



March 2016

# Retail Banking and Wealth Management

## Investor Update



# Important notice and forward-looking statements

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## 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.

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## 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 2015 Annual Report and Accounts.

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](http://www.hsbc.com).

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# 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 Brazil<sup>1</sup>
  - 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

# Group 2015 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) <sup>1</sup>	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 (USDm)					Adjusted Income Statement (USDm)				
	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 <sup>2</sup>	(1,465)	(32)%	(1,421)	(34)%	Bank levy <sup>2</sup>	(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 USD1,421m in 2015 and USD1,063m in 2014; 1Q14 and 1Q15 included credits relating to the prior year's bank levy charge of USD45m and USD44m respectively

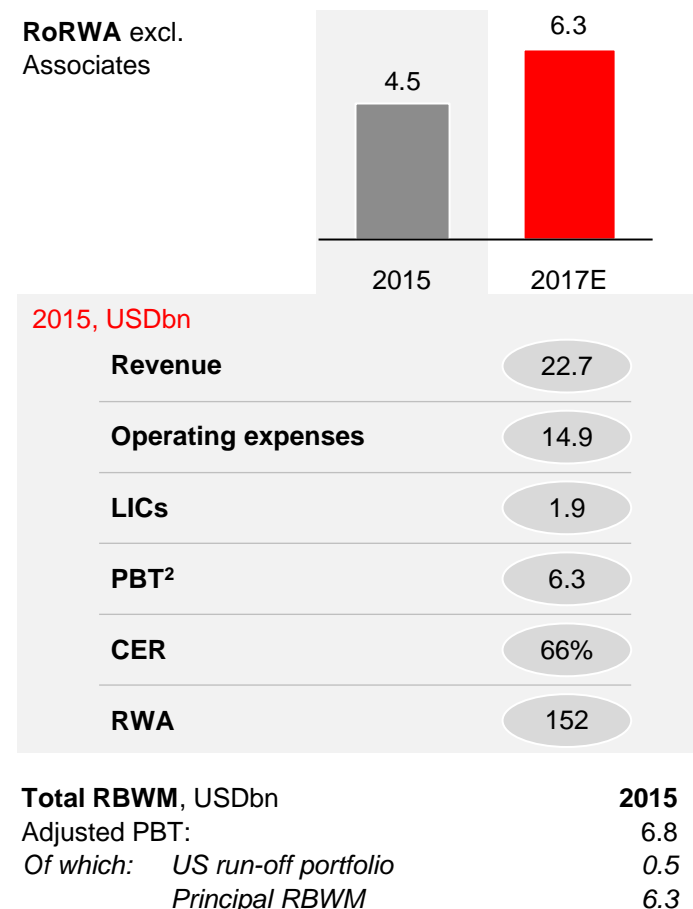
# Key strategic priorities

## Retail Banking and Wealth Management

### Key messages

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

### Principal RBWM financial outlook<sup>1</sup>



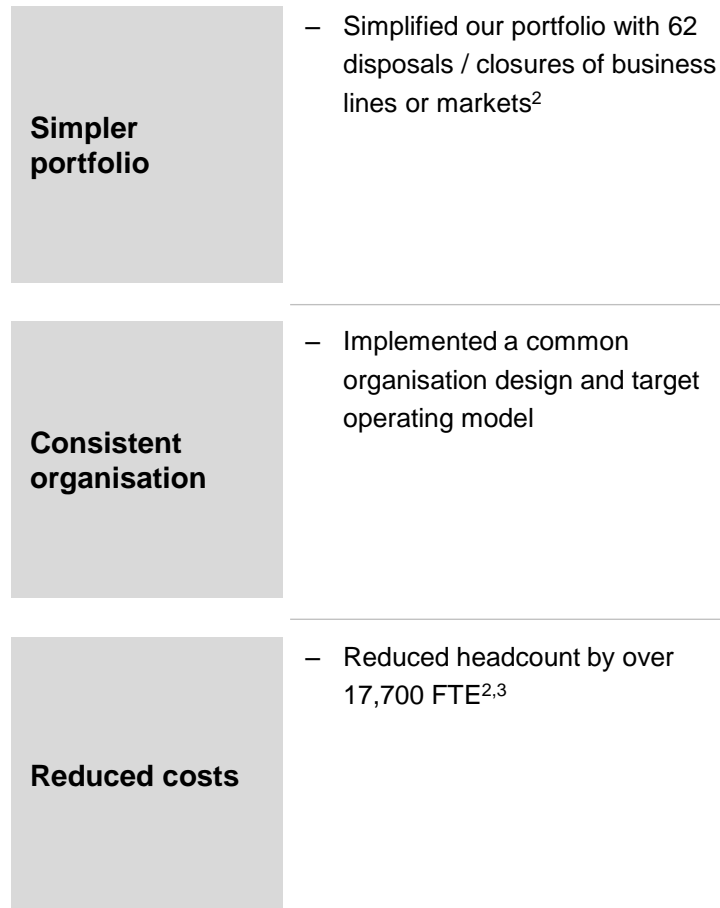
1. Financial data presented on an "adjusted" basis. 2017 is presented at 1Q 2015 average rates

2. Includes associates

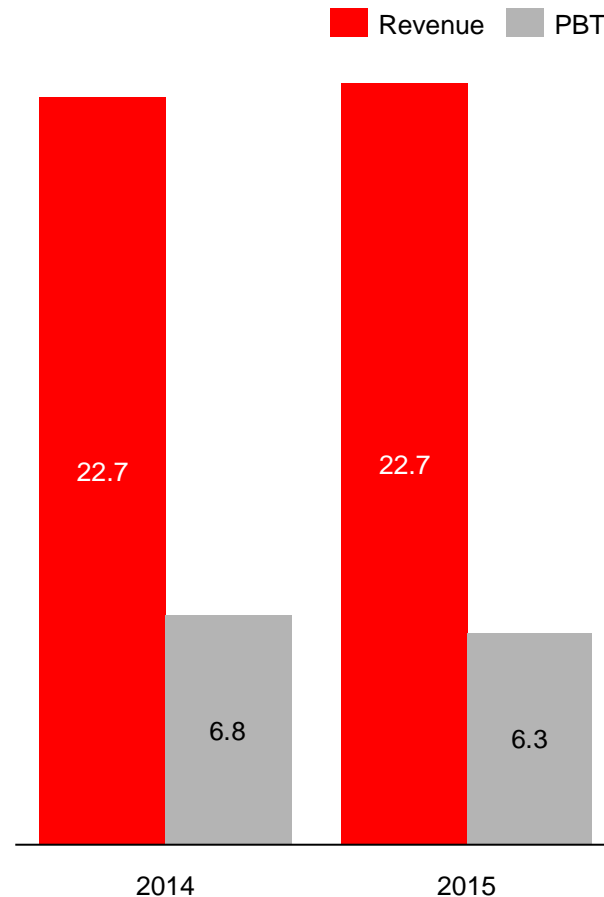
# RBWM is now a simpler business, delivering sustainable, diversified revenues

## RBWM Investment Case

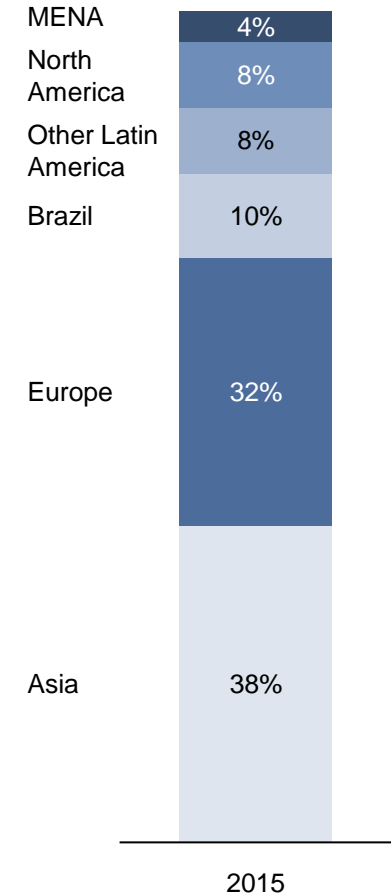
### Business transformation



### Principal RBWM Revenue and PBT<sup>1</sup> (USDbn)



### Principal RBWM Revenue by region<sup>1</sup>



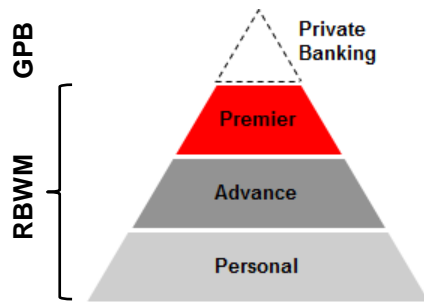
1. Principal RBWM financial data presented on an "adjusted" basis with comparatives translated at average 2015 exchange rates  
 2. Data since 2011  
 3. Number excludes impact of disposals (c.20k FTE reduction)

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

RBWM Investment case

## Customers and markets

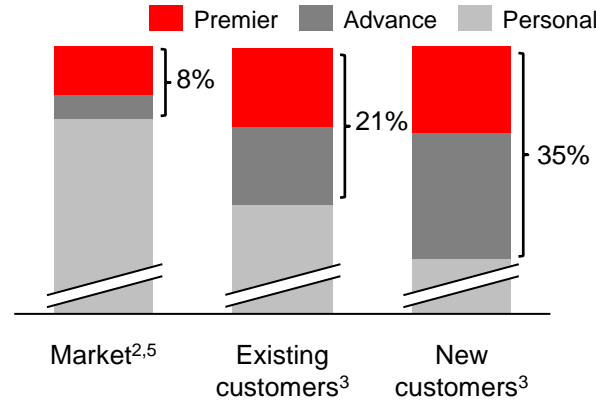
## Positioned towards affluent customers



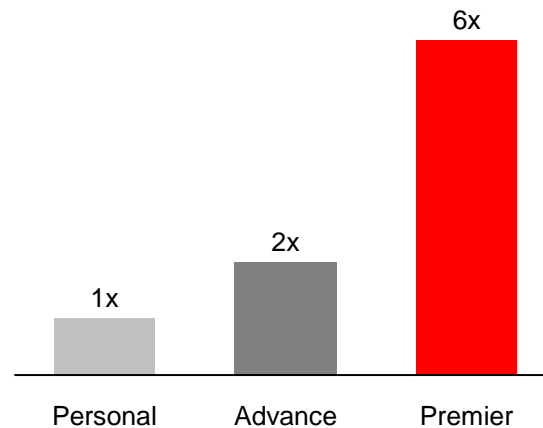
Customer base compared to market

Customer revenues by segment

- Close to 45 million customers worldwide, served through a consistent global proposition model
- Significant domestic scale in two home markets, Hong Kong and UK
- A strong local market share<sup>1</sup> in five further priority markets
- Focused on developing affluent segments in other priority markets



