



HSBC Holdings plc **3Q 2014 Results**
Presentation to Investors and Analysts





Forward-looking statements

This presentation and subsequent discussion may contain certain forward-looking statements with respect to the financial condition, results of operations, capital position and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Additional detailed information concerning important factors that could cause actual results to differ materially is available in our 3Q 2014 Interim Management Statement. Past performance cannot be relied on as a guide to future performance.

This presentation contains non-GAAP financial information. Reconciliation of non-GAAP financial measurements to the most directly comparable measures under GAAP are provided in the 'reconciliations of non-GAAP financial measures' supplement available at www.hsbc.com.

Key messages

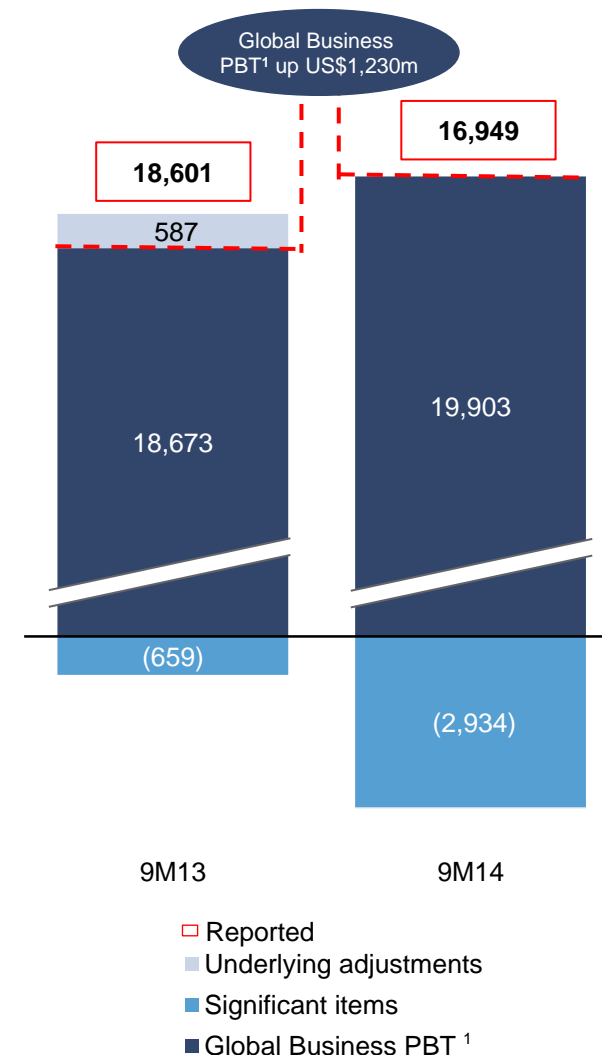
3Q14 highlights

- Reported PBT of US\$4,609m up US\$79m on prior year and included fines, settlements and UK customer redress of US\$1.8bn
- Global Business PBT¹ of US\$6,641m up US\$873m versus 3Q13
- Continued revenue growth in CMB, notably in our home markets of the UK and Hong Kong
- Strong revenue performance for GB&M, driven by Markets

9M14 highlights

- Reported PBT of US\$16,949m, down US\$1,652m on prior year reflecting the effect of significant items
- Global Business PBT¹ up US\$1,230m versus 9M13
- Lower loan impairment charges
- Higher Global Business operating expenses² driven by inflation and increases in risk, compliance and related costs
- Strong capital base with a common equity tier 1 ratio (end point basis) of 11.4%

Reported PBT 9M14 vs 9M13 (US\$m)



Notes:

1. Global Business reported PBT excluding underlying adjustments and significant items
2. Global Business reported operating expenses excluding underlying adjustments and significant items

3Q 2014 results

Financial highlights¹

Summary financial highlights, US\$m	Better / (worse)			Better / (worse)		
	3Q13	3Q14	3Q14 vs 3Q13	9M13	9M14	9M14 vs 9M13
Reported PBT	4,530	4,609	79	18,601	16,949	(1,652)
Underlying ² PBT	5,004	4,409	(595)	18,014	16,969	(1,045)
Significant items ³ included in underlying PBT	(764)	(2,232)	(1,468)	(659)	(2,934)	(2,275)

