



Global Banking and Markets

Investor Update

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Appendix

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 2015 Annual Report and Accounts and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

Group highlights

2015 Full Year

Reported PBT
(2014: \$18.7bn)

\$18.9bn

Adjusted PBT
(2014: \$22.0bn)

\$20.4bn

Reported RoE
(2014: 7.3%)

7.2%

Adjusted Jaws

(3.7)%

Ordinary dividends
In respect of the year
(2014: \$0.50)

\$0.51

CET1 ratio
(2014: 11.1%)

11.9%

2015 Financial Performance

- Reported PBT up 1%: net favourable movement in significant items
- Adjusted PBT fell 7%:
 - Higher revenue of \$0.5bn (1%) from growth in client-facing GB&M (7%), CMB (3%) and Principal RBWM (2%)
 - Higher costs (up \$1.6bn) from increased bank levy (\$0.4bn), investment in growth (\$0.3bn) and regulatory programmes and compliance (\$0.7bn)
 - Higher LICs (up 17% or \$0.6bn) across a number of countries and industrial sectors, most notably oil and gas

Capital and dividends

- Strong capital position with a common equity tier one ratio of 11.9% on an end point basis and a strong leverage ratio of 5.0%
- Progressive dividends in 2015 of \$0.51 per ordinary share; total dividends in respect of the year of \$10.0bn

Strategy execution

- Clearly defined actions to capture value from our network and connecting our customers to opportunities
 - Progress on reducing Group RWAs with a \$124bn reduction from RWA initiatives or 45% of our rebased 2017 target achieved
 - Signed agreement to sell operations in Brazil¹
 - Revenue from transaction banking products up 4% highlighting the value and potential of our international network
 - Development of Asia business gaining momentum – revenue growth in excess of GDP in seven out of eight of our priority Asia markets
 - 2H15 costs in line with 1H15 following tight cost control and the initial effect of our cost saving plans

1. We plan to maintain a corporate presence in Brazil to serve our international clients

2015 Group key metrics

Key financial metrics	FY14	FY15	Target
Return on average ordinary shareholders' equity	7.3%	7.2%	>10%
Jaws (adjusted)	-	(3.7)%	Positive
Dividends per ordinary share in respect of the year	\$0.50	\$0.51	Progressive
Earnings per share	\$0.69	\$0.65	n/a
Common equity tier 1 ratio (end point basis) ¹	11.1%	11.9%	n/a
Return on average tangible equity	8.5%	8.1%	n/a
Leverage ratio	4.8%	5.0%	n/a
Advances to deposit ratio	72.2%	71.7%	n/a
Net asset value per ordinary share (NAV)	\$9.28	\$8.73	n/a
Tangible net asset value per ordinary share (TNAV)	\$7.91	\$7.48	n/a

Reported Income Statement, \$m					Adjusted Income Statement, \$m				
	4Q15	vs. 4Q14	2015	vs. 2014		4Q15	vs. 4Q14	2015	vs. 2014
Revenue	11,772	(18)%	59,800	(2)%	Revenue	12,950	(1)%	57,765	1%
LICs	(1,645)	(32)%	(3,721)	3%	LICs	(1,645)	(63)%	(3,721)	(17)%
Costs	(11,542)	3%	(39,768)	4%	Costs	(9,959)	(2)%	(36,182)	(5)%
Bank levy ²	(1,465)	(32)%	(1,421)	(34)%	Bank levy ²	(1,465)	(32)%	(1,421)	(34)%
Costs excl. bank levy	(10,077)	6%	(38,347)	5%	Costs excl. bank levy	(8,494)	2%	(34,761)	(4)%
Associates	557	(2)%	2,556	1%	Associates	557	2%	2,556	3%
PBT	(858)	(150)%	18,867	1%	PBT	1,903	(34)%	20,418	(7)%

1. From 1 January 2015 the CRD IV transitional CET1 and end-point CET1 capital ratios became aligned for HSBC Holdings plc due to recognition of unrealised gains on investment property and available-for-sale securities

