

## 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; continued application of six filter process
- 3** Rebuild NAFTA profitability
- 4** Set up UK Ring-Fenced Bank
- 5** Realise **USD4.5-5.0bn cost savings**, deliver an exit rate in 2017 equal to 2014 operating expenses
- 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 year end

HSBC Holdings plc 3Q 2015 Results  
Presentation to Investors and Analysts

# Highlights

## Key messages

### *Third quarter revenue down; progress on costs*

#### Quarterly performance (vs. 3Q14)

- Reported PBT up due to net favourable movement in significant items
- Adjusted revenue down in Principal RBWM and GB&M
- Adjusted costs up in regulatory programmes and compliance
- Lower adjusted costs vs. 2Q15, down 4%; traction on cost programmes
- Higher LICs in North America and MENA; lower LICs in Asia with no significant impact from China slowdown
- RWA initiatives resulting in USD32bn reduction in 3Q15

#### Adjusted (USDm)

#### Reported (USDm)

	3Q15	vs. 3Q14 %	3Q15	vs. 3Q14 %
Revenue	14,044	(4)%	15,085	(4)%
LICs	(638)	(15)%	(638)	16%
Operating costs	(8,583)	(2)%	(9,039)	19%
Associates	689	3%	689	1%
PBT	5,512	(14)%	6,097	32%

#### Year-to-date performance

- Reported PBT up driven by a net favourable movement in significant items
- Adjusted revenue up driven by client-facing GB&M, CMB and Principal RBWM
- Adjusted costs up reflecting investment in growth, and regulatory programmes and compliance costs
- RWA initiatives resulting in USD82bn reduction
- Strong capital base with a common equity tier 1 ratio of 11.8% (end point basis)<sup>1</sup>

#### 9M15 vs. 9M14 %

#### 9M15 vs. 9M14 %

	9M15	vs. 9M14 %	9M15	vs. 9M14 %
Revenue	44,816	2%	48,028	2%
LICs	(2,077)	3%	(2,077)	20%
Operating costs	(26,225)	(6)%	(28,226)	4%
Associates	2,000	3%	2,000	2%
PBT	18,514	(3)%	19,725	16%

# 2015 Financial Highlights

## Financial highlights

	3Q14	2Q15	3Q15	3Q15 vs 3Q14	3Q15 vs 2Q15	9M14	9M15	9M15 vs 9M14
Reported PBT, USDbn	4.6	6.6	6.1	1.5	(0.5)	16.9	19.7	2.8
Adjusted PBT, USDbn	6.4	6.0	5.5	(0.9)	(0.5)	19.1	18.5	(0.6)

	9M14	9M15	Target (if applicable)
Return on average ordinary shareholders' equity <sup>2</sup>	9.5%	10.7%	>10%
Return on average tangible equity <sup>2</sup>	11.1%	12.1%	n/a
Jaws (adjusted)	-	(4.1)%	Positive

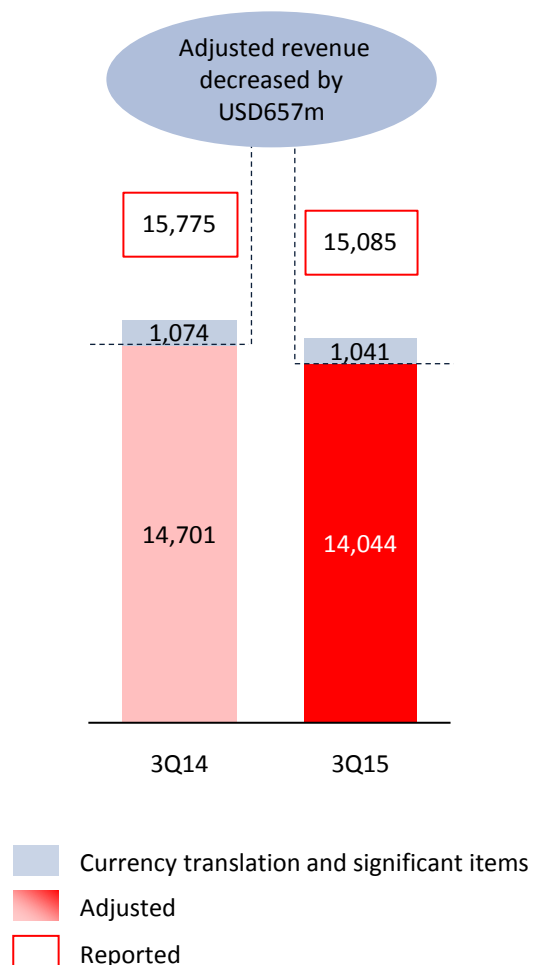
  

	Dec-14	Jun-15	Sep-15
Advances to deposits ratio	72.2%	71.4%	70.8%
Common equity tier 1 ratio (end point basis) <sup>1</sup>	11.1%	11.6%	11.8%