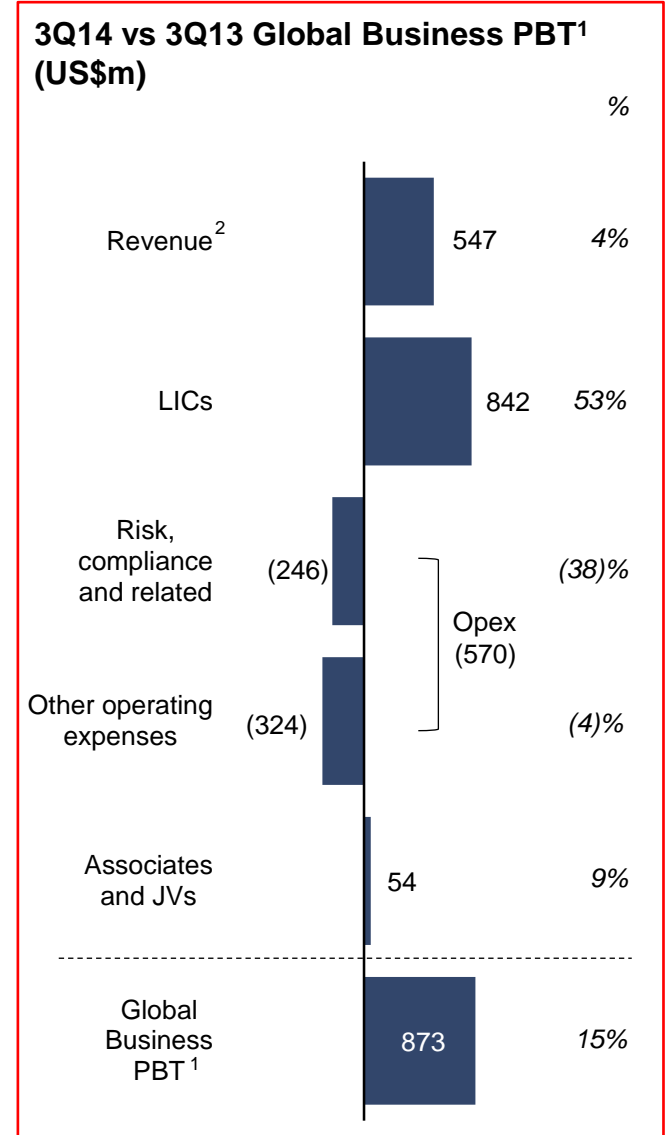
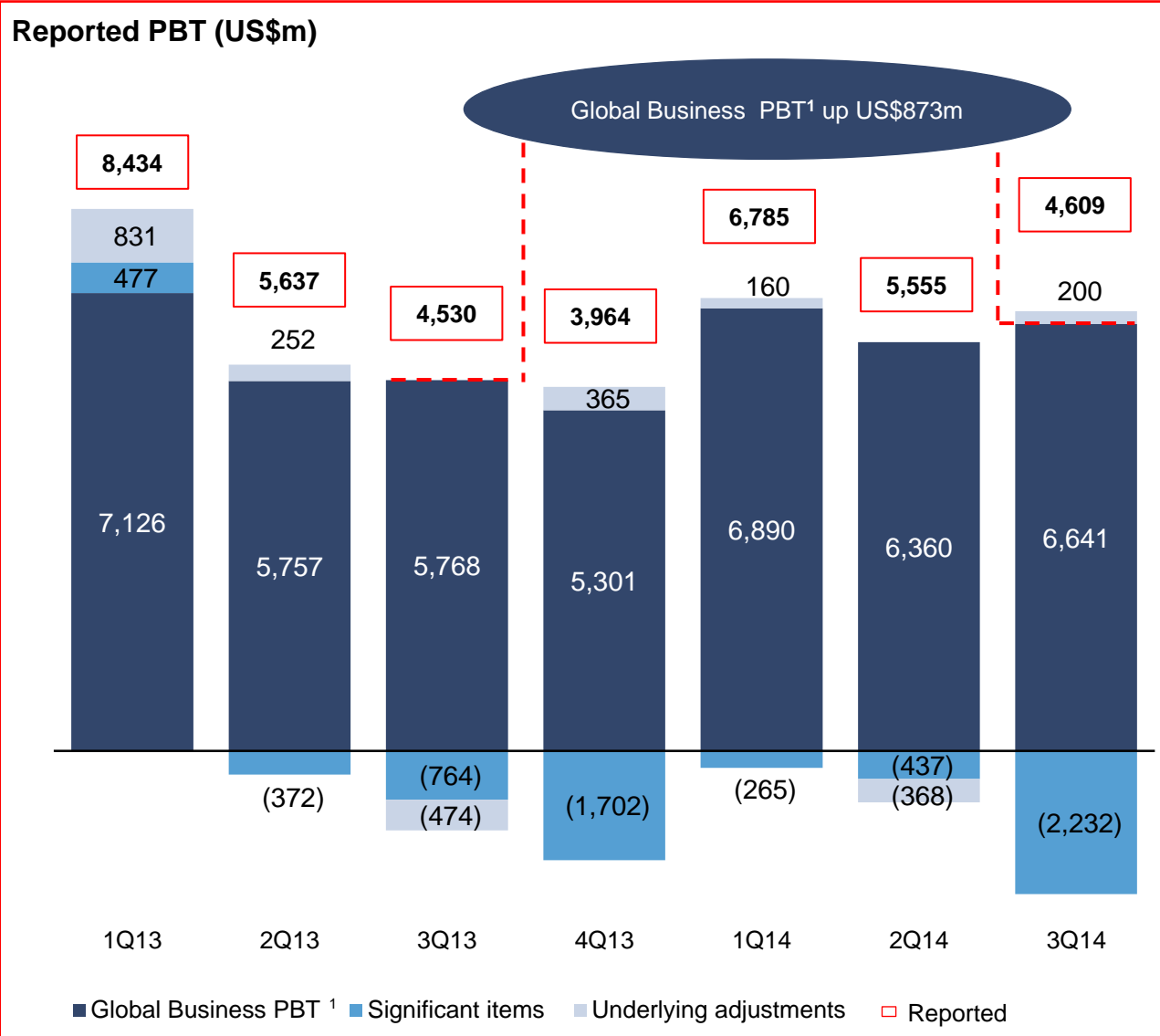
Key ratios, %	9M13	9M14	KPI
Return on average ordinary shareholders' equity ⁴	10.4	9.5	12-15%
Cost efficiency ratio	56.6	62.5	mid-50s
Jaws (underlying) ⁵	-	(9.2)	Positive
Advances-to-deposits ratio ⁶	73.6	73.7	< 90
Common equity tier 1 ratio (transitional basis) ⁷	-	11.2	>10%
Common equity tier 1 ratio (end point basis) ⁷	10.6	11.4	>10%

Notes:

- All figures are reported unless otherwise stated
- Adjusted for foreign currency translation differences, acquisitions, disposals and changes in ownership levels of subsidiaries, associates, joint ventures and businesses, and fair value ("FV") movements in credit spread on own long-term debt issued by Group and designated at fair value
- On a reported basis
- On an annualised basis
- Calculated as percentage growth in net operating income before loan impairment charges and other credit risk provisions ('revenue') less percentage growth in total operating expenses, 9M14 versus 9M13
- 9M14 figure excludes reverse repos and repos
- On 1 January 2014, CRD IV came into force and capital and RWAs as at 30 September 2014 are calculated and presented on this basis. At 30 September 2013, capital and RWAs were also estimated based on the Group's interpretation of final CRD IV legislation supplemented by guidance provided by the PRA, as applicable, details of which can be found in the basis of preparation on page 197 of the Interim Report 2013.