2. Net bank levy charge was \$1,421m in 2015 and \$1,063m in 2014; 1Q14 and 1Q15 included credits relating to the prior year's bank levy charge of \$45m and \$44m respectively

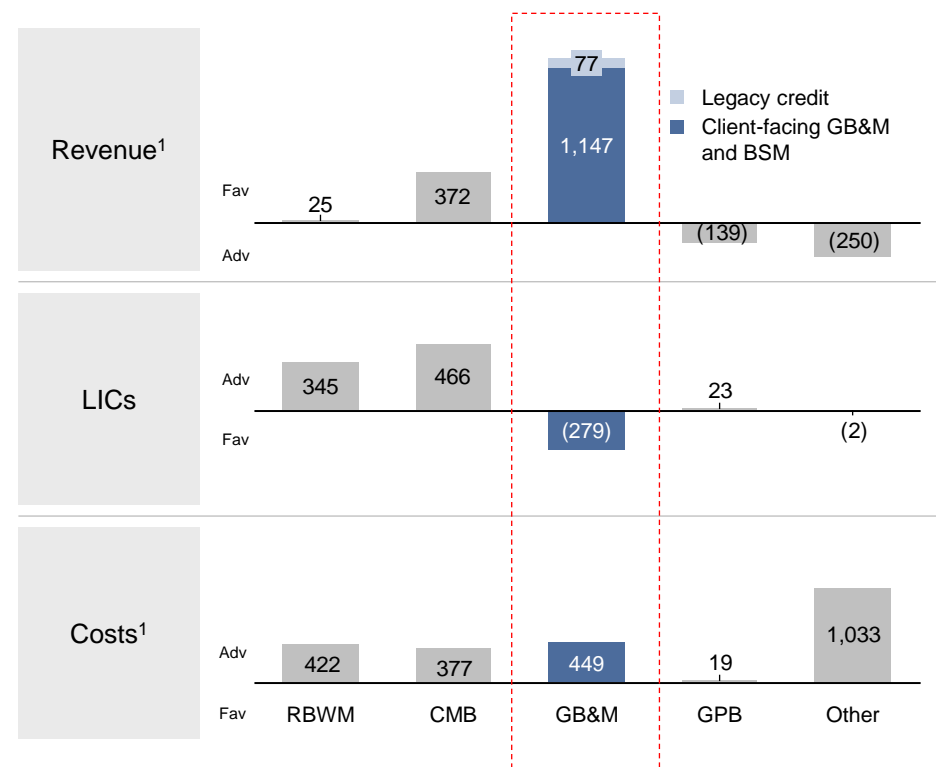
GB&M as a part of the HSBC Group

GB&M 2015 performance compared with Group

Adjusted Group PBT by account line

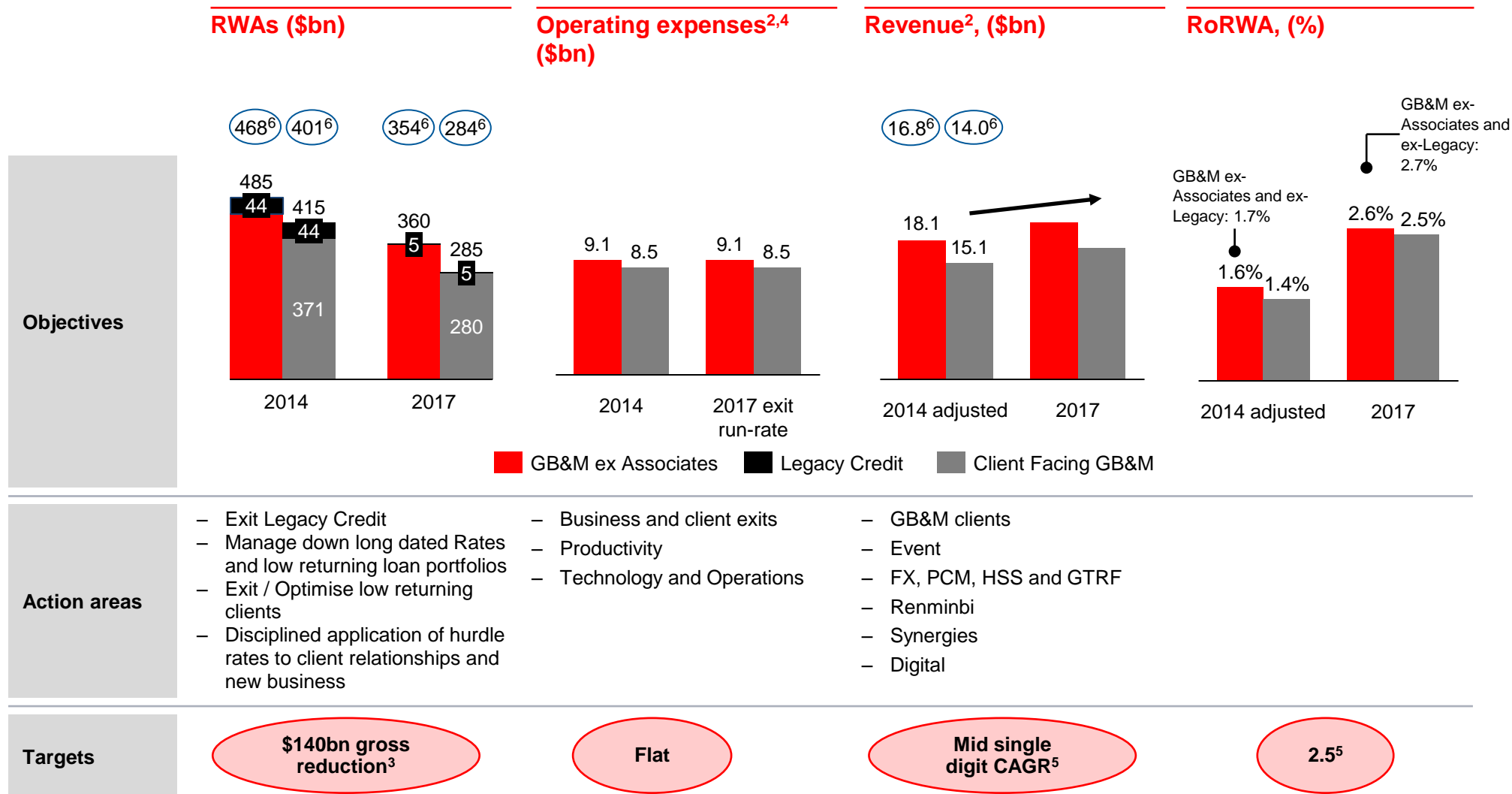
	2015	vs. 2014		
		adverse	favourable	
Revenue	\$57,765m	538	1%	
LICs	\$(3,721)m	(553)	(17)%	
Operating expenses	\$(36,182)m	(1,606)	(5)%	
Share of profits in associates and joint ventures	\$2,556m	63	3%	
Profit before tax	\$20,418m	(1,558)	(7)%	

2015 GB&M contribution (adjusted basis) vs. 2014:



1. Group revenue and costs include \$6.6bn of Intersegment elimination

GB&M Investor day targets¹



1. Targets as presented at Investor Update on 9 June 2015

2. Presented on an adjusted basis to exclude the effects of currency translation and significant items

3. \$140bn gross reduction from GB&M Client Facing and Legacy excluding country exits as reported, \$134bn translated to 2015 foreign exchange rate

4. Reported Operating expenses of \$12.0bn less significant items of \$1.9bn and less \$1.0bn due to effect of translating to 2015 foreign exchange rates and excluding Brazil. The target presented in June 2015 was also \$9.1bn, and was based on 1Q15 exchange rates.