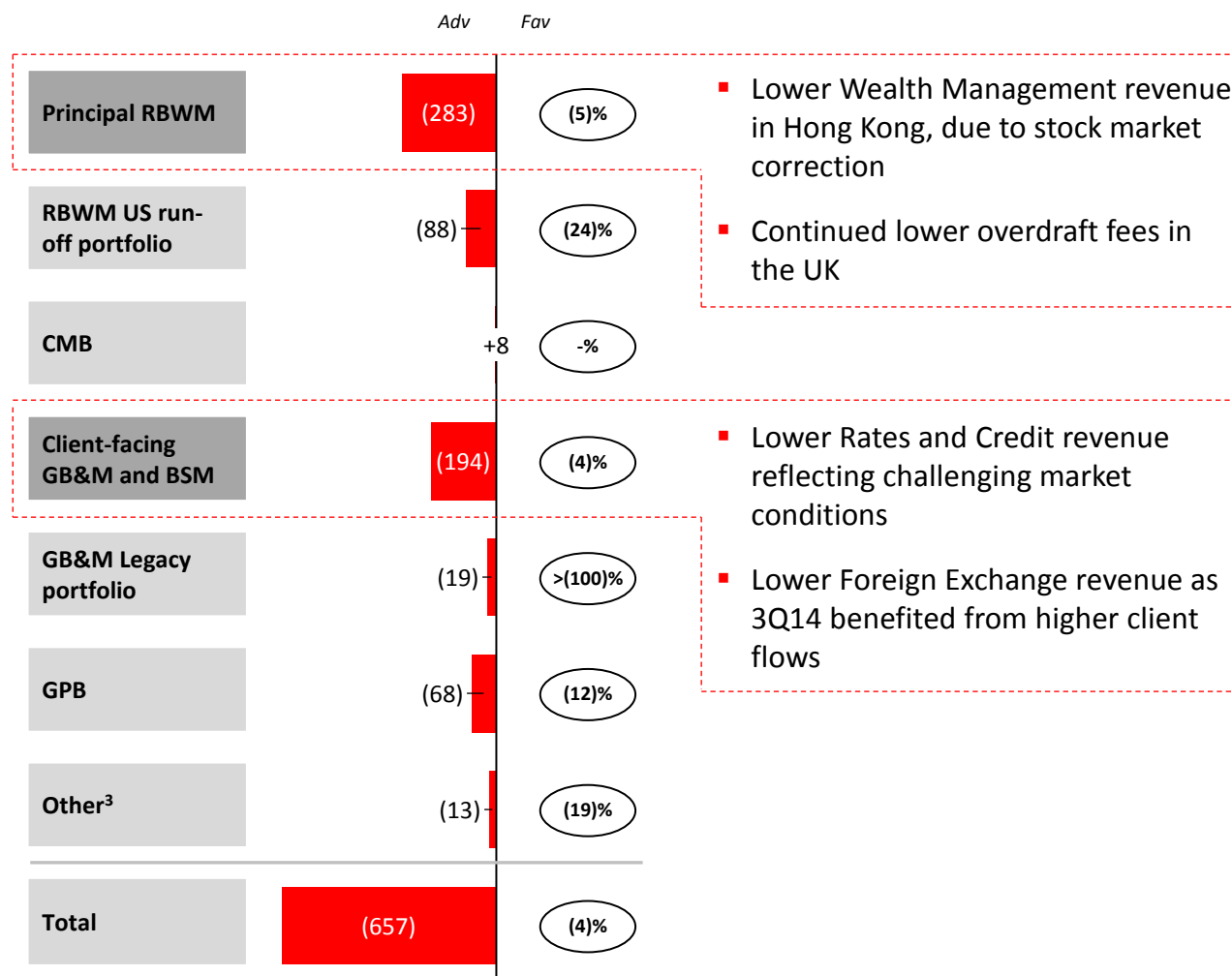
# 3Q15 Revenue – quarterly performance

Lower revenue, notably from Wealth Management and Markets

## Reported and adjusted revenue (USDm)



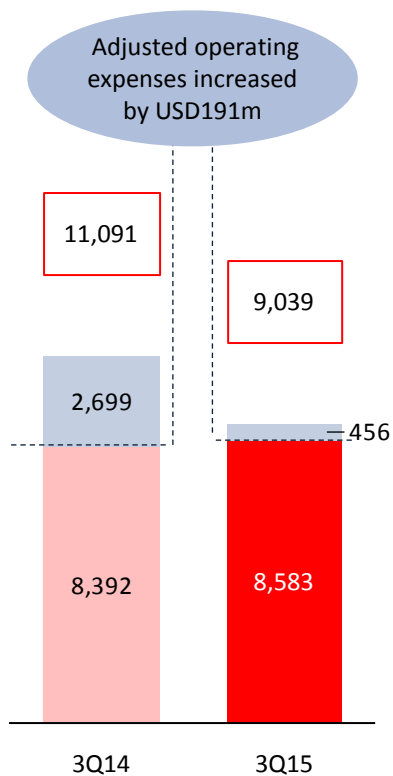
## Adjusted revenue by global business 3Q15 vs. 3Q14 (USDm)



# 3Q15 Operating expenses – quarterly performance

Adjusted costs up in regulatory programmes and compliance

## Reported and adjusted operating expenses (USDm)



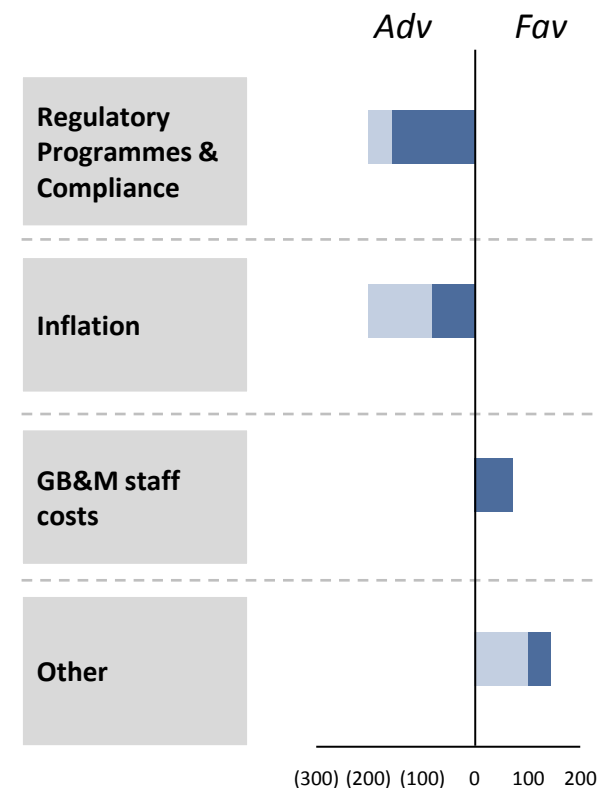
■ Currency translation and significant items  
■ Adjusted  
■ Reported

## Adjusted costs by type (USDm)



■ Change-the-bank  
■ Run-the-bank – front office  
■ Run-the-bank – back office  
■ Adjusted  
x FTE 000s

