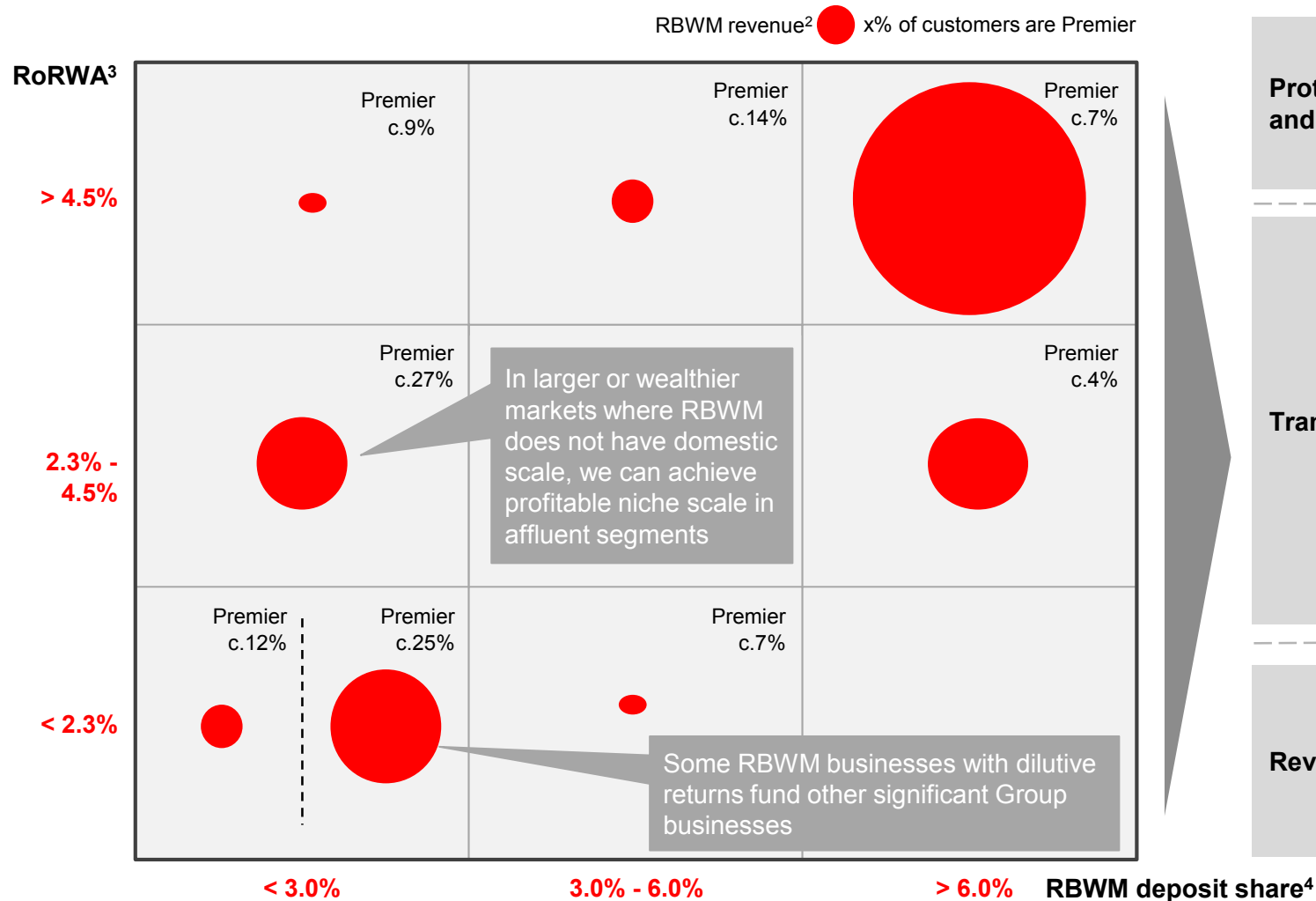
- **Paperless account opening in Hong Kong** for personal accounts; more than 10,000 accounts opened using tablets
- New **Multi-Channel Appointment Booking Tool** has reduced time to book an appointment and lowered appointment no-shows by over 30%



1. In home and priority markets
 2. Total number of customers who have logged into their mobile application at least once in the last 30 days
 3. Total number of customers who have logged onto personal internet banking via Desktop, Mobile and/or Tablet at least once in the last 90 days

Within our portfolio of businesses, returns are driven by a combination of domestic scale and focus on affluent customers...