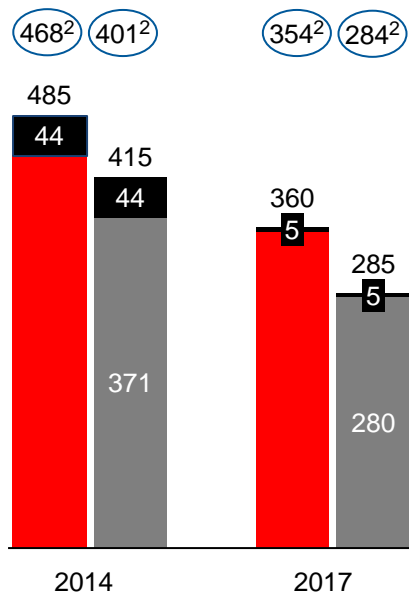
5. GB&M Client Facing.

6. Restated using 2015 FX rates

Progress to date: RWAs

Investor day target¹, \$bn

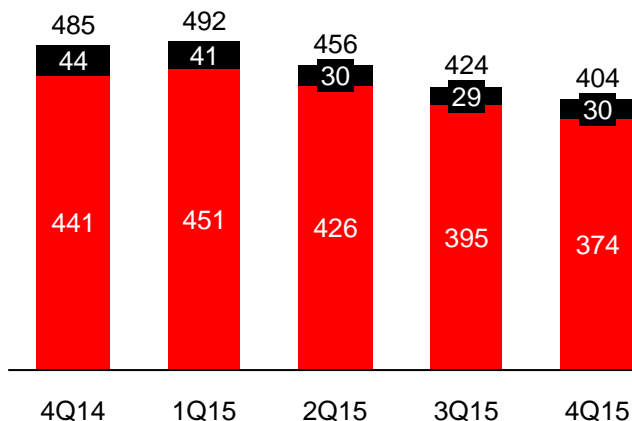
- GB&M ex Associates
- Legacy Credit
- Client Facing GB&M



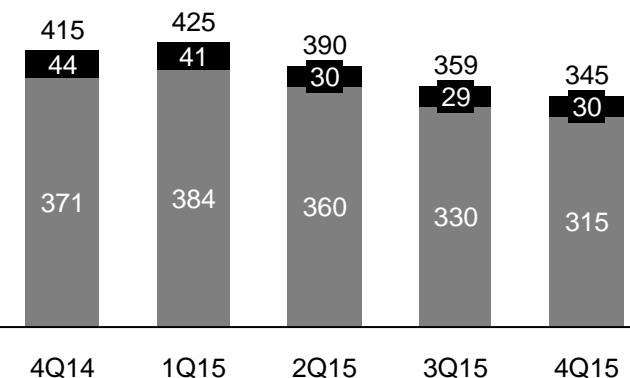
\$140bn gross reduction³

Update on progress¹

RWAs: GB&M ex. Associates, (\$bn)



RWAs: Client facing and Legacy, (\$bn)



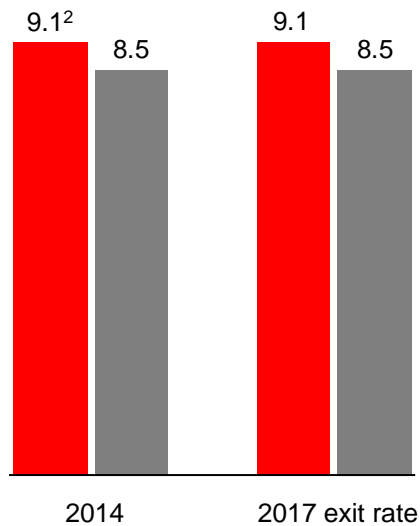
- \$75bn reduction in RWAs in 2015 on a reported basis.
- Excluding currency translation and associates, GBM RWAs reduced by \$64.3bn, driven by:
 - Legacy credit assets \$14bn
 - Reductions in Trading Book RWAs by \$29bn
 - Further reductions in Banking book RWAs by \$28bn through client optimisation, Capital Finance and Trade Finance from data and mapping refinements,
 - These reductions were partly offset by business activity of \$15bn.

