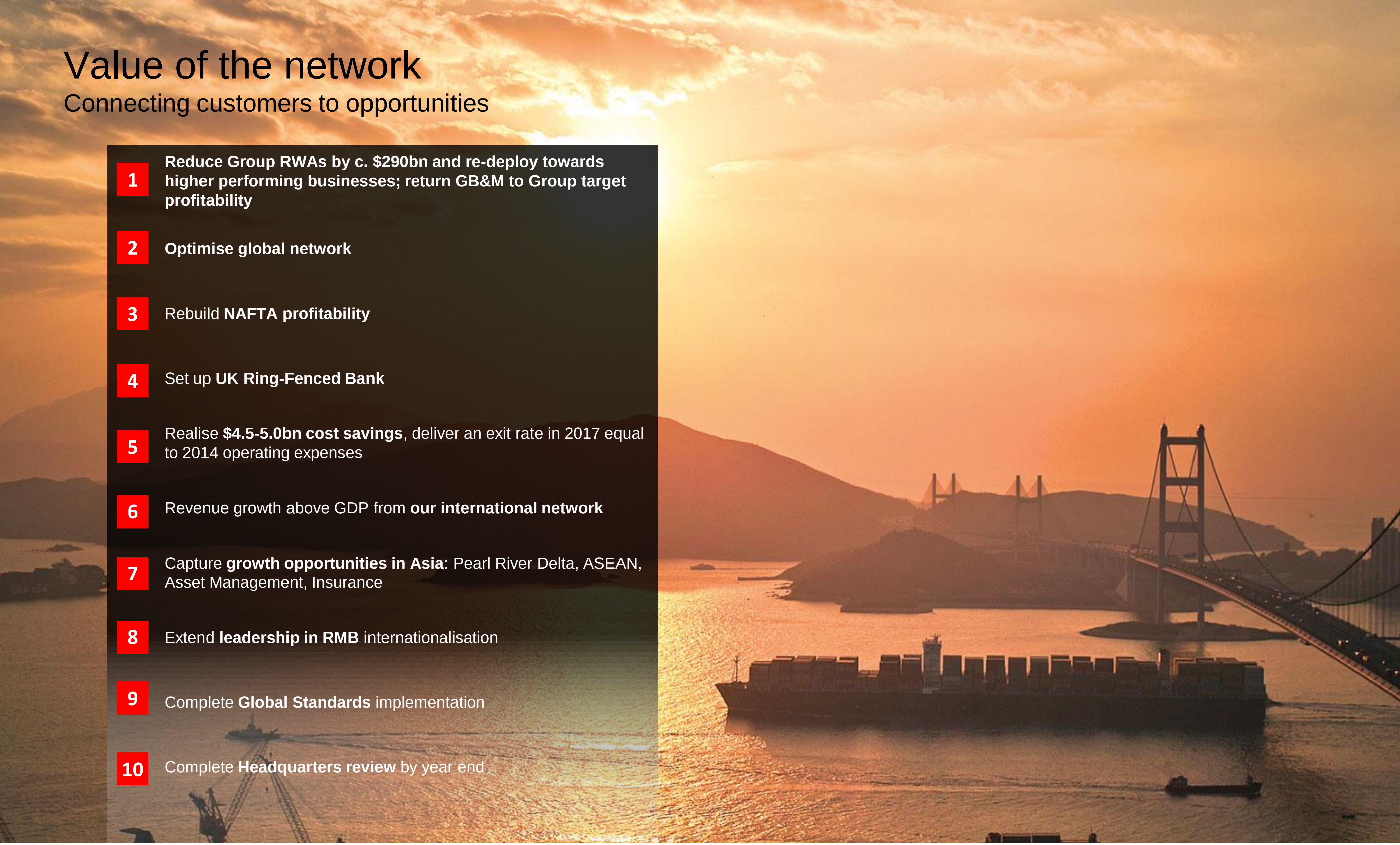
Value of the network

Connecting customers to opportunities



1. **Reduce Group RWAs by c. $290bn and re-deploy towards higher performing businesses; return GB&M to Group target profitability**
2. **Optimise global network**
3. Rebuild **NAFTA profitability**
4. Set up **UK Ring-Fenced Bank**
5. Realise **$4.5-5.0bn cost savings**, deliver an exit rate in 2017 equal to 2014 operating expenses
6. Revenue growth above GDP from **our 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 Annual Results 2015

Presentation to Investors and Analysts

HSBC

Our highlights

2015 Full Year

Reported PBT
(2014: $18.7bn)
$18.9bn

Adjusted PBT
(2014: $22.0bn)
$20.4bn

Reported RoE
(2014: 7.3%)
7.2%

Adjusted Jaws
(3.7)%

Ordinary dividends
In respect of the year
(2014: $0.50)
$0.51

CET1 ratio
(2014: 11.1%)
11.9%

2015 Financial Performance

- Reported PBT up 1%: net favourable movement in significant items
- Adjusted PBT fell 7%:
  - Higher revenue of $0.5bn (1%) from growth in client-facing GB&M (7%), CMB (3%) and Principal RBWM (2%)
  - Higher costs (up $1.6bn) from increased bank levy ($0.4bn), investment in growth ($0.3bn) and regulatory programmes and compliance ($0.7bn)
  - Higher LICs (up 17% or $0.6bn) across a number of countries and industrial sectors, most notably oil and gas

Capital and dividends

- Strong capital position with a common equity tier one ratio of 11.9% on an end point basis and a strong leverage ratio of 5.0%
- Progressive dividends in 2015 of $0.51 per ordinary share; total dividends in respect of the year of $10.0bn

Strategy execution

- Clearly defined actions to capture value from our network and connecting our customers to opportunities
  - Progress on reducing Group RWAs with a $124bn reduction from RWA initiatives or 45% of our rebased 2017 target achieved
  - Signed agreement to sell operations in Brazil[1]
  - Revenue from transaction banking products up 4% highlighting the value and potential of our international network
  - Development of Asia business gaining momentum – revenue growth in excess of GDP in seven out of eight of our priority Asia markets
  - 2H15 costs in line with 1H15 following tight cost control and the initial effect of our cost saving plans

2015 Key metrics

Key financial metrics	FY14	FY15	Target
Return on average ordinary shareholders' equity	7.3%	7.2%	>10%
Jaws (adjusted)	-	(3.7)%	Positive
Dividends per ordinary share in respect of the year	$0.50	$0.51	Progressive
Earnings per share	$0.69	$0.65	n/a
Common equity tier 1 ratio (end point basis)[2]	11.1%	11.9%	n/a
Return on average tangible equity	8.5%	8.1%	n/a
Leverage ratio	4.8%	5.0%	n/a
Advances to deposit ratio	72.2%	71.7%	n/a
Net asset value per ordinary share (NAV)	$9.28	$8.73	n/a
Tangible net asset value per ordinary share (TNAV)	$7.91	$7.48	n/a

Reported Income Statement, $m

	4Q15	vs. 4Q14	2015	vs. 2014
Revenue	11,772	(18)%	59,800	(2)%
LICs	(1,645)	(32)%	(3,721)	3%
Costs	(11,542)	3%	(39,768)	4%
Bank levy[3]	(1,465)	(32)%	(1,421)	(34)%
Costs excl. bank levy	(10,077)	6%	(38,347)	5%
Associates	557	(2)%	2,556	1%
PBT	(858)	(150)%	18,867	1%

Adjusted Income Statement, $m

	4Q15	vs. 4Q14	2015	vs. 2014
Revenue	12,950	(1)%	57,765	1%
LICs	(1,645)	(63)%	(3,721)	(17)%
Costs	(9,959)	(2)%	(36,182)	(5)%
Bank levy[3]	(1,465)	(32)%	(1,421)	(34)%
Costs excl. bank levy	(8,494)	2%	(34,761)	(4)%
Associates	557	2%	2,556	3%
PBT	1,903	(34)%	20,418	(7)%

Financial overview

Reconciliation of Reported to Adjusted PBT

$m	Discrete quarter 4Q14	4Q15	vs. 4Q14	Full year 2014	2015	vs. 2014
Reported profit before tax	**1,730**	**(858)**	**(2,588)**	**18,680**	**18,867**	**187**
Includes						
Currency translation	**19**	**-**	**(19)**	**853**	**-**	**(853)**
Significant items:						
Fair value gains / (losses) on own debt (credit spreads only)	432	(773)	(1,205)	417	1,002	585
Gain on the partial sale of shareholding in Industrial Bank	-	-	-	-	1,372	1,372
Gain / (loss) on sale of several tranches of real estate secured accounts in the US	92	(214)	(306)	168	(214)	(382)
Other revenue-related significant items[4]	(332)	(190)	142	(1,339)	(125)	1,214
Revenue-related significant items	**192**	**(1,177)**	**(1,369)**	**(754)**	**2,035**	**2,789**
Settlements and provisions in connection with legal matters	(809)	(370)	439	(1,187)	(1,649)	(462)
UK customer redress programmes	(340)	(337)	3	(1,275)	(541)	734
Costs-to-achieve	-	(743)	(743)	-	(908)	(908)
Other operating expenses-related significant items[4]	(193)	(135)	58	(933)	(488)	445
Operating expenses-related significant items	**(1,342)**	**(1,585)**	**(243)**	**(3,395)**	**(3,586)**	**(191)**
Adjusted profit before tax	**2,862**	**1,903**	**(959)**	**21,976**	**20,418**	**(1,558)**

The remainder of the presentation, unless otherwise stated, is presented on an adjusted basis

4Q15 Profit before tax performance

Lower PBT driven by LICs and higher bank levy charge

4Q15 vs. 4Q14 PBT analysis

Adjusted PBT by account line

	4Q15	vs. 4Q14 (adverse / favourable)	
Revenue	$12,950m	(120)	(1)%
LICs	$(1,645)m	(634)	(63)%
Operating expenses	$(9,959)m	(214)	(2)%
Bank levy	$(1,465)m	(357)	(32)%
Operating expenses excl. bank levy	$(8,494)m	143	2%
Share of profits in associates and joint ventures	$557m	8	2%
Profit before tax	**$1,903m**	(959)	(34)%