Scale and returns for RBWM priority markets¹



Strategic actions

- Protect and grow**
 - Maintain and increase existing scale
 - Invest to drive incremental growth
- Transition**
 - Invest in increased scale to improve profitability
 - Where there is a large enough affluent population, focus on Premier / Advance
 - Grow Retail Business Banking in selected markets
- Review**
 - Review RBWM position in overall Group context (e.g. Group profitability, funding, cost absorption)

1. Analysis based on all HSBC priority markets excluding Saudi Arabia

2. Principal RBWM financial data presented on an "adjusted" basis with comparatives translated at average 2015 exchange rates, 2011-2015 average. Size of the bubble corresponds to total revenue of priority markets meeting RoRWA and deposit share criteria

3. Principal RBWM financial data presented on an "adjusted" basis with comparatives translated at average 2015 exchange rates, 2011-2015 average RoRWA

4. Deposit share as at Dec 2015

Conclusion - RBWM is focused on sustainable growth and delivering digital transformation

Achieving our strategic priorities

Growth priorities

- Our growth priorities have not changed. We will continue to focus our investment on relationship-led lending, wealth management and digital
- We will shift the focus of our Asset Management and Insurance businesses to capture opportunities in Asia
- Through these priorities, we will grow our PBT faster than our RWAs, increasing our RoRWA

Digital transformation

- Digital transformation will enable process simplification and accelerate channel migration, improving productivity and customer experience
- Through our investment in the digital transformation, we will hold our 2017 exit cost rate at 2014 levels

Portfolio optimisation

- We will continue to review our portfolio of markets from both RBWM and Group perspectives
- We will address poorly performing businesses, and focus our investment on priority growth markets

Risk to strategy

- Low or lower interest rates for longer
 - Uncertainty from Brexit
 - Adverse market conditions impacting our wealth management revenue, including insurance
-

Appendix – 1H16 Performance

Group 1H16 vs. 1H15 profit before tax performance

Lower adjusted PBT from a fall in revenue and increased LICs; continued progress with our cost base

1H16 vs. 1H15 adjusted PBT analysis, \$m

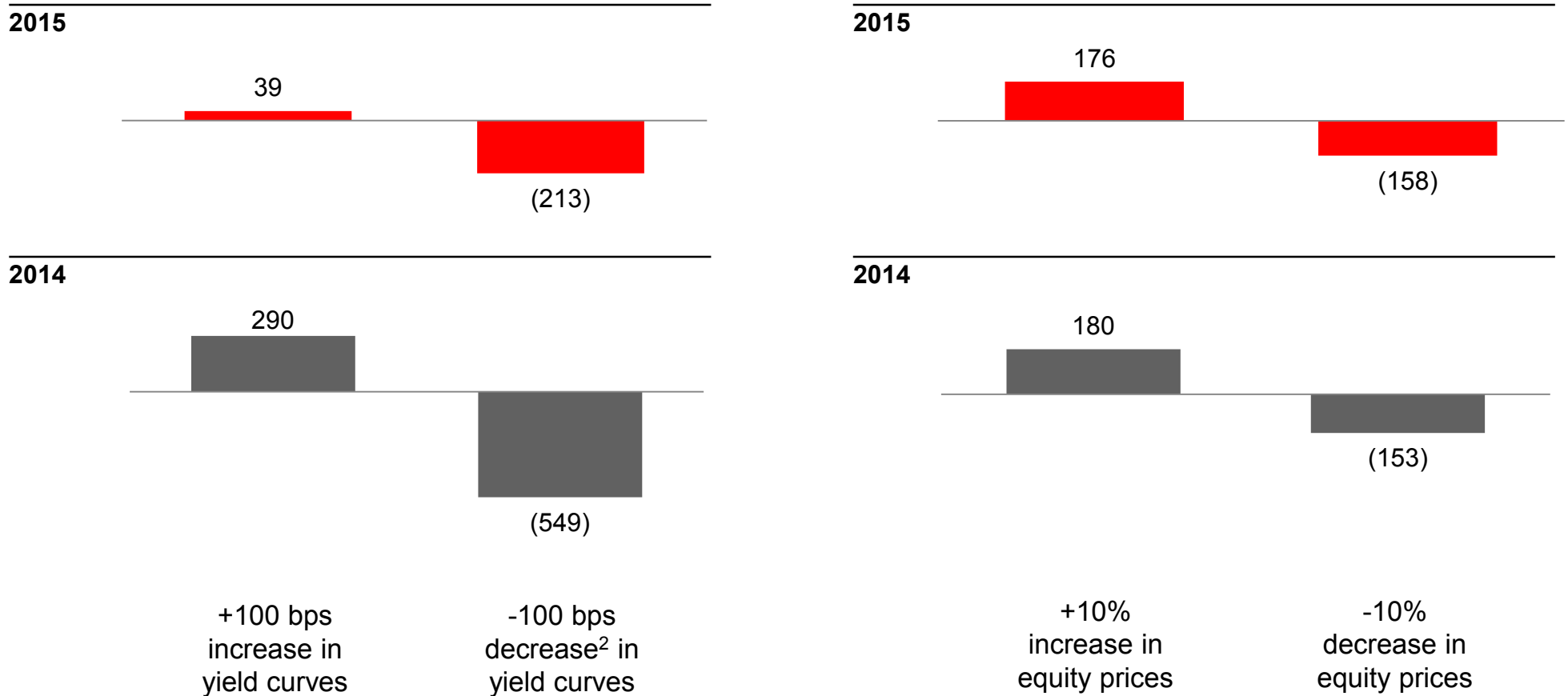
	1H15			1H16			vs. 1H15	
	Group	Brazil	Group excl. Brazil	Group	Brazil	Group excl. Brazil	Group	Group excl. Brazil
Revenue	29,178	1,631	27,547	27,868	1,531	26,337	(1,310)	(1,210)
LICs	(1,279)	(402)	(877)	(2,366)	(748)	(1,618)	(1,087)	(741)
Operating expenses	(16,605)	(1,083)	(15,522)	(15,945)	(1,059)	(14,886)	660	636
Income from associates	1,256	(1)	1,257	1,238	(1)	1,239	(18)	(18)
Adjusted PBT	12,550	145	12,405	10,795	(277)	11,072	(1,755)	(1,333)

