9th June 2015

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

Investor Update 2015

HSBC

Important notice and forward-looking statements

Important notice

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

Forward-looking statements

This presentation and subsequent discussion may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position and business of the Group (together, “forward-looking statements”). 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 the presentation "Investor Update 2015 - Glossary and Basis of preparation", available at www.hsbc.com . 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.

Actions to capture value from our global presence in a changed world

		The actions	**Targeted outcome by 2017**
Re-size and simplify	**1**	▪ **Reduce Group RWA by c.USD290bn (at least 25% of 2014 RWA)**[1] - **Resize GB&M by c.USD140bn RWA**, focus on strategically important and profitable businesses; represent **less than 1/3rd of Group RWA** - US CML legacy run-off c.USD40bn - Other management actions / Brazil and Turkey c.USD110bn	Group RWA reduction USD290bn GB&M return to Group target profitability; <1/3 of Group RWA
	2	▪ Continue to **optimise global network** and reduce complexity through the ongoing **application of the 6 filter** process. Sell operations in **Turkey and Brazil**; plan to maintain presence in Brazil to serve large corporate clients with respect to their international needs	Reduced footprint
	3	▪ **Rebuild profitability in Mexico** and **leverage the NAFTA strategic opportunity;** leverage our international network and execute on key initiatives to deliver **satisfactory returns in the US**	US PBT c.USD2bn MEX PBT c.USD0.6bn
	4	▪ Set up **UK ring-fenced bank headquartered in Birmingham**	Completed by 2018
	5	▪ Deliver **USD4.5-5.0bn cost savings**	2017 exit rate = 2014 operating expenses
Re-deploy capital and invest	**6**	▪ **Deliver revenue growth above GDP from international network** - Increase contribution of international network (**transaction banking products,** strategic corridors) - Strengthen synergies across Global Businesses	Revenue growth of international network above GDP
	7	▪ **Pivot to Asia – prioritise and accelerate investments** - Develop businesses at scale in **Pearl River Delta** and **ASEAN** - Accelerate the pivot of Insurance and Asset Management towards Asia - Set up digital centre in Pearl River Delta to drive innovation	Market share gains c.10% growth p.a. AuM in Asia
	8	▪ Grow business from **RMB internationalisation** and extend **global leadership position**	USD2-2.5bn revenue
	9	▪ **Complete implementation of Global Standards**; realise Global Standards as competitive advantage and driver of increased quality of earnings / reduced future fines	Completed
	10	▪ **Review location of Holding Company**; complete review **by year end 2015**	Completed review by year end 2015

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1. 2014 proforma basis ex Associates; excluding business growth

Investor Update 2015

Actions to capture value from our global presence in a changed world

Presentation	Speaker	Time
Overview of the Group	Stuart Gulliver	08:00 – 08:30
Strategic actions		
▪ Strategic actions for the Group	Stuart Gulliver	08:30 – 09:00
▪ Cost management	Andy Maguire	09:00 – 09:25
▪ Financial targets	Iain Mackay	09:25 – 09:40
Summary and shape of the Group	Stuart Gulliver	09:40 – 09:45
Q&A		09:45 – 10:45
Break		
Global Banking and Markets	Samir Assaf	11:15 – 12:00*
US and NAFTA	Pat Burke	12:00 – 12:45*
Asia, China and the Pearl River Delta	Peter Wong	12:45 – 13:30*

* Includes time for presentation and Q&A

Agenda

1	**Overview of the Group**
2	Strategic actions
3	Summary and Shape of the Group

Material transformation since 2011

Transformation since 2011	
Refocus	- Six filters framework - 78 disposals / exits - Legacy run-down
Simplify	- Global management structure - 8x8 organisation de-layering - FTE reduction of 13%
Protect	- Global Standards - Conduct agenda - Strengthened culture

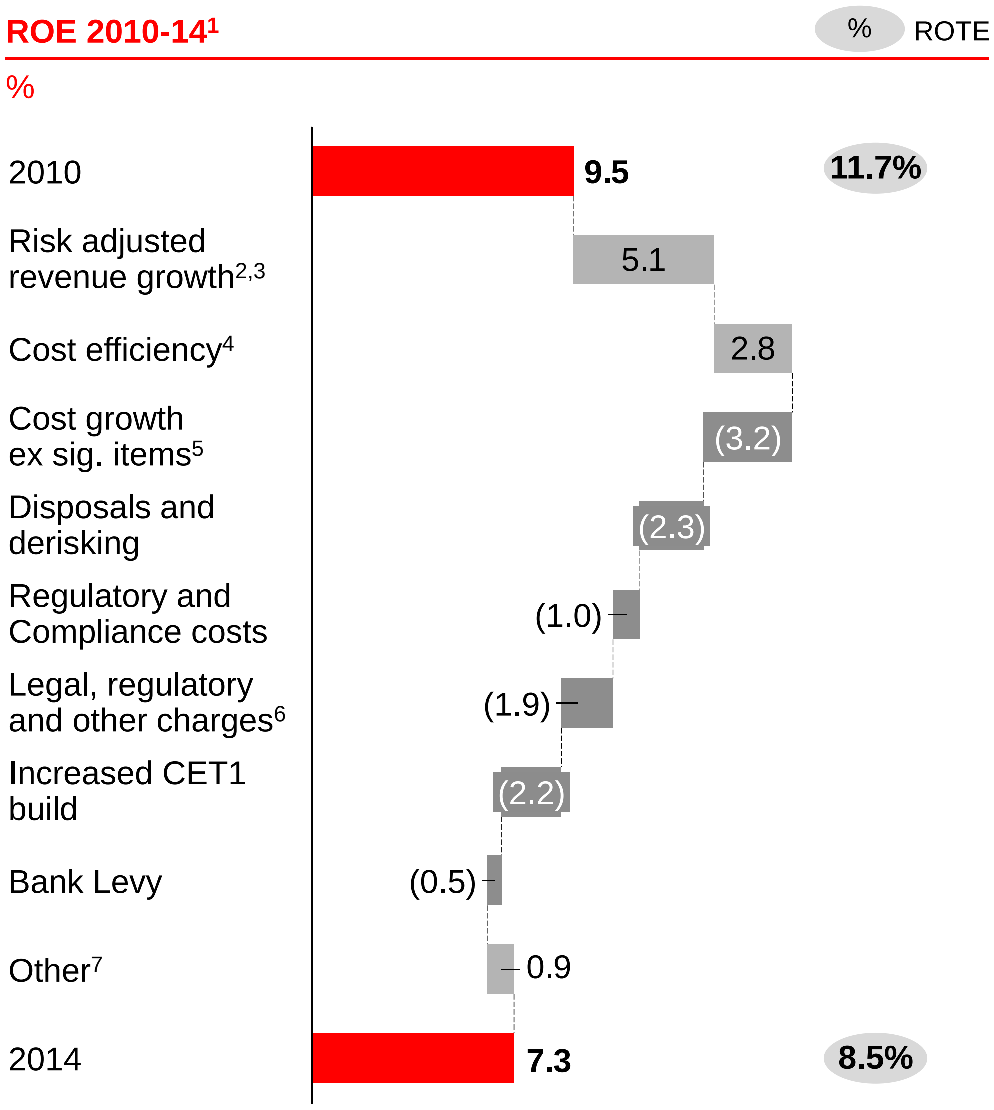
	From **“The World’s Local Bank”**	To **“Leading International Bank”**
Footprint	- **87** countries / territories	- **73** countries / territories - 15 full country exits and 10 line of business exits since 2011
Organi-sation	- **Geography-led** structure - High degree of localisation	- Consistent Global Business and operating model
Leadership	- **Narrow** leadership team	- **Team of 250**+ Group General Managers and Talent Pool - External talent
Risk and Compliance	- Over-reliant on **local capabilities** - 3.2k Compliance staff	- **De-risked business** model - **Global** three lines of defence - 7.2k Compliance staff (1Q15)
Growth	- Growth primarily through **acquisition**	- Compensated sold / lost revenues through organic **business growth**
Business Mix	- Weighted to **developed economies** (56% of adjusted revenue[1]; 60% of adjusted RWAs[2] in 2010)	- **Re-balanced business to Asia** (from 29% of Group adjusted revenue[1] in 2010 to 36% in 2014; adjusted RWAs[2] from 29% to 40%)

Source: HSBC Holdings plc Annual Reports

1. Revenue by geographical region include intra-HSBC items; this revenue has not been eliminated when calculating the above percentages
2. RWAs are non-additive across geographic regions due to market risk diversification

ROE growth offset by decline from disposals, capital increase and fines for historical transgressions

ROE 2010-14[1]



Legal, regulatory and other charges, 2011-14

	Items	P&L impact 2011-14 USDbn
Customer redress	UK customer redress programmes (e.g. PPI)	5.7
	US CRS-related provisions Consumer Credit Act provisions	0.7
Legal proceedings and regulatory matters	Anti-money laundering and sanctions laws Madoff-related FHFA Settlement FX-related Regulatory investigations in GPB US Mortgage foreclosure and servicing	4.8
		11.2

2011-2014 average impact on ROE c.1.4%[1]

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1. Group effective tax rate used to calculate post tax amounts where applicable
2. Net operating income on adjusted basis, less loan impairment charges and other credit risk provisions
3. Excludes repositioning and financial crime de-risking
4. Sustainable savings
5. Excludes fines and redress (see footnote 6)
6. UK Customer redress programmes, charge in relation to the settlement agreement with the Federal Housing Finance Authority, Regulatory provisions in GPB, Settlements and provisions in connection with foreign exchange investigations
7. Other includes Significant items other than fines, provisions and redress (see footnote 6), impact from Associates

HSBC: Unrivalled global presence, strong capital generation and progressive dividends

Our Purpose

Our purpose is to be where the growth is, **connecting customers to opportunities**, enabling businesses to thrive and economies to prosper, and ultimately **helping people to fulfil their hopes and realise their ambitions.**

Our Strategy

- **International network** connecting faster growing and developed markets
- **Develop Wealth and invest in Retail** only in markets where we can achieve profitable scale

Distinct advantages

1 Unrivalled global presence

- Access to c.90% of **global trade and capital flows**
- Banking operations in **highest growth geographies**, particularly Asia (c.36% of Group revenues[1])
- Leading **product capabilities** to support global flows

Benefits

- c.40% of client revenues linked to international network
- Ability to participate in the most attractive global growth opportunities

2 Diversified, universal banking model

- Balanced **universal banking** model
- Low risk business model, resulting in **lowest earnings volatility** vs. peers[2]
- **Resilient** business model; profitable throughout the crisis
- **Multiple point of entry** (MPE) structure

Benefits

- Low volatility
- Stable funding and liquidity

3 Strong capital generation with industry leading dividends

- Strong **intrinsic capital generation**
- Average capital accumulation between 2011-14 of USD9.1bn
- **Long-term progressive** dividend; industry leading

Benefits

- Progressive dividends
- Ability to meet capital requirements

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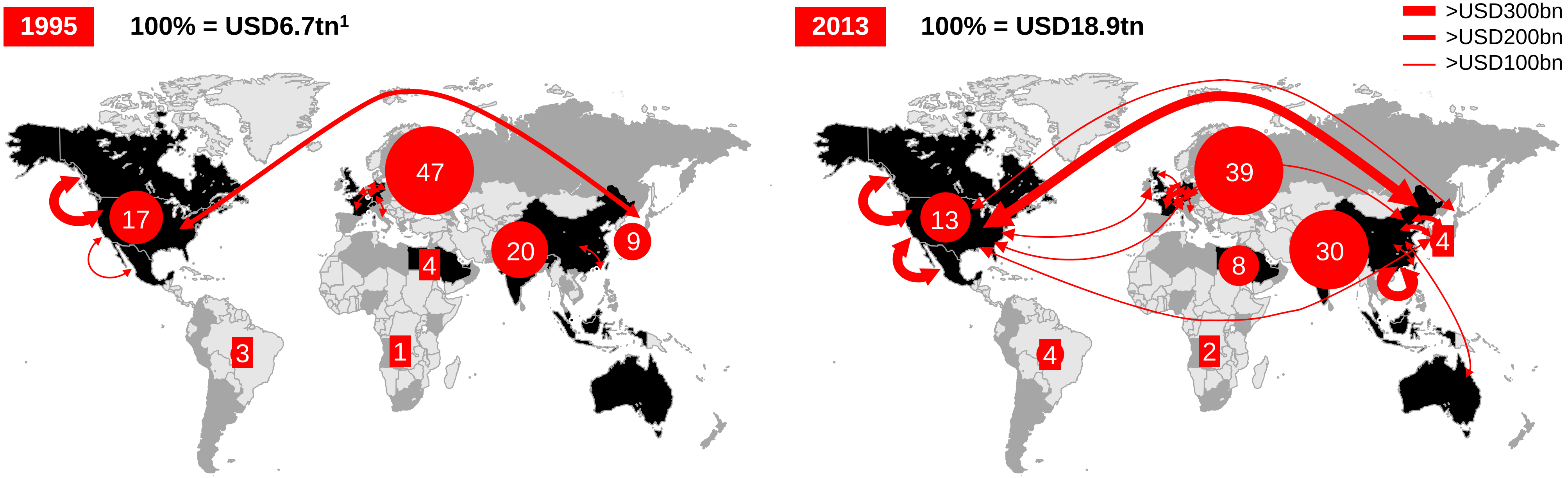
1. On an adjusted basis in 2014. Revenue by geographic region includes intra-HSBC items; this revenue has been not eliminated when calculating the above percentages
2. PBT volatility 2004-14, HSBC vs. standard set of 5 global and 5 regional banks

Unrivalled global presence

World increasingly connected, with trade centre shifting to Asia

⬛ HSBC Priority markets
▨ HSBC other markets
● % world exports

Export corridors between countries



63%	European and North American share of world exports	52%
26%	Asian ex Japan, Latin American and MENA share of world exports	42%
1	Number of export corridors USD300bn+	4
1	Number of export corridors USD200-300bn	4
6	Number of export corridors USD100-200bn	15

HSBC is present at both ends of all USD100bn+ corridors

Source: UNCTAD

1. 1995 export figures are adjusted for inflation and to constant currency (2013 USD basis) using export deflator (Source: Oxford Economics) and Nominal Broad Dollar Index (Source: Federal Reserve)

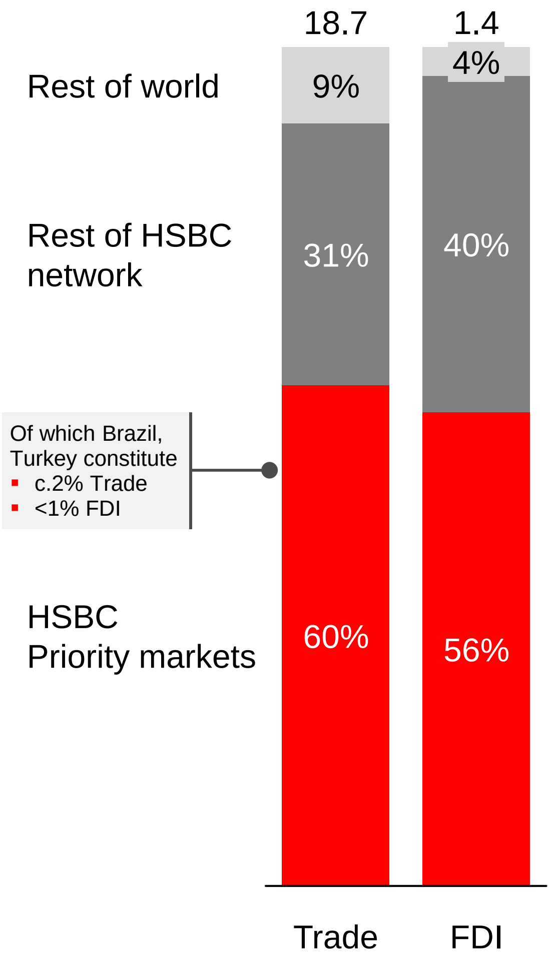
Unrivalled global presence

Unrivalled network to support global trade and capital flows

✔ HSBC Priority markets on both sides
✓ HSBC Priority market on one side

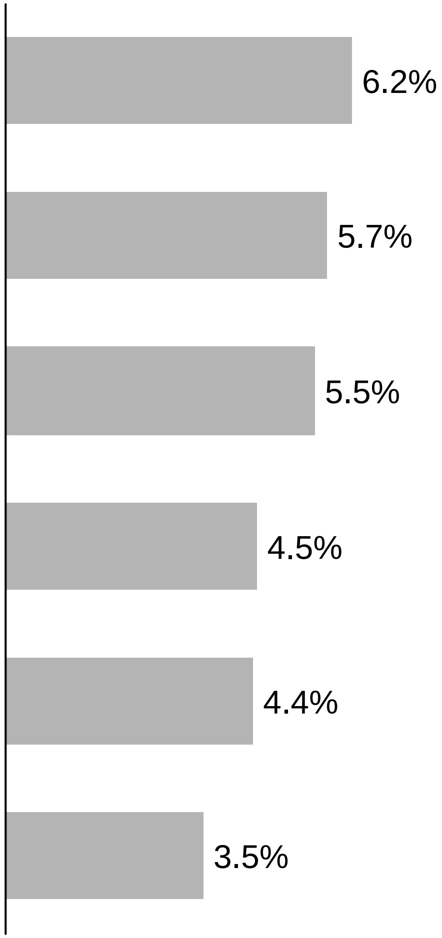
Coverage of global flows[1]

USDtrn



Major trade and economic zones[2]

Exports growth CAGR 2014-25, %



Major trade and economic zones	Exports growth CAGR 2014-25, %	Exports 2025, USDtrn	Key corridors
Greater China[3]	6.2%	**5.8**	China – Hong Kong ✔ China – US ✔ Australia – China ✔
MENA[4]	5.7%	**2.6**	Saudi Arabia – UAE ✔ Saudi Arabia – Egypt ✔ Egypt – UAE ✔
ASEAN	5.5%	**2.8**	Malaysia – Singapore ✔ Singapore – Indonesia ✔ Malaysia – Indonesia ✔
NAFTA	4.5%	**5.0**	US – Mexico ✔ US – Canada ✔
Trans-Pacific Partnership	4.4%	**8.8**	Japan – US ✓ Japan – Canada ✓ US – Singapore ✔
European Economic Area[5]	3.5%	**11.1**	Germany – France ✔ Germany – UK ✔

4.5% aggregate CAGR **88% of global trade in 2025**

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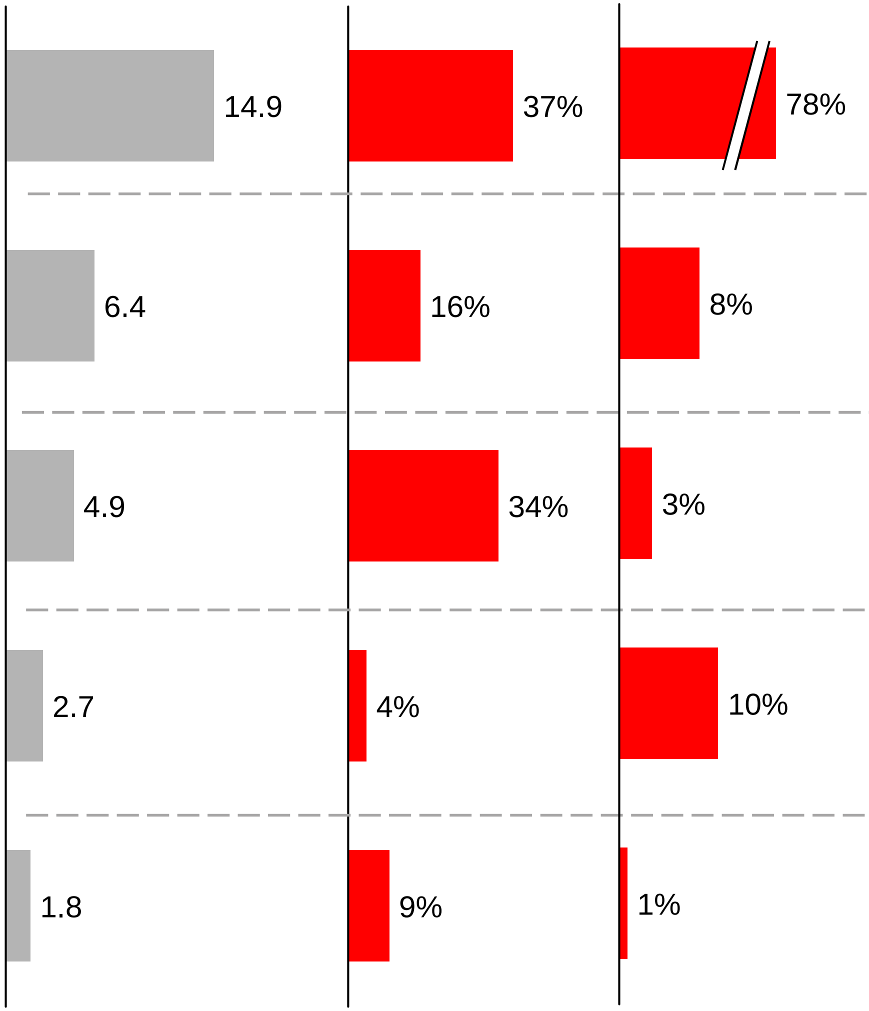
1. Trade is measured as total 2014 merchandise exports (Source: Global Insights, March 2015). FDI is measured as 2013 FDI outflows (Source: UNCTAD)
2. Constant currency (2010 USD basis). Source: Oxford Economics
3. Export figures exclude Macau
4. Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen
5. Export figures exclude Liechtenstein

Unrivalled global presence

Leading position in highest growth markets



	GDP growth 2014-2025[1], USDtrn	**HSBC reported revenue** % of total	**HSBC reported PBT** % of total	**Market position**
Asia	14.9	37%	78%	▪ Best Bank in Asia ▪ Best Bond House ▪ RMB House of the Year
NAFTA[2]	6.4	16%	8%	▪ Best Export Finance Arranger in North America ▪ Best Trade Finance provider – Canada ▪ Best Domestic Cash Manager[5] – Mexico
Europe	4.9	34%	3%	▪ Best Debt House and Best Risk Adviser in Western Europe ▪ Best Export Finance Arranger and Best Trade Advisor in EMEA
Middle East and North Africa[3]	2.7	4%	10%	▪ Best Investment Bank in the Middle East ▪ #1 in Equity Capital Markets ▪ Best Trade Finance Bank in MENA
Other Latin America[4]	1.8	9%	1%	▪ Best Transaction Services House ▪ Best Bond and Loan House ▪ Derivatives House of the Year

Source: HSBC Annual Report (2014), Global Insights, March 2015

1. Real GDP absolute growth, reported in constant currency (2010 USD basis). Source: Global Insights, March 2015
2. US, Canada and Mexico
3. GDP growth figure includes Sub-Saharan African countries
4. Latin America excluding Mexico
5. Non-financial institutions

Unrivalled global presence

Benefits of international network vs. the costs of running a global bank

Drivers of value		Contribution
Revenues for international network	+ Client revenue linked to international network represents c.40% of HSBC client revenue and is a driver of growth (c.USD22bn[1] in 2014) + Unique differentiator for clients, proposition that is hard to replicate	Material positive contribution
Diversification benefit	+ Ability to invest through regional macroeconomic cycles and move capital and resources to highest growth opportunities; more resilient in downturn or crisis + Lowest earnings volatility vs. industry 2004-14	Lowest volatility vs. peers
Operating expenses	+ Benefits from global scale in support functions and IT – e.g. offshoring, operational hubs, global systems, etc. + Procurement scale − Cost of complexity; negatively impacted by increasing costs of running a global bank – e.g. global regulatory programmes − Bank levy calculated on global balance sheet	Scale benefits offsetting costs of running a global bank
Cost of capital and funding	− G-SIB and TLAC requirements increase capital and funding needs (however somewhat offset by D-SIB)	Negative, however somewhat offset by D-SIB requirements
	+ Lower funding costs and capital due to Group structure	Small positive contribution

Value of international client revenues lost would be greater than capital freed up
– Long-term competitive advantage of HSBC as leading international bank –

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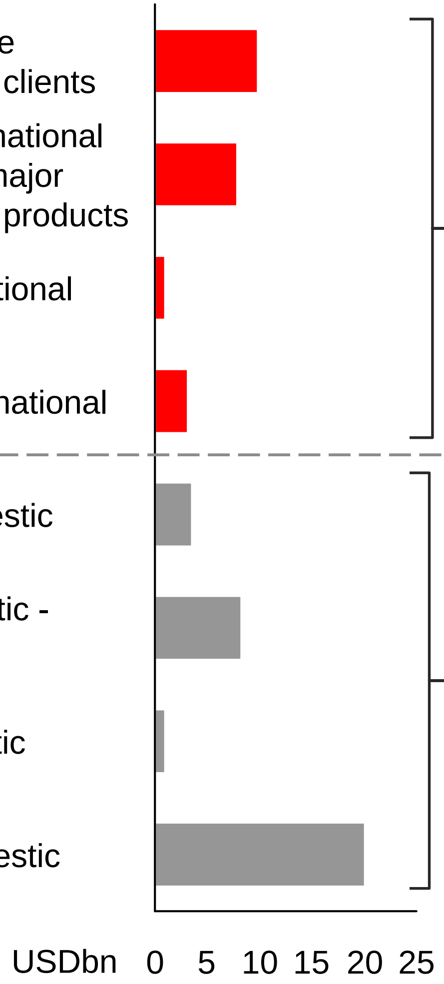
[1] International client revenue as defined on subsequent page

Unrivalled global presence

c.40% of client revenue is linked to HSBC's international network; driver of growth



	Client revenue, 2014[1]		Growth 2013-14	Definition
International	GB&M - large international clients	c.40%	+	Corporate clients served in more than one market[2]
	CMB – international clients and major international products			Clients with significant international product revenue[3]
	GPB international			International clients[4]
	RBWM international			International Premier[5] clients and asset management clients[6]
Domestic	GB&M domestic	c.60%	–	Domestic clients[7]
	CMB domestic - BB/MME			Domestic clients[7]
	GPB domestic			Domestic clients served in one market[7]
	RBWM domestic			Domestic retail clients[7]

Source: Internal HSBC client data

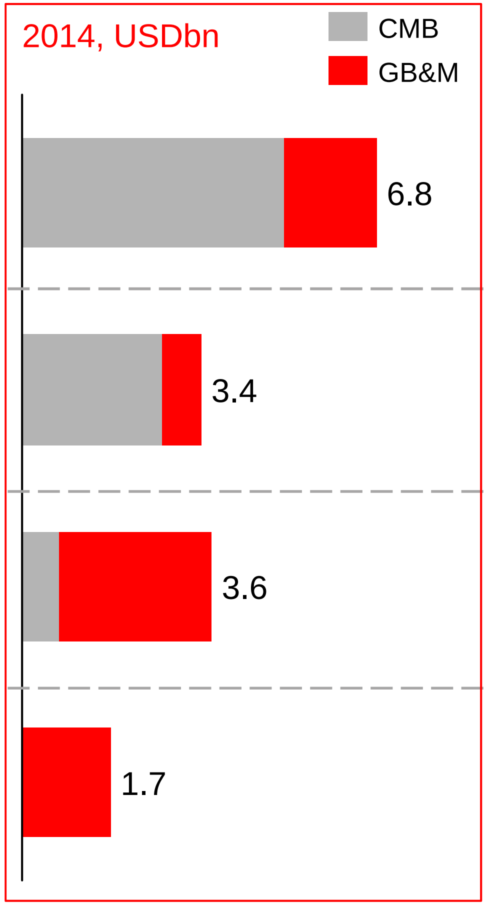
1. HSBC 2014 reported revenue, excluding Other Global Business, BSM, US CML Run-off, GB&M Legacy Credit and Principal Investments
2. Includes in-country revenue (in country where relationship is managed) and cross-border revenue
3. CMB Large Corporate and MME clients operating in one market and / or generating GTRF and FX revenue in excess of USD10k
3. Clients from which revenue is booked in a different location to domicile
4. Premier clients served in more than one market and wealth qualifying (investable assets in excess of USD50k)
5. Includes external wholesale and institutional distribution, as well as sales to international corporate clients
6. Client revenue excluding revenue defined as International

Unrivalled global presence

International network enables strong market position in products supporting global trade and capital flows

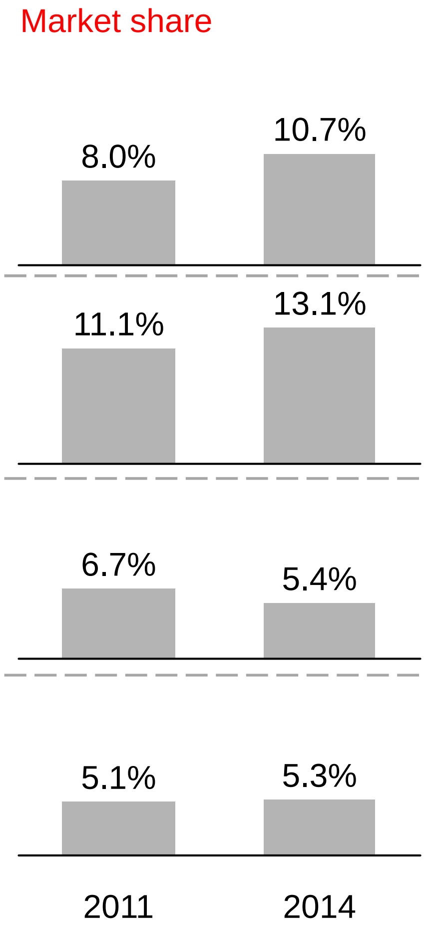
Transaction banking products

Revenue[1]



USD16bn transaction banking revenue

HSBC's market position



Key awards

Products	Key awards 2014
Payments & Cash Management[2]	Best Global Cash Management Bank for Corporates and Financial Institutions
Global Trade & Receivables Finance[3]	Best Global Trade Finance Bank Best Supply-Chain Finance Bank
Foreign Exchange[4]	#1 Global Market Share – Non-Financial Corporates Best Bank for Emerging Asian Currencies
Securities Services[5]	Custodian of the Year – UK & Ireland 2nd year running Mutual Fund Administrator of the Year Best Trustee Award

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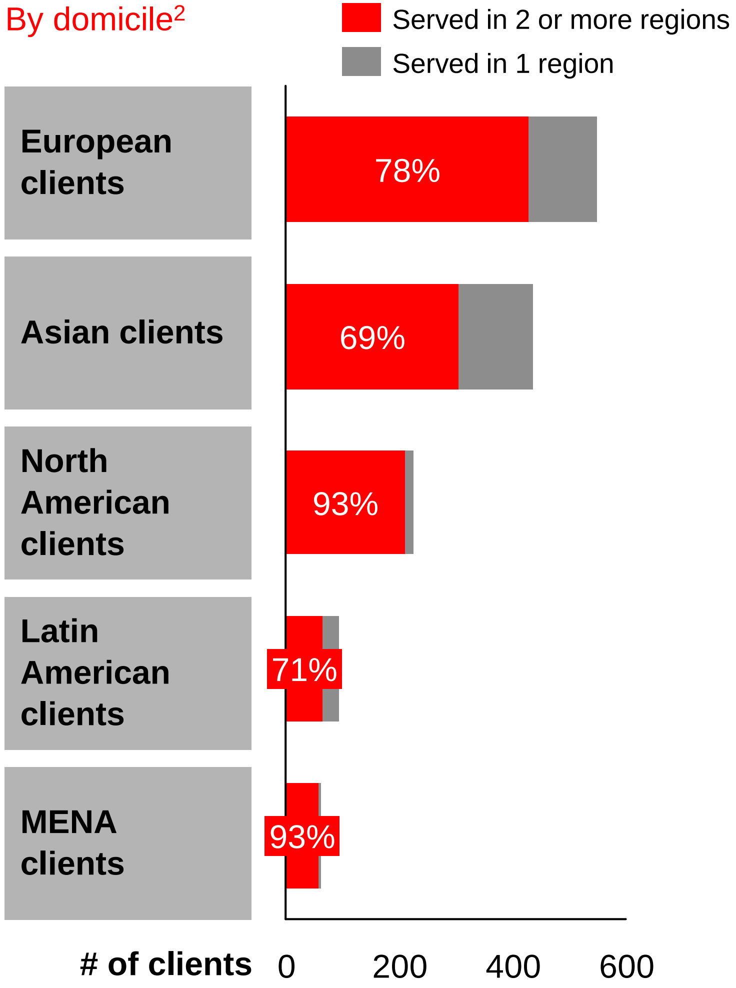
1. Adjusted basis
2. Revenue includes CMB current accounts and savings deposits; Market share: SWIFT
3. Market share of Traditional Trade Finance (includes shadow income from foreign exchange and revenue from associates): Oliver Wyman analysis / estimates
4. Market share by volume: Euromoney Global FX Survey
5. Market share based on HSBC's share of AUC and AuM of the top 8 Securities Services players

Unrivalled global presence

Breadth and scale of footprint unique HSBC proposition – deeper relationships and higher revenue per client

GB&M clients[1], 2014

Number of clients



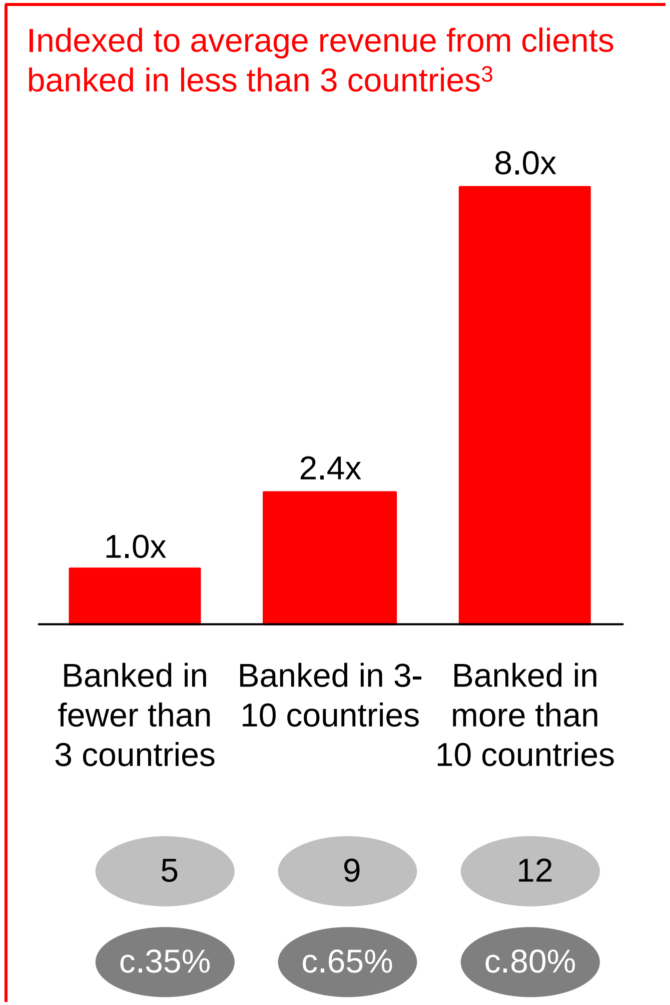
	% clients served in 3 or more regions	% clients served in 2 regions
European clients	**60%**	18%
Asian clients	**51%**	18%
North American clients	**79%**	14%
Latin American clients	**45%**	26%
MENA clients	**72%**	21%

Average number of products

Share of revenue booked outside domicile[2]

Average revenue per client

Indexed to average revenue from clients banked in less than 3 countries[3]



Source: Internal HSBC client data

1. Priority clients; c.30% of GB&M clients representing more than 80% of 2014 GB&M client revenue. Defined by HSBC as clients with strong existing relationship or solid growth prospects
2. Country where client relationship is managed
3. Where annual revenue per booking country is >USD200k