Adjusted PBT by global business, $m	4Q14	4Q15	vs. 4Q14
RBWM	1,664	1,524	(140)
CMB	1,828	1,376	(452)
GB&M	845	1,271	426
GPB	149	108	(41)
Other	(1,624)	(2,376)	(752)
Group	**2,862**	**1,903**	**(959)**

Adjusted PBT by geography, $m	4Q14	4Q15	vs. 4Q14
Europe	(1,123)	(1,334)	(211)
Asia	3,209	2,986	(223)
Middle East and North Africa	368	290	(78)
North America	480	77	(403)
Latin America	(72)	(116)	(44)
Group	**2,862**	**1,903**	**(959)**

4Q15 Loan impairment charges

Drivers of LICs

Adjusted LICs by type

	$m	2014	2015	vs. 2014
Full Year	**Personal**	**1,492**	**1,833**	**(341)**
	Collective	1,456	1,740	(284)
	Specific	36	93	(57)
	Personal LICs / gross loans and advances	0.46%	0.49%	(0.03)ppt
	Wholesale	**1,881**	**1,758**	**123**
	Collective	409	347	62
	Specific	1,472	1,411	61
	Wholesale LICs / gross loans and advances	0.32%	0.27%	0.05ppt
	Impairment on AFS debt securities	**(309)**	**(17)**	**(292)**
	Other credit-risk provisions	**104**	**147**	**(43)**
	Group	**3,168**	**3,721**	**(553)**

	$m	4Q14	4Q15	vs. 4Q14
Quarterly	**Personal**	**281**	**512**	**(231)**
	Collective	279	495	(216)
	Specific	2	17	(15)
	Wholesale	**718**	**994**	**(276)**
	Collective	137	253	(116)
	Specific	581	741	(160)
	Impairment on AFS debt securities	**(30)**	**28**	**(58)**
	Other credit-risk provisions	**42**	**111**	**(69)**
	Group	**1,011**	**1,645**	**(634)**

2015 vs. 2014

Loan impairment charges in our wholesale book remain low

4Q15 vs. 4Q14

Wholesale 4Q15:

- Increase driven by charges in the oil and gas sector, both collective and specific (c. $0.4bn); and
- specific impairment charges across a number of countries and sectors, albeit at similar levels to last year

Personal 4Q15:

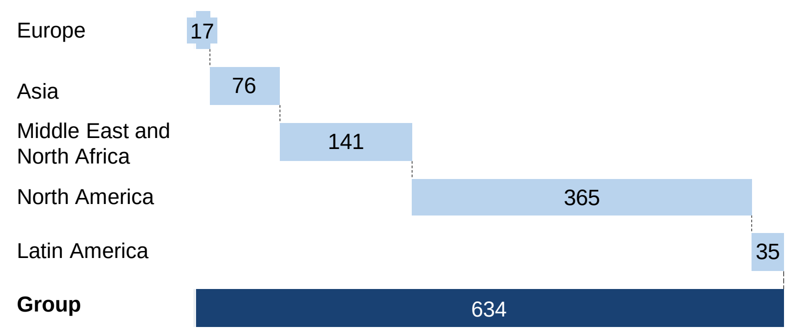
- Increase in collective impairments driven by Brazil ($0.1bn) reflecting economic slowdown and in the US, from lower releases in the CML portfolio

Other credit-risk provisions:

- Increased partly due to higher provisions relating to the oil and gas sector

4Q15 vs. 4Q14 by region

LICs increased $634m



Oil and gas

Limited exposure to service companies and pure producers

Oil and gas[5], $bn

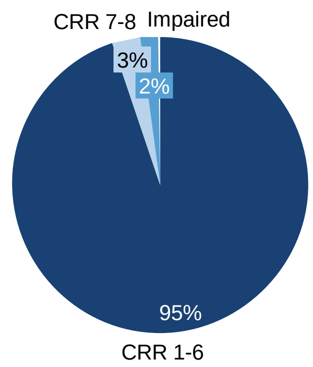
Overall drawn risk exposure **$29bn** *15% down on 2014*

Integrated Producers	Service companies	Pure producers	Infrastructure companies
$14bn	$8bn	$5bn	$2bn

Exposure by region	$bn
Europe	6
Asia	7
Middle East and North Africa	5
North America	9
Latin America	2
Group	**29**

- Overall exposure of $29bn represents c. 2% of wholesale drawn risk exposures
- Large integrated producers remain resilient
- 3% of the portfolio is CRR 7-8, the majority of which is in service companies and pure producers
- 2% of the portfolio is impaired
- Loan impairment charges and other credit risk provisions of c. $0.5bn in the year
  - Individually assessed charges of $0.3bn and
  - collectively assessed charges of $0.2bn (based on $30 per barrel average for 2016)
- Past due but not impaired is insignificant
- Impairment allowances against the oil and gas portfolio of c. $0.6bn

Credit quality (%)



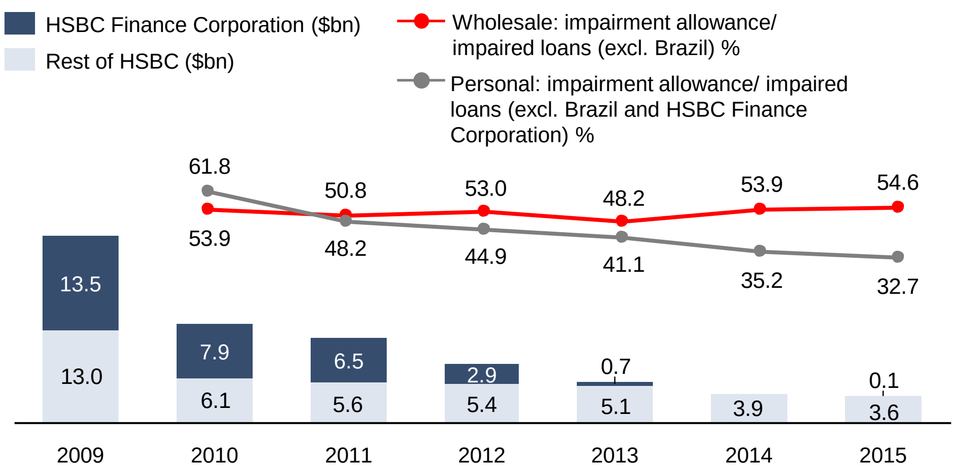
- CRR 1-6 Broadly equivalent to an external rating of B- or better
- CRR 7-8 Broadly equivalent to an external rating ranging from CCC+ to C

Loan impairment charges and other credit risk provisions

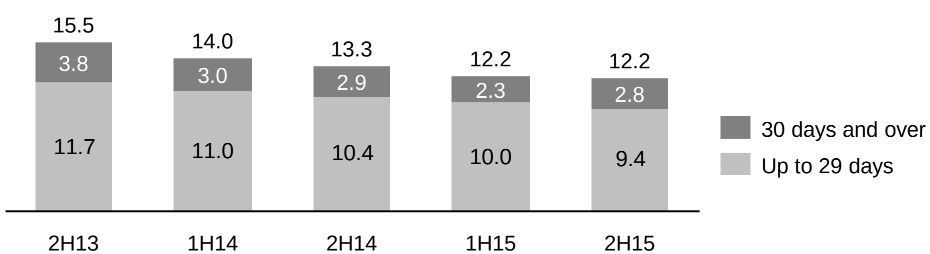
LICs remain at low levels; diversified portfolio

LICs progress

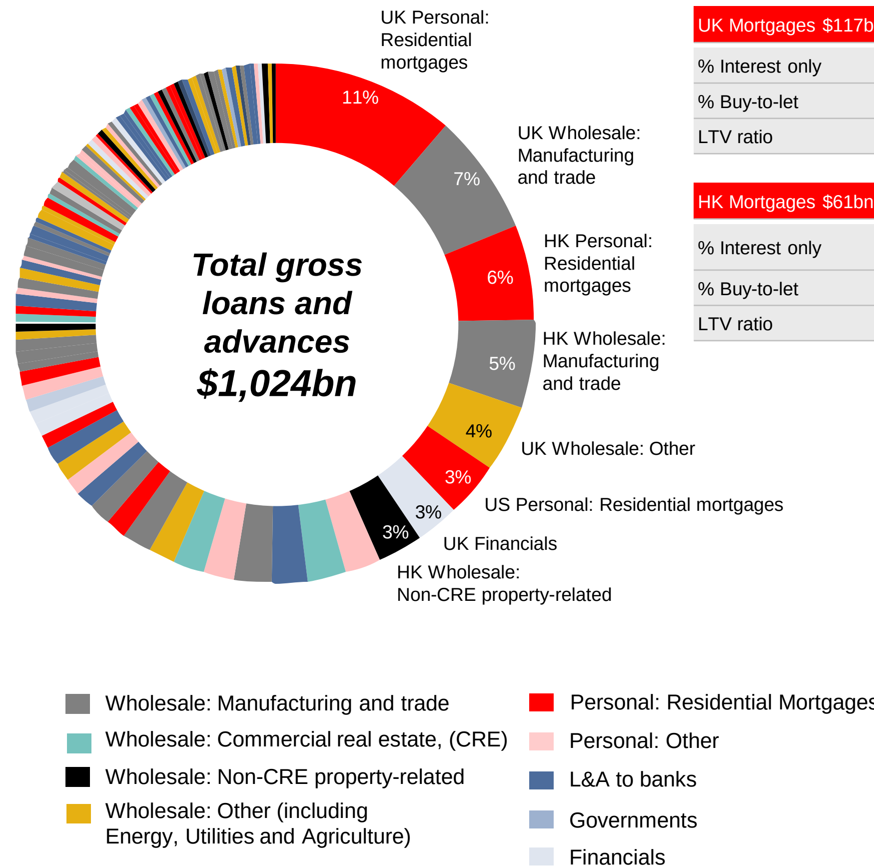
Reported LICs and coverage %: ***Loan impairments remain low***