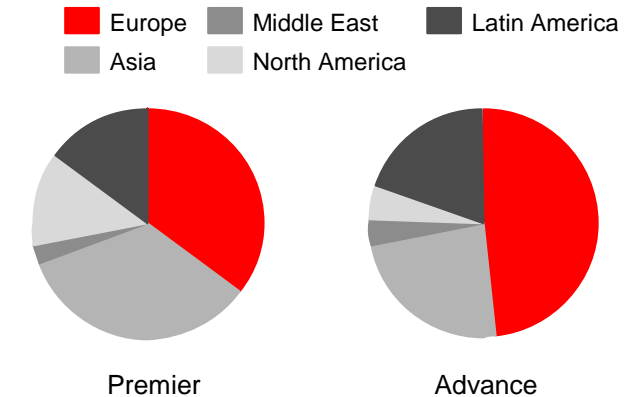
### Revenue per customer



### Selected markets<sup>4</sup>

% Premier	Market <sup>5</sup>	HSBC customer base
China	2%	c. 71%
France	7%	c. 50%
Canada	17%	c. 35%
UAE	3%	c. 23%

### Geographical distribution of customers by segment (Dec 2015)

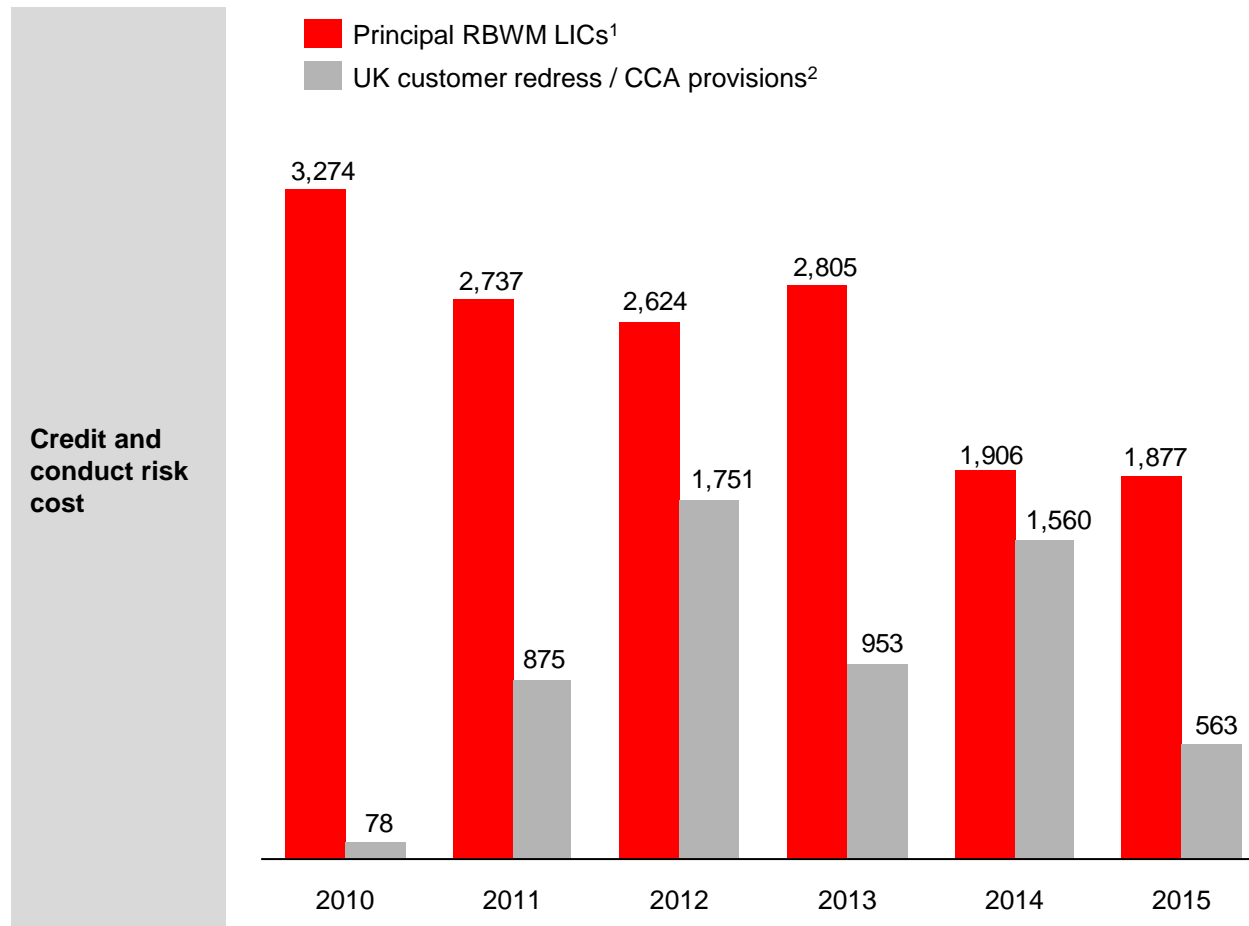


1. Deposit market share > 4% as at Dec 2014  
 2. Australia, Canada, China, France, Hong Kong, India, Indonesia, Malaysia, Mexico, Singapore, Turkey, UAE, UK US: Source: Datamonitor as of September 2014  
 3. Existing customers as at Dec 2015; New customers acquired in 2015  
 4. Selected examples only. 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

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

RBWM Investment case

## 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 2015 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

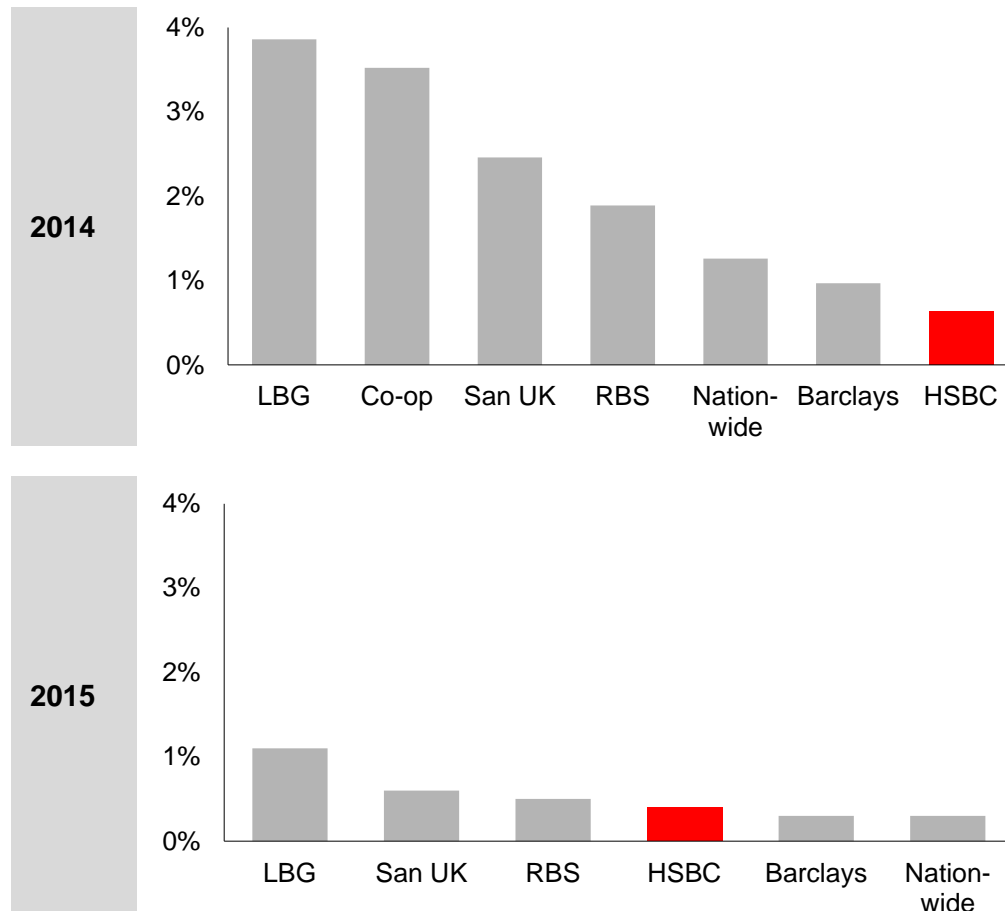
1. Reported basis. 2010 figure corresponds to RBWM (total) reported LIC less USD7.9bn related to US CRS and US run-off. In the first half of 2015, a portfolio of customers was transferred from CMB to RBWM in Latin America in order to better align the combined banking needs of the customers with our established 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 USD22m



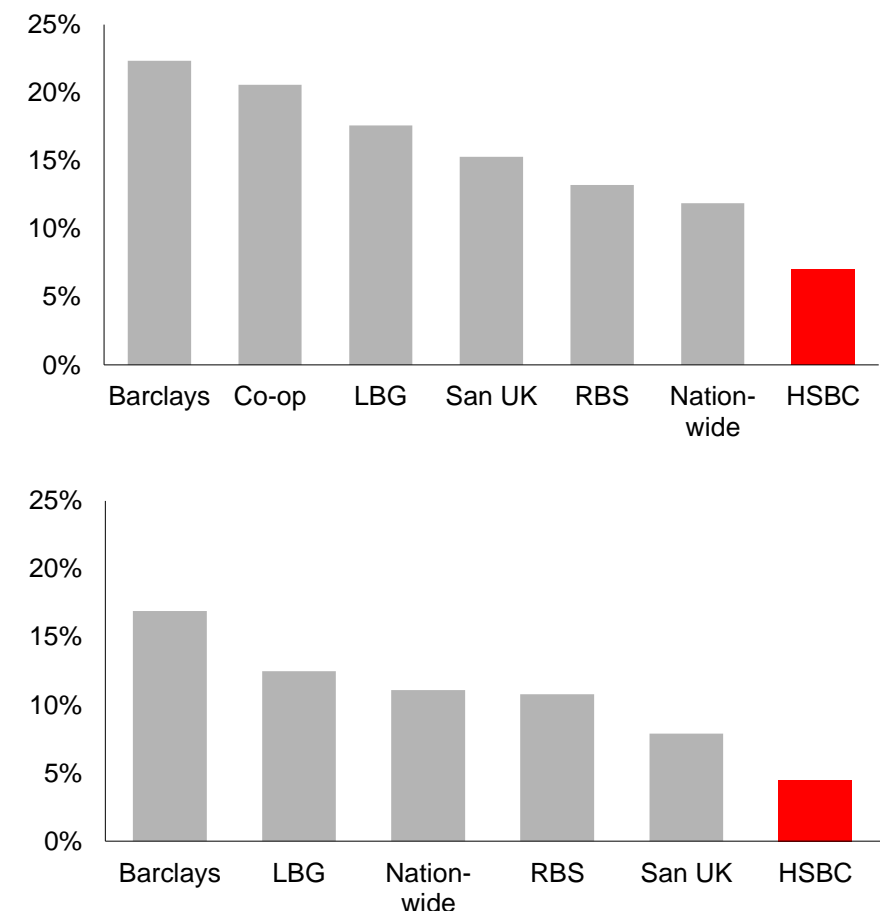
# ... and we are maintaining our credit discipline – Example RBWM UK