Unrivalled global presence

Example: Capabilities enabled through international network – CK Hutchison Holdings Limited

長江和記實業有限公司
CK HUTCHISON HOLDINGS LIMITED

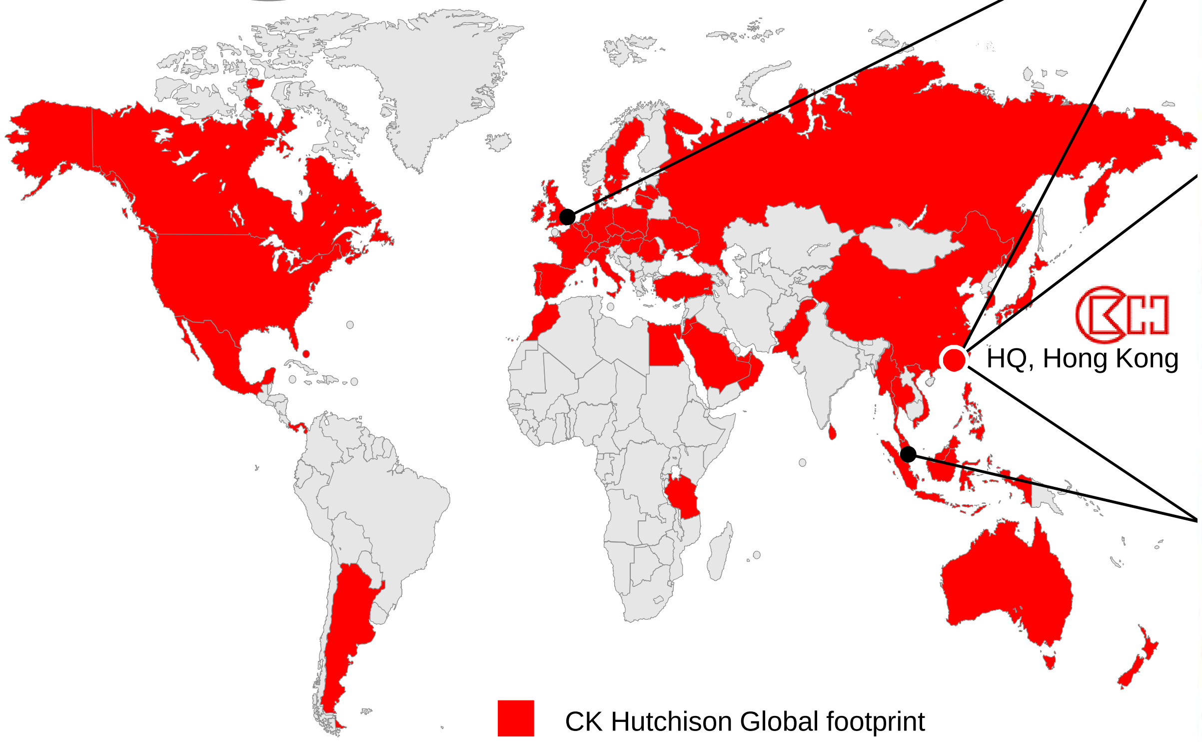
Client profile

- One of the largest companies listed on the main board of The Hong Kong Stock Exchange
- Awarded Asia's Best Conglomerate in 2014 and 2015[1]
- Turnover USD35bn
- Business in over 50 countries
- Long established banking relationship with HSBC

32 Countries with banking relationships

30 Countries with PCM business

17 Countries with GTRF business



🟥 CK Hutchison Global footprint

"Hutchison Whampoa agrees to buy O2 for GBP10.3bn from Telefónica"

Financial Times March 2015

- HSBC adviser / bookrunner / facility agent / underwriter
- HWL largest overseas deal
- O2 and Three mobile group will bring together 41% of UK wireless market

"Li Ka-shing overhauls business empire"

Financial Times January 2015

- HSBC sole financial adviser on USD26bn corporate restructuring
- Reorganisation and combination of HWL and Cheung Kong

"Li Ka-shing scraps Watsons IPO as Temasek buys USD6bn stake"

Financial Times March 2014

- HSBC adviser
- 25% stake of AS Watson to Singapore's Temasek for HKD44bn

A.S. Watson Group

TEMASEK

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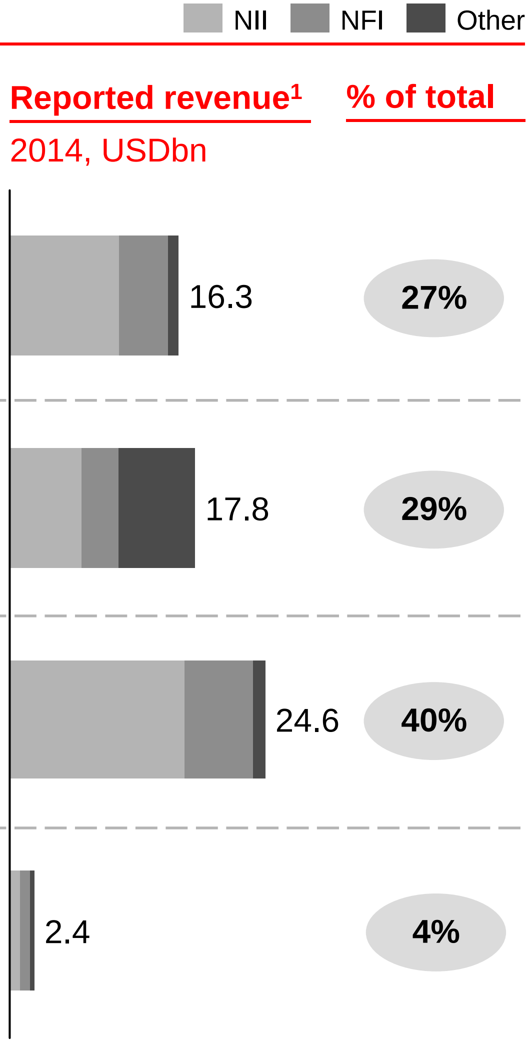
1. Awarded by FinanceAsia to Hutchison Whampoa Limited

Diversified universal banking model with strong funding and low risk profile

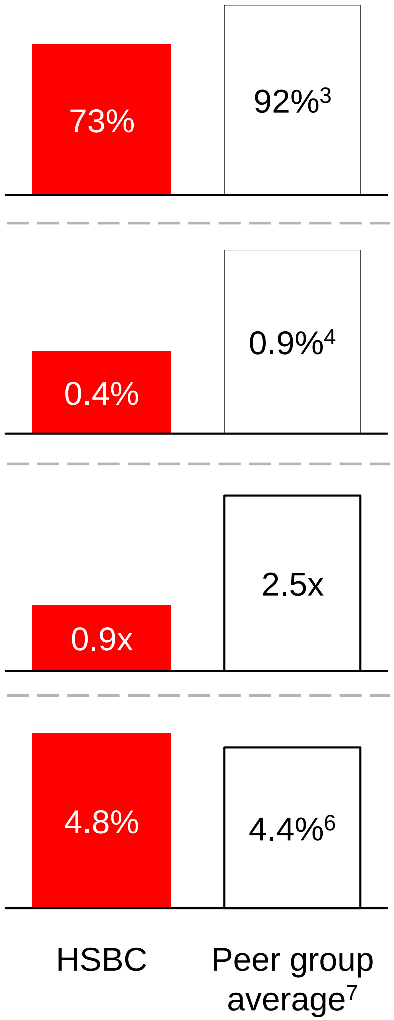
Diversified business mix



	Key businesses and products	Reported revenue[1] 2014, USDbn	% of total
CMB	Credit and lending Trade and receivables finance Payments and cash management	16.3	**27%**
GB&M	Markets (e.g. FX, Credit and Equities) Capital financing Securities services	17.8	**29%**
RBWM	Retail deposits and account services Asset management Insurance	24.6	**40%**
GPB	Private banking Investment management Wealth solutions (e.g. alternative investments, trust and estate planning)	2.4	**4%**

Low-risk model with low earnings volatility

2014



	HSBC	Peer group average[7]
Loans and advances[2] / Deposits	73%	92%[3]
LICs / Loans and advances[2]	0.4%	0.9%[4]
10 year PBT volatility[5]	0.9x	2.5x
Leverage ratio	4.8%	4.4%[6]

Source: Annual reports, FactSet, Bloomberg

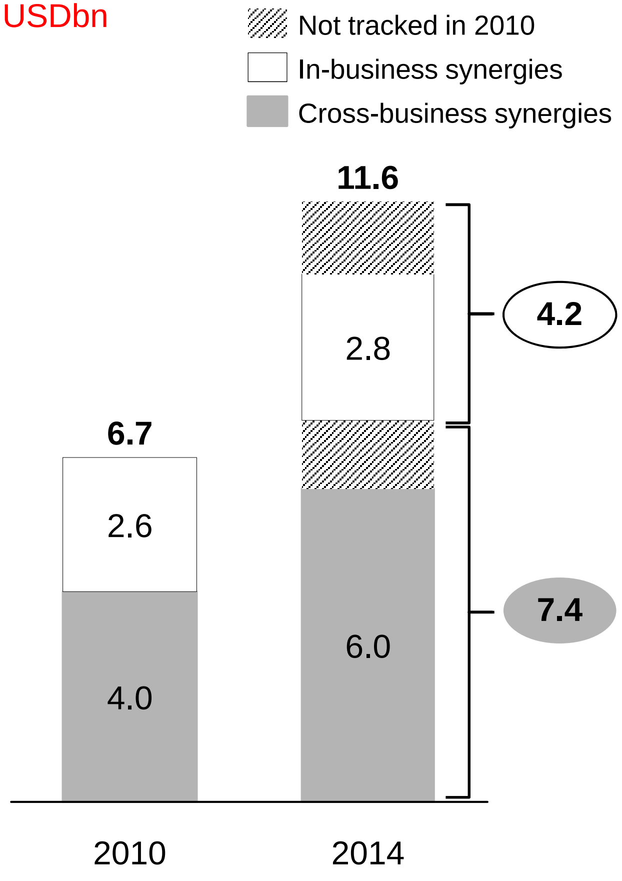
1. Excludes revenue recorded in Other and Intersegment of USD0.1bn; total Group revenue of USD61.2bn
2. Represents gross loans and advances to customers. The loans and advances to deposits ratio on a net basis was 72% as reported for HSBC
3. Excluding Itau and Santander, peer average would be 81%
4. Excluding Itau and Santander, peer group average would be 0.53%
5. Calculated as average of the PBT range divided by average PBT from 2004 to 2014 for each of the peers defined
6. Source Bloomberg. Itau, ICBC and DBS not published
7. Peer group average calculated using reported financials as reported for sample set of 5 global banks (JP Morgan, BNP Paribas, Citigroup, Deutsche Bank, Standard Chartered) and 5 regional banks (DBS, Santander, Itau, ICBC and Barclays)

Diversified universal banking model

Revenue synergies of c.USD12bn enabled by universal banking model

Total revenue synergies[1]

2010-14, USDbn



% of total reported revenue

% of total reported revenue	**10%**	**19%**

Total revenue synergies by Global Business

Revenue[2] 2014, USDbn

GB&M clients	- Payments and Cash Management from CMB[3] - GTRF solutions from CMB - Asset management products from RBWM	**2.8**
CMB clients	- FX, derivatives, and capital financing from GB&M - Investment and insurance from RBWM - Asset Management products from RBWM	**3.4**
RBWM clients	- GB&M products for retail and business banking solutions	**0.8**
GPB clients	- Referrals from three other global businesses - Global Markets products to private clients - Insurance and Asset Management products from RBWM	**0.4**
Total cross-business synergies revenue		**7.4**
In-business synergies[4]	- Securities services / custody (HSS) - Asset management (manufacturing) - Insurance (manufacturing)	**4.2**
Total revenue synergies		**11.6**

Cost and funding synergies

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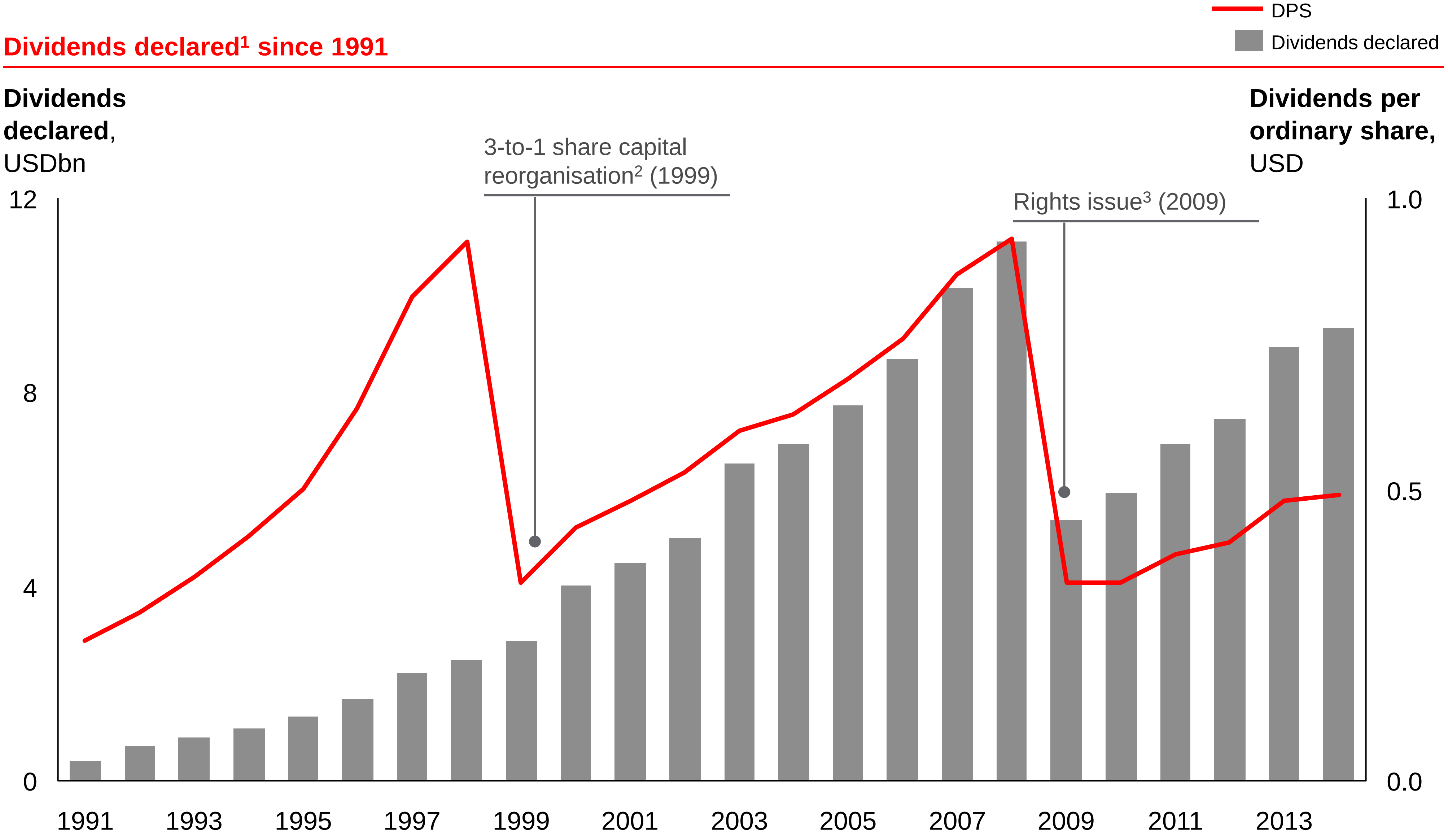
1. A portion of revenue synergies shown for 2014 were not tracked in 2010; for 2014, these items included USD1.3bn of cross-business collaboration revenues and USD1.4bn of in-business synergies for which an equivalent 2010 value is not available
2. Cross-business synergies are presented as gross revenue and do not reflect any revenue sharing arrangement between Global Businesses
3. PCM is currently managed under CMB and GB&M. The GB&M portion is included as revenue synergy to provide a consistent treatment with GTRF
4. In-business synergies include separately managed operations that are reported within a global business line

Strong capital generation with industry leading dividends

Long-term history of progressive dividend

Dividends declared[1] since 1991



Source: Annual Report and Accounts

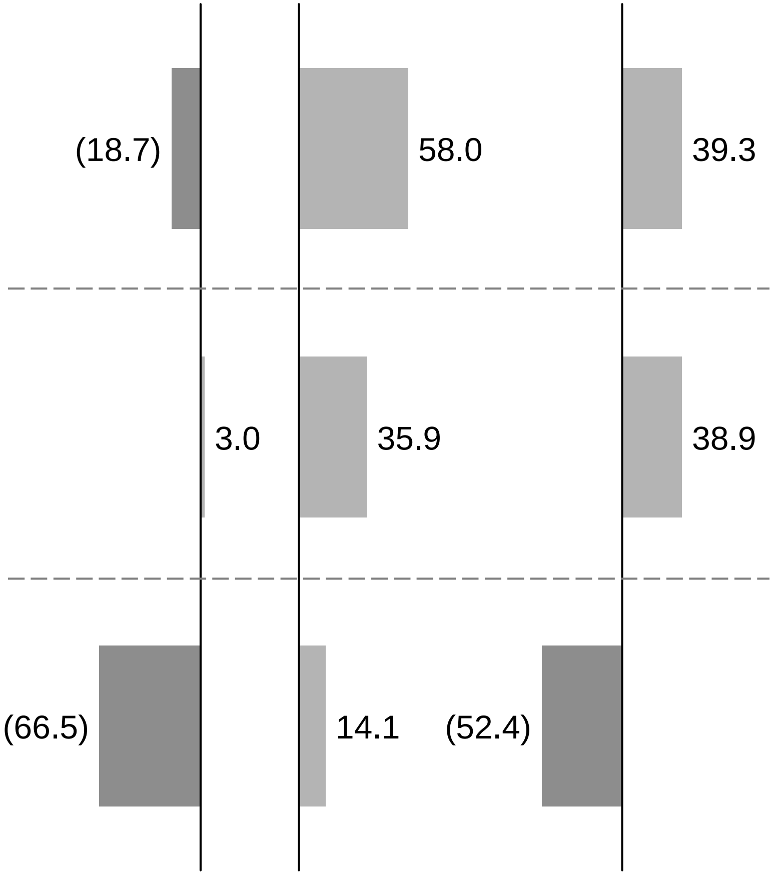
1. Dividends declared to ordinary shareholders
2. Under the terms of the share capital reorganisation on 2 July 1999, each shareholder of HSBC Holdings plc received three new ordinary shares of USD0.50 for each existing ordinary share of 75p or ordinary share of HKD10 held
3. Rights issue in 2009 offered shareholders five ordinary shares for every twelve ordinary shares held

Strong capital generation with industry leading dividends

Share price, dividends paid and total shareholder return

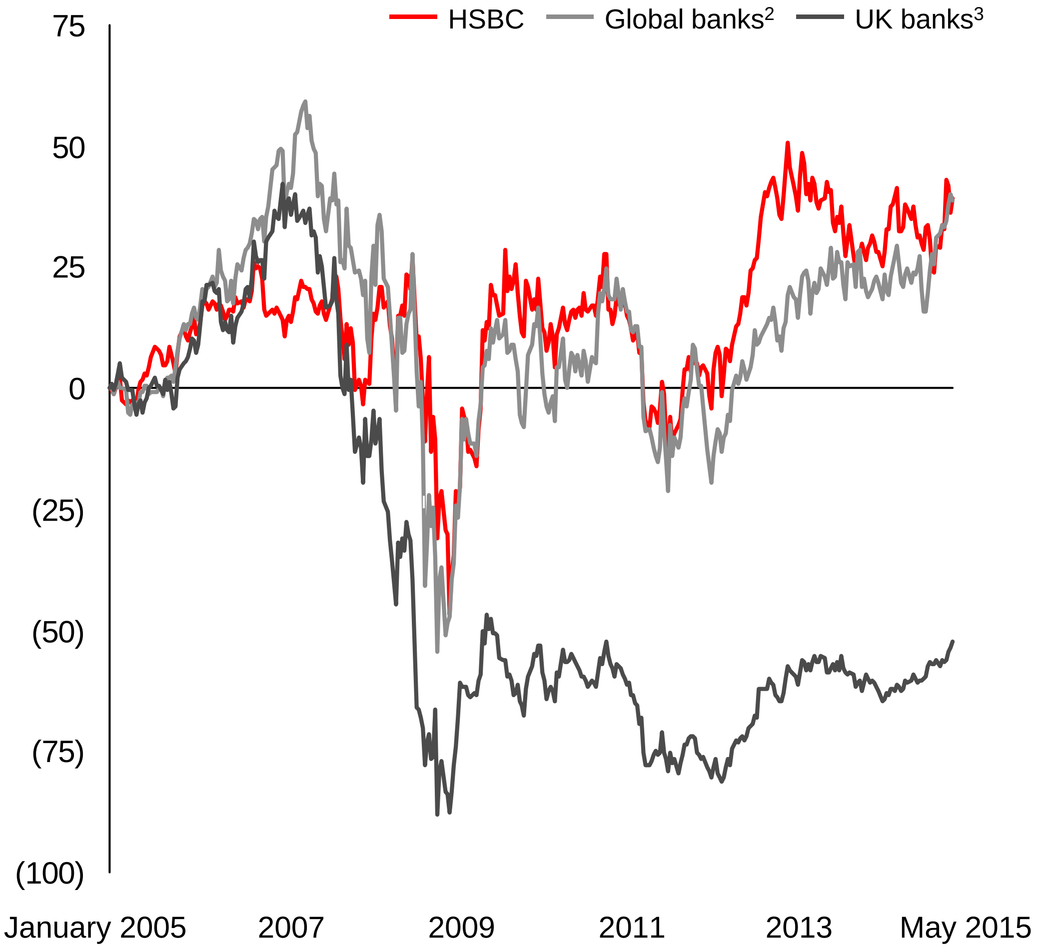
10 year performance

2005-15[1], %



	Share price	Dividends declared	TSR
HSBC	(18.7)	58.0	39.3
Global banks[2]	3.0	35.9	38.9
UK banks[3]	(66.5)	14.1	(52.4)

Total shareholder return



Source: Bloomberg

1. Period from 01 January 2005 to 29 May 2015; dividends includes dividends declared on ordinary shares
2. Includes set of 5 global banks (as elsewhere in presentation): Citi, JPMorgan Chase, Standard Chartered, BNP Paribas, Deutsche Bank
3. Includes top-3 UK banks: RBS, Lloyds Banking Group, Barclays

Agenda

1	Overview of the Group
2	**Strategic actions**
	Strategic actions for the Group
	Cost management
	Financial targets
3	Summary and Shape of the Group

Strategic actions for the Group

Adapting to a changed world

Shifting economic powers

- **Increasing global connectivity**
- **Deepening of capital markets** and **expansion of wealth pools** in developing markets
- **Expanding importance of China** (“China going out”) and **rise of the RMB**

Competitive landscape

- **Retreating banks in the West**
- Emerging market banks maturing into **regional competitors**
- Only **1-2 banks** still **able to facilitate global trade / capital flows**

HSBC

Regulatory changes

- **Greater capital and funding** requirements
- **Conduct and Compliance** focus
- **Increasing local regulation**, ring-fencing, subsidiarisation

Technology / Innovation

- Exponential **digital / mobile adoption**
- **Technology firms entering** financial services sector
- Increasing **opportunities and risks in data**

Strategic actions for the Group

Actions to capture value from our global presence in a changed world

		The actions	Targeted outcome by 2017
Re-size and simplify	1	**Reduce Group RWA by c.USD290bn (at least 25% of 2014 RWA)**[1] - **Resize GB&M by c.USD140bn RWA**, focus on strategically important and profitable businesses; represent **less than 1/3rd of Group RWA** - US CML legacy run-off c.USD40bn - Other management actions / Brazil and Turkey c.USD110bn	Group RWA reduction USD290bn GB&M return to Group target profitability; <1/3 of Group RWA
	2	Continue to **optimise global network** and reduce complexity through the ongoing **application of the 6 filter** process. Sell operations in **Turkey and Brazil**; plan to maintain presence in Brazil to serve large corporate clients with respect to their international needs	Reduced footprint
	3	**Rebuild profitability in Mexico** and **leverage the NAFTA strategic opportunity;** leverage our international network and execute on key initiatives to deliver **satisfactory returns in the US**	US PBT c.USD2bn MEX PBT c.USD0.6bn
	4	Set up **UK ring-fenced bank headquartered in Birmingham**	Completed by 2018
	5	Deliver **USD4.5-5.0bn cost savings**	2017 exit rate = 2014 operating expenses
Re-deploy capital and invest	6	**Deliver revenue growth above GDP from international network** - Increase contribution of international network (**transaction banking products,** strategic corridors) - Strengthen synergies across Global Businesses	Revenue growth of international network above GDP
	7	**Pivot to Asia – prioritise and accelerate investments** - Develop businesses at scale in **Pearl River Delta** and **ASEAN** - Accelerate the pivot of Insurance and Asset Management towards Asia - Set up digital centre in Pearl River Delta to drive innovation	Market share gains c.10% growth p.a. AuM in Asia
	8	Grow business from **RMB internationalisation** and extend **global leadership position**	USD2-2.5bn revenue
	9	**Complete implementation of Global Standards**; realise Global Standards as competitive advantage and driver of increased quality of earnings / reduced future fines	Completed
	10	**Review location of Holding Company**; complete review **by year end 2015**	Completed review by year end 2015

---

1. 2014 proforma basis ex Associates; excluding business growth

Strategic actions for the Group: Reduce Group RWA

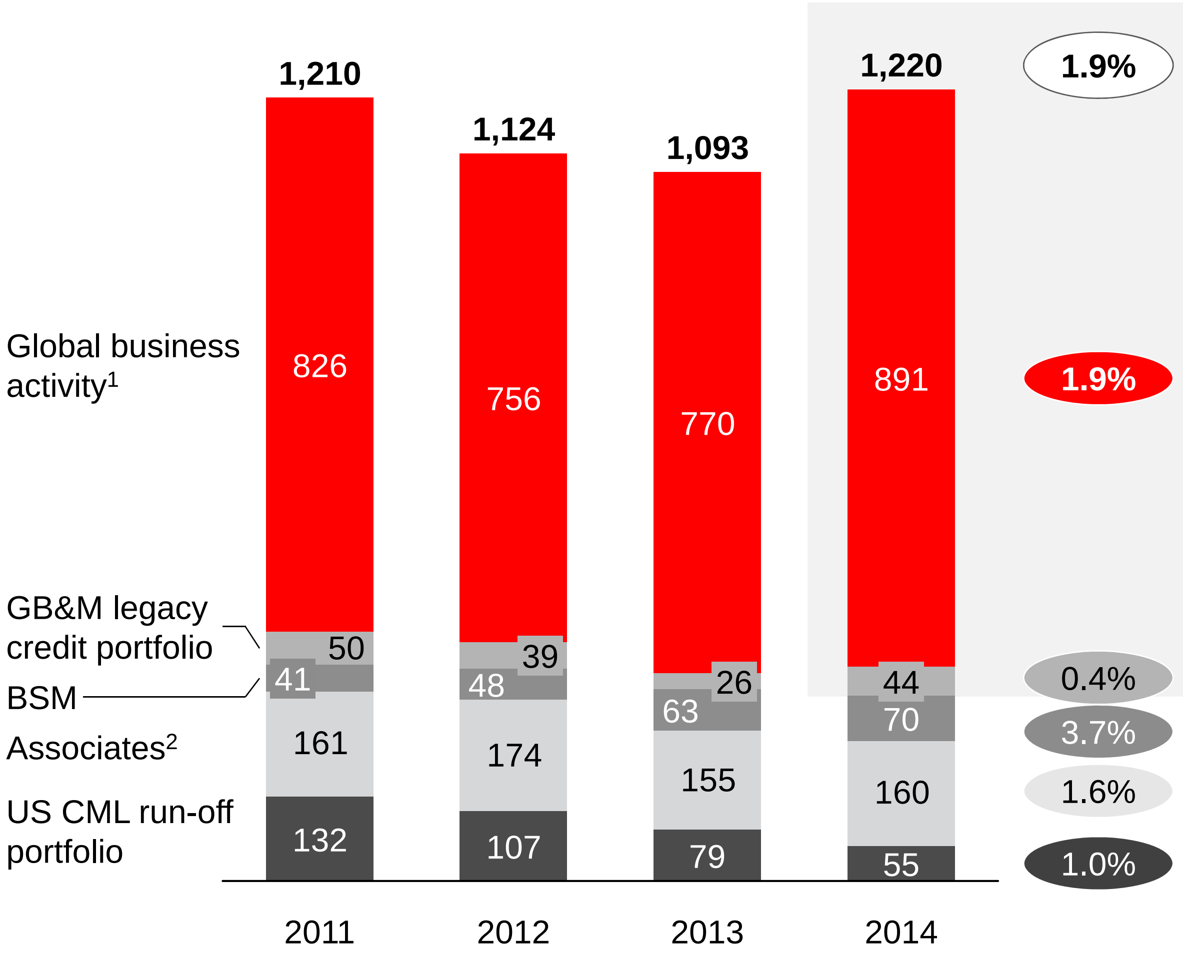
1 Overview of Group RWA

Group RWA

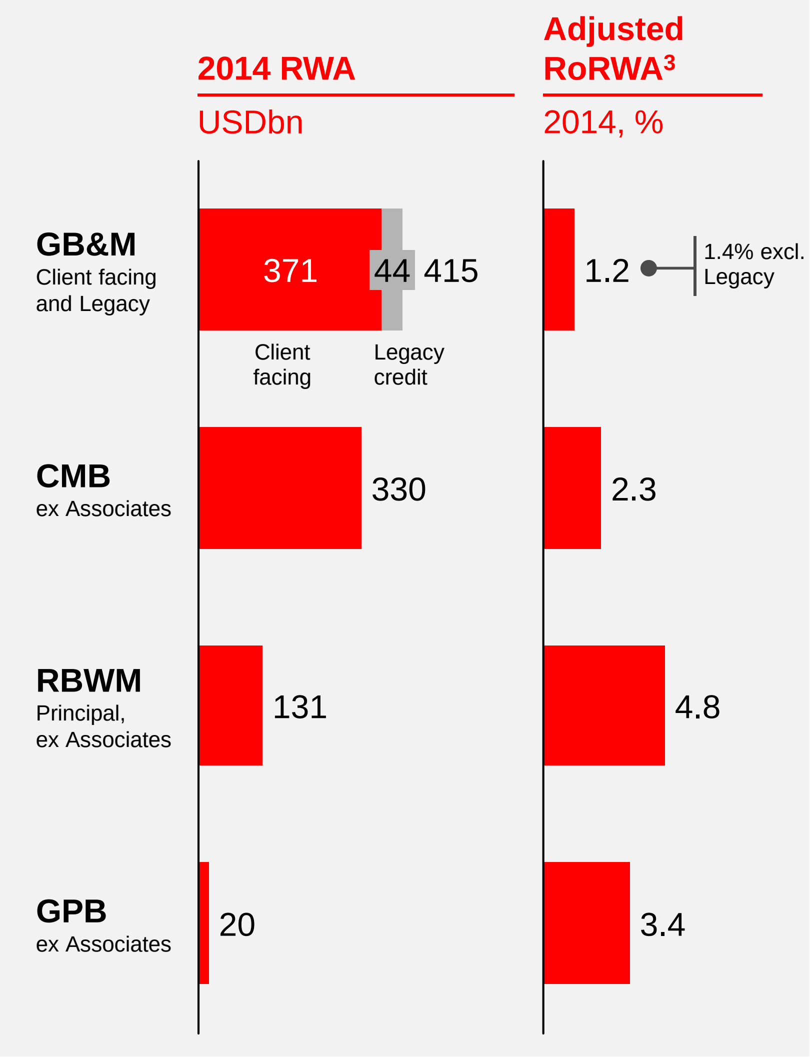
2011-14, year-end, USDbn

Adjusted RoRWA[3]

2014, %



Breakdown by Global Business



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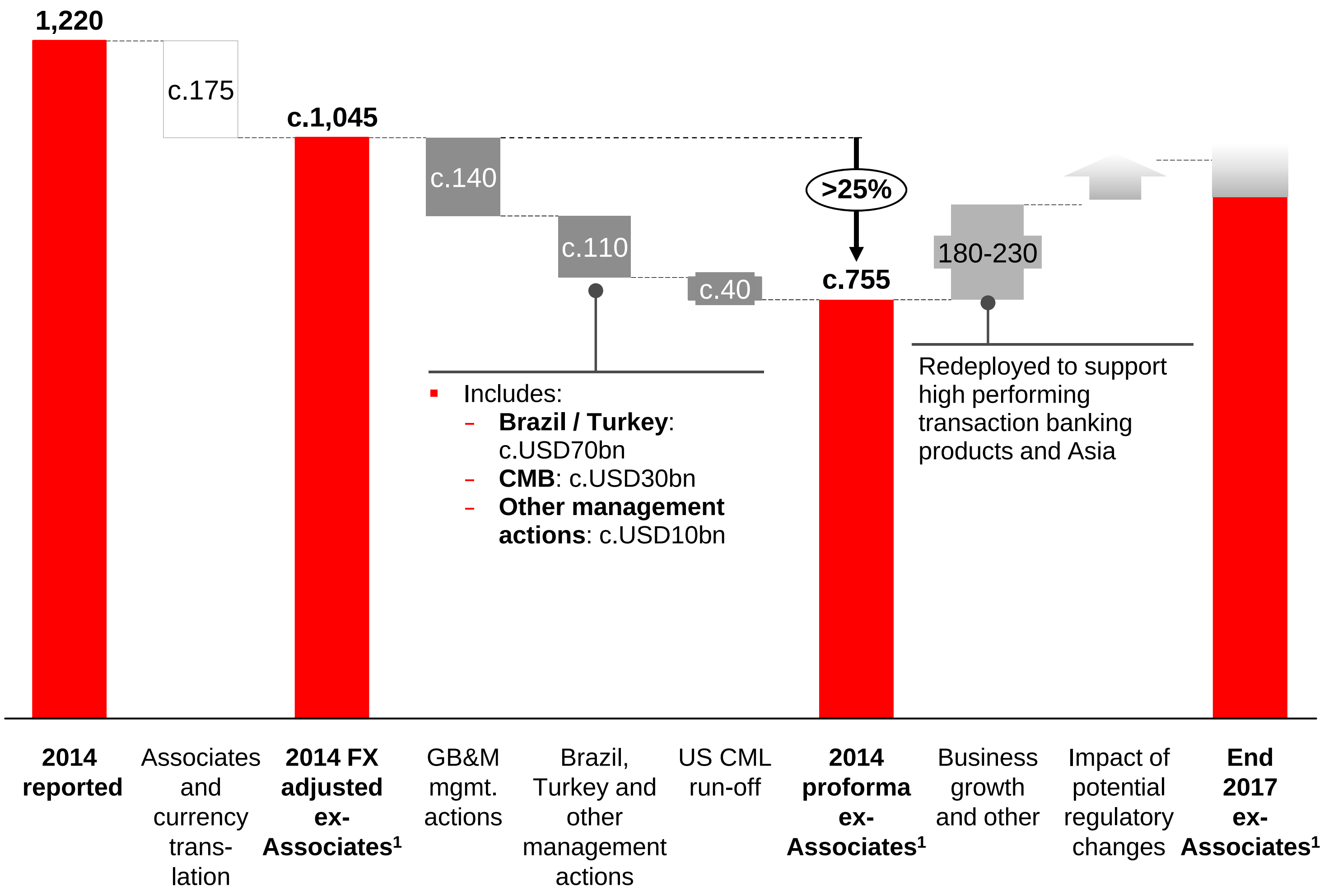
1. Excludes US CML run-off, GB&M Legacy Credit, BSM and Associates
2. Includes SABB, BoCom and other Associates
3. Adjusted RoRWA calculated using adjusted pre-tax return and reported average RWA, at constant currency and adjusted for effects of significant items