Reported past due but not impaired, $bn: ***Remain at low levels***



2015 gross loans and advances: ***Diversified lending portfolio***



UK Mortgages $117bn:	
% Interest only	34%
% Buy-to-let	3%
LTV ratio	42.6%

HK Mortgages $61bn:	
% Interest only	n/a
% Buy-to-let	15%
LTV ratio	29.3%

2015 Profit before tax performance

Progress on revenue and LICs remain at low levels; investments in growth, regulatory programmes and compliance and higher bank levy drive costs

Full year PBT analysis

Adjusted PBT by account line

	2015	vs. 2014 (adverse / favourable)	
Revenue	$57,765m	538	1%
LICs	$(3,721)m	(553)	(17)%
Operating expenses	$(36,182)m	(1,606)	(5)%
Bank levy	$(1,421)m	(358)	(34)%
Operating expenses excl. bank levy	$(34,761)m	(1,248)	(4)%
Share of profits in associates and joint ventures	$2,556m	63	3%
Profit before tax	**$20,418m**	(1,558)	(7)%

PBT by global business, $m	2014	2015	vs. 2014
RBWM	7,555	6,830	(725)
CMB	8,623	8,192	(431)
GB&M	7,678	8,746	1,068
GPB	703	519	(184)
Other	(2,583)	(3,869)	(1,286)
Group	**21,976**	**20,418**	**(1,558)**

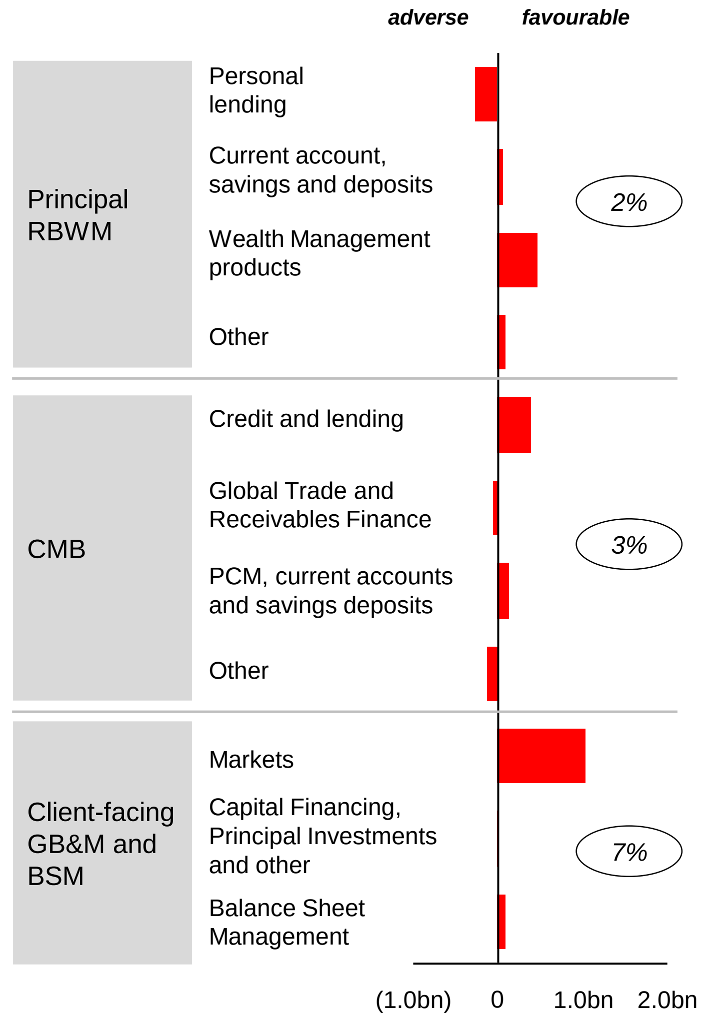
PBT by geography, $m	2014	2015	vs. 2014
Europe	3,496	2,392	(1,104)
Asia	14,295	14,462	167
Middle East and North Africa	1,820	1,542	(278)
North America	1,999	1,563	(436)
Latin America	366	459	93
Group	**21,976**	**20,418**	**(1,558)**

2015 Revenue performance

Higher revenue driven by Client-facing GB&M, CMB and Principal RBWM

2015 vs. 2014 adjusted revenue analysis

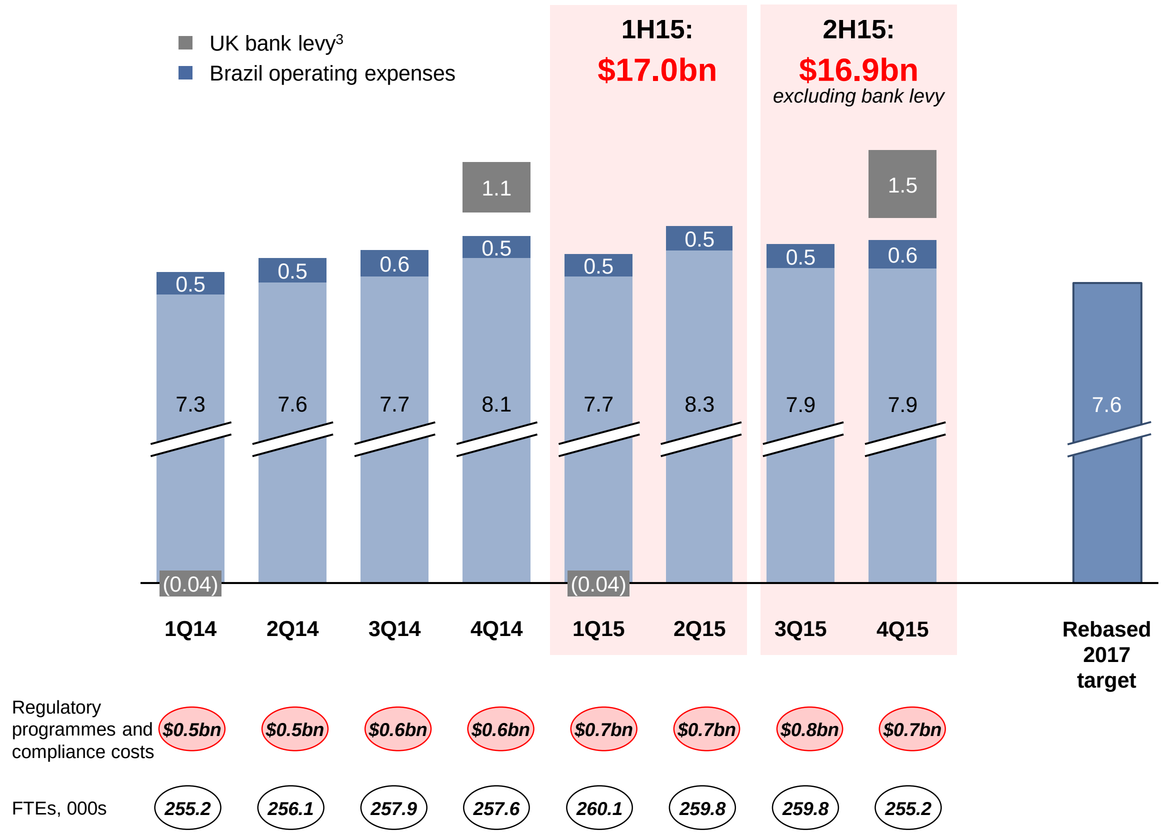
	2015	vs. 2014 (adverse / favourable)	
Principal RBWM	$22,687m	355	2%
CMB	$14,887m	372	3%
Client-facing GB&M and BSM	$17,973m	1,147	7%
GPB	$2,141m	(139)	(6)%
Other	$5,456m	(250)	(4)%
RBWM run-off portfolio	$1,155m	(330)	(22)%
Legacy credit	$61m	77	>200%
Group[6]	**$57,765m**	538	1%



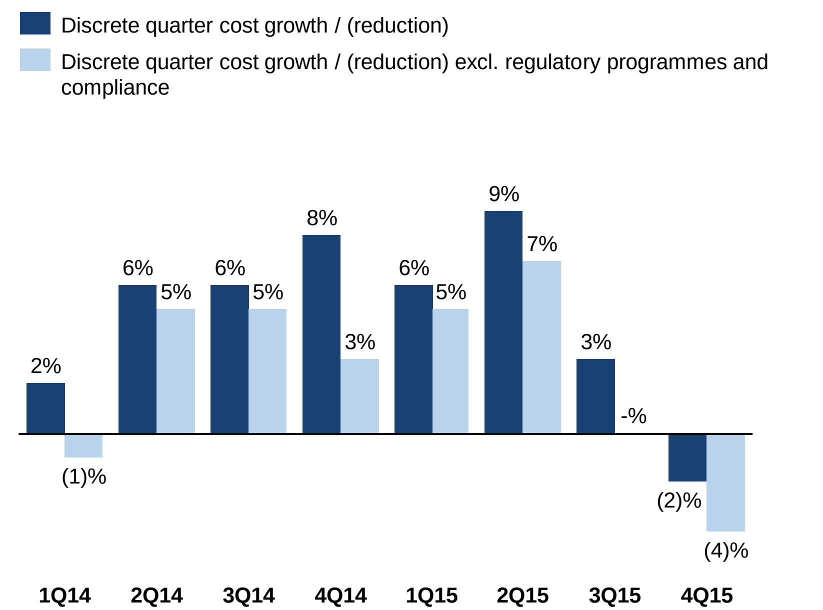
2015 operating expenses

2H15 costs in line with 1H15: tight cost control and initial effect of cost saving plans

Adjusted operating expenses ($bn)