## Adjusted costs drivers 3Q15 vs. 3Q14 (USDm)

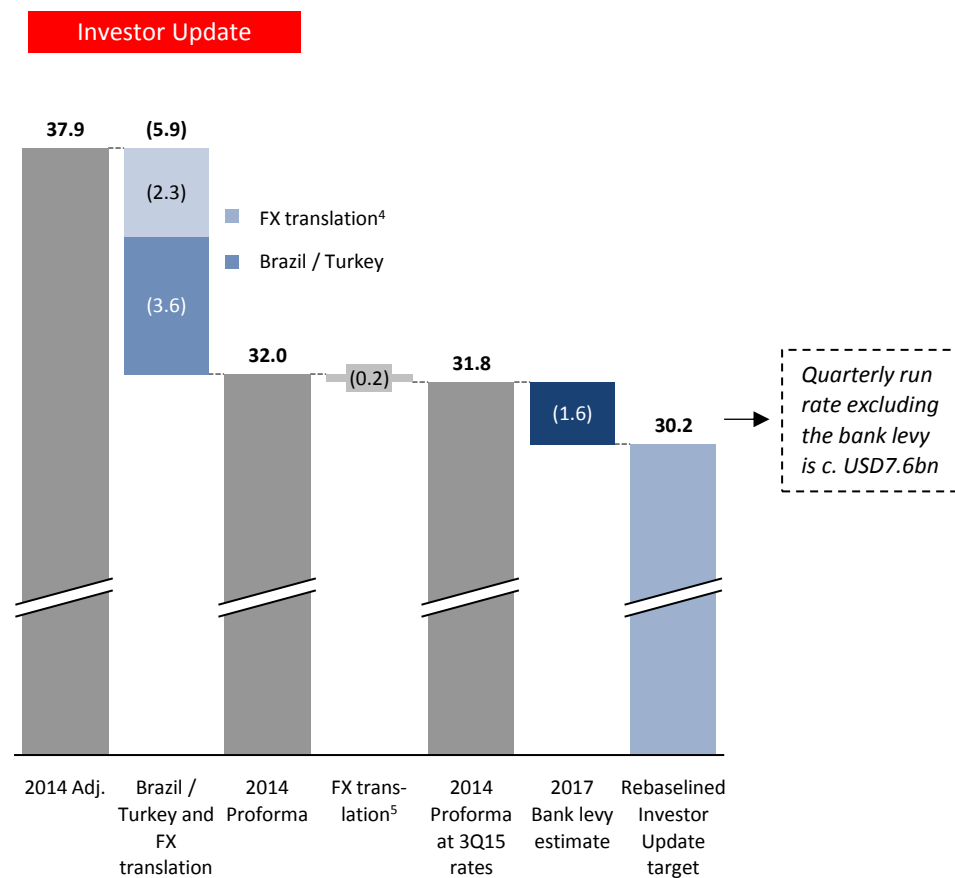


■ Non-staff costs  
■ Staff costs

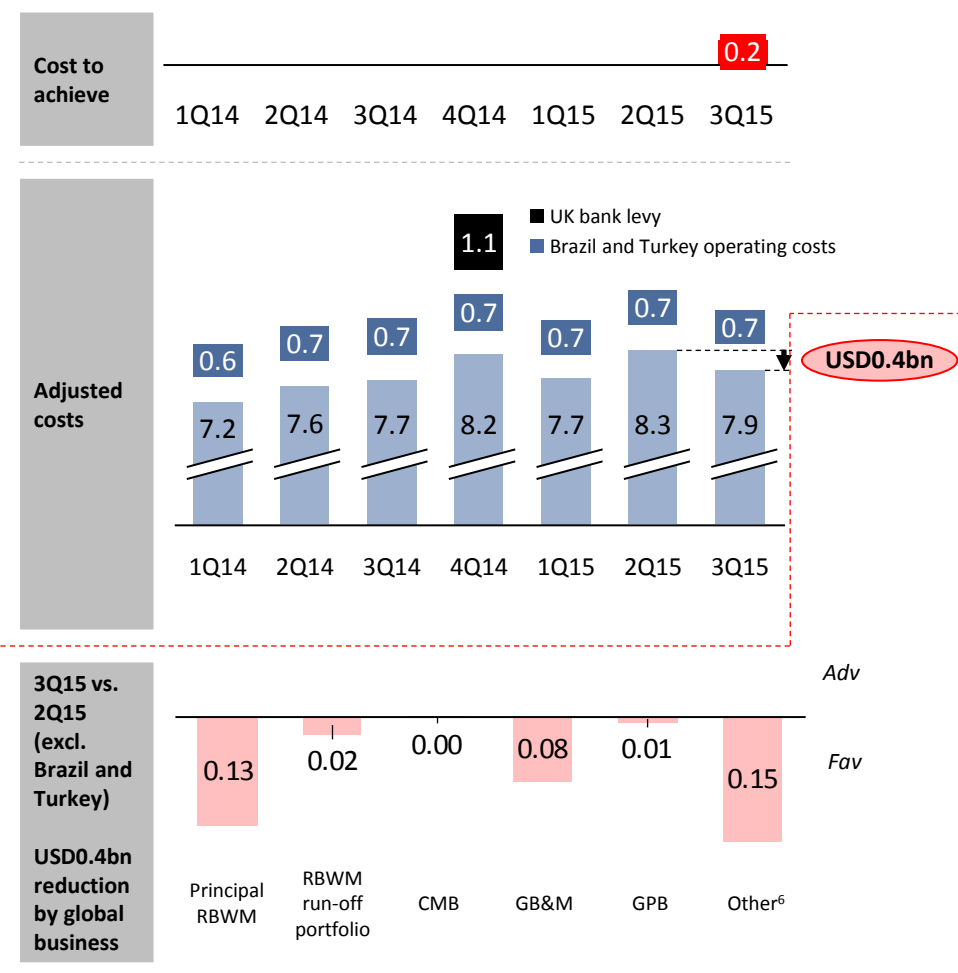
# 3Q15 Operating expenses – quarterly performance

Lower adjusted costs vs. 2Q15; traction on cost programmes

## Investor Update 2015 target re-baselined (USDbn)



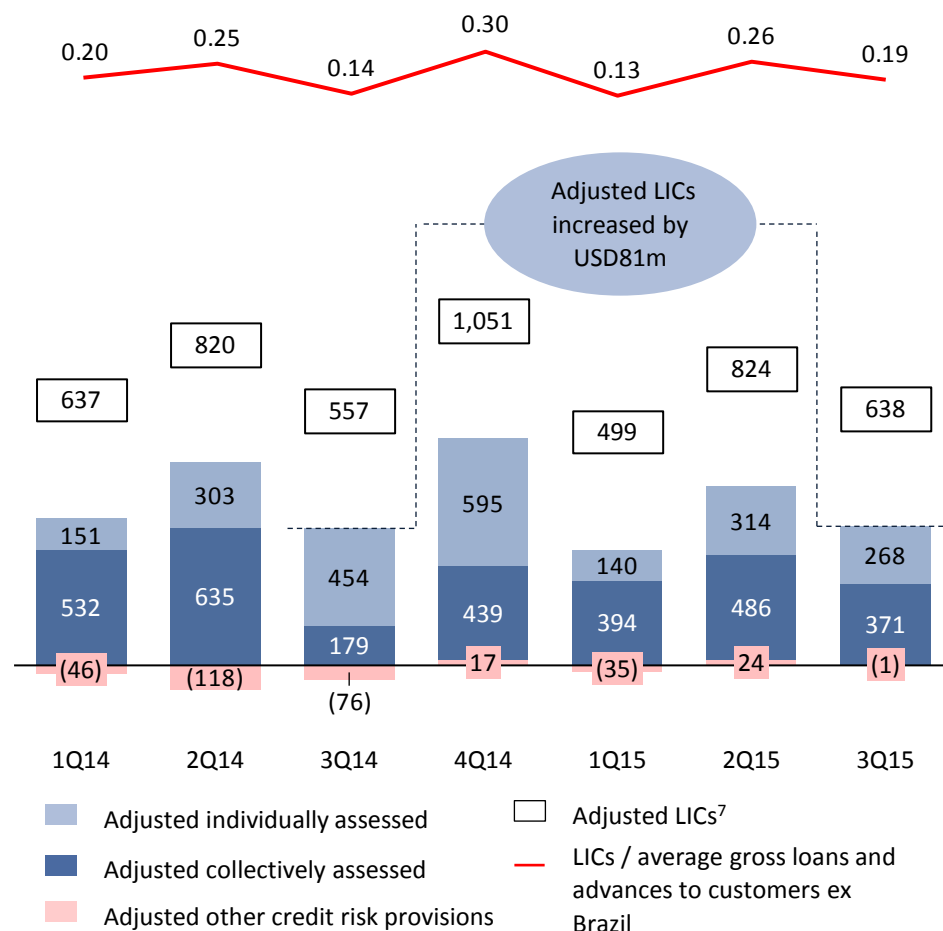
## Adjusted operating expenses (USDbn)



# 3Q15 Loan impairment charges – quarterly performance

LICS remain low reflecting strategic actions to manage risk within our credit portfolio