Strategic actions for the Group: Reduce Group RWA

1 At least 25% reduction in Group RWA; over 2/3 of capacity to be refocused on growth opportunities, particularly in Asia

Group RWA

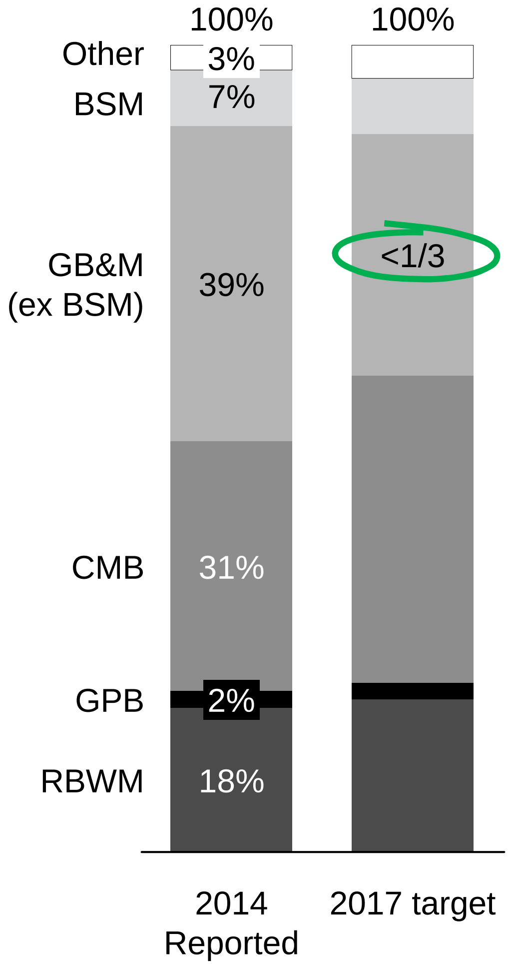
USDbn, year-end



- Includes:
  - **Brazil / Turkey**: c.USD70bn
  - **CMB**: c.USD30bn
  - **Other management actions**: c.USD10bn

Redeployed to support high performing transaction banking products and Asia

RWA excl. Associates[1] by Global Business



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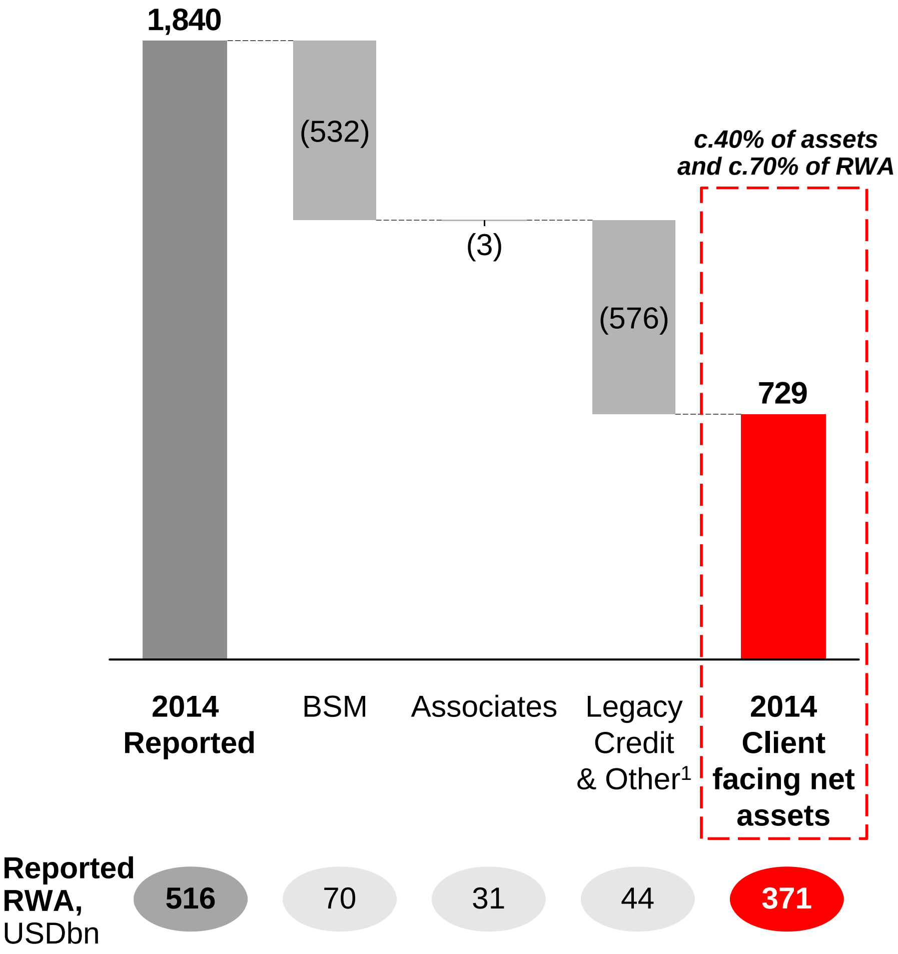
[1] RWA from Associates excluded – 2014: USD160bn, 2017: USD180bn

Strategic actions for the Group: Reduce Group RWA

1 GB&M: Distinctive characteristics of client facing business

Client facing assets and RWA

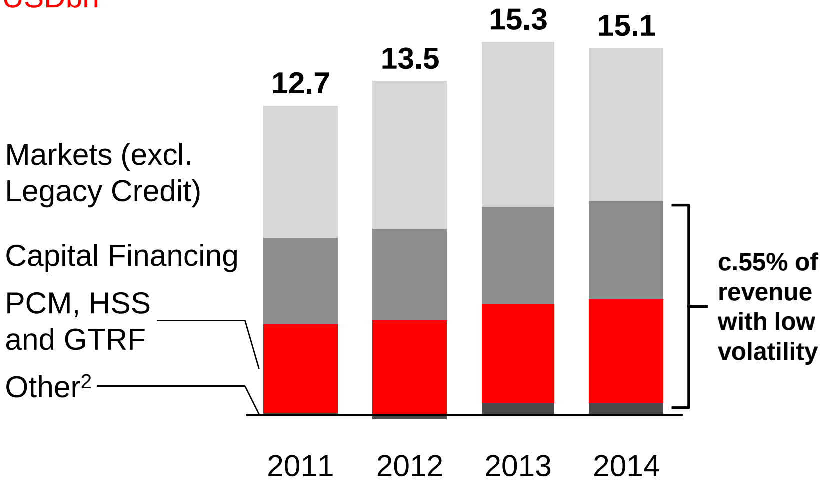


Distinctive characteristics of GB&M

Client-centric, diversified model with low volatility revenue

Client facing adjusted revenue

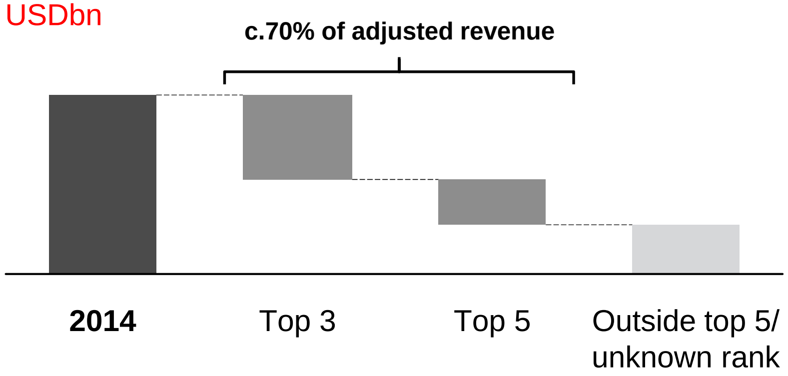
USDbn



Largely driven by businesses where GB&M has a Top 5 rank

2014 client facing adjusted revenue by market rank

USDbn



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1. Includes Intra-HSBC items (c.USD217bn), Legacy Credit (USD46bn) and derivatives netting (USD313bn)
2. Includes Principal Investments and Other

Strategic actions for the Group: Reduce Group RWA

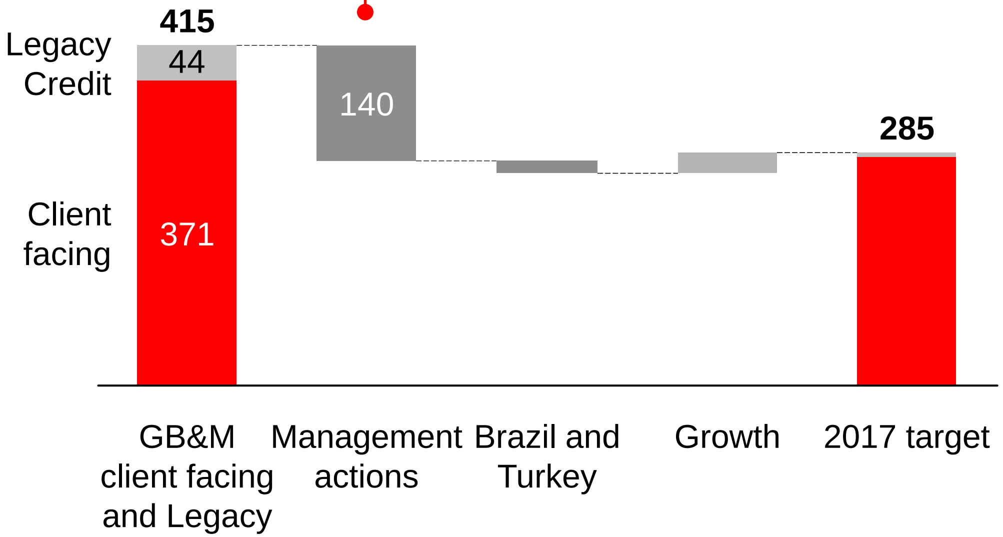
1 Restoring returns in GB&M c.USD140bn RWA reduction

Plan to resize GB&M by c.USD140bn RWA

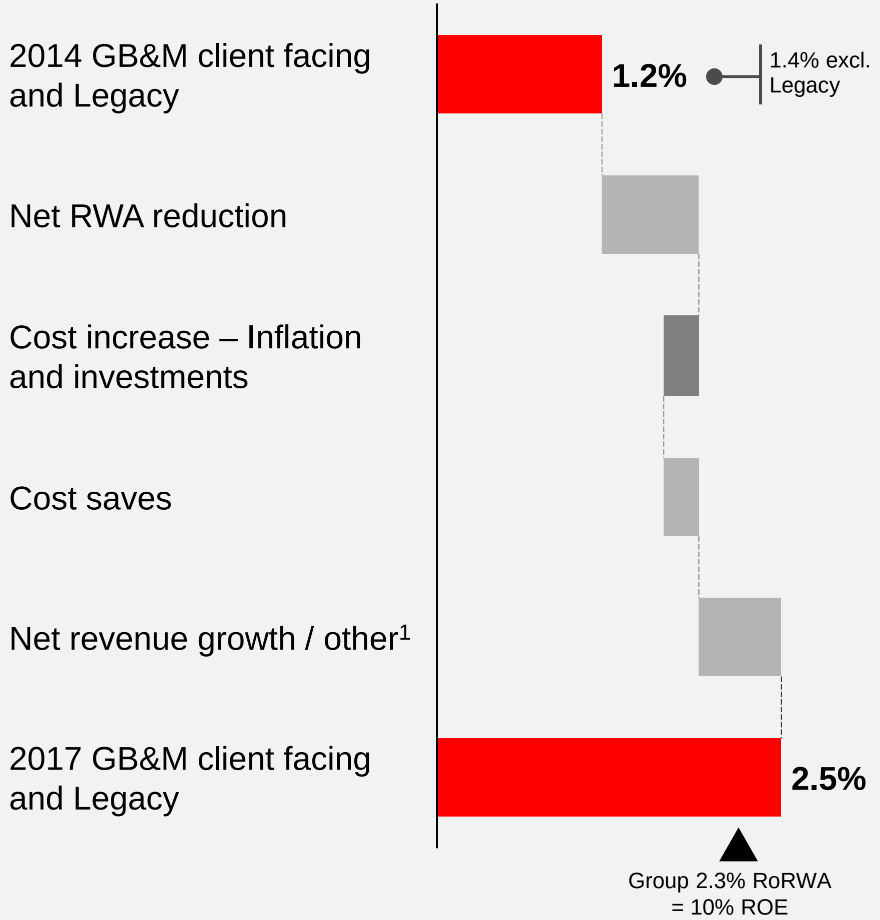
RWA, USDbn

Key actions

Accelerated portfolio run-down	▪ Legacy credit active sell-down ▪ Long-dated Rates ▪ Low returning loan portfolios
Other Markets	▪ Adoption of advanced modelling
Capital Financing and GTRF	▪ Shift towards “originate and distribute” model ▪ Exit / optimise low returning clients



RoRWA target – restore returns



GB&M client facing business to represent <1/3 of Group RWA

---

1. Includes impact of revenue foregone as result of RWA reductions; Other includes Loan impairment charges

Strategic actions for the Group: Optimise global network

2 Six filter framework applied to review country footprint; scale additional consideration for review

Priority markets

● Share of priority markets RWA, ex Associates

6 Filters
- ***1. Connectivity***
- ***2. Economic development***

6 Filters
- ***3. Profitability***
- ***4. Efficiency***
- ***5. Liquidity***

Strategic relevance

	Scale priority markets[1]	International connectivity markets[2] (cities-led)	For review
Accretive to Group target: >10% ROE[3]	**Grow** China - Pearl River Delta Hong Kong Malaysia Saudi Arabia Singapore UAE UK **52%**	**Grow in focus areas** Australia Canada Egypt India Taiwan **10%**	**Review** **0%**
Dilutive to Group target: <10% ROE[3]	**Improve returns and gain scale** Mexico **3%**	**Improve returns and grow in key cities** Investment case: Germany, Mainland China Optimisation: France, Indonesia, Switzerland (GPB), US **27%**	**Review** Brazil Turkey **8%**

Includes countries:
- With limited connectivity
- With material presence but challenge to reach scale
- That do not fulfil HSBC's risk / transparency requirements

6 Filters
- ***6. Financial crime risk***

Note: Financials exclude Associates and legacy portfolios (c.USD260bn of RWA)

1. Top 50 economy by GDP in 2050; relevant domestic market share
2. Markets with high external connectivity (Top 50 Trade, Top 50 FDI) and high share of revenues from international connectivity
3. ROE for countries calculated using adjusted RoRWA and assuming CET1 ratio of 12-13%; 10% ROE equivalent to 2.3% RoRWA

Strategic actions for the Group: Optimise global network

2 50-60 countries of HSBC's network required to provide international connectivity

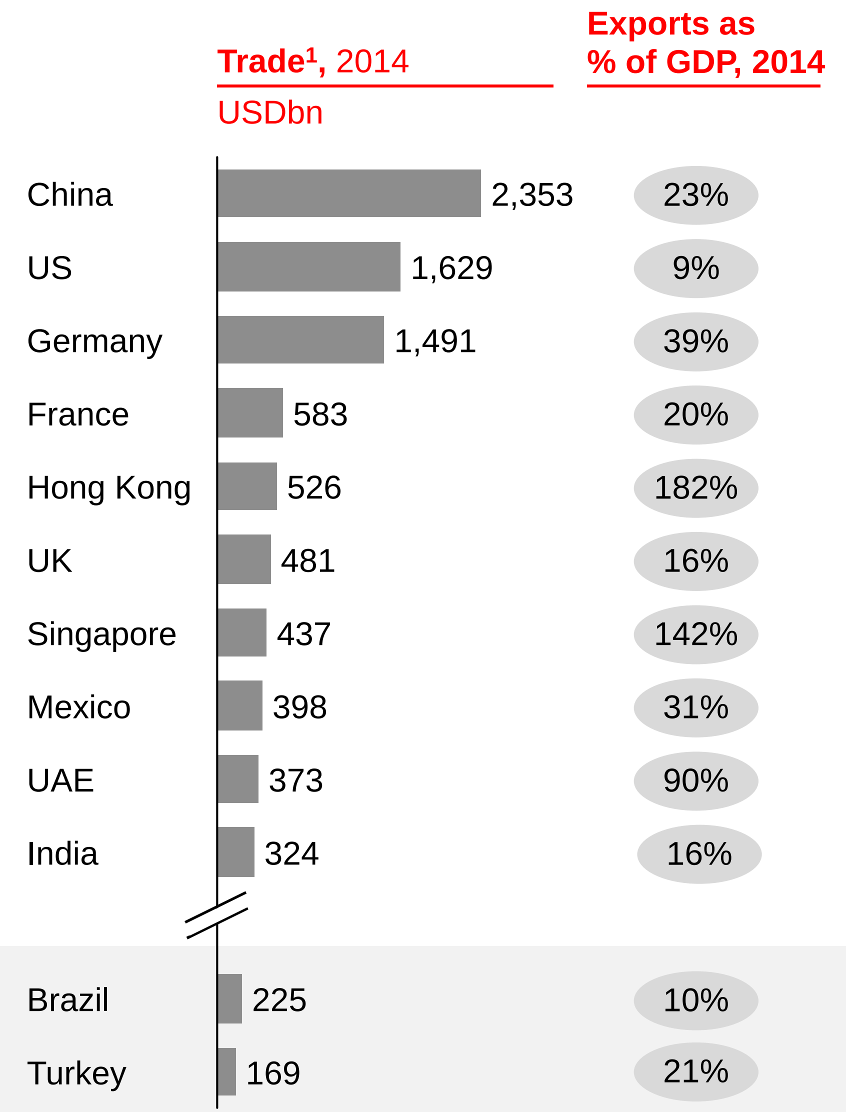
		HSBC footprint				
		Priority countries	Next 20 largest trade countries	Next 21-40 largest trade countries	Remaining countries	Countries not covered by HSBC
Number of countries[1]		**18**	**20**	**20**	**15**	>120
Market coverage	**Share of global GDP**	61%	24%	8%	1%	7%
	Share of global trade flows[2]	58%	27%	5%	1%	9%
	Share of global capital flows[3]	54%	26%	12%	1%	6%
HSBC Revenues	**Share of reported revenue[4]**	84%	2%	12%	2%	n / a
	Share of inbound / outbound revenue[5]	79%	11%	9%	1%	n / a

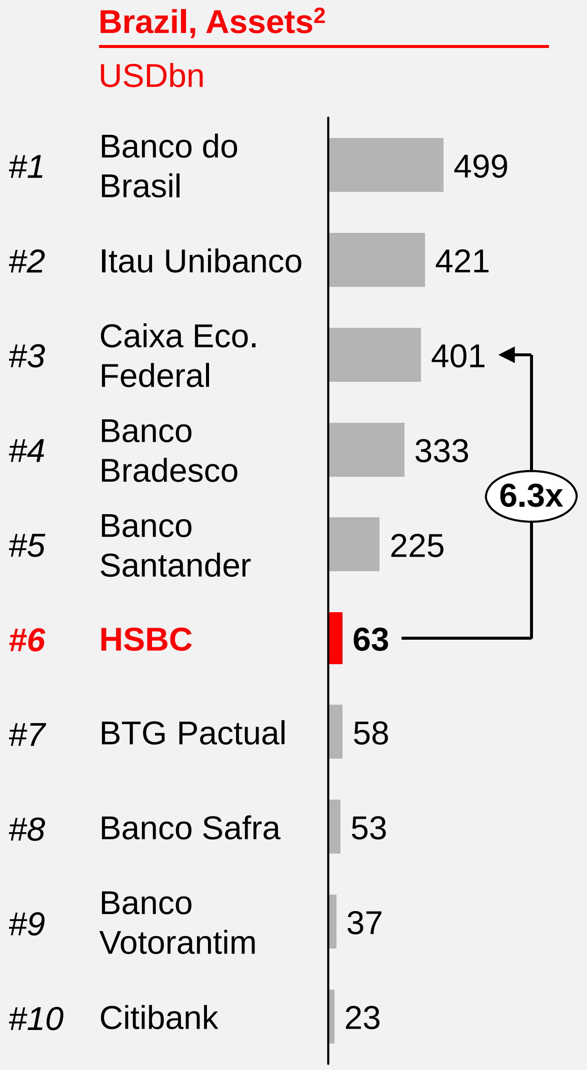
Source: Global Insights, March 2015

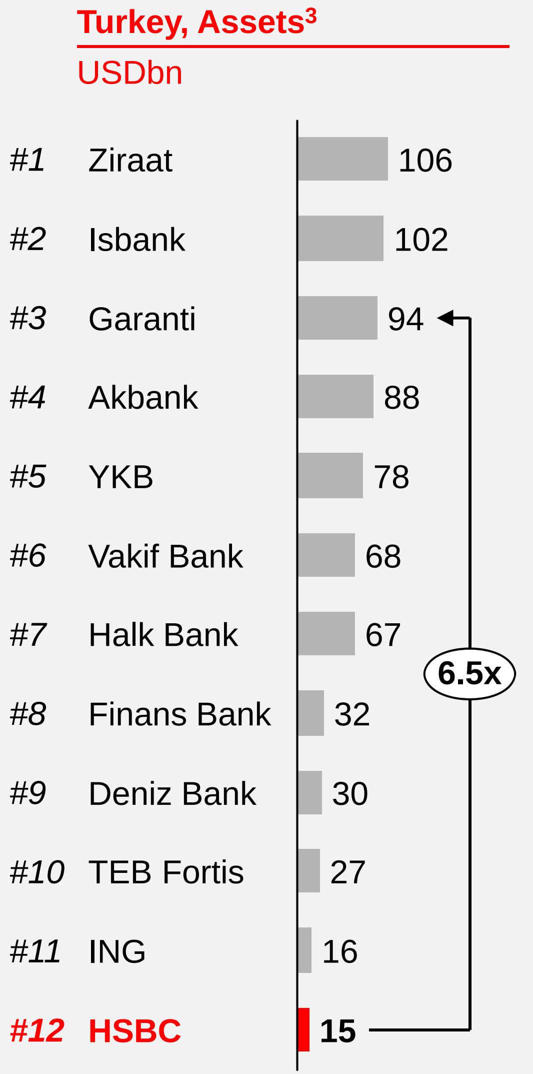
1. Pearl River Delta not included in total number of countries
2. Exports and Imports
3. Inbound and outbound capital flows
4. Revenue by geographical region includes intra-HSBC items, this revenue has not been eliminated in calculating the above percentages
5. Inbound / outbound revenue associated with serving international clients; Source: Internal HSBC client data

Strategic actions for the Group: Optimise global network

2 Brazil and Turkey





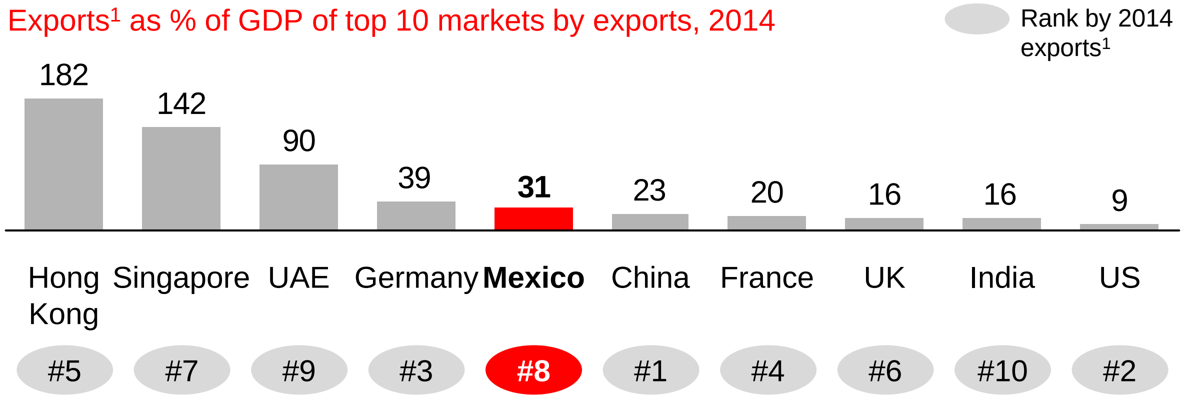


1. Exports; Source: Global Insights, March 2015
2. Banco Central Do Brasil, data as of December 2014, reported in USD
3. Turkish Bank Association, data as of December 2014, reported in USD

3 Mexico: Relevant local position in open economy; NAFTA opportunity

Very open economy; top 10 exporter

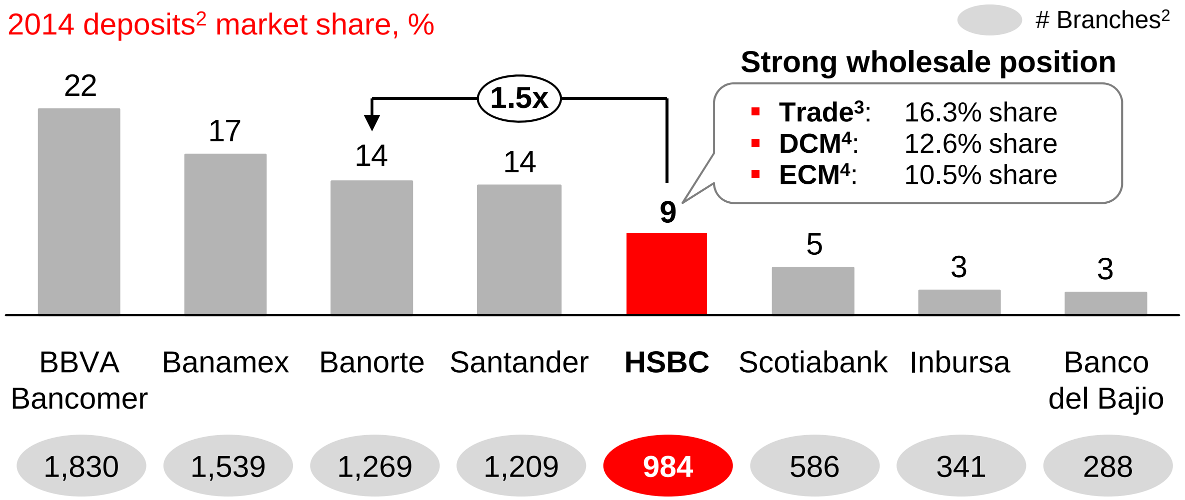
Exports[1] as % of GDP of top 10 markets by exports, 2014



11 structural reforms (including energy reform) to boost economic growth in Mexico

HSBC top 5 bank in Mexico

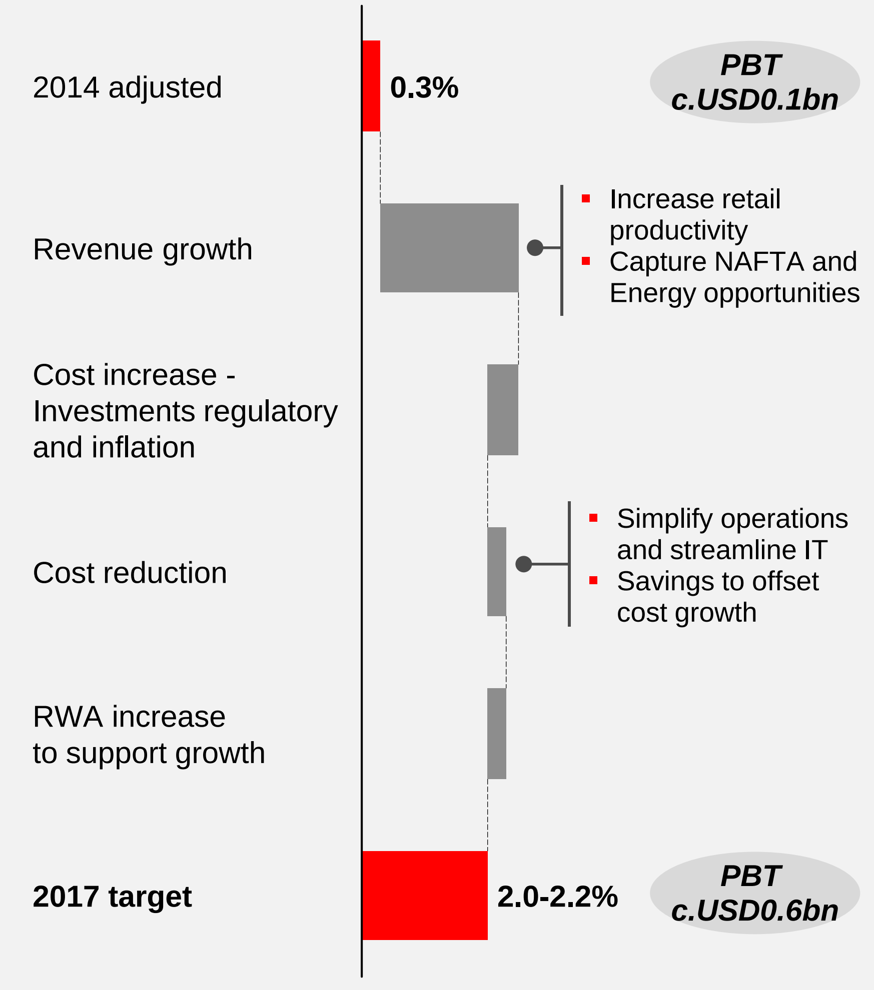
2014 deposits[2] market share, %



Strong wholesale position

- **Trade[3]:** 16.3% share
- **DCM[4]:** 12.6% share
- **ECM[4]:** 10.5% share

RoRWA target



- Increase retail productivity
- Capture NAFTA and Energy opportunities

- Simplify operations and streamline IT
- Savings to offset cost growth

Continue to implement and embed Global Standards

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1. Exports; Source: Global Insights, March 2015
2. Source: CNBV (National Banking and Securities Commission); Deposits: peso core deposits as of December 2014
3. Trade market share includes import, export, and stand-by letters of credit for FY2014. Source: International Chamber of Commerce
4. Source: Dealogic, 2014FY

Strategic actions for the Group: Turnaround US and Mexico

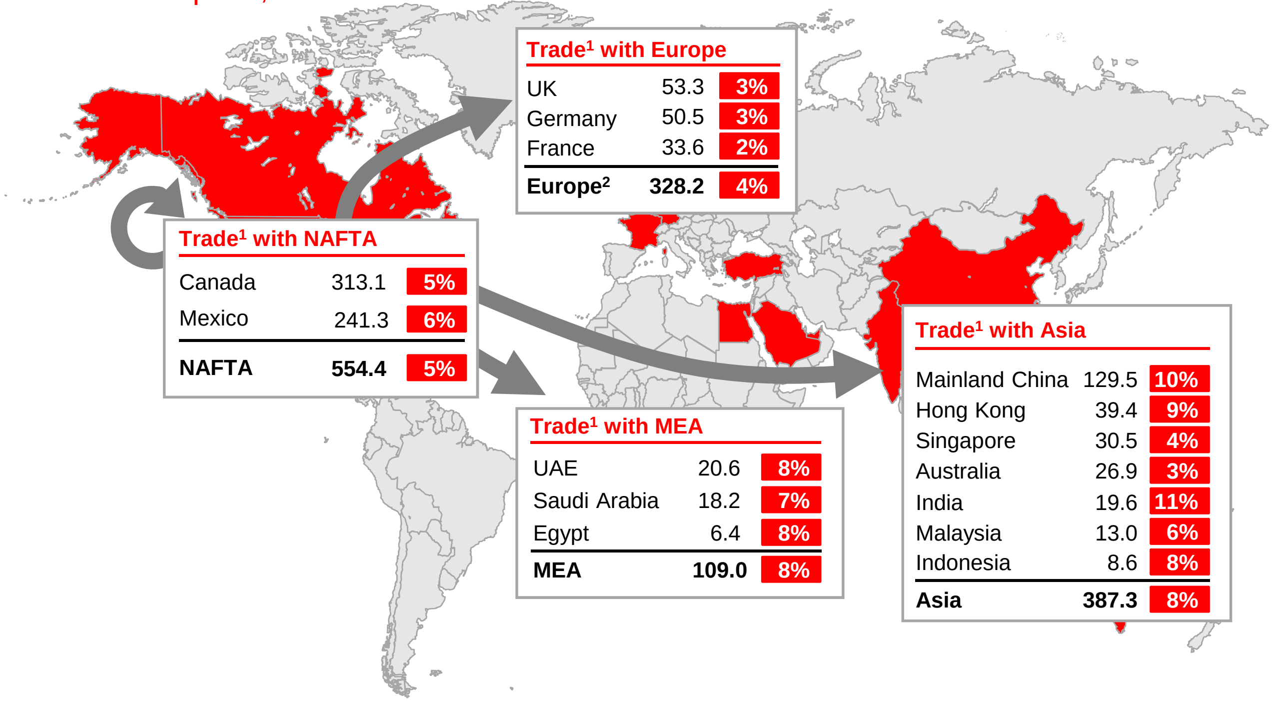
3 US: Strong linkages to global trade and payments; significant contribution to Group's outbound revenue

US's largest trading partners remain Canada, Mexico and mainland China

USA exports[1] by key trade corridors 2014

Value of exports, USDbn

🟥 % 2014-20 CAGR



Trade[1] with NAFTA

Canada	313.1	5%
Mexico	241.3	6%
NAFTA	**554.4**	**5%**

Trade[1] with Europe

UK	53.3	3%
Germany	50.5	3%
France	33.6	2%
Europe[2]	**328.2**	**4%**

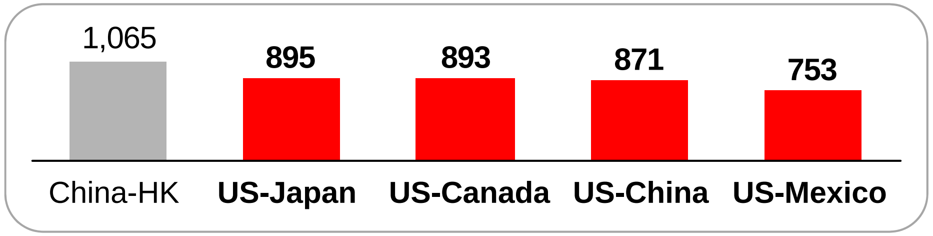
Trade[1] with MEA

UAE	20.6	8%
Saudi Arabia	18.2	7%
Egypt	6.4	8%
MEA	**109.0**	**8%**

Trade[1] with Asia

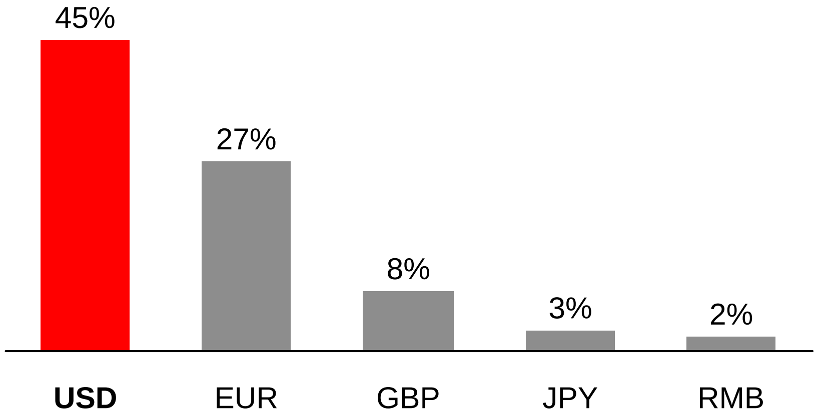
Mainland China	129.5	10%
Hong Kong	39.4	9%
Singapore	30.5	4%
Australia	26.9	3%
India	19.6	11%
Malaysia	13.0	6%
Indonesia	8.6	8%
Asia	**387.3**	**8%**