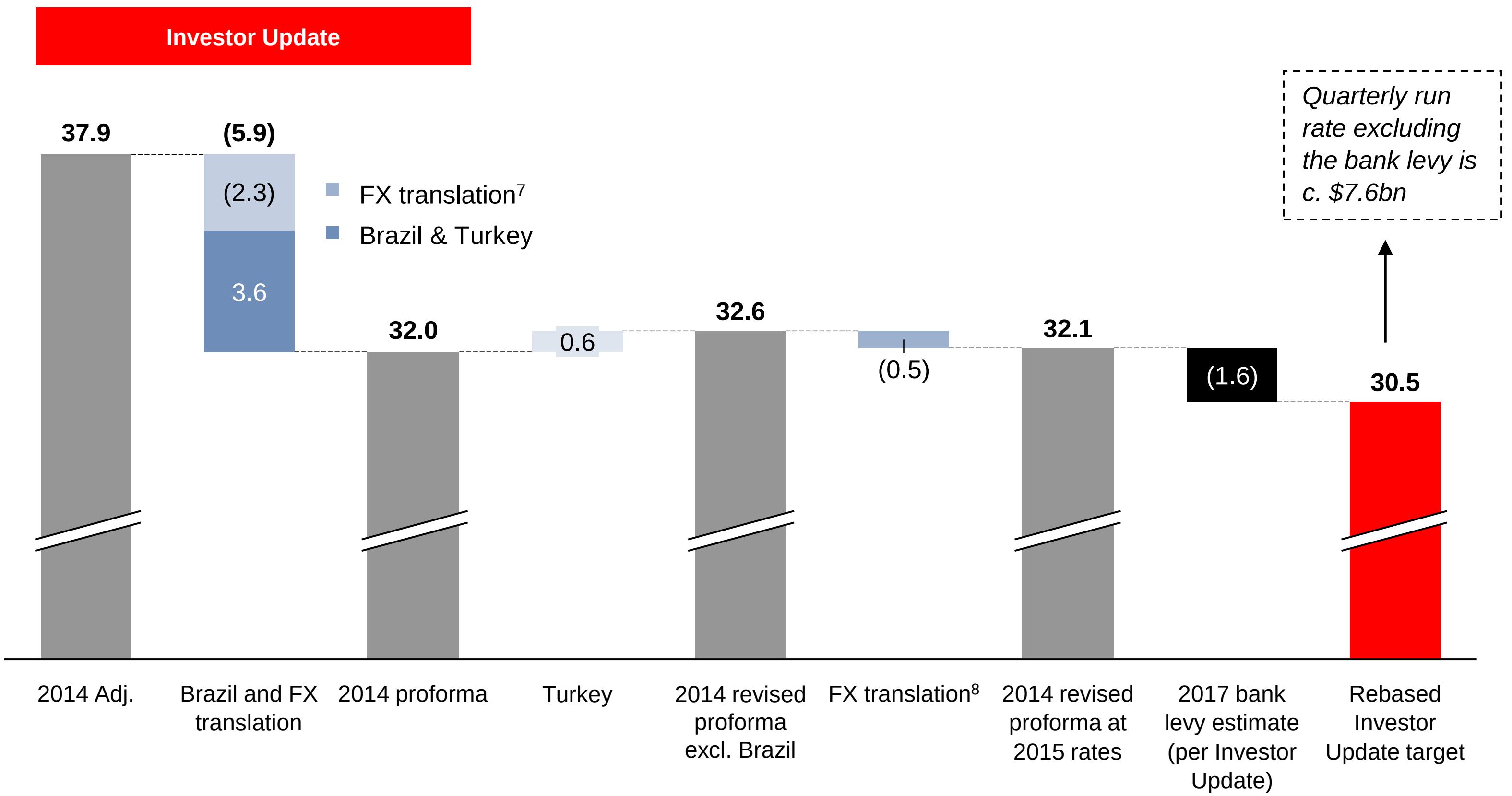
Adjusted quarterly costs excl. bank levy vs. same quarter prior year, %



Operating expenses

Rebased Investor update target

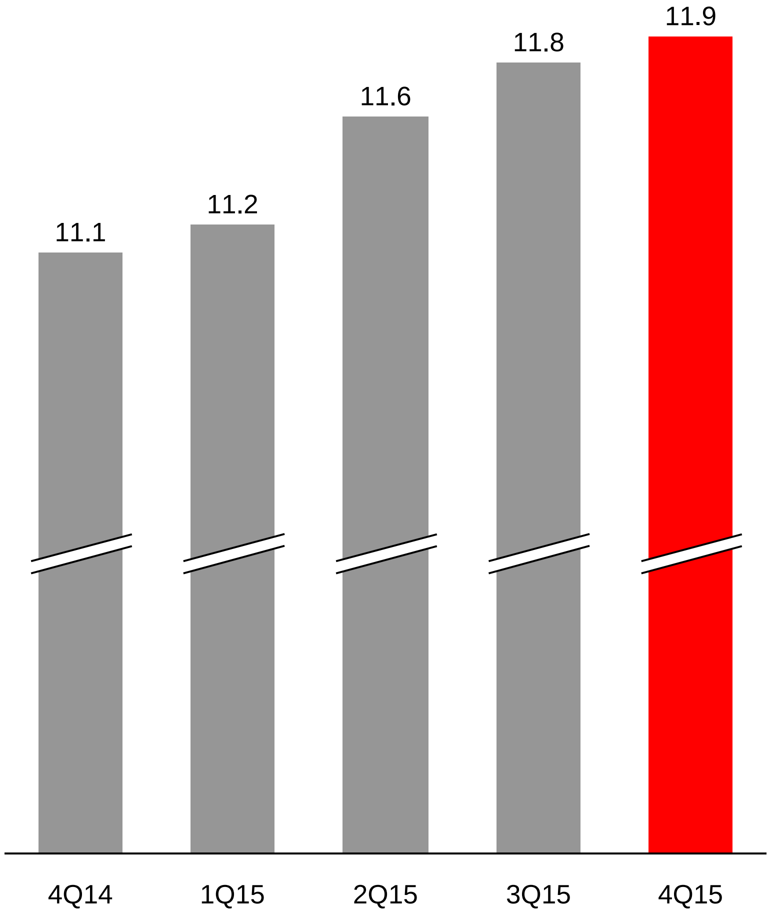
Rebased Investor Update 2015 target ($bn)



Capital adequacy

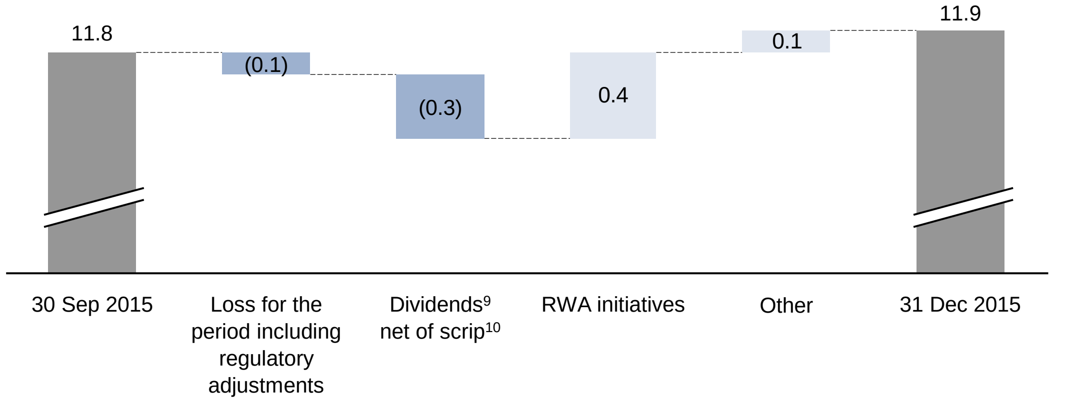
Strong capital base: common equity tier 1 ratio – 11.9%

