



9th June 2015

HSBC - Actions to Capture Value from our Global Presence in a Changed World

Investor Update 2015 – Glossary and Basis of preparation



Important notice and forward-looking statements

Important notice

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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"). Forward-looking statements may be identified by the use of terms such as "believes," "expects," "estimate," "may," "intends," "plan," "will," "should," "potential," "reasonably possible" or "anticipates" or the negative thereof or similar expressions, or by discussions of strategy. 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 involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. 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. Certain of the definitions, assumptions and judgements upon which forward-looking statements contained herein are based are discussed under "Projections: Basis of Preparation" within this document. A variety of additional risks and uncertainties that could cause actual results to differ materially from those expected or anticipated, including those that are described in the Group's Annual Report on Form 20-F for the year ended 31 December 2014 filed with the US Securities and Exchange Commission and other reports and filings of the Group, including under the headings 'Top and Emerging Risks' and 'Risk Factors' and in Note 40 (Legal Proceedings and Regulatory Matters) and other notes on the 2014 Financial Statements included therein. 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. Moreover, past performance cannot be relied on as a guide to future performance. Nothing in this presentation or in the subsequent discussions should be considered as a profit forecast.

Non-GAAP Financial Information

This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is 'adjusted performance' which is computed by adjusting reported results for the year-on-year effects of foreign currency translation differences and significant items which distort year-on-year comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliation of non-GAAP financial measurements to the most directly comparable measures under GAAP is provided in the 'reconciliations of non-GAAP financial measures' supplement available at www.hsbc.com.

Definitions (1/6)

Adjusted performance	Adjusted performance excludes the year-on-year effects of foreign currency translation differences and significant items which distort the year-on-year comparison of reported results. The term significant items collectively describes the group of individual adjustments excluded from reported results when arriving at adjusted performance and which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the trends of the business.
ASEAN	Association of Southeast Asian Nations; member states include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
AuM	Assets under Management
Bank Levy	A levy that applies to UK banks, building societies and the UK operations of foreign banks from 1 January 2011. The amount payable is based on a percentage of the group's consolidated liabilities and equity as at 31 December after deducting certain items the most material of which are those related to insured deposit balances, tier 1 capital, insurance liabilities, high quality liquid assets and items subject to a legally enforceable net settlement agreement
BoCom	Bank of Communications Co., Limited
BSM	Balance sheet management
CAGR	Compounded Annual Growth Rate
China	Mainland China
Consumer Credit Act provisions	Provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK
CCR	Counterparty Credit Risk - Counterparty credit risk, in both the trading and non-trading books, is the risk that the counterparty to a transaction may default before completing the satisfactory settlement of the transaction
CET1	Common Equity Tier 1: CET1 Capital - The highest quality form of regulatory capital under Basel III that comprises common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments. CET1 Ratio – A Basel III measure, of CET 1 capital expressed as percentage of total risk exposure amount
CER ratio	Cost Efficiency Ratio - Total operating expenses divided by total revenue
Client facing GB&M	Adjusted GB&M performance excluding Associates, Legacy Credit and Balance Sheet Management.

Appendix

Definitions (2/6)