## Adjusted loan impairment charges and other credit risk provisions (LICs USDm)



## LICs / average gross loans and advances to customers (%)

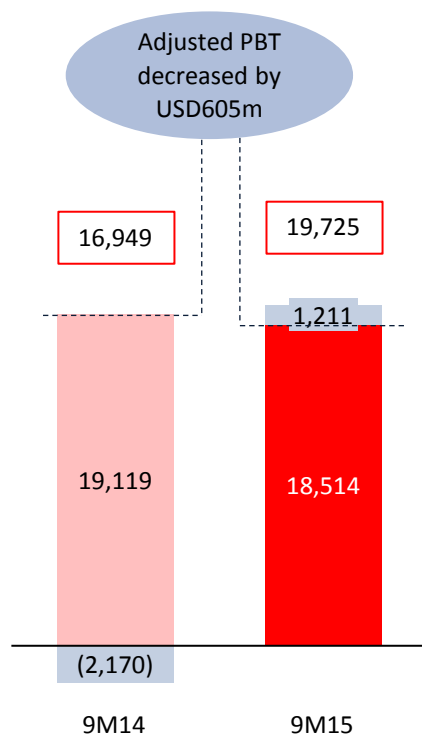
Regions %	3Q14	3Q15
Europe	0.09	0.06
Asia	0.19	0.13
Middle East and North Africa	0.29	1.28
North America	(0.19)	0.19
Latin America (ex Brazil)	3.00	2.17
<b>Total (ex Brazil)</b>	<b>0.14</b>	<b>0.19</b>

Global businesses (%)	3Q14	3Q15
Principal RBWM	0.31	0.36
RBWM US run-off portfolio	(1.85)	(0.21)
CMB	0.39	0.27
GB&M	(0.05)	(0.09)
GPB	(0.28)	0.04
Other	(0.04)	0.67
<b>Total (ex Brazil)</b>	<b>0.14</b>	<b>0.19</b>

## 9M15 Profit before tax

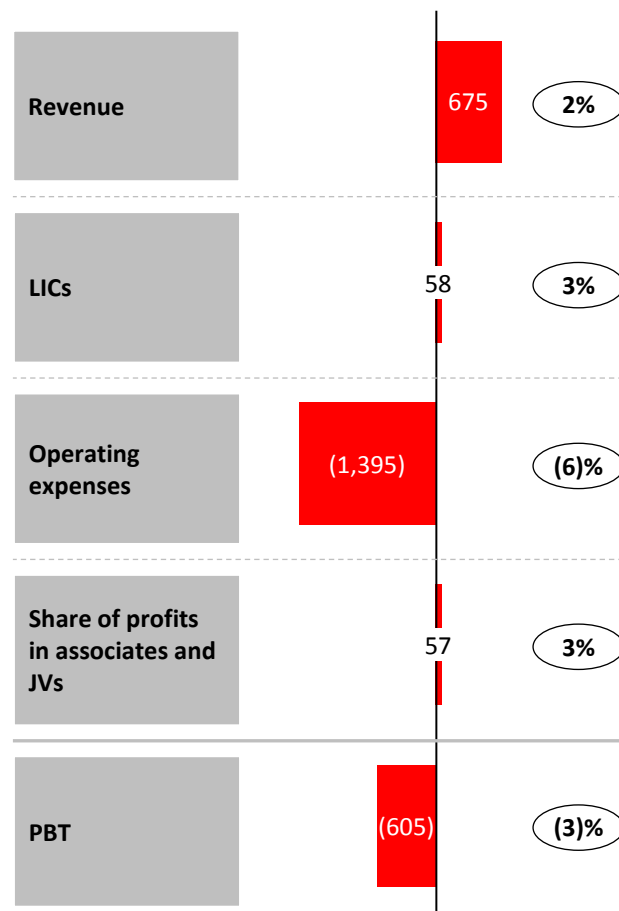
Revenue growth more than offset by investment in growth initiatives and regulatory programmes and compliance

### Reported and adjusted PBT (USDm)

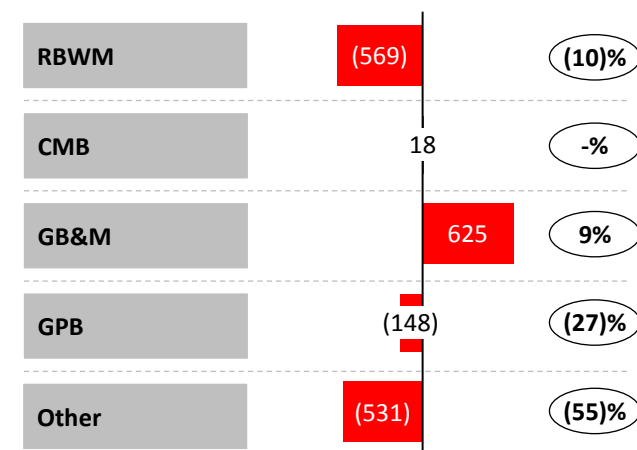


■ Currency translation and significant items  
■ Adjusted  
 Reported

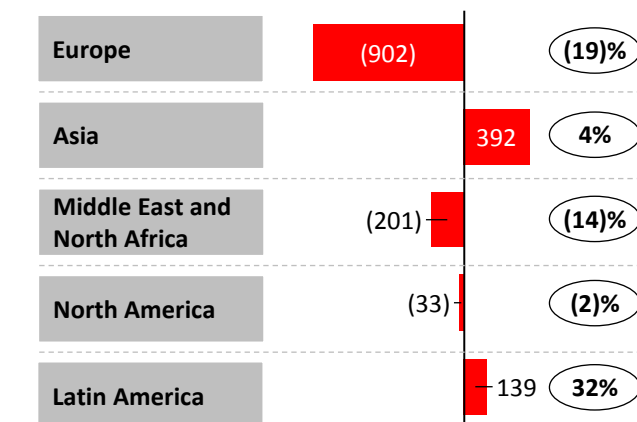
### Adjusted PBT growth by account line (USDm)



### Adjusted PBT growth by global business (USDm)



### Adjusted PBT growth by region (USDm)





# Capital Adequacy

Strong capital base with a common equity tier 1 ratio of 11.8%

## CRD IV End-point<sup>1</sup>

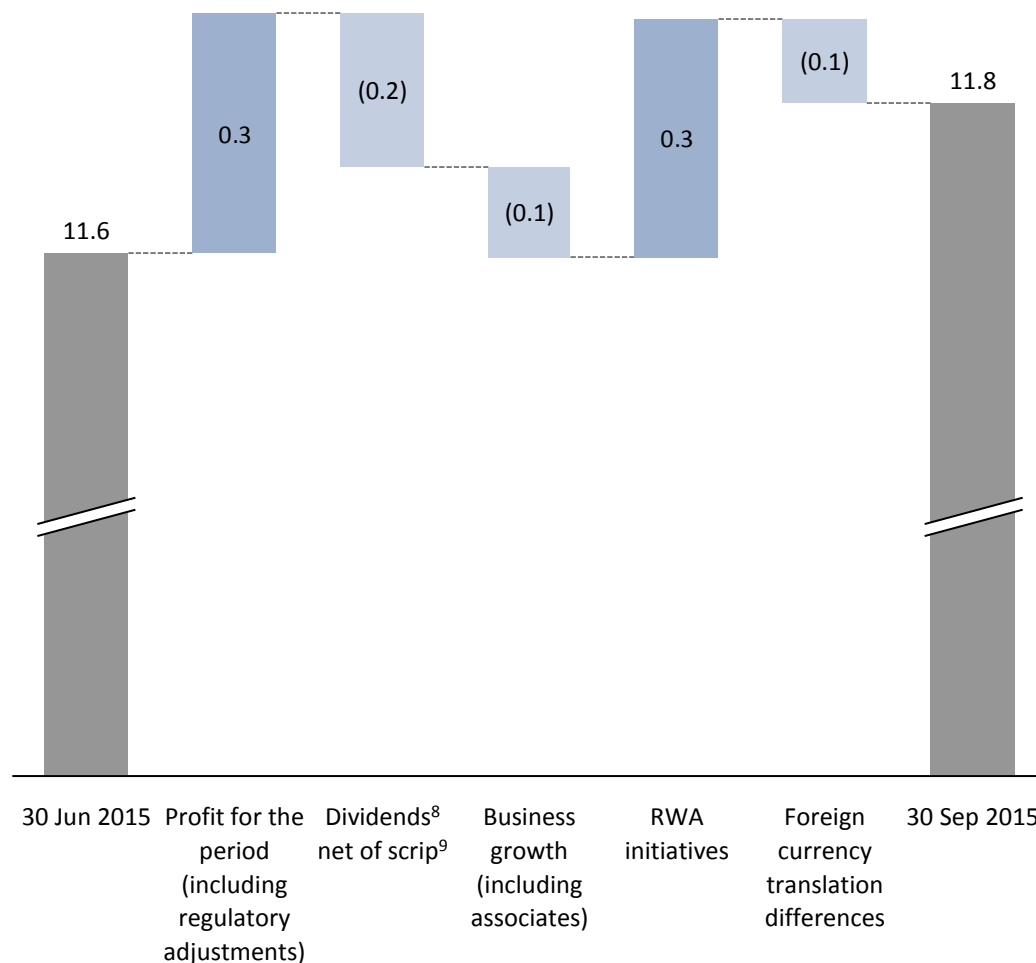
### Movement in common equity tier 1 capital (USDbn)