Presence in 4 of 5 largest trade corridors in 2020[3]



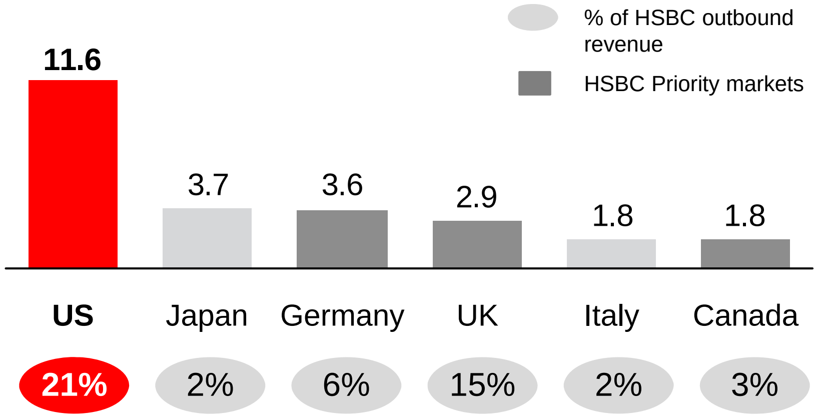
Cross-border transaction currency

% of total values, March 2015[4]



Corporate headquarters

Number of companies by headquarter location[5,6], 000s



Source: Oxford Economics

1. Total merchandise export flow for priority markets (excl. Switzerland, Taiwan)
2. Excludes Russia
3. 2020 Exports / Imports, USDbn
4. Source: SWIFTWatch
5. Source: Dun and Bradstreet, April 2015 – Headquartered Companies, or are actively importing / exporting, with Global Sales over USD30m
6. Excludes Netherlands with no outbound revenue data for HSBC

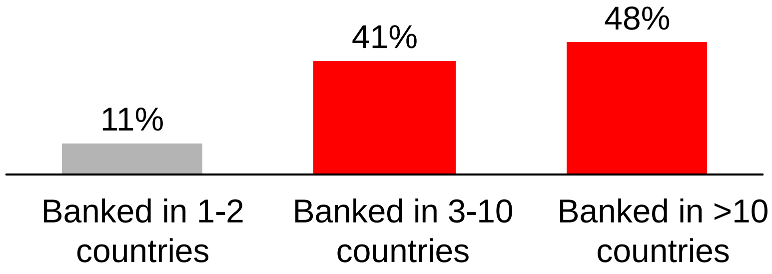
Strategic actions for the Group: Turnaround US and Mexico

3 US: Turnaround by leveraging International / NAFTA network

US franchise – strong fundamentals

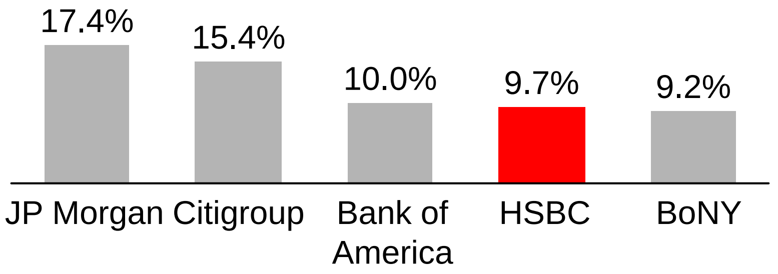
c.90% of GB&M clients banked in multiple countries

% of US GB&M Core and Priority clients[1]



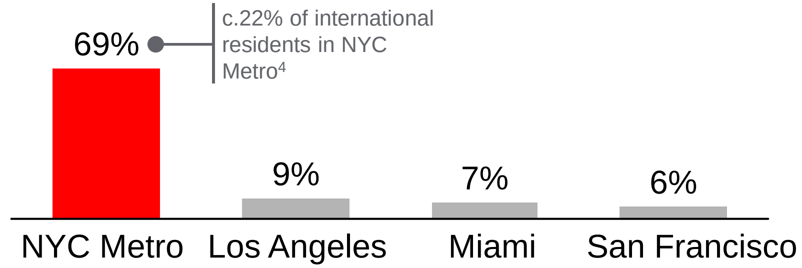
Top 5 cross-border USD clearer

Market share, cross-border payments[2]



Retail network aligned with international residents[3]

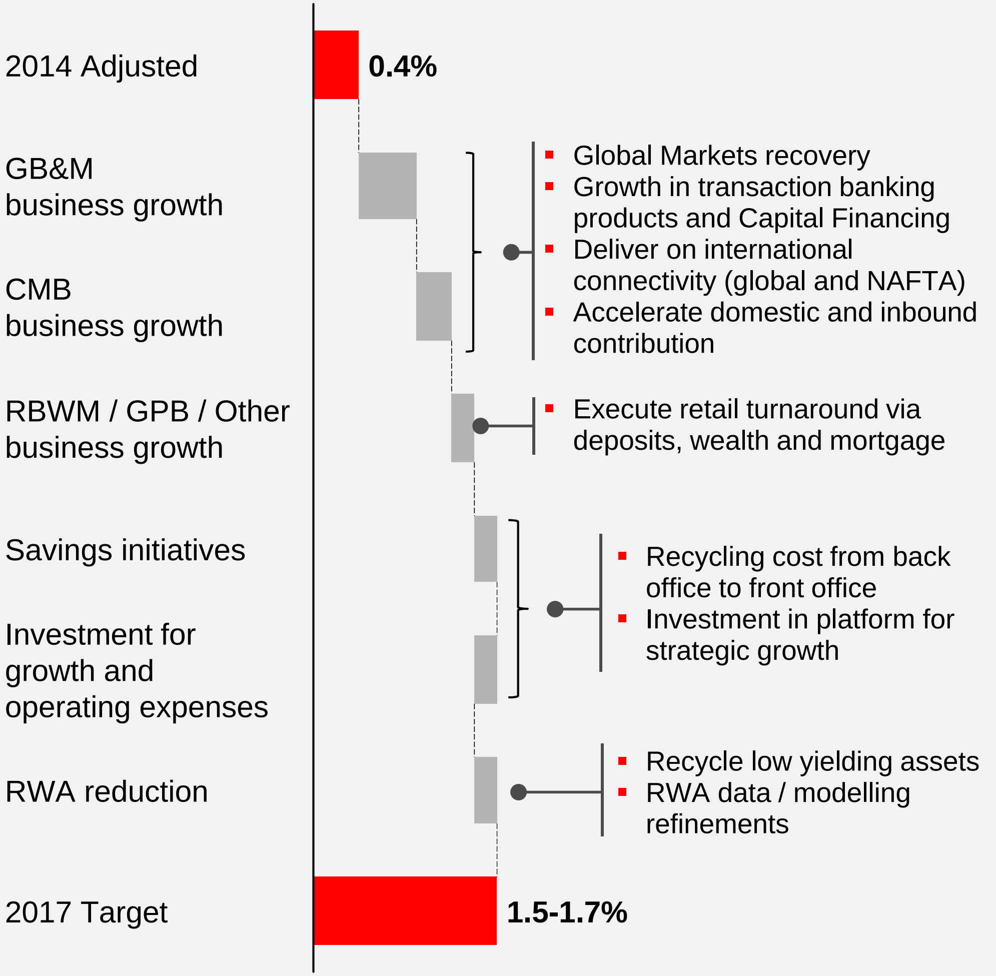
Share of HSBC branches, %



c.22% of international residents in NYC Metro[4]

RoRWA target

US ex CML run-off (showing domestic returns only, not including returns generated outside US)



- Global Markets recovery
- Growth in transaction banking products and Capital Financing
- Deliver on international connectivity (global and NAFTA)
- Accelerate domestic and inbound contribution

- Execute retail turnaround via deposits, wealth and mortgage

- Recycling cost from back office to front office
- Investment in platform for strategic growth

- Recycle low yielding assets
- RWA data / modelling refinements

---

1. Defined by HSBC as clients with strong existing relationship or solid growth prospects
2. Clearing House Interbank Payments System (CHIPS), April 2015; market share based on actual volumes
3. Top 4 cities accounting for c.90% of HSBC US Retail branches
4. International population estimated using percent of 2009-2013 lawful permanent resident permits granted to employment-based applicants by metropolitan area; Source: Homeland Security year book, 2009-2013

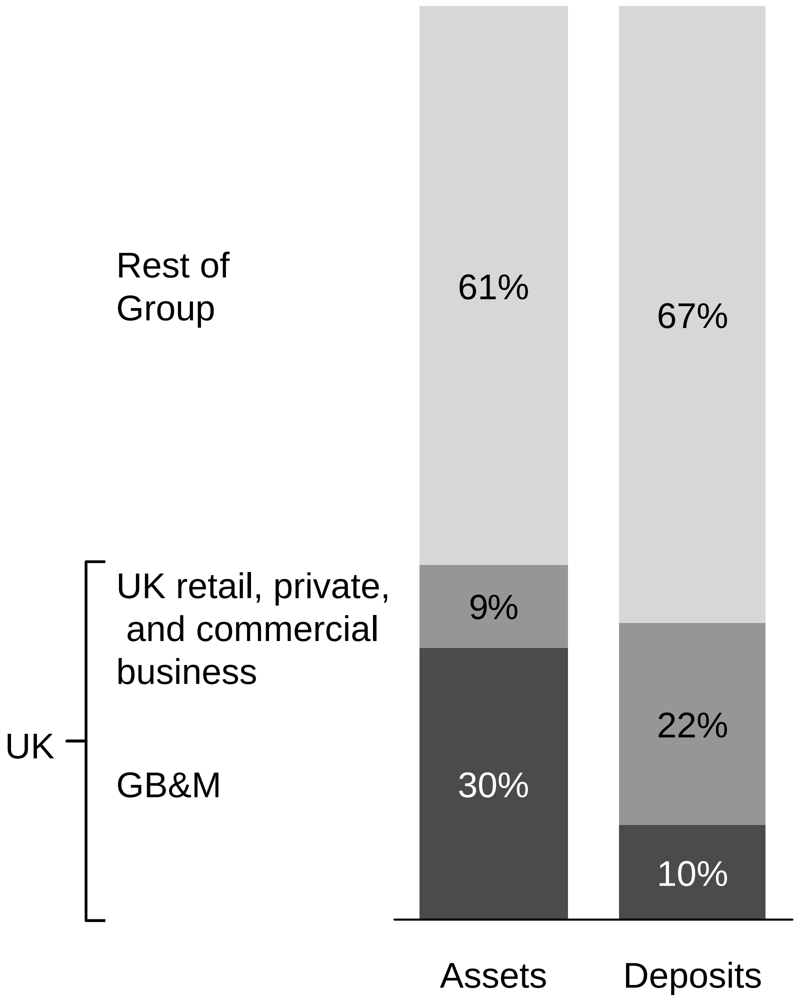
Strategic actions for the Group: Ring-fenced bank

4 HSBC activities based in the UK – 4 distinct roles

	UK based activities	2014 FTE
Group headquarters	▪ Holding Company ▪ Selected Global Business and Global Functions roles	**c.2k**
UK retail, private, and commercial business	▪ UK domestic activities to be included in ring-fenced bank (RFB) ▪ UK RBWM, CMB, GPB ▪ Re-location of retail / commercial HQ to Birmingham	**c.26k**
GB&M	▪ Global and European GB&M hub ▪ European activities split between UK, France and Germany ▪ Non ring-fenced bank (NRFB)	**c.4k**
Functions and operations	▪ Operational activities supporting the UK domestic business ▪ Other business and functional roles not part of Holding Company ▪ UK Service Company "ServCo"	**c.14k**

Comparison UK with Rest of the Group

2014[1]



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1. As at 31 December 2014 on a reported basis

Strategic actions for the Group: Ring-fenced bank

4 Set up c.USD11bn revenue Ring-Fenced Bank (RFB) in the UK; relocate to Birmingham

Ring-fenced bank

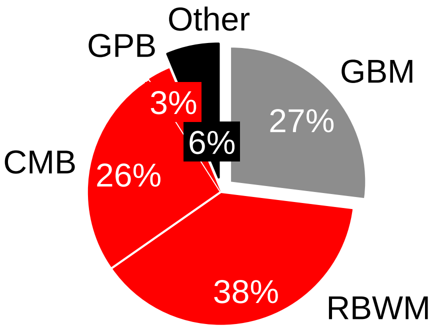
🟥 Business largely in RFB ▨ Business largely in NRFB ⬛ Other

Illustrative figures

Revenue[1]

2014

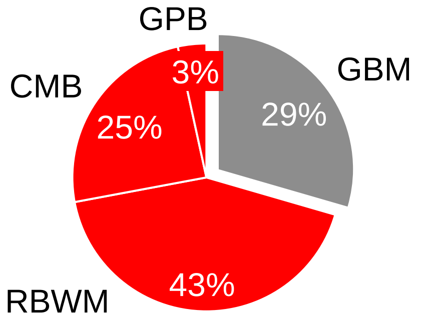
USD 16.1bn



Loans and Advances[2]

2014

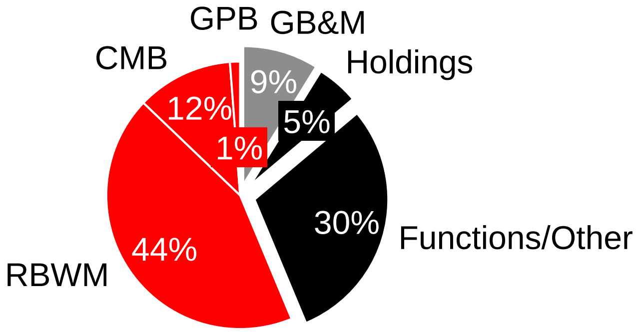
USD324bn



FTE

2014

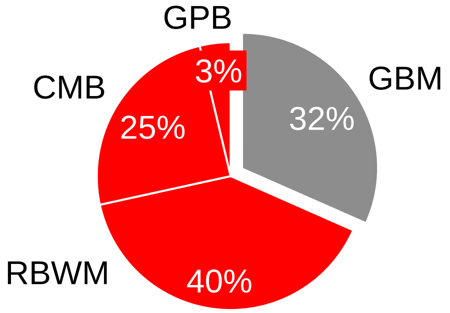
c. 46k



Deposits[2]

2014

USD439bn



Ring-fenced bank

	(Birmingham)
first direct	*(Leeds)*
M&S BANK	*(Chester)*
Private Bank	*(London)*

Non Ring-fenced bank

HSBC	*(London)*

Holding Company

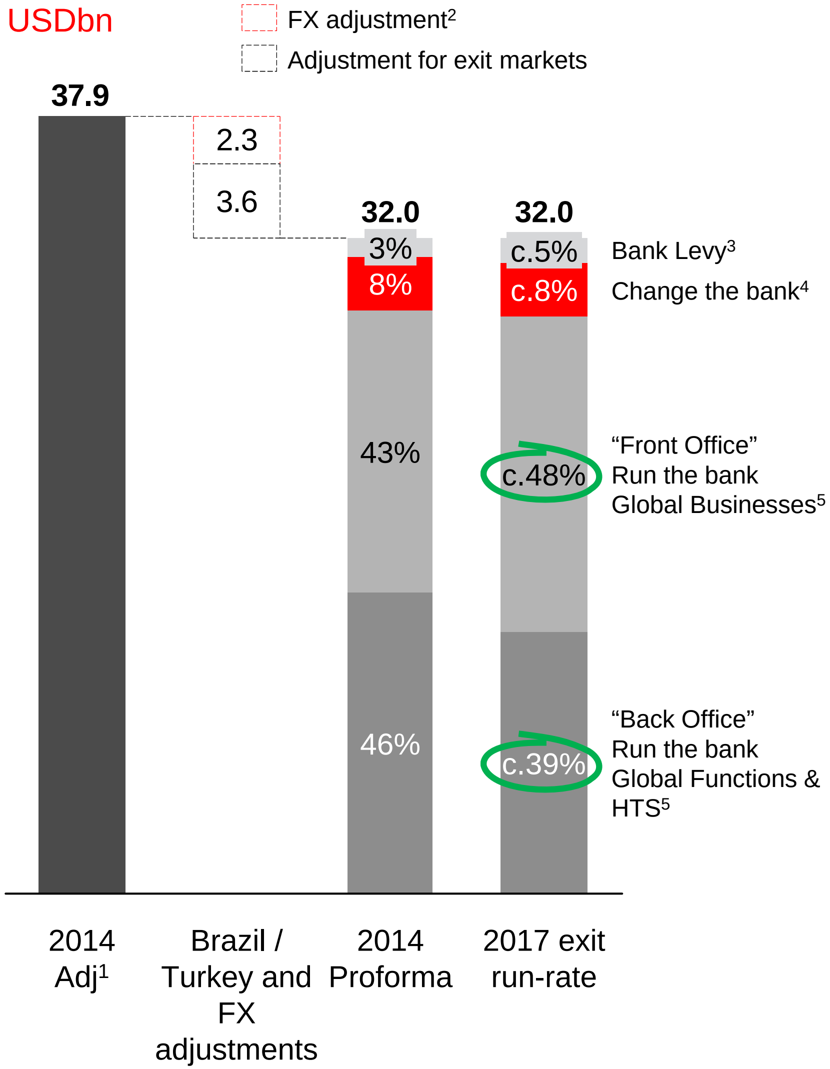
Note: Note: Figures on this slide represent the 3 global businesses that are largely expected to be in the RFB. However, the RFB will contain revenue items outside of these businesses and these figures cannot be used to estimate the profitability of the RFB as a whole. The review around GPB UK and its component elements is on-going, with the above representing the latest thinking and is subject to change

1. Adjusted basis; Adjusted for significant items namely provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK (USD632m), debit valuation adjustments on derivative contracts (charge of USD203m) and fair value movements on non-qualifying hedges (income of USD8m)
2. To/from customers; As at 31 December 2014 on a reported basis

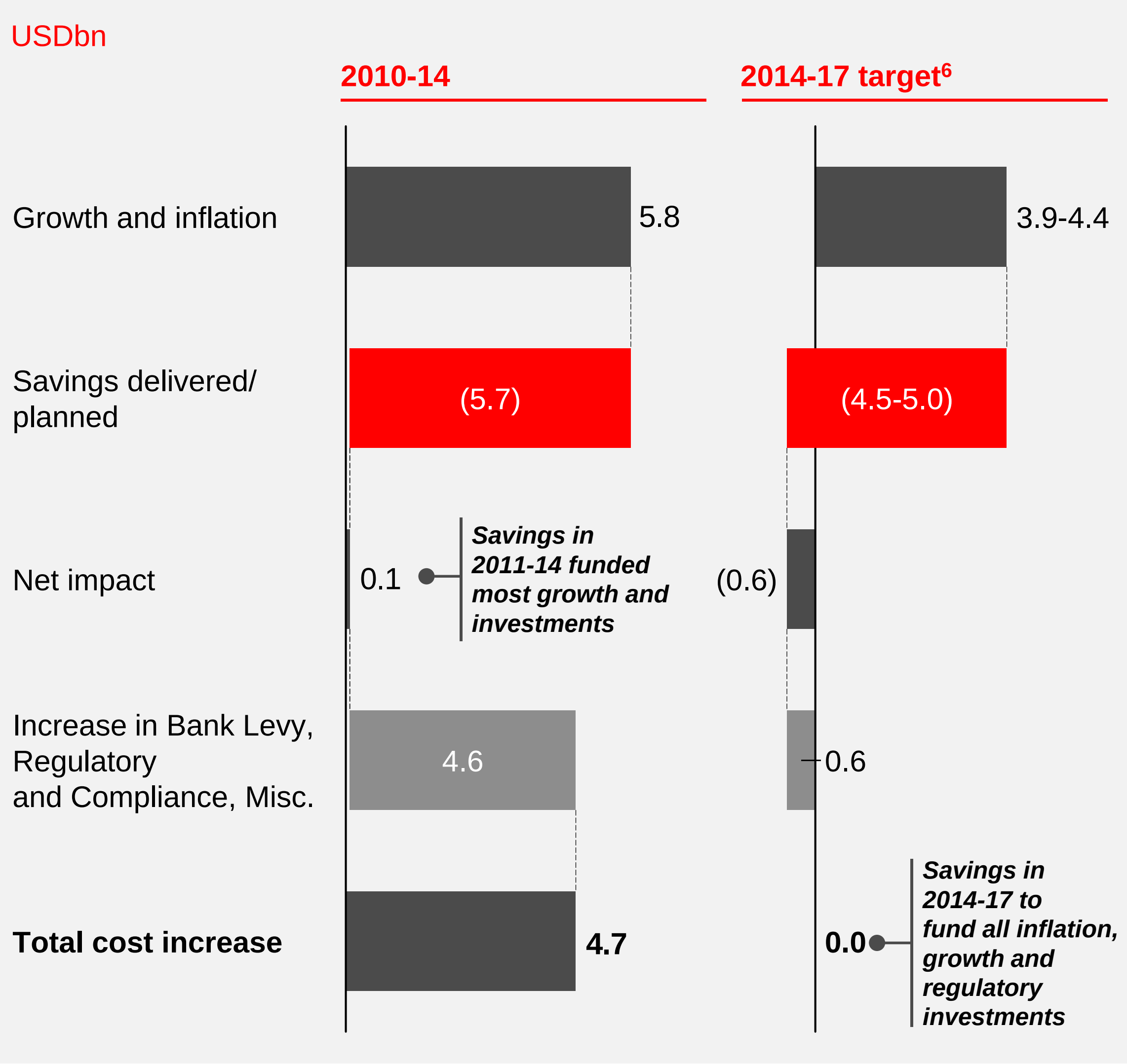
Strategic actions for the Group: Cost management

5 Deliver USD4.5-5.0bn savings to exit 2017 at 2014 level; shift mix towards front office

Group target to maintain flat costs



USD4.5-5.0bn savings in 2014-17 to fund all inflation, growth and regulatory investments



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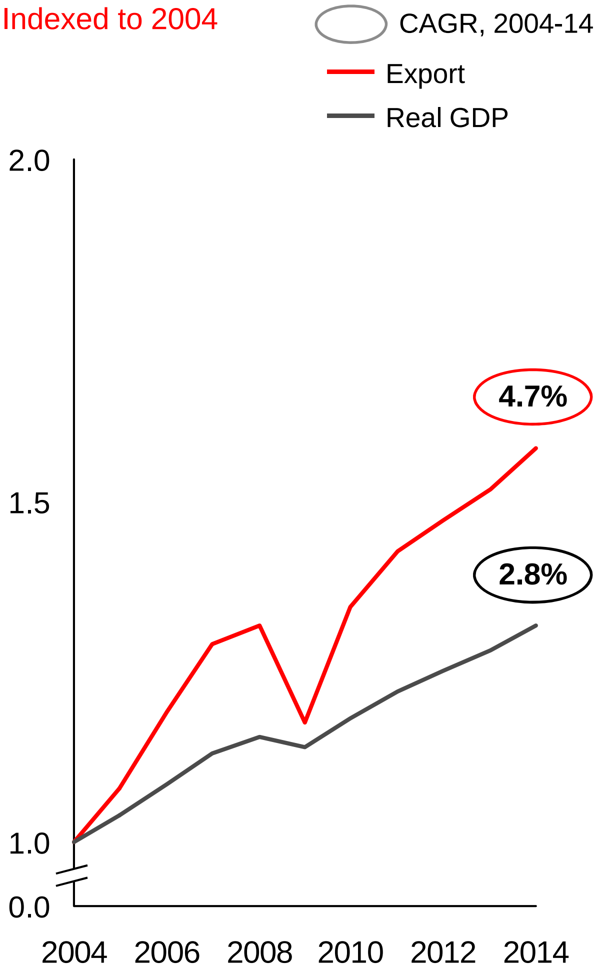
1. Excluding impact of disposals and at constant FX rates
2. Impact of change from 2014 reported FX rates to 1Q15 FX rates
3. Bank levy estimates based on 2015 bank levy rates
4. Change the bank costs defined in Appendix
5. Run the bank costs defined in Appendix
6. 2017 Exit rate

Strategic actions for the Group: Growth from international network

6 International network driver of growth supported by leading market position in transaction banking products

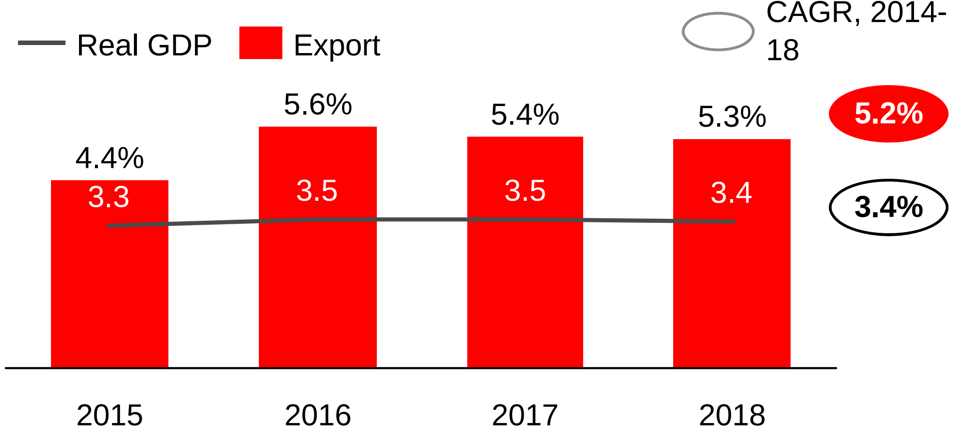
Faster growth in trade than GDP, 2004-14[1]

Indexed to 2004



Grow market share in key strategic corridors

HSBC priority markets' export and real GDP annual growth[1]



- **Leverage presence in both legs of largest and fastest growing trade corridors**
- **Improve coverage of client subsidiaries**

Extend strong position in transaction banking products

	2014 market share, %	**Key awards in 2014**
GTRF[2]	13.1%	*Best Global Trade Finance Bank* *Best Supply-Chain Finance Bank*
PCM[3]	10.7%	*Best Global Cash Management Bank for Corporates and Financial Institutions*
FX[4]	5.4%	*#1 Global Market Share – Non-Financial Corporates* *Best Bank for Emerging Asian Currencies*
HSS[5]	5.3%	*Custodian of the Year – UK & Ireland* *Mutual Fund Administrator of the Year* *Best Trustee Award*

- **Expand client coverage**
- **Extend product offering and enhance capabilities**
- **Grow Asia cross-border flows**

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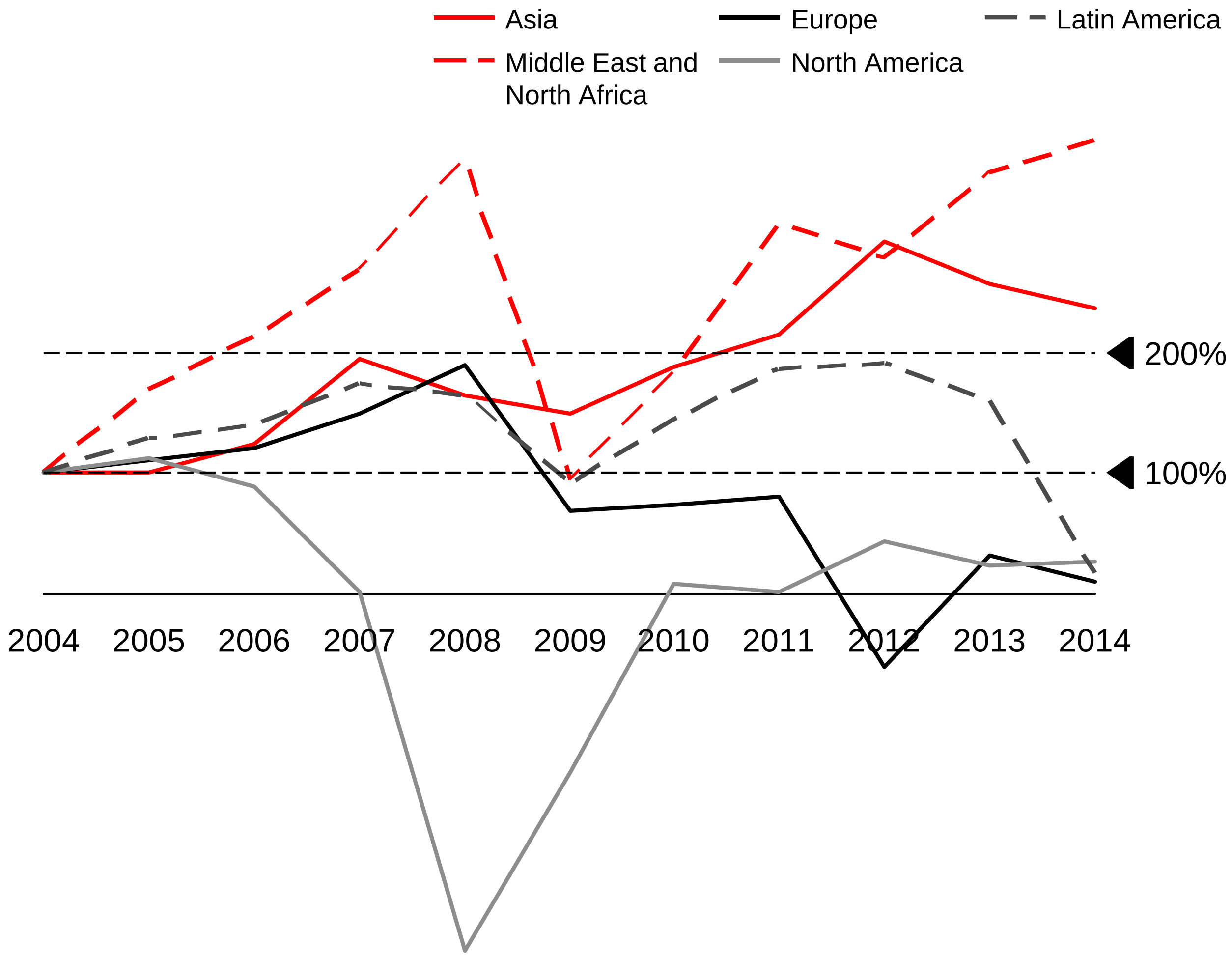
1. Constant currency (2010 USD basis). Source: Oxford Economics
2. Market share of Traditional Trade Finance (includes shadow income from foreign exchange and revenue from associates): Oliver Wyman analysis / estimates. Awards: GTR Leaders in Trade 2014; Trade Finance Awards for Excellence 2014
3. Market share: SWIFT. Award: Euromoney Cash Management Survey 2014
4. Market share by volume: Euromoney Global FX Survey. Awards: Euromoney Global FX Survey, FX Week Best Banks Awards
5. Market share based on HSBC's share of AUC and AuM of the top 8 Securities Services players. Awards: MPF Awards for Management Excellence, Custody Risk European Awards

Strategic actions for the Group: Investments in Asia

7 Contribution of Asia continues to grow

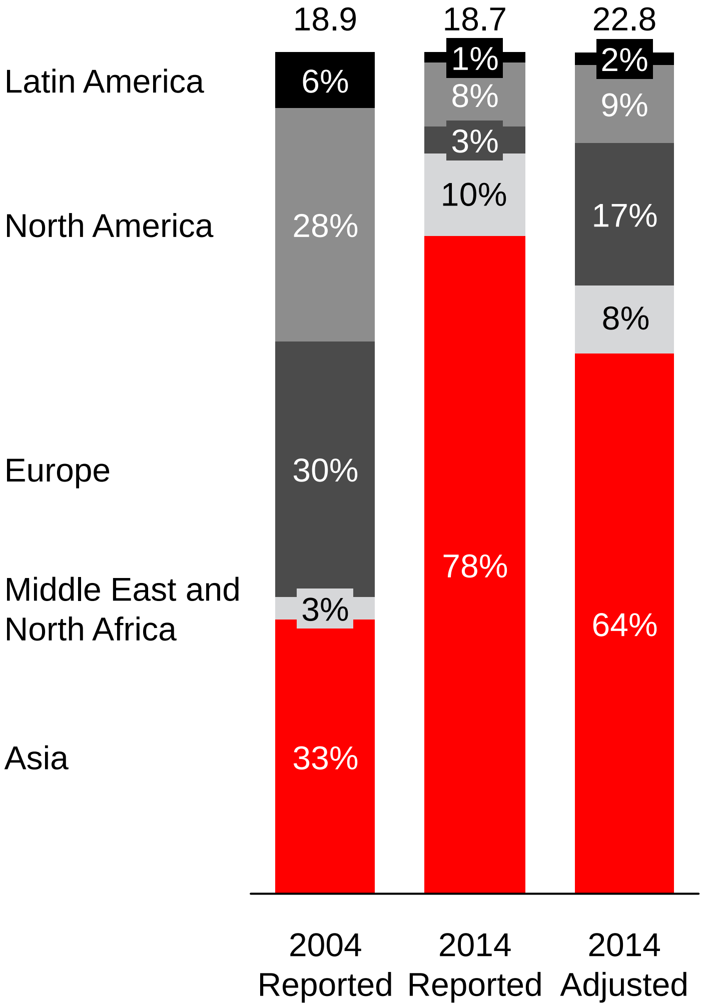
Reported PBT 2004-14

% change, indexed to 2004[1]



PBT by region

USDbn



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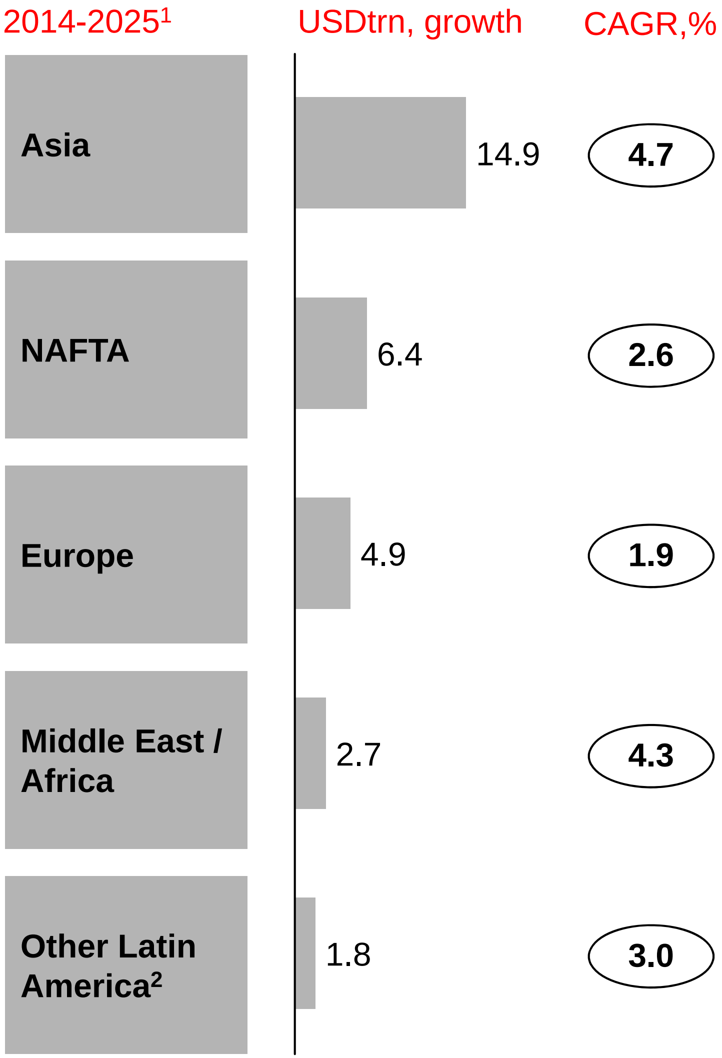
1. Change in accounting basis in 2005