Client revenue	Reported revenue excluding Other Global Business, BSM, US CML Run-off, GB&M Legacy Credit and Principal Investments
CMB	Commercial Banking
CML	Consumer and Mortgage Lending (US) - In the US, the CML portfolio consists of our Consumer Lending and Mortgage Services businesses, which are in run-off. CML run-off includes the US Consumer and Mortgage Lending portfolios and the related treasury operations
CPI score	Corruption Perceptions Index
CRDIV	Capital Requirements Directive IV - A capital adequacy legislative package issued by the European Commission and adopted by EU member states. CRD IV package comprises a recast Capital Requirements Directive and a new Capital Requirements Regulation. The package implements the Basel III capital proposals together with transitional arrangements for some of its requirements. CRD IV came into force on 1 January 2014
CRS	Card and Retail Services - US Card and Retail Service Business which was disposed of in 2012
CTB	Change the Bank - defined as costs that drive change (excluding transformation), e.g. regulatory changes. Once a programme is implemented, ongoing running costs are no longer classed as CtB
CVA	Credit Valuation Adjustment - An adjustment to the valuation of OTC derivative contracts to reflect the creditworthiness of OTC derivative counterparties
DCM	Debt Capital Markets
Derivative netting	Either where the counterparty has an off-setting exposure with HSBC but offsetting exposure with HSBC but offsetting criteria are not satisfied or where collateral (cash or non-cash) has been received in respect of these transactions
D-SIB	Domestic Systematically Important Banks
DVA	Debit Valuation Adjustment
Europe	Europe geographic segment includes the Group's head office costs, intra-HSBC recharges and the total impact of the UK bank levy
European Economic Area	Trade and Economic zone containing 28 member states of the EU plus Iceland Liechtenstein and Norway

Definitions (3/6)

Exit run-rate cost	Run-rate as of 31 st December including impact of inflation, investment and full effect of savings
FHFA settlement	Charge in relation to the settlement agreement with the Federal Housing Finance Authority
Footprint	HSBC Presence (countries)
FTE	Full-Time Equivalent staff
FTZ	Free Trade Zone
FX	Foreign Exchange
FX related	Settlement and provisions in connection with FX investigations
GB	Global Banking
GB&M	Global Banking and Markets
GCC	Gulf Cooperation Council
GF	Global Functions
Global banks	Peer group which uses reported financials for sample set of 5 global banks: Citi, JPMorgan Chase, Standard Chartered, BNP Paribas, Deutsche Bank
Global Businesses	Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, Global Private banking
Global Functions	Risk and Compliance, Finance, Human Resources, Communications, Marketing, Legal, Internal Audit, Sustainability, Company Secretary, Strategy & Planning, HSBC Technology & Services (HTS)
Global Standards	The adoption and deployment the highest or most effective financial crime controls everywhere that we operate. Global Standards include policies set out these controls for anti-money laundering ('AML') and sanctions. They are our Global Standards. We are transforming how we detect, deter and protect against financial crime through the deployment of Global Standards, which govern how we do business and with whom
GPB	Global Private Banking

Appendix

Definitions (4/6)

Greater China	Geographic area covering Mainland China, Hong Kong, Macau, Taiwan
G-SIB	Global Systemically Important Bank
G-SII	Global Systemically Important Institution
GSP	Global Services Platform
GTRF	Global Trade and Receivables Finance
HBIO	HSBC Finance Corporation
HQ	Headquarters
HSS	HSBC Securities Services
HTS	HSBC Technology and Services
Inbound revenue	Client revenue booked in Country A where the primary relationship is managed outside of Country A
InterCo	Inter company
Jaws	Percentage growth in net operating income before loan impairment charges and other credit risk provisions less percentage growth in total operating expenses
KYC	Know Your Customer
LC	Large Corporate
Legacy credit	A portfolio of assets comprising Solitaire Funding Limited, securities investment conduits, asset-backed securities trading and correlation portfolios and derivative transactions entered into with monoline insurers
LICs	Loan Impairment Charges and other credit risk provisions
MENA	Middle East and North Africa
MME	Mid Market Enterprise
MPE	Multiple Point of Entry
NAFTA	North American Free Trade Agreement; member states include Canada, Mexico and United States
Network countries	Network markets are further HSBC markets with high relevance for international trade and capital flows

Definitions (5/6)