Profit before tax analysis

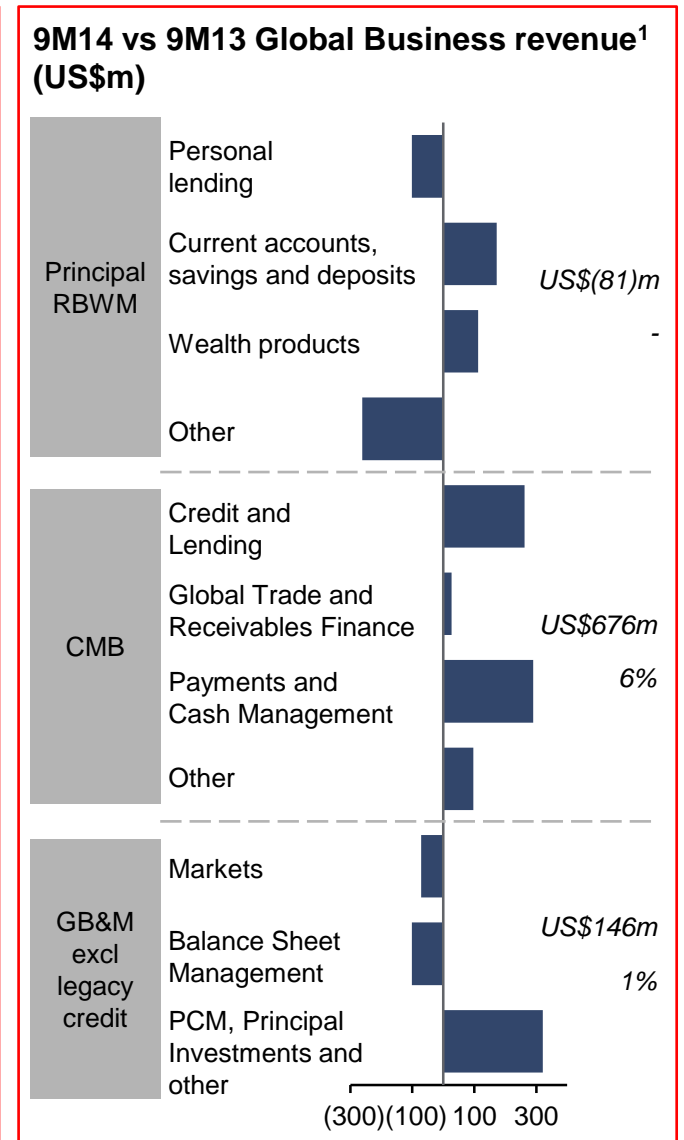
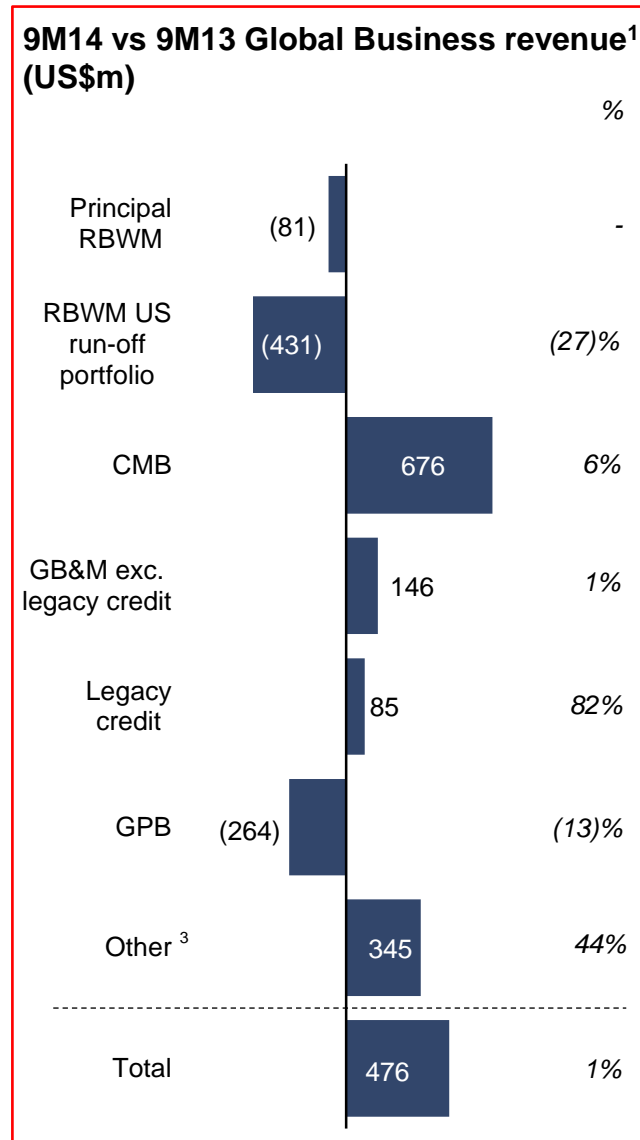
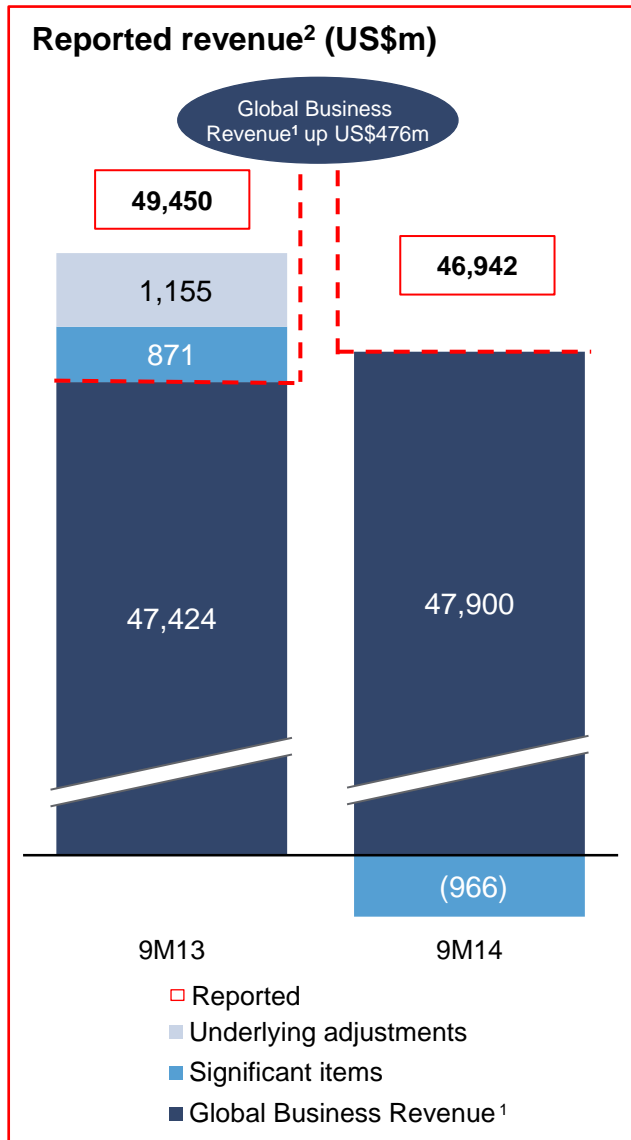
Increase in Global Business PBT¹ in 3Q14 compared with 3Q13