1. RWAs as published in annual report and accounts, interim management statement
 2. Translated at 2015 FX rates
 3. \$140bn gross reduction from GB&M Client Facing and Legacy excluding country exits as reported, \$134bn translated to 2015 foreign exchange rate.

Progress to date: Operating expenses

Investor day target^{1,3} \$bn

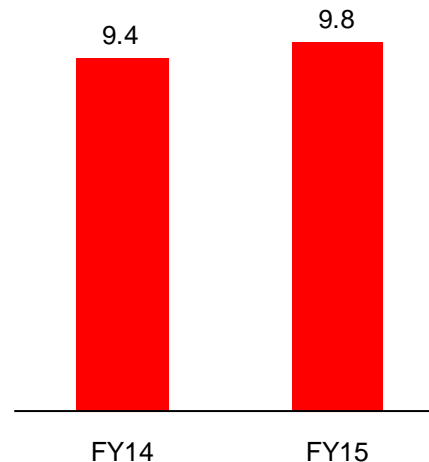
- GB&M ex Associates
- Client Facing GB&M



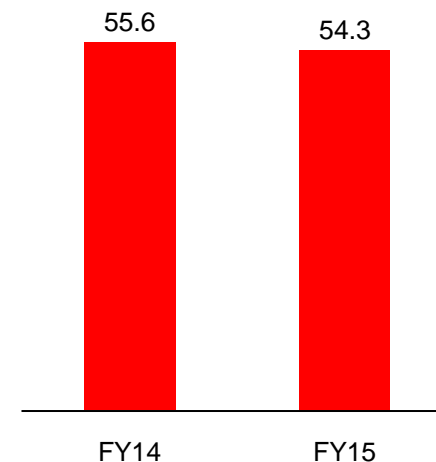
Flat

Update on progress

Operating Expense: GB&M ex. Associates,¹ (\$bn)



CER: GB&M ex. Associates, (%)



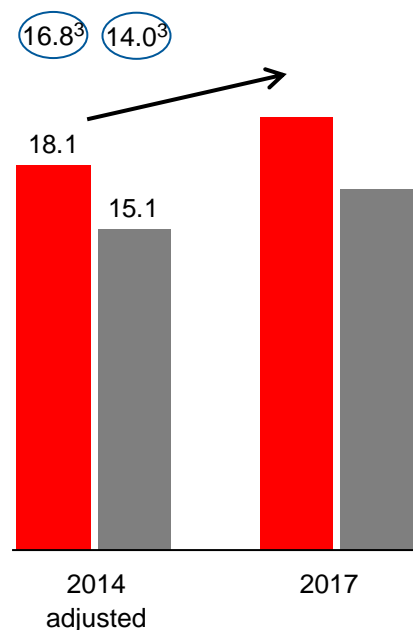
- Positive JAWS FY15 vs FY14
- Adjusted costs broadly unchanged 3Q15 to 4Q15, whilst continuing to invest in the business
- Significant progress on reducing FTEs, and we will continue to focus on reducing heads with further reductions in 2016.
- Good progress on detailed cost reduction plans against target of \$1.1bn

1. Presented on an adjusted basis to exclude the effects of currency translation and significant items
 2. Reported Operating expenses of \$12.0bn less significant items of \$1.9bn and less \$1.0bn due to effect of translating to 2015 foreign exchange rates and excluding Brazil. The target presented in June 2015 was also \$9.1bn, and was based on 1Q15 exchange rates.
 3. 2017 Target based on 2014 Adjusted cost translated to 2015 foreign exchange rate and updated to exclude cost related to Brazil