## RBWM Investment case

**PRA stress tests: Projected cumulative three-year impairment charge rates on UK individuals mortgage lending in the stress<sup>1,2</sup> (%)**



**PRA stress tests: Projected cumulative three-year impairment charge rates on UK individuals non-mortgage lending in the stress<sup>1,2</sup> (%)**



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

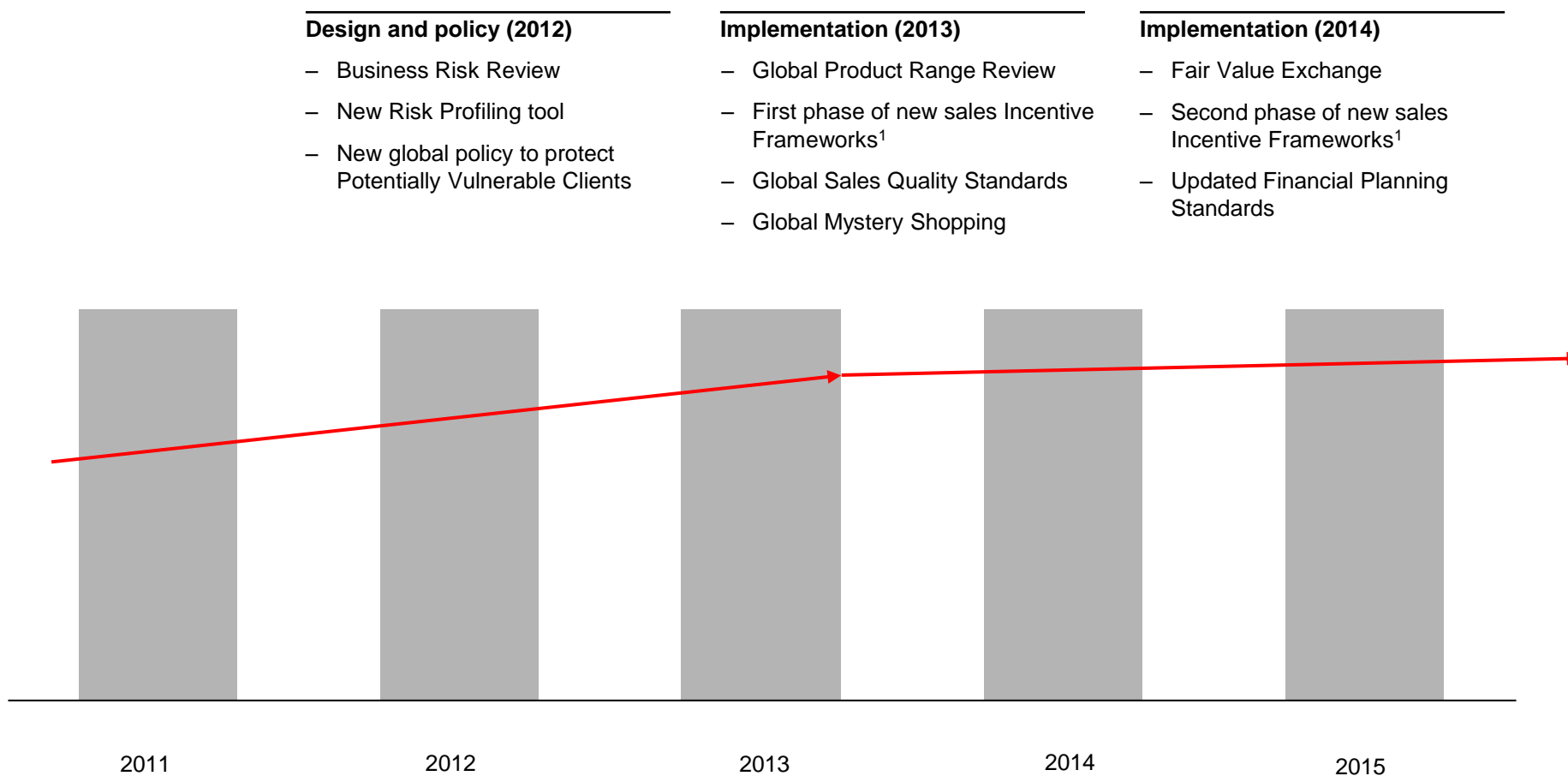
1. Data sources: Participating banks' FDSF data submissions, Bank of England analysis and calculations

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

# The repositioning impacted the rate of revenue growth in 2013 and 2014, but we are confident the quality of revenues is improving...

## RBWM Investment Case

### Principal RBWM revenue progress 2011 to 2015 (USDm)



1. 1Q13: Global Wealth Incentive Framework (GWIF) globally, and Retail Bank Incentive Framework (RBIF) in Canada, USA and UK; 1Q14: GWIF and RBIF in all other markets

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

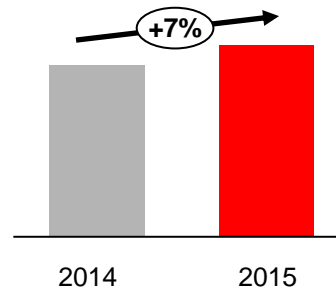
## RBWM Investment Case

### Conduct Agenda

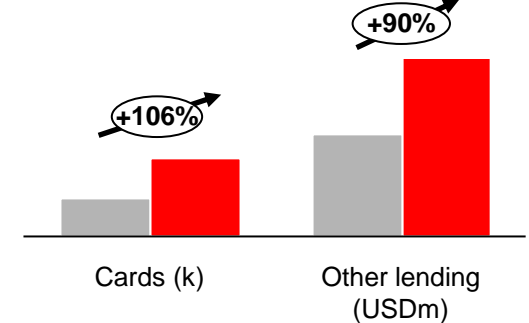
- In 2013-24, a new incentive framework was implemented across the Group, remunerating staff for meeting customer needs
- Following an initial decline as we adjusted to the new framework, product sales and revenue have been steadily increasing over the past year
- Implementation of the Conduct Agenda has resulted in an improved customer experience and a better reputation for the bank

### Business performance

#### Revenues<sup>1</sup>



#### Sales volumes<sup>2</sup>



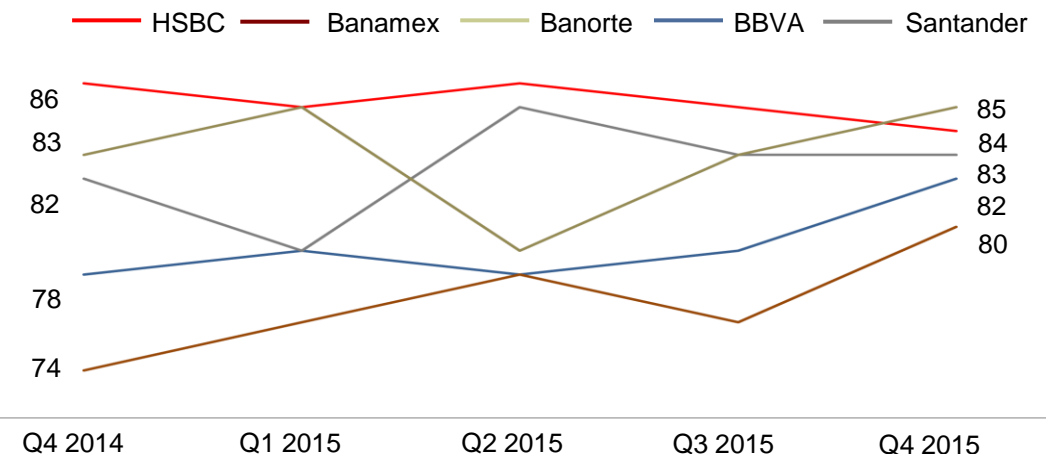
Latin American Retail : HSBC Mexico  
Bank of the Year 2015



### Reported drivers of customer recommendation<sup>3</sup>

<b>HSBC</b>	<ul style="list-style-type: none"> <li>- Customers feel valued</li> <li>- Advice is relevant to customer needs</li> <li>- Customers are treated fairly</li> </ul>
<b>Competitor 1</b>	<ul style="list-style-type: none"> <li>- Strong reputation</li> <li>- Good customer service</li> </ul>
<b>Competitor 2</b>	<ul style="list-style-type: none"> <li>- Customers feel understood</li> <li>- Poor relationship managers service</li> </ul>

### Customer recommendation<sup>3</sup>



1. Financial data presented on an "adjusted" basis with comparatives based on 2015 average exchange rates  
 2. Other lending includes value of total drawdowns for Personal loans, Payroll loans and Mortgages  
 3. Source: HSBC Customer Recommendation Index Q4'14-Q4'15, TNS Global

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

## Growth Priorities

	Strategic actions	Targeted outcome 2014-17	2015 Progress
Growth Priorities	<b>1 Relationship-led Personal Lending</b> <ul style="list-style-type: none"> <li>Invest in marketing, customer relationship management, analytics and digital</li> <li>Strengthen credit capabilities (people, tools)</li> <li>Acquire new customers through unsecured lending</li> </ul>	<ul style="list-style-type: none"> <li>Principal RBWM lending balance<sup>1</sup> growth 3-4% CAGR</li> </ul>	✓
	<b>2 Wealth Management</b> <ul style="list-style-type: none"> <li>Deliver competitive Premier USD1-5m, International, FX and Digital propositions</li> <li>Disciplined execution of the needs-based sales model</li> <li>Continue strong collaboration with the rest of Group</li> <li>Accelerate the pivot of Insurance and Asset Management towards Asia</li> </ul>	<ul style="list-style-type: none"> <li>Premier Total Relationship Balance<sup>2</sup> 5-7% CAGR</li> <li>Wealth revenue<sup>3</sup> growth 5-7% CAGR</li> <li>c.10% growth p.a. AUM in Asia</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> </ul>
	<b>3 Digital</b> <ul style="list-style-type: none"> <li>Expand digital ways of working within RBWM including digitalisation of processes</li> <li>Deliver data-driven, relevant and timely customer touchpoints</li> <li>Leverage digital investment to transform customer experience and cost base</li> </ul>	<ul style="list-style-type: none"> <li>40-50% of customers digitally active<sup>4</sup></li> <li>2017 exit cost rate at 2014 level</li> </ul>	<ul style="list-style-type: none"> <li><i>In progress</i></li> <li><i>In progress</i></li> </ul>
Portfolio optimisation	<b>4 Continue portfolio optimisation</b> <ul style="list-style-type: none"> <li>Review market portfolio in line with Group priorities and requirements</li> <li>Address low performing / sub-scale businesses</li> <li>Focus investment on key priority growth markets</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio review conclusions implemented</li> </ul>	<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)