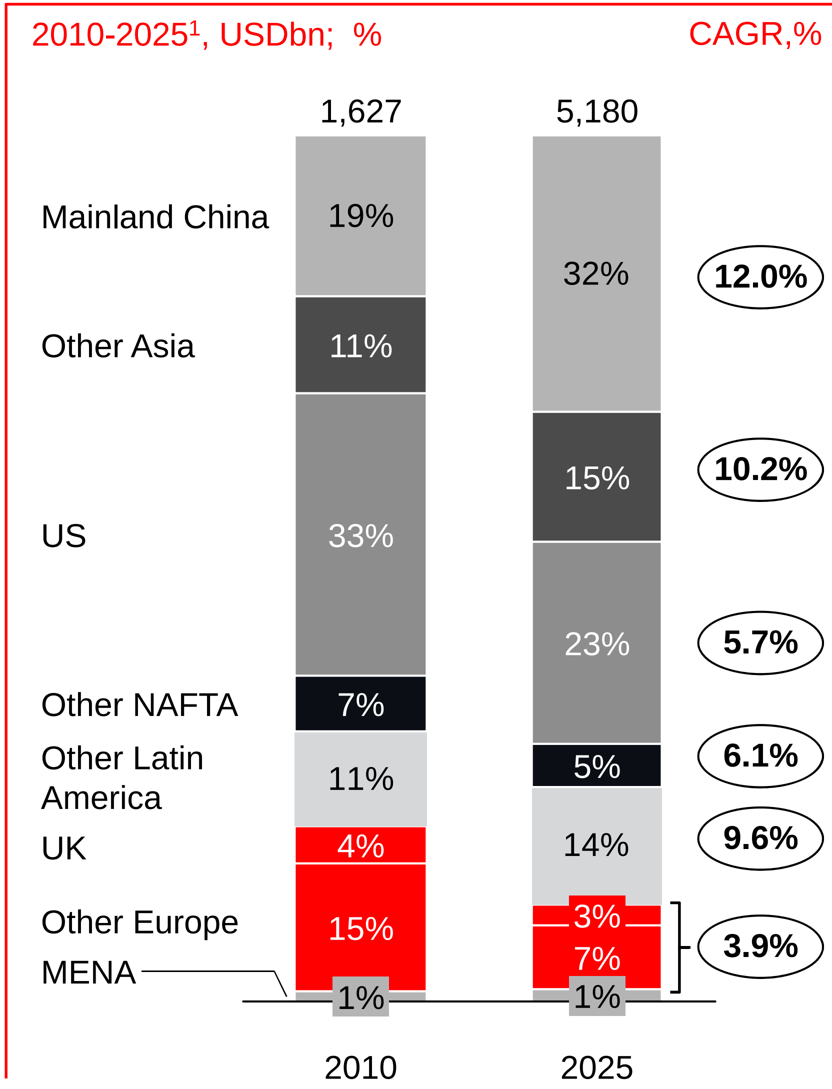
Strategic actions for the Group: Investments in Asia

7 Going forward, Asia key growth opportunity for the Group – pivot to Asia

GDP growth of key geographies



Banking revenue pool³



Key drivers

- Strong economic growth with overall low levels of public debt
- Emerging middle class and accelerating wealth creation
- Ageing populations with need for protection / pensions
- Deepening of financial markets
- Asian corporates going out – increasing number of cross-border transactions with Asian corporates buying abroad
- Hong Kong-Pearl River Delta expected to be the largest metropolitan banking pool with USD185bn annual revenues by 2025

Source: HSBC Annual Report (2014),, Global Insights March 2015, McKinsey

1. Real GDP absolute growth, reported in constant currency (2010 USD basis). Source: Global Insights, March 2015
2. Latin America excluding Mexico
3. Includes commercial banking and retail banking revenue pool for HSBC Priority markets, source: McKinsey banking revenue pool

Strategic actions for the Group: Investments in Asia

7 Pearl River Delta: Develop domestic business of scale

Guangdong / Pearl River Delta opportunity, leveraging on strong position in Hong Kong

Economic size

- Guangdong economy of global relevance
  - Guangdong represents c.10% of GDP and c.26% of trade in China
  - The Pearl River Delta (PRD) accounts for 85% of GDP and 96% of trade in Guangdong (equiv. to c.30% of GDP and c.90% of trade in UK)

Government policies and medium-term outlook

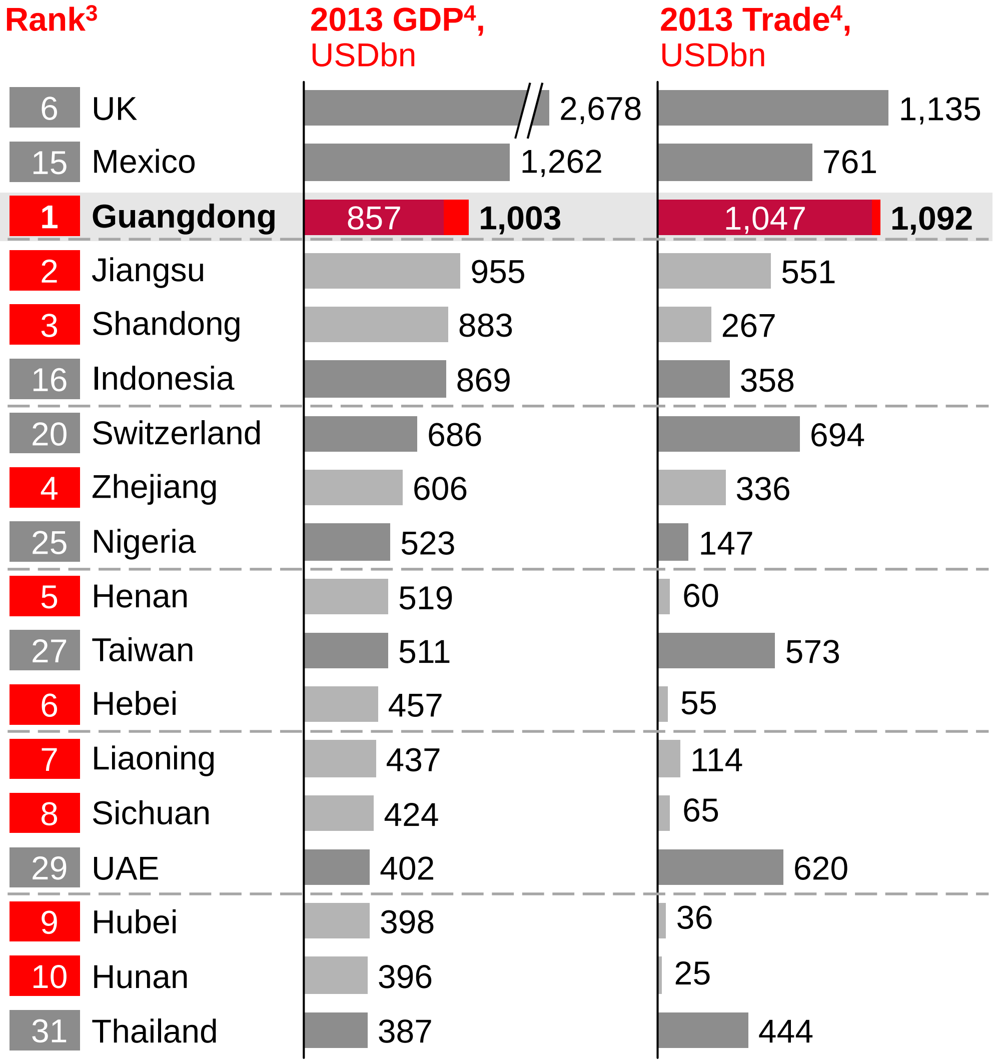
- NDRC 2008-2020 development blueprint for PRD[1]
  - Position the PRD as a "leading economic powerhouse"
  - Act as both an “advanced manufacturing and modern service base” and an international gateway for China
- Official goals for the PRD region by 2020[1]
  - GDP per capita: RMB135k
  - Service industry / GDP: 60%
  - Urbanisation level: 85%
- CEPA[2] has accelerated integration and financial markets development

Strategic relevance for HSBC

- Leverage on Hong Kong market leadership
  - Proximity; 60m+ Cantonese speakers
  - Closer links, both infrastructural or virtual, expected to foster stronger economic and financial integration

Pearl River Delta already a leading global economy

⬛ # Global country rank
🟥 # China province rank
🟥 Pearl River Delta



Rank[3]		2013 GDP[4], USDbn	2013 Trade[4], USDbn
6	UK	2,678	1,135
15	Mexico	1,262	761
1	**Guangdong**	857 **1,003**	1,047 **1,092**
2	Jiangsu	955	551
3	Shandong	883	267
16	Indonesia	869	358
20	Switzerland	686	694
4	Zhejiang	606	336
25	Nigeria	523	147
5	Henan	519	60
27	Taiwan	511	573
6	Hebei	457	55
7	Liaoning	437	114
8	Sichuan	424	65
29	UAE	402	620
9	Hubei	398	36
10	Hunan	396	25
31	Thailand	387	444

---

1. 2008-2020 development blueprint for the PRD by NDRC (National Development and Reform Commission); includes Hong Kong and Macau
2. Closer Economic Partnership Agreement (CEPA) is a free trade agreement concluded by Mainland China and Hong Kong
3. Rank of country / Chinese province, respectively, by GDP
4. Trade is measured as total Exports and Imports; Source: Global Insights, March 2015, National Bureau of Statistics of the People's Republic of China

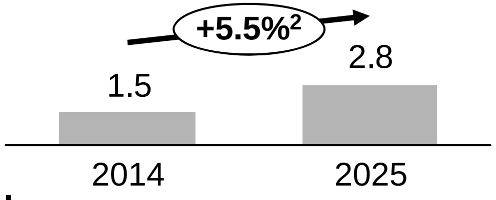
Strategic actions for the Group: Investments in Asia

7 ASEAN: Leading bank in ASEAN

Strong position in a fast growing economic zone

Third fastest growing trade zone

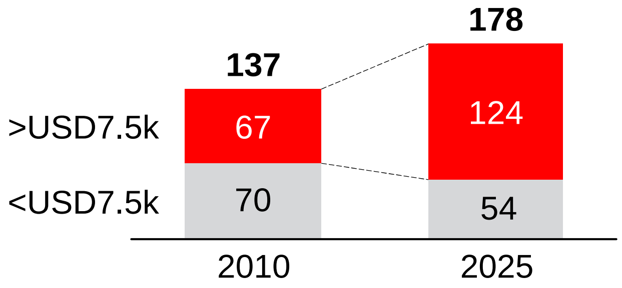
2014-25 real exports[1], USDtrn



% Global trade	2014	2025
	c.7%	**c.8%**

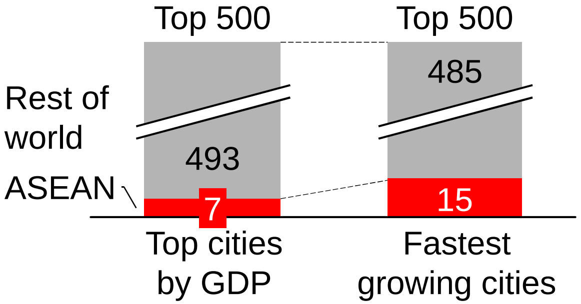
Large emerging middle class

Million households per income bracket[3]



Fast growing cities[3]

Number of cities



HSBC's unique position in ASEAN

🟥 Priority markets
⬛ Other presence

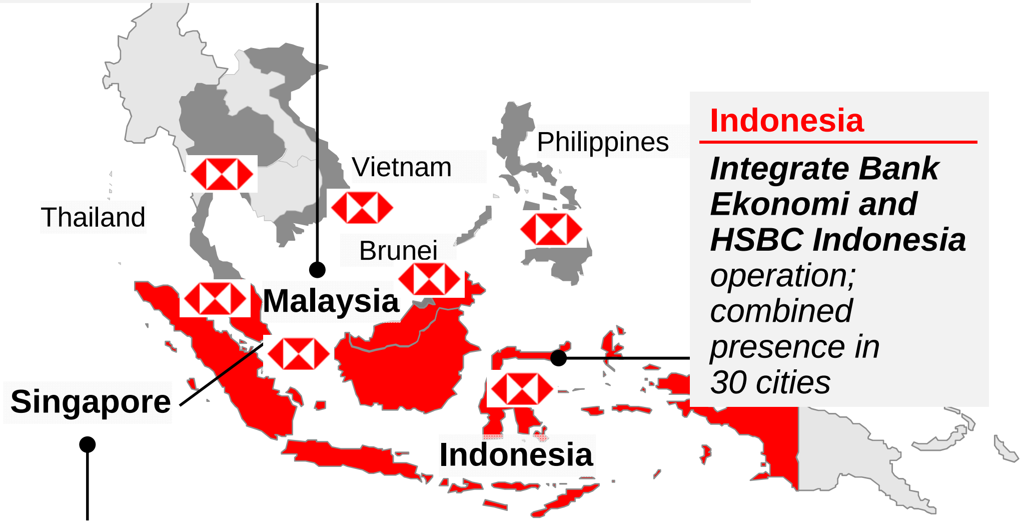
Malaysia

Current position

- Loan market share[4] **3.4%**
- Number of branches **68**

Aspiration

Expand position as ***leading[5] foreign bank*** *and leadership in Amanah Franchise*



Indonesia

Integrate Bank Ekonomi and HSBC Indonesia *operation; combined presence in 30 cities*

Singapore

Current position

- Loan market share[4] **3.6%**
- Number of branches **11**

Aspiration

Expand ***domestic market*** *position;*
strengthen ***connectivity*** *with other Asian markets*

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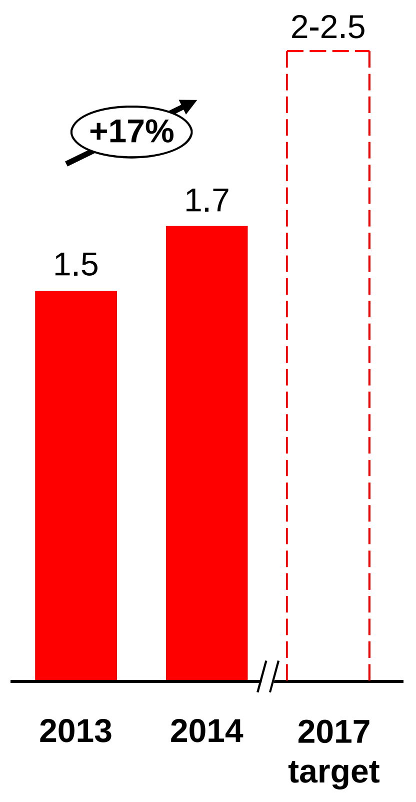
1. Constant currency (2010 USD basis). Source: Oxford Economics
2. 2014-25 CAGR
3. Source: McKinsey, "Understanding ASEAN: Seven things you need to know, 2014"
4. Source: company reports, Central Bank, IMF
5. Largest by branch network

8 Global market leadership in RMB driving revenue growth

HSBC RMBI revenue[1]

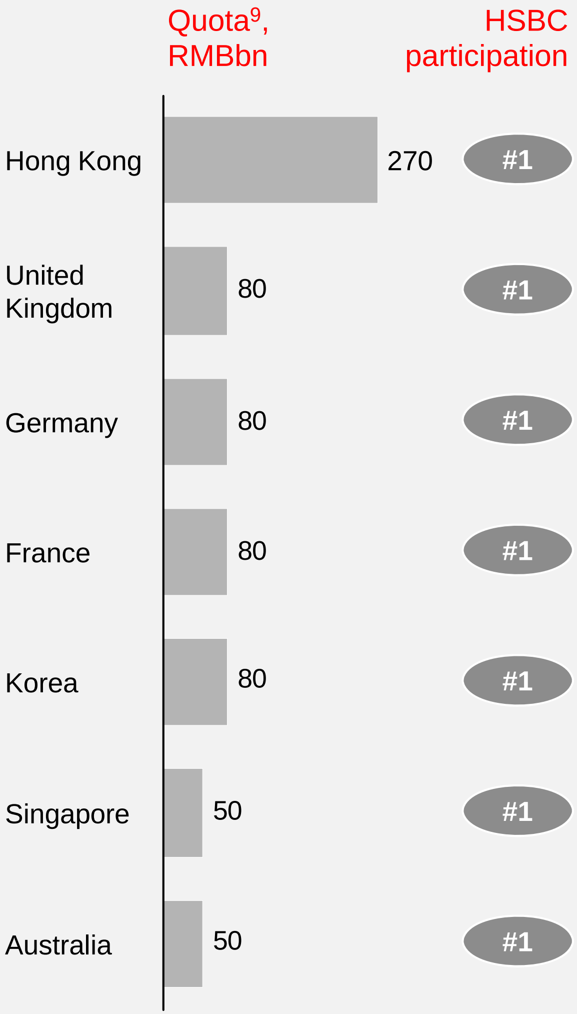
USDbn



Market-leading capability in RMB products

Bonds[2]	1st	Ranked 1st in the CNH league table since 2011
Offshore RMB Financing[3]	+27%	Year on year growth in offshore RMB assets as of 1Q15
Foreign Exchange[4]	+96%	2013 / 14 growth in FX volume with increasing use of RMB as trade and investment currency
Securities Services[5]	>40%	Market share in RQFII custodian business as of 2014
Cross-border RMB Flow[6]	>90%	2013 / 14 growth in cross-border RMB flows from HSBC China
Scale in China[7]	2nd	HSBC China's ranking amongst all banks in Shanghai for RMB cross border transaction volume

First in all active[8] RQFII markets



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1. HSBC internal definition of International RMB revenues being offshore revenue where any portion is denominated in RMB and onshore revenue from Global Markets, BSM and Capital Financing (excluding Credit and Lending) that is denominated in RMB
2. Bloomberg CNH Bond League Table
3. Offshore RMB lending balance. Source: HSBC
4. FX transactions through Global Markets. Source: HSBC
5. Source: Estimated market share of onshore custodian business of approved RQFII quota holders. Source: SAFE & HSBC
6. Source: HSBC
7. Source: PBOC
8. 'Active' refers to where a custodian has been appointed in a market and approved by SAFE
9. Based on public announcements

Strategic actions for the Group: Global Standards

9 Complete implementation of Global Standards

Global Standards – key initiatives

Until 2014

- Commenced de-risking, added sixth filter
- Enhanced customer selection focus
- Private Bank tax transparency
- FCC[1] Function expanded
- Global Risk governance framework enhanced
- Global policies on AML and sanctions issued
- Financial intelligence and investigation units set up
- Training and awareness campaigns for 250,000 employees

2015-2017

- Embedded global AML and sanctions policies
- Customer Due Diligence to new Global Standard implemented in all markets
- Continue to strengthen risk controls
- Improved data quality for existing and new customers
- Continue to enhance compliance infrastructure

2017+

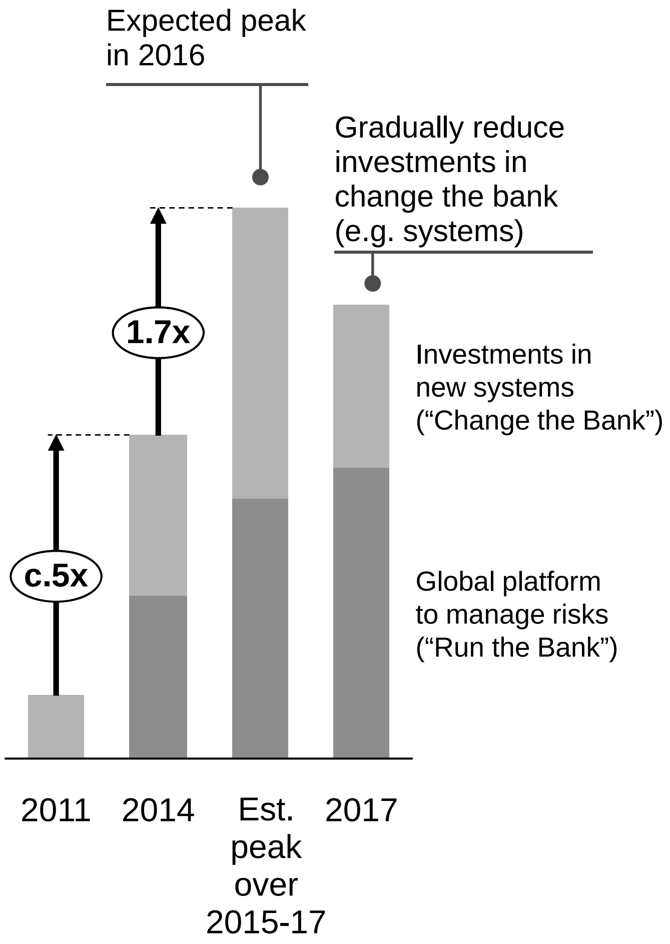
- Embedded in day-to-day risk management practices
- Sustainable and effective financial crime risk management controls
- Continuous monitoring

Key benefits for the Group

- Long-term **competitive advantage** (early mover)
- Increased **quality of earnings**
- **Reduced risk of future fines**

Global Standards investment

USDbn



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1. Financial Crime and Compliance

Strategic actions for the Group: Review location of Holding Company

10 Structured review of Location of Holding Company to maximise long-term shareholder value

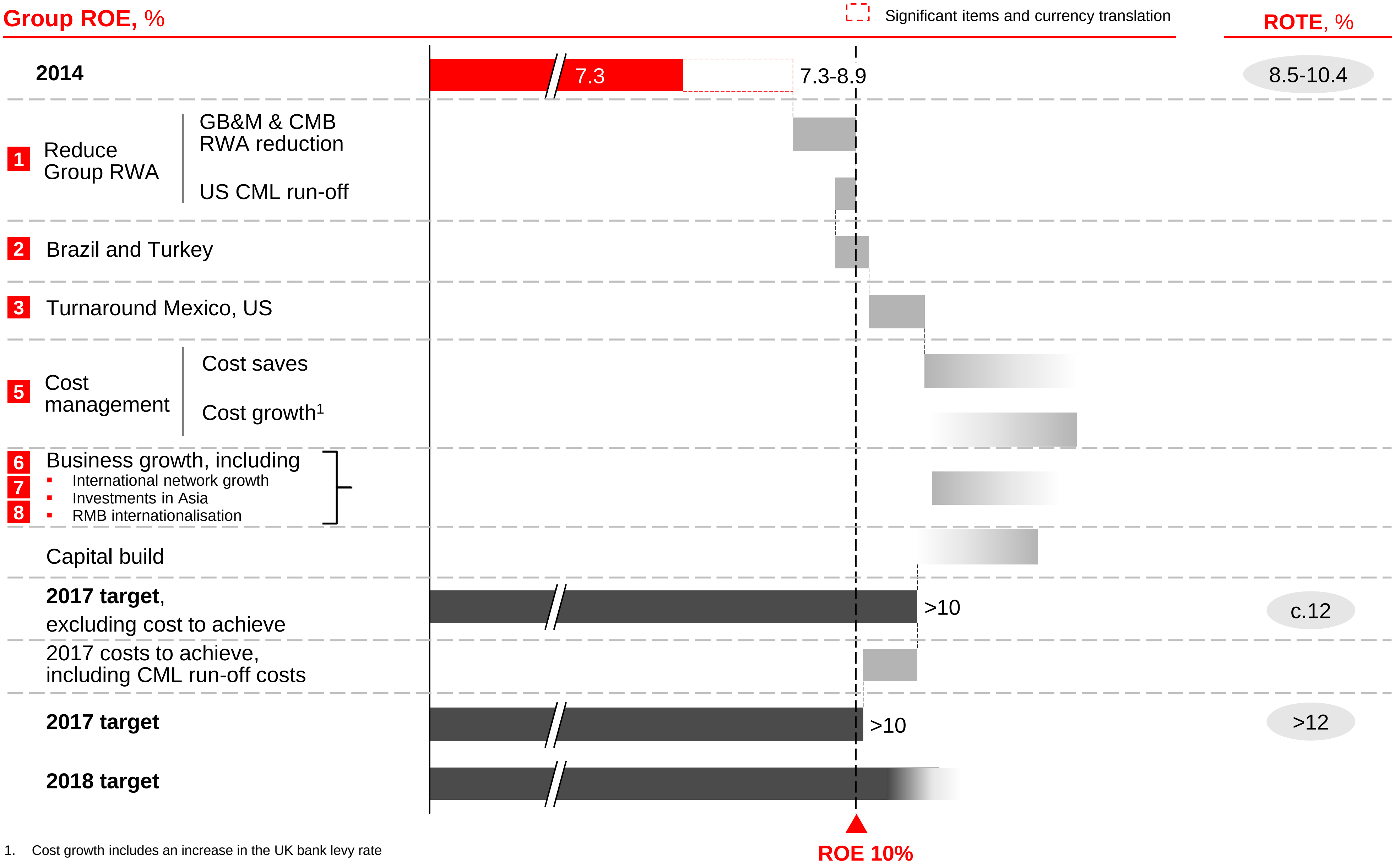
- ***Review launched in April 2015 at request of HSBC Holdings plc Board***
- ***Completion of review by end 2015***
- ***HSBC Holdings plc Board decision by 2015 year end***
- ***Subsequent shareholder and regulatory approval if required***

Criteria include at least

A	Economic importance and future growth
B	Scale of existing HSBC presence
C	Highly competitive economy
D	Long-term stability
E	High Transparency International score
F	Ability to attract and retain top talent
G	Robust commercial environment, including enforceability of relevant laws
H	Tax system
I	Government policy in support of growth and development of financial services sector
J	Robust regulatory environment that supports Global Standards
K	Financial impact for the Group

Strategic actions for the Group

Group ROE targeted to reach >10% in 2017; momentum for higher returns in future



2014

1 Reduce Group RWA
- GB&M & CMB RWA reduction
- US CML run-off

2 Brazil and Turkey

3 Turnaround Mexico, US

5 Cost management
- Cost saves
- Cost growth[1]

6 7 8 Business growth, including
- International network growth
- Investments in Asia
- RMB internationalisation

Capital build

2017 target, excluding cost to achieve

2017 costs to achieve, including CML run-off costs

2017 target

2018 target

---

1. Cost growth includes an increase in the UK bank levy rate

Strategic actions for the Group

Actions to capture value from our global presence in a changed world

1. **Reduce Group RWA by at least c.25%** and re-deploy towards higher performing businesses; return **GB&M to Group target profitability**
2. Sell operations in **Turkey** and **Brazil**[1]; continued application of six filter process
3. Rebuild **NAFTA profitability**
4. Set up **UK Ring-Fenced Bank**
5. Realise **USD4.5-5bn cost savings**, deliver flat costs by end 2017
6. Deliver **growth above GDP from international network**
7. Capture **growth opportunities in Asia**: Pearl River Delta, ASEAN, Asset Management, Insurance
8. Extend **leadership in RMB** internationalisation
9. Complete **Global Standards** implementation
10. Complete **Headquarters review** by end of 2015

---

[1] Plan to maintain a presence in Brazil to serve large corporate clients with respect to their international needs

Agenda

1 Overview of the Group

2 Strategic actions

- Strategic actions for the Group
- **Cost management**
- Financial targets

3 Summary and Shape of the Group

Cost Management

Key messages

HSBC delivered USD5.7bn of savings 2011 – 2014

- Moved to a global operating model and realised initial benefits from global scale (e.g. organisational model, procurement, property and moving roles to offshore service centres)
- Savings offset inflation and investment in growth 2011-2014
- However, increased regulatory, compliance and bank levy costs pushed overall costs up over the period

We will take out USD4.5-5bn of costs 2015 – 2017, increase productivity and enable growth

- Now HSBC has globalised we can re-engineer the Global Businesses and Global Functions, particularly IT and Operations, to leverage our global scale
- c.10% reduction in Group FTEs, before re-investment in growth initiatives and compliance

We have a clear plan to deliver these savings through:

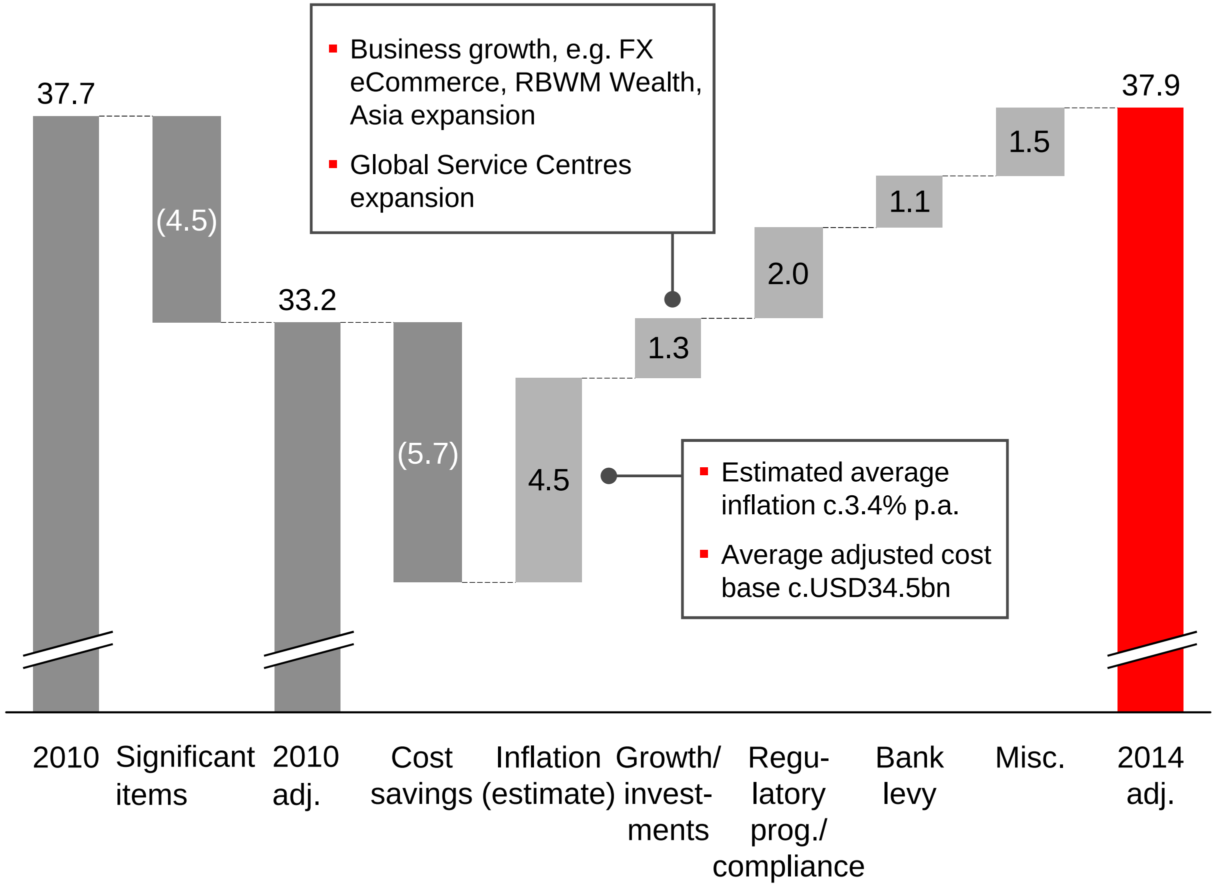
- Continued investment in digital to make it easier for customers to do business with us
- Implementing tools for our front-line colleagues to make better use of their time
- Automating more of our operations to get more out of our high quality low cost service centres
- Getting more for less from what we spend on our technology

Cost Management

Delivered USD5.7bn in cost savings 2011-14 through organisation design, operating model, procurement and property

2010-14 cost walk

USDbn



- Business growth, e.g. FX eCommerce, RBWM Wealth, Asia expansion
- Global Service Centres expansion

- Estimated average inflation c.3.4% p.a.
- Average adjusted cost base c.USD34.5bn

Key drivers of 2011-14 savings

- Changed operating model to operate at global scale
  - Globally consistent and simplified organisation: Global Businesses, Global Functions and HTS
  - Global operating models implemented in RBWM & CMB
- Initial achievements from leveraging global scale:
  - **Global organisation re-design with fewer management layers**: USD1.4bn
  - RBWM Global **Operating Model**: USD0.8bn; 12K roles reduced
  - **Procurement** scale efficiencies: c.USD1bn – e.g. global facilities management contract
  - Moved roles to at-scale **low cost / high quality service centres**: USD0.5bn savings
  - Offshore mix from 16% in 2010 to 21% today
  - Reduced **property** footprint by 8m square feet: USD0.4bn savings

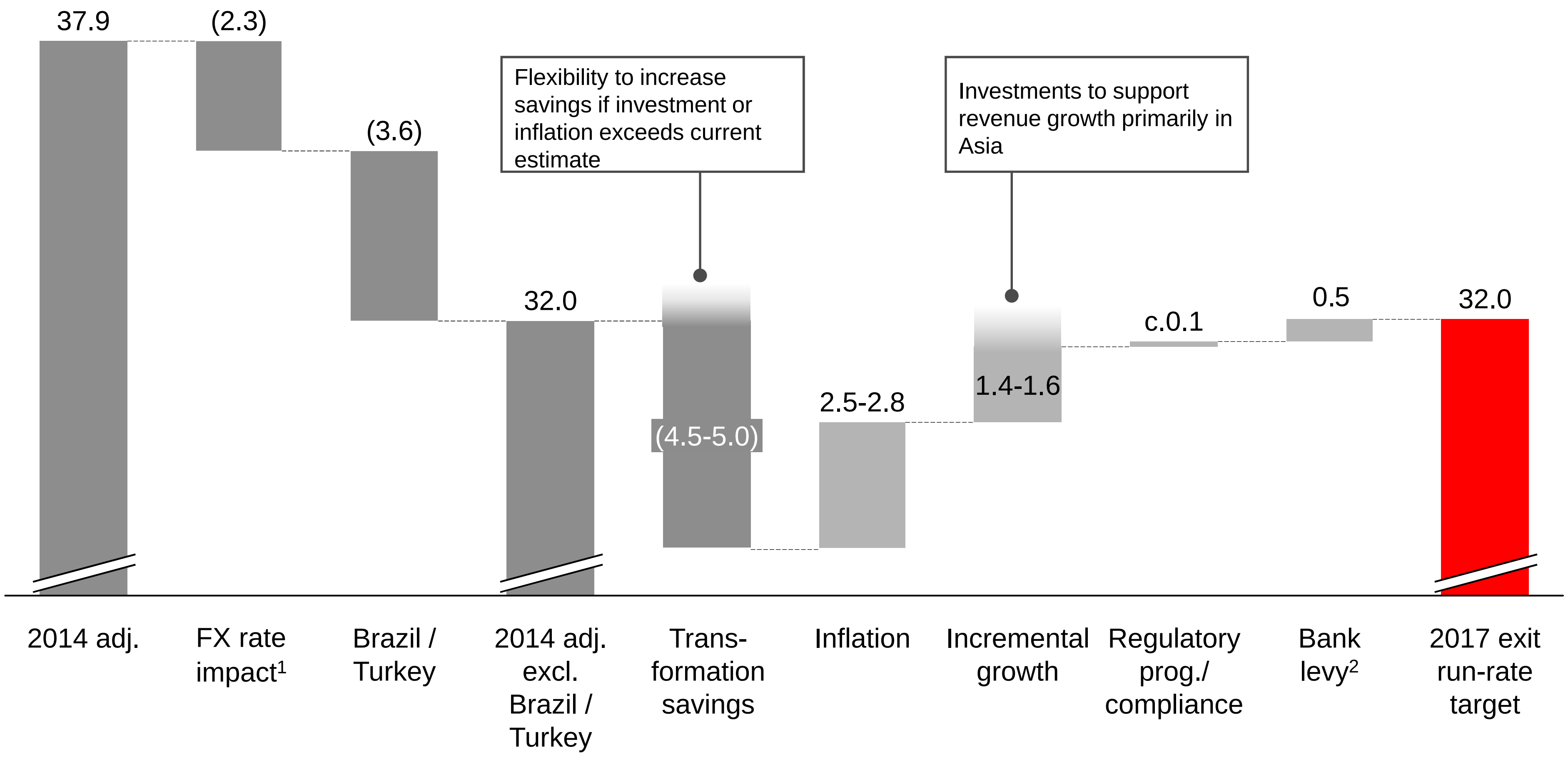
Focus going forward will be on re-engineering to take advantage of global economies of scale