Quarterly CET1 ratio[2] end-point basis progression, %

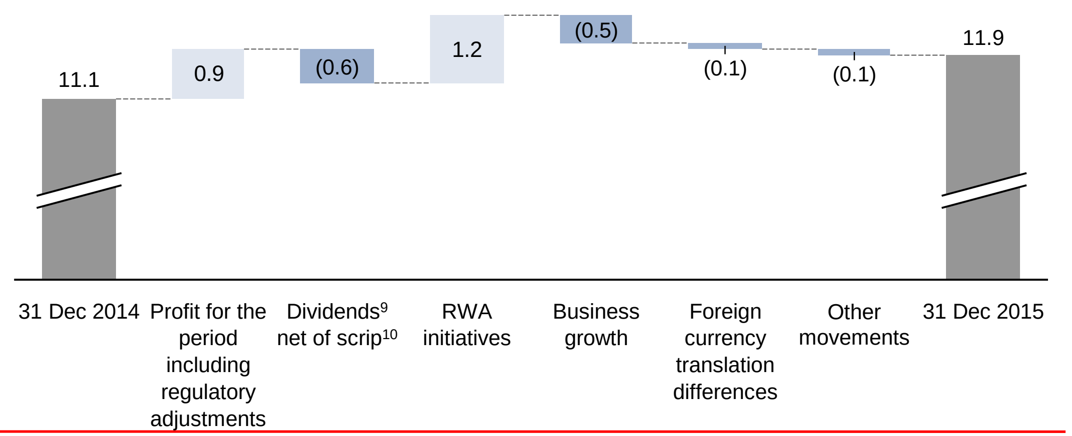


CET1 ratio[2] movement %

4Q15 movement in common equity tier 1 ratio

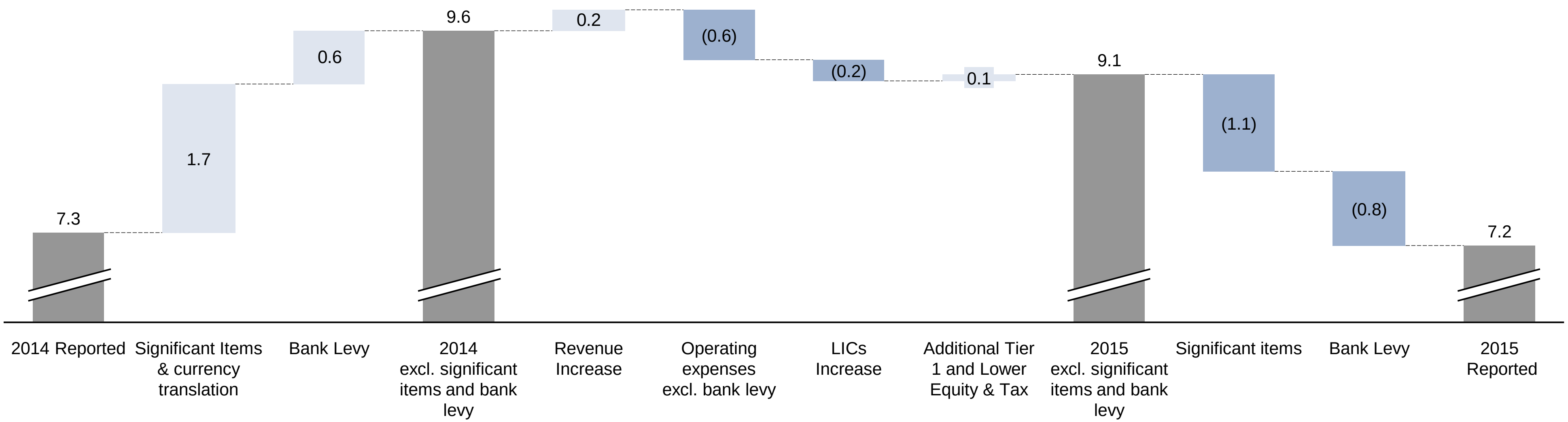


Full year movement in common equity tier 1 ratio



Return metrics
Drivers of returns

Group ROE, %



Group RoRWA

	2014	2015
Reported	1.5%	1.6%
Adjusted[11]	1.9%	1.7%
Adjusted excl. associates and run-off portfolios[12]	2.1%	1.9%

Adjusted RoRWA by global business (ex associates)

	2014	2015	2017 Target
Principal RBWM	5.0%	4.5%	6.3%
CMB	2.4%	2.0%	2.7%
Client-facing GB&M & BSM	1.7%	2.0%	2.7%
GPB[13]	3.3%	2.5%	4.3%

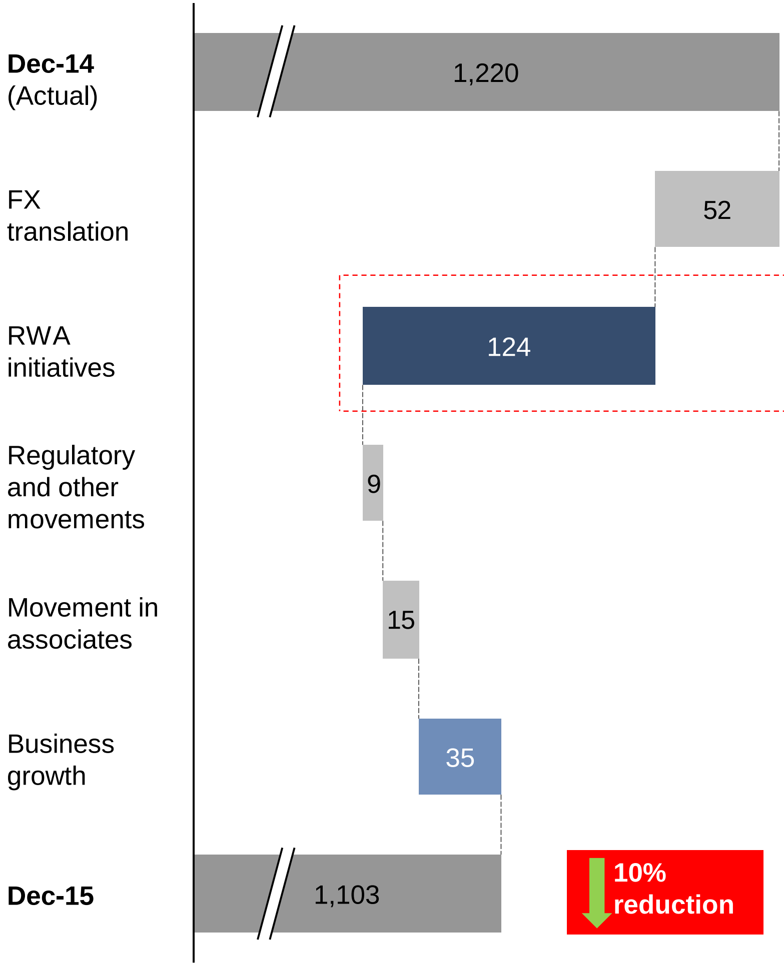
Progress on our actions to capture value

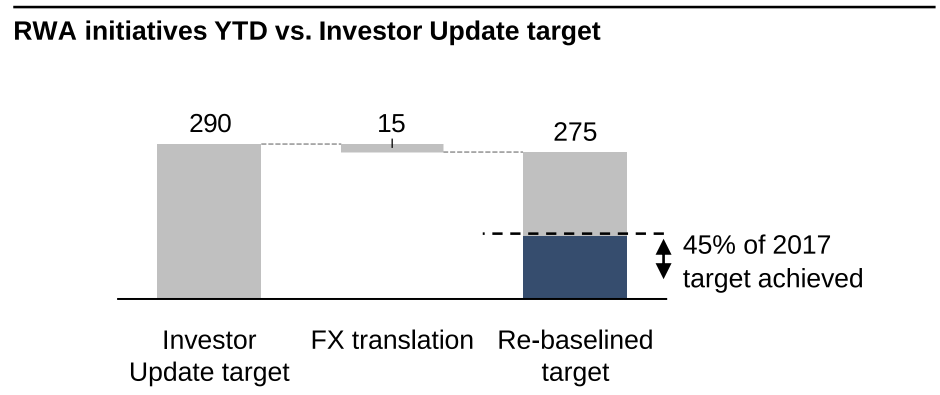
Strategic actions	Targeted outcome by 2017	Progress during 2015
Actions to re-size and simplify		
Reduce Group RWAs by c.$290bn	– Group RWA reduction: $290bn – GB&M <1/3 of Group RWAs	– 45% of our rebased target achieved; $124bn reduction through management initiatives
Optimise global network	– Reduced footprint	– Signed agreement to sell operations in Brazil[1] subject to regulatory approval – Presence reduced to 71 countries and territories
Rebuild NAFTA profitability	– US PBT c. $2bn – Mexico PBT c. $0.6bn	– US Principal: PBT of $0.5bn (up 6% on 2014); Revenue: $4.8bn (up 4% on 2014) – Mexico: PBT of $0.1bn (down 1% on 2014); Revenue: $2.0bn (up 2% on 2014)
Set up UK ring-fenced bank	– Completed by 2018	– Confirmed Birmingham as head office location for HSBC UK
Deliver $4.5-5.0bn cost savings	– 2017 exit rate to equal 2014 operating expenses	– 2H15 costs in line with 1H15 costs following tight cost control and the initial impact of our cost saving plans – 4.6k reduction in FTE since June 2015
Actions to redeploy capital and invest		
Deliver growth above GDP from international network	– Revenue growth of international network above GDP	– Transaction banking revenue: $15.7bn (up 4% on 2014 driven by FX, PCM and HSS) – Revenue synergies: $11.6bn (up 6% on 2014)
Pivot to Asia – prioritise and accelerate investments	– Market share gains – c. 10% growth p.a. in assets under management	– Pearl River Delta: applied to establish a majority-owned joint venture securities company, allowing us to engage in the full spectrum of securities business in mainland China – Insurance manufacturing new business premiums: $2.0bn (up 7% on 2014) – Development of Asia business gaining momentum: revenue growth in excess of GDP in seven out of eight priority markets – ASEAN revenue: $3.2bn (up 5% on 2014); – Asset Mgt. AUM distributed in Asia: $129bn (up 13% on 2014)
RMB internationalisation	– $2.0-2.5bn revenue	– Renminbi internationalisation revenue: $1.7bn (up 3% on 2014)
Global standards	– Completed implementation	– Updated procedures across all markets to comply with new AML and sanctions policies – Enhanced infrastructure, transaction monitoring and screening
Domicile		
Headquarters review	– Completed review by end of 2015	– Review completed: decision announced to remain headquartered in the UK

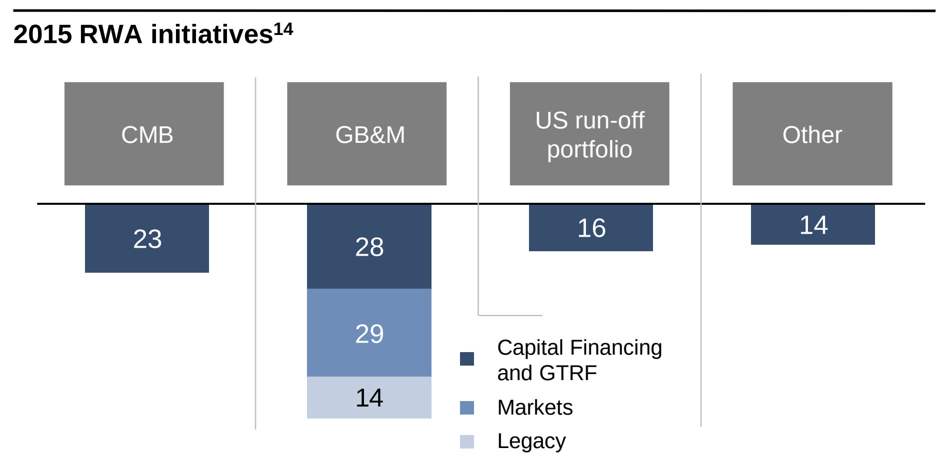
Reduce RWAs by $290bn

45% of our rebased target achieved

Key movements in Group RWAs ($bn)