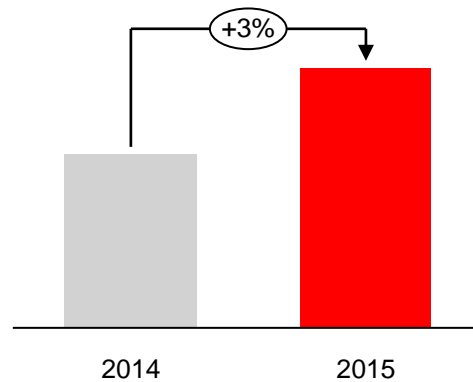
# We have the capacity to take more credit risk in RBWM and the business is showing signs of volume growth

## Relationship-led Personal Lending

### Principal RBWM lending balances and sales volume growth

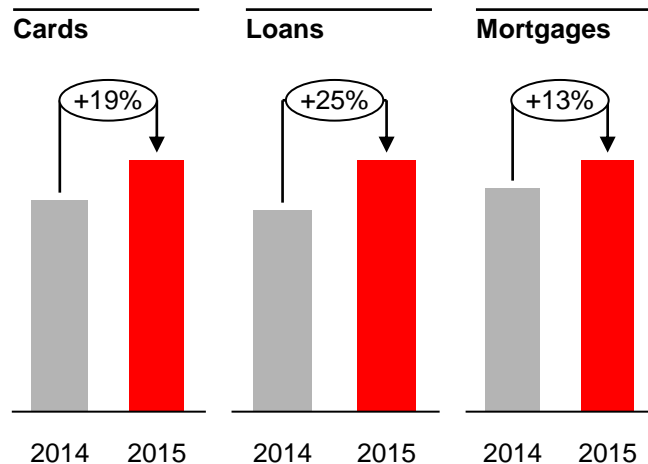
### Actions to date

**Personal lending balances<sup>1</sup>**  
(USD)



- Global analytics capability improving the identification of customer needs
- New triggers enabling targeted offers to individual customers
- Expansion of sales channels supported by increased investment in marketing, improving new-to-bank customer acquisition
- Consistently implemented global segmentation capability, strengthening pricing and profitability discipline
- Integrated risk approach enhancing risk adjusted returns

**Sales volumes<sup>2</sup>**



### 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

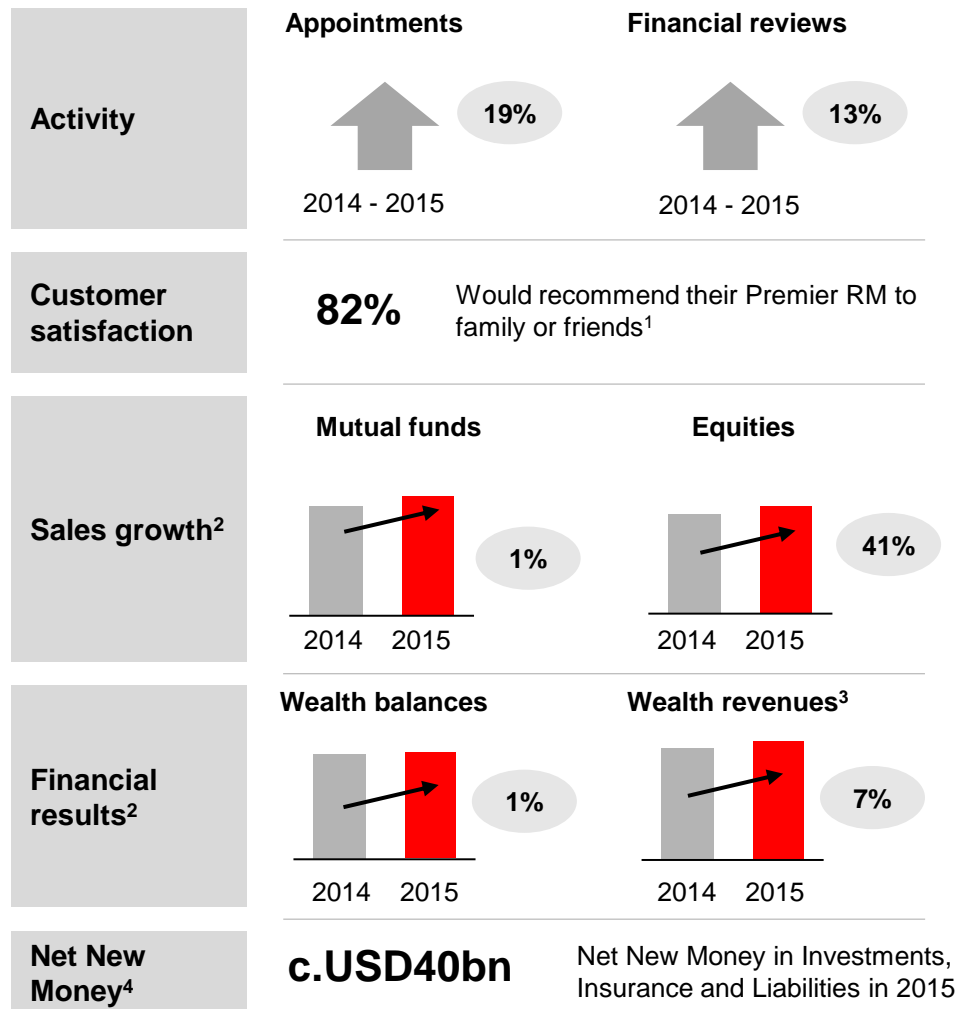
1. Principal RBWM financial data presented at December 2015 exchange rate

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

# Our investment in a differentiated Wealth offering is driving improved performance, with further opportunities for growth

## Wealth Management

### Strong customer satisfaction with improving sales momentum



### 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

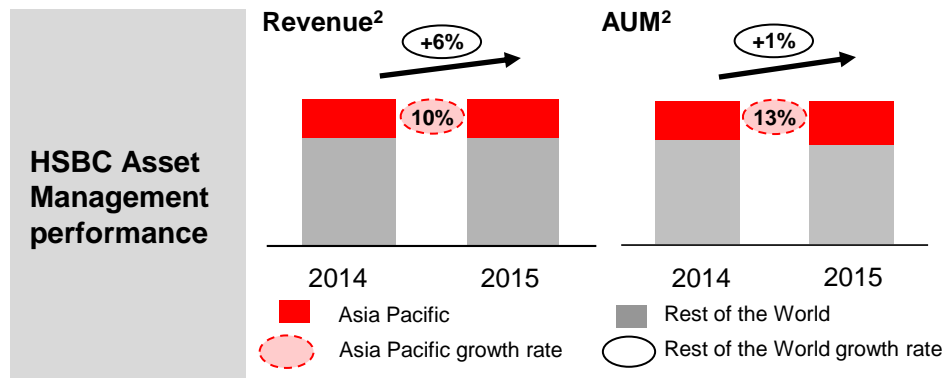
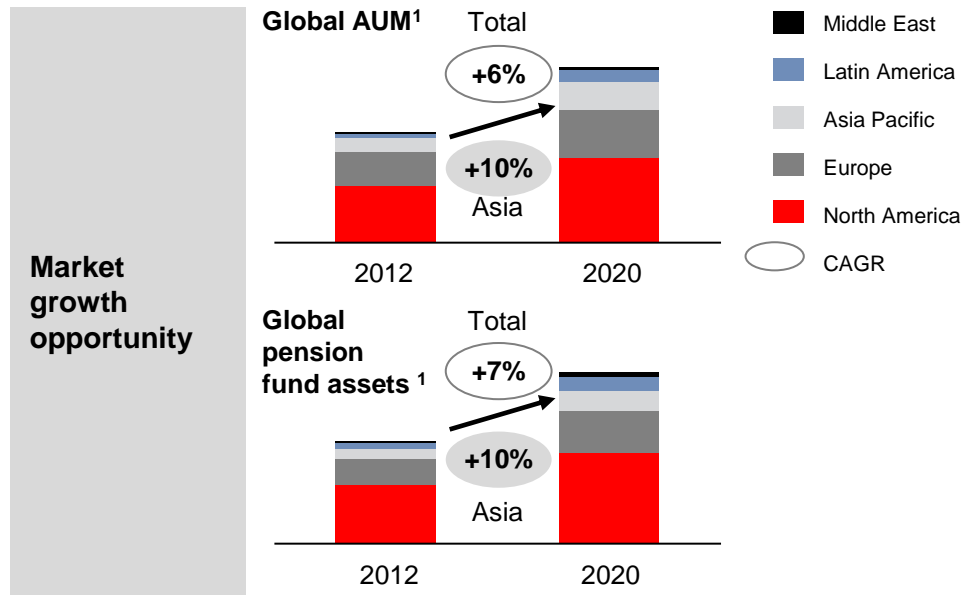
- Further customising our Premier proposition to better meet the needs of wealthier and more international customers
- Deploying enhanced analytics to improve our understanding of customer needs
- Investing in marketing, tools, and digital capabilities
- Simplifying our processes for our customers
- Bringing Asset Management and Insurance capabilities to retail clients including research, insights and advice

1. HSBC Premier Relationship Manager Customer Experience Survey 4Q15; Median recommendation score across 18 priority markets  
 2. YTD constant currency FX rate. Mutual funds gross sales (USDm); Equities turnover (USDm); Wealth balances (USDbn); Wealth revenues (USDm)  
 3. Wealth Distribution revenues only  
 4. New Net Money collected for Top 10 Markets, of which \$30bn is Liabilities, USD6bn is Investments and USD3bn is Insurance. Excluding mortgages

# Our Asset Management business delivers attractive returns, and is positioned to benefit from managed asset growth in Asia

## Asset Management

### Managed asset pools are forecast to grow strongly (USD)



### This growth provides opportunities for us

- Asia focus** – Distribution footprint aligned to forecast growth of managed assets in key emerging markets
- Retirement** – Defined contribution pensions growth, driving reliance on investments for retirement income
- Group clients** – Group customer base including relationships with pension funds and insurance companies