Notes:
 1. Global Business reported PBT excluding underlying adjustments and significant items
 2. Net operating income before loan impairment charges and other credit risk provisions

Revenue analysis

Global Business revenues¹ increased from growth in CMB and GB&M



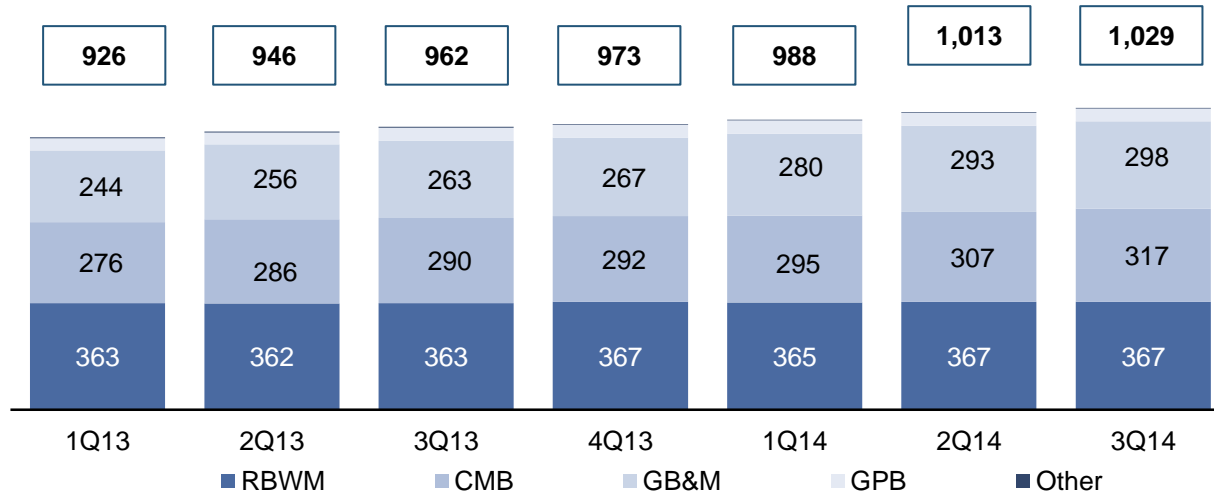
Notes:

1. Global Business reported revenue excluding underlying adjustments and significant items
2. Net operating income before loan impairment charges and other credit risk provisions
3. Includes intersegment revenue variance of US\$0.4bn