At 30 June 2015	138.1
Capital generation from profit	1.9
Profit for the period (including regulatory adjustments)	3.8
Dividends <sup>8</sup> net of scrip <sup>9</sup>	(1.9)
Foreign currency translation differences	(4.2)
Other movements	(0.5)
At 30 September 2015	135.3

### Movement in RWAs (USDbn)

At 30 June 2015	1,193.2
Business growth (including associates)	9.6
RWA initiatives	(32.4)
Foreign currency translation differences	(27.9)
Other movements	1.0
At 30 September 2015	1,143.5

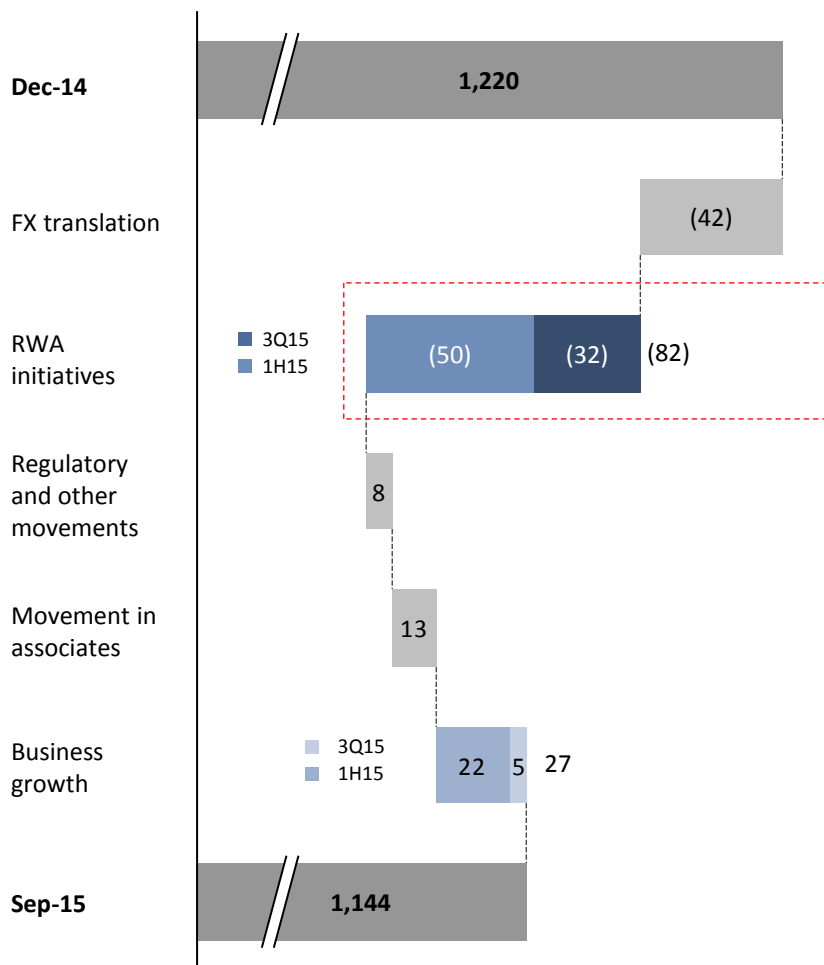
## Common equity tier 1 ratio movement (%)



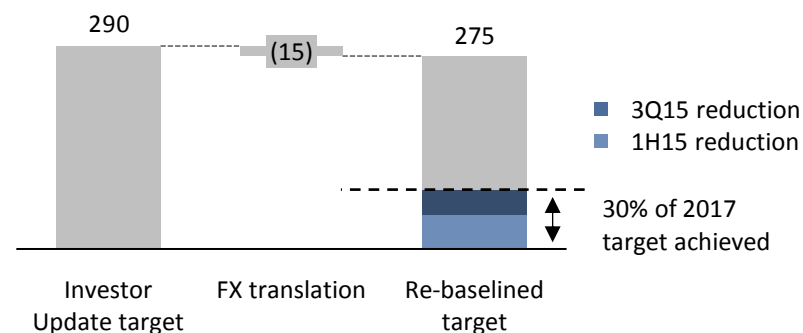
# RWAs

## Continued reduction in RWAs from a series of initiatives

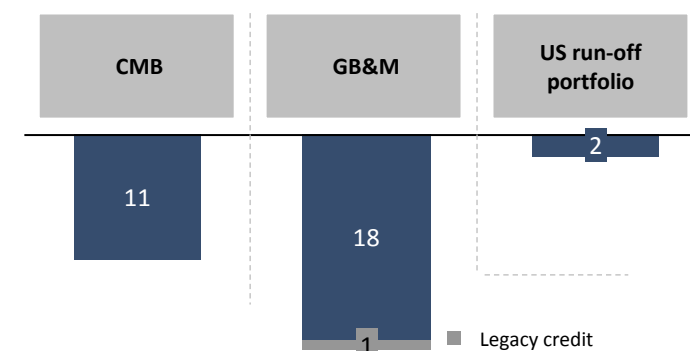
### Key movements in Group RWA (USDbn)