Cost Management

Group to deliver USD4.5-5.0bn in cost savings to make 2017 exit run-rate adjusted costs flat against 2014

2014-17 exit run-rate target cost walk

USDbn



Flexibility to increase savings if investment or inflation exceeds current estimate

Investments to support revenue growth primarily in Asia

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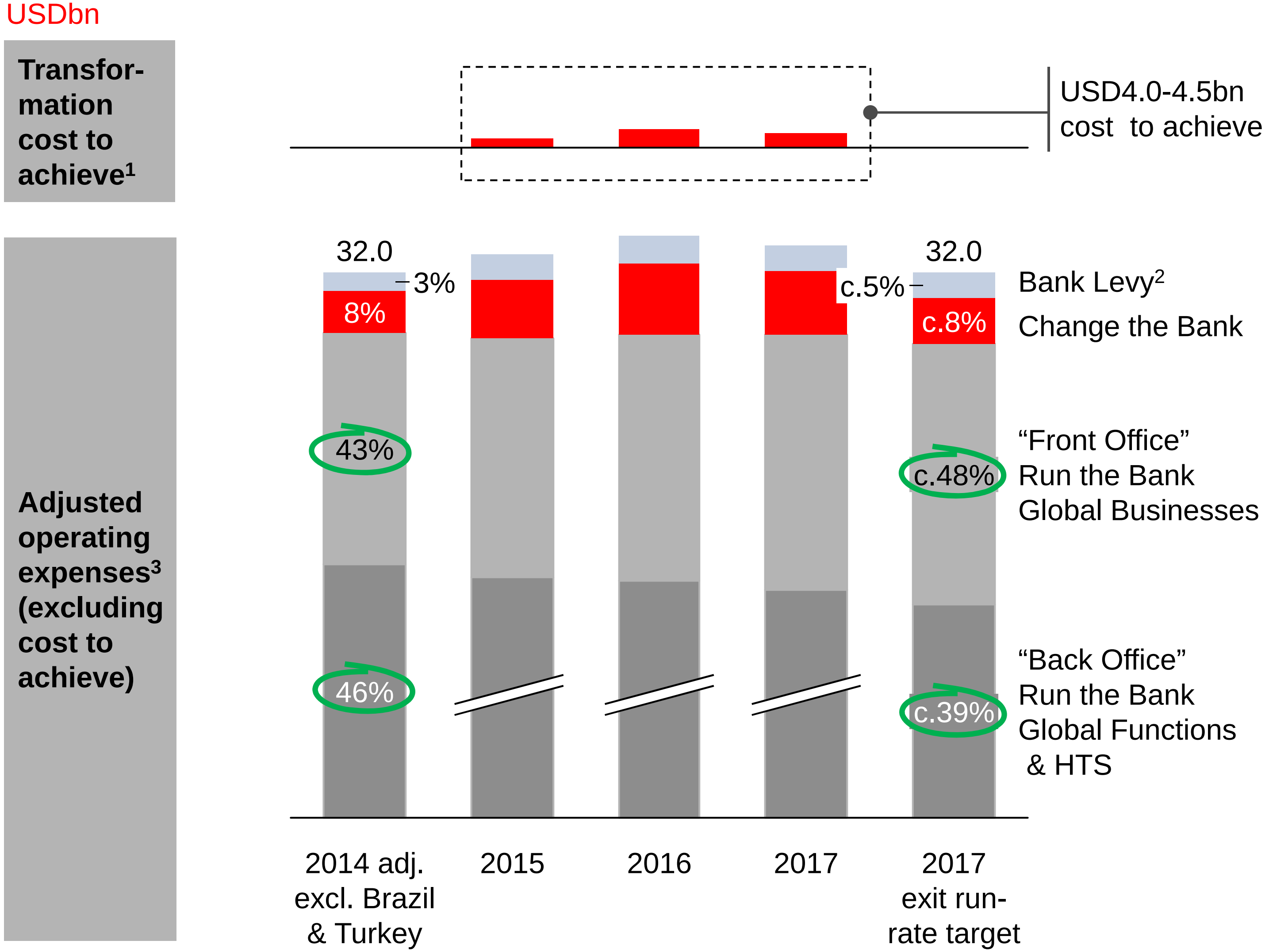
1. Impact of change from 2014 reported FX rate to 1Q FX rate
2. Bank levy forecast based on bank levy rates effective from 1APR2015 and 2014 year-end balance sheet

Cost Management

Transformation will require USD4.0-4.5bn investment and will deliver a much better front-office to back-office cost ratio

2014-17 exit run-rate cost target



- USD4.0-4.5bn cost to achieve between 2015 – 2017
  - c.80-90 cents per dollar of savings
- Cost to achieve includes:
  - Property exits
  - >USD1bn spend on accelerating digital and automation programmes
  - FTE reduction costs
- Front-office to back-office cost ratio will significantly improve
- 2015 – 2017 adjusted jaws excluding cost to achieve will remain positive

---

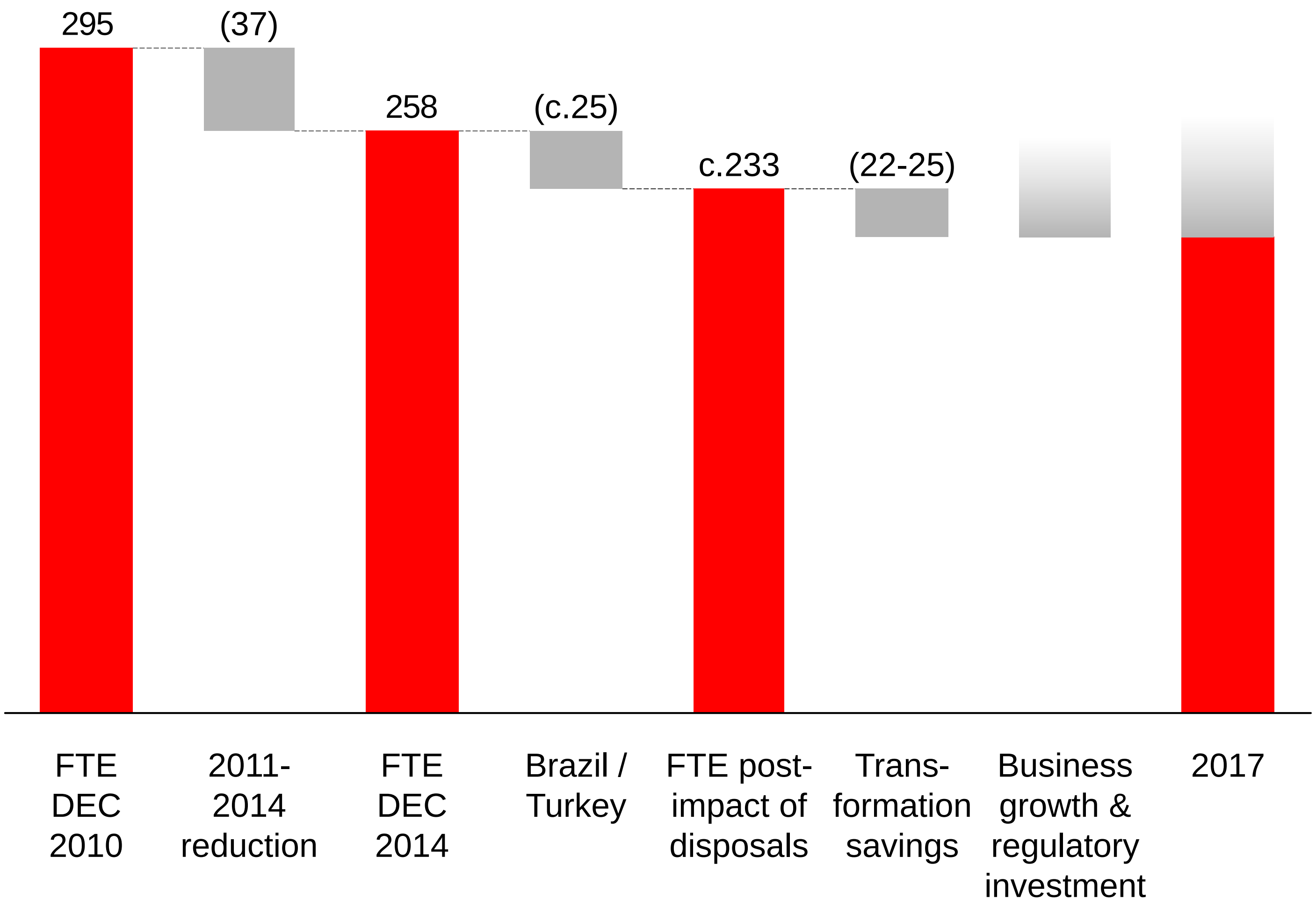
1. Transformation costs to achieve are the costs required to achieve the transformation savings. It includes restructuring and other transformation costs.
2. Bank levy forecast based on bank levy rates effective from 1APR2015 and 2014 year-end balance sheet.
3. Excluding Brazil and Turkey

Cost Management

Like-for-like FTE will reduce by c.10% before re-investment in business growth and compliance

2010-17 FTE development

'000



- Cost management initiatives to decrease FTEs by c.22-25k
  - Like-for-like reduction of c.10%
  - Natural attrition c.11% in 2014
- Average cost per FTE to decrease on a like-for-like basis due to increased use of low cost/ high quality locations
- Reductions partly re-invested for growth and compliance
- Mix shift from back-office to frontline and towards growth opportunities

Cost Management

Concrete actions underway to enable growth and deliver USD4.5-5.0bn in cost savings

🟥 Discussed in further detail on following pages

Key cost reduction actions underway		Net role reductions FTE '000	Target savings USDbn
1 Digital investment and productivity improvement	▪ Enhanced digital capabilities and self-service ▪ Better tools for advisors, relationship managers and tellers ▪ Reduced administrative roles ▪ 12% fewer branches, 20% lower branch square feet in top 7 markets	7-8	0.9-1.0
2 Automate and re-engineer operations	▪ Streamline and automate processes ▪ Move operations roles to low cost / high quality locations – from 60% to 70% of roles ▪ Consolidate service centres to specialise in fewer businesses/ processes	12-13	0.8-0.9
3 Simplify software development and optimise IT infrastructure	▪ Deliver IT projects more effectively – (e.g. 'buy more off-the-shelf', increase use of Agile development process) ▪ Move software development roles to low cost / high quality locations – from 50% to 75% of roles ▪ Eliminate 750 of existing c.6,700 applications ▪ Consolidate hardware and use more Cloud platforms	n/a	1.1-1.2
4 Re-shape Global Functions	▪ Finance: re-engineer and automate processes, reduce demand, move Finance roles to low cost / high quality locations ▪ Risk (excl. Compliance): simplify processes (e.g. retail credit risk), increase use of low cost / high quality locations	2.5-3	0.6-0.7
5 Procurement	▪ External spend reduction, e.g. through supplier consolidation	n/a	0.4-0.5
6 Other initiatives	▪ Clear plan for real estate in key markets ▪ Simplified organisation structure (c.13k dual reporting lines removed)	0.5-1	0.6-0.7
		22-25	**4.5-5.0**

1 Digital investment and productivity improvement; enabling growth at lower cost

Actions underway

Enhanced digital capabilities and self-service

- Reduce frontline sales and service roles by migrating transactions and interactions to digital and self-service channels, e.g.:
  - Text message and email balance alerts
  - Mobile payments and single click purchases
  - Simple, user-friendly security checks
- Total digital investment of >USD1bn 2015-17
- Reduce c.2k servicing roles

Better tools to drive frontline productivity

- Better tools for tellers and relationship managers rolled out in all key markets
  - E.g. single customer view, contact history
- Target c.15% increase in RBWM advisor productivity
- Redeploy c.850 CMB RMs from low to high growth markets

Reduce back-office activity

- Fewer forms, signatures and administration
- Fewer administrative roles required in network
- Reduce 5k-6k FTE

Reduce branches

- 12% fewer branches, 20% less square feet in top 7 markets
- USD c.135m real estate savings

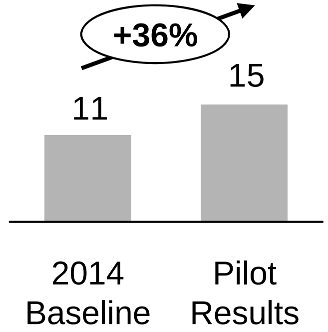
UK RBWM examples

New digital tools and products

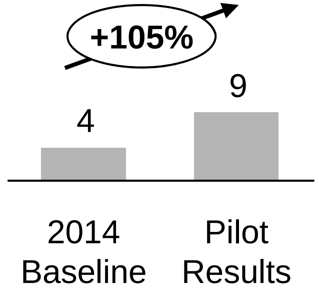
"Bank on a tablet"

Simplifying Growth Programme – Results

Meetings per advisor per week



Customer needs met per advisor per week



Digital investment and productivity improvement to reduce 7-8k roles and deliver USD0.9-1.0bn savings

Cost Management

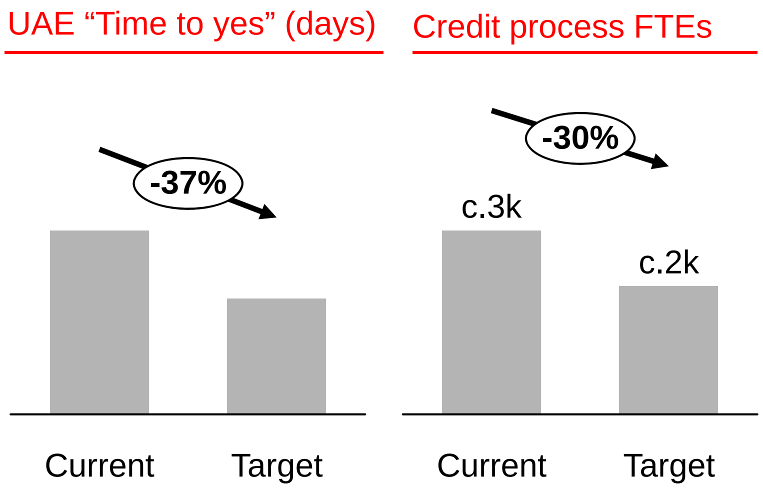
2 Automate and re-engineer operations

Actions underway

Simplify processes	▪ Light automation and process improvement ▪ 2.5k-3k roles reduced, c.USD100-110m savings
Automate processes	▪ Key data once for multiple systems (e.g. change of address) ▪ Fully automate data transfer between systems ▪ Leverage improved front-end systems, imaging and workflow ▪ Automate and eliminate “checking” (e.g. data validation and MI) ▪ 9k-9.5k role reductions, c.USD425-475m savings
Consolidate service centres	▪ From 4-5 businesses/functions in each service centre to 2-3 ▪ From 9-11 product processes in each service centre to 4-6
Move roles to low cost / high quality locations	▪ c.5k operations roles moved to low cost / high quality locations – From 60% to 70% offshore mix – c.USD175-200m saving
Develop industry utilities	▪ GB&M “Know Your Customer” utility; c.USD60m savings

CMB examples

CMB credit process optimisation



Other example CMB process optimisation opportunities

Trade middle office	c.400 operations role reductions
Manual payments	c.600+ operations role reductions

Automate and re-engineer operations to reduce 12-13k roles and deliver USD0.8-0.9bn savings

Cost Management

3 Simplify software development and optimise IT infrastructure

Actions underway

Simplify

- Focus on top 10-15 markets
- Build for 3-5 markets, roll-out to the remaining priority markets
- Use fewer, simpler systems in remaining markets

Build better software

- Buy more “off-the-shelf” market standard – target c.40% of new applications
  - E.g. Avaloq in GPB, Financial Crime Prevention systems
- Increase use of ‘Agile’ (all in the same room) development
- c.USD300-350m savings

Consolidate software development

- 75% of software engineering to be done in India and China (from 50% today)
- Consolidate supplier spend
- c.USD475-525m savings

Focus on data

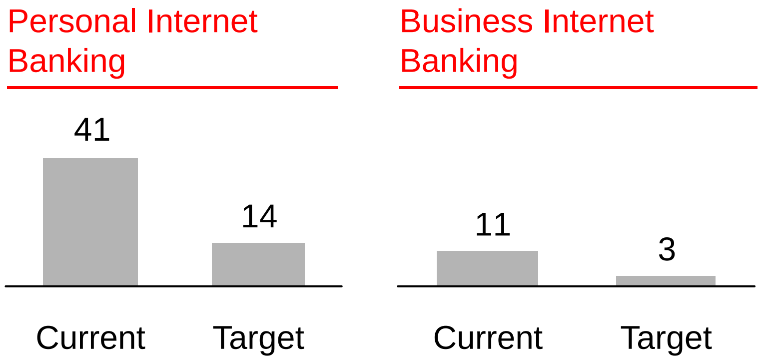
- Leverage Global Standards investment
- Use improved customer data to digitise and automate

Optimise infrastructure and hardware

- Simplify platforms and eliminate 750 applications
- Use Cloud platforms for non-business critical systems (e.g. HR)
- Reduce in-country data warehouses
- c.USD325-375m savings

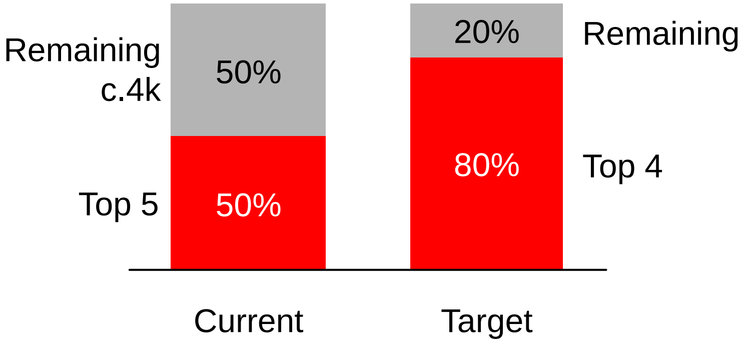
Examples

Application rationalisation examples (number of global instances)


Personal Internet Banking

Business Internet Banking

IT supplier spend concentration



Simplify software development and optimise IT infrastructure to deliver USD1.1-1.2bn savings

Cost Management

Key outcomes: Enable business growth and reduce costs USD4.5-5bn

Outcomes

Enable Business Growth

- Enhanced tools for frontline colleagues
- Improved digital capabilities

Better Customer Outcomes

- Faster turnaround times
- Simpler and more relevant customer interactions

More Robust Controls

- Enhanced controls through automated MI, sampling and checking
- Fewer manual checks required due to increased STP and process automation

Lower Costs & Fewer Roles

- Fewer FTEs and lower cost per FTE
- Lower growth in property costs
- Lower like-for-like third party spend

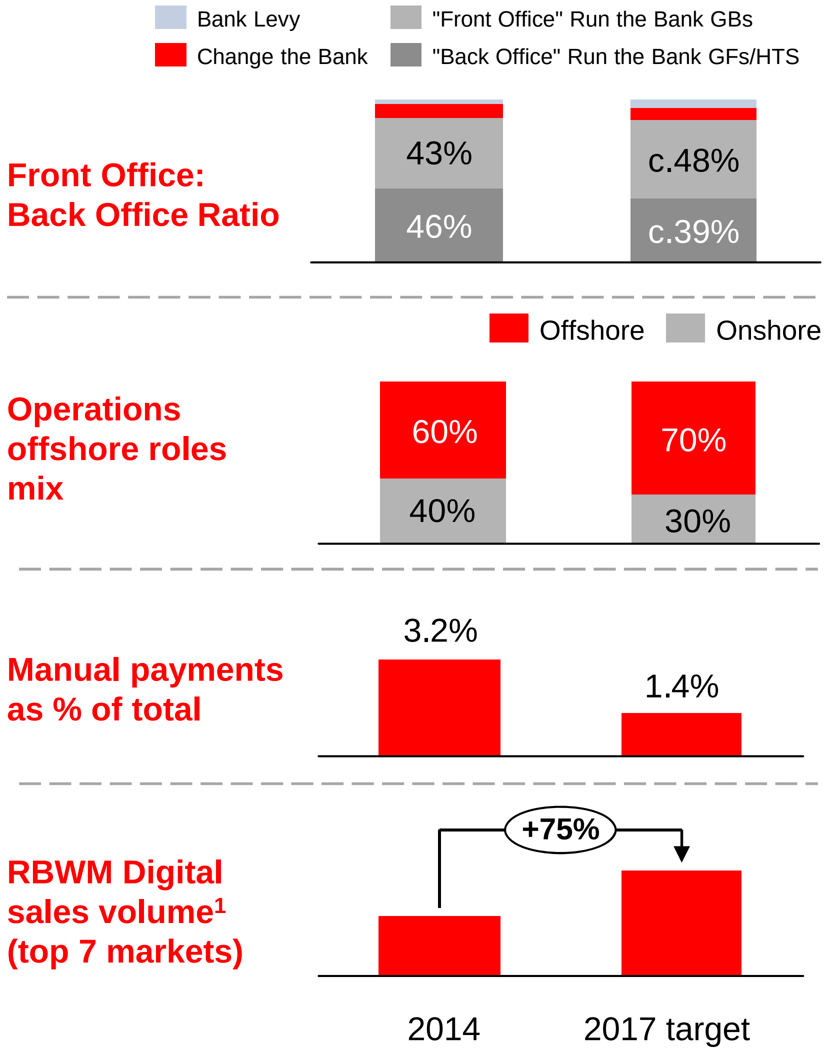
Enhanced Operations

- More straight-through-processing
- Lower unit costs per product across all businesses and functions

More effective IT

- Fewer, less costly applications
- Lower IT infrastructure costs

Key metrics


Front Office: Back Office Ratio

Operations offshore roles mix

Manual payments as % of total

RBWM Digital sales volume[1] (top 7 markets)

1. Includes Digital, third party and ATM sales

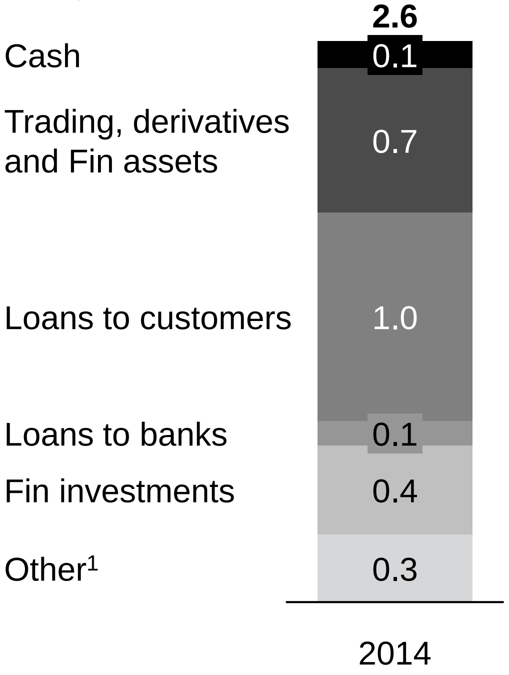
Agenda

Financial targets

Strong structural balance sheet; organic capital accumulation

Assets

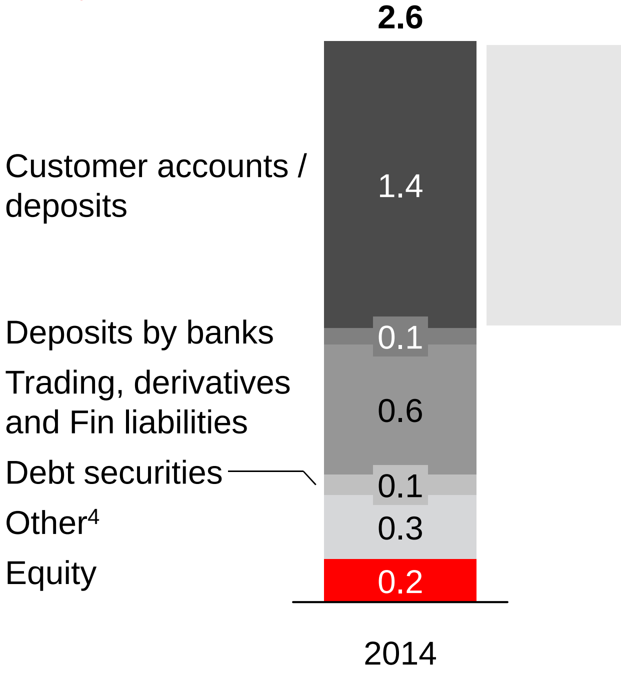
2014, USDtrn



ADR, % **72.2**

Liabilities

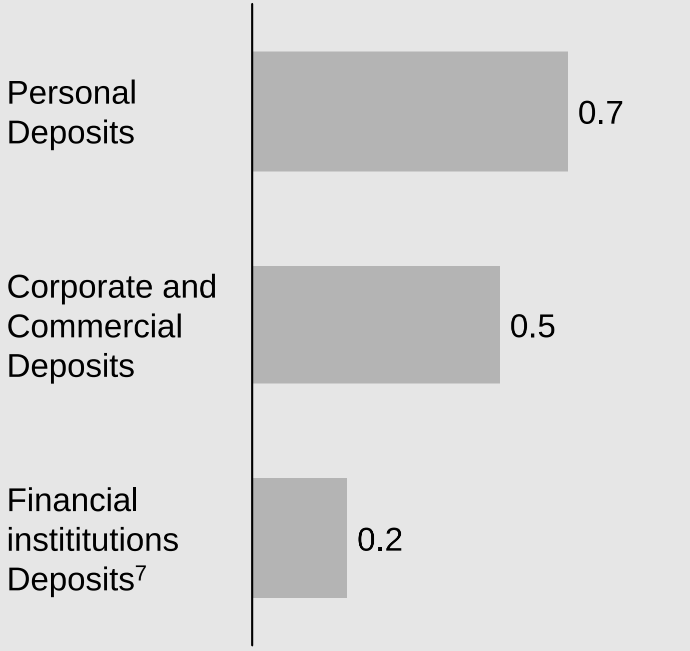
2014, USDtrn



CET1[5], % **11.1**

Sources of customer accounts / deposits

USDtrn



High Quality Liquid Assets[2], USDbn **521[3]**

CET1 capital[5], USDbn **136**

Average 2011-14 capital accumulation, USDbn p.a. **9.1**

Leverage ratio[6], % **4.8**

Group consolidated LCR[8], NSFR[8], as at 31DEC14 **>100%**

---

1. Includes Reverse repurchase agreements non-trading and other assets
2. As defined by the EU LCR delegated regulation, after application of prescribed haircuts
3. Of which, USD438bn included in reported Group consolidated LCR
4. Includes repurchase agreements non-trading, liabilities under insurance contracts and other liabilities
5. CET1 ratio and CET1 capital on an end-point basis
6. On an EU Delegated Act basis
7. Includes operational deposits from custody, clearing and cash management
8. As reported

Financial targets

Capital management actions; improve returns

Drivers to achieve financial targets

1 **Capital management actions**

- Gross RWA reduction – at least 25%, Group ex Associates (c.USD290bn)
- Action plan to improve returns for each Global Business

2 **Capital requirements and generation**

- Management estimate of required CET1 ratio in 2019 of 12-13%
- GSIB driven by cross-jurisdictional score, despite resolvable MPE[1] structure
- Estimated TLAC[2] funding gap of USD12.5bn-USD44.0bn

3 **Re-investment**

- Refocus over 2/3 of RWA capacity to higher return businesses

Group financial targets: Outcomes

ROE

- >10%

Jaws

- Positive (adjusted, excluding cost to achieve)
- 2017 exit run rate costs flat against 2014 (adjusted basis)
- Costs to achieve of USD4.0-4.5bn

Dividend

- Progressive[3]

---

1. Multiple Point of Entry
2. Total Loss Absorbing Capacity
3. Progression of dividends should be consistent with the growth of the overall profitability of the Group and is predicated on the ability to meet all capital requirements in a timely manner

1 Actions in place to improve returns

			2014-17 RoRWA drivers				
		2014 RoRWA[2]	Revenue	Operating expenses (exit run rate)	RWA impact	Continued application of 6 filters	**2017E RoRWA[3]**
Global Business adjusted returns[1]	**RBWM** ex US CML run-off ex Associates	**4.8%**	**Grow**	**Maintain**	**Invest**	**Positive impact**	**6.3%**
	CMB ex Associates	**2.3%**		**Invest**	**Invest**	**Positive impact**	**2.7%**
	GB&M ex Legacy ex Associates	**1.7%** (1.4% excl. BSM)		**Maintain**	**Reduce**	**Limited**	**2.7%** (2.5% excl. BSM)
	GPB [5] ex Associates	**3.4%**		**Maintain**	**Reduce**	**Limited**	**4.3%**
Associates, run-off portfolios and "Other" Global Business							
Group, adjusted[4]		**1.9%**	**Grow**	**Maintain**	**Reduce**	**Positive impact**	**>2.3%**

---

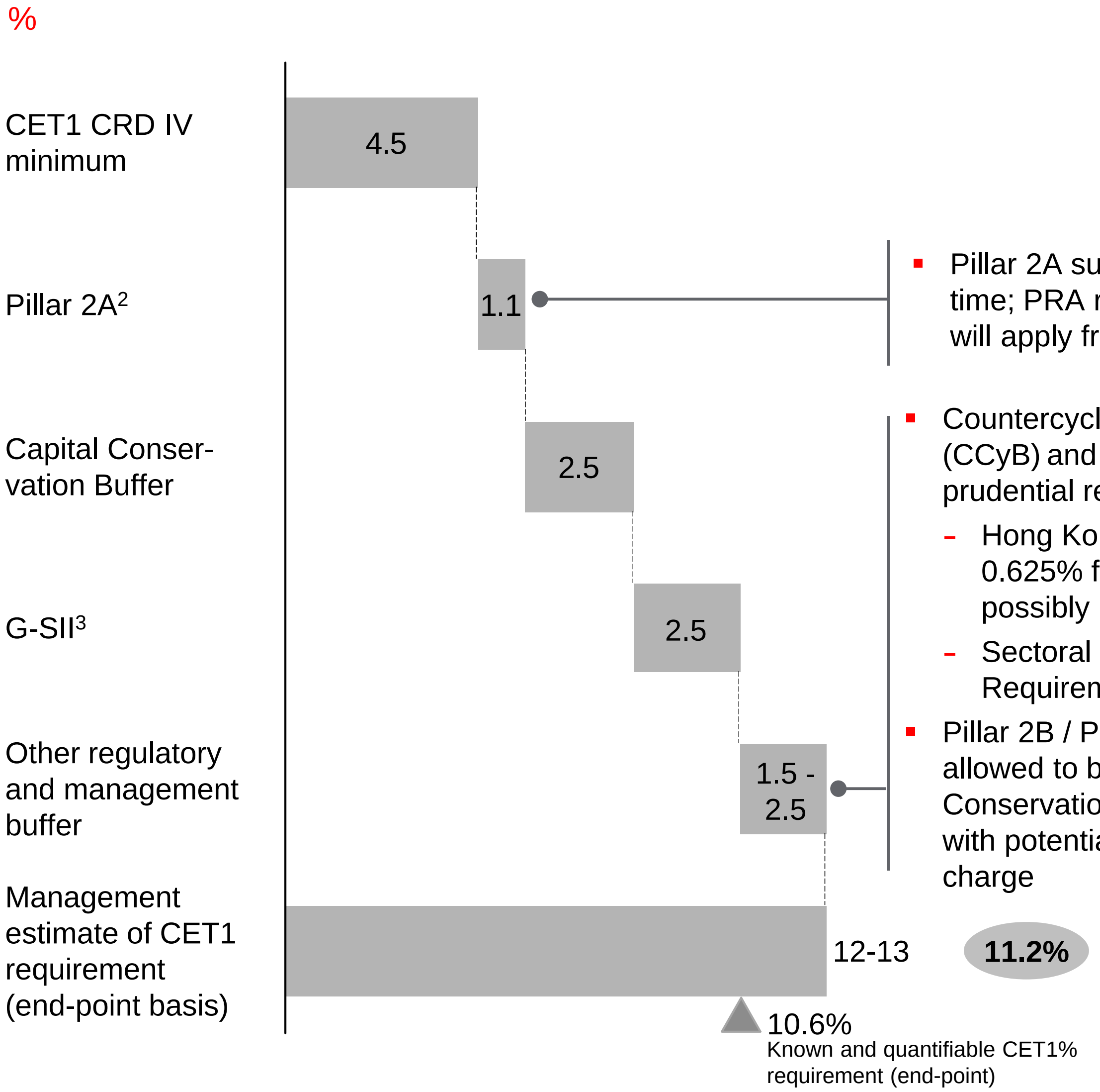
1. Adjusted PBT and RWA
2. 2014 RoRWA on average period RWA basis and excludes the effect of the exits of Brazil and Turkey and reclassification of Business Banking from CMB to RBWM
3. 2017 RoRWA estimates on a CRD IV end-point RWA basis on 2 point average
4. In addition to performance of Global Businesses, Group RoRWA includes effect of Group "drags" (bank levy and other costs, Run-off portfolios (GB&M legacy credit and US CML and Associates) but excludes impact of significant items
5. Due to the nature of its business, GPB measures the performance of its business through other measures including Net New Money and Return on Assets

Financial targets: Drivers to achieve financial targets – Capital requirements

2 Management estimate of required CET1 ratio in 2019 of 12-13%

2019 end-point basis

Common Equity Tier 1 ratio, Pillar 2A and buffers[1]



Known and quantifiable CET1% requirement (end-point)

HSBC CET1 ratio as at 1Q15 (end-point)

- Pillar 2A subject to change over time; PRA revised framework will apply from 1 Jan 2016

- Countercyclical Capital Buffer (CCyB) and other macro-prudential requirements
  - Hong Kong CCyB rate of 0.625% from January 2016, possibly up to 2.5% over time
  - Sectoral Capital Requirements
- Pillar 2B / PRA buffer[4] generally allowed to be offset by Capital Conservation and G-SII buffers with potential residual subjective charge

Regulatory requirements 2014 – 2019

Emerging clarity on broad regulatory agenda

- ✓ Pillar 2 and other capital buffers
- ✓ Leverage ratio
- ✓ Revised Counterparty Credit Risk Standardised and Securitisation framework
- ✓ Ring-fencing and Bank Structural Reform