Revenue growth from our international network

Growth above GDP from our international network

Transaction Banking[15]

Revenue growth 2015 vs 2014

Transaction Banking — **4% increase**

Transaction Banking Products

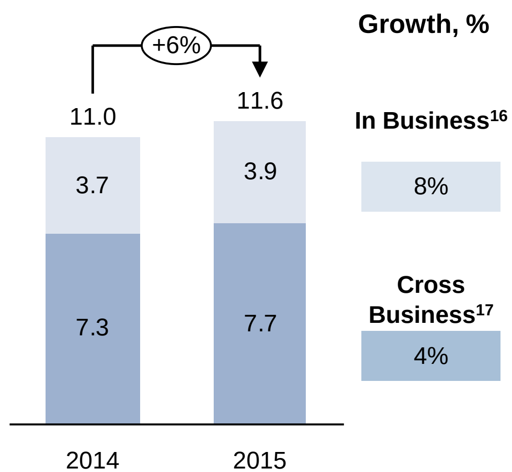
	2015 Revenue $bn	Growth, %
PCM	6.5	4
GTRF	3.1	(1)
FX	4.4	7
HSS	1.7	7
Total	15.7	4

Revenue Synergies[16,17]

Revenue growth 2015 vs 2014

Revenue synergies — **6% increase**

Revenue Synergies, $bn

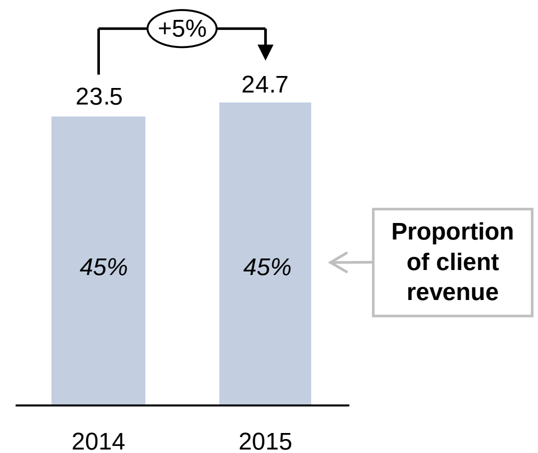


International Client Revenue[18]

Revenue growth 2015 vs 2014

International client revenue — **5% increase**

International Client Revenue, $bn



Outlook

Invest selectively, achieve cost target, optimise capital

Group financial targets

ROE	**> 10%**
Jaws	**Positive (adjusted basis)**
Dividend	**Progressive[19]**

Delivering our strategy

- **Strong capital generation,** well funded, very liquid balance sheet; resilient business model
- Revenue opportunities in targeted areas; we continue to **invest for growth**
- Consistent risk appetite; maintain **credit risk standards;** deliver **Global Standards**
- **Deliver $4.5 – 5.0bn cost savings**
- **Deliver $290bn RWA reduction;** strategic redeployment, Asia Pivot
- **Dividend growth** dependent on long-term profitability and further release of less efficiently deployed capital. Actions to address these points are core elements of our **Investor Update** in June 2015

Low-risk model with low earnings volatility

	HSBC	Peer group average[20]
A / D ratio	72%	94%
LICs / Loans and advances	0.4%	0.9%
10 year PBT volatility[21]	0.9x	2.2x
CET1 ratio	11.9%	11.6%

Diversified business, low earnings volatility and strong capital generation

Appendix

Appendix

Currency translation and significant items

$m	4Q14	4Q15	2014	2015
Currency translation	**19**	**-**	**853**	**-**
Significant items:				
Revenue				
Gain / (Loss) on sale of several tranches of real estate secured accounts in the US	92	(214)	168	(214)
Gain on the partial sale of shareholding in Industrial Bank	-	-	-	1,372
(Adverse) / Favourable debit valuation adjustment on derivative contracts	(53)	(186)	(332)	230
(Adverse) / Favourable fair value movements on non-qualifying hedges	(200)	26	(541)	(327)
Provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK	(51)	(12)	(632)	(10)
Favourable / (Adverse) movements on own credit spread	432	(774)	417	1,002
Gain on sale of shareholding in Bank of Shanghai	-	-	428	-
Impairment of our investment in Industrial Bank	-	-	(271)	-
Brazil disposal costs	-	(18)	-	(18)
Acquisition, disposals and dilutions	(28)	-	9	-
	191	**(1,177)**	**(754)**	**2,035**
Operating expenses				
Charge in relation to settlement agreement with Federal Housing Finance Authority	-	-	(550)	-
Regulatory provisions in GPB	(65)	(18)	(65)	(172)
Settlements and provisions in connection with legal matters	(809)	(370)	(1,187)	(1,649)
UK customer redress programmes	(340)	(337)	(1,275)	(541)
Restructuring and other related costs	(128)	-	(278)	(117)
Costs-to-achieve	-	(743)	-	(908)
Costs to establish UK ring-fenced bank	-	(61)	-	(89)
Brazil disposal costs	-	(55)	-	(110)
Acquisition, disposals and dilutions	-	-	(40)	-
	(1,342)	**(1,585)**	**(3,395)**	**(3,586)**
Currency translation and significant items	**(1,132)**	**(2,762)**	**(3,296)**	**(1,551)**

Appendix
Reported Consolidated Income statement

$m	4Q14	4Q15	2014	2015
Net interest income	8,547	8,059	34,705	32,531
Net fee income	3,718	3,471	15,957	14,705
Net trading income	1,190	1,408	6,760	8,723
Net income from financial instruments designated at fair value	557	(250)	2,473	1,532
Gains less losses from financial investments	420	20	1,335	2,068
Dividend income	22	27	311	123
Net insurance premium income	2,605	2,255	11,921	10,355
Other operating income	270	(52)	1,131	1,055
Total operating income	**17,329**	**14,938**	**74,593**	**71,092**
Net insurance claims and benefits paid and movements in liabilities to policyholders	(3,023)	(3,166)	(13,345)	(11,292)
Net operating income before loan impairment charges and other credit risk provisions	**14,306**	**11,772**	**61,248**	**59,800**
Loan impairment charges and other credit risk provisions	(1,250)	(1,645)	(3,851)	(3,721)
Net operating income	**13,056**	**10,127**	**57,397**	**56,079**
Total operating expenses	(11,892)	(11,542)	(41,249)	(39,768)
Operating profit	**1,164**	**(1,415)**	**16,148**	**16,311**
Share of profit in associates and joint ventures	567	557	2,532	2,556
Profit before tax	**1,731**	**(858)**	**18,680**	**18,867**
Cost efficiency ratio %	**83.1**	**98.0**	**67.3**	**66.5**

Appendix

Reported Consolidated Income statement by global business

$m

	RBWM		CMB		GB&M		GPB		Other		Total[22]	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Net interest income	17,130	15,926	10,158	9,859	7,022	6,931	994	870	(501)	(710)	34,705	32,531
Net fee income	6,836	6,218	4,570	4,190	3,560	3,375	1,056	959	(65)	(37)	15,957	14,705
Net trading income	(17)	521	616	555	5,861	7,169	294	325	(92)	(192)	6,760	8,723
Other income	1,200	851	404	266	1,335	758	33	18	7,023	8,543	3,826	3,841
Net operating income before loan impairment charges and other credit risk provisions	**25,149**	**23,516**	**15,748**	**14,870**	**17,778**	**18,233**	**2,377**	**2,172**	**6,365**	**7,604**	**61,248**	**59,800**
Loan impairment charges and other credit risk provisions	(1,936)	(1,939)	(1,558)	(1,770)	(365)	-	8	(12)	-	-	(3,851)	(3,721)
Net operating income	**23,213**	**21,577**	**14,190**	**13,100**	**17,413**	**18,233**	**2,385**	**2,160**	**6,365**	**7,604**	**57,397**	**56,079**
Total operating expenses	(18,030)	(17,020)	(6,981)	(6,744)	(12,028)	(10,834)	(1,778)	(1,832)	(8,601)	(9,933)	(41,249)	(39,768)
Operating profit	**5,183**	**4,557**	7,209	**6,356**	5,385	**7,399**	**607**	**328**	**(2,236)**	**(2,329)**	**16,148**	**16,311**
Share of profit in associates and joint ventures	398	410	1,605	1,617	504	511	19	16	6	2	2,532	2,556
Profit before tax	**5,581**	**4,967**	**8,814**	**7,973**	**5,889**	**7,910**	**626**	**344**	**(2,230)**	**(2,327)**	**18,680**	**18,867**