### 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

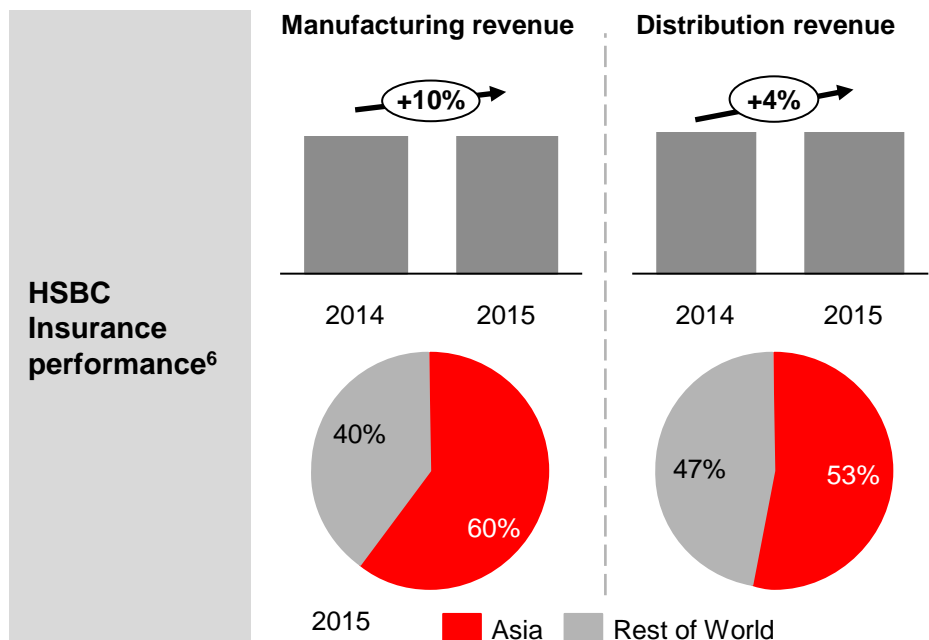
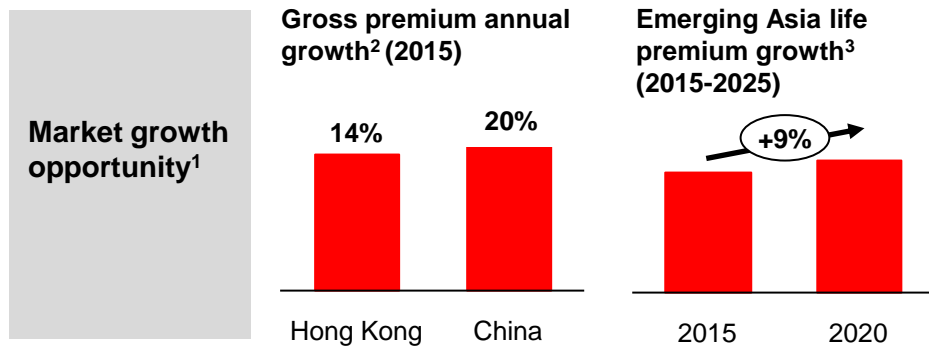
1. Source: PwC Report "Asset Management 2020 – A Brave New World"

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

# Insurance is accretive to the Group, with majority of exposure to Asia

## Insurance

### 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 2020<sup>4</sup>, driving growth and demand for wealth products including insurance, particularly to meet saving and protection needs
- Asia's aging population, particularly in China<sup>5</sup>, 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)

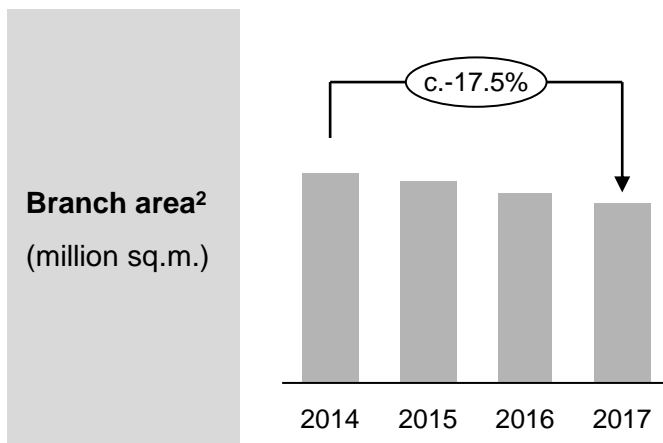
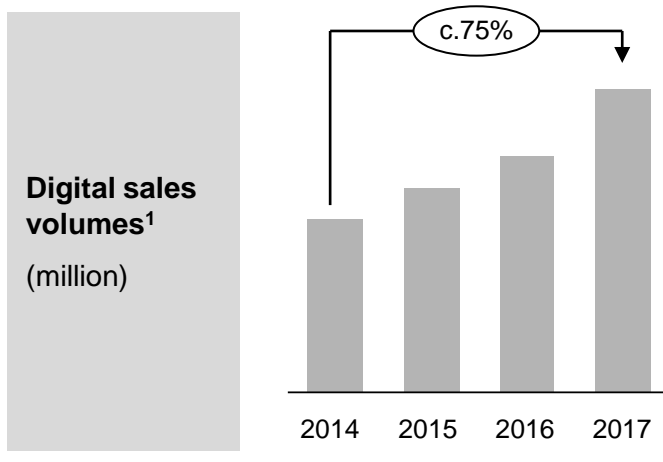
4. 2014 EY Asia-Pacific insurance outlook  
 5. 2014 EY Waves of change  
 6. Principal RBWM financial data presented on an "adjusted" basis



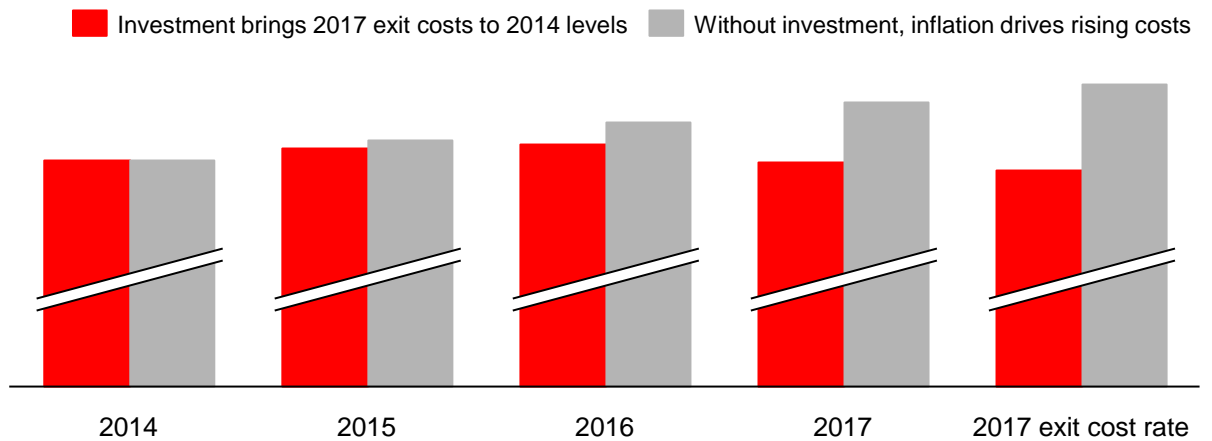
# Digital transformation will enable process simplification and accelerate channel migration, improving productivity and customer experience

## Digital

### 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**

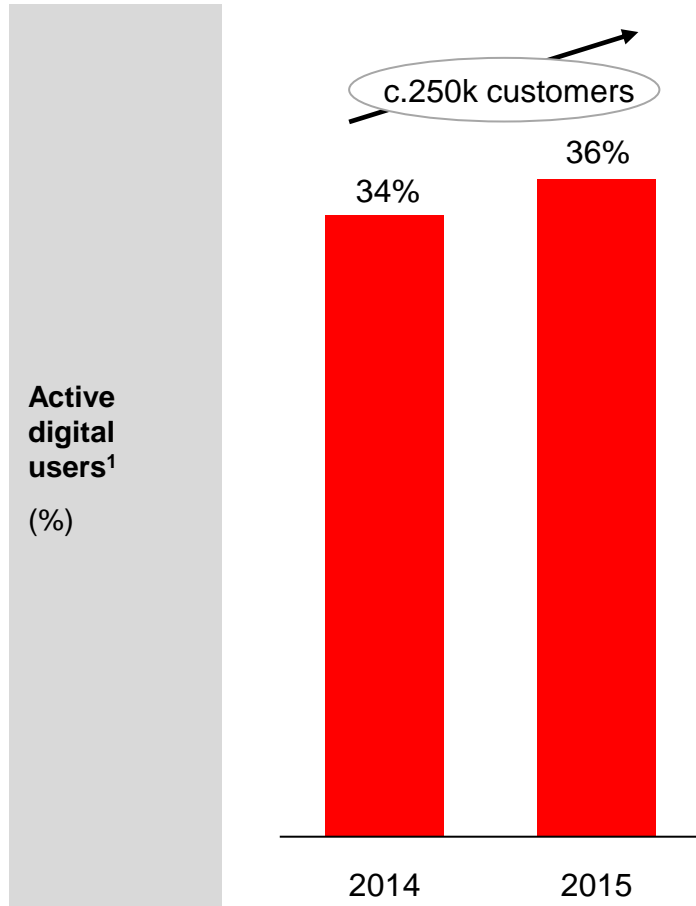
1. Retail sales for mortgage, loans, cards, savings, current accounts, through digital channels in top 6 markets (includes ATM / third party sales)

2. Top 6 markets. Previously shown as c. 20%. Change reflects planned disposal of Brazil

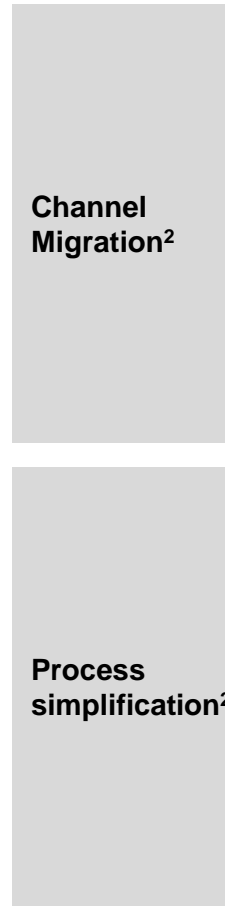
# Digital transformation is well under way

## Digital

### Active digital users



### Key achievements – Examples



- Branch optimisation programme delivering cost savings as per plan<sup>3</sup>
- Mortgages live connect video roll out in the UK with completion of 1<sup>st</sup> remote mortgage drawdown in December 2015
- Live chat available in 6 countries with 400k chats
- Touch ID implemented in Firstdirect UK with 100,000 users in the first month after launch
- Voice ID to be implemented from Spring 2016 onwards for telephone banking customers, reducing time to complete the authentication process by up to 2 minutes