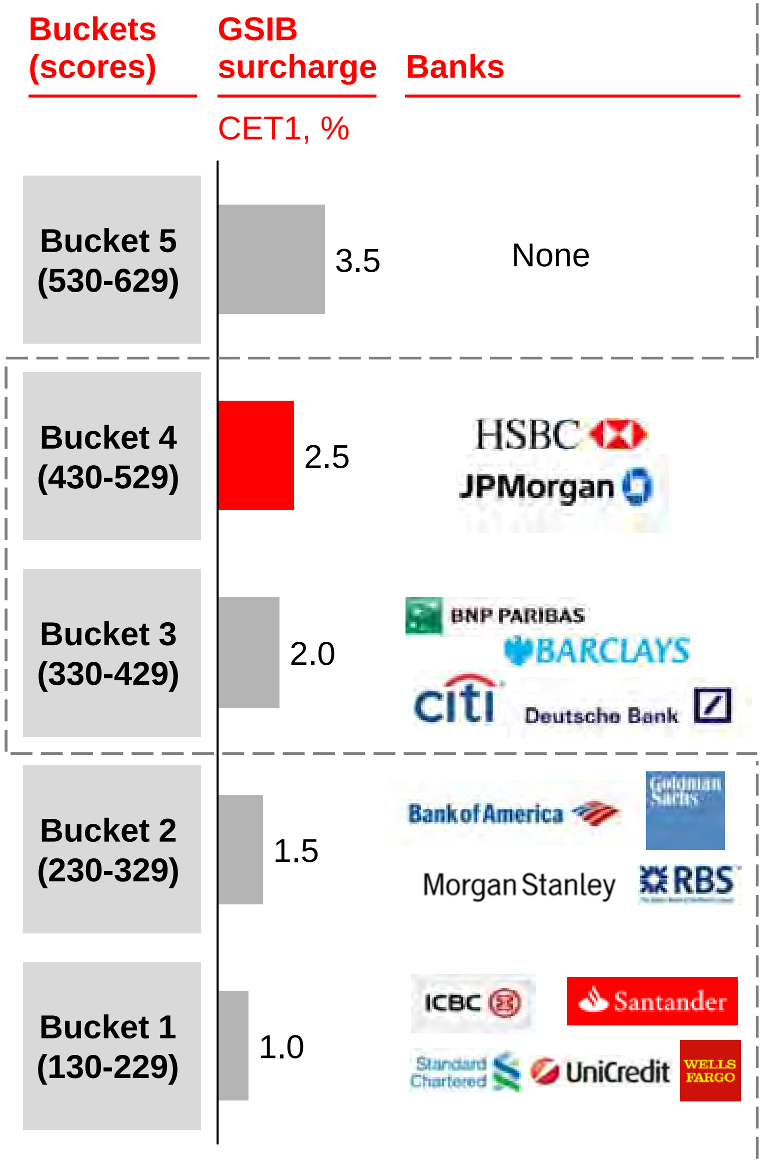
Certain regulatory uncertainty and headwinds remain

- Basel revisions to the RWA framework
- Capital floors and other macro-prudential measures
- TLAC and G-SIB ongoing developments

For footnotes refer to Appendix

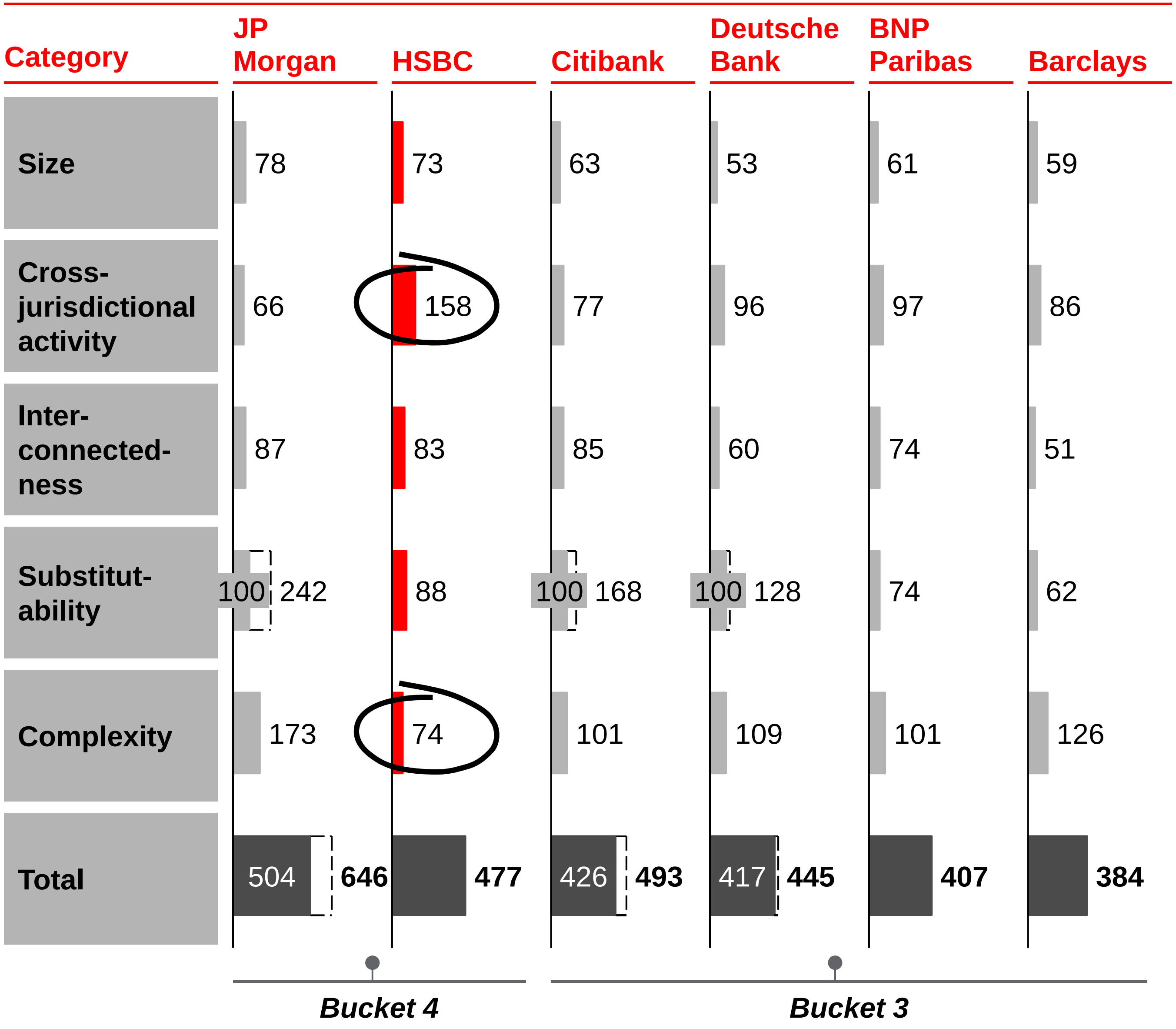
2 Cross-jurisdictional score driver of GSIB surcharge; not complexity

Based on 31 December 2013 submission



Buckets (scores)	GSIB surcharge CET1, %	Banks
Bucket 5 (530-629)	3.5	None
Bucket 4 (430-529)	2.5	HSBC JPMorgan
Bucket 3 (330-429)	2.0	BNP Paribas Barclays Citi Deutsche Bank
Bucket 2 (230-329)	1.5	Bank of America Goldman Sachs Morgan Stanley RBS
Bucket 1 (130-229)	1.0	ICBC Santander Standard Chartered UniCredit Wells Fargo

Score¹ (bps)



Category	JP Morgan	HSBC	Citibank	Deutsche Bank	BNP Paribas	Barclays
Size	78	73	63	53	61	59
Cross-jurisdictional activity	66	158	77	96	97	86
Inter-connected-ness	87	83	85	60	74	51
Substitut-ability	100 242	88	100 168	100 128	74	62
Complexity	173	74	101	109	101	126
Total	504 646	477	426 493	417 445	407	384
	Bucket 4	Bucket 4	Bucket 3	Bucket 3	Bucket 3	Bucket 3

Source: Company submissions

1. Calculated as Indicator score (bps) multiplied by 0.2. Indicator score is calculated as individual bank indicator (euros) devided by denominator (euros) and multiplied by 10,000; scores calculated according to FSB methodology

2 Adverse currency movements mask management actions

Based on 31 December 2013 submission

HSBC score, indexed to 2013 submissions[1]

Category	2013 submission (published May 2014)	Currency effect	Other effects	2014 submission (published May 2015)
		% increase	% increase / decrease	Indexed, 2013=100
Size	100	⬆ **+13%**	⬇ -2%	111
Cross-jurisdictional activity	100	⬆ **+13%**	⬇ -5%	107
Inter-connectedness	100	⬆ **+10%**	⬇ -23%	88
Substitutability	100	⬆ **+15%**	⬆ **+13%**	113 *(128 without cap)*
Complexity	100	⬆ **+8%**	⬇ -41%	67
Total	**100**	⬆ **+9%**	⬇ **-10%**	**99** *(102 without cap)*

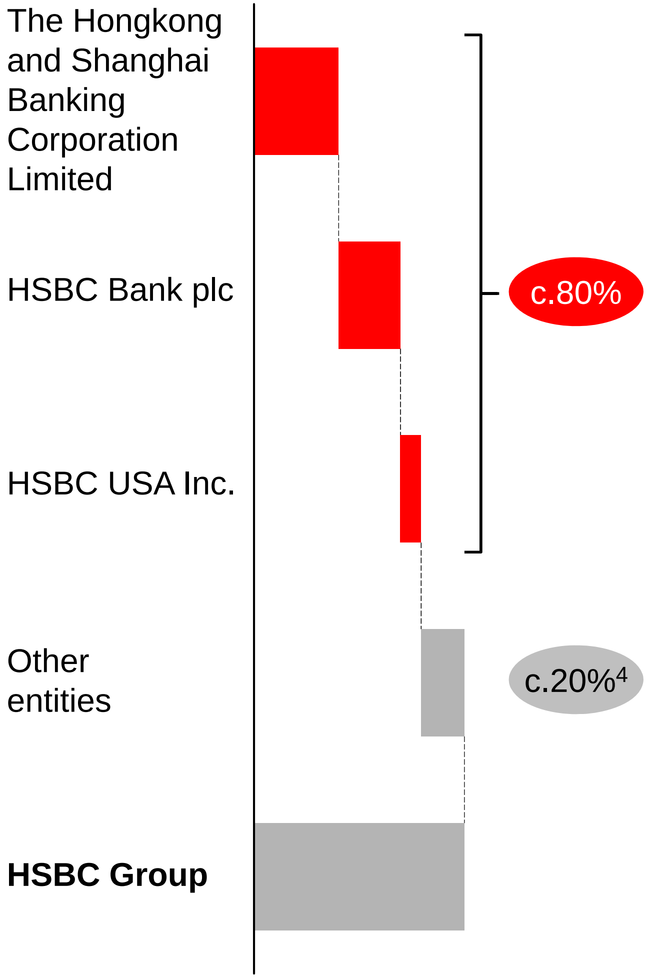
Source: Company submissions

[1] The denominator for calculating a bank's GSIB is obtained from a large population of banks. Since the 2014 denominator is not yet known, HSBC's scores shown above have been indexed to the 2013 scores

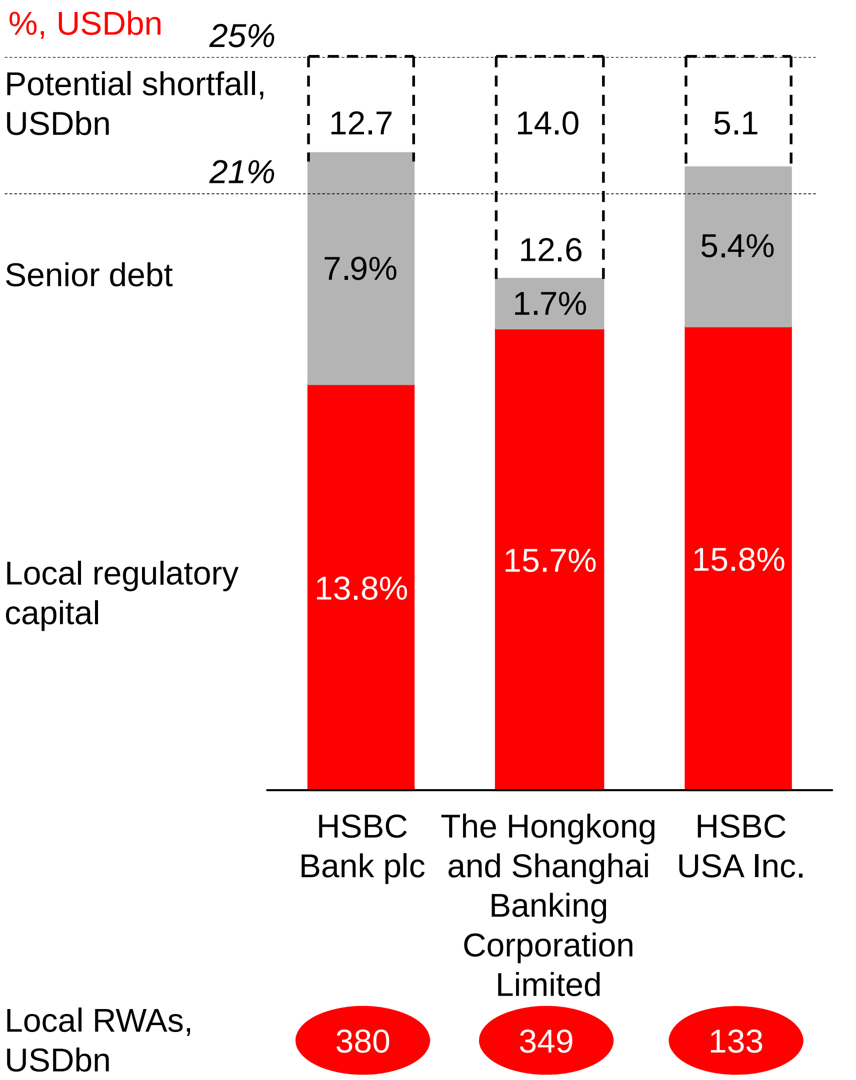
Financial targets: Drivers to achieve financial targets – Capital requirements

2 TLAC requirements[1]

Group PRA basis RWA mix by resolution entity (including Associates)[3]



Subsidiary proforma TLAC as a proportion of RWAs, with shortfalls to 21% and 25%[2]



- Under an MPE resolution strategy TLAC will be applied to subsidiary resolution entities based on local RWAs
- TLAC is subject to future capital and RWA developments
- Existing senior debt would need to be refinanced to be TLAC compliant
- Cost of compliance (at the lower end of the 21% - 25% range) estimated to be USD200-300m p.a.[5]

For footnotes, refer to Appendix

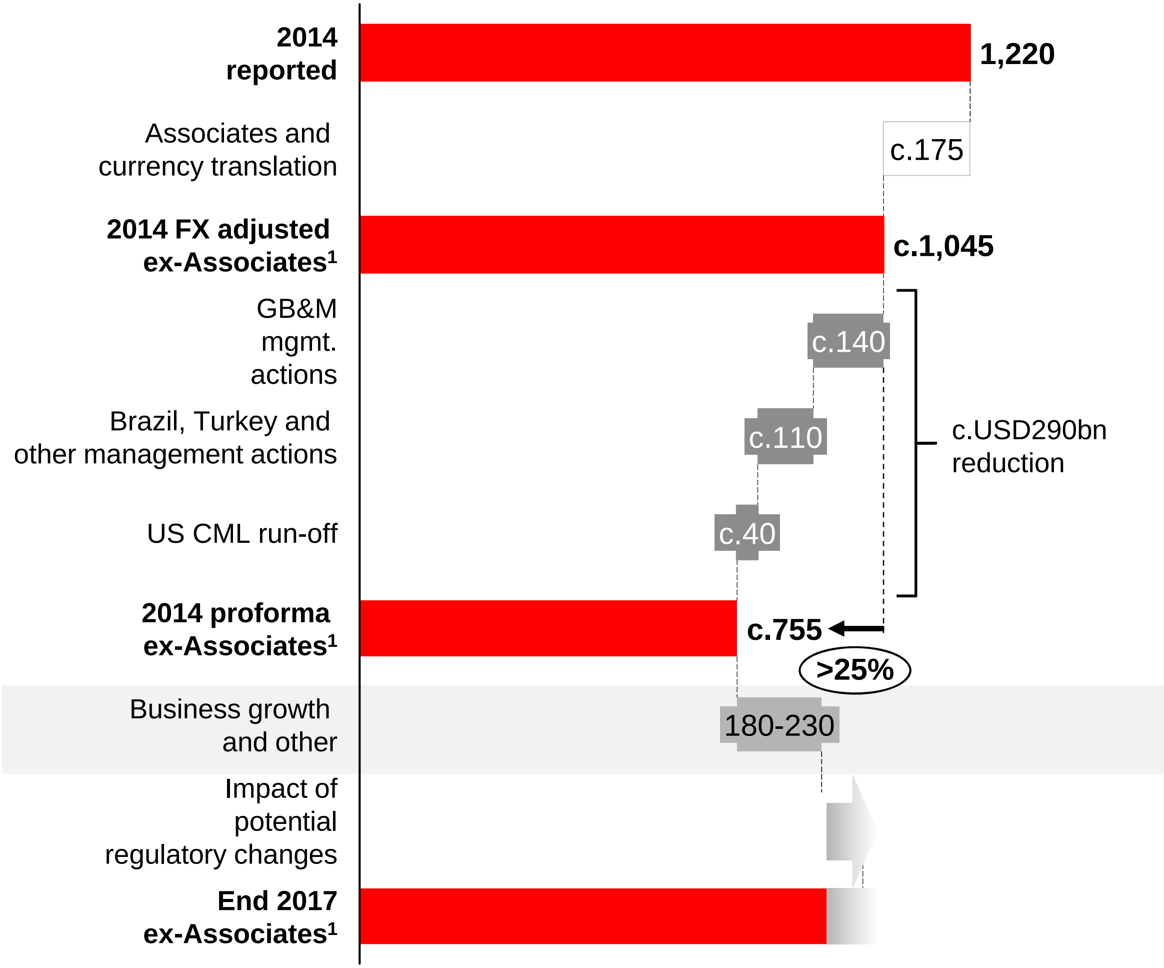
Note: 21% / 25% correspond to TLAC requirements of 16% / 20% + 5% (Systemic and Capital Conservation Buffers)

Financial targets: Drivers to achieve financial targets – Re-investment

3 RWAs refocused towards higher return businesses

Group RWA

USDbn



Capital investment

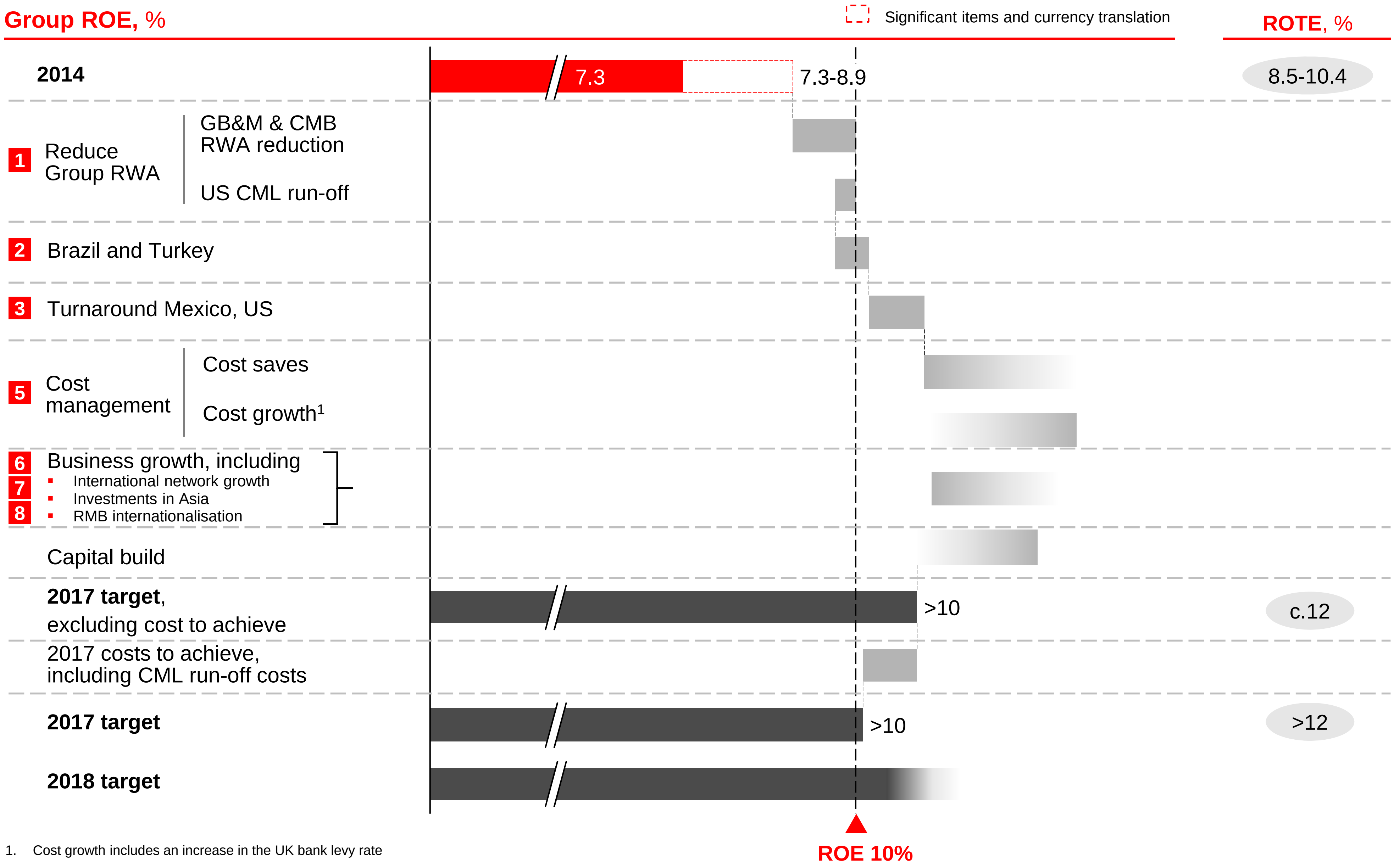
By Global Business		By geography	
Principal RBWM	↑	**Asia**	↑
CMB	↑	**Europe**	↓
GB&M	↓	**MENA**	↑
GPB	→	**North America**	↓
		Latin America	↓

---

1. Excludes RWA from Associates: 2014: c.USD160bn, 2017: c.USD180bn
2. GB&M actions includes reductions in Legacy Credit, Markets (Rates), Capital Financing and GTRF

Financial targets: Outcomes – ROE

ROE outcomes; momentum for the future



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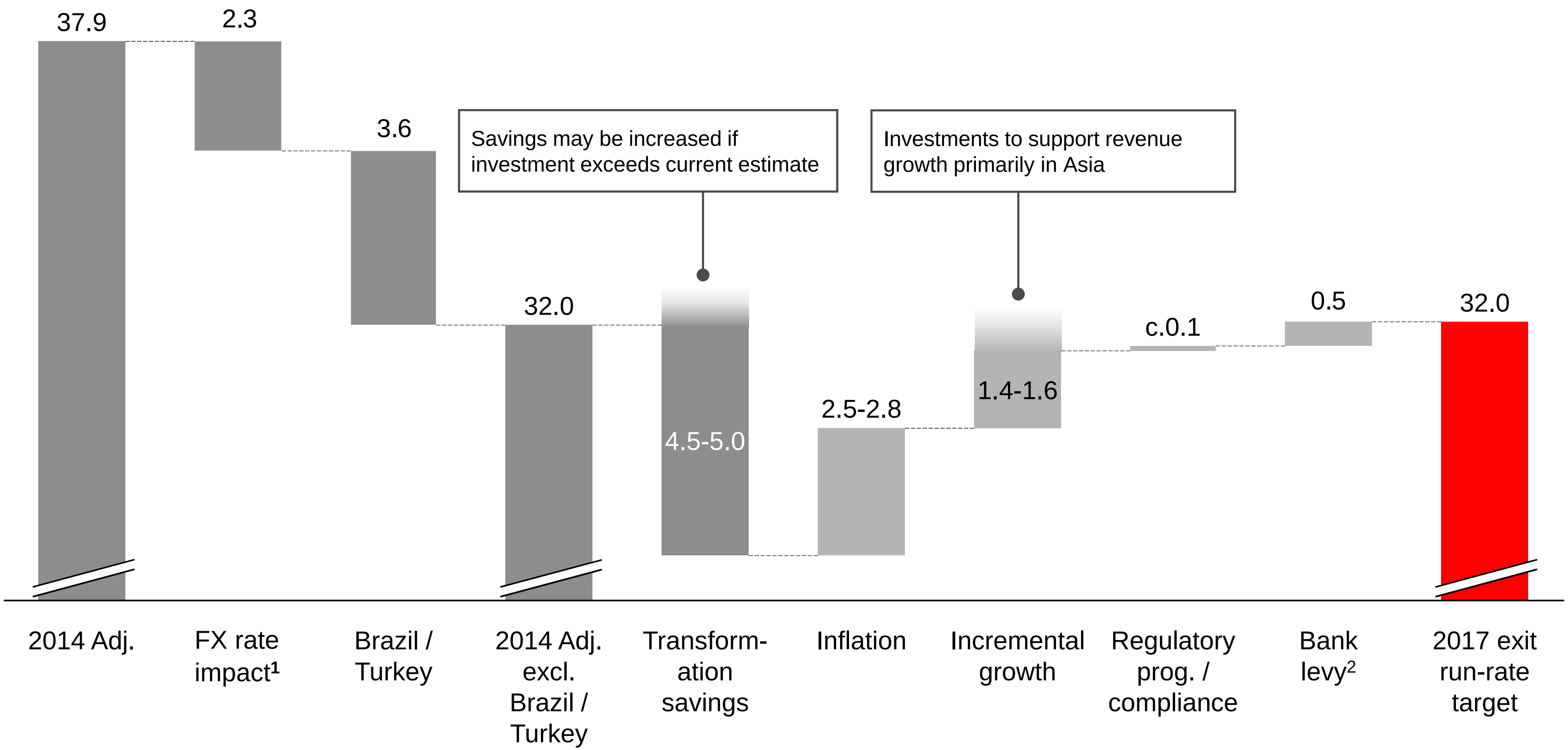
1. Cost growth includes an increase in the UK bank levy rate

Financial targets: Outcomes – Positive jaws

Group to deliver USD4.5-5.0bn in cost savings to make end 2017 run rate adjusted costs flat against 2014

Cost walk: 2014 to 2017 exit run-rate target

USDbn



Savings may be increased if investment exceeds current estimate

Investments to support revenue growth primarily in Asia

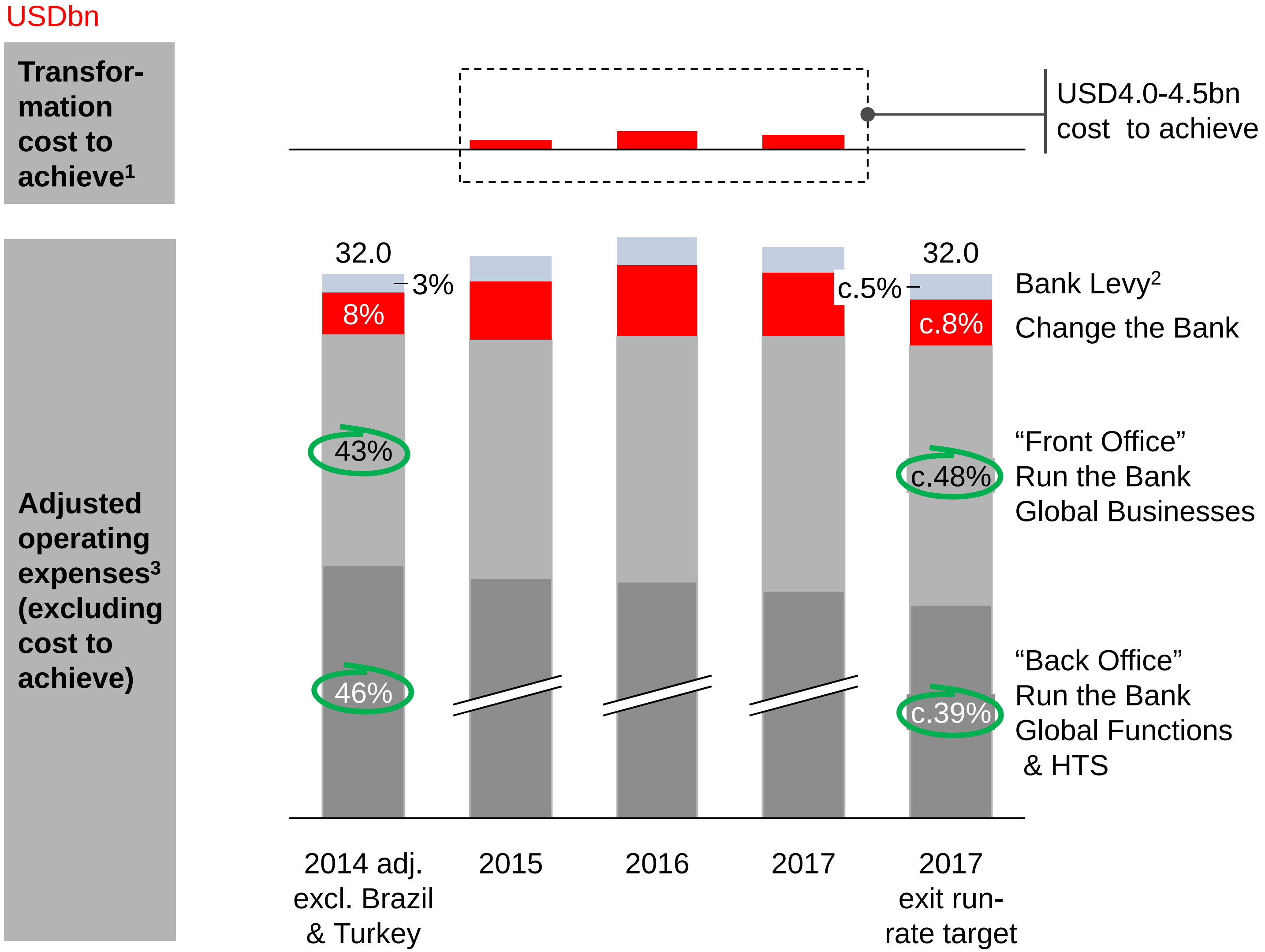
---

1. Impact of change from 2014 reported FX rate to 1Q FX rate
2. Bank levy forecast based on bank levy rates effective from 1 April 2015 and 2014 year-end balance sheet

Financial targets: Outcomes – Positive jaws

Transformation will require USD4.0-4.5bn investment and will deliver a much better front-office to back-office cost ratio

2014-17 exit run-rate cost target



- USD4.0-4.5bn cost to achieve between 2015 – 2017
  - c.80-90 cents per dollar of savings
- Cost to achieve includes:
  - Property exits
  - >USD1bn spend on accelerating digital and automation programmes
  - FTE reduction costs
- Front-office to back-office cost ratio will significantly improve
- 2015 – 2017 adjusted jaws excluding cost to achieve will remain positive

---

1. Transformation costs to achieve are the costs required to achieve the transformation savings. It includes restructuring and other transformation costs.
2. Bank levy forecast based on bank levy rates effective from 1APR2015 and 2014 year-end balance sheet.
3. Excluding Brazil and Turkey

Financial targets: Outcomes – Summary

Improved returns and capital management to deliver financial targets

Group financial targets: Outcomes

ROE	>10%
Jaws	Positive (adjusted[1], excluding cost to achieve)
Dividend	Progressive[2]

Delivering our strategy

- **Strong balance sheet[4]**
  - Average capital accumulation between 2011 – 2014 USD9.1bn
  - High quality liquid assets[3] USD521bn
  - Consolidated LCR, NSFR >100%
  - Leverage ratio 4.8%
- Clearly defined **actions to improve returns**
- RWA capacity to be **re-invested in higher return businesses**
- **Strong track record of progressive dividends**

---

1. Excludes currency translation and significant items
2. Progression of dividends should be consistent with the growth of the overall profitability of the Group and is predicated on the ability to meet all capital requirements in a timely manner
3. As defined by the EU LCR delegated regulation, after application of prescribed haircuts
4. Figures are as at 31 December 2014, unless otherwise stated

Agenda

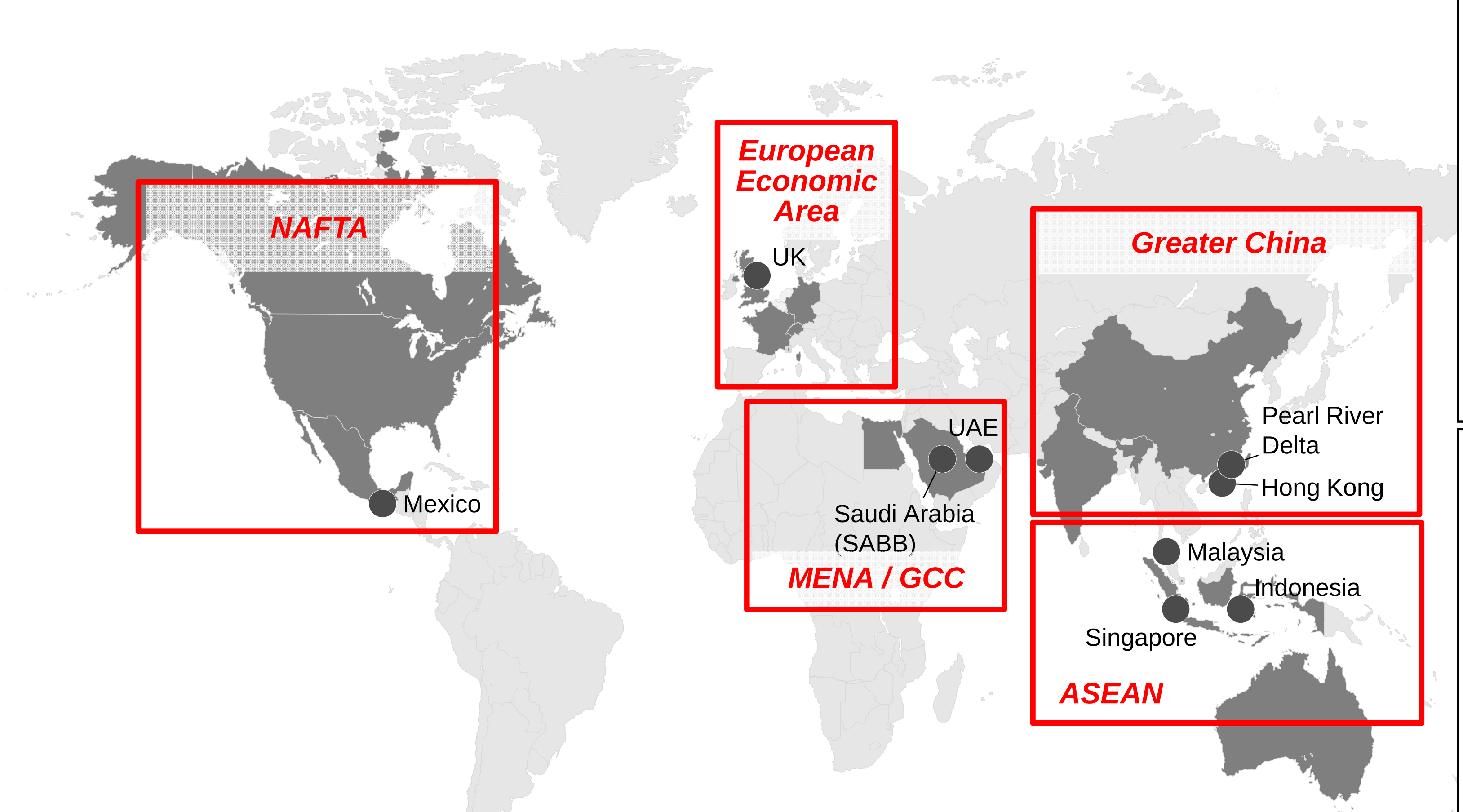
1	Overview of the Group
2	Strategic actions
3	**Summary and Shape of the Group**

Shape of the Group

Shape of HSBC will be aligned to the world's largest trade and economic zones; business mix further shifting towards Asia