Other Global Business	'Other' contains the full impact of the bank levy, the results of HSBC's holding company and financing operations, central support and functional costs with associated recoveries, unallocated investment activities, centrally held investment companies, certain property transactions and movements in the fair value of own debt
Outbound revenue	Client revenue relating to clients where the primary relationship is managed in Country A, but the revenue is booked outside of Country A
PCM	Payments and Cash Management
Pearl River Delta	Pearl River Delta is located in Guangdong Province, Mainland China. It includes 9 prefectures: Guangzhou, Shenzhen, Foshan, Dongguan, Zhongshan, Huizhou, Zhuhai, Jiangmen and Zhaoqing
PRA	Prudential Regulation Authority
Principal RBWM	Principal RBWM excludes the effects of the CML run-off portfolio and the disposal of the CRS business in the US. The Principal business excludes the effects of run-off and legacy portfolios. Concentrating on the Principal business allows management to identify material changes in the ongoing business and assess the factors and trends which are expected to have a material effect on it in future years
Regional Banks	Peer group which uses reported financials for sample set of 5 regional banks: DBS, Santander, Itau, ICBC and Barclays
Reported	Reported view of performance is determined on an IFRS basis as reported in HSBC's annual report and accounts and other financial and regulatory reports
RM	Relationship Manager
ROE	Return on average ordinary shareholders equity, defined as profit attributable to ordinary shareholders of the parent company divided by average ordinary shareholders equity
RoRWA	The metric, return on risk weighted assets ('RoRWA'), is defined as profit before tax divided by average risk weighted assets ('RWAs'). RWAs have been calculated using FSA rules for the 2010, 2011 and 2012 metrics. In all cases, RWAs or financial metrics based on RWAs for geographical segments or Global Businesses include associates, are on a third party basis and exclude intra-HSBC exposures.
RQFIs	Renminbi Qualified Foreign Institutional Investor Scheme

Definitions (6/6)

RTB	Run the Bank is defined as costs that are required to keep operations running, maintain IT infrastructure and support revenue growth
Run-off	Run-off includes Legacy Credit in GB&M and the US Consumer and Mortgage Lending portfolios and the related treasury operations
RWA	Risk Weighted Assets
Scale priority markets	Top 50 economy by GDP in 2050; domestic market share >3%
Six filter	An internal measure designed to improve capital deployment across the Group. Five of the filters examine the strategic relevance of each business in each country, in terms of connectivity and economic development, and the current returns, in terms of profitability, cost efficiency and liquidity. The sixth filter requires adherence to global risk standards
STP	Straight through processing
Strategic corridors	The largest and fastest growing corridors connected to HSBC's priority markets
Sustainable savings	Permanent cost reductions at a given level of business activity. Sustainable cost savings exclude cost avoidance and revenue and loan impairment charge benefits as these do not represent operational expense reductions. Cost savings resulting from business disposals are not classified as sustainable
Synergies	Benefits from shared resources and product capabilities
TLAC	Total Loss-Absorbing Capacity
Transaction banking products	GTRF, PCM, FX and HSS Products
Trans-Pacific Partnership	Trans-Pacific Partnership is a proposed regional regulatory and investment treaty, participants include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, United States and Vietnam.
TSR	Total Shareholder Return
Universal banking	Retail, wholesale and investment banking services in one banking group
US CRS related provisions	US customer remediation provisions relating to CRS

Projections: Basis of Preparation

- Assumed no changes from 2014 in
 - IFRS accounting rules
 - Regulatory capital / RWA rules
 - Common law
 - Q1 2015 average foreign exchange rates used for all years
 - Forward interest rate curves as at 31 March 2015
 - No amounts included in respect of the following significant items
 - Fair value movements on own debt designated at fair value
 - Debit valuation adjustment on derivative contracts
 - Fair value movements on non-qualifying hedges
 - Fines, penalties and settlements
 - There is no assumed impairment of the Group's investment in Bank of Communications Co., Limited
 - Bank Levy forecast based upon bank levy rates effective 1 April 2015 using 2014 year-end balance sheet
 - Group effective tax rate of 22% used
 - Disposals of Brazil and Turkey assumed to complete on 31 December 2016. Assumed that Operational Risk RWAs relating to these disposals can be removed with PRA permission
 - Costs of USD1bn assumed in relation to the setup of the ring-fenced bank (2015-17)
 - Assumed that where targeted reduction on RWAs require regulatory approvals (e.g. model changes), these will be received
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