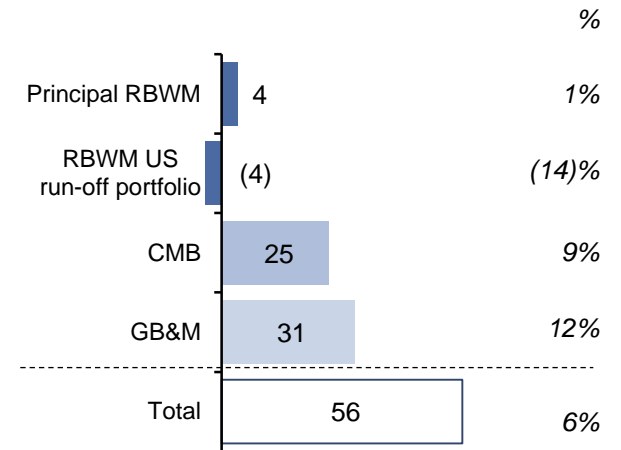
Balance sheet analysis

Sustained growth in customer lending

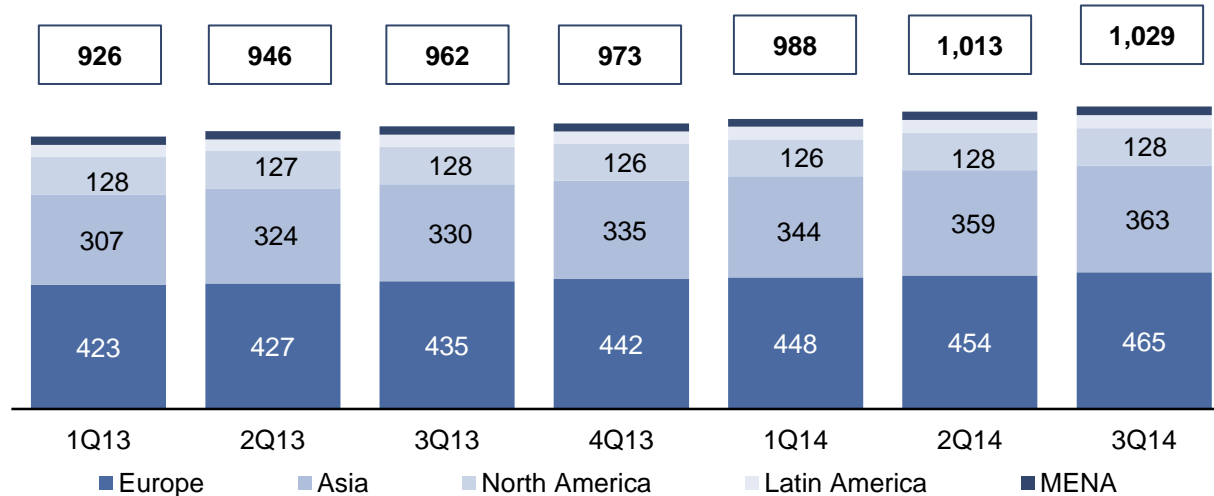
Loans and advances to customers¹ (US\$bn)



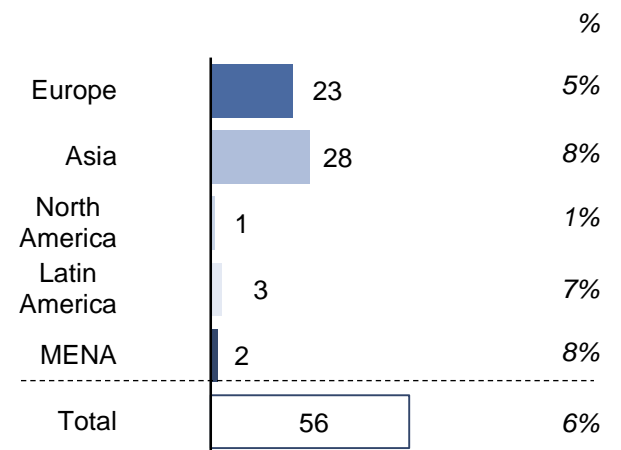
3Q14 vs 4Q13 Loans and advances to customers (US\$bn)



Loans and advances to customers¹ (US\$bn)



3Q14 vs 4Q13 Loans and advances to customers (US\$bn)



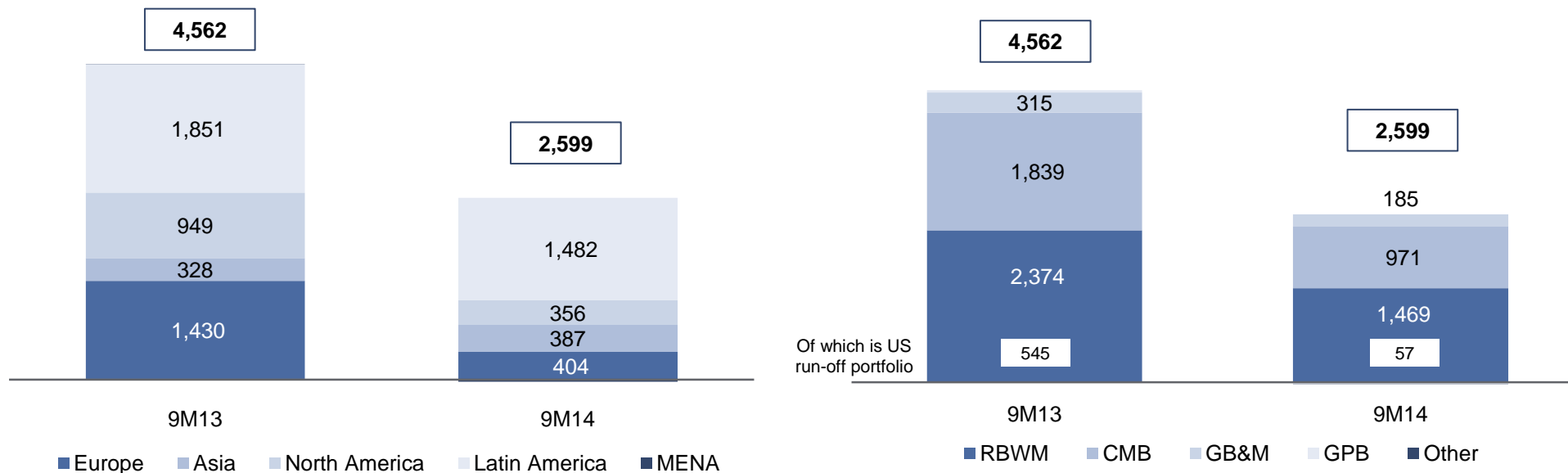
Notes:

1. All balances are reported numbers that have been retranslated at 30 September 2014 rates. The reported balances are as follows: 1Q13 US\$926bn; 2Q13 US\$938bn; 3Q13 US\$977bn; 4Q13 US\$992bn; 1Q14 US\$1,010bn; and 2Q14 US\$1,047bn.

Loan impairment charges¹

Lower loan impairment charges primarily in Europe, North America and Latin America. Stable in Asia

Loan impairment charges (US\$m)



Loan impairment charges / average gross loans and advances to customers² (%)

Geographical regions %	9M13	9M14
Europe	0.44	0.12
Asia	0.14	0.15
North America	0.95	0.37
Latin America	5.57	4.34
Middle East and North Africa	0.02	(0.14)
Total	0.64	0.34