Adjusted PBT by global business, \$m	1H15	1H16	vs. 1H15	%
RBWM	3,753	2,839	(914)	(24)%
CMB	4,371	4,128	(243)	(6)%
GB&M	5,204	4,118	(1,086)	(21)%
GPB	320	246	(74)	(23)%
Other	(1,098)	(536)	562	51%
Group	12,550	10,795	(1,755)	(14)%

Adjusted PBT by geography, \$m	1H15	1H16	vs. 1H15	%
Europe	2,636	1,898	(738)	(28)%
Asia	7,834	7,203	(631)	(8)%
Middle East and North Africa	875	983	108	12%
North America	904	684	(220)	(24)%
Latin America	301	27	(274)	(91)%
- Latin America ex Brazil	156	304	148	95%

Insurance manufacturing subject to market volatility

Insurance manufacturing PAT sensitivity¹ (USDm)



1. Insurance manufacturing PAT sensitivity covers all Global Businesses

2. Where a -100 basis point parallel shift in the yield curve would result in a negative interest rate, the effects on profit after tax have been calculated using a minimum rate of 0%

Total RBWM – Income Statement – Reported

	Footnotes	Total RBWM \$m	US run-off portfolio \$m	Principal RBWM \$m	Principal RBWM consists of		
					Banking operations \$m	Insurance manufacturing \$m	Asset management \$m
1H16							
Half-year to 30 Jun 2016							
Net interest income		7,724	388	7,336	6,433	901	2
Net fee income/(expense)		2,576	(2)	2,578	2,418	(304)	464
Other income/(loss)	1	817	(19)	836	769	46	21
Net operating income	2	11,117	367	10,750	9,620	643	487
LICs	3	(1,120)	(97)	(1,023)	(1,023)	—	—
Net operating income		9,997	270	9,727	8,597	643	487
Total operating expenses		(7,808)	(846)	(6,962)	(6,413)	(210)	(339)
Operating profit/(loss)		2,189	(576)	2,765	2,184	433	148
Income from associates	4	193	—	193	173	14	6
Profit/(loss) before tax		2,382	(576)	2,958	2,357	447	154
RoRWA	5	2.6%	(3.3)%	4.0%			
1H15							
Half-year to 30 Jun 2015							
Net interest income		8,054	536	7,518	6,664	850	4
Net fee income/(expense)		3,334	(2)	3,336	3,079	(282)	539
Other income	1	1,054	46	1,008	397	595	16
Net operating income	2	12,442	580	11,862	10,140	1,163	559
LICs	3	(934)	(47)	(887)	(887)	—	—
Net operating income		11,508	533	10,975	9,253	1,163	559
Total operating expenses		(8,354)	(688)	(7,666)	(7,076)	(219)	(371)
Operating profit/(loss)		3,154	(155)	3,309	2,177	944	188
Income from associates	4	208	—	208	178	11	19
Profit/(loss) before tax		3,362	(155)	3,517	2,355	955	207
RoRWA	5	3.3%	(0.6)%	4.6%			

All figures are sourced from the Interim Report

- Other income in this context comprises where applicable net trading income, net income/(expense) from other financial instruments designated at fair value, gains less losses from financial investments, dividend income, net insurance premium income and other operating income less net insurance claims and benefits paid and movement in liabilities to policyholders
- Net operating income before loan impairment charges and other credit risk provisions, also referred to as revenue
- Loan impairment charges and other credit risk provisions
- Share of profit in associates and joint ventures
- Risk-weighted assets ('RWA's) and pre-tax return on average risk-weighted assets ('RoRWA')