Appendix

Reported Consolidated Balance Sheet

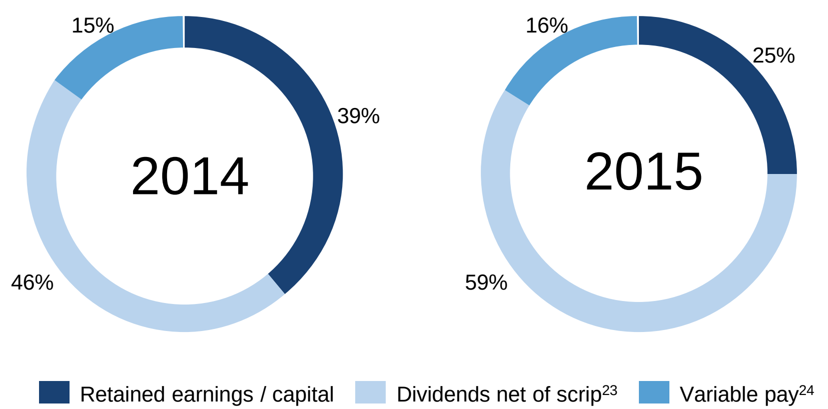
$m	At 31 Dec 2014	At 30 Jun 2015	At 31 Dec 2015
Assets			
Cash and balances at central banks	129,957	144,324	98,934
Trading assets	304,193	283,138	224,837
Financial assets designated at fair value	29,037	25,168	23,852
Derivatives	345,008	296,942	288,476
Loans and advances to banks	112,149	109,405	90,401
Loans and advances to customers	974,660	953,985	924,454
Reverse repurchase agreements – non trading	161,713	149,384	146,255
Financial investments	415,467	404,682	428,955
Assets held for sale	7,647	60,929	43,900
Other assets	154,308	143,756	139,592
Total assets	**2,634,139**	**2,571,713**	**2,409,656**
Liabilities			
Deposits by banks	77,426	71,140	54,371
Customer accounts	1,350,642	1,335,800	1,289,586
Repurchase agreements – non trading	107,432	81,506	80,400
Trading liabilities	190,572	181,435	141,614
Financial liabilities designated at fair value	76,153	69,485	66,408
Derivatives	340,669	289,984	281,071
Debt securities in issue	95,947	102,656	88,949
Liabilities under insurance contracts	73,861	69,494	69,938
Liabilities of disposal groups held for sale	6,934	53,226	36,840
Other liabilities	114,525	115,605	102,961
Total liabilities	**2,434,161**	**2,370,331**	**2,212,138**
Equity			
Total shareholders' equity	190,447	192,427	188,460
Non-controlling interests	9,531	8,955	9,058
Total equity	**199,978**	**201,382**	**197,518**
Total equity and liabilities	**2,634,139**	**2,571,713**	**2,409,656**
Net assets value per ordinary share (NAV) - $	**9.28**	**9.11**	**8.73**
Tangible assets value per ordinary share (TNAV) - $	**7.91**	**7.81**	**7.48**

Where the profit goes

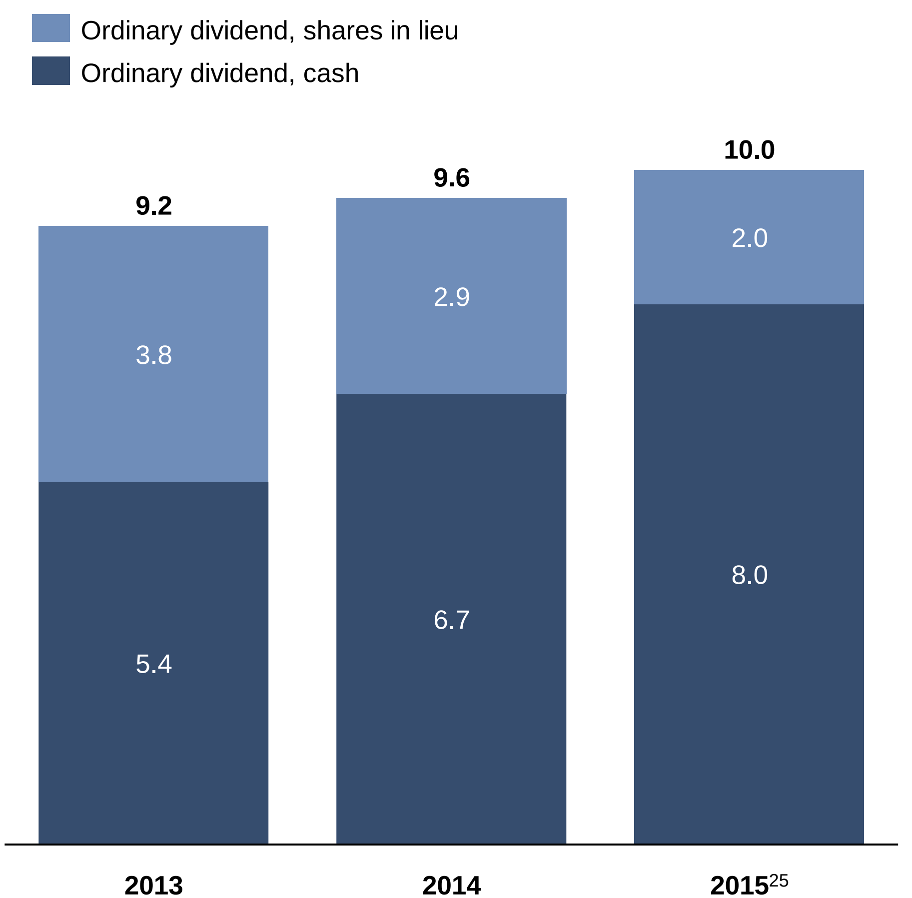
Pre-tax variable pay

$m	Group		GB&M	
	2014	2015	2014	2015
Total variable pay pool	3,660	3,462	1,120	1,086
Variable compensation incentive pool as a % of pre-tax profit (pre-variable pay)	16%	16%	15%	12%
Proportion of variable pay pool deferred (%)	14%	15%	25%	26%

Pro-forma post-tax profits allocation



Growing ordinary dividends (in respect of the year), $bn



Metals and mining sector

Metals and mining, $bn

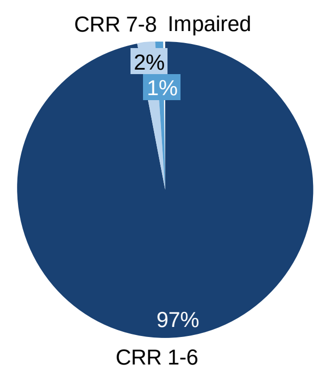
Overall drawn risk exposure **$18bn**

Base / diversified	Bulk	Precious metals	Steel / Aluminium
$4bn	**$3bn**	**$2bn**	**$9bn**
Copper, Zinc and Nickel	Iron ore and metallurgical coal	Gold and Silver	

Exposure by region	$bn
Europe	3
Asia	9
Middle East and North Africa	1
North America	5
Latin America	-
Group	**18**

- $18bn represents c.1.5% of wholesale drawn risk exposure
- Precious metals, copper, nickel and zinc prices are generally forecast to improve slightly in 2016
- The outlook for steel, aluminium and bulk metals is more negative due to a combination of oversupply and reduction in demand
- 3% of the portfolio is CRR 7 or worse
- Loan impairment charges of c. $0.1bn during 2015

Credit quality (%)

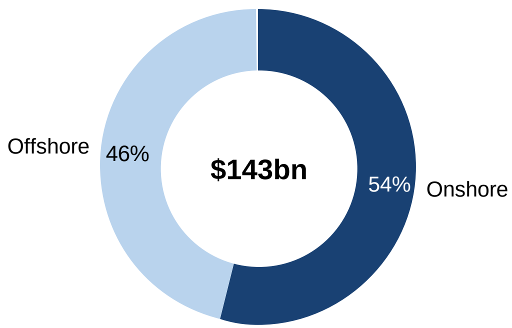


- CRR 1-6 Broadly equivalent to an external rating of B- or better
- CRR 7-8 Broadly equivalent to an external rating ranging from CCC+ to C

Mainland China

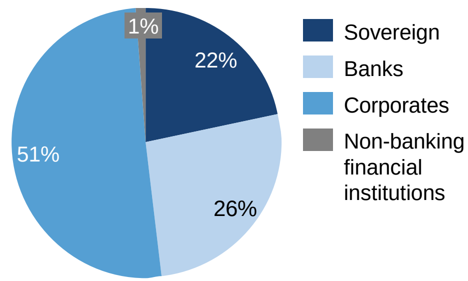
Portfolio continues to perform well

Mainland China drawn risk exposure[26]



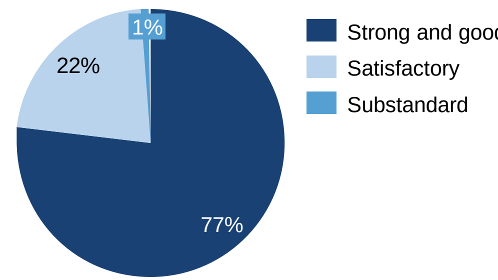
Wholesale lending

Wholesale lending type (%)



- 99% of the banks are investment grade
- Our Corporate lending is diversified with real estate the largest sector comprising just over 20% of the portfolio ($15bn)

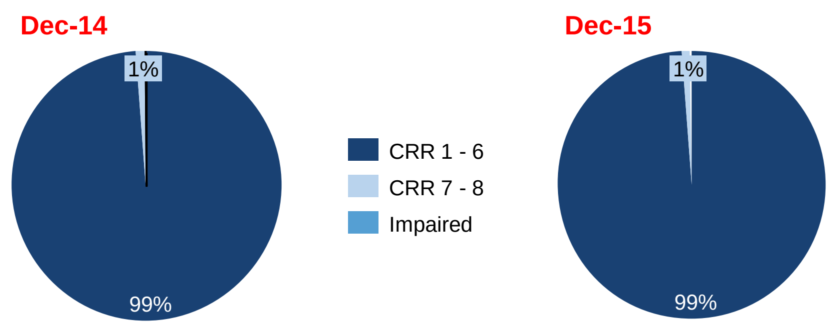
Corporate real estate credit quality (%)



Key characteristics

- Wholesale: $135bn; Retail: $8bn
- HSBC’s market share is 0.2% which allows us to be selective in our lending
- Losses remain low (onshore loan impairment charges of c $0.1bn)
- Impaired loans and days past due trends are also stable

Corporate quality (%)