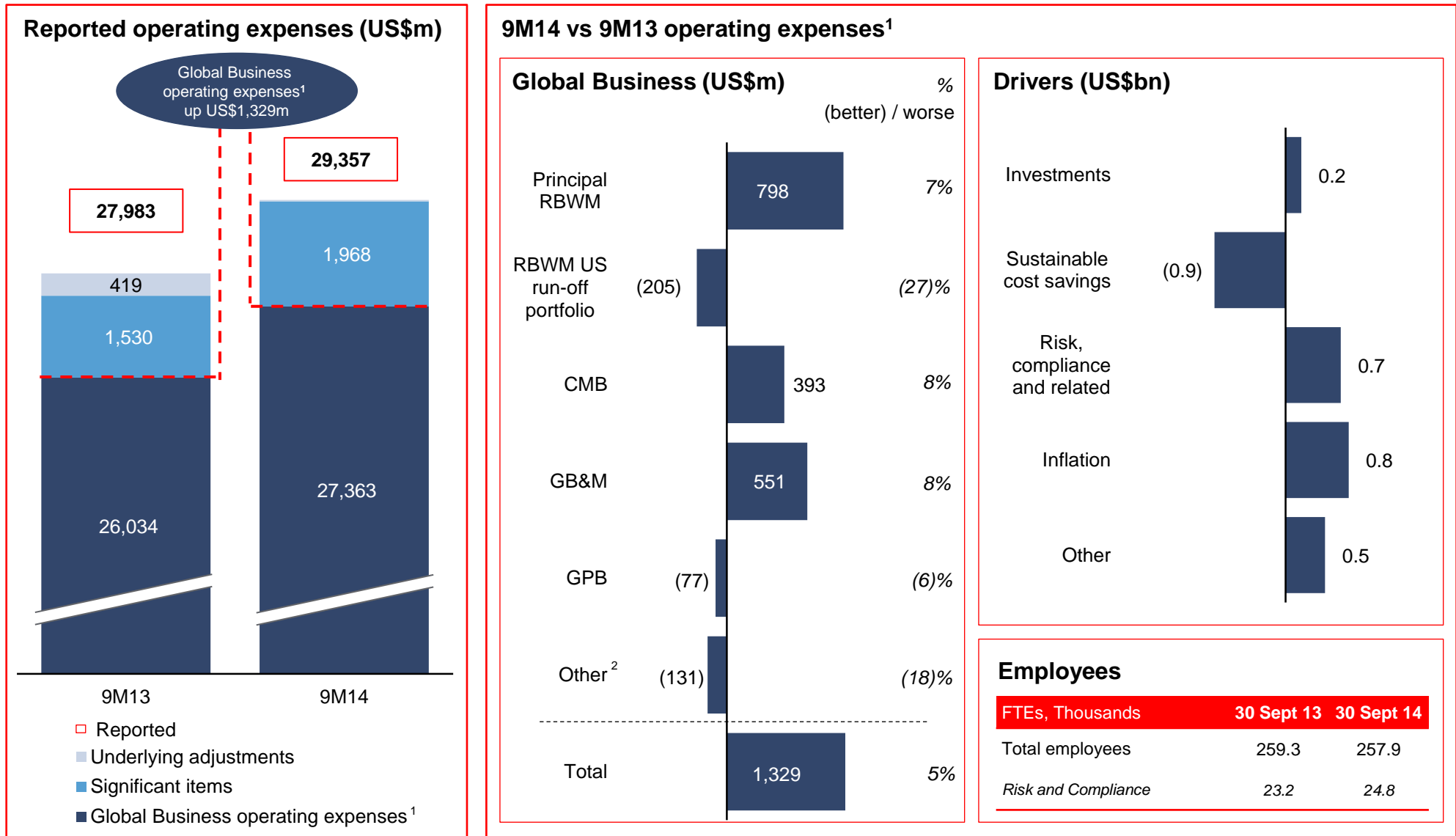
Global Businesses %	9M13	9M14
RBWM	0.86	0.53
CMB	0.85	0.42
GB&M	0.16	0.09
GPB	0.12	(0.08)
Other	0.09	(0.06)
Total	0.64	0.34

Notes:

- All figures are on an underlying basis unless otherwise stated
- LIC figures are on an underlying basis and have been annualised for the purposes of this calculation. Average gross loans and advances to customers are on a constant currency basis.

Operating expenses analysis

Higher Global Business operating expenses¹ driven by inflation and increases in risk, compliance and related costs



Notes:

- Global business reported operating expenses excluding underlying adjustments and significant items
- Includes intersegment cost variance of US\$0.4bn

Capital adequacy

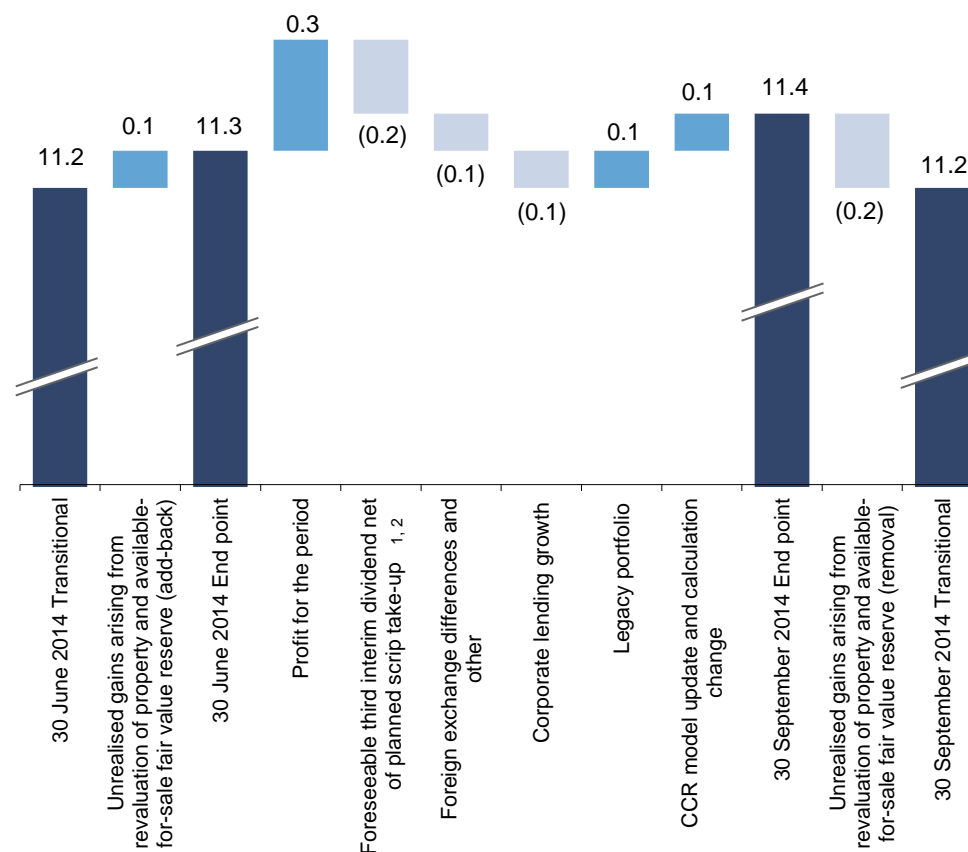
Movement in common equity tier 1 capital (US\$bn)