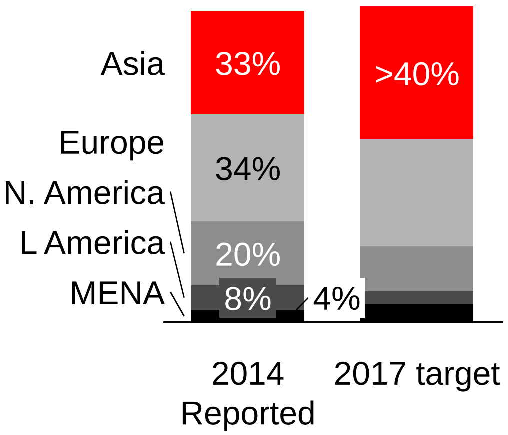
Global market presence

▨ Priority markets ● Scale priority markets

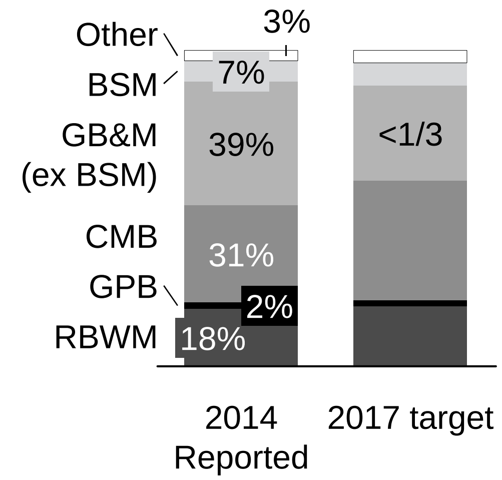


- **Coverage of largest trade and economic zones**
  - Coverage of >90% of global GDP, global trade and capital flows

By geography, RWA excl. Associates[1] USDbn



By business, RWA excl. Associates[1] USDbn



Source: Annual reports

1. End point basis

Shape of the Group

Actions to capture value from our global presence in a changed world

1 **Reduce Group RWA by at least 25%** and re-deploy towards higher performing businesses; return **GB&M to Group target profitability**

2 Sell operations in **Turkey** and **Brazil**[1]; continued application of six filter process

3 Rebuild **NAFTA profitability**

4 Set up **UK Ring-Fenced Bank**

5 Realise **USD4.5-5bn cost savings**, deliver flat costs by end 2017

6 Deliver **growth above GDP from international network**

7 Capture **growth opportunities in Asia**: Pearl River Delta, ASEAN, Asset Management, Insurance

8 Extend **leadership in RMB** internationalisation

9 Complete **Global Standards** implementation

10 Complete **Headquarters review** by end of 2015

Group financial targets

ROE	>10%
Jaws	Positive (adjusted[2], excluding cost to achieve)
Dividend	Progressive[3]

---

1. Plan to maintain a presence in Brazil to serve large corporate clients with respect to their international needs
2. Excludes currency translation and significant items; excluding cost to achieve
3. Progression of dividends should be consistent with the growth of the overall profitability of the Group and is predicated on the ability to meet all capital requirements in a timely manner

Appendix

A	**Transformation since 2011**
B	Supplementary information

Appendix

Material transformation since 2011

Transformation since 2011

Refocus	- Six filters framework - 78 disposals / exits - Legacy run-down
Simplify	- Global management structure - 8x8 organisation de-layering - FTE reduction of 13%
Protect	- Global Standards - Conduct agenda - Strengthened culture

	From **“The World’s Local Bank”**	To **“Leading International Bank”**
Footprint	- **87** countries / territories	- **73** countries / territories - 15 full country exits and 10 line of business exits since 2011
Organi-sation	- **Geography-led** structure - High degree of localisation	- Consistent Global Business and operating model
Leadership	- **Narrow** leadership team	- **Team of 250**+ Group General Managers and Talent Pool - External talent
Risk and Compliance	- Over-reliant on **local capabilities** - 3.2k Compliance staff	- **De-risked business** model - **Global** three lines of defence - 7.2k Compliance staff (1Q15)
Growth	- Growth primarily through **acquisition**	- Compensated sold / lost revenues through organic **business growth**
Business Mix	- Weighted to **developed economies** (56% of adjusted revenue[1]; 60% of adjusted RWAs[2] in 2010)	- **Re-balanced business to Asia** (from 29% of Group adjusted revenue[1] in 2010 to 36% in 2014; adjusted RWAs[2] from 29% to 40%)

Source: HSBC Holdings plc Annual Reports

1. Revenue by geographical region include intra-HSBC items; this revenue has not been eliminated when calculating the above percentages
2. RWAs are non-additive across geographic regions due to market risk diversification

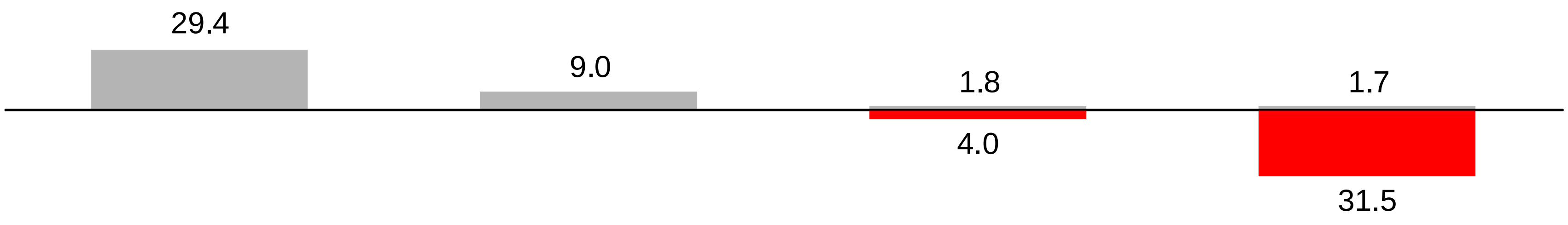
Appendix

Six filter review led to 78 disposals / exits

Transactions[1]

◼ Acquisitions 🟥 Disposals and exits

Consideration[2], USDbn



	2000-02	2003-06	2007-10	2011-May 2015
Select transactions	CCF, Banque Hervet Demirbank TAS Ping An[3] Bital Household	Bank of Bermuda Lloyds (Brazil) Industrial Bank, BoCom[4] Metris (Cards) Banistmo	Bank Ekonomi French regional banks Non-core UK card portfolio	US Cards and Retail Services US upstate NY branches Ping An[3] Panama Other Latin America[5] Industrial Bank[6]
Number of transactions announced	35 9	48 20	24 23	6 78

---

1. Excludes JVs and Alliances; 78 disposals / exits were announced 2011-MAY2015. Out of these 62 disposals / exits were announced 2011-2013.
2. Based on consideration at the time of the deal announcement; values shown 2000-2010 for select transactions; value for 2011-May 2015 disposals includes all transactions >USD250m. Consideration is the value received for the sale of a business for legal entity sales and the premium / discount to assets / liabilities received for the sale of a business for asset & liability transfers. The premium for the (i) US Cards and Retail Services sale and (ii) the US upstate NY branches sale is as at closing.
3. In 2002, acquired a 9.99% stake; in 2004, subscribed for new H-shares at its IPO; in 2005, acquired an additional 9.91% stake; in 2012-13, exited entire shareholding
4. In 2004, acquired a 19.9% stake; in 2005, subscribed for new H-shares at its IPO; in 2007, acquired an additional 0.4% stake; in 2010, subscribed to its rights issue; in 2012, participated in its private placement
5. Includes sale of RBWM operations in Chile and all operations in Costa Rica, El Salvador, Honduras, Colombia, Peru and Paraguay
6. HSBC still owns a 0.88% stake in Industrial Bank

Appendix

Established global organisation with consistent operating models

Global organisation

HSBC Holdings Board[1]
- **Group Risk Committee**
- **Group Audit Committee**
- **Conduct and Values Committee**
- **Financial Systems Vulnerability**
- **Group Management Board**

- Governance and oversight from Group Board committees

4 Global Businesses

CMB	**GB&M**	**RBWM**	**GPB**

- Global strategies
- Globally consistent business and operating models

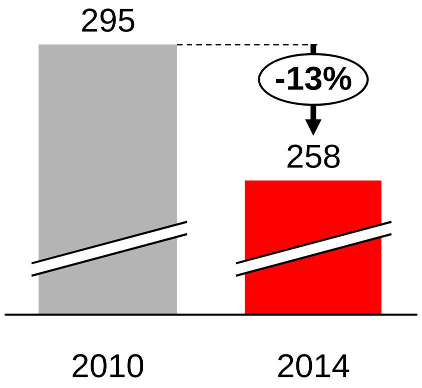
11 Global Functions
- Risk (including Compliance)
- Finance
- Human Resources
- Communications
- Marketing
- Legal
- Internal Audit
- Sustainability
- Company Secretary
- Strategy & Planning
- HSBC Technology & Services (HTS)

- Aligned to Global Businesses
- Globally consistent operating model
- Rigour of governance, control, process efficiency, transparency

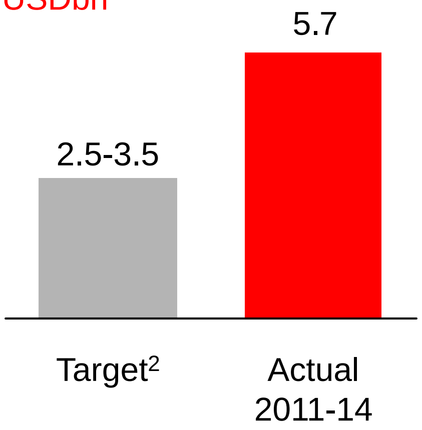
Execution in regions and countries

FTE and cost reduction

FTE,
'000s



Sustainable savings,
USDbn



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[1] As of 1Q15, there are 9 committees of the Holdings Board; not shown above are the Remuneration Committee; Nomination Committee; Philanthropic and Community Investment Oversight Committee; and the Chairman's Committee

[2] Sustainable savings target of USD2.5-3.5bn announced in 2011 for period of 2011-13

Appendix

Strengthened approach to Compliance and Conduct; reinforced values, culture and leadership

Actions taken since 2011

Compliance (Global Standards)

- Enhanced global **AML & sanctions policies**
- **Standardised processes** rolled out across global network
- Training & awareness campaigns for **c.250,000 employees**
- Global Standards engagement workshops for c.180k employees
- New **financial intelligence and investigations units**

Conduct

- **Revised sales incentives** frameworks in retail banking
- **Discontinued products** (c.1,200 in RBWM)
- Established **Conduct & Values Committee**

Values and culture

Training:

- **Values culture and leadership training; global employee communication campaign**

Reinforcement:

- **Values incorporated into incentive frameworks** for front line employees

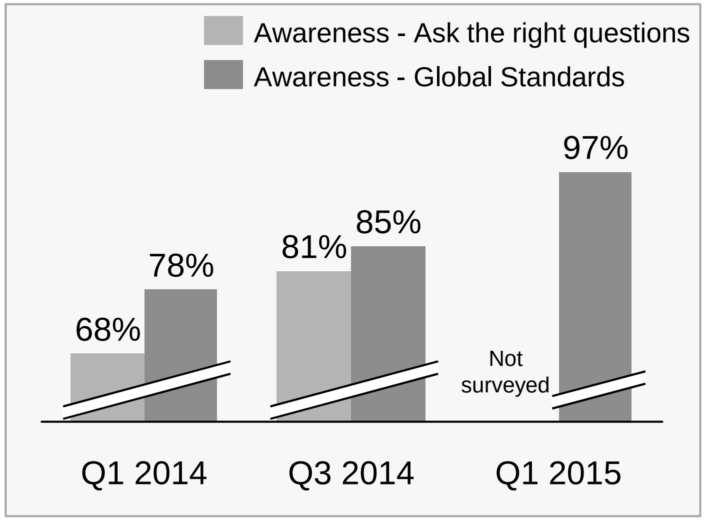
Evaluation:

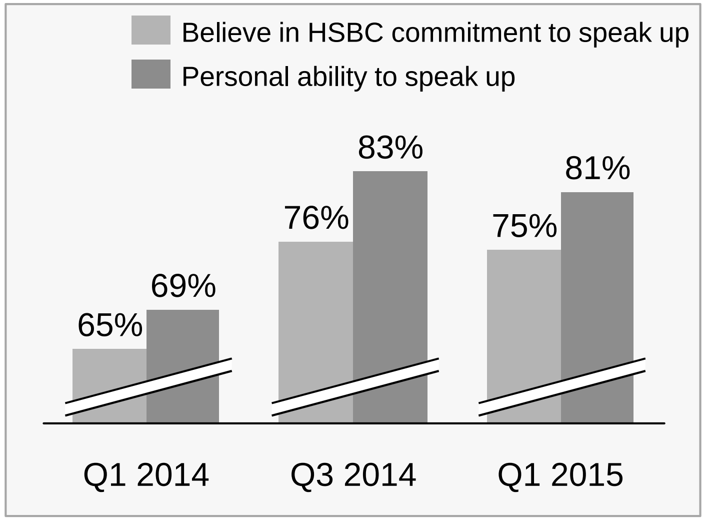
- **Values and behaviours embedded into performance management** evaluation criteria

Leadership

- **Expanded Group leadership team** to drive execution – from 102 in 2010 to 292 in 2014
- 80% of Group General Managers **new appointments** since 2011

Employee survey results



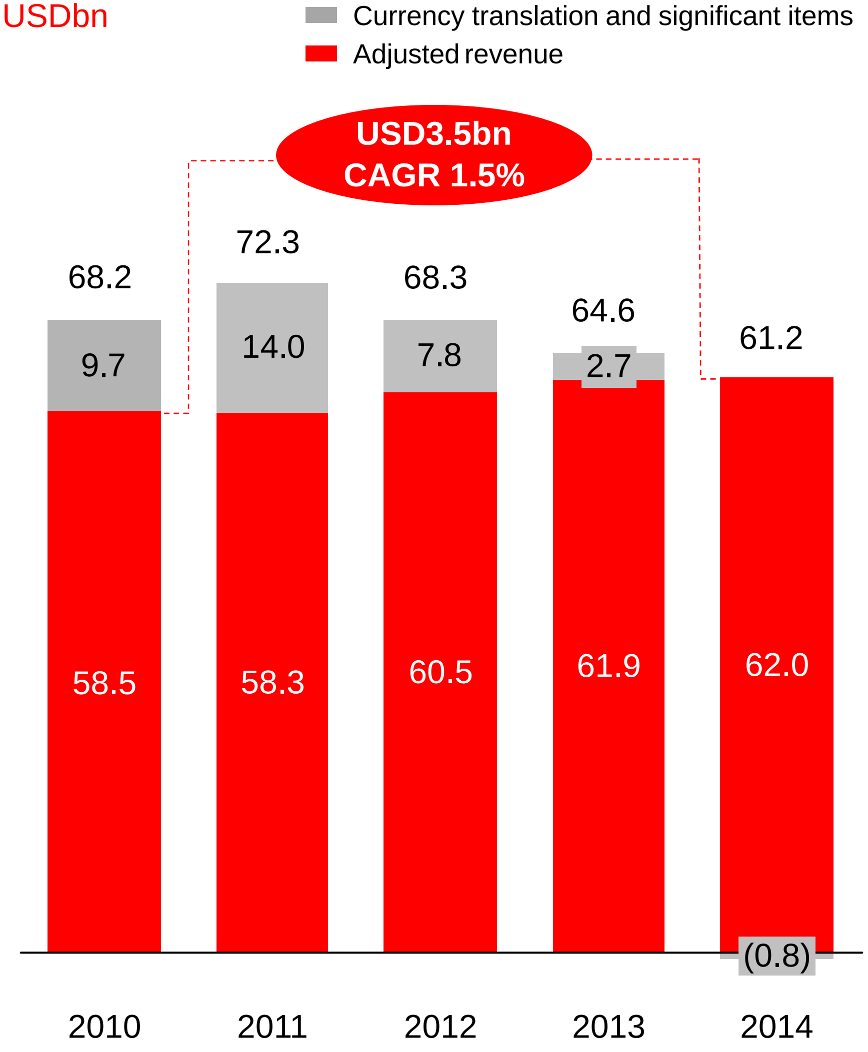


Appendix

Organic growth largely compensated disposals

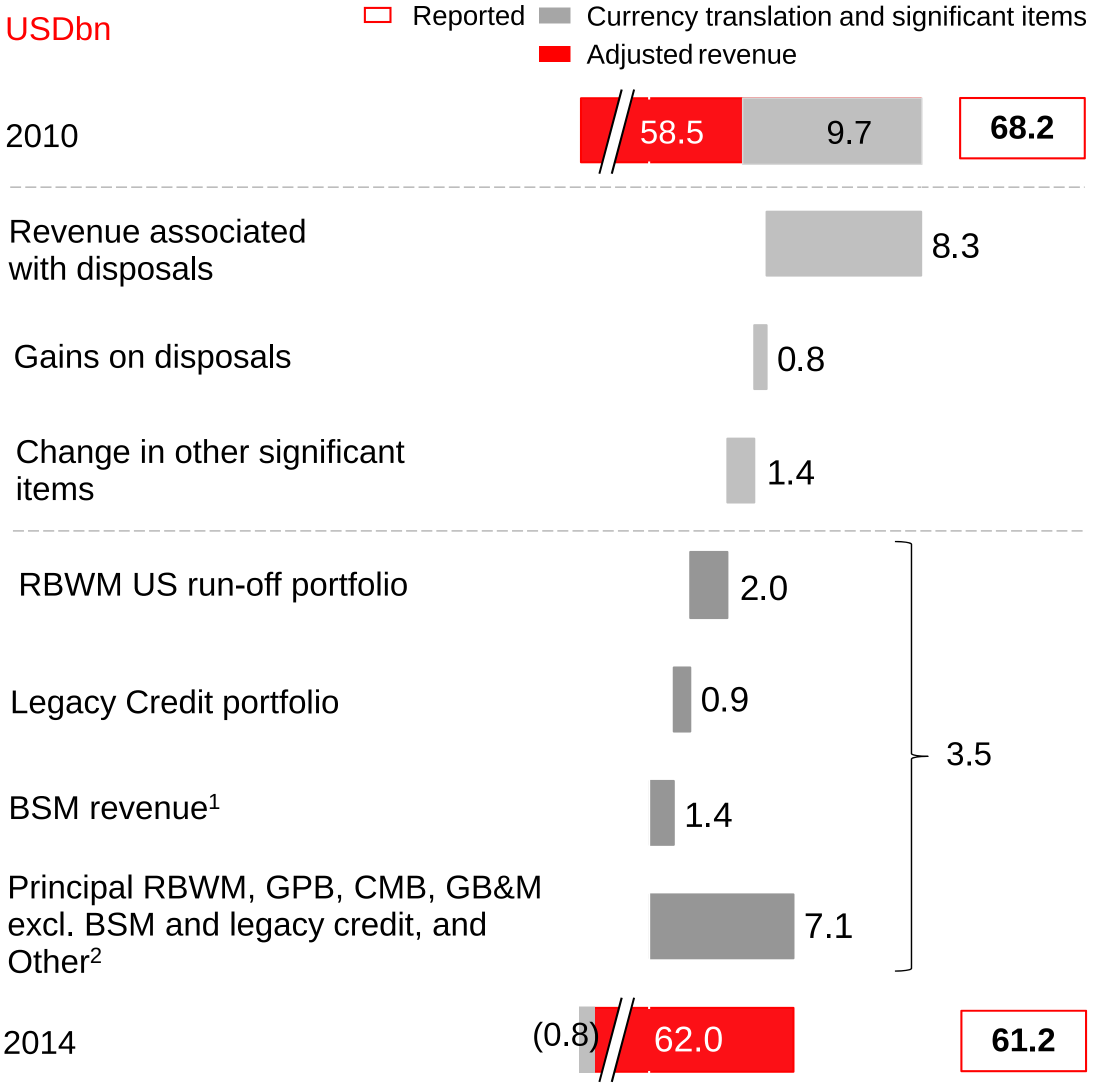
Reported revenue 2010-14

USDbn



Revenue drivers 2010-14

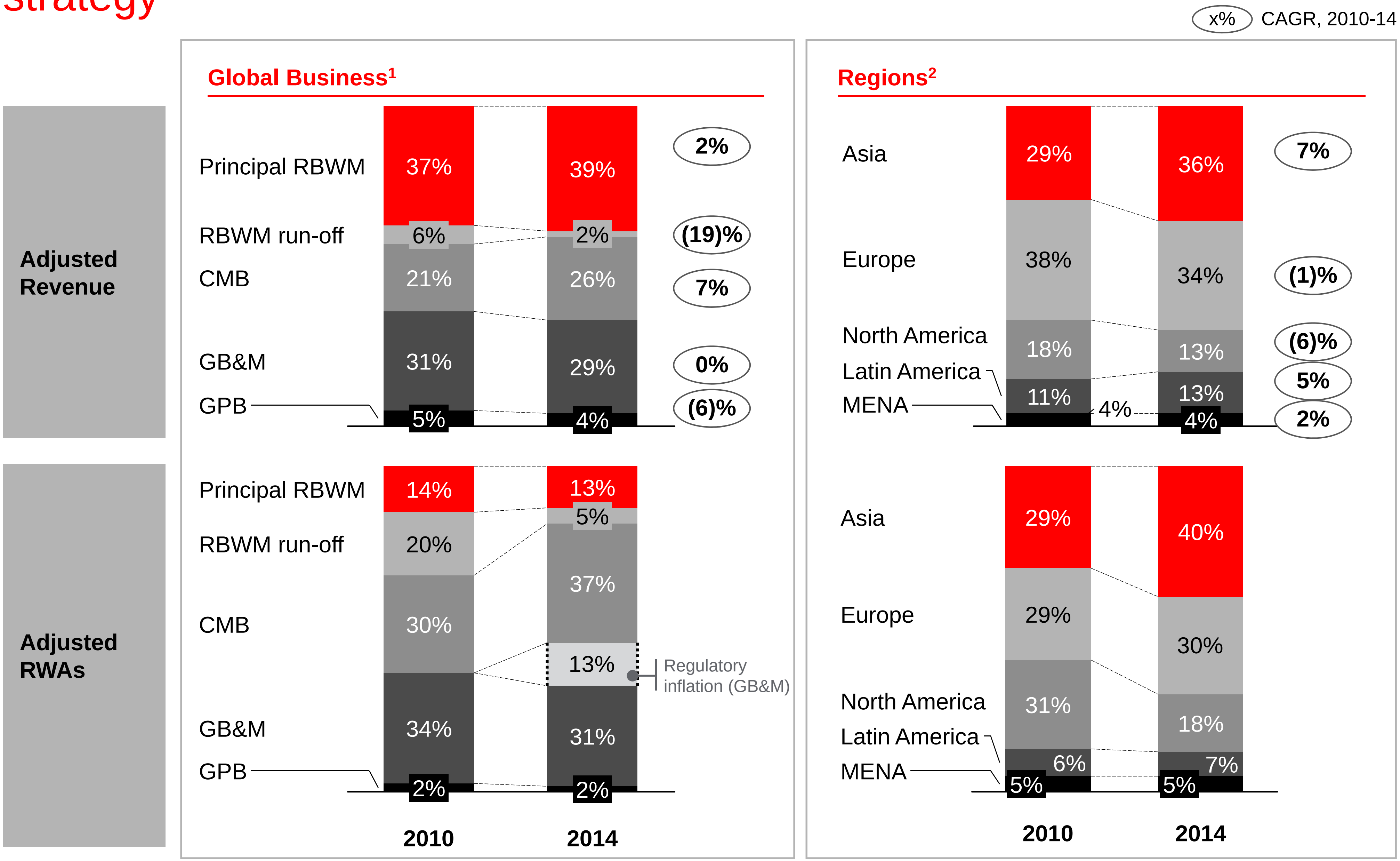
USDbn



1. Note that the 2010 BSM numbers do not reflect the new management structure of GB&M which was put in place since 12 August 2013
2. Includes intersegment revenue

Appendix

Business mix re-balanced towards Asia and growth in CMB in line with strategy



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1. Excludes revenue recorded in Other. In addition, revenue also includes intra-HSBC items which have not been eliminated when calculating the above percentages. Percentages for adjusted RWAs exclude those recorded in other
2. Revenue by geographical region include intra-HSBC items of USD2,305 in 2010 and USD2,970m in 2014. This revenue has not been eliminated when calculating the above percentages. RWAs are non-additive across geographic regions due to market risk diversification effects within the Group

Appendix

A	Transformation since 2011
B	**Supplementary information**

Appendix

Footnotes to slide 62 – Management estimate of required CET1 ratio in 2019 of 12-13%

1. A Capital Conservation Buffer (CCB) of 2.5% and a Global systemically important institution (G-SII) buffer of 2.5% will phase-in from January 2016. The Systemic Risk Buffer has not yet been set – it is to be applied to the ring fenced bank from January 2019; if applied at the group level, we expect the higher of the G-SII and Systemic Risk buffer to apply. The Countercyclical Capital Buffer (CCyB) is currently 0% and is dependent on the buffer rates set by regulators applicable at the time; impact of announced rates (0.625% for Hong Kong from January 2016; 1% for Norway and Sweden from October 2015) currently estimated as not significant. Sectoral Capital Requirements (SCR) are currently not deployed in the UK. A residential mortgage floor is currently applied in Hong Kong. The requirements for G-SII, SCR, CCyB and PRA buffer are subject to change, dependent on circumstances at the time.

2. Pillar 2A guidance is a point in time assessment of the amount of capital the PRA consider the bank should hold, to meet the overall financial adequacy rule and is subject to change, pending periodic assessment and supervisory review process; Individual Capital Guidance (‘ICG’) was recently revised and a total Pillar 2A of 2% of RWAs is in effect from February 2015, of which 1.1% (56% of total P2A) is to be met with CET1 capital.

3. G-SII is the CRD IV equivalent of the Basel Committee’s / FSB G-SIB buffer.

4. As per PRA’s consultation paper CP1 / 15 “Assessing capital adequacy under Pillar 2” (issued in January 2015), to the extent there is duplication of risks being covered, the PRA buffer would be offset by some of the CRD IV buffers – namely, the G-SII and CCB. The risk management and governance scalar, if implemented and where applicable, would not be allowed to offset. Final Pillar 2 rules are expected in July 2015.

Appendix

Footnotes to slide 65 - TLAC requirements

1. TLAC estimates are based on our interpretation of how the Financial Stability Board's ("FSB") November 2014 consultation document on the *Adequacy of loss-absorbing capacity of global systemically important banks in resolution* ("the FSB Consultation") will be implemented in the main jurisdictions in which HSBC's subsidiaries operate. Finalised TLAC requirements and local implementation of these may differ materially from the FSB Consultation.
2. The individual HSBC subsidiary entity estimates are based on 31 December 2014 balance sheets and reflect certain assumptions, these include but are not limited to:
   a. That HSBC would be resolved via a Multiple Point of Entry ("MPE") strategy and that the subsidiaries represented in the chart would be "resolution entities" (as defined in the FSB Consultation) in such an MPE strategy
   b. That TLAC has been applied to resolution entities based on local RWAs. Local RWAs can differ materially from Group RWAs, which are prepared on a PRA basis. The local RWAs for The Hongkong Shanghai Banking Corporation are materially different from the equivalent RWAs on a PRA basis due to the different treatment of the investment in Bank of Communications Co. Limited; on a local basis the investment is deducted from capital, on a PRA basis the RWAs are proportionately consolidated
   c. That there would be no consolidated HSBC Group TLAC requirement
   d. That the CET1 buffers for the resolution entities are aligned to the requirements applicable to the HSBC Group on an end-point basis i.e. 2.5% GSIB and 2.5% capital conservation buffers. Actual requirements in each local jurisdiction could be materially different
   e. That liabilities included in our estimation of TLAC are: regulatory capital less regulatory deductions (on a transitional basis); and senior unstructured and unsecured debt with a residual maturity greater than 1 year, this includes debt which is not governed by the local law of the resolution entity
   f. That senior debt issued by operating banks is included. If the finalised proposals include a subordination requirement, this would need to be refinanced
   g. That no structured senior debt instruments have been included in the estimates
   h. That for certain liabilities further guidance will be necessary, these include but are not limited to: senior debt not governed by the local law of the resolution entity and structured notes
   i. That the analysis of TLAC deficits does not include any management mitigating actions
   j. That there is no Pillar 2 TLAC requirement or management buffer, these would be incremental if included
   k. That the TLAC leverage requirement is 6%, based on twice the Basel III Tier 1 leverage ratio of 3%. A 6% TLAC leverage ratio does not result in any additional requirements above the risk based requirements included in the chart
   l. That the analysis does not reflect any future changes to the corporate structure of the HSBC Group, such as ring-fencing in the UK
   m. That the analysis does not reflect any future changes to capital rules, including new RWA requirements
   n. That potential future increases in CET1 capital have not been included, although higher CET1 capital in future would potentially reduce the TLAC gap.
   o. That no deductions have been made for holdings in possible TLAC of other G-SIBs
   p. The Banking Recovery and Resolution Directive includes a requirement for EU banks to have a minimum amount of liabilities eligible for bail-in. Our analysis is based on the FSB Consultation, final implementation of minimum bail-in requirements in the EU may differ materially from the proposals in the FSB Consultation
   q. These assumptions may change as future regulatory guidance is received and the overall resolution strategy of the HSBC Group and its subsidiaries is determined and agreed by our regulators
3. Group 3rd party RWAs on a PRA basis as at 31 December 2014; Associates are included on a proportionate basis
4. Other entities includes HSBC Finance Corporation (in run-off and comprising approximately 4% of Group RWAs) and other subsidiary banking entities
5. This is an indicative analysis for illustration only. It uses current market pricing observations and other assumptions and does not factor in any potential credit spread widening as a result of increased issuance or other future factors. Final costs of TLAC could be materially different from this estimate

Appendix

Value of the international network – further client examples

Client	**Client profile**	**Markets served**	**Key products and recent deals**
DOW	🇺🇸 ▪ Top 3 global chemical producer ▪ Turnover USD58bn, operations in 35 countries	21	▪ Asia – Middle East trade finance solution ▪ Advisory support on divestiture programme ▪ China cross-border USD cash pooling solution ▪ PCM mandates in 19 markets, including 9 in Asia
BASF The Chemical Company	🇩🇪 ▪ Largest global chemical producer ▪ Turnover c.EUR74bn, operations in 80+ countries	32	▪ Relationship spans across 8 product types ▪ Successful implementation of Global Umbrella Facility in 2010
CEMEX	🇲🇽 ▪ Top 5 global cement manufacturer ▪ Turnover USD16bn, operations in 50 countries	8	▪ USD450m asset backed securities programme ▪ >USD4bn debt capital markets mandates 2014-YTD 2015 in US & UK ▪ Mexico supply chain solution
PRUDENTIAL	🇬🇧 ▪ Top tier life insurer and financial services company with over 24 million insurance customers and GBP496bn AuM ▪ Turnover of c.GBP60bn with widespread presence in Asia, Europe and North America	23	▪ Relationship spans across 9 key product types ▪ Joint Lead manager for GBP600m subordinated bond issued in June 2015 ▪ Multi-jurisdictional provider of custodian, payments and cash management, market counterparty services
SAMSUNG	🇰🇷 ▪ Industrial conglomerate – leader in electronics, ICT, shipbuilding and construction	31	▪ China-Korea supply chain solution implemented

Source: Company reports and websites, HSBC internal data

Appendix

Canada: Cities-led strategy; strong performance

Coverage of largest Canadian trade corridors

▨ Main area of focus

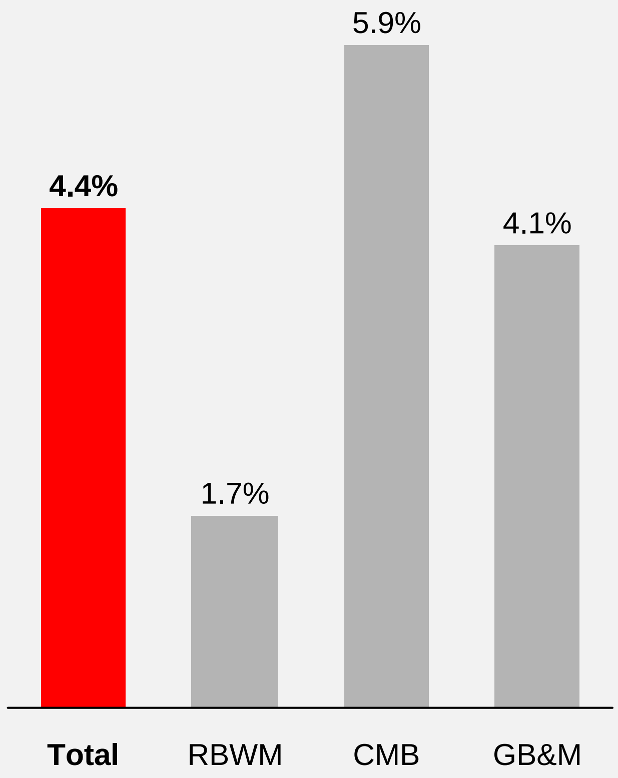
	Top Canada trade[1] corridors	HSBC coverage	Key sectors
Canada-US	**665**	✓	Oil & Gas, consumer products, machinery
Canada-Japan	142	✓	
Canada-China	**48**	✓	Oil & Gas, transport, machinery
Canada-UK	17	✓	
Canada-Mexico	**15**	✓	Agriculture, transport, machinery

Coverage focused around key international cities

	2010 revenue pool[2], USDbn	# HSBC branches	# HSBC CMB centres
Toronto	**15.6**	**17**	**5**
Montreal	**8.3**	**5**	**5**
Vancouver	**5.7**	**19**	**6**
Calgary	**5.1**	**10**	**2**
Winnipeg	1.6	2	1
Quebec	1.5	0	1
Halifax	0.9	1	1

Strong contribution to Group financials

2014 reported PBT as % of Group[3]



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1. Source: Oxford Economics
2. McKinsey Cities Revenue Pools
3. RBWM, CMB and GB&M percentage of respective Global Business total PBT

Appendix

Regulation

	Description	Current position	Estimated impact	Proposed timeframe
Fundamental review of trading book (FRTB)	▪ Redefinition of trading book ▪ Replacement of market risk framework	▪ Industry wide BCBS QIS exercise undertaken ▪ Further calibration required	▪ **Impact dependent on calibration and scope** of application	2018
Credit Valuation Adjustment	▪ BCBS review of CVA risk ▪ EU consideration of EBA exemptions	▪ BCBS review to be added to FRTB ▪ Exemptions under review by local competent authorities	▪ **Possible offset of exemption and re-calibration** ▪ Risk of Pillar 2 charge in short to medium term	2016 / 2018
Revised Counterparty Credit Risk Standardised	▪ Replacement of Current Exposure Method	▪ Yet to be adopted by EU	▪ **Impact dependent on extent of IMM and margin usage**	2017
Securitisation framework	▪ Amended hierarchy of risk weight calculations and change in focus away from external credit ratings	▪ BCBS standard final, subject to simple securitisation framework ▪ Yet to be adopted by EU	▪ **Limited impact** expected ▪ Active disposal of Legacy securitisation in line with strategy	2018
Revisions to Pillar 1 Standardised (operational risk)	▪ Replacement of Gross Income with Business Indicator to address deficiencies in Pillar 1 framework	▪ PRA Pillar 2A framework contemplates a Pillar 2A charge which should reduce with improved Pillar 1 measure of risk	▪ **Limited overall capital impact expected**	2018
Revisions to Pillar 1 Standardised (credit risk)	▪ Re-focus away from external credit ratings with revised, less sensitive risk drivers	▪ First consultation launched late 2014 by BCBS ▪ Under discussion with BCBS, regulators, industry	▪ Regulation in consultation	2018
Capital floors	▪ Introduction of capital floors based on revised standardised RWAs	▪ Initial consultation undertaken and recalibration required ▪ Under discussions with BCBS, regulators and industry	▪ Regulation in consultation	2018