### RWA initiatives YTD vs. Investor Update target



### 3Q15 QTD RWA initiatives

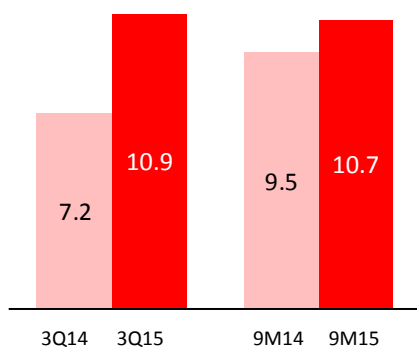


USD32bn reduction in the 3<sup>rd</sup> quarter

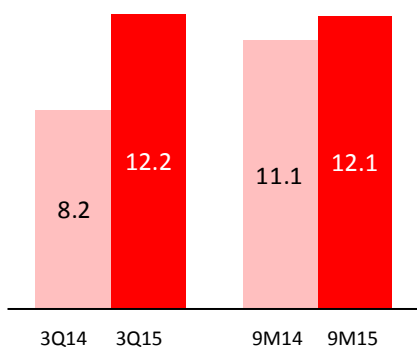
# Return metrics

## Group ROE and ROTE<sup>2</sup>

### ROE (%)



### ROTE (%)



## Group RORWA<sup>11</sup>

	3Q14	3Q15	9M14	9M15
Reported	1.5%	2.1%	1.9%	2.2%
Adjusted <sup>12</sup>	2.2%	1.9%	2.2%	2.1%
Adjusted excl. associates and run-off portfolios <sup>13</sup>	2.4%	2.0%	2.5%	2.3%

## Adjusted RoRWA by global business (ex associates)

	3Q14	3Q15	9M14	9M15	2017 Target
Principal RBWM	5.2%	3.6%	5.1%	4.6%	6.3%
CMB	2.3%	2.2%	2.6%	2.3%	2.7%
Client-facing GB&M & BSM	1.7%	1.9%	2.0%	2.2%	2.7%
GPB <sup>10</sup>	3.9%	1.6%	3.4%	2.6%	4.3%

# Progress on our actions to capture value

Actions		Key achievements	Highlights
Re-size and simplify	1 Reduce Group RWAs by c.USD290bn	<ul style="list-style-type: none"> <li>USD32bn reduction during the third quarter, notably in GB&amp;M</li> </ul>	<p><b>1 RWAs reduced by USD32bn in the quarter; USD82bn YTD</b></p> <p>290 (15) 275</p> <p>Investor Update target FX translation Re-baselined target</p> <p>3Q15 reduction 1H15 reduction 30% of 2017 target achieved</p>
	2 Optimise global network	<ul style="list-style-type: none"> <li>Disposal of our operations in Brazil<sup>14</sup> on track</li> </ul>	
	3 Rebuild NAFTA profitability	<ul style="list-style-type: none"> <li>Increased PBT in 9M15 in both the US Principal (85%) and Mexico (95%) compared with 9M14</li> </ul>	
	4 Set up UK ring-fenced bank	<ul style="list-style-type: none"> <li>Implementation in progress</li> </ul>	
Re-deploy capital and invest	5 Deliver USD4.5-5.0bn cost savings	<ul style="list-style-type: none"> <li>Lower adjusted costs vs. 2Q15, down USD0.4bn; traction on cost programmes</li> </ul>	<p><b>5 Achievements to date</b></p> <ul style="list-style-type: none"> <li>Reduced the number of software applications by c. 100</li> <li>USD130m annualised procurement saves realised</li> <li>Automation of manual payments 1/3 complete</li> <li>Delivery of digital data capabilities, e.g. Apple Pay, Click to Chat, and Branch tablets in the UK, and HSBC.net mobile in more than 30 countries</li> </ul>
	6 Deliver growth above GDP from international network	<ul style="list-style-type: none"> <li>Transaction banking revenue up 5% to USD11.5bn compared with 9M14</li> <li>Growth driven by our FX and PCM businesses</li> </ul>	
	7 Investments in Asia – prioritise and accelerate investments	<ul style="list-style-type: none"> <li>6% revenue growth in ASEAN compared with 9M14</li> <li>5% growth in insurance manufacturing new business premium revenue (annualised)</li> </ul>	
	8 RMB internationalisation	<ul style="list-style-type: none"> <li>8% revenue growth compared with 9M14</li> <li>Maintained #1 ranking in offshore RMB bond underwriter league table</li> </ul>	
	9 Global standards	<ul style="list-style-type: none"> <li>Implementation in progress</li> </ul>	
	10 Headquarters review	<ul style="list-style-type: none"> <li>Review in progress</li> </ul>	

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of human ambition

HSBC 

Knocking expectation out cold



The next big IPO



The true meaning of life



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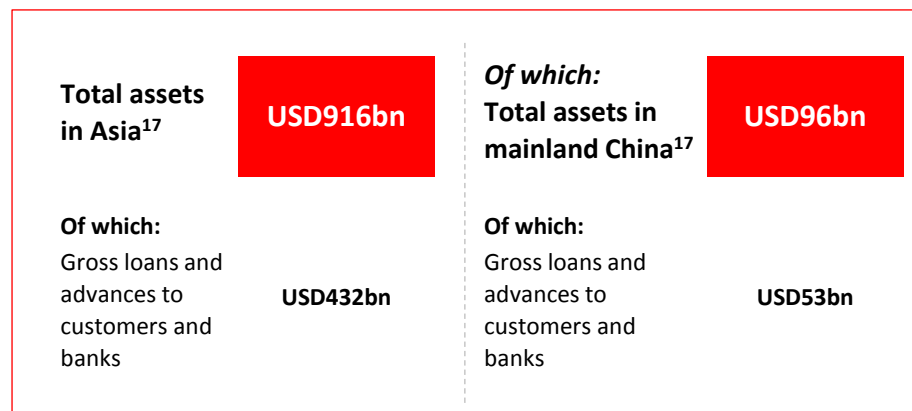
# Progress on our actions to capture value – YTD progress

Actions		Key metrics	30 Sept 2015 performance		Investor Update Target	
Re-size and simplify	1	Reduce Group RWAs by c.USD290bn	RWA initiatives Business growth RWAs Total RWAs as at 30 Sep-15 GB&M Client-facing & Legacy RWAs % of Group as at 30 Sep-15	9M15, USDbn (82) 27 1,144 37%	vs. Dec-14 (82) 27 (6)% (2)ppt	■ Group RWA reduction USD290bn ■ GB&M <1/3 of Group RWA
	2	Optimise global network	Network to support global connectivity	Disposal of our operations in Brazil on track		■ Reduced footprint
	3	Rebuild NAFTA profitability	US Principal PBT (Year-to-date) Mexico PBT (Year-to-date)	9M15, USDbn 0.5 0.2	vs. 9M14, % 85% 95%	■ Mexico PBT c. USD0.6bn ■ US PBT c.USD2bn
	4	Set up UK ring-fenced bank	Completed by 2018	Implementation in progress		■ Completed by 2018
	5	Deliver USD4.5-5.0bn cost savings	Total 3Q15 QTD adjusted costs (excluding Brazil and Turkey)  RTB back office : RTB front office : Change the bank ratio <sup>15</sup> Costs to achieve Total FTE	3Q15, USDbn 7.9  9M15 45 : 44 : 11 USD165m 259.8	Rebaselined Investor Update quarterly run-rate 7.6  2017 Investor day target 39 : 48 : 8 - n/a	■ 2017 exit rate = 2014 operating expenses ■ USD4.5-5.0bn cost savings
Re-deploy capital and invest	6	Deliver growth above GDP from international network	Transaction banking revenue Revenue Synergies	9M15, USDbn 11.5 8.9	vs. 9M14, % 5% 6%	■ Revenue growth of international network above GDP
	7	Investments in Asia	ASEAN revenue growth Insurance manufacturing new business premiums (annualised)	9M15, USDbn 2.5 1.6	vs. 9M14, % 6% 5%	■ Market share gains ■ c.10% growth p.a. AuM in Asia
	8	RMB internationalisation	RMBI revenue	9M15, USDbn 1.4	vs. 9M14, % 8%	■ USD2-2.5bn revenue
	9	Global standards	Completed	Implementation in progress		■ Completed
	10	Headquarters review	Completed by year-end	Review in progress		■ Completed by year-end