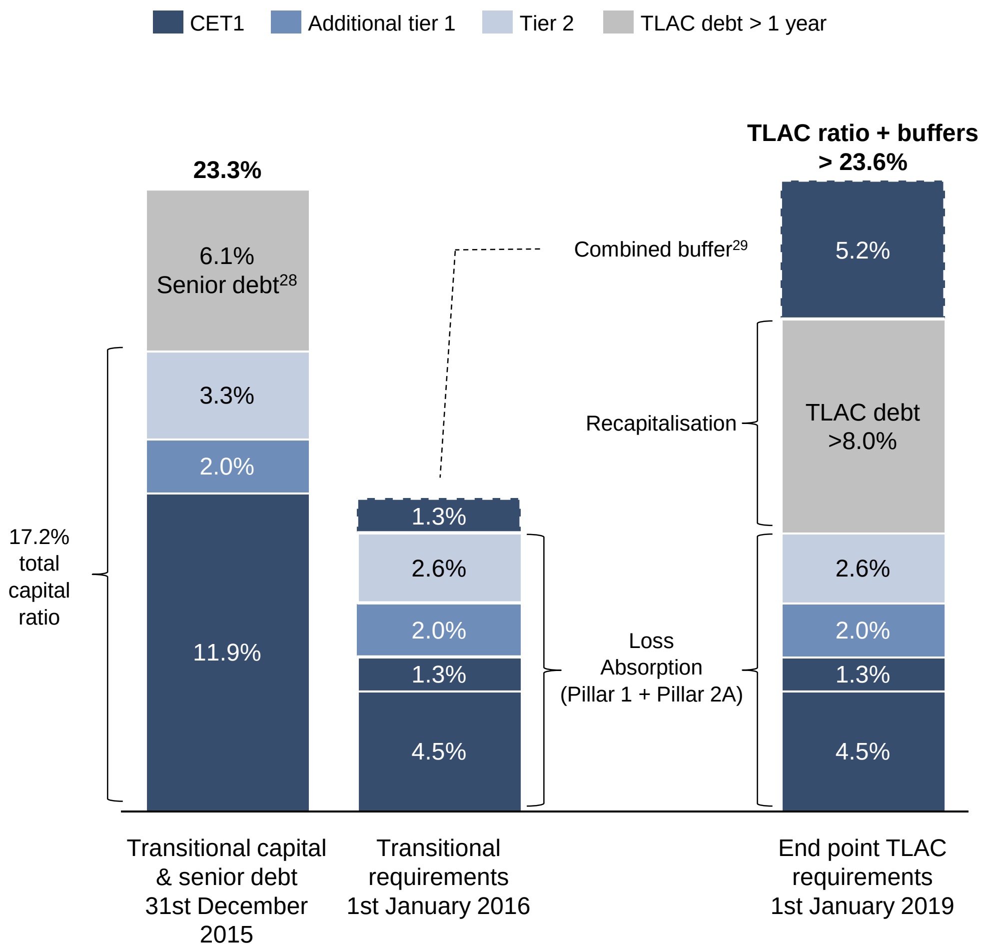


- CRR 1-6 Broadly equivalent to an external rating of B- or better
- CRR 7-8 Broadly equivalent to an external rating ranging from CCC+ to C

Group capital structure

Progressing to end state capital structure

Evolution of Group capital structure in % of RWA[27]



End point requirements 2019 - assumptions

- Loss absorption Pillar 1 and capital buffer requirements per CRD IV; Pillar 2A requirements as currently communicated by the PRA (held constant for illustration)
- BoE expected to align MREL with TLAC, with recapitalisation amount to be confirmed upon assessment of our resolution strategy
- MPE resolution groups local requirements expected to be no higher than group consolidated (SPE) requirement

TLAC issuance

- HSBC plans to raise USD60 - 80bn[27] of TLAC debt over the period 2016-18 to meet these requirements. Total senior debt redemptions from the HSBC Group entities during that period will amount to c.USD51bn[28]
- Per the TLAC finalised principles[27] HSBC will be required to accumulate additional TLAC debt of 2% of RWAs by 1 January 2022
- In 2016 HSBC Holdings plc will be the sole issuer of external TLAC debt for the Group
- TLAC debt will be downstreamed in a form compliant with local regulations

Appendix
Footnotes

1. We plan to maintain a corporate presence in Brazil to serve our international clients
2. 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
3. Net bank levy charge was $1,421m in 2015 and $1,063m in 2014; 1Q14 and 1Q15 included credits relating to the prior year's bank levy charge of $45m and $44m respectively
4. Other revenue and operating expenses-related significant items include:

$m	4Q14	4Q15	2014	2015
Revenue				
(Adverse) / favourable debit valuation adjustment on derivative contracts	(53)	(186)	(332)	230
(Adverse) / favourable fair value movements on non-qualifying hedges	(200)	26	(541)	(327)
Provisions arising from the ongoing review of compliance with the Consumer Credit Act in the UK	(51)	(12)	(632)	(10)
Gain on sale of shareholding in Bank of Shanghai	-	-	428	-
Impairment of our investment in Industrial Bank	-	-	(271)	-
Brazil disposal costs	-	(18)	-	(18)
Acquisition, disposals and dilutions	(28)	-	9	-
	(332)	**(190)**	**(1,339)**	**(125)**
Operating expenses				
Charge in relation to settlement agreement with Federal Housing Finance Authority	-	-	(550)	-
Regulatory provisions in GPB	(65)	(18)	(65)	(172)
Restructuring and other related costs	(128)	-	(278)	(117)
Costs to establish UK ring-fenced bank	-	(61)	-	(89)
Brazil disposal costs	-	(55)	-	(110)
Acquisition, disposals and dilutions	-	-	(40)	-
	(193)	**(135)**	**(933)**	**(488)**

For a complete list, refer to slide 20

5. Excludes Brazil
6. Group also includes $6.6bn of intersegment elimination

Appendix
Footnotes

7. Effect of translating the 2014 adjusted operating expenses to 1Q15 foreign exchange rates as per Investor Update 2015
8. Effect of translating the Investor Update target to 2015 foreign exchange rates
9. This includes dividends on ordinary shares, quarterly dividends on preference shares and coupons on capital securities, classified as equity
10. Dividends net of scrip includes fourth interim dividends net of planned 20% scrip take-up
11. Adjusted RoRWAs are calculated using annualised adjusted PBT and reported RWAs at constant currency, adjusted for significant items
12. Run-off portfolios mainly comprise GB&M Legacy Credit and RBWM US run-off portfolios
13. 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
14. Enhanced processes during Q4 resulted in the retrospective recognition of $6.7bn of RWA initiatives and $4.8bn Business growth from prior quarters
15. Includes revenue from our Payments and Cash Management, Global Trade and Receivables Finance, Foreign Exchange and Securities Services businesses across all global businesses
16. In business synergies include separately managed operations (Securities Services, Asset Management and Life Insurance (manufacturing)) that are reported within a global business line. Revenue from Asset management products to GB&M, CMB and GPB customers that are included in cross-business synergies are excluded from manufacturing revenues in in-business synergies
17. Cross-business synergies are presented as gross revenue and do not reflect any revenue sharing arrangement between Global Businesses. The principal components of cross-business synergies are (i) in GB&M: PCM and GTRF solutions from CMB, and Asset management products from RBWM; (ii) in CMB: FX, derivatives, and capital financing from GB&M, Investment and insurance, and Asset management products from RBWM; (iii) in RBWM: Global Markets products for retail and business banking customers and (iv) in GPB: referrals from other global businesses, Global Markets products to private clients and Insurance and Asset Management products from RBWM
18. Revenue from International Clients is an estimate based on information held in our client system applied to adjusted revenue. Client Revenue is defined as Group adjusted revenue excluding Other Global Business / Inter-segment, BSM, Principal Investments, Legacy Credit and US CML Run Off. International clients are businesses and individuals with an international presence
19. 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
20. Peer group average calculated using latest available reported financials 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)
21. Calculated as average of the PBT range divided by average PBT for the last 10 years for the peers defined
22. Amounts are non-additive across global businesses due to intercompany transactions within the Group
23. Inclusive of dividends to holders of other equity instruments and net of scrip issuance based on an assumption of scrip take up for the fourth quarter of 2015 of 20%. Dividends per ordinary share declared in respect of 2015 were $0.51, an increase of 2% compared with 2014. The post-tax profits allocation figures shown in the Annual Report and Accounts 2014 in respect of that year assumed a scrip take up of 20%. The figures shown above in relation to 2014 have been calculated based on an actual scrip take up of 52%
24. Total variable pay pool net of tax and portion to be delivered by the award of HSBC shares
25. Includes fourth interim dividend with scrip estimated at 20%
26. Retail drawn exposures represent retail lending booked in mainland China; wholesale drawn exposures represents wholesale lending where the ultimate parent or beneficial owner is Chinese

Appendix
Footnotes

27. Based on our interpretation of the Financial Stability Board's ('FSB') 'Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution' (published in November 2015). Estimate is based on the higher of 16% of Group consolidated third party RWAs (excluding associates) and twice the Basel III Tier 1 leverage ratio of 3% (these increase to 18% and 6.75%, respectively, by 1 January 2022). HSBC is subject to BRRD firm-specific MREL requirements; the BoE is currently consulting on its implementation in the UK. Final implementation of the rules could differ from FSB. Further, prospective regulatory RWA changes may increase the TLAC requirement
28. Senior debt includes senior unsecured and structured notes issued to external investors with size above $250m equivalent and with more than 18 months maturity at the time of issue
29. The combined buffer is comprised of a Capital Conservation Buffer (CCB) of 2.5%; a G-SII buffer currently set at 2.5%; and a Countercyclical Capital Buffer (CCyB) dependent on the buffer rates set by regulators – the Group CCyB rate on 1 January 2016 is approximately nil; the 2019 CCyB estimate of approximately 0.2% is based on announced and confirmed rates as of 31 December 2015 (future increases in the CCyB rate, where not formally confirmed, have not been included in our numbers). The G-SII and CCB are phased-in from 1 January 2016 to 1 January 2019. The G-SII buffer, CCyB buffer and Pillar 2A requirements are subject to change over time

Appendix

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.

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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 2015 Annual Report and Accounts and the Reconciliations of Non-GAAP Financial Measures document which are both available at www.hsbc.com.

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