Progress to date: Revenues

Investor day target¹, \$bn

■ GB&M ex Associates
 ■ Client Facing GB&M



Mid single digit CAGR

Update on progress^{1,3}



Event	Significant deals including: <ul style="list-style-type: none"> – Adviser to Cheung Kong Holding on USD 26bn business combination with Hutchinson Whampoa Limited – Adviser to Holcim on the EUR6.5bn disposal of assets – Adviser, Bookrunner and Joint Lead Arranger for Valeant USD22.5bn fixed rate note issue – Adviser to VimpelCom in EUR21.8bn merger
Transaction banking	FX, PCM, HSS and GTRF: revenues up 7% FY15 vs. FY14
Renminbi	Revenues up 3% to \$1.7bn ² FY15 vs. FY14 <ul style="list-style-type: none"> – Joint-lead managers for the first two sovereign Panda Bonds (British Columbia RMB3bn; South Korea RMB3bn). – HSBC awarded “Bank Risk Manager of the Year” by Risk magazine, for risk management during various episodes of extreme volatility in 2015, particularly in managing the risk of RMB depreciation.
Synergies	GB&M synergies revenue up 4% to \$8.4bn in 2015
Digital	HSBC evolve launched to 640 clients with average internal daily volume of \$5.7bn; RM portal launched to 1,600 relationship bankers

1. Presented on an adjusted basis to exclude the effects of currency translation and significant items
 2. Group RMB Revenues
 3. Translated at 2015 FX rates

Appendix

GB&M Investor Update

Appendix

GB&M financials¹

	Reported						Adjusted					
	2014			2015			2015			2015		
	Total GB&M	Legacy	Assoc.	Total GB&M	Legacy	Assoc.	Total GB&M	Legacy	Assoc.	Total GB&M	Legacy	Assoc.
Legacy Credit	(2)	(2)		61	61		61	61		61	61	
Credit	570			659			659			659		
Rates	1,563			1,638			1,638			1,638		
Foreign Exchange	2,918			2,918			2,918			2,918		
Equities	1,216			1,606			1,606			1,606		
Markets	6,265	(2)		6,882	61		6,882	61		6,882	61	
Capital Financing	4,066			3,789			3,789			3,789		
Payments and Cash Management	1,794			1,801			1,801			1,801		
Securities services	1,699			1,698			1,698			1,698		
Global Trade & Receivables Finance	767			718			718			718		
Balance Sheet Management	3,015			2,912			2,912			2,943		
Principal Investments	531			243			243			243		
DVA	(333)			230			230			0		
Other	(26)			(40)			(40)			(40)		
Net operating income before loan impairment charges and other credit risk provisions	17,778	(2)		18,233	61		18,233	61		18,034	61	
Loan impairment charges and other credit risk provisions	(365)	349		0	37		0	37		0	37	
Net operating income	17,413	347		18,233	98		18,233	98		18,034	98	
Total operating expenses	(12,028)	(708)		(10,834)	(103)		(10,834)	(103)		(9,799)	(103)	
Income from associates	504		504	511		511	511		511		511	
Profit before tax	5,889	(361)	504	7,910	(5)	511	7,910	(5)	511	8,746	(5)	511
Cost efficiency ratio	67.7	n/a	n/a	59.4	n/a	n/a	59.4	n/a	n/a	54.3	n/a	n/a
Pre-tax return on average risk-weighted assets (annualised)	1.2	(0.8)	1.6	1.6	(0.0)	1.5	1.6	(0.0)	1.5	1.8	(0.0)	1.5

1. Source: Group Annual Report and Accounts 2015

Reported to Adjusted reconciliation¹

(\$m)	2014	2015	4Q14	4Q15
Revenue				
Reported	17,778	18,233	3,308	3,447
Currency Translation	(1,296)	-	(220)	-
Significant Items	328	(199)	54	199
- debit valuation adjustment ('DVA') on derivative contracts	332	(230)	54	186
- fair value movements on non-qualifying hedges	8	31	(3)	13
- acquisitions, disposals and dilutions	(12)	-	3	-
Adjusted	16,810	18,034	3,142	3,646

1. For a full reconciliation of reported to Adjusted results, please refer to Group Annual Report and Accounts 2015

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