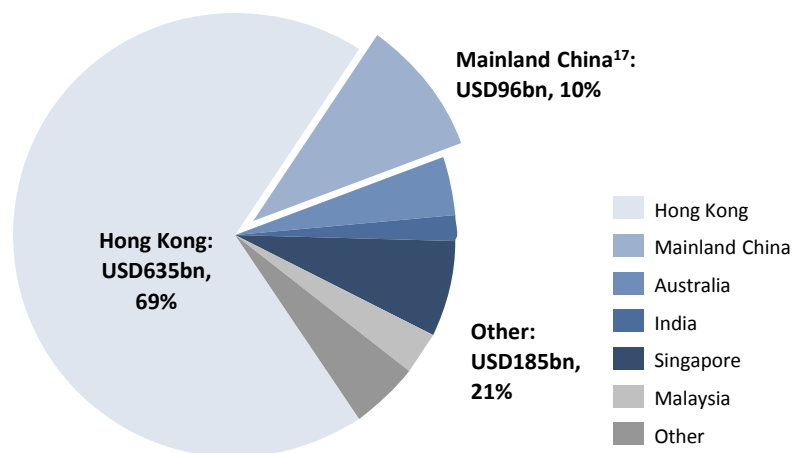
# Our business in mainland China

Exposure focused on leading international companies and selected Tier 1 banks

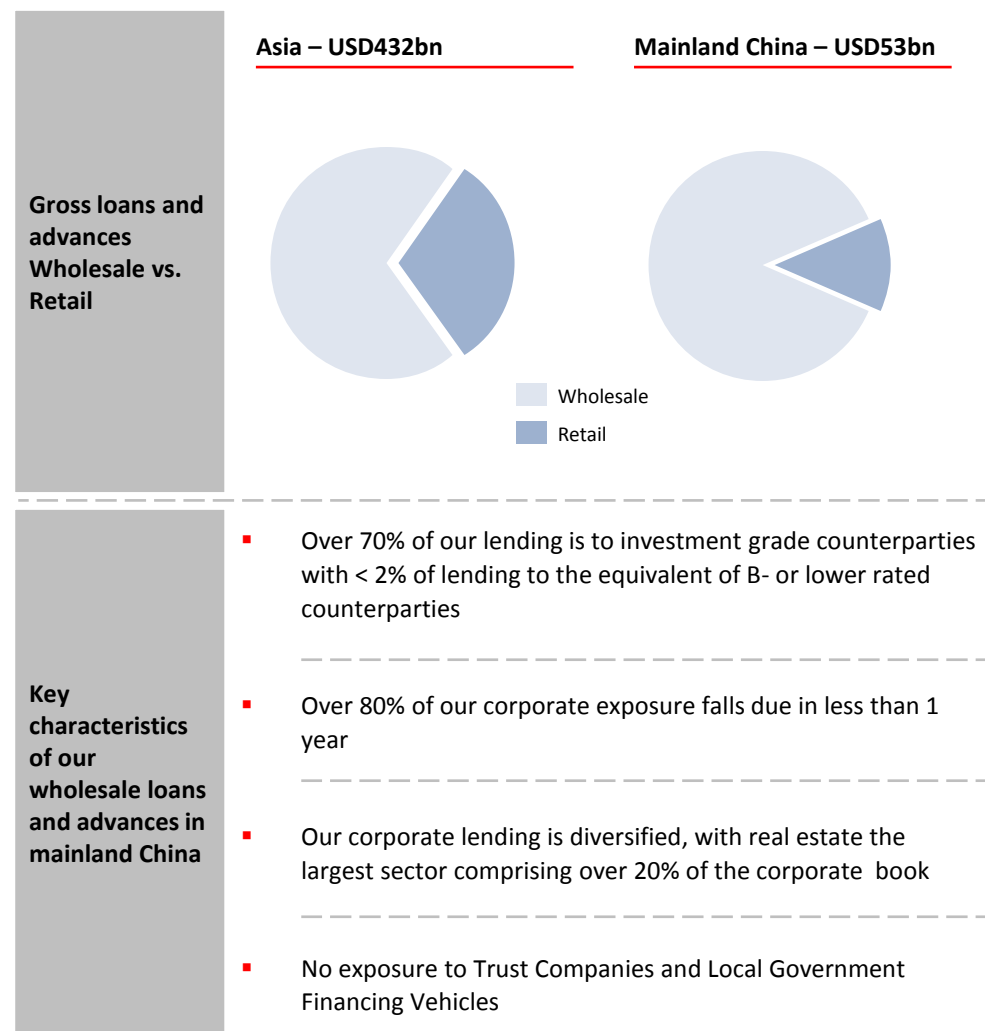
## Total assets in Asia<sup>16</sup> as at 30 Sep 15 (USDbn)



## Asia total assets by country of booking



## Loans and advances to customers and banks



# Appendix

## Currency translation and significant items

USDm				
	9M14	9M15	3Q14	3Q15
<b>Currency translation</b>	828		215	
<b>Significant items:</b>				
<b>Revenue</b>				
Gain / (Loss) on sale of several tranches of real estate secured accounts in the US	76	-	91	(17)
Gain on the partial sale of shareholding in Industrial Bank	-	1,372	-	-
(Adverse) / Favourable debit valuation adjustment on derivative contracts	(278)	416	(123)	251
Adverse fair value movements on non-qualifying hedges	(341)	(353)	(19)	(308)
(Provisions) / releases arising from the ongoing review of compliance with the Consumer Credit Act in the UK	(580)	2	(213)	(10)
Own credit spread	(15)	1,775	200	1,125
Gain on sale of shareholding in Bank of Shanghai	428	-	-	-
Impairment of our investment in Industrial Bank	(271)	-	(271)	-
Acquisition, disposals and dilutions	36	-	5	-
	<b>(945)</b>	<b>3,212</b>	<b>(330)</b>	<b>1,041</b>
<b>Loan impairment charges and other credit risk provisions</b>	-	-	2	-
<b>Operating expenses</b>				
Charge in relation to settlement agreement with Federal Housing Finance Authority	(550)	-	(550)	-
Regulatory provisions in GPB	-	(154)	-	(7)
Settlements and provisions in connection with legal matters	(378)	(1,279)	(378)	(135)
UK customer redress programmes	(935)	(204)	(701)	(67)
Restructuring and other related costs	(150)	(117)	(68)	-
Costs to achieve		(165)		(165)
Costs to establish UK ring-fenced bank		(28)		(28)
Brazil disposal costs	-	(54)	-	(54)
Acquisition, disposals and dilutions	(40)	-	(5)	-
	<b>(2,053)</b>	<b>(2,001)</b>	<b>(1,702)</b>	<b>(456)</b>
<b>Currency translation and significant items</b>	<b>(2,170)</b>	<b>1,211</b>	<b>(1,815)</b>	<b>585</b>