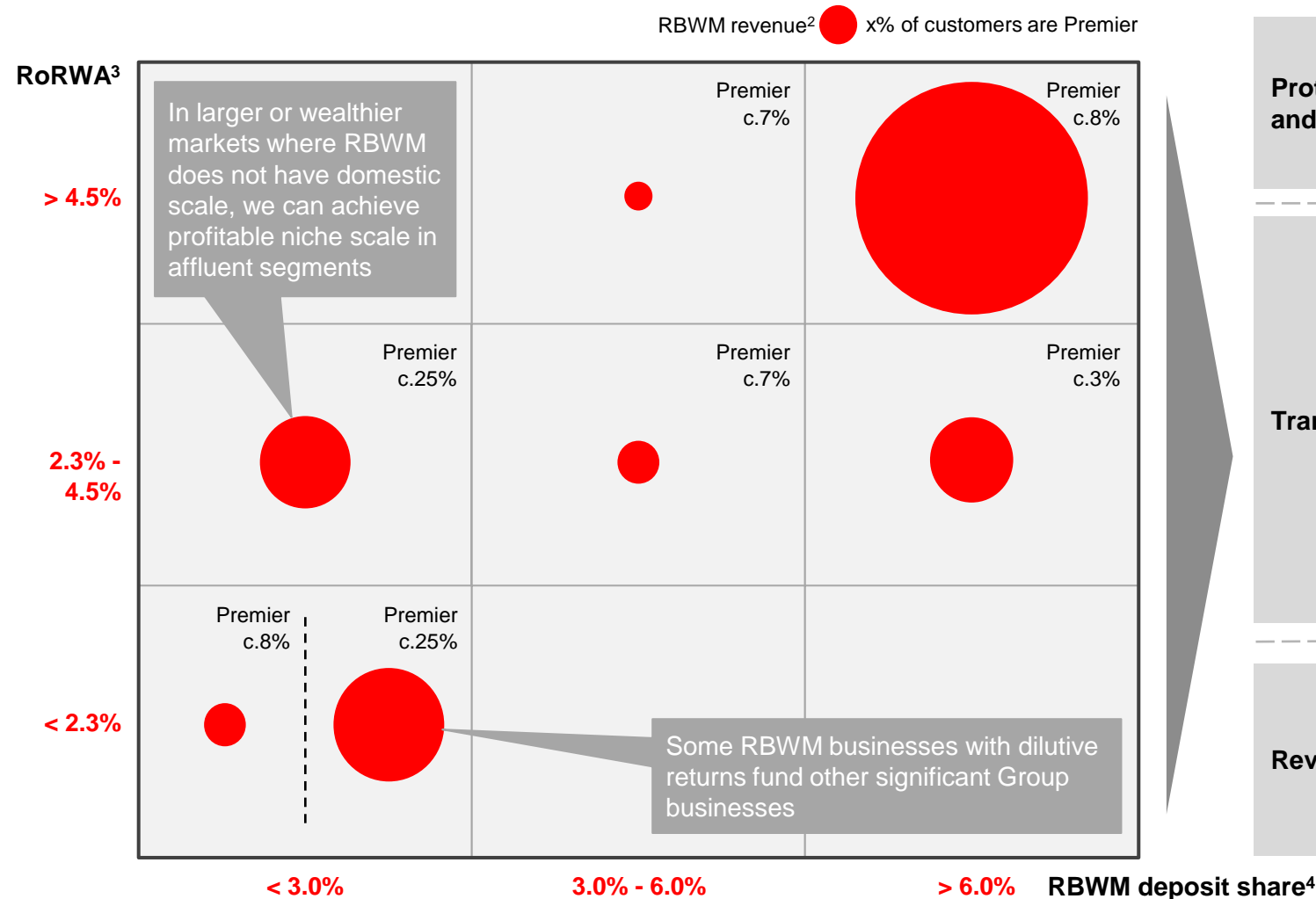
- Simplified wealth advice journeys in the UK and Hong-Kong allowing Relationship Managers to focus on value- adding discussions
- Faster decisions on online personal loans with real time approvals in Australia and the UAE
- Paperless tablet account opening in the UK, reducing account opening turnaround time to c.10 minutes for low risk customers
- Mortgage tablet application launch in India, reducing approval time from days to minutes

1. Proportion of active customers that have logged into online or mobile banking at least once in the last 90 days<sup>1</sup>, in our home and priority markets excluding Brazil  
2. All data is shown as per 2015, except indicated otherwise  
3. Delivering USD62m cost savings, or 0.4% of total cost base

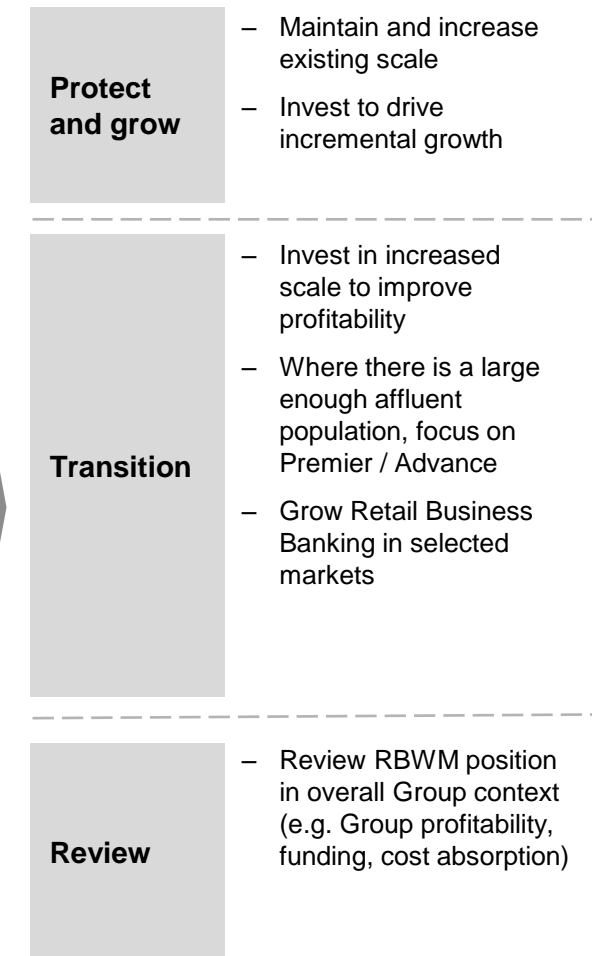
# Within our portfolio of businesses, returns are driven by a combination of domestic scale and focus on affluent customers...

## Portfolio

### Scale and returns for RBWM priority markets<sup>1</sup>



### Strategic actions

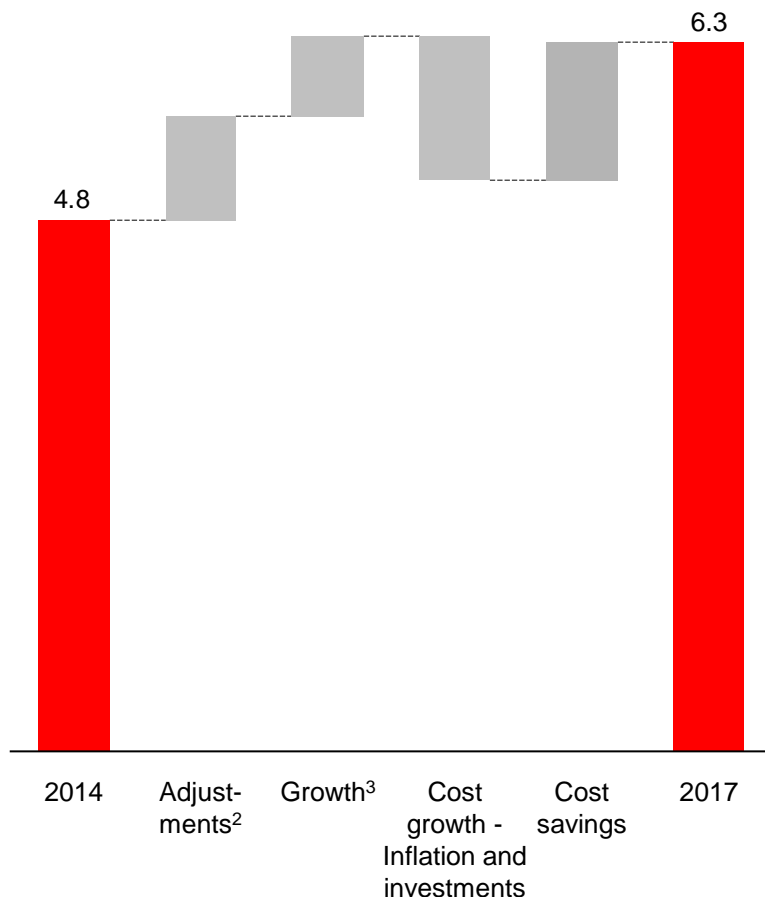


1. Analysis based on all HSBC priority markets excluding Saudi Arabia  
 2. Principal RBWM financial data presented on an "adjusted" basis with comparatives translated at average 2014 exchange rates, 2011-2014 average. Size of the bubble corresponds to total revenue of priority markets meeting RoRWA and deposit share criteria  
 3. Principal RBWM financial data presented on an "adjusted" basis with comparatives translated at average 2014 exchange rates, 2011-2014 average RoRWA; Reported Group 2.3% RoRWA equivalent to 10% RoE  
 4. Deposit share as at Dec 2014; Source: Datamonitor

# RBWM is focused on growth, and will invest to offset rising costs while optimising our portfolio of businesses

## Conclusion

### 2014 – 2017 Principal RBWM RoRWA walk<sup>1</sup>



### Achieving the 2017 RoRWA

- 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
- Interest rate sensitivity**
  - Our strong deposit franchise supports a stable and diversified core funding base for the Group, and positions us to benefit when interest rates rise

1. RoRWA excluding associates. As shown at the investors update, June 2015. Financial data presented on an "adjusted" basis with 2017 translated at 1Q 2015 average rates

2. Adjustments includes impact of the sale of operations in Brazil and Turkey, FX adjustments and other actions

3. Risk adjusted revenue growth net of RWA growth, including any impact of interest rate changes

# Appendix – 2015 Performance

# 2015 Profit before tax performance

Revenue growth more than offset by higher LICs and increased costs from the bank levy and regulatory programmes and compliance