	CRD IV	
	Yr1 Trans	End point
At 30 June 2014	140.1	141.6
Profit for the period	3.4	3.4
Foreseeable third interim dividend net of planned scrip take-up ^{1,2}	(1.7)	(1.7)
Foreign exchange differences and other	(3.7)	(3.4)
At 30 September 2014	138.1	139.9

Movement in risk-weighted assets (CRD IV end point) (US\$bn)

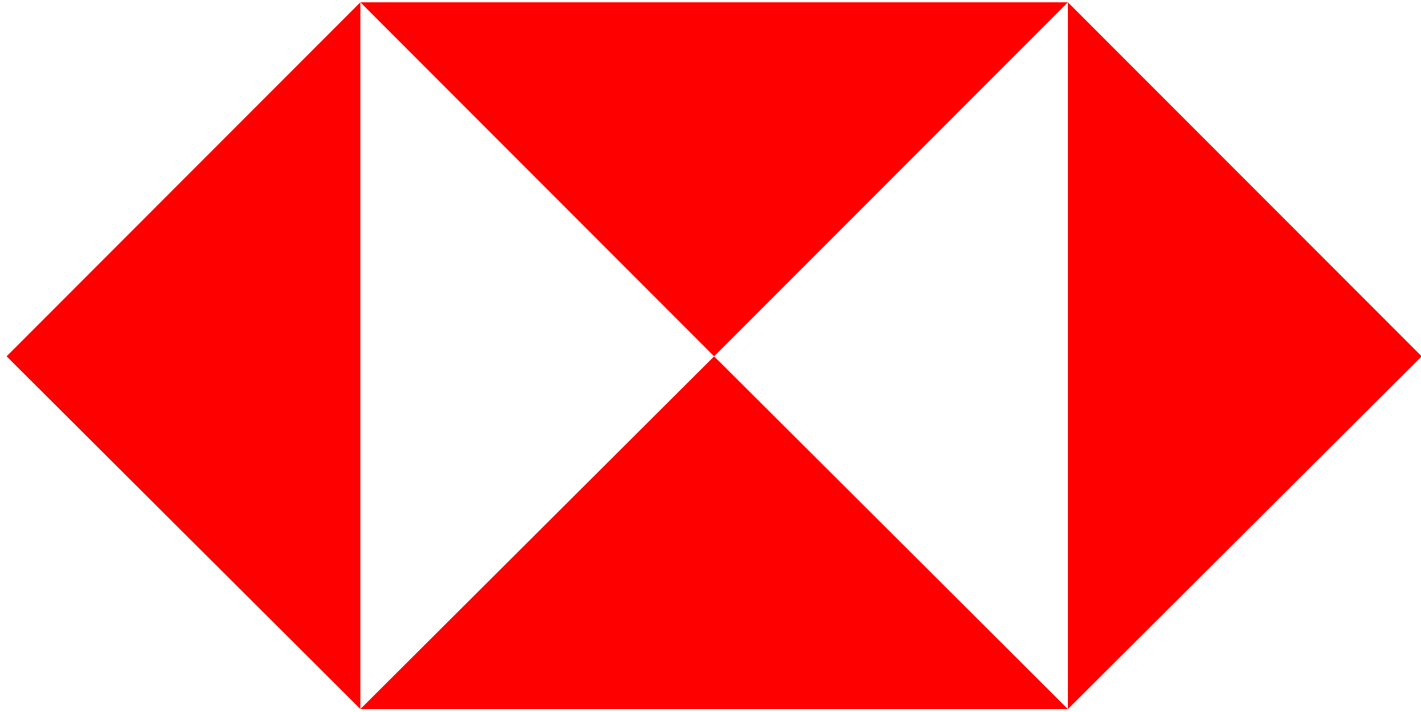
	Total
At 30 June 2014	1,248.6
Corporate lending growth	16.9
Legacy portfolio	(14.3)
CCR model update and calculation change	(4.3)
Foreign exchange differences and other	(19.4)
At 30 September 2014	1,227.5

Common equity tier 1 ratio movement (%)



Notes:

1. This includes dividends on ordinary shares, quarterly dividends on preference shares and coupons on capital securities, classified as equity.
2. Dividends net of planned scrip take-up in respect of the 2014 third interim.