# Appendix

## Reported Consolidated Income statement

USDm				
	9M14	9M15	3Q14	3Q15
Net interest income	26,158	24,472	8,753	8,028
Net fee income	12,239	11,234	4,062	3,509
Net trading income	5,570	7,315	2,295	2,742
Net income from financial instruments designated at fair value	1,916	1,782	256	(884)
Gains less losses from financial investments	915	2,048	(31)	174
Dividend income	289	96	201	28
Net insurance premium income	9,316	8,100	3,179	2,493
Other operating income	861	1,107	323	271
<b>Total operating income</b>	<b>57,264</b>	<b>56,154</b>	<b>19,038</b>	<b>16,361</b>
Net insurance claims and benefits paid and movements in liabilities to policyholders	(10,322)	(8,126)	(3,263)	(1,276)
<b>Net operating income before loan impairment charges and other credit risk provisions</b>	<b>46,942</b>	<b>48,028</b>	<b>15,775</b>	<b>15,085</b>
Loan impairment charges and other credit risk provisions	(2,601)	(2,077)	(760)	(638)
<b>Net operating income</b>	<b>44,341</b>	<b>45,951</b>	<b>15,015</b>	<b>14,447</b>
Total operating expenses	(29,357)	(28,226)	(11,091)	(9,039)
<b>Operating profit</b>	<b>14,984</b>	<b>17,725</b>	<b>3,924</b>	<b>5,408</b>
Share of profit in associates and joint ventures	1,965	2,000	685	689
<b>Profit before tax</b>	<b>16,949</b>	<b>19,725</b>	<b>4,609</b>	<b>6,097</b>
<b>Cost efficiency ratio %</b>	<b>62.5</b>	<b>58.8</b>	<b>70.3</b>	59.9

# Appendix

## Reported Consolidated Balance Sheet

USDm			
	At 31 Dec 2014	At 30 Jun 2015	At 30 Sep 2015
<b>Assets</b>			
Cash and balances at central banks	129,957	144,324	126,324
Trading assets	304,193	283,138	264,608
Financial assets designated at fair value	29,037	25,168	22,793
Derivatives	345,008	296,942	327,257
Loans and advances to banks	112,149	109,405	119,751
Loans and advances to customers	974,660	953,985	927,428
Reverse repurchase agreements – non trading	161,713	149,384	164,009
Financial investments	415,467	404,682	414,562
Assets held for sale	7,647	60,929	45,451
Other assets	154,308	143,756	136,340
<b>Total assets</b>	<b>2,634,139</b>	<b>2,571,713</b>	<b>2,548,523</b>
<b>Liabilities</b>			
Deposits by banks	77,426	71,140	77,880
Customer accounts	1,350,642	1,335,800	1,310,643
Repurchase agreements – non trading	107,432	81,506	83,904
Trading liabilities	190,572	181,435	180,015
Financial liabilities designated at fair value	76,153	69,485	67,712
Derivatives	340,669	289,984	319,171
Debt securities in issue	95,947	102,656	96,111
Liabilities under insurance contracts	73,861	69,494	69,351
Liabilities of disposal groups held for sale	6,934	53,226	35,961
Other liabilities	114,525	115,605	106,346
<b>Total liabilities</b>	<b>2,434,161</b>	<b>2,370,331</b>	<b>2,347,094</b>
<b>Equity</b>			
Total shareholders' equity	190,447	192,427	192,495
Non-controlling interests	9,531	8,955	8,934
<b>Total equity</b>	<b>199,978</b>	<b>201,382</b>	<b>201,429</b>
<b>Total equity and liabilities</b>	<b>2,634,139</b>	<b>2,571,713</b>	<b>2,548,523</b>
<b>Net assets value per share (NAV) - USD</b>	<b>9.28</b>	<b>9.11</b>	<b>9.00</b>
<b>Tangible assets value per share (TNAV) - USD</b>	<b>7.91</b>	<b>7.81</b>	<b>7.73</b>

## Appendix

### Footnotes

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1. From 1 January 2015 the CRD IV transitional CET1 and end-point CET1 capital ratios became aligned for HSBC Holdings plc due to recognition of unrealised gains on investment property and available-for-sale securities
  2. Return on average ordinary shareholders' equity (ROE) and Return on average tangible equity (ROTE) are calculated on an annualised basis
  3. Includes revenue recorded in Intersegment
  4. Effect of translating the 2014 adjusted operating expenses to 1Q15 foreign exchange rates as per Investor Update 2015
  5. Effect of translating the Investor Update target to average 3Q15 foreign exchange rates
  6. Includes costs recorded in Intersegment
  7. Quarterly LICs are presented on an adjusted basis. Reported quarterly LICs are as follows: 1Q14 USD798m; 2Q14 USD1,043m; 3Q14 USD760m; 4Q14 1,250m; 1Q15 USD570m; 2Q15 USD869m
  8. This includes dividends on ordinary shares, quarterly dividends on preference shares and coupons on capital securities, classified as equity
  9. Dividends net of scrip includes the foreseeable interim dividends net of planned scrip take-up and an update for the second interim dividend scrip take-up which was lower than plan
  10. 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
  11. RoRWAs are calculated on an annualised basis and using average RWAs based on CRD IV basis for all periods from 1 January 2014 and on a Basel 2.5 basis for 31 December 2013
  12. Adjusted RoRWAs are calculated using annualised adjusted PBT and reported RWAs at constant currency, adjusted for significant items
  13. Run-off portfolios mainly comprise GB&M Legacy Credit and RBWM US run-off portfolios
  14. We plan to maintain a corporate presence in Brazil to serve our international clients
  15. 2017 target excludes the bank levy which was assumed to be 5% of 2017 exit adjusted costs
  16. On a geographic basis
  17. Includes intercompany assets and investment in Bocom
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## Appendix

### Important notice and forward-looking statements

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#### Important notice

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This presentation contains non-GAAP financial information. The primary non-GAAP financial measure we use is ‘adjusted performance’ which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the 3Q15 Earnings Release and the Reconciliations of Non-GAAP Financial Measures document which are both available at [www.hsbc.com](http://www.hsbc.com).

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Cover images: HSBC – then and now

It is 150 years since HSBC was founded in Hong Kong to finance trade between Asia and Europe. Much has changed since then, as our cover photos demonstrate. The top left photo shows Hong Kong harbour, with the HSBC office (extreme left) a few years after it was established in 1865. The bottom left image shows the harbour today, with the HSBC building fifth from left (partially hidden).

Hong Kong has been transformed both physically and economically, from trading outpost to international financial centre. HSBC has mirrored Hong Kong's rise to global prominence, growing from a small regional trading bank into one of the world's largest banking and financial services organisations today.

HSBC's Hong Kong office is still at 1 Queen's Road Central, as it was in 1865. The current HSBC building is the fourth to occupy the site, but the values on which the bank was founded remain the same. HSBC still aims to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and helping people to fulfil their hopes and realise their ambitions.

We are proud to have served our customers with distinction for 150 years.

Photographs: (top) HSBC Archives; (bottom) Matthew Mawson

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Group Investor Relations  
8 Canada Square  
London E14 5HQ  
United Kingdom  
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