## Full year PBT analysis

### Adjusted PBT by account line

	2015	vs. 2014		
		adverse	favourable	
Profit before tax	USD20,416m	(1,559)		(7)%
Revenue	USD57,766m		540	1%
LICs	USD(3,722)m	(554)		(17)%
Operating expenses	USD(36,184)m	(1,609)		(5)%
Share of profits in associates and joint ventures	USD2,556m		-63	3%

### Adjusted PBT by global business (USDm)

	2014	2015	vs. 2014
RBWM	7,556	6,829	(727)
CMB	8,622	8,193	(429)
GB&M	7,679	8,746	1,067
GPB	703	518	(185)
Other	(2,584)	(3,869)	(1,285)
<b>Group</b>	<b>21,976</b>	<b>20,416</b>	<b>(1,559)</b>

### Adjusted PBT by geography (USDm)

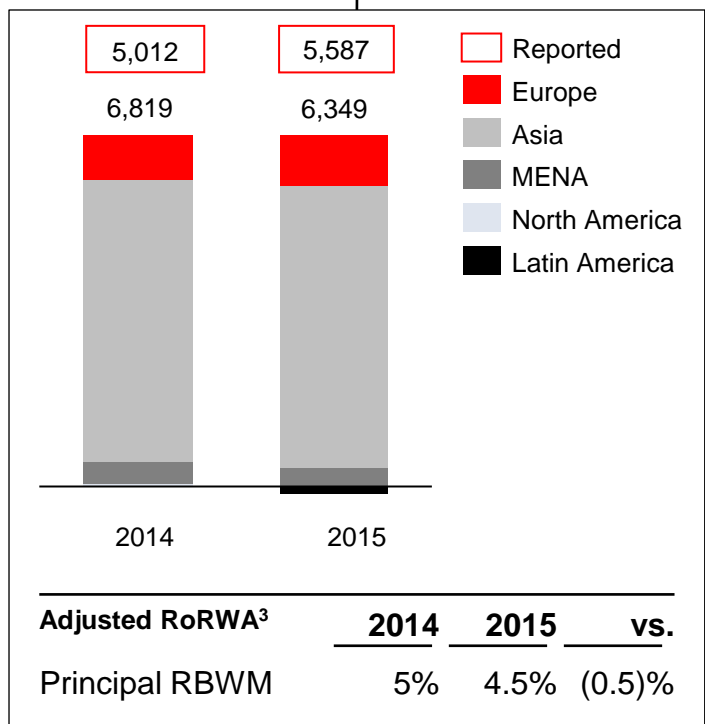
	2014	2015	vs. 2014
Europe	3,498	2,393	(1,105)
Asia	14,295	14,462	167
Middle East and North Africa	1,819	1,541	(278)
North America	1,998	1,563	(435)
Latin America	366	459	93
<b>Group</b>	<b>21,976</b>	<b>20,416</b>	<b>(1,559)</b>

# RBWM 2015 Financial Performance

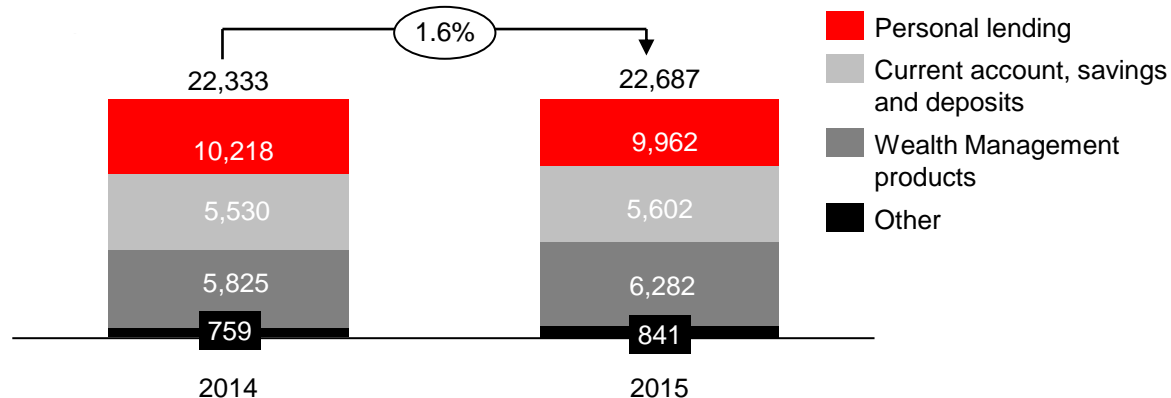
Principal RBWM adjusted PBT lower driven by higher costs and LICs, partly offset by an increase in revenue

## Adjusted PBT<sup>1,2</sup> (USDm)

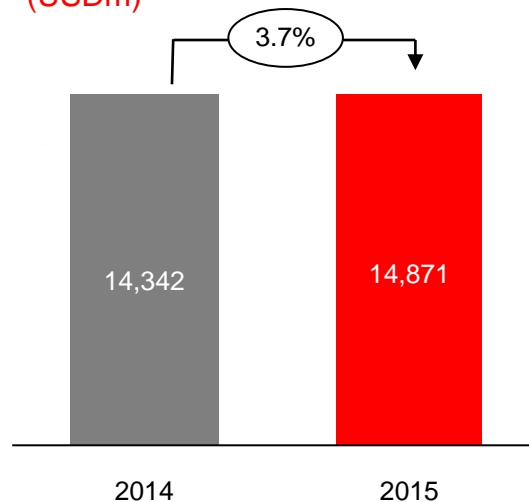
	2014	2015	vs.
<b>Total RBWM</b>	<b>7,556</b>	<b>6,829</b>	<b>(9.6)%</b>
<i>Of which:</i>			
US run-off portfolio	737	480	(35)%
<b>Principal RBWM</b>	<b>6,819</b>	<b>6,349</b>	<b>(6.9)%</b>



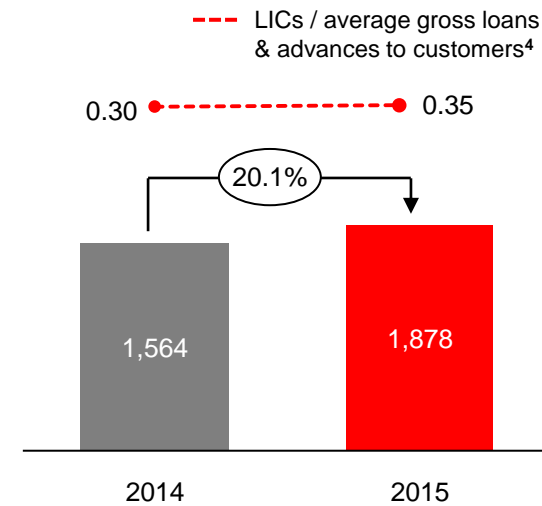
## Adjusted revenue<sup>2</sup> (USDm)



## Adjusted operating expenses<sup>2</sup> (USDm)



## Adjusted LICs<sup>2</sup> (USDm)



Refer to pages 24 and 30 of the 2015 Annual Report and the 2015 Presentation to Investors and Analysts for further details on RBWM Financial Performance

1. Reported Total RBWM PBT: 2014 USD5,581m, 2015 USD4,967m. Reported US run-off PBT: 2014 USD569m, 2015 USD(620)m

2. Reported Principal RBWM PBT: 2014 USD5,012m, 2015 USD5,587m; Revenue: 2014 USD23,813m, 2015 USD22,690m; Operating Expenses: 2014 USD17,292m, 2015 USD15,636m; Loan Impairment Charge (LICs): 2014 USD1907m, 2015 USD1878m.

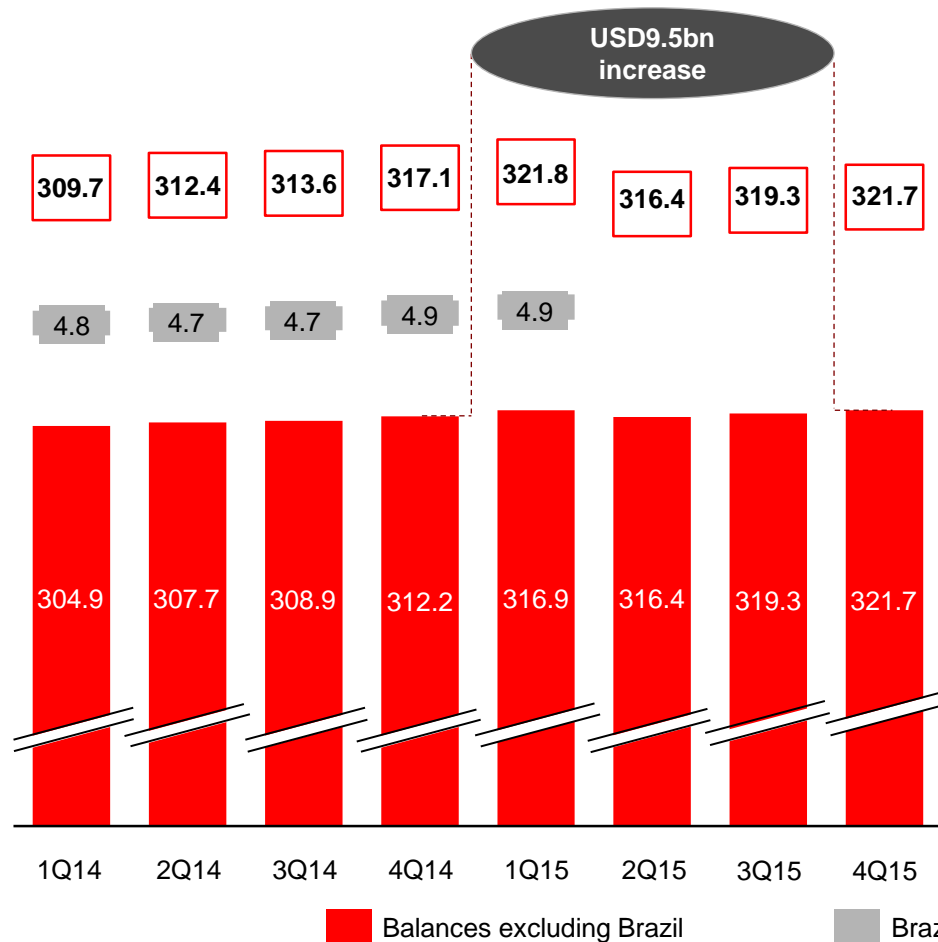
3. Adjusted RoRWA for Principal RBWM excludes associates. Reported RoRWA for Principal RBWM (including associates): 2014 3.2%, 2015 3.7%