Appendix

Financial overview

Reconciliation of Reported to Underlying results

US\$m				
	9M14	9M13	3Q14	3Q13
Reported profit before tax	16,949	18,601	4,609	4,530
FVOD ¹	15	594	(200)	575
Gain on de-recognition of Industrial Bank as an associate	-	(1,089)	-	-
Gain on sale of associate shareholding in Bao Viet Holdings	-	(104)	-	-
Loss on sale of Household US Canadian Insurance business	-	99	-	-
Gain on disposal of Columbian operations	(18)	-	-	-
Other losses on acquisitions / disposals	32	(59)	-	(58)
Operating results of disposals, acquisitions and dilutions	(9)	8	-	(25)
Currency translation	-	(36)	-	(18)
Underlying profit before tax	16,969	18,014	4,409	5,004

Notes:

1. Fair value movements on our long-term debt designated at fair value resulting from changes in credit spread

Financial overview

Significant items included in underlying profit before tax

US\$m	9M14	9M13	3Q14	3Q13
Underlying profit before tax	16,969	18,014	4,409	5,004
Includes the following significant items (reported basis):				
Revenue				
<i>Volatility:</i>				
Debit valuation adjustment on derivative contracts	(278)	300	(123)	(151)
Fair value movement on non-qualifying hedges	(341)	461	(19)	168
<i>Restructuring and repositioning:</i>				
FX gains relating to the sterling debt issued by HSBC Holdings	-	442	-	-
Gain on sale of several tranches of real estate secured accounts in the US	76	2	91	3
Gain on sale of shareholding in Bank of Shanghai	428	-	-	-
Impairment on our investment in Industrial Bank	(271)	-	(271)	-
Loss on early termination of cash flow hedges in the US run-off portfolio	-	(199)	-	-
Loss on sale of an HFC Bank UK secured loan portfolio	-	(138)	-	-
Loss on sale of the non-real estate portfolio in the US	-	(271)	-	-
Net gain on completion of Ping An disposal	-	553	-	-
Write-off of allocated goodwill relating to GPB Monaco business ¹	-	(279)	-	-
<i>Provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK</i>	(580)	-	(213)	-
	(966)	871	(535)	20
Operating expenses				
<i>Accounting gain arising from change in basis of delivering ill-health benefits in the UK</i>	-	430	-	-
<i>Restructuring and repositioning:</i>				
Restructuring and other related costs	(150)	(396)	(68)	(158)
<i>Customer redress and litigation-related charges:</i>				
Madoff-related litigation costs	-	(298)	-	-
Provision for FCA investigation into foreign exchange	(378)	-	(378)	-
Regulatory investigation provisions in GPB	-	(317)	-	(198)
Charge in relation to settlement agreement with Federal Housing Finance Authority	(550)	-	(550)	-
UK customer redress programmes	(935)	(840)	(701)	(428)
US customer remediation provision relating to CRS	-	(100)	-	-
<i>UK bank levy</i>	45	(9)	-	-
	(1,968)	(1,530)	(1,697)	(784)

Note:
1. In 1Q13, the private banking operations of HSBC Private Bank Holdings (Suisse) SA in Monaco were classified as held for sale. At this time, a loss on reclassification to held for sale was recognised following a write down in the value of goodwill allocated to the operation. Following a strategic review, we decided to retain the operation, and the assets and liabilities of the business were reclassified to the relevant balance sheet categories, however the loss on reclassification was not reversed.

Income statement

US\$m	9M14	9M13	3Q14	3Q13
Net interest income	26,158	26,533	8,753	8,714
Net fee income	12,239	12,441	4,062	4,037
Net trading income	5,570	7,645	2,295	1,283
Net income / (expense) from financial instruments designated at fair value	1,916	250	256	1,447
Gains less losses from financial investments	915	1,876	(31)	20
Dividend income	289	278	201	171
Net insurance premium income	9,316	9,275	3,179	3,049
Other income / (expense)	861	1,419	323	473
Total operating income	57,264	59,717	19,038	19,194
Net insurance claims and benefits paid and movements in liabilities to policyholders	(10,322)	(10,267)	(3,263)	(4,116)
Net operating income before loan impairment charges and other credit risk provisions	46,942	49,450	15,775	15,078
Loan impairment charges and other credit risk provisions	(2,601)	(4,709)	(760)	(1,593)
Net operating income	44,341	44,741	15,015	13,485
Total operating expenses	(29,357)	(27,983)	(11,091)	(9,584)
Operating profit	14,984	16,758	3,924	3,901
Share of profit / (loss) in associate and joint ventures	1,965	1,843	685	629
Profit before tax	16,949	18,601	4,609	4,530

Balance sheet

US\$m	30 Sept 2014	30 Jun 2014	31 Dec 2013
Assets			
Cash and balances at central banks	133,424	132,137	166,599
Trading assets	331,642	347,106	303,192
Financial assets designated at fair value	29,729	31,823	38,430
Derivatives	308,611	269,839	282,265
Loans and advances to banks	124,756	127,387	120,046
Loans and advances to customers	1,028,880	1,047,241	992,089
Reverse repurchase agreements – non-trading	190,848	198,301	179,690
Financial investments	411,604	423,710	425,925
Other assets	169,151	176,049	163,082
Total assets	2,728,645	2,753,593	2,671,318
Liabilities			
Deposits by banks	89,421	92,764	86,507
Customer accounts	1,395,116	1,415,705	1,361,297
Repurchase agreements – non-trading	150,814	165,506	164,220
Trading liabilities	215,395	228,135	207,025
Financial liabilities designated at fair value	77,590	82,968	89,084
Derivatives	300,415	263,494	274,284
Debt securities in issue	90,234	96,397	104,080
Liabilities under insurance contracts	73,742	75,223	74,181
Other liabilities	133,753	134,679	120,181
Total liabilities	2,526,480	2,554,871	2,480,859
Equity			
Total shareholders' equity	193,597	190,281	181,871
Non-controlling interests	8,568	8,441	8,588
Total equity	202,165	198,722	190,459
Total equity and liabilities	2,728,645	2,753,593	2,671,318



The view from HSBC Building, 8 Century Avenue, Pudong, Shanghai



The view from HSBC Main Building, 1 Queen's Road Central, Hong Kong SAR



The view from HSBC Group Head Office, 8 Canada Square, London

Cover images: internationalisation of the renminbi

The images show the views from HSBC's head offices in Shanghai, Hong Kong and London – the three cities that are key to the development of China's currency, the renminbi (RMB). The growth of the RMB is set to be a defining theme of the 21st century. HSBC has RMB capabilities in over 50 countries and territories worldwide, where our customers can count on an expert service.

Photography: Matthew Mawson

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