4. Excludes Brazil

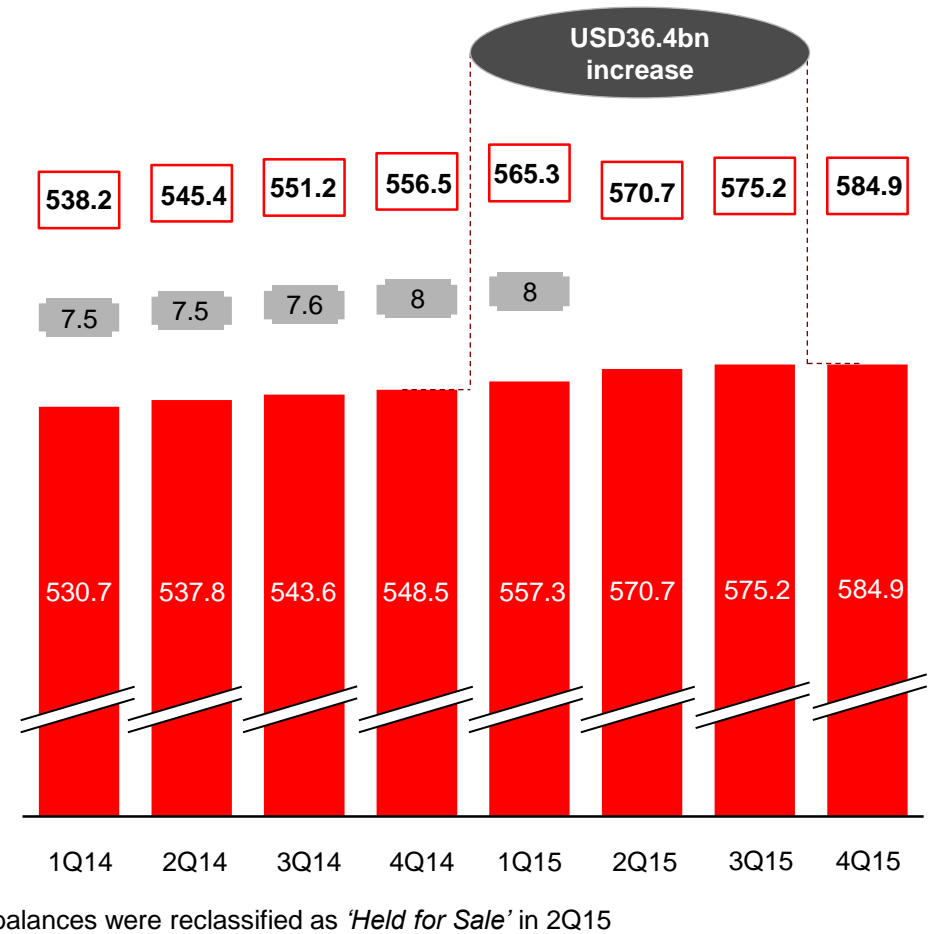
# Principal RBWM – Balance sheet

Growth in both customer lending and customer account balances since 4Q14

## Loans and advances to customers (USDbn, Constant currency basis<sup>1</sup>)



## Customer accounts (USDbn, Constant currency basis<sup>1</sup>)



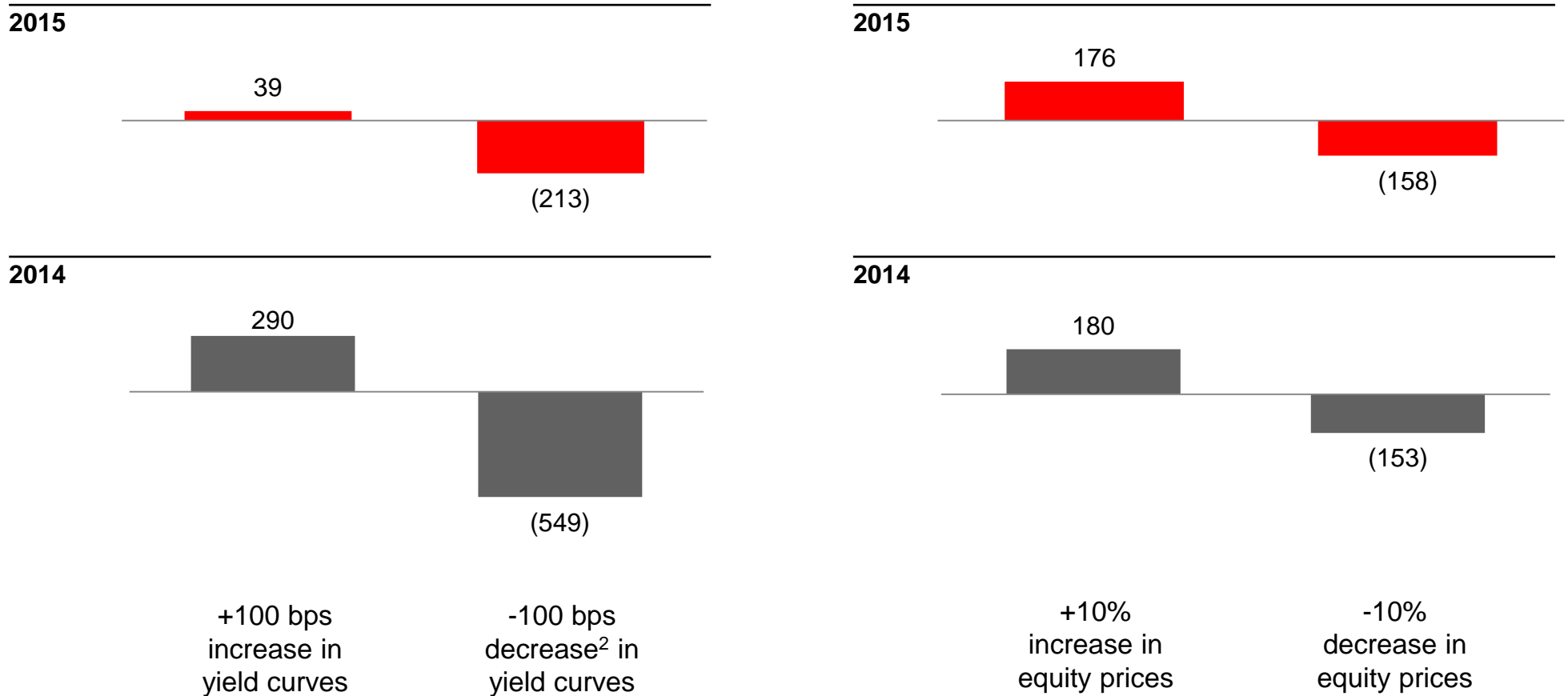
All figures are sourced from the data Pack for further details on RBWM Balance Sheet

- Comparatives have been retranslated at 31 December 2015 rates. The reported quarterly balances for Loans and advances to customers are as follows: 1Q14 USD348.8bn; 2Q14 USD356.4bn; 3Q14 USD344.3bn; 4Q14 USD338.0bn; 1Q15 USD327.6bn; 2Q15 USD331.0bn; 3Q15 USD323.6bn; 4Q15 USD321.7bn. The reported quarterly balances for Customer accounts are as follows: 1Q14 USD586.9bn; 2Q14 USD600.6bn; 3Q14 USD590.3bn; 4Q14 USD583.8bn; 1Q15 USD574bn; 2Q15 USD589.7bn; 3Q15 USD580.6bn; 4Q15 USD584.9bn
- 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



# Insurance manufacturing subject to market volatility

## Insurance manufacturing PAT sensitivity<sup>1</sup> (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

		Principal RBWM consists of:					
		Total RBWM <sup>6</sup> (USDm)	US run-off portfolio (USDm)	Principal RBWM (USDm)	Banking operations (USDm)	Insurance Manufacturing (USDm)	Asset Management (USDm)
2015	<b>2015</b>						
	Net interest income	15,926	1,033	14,893	13,127	1,757	9
	Net fee income	6,218	(4)	6,222	5,726	(560)	1,056
	Other income / (expense) <sup>1</sup>	1,372	(203)	1,575	876	680	19
	<b>Net operating income<sup>2</sup></b>	<b>23,516</b>	<b>826</b>	<b>22,690</b>	<b>19,729</b>	<b>1,877<sup>6</sup></b>	<b>1,084</b>
	LICs <sup>3</sup>	(1,939)	(62)	(1,877)	(1,877)	–	(0)
	<b>Net operating income</b>	<b>21,577</b>	<b>764</b>	<b>20,813</b>	<b>17,852</b>	<b>1,877</b>	<b>1,084</b>
	Total operating expenses	(17,020)	(1,384)	(15,636)	(14,459)	(432)	(745)
	<b>Operating profit</b>	<b>4,557</b>	<b>(620)</b>	<b>5,177</b>	<b>3,393</b>	<b>1,445</b>	<b>339</b>
	Income from associates <sup>4</sup>	410	–	410	357	24	29
<b>Profit before tax</b>	<b>4,967</b>	<b>(620)</b>	<b>5,587</b>	<b>3,750</b>	<b>1,469</b>	<b>368</b>	
RoRWA <sup>5</sup>	2.5%	(1.3%)	3.7%				
2014	<b>2014</b>						
	Net interest income	17,130	1,390	15,740	13,983	1,746	11
	Net fee income	6,836	(4)	6,840	6,264	(534)	1,110
	Other income / (expense) <sup>1</sup>	1,183	(49)	1,232	602	608	22
	<b>Net operating income<sup>2</sup></b>	<b>25,149</b>	<b>1,337</b>	<b>23,812</b>	<b>20,849</b>	<b>1,820</b>	<b>1,143</b>
	LICs <sup>3</sup>	(1,936)	(30)	(1,906)	(1,906)	–	(0)
	<b>Net operating income</b>	<b>23,213</b>	<b>1,307</b>	<b>21,906</b>	<b>18,943</b>	<b>1,820</b>	<b>1,143</b>
	Total operating expenses	(18,030)	(738)	(17,292)	(16,060)	(453)	(779)
	<b>Operating profit</b>	<b>5,183</b>	<b>569</b>	<b>4,614</b>	<b>2,883</b>	<b>1,367</b>	<b>364</b>
	Income from associates <sup>4</sup>	398	–	398	323	40	35
<b>Profit before tax</b>	<b>5,581</b>	<b>569</b>	<b>5,012</b>	<b>3,205</b>	<b>1,407</b>	<b>400</b>	
RoRWA <sup>5</sup>	2.5%	0.8%	3.2%				

All figures are sourced from the ARA

1. 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
2. Net operating income before loan impairment charges and other credit risk provisions, also referred to as revenue
3. Loan impairment charges and other credit risk provisions
4. Share of profit in associates and joint ventures
5. Risk-weighted assets ('RWA's) and pre-tax return on average risk-weighted assets ('RoRWA')
6. In 2015 insurance manufacturing net operating income for RBWM included USD1,686m within Wealth Management (2014: USD1,529m) and USD191m within other products (2014: USD350m)